Nampak earnings up 7.4% to 114.3c

By Mark Allix

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Nampak's interim results for the six months to March saw the rest of Africa markets markedly contributing as the group as it grew overall trading income by 10%.

Nampak's Andre de Ruyter says the African businesses are making a serious contribution to the company's profits and earnings. Image: Financial Results

The African packaging company said trading income in the rest of Africa was up 23% to R261m, with revenue growth of 24% in the region compared with the period last year. It also said the rest of Africa now accounted for 24% of the group's trading profit.

Turnover generated in the rest of Africa amounted to R1.5bn it said, with its Angolan beverage can facility, and the operations in Nigeria and Malawi all improving on last year's results. Meanwhile, Zambian operations held steady.

New Chief Executive André de Ruyter, who took over from Andrew Marshall in March, said that the group had produced a "very solid set of results".

"Our strategy of investing in Africa continues to bear fruit. We believe there remains very attractive potential for further growth in the rest of the continent and we are confident that this trend will continue.

"Despite trading conditions being more challenging in South Africa, we continue to improve our competitiveness in our home market through a focused programme of capital investment, portfolio rationalisation and cost management," he said.

African operations performing well

Nampak said the Alucan beverage can operation in Nigeria, bought for US$301m in February had made a contribution to the results in its first month of operation.

Nampak also makes beverage cans for an Angolan beer brand and Coca-Cola in the capital Luanda, with a market in the country estimated to be about 1.2bn cans annually.

Aluminium base products are supplied by Hulamin, a primary metal beneficiator located in Pietermaritzburg. This means South African companies piggy-back on one another's success across the continent.

Alucan in Nigeria contributed upwards of US$300m to Nampak's earnings since February. Image: Economic and Financial Times

Nampak's Nigerian venture is projected to help lift group profits derived from the rest of Africa to 50% of total income. It will initially produce 1bn beverage cans a year, or about 2,400 cans a minute.

Overall, group revenue rose 12% in the latest interim period with trading profit from continuing operations increasing by 10%.

Headline earnings per share were up 9%, while the dividend was also increased by 10%.

Strong demand for beverage cans

De Ruyter said good demand for beverage cans was boosted by customers wanting to convert from tinplate to much higher-value, recyclable aluminium cans. Globally, about 85% of all beverage cans are now made from aluminium, which is lighter and reduces transport costs.

Sales of fish, vegetable and meat cans were all higher in the period and there was strong demand for aerosol cans. The group was also finalising construction of its third glass furnace that would enable it to produce a broader spectrum of glass colours more cheaply.

"Overall margins in the South African metals and glass segment increased from 11.0% last year to 11.3% this year," De Ruyter said.

"The paper businesses continued to be affected by weak demand and trading profits and margins were marginally lower than last year," he said.

The group's flexible plastics business was affected by reduced demand in the second quarter and a weaker rand resulted in higher raw material prices. Revenue was up in the plastics business, but trading profits fell from last year.

Nampak said its plastic milk bottle business in the UK performed well in sterling terms although trading profits were lower because of the adoption of a new accounting standard on pension fund costs.

There was also higher demand for toilet tissue and disposable diapers, but selling price pressure had affected trading profit, it said.

The group return on equity remained at 21%. Despite net debt-to-equity increasing, Nampak said it was a strong cash generator and the sound investments it had made in South Africa and the rest of Africa would soon contribute to higher earnings and reduced debt.