TRELLIDOR HOLDINGS LIMITED

ANNUAL RESULTS ENDING 30 JUNE 2020

TRELLIDOR
THE ULTIMATE CRIME BARRIER

TAYLOR
BLINDS & SHUTTERS Est.1959

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PROUDLY SOUTH AFRICAN

THE TRELLIDOR GROUP

IMPACT OF NATIONAL LOCKDOWN

- As at 31 March 2020, 4 days after national lockdown, Group cash resources stood at R25.6m
- The Group was unable to trade in April, was severely restricted in May and conditions improved through June 2020 at Level 3
- Based on deficit to forecast as a result of the lockdown, R72m of Revenue was lost during the period
- This translated to a reduction in forecasted HEPS of 22 cents

TERRY DENNISON
GROUP CEO

IMPACT OF NATIONAL LOCKDOWN

- In order to mitigate this significantly reduced performance, a cash conservation strategy was successfully implemented.
- The interim dividend declared in March 2020 was postponed
- As at 30 June 2020, Group cash resources closed on R16.1m and these have increased to R31.3m as at 31 August 2020.
- The route-to-market remained robust with no franchises being lost as a direct result of the Lockdown
  - To assist in the sustainability of the network, we offered extended payment terms through the Lockdown period

TERRY DENNISON
GROUP CEO

STRATEGIC OBJECTIVES FOR 2020

- As reported in the 2019 year ended results, key strategic objectives set for the Group were as follows:
  - Continue with the share-buy buy program
  - Optimising our balance sheet by increasing gearing to finance long-term organic growth
  - Ongoing focus on cash generation and return on invested capital
  - Enhancement of route to market in South Africa and abroad to facilitate growth
  - Improving operational efficiencies and active cost management within the Group
  - Introduction of new products both locally and abroad

TERRY DENNISON
GROUP CEO

STRATEGIC OBJECTIVES FOR 2020

- Given the National Lockdown, the Group prioritised its strategies through H2 to focus on:
  - Cash preservation and generation
  - Reducing costs in the short and medium terms in reaction to the Lockdown and in anticipation of future weak economic conditions
  - Introduction of new products both locally and abroad
  - Strategic investment in selling capacity in response to changing consumer behaviour both locally and abroad

TERRY DENNISON
GROUP CEO

THE TRELLIDOR GROUP

STRATEGIC OBJECTIVES UPDATE

- Reducing costs in the short and medium terms in anticipation of weak economic conditions:
  - Operating costs were reduced by 8,4% year on year
  - The Group has implemented a retrenchment program which is planned for completion in H1 FY21
- Introduction of new products both locally and abroad:
  - Both businesses planned to launch new products during the 2020 calendar year
  - As result of the global impact of Covid-19, these have been delayed until H2 FY21

TERRY DENNISON
GROUP CEO

STRATEGIC OBJECTIVES UPDATE

- Strategic investment in selling capacity in response to changing consumer behavior both locally and abroad
  - Sale and purchase agreements to acquire 3 franchises in the eThekwini Metro area were concluded in H2 FY20 and the sales performance from June 2020 through to August 2020 has showed improvement against prior year despite the challenges
  - Growth in Africa of 7% year-on-year despite lockdown
  - During the lockdown virtual sales tools were implemented with varying signs of success – further investment into refining this strategy is planned
  - An Expression of Interest for the purchase of the UK franchise was entered into before year end and due diligence is currently underway

TERRY DENNISON
GROUP CEO

PROSPECTS

- Dividend
  - The FY20 interim dividend will be paid and no final dividend has been declared
- Share-buy back program
  - The current share price continues to undervalue the business and once we are comfortable that cash generation has stabalised we will continue to apply excess cash to buy-back shares to enhance shareholder value
- Enhancement of route to market in South Africa and abroad to facilitate growth
  - The launch of the Durban Sales Branch to drive sales growth including the focused integration of the Taylor product set and brand in the region
  - Conclusion of the acquisition of our UK franchise to focus on retention and growth of Trellidor product sales in the UK

TERRY DENNISON
GROUP CEO

PROSPECTS

- Improving operational efficiencies and active cost management within the Group
  - Completion of the retrenchment program to lower the operating cost base
  - The weak economic environment is anticipated to continue and as result the tight control of operational overheads and focus on margin retention will persist
  - Implementation of a lower-cost agency program to enhance the existing franchise model in selected regions

TERRY DENNISON
GROUP CEO

PROSPECTS

- Trading in July and August has surprised on the upside:
  - Trellidor sales have exceeded prior year by 7%
  - Taylor is trading on par with the prior year
  - Cash generation has been strong with cash resources growing by R15.2m over the two months

TERRY DENNISON
GROUP CEO

PROSPECTS

- The Group remains focused on its core growth strategies of which the Board believes will position it to benefit from any improving economic conditions:
  - Brand leadership
  - Diversifying its product range
  - Distribution enhancement
  - Growth in South Africa, Africa and the UK
  - Improving operational efficiencies and margins

TERRY DENNISON
GROUP CEO

GROUP FINANCIAL OVERVIEW

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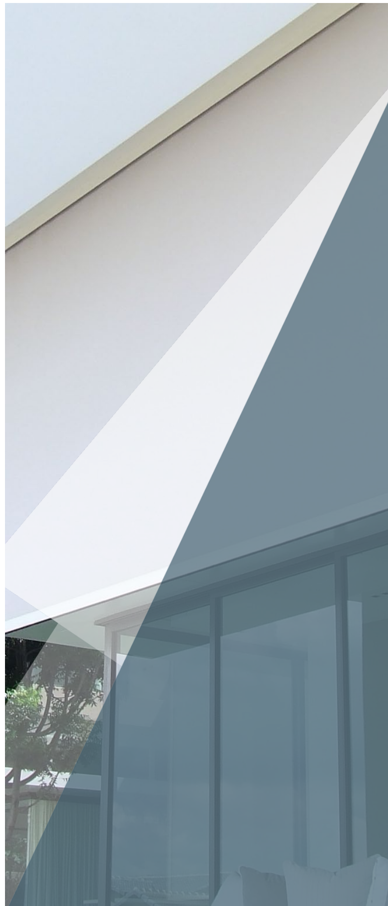
THE TRELLIDOR GROUP

GROUP FINANCIAL PERFORMANCE

Group financial performance (R'm)	FY 2017	HY 2018	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	FY 20 vs FY 19	CAGR
Revenue	525.4	297.4	539.0	286.2	514.9	274.8	421.5	-18%	-5%
Gross profit	250.5	137.2	245.9	128.9	231.9	122.5	175.5	-24%	-9%
EBITDA	113.9	65.0	103.5	55.7	81.2	49.1	11.6	-86%	-44%
Headline EBITDA	***113.9***	***-4.2***	***103.5***	***55.7***	***81.2***	***49.1***	***49.0***	***-40%***	***-19%***
Profit after tax	66.0	39.1	59.6	32.6	43.0	26.8	-24.5	-157%	
Dividends paid	28.5	21.1	32.9	17.4	27.2	11.7	11.7	-57%	
Diluted EPS (cents)	59.3	35.2	54.4	29.8	40.0	25.1	-20.8	-152%	
Diluted HEPS (cents)	59.2	35.2	54.3	29.8	40.1	25.6	13.8	-66%	
Gross margin	47.7%	46.1%	45.6%	45.0%	45.0%	44.6%	41.6%		
EBITDA margin	21.7%	21.9%	19.2%	19.5%	15.8%	17.9%	2.7%		
Headline EBITDA margin	***21.7%***	***21.9%***	***19.2%***	***19.5%***	***15.8%***	***17.9%***	***11.6%***		
Weighted avg shares in issue (millions)	108.3	108.1	108.0	107.6	107.2	104.6	102.4		

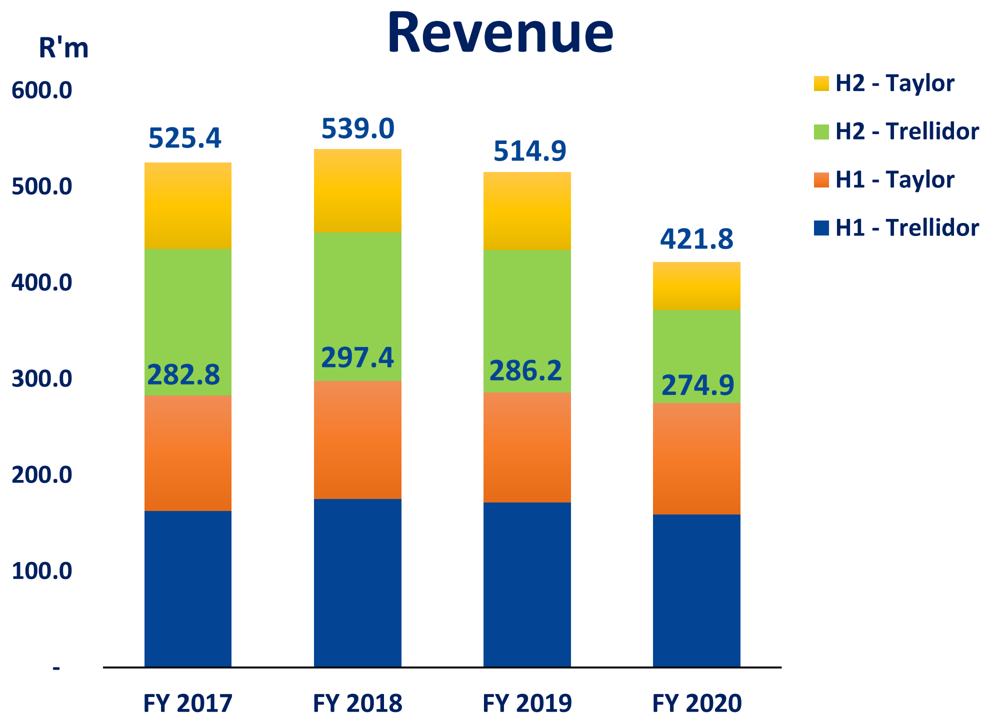
DAMIAN JUDGE
GROUP CFO



THE TRELLIDOR GROUP

GROUP FINANCIAL PERFORMANCE

- Forecasted impact of Covid-19 on revenue is R72m
- As a result the Group revenue is down 18% year-on-year
- The decline highlights the importance of our strategic investment in selling capacity in response to changing consumer behavior both locally and abroad

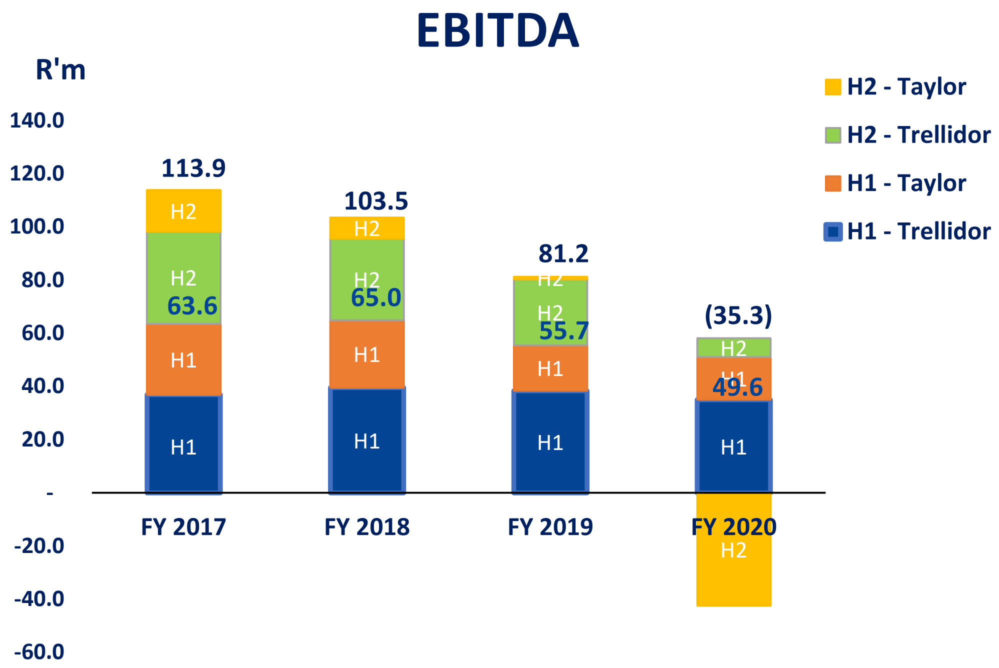


DAMIAN JUDGE
GROUP CFO

THE TRELLIDOR GROUP

GROUP FINANCIAL PERFORMANCE

- EBITDA declined due to:
  - Lower volumes in tough economic conditions
  - Includes R37.4m impairment of Goodwill
- Mitigating factors:
  - Tighter cost controls across the Group
  - Excluding impairments, operating costs decreased by 8.4% year-on-year
- Future interventions:
  - Centralising of Accounting ERP System to improve controls and lower costs
  - Consolidation of regional branch operations
  - Updated version of Trellidor production and cost system being implemented in both Trellidor and Taylor



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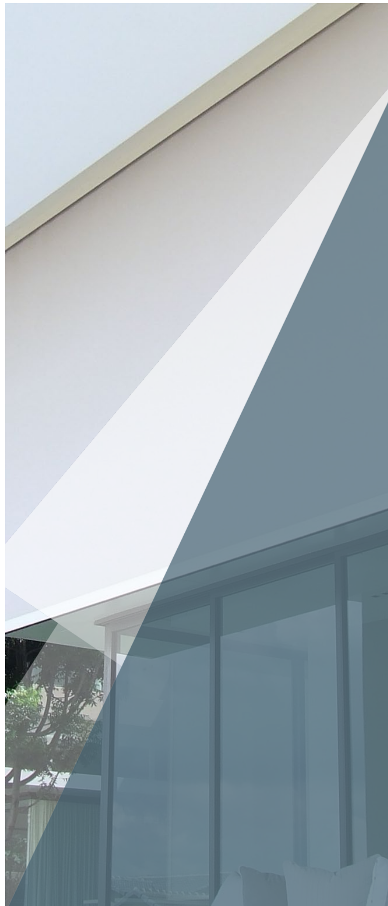
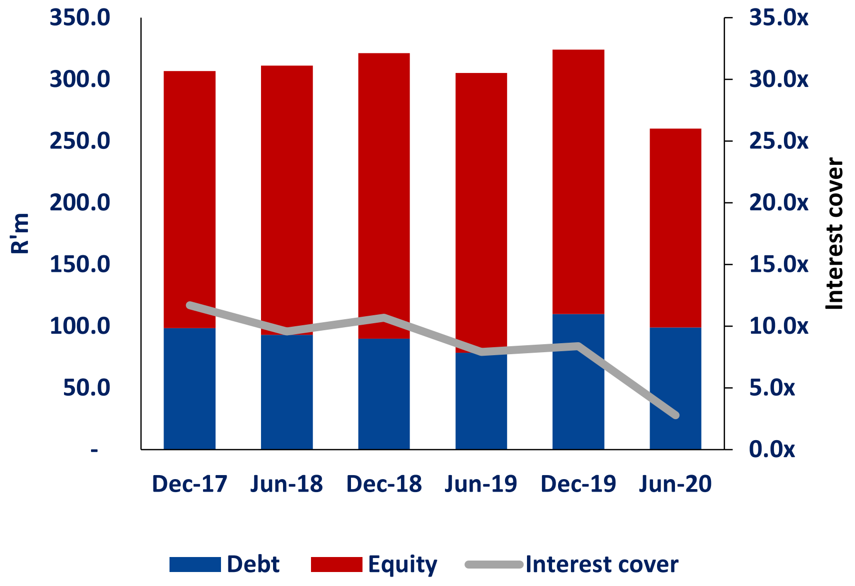
GROUP CFO



GROUP BALANCE SHEET

- Debt/Equity ratio of 61% (2019: 35%) – change driven by a 26% increase in debt year-on-year and a 29% decrease in equity as a result of the current year loss and share buybacks
- Debt/EBITDA ratio of 8.6x (2019: 1.0x) – excluding R37.4m impairment ratio improves to 2.0x
- Interest bearing debt of R99m (2019: R79m)

Invested capital and interest cover



Ratios	HY 2018	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020
Debt/Equity	47%	43%	39%	35%	42%	61%
Interest Cover	11.7x	9.6x	10.7x	7.9x	8.4x	2.8x
Debt/EBITDA		0.9x		1.0x		8.6x

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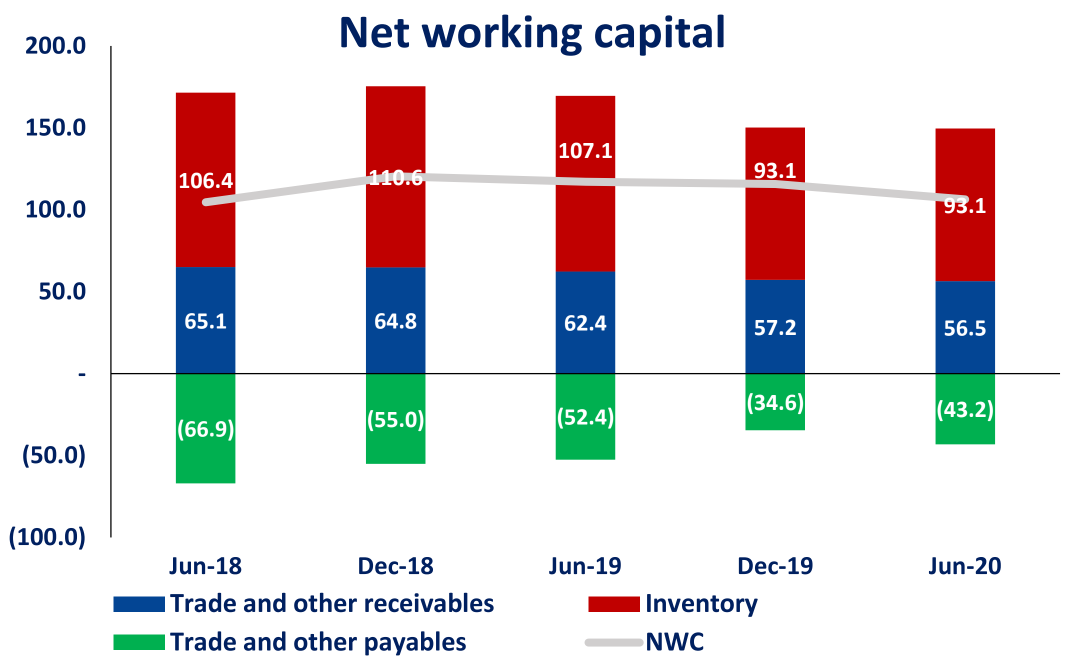
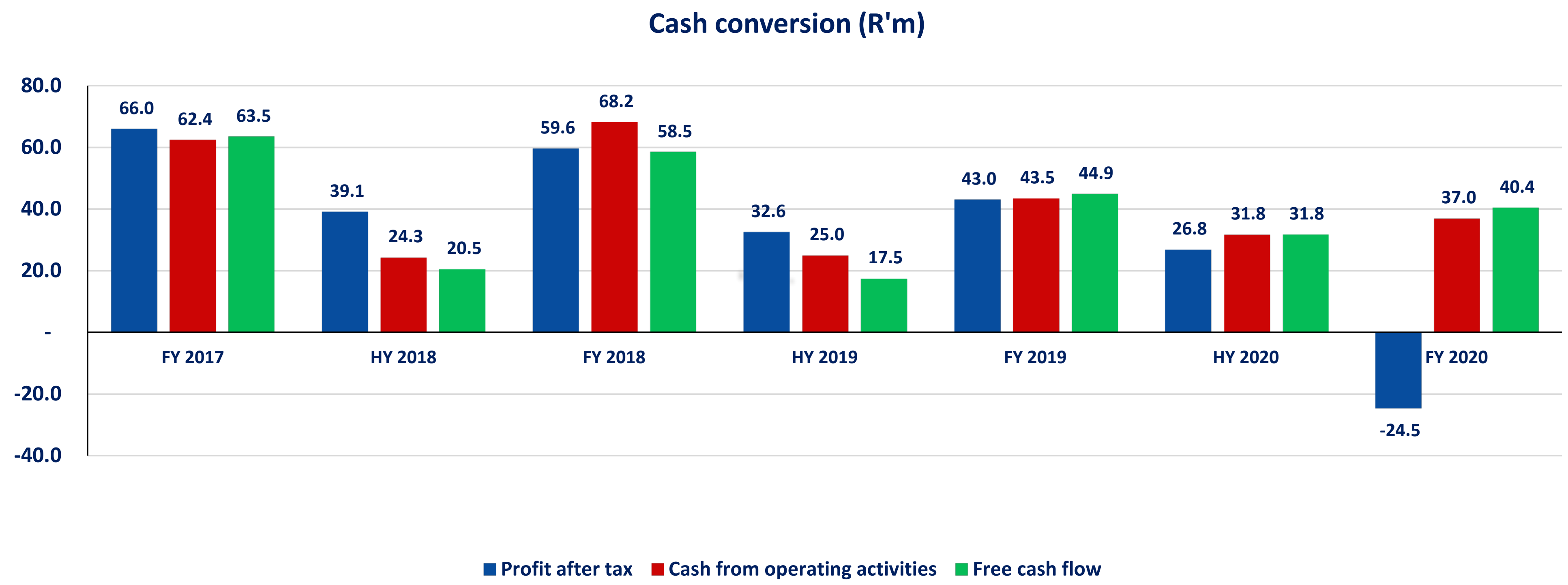
THE TRELLIDOR GROUP

GROUP NET WORKING CAPITAL

- Reduction in inventory is in line with a strategic objective to reduce stock holding in Taylor in particular
- Decrease in Receivables in line with reduced trading through Q4 FY20
- Payables year-on-year decline in line with stock reduction strategy



GROUP SUMMARISED CASH FLOW



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CAPITAL ALLOCATION

- Return to shareholders
  - FY19 Final dividend of R12m (2019: R17m) was paid
  - R22m spent on the buy-back of 5 561 547 shares at an average price of R3.94 per share
- Debt Servicing
  - Paydown interest bearing liabilities prior to refinancing of R13.8m which included a capital repayment moratorium from FNB for May and June in response to Covid-19.
  - Net interest R6.8m
- CAPEX
  - R5.8m which is in line with our targeted spend and is in line with depreciation of R5.9m

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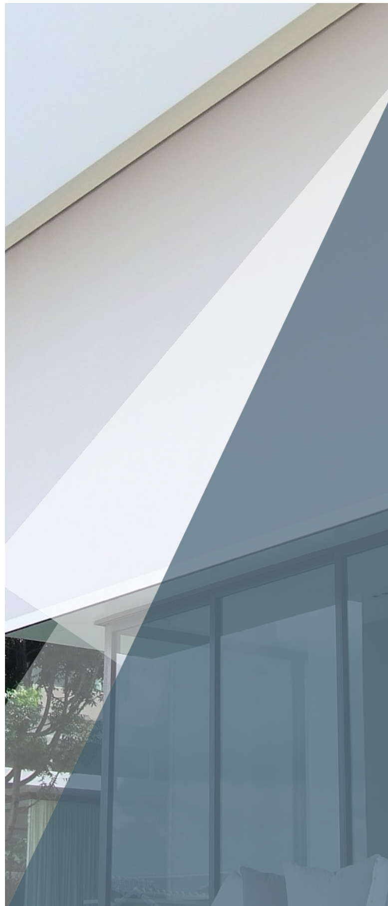
GROUP CFO



CAPITAL ALLOCATION

- Franchises
  - R11m to acquire four local franchise operations has been deployed

- FY21 Capital Allocation
  - FY20 interim dividend of 8.0c per share, which was postponed, will be paid in October 2020
  - The current share price continues to undervalue the business and once we are comfortable that cash generation has stabalised we will continue to apply excess cash to buy-back shares to enhance shareholder value
  - Expression of Interest to purchase the UK Franchise has been signed and due diligence is underway
  - No major CAPEX is planned, and investment will remain in line with depreciation

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GROUP CFO

SEGMENTS

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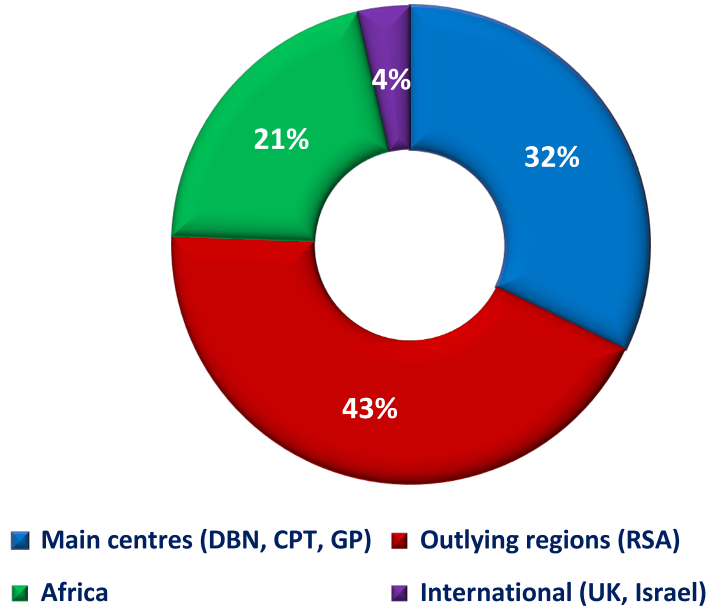
TRELLIDOR – SALES ANALYSIS

- Overall revenue has declined by 20% across the Trellidor markets
- Despite the Covid-19 disruption we still saw a strong performance on the African continent with sales growing 7% year-on-year
- There was a weaker performance in the UK which is coming off a strong 2019 base but was also significantly impacted by Covid-19
- Overall the Outlying regions continue to make the largest contribution to sales

Geographical presence



Geographical Presence	HY 2019	FY 2019	HY 2020	FY 2020
Main centres (DBN, CPT, GP)	37%	37%	36%	32%
Outlying regions (RSA)	43%	42%	43%	43%
Africa	15%	16%	19%	21%
International (UK, Israel)	5%	5%	2%	4%

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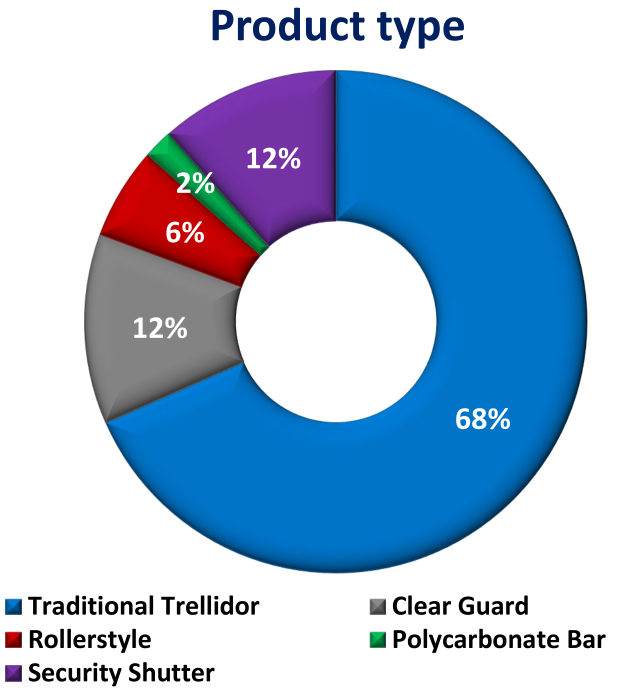
TRELLIDOR – SALES ANALYSIS

- Diversified product range spans income groups which mitigates weak middle and upper middle-class economy
- The product mix has remained consistent with prior periods
- It is pleasing to note that the Rollerstyle product range maintained its increased contribution from HY



Product Type	HY 2019	FY 2019	HY 2020	FY 2020
Traditional Trellidor	69%	70%	66%	68%
Clear Guard	12%	12%	13%	12%
Rollerstyle	5%	5%	6%	6%
Polycarbonate Bar	2%	2%	2%	2%
Security Shutter	12%	12%	13%	12%

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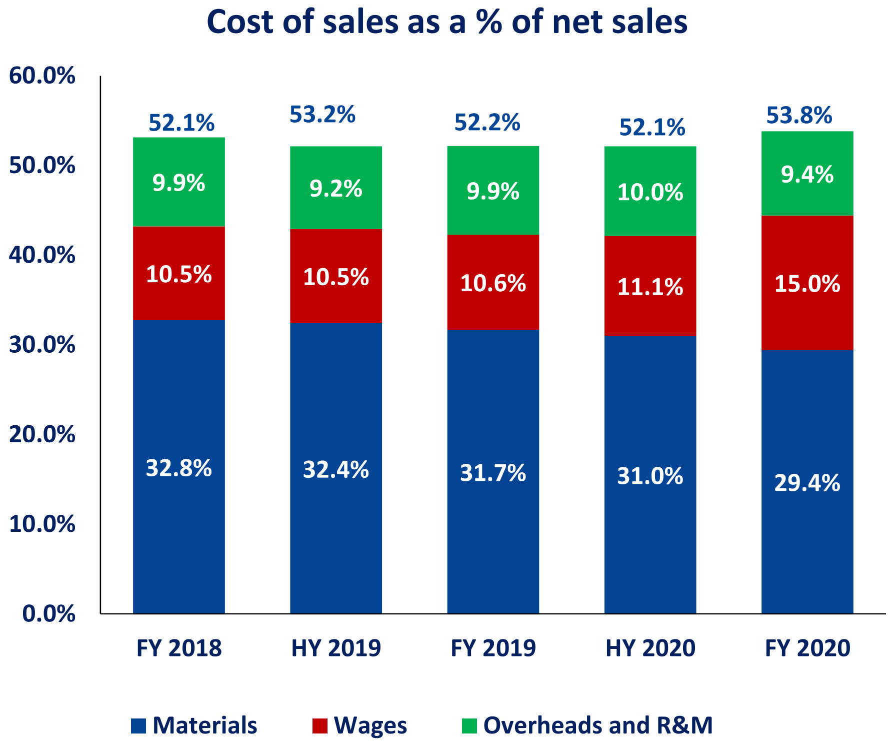
GROUP CFO

TRELLIDOR – TRADING MARGIN

- Reduced trading margin as a result of the under recovery in fixed and semi-variable costs during the lockdown
- Under-recovery highlighted by increase in wages as a % to cost of sales
- Material decrease driven by material efficiency strategies implemented during the period



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TAYLOR – IMPAIRMENT OF GOODWILL

- Coivd-19 has had a significant impact on the performance of Taylor and as result management has tested for impairment.
- The recoverable amount assessment utilises expected pre-tax cash flows, a conservative growth rate for 3 years and a discounted risk adjusted interest rate appropriate to Taylor.
- In assessing sustainable growth, we have considered the significant impact of the lockdown, has had on the current year performance and the probable impact it will have on performance over the next 24 months.
- The conservative growth rate assumes a less than 1% growth rate from the 2020 financial year to 2021 as result of the Covid-19 pandemic.
- Performance is expected to normalise to pre-Covid-19 levels in line with the 2019 financial performance for 2022.
- Based on this conservative assessment an impairment of R37.4m has been identified and provided for in FY20.

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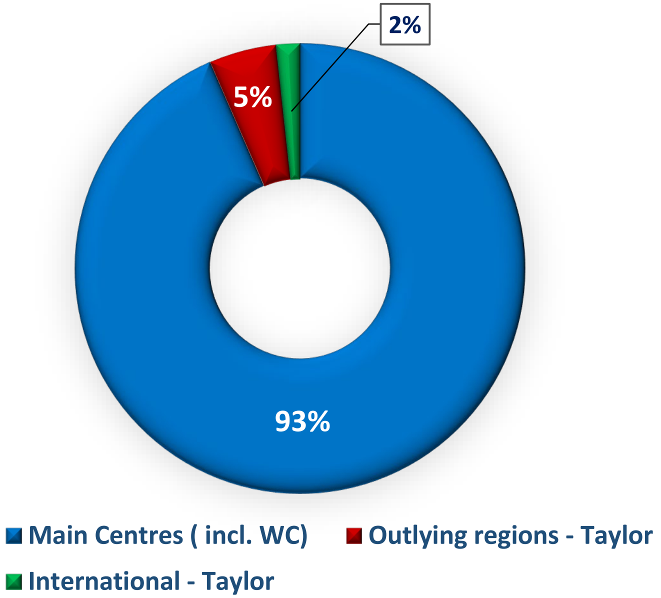
TAYLOR – SALES ANALYSIS

- A decline of 14.9% from FY19 driven predominately by the lockdown
- At half-year Taylor was 1.3% ahead of FY19 but couldn't capitalise on this position given Covid-19
- The Western Cape continues to be the major contributor to sales

Geographical Presence



Geographical Presence	HY 2019	FY 2019	HY 2020	FY 2020
Main centres (incl. WC)	94%	95%	94%	93%
Outlying regions (Taylor)	5%	4%	5%	5%
International (Taylor)	1%	1%	1%	2%

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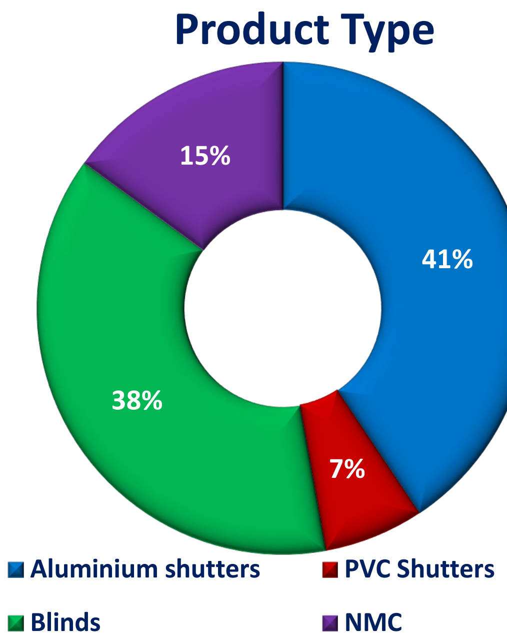
TAYLOR – SALES ANALYSIS

- Turnover well spread across product types

- Blind sales, in particular roller-blinds, continued to growth in its contribution to overall sales

- It is pleasing to note an in the contribution of NMC sales which was only 8% down on prior year although it was lockdown for 2 months as result of Level 4 restrictions on construction activity



Product Type	HY 2019	FY 2019	HY 2020	FY2020
Aluminium shutters	45%	43%	44%	41%
PVC Shutters	11%	10%	9%	7%
Blinds	32%	34%	35%	38%
NMC	13%	13%	12%	15%

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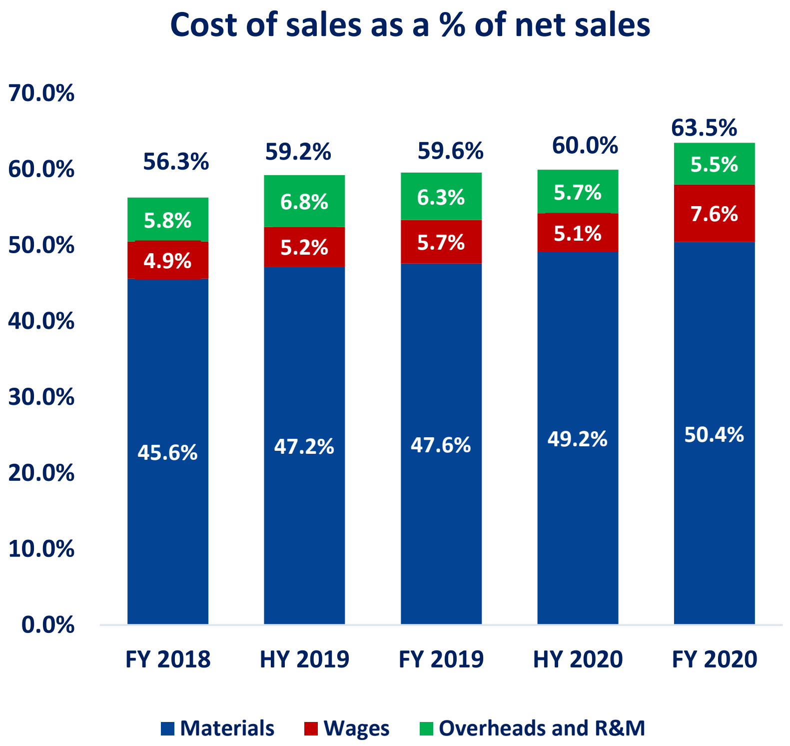
THE TRELLIDOR GROUP

TAYLOR – TRADING MARGIN

- Cost control measures implemented have been successful but negatively impacted by the lockdown
- Group buying strategies have been implemented and savings were expected through the course of H2 FY20 before Covid-19
- Improvements in the Taylor factory process are ongoing with savings expected through FY21



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ADDITIONAL INFORMATION

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GROUP SUMMARISED CASH FLOW

Group summarised cash flow (R'm)	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020
EBITDA	**103.5**	**55.7**	**81.2**	**49.1**	**11.6**
Movement in non cash items (incl provisions)	3.4	1.1	3.1	(1.9)	45.4
Net working capital movement	**0.1**	**(16.0)**	**(13.6)**	**(0.6)**	**(2.0)**
Inventory	(12.3)	(4.2)	(2.2)	14.0	11.0
Accounts receivable	0.9	(0.8)	2.5	3.1	(3.7)
Accounts payable	11.4	(11.0)	(13.9)	(17.7)	(9.3)
Cash generated from operations	**107.0**	**40.8**	**70.7**	**46.7**	**55.0**
Tax paid	(30.6)	(11.8)	(19.1)	(11.2)	(8.8)
Net Cash from operations (excl finance costs)	**76.4**	**29.1**	**51.6**	**35.5**	**46.2**
Net Investment in PPE	(17.9)	(10.5)	(6.6)	(3.9)	(4.7)
FCF	**58.5**	**18.6**	**44.9**	**31.6**	**41.4**
Net interest costs	(8.2)	(4.1)	(8.1)	(3.6)	(9.2)
Acquisition of franchises	-	-	-		(11.0)
Repayment/raising of debt & equity	(45.5)	(6.1)	(28.3)	(10.2)	(1.9)
Investing and financing activities	**(53.6)**	**(10.1)**	**(36.4)**	**(13.8)**	**(22.1)**
Cash available to shareholders	**4.9**	**8.4**	**8.5**	**17.7**	**19.3**
Dividend paid to shareholders	(32.9)	(17.4)	(27.2)	(11.7)	(11.7)
Cash movement for the year	**(28.1)**	**(9.1)**	**(18.6)**	**6.1**	**7.6**
Opening cash balance	55.2	27.2	27.2	8.4	8.5
Closing cash balance	**27.2**	**18.1**	**8.5**	**14.5**	**16.2**

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GROUP CFO

GROUP SUMMARISED BALANCE SHEET

Summarised balance sheet (R'm)	FY 2018	HY 2019	FY 2019	HY 2020	FY2020
Non current assets					
Property, plant and equipment	61.2	66.1	64.9	57.2	56.8
RoU Assets				21.0	19.6
Goodwill and other intangibles	116.8	116.4	113.5	111.7	82.7
Deferred Tax	3.4	2.6	1.6	0.5	3.1
Other financial assets	0.7	0.0	0.8	0.7	3.3
	182.1	**185.2**	**180.8**	**191.1**	**165.5**
Current assets					
Inventories	106.4	110.6	107.1	93.1	93.1
Trade and other receivables	61.4	62.1	58.4	55.3	53.0
Cash	27.1	18.1	12.6	21.8	23.4
Other (Tax + Other)	3.8	2.7	4.0	5.8	5.3
	198.6	**193.5**	**182.1**	**175.9**	**174.8**
Non current liabilities					
Debt	71.4	66.4	29.5	78.8	81.5
Lease liabilities				8.9	9.2
Deferred tax	2.6	2.4	1.0	1.1	0.3
	74.0	**68.8**	**30.6**	**88.8**	**91.0**
Current liabilities					
Debt	21.7	23.4	49.1	10.2	17.5
Lease liabilities				11.9	12.1
Trade Payables	65.7	54.7	52.1	34.3	42.6
Other (Tax + Other)	1.2	0.3	0.3	0.3	8.6
Bank overdraft			4.1	7.3	7.3
	88.6	**78.4**	**105.6**	**64.0**	**88.1**
Equity	**218.2**	**231.5**	**226.7**	**214.2**	**161.2**

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THE TRELLIDOR GROUP

GROUP FINANCIAL PERFORMANCE

HEPS (R'm)	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	FY 20 vs FY 19
Profit attributable to ordinary shareholders	**58.8**	**32.1**	**42.9**	**26.3**	**(21.3)**	-150%
Adjusted for:						
Profit on disposal of property, plant and equipment	(0.1)	-	0.2	0.5	(0.1)	
Impairment of goodwill					34.6	
Impairment of PPE					1.0	
Headline earnings	**58.7**	**32.1**	**43.0**	**26.8**	**14.2**	-67%
Weighted average number of ordinary shares	108.0	107.6	107.2	104.6	102.4	
Earnings per share (cents)	54.4	29.8	40.0	25.1	(20.8)	-152%
Headline earnings per share (cents)	54.3	29.8	40.1	25.6	13.8	-66%

DAMIAN JUDGE
GROUP CFO

TERRY DENNISON
GROUP CEO

DAMIAN JUDGE
GROUP CFO

THANK YOU

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