

IMPERIAL LOGISTICS LIMITED

Registration number: 1946/021048/06

Ordinary share code: IPL

ISIN: ZAE00067211

Preliminary summarised results for the year ended 30 June 2019

- Continuing revenue\* +6% to R49,7 billion
- Continuing operating profit\* -9% to R2,5 billion
- Continuing HEPS -7% to 542 cents per share
- Continuing EPS -105% to 26 cents loss per share
- Net debt to EBITDA of 1,6 times (2018: 1,5 times)
- Free cash conversion of 72% (2018: 87%)
- Final cash dividend of 109 cps; total FY19 dividend\*\* 244 cps (45% of continuing HEPS)

\* Excluding discontinued operations and businesses held for sale.

\*\* Comparative dividend not included as it included Motus prior to unbundling.

Note: Return on invested capital (ROIC) and weighted average cost of capital (WACC) are calculated on a rolling 12-month basis.

Imperial Logistics Limited is mainly an African and Eurozone logistics provider of outsourced, integrated freight management, contract logistics and distributorships. Ranked among the top 30 global logistics providers, the group is listed on the JSE in South Africa and employs over 27 000 people in 32 countries. With a focus on five key industry verticals - automotive, chemicals, consumer, healthcare and industrial - the group's deep experience and unrivalled ability to customise solutions ensures the ongoing relevance and competitiveness of its clients.

Results overview

Results were supported by a good performance from African Regions, offset by weaker operational performances, certain once-off trading costs of c.€4 million or R65 million in International, and the once-off costs associated with our business rationalisation and restructuring in our South African and International operations of c.R170 million. Excluding the once-off costs, operating profit for continuing operations decreased by 1%. Our balance sheet management remains sound with sufficient headroom in terms of capacity, together with good cash generation, for strategic growth.

- Further strategic rationalisation of the portfolio and restructuring post the unbundling resulted in the following:
  - The decision to exit the consumer packaged goods (CPG) business in South Africa due to an unviable and uncompetitive business model, which resulted in an impairment of assets including goodwill of c.R590 million and provisions for closure costs of c.R850 million post-tax. During the CPG closure process we will consider the interests of staff, clients and other key stakeholders.
  - Significant removal of fixed overhead costs in the South Africa (excluding CPG) and International divisions from F2020 of c.R385 million p.a., with an associated once-off cost impact in F2019 of c.R170 million.
  - The impairment of certain historic goodwill to the value of c.R1,1 billion (c.14% of total goodwill and intangible assets; excluding CPG) driven by significant deterioration in macroeconomic conditions in all three divisions, which include a depressed growth outlook, uncertainty and higher WACC rates in certain territories.
- Imperial Logistics' renewal rate across our divisions on existing contracts remains in excess of 90% with an encouraging pipeline of new opportunities supported by an excellent new contract gain rate. New business revenue of R5,6 billion was secured during the past 12 months.
- Revenue\* generated outside South Africa increased 9% to R36,6 billion (74% of group revenue) and operating profit\* generated outside South Africa decreased by 11% to R1,6 billion (63% of group operating profit), largely impacted by once-off costs in Logistics International.
- ROIC of 10,4% against WACC of 10,2% (2018: ROIC of 12,2% versus WACC of 8,5%).
- Net working capital for continuing operations of R1 833 million improved by 3% (excluding CPG provisions)

- for closure) compared to R1 881 million in June 2018, and was better than expected as the growth rate in working capital was lower than the growth in revenue.
- Net capital expenditure of R1,1 billion was in line with depreciation and increased from R517 million in F2018 mainly due to higher investment in fleet expansion (as a result of new contract gains) and replacement in Logistics South Africa, and specialised new fleet acquired in Logistics International. Furthermore, F2018 net capital expenditure benefited from property disposals (R260 million).
  - Total net debt increased marginally by 1% compared to June 2018.
  - Free cash flow (post-maintenance capex and including CPG) increased to R1,4 billion from R1,3 billion.
  - A final cash dividend of 109 cents per ordinary share has been declared bringing the F2019 dividend to 244 cents per ordinary share (45% of continuing HEPS).
  - Motus unbundling: The unbundling of Motus was concluded in November 2018 and Motus is thus presented as a discontinued operation in this set of results for the four months ended 31 October 2018, where stipulated. The fair value of the distribution of R17 billion exceeded the net carrying value of Motus at 31 October 2018, resulting in the recognition of a fair value gain of R4,3 billion in the income statement.
  - The tangible benefits of the above actions will be realised from the 2020 financial year, with the ultimate objective of unlocking value for our shareholders.

\* Excluding discontinued operations and businesses held for sale.

### Strategy

#### Simplifying our strategic positioning

The core strategic focus of Imperial Logistics is to grow our African business and align our International portfolio to position the group as the "gateway to Africa" in the medium term. An integrated logistics and market access offering focused on Africa, leverages our powerful competitive advantages and capabilities, which will be concentrated mainly on the healthcare, consumer, chemicals, industrial and automotive industry verticals. From this focal point, our scope will extend to other emerging and selected developed markets, based on the relevance of our capabilities, scale benefits and client relationships.

Our unique African Regions network and capabilities make us an attractive strategic partner to multinational clients. Through leveraging this competitive advantage and refocusing our International portfolio, we are able to cross-sell our service offerings across our targeted regions.

Significant progress in achieving strategic clarity, confronting and resolving longstanding impediments to delivery, and developing differentiated solutions in carefully selected industries across our regional businesses has been recorded in the 2019 financial year.

### Liquidity

The group's liquidity position is strong, with R11,8 billion of unutilised banking facilities. In total, 89% of the group's debt is long-term in nature and 55% of the debt is at fixed rates.

### Directorate changes

As previously announced, Mr Marius Swanepoel retired as CEO of Imperial Logistics on 1 February 2019 and Mr Mohammed Akoojee succeeded him on the same date. Mr Swanepoel continued to serve as an executive director until his retirement on 30 June 2019. The board thanks Mr Swanepoel for his invaluable contribution in shaping the business over the years.

Ms Bridget Radebe and Mr Dirk Reich will be appointed as independent non-executive directors, effective 1 September 2019.

Ms Radebe, a qualified chartered accountant, is the Chief Financial Officer of African Rainbow Capital Investments Limited and also serves on the board of Alexander Forbes Group, A2X and Colourfield Liability Solutions. Ms Radebe previously served as a partner at Deloitte where she serviced JSE-listed clients including Imperial Holdings Limited.

Mr Reich, a global logistics industry expert, holds an MBA and serves on the boards of DFDS, Skycell,

Instafreight, Log-hub and IPT. He previously served as the CEO of Cargolux Airlines International, on the management board of Kuehne & Nagel and as a non-executive director on the board of Panalpina. In 2016, he founded R&R International Aviation which offers strategic advice in the fields of aviation, logistics and e-commerce in China.

#### Prospects

The strategic portfolio rationalisation, cost-cutting initiatives, organisational restructure and key decisions taken will have far-reaching benefits for our business and its stakeholders.

From the 2020 financial year we will realise tangible bottom-line benefits of new contract gains, new acquisitions, restructuring, exit of non-core and unprofitable businesses, and reducing costs significantly in all our divisions. As a result, for the financial year to 30 June 2020, subject to stable currencies and economies in which we operate, we expect Imperial Logistics' continuing operations (excluding businesses held for sale) to deliver:

- High single digit revenue growth compared to the prior year.
- Low double digit operating profit growth compared to the prior year.
- Low double digit growth in continuing HEPS compared to the prior year.
- Ongoing strong free cash flow conversion of c.70%.

The balance sheet of the business remains strong, with sufficient headroom in terms of capacity and liquidity to facilitate our strategic growth aspirations. Our disciplined capital allocation approach will prioritise investment in businesses with strong organic growth and cash flow profiles that are strategically aligned, enhance our key competitive advantages and meet our financial hurdle rates.

#### Declaration of final ordinary dividend

For the twelve months ended 30 June 2019 notice is hereby given that a gross final ordinary dividend in the amount of 109.00 cents per ordinary share has been declared by the board of Imperial Logistics, payable to the holders of the 201 242 919 ordinary shares. The dividend will be paid out of income reserves.

The ordinary dividend will be subject to a local dividend tax rate of 20%. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 87.20 cents per share.

The company has determined the following salient dates for the payment of the ordinary dividend:

	2019
Declaration date	Tuesday, 27 August
Last day for ordinary shares to trade cum ordinary dividend	Monday, 23 September
Ordinary shares commence trading ex-ordinary dividend	Wednesday, 25 September
Record date	Friday, 27 September
Payment date	Monday, 30 September

The company's income tax number is 9825178719.

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2019 and Friday, 27 September 2019, both days inclusive.

RA Venter  
Group Company Secretary  
27 August 2019

#### Short Form Announcement

This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details.

Furthermore this short-form results announcement and the forecast financial information herein have not been reviewed or reported on by Imperial Logistics' auditors. Any investment decision should be based on the full announcement accessible from Tuesday, 27 August 2019, via the JSE link and also available on the Company's website at ([www.imperiallogistics.com/inv-annuals.php](http://www.imperiallogistics.com/inv-annuals.php)).

The summarised consolidated finance statements ("full announcement") has been audited by Deloitte & Touche, who expressed an unmodified opinion thereon.

Copies of the full announcement may also be requested by contacting Imperial Logistics Investor Relations by email at [Esha.Mansingh@imperiallogistics.com](mailto:Esha.Mansingh@imperiallogistics.com) and are available for inspection at the Company's registered office at no charge, weekdays during office hours.

The JSE link is as follows:  
<https://senspdf.jse.co.za/documents/2019/jse/isse/IPLE/FY19Result.pdf>.

#### Administration

Business address and registered office: Jeppe Quondam, 79 Boeing Road East, Bedfordview, 2007

Directors: P Langeni# (Chairman), M Akoojee (CEO), RJA Sparks## (lead independent director), P Cooper##, GW Dempster##, T Skweyiya##, JG de Beer (CFO)  
#Non-executive ##Independent non-executive

Executive committee: M Akoojee (CEO), JG de Beer (CFO), H Bicil, E Mansingh, JW Rossouw, JA Truter, N van der Westhuizen

Company secretary: RA Venter

Investor Relations and Communications Executive: E Mansingh

Share transfer secretaries: Computershare Investor Services Proprietary Limited,  
First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196.  
(PO Box 61051, Marshalltown, 2107)

Sponsor: Merrill Lynch SA Proprietary Limited, The Place, 1 Sandton Drive, Sandton, 2196

[www.imperiallogistics.com](http://www.imperiallogistics.com)