

A modern interior space with a light-colored sofa, several patterned and solid-colored cushions, and a large window with horizontal blinds. The room is brightly lit, and the overall aesthetic is clean and contemporary.

Trellidor Holdings Limited 31 December 2022 Interim Results Presentation

06 March 2023 | 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 2022



THE **TRELLIDOR** GROUP

SALIENT POINTS

R273 million
(2022: R284 million)

Revenue for the six months

44%
(2022: 40%)

Gross Profit Margin for the six months

25.5 cents
(2022: 25.4 cents)

Headline earnings per share for the 6 months

R7 million
(2022: R18 million)

Cash from operations for the six months



TERRY DENNISON
GROUP CEO



REINSTATEMENT OF EMPLOYEES

- Following the Labour Appeal Court upholding the Labour Court Judgement in February 2022, the Group advised shareholders that a provision for the costs of potentially reinstating 42 employees amounting to R32.1 million was provided for as at 30 June 2022.
- On 24 October 2022, the board received notice of the Constitutional Court's order, dated 21 October 2022, in terms of which leave to appeal the Labour Appeal Court decision, was refused.
- Consultation and an onboarding process was conducted through the course of November 2022 during which 41 employees presented themselves for work.



TERRY DENNISON
GROUP CEO

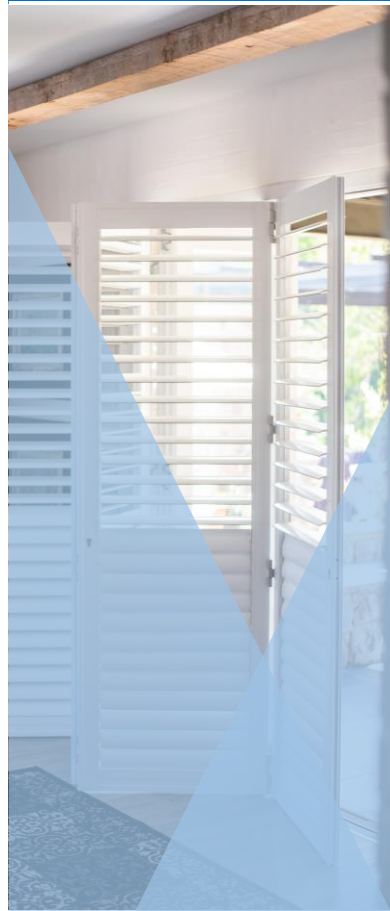


REINSTATEMENT OF EMPLOYEES

- Following this process, 30 employees have returned to work and 11 opted to take a package in full and final settlement of the judgement.
- The returning employees have been integrated into the workforce without any notable disruption to production.
- Trellidor will be introducing new product derivatives through the course of F23 H2 which will utilise the additional labour.
- In total, R31.8 million of the R32.1 million provision was utilised during the reinstatement process and the balance has been reversed during the current reporting period.
- No further significant costs are anticipated in this matter



TERRY DENNISON
GROUP CEO



STRATEGIC OBJECTIVES FOR 2023

The Group prioritised its key strategies for F23 as follows:

- Focus on rebuilding franchise and branch selling capacity.
- Drive Trellidor's recovery in the African market sector.
- Recruitment of additional selling resources in Trellidor UK.
- Rebuilding the fundamentals of the Taylor business.
- Introducing new products focusing on expanding our product offering into the commercial property space in South Africa.



TERRY DENNISON
GROUP CEO



PROGRESS ON STRATEGIC OBJECTIVES

Focus on rebuilding franchise selling capacity

- Sales consultants are been actively recruited in main centres with additional heads being added in Cape Town and Johannesburg in H1.
- Further heads will be added in Johannesburg through H2.
- At the beginning of H2 Trellidor launched its Sales Internship program with 6 graduates being recruited who will be trained over a 6-month period and the successful interns will then be absorbed into the franchise and branch network.

Drive Trellidor's recovery in the African market sector

- Sales into Africa have increased 64.0% from F22 H1.
- The Trellidor International team has been remanned and is being lead by an experienced Sales and Marketing executive.
- As result of the increased internal capacity, additional franchises in new areas are being actively pursued.



TERRY DENNISON
GROUP CEO



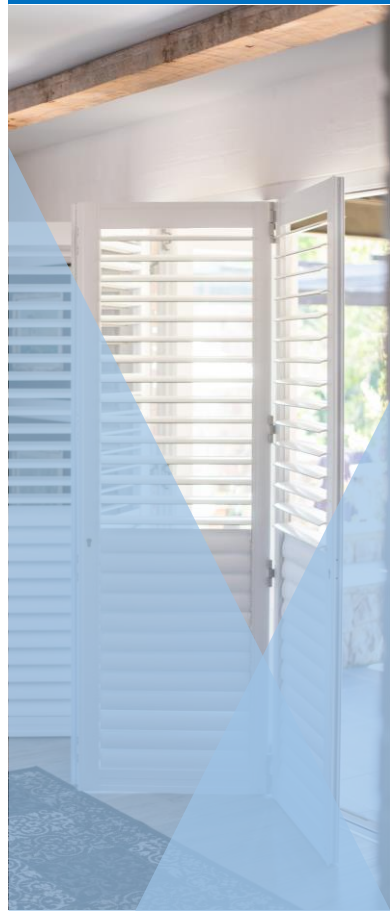
PROGRESS ON STRATEGIC OBJECTIVES

Recruitment of additional selling resources in Trellidor UK

- The UK operation has been focused on expanding its customer base, both commercially and in the residential sector.
- Listing as a preferred supplier has been achieved with two new retail chains with the first orders received early in H2.
- A successful pilot digital advertising campaign has yielded encouraging results with sales to the small business and residential markets being achieved. More resources will be applied to this market sector.
- To ensure we maintain our service levels, additional selling resources have been hired.
- Sales to existing customers was slow in the period, with project type work being delayed due to weak economy and alternate priorities. Project work orders have been received though January and February which will support H2 revenue. Reactive work (response to crime) has however been robust.



TERRY DENNISON
GROUP CEO



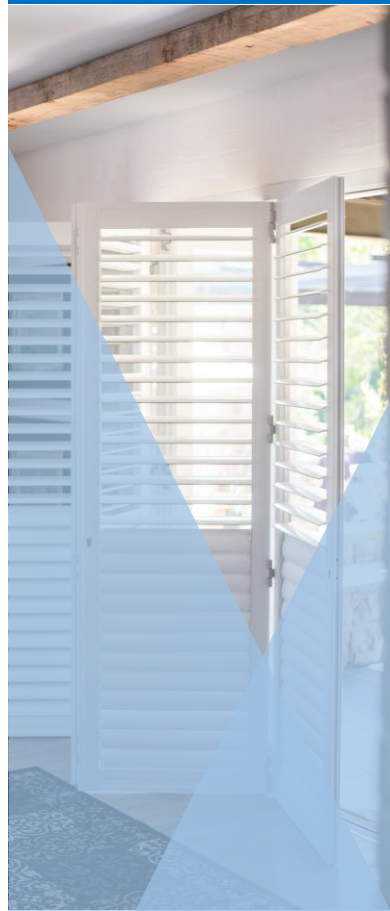
PROGRESS ON STRATEGIC OBJECTIVES

Rebuilding the fundamentals of the Taylor business

- The new management structure was fully populated during F23 H1 and the early signs are positive.
- Despite the softer topline, gross profit margins have improved by 2.7% to 32.1%. Overheads have been well managed and have decreased 16.6% year-on-year.
- As result EBITDA has increased by 41.4% to R11.9m (F22 H1: R8.4m).



TERRY DENNISON
GROUP CEO



PROGRESS ON STRATEGIC OBJECTIVES

Introducing new products focusing on expanding our product offering into the commercial property space in South Africa

- The first sectional door product, Coroview, was launched during F23 Q1. This specific product is targeted at the automotive and emergency service industries.
- The second sectional door product, Corosteel, is currently in development and once available, will be marketed primarily to warehousing and industrial applications.
- During F23 Q3, Trellidor will also be launching a new Traditional Trellidor range as well as a new security mesh screen product.



TERRY DENNISON
GROUP CEO



PROSPECTS

- Sales in January and February are tracking marginally ahead of prior year, although demand remains subdued locally.
- Trellidor UK should show incremental growth from H1, with sales to the new retail customers commencing, a recovery in project work from existing customers and the additional selling resources targeting growth opportunities.
- Investment in inventory continued through H1, with a peak in December to mitigate supply disruption due to the Chinese covid restrictions, which is now seemingly a thing of the past. Stock shortages experienced in F22 H2 as result of supply challenges are not anticipated to be repeated in Taylor during F23 H2.
- Cash generation is planned to improve with inventory reduction targeted in both Taylor and NMC.



TERRY DENNISON
GROUP CEO



PROSPECTS

- Looking further ahead:
 - The new commercial and industrial product set, which are supported by dedicated selling and installation resources in Cape Town, Johannesburg and Durban, should generate a return from new markets for Trellidor in the medium term.
 - The impact of the additional selling resources being recruited, coupled with the sales internship program will start yielding results into F24.
 - The new product sets launched in F23 Q3 and aimed at the residential market will be bedded down through F23 Q4 with their benefits supporting topline through F24.
 - Improved cash generation through F23 H2 will support a reduction in our current gearing levels in the short term.



TERRY DENNISON
GROUP CEO



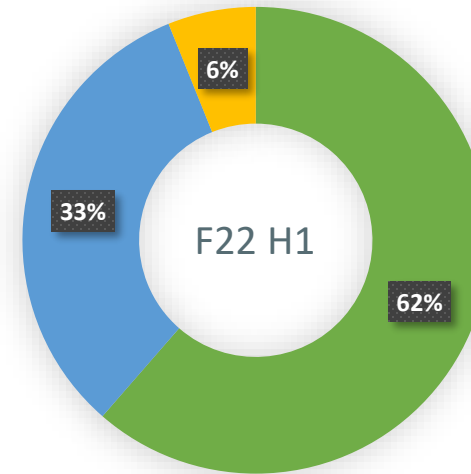
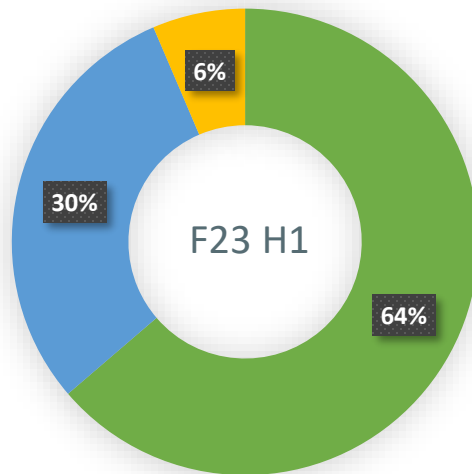
GROUP FINANCIAL PERFORMANCE



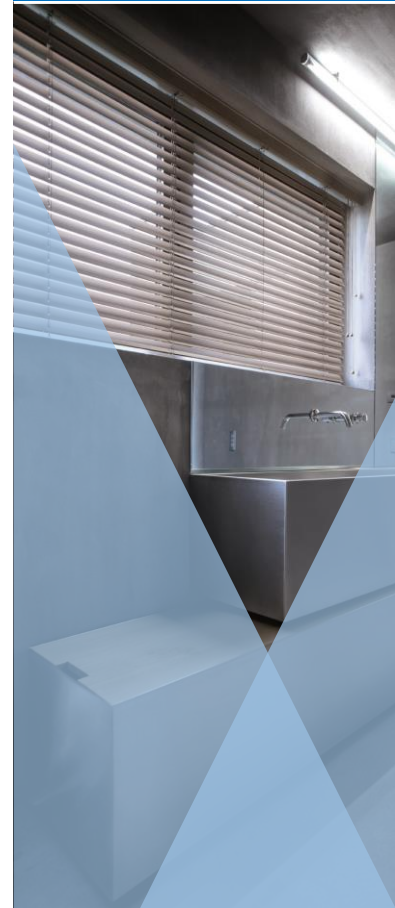
SALES ANALYSIS – GROUP CONTRIBUTION

Group revenue has decreased by 3.6%

- Trellidor is up 2.2% driven mainly by recovery in the Rest of Africa.
- Taylor is down 9.5% as result of softer sales in both the Western Cape and Gauteng.
- NMC has increased 3.8% on the back of increased sales in Cape Town.



DAMIAN JUDGE
GROUP CFO



SALES ANALYSIS – GEOGRAPHICAL PRESENCE

Trellidor revenue has increased 2.2%:

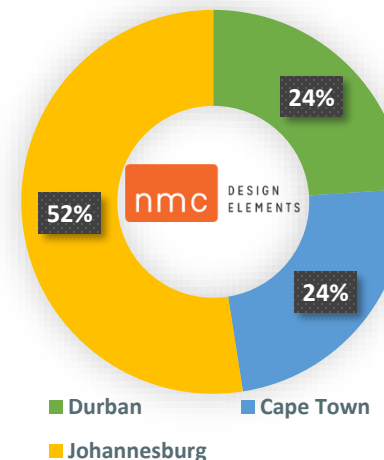
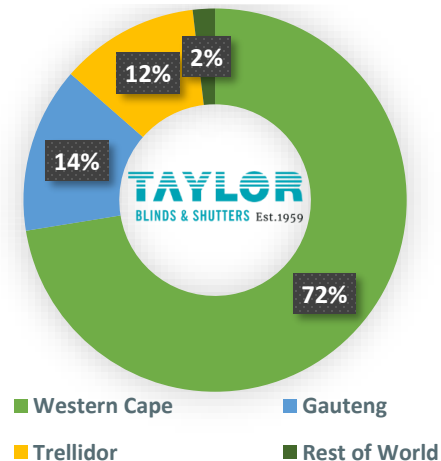
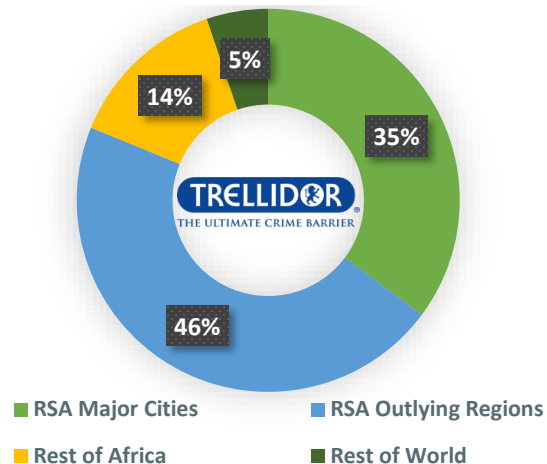
- A key driver in the growth has been the Rest of Africa whose contribution increased from 8% to 14% with sales up 64% from F22 H1.
- Volume through the RSA franchises outside the major cities increased 7% over the same period last year.

Taylor revenue has decreased 9.5%:

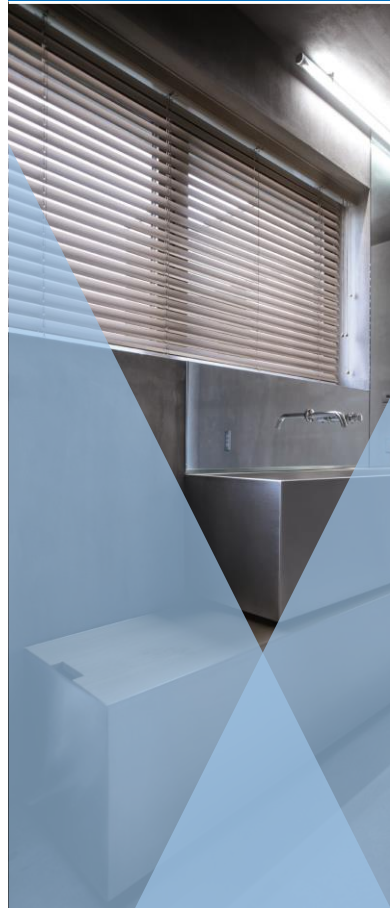
- The Western Cape continues to be Taylor's strong hold although sales did soften by 2.2% through F23 H1.
- Sales in Gauteng have come under-pressure with the contribution from this area decreasing from 18% to 14%.

NMC revenue has increased 3.8%:

- Cape Town is the standout performer for NMC with sales increasing 57% vs F22 H1.
- Johannesburg has however struggled and given its contribution to overall sales has largely offset the Cape Town gains.



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GROUP CFO



SALES ANALYSIS – PRODUCT TYPE

Trellidor's Traditional product has shown growth:

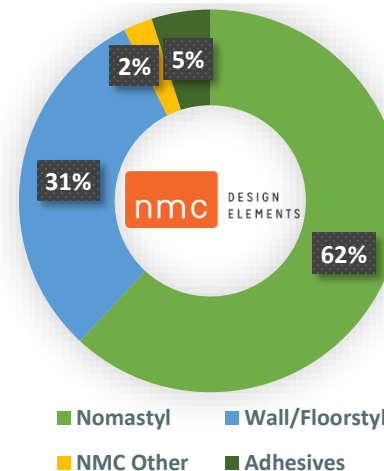
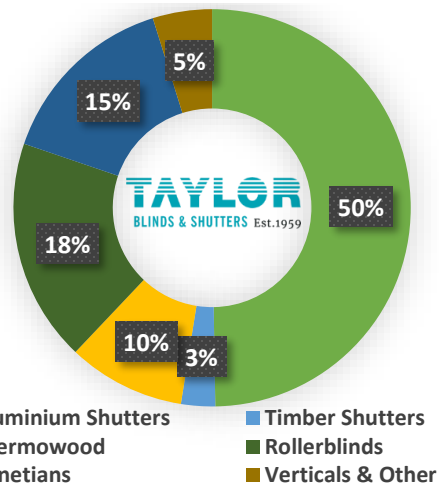
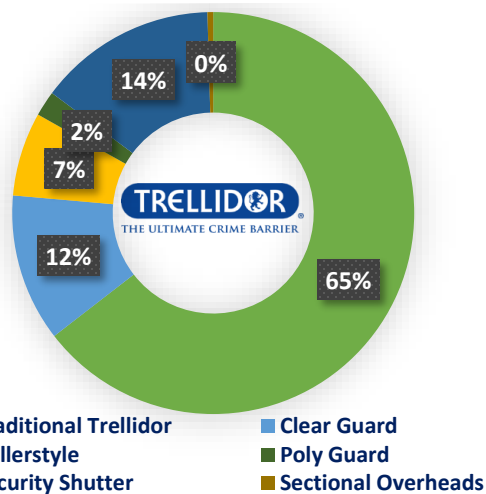
- Sales of the Traditional Trellidor product set has increased 11% vs F22 H1.
- Rollerstyle's contribution has declined from 10% to 7% in F23 H1 as result of subdued demand in the UK which is expected to improve through F23 H2.

Taylor's Aluminium Shutters remain the major contributor:

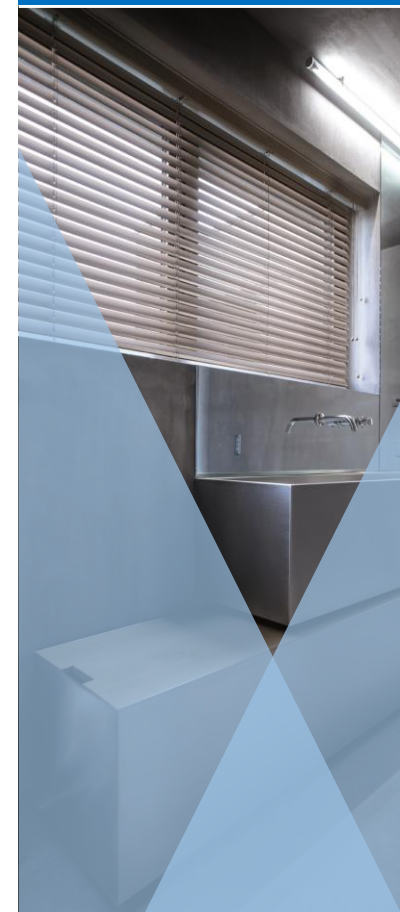
- Aluminium Shutters continue to be the major component of turnover in Taylor with a marginal decline in contribution from 51% to 50%.
- Venetian Blinds have increased 40% compared to the prior period as result of commercial project work.

NMC Nomastyl cornices still on top:

- The Nomastyl cornice product set is still the largest contributor although it has decreased by 2%.
- The sales of the Floorstyl skirting range have increased 29% from F22 H1.



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GROUP CFO

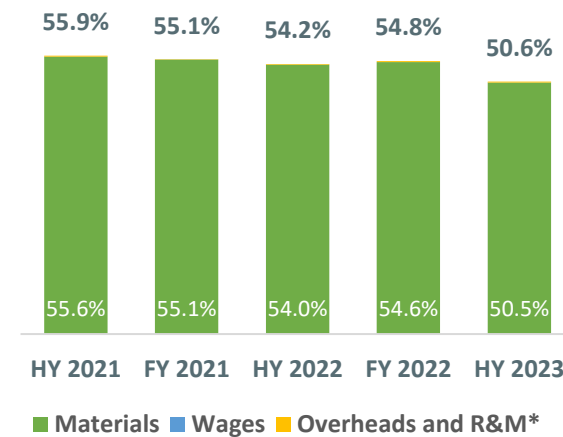
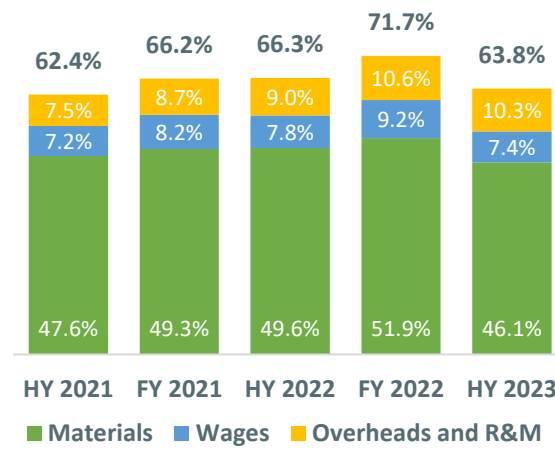
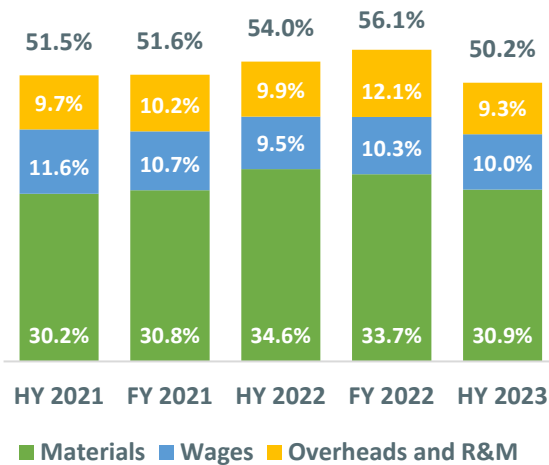


TRADING MARGIN – COST % OF NET SALES

- The Group's GP% has improved 3.6% to 43.7% from 40.1% as at F22 H1
- Improvement has been across the business units:
 - Trellidor's material consumption has improved to 30.9% of Net Sales and tracking towards pre-Covid levels;
 - Taylor has improved its material consumption to below pre-Covid levels at 46.1%;
 - NMC has been proactive in responding to significant price increases from Europe and has seen the benefit through F23 H1.
- As result of a softer topline, there is still opportunity to improve margins further with improved recoveries of fixed and semi-variable costs



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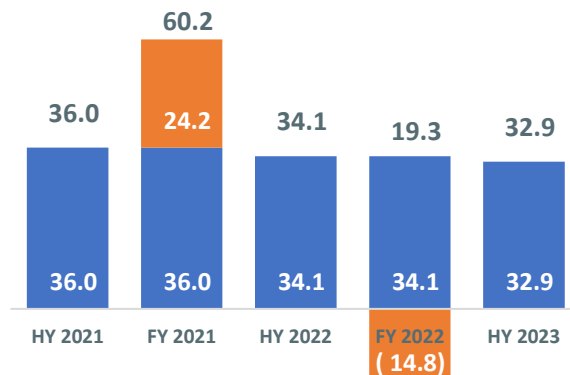


EBITDA

- The Group's EBITDA has decreased to R42.0m (F22: R46.5m) given the weaker topline and a R2.0m forex loss due to the devaluation of the Ghanaian Cedi.
- Normalising for the forex loss would result in a 3% decline in EBITDA on a like for like basis.
- Despite the decrease in sales, improved margins and cost control means Taylor's EBITDA is significantly up against the prior period and tracking back towards pre-Covid levels
- Weaker demand particular in Gauteng has resulted in NMC's EBITDA declining year-on-year.



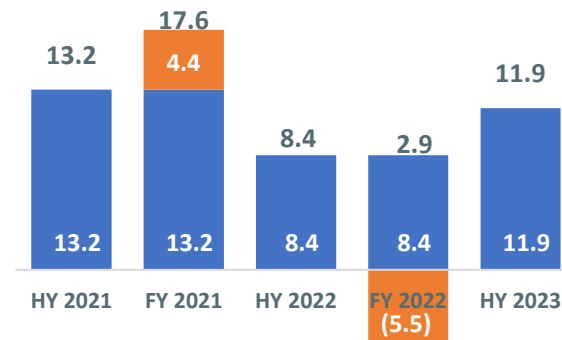
DAMIAN JUDGE
GROUP CFO



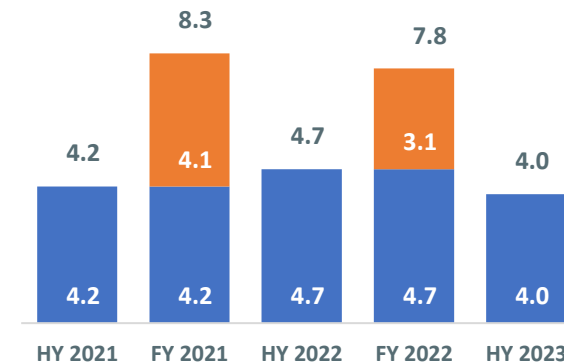
■ H1 - Trellidor ■ H2 - Trellidor



THE **TRELLIDOR** GROUP



■ H1 - Taylor ■ H2 - Taylor



■ H1 - NMC ■ H2 - NMC



GROUP FINANCIAL PERFORMANCE

	HY 2018	FY 2018	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022	FY 2022	HY 2023	HY 23 vs HY 22	5 YR CAGR
Revenue	297.4	539.0	286.2	514.9	274.8	421.5	281.6	518.4	283.5	513.2	273.3	-4%	-2%
Gross profit	137.2	245.9	128.9	231.9	122.5	175.5	125.6	219.4	113.7	197.2	119.5	5%	-3%
EBITDA	65.0	103.5	55.7	81.2	49.1	11.6	57.8	85.4	46.5	29.3	42.0	-10%	-8%
Profit after tax	39.1	59.6	32.6	43.0	26.8	-24.5	31.2	40.3	24.5	0.3	24.3	-1%	
Dividends paid	21.1	32.9	17.4	27.2	11.7	11.7	-	17.7	10.5	-	-	-100%	
Diluted EPS (cents)	35.2	54.4	29.8	40.0	25.1	-20.8	30.6	40.7	25.4	0.4	25.5	1%	
Diluted HEPS (cents)	35.2	54.3	29.8	40.1	25.6	13.8	30.6	40.8	25.4	0.4	25.5	1%	
Gross margin	46.1%	45.6%	45.0%	45.0%	44.6%	41.6%	44.6%	42.3%	40.1%	38.4%	43.5%	8%	
EBITDA margin	21.9%	19.2%	19.5%	15.8%	17.9%	2.7%	20.5%	16.5%	16.4%	5.7%	15.4%	-6%	
Weighted avg shares in issue (millions)	108.1	108.0	107.6	107.2	104.6	102.4	99.3	97.7	95.2	95.2	95.2		



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GROUP CFO



GROUP FINANCIAL POSITION

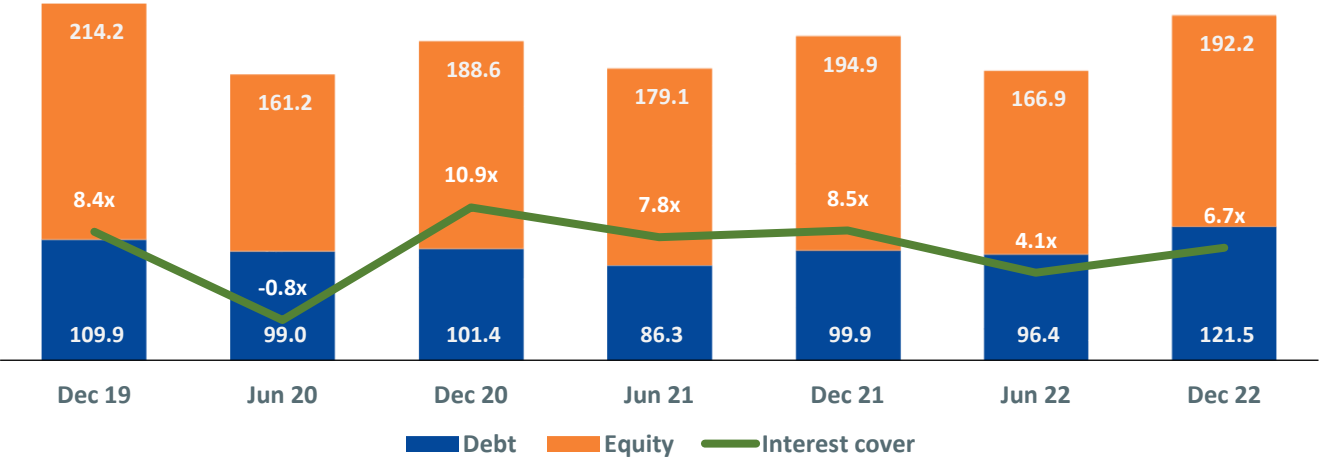


GROUP BALANCE SHEET

- Debt/Equity ratio of 63% represents an increase from F22 H1 at 51%.
- Key driver for the increase is the debt raised to settle the Labour Court judgement.
- Interest cover ratio of 6.7x (F22 H1: 8.5x) has decreased as result of increased debt levels and interest rate hikes.
- Interest bearing debt has increased to R121.5m (F22 H1: R99.9m) as result of the Labour Court judgement.

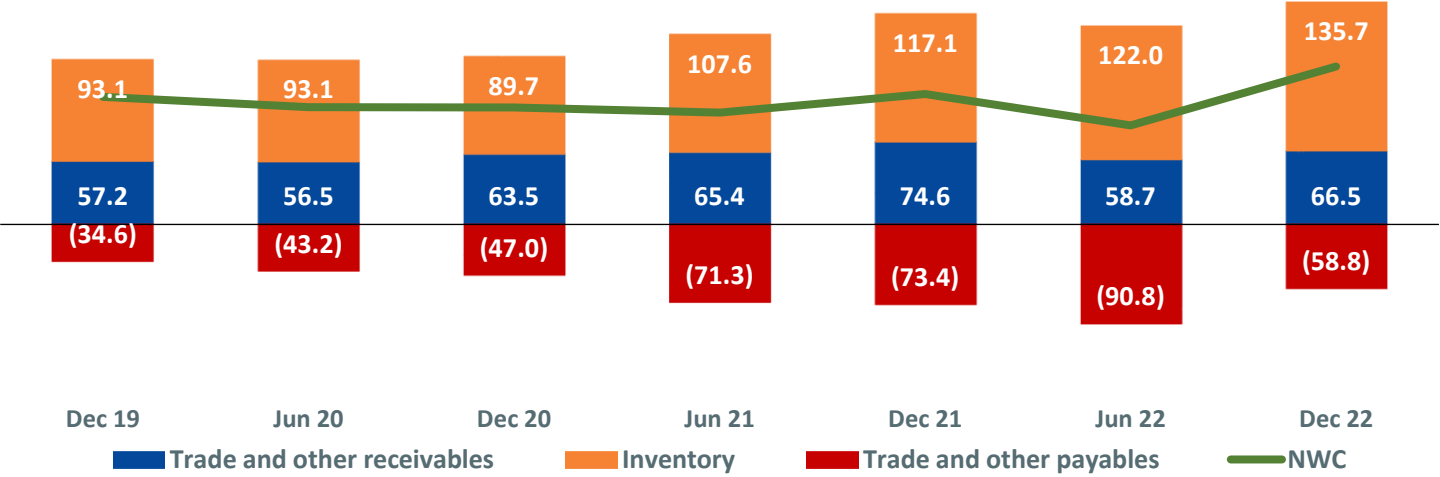


DAMIAN JUDGE
GROUP CFO

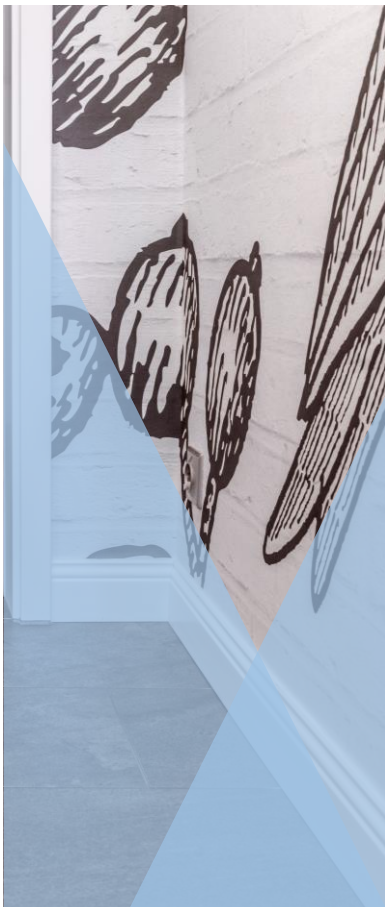


GROUP NET WORKING CAPITAL

- Our investment in inventory has increased, particularly in Taylor and NMC, to cater for increased prices, and to mitigate stock outs.
- This investment is anticipated to normalise through F23 H2 following more favourable Covid regulations in China.
- Debtor's levels have increased in line with seasonal trends.
- Following the settlement of the Labour Court judgement, Payables have reduced significantly from F22.



DAMIAN JUDGE
GROUP CFO

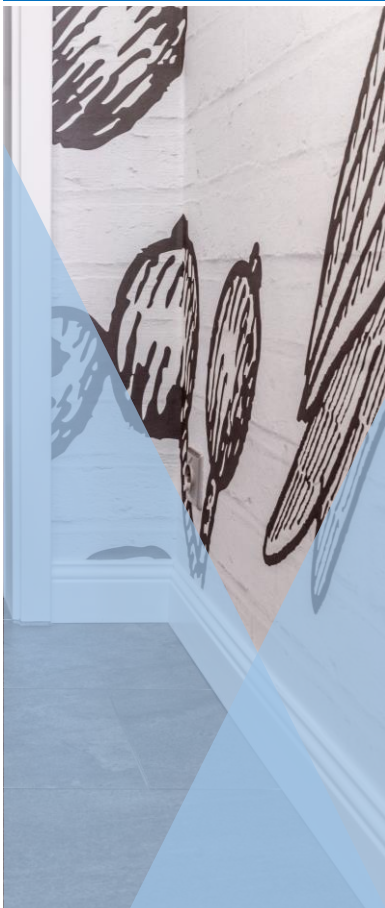
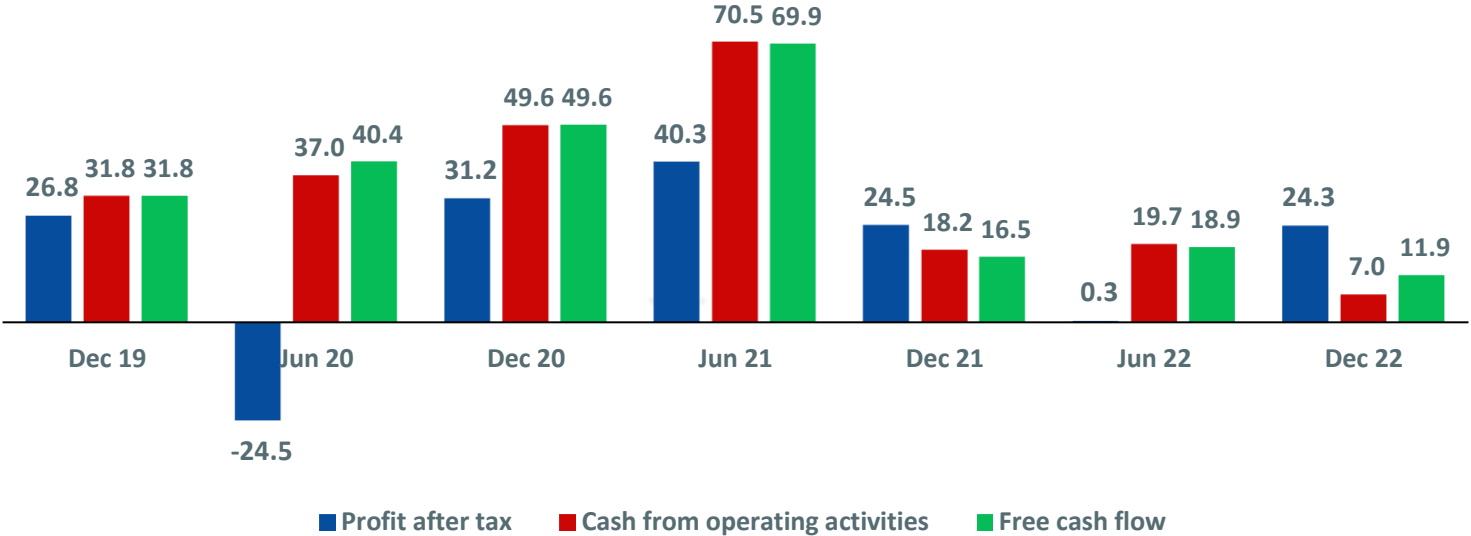


GROUP SUMMARISED CASH FLOW

- Profit after tax levels has declined slightly from F22 H1 levels
- The impact of the investment in inventory has resulted in reduced cash from operations.



DAMIAN JUDGE
GROUP CFO

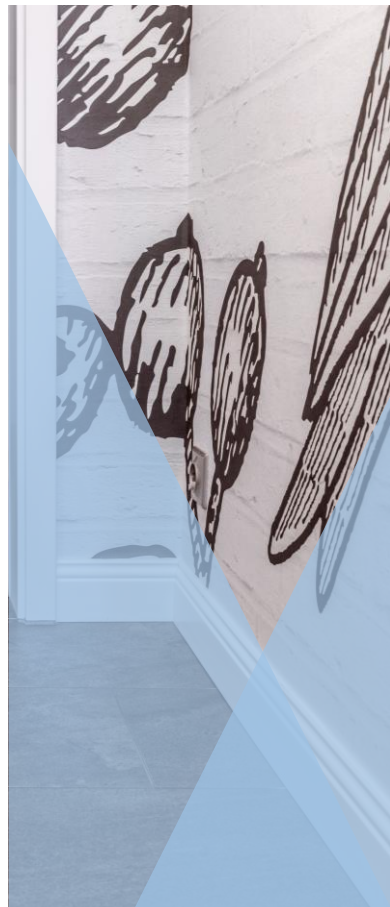


CAPITAL ALLOCATION

- **Debt Servicing**
 - Paydown of interest-bearing liabilities of R13.6m (including interest).
 - Net interest R5.2m (excluding IFRS16 finance leases).
 - Despite increased debt levels, Group remains comfortably with covenant levels.
- **CAPEX**
 - R3.5m which includes additional equipment to produce a new range of Trellidor Traditional products.
 - In terms of manufacturing equipment, no significant spend is planned through H2 and we will track depreciation.
 - R10.5m will be deployed for the purchase of a showroom, offices and training facility in Cape Town during H2 which will be funded through our property finance facility.
- **Acquisitions**
 - The acquisition of the Hillcrest franchise was purchased during F23 Q1.
 - No further acquisitions are planned during F23 H2.



DAMIAN JUDGE
GROUP CFO

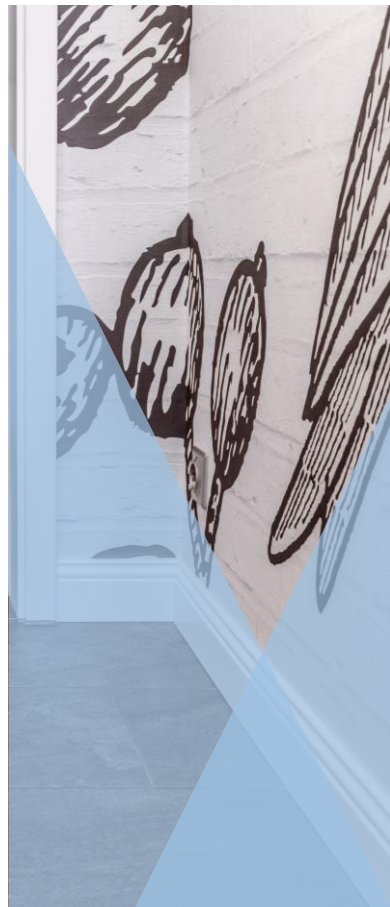


CAPITAL ALLOCATION

- Dividends
 - As a result of the Company reinstating 30 employees and making certain limited back-pay payments to 41 employees during the period and having to increase the Group's gearing levels in order to fund the payments, the Board has taken a decision not to declare an interim dividend in respect of the six months ended 31 December 2022.
 - Once gearing has stabilised consideration will be given by the Board as to the utilisation of excess cash to either be applied to share buybacks and the payment of a dividend after investment in growth opportunities that achieve the Group's targeted return on invested capital of 18% have been assessed.



DAMIAN JUDGE
GROUP CFO



ADDITIONAL INFORMATION



EARNINGS PER SHARE

	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022	FY 2022	HY 2023	HY 23 vs HY 22
Profit attributable to ordinary shareholders	32.1	42.9	26.3	-21.3	30.4	39.8	24.1	0.4	24.3	1%
Adjusted for:										
Profit on disposal of property, plant and equipment	-	0.2	0.5	(0.1)	(0.0)	0.1	(0.0)	(0.0)	-	
Impairment of goodwill				34.6	-	-	-	-	-	
Impairment of PPE				1.0	-	-	-	-	-	
Headline earnings	32.1	43.0	26.8	14.2	30.4	39.8	24.1	0.4	24.3	1%
Weighted average number of ordinary shares	107.6	107.2	104.6	102.4	99.3	97.7	95.2	95.2	95.2	
Earnings per share (cents)	29.8	40.0	25.1	-20.8	30.6	40.7	25.4	0.4	25.5	1%
Headline earnings per share (cents)	29.8	40.1	25.6	13.8	30.6	40.8	25.4	0.4	25.5	1%



DAMIAN JUDGE
GROUP CFO



GROUP SUMMARISED BALANCE SHEET

	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022	FY 2022	HY 2023
Non current assets									
Property, plant and equipment	66.1	64.9	57.2	56.8	58.2	57.6	60.5	59.9	63.3
RoU Assets	-	-	21.0	19.6	20.0	15.4	47.1	42.2	40.0
Goodwill and other intangibles	116.4	113.5	111.7	82.7	89.6	88.5	94.2	99.4	101.3
Deferred Tax	2.6	1.6	0.5	3.1	3.2	7.6	7.8	16.2	17.0
Other financial assets	0.0	0.8	0.7	3.3	4.8	4.8	2.7	3.3	3.2
	185.2	180.8	191.1	165.5	175.9	173.8	212.3	221.0	224.8
Current assets									
Inventories	110.6	107.1	93.1	93.1	89.7	107.6	117.1	122.0	135.7
Trade and other receivables	62.1	58.4	55.3	53.0	60.2	61.5	74.6	55.3	66.5
Cash	18.1	12.6	21.8	23.4	34.2	17.8	22.1	13.5	10.5
Other (Tax + Other)	2.7	4.0	5.8	5.3	4.9	4.1	4.6	3.4	3.2
	193.5	182.1	175.9	174.8	189.0	190.9	218.4	194.2	215.9
Non current liabilities									
Debt	66.4	29.5	78.8	81.5	76.6	63.7	83.7	81.8	108.3
Lease liabilities	-	-	8.9	9.2	9.3	7.4	35.8	31.2	31.4
Deferred tax	2.4	1.0	1.1	0.3	0.2	0.4	0.4	0.8	0.8
	68.8	30.6	88.8	91.0	86.2	71.4	119.9	113.8	140.5
Current liabilities									
Debt	23.4	49.1	10.2	17.5	24.8	22.6	16.2	14.6	12.8
Lease liabilities	-	-	11.9	12.1	11.3	7.6	10.0	10.3	5.5
Trade Payables	54.7	52.1	34.3	42.6	46.7	70.9	73.4	58.4	58.5
Other (Tax + Other)	0.3	0.3	0.3	8.6	0.3	0.5	3.2	29.9	1.9
Bank overdraft	-	4.1	7.3	7.3	7.0	12.6	13.0	21.4	30.3
	78.4	105.6	64.0	88.1	90.2	114.2	115.8	134.6	109.1
Equity	231.5	226.7	214.2	161.2	188.6	179.1	194.9	166.9	191.1



DAMIAN JUDGE
GROUP CFO



GROUP SUMMARISED CASH FLOW

	HY 2019	FY 2019	HY 2020	FY 2020	HY 2021	FY 2021	HY 2022	FY 2022	HY 2023
EBITDA	55.7	81.2	49.1	11.6	57.8	85.4	46.5	29.3	42.0
Movement in non cash items (incl provisions)	1.1	3.1	(1.9)	45.4	(1.4)	(2.6)	0.3	34.5	0.6
Net working capital movement	(16.0)	(13.6)	(0.6)	(2.0)	7.5	13.5	(18.4)	(23.7)	(25.1)
Inventory	(4.2)	(2.2)	14.0	11.0	6.4	(11.8)	(9.5)	(14.4)	(13.6)
Accounts receivable	(0.8)	2.5	3.1	(3.7)	2.1	1.2	(13.2)	6.1	(11.2)
Accounts payable	(11.0)	(13.9)	(17.7)	(9.3)	(1.0)	24.1	4.3	(15.3)	(0.3)
Cash generated from operations	40.8	70.7	46.7	55.0	63.9	96.3	28.4	40.1	17.5
Tax paid	(11.8)	(19.1)	(11.2)	(8.8)	(12.8)	(19.3)	(6.2)	(11.3)	(2.1)
Net Cash from operations (excl finance costs)	29.1	51.6	35.5	46.2	51.1	77.0	22.2	28.8	15.4
Net Investment in PPE	(2.5)	(6.6)	(3.9)	(15.8)	(3.7)	(9.3)	(7.6)	(12.1)	(3.5)
FCF	26.6	44.9	31.6	30.4	47.4	67.7	14.6	16.7	11.9
Net interest costs	(4.1)	(8.1)	(3.6)	(9.2)	(3.5)	(6.5)	(4.0)	(9.1)	(8.4)
Repayment/raising of debt & equity	(14.1)	(28.3)	(10.2)	(1.9)	(18.5)	(42.8)	13.7	(0.6)	(12.2)
Business combinations/Intangibles	-	-	-	-	(6.3)	(11.5)	(10.1)	(9.5)	(2.2)
Investing and financing activities	(18.1)	(36.4)	(13.8)	(11.1)	(28.3)	(60.8)	(0.3)	(19.2)	(22.7)
Cash available to shareholders	8.4	8.5	17.7	19.3	19.1	6.9	14.3	(2.5)	(10.8)
Dividend paid to shareholders	(17.4)	(27.2)	(11.7)	(11.7)	(8.0)	(17.7)	(10.5)	(10.5)	-
Cash movement for the year	(9.1)	(18.6)	6.1	7.6	11.1	(10.8)	3.8	(13.0)	(10.8)
Opening cash balance	27.2	27.2	8.4	8.5	16.1	16.1	5.2	5.2	(7.9)
Effect of exchange rate movement									(1.0)
Closing cash balance	18.1	8.5	14.5	16.2	27.2	5.3	9.0	(7.8)	(19.7)



DAMIAN JUDGE
GROUP CFO





TERRY DENNISON
GROUP CEO



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