

Mpact Limited
(Incorporated in the Republic of South Africa)
(Registration number 2004/025229/06)
JSE share code: MPT ISIN: ZAE000156501
("Mpact" or "the Company" or "the Group")

TRADING STATEMENT

In terms of the JSE Limited Listings Requirements, listed companies are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported on next will differ by 20% or more from the financial results of the previous corresponding reporting period.

Shareholders are hereby advised that for Mpact's continuing operations, basic earnings per share ("EPS") for the year ended 31 December 2020 are expected to be between 180 and 195 cents per share ("cps"), which is more than 100% greater than for the year ended 31 December 2019 ("prior year"). Headline earnings per share ("HEPS") are expected to increase by between 2.3% and 10.3% and underlying earnings per share ("underlying EPS") to increase by between 1.7% and 9.5% when compared to the prior year.

Continuing operations

Group revenue for the year ended 31 December 2020 was similar to the prior year.

Gross profit decreased by approximately 5% with the gross margin decreasing approximately 1.8 percentage points compared to the prior year. The decline in gross margin is mainly attributable to lower average recycled containerboard prices during the first half of the year due to a higher proportion of export and rolled pulp sales. Although still down slightly on the prior year, the gross margin improved in the second half as a result of increased demand for containerboard in the domestic market and some recovery in businesses that were affected by strict Covid-19 lockdown levels during the first half.

During the year, the Springs paper mill lost more than 50 production days due to the catastrophic failure of a municipal sub-station in Ekurhuleni, which resulted in a loss of gross profit for the Group of approximately R91 million and other related direct costs of R9 million. An insurance claim has been submitted and an interim settlement of R35m has been approved by the insurers, of which the net proceeds of R25 million have been included in the results as sundry income. The balance of the claim has not yet been settled or accounted for.

Based on the above, earnings before interest, tax, depreciation and amortisation ("EBITDA") are expected to decrease by approximately 15% compared to the prior year (December 2019: R1,374 million). The decrease in EBITDA was partially offset by a lower depreciation charge for the year which resulted in underlying earnings before interest and tax ("EBIT") declining by approximately 13% (December 2019: R724 million).

Lower average net debt and interest rates reduced net finance costs by approximately 31% (December 2019: R245 million). The effective tax rate for the year ended 31 December 2020 is estimated to be between 17.5% and 19.5% which is lower than the statutory tax rate mainly due to qualifying section 12I and 12L tax incentives.

Mpact generated strong cash flow from operations of R1.9 billion (December 2019: R986 million), which resulted in net debt decreasing to R1.4 billion (December 2019: R2.3 billion). Gearing has declined to approximately 27% compared to 33% at 31 December 2019.

Continuing operations and total operations

Based on the above, Mpact expects EPS, HEPS and underlying EPS to be in the following ranges:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	Continuing operations	Total Operations	Continuing operations	Total operations
	Cents per share (cps)			
EPS	Between 180 and 195 cps, an increase of more than 100%	Between 180 and 195 cps, an increase of more than 100%	(443.7)	(480.8)
HEPS	Between 190 and 205 cps, an increase of between 2.3% and 10.3%	Between 190 and 205 cps, an increase of between 27.4% and 37.5%	185.8	149.1
Underlying EPS	Between 195 and 210 cps, an increase of between 1.7% and 9.5%	Between 195 and 210 cps, an increase of between 25.7% and 35.4%	191.8	155.1

The weighted average number of shares used in the calculation of EPS, HEPS and underlying EPS for the year ended 31 December 2020 was 169,322,144 shares compared to 171,030,378 shares for the prior year.

Shares repurchased

Shareholders are referred to the Company's announcements on SENS dated 20 October 2020 and 27 January 2021, in which the Company gave notification that it had repurchased 5% and 10% respectively of its issued share capital. In total, 25,129,154 shares were repurchased at an average purchase price of R13.71 per share. The total cash outflow for the repurchase was R344,567,164. The total number of shares in issue at the date of this announcement is 148,175,363 shares.

Mpact's audited results for the year ended 31 December 2020 will be released on SENS on or about 5 March 2021.

Shareholders are advised that the financial information on which this trading statement is based has not been reviewed and reported on by the Company's external auditor.

Melrose Arch

8 February 2021

Sponsor

The Standard Bank of South Africa Limited