

## Mondi confident on acquisitions

Mondi group's interim management statement to the end of October was in line with the company's expectations and reflected a stable trading environment, the group said on Wednesday, 31 October 2012.

By [Mark Allix](#) 1 Nov 2012



This was in the context of the effect of traditionally weaker European summer months, and annual maintenance shuts at a number of its larger operating sites during the quarter.

The statement provided an update on the global paper and packaging company since the half-year ended June, and was based on management accounts up to the end of September, and estimated results for last month.

Underlying operating profit for the third quarter ended September was €135m, from €136m in the same quarter last year, but below €150m for the second quarter this year.

"I think frankly it's a solid performance in what remains a difficult trading environment," group chief financial officer Andrew King said on Wednesday.

He said Mondi's strength was its "performance" and that the group had made "good progress on the strategic front", while continuing with cost containment. This included the sale of its loss-making Aylesford Newsprint unit in the UK, and the acquisition of Germany-based consumer packaging company Nordenia.

In September, Mondi also agreed with European packaging firm Duropack to buy two of its corrugated board plants, in Germany and the Czech Republic, and also a recycled containerboard mill in the Czech Republic for a total of €125m.

The acquisition was part of Mondi's strategy to strengthen its leading position in corrugated packaging in central and eastern Europe, and remained on track for completion in the fourth quarter.

"The result is broadly in line with our expectations," Kagiso Asset Management equity analyst Rubin Renecke said on Wednesday.

He said Mondi's debt position would "increase substantially" over the next quarter following the Nordenia and Duropack acquisitions.

"However, it is still manageable as the group is highly cash generative and debt levels are therefore likely to decline rapidly from next year," he said.

King said Mondi was focusing on "integrating" and "optimising" the group's acquisitions.

Mondi had rearranged its Europe and international business into four segments: packaging paper, fibre packaging, consumer packaging and uncoated fine paper.

It said packaging paper performed well during the period, benefiting from continued strong cost containment. Underlying operating profit was at similar levels to the second quarter, although below the same period last year.

Fibre packaging also performed well during the quarter with underlying operating profit well above the period last year and similar to the previous quarter.

The group said consumer packaging delivered steady returns with underlying operating profit similar to that of the previous quarter. It also said the Nordenia acquisition would "significantly" enhance this business.

Uncoated fine paper continued to deliver "strong results", despite a generally difficult trading environment, and was driven by a cost reduction programme.

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