



Mpact Limited Annual Results

Annual results for year ended 31 December 2012

7 March 2013

Agenda

- **2012 in context**
- Highlights for the year ended 31 December 2012
- Operating review
- Financial review
- Summary and outlook
- Annexures

2012 in context

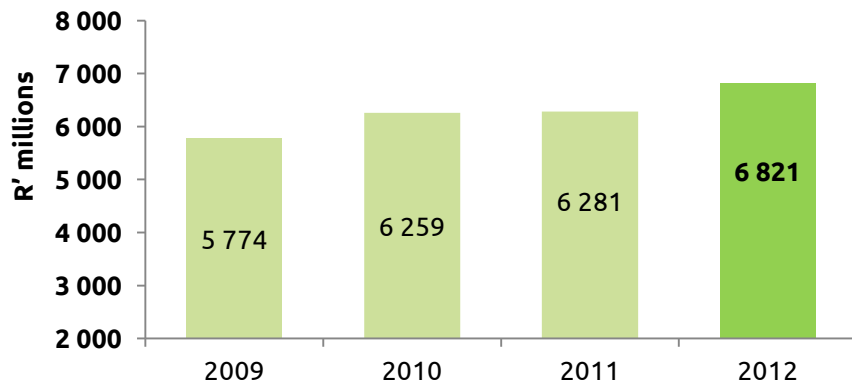
- Good fruit exports
- Weaker Rand
- Muted GDP and consumer spend
- Competitive trading environment
 - Limited selling price increases
- Transport, electricity and labour cost increases above inflation
- Industry-wide labour unrest

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Highlights

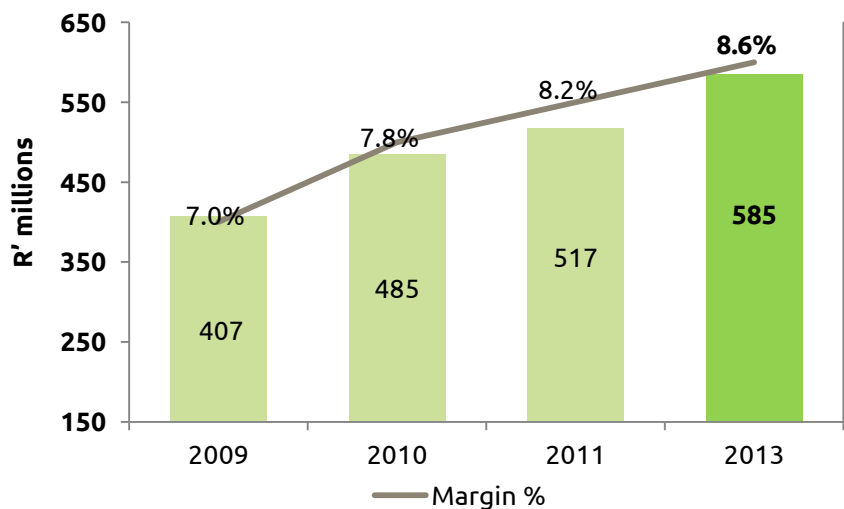
Revenue



- Revenue up 8.6% to R6.8 billion (10.9% excl. Paperlink)
- Volumes up 5.7% (7.8% excl. Paperlink)
- Underlying operating profit up 13.2% to R585 million (11.6% excl. Paperlink)

- Improved operating margin of 8.6%

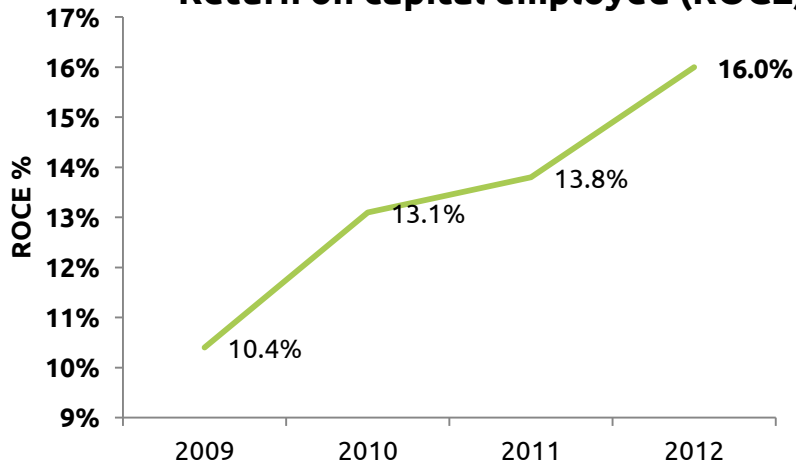
Underlying operating profit



- Underlying EPS 191.1 cents from 102.9 cents
- Final dividend of 50 cents per share
- Total dividends declared of 70 cents per share
- B-BBEE rating of Level 4

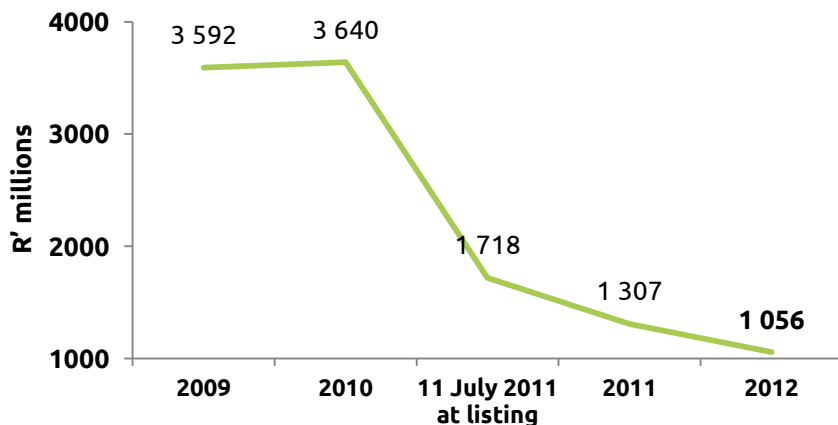
Highlights

Return on capital employed (ROCE)



- ROCE of 16% (Dec 2011: 13.8%)
- Strong cash flow generation

Net debt

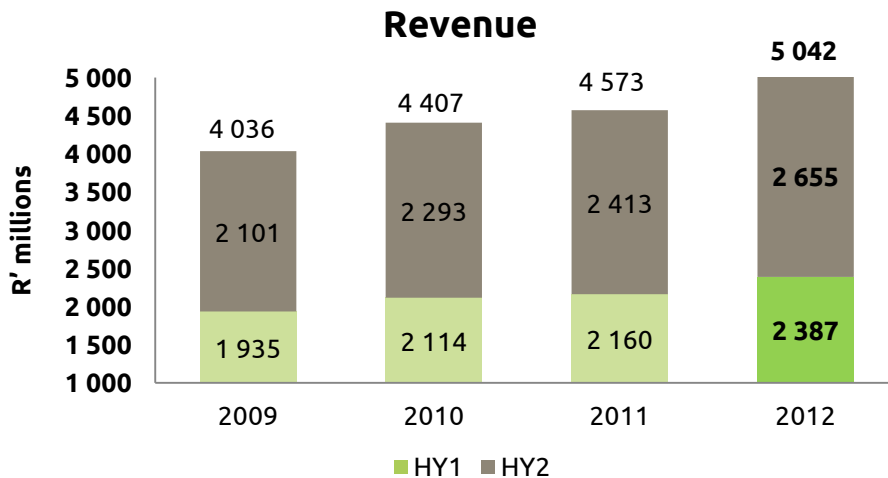


- Gearing down to 29% at year end (Dec 2011: 35%)
- Net debt down to R1,056 million (Dec 2011: R1,307 million)

Agenda

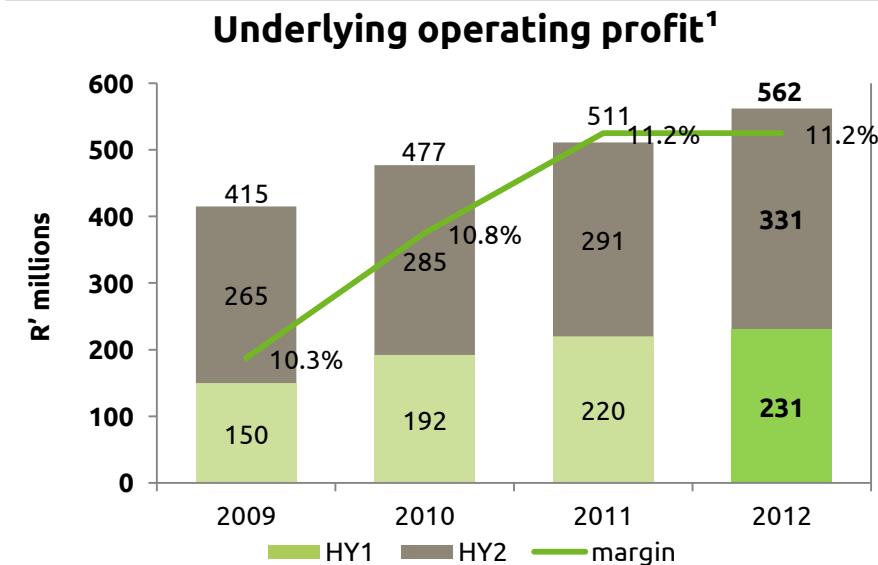
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Paper business

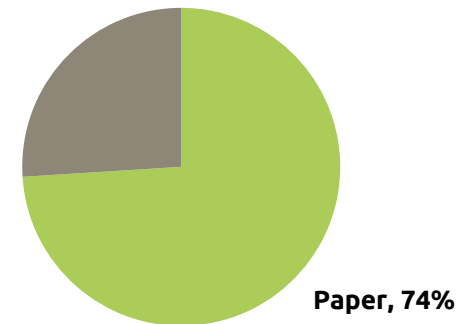


- Revenue up 10.3% to R5.0 billion
 - Volumes up 8.2%
 - improved agricultural sales
 - market share gains against imports
 - Average price increase below inflation

- Underlying operating profit up 10.1% to R562 million
 - Cost containment – especially waste paper; productivity improvements
 - Margin in line with 2011

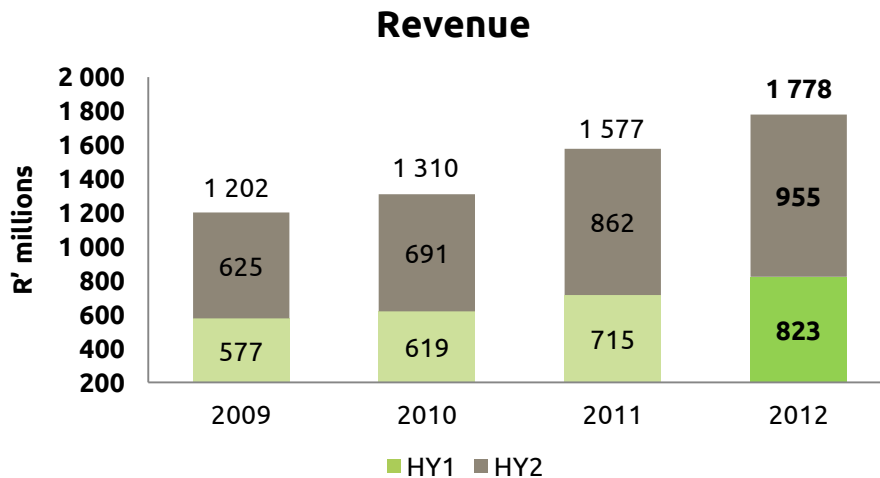


% Total revenue

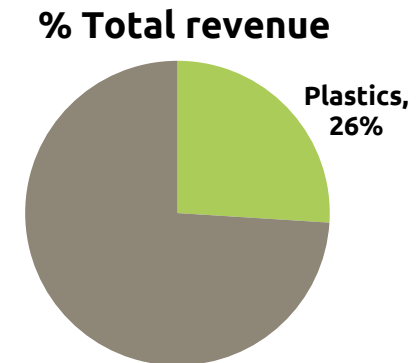
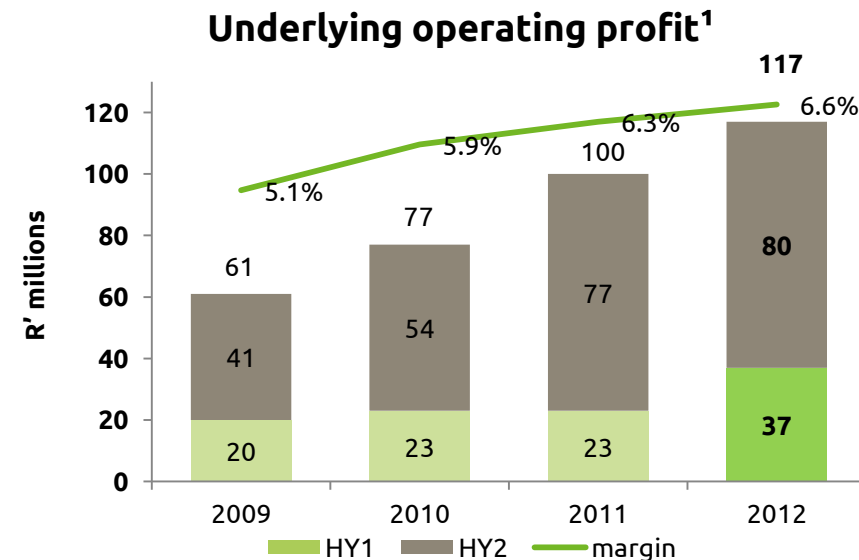


1 For comparative purposes, Full year 2009, 2010 and 2011 underlying EBIT has been restated to reflect corporate costs of R50 million directly attributable, but previously not charged to the Paper business

Plastics business

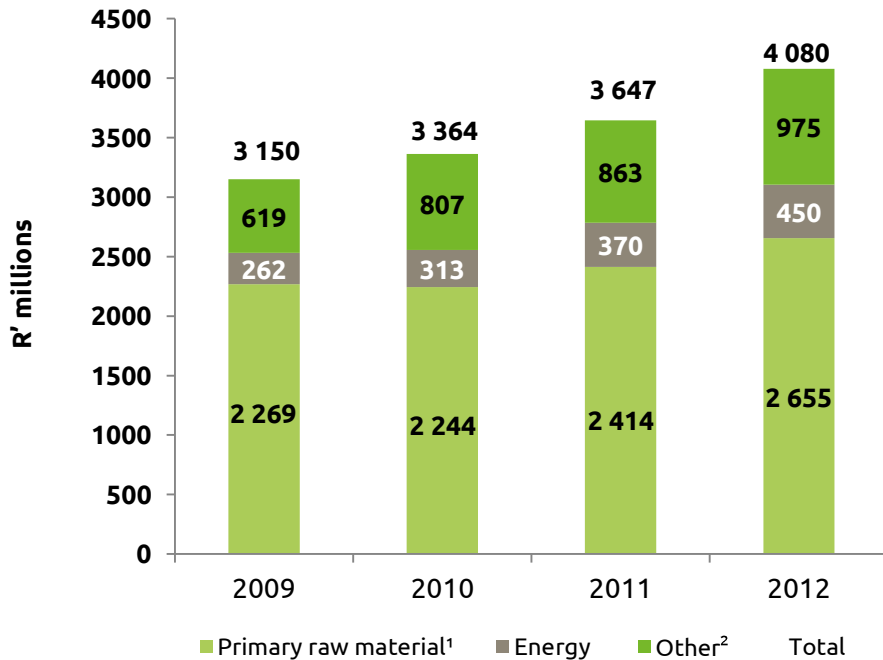


- Revenue up 12.8% to R1.8 billion on volumes and average prices
 - Approximately 9.8% organic, 3.0% acquisitions
 - Volumes driven mainly by agriculture and PET tray business
 - Average prices up due to raw materials and product segment mix
- Underlying operating profit up 16.7% to R117 million
 - Product and plant optimisation
- ABI supply agreement concluded
- Acquired a PET tray business in February 2013



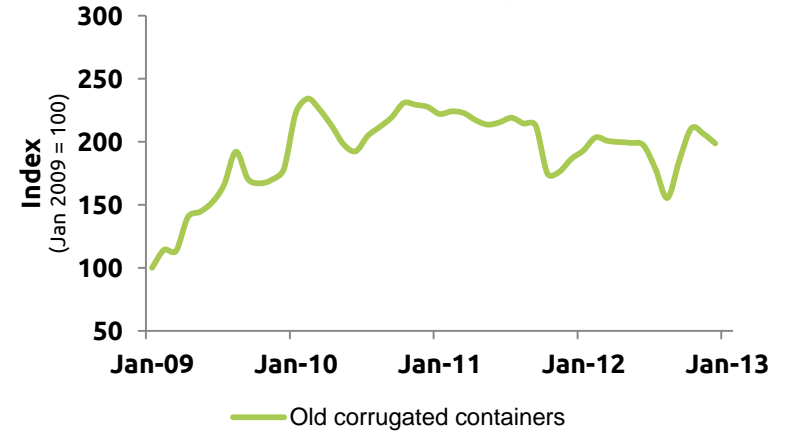
¹ For comparative purposes, full year 2009, 2010 and 2011 underlying EBIT has been restated to reflect corporate costs of R14 million directly attributable, but previously not charged to the Plastics business

Variable costs³



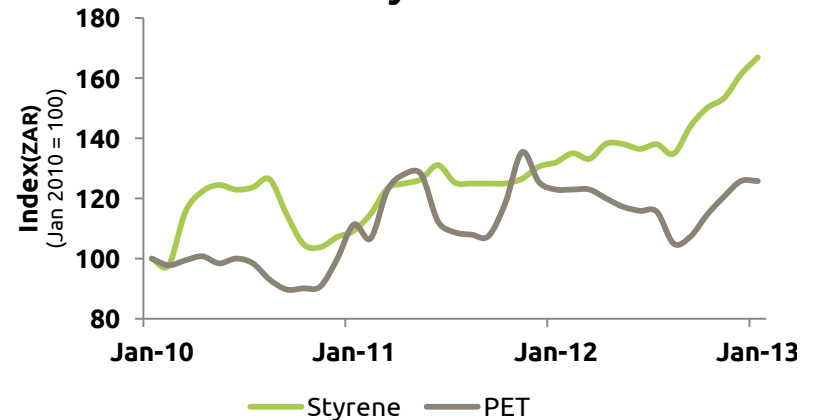
1. Primary raw material includes wood, pulp, paper, recovered paper and plastic polymers
2. Other variable cost includes chemicals, packaging costs, variable selling expenses, stock movement
3. Excludes Paperlink

Recovered paper



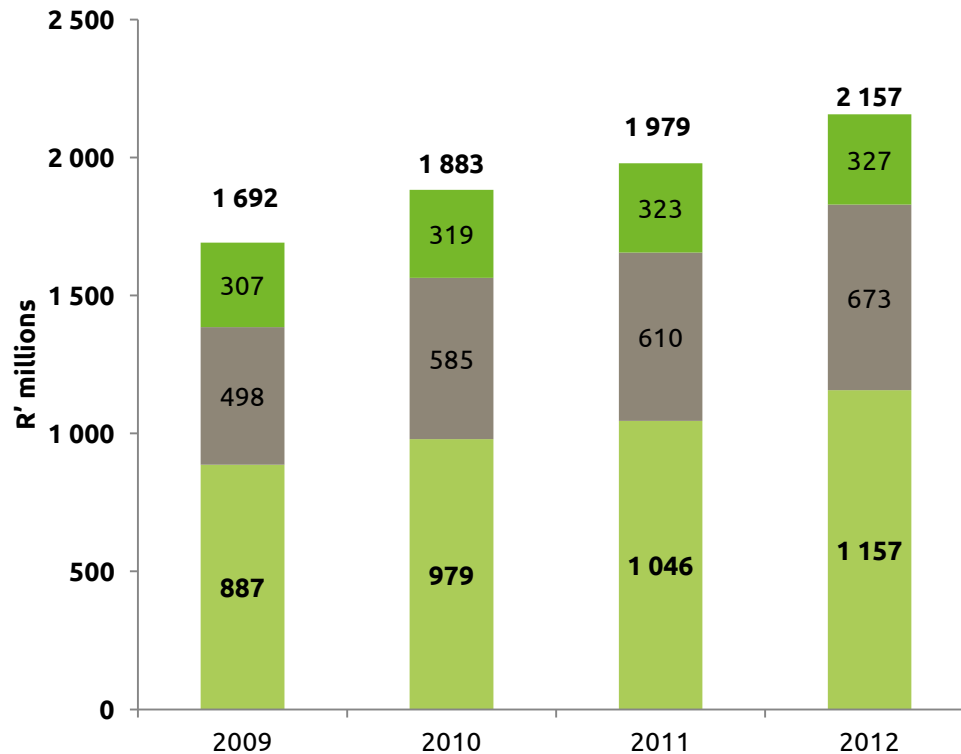
Source: RISI – PPI Asia, Old corrugated containers, CNF China US\$, converted to ZAR

Polymers



Source: Various

Fixed costs¹



- Includes acquired RA Plastics business costs
- Excludes Special Items
- Insurance costs up substantially
- Continued focus on cost management

■ Depreciation and amortisation
 ■ Maintenance and net operating expenses
 ■ Personnel costs

¹ Excludes Paperlink

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Financial review – including Paperlink (as reported)

R' millions	2012			2011			
	2011	2012	Change	H1 2011	H2 2011	H1 2012	H2 2012
Group revenue	6,281	6,821	8.6%	3,006	3,275	3,210	3,611
EBITDA ¹	840	912	8.5%	356	484	385	527
EBITDA margin %	13.4%	13.4%	-	11.8%	14.8%	12.0%	14.6%
Underlying operating profit ²	517	585	13.2%	198	319	222	363
Underlying operating profit margin %	8.2%	8.6%	0.4	6.6%	9.7%	6.9%	10.1%
Underlying earnings per share (cents)	102.9	191.1	85.7%	4.3	98.6	63.7	127.4
Working capital cash flows	48	(48)	(>100%)	(109)	157	(162)	114
Cash generated from operations	813	865	6.4%	233	580	225	640
Net debt as at year end	1,307	1,056	19.2%	3,697	1,307	1,382	1,056
ROCE % ³ as at year end	13.8%	16.0%	2.2	13.4%	13.8%	14.1%	16.0%

(1) EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

(2) Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.

(3) Return on capital employed (ROCE) is based on underlying operating profit plus share of associates net earnings divided by simple average capital employed before impairments

Financial review – excluding Paperlink

R' millions							
	2011	2012	Change	H1 2011	H2 2011	H1 2012	H2 2012
Group revenue	6,149	6,821	10.9%	2,874	3,275	3,210	3,611
EBITDA ¹	847	912	7.6%	363	484	385	527
EBITDA margin %	13.8%	13.4%	(0.4)	12.6%	14.8%	12.0%	14.6%
Underlying operating profit ²	524	585	11.7%	205	319	222	363
Underlying operating profit margin %	8.5%	8.6%	0.1	7.1%	9.7%	6.9%	10.1%
ROCE % ³ as at year end	14.1%	16.0%	1.9	13.1%	14.1%	14.1%	16.0%

(1) EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation and excluding Paperlink

(2) Underlying operating profit is operating profit of subsidiaries and joint ventures before special items, excluding Paperlink

(3) Return on capital employed (ROCE) is based on underlying operating profit plus share of associates net earnings divided by simple average capital employed before impairments and excluding Paperlink

Financial review – reported profit after tax and non-controlling interests

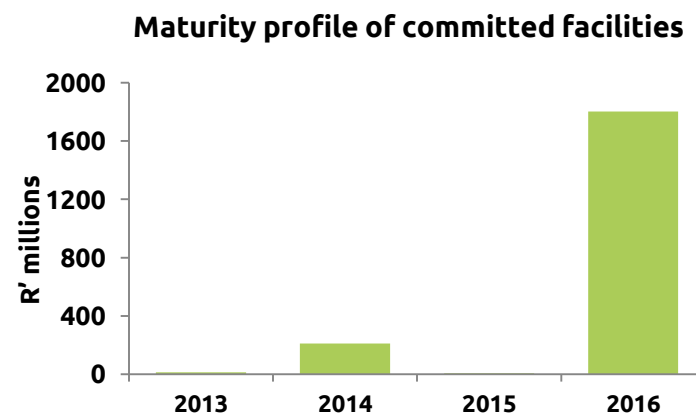
R' millions	2011	2012	Change
Underlying operating profit ¹	517	585	13.2%
Net finance costs	(256)	(128)	50.1%
Associates net earnings	2	9	>100%
Underlying profit before tax	263	466	77.3%
Tax before special items	(76)	(140)	(83.6%)
Total non-controlling interests	(18)	(13)	29.1%
Underlying earnings	169	313	85.5%
Special items (after tax and minorities)	(79)	(4)	>100%
Reported profit after tax and non-controlling interests`	90	309	>100%
Underlying earnings per share (cents)	102.9	191.1	85.7%

H1 2011	H2 2011	H1 2012	H2 2012
198	319	222	363
(185)	(71)	(64)	(64)
1	1	2	7
14	249	160	306
(3)	(73)	(50)	(90)
(4)	(14)	(6)	(7)
7	162	104	209
(5)	(74)	(4)	0
2	88	100	209
4.3	98.6	63.7	127.4

(1) Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.

Net finance costs and net debt

R' millions	2011	2012	change
Closing net debt	1,307	1,056	19.2%
Net finance costs, excluding special items	256	128	50.1%
Interest cover (underlying EBIT)	2.0 times	4.6 times	
Net debt to EBITDA	1.6 times	1.2 times	



- Net finance costs of R128m have reduced when compared to 31 December 2011 due to lower average net debt over the financial year
- Decrease in net debt from 31 December 2011 is due to strong cash flow generation and improved working capital management
- Debt facilities of R2bn, headroom available to invest further in expanding the business
- Entered into a four-year interest rate swap to fix the interest rate on R400m of long-term debt at a fixed interest rate of 7.58%

Taxation

R' millions	2011	2012	change
Underlying tax charge	76	140	(83.6%)
Tax on special items	(8)	(2)	79.8%
Taxation charge	68	138	(>100%)

- Effective tax rate at 30.0% due mainly to interest not deductible for tax purpose
- Non-productive loan repaid – R445 million
- Recognised tax losses of R495 million:
 - Paper – R236m
 - Plastics – R259m
- Mpact Ltd will start to pay tax in the second half of 2013

Special Items¹

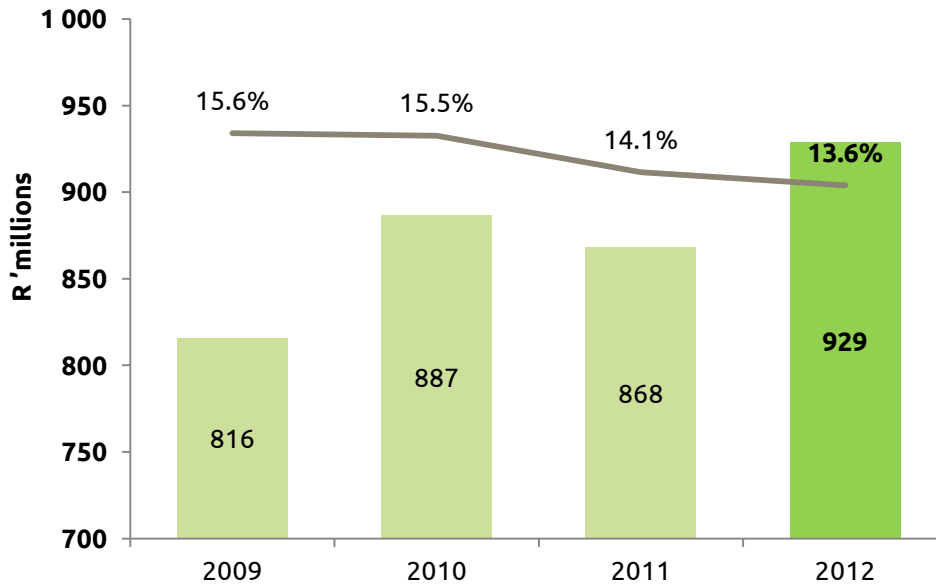
R' millions	2011	2012
Listing transaction costs	46	0
Financing items	34	0
Demerger arrangements	7	0
Settlement charge on defined benefit pension plan	0	5
<u>Impairment</u>	0	1
Before tax and non controlling interest	87	6
Less: tax and non-controlling interest	(8)	(2)
Special items after tax and non-controlling interest	79	4

- Decrease from 2011 relates to:
 - Non-recurring listing costs
 - Debt restructure costs

(1) Special items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. These should be non-recurring and non-trading items

Working capital focus

Working capital % of revenue



- Working capital % of revenue down
 - Net working capital days lower than prior year

Note: Working capital includes inventories, trade receivables and trade payables, adjusted to exclude Paperlink

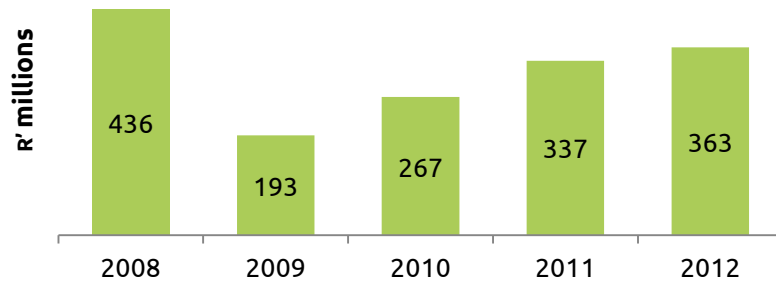
Cash flow

R' millions	2011	2012	change
EBITDA	840	912	8.5%
Working capital movements	48	(48)	(>100%)
Other operating cash flows	(75)	1	>100%
Cash generated from operations	813	865	6.4%
Dividends received from associates	-	8	100%
Taxes paid	(24)	(38)	(62.3%)
Net cash inflow from operating activities	789	835	5.7%
Capital expenditure	(337)	(363)	(7.4%)
Additions of intangible asset	-	(9)	(>100%)
Acquisitions, disposals and other items	82	8	>100%
Net cash flow after investing activities	534	471	(11.9%)

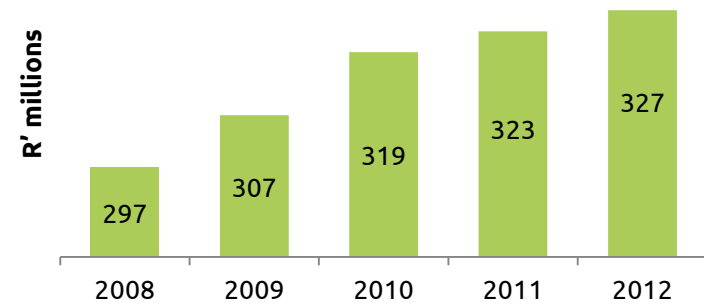
- Strong cash generation

Capital expenditure analysis

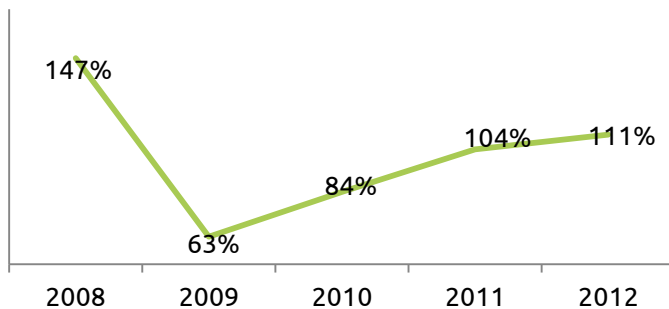
Capital expenditure - cashflows



Depreciation and amortisation



Capital expenditure % of depreciation and amortisation



Dividends

Cents per share (Gross)	2011	2012	% change
Interim	0	20	>100%
Final	40	50	25.0%
Total	40	70	75.0%
Dividend cover (times)	2.6	2.7	

Salient dates for final 2012 dividend:

Last day to trade to receive a dividend
Shares commence trading "ex" dividend
Record date
Payment date

Friday, 19 April 2013
Monday, 22 April 2013
Friday, 26 April 2013
Monday, 29 April 2013

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Strategy

- Leading market position
 - Sustain and grow our leading market position
 - Strategic acquisitions
- Customer focused operating structure
 - Investing in our existing operations
 - Continue to develop geographic footprint
- Focus on performance
 - Delivering acceptable returns to our shareholders

Outlook

- GDP and consumer demand growth to remain subdued
- Upward pressures on input costs will continue in the coming year
- Trading conditions to remain highly competitive with associate margin pressure
- Focus for the year ahead:
 - Maintaining our market position
 - Productivity improvements
 - New business opportunities

Thank you

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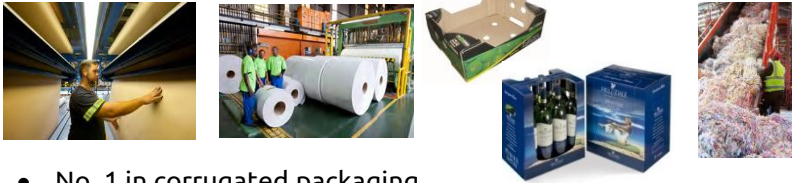
Mpact business overview

Mpact

Paper

Primary product categories

- Recovered paper collection
- Packaging and industrial papers such as cartonboard and containerboard
- Corrugated packaging



- No. 1 in corrugated packaging
- No. 1 in recycled based cartonboard and containerboard
- No. 1 in recovered paper collection

Plastics

Primary product categories

- PET bottles and preforms, hot fill bottles, PET jars and closures
- Large injection moulded containers
- Styrene trays, fast food containers and clear plastic films
- Other plastic packaging



- No. 1 in PET preforms
- No. 1 in styrene trays
- No. 1 in plastic jumbo bins

CENTRES OF EXCELLENCE

Human Resources, Safety, Health, Environment

SHARED SERVICES

Finance, IS&T, Stellenbosch R&D

Employing 3,790 people, 24 manufacturing operations, 31 operating sites

Sources: Mpact, BMI Report (2010), PAMSA and PRASA

Our strategy

Leading market positions

- Develop and selectively grow our leading market positions in rigid plastics, paper-based packaging and packaging papers in sub-Saharan Africa
 - Growth where we are able to extract value through business and operational management expertise as well as product application, design and market knowledge

Customer focused operating structure

- Further develop our established manufacturing and service footprint to continually deliver superior solutions to our customers
Underpinned by:
 - a decentralised structure reflecting management depth and experience at all levels
 - an innovative customer focused product offering
 - leading market positions that enable us to achieve sustainable cost effectiveness through economies of scale

Focus on performance

- Focus on performance through effective business excellence programmes and sound asset management
Enabling us to sustainably:
 - provide our customers with quality products and services worth their price
 - retain a motivated and skilled workforce
 - deliver good returns to our shareholders

Source: Mpact

Disclaimer

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