

UNAUDITED CONDENSED INTERIM GROUP RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2019 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 2 012 CENTS ■ HEADLINE EARNINGS PER SHARE 122,3 CENTS ■ DIVIDEND PER SHARE 33,0 CENTS

INTRODUCTION

Total operations

Transpaco's results reflect an overall 8,8% increase in headline earnings per share (HEPS).

Revenue increased by 4,0% with operating profit up by 21,3%. The group's expenses and gross profit margins continued to be well-managed and controlled.

The plastics products division accounted for significant growth, while the paper and board division performed below expectations.

Discontinued operations (see note 1)

On 30 September 2019 the board of directors approved a decision to discontinue all recycling manufacturing operations being carried out by Transpaco Recycling (Pty) Ltd and included in the plastic products reportable segment. Due to international and local market forces in the plastic recycling industry Transpaco was no longer deriving any economic benefit from remaining in the post-consumer recycling market. Selling price levels were restricted due to prevailing virgin polymer prices while energy, labour and distribution costs, among others, kept rising. With no likelihood of the situation improving in the short to medium term, and in order to stem losses, the board decided to discontinue the operation and to dispose of the business or the assets within the next financial year.

Continuing operations

Transpaco's continuing operations achieved HEPS of 161,1 cents (December 2018: 136,5 cents) an increase of 18% on revenue growth of 3,1%.

IFRS rental agreement impact

The amendments to lease accounting in terms of IFRS 16 had a negative effect on earnings and headline earnings amounting to R1,6 million or 5 cents for both earnings and HEPS.

FINANCIAL RESULTS

	Six months to December 2019	Six months to December 2018	% increase
Continuing operations			
Revenue (R'm)	1 078,7	1 046,4	3,1
Operating profit (R'm)	80,9	68,8	17,5
Headline earnings (R'm)	53,0	44,9	18,0
Earnings per share (cents)	161,1	136,1	18,4
HEPS (cents)	161,1	136,5	18,0
Diluted HEPS (cents)	161,1	136,5	18,0
Total operations			
Revenue (R'm)	1 126,7	1 083,5	4,0
Operating profit (R'm)	70,1	57,8	21,3
Headline earnings (R'm)	40,2	37,0	8,6
Earnings per share (cents)	122,2	112,0	9,1
HEPS (cents)	122,3	112,4	8,8
Diluted HEPS (cents)	122,3	112,4	8,8

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

The group's net interest-bearing debt-to-equity (gearing) position improved to 7,4% (December 2018: 18,8%).

Transpaco's net asset value per share increased by 5,5% to 2 012 cents (December 2018: 1 908 cents).

TRANSFORMATION

We are pleased to advise that subsequent to year-end Transpaco has, through various strategic initiatives, including participation in the YES programme, improved to a level 2 BBBEE contributor based on the revised BBBEE scorecard.

PROSPECTS

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

DIVIDEND

The board has declared an interim gross cash dividend out of income reserves of 33,0 cents per share (December 2018: 30,0 cents per share) for the six-month period ended 31 December 2019. After applying the dividend withholding tax of 20%, a net interim dividend of 26,40000 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 9975/112/71/6.

The salient dates for the dividend are as follows:

Last date to trade shares <i>cum</i> dividend	Tuesday, 10 March 2020
Shares trade <i>ex</i> dividend	Wednesday, 11 March 2020
Record date	Friday, 13 March 2020
Payment date	Monday, 16 March 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 March 2020 and Friday, 13 March 2020, 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 2019 have been prepared in accordance with IAS 34: Interim Financial Reporting (IAS 34), its interpretations issued by the International Financial Reporting Standards (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 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, except for the changes as a result of the adoption of IFRS 16.

ADOPTION OF IFRS 16: LEASES

The group has adopted IFRS 16: Leases using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 30 June 2019.

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months December 2019	IFRS16 adjustment	Unaudited adjusted six months December 2019	Unaudited six months December 2018	Unaudited six months December 2019 % change	Unaudited adjusted six months December 2019 % change
R'000						
Continuing operations						
Revenue	1 078 651	—	1 078 651	1 046 353	3,1	3,1
Cost of sales	(696 211)	—	(696 211)	(690 883)		
Profit before operating costs and depreciation	382 440		382 440	355 470	7,6	7,6
Operating costs	(265 080)	(15 993)	(281 073)	(264 108)	(0,4)	(6,4)
Depreciation	(36 496)	14 508	(21 988)	(22 527)	(62,0)	2,4
Operating profit	80 864	(1 485)	79 379	68 835	17,5	15,3
Finance income	960	—	960	676	42,0	42,0
Finance costs	(7 916)	3 748	(4 168)	(7 157)	(10,6)	41,8
Profit before taxation	73 908	2 263	76 171	62 354	18,5	22,2
Taxation	(20 931)	(634)	(21 565)	(17 608)	(18,9)	(22,5)
Profit for the year from continuing operations	52 977	1 629	54 606	44 746	18,4	22,0
Discontinued operations						
Loss for the period from discontinued operations	(12 797)	—	(12 797)	(7 930)	(61,4)	61,4
Profit for the year	40 180	1 629	41 809	36 816	9,1	13,6
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	40 180	1 629	41 809	36 816	9,1	13,6
Weighted average ranking number of shares in issue ('000)	32 886	32 886	32 886	32 886		
Diluted weighted average ranking number of shares in issue ('000)	32 886	32 886	32 886	32 886		
Continuing operations						
Earnings per share (cents)	161,1	5,0	166,0	136,1	18,4	22,0
Diluted earnings per share (cents)	161,1	5,0	166,0	136,1	18,4	22,0
HEPS (cents)	161,1	5,0	166,1	136,5	18,0	21,7
Diluted HEPS (cents)	161,1	5,0	166,1	136,5	18,0	21,7
Continuing and discontinued operations						
Earnings per share (cents)	122,2	5,0	127,1	112,0	9,1	13,6
Fully diluted earnings per share (cents)	122,2	5,0	127,1	112,0	9,1	13,6
HEPS (cents)	122,3	5,0	127,2	112,4	8,8	13,2
Fully diluted HEPS (cents)	122,3	5,0	127,2	112,4	8,8	13,2
Dividend per share (cents)*	33,0	—	33,0	30,0	10,0	—
*Dividend declared after the period						
Reconciliation of headline earnings (R'000)						
Continuing operations						
Basic earnings	52 977	1 629	54 606	44 746		
Loss/(profit) on disposal of property, plant and equipment	9	—	9	139		
Headline earnings	52 986	1 629	54 615	44 885	18,0	21,7
Continuing and discontinued operations						
Basic earnings	40 180	1 629	41 809	36 816		
Profit on disposal of property, plant and equipment	30	—	30	139		
Headline earnings	40 210	1 629	41 839	36 955	8,8	13,2

In applying IFRS 16 for the first time, the group has used the following expedients permitted by the standard:

- Modified retrospective approach – no comparatives required to be disclosed.
- Exemption of short-term leases.
- Portfolio approach applied to classes of leases that have similar characteristics.
- Interest rate based on remaining lease terms for existing leases at transition.

To provide a more meaningful comparison of the current period's financial performance with prior periods, the statement of comprehensive income at December 2019 has been presented on a like-on-like basis with prior periods, excluding the impact of IFRS 16. The impact of adopting IFRS in the current period is reflected in the "IFRS 16 adjustment" column of the statement of comprehensive income. Prior year comparatives are on an IAS 17: Lease basis.

The impact on the statement of cash flows (increase/(decrease)) for the six months ended 31 December 2019 is as follows:

	R'000
Net cash flow from operating activities	12 245
Net cash flow from financing activities	(12 245)

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on adoption rate was 9%.

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 2019.

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
Non-executive Chairman	Chief Executive	Financial Director
24 February 2020		

DIRECTORS

DJJ Thomas (Chairman)*; PN Abelheim (Chief Executive); L Weinberg (Financial Director); HA Botha*; SR Bouzougou; B Mkhondo*; 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 Ernst & Young Inc. Company Secretary HJ van Niekerk Sponsor Investec Bank Limited

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STATEMENT OF FINANCIAL POSITION

	Unaudited six months December 2019	Unaudited six months December 2018	Audited 12 months June 2019
R'000			
ASSETS			
Non-current assets	476 376	434 979	435 852
Property, plant and equipment	319 640	348 916	349 713
Right-of-use assets	71 797	—	—
Intangibles	17 855	17 855	17 855
Goodwill	64 182	64 182	64 182
Deferred taxation	2 902	4 026	4 102
Current assets	589 885	658 699	641 346
Inventories	172 099	229 615	215 718
Trade and other receivables	376 345	391 180	375 858
Taxation receivable	2 572	3 311	1 872
Cash and cash equivalents	38 869	34 593	47 898
Disposal group assets classified as held for sale	36 075	—	—
TOTAL ASSETS	1 102 336	1 093 678	1 077 198
EQUITY AND LIABILITIES			
Capital and reserves	661 593	627 350	637 866
Issued share capital	328	328	328
Share premium	11 019	11 019	11 019
Distributable reserve	650 246	616 003	626 509
Non-current liabilities	146 786	164 135	117 249
Interest-bearing borrowings	56 207	117 247	75 597
Lease liability	49 862	—	—
Deferred income	3 747	10 815	9 071
Deferred taxation	36 970	36 073	32 581
Current liabilities	287 927	302 193	322 093
Trade payables and accruals	203 495	241 766	251 234
Provisions	23 394	22 133	28 242
Current portion of interest-bearing borrowings	31 432	34 951	28 152
Lease liability	28 106	—	—
Deferred income	962	2 103	2 009
Taxation payable	538	1 137	1 241
Bank overdraft	—	103	11 215
Disposal group liabilities classified as held for sale	6 030	—	—
TOTAL EQUITY AND LIABILITIES	1 102 336	1 093 678	1 077 198
Number of shares in issue ('000)	32 886	32 886	32 861
Number of shares (net of treasury shares)	—	—	25
Net movement in treasury shares	—	—	25
Ranking number of shares	32 886	32 886	32 886
Salient features			
Net asset value per share (cents)	2 012	1 908	1 940
Operating margin (%)	5,6	5,1	4,5
Net interest-bearing debt-to-equity ratio (%)	7,4	18,8	10,5

STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Distributable reserve	Total
R'000				
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)
Balance at 31 December 2018 (unaudited)	328	11 019	616 003	627 350
Profit for the period	—	—	20 372	20 372
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	20 372	20 372
Dividend paid	—	—	(9 866)	(9 866)
Balance at 30 June 2019 (audited)	328	11 019	626 509	637 856
Profit for the period	—	—	40 180	40 180
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	40 180	40 180
Dividend paid	—	—	(16 443)	(16 443)
Balance at 31 December 2019 (unaudited)	328	11 019	650 246	661 593

CAPITAL COMMITMENTS

	Unaudited six months Dec 2019	Unaudited six months Dec 2018	Audited 12 months June 2019
R'000			
Capital expenditure authorised and contracted	34 432	4 947	6 146
Property, plant and equipment			

SEGMENTAL ANALYSIS

Unaudited six months to December 2019, six months to December 2018 and audited 12 months to June 2019.

	Plastic products	Paper and board products	Properties and group services	Continuing operations	Discontinued operations	Total operations
R'000						
Revenue – December 2019	619 761	458 890	—	1 078 651	48 019	1 126 670
Revenue to all customers	653 881	493 207	—	1 147 088	51 886	1 198 974
Less revenue to internal customers	(34 120)	(34 317)	—	(68 437)	(3 867)	(72 304)
Revenue – December 2018	581 365	464 988	—			