



GRINDROD LIMITED

**AUDITED RESULTS AND DIVIDEND ANNOUNCEMENT**

for the year ended 31 December 2016



Wifi access | [guest@sun](mailto:guest@sun)

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# HIGHLIGHTS

## **FINANCIAL AND BUSINESS ENVIRONMENT**



## HIGHLIGHTS

### FINANCIAL

- Revenue R24 930.5 million inclusive of joint ventures (2015: R27 995.4 million)
- Revenue in second half R13 859.4 million (H1: R11 071.1 million)
- EBITDA R690.4 million inclusive of joint ventures (2015: R1 747.5 million)
- Headline loss of R459.5 million (headline loss H1: R381.1 million; headline earnings 2015: R558.8 million)
- Loss per share 254.2 cents (loss per share 2015: 189.8 cents)
- Net asset value per share 2 007 cents (2015: 2 450 cents)
- Cash generated from operations R491.7 million (2015: R1 412.6 million)
- Low gearing of 2% (2015: net cash R33.9 million)
- The group declared no final ordinary dividend (2015: 6.0 cents per share)



## HIGHLIGHTS

### BUSINESS ENVIRONMENT

- China's economic growth was at 6.7% for 2016, projected at 6.5% for 2017
- US growth moderate at 1.6% in 2016
- South Africa GDP at 0.5% for 2016, forecast to increase to 1.3% for 2017
- Eurozone growth 1.6% in 2016
- Commodity price recovery driven by demand
- Dry bulk shipping markets well off their lows



# RESULTS 2016



## RESULTS 2016

## MANAGEMENT INCOME STATEMENT – 2016

R million	2016	2015	Comments
<b>Revenue</b>	<b>24 931</b>	27 995	Margins and rates
<b>Trading profit</b>	<b>690</b>	1 747	Reduced volumes, margins, rates and foreign exchange losses of R138 million
Depreciation and amortisation	(851)	(902)	Average exchange rate increase on a lower base with the prior year ship impairment
Non-trading items after tax	(1 446)	(1 989)	Impairment of Rail businesses and ships sold/held for sale
Net interest paid	(35)	(53)	
Share of profits from associates	21	72	Impact of drought
Taxation	(215)	(236)	Unshielded Shipping losses and devaluation of Mozambican metical
Non-controlling shareholders' interest	(4)	(4)	
Preference dividends	(68)	(61)	
<b>Loss attributable to ordinary shareholders</b>	<b>(1 908)</b>	(1 426)	
Average rate of exchange      ZAR/US\$	14.73	12.78	



# RESULTS 2016

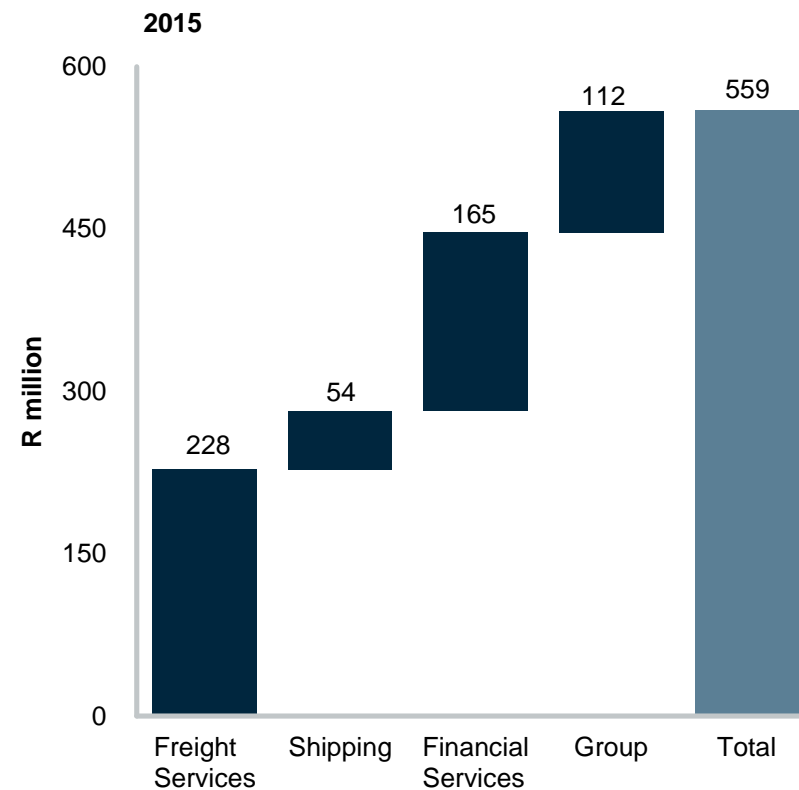
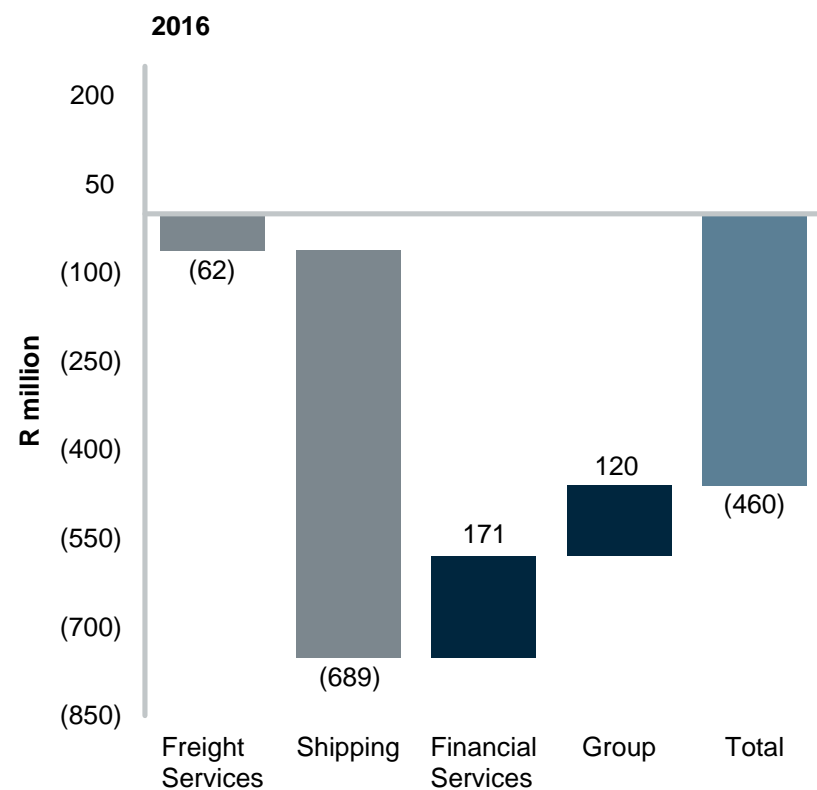
## HEADLINE EARNINGS – 2016

R million	2016	2015	Comments
<b>Loss attributable to ordinary shareholders</b>	<b>(1 908)</b>	(1 426)	
<i>Adjusted for:</i>			
Foreign currency translation reserve	<b>(120)</b>	2	Release of FCTR due to disposal of coal trading business
Net profit on disposals	<b>16</b>	(218)	Profit on disposal of terminal business in prior year
Impairments	<b>1 552</b>	2 214	Impairment of Rail business, impairment of ships
Negative goodwill	<b>–</b>	(13)	
<b>Headline (loss)/earnings</b>	<b>(460)</b>	559	



## RESULTS 2016

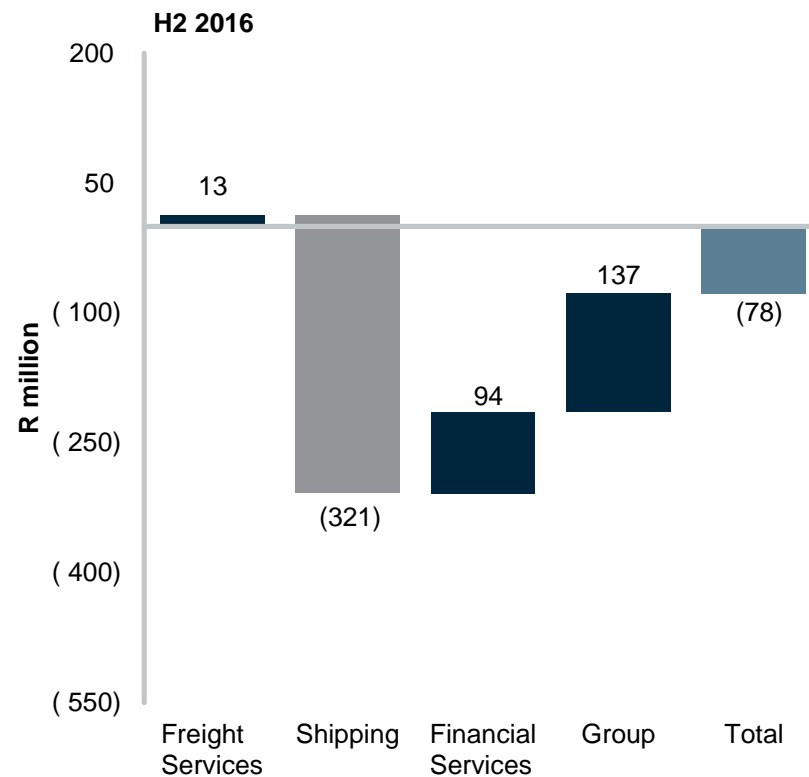
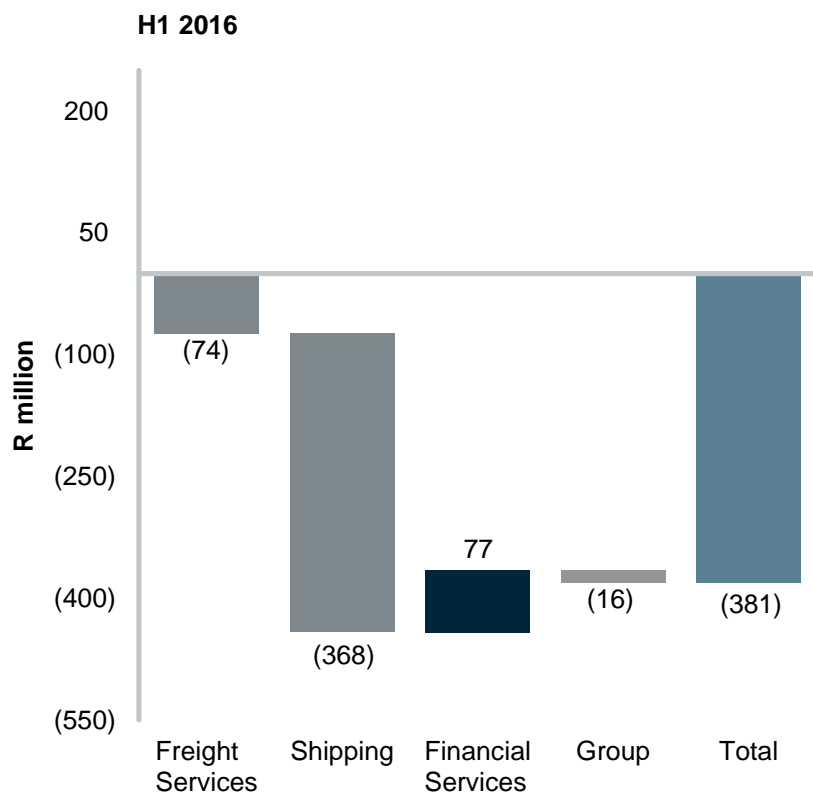
### HEADLINE EARNINGS BY DIVISION





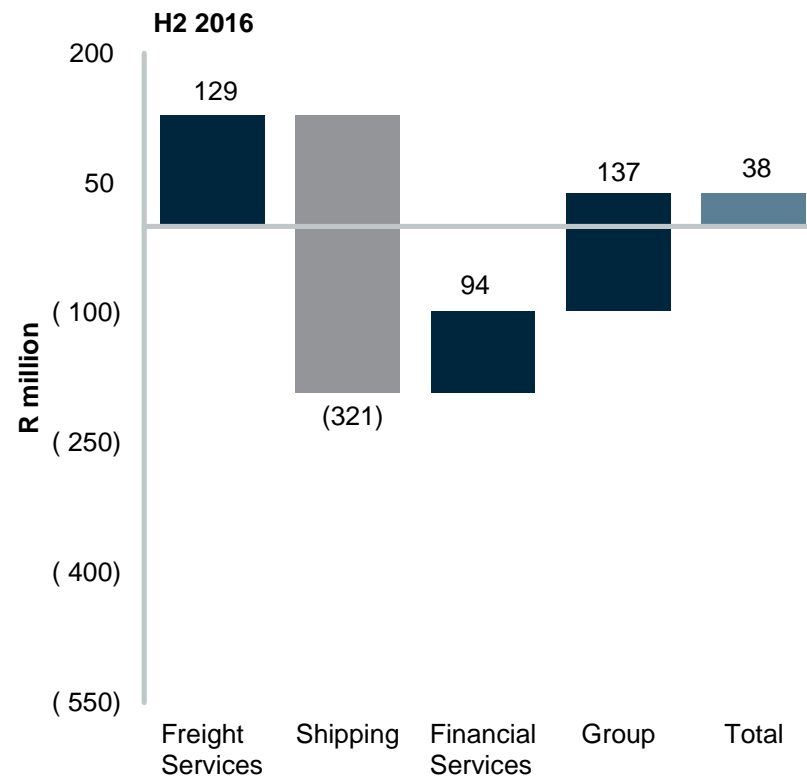
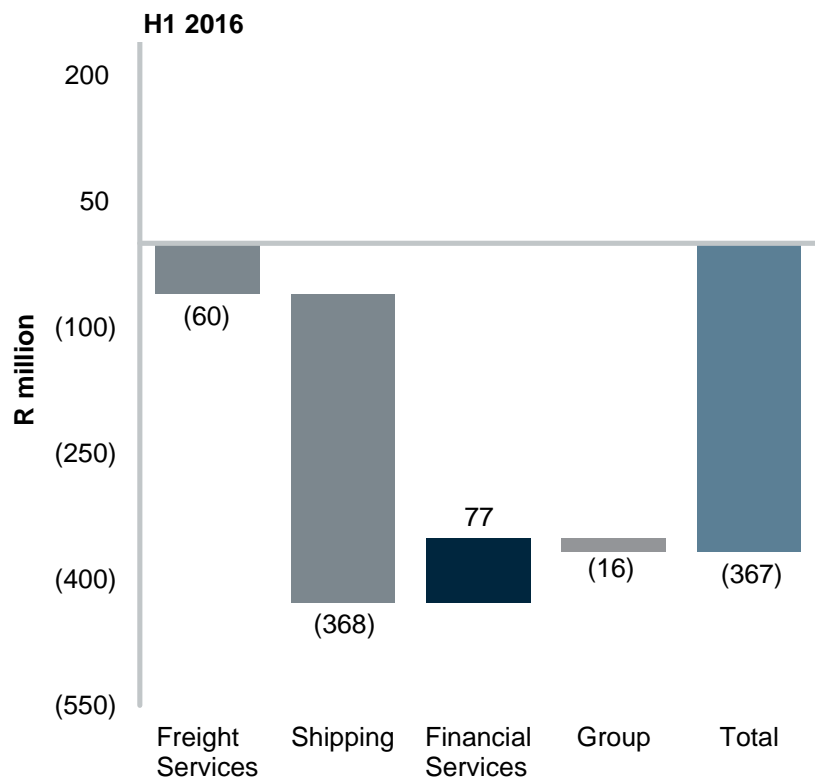
## RESULTS 2016

### HEADLINE EARNINGS BY DIVISION



## RESULTS 2016

## HEADLINE EARNINGS BY DIVISION EXCLUDING RAIL BUSINESS HELD FOR SALE



## RESULTS 2016

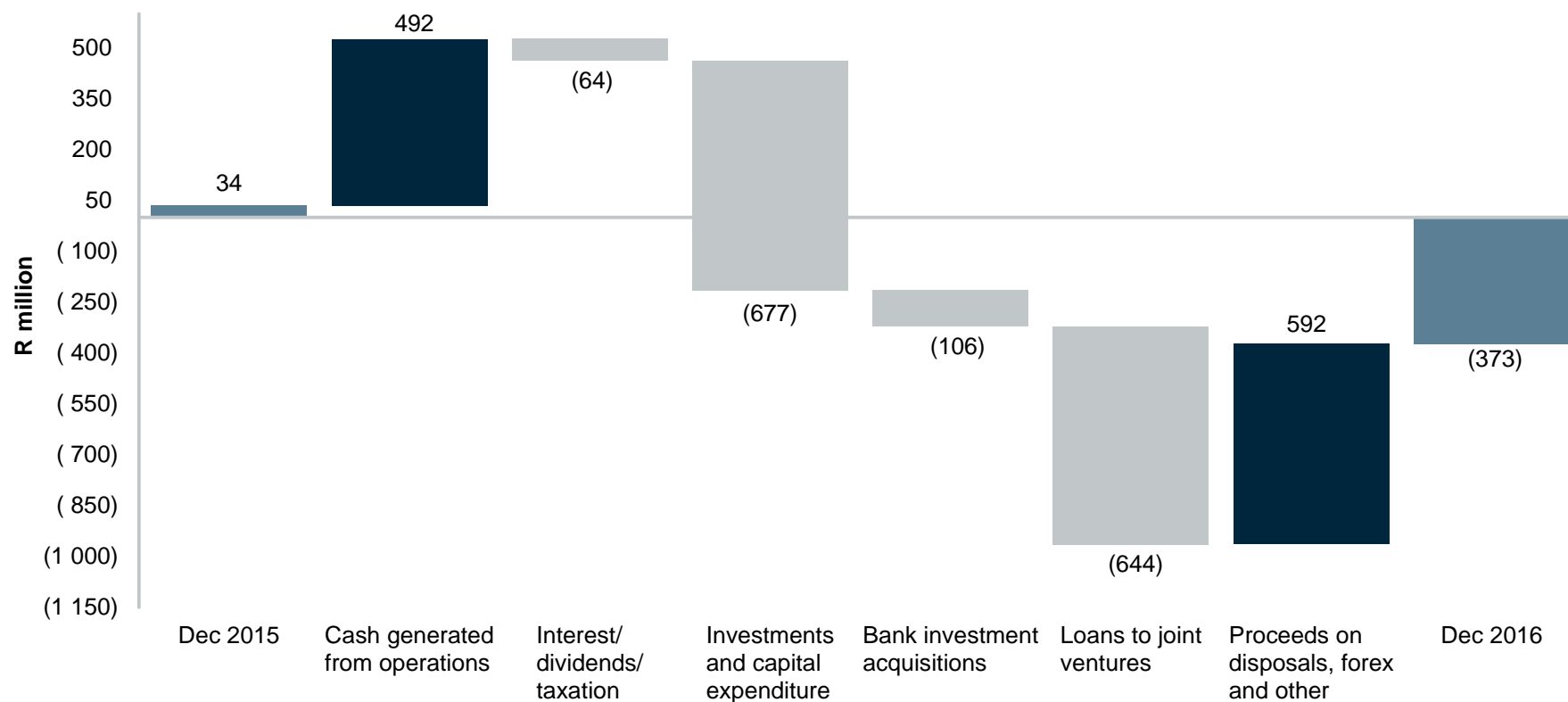
## MANAGEMENT BALANCE SHEET

R million	2016	2015	Comments
Property, plant and equipment			
Freight Services	2 709	4 118	Transfer to non-current assets held for sale
Shipping	6 557	7 943	Ships delivered offset by lower exchange rate and impairment of ships marked for sale
Financial Services	203	184	
Group	64	73	Exchange rate
Intangible assets	1 560	2 173	Rail impairment
Investments in associates	1 483	1 763	Impairments and exchange rate
Other assets	7 742	6 696	Bank advances
Non-current assets held for sale	1 617	326	Rail business
Current assets	17 125	17 253	Transfer to non-current assets held for sale offset by increase in cash due to timing of SASSA cut-off
<b>Total assets</b>	<b>39 060</b>	<b>40 529</b>	
Shareholders' equity	15 816	19 149	Loss and foreign exchange translation
Interest-bearing borrowings	5 060	6 691	Repayment of ship loans and currency
Deposits from bank customers	13 610	9 932	SASSA timing and increased deposits
Non-current liabilities held for sale	1 285	134	Rail business
Other liabilities	3 289	4 623	Transfer to non-current liabilities held for sale
<b>Total equity and liabilities</b>	<b>39 060</b>	<b>40 529</b>	
Closing rate of exchange      ZAR/US\$	13.69	15.60	



# RESULTS 2016

## NET DEBT ANALYSIS



## RESULTS 2016

## CAPITAL COMMITMENTS AND EXPENDITURE

R million	Capital expenditure	Capital commitments				Split as follows	
	2016	2017	2018	2019+	Total	Approved not contracted	Approved and contracted
<b>Freight Services</b>	<b>350</b>	<b>617</b>	<b>30</b>	<b>6</b>	<b>653</b>	<b>359</b>	<b>294</b>
Port and Terminals	120	178	6	–	184	54	130
Rail	53	73	–	–	73	36	37
Carrier Logistics	56	107	24	6	137	130	7
Integrated Logistics	115	259	–	–	259	139	120
Agricultural Logistics	6	–	–	–	–	–	–
<b>Shipping</b>	<b>770</b>	<b>68</b>	<b>–</b>	<b>–</b>	<b>68</b>	<b>–</b>	<b>68</b>
Dry-bulk	357	68	–	–	68	–	68
Tankers	413	–	–	–	–	–	–
<b>Financial Services</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Group</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>1 128</b>	<b>685</b>	<b>30</b>	<b>6</b>	<b>721</b>	<b>359</b>	<b>362</b>
<b>Split as follows:</b>							
Subsidiaries	<b>677</b>	388	24	6	<b>418</b>	287	131
Joint ventures	<b>451</b>	297	6	–	<b>303</b>	72	231



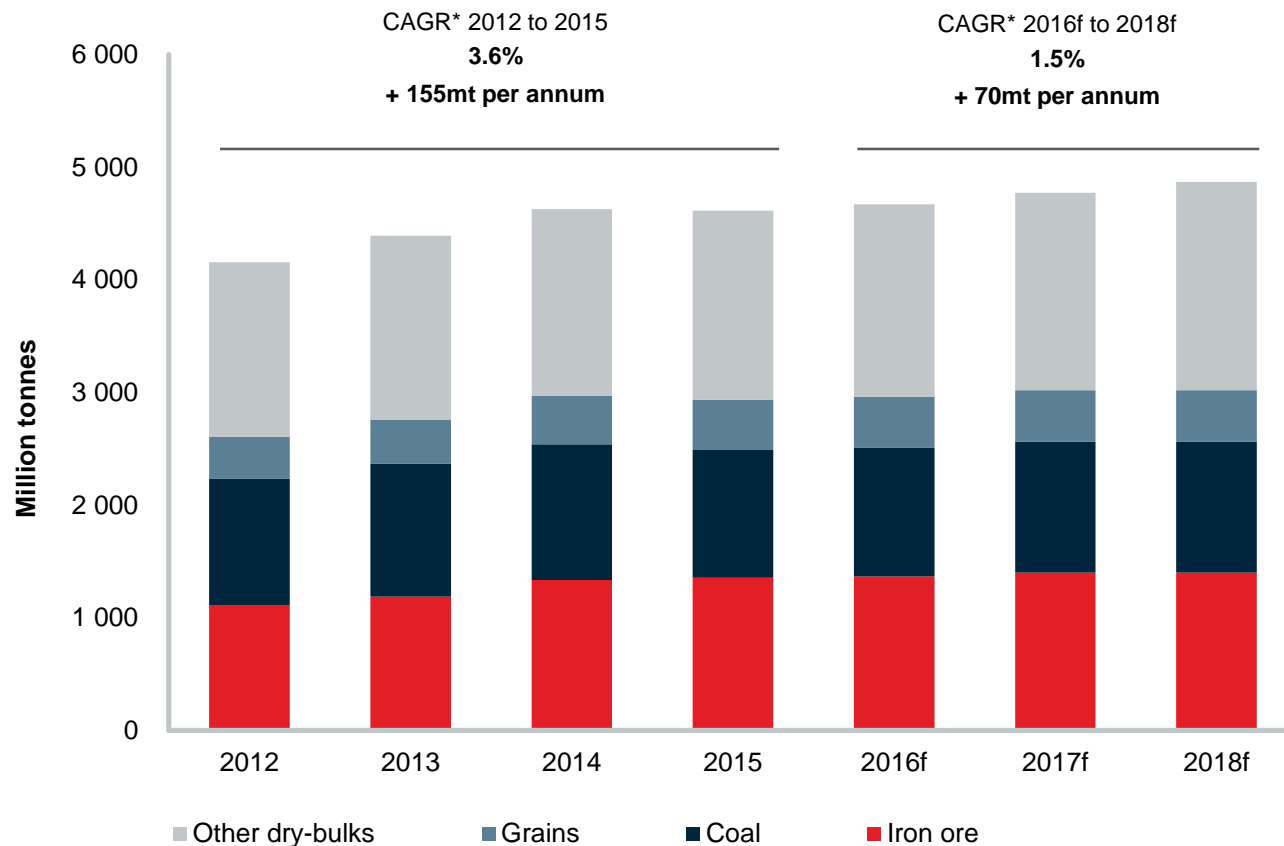
# FINANCIAL MARKETS



## FINANCIAL MARKETS

### DRY-BULK SEABORNE TRADE

#### GLOBAL SEABORNE TRADE GROWTH



f = forecast CAGR – compound annual growth rate

\* Compound annual growth rate

Source: Thomson Reuters, Hartland Shipping Services Limited, February 2017

Global seaborne trade expanded rapidly from 2012 to 2015, adding over 155 million tonnes of new cargo every year on average.

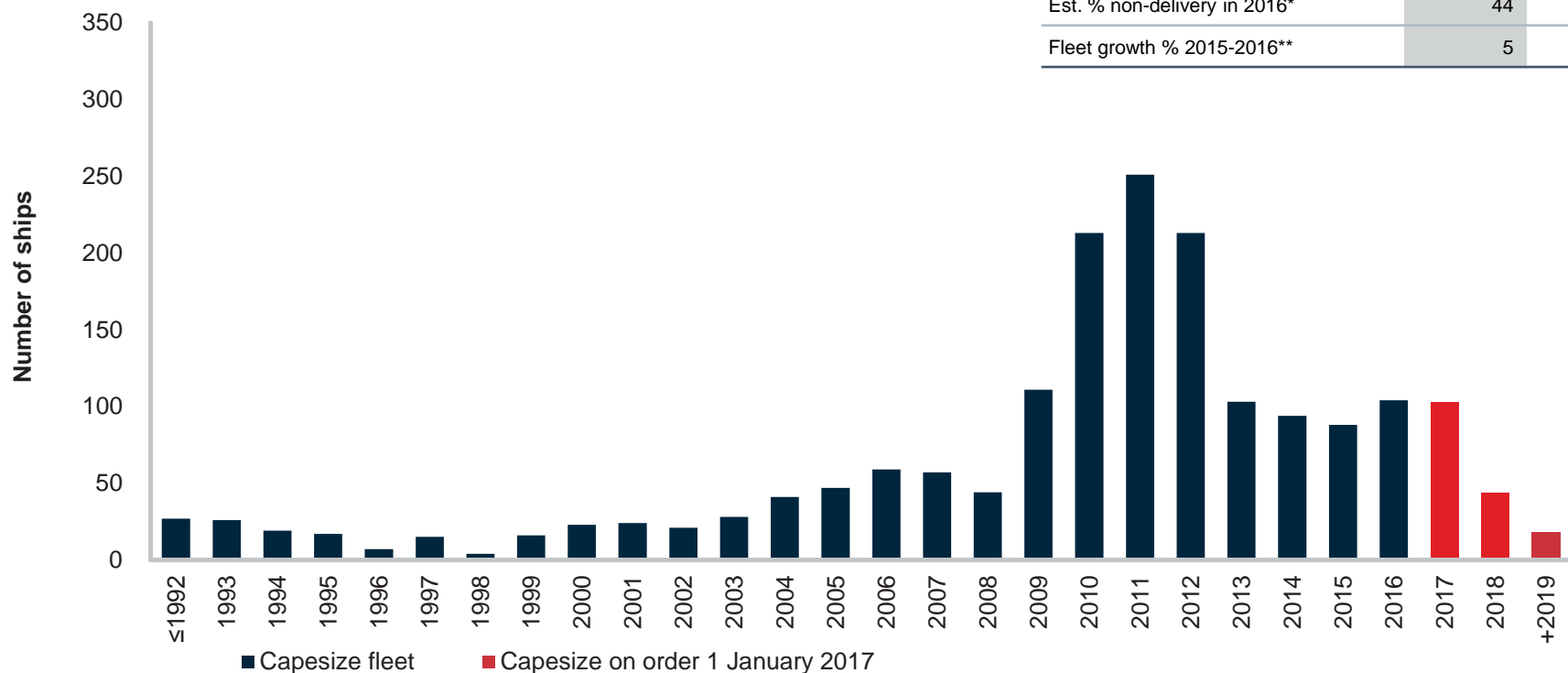
Over the next few years growth will be slower at around 70 million tonnes of new cargo on average per year.

The pace of growth will pick up gradually from 2016 onwards.



## FINANCIAL MARKETS SHIPPING

### CAPE SIZE BULK CARRIERS (100 000+ dwt tonnes)



\* Non-deliveries are estimates based on vessels that were expected deliveries, but due to delays, cancellations, renegotiations of contracts and new market information, have not yet entered the fleet.

\*\* Fleet growth is from 1 January 2015 until 1 January 2017

Source: Clarksons Research Services, January 2017

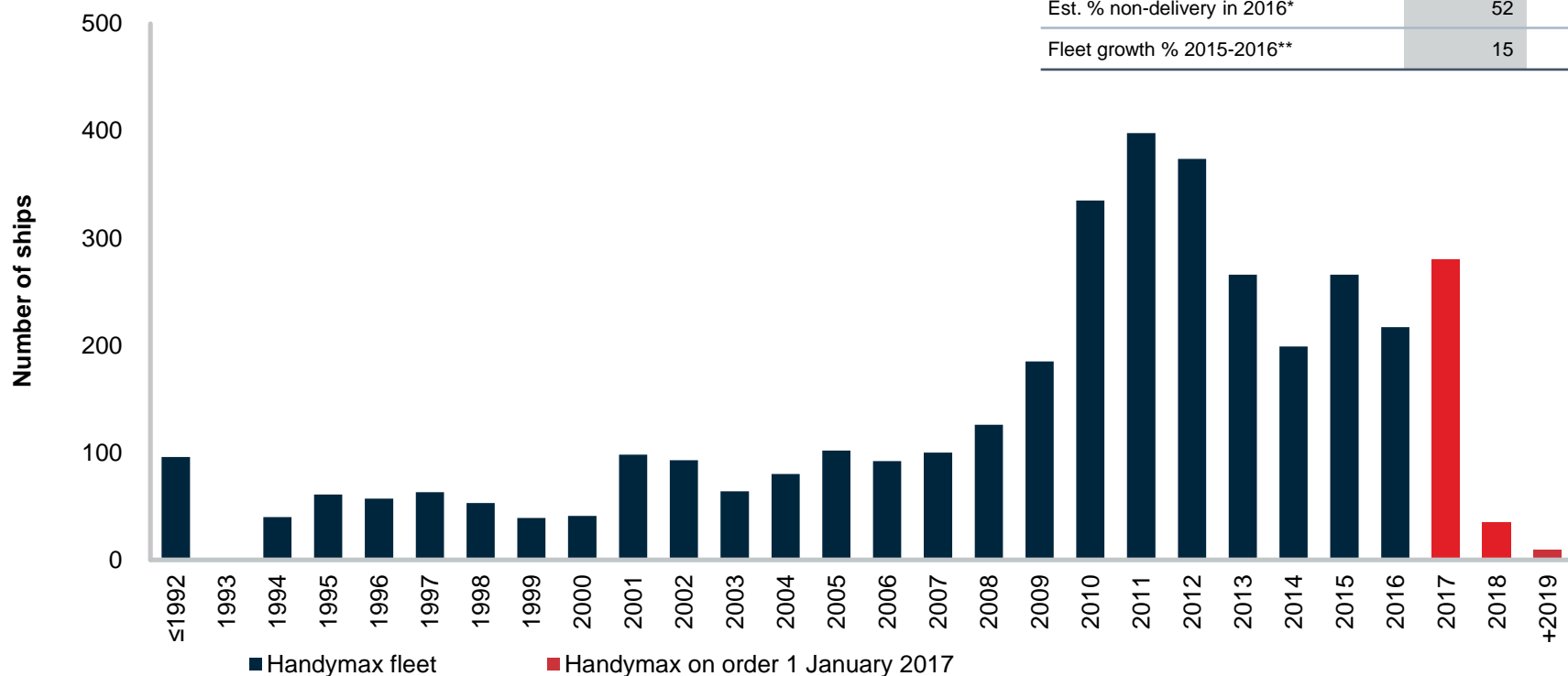
	No of ships	Mdwt
Fleet (1 Jan 2017)	1 652	315.1
Total order book (1 Jan 2017)	165	40.5
Order book % of fleet	10	13
% of fleet over 25 years	2	2
Est. % non-delivery in 2016*	44	45
Fleet growth % 2015-2016**	5	7





## FINANCIAL MARKETS SHIPPING

### HANDYMAX BULK CARRIERS (40 – 64 999 dwt tonnes)



\* Non-deliveries are estimates based on vessels that were expected deliveries, but due to delays, cancellations, renegotiations of contracts and new market information, have not yet entered the fleet.

\*\* Fleet growth is from 1 January 2015 until 1 January 2017

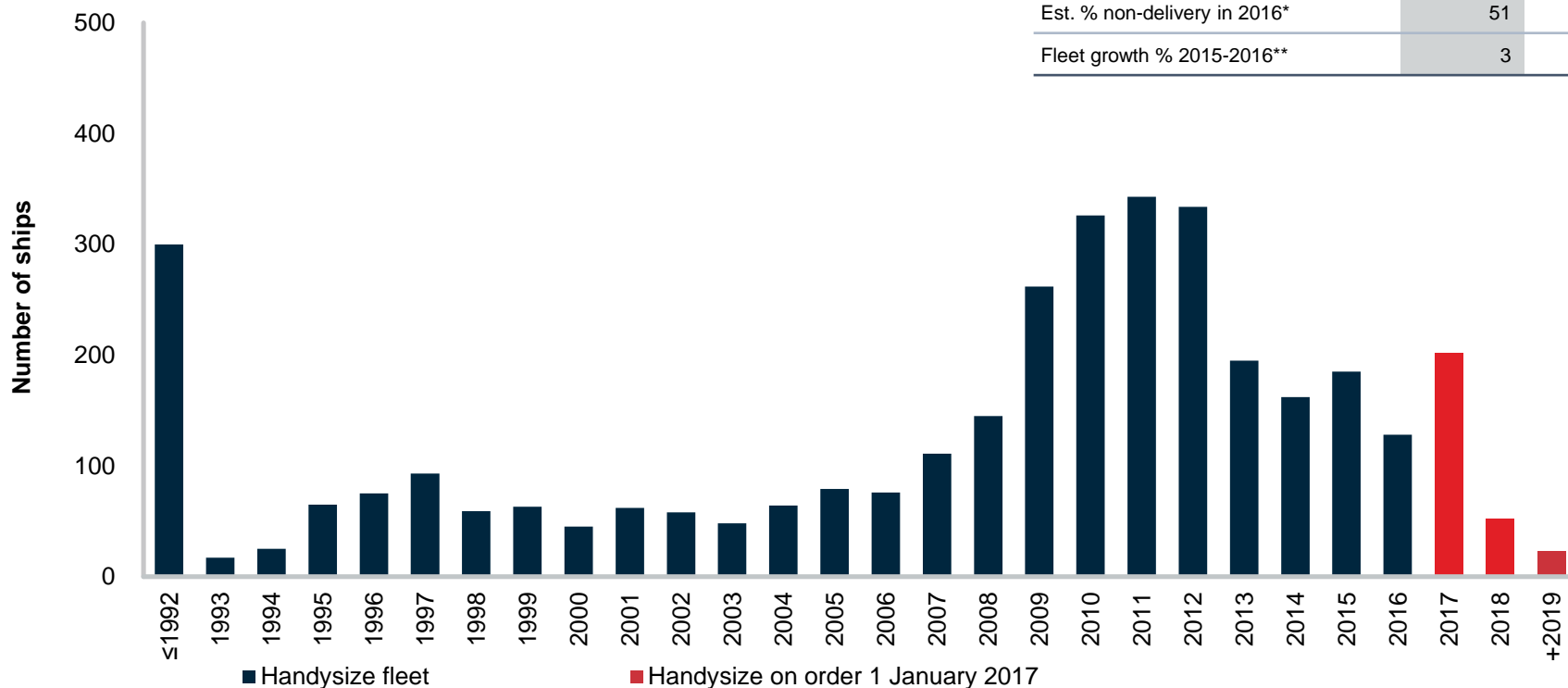
Source: Clarksons Research Services, January 2017

	No of ships	Mdwt
Fleet (1 Jan 2017)	3 446	188.5
Total order book (1 Jan 2017)	324	19.6
Order book % of fleet	9	10
% of fleet over 25 years	3	2
Est. % non-delivery in 2016*	52	52
Fleet growth % 2015-2016**	15	19



## FINANCIAL MARKETS SHIPPING

### HANDYSIZE BULK CARRIERS (10 – 39 999 dwt tonnes)



\* Non-deliveries are estimates based on vessels that were expected deliveries, but due to delays, cancellations, renegotiations of contracts and new market information, have not yet entered the fleet.

\*\* Fleet growth is from 1 January 2015 until 1 January 2017

Source: Clarksons Research Services, January 2017

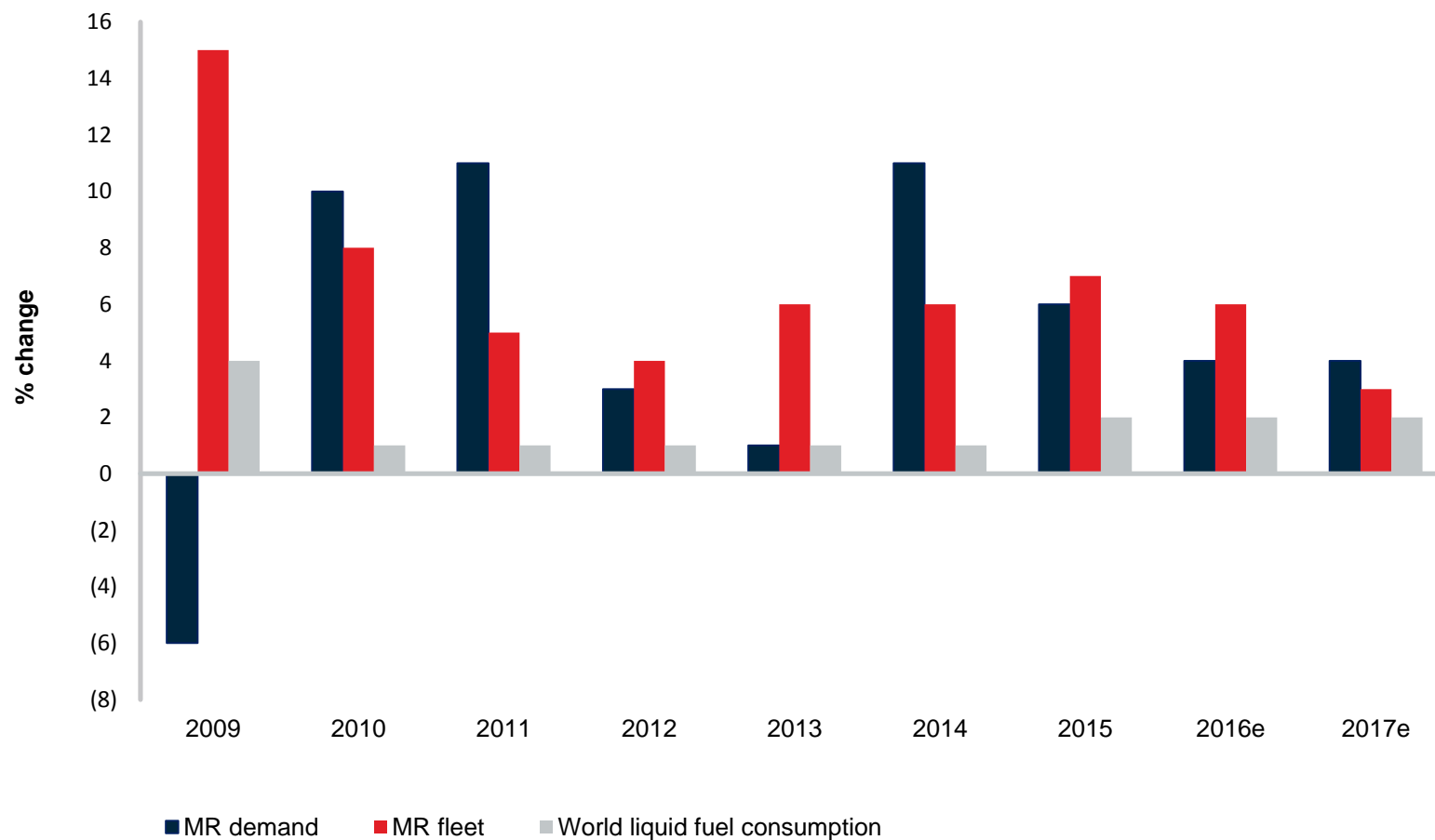
	No of ships	Mdwt
Fleet (1 Jan 2017)	3 320	94.0
Total order book (1 Jan 2017)	277	9.9
Order book % of fleet	8	11
% of fleet over 25 years	9	7
Est. % non-delivery in 2016*	51	49
Fleet growth % 2015-2016**	3	5



## FINANCIAL MARKETS

### SHIPPING

#### PRODUCT TANKER DEMAND



e = estimate

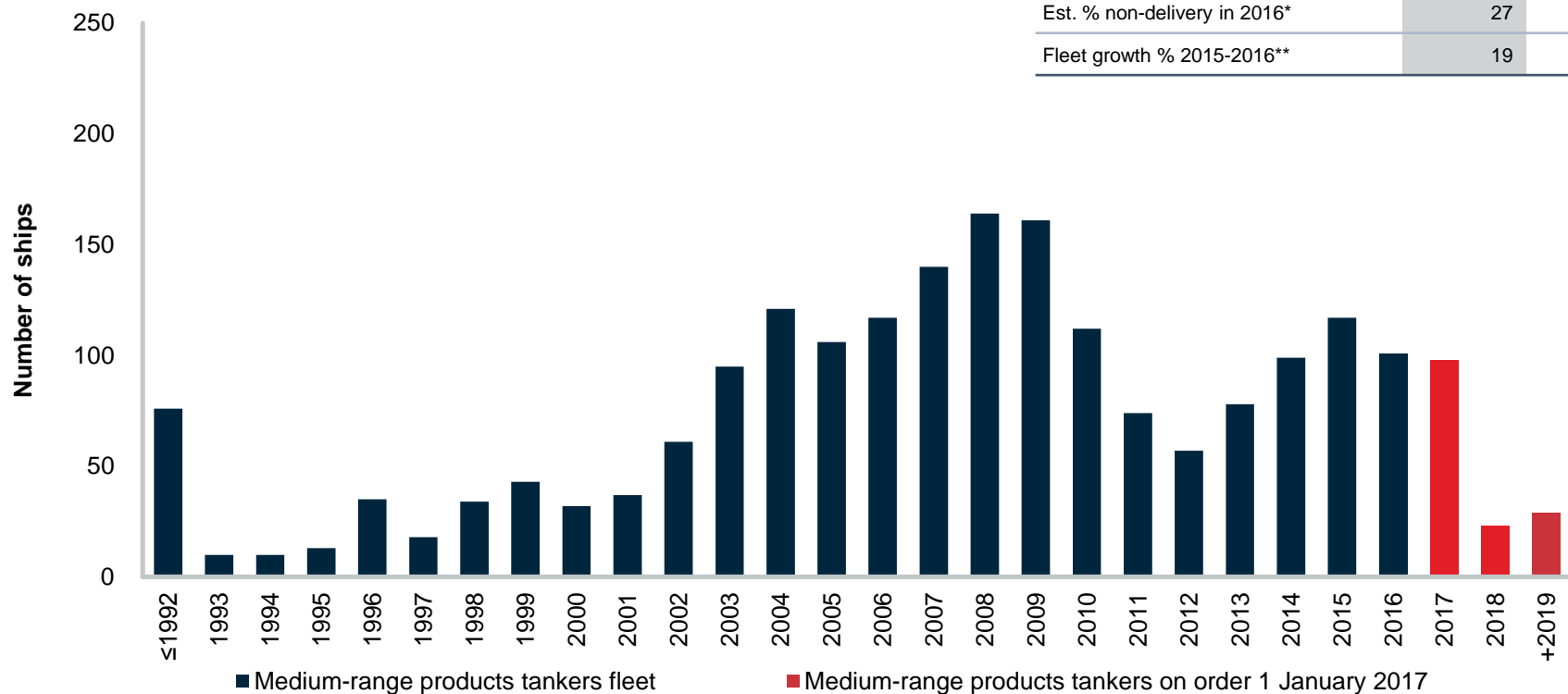
Source: Affinity (Shipping) Limited, January 2017



## FINANCIAL MARKETS

### SHIPPING

#### MEDIUM-RANGE PRODUCTS TANKERS (25 – 54 999 dwt tonnes)



\* Non-deliveries are estimates based on vessels that were expected deliveries, but due to delays, cancellations, renegotiations of contracts and new market information, have not yet entered the fleet.

\*\* Fleet growth is from 1 January 2015 until 1 January 2017

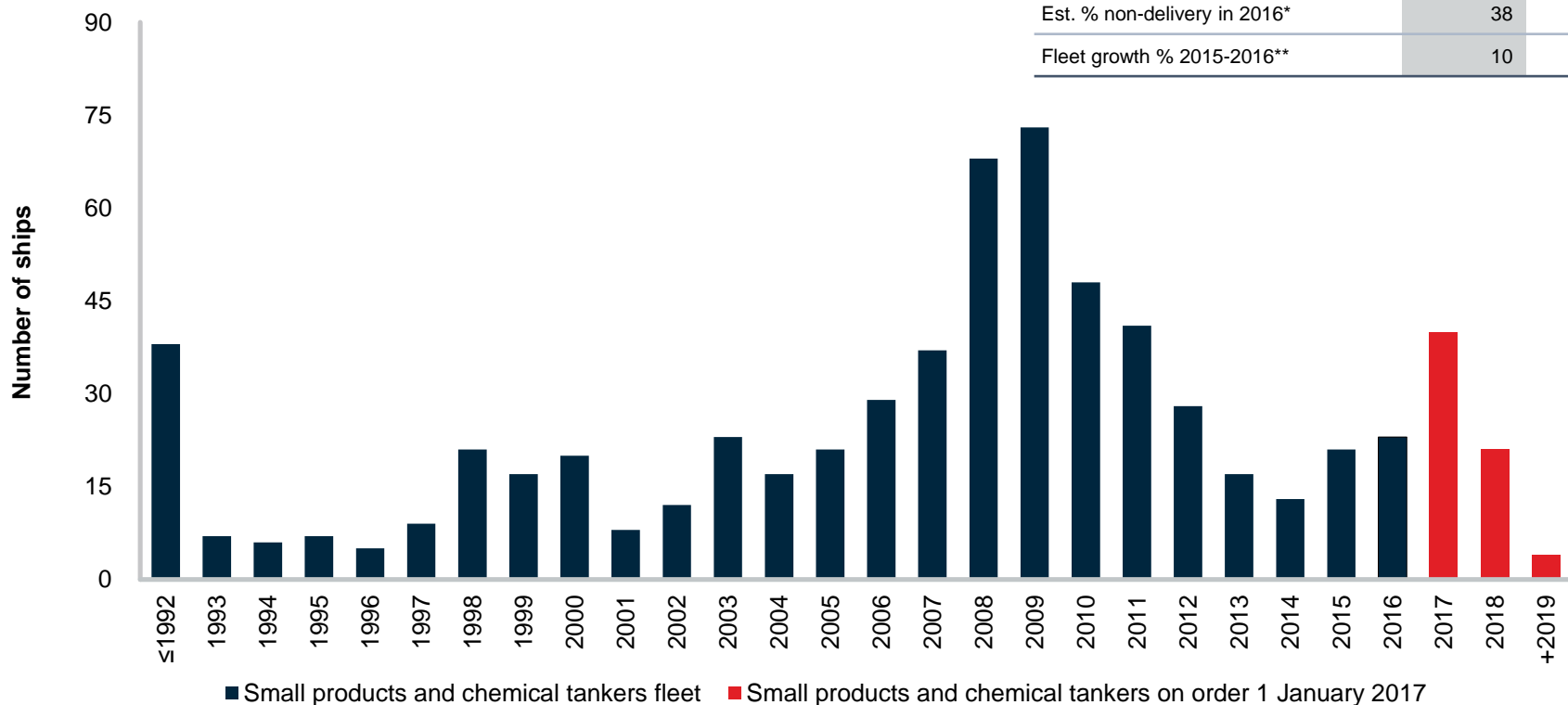
Source: Clarksons Research Services, January 2017

	No of ships	Mdwt
Fleet (1 Jan 2017)	1 911	86.0
Total order book (1 Jan 2017)	150	7.1
Order book % of fleet	8	8
% of fleet over 25 years	4	3
Est. % non-delivery in 2016*	27	25
Fleet growth % 2015-2016**	19	21



## FINANCIAL MARKETS SHIPPING

### SMALL PRODUCTS AND CHEMICAL TANKERS (15 – 19 999 dwt tonnes)



\* Non-deliveries are estimates based on vessels that were expected deliveries, but due to delays, cancellations, renegotiations of contracts and new market information, have not yet entered the fleet.

\*\* Fleet growth is from 1 January 2015 until 1 January 2017

Source: Clarksons Research Services, January 2017

	No of ships	Mdwt
Fleet (1 Jan 2017)	609	11.0
Total order book (1 Jan 2017)	65	1.2
Order book % of fleet	11	11
% of fleet over 25 years	6	6
Est. % non-delivery in 2016*	38	36
Fleet growth % 2015-2016**	10	10



# OPERATIONAL OVERVIEW

## **FREIGHT SERVICES**



## FREIGHT SERVICES – PORT AND TERMINALS

### OPERATIONAL HIGHLIGHTS

- Maputo Port channel dredge from 11 to 14.2 metres complete. MV Mineral Belgium loaded 90 000 tonnes of chrome ore in December 2016
- Matola Terminal berth deepening completed and quay offset to be completed by August 2017
- Matola Terminal coal and magnetite contracts concluded
- Improved capacity utilisation at Matola Terminal in H2 at annualised tempo of 5.4 million tonnes, 74% capacity utilisation
- Maputo Car Terminal train trials with BMW successfully completed
- Maputo Grain Terminal commenced operations
- Integrated tariff for coal customers through Richards Bay agreed with Transnet, with coal customer contracts concluded



## FREIGHT SERVICES – RAIL OPERATIONAL HIGHLIGHTS

- No material new contracts concluded in the Rail Assembly businesses
- Exit of locomotives assembly, rail signalling technology and construction in progress
- Further impairment of R644 million in Rail businesses in the second half impacted results
- Rail Leasing businesses maintained good earnings





## FREIGHT SERVICES – LOGISTICS

### OPERATIONAL HIGHLIGHTS

- Carrier Logistics
  - Auto business impacted by low volumes
  - Fuel business restructure complete, exited unprofitable fuel business in Mozambique
- Ships agency and clearing and forwarding businesses held up well despite the lower volumes
- Intermodal container business turnaround complete but further integration with Carrier Logistics in progress
- Agri-business earnings impacted by lower yields due to the drought



## FREIGHT SERVICES STRATEGY AND OUTLOOK

### STRATEGY

- Ports: Expand Maputo port and align rail services
- Terminals: Complete TCM berth offset project
- Terminals: Expand capacity to 4.5mtpa at RBTG when customer and rail resources are aligned
- Rail: exit Rail Assembly business
- Grow Carrier Logistics using the good base, integrate with Intermodal business
- Further develop presence in Nacala
- Diversification of revenue streams

### OUTLOOK

- Maputo port volumes increasing on back of dredge and improved commodity markets
- Terminal volume improvement with rising demand across most commodities
- Restructured Logistics businesses are now positioned to grow
- Agri sector recovery following excellent rains



# OPERATIONAL OVERVIEW **SHIPPING**



## SHIPPING

### OPERATIONAL HIGHLIGHTS

- Rates in the tanker sector were high in H1 2016 but reduced substantially during the second half
- Rates in the dry-bulk sector recovered from their historic lowest levels Q1 2016
- 11 handysize and four supramax third-party owned vessels now commercially managed by IVS
- Reduced profitability in the Ship-operating businesses
- Renewal programme completed and sales of old vessels commenced
  - Delivery of five next generation eco fuel-efficient bulk carriers and one MR tanker
  - Redelivery of a handysize bulk carrier
  - MR tanker redelivered in January 2017
  - Supramax bulk carrier delivered in January 2017
  - One 13-year-old tanker sold in H2 2016 and another marked for sale
  - One 15-year-old handysize bulk carrier marked for sale



## SHIPPING STRATEGY AND OUTLOOK

### STRATEGY

- Low-cost owner operator
- Retain the sector and size focus in which IVS and Unicorn have expertise
- Further expand fleet under commercial management

### OUTLOOK

- Dry-bulk fleet continues to move toward a balanced position leading to improvement in rates
- Tankers will experience high first half 2017 deliveries
- Ship-operating result expected to remain at profitable levels despite margin pressure





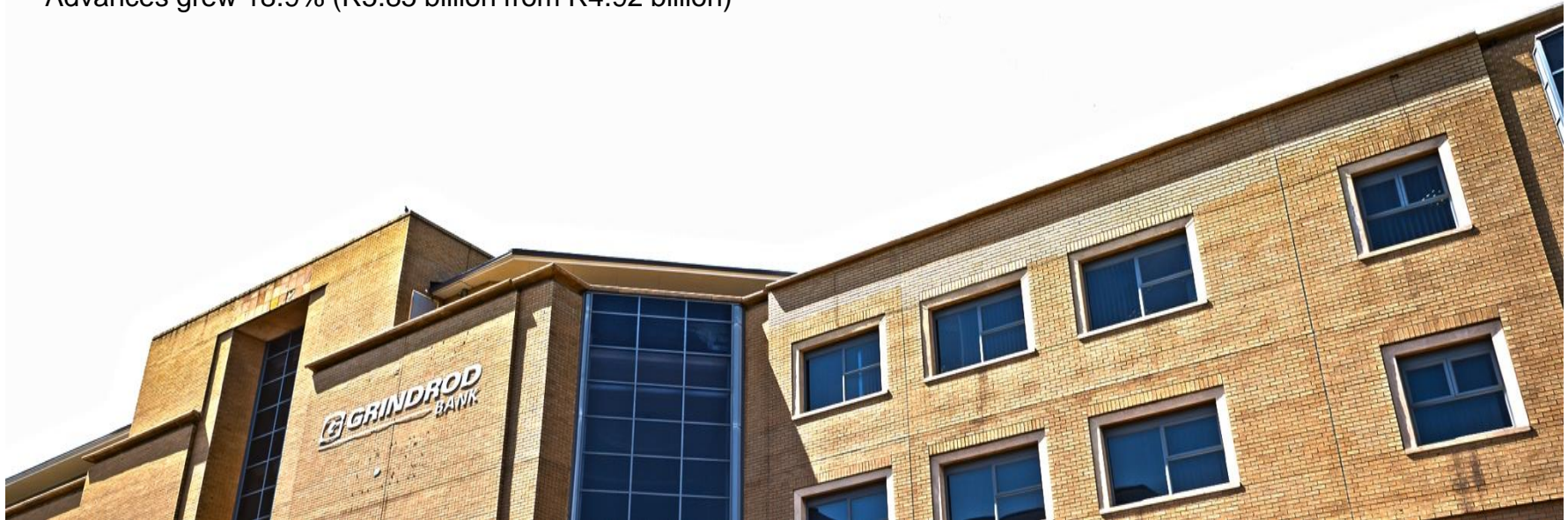
# OPERATIONAL OVERVIEW

## **FINANCIAL SERVICES**



## FINANCIAL SERVICES OPERATIONAL HIGHLIGHTS

- Above target earnings in both the Bank and Asset Management
- Private equity investment continues to increase
- Retail SASSA
  - Grant payments continue to be efficiently managed
  - Over 1 000 ATMs deployed
- Assets under management increased to R17.37 billion (2015: R15.5 billion)
- Core deposits grew 23.2% (R6.9 billion from R5.6 billion)
- Advances grew 18.9% (R5.85 billion from R4.92 billion)



## FINANCIAL SERVICES STRATEGY AND OUTLOOK

### STRATEGY

- Drive focused business growth
- Pursue growth in assets under management through Coreshares and Bridge Asset Management
- Secure appropriate investment banking opportunities
- Focus on well-secured loans with low-risk of default
- Expand Retail offering
- Expand the UK Property portfolio

### OUTLOOK

- Steady growth expected
- Volatile stock market could impact asset management fees
- Cost of funding impacted by country rating
- SASSA contract status will be important





# CAPITAL PROJECTS UPDATE



## CAPITAL PROJECTS UPDATE

- Ngqura liquid-bulk terminal – BOOT agreement signed with Transnet in December 2016
- Maputo Port channel dredging completed in January 2017
- Matola Bulk Terminal berth deepening and quay offset project started in July 2016 - Completion expected by August 2017
- Nacala Intermodal facility acquired for developing a new Integrated Logistics project



# GROUP STRATEGY AND OUTLOOK



## GROUP STRATEGY AND OUTLOOK

### STRATEGY

- To grow the business organically, by acquisition and seeking synergies within the group, with specific focus on Africa, to further our integrated freight and logistics services
- Further diversify our footprint and product offering

### OUTLOOK

- Demand for commodities globally is a key driver of the Grindrod business model
- Improving dry-bulk shipping rates will have a material impact on Grindrod's profitability
- Well positioned to take advantage of an improvement in the global economy
- Capital projects to be developed in line with demand



# ANNEXURES



## ANNEXURES

## TERMINAL CAPACITY – UTILISATION AS AT 31 DECEMBER 2016

Terminals	H1 2016	H2 2016	Change %	Total 2016	Total 2015	Change %	Annual capacity 2016
<b>Dry bulk (tonnes)</b>	<b>3 091 470</b>	<b>5 255 137</b>	<b>70</b>	<b>8 346 607</b>	<b>7 349 946</b>	<b>14</b>	<b>15 150 000</b>
Matola Coal Terminal <sup>1</sup>	1 091 143	2 694 775	147	<b>3 785 918</b>	3 517 263	8	<b>7 300 000</b>
Richards Bay <sup>1</sup>	1 773 349	2 156 264	22	<b>3 929 613</b>	2 626 135	50	<b>6 100 000</b>
Walvis Bay (Namibia)	133 071	166 678	25	<b>299 749</b>	335 688	(11)	<b>550 000</b>
Maputo Terminal <sup>1,3</sup>	93 907	237 420	153	<b>331 327</b>	870 860	(62)	<b>1 200 000</b>
<b>Port of Maputo<sup>2</sup></b>	<b>5 925 857</b>	<b>8 992 630</b>	<b>52</b>	<b>14 918 487</b>	<b>15 606 623</b>	<b>(4)</b>	<b>N/A</b>
<b>Maputo car terminal (number of vehicles)</b>	<b>8 879</b>	<b>6 285</b>	<b>(29)</b>	<b>15 164</b>	<b>33 436</b>	<b>(55)</b>	<b>120 000</b>

<sup>1</sup> Physical tonnage, excluding take or pay volumes

<sup>2</sup> Includes volumes of Matola Coal Terminal and Maputo Terminal

<sup>3</sup> Annual capacity is scalable to four million tonnes



## ANNEXURES

### SCRAPPING

dwt 000	Handysize bulker	Handymax bulker	Panamax bulker	Capesize bulker	Handy* products tanker	Handy* chemical tanker	Total	All other types	Total scrapping
2010	2 700	400	700	2 700	3 200	1 400	11 100	16 900	28 000
2011	5 300	2 200	5 200	10 500	1 400	700	25 300	17 400	42 700
2012	8 300	4 700	8 700	11 700	1 400	600	35 400	23 200	58 600
2013	6 700	3 500	5 000	8 100	1 500	200	25 000	22 000	47 000
2014	4 200	3 100	4 800	4 200	1 300	200	17 800	16 300	34 100
2015	5 200	3 100	6 800	15 400	1 300	200	32 000	6 900	38 900
2016	3 200	4 200	8 200	13 300	810	350	30 060	14 340	44 400

\* Handy tankers cover 10 000 – 60 000 dwt range

Source: Clarkson Research (Shipping Intelligence Weekly and Shipping Intelligence Network, 20 January 2017)

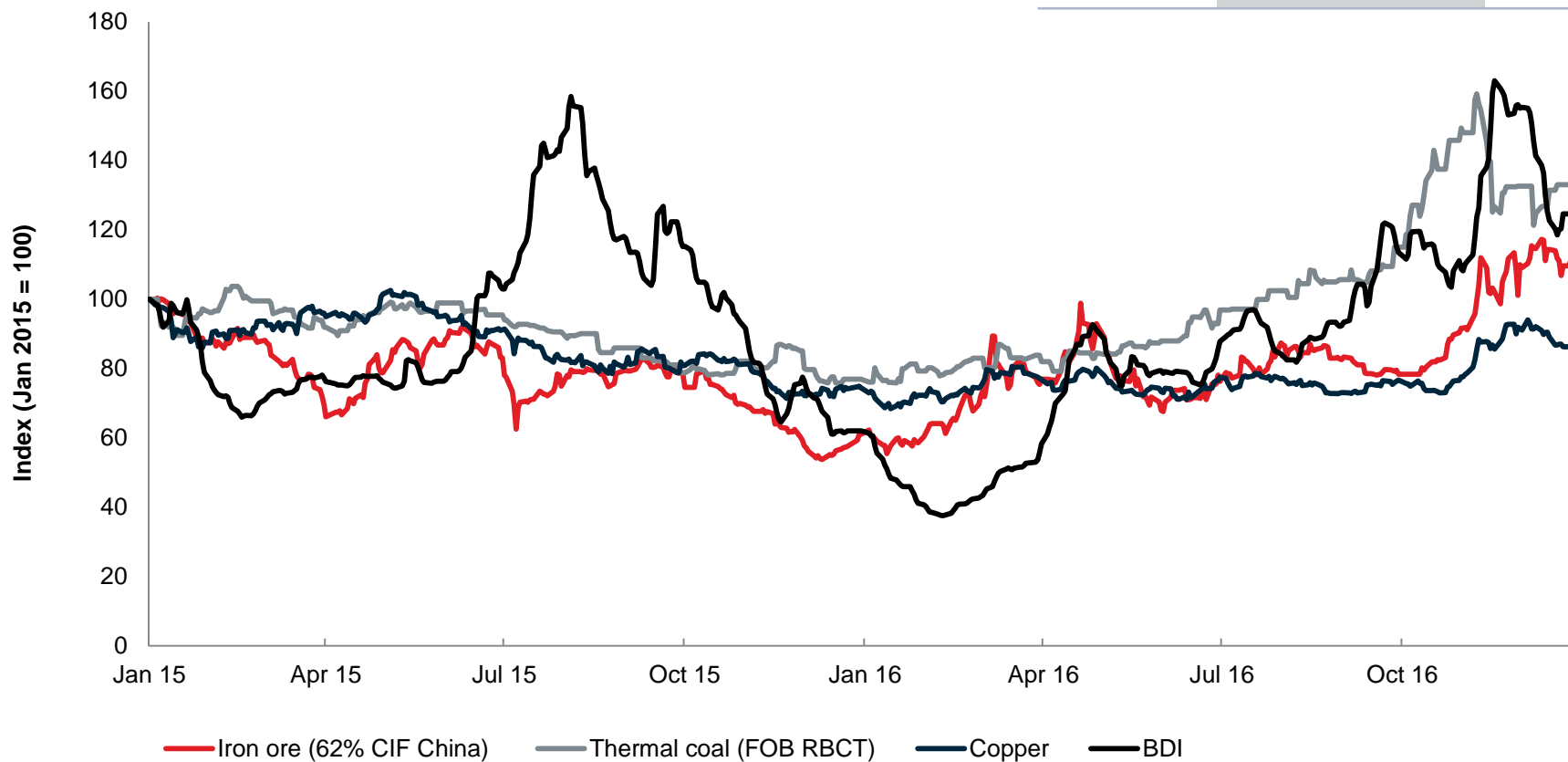


## ANNEXURES

## 2015/16 SHIPPING AND COMMODITY PRICE PERFORMANCE

Prices for the period January 2016 – December 2016

	Open	Close	%	
BDI Index	473	961	103	Increase
Iron ore	44	79	78	Increase
Thermal coal	48	84	75	Increase
Copper	209	251	20	Increase



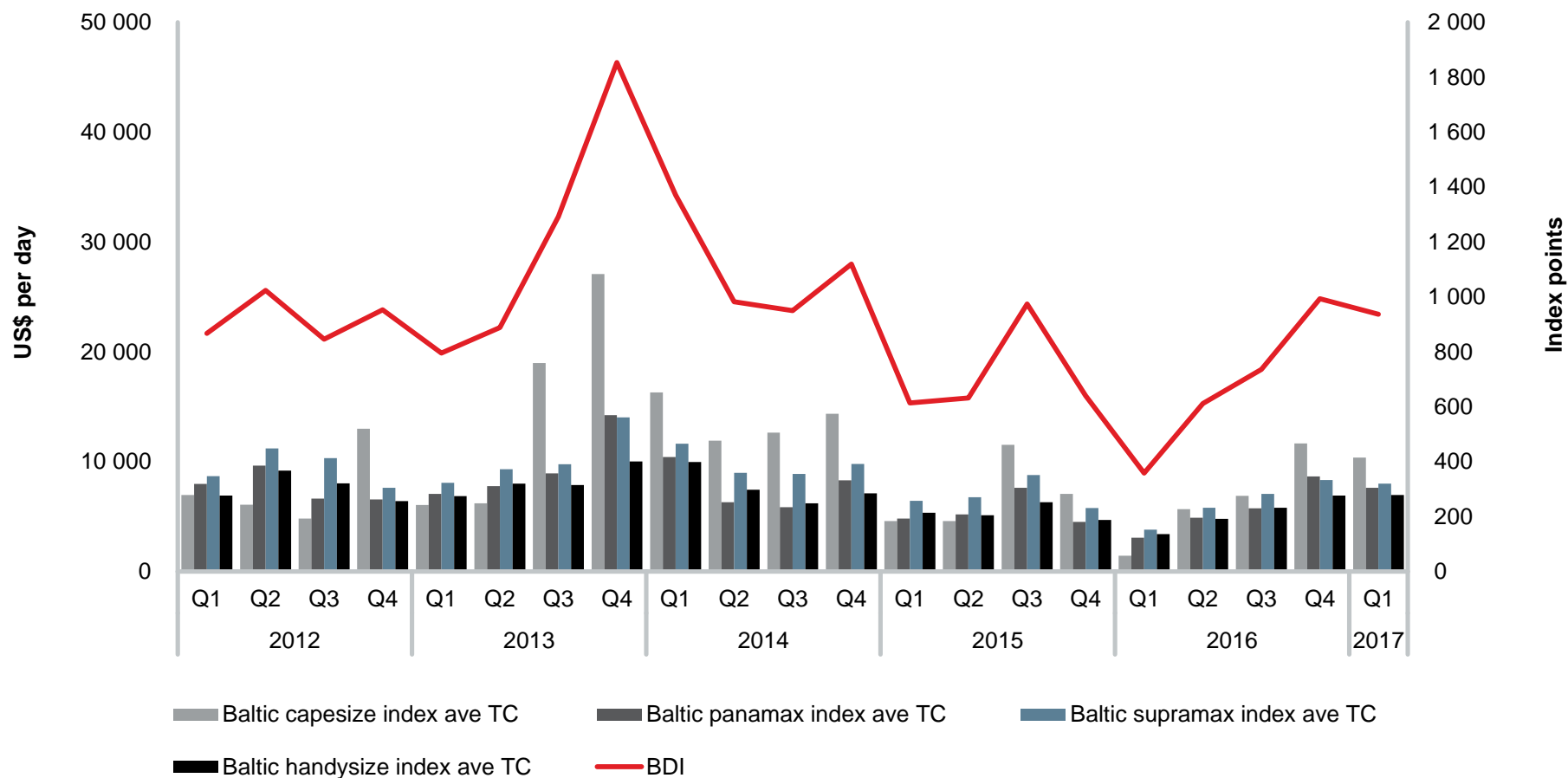
Source: Macquarie Securities Group, Macquarie Group Limited, January 2017





## ANNEXURES

### DRY-BULK DAILY SPOT RATES (BALTIC INDICES)



Source: Clarksons Research (Shipping Intelligence Network), copyright Baltic Exchange, 23 January 2017



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- (ii) the information in the databases of other maritime data-collection agencies may differ from the information in the information sources' databases;
- (iii) while the information sources have taken reasonable care in the compilation of the statistical and graphical information and believe it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors;
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GRINDROD LIMITED

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