CAXTON&CTP publishers & printers LIMITED

REVIEWED GROUP RESULTS

FOR THE YEAR ENDED 30 JUNE 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

R'000	% change	Reviewed for the year ended 30 June 2023	Audited for the year ended 30 June 2022
Revenue	16.6	6 974 558	5 979 339
Other operating income		228 515	145 269
Total operating income		7 203 073	6 124 609
Changes in inventories of finished goods and work in progress		54 569	(150 915)
Raw materials and consumables used		(3 829 119)	(2 864 233)
Staff costs		(1 307 728)	(1 223 121)
Other operating expenses		(1 139 655)	(1 058 332)
Total operating expenses	17.5	(6 221 933)	(5 296 601)
Profit from operating activities before depreciation and amortisation		981 140	828 007
Depreciation and amortisation		(238 748)	(237 709)
Profit from operating activities after depreciation and amortisation	25.8	742 392	590 298
Impairment of goodwill		(1 217)	(3 865)
Impairment of investments		(1 219)	–
Profit on disposal of subsidiary		78 978	–
Loss on deemed disposal of associate on gain of control		(1 529)	(3 394)
Impairment on interest in associates		(1 664)	(5 354)
Impairment of loans		–	(11 386)
Impairment of intangible assets		(4 331)	(8 222)
Impairment of plant		(581)	(2 167)
Profit from operating activities	45.9	810 829	555 910
Net finance income		134 199	118 490
– dividends		117 041	100 358
– interest income		35 323	41 781
– interest expense		(2 145)	(3 949)
– loss on foreign exchange		(16 020)	(19 700)
Income from associates		7 026	11 807
Profit before taxation		952 054	686 207
Taxation		(200 178)	(142 406)
Profit for the year	38.3	751 876	543 801
Other comprehensive income: **Items that will be not be reclassified subsequently to profit or loss**		(106 884)	185 619
Fair value adjustment – investments		(199 354)	187 042
Fair value adjustment – properties		92 470	(1 423)
Total comprehensive income for the year		644 992	729 420
Total comprehensive income attributable to			
Non-controlling interests		18 056	(7 952)
Equity holders of the parent		626 936	737 372
		644 992	729 420
Profit attributable to			
Non-controlling interests		18 056	(7 952)
Equity holders of the parent		733 820	551 753
		751 876	543 801

Condensed segmental analysis	Reviewed for the year ended 30 June 2023	%	Audited for the year ended 30 June 2022	%
Revenue				
Publishing, printing and distribution	3 425 560	49	3 207 304	54
Packaging and stationery	3 548 998	51	2 772 036	46
Other	–	–	–	–
	6 974 558	100	5 979 340	100
Profit from operating activities before depreciation				
Publishing, printing and distribution	408 710	42	469 639	57
Packaging and stationery	528 359	54	422 555	51
Other	44 071	4	(64 187)	(8)
	981 140	100	828 007	100
Profit from operating activities after depreciation				
Publishing, printing and distribution	296 633	40	352 040	60
Packaging and stationery	419 395	56	321 365	54
Other	26 364	4	(83 107)	(14)
	742 392	100	590 298	100
Total assets				
Publishing, printing and distribution	2 398 225	26	2 492 416	28
Packaging and stationery	2 459 058	27	2 066 766	23
Other	4 318 734	47	4 266 609	49
	9 176 017	100	8 825 791	100
Total liabilities				
Publishing, printing and distribution	609 918	32	744 925	39
Packaging and stationery	637 758	35	514 600	27
Other	631 385	33	650 877	34
	1 879 061	100	1 910 402	100

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed as at 30 June 2023	Audited as at 30 June 2022
ASSETS		
Non-current assets		
Property, plant and equipment	2 558 362	2 327 381
Right-of-use assets	7 609	16 016
Intangible assets	6 667	25 242
Goodwill	72 286	81 202
Interest in associates	89 669	142 979
Investments	1 441 750	1 761 805
– Listed ordinary shares	1 373 207	1 633 699
– Unlisted ordinary shares	68 543	68 543
– Listed preference shares	–	59 563
Deferred taxation	30 504	31 363
	4 206 847	4 385 988
Current assets		
Inventories	1 714 920	1 530 694
Trade and other receivables	1 364 994	1 240 919
Taxation	880	3 447
Cash	1 188 376	764 743
Cash equivalents	700 000	900 000
	4 969 170	4 439 803
TOTAL ASSETS	9 176 017	8 825 791
EQUITY AND LIABILITIES		
Equity		
Equity attributable to owners of the parent	7 263 766	6 841 325
Preference share capital	100	100
Non-controlling interest	33 090	73 953
Total equity	7 296 956	6 915 378
Non-current liabilities		
Lease liabilities	5 243	10 830
Deferred taxation	444 300	459 464
	449 543	470 294
Current liabilities		
Trade and other payables	1 214 868	1 150 095
Lease liabilities	2 946	7 125
Provisions	175 942	226 840
Taxation	35 762	56 059
	1 429 518	1 440 119
TOTAL EQUITY AND LIABILITIES	9 176 017	8 825 791
Net asset value per share (cents)	2 022	1 887
Capital expenditure	298 713	206 158
Capital expenditure committed	94 367	167 000
Reconciliation between earnings and headline earnings		
Earnings attributable to equity holders of the parent	733 820	551 753
Adjusted for excluded remeasurements	(53 054)	20 966
Impairment of goodwill	1 217	3 865
(Profit)/loss on disposal of subsidiary	(78 978)	3 394
NCI on profit on disposal of subsidiary	19 429	–
Loss on deemed disposal of associate on gain of control	1 529	–
Impairment of intangibles	4 331	8 222
Impairment of investments	1 219	5 354
Impairment of plant	581	2 167
(Profit)/loss on disposal of property, plant and equipment	(7 703)	1 212
Tax effect on above adjustments	5 321	(3 249)
Headline earnings	680 766	572 719

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
Incorporated in the Republic of South Africa
Registration number 1947/026616/06
Share code: CAT ISIN: ZAE000043345
Preference share code: CATP ISIN: ZAE000043352

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed for the year ended 30 June 2023	Audited for the year ended 30 June 2022
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by operating activities	725 810	249 112
Taxation paid	(202 530)	(155 957)
Cash inflow from operating activities	523 280	93 155
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant, equipment and intangibles		
– additions to maintain operations	(206 875)	(142 384)
– additions to expand operations	(91 838)	(63 774)
– proceeds from disposals	37 567	12 186
	(261 146)	(193 972)
Investments		
Associate loans and investments	30 101	1 187
Listed investments	64 610	(103 427)
Acquisition of businesses (net of cash)	(131 724)	–
Cash on subsidiary disposal	96 638	–
Interest received	35 323	41 781
Dividends received	117 041	100 358
	211 989	39 899
Cash outflow from investing activities	(49 157)	(154 073)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(197 098)	(188 128)
Rights offer	–	9 999
Additional investment in subsidiary	(17 691)	–
Interest paid	(2 145)	(3 949)
Principal paid on lease liabilities	(8 516)	(8 808)
Own shares acquired	(25 040)	(73 098)
Cash outflow from financing activities	(250 490)	(263 984)
Net increase/(decrease) in cash and cash equivalents	223 633	(324 902)
Cash and cash equivalents at beginning of year	1 664 743	1 989 645
Cash and cash equivalents at the end of the year	1 888 376	1 664 743

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Reviewed as at 30 June 2023	Audited as at 30 June 2022
Balance at beginning of year	6 915 378	6 437 185
Total comprehensive income for the period	644 992	729 420
Own shares acquired	(25 039)	(73 098)
Non-controlling interest	(41 678)	–
NDR acquired	401	–
Rights offer	–	9 999
Dividends paid – ordinary and preference shareholders	(197 098)	(188 128)
Balance at end of period	7 296 956	6 915 378

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 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
For the Level 3 valuation of the investment is made using a discounted cash flow model which 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. Long-term growth rate of 3.9% and a discount rate of 20.67%.

Acquisition of subsidiaries

The group acquired the remaining thirty three percent investment in Capital Media Proprietary Limited with effect from 1 August 2022 and the remaining fifty percent in Mooi Vaal Media Proprietary Limited with effect from 1 September 2022. These transactions were accounted for as business combinations with effect from these dates.
The acquired businesses contributed revenue of R60.5 million and net profits after tax of R3.6 million.
The group also acquired the flexible business operations of Amcor and All Flex which was also accounted for as business combinations.
This business contributed revenue of R170.3 million and a net profit after tax of R11.3 million.

Provisional details of the assets and liabilities acquired are:	
Non-current assets	74 334
Current assets	76 627
Current liabilities	(26 157)
Cash and cash equivalents	12 942
Loss on deemed disposal	1 529
Goodwill impaired	1 217
Associates	(28 445)
	112 045
Goodwill	32 621
Purchase price	144 666

Earnings per share and headline earnings per share

R'000	Reviewed as at 30 June 2023	Audited as at 30 June 2022
Earnings and diluted earnings per ordinary share (cents)	203.3	151.2
Headline earnings and diluted headline earnings per ordinary share (cents)	188.6	157.0
Preference dividend paid per share in respect of the previous year (cents)	490	410
Ordinary dividend paid per share in respect of the previous year (cents)	60	50
Shares in issue (weighted average shares in issue)	360 941 783	364 869 864

COMMENTARY

Basis of Preparation

The condensed consolidated financial statements for the year ended 30 June 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 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 condensed consolidated financial statements are consistent with those applied in the consolidated financial statements in the prior year.

FINANCIAL PERFORMANCE

Earnings

The group is pleased to present a record set of results for the full year ending 30 June 2023, driven by revenue growth and a well contained cost base, as follows:

- Earnings per share increased by 34.4% from 151.2 cents to 203.3 cents
- Headline earnings per share increased by 20.2% from 157.0 cents to 188.6 cents

Revenue grew by R995.2 million (16.6%) from R5 979.3 million to R6 974.6 million on the back of price increases to recover the large raw material input cost increases and volume increases in the packaging business, while volumes in the newspaper and commercial printing plants remained largely unchanged. The second half of the year's growth softened as loadshedding and inflationary pressures impacted consumer demand.

Raw material pricing and supply was a year of two halves:

- initially we were faced with supply constraints for all grades of paper and board and along with that, large price increases driven by oversubscribed mills, increased freight costs and lastly energy surcharges as a result of the Russia/Ukraine war. This was well managed by holding excess stock and where possible, recovering the increases from customers, and
- the second half of the financial year saw supply chains gradually returning to normal, customers destocking and subdued demand resulting in mills having excess capacity and pricing starting to soften, although not returning to anywhere near the price levels prior to the supply chain crisis. In response to the above scenario the group has started to trim stockholdings to more normalised levels.

Margins came under further pressure in the second half of the year as demand softened, competition intensified and with reduced purchasing, our average cost of stock remained high. Margins are expected to remain under pressure as the more expensive stock is worked through. Having said this, in the current results certain more expensive stock items have been revalued to the lower replacement value, at a cost of R51.8 million.

The margin pressure was mitigated by a well-controlled cost base with staff costs growing by only R84.6 million (6.9%) to R1 307.7 million while other operating expenses grew by R81.3 million (7.7%) to R1 139.7 million. This is a commendable achievement in the face of the high inflationary environment and the impact of loadshedding which added R25.4 million of diesel costs and R23.6m of machine repair costs incurred as a result of the flood in KwaZulu-Natal in the period under review. Loadshedding also had an impact on maintenance costs, as we have witnessed increased electronic failure on equipment, and when combined with the high cost of imported spares meant a significant year on year increase, in the region of 28%. In addition, the group faced higher distribution costs (as the price of fuel reached record levels) and a large increase in insurance premiums (as the insurance market hardened). These increases were offset by very good operational management of the other overheads, cost saving initiatives at our subsidiary, Cognition Holdings Limited, and disposal of Private Properties Proprietary Limited by Cognition Holdings Limited.

Profit from operating activities before depreciation and amortisation increased by R153.1 million (18.5%) to R981.1 million. After depreciation of R238.7 million, profit from operating activities increased by 25.8% to R742.4 million.

The above performance includes the following effect of our insurance claim for the catastrophic Kwa-Zulu Natal floods which impacted our Durban commercial printing plant, and highlights that the effects of global warming can no longer be ignored. The net impact on operating profit for the year is a increase of R84.6 million, as follows

- Interim Insurance receipts of R118.2 million – reported in other operating income
- Increased insurance premiums due to the swing clause in our policy, based on the size of the claim, of R10.0 million – reported in other operating expenses
- Repairs of R23.6 million spent during the year to bring the equipment back into production – reported in other operating expenses

The finalisation of the equipment loss and business interruption claims are imminent as it has been submitted to insurers and should be completed shortly.

As reported previously:

- the group's subsidiary, Cognition Holdings Limited sold its 51% share in Private Property South Africa Proprietary Limited for R150.0 million (R147.8 million net of transaction costs) resulting in a profit on disposal of R78.9 million,
- the group purchased the outstanding shares in associates Mooivaal Media and interest in Capital Media from Media 24, resulting in a deemed loss on disposal of R1.5 million and impairment of goodwill of R1.2 million, and
- On redemption of our listed preference share investment, an impairment of R1.2 million was recognised.

Net finance income grew by R15.7 million (13.3%) with increased dividend flows being offset by reduced interest income and slightly reduced forex losses. The increased dividend came from our investments in Mpact Limited (R57.4 million), Thebe Convergent Technology Holdings Proprietary Limited (R11.2 million) and unlisted preference shares (R44.6 million) due to the increasing interest rate environment. No dividends were received from Novus Holdings Limited – in a post reporting date transaction, Caxton has disposed of its entire shareholding in Novus Holdings Limited. Although the year under review experienced an increasing interest rate cycle, the group earned less net interest income of R4.7 million than prior year as the average cash holdings during the year were below that of the prior year. Net forex losses of R16.0 million are reflective of the volatile exchange rate that characterised the year under review.

Income from associates declined by R4.8 million to R7.0 million as a result of two associates being re-categorised as subsidiaries and the closure of a property company after the properties had been sold.

The group's profit before taxation was R952.1 million, an increase of 38.7% over the prior year, and after taxation of R200.2 million, resulted in profit after taxation of R751.9 million. Based on the lower weighted average number of shares in issue of 360 941 783, that represents:

- Earnings per share of 203.3 cents (2022: 151.2 cents) – an increase of 34.4%
- Headline earnings per share of 188.6 cents (2022: 157.0 cents) – an increase of 20.2%
- Net asset value per share of R20.22 (2022: R18.87) – an increase of 7.2%

Cash Flow

Even though stock holdings were still quite high at year end, it is pleasing that cash and cash equivalents increased to R1 888.4 million, an increase over the corresponding prior period of R223.6 million and an increase of R750 million over the interim reporting period (31 December 2022).

This was attributable to increased cash generated by operating activities of R476.6 million (an increase of 191.4% over the prior year) to R725.8 million. After paying taxation of R202.5 million, the cash inflow from operating activities was R523.2 million, a substantial increase over the previous year, of R430.0 million.

Although stock levels remain high at R1 714.9 million (an increase of R184.2 million over the prior year), there has been a reduction of R135.4 million since the interim reporting period. Although stock levels remain high in areas of our business, for which there are specific plans for further reductions, there is no doubt that higher than traditional stock levels will have to be held to support the growth we have experienced in specific packaging markets where the customers require certain minimum levels of stock holdings.

The net investment in property, plant and equipment of R261.1 million can be summarised as follows:

- Continued investments in solar power roll out. At year end we have 2,7MW of installed solar capacity with plans in place for a further 10,2MW. This will bring the installed solar capacity to 12,9MW. This will require a further capital expenditure of approximately R90 million and represents our commitment to reducing our carbon footprint and increasing energy self-sufficiency,
- A new laminator for our flexible packaging operation to support the growth in the wine bladder market,
- New printing press for our Western Cape packaging operation to drive operational efficiencies,
- New litho printing press for our magazine and textbook printing operation in the Western Cape,
- Additional equipment for our long run label operation in Gauteng to increase installed capacity and improve efficiencies, and
- New cup forming equipment to support our growth in the Quick Service Restaurant ("QSR") markets and to enter the coffee cup markets.

Our associates, predominantly Universal Labels Proprietary Limited, repaid their loan accounts of R25.4 million, while dividends received from associates amounted to R5.3 million.

Listed preference shares of R64.6 million were redeemed by the banking group.

During the period our subsidiary Cognition Holding Limited disposed of its 51% shareholding in Private Property Proprietary Limited for R150 million, or R96.6 million net of cash .

The group made acquisitions of R144.6 million (R131.7 million net of cash) as follows:

- The Amcor bag in a box bladder and tyre liner business for R102 million gross – effective 1 August 2022,
- The remaining 50% shares in our associate Mooivaal Media Proprietary Limited for R7.8 million gross – effective 1 September 2022,
- The outstanding interest in our associate Capital Media for R14.7 million gross – effective 1 August 2022, and
- The lamination business of Allflex CC for R20.1 million gross – effective 1 May 2023.

During the year the group increased its shareholding in its subsidiary Cognition Holdings Limited by R17.7 million to bring our shareholding up to 75.4%.

During the year under review the group returned a total of R222.1 million to shareholders through a dividend of R197.1 million and the repurchase of 2 601 550 shares for R25.0 million, at an average price of R9.62.

PERFORMANCE REVIEW

PUBLISHING, PRINTING AND DISTRIBUTION

Newspaper publishing and printing

The group's local newspaper business had a difficult year, especially from a local revenue perspective, where the incessant high levels of loadshedding impacted local businesses and had a knock-on impact on their advertising spend. This was compensated for by a reasonably strong national advertising performance which grew by 7%, largely driven by the grocery and liquor retailers. This provides the solid base from which we have to pursue new markets and customers that fit our media profile and to whom we can provide wide access to households and decision makers. In order to drive this, we have developed a new commission structure for the sales team that will hopefully bear fruit.

Whilst overall revenues remained similar to the prior year, the business faced rising printing costs as the price of newsprint reached unprecedented levels. Although management did a tremendous job in mitigating other cost increases to 2%, profitability declined over the prior period. The challenge remains to find new pockets of revenue while restructuring the business further for cost reductions by looking at better use of resources across titles and regions. During the period we completed the acquisition of the remaining interest in Capital Media and shares in Mooivaal Media from Media 24.

The group's daily newspaper, The Citizen, delivered a reduced level of profitability in the face of declining advertising revenues and increasing printing costs which have not been mitigated by other overhead savings. On the positive side, our circulation was stable and we still dominate certain advertising categories. It is crucial for this business to drive digital revenues to compensate for the reduced print revenues. Although we did not achieve our goals in this regard, with a few changes, we are starting to see a much-improved result.

Our subsidiary, Cognition Holdings Limited, disposed of its investment in Private Property (Pty) Ltd for R150 million. The remaining business faced declining revenues (13.6%) mainly in the incentive product market, while overall pricing pressure was felt. This decline was mitigated by excellent control of overheads and savings of 17.5% were realised, which resulted in a profit for the year compared to the prior year loss. The sales pipeline has improved but pricing pressure remains.

The group's newspapers printing plants improved profitability even though tonnage throughput declined by 6% and the facilities were heavily impacted by loadshedding and diesel costs. The decline in throughput came at our large facility in Johannesburg where we lost the Media24 contract, combined with the continued decline in print order and paginations of the dailies and weeklies. These declines were somewhat mitigated by increased retail printing which now represents half the throughput of the operation. In addition, we restructured the operation around the new tonnages but still have flexibility to take on more volume at short notice should the need arrive.

Our eight regional newsprint printing operations increased throughput as we managed to secure a large retailer's print requirements by providing a superior service to enable shorter deadlines and reduced transport costs. This competitive advantage remains a very useful selling tool for other potential customers.

The costs were well managed on the whole but we cannot avoid the large diesel costs during loadshedding as newspaper printing is time sensitive and requires all facilities to be fully operational.

Web and gravure printing

The group's commercial printing operations produced a good set of results, driven by a 2% increase in tonnage throughput and, to a large extent, the successful recovery of large raw material input cost increases. The increase in tonnage is particularly pleasing as many of our customers chose to opt for lower grammage paper to mitigate the large price increases brought upon by oversubscribed mills, increased shipping costs and energy surcharges – this was particularly hard felt in the first half of the year. The operations managed to increase market share with new customers coming on board owing to our access to raw materials and a relative pricing advantage.

Although global supply chains have started to normalise, any price decrease has been mitigated by the weakening Rand. Sourcing of various raw material options remains a key differentiator in securing and maintaining our current customer base. In addition, as with all our manufacturing facilities, with loadshedding and the concomitant diesel costs, maintenance costs as a result of weakening exchange rate and transport costs driven by the fuel price there are input cost pressures.

The printing of retailer brochures and advertising material remains an important marketing tool for our upstream advertising clients to reach a large audience to show product range and pricing, with food and liquor retailers contributing to the vast majority of the demand. Certain other categories like the Do-It-Yourself (DIY) market have seen a drop off in demand which then affects their advertising requirements from the group.

Most of our customers have renewed their print commitments with us but the extent of volume offtake will remain uncertain as consumers are feeling the pinch and this could necessitate a pullback in advertising brochures by retailers.

In certain paper grades the operations are in an overstocked position. but these grades are normally required over the festive season.

Book and magazine printing

This operation in the Western Cape had a challenging year with continued uncertainty of textbook demand from various government education departments. With demand being subdued, this created increased competition amongst printers for any volumes which put margins under pressure. In addition, our competitor, Novus Holding Limited, bought our largest textbook print customer Maskew Miller Learning (formerly Pearsons Education) and thus these volumes were lost, although not for the full year. The full impact will be felt in the new financial year. This operation was restructured towards the end of the financial year to align the cost base to the new market landscape. Having said this, this operation still performs well in servicing the diary and commercial catalogue markets.

PACKAGING AND STATIONERY

Packaging

The group's varied packaging operations had another record year driven by approximately 28% increase in revenues, as the markets we service experienced real organic growth, we made market share gains in existing customers and we offer new products.

In our folding carton divisions, the QSR and bag in the box ("BIB") markets again proved to be a resilient performer, growing volumes 13.1% and 17.1% respectively. This growth was stronger in the first half of the year, owing to the increased levels of loadshedding which benefitted the QSR market as consumers seem to prefer to buy takeaway meals as the solution to the inability to do home cooking. Some of this growth can also be attributed to new products and being able to secure volumes from our existing customer base, more specifically cold cups. In line with this strategy, we have also entered the coffee cup market and are confident of growing that sector.

The BIB volume growth benefitted from the increased presence of wine brands moving to this format of packaging while the traditional brands showed a marginal decline in volume. We do not expect the smaller 2023 wine harvest to impact the demand for BIB as the bulk wine segment offers real value to cash strapped consumers.

The fast-moving consumer goods ("FMCG") sectors showed no overall volume growth as certain customers were affected by loadshedding. This was offset by growth in the agriculture market, some market share gains and new customers.

The investment in a new state of the art printing press and die cutting equipment at the Western Cape operation will yield operational efficiencies in the new financial year as the operation can replace old and expensive-to-operate equipment, which should lead to substantial cost savings.

The group's short to medium run label manufacturers in the Western Cape returned results similar to the prior year. This was predictable in the light of a challenging environment where wine and spirit label volumes declined as a result of a poor second half where inflation impacted demand. The operation also faced the uncertainty around the continuity of the Langeberg Ashton business of Tiger Brands which resulted in reduced label offtake. This was offset by market share growth in beverages where the increased Coca Cola allocation had a positive impact.

Our flexible packaging operation, in the Western Cape, delivered stellar results by successfully integrating and leveraging acquisitions, new customers and gaining market share in the existing customer base. The unit benefitted from the acquisition on 1 August 2022 of the Amcor business in South Africa and also the lamination business of Allflex on 1 May 2023- both support our growth in providing BIB bladders as well as supplying the laminated substrate to other bladder manufacturers. To ensure production efficiencies, the operation ordered a new laminator which, when installed, should bring further benefits. This acquisition will also support our growth in the film packaging for dry goods which has shown tremendous growth over the review period. Our beverage flexible label market showed growth on the back of an increased allocation from Coca Cola.

The long run label operation, serving the major beer brewers, has benefitted from the recent investments in more equipment which has yielded efficiencies and further complemented the unit's capacity in order to serve the bulk of South Africa and neighbouring countries label requirements. These efficiencies and increased volumes benefitted performance. However, in the second half of the review period, we have seen margins coming under pressure as the cost of imported paper increased on the back of the weakening exchange rate, more than offsetting any base price decrease from the mills. Stock levels remain elevated to support the volume growth and unpredictability of orders from the neighbouring countries we service. In addition, our largest South African customer, where we have seen significant growth, requires minimum stock levels to ensure continuity of supply.

The group's cigarette carton manufacturing operation continues to face volume decline from its largest customer but the unit has done well to more than offset this by securing customers and increased volume offtake in other African regions. This unit is well equipped with specialised equipment and is well positioned to benefit from any other opportunities that arise. Again, stock levels have been increased to support the African growth and will remain at these levels for the foreseeable future.

Stationery

This small operation delivered excellent results with revenues growing by 18%, driven by the recovery, during the back-to-school period, by our largest retail customer. Margins were maintained despite increased raw material prices. The unit has been focused on reducing stock holdings and positive outcomes have been achieved.

Prospects

There is no doubt the upcoming financial year will deliver a more difficult economic environment with the impact of a constrained consumer starting to dampen demand. This could, in turn, reduce demand from retailers for our media publishing and printing business and could impact certain segments of our packaging markets. In the packaging markets we are fortunate to service those sectors that often are less affected, being the alcohol, QSR and cigarette sectors. As always, the management of costs will be paramount. The group is fortunate to have large cash resources to deploy where we see opportunities either in our existing businesses or through acquisitions.

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).

Dividends

The board has declared a final dividend of 60.00 cents (2022: 50.0 cents) per ordinary share (gross) and a preference dividend of 490.00 cents (2022: 410.00 cents) per preference share (gross) for the year ended 30 June 2023.

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 60.00 cents per ordinary share and 490.00 cents per preference share for shareholders exempt from Dividend Withholding Tax
- the nett dividend amount is 48.00 cents per ordinary share and 392.00 cents per preference share for shareholders liable for Dividend Withholding Tax
- the company has 359 303 097 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, 5 December 2023.

Shares will trade ex-dividend from Wednesday, 6 December 2023.

The record date will be Friday, 8 December 2023. Payment will be made on Monday, 11 December 2023.

Share Certificates may not be dematerialised or materialised between Wednesday, 6 and Friday 8 December 2023, both days inclusive.

Sponsor
AcaciaCap Advisors Proprietary Limited