MEDIA RELEASE

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CURRENCY VOLATILITY AND ADVERSE MACROECONOMIC CONDITIONS IMPACT NAMPAK

André de Ruyter, CEO of Nampak Limited, explains the company's performance for the interim period, "The first half of 2019 has been challenging for a number of key businesses at Nampak. Significant currency volatility and difficult macro-economic conditions particularly in Angola and have held back performance. Pedestrian economic growth in other African countries, most notably South Africa, has depressed consumer demand and volume growth. The significant exception to this trend is Nigeria, where beverage can volumes have grown significantly, continuing a trend that has prevailed after the floating of the Nigerian naira. Beverage can volumes in Nigeria are at a record high, demonstrating the resilience of the Nigerian consumer market after a recession."

He adds that in South Africa, Nampak's Bevcan business had successfully navigated increased competition by delivering on increased line speeds, greater efficiencies and good overhead cost control. The Paper business continues to grow across Africa driven by revitalised demand as a result of active marketing campaigns. The restructuring as part of the turnaround in the SA Plastics business has picked up pace and the business has successfully defended market share in a very competitive environment.

In Angola, beverage can volumes came under pressure as the Kwanza devalued by 49% since 31 March 2018. This eroded disposable income and put consumption under pressure. As Angola's contribution to profits reduced, swift cost containment measures, including a 20% reduction in headcount in that country, were implemented. Nampak expects demand in Angola to recover over the next 12-18 months once wage inflation has an effect.

Volumes in Zimbabwe have continued to grow, and these operations are self-sustaining across the various substrates, with no new credit facilities being made available from outside Zimbabwe to fund operations. The impact of the new currency regime has been fully absorbed in the half-year results, with a hedging agreement reached, this presents upside once implemented.

Nampak continued to optimise its portfolio in Nigeria. The non-core Cartons business was sold for an enterprise value of €26 million. Negotiations on the disposal of the Glass division are ongoing with a South African majority black owned business, which has secured funding for 100% of the anticipated divestiture value. Commercial negotiations are proceeding well, and upon conclusion the transaction, if concluded, will be submitted to the South African competition authorities for approval.

Nampak's BBBEE rating has improved from Level 6 to Level 4, with a firm plan to deliver a Level 2 rating in the short term without the need for a further equity transaction. De Ruyter commented: "We are very pleased at this improvement in our BBBEE contributor level, and we are committed to further improvements in the near future. This reaffirms our commitment to BBBEE as a key driver to business success in South Africa."

During the first half of the financial year, revenue reduced 4%, largely due to a decline in volumes in Angola from softer demand, and to a lesser extent the entry of two competitors for Bevcan SA. This was mitigated by a strong double digit growth in volumes by both Bevcan Nigeria and the general metals business, 3% revenue growth by Divfood, robust volume growth by the Paper and Plastics operations in Zimbabwe and high single-digit growth in the Paper business in Nigeria.

Trading profit was negatively impacted by lower volumes in Angola, cost and margin pressures at Divfood and the Plastics businesses in both SA and the UK. The overall trading margin reduced to 11.3% for continuing operations from 13.2%.

Profit for the period included an income tax credit and has decreased by 9% to R795 million. Basic earnings of R820 million representing basic earnings per share of 127.1c both declined by 2%. Headline earnings per share of 119.7c reduced 9%.

Nampak's debt was refinanced last September through a R12.5 billion long-term committed revolving credit facility and term loans. We have used 45% of these facilities, with the balance providing a platform for future growth and settlement of US dollar facilities on maturity.

Improved foreign currency liquidity in Angola and Nigeria resulted in Nampak reducing cash balances to R1.7 billion from R2.6 billion at year end. R1.1 billion from Angola and R0.7 billion from Nigeria was transferred at a rate of 68% of the opening cash balance, an improvement of 44%. Liquidity from Zimbabwe remains very constrained, and raw materials are being funded by dollars provided by customers, as well as proceeds raised from export sales. No increased facilities or unfunded goods have been made available to Nampak Zimbabwe.

The board has decided not to resume dividends to shareholders until the sustainability of cash transfers from Zimbabwe is assured and the disposal of the Glass business is finalised.

OUTLOOK

De Ruyter notes, "The outlook in key markets and businesses remains largely driven by macro-economic factors. While the entry of a third manufacturer in the beverage can market is expected to put pressure on Bevcan SA's volumes, we have implemented mitigating initiatives to deal with lower volumes. Our Divfood business may also be impacted by lower allocations by a key customer in the second half. In the absence of top-line growth, we will decisively address our cost base, and build on our operations excellence initiatives to drive efficiencies."

He adds, "We are encouraged that robust demand for metals packaging in Nigeria is expected to continue due to the emerging recovery of that economy. On the other hand, lower consumer demand is expected to continue in Angola until such time as spending power is restored when wage inflation converges with producer price inflation."

Overall, the growing consumer consumption shift towards more environmentally friendly and sustainable packaging is expected to drive volume growth of paper and metals packaging. "Nampak is actively promoting water in cans and cartons as a responsible alternative to one-way plastic packaging", De Ruyter stated.

ENDS

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About Nampak

Nampak is Africa's largest diversified packaging group by volume and revenue. We leverage the skills of our 5 641 people and capitalise on our substantial investment in 49 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.

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