Caxton & CTP Publishers & Printers Limited

Incorporated in the Republic of South Africa
Registration number: 1947/026616/06
Share code: CAT
ISIN: ZAE000043345
Preference share code: CATP
ISIN: ZAE000043352

UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

- R382.1m profit from operating activities after depreciation and amortisation up 39.8%

- HEPS 90.7 cents up 36.4%

- R19.22 net asset value up 4.6%

	% change	Unaudited six months to 31 December 2022 R'000	Unaudited six months to 31 December 2021 R'000	Audited for the year ended 30 June 2022 R'000
Revenue	25.8	3 817 393	3 035 684	5 979 339
Profit from operating activities before depreciation and amortisation	28.8	505 696	392 689	828 007
Profit from operating activities after depreciation and amortisation	39.8	382 051	273 370	590 298
Profit for the period	68.4	404 821	240 385	543 801
Cash, cash equivalents and listed preference shares	(33.9)	1 138 697	1 722 354	1 724 306
Earnings per ordinary share (cents)	66.4	106.3	63.9	151.2
Headline earnings per ordinary share (cents)	36.4	90.7	66.5	157.0
Net asset value per share (cents)	4.6	1 922	1 837	1 887
Ordinary dividend per share (cents)				50.0

COMMENTARY

The group has posted a record set of interim results for the period ended 31 December 2022:

- Profit from operating activities before depreciation and amortisation (EBITDA) grew by R113 million (28.8%) from R392.7 million to R505.7 million.
- Profit from operating activities after depreciation and amortisation grew by R108.7 million (39.8 %) from R273.4 million to R382.1 million.

Revenues grew strongly by R781.7 million (25.8%) from R3 035.7 million to R3 817.4 million on the back of price increases to recover the unprecedented cost increases of raw materials and operating expenses while the volume growth in our major packaging market segments continued to surprise on the upside. The newly acquired Amcor flexible business in the Western Cape (effective 1 August 2022) also contributed positively to the growth in packaging turnover.

The group was faced with an unprecedented increase in raw material input prices as local and international paper and board mills were oversubscribed and access to supply was limited, combined with increased freight rates. To further compound the rising cost of raw materials, the international mills were faced with significant energy cost increases as the fallout from the Russia/Ukraine conflict took hold, which meant most European mills applied energy surcharges. This abnormal set of circumstances had to be carefully managed with customers and was the prime focus of management to ensure that margins were maintained. The group's access to a wide supplier base, as well as holding abnormally large stock levels, meant that we were able to meet all customer requirements and, in some instances, grow market share.

The predicted rising inflationary environment is very evident in our results as operating expenses increased by R105 million from R529.8 million to R634.8 million (19.8%). This includes the abnormal cost of R23.8 million spent on the repair of our large commercial printing plant in Durban that was subjected to extensive flood damage reported on at the prior year-end. Excluding this abnormal cost, operating expenses would have increased by 15.3%, of which a portion is in support of the increased volumes through our operations. However, across all operations, the period was characterised by increased prices from most of our suppliers, as they were faced with the same inflationary pressures. These increases were particularly felt in transport , maintenance, insurance and power costs.

The group's subsidiary, Cognition Holdings Limited, sold its 51% share in Private Property South Africa (Proprietary) Limited for a gross consideration of R150 million (R147.8 million net of transaction cost) which resulted in a profit on disposal of R79 million.

Profit before taxation was R527.5 million and the taxation charge was R122.7 million, resulting in profit after taxation of R404.8 million - representing earnings per share of 106.3 cents (prior year 63.9 cents) - an increase of 66.4% and headline earnings per share of 90.7 cents (prior year 66.5 cents) - an increase of 36.4%.

Although consumer demand has held up well in the first six months there is a distinct possibility that with the high levels of inflation (especially in relation to groceries) and continued loadshedding, a lacklustre growth outlook will exist in a recessionary environment. This environment will no doubt impact the group's performance especially in light of the excellent results posted in the second half of the prior year. The group will be focused on releasing cash from its working capital, managing costs as tightly as possible and ensuring that we can capitalise on acquisition opportunities as and when they arise.

The group's investment in Mpact Limited remains a focus and although Mpact reported good growth in the year-end to December, the levels of debt in the company are of concern. Caxton is in the process of challenging a number of aspects of Mpact's corporate governance, which are similarly worrisome.

Statement
This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details.

The full announcement will be released around 17 March 2023 and can be found on the company's website at https://www.caxton.co.za/about/announcements and also on the following link:
https://senspdf.jse.co.za/documents/2023/JSE/ISSE/CAT/CATIR2023.pdf

The full announcement is available at the Company's registered office and the offices of the sponsor during office hours.

Any investment decision should be based on the full announcement published on the Company's website.

By order of the board
16 March 2023

Executive Directors:
TD Moolman, TJW Holden, LR Witbooi

Non-executive Directors:
PM Jenkins, ACG Molusi, NA Nemukula,
JH Phalane, T Slabbert

Transfer Secretaries:
Computershare Investor Services Proprietary Limited

Sponsor: AcaciaCap Advisors Proprietary Limited

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