

NAMPAK LIMITED

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Incorporated in the Republic of South Africa

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("Nampak" or "the group" or "the company")

## **VOLUNTARY TRADING UPDATE FOR THE 11 MONTHS TO 31 AUGUST 2021**

This announcement is to update the market on the group's performance for the 11 months to date of the 2021 financial year.

### **Improved trading conditions due to eased restrictions**

Trading conditions improved for the 11-month period ended 31 August 2021 ("the period") relative to the prior comparative period ("FY20"), as COVID-19 restrictions were eased in South Africa and most markets in the Rest of Africa, resulting in significantly improved group operating results. Group revenue for the period increased by more than 20%, boosted by stronger volumes in our key markets of Nigeria, South Africa and Zimbabwe. Trading profits and margins grew as the group successfully restructured two divisions, improved volumes as a result of export opportunities and continued its focus on reducing operating costs by consolidating operations and simplifying product offerings.

### **Healthier demand in South Africa, strong performance in Nigeria, and partial recovery in the Rest of Africa**

#### Metals

Bevcan South Africa volumes were boosted by export contracts and a recovery in the local market, despite the alcohol bans and ongoing restrictions on sporting events. Bevcan Nigeria continued to perform better than expected, with double digit volume increases over the comparative period. Demand at Bevcan Angola remained subdued due to a continued weak economy and pandemic restrictions, including closed borders. Nevertheless, profitability in Angola was higher than expected as operating costs were contained in line with lower demand.

Divfood South Africa returned to profitability as a result of successful restructuring that simplified the business and reversed a significant loss in the prior period. Diversified can volumes compared favourably with the prior period and overall food can demand was stable even with lower than expected fish can volumes. Performance in South Africa was somewhat limited in 2H21 due mainly to the civil unrest in July 2021 that led to the closure of some operations of key customers and the disruption of supply chain routes. Congestion and the temporary closure of ports delayed raw material imports and finished good exports. Demand in Divfood Nigeria was strong.

#### Plastics

Rigids South Africa improved volumes for several segments, driven by increased home-consumption of certain staples, while liquid bottles were limited by milk shortages and lower spending on smaller pack sizes due to lockdown restrictions. Profitability improved, despite higher raw materials prices, as the division benefited from savings achieved through successful site consolidations. Carton volumes in South Africa continued to recover from prior

year lows caused by the pandemic with pleasing profitability improvements. Volumes at our Zimbabwean operations increased despite a continually challenging operating environment, with additional growth being limited by the erratic supply of raw materials and availability of foreign exchange.

### Paper

Overall performance improved as demand was robust in Zimbabwe with trading volumes recovering in Zambia and Malawi compared to the comparative period. While certain economies remained weak, the easing of COVID-19 restrictions has seen an improvement in trading activities and good growth from customers.

### **Cash transfers and foreign exchange impacts**

Constrained availability of foreign currency at the official rate slowed cash transfers from Nigeria and had a negative impact on profitability. Transfers from Angola were pleasing and did not limit our ability to operate. Transfers from Zimbabwe were boosted by repayments totalling USD4.0 million from the Reserve Bank of Zimbabwe related to historical debt.

Cash transfers from key markets in the Rest of Africa remain a focus area.

### **Covenant compliance**

As previously reported, all quarterly covenants to date have been met within adjusted limits. Furthermore, covenants were within the original limits of less than or equal to 3.0 times for net debt:EBITDA and greater than or equal to 4.0 times for EBITDA:interest cover for the last reported quarter ended 30 June 2021.

### **Update on business disposal process**

Nampak has successfully concluded an agreement for the sale of the Nampak Tubes business, which has previously been classified as held for sale. For several reasons, Nampak has not been able to conclude the other anticipated business disposals to date, but as part of Nampak's strategic objectives to reduce risk and to simplify our business portfolio we are still actively engaging with potential buyers. This process is taking longer than originally anticipated.

### **Renegotiation of funding agreements**

In terms of the funding agreements negotiated in September 2020, the group's debt funders required interest-bearing debt to be reduced by R1 billion by 30 September 2021, through a strategic asset disposal process or a combination of asset disposals and a capital raise.

Ongoing negotiations have been held with Nampak's lenders to revise certain funding requirements in light of improved trading performance by the group to date. After considering the group's results for the 11 months ended 30 August 2021, the milestone date for assessment of the group's ability to reduce debt by R1 billion has been deferred to 30 June 2022.

The restriction to reduce debt only through asset disposals and/or a capital raise has now been relaxed so as to allow the utilisation of all cash flows generated through normal operating activities, inclusive of the repayments of historical debt by the Reserve Bank of Zimbabwe, but subject to the cancellation of available commitments.

Nampak's lenders have agreed to a relaxation of the net debt:EBITDA covenant to 3.5 times from 30 September 2021 to 30 September 2022, returning to a covenant requirement of 3.0 times for the period commencing on 1 October 2022.

### **Conference call with management**

Nampak management will hold a telephonic conference call on Friday, 1 October 2021 at 10h30 Central Africa Time (UTC+2) to discuss this trading update and address questions from the investment community. Dial-in details are available on Nampak's website.

The financial information contained in this statement is based on unaudited management accounts and has not been reviewed or reported on by the company's external auditors.

Nampak will release its results for the financial year ending 30 September 2021 on the Stock Exchange News Service on or about 6 December 2021. Nampak will be in a closed period from 1 October 2021 until the release of its annual results.

Bryanston

1 October 2021

Sponsor: UBS South Africa (Pty) Ltd

*Forward-looking statements: Certain statements in this document are not reported financial results or historical information, but forward-looking statements. These statements are predictions of or indicate future events, trends, future prospects, objectives, earnings, savings or plans. Examples of such forward-looking statements include, but are not limited to, statements regarding volume growth, increases in market share, exchange rate fluctuations, shareholder return and cost reductions. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "believe", "continue", "anticipate", "ongoing", "expect", "will", "could", "may", "intend", "plan", "could", "may", and "endeavour". By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the group's future revenue, cost structure and capital expenditure; the group's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which holds up the repatriation of earnings; increased competition, slower than expected customer growth and reduced customer retention; acquisitions and divestments of group businesses and assets and the pursuit of new, unexpected strategic opportunities; the extent of any future write-downs or impairment charges on the group's assets; the impact of legal or other proceedings against the group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. When relying on forward-looking statements to make investment decisions, you should carefully consider both these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any*

*obligation to update or revise any of them, whether as a result of new information, future events or otherwise.*