



BELL

STRONG RELIABLE MACHINES

STRONG RELIABLE SUPPORT

BELL EQUIPMENT LIMITED • FINAL RESULTS
for the year ended 31 December 2019

AGENDA

Progress and impacts

B-BBEE transaction

Group overview

Financial results ¹

Operational overview

Looking ahead

Appendix

¹ JSE granted extension to end May 2020 for the board of directors to further consider the impact of COVID-19



PROGRESS AND IMPACTS — TO DEC 2019

Progress:

Empowered South African manufacturing and sales and aftermarket operations

Utilising inventory

Progressed manufacturing at German factory

Revised incentive scheme to include balance sheet hurdles as part of KPI's

Impacts:

Two distinct halves, tough global trading conditions post mid-year resulted in below par performance

Poor business and investor confidence (property and mining rights and sustainability of SEO's)

Factory production, high inventory and borrowings

Challenging operating conditions remain and likely to be prolonged

B-BBEE TRANSACTION

- Commitment to empowerment
- BECSA (manufacturing) and BESSA (sales and aftermarket) are now 51% black-owned, effective 1 January 2020, with BESSA also 30% black woman owned.
- 10-year lock-in period
- Drive growth and transformation targets
- R82m charge through income statement

BECSA – Level 2 (estimated)

Benefit from APDP* funding
Ability to increase manufacturing throughput
Drive greater industrialisation

BESSA – Level 1 (estimated)

Customers maximise procurement spend

These BEE transactions align with:

- Government's economic transformation policies
- 2018 Mining Charter
- SANRAL's transformation goals

* Automotive Production and Development Programme

STRATEGIC POSITIONING



1 Global ADT specialist and innovation pioneer



2 Southern African full-range material-handling distributor



3 Innovative niche material-handling solutions



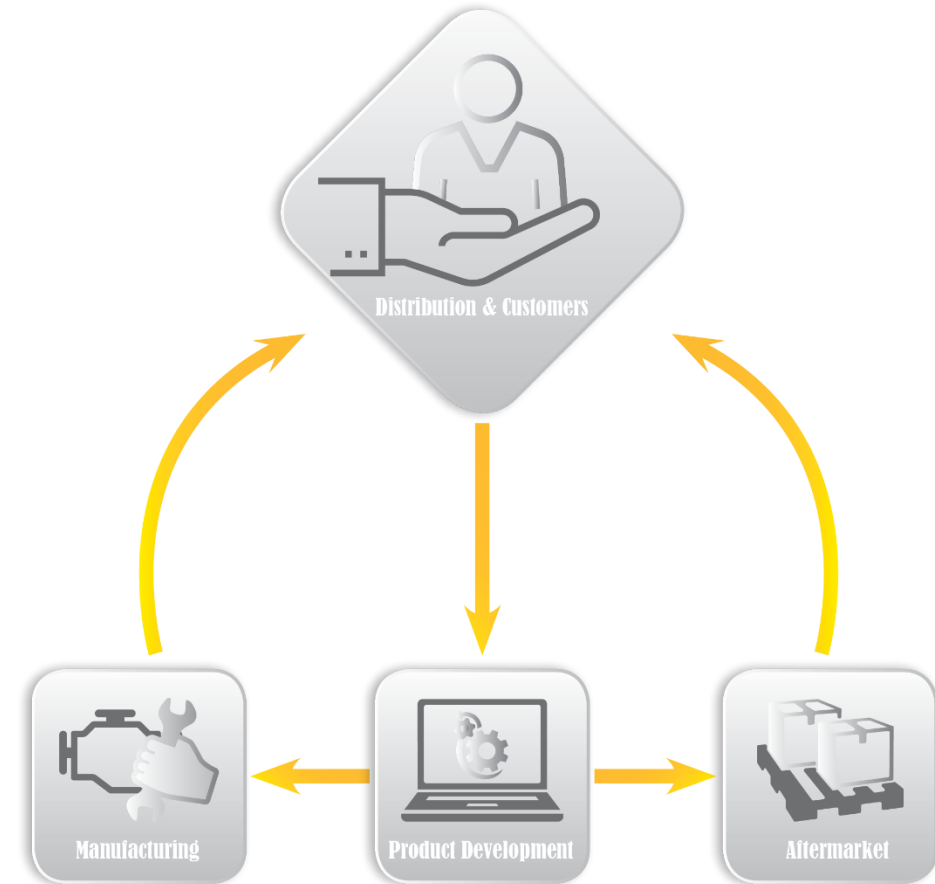
4 Provider of premium aftermarket support

Providing solutions to customers who require materials handling machinery



VALUE CREATION

1. Strive to give customers the best ownership experience
2. Listen to customer needs and develop relevant equipment and aftermarket solutions
3. Build long-term relationships throughout the value chain enabling mutual value creation




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

BELL EQUIPMENT LIMITED

FINANCIAL RESULTS

PERIOD HIGHLIGHTS — DEC 2019 vs DEC 2018

↑	Revenue	Up 4% to R7,8 bn
↓	Profit from operating activities	Down 49% to R230,6 m
↓	Profit for the year	Down 78% to R61,0m
↓	HEPS	Down 71% to 80 cps
↑	NAV	Up 2,0% to 3 595 cents
	No final dividend	

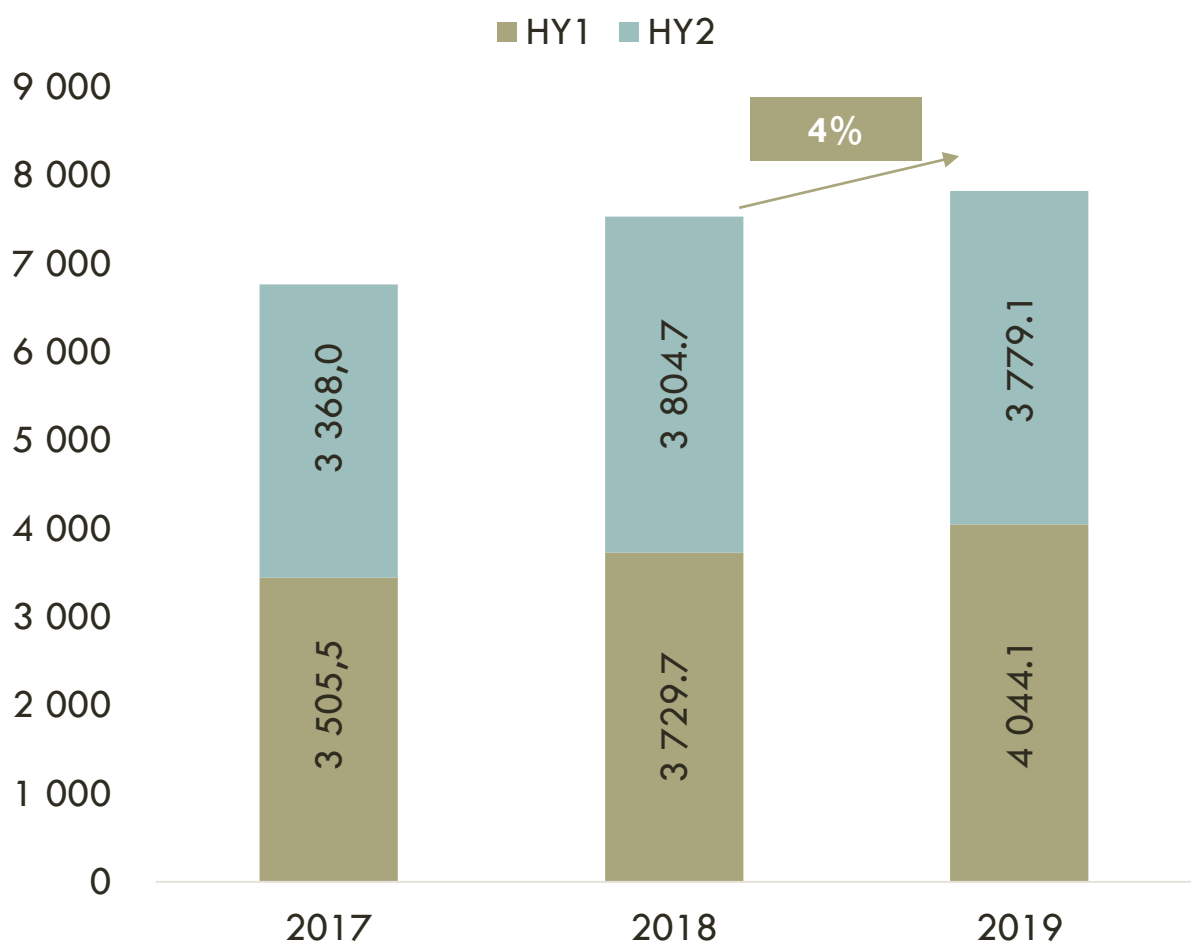
- Tough global conditions in second-half resulted in pressure on sales and margins
- B-BBEE transaction IFRS 2 charges of R82m
- High interest costs on funding high inventory levels

INCOME STATEMENT

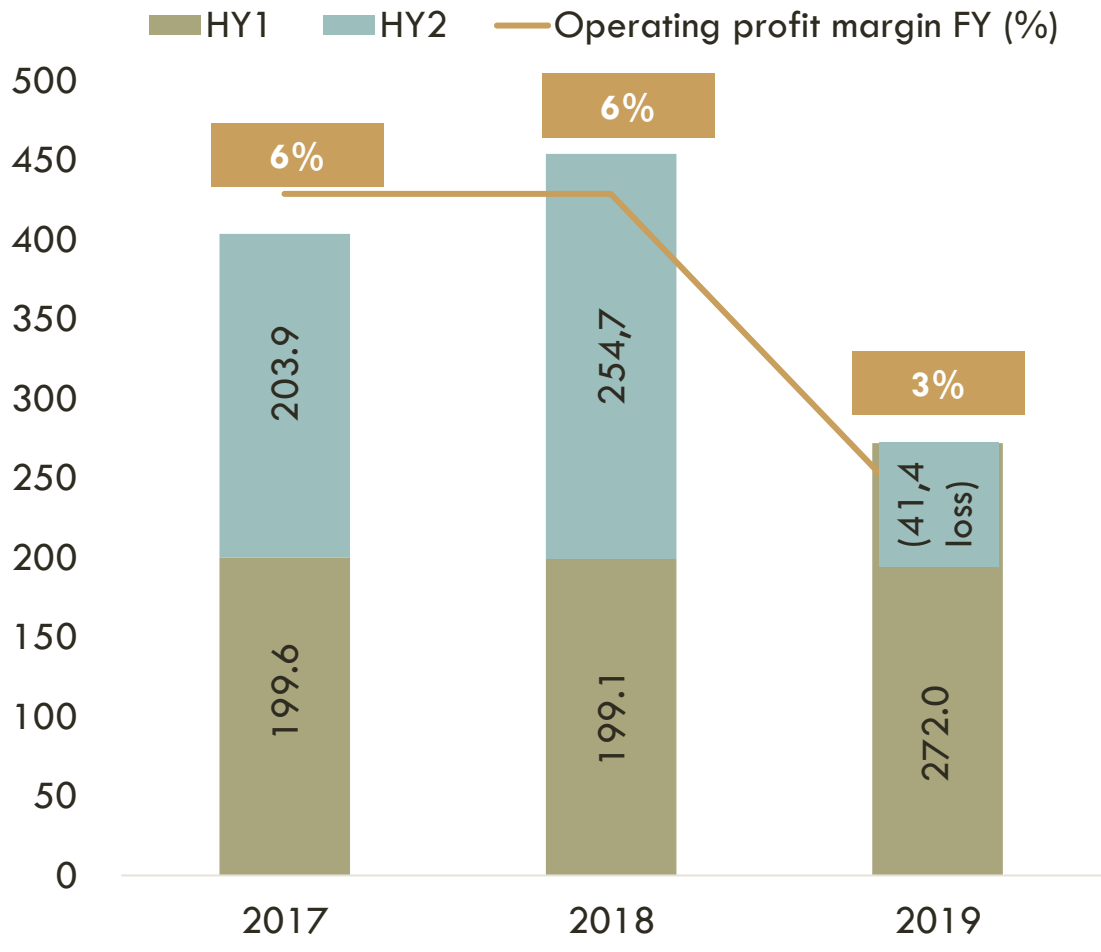
Rm	Audited 31 Dec 2019	Audited 31 Dec 2018	% change
Revenue	7 823,2	7 534,4	4
Cost of sales	(6 363,3)	(6 049,8)	5
Gross profit	1 459,9	1 484,6	(2)
<i>Gross profit margin</i>	18,7%	19,7%	
Other operating income	189,0	195,5	(3)
Expenses	(1 418,3)	(1 226,3)	16
Profit from operating activities	230,6	453,8	(49)
Net interest expense	(112,0)	(48,5)	131
Profit before taxation	118,6	405,3	(71)
Taxation	(57,6)	(128,9)	(55)
Profit for the year	61,0	276,4	(78)

REVENUE & OPERATING PROFIT

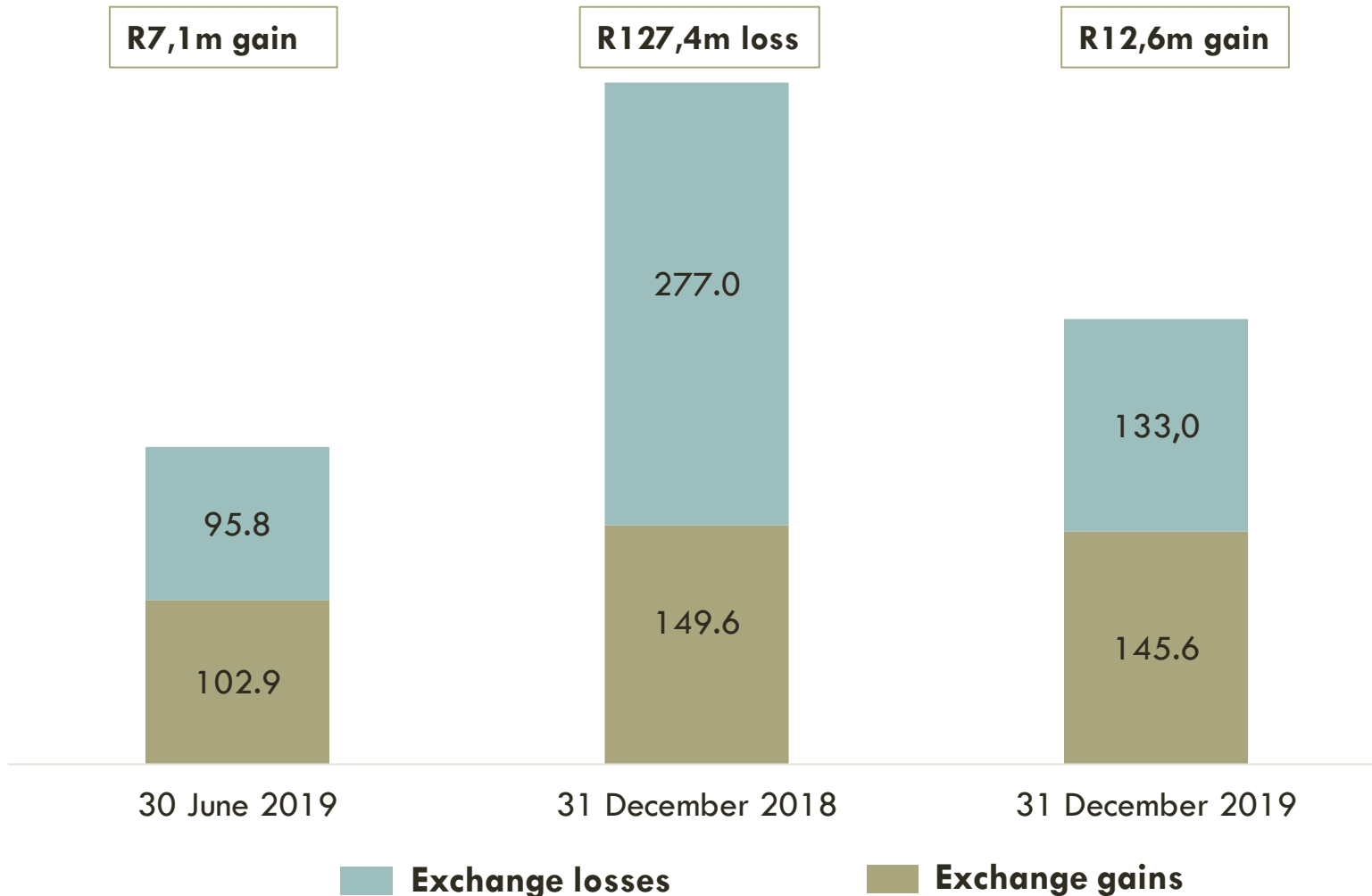
Revenue (R'000)



Profit from operating activities (R'000)

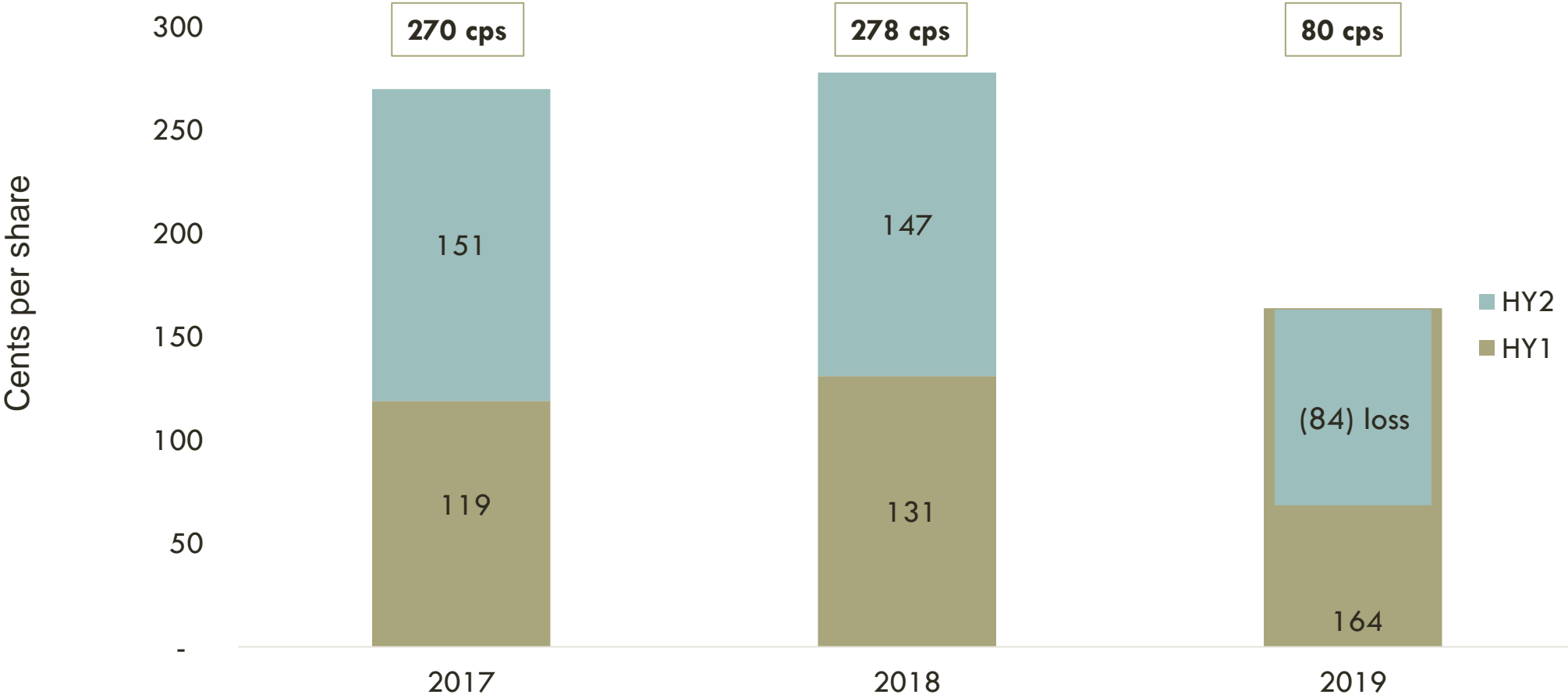


EXCHANGE GAINS/(LOSSES)



- Net exchange gain in 2019 at Richards Bay factory on import payments and revaluation of foreign payables due to stronger Rand at end of 2019 compared with end of 2018
- Considerable volatility during year
- Rand on average weaker in 2019 vs 2018

HEADLINE EARNINGS PER SHARE (HEPS)



BALANCE SHEET — ASSETS

Rm	Audited 31 Dec 2019	Audited 31 Dec 2018	% change
Non-current assets	1 634,3	1 344,6	22
Property, plant and equipment	910,3	886,0	
Right-of-use assets	173,3	-	
Intangible assets	294,7	238,0	
Investments	25,8	23,6	
Interest-bearing receivables	80,2	69,2	
Deferred taxation	150,0	127,8	
Current assets	5 397,7	5 183,6	4
Inventory	4 177,5	3 905,2	
Trade and other receivables	894,7	868,5	
Current portion of interest-bearing receivables	152,0	209,8	
Prepayments	29,5	31,6	
Other financial assets	6,8	6,8	
Current taxation assets	46,1	13,3	
Cash and bank balances	91,1	148,4	
Total assets	7 032,0	6 528,2	8

BALANCE SHEET – EQUITY & LIABILITIES

Rm	Audited 31 Dec 2019	Audited 31 Dec 2018	% change
Capital and reserves	3 437,9	3 371,5	2
Non-current liabilities	566,9	606,1	(6)
Current liabilities	3 027,2	2 550,6	19
Trade and other payables	1 034,3	1 142,5	
Current portion of interest-bearing liabilities	1 013,3	750,4	
Lease liabilities	100,8	-	
Current portion of contract liabilities	130,8	135,2	
Current portion of provisions	73,5	70,9	
Other financial liabilities	2,3	10,6	
Current taxation liabilities	6,1	23,2	
Bank overdrafts and borrowings on call	666,1	417,8	
Total equity and liabilities	7 032,0	6 528,2	8

NOTES ON INVENTORY

Rm Inventory	Audited 31 Dec 2019	Audited 31 Dec 2018	% change
Finished goods – Manufactured	969,2	907,4	7
Finished goods – Branded	501,7	388,3	29
Finished goods – Used	335,4	307,8	9
Spares, components & raw materials	1 846,5	1 851,6	(0,3)
Work in progress	524,7	450,1	17
Total	4 177,5	3 905,2	7

Utilisation of spares due to reduced production and high inventory levels (±R300m in Dec 2019)

- Rest of Africa R91m
- Europe R1 206m
- SA Distribution R1 792m
- SA Factory R1 424m
- North America R60m (New ALC)

CASH FLOW STATEMENT

Rm	Audited 30 Dec 2019	Audited 30 Dec 2018
Cash operating profit before working capital changes	619,0	657,7
Cash utilised in working capital	(673,8)	(767,7)
Cash utilised in operations	(54,8)	(110,0)
Net interest paid	(94,8)	(29,8)
Taxation paid	(122,9)	(182,9)
Net cash utilised in operating activities	(272,5)	(322,7)
Net cash utilised in investing activities	(134,3)	(288,4)
Net cash generated from financing activities	101,1	596,9
Net cash outflow	(305,7)	(14,2)
Net bank overdrafts & borrowings on call at beginning of year	(269,3)	(255,1)
Net bank overdrafts & borrowings on call at end of year	(575,0)	(269,3)

NET DEBT AND FINANCE COST

Rm	Audited 31 Dec 2019	Audited 31 Dec 2018	% change
Net debt - close	1 849	1 405	32
Net debt - average	1 627	995	64
Interest paid for year	166,2	89,1	87
Gearing % (net debt)	54	42	29
Interest cover (times) (underlying EBIT)	1,39	5,09	(73)
Net debt to EBITDA (times, annualised)	3,96	2,34	69

SEGMENTAL RECLASSIFICATION REMINDER

**OEM – Manufacturing, Assembly,
Logistics and Dealer Sales
Operations**

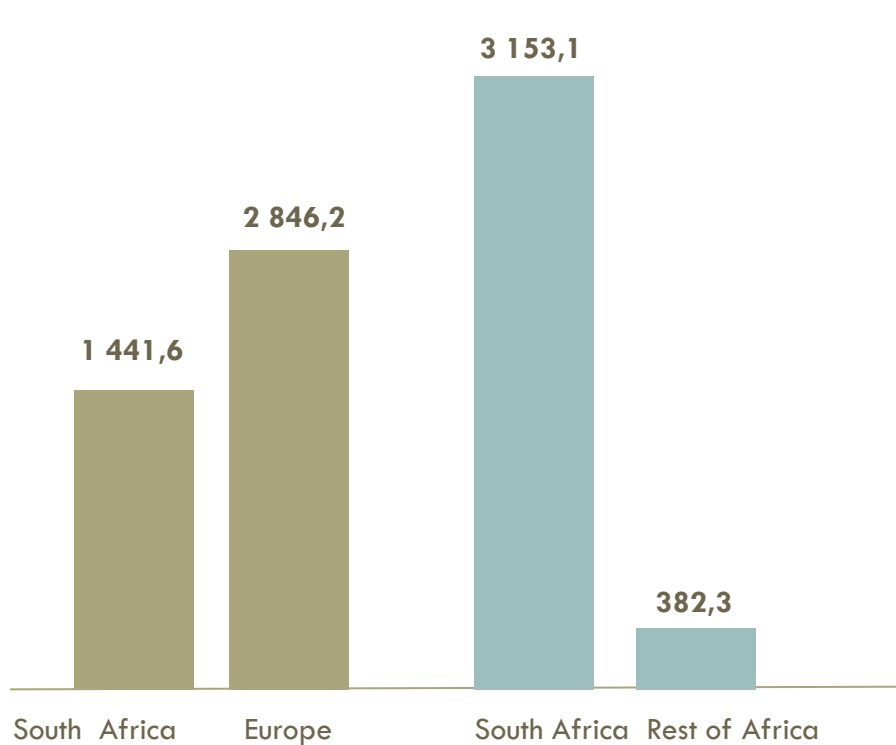
- **South Africa**
- **Europe**

Direct Sales Operations

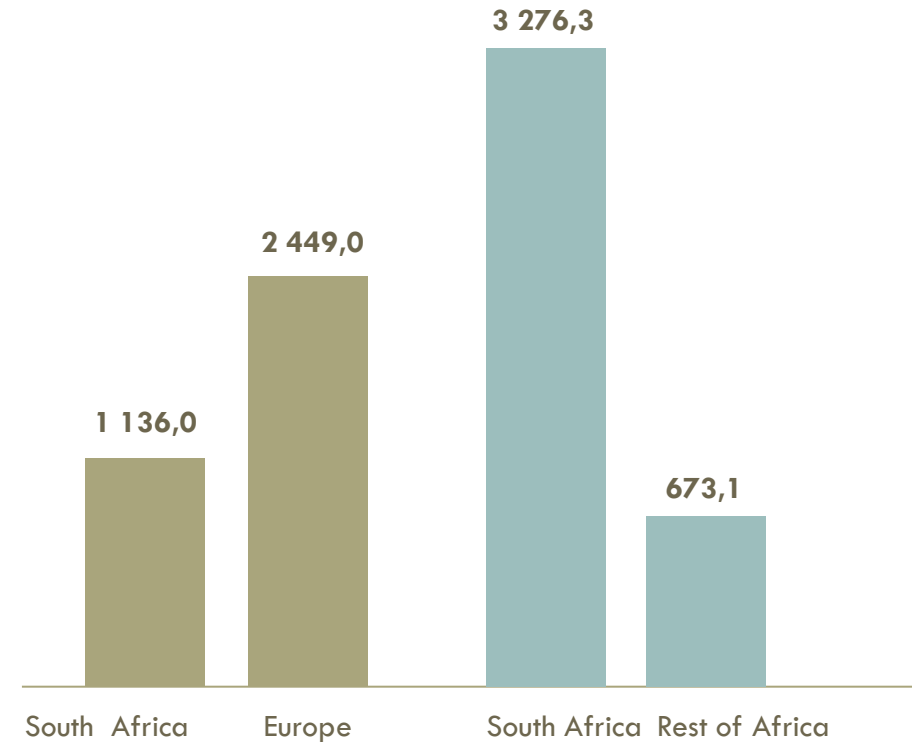
- **South Africa**
- **Rest of Africa**

SEGMENTAL ANALYSIS – SUMMARY

Revenue (R'm) – December 2019



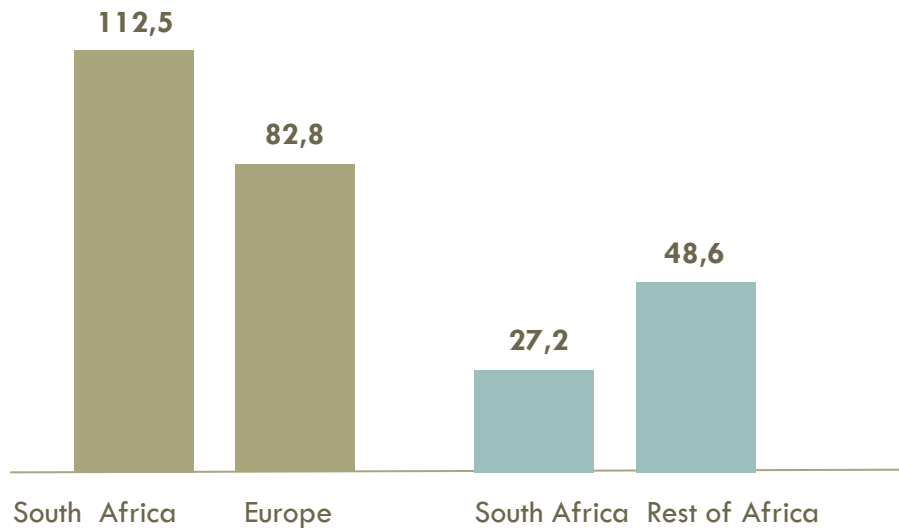
Revenue (R'm) – December 2018



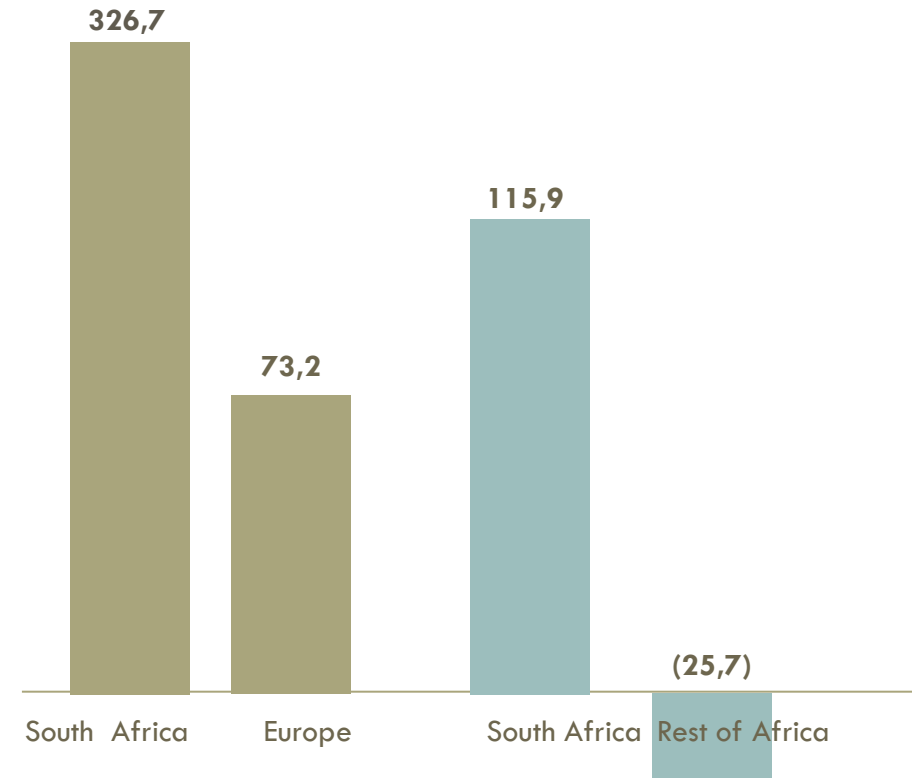
Key: Manufacturing, assembly, logistics and dealer sales operations Direct sales operations

SEGMENTAL ANALYSIS – SUMMARY

Operating profit (R'm) – December 2019



Operating profit (R'm) – December 2018



■ Manufacturing, assembly, logistics and dealer sales operations

■ Direct sales operations

June 2018 forex impact of R30,9m

BELL EQUIPMENT LIMITED

OPERATIONAL OVERVIEW

OEM – MANUFACTURING, ASSEMBLY, LOGISTICS & DEALER SALES OPERATIONS, SOUTH AFRICA

Richards Bay, South Africa

Dealer development – growing global footprint progressing well – good export growth recorded. External South African Dealer Sales now 18,4% of Group Sales, up from 15,1% of PY

Volume growth in 2019 drove manufacturing efficiencies

Margin pressure due to global market conditions together with product and supplier quality campaigns negatively impacted profitability

Manufacturing entity now effectively 51% black owned allowing for additional manufacturing opportunities to be pursued. (Full IFRS2 charge and related expenses in 2019 impacted profitability)

Quality and efficiencies continue to be key focus area

Rate reduction due to Covid-19 impact, lockdowns and market uncertainty resulting in fixed expense review being planned for current year

Continue to work down operating inventory

Continued investment in new IP generation, sufficient capacity for future growth & good safety record



OEM – MANUFACTURING, ASSEMBLY, LOGISTICS & DEALER SALES OPERATIONS, EUROPE

Eisenach, Germany

External sales from OEM Germany now 36,4% of Group Sales, up from 32,5% of PY

German factory expansion successfully completed in Q3 2019, within budget and timeframe. Start of component production in 2020

Production in Europe improves lead times, efficiency in freight and working capital, and provides for greater flexibility and response to dealers and customers

Good results from Europe, but Brexit impacted UK in Q4 2019

Further growth from strong dealer network in USA that covers majority of market

Trading conditions impacted by Covid-19 lockdowns, but various stimulus packages and large infrastructure projects in Northern hemisphere will offset Q1 and Q2 slowdown

High operating inventory to be worked down towards year-end given anticipated slowdown in certain markets



Factory completed in 2019 at total cost of €13m

Evolving from global supplier to global manufacturer

DIRECT SALES — SOUTH AFRICA

Market contracted in South Africa. Tough trading conditions resulted in margins under pressure, together with various once-off expenses and provisions and high interest charge. Operation recorded loss in 2019. Sales as percentage of Group Sales fell from 43,5% in PY to 40,3% in 2019

Policy uncertainty and low economic growth impacted buying decisions and increased requirement for customer funding solutions

Kamaz partnership not as successful as envisaged – responsible migration to independent dealer

Mining stable, with some green shoots in coal, while construction and roadbuilding sectors remain exceptionally weak. GDP contraction and Covid-19 impact in new year, results in business model and cost base under review

South African Sales entity now 51% black owned and 30% black woman owned, however full IFRS2 charge in 2019 results

Slow-moving inventory consumed and overall reduction in inventory

Full product and service line positions for market recovery

Johannesburg, South Africa



DIRECT SALES — REST OF AFRICA

Sales represent 4,9% of Group Sales, down from 8,9% in PY, 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 PY currency loss of R87,4m in Zimbabwe

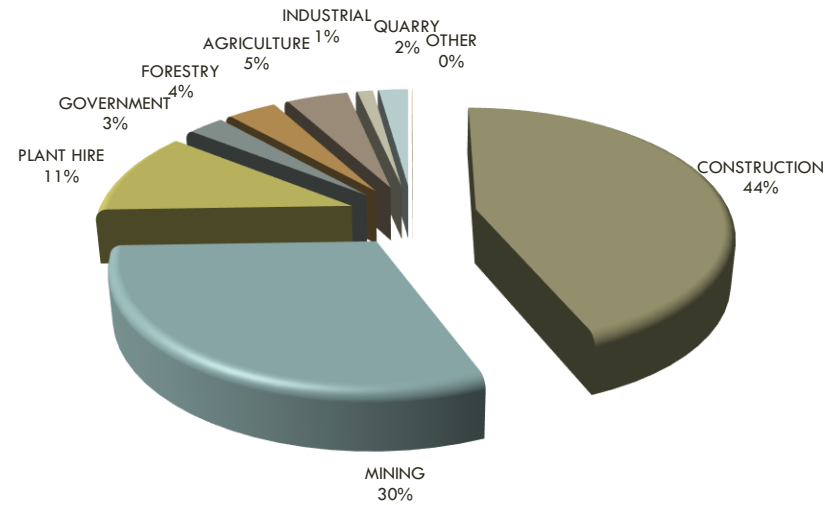
Full product and service line positions for growth

Recovery in territory marred by foreign currency shortages, low economic activity and Global Covid-19 impact on commodities

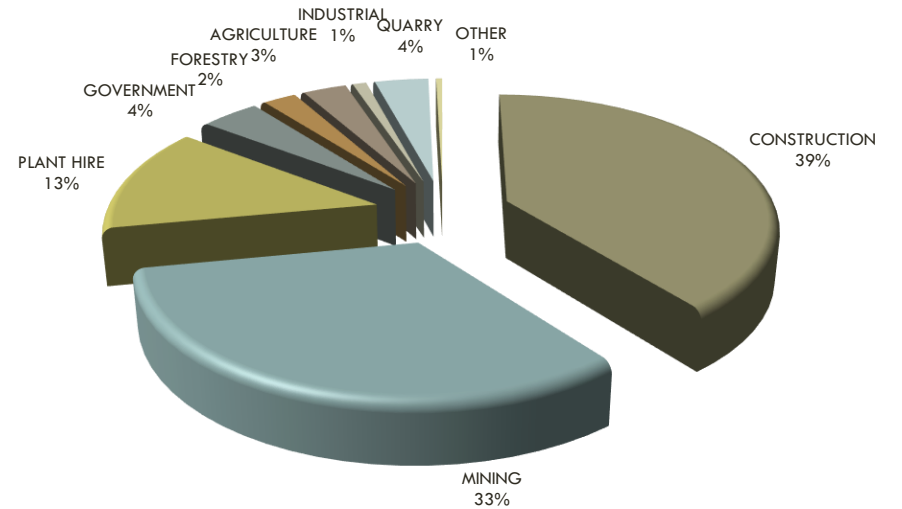
Kitwe, Zambia



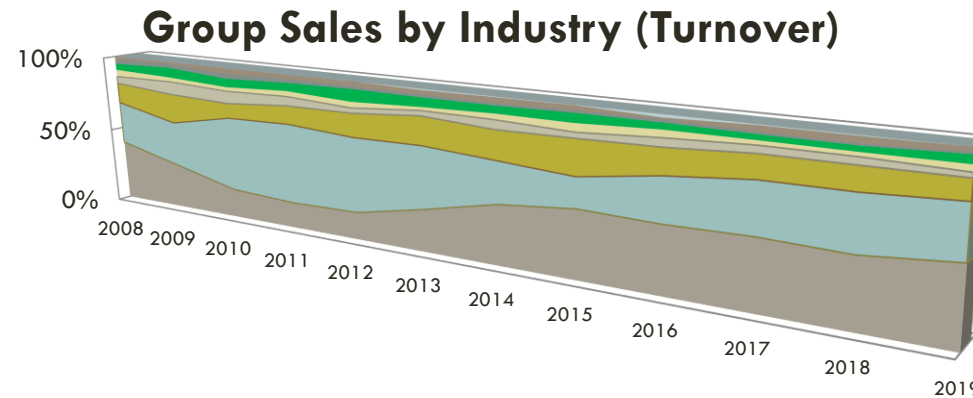
INDUSTRY SALES



2019 UNIT TURNOVER

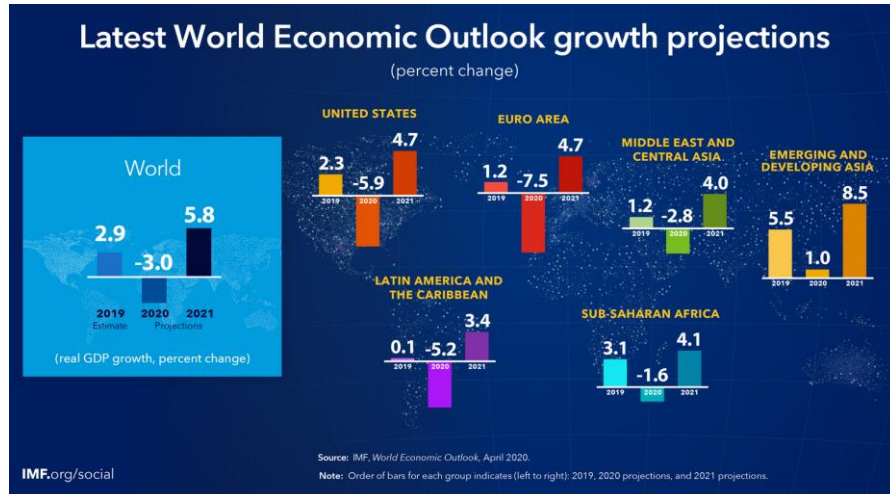
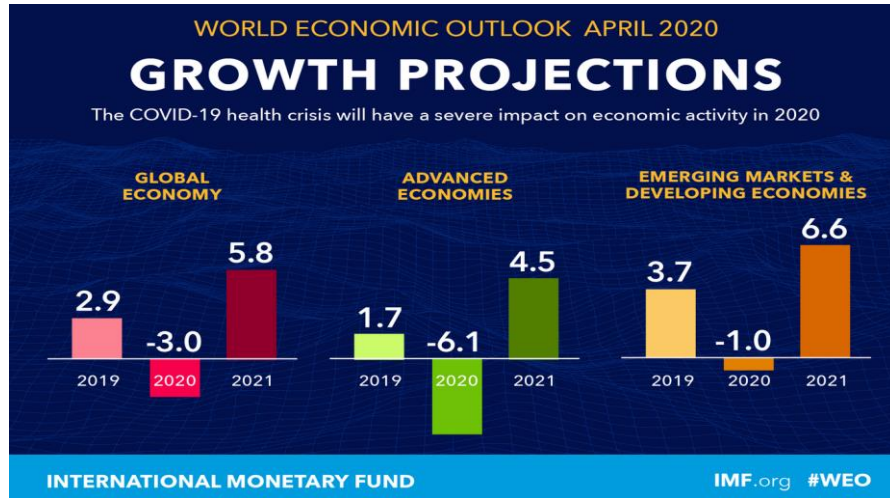


2018 UNIT TURNOVER



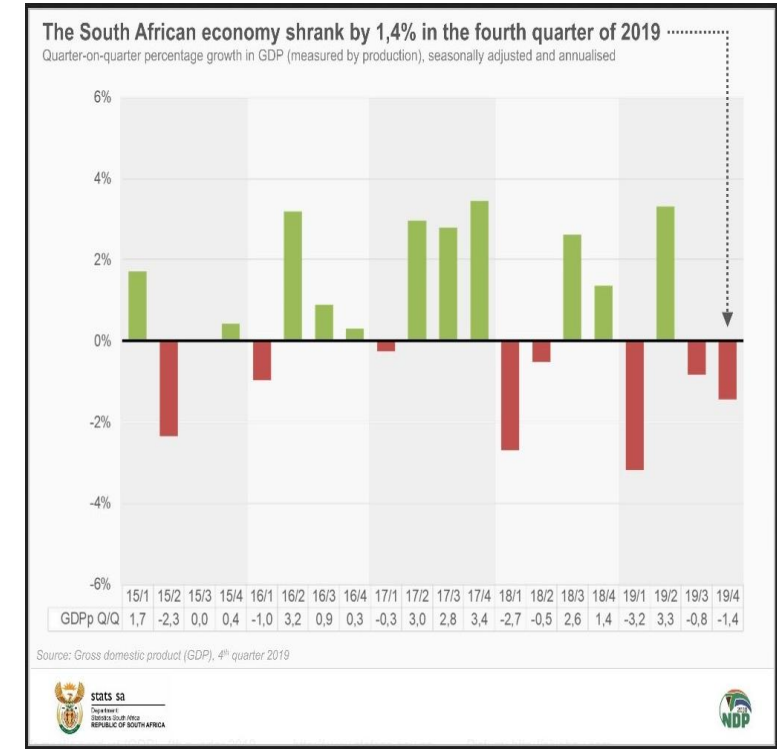
■ CONSTRUCTION ■ MINING ■ PLANT HIRE ■ GOVERNMENT ■ FORESTRY ■ AGRICULTURE ■ INDUSTRIAL ■ QUARRY ■ OTHER

LOOKING AHEAD — INDICATORS



The COVID-19 pandemic will severely impact growth across all regions.

(real GDP, annual percent change)	PROJECTIONS		
	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6



CE Outlook - Declines between 20% and 30% seem to be most realistic scenario currently

Global recession a reality now, but global depression unlikely given stimulation and prospects to open economies

LOOKING AHEAD

- Ongoing global uncertainty in major markets, exacerbated by COVID-19
- Margin erosion expected as markets shrink and global market pressure expected to remain in place
- 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



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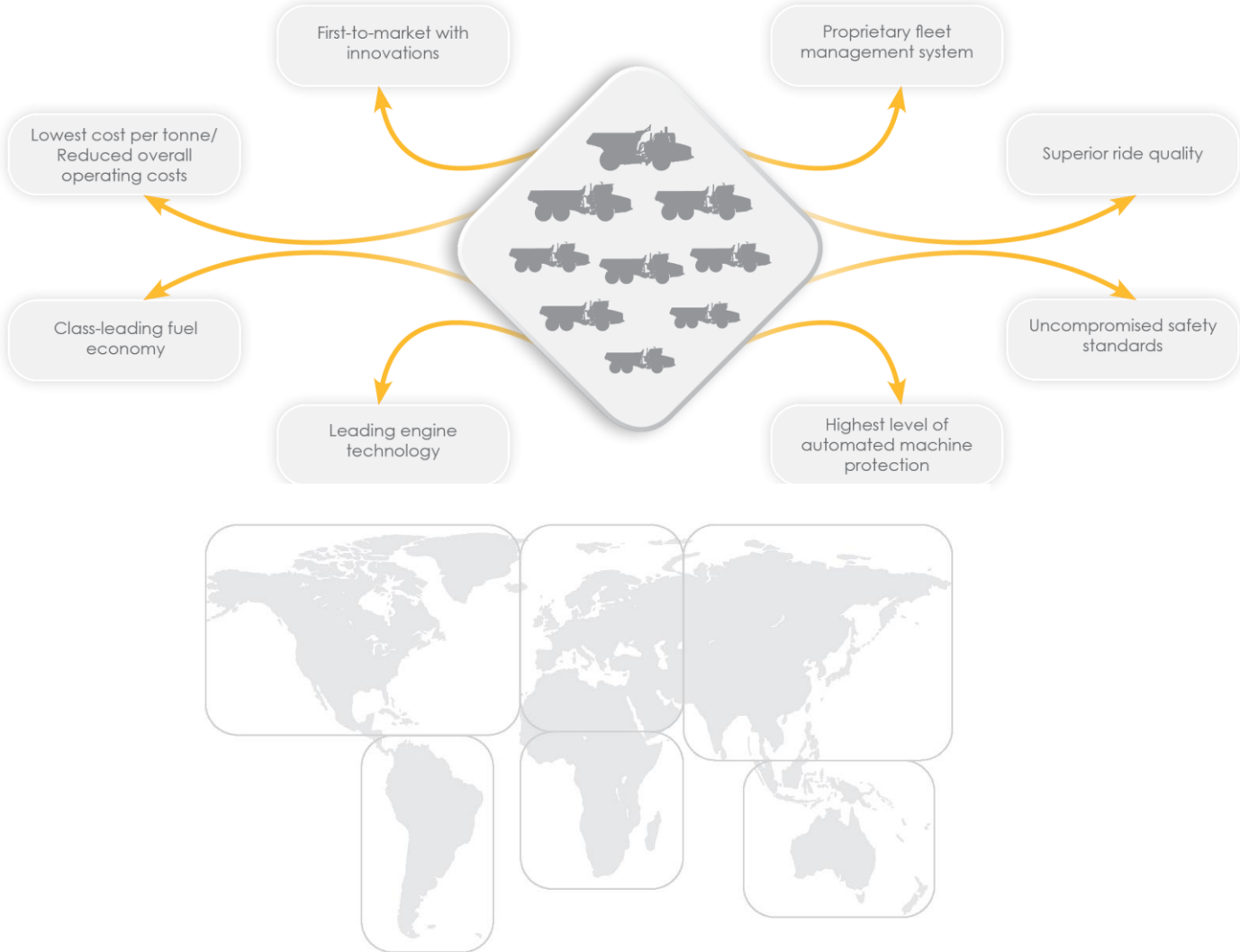
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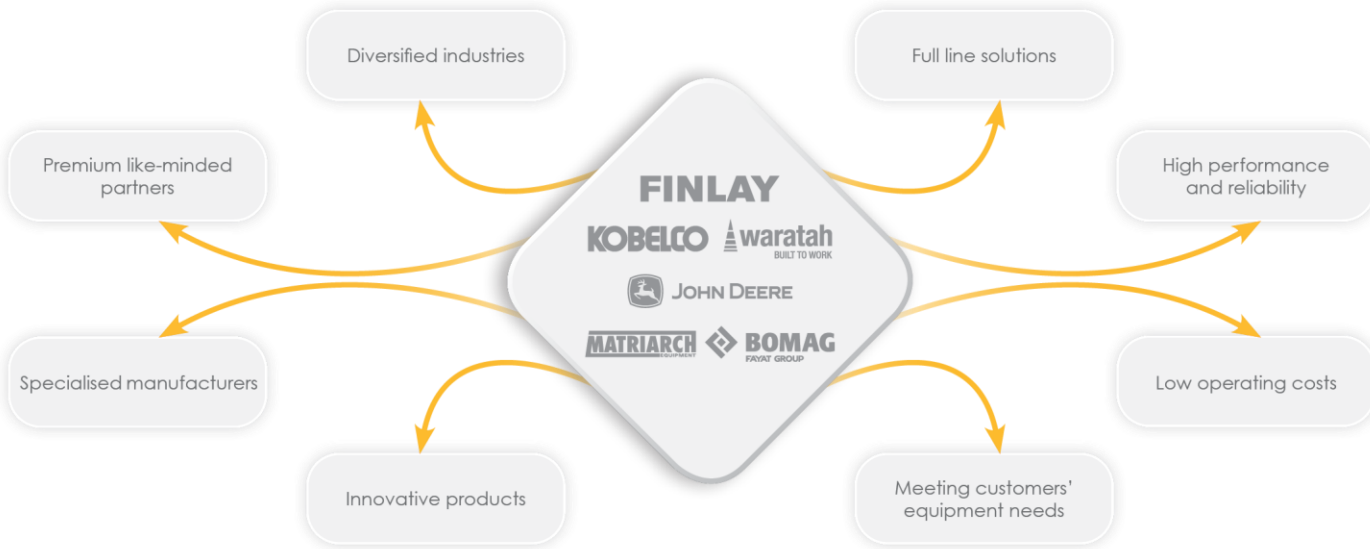
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APPENDIX

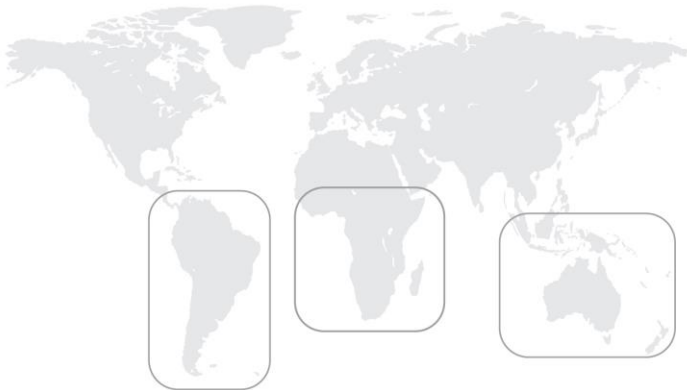
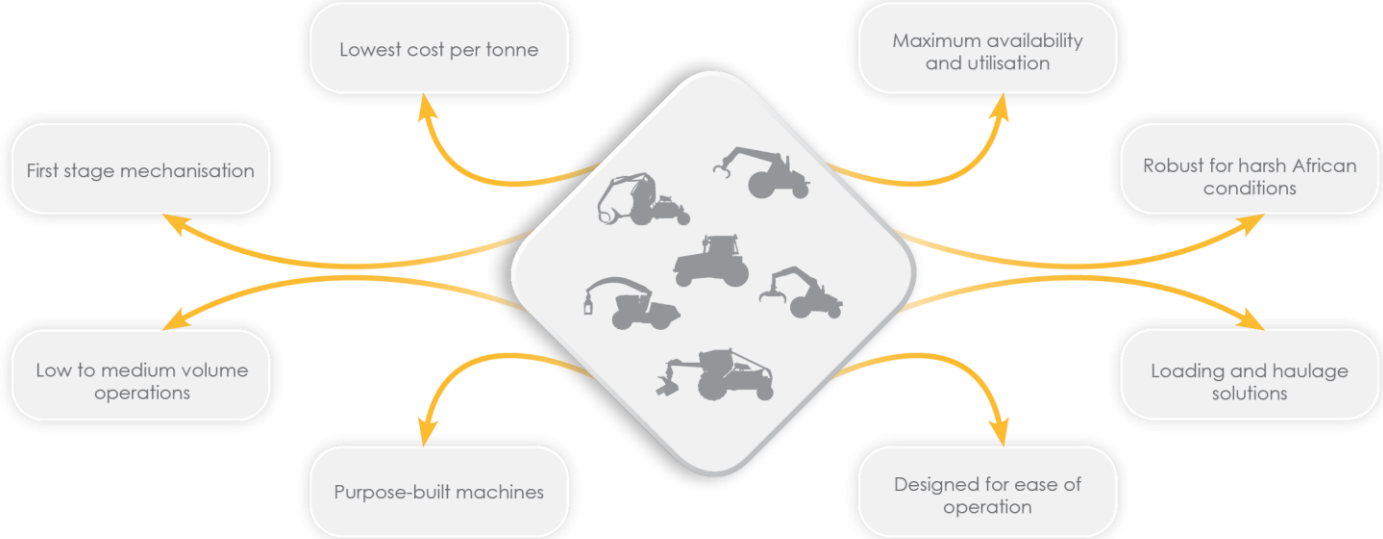
ADT SPECIALIST



MATERIAL-HANDLING DISTRIBUTOR



AGRICULTURE & FORESTRY SOLUTIONS PROVIDER



AFTERMARKET SUPPORT

