Strong African growth shelters Nampak

By Mark Allix

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Rapid growth in the rest of Africa's markets led Nampak's results for the six months to March as the company reported an increase in trading profits of 39% and margins in Africa, excluding SA, rose to 15.9%.

Including exports, the rest of Africa accounted for 28% of the packaging group's trading profit, which rose from R142m last year to R197m this year. Specially strong performances were recorded in Angola and Zambia.

Group trading profit rose 6% as the overall trading margin held steady at 10.1% compared with 10.2% in the same period last year. Overall operating profit was up 13%, pushing up headline earnings per share by 3%.

Nampak's overall revenue grew 7%. SA gained 4%, while the rest of Africa rose 19%. Operations in the UK increased by 13% although, following the announcement of chief executive Andrew Marshall's impending retirement the share price tumbled almost 14%.

"I think it's a mixed bag, if you like. Africa remains our superstar," Marshall said on Tuesday (28 May).

He said UK operations were "pretty flat" in sterling terms although the group was "very happy" with what was achieved.

SA market challenging

"SA is our challenge," he said. He blamed tough domestic markets that negatively affected margins along with the the generally poor state of the South African economy.

SA trading profit fell 20% as margins dropped from 10,3% to 7.9%. The group said this was mainly because of reduced contributions from the glass, food and the diversified can businesses along with lower profits from the paper and flexible segment.

Marshall said lower selling prices agreed to in the metals and glass businesses for long-term supply contracts had enabled the group to proceed with major capacity expansions in beverage cans and glass bottles divisions.

Group operating profit in the period was enhanced by a R23m gain on the revaluation of the acquisition of the Elopak joint venture and also a gain on the reconsolidation of the Zimbabwean entities of R88m.

Nampak bought the remaining 50% shareholding in Elopak SA last year for R115m. The company makes packaging for beverages and dry foods.

Nampak said net debt to equity rose to 32% from 23% in September last year. This was mainly on increased capital expenditure and a R720m increase in working capital.

Total capital expenditure came to R631m compared with R461m in the previous year. Of this, R325m was spent on the new aluminium beverage can line at Springs.

Net group debt increased to R2.1bn at the end of March from R1.4bn at the end of September last year.