



# Caxton & CTP FY22 Results Roadshow

[November 2022]



# Caxton Executive Directors

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## **Terry D Moolman** | Founder & CEO

Terry and his partners bought control of Caxton and CTP Publishers and Printers Limited in 1977, with a market capitalization of R260 000, and has been the Chief Executive Officer ever since.

## **Tim JW Holden** | MD & FD

*BCom, CA(SA)*

Tim joined the Group as the group's general manager of finance in 2003. In 2006 he was appointed as financial director. He is a qualified Chartered Accountant with a number of years' experience in the retail and manufacturing industries. Tim has been the financial director of a number of companies. In addition, he has also held a number of senior and executive operational posts within these companies.

## **Leon Witbooi** | MD: Western Cape

*MBA*

Leon has an MBA from the University of Cape Town and has been with the group for 28 years in a variety of positions. He currently heads the group's Western Cape commercial print and packaging operations.



# Overview of Caxton



## Who are we

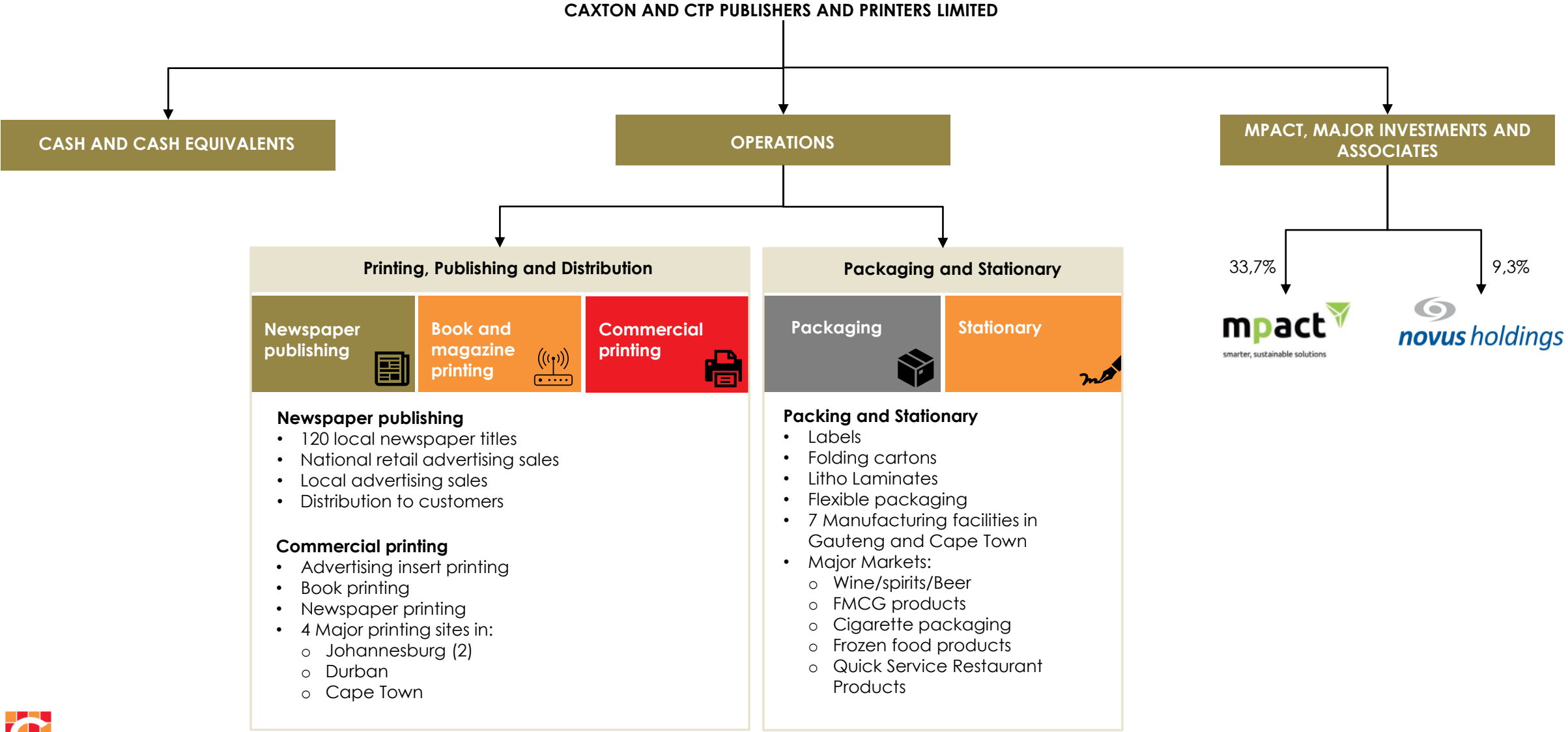
Terry Moolman and partners acquired control in 1977, and Caxton & CTP Publishers and Printers is now a major participant in the South African print media industry and also has an ever growing packaging industry presence.

It is recognised as one of the largest regional and local newspaper publishers including its national daily newspaper “The Citizen” as well as a printers of books, magazines, newspapers and commercial print in South Africa.

It has over the last 10 years increased its presence in the South African packaging market mainly focusing on paper and board substrates which includes labels, folding cartons, and bag-in-box products but also includes a flexible packaging operation in Cape Town.

Approximately 4 400 people are employed by the group, and has 10 main manufacturing operations.

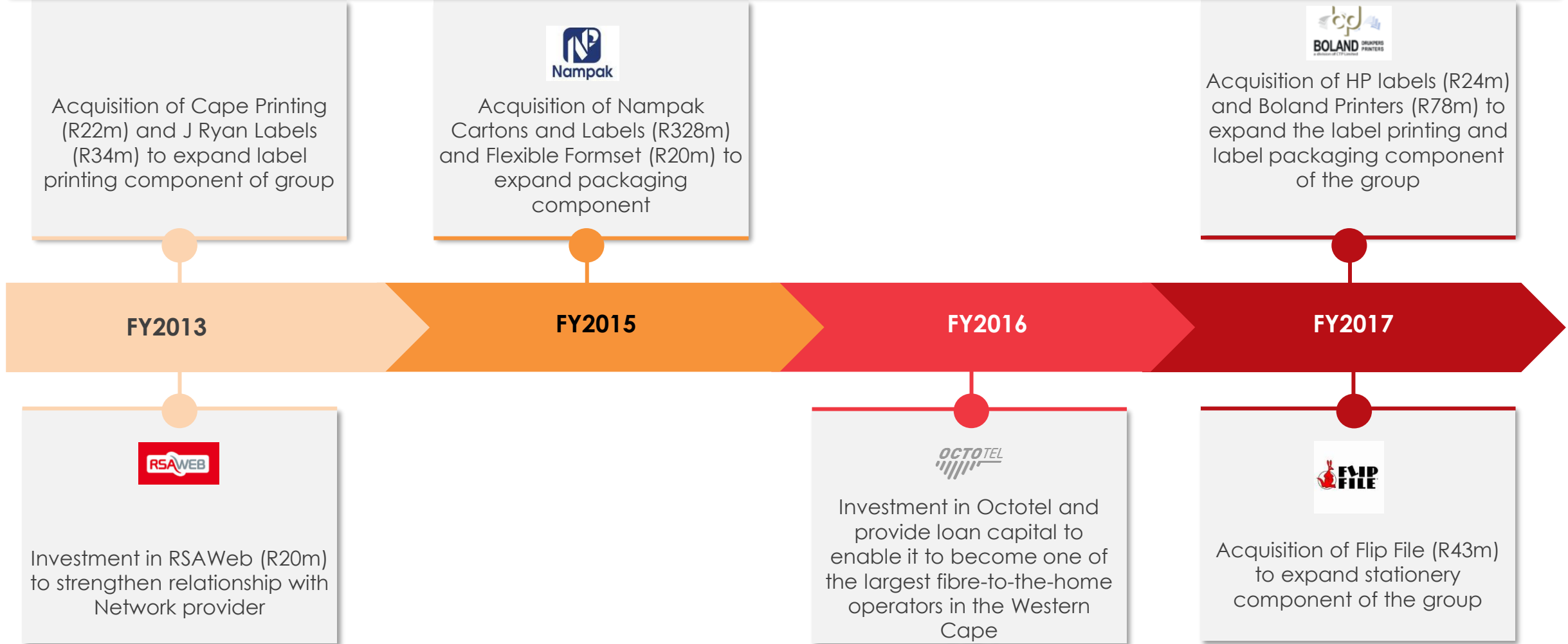
# Caxton Group





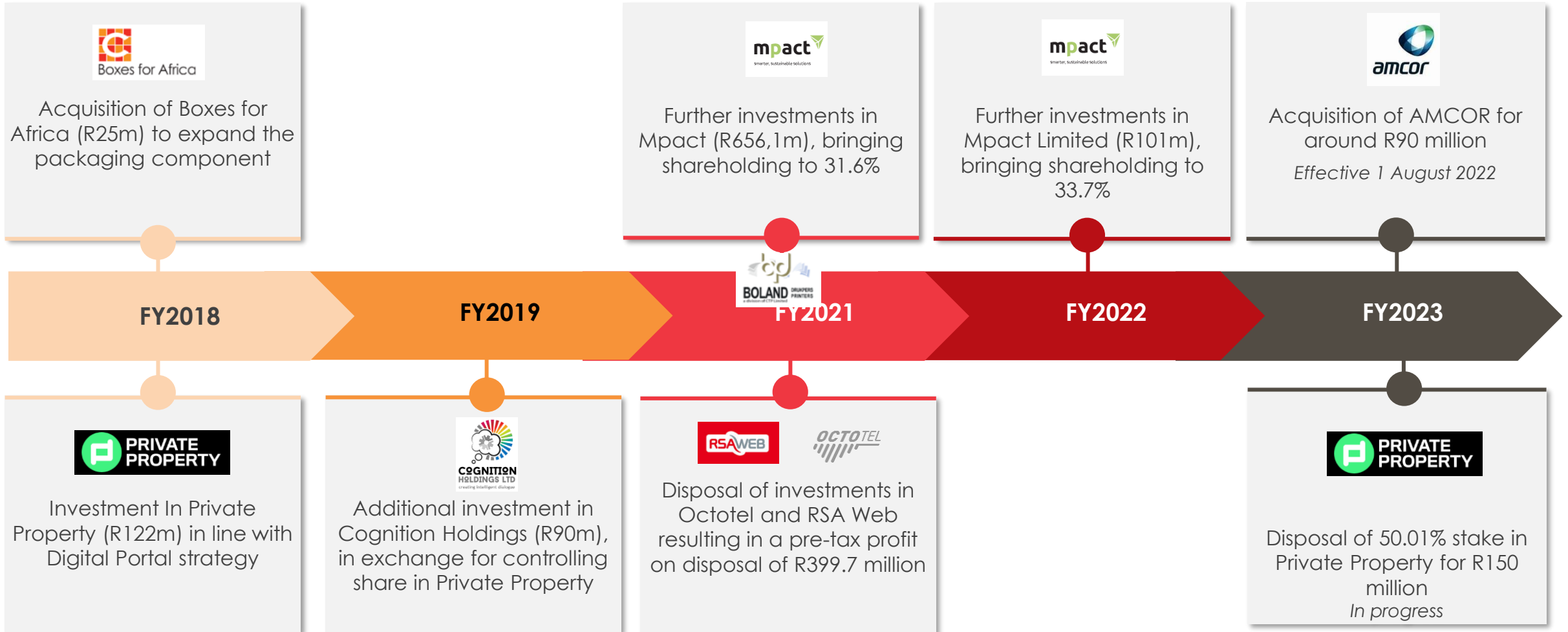
# Key business milestones

Clear execution of business strategy to maximise returns from traditional publishing and printing business and expand the packaging business through acquisitions



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Clear execution of business strategy to maximise returns from traditional publishing and printing business and expand the packaging business through acquisitions



# A year in review

For the year ended 30 June 2022





# A year in review

## Challenging operating environment

- Shortages and significant cost increases in global commodity raw materials
- Inflationary pressures on operating costs
- Load shedding
- KZN floods

## Strong segmental growth

### Local newspaper business

- robust results driven by growth in national retailer advertising spend and local advertising revenues

### Commercial printing business

- market share gain due to the availability of raw materials and strong recovery of retailer inserts

### Packaging

- benefit from new products in QSR market sectors,
- excellent organic growth in alcohol and QSR markets
- market share growth in beer labels
- New Africa customers for cigarette packaging

## Strong performance despite headwinds

- Strong recovery after Covid-19 pandemic
- Volume increases across all businesses – market share gains
- Focus on growing the packaging business

## Investment in future growth and earnings

- R206m gross investment in plant and equipment to grow the packaging segment and solar generating capacity
- Increased stakes in Mpact (now 33.7%) and Novus (now 9.3%)
- Investment in working capital to support growth and mitigate global supply chain challenges
- Acquisition of the flexible operations of Amcor (effective 1 August 2022) to enhance wine-in-the-box market offering



# 2022 Salient features

Maximise value of traditional publishing and printing business

Expand the packaging business

Group revenue of R5.9bn

 **14.5%**

Reflecting volume increases and market share gains across all operations

Operating costs increased by R431.5m to R5.1bn

 **9.1%**

Volume increases (5%) and inflationary pressures (4%), higher global commodity prices and energy costs

Operating Profit before depreciation and amortisation up by R264.1m to R828.0m

 **46.8%**

Good operational performance

Headline earnings of 157.0 cents

 **108.2%**

A 10 year record high achieved by the group

Net asset value per share has grown to R18.87

 **9.9%**

Increased value of investment in Mpact and profitability

Net finance income grew by R32.0m to R118.4m

 **37.0%**

On the back of increased dividend flow from investments in Mpact and Novus

Cash generated by operating activities after working capital decreased to R249.1m

 **63.0%**

Investment in working capital required to support growth and mitigate supply chain risks

# Ten year review

		30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Revenue	(Rm)	5 157	5 390	6 261	6 405	6 407	6 334	6 321	5 572	5 220	5 979
Profit/(Loss) before taxation	(Rm)	686	545	597	590	610	541	452	(47)	739	686
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>(Rm)</b>	<b>837</b>	<b>690</b>	<b>758</b>	<b>762</b>	<b>749</b>	<b>759</b>	<b>654</b>	<b>350</b>	<b>563</b>	<b>828</b>
Finance Income	(Rm)	105	104	117	129	141	124	140	127	87	142
Profit/(Loss) attributable to equity holders of the parents	(Rm)	491	427	423	448	445	386	336	(57)	550*	551
<b>Cash generated by operating activities</b>	<b>(Rm)</b>	<b>724</b>	<b>696</b>	<b>817</b>	<b>646</b>	<b>782</b>	<b>626</b>	<b>477</b>	<b>490</b>	<b>672</b>	<b>249</b>
Weighted average number of shares in issue	(000's)	422 657	406 494	396 463	397 982	396 219	392 427	387 422	382 889	371 786	364 869
<b>Earnings/(Loss) per share</b>	<b>(cents)</b>	<b>116</b>	<b>105</b>	<b>107</b>	<b>113</b>	<b>112</b>	<b>99</b>	<b>87</b>	<b>(15)</b>	<b>148</b>	<b>151</b>
<b>Headline earnings per share</b>	<b>(cents)</b>	<b>123</b>	<b>98</b>	<b>109</b>	<b>116</b>	<b>116</b>	<b>109</b>	<b>102</b>	<b>21</b>	<b>75</b>	<b>157</b>
<b>Dividends per share</b>	<b>(cents)</b>	<b>55</b>	<b>60</b>	<b>65</b>	<b>70</b>	<b>70</b>	<b>60</b>	<b>60</b>	<b>-</b>	<b>50</b>	<b>50</b>
Dividend cover	(times)	2,1	1,7	1,6	1,6	1,6	1,6	1,5	-	3,0	3,0
Ordinary shareholders' equity	(Rm)	5 347	4 976	5 240	5 523	5 682	5 696	5 740	5 229	6 359	6 841
<b>Cash and cash equivalents</b>	<b>(Rm)</b>	<b>1 418</b>	<b>2 222</b>	<b>1 989</b>	<b>2 018</b>	<b>1 886</b>	<b>1 544</b>	<b>1 698</b>	<b>1 743</b>	<b>1 989</b>	<b>1 664</b>
<b>Net asset value per share</b>	<b>(cents)</b>	<b>1 277</b>	<b>1 283</b>	<b>1 337</b>	<b>1 406</b>	<b>1 436</b>	<b>1 462</b>	<b>1 484</b>	<b>1 384</b>	<b>1 717</b>	<b>1 887</b>
<b>Number of employees</b>		<b>6 025</b>	<b>6 053</b>	<b>6 434</b>	<b>6 310</b>	<b>6 311</b>	<b>6 030</b>	<b>6 197</b>	<b>5 270</b>	<b>4 636</b>	<b>4 460</b>

\* The profit attributable to equity holders of the parent in 2021 includes capital gain of R305 million relating to the sale of associates, Octotel (Pty) Ltd and RSAWeb (Pty) Ltd.

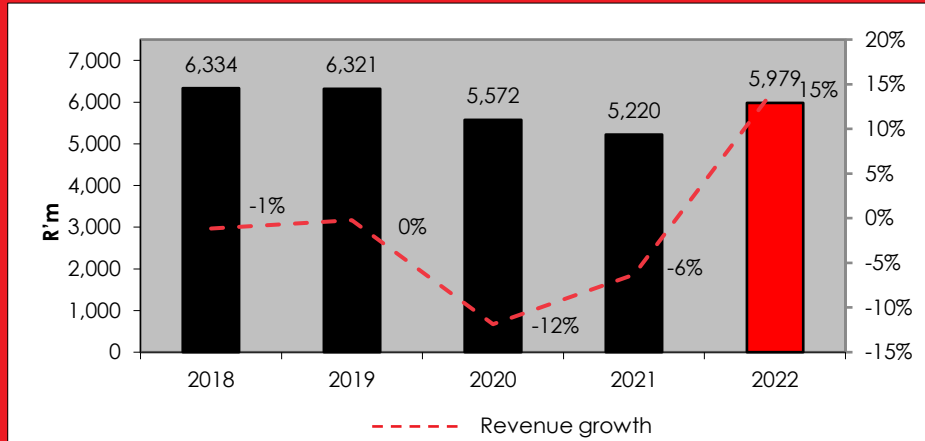
# Financial review

For the year ended 30 June 2022

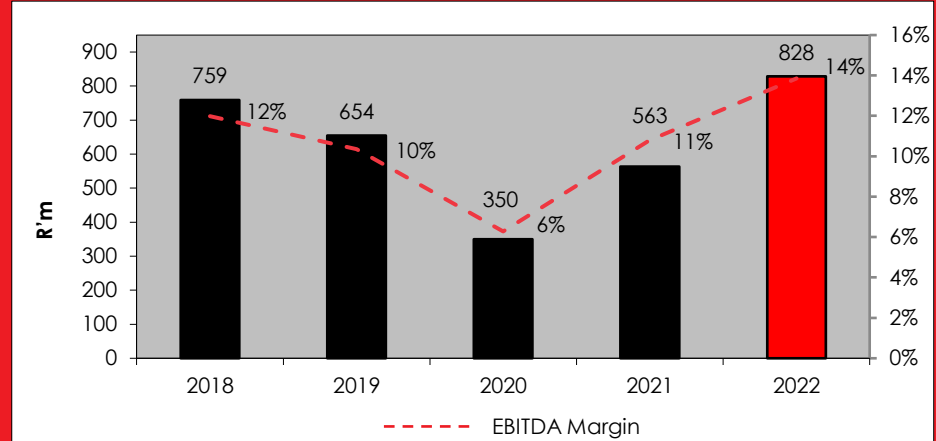


# High level financial overview

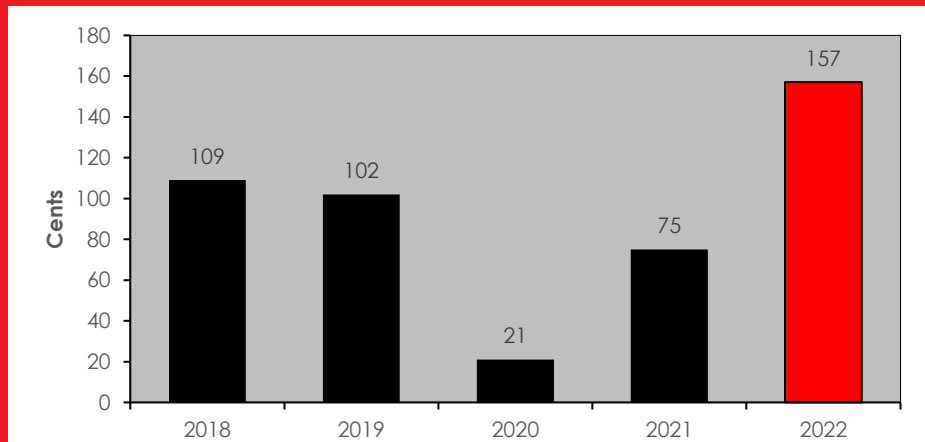
## Revenue (R'm)



## EBITDA (R'm)



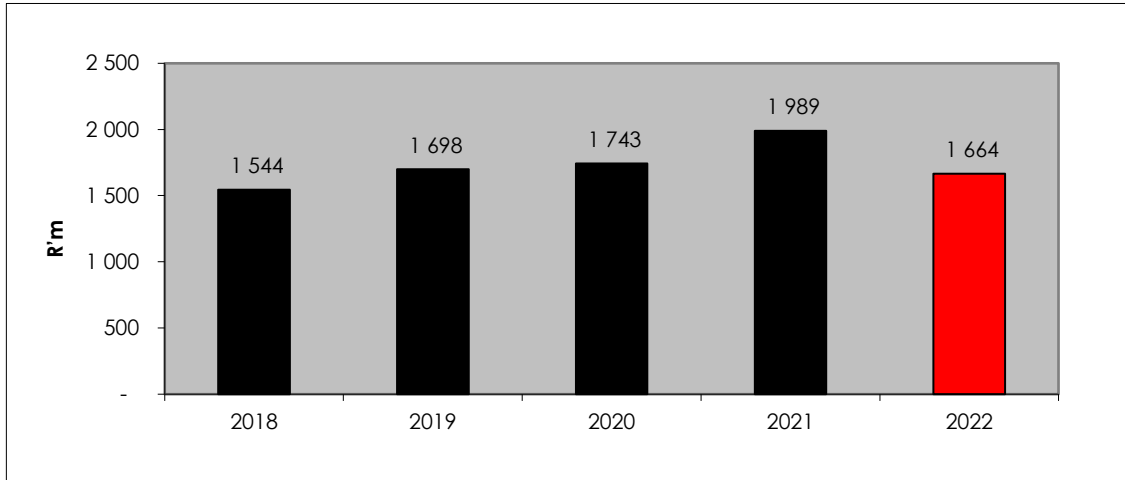
## Headline Earnings per share (cents)





# High level overview

## Cash on hand at year end (R'm)



**R1,664.7, a decrease of R324.9m year on year**



Investment in strategic stock holding (R545 million)



Gross Capex (R206 million)



Increased stakes in Novus and Mpact (c.R103 million)

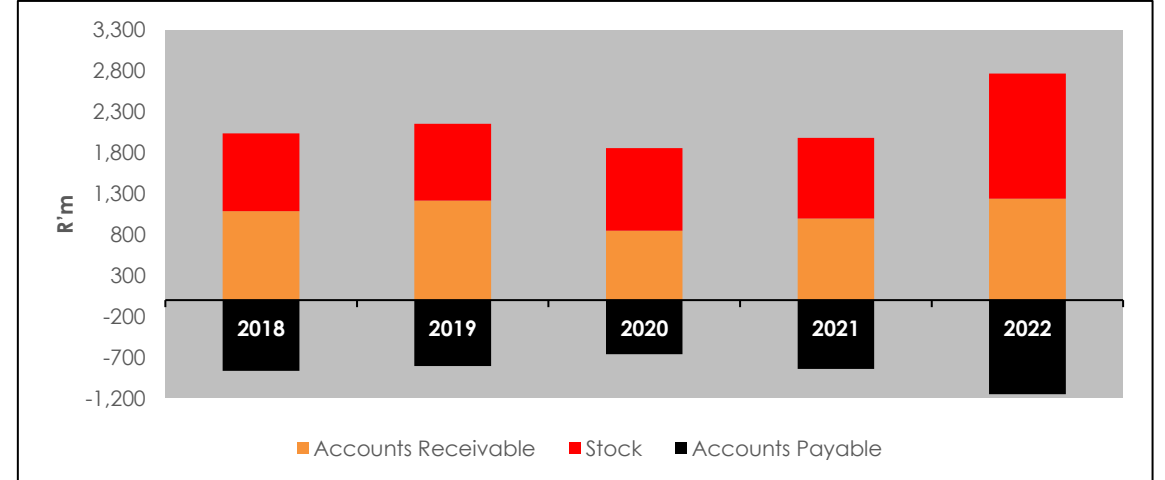


Dividend (c. R182 million)



Share buy-back (c. R76 million)

## Working Capital (R'm)



**Inventory up by R545m (+55.4%) year on year**



Support of organic and opportunistic growth



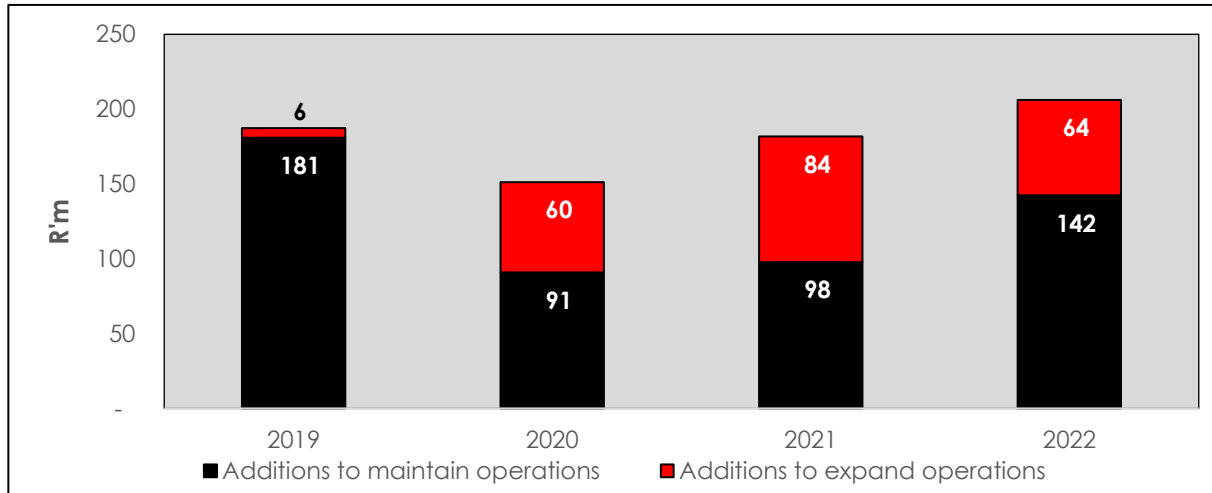
Local newsprint supply with SAPPI and increased allocation from Mpact



Major inventory spend includes:  
Commercial grades of paper  
Packaging board, films and paper

# High level overview

## Capex (R'm)



## Gross investment in PPE of R206m



### Packaging business

- Equipment to support beer labels volumes
- Equipment and operations for wine-in-the-box market growth opportunity



### Solar generating capacity

- 2.4MW solar power installed, another 8MW of future roll out

Capex estimated to remain at current levels to support growth

## ESG



Target 30% reduction of emissions by 2030



Innovating towards biodegradable packaging



In the process of addressing emissions measurement requirements to enable it to apply for air emission licenses under National Environmental Management: Air Quality Act



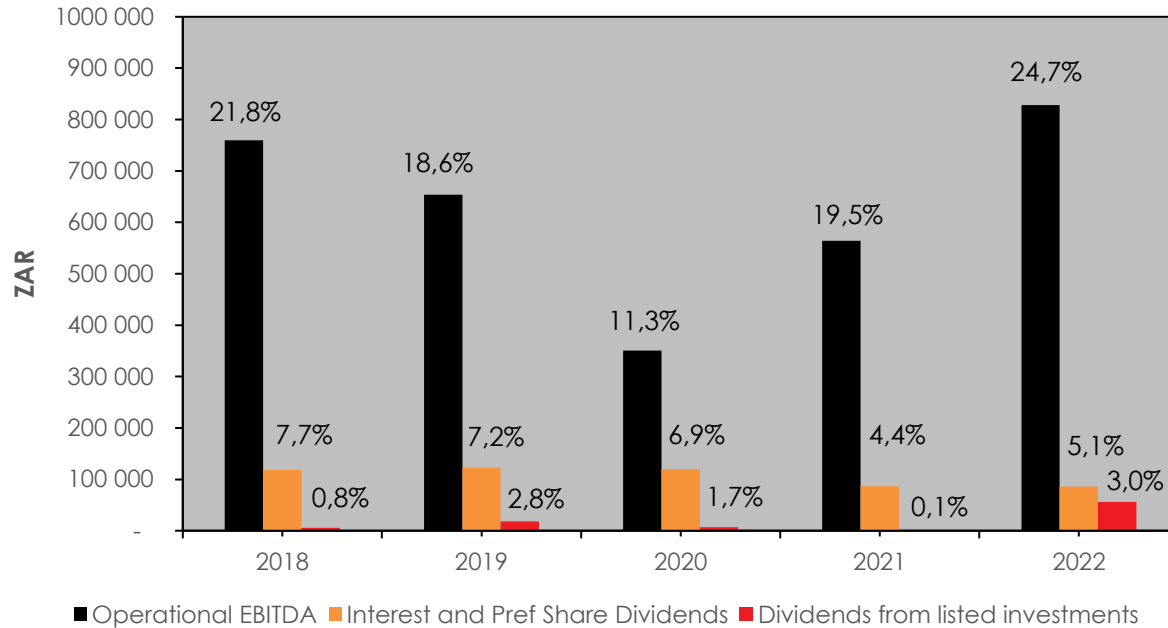
Focus on implementing renewable energy

- 8MW worth of PV panels already procured
- This will provide an additional 35,000 MWhrs of green energy



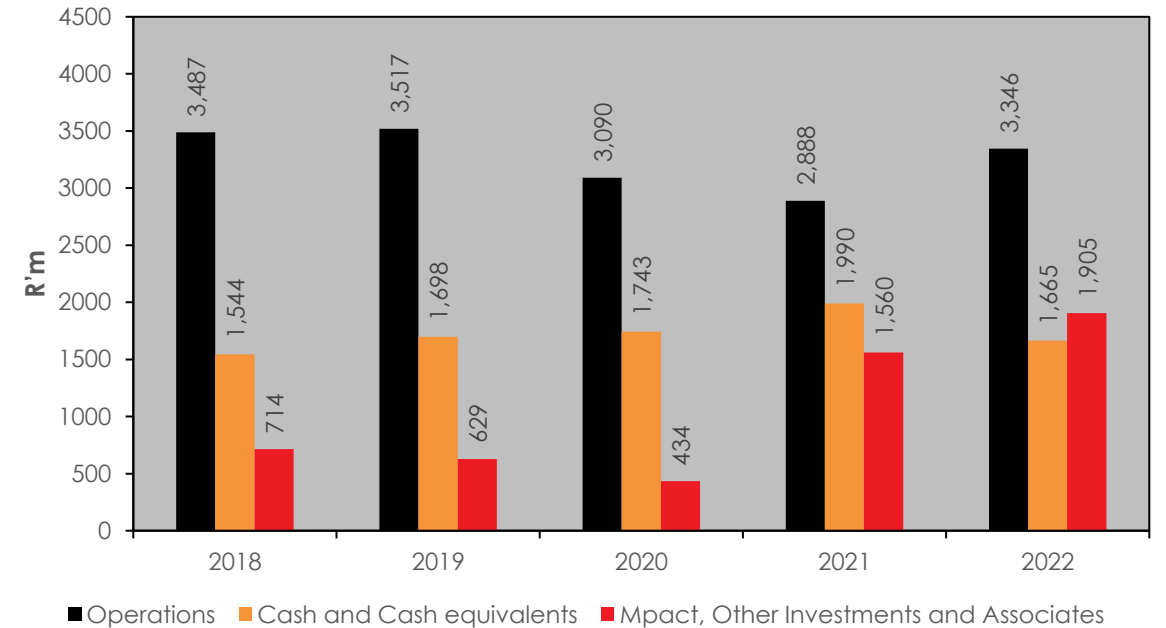
# Group Returns

## Group returns



- Strong operational returns
- Return on cash and cash equivalents includes preference dividends

## Net Asset Value (R'm)



- Increase in Mpact, other investments and associates is due to increased investment in Novus and Mpact
- Investment in inventory has decreased cash and cash equivalents but increased NAV of operations
- Current total NAV c.R6,9bn equating to NAV per share of R18,87

# Segmental Review

For the year ended 30 June 2022





# Publishing, printing and distribution

## Divisions

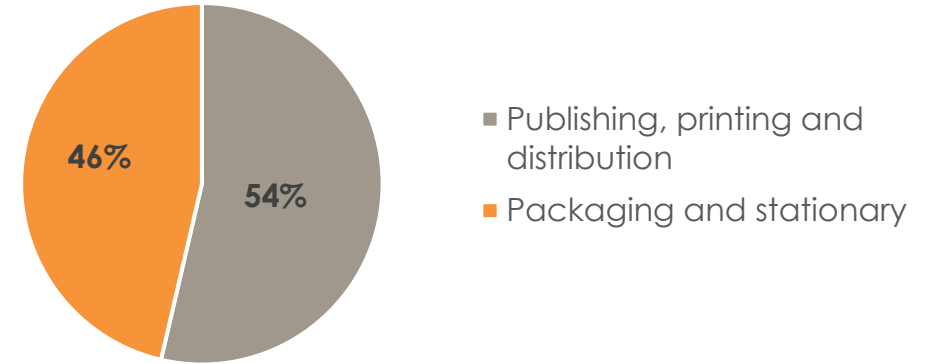


## Segment performance

	30 June 2022	30 June 2021	%▲
Revenue	3 207	2 924	↑ 10%
EBITDA	470	336	↑ 40%
Profit from Operations	352	198	↑ 78%
EBITDA Margin	15%	11%	
Profit Margin	11%	7%	
Return on NAV	27%	23%	
<b>NAV</b>	<b>1 747</b>	<b>1 466</b>	<b>↑ 19%</b>
Assets	2 492	2 107	18%
Liabilities	745	641	16%

**Revenue up 10% with a profit from operations growth of 78% and NAV increase of 19% year-on-year**

## Contribution to Group revenue



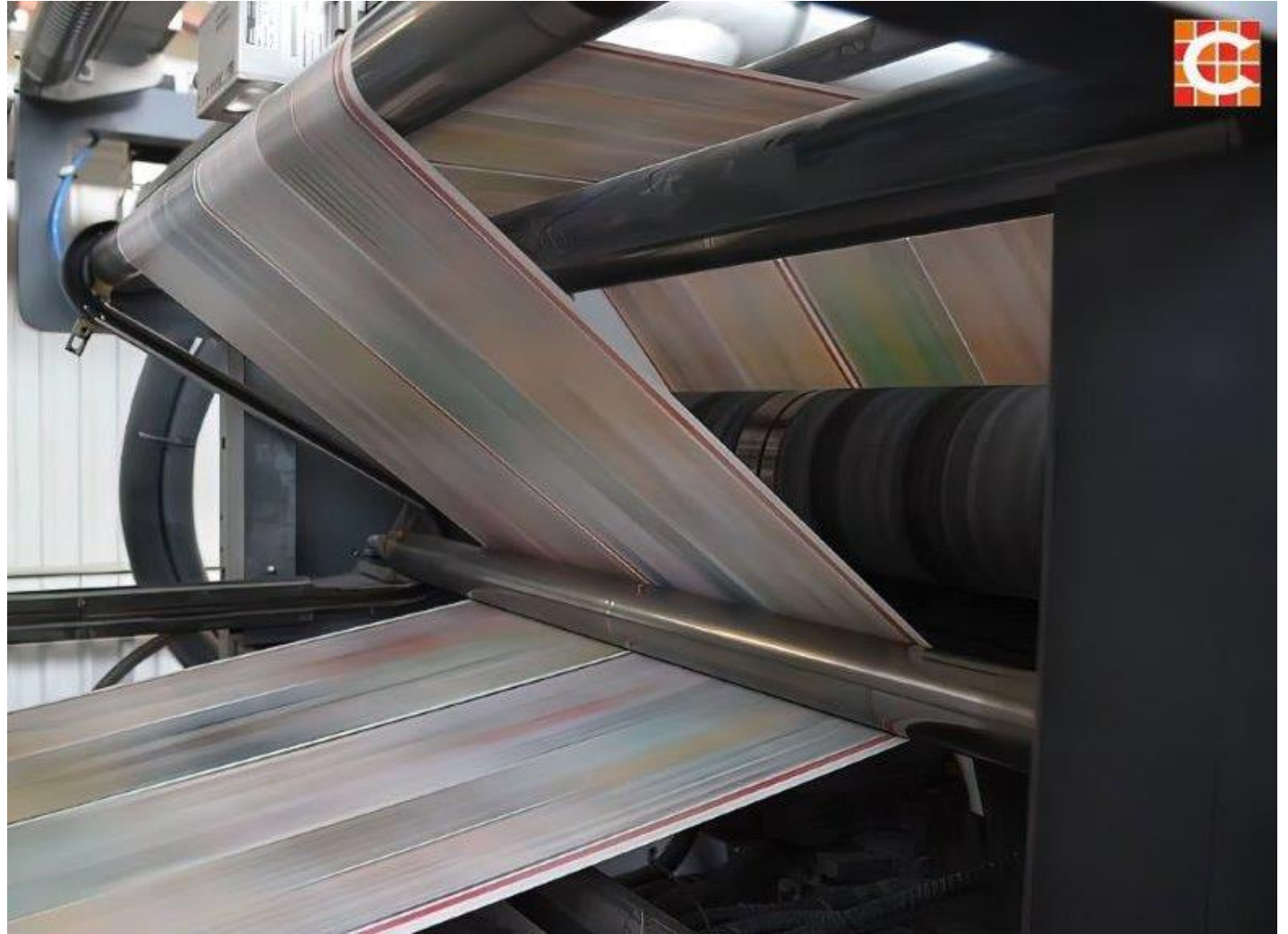
- Revenue includes the performance of Private Property (digital asset)
- Post year end, disposed of our investment in Private Property
- Consideration received of R150m in FY2023
- Novus dividends received of R27.4 million (excluded in segment performance table)

# Publishing, printing and distribution

## Newspaper publishing



- ▲ **Volume increases**  
*advertising inserts from national retailers*
- ◐ **13% National, and 9% local advertising recovery**
- 👤 **Cost pressures**  
*imported paper and cost of distribution*
- 🎯 **Local newsprint sourcing advantage**
- 📄 **120 weekly titles going to 3 million households**  
*offering important media solution to national retailers*



# Publishing, printing and distribution



## Commercial printing



- ▲ Improvement in profitability driven by **demand for retail catalogues**
- 🐟 **Market share gains** in commercial retail pamphlet sector
- 📄 **Revenue mainly driven by food and liquor sectors**
- 🌊 **R30.9m costs expensed** arising from Durban floods



# Publishing, printing and distribution

## Book and magazine printing



**Solids results delivered** by the operation in the Western Cape



**Market remains competitive**



**Rising input costs recovered**, maintained margins



Contracts signed to print **Media24 weekly magazines** and **The Foschini Group publications**



**Raw material pricing, access to supply and constraint in mill capacity allocation** remain challenges





# Packaging and stationary

## Packaging and Stationary

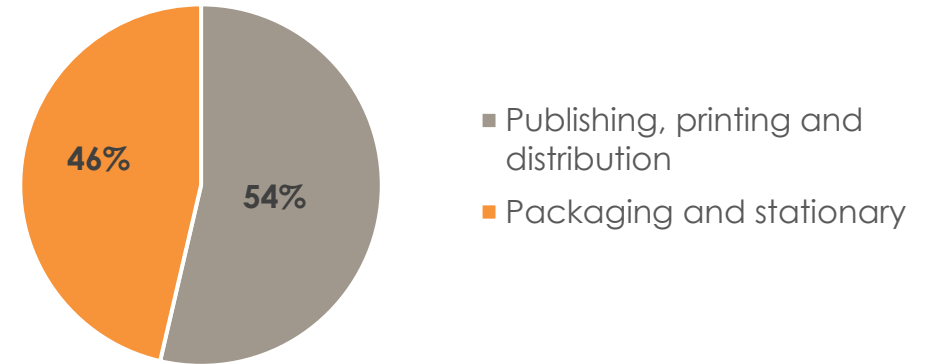


### Segment performance

	30 June 2022	30 June 2021	%▲
Revenue	2 772	2 296	↑ 21%
EBITDA	423	275	↑ 53%
Profit from Operations	321	176	↑ 83%
EBITDA Margin	15%	12%	
Profit Margin	12%	8%	
Return on NAV	27%	24%	
<b>NAV</b>	<b>1 552</b>	<b>1 130</b>	<b>↑ 37%</b>
Assets	2 067	1 542	34%
Liabilities	515	412	25%

**Revenue up 21% with a profit from operations growth of 83% and NAV increase of 37% year-on-year**

## Contribution to Group revenue



- Growth markets – alcohol/Quick Service Restaurants (QSR)
- Acquisition opportunities – concluded AMCOR post year end
- New product development and investment to support QSR market
- Mpact dividend received R24.9 million (excluded from segment performance table)
- Cigarette packaging growth in Africa

# Packaging and stationary

## Packaging



- ▲ **Good results driven by organic growth**, and new product lines in
  - flexible packaging business
  - folding carton operations (QSR, Bag in box)
- 📦 **New product and market share gains** in QSR, beer labels and Africa cigarette market
- ◐ **Growth in market share** supported by
  - robust market demand in the alcohol market (Bag-in-box, spirit and wine market)
- 🚶 Sourcing and pricing of raw materials remains a challenge but has been managed well with a wide supplier base. Constraints in mill capacity allocation remain a challenge

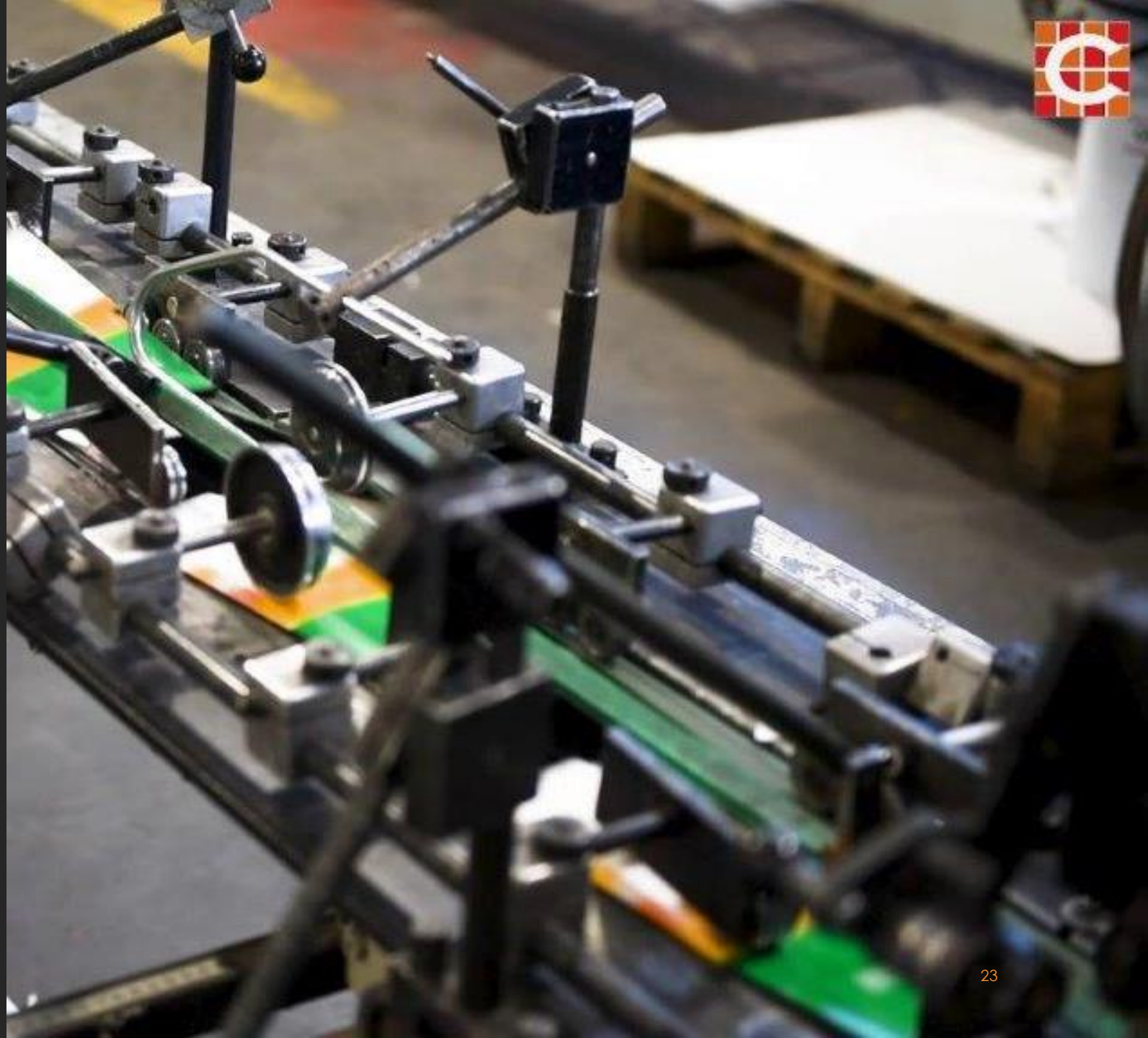
## Stationary



- 🐑 Successful margin extraction
- 🔄 Reduction of offtake by larger customers offset by an **increase in small customer offtake**
- 🚶 Continued margin pressure from increasing raw material costs



# Strategy



# Strategy

Well positioned to expand packaging business and maximise returns from traditional publishing and printing business

Become a key player in South Africa's packaging market



Invest and grow in the packaging segment through acquisitions



Product development



Mpact

Maximise value from publishing, printing and distribution business



Simplify and extract value

- Maximise cash generation
- Consider the consolidation of other media assets under Caxton (Cognition and AME)
- Continue to offer retailers a relevant media solution

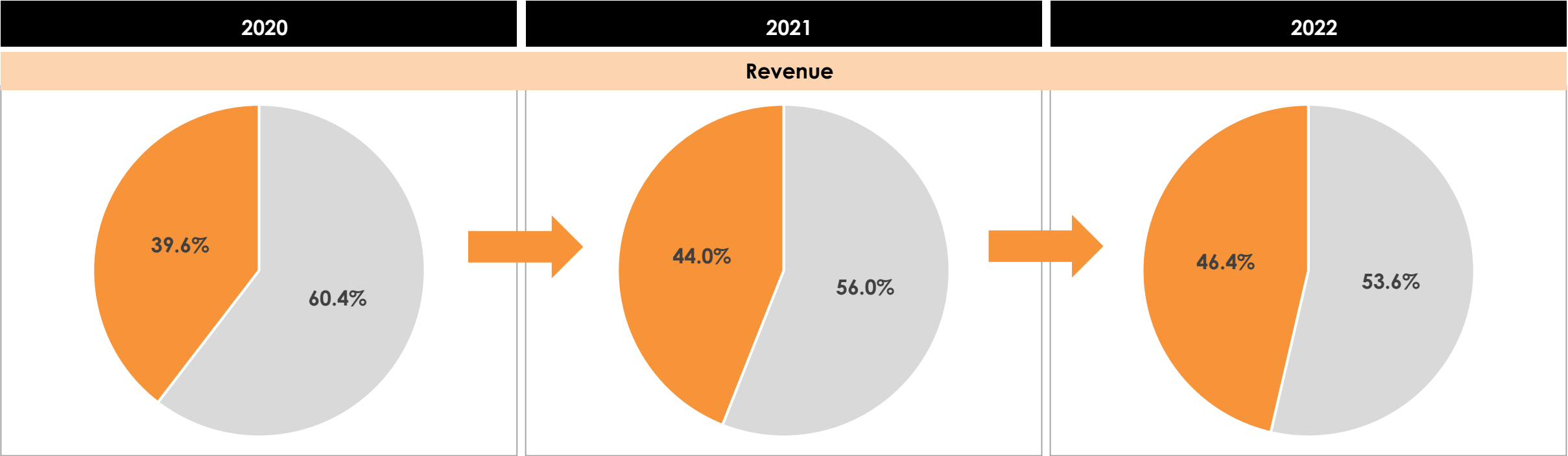
Capital allocation and value creation

- Continue to allocate capital wisely
- Capitalise on our strength to successfully integrate investments and drive value
- Manage and reduce operating costs
- Improve manufacturing efficiencies



# Growth focus on packaging sector

Successful delivery of the expansion of Caxton's packaging business through acquisition, investment and product development in growth markets



(excludes dividends received from Mpact)

- Packaging and stationary
- Publishing, printing and distribution

# Execution of Caxton's strategy for FY2023



Invest and grow in the packaging segment through acquisitions and disposal of other assets



Acquisition of AMCOR for around R90 million

- Assets were acquired for a good price
- Opportunities for growth in niche packaging business
- Explore other niche packaging markets



Disposal of 50.01% stake in Private Property for R150 million

- Disposal of low growth asset to pursue other high growth opportunities
- Caxton remains a shareholder of Cognition Holdings
- Cognition Holdings' assets are closely aligned to Caxton's publishing business
- This provides an opportunity to extract synergies between Caxton and Cognition

# Investment in Mpact

## Caxton's investment in Mpact



Paper and plastics packaging manufacturer business in Southern Africa

It is also a recycler of recovered paper and plastic

- Investment to date of R777.3m
- Represents a 33.6% shareholding
- Application for Rule 28 merger filing has been referred back to the Competition Commission by the Competition Tribunal

## Rationale



Aligned with the strategy to grow in packaging and board sector



Mpact is recognised as having good upstream assets and solid operational management



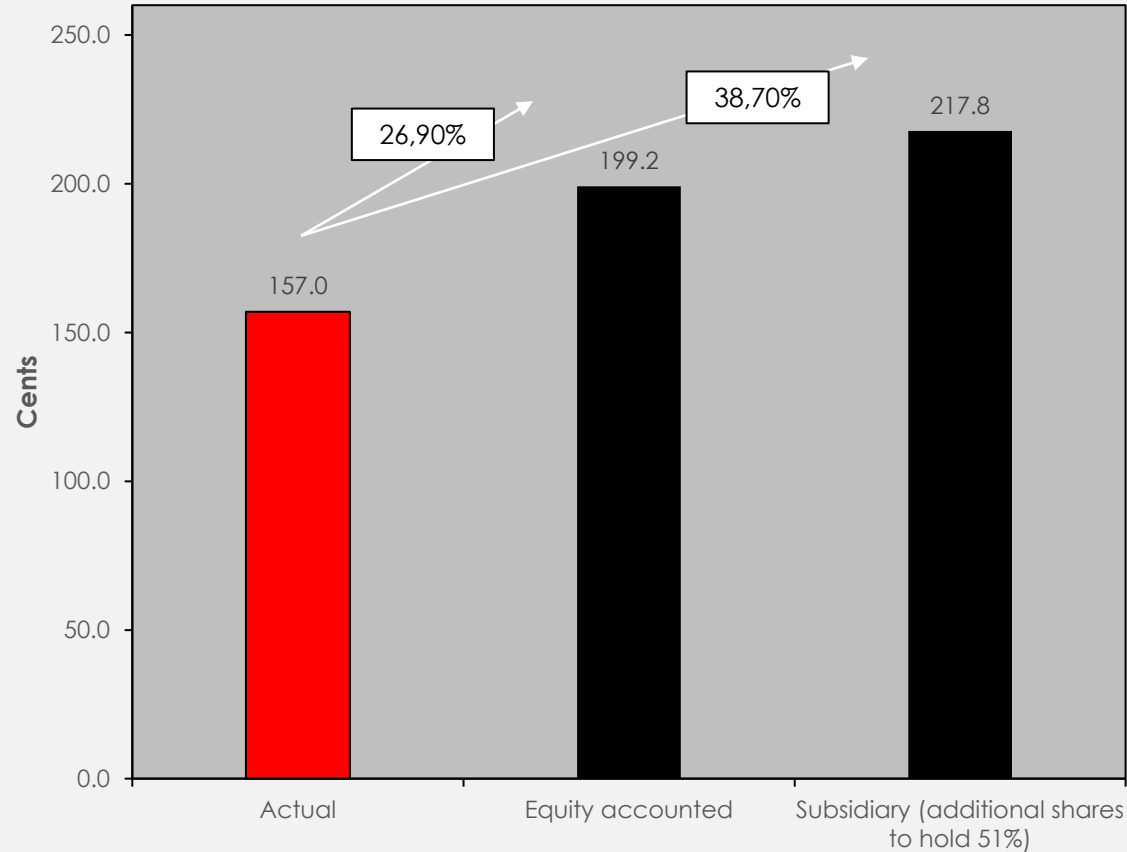
Unlock synergies

Caxton sees its investment in Mpact as an opportunity to gain further exposure to the growth in the packaging sector



# Investment in Mpact

## Impact of Mpact on Caxton HEPS – FY22 (cents)



- Caxton's current HEPS for FY22 is 157 cents per share
- It includes dividends received from Mpact of R24.9 million
- Mpact accounted as investment as Caxton has no control over it
- If the investment were to be equity accounted, the Caxton FY22 HEPS would have increased by 26,90% to 199,2 HEPS
- If the investment were to be consolidated, the Caxton FY22 HEPS would have increased by 38,70% to 217,8 HEPS



# Outlook



# Operational outlook

## Operating environment



### Rising inflationary environment

- Rising input costs

*Reduced pricing window periods with customers*



### Raw Material price and availability

- Scarce availability of raw materials
- Input cost increases

*Current large stock holdings*

*Secured increased mill allocation*

*Wide supplier base*



### Loadshedding

- Major plants equipped with generators/generating capacity
- Investment in Solar

## Current demand remain strong



### Customer demand remain strong

- Demand remains strong especially in packaging markets (alcohol, cigarettes, QSR, retailer catalogues)
- Lag in price increases experienced by some markets especially commercial printing

## ESG market growth opportunities

Increased momentum in movement from plastic packaging to paper and board alternatives



### Beverage Packaging

- Alcohol producers changing from plastic shrink wrap to cartons



### Detergents

- Europe reverting to recycled cartons, and South Africa will no doubt follow the trend as in the previous cycle



### Quick Service Restaurants

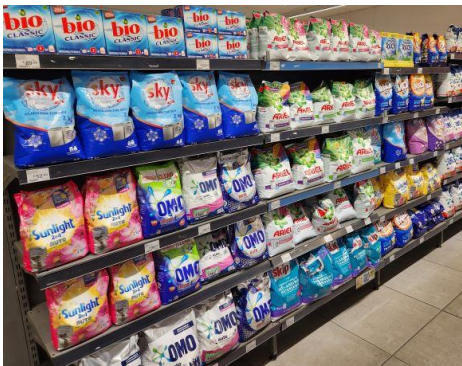
- KFC changing from plastic bowls and lids to paper bowls and lids



### Paper labels

- Coke moving from plastic to paper labels on PET and glass bottles

# Environmental concerns are creating significant growth opportunities in paper and board packaging which CTP is capitalising on





# Questions







End