



TRELLIDOR HOLDINGS LIMITED

Unaudited Condensed Consolidated Interim Financial Results
For The Six Months Ended 31 December 2019

SALIENT POINTS

25.6c

Headline earnings per share (2019: 29.8 cents)

8.0c

Interim dividend declared per share (2019: 9.1 cents)

R49m

EBITDA for the six months (2019: R56 million)

R32m

Cash from operating activities for the six months (2019: R25 million)

15%

Return on invested capital (2019: 20%)

THE **TRELLIDOR** GROUP



COMMENTARY

INTRODUCTION

Trellidor Holdings Limited ("Group") comprises the Trellidor business ("Trellidor") and the Taylor Group businesses ("Taylor").

Trellidor is the market leading manufacturer of custom-made barrier security products, distributed via a dedicated and skilled franchise network situated throughout South Africa, Africa and the UK.

The Taylor Group business incorporates Taylor, a major manufacturer and distributor of custom-made blinds, decorative and security shutters and NMC, an importer and distributor of cornicing and skirting products. The Taylor Group has a strong presence in the Western and Southern Cape.

OVERVIEW

The Group's performance reflects the continued challenges of the economic conditions in South Africa during the period including increasing levels of unemployment, house price deflation, GDP growth significantly below potential and correspondingly poor consumer, investor and business confidence. As a result, consumer spending continues to be negatively impacted throughout South Africa, particularly in the middle-income market, a sector in which the Group is most focused.

Group Revenue for the six months decreased by 4% to R275 million (2019: R286 million). The Group's gross profit margin of 44.6% (2019: 45.0%) was down primarily due to the under recovery of semi-variable expenses.

Overheads were well managed, increasing by only 1.5% over the prior period. Profit after tax of

R27 million and earnings per share of 25.1 cents declined by 17.6% and 15.8% respectively.

It is pleasing to note that the strong cash-generating abilities of the Group continued despite the adverse economic conditions, with net cash from operating activities of R32 million growing by 27% from the prior period.

In line with the special resolutions passed at the 2019 AGM, the Group repurchased a further 5 561 547 Group shares during the period. These were purchased out of available cash resources at an aggregate value of R22 million and at an average price of R3.94 per share. These repurchased shares have subsequently been cancelled.

Remaining shares in issue are 100 203 596, and weighted average number of share for the period was 104 620 365.

SEGMENTS

TRELLIDOR

The adverse economic conditions continue and the impact on Trellidor's target market has led to further turnover decline in the period under review.

The strategies that were implemented to protect and improve margins along with tight overhead expenditure management have provided some relief from the revenue shortfall.

Revenue declined by 7.4%. International sales grew by 5.6% underpinned by a strong performance on the African continent with African sales growing 21.8%. This was offset by weaker performance in the UK which is coming off a strong 2019 base.

The efficiency enhancement project continues to show results and gross margins improved to 47.9% (2019: 47.8%) despite a reduction in revenue.

Overheads remain well managed declining by 5.3% over the comparative period. Operating profit before interest decreased by 10.1%.

TAYLOR

A slight recovery in the Western Cape economy has resulted in Taylor showing revenue growth of 1.3%, despite weaker sales in Gauteng.

Gross margins continue to come under pressure and as result margins reduced to 40.0% (2019: 40.8%).

Improving operational efficiencies remains a key focus for the management team. This is being achieved through both reduction of costs and improved efficiencies.

We anticipate an improvement in margins in H2 2020 as a result of the following measures implemented during the reporting period:

- Recruitment of a new production manager;
- Redesign of the manufacturing process; and
- Changes to the purchasing methodology and suppliers.

In addition, the next phase of the manufacturing ERP system will come online during H2 2020, which will improve the cost management of the production process.

Recurring overheads were well managed and grew by 4.2%.

Operating profit before interest and tax was 12.4% down year-on-year, but profit after tax improved

by 5.2% as result of the amortizing effect of debt repayments reducing interest cost for the period. Sales of Taylor products through the Trellidor Franchise network grew 6.0%, reflecting the continued success of this initiative.

A further strategy in Taylor has been to reduce its stock holding and as a result, inventory is down 18.7% from the comparative period.

The majority of the cash generated by this reduction in stock has been utilised to fund the change of certain suppliers and reduce raw material costs. Trade creditors are also significantly reduced.

The focus on improving working capital management has resulted in net cash generated from operating activities of R7.6 million from a deficit of R0.7 million in the prior year.

PROSPECTS

The weak economic environment is anticipated to continue and as result the tight control of operational overheads and focus on margin retention and improvement will persist.

As reported in the 2019 year end results, the Group is deploying capital to acquire underperforming franchise areas to improve the effectiveness of the distribution network, and to provide greater strategic optionality going forward.

In this respect, last year, the Durbanville franchise was purchased, and sales volume growth of 23.6% has been achieved in the current reporting period.

Management is seeking to replicate this success in other areas. Accordingly, three franchise areas have been purchased in the eThekweni Metropolitan area and will be consolidated into

a single branch during H2 2020. The execution of this strategy will have a limited impact on the earnings in H2 2020. The full economic benefit will come through in 2021.

Included in the strategic development of this branch is the centralization of administration functions and integration of the complimentary Taylor product set and brand in the region.

Product innovation remains a key strategy for both Trellidor and Taylor. Both businesses are set to introduce new products, to meet changing customer needs, in the local and international market through the course of H2 2020 and into H1 2021.

The Group remains conservatively financed with a Debt/EBITDA ratio of 1.4x (2019: 0.9x) and will deploy unutilised debt capacity to continue investing in the strategy to acquire underperforming franchise areas both in South Africa and abroad.

Given the performance and prospects of the Group, the Board believes the current share price continues to undervalue the business and so

will continue to apply excess cash to buy-back shares to enhance shareholder value.

The Group remains focused on its core growth strategies of which the Board believes will position it to benefit from any improving economic conditions:

- Brand leadership;
- Diversifying its product range;
- Distribution enhancement;
- Growth in South Africa, Africa and the UK.

DIVIDEND

The Board of directors approved an interim gross dividend of 8.0 cents (2019: 9.1 cents) per ordinary share from income reserves, in respect of the six months ended 31 December 2019.



TM Dennison
Chief Executive Officer
05 March 2020



CASH DIVIDEND DECLARATION

Notice is hereby given that the Directors have approved and declared an interim gross dividend of 8.0 cents per ordinary share for the six months ended 31 December 2019.

The dividend has been declared from income reserves. A South African dividend withholding tax of 20% will be applicable to all shareholders who are not exempt or entitled to a reduced rate in terms of the applicable double-tax agreement.

The interim net ordinary dividend is 6.4 cents per share for ordinary shareholders.

The issued share capital at the declaration date is 100 203 596 ordinary shares.

The income tax number of the company is: 941 937 8840.

The salient dates for the dividend will be as follows:

- Declaration date: Monday, 9 March 2020
- Last day of trade to receive a dividend: Tuesday, 31 March 2020
- Shares commence trading “ex” dividend: Wednesday, 01 April 2020
- Record date: Friday, 03 April 2020
- Payment date: Monday, 06 April 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 01 April 2020 and Friday, 03 April 2020, both days inclusive.



STATEMENT OF FINANCIAL POSITION**AT 31 DECEMBER 2019**

	UNAUDITED AT 31 DECEMBER 2019 R'000	UNAUDITED AT 31 DECEMBER 2018 R'000	AUDITED AT 30 JUNE 2019 R'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	78 205	66 144	64 856
Goodwill	74 797	74 797	74 797
Intangible assets	36 937	41 610	38 694
Other financial assets	750	-	780
Deferred tax	453	2 643	1 647
	191 142	185 194	180 774
CURRENT ASSETS			
Inventories	93 062	110 587	107 111
Current tax receivable	3 884	386	2 421
Trade and other receivables	55 303	62 140	58 389
Other financial assets	1 895	2 264	1 573
Cash and cash equivalents	21 805	18 130	12 561
	175 949	193 507	182 055
TOTAL ASSETS	367 091	378 701	362 829
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the parent:			
Stated capital	12 144	40 152	34 056
Other reserves	5 412	5 440	6 027
Retained earnings	190 578	179 749	180 820
Attributable to owners of the parent	208 134	225 341	220 903
Non-controlling interest	6 110	6 115	5 758
TOTAL EQUITY	214 244	231 456	226 661
LIABILITIES			
Other financial liabilities	87 725	66 440	29 528
Deferred tax	1 121	2 398	1 027
	88 846	68 838	30 555
CURRENT LIABILITIES			
Trade and other payables	34 265	54 705	52 108
Other financial liabilities	22 172	23 391	49 054
Current tax payable	-	-	174
Provisions	291	311	136
Bank overdraft	7 273	-	4 141
	64 001	78 407	105 613
TOTAL LIABILITIES	152 847	147 245	136 234
TOTAL EQUITY AND LIABILITIES	367 091	378 701	362 829

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	NOTES	UNAUDITED AT 31 DECEMBER 2019 R'000	UNAUDITED AT 31 DECEMBER 2018 R'000	AUDITED AT 30 JUNE 2019 R'000
Revenue		274 795	286 249	514 947
Cost of sales		(152 265)	(157 366)	(283 094)
GROSS PROFIT		122 530	128 883	231 853
Other income		3 173	4 799	8 521
Operating expenses		(83 523)	(83 900)	(171 134)
OPERATING PROFIT		42 180	49 782	69 240
Investment revenue		490	595	957
Finance costs		(5 033)	(4 655)	(8 754)
PROFIT BEFORE TAX		37 637	45 722	61 443
Taxation		(10 804)	(13 162)	(18 401)
PROFIT FOR THE PERIOD		26 833	32 560	43 042
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Exchange differences on translating foreign operations		(1 472)	106	(264)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		25 361	32 666	42 778
Profit attributable to:				
Owners of the parent		26 261	32 087	42 870
Non-controlling interest		572	473	172
		26 833	32 560	43 042
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent		25 010	32 177	42 646
Non-controlling interest		351	489	132
		25 361	32 666	42 778
Earnings per share for profit for the period attributable to the owners of the parent during the period				
Earnings and diluted earnings per share (cents)	4	25.1	29.8	40.0

STATEMENT OF CHANGES IN EQUITY**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	STATED CAPITAL R'000	TOTAL RESERVES R'000	RETAINED INCOME R'000	TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT R'000	NON- CONTROLLING INTEREST R'000	TOTAL EQUITY R'000
BALANCE AT 1 JULY 2018	43 188	4 253	165 107	212 548	5 626	218 174
Total comprehensive income						
for the period	-	90	32 087	32 177	489	32 666
Buy-back of shares	(3 036)	-	-	(3 036)	-	(3 036)
Employee share option	-	1 097	-	1 097	-	1 097
Dividends	-	-	(17 445)	(17 445)	-	(17 445)
BALANCE AT 31 DECEMBER 2018	40 152	5 440	179 749	225 341	6 115	231 456
Total comprehensive income						
for the period	-	(315)	10 783	10 468	(356)	10 112
Buy-back of shares	(6 096)	-	-	(6 096)	-	(6 096)
Employee share option	-	902	-	902	-	902
Dividends	-	-	(9 713)	(9 713)	-	(9 713)
BALANCE AT 30 JUNE 2019	34 056	6 027	180 819	220 903	5 759	226 661
Total comprehensive income						
for the period	-	(1 251)	21 446	20 194	351	20 546
Buy-back of shares	(21 912)	-	-	(21 912)	-	(21 912)
Employee share option	-	636	-	636	-	636
Dividends	-	-	(11 687)	(11 687)	-	(11 687)
BALANCE AT 31 DECEMBER 2019	12 144	5 412	190 578	208 134	6 110	214 244

STATEMENT OF CASH FLOWS**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	UNAUDITED AT 31 DECEMBER 2019 R'000	UNAUDITED AT 31 DECEMBER 2018 R'000	AUDITED AT 30 JUNE 2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	46 539	40 668	70 525
Interest revenue	490	595	956
Finance costs	(4 093)	(4 655)	(9 057)
Tax paid	(11 152)	(11 652)	(19 128)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	31 784	24 956	43 296
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(3 622)	(8 286)	(6 024)
Proceeds on sale of property, plant and equipment	-	-	13
Purchase of intangible assets	-	(1 792)	(223)
Purchase of goodwill	-	(396)	(396)
Proceeds from other financial assets	122	(6)	655
Advance of other financial assets	(414)	-	(750)
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	(3 914)	(10 480)	(6 725)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities	(59 594)	(10 412)	(21 223)
Advance of other financial liabilities	76 000	7 618	2 728
Dividends paid	(11 687)	(17 445)	(27 158)
Repayment of loan from minority	(1 790)	(426)	(586)
Advance of other loan from minority	1 222	-	-
Purchase of shares	(21 912)	(3 037)	(9 132)
Payment of lease liabilities	(4 103)	-	-
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(21 864)	(23 702)	(55 371)
Net increase/(decrease) in cash and cash equivalents	6 006	(9 226)	(18 799)
Cash and cash equivalents at the beginning of the period	8 421	27 128	27 128
Exchange gains on cash and cash equivalents	105	228	92
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14 532	18 130	8 421

NOTES TO THE FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1. BASIS OF THE PREPERATION

The unaudited condensed consolidated interim financial information for the six months ended 31 December 2019 has been prepared and presented in accordance with the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34 – Interim Financial Reporting and the Companies Act, No 71 of 2008, under the supervision of the Chief Financial Officer, Mr. DJR Judge CA (SA).

The accounting policies applied, and methods of computation used in preparation of the condensed consolidated interim financial information are in terms of IFRS and consistent with those applied in the annual financial statements for the year ended 30 June 2019, apart from the effect of IFRS 16: Leases which was adopted during the year under review. The results have not been reviewed or audited by the Group's Auditors. The results were approved by the Board of Directors on 05 March 2020.

2. ADOPTION OF NEW ACCOUNTING STANDARD – IFRS 16: LEASES

The Group has adopted IFRS 16 from 1 July 2019 using the modified retrospective transition method and therefore comparative figures have not been restated.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. The result thereof is that all leases have been recognised on the balance sheet as lease liabilities which had previously been classified as “operating leases” under the principles of IAS 17: Leases.

These lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. (The lessee's incremental borrowing rate applied to the lease liability on 1 July 2019 was between 10% to 17%).

The accounting for lessors did not significantly change.

	1 JULY 2019 R'000
Operating leases – as lessee disclosed as at 30 June 2019	18 842
Discounted using the lessee's incremental borrowing rate at the date of initial application	16 673
Less: Short-term leases recognised as expense	(260)
Less: Low-value leases recognised as expense	-
Add: Adjustments as a result of a different treatment of extension and termination options	1 563
LEASE LIABILITY RECOGNISED AS AT 1 JULY 2019	17 976

NOTES TO THE FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

2. ADOPTION OF NEW ACCOUNTING STANDARD – IFRS 16: LEASES (CONTINUED)

The impact of the adoption of IFRS 16: Leases on the consolidated financial statements of the Group is as follows:

	UNAUDITED AT 31 DECEMBER 2019 R'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Reduction of lease rental expense	4 103
Depreciation of right-of-use asset ('RoU')	(3 760)
Finance costs in respect of lease liability	(941)
REDUCTION IN PROFIT BEFORE TAX	(598)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
Right-of-use asset	
RoU asset recognised on 1 July 2019	17 976
RoU asset recognised subsequent to 1 July 2019	662
Depreciation for the period	(3 760)
INCREASE IN ASSETS	14 878
EQUITY	
Retrospective adjustment to opening retained earnings at 1 July 2019	-
Movement for the period	(598)
DECREASE IN RETAINED EARNINGS	(598)
DEFERRED TAX ASSET	
Retrospective adjustment to deferred tax asset at 1 July 2019	-
Movement for the period	(165)
INCREASE IN DEFERRED TAX ASSET	(165)
FINANCE LEASE LIABILITY	
Lease liability recognised as at 1 July 2019	(17 976)
Lease liability recognised subsequent to 1 July 2019	(662)
Add: Finance cost	(941)
Less: Lease payments	4 103
INCREASE IN FINANCIAL LIABILITIES	(15 476)

NOTES TO THE FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The Group's leasing activities and how these are accounted for

The Group leases various production facilities, office buildings and motor vehicles. Rental contracts are made for fixed periods but may have extension options as described below. Leases are negotiated on an individual basis and contain different terms and conditions.

At 1 July 2019, leases are recognised as a RoU asset and corresponding liability at the application date or at the date at which the leased asset is available for use by the Group. Each lease payment is allocated to the liability. Finance cost is charged to profit or loss over the lease period on the remaining balance of the liability. The RoU asset is depreciated over the lease term on a straight-line basis.

Lease payments

The Group takes into consideration the following factors when measuring the lease liability:

- Fixed payments less any lease incentives received/receivable;
- Exclude variable lease payments;
- Residual value amounts expected to be payable;
- The exercise price of a purchase option if reasonably certain the option will be exercised;
- Payments of penalties for terminating the lease, if reasonably certain that the option to terminate will be exercised.

The lease payments are discounted using the interest rate implicit in the lease, except if the rate is not determinable in which case the incremental borrowing rate will be used.

NOTES TO THE FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

3. SEGMENTAL INFORMATION

	UNAUDITED AT 31 DECEMBER 2019 R'000	UNAUDITED AT 31 DECEMBER 2018 R'000	AUDITED AT 30 JUNE 2019 R'000
REVENUE			
Trellidor	159 600	172 339	322 741
Taylor	115 276	113 921	194 020
Holdings	-	-	-
Inter segment	(81)	(11)	(1 814)
	274 795	286 249	514 947
OPERATING PROFIT BEFORE INTEREST AND TAX			
Trellidor	32 155	35 989	59 552
Taylor	14 522	16 239	16 249
Holdings	3 937	-	-
Inter segment	(5 988)	-	(1 670)
	44 626	52 228	74 131
RECONCILING ITEMS			
Net finance costs	(4 543)	(4 060)	(7 797)
Amortisation of the client database	(2 446)	(2 446)	(4 891)
PROFIT BEFORE TAX	37 637	45 722	61 443
EBITDA			
Trellidor	35 148	38 524	64 785
Taylor	15 985	17 145	18 128
Holdings	3 942	-	-
Inter-segment	(5 988)	-	(1 670)
	49 087	55 669	81 243
TOTAL ASSETS			
Trellidor	142 769	143 577	144 507
Taylor	200 478	214 582	205 095
Holdings	110 768	-	-
Inter-segment	(109 182)	(231)	(915)
	344 833	357 928	348 687
RECONCILING ITEMS			
Cash and cash equivalents	21 805	18 130	12 561
Deferred tax	453	2 643	1 647
TOTAL AS PER STATEMENT OF FINANCIAL POSITION	367 091	378 701	362 895
REVENUE BY LOCATION OF CUSTOMER – GEOGRAPHICAL INFORMATION			
South Africa	241 281	254 906	443 321
Foreign	33 514	31 422	71 626
	274 795	286 249	514 947

NOTES TO THE FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

4. EARNINGS PER SHARE

	UNAUDITED AT 31 DECEMBER 2019 R'000	UNAUDITED AT 31 DECEMBER 2018 R'000	AUDITED AT 30 JUNE 2019 R'000
Profit attributable to ordinary shareholders	26 261	32 087	42 870
Adjusted for:			
Profit on disposal of property, plant and equipment	529	-	167
Gross amount	864	-	250
Non-controlling interest	(93)	-	(70)
Tax effect	(242)	-	(13)
HEADLINE EARNINGS	26 790	32 087	43 037

	Number '000s	Number '000s	Number '000s
Number of shares issued	100 204	107 251	105 765
Weighted average number of ordinary shares in issue during the period	104 620	107 569	107 218
Diluted weighted average number of shares	104 620	107 569	107 218
Earnings and diluted earnings per share (cents)	25.1	29.8	40.0
Headline and diluted headline earnings per share (cents)	25.6	29.8	40.1

5. CHANGES TO THE BOARD

There were no changes to the Board of directors during the period under review.

This image shows a full page of blank, lined paper. It features approximately 28 horizontal blue lines spaced evenly across the page, typical of standard notebook paper. The lines are thin and light blue, set against a plain white background. There are no margins, text, or other markings on the page.

[illegible]

CORPORATE INFORMATION

TRELLIDOR HOLDINGS LIMITED

(Registration number 1970/015401/06)
20 Aberdare Drive, Phoenix Industrial Park
Durban,
(PO Box 20173, Durban North 4016)
Share Code: TRL
ISIN: ZAE000209342
("the Company" or "Group")

DIRECTORS OF TRELLIDOR

MC Olivier (Chairman)*#
TM Dennison (Chief Executive Officer)
DJR Judge (Chief Financial Officer)
JB Winship*#
RB Patmore*#

** Non-executive*

Independent

COMPANY SECRETARY

P Nel
(BComm ACIS)
71 Cotswold Drive
Westville, 3629

REGISTERED OFFICE

20 Aberdare Drive
Phoenix Industrial Park
Durban, 4001
(PO Box 20173, Durban North, 4016)

DATE OF INCORPORATION

23 November 1970

PLACE OF INCORPORATION

South Africa

AUDITORS AND INDEPENDENT REPORTING ACCOUNTANTS

Mazars
Mazars House
197 Peter Mokaba Road
Morningside
Durban, 4001
(PO Box 70584, Overport, 4067)

CORPORATE SPONSOR

PSG Capital (Pty) Ltd
(Registration Number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and

2nd Floor, Building 3
11 Alice Lane
Sandhurst
Sandton, 2196
(PO Box 650957, Benmore, 2010)

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
(Registration Number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

ANNOUNCEMENT DATE

09 March 2019



THE **TRELLIDOR** GROUP



holdings.trellidor.co.za