

Mpact Limited
(Incorporated in the Republic of South Africa)
(Company registration number 2004/025229/06)
Income tax number: 9003862175
JSE and A2X share code: MPT
ISIN: ZAE000156501
("Mpact" or "the Group" or "the Company")

PRELIMINARY SUMMARISED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 31 DECEMBER 2024

KEY FINANCIAL DATA

- Net asset value per share up 6% to R35.76
- Cash generated from operations of R1.9 billion
- Revenue up 4% to R13.3 billion
- Underlying operating profit of R923 million
- Headline earnings per share of 324 cents
- Total dividend per share of 105 cents
- Good progress on strategic projects

COMMENTARY FROM CONTINUING OPERATIONS OVERVIEW

The Group experienced a challenging trading environment for most of the 2024 financial year, despite positive sentiment emerging from the May 2024 election outcome. Trading was hampered by a weak economy underpinned by high interest rates, cost inflation, load shedding and other service delivery failures, negatively affecting consumer and business confidence.

Mpact's robust strategy, including portfolio optimisation, underpinned our ability to navigate these difficult times, with growth in certain sectors towards the end of 2024, a strong financial position, supported by solid cash generation, and advancements in strategic projects during the year.

While the positive outcome of the national election in May 2024 improved confidence, early signs of economic recovery were only observed towards the end of the third quarter after inflation declined and interest rates were cut for the first time in several years.

Bruce Strong, Mpact Chief Executive Officer, said: "Despite these challenges, Mpact achieved strong cash flow from operations for the year of R1.9 billion and an increase of 6% in NAV per share to R35.76. Net debt was reduced to R2.4 billion as at 31 December 2024, from R2.7 billion in the prior year, a reduction of 11%, after investing R1.0 billion in capital projects and paying out R155 million in dividends."

Several of Mpact's operations delivered commendable performances despite the headwinds. However, these were insufficient to counterbalance the harsh trading conditions experienced during the first nine months of the year and disappointing financial results from the FMCG Wadeville business (previously referred to as Preforms & Closures). Consequently, the Group's operating profit of R923 million for the year decreased from the high levels achieved in 2023, which benefited from a strong recovery in Paper margins following selling price increases at the end of 2022.

We made good progress on our strategic capital projects and portfolio optimisation through investments and disposals aligned with our strategy which embraces the circular economy. We also continued to engineer solutions at our operations to mitigate the impact of infrastructural failures.

Our solar-generated power increased by 79% in 2024, leading to savings of over R40 million in electricity costs during the year compared to power that we would otherwise have bought from municipalities or Eskom. The Group's solar PV generation capacity is currently 16MWp, with further expansions underway at our operations.

The Mkhondo paper mill upgrade project, which represents an investment of R1.3 billion, aims to enhance the Group's product portfolio by adding new export revenue streams and higher-value products. The project team is doing well to navigate a number of challenges, including cost pressures, a tornado, and excessive rain from December 2024 to February 2025 which hindered construction. The project is scheduled to be commissioned by the end of June 2025.

The sale of Versapak was successfully concluded with effect from 1 November 2024, with the sale proceeds of R255 million and approximately R50 million in recouped working capital being used to reduce the Group's debt, strengthening our balance sheet.

During the year, Mpact Plastic Containers acquired a 30% interest in Africa Tanks (Pty) Ltd (Africa Tanks), one of South Africa's leading water tank manufacturers. The investment will provide Africa Tanks with some of the capital required to achieve economies of scale and accelerate its growth plans.

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

FINANCIAL REVIEW FOR CONTINUING OPERATIONS

Group revenue from continuing operations for the year ended 31 December 2024 increased by 3.6% to R13.3 billion (2023: R12.8 billion). This was primarily driven by a 3.0% increase in sales volumes in our Paper business and an improved product mix in Plastics due to increased sales in Bins & Crates.

Underlying operating profit declined to R923 million (2023: R1.210 billion), due to an under-recovery of higher fixed costs, as well as non-recurring expenses at FMCG Wadeville, following the restructuring and consolidation over the past few years.

The Group achieved strong cash generation from operations of R1.9 billion (2023: R2.0 billion).

Return on capital employed was 11.7% for continuing operations compared to 16.6% in the prior year due to relatively large capital outlays for the strategic growth projects which are still in progress and lower profitability.

Gearing improved to the lowest level in four years to 28.8% (2023: 32.9%) with net debt of R2.4 billion after investing R1.0 billion during the year in capital projects and paying dividends of R155 million.

Paper business

Revenue for the Paper business increased by 2.7% to R11.0 billion (2023: R10.7 billion) due to a 3.0% increase in sales volumes. Volumes increased mostly due to improved containerboard export demand in the latter part of 2024, after being subdued for most of the year. However, the benefit of increased volumes was offset by lower average selling prices in our Paper Manufacturing business than the prior year, leading to lower profitability in the Paper business.

Underlying operating profit for the year declined to R909 million (2023: R1.2 billion), primarily due to an under-recovery of higher fixed costs, which resulted in operating margins declining to 8.3% (2023: 10.9%).

The Recycling business successfully maintained recovered paper stock levels, ensuring a consistent supply to our paper mills and external customers despite fluctuating market conditions. Recovered paper prices were up year-on-year, with sharp increases in the second half of 2024 offsetting the declines in the first half of the year.

The Paper Manufacturing business successfully adapted its market approach to the prevailing conditions, significantly increasing containerboard sales in the second half of the year, mainly through exports. This led to better paper machine utilisation and commercial downtime reducing to 6.6% of capacity for the year, compared to 13% in 2023. However, the benefits were offset by lower average selling prices.

Our Springs paper mill is still experiencing production downtime due to ongoing municipal water and electricity supply issues. Efforts are underway to mitigate the water supply risk at the Springs paper mill, but it will take time and significant capital to implement meaningful measures. Total paper machine downtime for the Group attributable to external utilities amounted to 2.6% (2023: 3.4%) of capacity, mainly at the Springs mill. Water and electricity supply to the Felixton and Mkhondo paper mills are more secure. Both mills receive their electricity supply directly from Eskom and have direct access to rivers for water, so they are not dependent on municipal services.

The Paper Converting business maintained overall sales volumes year-on-year, with a marginal increase in average selling prices. We continue to experience pleasing growth in the fruit sector and have enhanced our supply capabilities to fruit customers in Mpumalanga, Limpopo and the Eastern Cape following the investments in the Mbombela and Gqeberha corrugated facilities. Sales to the industrial market remained subdued in line with the broader economy and were also hampered by poor operational efficiencies at our Gauteng operations during the first half of the year. Several measures have been implemented to improve the profitability of the Gauteng business. The political unrest and other factors in Mozambique disrupted operations and customers in that area, costing the business approximately R20 million.

Plastics business

Revenue in the Plastics business increased by 8.0% to R2.335 billion (2023: R2.161 billion) due to an improved product mix from higher sales in all Plastics operations other than FMCG Wadeville, which declined as expected following the expiry of two supply contracts in June 2024.

Following the upgrades at the Castlevue factory, the Bins & Crates business delivered a 96% increase in operating profit compared to the prior year. The agriculture sector continued to experience significant growth throughout the year, with notable increases in demand for avocado and blueberry crates and jumbo bins, especially in the second half of the year. Retail sales were also higher.

Disappointingly, the profit gain in the Bins & Crates business was more than offset by non-recurring expenses in FMCG Wadeville of approximately R90 million following the restructuring and site consolidation over the past few years. This, in addition to the anticipated reduced sales in Wadeville, resulted in a decline in the Plastics business operating profit of 52.7% to R89 million (2023: R189 million).

The rest of the FMCG business increased sales volumes and gross profits despite a weak market. Still, operating profit was negatively impacted by delays in customer offtake on certain new supply contracts for which we had already incurred costs. Most of these contracts are expected to contribute positively in 2025.

Mpact Plastic Containers Castlevue (Pty) Ltd acquired a 30% shareholding in Africa Tanks for R73 million, effective 1 April 2024.

Net finance costs

Net finance costs increased by 4.6% to R297 million (2023: R284 million) due to higher average net debt compared to the prior year. Finance costs of R47 million related to the Mkhondo mill project were capitalised during the period (2023: R14 million).

Tax

The effective tax rate for continuing operations of 12.3% (2023: 24.2% restated) is lower than the statutory rate due to the recognition of a deferred tax asset of R73 million attributable to previously unrecognised tax losses in Bins & Crates and a positive variance of R28 million related to tax allowances claimed on submission of tax returns.

The 2023 tax charge for continued and discontinued operations was restated to disclose the discontinued operation on an after-tax basis. The restatement did not affect the overall tax charge for total operations in 2023, which remained unchanged.

Earnings per share

Headline earnings per share for continuing operations decreased by 30% to 323.6 cents (2023: 461.7 cents restated) and basic earnings per share by 18.2% to 327.1 cents (2023: 399.9 cents restated).

Net debt

Net debt decreased to R2.4 billion (December 2023: R2.7 billion). Strong cash flow from operations, the sale of Versapak and well managed working capital enabled a reduction in net debt even after spending R1.0 billion in capital investments and paying out R155 million in dividends. Gearing reduced to 28.8% in 2024 from 32.9% in the prior period. Maturity dates for revolving credit facilities of R1.1 billion that were due in August 2025, have been extended to August 2027, with no impact on terms or pricing.

DISCONTINUED OPERATION

The sale of Versapak was concluded in November 2024. The sale proceeds of R255 million and approximately R50 million in recovered working capital were received before year-end and used to reduce the Group's bank debt. We expect to recover the balance of the outstanding debtors during the first half of 2025.

OUTLOOK

Mpact is well positioned to capitalise on any economic recovery in South Africa. However, based on our most recent trading, the domestic economy remains subdued despite lower interest rates and reduced inflation.

The Mkhondo paper mill upgrade project is expected to be commissioned by the end of June 2025, following approximately three weeks of planned project downtime. The financial benefits of the project will not be realised immediately but are expected to increase on a phased basis over approximately three years, depending on market growth rates.

Based on current projections and sales commitments for the year, no commercial downtime is anticipated at the containerboard mills. However, lower average selling prices will reduce the Group's positive operating leverage benefits, particularly during the first half of 2025. Also, paper machine capacity may be curtailed by unplanned interruptions in the electricity and water supply from Eskom and municipalities.

The outlook for the fresh fruit export sector is promising, which should benefit the Paper Converting and Bins & Crates businesses. The Paper Converting business is also well positioned for any recovery in the local economy.

An improvement in the Plastics FMCG business' profitability is anticipated this year after the travails of 2024, and the Bins & Crates business is expected to benefit from the increased utilisation of recently upgraded capacity and new product lines.

We remain confident in our value-enhancing strategy and committed to executing it effectively. Mpact's strategy focuses on growth sectors and investments in innovative, higher-margin, and sustainable products. These sectors include fruit exports, returnable transit packaging, convenience shopping, and recycling, some of which are somewhat insulated from South African consumer spending patterns.

Our strategy aims to consistently yield tangible benefits for the business and improved returns for our shareholders.

BOARD CHANGES AND APPOINTMENT OF THE CHIEF FINANCIAL OFFICER

Ms Fikile Futwa was appointed to Mpact's Board of Directors as an Independent Non-Executive Director and member of Mpact's Audit and Risk Committee, effective 17 May 2024.

Hannes Snyman was appointed as Mpact's Group Chief Financial Officer and Executive Director with effect from 1 June 2024.

Tim Ross retired by rotation at Mpact's Annual General Meeting on 6 June 2024. The Board would like to thank Tim for his valuable contribution, dedication, and commitment to Mpact during his tenure as a Board member, Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee.

Sibusiso Luthuli was appointed as interim Chair of the Audit and Risk Committee of Mpact effective 24 July 2024.

DIVIDENDS

The Board has declared a final gross cash dividend of 75 cents per ordinary share (2023: 75 cents per ordinary share) for the financial year ended 31 December 2024 (60 cents per share net of dividend

withholding tax) bringing the total dividend for the year to 105 cents per ordinary share (2023: 120 cents per ordinary share). The dividend reflects our view of the importance of shareholder returns and our continued confidence in the future of our business. 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 | 2025 |
|---|--------------------|
| Publication of dividend declaration | Monday, 10 March |
| Last day of trade to receive a dividend | Tuesday, 8 April |
| Shares commence trading "ex" dividend | Wednesday, 9 April |
| Record date | Friday, 11 April |
| Payment date | Monday, 14 April |

All times provided are South African local time.

Share certificates may not be dematerialised or re-materialised between Wednesday, 9 April 2025 and Friday, 11 April 2025, both days inclusive.

FINANCIAL SUMMARY

| | Continuing operations | | | Discontinued operation | | |
|---|------------------------|------------------|---------|------------------------|------------------|---------|
| | Year ended | | | Year ended | | |
| | Year ended 31 December | 31 December 2023 | | Year ended 31 December | 31 December 2023 | |
| R'million | 2024 | (Restated) | Change | 2024 | (Restated) | Change |
| Revenue | 13,291 | 12,823 | 3.6% | 856 | 1,137 | (24.7%) |
| Underlying operating profit ¹ | 923 | 1,210 | (23.7%) | 63 | 101 | (37.6%) |
| Underlying profit before tax ² | 645 | 944 | (31.8%) | 63 | 100 | (37.0%) |
| ROCE | 11.7% | 16.6% | | | | |
| Basic EPS (cents) | 327.1 | 399.9 | (18.2%) | 15.2 | 87.4 | (82.6%) |
| Basic underlying EPS (cents) | 325.8 | 463.4 | (29.7%) | 16.6 | 50.6 | (67.2%) |
| Basic HEPS (cents) | 323.6 | 461.7 | (29.9%) | 16.6 | 50.6 | (67.2%) |

Net debt R2,371 million (2023: R2,665 million)

Total gross dividend per share (cents) 105 cents (2023: 120 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 PwC, the Company's external auditors. Any investment decision should be based on the Audited Financial Statements which includes the unmodified Group Audit Report (with Key Audit Matters) and which is available on our website: <https://www.mpact.co.za/investor-relations/financial-results/2024/GROUPAFSFY2024.pdf>, and on <https://senspdf.jse.co.za/documents/2025/JSE/ISSE/MPT/AFSFY2024.pdf>

The Company Audit Report and the Company Annual Financial Statements can be accessed at: <https://www.mpact.co.za/investor-relations/financial-results/2024/COMPANYAFSFY2024.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

10 March 2025

COMPANY PROFILE

Mpact is the largest paper and plastics packaging and recycling business in southern Africa, employing 4,557 people (2023: 5,095 people), and generating revenue of R13.3 billion in the 2024 financial year. Sales in South Africa account for approximately 88% 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 38 sites, comprising 21 manufacturing sites, and 14 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 588,228 tonnes of recyclables (paper, glass, beverage cans, plastic and liquid board packaging) from pre- and post-consumer streams in 2024. 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), ABA Conrad, FC Futwa, PCS Luthuli, M Makanjee, DG Wilson

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)

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