SENS ANNOUNCEMENT

NAMPAK LIMITED
Registration number 1968/008070/06
Incorporated in the Republic of South Africa
Share Code: NPK ISIN: ZAE000322095
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LEI: 3789003820EC27C76729
(“Nampak” or “the group” or “the company”)

SUMMARY OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2024

SALIENT FEATURES

CONTINUING OPERATIONS

- Revenue of R6.2bn up 7%
- Trading profit of R770m up 133%
- EBITDA of R1 148m up 201%
- Operating profit before net impairments of R1 005m up from R235m
- Significant decline in net impairment losses
- Operating profit for the period R992m compared to operating loss of R558m in 1H23
- Profit for the period of R395m compared to a loss of R878m in 1H23
- Earnings per share of 5 280.3 cents up from loss per share of 31 043.7 cents
- Headline earnings of R447m compared to a headline loss of R327m in 1H23
- Headline earnings of 5 393.9cps compared to headline loss of 11 027.3cps in 1H23

TOTAL OPERATIONS

- Loss from discontinued operations of R530m compared to R1 569m in 1H23
- Headline earnings of R267m compared to headline loss of R342m in 1H23
- Net debt: EBITDA for covenant purposes of 3.04 below covenant threshold of 6.5x
- Current ratio 1.8 compared to 1.6 in 1H23
- Cash generated from operations R878m compared to R21m in 1H23
- Free cash flow of R810m compared to a cash outflow of R109m in 1H23

COMMENTARY

CONTINUING OPERATIONS

“The Group has made positive strides over the past twelve months in respect of its ambitious transformation agenda.

The first half of FY24 reflects this progress in respect of the five strategic pillars, namely:

- portfolio optimisation, spearheaded by divestitures and stock keeping unit rationalisation;
- unearthing of inefficiencies and cost reduction enabled by a merged SA Metals business model;
- strengthening of the Nampak brand proposition as a purveyor of packaging excellence;
- group wide focus on customer obsession; and
- building a high-performance anatomy calibrated for learning agility.

The most salient first half performance drivers include a step change in performance of the continuing Metals Group, a highly effective cost reduction program, significantly lower impairment losses, improved working capital management and pleasing progress on asset disposals.

In addition to significant macro-economic headwinds in most geographies, there were notable performance inhibitors, namely constrained consumer demand in South Africa and Angola, unreliable municipal infrastructure resulting in electricity failures at the Springs plant, partial volume loss with two major customers and an invasive cyber incident which was successfully remedied.

Notwithstanding the aforementioned, the Group results were pleasing. SA Metals performed exceptionally well due to the turnaround initiatives gaining momentum.”

Phil Roux Chief Executive Officer

OVERVIEW

CONTINUING OPERATIONS

Group revenue from continuing operations increased by 7% to R6.2 billion reflecting encouraging growth despite an operating environment that was characterised by high interest rates, inflation and the resultant pressure on consumers’ disposable income. Despite declines in revenue in DivFood and Bevcan Angola, Metals recorded a 6% increase in revenue boosted by growth achieved with Bevcan South Africa, while Plastics and Paper posted 9% and 10% increases in revenue respectively.

Improved operating margins were achieved through portfolio optimisation and cost reduction initiatives. Operating profit was assisted by active management of the post-retirement medical aid liability which resulted in a cost curtailment gain of R290 million and materially lower impairments. Forex risk management continues to improve as it remains a key focus of management.

Operating profit before impairment losses of R1 005 million reflects a 328% increase compared to R235 million in the prior period.

Impairment losses decreased significantly to R13 million from R793 million with an operating profit of R992 million delivered compared to an operating loss of R558 million for the prior year.

Net finance costs decreased 7% to R459 million from R491 million benefiting from the reduction in debt as a result of the net rights issue proceeds of R960 million received in September 2023 and net cash generated during the period under review. This was partially offset by increased interest rates and higher trade receivables due to the inability of the Group to invoice timeously in March 2024 as a consequence of the cyber incident. The repayment of R243 million in borrowings late in the period under review will benefit interest costs in the second half.

A profit before tax of R530 million compares favourably to the loss before tax of R1 052 million incurred in the prior period with a profit of R395 million reported compared to a loss of R878 million in 1H23.

A profit for the period of R395 million was delivered compared to a loss of R878 million in the comparative period and resulted in earnings per share of 5 280.3cps compared to a loss of 31 043.7cps in the prior period. A headline profit of R447 million and headline earnings per share of 5 393.9 cents is reported compared to R327 million headline loss and headline loss per share of 11 027.3 cents in the prior year.

DISCONTINUED OPERATIONS

Discontinued operations include Bevcan Nigeria, Liquid Cartons South Africa, Malawi and Zambia as well as the South African Plastic and Tubes businesses.

The material reduction in the loss for discontinued operations of R530 million compared to the prior period loss of R1 569m, is primarily attributable to a significant reduction in impairments. The remaining goodwill of R335 million was impaired coupled with a post-tax asset impairment of R184 million valuing Bevcan Nigeria at its fair value less costs to sell. The second half is expected to benefit from the recycling of the attributable foreign currency translation reserve of R2.2 billion on completion of the Bevcan Nigeria disposal (based on the closing rand/dollar exchange rate on 31 March 2024).

TOTAL OPERATIONS

A loss for the period of R93 million attributable to owners of Nampak Limited was incurred compared to a loss of R2 490 million in the comparative period and resulted in a loss of 1 123.5cps compared to 83 882.1cps in the prior period. A headline earnings of R267 million is reported compared to a headline loss of R342 million in the prior period, resulting in headline earnings of 3 227.9cps compared to headline loss of 11 524.1cps.

Group financial performance

R million	1H24	1H23	% change
Continuing operations			
Revenue	**6 166**	5 782	7
Trading profit	**770**	330	>100
Net devaluation losses	**(47)**	(58)	19
Capital and other items	**282**	(37)	>100
Operating profit before net impairment losses	**1 005**	235	>100
Net impairment losses	**(13)**	(793)	>100
Operating profit/(loss)	**992**	(558)	>100
Profit/(loss) before tax	**530**	(1 052)	>100
Profit/(loss) for the period from continuing operations	**395**	(878)	>100
Headline earnings	**477**	327	46
Discontinued operations			
Loss for the period from discontinued operations	**(530)**	(1 569)	66
Total operations			
Loss for the period	**(135)**	(2 447)	94
Cash generated from operations before working capital changes	**905**	591	53
Net working capital changes	**(27)**	(570)	95
Cash generated from operations	**878**	21	>100
Net cash generated/(utilised) before financing activities	**276**	(584)	>100
Earnings/(loss) per share (cps)			
- continuing operations	**5 280.3**	(31 043.7)*	>100
- total operations	**(1 123.5)**	(83 882.1)*	99
Headline earnings/(loss)	**267**	(342)*	>100
Headline earnings/(loss) per share (cps)			
- continuing operations	**5 393.9**	(11 027.3)*	>100
- total operations	**3 227.9**	(11 524.1)*	>100

During the period the Group has classified various assets as held for sale and discontinued operations further to the stage of completion of the asset disposal programme that commenced in August 2023.

*Comparative numbers in HY23 have been re-presented in accordance with the application of IFRS 5: Assets Held for Sale and Discontinued Operations. In addition, as a consequence of the share consolidation and rights offer the weighted average number of shares ("WANS") in issue for HY23 has been re-presented from 627 822 506 to 2 968 572 in terms of IAS 33: Earnings per Share. The WANS for HY24 is 8 277 921.

OVERVIEW

CONTINUING OPERATIONS

Metals South Africa

SA consumers have been severely impacted by rising costs due to inflationary pressure, high interest rates and increased fuel costs amongst others. Numerous fast-moving consumer goods categories suffered volume declines. These declines were not limited to discretionary categories and were inclusive of staple food products. Notwithstanding the aforementioned, Metals South Africa has significantly improved its profitability with the operating margin expanding from 5.2% to 12.3%. This is consequent to numerous turnaround initiatives coming to fruition. This margin is deemed to be sustainable given both growth and further efficiency opportunities.

Bevcan SA

The beverage category that Nampak serves has shown relative resilience with satisfactory beer and sustained energy drink volume growth. The can substrate has increased its participation as a format of choice. Profitability was bolstered by improved product mix, significant cost reduction and improved plant efficiencies which resulted in margin expansion.

The planned capital investment of R350m in capacity expansion bodes well for the future given the sustained growth of the large pack format which offers an enhanced value proposition to consumers. The commissioning of the new Springs Line 2 is progressing according to plan and will add the much-needed capacity to address this growing market segment.

Net working capital was particularly well managed with positive impacts on improved cash flows.

DivFood

DivFood reported a marginal decrease in revenue due to portfolio rationalisation and a plant closure by a large customer for maintenance during the period under review. Disruptions in local ports in Q1 impacted supply to customers.

The food category experienced mixed fortunes with a softening in demand for deciduous fruits and vegetable products partially offset by growth in other categories. Monobloc and tinplate aerosol volumes have been affected by weak demand. The paint operation was closed thereby mitigating operating losses incurred by this segment.

The solid progress within the Diversified portfolio performance is an amalgam of numerous interventions which include inter alia portfolio rationalisation, cost management and margin expansion coupled with revitalised leadership.

An operating loss reported in the prior period was converted into a strong operating profit with a turnaround of R186 million. Notwithstanding the pleasing results from the turnaround, there is further scope for growth and efficiency improvements.

Rest of Africa

Bevcan Angola

Notwithstanding a doubling of inflation and slowing consumer demand, Bevcan Angola reported an encouraging improvement in operating profit assisted by improved trading margins and lower forex losses. Supply to a critical customer was resumed during the period due to adherence with payment terms. The DRC portends a further growth opportunity given filling line investment in the country.

In Angola, the kwanza was relatively stable during the period under review devaluing by 2%. Cash transfers of R337 million (1H23: R342 million) for the period were made representing a marginal decline. There are recent signs of a tightening in dollar availability which are being closely monitored.

Zimbabwe

Zimbabwe continues to be plagued by hyperinflation and a dysfunctional currency.

The business continues to perform satisfactorily notwithstanding a dynamic environment and impending drought conditions.

A lower than anticipated tobacco crop is expected which is expected to manifest in lower volumes in the second half. Reengineering of products to compete more effectively is being implemented.

Corporate Services

Trading profit at corporate services benefitted from lower employee costs as a consequence of the restructuring and reduced forex losses coupled with reduced professional fees. A R290m cost curtailment benefit from a plan change to the post-retirement medical aid added further savings at the operating profit before net impairment level.

DISCONTINUED OPERATIONS

Bevcan Nigeria

Nigeria as an economy encountered severe headwinds consequent to a significant devaluation of the naira with resultant high imported inflation. This impacted consumer demand with adverse impacts on revenue and profitability. A concerted effort to increase market share will be the primary source of volume growth in the short-to-medium term.

The naira devalued by 68% during the period. Cash transfers of R368 million (1H23: R622 million) were made for raw material costs. Higher cash transfers were made in the comparative period to reduce elevated cash balances held at 30 September 2022.

A sale and purchase agreement for $68.5 million was concluded on 16 May 2024 date with conditions precedent as set out in the circular to shareholders on 30 May 2024.

A loss before tax of R666 million was incurred inclusive of a R335 million goodwill impairment and a R261 million impairment of property, plant and equipment.

Asset Disposal Plan

The Group concluded refinancing agreements on 27 September 2023. As part of the refinancing the Group is required to settle R2.7 billion by 31 March 2026 with repayments of R243 million and R477 million required to be made on 31 March 2024 and 30 September 2024 respectively. The first payment of R243 million which was due on 31 March 2024 was settled in full.

Proceeds from completed disposal transactions, as well as contracted disposals subject in the main to Nampak shareholder and regulatory approvals, will be utilised to settle the R477 million due on 30 September 2024. Divestiture initiatives have concluded disposals of R2.1 billion across the business portfolio and are tracking ahead of the internally set timeframes to complete these disposals.

The proceeds from all disposals will be utilised to repay debt and reduce gearing.

Outlook

Nampak is not immune to constrained economic conditions in the multiple geographies in which it operates. The business is however increasingly better positioned to compete effectively and unlock further value. We anticipate improvements and growth within the Diversified portfolio as we re-engineer the business. The new capacity installed within Bevcan South Africa will be fully leveraged. A sustained corporate focus on scaling down and cost reduction remains an ongoing theme.

The momentum behind the asset disposal plan gives further credence to the turnaround. The amalgam of the aforementioned strengthens the outlook for Nampak with a platform created to reduce the Group's level of debt and improve leverage ratios.

The board has decided not to declare an ordinary dividend for 1H24 (1H23: Nil).

This short form announcement is the responsibility of the directors and is only a summary of the information in the full announcement, which is available on the JSE's cloudlink at https://senspdf.jse.co.za/documents/2024/JSE/isse/NPK/HY2024.pdf and on Nampak's website http://www.nampak.com/Investors/Financial-Information under the 2024 financial year.

The short form announcement has not been reviewed or audited by the company's auditors.

Copies of the full announcement may also be requested from the Group Company Secretary, Omeshnee Pillay on omeshnee.pillay@nampak.com.

Interim results presentation

Nampak management will hold an in-person presentation at the Table Bay Hotel, Cape Town and a webcast presentation on Friday, 28 June 2024 at 11h00 Central Africa Time (UTC+2) to present the interim results, provide a business update and address questions from the investment community.

Webcast details are available on Nampak's website http://www.nampak.com/investors. The interim results presentation and announcements will be uploaded on the website on the same morning.

Bryanston

28 June 2024

Sponsor: PSG Capital