



Trellidor Holdings Limited 31 December 2021 Interim Results Presentation

07 March 2022 | 09:00 | Hosted by PSG Capital

WELCOME

We will begin shortly

holdings.trellidor.co.za

TRELLIDOR HOLDINGS LIMITED

INTERIM RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2021



THE **TRELLIDOR** GROUP

F22 H1 SALIENT POINTS

25.4 cents

(2021: 30.6 cents)

Headline earnings per share for the 6 months

R18 million

(2021: R48 million)

Cash from operations for the six months

R284 million

(2021: R282 million)

Revenue for the six months

0 cents

(2021: 10.0 cents)

Interim dividend declared per share

17%

(2021: 22%)

Return on Invested Capital



TERRY DENNISON
GROUP CEO



MAJOR EVENTS IMPACTING RESULTS

Trellidor Segment:

- KZN and Gauteng riots and looting in July caused factory closure for 7 days. Negative impact on revenue through lost capacity, and KZN rural revenue negatively impacted for the whole period.
- National Metalworkers industrial action in October caused factory closure for 15 days. This was late in the calendar year meaning the lost capacity could not be recovered prior to annual factory shut down in mid December. This had a significant negative impact on revenue.



TERRY DENNISON
GROUP CEO



MAJOR EVENTS IMPACTING RESULTS

Taylor Segment:

- Ongoing supply chain chaos has led to stock shortages causing certain product lines to be unavailable for sale during the period negatively impacting revenue.
- This is despite a concerted effort to increase inventory levels to mitigate the supply chain delays as several of these shipments were significantly delayed and remained in goods in transit at the end of the period.
- These shipments are now landing in H2.



TERRY DENNISON
GROUP CEO



STRATEGIC OBJECTIVES FOR 2022

The Group prioritised its key strategies for F22 as follows:

- In the UK, bed down management structure and establish strategic plan for growth F22 and beyond.
- In the RSA Main Centres, continue with our approach to acquire more areas, starting with Johannesburg and then Cape Town where we lack scale.
- Rollout an ecommerce route-to-market strategy in NMC.
- Leverage the introduction of the new products in F21 to yield the desired results in F22.
- Re-establish focus on Africa, which has suffered through Covid.
- Rollout of key ESG projects to reduce carbon-footprint impact and improve factory efficiencies.



TERRY DENNISON
GROUP CEO



PROGRESS ON STRATEGIC OBJECTIVES

Trellidor UK management structure and strategic plan

- An experienced managing director was appointed to lead the Trellidor UK operations in F22 Q1.
- Following the transition of ownership, financial performance has been stellar during F22 H1 with revenue up 45% from the prior comparable period on a like-for-like basis.
- The executive team will travel to the UK in F22 Q3, following the travel restrictions being lifted to finalise the strategic growth plan.

Increased ownership of RSA Main Centre Franchises

- The purchase of Johannesburg North and Midrand franchises was completed in F22 Q1.
- Revenue in Trellidor Retail (Pty) Ltd, the entity that owns and manages the acquired franchises, is up 27% for the six months compared to the prior comparable period.
- The acquisition of the Cape Town South franchise, which incorporates Southern Suburbs and Lansdowne, will be completed in F22 Q3.
- Following the above acquisition, Trellidor Retail will own 3 franchises in Durban, 4 in Johannesburg and 3 in Cape Town.



TERRY DENNISON
GROUP CEO



PROGRESS ON STRATEGIC OBJECTIVES

NMC ecommerce Route-to-Market

- Development of the online store was completed through F22 H1.
- The platform will go live through F22 Q3 once warehouse logistics are in place.

Leverage introduction of F21 products for desired results in F22

- Trellidor introduced 3 new product derivatives of existing product ranges and Taylor 1 during F21 H2.
- Demand for the aluminium louvre shutter range has been positive in both businesses during F22 H1.
- Trellidor has planned additional enhancements to 2 of the product sets to further increase market uptake in targeted market niches.



TERRY DENNISON
GROUP CEO



PROGRESS ON STRATEGIC OBJECTIVES

Re-establish focus on Africa, which has suffered through Covid

- The challenges that existed during F21 in Africa, largely continued through F22 H1.
- Travel restrictions have, however, since been relaxed and economic conditions are starting to improve.
- During H2 additional focused local resources will be added to the International team to drive growth in the existing network and identify opportunities for new growth.

Rollout of ESG projects to reduce carbon-footprint impact and improve factory efficiencies

- During F22 H1 we completed the installation of solar power on Factory A at the Trellidor facility with the aim of reducing our reliance on Eskom by 30% in this plant on an annualised basis.
- A reverse-osmosis plant was commissioned to reduce the use of harmful chemicals in the production process and increase our grey water capacity to reduce our demand on municipal water for certain applications.
- A solar power project for Factory B is in the planning process for F23.



TERRY DENNISON
GROUP CEO



PROSPECTS

The continued Covid-19 restrictions, the third wave and the looting and riots has subdued demand in late F21 and early F22. This is also reflected by a decline in housing transaction volumes and value during F22 H1.



TERRY DENNISON
GROUP CEO



Source: Lightstone February 2022



PROSPECTS

- Sales in January and February are tracking ahead of prior year, although demand in RSA remains subdued following a shift away from home improvement spend by consumers.
- The full 12 months of our UK branch, which is showing strong financial performance, be included in F22 results (F21 only included 8 months trading).
- The newly acquired Johannesburg North and Midrand franchises will be consolidated for the full year.
- In March 2022, we will complete the acquisition of the Cape Town South franchises which will be consolidated into our existing Durbanville branch through F23, giving additional scale and flexibility.
- During F22 H2 we will go live on our NMC ecommerce store, thereby widening our route-to-market for this product set.



TERRY DENNISON
GROUP CEO



PROSPECTS

- We anticipate a recovery in our Africa markets, and have increased investment in people, marketing and management support for these markets.
- Product innovation remains a key strategy for both Trellidor and Taylor. Trellidor will be launching additional products specifically focused on the commercial and industrial markets.
- Focus on recovering lost margin through pricing strategies already implemented, should start to yield results in F22 H2 and into F23.



TERRY DENNISON
GROUP CEO



PROSPECTS

- The Managing Director of the Taylor business unit, Anthony Mederer, has resigned effective 1 March and as a result Trellidor Holdings will be purchasing his minority share in the business.
- In addition, the Group's Sales and Marketing Director of Trellidor, Peter Rawson, will reach retirement at the end of F22 Q4.
- These two events will result in the recruitment of appropriately skilled individuals at a management level through F22 H2.
- Focus on Marketing is key to remaining relevant and adapting to changing consumer needs and habits.



TERRY DENNISON
GROUP CEO



GROUP FINANCIAL PERFORMANCE



GROUP FINANCIAL PERFORMANCE

R'm	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022	HY 22 vs HY 21	CAGR
Revenue	539.0	286.2	514.9	274.8	421.5	281.6	518.4	283.5	1%	1%
Gross profit	245.9	128.9	231.9	122.5	175.5	125.6	219.4	113.7	-9%	-2%
EBITDA	103.5	55.7	81.2	49.1	11.6	57.8	85.4	46.5	-20%	-2%
Profit after tax	59.6	32.6	43.0	26.8	-24.5	31.2	40.3	24.5	-22%	
Dividends paid	32.9	17.4	27.2	11.7	11.7	-	17.7	10.5	100%	
Diluted EPS (cents)	54.4	29.8	40.0	25.1	-20.8	30.6	40.7	25.4	-17%	
Diluted HEPS (cents)	54.3	29.8	40.1	25.6	13.8	30.6	40.8	25.4	-17%	
Gross margin	45.6%	45.0%	45.0%	44.6%	41.6%	44.6%	42.3%	40.1%		
EBITDA margin	19.2%	19.5%	15.8%	17.9%	2.7%	20.5%	16.5%	16.4%		
Weighted avg shares in issue (millions)	108.0	107.6	107.2	104.6	102.4	99.3	97.7	95.2		



DAMIAN JUDGE
GROUP CFO



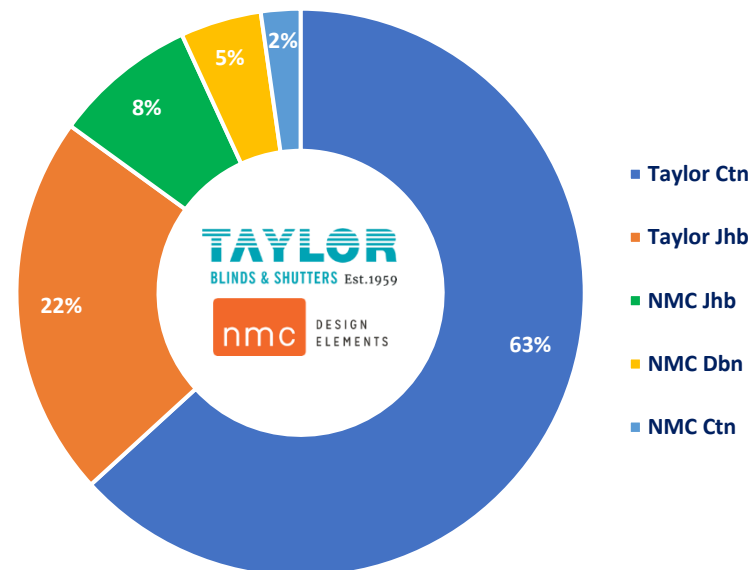
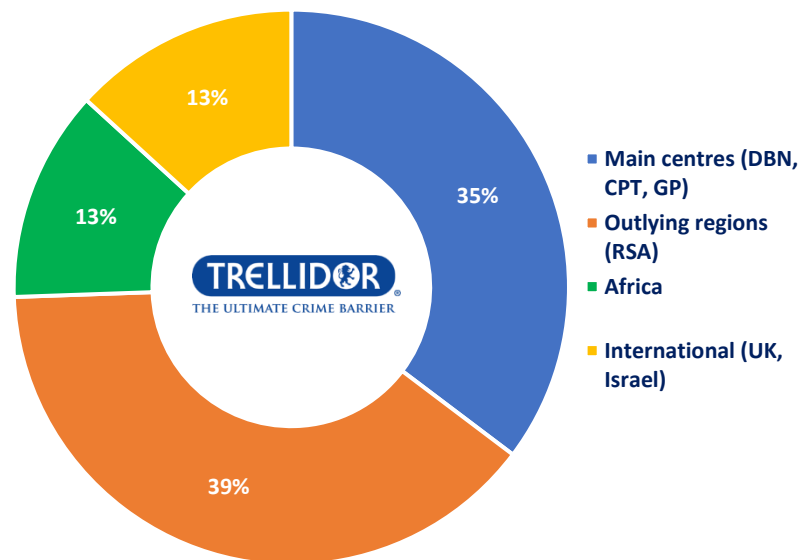
SALES ANALYSIS – GEOGRAPHICAL PRESENCE

Trellidor revenue has increased by 5.4%

- Trellidor Retail's revenue is up 27% driven by the acquisition of the 2 new JHB franchises in Q1.
- The International contribution has grown to 13% a result of the acquisition of the UK franchise and the consolidation of UK sourced Roller Shutter product.

Taylor revenue has decreased by 6.4%.

- Supply and logistic constraints of imported raw material has negatively impacted Taylor's ability to meet demand.
- It is pleasing to note that sales through the Trellidor network continue to grow with a 11% increase year-on-year.



DAMIAN JUDGE
GROUP CFO



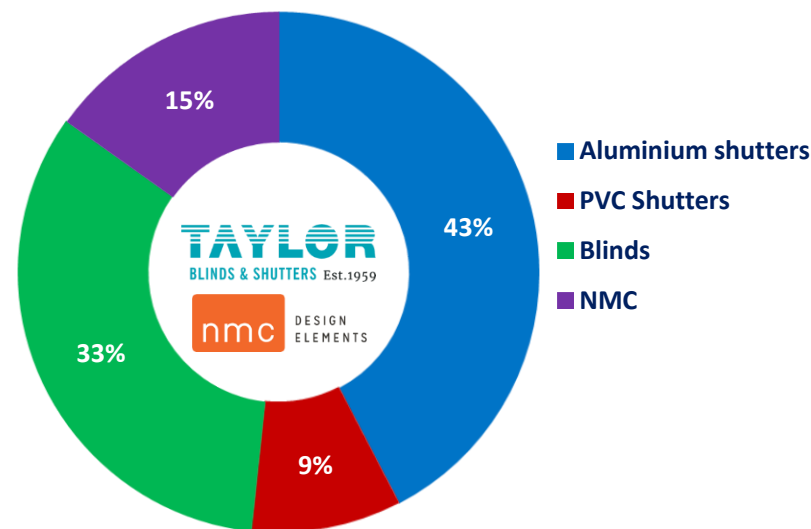
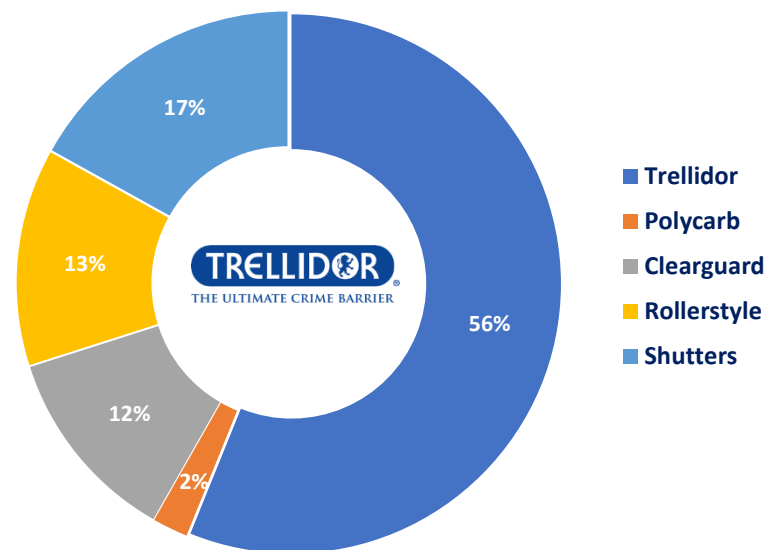
SALES ANALYSIS – PRODUCT TYPE

Trellidor's traditional retractable range continues to be the primary contributor to the topline

- The expansion of the Aluminium Louver Shutter range has resulted in the contribution of Security Shutters increasing from 12% at F21 to 17% at F22 H1.
- The purchase of Trellidor UK means that the Rollerstyle product sourced locally in the UK is now consolidated into the Group's results increasing its contribution from 5% at F21 to 13% at F22 H2.

Taylor's aluminium shutters continue to be the major contributor to revenue.

- NMC's contribution has been maintained despite an overall decline in demand for DIY products.
- Thermowood Shutter (PVC) range which showed an increased contribution in F21 has maintained its contribution despite raw material shortages and constraints.

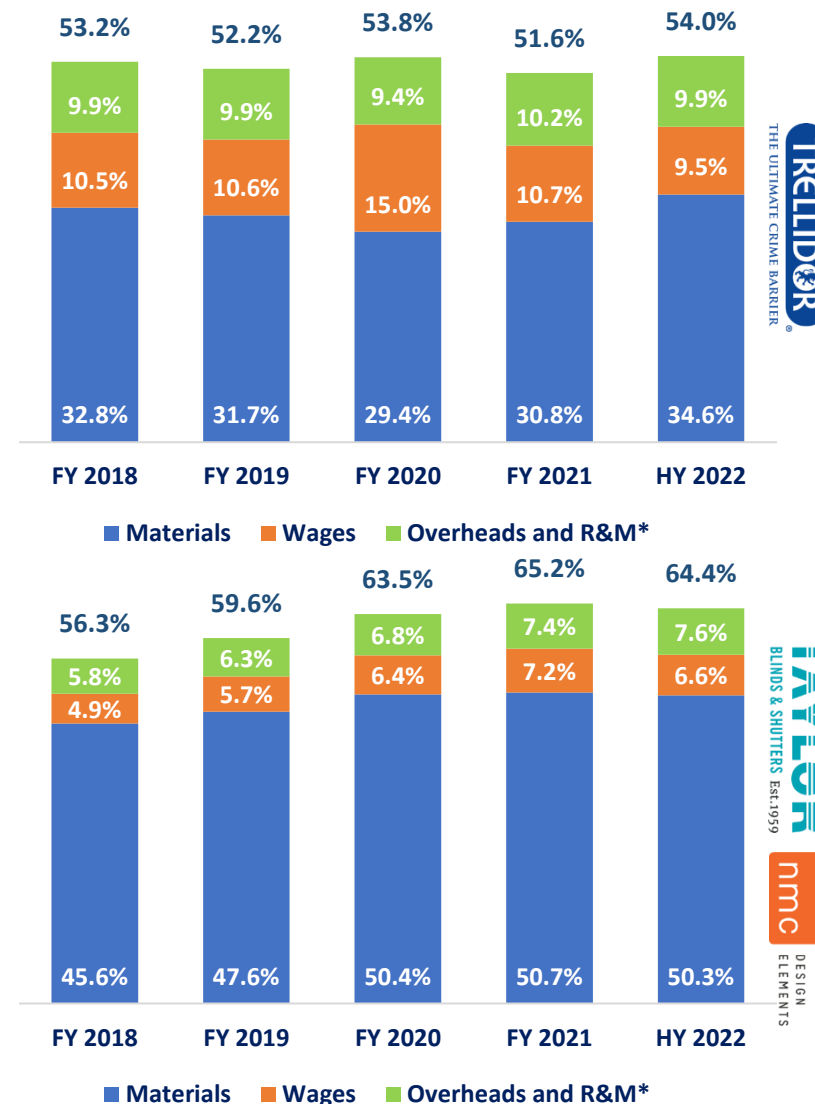


DAMIAN JUDGE
GROUP CFO



TRADING MARGIN

- At a group level, margins have declined to 40.1% in F22 H1 from 44.6% in the prior comparative period. This has been driven largely by:
 - Significant raw material cost increases experienced.
 - Reduced production capacity to enable adequate recovery of fixed and semi-variable costs as result of the riots and metal industry strike.
 - Delay in benefiting from price increases implemented in October at Trellidor due to the metal industry strike
- Overall product costs have been well managed in Taylor and the raw material price increases have been mitigated by the change in suppliers and taking advantage of Group buying synergies.
- Given the challenges faced as result of supply constraints, wage cost managed has improved despite overtime requirements



*excluding commissions and rebates

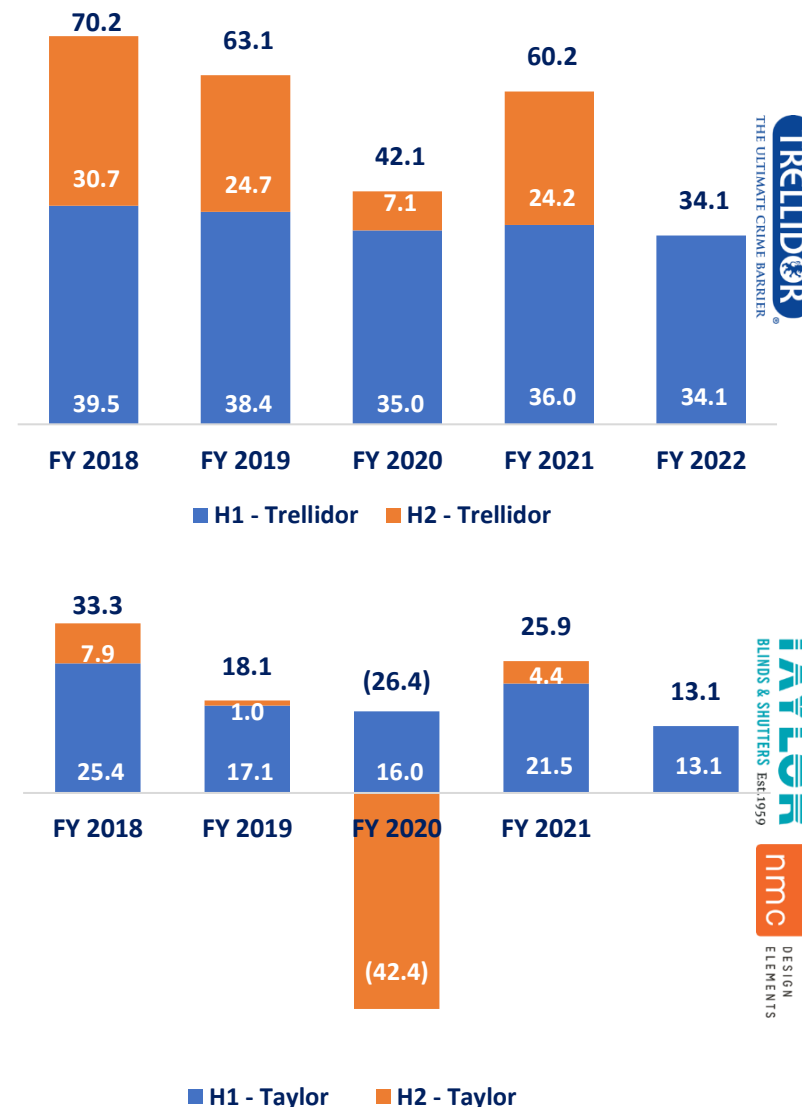


DAMIAN JUDGE
GROUP CFO



EBITDA

- The group's EBITDA has decreased 19.6% to R46.5m from R57.8m in F21 HY21 mainly as a result of reduced production capacity in Trellidor and supply constraints in Taylor.
- With the increased scale of Trellidor Retail, 12 months' consolidation of Trellidor UK and 6 months of uninterrupted production in Trellidor, we are anticipating a clawback in H2.
- Raw material supply is starting to normalise for Taylor and as a result, we are anticipating a stronger H2 than prior year.
- Price increases have been implemented to start improving margins through H2 and into F23.



DAMIAN JUDGE
GROUP CFO

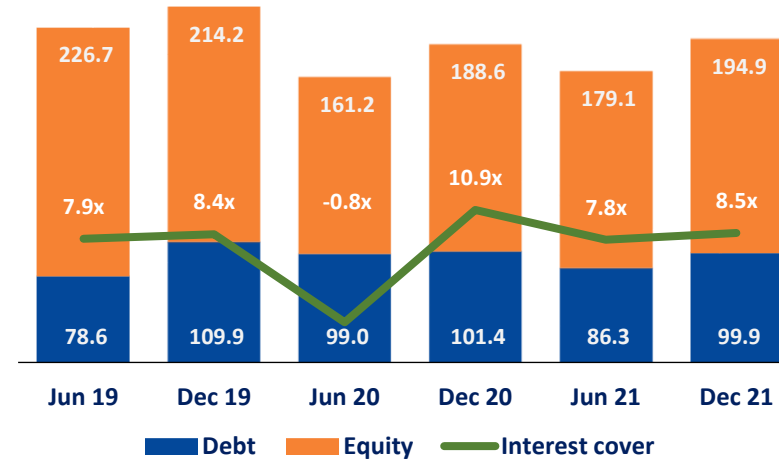


GROUP FINANCIAL POSITION



GROUP BALANCE SHEET

- Debt/Equity ratio of 51% represents a slight increase from HY21 at 48%.
- We remain at a conservative level despite a challenging 6 months.
- Interest cover ratio of 8.5x (HY21: 7.8x) is consistent with previous periods with exception of the lockdown year.
- Interest bearing debt of R99.9m as result of the Solar Project, the purchase of the JHB franchises and the final payment for Trellidor UK. (HY21: 86.3m).

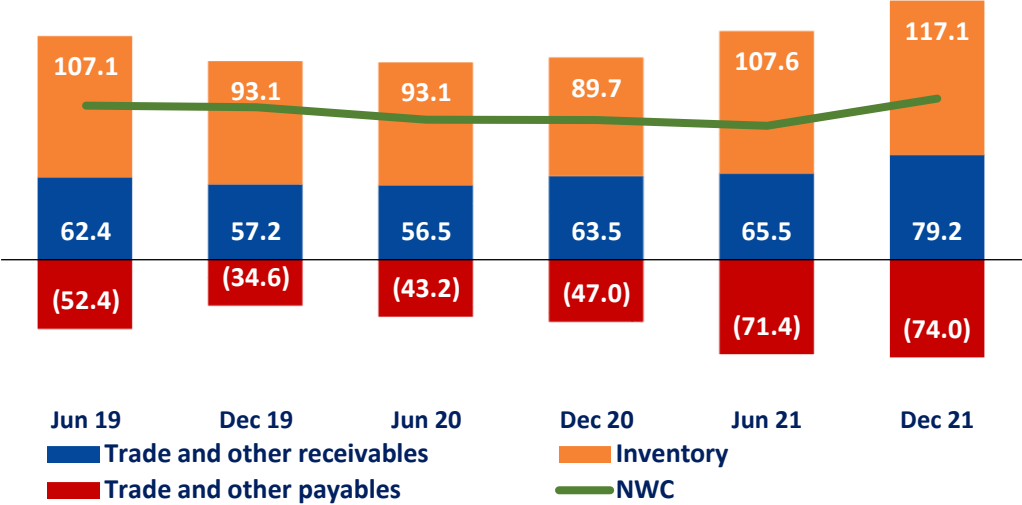


DAMIAN JUDGE
GROUP CFO



GROUP NET WORKING CAPITAL

- Increase in inventory is necessary to mitigate the current supply chain challenges. Cost escalation also contributes to the increase.
- Payables have increased due to increased inventory and the Trellidor UK acquisition.
- The debtor's book has increased from June 2021 as result of traditional seasonality inclusion of Trellidor UK's commercial debtor's book.

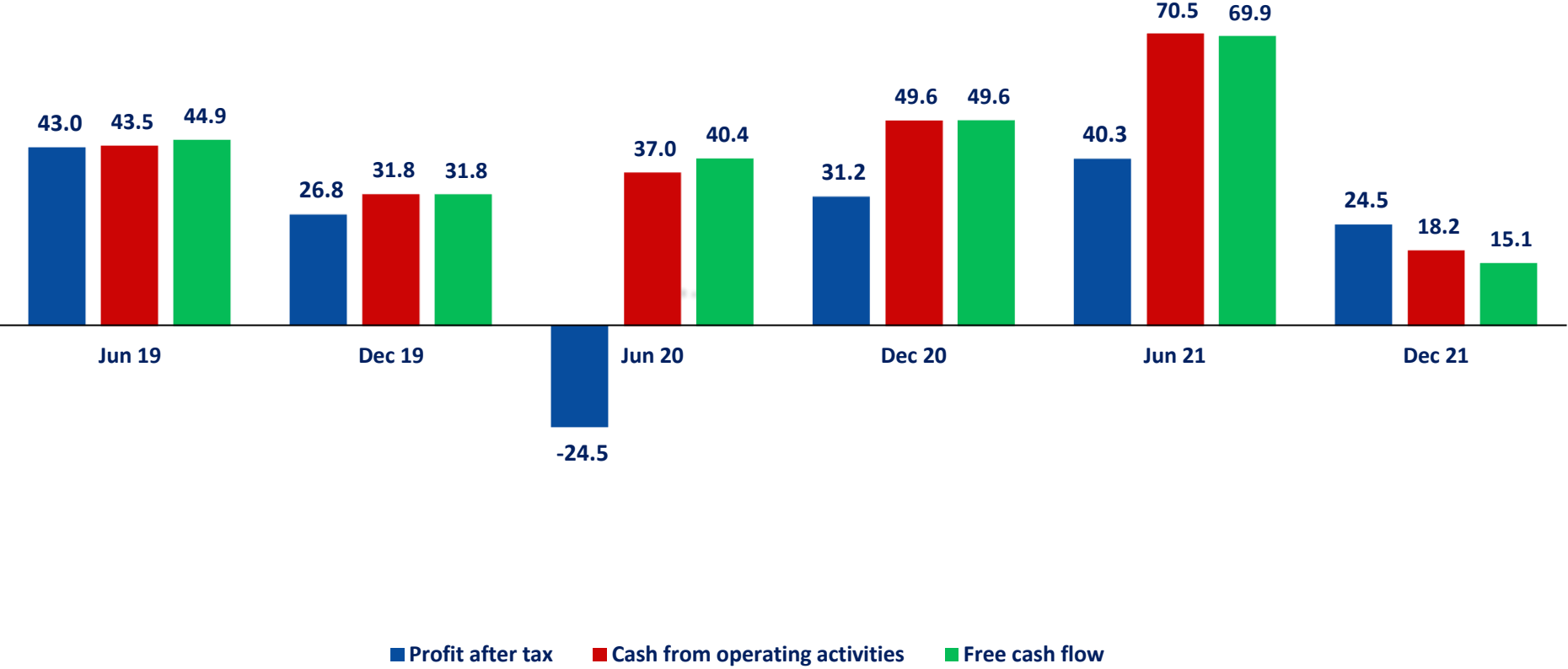


DAMIAN JUDGE
GROUP CFO

GROUP SUMMARISED CASH FLOW



DAMIAN JUDGE
GROUP CFO



CAPITAL ALLOCATION

- Return to shareholders
 - In F22 H1 the F21 Final dividend of R10.5m was distributed.
- Debt Servicing
 - Paydown interest bearing liabilities of R12.6m (including interest)
 - Net interest R3.9m.
- CAPEX
 - R7.1m which includes R4.3m for our Solar Power Project, which was financed.
 - Excluding Solar, the spend is in line with depreciation.
 - No significant spend is planned through H2 and we will track depreciation.
- Acquisitions
 - The acquisition of Johannesburg North and Midrand franchises and the final payment for the purchase of Trellidor UK was completed in F22 Q2. Additional finance was raised for these transactions.
 - Finance will be raised to purchase the 7.5% Minority Interest in Taylor and the acquisition of the Cape Town South franchise through H2.



DAMIAN JUDGE
GROUP CFO



Labour Appeal Court Judgement

Background:

- As previously been disclosed, on 17 April 2020, the Labour Court delivered its judgement in respect of the 2013 dismissal dispute and found, that while the dismissal of 81 employees was substantively fair, the dismissal 42 “night shift employees” was substantively unfair.
- The judgement ordered reinstatement of the 42 “night shift employees” and limited back-pay payments to these employees from 1 January 2017. We filed for leave to appeal the judgement to the Judge concerned, which the Judge subsequently denied.
- On 7 September 2020, we petitioned the Judge President for leave to appeal which was granted on 9 November 2020.
- Senior counsel was of the opinion that the prospects of the appeal succeeding were probable.



TERRY DENNISON
GROUP CEO



Labour Appeal Court Judgement

Update:

- At the close of business on 3 March 2022, the board was notified of the Labour Appeal Court judgement, dated 10 February 2022, in terms of which the company's appeal against the Labour Court judgement, which was delivered on 17 April 2020, was dismissed.
- As a result, the company is ordered to reinstate 42 employees and to make certain limited back-pay payments to these employees from 1 January 2017.
- The full financial and operational impact of the judgement is yet to be determined but, as previously disclosed, it has been estimated at R25 million as at 30 June 2021.
- Given the uncertainty of the financial impact, the board has resolved not to declare an interim dividend.



TERRY DENNISON
GROUP CEO



ADDITIONAL INFORMATION



EARNINGS PER SHARE

R'm	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022	HY 22 vs HY 21
Profit attributable to ordinary shareholders	58.8	32.1	42.9	26.3	-21.3	30.4	39.8	24.1	-21%
Adjusted for:									
Profit on disposal of property, plant and equipment	(0.1)	-	0.2	0.5	(0.1)	(0.0)	0.1	(0.0)	
Impairment of goodwill					34.6	-	-	-	
Impairment of PPE					1.0	-	-	-	
Headline earnings	58.7	32.1	43.0	26.8	14.2	30.4	39.8	24.1	-21%
Weighted average number of ordinary shares	108.0	107.6	107.2	104.6	102.4	99.3	97.7	95.2	
Earnings per share (cents)	54.4	29.8	40.0	25.1	-20.8	30.6	40.7	25.4	-17%
Headline earnings per share (cents)	54.3	29.8	40.1	25.6	13.8	30.6	40.8	25.4	-17%



DAMIAN JUDGE
GROUP CFO



GROUP SUMMARISED BALANCE SHEET

R'm	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022
Non current assets								
Property, plant and equipment	61.2	66.1	64.9	57.2	56.8	58.2	57.6	60.5
RoU Assets	-	-	-	21.0	19.6	20.0	15.4	47.1
Goodwill and other intangibles	116.8	116.4	113.5	111.7	82.7	89.6	88.5	94.2
Deferred Tax	3.4	2.6	1.6	0.5	3.1	3.2	7.6	7.8
Other financial assets	0.7	0.0	0.8	0.7	3.3	4.8	4.8	2.7
	182.1	185.2	180.8	191.1	165.5	175.9	173.8	212.3
Current assets								
Inventories	106.4	110.6	107.1	93.1	93.1	89.7	107.6	117.1
Trade and other receivables	61.4	62.1	58.4	55.3	53.0	60.2	61.5	74.6
Cash	27.1	18.1	12.6	21.8	23.4	34.2	17.8	22.1
Other (Tax + Other)	3.8	2.7	4.0	5.8	5.3	4.9	4.1	4.6
	198.6	193.5	182.1	175.9	174.8	189.0	190.9	218.4
Non current liabilities								
Debt	71.4	66.4	29.5	78.8	81.5	76.6	63.7	83.7
Lease liabilities	-	-	-	8.9	9.2	9.3	7.4	35.8
Deferred tax	2.6	2.4	1.0	1.1	0.3	0.2	0.4	0.4
	74.0	68.8	30.6	88.8	91.0	86.2	71.4	119.9
Current liabilities								
Debt	21.7	23.4	49.1	10.2	17.5	24.8	22.6	16.2
Lease liabilities	-	-	-	11.9	12.1	11.3	7.6	10.0
Trade Payables	65.7	54.7	52.1	34.3	42.6	46.7	70.9	73.4
Other (Tax + Other)	1.2	0.3	0.3	0.3	8.6	0.3	0.5	3.2
Bank overdraft	-	-	4.1	7.3	7.3	7.0	12.6	13.0
	88.6	78.4	105.6	64.0	88.1	90.2	114.2	115.8
Equity	218.2	231.5	226.7	214.2	161.2	188.6	179.1	194.9



DAMIAN JUDGE
GROUP CFO



GROUP SUMMARISED CASH FLOW

R'm	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022
EBITDA	103.5	55.7	81.2	49.1	11.6	57.8	85.4	46.5
Movement in non cash items (incl provisions)	3.4	1.1	3.1	(1.9)	45.4	(1.4)	(2.6)	0.3
Net working capital movement	0.1	(16.0)	(13.6)	(0.6)	(2.0)	7.5	13.5	(18.4)
Inventory	(12.3)	(4.2)	(2.2)	14.0	11.0	6.4	(11.8)	(9.5)
Accounts receivable	0.9	(0.8)	2.5	3.1	(3.7)	2.1	1.2	(13.2)
Accounts payable	11.4	(11.0)	(13.9)	(17.7)	(9.3)	(1.0)	24.1	4.3
Cash generated from operations	107.0	40.8	70.7	46.7	55.0	63.9	96.3	28.4
Tax paid	(30.6)	(11.8)	(19.1)	(11.2)	(8.8)	(12.8)	(19.3)	(6.2)
Net Cash from operations (excl finance costs)	76.4	29.1	51.6	35.5	46.2	51.1	77.0	22.2
Net Investment in PPE	(17.9)	(2.5)	(6.6)	(3.9)	(15.8)	(3.7)	(9.3)	(7.6)
FCF	58.5	26.6	44.9	31.6	30.4	47.4	67.7	14.6
Net interest costs	(8.2)	(4.1)	(8.1)	(3.6)	(9.2)	(3.5)	(6.5)	(4.0)
Repayment/raising of debt & equity	(45.5)	(14.1)	(28.3)	(10.2)	(1.9)	(18.5)	(42.8)	13.7
Business combinations	-	-	-	-	-	(6.3)	(11.5)	(10.1)
Investing and financing activities	(53.6)	(18.1)	(36.4)	(13.8)	(11.1)	(28.3)	(60.8)	(0.3)
Cash available to shareholders	4.9	8.4	8.5	17.7	19.3	19.1	6.9	14.3
Dividend paid to shareholders	(32.9)	(17.4)	(27.2)	(11.7)	(11.7)	(8.0)	(17.7)	(10.5)
Cash movement for the year	(28.1)	(9.1)	(18.6)	6.1	7.6	11.1	(10.8)	3.8
Opening cash balance	55.2	27.2	27.2	8.4	8.5	16.1	16.1	5.2
Closing cash balance	27.2	18.1	8.5	14.5	16.2	27.2	5.3	9.0



DAMIAN JUDGE
GROUP CFO





TERRY DENNISON
GROUP CEO



DAMIAN JUDGE
GROUP CFO

THANK YOU

holdings.trellidor.co.za



THE **TRELLIDOR** GROUP