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# Our Africa growth story

Investec Food and  
Beverage Indaba

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11 March 2015



## Forward looking statements

We may make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “believe”, “anticipate”, “expect”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour” and “project” and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that predictions, forecasts, projections and other forward-looking statements will not be achieved.

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# Our strategy is two-pronged

## Unlock further value from base business

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- › Active portfolio management, including possible divestitures
- › Stringent cost management
- › Working capital management
- › Business process improvement
  - › **Buy better** – streamline procurement process
  - › **Make better** – operational excellence, safety and efficiency
  - › **Sell better** – margin expansion, customer portfolio management

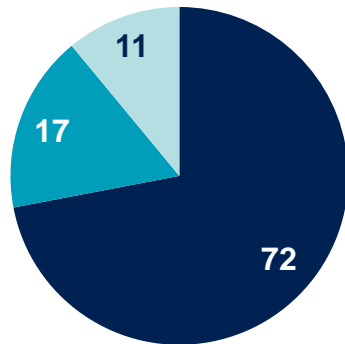
## Accelerate African growth

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- › Focus on sub-Saharan Africa
- › Growth through greenfield investment and acquisitions in metals, glass and plastics
- › Partner with major multinational customers
- › Build market base through exports
- › Establish local manufacture
- › Diversify manufacturing to other Nampak products
- › Build on existing hubs

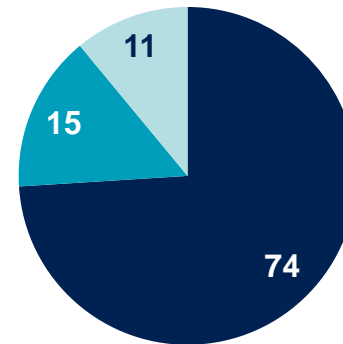
# Trading profit contribution from operations outside South Africa at 30% ...

## REVENUE (%)



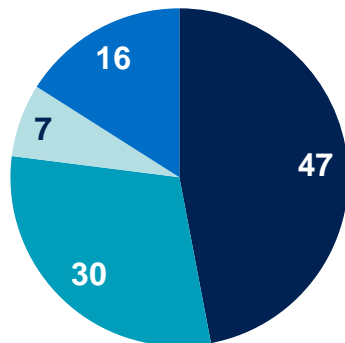
2014

- South Africa
- Rest of Africa
- United Kingdom



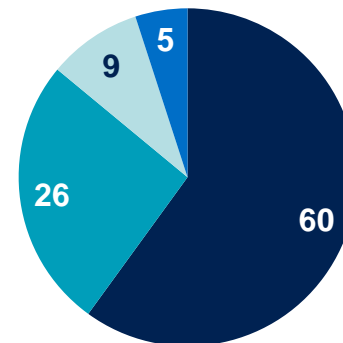
2013

## TRADING PROFIT (%)



2014

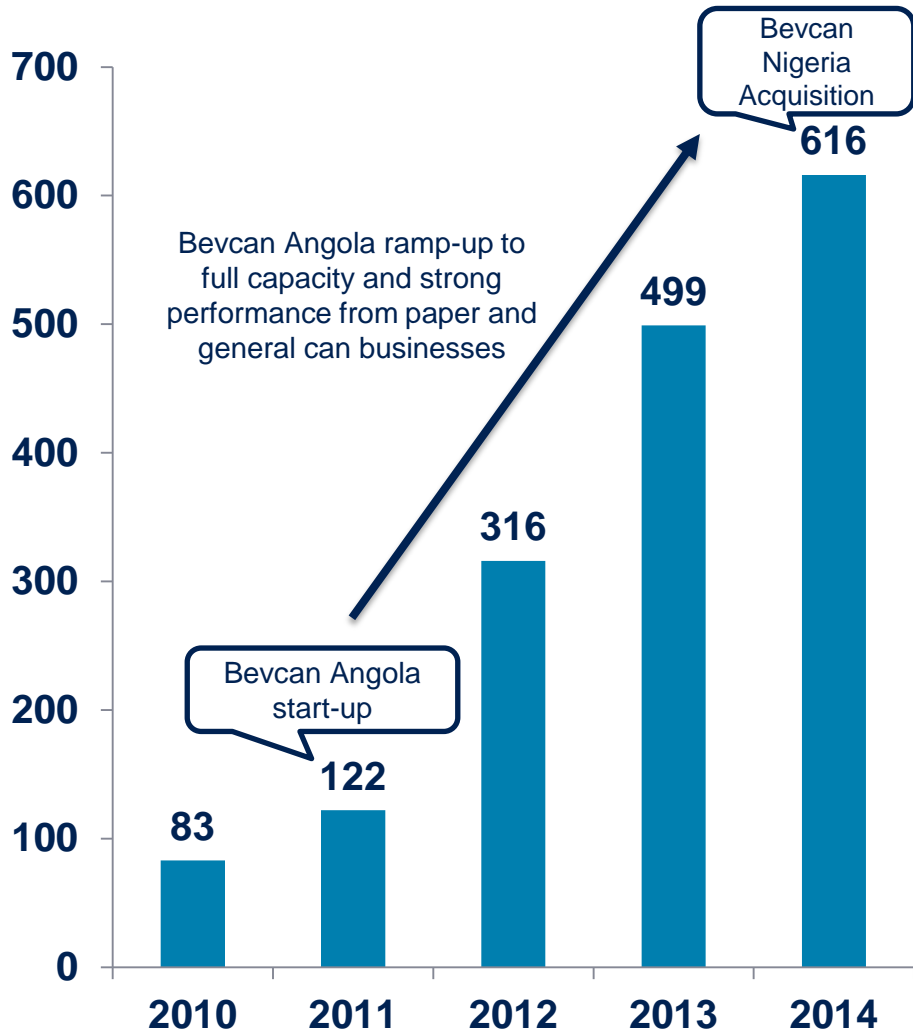
- South Africa
- Rest of Africa
- United Kingdom
- Corporate



2013

# ... an increase from 6% in 2010

R million



# 2014 and 2013 trading profit and margin

	TRADING PROFIT MILLION		MARGIN %	
	2014	2013	2014	2013
South Africa	<b>970</b>	1 142	<b>6.7</b>	8.5
Rest of Africa	<b>616</b>	499	<b>18.7</b>	18.2
United Kingdom	<b>144</b>	162	<b>6.5</b>	8.4
Corporate services	<b>318</b>	98	-	-
<b>Group</b>	<b>2 048</b>	1 901	<b>10.3</b>	10.5

- › Challenging trading conditions in South Africa
- › Strong results from the rest of Africa driven by Bevcan Nigeria and demand growth, particularly in Angola
- › Corporate services benefits from cost saving initiatives and translations

# Future growth will be driven through greenfields, acquisitions and organic expansion

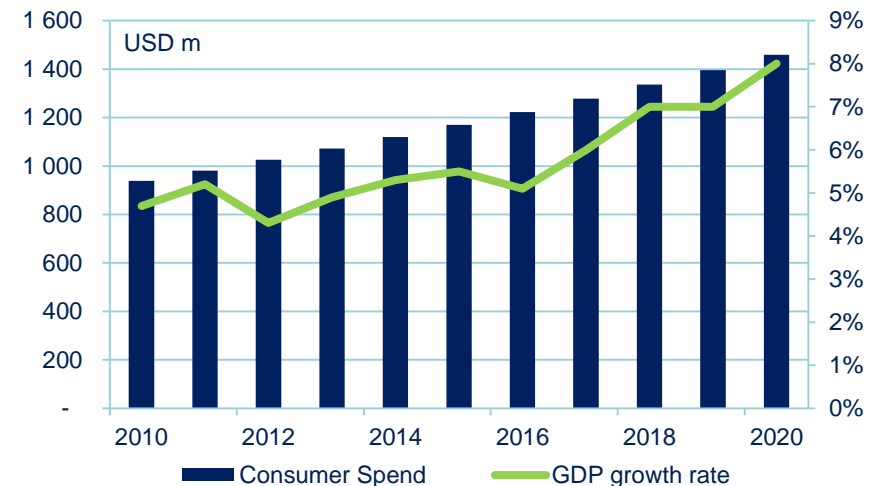
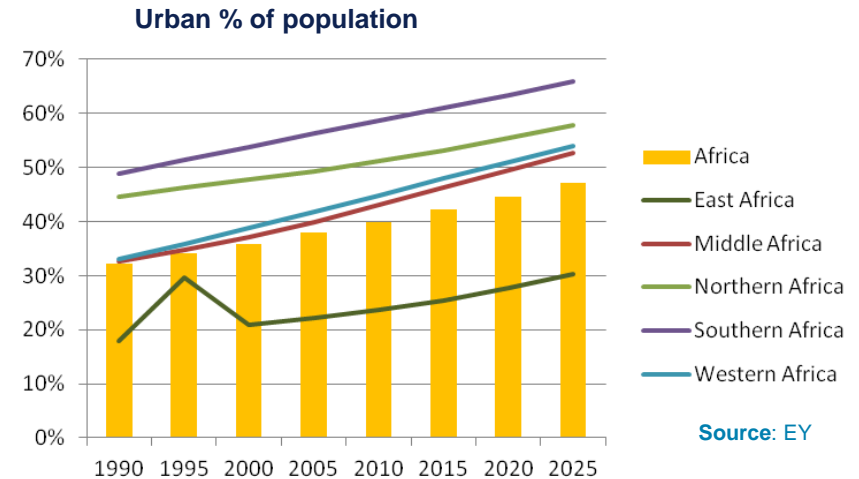
	Bev cans	Food and other cans/drum	Crown	Paper carton and labels	Corr	Sack	Liquid carton	Plastic bottles and jars	Closure	Crate	Glass
Angola	X	X									X
Ethiopia	X	X	X							X	X
Kenya	X	X	X			X	X (fill)				X
Nigeria	X	X		X			X	X	X	X	X
Botswana							X	X			
Malawi					X	X	X				
Mozambique			X								
Swaziland					X						
Tanzania		X	X				X (fill)				
Zambia		X	X	X		X	X	X	X	X	
Zimbabwe		X	X	X	X	X	X (fill)	X	X	X	

- Existing
- Potential growth projects



# The growth opportunity in SSA is driven by a variety of factors

- › Improving conditions around policy certainty
- › Strengthening political commitment to private sector growth and job creation
- › Increased investment, high GDP growth rates (>5%), population growth (predominantly young) and rapid urbanisation
- › Growth of the middle income consumer, creating demand for packaged products
  - » Consumer spend accounts for ~60% of GDP
  - » 20% middle class spend on packaged fast moving consumer goods (FMCG)
- › Strong growth in implementation of key infrastructure projects, improving cost and ease of doing business





# “Africa is not suffering from a lack of demand, but a lack of supply”

- › **The consumer opportunity is motivated by five key elements:**
  - » The rise of the middle class
  - » Exponential population growth
  - » The dominance of youth
  - » Rapid urbanisation
  - » Fast adoption of digital technology
- › On average, the youth is optimistic about the future, attach more importance to quality of products than price, brand conscious, prefer local brands (food and drinks)
- › **However**, today the majority of the population remains predominantly lower class with the greatest opportunity to migrate to middle class

# The growth in alcoholic and non-alcoholic beverage consumption supports Nampak's strategy



## Nigeria

- 1 in 5 households is middle class
- Middle class: 30% (2020) & ~40% (2030)
- Population: 175 mn growing at 3% y-o-y
- GDP growth: 5.7% (2014), 5.2% (2015f)
- Urbanisation: 46%, growing at 5% y-o-y
- Reliance on oil for growth reducing

### Beer

- Size in volume to overtake RSA by 2030
- 10% consumed alcohol is beer, 89% illicit
- 9- 10 % volume growth CAGR to 2025
- Most growth seen in value segment
- Innovative distribution channels drive consumption

### CSDs

- Large cities at the start of hot-zone
- 13 - 15% growth y-o-y
- Demand driven by poor access to water
- Consumed mainly by teenagers and youth

## Angola

- 1 in 3 households is middle class
- Middle class: 50% (2030)
- Population: 22 mn growing at 3% y-o-y
- GDP growth: 6% (2014), 6.6% (2015)
- Urbanisation: 42%, growing at 5% y-o-y
- Reliance on oil & gas for growth reducing

### Beer

- Beer supply to grow to 1.56bn l by 2017 from 837mn l in 2008
- 65% consumed alcohol is beer, 5% illicit
- ~6 - 7% growth y-o-y to 2025
- 400 to 500 million units imported beer, customs tariffs on bottles driving investment
- Continued investment in brewery and packaging capacity

### CSDs

- 7 - 8% growth y-o-y
- Consumed mainly by teenagers and youth

## Ethiopia

- 99% households are low income, earn <\$2pd
- Middle class: 2% (410 000) by 2020 and 4% (1 million)
- Population: 94 mn growing at 3% y-o-y
- GDP growth: 10.6% (2014), 11% (2015f)
- Urbanisation: 19%, growing at 5% y-o-y
- Initial stages of growth, provides long term economies of scale

### Beer

- Volume growth 11% CAGR to 2025
- 8% consumed alcohol is beer, ~90% illicit
- Growth in beer consumption has surpassed forecasts
- Almost all glass imported, 20%
- Two multinational brewers growing and building capacity
- Third brewer to start operations Q2 2016

# Rise of middle class supports trading up, increases use of packaging

2 - 5% of all clear beer  
consumed in Africa

Super premium beer

Premium beer

10 - 15% of all clear beer  
consumed in Africa

Mainstream beer

70 - 80 % of all clear beer  
consumed in Africa

Value Beer

5 - 10% of all clear beer  
consumed in Africa

Sorghum Beer

10 - 15% of all alcohol  
consumed in Africa

Homebrew

50 - 70% of all alcohol  
consumed in Africa

- › Affordability remains a challenge
- › Value segment higher growth than mainstream and premium
- › Developments of local beer in value and mainstream segments to improve affordability
- › Innovative distribution will increase accessibility

# Developments in agroprocessing a future growth area for packaging in Africa

- › Africa has 60% of the world's arable land
- › Developing agriculture as a business in Africa has the ability to make the continent the new frontier for growth in feeding the world
  - » Nigeria is the second largest producer of citrus in the world after China and yet they import orange juice.
  - » They are also the largest producer of pineapples in Africa yet they import pineapple juice
- › Key aspiration of African governments to develop agroprocessing hubs, but...
  - » Commercial agriculture to be developed
  - » Food processing companies to invest
  - » Packaging produced locally



# Countering the risks and challenges of doing business in Africa

## › **Political and country risk**

- › Countries in which Nampak does business have relatively lower political risk
- › In some countries in the rest of Africa Nampak has been doing business for over 15 years

## › **Regulatory risk**

- › Packaging industry rarely a target for government intervention
- › In most countries packaging industry seen as key to creating employment and skills transfer - SSA manufacturing including packaging, a key market growth industry valued at about \$130bn

## › **Fiscal and momentary risk**

- › Nampak business predominantly done in local currency linked to the US\$
- › Brewers import between 40 – 80% of raw materials (Nigeria)

## › **Resources, raw materials and infrastructure availability**

- › Plant location and self-sufficiency very important

## › **Payment risk**

- › ~ 60% Nampak customers are multinational companies

## Solid foundation business

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- › **Strong cash flow from base business**
- › Offers packaging **across the major packaging substrates** (metal, glass, paper and plastic)
- › **Number 1 supplier of beverage cans in Africa**
- › Managed through a **two-pronged strategy**:
  1. Unlock further value from base business
  2. Accelerate growth in the rest of African

## Compelling African growth story

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- › **Africa's largest packaging company** with operations in South Africa and 12 countries in the rest of Africa
- › Strong project pipeline to capture further **growth opportunity** in the rest of Africa
- › **Strong relationships with multinational corporates** reduces market risk and enhances growth prospects
- › **First mover advantage** in key African markets

- › Nampak is well positioned to capitalise on the rest of Africa growth
- › An exciting pipeline of growth projects in East and West Africa
- › South African trading conditions expected to remain challenging; cost discipline and manufacturing excellence key to maintain competitiveness
- › The rest of Africa operations expected to continue generating strong growth in revenue and profit



Thank  
you