# UNAUDITED CONDENSED INTERIM GROUP RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2021 AND DIVIDEND ANNOUNCEMENT

Transpaco LIMITED

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

## A leading manufacturer and distributor of plastic and paper packaging products

**NET ASSET VALUE PER SHARE 2 432 CENTS ■ HEADLINE EARNINGS PER SHARE UP 39% TO 218,8 CENTS ■ DIVIDEND PER SHARE 60,0 CENTS**

### INTRODUCTION

**Total operations**

Transpaco's results for the six months ended 31 December 2021 ("the period") reflect a 38,7% increase in headline earnings per share (HEPS) to 218,8 cents per share for the period (December 2020: 157,7 cents).

Although the July 2021 riots did not impact Transpaco directly, many of our customers were affected by store closures. This resulted in sales for July and August not reaching anticipated levels.

Notwithstanding the above, revenue increased by 10,1% to R1,20 billion (December 2020: R1,09 billion) with operating profit up by 38,0% to R108,3 million (December 2020: R78,5 million). The operating margin increased to 9,0% (December 2020: 7,2%).

The group's operating expenses were contained at acceptable levels with gross profit margins well-managed and controlled.

The Plastics Division accounted for significant revenue growth, while the Paper and Board Division performed within expectations.

Notably revenue in the first six months of the financial year is traditionally greater than that of the second six months due to the seasonal nature of the business.

### FINANCIAL RESULTS

| Total operations | Six months to December 2021 | Six months to December 2020 | % increase |
|---|---|---|---|
| Revenue (R'm) | **1 204,2** | 1093,3 | 10,1 |
| Operating profit (R'm) | **108,3** | 78,9 | 37,2 |
| Total comprehensive income (R'm) | **72,3** | 52,5 | 37,7 |
| Headline earnings (R'm) | **69,5** | 51,4 | 35,4 |
| Earnings per share (cents) | **227,4** | 159,6 | 42,5 |
| HEPS (cents) | **218,8** | 157,7 | 38,7 |
| Diluted HEPS (cents) | **218,8** | 157,7 | 38,7 |
| Net asset value per share (cents) | **2 432** | 2 148 | 13,2 |

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

The group's net interest-bearing debt-to-equity (gearing) position improved to 18,3% (December 2020: 30,0%)

During the period Transpaco repurchased 304 095 ordinary shares on the open market. Currently there are 31 499 388 shares in issue.

The weighted average number of ordinary shares in issue in calculating EPS and HEPS is 31 787 043 (December 2020: 32 886 359).

In addition to reviewing the performance of Transpaco divisions based on the Return On Funds Employed, results will be assessed on the Return On Invested Capital and Economic Value Added of divisions. These criteria will be added to the weighted calculation in determining incentive bonus awards for executives for the June 2022 year end.

### EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events after the reporting period.

### TRANSFORMATION

Transpaco maintained a level 2 BEE contributor based on the revised BBEEE scorecard through various strategic initiatives, including participation in the YES programme.

### CHANGE IN DIRECTORS

Bonge Mkhondo resigned as an independent non-executive director with effect from 17 February 2022. The board thanks her for her contribution to the Transpaco Group during her tenure.

### PROSPECTS

The group will continue its proven business strategy of targeting organic growth while maintaining strict financial control and at the same time identifying and pursuing appropriate acquisitions. While difficult trading conditions are expected to continue, Transpaco will endeavour to counter this by continuing to drive sales, contain costs and maintain gross profit contributions.

Plastic and paper raw material supply remains challenging as world shortages continue. To mitigate against this, Transpaco has increased its stock holding for both commodities above normal levels. The strain on shipping container availability has further impacted the group, in particular with regards to imports of raw material and exports.

### DIVIDEND

The board has declared an interim gross cash dividend out of income reserves of 60,0 cents per share (December 2020: 43,0 cents per share) for the six-month period ended 31 December 2021. After applying the dividend withholding tax of 20%, a net interim dividend of 48,0 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 31 499 388 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 | Tuesday, 15 March 2022 |
| Shares trade *ex*-dividend | Wednesday, 16 March 2022 |
| Record date | Friday, 18 March 2022 |
| Payment date | Tuesday, 22 March 2022 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 March 2022 and Friday, 18 March 2022, 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 2021 have been prepared in accordance with IAS 34 – Interim Financial Reporting ("IAS 34"), interpretations issued by the IFRS Interpretations 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.

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 2021.

### APPROVAL AND PREPARATION

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

On behalf of the board

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

22 February 2022

### DIRECTORS

DJJ Thomas (Chairman)*; PN Abelheim (Chief Executive); L Weinberg (Chief Financial Officer); HA Botha*^; SR Bouzaglou; 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** 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

## CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

| R'000 | Note | Unaudited six months December 2021 | Unaudited six months December 2021 % change | Unaudited six months December 2020 | Audited twelve months June 2021 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue** | | **1 204 222** | 10,1 | 1 093 321 | 2 078 891 |
| Revenue – plastic products | | **660 116** | 12,1 | 588 730 | 1 085 387 |
| Revenue – paper and board products | | **544 106** | 7,8 | 504 591 | 993 504 |
| Cost of sales | | **(822 448)** | | (729 151) | (1 398 789) |
| **Profit before operating costs and depreciation** | | **381 774** | 4,8 | 364 170 | 680 102 |
| Operating costs | | **(264 532)** | 3,5 | (274 162) | (490 899) |
| Depreciation | | **(8 970** | 22,3 | (11 550) | (24 352) |
| **Operating profit** | | **108 272** | 38,0 | 78 458 | 164 851 |
| Finance income | | **878** | 6,9 | 821 | 1 526 |
| Finance costs | | **(8 722)** | (28,1) | (6 809) | (15 911) |
| **Profit before taxation** | | **100 428** | 38,6 | 72 470 | 150 466 |
| Taxation | | **(28 134)** | (37,6) | (20 453) | (40 188) |
| **Profit for the period from continuing operations** | | **72 294** | 39,0 | 52 017 | 110 278 |
| **Discontinued operations** | | | | | |
| **Profit for the period from discontinued operations** | 1 | **–** | | 468 | – |
| **Profit for the period** | | **72 294** | | 52 485 | 110 278 |
| Other comprehensive income | | **–** | | – | – |
| **Total comprehensive income** | | **72 294** | 37,7 | 52 485 | 110 278 |
| Weighted average ranking number of shares in issue ('000) | | **31 787** | | 32 886 | 32 686 |
| Diluted weighted average ranking number of shares in issue ('000) | | **31 787** | | 32 886 | 32 686 |
| **Continuing operations** | | | | | |
| Earnings per share (cents) | | **227,4** | 43,8 | 158,2 | 337,4 |
| Diluted earnings per share (cents) | | **227,4** | 43,8 | 158,2 | 337,4 |
| Headline earnings per share (cents) | | **218,8** | 40,0 | 156,2 | 336,2 |
| Diluted headline earnings per share (cents) | | **218,8** | 40,0 | 156,2 | 336,2 |
| **Continuing and discontinued operations** | | | | | |
| Earnings per share (cents) | | **227,4** | 42,5 | 159,6 | 337,4 |
| Fully diluted earnings per share (cents) | | **227,4** | 42,5 | 159,6 | 337,4 |
| Headline earnings per share (cents) | | **218,8** | 38,7 | 157,7 | 336,2 |
| Fully diluted headline earnings per share (cents) | | **218,8** | 38,7 | 157,7 | 336,2 |
| Dividend per share (cents)* | | **60,0** | 39,5 | 43,0 | 153,0 |
| **Dividend declared after the period* | | | | | |
| Reconcilliation of headline earnings (R'000) | | | | | |
| **Continuing operations** | | | | | |
| Basic earnings | | **72 294** | | 52 017 | 110 278 |
| Impairment on property,plant and equipment – net of tax | | **1 837** | | – | – |
| Profit on disposal of property,plant and equipment – net of tax | | **(4 594)** | | (648) | (385) |
| **Headline earnings** | | **69 537** | 35,4 | 51 369 | 109 893 |
| **Continuing and discontinued operations** | | | | | |
| Basic earnings | | **72 294** | | 52 485 | 110 278 |
| Impairment on property,plant and equipment – net of tax | | **1 837** | | – | – |
| Profit on disposal of property,plant and equipment – net of tax | | **(4 594)** | | (633) | (385) |
| **Headline earnings** | | **69 537** | 34,1 | 51 852 | 109 893 |

**Depreciation relating to factory plant and equipment was previously classified as depreciation. This should have been classified as cost of sales. This reclassification has resulted in cost of sales increasing by R27 803 000 and depreciation decreasing by R27 803 000. The effect of the reclassification has no impact on the December 2020 profits for the half year, earnings and headline earnings.*

## CONDENSED STATEMENTS OF FINANCIAL POSITION

| R'000 | Note | Unaudited six months December 2021 | Unaudited six months December 2020 | Audited 12 months June 2021 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | **609 174** | 646 483 | 624 065 |
| Property, plant and equipment | | **477 728** | 507 636 | 487 949 |
| Right-of-use assets | | **44 472** | 52 066 | 47 531 |
| Intangibles | | **17 855** | 17 855 | 17 855 |
| Goodwill | | **64 182** | 64 182 | 64 182 |
| Deferred taxation | | **4 937** | 4 744 | 6 548 |
| **Current assets** | | **756 131** | 686 162 | 667 281 |
| Inventories | | **222 082** | 221 302 | 245 218 |
| Trade and other receivables | | **421 348** | 400 693 | 344 738 |
| Taxation receivable | | **978** | 1 118 | 1 078 |
| Cash and cash equivalents | | **111 723** | 63 049 | 76 247 |
| **Disposal group assets classified as held for sale – property, plant and equipment** | | **–** | – | 20 145 |
| **TOTAL ASSETS** | | **1 365 305** | 1 332 645 | 1 311 491 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | **766 093** | 706 349 | 734 297 |
| Issued share capital | | **314** | 328 | 318 |
| Share premium | | **10 553** | 11 019 | 10 668 |
| Retained income | | **755 226** | 695 002 | 723 311 |
| **Non-current liabilities** | | **223 473** | 260 166 | 227 771 |
| Interest-bearing borrowings | | **150 999** | 177 482 | 152 181 |
| Lease liability | | **33 766** | 39 079 | 35 088 |
| Deferred income | | **997** | 2 614 | 1 658 |
| Deferred taxation | | **37 711** | 40 991 | 38 844 |
| **Current liabilities** | | **375 739** | 364 699 | 349 423 |
| Trade payables and accruals | | **303 331** | 303 433 | 288 666 |
| Interest-bearing borrowings | | **49 979** | 40 257 | 38 121 |
| Lease liability | | **16 836** | 18 257 | 18 038 |
| Deferred income | | **1 517** | 896 | 1 093 |
| Taxation payable | | **4 076** | 1 856 | 3 505 |
| **Disposal group liabilities classified as held for sale** | 2 | **–** | 1 431 | – |
| **TOTAL EQUITY AND LIABILITIES** | | **1 365 305** | 1 332 645 | 1 311 491 |
| **Number of shares in issue ('000)** | | | | |
| Opening balance | | **31 839** | 32 886 | 32 886 |
| Shares repurchased and cancelled | | **(340)** | – | (1 047) |
| **Number of shares** | | **31 499** | 32 886 | 31 839 |
| **Salient features** | | | | |
| Net asset value per share (cents) | | **2 432** | 2 148 | 2 306 |
| Operating margin (%) | | **9,0** | 7,2 | 8,00 |
| Net interest-bearing debt : Equity ratio (%) | | **18,3** | 30,0 | 22,8 |

## CONDENSED STATEMENTS OF CHANGES IN EQUITY

| R'000 | Issued share capital | Share premium | Distributable reserve | Total |
|---|---|---|---|---|
| **Balance at 30 June 2020 (audited)** | **328** | **11 019** | **668 168** | **679 515** |
| Profit for the period | – | – | 52 485 | 52 485 |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income | – | – | 52 485 | 52 485 |
| Dividend paid | – | – | (25 651) | (25 651) |
| **Balance at 31 December 2020 (unaudited)** | **328** | **11 019** | **695 002** | **706 349** |
| Profit for the period | – | – | 57 793 | 57 793 |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income | – | – | 57 793 | 57 793 |
| Shares repurchased and cancelled | (10) | (351) | (15 342) | (15 703) |
| Dividend paid | – | – | (14 142) | (14 142) |
| **Balance at 30 June 2021 (audited)** | **318** | **10 668** | **723 311** | **734 297** |
| Profit for the period | – | – | 72 294 | 72 294 |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income | – | – | 72 294 | 72 294 |
| Shares repurchased and cancelled | (4) | (115) | (5 356) | (5 475) |
| Dividend paid | – | – | (35 023) | (35 023) |
| **Balance at 31 December 2021 (unaudited)** | **314** | **10 553** | **755 226** | **766 093** |

## CONDENSED STATEMENTS OF CASH FLOW

| R'000 | Unaudited six months December 2021 | Unaudited six months December 2020 | Audited 12 months June 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | **103 368** | 53 066 | 189 814 |
| Dividends paid | **(35 023)** | (25 651) | (39 793) |
| Finance income received | **878** | 821 | 1 526 |
| Finance costs paid | **(8 722)** | (6 809) | (15 911) |
| Taxation paid | **(26 985)** | (19 327) | (41 325) |
| **Net cash inflow from operating activities** | **33 516** | 2 100 | 94 311 |
| **Cash flow used in investing activities** | | | |
| Proceeds on disposal of property, plant and equipment | **26 526** | 10 566 | 11 387 |
| Expansion and replacement of property, plant and equipment | **(20 337)** | (58 545) | (84 555) |
| **Net cash inflow/(outflow) from investing activities** | **6 189** | (47 979) | (73 168) |
| **Cash flows used in financing activities** | | | |
| Repurchase of shares | **(5 475)** | – | (15 703) |
| Payment of principal portion of lease liability | **(9 431)** | (13 748) | (24 432) |
| Proceeds from borrowings | **32 000** | 77 011 | 102 499 |
| Repayment of borrowings | **(21 323)** | (15 157) | (68 082) |
| **Net cash (outflow)/inflow from financing activities** | **(4 229)** | 48 106 | (5 718) |
| Net movement in cash for the period | **35 476** | 2 227 | 15 425 |
| Cash and cash equivalents at the beginning of the period | **76 247** | 60 822 | 60 822 |
| **Cash and cash equivalents at the end of the period** | **111 723** | 63 049 | 76 247 |

## CAPITAL COMMITMENTS

| R'000 | Unaudited six months Dec 2021 | Unaudited six months Dec 2020 | Audited 12 months June 2021 |
|---|---|---|---|
| Capital expenditure authorised and contracted | | | |
| Property, plant and equipment | **16 478** | 2 939 | 26 778 |

## DISCONTINUED OPERATION

**NOTE 1**

| R'000 | Unaudited six months December 2021 | % change | Unaudited six months Dec 2020 | Audited 12 months June 2021 |
|---|---|---|---|---|
| **Revenue** | **–** | | 471 | – |
| Expenses | **–** | | (3) | – |
| **Profit/(loss) before tax from discontinued operations** | **–** | | 468 | – |
| Taxation | **–** | | – | – |
| **Profit/(loss) for the year from discontinued operations** | **–** | | 468 | – |
| Earnings per share (cents) from discontinued operations | **–** | 100,0 | 1,4 | – |
| Diluted earnings per share (cents) from discontinued operations | **–** | 100,0 | 1,4 | – |
| Headline earnings per share (cents) from discontinued operations | **–** | 100,0 | 1,4 | – |
| Diluted headline earnings per share (cents) from discontinued operations | **–** | 100,0 | 1,4 | – |
| **Discontinued operations** | | | | |
| Profit for the year from discontinued operations | **–** | | 468 | – |
| **Headline earnings** | **–** | | 468 | – |
| **Cash flows from discontinued operations** | | | | |
| Net cash flows from operating activities | **–** | | (3 031) | – |
| Net cash flows from investing activities | **–** | | – | – |
| Net cash flows from financing activities | **–** | | – | – |
| **Net cash flows** | **–** | | (3 031) | – |

**NOTE 2 – disposal group liabilities classified as held for sale**

| R'000 | | | | |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Trade payables and accruals | **–** | | (1 431) | – |
| **Disposal group liabilities directly associated with assets held for sale** | **–** | | (1 431) | – |

## SEGMENTAL ANALYSIS

**Unaudited six months December 2021, six months December 2020 and audited 12 months June 2021**

| R'000 | Plastic products | Paper and board products | Properties and group services | Continuing operations | Discontinued operations | Total operations |
|---|---|---|---|---|---|---|
| **Revenue from all customers – December 2021** | **660 116** | **544 106** | **–** | **1 204 222** | **–** | **1 204 222** |
| Revenue to all customers | 693 339 | 571 520 | – | 1 264 859 | – | 1 264 859 |
| Less revenue to internal customers | (33 223) | (27 414) | – | (60 637) | – | (60 637) |
| **Revenue from all customers – December 2020** | **589 201** | **504 591** | **–** | **1 093 792** | **–** | **1 093 792** |
| Revenue to all customers | 615 039 | 546 993 | – | 1 162 032 | – | 1 162 032 |
| Less revenue to internal customers | (25 838) | (42 402) | – | (68 240) | – | (68 240) |
| **Revenue from all customers – June 2021** | **1 085 387** | **993 504** | **–** | **2 078 891** | **–** | **2 078 891** |
| Revenue to all customers | 1 133 821 | 1 067 851 | – | 2 201 672 | – | 2 201 672 |
| Less revenue to internal customers | (48 434) | (74 347) | – | (122 781) | – | (122 781) |
| **Operating profit – December 2021** | **69 001** | **24 747** | **14 524** | **108 272** | **–** | **108 272** |
| Operating profit – December 2020 | 47 295 | 23 775 | 7 388 | 78 458 | 468 | 78 926 |
| Operating profit – June 2021 | 98 748 | 47 651 | 18 452 | 164 851 | – | 164 851 |
| **Profit before tax – December 2021** | **66 866** | **20 996** | **12 566** | **100 428** | **–** | **100 428** |
| Profit before tax – December 2020 | 45 257 | 19 995 | 7 218 | 72 470 | 468 | 72 938 |
| Profit before tax – June 2021 | 93 821 | 40 192 | 16 453 | 150 466 | – | 150 466 |
| **Capital expenditure – December 2021** | **14 664** | **2 863** | **2 810** | **20 337** | **–** | **20 337** |
| Capital expenditure – December 2020 | 26 141 | 30 665 | 78 419 | 135 225 | – | 135 225 |
| Capital expenditure – June 2021 | 31 363 | 35 089 | 94 783 | 161 235 | – | 161 235 |
| **Assets – December 2021** | **618 183** | **489 396** | **257 726** | **1 365 305** | **–** | **1 365 305** |
| Assets – December 2020 | 618 327 | 488 551 | 225 767 | 1 332 645 | – | 1 332 645 |
| Assets – June 2021 | 595 635 | 475 371 | 240 485 | 1 311 491 | – | 1 311 491 |
| **Liabilities – December 2021** | **254 716** | **225 065** | **119 431** | **599 212** | **–** | **599 212** |
| Liabilities – December 2020 | 274 503 | 216 653 | 133 709 | 624 865 | 1 431 | 626 296 |
| Liabilities – June 2021 | 236 496 | 245 202 | 95 496 | 577 194 | – | 577 194 |

Bastion