



smarter, sustainable solutions

Results presentation

for the year ended 31 December 2019

2019 in context

Financial review

Operating review

Financial performance

Outlook

2019 in context

- One of Mpact's toughest years with the trading performance impacted by
 - Sales volumes under pressure across most sectors
- Improved safety performance
- Good progress in transformation initiatives
 - Achieved B-BBEE level 1
 - Dalisu recognised at President's investment summit
- Successful introduction of innovative sustainable packaging alternatives
 - Recognised with 4 gold pack awards
- Closure of Mpact Polymers
 - Selling price of rPET at similar levels to 2015, unsustainable
- Impairment of goodwill, plant and equipment – R1.3bn
- Successfully refinanced R2.6bn debt facilities

2019 in context
Financial review

Operating review

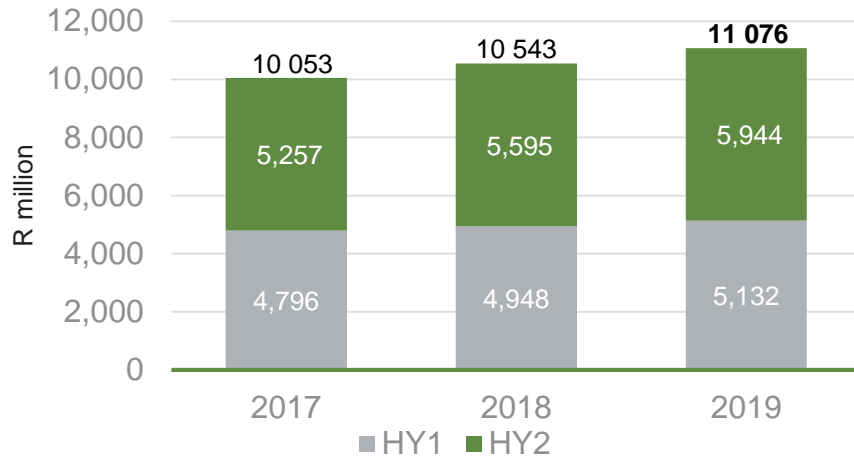
Financial performance

Outlook

Financial review

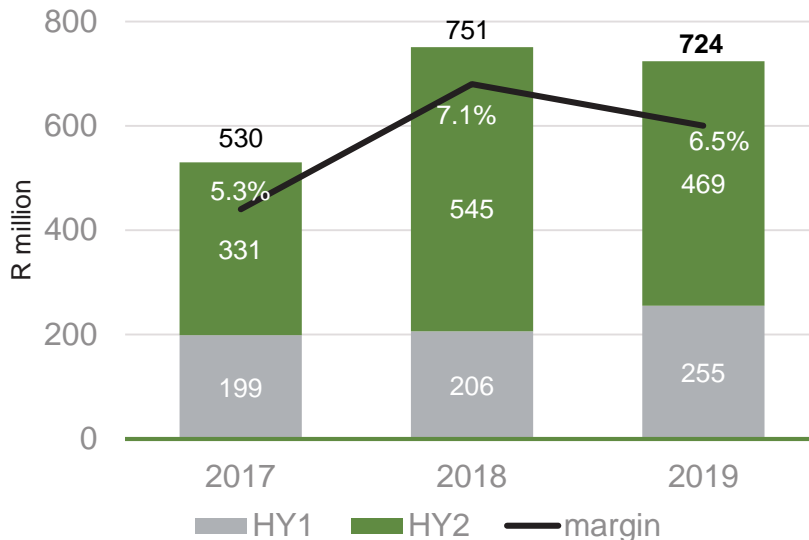
from continuing operations¹

Group revenue



- Revenue up 5.1% to R11.1bn
 - Higher average prices, offset by lower volumes
- EBITDA of R1,276m in line with prior year (excl. IFRS 16, R1,374m)
- Underlying operating profit down 3.7% to R724m (R720m excl. IFRS 16)
 - Higher Paper gross margin offset by decline in Plastics
- Underlying EPS of 192 cents (2018: 248 cents) (excl. IFRS 16, 206 cents)
- Gearing 32.8% (2018: 27.9%)
- ROCE at 11.8% (2018: 11.9%)
- Total dividend 60 cps (2018: 70 cps)

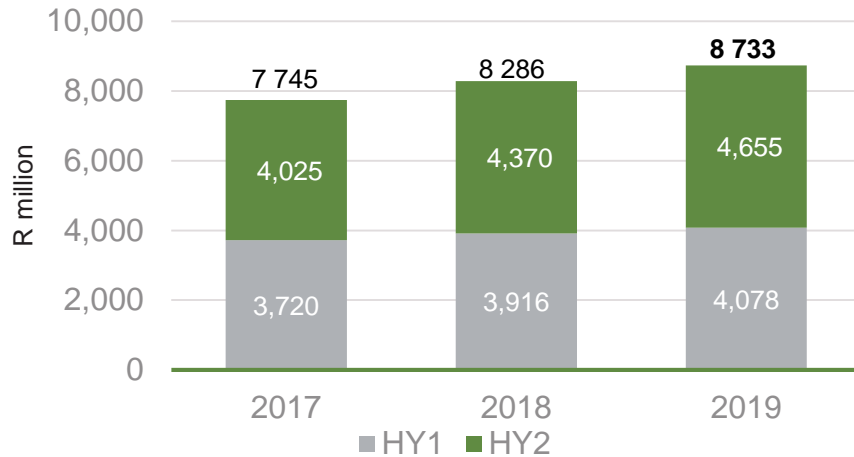
Underlying operating profit



1. Excluding Mpac Polymers. Actual 2017 and 2018 has been restated to exclude Mpac Polymers

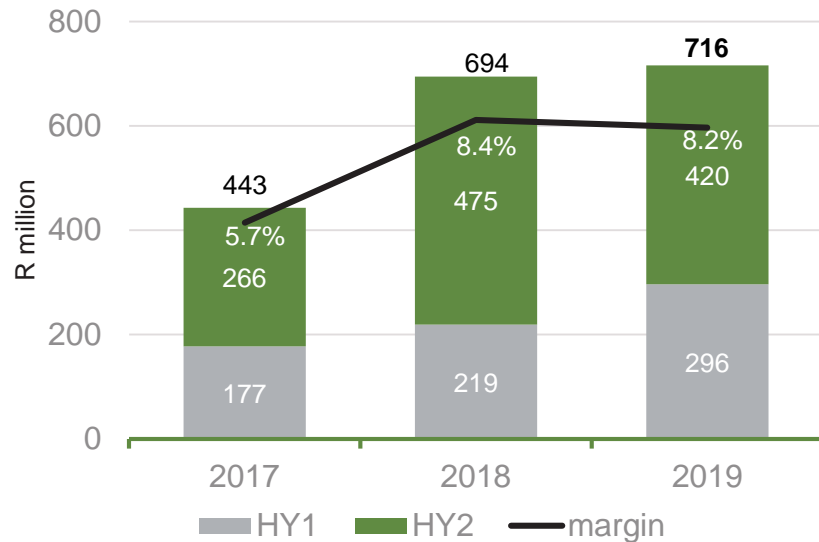
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Segment revenue



- Revenue up 5.4% to R8.7bn
 - Higher average selling price partially offset by lower sales volumes, down 3.1%

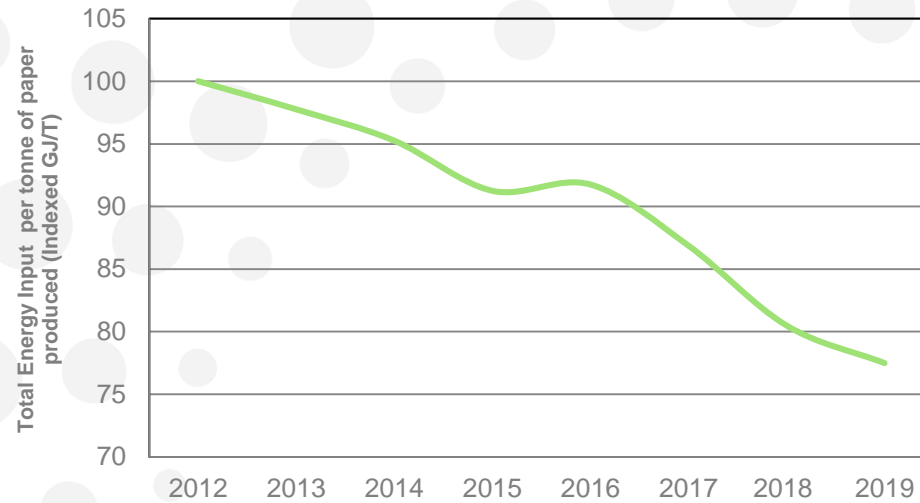
Underlying operating profit



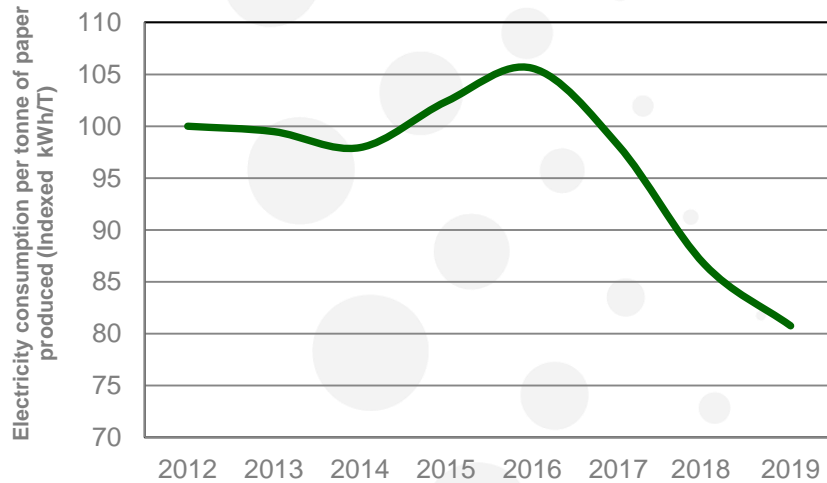
- Underlying operating profit up 3.1% to R716m
 - Good contribution from recent capital investments – Felixton mill and PE corrugator
 - Higher gross margins offset by commercial downtime in paper mills (10% annual capacity)

Focus on Environmental Footprint – Felixton mill

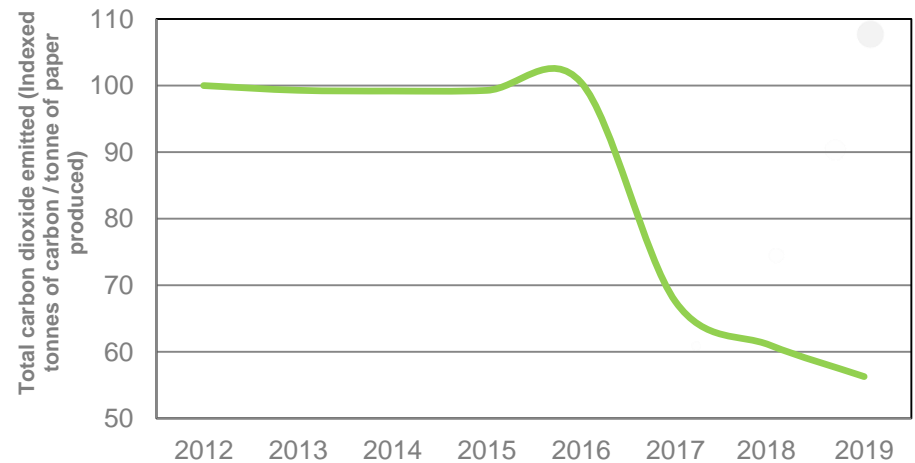
Total Energy Consumption



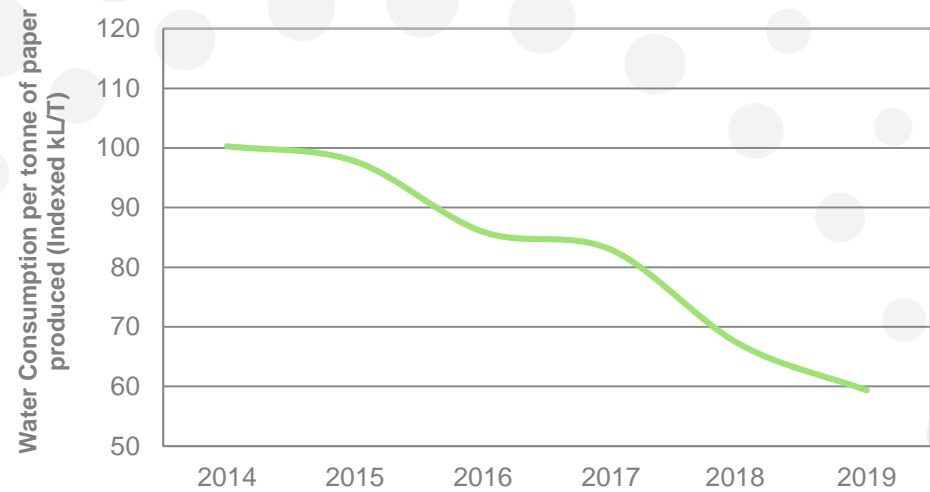
Electricity Consumption



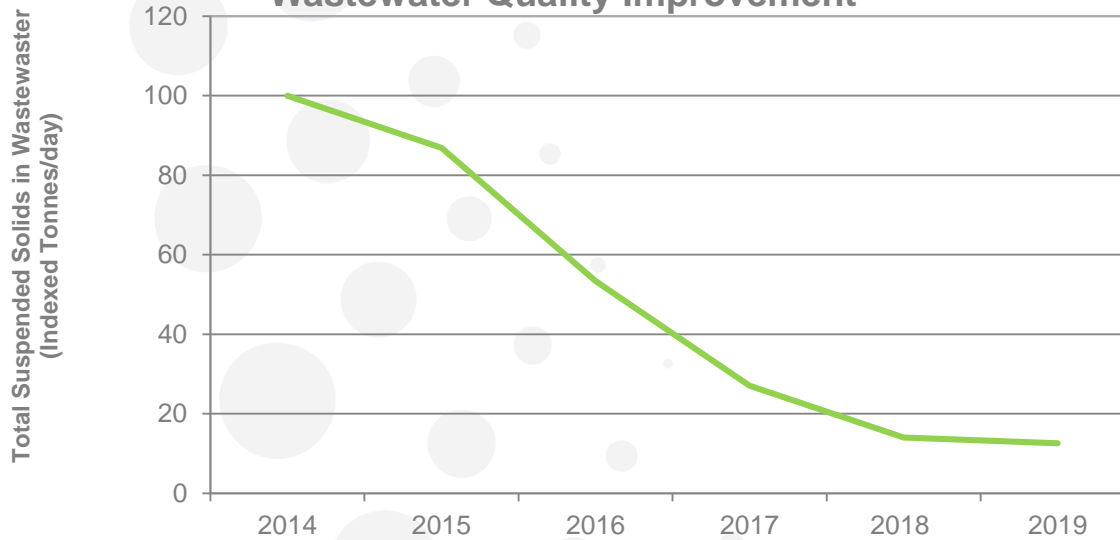
Carbon Reduction



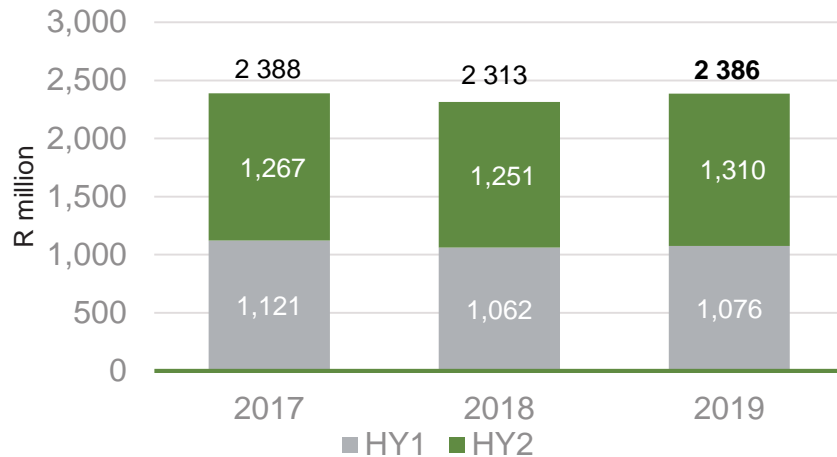
Water Consumption



Wastewater Quality Improvement

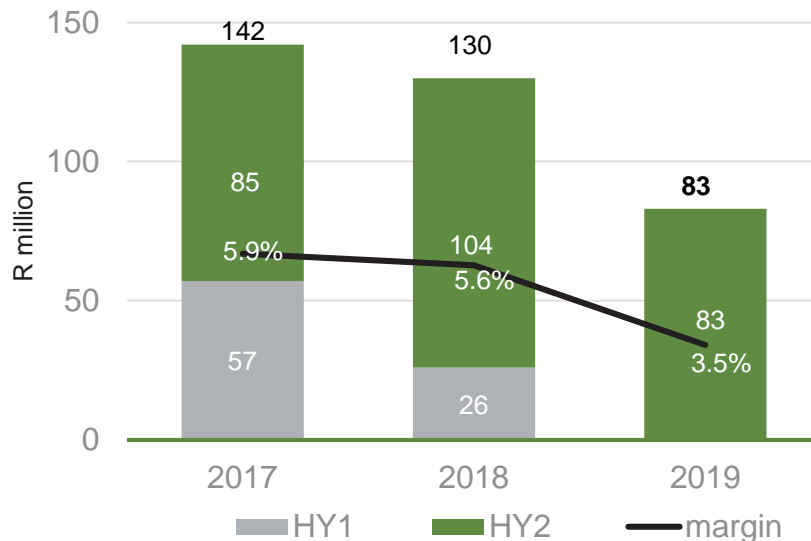


Segment revenue



- Revenue up 3.2% to R2.4bn
 - Volumes up 4.2% due to growth in preforms & closures
 - Average price down 1% due to lower polymer prices

Underlying operating profit



- Underlying operating profit of R83m (2018: R130m)
 - Solid performances in preforms & closures and bins & crates
 - Trays & films restructure completed
 - Negative sales mix in FMCG

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Financial summary

from continuing operations¹

Revenue

5.1%

R11.1 billion

Underlying operating profit

3.7%

R724 million

Underlying EPS

22.6%

192 cents per share

Total dividend

14.3%

60 cents per share

ROCE

0.1

11.8%

Gearing²

4.9

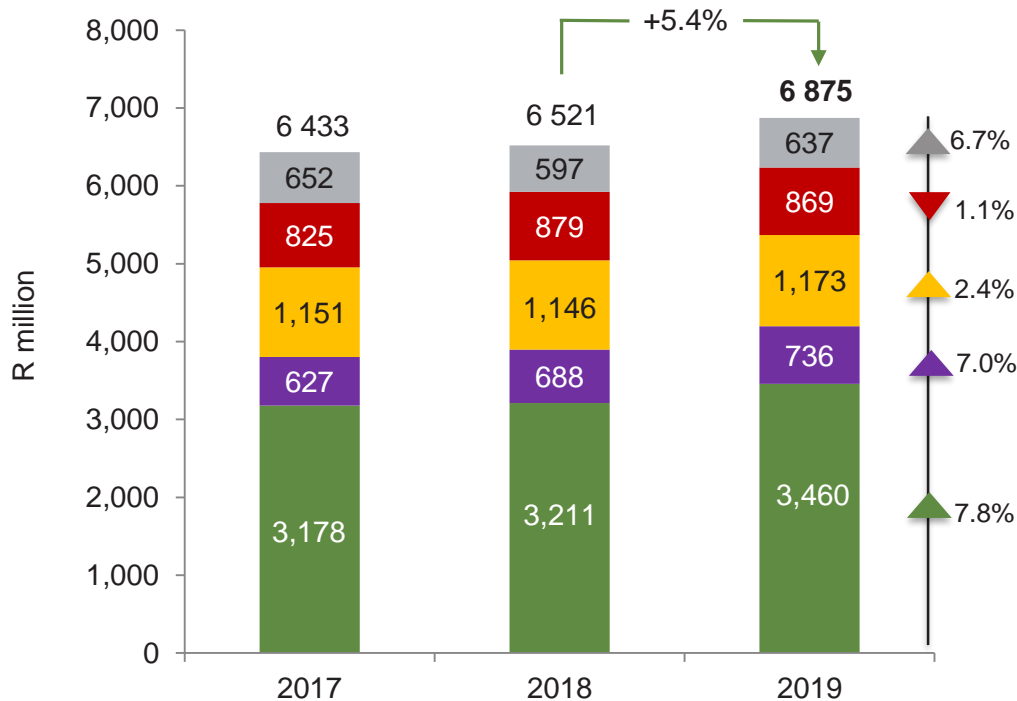
32.8%

1. Excluding Mpac Polymers

2. Gearing % excludes lease liabilities (IFRS 16)

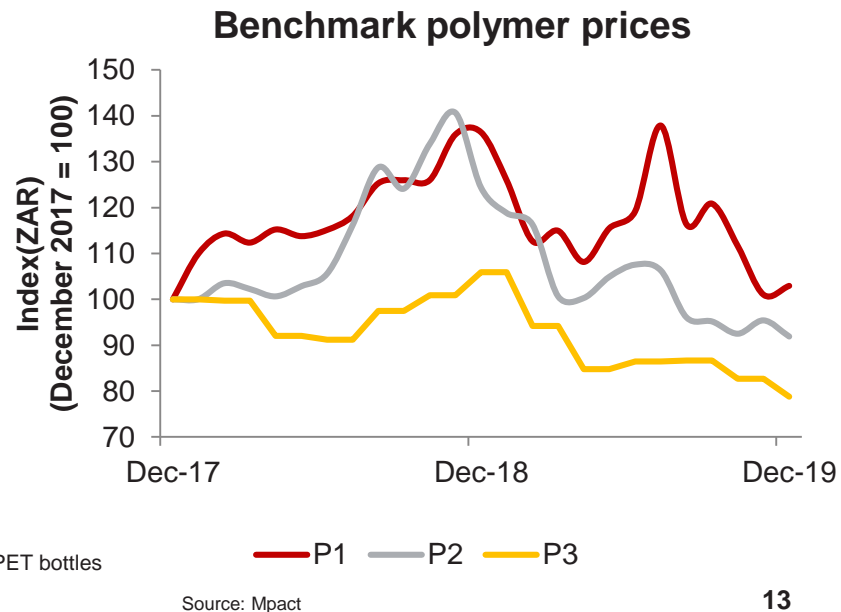
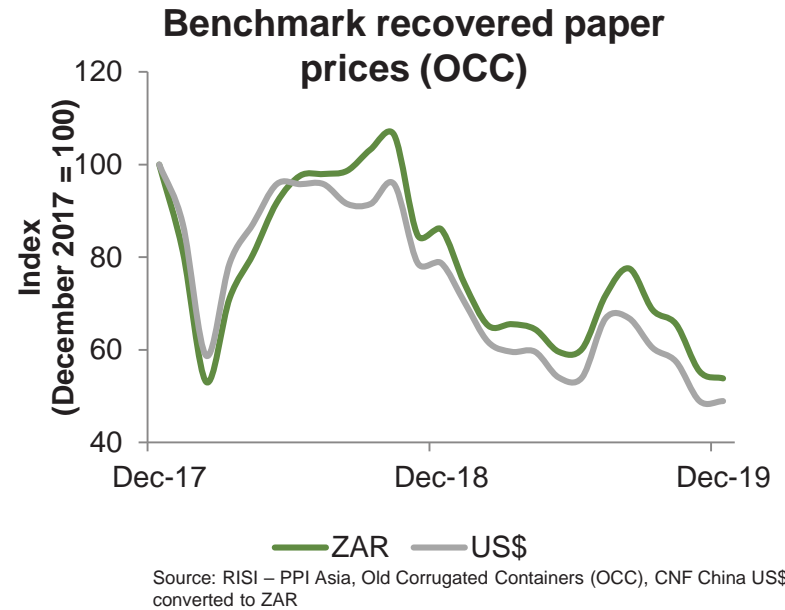
Variable costs

from continuing operations



- Paper business raw materials
- Plastic raw materials
- Other
- Energy
- Selling & distribution costs

- Virgin paper cost increased above inflation
- Inclusion of WCPT

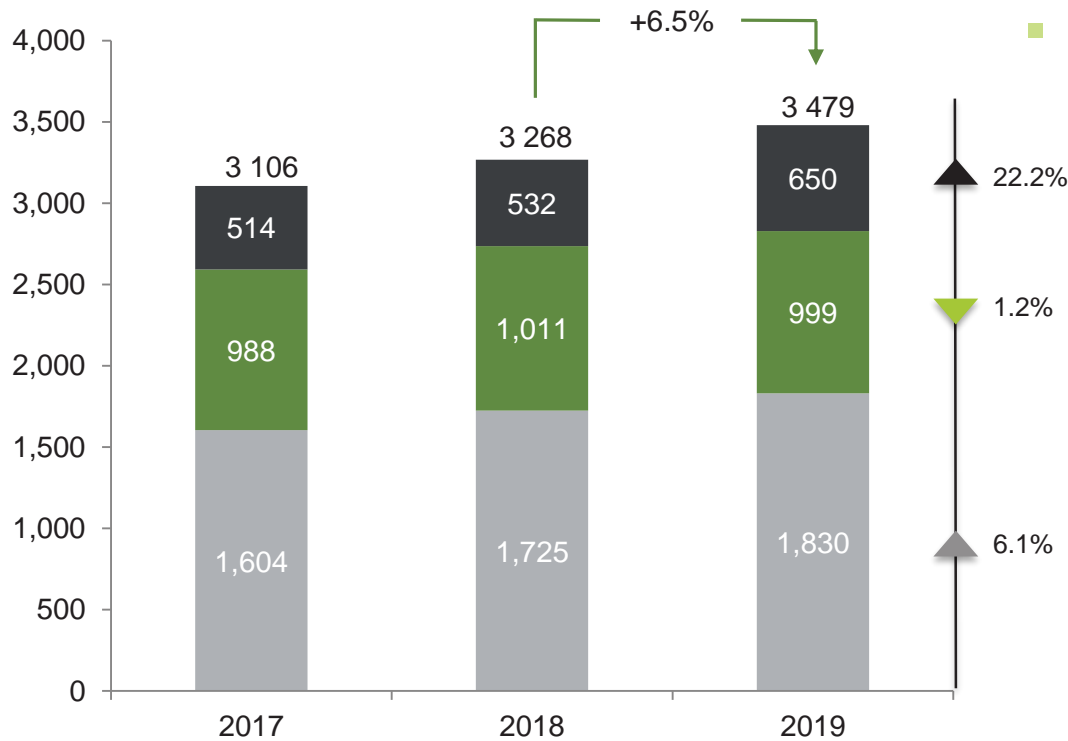


Notes:

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

Fixed costs

from continuing operations



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

- Fixed costs up 6.5%
 - Depreciation up 4.7%
 - excl. IFRS 16 - R93m
 - Net operating expenses down 1.2%
 - Lower rental costs (IFRS 16) offset by increase in bad debt provision (R43m)
 - Personnel cost increased 4.8% before WCPT acquisition

Financial review

R million	2018	2019	change	2019 before IFRS 16	Change vs 2018
Underlying profit before tax	571	494	(13.5%)	527	(7.7%)
Tax charge before special items	(116)	(128)	9.8%	(136)	17.2%
Non-controlling interests	(34)	(38)	11.8%	(39)	14.7%
Underlying earnings	421	328	(21.6%)	352	(16.4%)
Special items, net of tax	(39)	(1,086)	>100%	(1,086)	>100%
Basic earnings/(loss) for the year from continuing operations	382	(758)	(>100%)	(733)	(>100%)
Loss from discontinued operation	(66)	(64)	(5.1%)	(64)	(5.1%)
Reported basic earnings/(loss) for the year	316	(822)	(>100%)	(797)	(>100%)
Underlying earnings per share from continuing operations (cps)	247.7	191.8	(22.6%)	205.8	(16.9%)

Impairment charged on goodwill, plant and equipment reported under special items

Cash generating units R'm	Goodwill	Plant & equipment	Total charge
Springs mill	197	202	399
Piet Retief mill	160	277	437
Trays & Films	192	253	445
Other	-	10	10
Gross impairment charge	549	742	1,291
Tax and non-controlling interest effect	-	(211)	(211)
Net impairment charge	549	531	1,080

Mpact Polymers – Discontinued operation

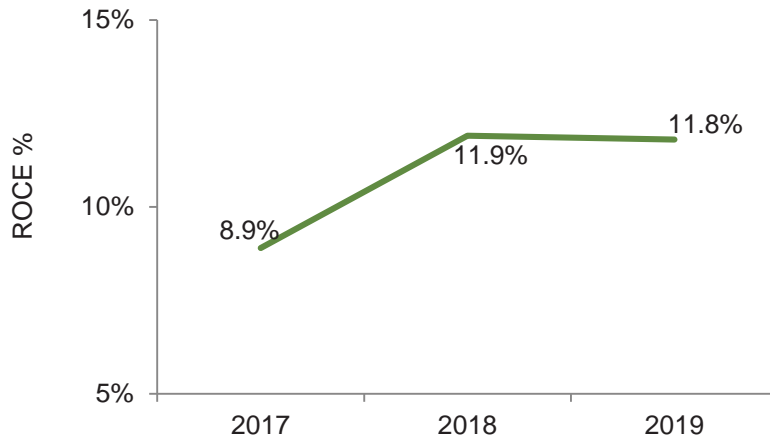
- Placed into business rescue on 10 December 2019
 - Disclosed as a discontinued operation
 - Deconsolidated from Mpact

R'm	2019
Trading loss	79
Net finance cost	12
Loss before tax	91
Impairment on plant and equipment	232
Gain on deconsolidation	(160)
Effects of non-controlling interest on loss before tax and impairment charge	(99)
Net loss on discontinued operations	64

ROCE and net debt

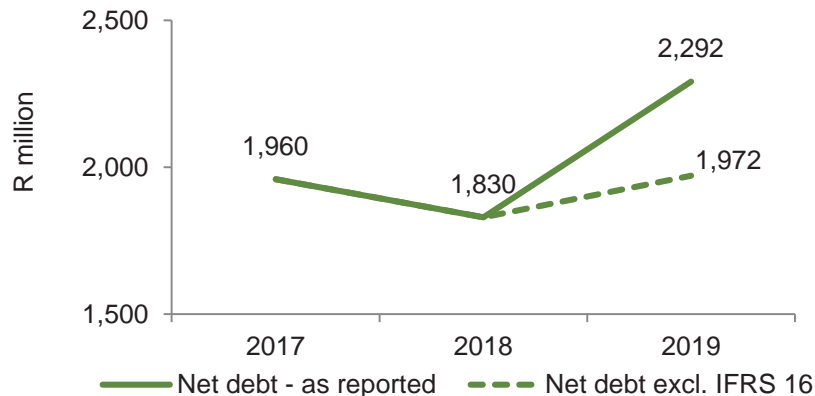
from continuing operations

Return on Capital Employed (ROCE)



- ROCE of 11.8% (December 2018: 11.9%)
 - Reflects marginally lower earnings
 - Higher working capital levels

Net debt



- Net debt closed at R1,972m before IFRS 16 lease liabilities adjustment of R321m
- Gearing increased to 32.8%, excluding lease liabilities (December 2018: 27.9%)

1. Return on Capital Employed (ROCE) is based on underlying operating profit plus share of equity accounted investees' net earnings divided by average capital employed.

Net finance cost and net debt

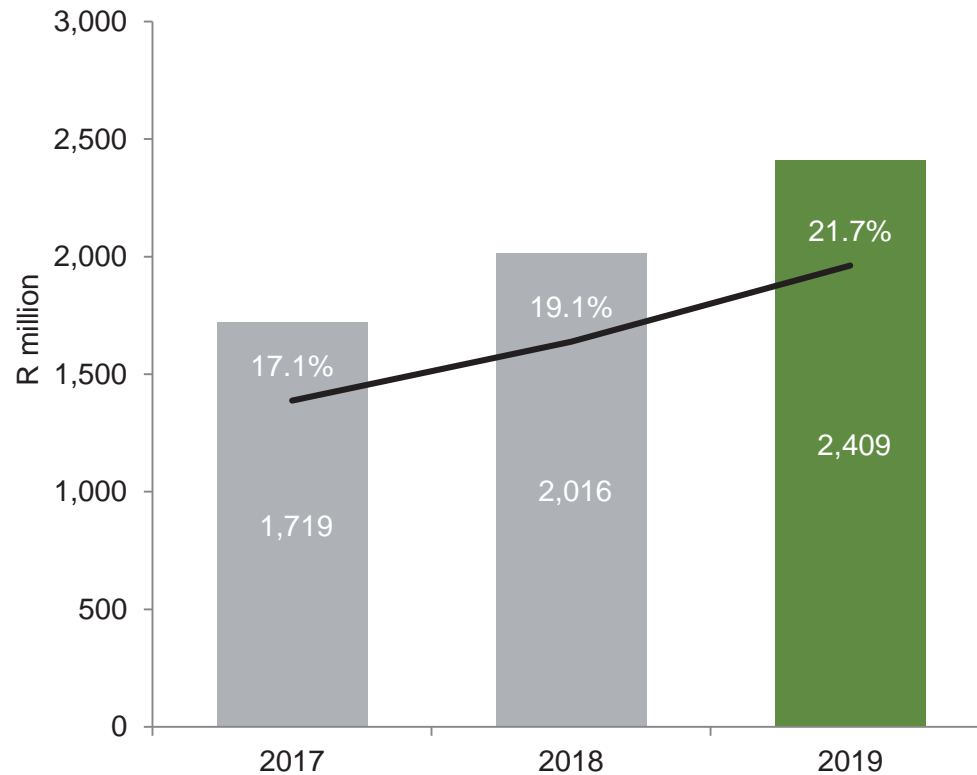
from continuing operations

R million	2018	2019			Change vs net debt	Change vs net debt after IFRS 16
		Net debt	Lease liabilities (IFRS 16)	Net debt after IFRS 16		
Net debt – close	1 830	1 971	321	2 292	7.7%	25.3%
Net debt – average	2 096	2 140	410	2 550	2.1%	21.7%
Net finance cost	209	207	38	245	(1.0%)	17.2%
Gearing	27.9%	32.8%	5.4%	38.2%	4.9	10.3
Interest cover (underlying EBIT) (times)	3.6	3.5		3.0		
Net debt to EBITDA (times)	1.4	1.4		1.7		

Trade working capital

from continuing operations

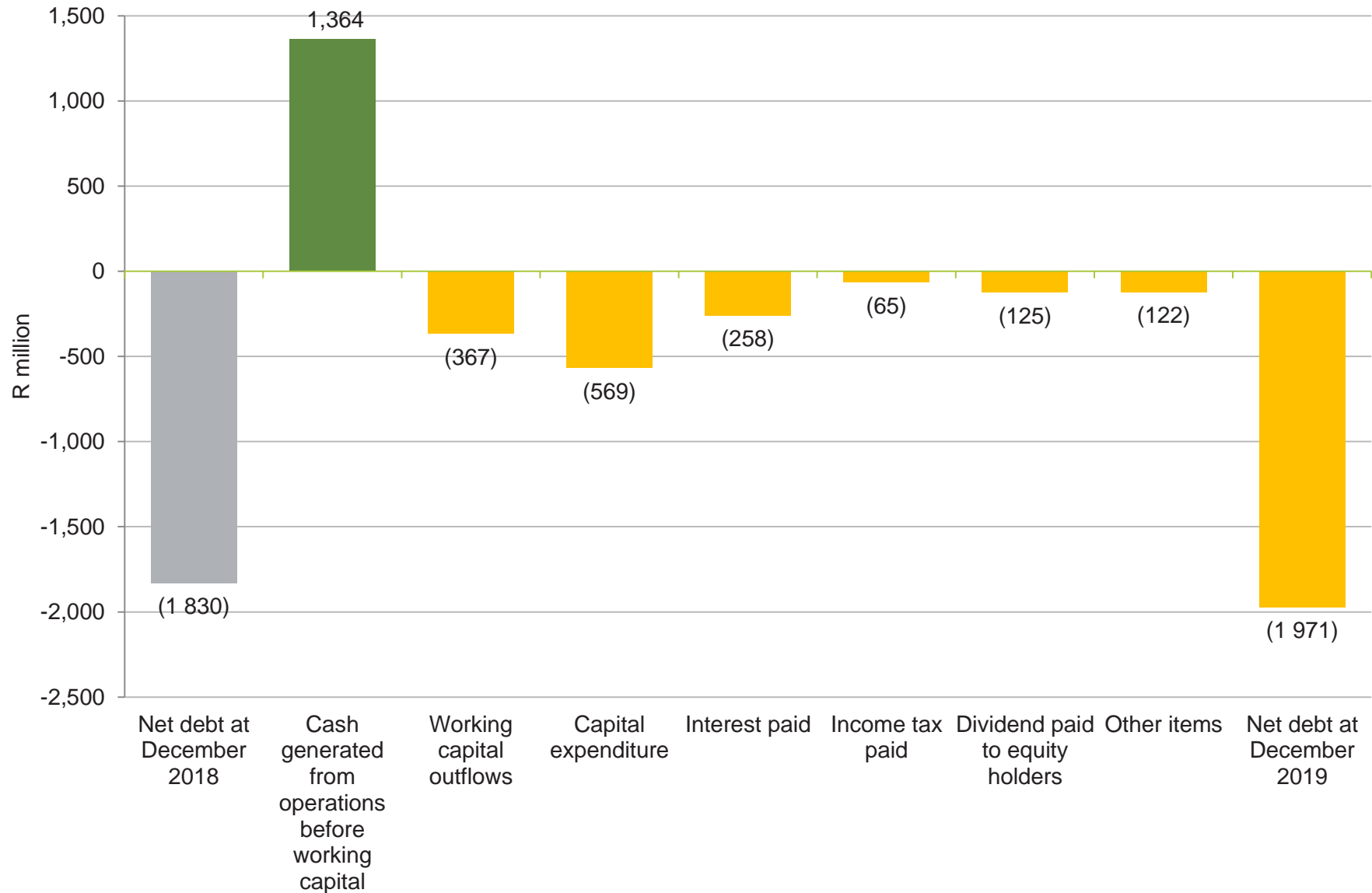
Trade working capital % of revenue



- Trading working capital increased by R393m
- Lower trade payables at end of Q4 due to sales not meeting expectations

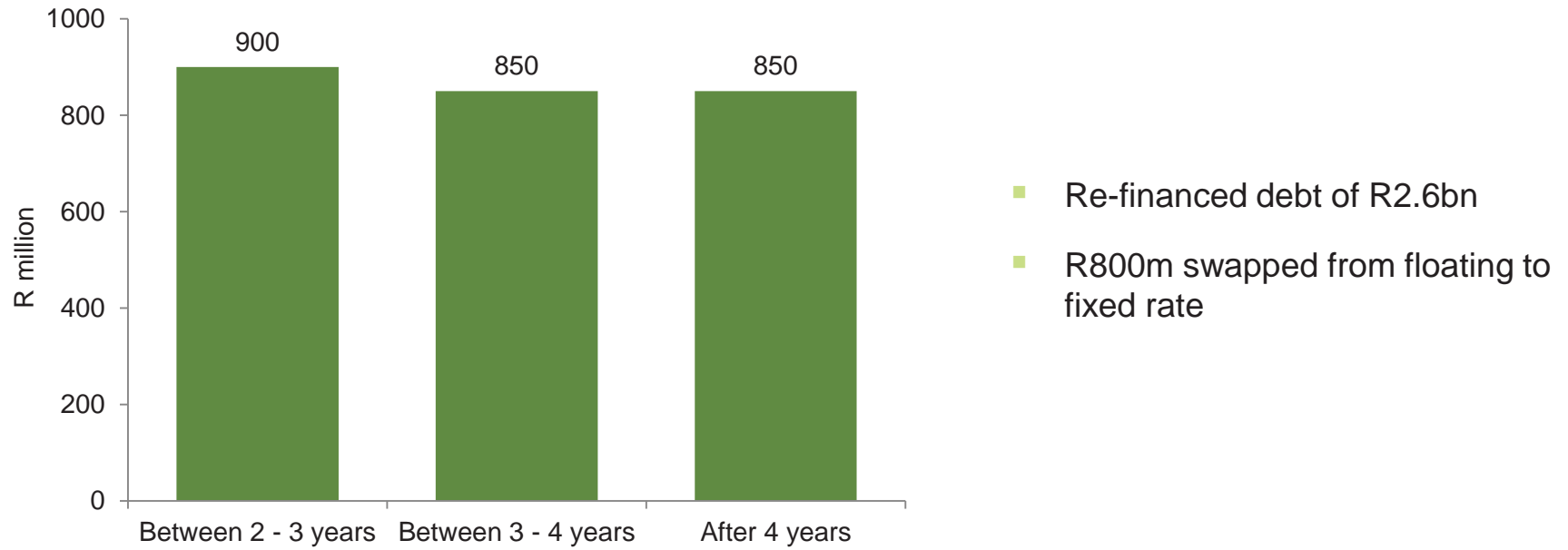
Movement in net debt

from continuing operations*



* Excludes the effects of IFRS 16

Maturity profile of committed facilities



Taxation

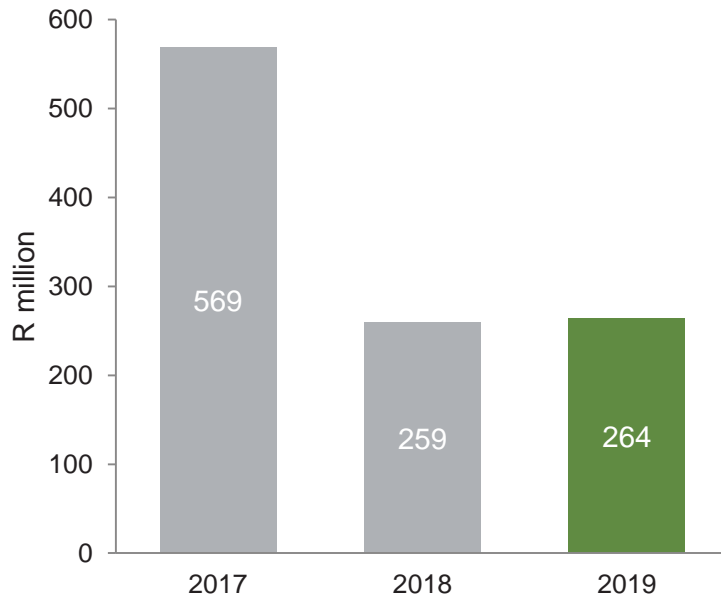
before special items

R million	2018	2019	change
Taxation charge	116	128	10.3%
Effective tax rate	20.3%	25.7%	5.4
Tax paid	72	65	(9.7%)

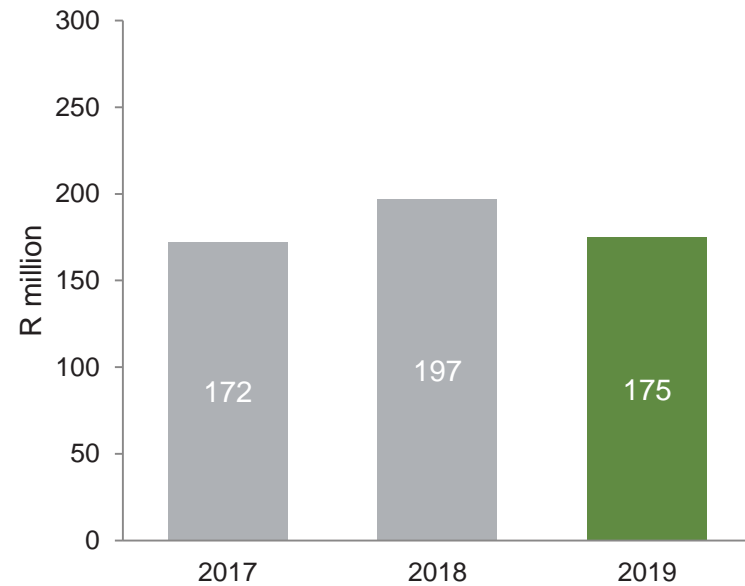
- 2018 effective tax rate benefitted for S12I tax allowance

Capital expenditure cash flows

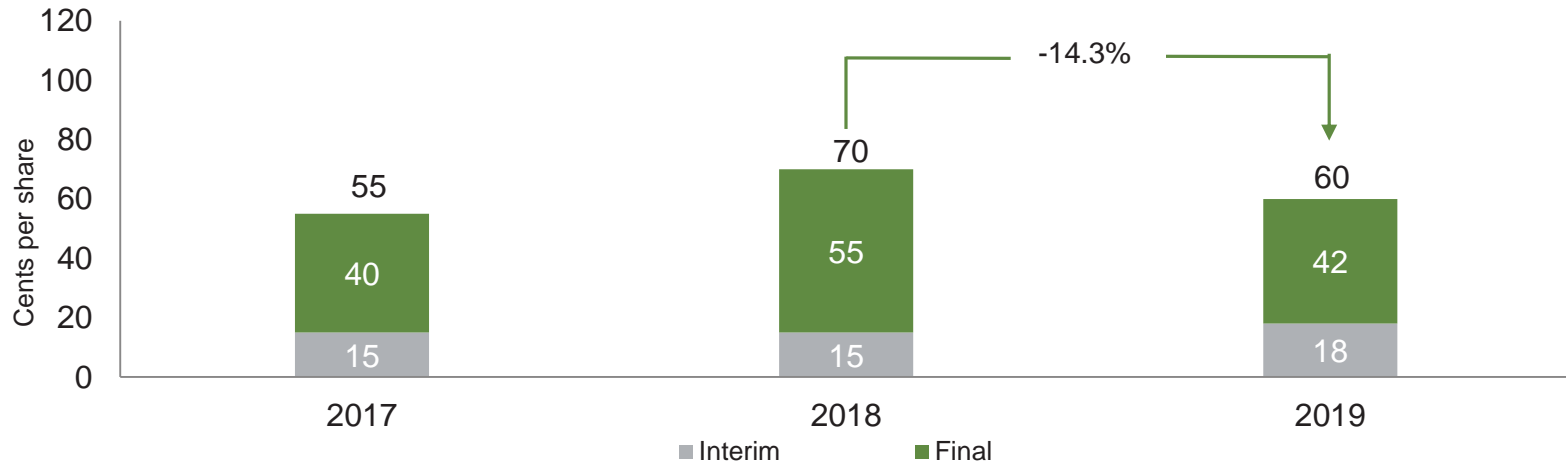
Paper business



Plastics converting business



1. Excludes Corporate capital expenditure of R130 million (2018: R63 million) which comprise spends related mainly to the purchase of Land and Buildings.



- Dividends to be paid in cash. No scrip distribution alternative

Salient dates for the 2019 final cash dividend

Publication of dividend declaration	Wednesday, 4 March 2020
Last day of trade to receive a dividend	Tuesday, 31 March 2020
Shares commence trading “ex” dividend	Wednesday, 1 April 2020
Record date	Friday, 3 April 2020
Payment date	Monday, 6 April 2020

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Outlook

- No growth in SA this year, uncertain export demand
- Impact of load shedding and other power outages
 - Springs mill down since 16 February 2020 due to catastrophic failure of municipal substation
- Favourable recycled fibre market
- Prioritise cash preservation, cost savings, efficiency gains and product innovation.
- No discernible impact on sales or supply chains from the COVID-19 virus, however the outlook is uncertain.
- Mpack's integrated business model is uniquely focused on closing the loop in paper and plastic packaging