# MEDIA RELEASE

Nampak
packaging excellence

30 May 2017

## Nampak Limited announces improved interim results for the six months ended 31 March 2017

### HIGHLIGHTS

- Group revenue of R9.3 billion, down 1% with foreign operations results impacted by a 10% stronger average ZAR/USD exchange rate
- Group trading profit of R1.1 billion, up 12%
- Trading profit from Rest of Africa - R610 million - 32% higher; now 55% of group trading profit
- Group operating profit of R1.1 billion increased by 30%
- Net profit increased 41% to R853 million
- EPS up 15% to 120.8 cents; HEPS up 8% to 113.1 cents
- Net gearing of 51% within target range and debt covenants comfortably within range
    - Nigeria and Angola risk and exposure successfully managed as cash extraction rate rose to 80%
    - 61% in country cash balances hedged
- USD54 million secured from Nigeria to be received before end FY2017

Nampak CEO, André de Ruyter, commented: "We have delivered improved results, with net profit up 41%, despite a tough trading environment. Nampak has achieved record beverage can sales in Angola, improved results from Bevcan SA and Liquid Packaging in South Africa, and turned around general metal packaging in Nigeria. Nampak's Africa growth strategy has paid off handsomely, with this region now contributing 55% of group trading profit. Our comprehensive operational improvement plan also contributed, as evidenced by trading margins increasing to a healthy 11.9%. This performance has been achieved despite headwinds from a stronger average ZAR/USD exchange rate used to translate the trading results of USD based operations and sluggish growth in key markets as low consumer confidence impacted spending and demand for packaging."

"Further progress has been made in the extraction of cash from Nigeria with at least US$54 million in cash extraction expected to be achieved before the financial year end (30 Sept 2017), further strengthening the group's ability to fund the Rest of Africa growth markets."

He added that the company continued to focus on managing and optimising controllable aspects such as costs, asset performance and processes resulting in R70 million savings for the period. Capex of R470 million was tightly controlled and 49% lower, with significantly improved project management capability. The asset recapitalisation programme in South Africa is almost complete and is already contributing to improved efficiencies and competitiveness. Further capital expenditure for the remainder of the year will be prudently evaluated and will be limited to key projects.

De Ruyter noted that "The substantially strengthened balance sheet has significantly enhanced our ability to be resilient during continued macro-economic uncertainty. Net gearing of 51% is within our target range and short term liquidity ratios are strong. Adequate funding facilities are available internationally and locally, and the group remains comfortably within its debt covenants. As a result of liquidity constraints in Nigeria and Angola, cash extraction from those countries has been a key focus area where we have been able to successfully reduce our exposure through active hedging programmes."

Cash held in Nigeria and Angola increased to R2.4 billion due to strong cash generation. The combined cash extraction rate from these countries improved to 80% and 61% of cash was hedged at 31 March 2017.

**Group revenue** of R9.3 billion was 1% lower, despite a 10% stronger average ZAR/USD exchange rate that negatively impacted the translation of contributions from foreign operations. Strong revenue growth of 11% was achieved by the Metals division due to robust beverage can sales in Angola and improved volumes from Bevcan SA. This was offset by a poor performance from the UK Plastics business, where a turnaround plan is being led by a new management team. Most markets in the Paper Division had lower demand, while the Glass Division delivered subdued performance, owing to softer demand in the SA market.

The group trading margin rose to 11.9%, driven by stronger trading profit from the Metals division. Operating profit improved by 30% to R1.1 billion, assisted by net abnormal gains of R24 million compared to net abnormal losses of R119 million in the prior year.

Basic earnings per share were 15% higher at 120.8 cents per share, while headline earnings per share increased by 8% to 113.1 cents per share.

The net working capital cycle absorbed R912 million, mainly due to R223 million invested in inventory as a result of higher volumes in Angola, compared to a release of R169 million in the prior year.

The balance sheet remained strong following the reduction of borrowings in 2016, the strengthening of the South African rand as well as lower investment in capital expenditure. Proceeds from the 2016 sale and leaseback transaction reduced net borrowings to R5.2 billion. This led to a 17% lower net interest expense and improved net gearing to 51% from 74% in the comparative period (September 2016 : 49%).

South Africa, like most emerging markets, experienced volatile exchange rates, slow growth rates and lower consumer demand, on the back of low commodity prices and political uncertainty. In spite of these conditions, revenue and trading profit increased by 3% and 7% respectively. The region's contribution to trading profit was 45%.

The Rest of Africa recorded sales of R2.9 billion, up 5%, while trading profit rose by 32%. The Rest of Africa now contributes 55% to trading profit, up from 47% in 2016.

Regarding the outlook for the rest of the year, de Ruyter said, "We expect consumer demand to remain subdued for the rest of the year but gains from improved factory efficiencies, business improvement initiatives as well as cost savings are expected to abate this negative impact." He added that the medium to long term outlook for packaging in South Africa and other key African markets remains favourable, underpinned by expected growth in household consumption.

In view of the current risks and challenges, the company has not declared an interim ordinary dividend, rather focusing efforts on conserving cash.

**ENDS**

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**About Nampak www.nampak.com**

*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.*