

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')

Unaudited interim results for the six months ended 31 December 2020
and interim cash dividend declaration

- Revenue* up 15% to R26 360 million
(H1 F2020: R22 955 million)
 - EBITDA* down 2% to R2 551 million
(H1 F2020: R2 594 million)
 - Operating profit* down 18% to R1 201 million
(H1 F2020: R1 463 million)
 - Total HEPS down 3% to 185 cents per share
 - Total EPS up 96% to 437 cents per share
 - Continuing core EPS** down 39% to 235 cents per share
 - Strong free cash inflow from continuing operations excluding CPG of R671m
(H1 F2020: R54 million outflow)
 - Continuing free cash conversion of 90%
(H1 F2020: 76%)
 - Net debt:EBITDA of 1,8x
(H1 F2020: 2,0) - well within banking covenants of 3,25x
 - Interim cash dividend of 83 cps declared
(H1 F2020: 167 cents)
 - Concluded disposal of the European shipping business for proceeds of R3 440 million
- * Excludes the discontinued European shipping business in the current and prior period, and CPG in the prior period.
** Headline earnings are adjusted by items that are not considered to be of a trading nature to arrive at core EPS.
Core EPS is not an IFRS requirement and a reconciliation with EPS and HEPS is included in the full financial results booklet available on the company's website.

Imperial is an African focused provider of integrated market access and logistics solutions, with a focus on the following key industries - healthcare, consumer, automotive, chemicals, industrial and commodities. We take our clients and principals' products to some of the fastest growing and most challenging markets in the world. Ranked among the top 30 global logistics providers and listed on the JSE in South Africa, we seek out and leverage new technology to deliver innovative, end-to-end solutions. Through our significant African footprint and international expertise, and with the support of our 25 000 people, Imperial's purpose is connecting Africa and the world - and improving people's lives with access to quality products and services.

Results overview

1. In extraordinary and challenging trading conditions, exacerbated by the COVID-19 pandemic, Imperial increased revenue from continuing operations, generated strong free cash flow, maintained a strong balance sheet, stringently managed costs and recorded significant progress against our strategy.
2. Excluding businesses held for sale, revenue grew by 16% from R22 471 million to R26 005 million, supported by new business gains and acquisitions, despite the decline in trading volumes resulting from the impact of COVID-19 on operations.
3. Continuing EBITDA, excluding businesses held for sale, decreased marginally by 1% from R2 581 million to R2 562 million.
4. Continuing operating profit, excluding businesses held for sale, declined 16% from R1 481 million to R1 249 million. This was largely due to the impact of COVID-19 lockdown restrictions; subsequent impact on trading volumes in certain sectors across the business; associated once-off costs; and investment in people, structure, processes and systems to support strategic growth and future efficiency in line with our 'One Imperial' and 'Gateway to Africa' strategy.
5. Continuing HEPS declined by 43% to 180 cents per share versus a decline of 39% in core EPS of 235 cents per share. Core EPS is a measurement of pure trading performance and is calculated as headline earnings less amortisation of

intangible assets arising from business combinations, acquisition cost, and the re-measurement of put option and contingent consideration liabilities. We have re-introduced core EPS as management believes it is a more accurate reflection of Imperial's trading performance. A full reconciliation of headline earnings to core earnings is included in the full results announcement, available on the company's website.

6. A strong recovery in volumes and profitability was recorded in the first half of 2021 compared to H2 F2020.
7. Continuing operating margin declined from 6,4% in the comparable period to 4,6% in H1 F2021. This is mainly due to the negative impact of COVID-19 on volumes, margin pressure in the Healthcare business in Nigeria and in the healthcare medical supplies and kitting business (Imres), and the impact of a competitive market on contract renewals and rates.
8. Annualised costs of c.R200 million were removed from Logistics Africa, the full benefit of which will be realised from F2022, and will assist in maintaining our competitive market positioning.
9. Imperial's contract renewal rate across its operations on existing contracts is strong at c.80%, with a strong pipeline of new opportunities.
10. New business revenue of approximately R6,2 billion per annum was secured on a rolling 12-month basis to the end of December 2020. A material Procter and Gamble (P&G) contract awarded to Imperial's joint venture with the Chanrai Summit Group for P&G's end-to-end distribution and logistics of consumer goods in Nigeria became effective on 1 January 2021.
11. Strategic acquisitions of R120 million were concluded during the period.
12. The disposal of the loss-making business, Pharmed, was successfully concluded during the period.
13. Net working capital of R1 006 million improved by 53% compared to R2 123 million at December 2019 and is in line with guidance of 4% to 5% of revenue.
14. Net capital expenditure (capex) of R269 million from continuing operations decreased from R623 million and was significantly lower than depreciation (excluding right-of-use assets). The results from implementing more effective and efficient fleet management technology and disciplines across Logistics Africa contributed to this decline.
15. Net debt (excluding lease obligations) of R5,5 billion decreased by 25% compared to December 2019 due to effective working capital and capex management, strong cash flow generation and the receipt of proceeds from the disposal of the European shipping business.
16. Free cash flow (post maintenance capex, repayment of lease obligations and excluding discontinued operations and CPG) increased to an inflow of R671 million from a free cash outflow of R54 million for the six months ended 31 December 2019.
17. Our cash and liquidity position remains strong with R13,7 billion of available facilities and cash, of which c.R11,9 billion is committed banking facilities.
18. ROIC of 4,1% (H1 F2020: 8,2%) versus WACC of 7,5% (H1 F2020: 8,0%). The depressed ROIC was due to lower returns in H2 F2020 over a rolling 12-month basis, impacted by COVID-19.
19. Discontinued operations: the European shipping business was sold on 31 July 2020 and is classified as a discontinued operation in these results. The South American shipping operation remains part of continuing operations and is classified as 'held for sale'.
20. Imperial has been re-organised based on the solutions we offer to our clients (our capabilities) and less so on regions. As from 1 July 2020, Imperial has operated within two overarching solutions - market access and logistics, and is categorised into three businesses: Market Access, Logistics Africa and Logistics International. The logistics businesses encompass contract logistics and freight (road, air and ocean, and lead logistics provider (LLP)). Therefore, primary segmentation for the period and the narrative thereof in the interim results report is compiled accordingly, and in line with IFRS reporting.

Business overview

Market Access - in which close to 100% of revenue is generated in Africa - is integral to our 'Gateway to Africa' and 'One Imperial' strategy. Our market access solutions see us taking ownership of inventory and responsibility for the full order-to-cash function. We build complex route-to-market solutions that provide our principals with access to patients and consumers through comprehensive channel strategies that integrate sourcing, sales, distribution and marketing. Our solutions also create opportunities to leverage our freight and contract logistics capabilities. Through our operations in mainly East, West and Southern Africa, we are able to provide market access and logistics services in more than 20 countries on the African continent. Our activities currently focus on two key, defensive industries - healthcare and consumer.

- Revenue up 35% to R7,4 billion
- Operating profit down 17% to R422 million
- Operating margin 5,7% (H1 F2020: 9,2%)
- 28% group revenue

- 34% group operating profit
- ROIC of 11,3% versus WACC of 11,9%

Logistics Africa encompasses logistics activities throughout the African continent ie road freight, contract logistics and LLP in Africa. Logistics will continue to play an integral role in achieving our 'Gateway to Africa' and 'One Imperial' strategy - leveraging and expanding freight, contract logistics and supply chain support, and leveraging cross-selling and upselling opportunities with our market access business.

- Revenue down 2% to R8,1 billion
- Operating profit down 25% to R473 million
- Operating margin 5,9% (H1 F2020: 7,6%)
- 31% group revenue
- 38% group operating profit
- ROIC of 6,4% versus WACC of 7,9%

Logistics International encompasses road freight, air and ocean, contract logistics and LLP activities outside of Africa - most notably our contract logistics and freight businesses in Europe and the United Kingdom.

- Revenue up 1% to €554 million
- Operating profit down 18% to €18 million
- Operating margin 3,2% (H1 F2020: 4,0%)
- 41% group revenue
- 28% group operating profit
- ROIC of 0,2% versus WACC of 5,7%

Strategy

Over the past 18 months, we have laid the foundation of our new strategy and are making significant strides in transforming Imperial from a portfolio of regional businesses to an integrated, end-to-end market access and logistics business. It is our strategic intent to become a 'One Imperial' business and serve as the 'Gateway to Africa' to our clients, principals and customers - transforming from an asset-heavy, 3PL logistics player to an innovative, asset-right business. The strategic decisions and actions we continue to take are aligned with this ambition.

In H1 F2021 significant progress was recorded against our strategy, which includes:

- We concluded strategic acquisitions in Market Access and Logistics Africa of c.R120 million.
- We concluded the sale of the European shipping business for proceeds of R3 440 million which was received on 31 July 2020.
- We concluded the sale of Pharmed in South Africa in November 2020, an underperforming and low return on effort business
- We are progressing the sale of the South American shipping business.
- We invested c.R100 million on appropriate and effective systems, processes, resources and structures and will continue to invest significantly over the next three to five years to ensure successful execution of all our key strategic imperatives. This will position the business for sustainable growth, and improve efficiencies and costs over the medium term
- Significant progress was recorded in strategic digital and IT initiatives, including Digital Fleet Management, enabling our Road Freight business, and progress with partnerships to enable digital distributorships in our Market Access business.
- USD20 million innovation fund continues to record significant activity with five actively managed portfolio companies.
- We are implementing an appropriate organisational structure and systems to operate as 'One Imperial'.
- Our ESG and women empowerment initiatives continue to make a difference.

Achieving our strategic ambitions will require us to make significant capital investments in digital and data initiatives, technology, and strategic acquisitions over the next five years. Capital allocation will be prioritised for those areas that most amplify our primary strategic positioning and focus - being Africa, and focusing on five key industries - healthcare, consumer, chemicals, automotive, and industrial and commodities. Over the past 10 years, Imperial's investment in Africa, outside South Africa, was focused primarily on building its market access capability in the defensive and fast-growing healthcare and consumer industries. During this time, Imperial has developed strong expertise, networks, and knowledge of operating successfully in some of the fastest growing and most challenging markets in Africa. Serving as an integrated logistics and market access provider will require us to invest in logistics businesses outside South Africa too, particularly those that will give us access to freight capabilities, including in other key growth industries, to facilitate trade flows into, out of and across key African trade lanes. We are therefore actively exploring potential growth opportunities in both Market Access and Logistics Africa on the continent (outside South Africa).

In addition, we have thoroughly assessed the strategic fit of our international portfolio. We have concluded that

Logistics International is non-core to our 'Gateway to Africa' strategy and we have therefore decided to explore an appropriate exit plan for this business. The exit plan will relate to the remaining assets in the International portfolio being contract logistics and freight, including Palletways. Given the current macro-economic uncertainty, this may take time to progress as the objective is to maximise value for shareholders through this process.

Liquidity

The group's liquidity position remains strong with R13,7 billion of unutilised banking facilities. A total of 71% of the group debt (including lease obligations) is long-term in nature and 65% of the debt (including lease obligations) is at fixed rates.

Dividend

After considering the strong cash flow generation and the balance sheet of the business, and the steady recovery in operations since H2 F2020, an interim cash dividend of 83 cents per ordinary share was declared by the board and will be paid to shareholders in March 2021 (H1 F2020: 167 cps). The dividend payout ratio will be assessed at each reporting period, subject to prevailing circumstances.

Declaration of interim ordinary dividend

For the six months ended 31 December 2020 notice is hereby given that a gross interim ordinary dividend in the amount of 83,00 cents per ordinary share has been declared by the board of Imperial, payable to the holders of the 202 074 388 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 66,40000 cents per share.

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

	2021
Declaration date	Tuesday, 23 February
Last day for ordinary shares to trade cum ordinary dividend	Tuesday, 16 March
Ordinary shares commence trading ex-ordinary dividend	Wednesday, 17 March
Record date	Friday, 19 March
Payment date	Tuesday, 23 March

The company's income tax number is 9825178719.

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 March 2021 and Friday, 19 March 2021, both days inclusive.

Directorate and executive management changes

Ms Harriet-Ann (Bola) Adesola and Ms Juliet Anammah, both of Nigeria, were appointed as independent non-executive directors of Imperial with effect from 22 February 2021. Ms Adesola is a qualified attorney and a director on the boards of the Lagos State Employment Trust Fund Board of Trustees (Chairman), FinTech Association of Nigeria (Trustee), Capital Club West Africa (Director), Standard Chartered Bank, Mauritius (Chairman), Standard Chartered Bank, Ghana (Director), United Nations Global Compact Board (Co-Vice Chairman), Healthcare Federation of Nigeria (Trustee), and Aloseda Ltd, Lagos (Director).

Ms Anammah is a qualified pharmacist and a director on the boards of Jumia Nigeria (Chairman), Flour Mills of Nigeria (Non-Executive Director), APT Pensions (Non-Executive Director), FBN Holdings (Independent Non-Executive Director), Consultative Group to Assist the Poor (Member of Executive Committee) and Energy Entrepreneurs Growth Fund (Member of Investment Committee).

As we are progressing our 'Gateway to Africa' strategy, both appointments are critical to diversifying the skills on our Board and are in line with our Board succession planning. The Board welcomes Ms Adesola and Ms Annamah, and looks forward to the experience and knowledge they will contribute and the value they will add.

Ms Bridget Radebe was appointed to succeed Mr Graham Dempster as Chairman of the audit committee from 1 September 2020. Mr Graham Dempster remains a member of the audit committee.

Mr Rohan Venter resigned as Company Secretary with effect from 9 November 2020. Mr Jeetesh Ravjee, Group Legal Executive, was appointed as acting Company Secretary on the same date until a permanent appointment is made.

Prospects

Many of our markets continue to face increasing uncertainty and volatility, being in various levels of lockdown and restrictions. However, as some of these restrictions are easing and COVID-19 vaccines are in the process of being rolled out, volumes and operating activities are improving - but the business is not yet at pre-COVID-19 levels.

It remains to be seen how the second wave of COVID-19 will fully impact the business. Forecasts indicate that most economies in the key African markets in which we operate contracted in 2020, with low to modest growth expected in 2021. We therefore expect volatile trading conditions across the markets in which we operate until some level of normalisation is reached around the COVID-19 pandemic.

At this stage, for the 12 months to 30 June 2021, subject to stable currencies, steady recovery in volumes and revenue on the back of easing COVID-19 restrictions, as well as a recovery from current levels in markets in which we operate, we expect Imperial's continuing operations to deliver:

- Double-digit revenue growth compared to F2020.
- Double-digit operating profit growth compared to F2020.
- Double-digit growth in continuing HEPS compared to F2020.
- Double-digit growth in core EPS compared to F2020.
- Strong free cash flow generation - free cash conversion expected to be between 70% and 75%.

Imperial's balance sheet remains strong and resilient, with headroom in terms of debt capacity and liquidity to facilitate our strategic growth aspirations. We have a strong pipeline of new business opportunities which we are working hard to translate into new contracts. While we will continue to meet the demands and manage the implications of the pandemic in the short term, we will also ensure that we continue to deliver our strategic objectives.

We thank our shareholders and funders for their ongoing support.

Disclaimer

Certain information presented in this results announcement constitutes alternate financial measures which are presented for illustrative purposes only. The responsibility for preparing and presenting the alternate financial measures and for the completeness and accuracy thereof is that of the directors of Imperial. Because of its nature, the alternate financial measures may not fairly present Imperial's financial position, changes in equity, and results of operations or cash flows. The alternate financial measures and any forecast financial information contained in this results announcement is based on information available at the time of publication and has not been audited or reviewed or otherwise reported on by the external auditors of Imperial.

Bedfordview

23 February 2021

Full announcement

The content of this announcement is the responsibility of the directors of Imperial Logistics. It is only a summary of the information contained in the full SENS announcement. This announcement is itself not audited but extracted from audited results. Any investment decisions by investors should be based on the consideration of the full announcement as published on SENS on Tuesday, 23 February 2021. The full announcement is available for viewing at <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/IPLE/IPLH1F2021.pdf> and on Imperial Logistics' website at www.imperiallogistics.com/interim-results.php. The full announcement is also available for inspection at the registered office of Imperial, at no charge, weekdays during office hours 09:00 to 16:00. Copies of the full announcement may also be requested from the Acting Company Secretary at jeetesh.ravjee@imperiallogistics.com.

Corporate information

Business address and registered office: Jeppe Quondam, 79 Boeing Road East, Bedfordview, 2007
Directors: P Langeni# (Chairman), M Akoojee (Group Chief Executive Officer), H Adesola##, J Anammah##, GW Dempster## (Lead Independent Director), P Cooper##, RJA Sparks##, B Radebe##, D Reich##*,

JG de Beer (Group Chief Financial Officer)
Non-executive ## Independent non-executive *Swiss

Acting Group Company Secretary: J Ravjee

Executive Vice President: Corporate Affairs and Investor Relations: E Mansingh

Share transfer secretaries: Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers
15 Biermann Avenue, Rosebank, 2196. Private Bag X9000, Saxonwold, 2132

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited), No 1 Merchant Place, Cnr Fredman Drive and
Rivonia Road, Sandton 2196

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