ca&s group

Collaboration. Activation. Sales.

INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

THE POWER OF &

CA SALES HOLDINGS LIMITED

trading as

CA&S Group

(Incorporated in the Republic of South Africa)
(Registration number 2011/143100/06)
Botswana registration number BW00001085331
Share code: CAS ISIN: ZAE400000036
("**CA&S**" or "**the group**")

INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

COMMENTARY

Nature of business

The CA&S group is the holding entity of a collective of fast-moving consumer goods service businesses that operate across the Southern African region, offering a route-to-market service to prominent multinational and local brand owners and manufacturers. The businesses offer aligned services centred around ensuring that clients' brand presence is fully maximised at retail in the different markets they serve. This includes warehousing, various models of distribution, sales, merchandising, shopper marketing and training as well as selected debtor services, strategic advisory services, category consultation and key account assistance.

Financial highlights

CA&S is pleased to announce that its half-year results for the period ending 30 June 2021, has been exceptional despite another year of COVID-19 related trading restrictions. Revenue increased by 2.8% to over R3.5 billion on the prior interim period. Gross profit only increased by 1.6% to R499.1 million (H1 2020: R491.3 million) due to the basket mix, specifically the increased tobacco sales at lower margins. The focus on cost management resulted in an increase on the prior period of only 5.6% on overheads excluding foreign exchange profits and losses and impairments. During the second quarter of the prior year, the South African rand devalued to the Botswana pula. This resulted in a significant foreign exchange loss of R49.1 million in the prior period in the Botswana operations which was not repeated in the current period as the rand was fairly stable against the pula. This positive turnaround contributed to the increase of 72.1% in headline earnings for the group to R94.5 million (H1 2020: R54.9 million). Headline earnings per share was up 70.8% to 20.83 cents per share (H1 2020: 12.20 cents).

The goodwill of Expo Africa group of companies, deriving its revenue from marketing and promotional services in the Southern Africa region, was further impaired by its remaining value of R6.6 million. These businesses have been impacted negatively by intermittent lock-down regulations and have been loss making with limited expectation of a profitable turnaround.

Total assets increased by 5.4% to R3.2 billion mainly as a result of the increased cash balances and stockholding across the group. Stockholding increased compared to the prior year interim period due to lower-than-expected sales levels in the month of June 2021. Businesses took a cautionary approach to capital investment since the prior year and no acquisitions were made during the first half of this year.

Future strategy

During July, South Africa experienced political unrest for a few days which impacted on deliveries to the border countries. Trading levels are not back to the pre-COVID-19 levels. Certain trade restrictions with regards to trading days and trading hours are still in force and impact negatively on sales.

The group will continue its expansion, where feasible, by growing its principal and customer networks and making value-adding acquisitions.

The duration of the challenging economic environment and difficult trading conditions due to the COVID-19 impact, is still uncertain. However, the group is well positioned with a strong balance sheet and a diverse geographical presence across Southern Africa. The group's diversified portfolio should continue to enable it to deliver sustainable results for the remainder of the year.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) at 30 Jun 2021 R'000	(Unaudited) at 30 Jun 2020 R'000	(Audited) at 31 Dec 2020 R'000
Assets				
Non-current assets		**1 031 309**	1 081 487	1 053 596
Property, plant and equipment		**498 117**	536 428	512 202
Intangible assets	4	**479 335**	484 974	486 796
Investments accounted for using the equity method		**19 034**	31 078	19 604
Deferred income tax assets		**34 823**	29 007	34 994
Current assets		**2 153 501**	1 939 817	2 242 087
Inventories		**600 536**	503 242	554 746
Trade and other receivables		**1 014 998**	1 056 255	1 307 761
Income tax receivable		**19 235**	18 185	6 322
Cash and cash equivalents		**518 732**	362 135	373 258
Total assets		**3 184 810**	3 021 304	3 295 683
Equity and liabilities				
Equity		**1 679 485**	1 516 888	1 655 300
Stated capital	5	**871 960**	848 599	848 599
Other reserves		**16 577**	81 591	36 825
Retained earnings		**739 740**	535 764	709 113
		1 628 277	1 465 954	1 594 537
Non-controlling interest		**51 208**	50 934	60 763
Non-current liabilities		**276 577**	332 549	303 759
Borrowings		**269 030**	322 218	296 070
Deferred income tax liabilities		**7 547**	10 331	7 689
Current liabilities		**1 228 748**	1 171 867	1 336 624
Trade and other payables		**864 090**	836 145	1 004 014
Provisions		**95 310**	85 196	99 114
Income tax payable		**3 321**	8 583	10 302
Borrowings		**266 027**	241 943	223 194
Total equity and liabilities		**3 184 810**	3 021 304	3 295 683

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) 6 months ended 30 Jun 2021 R'000	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Audited) year ended 31 Dec 2020 R'000
Revenue from contracts with customers		**3 578 854**	3 481 212	7 931 740
Cost of sales		**(3 079 798)**	(2 989 954)	(6 844 040)
Gross profit		**499 056**	491 258	1 087 700
Other operating expenses		**(389 003)**	(410 474)	(746 803)
Net impairment losses on financial assets		**(1 274)**	(1 270)	(12 631)
Other operating income		**37 694**	12 669	27 591
Operating profit	7	**146 473**	92 183	355 857
Share of profit of investments accounted for using the equity method		**1 501**	231	1 519
Profit before interest and tax		**147 974**	92 414	357 376
Finance income		**5 157**	5 025	6 732
Finance costs		**(13 022)**	(18 672)	(31 218)
Profit before income tax		**140 109**	78 767	332 890
Income tax	8	**(43 848)**	(34 767)	(102 251)
Profit for the period		**96 261**	44 000	230 639
Other comprehensive income:				
Items that will be reclassified to profit or loss net of taxation				
Foreign currency translation differences		**(20 912)**	52 692	8 157
Total comprehensive income for the period		**75 349**	96 692	238 796
Profit attributable to:				
– Owners of the parent		**88 199**	37 415	207 723
– Non-controlling interest		**8 062**	6 585	22 916
Total profit for the period		**96 261**	44 000	230 639
Total comprehensive income attributable to:				
– Owners of the parent		**67 314**	89 854	215 955
– Non-controlling interest		**8 035**	6 838	22 841
Total comprehensive income for the period		**75 349**	96 692	238 796
Basic earnings per share (cent)		**19.44**	8.31	46.04
Diluted earnings per share (cent)		**19.43**	8.30	46.01

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Other reserves R'000	Retained earnings R'000	Total attributable to the owners R'000	Non-controlling interest R'000	Total R'000
Balance as at 31 December 2019 (Audited)	**833 348**	**25 734**	**551 524**	**1 410 606**	**56 950**	**1 467 556**
Profit for the six months	–	–	37 415	37 415	6 585	44 000
Other comprehensive income						
Currency translation differences net of taxation	–	52 439	–	52 439	253	52 692
Transactions with owners:						
Share swap	15 251	–	–	15 251	–	15 251
Share-based payment costs	–	3 418	–	3 418	–	3 418
Transaction with non-controlling interest	–	–	(7 097)	(7 097)	(8 054)	(15 151)
Dividends paid	–	–	(46 078)	(46 078)	(4 800)	(50 878)
Balance as at 30 June 2020 (Unaudited)	**848 599**	**81 591**	**535 764**	**1 465 954**	**50 934**	**1 516 888**
Profit for the six months	–	–	170 308	170 308	16 331	186 639
Other comprehensive income						
Currency translation differences net of taxation	–	(44 207)	–	(44 207)	(328)	(44 535)
Transactions with owners:						
Share-based payment cost of share options exercised	–	(147)	–	(147)	–	(147)
Share-based payment costs	–	3 619	–	3 619	–	3 619
Transfer remaining cost of share options exercised	–	(1 886)	1 886	–	–	–
Transfer cost of forfeited share options	–	(1 263)	1 263	–	–	–
Transfer between reserves	–	(476)	(78)	(554)	554	–
Acquisition of subsidiary	–	(406)	–	(406)	1 824	1 418
Transaction with non-controlling interest	–	–	(30)	(30)	(70)	(100)
Dividends paid	–	–	–	–	(8 482)	(8 482)
Balance as at 31 December 2020 (Audited)	**848 599**	**36 825**	**709 113**	**1 594 537**	**60 763**	**1 655 300**
Profit for the six months	**–**	**–**	**88 199**	**88 199**	**8 062**	**96 261**
Other comprehensive income						
Currency translation differences net of taxation	**–**	**(20 885)**	**–**	**(20 885)**	**(27)**	**(20 912)**
Transactions with owners:						
Share swap	**23 361**	**–**	**–**	**23 361**	**–**	**23 361**
Share-based payment costs	**–**	**3 072**	**–**	**3 072**	**–**	**3 072**
Transaction with non-controlling interest	**–**	**–**	**(13 491)**	**(13 491)**	**(9 870)**	**(23 361)**
Transfer cost of forfeited share options	**–**	**(1 717)**	**1 717**	**–**	**–**	**–**
Transfer between reserves	**–**	**(718)**	**599**	**(119)**	**119**	**–**
Dividends paid	**–**	**–**	**(46 397)**	**(46 397)**	**(7 839)**	**(54 236)**
Balance as at 30 June 2021 (Unaudited)	**871 960**	**16 577**	**739 740**	**1 628 277**	**51 208**	**1 679 485**

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Dividends paid per share (cent)	**10.26**	10.26	10.26

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

		(Unaudited) 6 months ended 30 Jun 2021 R'000	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Audited) year ended 31 Dec 2020 R'000
Cash generated from operations	9	**279 524**	241 556	405 303
Interest paid		**(13 024)**	(18 672)	(31 218)
Income taxes paid		**(63 653)**	(45 716)	(109 355)
Net cash generated from operating activities		**202 847**	177 168	201 222
Cash flow from investing activities				
Acquisition of subsidiaries		**–**	–	(459)
Additions to property, plant and equipment		**(19 596)**	(9 904)	(27 963)
Additions to intangible assets		**(478)**	(1 093)	(3 177)
Proceeds from disposal of property, plant and equipment		**726**	2 729	5 319
Acquisition of associated companies		**–**	(8 732)	(10 102)
Loans repaid by associated companies		**386**	400	750
Loans granted to associated companies		**–**	–	(1 511)
Dividends received		**1 371**	689	1 367
Interest received		**5 156**	5 025	6 732
Net cash outflow from investing activities		**(12 435)**	(10 886)	(29 044)
Cash flows from financing activities				
Dividends paid		**(46 397)**	(45 903)	(46 078)
Dividends paid to non-controlling interest		**(7 839)**	(4 800)	(13 282)
Repayments of borrowings		**(61 930)**	(85 985)	(120 790)
Proceeds from borrowings		**59 410**	22 933	36 027
Net cash outflow from financing activities		**(56 756)**	(113 755)	(144 123)
Net increase in cash and cash equivalents		**133 656**	52 527	91 563
Effects of exchange rate changes on cash and cash equivalents		**(5 023)**	8 180	3 305
Cash and cash equivalents including overdrafts at beginning of the year		**245 573**	150 705	150 705
Cash and cash equivalents including overdrafts at end of the period		**374 206**	211 412	245 573

RECONCILIATION BETWEEN PROFIT AFTER TAXATION ATTRIBUTABLE TO THE OWNERS OF THE PARENT AND HEADLINE EARNINGS:

	(Unaudited) 6 months ended 30 Jun 2021 R'000	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Audited) year ended 31 Dec 2020 R'000
Profit after taxation attributable to the owners of the parent	**88 199**	37 415	207 723
Profit on sale of property, plant and equipment	**(461)**	(795)	(1 978)
Impairment of intangible assets	**6 644**	20 170	20 170
Fair value loss on step-up acquisition	**–**	–	7 501
Tax effect on above	**112**	217	563
Non-controlling interest on above	**32**	(2 083)	(1 945)
Headline earnings attributable to owners of the parent	**94 526**	54 924	232 034
Headline earnings per share (cent)	**20.83**	12.20	51.43
Diluted headline earnings per share (cent)	**20.82**	12.19	51.39
Issued number of shares	**456 831 459**	452 135 508	452 206 869
Weighted average number of shares	**453 748 399**	450 191 492	451 181 340
Weighted average number of diluted shares	**454 023 497**	450 671 475	451 476 176

SUMMARISED SEGMENTAL RESULTS

The group's chief operating decision-makers (CODM), consisting of the chief executive officer and the finance director, examine the group's performance from a geographical perspective. The group's reportable segments are operating segments that are differentiated by the country of operation. Countries with insignificant results have been aggregated under the heading 'other countries' and include Lesotho, Mauritius, Mozambique, Zambia and Zimbabwe.

The group evaluates the performance of its reportable segments based on revenue and operating profit (EBIT and adjusted EBITDA). The intersegment sales and transfers are included in the values per segment and eliminated on the intersegmental transactions line.

The segments derive their revenues from either selling and distributing fast-moving consumer goods or transport, merchandising, promotional or training services.

	(Unaudited) 6 months ended 30 Jun 2021 R'000	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Audited) year ended 31 Dec 2020 R'000
Segmental revenue			
Botswana	**1 973 239**	1 927 483	4 586 113
Eswatini	**537 222**	502 770	1 148 856
Namibia	**551 533**	533 037	1 162 121
South Africa	**510 063**	521 501	1 057 977
Other countries	**14 112**	5 595	20 801
Intersegmental transactions	**(7 315)**	(9 174)	(44 128)
	3 578 854	3 481 212	7 931 740
Segmental adjusted EBITDA			
Botswana	**84 003**	42 907	182 539
Eswatini	**39 763**	36 033	92 856
Namibia	**8 002**	16 926	7 638
South Africa	**53 078**	54 660	166 237
Other countries	**3 296**	781	2 666
Intersegmental transactions	**–**	(1 261)	(1 076)
	188 142	150 046	450 860
Segmental EBIT			
Botswana	**66 612**	29 963	156 753
Eswatini	**33 206**	30 015	79 940
Namibia	**4 803**	11 311	(3 642)
South Africa	**40 754**	21 630	122 808
Other countries	**2 599**	755	2 593
Intersegmental transactions	**–**	(1 260)	(1 076)
	147 974	92 414	357 376
Reconciliation from adjusted EBITDA to profit after tax:			
Adjusted EBITDA	**188 142**	150 046	450 860
Depreciation and amortisation	**(33 524)**	(37 462)	(73 314)
Impairment of intangible assets	**(6 644)**	(20 170)	(20 170)
EBIT	**147 974**	92 414	357 376
Net finance cost	**(7 865)**	(13 647)	(24 486)
Taxation	**(43 848)**	(34 767)	(102 251)
Profit after tax	**96 261**	44 000	230 639

	(Unaudited) 6 months ended 30 Jun 2021 R'000	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Audited) year ended 31 Dec 2020 R'000
Segmental assets			
Botswana	**1 864 191**	1 809 417	1 935 553
Eswatini	**394 996**	310 519	359 868
Namibia	**290 119**	340 602	334 371
South Africa	**751 996**	751 669	789 832
Other countries	**20 007**	27 163	22 949
Intersegmental transactions	**(136 499)**	(218 066)	(146 890)
	3 184 810	3 021 304	3 295 683
Segmental liabilities			
Botswana	**1 019 352**	1 038 404	1 121 817
Eswatini	**211 190**	140 973	169 676
Namibia	**195 094**	236 290	241 074
South Africa	**214 069**	292 903	249 221
Other countries	**2 172**	15 828	6 621
Intersegmental transactions	**(136 552)**	(219 982)	(148 026)
	1 505 325	1 504 416	1 640 383

NOTES TO THE SUMMARISED CONSOLIDATED INTERIM FINANCIAL RESULTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised consolidated interim financial results for the six months ended 30 June 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and presented according to the disclosure requirements of accounting standard IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the consolidated interim financial results are consistent with those accounting policies applied in the preparation of the previous year's consolidated interim financial results.

The financial information is presented in South African Rand (rounded to the nearest thousand), which is considered the reporting currency. The summarised consolidated interim financial results have been prepared under the supervision of the Finance Director, Mr Frans Reichert CA(SA) and have not been reviewed by the auditors. The summarised consolidated interim financial results for the six months ended 30 June 2021 were approved for issue by the board on 30 August 2021.

2. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS

Financial instruments consist of trade receivables, bank and cash balances and other payables resulting from normal business operations. The nominal value less loss allowance of trade receivables and the nominal value of payables are assumed to approximate their fair values.

4. INTANGIBLE ASSETS

The goodwill of Expo Africa group of companies, subsidiaries of CA Sales Investments (Pty) Ltd, a fully-owned subsidiary of CA Sales Holdings Ltd, was fully impaired by its remaining value of R6.6 million. These businesses derive their revenue from marketing and promotional services in the Southern African region. These businesses have been impacted negatively by intermittent lockdown regulations and have been loss making with limited expectation of a profitable turnaround. The re-assessment of future cash flows resulted in a decrease in the carrying amounts of this cash-generating unit.

5. SHARES ISSUED

On 12 May 2021, 4 624 590 shares to the value of R23.4 million were issued to a minority shareholder of Pack 'n Stack Investment Holdings (Pty) Ltd who is also a director of CA Sales Holdings Ltd, in exchange for a 5.05% increase in the shareholding of the subsidiary.

	Number	R'000
Balance at beginning of the year	452 206 869	848 599
Share swap	4 624 590	23 361
Balance at end of the period	**456 831 459**	**871 960**

6. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 12 May, the group acquired an additional 5.05% of the issued shares of Pack 'n Stack Investments Holdings (Pty) Ltd for equity instruments to the value of R23.4 million. Immediately prior to the purchase, the group's carrying amount of the existing 10.9% non-controlling interest in Pack 'n Stack Investments Holdings (Pty) Ltd was R21.3 million. The group recognised a decrease in non-controlling interest of R9.9 million and a decrease in retained earnings attributable to owners of the parent of R13.5 million.

The above effect on the equity attributable to the owners of CA Sales Holdings Ltd during the year is summarised as follows:

	2021 R'000	2020 R'000
Carrying amount of non-controlling interests acquired	**9 870**	8 124
Consideration in the form of equity instruments	**(23 361)**	(15 251)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(13 491)**	(7 127)

Non-controlling interest is measured at the proportional share of identifiable net assets.

7. OPERATING PROFIT

Profit for the half year includes the following items that are unusual because of their nature or size:

R'000	30 Jun 2021	30 Jun 2020	31 Dec 2020
Gains			
Foreign exchange gains	**27 089**	–	7 407
Expenses			
Foreign exchange losses	**21 967**	49 141	20 820
Impairment of goodwill (see note 4)	**6 644**	20 170	20 170
Fair value loss on step-up acquisition	**–**	–	7 501

8. INCOME TAX

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the period. The estimated average annual tax rate used for the period to 30 June 2021, excluding the non-deductible impairment charge of R6.6 million and withholding taxes of R3.9 million, is 27.2%, compared to 31.1% for the six months ended 30 June 2020 (adjusted for non-deductible impairment charges and withholding tax). The tax rate was higher in 2020 due to the lower profit contribution of Botswana entities which operate on a 22% tax rate and higher profit contribution of Namibia entities which operate on a 32% tax rate.

9. CASH GENERATED FROM OPERATIONS

R'000	30 Jun 2021	30 Jun 2020	31 Dec 2020
Profit before income tax	**140 109**	78 767	332 890
Adjustments for:			
Depreciation	**32 439**	36 021	70 857
Amortisation	**1 080**	1 443	2 457
Net profit on disposal of property, plant and equipment	**(461)**	(795)	(1 978)
Impairment of intangible assets	**6 644**	20 170	20 170
Finance income	**(5 156)**	(5 025)	(6 732)
Finance costs	**13 024**	18 672	31 218
Fair value loss on step-up acquisition	**–**	–	7 501
Share of profits from associated companies	**(1 501)**	(231)	(1 519)
Share-based payments	**3 072**	3 418	7 037
Profit on termination of lease agreement	**(770)**	–	(1 018)
Unrealised foreign currency losses/other items	**1 762**	6 643	4 582
Payment on share options exercised	**–**	–	(147)
	190 067	159 083	465 318
Changes in working capital			
Inventories	**(59 049)**	12 680	(65 819)
Trade and other receivables	**259 252**	371 621	12 947
Trade and other payables	**(110 746)**	(301 828)	(7 143)
	89 457	82 473	(60 015)
	279 524	241 556	405 303

10. EVENTS AFTER BALANCE SHEET DATE

There were no significant events that occurred after the reporting date that require adjustment to or disclosure in the consolidated interim financial results for the six months ended 30 June 2021.

11. DIVIDENDS

R'000	**30 Jun 2021**	**30 Jun 2020**
Ordinary shares		
Dividends paid	**46 397**	46 078

The company has a policy of declaring dividends once a year.

For and on behalf of the board

JA Holtzhausen
Chairman

DS Lewis
Chief Executive Officer

Centurion
30 August 2021

CORPORATE INFORMATION

Directors:

Executive: DS Lewis, FJ Reichert

Non-executive: FW Britz, JA Holtzhausen, PN de Waal

Independent non-executive: LR Cronje, B Marole, E Masilela, JS Moakofi, B Patel

Alternate non-executive: J Craven

Registered office:
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BSE Sponsor:
Imara Capital Securities (Pty) Ltd, Unit 1E, Ground Floor, Peelo Place, Plot 54366 Western Commercial Road, New CBD, Gaborone, Botswana

4AX Issuer Agent:
PSG Capital (Pty) Ltd, 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, South Africa