

TRELLIDOR HOLDINGS LIMITED
(Registration number 1970/015401/06)
Share Code: TRL
ISIN: ZAE000209342
("the Company" or "Group")

UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

SALIENT POINTS

29.8c	Headline earnings per share (2018: 35.2 cents)
9.1c	Interim dividend declared per share (2018: 11.0 cents)
R56m	EBITDA for the six months (2018: R65 million)
R25m	Cash from operations for the six months (2018: R24 million)
20%	Return on invested capital (2018: 25%)

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 Trellidor business produced a solid performance despite the tough economic conditions that prevailed and continue to negatively impact consumer spending throughout South Africa and Africa, particularly in the middle-income market. The Taylor Group was fully exposed to the decline in consumer disposable income, particularly in the Western Cape.

Group Revenue for the six months decreased by 4% to R286 million (2018: R297 million). The Group's gross profit margin of 45% (2018: 46%) was down primarily due to: increased material costs, under recovery of semi variable expenses and above inflation wage increases. Operating expenses were well managed, increasing by only 3% over the prior year period. Profit after tax of R33 million and earnings per share of 29.8 cents declined by 17% and 15% respectively.

Net cash from operating activities of R25 million grew by 3%.

In line with the special resolutions passed at the 2017 AGM, the Group repurchased a further 642 705 Group shares during the period. These were purchased out of available cash resources at an aggregate value of R3.0 million.

Segments

Trellidor

A solid performance given the tough economic conditions, with strategies to protect and improve margins implemented, and tight overhead expenditure management. Revenue declined by 2%. International sales grew by 9% underpinned by a strong performance in the UK where two major projects commenced including the installation of the newly developed and certified product for stations in the London Underground. This was partially offset by a weaker performance in southern Africa. The efficiency enhancement project was implemented in August 2018, and has yielded better than expected results, helping to improve gross margin to 47.8% (2018: 47.7%) despite a reduction in revenue. Recurring overheads remain well managed growing by 2% over the comparative period. Operating profit before interest decreased by less than 1%.

Taylor

Revenue declined by 7%. The continued weak economic conditions, particularly in the Western Cape impacted negatively on the business. Despite measures being implemented to mitigate the impact on gross margins, margins dropped to 40.8% (2018: 43.9%). These measures are however expected to benefit the business over time. Recurring overheads were well managed growing by 5%. The combined effect of the reduced revenue, weaker margins and inflation caused operating profit before interest to decrease by 39%. Net working capital absorbed cash of R11 million in the six-month period. The reduced sales volumes led to the business being overstocked at the close of the period. This yields an opportunity in the following six months, to recover the cash absorbed in the first six.

Prospects

Although the weak economic environment is anticipated to continue, some upside from improved market conditions in West and East Africa and further traction from projects in the UK is expected.

The successful strategies to improve margin and control overheads will continue. Projects focused on material supply and efficiency enhancement are expected to gather momentum and yield further savings. The Group is more streamlined and has the capacity to significantly outperform in a more supportive economy.

At the same time strategies to grow sales are in progress. The geographic expansion of the Taylor business is progressing well with sales through the Trellidor franchise base growing 158% over the corresponding FY18 period. Efforts to accelerate geographic growth through investment in Taylor's sales capacity in South Africa and opening new Trellidor distributorships in Africa continue. Taylor launched a new external blind during March 2019, which is expected to further enhance growth opportunities.

Several synergistic acquisition opportunities are being considered to advance the distribution growth and product development strategies of the Group. The Group is conservatively financed (Debt/EBITDA ratio of 0.9) and will utilize debt capacity to finance smaller add on acquisitions.

Given the performance and prospects of the Group, the Board believes the current share price undervalues the business and so will continue to buy-back shares to deliver shareholder value.

The Group remains focused on its core growth strategies of brand leadership; diversifying its product range; distribution growth in South Africa and Africa; and acquisitions, which will position it well to benefit from improving economic conditions. The recent addition of our new CFO to the executive team coupled with internal staff restructuring, will provide additional capacity to drive strategy implementation and increase focus on efficiency in the operating segments.

Dividend

The board of directors approved an interim gross dividend of 9.1 cents (2018: 11.0 cents) per ordinary share in respect of the six months ended 31 December 2018.

TM Dennison
Chief Executive Officer

27 March 2019

CASH DIVIDEND DECLARATION

Notice is hereby given that the Directors have approved and declared an interim gross dividend of 9.1 cents per ordinary share for the six months ended 31 December 2018.

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 7.28 cents per share for ordinary shareholders.

The issued share capital at the declaration date is 107,250,878 ordinary shares.

The income tax number of the company is 9419378840.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Monday, 15 April 2019
Shares commence trading "ex" dividend	Tuesday, 16 April 2019
Record date	Thursday, 18 April 2019
Payment date	Tuesday, 23 April 2019

Share certificates may not be dematerialised or rematerialised between Tuesday, 16 April 2019 and Thursday, 18 April 2019, both days inclusive.

STATEMENT OF FINANCIAL POSITION at 31 December 2018

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
Note	R'000	R'000	R'000
Assets			
Non-current assets			
Property, plant and equipment	66 144	54 558	61 175
Goodwill	74 797	74 401	74 401
Intangible assets	41 610	44 359	42 363
Other financial assets	-	945	693
Deferred tax assets	2 643	2 816	3 443
	185 194	177 079	182 075
Current assets			
Inventories	110 587	95 706	106 374
Trade and other receivables	62 140	60 764	61 377

Other financial assets	2 264	1 173	1 565
Current tax receivable	386	27	2 202
Cash and cash equivalents	18 130	10 394	27 128
Total assets	193 507	168 064	198 646
	378 701	345 143	380 721
Equity and liabilities			
Equity			
Stated capital	40 152	43 189	43 188
Other reserves	5 440	2 931	4 253
Retained earnings	179 749	156 309	165 107
Equity attributable to owners of the Company	225 341	202 429	212 548
Non-controlling interests	6 115	5 816	5 626
Total equity	231 456	208 245	218 174
Liabilities			
Non-current liabilities			
Other financial liabilities	66 440	77 694	71 364
Deferred tax liabilities	2 398	4 142	2 610
	68 838	81 836	73 974
Current liabilities			
Trade and other payables	54 705	33 728	65 681
Other financial liabilities	23 391	20 852	21 687
Current tax payables	-	-	894
Provisions	311	482	311
	78 407	55 062	88 573
Total liabilities	147 245	136 898	162 547
Total equity and liabilities	378 701	345 143	380 721

STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
for the six months ended 31 December 2018

	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017 R'000	Audited Year ended 30 June 2018 R'000
Revenue	286 249	297 358	538 984
Cost of sales	(157 366)	(160 187)	(293 070)
Gross profit	128 883	137 171	245 914
Other income	4 799	3 475	7 395
Operating expenses	(83 900)	(81 801)	(161 409)
Operating profit	49 782	58 845	91 900
Investment revenue	595	879	1 302
Finance costs	(4 655)	(5 034)	(9 595)
Profit before tax	45 722	54 690	83 607
Taxation	(13 162)	(15 580)	(24 029)
Profit for the period	32 560	39 110	59 578
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	106	(165)	(108)
Income tax related to items that may be reclassified	-	-	-
Other comprehensive income for the period, net of taxation	106	(165)	(108)
Total comprehensive income for the period	32 666	38 945	59 470
Profit attributable to:			
Owners of the Company	32 087	38 096	58 763
Non-controlling interests	473	1 013	815
	32 560	39 110	59 578
Total comprehensive income attributable to:			
Owners of the Company	32 177	37 956	58 671
Non-controlling interests	489	989	799
	32 666	38 945	59 470
Earnings per share for profit for the period attributable to the owners of the Company during the period			
Earnings and diluted earnings per share (cents)	3	29.8	35.2
			54.4

STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2018

Stated	Total	Retained	Total attributable to owners of	Non- controlling	Total
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	capital R'000	reserves R'000	income R'000	the company R'000	interests R'000	equity R'000
Balance at 1 July 2017	45 759	2 031	139 273	187 063	4 827	191 890
Total comprehensive income for the period	-	(140)	38 096	37 956	989	38 945
Own shares acquired	(2 571)	-	-	(2 571)	-	(2 571)
Employee share option	-	1 040	-	1 040	-	1 040
Dividends	-	-	(21 060)	(21 060)	-	(21 060)
Balance at 31 December 2017	43 188	2 931	156 309	202 428	5 816	208 244
Total comprehensive income for the period	-	48	20 667	20 715	(190)	20 525
Employee share option	-	1 274	-	1 274	-	1 274
Dividends	-	-	(11 869)	(11 869)	-	(11 869)
Balance at 30 June 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
Own shares acquired	(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

STATEMENT OF CASH FLOWS
for the six months ended 31 December 2018

	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017 R'000	Audited Year ended 30 June 2018 R'000
Cash generated from operations	40 668	47 108	106 947
Interest revenue	595	879	1 302
Finance costs	(4 655)	(5 034)	(9 537)
Tax paid	(11 652)	(18 679)	(30 569)
Net cash from operating activities	24 956	24 274	68 143
Cash flows from investing activities			
Purchase of property, plant and equipment	(8 286)	(6 654)	(16 416)
Business combinations	-	(30 000)	-
Other investing activities	(2 194)	(1 207)	(1 504)
Net cash used in investing activities	(10 480)	(37 861)	(17 920)
Cash flows from financing activities			
Purchase of own shares	(3 037)	(2 570)	(2 571)
Net proceeds from other financial liabilities	(3 220)	(7 430)	(42 983)
Dividends paid	(17 445)	(21 060)	(32 929)
Net cash from financing activities	(23 702)	(31 060)	(78 483)
Net (decrease)/increase in cash and cash equivalents	(9 226)	(44 647)	(28 260)
Cash and cash equivalents at the beginning of the period	27 128	55 103	55 103
Exchange (loss)/gains on cash and cash equivalents	228	(62)	285
Cash and cash equivalents at the end of the period	18 130	10 394	27 128

NOTES TO THE FINANCIAL RESULTS
for the six months ended 31 December 2018

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 31 December 2018 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 2018, apart from the effect of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers which were 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 25 March 2019.

IFRS 9 Financial instruments

IFRS 9 Financial instruments introduces a new expected credit loss impairment model that replaces the incurred loss model in IAS 39. The Group has adjusted its impairment models using the simplified approach as envisaged by IFRS 9 to incorporate forward looking information and the time value of money. The impact of the earlier recognition of credit losses under IFRS 9 is not material.

IFRS 15 Revenue from contracts with customers

The effect of IFRS 15 Revenue from contracts with customers has been considered and it has been concluded that it has no impact on the results of the Group.

2. Segmental information

	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017 R'000	Audited Year ended 30 June 2018 R'000
Revenue			
Trellidor	172 339	176 101	331 576
Taylor	113 921	122 359	208 820
Inter segment	(11)	(1 102)	(1 412)
	286 249	297 358	538 984
Operating profit before interest and tax			
Trellidor	35 989	36 253	64 956
Taylor	16 239	25 038	31 835
	52 228	61 291	96 791
Reconciling items			
Net finance costs	(4 060)	(4 155)	(8 293)
Amortisation of the client database	(2 446)	(2 446)	(4 891)
	45 722	54 690	83 607
Total assets			
Trellidor	143 577	127 434	141 356
Taylor	214 582	204 586	209 112
Inter-segment	(231)	(87)	(318)
	357 928	331 933	350 150
Reconciling items			
Cash and cash equivalents	18 130	10 394	27 128
Deferred tax	2 643	2 816	3 443
Total as per statement of financial position	378 701	345 143	380 721

3. Earnings per share

	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017 R'000	Audited Year ended 30 June 2018 R'000
Profit attributable to ordinary shareholders	32 087	38 096	58 763
Adjusted for:			
Profit on disposal of property, plant and equipment	-	(12)	(100)
Gross amount	-	(17)	(150)
Non-controlling interest	-	-	8
Tax effect	-	5	42
Headline earnings	32 087	38 084	58 663
	Number '000s	Number '000s	Number '000s
Number of shares issued	107 251	108 340	108 340
Weighted average number of ordinary shares in issue during the period	107 569	108 146	108 021
Diluted weighted average number of shares	107 569	108 146	108 021
Earnings and diluted earnings per share (cents)	29.8	35.2	54.4
Headline and diluted headline earnings per share (cents)	29.8	35.2	54.3

4. Changes to the board

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

5. Events after reporting date

Subsequent to the end of the period under review, Mr CG Cunningham stepped down as CFO of the company on 1 March 2019 and Mr DJR Judge was appointed as CFO on 1 March 2019.

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)+
JE Winship*#
RB Patmore*#

*Non-executive
#Independent
+Appointed 1 March 2019

Company Secretary
P Nel
(EComm FCIS)
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
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(PO Box 70584, Overport, 4067)

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

and

2nd Floor, Building 3
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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
27 March 2019