

UNAUDITED CONDENSED INTERIM GROUP RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2018 AND DIVIDEND ANNOUNCEMENT



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

A leading manufacturer, recycler and distributor of plastic and paper packaging products

NET ASSET VALUE PER SHARE 1 908 CENTS ■ HEADLINE EARNINGS PER SHARE 112,4 CENTS ■ DIVIDEND PER SHARE 30 CENTS

INTRODUCTION

Transpaco's results reflect a 33,2% decrease in headline earnings per share ("HEPS").

An unprecedented and protracted three-month plastic industry strike coupled with a depressed consumer environment and stagnant economy, resulted in the decline in performance.

Notwithstanding a 23,6% increase in revenue, mainly as a result of the acquisition of Future Packaging, operating profit declined by 26,4%.

The group's expenses and gross profit percentages continued to be well-managed and controlled. However, this was insufficient to offset the effects of the strike and poor trading conditions.

The plastic industry strike commenced in October 2018 impacting several Transpaco operations during the group's busiest period, October to December. Although not officially ended, Transpaco managed to negotiate the return to work by all striking employees by 7 January 2019 which occurred in stages during the strike. Unfortunately, Transpaco Recycling was closed for the full three-month duration.

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

FINANCIAL RESULTS

Group	December 2018	December 2017	% increase/ (decrease)
Revenue (R'm)	1 083,5	876,8	23,6
Operating profit (R'm)	57,8	78,5	(26,4)
Headline earnings (R'm)	37,0	55,3	(33,2)
Earnings per share (cents)	112,0	168,2	(33,4)
HEPS (cents)	112,4	168,3	(33,2)
Diluted HEPS (cents)	112,4	168,3	(33,2)

The group's net interest-bearing debt-to-equity (gearing) position increased to 18,8% (December 2017: 6,2%).

Transpaco's net asset value per share increased by 5,8% to 1 908 cents (December 2017: 1 803 cents).

GOODWILL

In terms of IFRS 3 – Business Combinations, management will perform a final purchase price allocation ("PPA") to determine the fair value of the assets and liabilities acquired on the acquisition of the Future Packaging group. The PPA exercise will be completed during the current financial year.

TRANSFORMATION

With the introduction of the revised BBBEE scorecard, Transpaco moved from level 4 to level 6 for the 2018 financial year.

We are pleased to advise that Transpaco has since year-end, through various strategic initiatives, regained its level 4 position on the revised BBBEE scorecard, with the full intention of further improvement in the future.

PROSPECTS

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

DIVIDEND

The board has declared an interim gross cash dividend out of income reserves of 30,0 cents per share (December 2017: 45,0 cents per share) for the six-month period ended 31 December 2018. After applying the dividend withholding tax of 20%, a net interim dividend of 24,00000 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 is 32 886 359 ordinary shares. The income tax reference number is 9975/11271/6.

The salient dates for the dividend are as follows:

Last date to trade shares <i>cum</i> dividend	Tuesday, 12 March 2019
Shares trade <i>ex</i> dividend	Wednesday, 13 March 2019
Record date	Friday, 15 March 2019
Payment date	Monday, 18 March 2019

Share certificates may not be dematerialised or re-materialised between Wednesday, 13 March 2019 and Friday, 15 March 2019, both days inclusive.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The group's unaudited condensed interim financial results for the six-month period ended 31 December 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting ("IAS 34"), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices 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 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 2018.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the unaudited condensed interim financial results are consistent with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2018, save for the adoption of new standards effective for reporting periods beginning on or after 1 January 2018. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited 6 months Dec 2018	% change	Unaudited 6 months Dec 2017	Audited 12 months June 2018
Revenue	1 083 475	23,6	876 774	1 721 876
Cost of sales	(713 223)		(550 605)	(1 095 588)
Profit before operating costs and depreciation	370 252	13,5	326 169	626 288
Operating costs	(287 422)		(223 523)	(446 423)
Depreciation	(25 007)		(24 109)	(40 656)
Operating profit	57 823	(26,4)	78 537	139 209
Finance income	676		2 220	3 237
Finance costs	(7 157)		(3 896)	(7 404)
Profit before taxation	51 342	(33,2)	76 861	135 042
Taxation	(14 526)		(21 551)	(37 556)
Profit for the period	36 816	(33,4)	55 310	97 486
Other comprehensive income	–		–	–
Total comprehensive income	36 816	(33,4)	55 310	97 486
Weighted average ranking number of shares in issue ('000)	32 886		32 883	32 629
Diluted weighted average ranking number of shares in issue ('000)	32 886		32 883	32 629
Earnings per share (cents)	112,0	(33,4)	168,2	298,8
Diluted earnings per share (cents)	112,0	(33,4)	168,2	298,8
Headline earnings per share (cents)	112,4	(33,2)	168,3	297,4
Diluted headline earnings per share (cents)	112,4	(33,2)	168,3	297,4
Dividend per share (cents)*	30,0	(33,3)	45,0	135,0
<i>*Dividend declared after the period</i>				
Reconciliation of headline earnings (R'000)				
Basic earnings	36 816		55 310	97 486
Loss/(profit) on disposal of property, plant and equipment	139		35	(462)
Headline earnings	36 955	(33,2)	55 345	97 024

STATEMENT OF CHANGES IN EQUITY

R'000	Issued share capital	Share premium	Other reserves	Distributable reserve	Total
Balance at 30 June 2017 (audited)	328	11 019	4 005	545 873	561 225
Profit for the period	–	–	–	55 310	55 310
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	55 310	55 310
Dividend paid	–	–	–	(23 742)	(23 742)
Transfer	–	–	(50)	50	–
Balance at 31 December 2017 (unaudited)	328	11 019	3 955	577 491	592 793
Profit for the period	–	–	–	42 176	42 176
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	42 176	42 176
Transfer	–	–	(3 955)	3 955	–
Dividend paid	–	–	–	(14 838)	(14 838)
Balance at 30 June 2018 (audited)	328	11 019	–	608 784	620 131
Profit for the period	–	–	–	36 816	36 816
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	36 816	36 816
Dividend paid	–	–	–	(29 597)	(29 597)
Transfer	–	–	–	–	–
Balance at 31 December 2018 (unaudited)	328	11 019	–	616 003	627 350

STATEMENT OF FINANCIAL POSITION

R'000	Unaudited 6 months Dec 2018	Unaudited 6 months Dec 2017	Audited 12 months June 2018
ASSETS			
Non-current assets	434 979	368 635	432 831
Property, plant and equipment	348 916	325 686	347 019
Intangibles	17 855	17 855	17 855
Goodwill	64 182	23 195	64 182
Deferred taxation	4 026	1 899	3 775
Current assets	658 699	578 638	649 978
Inventories	229 615	172 810	259 846
Trade and other receivables	391 180	368 668	328 796
Taxation receivable	3311	669	888
Cash and cash equivalents	34 593	36 491	60 448
TOTAL ASSETS	1 093 678	947 273	1 082 809
EQUITY AND LIABILITIES			
Capital and reserves	627 350	592 793	620 131
Issued share capital	328	328	328
Share premium	11 019	11 019	11 019
Other reserves	–	3 955	–
Distributable reserve	616 003	577 491	608 784
Non-current liabilities	164 135	101 648	158 362
Interest-bearing borrowings	117 247	57 214	113 811
Deferred income	10 815	12 904	11 053
Deferred taxation	36 073	31 530	33 498
Current liabilities	302 193	252 832	304 316
Trade payables and accruals	241 766	212 505	250 464
Provisions	22 133	18 665	32 145
Current portion of interest-bearing borrowings	34 951	15 911	18 790
Deferred income	2 103	2 111	2 103
Taxation payable	1 137	3 640	814
Bank overdraft	103	–	–
TOTAL EQUITY AND LIABILITIES	1 093 678	947 273	1 082 809
Number of shares in issue ('000)			
Number of shares (net of treasury shares)	32 886	32 861	32 861
Net movement in treasury shares	–	25	25
Ranking number of shares	32 886	32 886	32 886
Salient features			
Net asset value per share (cents)	1 908	1 803	1 886
Operating margin %	5,3	9,0	8,1
Net interest-bearing debt:equity ratio %	18,8	6,2	11,6

CAPITAL COMMITMENTS

R'000	Unaudited 6 months Dec 2018	Unaudited 6 months Dec 2017	Audited 12 months June 2017
Capital expenditure authorised and contracted	4 974	7 746	12 812
Property, plant and equipment	4 974	7 746	12 812

The group has applied both IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers using the modified retrospective approach. IFRS 9 has had an insignificant impact for the group due to the low-value short-term nature of debtors. IFRS 15 has had an insignificant impact for the group as the group does not sell products based on multiple-element arrangements or on a provisional or variable pricing basis.

The group has assessed the potential impact of IFRS 16 on the financial statements of the group and concluded that IFRS 16 will have an impact on the recognition of leases for which management is still assessing. The standard is effective for periods beginning on or after 1 January 2019 and will be implemented by the group from 1 July 2019.

Various other new and amended IFRS and IFRIC interpretations have been issued and are effective. However, they are not applicable to the group's activities during the period.

APPROVAL AND PREPARATION

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

ON BEHALF OF THE BOARD

DJJ Thomas	PN Abelheim	L Weinberg
<i>Non-executive Chairman</i>	<i>Chief Executive</i>	<i>Financial Director</i>

DIRECTORS

DJJ Thomas (Chairman); PN Abelheim (Chief Executive); L Weinberg (Financial Director); HA Botha*; SR Bouzaglou; SI Jacobson*; B Mkhondo*; SP van der Linde (Lead Independent Director)**

*non-executive **independent non-executive

Date 19 February 2019

Auditors Ernst & Young Incorporated

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

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

STATEMENT OF CASH FLOWS

R'000	Unaudited 6 months Dec 2018	Unaudited 6 months Dec 2017	Audited 12 months June 2018
Cash flow (used in)/from operating activities			
Cash generated/(utilised) from operations	31 923	(2 769)	125 713
Dividends paid	(29 597)	(23 742)	(38 580)
Finance income received	676	2 220	3 237
Finance costs paid	(7 157)	(3 896)	(7 404)
Taxation paid	(14 302)	(14 467)	(35 409)
Net cash (outflow)/inflow from operating activities	(18 457)	(42 654)	47 557
Cash flow used in investing activities			
Proceeds on disposal of property, plant and equipment	156	307	1 418
Acquisition of business	–	–	(96 571)
Expansion and replacement of property, plant and equipment	(27 254)	(11 646)	(38 737)
Net cash outflow from investing activities	(27 098)	(11 339)	(133 890)
Cash flow from/(used in) financing activities			
Proceeds from borrowings	30 163	–	66 434
Repayment of borrowings	(10 566)	(9 050)	(19 187)
Net cash inflow/(outflow) from financing activities	19 597	(9 050)	47 247
Net movement in cash for the period	(25 958)	(63 043)	(39 086)
Cash and cash equivalents at the beginning of the period	60 448	99 534	99 534
Cash and cash equivalents at the end of the period	34 490	36 491	60 448

SEGMENTAL ANALYSIS

Unaudited six months December 2018, six months December 2017 and audited 12 months June 2018

R'000	Plastic products	Paper and board products	Properties and group services	Total
Revenue – December 2018	618 487	464 988	–	1 083 475
Revenue to all customers	659 293	495 554	–	1 154 847
Less revenue to internal customers	(40 806)	(30 566)	–	(71 372)
Revenue – December 2017	639 456	237 318	–	876 774
Revenue to all customers	665 571	257 014	–	922 585
Less revenue to internal customers	(26 115)	(19 696)	–	(45 811)
Revenue – June 2018	1 126 945	594 931	–	1 721 876
Revenue to all customers	1 182 480	637 172	–	1 819 652
Less revenue to internal customers	(55 535)	(42 241)	–	(97 776)
Operating profit – December 2018	27 894	19 986	9 943	57 823
Operating profit – December 2017	52 466	20 068	6 003	78 537
Operating profit – June 2018	83 980	43 214	12 015	139 209
Profit before tax – December 2018	26 165	19 674	5 503	51 342
Profit before tax – December 2017	51 122	19 412	6 327	76 861
Profit before tax – June 2018	81 242	42 073	11 727	135 042
Capital expenditure – December 2018	16 983	3 751	6 520	27 254
Capital expenditure – December 2017	4 934	3 433	3 279	11 646
Capital expenditure – June 2018	26 044	7 660	5 033	38 737
Assets – December 2018	605 578	366 171	121 929	1 093 678
Assets – December 2017	630 974	182 164	134 135	947 273
Assets – June 2018				