

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")

PRELIMINARY SUMMARISED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION FOR  
THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- Headline earnings per share up 8% to 512 cents (2022: 475 cents)
- Net asset value per share up 11.2% to R33.63 (2022: R30.24)
- Record cash generated from operations of R2.0 billion
- Underlying operating profit increased by 7% to R1.3 billion (2022: R1.2 billion)
- Total dividend per share for the year up 4% to 120 cents (2022: 115 cents)
- Strategic projects on track

COMMENTARY FROM CONTINUING OPERATIONS

OVERVIEW

Mpact delivered a resilient performance for the year ended 31 December 2023, in a challenging economic environment, providing tangible evidence of our prudent strategy.

Bruce Strong, Mpact Chief Executive Officer, said: "while the trading conditions were extremely difficult, we are pleased that our strategy and focus on expanding in sectors with market growth opportunities and adopting a business model aligned to the circular economy has yielded positive benefits. These have been underpinned by successful investments in new capabilities as well as alternative power and water supply infrastructure to increase our operational resilience."

The weak economy, weighed down further by load shedding and other public infrastructure failures, impacted many businesses and consumers who were already struggling because of high interest rates and a prolonged period of high inflation. The effect of reduced consumer spend was evident across many of Mpact's businesses.

Despite the challenging environment, most of our businesses achieved improvements in underlying operating profit and good cash generation from operations. The increase in operating profit was due to improved margins compared to the previous year, which offset declines in sales volumes.

Global supply chain constraints that affected raw material sourcing in 2022 improved during the year. Input costs saw some relief around mid-year, particularly in plastic polymers, recovered paper, and pulp. However, other costs increased, such as electricity, coal, fuel, and certain imported raw materials influenced by the weakening rand. We were nevertheless able to pass on some of the cost reductions to customers during the second half of the year.

Load shedding increased to unprecedented levels during the year. Our paper mills and most converting operations have demand curtailment agreements with Eskom and our solar generation capacity and process designs allowed us to meet most of the requirements up to stage 5. Additional generators were also installed at multiple sites during the year, and our generator readiness programme was implemented throughout the business. Many of our key sites now have both solar PV and generators to enhance resilience.

During the year, we reached some key milestones in our strategic development, including significant progress in a number of capital investment projects for growth and operational resilience, and in our business portfolio optimisation. The Felixton Mill and Mbombela Corrugated upgrade projects were successfully completed during the second half of the year. Another 6.7MWp of solar PV capacity was added, bringing the Group's total solar capacity to approximately 16MWp. Other projects such as the Mpact Plastic Containers' (Bins & Crates) Castleview factory expansion and upgrades to the Gqeberha Paper Converting factory and Mkhondo Paper Mill are on track to meet the targeted financial returns.

Mpact Operations (Pty) Ltd, the Group's main trading entity in South Africa, retained its Level 1 B-BBEE status.

FINANCIAL REVIEW

Group revenue from continuing operations for the year ended 31 December 2023 increased by 3.6% compared to the prior year to R12.8 billion, despite sales volumes decreasing by 10.7%.

The Group achieved record cash generated from operations of R2.0 billion (2022: R1.0 billion). Underlying operating profit increased to R1.21 billion (2022: R1.16 billion) primarily as a result of a recovery in margins, and some of the recently completed projects.

Headline earnings per share increased by 8% to 512 cents (2022: 475 cents) from total operations and by 3% to 443 cents from continuing operations.

Return on capital employed was 17.4% (2022: 18.9%) for total operations and 16.6% for continuing operations compared to 18.5% in the prior year due to relatively large capital outlays for the strategic growth projects which are still in progress.

Gearing was 32.9% with net debt of R2.67 billion after investing R1.54 billion during the year in capital projects, reflecting stringent management of working capital and record cash generated from operations.

#### Paper business

Paper business revenue increased by 3.3% compared to the prior year to R10.7 billion (2022: R10.3 billion), due to higher selling prices which were partly offset by an 11.2% reduction in sales volumes. Volumes were negatively affected by subdued consumer demand, lower fruit exports due to adverse weather conditions, and customers' overstocking with imported containerboard and cartonboard ordered in 2022 when there were shortages, but only delivered during 2023.

To manage working capital, Felixton and Mkhondo Mills took commercial downtime amounting to approximately 16% of total capacity during the year given the decline in containerboard demand and high customer inventories.

Underlying operating profit for the year of R1.2 billion (2022: R1.1 billion) increased by 5.3% compared to the prior year. The increase in profitability is attributable to improved margins and operational performance, partly offset by lower sales and production volumes.

The Felixton Mill and Mbombela Corrugated upgrade projects were successfully completed during the second half of the year following planned downtime for their implementation, which reduced profits compared to the prior year by approximately R60 million, in-line with the project plans.

The upgrade at Mkhondo Paper Mill is progressing well. While the project remains on schedule, higher inflation and a weaker exchange rate are putting pressure on the budget. The financial returns are nevertheless still expected to meet the original plan as some of the new products will be exported and priced in US dollars.

#### Plastics business

Revenue in the Plastics business of R2.2 billion (2022: R2.0 billion) increased by 5.9%. Sales volumes declined by 3.8% on the prior year with improved volumes in Bins & Crates and FMCG offset by a decline in Preforms & Closures. Higher sales volumes in Bins & Crates were underpinned by recent investments while FMCG increased its market share.

Underlying operating profit of R189 million (2022: R198 million) decreased by 4.5% compared to the prior year with increases in FMCG and Preforms & Closures offset by a significant decline in Bins & Crates.

Bins & Crates' profitability was impacted by a supplier of imported polymer being placed into business rescue in early October 2023. The direct costs to Mpack related mainly to payments made for polymer that was not received. We are pursuing several avenues, including legal proceedings, to secure outstanding material and to recover payments made.

Bins & Crates' Castleview expansion project was accelerated by the acquisition of several second-hand injection moulding machines and moulds during 2023. Five of the machines were installed at Castleview, bringing the total number to thirteen at year end compared to nine originally planned for this stage of the project. A significant improvement is expected in the profitability of the Bins & Crates business during 2024, and we remain confident that this investment will comfortably meet our financial return objectives in the future.

Goodwill of R92 million attributable to Preforms & Closures was impaired due to two contracts with a major customer expiring in June 2024, as agreement could not be reached on economically viable terms to justify the investment required for continued supply. Following the successful plant rationalisation in 2022, costs in the business have been reduced and extensive efforts are being made to secure new sustainable business.

#### Net finance costs

Net finance costs increased to R284.0 million (2022: R183.8 million) due to higher average net debt and interest rates compared to the prior year.

#### Tax

The effective tax rate of 24.7% (2022: 27.2%) is lower than the statutory rate due to the recognition of a deferred tax asset of R64 million attributable to previously unrecognised tax losses.

#### Earnings per share

Headline earnings per share increased by 8% to 512 cents (2022: 475 cents) from total operations and by 3% to 443 cents (2022: 430 cents) from continuing operations. Basic earnings per share from total operations decreased 2.6% to 487 cents (2022: 500 cents) and by 19.3% to 368 cents (2022: 456 cents) for continuing operations due to the impairment of goodwill in Preforms & Closures.

#### Net debt

Net debt increased to R2.67 billion (December 2022: R2.33 billion) with strong cash generation from operations and well managed working capital which partly offset the outflows of R1.54 billion for capital investments, in line with the Group's strategy.

#### DISCONTINUED OPERATIONS

The sale of Versapak was still in progress at year end. Mpack's Group results thus include separate disclosures in the financial statements for Versapak as a discontinued operation with its assets and liabilities held-for-sale.

For the year ended 31 December 2023, Versapak reported revenue of R1.14 billion (2022: R1.11 billion), and net earnings of R176 million (2022: R65 million). The increase in net earnings is due to a 57.2% increase in underlying operating profit to R101 million (2022: R64 million) and a gain arising from a fair value adjustment on plant and equipment of R74 million. The net earnings equate to underlying earnings per share of 69 cents (2022: 44 cents). Versapak's net assets held-for-sale at year end were R240 million (2022: R191 million).

#### OUTLOOK

Consumer spending and the broader South African economy are expected to remain constrained for the foreseeable future, with the upcoming national elections adding another level of uncertainty to our operating environment. This will put pressure on demand and the margins of our South African consumer-focused products.

The outlook for the South African fruit sector has improved compared to last year attributable mostly to more favourable climatic conditions and investments for growth by fruit producers. Their packaging demand will however depend on their ability to get produce through the ports and shipped timeously. Port constraints remain a concern for most sectors of the economy.

As containerboard customers' stocks normalise, sales are expected to better reflect actual consumption compared to last year, but the benefits of higher volumes will be offset by lower prices due to an oversupply of containerboard globally. We will continue to manage our capacity to avoid locking up cash in stock if market conditions require.

The substantial recent capital investments made to increase efficiency, enhance operational resilience and output, and improve quality are expected to contribute positively to future profitability in both the Paper and Plastics businesses. In addition, we expect a significant improvement in the Bins & Crates business during 2024, which is expected to be partly offset by lower sales in Preform & Closures.

We remain confident in our value-enhancing strategy and committed to executing it. The strategy prioritises growth sectors and investments in innovative, higher margin and sustainable products.

#### BOARD CHANGES AND RETIREMENT OF CHIEF FINANCIAL OFFICER

Ms Neo Phakama Dongwana retired by rotation at the Annual General Meeting of Mpact on 1 June 2023. Mpact's Chief Financial Officer, Mr Brett Clark, is due to retire at the end of May 2024 after reaching his normal retirement age.

The Board would like to thank Neo and Brett for their valuable contributions, dedication, and commitment to Mpact during their tenures.

We are currently in the process of recruiting a new Chief Financial Officer.

#### DIVIDENDS

The Board has declared a final gross cash dividend of 75 cents per ordinary share for the financial year ended 31 December 2023 (60 cents per share net of dividend withholding tax) bringing the total dividend for the year to 120 cents per ordinary share (2022: 115 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.

The Company's total number of issued ordinary shares at the date of this announcement is 149,453,688.

Mpact's income tax reference number is 9003862175.

#### Salient dates for the cash dividend distribution

Event	2024
Publication of dividend declaration	Friday, 8 March
Last day of trade to receive a dividend	Tuesday, 2 April
Shares commence trading "ex" dividend	Wednesday, 3 April
Record date	Friday, 5 April
Payment date	Monday, 8 April

All times provided are South African local time.

Share certificates may not be dematerialised or re-materialised between Wednesday, 3 April 2024 and Friday, 5 April 2024, both days inclusive.

#### FINANCIAL SUMMARY

	Continuing operations			Total operations		
	Year ended 31 December	Year ended 31 December	Change	Year ended 31 December	Year ended 31 December	Change
R'million	2023	2022		2023	2022	
Revenue	12 823	12 373	3.6%	13 960	13 481	3.6%
Underlying operating profit <sup>1</sup>	1 210	1 164	4.0%	1 311	1 228	6.7%
Underlying profit before tax <sup>2</sup>	945	1 026	(7.9%)	1 046	1 090	(4.0%)
ROCE	16.6%	18.5%	(1.9)	17.4%	18.9%	(1.5)
Basic EPS (cents)	367.6	455.7	(19.3%)	487.3	500.1	(2.6%)
Basic underlying EPS (cents)	444.6	455.7	(2.4%)	513.9	500.1	2.8%

Basic HEPS (cents)	443.0	430.1	3.0%	512.3	474.5	8.0%
Net debt	R2.665 billion (2022: R2.327 billion)					
Total gross dividend per share (cents)	120 cents (2022: 115 cents)					

- (1) Underlying operating profit is the Group's operating profit before special items.  
(2) Underlying profit before tax is the Group's 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 audited annual financial statements and do 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 audited financial statements which includes the Group auditor report (with Key Audit Matters) and which is available on our website:  
<https://www.mpact.co.za/investor-relations/financial-results/2023/GROUPAFSFY2023.pdf>, and on  
<https://senspdf.jse.co.za/documents/2024/JSE/ISSE/MPT/FY2023.pdf>

The Company auditor report and the Company Annual Financial Statements can be accessed at:  
<https://www.mpact.co.za/investor-relations/financial-results/2023/COMPANYAFSFY2023.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

8 March 2024

#### COMPANY PROFILE

Mpact is the largest paper and plastics packaging and recycling business in southern Africa, employing 5,095 people (2022: 5,156 people), and generating revenue of R14 billion in the 2023 financial year. Sales in South Africa account for approximately 92% of Mpact's total revenue for the current year while the balance was predominantly to customers in the rest of Africa.

The Group operates across 41 sites, comprising 23 manufacturing sites, and 15 recycling operations. Proximity to our customers contributes to faster response times, reduces transport costs and creates economies of scale. Our integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and the beneficiation of recyclables.

Our strong customer relationships, a thorough understanding of the sectors we operate in, and our commitment to innovation allow us to continue creating fit-for-purpose sustainable packaging solutions as well as value-added services that anticipate our customers' needs.

Mpact remains South Africa's largest collector of recyclable packaging, collecting 594 million kilograms of recyclables (paper, glass, beverage cans, plastic and liquid board packaging) from pre- and post-consumer streams in 2023. By closing the loop on paper and plastic, we not only reduce the amount of material going to landfill, but also promote the local beneficiation of raw materials and support the development of SMMEs.

#### DIRECTORS

Independent Non-Executive:

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

Executive:

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

Company secretary:

DM Dickson

Registered office:

4th Floor, No.3 Melrose Boulevard, Melrose Arch, 2196

Transfer secretaries:

JSE Investor Services (Pty) Limited  
One Exchange Square, 2 Gwen Lane  
Sandton, 2196

Sponsors:

The Standard Bank of South Africa Limited  
30 Baker Street, Rosebank, 2196  
(PO Box 61344, Marshalltown, 2107)

Auditors:

PricewaterhouseCoopers Inc. (PwC)  
4 Lisbon Lane, Waterfall City, Jukskei View, 2090  
(Private Bag X36, Sunninghill, 2157)