REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2021 AND DIVIDEND ANNOUNCEMENT

Transpaco LIMITED

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

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

NET ASSET VALUE PER SHARE 2 306 CENTS ■ HEPS UP 38% TO 336,2 CENTS ■ TOTAL DIVIDEND PER SHARE 153 CENTS

INTRODUCTION

Notwithstanding a challenging year due to a stagnant economy, compounded by the prolonged Covid-19 pandemic, Transpaco performed well above expectations improving NPAT by 59,9% resulting in headline earnings increasing 37,0% and HEPS up by 37,9%.

Revenue for total operations grew by 6,4% with operating profit increasing 45,4%.

Transpaco's growth in revenue was as a result of plastic raw material inflation and additional market share achieved in the Printed Folded Carton division and General Packaging.

Through stringent cost control and continued focus on efficiencies, operating margins for total operations increased to 7,9% (June 2020: 5,8%).

The closure of the Plastic Recycling division during the previous financial year proved to be beneficial to Transpaco.

Although Covid-19 had a direct impact on several of the Plastic division's clients, the overall performance of the Plastic division was particularly gratifying.

The Packaging division, comprising printed folded cartons, tubular cores and general packaging, which was similarly negatively impacted by South Africa's economic difficulties and Covid-19, also performed well compared to the previous year.

FINANCIAL RESULTS

Total operations	June 2021	June 2020	% increase
Revenue (R'm)	**2 078,9**	1 953,8	5,9
Operating profit (R'm)	**164,9**	113,4	45,4
Total comprehensive income (R'm)	**110,3**	69,0	59,9
Headline earnings (R'm)	**109,9**	80,2	37,0
Earnings per share (cents)	**337,4**	209,7	60,9
Headline earnings per share (cents)	**336,2**	243,9	37,9
Diluted headline earnings per share (cents)	**336,2**	243,9	37,9
Net asset value per share (cents)	**2 306**	2 066	11,6

The weighted average number of ordinary shares in issue in calculating EPS and HEPS is 32 685 588 (June 2020: 32 886 359).

During the year Transpaco repurchased 1 046 876 ordinary shares on the open market. Currently there are 31 839 483 shares in issue.

Cash generated from operations decreased to R189,8 million (June 2020: R245,9 million). Cash and cash equivalents at year-end were R76,2 million (June 2020: R60,8 million). Efficient working capital management minimised net interest paid resulting in Transpaco's net interest-bearing debt-to-equity position of 22,8% (June 2020: 13,2%) and securing a sound balance sheet.

During the year Transpaco purchased the building housing the Packaging Trading division, repurchased shares, upgraded fire protection sprinkler systems at all company-owned properties and invested in plant and equipment at several operations, all of which impacted Transpaco's net interest-bearing debt-to-equity position.

EXPANSIONS AND DEVELOPMENTS

Britepak, Transpaco's printed folded carton and pharmaceutical package insert business, continued to expand capacity with the installation of additional plant to cater for several long-term contracts.

During the year Transpaco Specialised Films relocated its entire operation from Bronkhorstspruit to a company-owned property in Johannesburg.

The Refuse Bag division's entry into the export market is proving beneficial with growth opportunities on the horizon. Local demand for our refuse bag products continues to grow.

After months of deliberations, the South African Department of Environmental Affairs is not pursuing a ban on retail plastic bags but rather implementing legislation to compel manufactures to include post-consumer recycled material in bags. This is extremely encouraging as the sustainability of retail plastic bags is now assured. This recent development will benefit the industry, retailers, consumers and the environment.

The Transpaco Packaging and Future Packaging Johannesburg operations have been combined into one packaging trading company known as Transpaco & Future Packaging situated in a company-owned property in Laser Park. This move is expected to benefit Transpaco with cost efficiencies.

In anticipation of compulsory auditor rotation which was set to take place within the next two years, Transpaco elected to accelerate the deadline and appointed BDO South Africa Incorporated as auditor for the 2021 year.

PROSPECTS

Transpaco expects trading conditions to remain challenging as the South African trading environment is anticipated to remain difficult in the short to medium term.

Management will continue its proven business strategy of maintaining strict financial control, generating revenue growth and increasing profitability.

Strategic acquisition opportunities when identified, will be pursued.

TRANSFORMATION

Transpaco's 11th black economic empowerment audit reflected the group as a level 2 value-added contributor. In addition Transpaco is a YES Programme employer.

COVID-19 IMPACT

Transpaco has considered whether there are any adjustments, changes in judgments, estimates and risk management required to be reported in the condensed consolidated results as a result of Covid-19 and the lockdown. To date, no material issues have been identified save for reduced sales during the lockdown.

DIVIDEND

The board has declared a final gross cash dividend out of income reserves of 110,0 cents per share, resulting in total dividends of 153,0 cents per share for the year ended 30 June 2021 (June 2020: 111 cents per share). After applying the dividend withholding tax of 20% a net final dividend of 88,00 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 31 839 483 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 *cum* dividend	Monday, 20 September 2021
Shares trade *ex*-dividend	Tuesday, 21 September 2021
Record date	Thursday, 23 September 2021
Payment date	Monday, 27 September 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 21 September 2021 and Thursday, 23 September 2021, both days inclusive.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), its interpretations issued by the IFRS Interpretations Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act 71 of 2008 of South Africa. The principal accounting policies are consistent in all material respects with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2020. The presentation and disclosure complies with International Accounting Standard (IAS) 34.

The fair value of the financial assets and liabilities approximate the carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing borrowings are not materially different from their calculated fair values due to market related rates embedded into the terms of these borrowing.

REVIEW BY INDEPENDENT AUDITOR

The group's auditor BDO South Africa Incorporated have reviewed the provisional condensed consolidated financial information for the year. The unmodified review report is available for inspection at Transpaco's registered office. The review was performed in accordance with ISRE 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's external auditor. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the group's registered office.

APPROVAL AND PREPARATION

The preparation of the group's reviewed provisional condensed consolidated results was supervised by Louis Weinberg CA(SA) (Chief Financial Officer).

On behalf of the board

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

31 August 2021

DIRECTORS

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

* Non-executive ** Independent non-executive

Transpaco Limited Registration number: 1951/000799/06 JSE share code: TPC ISIN: ZAE000007480
Auditor BDO South Africa Incorporated **Company Secretary** HJ van Niekerk **Sponsor** Investec Bank Limited
Registered office 331 6th Street, Wynberg, Sandton **Transfer Secretaries** Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg **Website** www.transpaco.co.za

STATEMENT OF COMPREHENSIVE INCOME

R'000	Note	Reviewed 12 months June 2021	Restated audited 12 months June 2020	% change
CONTINUING OPERATIONS				
Revenue		**2 078 891**	1 905 764	9,1
Revenue – plastic products		**1 085 387**	1 041 067	4,3
Revenue – paper and board products		**993 504**	864 697	14,9
Cost of sales*		**(1 385 956)**	(1 249 794)	
Profit before operating costs and depreciation		**692 935**	655 970	5,6
Operating costs		**(490 899)**	(481 254)	2,0
Depreciation*		**(37 185)**	(38 826)	-4,2
Operating profit		**164 851**	135 890	21,3
Finance income		**1 526**	2 088	(26,9)
Finance costs		**(15 911)**	(12 859)	23,7
Profit before taxation		**150 466**	125 119	20,3
Taxation		**(40 188)**	(33 632)	19,5
Profit for the year from continuing operations		**110 278**	91 487	20,5
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations	1	**–**	(22 533)	
Profit for the year		**110 278**	68 954	59,9
Other comprehensive income		**–**	–	
Total comprehensive income		**110 278**	68 954	59,9
Weighted average ranking number of shares in issue ('000)		**32 686**	32 886	
Diluted weighted average ranking number of shares in issue ('000)		**32 686**	32 886	
Continuing operations				
Earnings per share (cents)		**337,4**	278,2	21,3
Diluted earnings per share (cents)		**337,4**	278,2	21,3
Headline earnings per share (cents)		**336,2**	277,5	21,2
Diluted headline earnings per share (cents)		**336,2**	277,5	21,2
Discontinued operations				
Loss per share (cents) from discontinued operations		**–**	(68,5)	
Diluted loss per share (cents) from discontinued operations		**–**	(68,5)	
Headline loss per share (cents) from discontinued operations		**–**	(33,6)	
Diluted headline loss per share (cents) from discontinued operations		**–**	(33,6)	
Total operations				
Earnings per share (cents)		**337,4**	209,7	60,9
Fully diluted earnings per share (cents)		**337,4**	209,7	60,9
Headline earnings per share (cents)		**336,2**	243,9	37,9
Fully diluted headline earnings per share (cents)		**336,2**	243,9	37,9
Dividend per share (cents)*		**153,0**	111,0	37,8
**Includes interim dividend of 43 cents (June 2020 – 33 cents) and a dividend declared after the period of 110 cents (June 2020 – 78 cents)*				
Reconciliation of headline earnings (R'000)				
Continuing operations				
Basic earnings		**110 278**	91 487	
Profit on disposal of property, plant and equipment net of tax		**(385)**	(234)	
Headline earnings		**109 893**	91 253	20,4
Discontinued operations				
Loss for the year from discontinued operations		**–**	(22 533)	
Impairment on property, plant and equipment			11 846	
Profit on disposal of property, plant and equipment net of tax		**–**	(363)	
Headline loss		**–**	(11 050)	
Total operations				
Basic earnings		**110 278**	68 954	
Impairment on property, plant and equipment		**–**	11 846	
Profit on disposal of property,plant and equipment net of tax		**(385)**	(597)	
Headline earnings		**109 893**	80 203	37,0

** Depreciation relating to factory plant and equipment was previously classified as depreciation. This should have been classified as part of cost of sales. The reclassification has resulted in cost of sales increasing by R32 500 000 and depreciation decreasing by R32 500 000. The effect of this reclassification has no impact on the 2020 profit for the year, earnings and headline earnings.*

STATEMENT OF FINANCIAL POSITION

R'000	Note	Reviewed 12 months June 2021	Audited 12 months June 2020
ASSETS			
Non-current assets		**628 280**	549 309
Property, plant and equipment		**492 608**	397 508
Right-of-use assets		**47 531**	65 237
Intangibles		**17 855**	17 855
Goodwill		**64 182**	64 182
Deferred taxation		**6 104**	4 527
Current assets		**657 877**	561 486
Inventories		**245 218**	210 489
Trade and other receivables		**335 334**	289 927
Taxation receivable		**1 078**	248
Cash and cash equivalents		**76 247**	60 822
Disposal group assets classified as held for sale	2	**15 486**	10 062
TOTAL ASSETS		**1 301 643**	1 120 857
EQUITY AND LIABILITIES			
Capital and reserves		**734 297**	679 515
Issued share capital		**318**	328
Share premium		**11 019**	11 019
Distributable reserve		**722 960**	668 168
Non-current liabilities		**227 449**	143 691
Interest-bearing borrowings		**152 181**	53 684
Lease liability		**35 088**	51 410
Deferred income		**1 658**	2 614
Deferred taxation		**38 522**	35 983
Current liabilities		**339 897**	297 365
Trade payables and accruals		**239 060**	210 300
Employment benefit liabilities		**40 203**	36 046
Current portion of interest-bearing borrowings		**38 120**	25 521
Lease liability		**18 038**	19 714
Deferred income		**1 093**	1 133
Taxation payable		**3 383**	4 651
Disposal group liabilities classified as held for sale	2	**–**	286
TOTAL EQUITY AND LIABILITIES		**1 301 643**	1 120 857
Number of shares in issue ('000)			
Opening balance		**32 886**	32 886
Shares repurchased and cancelled		**(1 047)**	–
Number of shares		**31 839**	32 886
Salient features			
Net asset value per share (cents)		**2 306**	2 066
Operating margin (%)		**7,9**	5,8
Net interest-bearing debt: equity ratio (%)		**22,8**	13,2

STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Distributable reserve	Total
Balance at 30 June 2019	328	11 019	626 509	637 856
Profit for the year	–	–	68 954	68 954
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	68 954	68 954
Dividend paid	–	–	(27 295)	(27 295)
Balance at 30 June 2020	328	11 019	668 168	679 515
Profit for the year	–	–	110 278	110 278
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	110 278	110 278
Share repurchased	(10)	–	(15 693)	(15 703)
Dividend paid	–	–	(39 793)	(39 793)
Balance at 30 June 2021	**318**	**11 019**	**722 960**	**734 297**

CAPITAL COMMITMENTS

R'000	Reviewed 12 months June 2021	Audited 12 months June 2020
Capital expenditure authorised and contracted		
Property, plant and equipment	**27 778**	17 783

STATEMENT OF CASH FLOWS

R'000	Reviewed 12 months June 2021	Audited 12 months June 2020
Cash flow from operating activities		
Cash generated from operations	**189 814**	245 927
Dividends paid	**(39 793)**	(27 295)
Finance income received	**1 526**	2 088
Finance costs paid	**(15 911)**	(12 859)
Taxation paid	**(41 325)**	(25 644)
Net cash inflow from operating activities	**94 311**	182 217
Cash flow used in investing activities		
Proceeds on disposal of property, plant and equipment	**11 387**	7 070
Expansion and replacement of property, plant and equipment	**(161 235)**	(112 333)
Net cash outflow from investing activities	**(149 848)**	(105 263)
Cash flow used in financing activities		
Repurchase of shares	**(15 703)**	–
Payment of principal portion of lease liability	**(24 432)**	(28 270)
Proceeds from borrowings	**179 179**	71 422
Repayment of borrowings	**(68 082)**	(95 967)
Net cash inflow/(outflow) from financing activities	**70 962**	(52 815)
Net movement in cash for the year	**15 425**	24 139
Cash and cash equivalents at the beginning of the year	**60 822**	36 683
Cash and cash equivalents at the end of the year	**76 247**	60 822

SEGMENTAL ANALYSIS

R'000	Plastic products	Paper and board products	Properties and group services	Continuing operations	Discontinued operations	Total operations
Revenue from customers – 2021	**1 085 387**	**993 504**	**–**	**2 078 891**	**–**	**2 078 891**
Revenue from all customers	1 133 821	1 067 851	–	2 201 672	–	2 201 672
Less revenue from internal customers	48 434	74 347	–	122 781	–	122 781
Revenue from customers – 2020	**1 041 067**	**864 697**	**–**	**1 905 764**	**48 018**	**1 953 782**
Revenue from all customers	1 098 488	928 983	–	2 027 471	51 885	2 079 356
Less revenue from internal customers	57 421	64 286	–	121 707	3 867	125 574
Operating profit – 2021	**98 748**	**47 651**	**18 452**	**164 851**	**–**	**164 851**
Operating profit/(loss) – 2020	96 261	26 728	12 901	135 890	(22 510)	113 380
Profit before tax – 2021	**93 821**	**40 192**	**16 453**	**150 466**	**–**	**150 466**
Profit/(loss) before tax- 2020	92 583	21 416	11 120	125 119	(22 510)	102 609
Capital expenditure – 2021	**31 363**	**35 089**	**94 783**	**161 235**	**–**	**161 235**
Capital expenditure – 2020	51 990	56 441	7 705	116 136	1 437	117 573
Assets – 2021	**596 707**	**464 895**	**240 041**	**1 301 643**	**–**	**1 301 643**
Assets – 2020	502 320	447 325	161 150	1 110 795	10 062	1 120 857
Liabilities – 2021	**232 193**	**234 778**	**100 375**	**567 346**	**–**	**567 346**
Liabilities – 2020	191 799	218 680	30 577	441 056	286	441 342

NOTES

NOTE 1 Discontinued operations

R'000	Reviewed 12 months June 2021	Audited 12 months June 2020
Revenue	**–**	48 018
Expenses	**–**	(58 682)
Operating loss	**–**	(10 664)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**–**	(11 846)
Loss before tax from discontinued operations	**–**	(22 510)
Taxation		
Related to pre-tax loss from the ordinary activities for the period	**–**	(23)
Loss for the year from discontinued operations	**–**	(22 533)
Cash flows from discontinued operations		
Net cash flows from operating activities	**–**	(4 877)
Net cash flows from investing activities	**–**	4 874
Net cash flows from financing activities	**–**	–
Net cash flows	**–**	(3)

NOTE 2 Net assets directly associated with disposal group

During the financial year under review a property was sold and the transfer of that property is pending.

The major classes of assets and liabilities of Transpaco Recycling (Pty) Ltd that were held for sale as at 30 June 2020 are detailed below.

	R'000	R'000
Assets		
Property, plant and equipment	**15 486**	9 386
Trade and other receivables	**–**	676
Disposal group assets classified as held for sale	**15 486**	10 062
Liabilities		
Trade payables and accruals	**–**	286
Disposal group liabilities classified as held for sale	**–**	286
Net assets directly associated with disposal group	**15 486**	9 776