

# TRELLIDOR HOLDINGS LIMITED

AUDITED FINAL RESULTS FOR THE  
YEAR ENDED 30 JUNE 2018



**TRELLIDOR**  
THE ULTIMATE CRIME BARRIER

**TAYLOR**  
For the best in blinds!

**nmc**

# GROUP HIGHLIGHTS



**9,3%**  
**Net Cash from Operating activities**

**28%**  
**Return on capital**

**16,2 cents per share**  
**Final dividend declared**  
**(Full year dividend 27,2 cents)**

# GROUP HIGHLIGHTS

- Launched Shutterguard MkII and new rollerblind range – Taylor
- Commenced factory efficiency project – implemented August 2018 - Trellidor
- SR3 project – London Underground design, specification and first orders – Trellidor
- Implemented new ERP system at Taylor factory - Taylor
- Commenced sale of select Taylor products through Trellidor franchises - Group

# GROUP GROWTH STRATEGIES

- **Acquisitive growth – acquisition of Taylor concluded FY 2017**
  - Period of bedding down
  - R30m Agterskot paid in July 2017 from cash reserves
  - Further acquisitions targeted from FY 2019
- **Diversified product offering**
  - Trellidor Security Shutter launched in FY 2017
  - Aluminium Retractable version launched September 2017
  - LPCB level 3 product developed for UK market (London Underground)
  - Shutterguard MkII launched May 2018
  - New roller blind range launched May 2018
- **International growth – focus on Africa**
  - Exploit other opportunities as they arrive
  - New franchisees signed in Kinshasa (DRC) and Ivory Coast
  - Dedicated team travels Africa servicing existing markets, developing the brand and seeking new markets
- **Geographic expansion of Taylor – focus on synergies**
  - Product set introduced to the Trellidor franchise network where appropriate (sales of R7.8m for part of the year)

**Foundation in place – now to build**

# GROUP OVERVIEW

## Trellidor

- Trellidor is the market leading manufacturer of custom-made barrier security products
- Distribution through dedicated and skilled owner-operated franchisees in South Africa and throughout Africa
- Further representation in Israel, UK and parts of Europe
- Products manufactured at the Group's modern facility in Durban, supported by assembly shops in parts of Africa, including the Group's subsidiary in Ghana

# GROUP OVERVIEW

## Taylor

- Acquisition of Taylor Blinds and Shutters and NMC South Africa “Taylor” business effective 7 July 2016 diversifies revenue
- Taylor is a major manufacturer and distributor of a range of custom-made blinds, and a range of decorative and security shutters
- Strong distribution in Western and Southern Cape
- Limited presence in Gauteng, the rest of South Africa and Africa
- Products are manufactured at the factory in Cape Town
- NMC distributes imported decorative mouldings out of branches in Johannesburg, Durban and Cape Town



# NEW PRODUCT – TA600 and LPCB SR3

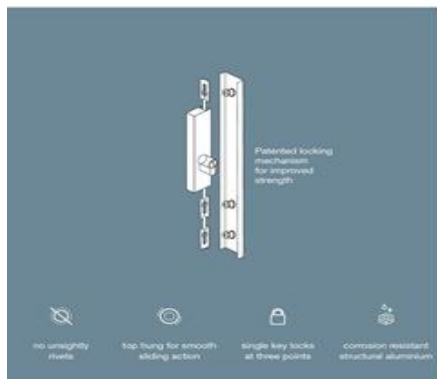
THE ULTIMATE CRIME BARRIER

## TRELLIDOR TA600

The Trellidor TA600 retractable aluminium security gate for doors and windows is the latest addition to the Trellidor range of security products. It is a clean-looking security barrier, with flights linking three upright bars together and no visible rivets to spoil the smooth exterior.

Made from structural aluminium, the TA600 is suitable for highly corrosive regions such as coastal areas, and matches our Trellidor Fixed range of burglar bars in terms of strength and style. It is designed to open and close smoothly as it is top hung and features excellent quality glass-filled nylon wheels and sealed ball bearings.

The TA600 from Trellidor has all the strength and convenience you would expect from the unique, patented Trellidor locking system. This three point locking system allows full engagement of all three locking points using one key.

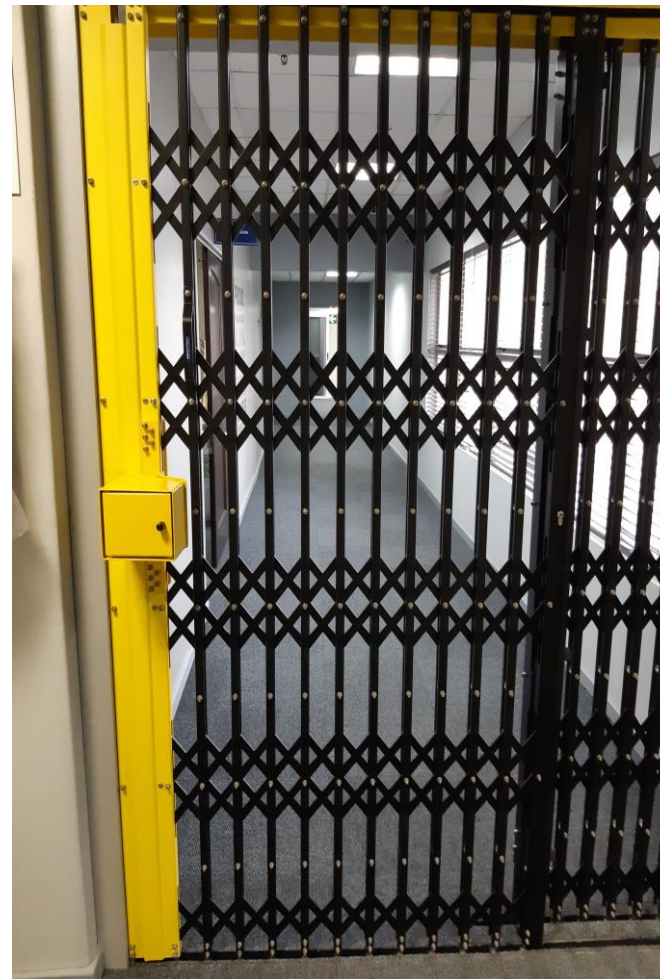


**TRELLIDOR**®  
THE ULTIMATE CRIME BARRIER

### CONTACT US

RSA 0861 8735 54367 | [www.trellidor.co.za](http://www.trellidor.co.za) | [www.trellidor.com](http://www.trellidor.com)

Trellidor security barriers are custom made to fit doors, windows, patios, passages, stairs and other openings. Your local Trellidor franchise will visit your premises to measure and make recommendations on what are most suitable for your unique requirements. Your local Trellidor franchise will install your barriers and explain how to operate and maintain them. Trellidor products are only available through authorised franchisees. As a responsible manufacturer, however, we endorse to design, engineer and install our products to give our customers the best possible security barriers the technology of the time allows. Trellidor and The Ultimate Crime Barrier are registered trade marks of Trellidor (Pty) Ltd.



Substantive in-house developed product

# NEW PRODUCT – TAYLOR

## Shutterguard Mark II



## New Roller Blind Range



**TAYLOR**  
*For the best in blinds!*





# GROUP FINANCIAL OVERVIEW

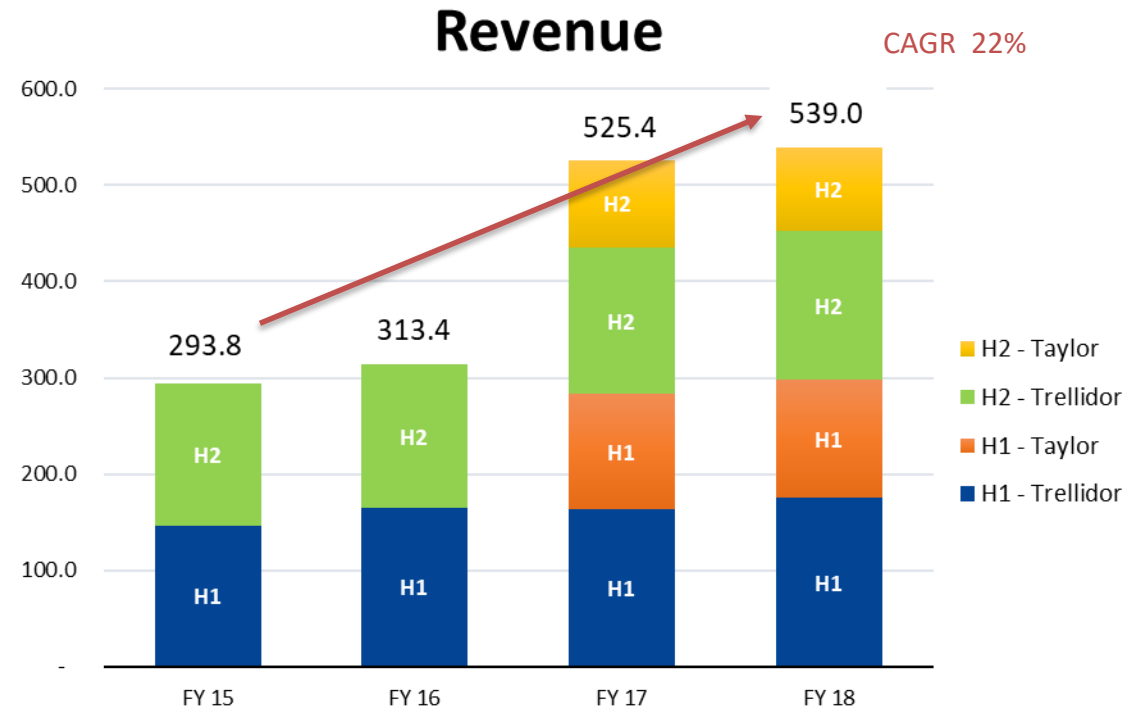
# GROUP FINANCIAL PERFORMANCE

| Group financial performance (R'm)       | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 18 vs FY 17 | CAGR |
|---|---------|---------|---------|---------|----------------|------|
| Revenue                                 | 293,8   | 313,4   | 525,4   | 539,0   | 3%             | 22%  |
| Gross Profit                            | 148,9   | 157,3   | 250,5   | 245,9   | -2%            | 18%  |
| EBITDA                                  | 72,8    | 81,5    | 113,9   | 103,5   | -9%            | 12%  |
| Profit after tax                        | 45,5    | 54,2    | 66,0    | 59,6    | -10%           | 9%   |
| Dividends declared                      | 43,5    | 20,0    | 28,5    | 32,9    | 16%            |      |
| Diluted EPS (cents)                     | 45,4    | 50,8    | 59,3    | 54,4    | -8%            |      |
| Diluted HEPS (cents)                    | 45,4    | 50,3    | 59,2    | 54,3    | -8%            |      |
| Gross Margin                            | 50,7%   | 50,2%   | 47,7%   | 45,6%   |                |      |
| EBITDA Margin                           | 24,8%   | 26,0%   | 21,7%   | 19,2%   |                |      |
| Weighted avg shares in issue (millions) | 100,0   | 105,6   | 108,3   | 108,0   |                |      |

**Solid results, in difficult trading conditions**

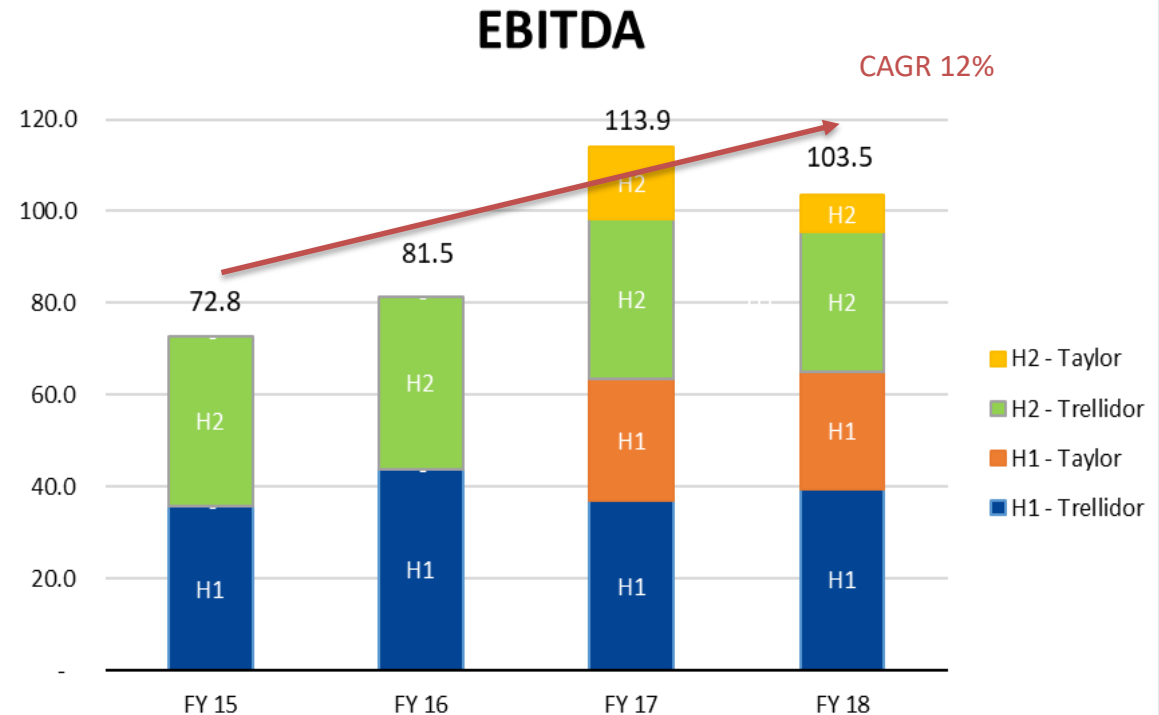
# GROUP FINANCIAL PERFORMANCE

- H2 trading reflects the deteriorating economy
- Strong growth in the premium products offset by weaker middle income market



# GROUP FINANCIAL PERFORMANCE

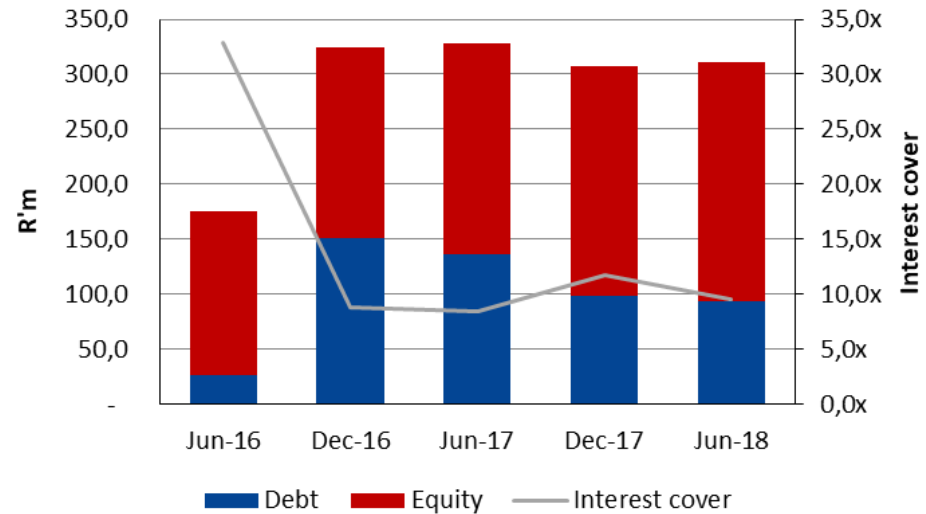
- Margins declined due to:
  - Lower volumes in tough economic conditions
  - Product mix – higher growth in lower margin premium products
  - Pricing strategies to maintain and grow market share



# GROUP BALANCE SHEET

- Debt/EBITDA ratio 0.9x
- Interest bearing debt of R93m at year end
- R19,8m interest bearing debt repaid during the year
- Debt/Equity ratio of 43%
- R30m second tranche of business combination paid July 2017

**Invested capital and interest cover**



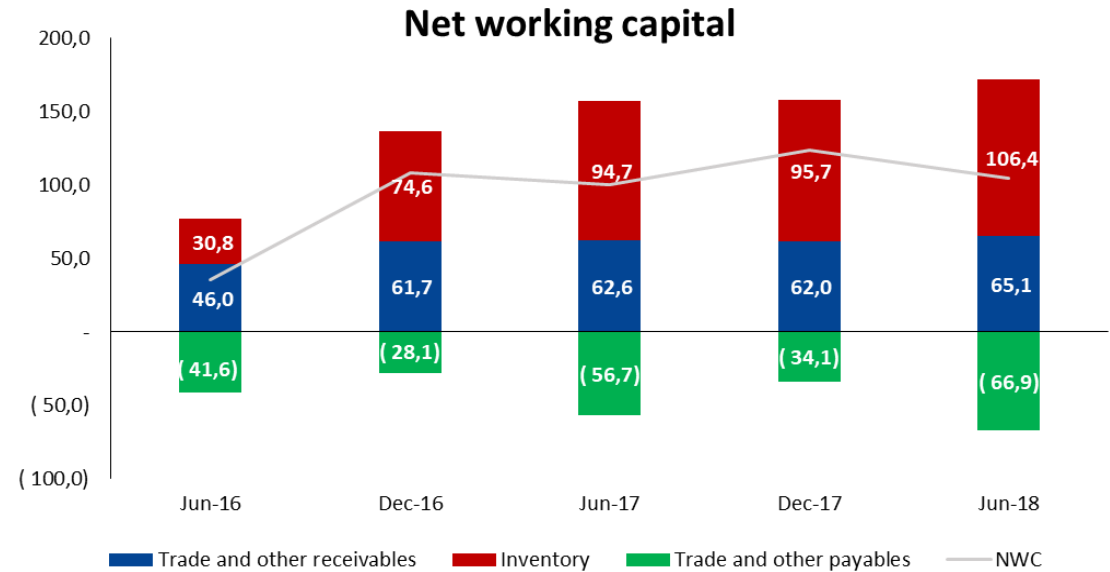
| Ratios         | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|----------------|---------|---------|---------|---------|
| Debt/Equity    | 33%     | 18%     | 55%     | 43%     |
| Interest Cover | 21.4x   | 32.9x   | 8.4x    | 9.6x    |
| Debt/EBITDA    | 0.3x    | 0.3x    | 0.9x    | 0.9x    |

Interest bearing debt of R93m at 30 June 2018



# GROUP NET WORKING CAPITAL

- Working capital investment increased mainly due to acquisition of Taylor
- Accounts receivable are in-line with trading
- Seasonal inventory investment at year end building for high season
- New terms negotiated with Taylor suppliers in return for more efficient higher volume orders



|         | Net investment in working capital (R'm) | % of turnover annualised |
|---------|---|--------------------------|
| FY 2015 | 33,3                                    | 11%                      |
| HY 2016 | 44,8                                    |                          |
| FY 2016 | 35,2                                    | 11%                      |
| HY 2017 | 108,2                                   |                          |
| FY 2017 | 100,6                                   | 19%                      |
| HY 2018 | 123,6                                   |                          |
| FY 2018 | 104,6                                   | 19%                      |

**Increase in inventories offset by higher payables**

# CAPITAL ALLOCATION

Capital applied during the year:

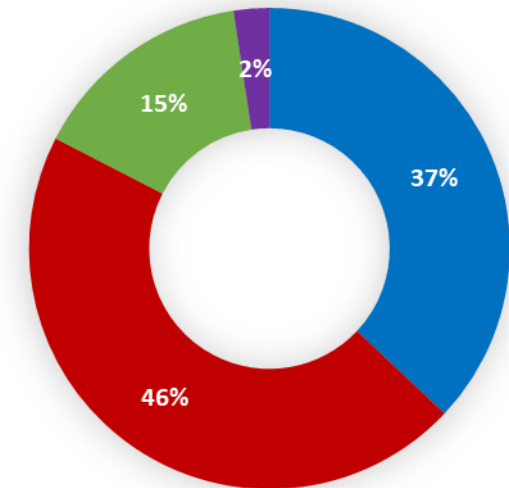
- Capex of R16,4m of which R6m was for the efficiency project
- Mergers and Acquisitions
  - R30m Agterskot payment - July 2017
- Debt Servicing
  - Paydown interest bearing liabilities - R19,8m
  - Net interest - R8,3m
- Return to shareholders
  - Dividend final 2017 - R21,0m
  - Dividend Interim 2018 - R11,9m
  - Share buy-backs - R2,6m
    - 446,535 shares repurchased during the year

# SEGMENTS

# SALES ANALYSIS - TRELLIDOR DIVISION

- Revenue growth of 4% in South Africa driven by outlying areas growth of 8%
- International revenue growth of 12% driven by excellent growth in the UK of 187%
- Africa, excluding Ghana, grew by 18% driven mainly by East and Southern Africa
- West African economies remained weak. Ghana revenue declined 21%

**Geographical presence**



■ Main centres (DBN, CPT, GP) ■ Outlying regions (RSA)  
■ Africa ■ International (UK, Israel)

| Geographical Presence       | FY 2017 | FY 2018 |
|-----------------------------|---------|---------|
| Main centres (DBN, CPT, GP) | 39%     | 37%     |
| Outlying regions (RSA)      | 45%     | 46%     |
| Africa                      | 15%     | 15%     |
| International (UK, Israel)  | 1%      | 2%      |

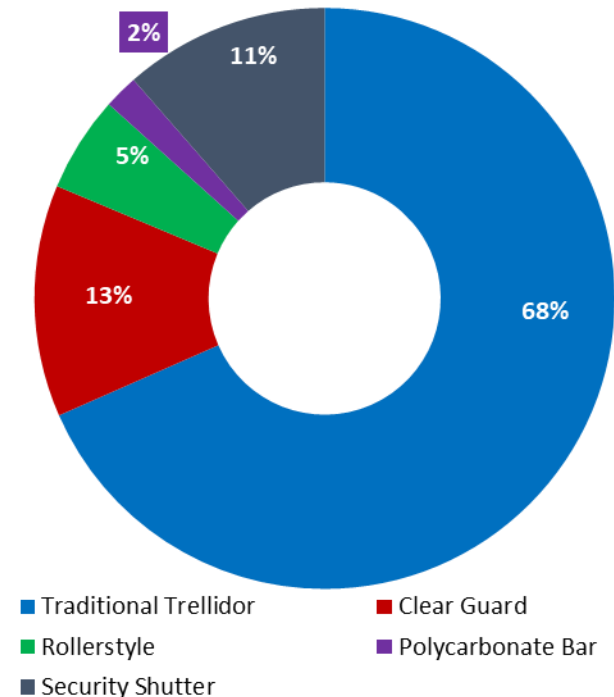
**Geographic spread mitigates the weak economy**

# SALES ANALYSIS - TRELLIDOR DIVISION

- Growth in new product sales of 23%, driven by Trellidor Security Shutter growth of 109%.
- Diversified product range spans income groups which mitigates weak middle and upper middle class economy

| Product Type          | FY 2017 | FY 2018 |
|-----------------------|---------|---------|
| Traditional Trellidor | 73%     | 68%     |
| Clear Guard           | 14%     | 13%     |
| Rollerstyle           | 5%      | 5%      |
| Polycarbonate Bar     | 2%      | 2%      |
| Security Shutter      | 6%      | 11%     |

**Product type**

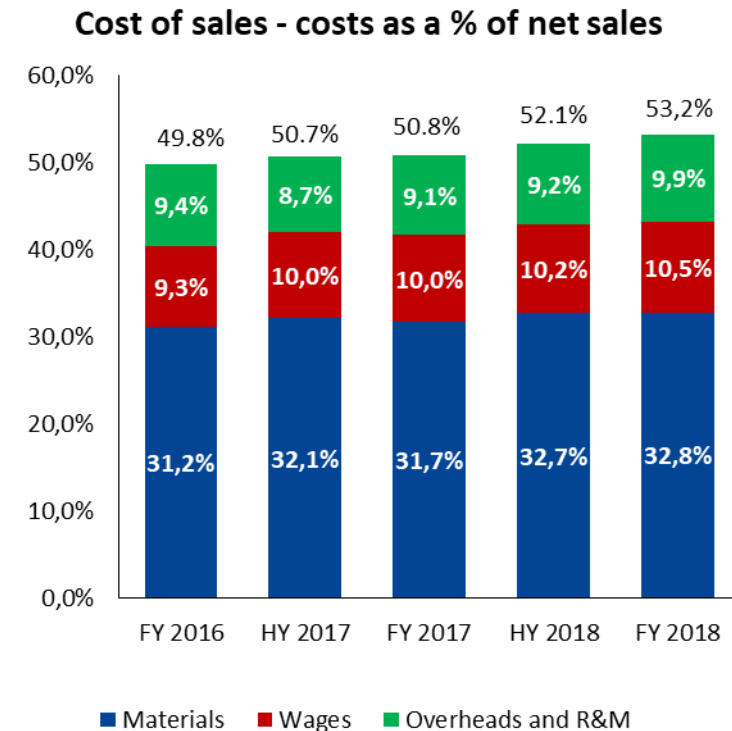


New product sales now 32% of revenue



# TRADING MARGIN - TRELLIDOR DIVISION

- Relatively stable trading margin despite muted sales
- Growth in premium product sales offset by volume reduction on higher margin products
- New wage increment agreement signed in September 2017 sees lower increment rates than previous. Average of circa 8% vs 11%
- Under recovery of wages and overheads due to volume pressure

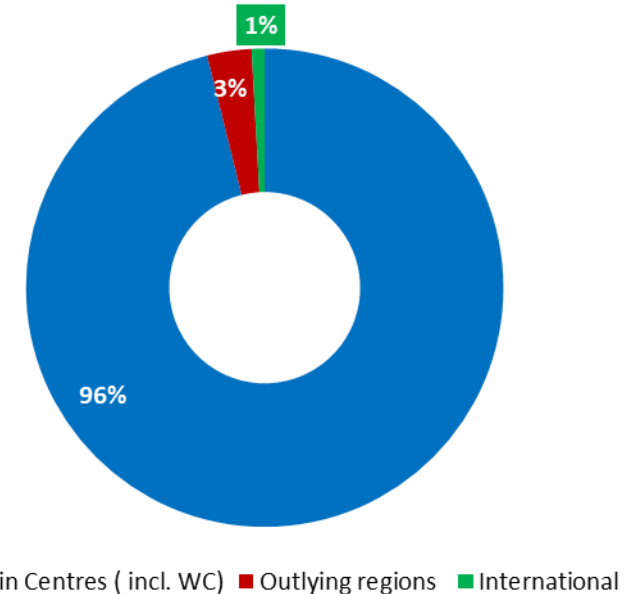


Highly profitable sustainable trading margin

# SALES ANALYSIS – TAYLOR DIVISION

- Concentration of sales in the Western and Southern Cape
- Johannesburg – weak demand stalled growth
- Geographic growth opportunity using proven Trellidor model – Products introduced to Trellidor franchisees achieved sales of R7.8m for part of the year – strong growth anticipated
- Tough trading conditions – Revenue flat on prior year

**Geographical presence**



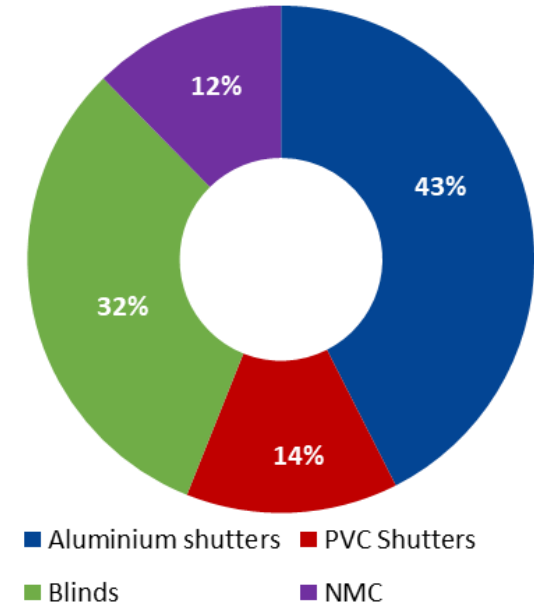
| Geographical Presence   | FY 2017 | FY 2018 |
|-------------------------|---------|---------|
| Main centres (incl. WC) | 95%     | 96%     |
| Outlying regions        | 4%      | 3%      |
| International           | 1%      | 1%      |

**Geographic expansion opportunity**

# SALES ANALYSIS – TAYLOR DIVISION

- Turnover well spread by product
- Constant innovation and development to keep up with trends
- Strong growth in aluminium shutters and roller blinds offset by weak middle income market
- Launched Shutterguard MkII and Hurricane MkII in May 2018
- New range of roller blinds launched May 2018
- All products custom designed and manufactured

**Product type**



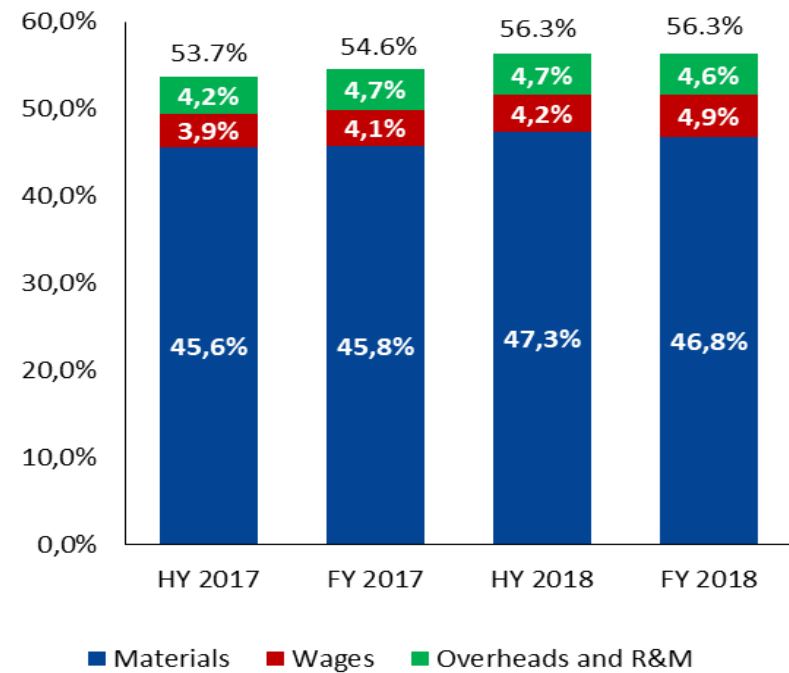
| Product Type       | FY 2017 | FY 2018 |
|--------------------|---------|---------|
| Aluminium shutters | 35%     | 43%     |
| PVC Shutters       | 16%     | 14%     |
| Blinds             | 33%     | 32%     |
| NMC                | 16%     | 12%     |

**Well spread product range – focus on “Lifestyle” product set**

# TRADING MARGIN – TAYLOR DIVISION

- Efficient factory with significant spare capacity, particularly in Blinds divisions
- Pricing strategies to maintain and grow market share impacted trading margin
- Implemented new ERP system in May 2018 – assist in managing margin and inventory

## Cost of sales – costs as % of net sales



**Weaker margins – strategy to regain FY 2017 levels**

# GROUP SUMMARISED CASH FLOW

| Group summarised cash flow (R'm)                     | FY 2016      | FY 2017       | FY 2018               |
|--|--------------|---------------|-----------------------|
| <b>EBITDA</b>  | <b>81.5</b>  | <b>113.9</b>  | <b>103.5</b>          |
| Movement in non cash items (incl provisions)         | (5.9)        | 4.2           | 3.4                   |
| <b>Net working capital movement</b>                  | <b>(3.3)</b> | <b>(13.4)</b> | <b>0.1</b>            |
| Inventory  | (9.4)        | (23.1)        | (12.3)                |
| Accounts receivable                                  | (3.7)        | 3.4           | 0.9                   |
| Accounts payable                                     | 9.8          | 6.3           | 11.4                  |
| <b>Cash generated from operations</b>                | <b>72.3</b>  | <b>104.7</b>  | <b>107.0</b>          |
| Tax paid   | (21.1)       | (33.2)        | (30.6)                |
| <b>Net cash from operations (excl finance costs)</b> | <b>51.2</b>  | <b>71.5</b>   | <b>76.4</b>           |
| Net Investment in PPE                                | (7.5)        | (8.0)         | (17.9)                |
| <b>FCF</b>   | <b>43.7</b>  | <b>63.5</b>   | <b>58.5</b>           |
| Net interest costs                                   | 0.5          | (9.1)         | (8.2)                 |
| Acquisition of subsidiary                            | -            | (124.0)       | -                     |
| Repayment/raising of debt & equity                   | 49.8         | 63.9          | (45.5) <sup>(1)</sup> |
| <b>Investing and financing activities</b>            | <b>50.3</b>  | <b>(69.2)</b> | <b>(53.6)</b>         |
| <b>Cash available to shareholders</b>                | <b>94.0</b>  | <b>(5.7)</b>  | <b>4.9</b>            |
| Dividend paid to shareholders                        | (20.0)       | (28.5)        | (32.9)                |
| <b>Cash movement for the year</b>                    | <b>74.0</b>  | <b>(34.2)</b> | <b>(28.1)</b>         |
| Opening cash balance                                 | 15.4         | 89.4          | 55.2                  |
| <b>Closing cash balance</b>                          | <b>89.4</b>  | <b>55.2</b>   | <b>27.2</b>           |

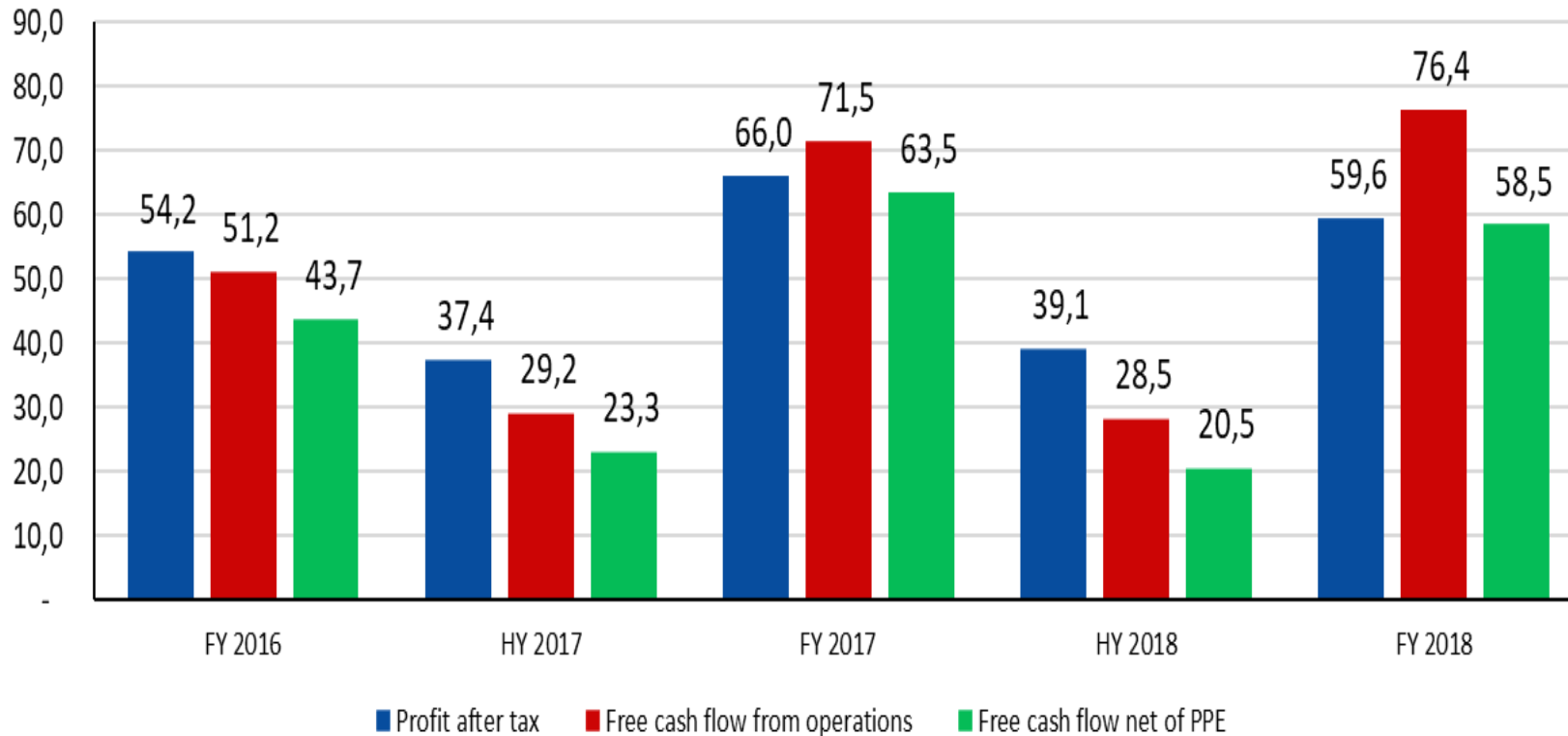
(1) Includes payment of second tranche of acquisition – R30m

**Cash conversion rate (FCF/PAT) of 98% for the year**



# GROUP SUMMARISED CASH FLOW

Cash conversion (R'm)



**Remains highly cash generative**

# GROUP SUMMARISED CASH FLOW

- Strong cash generation in H2
- Interest bearing debt paid down by R19,8m
- Working capital –
  - new terms negotiated with certain suppliers in return for larger more efficient orders
  - higher inventory offset by higher payables
  - new product growth requires increased inventory
- Efficiency project at Trellidor commenced – R6m capex spent out of planned R12m
- Final dividend declared of 16.2 cents per share
- Full year dividend declared of 27.2 cents per share

**Final Dividend 16,2c per Share**

# GROUP SUMMARISED BALANCE SHEET

| Summarised balance sheet (R'm) | FY 2016      | FY 2017      | FY 2018      |
|--------------------------------|--------------|--------------|--------------|
| <b>Non current assets</b>      |              |              |              |
| Property, plant and equipment  | 42,6         | 51,5         | 61,2         |
| Goodwill and other intangibles | 4,0          | 121,1        | 116,8        |
| Deferred Tax                   | 3,7          | 3,7          | 3,4          |
| Other financial assets         | 0,4          | 0,3          | 0,7          |
|                                | <b>50,7</b>  | <b>176,6</b> | <b>182,1</b> |
| <b>Current assets</b>          |              |              |              |
| Inventories                    | 30,8         | 94,7         | 106,4        |
| Trade and other receivables    | 44,4         | 61,8         | 61,4         |
| Cash                           | 89,4         | 55,1         | 27,1         |
| Other (Tax + Other)            | 1,6          | 0,8          | 3,8          |
|                                | <b>166,2</b> | <b>212,4</b> | <b>198,6</b> |
| <b>Non current liabilities</b> |              |              |              |
| Debt                           | 23,4         | 86,1         | 71,4         |
| Deferred tax                   | 0,0          | 4,4          | 2,6          |
|                                | <b>23,4</b>  | <b>90,5</b>  | <b>74,0</b>  |
| <b>Current liabilities</b>     |              |              |              |
| Debt                           | 3,0          | 49,9         | 21,7         |
| Trade Payables                 | 37,5         | 52,6         | 65,7         |
| Other (Tax + Other)            | 4,0          | 4,1          | 1,2          |
|                                | <b>44,5</b>  | <b>106,6</b> | <b>88,6</b>  |
| <b>Equity</b>                  | <b>149,0</b> | <b>191,9</b> | <b>218,2</b> |

# PROSPECTS

- Targeted improvement in trading margins to previously achieved levels – strategies are in place
- Factory efficiency project implemented in August 2018
- Driving geographic growth in Taylor
  - Growth from Trellidor channel is targeted
  - Strategy to accelerate geographic growth is in place
- Continued focus in Africa driving sales in recently appointed franchise areas. Service opportunities arising from elsewhere on an ad hoc basis
  - A dedicated team focused on Africa is in place
  - New franchisees signed in Kinshasa and Ivory Coast
- Further synergistic acquisitions are targeted from FY 2019
- Tough overall economic conditions are expected to remain, and continued focus on overhead control and efficiency remains

**Growth strategies implemented - enhanced foundation to grow**



**Thank You**

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# GROUP FINANCIAL PERFORMANCE

| Core HEPS (R'm)                                     | FY 2016     | FY 2017     | FY 2018     | FY 18 vs FY 17          |
|---|-------------|-------------|-------------|-------------------------|
| <b>Profit attributable to ordinary shareholders</b> | <b>53.7</b> | <b>64.3</b> | <b>58.8</b> | <b>-9%</b>              |
| Adjusted for:                                       |             |             |             |                         |
| Profit on disposal of property, plant and equipment | (0.5)       | (0.1)       | (0.1)       |                         |
| <b>Headline earnings</b>                            | <b>53.2</b> | <b>64.2</b> | <b>58.7</b> | <b>-9%</b>              |
| Adjusted for:                                       |             |             |             |                         |
| Amortisation of customer database - Taylor          | -           | 4.9         | 4.9         | Core EBITDA adjustments |
| Acquisition costs - Taylor                          | -           | 2.5         | -           |                         |
| Fair value adjustment on consideration - Taylor     | -           | 2.7         | -           |                         |
| Listing costs                                       | 1.7         | -           | -           |                         |
| Non-controlling interest                            | -           | (0.6)       | (0.3)       |                         |
| Tax effect thereon                                  | -           | (2.1)       | (1.4)       |                         |
| <b>Core Headline earnings</b>                       | <b>54.8</b> | <b>71.5</b> | <b>61.9</b> | <b>-13%</b>             |
| Weighted average number of ordinary shares (mil)    | 105.6       | 108.3       | 108.0       |                         |
| Earnings per share (cents)                          | 50.8        | 59.3        | 54.4        | <b>-8%</b>              |
| Headline earnings per share (cents)                 | 50.3        | 59.2        | 54.3        | <b>-8%</b>              |
| Core headline earnings per share (cents)            | 51.9        | 66.0        | 57.3        | <b>-13%</b>             |