

Mpact Limited
(Incorporated in the Republic of South Africa)
(Company registration number 2004/025229/06)
Income tax number: 9003862175
JSE Share Code: MPT
JSE ISIN: ZAE 000156501
("Mpact" or "the Group" or "the Company")

SHORT-FORM SUMMARISED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS FROM CONTINUING OPERATIONS

- Strong financial performance and good progress on Group strategy implementation
- Underlying operating profit (EBIT) improved by 22.9% to R1.164 billion (2021: R948 million)
- Underlying earnings per share (EPS) up 26.7% to 456 cents (2021: 360 cents)
- Total dividends per share for the year up 130% to 115 cents (2021: 50 cents)
- Return on capital employed (ROCE) increased to 18.5% (2021: 17.8%)
- Mkhondo Mill investment and funding approved
- Mpact Operations retained its Level 1 B-BBEE rating

GROUP OVERVIEW

Bruce Strong, Mpact Chief Executive Officer, said: "We've had a good year thanks to our robust operations and strong financial performance. Operating profit is up by 23% and earnings per share are also up by almost 27%. We've benefited from strong demand for containerboard and cartonboard and our converted paper products. And, our investment in solar and backup power increased the resilience of our operations during load-shedding, while our continued research and product innovation has brought us even closer to our customers."

The Paper business benefited from strong local demand which led to a more favourable sales mix compared to 2021. Higher average selling prices were achieved in the last quarter which offset the significant increases in input costs.

In the Plastics business, sales volumes were similar to the prior year with the exception of the fast-moving consumer goods (FMCG) business which was negatively affected by seven days of downtime at the Pinetown factory caused by the floods in KwaZulu-Natal, coupled with lower customer demand.

Strong added: "Despite the many local and global challenges, we are confident in our future. Our earnings are rising, our balance sheet is strong, and we are investing and innovating to systematically improve the value and future focus of our portfolio and to meet the many growth opportunities we see."

"Our product innovation, research and new production capacity is deliberately targeting sectors like export fruit, convenience shopping, recycling, and waste management, where we expect sustained growth, and which are also partly shielded from South African consumer spending patterns. This is why we are excited by the new R1.2 billion Mkhondo Mill project which will allow us to better innovate and exploit these higher value growth areas."

"Looking forward we will continue implementing our value-enhancing strategy and to optimise the business portfolio while pursuing organic and inorganic growth. Our business, and our competitive advantage, is the circular economy. Because what goes around as packaging, comes back around as sustainable profit."

Mpact Operations (Pty) Ltd, our main South African operating entity, retained its level 1 B-BBEE rating.

INVESTMENT FOR GROWTH AND SUSTAINABILITY

Mpact continues to make good progress on several strategic initiatives that focus on growth sectors and the circular economy where we see significant opportunity for long-term value creation. These are primarily organic projects which will extend our innovative product and service offering, generate sustainable energy, and make a positive impact on our communities. We have also focused on portfolio optimisation and alignment with our strategy to grow where the growth is and divest where appropriate.

Mpact recently announced a R1.2 billion investment in our Mkhondo Paper Mill to meet growing virgin containerboard demand to create quality, sustainable, fresh produce packaging, driven by the robust long-term growth trends in the South African export fruit sector. The project demonstrates our strong belief in our project management track record and the sustained need to invest to support the growth prospects of, particularly, our fruit exporters whose own investment in significant new plantings signals the long-term demand for our products.

This investment follows others such as 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 KZN and the expansion of the Group's solar photovoltaic (PV) generation capacity.

Mpact's paper mills have demand curtailment agreements with Eskom rather than being subject to load-shedding schedules. Consequently, they have not been materially affected by load-shedding to date. To the extent possible converting operations have amended production schedules to meet customer requirements and where feasible generators and solar are being used or installed. To increase our own energy resilience, we rolled out an additional 5.3MWp of solar PV at a further five plants in 2022, bringing the current total to 9.4MWp at 10 operating sites. We have also already approved plans for a further 6.7MWp at two sites in

2023. An additional 10.6Mwp is in the pipeline for another two sites, pending approval. Several of our converting operations already have back-up generators and we are evaluating the electrical infrastructure requirements to have generators installed where practical at other sites to increase our operational resilience when the electricity infrastructure fails.

GROUP FINANCIAL PERFORMANCE FROM CONTINUING OPERATIONS

Group revenue for the year ended 31 December 2022 increased by 7.1% to R12.4 billion (2021: R11.5 billion) mainly due to higher average selling prices. Excluding revenue of R72 million (2021: R867 million) and volumes relating to the Baywhite distribution agreement with Mondi that terminated at the end of December 2021, Group revenue increased by 15.2% and sales volumes by 6.3%.

Underlying profit growth is strong, with EBIT up by 22.9% to R1.164 billion (2021: R948 million) due to strong local demand in the Paper business and higher average selling prices achieved in the last quarter to recover higher input costs.

Underlying EPS increased by 26.7% to 456 cents (2021: 360 cents) due to the strong earnings growth. ROCE improved to 18.5% (2021: 17.8%).

Paper business

Segment revenue increased by 6.7% compared to the prior year to R10.3 billion (2021: R9.7 billion). Excluding revenue relating to Baywhite, Group revenue from the paper business increased by 16.3% and sales volumes by 6.9%. Selling prices increased in the last quarter to recover higher input costs.

Strong domestic containerboard demand and reduced Baywhite sales led to a favourable sales mix variance when compared to the prior year.

The Felixton Paper Mill achieved record production of 210,646 tonnes, up 9% on 2021. The result exceeds the 2017 rebuild project target capacity and was achieved on the back of recent mill optimisation and de-bottlenecking initiatives.

Paper converting's sales volumes increased on the back of good growth in the industrial and quick-service restaurant sectors, with the latter demand possibly supported by load-shedding as more customers ordered in food. It was pleasing to see strong growth in new product sales, albeit off a low base, as a result of sustained demand in home delivery paper bags and Freshpact punnets and trays. These gains more than offset the loss of business due to the KZN floods during the first half of the year, which resulted in some paper converting customers shutting for a few months.

Underlying operating profit in the Paper business of R1.1 billion (2021: R875 million) was up 26.8% on the prior year primarily as a result of improved trading.

The segmental result includes insurance proceeds of R47 million (2021: R25 million) received in respect of the final settlement amount for the Springs municipal electricity supply interruption in 2020 and R8 million relating to flood damages during April in KZN. Direct costs attributable to the KZN floods amounted to R12.8 million.

The underlying operating profit margin improved to 10.7% (2021: 9.0%).

Plastics business

Revenue in the Plastics business was up 9.7% to R2.0 billion (2021: R1.9 billion). Average prices increased 9.9% and volumes were in line with the prior year with an increase in Bins and Crates offset by a decline in the FMCG business due to lower demand as well as the seven days of downtime at the FMCG Pinetown factory attributable to the floods in KZN. Preforms and closure volumes remained flat.

Underlying operating profit of R198 million (2021: R200 million) was similar to the prior period. Improved profitability at Bins and Crates, and Preforms and Closures, were offset by reduced profits in FMCG when compared to the prior year. FMCG profitability was impacted by the floods in KZN in April, with direct costs and write-offs of R10.2 million being incurred. This was however offset by insurance proceeds of R13.6 million. The consolidation of the two preforms and closures plants in Wadeville is now complete and related cost savings are being realised. While the Bins and Crates Castleview project was delayed due to late delivery of new equipment, five machines were installed during the year bringing the total to six at year-end. A further three machines will be installed in the first half of 2023.

Net finance costs

Net finance costs increased to R183.8 million (2021: R139.5 million) due to increased average net debt and higher interest rates, partly offset by the unwinding of the interest rate swap.

Tax

The effective tax rate is 28.5% (2021: 28.5%) which approximates the South African corporate income tax rate.

Earnings per share

Headline earnings per share (HEPS) increased by 25.3% to 430.1 cents (2021: 343.2 cents) while basic underlying EPS improved by 26.7% to 455.7 cents (2021: 359.6 cents).

The weighted average number of shares used in the calculation of EPS, HEPS and underlying EPS for the year ended 31 December 2022 was 145,415,555 (2021: 147,264,489).

Net debt

Net debt increased in line with expectations to R2.327 billion (2021: R1.756 billion) mainly due to higher capital investments of R1.0 billion as well as increased working capital.

As at 31 December 2022, Mpact had approximately R3.2 billion of committed debt facilities. In February, Mpact secured an additional R1.45 billion four-year committed debt facility in order to ensure sufficient headroom during the implementation phase of the recently announced Mkhondo Mill project and other additional capital projects. The additional facilities were secured at the same margin and covenants as the previous facilities.

BUSINESS HELD-FOR-SALE/DISCONTINUED OPERATION

As previously advised, Mpact's Board decided at the end of 2021 to sell its Plastic Trays and 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.

For the year ended 31 December 2022, Versapak reported revenue of R1.107 billion (2021: R920 million), and net earnings of R65 million (2021: R2 million), which equates to basic earnings per share of 44.4 cents (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 assets held-for-sale decreasing to R191 million (2021: R301 million).

At the end of 2022, the sale of Versapak was still in progress.

OUTLOOK

While cost inflation may reduce from the high levels of the past year, we expect costs to remain elevated and consumer spending to remain under pressure. This in turn may affect demand for some of our products and place pressure on margins. Notwithstanding, several of our products are targeted at sectors which are expected to grow in the foreseeable future, and are partly shielded from South African consumer spending patterns. These include fruit exports, convenience shopping, recycling and waste management.

The Paper business is expected to continue to benefit from good domestic containerboard and cartonboard demand, with all paper machine capacity fully allocated to customers until the end of September. In addition, the recovery of higher manufacturing costs through increased selling prices in the final quarter of 2022 will be positive for the business. The Felixton Mill upgrade project, aimed at increasing the production of lightweight recycled containerboard by an additional 16,000 tonnes per annum, is scheduled to be completed during the third quarter of 2023.

Margins in the Paper Converting business are expected to remain under pressure due to significant containerboard cost increases which may not be fully recovered in selling prices.

The Plastics business is anticipated to benefit from the consolidation of the two preform and closures factories in Wadeville during 2022. We also continue to work on optimising production efficiencies, along with increased profitability in the Bins and Crates business as the new Castleview factory gains critical mass.

The indirect effects of load-shedding on our customers and future demand in general remains uncertain. The management team's primary focus is on implementing our value-enhancing strategy that aims to optimise the business portfolio and foster organic and inorganic growth. This strategy has resulted in stronger earnings and has facilitated the Company's innovation and expansion into new, higher-margin product areas, thereby delivering tangible benefits to all shareholders. Mpact's integrated business model is designed to close the loop in paper and packaging, which makes it well-positioned to benefit from the global push towards a circular economy, spearheaded by brand owners, manufacturers, and governments.

BOARD CHANGES

Effective 2 June 2022, Ms Ntombi Langa-Royds retired by rotation as an Independent Non-Executive Director of Mpact, Chairman of the Social and Ethics and Remuneration Committees and as member of the Nomination Committee. The Board would like to thank Ms Langa-Royds for her valuable contribution, dedication and commitment to the Company during her tenure.

Mr Sibusiso Luthuli, an Independent Non-Executive Director of the Board, has been appointed as the Chairman of the Remuneration Committee effective from 2 June 2022.

Ms Maya Makanjee, an Independent Non-Executive Director of the Board, has been appointed as the Chairman of the Social and Ethics Committee effective from 2 June 2022.

Ms Lea Conrad was appointed as an Independent Non-Executive Director of the Board effective September 2022 as well as a member of the Social and Ethics Committee and a trustee of the Mpact Foundation Trust.

DIVIDENDS

The Board has resolved to declare a final gross cash dividend of 75 cents per ordinary share for the financial year ended 31 December 2022 (60 cents per share net of dividend withholding tax) bringing the total dividend for the year to 115 cents per ordinary share (2021: 50 cents per ordinary share). A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividend has been declared from income reserves.

Salient dates for the cash dividend distribution

| | |
|---|---------------------|
| | 2023 |
| Publication of dividend declaration | Tuesday, 7 March |
| Last day of trade to receive a dividend | Tuesday, 28 March |
| Shares commence trading "ex" dividend | Wednesday, 29 March |
| Record date | Friday, 31 March |
| Payment date | Monday, 3 April |

All times provided are South African local times. The above dates and times are subject to change. Any material change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 March 2023 and Friday, 31 March 2023, both days inclusive. Mpact's income tax reference number is 9003862175.

The Board will continue to focus on driving long-term value for shareholders. This is done through prudent capital allocation in the context of growth opportunities, which do exist, and cash returns to shareholders by dividends, share buybacks or a combination thereof. The Group will target a dividend cover of approximately three times, based on underlying earnings, on average over the cycle, although the pay-out ratio in each year may vary according to the business cycle.

FINANCIAL SUMMARY FROM CONTINUING OPERATIONS

| | Year ended 31 December 2022 | Year ended 31 December 2021 | Change |
|--|-----------------------------------|-----------------------------------|--------|
| R'million | | | |
| Revenue | 12,373 | 11,549 | 7.1% |
| Underlying operating profit (1) | 1,164 | 948 | 22.8% |
| Underlying profit before tax (2) | 1,026 | 816 | 25.7% |
| Net debt | 2,327 | 1,756 | 32.5% |
| ROCE | 18.5% | 17.8% | 0.7% |
| Total gross dividend per share (cents) | 115 | 50 | 130% |
| Basic EPS (cents) | 455.7 | 351.5 | 29.6% |
| Basic underlying EPS (cents) | 455.7 | 359.6 | 26.7% |
| Basic HEPS (cents) | 430.1 | 343.2 | 25.3% |

(1) Underlying operating profit is the Group operating profit before special items.

(2) Underlying profit before tax is the Group profit before tax and before special items.

The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to International Financial Reporting Standards (IFRS). These items are referred to as special items and are defined in the Group accounting policies included in the full Audited Consolidated Annual Financial Statements.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full audited announcement and does not contain full or complete details. This short-form announcement has not been reviewed or audited by the Company's external auditor. Any investment decision should be based on the full audited announcement which is available on our website: <https://www.mpact.co.za/investor-relations/financial-results/2022/FY2022.pdf>, and on <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/MPT/FY2022.pdf>

Deloitte & Touche, the Group's independent auditor, has audited the Consolidated Annual Financial Statements (AFS) of Mpact Limited and has expressed an unmodified audit opinion on the AFS.

The group auditor report (with Key Audit Matters) and the group AFS can be accessed at: <https://www.mpact.co.za/investor-relations/financial-results/2022/GROUPAFSFY2022.pdf>

The company auditor report and the company AFS can be accessed at: <https://www.mpact.co.za/investor-relations/financial-results/2022/COMPANYAFSFY2022.pdf>

The full audited announcement is also available for inspection at our registered offices at no charge during office hours.

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

7 March 2023

COMPANY PROFILE

Mpact is the largest paper and plastics packaging and recycling business in Southern Africa with customers that include packaging converters, fruit producers and FMCG companies. Mpact's integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables.

As at 31 December 2022, Mpact employed 5,156 people (2021: 5,115 people) and had 43 operating sites, 21 of which are manufacturing operations, located in South Africa, Namibia and Mozambique. Sales in South Africa account for approximately 89% of Mpact's total revenue for the current year while the balance

was predominantly to customers in the rest of Africa.

DIRECTORS

Independent Non-Executive

AJ Phillips (Chairman), ABA Conrad, NP Dongwana, PCS Luthuli, M Makanjee, TDA Ross and DG Wilson

Executive

BW Strong (Chief Executive Officer), BDV Clark (Chief Financial Officer)

Company Secretary

DM Dickson

Registered office

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Transfer secretaries

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(Private Bag X9000, Saxonwold, 2132)

Sponsors

The Standard Bank of South Africa Limited
30 Baker Street, Rosebank, 2196
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Auditors

Deloitte & Touche
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(Private Bag X6, Gallo Manor, 2052)