OneLogix sustains uninterrupted growth trajectory

Highlights

- **Ongoing profit growth in weak macro environment**
- **Revenue up 19%**
- **Profit before tax [PBT] (excluding capital items) up 9%**
- **HEPS and diluted HEPS up 11%**
- **Core HEPS and diluted core HEPS up 9%**
- **NAV up 8% to 389,7 cps**
- **Umlaas Road Phase III development underway**
- **Final dividend of 5 cps (total dividend for the year, 11 cps)**
- **Five-year compound annual growth rates: NAV per share 19%; NTAV per share 21%**

Johannesburg, 29 August 2019 – Niche logistics provider, OneLogix Group Limited, has managed to sustain its uninterrupted profit trajectory despite an increasingly hostile trading environment, reporting revenue growth of 19% for the year ended 31 May 2019. Ian Lourens, the CEO of OneLogix, noted however that the stronger first half of the year was followed by a much tougher second half, reflecting the ever-weakening local economy.

"Despite this, the majority of the Group's businesses delivered bottom line growth, almost exclusively organic in nature, which again affirms the strength of our strategy and the resilient business models of our underlying businesses, guided as they are by highly-skilled management teams."

The Group extended the footprint of the Umlaas Road logistics hub in response to market demand and to entrench a strategic advantage, purchasing the adjoining 40-hectare property for this purpose in June last year. Cash resources of R58 million have been expended to date, including the land acquisition and preliminary design work.

The Group's B-BBEE Level 2 accreditation was reaffirmed for the year, a continued advantage in growth prospects for OneLogix.

Financial summary

Revenue grew 19% to R2,74 billion on the back of increased activity in all segments, mainly attributable to organic growth. The balance comprised a higher fuel-spend recovery of approximately R110 million due to a 19% increase in the average fuel price, and an estimated R110 million of new revenue from the two acquisitions concluded late in the previous financial year.

"Trading profit was down 5% to R160 million, with trading margins declining from 7.3% to 5,8%, due primarily to significantly increased fuel costs having to be recovered in increased billings, and continued increased leased assets utilisation, which under the current lease accounting standards have the inherent financing cost of the asset included in the rental expense, rather than in financing costs."

Operating profit, excluding capital items, decreased in line with trading profit from R158,4 million to R150,8 million. Included in the prior year operating profit was a R16,8 million once-off profit realised on the sale and leaseback of the Umlaas Road properties.

Net finance costs decreased by 46% to R22,1 million as debt related to the disposal of Umlaas Road was settled in the prior period, the allocation of financing costs inherent in leased assets was included in operating expenses (under current accounting standards), and the cash flow position was enhanced through positive net working capital developments.

Profit before tax (“PBT”), excluding capital items, increased 9% to R128,7 million on the back of slightly lower trading profits and a significant reduction in net financing costs.

Earnings per share (“EPS”) decreased 29% to 37,2 cents due to the prior year once-off post-tax profit (“PAT”) from the DriveRisk disposal of R36,5 million (equivalent to 14,7 cents per share) and from the Umlaas Road sale and leaseback of R12,7 million (equivalent to 5 cents per share) , offset by increased trading earnings of 4,2 cents per share.

Headline earnings and diluted headline earnings per share (“HEPS”) of 37,3 cents were 11% higher on the back of a slightly decreased trading result, significantly reduced net financing costs and slightly less average shares in issue for the year.

Core HEPS and diluted core HEPS (“Core HEPS”) increased by 9% to 43,7 cents. There was no dilutionary effect on Core HEPS in the year as the volume weighted average share price (“VWAP”) for the year is below the consideration due from the employee participation schemes (to which potential dilution in issued ordinary shares relates).

Cash generated from operations before working capital changes, net finance costs, taxation and dividends decreased negligibly by 1% to R299,5 million, largely in line with trading profit movement offset by a slightly higher depreciation and amortisation charge.

A final gross dividend of five cents per share was declared, resulting in a total annual dividend of 11 cents per share. Lourens cautioned that whilst it is OneLogix’s preference to continue declaring a dividend, future declarations will continue to be evaluated in the context of the board’s ongoing review of trading conditions, growth prospects and related business demands facing the Group.

OneLogix repurchased 3,5 million shares on the open market for a cash consideration of R12,4 million, representing 1,2% of the issued share capital, which have been delisted and returned to authorised but unissued share capital.

Operational review

Abnormal Logistics
The vehicle component, consisting of OneLogix VDS and OneLogix TruckLogix, performed well despite constrained market conditions, the latter benefitting in particular from the small but successful bolt-on acquisition towards the end of the previous financial year. OneLogix Projex emerged from particularly tough trading conditions with a credible performance.

Primary Product Logistics

This segment produced mixed results. OneLogix Jackson and OneLogix Linehaul were the stellar performers, while OneLogix United Bulk and OneLogix Buffelshoek continued to suffer listless markets.

Other – Logistics Services

This smaller, non-reportable segment continues to deliver a strong performance. Atlas 360 remains a solid business, while its newly-acquired, smaller cohort OneLogix Cranbourne Panelbeaters produced pleasing results. OneLogix Cargo Solutions, now a viable stand-alone clearing and forwarding operation, performed steadily in its evolving niche market and OneLogix Warehousing continues to offer value to the Group.

Outlook

Lourens said that trading conditions for all OneLogix companies are expected to remain difficult for the foreseeable future. “However, our strategy remains unaltered. We will continue to focus on extracting maximum efficiencies from existing businesses to protect and grow their individual market shares in their respective niche markets,” saying that the executive maintains full confidence in the experienced, stable business management teams with their proven entrepreneurial skills, and fully expects them to continue guiding the businesses to ongoing growth despite difficulties in the economic environment.

“Our tested business models have ensured that each business is well-placed within its respective market and is well-equipped to both withstand economic headwinds and to exploit emerging opportunities.”

He concluded that OneLogix would continue to be mindful of start-up and acquisitive opportunities and would assess these appropriately, with the Group’s strong financial position and B-BBEE accreditation providing an ideal springboard for the pursuit of ongoing growth.

-Ends-

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