CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED
Incorporated in the Republic of South Africa
Registration number 1947/026616/06
Share code: CAT ISIN code: ZAE000043345
Preference share code: CATP ISIN code: ZAE000043352

PROVISIONAL REVIEWED RESULTS FOR THE YEAR ENDED 30 JUNE 2018

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	% change	Reviewed for the year to 30 June 2018	Audited for the year to 30 June 2017
Revenue	(1.1%)	6 333 921	6 407 172
Other operating income		120 288	127 446
		6 454 209	6 534 618
Changes in inventories of finished goods and work in progress		74 293	58 318
Raw materials and consumables used		2 676 178	2 820 487
Staff costs		1 541 741	1 495 088
Other operating expenses		1 402 522	1 412 025
Total operating expenses	(1.6%)	5 694 734	5 785 918
PROFIT FROM OPERATING ACTIVITIES BEFORE DEPRECIATION	1.4%	759 475	748 700
Depreciation		293 669	285 744
PROFIT FROM OPERATING ACTIVITIES AFTER DEPRECIATION	0.6%	465 806	462 956
Impairment of investments and goodwill		36 711	19 875
Impairment of loans		22 682	–
Profit on disposal of subsidiaries		(7 835)	–
Impairment of plant		18 701	5 399
NET PROFIT FROM OPERATING ACTIVITIES		395 547	437 682
Net finance income		114 657	147 799
– dividends		69 647	85 485
– interest		45 095	53 717
– IFRS 2 interest on unwinding of transaction		3 936	3 749
– net (loss)/profit on foreign exchange		(4 021)	4 848
Net income from associates		31 111	24 667
PROFIT BEFORE TAXATION		541 315	610 148
Income tax expense		135 565	155 146
PROFIT FOR THE YEAR	(10.8%)	405 750	455 002
Other comprehensive income:		(18 935)	17 259
Items that will not be reclassified subsequently to profit or loss			
Fair value adjustment – land and buildings		–	(1 050)
Items that will be reclassified subsequently to profit or loss			
Fair value adjustment – investment and preference shares		(18 935)	18 309
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		386 815	472 261
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Non-controlling interests		19 303	10 346
Owners of the parent		367 512	461 915
		386 815	472 261
PROFIT ATTRIBUTABLE TO:			
Non-controlling interests		19 303	10 346
Owners of the parent		386 447	444 656
		405 750	455 002
Earnings per share (cents)	(12.3%)	98.5	112.2
Headline earnings per share (cents)	(5.7%)	109.0	115.6
Preference dividend paid per share in respect of the previous year (cents)		570	570
Ordinary dividend paid per share in respect of the previous year (cents)		70	70
WANOS in issue		392 426 737	396 219 497
Reconciliation of headline earnings:			
Earnings attributable to owners of company		386 447	444 656
Adjusted for non-trading items		41 356	13 475

Impairment of investments and goodwill	36 711	19 875
Profit on disposal of subsidiary	(7 835)	–
Impairment of plant	18 701	5 399
Net profit on disposal of assets	(3 805)	(14 289)
Tax effect on above adjustments	(2 416)	2 489
Headline earnings	427 803	458 132

Condensed segmental analysis	Reviewed for the year to 30 June 2018	%	Audited for the year to 30 June 2017	%
Revenue				
Publishing, printing and distribution	4 005 143	63	4 139 261	64
Packaging and stationery	2 243 823	35	2 156 114	34
Other	84 955	2	111 797	2
	6 333 921	100	6 407 172	100
Profit from operating activities before depreciation				
Publishing, printing and distribution	453 241	60	467 190	63
Packaging and stationery	275 527	36	257 766	34
Other	30 707	4	23 744	3
	759 475	100	748 700	100
Profit from operating activities after depreciation				
Publishing, printing and distribution	276 968	59	280 632	61
Packaging and stationery	176 131	38	176 705	38
Other	12 707	3	5 619	1
	465 806	100	462 956	100

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed for the year to 30 June 2018	Restated* Audited for the year to 30 June 2017
Operating cash flows before movements in working capital	740 064	724 826
Net (increase)/decrease in working capital	(113 105)	57 466
Cash generated by operating activities	626 959	782 292
Taxation paid	(128 429)	(94 233)
Net cash flows from operating activities	498 530	688 059
Cash flow from investing activities		
Property, plant and equipment		
– additions to maintain and expand operations	(257 695)	(355 966)
– proceeds from disposals	32 754	24 459
	(224 941)	(331 507)
Net interest received	45 095	53 717
Dividends received	69 647	85 485
Disposal of subsidiary	(2 057)	–
Businesses acquired net of cash	(122 939)	(157 779)
Associates, other investments and loans	(228 363)	(85 302)
Net cash flows from investing activities	(463 558)	(435 386)
Cash flow from financing activities		
Changes in subsidiary holdings	–	1 527
Dividends paid	(299 179)	(299 592)
Own shares acquired	(79 643)	(24 466)
Net cash flows from financing activities	(378 822)	(322 531)
Net (decrease) in cash and cash equivalents	(343 850)	(69 858)
Cash acquired	-	(380)
Cash and cash equivalents at the beginning of the year	1 959 948	2 030 186
Cash and cash equivalents at the end of the year	1 616 098	1 959 948
Fair value adjustment of preference shares	(16 904)	(14 110)
Fair value of cash and cash equivalents at the end of the year	1 599 194	1 945 838
Note:		
Cash	743 933	837 782
Bank preference shares at fair value	855 261	1 108 056
Fair value of cash and cash equivalents at the end of the year	1 599 194	1 945 838

*In the interest of better disclosure of the net cash flow from operating activities, the net interest and dividends received were moved to cash flows from investing activities and the dividends paid moved to the cash flows from financing activities.

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed 30 June 2018	Audited 30 June 2017
ASSETS		
Non-current assets		
Property, plant and equipment	2 650 717	2 703 216
Goodwill	174 463	78 167
Associated companies	427 052	354 926
Other investments at fair value	231 517	108 019
– Listed	91 517	8 088
– Unlisted	140 000	99 931
Deferred taxation	17 112	11 363
Loans to directors	84 269	80 332
	3 585 130	3 336 023
Current assets		
Inventories	951 140	833 410
Accounts receivable	1 089 852	1 093 663
Taxation	1 989	1 512
Cash	743 933	835 725
Listed bank preference shares at fair value	55 261	58 056
Unlisted bank preference shares	800 000	1 050 000
Total assets held for sale	–	20 358
	3 642 175	3 892 724
Total assets	7 227 305	7 228 747
EQUITY AND LIABILITIES		
Equity	5 744 972	5 729 123
Equity attributable to owners of the parent	5 696 312	5 681 978
Preference shareholders	100	100
Non-controlling interest	48 560	47 045
Non-current liabilities		
Deferred taxation	381 994	377 390
Current liabilities		
Trade and other payables	863 863	873 461
Taxation	26 695	24 043
Provisions	209 781	219 088
Total liabilities held for sale	–	5 642
	1 100 339	1 122 234
Total equity and liabilities	7 227 305	7 228 747
Net asset value per share (cents)	1 464	1 436
Capital expenditure	257 695	355 966
Capital expenditure committed	50 000	90 000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Reviewed 30 June 2018	Audited 30 June 2017
Balance at beginning of the year	5 729 123	5 579 393
Total comprehensive profit for the period	386 815	472 261
Share buy-back	(79 643)	(24 466)
Dividends paid – ordinary and preference shareholders	(299 179)	(299 592)
Changes in subsidiary holdings	7 856	1 527
Balance at end of the year	5 744 972	5 729 123

Note:

Business combinations	R'000

The group acquired businesses, which have been accounted for as business combinations during the year. A 52.65% investment in Private Property (Pty) Ltd was acquired with effect from 1 July 2017 for a purchase price of R122.9 million. The business of Tricolor was acquired with effect from 1 August 2017 for a purchase price of R11.1 million and the business of Boxes 4 Africa with effect from 1 June 2018 for a purchase price of R25.0 million.

The acquired businesses contributed revenue of R157.5 million and a net profit after tax of R23.2 million. The acquired businesses would have contributed revenue of R206.5 million and net profit after tax of R28.5 million had the group acquired these businesses for the full year.

Details of the assets and liabilities from the acquisition are as follows:

R'000	Acquiree's fair value
Goodwill	108 352
Non-controlling interest	(17 040)
Property, plant and equipment	33 161
Inventory	1 360
Accounts receivable	6 457
Accounts payable	(9 351)
Fair value of net assets acquired	122 939
Cash acquired	36 093
Total cash purchase consideration	(159 032)
	–

These business combinations are accounted for in these results.

Goodwill

Goodwill relates to expected synergies, the bulking up of service offerings and an expansion of product offerings in the Caxton Group.

Note: Investments listed – available for sale
Equity price risk refers to the risk that the fair value of the future cash flows of the listed investments will fluctuate because of changes in the market prices. The Group's available for sale financial assets are valued using the fair market value at 30 June 2018.

Fair value estimation
IFRS 13 requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices available in active markets for identical assets or liabilities.

Level 2 – Inputs used, other than quoted prices, included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data.

The level of each investment is determined as follows:
- Mpact, AME and Novus are Level 1
- Thebe Convergent Technology is Level 3

Commentary

Basis of preparation
The accounting policies adopted in the preparation of the provisional condensed consolidated financial statements for the twelve months under review are in accordance with the requirements of International Financial Reporting Standards ("IFRS") consistent with the prior year, IAS 34 on interim reporting, the JSE Listings Requirements, financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa.

Earnings
The strength and resilience of the Caxton and CTP Publishers and Printers group is illustrated by the year-end results, achieved against a background of both subdued national economic performance and continued global changes in the advertising, printing and publishing sector.

The group has posted an improved second half to the financial year. This has meant that the half-year results have been somewhat mitigated, with profit from operating activities before depreciation showing growth of 1.4% for the full year as opposed to a decline of 6.1% at the interim reporting period. This is a credible set of results when taken against the backdrop of weak economic growth and declining business confidence. This recovery was assisted by the acquisition of some key printing tenders, recovery in certain markets, the continued focus on costs and rationalisation of operations to adjust to changing market demand.

Revenues recovered from the interim reporting period, ending down by only 1.1%. This is reflective of improved demand in some of the operations and the positive impact of the Media 24 newspaper and magazine work that was gained during the last quarter of the financial year. Newspaper and magazine circulation and advertising revenues continue to decline as the difficult national and local environment persisted throughout the reporting period. This had a knock-on impact on revenues in the commercial printing divisions which have also experienced a decline in throughput. Revenue was positively impacted by the acquisitions made during the period, the most notable being the acquisition of a controlling interest in Private Property, and a number of smaller packaging operations.

A pleasing feature of the results is the success in containing costs, with increases in raw material, staff and other operating expenses being well managed below inflation. The rationalisation of certain operations impacted positively, by reducing costs and this will continue to be a focus area for the forthcoming year. Depreciation increased to R293.7 million as the new investments in plant were commissioned. Notwithstanding the higher depreciation charge, profit from operating activities after depreciation increased by 0.6%.

A number of impairments were recognised by the group during the year:

- Impairment of investments and goodwill (R36.7 million) in Cognition Holdings Limited, Vehicle Trader and other smaller magazine publishers as a result of reduced profitability and an ongoing difficult trading environment that is likely to endure into the future. This is in addition to the impairment of goodwill associated with the acquisition of the labelling operations in the Western Cape that have now been integrated with our operation.

- Impairment of loans (R22.7 million) includes the funding arrangement associated with the sale of 51% of Ramsay Media (Pty) Ltd in which the group will fund the business until January 2019, as well as a provision against the loan made to Vehicle Trader.

- During the period, the group disposed of two subsidiaries, being a 51% share of the loss-making magazine business Ramsay Media (Pty) Ltd to Highbury Media for a nominal amount, and 100% of it's investment held in Moneyweb Holdings Limited to African Media Entertainment Limited for an exchange of shares. The profit on disposal of these subsidiaries amounted to R7.8 million.

- Impairment of plant (R18.7 million) is in response to the loss of the Independent Media contract, effective 1 August 2018, at the newspaper plant in Cape Town which necessitated the impairment of one of the presses.

Net finance income declined by R33.1 million to R114.7 million as a result of reduced dividends from our investment in Thebe Convergent Technology Holdings (Pty) Ltd and reduced interest due to lower cash balances over the reporting period.

Net income from associates increased to R31.1 million on the back of improved performances from some printing associates, as well as the group's investment in the fibre to the home operator Octotel, as new connections gathered pace.

Profit before tax declined by 11.3% to R541.3 million and income tax absorbed R135.6 million, resulting in profit for the period of R405.7 million.

The weighted number of shares in issue reduced to 392 426 737 resulting in earnings per share of 98.5 cents and headline earnings per share of 109.0 cents , a decline of 12.3% and 5.7% respectively.

Cash flow
Cash and cash equivalents reduced by R346.6 million over the corresponding prior year to end at R1 599.2 million mainly as a result of increased working capital requirements and an increase in investments and loans.

Operating cash flow before working capital movements was relatively flat at R740.1 million which is reflective of the trading performance. However, an increased working capital requirement of R113.1 million meant the cash generated by operations declined by 19.9%. The group was faced with constrained commercial paper and packaging board supply which increased lead times and also required monthly commitments to access supply. These factors resulted in inventory being increased to manage the potential risk of non-supply. These conditions are expected to continue for the foreseeable future. After taxation paid of R128.4 million, the net cash inflow from operating activities is R498.5 million.

The net investment in property, plant and equipment amounted to R224.9 million, which is below the previous year's level. Capital expenditure is expected to taper off as the most significant investments have taken place.

The group has made three acquisitions during the reporting period, excluding cash acquired, totalling R159.0 million, including a 52.65% investment in Private Property (Pty) Ltd for R122.9 million, and smaller packaging acquisition's. The latter comprise the previously reported upon narrow web self-adhesive operation and a corrugated box operation in the Western Cape.

Further investments and loans were made for R228.4 million, which included the following:

- A 5% stake in Novus Holdings Limited.

- An increase in the group's non-controlling share of Shumani Printers.

- An increase in loans to the group's associate Octotel (Pty) Ltd to fund the roll-out of the fibre to the home network in the Western Cape. At the time of reporting, the business has passed over 65 000 homes with an ever-increasing connection rate and is generating positive cash flows from operations. The loans have been made at commercial terms with adequate security. Additional third-party funding has been made available to the business to further fund the roll out-of the network.

- Increase in loans to our associate Universal Labelling to replace institutional funding, at commercial rates with adequate security.

The group continues to look at acquiring its own shares and during the period acquired 5 911 086 shares at a cost of R79.6 million.

DIVISIONAL PERFORMANCE

Publishing, printing and distribution
Newspaper Publishing and Printing
The group's local newspapers had another tough year, mainly due to a weak consumer market. This led to a decline in local advertising revenues as core advertisers cut back on spending. These conditions also migrated to national advertising revenues which also experienced a decline for the first time in five years, as national retailers curtailed their spend. A positive feature was that management was successful in attracting a number of new customers who are using our advertising medium for the first time. It is our view that the decline in revenues has probably levelled out and, combined with cost reduction initiatives, should see our local newspaper division remaining an important contributor to the group.

Our local newspapers' digital offerings have shown a 21% increase in unique users, reaching over 45 million unique users per annum, making the group the third largest online publisher in South Africa. All measurement metrics continue to show improvements with increasing site visits, page views and number of sessions being recorded. The reach of these offerings has been successfully packaged in combination with print advertising, leading to a significant increase in digital revenues towards the end of the financial year. Small businesses are encouraged by the fact that we can now offer a multi-platform advertising solution.

As previously reported the group acquired a 52.65% interest in one of South Africa's largest property portals, Private Property (Pty) Ltd, along with several high profile estate agents and other industry participants, effective 1 July 2017. Private Property holds a significant market share in the South African property market and has grown revenues in excess of 30% in recent years. In the period under review, revenues grew 9% while net income grew 16%. It is envisaged that this acquisition will have significant synergies with the group's local digital assets that will contribute to further growth in the future.

The newspaper printing operations delivered a stable result despite some major challenges that have been successfully navigated. The operations have had a year of flux with the closure of two national dailies belonging to our customers, the loss of the Independent Media printing contract in Gauteng and more recently in the Cape, and the continued decline in print orders and paginations. The loss of this revenue has fortunately been mitigated through the successful tender for all the newspaper titles for Media 24 in Gauteng, from 1 April 2018.

Magazine Publishing and Distribution
Despite the ongoing market pressures on advertising and circulation revenues, the group's magazine division has delivered an improved performance.

The management team continued its focus on ways to mitigate the revenue pressures through implementing cost saving initiatives and seeking new revenue opportunities. This resulted in costs in all areas recording year-on-year declines, while the strong growth in digital revenues, albeit off a small base, went some way in compensating for the decline in traditional revenues.

The division will continue to exploit synergies across the various magazine titles as well as experimenting with new ways of selling advertising to both its general and niche audiences.

As previously reported, the group disposed of 51% of its loss making magazine subsidiary Ramsay Media to Highbury Media for a nominal amount and a commitment to fund the cash requirements until January 2019. The ability of Highbury Media to extract synergies has meant that no funding has been required in the last quarter of the reporting period.

The group's magazine distribution network is faced with declining circulations and revenue whilst the ever-increasing cost base impacts negatively on profitability. The move to diversify the revenue stream continues but cannot compensate for the loss in magazine turnover. It has become critical to consolidate magazine distribution into one network that will create a more sustainable business in the medium term. This is currently being investigated for a possible pilot project to be implemented in the Eastern Cape.

Commercial Printing

Web and Gravure
Trading conditions in the commercial markets suffered due to a subdued retail environment in which volumes were largely flat. However, management was successful in making some inroads into new categories of work which will add to the base load of our operations into the future. It is envisaged that the retail environment will continue to show little, if any, growth and thus the continued focus on tight cost control is imperative to remain competitive.

These operations have also been faced with a constrained supply of paper during the reporting period that it is expected to continue for the foreseeable future. In response excess stocks have been imported to act as a buffer against the longer lead times experienced and management is confident that the excellent relationships built up with overseas sources will mitigate this risk.

Book and Magazine Printing
This division has grown profitability despite a decline in turnover, which is testament to improved operational efficiencies. The decline in turnover was mainly driven by reduced government spending on educational text books as there was no repeat of the prior year's unexpected spend from the Eastern Cape. This market is key to our operation but there is no consistency in demand from one year to the next. This having been said, the division has enough installed capacity to react should this market recover in the future. A pleasing development was the tender from Media 24, in which the division gained the monthly periodical publications for a period of three years. This has had limited impact on the current year's results but will impact the coming financial year. The division is a significant producer of diaries and this market has been steady over the reporting period.

Packaging and Stationery

Packaging
The packaging divisions recovered during the second half of the financial year on the back of improved demand in some key markets , the most notable being the fast food and frozen fish markets. The key cigarette market remains depressed where the illicit trade continues unabated. It is hoped that the positive media reports on a renewed focus on clamping down on this trade will reverse this trend or at worst, stabilise demand.

Another encouraging feature has been the improved performance of the restructured Gauteng operations where the consolidation of sites and capacities started to bear fruit in the last quarter of the financial year. There is still a focus on operational efficiencies and head count reduction that will continue into the new financial year.

The integration of the two narrow web self-adhesive labelling operations that were acquired in the Western Cape has been completed, with all the integration and retrenchment costs having been recognised in the current reporting period.

A small acquisition of a corrugated box plant in the Western Cape was completed with effect from 1 June 2018. This is the group's first venture into the corrugated market and adds to our growing portfolio of packaging products that we can offer our customer base in that region.

The group has come to the end of the investment cycle into these divisions, which are now well equipped and positioned to capitalise on these investments by growing market share with a continued focus on being a low cost manufacturer.

Stationery
This division has performed admirably by increasing market share and profitability. The two acquisitions, being Flip File and Star Paper, have been extremely successful and with this increased product range the management has been able to gain a greater share of some major retailer's requirements.

Other
The group's replication business has experienced a significant decline in volumes of CDs and DVDs, which is indicative of the sunset industry it serves. The division has mitigated the decline through innovative cost saving initiatives and is in continual discussions with major customers to ensure the facility can continue to supply during

the migration to digital.

Prospects

It does not appear that the economy is set for any meaningful growth in the new year, but the group is in a strong position to exploit any growth prospects which may emerge. The group will continue to manage the existing businesses tightly and also seek to capitalise on any acquisition opportunities that may present themselves.

Review of the Independent Auditors

The company's auditors, Grant Thornton, have reviewed these results. Their unqualified review is available for inspection at the registered office of the company. 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 issuer's registered office.

Statement of responsibility

The preparation of the group's consolidated results was supervised by the Financial Director Mr TJW Holden, BCom, CA(SA).

Dividends

The board has declared a dividend of 60.00 cents (2017: 70.00 cents) per ordinary share (gross) and a preference dividend of 490.00 cents per share (gross) for the year ending 30 June 2018.

The dividends are subject to the Dividend Withholding Tax. In accordance with the provisions of the JSE Listings Requirements, the following additional information is disclosed:

- the Dividend has been declared out of current profits available for distribution
- the Dividend Withholding Tax rate is 20%
- the gross dividend amount is 60.00 cents per ordinary share and 490.00 cents per preference share for shareholders exempt from Dividends Withholding Tax
- the nett dividend amount is 48.00 cents per ordinary share and 392.00 cents per preference share for shareholders liable for Dividend Withholding Tax
- the company has 389 011 767 ordinary shares in issue
- the company has 50 000 preference shares in issue
- the company's income tax reference number is: 9175/167/71/8

The following dates are applicable to the dividends.

The last date to trade in order to be eligible for the dividend will be Tuesday, 13 November 2018.

Shares will be traded ex-dividend from Wednesday, 14 November 2018.

The record date will be Friday 16 November 2018 and payment will be made on Monday, 19 November 2018.

Share Certificates may not be dematerialised or materialised between Wednesday, 14 November and Friday, 16 November 2018 both days inclusive.

30 August 2018

Sponsor
Arbor Capital Sponsors (Pty) Ltd

Executive Directors: TD Moolman, PG Greyling, TJW Holden
Independent Non-Executive Directors: PM Jenkins, ACG Molusi, NA Nemukula, J Phalane, T Slabbert
Transfer Secretaries: Computershare Investor Services Proprietary Limited
Registered office: 28 Wright Street, Industria West, Johannesburg

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