



TRELLIDOR HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The core values of the Group are built on the three pillars of **Innovation, Quality and Service.**

Based on these pillars we have successfully built a reputation for delivering **trusted high-quality products and exceptional service.**



Salient Points

30.6c

HEADLINE EARNINGS PER SHARE

(2020: 25.6 cents)

R48m

CASH FROM OPERATIONS FOR THE SIX MONTHS

(2020: R32 million)

R282m

REVENUE FOR THE SIX MONTHS

(2020: R275 million)

10.0c

INTERIM DIVIDEND DECLARED PER SHARE

(2020: 8.0 cents)

22%

RETURN ON INVESTED CAPITAL

(2020: 15%)

INTRODUCTION

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

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

OVERVIEW

The Group positioned itself well for the anticipated uncertain and volatile business climate by exiting the Covid-19 lockdown in May 2020 with a clear cash-conservation strategy and strong balance sheet. Encouragingly sales performance through H1 F21 exceeded expectations, but with the inherent weak economic conditions anticipated to continue in the medium term, the Group strategies of maintaining and improving the gross margins and reducing operating expenses in both Trellidor and Taylor, as has been the case in H1, will be ongoing.

Group revenue for the period increased by 2.5% to R281.6 million (2020: R274.8 million). The Group’s gross profit margin of 44.6% was on par with the previous year (2020: 44.6%), but includes non-recurring staff restructuring costs in Trellidor.

Operating expenses were well managed and decreased by 1.5% year-on-year. This includes the additional overheads from the recently acquired RSA and UK branches. These branches are now internally operated by the Trellidor business. Profit after tax of R31.1 million and earnings per share of 30.6 cents increased by 15.9% and 21.7% respectively. The cash-conservation strategies implemented from April 2020, have been very successful and it is pleasing to note that net cash from operations has increased by 49.7% to R47.6 million for the period (2020: R31.8 million).

The Group utilised the cash it generated to purchase the Trellidor UK branch, pay the F20 interim dividend, buy-back shares and service debt and interest.

The UK Trellidor branch was acquired, effective 31 October 2020, for R33.0 million including goodwill of R8.1 million. R12.6 million of the purchase price is deferred and will be paid out of the excess capital acquired and generated by the business. The results for the period include two months of earnings from the UK branch.

The Group has interest-bearing liabilities of R88.8 million (2020: R99.0 million) which incurred R3.5 million (2020: R4.5 million) of net interest for the period ended 31 December 2020. Gearing is at a conservative level and financial risk is well managed.

During the period, in terms of the resolutions passed at the 2019 AGM, and renewed at the 2020 AGM, the Group repurchased a further 2 188 160 of its own shares at an aggregate value of R3.5 million and at an average price of R1.73 per share. These repurchased shares were subsequently canceled. Remaining shares in issue as at 31 December 2020 are 98 015 436, and the weighted average number of shares for the period was 99 272 813 which represents a 5.1% decrease from the prior period (2020: 104 620 366).

During January 2021 the Group continued the share buy-back program and repurchased a further 1 297 108 shares at an aggregate value of R3.5 million and at an average price of R2.51 per share. These repurchased shares were subsequently canceled.

SEGMENTS

TRELLIDOR

Revenue increased by 3.5% to R165.2 million (2020: R159.6 million) predominately driven by the 8.4% increase in sales into the South African market, offset by a decline in International revenue of 14.1%. The African network in particular has been harder hit by the Covid pandemic with various spates of lockdowns and border closures.

The three Trellidor RSA branches, situated in Durban North, Durbanville and the Johannesburg West Rand, have had a strong six months with sales in these regions increasing by 27.2% against the comparative period. This is against the average growth in the main centers, excluding the branches, of 1.5% over the same period. The recently acquired UK branch added an additional 2.0% of growth for the period November to December 2020.

Trellidor's gross margin has increased to 48.5% (2020: 47.9%) as result of improved fixed and semi-variable recoveries and well-managed material consumption. The Trellidor business remains highly cash generative, with net cash from operations of R33.9 million (2020: R23.2 million) for the period which underlines the success of the Group's post-Covid cash-conservation strategy.

TAYLOR

Revenue for the year increased by 1.4% to R116.9 million (2020: R115.3 million) driven by a strong performance in Gauteng. Sales through the Trellidor Franchise network continue to show growth having increased by a further 29.0% on the prior period.

Gross margins reduced to 38.9% (2020: 40.0%) primarily due to the impact of the weaker Rand on imported raw materials. Supply delays on imports has led to higher than anticipated labour costs as manufacturing efficiencies have been hampered. This is expected to improve in the second half of the financial year.

The cash-conservation strategy implemented in Taylor has had a positive impact on cash from operations which increased by 89.1% to R13.5 million (2020: R7.1 million) during the period.

DIVIDEND

The Board of directors approved and declared an interim gross dividend of 10.0 cents (2020: 8.0 cents) per ordinary share from income reserves, in respect of the six months ended 31 December 2020.

PROSPECTS

The Group's strong performance for the period reflects a more efficient business and an enhanced and better quality distribution capacity that was supported by a better than expected economic recovery in South Africa. In particular, robust residential property sales and strong consumer demand for home improvement type products drove demand for the Group's products.

Sales in January and February are in line with prior year. Assuming the economy remains open and consumer confidence is sustained we anticipate sales by year-end to significantly exceed the prior year. The following key sales growth strategies will continue to be pursued:

- The Trellidor owned and managed branches in three of the major cities in South Africa have shown positive results and we will be looking to increase the size of these branches over the short to medium term by continuing the acquisition of main center franchises as they become available;
- The second half of F21 will benefit from a full 6 months performance from the UK branch. The UK branch has a strong brand and loyal customer base that has been developed over more than 25 years. This branch is key to our growth strategy within the UK and over time it will provide a base for growth outside the UK.
- Product innovation remains a key strategy for both Trellidor and Taylor. During the second half of the year both businesses will be introducing new products to meet changing customer needs in both the local and international markets.

In addition to sales growth strategies, the Group will continue to focus on improving operational efficiencies and margins which will position it to benefit from any improving economic conditions. The Board believes the current share price continues to undervalue the stabilised business and we will continue to apply excess cash to buy-back shares to enhance shareholder value.

WEBINAR

Shareholders are advised the Company will be hosting a webinar at 12:00 on Friday, 5 March 2021 to present its financial results to the market. Please refer to the webinar registration link in the short-form SENS announcement released the morning of 5 March 2021.



TM Dennison

Chief Executive Officer

5 March 2021

Cash Dividend Payment

Notice is hereby given that the Directors have approved and declared an interim gross dividend of 10.0 cents per ordinary share for the six months ended 31 December 2020.

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 8.0 cents per share for ordinary shareholders. The issued share capital at the declaration date is 96 718 328 ordinary shares. The income tax number of the company is: 941 937 8840

The salient dates for the dividend will be as follows:

- Declaration date: Friday, 5 March 2021
- Last day of trade to receive a dividend: Monday, 29 March 2021
- Shares commence trading “ex” dividend: Tuesday, 30 March 2021
- Record date: Thursday, 1 April 2021
- Payment date: Tuesday, 6 April 2021

Share certificates may not be dematerialised or rematerialised between 30 March 2021 and 1 April 2021, both days inclusive.

Statement of Financial Position

at 31 December 2020

	Unaudited at 31 December 2020 R'000	Unaudited at 31 December 2019 R'000	Audited at 30 June 2020 R'000
Assets			
Non-current assets			
Property, plant and equipment	58 225	63 327	56 829
Right-of-use assets	20 037	14 878	19 618
Goodwill	47 300	74 797	39 244
Intangible assets	42 322	36 937	43 422
Loans receivable	4 768	750	3 281
Deferred tax	3 211	453	3 101
	175 863	191 142	165 495
Current assets			
Loans receivable	3 273	1 895	3 538
Inventories	89 677	93 062	93 079
Trade and other receivables	60 200	55 303	52 972
Current tax receivable	1 658	3 884	3 638
Cash and cash equivalents	34 227	21 805	23 411
	189 035	175 949	176 638
Total assets	364 898	367 091	342 133
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent			
Stated capital	8 629	12 144	12 143
Reserves	6 578	5 412	6 776
Retained income	170 233	190 578	139 845
	185 440	208 134	158 764
Non-controlling interest	3 122	6 110	2 432
Total equity	188 562	214 244	161 196
Liabilities			
Non-current liabilities			
Lease liabilities	9 316	7 375	9 247
Other financial liabilities	76 597	80 350	81 529
Deferred tax	243	1 121	260
	86 156	88 846	91 036
Current liabilities			
Lease liabilities	11 342	8101	12 081
Bank overdraft	6 982	7 273	7 340
Other financial liabilities	24 836	14071	17 453
Trade and other payables	46 749	34 265	42 632
Current tax payable	-	-	1 834
Provisions	271	291	545
Dividend accrual	-	-	8 016
	90 180	64 001	89 901
Total liabilities	176 336	152 847	180 937
Total equity and liabilities	364 898	367 091	342 133

Statement of Profit or Loss and Other Comprehensive Income

for the period ended 31 December 2020

	Notes	Unaudited at 31 December 2020 R'000	Unaudited at 31 December 2019 R'000	Audited at 30 June 2020 R'000
Revenue	4	281 599	274 795	421 548
Cost of sales		(155 998)	(152 265)	(246 033)
Gross profit		125 601	122 530	175 515
Other operating income		3 163	3 173	10 005
Operating expenses		(82 335)	(83 523)	(193 990)
Operating profit (loss)		46 429	42 180	(8 470)
Investment income		764	490	1 415
Finance costs		(4 258)	(5 033)	(10 454)
Profit (loss) before taxation		42 935	37 637	(17 509)
Taxation		(11 776)	(10 804)	(7 030)
Profit (loss) for the year		31 159	26 833	(24 539)
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Exchange differences on translating foreign operations		(279)	(1 472)	(381)
Total comprehensive income (loss) for the year		30 880	25 361	(24 920)
Profit (loss) attributable to:				
Owners of the parent		30 388	26 261	(21 270)
Non-controlling interest		771	572	(3 269)
		31 159	26 833	(24 539)
Total comprehensive income (loss) attributable to:				
Owners of the parent		30 190	25 010	(21 594)
Non-controlling interest		690	351	(3 326)
		30 880	25 361	(24 920)
Earnings per share for the period attributable to the owners of the parent				
Basic and diluted earnings per share (cents)	5	30.6	25.1	(20.8)

Statement of Changes in Equity

for the period ended 31 December 2020

	Share capital	Total reserves	Retained income	Total attributable to owners of the parent	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 01 July 2019	34 056	6 027	180 819	220 902	5 758	266 660
Profit for the year	-	-	21 446	21 446	572	22 018
Other comprehensive income	-	(1 251)	-	(1 251)	(221)	(1 472)
Total comprehensive income for the year	-	(1 251)	21 446	20 195	351	20 546
Buy-back of shares	(21 913)	-	-	(21 913)	-	(21 913)
Employees share option	-	636	-	636	-	636
Dividends	-	-	(11 687)	(11 687)	-	(11 687)
Balance at 31 December 2019	12 143	5 412	190 578	208 133	6 109	214 242
Loss for the year	-	-	(42 716)	(42 716)	(3 841)	(46 557)
Other comprehensive loss	-	927	-	927	164	1 091
Total comprehensive loss for the year	-	927	(42 716)	(41 789)	(3 677)	(45 466)
Buy-back of shares	-	-	-	-	-	-
Employees share option	-	437	-	437	-	437
Dividends	-	-	(8 017)	(8 017)	-	(8 017)
Balance at 30 June 2020	12 143	6 776	139 845	158 764	2 432	161 196
Profit for the year	-	-	30 388	30 388	771	31 159
Other comprehensive income	-	(198)	-	(198)	(81)	(279)
Total comprehensive income for the year	-	(198)	30 388	30 190	690	30 880
Buy-back of shares	(3 514)	-	-	(3 514)	-	(3 514)
Employees share option	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Balance at 31 December 2020	8 629	6 578	170 233	185 440	3 122	188 562

Statement of Cash Flows

for the period ended 31 December 2020

Notes	Unaudited at 31 December 2020 R'000	Unaudited at 31 December 2019 R'000	Audited at 30 June 2020 R'000
Cash flows from operating activities			
Cash generated from operations	63 884	46 539	54 972
Interest income	764	490	1 415
Finance costs	(4 258)	(4 093)	(10 613)
Tax paid	(12 795)	(11 152)	(8 807)
Net cash from operating activities	47 595	31 784	36 967
Cash flows from investing activities			
Purchase of property, plant and equipment	(3 670)	(3 622)	(5 765)
Proceeds on sale of property, plant and equipment	190	–	687
Purchase of other intangible assets	(1 480)	–	(2 761)
Business combination	(4 844)	–	(8 285)
Advances of loans receivable at amortised cost	(137)	(414)	–
Receipts from loans receivable at amortised cost	–	122	342
Net cash (used in)/from investing activities	(9 941)	(3 914)	(15 782)
Cash from financing activities			
Buy-back of shares	(3 514)	(21 913)	(21 913)
Proceeds from other financial liabilities	–	76 000	40 617
Repayment of other financial liabilities	(8 917)	(59 593)	(13 756)
Repayment of loans from minority	(492)	(1 789)	(2 016)
Proceeds of loans from minority	–	1 222	1 822
Repayment of lease liabilities	(5 625)	(4 103)	(8 101)
Advance of lease liabilities	–	–	1 483
Dividends paid	(8 016)	(11 688)	(11 688)
Net cash (used in)/from financing activities	(26 564)	(21 864)	(13 552)
Total cash movement for the period	11 090	6 006	7 633
Cash at the beginning of the period	16 071	8 421	8 421
Effect of exchange rate movement on cash balances	84	105	17
Total cash at end of the period	27 245	14 532	16 071

Notes to the Financial Results

1. Basis of preparation

The unaudited condensed consolidated interim financial results for the six months ended 31 December 2020 are prepared in accordance with the requirements of the JSE Limited ("JSE") for provisional reports, and the requirements of the Companies Act, No 71 of 2008. The JSE requires the provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting, 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 2020. The results have not been reviewed or audited by the Group's Auditors. The results were approved by the Board of Directors on 5 March 2021.

2. Business combinations

During the period, the Group acquired 100% of the share capital of Really Secure Company UK Limited trading as Trellidor UK. This UK franchise operation, based in the Birmingham, forms an integral part of the Trellidor international network. This franchise will be managed as an owned Trellidor branch, with the expectation of improving service delivery in the region, increasing our customer base and improving efficiency to the end user. Estimated goodwill of R8.1 million arising from the acquisition consist largely of market awareness of the brand that has been created by the previous franchise owner. Goodwill is not deductible for Income tax purposes.

	Unaudited 31 December 2020 R'000
FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED	
Property, plant and equipment	4 506
Inventories	2 224
Trade and other receivables	10 059
Bank balances	15 545
Trade and other payables	(3 786)
Lease liabilities	(2 472)
Current tax payable	(1 132)
Goodwill	8 057
	33 001
ACQUISITION DATE FAIR VALUE OF CONSIDERATION PAID	
Cash	(20 389)
Contingent cash consideration payable 31 March 2021	(6 306)
Contingent cash consideration payable 30 September 2021	(6 306)

2. Business combinations (continued)

Acquisition costs of R0.3 million arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income. The acquisition of the UK franchise during the period increased the revenue of the Group by R3.3 million and a profit before tax of R0.8 million which was for the period 1 November 2020 to 31 December 2020.

If the acquisition had occurred on 1 July 2020, it is estimated that Group revenue would have increased by approximately 3.5% to R291.4 million and Group profit before tax for the period would have increased by approximately 1.5% to R43.6 million.

3. Segmented information

The Group has three reportable segments that are used by the Chief Executive Officer to assess for resource allocation and to make key operating decisions and assess performance. These operating segments are differentiated and identified by the products they manufacture, the services they provide and the markets they operate in.

These reportable segments as well as the products and services from which each of them derives revenue are set out below:

REPORTABLE SEGMENT	PRODUCTS AND SERVICES
Trellidor	Manufacture and distribution of custom-made barrier security products
Taylor	Manufacture and distribution of custom-made blinds, decorative and security shutters and distribute cornicing/skirting products
Holdings	Management of the Group treasury function and receives management fee income

Notes To The Financial Results

3. Segment information (continued)

Notes	Unaudited at 31 December 2020 R'000	Unaudited at 31 December 2019 R'000	Audited at 30 June 2020 R'000
Revenue			
Trellidor	165 227	159 600	256 768
Taylor	116 894	115 276	165 059
Holdings	25 025	33 224	47 627
Inter segment	(25 547)	(33 305)	(47 906)
	281 599	274 795	421 548
Operating profit before interest and tax			
Trellidor	31 194	32 041	35 436
Taylor	17 435	14 522	(34 825)
Holdings	18 522	25 412	35 802
Inter segment	(18 276)	(27 349)	(39 991)
	48 875	44 626	(3 578)
Reconciling items			
Net finance costs	(3 494)	(4 543)	(9 040)
Amortisation of the client database	(2 446)	(2 446)	(4 891)
Profit before tax	42 935	37 637	(17 509)
EBITDA			
Trellidor	36 033	35 039	42 194
Taylor	21 503	15 985	(26 442)
Holdings	18 528	25 412	35 812
Inter-segment	(18 276)	(27 349)	(39 991)
	57 788	49 087	11 573
Total assets			
Trellidor	174 339	142 769	160 585
Taylor	151 267	200 478	153 166
Holdings	127 745	110 768	132 868
Inter-segment	(125 891)	(109 182)	(130 999)
	327 460	344 833	315 620
Reconciling items			
Cash and cash equivalents	34 227	21 805	23 411
Deferred tax	3 211	453	3 101
Total as per statement of financial position	364 898	367 091	342 132

4. Disaggregation of revenue from customers

	Unaudited at 31 December 2020 R'000	Unaudited at 31 December 2019 R'000	Audited at 30 June 2020 R'000
Revenue from source type			
Sale of security products	196 039	188 878	254 721
Sale of decorative products	84 885	85 328	165 596
Royalty income	675	590	1 231
	281 599	274 795	421 548
Revenue by geographical location			
South Africa	246 386	236 074	354 921
Rest of Africa	30 995	34 622	57 508
Rest of World	4 218	4 099	9 119
	281 599	274 795	421 548
Revenue recognised by timing of transfer			
Point in time – delivery date	281 599	274 795	421 548

5. Earnings per share

	Unaudited at 31 December 2020 R'000	Unaudited at 31 December 2019 R'000	Audited at 30 June 2020 R'000
(Loss) profit attributable to ordinary shareholders	30 388	26 261	(21 970)
Adjusted for:			
(Profit) loss on disposal of property, plant and equipment	(2)	529	(125)
Gross amount	(1)	864	(179)
Non-controlling interest	3	(93)	4
Tax effect	-	(242)	50
Impairment of goodwill	-	-	34 615
Gross amount	-	-	37 422
Non-controlling interest	-	-	(2 807)
Impairment of property, plant and equipment	-	-	959
Gross amount	-	-	1 332
Non-controlling interest	-	-	(373)
HEADLINE EARNINGS	30 386	26 790	14 179

Notes to the Financial Results

5. Earnings per share (continued)

	Unaudited at 31 December 2020 '000	Unaudited at 31 December 2019 '000	Audited at 30 June 2020 '000
Number of shares in issue	98 015	100 204	100 204
Weighted average number of ordinary shares in issue during the period	99 273	104 620	102 418
Diluted weighted average number of shares	99 273	104 620	102 418
Earnings and diluted earnings per share (cents)	30.6	25.1	(20.8)
Headline and diluted headline earnings per share (cents)	30.6	25.6	13.8

6. Changes to the Board

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

7. Contingencies

A dispute, which has previously been disclosed, is in process relating to former employees who were dismissed by a subsidiary of the company during the 2013 financial period. On 17 April 2020 Labour Court delivered its judgement in respect of the dismissal dispute and found that the dismissal of certain employees was substantively fair but the dismissal of certain "night shift employees" was substantively unfair. The judgment ordered reinstatement of the 42 night shift employees and limited back-pay from 1 January 2017. We filed for Leave to Appeal the judgment to the Judge concerned, which the Judge subsequently denied.

On 7 September 2020, we petitioned the Judge President for leave to appeal and on 09 November 2020 the petition was granted. Senior counsel is of the opinion that the prospects of the appeal succeeding are probable. In the event of unfavorable ruling, the reinstatement order would stand however we are advised that we would have legal grounds to challenge the back-pay order which has been estimated at R20.0 million.

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)
JB Winship #
RB Patmore #

Independent non-executive

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

Auditors and Independent Reporting Accountants

Mazars
Ridgeside Office Park,
21 Richefond Circle,
Umhlanga Ridge,
Durban, 4319
(PO Box 70584, Overport, 4067)

Corporate sponsor

PSG Capital (Pty) Ltd
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(PO Box 7403, Stellenbosch, 7599)

and

2nd Floor, Building 3
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Transfer Secretaries

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Announcement date

5 March 2021

THE **TRELLIDOR** GROUP

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