



## **Grindrod Limited**

### **Audited results and dividend announcement**

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for the year ended 31 December 2018

# Strategy update

Group

Andrew Waller



# Business backdrop

Our activities are influenced by the following external factors:

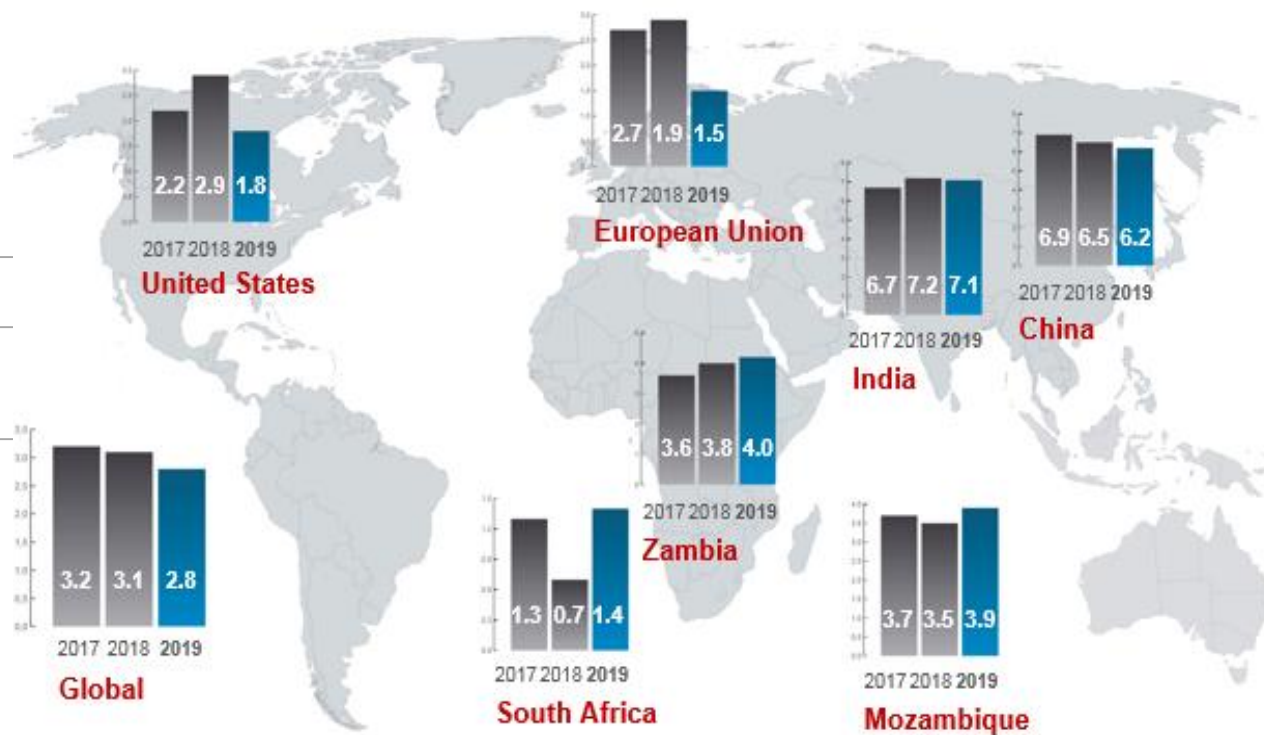
Global economic growth – 3.1%  
(2017: 3.2%)

Global trade war anxiety

Strong commodity prices but outlook volatile

Challenges in countries of operation:

- SA growth is low, politics and regulation uncertain
- Zimbabwe's economy depressed, currency shortages
- SA and Mozambique elections
- Mozambique unrest in the North



# Strategy update

## 2018 successes

### Group

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Completed Shipping spin-off

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Share buy-back

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Dividend resumed

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Strong financial position  
with net cash

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Targeted investment aligned  
to strategy

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### Freight Services

#### Scale

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Maputo Port berth rehabilitation  
and equipment investment

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Acquisition of Nova group container  
depots and marine engineering

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Umlaas Road auto carrier  
development

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Expanded warehouse and terminal  
footprint in Maydon Wharf precinct

#### Diversity

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Successful implementation of  
Nacala contract logistics project

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Groundbreaking at Ngqura liquid  
bulk terminal

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Increased chrome/ferro, graphite  
and copper cargoes as part of  
diversification plans

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### Financial Services

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Steady growth across all businesses

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Realised first phase of UK property  
portfolio

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Sale of Private Wealth division out of  
Bridge Fund Managers

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Completed the transfer of the SASSA  
payment responsibility

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# Financial highlights

Group

Andrew Waller

## Financial Highlights

Group

Revenue  
**^16%**  
R24 655.3 million  
(2017: R21 275.9 million)  
inclusive of joint ventures

Headline earnings  
**^26%**  
R716.6 million  
(2017: R570.8 million)

Headline earnings  
per share  
**95.3 cents**  
(2017: 76.0 cents)

EBITDA  
**25%**  
R1 177.7 million  
(2017: R94.1 million)  
inclusive of joint ventures

Earnings  
per share  
**106.9 cents**  
(2017: 86.0 cents)

# Financial highlights

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## Continuing operations – Freight and Financial Services

- Revenue inclusive of joint ventures up 16% to R24 655.3 million (2017: R21 275.9 million)
- EBITDA inclusive of joint ventures up 25% to R1 177.7 million (2017: R943.7 million)
- Headline earnings R716.6 million (2017: R570.8 million) - a 26% improvement on prior year
- Headline earnings per share 95.3 cents (2017: 76.0 cents)
- Earnings per share 106.9 cents (2017: 86.0 cents)

## Discontinued operations – Shipping and Rail Leasing

- Includes release of foreign currency translation gain of R2.8 billion following Shipping spin-off
- Includes impairment of R568.2 million for leasing business in Sierra Leone

## Performance from total operations

- Earnings per share 378.5 cents (2017: 77.6 cents loss per share)
- Net asset value per share 1 314 cents (2017: 1 790 cents, inclusive of the Shipping business)
- Net cash of R353.3 million (2017: R7.0 million net debt)
- Final ordinary dividend of 14.6 cents declared (2017: no final ordinary dividend declared)



# 2018 Final results

Group

Xolani Mbambo



# Income statement

## Management income statement

Rmillion	2018	2017	Var (%)	Comments
Revenue	24 655	21 276	16	Improved oil prices, graphite contracts logistics and receipt from Zimbabwe government
Trading profit	1 178	944	25	Graphite contracts logistics, receipt from Zimbabwe government and growth from Financial Services
Depreciation and amortisation	(323)	(300)	(8)	Infrastructure upgrade in Matola terminal and graphite contracts logistics investment
Non-trading items	73	113	(35)	Disposal of Southgate property and other investments
Net interest income	79	102	(23)	Increased prime rate, loan repayments
Share of earnings from associates	186	99	88	Volumes at Maputo Port, strong performance from Agri
<b>Earnings before tax</b>	<b>1 193</b>	958	25	
Taxation	(285)	(236)	(21)	In line with increased earnings
NCSI	(39)	(8)	(388)	Equity-accounted Rail corridor now consolidated
Preference dividends	(66)	(68)	3	
<b>Earnings attributable to ordinary shareholders</b>	<b>803</b>	646	24	
Average rate of exchange (ZAR/US\$)	13.23	13.36	(1)	

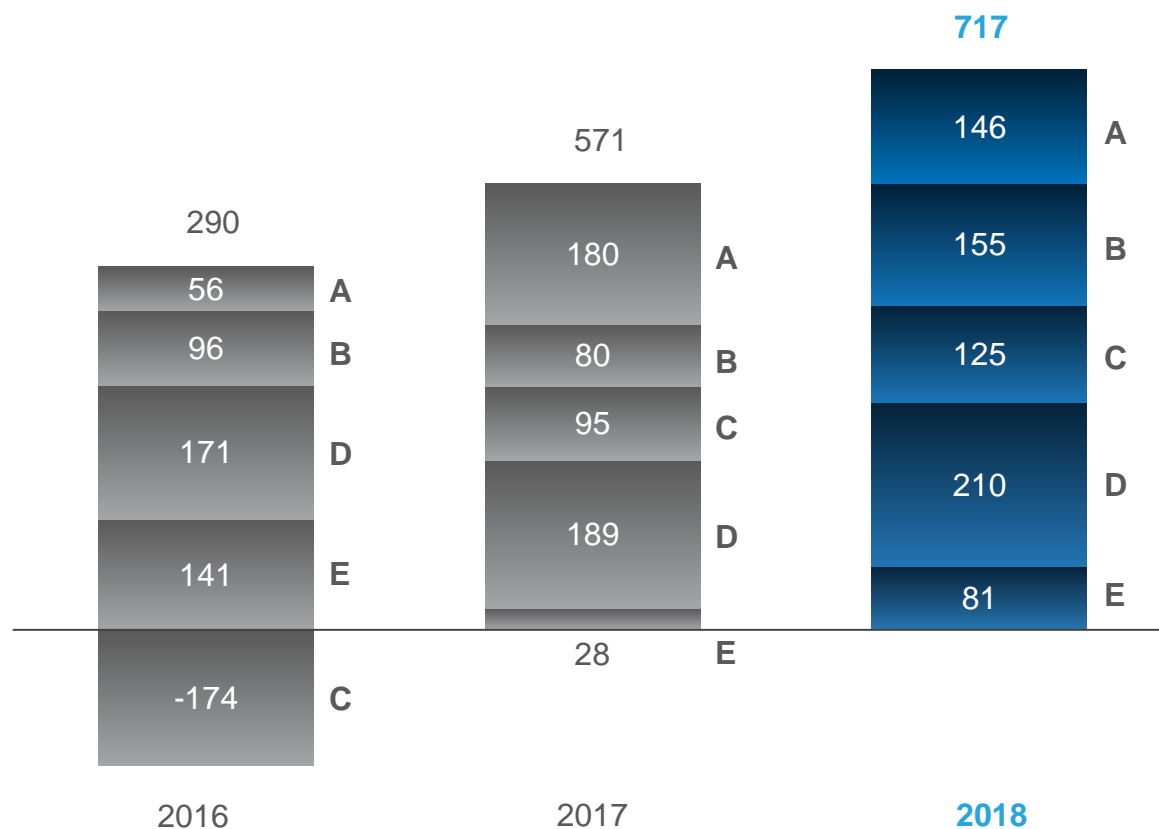




# Profitability

Headline earnings recovery from 2016 lows

R'million



2018

<sup>^</sup>57% CAGR

A Port and Terminals

B Logistics

C Marine Fuel and Agricultural Logistics

D Financial Services

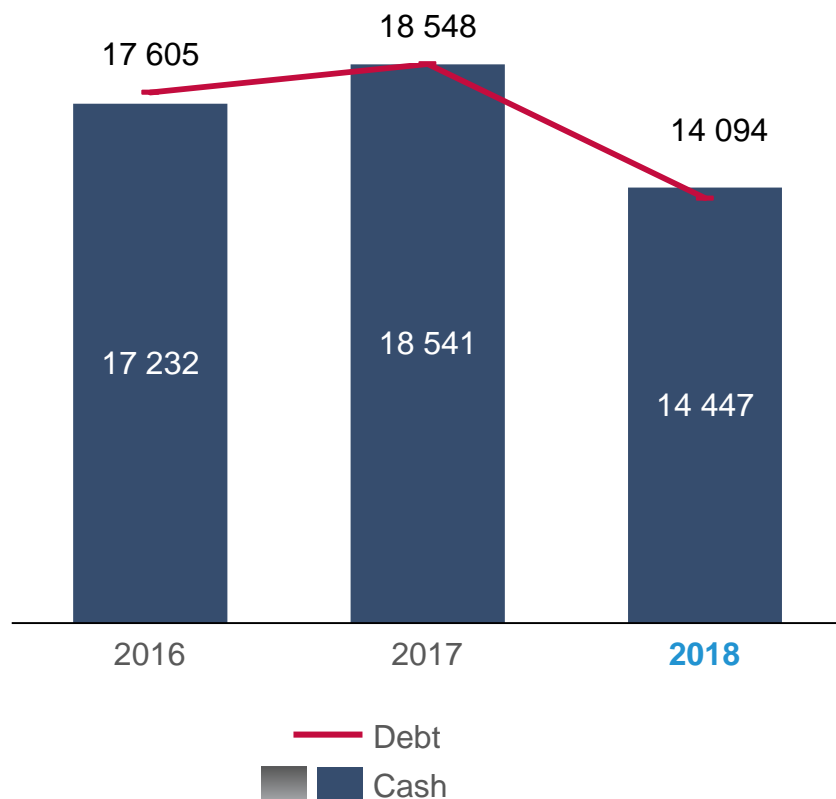
E Group



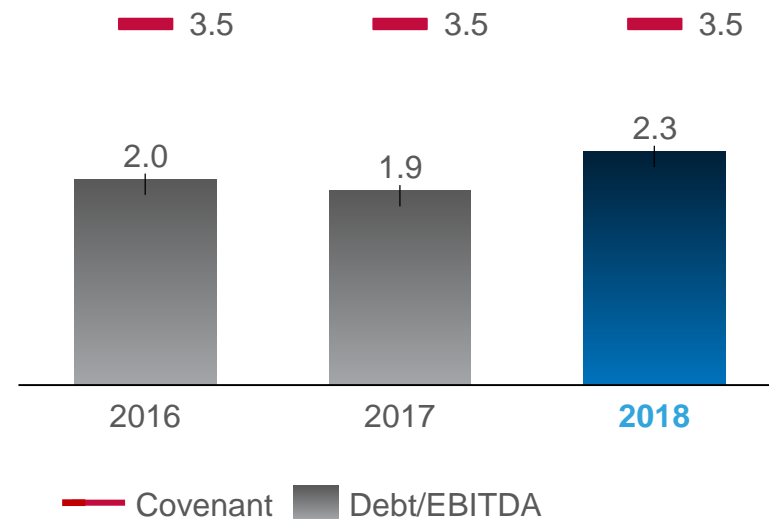
# Cash and liquidity status – legal basis

## Cash and net debt analysis

### Cash vs debt – R'million



### Key covenant headroom

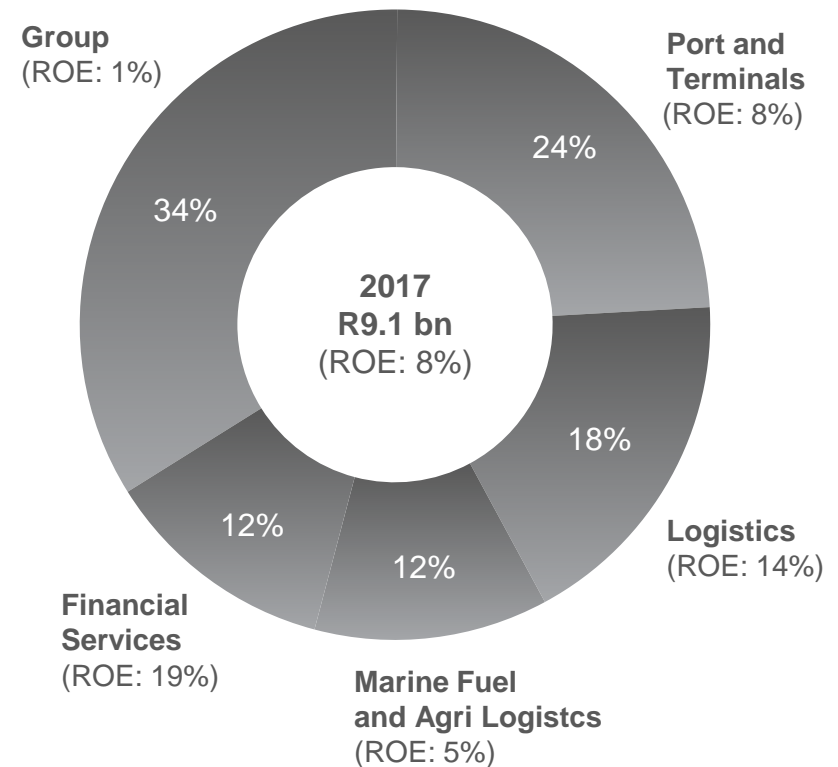
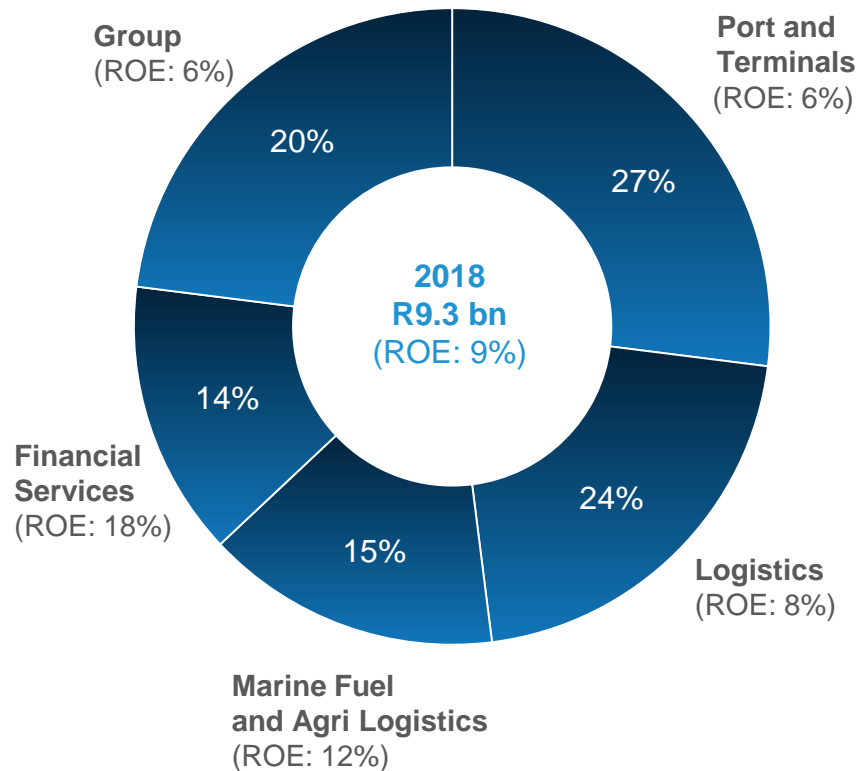


Prior year numbers exclude Shipping



# Equity allocation

## Management basis



# Income statement – discontinued operations

## Management basis

R'million	2018	2017	Var (%)	Comments
Revenue	2 148	5 876	(63)	Six months revenue in 2018, full year in 2017
Trading results	(70)	(359)	81	
Shipping	(128)	223	(157)	
Rail	58	(582)	110	Rail assembly losses and inventory write-offs in prior year, now wound down
Depreciation and amortisation	(221)	(322)	31	
Shipping	(204)	(285)	28	
Rail	(17)	(37)	54	
Non-trading items	2 493	(316)	889	
Shipping	3 058	(719)	525	Foreign currency translation release following Shipping separate listing
Rail	(565)	403	(240)	Sierra Leone impairment in 2018
Net interest expense	(84)	(138)	39	
Share of losses from associates	-	(5)	100	
Taxation	(73)	(92)	21	
NCSI	(3)	3	(200)	
<b>Earnings/(loss) attributable to ordinary shareholders</b>	<b>2 042</b>	<b>(1 229)</b>	<b>266</b>	





# Operational overview

## Freight Services

Andrew Waller



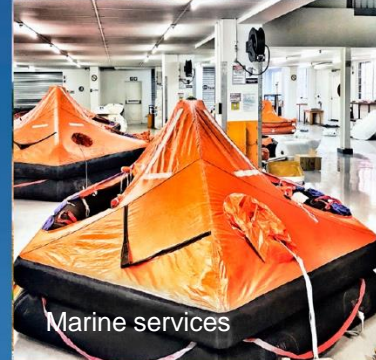
Matola, Mozambique



MICD, Mozambique



Denver, Rail siding, Gauteng



Marine services



Clearing and forwarding



Automotive



Fuellogic



Maputo Port, Mozambique

# Operational overview

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## Maputo Port

- Record volumes achieved at 19.6 million tonnes, 7% higher than 2017
- MPDC handled volumes up 15% to 7.8 million tonnes
- Berth infrastructure upgrade and chrome slab development progressing

## Terminals

- Total drybulk volumes marginally down on prior year
- Volumes improved in H2 following customer challenges in H1
- Ngqura liquid bulk terminal development commenced

## Revenue

**^7%**

## H2 volumes

**^9%**

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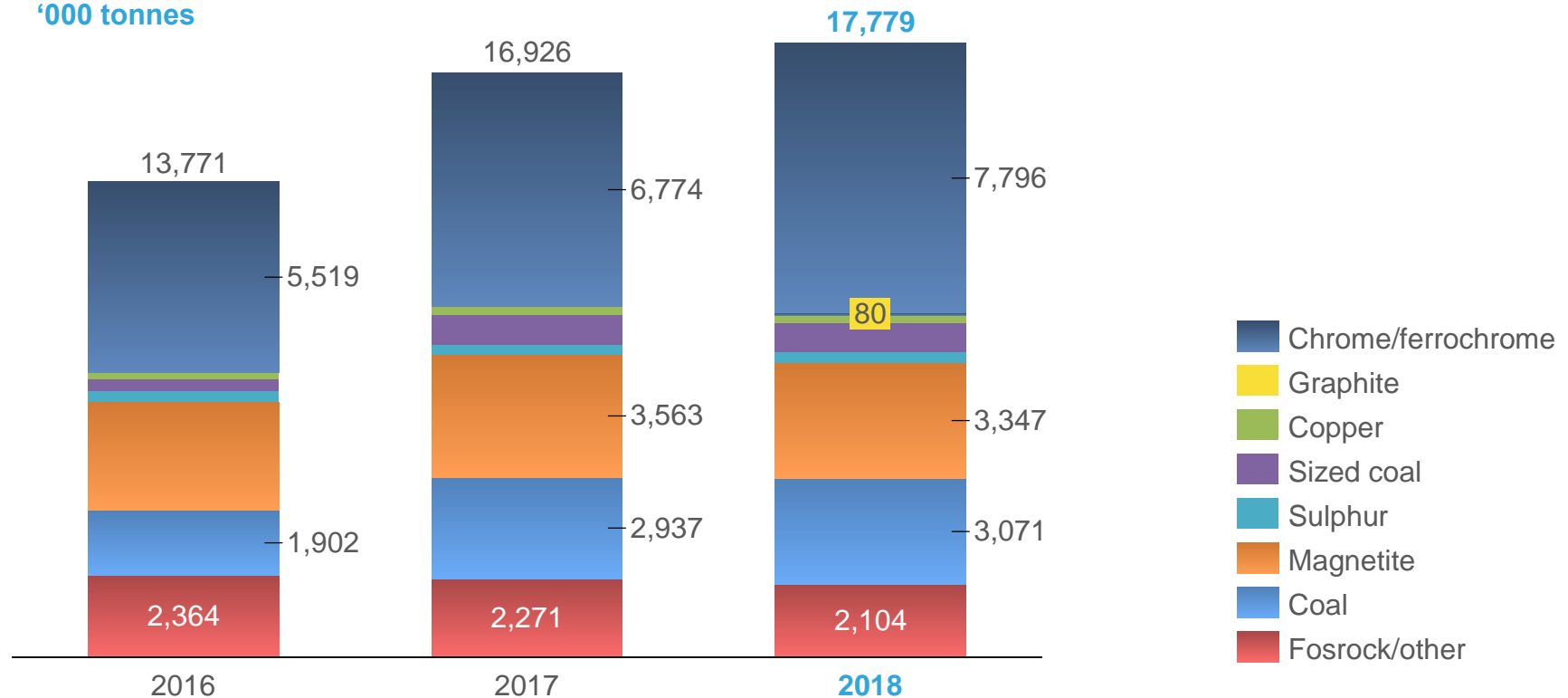
Maputo Port, Mozambique



# Drybulk volumes

## Historical drybulk volumes handled by Port and Terminals in Sub-Saharan Africa

'000 tonnes



Improved diversification across commodities





# Operational overview

## Logistics

- South African operations all subject to soft local market conditions
- Ships Agency expanded its offering with the acquisition of Nova
- Clearing and forwarding increased its utilisation of its new Johannesburg warehouse
- Seafreight improved its landside offering with enhanced facilities
- Grew our presence in Nacala with the new cross-dock facility for graphite exports
- Increased volumes on the North-South corridor in line with improvements in African commodity markets

## Revenue

**^16%**

## Headline earnings

**^95%**





# Volumes

Warehouse capacity	2016	2017	2018	Var%
Warehousing – number of bins*	19 065	28 415	28 415	-
Warehousing - m <sup>2</sup>	155 317	115 801	164 501	42
Container depots – TEU	20 500	20 500	24 400	19

Volumes	2016	2017	2018	Var%
Automotive – '000's	134	133	142	6
Fuel – 000 litres	1 404 784	1 408 685	1 546 950	10
Seafreight – TEU's	152 062	150 758	156 442	4
Seafreight – '000 tonnes	728	964	1 054	9

\*Volumes included at 100%.



# Operational overview

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## Marine Fuel and Agricultural Logistics

- Improved Marine Fuel results driven by margin optimisation
- IMO 2020 preparations in full swing
- Good growth in diversified marine products
- Increased agri earnings supported by good carry-over grain stock levels
- Senwes active in sector consolidation with offer to acquire KLK
- NWK focus on core business following disposal of hatchery investment

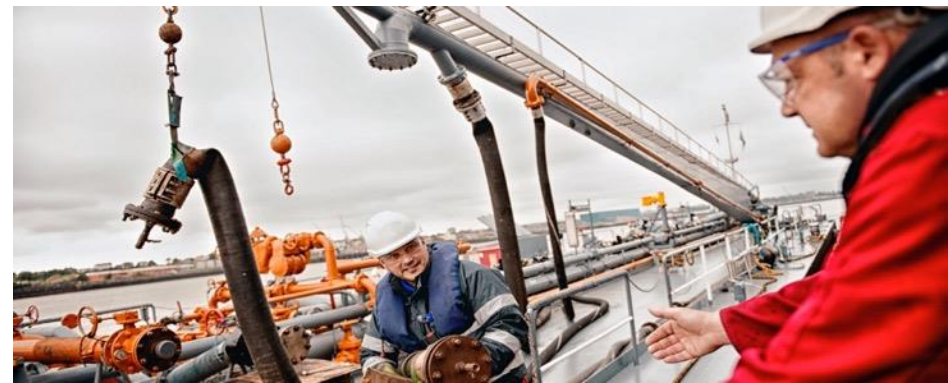
Revenue

**^16%**

Headline earnings

**^32%**

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# Operational overview

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## Outlook

- Market in SA tough with low growth expectations
- Buoyant minerals market expected to boost African trade
- Stronger contracting position to drive higher volumes
- Increased diversification of commodities handled such as chrome, copper and sulphur
- Continued improvement in facilities to enhance capacity and service offerings



Nacala Intermodal facility, Mozambique



# Operational overview

Financial Services

David Polkinghorne

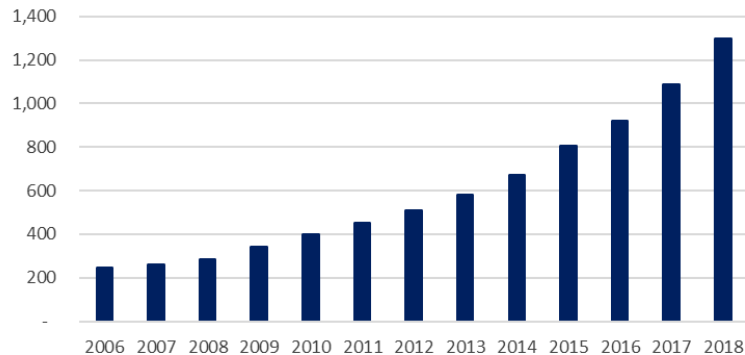




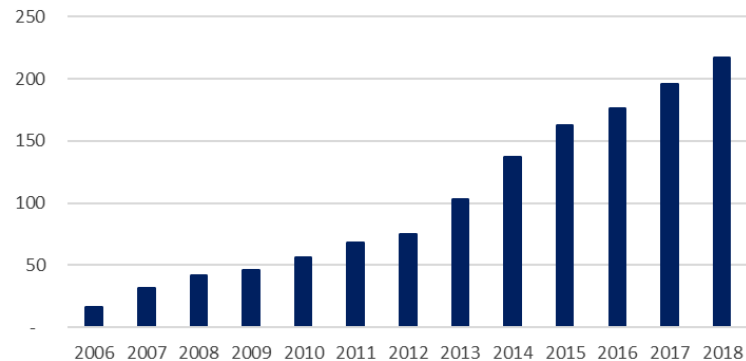
# Operational overview

## Financial Services

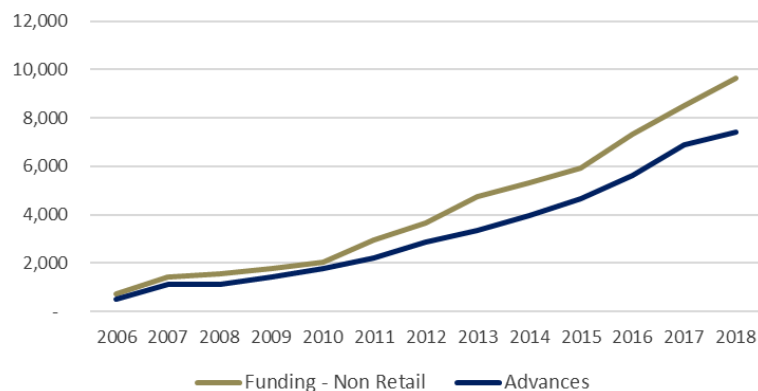
### Net Asset Value



### Net Profit After Tax



### Banking Advances and Funding



# Operational overview

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- Earnings up on the prior year
- Core deposits (excluding retail) increased 14% to R8.9 billion (December 2017: R7.8 billion)
- Advances grew 8% to R7.8 billion (December 2017: R7.2 billion)
- Private equity valuations at similar levels
- Strong performance from UK property portfolio with underlying assets being realised in 2018
- Bad debt provision increased in line with requirements of IFRS 9 with an entry to opening equity
- Further investment in IT and people
- SASSA efficiently managed during transition

**Core deposits**

**^14%**

**Advances**

**^8%**

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# Operational overview

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## Outlook

- Market tough with low growth expectations
- Organic growth across the business
- Retail earnings growth will be off a revised base
- Expect increased regulatory oversight and IT enhancements to add to cost pressures
- Core balance sheet (advances and deposits) will show steady growth
- Post-sale of UK property assets the portfolio will be rebuilt on a selective basis



# Strategic outlook

Andrew Waller





# Strategic outlook

## Freight Services

- Focus on unlocking corridors
- Increasing facilities and footprint
- Reinforce commercial fundamentals
  - Increase utilisations
  - Provide improved solutions
  - Increase cargo diversification
  - Develop key logistics relationships
- Commercially align complementary businesses

## Financial Services

- Introduce further capital
- Focus on SME business development
- Develop retail strategy based on digital technology
- Rebuild UK portfolio
- Enhance governance and compliance structures







# Annexures

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# Annexure

## Terminal capacity and utilisation

Terminals	H1 2018	H2 2018	Change (%)	2018	2017	Change (%)	Annual capacity 2018
<b>Drybulk (tonnes)</b>	4 763 740	5 211 627	9	9 975 367	10 215 920	(2)	15 150 000
Matola Coal Terminal <sup>1</sup>	2 447 651	2 745 996	12	5 193 647	5 203 219	-	7 300 000
Richards Bay <sup>1</sup>	1 745 910	1 922 999	10	3 668 909	3 858 870	(5)	6 100 000
Walvis Bay (Namibia)	129 632	173 963	34	303 595	311 441	(3)	550 000
Maputo Terminal <sup>1,3</sup>	440 547	368 669	(16)	809 216	842 389	(4)	1 200 000
<b>Port of Maputo<sup>2</sup></b>	9 670 741	9 903 686	2	19 574 427	18 211 155	7	-
<b>Maputo car terminal (number of vehicles)</b>	8 224	7 667	(7)	15 891	15 164	5	120 000

## Rail

Rail utilisation	H1 2018	H2 2018	Change (%)	2018	2017	Change (%)
North South corridor - tonnes	450	515	14	965	872	11
Leasing average deployment - %	80	77	(4)	78	76	3

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

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

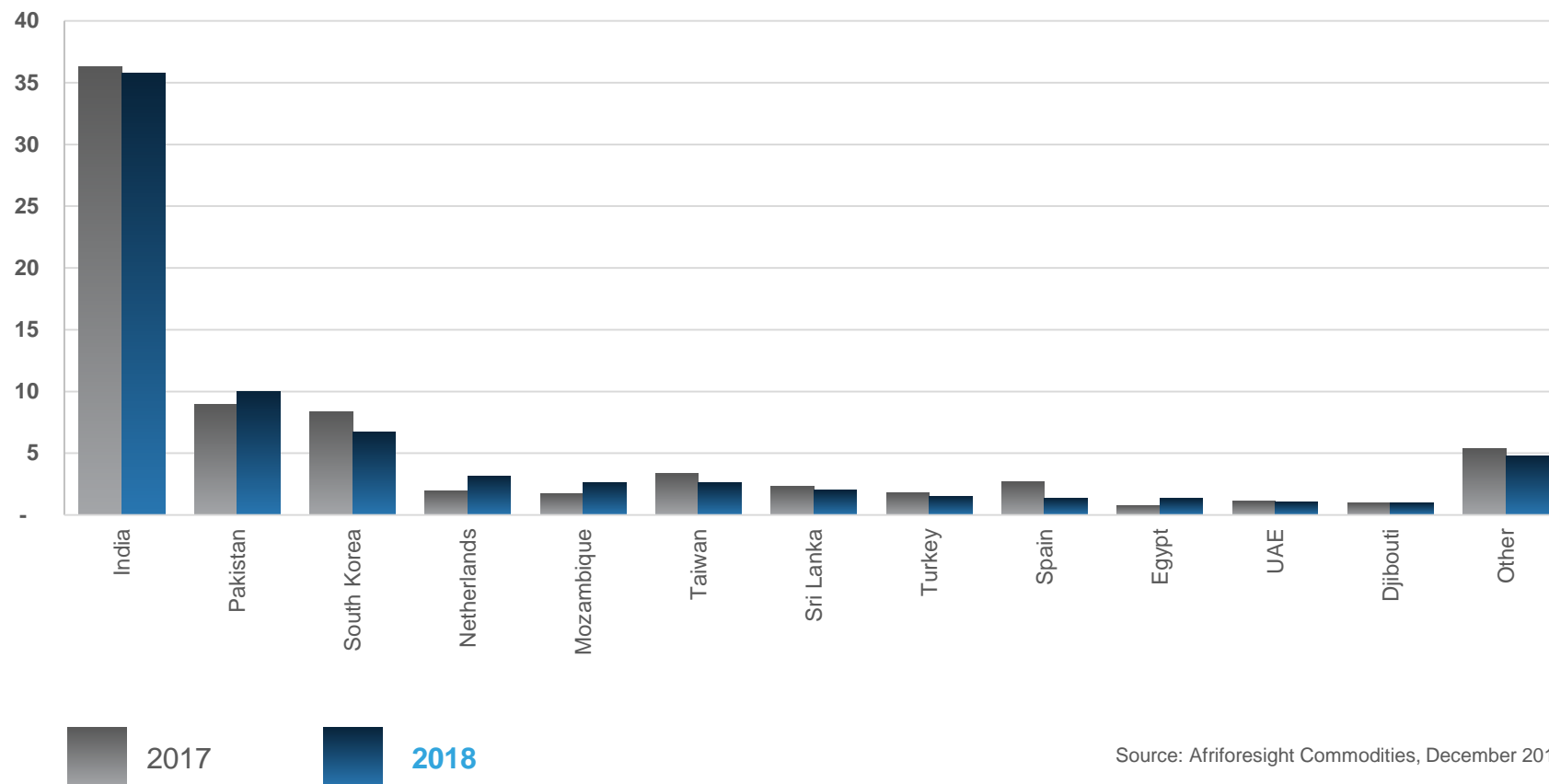
<sup>3</sup> Annual capacity is scalable to four million tonnes.



# Annexure

## South African coal exports

Million tonnes



Source: Afriforesight Commodities, December 2018



# Annexure

## South African National Port volumes

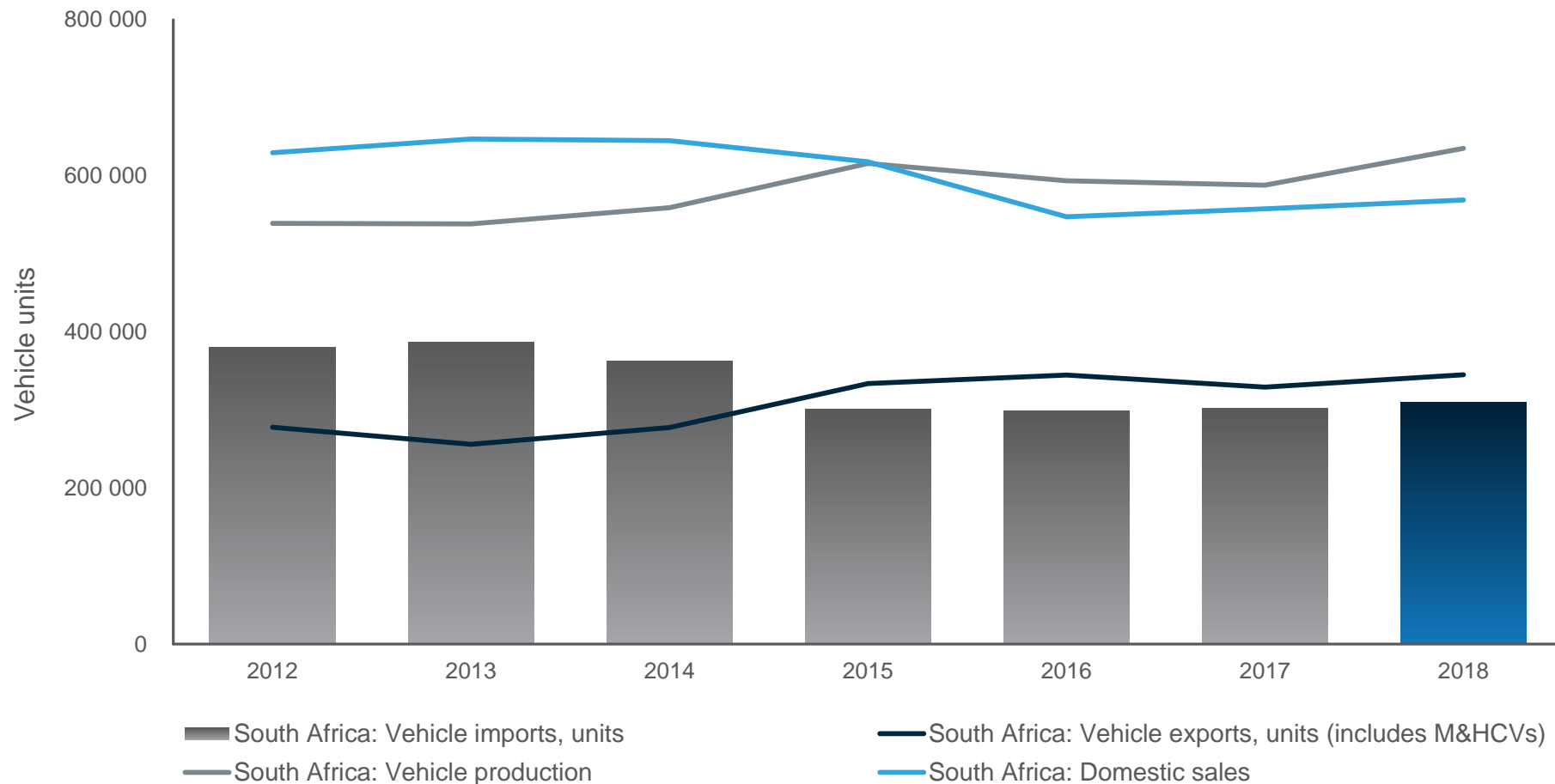
TEUs	YTD 2018	YTD 2017	Variance	Variance %
Deep sea landed full	1 624 720	1 467 730	156 990	11
Deep sea landed empty	247 692	291 982	(44 290)	(15)
Deep sea shipped full	1 211 063	1 158 197	52 866	5
Deep sea shipped empty	694 786	558 160	136 626	24
<b>Total</b>	<b>3 778 261</b>	<b>3 476 069</b>	<b>302 192</b>	<b>9</b>

Source: Transnet National Ports Authority, December 2018



# Annexure

## Auto industry sector – South Africa



f = BMI forecast

Source: Automotive News Europe, NAAMSA, BMI forecasts, December 2018



# Annexure

## South African motor industry sales

	Domestic sales			Export sales		
	2018	2017	2016	2018	2017	2016
January	45 888	50 333	48 615	14 212	11 659	13 057
February	46 347	48 113	48 149	27 437	29 388	29 308
March	49 233	48 534	47 631	27 438	25 020	27 714
April	36 346	34 956	40 390	24 422	24 449	32 856
May	42 984	41 783	42 907	32 731	29 596	33 676
June	46 678	45 369	44 939	26 790	31 631	30 965
July	47 881	46 719	44 883	28 063	35 486	29 042
August	47 964	49 222	46 146	32 247	29 927	35 620
September	49 670	50 675	47 399	36 781	36 359	32 876
October	51 866	51 037	48 745	34 134	28 229	30 718
November	47 486	49 754	46 413	34 352	27 178	31 508
December	39 847	40 636	41 639	32 547	17 374	18 668
	552 190	557 131	547 856	351 154	326 296	346 008

Source: NAAMSA, December 2018





# Thank you

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