

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")

UNAUDITED INTERIM RESULTS AND CASH DIVIDEND DECLARATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

KEY FINANCIAL DATA

- Net asset value per share up 9% to R34.11 from June 2023
- Satisfactory progress on strategic projects and portfolio optimisation
- EBITDA of R763 million
- Underlying operating profit of R455 million
- Headline earnings per share of 145 cents
- Interim dividend per share of 30 cents

COMMENTARY FROM CONTINUING OPERATIONS

OVERVIEW

As anticipated, the challenging economic and trading environment persisted during the six months ended 30 June 2024. The uncertain socio-political environment leading up to the national elections, high levels of loadshedding that continued until the end of March, high inflation and interest rates all contributed to weak consumer and business sentiment.

Bruce Strong, Mpact Chief Executive Officer, said: "Against this backdrop, we are pleased to report a 9% increase in our net asset value per share over the past year to R34.11. For the first six months ended 30 June 2024, the Group generated EBITDA of R763 million and cash from operations of R516 million. Although lower than last year, this demonstrates our resilience through the cycle.

We have also continued to drive our value enhancing strategy, of aligning our business to growth sectors with sustainable returns and enhancing our operational resilience. Our solar PV generated power amounting to 16MWp saved us over R18 million in electricity costs during the first half of the year.

The Mkhondo mill upgrade project of R1.3 billion is progressing well, with construction underway and most of the critical equipment ordered. The project is expected to be completed as planned during the first half of next year."

Mpact Operations (Pty) Ltd ("Mpact Operations"), 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 period ended 30 June 2024 decreased by 1.1% to R6.173 billion (June 2023: R6.240 billion), primarily due to a 2.1% decrease in sales volumes.

Underlying operating profit decreased to R423 million (June 2023: R531 million), as a result of lower selling prices in the Paper business, the under-recovery of fixed costs and higher depreciation from major projects capitalised towards the end of 2023.

Return on capital employed for total operations was 14.4% (June 2023: 18.8%) due to relatively large capital outlays for the strategic growth projects which are still in progress.

Paper business

Revenue of R5.097 billion was 3.3% lower than the prior period (June 2023: R5.269 billion) due to lower sales volumes, as well as lower containerboard and cartonboard selling prices.

Paper Manufacturing total sales volumes were in line with the prior period with an increase in exports offsetting a decline in domestic sales. The continued slowdown in both containerboard and cartonboard sales necessitated production downtime at all three paper mills to manage inventory levels and conserve cash. This resulted in downtime amounting to approximately 13% of their capacity during the period, which includes eight days at the Springs mill due to utility outages.

In Paper Converting, sales volumes declined by 1.4% with an increase in the agricultural sector offset by a decline in the industrial sector.

Underlying operating profit decreased to R397 million (June 2023: R548 million) due to the under-recovery of fixed costs, non-recurring costs of R25 million as well as higher depreciation from major projects which were capitalised towards the end of 2023.

Plastics business

Revenue in the Plastics business of R1.097 billion increased by 10.6% (June 2023: R993 million). Sales volumes increased by 2.7% with growth in the Bins & Crates and FMCG businesses on the back of recent investments and new products offset by a decline in Preforms & Closures.

Despite the increase in revenue, operating profit was in line with the prior period at R64 million with an increase in Bins & Crates offset by declines in the other two businesses. The decreases are mainly attributable to non-recurring items amounting to R19 million. Depreciation increased by R14 million, or

18%, due to major projects capitalised towards the end of 2023.

Effective 1 April 2024, Mpack Plastic Containers Castlevue Proprietary Limited acquired a 30% interest in Africa Tanks (Pty) Ltd ("Africa Tanks") for a consideration of R73 million. Africa Tanks manufactures plastic water tanks for the residential, commercial and agricultural markets and is the first blow-moulding water tank manufacturer in Southern Africa.

Net finance costs

Net finance costs increased to R148 million (June 2023: R132 million) mainly due to higher average net debt during the period. Finance costs of R19 million related to the Mkhondo Mill project were capitalised during the period (June 2023: R2 million).

Earnings per share

Headline earnings per share decreased to 144.6 cents (June 2023: 211.6 cents) from total operations and to 122.2 cents (June 2023: 188.2 cents) from continuing operations. Basic earnings per share decreased to 146.3 cents (June 2023: 214.1 cents) from total operations and to 123.9 cents (June 2023: 190.7 cents) for continuing operations.

Net debt

Net debt increased to R3,230 million (December 2023: R2,665 million) with cash generation from operations offset by outflows of R111 million for dividends and R490 million for capital investments, in line with the Group's strategy.

DISCONTINUED OPERATION

Following a strategic review in 2021, Mpack's Board decided to sell its Plastic Trays & Films business, Versapak, as a going concern. Versapak currently forms part of the Plastics Division of Mpack Operations.

On 31 July 2024, Mpack entered into a sale of business agreement with Greenpath Recycling Proprietary Limited (a wholly owned subsidiary of Sinica Manufacturing Proprietary Limited) ("Sinica"), whereby Mpack will dispose of Versapak as a going concern for a purchase price of R268 million. The purchase price will be adjusted based on the actual amount of stock on hand and the value of certain employee liabilities as at the effective date of the disposal.

The disposal excludes all cash, debtors and creditors of the business. Also excluded from the disposal are the two properties from which the business operates. The parties have therefore also entered into two separate lease agreements in terms of which Sinica will lease these properties on market-related terms.

Mpack anticipates the effective date of the disposal to be in the second half of 2024, subject to the approval of the competition authorities having been received timeously. The disposal proceeds will be applied towards the settlement of debt.

For the period ended 30 June 2024, Versapak reported revenue of R485 million (June 2023: R545 million), and net earnings of R33 million (June 2023: R34 million). Versapak's net assets held-for-sale at period end were R247 million (June 2023: R173 million; December 2023: R239 million).

OUTLOOK

Business and consumer sentiment has started to improve on the back of the positive outcome of the national elections, lower inflation, no loadshedding since April 2024, and a possible interest rate cut later this year. This bodes well for all our operations as any recovery in the economy should translate into improved demand which we are well positioned to meet.

The recent changes and improvements at Transnet and Eskom, together with their commitment to proactively respond to challenges, should further support growth in South Africa. This in turn will benefit the prospects for all manufacturers. These improvements will also directly benefit our fruit exporting customers who have already invested extensively for growth.

Notwithstanding the above, we still expect our full year earnings to be under pressure relative to last year. Should demand pick up notably, the second half of this financial year could be better than the corresponding period of last year. However, this may not be enough to fully offset the first half decline in earnings.

We are expecting an increase in containerboard and cartonboard sales volumes, however, lower average selling prices may partially reduce the benefits of the positive operating leverage for the Group.

The performance of the Plastics business is anticipated to improve on the back of recent investments in Bins & Crates, which may be partially offset by lower sales in the Preforms & Closures business.

The disposal of Versapak is expected to be completed by the end of the financial year, subject to regulatory approvals. The net proceeds will be used to reduce debt.

We will continue to focus on our value-enhancing strategy, which prioritises growth sectors and investments in innovative, higher margin and sustainable products.

BOARD CHANGES AND RETIREMENT OF CHIEF FINANCIAL OFFICER

Effective 17 May 2024, Ms Fikile Futwa was appointed to Mpack's Board as an Independent Non-executive Director and as a member of the Audit and Risk Committee. The Board is very pleased to welcome Fikile and looks forward to her contribution to the Company.

Hannes Snyman was appointed as the Mpact Group Chief Financial Officer and an Executive Director effective 1 June 2024 following the retirement of Brett Clark on 31 May 2024.

Tim Ross retired at the Annual General Meeting held on 6 June 2024, having served as a non-executive director on the Board since Mpact listed in 2011. Tim simultaneously retired as the Chairman of the Audit and Risk Committee, as well as a member of both the Remuneration Committee and Nomination Committee. The Board would like to thank Tim for his invaluable contribution and wishes him well in his retirement.

DIVIDENDS

The Board has resolved to declare an interim gross cash dividend of 30 cents per ordinary share for the six months ended 30 June 2024 (24 cents per share net of dividend withholding tax) (June 2023: 45 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	Monday, 5 August
Last day of trade to receive a dividend	Tuesday, 27 August
Shares commence trading "ex" dividend	Wednesday, 28 August
Record date	Friday, 30 August
Payment date	Monday, 2 September

All times provided are South African local time.

Share certificates may not be dematerialised or re-materialised between Wednesday, 28 August 2024 and Friday, 30 August 2024, both days inclusive.

FINANCIAL SUMMARY

	Continuing operations		Total operations	
	Six months ended 30 June 2024	Six months ended 30 June 2023	Six months ended 30 June 2024	Six months ended 30 June 2023
R'million	2024	2023	2024	2023
Revenue	6,173	6,240	6,658	6,785
Underlying operating profit ¹	423	531	455	564
Underlying profit before tax ²	286	409	319	443
ROCE	13.5%	18.7%	14.4%	18.8%
Basic and underlying EPS (cents)	123.9	190.7	146.3	214.1
Basic HEPS (cents)	122.2	188.2	144.6	211.6
Net debt	R3,230 million (June 2023: R2,640 million; December 2023: R2,665 million)			

Interim gross dividend per share (cents) 30 cents (HY2023: 45 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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the interim 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 unaudited financial statements which is available on our website: <https://www.mpact.co.za/investor-relations/financial-results/2024/HY2024.pdf>, and on <https://senspdf.jse.co.za/documents/2024/JSE/ISSE/MPT/HY2024.pdf>

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

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

5 August 2024

COMPANY PROFILE

Mpact is the largest paper and plastics packaging and recycling business in southern Africa, employing 5,339 people (June 2023: 5,349 people), and generating revenue from total operations of R6.7 billion in the six months ended 30 June 2024.

Sales in South Africa account for approximately 89% of Mpact's total revenue for the current period 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.

DIRECTORS

Independent Non-Executive:

AJ Phillips (Chairman), PCS Luthuli, M Makanjee, DG Wilson, ABA Conrad and FC Futwa

Executive:

BW Strong (Chief Executive Officer), JJ Snyman (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)