

Imperial Logistics Limited  
Incorporated in the Republic of South Africa  
Registration number: 1946/021048/06  
Share code: IPL ISIN: ZAE000067211  
(‘Imperial’ or ‘Company’ or ‘Group’)

## **2019 ANNUAL GENERAL MEETING AND TRADING UPDATE**

The 2019 Imperial Logistics Integrated Annual Report and Annual Financial Statements were made available to shareholders on 27 September 2019. These reports expand on the significant progress made in the 2019 financial year in achieving strategic clarity, confronting and resolving longstanding impediments to delivery, and developing differentiated solutions in carefully selected industries across our regional businesses.

As is customary at this time, we provide shareholders with an update on the most noteworthy developments in the 2020 financial year thus far.

## **OPERATING CONTEXT AND PERFORMANCE FOR THE FIRST QUARTER OF F2019**

Despite uncertain economic and socio-political conditions in many of our markets of operation – particularly South Africa and Germany – Imperial’s results from continuing operations for the first three months of the 2020 financial year are in line with expectations.

### *South Africa*

In South Africa, persistently weak economic conditions, economic uncertainty and low consumer spending continues to negatively impact volumes. The division is also exposed to ongoing competitive and client pressures, particularly in the consumer-facing, healthcare and manufacturing client base, where we continue to face margin pressures.

Despite this, the division performed well during the three months – supported by new contract gains, retention of CPG ambient contracts that are now operating under more viable commercial terms, and a good performance from Resolve (4PL Solutions), partially offset by lower volumes in the healthcare business.

### *African Regions*

Trading conditions in this region remain mixed, with variations in performance across the division. Imres and Eco Health continue to record good growth. Managed Solutions continues to be negatively impacted by the ongoing poor economic conditions in Zimbabwe, resulting in significantly lower cross-border volumes. Ongoing recessionary conditions in Namibia resulted in a weaker performance from our CIC business but the business in Mozambique continues to perform well. Resolve Africa saw a decline in project work as anticipated and Surgipharm experienced slower than expected growth.

### *International*

Notwithstanding the challenging trading environment in Europe, with recessionary conditions in Germany, this division delivered a strong improvement in performance. Profitability in the shipping business improved, supported by a strong performance from the South American business. The automotive business benefitted from new contract gains and

improved pricing. The chemicals business was negatively impacted by lower volumes which were exacerbated by the difficult German market. Palletways performed in line with the prior comparative period.

#### **UPDATE ON THE CLOSURE OF THE CONSUMER PACKAGED GOODS (CPG) BUSINESS IN SOUTH AFRICA**

The Ambient business within CPG ceased trading at the end of September 2019. We are pleased to report that due to the tireless work on the part of the management team to retain as many employees and existing clients under a more viable commercial model elsewhere within the group, we have retained over 1700 employees (excluding staff in the Cold business) and approximately 80% (revenue) of contracts from the Ambient business. These contracts and staff have mainly been accommodated in the Dedicated Contracts and Health Sciences businesses.

We are exiting the Cold business and an offer for the purchase of this business is currently under consideration. We expect to finalise this process by the end of November 2019.

We anticipate that the CPG closure costs previously communicated will remain unchanged.

It is important to note that the closure of the CPG distribution business does not represent Imperial's exit from the consumer goods industry in South Africa but the rationalisation of the multi-principal distribution model that became unviable.

#### **UPDATE ON SHIPPING BUSINESS**

As previously communicated, we are reviewing our Logistics International portfolio to align it to our strategic direction and core competitive advantages. To this end, we are progressing the disposal of our shipping business in Europe (including South America). The market will be kept informed of material developments in this regard and we are targeting H2 F2020 for conclusion of this process. In F2019 the shipping business generated revenue and operating profit of €386 million and €29 million respectively.

#### **PROSPECTS**

Based on the first few months of trading, and particularly the challenging market conditions in South Africa and Germany, our outlook for the financial year to 30 June 2020 remains unchanged.

We expect Imperial's continuing operations (excluding businesses held for sale) to deliver:

- High single digit revenue growth compared to the prior year.
- Low double digit operating profit growth compared to the prior year.
- Low double digit growth in continuing HEPS compared to the prior year.
- Strong free cash flow conversion.

The balance sheet of the business remains strong, with sufficient headroom in terms of capacity and liquidity to facilitate our strategic growth aspirations.

Imperial's contract renewal rate across our divisions on existing contracts is c.80%, with an encouraging pipeline of new opportunities, and supported by a good new contract gain rate in all three divisions despite macro-economic challenges. New business revenue of approximately R5.5 billion was secured on a rolling 12-month basis to the end of September 2019. This illustrates that our clients continue to view Imperial as a partner of choice and our continued relevance in our key markets.

Despite our current macro-economic headwinds, we are confident that the clear strategic path that has been set for the business and our swift execution thereof - together with new contract gains, new acquisitions, restructuring, and the significant cost-cutting undertaken in F2019 - will reap tangible bottom line benefits for our business and its stakeholders.

The forecast information on which the prospects statement is based, has not been reviewed or reported on by the Company's auditors.

30 October 2019  
Bedfordview

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