Nampak Limited announces resilient annual results for the year ended 30 September 2017

HIGHLIGHTS
⇒ Revenue down by 2% to R18.8 billion
⇒ Trading profit increased by 3% to R2.0 billion
⇒ HEPS increased by 15% to 123.8 cents per share
⇒ EPS decreased by 86% to 36.6 cents per share due to once of capital profit of R1.3 billion on the sale and leaseback of properties in the prior year and increased impairments
⇒ Operating profit before sale and leaseback of properties up 14% to R961 million
⇒ Net gearing improved further to 45% from 49%, financial position remains strong
⇒ Cash generated from operations before working capital changes increased 6% to R2.4 billion

ACHIEVEMENTS
• Safety results:
  o Bevcan Springs - 2 million and Bevcan Nigeria and Angola - 1 million incident free production hours
• US$127 million cash extracted from Nigeria and Angola, reducing cash balance in Nigeria by 16% to R828 million
• Nigeria cash extraction at US$79 million higher than guidance of US$54 million to the market
• 89% of Angolan cash balances hedged, up from 61%
• Capital expenditure down 50% to R0.7 billion
• Improved carbon footprint and energy savings for the Group

Nampak’s CEO, André de Ruyter, commented “Our performance has been resilient in a turbulent economic and political environment. While our beverage can making operations achieved good results, the other divisions faced adverse conditions in a climate of reduced demand and tough trading conditions. Our results have also been negatively impacted by a number of significant abnormal items. During 2017, our focus has been on preparing ourselves - operationally and financially - to create a solid foundation and platform for future growth.”
RESULTS OVERVIEW
Economic headwinds resulted in reduced consumer spending on food characterised by trading down, product substitution and downsizing to smaller sizes. Beverage can demand remained largely unaffected by economic challenges in South Africa and Angola. In this environment, Nampak focused on driving operational efficiencies to increase productivity yields, improve safety and obtain a better return on capital investments. The return on net assets increased to 12.3% from 11.2% in the prior year as a result.

Nampak’s headline earnings and headline earnings per share for the year increased 16% and 15% to R793 million (2016: R681 million) and 123.8 cents (2016: 107.6 cents) respectively. Whilst revenue declined by 2%, impacted by the strengthening of the average Rand exchange rates against the majority of foreign currencies, group trading profit rose by 3%, as a result of the strong performance by the Metals division in South Africa and Angola. On a constant currency basis, revenue grew by 6% on the back of the 10% Rand strengthening against the US dollar to an average rate for the year of R13.38.

Operations excellence and cost management were key priorities, resulting in head office costs being reduced by R57 million. Operational efficiencies, product rationalisation and the consolidation of lines and plants yielded additional savings. The newly established capital assurance committee contained capital expenditure to R735 million, 27% less than the average R1 billion envisaged and 50% less than the prior year.

Cash extraction improved significantly following the introduction of the Nigerian Autonomous Foreign Exchange (“NAFEX”) market in April 2017. US$127 million was extracted from Nigeria and Angola, improving the extraction rate in Nigeria to 93% from 57% and reducing the cash balance from R1 billion to R0.8 billion.

Good progress was made in our safety performance with the lost time injury frequency rate (“LTIFR”) improving, and this remains a key focus area. Our vision is to deliver strategically and profitably, while ensuring that all employees return home safely every day.

Glass traded reasonably well in the first half, but lost this momentum in the second half. Irregular electricity supply from March to August had a major impact on costs. A strategy is in place to address production challenges. We expect the assistance of operational specialists and a high-level management intervention to result in improvements in operational efficiencies.

Key management changes were introduced at Plastics Europe resulting in steady progress in improving operational performance and diversifying the customer base.

The 2017 EPS results have been adversely affected by certain abnormal items, with the greatest impacts coming from the absence in 2017 of a once-off capital profit of R1.3 billion made in 2016 on the sale and leaseback of properties in South Africa. Other negative impacts resulted from a R435m impairment of goodwill and intangible assets which was paid to Wiegand Glass in 2012 as part of the acquisition of the Wiegand interest in Nampak Glass, and impairments and onerous contract provisions raised in our Nampak Plastics Europe business of R194m. While headline earnings per share (excluding certain abnormal items) rose 15%, basic earnings per share declined 86% as a result of these once off items.
OUTLOOK
South Africa
South Africa remains in a tough economic and trading environment with minimal GDP growth forecast for the next twelve months. The regulatory landscape is increasingly adding to compliance costs. In anticipation of the delayed sugar tax legislation, Nampak is working closely with major customers to assess the possible impact on their businesses and how this will change packaging requirements.

Rest of Africa
Strong can demand is expected to continue in Angola and US$13 million, subject to a Kwanza US dollar swap, has been allocated to convert the existing tin plate line into aluminium to meet demand. Costs are well controlled in Nigeria and the market continues to steadily improve with liquidity restored. The majority of other territories in the rest of Africa are expected to grow in local terms, despite political uncertainty in some countries. Nampak will look at serving regional territories collectively, where feasible, to extract operational efficiencies and manage costs.

Europe
The European business is in turnaround mode. New management will continue focusing on managing overheads and driving operational efficiencies to achieve break-even in 2018 and profitability by the 2019 financial year end.

DIVIDEND
No dividend was declared for the year in line with the Board decision taken in 2016 to suspend dividends in order to improve the financial position of the company and conserve cash.

ENDS

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About Nampak
Nampak is Africa’s largest diversified packaging manufacturer by volume and revenue. We leverage the skills of our 6 420 people and capitalise on our substantial investment in state-of-the-art facilities to produce world-class metal, glass and rigid plastics packaging from facilities in 11 countries across Africa, and in the United Kingdom as well as Ireland. Our customers – many of them large fast-moving consumer goods companies – benefit from our extensive research and development services, which provide them with innovative solutions that promote their own products while keeping their impact on the environment in check.