

# **BELL**

**STRONG RELIABLE MACHINES  
STRONG RELIABLE SUPPORT**

# **2020**

**BELL EQUIPMENT LIMITED  
UNAUDITED INTERIM RESULTS  
for the period ended 30 June 2020**



# CONTENTS

Operational update

Financial results

Looking ahead

Appendix



# 4 DEFINED AREAS OF OPERATION



1 Global ADT specialist  
and innovation  
pioneer



2 Southern African full-  
range material-  
handling distributor



3 Innovative niche  
material-handling  
solutions



4 Provider of premium  
aftermarket support





# GLOBAL REACH



## Key

-  Manufacturing
-  Distribution
-  Products
-  Aftermarket

## South America

-  • Independent dealer network supported from the South African factory
-  • Full range of Bell and Matriarch manufactured products supplied from South Africa
-  • Dealer parts stocking supported from logistics hubs in USA and Africa

## North America & Canada

-  • Independent dealer network supported by a Bell operation in the USA
-  • Full range of Bell ADTs supplied from German assembly plant
-  • Dealer parts stocking supported from logistics hubs in USA, Europe and Africa

## Europe & North Africa

-  • ADT assembly plant at Eisenach-Kindel, Germany
-  • Independent dealer network supported by Bell-owned operations in the UK, Germany and France
-  • Full range of Bell ADTs supplied from German assembly plant
-  • Dealer parts stocking supported from logistics hubs in Europe and Africa

## Asia

-  • Independent dealer network supported by a Bell-owned operation in Russia
-  • Full range of Bell ADTs supplied from South African assembly plant
-  • Dealer parts stocking supported from logistics hubs in Europe and Africa

## South East Asia & Oceania

-  • Independent dealer network supported by a Bell-owned operation in Australia
-  • Full range of Bell and Matriarch manufactured products supplied from South Africa
-  • Dealer parts stocking supported by logistics hubs in Singapore, Australia and Africa

## Sub Saharan Africa

-  • Dealer network supported by Bell-owned operations in South Africa, Zambia and Zimbabwe
-  • Full range of Bell and Matriarch manufactured products throughout Africa
- Full range of Deere, Bomag, Finlay, Kobelco and KAMAZ products in Southern Africa
-  • Dealer parts stocking supported from logistics hubs in Europe and Africa

## South Africa

-  • Bell manufacturing operation and headquarters in Richards Bay
-  • Network of Bell-owned service centres
-  • Full range of Bell and Matriarch manufactured products supplied from South Africa
- Full range of Deere, Bomag, Finlay, Kobelco and KAMAZ products
-  • Dealer parts stocking supported from logistics hubs in Europe and Africa

# OEM — MANUFACTURING, ASSEMBLY, LOGISTICS & DEALER SALES OPERATIONS, SOUTH AFRICA

## Status at full year-end Dec 2019:

- External South African Dealer Sales 18,4% of Group Sales.
- Volume growth in 2019 drove manufacturing efficiencies.
- Margin pressure due to global market conditions and product and supplier quality campaigns negatively impacted profitability.
- Quality and efficiencies continued to be key focus.
- Fixed expense review planned for 2020 year.
- High operating inventory to be worked down towards year-end 2020 given anticipated slowdown in certain markets.
- Continued investment in new IP generation, sufficient capacity for future growth and good safety record.

## Achievements and realities of the six months to June 2020:

- External South African Dealer Sales down 22,8% on 1<sup>st</sup> half of PY and now represents 15,1% of Group Sales due to market slow down and trading restrictions.
- Production rate reduction due to Covid-19 impact, lockdowns and market uncertainty resulting in unrecovered overheads, manufacturing inefficiencies and additional operating costs, shifting the operation into an operating loss of R70,3m compared with a profit of R114,6m for the corresponding prior year period.
- Margin pressure continued during period under review.
- Product manufacturing quality concerns successfully addressed, but still large provisions for supplied component warranties.
- Fixed expense review currently underway.
- Significant reduction in overall operating inventory achieved during period.
- Impairment to capitalised R&D and provision for residual value shortfalls.
- Continued investment in new IP generation, sufficient capacity for future growth and good safety record.
- Manufacturing entity 51% black owned 1 Jan 2020, with L2 BEE score achieved.

# OEM — MANUFACTURING, ASSEMBLY, LOGISTICS & DEALER SALES OPERATIONS, EUROPE

## Status at full year-end Dec 2019:

- External sales from OEM Germany 36,4% of Group Sales (2018: 32,5%).
- German factory expansion successfully completed in Q3 2019, within budget and planned timeframe.
- Good results from EU markets, but Brexit impacted UK in Q4 2019.
- Further growth from strong dealer network that covers majority of USA market.
- High operating inventory to be worked down towards year-end 2020 given anticipated slowdown in certain markets.

## Achievements and realities of the six months to June 2020:

- External sales from OEM Germany slightly up to 37,5% of Group Sales, but 26,5% down on the first half of 2019, mainly due to market slow down and trading restrictions.
- Assembly rate reduction due to Covid-19 impact, lockdowns and market uncertainty resulting in unrecovered overheads, manufacturing inefficiencies and additional operating costs.
- Operating Profit down to R14,2m compared to R61,5m for the corresponding prior year period.
- Component production started at the newly completed factory in Eisenach Germany.
- Production in Europe improves lead times, efficiency in freight and working capital cycles and costs, and provides for greater flexibility and improved response times to dealers and customers.
- Poor market performance in all markets due to Covid-19 impact and lockdowns, but various stimulus packages and large infrastructure projects in Northern hemisphere will assist in driving market recovery in the second half of the year.
- High operating inventory worked down.

# DIRECT SALES — SOUTH AFRICA

## Status at full year-end Dec 2019:

- Sales as percentage of Group Sales fell to 40,3% (2018: 43,5%).
- Tough trading conditions with market contraction resulted in margin pressure.
- Various once-off expenses, provisions and high interest charge.
- Policy uncertainty and low economic growth impacted buying decisions and increased requirement for customer funding solutions.
- Kamaz partnership not as successful as envisaged.
- Mining stable, with some optimism in coal, while construction and road building sectors remain exceptionally weak.
- Slow-moving inventory consumed and overall reduction in inventory.
- Full product and service line positions for market recovery.

## Achievements and realities of the six months to June 2020:

- Sales up to 43,0% of Group Sales, but 20,2% down if compared to first half of 2019, mainly due to market slow down and trading restrictions.
- Margin pressure continued during period under review.
- Operating Profit down to R14,7m compared to R22,1m for the corresponding prior year period.
- Policy uncertainty and low economic growth impacted buying decisions and increased requirement for customer funding solutions.
- Mining stable, with some optimism in coal, while construction and road building sectors remain exceptionally weak. GDP contraction and Covid-19 impact results in review of business model and cost base.
- South African Sales entity 51% black owned, 30% black woman owned with Level 1 BBBEE score achieved, maximising benefit for customers.
- Full product and service line positions for market recovery.

# DIRECT SALES — REST OF AFRICA

## Status at full year-end Dec 2019:

- Sales represent 4,9% of Group Sales (2018: 8,9%), following migration of DRC from own operation to Independent Dealer.
- Trading conditions difficult with reduced commodity demand and customer liquidity issues.
- Operating losses arrested following 2018 currency loss of R87,4m in Zimbabwe.
- Full product and service line positions for growth.
- Recovery in territory marred by foreign currency shortages, low economic activity.

## Achievements and realities of the six months to June 2020:

- Sales at 4,4% of Group Sales, but 36,2% down if compared to first half of 2019, mainly due to market slow down and trading restrictions.
- Margin pressure continued during period under review, with recovery still marred by foreign currency shortages, low economic activity and Global Covid-19 impact on commodities.
- Operating Profit down to R13,0m compared to R43,0m for the corresponding prior year period.
- Full product and service line positions for growth.



# BELL EQUIPMENT LIMITED

## FINANCIAL RESULTS

# SALIENT FEATURES — JUN 2020 vs JUN 2019

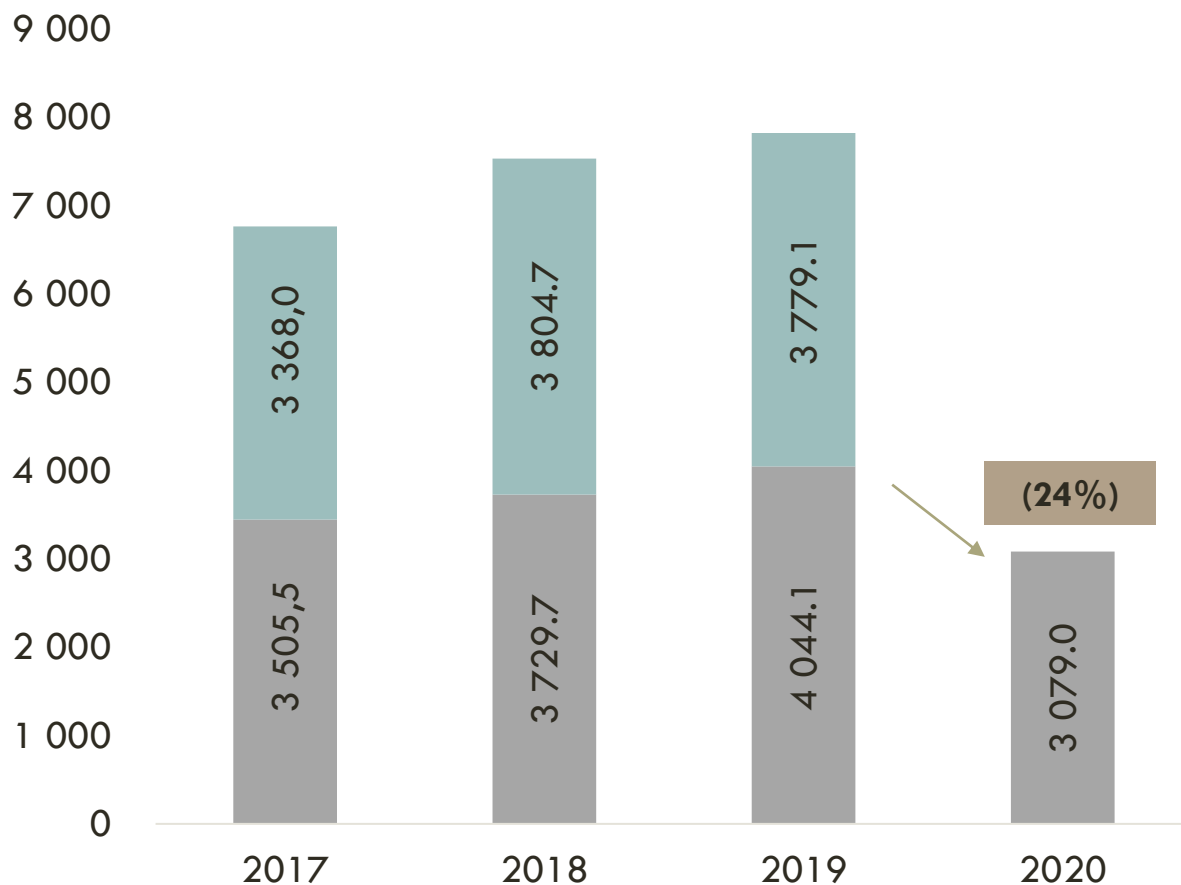
↓	Revenue	Down 24% to R3,1 bn
↓	Profit from operating activities	Down 100% to R0,7 m
↓	(Loss) Profit for the period	Down 134% to R52,3m loss
↓	HEPS	Down 119% to 31 cps loss
↑	NAV	Up 6,0% to 3 858 cents
	No interim dividend declared	

- The impact of COVID-19 related restrictions globally and especially in South Africa, was severe
- Tough global conditions continued
- Once off residual value and inventory provisions and non-core development project impairments – R81 million

# REVENUE & OPERATING PROFIT

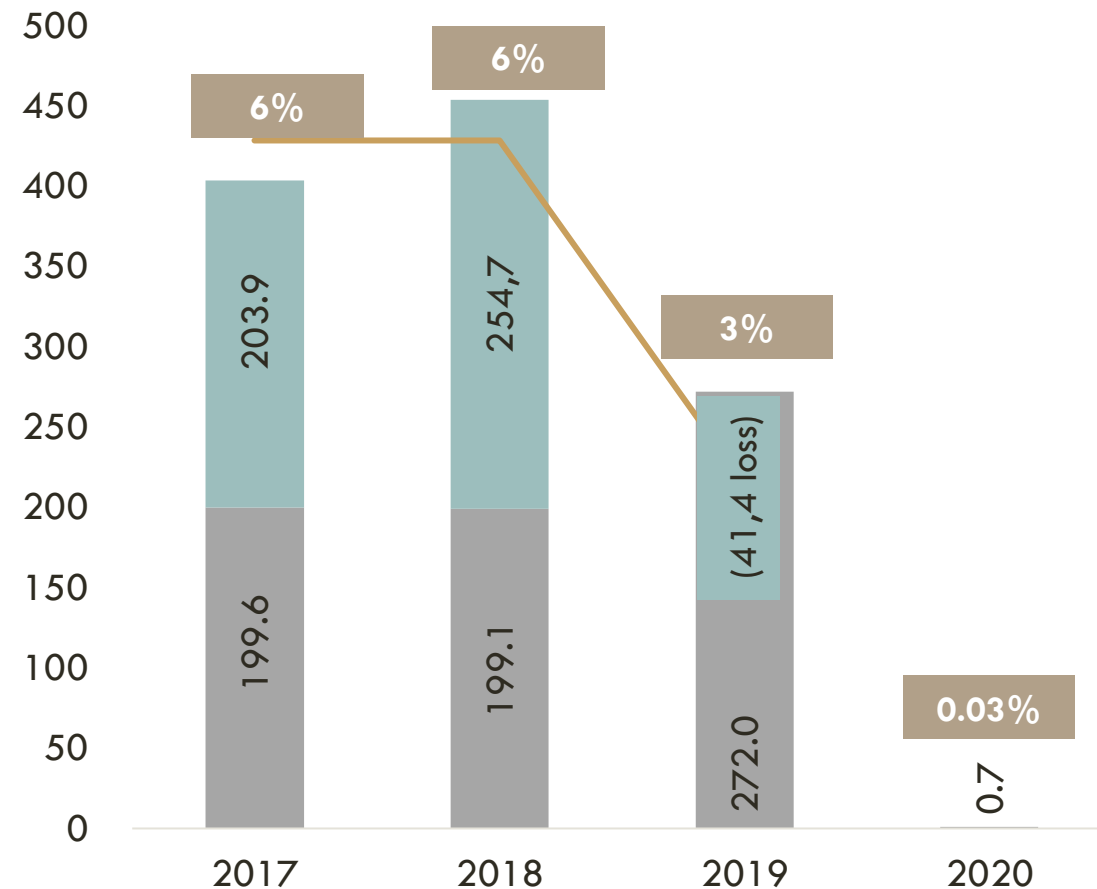
Revenue (Rm)

■ HY1 ■ HY2

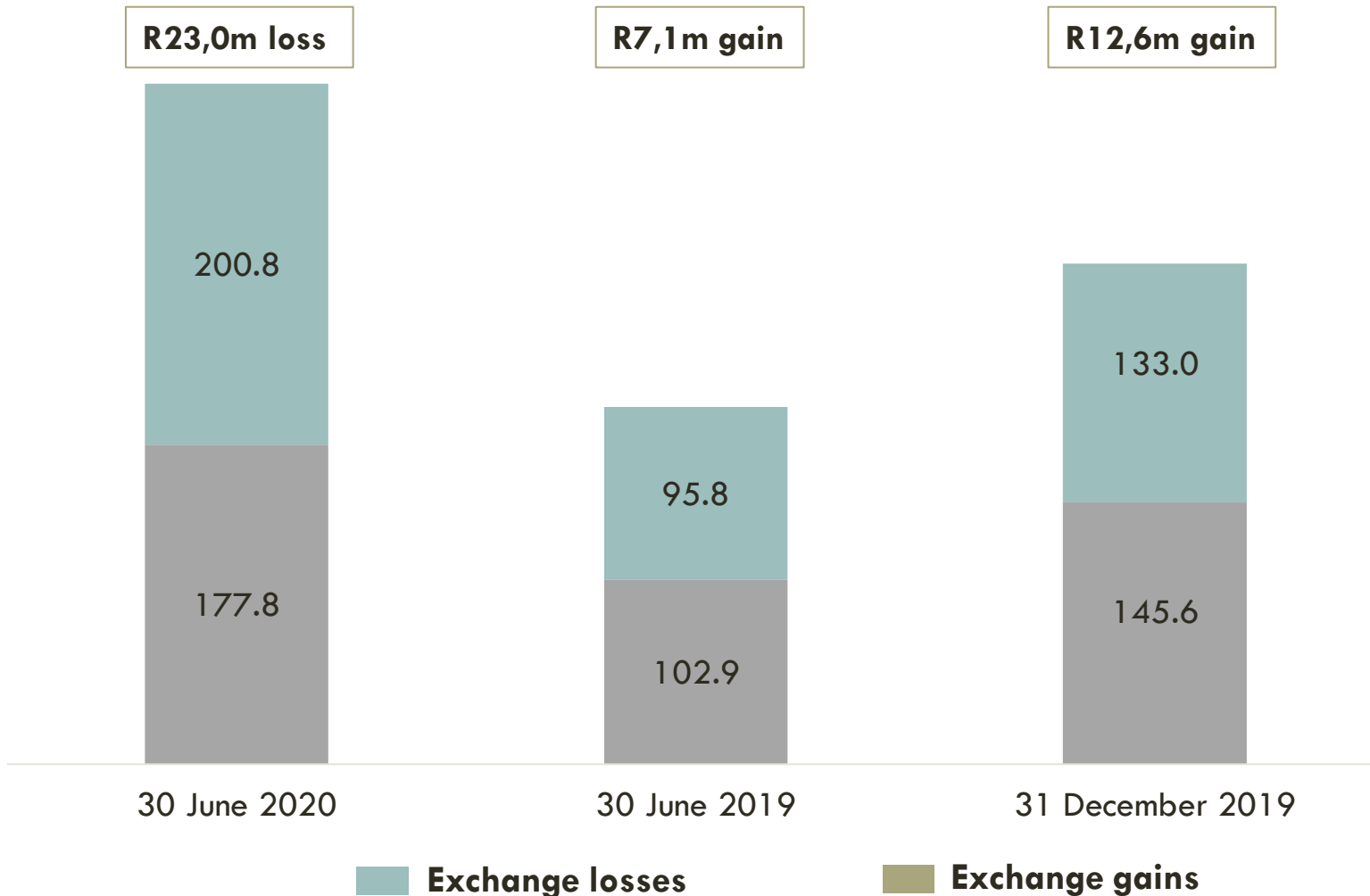


Profit from operating activities (Rm)

■ HY1 ■ HY2 — Operating profit margin FY (%)

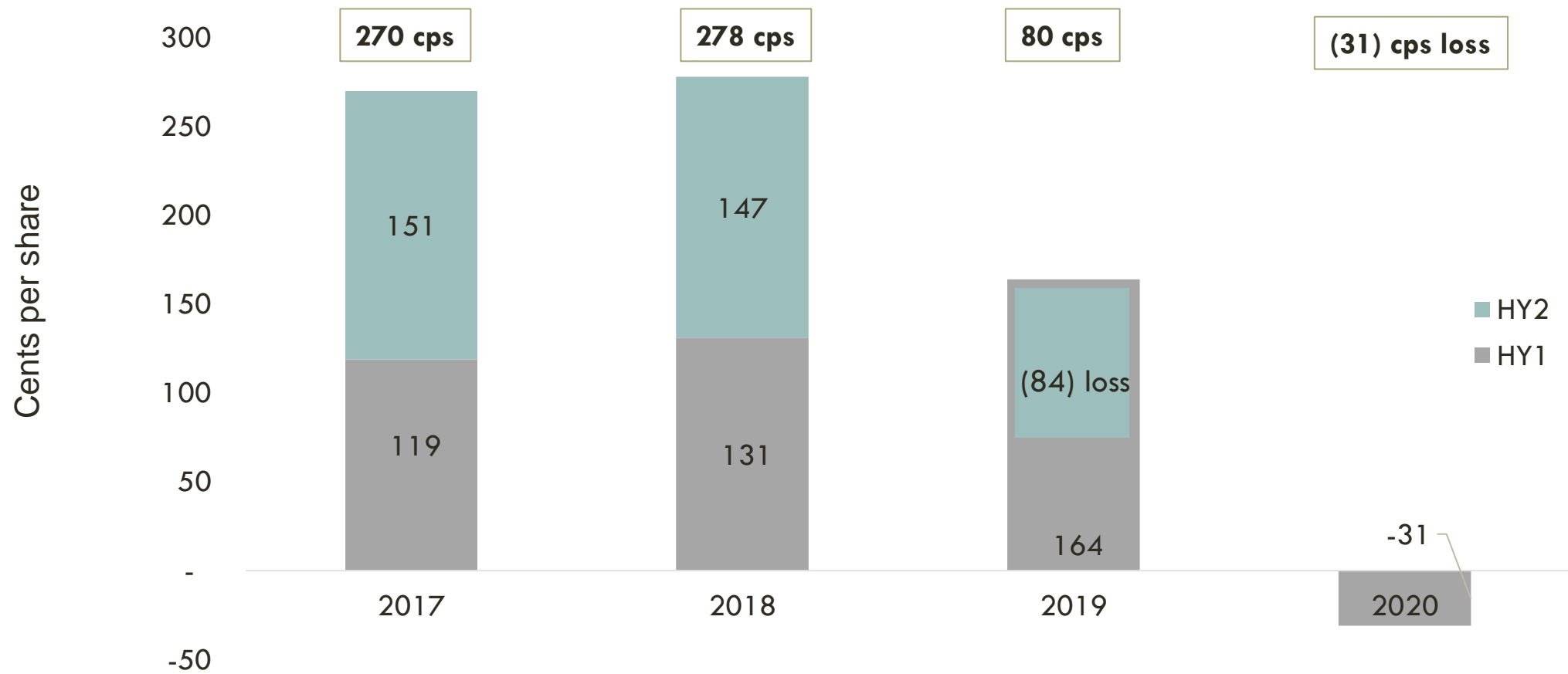


# EXCHANGE GAINS/(LOSSES)



Net exchange losses at Richards Bay factory on import payments and revaluation of foreign payables due to weaker Rand. These losses exceeded gains on foreign currency receivables.

# HEADLINE EARNINGS PER SHARE (HEPS)





# BALANCE SHEET - ASSETS

Rm	Unaudited 30 Jun 2020	% change	Audited 31 Dec 2019
<b>Non-current assets</b>	<b>1 891,5</b>	<b>16</b>	<b>1 634,3</b>
Property, plant and equipment	999,3	10	910,3
Right-of-use assets	309,1	78	173,3
Intangible assets	277,1		294,7
Investments	31,6		25,8
Interest-bearing receivables	75,4		80,2
Deferred taxation	199,0		150,0
<b>Current assets</b>	<b>5 199,7</b>	<b>(4)</b>	<b>5 397,7</b>
Inventory	3 923,7	(6)	4 177,5
Trade and other receivables	848,8	(5)	894,7
Current portion of interest-bearing receivables	168,4		152,0
Prepayments	22,8		29,5
Other financial assets	2,2		6,8
Current taxation assets	48,0		46,1
Cash and bank balances	185,8	104	91,1
<b>Total assets</b>	<b>7 091,2</b>	<b>1</b>	<b>7 032,0</b>

# BALANCE SHEET - EQUITY & LIABILITIES

Rm	Unaudited 30 Jun 2020	% change	Audited 31 Dec 2019
<b>Capital and reserves</b>	<b>3 689,0</b>	<b>7</b>	<b>3 437,9</b>
<b>Non-current liabilities</b>	<b>782,5</b>	<b>38</b>	<b>566,9</b>
<b>Current liabilities</b>	<b>2 619,7</b>	<b>(13)</b>	<b>3 027,2</b>
Trade and other payables	1 174,5		1 034,3
Current portion of interest-bearing liabilities	818,2	(19)	1 013,3
Current portion of lease liabilities	52,0		100,8
Current portion of contract liabilities	162,1		130,8
Current portion of provisions	75,0		73,5
Other financial liabilities	1,8		2,3
Current taxation liabilities	19,9		6,1
Bank overdrafts and borrowings on call	316,2	(53)	666,1
<b>Total equities and liabilities</b>	<b>7 091,2</b>	<b>1</b>	<b>7 032,0</b>

# NOTES ON INVENTORY

Rm	Unaudited 30 Jun 2020	Audited 31 Dec 2019	% change
Finished goods – Manufactured	748,6	969,2	(23)
Finished goods – Branded	402,9	501,7	(20)
Finished goods – Used	386,2	335,4	15
Spares, components & raw materials	1 805,2	1 846,5	(2)
Work in progress	580,8	524,7	11
<b>Total</b>	<b>3 923,7</b>	<b>4 177,5</b>	<b>(6)</b>

# CASH FLOW STATEMENT

Rm	Unaudited 30 Jun 2020	Unaudited 30 Jun 2019	% change
Cash operating profit before working capital changes	278,7	501,8	(44)
Cash generated from (utilised in) working capital	531,1	(298,8)	
<b>Cash generated from operations</b>	<b>809,8</b>	<b>203,0</b>	<b>299</b>
Net interest paid	(47,4)	(40,3)	
Taxation paid	(23,6)	(66,1)	
<b>Net cash generated from operating activities</b>	<b>738,8</b>	<b>96,6</b>	<b>665</b>
<b>Net cash utilised in investing activities</b>	<b>(58,8)</b>	<b>(36,6)</b>	
<b>Net cash utilised in financing activities</b>	<b>(235,5)</b>	<b>(184,3)</b>	
Net cash inflow (outflow)	444,5	(124,3)	
Net bank overdrafts & borrowings on call at beginning of period	(574,9)	(269,3)	
<b>Net bank overdrafts &amp; borrowings on call at end of period</b>	<b>(130,4)</b>	<b>(393,6)</b>	<b>67</b>

# NET DEBT AND FINANCE COST

Rm	Unaudited 30 Jun 2020	% change	Audited 31 Dec 2019
Net debt – close	1 200	(35)	1 849
Net debt - average	1 525	(6)	1 627
Interest paid for the period / year	90,0	8	166,2
Gearing % (net debt)	33	(39)	54
Interest cover (times) (underlying EBIT)	0,01	(99)	1,39
Net debt to EBITDA (times, annualised)	5,18	31	3,96

Net debt reduced significantly to June 2020.

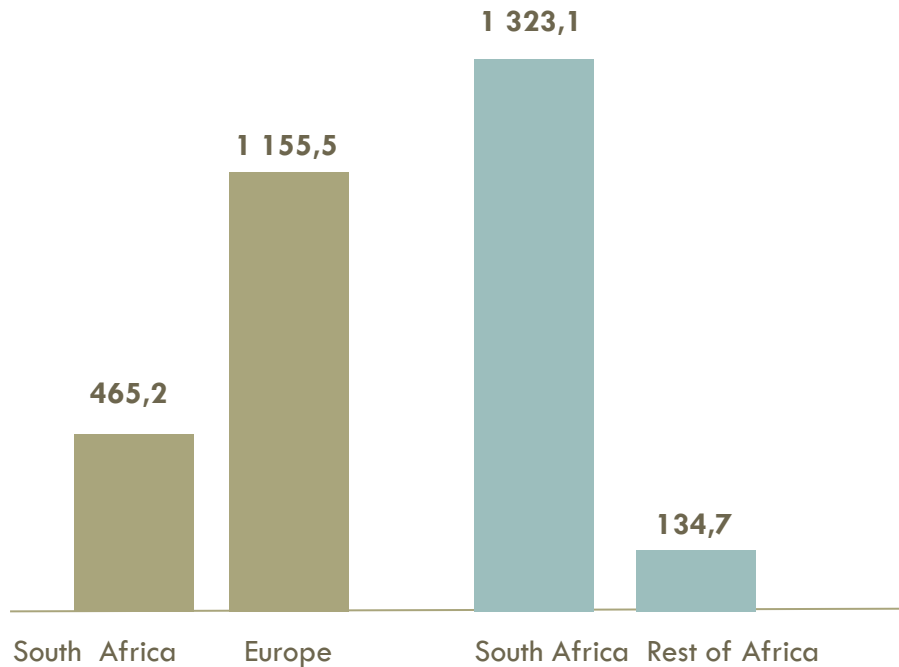
Interest cover and net debt to EBITDA deteriorated due to low earnings.

Gearing down from 54% to 33% at period end.

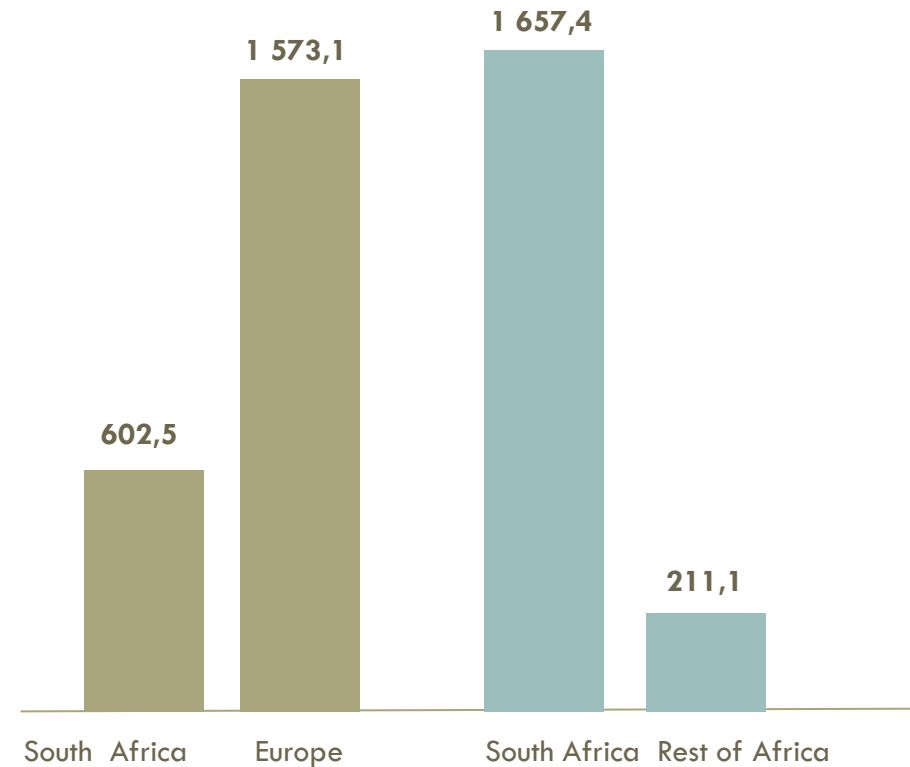


# SEGMENTAL ANALYSIS - SUMMARY

Revenue (Rm) – June 2020



Revenue (Rm) – June 2019



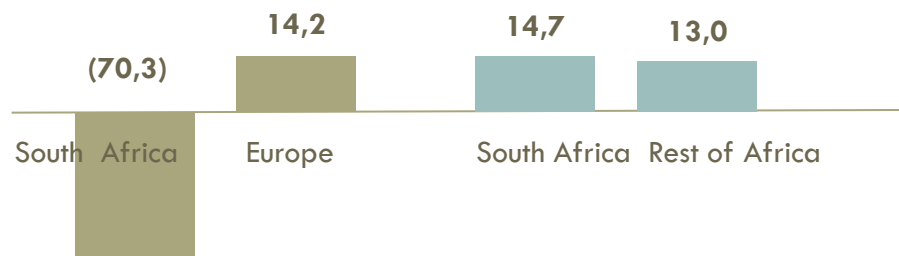
Manufacturing, assembly, logistics and dealer sales operations



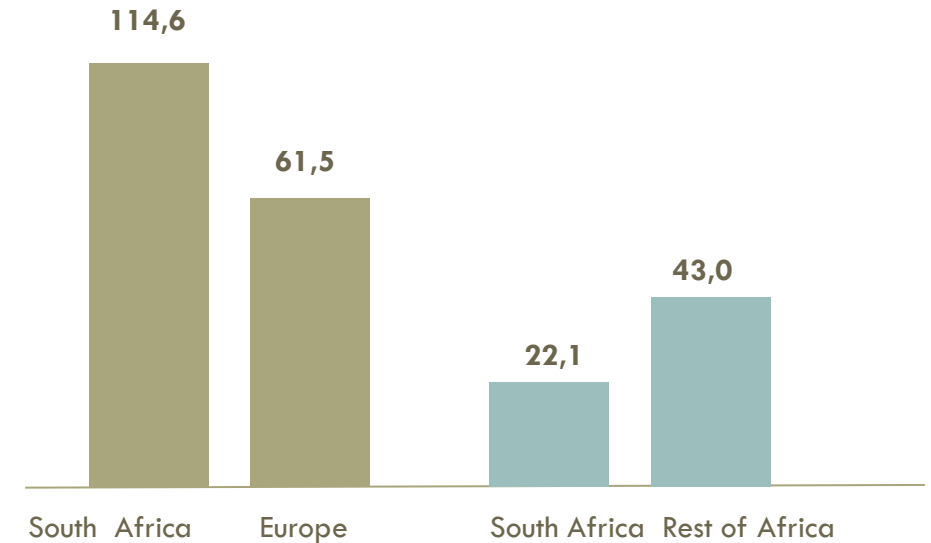
Direct sales operations

# SEGMENTAL ANALYSIS - SUMMARY

Operating profit (Rm) – June 2020



Operating profit (Rm) – June 2019



Manufacturing, assembly, logistics and dealer sales operations



Direct sales operations

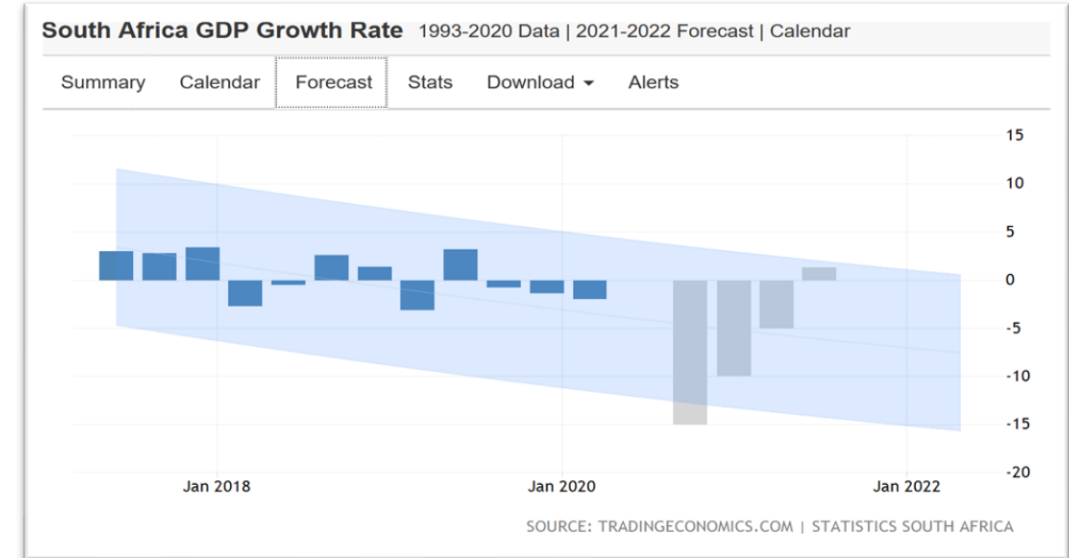
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## LOOKING AHEAD

# LOOKING AHEAD — INDICATORS

## Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2019	2020	2021
<b>World Output</b>	<b>2.9</b>	<b>-4.9</b>	<b>5.4</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>-8.0</b>	<b>4.8</b>
United States	2.3	-8.0	4.5
Euro Area	1.3	-10.2	6.0
Germany	0.6	-7.8	5.4
France	1.5	-12.5	7.3
Italy	0.3	-12.8	6.3
Spain	2.0	-12.8	6.3
Japan	0.7	-5.8	2.4
United Kingdom	1.4	-10.2	6.3
Canada	1.7	-8.4	4.9
Other Advanced Economies	1.7	-4.8	4.2
<b>Emerging Markets and Developing Economies</b>	<b>3.7</b>	<b>-3.0</b>	<b>5.9</b>
<b>Emerging and Developing Asia</b>	<b>5.5</b>	<b>-0.8</b>	<b>7.4</b>
China	6.1	1.0	8.2
India	4.2	-4.5	6.0
ASEAN-5	4.9	-2.0	6.2
<b>Emerging and Developing Europe</b>	<b>2.1</b>	<b>-5.8</b>	<b>4.3</b>
Russia	1.3	-6.6	4.1
<b>Latin America and the Caribbean</b>	<b>0.1</b>	<b>-9.4</b>	<b>3.7</b>
Brazil	1.1	-9.1	3.6
Mexico	-0.3	-10.5	3.3
<b>Middle East and Central Asia</b>	<b>1.0</b>	<b>-4.7</b>	<b>3.3</b>
Saudi Arabia	0.3	-6.8	3.1
<b>Sub-Saharan Africa</b>	<b>3.1</b>	<b>-3.2</b>	<b>3.4</b>
Nigeria	2.2	-5.4	2.6
South Africa	0.2	-8.0	3.5
<b>Low-Income Developing Countries</b>	<b>5.2</b>	<b>-1.0</b>	<b>5.2</b>



## World Economic Outlook Update, June 2020: A Crisis Like No Other, An Uncertain Recovery

June 24, 2020

**Description:** Global growth is projected at -4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, imperiling the significant progress made in reducing extreme poverty in the world since the 1990s.

*CE Outlook - Declines between 20% and 30% seem to be most realistic scenario currently. Global recession a reality now, but prolonged global depression unlikely given prospects to stimulate economies.*

# LOOKING AHEAD

- Bell currently distributes a number of Bell-branded, John Deere designed and manufactured products in certain markets in Southern Africa either through its own network or via sub dealers. The principal market is South Africa. Based on changes in the operating environment of both companies, Bell and Deere agreed on the future of these distribution arrangements.
- Bell will distribute Deere products until January 2023 and will continue to provide aftermarket, technical and product support to our customers for a further 10 years thereafter.
- Bell will transition from an exclusive to non-exclusive Deere dealer arrangement from March 2021.
- Bell is currently in discussions with a number of international OEM's with regard to providing well suited replacement products to its customers in Southern Africa. Details of such arrangements will be communicated when available.
- Shareholders are also referred to the cautionary announcement released by Bell on SENS on 7 September 2020 regarding the potential purchase by I A Bell & Company of the 31,4% shareholding of John Deere in Bell.



# LOOKING AHEAD

- Ongoing global uncertainty in major markets, exacerbated by COVID-19
- Margin erosion as markets shrink, and global market pressure expected to continue
- Lack of decisive action and policy certainty in South Africa continues to weigh on growth prospects
- Continue to lobby Government against unfair competition
- Inventory, gearing and cost structures to be further reduced in-line with global outlook and demand
- Absolute focus on factory performance, quality, safety, cost reduction and sourcing
- Continued OEM product portfolio development for introduction of new product
- Continued focus on strategic priorities and global growth objectives

# BELL EQUIPMENT LIMITED



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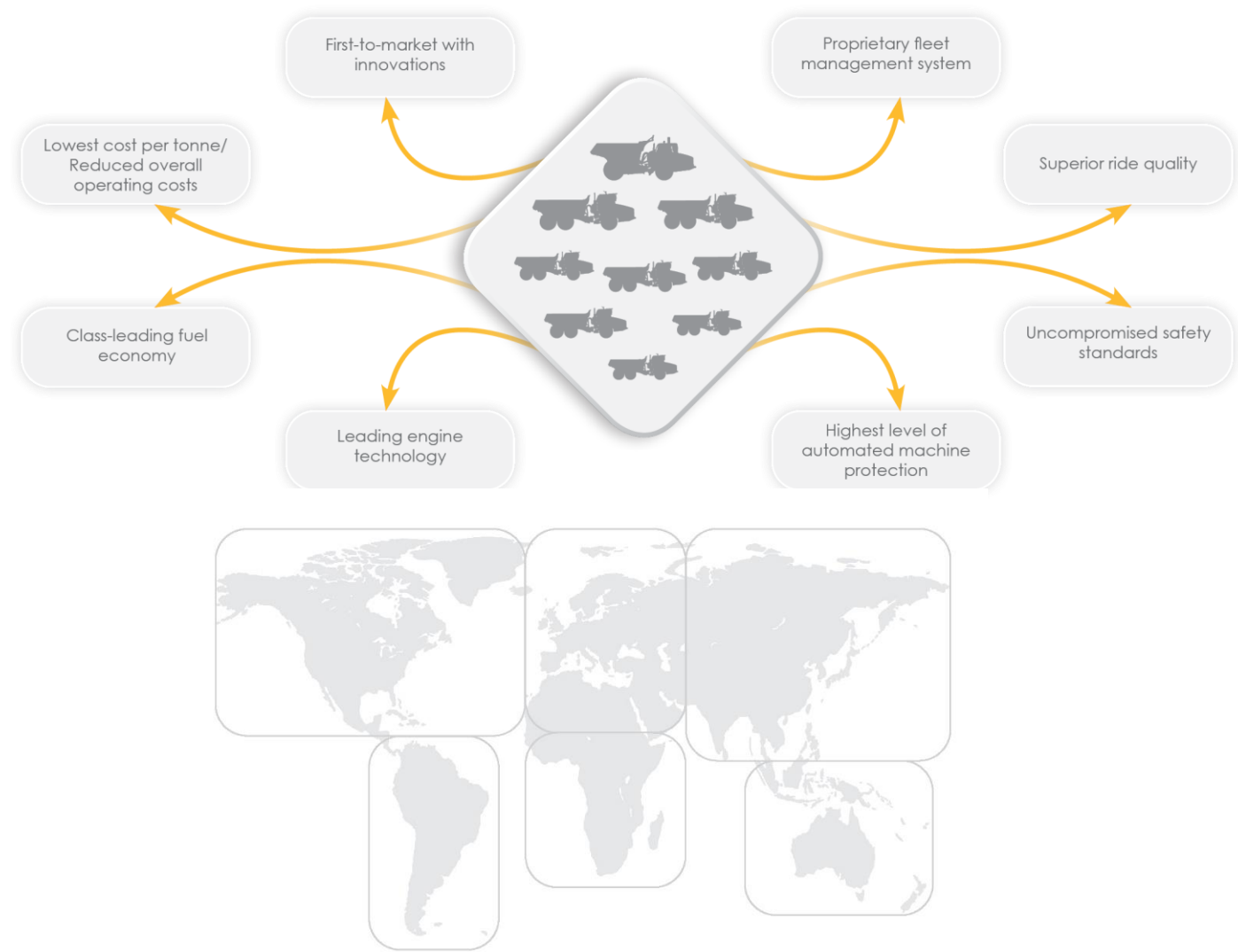
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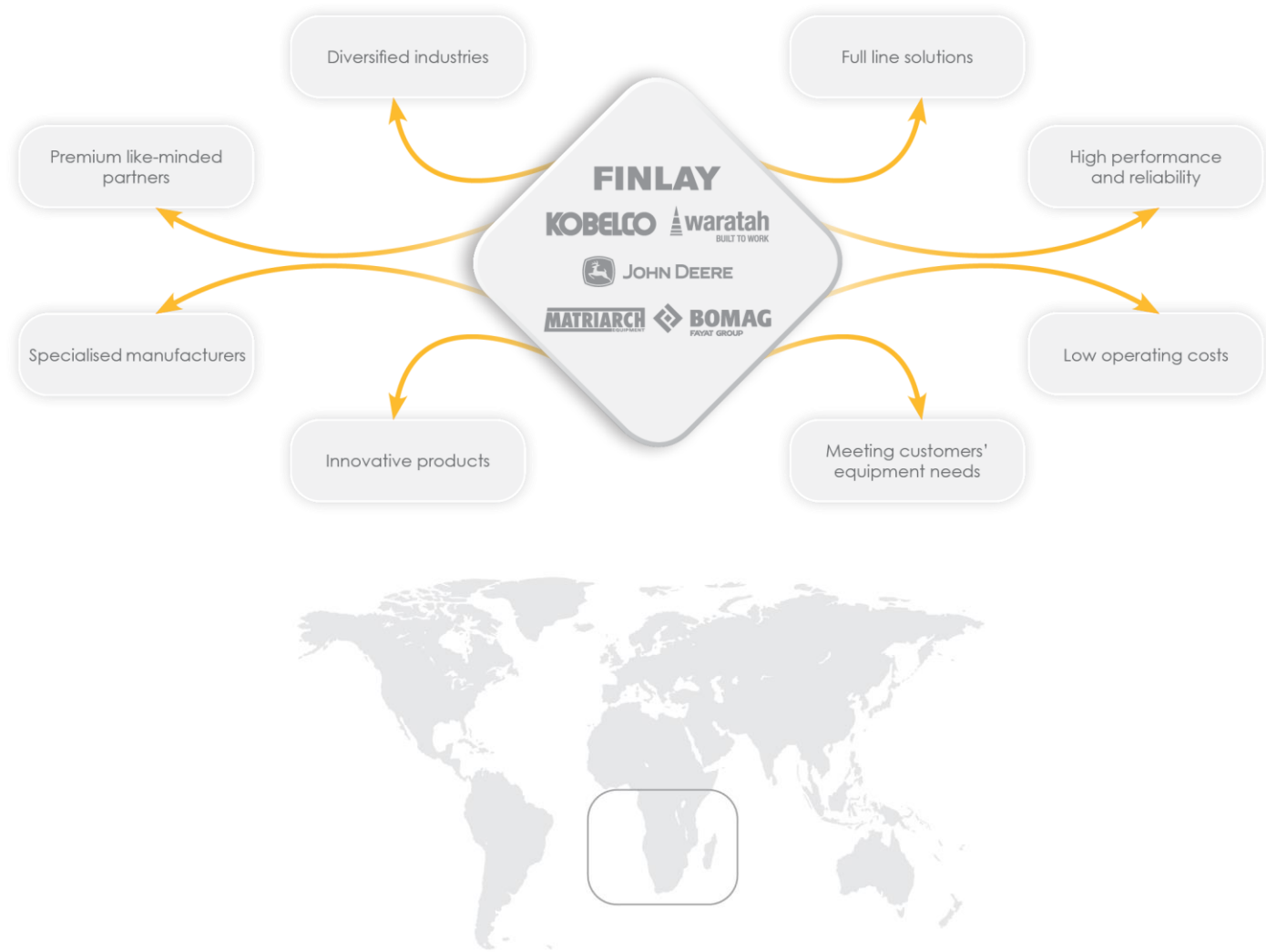
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## APPENDIX

# ADT SPECIALIST

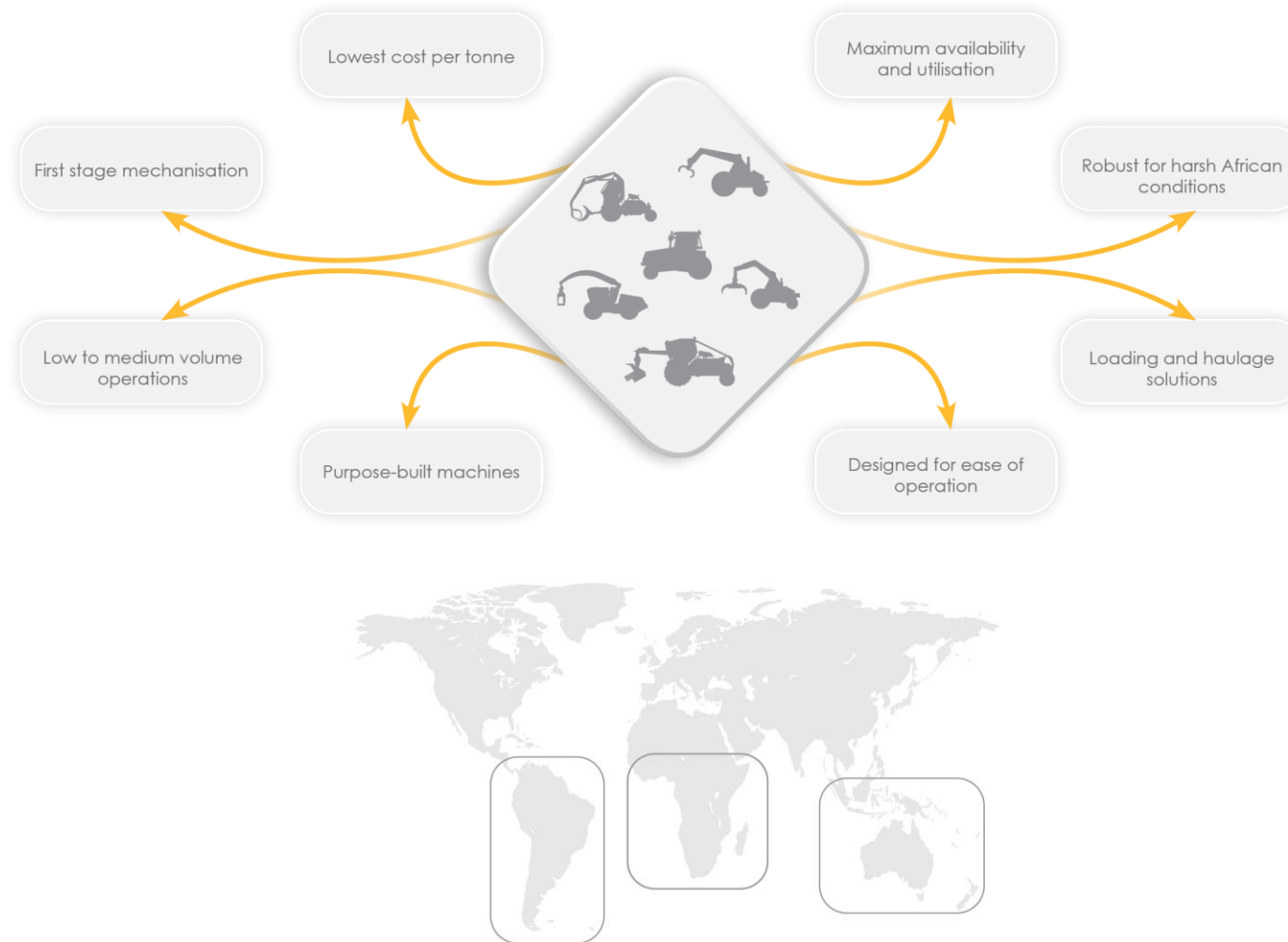


# MATERIAL-HANDLING DISTRIBUTOR





# AGRICULTURE & FORESTRY SOLUTIONS PROVIDER



# AFTERMARKET SUPPORT

