MEDIA RELEASE

Nampak
packaging excellence

NAMPAK LIMITED
Registration number 1968/008070/06
Incorporated in the Republic of South Africa
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("Nampak" or "the group" or "the company")

Unaudited consolidated interim results for the six months ended 31 March 2023

Salient features

- Revenue of R8.4bn up 4%
- Trading profit of R899m up 17%
- Net devaluation losses arising from Angolan and Nigerian exchange rate movements of R571m
- Operating profit before net impairment losses of R259m down 62%
- Net impairment losses of R2.4bn
- Net finance costs of R494m up 77%
- Operating loss of R2.1bn
- Loss for the period of R2.4bn (loss of 396.6cps)
- Headline loss of R342m (headline loss of 54.5cps)
- Cash generated from operations before working capital changes of R591m down 45%
- Net debt: EBITDA of 2.9x below covenant threshold
- EBITDA: interest cover of 3.4x below covenant threshold

Phil Roux, Interim CEO of Nampak announced the group's interim results for the 6 months period ended 31 March 2023 results today.

"2023 is a defining year for Nampak. Our group is a formidable business that is faced with unsustainable debt levels. Our strategic imperative is to focus on a new business model, that aims to unlock value in the short to medium term with a glide path that is configured to be fit for growth.

A rigorous cost reduction program, business remodelling and significant reduction in net working capital will be fundamental to our efforts in the short term. The divestiture program requires increased impetus as a critical enabler to reducing our debt encumbrance to manageable levels. The medium term will deliver an optimal portfolio of assets with a fit for purpose business model and consequently a reinvigorated Nampak as an outcome. Customer centricity will be at the heart of the organisation as we refine our go to market practices enabled by an efficient supply chain."

Overview

Revenue growth of 4% to R8.4 billion was enabled by increased volumes in Bevcan South Africa and improving volumes in Angola, partially offset by significant volume reductions in Bevcan Nigeria and DivFood. The Rest of Africa's market volumes were stable.

Operating profit before net impairment losses of R259 million declined 62%. The operating profit was adversely impacted by devaluation losses of R571 million in Angola and Nigeria arising from exchange rate movements, net impairment losses of R2.4 billion and net finance costs of R494 million resulting, in a net loss of R2.4 billion.

A headline loss of 54.5 cents per share is reported compared to a headline earnings of 35.6 cents per share in the comparative period ("1H22").

The equity base has been adversely impacted by net impairment losses represented by a goodwill impairment of R1.5 billion in Bevcan Nigeria and asset impairments in Angola and South Africa of R0.9 billion. The impairments in Nigeria and Angola were significantly increased due to the higher weighted average cost of capital. A decline in current and future expected volumes in Nigeria also being a contributing factor.

Resumption of proposed capital raise from a rights offer

The requirement for a minimum rights offer of R1.5 billion has been reduced to a rights offer of up to R1.0 billion. Nampak will convene an EGM in respect of which a circular will be published on or about 31 May 2023, seeking all relevant authorisations required to enable the company to proceed with a potential rights offer, will enable management to further reduce the company's debt, resulting in a more appropriate capital structure.

As communicated in previous SENS announcements, negotiations to conclude credit-approved term sheets for the refinancing package for the next five years will continue over the next few months.

Metals

Revenue from the Metals division increased by 7% to R6.4 billion from R6.0 billion in 1H22. Improved trading conditions yielded an enhanced trading profit margin of 13.3% compared to 12.6% in 1H22. The operating margin decreased to 4.4% from 11.8% primarily due to foreign exchange losses incurred in Angola, Nigeria and an operating loss reported by DivFood.

Bevcan SA experienced increased overall market demand for beverage cans in the alcoholic and energy drink sectors. The Bevcan production lines producing larger can sizes remain fully utilised. Despite the strong demand for larger cans, overall sales volumes for the period were slightly lower than the previous period, mainly as a result of the national shortage of carbon dioxide.

Bevcan Nigeria operated under steadily worsening Nigerian macroeconomic conditions. High levels of inflation, shortages of bank notes and the increased cost of imports affected prices negatively and impacted consumers' disposable income. This resulted in reduced affordability and slowing demand.

Bevcan Angola sales volumes increased by 8% for the six months period compared to 1H22 albeit off a low base. Consumer demand was enhanced by improving key economic indicators such as lower inflation and interest rates. The re-commissioning of three previously mothballed customer beverage can filling lines should result in improved future can demand.

DivFood continued to trade at levels below installed volume capacity due to a reduction in consumer demand exacerbated by poor economic conditions and agricultural vagaries. The lower volumes have negatively impacted profitability.

A decision was made to close Nigeria Metals (the non-beverage can business) in the period given the subdued demand for metal paint, polish and brake fluid products. In addition, the lack of US dollar availability at the official rates contributed to this decision.

Plastic

Revenue for the Plastic division decreased by 4% to R1.5 billion from R1.6 billion reported in 1H22 largely due to lacklustre economic activity. The trading profit reduced to R86 million from R143 million in 1H22. The negative trading environment resulted in a reduced trading profit margin of 5.7% from 9.1% achieved in 1H22. The operating margin decreased to 4.0% in the period from 7.7% in 1H22.

The weak South African economy continued to hamper demand for commodity products with lower-than-expected volumes for bottles and drums. Demand for drums was further impacted by a weaker export market for chemical products. Demand for closures remained stable.Tubes business recorded good volume growth coming off a low base in 1H22. Demand in Zimbabwe remained strong although sales were lower than anticipated due to raw material and electricity supply constraints. Zambian crates demand was strong.

The exit of the Crates business was successfully concluded with the proceeds of R40 million to be received in the second half of the financial year.

Paper

Revenue increased by 4% to R534 million from R516 million in 1H22. Overall trading profit for the Paper division increased by a pleasing 40% to R113 million from R81 million. The operating margin increased to 18.4% from 10.5%.

Demand for corrugated cartons in Zimbabwe continued to surpass expectations with tobacco crops estimated to reach record highs for the 2023 financial year. Increased demand for conical cartons in Malawi continued, although Zambia conical carton volumes remain under threat from sales of traditional beer in bulk containers.

The weak economic conditions continue to curtail demand for conical carton volumes in South Africa, whilst PurePak volumes remain stable.

Impairments

The group’s net asset value continues to significantly exceed the group’s market capitalisation.

Assessments for potential impairment losses were completed for individual operations/cash-generating units. These valuations were performed at 31 March 2023 taking into account the approved forecast for 2023 and the strategic plans for 2024 to 2027 resulting in net impairment losses of R2.4 billion, of which R1.5 billion related to the Bevcan Nigeria goodwill impairment.

In Bevcan Angola, the post-tax WACC has increased to 17.7% from 14.9% at 30 September 2022 mainly due to weakening global conditions, resulting in the recognition of an impairment loss at 31 March 2023 of R493.4 million (US$27.0 million). The increase in the WACC rate contributed R291.1 million (59%) to the asset impairment.

A softening in consumer demand as a result of high foreign exchange rates and a shortage of bank notes currently experienced in Nigeria, strained customer affordability caused by higher recoveries of forex losses in the selling price of cans contributed to impairment losses.

In Bevcan Nigeria, an after-tax WACC rate of 17.3% compared to 12.5% at 30 September 2022 is mainly due to weakening country risk premiums, increases in risk-free rates and forecast volume revisions owing to reduced demand. Goodwill amounting to R1.5 billion (US$84.8m) was derecognised. The increase in the WACC rate contributed R721.5 million (47%) to the goodwill impairment.

An after-tax WACC rate of 13.9% was applied to DivFood and resulted in impairments of R300 million across two cash generating units.

Resumption of proposed capital raise

The requirement for a minimum rights offer of R1.5 billion has been reduced to a rights offer of up to R1.0 billion. Nampak will convene an EGM in respect of which a circular will be published on or about 31 May 2023, seeking all relevant authorisations required to enable the Company to proceed with a potential rights offer to raise gross proceeds of up to R1.0 billion during the course of 4Q2023.

Interim results presentation

Nampak management will conduct an in-person and webcast presentation on Wednesday, 24 May 2023 at 10:00 Central Africa Time (UTC+2) to present the interim results and address questions from the investment community. Dial-in details are available on Nampak’s website http://www.nampak.com/Investors.

The financial information contained in this media release has not been reviewed or reported on by the company's auditors.

Bryanston

24 May 2023

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Forward-looking statements

This announcement contains statements about Nampak that are or may be forward-looking statements. All statements, other than statements of historical fact, are or may be deemed to be, forward-looking statements, including without limitation, those concerning: strategy; the economic outlook for the packaging industry; cash costs and other operating results; growth prospects and outlook for operations individually or in the aggregate; liquidity and capital resource and expenditure and the other outcome and consequences of any pending litigation proceedings and specifically including the proposed rights offer. These forward-looking statements are not based on historical facts but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases. Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditure, acquisition strategy, or future capital expenditure levels.

By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. Nampak cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments including with thin the industry in which Nampak operates, may differ materially from those made in, or suggested by, the forward-looking statements contained in this notice. All these forward-looking statements are based on estimates and assumptions, which estimates and assumptions, although Nampak may consider them to be reasonable, are inherently uncertain and as such may not eventuate. Many factors (including factors not yet known to Nampak, or not currently considered material), could cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the group’s future revenue, cost structure and capital expenditure; the group’s ability to expand its portfolio; skills shortage; changes in foreign exchange rates and related foreign exchange gains or losses; a lack of market liquidity which holds up the repatriation of funds; changes in commodity prices and working capital; increased competition; higher inflation; increased interest rates; slower than expected customer growth and reduced customer retention; acquisitions and divestments of group businesses and assets and the pursuit of new, unexpected strategic opportunities; the extent of any future write-downs or impairment charges on the group’s assets; changes in taxation rates; the impact of legal or other proceedings against the group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. Nampak shareholders should keep in mind that any forward-looking statement made in this notice or elsewhere is applicable only at the date on which such forward-looking statement is made.

New factors may emerge from time to time that could cause the business of Nampak or other matters to which such forward-looking statements are related, not to develop as expected and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Nampak has no duty and does not intend to update or revise the forward-looking statements contained in this notice after the date of this notice, except as may be required by law