

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.

Continuing operations

The Group's operating profit margin for the six-months ended 30 June 2024 decreased from the high levels achieved in the six months ended 30 June 2023 ("prior period"), which benefited from a strong recovery in Paper margins following selling price increases at the end of 2022.

Containerboard and cartonboard demand remained subdued and selling prices were lower than the comparable prior year period. This resulted in reduced revenue and operating profit in the Paper business and necessitated production downtime at the paper mills to manage inventory levels and conserve cash.

The Plastics business increased revenue across all three divisions, primarily driven by higher sales volumes in the Bins and Crates and FMCG businesses. Operating profit for the Plastics business is expected to be in line with the prior period with an increase in Bins and Crates on the back of recent investments offset by decreases in the other two businesses.

Group revenue from continuing operations is expected to decline by approximately 1% compared to the prior year (June 2023: R6,240 million), with an increase of 11% in the Plastics business offset by a decrease of 3% in the Paper business.

Earnings before interest, tax depreciation and amortisation (EBITDA) are expected to decrease by approximately 8% (June 2023: R797 million) and underlying operating profit by approximately 20% (June 2023: R531 million). This is largely due to the under-recovery of fixed costs as well as higher depreciation from major projects which were capitalised towards the end of 2023.

Net finance costs are expected to be approximately R150 million (June 2023: R132 million) due to increased average net debt. Net debt increased to approximately R3.2 billion (December 2023: R2,665 million) mainly due to the Mkhondo paper mill upgrade and working capital cash outflows. Mpact remains comfortably within its bank covenants.

The effective tax rate for continuing operations is expected to be approximately 29% due to the income tax expense related to the profit from discontinued operations being allocated to continued operations. The effective tax rate for total operations is expected to be in line with the statutory tax rate of 27%.

Good progress is being made on the Group's strategic development projects and we remain confident in our value-enhancing strategy and future prospects.

Business held for sale / discontinued operations

For the six months ended 30 June 2024, Versapak's net earnings are expected to be in line with the prior period and its net asset value as at 30 June 2024 is expected to be approximately R247 million (June 2023: R173 million).

The sale of Versapak is still in process.

Continuing operations and total operations

Based on the above, Mpact expects earnings per share ("EPS") and headline earnings per share ("HEPS") to be in the following ranges:

	Six-months ended 30 June 2024		Six-months ended 30 June 2023	
	Continuing operations	Total operations	Continuing operations	Total operations
			Cents per share (cps)	
EPS	Between 117 and 127 cps, a decrease of between 38.6% and 33.4%	Between 140 and 151 cps, a decrease of between 34.6% and 29.5%	190.7	214.1
HEPS	Between 117 and 127 cps, a decrease of between 37.8% and 32.5%	Between 140 and 151 cps, a decrease of between 33.8% and 28.6%	188.2	211.6

Mpact's unaudited results for the six months ended 30 June 2024 will be released on SENS on or about 5 August 2024.

Shareholders are advised that the financial information on which this trading statement is based has not been reviewed nor reported on by the Company's external auditor.

Melrose Arch

22 July 2024

Sponsor

The Standard Bank of South Africa Limited