

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.

Continuing operations

Shareholders are hereby advised that for Mpact's continuing operations, basic earnings per share ("EPS") for the year ended 31 December 2021 are expected to be between 340 and 360 cents ("cps"), an increase of between 89.3% and 100.4% when compared to the year ended 31 December 2020 ("prior year").

Headline earnings per share ("HEPS") are expected to increase between 81.7% and 92.7% and underlying earnings per share ("underlying EPS") to increase between 85.4% and 96.1% when compared to the prior year.

For the year ended 31 December 2021, Mpact benefitted from robust demand across most businesses resulting in revenue from continuing operations increasing by approximately 13% when compared to the prior year to R11.5 billion.

The Paper business benefitted from higher domestic demand, a more favourable product mix and higher average selling prices which were partly offset by significant increases in costs, most notably of pulp and recovered paper.

The Plastics business showed good growth across most sectors and improved profitability despite delays in increasing selling prices to recover higher polymer costs.

Earnings before interest, tax, depreciation and amortisation (EBITDA) are expected to increase between 22% and 30% (December 2020: R1,144 million), and underlying earnings before interest and tax (EBIT) between 52% and 59% (December 2020: R607 million).

Net finance costs are expected to be approximately R140 million (December 2020: R170 million) due to lower average net debt and interest rates. Net debt of R1,756 million (December 2020: R1,408 million) increased mainly due to a cash outflow in respect of the share buy-back undertaken in January 2021 as well as increased working capital.

The effective tax rate for the year ended 31 December 2021 is expected to approximate the statutory tax rate of 28% (December 2020: 19.4%).

Business held for sale / discontinued operations

Following a strategic review, Mpact's Board has decided to sell its plastic trays and films business, Mpact Versapak, as a going concern. Versapak currently forms part of the Plastics Division of Mpact.

Mpact Versapak will be disclosed separately in the Annual Financial Statements for the year ended 31 December 2021, with the assets and liabilities being reported as "held for sale" and the Income Statement reported as a "discontinued operation".

The decision to sell Versapak does not affect any other Mpact Plastics businesses being FMCG, Plastic Containers and Preforms and Closures.

Versapak is a leading producer of plastic trays and film with a well-established brand, blue-chip customers and a solid asset base. The reason for the decision is that Versapak's products are not fully aligned with Mpact's strategy.

The Company is currently in the early stages of engagement with potential buyers for the business. It is anticipated that the sale could take several months to complete.

For the year ended 31 December 2021, Versapak reported revenue of R920 million (2020: R839 million), and net earnings of R2 million (December 2020: R15 million), which equates to basic earnings per share of 1.5 cents (December 2020: 9.0 cents). Versapak's net asset value as at 31 December 2021 was R301 million (December 2020: R217 million).

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 2021		For the year ended 31 December 2020	
	Continuing operations	Total Operations	Continuing operations ¹	Total operations
			Cents per share (cps)	
EPS	Between 340 and 360 cps, an increase of between 89.3% and 100.4%	Between 340 and 360 cps, an increase of between 80.3% and 90.9%	179.6	188.6
HEPS	Between 330 and 350 cps, an increase of between 81.7% and 92.7%	Between 330 and 350 cps, an increase of between 68.3% and 78.5%	181.6	196.1
Underlying EPS	Between 345 and 365 cps, an increase of between 85.4% and 96.1%	Between 345 and 365 cps, an increase of between 72.0% and 82.0%	186.1	200.6

¹: Restated to exclude the discontinued operations.

The weighted average number of shares used in the calculation of EPS, HEPS and underlying EPS for the year ended 31 December 2021 was 147,264,489 shares compared to 169,322,144 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. Of the total, 15,413,152 million shares were repurchased during the 2021 financial year with a corresponding cash outflow of R257 million.

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 2021 will be released on SENS on or about 7 March 2022.

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

14 February 2022

Sponsor

The Standard Bank of South Africa Limited