Inspiration & innovation
supply chain innovation in Africa

6 November 2019
Our business positioning

Integrated outsourced logistics service provider…

#1 logistics provider in South Africa
With growth potential in the insourced & fragmented market

Presence in 32 countries & c.27,000 employees

Ranked in top 30 global logistics providers
(#15 for land-based revenue)

…offering specialised capabilities & customised solutions…

Revenue
ZAR49.7bn / USD3.5bn

EBITDA
ZAR2.5bn / USD176m

with diversified presence across Africa & Europe…

Revenue split (by capability)

- Freight management
- Distributorship
- Contract logistics

FY2019 revenue split
50%
29%
21%

Note: Financial figures for the period ended 30 June 2019
1 Average invested capital for the year ended 30 June 2019
Divisional overview

**South Africa**

- **Leading end-to-end capabilities** to provide outsourced services to extensive client base across industries
- Integrated offerings evolving to **enhance value for clients**

- **Revenue** R13.4bn
- **Operating profit** R950m
- **Operating margin** 7.1%
- 27% group revenue
- 38% group operating profit
- **ROIC** of 13.0% vs WACC of 10.8%

**African Regions**

- **Leading distributor of pharmaceuticals & consumer goods** in Southern, East & West Africa
- Capabilities being expanded across the region

- **Revenue** R12.1bn
- **Operating profit** R787m
- **Operating margin** 6.5%
- 24% group revenue
- 31% group operating profit
- **ROIC** of 16.2% vs WACC of 15.4%

**International**

- Transportation management (shipping / road)
- **Leading capabilities** in chemical & automotive industries
- **Specialised express distribution** capabilities

- **Revenue** €1.5bn
- **Operating profit** €48m
- **Operating margin** 3.2%
- 49% group revenue
- 31% group operating profit
- **ROIC** of 7.1% vs WACC of 7.6%

Note: Numbers are for 12 months ended 30 June 2019 for continuing operations, excluding businesses held for sale.

Return on invested capital (ROIC) & weighted average cost of capital (WACC) are calculated on a rolling 12 month basis.
Key strategic priorities

Short-term objectives:
1. Continue to grow in Africa, adding new capabilities, entering new industry verticals & serving more countries / regions
2. Strategically align our International portfolio with our core competitive advantage, being Africa

Objectives to be executed in a phased approach:
1. Acquire, partner &/or build air & ocean (international) freight management capability as a basis for global coverage to support in & out of Africa trade flows in integrated logistics solutions
2. Invest in capabilities in select new emerging & developed markets that support the growth of target industry verticals - mainly healthcare, consumer, chemicals, industrial & automotive
3. Expand our distributor capability geographically will create cross-selling & up-selling & add other existing & new capabilities to that market over time which g opportunities
Our capabilities

1. Freight management
   › the movement of goods between specified sources & destinations
   › using different transportation modes (road, river, rail, air & ocean)
   › different transportation types

2. Contract logistics
   › encompassing warehousing, distribution & synchronisation management provided as dedicated or multi-principal services
   › incorporating professional & managed services, integrated with transportation management

3. Distributorships
   › we take ownership of product inventory to provide our clients with unparalleled access to their end-consumers through an integrated logistics & sales service
   › leveraging sourcing, warehousing, distribution, synchronisation & transportation management
   › provides a more robust, value-enhancing service offering which creates a ‘stickiness’ with our multi-national clients
Key clients in Africa
Key international clients
Leading distributor of pharmaceutical & consumer goods in Southern, East & West Africa
Doing business in Africa is tough…. 
### Historical context

**Oct 2010:** Created **African Regions Division** by grouping cross-border transport operating companies

**Nov 2010:** Entered the **Distributorship** business (sales-focus) through acquisition of **CIC Holdings**

**Jan 2013:** Entered **Healthcare industry** with extensive African footprint through acquisition of **RTT Medical**

**May 2013:** Entered the **Nigerian** warehousing & distribution market through acquisition of 49% of **MDS Logistics**

**2010 – 2019**

- **Feb 2014:** Identified consolidation and rationalisation opportunities in cross-border transport companies
- **Mar 2014:** Leverage **Imperial Managed Logistics Africa** capabilities to focus in Rest of Africa
- **Mar 2014:** Entered the **pharmaceutical distributorship** market in Nigeria through acquisition of **Eco Health**
- **Sep 2014:** Acquired 70% stake in **Imres**, which provides sourcing and procurement services to NGOs, donors and private organisations
- **Jul 2017:** Acquired **Surgipharm** to expand our healthcare route-to-market capabilities into Kenya
- **Oct 2019:** Acquiring 65% of **Geka Pharma**, a Namibian pharma distributor

Created a R12billion business in 9 years
Our African Regions business at a glance

Working with brand owners across the continent

Deep experience in navigating the complexity, diversity and distinct challenges of the African continent

Differentiated by a unique distributor approach supported by local partnerships, and benefiting from exclusive relationships with principals

Provide point of care & retailer level deliveries to >4200 delivery points in Kenya, >1300 in Ghana and >52 000 across Nigeria

Delivering premium brands by providing fully integrated, end-to-end RTM solutions for the unique distribution requirements of the African market

Specialising in multi-channel solutions for delivering essential medicines and consumer health products

We conform to all regulatory and compliance standards

Established the first world-class pharmaceutical warehouse facilities of their kind in East and West Africa

The principal trades in a risk-free environment as we take full responsibility for the debtor’s book

Customisable solutions across the value network, including all logistical and sales functions

More than 200 000 m² of warehousing, strategically placed at over 100 sites on the continent

Distribute c.80% of ethical pharmaceutical trade in Nigeria and c.20% in Ghana

Distribution network into all channels, with a pharma network into hospitals, pharmacies and government institutions, as well as all formal and informal consumer markets

We operate 365 days of the year, 24 hours a day

Technology implemented across the continent where it can drive efficiencies
Our African Regions footprint

Geographical expansion plan:
1. Simplified Solutions distributor model covering small to mid markets in Africa
2. French speaking Africa
3. Middle East

- In-country operations
- Countries serviced through partnership network
- Pharmaceutical & consumer health distributors
- Consumer packaged goods distributors
- Freight Management
- Sourcing & procurement
what my friends think I do
what my parents think I do
what marketing thinks I do
what my boss thinks I do
what I think I do
what I really do
End-to-end value chain

1a Raw materials
1b Packaging
2 Manufacturing
3a Warehousing
4 Distributors
5a Formal retail
5b Informal retail
6a Retail services demand generation
6b Retail services demand generation
7a Consumer
7b Consumer

Air & ocean; sourcing & procurement

Exports
Imports

Formal retail
Informal retail

Air & ocean
## Compliance & quality

### Meeting the needs of both client & consumer

<table>
<thead>
<tr>
<th>Local partnerships</th>
<th>Governance &amp; compliance</th>
<th>Currency management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We give brand owners informed access to consumers through our extensive in-country networks</td>
<td>• Well tested &amp; coordinated strategies for managing governance &amp; corporate compliance</td>
<td>• Highly proficient in managing unpredictable exposures, unexpected costs, evolving exchange control regulations, international political, legal or system risk &amp; numerous trade barriers in day-to-day business operations</td>
</tr>
<tr>
<td>• Extensive on-the-ground expertise, resource, capability &amp; geographic spread; uniquely placed to mitigate &amp; manage the distinctive risk &amp; complexity of the African continent</td>
<td>• We remediate, monitor &amp; manage risks in addition to coordinating the utilisation of people, process &amp; technology to improve effectiveness &amp; help manage costs</td>
<td></td>
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</table>
# Our industry verticals - non-cyclical & growing

## Why healthcare in Africa?

- **Growing population & middle class** has seen the demand for pharmaceuticals & related healthcare products continue to grow across Africa.

## Growth opportunities

- Strengthened relationships with brand principals through direct channel development, demand activation, inventory optimization, late localisation / labelling / kitting, serialisation & authentication.

## Fast facts – our positioning

- **Delivers 500 million patient packs** annually to 52,000 delivery points.
- Provide point of care & retailer level deliveries to **>4,200 delivery points** in Kenya, **>1,300 in Ghana** & more than **>52,000** across Nigeria.

## Patient affordability necessitates route-to-market efficiency & accelerates the shift towards lower cost generics

## Increasing market diversity of product needs into oncology, non-communicable diseases & biopharmaceuticals

## Reliance on in-country logistics & route-to-market service partnerships increases

## Category expansion into animal health, surgicals, consumables & devices using existing capabilities in current markets

## Donors transition spend to local suppliers & governments are increasingly engaging specialist service providers with proven abilities, systems & capacity

## Integrated solution offerings including international freight & transportation management to augment our market leading distribution management & route-to-market capabilities

## Growing demand from governments & funders for transparency, governance, compliance & product authentication

## Geographical expansion through acquisitions & multi-market aggregation of smaller scale African markets

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**Fast facts – our positioning**

- **>200,000 m² warehousing** space in the healthcare & consumer industries.
- **Proven legitimacy & strong brand recognition** > 20 years relationships with multinational principals, donors & regulators.
- **Sound governance & sophisticated systems**
- **Scale** through multi-market aggregation.
### Why consumer packaged goods?

- Rapidly urbanising population across Africa; offers strong growth potential & **increasing consumer buying potential**

### Growth opportunities

- Strengthened relationships with brand principals through direct channel development, demand activation & promotions and inventory optimization

- Continued **expansion of formal retailers** into the market increases consumer choice & drives **globalisation of brands**

- Integrated solution offerings including international freight & transportation management to augment our market leading distribution management & route-to-market capabilities

- Transition from traditional channels to more **formal models** to drive strong governance & compliance & reduce illicit trading

- Expansion of capabilities into contract operations such as repackaging

- Continued economic pressure, reduced volume, **increased cost focus & shifting product** mix all present **opportunities for logistics outsourcing**

### Fast facts – our positioning

- **Proven** legitimacy, good operational governance controls & **strong brand recognition**

- **Extensive distribution footprint** in African countries

- **>200,000 m² warehousing** space in the healthcare & consumer industries

- In excess of **25million cases** picked in the last year

- **> 200 towns** covered

- **> 37,000 active clients**

- **R60 billion of product** delivered to retail outlets
Africa’s leading healthcare distribution partner
Simplified Solutions in Healthcare
The African healthcare market

Environment

- Highly complex environment due to lack of harmonisation
- Significant risks to manage incl. compliance
- Political and economic instability
- Poor infrastructure
- Lack of data
- Parallel trade and counterfeit drugs
- No certainty of continuous growth in revenue or market share in small to medium African countries
- Limited in-country partner buying power and access to finance

What this means for pharmaceutical companies

- Expensive to manage well
- Relatively low returns on investment compared to other emerging markets
- Lack of predictable financial performance
- Significant reputational risk
- Lack of quality business information
- Little opportunity for new product launches
- Heavily dependent on mature brands to treat illnesses
What does simplification mean for principals?

- Manage only one distributor contract and relationship (76 Vs 1)
- Reduction in:
  - Commercial management
  - Quality management
  - Compliance management
  - Contract management
- No LSP contracting and management
- Demand planning and supply planning in one place
- Management oversight simplified/minimised
Our “simplified solution” delivers

Increased patient access  A simplified business model  Improved ROI for principals  Regulatory, ethics and quality compliance

Led by our experienced leadership team in healthcare solutions
How does it work?

Demand planning | Supply chain expertise | Demand creation
Vitalliance | Imperial Logistics | LVH

Regulatory management | Pharmacovigilance | Data analytics
Vicore Health | Vicore Health | Vitalliance
We make it simpler for our principals by changing the model

### Standard supply chain solution (LSP)

#### Imperial Logistics’ responsibility
- Regional distribution centers
- Warehousing activities and stock control management
- Transportation activities and product export
- Order to cash management

#### Client responsibility
- Contract Management
- In-country presence
- Product ownership (inventory and write off management)
- International freight management and clearing activities
- Demand planning
- Risk management (debtors, forex, insurance & product expiry)
- RTM partner management including QA and compliance audits
- Channel management (Hospitals, pharmacies, etc.)
- Reporting of all supply chain KPIs
Reducing complexity

Simplified Solution in Healthcare (SSiH)

Client responsibility

- Contract Management

Imperial Logistics’ responsibility

- Contract management
- In-country presence
- Product ownership (inventory and write off management)
- International freight management - clearing activities
- Regional distribution centers
- Demand planning
- Warehousing activities and stock management
- Transportation activities and product export
- Consolidation of export orders
- Order to cash management
- Risk management (debtors, forex, insurance & product expiry)
- RTM partner management including QA and compliance audits
- Channel management (Hospitals, pharmacies, etc.)
- Reporting of all supply chain KPIs
## Comprehensive risk management

<table>
<thead>
<tr>
<th>Regional hubs</th>
<th>Partners</th>
<th>Marketing and sales force</th>
<th>External market forces</th>
<th>Regulatory</th>
</tr>
</thead>
</table>
| • ISO 9001 certified  
• QMS contains risk assessments, disaster recovery plans, internal audit, and change management  
• CGMP / GDP / locally licenced facilities  
• Validated electronics systems | • QA compliance audit verification process  
• Proven track record as local technical representative / registration holder (where required) | • ABAC training well embedded  
• Regular certification for sales force  
• MNC management experience  
• Identified breaches handled through performance management | • Business contingency management  
• Market leading supply chain control tower systems for visibility and auditability  
• Development of in-market surveillance for patient safety (serialisation and authentication) | • FDA approved Pharmacovigilance system and reporting |
Providing enhanced data analytics

Key performance indicator trends

1. Product sales
   - Product sales trends
   - Therapeutic area sales trends
   - Sales trends by country

2. Customer sales
   - Customer channels sales trends

3. Sales force
   - Call rates management
   - HCP targeting and channel engagement

4. Distributor Management and Trending KPIs
   - Electronic data compliance
   - Retail sector management
   - Growth sales target
   - Direct sales target
   - Compliance and audit status

5. Operational
   - Forecast KPIs and trending
   - PO to product sales out to pharmacy/hospital data trending
   - Stock levels management
   - Pharmacovigilance KPIs
   - Stock Expiry KPIs
   - OTIF and Supply chain lead times
   - Debtors payment KPIs
Sales dashboard
Salesforce effectiveness dashboard

Sales Rep Performance

Customer ABC Analysis

Principal

Customer Movement Survey

Customer Movement
Supply chain dashboard
Unmatched access to informal consumer markets

our market access solution
Doing business in Africa is tough....

“Everyone has a plan 'till they get punched in the mouth.”

Mike Tyson
Our cash van solutions ensure that products are sold & distributed **deep & wide** into the informal markets

**Benefits of this solution include:**
- Increased market penetration by convenience-
- Delivering directly to the informal markets, shebeens & baraccas
- Enforcing of price compliance
  - Cash vans sell on specific mark-up per SKU, wholesaler has to comply to the price points ensuring control of in-market pricing
- Influence at the point of purchase
  - Introducing our current & new product range directly to informal markets, shebeens & baraccas
  - Creating awareness of our brands
- Placement of point of sale material
- Identifying & communicating additional marketing opportunities
  - Gathering of market intelligence
- Barriers to entry for competitor
  - Ensuring a greater ‘share of wallet’
The scale of our cash van solution

Mozambique
- Total cash vans: 80
- Revenue by cash van operation: c.R900m
- Products: Tobacco, liquor and snacks

Namibia
- Total cash vans: 20
- Revenue by cash van operation: c.R100m
- Products: Tobacco and snacks

Malawi
- Total cash vans: 15
- Revenue by cash van operation: c.R140m
- Products: Tobacco, general merchandise and powdered milk
Our market access solution

Leveraging technology, footprint & local insight for unrivalled reach
Intelligent control towers

Vitalliance
Sweet-spot between technology, people and process

- Vitalliance established as a 50/50 JV between Imperial Logistics & One Network (US based technology provider)

- Enables end-to-end healthcare supply chains with its supply chain control tower, inventory and fulfilment management & data reporting

- Leverages world class technology & pragmatic planning and execution control processes to achieve better patient outcomes (higher availability) at lower total cost (logistics & waste)

- One Network is deployed in Ghana, Rwanda & Nigeria as a control tower solution for the Ministries of Health

- SSiH uses Vitalliance as an enabler, advancing processes & technology as the requirements scale - graduating towards automated processes & exception-based controls enabled through the integrated real-time-value-network (“RTVN”) capabilities of One Network
Thank you

www.imperiallogistics.com

"IT ALWAYS SEEMS IMPOSSIBLE UNTIL ITS DONE."

~Nelson Mandela