



# Mpact Limited Interim Results

Interim results for half year ended 30 June 2012

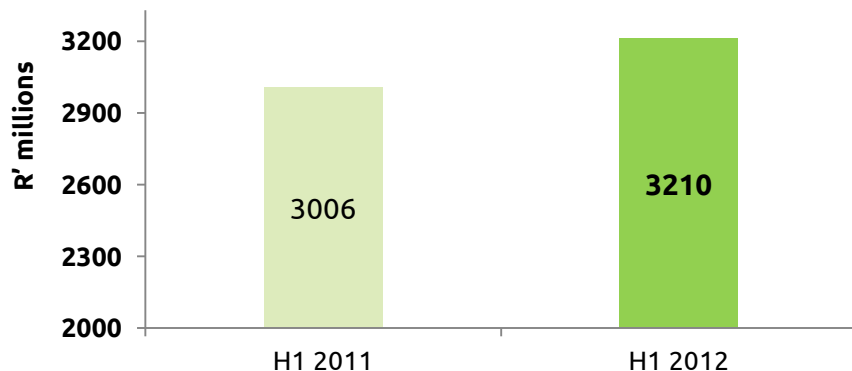
6 September 2012

# Agenda

- Highlights for the half year ended 30 June 2012
- Operating review
- Financial review
- Strategy and outlook

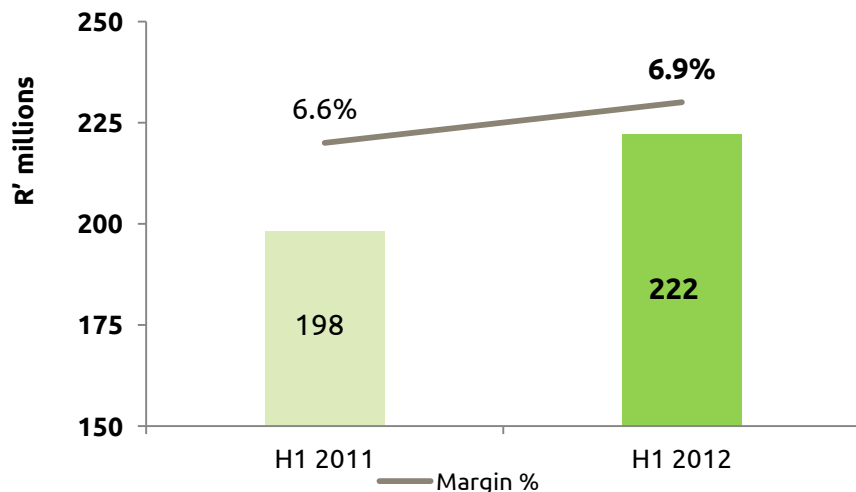
# Highlights

## Revenue



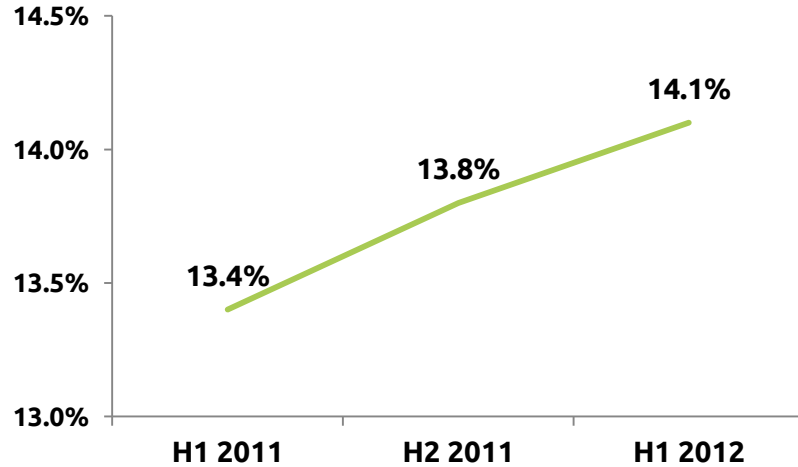
- Revenue up 6.8% to R3.2bn (11.7% excl. Paperlink)
- Underlying operating profit up 12.4% to R222m (8.4% excl. Paperlink)
- Underlying EPS 63.7 cents from 4.3 cents
- Interim dividend of 20 cents per share
- B-BBEE rating of level 4

## Underlying operating profit



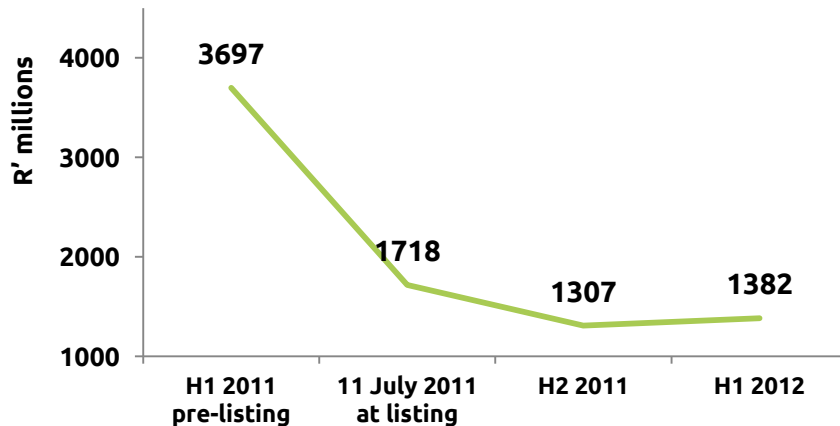
# Highlights (continued)

## Return on capital employed



- Return on capital employed of 14.1% (June 2011: 13.4%)
- Gearing down to 36% (June 2011: 96%)
- Net debt down to R1.4bn (June 2011: R3.7bn)

## Net debt

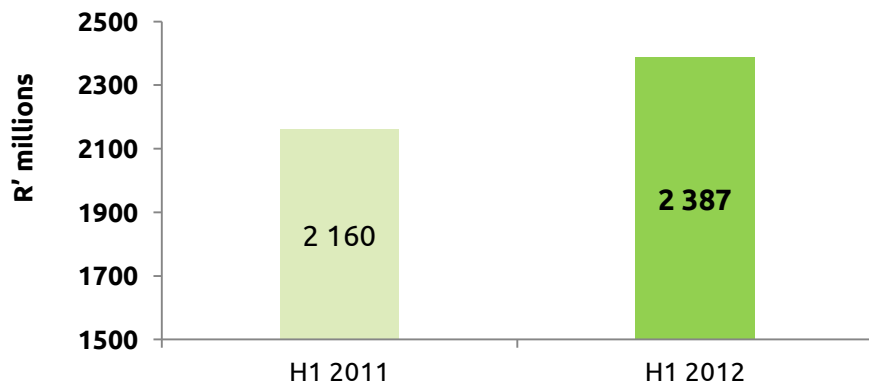


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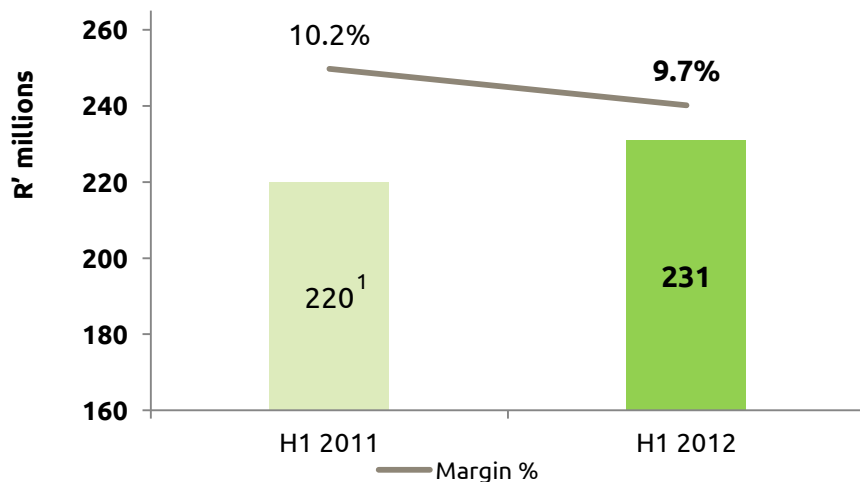
# Paper business

## External revenue



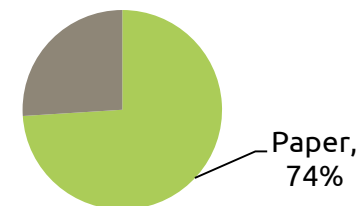
- Revenue up 10.5% to R2.4bn
  - Volumes up – agriculture and displaced imports
  - Price increases below inflation
- Underlying operating profit up 5.0% to R231m
  - Margin pressure – transport, electricity and labour; only partially offset by price increases and other cost savings

## Underlying operating profit<sup>1</sup>



- Good progress on projects
  - Corrugated converting – quality and cost competitiveness
  - Paper mill drives – cost and reliability
  - Recycling network – cost and supply

## % Total revenue



<sup>1</sup> For comparative purposes, H1 2011 underlying operating profit has been restated to reflect corporate costs of R25 million directly attributable, but previously not charged to the Paper business

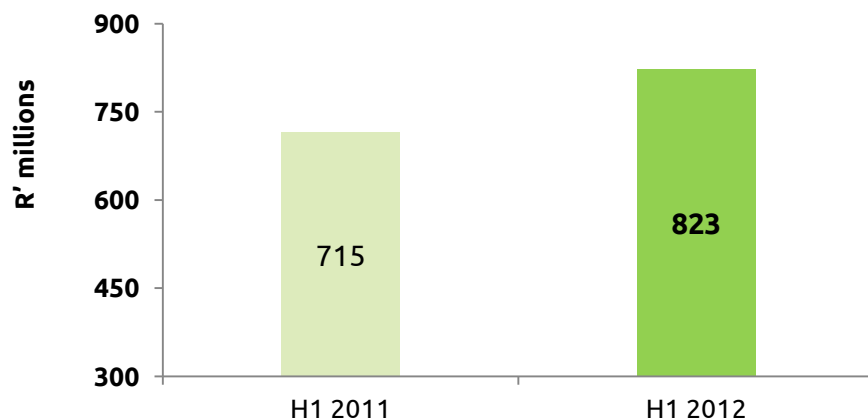
# Kuilsriver modernisation



- Quality, flexibility and cost competitiveness
- Investment of R95m now complete
- Holds BHS world record for machine type
- Plant accredited to ISO 14000, 18000, 9000, 22000
- Part of countrywide modernisation programme in Corrugated division

# Plastics business

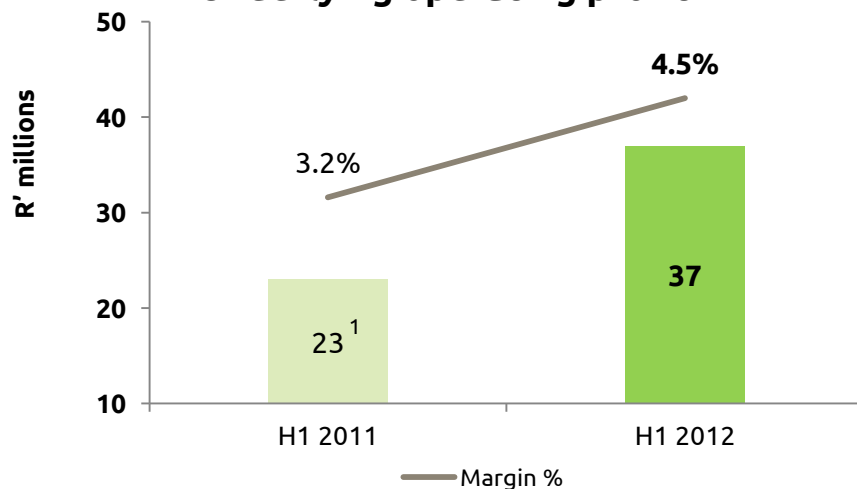
## External revenue



- Revenue up 15.2% to R823m on volumes and average prices
  - 12.2% organic, 3.0% acquisitions
  - Volumes driven mainly by agriculture and PET
  - Average prices up due to raw materials and product segment mix

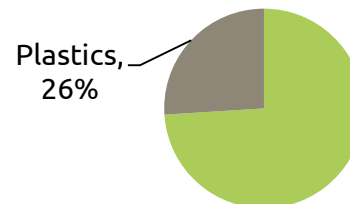
- Underlying operating profit up 64.9%
  - Optimisation

## Underlying operating profit <sup>1</sup>



- Good progress on projects
  - Relocation of closures complete
  - Reorganisation of Robertville and Atlantis underway
  - PET recycling in earliest stage

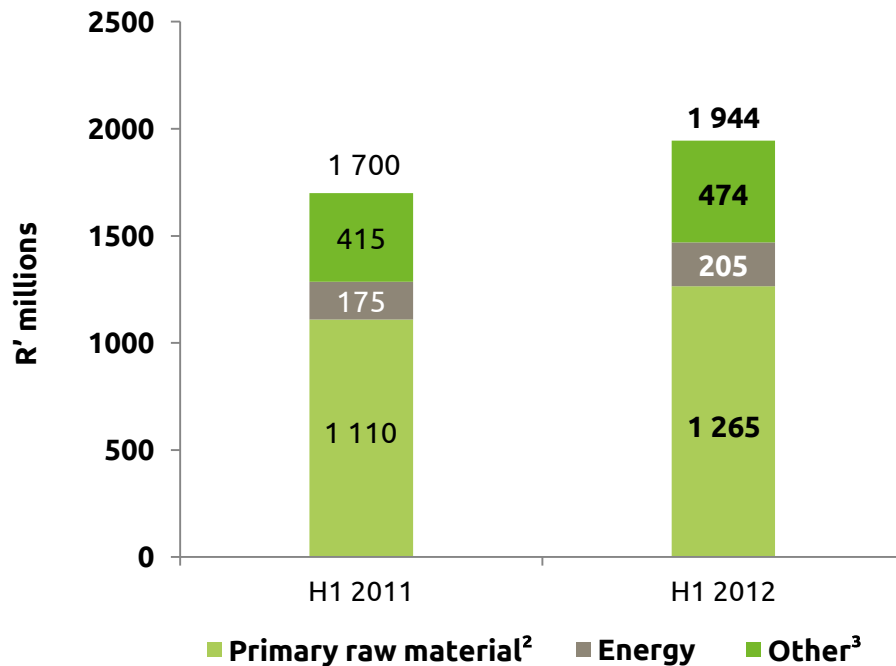
## % Total revenue



<sup>1</sup> For comparative purposes, H1 2011 underlying operating profit has been restated to reflect corporate costs of R7 million directly attributable, but previously not charged to the Plastics business

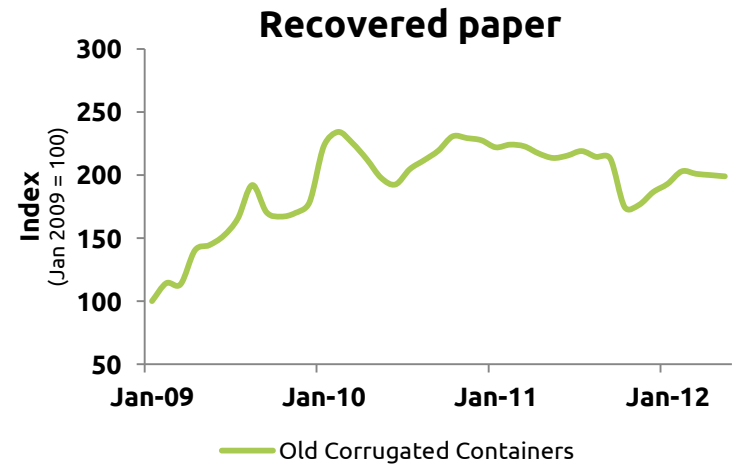


# Variable costs<sup>1</sup>

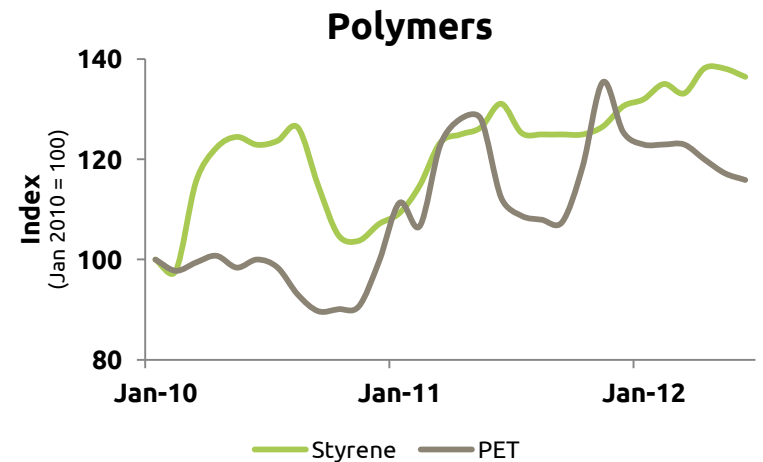


Notes:

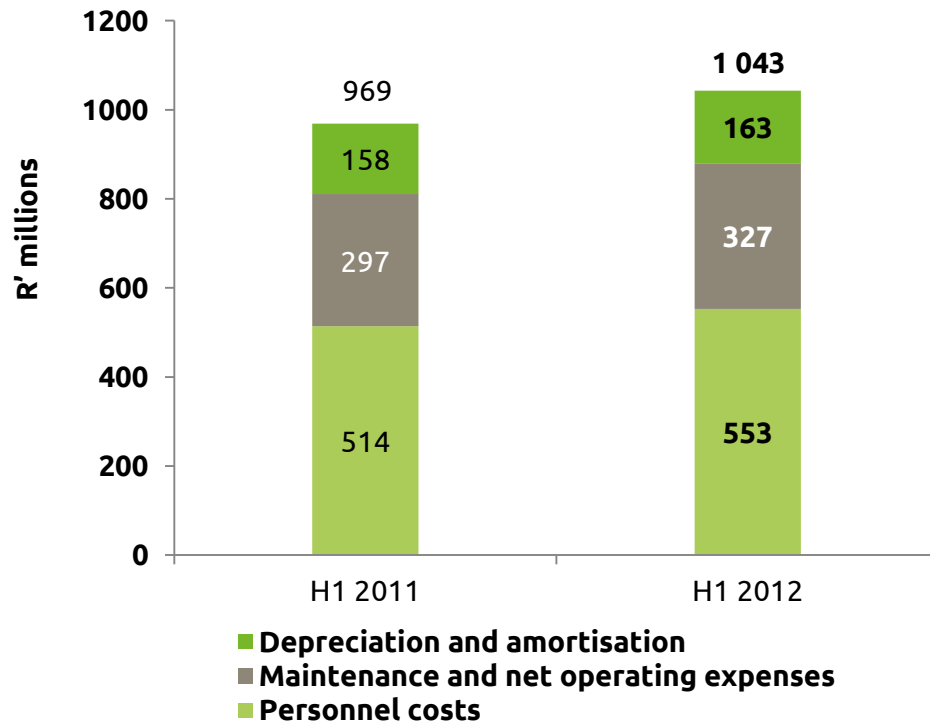
- 1 Excludes Paperlink, the paper merchant business disposed of at end March 2011
- 2 Primary raw materials include wood, pulp, paper, recovered paper and plastic polymers
- 3 Other variable costs include chemicals, packaging costs, variable selling expenses



Source: RISI – PPI Asia, Old Corrugated Containers, CNF China US\$, converted to ZAR



# Fixed costs<sup>1</sup>



- Includes acquired Plastics business costs
- Excludes special items
- Insurance costs up substantially
- Continued focus on cost management

Note:

<sup>1</sup> Excludes Paperlink, the paper merchant business disposed of at the end March 2011

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## Financial review – including Paperlink (as reported)

R'millions	H1 2011	H1 2012	Change
Group revenue	3,006	<b>3,210</b>	6.8%
EBITDA <sup>1</sup>	356	<b>385</b>	8.4%
EBITDA margin %	11.8%	<b>12.0%</b>	0.2
Underlying operating profit <sup>2</sup>	198	<b>222</b>	12.4%
Underlying operating profit margin %	6.6%	<b>6.9%</b>	0.3
Underlying earnings per share (cents)	4.3	<b>63.7</b>	>100%
Working capital cash flows	(109)	<b>(162)</b>	(47.9%)
Cash generated from operations	233	<b>225</b>	(3.4%)
Net debt as at period end	3,697	<b>1,382</b>	62.6%
ROCE % as at period end <sup>3</sup>	13.4%	<b>14.1%</b>	0.7

Notes:

1. EBITDA includes operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.
2. Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.
3. Return on capital employed (ROCE) is an annualised measure based on underlying operating profit plus share of associates net earnings divided by average capital employed before impairments

## Financial review – excluding Paperlink

R'millions	H1 2011	H1 2012	Change
Group revenue	2,874	<b>3,210</b>	11.7%
EBITDA <sup>1</sup>	363	<b>385</b>	6.2%
EBITDA margin %	12.6%	<b>12.0%</b>	(0.6)
Underlying operating profit <sup>2</sup>	205	<b>222</b>	8.4%
Underlying operating profit margin %	7.1%	<b>6.9%</b>	(0.2)
ROCE % as at period end <sup>3</sup>	13.1%	<b>14.1%</b>	1.0

Notes:

1. EBITDA includes operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation and excluding Paperlink
2. Underlying operating profit is operating profit of subsidiaries and joint ventures before special items, excluding Paperlink
3. Return on capital employed (ROCE) is an annualised measure based on underlying operating profit plus share of associates net earnings divided by average capital employed before impairments and excluding Paperlink

# Financial review – reported profit after tax and non-controlling interests

R'millions	H1 2011	H1 2012	Change
Underlying operating profit <sup>1</sup>	198	222	12.4%
Net finance costs	(185)	(64)	65.5%
Associates net earnings	1	2	37.5%
Underlying profit before tax	14	160	>100%
Tax before special items	(3)	(50)	(>100%)
Total non-controlling interests	(4)	(6)	(33.3%)
Underlying earnings	7	104	>100%
Special items (after tax and minorities)	(5)	(4)	27.8%
<b>Reported profit after tax and non-controlling interests</b>	2	100	>100%
Underlying earnings per share (cents)	4.3	63.7	>100%

Note:

1 Underlying operating profit includes operating profit of subsidiaries and joint ventures before special items.

## Net finance costs and net debt

R'millions	H1 2011	H2 2011	H1 2012	Change vs H1 2011
Net debt	3,697	1,307	<b>1,382</b>	62.6%
Net finance costs, excluding special items	185	71	<b>64</b>	65.5%
Interest cover (underlying EBIT)	1.1 times	4.5 times	<b>3.5 times</b>	> 100%
Net debt to EBITDA	4.4 times	3.1 times	<b>1.7 times</b>	61.4%

- Net finance costs of R64m have reduced when compared to net finance costs for the 6 months ended 31 December 2011 due to lower average net debt over the period
- Increase in net debt from 31 December 2011 mainly as a result of timing of creditors' payments. The company also paid its first dividend on 30 April 2012
- Debt facilities of R2bn, headroom available to invest further in expanding the business
- Entered into a four-year interest rate swap to fix the interest rate on R400m of long-term debt at a fixed interest rate of 7.58%

# Taxation

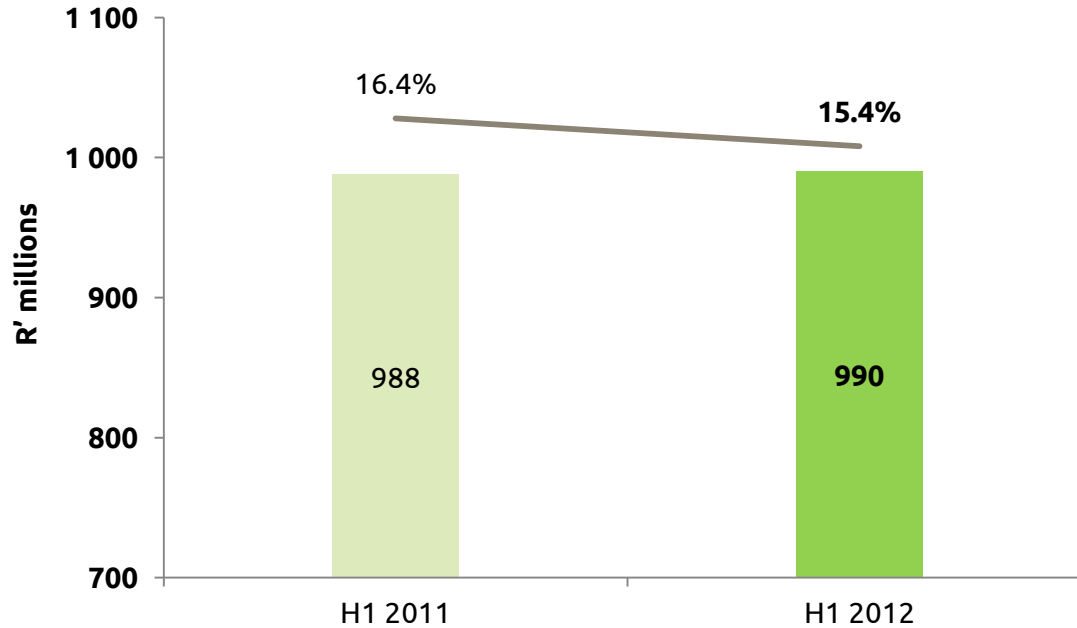
<b>R'millions</b>	<b>H1 2011</b>	<b>H1 2012</b>
Underlying tax charge	3	<b>50</b>
Tax on special items	0	<b>(1)</b>
Taxation charge	3	<b>49</b>

- Effective tax rate of 31% due mainly to interest on non-productive loan not deductible for tax purposes
- Effective tax rate will normalise in 2013 due to repayment of non-productive loan
- Recognised tax loss of R768m at period end



# Working capital

Working capital % of revenue



- Continuous focus on working capital

Note:  
Working capital includes inventories, trade receivables and trade payables, adjusted to exclude Paperlink

# Cash flow

R'millions	H1 2011	H1 2012	Change
EBITDA	356	<b>385</b>	8.4%
Working capital movements	(109)	<b>(162)</b>	(47.9%)
Other operating cash flows	(14)	<b>2</b>	>100%
<b>Cash generated from operations</b>	233	<b>225</b>	(3.4%)
Dividend received from associates	-	<b>1</b>	>100%
Taxes paid	(5)	<b>(16)</b>	>100%
<b>Net cash inflow from operating activities</b>	228	<b>210</b>	(7.5%)
Capital expenditure	(167)	<b>(166)</b>	0.8%
Acquisitions, disposals and other items	91	<b>(1)</b>	>100%
<b>Net cash flow after investing activities</b>	152	<b>43</b>	(71.2%)

- Working capital increase due to timing of year end creditors' payments

## Odd-lot and specific offer

- Odd-lot offer and specific offer completed on 13 July 2012
- Shareholders reduced by 27,240 (86% of total number of shareholders) to 4,600
- 470,820 shares repurchased for a consideration of R8 million
- Number of shares in issue post odd-lot and specific offer is 163,575,656

# Dividends

- Interim gross cash dividend declared of 20 cents per share
- Dividend cover of 3.2 times
- Record date Friday, 5 October 2012
- Payment date Monday, 8 October 2012
- Dividend policy targets a dividend cover of 2 to 3 times based on underlying earnings on average over the cycle

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# Strategy

- Leading market positions
  - New business generation remains a focus to grow market share in certain key products and geographical areas
  - Strategic acquisitions
- Customer focused operating structure
  - Investing to meet changing customer needs and to remain cost competitive
  - Continue to develop geographic footprint
- Focus on performance
  - Delivering acceptable returns to our shareholders
  - Cost containment and improved production efficiencies a key focus area

# Outlook

- Global economic prospects expected to remain uncertain and will impact on South African economy
- Trading environment to remain highly competitive
- Emphasis on securing new and retaining existing business at acceptable margins
- Strong cash generation supports new business opportunities and organic expansion
- Mpact well positioned within the sectors it operates

Thank you



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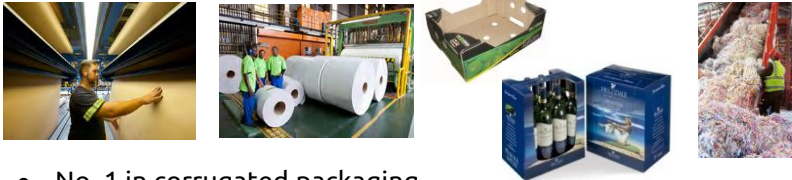
# Mpact business overview

## Mpact

### Paper

#### Primary product categories

- Recovered paper collection
- Packaging and industrial papers such as cartonboard and containerboard
- Corrugated packaging



- No. 1 in corrugated packaging
- No. 1 in recycled based cartonboard and containerboard
- No. 1 in recovered paper collection

### Plastics

#### Primary product categories

- PET bottles and preforms, hot fill bottles, PET jars and closures
- Large injection moulded containers
- Styrene trays, fast food containers and clear plastic films
- Other plastic packaging



- No. 1 in PET preforms
- No. 1 in styrene trays
- No. 1 in plastic jumbo bins

#### CENTRES OF EXCELLENCE

Human Resources, Safety, Health, Environment

#### SHARED SERVICES

Finance, IS&T, Stellenbosch R&D

**Employing 3,700 people, 23 manufacturing operations, 30 operating sites**

Sources: Mpact, BMI Report (2010), PAMSA and PRASA

# Our strategy

## Leading market positions

- Develop and selectively grow our leading market positions in rigid plastics, paper-based packaging and packaging papers in sub-Saharan Africa
  - Growth where we are able to extract value through business and operational management expertise as well as product application, design and market knowledge

## Customer focused operating structure

- Further develop our established manufacturing and service footprint to continually deliver superior solutions to our customers  
Underpinned by:
  - a decentralised structure reflecting management depth and experience at all levels
  - an innovative customer focused product offering
  - leading market positions that enable us to achieve sustainable cost effectiveness through economies of scale

## Focus on performance

- Focus on performance through effective business excellence programmes and sound asset management  
Enabling us to sustainably:
  - provide our customers with quality products and services worth their price
  - retain a motivated and skilled workforce
  - deliver good returns to our shareholders

Source: Mpact

# Basis of preparation

- **Income Statement highlights special items**

- Special items are adjusted to EBIT to arrive at *Underlying Operating Profit* which is the basis of the results presented

- **EPS measure**

- For 30 June 2011 earnings per share calculations, the number of listed issued ordinary shares of 164,046,476 was used for consistency in earnings per share comparatives

- **Odd-lot offer**

- H1 2012 results exclude the impact of the odd-lot and specific offer completed on 13 July 2012

- **Segment underlying operating profit**

- The comparative segment operating profit for the six months ended 30 June 2011 and full year 31 December 2011 have been restated to arrive at a comparable operating profit.

# Disclaimer

This document including, without limitation, those statements concerning the demand outlook, expansion projects and its capital resources and expenditure, may be considered to be forward looking statements. By their nature, forward-looking statements involve risk and uncertainty and although Mpact believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government action and business and operational risk management. While Mpact has taken reasonable care to ensure the accuracy of the information presented, Mpact accepts no responsibility for any consequential, indirect, special or incidental damages, whether foreseeable or unforeseeable, based on claims arising out of misrepresentation or negligence arising in connection with a forward-looking statement. This document is not intended to contain any profit forecasts or profit estimates.