



CIRCULAR THINKING IN ANY SHAPE

**mpact**   
smarter, sustainable solutions

**RESULTS  
PRESENTATION**  
FOR THE YEAR ENDED  
31 DECEMBER  
**2020**

# 01

## 2020 in context

Financial review  
Operating review  
Financial performance  
Outlook



- Resilient performance
  - Record cash flow
  - Gearing reduced to 27% (2019: 38%)
  - Increased earnings
  - Strong recovery from Q4 2020
  - Successful share buyback
  - Improvement in safety
- Capex and investments - properties, Dalisu, solar PV, Detpak
- Mpact Operations (Pty) Ltd retained B-BBEE level 1 status
  - 34 Mpact Foundation bursaries to date
- Good performance on 5-year sustainability targets
- “Circular thinking in any shape you like”
  - Award winning innovation
- Exceptional response across all businesses to Covid-19

# Impact of Covid-19

- Government imposed lockdown
- Mpact listed as an essential service provider from the onset
  - Stringent safety and hygiene practices across all operations
  - Business adapted quickly
  - Excellent response from all employees, customers and suppliers
- Non-essential production lines shut as required
  - QSR, beverage, tobacco and recycling sectors
- Liquidity well managed and costs well contained
- Employees
  - Safety, health and wellness
  - Revised shift arrangements for business continuity
  - UIF Ters / leave
- Making a difference in our communities

# 02

2020 in context

## Financial review

Operating review

Financial performance

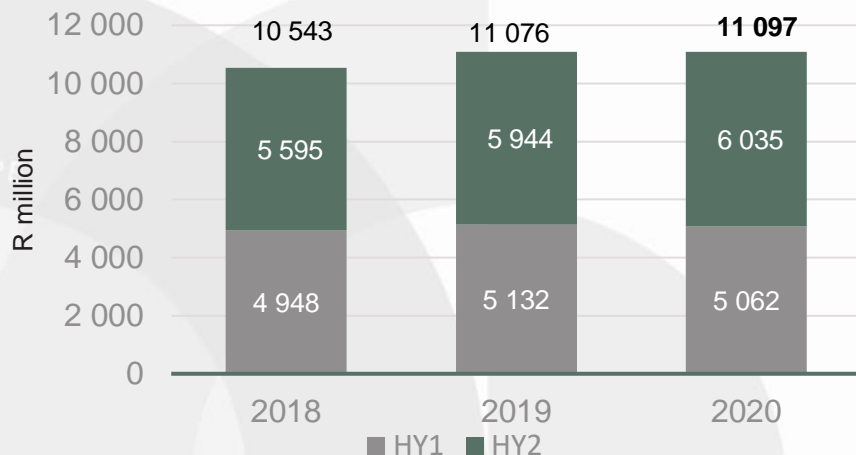
Outlook



# Financial review

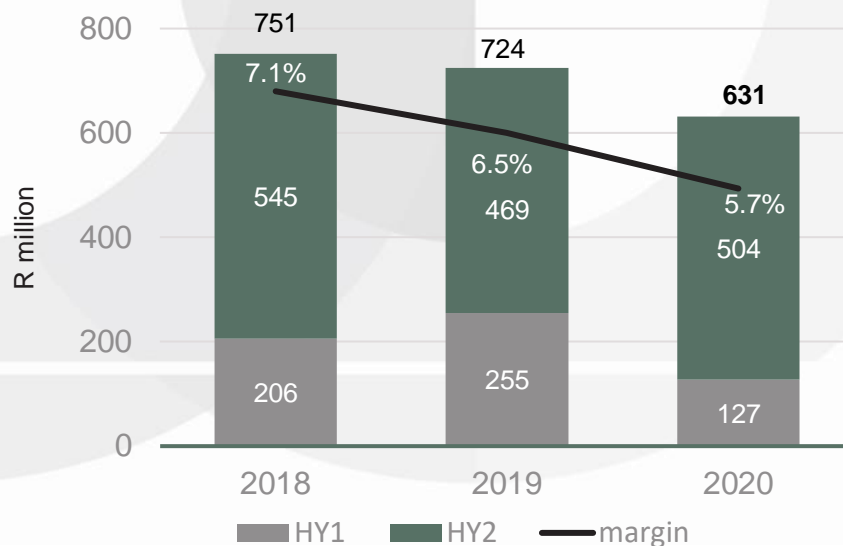
from continuing operations<sup>1</sup>

## Group revenue



- Revenue at similar levels to prior year
  - 3.5% increase in Plastics, offset by 0.7% decline in Paper
  - Sales volumes decreased by 3.8%
- Gross profit of R4 billion down 4.9%
  - Covid-19 lockdown impact approximately R70m
  - Springs paper mill shut R91m
  - Gross profit margin 36.1% down 1.8 percentage points
    - Lower average containerboard prices
    - Improved in 2H 2020 and still strong

## Underlying EBIT



- EBITDA of R1.17bn, underlying EBIT R631m
- Lower tax rate due to 12I & 12L incentives
- Underlying EPS up 4.6% to 201 cents
- Record cash generated of R1.9bn, up 89%
- Gearing reduced to 26.6% (2019: 38.2%)
- ROCE of 11.4% (2019: 11.8%)
- R345m returned to shareholders through share buyback (2020 R88m; Jan 2021 R257m)

1. Excluding Mpact Polymers. Actual 2018 and 2019 has been restated to exclude Mpact Polymers



# 03

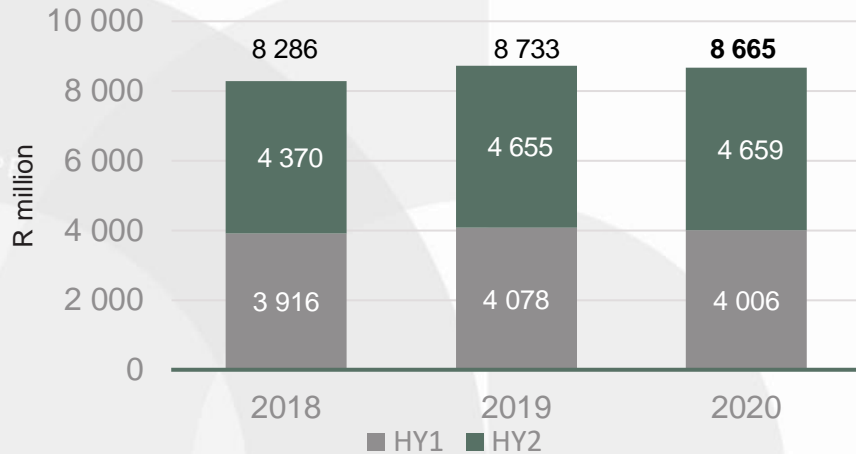
2020 in context  
Financial review

## Operating review

Financial  
performance  
Outlook

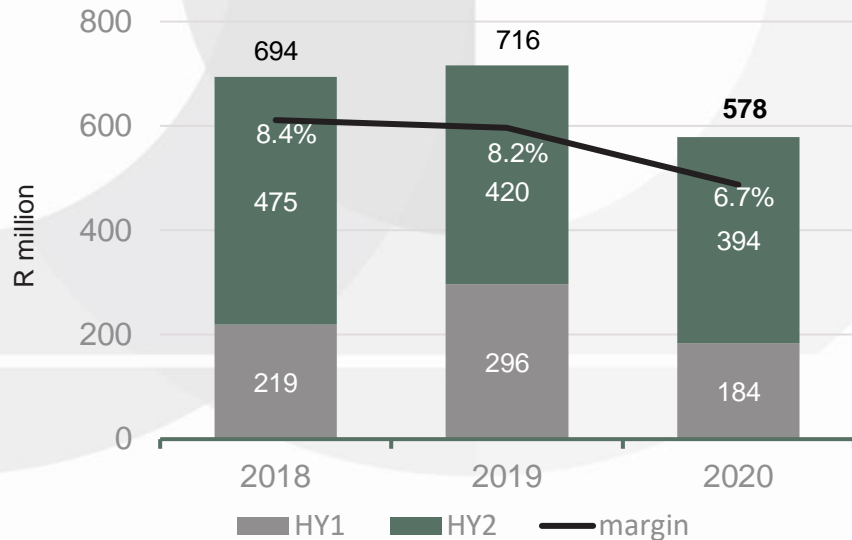


## Segment revenue



- Revenue of R8.7bn decreased by 0.8%
  - External sales volumes down 3.3%
  - Cartonboard and containerboard up 12.8% due to higher exports. Rolled pulp sales of 21kt, 2.6% of segment volumes (2019: 7kt, 0.8%)
  - Paper converting down 5.8% with strong agric. partly offsetting the effects of lockdown
  - Recycling down 29%, immaterial impact on profit

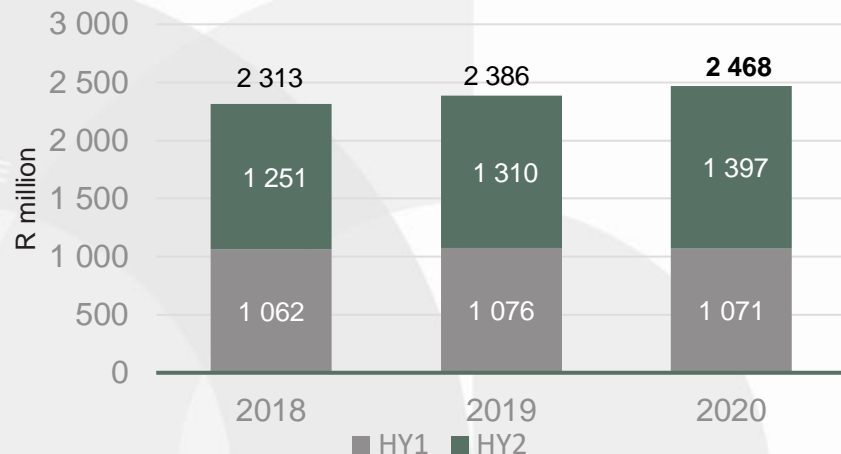
## Underlying EBIT



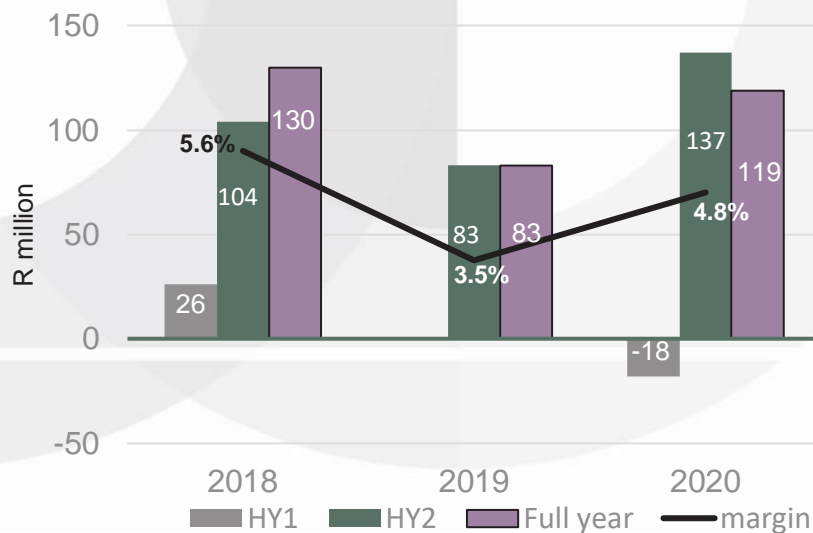
- Underlying operating profit R578m
  - Lower containerboard margins
  - Electricity supply interruptions
- Springs mill insurance claim
  - Gross profit R91m, other costs R9m
  - Paid during the period R35m, net proceeds of R25m
- Strong recovery from Q4 continues



## Segment revenue



## Underlying EBIT



- Revenue up 3.5% to R2.5bn
  - Volumes down 2.7%, average price up 6.2% due to product mix
  - Higher volumes in Bins & Crates and FMCG, offset by declines in Preforms & Closures, Trays & Films
    - Trays & Films volumes up on plan following successful 2019 restructure
  
- Underlying operating profit up 44.1% to R119m
  - Good profit improvement in most businesses
  - Profit includes non-recurring inventory write-off of R29m
  
- Excellent product response to Covid-19 such as face shields, personal care packaging

# 04

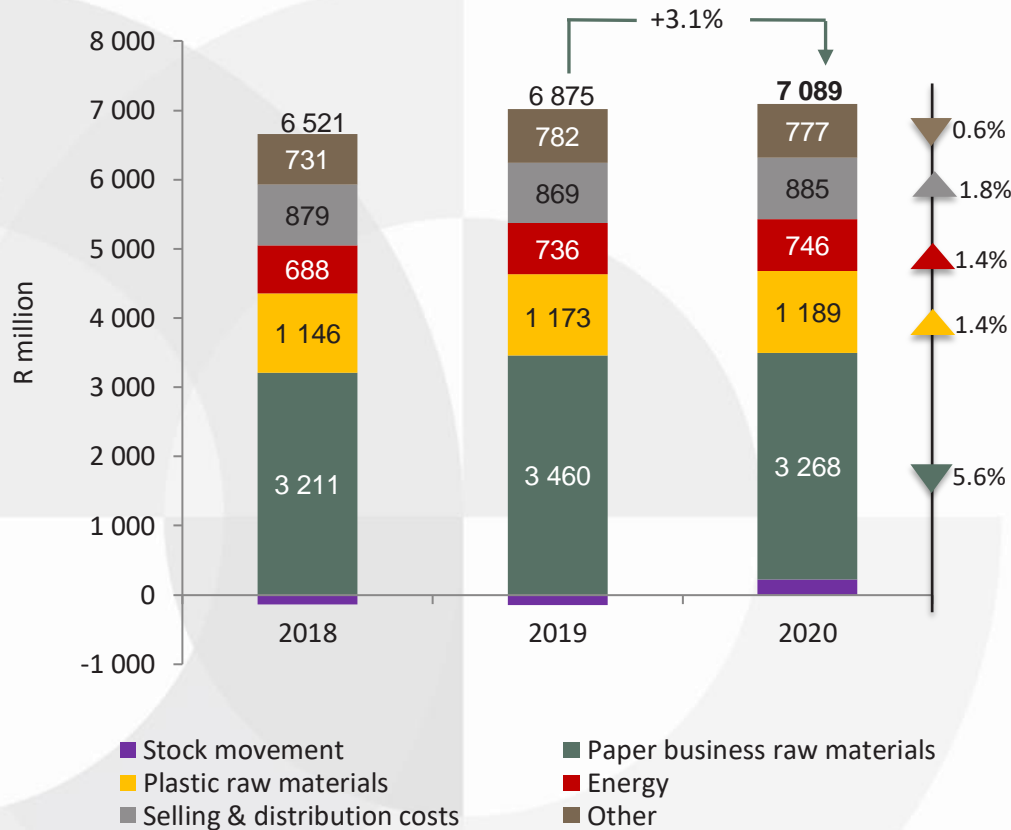
2020 in context  
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Outlook



# Variable cost of sales

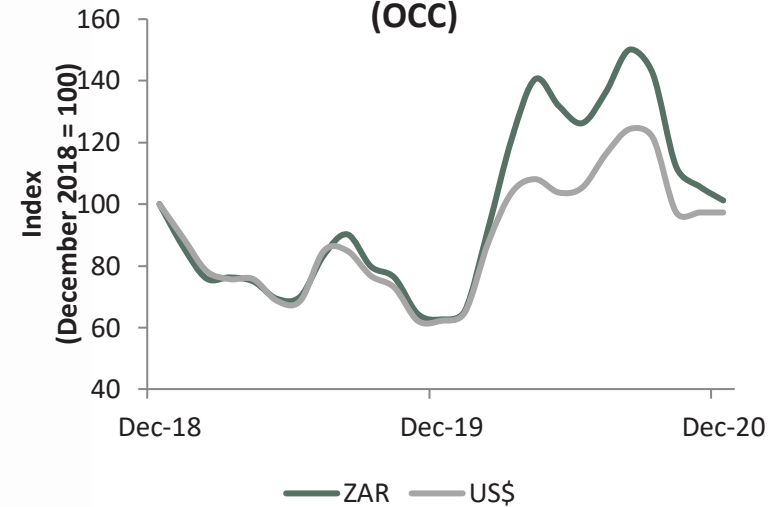
from continuing operations



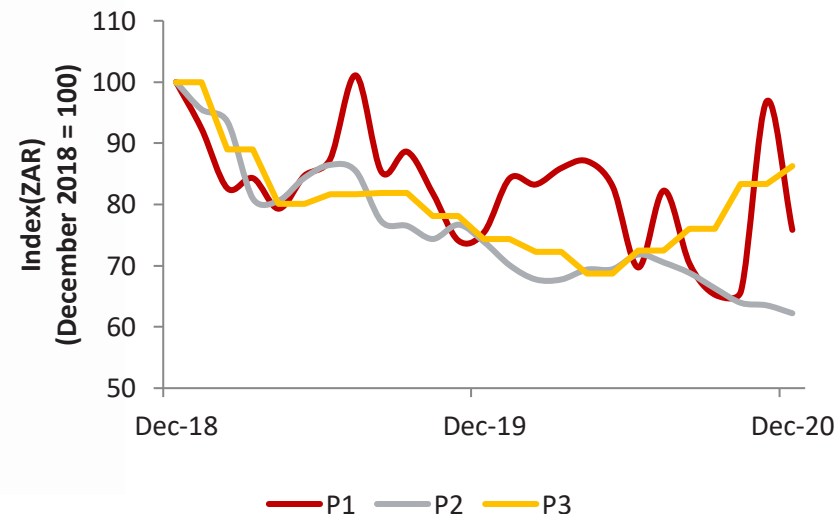
**Notes:**

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 and packaging costs

## Benchmark recovered paper prices (OCC)

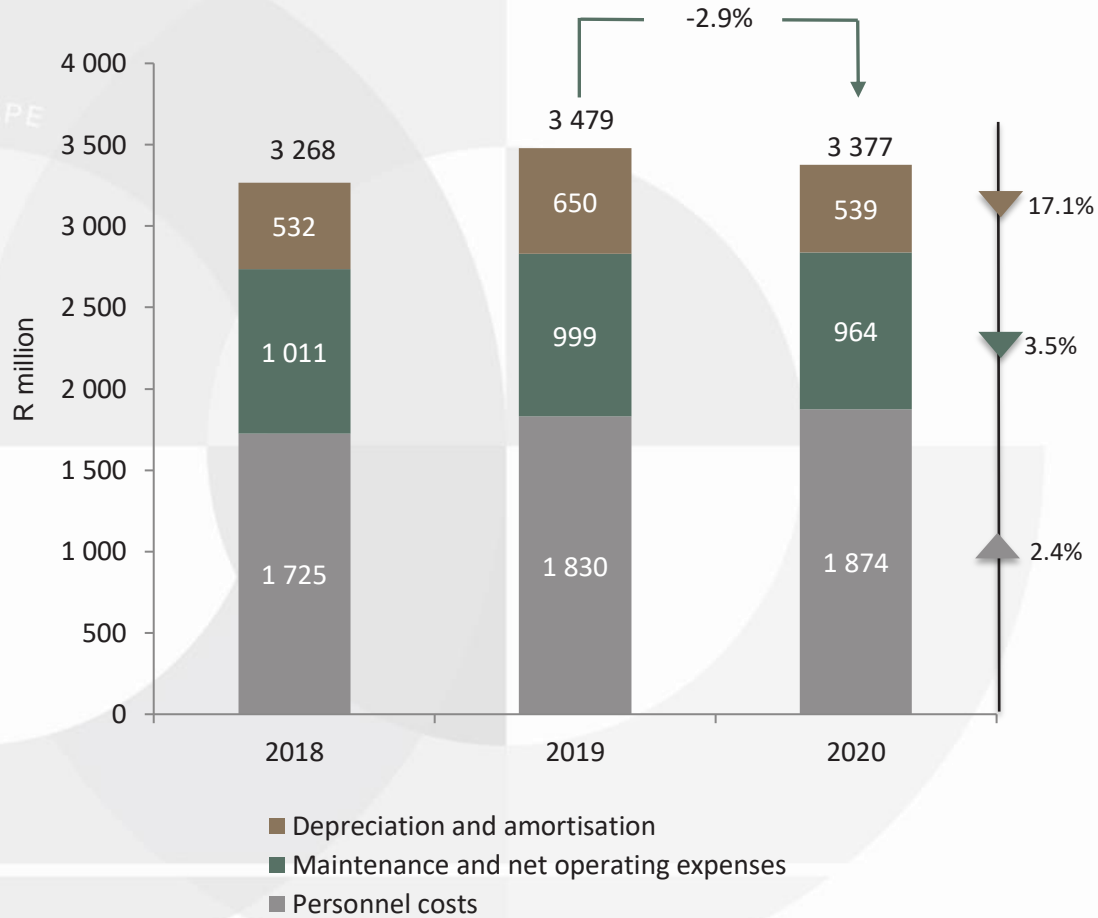


## Benchmark polymer prices



# Fixed costs

from continuing operations



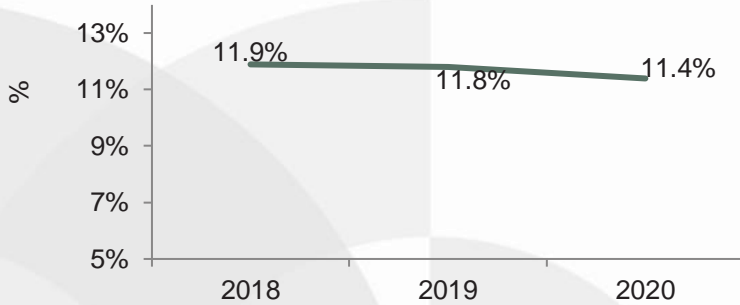
- Fixed costs down 2.9%
  - Depreciation down 17.1%
    - Impairment on plant and equipment in prior year
  - Net operating costs down 3.5%
    - Stringent cost control
    - Lower bad debt provision in 2020

# Financial review

R million	2019	2020	change
Underlying profit before tax	495	472	(4.7%)
Tax charge before special items	(128)	(87)	31.8%
Non-controlling interests	(39)	(45)	(22.7%)
<b>Underlying earnings</b>	<b>328</b>	<b>340</b>	<b>3.6%</b>
Special items, net of tax	(1,086)	(20)	>98.2%
<b>Basic (loss) / earnings for the year from continuing operations</b>	<b>(758)</b>	<b>320</b>	<b>&gt;100%</b>
<b>Loss from discontinued operation</b>	<b>(64)</b>	<b>-</b>	<b>100%</b>
<b>Reported basic (loss) / earnings for the year</b>	<b>(822)</b>	<b>320</b>	<b>&gt;100%</b>
<b>Underlying earnings per share from continuing operations (cps)</b>	<b>191.8</b>	<b>200.6</b>	<b>4.6%</b>

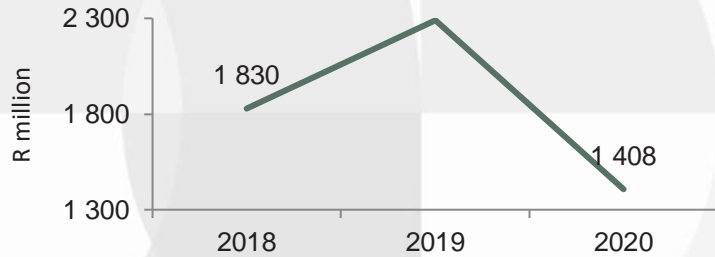
# ROCE and net debt

## Return on Capital Employed (ROCE)<sup>1</sup>



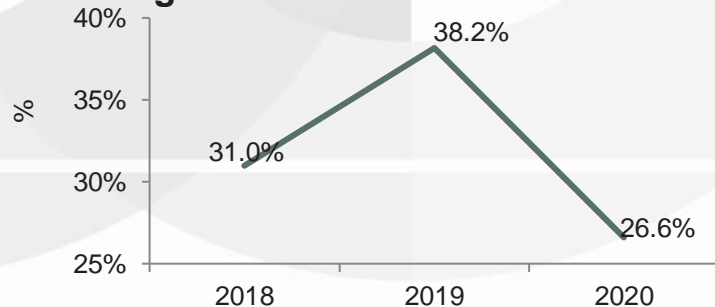
- ROCE of 11.4%
  - Decrease in profits, offset by improved capital employed

## Net debt



- Net debt closed at R1.4 billion
  - Strong cash flows generated from operations
  - Improved working capital level
  - Notwithstanding capex spend of R518m

## Gearing %

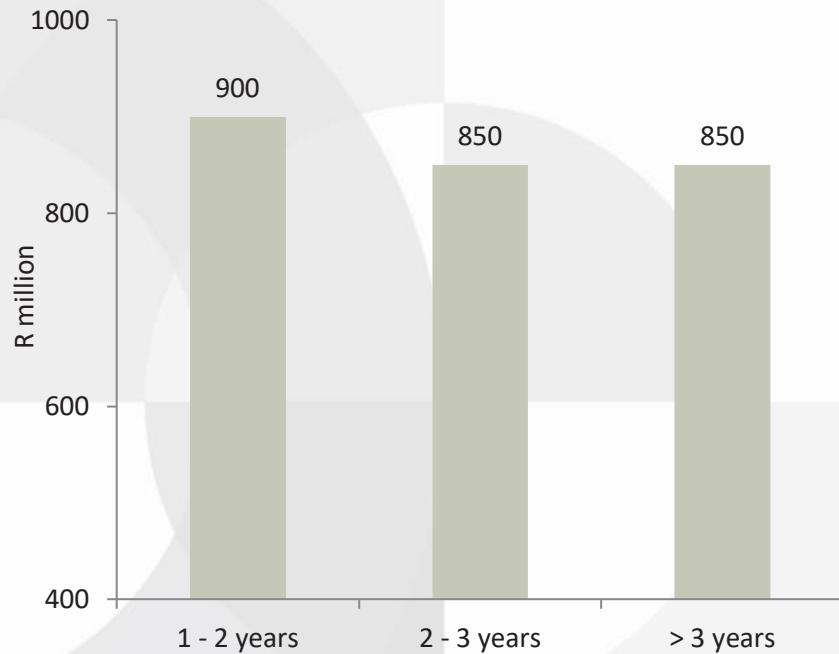


- Gearing improved to 26.6%

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.



## Debt maturity profile as at year-end



- Total banking facilities of R2.8 billion
  - RCF facilities of R2.6 billion
  - GBF of R220 million
- Headroom at year-end exceeded R1.5 billion
- All covenants comfortably met

Bank covenants	Threshold	31 December 2020 <sup>1</sup>
Interest cover ratio	≥ 3.5 times	7.1 times
Net debt to EBITDA ratio	≤ 3.0 times	0.9 times

1. Calculation excludes lease liabilities, as defined in the loan agreement

# Net finance cost and net debt

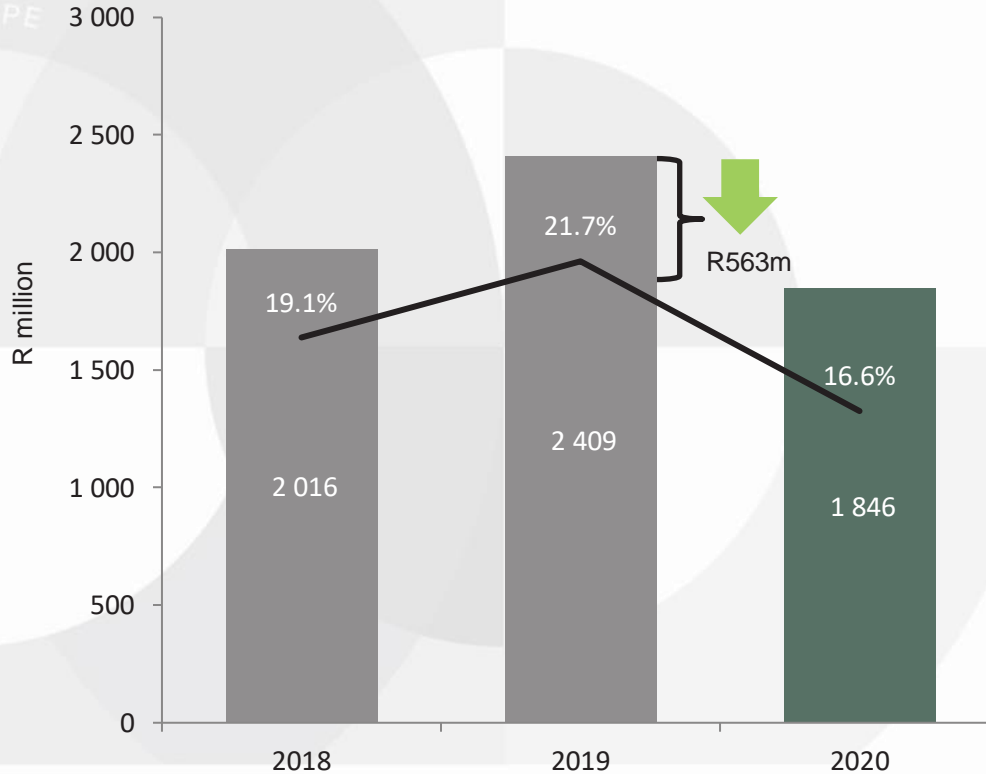
from continuing operations

R million	2019	2020	Change
Net debt – close	2,292	1,408	(38.6%)
Net debt – average	2,550	2,074	(18.7%)
Net finance cost	245	169	(31.0%)
Gearing	38.2%	26.6%	(11.6)
Interest cover (underlying EBIT) (times)	3.0	3.7	
Net debt to EBITDA (times)	1.7	1.2	

# Trade working capital

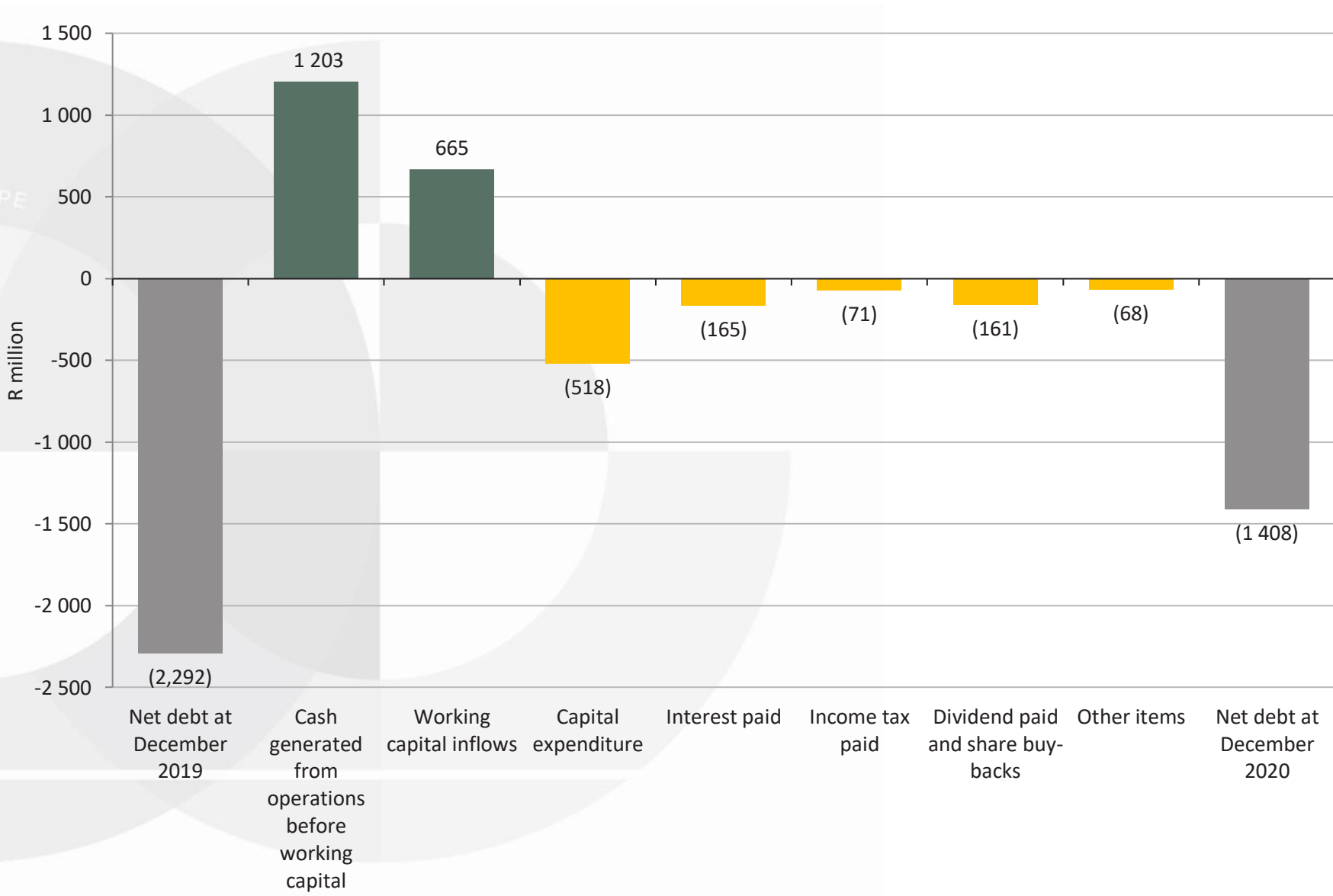
from continuing operations

## Trade working capital % of revenue



- Trade working capital decreased by R563m to 16.6% of revenue
  - Lower stock holding of finished goods in all operations particularly containerboard

# Movement in net debt



1. Including lease liabilities

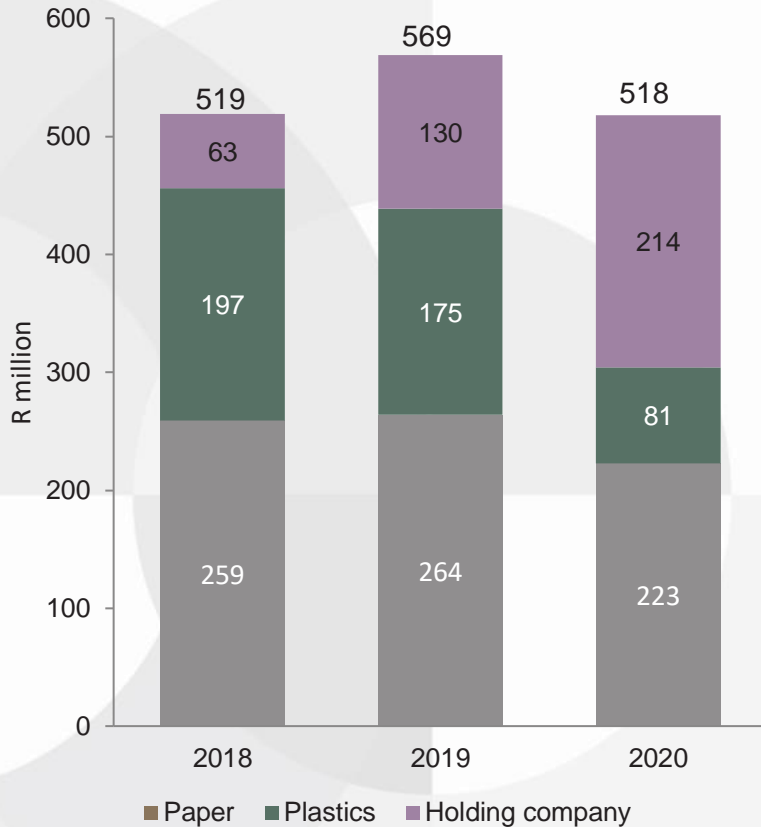
# Taxation

before special items

R million	2019	2020	change
Taxation charge	128	87	(31.8%)
Effective tax rate	25.7%	18.4%	(7.3)
Tax paid	65	71	9.2%

- Lower effective tax rate due capital investment and energy efficiency incentives (S12I and S12L)
- Gross assessed loss of R473 million
- Mpact expects its tax rate to normalise to approximately 28%

# Capital expenditure cash flows

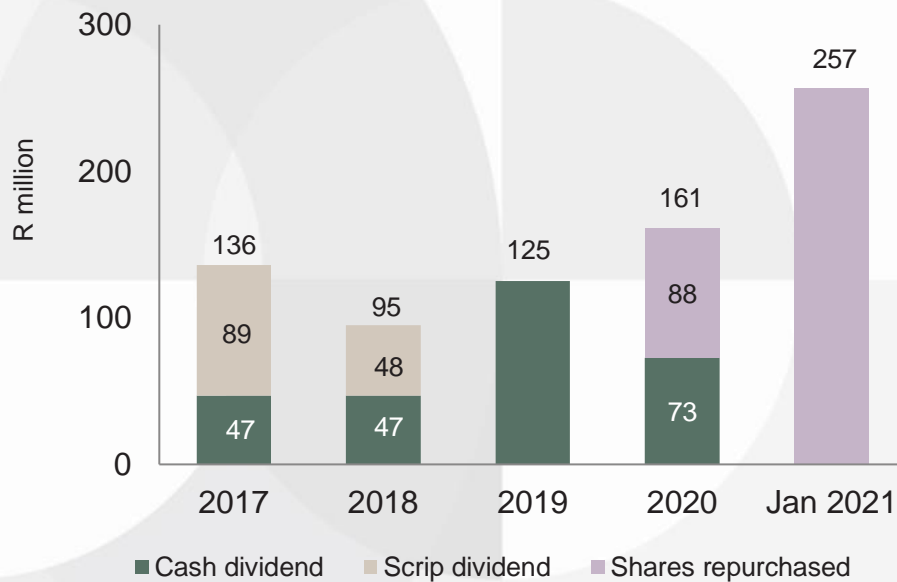


- Holding company's capex comprises of mainly property acquisitions for Group operations
- The fair value of the Group's property portfolio is approximately R1.0 billion



# Dividends and share buyback

## Returns to shareholders – dividend and share buybacks



Shares repurchased	Number of shares	Value Rm	Average price Rand per share
2020	9,716,002	88	9.01
2021	15,413,152	257	16.68
<b>Total</b>	<b>25,129,154</b>	<b>345</b>	<b>13.71</b>

- No dividends declared for FY2020
- 99.9% shareholder support for share buyback at special general meeting
- Cash returned to shareholders of R345 million through share buyback

# 05

2020 in context  
Financial review  
Operating review  
Financial performance

**Outlook**



- Positive start to the year
  - Improved containerboard margins
  - Good fruit production
  - Gradual recovery from lock-downs
- Working capital remains a key focus
  - Higher levels anticipated as supply chain is replenished
- EPS enhancement from share buyback of approximately 10%
- Strong balance sheet and sufficient funding
- Robust strategy and experienced management team



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THANK YOU

CIRCULAR THINKING IN ANY SHAPE



**BRUCE STRONG**  
Chief Executive Officer



**BRETT CLARK**  
Chief Financial Officer

Further information available on [www.mpact.co.za](http://www.mpact.co.za)

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