TRELLIDOR HOLDINGS LIMITED

(REGISTRATION NUMBER 1970/015401/06)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Strength. Quality. Variety.

Trellidor is a proudly South African company.

THE TRELLIDOR GROUP

The core values of the Group are built on the three pillars of
Innovation, Quality and Service.

With these pillars as our base we have successfully built a reputation for delivering **trusted high-quality products and exceptional service.**

TRELLIDOR® THE ULTIMATE CRIME BARRIER

TAYLOR BLINDS & SHUTTERS Est.1959

nmc DESIGN ELEMENTS

Salient Points

Headline earnings per share	**25.4 cents** (2021: 30.6 cents)
Cash from operations for the six months	**R18 million** (2021: R48 million)
Revenue for the six months	**R284 million** (2021: R282 million)
Interim dividends declared per share	**0 cents** (2021: 10.0 cents)
Return on invested capital	**17%** (2021: 22%)

Commentary

INTRODUCTION

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

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

The Taylor Group 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 operating environment remained challenging through the first half of F22 due to, in part, many of the same pandemic related issues we faced in F21 but these were compounded by additional challenges, namely the riots and looting in July and the three week metal industry strike in October 2021. These events resulted in lost sales, higher levels of working capital and production inefficiencies, including the forced closure of our manufacturing facility in Durban. In addition, the cost of raw materials continued on their upward trajectory, albeit at a slower rate, and enduring logistical delays which have led to stock outages.

Group revenue for the period increased by 0.7% to R283.5 million (2021: R281.6 million). Sales were not only impacted by the uncontrollable events described above but market demand in South Africa and in Africa also weakened in the period when compared to F21 H1, which had benefited from the pent-up-demand for home improvement products post lockdown. Notwithstanding, the business has benefited from the successful implementation of the organic growth strategies of broadening the product range and the acquisition of the UK and main centre franchises. The Group's gross profit margin, of 40.1% was below the previous year (2021: 44.6%), as anticipated, given the challenges faced.

Operating expenses were well managed only increasing by 1.0% year-on-year. The increase includes a full six months consolidation of the UK franchise (versus two months in F21 H1) and the two newly acquired Johannesburg franchises. These branches are now internally operated by the Trellidor business. Profit after tax of R24.5 million and earnings per share of 25.4 cents decreased by 21.5% and 17.0% respectively.

Net cash from operations has decreased to R18.2 million for the period (2021: R47.6 million) as a result of lower earnings and increased stock holding to mitigate supply challenges. Debtors have also increased due to the acquisition of the UK business and some incomplete installations caused by lost production and stock outages.

The Group has interest-bearing liabilities of R99.9million (2021: R88.8million) which incurred R3.9 million (2021: R3.5 million) of net interest for the period ended 31 December 2021. The Group utilised the cash it generated and additional debt raised to purchase the Johannesburg North and Midrand franchises, make the final payment for the purchase of Trellidor UK, complete phase 1 of our solar power project at the Trellidor factory and pay the F21 final dividend. Gearing remains at a conservative level and financial risk is well managed.

SEGMENTS

TRELLIDOR

Revenue increased by 5.4% to R174.1 million (2021: R165.2 million) predominately driven by a 27.0% increase from Trellidor Retail, the entity which owns and manages the RSA branches, and a strong 6 months from Trellidor UK which has shown a 45.8% increase in revenue over the period, on a like for like basis. The negative impact of the July riots and October strikes, coupled with a slowdown in demand, offset these gains.

Trellidor's gross margin decreased to 45.4% (2021: 47.9%) primarily as a result of increased raw material costs which were not fully recovered through selling price increases implemented in F22 H1. The traditional H2 price increase has been brought forward by one month in an effort to restore margins through H2. The Trellidor business generated cash of R19.6 million (2021: R33.9 million), which in view of the challenges faced in the period, represents a solid performance.

TAYLOR

Revenue for the year decreased by 6.4% to R109.4 million (2021: R116.9 million) as a result of softer demand in the Western Cape and Gauteng. Continuous logistical challenges resulted in periodic stock shortages which hampered the company's ability to take full advantage of the seasonal uptick in Q2. Sales through the Trellidor Franchise Network continue to show growth having increased by 11.0% on the prior comparative period.

Gross margins reduced to 31.6% (2021: 36.5%) primarily due to significant raw material price increases, which were not fully recovered through selling price increases implemented in F22 H1. The gross margin was also impacted by a reclassification of commissions and rebates from overheads to cost of sales. In addition, the delay in receiving imported raw materials caused manufacturing inefficiencies which has led to higher than anticipated labour costs. Margins are expected to improve in the second half of this financial year.

Cash generation has come under pressure during H1 as a result of the logistical challenges which has resulted in an increase in inventory levels. Stock outs and production inefficiencies have also caused some incomplete installations and therefore an increase in debtors. As a result, cash absorbed by operations of R0.2 million compares to cash generated of R13.5 million in F21 H1. Investment in working capital is expected to normalise in the second half of the financial year.

DIVIDEND

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year taking into account debt covenant requirements. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors of the Company ("Board") may pass on the payment of dividends. The final 2021 dividend amounting to 11.0 cents was declared and paid during the year.

At the close of business on 3 March 2022, the Board was notified of the Labour Appeal Court judgement, dated 10 February 2022, in terms of which the Company's appeal against the Labour Court judgement, which was delivered on 17 April 2020, was dismissed. As a result, the Company has been ordered to reinstate 42 employees and to make certain limited back-pay payments to these employees from 1 January 2017. The full financial and operational impact of the judgement is yet to be determined but, as previously disclosed, it has been estimated at R25 million as at 30 June 2021.

Given the judgement and the anticipated financial impact, the Board has taken a decision not to declare an interim dividend in respect of the six months ended 31 December 2021.

PROSPECTS

Despite the challenges faced through F22 H1, the Group remains well placed to benefit from the continuing slow improvement in the South African economy. The relaxation of travel restrictions through Africa will enable more effective proactive management of our franchises, as well as facilitate logistics on the African continent in the coming months.

Commentary (continued)

Sales in January have outperformed prior year. Assuming the economy remains open and consumer confidence is sustained, we anticipate sales to show solid growth over F21 H2. The following key sales growth strategies will continue to be pursued:

- both Trellidor and Taylor have implemented accelerated price increases early in F22 H2, which will help improve top line sales as well as margins;

- the Trellidor owned and managed branches in three of the major cities in South Africa continue to show positive results. A further acquisition of one of the Cape Town Southern Suburbs franchises has a targeted completion date of March 2022;

- NMC will be launching an ecommerce platform during H2 to enhance the route-to-market opportunities outside of the traditional customer-base;

- the Group is in the final stages of purchasing the minority shareholding (7.5%) in Taylor, and will on completion own 100% of the shares in Taylor. The current Managing Director has resigned to pursue other opportunities and the recruitment process for his replacement is currently in process;

- the full economic impact of the UK business will be included in the results for F22. The UK business has had an excellent H1 due to its strong brand and loyal customer base that has been developed over more than 25 years. Further growth is being targeted through F22 H2; and

- product innovation remains a key strategy for both Trellidor and Taylor. During the second half of the year, Trellidor will be introducing new products to meet changing customer needs in the local and international market, with a key focus on expanding our product offering into the commercial space in South Africa.

In addition to sales growth strategies, the Group will continue to focus on improving operational efficiencies and margins which will position it to benefit from any improving economic conditions.

WEBINAR

Shareholders are advised the Company will be hosting a webinar at 09:00 on Monday, 7 March 2022 to present the financial results to the market. Please refer to the webinar registration link in the short-form SENS announcement released the morning of 7 March 2022.

TM Dennison
Chief Executive Officer
07 March 2022

Statement of Financial Position
as at 31 December 2021

	Unaudited at 31 December 2021 R'000	Unaudited at 31 December 2020 R'000	Audited at 30 June 2021 R'000
Assets			
Non-current assets			
Property, plant and equipment	60 490	58 225	57 591
Right-of-use assets	47 113	20 037	15 356
Goodwill	49 529	47 300	46 773
Intangible assets	44 635	42 322	41 695
Loans receivable	2 727	4 768	4 807
Deferred tax	7 760	3 211	7 577
	212 254	**175 863**	**173 799**
Current assets			
Loans receivable	4 620	3 273	4 001
Inventories	117 091	89 677	107 607
Trade and other receivables	74 623	60 200	61 459
Current tax receivable	-	1 658	1 528
Cash and cash equivalents	22 059	34 227	17 758
	218 393	**189 035**	**192 353**
Total assets	**430 647**	**364 898**	**366 152**
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent			
Stated capital	401	8 629	401
Reserves	7 601	6 578	5 845
Retained income	183 605	170 233	169 928
	191 607	185 440	176 174
Non-controlling interest	3 283	3 122	2 934
Total equity	**194 890**	**188 562**	**179 108**
Liabilities			
Non-current liabilities			
Lease liabilities	35 847	9 316	7 361
Other financial liabilities	83 688	76 597	63 653
Deferred tax	400	243	395
	119 935	**86 156**	**71 409**
Current liabilities			
Lease liabilities	9 958	11 342	7 560
Bank overdraft	13 048	6 982	12 580
Other financial liabilities	16 239	24 836	22 623
Trade and other payables	73 361	46 749	70 876
Current tax payable	2 626	-	1 447
Provisions	590	271	549
	115 822	**90 180**	**115 635**
Total liabilities	**235 757**	**176 336**	**187 044**
Total equity and liabilities	**430 647**	**364 898**	**366 152**

Statement of Profit or Loss and other Comprehensive Income

for the period ended 31 December 2021

	Notes	Unaudited at 31 December 2021 R'000	Unaudited at 31 December 2020 R'000	Audited at 30 June 2021 R'000
Revenue	3	283 468	281 599	518 387
Cost of sales		(169 718)	(155 998)	(298 972)
Gross profit		**113 750**	**125 601**	**219 415**
Other operating income		4 904	3 163	6 389
Operating expenses		(81 514)	(82 335)	(163 274)
Operating profit		**37 140**	**46 429**	**62 530**
Investment income		426	764	1 392
Finance costs		(4 366)	(4 258)	(8 024)
Profit before taxation		**33 200**	**42 935**	**55 898**
Taxation		(8 745)	(11 776)	(15 569)
Profit for the year		**24 455**	**31 159**	**40 329**
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Exchange differences on translating foreign operations		1 800	(279)	(1 004)
Total comprehensive income for the year		**26 255**	**30 880**	**39 325**
Profit (loss) attributable to:				
Owners of the parent		24 150	30 388	39 755
Non-controlling interest		305	771	574
		24 455	**31 159**	**40 329**
Total comprehensive income attributable to:				
Owners of the parent		25 906	30 190	38 822
Non-controlling interest		349	690	503
		26 255	**30 880**	**39 325**
Earnings per share for the period attributable to the owners of the parent				
Basic and diluted earnings per share (cents)	4	**25.4**	**30.6**	**40.7**

Statement of Changes in Equity

for the period ended 31 December 2021

	Share 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 01 July 2020	12 143	6 776	139 845	158 764	2 432	161 196
Profit for the year			30 388	30 388	771	31 159
Other comprehensive income		(198)		(198)	(81)	(279)
Total comprehensive income for the year		(198)	30 388	30 190	690	30 880
Buy-back of shares	(3 514)			(3 514)		(3 514)
Dividends						
Balance at 31 December 2020	8 629	6 578	170 233	185 440	3 122	188 562
Loss for the year			9 367	9 367	(197)	9 170
Other comprehensive loss		(733)		(733)	9	(724)
Total comprehensive loss for the year		(733)	9 367	8 634	(188)	8 446
Buy-back of shares	(8 228)			(8 228)		(8 228)
Dividends			(9 672)	(9 672)		(9 672)
Balance at 30 June 2021	401	5 845	169 928	176 174	2 934	179 108
Profit for the year			24 150	24 150	305	24 455
Other comprehensive income		1 756		1 756	44	1 800
Total comprehensive income for the year		1 756	24 150	25 906	349	26 255
Buy-back of shares						
Dividends			(10 473)	(10 473)		(10 473)
Balance at 31 December 2021	401	7 601	183 605	191 607	3 283	194 890

Statement of Cash Flows

for the period ended 31 December 2021

	Notes	Unaudited at 31 December 2021 R'000	Unaudited at 31 December 2020 R'000	Audited at 30 June 2021 R'000
Cash flows from operating activities				
Cash generated from operations		28 438	63 884	96 350
Interest income		426	764	1 392
Finance costs		(4 419)	(4 258)	(7 938)
Tax paid		(6 217)	(12 795)	(19 328)
Net cash from operating activities		**18 228**	**47 595**	**70 476**
Cash flows from investing activities				
Purchase of property, plant and equipment		(7 095)	(3 670)	(7 080)
Proceeds on sale of property, plant and equipment		29	190	144
Purchase of other intangible assets		(1 461)	(1 480)	(2 323)
Business combination		(10 088)	(4 844)	(11 535)
Advances of loans receivable at amortised cost		–	(137)	(3 400)
Receipts from loans receivable at amortised cost		938	-	3 311
Net cash (used in)/from investing activities		**(17 677)**	**(9 941)**	**(20 883)**
Cash from financing activities				
Buy-back of shares		–	(3 514)	(11 742)
Proceeds from other financial liabilities		28 184	-	–
Repayment of other financial liabilities		(8 206)	(8 917)	(17 845)
Repayment of loans from minority		(377)	(492)	(867)
Repayment of lease liabilities		(5 861)	(5 625)	(12 299)
Dividends paid		(10 473)	(8 016)	(17 688)
Net cash (used in)/from financing activities		**3 267**	**(26 564)**	**(60 441)**
Total cash movement for the period		3 818	11 090	(10 848)
Cash at the beginning of the period		5 178	16 071	16 071
Effect of exchange rate movement on cash balances		15	84	(45)
Total cash at end of the period		**9 011**	**27 245**	**5 178**

Notes to the Financial Results
for the period ended 31 December 2021

1. Basis of preparation

The unaudited condensed consolidated interim financial results for the six months ended 31 December 2021 are prepared in accordance with the requirements of the JSE Limited ("JSE") for provisional reports, and the requirements of the Companies Act, No 71 of 2008. The JSE requires the provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting, 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 2021. The results have not been reviewed or audited by the Group's Auditors. The results were approved by the Board on 3 March 2022.

2. Segmented information

The Group has three reportable segments that are used by the Chief Executive Officer to assess for resource allocation and to make key operating decisions and assess performance. These operating segments are differentiated and identified by the products they manufacture, the services they provide and the markets they operate in.

These reportable segments as well as the products and services from which each of them derives revenue are set out below:

REPORTABLE SEGMENT	PRODUCTS AND SERVICES
Trellidor	Manufacture and distribution of custom-made barrier security products
Taylor	Manufacture and distribution of custom-made blinds, decorative and security shutters and distribute cornicing/skirting products
Holdings	Management of the Group treasury function

Notes to the Financial Results (continued)
for the period ended 31 December 2021

2. Segment information (continued)

	Notes	Unaudited at 31 December 2021 R'000	Unaudited at 31 December 2020 R'000	Audited at 30 June 2021 R'000
Revenue				
Trellidor		174 134	165 227	315 271
Taylor		109 444	116 894	204 340
Holdings		25 779	25 025	49 362
Inter segment		(25 889)	(25 547)	(50 587)
		283 468	**281 599**	**518 386**
Operating profit before interest and tax				
Trellidor		29 351	31 194	50 477
Taylor		8 405	17 435	17 502
Holdings		15 895	18 522	36 471
Inter segment		(16 511)	(18 276)	(37 029)
		37 140	**48 875**	**67 421**
Reconciling items				
Net finance costs		(3 940)	(3 494)	(6 632)
Amortisation of the client database			(2 446)	(4 891)
Profit before tax		**33 200**	**42 935**	**55 898**
EBITDA				
Trellidor		34 127	36 033	60 185
Taylor		13 106	21 503	25 900
Holdings		15 903	18 528	36 485
Inter-segment		(16 667)	(18 276)	(37 313)
		46 469	**57 788**	**85 257**
Total assets				
Trellidor		208 020	174 339	188 188
Taylor		191 967	151 267	153 168
Holdings		134 255	127 745	131 199
Inter-segment		(133 414)	(125 891)	(131 738)
		400 828	**327 460**	**340 817**
Reconciling items				
Cash and cash equivalents		22 059	34 227	17 758
Deferred tax		7 760	3 211	7 577
Total as per statement of financial position		**430 647**	**364 898**	**366 152**

3. Disaggregation of revenue from customers

	Unaudited at 31 December 2021 R'000	Unaudited at 31 December 2020 R'000	Audited at 30 June 2021 R'000
Revenue from source type			
Sale of security products	172 910	196 039	312 026
Sale of decorative products	109 822	84 885	205 047
Royalty income	736	675	1 314
	283 468	**281 599**	**518 387**
Revenue by geographical location			
Main Centres	168 082	173 185	308 978
Outlying regions	70 552	73 201	132 316
Rest of Africa	21 747	30 995	54 008
Rest of World	23 087	4 218	23 085
	283 468	**281 599**	**518 387**
Revenue recognised by timing of transfer			
Point in time – delivery date	**283 468**	**281 599**	**518 387**

4. Earnings per share

	Unaudited at 31 December 2021 R'000	Unaudited at 31 December 2020 R'000	Audited at 30 June 2021 R'000
(Loss) profit attributable to ordinary shareholders	24 150	30 388	39 755
Adjusted for:			
(Profit) loss on disposal of property, plant and equipment	(1)	(2)	55
Gross amount	(2)	(1)	82
Non-controlling interest	-	3	(4)
Tax effect	1	-	(23)
HEADLINE EARNINGS	**24 149**	**30 386**	**39 810**

Notes to the Financial Results (continued)
for the period ended 31 December 2021

4. Earnings per share (continued)

		Unaudited at 31 December 2021 '000	Unaudited at 31 December 2020 '000	Audited at 30 June 2021 '000
Number of shares in issue		95 210	98 015	95 210
Weighted average number of ordinary shares in issue during the period		95 210	99 273	97 682
Diluted weighted average number of shares		95 210	99 273	97 682
Earnings and diluted earnings per share	(cents)	25.4	30.6	40.7
Headline and diluted headline earnings per share	(cents)	25.4	30.6	40.8

5. Changes to the Board

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

6. Contingencies

As previously disclosed, on 17 April 2020, the Labour Court delivered its judgement in respect of the dismissal dispute and found that the dismissal of certain employees was substantively fair but the dismissal of certain 'night shift employees' was substantively unfair. The judgement ordered the reinstatement of the 42 night shift employees and limited back-pay payments to be made to such employees from 1 January 2017.

We filed for leave to appeal the judgement to the Judge concerned, which the Judge subsequently denied. On 7 September 2020, we petitioned the Judge President for leave to appeal and on 9 November 2020 the petition was granted. Senior counsel was of the opinion that the prospects of the appeal succeeding were probable.

At the close of business on 3 March 2022, the Board was notified of the Labour Appeal Court judgement, dated 10 February 2022, in terms of which the Company's appeal against the Labour Court judgement, which was delivered on 17 April 2020, was dismissed. As a result, the Company has been ordered to reinstate 42 employees and to make certain limited back-pay payments to these employees from 1 January 2017. The full financial and operational impact of the judgement is yet to be determined but, as previously disclosed, it has been estimated at R25 million as at 30 June 2021.

Corporate Information

Trellidor Holdings Limited

(Registration Number 1970/015401/06)
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 # $

 # Independent non-executive
$ Lead independent director

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
Ridgeside Office Park,
21 Richeford Circle,
Umhlanga Ridge,
Durban, 4319
(PO Box 70584, Overport, 4067)

Corporate Advisor and Sponsor

PSG Capital (Pty) Ltd
(Registration Number 2006/015817/07)
1st Floor, Ou Kollege Building,
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
(Private Bag X9000, Saxonwold, 2132)

Notes

Providing our customers with **peace of mind**, by keeping them safe, by supplying products that continue to put the **protection** of customers, their families and their assets first is at the **centre of everything we do.**


UNLOCKING
THE BIBLE

PROUDLY SOUTH AFRICAN®

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