



Closing the loop.

# Results presentation

for the year ended 31 December  
2018

# 2018 in context

Financial review

Operating review

Financial performance

Outlook

# 2018 in context

- Pleasing improvement in Group's financial performance
  - Paper business projects delivering per expectation
  - Plastics still under pressure – subdued demand, strike, Mpact Polymers
- Winner 2018 Sustainability Award – National Business Awards
- Supplier of the year – Kaap Agri and Famous Brands
- Five Gold Pack Awards for innovative products
- Good progress on transformation
  - Dalisu black empowerment project investment approved for Piet Retief
  - First graduates from Mpact Bursary Scheme and 19 fully funded bursaries
  - BBBEE Level 4 rating achieved measured against new more stringent codes

2018 in context

# Financial review

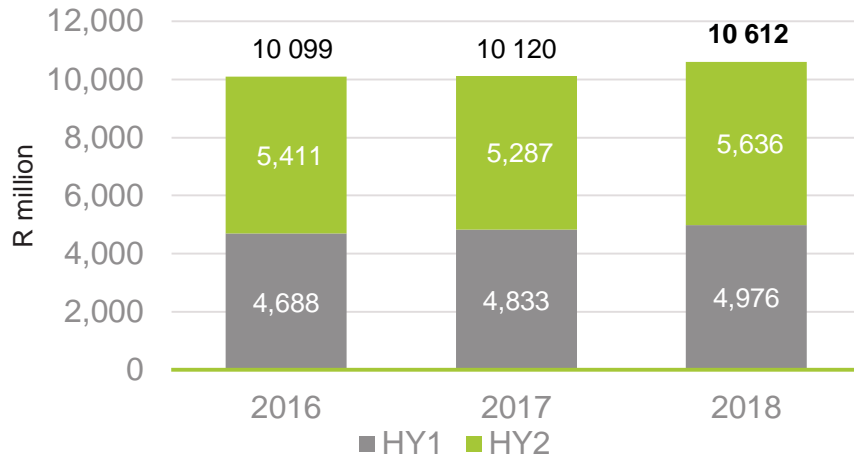
Operating review

Financial performance

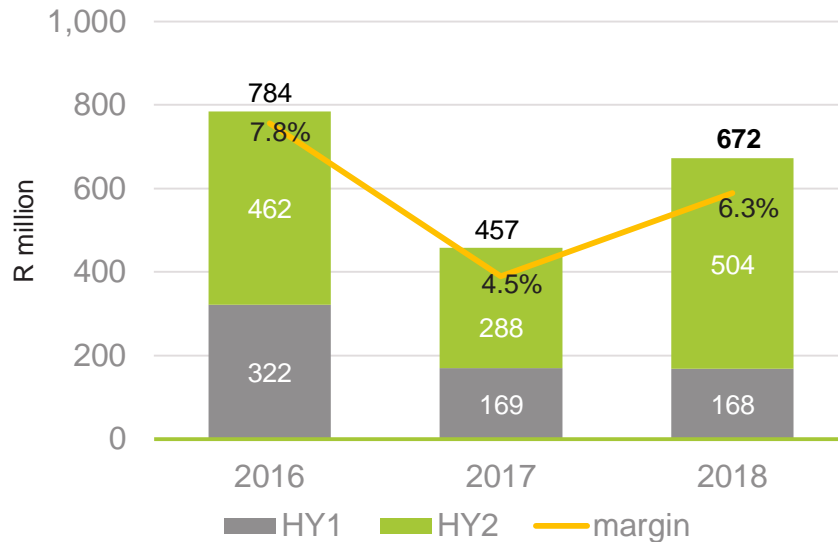
Outlook

# Financial review

## Group revenue



## Underlying operating profit



- Revenue up 4.9% to R10.6bn
  - Growth in Paper offset by decline in Plastics
  - External sales volumes in line with prior year
  
- Underlying operating profit up 47.3% to R672m due to strong 2H performance
  - Improved trading in the Paper business
  - Benefits of Felixton mill project and recovered paper prices, offset by
  - Decline in Plastics business
  
- Underlying earnings increased 25.1% to 208 cents per share (cps)
  
- Gearing improved to 32.2% (December 2017: 34.8%)
  
- ROCE up to 10.7% (December 2017: 7.7%)
  
- Final dividend up 37.5% to 55 cps

2018 in context

Financial review

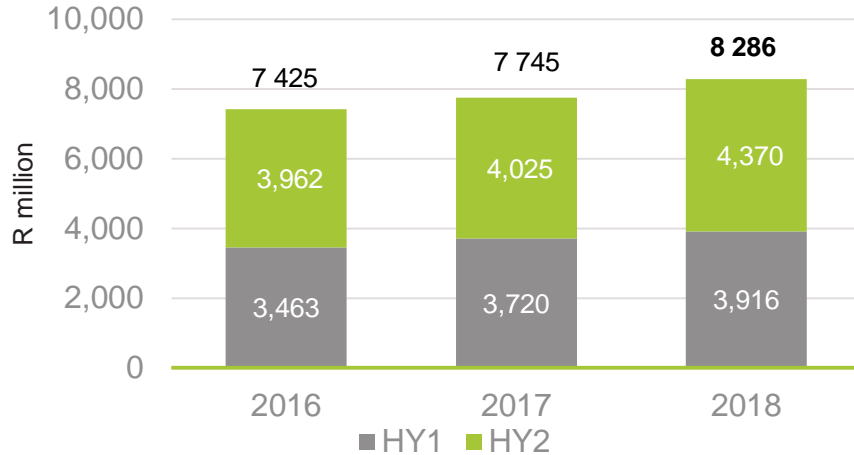
# Operating review

Financial performance

Outlook

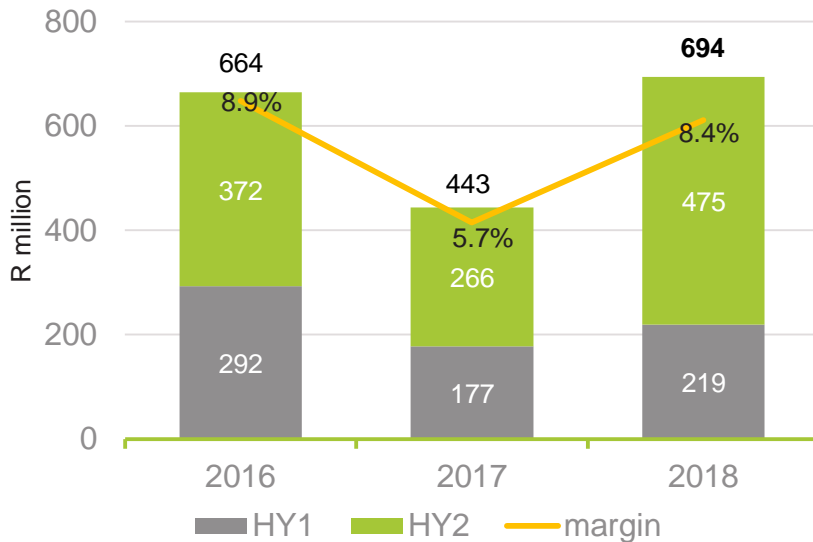
# Paper business

## Group revenue



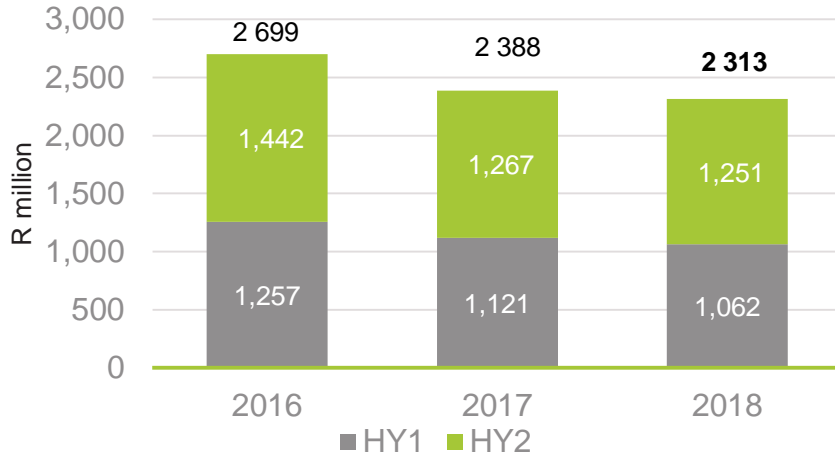
- Revenue up 7.0% to R8.3bn
  - External sales volumes up 3.7%, excluding Recycling
    - Higher sales of containerboard and corrugated
  
- Underlying operating profit up 56.7% to R694m
  - Margin recovery 2H
  - Felixton mill ramp-up
  - Lower recovered paper prices
  - Improved export margins
  - New PE corrugator benefitted from good citrus crop

## Underlying operating profit



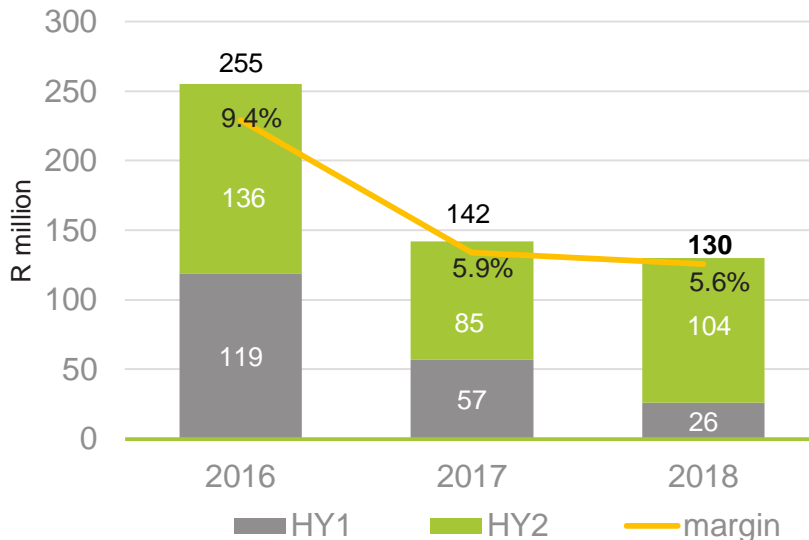
# Plastics business - Converting<sup>1</sup>

## Group revenue



- Revenue down 3.2% to R2.3bn
  - Volumes down 10.6%
    - Preforms volumes affected by customer backward integration and the effect of sugar tax
    - Lower jumbo bin and crate sales

## Underlying operating profit



- Underlying operating profit down 9.1% to R130m
  - Trays and films margin pressure
  - 6 week industry-wide strike
  - Drought influenced jumbo bin and apple tray sales
  - Solid performance in FMCG

Note:

1. Plastics Converting is defined as the Plastics business excluding Mpack Polymers.



# Plastics business – Mpact Polymers

- Operating loss of R80m (December 2017: R72m)
  - Production 4.4% up compared to the prior year but below target. Sales down on prior year due to plastics industry strike which affected customers
  - Low yields and higher maintenance costs due to dirty feedstock and inadequate washing facilities
  - Delays in delivery of new washing and wet grinding equipment.
    - Bottle washing equipment installed in February 2019. Wet grinding due to be installed in April 2019.
  - Global PET benchmark prices up on prior year
- Balance sheet restructure successfully completed in July 2018
  - IDC senior loan facility restructured into:
    - R83m interest bearing loan (Prime + 1%)
    - R146m non-interest bearing subordinated loan
    - IDC increased shareholding by 10% at nominal value (IDC shareholding: 31%, Mpact: 69%)
  - Further cash injected by way of shareholders subscribing for preference shares of R90m, ranking ahead of subordinated loans

2018 in context


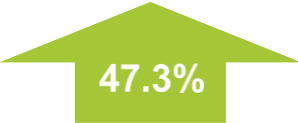




Financial review

Operating review

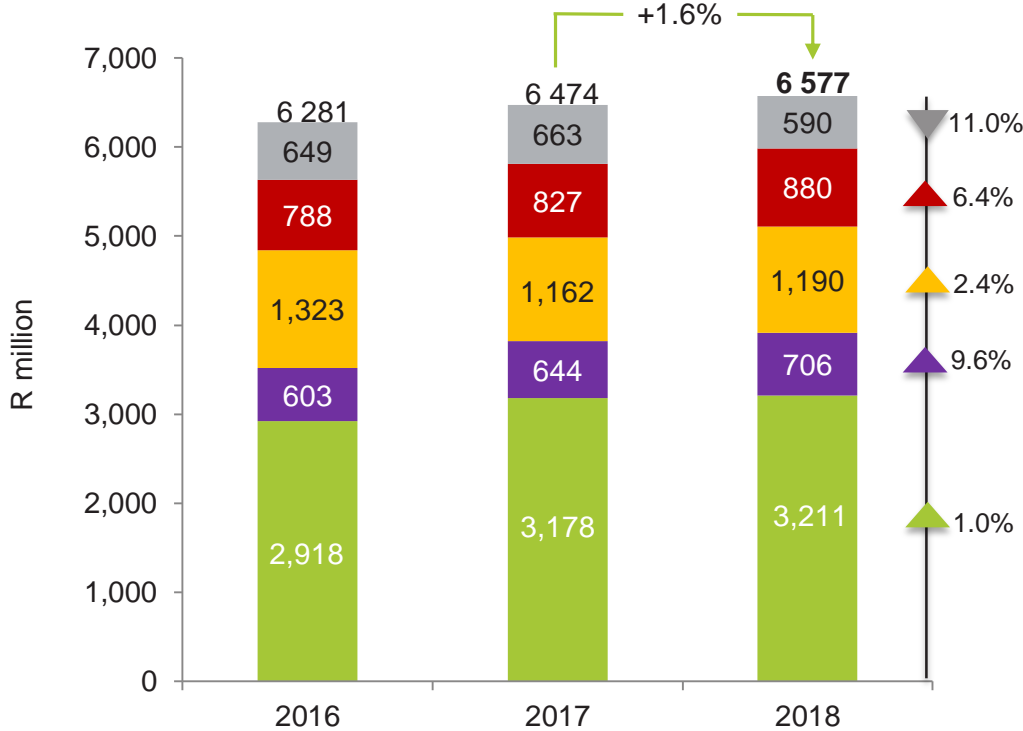
# Financial performance

Outlook

# Financial summary

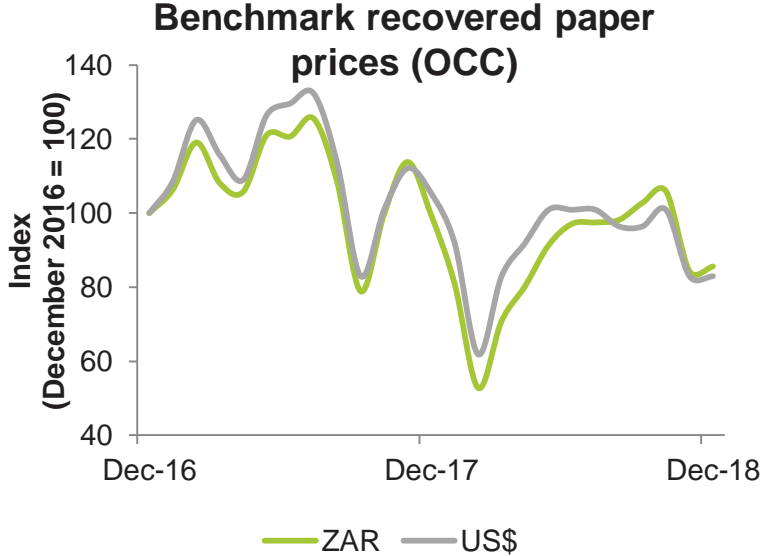
Revenue	 4.9%	R10.6 billion
Underlying operating profit	 47.3%	R672 million
Underlying EPS	 25.1%	208 cents per share
Total dividend	 27.3%	70 cents per share
ROCE	 3.0	10.7%
Gearing %	 2.6	32.2%

# Variable costs

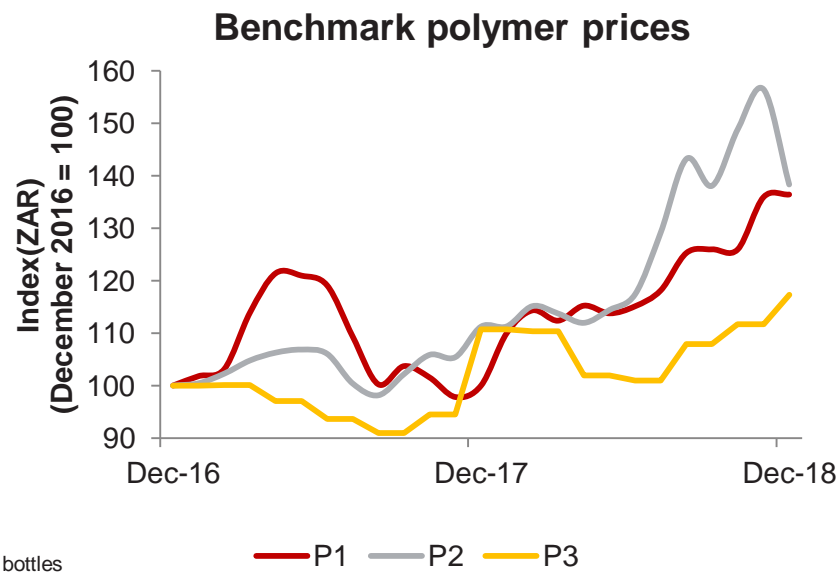


- Paper business raw materials
- Plastic raw materials
- Other
- Energy
- Selling & distribution costs

- Lower recovered paper cost partly offset by increased purchased volumes of virgin containerboard
- Higher plastic converting raw material costs offset by lower volumes purchased



Source: RISI – PPI Asia, Old Corrugated Containers (OCC), CNF China US\$, converted to ZAR

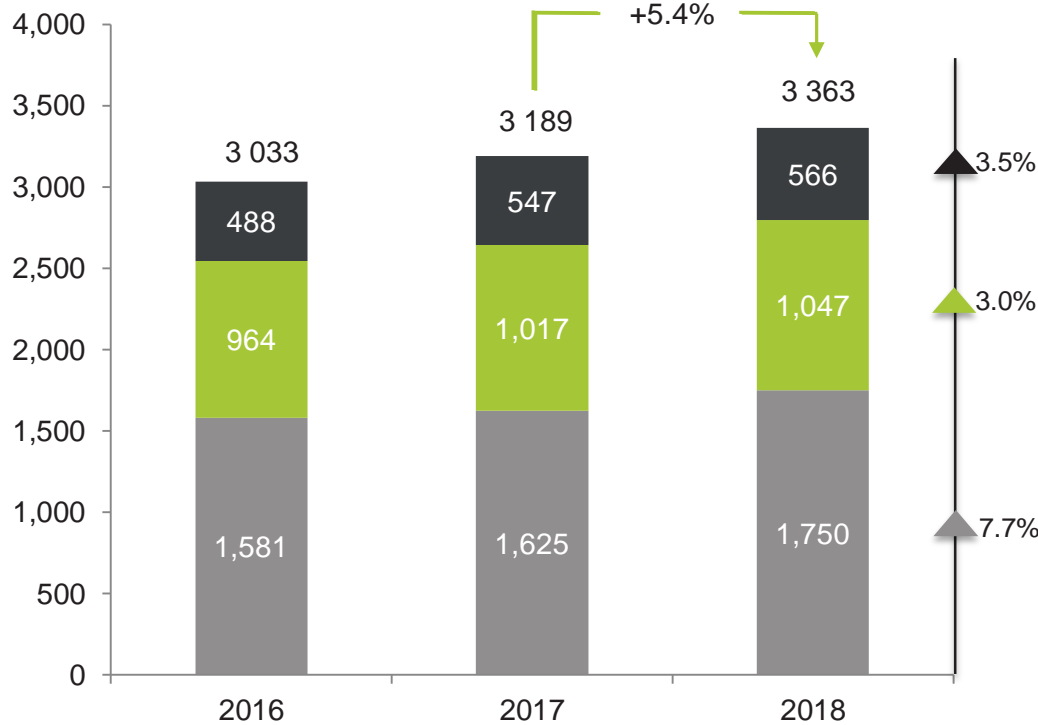


Source: Mpack

Notes:

1. Paper business raw materials include purchased paper, wood, pulp and recovered paper.
2. Plastic raw materials include styrene, PET, HDPE, PVC, polypropylene and post consumer PET bottles
3. Other variable costs include chemicals, packaging costs and stock movements.

# Fixed costs



- Depreciation and amortisation
- Maintenance and net operating expenses
- Personnel costs

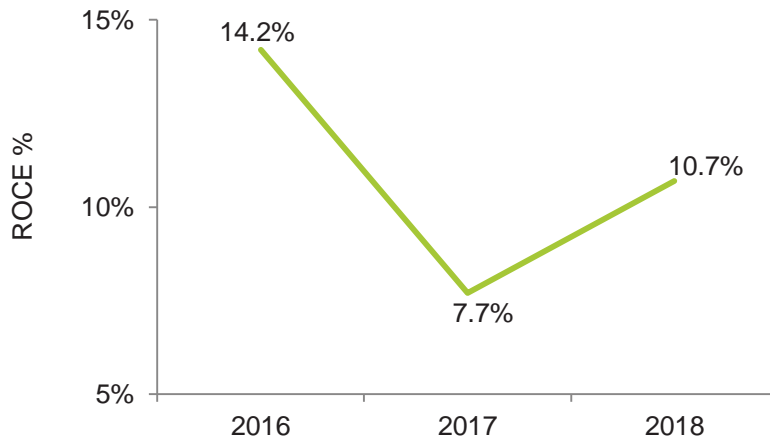
- Fixed costs up 5.4%
  - Personnel cost increased above inflation due to cost capitalised on the Felixton mill project in 2017

# Financial review

R million	2017	2018	change	HY1 2017	HY2 2017	HY1 2018	HY2 2018
Underlying operating profit	457	672	47.3%	169	288	168	504
Net finance costs	(203)	(220)	8.5%	(100)	(103)	(112)	(108)
Earnings from equity accounted investees, profit on disposals and other fair value gains	20	30	50.0%	5	15	13	17
<b>Underlying profit before tax</b>	<b>274</b>	<b>482</b>	<b>76.0%</b>	<b>74</b>	<b>200</b>	<b>69</b>	<b>413</b>
Tax credit/(charge) before special items	21	(116)	(>100%)	(22)	43	(20)	(96)
Non-controlling interests	(12)	(11)	(12.2%)	6	(18)	5	(16)
<b>Underlying earnings</b>	<b>283</b>	<b>355</b>	<b>25.8%</b>	<b>58</b>	<b>225</b>	<b>54</b>	<b>301</b>
Special items, net of tax	(7)	(39)	(>100%)	0	(7)	(3)	(36)
<b>Reported earnings for the year</b>	<b>276</b>	<b>316</b>	<b>14.9%</b>	<b>58</b>	<b>218</b>	<b>51</b>	<b>265</b>
<b>Underlying earnings per share (cps)</b>	<b>166.3</b>	<b>208.0</b>	<b>25.1%</b>	<b>34.3</b>	<b>132.0</b>	<b>31.5</b>	<b>176.5</b>

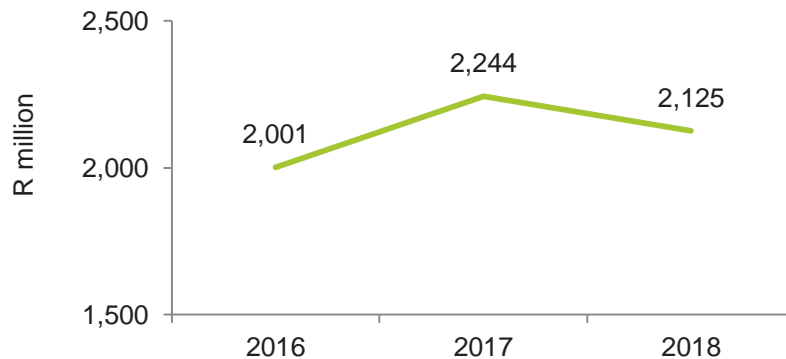
# ROCE and net debt

## Return on Capital Employed (ROCE)<sup>1</sup>



- ROCE of 10.7% (December 2017: 7.7%)
  - Reflects improved earnings as capital investments start to deliver

## Net debt

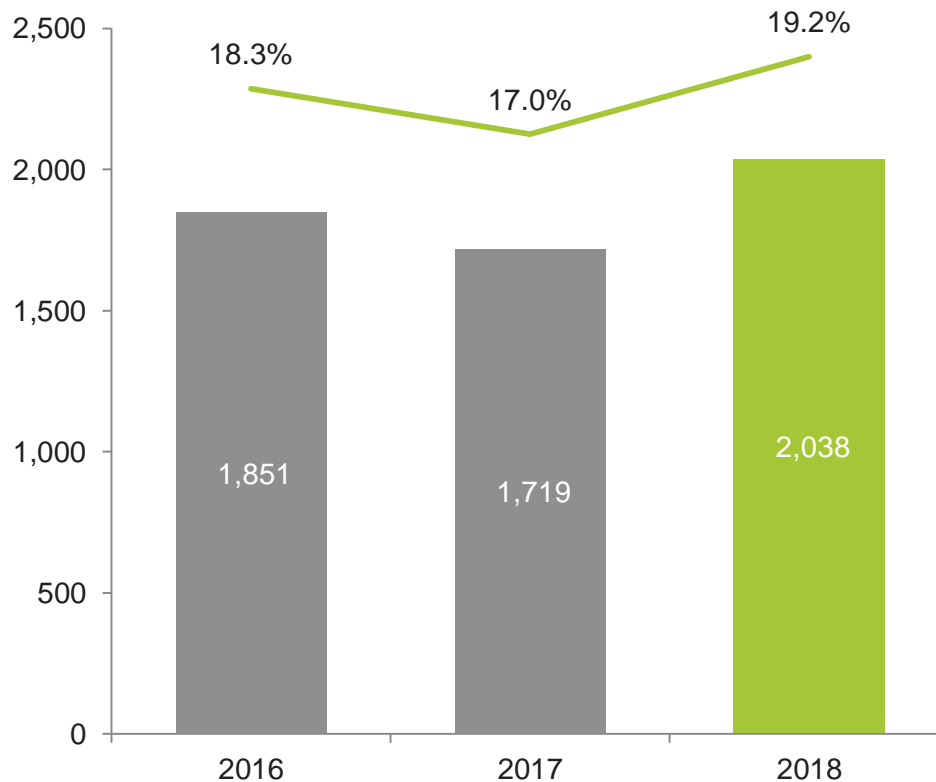


- Net debt decreased by 5.3% to R2.1bn
  - Lower capital investments
- Gearing improved to 32.2% (December 2017: 34.8%)

1. Return on Capital Employed (ROCE) is based on underlying operating profit plus share of equity accounted investees' net earnings divided by average capital employed before impairments.

# Trade working capital

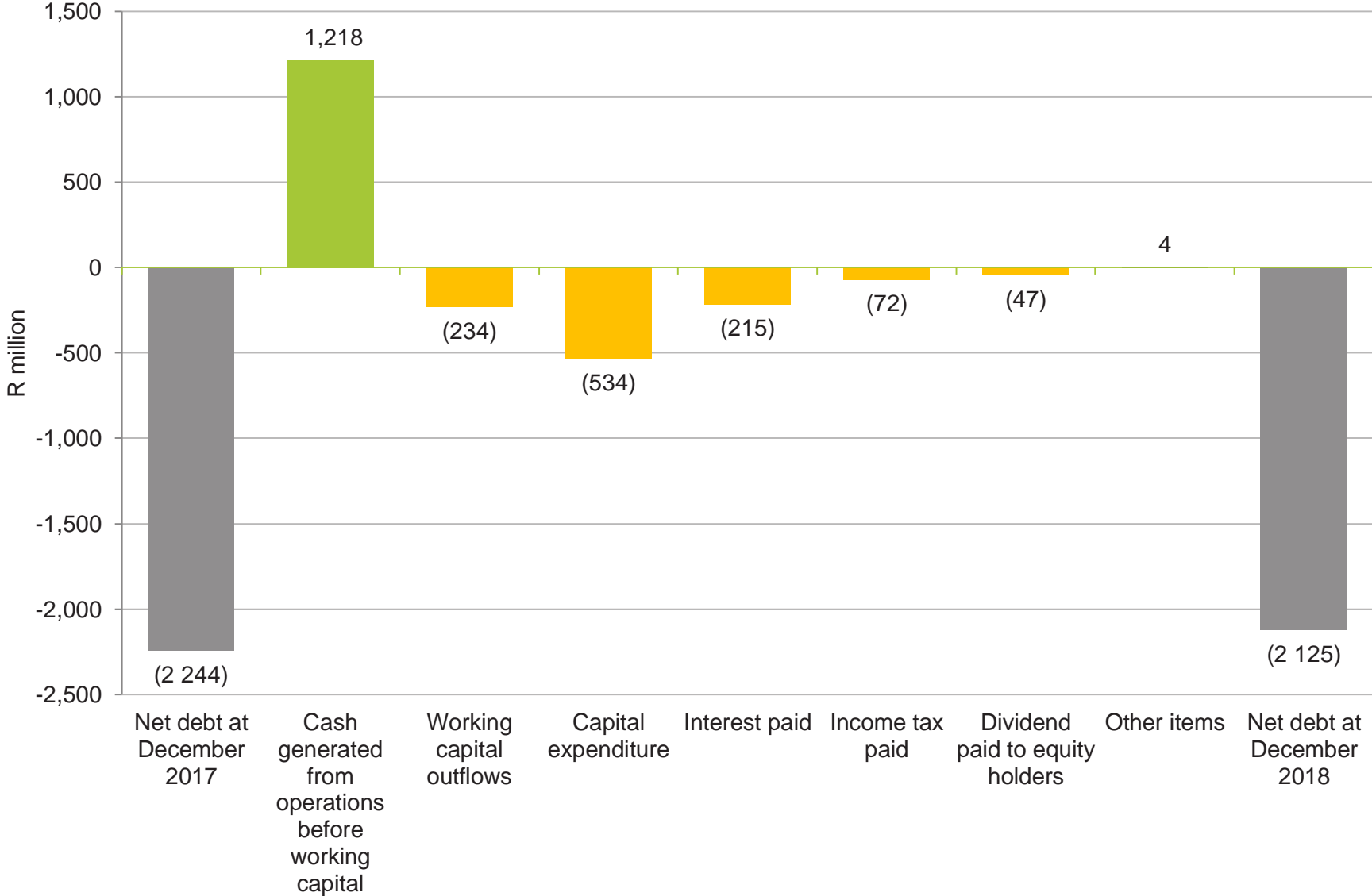
## Trade working capital % of revenue



- Trading working capital increased by R319m
  - Higher inventory of recycled and virgin containerboard



# Movement in net debt

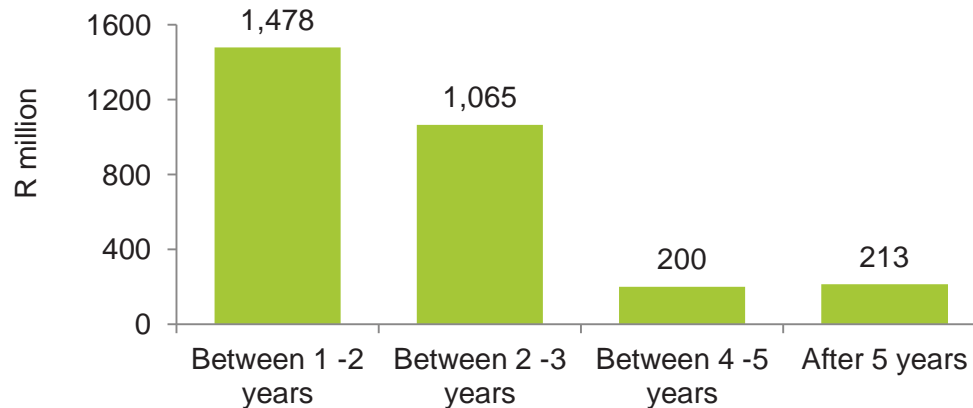


# Net finance cost and net debt

R million	2017	2018	change
Net debt - close	2 244	2 125	(5.3%)
Net finance costs	203	220	8.5%
Gearing %	34.8%	32.2%	(2.6)
Interest cover (underlying EBIT) (times)	2.3	3.1	
Net debt to EBITDA (times)	2.2	1.7	

- Net finance cost higher by 8.5%
  - Excluding interest capitalised in 2017, down 4.4%
- Mpact Polymers debt restructured

**Maturity profile of committed facilities**



- R1.45bn repayable on 22 January 2020 which will be refinanced

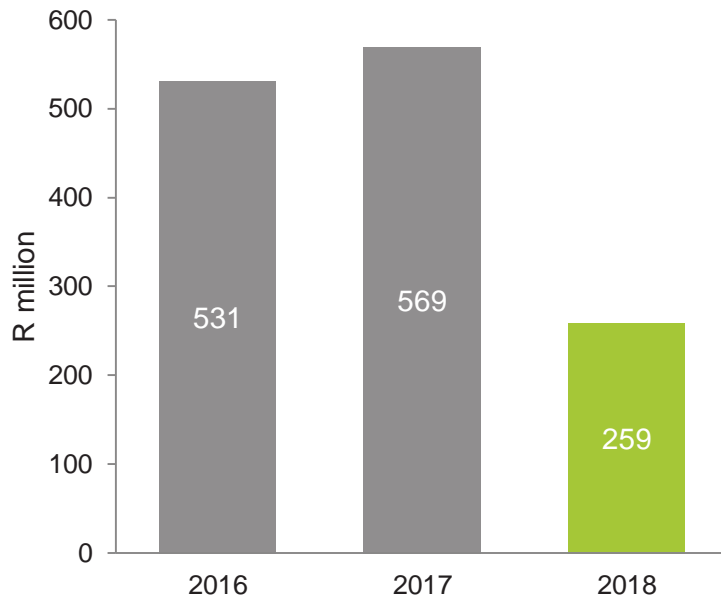
# Taxation

R million	2017	2018	change
Taxation (credit)/charge	(26)	102	>100%
Effective tax rate	(10.1%)	23.8%	>100%
Tax paid	114	72	(36.4%)

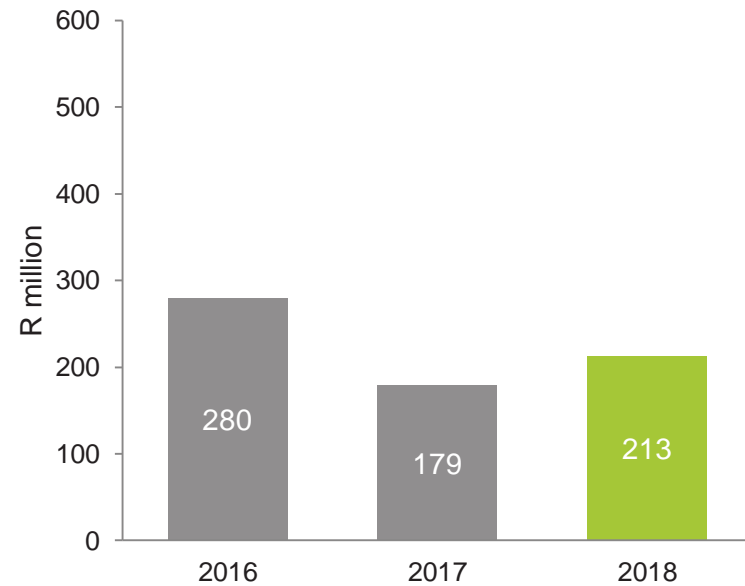
- Effective tax rate below the statutory rate of 28%
  - Tax benefits from S12I incentives partly offset by tax losses in Mpact Polymers not recognised
- Tax benefit of S12I of R114m in 2017

# Capital expenditure cash flows<sup>1</sup>

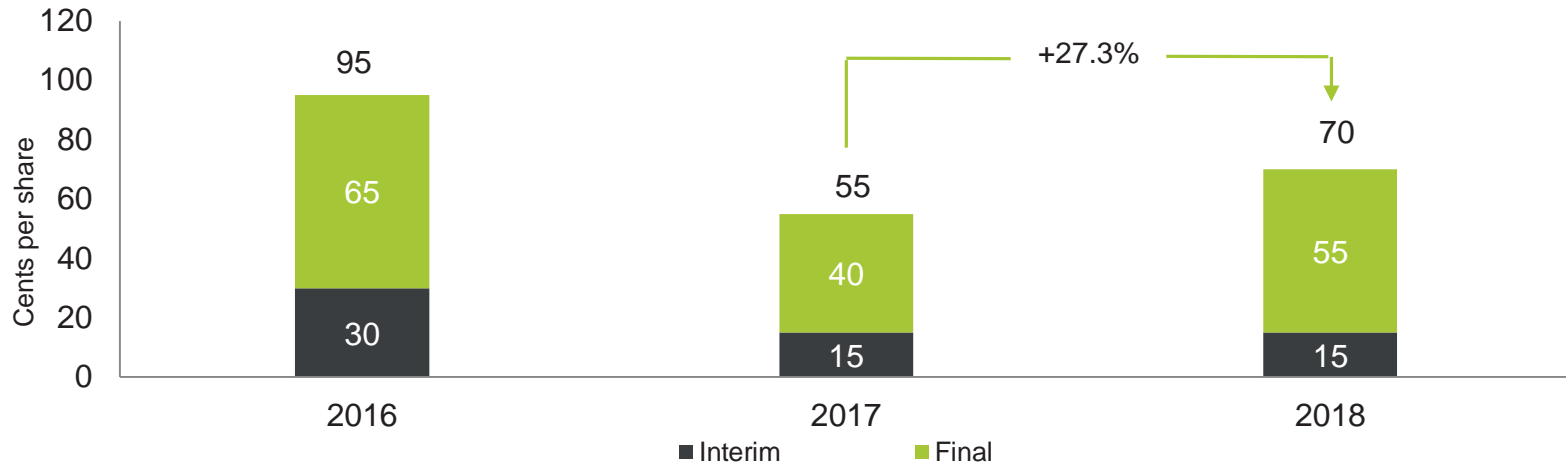
## Paper business



## Plastics business



1. Excludes Corporate capital expenditure of R63 million which comprise spends related mainly to the purchase of Land and Buildings and computer software.



- Dividends to be paid in cash. No scrip distribution alternative

## Salient dates for the 2018 final cash dividend

Publication of dividend declaration	Wednesday, 13 March 2019
Last day of trade to receive a dividend	Tuesday, 2 April 2019
Shares commence trading “ex” dividend	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

# IFRS 16 – Leases

Effective 1 January 2019

The estimated impact on the Group's financial information on adoption of IFRS 16 is as follows:

Items of financial information	Actuals 2018 <sup>1</sup>	2019 impact	
		↑ Increase / ↓ Decrease	
Property, plant and equipment	R3,7bn	↑	10% to 13%
Net debt	R2,1bn	↑	19% to 24%
EBITDA	R1,2bn	↑	5% to 13%
Depreciation and amortization	R566m	↑	12% to 23%
Underlying EBIT	R672m	↑	marginal
Finance cost	R220m	↑	9% to 20%
Profit before tax	R429m	↓	5% to 12%
Underlying EPS	208 cps	↓	5% to 12%

- No significant movement in the Statement of Cashflows

1. As disclosed in the 2018 Consolidated Annual Financial Statements

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**Outlook**

# Outlook

- Further improvement in paper business profitability anticipated
  - Felixton throughput
  - Partial recovery of fruit volumes following drought in Western Cape
  - Recovered paper costs stable
  
- Subdued economic growth in South Africa expected to persist notwithstanding recent positive developments
  
- Plastics margins expected to remain under pressure
  - Operational restructuring of trays and preforms businesses in line with market dynamics
  
- Mpact Polymers bottle washing and wet grinding equipment scheduled to be fully commissioned in May 2019.
  
- Mpact well positioned for opportunities arising from shift towards recycled products
  - Integrated business model uniquely focused on closing the loop in paper and plastics packaging through recycling and beneficiation