Listless economy catches up with OneLogix, but logistics provider reports all 12 businesses still profitable

The six months in review:

- Revenue up slightly
- Operating businesses remain profitable despite poor trading environment
- Cash flows generated from operations remain resilient
- Five-year compound annual growth rates:
    - NAV per share 17%
    - NTAV per share 18%
- Interest-bearing borrowings continue to be paid down
- Umlaas Road Phase 3 development continuing
- New IFRS 16 Accounting Standard implemented

Johannesburg, 6 February 2020 – OneLogix Group Limited (JSE: OLG), the niche logistics provider – a “Top Employer” international award-winner for the sixth year in a row – today reported results for the interim period ending 30 November 2019.

With revenue increasing only marginally, the unwavering profit trajectory enjoyed by OneLogix over the past few years had finally been impacted by the protracted listless economic environment, said Group CEO, Ian Lourens. “I am pleased to say that despite this extended period of tough trading, each of the group’s 12 businesses continue to be profitable, thanks to sound underlying business strategies and our skilled management teams.”

He added that the relentlessly waning demand and contracting markets had, however, inevitably impacted margin and volume pressure, which negatively affected the results for the half-year.

As previously communicated, the group is committed to completing Phase 3 of the successful Umlaas Road logistics hub (“Umlaas Road Phase 3”), a tranche of which became operational in January this year. It is expected that the full phase will be completed by the end of 2020 at a cost of R305 million. To date cash resources of R122,8 million have been expended and debt finance of R150 million was secured in January 2020.

During the half-year the group continued its share repurchase programme and has, including the half-year and to date, acquired 1,5 million of its own shares on the open market for R4,9 million.

The new IFRS 16 Accounting Standard “(IFRS 16”) had also been adopted by the group during this period.

Financial summary

Revenue increased by 1% to R1,45 billion. “As mentioned, growth was constrained by ongoing difficult trading conditions, depressed volumes and rates across our businesses. This resulted in a significant decline in our cross-border volumes, specifically affecting the Abnormal and Primary Product Logistics segments.”

Trading profit was down 18% from R125,9 million to R102,9 million, mainly as a result of margin pressure and reduced cross-border volumes. Trading margins declined from 8,7% to 7,1% on the back of low revenue growth, and an increase in operating and administration costs of 2% and in depreciation and amortisation costs of 6% (excluding amortisation of intangible assets related to business combinations).

Operating profit, excluding capital items, decreased in line with trading profit to R93,5 million, down from R115,9 million. Net finance costs decreased by 7% to R34,7 million as interest-bearing debt continues to be paid down.

Earnings per share ("EPS") decreased by 26%, or 5,9 cents, to 16,4 cents. Headline earnings and diluted headline earnings per share ("HEPS") of 17 cents was 24% lower given a slightly larger loss on sale of fleet compared to the prior period.

Cash generated from operations before working capital changes, net finance costs, taxation and dividends, remained resilient with only an 8% decrease to R205,6 million, in line with the reduction in profit before tax and adding back the increased depreciation and amortisation charge.

The group invested R115,7 million in operational infrastructure during the half-year as follows: R68,9 million in property (of which R64,7 million relates to the Umlaas Road Phase 3); R34,7 million in fleet (of which R29,9 million relates to expansion); R9,5 million in IT-related assets; and R2,6 million for other assets.

No interim dividend was declared, with the group preferring to preserve cash resources given capital commitments relating to Umlaas Road Phase 3, prevailing uncertain market conditions, and the need to expand and grow the business should the opportunities arise.

Segmental review

Abnormal Logistics
Lourens said that OneLogix VDS and OneLogix TruckLogix had performed as well as could be expected given the constrained local, and in particular cross-border, market conditions, with OneLogix Projex suffering a particularly challenging trading period.

Primary Product Logistics
According to Lourens the segment also produced mixed results, with OneLogix Jackson and OneLogix Buffelshoek continuing to perform well. "In contrast OneLogix Linehaul was forced to contend with a stagnant southern African market, and OneLogix United Bulk continued to trade in similarly lacklustre market conditions."

Other – Logistics Services
"This smaller, non-reportable segment continues to produce good results. Atlas 360 and OneLogix Cranbourne Panelbeaters are solid businesses, and OneLogix Cargo Solutions, which is now a viable stand-alone clearing and forwarding operation, performed steadily in its evolving niche market. OneLogix Warehousing continues to offer value to the group."

Outlook

Lourens said that trading conditions for all group companies are expected to remain difficult for the foreseeable future, with little relief anticipated in the short term. "Our strategy remains unaltered however – we will continue to focus on extracting maximum efficiencies from existing businesses in order to protect and grow their individual market shares in their respective niche markets."

He added that the executive management team upholds full confidence in the experienced and stable business management teams with their proven entrepreneurial and commerce skills, and fully expects them to continue guiding our businesses to ongoing growth despite the prevailing economic landscape.

Lourens concluded by saying that the group's tested business models have ensured that each business is well-equipped to both withstand economic headwinds and to exploit emerging opportunities. "OneLogix will continue to be mindful of start-up and acquisitive opportunities and assess these appropriately. Our strong financial position, supported by a credible Broad-Based Black Economic Empowerment accreditation and commitment, provide an ideal springboard for the pursuit of growth."

-Ends-

Issued on behalf of:	OneLogix Group Limited
Contact:	Ian Lourens, CEO
Tel:	011 920 9150
Compiled and released by:	Keyter Rech Investor Solutions
Contact:	Renee Botha
Tel:	087 351 3811
Email:	renee@kris.co.za
JSE code:	OLG
Website:	www.onelogix.co.za