Gains and headwinds make for a year of mixed fortunes at Nampak

By Mark Allix

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Nampak's financial year ended-September was one of "mixed fortunes" for the company.

Africa's biggest manufacturer of beverage, food and non-perishable packaging incurred restructuring charges of R224m. This amount included retrenchment costs as well as once-off charges related to writing off redundant assets.

But the group said on Thursday the payback period for these costs was less than one year as a result of avoiding losses from its divested corrugated, tissue, flexible, recycling and sacks divisions.

It also said it had benefited from the continued growth of its tin and aluminium beverage can businesses, in particular Bevcan Nigeria and Bevcan Angola.

However, foreign currency liquidity issues in these countries caused by commodity price fluctuations resulted in foreign-exchange losses that put pressure on group performance.

"We reported a R141m foreign exchange loss as a result of liquidity constraints in Angola and Nigeria," CEO André de

Ruyter said on Thursday .

"I think it's been a year where we have had some headwinds," he said.

But large capital projects were successfully commissioned, including the first aluminium beverage can line in Rosslyn, near Pretoria, and a second beverage can line in Angola.

Challenges in starting a third glass furnace at its South African glass plant caused a first-half loss in the glass division, having resulted in cost increases. These problems had been "substantially resolved by year-end". Higher-than-anticipated spoilage at its converted aluminium beverage can lines in Springs was brought under control.

De Ruyter said foreign-exchange losses had a negative effect on the bottom line.

"But, I think we have done a lot of the work in the second half and the business is looking quite robust," he said.

Revenue and trading profit from the rest of Africa was up 43% and now accounted for 49% of group trading profit, up from 37% last year.

But this did not stop headline earnings per share from continuing operations falling 6%. Group operating profit from continuing operations was down 9%, affected by abnormal items of R139m, as net profit from continuing operations crept up 2%.

"We continue to navigate a challenging macroeconomic environment ... and currency liquidity issues in Angola and Nigeria are expected to continue (affecting) our ability to repatriate earnings from these operations," De Ruyter said.

But he said the group's financial position remained strong, with significant headroom in its debt covenants.

Nampak said its plastics cluster, which includes its South African, rest of Africa and UK plastics divisions, produced an improved performance.

Revenue for the cluster was up 3%, while trading profit was up 16%.

Source: Business Day