

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’)

## **2020 ANNUAL GENERAL MEETING AND PRE-CLOSED PERIOD TRADING UPDATE**

The 2020 Imperial Integrated Annual Report, Annual Financial Statements and ESG report were made available to shareholders on 6 October 2020. These reports expand on the significant progress made in the 2020 financial year in clarifying our strategic positioning, advancing our strategic imperatives, confronting and resolving challenges that have impacted delivery, and our response to the Covid-19 pandemic.

As is customary at this time, we provide shareholders with an update on the most noteworthy developments in the 2021 financial year thus far.

## **OPERATING CONTEXT AND PERFORMANCE FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2020**

Despite continuing challenging trading conditions and the extended impact of Covid-19, Imperial performed in line with expectations for the three months ended 30 September 2020. Pleasingly, the business recorded a significant improvement in Q1 F2021 versus Q4 F2020, increasing revenue by 24% and operating profit by 280%.

However, while volumes and operating activities have improved since June 2020 as many countries eased lockdown restrictions, the business has not yet fully recovered to pre-Covid-19 levels. As infection rates continue to rise again in many of our markets of operation, the risk of harder lockdown restrictions could further impact operations in F2021, as we are currently experiencing in some of our European markets.

Imperial’s contract renewal rate across its operations on existing contracts remains strong at c.75%. The group has an encouraging pipeline of new opportunities and new business revenue of approximately R6.1 billion (p.a.) was secured on a rolling 12-month basis to the end of September 2020.

Our net debt:EBITDA ratio remains well within our covenant level of 3.25x.

## **Market Access**

The operating environment in most of our markets continues to see some level of volatility. The impact of Covid-19 on the economies of African countries is severe and it is evident that some markets will suffer

extensively, including Nigeria, Namibia and South Africa, which are three of our key markets.

While most countries in which we operate have relaxed their Covid-19 restrictions since June 2020, activity is not yet back to normalised levels. All businesses in Market Access are currently in operation and our strong position as a leading healthcare and consumer market access player in Africa continues to stand us in good stead, particularly during the pandemic. This is evident as Market Access recorded revenue and operating profit growth compared to the first quarter of F2020, supported by good contract gains, but at lower margins.

New business revenue of approximately R1.8 billion (p.a.) was secured on a rolling 12-month basis to the end of September 2020.

Despite the challenging macro environment, we remain optimistic about the future of our Market Access business. Recent acquisitions are being successfully integrated and provide very good cross-selling opportunities. On the African continent, the trend continues in rising consumerism, urbanisation, population growth and the strengthening of healthcare systems by governments, which are all good indicators and will have a positive impact on our Market Access business.

We are still awaiting competition commission approval for the sale of the Pharmed business in South Africa to Arrie Nel and expect to receive this in the coming weeks. The disposal of Pharmed does not represent Imperial's exit from the healthcare industry in South Africa but merely the exit from non-core wholesale activities.

### **Logistics Africa**

Prevailing weak economic conditions, high unemployment and low consumer spending were exacerbated by Covid-19 and continue to impact volumes and margins across many of our sectors.

In excess of 90% (based on revenue) of this business is currently in operation since August 2020 as the restrictions on alcohol and tobacco trade were lifted in South Africa. Logistics Africa grew revenue in the first quarter compared to Q1 F2020, driven mainly by new contract gains in the Transport and Warehousing and Specialised Freight businesses which also benefited from volume growth in mining and a strong recovery in alcohol trade. The growth in revenue did not translate to growth in operating profit mainly due to the impact of margin pressure on renewals, and the impact of the extended ban on the liquor, tobacco and related industries.

New business revenue of approximately R2.1 billion (p.a.) was secured on a rolling 12-month basis to the end of September 2020.

We anticipate normal trading to return in the short to medium term as lockdown restrictions are lifted further, provided there is no shift to harder lockdown measures.

## **Logistics International**

Despite the swift and comprehensive policy response at both EU and national levels, Covid-19 will have a more significant impact on the economic activity in calendar 2020, as the lifting of lockdown measures is proceeding at a slower pace than predicted. Reports of rising Covid-19 infection rates across Europe are concerning and a return to lockdown restrictions could impact our businesses.

Our International business has been most impacted by the Covid-19 pandemic. Currently all businesses are operational and performance improved significantly since June 2020 as automotive production ramped up, although not to pre-Covid-19 levels. While the initial signs of recovery were positive, the passenger car market has been slowing in Europe since September 2020, with consumers trading down from luxury vehicle brands. The chemicals industry is performing in line with expectation. Palletways in the United Kingdom is showing volume growth on the back of higher demand due to increased home deliveries and demand for smaller more frequent deliveries by the market.

In Q1 F2021 revenue and operating profit in Euro terms for the International business remained flat compared to Q1 F2020, supported by good growth in the automotive business and Palletways, which increased volumes. The South American shipping business is being impacted by low water levels.

New business revenue of approximately R2.2 billion (p.a.) was secured on a rolling 12-month basis to the end of September 2020.

As previously communicated, achieving Imperial's strategic ambitions to serve as the 'Gateway to Africa' requires us to assess and align our international portfolio with our core competitive advantages. The significant impact of Covid-19 has also required us to prioritise our capital allocation for those areas that most amplify our primary strategic positioning and focus, being Africa. While we continue to explore potential growth opportunities, all options are being explored for our International business to ensure that it supports and aligns with our 'Gateway to Africa' strategy.

The South American shipping business continues to operate on a standalone basis and we are progressing with its sale process. This is expected to be concluded within the current financial year.

## **PROSPECTS**

The Covid-19 pandemic continues to spread and the rate of infections is rising in some of our markets of operation. While we have seen a strong recovery in Q1 F2021 compared to Q4 F2020, we remain cautious of the potential impact of harder lockdown restrictions being applied in some countries in the months to come, as we are already experiencing in Europe. We therefore anticipate the impact of the Covid-19 pandemic to continue affecting our operations and performance in the short term.

At this stage, for the 12 months to 30 June 2021, subject to stable currencies, steady recovery in volumes and revenue on the back of easing Covid-19 restrictions, and a recovery in economies in which we operate from current levels, we continue to expect Imperial's continuing operations to deliver:

- Revenue growth compared to F2020.
- Operating profit growth compared to F2020.
- Growth in continuing HEPS compared to F2020.
- Good free cash flow generation - free cash conversion expected to be between 70% and 75%.

Imperial's balance sheet remains strong and resilient, with headroom in terms of capacity and liquidity to facilitate our strategic growth aspirations. We have a strong pipeline of new business opportunities which we are working hard to translate into new business.

While we will continue to meet the demands and manage the implications of the pandemic in the short-term, we will also ensure that we continue to deliver on our strategic objectives.

We thank our shareholders for their continued support.

The forecast financial information contained in this announcement has not been reviewed or reported on by the Company's auditors.

9 November 2020  
Bedfordview

Sponsor:  
Merrill Lynch South Africa (Pty) Ltd