KayDavGroup

2020

UNAUDITED
INTERIM RESULTS
for the six months ended 30 June 2020

- Revenue **R417 million** (down 13%)
- Headline earnings per share **0.5 cents** (down 84% from the prior year's 3.1 cents)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2020

	Unaudited 30 June 2020 R	Unaudited 30 June 2019 R	Audited 31 December 2019 R
ASSETS			
Non-current assets	**144 969 002**	156 976 320	149 549 280
Property, plant and equipment	**73 590 882**	77 060 333	75 958 886
Right-of-use assets	**43 314 065**	53 172 011	47 229 050
Goodwill	**26 361 344**	26 361 344	26 361 344
Deferred taxation	**1 702 711**	382 632	–
Current assets	**355 486 117**	345 537 732	387 880 554
Inventories	**153 631 974**	167 774 523	174 657 451
Trade and other receivables	**115 732 805**	127 113 918	111 195 302
Cash and cash equivalents	**85 834 254**	49 320 521	101 978 439
Taxation	**287 084**	1 328 770	49 362
Total assets	**500 455 119**	502 514 052	537 429 834
EQUITY AND LIABILITIES			
Capital and reserves	**241 892 515**	224 544 129	241 000 886
Share capital	**173**	173	173
Share premium	**115 386 161**	115 386 161	115 386 161
Accumulated profit	**126 506 181**	109 157 795	125 614 552
Non-current liabilities	**59 834 064**	78 303 665	69 702 519
Instalment sale liabilities	**8 280 892**	14 248 133	11 767 951
Interest-bearing liabilities	**5 904 291**	7 713 610	6 870 103
Lease liabilities	**45 648 881**	56 341 922	50 514 966
Deferred taxation	**–**	–	549 499
Current liabilities	**198 728 540**	199 666 258	226 726 429
Trade and other payables	**109 659 704**	111 506 386	146 144 527
Short-term portion of instalment sale liabilities	**7 269 853**	7 898 341	7 824 249
Short-term portion of interest-bearing liabilities	**1 784 137**	3 184 423	1 631 052
Short-term portion of lease liabilities	**12 770 448**	10 114 568	11 235 348
Bank overdraft	**61 133 358**	61 875 221	54 746 834
Taxation	**242 819**	–	66 468
Provisions	**5 868 221**	5 087 319	5 077 951
Total equity and liabilities	**500 455 119**	502 514 052	537 429 834
Shares in issue at period end	**172 751 585**	172 751 585	172 751 585
Net asset value per share (cents)	**140.0**	130.0	139.5
Net tangible asset value per share (cents)	**124.8**	114.7	124.2

CONDENSED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited six months ended 30 June 2020 R	Unaudited six months ended 30 June 2019 R	Audited year ended 31 December 2019 R
Balance at the beginning of the period	**241 000 886**	235 729 459	235 729 459
Adoption of IFRS 16			
– Recognition of right-of-use assets	**–**	57 190 706	57 190 706
– Deferred taxation on recognition of right-of-use assets	**–**	(16 013 398)	(16 013 398)
– Recognition of lease liabilities	**–**	(68 891 079)	(68 891 079)
– Deferred taxation on recognition of lease liabilities	**–**	19 289 502	19 289 502
– Derecognition of rental smoothing accrual	**–**	4 277 867	4 277 867
– Deferred taxation on derecognition of rental smoothing accrual	**–**	(1 197 803)	(1 197 803)
	241 000 886	230 385 254	230 385 254
Distribution to shareholders	**–**	(11 229 342)	(11 229 342)
Total comprehensive income for the period	**891 629**	5 388 217	21 844 974
Balance at the end of the period	**241 892 515**	224 544 129	241 000 886

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited six months ended 30 June 2020 R	Unaudited six months ended 30 June 2019 R	Audited year ended 31 December 2019 R
Revenue	**417 268 523**	478 461 039	1 025 316 565
Cost of sales	**(307 296 330)**	(348 152 758)	(743 915 254)
Gross profit	**109 972 193**	130 308 281	281 401 311
Other income	**808 297**	722 270	1 614 934
Net impairment loss on trade and other receivables	**(8 851 652)**	(3 331 301)	(2 754 282)
Operating expenses	**(96 416 852)**	(114 807 179)	(238 329 018)
Operating profit	**5 511 986**	12 892 071	41 932 945
Interest received	**224 111**	349 739	458 766
Finance costs	**(4 472 947)**	(5 698 454)	(11 502 877)
Profit before taxation	**1 263 150**	7 543 356	30 888 834
Taxation	**(371 521)**	(2 155 139)	(9 043 860)
Profit for the period	**891 629**	5 388 217	21 844 974
Other comprehensive income	**–**	–	–
Total comprehensive income attributable to equity holders of the parent	**891 629**	5 388 217	21 844 974
RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS			
Earnings	**891 629**	5 388 217	21 844 974
(Profit)/loss on disposal of plant and equipment	**(19 711)**	(11 323)	69 053
Taxation on profit/loss from disposal of plant and equipment	**5 519**	3 170	(19 335)
Headline earnings attributable to equity holders	**877 437**	5 380 064	21 894 692
Weighted average number of shares in issue	**172 751 585**	172 751 585	172 751 585
Basic and diluted earnings per share (cents)*	**0.5**	3.1	12.6
Headline and diluted earnings per share (cents)*	**0.5**	3.1	12.7

*The Group has no dilutive instruments in issue.

	Unaudited six months ended 30 June 2020 R	Unaudited six months ended 30 June 2019 R	Audited year ended 31 December 2019 R
REVENUE			
Board Distribution and Adaptation	**360 730 965**	431 356 810	916 012 248
• Local	**331 219 522**	406 150 297	861 642 930
• Export			
– Zimbabwe	**14 382 376**	12 352 902	26 154 117
– Namibia	**7 043 976**	6 425 595	14 929 250
– Swaziland	**5 578 851**	5 603 133	11 352 918
– Other SADEC countries	**2 506 240**	824 883	1 933 033
Packaging	**56 537 558**	47 104 229	109 304 317
• Local (excluding sales to Board Distribution and Adaptation segment)	**55 105 896**	45 307 941	105 692 436
• Export			
– Zimbabwe	**222 250**	59 488	175 896
– Namibia	**813 353**	1 546 836	2 831 886
– Swaziland	**396 059**	1 980	371 183
– Other SADEC countries	**–**	187 984	232 916
	417 268 523	478 461 039	1 025 316 565

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited six months ended 30 June 2020 R	Unaudited six months ended 30 June 2019 R	Audited year ended 31 December 2019 R
Cash flows from operating activities			
Operating cash before working capital movements	**16 708 468**	24 278 193	65 257 577
Working capital movements	**(19 996 855)**	(48 332 508)	(5 873 226)
Cash (utilised)/generated by operations	**(3 288 387)**	(24 054 315)	59 384 351
Investment income	**224 111**	349 739	458 766
Finance costs	**(4 472 947)**	(5 698 454)	(11 502 877)
Taxation paid	**(2 685 101)**	(5 648 601)	(10 259 315)
Net cash (outflow)/inflow from operating activities	**(10 222 324)**	(35 051 631)	38 080 925
Cash flow from investing activities			
Investment in property, plant and equipment	**(1 863 912)**	(794 887)	(3 175 006)
Proceeds on disposal of property, plant and equipment	**121 447**	362 358	670 135
Net cash outflow from investing activities	**(1 742 465)**	(432 529)	(2 504 871)
Cash flow from financing activities			
Distribution to shareholders	**–**	(11 229 342)	(11 229 342)
Repayment of instalment sale liabilities	**(4 209 870)**	(5 033 839)	(9 204 692)
Repayment of interest-bearing liabilities	**(812 728)**	(2 270 216)	(4 667 095)
Repayment of lease liabilities	**(5 543 322)**	(4 145 047)	(8 851 224)
Net cash outflow from financing activities	**(10 565 920)**	(22 678 444)	(33 952 353)
Net (decrease)/increase in cash and cash equivalents	**(22 530 709)**	(58 162 604)	1 623 701
Net cash and cash equivalents at the beginning of the period	**47 231 605**	45 607 904	45 607 904
Net cash and cash equivalents at the end of the period	**24 700 896**	(12 554 700)	47 231 605

SEGMENTAL ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited six months ended 30 June 2020	Unaudited six months ended 30 June 2019	Audited year ended 31 December 2019
	R	R	R
Segmental revenue			
Board Distribution and Adaptation	**360 730 965**	431 356 810	916 012 248
Packaging	**57 206 183**	48 111 457	111 713 960
Internal revenue (Packaging)	**(668 625)**	(1 007 228)	(2 409 643)
Net revenue	**417 268 523**	478 461 039	1 025 316 565
Segmental results			
Board Distribution and Adaptation	**215 572**	9 602 248	32 293 427
Packaging	**5 296 414**	3 289 823	9 744 245
Other	**–**	–	(104 727)
Operating profit before interest	**5 511 986**	12 892 071	41 932 945
Operating assets			
Board Distribution and Adaptation	**387 597 385**	389 192 777	416 774 823
Packaging	**47 055 502**	36 747 626	51 434 268
Other	**4 255 082**	4 098 349	1 622 765
Internal balances	**(10 118 055)**	(8 769 457)	(6 041 776)
	428 789 914	421 269 295	463 790 080

Segment assets consist of property, plant and equipment, inventory, trade and other receivables and operating cash and exclude taxation assets, investments, intangible assets and right-of-use assets.

Operating liabilities			
Board Distribution and Adaptation	**137 298 879**	151 499 936	168 986 102
Packaging	**9 460 539**	5 057 752	13 046 285
Other	**63 259 096**	63 725 203	58 072 065
Internal balances	**(10 118 055)**	(8 769 458)	(6 041 776)
	199 900 459	211 513 433	234 062 676

Segment liabilities include trade and other payables, bank overdraft, provisions, instalment sale liabilities and interest-bearing liabilities and exclude taxation liabilities and lease liabilities.

IMPAIRMENT OF TRADE RECEIVABLES: PROVISION MATRIX

30 JUNE 2020

Application of provision matrix				Aging bucket per age analyses				
	Total R	**Current R**	**30 days R**	**60 days R**	**90 days R**	**120 days R**	**150 days R**	**180 days R**
Gross receivables excluding VAT	**111 651 441**	**60 771 245**	**17 602 945**	**472 146**	**9 991 500**	**6 090 860**	**3 323 480**	**13 399 265**
Adjusted loss ratio (%)	**–**	**1.3**	**2.6**	**10.7**	**24.9**	**39.3**	**59.0**	**72.3**
Gross impairment allowance	**17 866 409**	**811 119**	**466 347**	**50 542**	**2 489 316**	**2 394 407**	**1 960 322**	**9 694 356**
Specific amounts	**2 391 202**	**–**	**–**	**–**	**–**	**–**	**–**	**2 391 202**
Total impairment allowance	**20 257 611**	**811 119**	**466 347**	**50 542**	**2 489 316**	**2 394 407**	**1 960 322**	**12 085 558**

Adjusted historical loss ratio				Aging bucket per age analyses			
	Current %	**30 days %**	**60 days %**	**90 days %**	**120 days %**	**150 days %**	**180 days %**
Historical loss ratio*	**0.6**	**1.2**	**4.9**	**11.3**	**17.9**	**26.8**	**32.9**
Forward-looking adjustment**	**0.7**	**1.4**	**5.8**	**13.6**	**21.4**	**32.2**	**39.5**
	1.3	**2.6**	**10.7**	**24.9**	**39.3**	**59.0**	**72.3**

30 JUNE 2019

Application of provision matrix				Aging bucket per age analyses				
	Total R	Current R	30 days R	60 days R	90 days R	120 days R	150 days R	180 days R
Gross receivables excluding VAT	117 555 438	58 768 042	32 866 753	8 020 296	2 400 217	2 310 660	1 150 286	12 039 185
Adjusted loss ratio (%)	–	1.5	2.9	9.7	16.6	27.2	30.2	64.1
Gross impairment allowance	11 692 963	886 979	936 857	780 239	398 276	628 527	347 815	7 714 270
Specific amounts	2 287 326	–	150 034	106 675	101 998	78 557	49 161	1 800 901
Total impairment allowance	13 980 289	886 979	1 086 891	886 914	500 274	707 084	396 976	9 515 171

				Aging bucket per age analyses			
	Current %	30 days %	60 days %	90 days %	120 days %	150 days %	180 days %
Historical loss ratio	1.1	2.0	6.9	11.9	19.4	21.6	45.8
Forward-looking adjustment	0.4	0.8	2.8	4.7	7.8	8.6	18.3
Adjusted historical loss ratio	1.5	2.9	9.7	16.6	27.2	30.2	64.1

* Historical loss ratios were calculated on 2017 and 2018 sales on a per invoice level, and on collections through to the end of 2019.

** Forward-looking adjustment at a factor of 120% (2019: 40%).

IMPAIRMENT OF TRADE RECEIVABLES: PROVISION MATRIX (CONTINUED)

31 DECEMBER 2019

Application of provision matrix				Aging bucket per age analyses				
	Total R	Current R	30 days R	60 days R	90 days R	120 days R	150 days R	180 days R
Gross receivables excluding VAT	103 402 279	39 033 995	35 891 274	12 075 166	4 707 007	2 093 686	677 947	8 923 204
Adjusted loss ratio (%)	–	1.3	2.8	9.0	18.7	23.9	35.1	64.5
Gross impairment allowance	9 974 203	514 598	992 267	1 092 420	882 553	500 720	238 207	5 753 439
Specific amounts	2 279 043	–	86 459	78 418	95 323	41 854	74 662	1 902 327
Total impairment allowance	12 253 246	514 598	1 078 726	1 170 838	977 876	542 574	312 869	7 655 765

			Aging bucket per age analyses				
	Current %	30 days %	60 days %	90 days %	120 days %	150 days %	180 days %
Historical loss ratio	0.9	2.0	6.5	13.4	17.1	25.1	46.1
Forward-looking adjustment	0.4	0.8	2.6	5.4	6.8	10.0	18.4
Adjusted historical loss ratio	1.3	2.8	9.0	18.7	23.9	35.1	64.5

The movement in the impairment allowance from the prior year can be reconciled as follows:

	June 2020 R	June 2019 R	December 2019 R
Opening balance (December prior year)	**12 253 246**	11 667 504	11 667 504
Change in loss ratios	**3 916 682**	(1 383 976)	(1 056 648)
Weighting differences	**(518 105)**	(509 210)	(503 550)
Change in balances per aging bucket	**4 493 629**	3 794 654	1 742 907
Change in specific amounts	**112 159**	411 317	403 033
Balance at 30 June	**20 257 611**	13 980 289	12 253 246

COMMENTARY

INTRODUCTION

KayDav comprises a group of businesses involved in the distribution of wood-based panels and packaging consumables and machinery. Wood-based panels are manufactured through the compression of wood waste into solid panels. These panels have a variety of applications in the construction, furniture manufacturing and shop-fitting industries. Packaging consumables and machinery are products and machines which cater for a wide variety of packaging requirements in the industrial, agricultural and commercial sectors.

FINANCIAL RESULTS

Group revenue decreased by 13% from R478 million for the six months ended 30 June 2019 to R417 million for the current period. The revenue loss occurred during the level 4 and level 5 national lockdown period during April and May when KayDav lost revenue of R100 million when compared against the same months for the prior year.

The Group was able to control costs well with operating expenses decreasing to R96 million compared to the R115 million for the prior comparative period. This resulted in operating profit before the net impairment loss on trade and other receivables of R14 million, R2 million below the R16 million of the prior comparative period.

The biggest impact on earnings and headline earnings was a R6 million increase in the net impairment loss on trade and other receivables to R9 million when compared against the R3 million of the prior comparative period. This increase was mainly due to an increase in the impairment allowance of R8 million, which was negatively affected by a deterioration in the aging of the book and an increase in the loss ratios applied to each aging bucket. Historical loss ratios were calculated in respect of sales made during the 2017 and 2018 financial years and related collections up to 31 December 2019. These ratios were adjusted by a factor of 120% (2019: 40%) for forward-looking factors as illustrated by the disclosed matrices above. The increased forward-looking factor adjustment reflects the worsening business environment using the RMB/BER Business Confidence Index as an indicator. Actual amounts written off amounted to R847 287 (2019: R1 018 516).

The items mentioned above led to earnings and headline earnings per share of 0.5 cents being 84% below the 3.1 cents of the prior comparative period. The majority of the Group's earnings normally occur during the second half of its financial year.

The Group's interest-bearing debt, excluding bank overdraft and lease liabilities, decreased from R33 million on 30 June 2019 to R23 million at 30 June 2020, while its net bank balance of R25 million at 30 June 2020 compares favourably to the net overdraft of R12.6 million at 30 June 2019.

CHANGES TO CAPITAL STRUCTURE

There has been no change in KayDav's capital structure during the six months ended 30 June 2020.

PROSPECTS

Low business confidence levels, consumer caution and pressure on disposable income will continue to constrain year-on-year growth in the general economy. We are pleased that the Group has traded above prior-year levels during the period immediately following that covered in this report but this is tempered by knowing that uncertainty still exists. The Group therefore remains focused on factors within its control including improvement of its service and product offering to customers, containment of costs and strong capital management.

DISTRIBUTION TO SHAREHOLDERS

No distributions to shareholders were made during the period.

CHANGES TO DIRECTORATE

There has been no change in the directorate during the six months ended 30 June 2020.

SUBSEQUENT EVENTS

No material change has taken place in the affairs of the Group between the end of the interim financial period and the date of this report which requires adjustment or disclosure.

BASIS OF PREPARATION

The unaudited interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of IAS 34 (Interim financial reporting) and the requirements of the South African Companies Act and the JSE Listings Requirements.

The accounting policies applied in preparing these interim financial statements are consistent with those presented in the annual financial statements for the year ended 31 December 2020. These interim financial statements have not been reviewed or reported on by KayDav's auditor, BDO South Africa Incorporated. This interim report was prepared by the financial director, Martin Slier CA (SA).

APPRECIATION

The board of directors extends its appreciation to our management and staff for their efforts during this reporting period. We also thank our customers and suppliers for their continued support.

On behalf of the board

S van Niekerk
Chairman

GF Davidson
Chief Executive Officer

Cape Town
17 September 2020

CORPORATE INFORMATION

KAYDAV GROUP LIMITED

Incorporated in the Republic of South Africa
(Registration number 2006/038698/06)
JSE share code: KDV ISIN: ZAE000108940
("KayDav" or "the Group")

Executive Directors: GF Davidson (CEO), M Slier (CFO)

Non-executive Directors: S van Niekerk (Chairman), B Tlhabanelo, F Davidson

Registration Number: 2006/038698/06

Income Tax Reference Number: 9154/477/16/1

Registered Address: 105 Bamboesvlei Road, Ottery, 7800

Postal Address: PO Box 272, Ottery, 7808

Telephone: 021 704 7060 Facsimile: 086 519 2014

Company Secretary: CIS Company Secretaries (Pty) Ltd

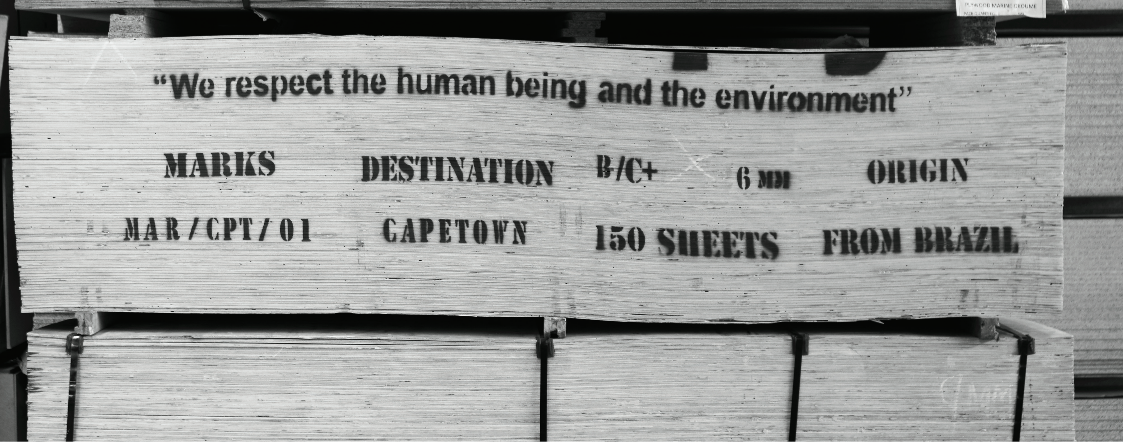
Auditor: BDO South Africa Incorporated

Transfer Secretaries: Link Market Services South Africa (Pty) Ltd

Sponsor: Java Capital

Website: www.kaydav.co.za

BRANDESIGN



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