



30 MAY 2018

## NAMPAK ACTIVELY MANAGING PORTFOLIO

### Interim results for 6 months to end March 2018

#### HIGHLIGHTS

- Revenue up 2% to R8.8 billion
- Trading profit up 7% to R1.2 billion
- R1.3 billion cash extracted from Nigeria, Angola and Zimbabwe
- HEPS up 10% to 132cps
- Net gearing improved to 39%

Announcing Nampak's financial results for the six months ended 31 March 2018, Nampak's CEO, André de Ruyter, commented *"Our performance from continuing operations is pleasing in a mixed economic and political environment. All our Bevcan operations and plastics in the Rest of Africa achieved pleasing results while the rest of the group delivered a satisfactory performance under adverse conditions, characterised by reduced demand, particularly prior to December 2017."*

*He added, "Our focus on strengthening our financial position and prudent capital allocation has resulted in improved cash generation, reduced gearing and improved margins. We are intent on ensuring we have a solid foundation on which to grow our operations. We will continue to operate the business in order to build a sustainable, profitable business in which shareholder returns are optimised."*

Revenue from continuing operations (excluding Glass which has been earmarked for disposal and is accounted for separately) grew by 2% and trading profit rose by 7% as a result of robust demand in the Metals and Plastics Divisions' performance in the Rest of Africa. Nampak's headline earnings and headline earnings per share ("HEPS") for continuing operations increased 11% and 10% to R849 million (2017: R767 million) and 132.0c (2017: 119.7c) respectively.

Cash extraction improved significantly following the introduction of the Nigerian Autonomous Foreign Exchange ("NAFEX") market in April 2017, enabling Nampak to extract a further US\$74 million from Nigeria during the period. Nigeria is now fully liquid and Nampak is benefitting from an improved economy in that country.

The Board has decided to dispose of the Glass operation in order to free up cash for other uses, including growth, debt reduction and enhancing free cash flow. Exploratory

discussions have been held with a number of strategic players in the packaging industry and a formal disposal process has started.

Despite a 6% stronger Rand, group revenue improved by 2%, driven by a strong performance in the Metals Division. Bevcan in South Africa and Nigeria experienced pleasing sales volume growth, and Divfood recovered from low volumes. Strong volume growth in Bevcan Angola was tempered by a much stronger Rand to the US dollar, which resulted in a modest increase in revenue. While the Plastics Division revenue was flat, strong growth in the Rest of Africa contributed significantly to overall margin improvement. The rationalisation of the Paper Division also contributed towards improved trading margins for the Group of 13.2% from 12.5% in the prior period.

Gearing reduced to 39% from 51% in the comparative period and 45% at 2017 year-end. The balance sheet remains strong with adequate facilities to fund all activities. Capital expenditure more than halved to R206 million from R470 million as a result of more stringent capital allocation by management, and is expected to be similar to, if not below, the 2017 year amount of R735 million.

## **DIVISIONAL REVIEW**

### **Metals**

Revenue increased by 5% due to robust demand in South Africa and Nigeria. Volume growth was well in advance of GDP growth rates in both countries and suggests increasing can pack shares. Buoyant volume growth and capacity rationalisation as a result of the closure of the Bevcan Cape Town line are expected to mitigate significantly any risk of underutilised capacity in Bevcan SA. Bevcan Angola and Divfood in South Africa also reported good volume growth compared to the prior period and contributed to the strong performance of this division.

Bevcan Nigeria volumes grew significantly, driven largely by the malt category. The recent introduction of excise duty on alcohol beverages has not had a discernible impact on volume to date. The feasibility of a food can line in Lagos, Nigeria is being investigated to cater for anticipated growth in the food sector as the economy recovers.

### **Plastics**

Closures in South Africa grew market share, and an excellent performance by Zimbabwean entities delivered an excellent performance. Stringent cost management in Europe, capacity filling initiatives in South Africa and the strong performance in Zimbabwe saw trading profit for this Division grow 36% to R121 million from R89 million.

A turnaround plan in Rigid Plastics will result in a reduction in headcount of ~300 employees, the sale of two low margin businesses, the consolidation of three plants into two existing facilities, optimisation of warehousing and supply chain and an investment into selected new equipment. As a result, profitability is expected to improve by R131 million per annum, with once off costs of R106 million and capital investment of some R66 million. This will result in a more sustainable and profitable business by FY2020.

Liquid Cartons in South Africa continued to perform well in a tough trading environment. Cartons area easily recyclable and Nampak intends to grow this business through increased capacity utilisation and new product innovation.

The performance in the Rest of Africa was exceptional and demand in Zimbabwe was driven by increased market share from new customers and new products as well as management of the foreign exchange exposure through stricter credit terms. Margins improved in excess of revenue and led to better margins for the region and the division overall.

In spite of Nampak Plastics Europe being impacted by lower volumes, management's focus on turning this business around, managing costs and improving operational efficiencies has begun to yield results and the operating loss was reduced by 72% to R11 million. This business is expected to return to profitability by the end of the financial year, one year earlier than previously guided.

### **Paper**

A pleasing recovery in carton sales in Nigeria led to improved profitability. Tobacco case sales in Zimbabwe were moderately lower in light of limited availability of foreign currency, but contributed to improved profitability. Ongoing initiatives to service this region collectively continued and Malawi was restructured to function as a depot in order to improve profitability of this region going forward.

### **Glass**

Volume growth led to higher revenues but performance was impacted by internal production inefficiencies. While energy supply challenges were resolved, operational challenges and high depreciation reflective of the capital intensity led to a trading loss of R55 million.

## **OUTLOOK**

With improving business confidence and higher economic growth forecast for South Africa, demand for packaging is expected to grow at increased rates in 2018 and 2019. This, together with improved consumer sentiment, will boost beverage can market growth. Nampak anticipates that additional capacity by a new entrant in the beverage can market will be absorbed in the medium term as the beverage can market continues to show strong growth. The momentum at Divfood is expected to continue for the rest of the year Plastics is expected to benefit from a vigorous turnaround programme.

Operations in the Rest of Africa are anticipated to continue generating cash as demand in Angola, the recovering economy in Nigeria and good prospects in Zimbabwe will drive demand for packaging products.

### **ENDS**

#### **For further information:**

Nondyebo Mqulwana, IR Manager: 011 719 6326

**For interviews:**

Anne Dunn: 082 448 2684

**About Nampak**

*Nampak is Africa's largest diversified packaging manufacturer by volume and revenue. We leverage the skills of our 6 678 people and capitalise on our substantial investment in state-of-the-art facilities to produce world-class metal, glass and rigid plastics packaging from facilities in 11 countries across Africa, and in the United Kingdom as well as Ireland. Our customers – many of them large fast-moving consumer goods companies – benefit from our extensive research and development services, which provide them with innovative solutions that promote their own products while keeping their impact on the environment in check.*

[www.nampak.com](http://www.nampak.com)