



TRELLIDOR HOLDINGS LIMITED

SUMMARISED PROVISIONAL AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2018

HIGHLIGHTS

 **9.3%**
Net cash from operating activities

28%
Return on capital

16.2
Cents per share final dividend

COMMENTARY

Introduction

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

Trellidor is the market leading manufacturer of custom-made barrier security products, distributed via a dedicated and skilled franchise network operating 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 corning and skirting products. The Taylor Group has a strong presence in the Western and Southern Cape.

Overview

The Trellidor business produced a solid performance reflecting its strong positioning in and the defensive qualities of the security sector despite the tough economic conditions during the period which negatively impacted consumer spending throughout South Africa and Africa, particularly in the middle-income market. The Taylor Group however was fully exposed to the decline in consumer disposable income.

Group revenue for the year grew 2.6% to R539.0 million (2017: R525.3 million) in these difficult trading conditions.

The Group's gross profit margin of 45.6% was lower compared to the previous year (47.7%), predominantly due to; increased material costs, a change in sales mix (higher proportion of sales of premium product) and an under recovery of an above inflationary increase in labour cost. Operating expenses were well managed and increased by 4% year-on-year.

Accordingly, profit after tax of R59.6 million and earnings per share of 54.4 cents for the year declined 10% and 8% respectively.

The Group's strong cash-generating capacity was reflected in the net cash from operating activities of R68.1 million which grew by 9.3%. As previously reported, the second tranche of the Taylor business acquisition purchase price of R30 million was paid from cash reserves in July 2017.

During the year the Group purchased 446,535 Group shares on the open market valued at R2.6m. These shares were cancelled after year end.

The Group has interest-bearing liabilities of R93.0 million which incurred R8.3 million of net interest for the year ended 30 June 2018. The Group's gearing is at a conservative level and its financial risk is well managed – interest cover is 9.6 times.

The results presentation will be uploaded onto the company's website during the course of the week ending 14 September 2018.

Segments

Trellidor

Revenue grew 5% to R331.6 million. The product diversification and geographic expansion strategies generated new product and international sales growth of 23% and 12%, respectively. This is a pleasing outcome of these strategies.

Gross margin reduced to 46.8% (2017: 49.0%), due primarily to a change in sales mix and under recovery of an above inflationary increase in labour costs.

Recurring overhead cost growth was below inflation. Operating profit before interest declined by 1.7% to R64.9 million. Net cash from operating activities of R49.8 million grew by 12%.

COMMENTARY continued

Taylor Group

Revenue declined by 0.3% to R208.8 million. Taylor experienced strong shutter sales but this was offset by weaker blind sales. NMC which accounts for 13% of Taylor Group sales was severely impacted by the slowdown in the construction sector.

Gross margin reduced to 43.7% (2017: 45.7%) due predominantly to higher material input costs.

Overheads were negatively impacted by new product launch expenses and foreign exchange losses of R3.2 million (2017: R0.9 million). Operating profit before interest decreased by 31.3% to R31.8 million. Net cash from operating activities of R18.3 million grew by 1%.

Dividend

The Board of Directors has declared a final gross dividend of 16.2 cents (2017: 19.5 cents) per ordinary share. This brings the total gross dividend for the year ended 30 June 2018 to 27.2 cents (2017: 30.0 cents).

In addition, the Group purchased on the open market and cancelled 446,535 Group shares valued at R2.6 million.

Prospects

The introduction of the new product set over the last few years and the synergistic acquisition of the Taylor Group have diversified and grown the Group's revenue stream. These strategies have proven to be successful as indicated above and will continue to drive strong growth in 2019. In this respect, the strategy to sell certain Taylor products through the Trellidor distribution network will be accelerated in 2019.

New franchisees have been signed in Africa and a dedicated team focused on growing the Group's distribution in Africa is developing new opportunities.

The Group has capacity to benefit from operational gearing generated by strategies focused on increasing sales volumes.

Operational improvements are targeted, particularly to increase gross margin. During the period capital expenditure of R6.0 million out of a planned total R12.0 million was made in an efficiency-enhancing project, which is expected to yield a payback period of two years. The capital expenditure includes factory expansion and new machinery. This project was implemented in August 2018 and will start producing full benefits from January 2019.

The Group will also continue to seek synergistic acquisition opportunities.

Auditor's report

The summarised consolidated financial results have been extracted from audited consolidated annual financial statements but is itself not audited. The consolidated annual financial statements from which this report is extracted have been audited by Mazars on which they expressed an unmodified opinion. A copy of the consolidated financial statements for the year ended 30 June 2018 together with the audit report is available for inspection at the company's registered office. The directors take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying consolidated annual financial statements. The consolidated annual financial statements were approved by the board on 6 September 2018.

Information included under the heading "Prospects" and any reference to future financial information included in the audited summarised consolidated financial results have not been audited or reviewed. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of their report with the accompanying financial results from the company's registered office.

TM Dennison

Chief Executive Officer

11 September 2018

CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross dividend of 16.20 cents per share for the year ended 30 June 2018.

The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The final net ordinary dividend is 12.96 cents per share for ordinary shareholders.

The issued share capital at the declaration date is 107 893 583 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	Tuesday, 2 October 2018
Shares commence trading "ex" dividend	Wednesday, 3 October 2018
Record date	Friday, 5 October 2018
Payment date	Monday, 8 October 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 October 2018 and Friday, 5 October 2018, both days inclusive.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

	Note	Audited 30 June 2018 R'000	Audited 30 June 2017 R'000
Assets			
Non-current assets			
Property, plant and equipment		61 175	51 500
Goodwill		74 401	74 401
Intangible assets		42 363	46 741
Other financial assets		693	287
Deferred tax assets		3 443	3 687
		182 075	176 616
Current assets			
Inventories	5	106 374	94 724
Trade and other receivables		61 377	61 779
Other financial assets		1 565	794
Current tax receivable		2 202	-
Cash and cash equivalents		27 128	55 103
		198 646	212 400
Total assets		380 721	389 016
Equity and liabilities			
Equity			
Stated capital		43 188	45 759
Reserves		4 253	2 031
Retained income		165 107	139 273
Equity attributable to owners of the company		212 548	187 063
Non-controlling interests		5 626	4 827
Total equity		218 174	191 890
Liabilities			
Non-current liabilities			
Other financial liabilities	6	71 364	86 090
Deferred tax liabilities		2 610	4 439
		73 974	90 529
Current liabilities			
Trade and other payables	7	65 681	52 617
Other financial liabilities	6	21 687	49 886
Current tax payables		894	3 647
Warranty provisions		311	447
		88 573	106 597
Total liabilities		162 547	197 126
Total equity and liabilities		380 721	389 016

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	Audited 30 June 2018 R'000	Audited 30 June 2017 R'000
Revenue		538 984	525 384
Cost of sales		(293 070)	(274 878)
Gross profit		245 914	250 506
Other income		7 395	6 711
Operating expenses		(161 409)	(154 917)
Operating profit before interest and tax	3	91 900	102 300
Investment revenue		1 302	3 107
Finance costs		(9 595)	(12 183)
Profit before tax		83 607	93 224
Taxation		(24 029)	(27 234)
Profit for the year		59 578	65 990
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(108)	(710)
Reclassification of hedging reserves to profit and loss		–	662
Income tax related to items that may be reclassified		–	–
Other comprehensive income for the year net of taxation		(108)	(48)
Total comprehensive income for the year		59 470	65 942
Profit attributable to:			
Owners of the company		58 763	64 265
Non-controlling interests		815	1 725
		59 578	65 990
Total comprehensive income attributable to:			
Owners of the company		58 671	64,323
Non-controlling interests		799	1 619
		59 470	65 942
Earnings per share for profit for the period attributable to the owners of the company during the year			
Earnings and diluted earnings per share	(cents) 4	54.4	59.3

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Stated capital R'000	Total reserves R'000	Retained income R'000	Total attributable to owners of the company R'000	Non- controlling interests R'000	Total equity R'000
Balance at 1 July 2016	45 759	582	103 501	149 842	(846)	148 996
Total comprehensive income for the period	–	58	64 265	64 323	1 619	65 942
Employee share option	–	1 391	–	1 391	–	1 391
Dividends	–	–	(28 493)	(28 493)	–	(28 493)
Sale of shares in subsidiary to non-controlling interest	–	–	–	–	4 054	4 054
Balance at 30 June 2017	45 759	2 031	139 273	187 063	4 827	191 890
Total comprehensive income for the period	–	(92)	58 763	58 671	799	59 470
Employees share option	–	2 314	–	2 314	–	2 314
Dividend	–	–	(32 929)	(32 929)	–	(32 929)
Own shares	(2 571)	–	–	(2 571)	–	(2 571)
Balance at 30 June 2018	43 188	4 253	165 107	212 548	5 626	218 174

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Audited 30 June 2018 R'000	Audited 30 June 2017 R'000
Cash flows from operating activities		
Cash generated from operations	106 947	104 626
Interest income	1 302	3 107
Finance costs	(9 537)	(12 183)
Tax paid	(30 569)	(33 230)
Net cash from operating activities	68 143	62 320
Cash flows from investing activities		
Business combinations	–	(124 005)
Purchase of property, plant and equipment	(16 416)	(9 071)
Other	(1 504)	1 041
Net cash used in investing activities	(17 920)	(132 035)
Cash flows from financing activities		
Purchase of own shares	(2 571)	–
Net proceeds from other financial liabilities	(42 983)	59 865
Dividends paid	(32 929)	(28 493)
Proceeds on sale of shares to non-controlling interest	–	4 054
Net cash from financing activities	(78 483)	35 426
Total cash movement for the year	(28 260)	(34 289)
Cash at the beginning of the year	55 103	89 388
Effect of exchange rate movement on cash balances	285	4
Cash and cash equivalents at the end of the period	27 128	55 103

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 June 2018

1. Basis of preparation

The provisional audited summarised consolidated financial results for the year ended 30 June 2018 has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE Limited, contains 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 CG Cunningham CA(SA). The accounting policies applied and methods of computation used in preparation of the summarised consolidated financial information are in terms of IFRS and consistent with those applied in the annual financial statements for the year ended 30 June 2017.

2. Segmental information

	Audited 30 June 2018 R'000	Audited 30 June 2017 R'000
Revenue		
Trellidor	331 576	315 903
Taylor	208 820	209 481
Inter-segment	(1 412)	–
	538 984	525 384
Operating profit before interest and tax		
Trellidor	64 956	66 086
Taylor	31 835	46 307
	96 791	112 393
Reconciling items		
Net finance costs	(8 293)	(9 076)
Acquisition costs	–	(2 474)
Amortisation of the client database	(4 891)	(4 891)
Fair value adjustment on deferred consideration	–	(2 728)
Profit before tax	83 607	93 224
Total assets		
Trellidor	141 356	125 725
Taylor	209 112	204 501
Inter-segment	(318)	–
	350 150	330 226
Reconciling items		
Cash and cash equivalents	27 128	55 103
Deferred tax	3 443	3 687
Total as per statement of financial position	380 721	389 016
Revenue by location of customer – geographical information		
South Africa	475 431	470 019
Foreign	63 553	55 365
	538 984	525 384

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 June 2018

	Audited 30 June 2018 R'000	Audited 30 June 2017 R'000
3. Operating profit		
Operating profit before interest for the year is stated after accounting for the following, amongst others:		
Operating lease charge – premises	7 728	7 270
Depreciation	6 471	6 448
Amortisation of intangible assets	5 104	5 108
Employee benefits	125 885	116 886
Advertising	25 555	23 429
Cartage	7 307	6 842
Gas, electricity and water	7 075	7 034
4. Earnings per share		
Profit attributable to ordinary shareholders	58 763	64 265
Adjusted for:		
Profit on disposal of property, plant and equipment	(100)	(86)
Gross amount	(150)	(120)
Non-controlling interest	8	–
Tax effect	42	34
Headline earnings	58 663	64 179
Adjusted for:		
Amortisation client database	4 891	4 891
Acquisition costs – Taylor	–	2 474
Fair value adjustment on contingent consideration	–	2 728
Tax effect	(1 369)	(2 134)
Non-controlling interest	(264)	(597)
Core headline earnings	61 921	71 541
	Number '000	Number '000
Number of shares issued	108 340	108 340
Weighted average number of ordinary shares in issue during the period	108 021	108 340
Diluted weighted average number of shares	108 021	108 340
Earnings and diluted earnings per share	(cents) 54.4	59.3
Headline and diluted headline earnings per share	(cents) 54.3	59.2
Core headline and diluted core headline earnings per share	(cents) 57.3	66.0

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 June 2018

	Audited 30 June 2018 R'000	Audited 30 June 2017 R'000
5. Inventories		
Raw materials, components	101 053	80 544
Work in progress	1 805	3 222
Finished goods	1 335	1 772
Goods in transit	3 276	9 650
	107 469	95 188
Provision for obsolescence	(1 095)	(464)
	106 374	94 724
6. Other financial liabilities		
Nedbank	25 000	22 264
First National Bank term loans	61 057	77 166
Wesbank Corporate	693	1 634
Novaspectacular Investments Proprietary Limited	6 301	4 912
Deferred purchase consideration	–	30 000
	93 051	135 976
7. Trade and other payables		
Trade payables	37 587	25 592
Amounts received in advance	9 486	6 292
Accrued leave pay and bonus	9 853	9 425
Accrued expenses	6 586	8 835
Other payroll accruals	2 169	2 473
	65 681	52 617

CORPORATE INFORMATION

Trellidor Holdings Limited

("Trellidor", "the Company" or "Group")
(Registration number 1970/015401/06)

Share code: TRL

ISIN: ZAE000209342

Executive directors

TM Dennison (*Chief Executive Officer*)
CG Cunningham (*Chief Financial Officer*)

Independent non-executive directors

MC Olivier (*Chairman*)
RB Patmore
JB Winship

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

Website

www.trellidor.co.za

Auditors and Independent Reporting Accountants

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

Corporate Sponsor

PSG Capital Proprietary Limited
(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 Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

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