

# Nampak Investor Day 2017

26 September 2017



# Disclaimer

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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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| Time          | Activity   | Presenter             |
|---------------|--|-----------------------|
| 07h30 – 8h00  | Registration and breakfast   |                       |
| 08h00         | Welcome and Strategy update  | André de Ruyter       |
| 08h30         | Financial update   | Glenn Fullerton       |
| 09h10         | Metals – DivFood operations update   | Christiaan Burmeister |
| 09h50         | Metals – Bevcan operations update  | Erik Smuts            |
| 10h30 – 10h45 | <b>TEA</b>   |                       |
| 10h45         | Plastics operations update   | Mxolisi Khutama       |
| 11h25         | Glass operations update  | Rob Morris            |
| 12h00         | Rest of Africa operations update   | Rob Morris            |
| 12h45 – 13h15 | <b>LUNCH</b>   |                       |
| 13h15 – 14h30 | <i>Bus departs from The Forum to Nampak Bevcan, Springs for site visit</i> |                       |
| 14h30         | Arrival and safety video   |                       |
| 14h45         | Factory walk-through   | Bevcan management     |
| 17h00 – 18h30 | <i>Bus departs from Nampak Bevcan to The Forum</i>                         |                       |



# Strategy update

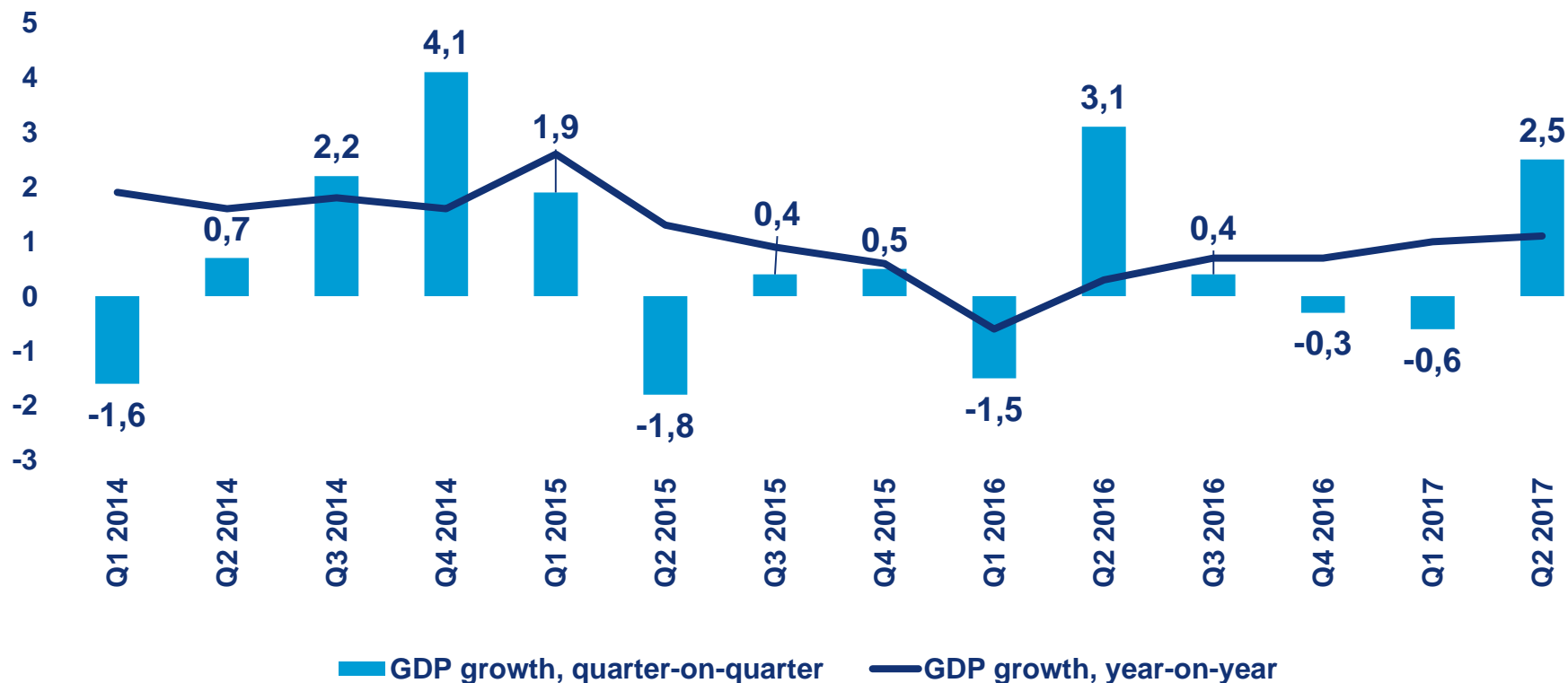
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**ANDRÉ DE RUYTER**  
Chief Executive Officer

# Challenging trading environment in South Africa

Two quarters of recession

## GROSS DOMESTIC PRODUCT (GDP) GROWTH IN %

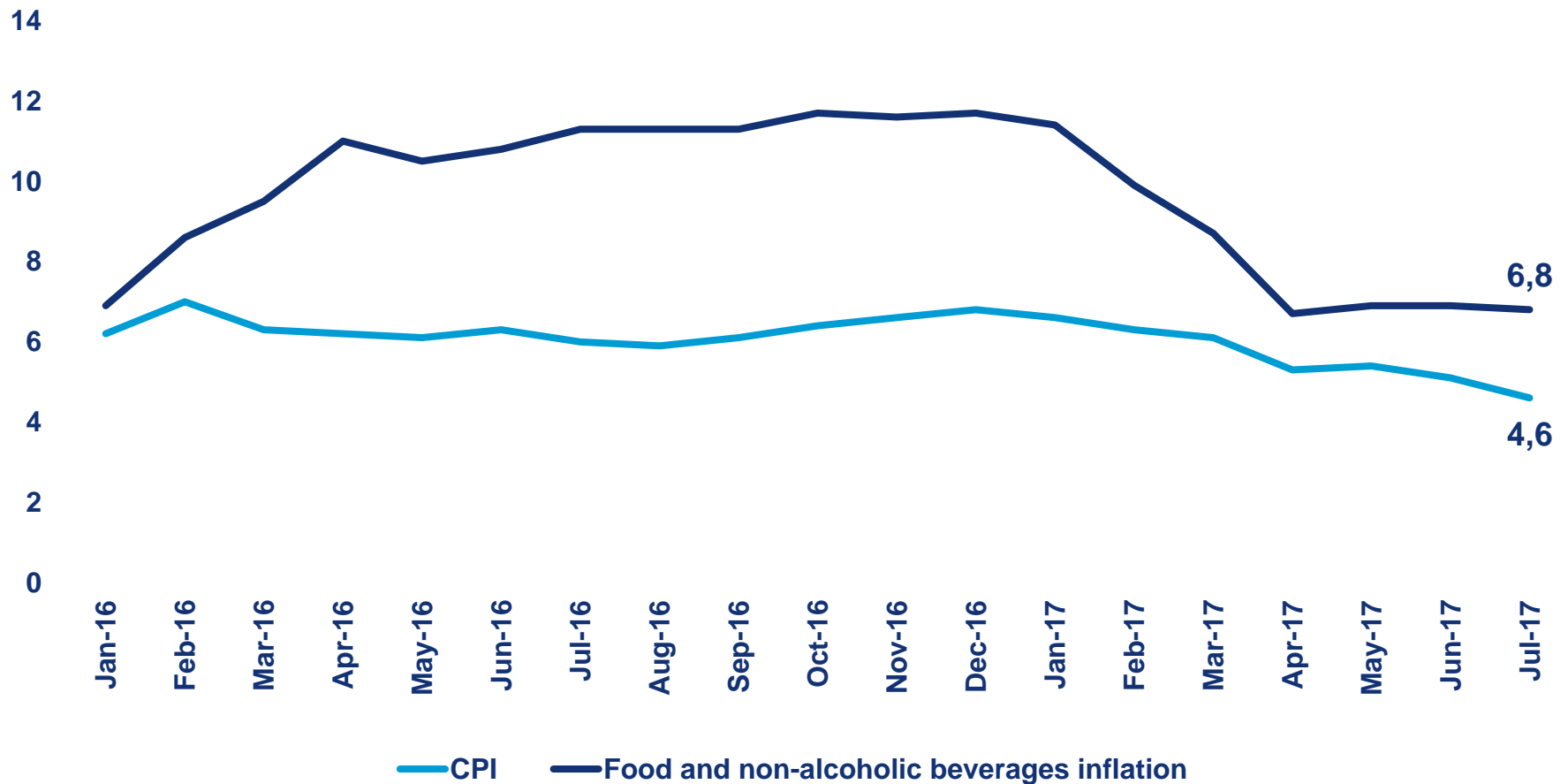


**Business confidence lowest in 25 years**

# SA consumers feeling the pressure

Food and non-alcoholic beverages pricing significantly above CPI

## YEAR-ON-YEAR INFLATION %



## GDP GROWTH (% PER QUARTER)

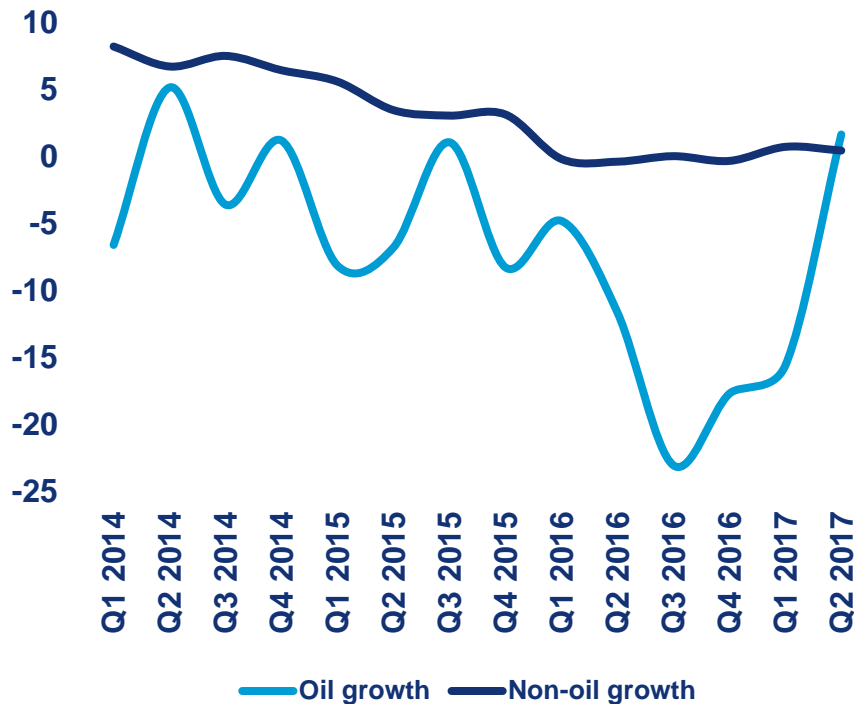


First positive economic growth since 2015

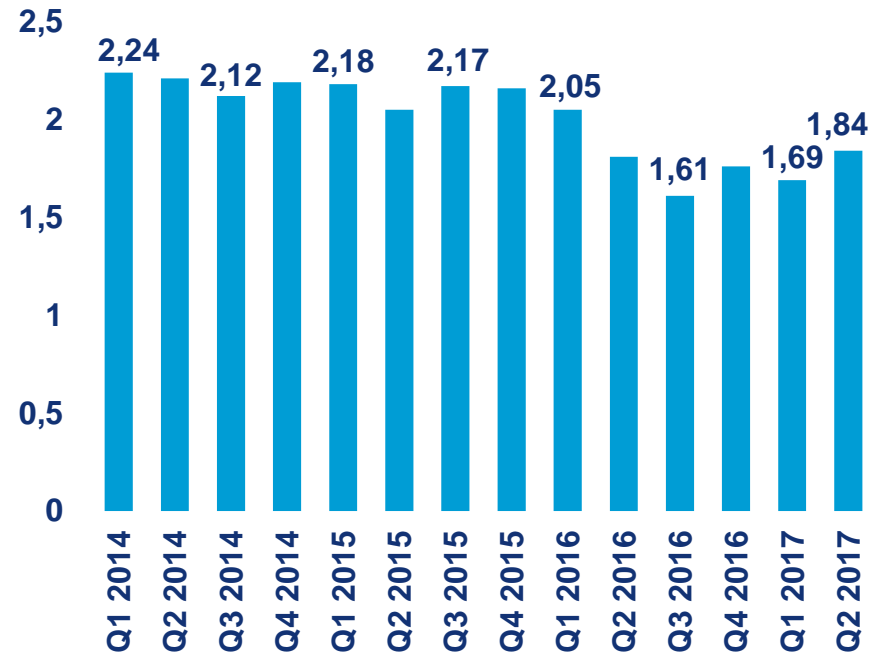
# Green shoots in Nigeria

Oil 3% contributor to GDP and source of ~90% of forex

### GDP GROWTH (% PER QUARTER)



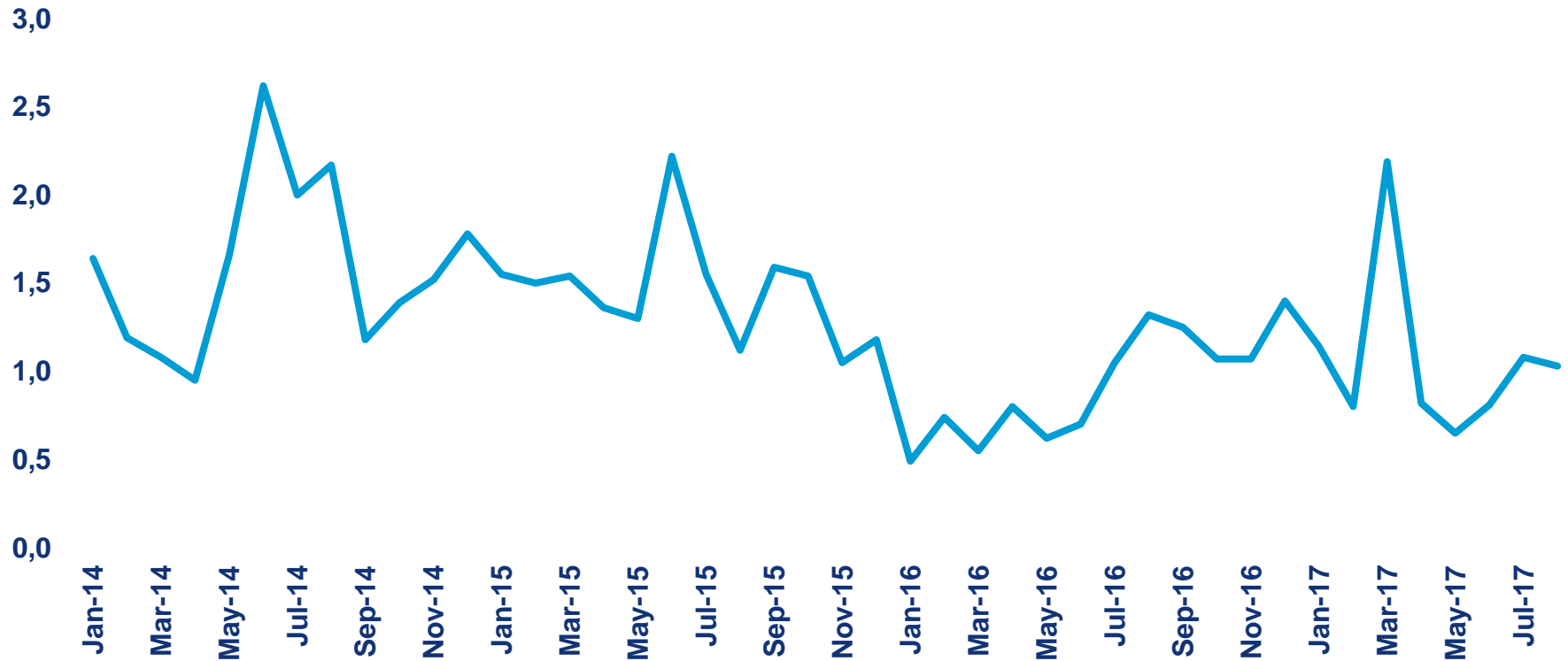
### AVERAGE OIL PRODUCTION (MILLION BARRELS PER DAY)



**Contribution to GDP by oil sector improving**

# Angola characterised by limited foreign exchange

## MONTHLY FOREX SALES (USD BILLION)

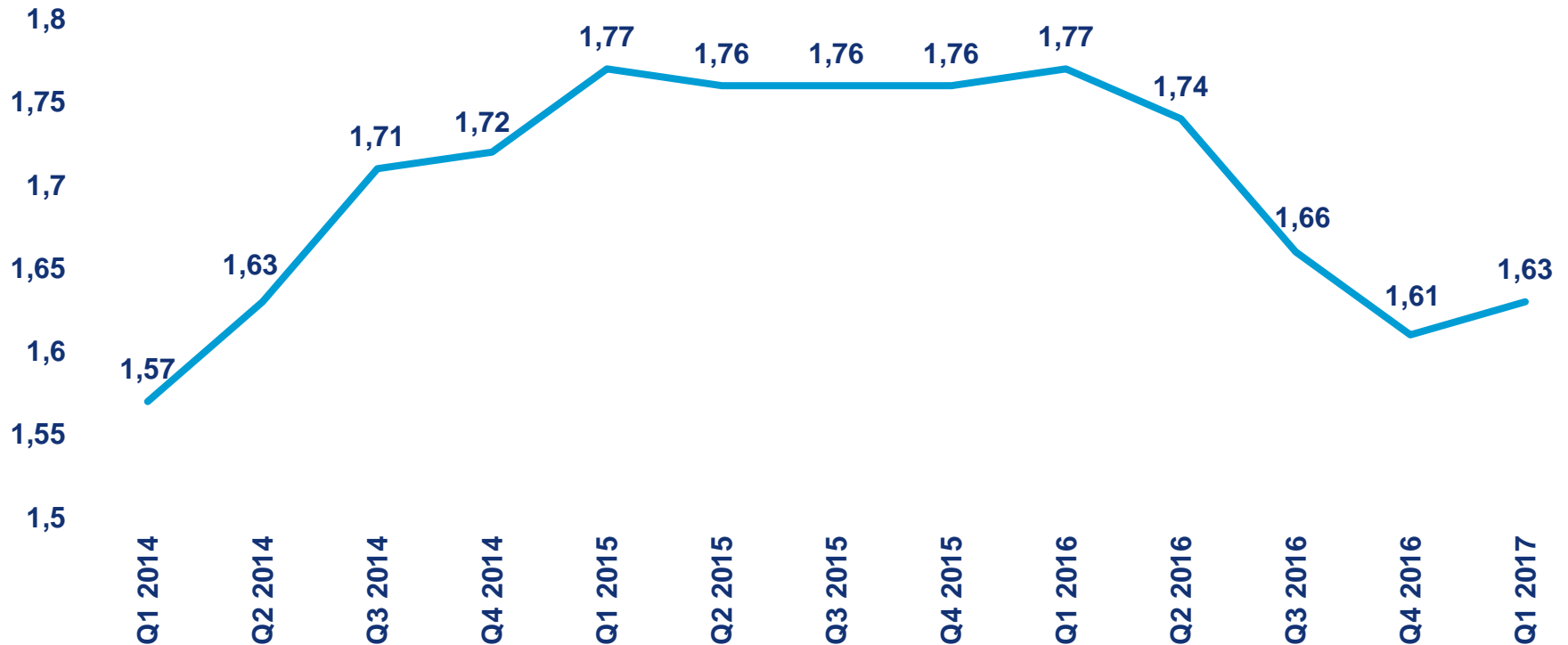


**Forex allocations ongoing but at varying magnitude**

# Angola oil production

Oil 56% contributor to GDP and source of ~95% of forex

## AVERAGE OIL PRODUCTION (MILLION BARRELS PER DAY)



Recovery of oil prices expected to improve liquidity

# Operational conditions remain challenging

Production volumes impacted by varying factors

## SOUTH AFRICA AND UK

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- › Plastics restructuring to reduce cost base
  - » Drought
  - » Backward integration by customers
- › Bevcan's dedicated lines facilitate efficiency
  - » New entrant in SA market
  - » Demand recovering in H2
- › Divfood rationalisation simplifying operations
  - » Low fishing quotas
  - » Consumers trading down
    - From premium to value brands
- › Glass's wine market share doubled
  - » Electricity supply disruptions
  - » Container glass market subdued
  - » Resulting stock build
- › UK reliant on dairy market
  - » Loss of major customers to in-plants

## REST OF AFRICA

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- › Angolan beverage demand robust
  - » Persistent volumes in beverages ahead of elections
- › Nigerian market subdued
  - » Tough trading conditions
  - » Consumer confidence slowly ticking up
- › Other African market characterised by varying operational matters
  - » Decline of major cartons customer in Zambia – consolidation of lines in Zambia
  - » Withdrawal and reintroduction of sorghum beer carton packaging in Malawi
  - » Forex shortages in Zimbabwe impacting consumer spending
  - » Kenyan elections annulled

### **Customers negatively impacted**

- › Large fish processor expects lower profits lower by >35% for FY17 (Sept 2017)
- › Leading producer of packaged food issued profit warning – earnings expected to be lower by 25 – 35% for FY17 (Sep 2017)
- › Major milk supplier negatively impacted by prolonged drought and announced profits lower by >55% for FY17 (Sep 2017)

### **Nampak's response to tough operating environment**

- › Reduce operating costs, e.g. head office costs reduced significantly
  - » Structure review
  - » Operations excellence initiatives improve efficiency
- › Reduce complexity
  - » Rationalise SKUs, lines and plants where necessary
  - » Review customers on 80:20 principle
- › Leverage resources
  - » Centralise procurement for the Group's benefit

# Strategic focus remains unchanged

Leading diversified packaging manufacturer in Africa



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## SOUTH AFRICA AND UK

### Operational excellence key to unlocking value of the base business

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- › Consolidating manufacturing sites and lines
  - » Drive profitability
  - » Service customers more efficiently
- › SKU rationalising and optimisation
- › Capacity filling initiatives
  - » New markets and customers
  - » New packaging solutions to existing customers
- › Customer stratification to better service market
- › Optimise organisational structure
  - » Centralise service functions
  - » New IT platform

## REST OF AFRICA

### Accelerating growth while remaining cognisant of market demands

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- › World-class manufacturing facilities
- › Partner with major multinational customers limits our exposure to certain business risks
- › Sensibly manage and grow presence in current jurisdictions
  - » Consolidating manufacturing operations where necessitated
  - » Creating regional hubs and export opportunities to neighbouring countries where stand alone markets not justified
  - » Diversifying manufacturing in line with market requirements

- › **Operations excellence focus paying off**
  - » Group safety tolerance level set at 0.4 for 2020, achieved in 2017
  - » Operating leverage contributes to profit improvement
  - » Delivering on cost savings from various initiatives across the Group
- › **Procurement savings expected to also contribute towards margin improvement**
- › **Information management platform improved**
- › **Value adding services advantage – R&D and I&CS (innovation partner)**





# Financial update

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**GLENN FULLERTON**  
Chief Financial Officer

# Key financial pillars

Tightening discipline and creating platform for growth



## FORECASTING

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- › Strong internal focus on improving forecasting
- › Dynamic market conditions and macro factors to consider
- › Cash Management Committee in second year of operation and yielding results

## CASH GENERATION

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- › Strong cash generation in Nigeria and Angola
- › Continued focus on cash extraction from Nigeria and Angola and hedging
- › RoA treasury adequately funded
- › Cash generation in South Africa impacted by:
  - ›› Bevcan funding ends exports to Angola but good focus on working capital
  - ›› Increased inventory holding in Glass division
  - ›› Reduced profitability in DivFood off lower demand

## PROFITABILITY

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- › Focus area at operational level and head office
- › Ratios closely monitored
- › Head office cost evaluation Committee meets twice a month
- › Cost, profit, volume drivers being further evaluated

## WORKING CAPITAL

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- › Continued focus area
- › Increased inventory provided to Angola given substantial growth
- › Improvements in FY16 optimised working capital position, difficult to improve on in tough trading conditions
- › Good management of working capital in Bevcan SA offset by inventory build in Glass
- › Optimal working capital cycle being targeted
  - » Inventory funded by trade payables
  - » Group to fund high quality trade receivables book
  - » Focus on improving working capital velocity

## CAPITAL EXPENDITURE

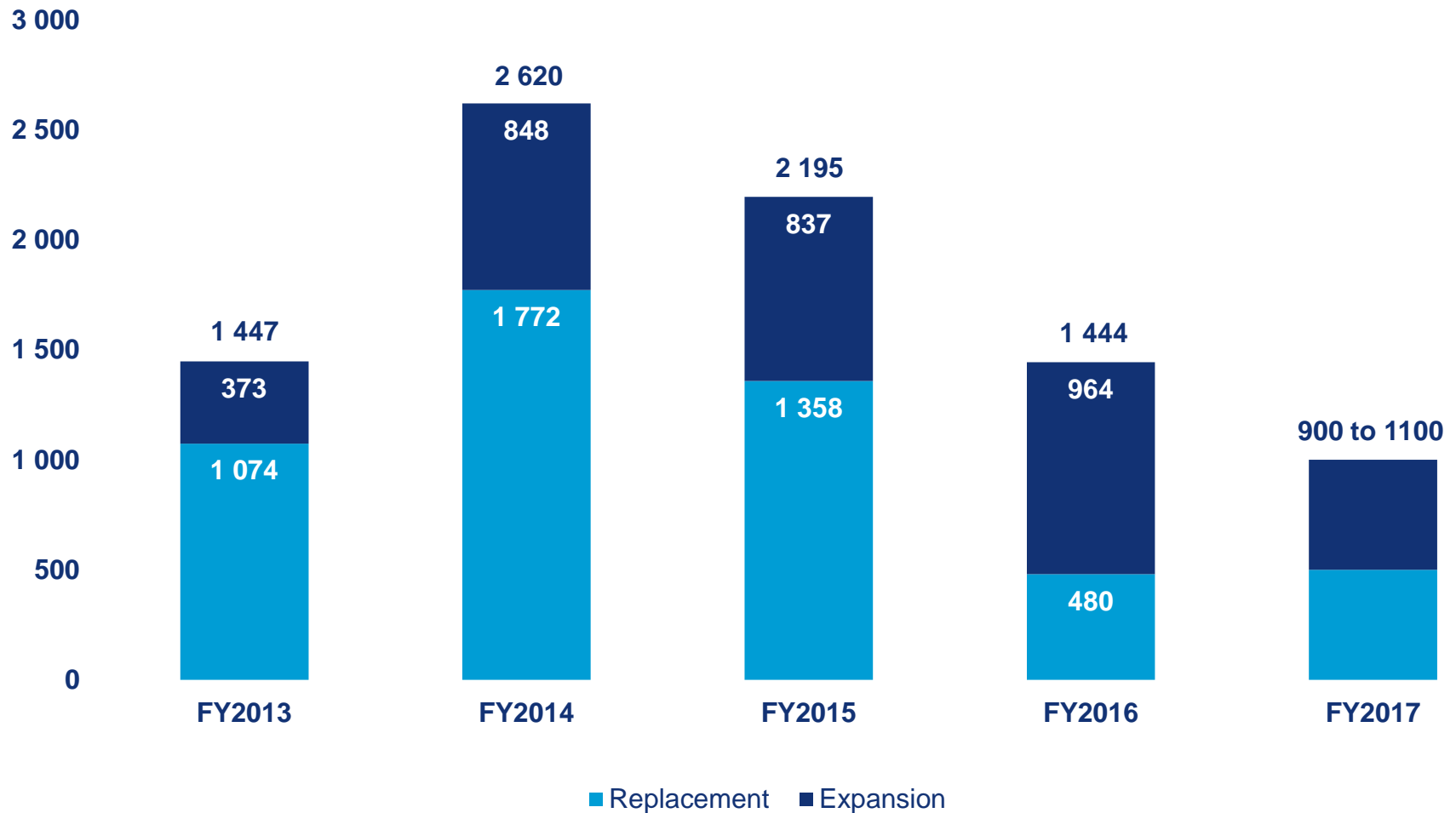
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- › Assurance Committee established
  - » Evaluates capex requests through stage-gate process
  - » Critically reviews commercial and financial aspects of capital projects
  - » Multi-disciplinary and experienced skills evaluate assumptions and projects
- › Prudent approach where projects meet IRR requirements and payback periods
- › FY17 target unchanged at R0.9 billion to R1.1 billion

# Capital programme tightly controlled

Range between R0.9 – R1.1 billion for FY17

## CAPITAL EXPENDITURE (R MILLION)



# Cash extraction from Nigeria and Angola remains a priority

Adequate funding but constantly optimising

## **NIGERIA**

- › USD54 million cash extraction progressing according to plan with upside
- › NAFEX market has provided good liquidity
- › Evaluating optimal profile for USD cash extraction
- › Adequate funding to operate but constantly evaluated

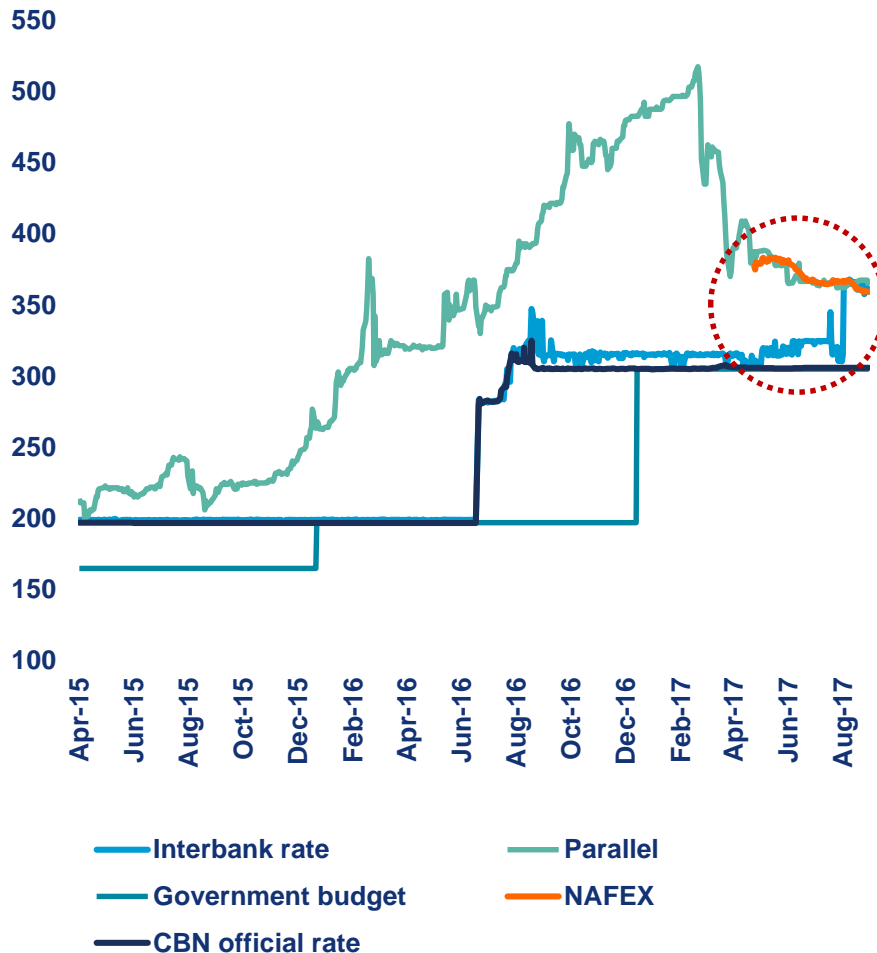
## **ANGOLA**

- › Good first third of year but normal cash extraction slowed thereafter
- › Election peaceful with planned successor taking over
  - » No material change in foreign exchange policy before FY17 year-end
  - » Potential devaluation post year end
- › USD43 million LC's allocated by Angolan Government, USD23 million for Line 1 conversion
- › Kwanza USD swop for Line 1 conversion to aluminium in progress
- › Hedging via USD linked Kwanza bonds continues
- › Bevcan SA benefiting from strong export of ends to Angola, but funded on trade account

# Nigerian NAFEX market improves liquidity

In excess of USD4 billion traded post April 2017

## NIGERIA FOREX RATES:USD



## NAFEX

- › Nigerian autonomous foreign exchange market
- › Introduced in April 2017
- › Allows trades between willing buyer/seller
- › Results in improved liquidity albeit at weaker rate
- › Some reports indicate up to USD10 billion traded on NAFEX since April 2017
- › Demonstrates that parallel market rate is not good proxy for market clearing rate

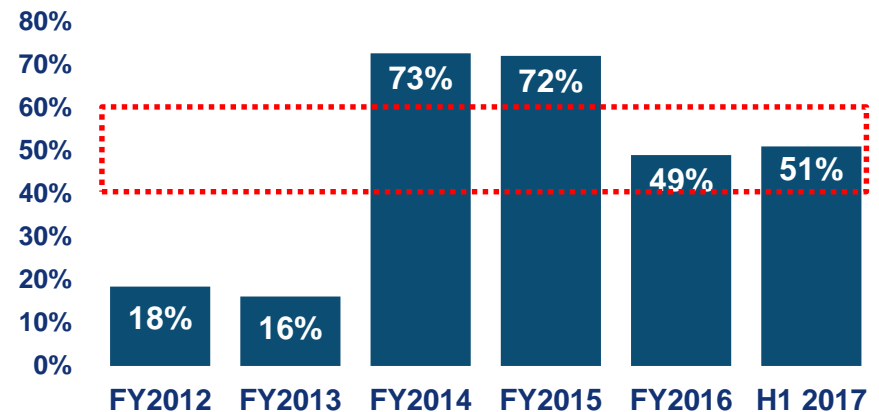
## Increased focus on group treasury

- › Appointed Manager of Group Treasury and Corporate Finance
- › Accessed NAFEX market – USD25 million since April 2017, further plans
- › Group funding plan being assessed
- › Term profile being evaluated to provide improved future funding platform

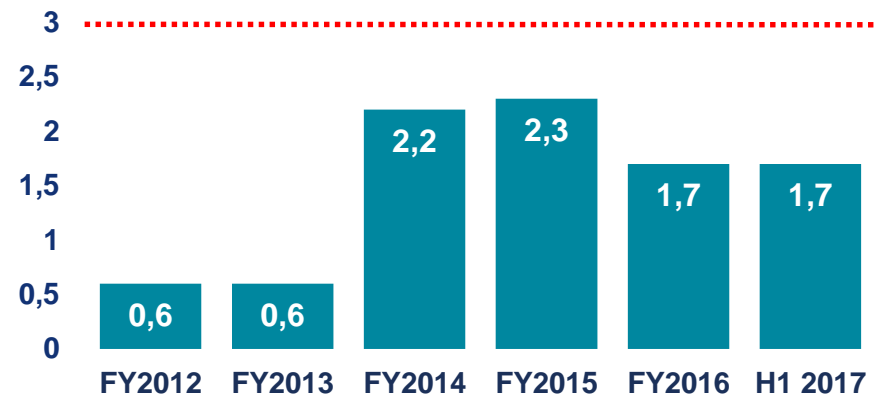
## Status of balance sheet

- › Sound platform post restructuring achieved from sale and leaseback transaction
- › Gearing within proposed range of 40 – 60%
- › Good short term liquidity ratios
- › Covenants well managed
  - » Interest bearing debt: EBITDA < 3 times
  - » EBITDA interest cover > 4 times

**GEARING RATIO (%)**  
**TARGET RANGE 40-60%**



**NET DEBT:EBITDA (TIMES)**  
**COVENANT LESS THAN 3 TIMES**



## **Plastics UK**

- › Finance director appointed to complement new experienced managing director
- › Defined benefit pension deficit offer in process, to be funded from internal resources
- › Assessing commercial terms/options of Irish contract

## **Sale and leaseback transaction**

- › Completed in September 2016, yielding intended benefits
- › External rental charge of R144 million with adverse impact on trading income
- › Compensated by greater interest saving
- › HEPS positive

## **PRMA buy-out of R562 million in South Africa successful**

- › R436 million funded from 25% of proceeds from sale and leaseback transaction
- › Balance of R126 million funded from FY17 operational cash flows

## IFRS accounting issues/changes

- › IFRS 15 Revenue Recognition and IFRS 16 Leases
  - » In process of being evaluated, adoption in FY18
  - » Provide guidance on impact in FY17 as per JSE requirement

## Year end considerations

- › Assessment of carrying value of goodwill, intangibles and PPE
- › Effective tax rate
  - » Impacted by earnings contribution from Bevcam Nigeria and Angola
  - » Nigeria pioneer status ends 31 December 2017
  - » Angola tax holiday ends 31 December 2018
- › Non-controlling interest expected to increase given Angola performance

# Ongoing management of balance sheet

Good progress made to date, more to come

- Good progress made
- Some progress made, more to be done
- More progress required





# Metals – DivFood

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**CHRISTIAAN BURMEISTER**

Group Executive: DivFood and R&D

# Leading food and diversified can producer in South Africa



## Rosslyn

PRODUCTS 2-piece food cans



## Vanderbijlpark

PRODUCTS Range of cans and ends



## Mobeni

PRODUCTS Monoblocs, paint and shoe polish cans



## Epping

PRODUCTS 2-piece food cans



## Paarl

PRODUCTS Food can assembly



## Lobatse, Botswana

PRODUCTS Components





## SELL BETTER

- › Optimise customer and product profitability
- › Rationalise product offering
- › Rationalise customer base
- › Grow where appropriate



## MAKE BETTER

- › Safe and efficient production units
- › Recapitalisation
- › Operational excellence
- › A reliable and effective S&OP process
- › Develop high performance culture
- › Optimise inventory



## BUY BETTER

- › Reliable supply of good quality raw materials
- › Latest technology in light-weighted tinplate
- › Rationalise raw material offering

# We continue to hold strong market positions

| Major markets      | DivFood share in 2017 (%) |
|--------------------|---------------------------|
| Vegetables         | 73                        |
| Fish               | 92                        |
| Fruit              | 38                        |
| Meat               | 100                       |
| Tinplate aerosols  | 74                        |
| Monobloc aerosols* | 65                        |
| Paint              | 43                        |
| Polish             | 88                        |

\* Sole manufacturer in South Africa, rest are imports.



- › Two-piece can volumes stable
- › Competitive landscape in three-piece food cans
- › No significant changes in diversified can manufacturing base in South Africa



# Food can packaging is 64% of DivFood business

## VEGETABLES

- › Baked beans in tomato sauce largest category
- › Stable volume, GDP-related growth expected
- › Category is supported by consumer looking for cost effective source of protein

## MEAT

- › Category growing above GDP
- › Brand owners accessing RoA market with cans filled in South Africa

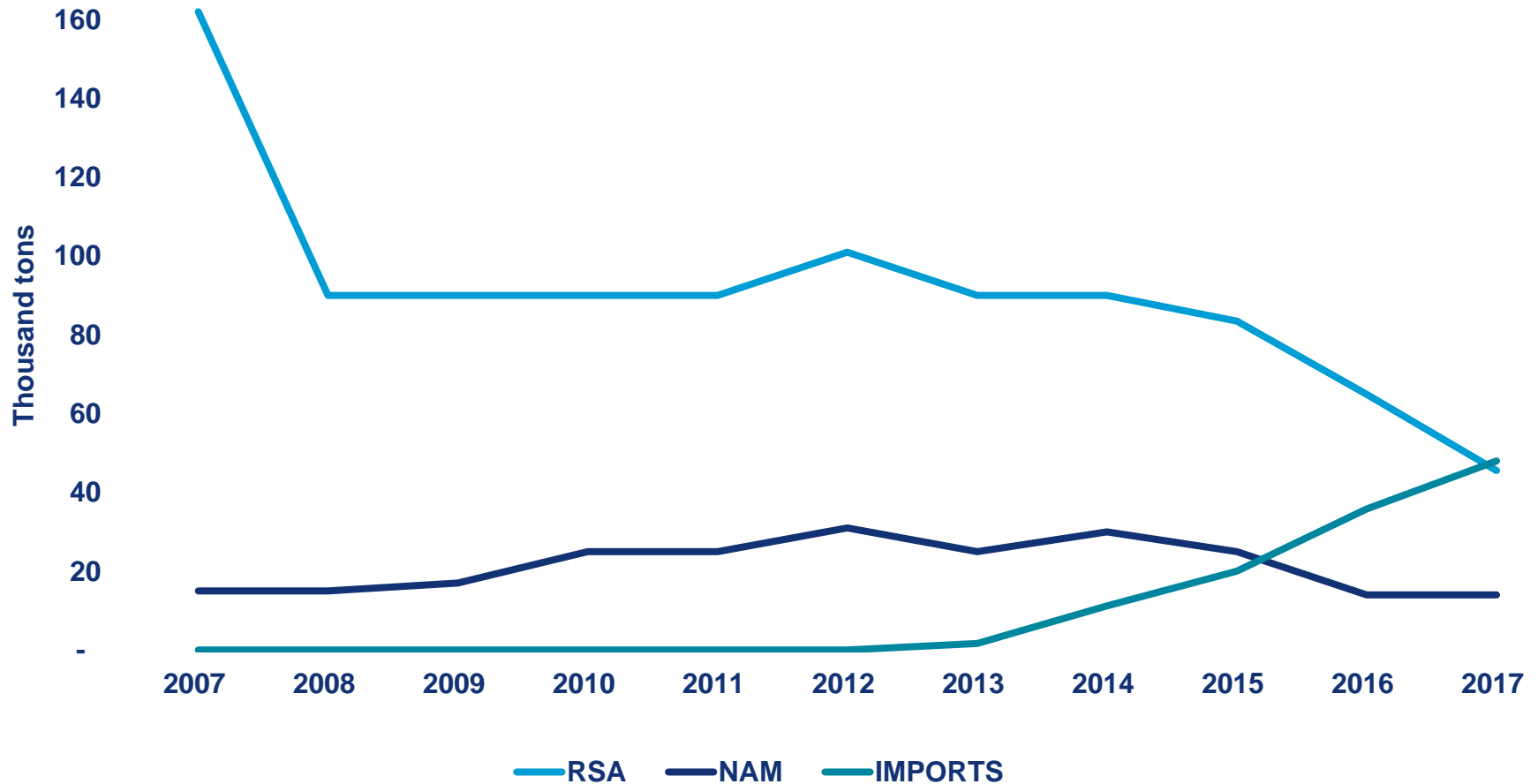
## FRUIT

- › Mainly for export market
- › Volumes influenced by agricultural harvest
- › Strong exchange rate works against this category

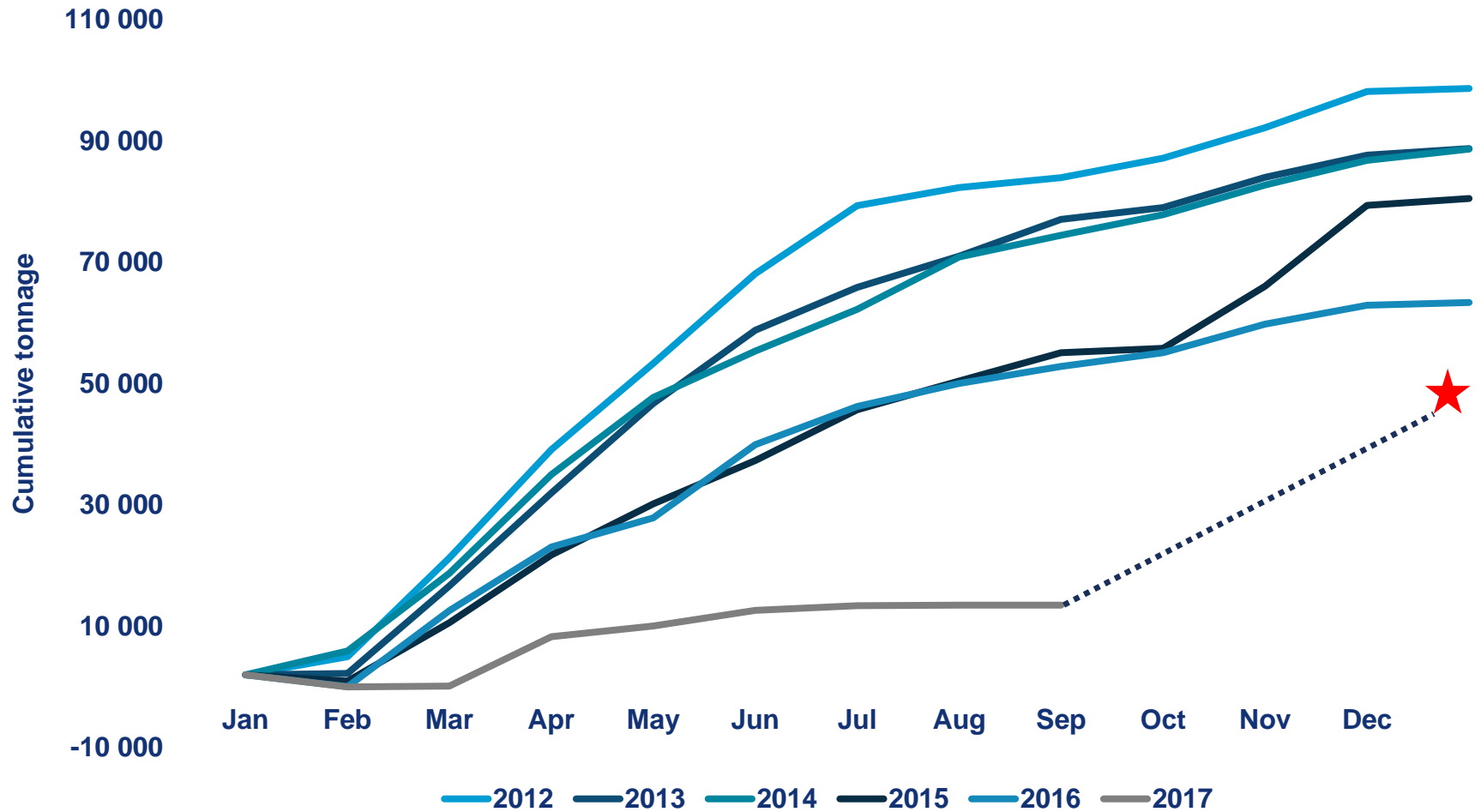
## FISH

- › Namibian and South African catch quota of concern
- › Raw material supplemented by importation of frozen fish to be processed in local canneries
- › Some importation of canned product in this category

# Decline in allowable fish catch offset by imports of frozen fish



# Fish catch much slower in 2017



Source: DAFF via fishing industry

## TINPLATE AEROSOLS

- › Insecticides doing better than home care products
- › Demand depressed due to lack of disposable income

## PAINT AND ALLIED

- › Volumes down by as much as 20% with consumer discretionary spend directed elsewhere and low levels of construction activity
- › Significant rationalisation of portfolio and manufacturing footprint has reduced volumes
- › Slow but steady progress to grow into water based paints

## MONOBLOC AEROSOLS

- › Poor volumes for 2017 impacting premium brands at higher price points on shelf
- › Consumers trading into lower cost options such as roll-ons
- › Decline in export volumes on the back of capacity becoming available in markets previously accessed

## POLISH

- › Floor polish a slowly declining category
- › Shoe polish volumes under pressure due to consumer discretionary spend constraints
- › Some prospects of brand owners filling product in SA for export to international markets

# Invested R67 million in multi-deck printer in Mobeni

- › A 4-colour multi-deck line with inline varnishing will facilitate a reduction from 19 to 9 lines across printing and coating department
- › Interplant flexibility with similar technology as in Vanderbijlpark
- › Maintenance, energy and employee cost savings realised



# Invested R35 million in upgrade of large format can capability in Paarl



› Significant light-weighting benefits and creating growth capacity

# Acquired two can assembly lines and entered into JV with BDC to produce ends in Lobatse

## Deployment of acquired can lines

- › Can-O-Mat being installed in Paarl for necking 73 diameter cans (commissioning Sep 2017)
- › Upgrade 52 mm tinplate aerosol line in Vanderbijlpark (commissioning anticipated Aug 2018)
- › Second can line destined for Nigeria for evaporated milk cans



- › Demand under pressure during 2017
- › Strategy remains unchanged
- › In process of extracting value from recapitalisation program
- › Accelerate efforts to improve cost competitiveness





# Metals – Bevcan

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**ERIK SMUTS**

Group Executive: Bevcan

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## THE UNBREAKABLE COMPETITION TOP 8

40



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Typically replies within a few hours  
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Company

#### People



246,267 likes

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# Modern asset base offers...

...solid base for continued growth

## ① **Agbara, Nigeria**

Alu cans 900m (1 line)

## ② **Viana, Angola**

Alu cans 1 000m (1 line)  
Steel cans 700m (1 line)

## ③ **Cape Town**

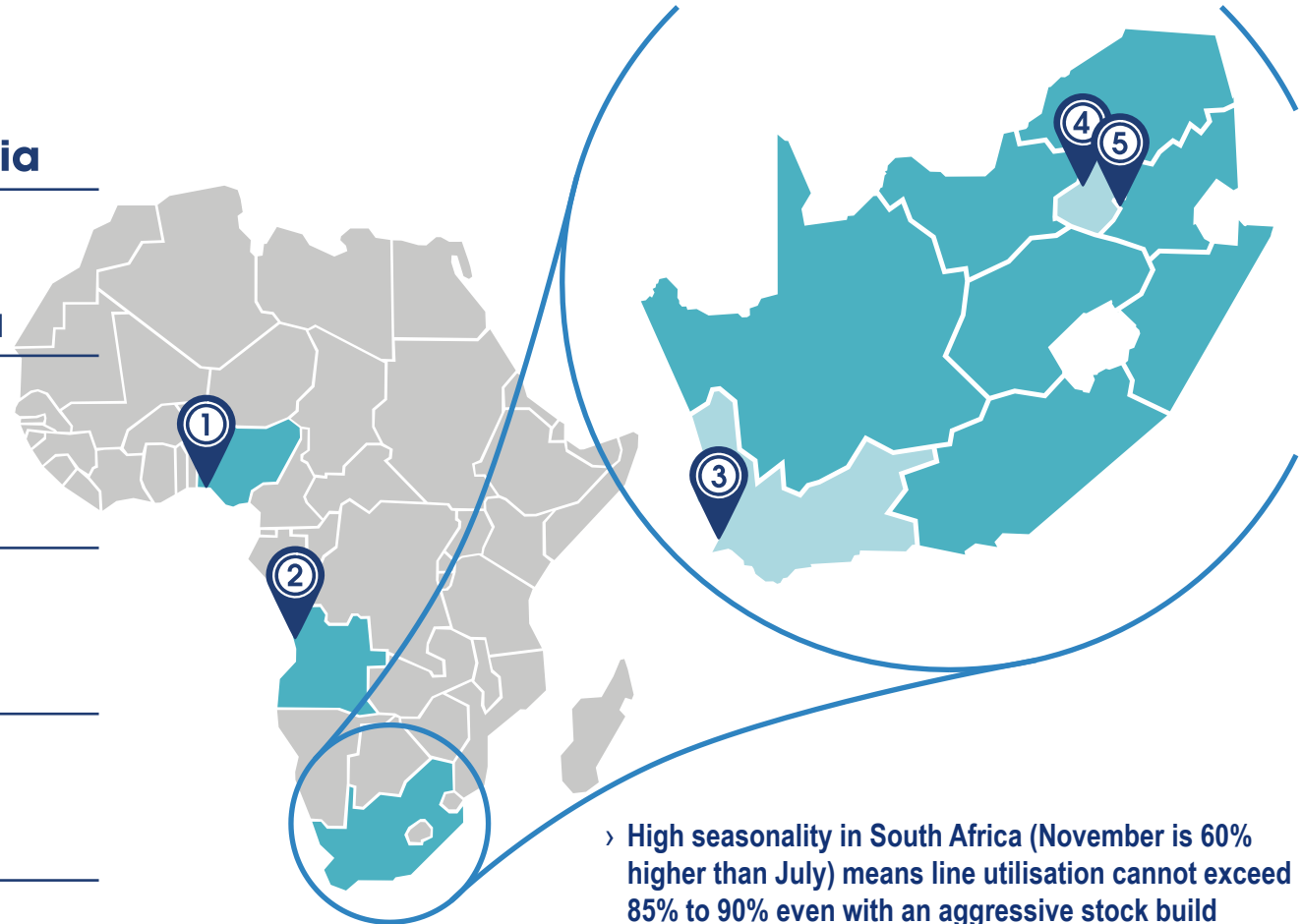
Steel cans 600m (1 line)

## ④ **Rosslyn**

Alu cans 1 900m (2 lines)

## ⑤ **Springs**

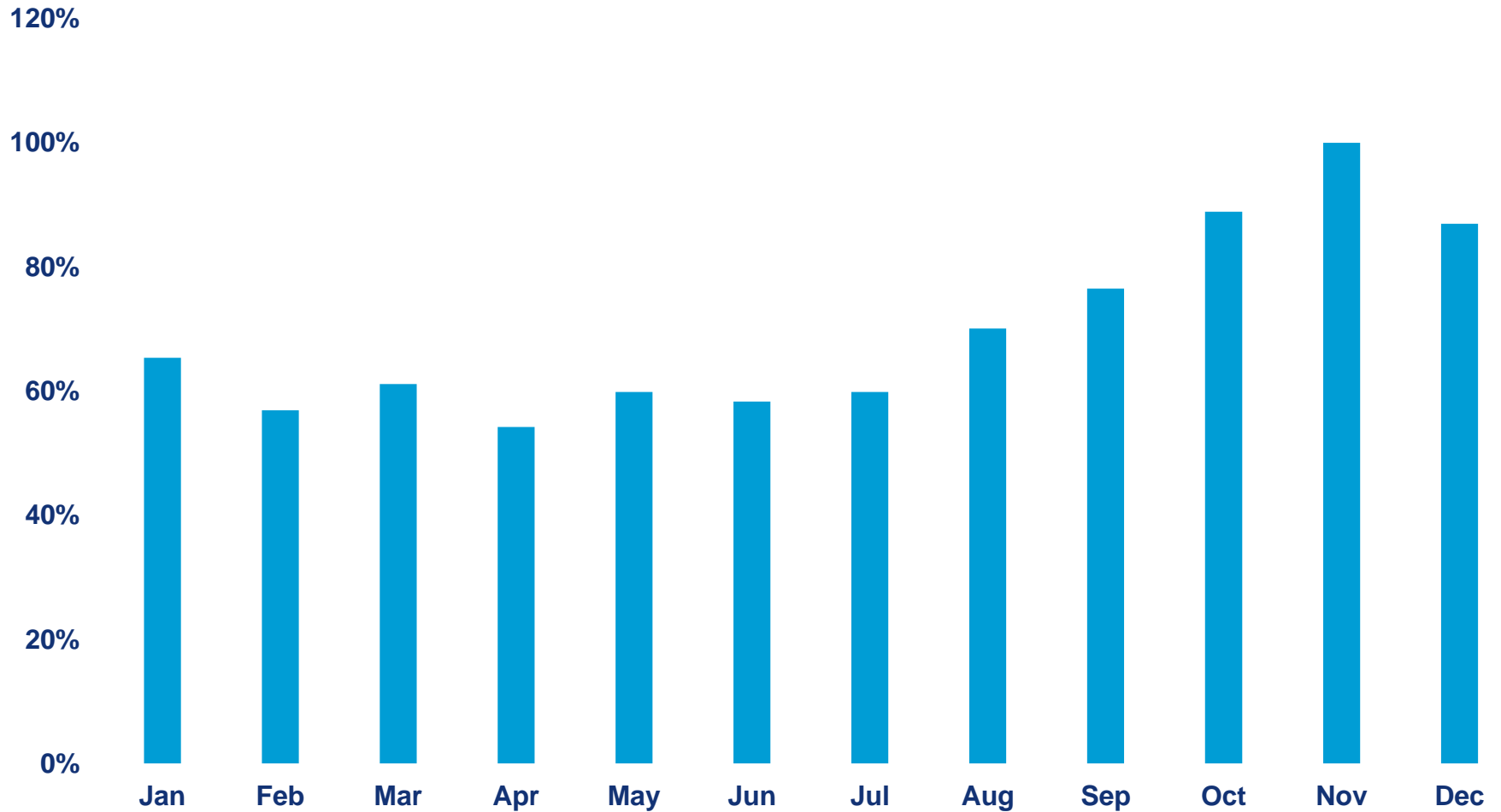
Alu cans 2 900m (3 lines)  
Can ends 6 500m (8 lines)



- › High seasonality in South Africa (November is 60% higher than July) means line utilisation cannot exceed 85% to 90% even with an aggressive stock build
- › Size changes on swing lines reduce available time
- › Dedicated lines allow for efficient production

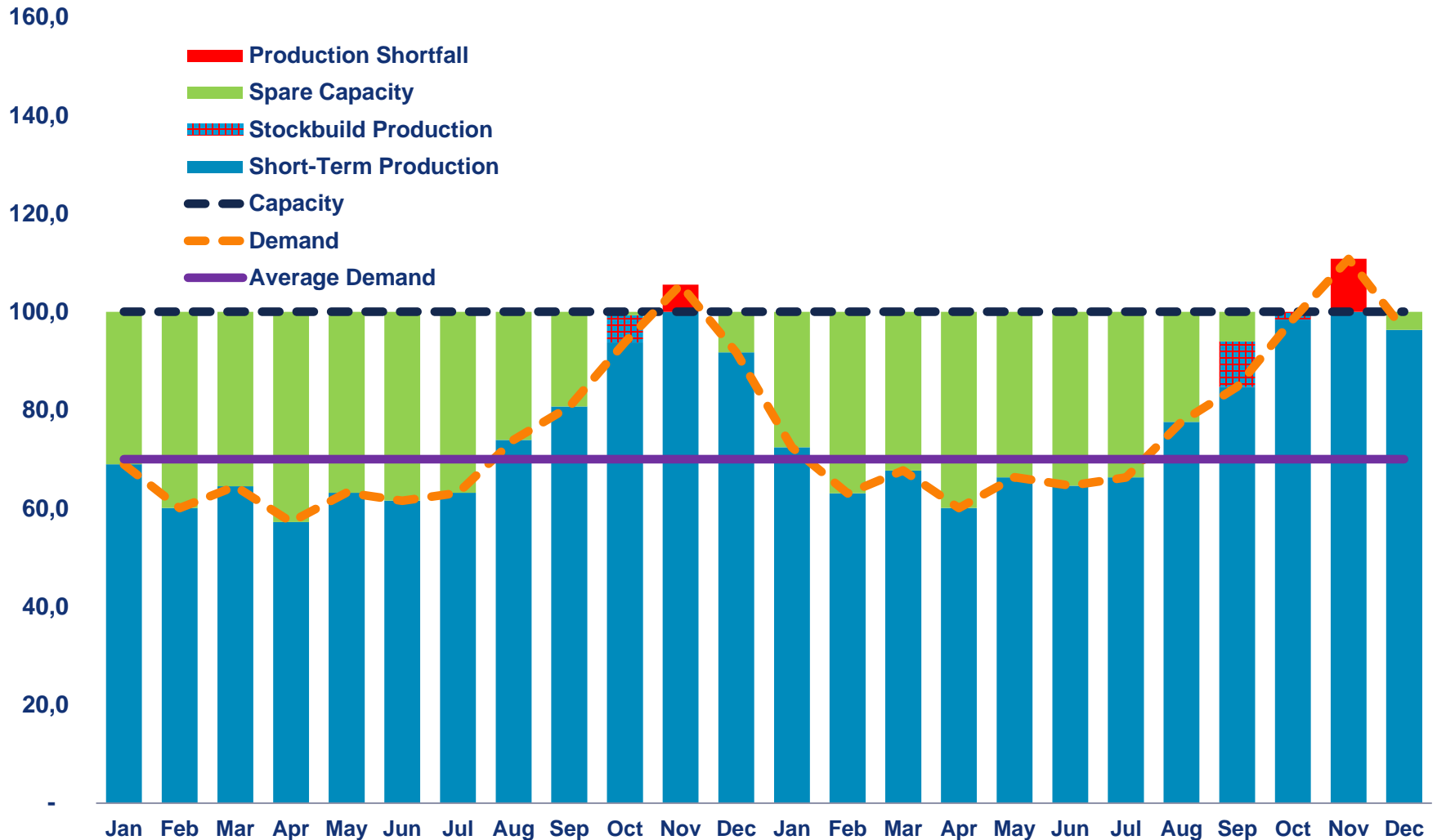
# Demand seasonality requires high spare capacity

## MONTHLY SALES DEMAND



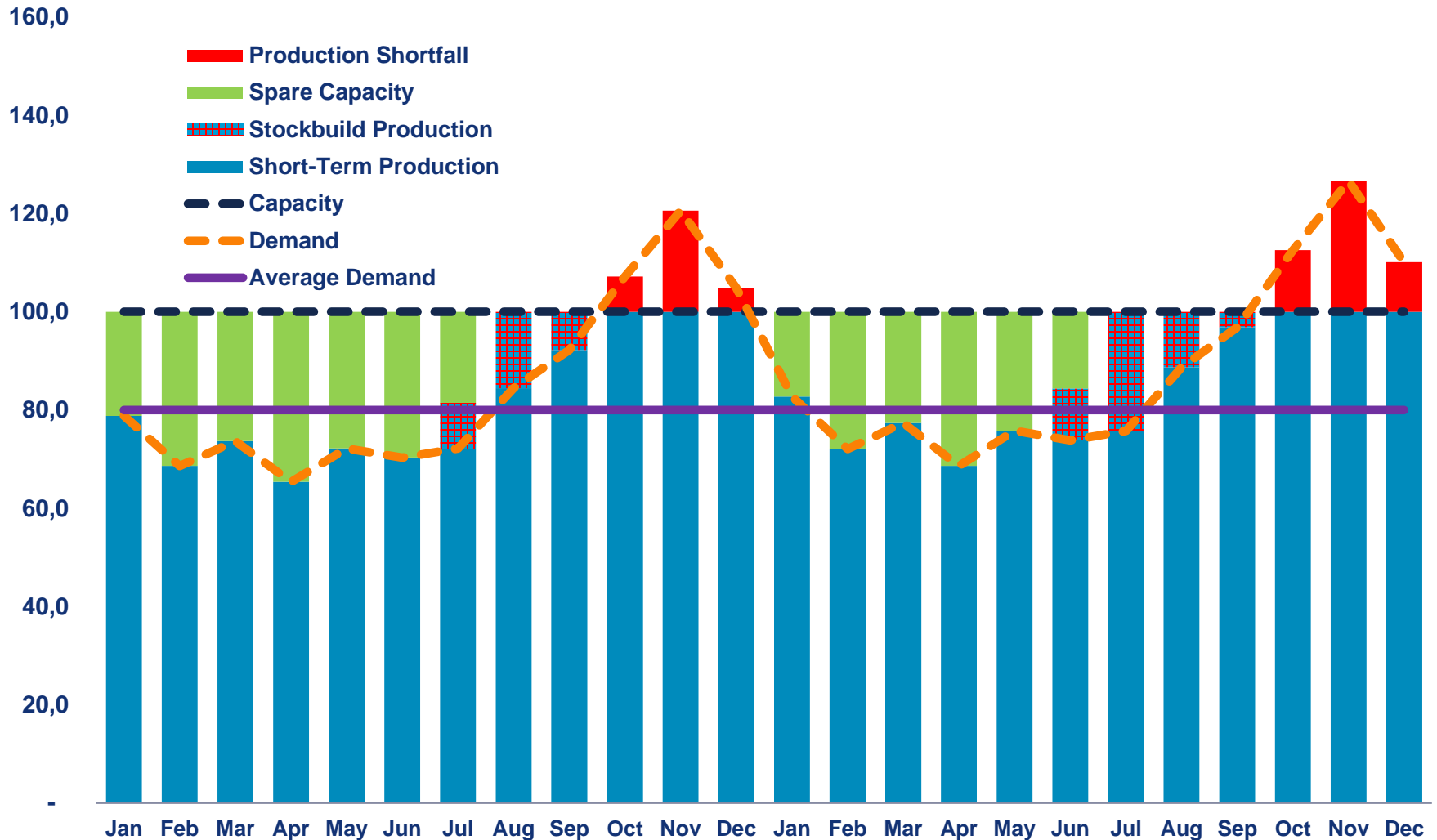
# 70% capacity utilisation provides high supply flexibility

Assuming 95% supply certainty



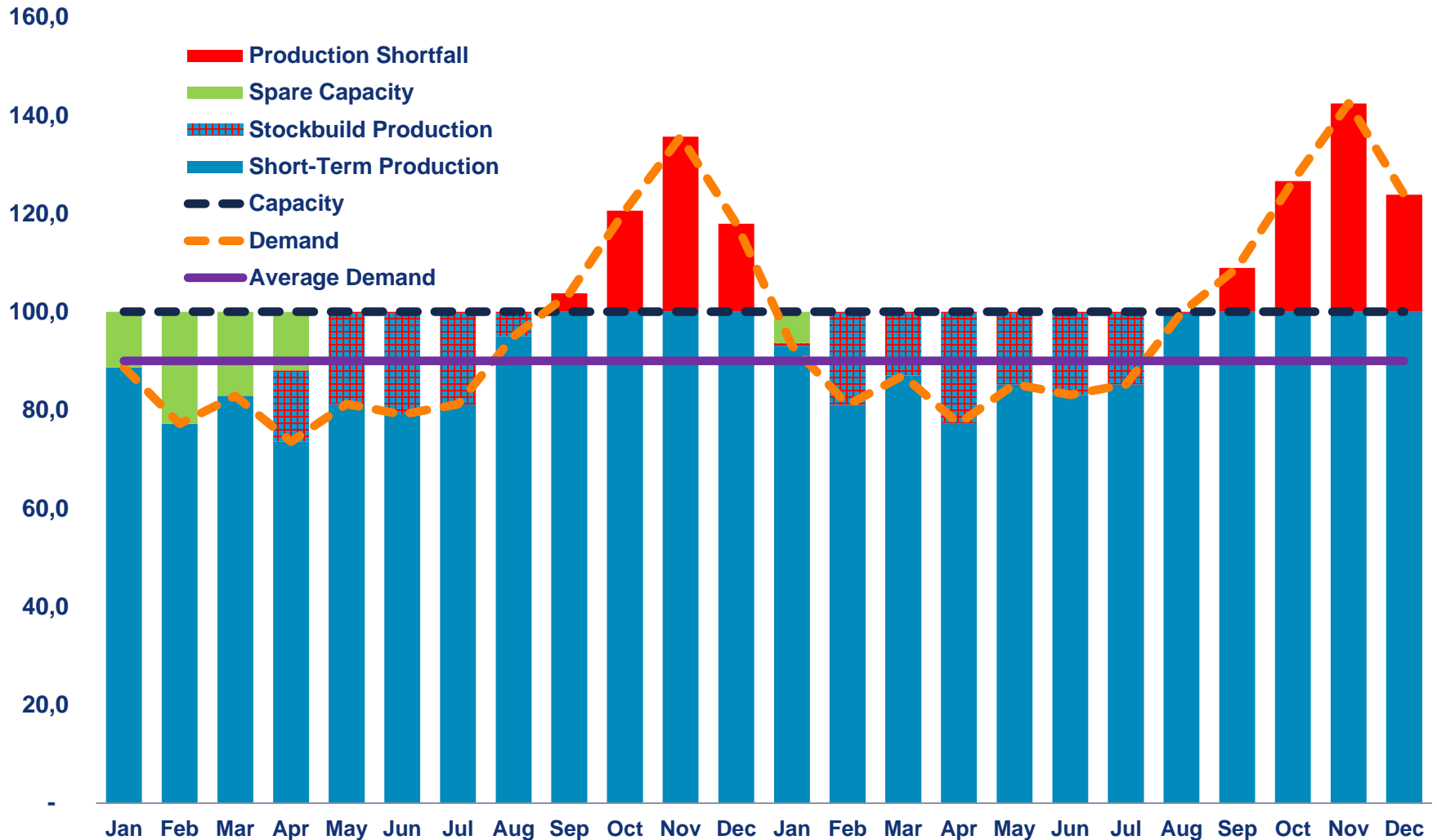
# 80% capacity utilisation means no supply flexibility for half of the year

Assuming 95% supply certainty



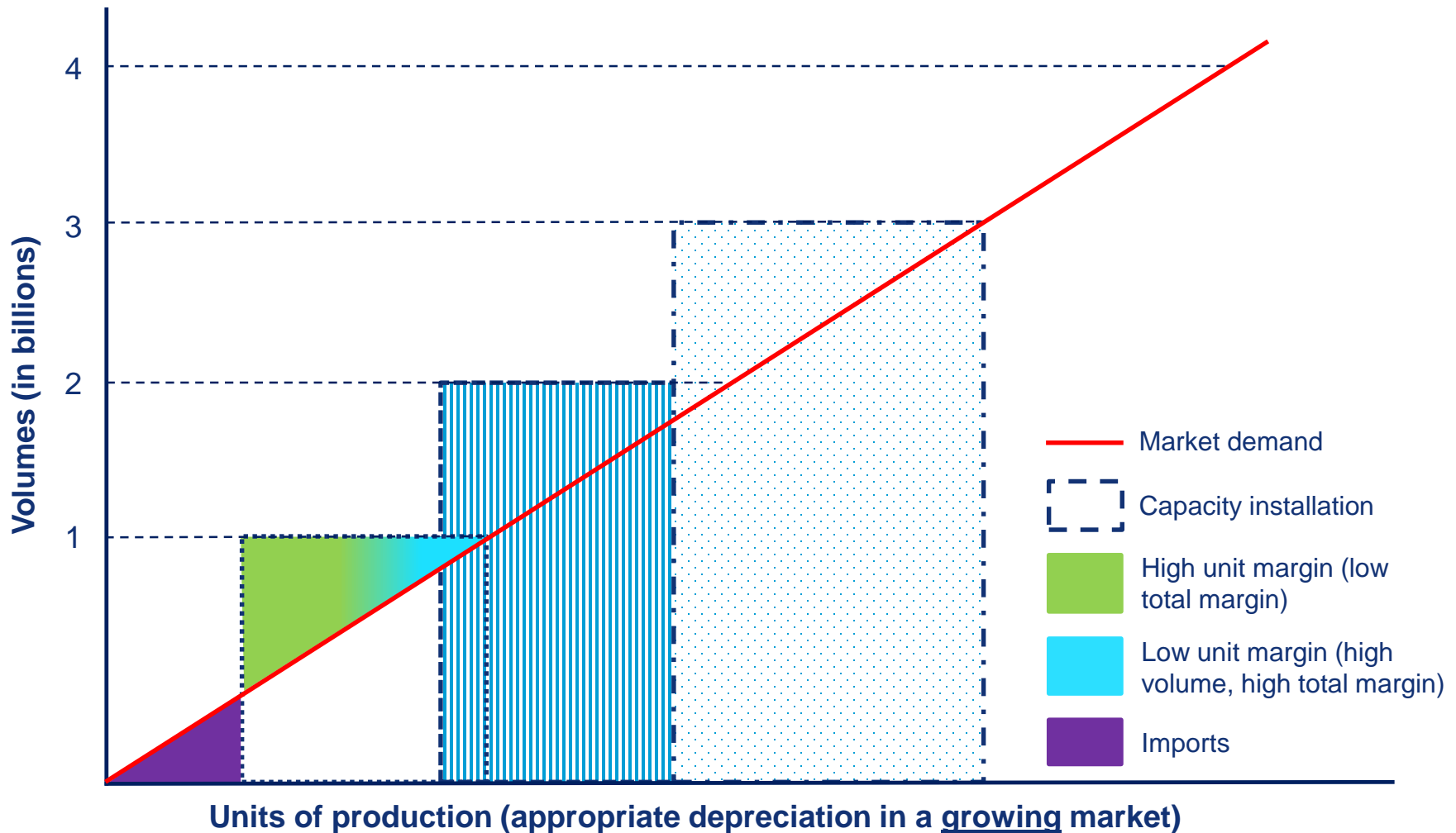
# 90% capacity utilisation means no supply flexibility for most of the year!

Assuming 95% supply certainty



# Investment/pricing/depreciation philosophy for a growing market

Capacity installation ahead of market demand



# Changing competitive landscape

## Estimated market shares



### **Nigeria**

40%  
Competitor – GZI



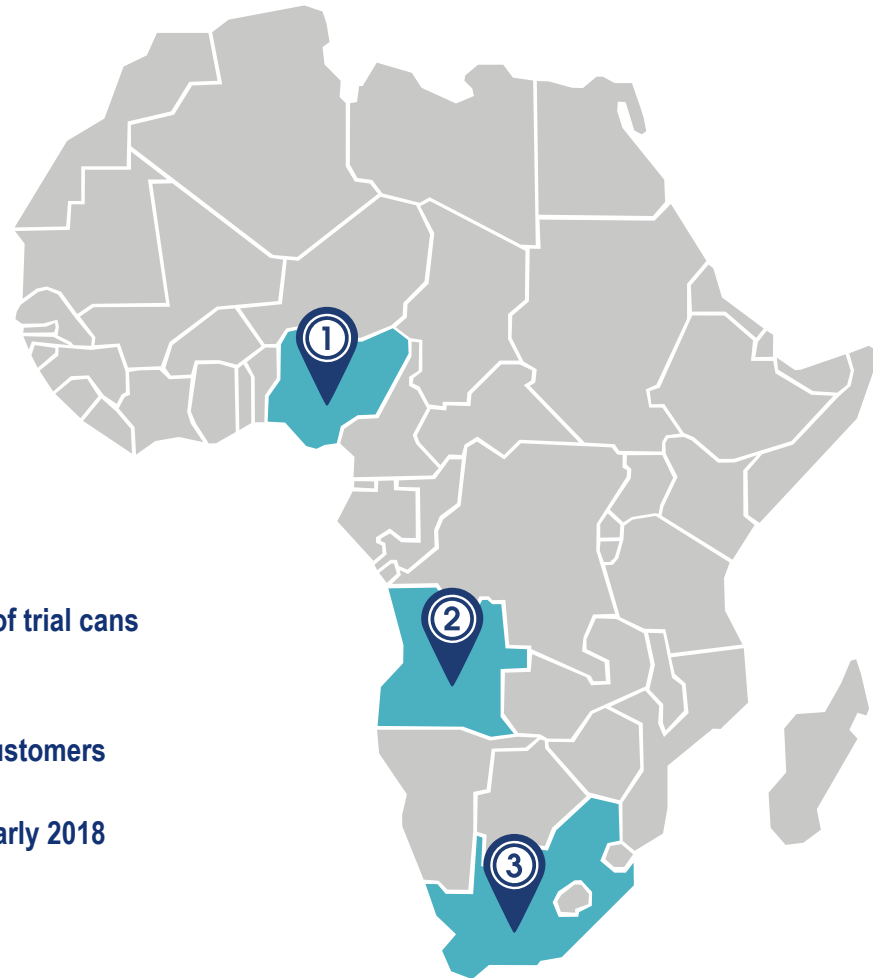
### **Angola**

100%



### **South Africa**

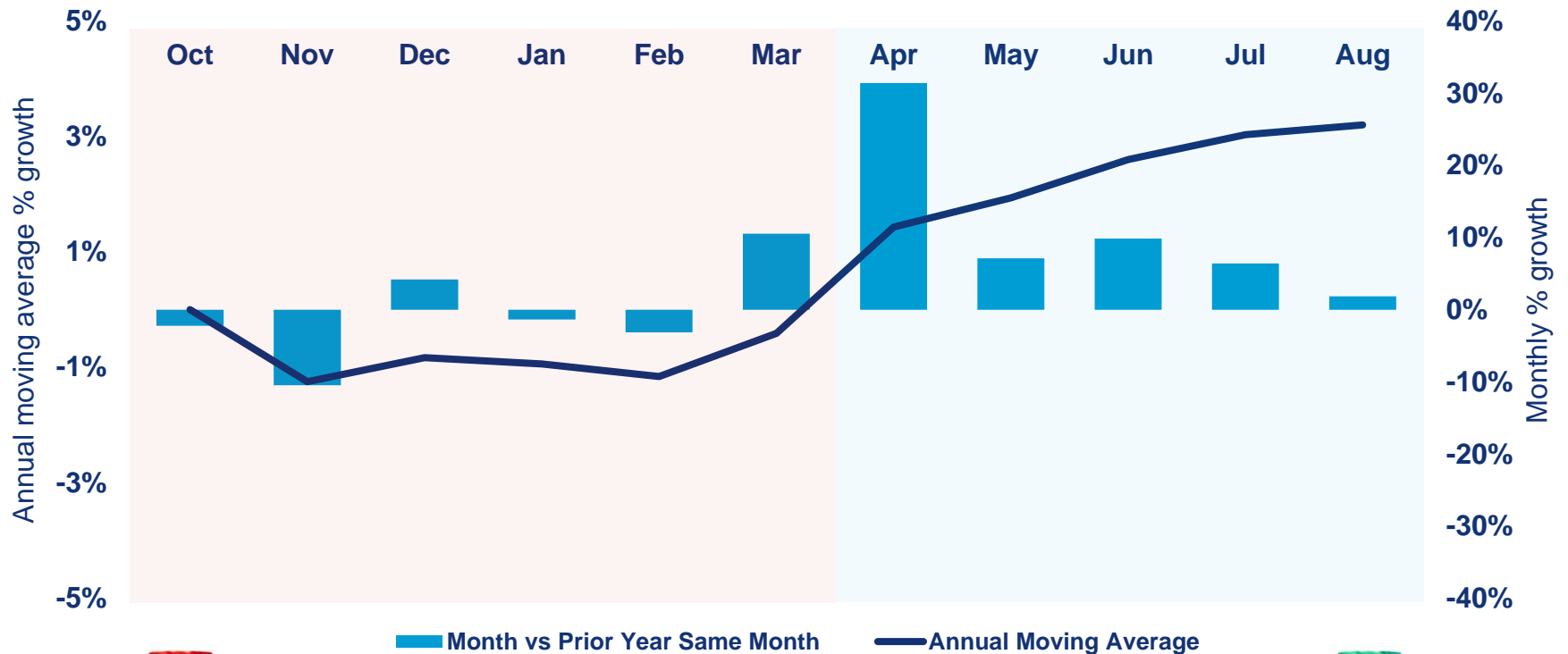
Historically 100%  
Emerging competitor – Golden Era



- › Golden Era/Gayatri Cans recently started production of trial cans for certain market players
- › Supply contracts still in place with major customers
- › In the medium term a domestic competitor will give customers a realistic reference point for price and service
- › Coca-Cola Bottling Southern Africa contracted until early 2018
  - › Currently out on tender
- › Some volume losses to new competitor are likely
  - › Opportunity to rationalise under-utilised assets
  - › Reduce crews

# 2017: A tale of two halves...

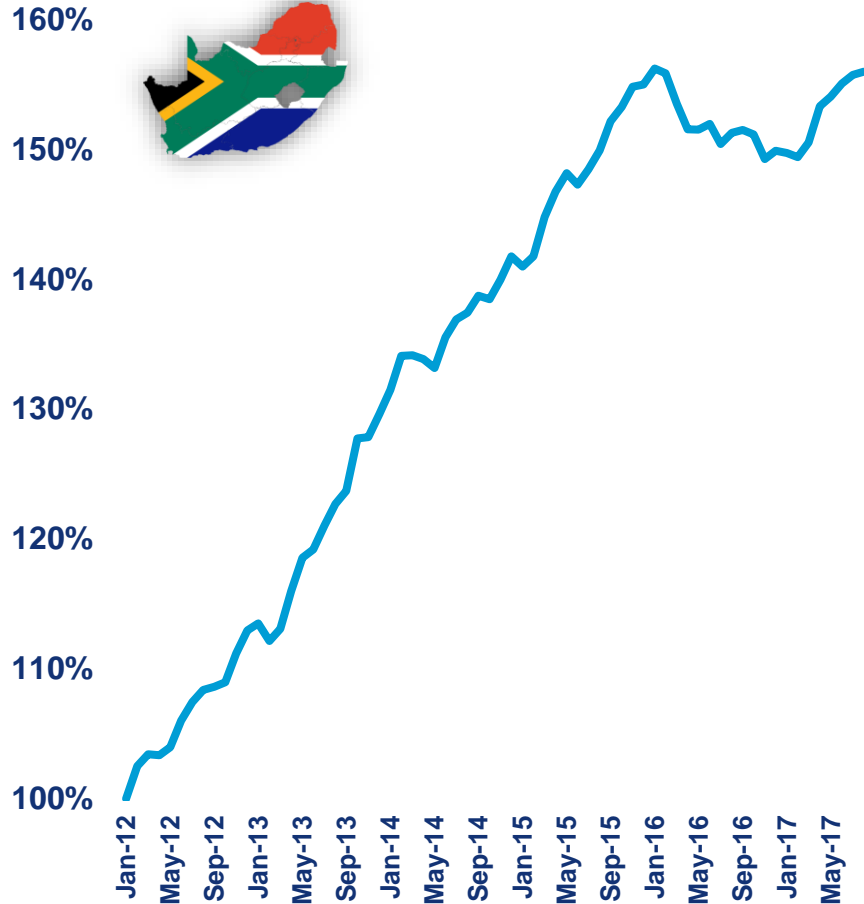
## South Africa – monthly growth



Bevcan regaining pack share

# After taking a breather, SA comes roaring back

South Africa – moving annual sales (volume)



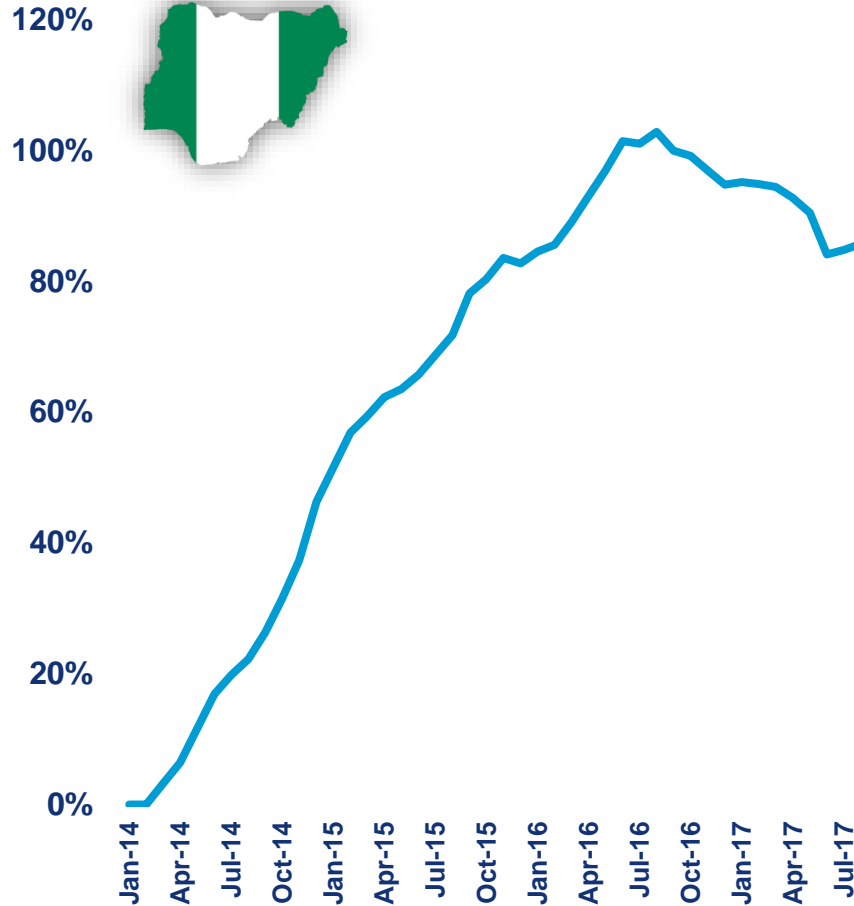
- › Good H2 growth
- › Growth driven by beer, cider and energy drinks
- › Beer continues to migrate from 440ml to new 500ml pack size
- › Strong value proposition for consumer
- › Energy drinks continue to grow above general market trend
  - » Moving into the 500ml pack
- › Migration to value brands
- › Proposed sugar tax
  - » In abeyance – National Treasury reconsidering?
  - » If implemented, likely to:
    - Drive sugar-sweetened drinks into different pack configurations hold price points at current levels
    - Increase complexity

**Energy drinks give boost to can sales**

# Green shoots in Nigeria

## Nigeria – moving annual sales (volume)

50



### NEGATIVE

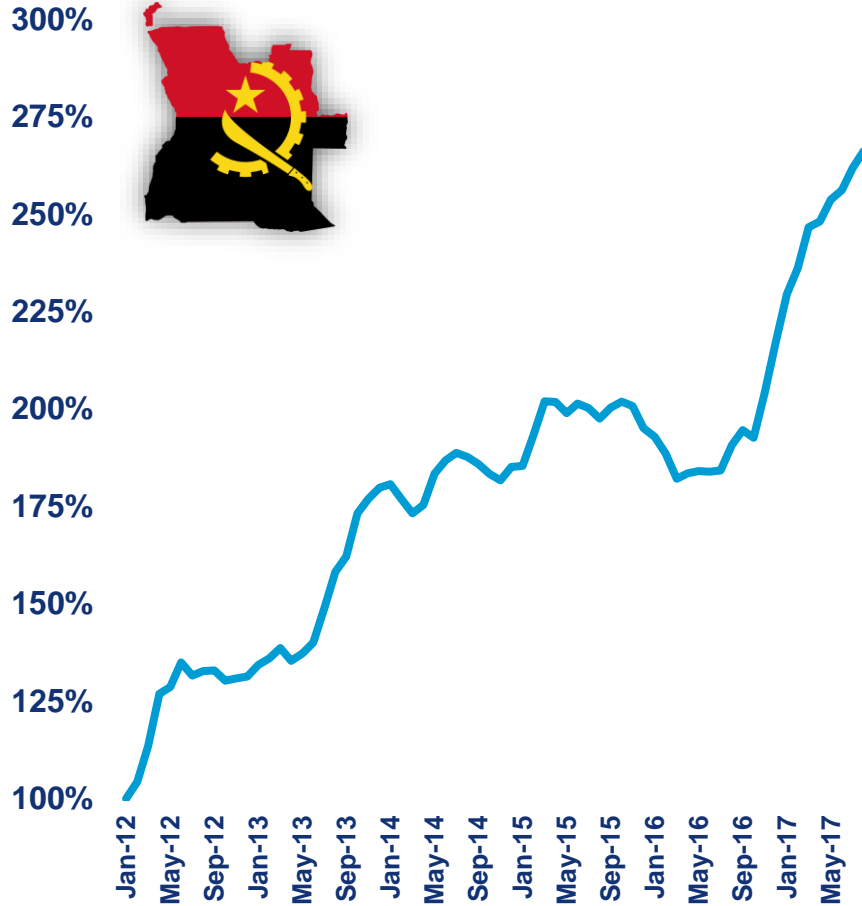
- › Volume decline
- › Relative high cost of cans vs PET
- › Migration of some malt volumes to PET
- › Technical recession – five quarters of negative growth until Q2 2017

### POSITIVE

- › GDP growth of 0.55% in Q2 2017
- › Inflation abating
- › Oil price found some stability above USD50
  - » Oil <5% of GDP, >90% of forex
- › Introduction of NAFEX and NIFEX markets
- › Improved liquidity
- › Improved optimism in economy

# Angolan can market booming

Angola – moving annual sales (volume)



- › Significant YTD volume growth
- › New customers boosted growth
- › Export of filled product by consumers to source forex
- › More filling capacity coming online
- › Substitution – forex shortage for alternative packaging imports
- › Availability of forex volatile
- › Oil >50% of GDP, >95% of forex
- › Large forex allocation in recent months
- › Forex for raw material imports up to January 2018 secured

### **SOUTH AFRICA**

- › Ends plant expansion
  - » Completed on time and within budget
  - » Performing to expectation
  - » Fully self-sufficient for ends supply into Rest of Africa
- › No major capital spend planned
  - » Small capex only to drive continuous improvement and cost efficiencies

### **ANGOLA**

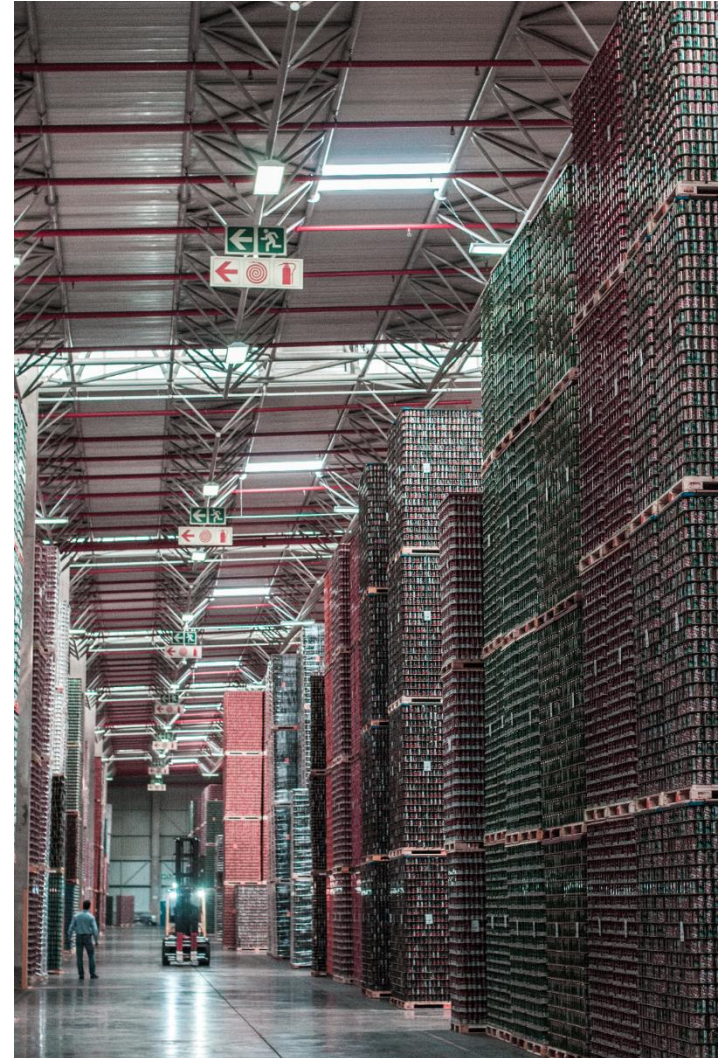
- › Line 1 conversion to aluminium with slender capability
- › Angolan government has committed to providing USD23m in forex for the full project
  - » To be fully funded out of local cash balances
  - » Awaiting first forex allocation

### **NIGERIA**

- › No major capital spend planned
  - » Small capex only to drive continuous improvement and cost efficiencies

# Key focus areas for 2018

- › Continue to focus on cash extraction in Angola and Nigeria
- › Customer service
- › Defending market share
- › Leverage existing asset base
- › Continuous improvement programmes
  - » Exceptional safety performance
  - » Can DO! excellence
  - » Technical skills
  - » Maintenance practices
  - » Process improvements
- › Overhead costs
  - » Reduction of complexity
  - » Capacity optimisation





# Plastics South Africa

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**MXOLISI KHUTAMA**

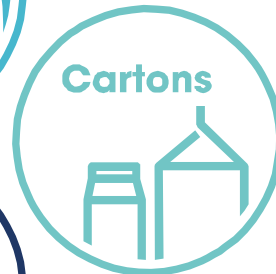
Group Executive: Plastics South Africa

# Rigid plastics business in South Africa

Leading supplier of  
HDPE bottles, preforms  
and PET bottles – dairy  
and beverages



Gable top  
carton – juices,  
ESL milk, mageu

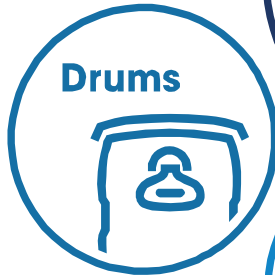


Plastic and  
metal closures –  
beverages, dairy  
and lube oils

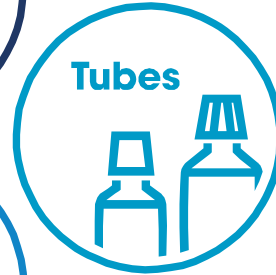


**NAMPAK  
RIGID  
PLASTICS**

20 – 220l  
drums and 1 m<sup>3</sup>  
intermediate bulk  
containers

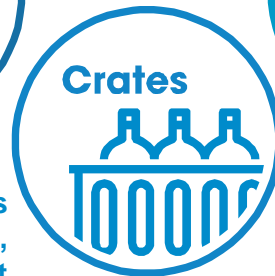


**Tubes**



Aluminium barrier  
laminate tubes for  
personal care

Leading crates  
supplier – dairy,  
beverages, transport  
and bread



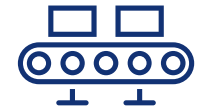
15 plants



5 in-plants



209 lines



1 301  
employees



# Diversified range of rigid plastics and cartons

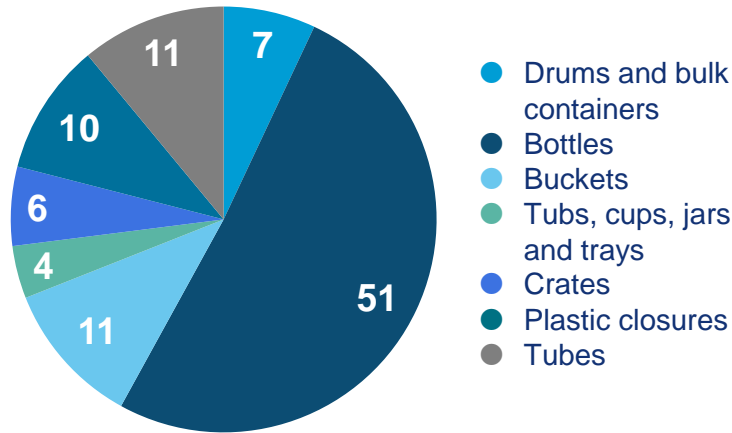


# Portfolio of large national and multinational customers

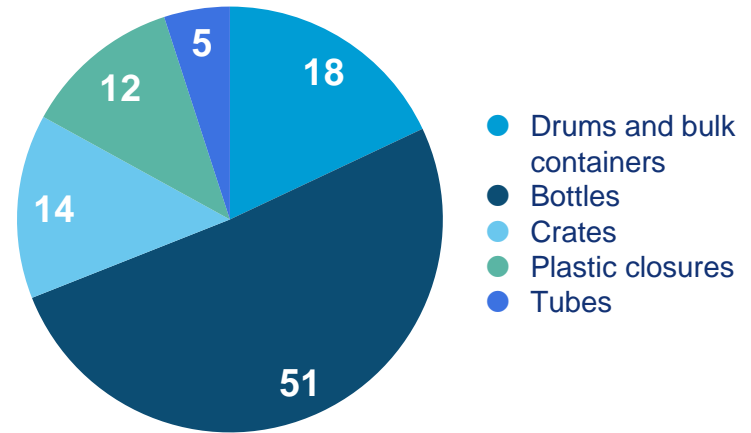


# Nampak well represented in diversified rigid plastic market in South Africa

**SA RIGIDS MARKET – VOLUME (%)**



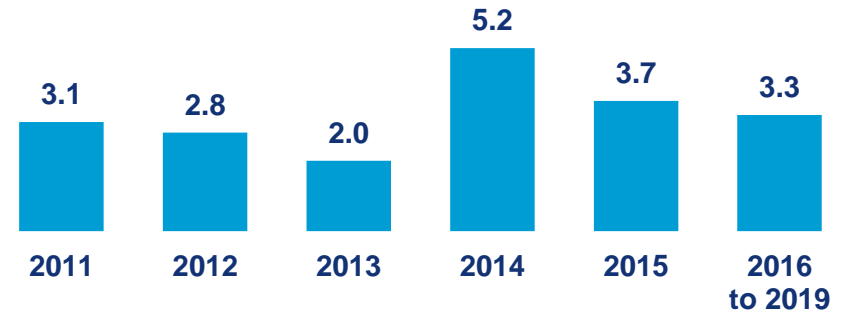
**NAMPAK PLASTICS REVENUE (%)**



› Nampak has approximately 18% average market share – excl. cartons (20%) and metal closures (65%)

› Growing faster than GDP

**RIGID PLASTICS MARKET GROWTH – VOLUMES (%)**



## LIQUID

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- › Consolidation of dairy market
- › Consumer shift from fresh milk to UHT
- › Backwards integration for large PET customers (impact on preforms and CSD bottles)
- › Recycling and reusable packaging (PET and glass bottles)

## LUBE AND INDUSTRIAL

---

- › Large drums market slow due to oil price decrease
- › Steel drums continue to be a cheaper alternative to HDPE drums due to steel prices
- › Move from oil cans to plastic underpins growth
- › Agri and chemicals sector drive growth

## CLOSURES AND CRATES

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- › Market demand for light weighting
- › Import replacement



# Market trends and developments

## General market trends

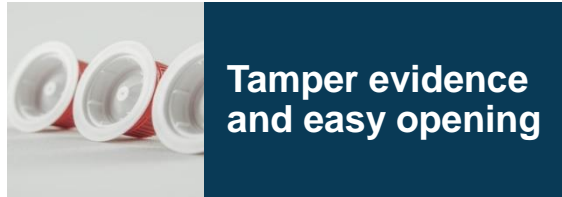
› Multitude of existing and upcoming legislation

› Resource efficiency (reduction in secondary packaging)

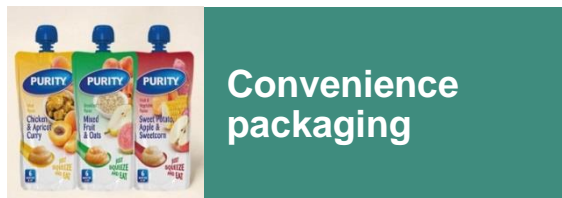
› Recycling and reusable packaging (PET and glass bottles)

› Bio-based and bio-degradable (markets and consumers looking for eco-friendly alternatives)

› Preservation of contents and reduction in damage between “farm and fork”



› Growing requirement for simple and effective systems



› Quick to prepare  
› Buy then cook then serve meal in same packaging



## HIGHLIGHTS

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- › Improved safety performance
- › Improved trading margins from Cartons business through better cost management
- › Extension of major tube customer contract
- › Growth in HDPE liquid business
- › Growth in crates, drums and lube oil businesses
- › Diversification into non-oral care tubes
- › Growth in crate business
- › Organisational restructure unlocks operational synergies
- › Improved working capital management
- › Operations
  - » Manufacturing monitoring system (“MMS”) implementation across all mega plants
  - » Maintenance programme introduced
  - » Energy saving initiative

## CHALLENGES

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- › Erosion of PET preform business due to backward integration
- › Investment in waters, oil and drums to mitigate against business losses
- › Increased competition drives internal efficiencies

# Business growth on the back of value (cost, quality and service leadership)



## LIQUIDS

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- › Focused growth of water, sauces and condiments business
- › Optimise basket of products to dairy and allied customers
- › Recapitalisation to follow rationalisation



## LUBE/INDUSTRIAL

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- › Introduce Mauser licenced generic containers



## CLOSURES

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- › Development of hotfill and specialised sports closures drives growth
- › Lube oil closures imports replacement (under Bericap licence)



## CRATES

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- › Quality crate positioning continues to drive growth
- › Support beverage key customer new product launches
- › Growth of agriculture and bakery segments



## TUBES

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- › Non-oral care growth

## 1. Site consolidation – Liquid Gauteng

- › Capex has been approved
- › Implementation: Q2, FY18



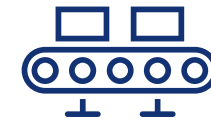
## 2. Project Rejuvenate

- › Structure review
- › Long term process of structure optimisation supported by business and business process rationalisation



## 3. Line rationalisation

- › Rationalisation – Equipment, product offering/cost effective alternatives and outsourcing



## 4. Crates recapitalisation

- › Recapitalisation of old machinery



## 5. Capacity selling – matching capacity with market opportunity

- › Fill available capacity with appropriate opportunities in adjacent markets



# Plastics on the road to improved performance

- › Focus to remain on the accelerated implementation of operational excellence
- › Fixed cost reduction and labour right sizing – update structure to remove duplication and enhance organisational effectiveness
- › Rationalise and consolidate – lines and sites
- › Recapitalisation to follow line consolidation
- › Systems to support strategy delivery: 20 Keys, Project Qondisa (learning), MMS implementation and consolidation of the reporting system

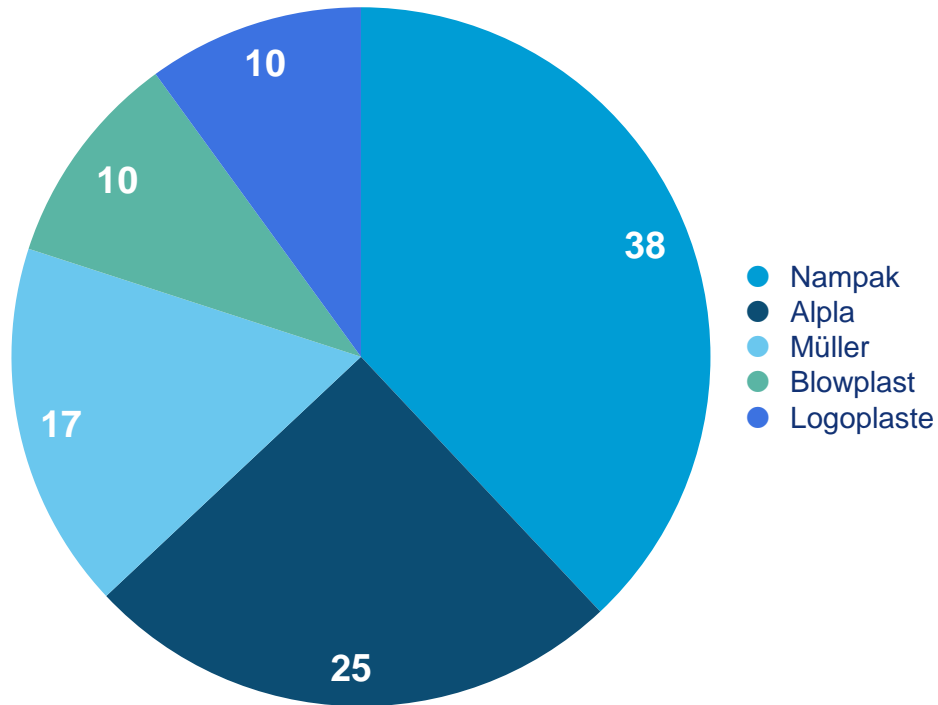




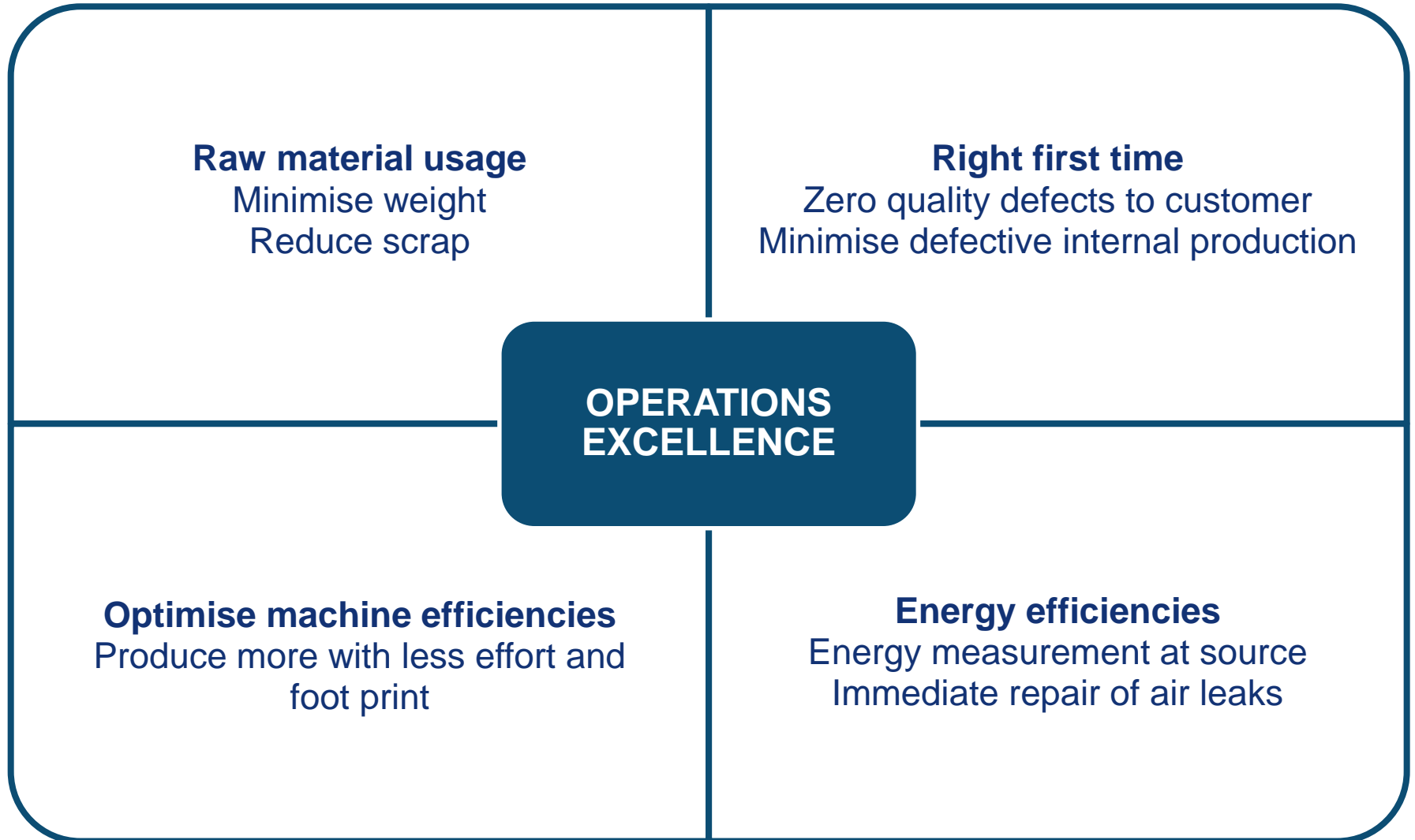
# Plastics Europe

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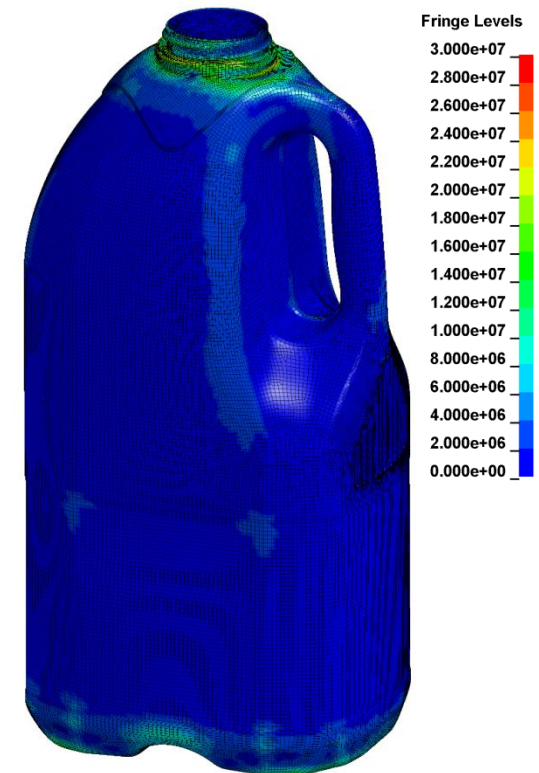
MARKET SHARE IN (%)



- › Six major players in rigid plastics
  - » Five in dairy
  - » Two UK focus, three global
  - » Each player has varying operational capabilities and technologies
- › Müller is vertically integrated



- › Low margin market within dairy
  - » Increase market share since dairy is Nampak's current focus
    - Targeting medium sized dairies
    - End customers demanding a lighter bottle
    - Industry standard light weight bottle – ECO design
    - Experienced new commercial team driving growth plans
  - » Diversify into other markets – medium to long term (2 – 5 years)
    - Strong connections to home care and laundry care customers
    - Market looking for partner with strong light weighting and innovation credentials
    - Nampak R&D has unique finite element analysis capability
    - Integrate PET and injection moulding technology through strategic partnerships





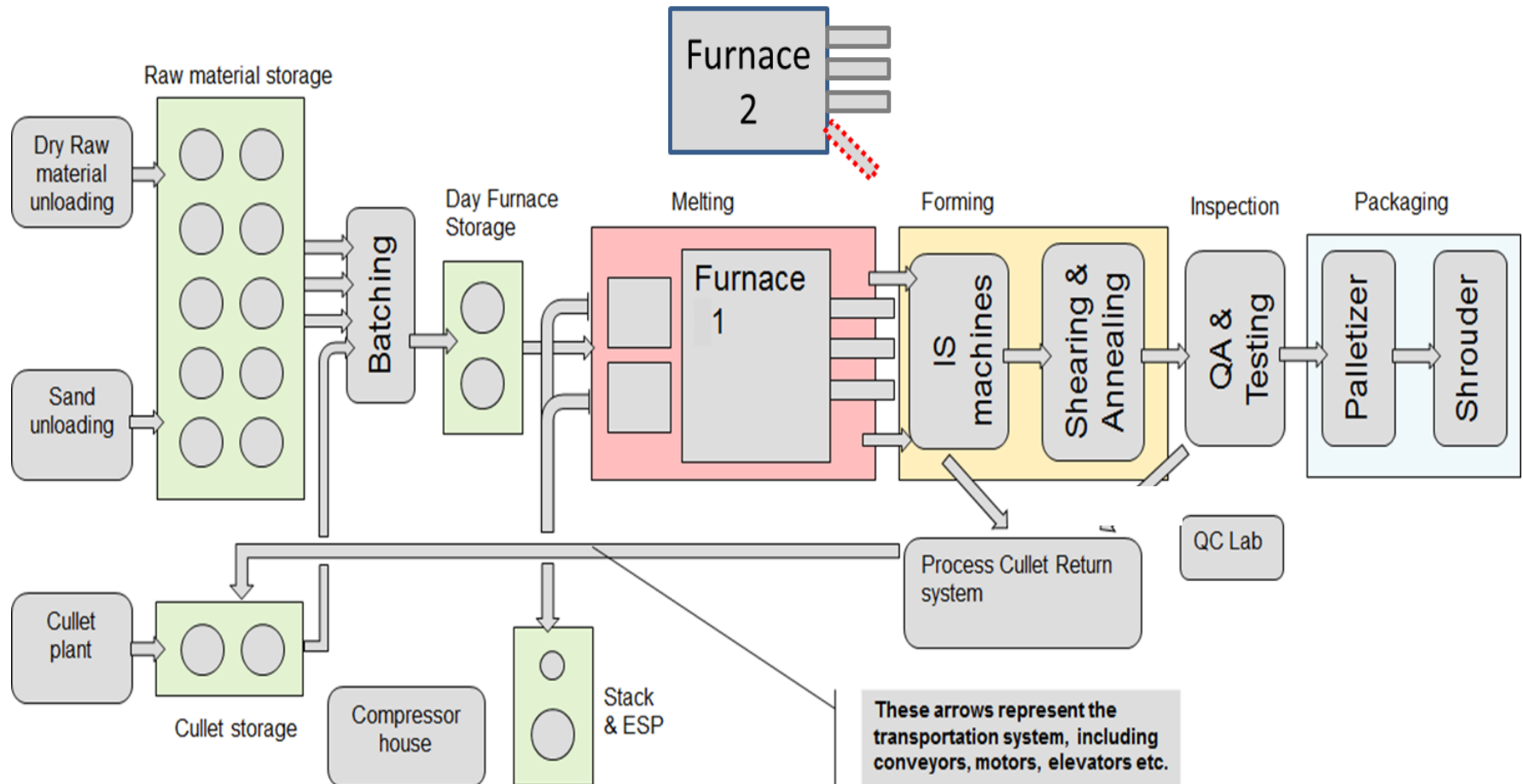
# Glass

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**ROB MORRIS**

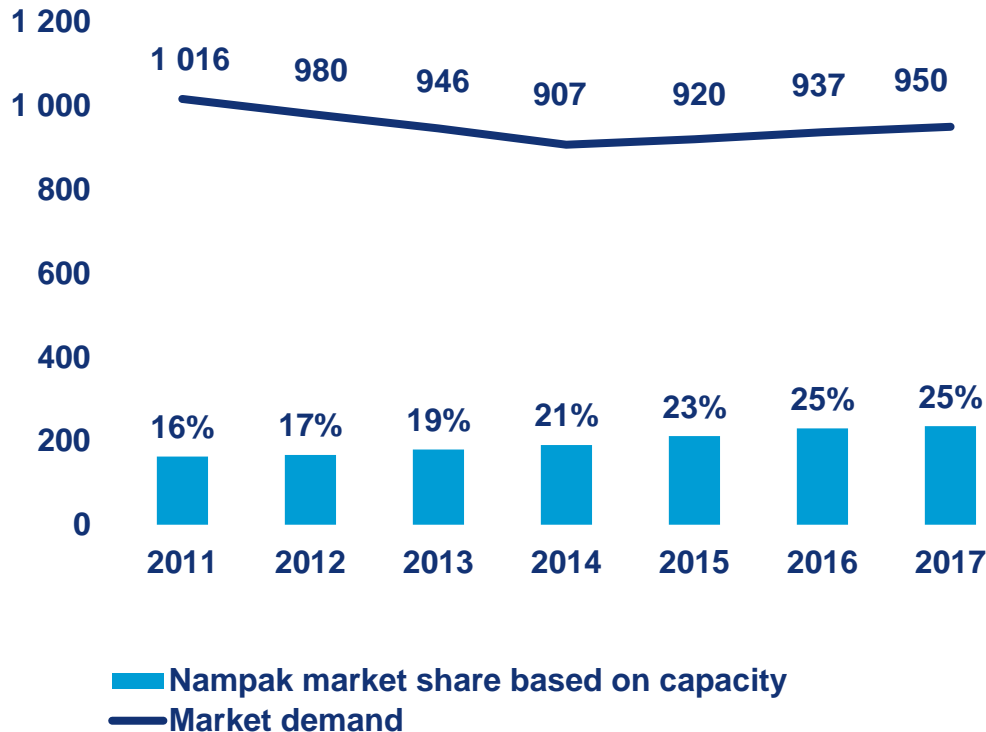
Group Executive: Glass and Rest of Africa

# The glass manufacturing process



# South Africa's glass market maintains slow recovery

## SA GLASS MARKET (TONS)

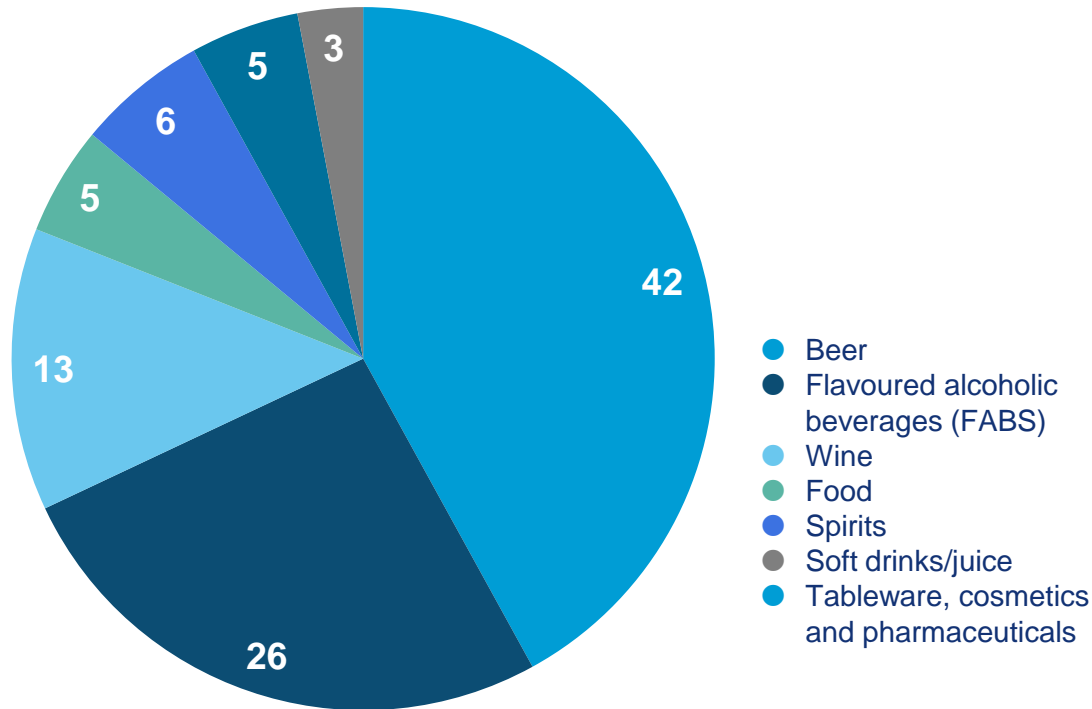


- › Overall glass market is continuing its slow recovery as substitution into PET/cans abates
- › 2017 demand still well below glass producers' installed capacity
- › Overall glass market growth in South Africa driven by returnable glass injections



# The SA glass market dominated by beer

**SOUTH AFRICAN MARKET**  
(% TONS)



**Nampak Glass**  
**share of individual sectors**

|                               | % share   |
|-------------------------------|-----------|
| Beer                          | 18        |
| Soft drinks/juice             | 44        |
| FABS                          | 25        |
| Wine                          | 21        |
| Spirits                       | 67        |
| Food                          | 41        |
| Tableware                     | 0         |
| Cosmetics and pharmaceuticals | 0         |
| <b>Total</b>                  | <b>25</b> |

## BEER

- › Beer market is mature, little volume change per annum
- › Glass pack share has stabilised
- › 650ml Non-returnable, 660ml and 750ml returnable continues to dominate this category, with on-going float replacements
- › New brand launches imminent in returnable glass
- › Market expected to remain flat due to consumer spending constraints
- › Very aggressive marketing campaigns observed
- › Craft beer continual growth expected, albeit low in volume terms

## CSD

- › Glass continues to experience injection of returnable glass float annually
- › NRB glass pack share continues to decline
- › Strong competition by cans and PET in 330ml/500ml

## FABs

- › Good continued growth experienced in this sector
- › Brand innovation remains high, 275ml, 330ml and 660ml returnable glass
- › Glass remains the primary pack driven by larger pack sizes (660ml returnable)

## FOOD PRODUCTS

- › Food category showed a slow down in growth due to consumer spending constraints
- › Volumes expected to decrease in time, there is a tendency of moving to PET

## OTHERS

- › Packaged wine in glass maintained its position as the dominant pack
- › Demand anticipated for packaged export wine has not experienced growth; Bulk wine exports continues to grow
- › Bottled water, RTDs declined, both categories under pressure from PET



# Nampak doubled market share in wine market since 2015



Nampak at WOSA (Wines of South Africa)





Namibia Breweries Limited



Tiger Brands



DIAGEO



AB InBev

## GLASS FOOTPRINT

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- › One manufacturing site in Roodekop Gauteng
- › Three furnace operation with nine forming lines (three per furnace)
- › Sales office with customer services personnel in Western Cape
- › 488 employees
- › 7% capacity available with further mix optimisation

## MANUFACTURING STRATEGY

---

- › Optimise furnace draw
- › Balance SKUs in line with manufacturing footprint
- › Two furnaces now dedicated to colour
  - » **Furnace 1** – Amber, dead-leaf, UVG, flint
  - » **Furnace 2** – dedicated to flint
  - » **Furnace 3** – dedicated to emerald green

## SALES TRENDS

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- › Market demand for light weighting
- › Price and availability driven market
- › Import replacement

## HIGHLIGHTS

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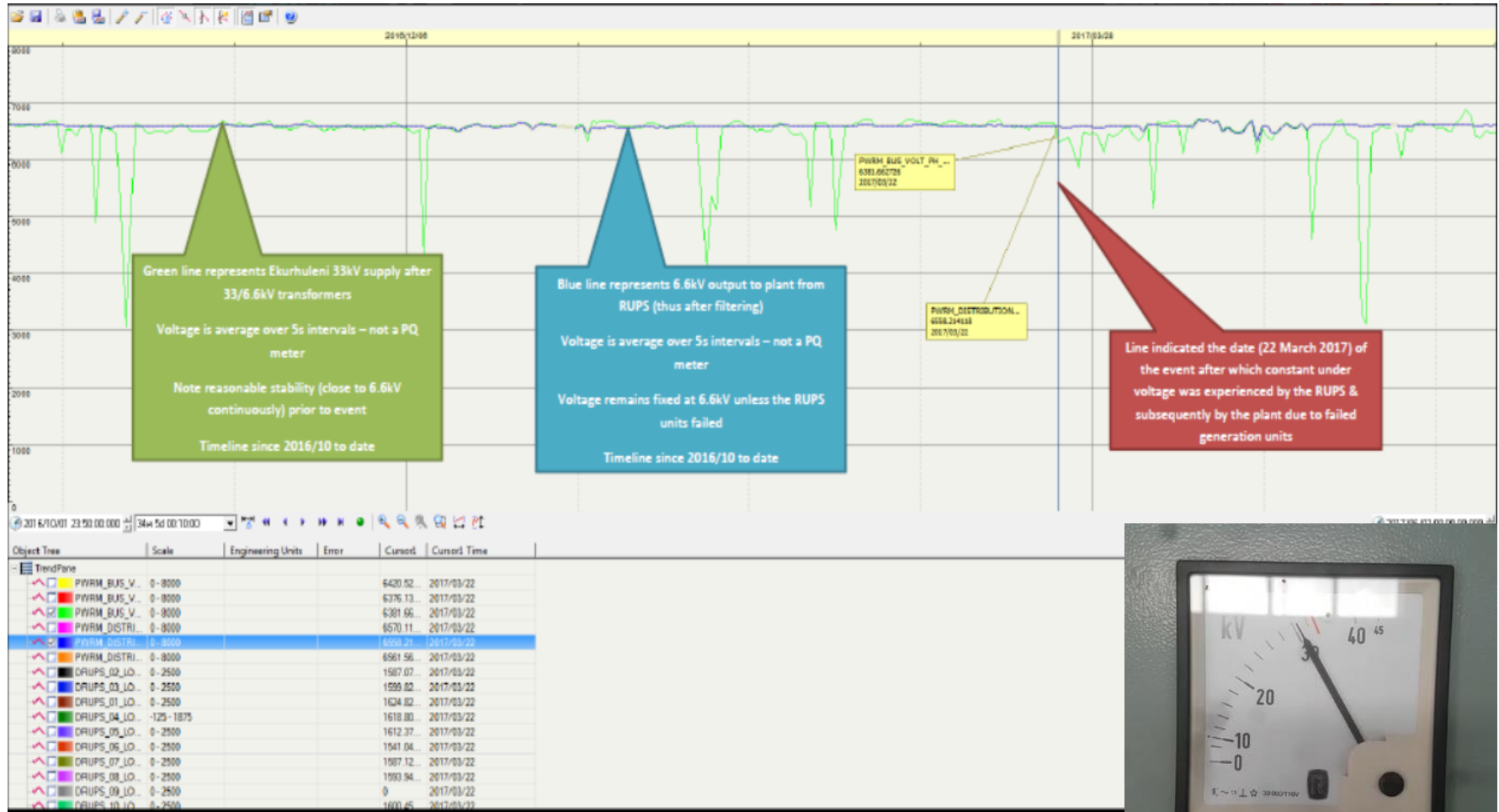
- › Successful installation and commissioning of Sasol Gas transmission line in March 2017
- › Installation and commissioning of bottle inspection equipment cold end Furnace 1
  - » Enhances inspection capability for wine bottles
- › All raw materials contractually secured, cost pressures successfully managed
- › Growth experienced on packaged wine from 15% to 21%
- › Secured volumes from AB InBev
  - » 100% supply of Flying Fish, 330ml NRB's
  - » Allocation on returnable Castle Lite
- › New product development opportunities at breweries

## CHALLENGES

---

- › Eskom transformer failure, resulting in inconsistent quality of electricity supply for the period post March 2017
  - » Loss of production output
  - » Insurance claim pending
- › Opportunity for improved operational efficiencies

# Inconsistent quality of electrical supply was a major inhibitor post March



› Insurance claim in progress, not yet finalised



# Ongoing operational interventions continue to improve performance

| Intervention   | Status   |
|--|--|
| Stabilised supply and relationships with key customers                   | Achieved and remains good  |
| Further improvement of operational efficiencies                          | Engaged expert glass consultants to facilitate process<br><br>One to two year process          |
| Further SKU and product mix rationalisation                              | One year<br><br>Discussions initiated with key customers<br><br>Improve Furnace 2 draw volumes |
| Continue leveraging growth in wine market                                | Good progress  |
| Project planning and management of Furnace 1 rebuild anticipated in 2019 | Q1 2019  |

- › Trading environment will remain challenging
- › Introduction of external glass technical skills and management competence
- › Improve operational efficiencies and manufacturing disciplines
- › Growth expected in emerald green (Furnace 3)
- › Rationalise flint product mix to optimise Furnace 2 draw to increase available capacity
- › Prepare for Furnace 1 rebuild in 2019, postponed from 2018



**No changes in the market or competitor base that require strategic realignment, key strategic focus is internal**



# Rest of Africa

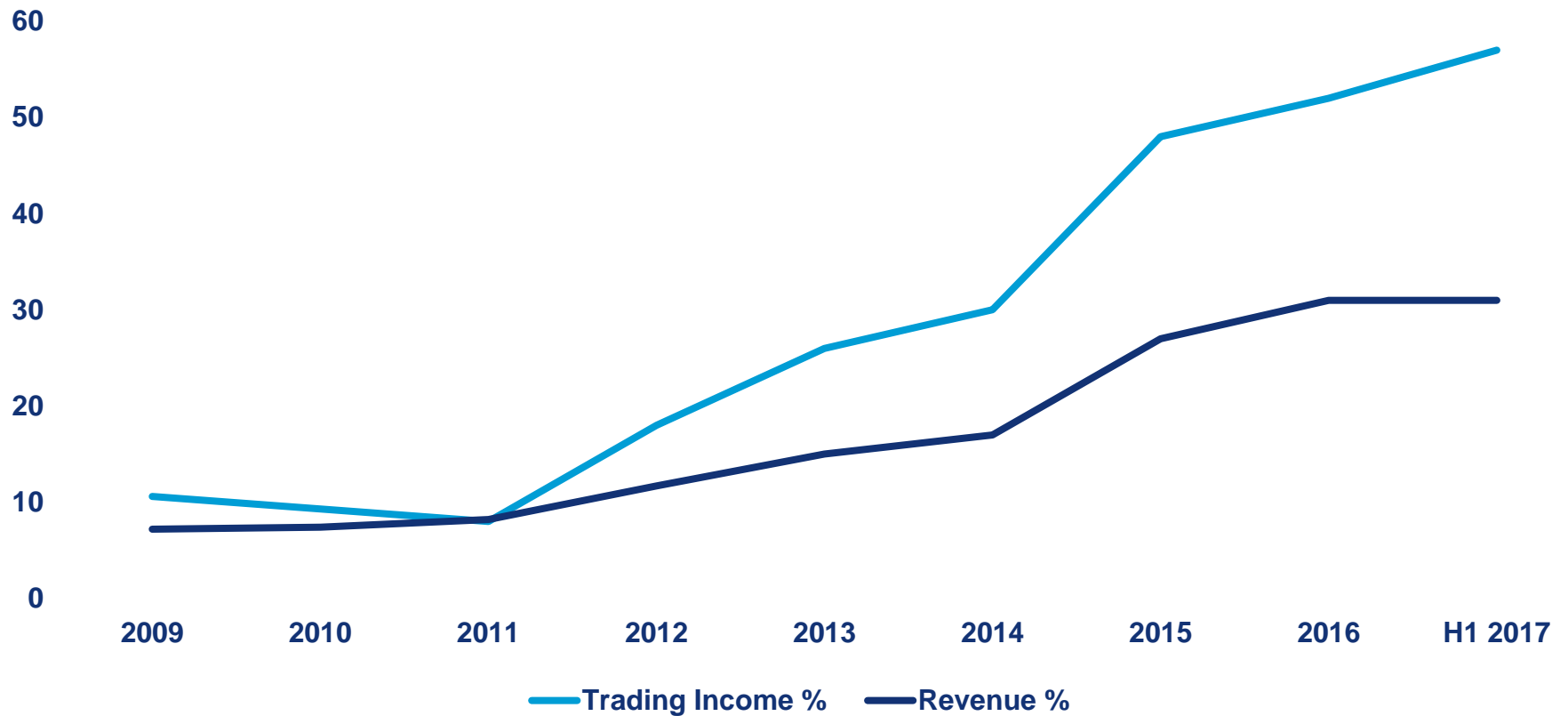
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**ROB MORRIS**

Group Executive: Glass and Rest of Africa

# Rest of Africa has become a significant contributor to Nampak's profitability

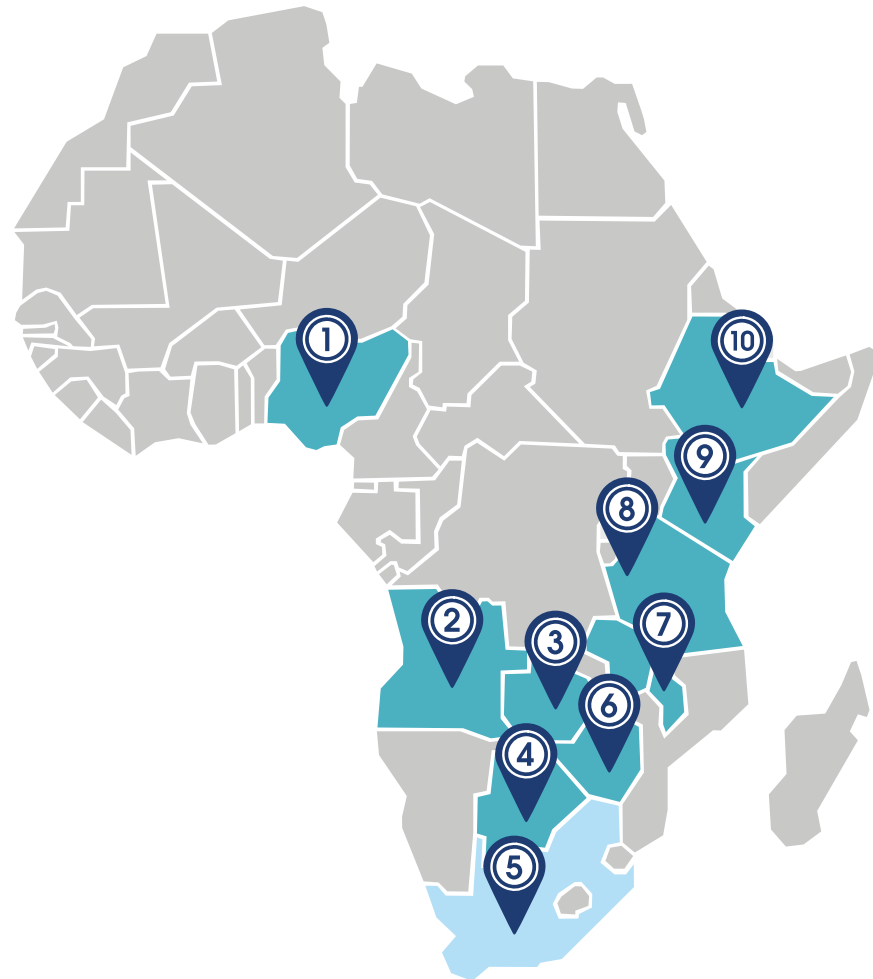
## REST OF AFRICA AS % OF NAMPAK GROUP



Margins in the rest of Africa remain attractive

# Nampak footprint in the Rest of Africa remains unchanged

|                       | Number of operations |
|-----------------------|----------------------|
| ① <b>Nigeria</b>      | 3                    |
| ② <b>Angola</b>       | 1                    |
| ③ <b>Zambia</b>       | 2                    |
| ④ <b>Botswana</b>     | 1                    |
| ⑤ <b>South Africa</b> | 28                   |
| ⑥ <b>Zimbabwe</b>     | 3                    |
| ⑦ <b>Malawi</b>       | 1                    |
| ⑧ <b>Tanzania</b>     | 1                    |
| ⑨ <b>Kenya</b>        | 1                    |
| ⑩ <b>Ethiopia</b>     | 2                    |



### Nigeria cartons

- › Cigarette carton sales stable and strong
- › Forex recovery mechanism agreed with key customers
- › Key client 10 year contract expires in March 2018
- › New tender discussions in progress

### Zambia

- › Crown manufacturing line in Ndola shut down
- › Sorghum beer carton volumes poor
- › AB InBev disposing of sorghum business in Zambia
- › Sorghum carton growth uncertain



### Malawi

- › Sorghum sales depressed
- › AB InBev disposing of sorghum business in Malawi
- › AB InBev launching returnable sorghum bottles

### Kenya (Bullpak)

- › Reasonable year affected by drought
- › New entrants and self manufacture
- › Multi colour print requirements

### Zimbabwe (Hunyani)

- › Very strong year on the back of good tobacco season and duties imposed on imported packaging



### GENERAL METAL PACKAGING

#### Nigeria

- › Good year on the back of strong volumes on import substitution and good pricing

#### Kenya

- › Agricultural market weak following drought
- › Ongoing self manufacture remains a concern

### PLASTIC

#### Zimbabwe

- › Subdued on the back of general poor beverage demand at customers
- › Benefiting from import replacement

#### Nigeria






- › Closure demand strong and increasing

#### Ethiopia

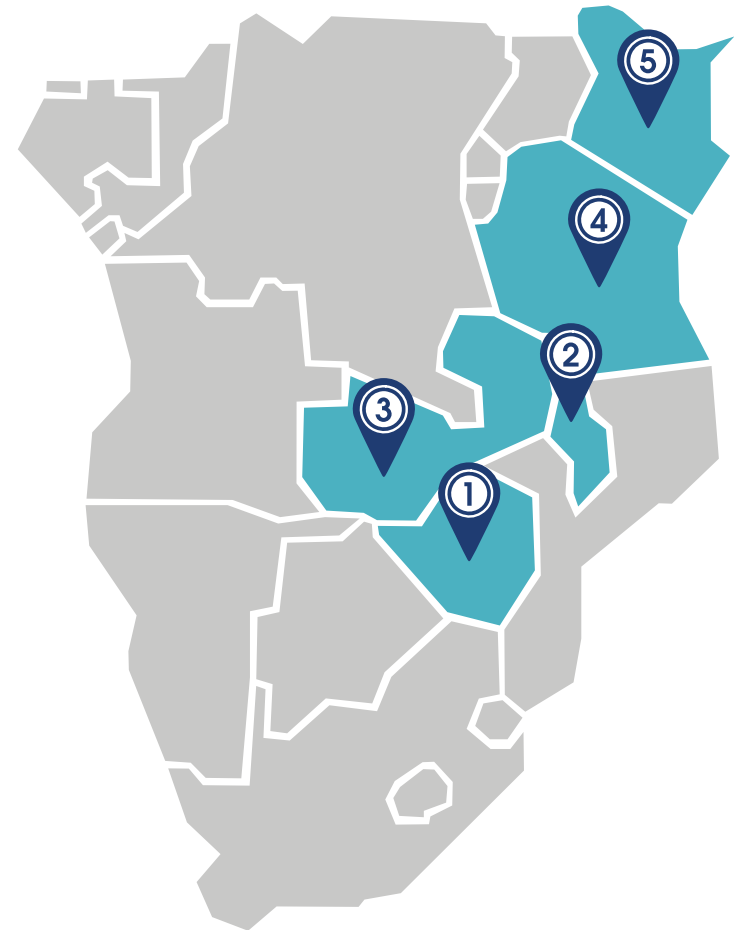
- › Crate line performing well
- › Forex delays remain a constraint



# Rationalisation/optimisation of production lines in East/Southern Africa

|   |   |
|---|---|
|  <b>Zimbabwe</b> | 3 |
|  <b>Malawi</b>   | 1 |
|  <b>Zambia</b>   | 2 |
|  <b>Tanzania</b> | 1 |
|  <b>Kenya</b>   | 1 |

- › General metal packaging
- › Metal crowns
- › Sorghum beer cartons
- › Tobacco cartons and corrugated boxes



# Understanding and invigorating the sorghum beer carton market



› Consumers cutting the gable off the carton, to produce four rigid sides from which to share



› Typical tavern



› Hygiene is of huge importance



- › Forex and liquidity issues now manageable
- › Rolling of Agbara beverage can supply contracts
- › Ibadan 10 year contract with BAT ends in March 2018
- › Key Lagos growth projects – new food can line/closures



## Project assessment criteria

1. Growth and size of the packaging market
2. Customer base (type of packaging)
3. Competitor profile and market dynamics
4. Ease of doing business
5. Nampak competitive advantage

## Review of glass opportunities

### **NIGERIA**

- › MoU with local partner
- › Land identified in Agbara, close to Nampak Bevcan
- › Glass volumes in Nigeria depressed
- › Project on hold

### **ETHIOPIA**

- › Commercial and risk analysis makes project marginal
- › Four projects being proposed – possible oversupply
- › Investors want Nampak involvement
- › Project on hold – wait and see approach being taken

### **ANGOLA**

- › Local customer wants to do project with Nampak
- › Macro-economic situation still uncertain
- › Aware of one glass plant currently approved
- › Project on hold

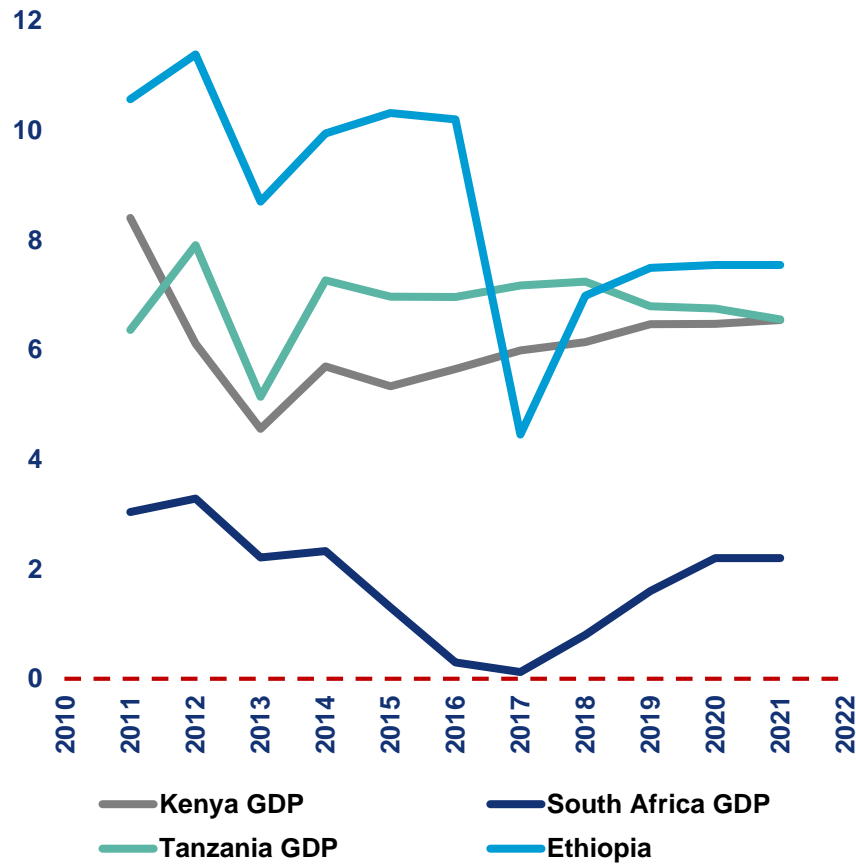
# Medium to long-term packaging growth fundamentals in Rest of Africa remain strong

- › Growth in disposable income – drives consumption expenditure that drives packaging consumption
- › Economic growth – GDP growth leads growth in disposable income
- › Population growth – more people, more consumption
- › Urbanisation – urban disposable income/capita double rural, access to market
- › Youth age profile – more people working with disposable income
- › Growth of the lower/middle income consumer – new packaging consumers

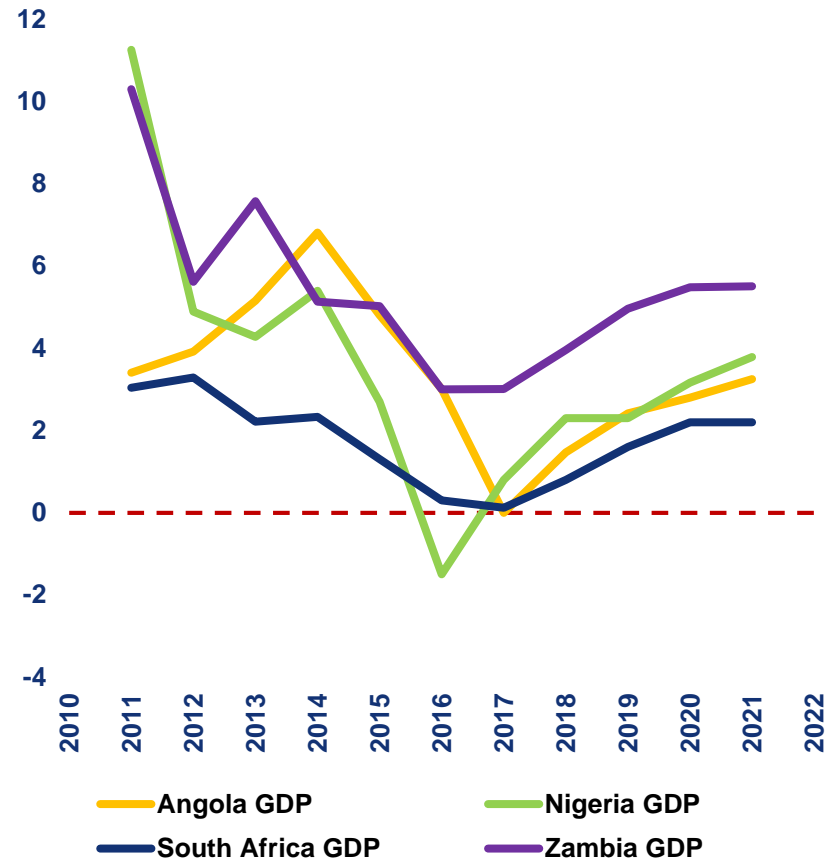


# GDP growth trends in target countries recovering

## GROSS DOMESTIC PRODUCT (%)

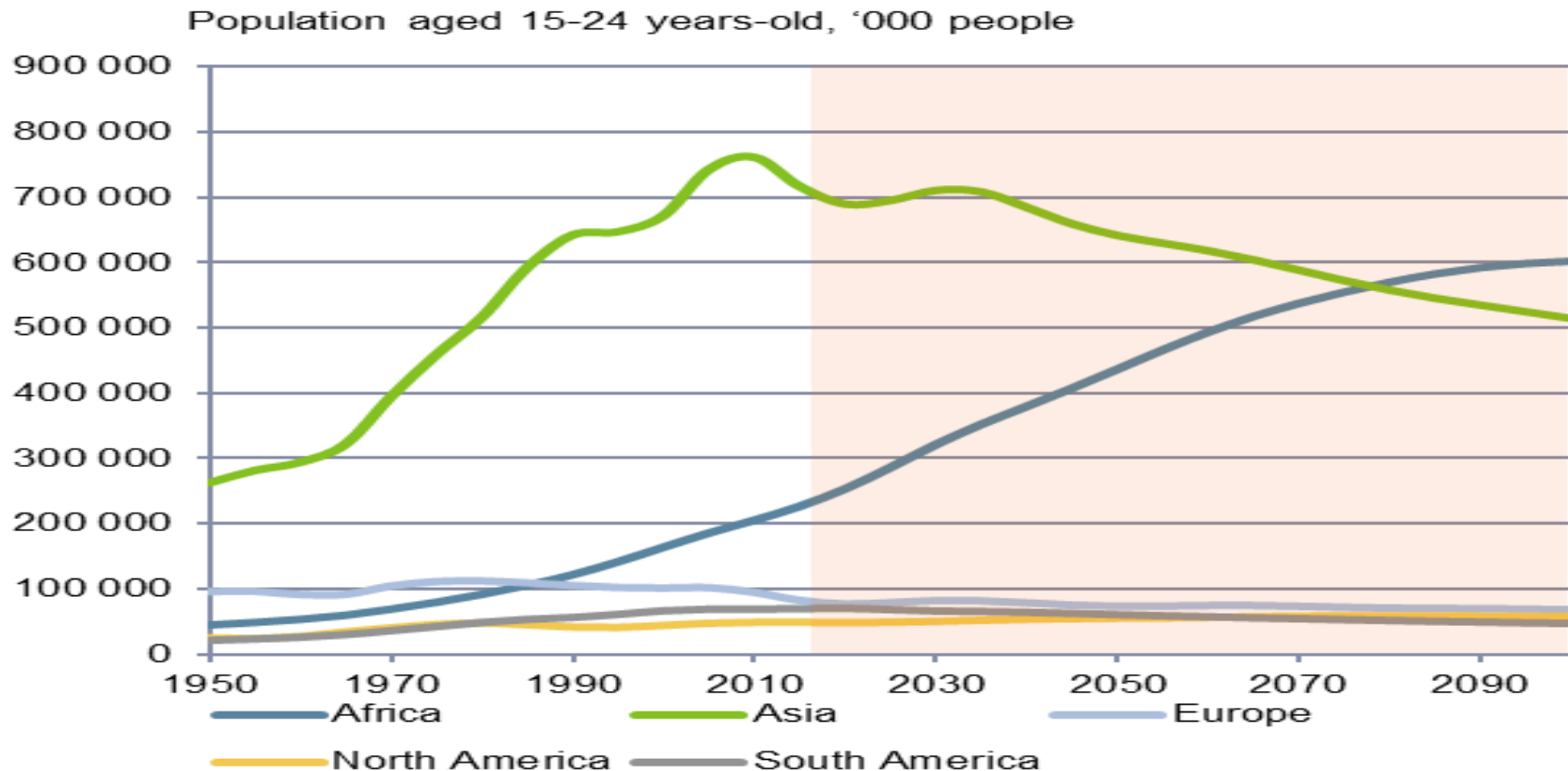


Source: IMF World Economic Outlook Jan 2017



**Packaging growth prospects in sub Saharan countries still overshadow South Africa**

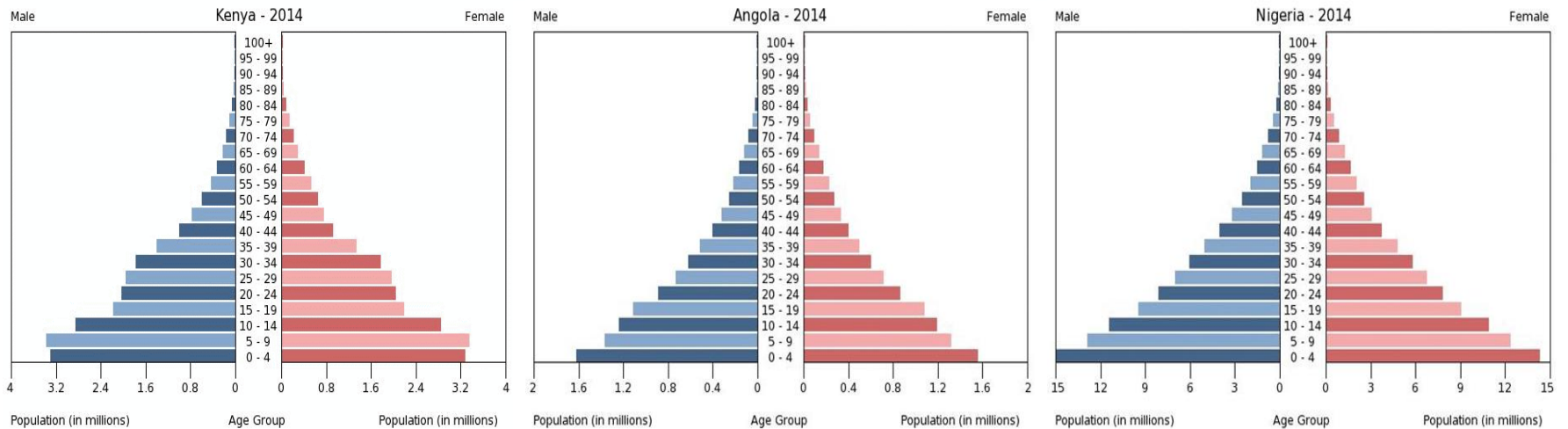
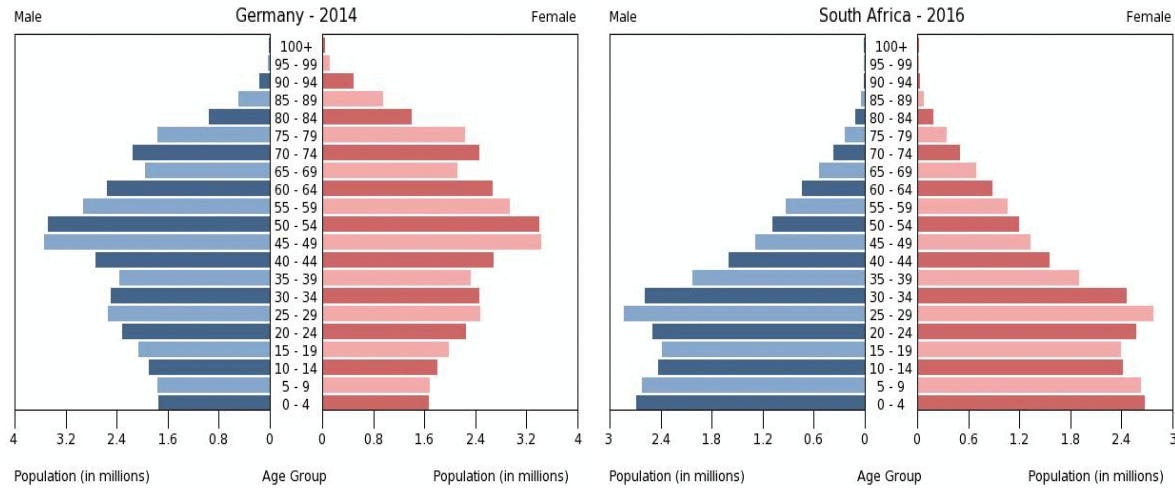




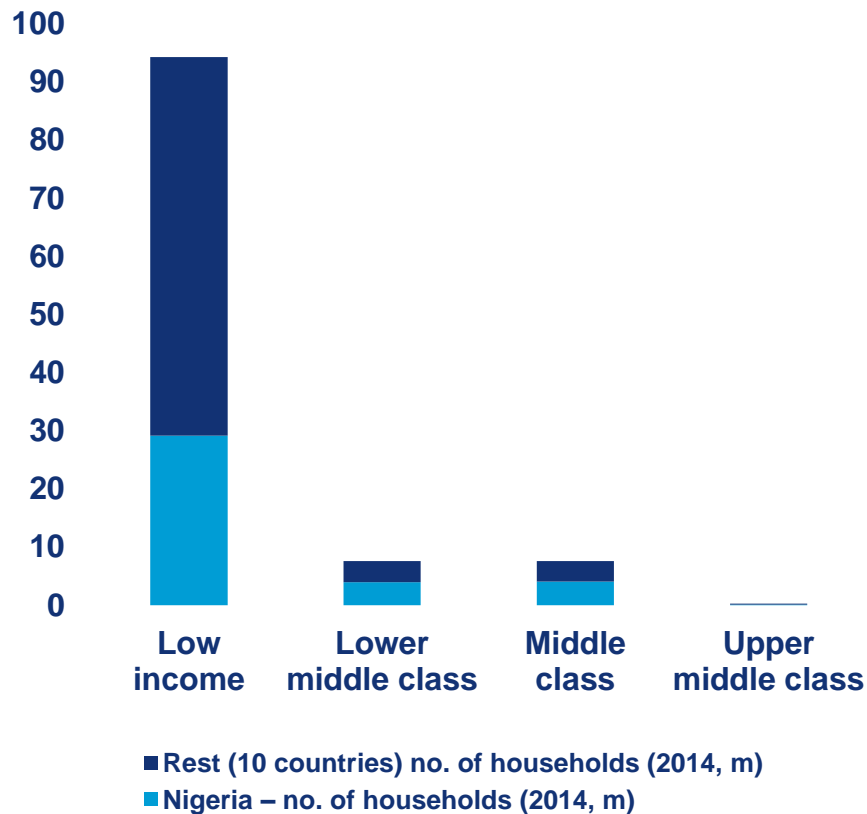
Source: McKinsey Global Institute; Sep 2016

**The consumer population growth  
in RoA is strong and supports long-term packaging growth**

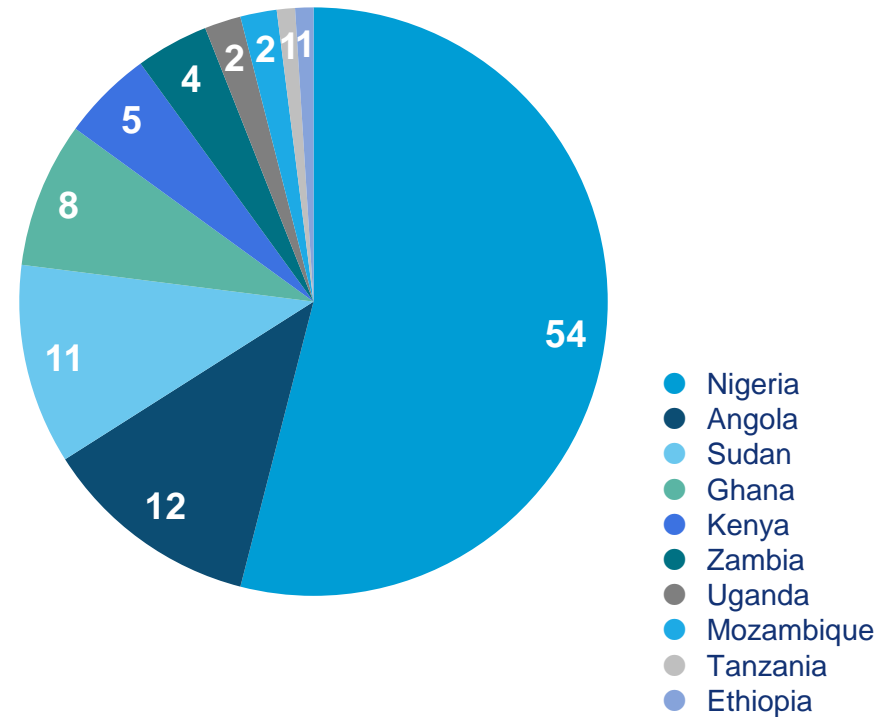
# Age profiles: RoA has the future consumer numbers – “youth bulge”



## NIGERIA HAS ALMOST 40m HOUSEHOLDS



## HALF OF TOTAL MIDDLE CLASS HOUSEHOLDS ARE NIGERIAN (%)



## 2017 KEY ISSUES

- › Liquidity issues improving, particularly in Nigeria
  - » Exchange rates stable
- › Trading variable but markets generally depressed
- › Key commodity demand stabilising (oil/copper/iron ore) but drought in East Africa
- › Uncertainty of customer strategies for certain regional products (sorghum beer and crowns)
- › Strength of Rand – repatriation translation

## GENERAL OUTLOOK

- › Improved demand in majority of the countries
  - » Long term macro-economic and demographics remain compelling
  - » Supported by customer investments
- › GDP growth rates expected to improve in 2018
- › Stable oil price: “lower for longer”
- › Foreign exchange illiquidity
  - » Expected to continue in Angola/Nigeria improved/ Zimbabwe uncertain
- › Being judicious with investments and risks
- › Need to be patient to take advantage of recovery

## KEY GENERAL CONCERNS

- › Ongoing macro-economic instability
- › Purchasing strategies of multinational customers
- › Reduced emphasis on local procurement

# Thank you