



smarter, sustainable solutions

2014

Mpact Limited Annual Results

31 December 2014



2014 in context and financial highlights

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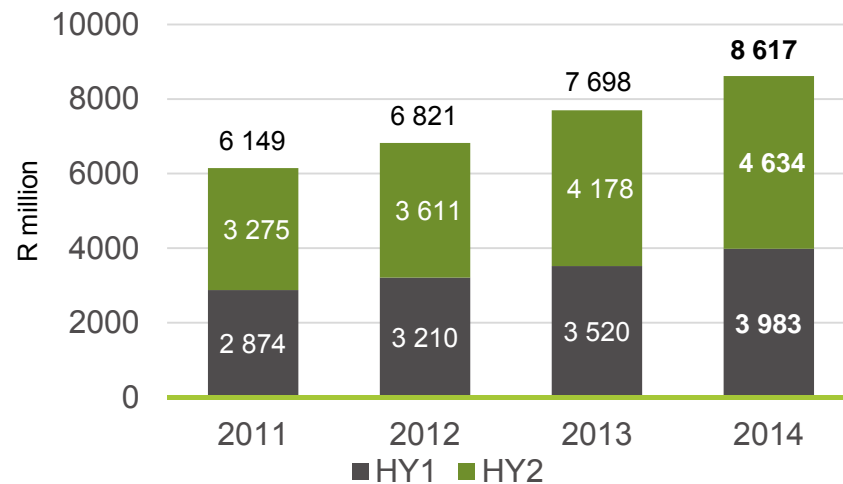


2014 in context

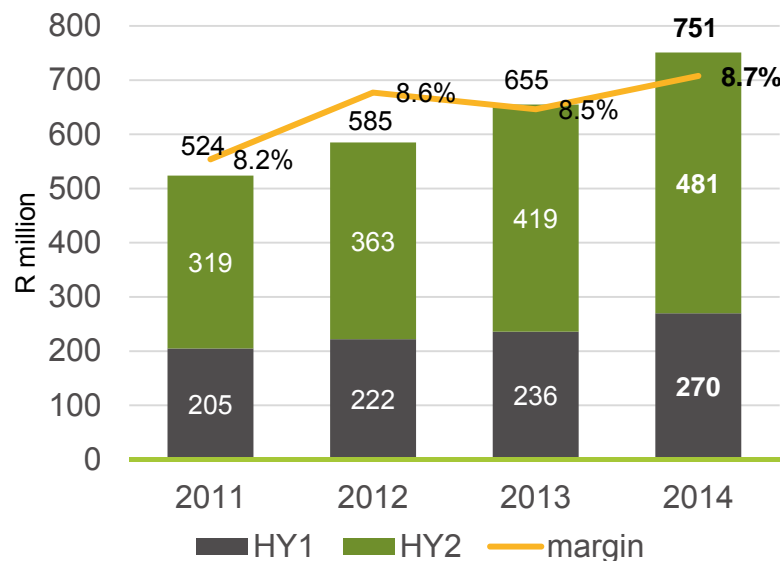
- Successful year despite subdued economy
- Key commodities increased well above CPI/PPI inflation
- Reduced deciduous fruit exports negatively impacted the Paper business
- Waste paper shortages
- Exchange rate weakened further
- Good growth in certain sub-sectors
- Productivity improvements
- Over R1 billion strategic capital projects approved and on track
- Extensive industrial strike action mitigated through interventions
- Successful restructure of FMCG business
- Refinanced debt facilities

Financial highlights

Group revenue



Underlying operating profit



- Revenue up 11.9% to R8.6bn
 - Selling price increase and product mix of 10.9%
 - Volume growth of 1.0%

- Underlying operating profit up 14.8% to R751m
 - Margin up to 8.7% from 8.5%
 - Productivity gains and cost savings offset raw material price increases

- Underlying earnings per share up 15.3% to 269.2 cents

- Return on Capital Employed (ROCE) up to 18.1% (2013: 17.3%)

- Total dividend of 92cps, up 15.0%

- Gearing at 29.0% (2013: 28.1%)

Note: Revenue and underlying operating profit excludes Paperlink for the 2011 financial year.



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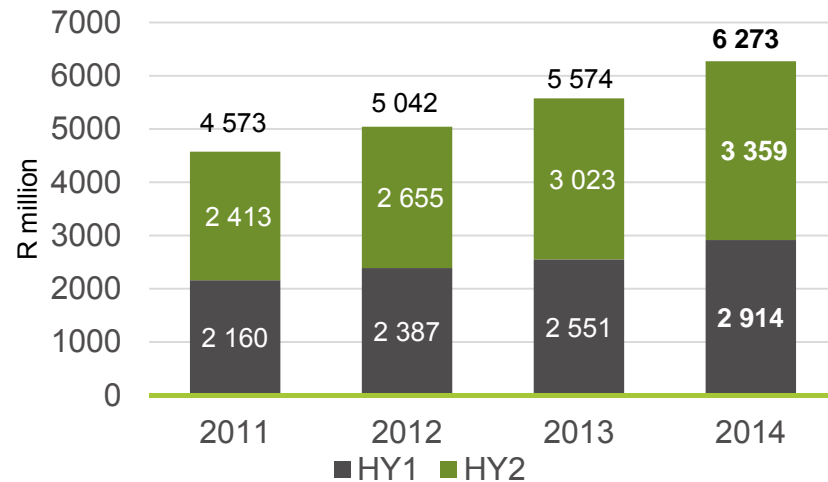
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B-BBEE transaction

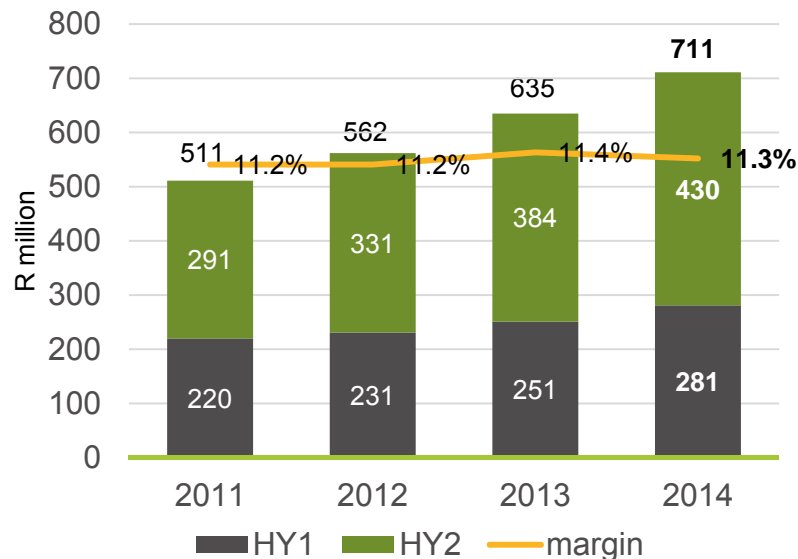
Appendices

Paper business

External revenue

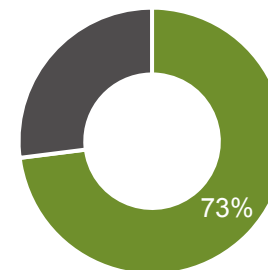


Underlying operating profit

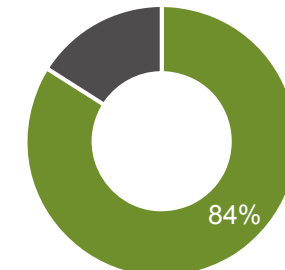


- Revenue up 12.5% to R6.3bn
 - Selling price increase and product mix of 11.6%
 - Volume growth of 0.9%
- Underlying operating profit up 11.9% to R711m
 - Margin down to 11.3% from 11.4%
 - Under-recovery of raw material prices
 - Adverse product mix

Revenue



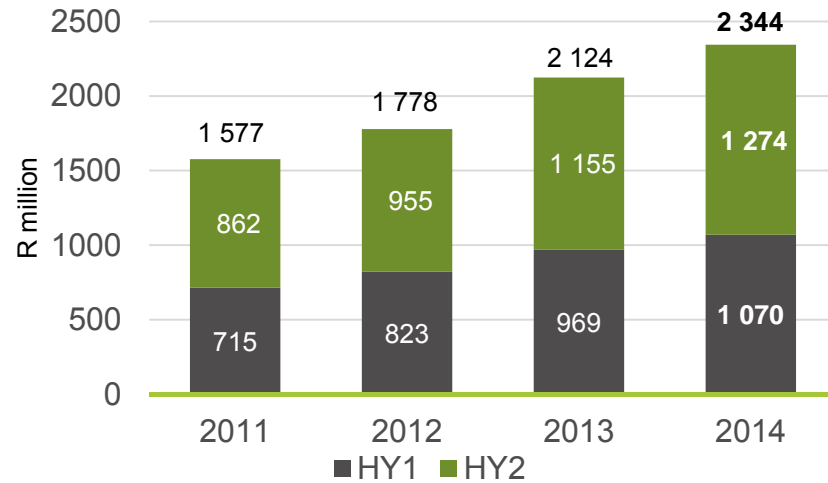
Operating profit



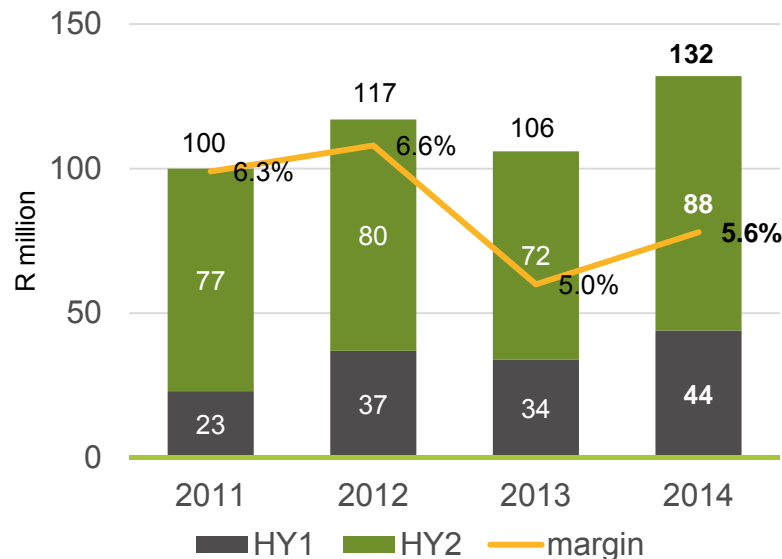
Note: For comparative purposes, 2011 underlying operating profit has been restated to reflect corporate costs of R50 million directly attributable, but previously not charged to the Paper business.

Plastics business

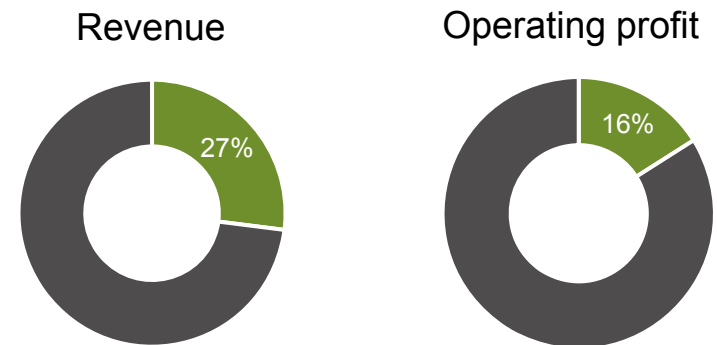
External revenue



Underlying operating profit



- Revenue up 10.4% to R2.3bn
 - Selling price increase and product mix of 8.7%
 - Volume growth of 1.7%
- Underlying operating profit up 24.8% to R132m
 - Favourable product mix
 - rPET costs of R4m and direct strike cost of R6m
- FMCG restructure cost of R23m disclosed as special items



Note: For comparative purposes, 2011 underlying operating profit has been restated to reflect corporate costs of R14 million directly attributable, but previously not charged to the Plastics business.



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Financial summary

Revenue

11.9%

R8.7 billion

Underlying operating profit

14.8%

R751 million

Underlying EPS

15.3%

269 cents per share

Total dividend

15.0%

92 cents per share

ROCE

0.8

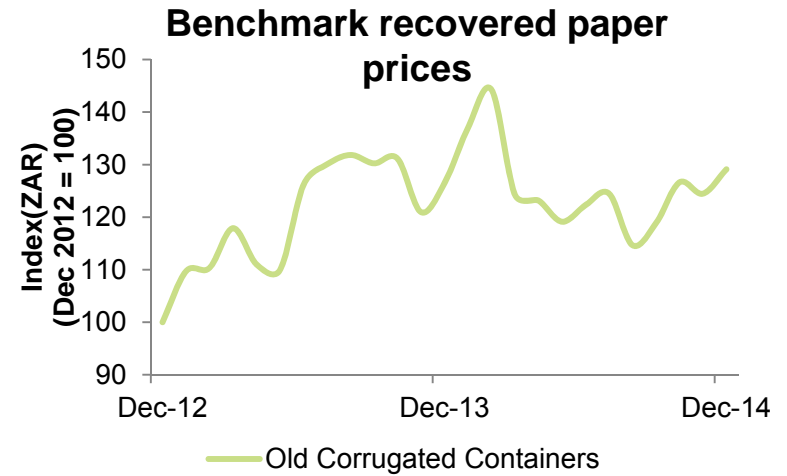
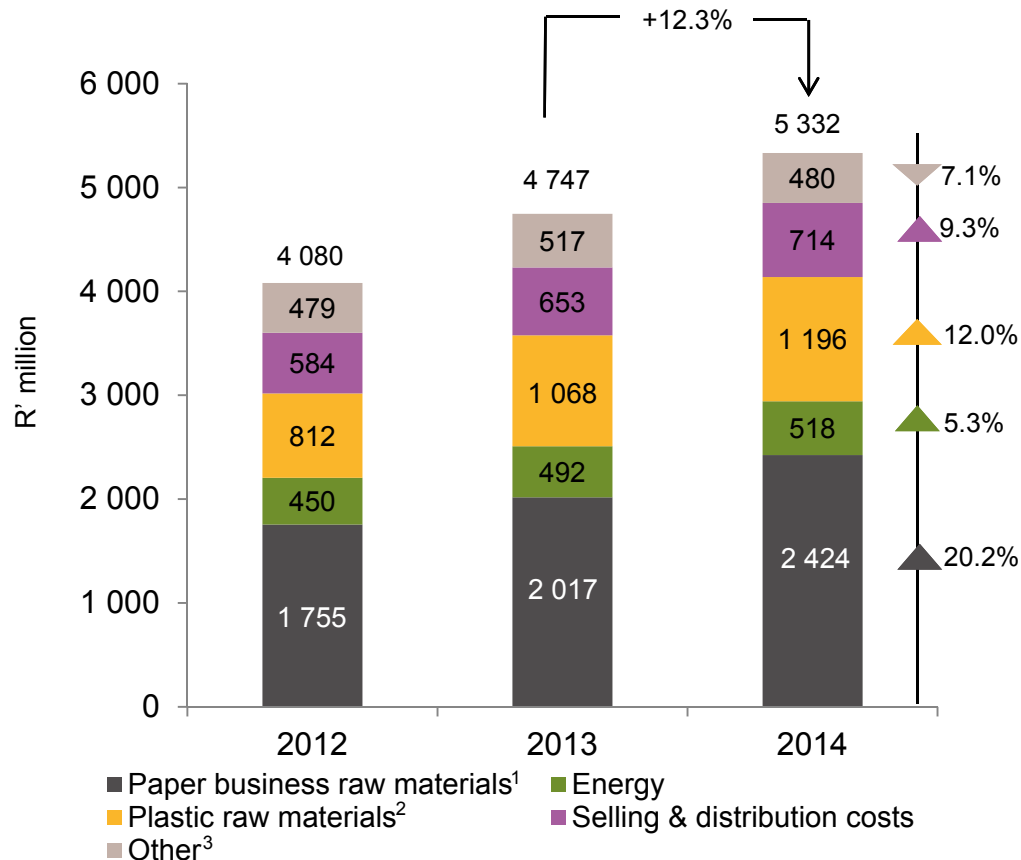
18.1%

Gearing %

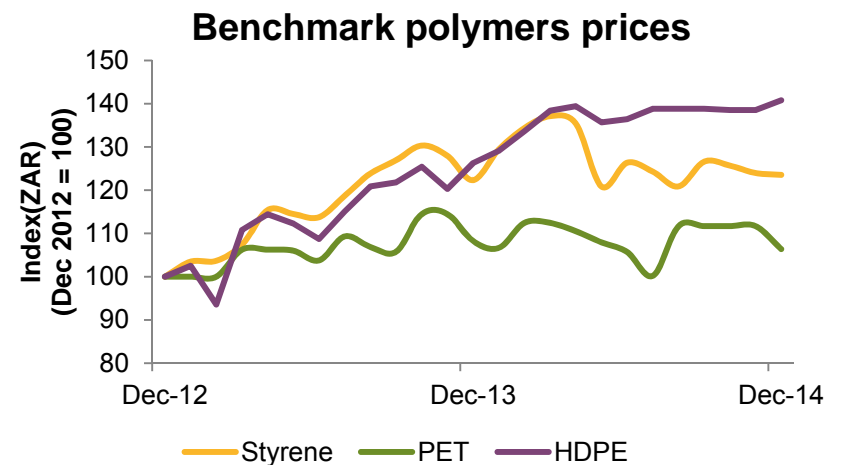
0.9

29.0%

Variable costs



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

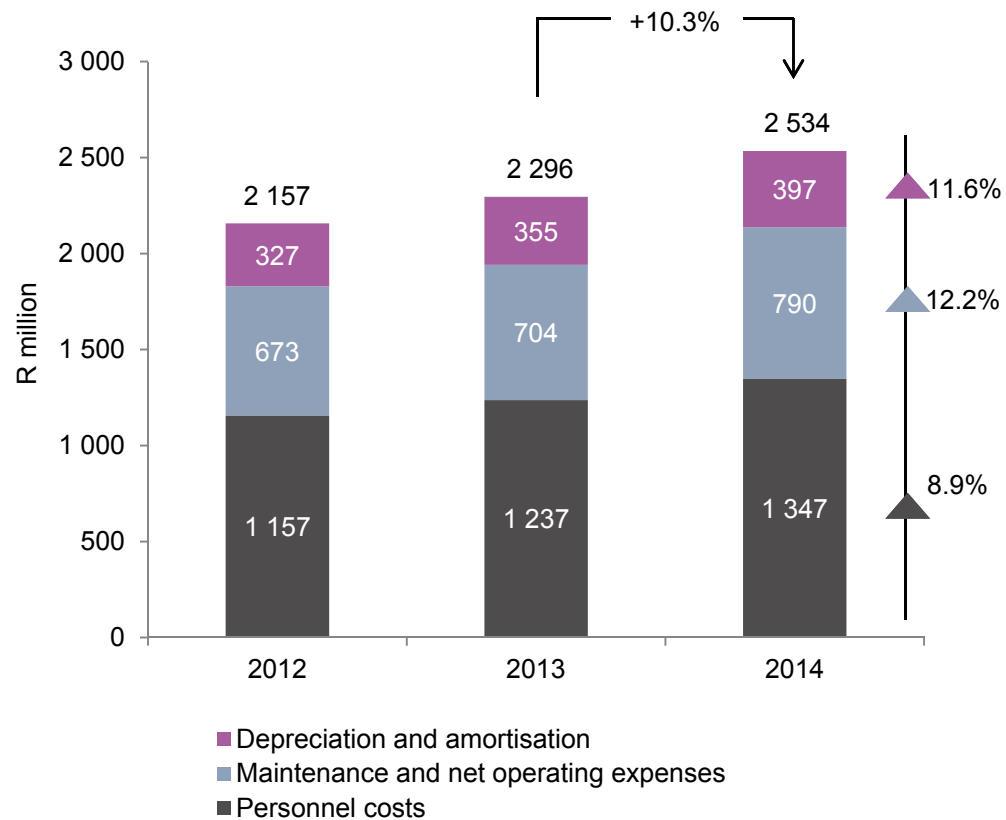


Source: Mpact

Notes:

1. Paper business raw materials include purchased paper, wood, pulp, bagasse and recovered paper.
2. Plastic raw materials include styrene, PET, HDPE, PVC and polypropylene.
3. Other variable costs include chemicals, packaging costs and stock movements.

Fixed costs

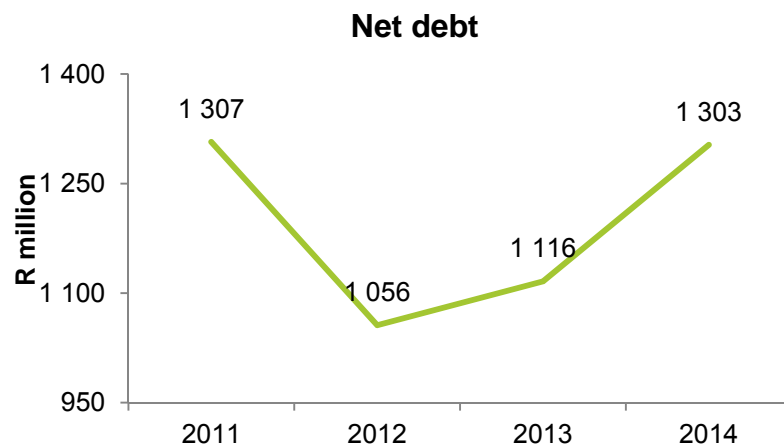
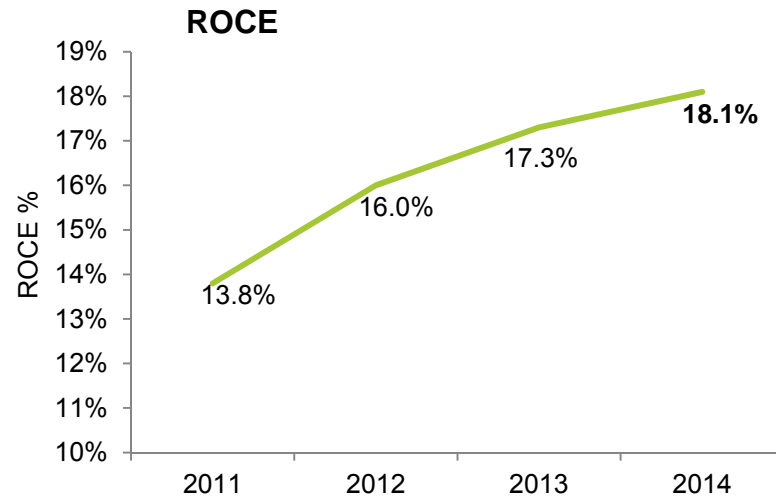


- Total fixed costs up 10.3% (excluding acquired businesses up 8.4%)
- Personnel cost increase excluding acquired businesses up 6.8%
- Continued focus on cost management

Financial review

R million	2013	2014	change	HY1 2013	HY2 2013	HY1 2014	HY2 2014
Underlying operating profit	655	751	14.8%	236	419	270	481
Net finance costs	(114)	(121)	(6.0%)	(60)	(54)	(60)	(61)
Share of profits from equity accounted investees	9	16	53.1%	4	5	3	13
Underlying operating profit before tax	550	646	17.4%	180	370	213	433
Tax before special items	(151)	(183)	(21.3%)	(51)	(100)	(64)	(119)
Non-controlling interests	(17)	(23)	(33.9%)	(3)	(14)	(0)	(23)
Underlying earnings	382	440	15.1%	126	256	149	291
Special items, net of tax	(2)	(17)	(>100%)	0	(2)	0	(17)
Reported earnings for the year	380	423	11.3%	126	254	149	274
Underlying earnings per share (cps)	233.5	269.2	15.3%	77.0	156.5	91.8	177.4

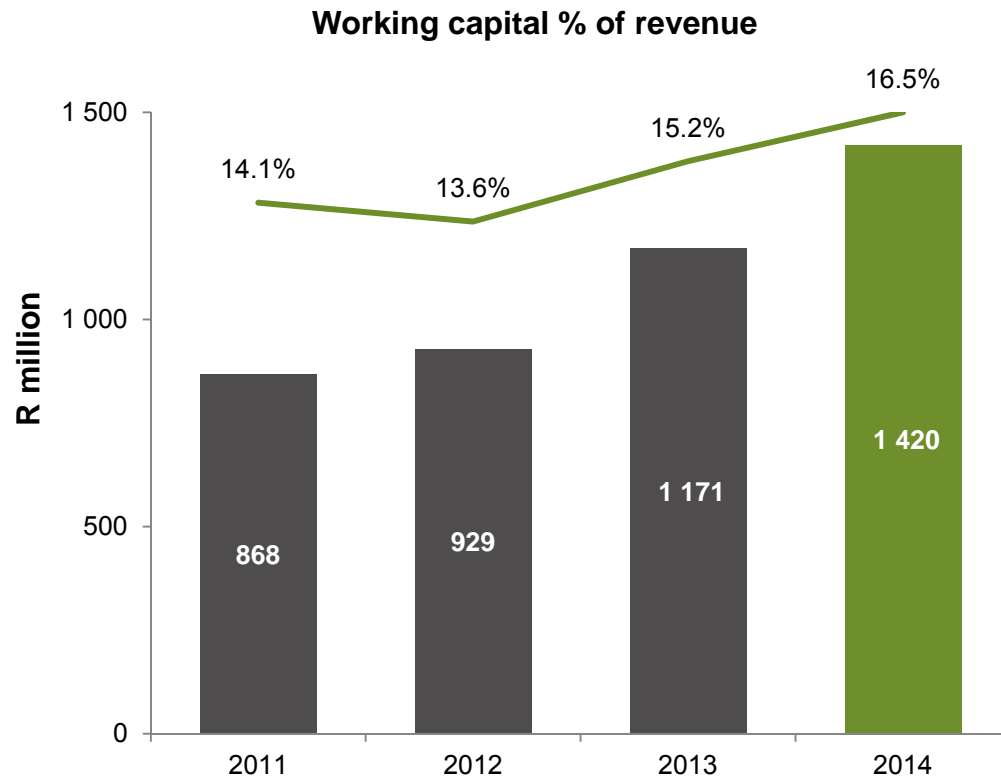
ROCE and net debt



- ROCE of 18.1% as a result of improvement in profitability
- Gearing at 29.0% (December 2013: 28.1%)
- Net debt up to R1.3bn
 - Increase spend on capital projects
 - Higher working capital levels

Note: ROCE is an annualised measure based on underlying operating profit plus share of equity accounted investees' net earnings divided by average capital employed before impairments.

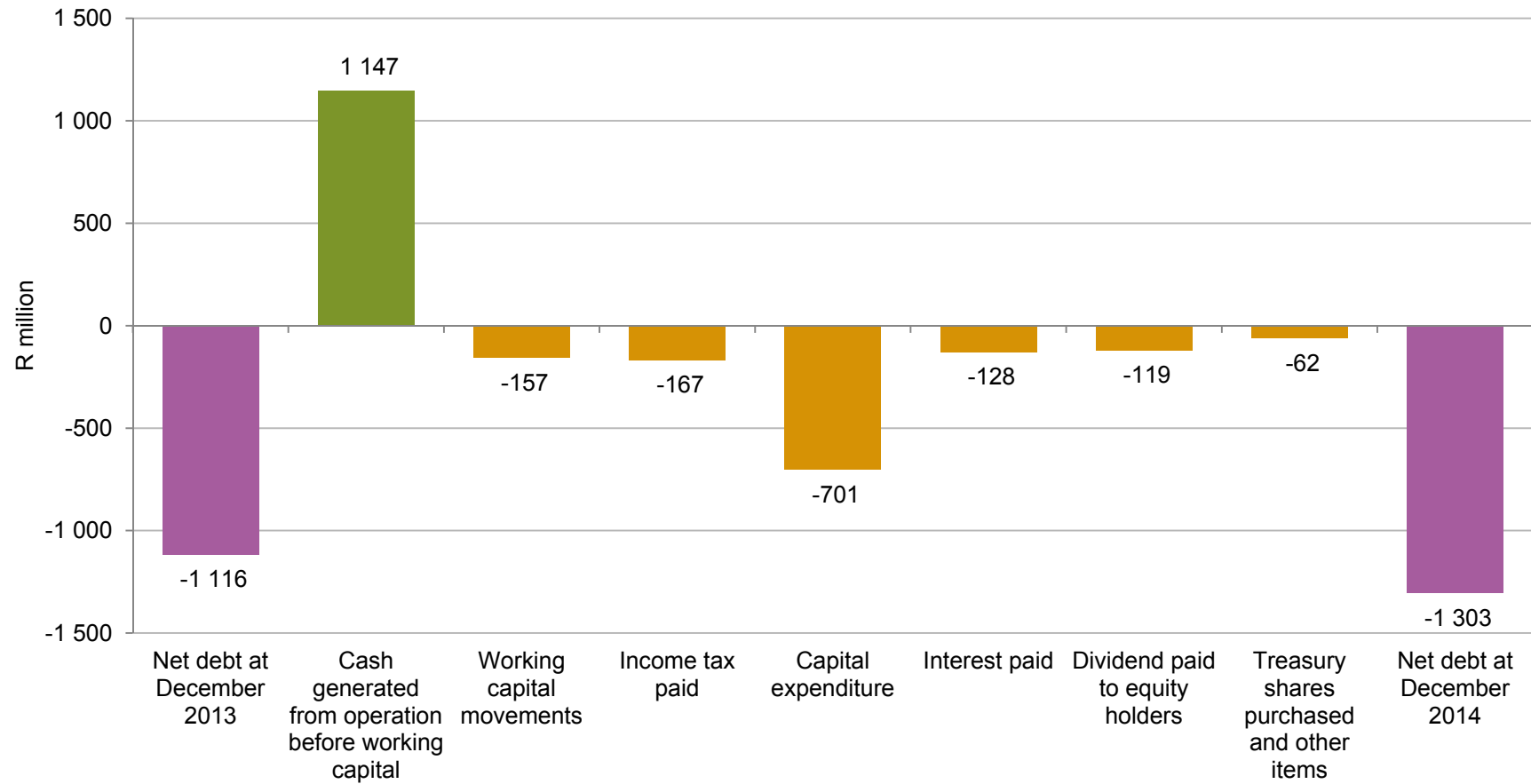
Working capital



- Increase in working capital % of revenue due to:
 - Higher closing stock of finished goods
 - Higher export and agricultural debtors

1. Working capital includes inventories, trade receivables and trade payables.

Movements in net debt

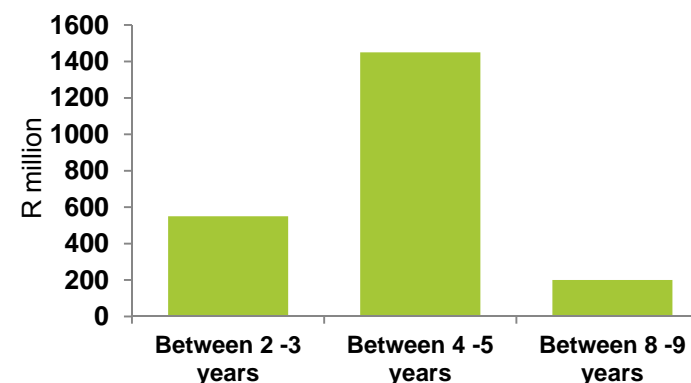


Net finance cost and net debt

R million	2013	2014	change
Net debt – close	1,116	1,303	16.8%
Net debt – average	1,332	1,379	3.6%
Net finance costs	114	121	6.0%
Gearing %	28.1%	29.0%	0.9
Interest cover (underlying EBIT) (times)	5.7	6.2	
Net debt to EBITDA (times)	1.1	1.1	

- Net finance costs at R121m:
 - Higher interest rates and average net debt
- Debt re-financing completed in December 2014:
 - Total committed facilities of R2.2bn¹

Maturity profile of committed facilities



Note: Includes KZN Growth Fund funding of R200m with last condition precedent outstanding.

Taxation

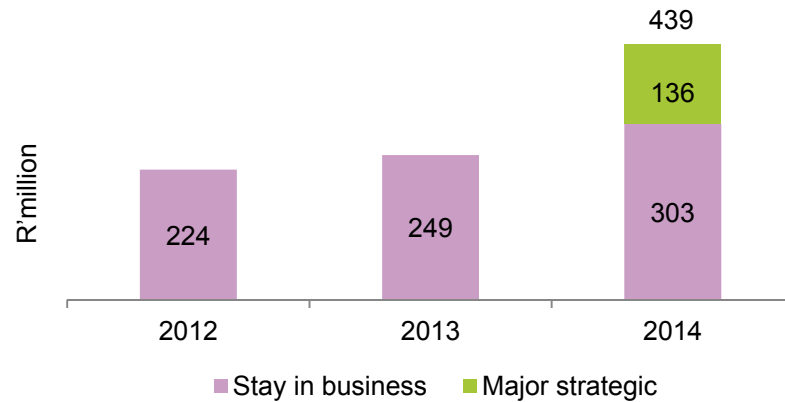
R million	2013	2014	change
Taxation charge	150	177	17.6%
Effective tax rate	27.4%	28.4%	1.0
Tax paid	122	167	36.9%

- Effective tax rate of 28.4% marginally higher than the statutory tax rate of 28%
- Recognised tax losses of R263m

Note: Taxation charge includes tax on special items.

Capital expenditure cash flows

Paper business



Plastics business



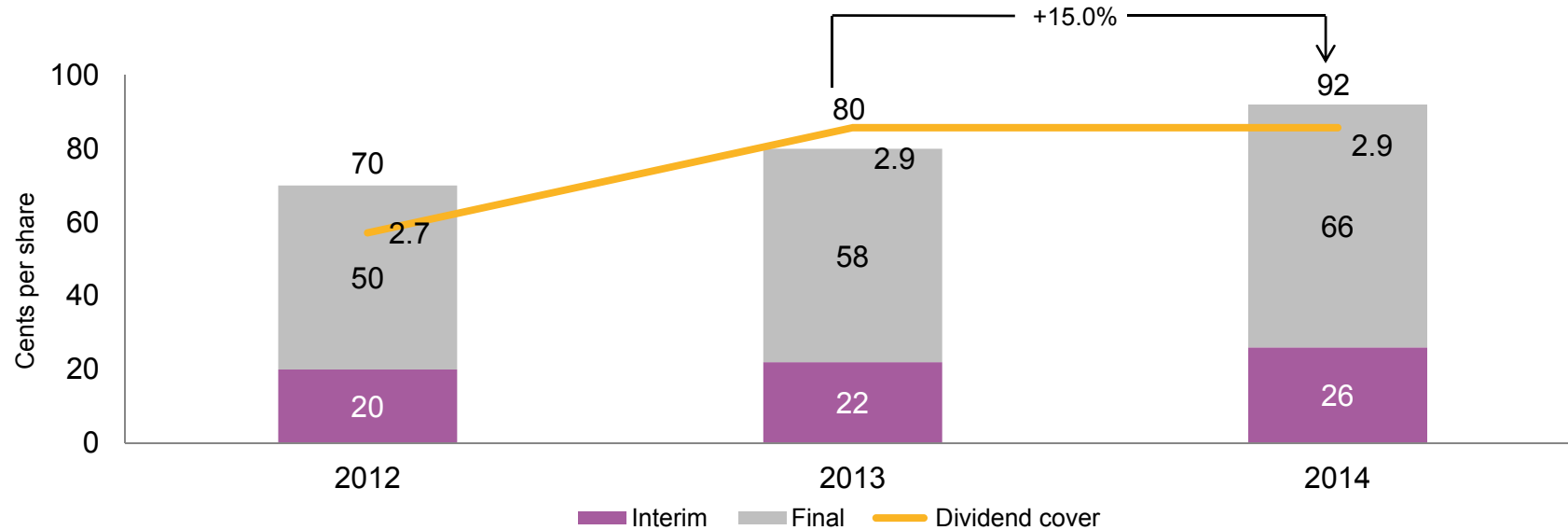
Capital commitments at 31 December 2014 **R'm**

Total commitments	1,352
Spend within 1 year	885
Spend between 1 to 5 years	467

Capital commitments made up of major spend relating to:

- Felixton upgrade: R629m
- rPET: R226m

Dividends



Salient dates for the final 2014 dividend:

Last day to trade to receive a dividend	Friday, 10 April 2015
Shares commence trading “ex” dividend	Monday, 13 April 2015
Record date	Friday, 17 April 2015
Payment date	Monday, 20 April 2015

- Option to elect to receive capitalisation shares as an alternative to cash dividends



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Outlook

- Domestic economy expected to remain subdued
- Oil price presents opportunities
- Expect recovery in the fruit sector
- Benefits of the restructure of the FMCG business
- Challenge and uncertainty of Eskom
- Strategy remains unchanged
- Capital projects on track and within budget



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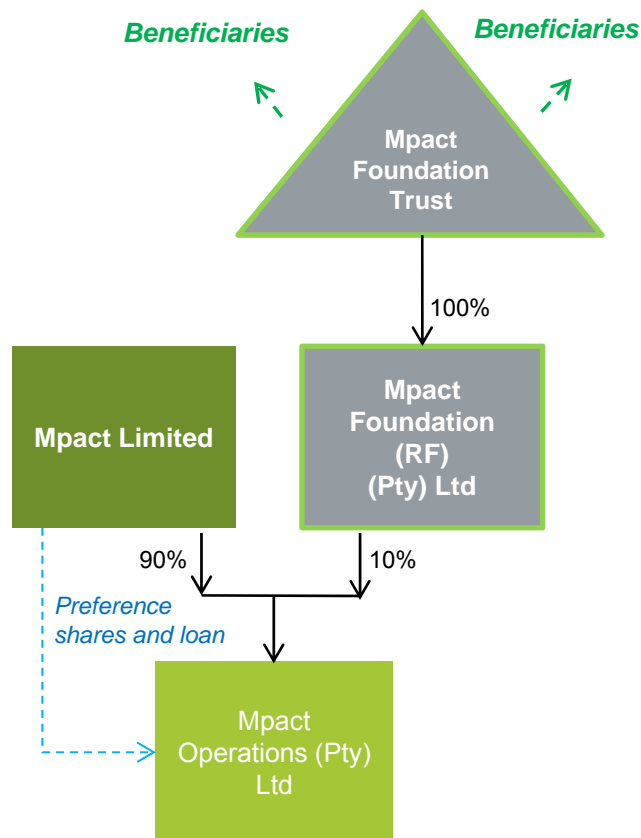
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B-BBEE transaction



- On 1 January 2015, Mpact consolidated its SA operating assets under Mpact Operations (Pty) Ltd
- The Mpact Foundation Trust will be founded by Mpact Limited as Founder
- Existing value preserved for current shareholders (shares issued at market value)
- Evergreen B-BBEE structure
- No individual will have a beneficial right
- Beneficiaries include Mpact employees and families, emerging suppliers and customers, and communities close to factories and others which may be identified by the Trust from time to time
- 85% of the entire sum expended shall be used to benefit black people of which at least 40% shall be black women
- The Trust will be funded through distributions received by Mpact Foundation (RF) by virtue of its ordinary shareholding in Mpact Operations
- Target implementation by H1 2015

Thank you



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Key features of proposed B-BBEE structure (1 of 2)

1

Sustainable BEE partner

- Evergreen broad-based B-BBEE scheme which empowers stakeholders close to the business
- Beneficiaries will include:
 - Mpact employees and their families
 - Emerging entrepreneurs and suppliers
 - Communities close to factories and operations
- No individual will have a beneficial right
- At least 85% of funds distributed will be used to benefit black people of which at least 40% shall be black women
- Complies with spirit of the code

2

Sustainable funding structure

- Internally leveraged model
 - No acquisition debt for B-BBEE partners (structure cannot fall underwater)
 - Results in immediate and unencumbered B-BBEE ownership
- Evergreen structure
 - Not reliant on share price appreciation or dividend payments to service debt
 - Perpetual B-BBEE vehicle which does not require a future sale to repay debt

Key features of proposed B-BBEE structure (2 of 2)

3

Retains value for
existing
shareholders

- Existing value is preserved for current shareholders (no shares are issued at a discount)
- Value generated in excess of WACC is shared with B-BBEE shareholders
- No IFRS 2 charge (as it is not a share-based payment), but distributions to beneficiaries will be expensed in the consolidated group income statement
- No margin leakage to third-party financiers

4

Maximise points and
compliance

- Net equity points are recognised immediately
- Ownership points for shares issued maximised as broad-based and black women components are introduced

5

Implementation

- Target implementation by H1 2015
- B-BBEE vehicle will subscribe for 10% of the ordinary shares of Mpact Operations (Mpact subsidiary which houses the South African operating assets of the group, excluding properties)

Our strategic pillars

1

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

2

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

3

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