

Mpact earnings up to 76.2c a share

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Paper and packaging company Mpact reported diluted headline earnings per share of 76.2c for the six months to June compared with 61.1c a year ago.



An interim dividend of 22c a share was declared, up 10% from the dividend declared for the six months to June last year.

It recorded a revenue rise of 9.7% to R3.5bn, mainly as a result of volume growth in the plastics business and higher average selling prices. This growth was in line with the December full-year results, when revenue rose 10.9% to R6.8bn.

Underlying operating profit was up 6.1% in the first half to R236m and underlying earnings per share rose 20.9% to 77c as a result of the increase in operating profit, lower finance costs and a lower effective tax rate.

However, the operating profit margin narrowed to 6.7% from 6.9% a year earlier as Mpact failed to fully recover raw material price increases. External sales volumes increased 2.5% from the first half of 2012.

Mpact's chief executive Bruce Strong said the results reflect subdued economic and consumer spending in SA, which led to a very competitive trading environment.

Subdued spending

"There was some relief in a weaker rand," he said, which made the group's manufactured products more competitive compared with imported substitutes and supported growth in packaging for fruit exports, which remained robust during the period.

"However, these benefits were offset by increases in raw material prices, most notably plastic polymers, pulp and chemicals, which were not fully recovered in selling prices during the period under review," Strong said.

Mpact, a manufacturer of paper and plastic packaging focused on Southern Africa, was unbundled from international paper group Mondi in July 2011.

Mpact's paper business comprises recycling, paper manufacturing and corrugated board and the business is integrated across the recycled paper-based corrugated packaging value chain.

The plastics business manufactures recycling, paper manufacturing and corrugated board

Products include PET preforms, bottles and jars; plastic jumbo bins, wheelie bins, and crates; plastic containers for the fast-moving consumer goods (FMCG) market; and styrene and PET trays, fast food containers and clear plastic films.

The group employs 3,760 people in 32 operations in SA, Namibia, Mozambique and Zimbabwe.

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