



THE **TRELLIDOR** GROUP

TRELLIDOR
THE ULTIMATE CRIME BARRIER

TAYLOR
BLINDS & SHUTTERS Est.1959

nmc
Decorative Mouldings

TRELLIDOR HOLDINGS LIMITED

AUDITED FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

SALIENT POINTS

40.1 Headline earnings per share (2018: 54.3)

11.1c Final dividend declared per share (2018: 16.2c)

R81m EBITDA (2018: R103m)

R71m Cash from operations (2018: R107m)

17.0% Return on Invested Capital (2018: 21.6%)



SALIENT POINTS

Group

- 2,128,440 shares at an average cost of R4.29 per share repurchased and cancelled as part of the announced buy-back programme during 2019
- An additional 477,247 shares at an average cost of R4.23 were bought-back subsequent to year-end
- Taylor product sales through Trellidor franchises finished the year 100% up from 2018

Taylor

- The implementation of Trellidor developed production system at Taylor factory is progressing well



SALIENT POINTS

Trellidor

- Factory efficiency project yielded cost savings of R6.2m which was ahead of the 2019 target
- The Durbanville franchise in the Western Cape, which was acquired in October 2018, reported a 38% increase in turnover for the period November 2018 to June 2019 when compared to the same period last year
- The UK Franchise outperformed 2018 revenue by 112%
- Our Ghana subsidiary grew its revenue by 43% from 2018



MARKET OVERVIEW

- ❶ The property market, particularly in the mid to luxury range, has been under pressure from the start of the 2017 financial period
- ❷ This pressure is reflective of the group's performance over a similar period, specifically in the luxury market which is the target market of Taylor
- ❸ There does appear to be a bounce in the High-Value market, which is positive, but Luxury remains under pressure

Property Inflation: Value Bands

The Lightstone Area Value Bands Index reviews inflationary rates for property based on the following values.

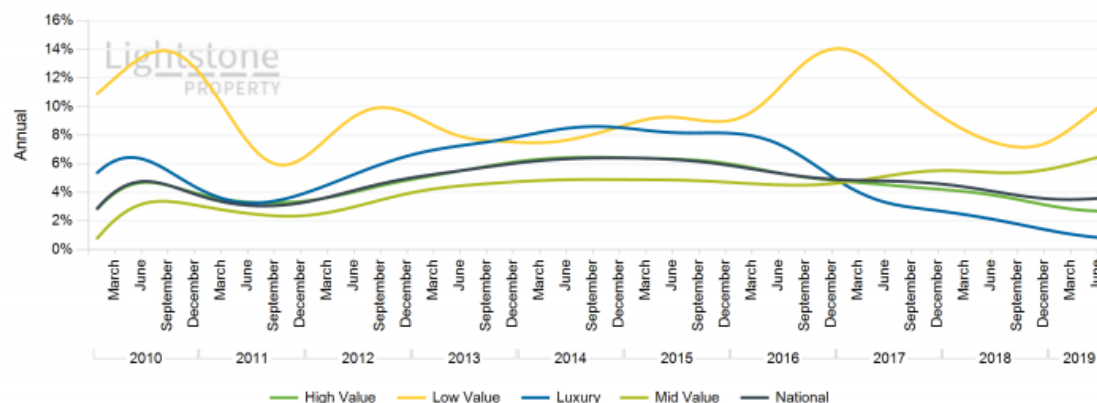
Luxury: > R1.5mil

High Value: R700k to R1.5mil

Mid Value: R250k to R700k

Low Value: <R250k

Annual Inflation: Area Value Bands



GROUP GROWTH STRATEGIES

🌐 Acquisitive growth

- Organic growth through acquisition of underperforming franchises
- Assessment of quality acquisition potential is ongoing

🌐 Diversified product

- Improved roller blind range launched in 2018 grew by 21% year-on-year
- New external roller blind range was rolled out April 2019
- Entry level aluminium shutter under development for launch H2 2020

🌐 International growth focus on Africa

- Research into replicating the Ghana business model in East Africa in progress
- New franchise signed to service Uganda/Rwanda
- Invested in additional capacity to drive growth in Africa and the UK

🌐 SA growth focus on synergies

- Taylor product sales through the Trellidor franchise network grew 100% to R13.5m
- Dedicated sales resources in place to grow sales to non-residential projects across both Trellidor and Taylor products



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

Taylor

- 🌐 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 and a 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 through branches in Johannesburg, Durban and Cape Town





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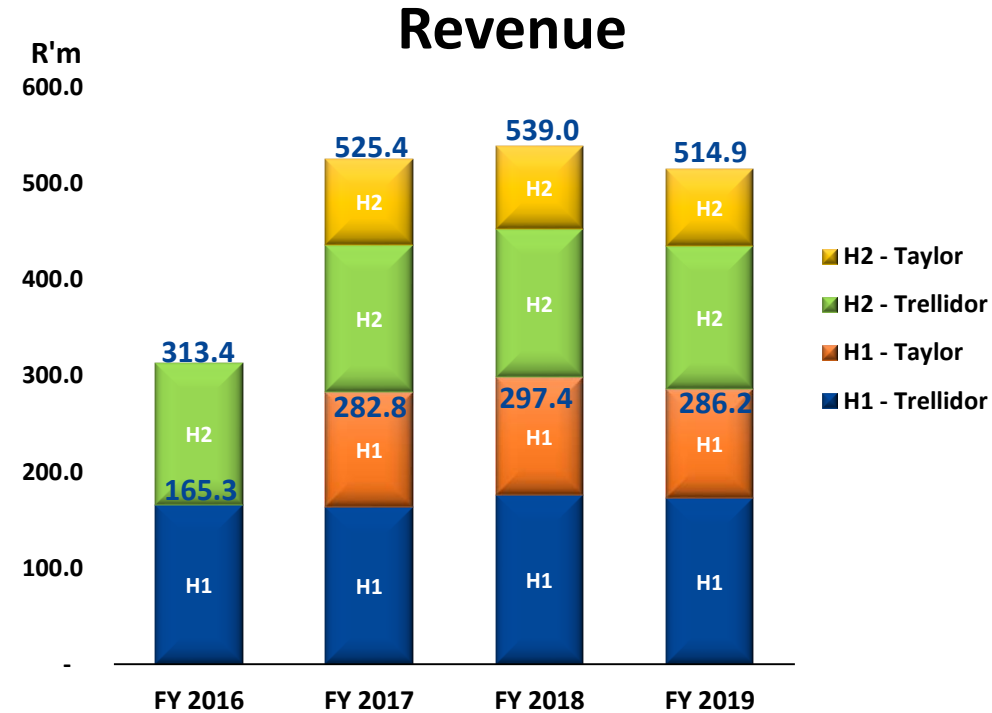
GROUP FINANCIAL OVERVIEW

GROUP FINANCIAL PERFORMANCE

Group financial performance (R'm)	FY 2016	FY 2017	FY 2018	FY 2019	FY 19 vs FY 18
Revenue	313.4	525.4	539.0	514.9	-4%
Gross profit	157.3	250.5	245.9	231.9	-6%
EBITDA	81.5	113.9	103.5	81.2	-22%
Profit after tax	54.2	66.0	59.6	43.0	-28%
Dividends paid	20.0	28.5	32.9	27.2	-18%
Diluted EPS (cents)	50.8	59.3	54.4	40.0	-26%
Diluted HEPS (cents)	50.3	59.2	54.3	40.1	-26%
Gross margin	50.2%	47.7%	45.6%	45.0%	
EBITDA margin	26.0%	21.7%	19.2%	15.8%	
Shares in issue (millions)	108.3	108.3	108.3	105.8	
Weighted avg shares in issue (millions)	105.6	108.3	108.0	107.2	

GROUP FINANCIAL PERFORMANCE

- 2019 trading reflects the continued tough economic conditions felt in RSA across the income groups and geography
- To mitigate the weak RSA economy International growth strategies remain high on the agenda
- Geographical expansion and product diversification remains a key focus area



GROUP FINANCIAL PERFORMANCE

EBITDA declined due to:

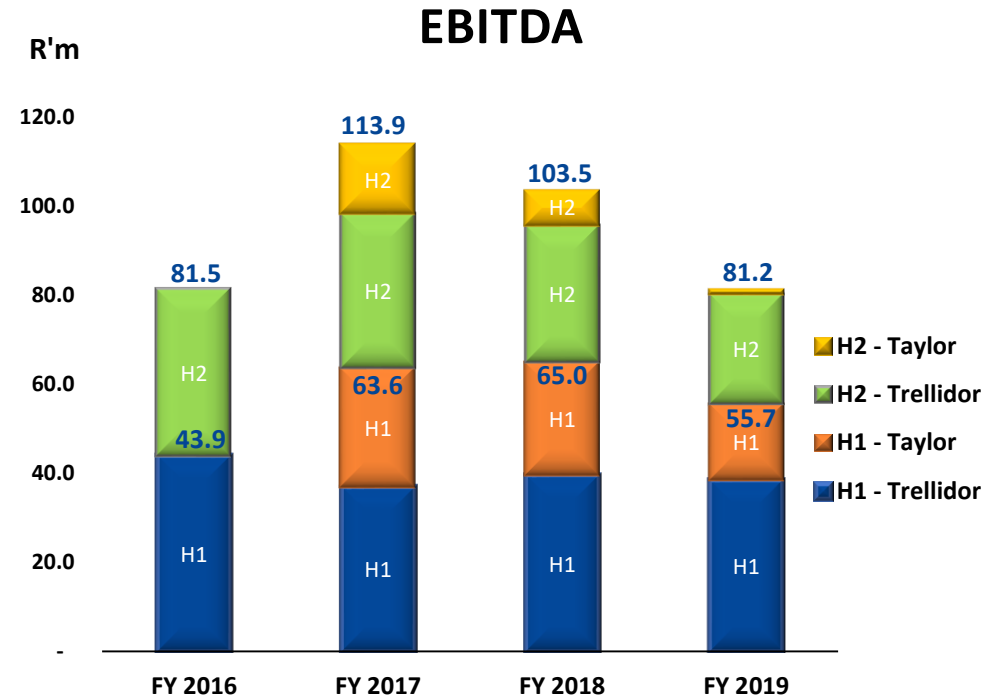
- Lower volumes in tough economic conditions
- Tighter margins across the product range
- Inflationary impact on input

Mitigating factors:

- Improved factory efficiencies in Trellidor
- Tighter cost controls across the Group

Future interventions:

- Centralising of IT, payroll and branch accounting to improve controls and lower costs
- Trellidor production and cost system being implemented in Taylor factory
- Group procurement from suppliers with synergy across the operations



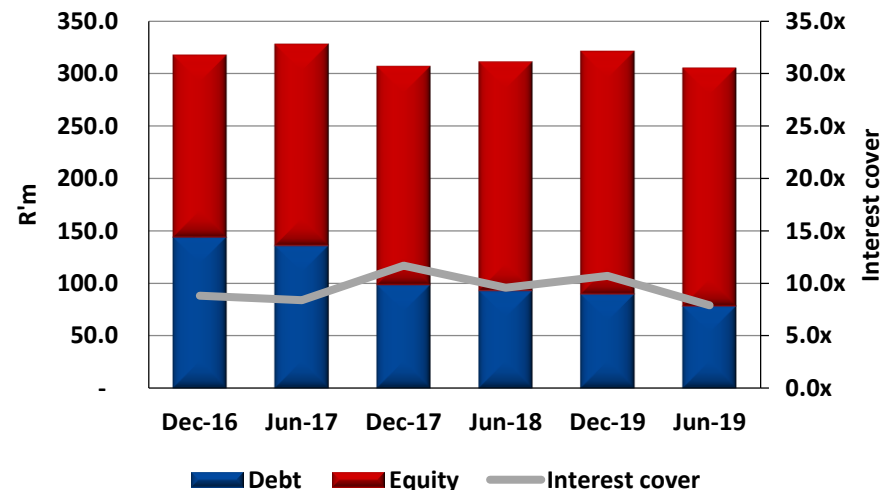
GROUP BALANCE SHEET

🦁 Debt/Equity ratio of 35% (2018: 43%)

🦁 Interest bearing debt of R78.6m at 30 June 2019

🦁 R21.2m interest bearing debt repaid during the year

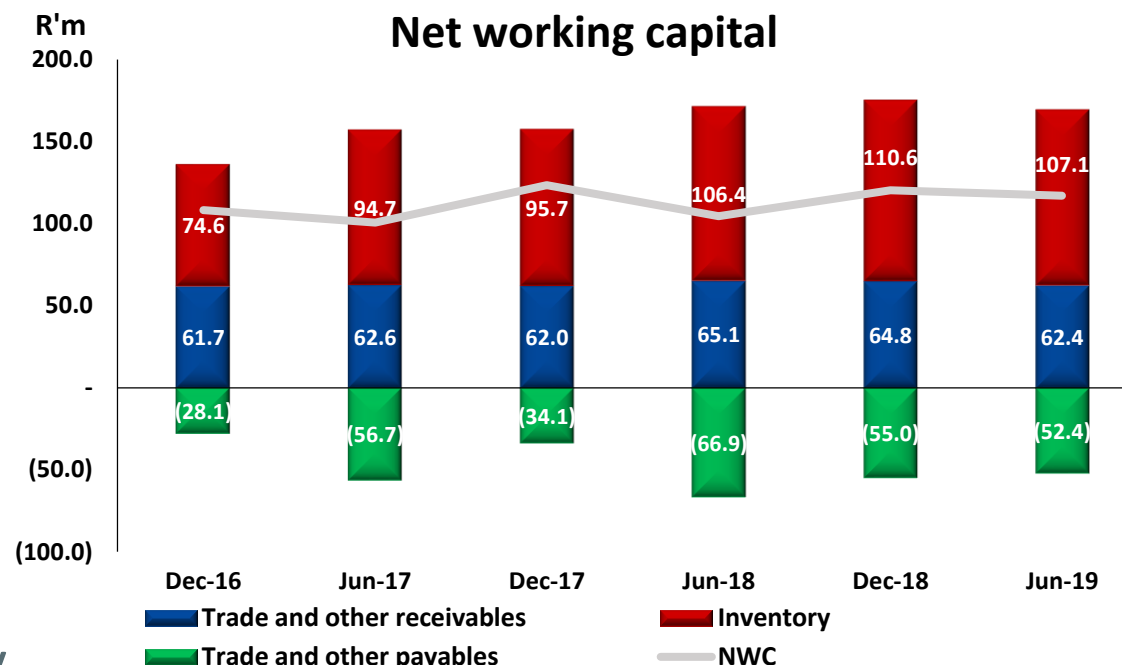
Invested capital and interest cover



Ratios	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Debt/Equity	33%	18%	55%	43%	35%
Interest Cover	21.4x	32.9x	8.4x	9.6x	7.9x
Debt/EBITDA	0.3x	0.3x	0.9x	0.9x	1.0x

GROUP NET WORKING CAPITAL

- Net working capital investment increased mainly due to a reduction in payables
- Accounts receivable are in line with trading
- Group procurement initiative will assist in a targeted inventory reduction in Taylor



Net investment in working capital (R'm)		% of Turnover
FY 2015	33.3	11%
FY 2016	35.2	11%
FY 2017	100.6	19%
FY 2018	104.6	19%
FY 2019	117.1	23%

CAPITAL ALLOCATION

- 🦁 Purchase of the Durbanville Franchise for R2.2m
- 🦁 Total Capex of R10.9m of which R6.0m was for the efficiency project at Trellidor
- 🦁 Debt Servicing
 - Paydown interest bearing liabilities R21.2m
 - Net interest R7.8m
- 🦁 Return to shareholders
 - Dividend final 2018 R17.5m and interim 2019 R9.8m
 - R9.1m spent on the buy-back of 2,128,440 shares





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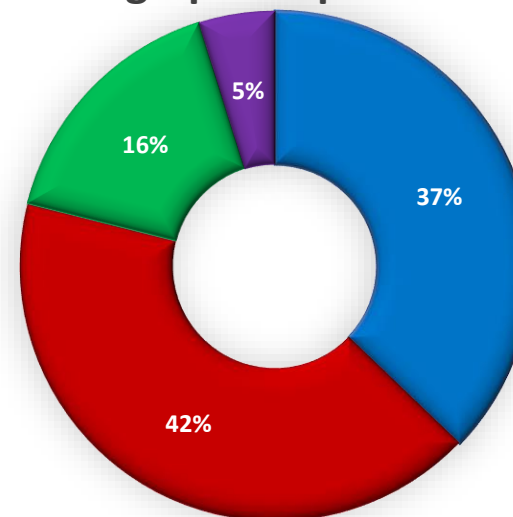
SEGMENTS

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TRELLIDOR – SALES ANALYSIS

- Overall revenue has declined 3% across the Trellidor markets
- International revenue growth of 17% driven by excellent growth in the UK (112%) and Ghana (43%)
- Sales into Africa grew by 5% despite declines in traditionally strong areas in Southern Africa
- The reduced contribution of the outlying regions reflects the spread of the weak economy

Geographical presence



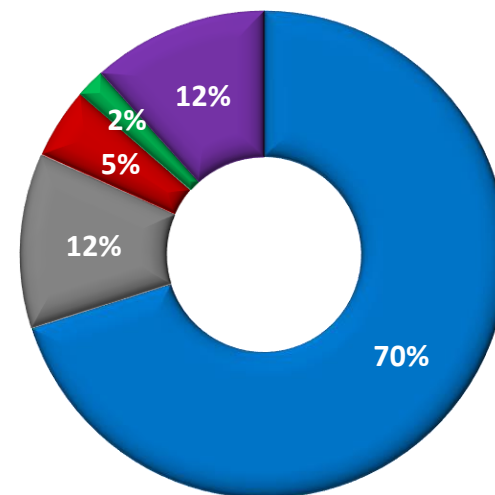
■ Main centres (DBN, CPT, GP) ■ Outlying regions (RSA)
■ Africa ■ International (UK, Israel)

Geographical Presence	FY 2018	FY 2019
Main centres (DBN, CPT, GP)	37%	37%
Outlying regions (RSA)	46%	42%
Africa	15%	16%
International (UK, Israel)	2%	5%

TRELLIDOR – SALES ANALYSIS

- 🦁 Diversified product range spans income groups which mitigates weak middle and upper middle class economy
- 🦁 As a result of the diversification the decline in sales was held to 3%
- 🦁 It is pleasing to note the relatively improved performance of Traditional Trellidor product which was driven primarily by International sales

Product type

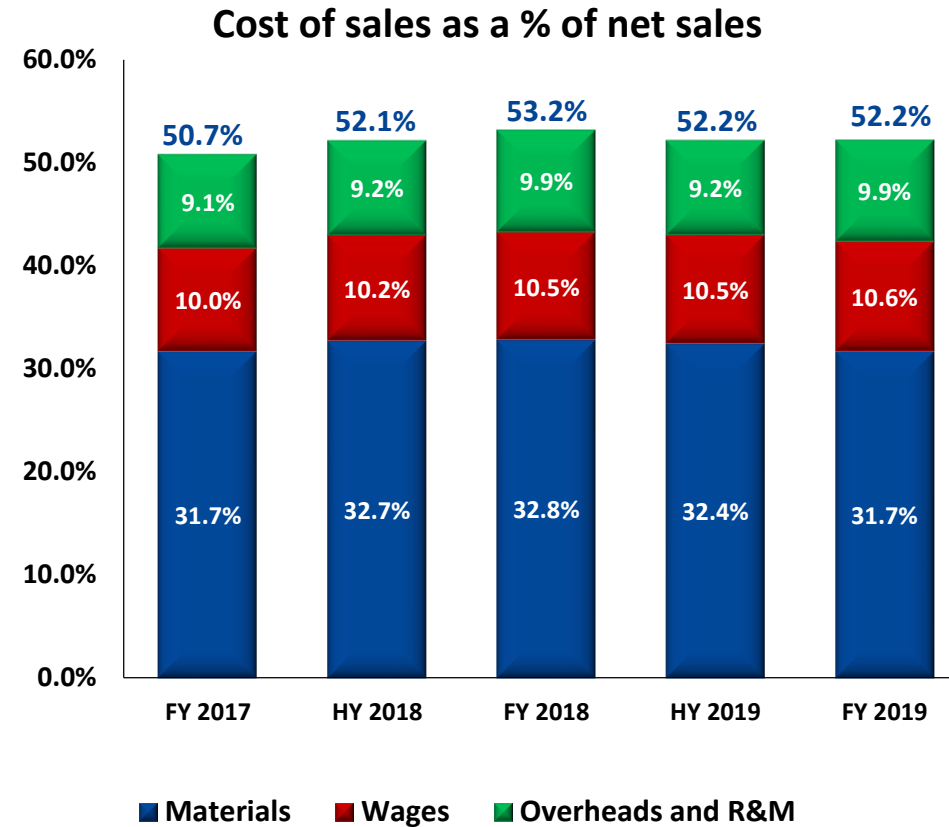


■ Traditional Trellidor ■ Clear Guard ■ Rollerstyle
■ Polycarbonate Bar ■ Security Shutter

Product Type	FY 2018	FY 2019
Traditional Trellidor	68%	70%
Clear Guard	13%	12%
Rollerstyle	5%	5%
Polycarbonate Bar	2%	2%
Security Shutter	11%	12%

TRELLIDOR – TRADING MARGIN

- Improved trading margin despite muted sales
- Factory efficiency project yielded savings before interest and tax of R6.2m which was ahead of the 2019 target
- Materials efficiency achieved through the mix of sales in line with the improved performance of Traditional Trellidor product and reduced wastage during the year





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SEGMENTS

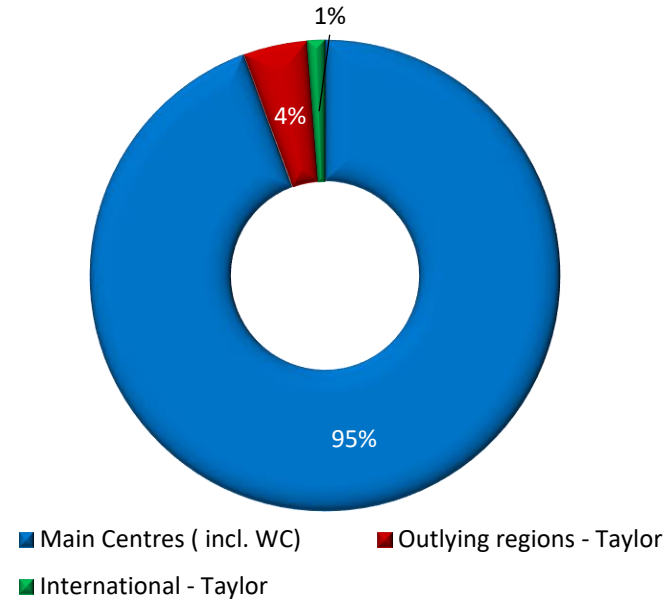
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TAYLOR – SALES ANALYSIS

- 🦁 A stabilizing of the Western and Southern Cape economy in H2, resulted in sales being held to the 7% decline reported at H1
- 🦁 Johannesburg was flat on the prior period which, given the trading environment, is a solid result
- 🦁 Geographic growth opportunity using proven Trellidor franchise model is producing results with R13.5m in sales for the year, a 100% increase from the prior year

Geographical presence

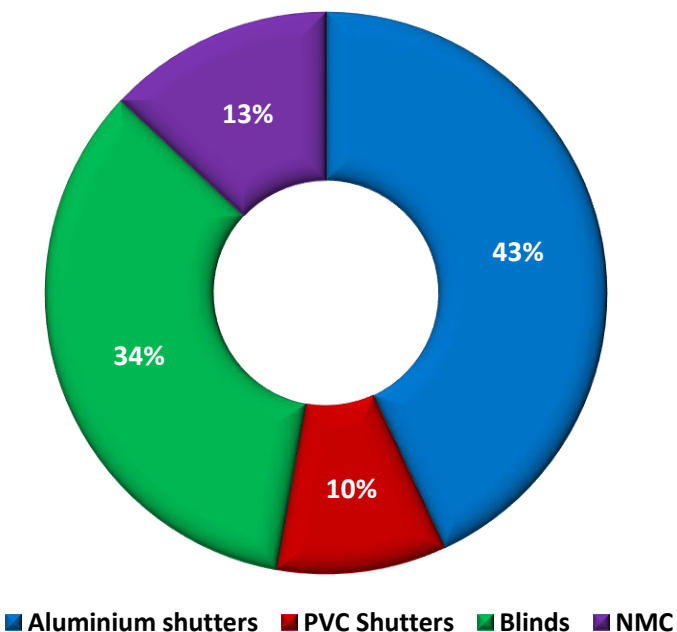


Geographical Presence	FY 2018	FY 2019
Main centres (incl. WC)	96%	95%
Outlying regions (Taylor)	3%	4%
International (Taylor)	1%	1%

TAYLOR – SALES ANALYSIS

- 🦁 Turnover well spread by product
- 🦁 Constant innovation and development to keep up with trends
- 🦁 The revamped roller blind range, launched in H2 2018, showed a 31% increase year-on-year off-set in a decline in the lower-end ranges
- 🦁 Launched external roller blind in April 2019
- 🦁 All products custom designed and manufactured

Product Type

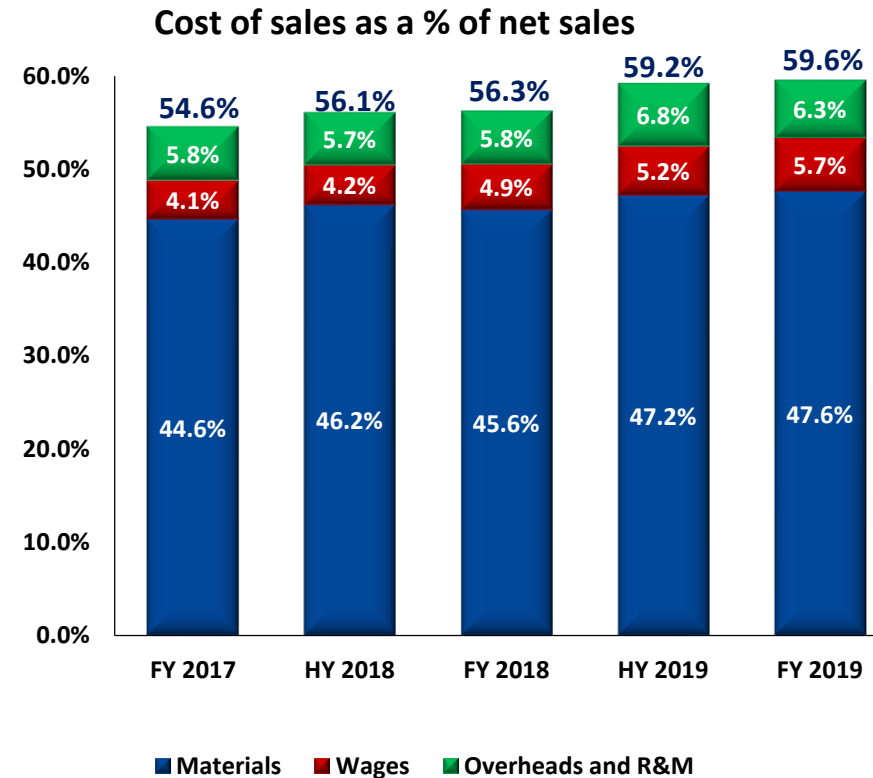


Product Type	FY 2018	FY 2019
Aluminium shutters	43%	43%
PVC Shutters	14%	10%
Blinds	32%	34%
NMC	12%	13%



TAYLOR – TRADING MARGIN

- Under recovery of wages and semi variable costs due to decrease in volumes
- Increased material and input costs, primarily due to R/\$ fluctuations, only partially mitigated by selling price increase
- Strategy to utilise group buying power with suppliers who have synergy has been implemented and savings expected through the course of 2020
- Improvements in the Taylor factory process are ongoing with key strategies to be implemented through H1 2020





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PROSPECTS

Prospects

- 🦁 Overall the Group is more streamlined and has the capacity to significantly outperform in a more supportive economy
- 🦁 Group
 - Share buy-back programme will continue through 2020
 - Consolidation of treasury function to optimise the utilisation and cost of debt facilities
 - Ongoing research into potential acquisitions with identifiable synergies
- 🦁 Taylor
 - Focus on margin improvement and tight cost control will be enhanced
 - Projects focused on material supply are expected to yield savings in 2020
 - The investment in increase sales capacity focusing on non-residential projects is expected to yield increased benefits
 - The geographic expansion of the Taylor through the Trellidor franchise network is progressing well and expected to grow further
 - Strategic focus has been implemented to optimise the operating effectiveness of the business as whole



Prospects

Trellidor

- Specific project team has been established to develop an implementation strategy to replicate the “Ghana Model” in East Africa
- Demand from the UK continues to grow and we have the capacity to exploit this opportunity
- Full year of cost benefits of the Efficiency Enhancement Project will reflect in 2020
- Look to acquire underperforming franchises when same becomes available to replicate the success seen in Durbanville
- The overall focus on margin improvement and tight cost control continues





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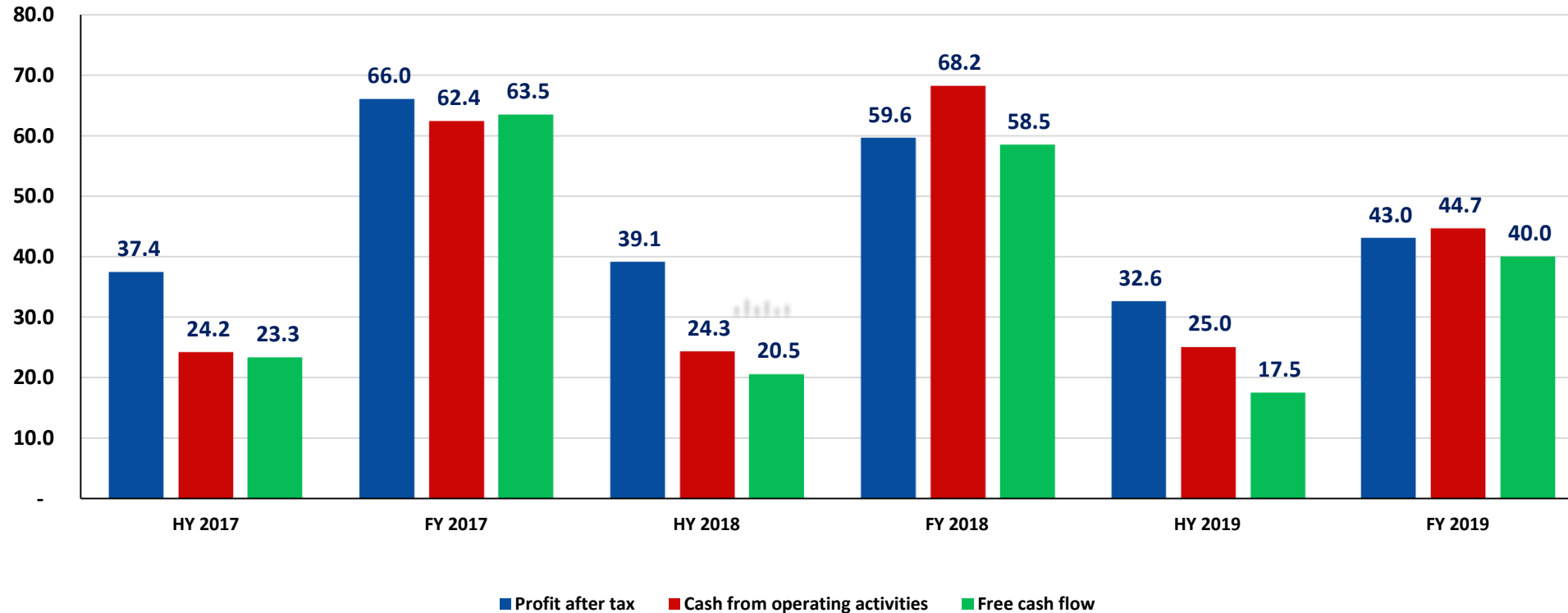
ADDITIONAL INFORMATION

GROUP SUMMARISED CASH FLOW

Group summarised cash flow (R'm)	FY 2016	FY 2017	FY 2018	FY 2019
EBITDA	81.5	113.9	103.5	81.2
Movement in non cash items (incl provisions)	(5.9)	4.2	3.4	4.3
Net working capital movement	(3.3)	(13.4)	0.1	(13.6)
Inventory	(9.4)	(23.1)	(12.3)	(2.2)
Accounts receivable	(3.7)	3.4	0.9	2.5
Accounts payable	9.8	6.3	11.4	(14.0)
Cash generated from operations	72.3	104.7	107.0	71.9
Tax paid	(21.1)	(33.2)	(30.6)	(19.1)
Net Cash from operations (excl finance costs)	51.2	71.5	76.4	52.8
Net Investment in PPE	(7.5)	(8.0)	(17.9)	(12.7)
FCF	43.7	63.5	58.5	40.0
Net interest costs	0.5	(9.1)	(8.2)	(8.1)
Acquisition of subsidiary	-	(124.0)	-	-
Repayment/raising of debt & equity	49.8	63.9	(45.5)	(23.4)
Investing and financing activities	50.3	(69.2)	(53.6)	(31.5)
Cash available to shareholders	94.0	(5.7)	4.9	8.5
Dividend paid to shareholders	(20.0)	(28.5)	(32.9)	(27.2)
Cash movement for the year	74.0	(34.2)	(28.1)	(18.6)
Opening cash balance	15.4	89.4	55.2	27.2
Closing cash balance	89.4	55.2	27.2	8.5

GROUP SUMMARISED CASH FLOW

Cash conversion (R'm)



GROUP SUMMARISED BALANCE SHEET

Summarised balance sheet (R'm)	FY 2016	FY 2017	FY 2018	FY 2019
Non current assets				
Property, plant and equipment	42.6	51.5	61.2	64.9
Goodwill and other intangibles	4.0	121.1	116.8	113.5
Deferred Tax	3.7	3.7	3.4	1.6
Other financial assets	0.4	0.3	0.7	0.8
	50.7	176.6	182.1	180.8
Current assets				
Inventories	30.8	94.7	106.4	107.1
Trade and other receivables	44.4	61.8	61.4	58.4
Cash	89.4	55.1	27.1	12.6
Other (Tax + Other)	1.6	0.8	3.8	4.0
	166.2	212.4	198.6	182.1
Non current liabilities				
Debt	23.4	86.1	71.4	29.5
Deferred tax	0.0	4.4	2.6	1.0
	23.4	90.5	74.0	30.6
Current liabilities				
Debt	3.0	49.9	21.7	49.1
Trade Payables	37.5	52.6	65.7	52.1
Other (Tax + Other)	4.0	4.1	1.2	0.3
Bank overdraft				4.1
	44.5	106.6	88.6	105.6
Equity	149.0	191.9	218.2	226.7

GROUP FINANCIAL PERFORMANCE

Core HEPS (R'm)	FY 2017	FY 2018	FY 2019	FY 19 vs FY 18
Profit attributable to ordinary shareholders	64.3	58.8	42.9	-27%
Adjusted for:				
Profit on disposal of property, plant and equipment	(0.1)	(0.1)	0.3	
			(0.1)	
			(0.0)	
Headline earnings	64.2	58.7	43.0	-27%
Adjusted for:				
Amortisation of customer database - Taylor	4.9	4.9	4.9	
Acquisition costs - Taylor	2.5	-		
Fair value adjustment on consideration - Taylor	2.7	-	-	
Non-controlling interest	(0.6)	(0.3)	(0.3)	
Tax effect thereon	(2.1)	(1.4)	(1.4)	
Core Headline earnings	71.5	61.9	46.3	-25%
Weighted average number of ordinary shares	108.3	108.0	107.2	
Earnings per share	59.3	54.4	40.0	-26%
Headline earnings per share	59.2	54.3	40.1	-26%
Core headline earnings per share (cents)	66.0	57.3	43.0	-25%



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