

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 previously advised, Mpact's Board decided to sell its Plastics' Trays & Films business, Versapak, as a going concern. Versapak currently forms part of the Plastics Division of Mpact Operations Proprietary Limited. Mpact's Group results include separate disclosures in the financial statements for discontinued operations and assets and liabilities held-for-sale. At the end of 2022, the sale of Versapak was still in progress.

### **Continuing operations**

For the year ended 31 December 2022, Mpact's revenue increased by approximately 7% to R12.4 billion (December 2021: R11.5 billion). Excluding revenue relating to the Baywhite distribution agreement with Mondi that terminated at the end of December 2021, Group revenue increased by 15% and sales volumes by 6%.

In the Paper business, good demand in containerboard and cartonboard continued in 2H2022 and higher sales volumes were experienced in the Paper converting business. Selling prices in the Paper business increased in the last quarter to recover higher input costs.

In the Plastics business, sales volumes were at similar levels to the prior year with the exception of the FMCG business which was negatively affected by seven days of downtime at the Pinetown factory attributable to the floods in KwaZulu-Natal, coupled with lower demand from customers.

Mpact's underlying earnings before interest and tax (EBIT) are expected to increase by approximately 23% compared to the prior year (December 2021: R948 million).

Net finance costs are expected to be approximately R184 million (December 2021: R140 million) due to increased average net debt and higher interest rates. Net debt of R2,327 million (December 2021: R1,756 million) increased mainly due to cash outflows in respect of capital expenditure investments of R1,006 million as well as increased working capital.

The effective tax rate for the year ended 31 December 2022 is expected to approximate the statutory tax rate of 28%.

## Investment for growth and sustainability

Mpact recently announced an investment of R1.2 billion in its Mkhondo Paper Mill to meet growing virgin containerboard demand for quality, sustainable, fresh produce packaging driven by robust growth in the South African export fruit sector. This follows the development of Mpact Plastic Containers' new Castleview production and Brits recycling facilities, Mpact Corrugated's new customer service centre in Limpopo, Mpact Recycling's new purpose-built facility in KwaZulu-Natal and the expansion of the Group's solar photovoltaic (PV) generation capacity at a further five plants in 2022, bringing the Group's total solar PV capacity to 10.8MWp.

Collectively these new investments allow us to take advantage of our unique circular economy business model while positioning Mpact to deliver sustained revenue and margin enhancing growth. The Group has a strong balance sheet and has sufficient debt facilities to implement Mpact's strategy.

## Business held-for-sale / discontinued operations

For the year ended 31 December 2022, Versapak reported revenue of R1,107 million (2021: R920 million), and net earnings of R65 million (December 2021: R2 million), which equates to basic earnings per share of 44.4 cents (December 2021: 1.5 cents). During 2022, a decision was taken to exclude Versapak's trade receivables, cash balances and trade payables from the assets and liabilities held for sale in order to reduce the complexity of a transaction. This has resulted in Versapak's net asset held-for-sale decreasing to R191 million (December 2021: R301 million).

## 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:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Continuing operations	Total operations	Continuing operations	Total operations
			Cents per share (cps)	
EPS	Between 430 and 475 cps, an increase of between 22.3% and 35.1%	Between 475 and 525 cps, an increase of between 34.6% and 48.7%	351.5	353.0
HEPS	Between 410 and 455 cps, an increase of between 19.5% and 32.6%	Between 455 and 505 cps, an increase of between 32.5% and 47.0%	343.2	343.5
Underlying EPS	Between 430 and 475 cps, an increase of between 19.6% and 32.1%	Between 475 and 525 cps, an increase of between 31.5% and 45.4%	359.6	361.1

Mpact's audited results for the year ended 31 December 2022 will be released on SENS on or about 7 March 2023.

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

20 February 2023

Sponsor

The Standard Bank of South Africa Limited