

UNAUDITED CONDENSED INTERIM GROUP RESULTS
FOR THE SIX MONTHS TO 31 DECEMBER 2019
AND DIVIDEND ANNOUNCEMENT



Registration number 1951/000799/06 | ISIN: ZAE000007480 | Share code: TPC
(Transpaco or the group)

A leading manufacturer, recycler and distributor
of plastic and paper packaging products

NET ASSET VALUE PER SHARE 2 012 CENTS ■ HEADLINE EARNINGS PER SHARE 122,3 CENTS ■ DIVIDEND PER SHARE 33,0 CENTS

INTRODUCTION

Total operations

Transpaco's results reflect an overall 8,8% increase in headline earnings per share (HEPS).

Revenue increased by 4,0% with operating profit up by 21,3%. The group's expenses and gross profit margins continued to be well-managed and controlled.

The plastics products division accounted for significant growth, while the paper and board division performed below expectations.

Discontinued operations (see note 1)

On 30 September 2019 the board of directors approved a decision to discontinue all recycling manufacturing operations being carried out by Transpaco Recycling (Pty) Ltd and included in the plastic products reportable segment. Due to international and local market forces in the plastic recycling industry Transpaco was no longer deriving any economic benefit from remaining in the post-consumer recycling market. Selling price levels were restricted due to prevailing virgin polymer prices while energy, labour and distribution costs, among others, kept rising. With no likelihood of the situation improving in the short to medium term, and in order to stem losses, the board decided to discontinue the operation and to dispose of the business or the assets within the next financial year.

Continuing operations

Transpaco's continuing operations achieved HEPS of 161,1 cents (December 2018: 136,5 cents) an increase of 18% on revenue growth of 3,1%.

IFRS rental agreement impact

The amendments to lease accounting in terms of IFRS 16 had a negative effect on earnings and headline earnings amounting to R1,6 million or 5 cents for both earning and HEPS.

FINANCIAL RESULTS

	Six months to December 2019	Six months to December 2018	% increase
Continuing operations			
Revenue (R'm)	1 078,7	1 046,4	3,1
Operating profit (R'm)	80,9	68,8	17,5
Headline earnings (R'm)	53,0	44,9	18,0
Earnings per share (cents)	161,1	136,1	18,4
HEPS (cents)	161,1	136,5	18,0
Diluted HEPS (cents)	161,1	136,5	18,0
Total operations			
Revenue (R'm)	1 126,7	1 083,5	4,0
Operating profit (R'm)	70,1	57,8	21,3
Headline earnings (R'm)	40,2	37,0	8,6
Earnings per share (cents)	122,2	112,0	9,1
HEPS (cents)	122,3	112,4	8,8
Diluted HEPS (cents)	122,3	112,4	8,8

Transpaco's balance sheet remains robust as the group continues its strict working capital management strategy.

The group's net interest-bearing debt-to-equity (gearing) position improved to 7,4% (December 2018: 18,8%).

Transpaco's net asset value per share increased by 5,5% to 2 012 cents (December 2018: 1 908 cents).

TRANSFORMATION

We are pleased to advise that subsequent to year-end Transpaco has, through various strategic initiatives, including participation in the YES programme, improved to a level 2 BBBEE contributor based on the revised BBBEE scorecard.

PROSPECTS

The group's proven business strategy, targeting organic growth while maintaining strict financial control and at the same time identifying and pursuing appropriate acquisitions will continue.

DIVIDEND

The board has declared an interim gross cash dividend out of income reserves of 33,0 cents per share (December 2018: 30,0 cents per share) for the six-month period ended 31 December 2019. After applying the dividend withholding tax of 20%, a net interim dividend of 26,40000 cents per share will be paid to those shareholders who are not exempt from the dividends tax. The issued shares at the date of declaration is 32 886 359 ordinary shares. The income tax reference number is 9975/112/71/6.

The salient dates for the dividend are as follows:

Last date to trade shares <i>cum</i> dividend	Tuesday, 10 March 2020
Shares trade <i>ex</i> dividend	Wednesday, 11 March 2020
Record date	Friday, 13 March 2020
Payment date	Monday, 16 March 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 March 2020 and Friday, 13 March 2020, both days inclusive.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The group's unaudited condensed interim financial results for the six-month period ended 31 December 2019 have been prepared in accordance with IAS 34: Interim Financial Reporting (IAS 34), its interpretations issued by the International Financial Reporting Standards (IFRS) Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and comply with the JSE Listings Requirements and the Companies Act of South Africa. The accounting policies and methods of computation used in the preparation of the unaudited condensed interim financial results are in terms of IFRS and are consistent in all material aspects with those applied in the most recent annual financial statements, except for the changes as a result of the adoption of IFRS 16.

ADOPTION OF IFRS 16: LEASES

The group has adopted IFRS 16: Leases using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 30 June 2019.

STATEMENT OF COMPREHENSIVE INCOME

		Unaudited six months December 2019	IFRS16 adjustment	Unaudited adjusted six months December 2019	Unaudited six months December 2018	Unaudited six months December 2019 % change	Unaudited adjusted six months December 2019 % change
R'000	Note						
Continuing operations							
Revenue		1 078 651	—	1 078 651	1 046 353	3,1	3,1
Cost of sales		(696 211)	—	(696 211)	(690 883)		
Profit before operating costs and depreciation		382 440	—	382 440	355 470	7,6	7,6
Operating costs		(265 080)	(15 993)	(281 073)	(264 108)	(0,4)	(6,4)
Depreciation		(36 496)	14 508	(21 988)	(22 527)	(62,0)	2,4
Operating profit		80 864	(1 485)	79 379	68 835	17,5	15,3
Finance income		960	—	960	676	42,0	42,0
Finance costs		(7 916)	3 748	(4 168)	(7 157)	(10,6)	41,8
Profit before taxation		73 908	2 263	76 171	62 354	18,5	22,2
Taxation		(20 931)	(634)	(21 565)	(17 608)	(18,9)	(22,5)
Profit for the year from continuing operations		52 977	1 629	54 606	44 746	18,4	22,0
Discontinued operations							
Loss for the period from discontinued operations	1	(12 797)	—	(12 797)	(7 930)	(61,4)	61,4
Profit for the year		40 180	1 629	41 809	36 816	9,1	13,6
Other comprehensive income		—	—	—	—		
Total comprehensive income		40 180	1 629	41 809	36 816	9,1	13,6
Weighted average ranking number of shares in issue ('000)		32 886	32 886	32 886	32 886		
Diluted weighted average ranking number of shares in issue ('000)		32 886	32 886	32 886	32 886		
Continuing operations							
Earnings per share (cents)		161,1	5,0	166,0	136,1	18,4	22,0
Diluted earnings per share (cents)		161,1	5,0	166,0	136,1	18,4	22,0
HEPS (cents)		161,1	5,0	166,1	136,5	18,0	21,7
Diluted HEPS (cents)		161,1	5,0	166,1	136,5	18,0	21,7
Continuing and discontinued operations							
Earnings per share (cents)		122,2	5,0	127,1	112,0	9,1	13,6
Fully diluted earnings per share (cents)		122,2	5,0	127,1	112,0	9,1	13,6
HEPS (cents)		122,3	5,0	127,2	112,4	8,8	13,2
Fully diluted HEPS (cents)		122,3	5,0	127,2	112,4	8,8	13,2
Dividend per share (cents)*		33,0			30,0	10,0	
*Dividend declared after the period							
Reconciliation of headline earnings (R'000)							
Continuing operations							
Basic earnings		52 977	1 629	54 606	44 746		
Loss/(profit) on disposal of property, plant and equipment		9	—	9	139		
Headline earnings		52 986	1 629	54 615	44 885	18,0	21,7
Continuing and discontinued operations							
Basic earnings		40 180	1 629	41 809	36 816		
Profit on disposal of property, plant and equipment		30	—	30	139		
Headline earnings		40 210	1 629	41 839	36 955	8,8	13,2

STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Distributable reserve	Total
R'000				
Balance at 30 June 2018 (audited)	328	11 019	608 784	620 131
Profit for the period	—	—	36 816	36 816
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	36 816	36 816
Dividend paid	—	—	(29 597)	(29 597)
Balance at 31 December 2018 (unaudited)	328	11 019	616 003	627 350
Profit for the period	—	—	20 372	20 372
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	20 372	20 372
Dividend paid	—	—	(9 866)	(9 866)
Balance at 30 June 2019 (audited)	328	11 019	626 509	637 856
Profit for the period	—	—	40 180	40 180
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	40 180	40 180
Dividend paid	—	—	(16 443)	(16 443)
Balance at 31 December 2019 (unaudited)	328	11 019	650 246	661 593

CAPITAL COMMITMENTS

	Unaudited six months Dec 2019	Unaudited six months Dec 2018	Audited 12 months June 2019
R'000			
Capital expenditure authorised and contracted			
Property, plant and equipment	34 432	4 947	6 146

STATEMENT OF CASH FLOW

	Unaudited six months December 2019	Unaudited six months December 2018	Audited 12 months June 2019
R'000			
Cash flow from/(used in) operating activities			
Cash generated from/(used in) operations	90 752	31 923	124 451
Dividends paid	(16 443)	(29 597)	(39 463)
Finance income received	960	676	1 284
Finance costs paid	(7 916)	(7 157)	(12 345)
Taxation paid	(16 765)	(14 302)	(23 420)
Net cash inflow/(outflow) from operating activities	50 588	(18 457)	50 507
Cash flow used in investing activities			
Proceeds on disposal of property, plant and equipment	177	156	1 617
Expansion and replacement of property, plant and equipment	(20 217)	(27 254)	(47 037)
Net cash outflow from investing activities	(20 040)	(27 098)	(45 420)
Cash flow (used in)/from financing activities			
Proceeds from borrowings	31 796	30 163	64 775
Repayment of borrowings	(47 907)	(10 566)	(93 627)
Repayment of lease liability	(12 245)	—	—
Net cash (outflow)/inflow from financing activities	(28 356)	19 597	(28 852)
Net movement in cash for the period	2 192	(25 958)	(23 765)
Cash and cash equivalents at the beginning of the period	36 683	60 448	60 448
Cash and cash equivalents at the end of the period	38 875	34 490	36 683

SEGMENTAL ANALYSIS

Unaudited six months to December 2019, six months to December 2018 and audited 12 months to June 2019.

	Plastic products	Paper and board products	Properties and group services	Continuing operations	Discontinued operations	Total operations
R'000						
Revenue – December 2019						
Revenue to all customers	653 881	493 207	—	1 147 088	51 886	1 198 974
Less revenue to internal customers	(34 120)	(34 317)	—	(68 437)	(3 867)	(72 304)
Revenue – December 2018	581 365	464 988	—	1 046 353	37 123	1 083 476
Revenue to all customers	616 131	495 554	—	1 111 685	43 163	1 154 848
Less revenue to internal customers	(34 766)	(30 566)	—	(65 332)	(6 040)	(71 372)
Operating profit/(loss) – December 2019	64 600	6 052	10 212	80 864	(10 778)	70 086
Operating profit/(loss) – December 2018	38 906	19 986	9 943	68 835	(11 012)	57 823
Profit/(loss) before tax– December 2019	62 534	3 005	8 369	73 908	(17 774)	56 134
Profit/(loss) before tax– December 2018	37 177	19 674	5 503	62 354	(11 012)	51 342
Capital expenditure December 2019	9 594	5 232	3 968	18 794	1 423	20 217
Capital expenditure December 2018	16 014	3 751	6 520	26 285	969	27 254
Capital expenditure – June 2019	27 662	10 425	8 950	47 037	—	47 037
Assets – December 2019	525 962	408 542	131 757	1 066 261	36 075	1 102 336
Assets – December 2018	562 764	366 171	121 929	1 050 864	42 814	1 093 678
Assets – June 2019	582 899	341 887	152 412	1 077 198	—	1 077 198
Liabilities – December 2019	192 640	167 570	74 503	434 713	6 030	440 743
Liabilities – December 2018	198 452	124 517	131 849	454 818	11 510	466 328
Liabilities – June 2019	202 878	130 899	105 565	439 342	—	439 342

In applying IFRS 16 for the first time, the group has used the following expedients permitted by the standard:

- Modified retrospective approach – no comparatives required to be disclosed.
- Exemption of short-term leases.
- Portfolio approach applied to classes of leases that have similar characteristics.
- Interest rate based on remaining lease terms for existing leases at transition.

To provide a more meaningful comparison of the current period's financial performance with prior periods, the statement of comprehensive income at December 2019 has been presented on a like-on-like basis with prior periods, excluding the impact of IFRS 16. The impact of adopting IFRS in the current period is reflected in the "IFRS 16 adjustment" column of the statement of comprehensive income. Prior year comparatives are on an IAS 17: Lease basis.

The impact on the statement of cash flows (increase/(decrease)) for the six months ended 31 December 2019 is as follows:

	R'000
Net cash flow from operating activities	12 245
Net cash flow from financing activities	(12 245)

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on adoption rate was 9%.

The unaudited condensed interim group financial results do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual consolidated financial statements as at 30 June 2019.

APPROVAL AND PREPARATION

These unaudited interim financial results have been prepared under the direction and supervision of the Financial Director, L Weinberg CA(SA).

On behalf of the board

DJJ Thomas	PN Abelheim	L Weinberg
Non-executive Chairman	Chief Executive	Financial Director

24 February 2020

DIRECTORS

DJJ Thomas (Chairman)*; PN Abelheim (Chief Executive); L Weinberg (Financial Director); HA Botha*; SR Bouzagliou; B Mkhondo*; SP van der Linde (Lead Independent Director)*

* Non-executive * Independent non-executive

Transpaco Limited Registration number: 1951/000799/06, Share code: TPC, ISIN: ZAE000007480

Auditors Ernst & Young Inc. Company Secretary HJ van Niekerk Sponsor Investec Bank Limited

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STATEMENT OF FINANCIAL POSITION

	Unaudited six months December 2019	Unaudited six months December 2018	Audited 12 months June 2019
R'000	Note		
ASSETS			
Non-current assets		476 376	434 979
Property, plant and equipment		319 640	348 916
Right-of-use assets		71 797	—
Intangibles		17 855	17 855
Goodwill		64 182	64 182
Deferred taxation		2 902	4 102
Current assets		589 885	658 699
Inventories		172 099	229 615
Trade and other receivables		376 345	391 180
Taxation receivable		2 572	3 311
Cash and cash equivalents		38 869	34 593
Disposal group assets classified as held for sale	2	36 075	—
TOTAL ASSETS		1 102 336	1 093 678
EQUITY AND LIABILITIES			
Capital and reserves		661 593	627 350
Issued share capital		328	328
Share premium		11 019	11 019
Distributable reserve		650 246	616 003
Non-current liabilities		146 786	164