

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2022 AND DIVIDEND ANNOUNCEMENT



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

A leading manufacturer and distributor of plastic and paper packaging products

NET ASSET VALUE UP 13,9% TO 2 627 CENTS PER SHARE ■ HEPS UP 41% TO 475,5 CENTS ■ TOTAL DIVIDEND PER SHARE 215 CENTS

INTRODUCTION

Transpaco performed well above expectations improving net profit after tax by 38,4% resulting in headline earnings increasing 36,9% and HEPS up by 41,4%.

Revenue grew 12,5% with operating margins increasing to 9,6% (June 2021: 7,9%). Operating profit improved by 35,1% through stringent cost control and continued focus on manufacturing efficiencies.

Transpaco's increase in revenue is attributable to material cost inflation and volume growth across the group.

While Transpaco was not directly affected by the July 2021 riots, several of our customers experienced damage to their stores and warehouses, which negatively impacted sales during July and August 2021.

The Plastic division, which operates in the retail, scholastic, industrial, refuse bag, and pallet wrap markets, exceeded expectations improving operating profit by 31% and contributing 58% towards group operating profit.

The Paper and Board, comprising of printed folded cartons, tubular cores and general packaging, similarly produced excellent results increasing operating profit by 44% and achieving a contribution to group performance of 31%.

Financial results

	June 2022	June 2021	% increase
Total operations			
Revenue (R'm)	2 338,0	2 078,9	12,5
Operating profit (R'm)	222,8	164,9	35,1
Profit before taxation (R'm)	207,8	150,4	38,1
Total comprehensive income (R'm)	152,6	110,3	38,4
Headline earnings (R'm)	150,4	109,9	36,9
Earnings per share (cents)	482,6	337,4	43,0
Headline earnings per share (cents)	475,5	336,2	41,4
Net asset value per share (cents)	2 627	2 306	13,9

The weighted average number of ordinary shares in issue in calculating EPS and HEPS is 31 627 711 (June 2021: 32 685 588).

During the year Transpaco repurchased 340 095 ordinary shares on the open market. Currently there are 31 499 288 shares in issue.

Cash generated from operations increased to R214,0 million (June 2021: R189,8 million). Cash and cash equivalents at year-end totalled R72,3 million (June 2021: R76,2 million).

Transpaco's net interest-bearing debt-to-equity position improved to 9,3% (June 2021: 15,5%).

During the year Transpaco repurchased shares, completed the upgrade of fire protection sprinkler systems at company-owned properties and invested in capital equipment amounting to R54 million, all of which impacted Transpaco's net interest-bearing debt-to-equity position.

Local and international shortages of plastic and board raw materials compounded with shipping logistics challenges resulting in Transpaco carrying higher than normal stock levels which similarly affected the group's net interest-bearing debt-to-equity position.

EXPANSIONS AND DEVELOPMENT

The relocation of Transpaco Specialised Films from Bronkhorstspuit to a company-owned property in Johannesburg was successfully completed during the year.

The Refuse Bag division increased much-needed capacity with the installation of a new multi-layer extruder and high-speed bag machine to cater for local and international market growth.

The integration of the Transpaco Packaging and Future Packaging Johannesburg operations has been concluded with the expected benefits already realised.

PROSPECTS

Transpaco expects trading conditions to remain difficult due to higher energy costs and continued load shedding, excessive petrol prices, interest-rate hikes and raw material challenges.

Management will continue its proven business strategy of maintaining strict financial control, generating revenue growth and increasing profitability.

Strategic acquisition opportunities, when identified, will be pursued.

TRANSFORMATION

Transpaco's 12th annual Black Economic Empowerment audit reflected the group as a Level 2 value added contributor. In addition, Transpaco is a YES Programme employer.

BOARD APPOINTMENT

Yolande Mahlangu was appointed to the board and as a member of the audit and risk and social, ethics and transformation committees with effect from 6 April 2022.

While remaining a member of the remuneration committee Derek Thomas, relinquished the Chair of the remuneration committee to Harry Botha.

DECLARATION OF ORDINARY DIVIDEND IN RESPECT OF THE YEAR ENDED 30 JUNE 2022

The board has declared a final gross cash dividend out of income reserves of 155,0 cents per share, resulting in total dividends of 215,0 cents per share for the year ended 30 June 2022 (June 2021: 153,0 cents per share). After applying the dividend withholding tax of 20% a net final dividend of 124,0 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 is 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 cum dividend	Tuesday, 20 September 2022
Shares trade ex-dividend	Wednesday, 21 September 2022
Record date	Friday, 23 September 2022
Payment date	Monday, 26 September 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 21 September 2022 and Friday, 23 September 2022, both days inclusive.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), its interpretations issued by the IFRS Interpretations Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act 71 of 2008 of South Africa. The principal accounting policies are consistent in all material respects with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2021. The presentation and disclosure complies with International Accounting Standard (IAS) 34.

The fair value of the financial assets and liabilities approximate the carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing borrowings are not materially different from their calculated fair values due to market related rates embedded into the terms of these borrowings.

REVIEW BY INDEPENDENT AUDITOR

The group's auditor BDO South Africa Incorporated have reviewed the provisional condensed consolidated financial information for the year. The unmodified review report is available for inspection at Transpaco's registered office. The review was performed in accordance with ISRE 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's external auditor. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the group's registered office.

APPROVAL AND PREPARATION

The preparation of the group's reviewed provisional condensed consolidated results was supervised by Louis Weinberg CA(SA) (Chief Financial Officer).

On behalf of the board

DJJ Thomas Non-executive Chairman	PN Abelheim Chief Executive Officer	L Weinberg Chief Financial Officer
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30 August 2022

DIRECTORS

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

* Non-executive ** Independent non-executive

Transpaco Limited Registration number: 1951/000799/06 JSE share code: TPC ISIN: ZAE000007480

Auditor 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

STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 12 months June 2022	Restated Audited 12 months June 2021	% change
R'000			
Revenue	2 338 021	2 078 891	12,5
Revenue – plastic products	1 271 147	1 085 387	17,1
Revenue – paper and board products	1 066 874	993 504	7,4
Cost of sales *	(1 707 783)	(1 515 007)	
Profit before operating costs, depreciation and impairment	630 237	563 884	11,8
Operating costs*	(389 616)	(374 681)	4,0
Depreciation	(17 864)	(24 352)	(26,6)
Operating profit	222 758	164 851	35,1
Finance income	2 663	1 526	74,5
Finance costs	(17 625)	(15 911)	10,8
Profit before taxation	207 796	150 466	38,1
Taxation	(55 152)	(40 188)	37,2
Profit for the year	152 644	110 278	38,4
Other comprehensive income	–	–	
Total comprehensive income	152 644	110 278	38,4
Weighted average ranking number of shares in issue ('000)	31 628	32 686	
Diluted weighted average ranking number of shares in issue ('000)	31 628	32 686	
Earnings and diluted earnings per share (cents)	482,6	337,4	43,0
Headline and diluted headline earnings per share (cents)	475,5	336,2	41,4
Dividend per share (cents)*	215,0	153,0	40,5
<i>*Includes interim dividend of 60 cents (June 2021 – 43 cents) and a dividend declared after the period of 155 cents (June 2021 – 110 cents)</i>			
Reconciliation of headline earnings (R'000)			
Net profit attributable to ordinary equity holders for basic earnings	152 644	110 278	
Profit on disposal of property, plant and equipment	(6 309)	(535)	
Impairment on property, plant and equipment	2 552	–	
Total tax effect	1 510	150	
Headline earnings	150 398	109 893	36,9
<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 R 116 218 000 and operating costs decreasing by R 116 218 000. The effect of this reclassification has no impact on the 2021 profit for the year, earnings or headline earnings.</i>			

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Distributable reserve	Total
R'000				
Balance at 30 June 2020	328	11 019	668 168	679 515
Profit for the year	–	–	110 278	110 278
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	110 278	110 278
Shares repurchased and cancelled	(10)	(351)	(15 342)	(15 703)
Dividend paid	–	–	(39 793)	(39 793)
Balance at 30 June 2021	318	10 668	723 311	734 297
Profit for the year	–	–	152 644	152 644
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	152 644	152 644
Shares repurchased and cancelled	(4)	(114)	(5 357)	(5 475)
Dividend paid	–	–	(53 923)	(53 923)
Balance at 30 June 2022	314	10 554	816 675	827 543

CAPITAL COMMITMENTS

	Reviewed 12 months June 2022	Audited 12 months June 2021
R'000		
Capital expenditure authorised and contracted		
Property, plant and equipment	2 085	26 778

STATEMENT OF CASH FLOWS

	Reviewed 12 months June 2022	Audited 12 months June 2021
R'000		
Cash flow from operating activities		
Cash generated from operations	213 952	189 814
Dividends paid	(53 923)	(39 793)
Finance income received	2 663	1 526
Finance costs paid	(17 625)	(15 911)
Taxation paid	(57 301)	(41 325)
Net cash inflow from operating activities	87 766	94 311
Cash flow used in investing activities		
Proceeds on disposal of property, plant and equipment	28 040	11 387
Expansion and replacement of property, plant and equipment	(31 954)	(84 555)
Net cash outflow from investing activities	(3 914)	(73 168)
Cash flow used in financing activities		
Repurchase of shares	(5 475)	(15 703)
Payment of principal portion of lease liability	(19 349)	(24 432)
Proceeds from borrowings	–	102 499
Repayment of borrowings	(63 025)	(68 082)
Net cash outflow from financing activities	(87 849)	(5 718)
Net movement in cash for the year	(3 997)	15 425
Cash and cash equivalents at the beginning of the year	76 247	60 822
Cash and cash equivalents at the end of the year	72 250	76 247

SEGMENTAL ANALYSIS

	Plastic products	Paper and board products	Properties and group services	Total operations
R'000				
Revenue from customers – 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)
Revenue from customers – 2021	1 085 387	993 504	–	2 078 891
Revenue from all customers	1 133 821	1 067 851	–	2 201 672
Less revenue from internal customers	(48 434)	(74 347)	–	(122 781)
Operating profit – 2022	128 990	68 755	25 013	222 758
Operating profit – 2021	98 748	47 651	18 452	164 851
Profit before tax – 2022	124 472	61 281	22 043	207 796
Profit before tax – 2021	93 821	40 192	16 453	150 466
Capital expenditure – 2022	44 373	4 869	4 603	53 845
Capital expenditure – 2021	31 363	35 089	94 783	161 235
Total assets – 2022	701 345	507 396	234 035	1 442 776
Total assets – 2021	595 636	475 371	240 484	1 311 491
Total liabilities – 2022	294 552	240 124	80 557	615 233
Total liabilities – 2021	236 497	245 202	95 495	577 194

STATEMENT OF FINANCIAL POSITION

	Reviewed 12 months June 2022	Audited 12 months June 2021
R'000		
ASSETS		
Non-current assets	621 815	624 065
Property, plant and equipment	486 898	487 949
Right-of-use assets	47 097	47 531
Intangibles	17 855	17 855
Goodwill	64 182	64 182
Deferred taxation	5 783	6 548
Current assets	820 961	667 281
Inventories	329 720	245 218
Trade and other receivables	417 298	344 738
Taxation receivable	1 693	1 078
Cash and cash equivalents	72 250	76 247
Disposal group assets classified as held for sale	1	–
TOTAL ASSETS	1 442 776	1 311 491
EQUITY AND LIABILITIES		
Capital and reserves	827 543	734 297
Issued share capital	314	318
Share premium	10 554	10 668
Retained income	816 675	723 311
Non-current liabilities	193 796	227 771
Interest-bearing borrowings	119 872	152 181
Lease liability	34 812	35 088
Deferred income	884	1 658
Deferred taxation	38 228	38 844
Current liabilities	421 437	349 423
Trade payables and accruals	370 735	288 666
Interest-bearing borrowings	29 295	38 121
Lease liability	18 731	18 038
Deferred income	855	1 093
Taxation payable	1 821	3 505
TOTAL EQUITY AND LIABILITIES	1 442 776	1 311 491
Number of shares in issue ('000)		
Opening balance	31 839	32 886
Shares repurchased and cancelled	(340)	(1 047)
Number of shares	31 499	31 839
Salient features		
Net asset value per share (cents)	2 627	2 306
Operating margin (%)	9,6	7,9
Net interest-bearing debt: equity ratio (%)	9,3	15,5

NOTE

NOTE 1 Net assets directly associated with disposal group		
	Reviewed 12 months June 2022	Audited 12 months June 2021
R'000		
Assets		
Property, plant and equipment	–	20 145
Disposal group assets classified as held for sale	–	20 145
The property situated at 69 Serenade Road, Elandsfontein was transferred to the purchaser during the current financial year		