

UNAUDITED CONDENSED INTERIM RESULTS FOR
THE SIX MONTHS TO 31 DECEMBER 2022
AND DECLARATION OF DIVIDEND

NET ASSET VALUE PER SHARE 2 788 CENTS ■ HEADLINE EARNINGS PER SHARE UP 45% TO 316,7 CENTS ■ DIVIDEND PER SHARE 85 CENTS

INTRODUCTION

Transpaco's results for the six months ended 31 December 2022 ("the period") reflect a 44,8% increase in headline earnings per share (HEPS) to 316,7 cents (December 2021: 218,8 cents).

Revenue increased by 19,8% to R1,44 billion (December 2021: R1,20 billion) with operating profit up 33,0% to R144,0 million (December 2021: R108,3 million).

Revenue grew by 22,7% in the Plastics Division and by 16,2% in the Paper and Board Division, which were both ahead of expectations.

Notably, revenue in the first six months of the financial year is traditionally greater than in the second six months due to the seasonal nature of the business.

The group's gross profit margins grew marginally, while our operating expenses were well contained.

The operating margin increased to 10,0% (December 2021: 9,0%) resulting in the group's operating profit increasing by 33,0%.

FINANCIAL RESULTS

	Six months to December 2022	Six months to December 2021	% increase
Total operations			
Revenue (R'm)	1 442,1	1 204,3	19,8
Operating profit (R'm)	144,0	108,3	33,0
Profit before taxation (R'm)	136,4	100,4	35,8
Total comprehensive income (R'm)	99,6	72,3	37,7
Headline earnings (R'm)	99,8	69,5	43,4
Earnings per share (cents)	316,1	227,4	39,0
HEPS (cents)	316,7	218,8	44,8
Net asset value per share (cents)	2 788	2 432	14,6

Transpaco's balance sheet remains robust as the group continues its sound investment strategy and strict working capital management.

Although the supply of plastic and paper raw material has stabilised, Transpaco's stock holding of these commodities remained slightly higher than usual.

The net interest-bearing debt-to-equity (gearing) position improved to 8,9% (December 2021: 11,7%).

The weighted average number of ordinary shares in issue in calculating EPS and HEPS is 31 499 388 (December 2021: 31 787 043).

Transpaco is in the process of acquiring 1 560 000 Transpaco shares, representing 4,95% of the issued shares by way of a specific buy back as announced on SENS on 8 December 2022 and should be finalised during March 2023 subject to shareholder approval.

EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events after the reporting period.

TRANSFORMATION

Transpaco maintained a level 2 BEE contributor based on the revised BBBEE scorecard through various strategic initiatives, including participation in the YES programme.

PROSPECTS

The group will continue its proven business strategy of targeting organic growth while maintaining strict financial control and at the same time identifying and pursuing appropriate acquisitions.

While difficult trading conditions are expected to continue, Transpaco will endeavour to counter this by driving sales, containing costs and maintaining gross profit contributions.

Load shedding had an impact on Transpaco during the reporting period. However, it was manageable at the lower stage levels.

Operating costs will be affected by load shedding at current 2023 levels. Down time, additional scrap, diesel costs, employee overtime and repairs due to the repetitive number of outages per day is proving challenging and we are unable to optimise production.

Partial replacement of electricity capacity has been installed. However, Transpaco's level of electricity usage precludes us from providing sufficient substitute power through generators or solar energy.

In line with our preference of owning the properties housing our manufacturing operations, we negotiated the purchase of the property in Gauteng from which Transpaco Cores and Tubes operates for an amount of R44 million. The transaction is expected to close in the following financial year.

DIVIDEND

The board has declared an interim gross cash dividend out of income reserves of 85,0 cents per share (December 2021: 60,0 cents per share) for the six months ended 31 December 2022. After applying the dividend withholding tax of 20%, a net interim dividend of 68,0 cents per share will be paid to those shareholders who are not exempt from the dividends tax. The issued shares at the date of declaration are 31 499 388 ordinary shares. The Income Tax reference number is 9975/112/71/6.

The salient dates for the dividend are as follows:

Last date to trade shares <i>cum</i> dividend	Tuesday, 14 March 2023
Shares trade <i>ex</i> -dividend	Wednesday, 15 March 2023
Record date	Friday, 17 March 2023
Payment date	Monday, 20 March 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 March 2023 and Friday, 17 March 2023, both days inclusive.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The group's unaudited condensed interim financial results for the six months ended 31 December 2022 have been prepared in accordance with IAS 34 – Interim Financial Reporting ("IAS 34"), interpretations issued by the IFRS Interpretations Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and comply with the JSE Listings Requirements and the Companies Act of South Africa. The accounting policies and methods of computation used in the preparation of the unaudited condensed interim financial results are in terms of IFRS and are consistent in all material aspects with those applied in the most recent annual financial statements.

The unaudited condensed interim group financial results do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual consolidated financial statements as at 30 June 2022.

APPROVAL AND PREPARATION

These unaudited interim financial results have been prepared under the direction and supervision of the Chief Financial Officer, L Weinberg CA (SA).

On behalf of the board

DJJ Thomas	PN Abelheim	L Weinberg
Non-executive Chairman	Chief Executive Officer	Chief Financial Officer

21 February 2023

DIRECTORS

DJJ Thomas (Chairman)*; PN Abelheim (Chief Executive); L Weinberg (Chief Financial Officer); HA Botha*; SR Bouzagliou; SY Mahlangu*; SP van der Linde (Lead Independent Director) ^

* *Non-executive* ^ *Independent non-executive*

Transpaco Limited Registration number: 1951/000799/06, Share code: TPC, ISIN: ZAE000007480

Auditors BDO South Africa Incorporated **Company Secretary** HJ van Niekerk **Sponsor** Investec Bank Limited

Registered office 331 6th Street, Wynberg, Sandton **Transfer secretaries** Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg **Website** www.transpaco.co.za

Registration number 1951/000799/06 | ISIN: ZAE000007480 | Share code: TPC
("Transpaco" or "the company")

A leading manufacturer and distributor of
plastic and paper packaging products

CONDENSED STATEMENTS OF FINANCIAL POSITION			
	Unaudited six months December 2022	Unaudited six months December 2021	Audited 12 months June 2022
R'000			
ASSETS			
Non-current assets	615 177	612 174	624 815
Property, plant and equipment	481 568	477 728	486 898
Right-of-use assets	43 169	44 472	47 097
Intangibles	17 855	17 855	17 855
Goodwill	64 182	64 182	64 182
Financial assets	3 000	3 000	3 000
Deferred taxation	5 403	4 937	5 783
Current assets	871 654	753 131	817 961
Inventories	281 463	222 082	329 720
Trade and other receivables	517 004	418 348	414 298
Taxation receivable	2 230	978	1 693
Cash and cash equivalents	70 957	111 723	72 250
TOTAL ASSETS	1 486 831	1 365 305	1 442 776
EQUITY AND LIABILITIES			
Capital and reserves	878 284	766 093	827 543
Issued share capital	314	314	314
Share premium	10 554	10 554	10 554
Retained income	867 416	755 225	816 675
Non-current liabilities	176 763	223 473	193 796
Interest-bearing borrowings	104 602	150 999	119 872
Lease liability	28 013	33 766	34 812
Deferred income	615	997	884
Deferred taxation	43 533	37 711	38 228
Current liabilities	431 784	375 739	421 437
Trade payables and accruals	362 305	303 331	370 735
Interest-bearing borrowings	44 309	49 979	29 295
Lease liability	21 842	16 836	18 731
Deferred income	952	1 517	855
Taxation payable	2 376	4 076	1 821
TOTAL EQUITY AND LIABILITIES	1 486 831	1 365 305	1 442 776
Number of shares in issue ('000)			
Opening balance	31 499	31 839	31 839
Shares repurchased and cancelled	–	(340)	(340)
Number of shares	31 499	31 499	31 499
Salient features			
Net asset value per share (cents)	2 788	2 432	2 627
Operating margin (%)	10,0	9,0	9,6
Net interest-bearing debt : Equity ratio (%)	8,9	11,7	9,3

CAPITAL COMMITMENTS			
	Unaudited six months Dec 2022	Unaudited six months Dec 2021	Audited 12 months June 2022
R'000			
Capital expenditure authorised and contracted			
Property, plant and equipment	68 701	16 478	2 085

CONDENSED STATEMENTS OF CHANGES IN EQUITY				
	Issued share capital	Share premium	Distributable reserve	Total
R'000				
Balance at 30 June 2021 (audited)	318	10 668	723 311	734 297
Profit for the period	–	–	72 294	72 294
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	72 294	72 294
Shares repurchased and cancelled	(4)	(114)	(5 357)	(5 475)
Dividend paid	–	–	(35 023)	(35 023)
Balance at 31 December 2021 (unaudited)	314	10 554	755 225	766 093
Profit for the period	–	–	80 350	80 350
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	80 350	80 350
Dividend paid	–	–	(18 900)	(18 900)
Balance at 30 June 2022 (audited)	314	10 554	816 675	827 543
Profit for the period	–	–	99 565	99 565
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	99 565	99 565
Dividend paid	–	–	(48 824)	(48 824)
Balance at 31 December 2022 (unaudited)	314	10 554	867 416	878 284

CONDENSED STATEMENTS OF CASH FLOW			
	Unaudited six months December 2022	Unaudited six months December 2021	Audited 12 months June 2022
R'000			
Cash flows from operating activities			
Cash generated from operations	118 565	103 368	213 952
Dividends paid	(48 824)	(35 023)	(53 923)
Finance income received	1 313	878	2 663
Finance costs paid	(8 942)	(8 722)	(17 625)
Taxation paid	(31 090)	(26 985)	(57 301)
Net cash inflow from operating activities	31 022	33 516	87 766
Cash flow used in investing activities			
Proceeds on disposal of property, plant and equipment	230	26 526	28 040
Expansion and replacement of property, plant and equipment	(22 401)	(20 337)	(31 954)
Net cash (outflow)/inflow from investing activities	(22 171)	6 189	(3 914)
Cash flows used in financing activities			
Repurchase of shares	–	(5 475)	(5 475)
Payment of principal portion of lease liability	(9 893)	(9 431)	(19 349)
Proceeds from borrowings	16 000	32 000	–
Repayment of borrowings	(16 251)	(21 323)	(63 025)
Net cash outflow from financing activities	(10 144)	(4 229)	(87 849)
Net movement in cash for the period	(1 293)	35 476	(3 997)
Cash and cash equivalents at the beginning of the period	72 250	76 247	76 247
Cash and cash equivalents at the end of the period	70 957	111 723	72 250

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME				
	Unaudited six months December 2022	Unaudited six months December 2022 % change	Unaudited restated six months December 2021	Audited 12 months June 2022
R'000				
Revenue	1 442 149	19,8	1 204 222	2 338 021
Revenue – plastic products (recognised at a point in time)	809 852	22,7	660 116	1 271 147
Revenue – paper and board products (recognised at a point in time)	632 297	16,2	544 106	1 066 874
Cost of sales*	(1 052 741)		(895 411)	(1 707 783)
Profit before operating costs, depreciation and impairment	389 409	26,1	308 811	630 238
Operating costs*	(235 969)	(24,8)	(189 017)	(387 064)
Impairment of property, plant and equipment	–		(2 552)	(2 552)
Depreciation	(9 453)	(5,4)	(8 970)	(17 864)
Operating profit	143 987	33,0	108 272	222 758
Finance income	1 313	49,6	878	2 663
Finance costs	(8 942)	(2,5)	(8 722)	(17 625)
Profit before taxation	136 358	35,8	100 428	207 796
Taxation	(36 792)	(30,8)	(28 134)	(55 152)
Profit for the year	99 565	37,7	72 294	152 644
Other comprehensive income	–		–	–
Total comprehensive income	99 565	37,7	72 294	152 644
Weighted average ranking number of shares in issue ('000)	31 499		31 787	31 628
Diluted weighted average ranking number of shares in issue ('000)	31 499		31 787	31 628
Earnings and diluted earnings per share (cents)	316,1	39,0	227,4	482,6
Headline and diluted headline earnings per share (cents)	316,7	44,8	218,8	475,5
Dividend per share (cents)*	85,0	41,7	60,0	215,0
<i>*Dividend declared after the period</i>				
Reconciliation of headline earnings (R'000)				
Net profit attributable to ordinary equity holders for basic earnings	99 565		72 294	152 644
Loss/(profit) on disposal of property, plant and equipment	253		(7 096)	(6 309)
Impairment on property, plant and equipment	–		2 552	2 552
Total tax effect	(68)		1 787	1 510
Headline earnings	99 750	43,4	69 537	150 397
<i>*Certain factory related operating overheads were previously classified as operating costs. These should have been classified as part of cost of sales. The reclassification has resulted in cost of sales increasing by R72 963 000 and operating costs decreasing by R72 963 000. The effect of this reclassification has no impact on the December 2021 profit for the year, earnings or headline earnings.</i>				

SEGMENTAL ANALYSIS				
Unaudited six months December 2022, six months December 2021 and audited 12 months June 2022				
	Plastic products	Paper and board products	Properties and group services	Total operations
R'000				
Revenue from external customers – December 2022	809 852	632 297	–	1 442 149
Revenue from all customers	843 901	668 543	–	1 512 444
Less revenue from internal customers	(34 049)	(36 246)	–	(70 295)
Revenue from external customers – December 2021	660 116	544 106	–	1 204 222
Revenue from all customers	693 339	571 520	–	1 264 859
Less revenue from internal customers	(33 223)	(27 414)	–	(60 637)
Revenue from external customers – June 2022	1 271 147	1 066 874	–	2 338 021
Revenue from all customers	1 336 755	1 146 519	–	2 483 274
Less revenue from internal customers	(65 608)	(79 645)	–	(145 253)
Operating profit – December 2022	93 496	45 383	5 108	143 987
Operating profit – December 2021	69 001	24 747	14 524	108 272
Operating profit – June 2022	128 990	68 755	25 013	222 758
Profit before tax – December 2022	90 650	42 583	3 125	136 358
Profit before tax – December 2021	66 866	20 996	12 566	100 428
Profit before tax – June 2022	124 472	61 281	22 043	207 796
Capital expenditure – December 2022	14 352	7 046	1 003	22 401
Capital expenditure – December 2021	14 664	2 863	2 810	20 337
Capital expenditure – June 2022	44 373	4 869	4 602	53 844
Assets – December 2022	724 452	572 896	189 483	1 486 831
Assets – December 2021	618 183	489 396	257 726	1 365 305
Assets – June 2022	701 345	507 396	234 035	1 442 776
Liabilities – December 2022	247 338	261 551	99 658	608 547
Liabilities – December 2021	254 716	225 065	119 431	599 212
Liabilities – June 2022	294 552	240 124	80 557	615 233