

# Afrindaba



**AFRIPACK**

A PROGRESSIVE PACKAGING COMPANY

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## *Afripack Overview*

*Arnold Vermaak*

South Africa is in the middle of strike season and the third consecutive quarter of economic recession. Nevertheless, there seems to be a growing optimism - maybe it is the sight of the real progress being made in the completion of the world class stadiums, Gautrain and highway upgrades. Maybe it is the Springboks back on top of the world or Bafana surprising us. Maybe it is Pres. Zuma's first 100 day's performance being better than expected. Maybe it is simply because South Africans are a resilient lot very used to change. Let's hope the green shoots of economic recovery will turn into a lush lawn for all of us in the foreseeable future.....

We have certainly experienced the effects of the economic downturn with local volumes declining by on average 10%. Fortunately we have been successful in significantly growing our export base which has compensated to a large degree. In addition we have gone on the "business diet" that Eben refers to in his article, targeting cost and waste reduction. The recession has indeed been an opportunity for refocus and operational improvement. It would appear that we have reached the bottom of the paper commodity cycle - prices in Europe have flattened out and there have been some increases in spot prices. Pricing in SA has been kept unchanged until April 2010.

We have been fortunate to receive feedback from several fronts over the last few months: Stakeholder satisfaction has improved with both our annual Customer satisfaction and Employee satisfaction surveys producing best to date results. We have improved our BBBEE rating and are now classified as a Black owned, Level 3, Value Adding Supplier with Black Woman shareholding greater than 30%. We received Competition Commission approval and our R185m acquisition of assets from Astrapak Flexible became effective on 8 August. These companies will collectively form part of Afripack Consumer Flexibles (Pty) Ltd. As the name indicates, ACF's focus is on consumer flexible products. Our existing business comprising paper sacks and reel will be known as Afripack Industrial Flexibles. Obviously, AIF's focus will be on industrial markets. Afripack - comprising of AIF and ACF - becomes a more significant flexible packaging company with an estimated turnover of R1bn pa.

Whilst we are excited by our increased flexible packaging footprint, we are determined not to lose focus on managing the critical success factors that have enabled our past success. The fundamental task remains unchanged: build sustainable value for all stakeholders but understand that our business starts and ends with the most important stakeholder: our customers. You the customer will be the judge how well we do. Thank you for the opportunity and for the ongoing

## *Afripack Consumer Flexibles*

*James Hynd*

I write this article, hopefully just days away from us taking ownership of the Assets and Business of the Astrapak Flexibles businesses being acquired.

Our transaction was submitted to the Competition Commission on the 18th May 2009, and we have finally received informal feedback that the Commission's Exco should be approving it on the Tuesday the 28th 2009.

Much has developed since we wrote in April edition of Afrindaba, relating to our new business:-

- We have met with the senior management of the current businesses, and performed various assessments, and are now in a position to appoint our Exco team to lead the new business.
- The Sisonke rollout, our culture creation process, has been scoped, costed and planned to commence at the end of September 2009.

- As many of you know we have had a strategic partnership with the Mondri Coatings Division – A division of the European business. We recently hosted the CEO and Export Director – Thomas Schaeberinger and Patrick Papst. One of the key deliverables from the visit was the further rollout of our partnership to include their Consumer Flexibles business - access to a major player, with World Class operations supplying all the multi-national players in Europe, and the World Class R&D Centre in Austria. We are happy to report that with the support of the Coatings team, the Consumer Flexibles Division have confirmed our partnership – watch this space at Propak 2009. We look forward to bringing their fantastic products and innovation to the local market.
- We have employed Chris McLaughlin, previously Managing Director of Nampak Flexibles, as GM of the Cape Wrappers business, and Project leader of Rationalisation. We welcome Chris, and look forward to his skills and experience adding significant value to our team.
- We have finalized the purchase of the 50.5% of the Standard Labels business in Mauritius that was not owned by Astrapak, thereby taking 100% control of this key business, in our export strategy. In addition we have created a specific Export Manager role, which will be filled effective 1 August 2009.

The protracted period awaiting fulfillment of all the Conditions, has been frustrating for all. We get a sense that our newly acquired team are excited about the change, and want to get down to doing business in the new culture.

A couple of dates to diarise are:-

- 1 August 2009 – Afripack Consumer Flexibles (Pty) Ltd commences trade – subject to the above approval of the Competition Commission.
- 3 September 2009 – launch to the market of the new business.
- September 2009 – supplement in Packaging and Print Media.
- 20 – 23 October 2009 – Propak Hall 6 – join us at our stand with our Mondri Coatings and Consumer Flexibles partners.

The process of "acquiring" is coming to an end at last, and we can finally commence "building" our new business. We understand the importance of our customers and suppliers, and again thank you for your continued support, and making the growth of Afripack possible.

During tough economic times many companies are forced to reduce shifts, or work short time, or even revert to retrenchments.

The Afripack Exco has made a commitment to all our employees that as an Afripack team we will do our utmost to prevent job losses. To achieve this means that we have had to go on a "business diet" – focus on the basics, and cut out the non-essentials. During rapid growth periods lots of "business fat" creeps in and we need to get rid of it. The only condition of the "diet" is that it will not impact on our service delivery or quality to our customers. Every employee is focusing on cost, waste and service delivery. We have already seen a reduction in material waste, and transportation costs, through better planning.

We are busy with a few projects aimed at improving the quality and performance of our products at customers. Afripack has embraced the principles of 6 sigma and one of the projects is to redesign our quality systems to incorporate these principles. Some of these projects involve back to back projects with suppliers and others may involve some capital expenditure. The results of these projects will manifest during the last quarter of 2009. Our goal is to be the leading supplier, or supplier of choice to all our customers, and we cannot lose focus of this fact.

## Raw Materials News

## Jeff Swanson

The value of the Rand against the US dollar strengthened by approximately 18% in the first 6 months of 2009. By all accounts this should have had a positive direct effect on the landed cost of all dollar related imported raw materials as well as a positive indirect effect on locally sourced raw material equivalents as local suppliers moved towards lowering their prices in order to maintain their competitiveness. Admittedly, this is, perhaps, an overly simplistic view in that it does not take into account fixed price agreements with local suppliers, forward foreign currency commitments, or stock in the supply chain. In any event, the trend shown in Fig. 1 below suggests lower (or, at worst, no increase in) raw material input costs over forthcoming months.

Unsurprisingly, the movement in the value of the Rand against the Euro is not dissimilar to that of the Dollar, strengthening by approximately 14% accordingly to the Fig. 2 below.

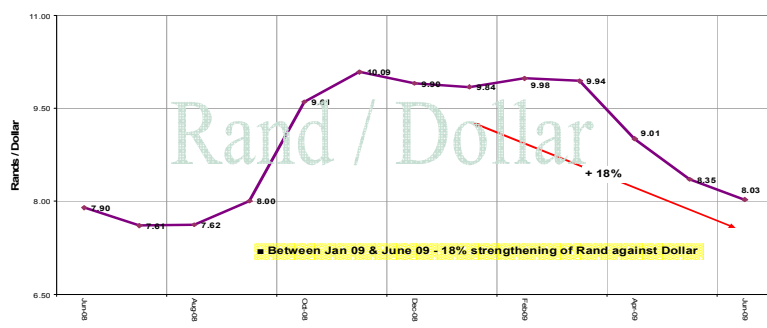
Afripack purchases Low Density Polythylene (LDPE) for extrusion coating purposes. The coating not only serves as a moisture barrier but also acts as a sealing mechanism.

Fig. 3 below traces how significantly polymer prices have decreased in dollar terms in the last 6 months of 2008 and, sadly, how they have risen in the first 6 months of 2009 (30%). Luckily much of the recent increases have been negated by a stronger local currency (18% stronger) as reflected in Fig. 1 below. The new local effect still shows upward pricing pressure but overall polymer pricing levels are still nowhere near the highs of 12 months ago.

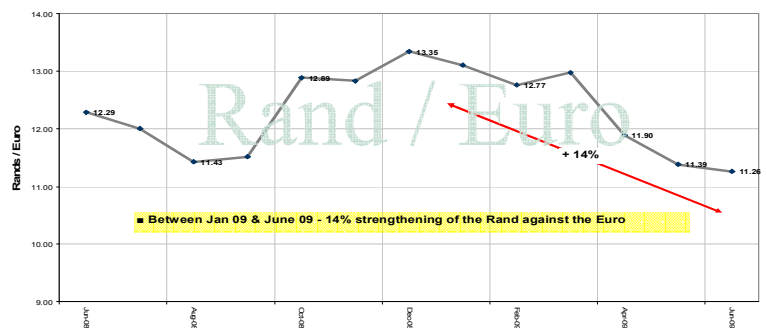
LP Gas is used for a number of applications including fuel for forklift vehicles. LP gas prices have fallen significantly over the past 12 months (Fig. 4 below) mimicking crude oil price trends. One wonders whether these lower prices have been successfully passed on to buying organisations.

Fig. 5 below shows the trend in the price of crude oil which after a steep decline in the latter half of 2008, shows stronger signs of recovery during the first part of 2009 – and which is, perhaps, a leading indicator of a more optimistic world economy to come?

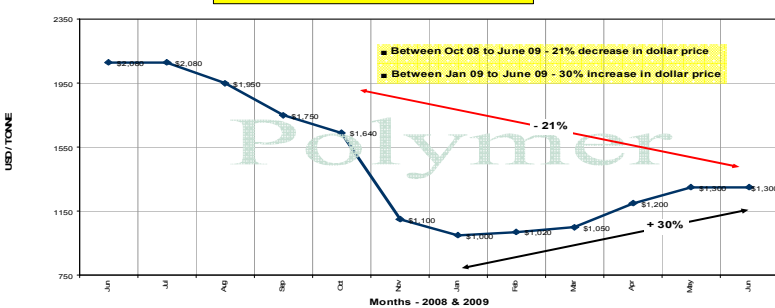
**Fig 1 Rand / Dollar Exchange Rate Monthly Average**  
Source: Standard Bank EcoServ



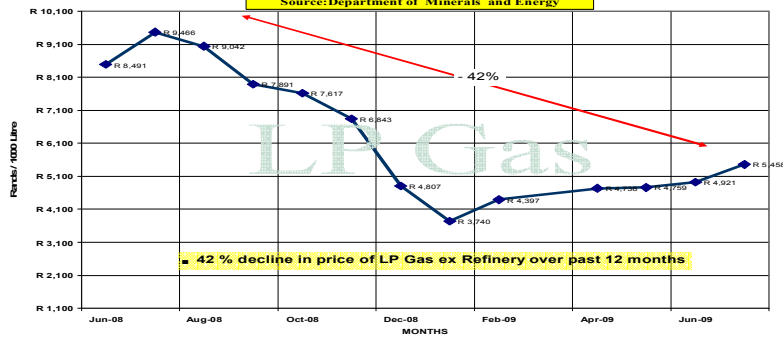
**Fig 2 Rand / Euro Exchange Rate Monthly Average**  
Source: Standard Bank EcoServ



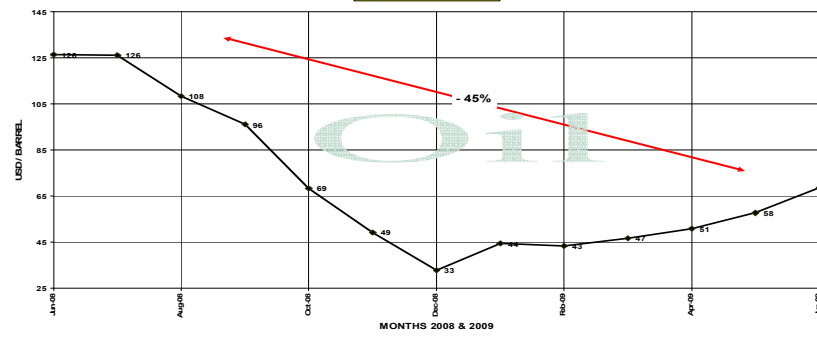
**Fig 3 POLYMER (LDPE) PRICE PER USD / TONNE (Extrusion coating grade)**



**Fig 4 MAXIMUM LP GAS REFINERY GATE PRICE**  
Source: Department of Minerals and Energy



**Fig 5 OIL PRICE TREND**  
Source: Standard Bank



# Flexible News

Reuben Glenny

With less than two months left till the end of our financial year, the focus is on tying up all the loose ends, and achieving our objectives for the year. We have managed to reduce our finished goods stocks by almost 50% this year, which obviously helps to curtail working capital costs. There has also been focus on raw materials stocks – especially imported product with long lead times. Even though some of our larger customers have been feeling the recessionary pressure, our overall results will be better than expected, which is thanks to some new business gained over the last year.

Melanie Bekker, our Demand Planner, has also resigned and moved on to a new challenge with Tetrapak, which is a sad loss to our division. She added a lot of value (and good laughs) during her 2,5 years at Afripack, and we wish her everything of the best in her new career.

# Customer Service & On Time Deliveries

Cara Anderson

I recently read an article about the effect of the recession on customer service. In difficult economic times, sometimes the first corners to be cut are related to customer service. This is exactly the wrong thing to do. Service matters more than ever, as customers are very conscious of the hard earned money that they spend. Customer want more attention and value for money, not less.

In tough times, it is quite clear that every expense is scrutinized. There is less time and money spent traveling, wining and dining. Customer's behave more cautiously and notice every extra effort made. This is why although Afripack's basic products have remained the same, our customers want more service for their money.

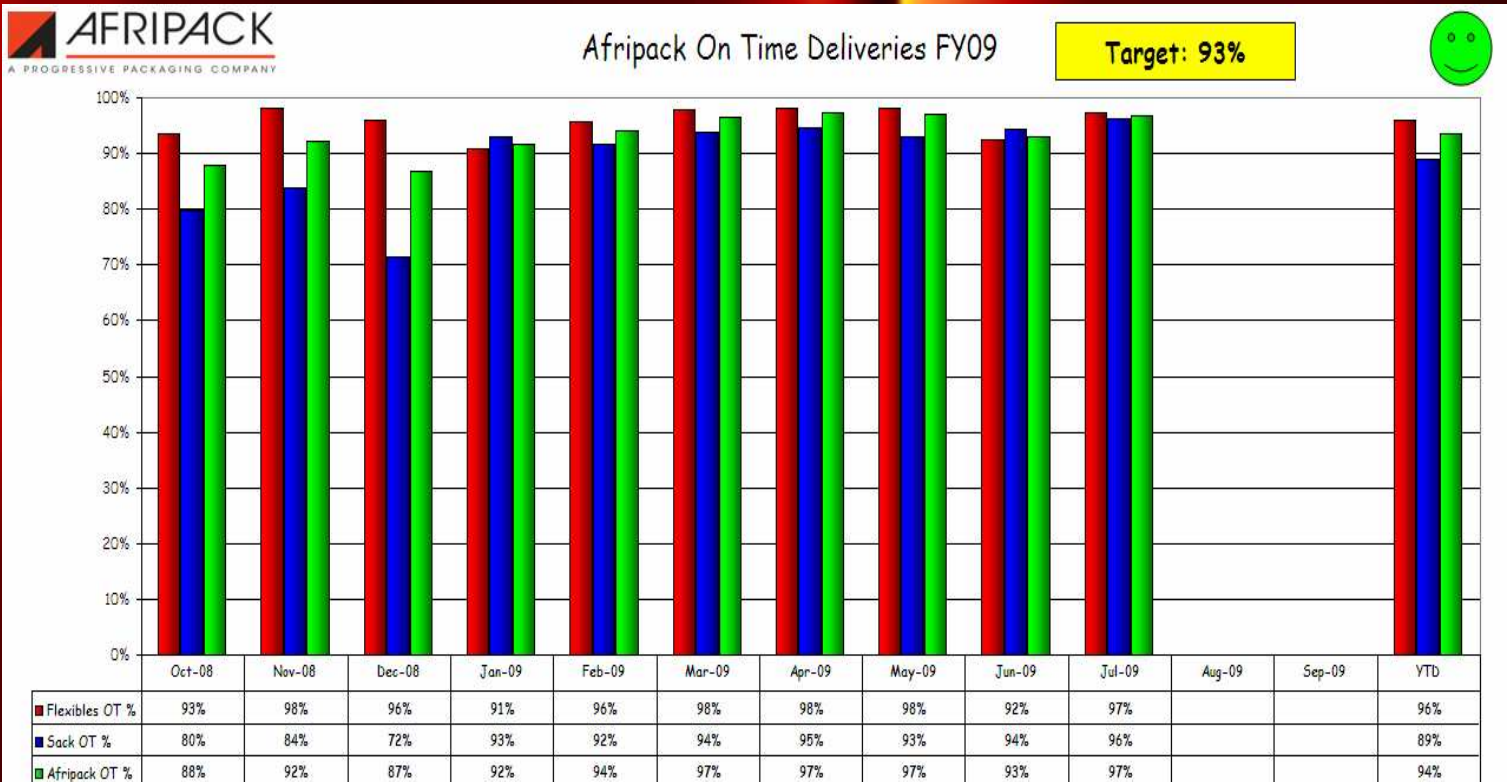
We at Afripack need to ensure that the words spoken about our business are good ones.

Giving good service in tough times make good business sense. To do this there are a few things we try to do at Afripack:

1. Understand our customer's new expectations
2. Ensure our quality differentiates us from our competitors - it must be excellent!
3. Ensure our delivery systems are fast and reliable
4. Ensure we provide personalized, responsive and "extra-mile service" that sets us apart

We aim to go beyond the basic levels of service our customers have come to expect from us. We need to remember that service is the currency that keeps our business successful and our customers are the measure of that success!

Getting it right the first time drives down costs and improves customer satisfaction. A great way to help our organisation improve on execution is by measuring OTIF: your on-time and in-full delivery performance. Our results are below:



# People of Afripack



## Sthabile Ntshela

**Job Title:** BRIC in Training  
**Years Service:** 4 Years  
**Birth Place:** Umbumbulu, Durban  
**Marital Status:** Single, but not for long – sorry boys :-)  
**Children:** 1 on the way

**Background:** I'm an Aries, generally happy person, Christian, very opinionated (okay maybe not publicly) and I'd like to think I'm easy to get along with.

**Social Life / Hobbies:** Like most women, I like shopping, so that's what I usually do with my fiancé every now and then. I can't imagine it's much fun for him, but then again who cares what men want? (\*\*evil laugh\*\*)

**Work History / Career Information:** I worked at Nampak Tissue as a QA Assistant for a while, after that I joined Afripack.

**What has been your greatest achievement?** Still waiting for it.

**Before I retire, I simply have to..** own an island, maybe in the Bahamas.

**If you could change anything in the world, what would it be?**  
I would change the way people see themselves, I would create a world where everyone thinks and dreams to their full potential and never feel limited by anything but their own dreams (imagine the difference this would make to our world).



## Candince Daniels

**Job Title:** Inland Sales Co-Ordinator  
**Years Service:** 8 months  
**Birth Place:** Durban  
**Marital Status:** Engaged  
**Children:** 1 Daughter - Taylor (Bug)

**Background:** I moved around a lot as a child, so made a lot of friends along the way.. Durban to Richards Bay to Mozambique to Johannesburg. I went to boarding school my entire school career as I was a very naughty child.

**Social Life / Hobbies:** I am very much an outdoors kind of girl. I love the beach and water sports. I love watching rugby and spending time with friends and family. I consider myself a bit of a dare devil as I would love to try out Sky Diving. Partaking in a rally and would love to go Chumming in False Bay - Cape Town.

**Work History / Career Information:** 2 years modeling, 6 years Motor Industry.. and 8 months packaging.

**What has been your greatest achievement?** Most definitely my daughter, Taylor.

**Before I retire, I simply have to..** buy a Range Rover Sport, put my daughter through Varsity and win the lotto!!

**If you could change anything in the world, what would it be?**  
Bring back the death penalty