

Imperial Logistics Limited
(Incorporated in the Republic of South Africa)
Registration number: 1946/021048/06
ISIN: ZAE000067211
Share code: IPL
(‘Imperial’ or ‘company’ or ‘group’)

IMPERIAL LOGISTICS LIMITED - unaudited interim results for the six months ended 31 December 2019

Imperial is an African and European focused logistics provider of outsourced, integrated freight management, contract logistics and market access services. 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 ability to customise solutions ensures the ongoing relevance and competitiveness of its clients.

GROUP KEY FEATURES

- Continuing revenue up 1% to R25,4 billion
- Continuing operating profit up 9% to R1,6 billion
- Continuing HEPS up 10% to 371 cents per share
- Continuing EPS up 12% to 372 cents per share
- Free cash conversion of 72% (H1 F2019: 75%)
- Net debt:EBITDA (excluding IFRS 16) 2,0x (H1 F2019: 1,5x)
- ROIC of 10,0% against WACC of 8,0% (H1 F2019: ROIC of 10,5% versus WACC of 8,3%)
- Interim cash dividend of 167 cents per share declared (before withholding tax) (H1 F2019: 135 cps); 45% of continuing HEPS

Note: Return on invested capital (ROIC) and weighted average cost of capital (WACC) are calculated on a rolling 12-month basis. Comparatives have been restated for IFRS 16 - Leases and December 2018 was also represented for the consumer packaged goods business in South Africa (CPG) - under discontinued operations.

RESULTS OVERVIEW

Imperial delivered a good performance - growing revenue and operating profit from continuing operations by 1% and 9% respectively. Results benefited from new contract gains and the benefits of the rationalisation and cost cutting in South Africa and International in F2019, despite increasingly challenging trading conditions in most of its markets that negatively impacted volumes across most businesses. Our balance sheet management remained sound, with significant capacity to achieve our organic and acquisitive growth strategies.

- Continuing revenue generated outside South Africa was R17,8 billion and accounted for 70% of group revenue compared to R18,7 billion in the prior period (H1 F2019: 74% of group revenue).
- Continuing operating profit generated outside South Africa was R1,1 billion and accounted for 64% of group operating profit, up 10% compared to R1,0 billion generated in the prior period (H1 F2019: 64% of group operating profit).
- Continuing operating margin improved from 5,9% in the prior period to 6,4%.
- Imperial’s contract renewal rate across our divisions on existing contracts is c.80%, with an encouraging pipeline of new opportunities, supported by a good new contract gain rate in all three divisions despite macro-economic challenges.
- New business revenue of approximately R5,8 billion p.a. was secured to the end of December 2019.
- Net working capital of R2 088 million improved by 16% compared to R2 492 million at December 2018 but increased by 54% compared to the working capital at 30 June 2019 largely due to seasonal factors as previously experienced and new contract gains. Net working capital was in line with our guidance of 4% to 5% of revenue.
- Net capital expenditure of R815 million increased from R700 million in H1 F2019 but was significantly lower than depreciation. Due to the implementation of IFRS 16 depreciation includes the depreciation of the right-of-use assets, whereas

capital expenditure does not include this. Excluding the depreciation of the right-of-use assets, capital expenditure exceeded depreciation due to investment in support of new contract gains.

- Net debt (excluding lease obligations) of R7,4 billion increased by 29% compared to June 2019, mainly impacted by working capital movements, increased capital expenditure and once-off effects of CPG.
- Free cash flow including CPG decreased to an outflow of R565 million from a cash inflow of R255 million for the six months ending 31 December 2018. This outflow is largely driven by CPG which incurred a cash outflow of R595 million as it is in the closure process. Free cash flow excluding CPG decreased to an inflow of R30 million from a cash inflow of R58 million for the six months ending 31 December 2018.
- Discontinued operations: The unbundling of Motus was concluded in November 2018 and Motus is thus presented as a discontinued operation in the comparative results. The CPG business in South Africa was classified as a discontinued operation towards the end of the June 2019 financial year and while this business was exited in November 2019, it is still currently being wound down. No further trading losses will be incurred from CPG in H2 F2020. Total basic HEPS was therefore down 77% to 190 cents per share and total basic EPS down 93% to 223 cents per share, which included contributions from CPG in the current period and contributions from both CPG and Motus in the prior period.
- IFRS 16 - Leases standard was adopted with effect from 1 July 2019 using the full retrospective approach; comparatives have therefore been restated. The impact of IFRS 16 to equity at 1 July 2018 is a reduction of R403 million. On this date right-of-use assets amounting to R5 335 million and lease obligations amounting to R5 850 million were recognised as well as the deferred taxation related to the recognition of these balances.

Note: Comparatives have been restated for IFRS 16 - Leases and December 2018 was also represented for the CPG discontinued operation.

DIRECTORATE AND EXECUTIVE MANAGEMENT CHANGES

As previously announced, Ms Bridget Radebe and Mr Dirk Reich were appointed as independent non-executive directors, effective 1 September 2019.

Ms Thembisa Skweyiya resigned from the board on 31 December 2019. The board thanks Ms Skweyiya for her many years of counsel and guidance in her capacity as a non-executive director and wishes her well.

In keeping with Imperial's non-executive director succession planning, Mr Roddy Sparks retired as lead independent director on 30 October 2019. He remains an independent member of the board. Mr Graham Dempster was appointed to succeed Mr Sparks as the lead independent director on the same date.

Ms Bridget Radebe has been appointed to succeed Mr Dempster as chairman of the audit committee from 1 September 2020. Mr Dempster will remain a member of the audit committee.

After 26 years of service to Imperial, Mr Nico van der Westhuizen, a member of the Imperial executive committee, will be stepping down as CEO of Imperial Logistics South Africa at the end of February 2020. He will be retiring from the group at the end of June 2020 to ensure an orderly handover process. The board extends its sincerest thanks and gratitude to Mr van der Westhuizen for his invaluable contribution to the business, and wishes him well in his retirement. Mr Edwin Hewitt has been appointed to succeed Mr van der Westhuizen from 1 March 2020.

PROSPECTS

Based on the first six months of trading, and particularly the increasingly challenging and volatile economic and market conditions in which we operate, our outlook for the financial year to 30 June 2020 is as follows:

We expect Imperial's continuing operations to deliver:

- 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.
- Good free cash flow generation.

The balance sheet of the business remains sound, with sufficient headroom in terms of capacity and liquidity to facilitate our organic and acquisitive growth aspirations.

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. Any investment decision should be based on the full announcement accessible from Tuesday, 25 February 2020, via the JSE link and also available on the Company's website <https://www.imperiallogistics.com/results/interim-results-2020/index.php>

The forecast financial information contained in the prospects herein, is the responsibility of the directors and has not been reviewed or reported on by Imperial's auditors.

Copies of the full announcement may also be requested by contacting Imperial's Investor Relations Executive, Esha Mansingh, 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/2020/jse/isse/IPLE/HY20Result.pdf>.

DECLARATION OF INTERIM ORDINARY DIVIDEND

For the six months ended 31 December 2019 notice is hereby given that a gross interim ordinary dividend in the amount of 167,00000 cents per ordinary share has been declared by the board of Imperial, payable to the holders of the 201 242 919 ordinary shares. The dividend will be paid out of retained earnings.

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 133,60000 cents per share.

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

	2020
Declaration date	Tuesday, 25 February
Last day for ordinary shares to trade cum ordinary dividend	Tuesday, 17 March
Ordinary shares commence trading ex-ordinary dividend	Wednesday, 18 March
Record date	Friday, 20 March
Payment date	Monday, 23 March

The company's income tax number is 9825178719.

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 March 2020 and Friday, 20 March 2020, both days inclusive.

RA Venter
 Group company secretary

25 February 2020

Company secretary
RA Venter

Investor relations and communications executive
E Mansingh

Sponsor
Merrill Lynch SA (Proprietary) Limited