CAXTON&CTP LIMITED publishers & printers

REVIEWED PROVISIONAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2022

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed as at 30 June 2022	Audited as at 30 June 2021
ASSETS		
Non-current assets		
Property, plant and equipment	2 327 381	2 361 040
Right-of-use assets	16 016	20 647
Intangible assets	25 242	38 672
Goodwill	81 202	85 067
Interest in associates	142 979	142 278
Investments	1 761 805	1 417 345
– Listed ordinary shares	1 633 699	1 300 184
– Unlisted ordinary shares	68 543	68 543
– Listed preference shares	59 563	48 618
Deferred taxation	31 363	15 076
	4 385 988	4 080 125
Current assets		
Inventories	1 530 694	984 799
Trade and other receivables	1 240 919	999 982
Taxation	3 447	1 955
Cash	764 743	1 089 645
Cash equivalents - unlisted preference shares	900 000	900 000
	4 439 803	3 976 381
TOTAL ASSETS	8 825 791	8 056 506
EQUITY AND LIABILITIES		
Equity		
Equity attributable to owners of the parent	6 841 325	6 359 894
Preference share capital	100	100
Non-controlling interest	73 953	77 189
Total equity	6 915 378	6 437 183
Non-current liabilities		
Lease liabilities	10 830	12 373
Deferred taxation	459 464	424 706
	470 294	437 079
Current liabilities		
Trade and other payables	1 150 095	839 743
Lease liabilities	7 125	9 133
Provisions	226 840	305 774
Taxation	56 059	27 594
	1 440 119	1 182 244
TOTAL EQUITY AND LIABILITIES	8 825 791	8 056 506
Net asset value per share (cents)	1 887	1 717
Capital expenditure	(206 158)	(182 745)
Capital expenditure committed	167 000	130 000

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Reviewed as at 30 June 2022	Audited as at 30 June 2021
Balance at beginning of year	6 437 184	5 266 578
Total comprehensive income for the period	729 420	1 202 572
Own shares acquired	(73 098)	(56 310)
Non-controlling interest	9 999	31 013
Dividends paid – ordinary and preferences shareholders	(182 845)	–
Dividends paid – non-controlling interest	(5 283)	(6 669)
Balance at end of year	6 915 378	6 437 183

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	% change	Reviewed year ended 30 June 2021	Audited year ended 30 June 2021
Revenue	14,5	5 979 339	5 220 415
Other operating income		145 269	138 811
Total operating income		6 124 608	5 359 226
Changes in inventories of finished goods and work in progress		(150 915)	(81 194)
Raw materials and consumables used		(2 864 233)	(2 627 287)
Staff costs		(1 223 121)	(1 163 495)
Other operating expenses		(1 058 332)	(923 390)
Total operating expenses	10,5	(5 296 601)	(4 795 366)
Profit from operating activities before depreciation and amortisation	46,8	828 007	563 860
Depreciation and amortisation		(237 709)	(253 424)
Profit from operating activities after depreciation and amortisation	90,2	590 298	310 436
Profit on disposal of associate		–	399 692
Loss on deemed disposal of associate on gain of control		–	(10 461)
Profit on disposal of investment		–	10 455
Loss on disposal of sub		(3 394)	–
Impairment of goodwill		(3 865)	(9 720)
Impairment of intangibles		(8 222)	–
Impairment of investments		(5 354)	(3 159)
Impairment of loans		(11 386)	(17 315)
Impairment of plant		(2 167)	(64 746)
Profit from operating activities		555 910	615 182
Net finance income		118 490	86 465
– dividends		100 358	45 181
– interest income		41 781	42 633
– interest expense		(3 949)	(4 977)
– (loss)/income on foreign exchange		(19 700)	3 628
Income from associates		11 807	37 676
Profit before taxation		686 207	739 323
Taxation		(142 406)	(173 399)
Profit for the year		543 801	565 925
Other comprehensive income:			
Items that will be not be reclassified subsequently to profit or loss			
Fair value adjustment – investments		185 619	636 647
Total comprehensive income for the year		729 420	1 202 572
Total comprehensive income attributable to			
Non-controlling interests		(7 952)	15 170
Equity holders of the parent		737 372	1 187 402
		729 420	1 202 572
Profit attributable to			
Non-controlling interests		(7 952)	15 170
Equity holders of the parent		551 753	550 755
		543 801	565 925

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed for the year ended 30 June 2022	Audited for the year ended 30 June 2021
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by operating activities	249 112	672 698
Taxation paid	(155 957)	(104 443)
Cash inflow from operating activities	93 155	568 255
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant, equipment and intangibles		
– additions to maintain operations	(142 384)	(98 866)
– additions to expand operations	(63 774)	(83 879)
– proceeds from disposals	12 186	81 285
	(193 972)	(101 460)
Investments		
Associates, loans and investments	1 187	(239 163)
Acquisition of subsidiaries	–	10 832
Listed investments	(103 425)	–
Interest received	41 781	42 633
Dividends received	100 358	45 181
	39 901	(140 517)
Cash outflow from investing activities	(154 071)	(241 977)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(188 129)	(6 669)
Non-controlling interest	9 999	-
Interest paid	(3 949)	(4 977)
Principal paid on lease liabilities	(8 808)	(11 956)
Own shares acquired	(73 099)	(56 310)
Cash outflow from financing activities	(263 986)	(79 912)
Net (decrease)/increase in cash and cash equivalents	(324 902)	246 366
Cash and cash equivalents at beginning of year	1 989 645	1 743 280
Cash and cash equivalents at end of year	1 664 743	1 989 646

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: 28 Wright Street, Industria West, Johannesburg
Incorporated in the Republic of South Africa
Registration number 1947/026616/06
Share code: CAT ISIN: ZAE000043345
Preference share code: CATP ISIN: ZAE000043352

CONDENSED SEGMENTAL ANALYSIS

R'000	Reviewed for the year ended 30 June 2022	%	Audited for the year ended 30 June 2021	%
Revenue				
Publishing, printing and distribution	3 207 304	54	2 924 044	56
Packaging and stationery	2 772 035	46	2 296 371	44
Other	–		–	
	5 979 339	100	5 220 415	100
Profit from operating activities before depreciation and amortisation				
Publishing, printing and distribution	469 639	57	336 227	60
Packaging and stationery	422 555	51	275 286	49
Other	(64 187)	(8)	(47 653)	(7)
	828 007	100	563 860	100
Profit from operating activities after depreciation and amortisation				
Publishing, printing and distribution	352 040	60	197 607	64
Packaging and stationery	321 365	54	176 041	57
Other	(83 107)	(14)	(63 212)	(20)
	590 298	100	310 436	100
Total assets				
Publishing, printing and distribution	2 492 416	29	2 106 541	26
Packaging and stationery	2 066 766	23	1 541 695	19
Other	4 266 609	48	4 408 270	55
	8 825 791	100	8 056 506	100
Total liabilities				
Publishing, printing and distribution	744 925	39	640 140	40
Packaging and stationery	514 600	27	411 964	25
Other	650 888	34	567 219	35
	1 910 413	100	1 619 323	100

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 at fair value through other comprehensive income financial assets are valued using fair market values at 30 June 2022.

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

For the Level 3 valuation of the investment is made using a discounted cash flow model was 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. Long term growth rate of 3.9% (2021: 3.9%) and a discount rate of 20.42% (2021: 17.76%).

R'000	% change	Reviewed year ended 30 June 2022	Audited year ended 30 June 2021
Earnings/(loss) and diluted earnings/(loss) per ordinary share (cents)	2,1	151,2	148,1
Headline earnings and diluted headline earnings per ordinary share (cents)	108,2	157,0	75,4
Adjusted earnings/(loss) and diluted earnings/(loss) per ordinary share (cents)	129,1	151,2	66,0
Weighted average number of shares in issue		364 869 864	371 786 576
Reconciliation between earnings and headline earnings			
Earnings/(loss) attributable to equity holders of the parent		551 753	550 755
Adjustments		20 966	(270 375)
Impairment of goodwill		3 865	9 720
Profit on disposal of associate		–	(399 692)
Profit on disposal of investment		–	(10 455)
Loss on deemed disposal of associate on gain of control		–	10 461
Loss on disposal of subsidiary		3 394	–
Impairment of intangibles		8 222	–
Impairment of investments		5 354	3 159
Impairment of plant		2 167	64 746
Loss/(profit) on disposal of property, plant and equipment		1 212	(34 153)
Tax effect on above adjustments		(3 248)	85 838
Headline earnings		572 719	280 380

COMMENTARY

Basis of preparation

The provisional condensed consolidated financial statements for the year ended 30 June 2022 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

In the full year to June 2022, the Caxton group has posted exceptionally strong results, reflecting the resilience of the group through the two years of the Covid 19 pandemic, and the adaptability of the group to profound changes in our markets. The group has continued the strong growth trajectory reported upon at the half year and delivered a stellar full year set of results driven by continued recovery in revenues, market share gains and a well-controlled cost base. This performance is particularly pleasing in the face of post-pandemic challenges – most notably supply chain constraints, continuing price escalations in raw materials, inflationary pressures on operating costs, unprecedented load shedding and lastly the floods in KwaZulu-Natal that affected our large commercial printing operation. It is testament to the resilience of our management and employees that in the face of these challenges, such a set of results can be delivered.

Earnings

The group has delivered an excellent operating performance as follows:

- Profit before depreciation and amortisation increased by R264.1 million (46.8%) to R828.0 million compared to R563.9 million in the prior year.
- Depreciation and amortisation absorbed R237.7 million compared to R253.4 million in the prior year; and
- Profit after depreciation and amortisation increased by R279.9 million (90.2%) to R590.3 million compared to R310.4 million in the prior year.

Revenue grew strongly by R758.9 million (14.5%) from R5 220.4 million to R5 979.3 million, reflecting volume increases across all operations, especially in the second half of the financial year. The group's local newspaper business experienced a robust return of retailer advertising spend, mainly in the form of advertising brochures, and this demand had a corresponding positive impact on throughputs in our commercial printing plants. The commercial printing operations also managed to increase market share due to the availability of increased levels of raw materials. All packaging units experienced strong revenue growth where organic volume growth, new products /markets and market share gains were the main contributors. This was particularly evident in the alcohol and quick service restaurant ("QSR") market sectors.

Raw material pricing was and remains volatile with significant cost increases across all grades of paper and board, with more increases in the pipeline. The unprecedented tightening of supply lines and raw material shortages placed upward pressure on costs that affected all our operations and does not appear to be abating any time soon. Not only is pricing difficult to manage with customers, due to the short notice and energy surcharges being applied by the mills, but the access to supply is not improving and this is further driving up costs as mills pre-allocate tonnage offtake to their historical customer base on a take it or leave it price basis. The group is fortunate that it has always procured from a wide supplier base and, combined with earlier management decisions to hold increased stock levels, this has meant we have been in a position to successfully navigate the challenges, service all our customers and also gain new customers in certain instances. Over the reporting period, margins were maintained but have required transparency and flexibility with our customer base, with pricing reviews on a more regular basis.

Inflationary pressures were felt across all operations and this intensified in the second half of the financial year and resulted in operating costs growing by R134.9 million (14.6%), largely in support of the increased operating activity but also driven by large increases in insurance and energy costs. In addition, the devastating floods in KwaZulu-Natal affected our large commercial printing site and resulted in the group incurring direct costs of R30.9 million, to the end of the reporting period, associated with restoring production. This cost will form part of the insurance claim currently being formulated.

Staff costs were well controlled and grew by R59.6 million (5.1%) to R1 223.1 million.

After depreciation of R237.7 million, profit from operating activities grew by R279.9 million (90.2%) to R590.3 million.

A loss on the disposal of a subsidiary (R3.4 million) and impairment of intangibles (R8.2 million) was recognised by our listed subsidiary, Cognition Holdings Limited, as part of its restructure in January 2022, to focus on sustainable business segments. Impairments of goodwill (R3.9 million), investments (R5.3 million) and loans (R11.4 million) were accounted for by the group. Equipment that is in excess of ongoing operational requirements was impaired (R2.1 million).

Net finance income grew by R32.0 million (37.0%) on the back of increased dividend flow from our investments, notably MPact Limited (R24.9 million) and Novus Holdings Limited (R27.4 million). Even though interest rates have started to rise in response to inflationary pressures, this was more than offset by the reduced cash balances, as the group invested heavily in working capital to support growth and mitigate supply chain challenges. The loss on foreign exchange translation (R19.7 million) was as a result of the volatile exchange rates over the reporting period and also the increased volume of imports as the group built up stock levels.

Income from associates declined by R25.9 million to R11.8 million, as the prior year included the profits of associates, notably Octotel (Pty) Ltd and RSA Web (Pty) Ltd, that were sold in the previous financial year.

The group's profit before taxation was R686.2 million and the taxation charge was R142.4 million, inclusive of a statutory tax rate adjustment from 28% to 27% (R10,0 million), resulting in profit after taxation of R543.8 million – representing earnings per share of 151.2 cents (prior year 148.1 cents which included the profit on sale of associates – Octotel (Pty) Ltd and RSA Web (Pty) Ltd of R305.2 million). Excluding this sale, prior year earnings per share would have been 66.0 cents, and compared to this lower adjusted base, current year earnings per share represent a year-on-year growth of 129.1%.

Headline earnings per share of 157.0 cents (prior year 75.4 cents) represents substantial growth of 108.2%. The headline earnings per share is at a 10 year record high, and is reflective of the correct strategic decisions being made in the group, of replacing declining earnings in the publishing operations with our growing packaging presence.

Net asset value per share has grown from R17.17 to R18.87 (an increase of 9.9%).

Cash Flow

Cash and cash equivalents at year end were R1 664.7 million, a decrease of R324.9 million over the prior year, mainly as a result of the strategic decision to increase stock levels.

Cash generated by operating activities decreased to R249.1 million, a reduction of R423.5 million (63.0%) over the prior year. All operations experienced robust revenue growth and cash inflows from operating activities before depreciation was R828.0 million an increase of 46.8% over the prior year. This was largely offset by the need to reinvest in working capital in support of the growth experienced and also the need to hold higher than normal levels of inventory in mitigation of the risks in the supply chain. Access to raw materials, longer lead times with respect to imports and the substantial price increases have meant there was a need to ensure adequate supply and thus inventory was increased by R545.9 million (55.4%) over the corresponding prior year.

Management is critically assessing these levels of stockholding and where we feel there is some room to reduce holdings without increasing the risk of stockouts or access to supply, corrective action will be taken, but any impact will only be felt in the second half of the new financial year.

After paying taxation of R156.0 million the cash inflow from operating activities generated only R93.1 million, a substantial decline over the prior year, but driven by the extraordinary requirement to invest heavily in working capital as explained above.

The net investment in property, plant and equipment amounted to R194.0 million. This constitutes mainly of further capital investments in growing the packaging segment and solar generating capacity including:

- new equipment to support the volume growth in beer labels;
- new equipment to support the growth in the wine-in-the-box market, including equipment to support the acquisition of the Amcor operations effective 1 August 2022; and
- solar investments – currently the group has installed or is close to completing 2.4 MW and has purchased another 8 MW of solar capacity for future roll out. Once completed this will bring our installed solar capacity to a total of 10.4 MW.

The group made further investments in MPact Limited shares and Novus Holdings Limited shares of R110.8 million. This brings our shareholding in MPact Limited to 33.7%, whilst our investment in Novus to 9.3%.

During the reporting period the group resumed the payment of dividends, with a total outflow of R188.1 million and also returned R73.1 million to shareholders in repurchasing 8 584 125 shares at an average share price of R8.52.

PERFORMANCE REVIEW

PUBLISHING, PRINTING AND DISTRIBUTION

Newspaper publishing and printing

The local newspaper business continued its recovery both from a revenue and profitability point of view on the back of increased volumes of advertising inserts from national retailers and further recovery in the advertising spend at a local level. This performance is particularly pleasing in the face of some difficult trading conditions, more particularly those that affected the local business customers in KwaZulu-Natal hit by the devastating floods and the unprecedented load shedding that has been harsh on many small businesses in all the metro areas. In addition, the operation has been faced with significant increased costs of printing due to the increasing price of newsprint and will be faced with another significant increase towards the end of the current calendar year.

National advertising revenue continued its strong trend and grew by 13%, but this is still some way off from pre-pandemic levels. The success of reaching three million homes weekly, through the local newspapers, is crucial for the major national retailers. This year's recovery was driven largely by the major food retailers but encouragingly, the other categories also showed signs of returning to our papers.

Local advertising revenues, even in the face of the challenges mentioned above, showed growth of 9%. This was fuelled by a resurgence of local insert revenue and also a greater focus on digital revenues. A strong focus on the re-invigoration of revenue generation created by the new centralised metro sales team and also the benefits of cross selling digital and print opportunities has contributed to this turnaround.

This business is faced with further cost pressures, including the price of newsprint and the cost of distribution and thus the focus on cost control will be paramount in the coming year, as well as focus on media rate increases to ensure the sustainability of the business.

The group's daily newspaper, The Citizen, continues to show improved performance and returned to profitability in the year under review. This is a commendable performance in the face of the decline in circulation revenue which was offset by increased digital and advertising spend. The Citizen has managed to capture the dominant share in the legal advertising market and has proved to be popular among Gauteng readership mainly because of the impartial and excellent news coverage. Our associate in KwaZulu-Natal, Capital Newspapers, has added The Witness to its stable of publications. The Witness, which was acquired from Media 24, is the oldest newspaper in South Africa and represents an exciting addition to the group's publications.

The group's newspaper printing facilities produced stellar results and exceeded pre-pandemic levels. This performance was largely driven by substantial market share gains in the commercial retail pamphlet area as well as the positive impact of the prior year's restructure at the major printing plant in Gauteng. Customers are recognising the advantage of our eight printing plants strategically placed around the country in delivering quick turnarounds as well as significant reductions in transport costs. In addition, there are further cost savings for customers to print their advertising material, for insertion, in the same plant that prints the local newspaper. This configuration sets us apart from our competitors in the market.

The print orders and paginations of daily and weekly newspaper publications continue to decline but at a slower rate than that experienced in the recent past. These declines has been somewhat offset by higher print volumes in our own local newspaper publications.

The newspaper publishing and retail market is faced with unprecedented challenges in the supply of newsprint paper and the cost thereof. Our loyal support of Sappi, the last local newsprint supplier, has allowed us to secure substantial volumes but at much higher pricing. We anticipate that the price will continue to rise in the short term, and thus management is focused on managing these increases with customers.

Digital assets

The group's major digital asset is Private Property that is held through our subsidiary, Cognition Holdings Limited. This business performed to expectations from a revenue perspective but showed a decline in profitability as a consequence of the decision to make a significant and sustained further investment into technology and user experience. At the time of writing, Cognition Holdings Limited has published a cautionary announcement relating to the potential sale of this asset.

Cognition Holdings Limited's core operations, excluding Private Property, underwent a restructure following management and board changes at the end of 2021, which has realised significant cost savings and a greater focus on revenue generation in those business segments that are viewed as sustainable. The new management has also introduced a greater collaboration with the other Caxton operations. The outcome appears encouraging and ensures greater access to a broader range of prospective customers.

Web and gravure printing

The group's commercial printing operations delivered a substantial improvement in profitability as the demand for retail catalogues showed robust growth on a reduced operational cost base. The revenue growth was mainly driven by the food and liquor sectors which underlines the importance of printed advertising materials as a part of the overall media mix to reach consumers, with many large retailers increasing print orders and paginations over the reporting period. These operations also managed to grow market share and secured additional volumes on the back of access to paper and quality of service. Having said this, the tonnage throughput is still some 14% off pre-pandemic levels.

The print industry is faced with unprecedented challenges with respect to the sourcing of paper where there is a global shortage due to increased demand, which is exacerbated by mill closures. This has led to significant price increases as the remaining mills implement a tonnage allocation model based on historical offtakes. This has further been compounded by the mills applying an energy surcharge to combat the steep increase in energy costs caused by the Russia/Ukraine conflict.

The group is in a fortunate position that we have historically had a wide supplier base and thus have been able to secure the required tonnages, but we cannot avoid the steep price escalations. Management has, at an early stage, engaged with all customers and remains focused on offering various alternatives to combat these increases to the extent possible. These price escalations remain a concern and although we are convinced that print will remain an important part of our customers' media mix, it is too early to forecast the impact this will have on volumes.

In April 2022, our large gravure commercial printing factory in Prospecton, Durban was severely affected by the tragic floods and was literally under water. We were extremely grateful that none of our employees were injured in this devastating flood. This left the site without power for close on three months but, due to the efforts of our employees and the understanding of our loyal customers, we managed to move the work to our other printing facilities around the country whilst we repaired our machines and installed generator power. At the end of the reporting period the site is back to 70% capacity and the team is confident that full capacity will be in place to meet the seasonal demand over the festive season. The direct costs of the floods are estimated at R30.9 million that have been expensed in the current year results, while we are formulating the insurance claim.

Book and magazine printing

This operation in the Western Cape delivered solid results against the backdrop of a very competitive market. The management team managed to recover rising input costs and maintain margins while the control of overhead costs resulted in improved profitability.

Activity in the education book market remained constrained with unpredictable demand from government. There appeared to be signs of improved demand towards the end of the financial year which bodes well for the new financial year. The group was unsuccessful in its bid to secure the Department of Basic Education workbook tender.

The operation increased its share in the magazine market by securing agreements to print Media24 weekly magazines and also The Foschini Group publications, which will have a positive impact for the new financial period.

The greatest challenge facing our operation is raw material pricing and access to supply. The global supply chain has been affected by the energy crisis, as well as the recovery in global markets resulting in increased demand on mills and the reduction of mill capacity that has affected certain grades of paper. This was further compounded by a prolonged strike at a large Finnish mill which effectively cancelled our first quarter orders. In addition, the floods in KwaZulu-Natal meant an interruption of supply from Mondi. The operation was fortunate it had built up sufficient stocks as well as having a diversified purchasing strategy and thus was successful in navigating these headwinds. Raw material pricing continues to be unpredictable with mills often giving short notice of further increases or energy surcharges. This has necessitated regular pricing reviews with customers and is taking a large proportion of management efforts to ensure that these increases are recovered.

PACKAGING AND STATIONERY

Packaging

The group's packaging operations showed tremendous revenue growth, benefiting from robust market demand, especially in the alcohol and QSR markets, as well as new product and market share gains. This resulted in an excellent increase in profitability that is attributable to the quality and service that our operations provide to our customer base.

Our long run label operation serving the beer market gained market share after a major competitor decided to exit its supply agreement with the country's largest brewer. The operation was successful in gearing up its operations to absorb the large increase in volumes and has placed equipment orders to ensure that it can meet future demand and improve on efficiencies.

The short to medium run label operation in the Western Cape also delivered impressive results as it benefitted from growth in the food, wine and spirit segments. The resilience of this demand will be tested as consumer spending is impacted by the inflationary pressures being faced.

The group's flexible packaging operation experienced a turnaround of fortunes on the back of improved operational efficiencies and also supply of raw materials into new markets, most notably the Amcor bag in the box bladder operation. The group has subsequently purchased this operation from Amcor along with its tyre liner business in Port Elizabeth with an effective date of 1 August 2022. This business complements our existing bag in the box carton offering and enables the group to supply all the components in this growing market.

Our multiple folding carton operations also delivered good results, driven by organic growth and new product lines. Tremendous growth was evident in the QSR sector where volumes are now starting to exceed pre-pandemic levels, driven by good value meal offerings, home delivery options and consumers looking for hot meals during loadshedding. We have entered other product lines to fully service the QSR customer base and have started the supply of cold cups and expect to grow this offering. Management has also developed innovative packaging designs that have resulted in market share gains.

The supply of bag in the box cartons for the wine industry continued its impressive growth trajectory with many new product lines being developed that are targeting a more discerning wine customer with well-known brands. We have ordered a new printing press which should be operational towards the third quarter of the new financial year and this investment will bring operational efficiencies as well a broader range of embellishments that will suit this market and offer the customers more options.

The management team in the Western Cape has managed to penetrate the agriculture market with a high graphic product offering that has found a niche in an area that has been traditionally serviced by lower quality graphics. This includes offering a paper punnet format to replace plastic punnets, an area of exciting growth potential.

Our cigarette carton manufacturing operation has managed to find areas of growth in the African market which has offset the decline from our major South African customer and forecasts indicate this growth should be sustainable and thus the need for capital expenditure to support this growth.

As with all our manufacturing operations, sourcing and pricing of raw materials is of serious concern. We have managed to secure adequate supply through a diverse supplier base and the build-up of stock levels has assisted in navigating the supply chain issues. The increase in the price of raw materials is not abating, which has meant continued engagement with our customers.

Stationery

Our stationery division experienced increased revenues and, with lower operating expenses, improved profitability. The revenue growth was particularly pleasing as management succeeded in offsetting lower offtakes by our largest customer, by growing market share in diaries. This operation is faced with increased raw material costs, which is applying margin pressures that need to carefully managed.

Prospects

There is no doubt that the rising inflationary environment, that is evident locally and globally, will play an important role in the forthcoming year and it remains to be seen how this will ultimately impact on the resilience of consumer demand. Subsequent to year end, demand has held up but it is too early to say that this will be the case for the remainder of the new financial year. This may put certain markets under margin pressure and thus the focus of management is on managing these cost pressures with customers. The uncertainties posed by the global tensions surrounding Russia/Ukraine could have a profound effect on business, exacerbated by climate change and unprecedented drought conditions in Europe and China.

As a 34% shareholder in MPact Limited, the group continues to persevere in its efforts to obtain clarity regarding competition related issues as between MPact and Golden Era, MPact's major customer and competitor and co-accused in a cartel case still pending before the Competition Tribunal.

Review of the Independent Auditors

The company's auditors, BDO South Africa Incorporated, have reviewed these results. Their unmodified review conclusion is available for inspection at the registered office of the company. 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 issuer's registered office.

Statement of responsibility

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

Subsequent events

On 12 August 2022, Cognition Holdings Limited a subsidiary of the group entered into separate agreements constituting one indivisible transaction, with BetterHome Group Limited ("BetterHome'), ooba Proprietary Limited ("ooba") and Fledge Capital Proprietary Limited ("Fledge") (collectively, "the Purchasers") in terms of which it will, subject inter alia to the conditions precedent dispose of its 50,01% interest in Private Property for an amount of R150 million. The effective date of the disposal is expected to be on or around 16 November 2022.

On 1 August 2022, the group acquired the operations of Amcor Flexibles South Africa Proprietary Limited for a consideration of approximately R90 million.

Dividends

The board has declared a dividend of 50.00 cents (2021: 50.0 cents) per ordinary share (gross) and a preference dividend of 410.00 cents (2021: 410.00 cents) per preference share (gross) for the year ended 30 June 2022.

The dividends are subject to the Dividend Withholding Tax. In accordance with the provisions of the JSE Listings Requirements, the following additional information is disclosed:

- the Dividend has been declared out of current profits available for distribution
- the Dividend Withholding Tax rate is 20%
- the gross dividend amount is 50.00 cents per ordinary share and 410.00 cents per preference share for shareholders exempt from Dividend Withholding Tax
- the nett dividend amount is 40.00 cents per ordinary share and 328.00 cents per preference share for shareholders liable for Dividend Withholding Tax
- the company has 362 534 648 ordinary shares in issue
- the company has 50 000 preference shares in issue
- the company's income tax reference number is: 9175/167/71/8

The following dates are applicable to the dividends.

The last date to trade in order to be eligible for the dividend will be Tuesday, 6 December 2022.

Shares will trade ex-dividend from Wednesday, 7 December 2022.

The record date will be Friday, 9 December 2022 and payment will be made on Monday, 12 December 2022.

Share Certificates may not be dematerialised or materialised between Wednesday, 7 and Friday 9 December 2022, both days inclusive.

9 September 2022

Sponsor
AcaciaCap Advisors Proprietary Limited