Nampak – 1H FY24 Results

Date: 10 July 2024

__Key message__: Remarkable result with operational improvement well ahead of expectations and the asset sale process nearing finalisation.

- Nampak announced 1H FY24 results and produced a remarkable performance with earnings well ahead of our expectations. HEPS of 5394c included a "once-off" post-retirement medical aid (PRMA) liability gain of R290m – excluding this HEPS was approx. 2837c (which is close to our previous full year FY24 forecast). The "New" Nampak has delivered on cost and efficiency improvements after the capital restructuring a year ahead of expectations and has exceeded margin forecasts by some margin (and these appear to be largely sustainable).
- Bevcan SA and Divfood produced a step change in performance, driven by price negotiations with customers, efficiencies and cost reductions. Margin growth was substantial but sustainable as the businesses start to perform at the level that is possible. Arguably Nampak historically took on too much risk on behalf of customers and produced way too many SKU's to cater for all customer requirements regardless of unit profitability. Terms have been renegotiated with many customers.
- Net interest-bearing debt has reduced by R1.2bn to R4.6bn after the rights issue (R960m net proceeds) and asset sales so far. R243m was settled in March 2024. Asset sales are on track with R2.1bn of sales complete or in progress, with the R1.3bn sale of Bevcan Nigeria the largest of the sales (the cash is expected around September 2024 after Competition Commission approval in Nigeria). In the near term the R450m sale of Liquid Cartons Nampak will be used to settle the R477m due on 30 September 2024.
- With the expected further R1.7bn from asset sales net debt should reduce to approx. R2.8bn by FY25 (excluding operational cash generation). This will reduce the net debt:EBITDA ratio to below 2 times. Finance costs should reduce substantially into FY25 as a result.
- We increase our forecasts substantially on the back of this result with the operational turnaround well ahead of expectations and occurring quicker than expected. With some seasonality in earnings (summer high demand falls into 1H) but lower finance costs we forecast 2H HEPS to be down on 1H excl. the PRMA and FY24 HEPS at 6650c (4093c excl. PRMA gain). Significant earnings growth into FY25 is expected from the normalised base through operational and financial gearing.
- We adjust our Target Price to R400 (from R270).

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Price (10/07/2024):	R312
Target Price:	R400
Dividend yield:	0%
Total return	28%
Market cap	R2.42bn
Shares in issue	8.28m

Financial summary

ZARmn (year to September)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	16937	12325	12133	13224	14128
EBITDA - operating	1624	799	1926	1736	1842
Net attributable income	-147	-4039	543	493	671
Headline EPS (diluted)	**7451**	**-34459**	**6668**	**5958**	**8109**
PE Ratio			4.7	5.3	3.9
Dividend	0	0	0	0	0
Dividend yield (%)			0.0%	0.0%	0.0%

Source: Factset, Company data, Chronux Research estimates

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Figure 1 Financial summary

Financial year to September	FY22A	FY23A	FY24E	FY25E	FY26E
ZAR/USD exchange rate	15.86	18.11	18.73	18.65	19.12
Per share data (cents)					
Earnings (diluted)	(4,788)	(117,301)	6,555	5,959	8,111
Headline earnings (diluted)	**7,451**	**(34,459)**	**6,668**	**5,958**	**8,109**
NAV					
Dividend	0	0	0	0	0
Valuation ratios					
P/E ratio			4.7	5.3	3.9
EV/EBITDA	4.9	11.1	4.6	4.4	4.0
P/B					
Dividend yield			0.0%	0.0%	0.0%
Income Statement (ZARmn)					
Sales	**16,937**	**12,325**	**12,133**	**13,224**	**14,128**
Sales growth	*21.0%*	*-30.1%*	*7.6%*	*9.0%*	*6.8%*
EBITDA - operating	**1,624**	**799**	**1,926**	**1,736**	**1,842**
EBITDA margin	*9.6%*	*6.5%*	*15.9%*	*13.1%*	*13.0%*
Depreciation & Amortisation	(472)	(409)	(285)	(315)	(315)
EBIT (Trading Profit)	**1,611**	**864**	**1,447**	**1,422**	**1,527**
EBIT margin	*9.5%*	*7.0%*	*11.9%*	*10.8%*	*10.8%*
Nonoperating Income - Net	(459)	363	194	0	0
Operating Profit (before impairments)	**1,152**	**501**	**1,641**	**1,422**	**1,527**
Net impairments	(512)	(1,118)	(13)	0	0
Net Interest Expense	(586)	(1,215)	(892)	(655)	(509)
Equity in Earnings of Affiliates	5	(6)	(8)	8	8
PBT	**59**	**(1,838)**	**728**	**775**	**1,026**
Income Taxes	(85)	(138)	(186)	(201)	(267)
Tax rate	*143.7%*	*-7.5%*	*25.5%*	*26.0%*	*26.0%*
Consolidated Net Income (Continuing)	(26)	(1,976)	543	573	759
Minority Interest	(121)	(81)	0	(80)	(88)
Net Attributable Income (Total)	**(147)**	**(4,039)**	**543**	**493**	**671**
Cash flow statement (ZARmn)					
Cash from operations before WC	**1,504**	**740**	**1,788**	**1,689**	**1,802**
Changes in working capital	(659)	905	(100)	(142)	(118)
Interest, dividends, tax & other	(792)	(1,469)	(1,156)	(935)	(854)
Cash from operating activities	**54**	**186**	**532**	**613**	**830**
Capital expenditure	(208)	(353)	(414)	(350)	(350)
Other	46	265	731	1,300	0
Investing cash flow	**(162)**	**(88)**	**317**	**950**	**(350)**
Changes in borrowings	401	(447)	(1,493)	(1,200)	(500)
Lease payments	(125)	(121)	(121)	(85)	(59)
Dividend paid	(0)	(10)	(0)	(0)	(0)
Other	7	770	(232)	(84)	(59)
Financing cash flow	**408**	**313**	**(1,725)**	**(1,285)**	**(559)**
Change in cash	299	411	(876)	278	(79)
Balance sheet (ZARmn)					
Total assets	**17,853**	**13,910**	**10,856**	**8,988**	**8,469**
Cash and equivalents	1,502	1,844	967	1,245	1,166
Other current assets	7,320	6,042	5,445	3,246	2,711
Non-current assets	9,031	6,025	4,443	4,496	4,592
Total liabilities	**12,976**	**11,997**	**8,816**	**6,824**	**6,125**
Long-term liabilities	6,665	7,608	5,293	4,093	3,593
Current liabilities	6,311	4,388	3,523	2,731	2,532
Total shareholders' funds	**4,876**	**1,914**	**2,039**	**2,164**	**2,344**
Net debt/(cash) - excl ROU	5,509	4,884	4,011	2,533	2,112

Source: Factset, Company data, Chronux Research estimates

Valuation

- We use FY25 for our valuation as the first full year of the "New" Nampak. FY24 is likely to be still impacted by the sales process. We assume the asset sale process is finalised through FY25 and this year fully reflects the "New" Nampak.

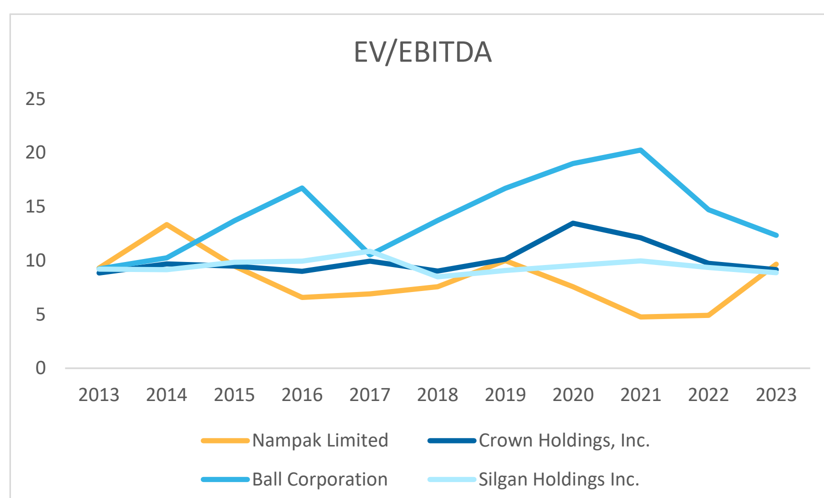
Figure 2 Sum-of-the-Parts Valuation – FY25 EBITDA

Rm	Methodology/ Comment	Normal multiple range	FY25E EBITDA (Rm)	Multiple applied (x)	Value (Rm)
Bevcan SA	EV/EBITDA	4-6	862	5.5	4742
Bevcan Angola	EV/EBITDA	2-4	315	3.0	944
Divfood	EV/EBITDA	3-5	345	5.0	1726
Corporate	EV/EBITDA		(150)	4.0	(600)
			1372	**5.0**	**6812**
Firm value					**6812**
Cash					1253
Interest bearing debt					(3786)
Lease liabilities					(747)
Less: Minorities					(213)
Equity value					**3319**
Shares in issue (m)					8.28
Valuation Per share (R)					**401**

Source: Company data, Chronux Research estimates

- Compared top global metal packaging peers, Nampak has traded at a significant discount over recent years. The global metal packaging sector has been re-rating upwards as environmental factors increasingly favour metal packaging over alternatives (glass, plastic).
- Nampak provided an outlook for metal packaging in the Rights Offer Circular. Another comprehensive summary of the outlook for metal packaging can be found here: Ball Investor Day.

Fig 3 EV/EBITDA - Peers



Source: Company data, Chronux Research estimates

- With the restructuring of the balance and refocussing to metals packaging, Nampak should reduce the valuation gap relative to peers who trade on an EV/EBITDA ratio closer to 10 times. We believe a 40% discount to global peers is appropriate for the Bevcan SA business.
- **Bevcan SA (expected multiple range 4-6):** we use a 5.5 times EBITDA multiple (40-50% discount to global peers) as Nampak refocusses on the core Bevcan SA business. Nampak has retained its reputation for quality and reliability in this division and is likely win back market share from competitors, in our opinion. Nampak is also the only bevcan producer with the ability to expand production in the short-term.
- **Bevcan Angola (expected multiple range 2-4):** we use a low 3 times EBITDA multiple due to the volume and currency uncertainty in Angola. The value ascribed to this business could grow substantially should capacity utilisation improve from the current low 30% level. With two major customers securing distribution rights to global brands (Refriango securing Coca Cola and Castel securing Pepsi) the volume outlook is promising. Sales into the DRC, previously a large market although subject to some manipulation (currency round-tripping), remain well below pre-Covid levels even though the borders have re-opened. A major customer is investing in capacity in the DRC.
- **Divfood (expected multiple range 3-5):** we use a 5 times EBITDA multiple as the business turnaround has exceeded expectations.
- We increase our forecasts substantially on the back of this result with the operational turnaround well ahead of expectations and occurring quicker than expected. With some seasonality in earnings (summer high demand falls into 1H) but lower finance costs we forecast 2H HEPS to be down on 1H excl. the PRMA gain and FY24 HEPS at 6650c (4093c excl. PRMA gain). Significant earnings growth into FY25 is expected from the normalised base through operational and financial gearing.

Fig 4 HEPS Adjustments

	FY24E	FY25E
Previous forecast	2637	4047
Current forecast	6668	5958
% change	*152.8%*	*47.2%*

Source: Factset, Chronux Research estimates

- On a PE basis, Nampak trades at a forward 5.3 times to the normalised "New" Nampak earnings in FY25. We believe that Nampak should trade between an 5-7 times multiple as metal cans are likely to grow market share relative to other packaging and growth rates should exceed GDP in the medium term.

Fig 5 PE Multiples

	2024E	2025E	2026E
HEPS	6668	5958	8109
NPK PE	4.7	5.3	3.9
TP fwd PE	6.0	6.7	4.9

Source: Factset, Chronux Research estimates

- Our Target Price for Nampak comes out at R400 (from R270) using FY25 "New" Nampak numbers. We believe there is substantial value uplift for Nampak following the restructuring process and assuming the R2.1bn sales process can be completed in the expected 18 months.

Rights Offer Outcome

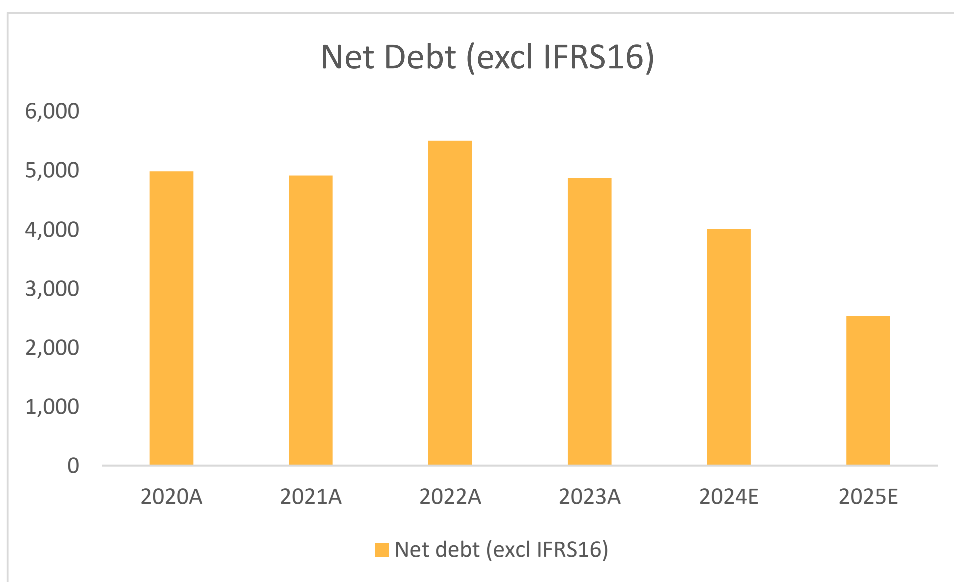
- Nampak raised ZAR 1.0 billion by way of a partially underwritten renounceable rights offer at a subscription price of R175.00 per share in the ratio of 2.20902 Rights Offer Shares for every 1 Ordinary Share held on Friday, 8 September 2023 (the record date).

- Subscriptions equated to more than 138% of the available Rights Offer Shares – suggesting the market has bought into the "New" Nampak strategy and is optimistic on the fortunes of the reconfigured balance sheet and metals sector focus. The debt refinancing was successfully implemented from Friday, 29 September 2023.

Debt

- The rights offer coincided with a major restructuring of debt, simplifying the lender group and securing debt facilities appropriate for the business. Offshore debt has been reduced substantially in the process (from USD135m to USD35m). Proceeds from the R1bn rights offer and R2.1bn asset sale process will be used to pay down debt.
- Our forecast of net debt is shown below. We assume the asset sale process is finalised in FY25 and this year fully reflects the "New" Nampak.

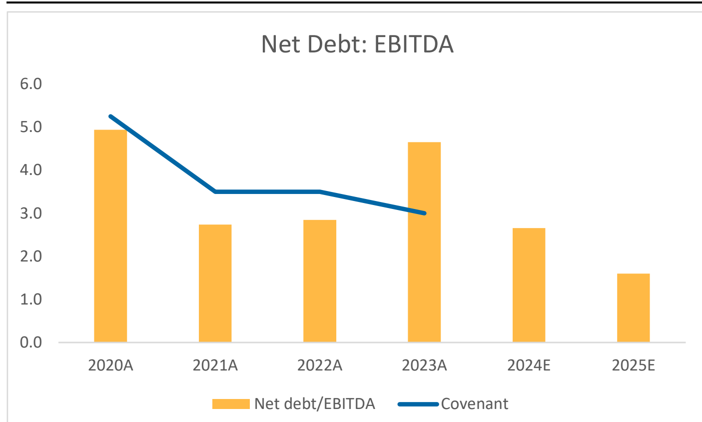
Fig 6 Net Debt (excl. IFRS16)



Source: Company data, Chronux Research estimates

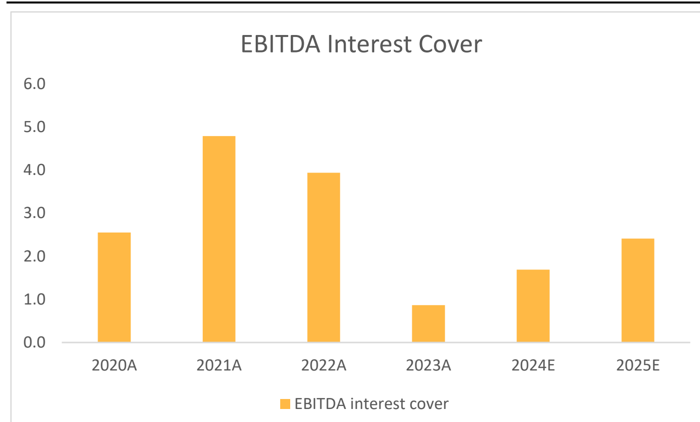
- Nampak has stated that the Net Debt: EBITDA for a sustainable business should be less than 2 times – according to our forecast this will be achieved by FY25.

Figure 7 Net debt: EBITDA



Source: Company data, Chronux Research estimates

Figure 8 EBITDA: Interest cover

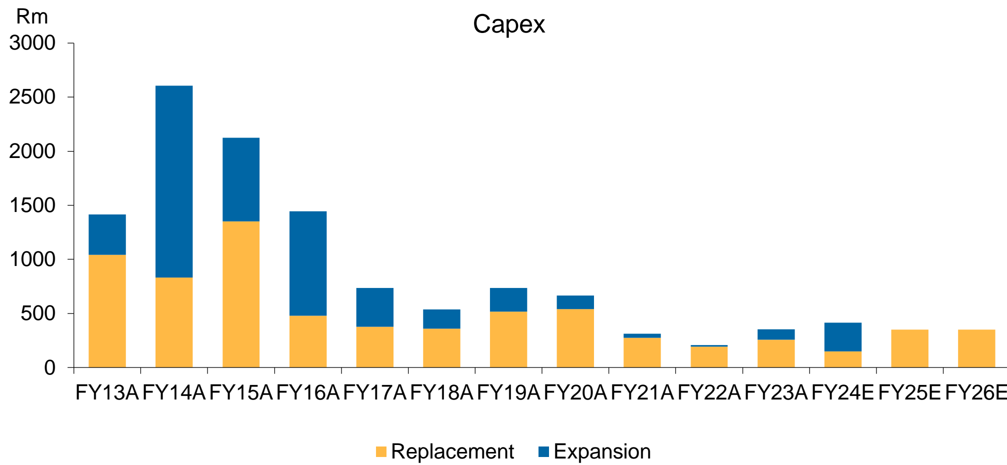


Source: Company data, Chronux Research estimates

Capex

- Capex has declined substantially over recent years as cash preservation has out shadowed expansion ambitions. There have been no major acquisitions since the R3.5bn Nigerian bevcan purchase in 2014.
- Capital expenditure remains low. Maintenance capex is estimated at approx. R250m per annum. Total capex is expected to be R350-400m.
- The conversion of Springs Line 2 (approx. R300m) has gone ahead and capex for the project will spread across FY24 and FY25. This will be funded through internal cashflows.

Fig 9 Capex



Source: Company data, Chronux Research estimates

Notes from the Results

Bevcan SA

- Profits were boosted by improved product mix, increased scrap sales, significant cost reductions and improved plant efficiencies.
- The Springs Line 2 investment to produce in-demand large format cans has been commissioned. The capital cost came in at lower than planned R275m. The line will add up to 300m cans to the output (approx.10% volume increase).
- While there was uncertainty around Nampak competitors were aggressive in chasing market share and Nampak did lose volumes at 2 customers. However, this was made up by gaining other business and growth in bevcan demand. Overall volumes were flat.
- The increased margin (13.5%) is expected to be sustainable for the year, with a MT target range of 10-12%.
- Nampak did improve terms with customers with a push for more commercial insight into customer contracts.
- Beer customers are doing well and the energy drink sector is very strong – energy drinks are providing food substitution and this is driving some of the growth in demand.
- Nampak has approx. 60% market share in the bevcan market, with competitors GZI and Golden Era (Kingsley has installed a can line for internal consumption and is not a direct competitor).
- Nampak expected to get to full capacity in approx. 12 months and is looking at capacity expansion as the market grows. Moving of the second Angolan line to South Africa is a real possibility – this would provide capacity growth at a cost competitors would not be able to match. GZI can expand on a modular basis but GE would need to invest in a new line (which costs approx. US$60m).

DivFood

- DivFood swung to a R139m profit on the back portfolio rationalisation (the loss-making paint can business was closed – this was losing R60m per annum).
- An extended shutdown at a customer did impact volumes in 1H and port issues impacted customers.
- The operating margin is sustainable. Further benefits are expected from the ongoing efficiency improvements.
- Management see growth into Africa as cans provide non-perishable products.
- Nampak has secured Tiger Brands deciduous fruit can business. This will add approx. 10% to the food can business in DivFood from FY25 (food cans make up approx. 60% of Divfood sales). This is higher margin business on average and will help maintain the margin at least.

Bevcan Angola

- The macro-environment is improving and currency depreciation has been low. Working capital management has been a focus.
- A payment issue with a large customer has been resolved with the customer (Refriango) refinancing and in better financial shape. This impacted volumes in 1H with sales suspended for 3-4 months. Refriango has been given the Coca Cola rights in Angola and this caused some temporary balance sheet strain.
- Refriango is investing in canning facilities in the DRC and this might stimulate more demand (historically the DRC has been a source of bevcan demand from Angola).
- The other major customer, Castel, is stable.
- The second line in Angola has been fully impaired and plans to move it to South Africa are being investigated. There is return upside in this move with the asset valued at zero. Due to the low capacity utilisation of the first line it is unlikely this capacity will be needed in Angola.
- The first line in Angola is operating at 33% of capacity (the highest it has ever operated is 66%).
- All customers have been moved to 30-day payment terms.

- A better 2H is expected with volumes to Refriango recovering.

Plastics and Paper

- This division is now just the Zimbabwean operations.
- The business is doing well but currency devaluation continues to impact translated results. A switch to the USD as the functional currency is being investigated.

Asset sales

- R250m has been received from asset sales so far (used to pay down debt) and a further R1.7bn is expected by September 2024. This will be used to pay down debt.
- The next debt payment is due in September (R477m) – this should be covered by the sale of Liquid Cartons.
- The receipt of cash from the Bevcan Nigeria sale is uncertain but expected by September 2024. Approval from the Nigerian Competition Commission is still required and the process timing is uncertain. Should the Nigerian sale fall through the Plan B is to pay off all US$ debt and simplify the debt structure.
- Competition Commission approval is also required for the sale of Liquid Cartons. This is anticipated in the next three months.
- The debt refinancing and asset sales should take away the US$ debt and the significant forex volatility associated with Nigeria. Debt will be simplified amongst fewer lenders with a longer tenor and likely lower interest rates. The impact of this on earnings will be significant with lower interest costs and reduced volatility in earnings.

Financial

- A three-year settlement has been concluded with the labour bargaining unit at a favourable increase. This will help in keeping cost inflation within reasonable limits.
- IT costs at R112m are high for the smaller business, but it will take some time to end service agreements for some of the discontinued businesses.
- The PRMA was a once-off gain, but there will be ongoing savings from the restructuring of the pension plan.
- Minorities (mainly Zimbabwe) were negative (-R42.3m) due to the hyperinflationary tax accounting treatment in Zimbabwe despite the business making a profit – this also boosted the HEPS number. The minority interest will effectively be from the Zimbabwean business going forward (effectively the Plastics and Paper divisions). We normalise this number from FY25 to be the Zimbabwean minorities portion of the after tax income of the Plastics and Paper divisions.
- Debt will be refinanced before September 2024 to reduce the lender grouping, get rid of US$ debt and reduce finance charges. Current debt will become short-term on 31 March 2025 but refinancing is planned before September 2024.
- Capex – R350-400m is expected as an ongoing total capex cost.
- Working capital was low relatively flat in 1H after a significant reduction in FY23.
- The cyber-attack will cost approx. R20m for the insurance excess. The insurance claim is still to be lodged and as with the Covid claim there is no certainty on the amount or timing of potential payments. No recognition of claims has been made.
- The RBZ claim of US$52m has been impaired by 97.5% and any recovery will be beneficial to earnings. Any recovery will be used to pay down debt.
- Head office costs remain high and will be addressed. IT costs of R112m are high and will reduce in time – but there are some contracts that will need to wind down in some of the businesses to be sold.
- The corporate cost will include R70m in pension cost and R20m depreciation going forward as ongoing costs. The reduction in the workforce is largely complete with a headcount reduction saving of approx. R300m. Management will focus on stranded costs after the asset sale program to further reduce costs.

- The PRMA gain (R282m) was pre-tax and was taxed at the 27% tax rate. The PRMA gain is included in HEPS. While it is a once-off gain, there are ongoing cost savings of approximately R30m per annum due to the pension restructuring.
- Depreciation declined due to asset write-downs.

The "New" Nampak

- Nampak has been burdened by a high debt burden, poor operational performance in some divisions and currency jurisdictions where hard currency liabilities were funded through local revenue receipts where currency convertibility is an issue.
- As part of the rationale for the restructuring, Nampak admit to historical sub-optimal decisions resulting in a negative financial outcome.
    - **Financing of expansions into Angola and Nigeria in US Dollars:** The decision to finance the expansions into Angola and Nigeria using US Dollars added financial risk and volatility to the operations of the Group.
    - **Inability to hedge currency exposure:** liquidity constraints in Angola, Nigeria and Zimbabwe has led to currency losses in trying to extract cash without access to the official exchange rate (parallel rate) or a complete inability to extract cash.
    - **High cash operating expense base:** Nampak has a significant operating expense base, which has put pressure on its cash flow and profitability.
    - **Customer and supplier reservations, despite their overall support:** Although the Group's customers and suppliers generally support the Group, there are reservations and concerns that need to be addressed to improve Nampak's relationships with them. This has led to a loss of some contracts.
    - **Production-led approach versus customer-centric focus:** The focus on production and operations has overshadowed the importance of being customer-centric, with the resultant sub-optimal management of this key function.
    - **Structural working capital imbalance:** There has been an imbalance in the Group's working capital structure which is in the process of being addressed to improve its financial stability and efficiency.
    - **Sub-optimal business model:** Nampak's current business model is not the most efficient or effective and adjustments are necessary to enhance overall performance.
    - **Cost of manufacturing architecture:** Nampak's extensive and fragmented manufacturing architecture has resulted in increased costs, affecting profitability.
    - **Pockets of cultural apathy:** In some areas of the Company there is a lack of enthusiasm or motivation which hinders productivity and overall performance.
- The "New" Nampak investment case revolves around:
    - Focused portfolio strategy with leading market positions.
    - Improved operational efficiencies.
    - Optimised working capital structures.
    - Category and internal growth prospects.
    - Appropriate gearing: Net debt: EBITDA below 2.0 times by FY25.
    - Experienced, focused and motivated leadership team.
- The refocussing of Nampak to the high growth metals packaging sector changes the investment profile and makes it more attractive for investors looking to get exposure to consumer growth in emerging markets.
- Now more comparable to global peers, Nampak's relative valuation can be more easily compared to similar metals packaging companies (Ball, Crown, Silgan) and the expected structural growth in more environmentally sustainable metals packaging.
- We do expect an upward re-rating of Nampak post the restructuring and a better alignment with the performance of global peers. Consolidation trends in the global packaging market make Nampak an interesting asset providing exposure to the sub-Saharan consumer – there is likely to be interest from global packaging companies.

Core Divisions

Bevcans SA

- Key features:
    - Leading market position (60% market share).
    - Well-capitalised asset base with scope for further capital expansion.
    - Moderate future replacement capital requirements.
    - High levels of cash conversion.
    - Local and multinational customer base built on trust and service excellence.

Fig 10 Bevcan – Key Customers

Products	Key Customers
Regular cans	ABInbev
Slimline cans	Castel
Slender cans	Coca-Cola
Can ends	Diageo
	Distell
	Heineken
	Refriango

Source: Company data, Chronux Research estimates

- Bevcans SA has two manufacturing sites across South Africa:
    - Springs (3 lines)
    - Rosslyn (2 lines)
- Key raw materials:
    - Aluminium
        - Sourced locally
- After being the only bevcan producer in South Africa, two new competitors have built bevcan lines in recent years.
- Although nameplate capacity is high at approx. 7bn cans per annum, the normal operating capacity factor of 90% needs a further 40% adjustment for the switching of can sizes on lines. This reduces the South African bevcan capacity to closer to 3.8bn cans.
- Nampak has an advantage over its competitors having multiple lines as it can run dedicated can size runs for longer.

Fig 11 South Africa – Bevcan Capacity

South African Bevcan Capacity

m cans	Nameplate	Capacity factors: Normal	Capacity factors: Change can size	Actual capacity
Nampak	5000	90%	60%	2700
GZI	1000	90%	60%	540
Golden era	1000	90%	60%	540
Total	**7000**			**3780**

Source: Company data, Chronux Research estimates

- While the new competitors did reduce Nampak's market share and expedited the closure of the Durban and Cape Town lines, Nampak has continued to be a reliable producer and customers are starting to come back after disappointments with the new entrants.
- Nampak is the only producer with spare capacity and can respond the market growth better than its peers. At present the conversion of Springs Line 2 to larger can sizes is an option given the shortage of supply currently for that type of can.

Bevcans Angola

- Key features:
  - Underutilised production capacity exists: leverage excess capacity as overall economy improves.
  - Long-standing relationships with major clients and suppliers.
  - Re-opening of borders (DRC) expected to significantly increase demand for cans.
  - Notable multinational companies expanding their operations into the region, fuelling imminent growth.
  - High barriers to entry decrease prospects of competition in short-medium term.
- Bevcan Angola is the only producer of beverage cans in Angola, supplying the country's key beverage producers. The Group has a state-of-the-art facility in Viana, Luanda capable of manufacturing standard 330ml and slender 330ml beverage cans.
- Bevcans Angola has one manufacturing sites in Angola:
  - Viana (2 lines)
- Key raw materials:
  - Aluminium
    - Sourced internationally (Asia)
- Selling price mechanisms remain in place to recover from all our customers, on a monthly basis, the impact of currency movements on price. The Angolan government allows the kwanza rate to float according to the market. As a result, there is limited additional currency exposure that needs to be recovered from customers due to differences between official and parallel rates. Historically the Angolan government's Kwanza-linked US Dollar bonds offered protection against currency depreciation. The reintroduction of these instruments into the market on a continuous basis could manage currency volatility through investing in such instruments thereby minimising foreign exchange losses.

Divfood

- Key features:
  - Well-established, longstanding relationships with its key customers.
  - Supplier rationalisation with aim of cost improvement.
  - Addressing working capital cycle whilst exiting unprofitable and complex product categories.
  - Product reengineering initiatives to lower cost of goods.
  - Price agility to deal with foreign exchange volatility.
  - Improved sales penetration in non-core sectors.

Fig 12 Divfood – Key Customers

Products	Key Customers
Broad range of two- and three-piece food cans	Diageo
Aerosol cans in both aluminium and tinplate	Distell
ROPP and twist-off metal closures	Lucky Star
	Nestle
	Oceana
	Rhodes Food Group
	Tiger Brands

Source: Company data, Chronux Research estimates

- DivFood has four manufacturing sites across South Africa
  - Vanderbijlpark
  - Mobeni Durban
  - Paarl
  - Epping, (Cape Town).
- Key raw materials:
  - Tinplate and aluminium
    - imported mostly from Europe, Japan and China, with a relatively long supply chain.
- Production consists of multi-stage manufacturing processes:
  - coil shear, coating, printing, componentry and assembly.
- Two can types (monobloc aerosols and two-piece cans) are produced in a single continuous process.

Divisional Forecast

Figure 13 Divisional Forecast

(Rm)	2021A	2022A	2023A	2024E	2025E	2026E
Revenue	**13326**	**16126**	**11275**	**12133**	**13224**	**14128**
Bevcans SA	5168	6656	5485	6216	6391	6779
Bevcans Angola	2203	3001	1158	1114	1281	1382
Divfood	2557	3258	3032	3039	3607	3823
Plastics	1646	1631	850	937	1033	1139
Paper	1704	1586	750	827	912	1005
Planned Exit	456	522	0	0	0	0
Corporate	-408	-528	0	0	0	0
Revenue growth		**21%**	**-30%**	**8%**	**9%**	**7%**
Bevcans SA		29%	-18%	13%	3%	6%
Bevcans Angola		36%	-61%	-4%	15%	8%
Divfood		27%	-7%	0%	19%	6%
Plastics		-1%	-48%	10%	10%	10%
Paper		-7%	-53%	10%	10%	10%
Planned Exit						
Corporate						
Trading Profit	**1411**	**1591**	**1321**	**1447**	**1422**	**1527**
Bevcans SA	553	454	603	821	703	746
Bevcans Angola	540	907	786	256	295	318
Divfood	-2	-80	-3	289	325	344
Plastics	3	-6	0	141		
Paper	339	319	150	41		
Planned Exit	40	22	0	0		
Corporate	-62	-25	-216	-100	-100	-100
Trading Profit margin	**10.6%**	**9.9%**	**11.7%**	**11.9%**	**10.8%**	**10.8%**
Bevcans SA	10.7%	6.8%	11.0%	13.2%	11.0%	11.0%
Bevcans Angola	24.5%	30.2%	67.9%	23.0%	23.0%	23.0%
Divfood	-0.1%	-2.5%	-0.1%	9.5%	9.0%	9.0%
Plastics	0.2%	-0.4%	0.0%	15.0%	0.0%	0.0%
Paper	19.9%	20.1%	20.0%	5.0%	0.0%	0.0%
Planned Exit	8.8%	4.2%				
Corporate	15.2%	4.7%				
Forex losses	**-246**	**-546**	**-657**	**0**	**0**	**0**
Operating profit	**1184**	**1132**	**481**	**1685**	**1422**	**1527**
Bevcans SA	553	456	603	821	703	746
Bevcans Angola	321	398	86	253	295	318
Divfood	-1	-84	8	289	325	344
Plastics	3	10	-19	89	145	159
Paper	344	247	144	44	55	60
Planned Exit	13	-20	0	0		
Corporate	-49	125	-342	190	-100	-100
Operating Profit margin	**83.9%**	**71.2%**	**36.4%**	**116.4%**	**100.0%**	**100.0%**
Bevcans SA	10.7%	6.9%	11.0%	13.2%	11.0%	11.0%
Bevcans Angola	14.6%	13.3%	7.4%	22.7%	23.0%	23.0%
Divfood	0.0%	-2.6%	0.3%	9.5%	9.0%	9.0%
Plastics	0.2%	0.6%	-2.2%	9.5%	14.0%	14.0%
Paper	20.2%	15.6%	19.2%	5.4%	6.0%	6.0%
Planned Exit	2.9%	-3.8%				
Corporate	12.0%	-23.7%				

Source: Company data, Chronux Research estimates

- We believe the sustainable trading profit margin is 10-11%, lower than what could be reported for FY24 after the strong 1H performance. This is a conservative view but accounts for the competitive nature of the bevcan and metal packaging market.

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