

# INTERIM RESULTS PRESENTATION

for the six months ended 30 June

**2017**



- **HALF-YEAR 2017 IN CONTEXT**
- FINANCIAL REVIEW
- OPERATING REVIEW
- FINANCIAL PERFORMANCE
- OUTLOOK

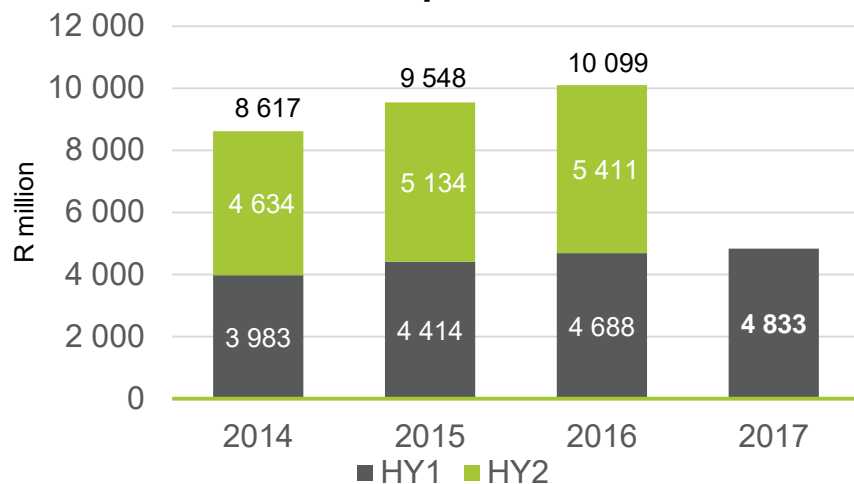
# Half-year 2017 in context

- Volume and margin decline across Paper and Plastics converting businesses
  - Decline in consumer spending
  - Drought affecting fruit packaging volumes
  - Customer de-stocking in Q1 2017
- Stringent cost control
- Continued pressure on the Paper business
  - Excess containerboard capacity – higher exports
  - High recovered paper costs – international prices (+58%) and shortage created by increased demand
- R765m Felixton paper machine commissioned in July, on time and within budget
- Mpact Polymers
  - New grinders installed
  - Improved trading performance
- Refinanced R950 million of debt facilities maturing in December 2017

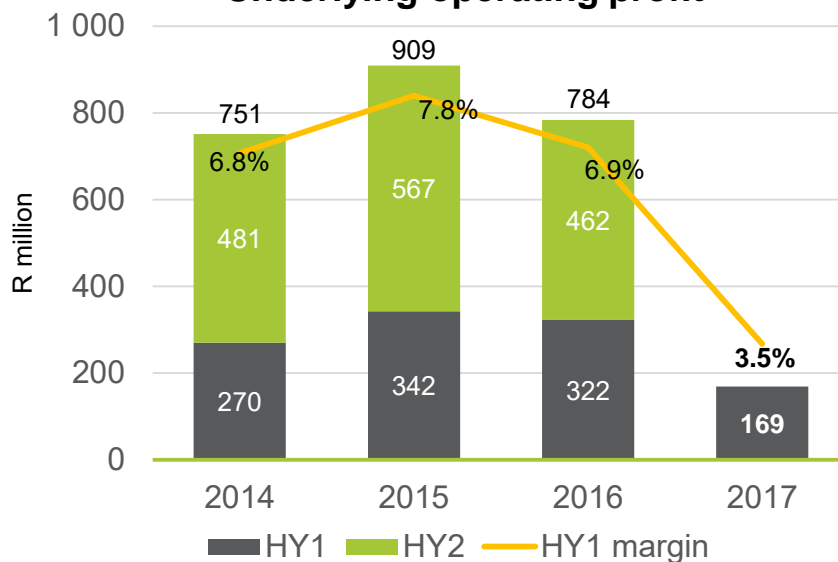
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# Financial review

## Group revenue



## Underlying operating profit

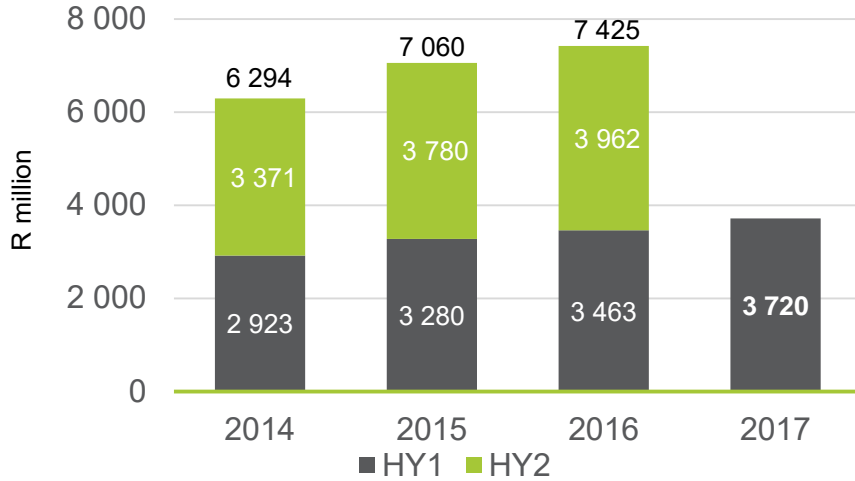


- Revenue up 3.1% to R4.8bn
  - Remade acquisition in May 2016 contributed 2.8%
  - Excluding Remade
    - External sales volumes declined by 1.8%
  
- Underlying operating profit of R169m, declined by 47.4%
  - Muted consumer demand and impact of drought on fruit packaging volumes
  - Higher recovered paper costs
  - Non-recurring lost contribution in respect of the Felixton mill downtime
  
- Underlying earnings of 34.3 cents per share, declined by 64.0%
  
- Gearing at 36.3% (June 2016: 33.8%)
  
- ROCE of 10.6% (June 2016: 16.7%)
  
- Interim dividend of 15 cps (June 2016: 30 cps)

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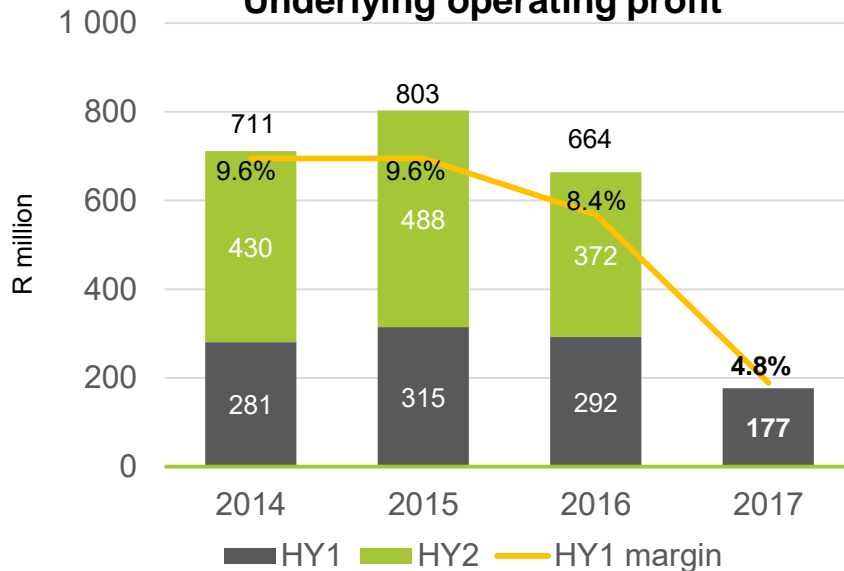
# Paper business

### Segment revenue

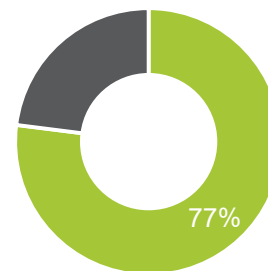


- Revenue up 7.4% to R3.7bn
  - Remade acquired in May 2016 contributed 3.7%
  - Excluding Remade
    - Segment volumes declined by 1.7%
    - Exports up, domestic sales down
  - Average prices negatively affected by mix
- Underlying operating profit of R177m, declined by 39.4%
  - Recovered paper costs up substantially
  - Impact of drought on fruit packaging volumes
  - Non-recurring lost contribution in respect of the Felixton mill downtime of R24m in HY1

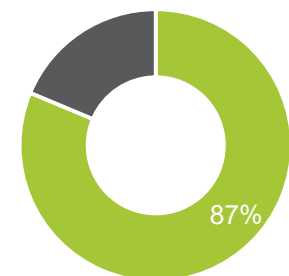
### Underlying operating profit



### Revenue

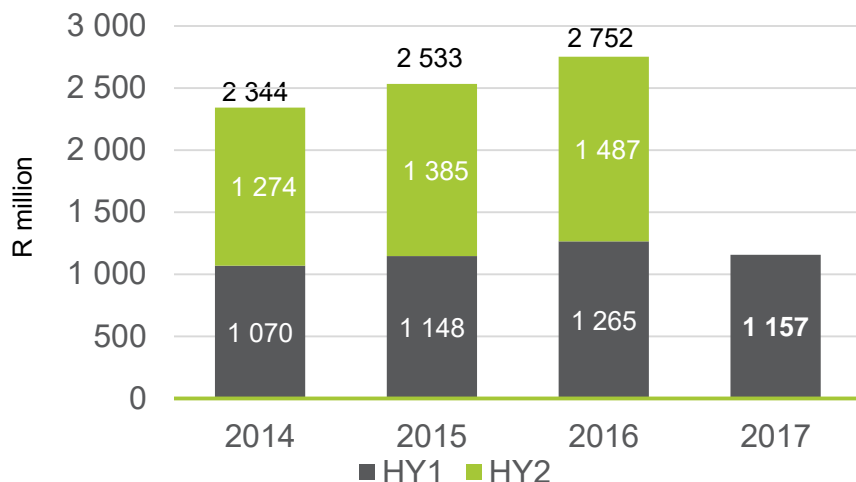


### Operating profit



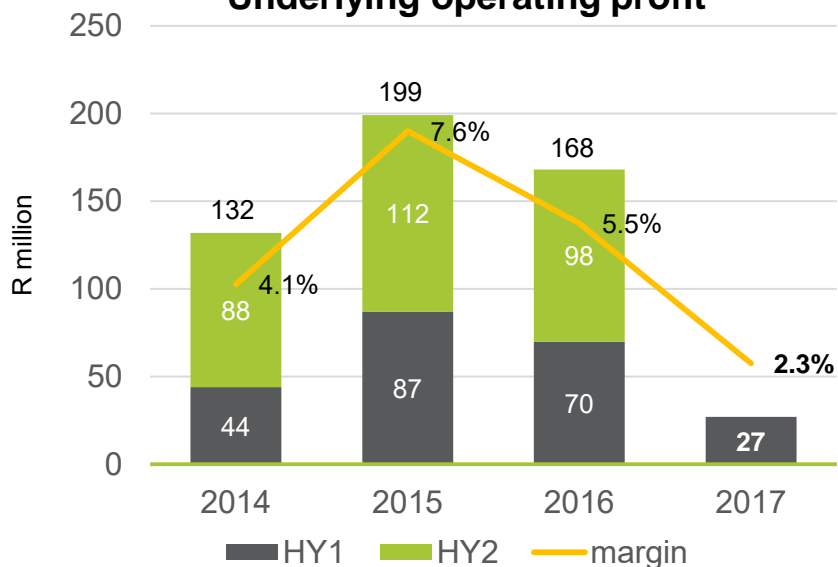
# Plastics business

### Segment revenue

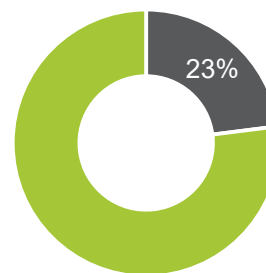


- Revenue down 8.5% to R1.2bn
  - Plastics converting volumes down 5.0%
  - Improved trading at Mpack Polymers
- Underlying operating profit of R27m, declined by 61.0%
  - Plastics converting underlying EBIT of R57m, down 52.4%
  - Mpack Polymer's underlying operating loss reduced by R20m

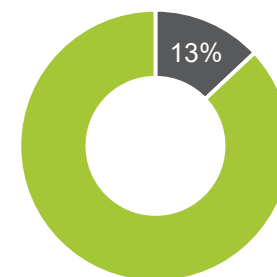
### Underlying operating profit



#### Revenue



#### Operating profit




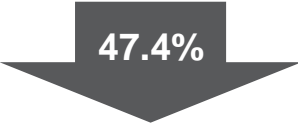
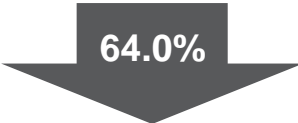



Notes:

1. Plastics Converting is defined as the Plastics business excluding Mpack Polymers. 8

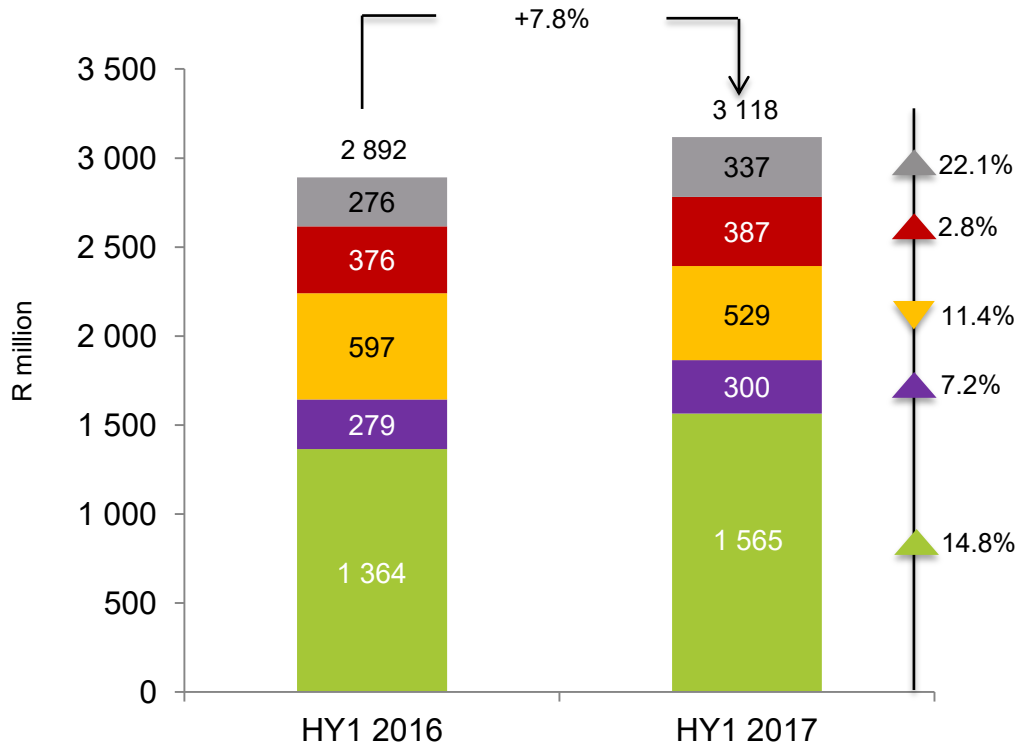


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# Financial summary

Revenue	 3.1%	R4.8 billion
Underlying operating profit	 47.4%	R169 million
Underlying EPS	 64.0%	34.3 cents per share
Interim dividend	 50.0%	15 cents per share
ROCE	 6.1	10.6%
Gearing %	 2.5	36.3%

# Variable costs

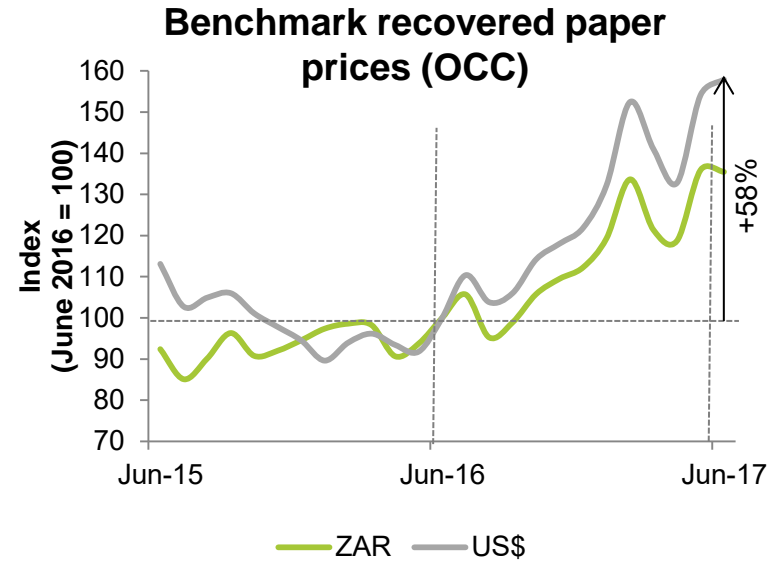


- Paper business raw materials<sup>1</sup>
- Plastic raw materials<sup>2</sup>
- Other<sup>3</sup>
- Energy
- Selling & distribution costs

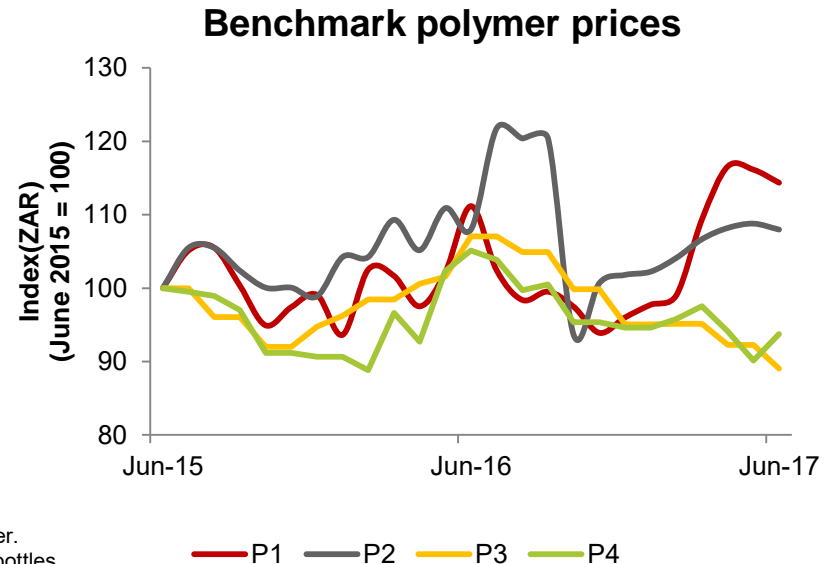
- Paper business raw materials
  - Recovered paper prices ("OCC") up approximately 30%
- Plastic raw materials
  - Lower volumes and mix of product sold

**Notes:**

1. Paper business raw materials include purchased paper, wood, pulp, bagasse and recovered paper.
2. Plastic raw materials include styrene, PET, HDPE, PVC, polypropylene and post consumer PET bottles
3. Other variable costs include chemicals, packaging costs and stock movements.

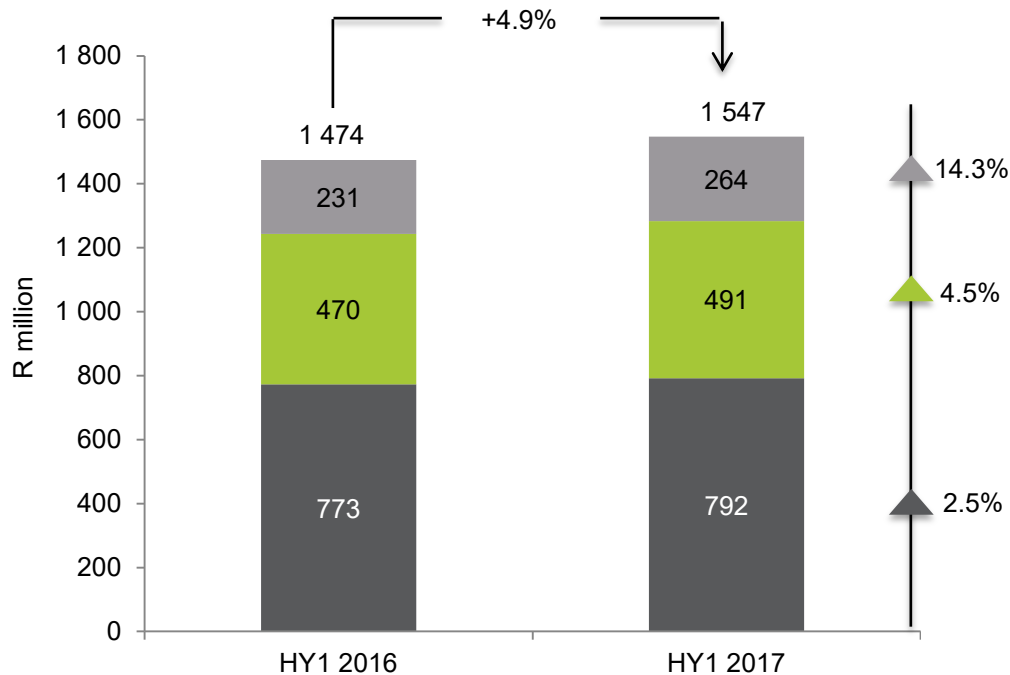


Source: RISI – PPI Asia, Old Corrugated Containers (OCC), CNF China US\$, converted to ZAR



Source: Mpack

# Fixed costs



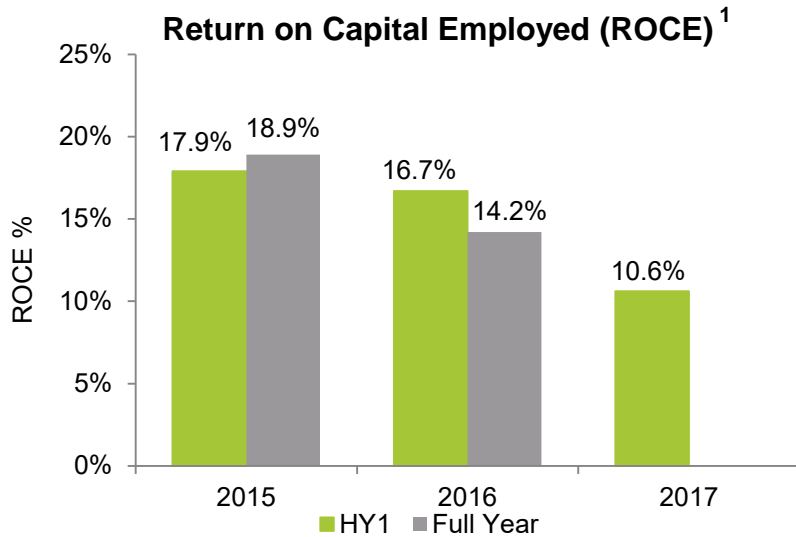
- Depreciation and amortisation
- Maintenance and net operating expenses
- Personnel costs

- Total fixed costs up 4.9%,
  - Excluding Remade,
    - Total fixed costs up 1.8%
    - Personnel cost down 0.3%
    - Lower overtime and cost savings initiatives
    - Capitalised R9m of personnel cost due to the Felixton mill upgrade

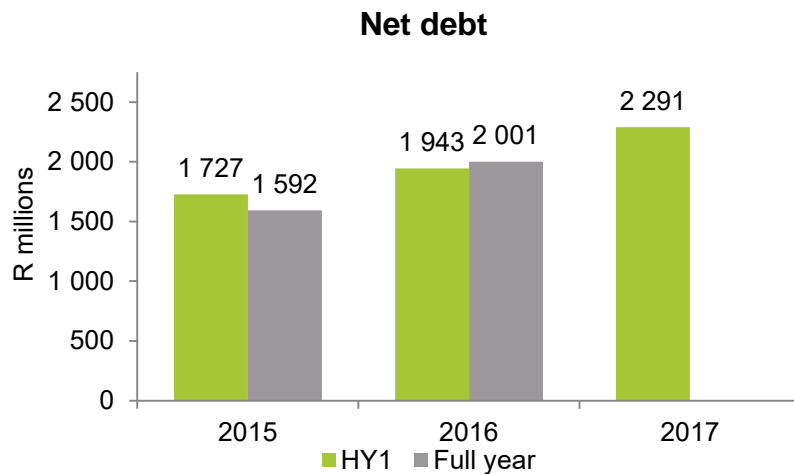
# Financial review

R'million	HY1 2016	HY1 2017	change
Underlying operating profit	322	169	(47.4%)
Net finance costs	(91)	(100)	9.8%
Earnings from equity accounted investees, profit on disposals and other fair value gains	6	5	(13.2%)
<b>Underlying profit before tax</b>	<b>237</b>	<b>74</b>	<b>(68.6%)</b>
Tax charged	(82)	(22)	(72.8%)
Non-controlling interests	3	6	>100%
<b>Underlying earnings for the period</b>	<b>158</b>	<b>58</b>	<b>(63.3%)</b>
<b>Underlying earnings per share (cps)</b>	<b>95.2</b>	<b>34.3</b>	<b>(64.0%)</b>

# ROCE and net debt



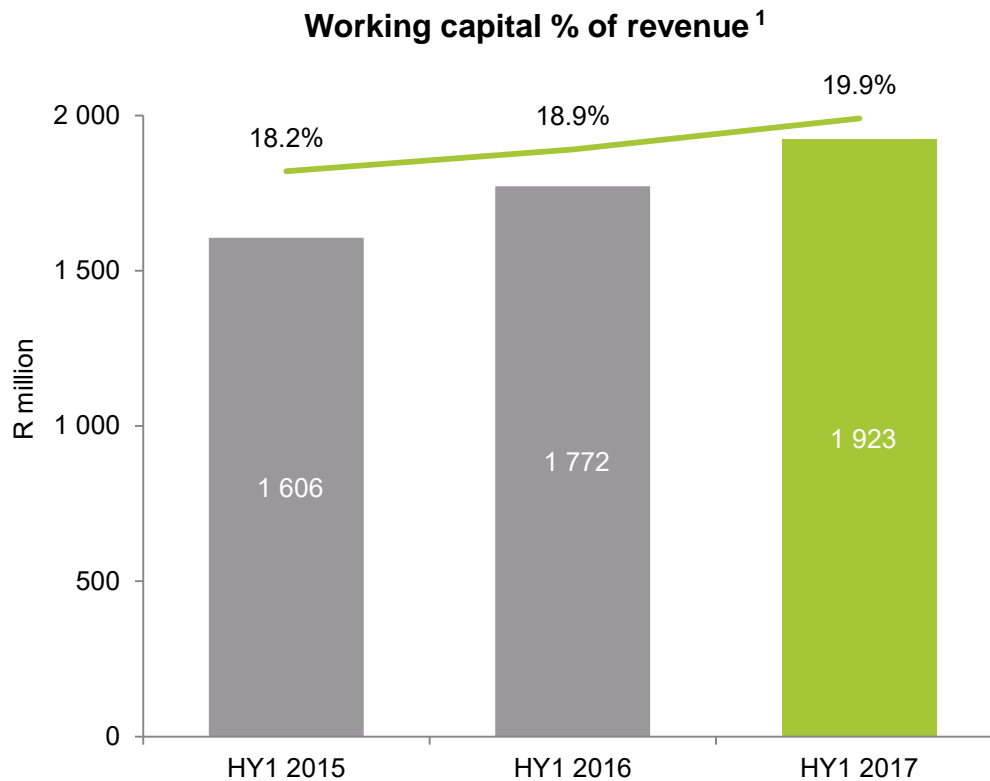
- ROCE of 10.6% (June 2016: 16.7%)
  - Investments in new capital projects and lower earnings



- Net debt increased by R290m to R2.3bn
  - Investments in capital projects (R411m) and working capital (R141m)
- Gearing at 36.3% (June 2016: 33.8%)

1. Return on Capital Employed (ROCE) is an annualised measure based on underlying operating profit plus share of equity accounted investees' net earnings divided by average capital employed before impairments.

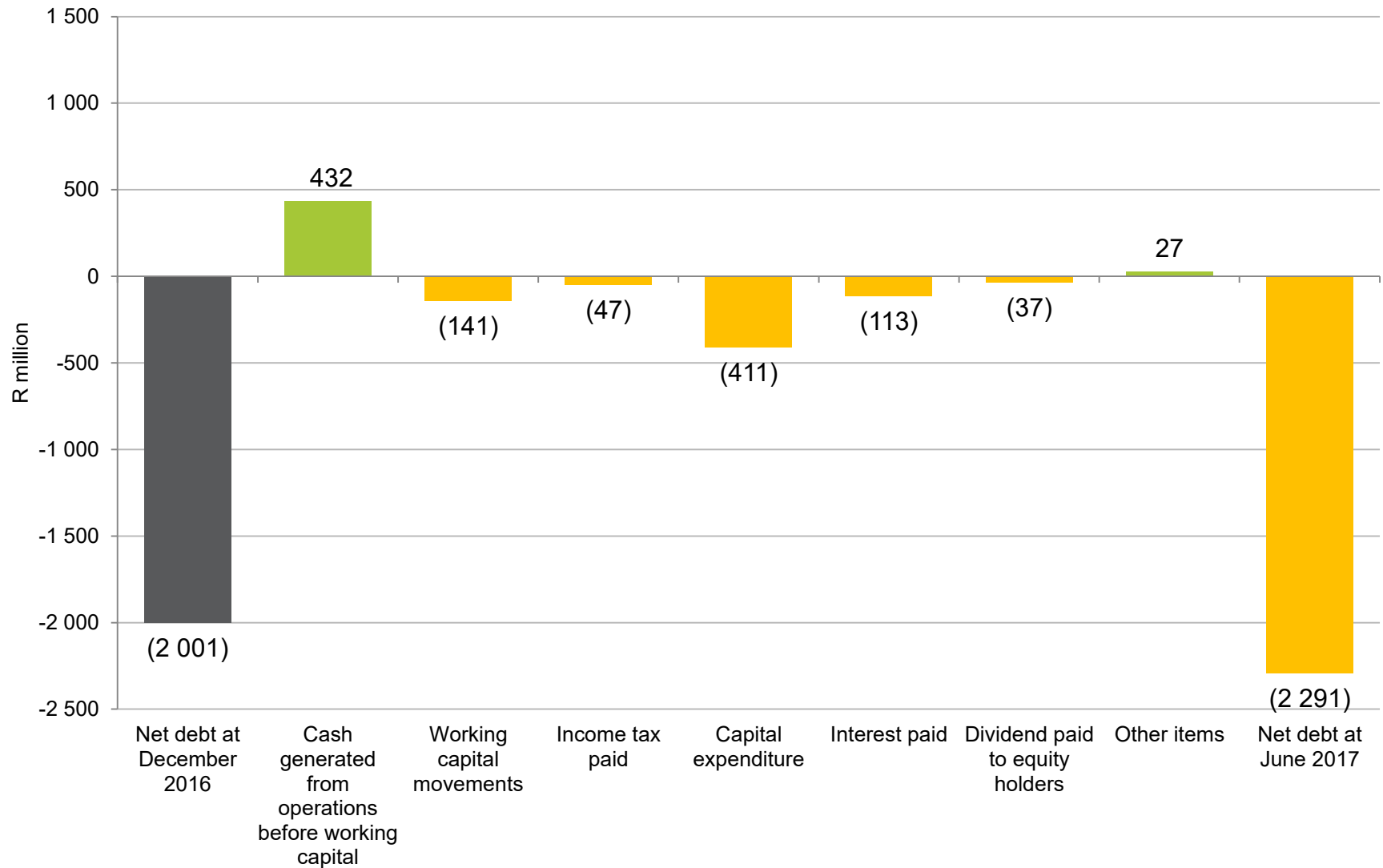
# Working capital



- Product mix
  - Higher export volumes
- Higher working capital levels with multi-nationals

1. Working capital includes inventories, trade receivables and trade payables.

# Movements in net debt





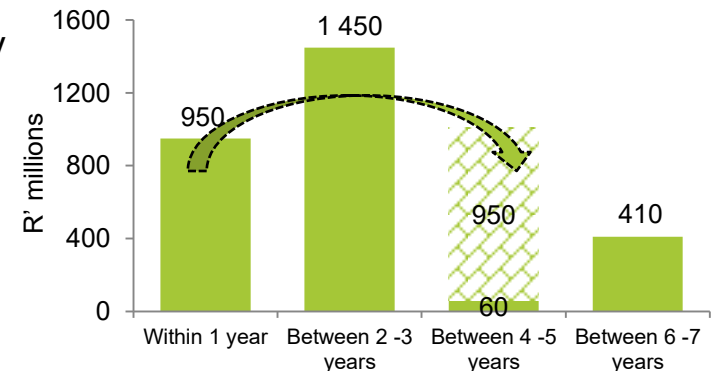
# Net finance cost and net debt

R million	Full year 2016	HY1 2016	HY1 2017	change
Net debt - close	2,001	1,943	2,291	17.9%
Net debt - average	1,964	1,868	2,304	23.5%
Net finance costs	191	91	100	9.8%
Gearing %	33.6%	33.8%	36.3%	2.5
Interest cover (EBIT) (times)	4.1	3.5	1.7	
Net debt to EBITDA (times)	1.6	1.4	2.0	

- Net finance costs higher by 9.8%

- Higher average net debt and interest rate increase, offset by borrowing costs of R12.6m capitalised to the Felixton mill upgrade project
- Committed facilities of R2.9bn
- Successful refinancing of R950m of debt for 4 years at JIBAR + 205 bps

**Maturity profile of committed facilities**

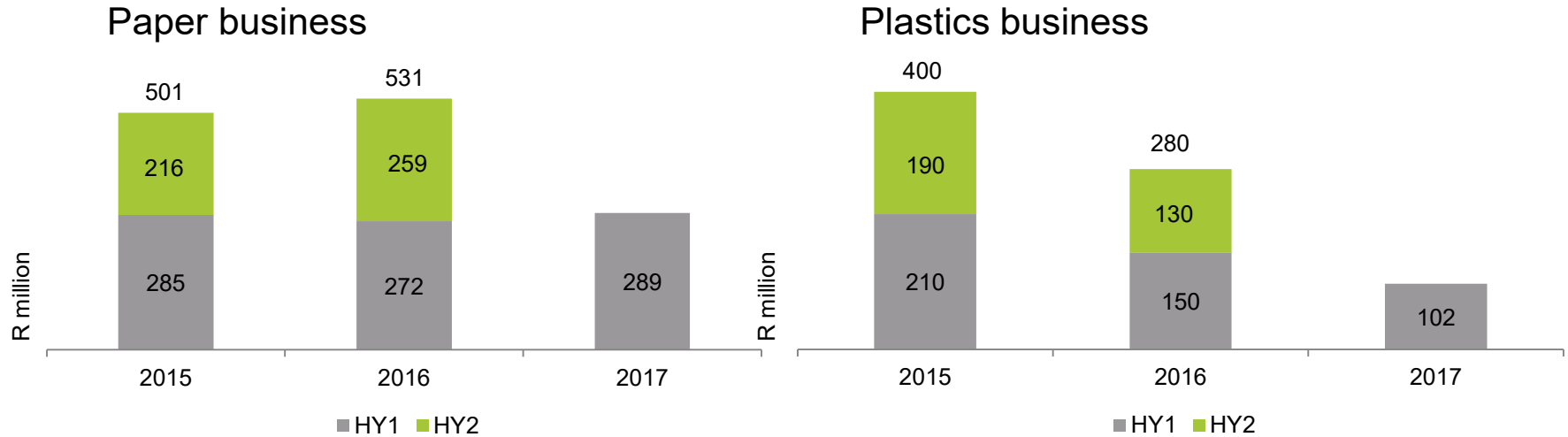


1. Includes Standard Bank & RMB, KZN Growth Fund and IDC committed facilities.

R million	HY1 2016	HY1 2017	change
Taxation charge	82	22	(72.8%)
Effective tax rate	34.4%	29.8%	4.6
Tax paid	63	47	(25.4%)

- Effective tax rate of 29.8% higher than the statutory tax rate of 28.0%
  - Deferred tax on certain tax losses not recognised in Mpact Polymers
  - Section 12i tax incentive relating to the Felixton mill upgrade not recognised
    - Once recognised will contribute approximately 70 cps to earnings

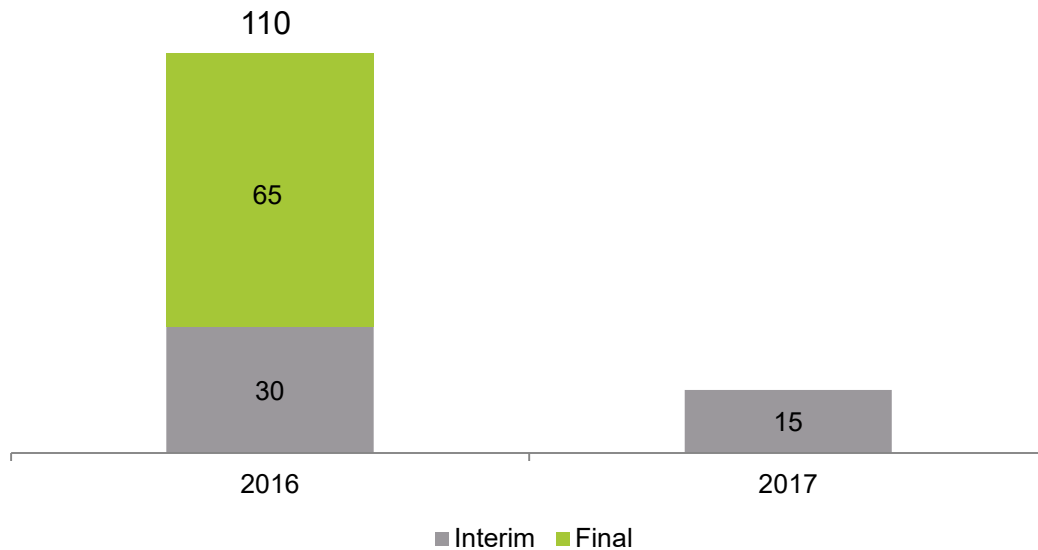
# Capital expenditure cash flows<sup>1</sup>



- HY1 Paper business capital expenditure includes R150m related to spend on the Felixton upgrade project

1. Excludes Corporate capital expenditure of R20 million which comprise spends related to the purchase of land and buildings, as well as software cost.

# Dividends



- Scrip distribution with an option to receive a cash dividend

## Salient dates for the 2017 Interim Scrip Distribution and Cash Dividend alternative

Last day to trade to be eligible for the Scrip Distribution and Cash Dividend alternative	Tuesday, 5 September 2017
Shares commence trading “ex” the Scrip Distribution and Cash Dividend alternative	Wednesday, 6 September 2017
Record date in respect of Scrip Distribution and Cash Dividend alternative	Friday, 8 September 2017
Scrip Distribution certificates posted and Cash Dividend payments	Monday, 11 September 2017

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- Local trading expected to remain extremely challenging
  - Subdued consumer spending
  - Increased competition across most sectors
  - Drought in the Western and Eastern Cape
- Mpack Polymers improved trading performance
- Felixton paper machine successfully commissioned in July 2017
  - Initial indications encouraging
  - Automated finished goods warehouse to be completed in December 2017 as planned
- Strategic capital projects still to reflect earnings
  - Felixton upgrade, Mpack Polymers, Bins & crates, PE Corrugator