

Mpact Limited
(Incorporated in the Republic of South Africa)
(Company registration number 2004/025229/06)
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("Mpact" or "the Group" or "the Company")

UNAUDITED INTERIM RESULTS AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 30 JUNE 2025

KEY FINANCIAL DATA

- Net asset value per share increased 5% to R35.85 from June 2024
- Satisfactory progress on strategic projects and portfolio optimisation
- Revenue up 3% to R6.4 billion
- EBITDA of R625 million
- Underlying operating profit of R315 million
- Headline earnings per share of 93 cents
- Interim dividend per share of 30 cents

COMMENTARY FROM CONTINUING OPERATIONS

Overview

The Group continued to face a persistently challenging trading environment for the six months ended 30 June 2025, resulting in trading and profitability ending below expectations. The general economy remained subdued, despite lower interest rates and inflation, while uncertainty across local and global markets negatively impacted business confidence.

Despite the economic downturn, good volume growth was realised in containerboard, Plastics FMCG Atlantis and Pinetown, citrus cartons, jumbo bins and agricultural crates. These gains were, however, offset by declines in cartonboard, corrugated, Plastics FMCG Wadeville and beverage crates.

Bruce Strong, Mpact Chief Executive Officer, said: "We continue to make good progress on our strategic capital projects, which focus on growth sectors and investments in innovative, higher-margin, and sustainable products. We remain confident in our value-enhancing strategy and prospects, notwithstanding the recent headwinds. Our solar PV generated power amounting to 16 MWp, resulted in a saving of over R20 million in electricity costs during the first half of the year.

The R1.3 billion upgrade project at the Mkhondo mill has reached a significant milestone, with construction and commissioning of the sodium lignosulphonate (SLS) plant complete, and the pulp mill upgrade in its final stage of construction. We are encouraged by the progress and remain on track to complete the pulp mill commissioning during the third quarter of this year. Thereafter, we will require several months to optimise both plants to reach design specifications and conduct SLS customer trials. This marks a major step forward in enhancing our operational capabilities and product portfolio to support future growth."

The global cyclical downturn in the paper industry led to lower margins in our Paper business, as selling prices decreased more than input costs, particularly due to higher local recovered paper prices. We anticipate that this will remain the case for the remainder of the year. Despite this challenging environment, we were able to grow local and export containerboard volumes due to the competitive position of our Felixton paper mill, albeit at lower margins.

Demand from the fruit sector was up on the first half of last year ("prior period"), with good growth in plastic crates and citrus cartons partially offset by lower sales volumes in banana and avocado cartons. We anticipate continued growth in the agricultural sector in the second half of 2025. The industrial market remained weak, impacting our Springs mill, the Paper Converting business and beverage crates. As anticipated, FMCG Wadeville's volume declined significantly following the expiry of two supply contracts with a major customer in June 2024.

Mpact Operations (Pty) Ltd, the Group's main trading entity in South Africa, retained its Level 1 B-BBEE status.

Financial review

Group revenue from continuing operations for the period ended 30 June 2025 increased by 3.2% compared to the prior period to R6.370 billion (June 2024: R6.173 billion), primarily driven by increased containerboard sales volumes in the Paper business.

Revenue growth achieved in the Paper business was offset by higher variable costs, particularly increased recovered paper prices and energy costs, as well as lower sales volumes in the Plastics business, leading to a 2.8% reduction in the Group's gross profit.

Underlying earnings before interest, depreciation and amortisation (EBITDA) decreased by 14.5% to R625 million (June 2024: R731 million) and operating profit by 25.5% to R315 million (June 2024: R423 million). Fixed costs were well managed, increasing by 1.9% on the prior period.

Return on capital employed (ROCE) for continuing operations was 9.3% (June 2024: 13.5%), reflecting the impact of substantial capital investments in strategic growth projects which are still underway, as well as lower profitability. Excluding capital work-in-progress, ROCE for the period was 10.9% (June 2024: 15.5%).

Paper Business

Revenue for the Paper business increased by 6.9% to R5.4 billion (June 2024: R5.1 billion), due to a 5.9% increase in sales volumes and a 1.0% increase in the average selling price. Volumes increased due to improved containerboard sales, somewhat offset by lower cartonboard and corrugated sales volumes.

Gross profit was in line with the prior period, with the benefits of increased sales and production volumes offset by higher recovered paper prices, energy costs and variable selling expenses associated with a higher proportion of containerboard exports. The gross profit margin declined by 2.7 percentage points.

Underlying operating profit declined to R346 million (June 2024: R414 million) due to a 3.7% increase in fixed costs related primarily to extensive commercial downtime in the prior period.

The Recycling business successfully increased collection volumes during the period to ensure a consistent supply to our paper mills and external customers. Recovered paper prices were up significantly compared to the prior period due to continued export demand, especially from India.

Paper Manufacturing increased containerboard sales volumes by 20.3% following the successful interventions at the end of 2024 to increase exports and displace imports in the local market, utilising the improved competitiveness of the Felixton mill following the recent upgrade. This approach mitigated the impact of cheap recycled containerboard imports, and no commercial downtime was incurred at Felixton or Mkhondo during the current period. Performance at the Mkhondo mill was impacted by construction related to the upgrade project.

Cartonboard sales volumes from the Springs paper mill declined by 9.5% due to subdued local market conditions and import competition. Springs mill took 15 days of commercial downtime in the current period to manage stock levels. In addition, the mill incurred 18 days of downtime due to external utility supply interruptions.

Paper Converting's revenue was down 1.3% compared to the prior period, with lower sales volumes partially offset by an increase in the average selling price. Corrugated sales to the fruit sector were flat and industrial sales were lower due to weak demand.

Plastics business

Revenue in the Plastics business decreased by 14.7% to R936 million (June 2024: R1,097 million) primarily due to lower sales volumes at FMCG Wadeville, as anticipated, as well as lower beverage crate sales in Bins & Crates. This was partially offset by a favourable product mix resulting from the exit of the abovementioned contracts, as well as good revenue growth in the rest of the FMCG business.

Underlying operating profit was R7 million (June 2024: R64 million) due to a 13.9% reduction in gross profit arising from lower sales volumes. Controllable costs were well managed. The gross profit margin was similar to the prior period, and fixed costs decreased by 4.5%. Notwithstanding the decline in profitability in the first half of the year, we expect an improved full-year result from the Plastics business compared to the prior year. Historically, profitability in the Plastics business, particularly Bins & Crates, was heavily weighted towards the second half of the year, and we expect 2025 to be similar.

Bins & Crates experienced good growth in jumbo bins and agricultural crates, which was more than offset by lower beverage crate sales.

Although the decline in sales volumes at FMCG Wadeville was expected, the new business secured to offset some of the volume losses did not meet expectations due to the slower-than-expected rollout of new customer projects. Additionally, several existing customers were affected by a vinegar shortage, which disrupted mayonnaise production. Despite these challenges, we still anticipate a much-improved second half in the FMCG Wadeville business.

The rest of the FMCG business increased sales volumes and operating profits in the current period, driven in part by robust demand in our customers' personal care export markets. Both operations benefit from a good customer base, and the outlook remains positive.

Net finance costs

Net finance costs decreased to R119 million (June 2024: R148 million) mainly due to lower interest rates and R36 million (June 2024: R19 million) of interest costs capitalised to the Mkhondo mill project.

Taxation

The effective tax rate for continuing operations of 26.8% is in line with the statutory rate. The prior period tax charge for continuing operations was restated to disclose the discontinued operation on an after-tax basis. The restatement did not affect the overall tax charge for total operations in the prior period, which remained unchanged.

Earnings per share

Headline earnings per share and basic earnings per share decreased to 93.0 cents (June 2024 - restated: 128.1 cents) and 94.2 cents (June 2024 - restated: 129.8 cents), respectively.

Net debt

Net debt of R2.985 billion was lower than the prior period (June 2024: R3.230 billion), but increased from the 2024 financial year end (December 2024: R2.371 billion), with cash generated from operations being offset by working capital outflows, typical for the first half of the year, and capital investments, in line with the Group's strategy.

SUBSEQUENT EVENTS

On 1 August 2025, Mpact increased its shareholding in Seyfert Corrugated Western Cape (Pty) Ltd from 49% to 74% for a cash consideration of R42.6 million.

OUTLOOK

A significant uplift in the South African economy seems unlikely in the near term. Coupled with a challenging global backdrop, we expect trading conditions to remain difficult in the second half of the year, with a corresponding impact on profitability. Despite these challenges, we will continue to focus on realising benefits from our portfolio optimisation and other strategic projects.

Based on current projections, no commercial downtime is anticipated at the containerboard mills. However, continued pressure on selling prices is expected to offset the positive operating leverage benefits. We also anticipate cartonboard prices and sales volumes to remain under pressure due to weak local demand and competitive imports. Unplanned utility disruptions continue to be an issue, particularly at the Springs paper mill and some other Ekurhuleni-based operations.

The Mkhondo mill upgrade project is on track for the construction and commissioning of the pulp mill to be completed during the third quarter, following approximately four weeks of downtime.

Thereafter, we will require several months to optimise both the new SLS plant and upgraded pulp mill to reach design specifications and conduct SLS customer trials. This marks a significant step forward in enhancing our operational capabilities and product portfolio to support future growth. The contribution from this project to the Group's overall profitability will be limited for the 2025 financial year.

We continue to see good growth from the agricultural sector in Paper Converting and Bins & Crates, which has been a strategic focus area for the Group. According to the Citrus Growers Association's latest estimates, citrus exports for 2025 are expected to exceed those of the prior year, and long-term structural growth is still anticipated from this sector.

We expect an improved full-year result from the Plastics business compared to the prior year. Both FMCG Wadeville and Bins & Crates have restructured their cost base, which, along with higher sales volumes, should improve margins.

We remain confident in our value-enhancing strategy and committed to executing it effectively. Mpact's strategy focuses on growth sectors and investments in innovative, higher-margin, and sustainable products. These sectors include fruit exports, returnable transit packaging, convenience shopping and recycling, some of which are somewhat insulated from the South African consumer spending patterns.

Our strategy aims to consistently yield tangible benefits for the business and improved returns for our shareholders.

BOARD CHANGES

Effective 29 May 2025, Mr AJ Phillips resigned as a director of the Company, and accordingly, as the Chairman of the Board, member of the Remuneration Committee and the Chairman of the Nomination Committee.

Mr PCS Luthuli was appointed Chairman of the Board, effective 29 May 2025, in accordance with the Board's succession plan.

The following changes were made to the composition of the Board committees with effect from 5 June 2025:

- Mr DG Wilson was appointed as the Chairman of the Remuneration Committee;
- Ms FC Futwa was appointed as a member of the Social and Ethics Committee;
- Ms ABA Conrad was appointed as a member of the Remuneration and Nomination Committee; and
- Mr S Mayet was appointed as the Chairman of the Audit and Risk Committee.

DIVIDENDS

The Board declared an interim gross cash dividend of 30 cents per ordinary share for the six months ended 30 June 2025 (June 2024: 30 cents per ordinary share). A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt, which equates to a dividend of 24 cents per ordinary share net of dividend withholding tax. The dividend has been declared from income reserves.

The Company's total number of issued ordinary shares at the date of this announcement is 149,453,688. Mpact's income tax reference number is 9003862175.

Salient dates for the cash dividend distribution

Event	2025
Publication of dividend declaration	Monday, 4 August
Last day of trade to receive a dividend	Tuesday, 26 August
Shares commence trading "ex" dividend	Wednesday, 27 August
Record date	Friday, 29 August
Payment date	Monday, 1 September

Share certificates may not be dematerialised or re-materialised between Wednesday, 27 August 2025 and Friday, 29 August 2025, both days inclusive.

FINANCIAL SUMMARY

	Continuing operations		Total operations	
	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2025	30 June 2024*	30 June 2025	30 June 2024*
R'million				
Revenue	6,370	6,173	6,370	6,658
Underlying operating profit ¹	315	423	315	455
Underlying profit before tax ²	204	286	204	319
ROCE	9.3%	13.5%	9.3%	14.4%
Basic and underlying EPS (cents)	94.2	129.8	94.2	146.3
Basic HEPS (cents)	93.0	128.1	93.0	144.6

Net debt R2,985 million (June 2024: R3,230 million; December 2024: R2,371 million)

Interim gross dividend per share (cents) 30 cents (June 2024: 30 cents)

* The Statement of Profit or Loss has been restated to present Versapak, the discontinued operation, on a post-tax basis.

1. Underlying operating profit is the Group's operating profit before special items.

2. Underlying profit before tax is the Group's profit before tax and before special items.

The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to International Financial Reporting Standards (IFRS). These items are referred to as special items and are defined in the Group accounting policies included in the condensed Consolidated Interim Financial Statements for the six months ended 30 June 2025.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the interim financial statements and do not contain full or complete details. This short-form announcement has not been reviewed or audited by the Company's external auditor. Any investment decision should be based on the unaudited financial statements which is available on our website:

<https://www.mpact.co.za/investor-relations/financial-results/2025/HY2025.pdf>, and on

<https://senspdf.jse.co.za/documents/2025/JSE/ISSE/MPT/HY2025.pdf>

The announcement is also available for inspection at our registered offices at no charge during office hours.

PCS Luthuli
Chairman

BW Strong
Chief Executive Officer

4 August 2025

COMPANY PROFILE

Mpact is the largest paper and plastics packaging and recycling business in southern Africa, employing 4,705 people (June 2024: 5,339 people), and generating revenue from total operations of R6.4 billion in the six months ended 30 June 2025.

Sales in South Africa account for approximately 89% of Mpact's total revenue for the current period while the balance was predominantly to customers in the rest of Africa.

The Group operates across 38 sites, comprising 21 manufacturing sites, and 14 recycling operations. Proximity to our customers contributes to faster response times, reduces transport costs and creates economies of scale. Our integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and the beneficiation of recyclables.

Our strong customer relationships, a thorough understanding of the sectors we operate in, and our commitment to innovation allow us to continue creating fit-for-purpose sustainable packaging solutions as well as value-added services that anticipate our customers' needs.

DIRECTORS

Independent Non-Executive
PCS Luthuli (Chairman)
M Makanjee
DG Wilson
ABA Conrad
FC Futwa
S Mayet

Executive

BW Strong (Chief Executive Officer)
JJ Snyman (Chief Financial Officer)

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