



NAMPAK TURNAROUND INITIATIVES GAIN MOMENTUM

NAMPAK ANNOUNCES IMPROVED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2024

SALIENT FEATURES

CONTINUING OPERATIONS

- Revenue of R6.2bn up 7%
- Trading profit of R770m up 133%
- EBITDA of R1 148m up 201%
- Operating profit before net impairments of R1 005m up from R235m
- Significant decline in net impairment losses
- Operating profit for the period R992m compared to operating loss of R558m in 1H23
- Profit for the period of R395m compared to a loss of R878m in 1H23
- Headline earnings of R447m compared to a headline loss of R327m in 1H23
- No dividend declared

TOTAL OPERATIONS

- Loss from discontinued operations of R530m compared to R1 569m in 1H23
- Headline earnings of R267m compared to headline loss of R342m in 1H23
- Cash generated from operations R878m compared to R21m in 1H23
- Free cash flow of R810m compared to a cash outflow of R109m in 1H23

Phil Roux, CEO of Nampak Limited, said, “*We have achieved positive results in our transformation journey over the past twelve months. This includes a step change in the performance of the continuing Metals Group, a highly effective cost reduction programme, significantly lower impairment losses, improved working capital management and pleasing progress on asset disposals. The interim results were pleasing despite significant macro-economic headwinds in most geographies. SA Metals performed exceptionally well due to the turnaround initiatives gaining momentum.*”

Roux noted that the Group had achieved improved results despite performance inhibitors, such as constrained consumer demand in South Africa and Angola, unreliable municipal infrastructure resulting in electricity failures at the Springs plant, partial volume loss with two major customers and an invasive external cyber incident which was successfully remedied.

Roux added that Nampak had made progress in respect of its five strategic pillars: (1) portfolio optimisation, spearheaded by divestitures and stock keeping unit rationalisation; (2) cost reduction and unearthing inefficiencies enabled by a merged SA Metals business model; (3) strengthening the Nampak brand

proposition as a purveyor of packaging excellence; (4) groupwide customer obsession; and (5) building a high-performance anatomy calibrated for learning agility.

CONTINUING OPERATIONS

Group revenue from continuing operations increased by 7% to R6.2 billion reflecting encouraging growth despite an operating environment that was characterised by high interest rates, inflation and the resultant pressure on consumers' disposable income. Despite declines in revenue in DivFood and Bevcan Angola, Metals recorded a 6% increase in revenue boosted by growth achieved with Bevcan South Africa, while Plastics and Paper posted 9% and 10% increases in revenue respectively.

Improved operating margins were achieved through portfolio optimisation and cost reduction initiatives. Operating profit was assisted by active management of the post-retirement medical aid liability which resulted in a cost curtailment gain of R290 million and materially lower impairments. Forex risk management continues to improve as it remains a key focus of management.

Operating profit before impairment losses of R1 005 million reflects a 328% increase compared to R235 million in the prior period. Impairment losses decreased significantly to R13 million from R793 million.

Net finance costs decreased 7% to R459 million from R491 million benefiting from the reduction in debt as a result of the net rights issue proceeds of R960 million received in September 2023 and net cash generated during the period under review.

A profit before tax of R530 million compares favourably to the loss before tax of R1 052 million incurred in the prior period with a profit of R395 million reported compared to a loss of R878 million in 1H23.

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A profit for the period of R395 million was delivered compared to a loss of R878 million in the comparative period and resulted in earnings per share of 5 280.3cps compared to a loss of 31 043.7cps in the prior period. A headline profit of R447 million and headline earnings per share of 5 393.9 cents is reported compared to R327 million headline loss and headline loss per share of 11 027.3 cents in the prior year.

DISCONTINUED OPERATIONS

The material reduction in the loss of R530 million for **discontinued operations** (which include Bevcan Nigeria, Liquid Cartons South Africa, Malawi and Zambia and Plastic Tubes SA) compared to the prior period loss of R1.6 billion, is primarily attributable to a significant reduction in impairments.

TOTAL OPERATIONS

A loss for the period of R93 million attributable to owners of Nampak Limited was incurred compared to a loss of R2 490 million in the comparative period and resulted in a loss of 1 123.5cps compared to 83 882.1cps in the prior period. A headline earnings of R267 million is reported compared to a headline loss of R342 million in the prior period, resulting in headline earnings of 3 227.9cps compared to headline loss of 11 524.1cps.

Reflecting on **operational performance**, Roux said, “SA consumers have been severely impacted by rising costs due to inflationary pressure, high interest rates and increased fuel costs amongst others. Numerous fast moving consumer goods categories suffered volume declines which were not limited to discretionary categories and were inclusive of staple food products. It is apparent that brand owners are wrestling with the conundrum of balancing volume and margin with a bias to margin preservation negatively impacting category volumes.”

The beverage category that Nampak serves has shown relative resilience with satisfactory beer and sustained energy drink volume growth. Profitability was bolstered by the can substrate increasing as a format of choice, improved product mix, significant cost reduction and improved plant efficiencies which resulted in higher margins. Net working capital was particularly well managed with positive impacts on improved cash flows.

The planned capital investment of R350m bodes well for the future given the sustained growth of the large pack format which offers a value proposition to consumers. The commissioning of the new Springs Line 2 will provide capacity expansion to address this growing market segment.

DivFood reported a marginal revenue decrease due to portfolio rationalisation and a large customer's plant closure for maintenance. Disruptions in local ports in Q1 impacted supply to customers. The food category experienced mixed fortunes with a softening demand for deciduous fruits and vegetable products partially offset by growth in other categories. Monobloc and tinline aerosol volumes were affected by weak demand. The paint operation was closed. Solid progress in the Diversified portfolio is due to interventions which include revitalised leadership, portfolio rationalisation, cost management and margin expansion. An operating loss reported in the prior period was converted into a strong operating profit with a turnaround of more than R186 million. Notwithstanding the pleasing results from the turnaround, there is further scope for growth and efficiency improvements.

Bevcan Nigeria's revenue and profitability was impacted by the devaluation of the Naira and resultant high inflation affecting consumer demand. A concerted effort to increase market share is intended to promote volume growth in the short-to-medium term.

Notwithstanding a doubling of inflation and slowing consumer demand, Bevcan Angola reported an encouraging improvement in operating profit assisted by higher trading margins and lower forex losses.

While Zimbabwe remains plagued by hyperinflation, a dysfunctional currency, a volatile environment and impending drought, Nampak's business continues to perform satisfactorily.

Nampak has concluded disposals of R2.1 billion across the business portfolio. Proceeds from completed transactions will be used to settle debt in terms of the refinancing agreements concluded in September 2023.

Outlook

Roux concluded, *"Nampak is not immune to constrained economic conditions in the multiple geographies in which it operates. The business is however increasingly better positioned to compete effectively and unlock further value as we re-engineer the Diversified portfolio, install new capacity in Bevcan South Africa, scale down, reduce costs and pay down debt. The momentum behind the asset disposal plan gives further credence to the turnaround."*

ENDS

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NOTES TO EDITORS

Nampak management will hold an in-person and webcast presentation on Friday, 28 June 2024 at 11h00 Central Africa Time (UTC+2) to present the interim 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 interim results presentation and announcements will be uploaded on the website.