NAMPAK IN BETTER POSITION AFTER SUCCESSFUL YEAR
Nampak announces results for the 12 months to 30 September 2021

Highlights
- Revenue up 24% to R14bn
- Operating profit before net impairment losses up >100% to R1.2bn
- Trading profit up 109% to R1.4bn
- Cash generated from operations before working capital up 133% to R1.7bn
- Earnings of 32.1cps and headline earnings of 62.3cps, both up >100%
- Net debt:EBITDA 2.74 times; EBITDA:interest 4.79 times; complied with covenants

Erik Smuts, Nampak CEO, said, “Nampak had a successful financial year, driven by the recovery of all the South African metals operations, significant growth in the Nigerian beverage can market, new customers in Zambia and continued strong demand for our products in Zimbabwe.”

He added, “We successfully restructured two divisions, consolidated operations and simplified product offerings to strengthen our profitability and competitiveness. Further, we renegotiated key funding agreements to reduce financial risk and secured a R1 billion non-recourse trade facility to stabilise the balance sheet.”

Overview
Nampak’s results were driven by strong growth in the Metals division, as a result of a solid performance by Bevcan operations in South Africa and Nigeria. The restructuring of DivFood in South Africa contributed significantly to the improvement in profitability. Management reduced the group’s exposure to US dollar debt and renegotiated covenants, reducing the need to dispose of businesses at less than full value.

Nampak’s manufacturing sites continued to mitigate the impact of COVID-19 with additional safety measures. Sadly, seven employees passed away as a result of the coronavirus. We extend our sympathies and condolences to their families. The lost time injury frequency rate improved materially to 0.27.

Results
Revenue increased by 24% to R14 billion driven primarily by strong results from the Metals division, as beverage can export sales to North America and strong growth in Nigeria boosted performance. Revenue from the Plastics division also grew materially due to good results from Zimbabwe and easing of pandemic restrictions in South Africa. The strong performance was achieved against a backdrop of global supply chains shortages of raw materials as well as civil unrest in July 2021 in South Africa that led to the temporary closure of some key customers’ operations and the disruption of supply chain routes.

Trading profit improved by 109% to R1.4 billion largely as result of cost saving initiatives at DivFood, significantly improved trading conditions in South Africa, Nigeria and Zimbabwe, new
customers in Zambia and restructuring at Plastics South Africa. Trading margins increased to 10.2% from 6.0%.

Operating profit before net impairment losses increased significantly to R1.2 billion from a loss of R283 million. Profit for the year improved significantly to R377 million from a R4.0 billion loss. Cash generated before working capital changes of R1.7 billion increased by 133%, due to increased volumes and significantly improved profitability. Cash generated after working capital changes was stable at R1.1 billion, despite the additional investment in working capital to fund growth.

Earnings improved to R207 million from a R3.5 billion loss, with earnings per share and headline earnings per share both rising more than 100% to 32.1 cents and 62.3 cents respectively. Cash transfers from Zimbabwe were boosted by repayments of R57 million (USD4.0 million) from the Reserve Bank of Zimbabwe.

Capital expenditure of R313 million was 53% lower than the prior year and included unbudgeted expenditure to leverage export opportunities.

In line with the group’s strategic focus to reduce dependence on US dollar funding, US dollar debt fell from 65% to 41% of R4.7 billion. Nampak complied with all funding covenants as earnings and cash generation improved during the year. Net debt:EBITDA was 2.74 times, below the maximum threshold of 3.5 times. EBITDA:interest cover of 4.79 times at 30 September 2021, was greater than the required minimum of 4 times. The Plastics Tubes business in South Africa was sold in September 2021 for R49 million.

The board has decided not to resume dividends until debt is at a more sustainable level.

**Divisional results**
Revenue from the Metals division grew 26% to R9.9 billion and trading profit rose 159%. Trading profit margins improved to 11.0% from 5.4%.

Local demand for beverage cans improved in the second half with the easing of trade restrictions with higher demand for larger can sizes for beer and energy drinks. Shortages of other packaging substrates contributed to the higher demand. Performance was limited by restrictions on large group gatherings and ad hoc bans on the sale of alcohol, which remained largely in place throughout FY21. Export contracts for beverage can bodies and ends were concluded by the end of the financial year, while a new export contract has been negotiated for the supply of can ends during the 2022 calendar year.

Bevcan Nigeria experienced a surge in demand and delivered double digit volume and revenue growth for the year, exceeding all expectations. Our manufacturing facility operated at close to capacity for the duration of FY21. An additional body maker was installed in May 2021 to increase output and accommodate higher demand. This momentum in growth is expected to continue into the coming year, albeit at a reduced rate as our production line is already operating close to full capacity.

Low demand for beverage cans continued in Bevcan Angola amid a weak economy and pandemic restrictions. Management kept operating costs as low as possible and capitalised on lower input costs, which improved profitability. Line 1 was converted from steel to aluminium and is being commissioned.

In South Africa, DivFood’s performance improved significantly as it successfully restructured its operations and reversed a significant loss made in the prior year. The recovery in revenue was driven by good demand for some products. During the last quarter, shipping delays and supply chain disruptions, following the social unrest in July 2021, caused raw material shortages and as a result we were unable to fully meet customer demand for food cans and metal closures.
Plastics’ revenue grew 21% to R3 billion, driven by very strong demand in Zimbabwe and the recovery of the South African businesses. Trading profit doubled to R287 million and boosted trading margins from 5.7% to 9.6%. Plastics South Africa performed in line with expectations and concluded the operational consolidation, although more work is still required to make this business sustainable. The performance of Zimbabwean operations exceeded expectations. Market demand was serviced to the extent that foreign currency was available and raw materials could be sourced. These operations continue to self-fund their operational and capital requirements. Cash generated is reinvested in operations and equipment to limit exposure to currency fluctuations.

Paper’s revenue grew 9% as pandemic restrictions eased in most markets and trading conditions improved, leading to trading profit growth of 18%. The volumes from Zimbabwean operations grew materially, although volumes in Malawi and Kenya were negatively impacted by the pandemic. Demand for all products in Zimbabwe was robust with double digit growth in both revenue and trading profits. The operations supplied as much as they could amid raw material and foreign currency shortages. Demand for our products in Zambia was boosted by a diversified customer base as the market recovered.

**Outlook**

Smuts says, “We expect improved demand in all areas of our business in the new financial year. All our operations should benefit from the easing of pandemic restrictions.”

Bevcan SA’s improved demand is expected to continue if restrictions on large events are further eased. The renewal of various local long-term supply contracts during the past 12 months will secure beverage can volumes for the coming two years, while the new export contract will support can ends volumes for 2022.

Demand for Paper and Plastics products in Southern Africa should also improve as consumption of milk, juice and traditional beer products increases. An improved operating cost structure will benefit Plastics.

DivFood will continue to benefit from the restructuring in 2021, with additional savings in 2022. The operational improvements and specific focus on food safety and quality should support volume growth in FY22. Fish can volumes are expected to recover due to improved availability of frozen fish and low stocks in the industry.

Smuts says positive momentum is expected in Nigeria as Bevcan benefits from the supply chain dynamics to the extent that raw materials are available. No material change is anticipated in the Angolan economy and beverage can market in the short term.

Demand for Nampak products in Zimbabwe may be volatile, depending on economic recovery, while strong demand from other central Africa countries is expected, albeit off a low base.

Smuts concludes, “Nampak is now in a better position to service customers using an improved cost base and will continue building trust with all stakeholders.”

**ENDS**

For further information contact:

*Media queries:*
Anne Dunn
Tel: 082 448 2684
Email: anne@annedunn.co.za
Investor queries:
Nondyebo Mqulwana, Group Investor Relations Manager
Tel: 072 996 0675
Email: nondyebo.mqulwana@nampak.com

About Nampak www.nampak.com
Nampak Limited is Africa’s largest diversified packaging manufacturer, and has been listed on the JSE Limited since 1969. As a market leader in the supply of beverage cans in South Africa and Angola and a major player in the supply of beverage cans in Nigeria, Nampak operates and produces world-class metal, rigid plastic and paper packaging from 17 sites in South Africa and 14 sites in the rest of Africa. We leverage the skills of our 4 252 people and capitalise on our substantial investment in state-of-the-art production facilities. Our world-class research and development facility based in Cape Town, South Africa, provides technical and innovative product development support to our businesses, as well as to our customers – many of which are among the world’s largest fast-moving consumer goods companies.