CAXTON&CTP publishers & printers LIMITED

RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

R'000	% change	Unaudited six months to 31 December 2023	Unaudited six months to 31 December 2022	Audited for the year ended 30 June 2023
Revenue	(3,3)	**3 689 853**	3 817 393	6 974 558
Other operating income		**34 861**	51 316	228 515
Total operating income		**3 724 714**	3 868 709	7 203 073
Changes in inventories of finished goods and work in progress		**(60 896)**	(28 486)	54 569
Raw materials and consumables used		**(2 011 404)**	(2 036 956)	(3 829 119)
Staff costs		**(644 289)**	(662 727)	(1 307 728)
Other operating expenses		**(586 673)**	(634 844)	(1 139 655)
Total operating expenses	(1,8)	**3 302 262**	(3 363 013)	(6 221 933)
Profit from operating activities before depreciation and amortisation	(16,7)	**421 452**	505 696	981 140
Depreciation and amortisation		**(118 676)**	(123 645)	(238 748)
Profit from operating activities after depreciation and amortisation	(20,8)	**302 776**	382 051	742 392
Impairment of goodwill		**–**	(1 217)	(1 217)
Profit on disposal of subsidiary		**–**	78 978	78 978
Loss on disposal of investment		**(45 228)**	–	–
Loss on deemed disposal of associate on gain of control		**–**	(2 748)	(1 529)
Impairment of investment		**–**	–	(1 219)
Impairment on interest in associates		**–**	–	(1 664)
Impairment of intangible assets		**–**	–	(4 331)
Impairment of plant		**–**	–	(581)
Profit from operating activities		**257 548**	457 064	810 829
Net finance income		**99 501**	63 657	134 199
– dividends		**55 696**	54 929	117 041
– interest income		**44 717**	10 004	35 323
– interest expense		**(923)**	(1 276)	(2 145)
– Profit/(loss) on foreign exchange		**11**	–	(16 020)
Income from associates		**15 497**	6 789	7 026
Profit before taxation		**372 546**	527 510	952 054
Taxation		**(92 365)**	(122 689)	(200 178)
Profit for the period	(30,8)	**280 181**	404 821	751 876
Other comprehensive income:		**206 397**	(37 530)	(106 884)
Items that will not be reclassified subsequently to profit or loss				
Fair value adjustment – investments		**206 397**	(37 530)	(199 354)
Fair value adjustment – properties		**–**	–	92 470
Total comprehensive income for the period		**486 578**	367 291	644 992
Total comprehensive income attributable to				
Non-controlling interests		**10 072**	21 523	(7 952)
Equity holders of the parent		**476 506**	345 767	652 944
		486 578	367 291	644 992
Profit attributable to				
Non-controlling interests		**10 072**	21 523	18 056
Equity holders of the parent		**270 109**	383 297	733 820
		280 181	404 821	751 876

Condensed segmental analysis	Unaudited six months to 31 December 2023	%	Unaudited six months to 31 December 2022	%	Audited for the year ended 30 June 2023	%
Revenue						
Publishing, printing and distribution	**1 695 261**	46	1 974 404	52	3 425 560	49
Packaging and stationery	**1 994 592**	54	1 842 989	48	3 548 998	51
Other	**–**	–	–	–	–	–
	3 689 853	100	3 817 393	100	6 974 558	100
Profit from operating activities before depreciation						
Publishing, printing and distribution	**199 129**	47	267 202	53	408 710	42
Packaging and stationery	**273 078**	65	291 465	57	528 359	54
Other	**(50 755)**	(12)	(52 972)	(10)	44 071	4
	421 452	100	505 696	100	981 140	100
Profit from operating activities after depreciation						
Publishing, printing and distribution	**148 467**	49	204 009	53	296 633	40
Packaging and stationery	**213 424**	70	239 273	63	419 395	56
Other	**(59 115)**	(19)	(61 231)	(16)	26 364	4
	302 776	100	382 051	100	742 392	100
Total assets						
Publishing, printing and distribution	**2 396 687**	25	2 844 021	31	2 398 223	26
Packaging and stationery	**2 707 526**	29	2 509 867	28	2 459 058	27
Other	**4 382 136**	46	3 702 675	41	4 318 734	47
	9 486 349	100	9 056 563	100	9 176 015	100
Total liabilities						
Publishing, printing and distribution	**556 315**	29	737 644	37	609 915	32
Packaging and stationery	**594 876**	30	544 156	27	637 758	35
Other	**805 135**	41	734 734	36	631 385	33
	1 956 326	100	2 016 534	100	1 879 058	100

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months to 31 December 2023	Unaudited six months to 31 December 2022	Audited for the year ended 30 June 2023
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	**417 901**	494 456	908 081
Changes in working capital	**(196 924)**	(754 762)	(182 273)
Cash generated by operating activities	**220 977**	(260 306)	725 808
Taxation paid	**(101 716)**	(98 360)	(202 530)
Cash inflow/(outflow) from operating activities	**119 261**	(358 666)	523 278
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant, equipment and intangibles			
– additions to maintain operations	**(163 465)**	(89 174)	(298 713)
– proceeds from disposals	**3 676**	9 842	37 567
	(159 789)	(79 332)	(261 146)
Investments			
Associate loans and investments	**14 360**	23 081	94 711
Listed investments	**90 298**	62 635	–
Disposal/(acquisition) of businesses	**11 830**	(111 528)	(131 724)
Disposal of subsidiary net of cash	**–**	96 638	96 638
Interest received	**44 717**	10 004	35 323
Dividends received	**55 696**	54 929	117 041
	216 901	135 760	211 989
Cash inflow(outflow) from investing activities	**57 112**	56 428	(49 157)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	**(242 479)**	(193 615)	(197 098)
Additional investment in subsidiary	**–**	–	(17 691)
Interest paid	**(923)**	(1 276)	(2 145)
Principal paid on lease liabilities	**(189)**	(3 878)	(8 516)
Own shares acquired	**(11 033)**	(25 039)	(25 038)
Cash outflow from financing activities	**(254 624)**	(223 808)	(250 488)
Net (decrease)/increase in cash and cash equivalents	**(78 250)**	(526 046)	223 633
Cash and cash equivalents at beginning of year	**1 888 376**	1 664 743	1 664 743
Cash and cash equivalents at end of period	**1 810 126**	1 138 697	1 888 376

Executive Directors: TD Moolman, TJW Holden, LR Witbooi
Independent Non-Executive Directors: PM Jenkins, ACG Molusi, NA Nemukula, J Phalane, T Slabbert
Transfer Secretaries: Computershare Investor Services Proprietary Limited
Registered office: 368 Jan Smuts Avenue, Craighall Park, Johannesburg, 2196
Incorporated in the Republic of South Africa
Registration number 1947/026616/06
Share code: CAT ISIN: ZAE000043345
Preference share code: CATP ISIN: ZAE000043352

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited as at 31 December 2023	Unaudited as at 31 December 2022	Audited as at 30 June 2023
ASSETS			
Non-current assets			
Property, plant and equipment	**2 587 403**	2 356 057	2 558 360
Right-of-use assets	**8 179**	12 116	7 609
Intangible assets	**6 274**	8 314	6 667
Goodwill	**72 786**	68 286	72 286
Interest in associates	**90 807**	98 242	89 669
Investments	**1 570 098**	1 650 132	1 441 750
– Listed ordinary shares	**1 493 498**	1 581 589	1 373 207
– Unlisted ordinary shares	**76 600**	68 543	68 543
Deferred taxation	**31 099**	35 388	30 504
	4 366 646	4 228 535	4 206 845
Current assets			
Inventories	**1 402 174**	1 850 350	1 714 920
Trade and other receivables	**1 905 084**	1 837 574	1 364 994
Taxation	**2 319**	1 407	880
Cash	**1 110 126**	538 697	1 188 376
Cash equivalents	**700 000**	600 000	700 000
	5 119 703	4 828 028	4 969 170
TOTAL ASSETS	**9 486 349**	9 056 563	9 176 015
EQUITY AND LIABILITIES			
Total equity	**7 530 023**	7 040 029	7 296 957
Equity attributable to owners of the parent	**7 487 453**	6 968 439	7 263 767
Preference share capital	**100**	100	100
Non-controlling interest	**42 470**	71 490	33 090
Non-current liabilities	**509 099**	467 258	449 543
Lease liabilities	**4 918**	9 928	5 243
Deferred taxation	**504 181**	457 330	444 300
Current liabilities	**1 447 227**	1 549 276	1 429 515
Trade and other payables	**1 244 673**	1 258 308	1 214 865
Lease liabilities	**3 082**	4 150	2 946
Provisions	**173 368**	212 885	175 942
Taxation	**26 104**	73 933	35 762
TOTAL EQUITY AND LIABILITIES	**9 486 349**	9 056 563	9 176 015
Net asset value per share (cents)	**2 065**	1 922	2 022
Capital expenditure	**163 465**	89 174	298 713
Capital expenditure committed	**98 755**	188 734	94 367

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited as at 31 December 2023	Unaudited as at 31 December 2022	Audited as at 30 June 2023
Balance at beginning of year	**7 296 957**	6 915 378	6 915 378
Total comprehensive income for the period	**486 578**	367 291	644 992
Own shares acquired	**(11 033)**	(25 039)	(25 038)
Non-controlling interest	**–**	(23 986)	(41 277)
Dividends paid – ordinary and preference shareholders	**(242 479)**	(193 615)	(197 098)
Balance at end of period	**7 530 023**	7 040 029	7 296 957
Earnings and diluted earnings per ordinary share (cents)	**75,3**	106,3	203,3
Headline earnings and diluted headline earnings per ordinary share (cents)	**85,1**	90,7	188,6
Shares in issue (weighted average shares in issue)	**358 937 823**	360 511 674	360 941 783
Reconciliation between earnings and headline earnings			
Earnings attributable to equity holders of the parent	**270 109**	383 297	733 820
Adjusted for excluded remeasurements	**35 178**	(56 318)	(53 054)
Impairment of goodwill	**–**	1 217	1 217
(Profit) on disposal of subsidiary	**–**	(78 978)	(78 978)
Loss on disposal of investment	**45 228**	–	–
Loss on deemed disposal of associate on gain of control	**–**	2 748	1 529
Impairment of intangibles	**–**	–	4 331
Impairment of investments	**–**	–	1 219
Impairment of plant	**–**	–	581
(Profit)/loss on disposal of property, plant and equipment	**(385)**	2 242	(7 703)
Non-controlling interest share of adjustments	**–**	–	19 429
Tax effect on above adjustments	**(9 665)**	16 453	5 321
Headline earnings	**305 287**	326 980	680 766

Notes:

Investments are classified as at fair value through other comprehensive income

Equity price risk refers to the risk that the fair value of the future cash flows of the listed investments will fluctuate because of changes in market prices.

The group's financial assets which are measured at fair value through other comprehensive income are valued using fair market values at 31 December 2023.

Fair value estimation

The investments are valued at fair value at the reporting date using the following hierarchy.

Level 1 – Quoted prices available in active markets for identical assets or liabilities.

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data.

The level of each investment is determined as follows:

– The listed investments are Level 1
– The unlisted investment is Level 3

The Level 3 valuation of the investment is made using a discounted cash flow model and will be applied using cash flow forecasts for five years and an extrapolation of expected cash flows using a long-term growth rate, with the following key assumptions applied by management: a long-term growth rate of 3.9% and a pre-tax discount rate of 26.3%.

Commentary

Basis of preparation

The interim condensed consolidated financial statements of Caxton and CTP Publishers and Printers Limited ("**Caxton**") and its subsidiaries and associates ("**the Group**") for the six months ended 31 December 2023 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council (FRSC), the requirements of IAS 34 (Interim Financial Reporting), the requirements of the South African Companies Act and the Listings Requirements of the Johannesburg Stock Exchange.

Significant accounting policies

The significant accounting policies applied in preparing these provisional condensed consolidated financial statements are consistent with those applied in the consolidated financial statements in the prior year.

FINANCIAL PERFORMANCE

Earnings

As foreseen at the last reporting period, a more difficult trading environment transpired in the review period, with consumers battling inflation, low economic growth and load-shedding. The review period was characterised by a decline in overall revenues and tightening of margins, which were offset by good cost control and an increase in net finance income:

- Headline earnings per share declined by 6% from 90.7 cents per share to 85.1 cents per share.
- Earnings per share declined by 29% from 106.3 cents per share to 75.3 cents per share – the decline is as a result of a profit on disposal of a subsidiary (R79 million) in the corresponding prior period, compared to a loss on disposal of an investment (R45.2 million) – a net difference of R124.2 million or 34.6 cents per share.

Revenues declined by R127.5 million (3.3%) from R3 817.4 million to R3 689.9 million – but this decline included the effect of the sale and closure of a subsidiary (accounting for R163.7 million of the decline) – excluding this, revenues would have shown a slight increase of R36.2 million. The publishing and printing operations faced reduced printing throughputs and overall media advertising revenues, as national retailers reduced their spending to take account of the constrained consumer behaviour. In a difficult trading environment, the packaging businesses managed to grow revenues, which confirmed the resilience of the markets that we serve.

Margins declined as competition in some markets intensified, on top of the weighted average cost of raw materials increasing relative to the prior year. Raw material supply and pricing has stabilised, but the continued rand weakness has meant there has been little to no effect on the landed cost of imported components.

The absence of growth in revenue and margin decline was to some extent offset by reduced staff and operating costs. Staff costs declined by R18.4 million (2.8%) and operating costs by R48.2 million (7.6%). This includes the impact of a closed operation, the sale of a subsidiary and once off flood costs in the prior period – if these factors are excluded, then staff costs increased by 3.3% and operating costs by 4.4% which is a commendable achievement.

During the reporting period, the group became closer to finalising its insurance claim for the flood damage to our Durban factory. This should be complete by year-end and we estimate the final claim to be in the region of R150 million.

Profit from operating activities before depreciation and amortisation declined by R84.2 million (16.7%). After depreciation of R118.7 million, profit from operating activities decreased by 20.8% to R302.8 million.

The group incurred a loss of R45.2 million on the sale of our entire shareholding in Novus Holdings Limited – this is in contrast to the prior period profit on the sale of Private Property South Africa Proprietary Limited of R78.9 million.

Net finance income grew by R35.9 million (56.3%) on the back of increased interest income as the group held substantially higher average cash balances while interest rates remained stable at elevated levels.

Income from associates increased by R8.7 million to R15.5 million as a result of a dividend received by an associate on the closure of a printing investment.

The Group's profit before taxation was R372.5 million, a decrease of 29.4% over the prior period. After taxation of R92.4 million, the Group achieved profit after taxation of R280 million. Based on a lower weighted average number of shares in issue of 358 937 823 it represents:

- Earnings per share of 75.3 cents (2022: 106.3 cents) – a decrease of 29%
- Headline earnings per share of 85.1 cents (2022: 90.7 cents) – a decrease of 6%
- Net asset value per share of R20.65 (2022: R19.22) – an increase of 7.5%

Cash flow

The Group's cash flow remained strong, ending on cash and cash equivalents of R1 810.1 million, compared to the prior year comparative period of R1 138.7 million – an increase of R671.4 million over that 12 month period. Even though there is a slight decline from the year end of R78.3 million, it must be borne in mind that the period under review represents the Group's peak trading months and working capital usually consumes more cash. At the date of this report, cash and cash equivalents have recovered to R2 170 million – an increase of R359.9 million over the current reporting period.

Cash generated from operations of R417.9 million approximates the profit from operating activities before depreciation and amortisation – a decline of R76 million over the prior period. Working capital consumed R196.9 million, resulting in cash generated by operating activities of R221.0 million – a substantial improvement of R481.3 million over the corresponding prior year, as the overstocked position was worked through to more normalised levels (comparatively, inventories are down by R448.2 million).

A net investment in property, plant and equipment of R159.8 million includes the following major investments:

- Continued rollout of the solar installation.
- A number of equipment purchases as well as a property extension to support growth in the packaging operations.

Cash inflows from investing activities amounted to R216.9 million comprising of:

- Repayment of loans and dividends received from associates – R14.4 million.
- Proceeds from sale of our listed investment in Novus Holdings Limited – R90.3 million.
- Disposal of a property holding company that owned the head office building of Cognition Holdings Limited – R11.8 million.
- Interest and dividends received – R100.4 million.

During the period the Group returned R253.5 million to shareholders in the form of a dividend of R242.5 million (an increase of 20% over the prior dividend) and a small R11 million repurchase of shares.

PUBLISHING, PRINTING AND DISTRIBUTION

Newspaper publishing and printing

There was a marked change to the past trends in our local newspaper business, where national advertising revenues declined by 6% year-on-year, mainly attributable to a decline in the technology and do-it-yourself markets which saw a 28% reduction in media spend. These customers were not lost in totality, but pagination and frequency in our papers was reduced to mitigate the large increase in printing cost on their business and the depressed trading environment. In contrast the food retailers continued to use our medium and produced a stable performance, growing by 2% on the prior period.

The encouraging aspect of the period under review is that our strategy of broadening our customer base, from a national viewpoint, is starting to bear fruit, where 8% of our revenue was from new clients – mainly from the clothing, fast food and financial sectors. This diversification mitigates risk when certain markets are experiencing a downturn, in that there are pockets of new revenues to lessen the impact.

Local advertising revenues continue to decline (9% down on the prior period). The decline came predominantly from the greater Johannesburg region where local businesses continue to face increased costs and lower consumer demand which is having a direct impact on their ability to commit to effective advertising campaigns. This culminated in reduced profitability and has necessitated a full review of the greater Johannesburg area to ensure sustainability going forward. In contrast, the outlying regions have performed reasonably.

The Group's newspaper printing plants felt the impact of an overall decline in throughput of 12%, which was predominantly felt at our large facility in Gauteng which lost the Media 24 newspaper printing contract. Encouragingly our regional printing operations grew throughput by 15% on the back of increased demand for retail brochure printing.

Daily/weekly newspaper print orders and paginations continued to decline while local newspaper volumes remained stable. We continue to experience growth in retail brochure printing as some customers moved to newsprint to offset the rising costs of other grades of commercial paper.

The large printing plant in Gauteng has been restructured around the lower throughputs, but when combined with rising overhead costs, this could not fully mitigate the impact, and profitability declined over the prior period.

The Group's daily newspaper *The Citizen*, as with other publications, is faced with declining circulations as consumers continue to consume news digitally, especially through the global platform businesses (e.g.: Google and Facebook). Our advertising revenues declined predominantly in the national retail sector. This was to a certain degree compensated by an increase in legal advertising and most encouragingly, in digital revenues which grew by 33%. With declining revenues, costs were well managed and declined by 6%. Our focus continues to be to protect our print revenues while aggressively growing our digital revenues and tightly managing costs.

Revenues of our subsidiary, Cognition Holdings Limited, declined by 8.5%. The effect of this decline was mitigated by ongoing cost savings, with the possible future delisting and restructuring of the management team.

Web and gravure printing

The Group's two commercial printing plants faced tough trading conditions and were directly impacted by reduced spending by the national retailers as they took action to trim their requirements in line with trading conditions as well as opting for cheaper, lower grammage grades of paper. This resulted in a 16% decline in throughput, and when combined with cost increases (maintenance spares, power, diesel and gas), resulted in an increase in our fixed cost per ton and reduced profitability.

The reduction in demand was acutely felt in the hardware and do-it-yourself sectors in response to muted consumer demand, while demand from the food and grocery retailers was stable.

Paper supply and base pricing have stabilised, but the rand weakness has meant that there is very little reduction in the landed cost of paper.

Book and magazine printing

Our book and magazine printing operation in the Western Cape was restructured around lower volumes at the end of the last financial year. Having done this, the operation was still faced with reduced educational book demand (with no indication when this is likely to change), as well as a declining magazine market. With the muted market demand, competitiveness was heightened leading to reduced margins. The focus is to actively pursue new markets while we protect our current base.

PACKAGING AND STATIONERY

Packaging

The Group's packaging operations could not replicate last year's record performance, but still delivered solid results. Turnover growth of 8.1% was commendable, but margins were squeezed due to increased competition in some markets and a higher weighted average cost of raw materials placing further pressure on profit.

In our folding carton divisions, last year's record performance in the bulk wine Bag in the Box category was impacted by a wine shortage and a constrained consumer, which saw a year-on-year decline in volumes. This trend is expected to continue into the current year as the wine industry reports a smaller harvest. The frozen food market segment experienced market share growth on the back of superior service and increased volumes from the Namibian fishing sector. Our operation in the Western Cape continues to grow the agriculture market segment with innovative packaging and superior graphics, that has seen increased demand especially for the export market. The quick service restaurant (QSR) market ended fairly flat year-on-year following several years of double-digit growth. This segment is a bell weather indicator of the state of the consumer who is under severe pressure and has less discretionary spend at their disposal. The fast-moving consumer goods sector (FMCG) showed no growth and in some premium product segments, a decline in volume was experienced as the impact of the cash strapped consumer was felt.

The long-run beer label operation experienced local and export volume decline. There was a distinct pull back in local demand during the peak period, a further indication of the state of the consumer, while export volumes were impacted by the lack of availability of foreign exchange in some African countries. This operation is well placed through the recent investment in equipment to benefit when the economy shows some growth.

Our short- to medium-run label business increased revenue and profitability with the beverage, spirit and shrink sleeves markets showing good growth while the wine market contracted on the back of a poor wine harvest. This division has invested in additional equipment to bring about efficiencies and to support the growth in the beverage label market.

In our cigarette packaging operation, our largest customer continues to decline and again the availability of foreign exchange in West Africa curtailed our ability to supply. Other export regions have shown good growth and we continue to explore other opportunities in Africa. A new product line has been developed and we are confident of being able to expand the interest across our customer base.

The flexible packaging division showed excellent revenue growth with the acquisition of Allflex being fully integrated during the review period. This means our business is now an established supplier of laminated films to the bag-in-box converters. In addition the business has managed to grow market share in certain markets on the back of the investment in lamination equipment.

Stationery

Our stationery division has managed to grow revenues on the back of double-digit growth in our leading product, Flip File. This underscores the success of this brand and its growth potential. Margins were squeezed as the business faced increased operational costs. Profitability ended slightly up on the prior year.

Prospects

Trading conditions are not expected to improve for the remainder of the financial year and there is a risk that these could deteriorate further. This trend is likely to continue until the economy can show some meaningful growth and interest rates decline, to give the consumer respite. The Group will continue to manage costs closely, and remains on the lookout for suitable acquisition opportunities to deploy our cash reserves.

Subsequent events

The directors are not aware of any material event which has occurred after the reporting date. Caxton has made an offer to acquire the minority shareholders of Cognition Holdings Limited at R1.07 cent per share at a total cost of R60.1 million, as a precursor to the delisting of Cognition.

Related party transactions

There were no related party transactions during the six months ended 31 December 2023 save for various inter-company transactions in the ordinary course of business.

Statement of responsibility

The preparation of the Group's consolidated results was supervised by the Financial Director, Mr TJW Holden, BCom, CA (SA).

8 March 2024

Sponsor
AcaciaCap Advisors Proprietary Limited