

Mpact Limited
(Incorporated in the Republic of South Africa)
(Registration number 2004/025229/06)
JSE and A2X share code: MPT ISIN: ZAE000156501
("Mpact" or "the Company" or "the Group")

TRADING STATEMENT

In terms of paragraph 3.4(b) of the Listings Requirements of the JSE Limited, listed companies are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported on next will differ by 20% or more from the financial results of the previous corresponding reporting period.

The Group experienced a challenging trading environment for most of the 2024 financial year, despite positive sentiment emerging from the May 2024 election outcome and reduced loadshedding since April 2024. Mpact's robust strategy, including portfolio optimisation, underpinned its ability to navigate these difficult times, with growth in certain sectors towards the end of 2024, a strong financial position, supported by solid cash generation, and advancements in strategic projects during the year.

Continuing operations

The Group's operating profit margin decreased from the high levels achieved in the 2023 financial year ("prior year"), which benefited from a strong recovery in Paper margins during the first nine months of 2023, following selling price increases at the end of 2022.

Group revenue from continuing operations is expected to increase by approximately 4% compared to the prior year (December 2023: R12,823 million), with an increase of approximately 3% in the Paper business and 8% in the Plastics business.

Sales volumes in the Paper business increased by approximately 3% compared to the prior year, mostly due to improved export containerboard demand in the latter part of 2024, after being subdued for most of the year. However, the benefit of increased volumes was more than offset by lower average selling prices than the prior year, resulting in a decline in profitability in the Paper business.

Revenue in the Plastics business increased due to an improved product mix from higher sales volumes in all Plastics operations other than FMCG Wadeville (previously referred to as Preforms & Closures), which declined by approximately 35% as expected, following the expiration of two contracts with a major customer in 2024. Sales volumes in the rest of the Plastics businesses increased by approximately 14%. Despite an improved financial performance from Bins & Crates, the Plastics business' profitability declined due to non-recurring expenses, including asset write-offs, in 2024 in FMCG Wadeville arising primarily from the restructuring and consolidation over the past few years.

Earnings before interest, tax depreciation and amortisation (EBITDA) are expected to decrease by approximately 14% to R1.5 billion (December 2023: R1.7 billion) and underlying operating profit by approximately 24% to R920 million (December 2023: R1,210 million). This is largely due to lower containerboard and cartonboard selling prices, as well as non-recurring expenses and lower sales volumes in the Plastics FMCG Wadeville business.

We expect net debt as at 31 December 2024 to decrease to approximately R2.37 billion (December 2023: R2.7 billion; June 2024: R3.2 billion) mainly due a reduction in working capital and the receipt of the Versapak sale proceeds. Net finance costs are expected to be approximately R300 million (December 2023: R284 million). Mpact remains comfortably within its bank covenants.

The effective tax rate for continuing operations is expected to be approximately 12% primarily due to the recognition of a deferred tax asset attributable to previously unrecognised tax losses in Bins & Crates and prior period adjustments. The effective tax rate for total operations is expected to be approximately 16%.

Mpact remains well positioned to capitalise on the anticipated economic recovery in South Africa, driven by lower interest rates, reduced inflation and growth opportunities in key market sectors.

Business held for sale / discontinued operations

The sale of Versapak was concluded in November 2024 and proceeds of R255 million were received for the sale of the plant, equipment and inventory. The results prior to the sale of the business will be disclosed as a discontinued operation. Versapak's net earnings are expected to be lower than the prior year mainly due to lower sales volumes and the shorter reporting period, as well as a fair value gain in the prior period.

Continuing operations and discontinued operations

Based on the above, Mpact expects earnings per share ("EPS") and headline earnings per share ("HEPS") to be in the following ranges:

Continuing operations	For the year ended 31 December 2024	For the year ended 31 December 2023
EPS	Between 310 and 340 cps, a decrease of between 15.7% and 7.5%	367.6
HEPS	Between 310 and 340 cps, a decrease of between 30.0% and 23.3%	443.0
Underlying EPS	Between 310 and 340 cps, a decrease of between 30.3% and 23.5%	444.6

Discontinued operation	For the year ended 31 December 2024	For the year ended 31 December 2023
EPS	Between 13 and 19 cps, a decrease of between 89.1% and 84.1%	119.7
HEPS	Between 13 and 19 cps, a decrease of between 81.2% and 72.6%	69.3
Underlying EPS	Between 13 and 19 cps, a decrease of between 81.2% and 72.6%	69.3

Mpact's audited results for the year ended 31 December 2024 will be released on SENS on or about 10 March 2025.

Shareholders are advised that the financial information on which this trading statement is based has not been reviewed nor reported on by the Company's external auditor.

Melrose Arch

19 February 2025

Sponsor

The Standard Bank of South Africa Limited