

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.

As reported in the 31 December 2021 annual results released on SENS on 7 March 2022, the plastic trays and films business, Mpact Versapak, is anticipated to be sold as a going concern, and as such Mpact's Group results include separate disclosures in the financial statements for discontinued operations and assets and liabilities held for sale.

Continuing operations

Mpact's trading for the six-months ended 30 June 2022 improved mainly on the back of strong local containerboard and cartonboard demand, good growth in new product sales and higher selling prices implemented at the end of 2021 to cover sharply escalating input costs.

As a result of strong domestic containerboard demand we reduced exports, which led to a favourable sales mix variance compared to the six months ended 30 June 2021 ("prior period"). Comparative sales of Mondi Baywhite declined as the distribution agreement expired on 31 December 2021.

In Paper Converting, increased consumer demand compared to the prior period resulted in improved sales volumes in the industrial and quick service restaurant sectors. These were partially offset by lower sales to the fruit sector as producers delayed orders due to supply chain and market uncertainties arising from port constraints in South Africa and sanctions on Russia. However, sustained growth was experienced in new product sales, albeit off a low base, including home delivery and courier paper bags; and Freshpact punnets and trays.

Sales volumes in the Plastics business declined due to a reduction in Bins and Crates, while FMCG was in line with the prior period and Preform and Closures up marginally. Production of bins and crates was lower than the prior period due to delays in the arrival of new equipment and in part to operational issues, impacting sales. This equipment was required to offset the planned relocation of equipment between plants as part of the establishment of the new Castleview factory in Gauteng. Additionally, bin sales to the fruit sector declined for the same reasons as in Paper Converting. FMCG was affected by seven days of downtime at the Pinetown factory attributable to the floods in KwaZulu-Natal ("KZN").

Revenue for the period is expected to increase by approximately 5% when compared to the prior period. Excluding the sales of Baywhite, revenue is expected to increase by approximately 13%.

During the period costs of recovered paper, pulp, plastic polymers, electricity, coal and several process chemicals increased well above inflation. Operations continued to be impacted by ongoing power and water supply interruptions and other municipal infrastructure related challenges.

Mpact expects to report an increase in underlying earnings before interest and tax (“underlying EBIT”) of approximately 21% (June 2021: R318.7 million). In the current period, Mpact received a final settlement of R47 million (June 2021: R25 million) from the insurers relating to the Springs municipal electricity supply interruption in 2020. The costs associated with the KZN floods of R16 million are included in the current period results, while the insurance claims are being finalised by insurers.

Net debt increased to R2,206 million (December 2021: R1,756 million) mainly due to investments in capital projects and working capital cash outflows, which were both anticipated.

Business held for sale / discontinued operations

For the six-months ended 30 June 2022, Versapak reported revenue of R510 million (June 2021: R428 million), and net earnings of R28 million (June 2021: R18 million), which equates to basic earnings per share of 19.3 cents (June 2021: 12.3 cents). Versapak’s net asset value as at 30 June 2022 was R337 million (June 2021: R202 million).

The Company is in discussions with potential buyers for the business. It is anticipated that the sale could take several months to complete.

Continuing operations and total operations

Based on the above, Mpact expects earnings per share (“EPS”), headline earnings per share (“HEPS”) and underlying EPS to be in the following ranges:

	Six-months ended 30 June 2022		Six-months ended 30 June 2021	
	Continuing operations	Total Operations	Continuing operations ¹	Total operations
			Cents per share (cps)	
EPS	Between 132 and 145 cps, an increase of between 21.7% and 33.6%	Between 151 and 164 cps, an increase of between 25.0% and 35.8%	108.5	120.8
HEPS	Between 133 and 148 cps, an increase of between 22.8% and 36.7%	Between 153 and 166 cps, an increase of between 27.0% and 37.8%	108.3	120.5
Underlying EPS	Between 132 and 145 cps, an increase of between 21.7% and 33.6%	Between 151 and 164 cps, an increase of between 25.0% and 35.8%	108.5	120.8

¹. Restated to exclude the discontinued operations.

Mpact’s unaudited results for the six-months ended 30 June 2022 will be released on SENS on or about 8 August 2022.

Shareholders are advised that the financial information on which this trading statement is based has not been reviewed nor reported on by the Company’s external auditor.

Melrose Arch

28 July 2022

Sponsor

The Standard Bank of South Africa Limited