

Transpaco to buy FPM's packaging business

Paper and plastic packaging group Transpaco says it will buy Future Packaging and Machinery (FPM) for up to R105m.



"FPM is an attractive target business prospect for Transpaco to expand its business," Transpaco announced on Monday. Its share price rose 1% to R22 in light trade on Monday.

FPM supplies industrial and general packaging products and sells them through three major distribution centres, in Johannesburg, Cape Town and Durban, and two smaller depots in Bloemfontein and Nelspruit.

"FPM has achieved consistent growth in sales and profitability since inception. Transpaco seeks access to the large customer base that FPM currently services and its extensive product range to add to Transpaco's existing offering," the group said.

The maximum estimated purchase price would be R105m, depending on the target company's audited financial statements for the year to end February 2018, Transpaco said. It would pay a premium of R37.2m to the book value of the net assets being acquired and would fund the deal with existing facilities and cash resources, it said.

FPM expects to generate turnover of R461m and net profit after tax of R20m in its financial year ending February 2018. Transpaco said FPM was "highly profitable and cash generative", while it had well-known products and services and an "experienced and self-sufficient management team".

It also had "strong growth prospects, arising from its established position in SA and opportunities to further expand municipal, industrial, wholesale, retail, agricultural and export markets".

Transpaco could extend FPM's product offering to its own customers. The deal was expected to enhance Transpaco's earnings.

Source: Business Day

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