

Mpact Limited
(Incorporated in the Republic of South Africa)
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("Mpact" or "the Company")

Mpact invests R1.2 billion in its Mkhondo Paper Mill to meet growing virgin containerboard demand in South Africa

Mpact is pleased to announce the approval of a R1.2 billion capital investment project at its Mkhondo Paper Mill in Mpumalanga, South Africa ("Mkhondo Mill" or the "Mill").

This transformative project is fully aligned with Mpact's strategy to pursue organic growth and is expected to create significant value for shareholders and other stakeholders. It also forms part of the Group's portfolio development and will strategically position the Mkhondo Mill to meet the increasing demand for quality, sustainable, fresh produce packaging solutions, driven by robust growth in the South African export fruit sector.

Repositioned to become a predominantly virgin fibre mill, with an enhanced and flexible product range, the Mkhondo Mill will benefit from improved cost competitiveness and reduced environmental footprint while enabling it to respond to the strong domestic and international demand for high quality semi-chemical fluting ("SC fluting"). Mpact's SC fluting, which is marketed under the brand name Bayplex, is a high-performance virgin containerboard grade produced at the Mill. Bayplex is required to produce corrugated cartons for demanding cold-chain applications due to its high strength, moisture resistance, and durability, and is widely used in fresh fruit, other agricultural exports, and specialised applications.

The approval of this project highlights the Mpact Board's confidence in the growth prospects of the South African fresh produce sector as well as Mpact's proven track record in enhancing its assets, as demonstrated through projects such as the successful R800 million upgrade to the Felixton Paper Mill, which was delivered on time and within budget.

The project includes improvements to the paper machine and upgrades to the pulping section which will increase the wood pulping capacity by approximately 55 000 tons per annum to 110 000 tons. This will enable the migration to a higher proportion of Bayplex production with improved properties, enhancing Mpact's ability to meet growing customer demand. The paper machine capacity will increase by approximately 10 000 tons per annum to 142 000 tons.

In addition, a new spray drying facility will be installed at the Mill to benefit the additional by-product generated from the wood pulping process by producing up to 35 000 tons of sodium lignosulfonate

(SLS) powder, primarily for export sales. SLS powder is widely used as a concrete additive in the construction industry, among other applications.

Start-up of the project is planned for the first half of 2025. The project is estimated to generate an internal rate of return in excess of 20%. The strong operating cashflow profile of the existing business allows Mpact to fund this project along with other potential high yielding opportunities through borrowings, while being able to maintain current covenant levels. This investment of R1.2bn is expected to result in the Group's borrowings peaking in 2024.

Mpact Chairman Tony Phillips said: "Our R1.2bn investment into the Mkhondo Mill demonstrates our strong belief in the growth prospects of particularly our fruit exporters who need our containerboard, and Mpact's successful investment and project management track record. What's exciting is that the improved mill also gives us the technical flexibility to expand into new markets by producing pulp by-products for the industrial market such as the SLS powder, most of which we will sell into the export market. As always, we invest to generate value for our shareholders through prudent capital allocation that sustains our growth and allows us to return cash to shareholders via dividends and share buybacks as appropriate."

Melrose Arch

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