Mondi and Sappi repackage and redesign themselves

By Mark Allix

5 Nov 2015

Mondi Group will buy 95% of South Korean flexible packaging company KSP and related interests, expanding its global packaging business, the international packaging and paper manufacturer said on Monday.

Mondi CEO David Hathorn.

Image credit: Financial Mail

KSP specialises in the production of high-quality spouted and retort stand-up pouches for the food, pet food and beverage industries. Its main manufacturing site is near Seoul, South Korea, and it has an interest in a plant near Bangkok, Thailand.

"This acquisition further supports Mondi's strategy to develop in high value-added, high-growth markets in our consumer packaging business," Mondi Group CEO David Hathorn said on Monday.

He said KSP offered an "excellent product fit" with Mondi's stand-up pouch operations in Korneuburg, Austria, and in Jackson in the US, and would enable Mondi to better serve its customers in the US and Asia.

The price of the buyout was below JSE reporting thresholds and was not disclosed. KSP exports about two-thirds of production - mainly to the US and Europe, and also to other Asian countries. For the 12 month period ended December 2014, the company generated about $50m in revenues.

Meanwhile, Sappi, SA's other international paper and packaging group, said the sale of its Enstra mill near Johannesburg to South African packaging manufacturer Corruseal was concluded on Monday. The Corruseal deal includes the recycled containerboard and kraft papers business, and the fine paper and security paper portfolio.

The production of Sappi's well-known Typek office paper brand has now been moved to the group's Stanger mill in KwaZulu-Natal, where Sappi is investing R70m to turn the mill into a "world-class office and tissue paper producer".

Along with the recent disposal of its Cape Kraft recycled packaging paper mill in Cape Town to South Africa-based printing and packaging company the Golden Era Group, the sale is part of Sappi Southern Africa's restructuring.

The Enstra mill and Cape Kraft mill disposals are not categorised in terms of JSE listing requirements. Sappi had said it would receive "just short of R600m" from the transactions.

The Sappi group has been revamping some mills across the world for greater production of high-margin chemical cellulose. This is a pulp-derived product that is widely used as a cotton replacement in the clothing and textiles industries, and also in pharmaceutical products, foodstuffs and cigarette filters.

Alex Thiel, CEO of Sappi Southern Africa, said on Monday the decision to move Sappi's office paper business to the Stanger mill, particularly its popular Typek brand, was only part of a broader restructuring within Sappi Southern Africa, in support of Sappi's global strategy.

Other actions had included Sappi's exiting of the recycled packaging market. This would place more focus on the profitable and growing virgin containerboard and liner, or packaging paper business, he said. Mr Thiel said the proceeds of the sale of the two mills would be used to reduce group debt.

Sappi would also switch from producing coated paper at the Stanger mill to making uncoated office paper. This would improve the mills' performance, he said.

The group expected to close the sale of the Cape Kraft mill before the end of this month.

"The sale of the Cape Kraft and Enstra mills is in line with Sappi Southern Africa's strategy to unlock value in line with the Sappi (group) strategy which aims to reduce debt, strengthen its balance sheet and direct resources to high-growth opportunities," it said.

Source: Business Day