

# SENS ANNOUNCEMENT



NAMPAK LIMITED

Registration number 1968/008070/06

Incorporated in the Republic of South Africa

Share Code: NPK ISIN: ZAE000322095

Share Code: NPP1 ISIN: ZAE000004966

Share Code: NPKP ISIN: ZAE000004958

LEI: 3789003820EC27C76729

("Nampak" or "the group" or "the company")

## **AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2024**

### **Business Overview**

Over the past twelve months, Nampak has taken positive strides on its ambitious transformation journey. The success of the turnaround strategy to date is evidenced by the strong financial recovery including effective revenue growth management, cost and inefficiency extraction, profitability and positive cash flow. This was augmented by the successful refinancing, numerous divestitures of non-core assets in line with the asset disposal plan and the implementation of a sustainable business model.

We continue to operate in a highly volatile environment impacted by global stability, economic activity with concomitant currency effects, resulting in slower-than-normal customer growth. Economic growth is pedestrian, inflation high, currencies volatile, and consequently, consumer spending is slower than optimal.

The establishment of the GNU in South Africa, is a positive development that should deliver economic prosperity that will arguably be realised over time. In the second half of the year, consumer spending remained muted. While food and beverage categories are largely defensive in nature, they are not immune to inflationary pressures and high interest rates, which typically manifest in reduced consumption. This was evident in all geographies in which Nampak participated in 2024.

Volume growth for Nampak is highly dependent on customer growth and the ability to gain market share. The company is well positioned for category and share growth given available and newly installed capacity.

### **Continuing Operations**

Group revenue from continuing operations of R10.0 billion increased 1% consequent to an operating environment that was characterised by high interest rates, inflation and resultant pressure on

consumers' disposable income. Increases in Beverage South Africa and Beverage Angola respectively, were partially offset by a decline in Diversified South Africa due to category contraction, slower customer growth and partial volume loss.

The Beverage category continues to grow, in particular beverage in cans, a format which is growing in terms of consumer preference. Challenges faced in the second half relating to the installation of the new 500ml production line at Springs meant that Nampak was unable to fully capitalise on this increased demand. However, significant resources were enlisted to ensure that this short-term setback is corrected expeditiously. Further capex to support growth, will be invested including the relocation of a spare line from Angola to South Africa.

Diversified South Africa sustained the exceptional turnaround of the first six months generating a pleasing operating profit compared to a loss in the prior year despite volume declines due to slower customer demand, loss of business, the extended plant shutdown by a key customer and supply chain disruptions. The aforementioned challenges have, for the most part, been remedied.

Despite the Angolan economy remaining constrained with limited discretionary spending by consumers, this business performed exceptionally well. Increased oil output could be a renewed catalyst for economic growth and bring respite to tough trading conditions. Beverage Angola's volumes were bolstered by normalised trading with a large customer. Costs were exceptionally well managed, augmented by excellent plant efficiencies.

The group reported EBITDA of R1.5 billion which increased by R1.1 billion from R343 million, benefiting from the implementation of the group's turnaround plan.

Beverage South Africa delivered EBITDA of R806 million representing an increase of 38% from R583 million in 2023. This was complemented by the turnaround in Diversified South Africa which reported an EBITDA of R325 million compared to R15 million in the prior year. Beverage Angola performed well increasing its EBITDA contribution to R276 million from R43 million.

Cash generated from operations before changes in working capital of R1.6 billion increased by 114% from R741 million, reflecting the successful operational turnaround during the year. Rigorous management of working capital allowed a further release of R175 million in cash following an optimised 2023 net working capital position.

## Group financial performance

| R million   | FY24         | FY23    | % change |
|---|--------------|---------|----------|
| <b><u>Continuing operations</u></b>                       |              |         |          |
| Revenue   | <b>9 956</b> | 9 881   | 1        |
| Trading profit  | <b>1 048</b> | 438     | >100     |
| Capital and other items                                   | <b>196</b>   | (360)   | >100     |
| Operating profit before net impairment reversals/(losses) | <b>1 244</b> | 78      | >100     |
| Net impairment reversals/(losses)                         | <b>471</b>   | (1 117) | >100     |
| Operating profit/(loss)                                   | <b>1 715</b> | (1 039) | >100     |
| Profit/(loss) for the year                                | <b>626</b>   | (2 215) | >100     |

|  |                  |             |      |
|--|------------------|-------------|------|
| Earnings/(loss) per share (cents)                | <b>7 554.0</b>   | (64 415.9)  | >100 |
| Headline earnings/(loss)                         | <b>278</b>       | (1 341)     | >100 |
| Headline earnings/(loss) per share (cents)       | <b>3 361.1</b>   | (39 004.6)  | >100 |
| <b><u>Discontinued operations</u></b>            |                  |             |      |
| Loss for the period from discontinued operations | <b>(1 007)</b>   | (1 737)     | 42   |
| <b><u>Total operations</u></b>                   |                  |             |      |
| Loss for the year                                | <b>(381)</b>     | (3 952)     | 90   |
| Basic loss                                       | <b>(373)</b>     | (4 033)     | 91   |
| Loss per share cents                             | <b>(4 500.8)</b> | (117 295.5) | 96   |
| Headline earnings/(loss)                         | <b>114</b>       | (1 610)     | >100 |
| Headline earnings/(loss) per share (cents)       | <b>1 378.0</b>   | (46 811.7)  | >100 |
| Cash generated from operations                   |                  |             |      |
| - Before working capital changes                 | <b>1 587</b>     | 741         | 114  |
| - After working capital changes                  | <b>1 762</b>     | 1 645       | 7    |
| Net debt   | <b>4 436</b>     | 4 639       | 4    |
| Current ratio                                    | <b>1.9</b>       | 1.8         |      |

The board has decided not to declare an ordinary dividend for 2024 (2023: Nil).

## Financial Overview

### Continuing Operations

Group revenue growth of 1% was supported by increases of 4% and 6% in Beverage South Africa and Beverage Angola respectively, partially offset by a 7% decline in revenue in Diversified South Africa. The stronger Rand adversely impacted the translation of Angola's revenue to Rand.

Trading profit increased by 140% to R1.0 billion assisted by improvements of 47% in Beverage South Africa, 60% in Beverage Angola and 937% in Diversified South Africa, partially offset by non-recurring restructuring costs.

Capital and other items of R196 million boosted profitability compared to a net negative contribution of R360 million in 2023. This resulted in a positive swing of R556 million. Contributors to this movement included a R290 million post-retirement medical aid gain; a reduction of R137 million in forex losses in Angola; and R27 million lower retrenchment and restructuring costs.

Operating profit before net impairment reversals/(losses) of R1.2 billion increased from R78 million assisted by improvements of R224 million in Beverage South Africa, R251 million in Beverage Angola and a conversion of a R6 million operating loss in Diversified South Africa to an operating profit of R301 million.

Nampak recorded reversals of asset impairment losses of R471 million. These were due to net impairment reversals of R273 million and R234 million related to Diversified South Africa and Beverage Angola respectively, reflecting the improved outlook for these operations. This compares favourably to net impairment losses of R1.1 billion in the prior year.

An operating profit of R1.7 billion was reported compared to an operating loss of R1.0 billion in the prior year.

Net finance costs decreased by 24% to R926 million from R1.2 billion. This was despite persistently high interest rates compared to the prior year, coupled with on average higher investment in working capital due to the impacts of a cyber breach in March 2024. In addition, the funding of R222 million for the Springs Line 2 expansion utilised cash from internally generated sources that would otherwise have been used to settle interest-bearing debt. The group incurred R32 million of refinancing transaction costs compared to R335 million in 2023.

The group's effective tax rate for the year was 20.1% compared to a tax shield of 2.2% in the prior year. The tax rate in 2024 was impacted by the asset impairment reversals.

The group recorded a profit of R626 million attributable to owners of Nampak compared to a loss of R2.2 billion in 2023. This was supported by improved trading results, the positive contribution from capital and other items, asset impairment reversals and lower net interest. This resulted in earnings per share from continuing operations of 7 554.0 cents compared to a loss of 64 415.9 cents per share (cps) in 2023. Headline earnings from continuing operations were R278 million and headline earnings were 3 361.1cps compared to a R1.3 billion headline loss and a headline loss of 39 004.6 cps in the prior period.

### **Cost-saving initiatives**

The rigour with which procurement processes were managed contributed significantly to the reduction in raw materials and consumables used to R5.8 billion from R6.3 billion. Employee costs of R1.4 billion decreased 11% from R1.5 billion due to cost containment, retrenchment and restructuring initiatives. Other operating expenses declined by 23% to R1.3 billion from R1.7 billion. The group continued to focus on cost savings through site rationalisation, cost synergies between Beverage South Africa and Diversified South Africa and rationalised centralised costs.

### **Forex losses, cash transfers and exchange rates**

Nampak's active management of procurement and related forex resulted in a reduction in forex losses in Angola to R41 million from R179 million. Cash transfers of R587 million (2023: R717 million) from Angola were made during the year to settle foreign creditors. To partially hedge against further currency depreciation, we acquired US\$3 million worth of US dollar bonds. These instruments have seven-year maturity tenors, attract a 7% interest rate per annum, have been classified as long-term assets and have proved to be highly effective hedging mechanisms.

### **Discontinued Operations**

Discontinued operations include Beverage Nigeria; Liquid Cartons South Africa, Malawi and Zambia; South Africa Plastics and Tubes businesses; Inspection and Coding Systems (I&CS); Nampak's Ethiopia business; Kenya Metals and Nampak Zimbabwe. I&CS offers cost-effective, quality product coding and control systems for the packaging industry. The unit was previously reported under the Beverage division.

Net impairment losses declined to R683 million from R1.7 billion. This was mainly due to the reduction in the goodwill impairment related to Beverage Nigeria.

The loss for the year from discontinued operations was R1.0 billion, representing a decline of 42% from R1.7 billion in 2023.

The table below sets out the (loss)/profit per discontinued operation/asset disposal group for the year:

| <b>Description</b>   | <b>2024<br/>Rm</b> | <b>2023<br/>Rm</b> |
|----------------------|--------------------|--------------------|
| Beverages Nigeria    | *(658)             | ** (1 864)         |
| Nampak Zimbabwe      | (15)               | 170                |
| Liquid Cartons Group | *** (318)          | 107                |
| Rest of SA Plastics  | (84)               | (184)              |
| Other businesses     | 68                 | 34                 |
| <b>Total</b>         | <b>(1 007)</b>     | <b>(1 737)</b>     |

\* Includes forex losses of R264 million and goodwill and asset impairments of R661 million

\*\* Includes forex losses of R941 million and asset impairments of R1.5 billion

\*\*\* Includes translation reserve loss of R203 million recycled to other comprehensive income

## **Total Operations**

A loss of R373 million attributable to owners of Nampak for 2024 was reported compared to a loss of R4.0 billion in 2023. This resulted in a loss per share of 4 500.8 cents compared to a loss of 117 295.5 cents per share (cps) in the prior year. The headline earnings were R114 million and headline earnings per share of 1 378.0 cps compared to R1.6 billion headline loss and a headline loss of 46 811.7cps in 2023.

Nampak's net asset value per share of 14 216 cents was 28% lower than 19 810 cents in September 2023. This was primarily due to loss incurred for the year.

The step change in profitability is reflected in the 114% increase in cash generated from operations before working capital changes of R1.6 billion from R741 million in 2023. This was augmented by a release of R175 million in cash from net working capital due to strong working capital management. Cash generated from operations increased to R1.8 billion from R1.6 billion with the prior year cash generation supported by a R905 million release from net working capital.

## **Asset Disposal Plan**

During the year the group disposed of the following operations which had previously been included in the Plastic segment: Drums and Crates; Plastics South Africa; Malawi and Zambia as well as properties in London, Nigeria and Tanzania. The proceeds from these disposals were utilised to repay R720 million in net interest-bearing debt.

On 16 May 2024, an agreement was reached for the disposal of Bevcan Nigeria the proceeds of which will be used to repay interest-bearing debt. The disposal is subject to certain conditions precedent including the approval for the disposal by the Federal Competition and Consumer Protection Commission of Nigeria.

Agreements were reached for the disposal of the group's 51.43% interest in Nampak Zimbabwe Limited (NZL) for a maximum amount of US\$25 million, as well as for the disposal of the business of I&CS for R142.5 million.

The NZL disposal will contribute significantly to the reduction of the group's net debt and the elimination of the associated risk and volatility of operating in the Zimbabwe economy. The proceeds will be payable in US dollars. The disposal is subject to the execution of the share purchase agreement; approval of the shareholders of TSL Limited in a general meeting; and the granting of all necessary regulatory approvals.

The disposal of I&CS is subject to ordinary conditions precedent, including the granting of all necessary regulatory approvals.

The finalisation of these disposals will materially complete the group's asset disposal plan, with transactions amounting to R2.7 billion either completed or in advanced stages of completion.

### **Debt reduction, refinancing and simplification**

The successful execution of the asset disposal plan has been central to the group's debt reduction plans, supported by a clear focus on improved profitability, tight working capital control, cash generation and a conservative capital expenditure plan. The repayment by Nampak of R720 million to lenders by 30 September 2024 was funded utilising proceeds from asset disposals.

In September 2024, the group was successfully refinanced with the Standard Bank of South Africa, thereby simplifying Nampak's funding structure. All debt was converted to long-term debt, significantly strengthening the group's financial position with 98% of all funding at 30 September 2024 rand-denominated, considerably reducing exposure to forex movements. Covenants were simplified, with quarterly compliance with the leverage and interest cover covenants required. Interest rate ratchets create the opportunity for a lower funding cost as the group's leverage declines. The refinancing augmented the successful capital raise of R1.0 billion in September 2023.

Inclusive of lease liabilities, net debt of R5.3 billion in 2024 decreased by R524 million from R5.9 billion assisted by the reduction in the lease liabilities extinguished as part of the disposal transactions. Net interest-bearing debt, excluding lease liabilities, decreased by 4% to R4.4 billion from R4.6 billion in the previous period, mainly due to the cash generated from operations and net proceeds from disposals.

### **B-BBEE deal**

Post year-end we concluded a black ownership deal with Cambrian Capital Partners. This is a strategic partner with exceptionally talented and experienced individuals in South Africa. The ownership structure has contributed to other B-BBEE initiatives improving our B-BBEE contributor status.

### **Outlook**

It is essential that the Line 2 Springs capital expansion operates at the installed capacity to fully capitalise on the category growth opportunity and consumers' demand for the 500ml large format

can offering. The additional capacity enablers will provide further impetus to the growth trajectory. The transfer of the spare line from Angola to South Africa will provide further capacity for this growing market. Diversified South Africa will defend and grow while unlocking value from the manufacturing architecture initiatives. These opportunities have been clearly identified, quantified and are at execution phase. Nampak Angola is well positioned to capitalise on any economic growth in Angola, and so too the category within which it competes.

The outlook for Nampak is promising. The focus on the turnaround agenda and corporate activity mostly gives way to a deepened focus on the core business which is well capitalised and poised for growth and sustained earnings. The balance sheet is in a healthy state and the assets are well capitalised, allowing for free cash flow generation. The disposal proceeds will further assist in the group's deleveraging.

### **Going Concern**

Note 1.5 to the group's annual financial statements set out the group's going concern assessment. The board has assessed the group's consolidated budget for 2025 and the strategic plan to 2029; the resultant profitability levels, financial position and cash flows, considering the material factors in each of the geographies and substrates in which Nampak operates; and the group's available funding facility, the positive impacts of the successful rights offer in September 2023 and refinancing in September 2024 and the progress made to date on the asset disposal plan.

The board is of the view that Nampak has adequate access to liquidity for the foreseeable future and that there is no longer a material uncertainty regarding the group's ability to continue as a going concern. Accordingly, based on these assessments, the financial statements were prepared on the going concern assumption on the basis that the group will continue to operate for the foreseeable future.

### **Short form Announcement**

This short form announcement is the responsibility of the directors and is only a summary of the information in the full announcement.

The full consolidated annual financial statements including the audit opinion, of the external auditor, PricewaterhouseCoopers Inc. and the basis for its unmodified opinion is available on the JSE website at <https://senspdf.jse.co.za/documents/2024/JSE/isse/NPK/FY2024.pdf> and on Nampak's website <http://www.nampak.com/Investors/Financial-Information> under the 2024 financial year.

Any investment decisions made by investors and/or shareholders should be based on consideration of the full announcement. This short form announcement has not been audited.

Copies of the full announcement may also be requested from the Group Company Secretary, Omeshnee Pillay on [omeshnee.pillay@nampak.com](mailto:omeshnee.pillay@nampak.com), alternatively collected from the company's registered office, at no charge, during office hours.

## **Annual results presentation webcast**

Nampak management will hold a webcast on Monday, 2 December 2024 at 10h00 Central Africa Time (UTC+2) to present the annual 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 annual results presentation and announcements will be uploaded on the website on the same morning.

Cape Town

2 December 2024

Sponsor: PSG Capital