

# **BELL**

**STRONG RELIABLE MACHINES  
STRONG RELIABLE SUPPORT**

# **2020**

**BELL EQUIPMENT LIMITED**

**AUDITED RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2020**



# CONTENTS

Operational update

Financial results

Looking ahead

Appendix



# 4 DEFINED AREAS OF OPERATION



1 Global ADT specialist  
and innovation  
pioneer



2 Southern Africa's full  
range material  
handling distributor



3 Cost-effective  
agriculture and  
forestry solutions  
provider



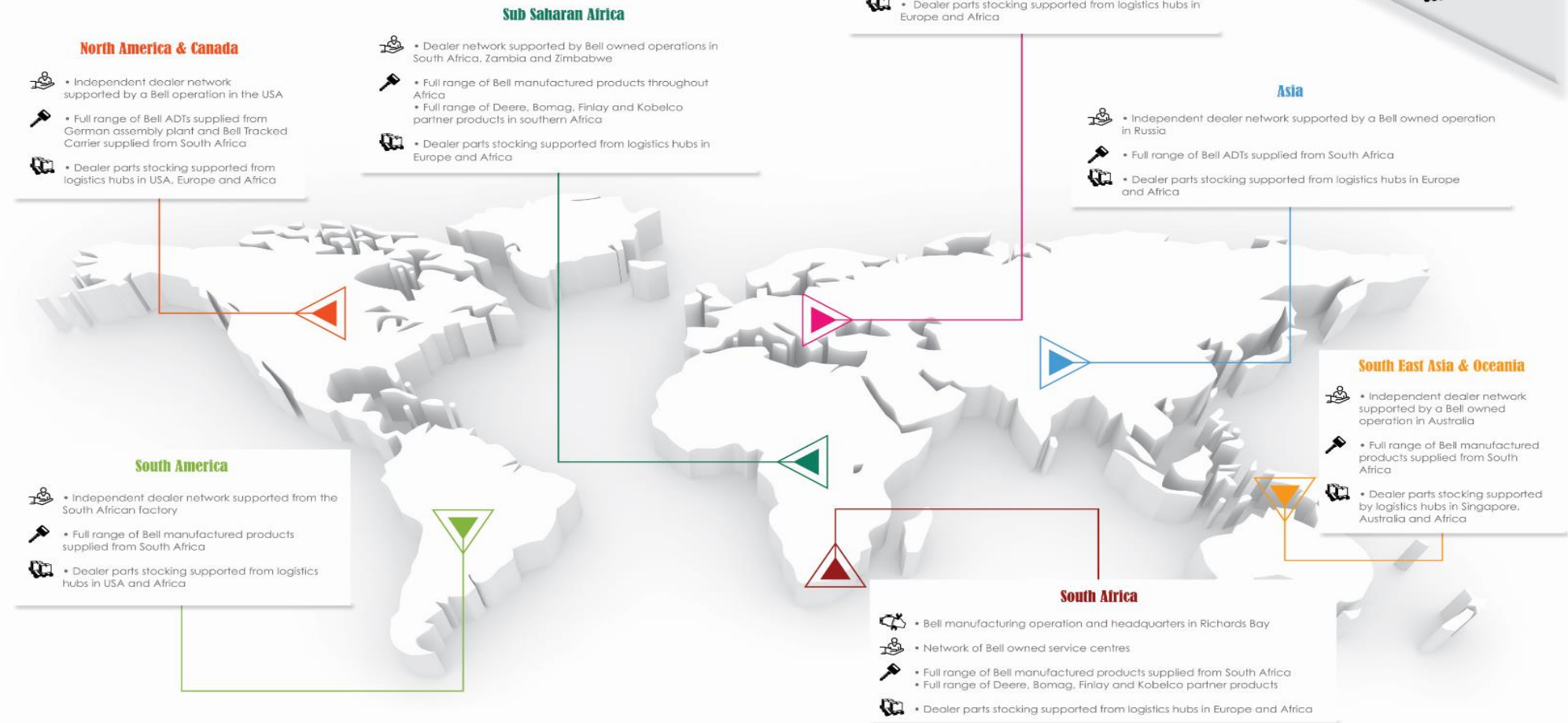
4 Provider of  
aftermarket services





# GLOBAL REACH

Bell manufactures and operates globally with machines in over 80 different countries worldwide. The company values its global support network, which supplies equipment solutions, ancillary products and after sales services. This network is, in turn, supported by a robust OEM structure to ensure efficient lines of communication between end users of the product and the group globally.



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

## Achievements and realities of the year-end 2020:

- External South African Dealer Sales down 25,6% from prior year and now represents 16,0% of Group Sales (18,4% prior year) 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, additional operating costs, currency exchange losses and significant once-off expenses shifting the operation into an operating loss of R64,8m compared with a profit of R101,7m for the prior year.
- Significant once-off costs includes impairment to capitalised R&D R23m.
- Product manufacturing quality concerns successfully addressed.
- Dealer network expanded and migration to independent dealer model in selected markets, proving beneficial.
- Significant reduction in overall operating inventory and borrowings achieved during year.
- New product development on track.
- Manufacturing entity 51% black owned 1 Jan 2020, with L2 B-BBEE score achieved.

## Outlook / expectations:

- Anticipated increase in production and sales due to market recoveries and increased demand for commodities across the globe.
- “Aspire” dealer management programme focus.
- Tracked carrier machine successfully launched in the USA.
- Component shortages, increased lead-times, and pricing pressure due to impact of Covid-19 and leaner inventories throughout the supply chain remain a concern.
- Quality, efficiencies (lean manufacturing) and expense reduction continue to be key focus.
- Continued investment in new IP generation.
- Pursuing other fabrication opportunities given capacity and capabilities.
- Used equipment consolidation for global sale.
- Sufficient capacity for future growth and good safety record.

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

## Achievements and realities of the year-end 2020:

- External sales from OEM Germany slightly down to 34,7% of Group Sales, down 18,4% from the prior year, mainly due to poor market performance in all markets and trading restrictions.
- Production rate reduction due to Covid-19 impact, lockdowns and market uncertainty resulting in unrecovered overheads, manufacturing inefficiencies, additional operating costs, and significant once-off expenses shifting the operation into an operating loss of R74m for the year compared to R72,7m profit of the prior year.
- Significant once-off costs includes provision for residual value shortfalls of R82m.
- 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.
- High operating inventory worked down.
- Market share gain in main markets.

## Outlook / expectations:

- Strong outlook for northern hemisphere region due to infrastructure led recovery and large infrastructure projects in northern hemisphere.
- Anticipated increase in activities driven by increased demand for commodities across the globe.
- “Aspire” dealer management programme focus.
- Component shortages, increased lead-times, and pricing pressure due to impact of Covid-19 and leaner inventories throughout the supply chain remain a concern.

# DIRECT SALES — SOUTH AFRICA

## Achievements and realities of the year-end 2020:

- Sales up to 44,5% of Group Sales compared to 40,3% of prior year, down only 5,7% compared to 2019, due to market slow down and trading restrictions offset by good market share gain.
- Tough trading conditions with market contraction and margin pressure.
- Operating profit up to R125,7m compared to R22,8m for the prior year due to cost containment and release of unutilised maintenance provision on concluded rentals in 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.
- Slow moving inventory consumed and overall reduction in inventory.
- South African sales entity 51% black owned, 30% black woman owned with Level 1 B-BBEE score achieved, maximising benefit for customers.
- Concluded John Deere arrangement changes - non-exclusive effective March 2021 with termination date of January 2023, but continued product support for another 10 years thereafter.

## Outlook / expectations:

- Appointment as distributor of the full range of JCB products, effective 1 May 2021.
- JCB opportunity exciting with new products introduced and replacement products to reinvigorate affected product lines.
- Continued mining activity optimism, while construction and road building sectors remain weak, although some increased activity experienced.
- Stronger order book than in prior year.
- Enhanced product and service line positions for market recovery.

# DIRECT SALES — REST OF AFRICA

## Achievements and realities of the year-end 2020:

- Sales represent 4,8% of Group Sales, comparable to the 4,9% of the prior year, albeit 16% down.
- Slowing demand for commodities directly impacts ADT market.
- Impairment of carrying value of service centre in Zambia of R31,9m, together with reduced overall market volumes, dragged this segment into an operating loss for the year of R17,8m compared to an operating profit of R48,5m of the prior year.

## Outlook / expectations:






- Recovery in territory marred by foreign currency shortages and low economic activity, however, anticipated increase in activities due to increased demand for commodities across the globe.
- Focusing on improving customer experience, fleet rebuild opportunities and cost containment.
- Continue to drive growth in the aftermarket and supporting our active fleet.



# BELL EQUIPMENT LIMITED

## FINANCIAL RESULTS

# SALIENT FEATURES — DEC 2020 vs DEC 2019

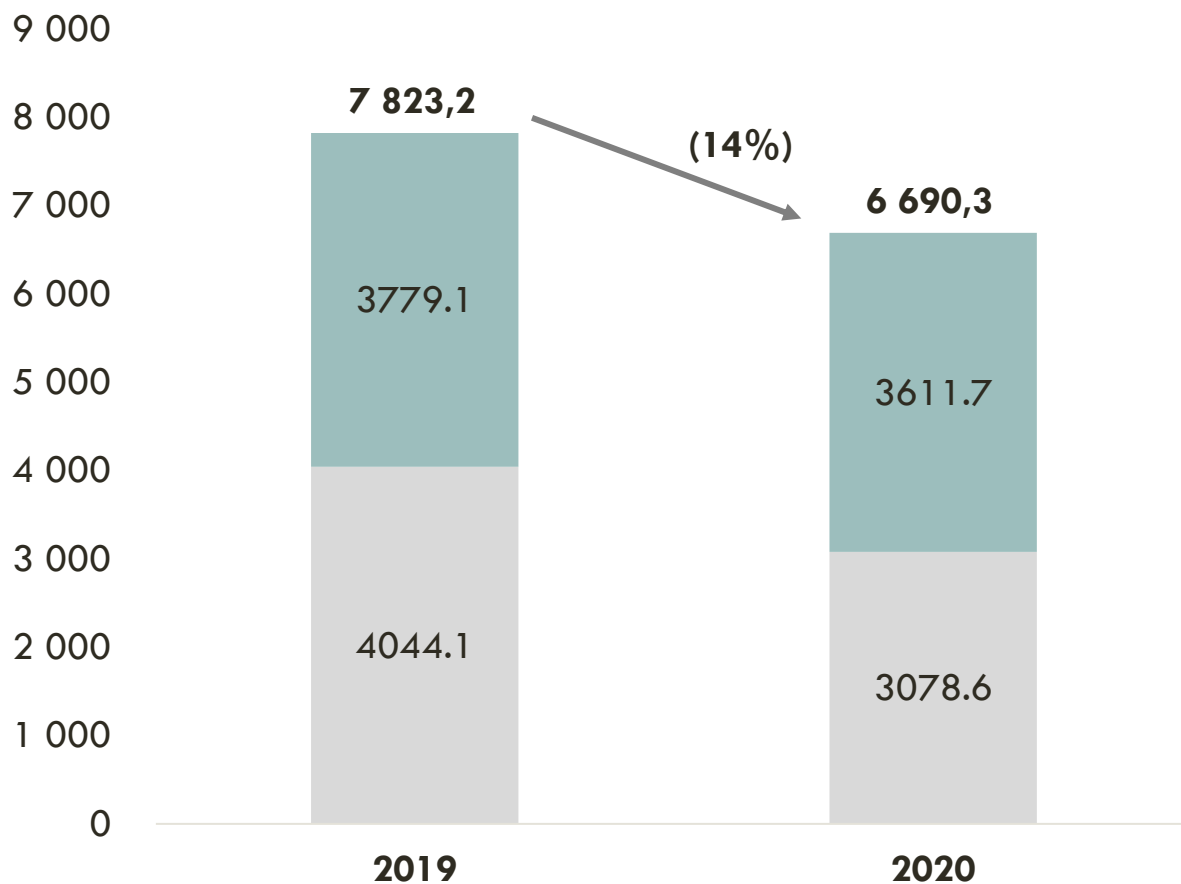
	<b>Revenue</b>  down 14% to R6,7 bn		<b>Profit from operating activities</b>  down 84% to R35,6 m		<b>Loss for the year</b>  R57,2 m
	<b>HLPS</b> (diluted)  (30 cps)		<b>NAV</b>  3 664 cps	<b>No dividend declared</b>	

- The impact of COVID-19 related restrictions globally and especially in South Africa, was severe
- Tough global conditions continued
- Once-off items impact on profit (R238m)

# REVENUE & OPERATING PROFIT

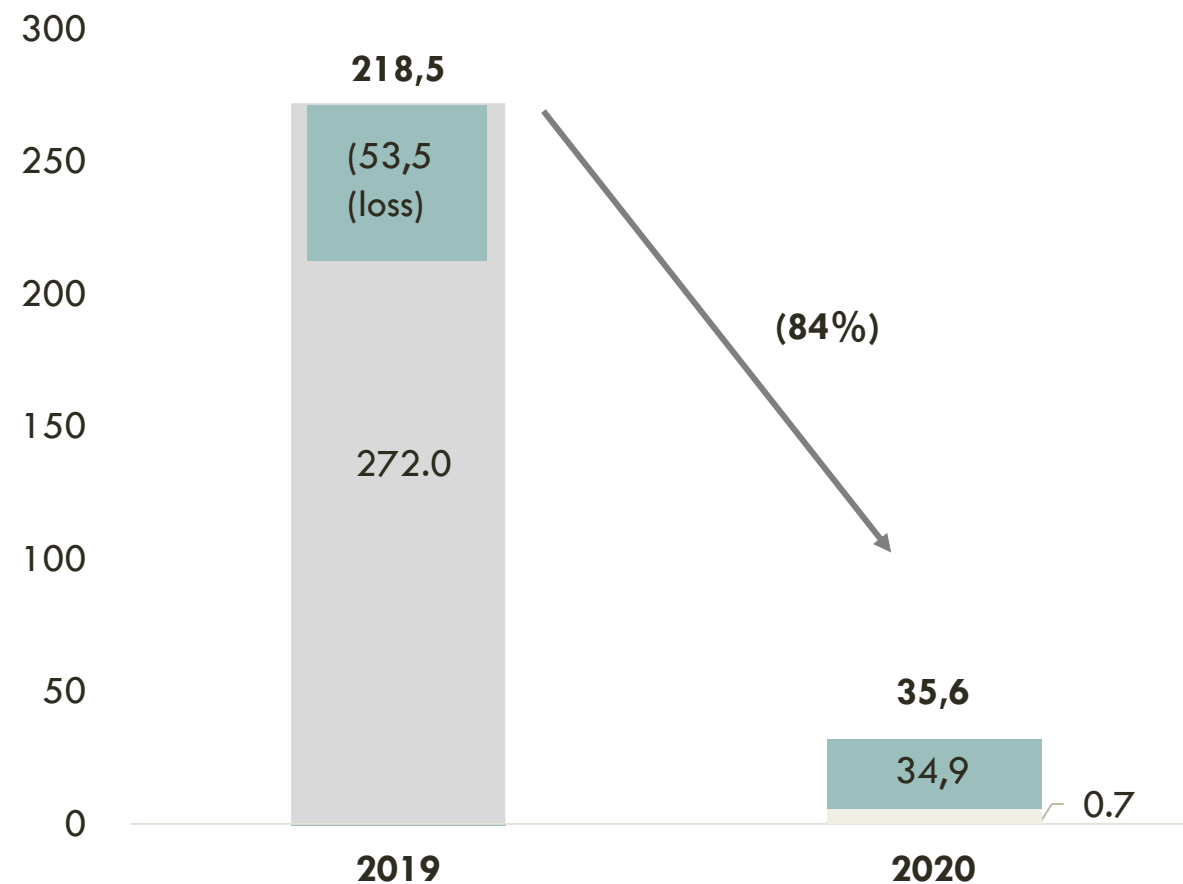
Revenue (R'm)

■ HY1 ■ HY2



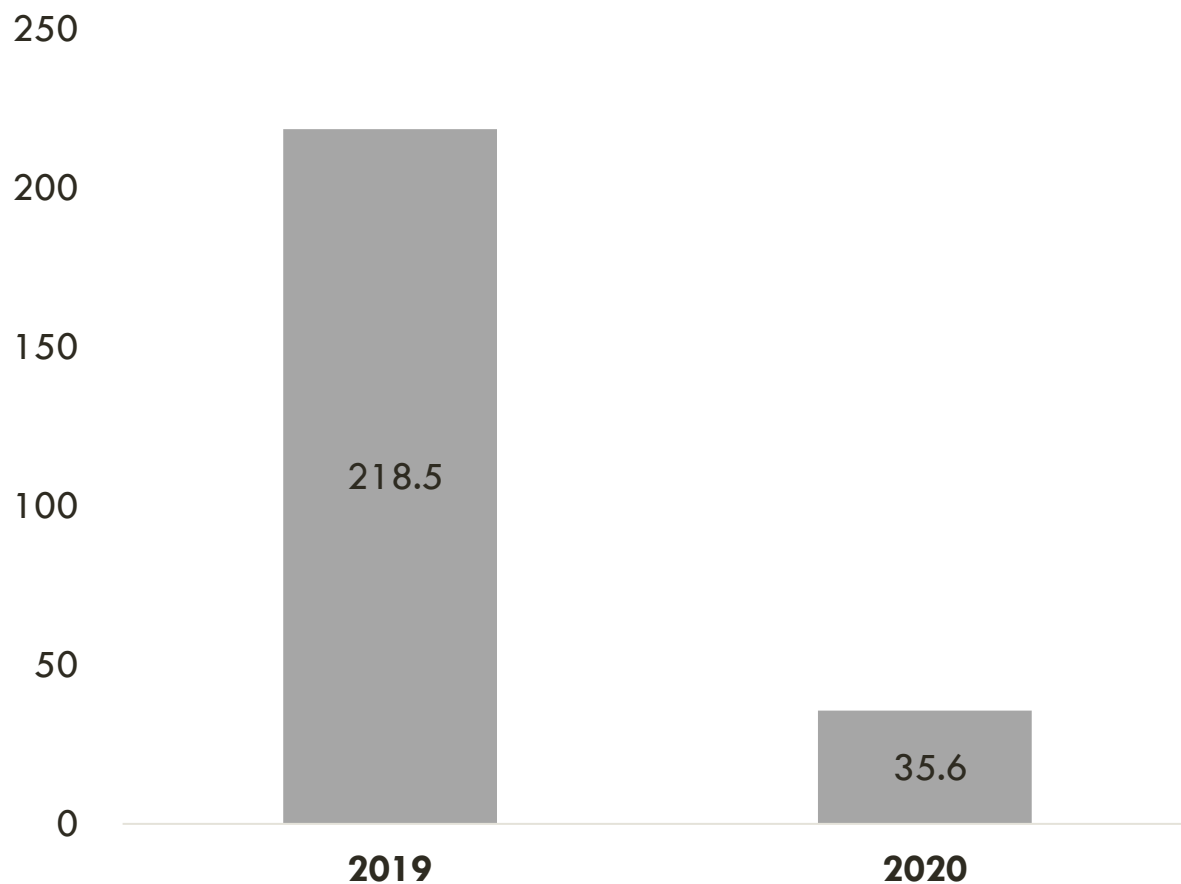
Profit from operating activities (R'm)

■ HY1 ■ HY2



# ONCE-OFF ABNORMAL ITEMS — OPERATING PROFIT IMPACT

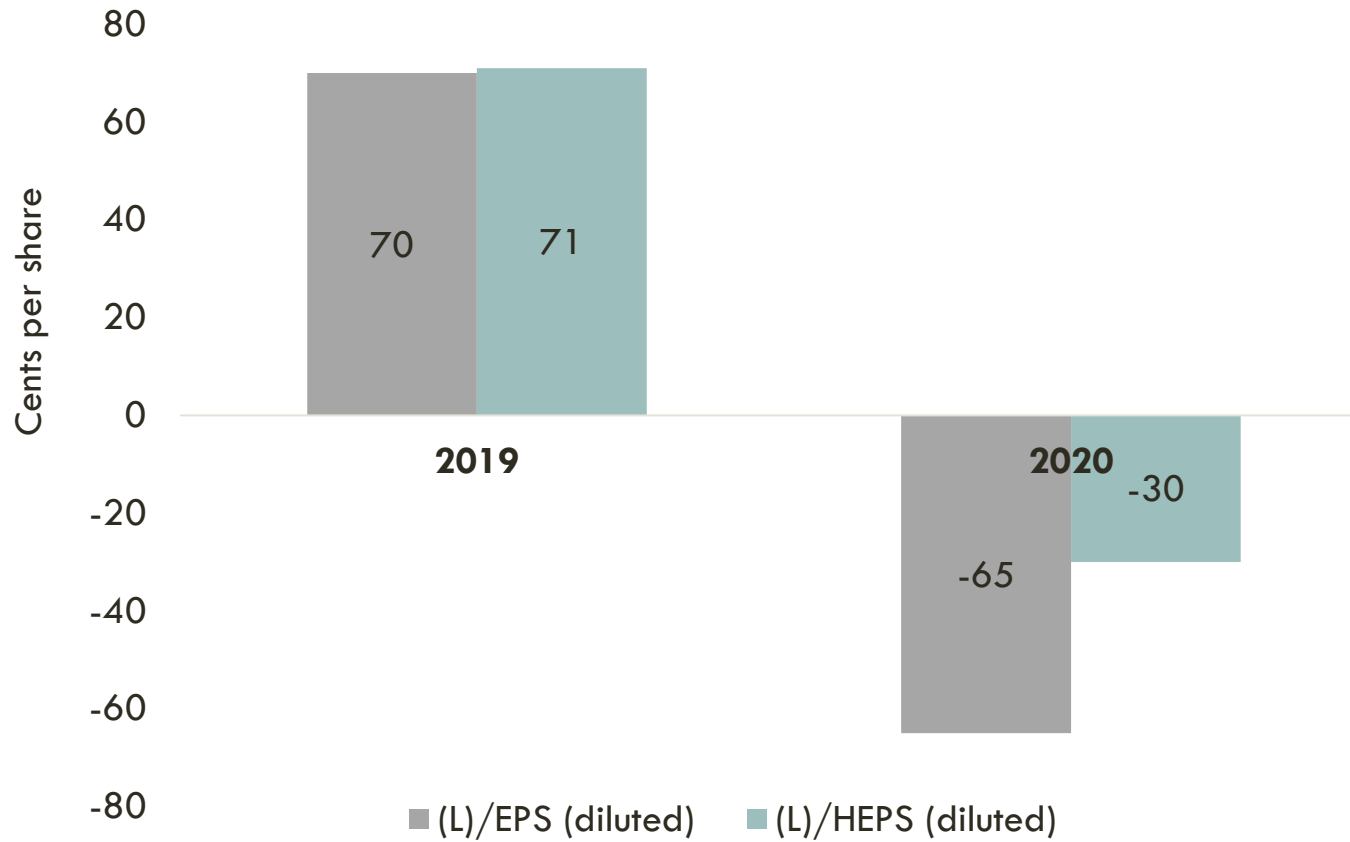
Operating profit (R'm)



Once-off items	R'm
Currency exchange losses	46,7
APDP incentive reduction	54,5
Impairment loss on intangible assets	23,3
Loss on sales transactions concluded with residual value guarantees *	81,7
Impairment (service centre Zambia)	31,9
<b>Total</b>	<b>238,1</b>

\* Charged to revenue

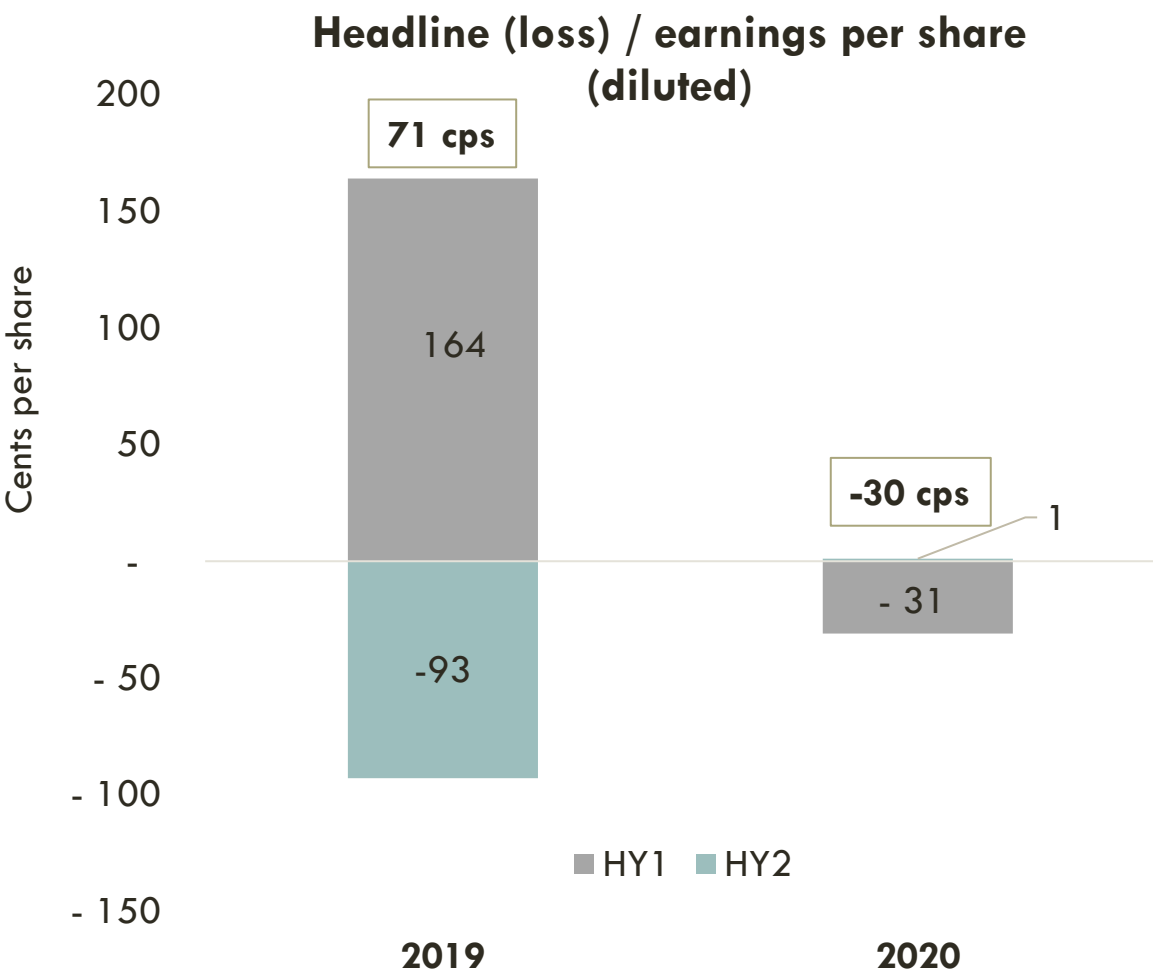
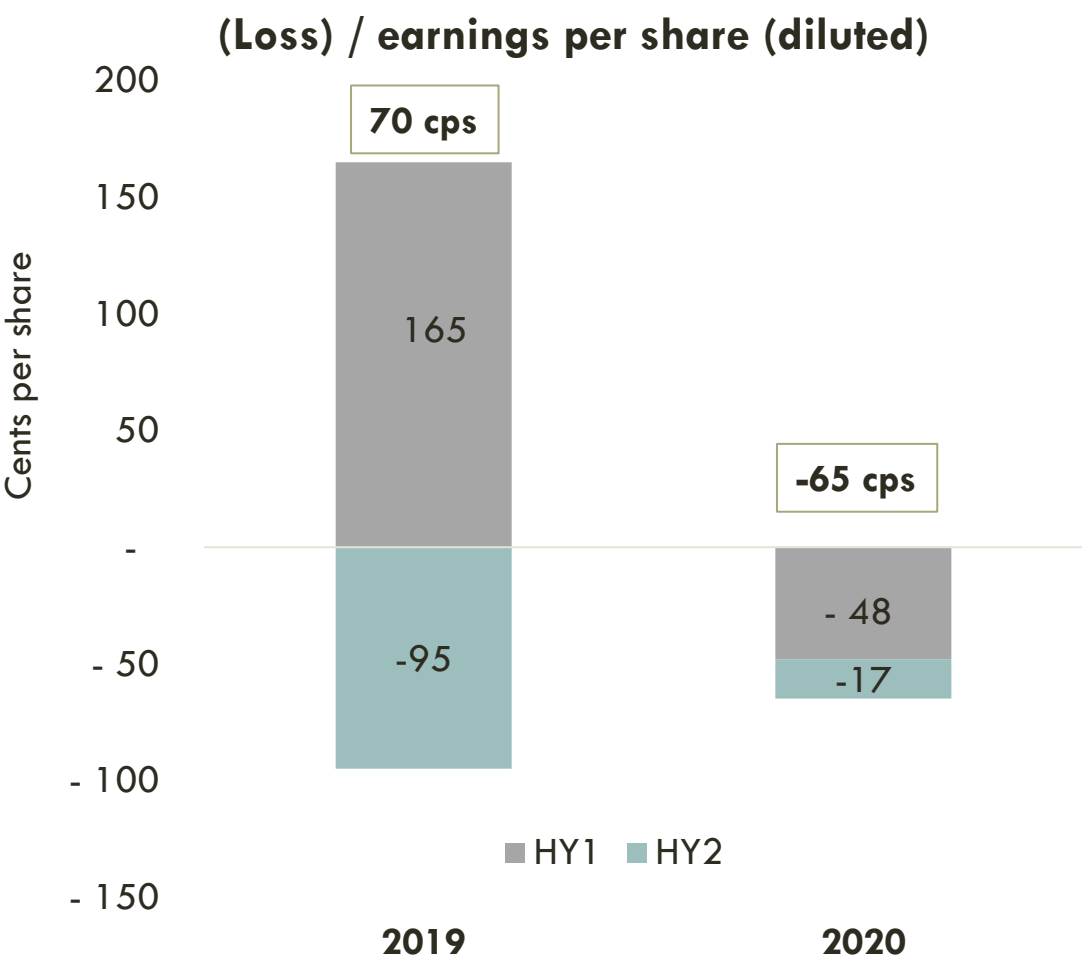
# EPS vs HEPS



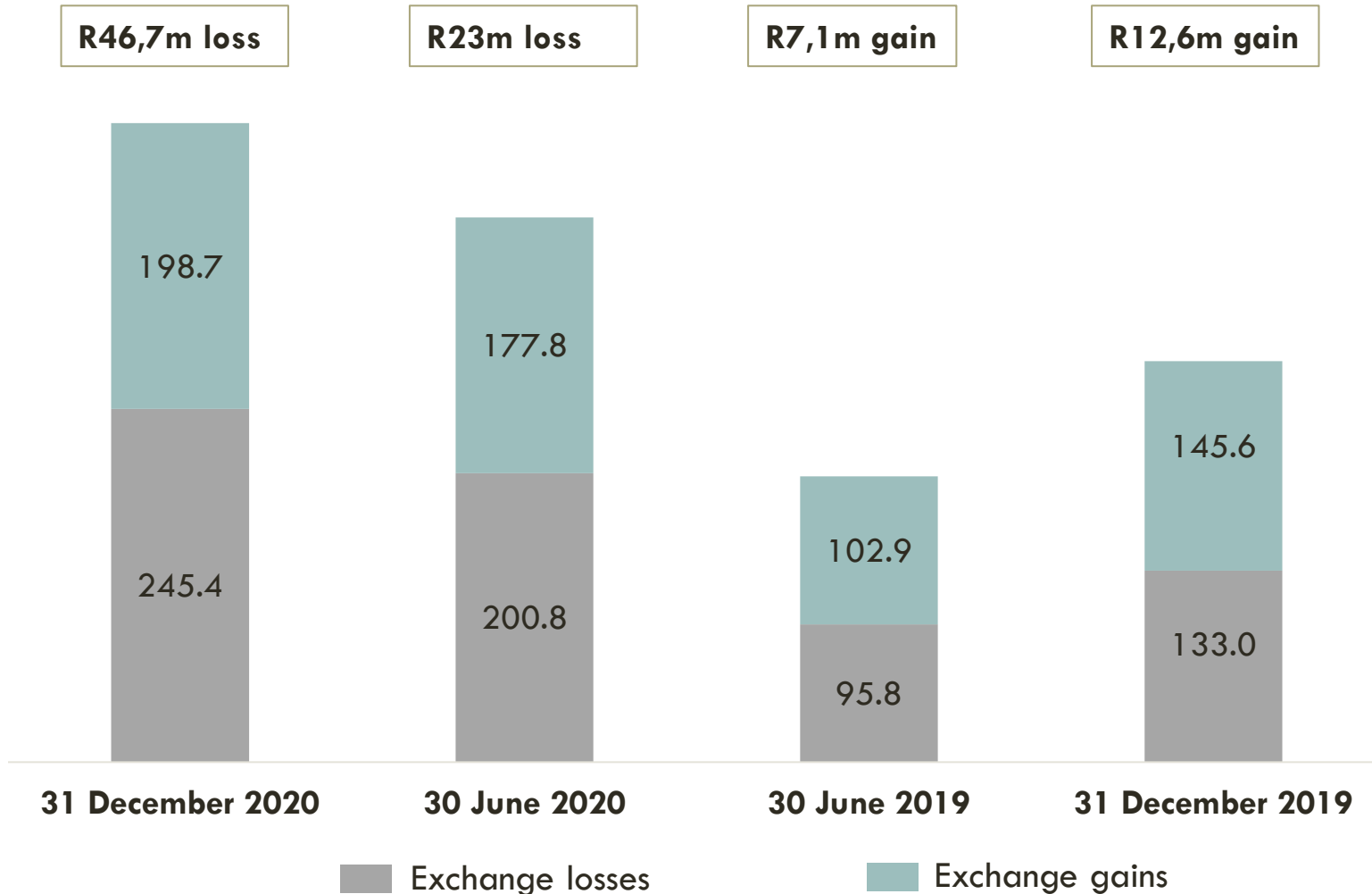
- The impact of once-off abnormal items is evident in the difference between LPS vs HLPS for 2020



# EPS & HEPS – HY1 vs HY2



# 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.

# BALANCE SHEET - ASSETS

R'm	Audited 31 Dec 2020	% change	Audited Restated * 31 Dec 2019
<b>Non-current assets</b>	<b>1 845,7</b>	<b>12</b>	<b>1 654,2</b>
Property, plant and equipment	935,2		910,3
Right-of-use assets * *	287,4		173,3
Intangible assets	277,7		294,7
Investments	33,6		25,8
Interest-bearing receivables	90,6		80,2
Deferred taxation	221,2		169,9
<b>Current assets</b>	<b>4 794,2</b>	<b>(11)</b>	<b>5 373,7</b>
Inventory	3 595,2	(13)	4 125,5
Trade and other receivables	884,1		894,7
Current portion of interest-bearing receivables	118,8		151,9
Contract assets	28,3		28,0
Prepayments	22,7		29,6
Other financial assets	10,2		6,8
Current taxation assets	52,1		46,1
Cash and bank balances	82,8		91,1
<b>Total assets</b>	<b>6 639,9</b>	<b>(6)</b>	<b>7 027,9</b>

\* Refer to note 13 of the results booklet for further information

\*\* The increase in right-of-use assets and lease liabilities includes the extension of the lease of the group's customer service centre and logistics centre premises in Jet Park, Johannesburg for a 12 year period for an amount of R158,3m

# BALANCE SHEET - EQUITY & LIABILITIES

R'm	Audited 31 Dec 2020	% change	Audited Restated * 31 Dec 2019
<b>Capital and reserves</b>	<b>3 503,8</b>	<b>3</b>	<b>3 386,8</b>
<b>Non-current liabilities</b>	<b>759,3</b>	<b>28</b>	<b>594,3</b>
<b>Current liabilities</b>	<b>2 376,8</b>	<b>(22)</b>	<b>3 046,8</b>
Trade and other payables	933,0		988,4
Current portion of interest-bearing liabilities	547,4	(46)	1 013,3
Current portion of lease liabilities **	49,7		100,8
Current portion of contract liabilities	209,6		159,9
Current portion of refund liabilities	27,4		16,8
Current portion of provisions	110,7		93,0
Other financial liabilities	14,5		2,4
Current taxation liabilities	3,1		6,1
Bank overdrafts and borrowings on call	481,4	(28)	666,1
<b>Total equities and liabilities</b>	<b>6 639,9</b>	<b>(6)</b>	<b>7 027,9</b>

# NOTES ON INVENTORY

R'm	Audited 31 Dec 2020	Audited restated 31 Dec 2019	% change
Finished goods – Manufactured	640,9	969,2	(34)
Finished goods – Third Party	378,7	501,7	(25)
Finished goods – Used	295,6	335,4	(12)
Spares, components & raw materials	1 898,0	1 846,5	3
Work in progress	382,0	472,7	(19)
<b>Total</b>	<b>3 595,2</b>	<b>4 125,5</b>	<b>(13)</b>

- Weaker Rand inflates inventory in Rand terms – real decrease is greater than 13%
- Included in cost of sales in the current year is an amount of R111m (2019: R77,9m) in respect of write-downs of inventory



# INCOME STATEMENT

Rm	Audited 31 Dec 2020	Audited Restated 31 Dec 2019	% change
Revenue	6 690,2	7 823,2	(14)
Cost of sales	(5 456,3)	(6 375,4)	(14)
Gross profit	1 233,9	1 447,8	(15)
<i>Gross profit margin</i>	18,4%	18,5%	
Other operating income	112,7	189,0	(40)
Expenses	(1 311,0)	(1 418,3)	(8)
Profit from operating activities	35,6	218,5	(84)
Net interest expense	(103,1)	(112,0)	(8)
(Loss) profit before taxation	(67,5)	106,5	(163)
Taxation	10,3	(54,3)	119
<b>(Loss) profit for the year</b>	<b>(57,2)</b>	<b>52,2</b>	<b>(209)</b>

# CASH FLOW STATEMENT

R'm	Audited 31 Dec 2020	Audited Restated 31 Dec 2019	% change
Cash operating profit before working capital changes	410,3	616,2	
Cash generated from (utilised in) working capital	585,9	(659,5)	
<b>Cash generated from (utilised in) operations</b>	<b>996,2</b>	<b>(43,3)</b>	<b>&gt;2000</b>
Interest paid	(170,7)	(152,5)	
Interest received	60,8	57,7	
Taxation paid	(67,7)	(122,8)	
<b>Net cash generated from (utilised in) operating activities</b>	<b>818,6</b>	<b>(260,9)</b>	<b>&gt;400</b>
<b>Net cash utilised in investing activities</b>	<b>(82,8)</b>	<b>(145,9)</b>	
<b>Net cash (utilised in) generated from financing activities</b>	<b>(559,5)</b>	<b>101,1</b>	
Net increase (decrease) in cash for the year	176,3	(305,7)	
Net bank overdrafts & borrowings on call at beginning of year	(574,9)	(269,2)	
<b>Net bank overdrafts &amp; borrowings on call at end of year</b>	<b>(398,6)</b>	<b>(574,9)</b>	<b>31</b>

# NET DEBT & FINANCE COST

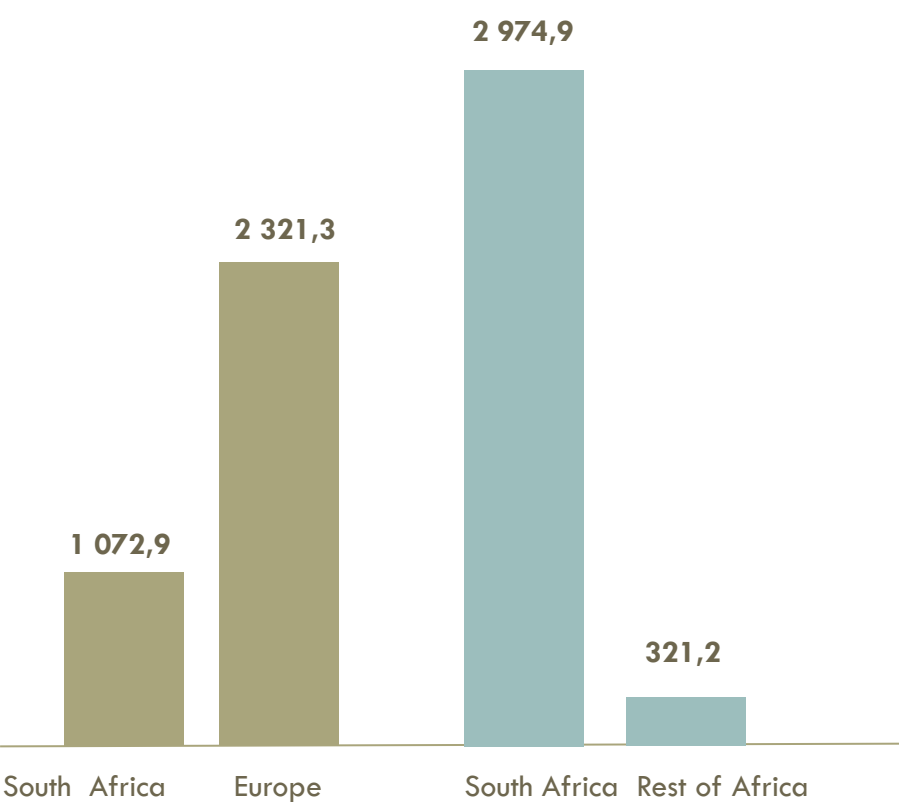
R'm	Audited 31 Dec 2020	% change	Audited Restated 31 Dec 2019
Net debt – close	1 150	(38)	1 849
Net debt - average	1 500	(8)	1 627
Interest paid for the year	154,2	(7)	166,2
Gearing % (net debt)	33	(40)	55
Interest cover (times) (underlying EBIT)	0,23	(82)	1,31
Net debt to EBITDA (times, annualised)	7,16	67	4,28

- Net debt reduced significantly across the year
- Interest cover and net debt to EBITDA deteriorated due to low earnings
- Gearing down from 55% to 33% at year end

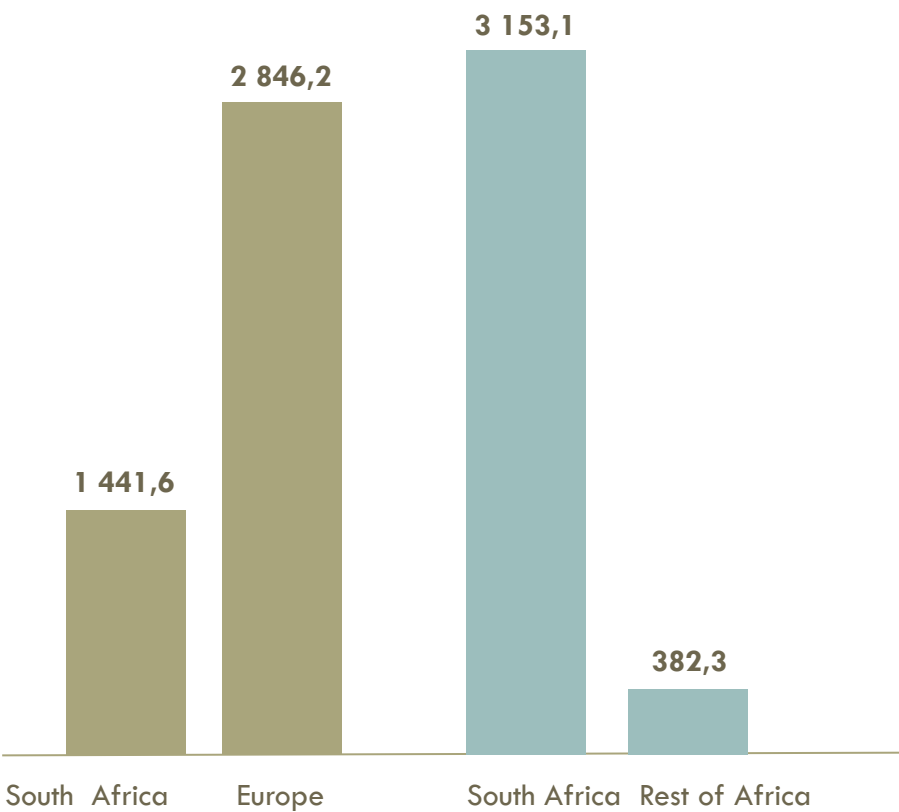
- Net debt excludes lease liabilities in respect of right of use assets

# SEGMENTAL ANALYSIS - REVENUE

External revenue (R'm) – Dec 2020



External revenue (R'm) – Dec 2019



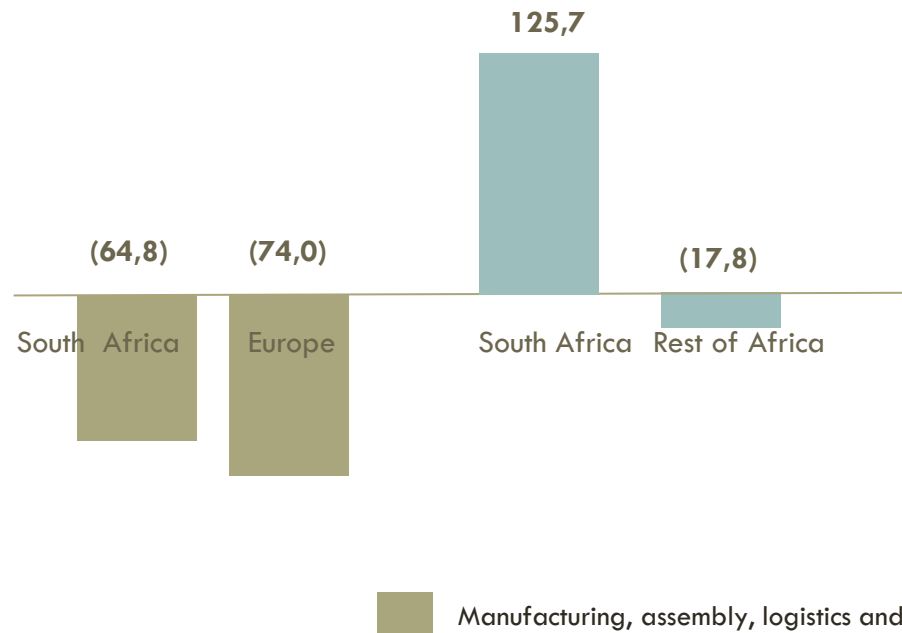
Manufacturing, assembly, logistics and dealer sales operations



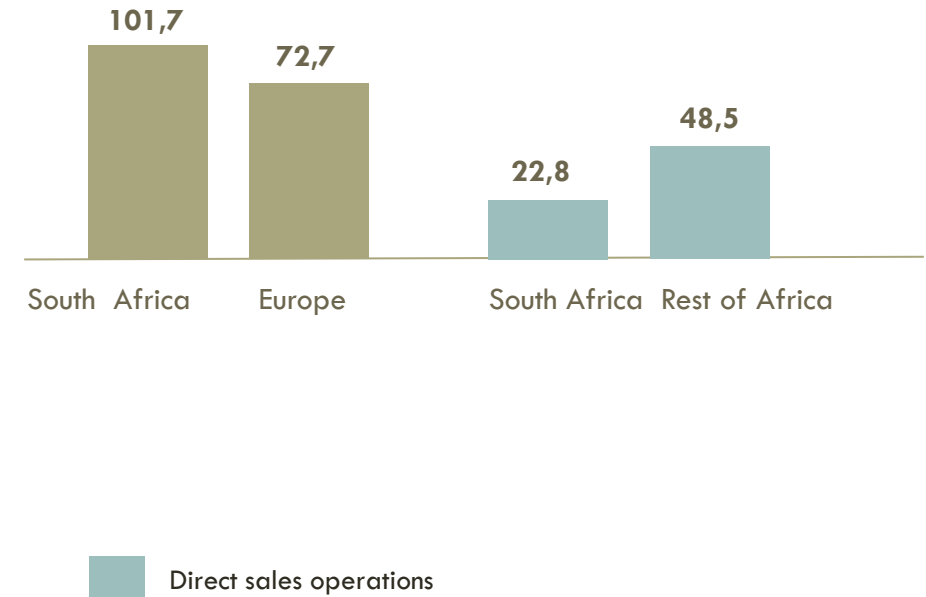
Direct sales operations

# SEGMENTAL ANALYSIS – OPERATING PROFIT (LOSS)

Operating profit (loss) (R'm) – Dec 2020



Operating profit (R'm) – Dec 2019



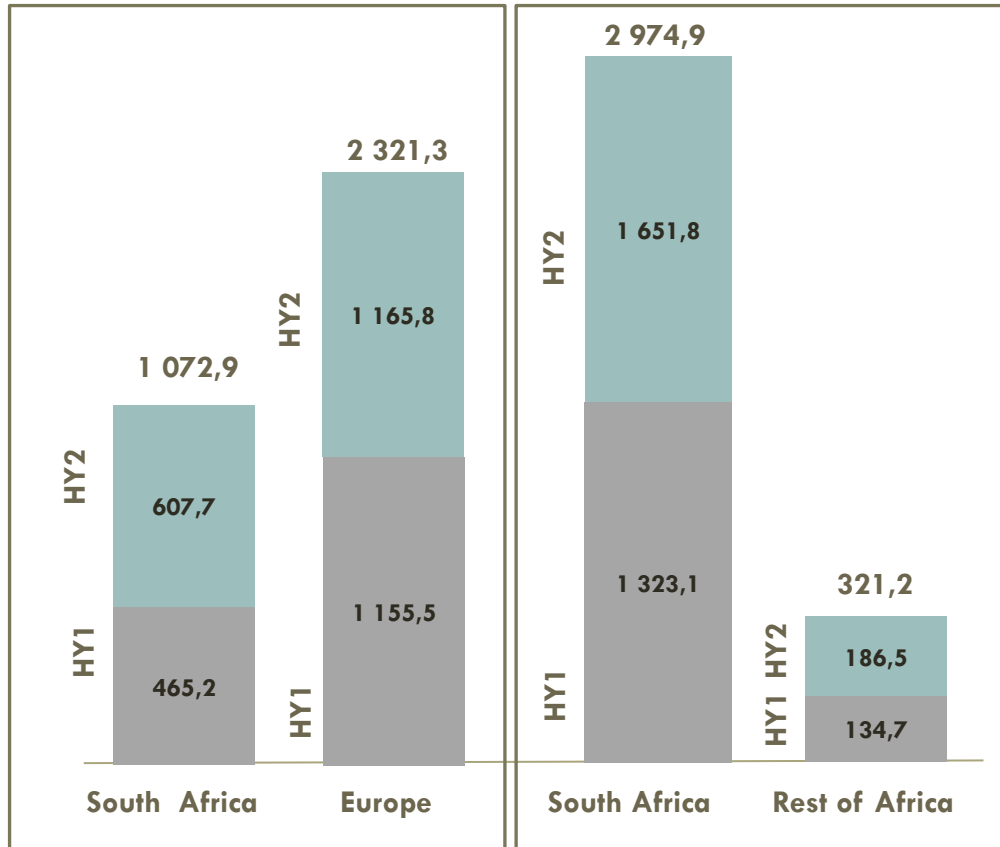


# SEGMENTAL ANALYSIS – HY1 vs HY2

## Revenue (R'm) – Dec 2020

Manufacturing, assembly, logistics and dealer sales operations

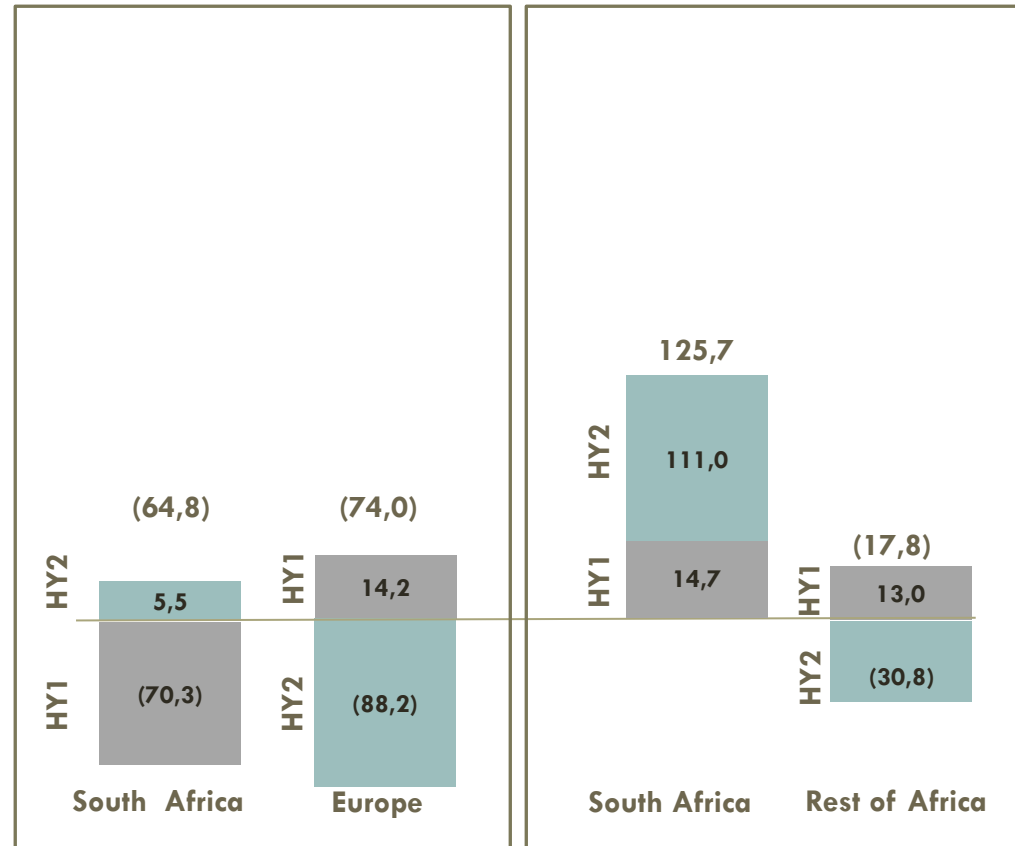
Direct sales operations



## Operating profit (loss) (R'm) – Dec 2020

Manufacturing, assembly, logistics and dealer sales operations

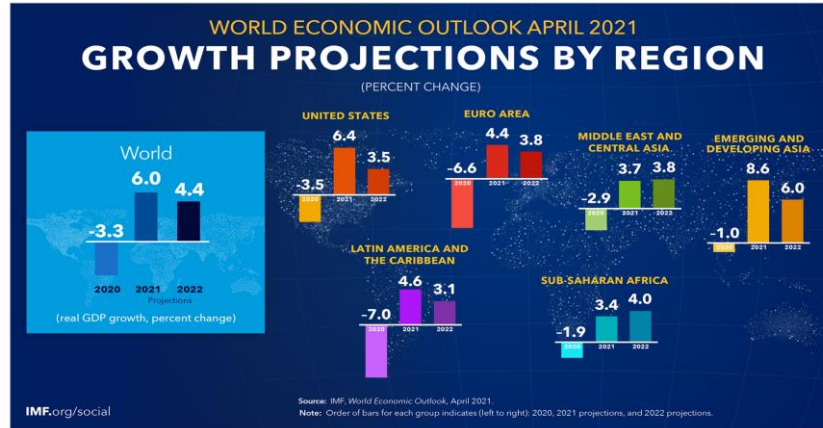
Direct sales operations



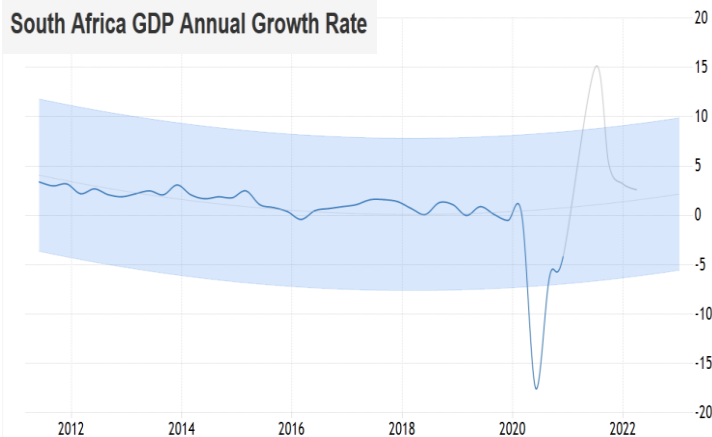
# BELL EQUIPMENT LIMITED

## LOOKING AHEAD

# LOOKING AHEAD — INDICATORS

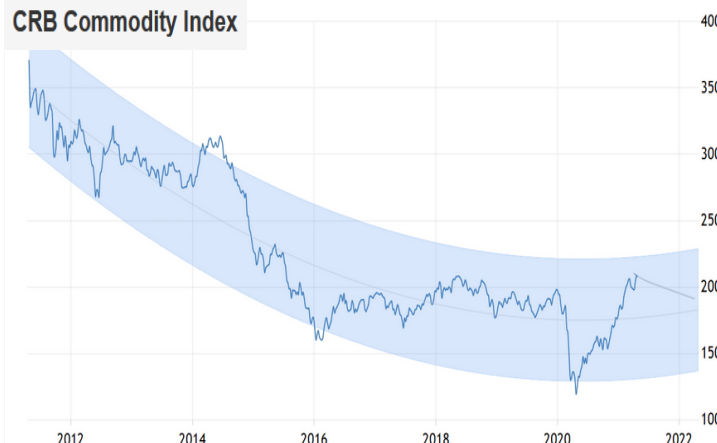


South Africa GDP Annual Growth Rate



SOURCE: TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

CRB Commodity Index



## Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2020	2021	2022
<b>World Output</b>	-3.3	6.0	4.4
<b>Advanced Economies</b>	-4.7	5.1	3.6
United States	-3.5	6.4	3.5
Euro Area	-6.6	4.4	3.8
Germany	-4.9	3.6	3.4
France	-8.2	5.8	4.2
Italy	-8.9	4.2	3.6
Spain	-11.0	6.4	4.7
Japan	-4.8	3.3	2.5
United Kingdom	-9.9	5.3	5.1
Canada	-5.4	5.0	4.7
Other Advanced Economies	-2.1	4.4	3.4
<b>Emerging Market and Developing Economies</b>	-2.2	6.7	5.0
<b>Emerging and Developing Asia</b>	-1.0	8.6	6.0
China	2.3	8.4	5.6
India	-8.0	12.5	6.9
ASEAN-5	-3.4	4.9	6.1
Emerging and Developing Europe	-2.0	4.4	3.9
Russia	-3.1	3.8	3.8
<b>Latin America and the Caribbean</b>	-7.0	4.6	3.1
Brazil	-4.1	3.7	2.6
Mexico	-8.2	5.0	3.0
<b>Middle East and Central Asia</b>	-2.9	3.7	3.8
Saudi Arabia	-4.1	2.9	4.0
<b>Sub-Saharan Africa</b>	-1.9	3.4	4.0
Nigeria	-1.8	2.5	2.3
South Africa	-7.0	3.1	2.0
<b>Memorandum</b>			
<b>Emerging Market and Middle-Income Economies</b>	-2.4	6.9	5.0
<b>Low-Income Developing Countries</b>	0.0	4.3	5.2

Source: IMF, World Economic Outlook, April 2021

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. India's growth projections are -7.1 percent in 2020 and 11.3 percent in 2021 based on calendar year.

INTERNATIONAL MONETARY FUND

IMF.org

# LOOKING AHEAD

- We remain cautiously optimistic with most regions reflecting healthy order books for the first half of the new financial year.
- Given increased demand for commodities, massive post Covid-19 global stimulus packages, we expect demand to increase globally.
- The industry outlook for South Africa remains depressed as the country grapples with low infrastructure spending in a weakened economy.
- Improved B-BBEE rating should drive market share gains in South Africa.
- JCB distribution partnership will lead to gains in market share and volume growth.
- Continued focus on cash preservation, working capital and expense management.
- Continue to lobby South African Government against unfair competition.
- Development of new products to meet longer term strategies.
- Continued focus on strategic priorities and global growth objectives.
- Continued focus on improving customer service and dealer management to drive growth in the aftermarket and supporting our active fleet globally.



# BELL EQUIPMENT LIMITED



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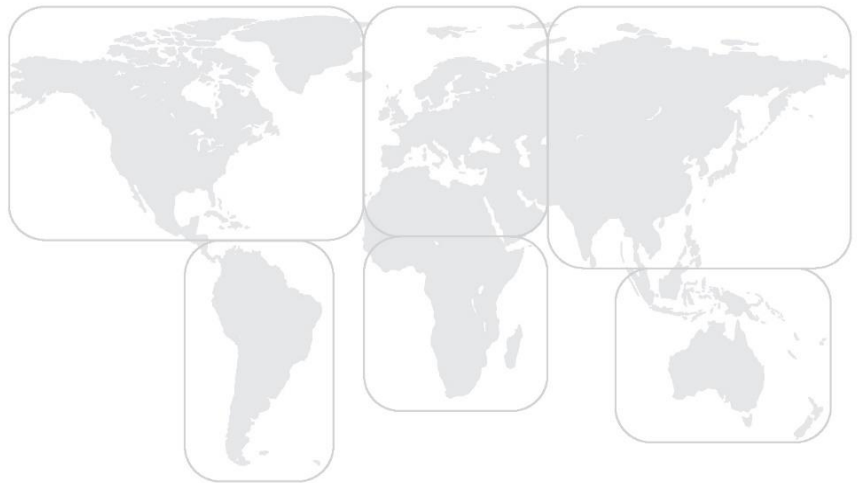
[vrech@kris.co.za](mailto:vrech@kris.co.za)




# BELL EQUIPMENT LIMITED

## APPENDIX

# ADT SPECIALIST





Lowest cost per tonne/Reduced overall operating costs

First to market with innovations

Class leading fuel economy

Proprietary fleet management system

Superior ride quality

Leading engine technology

Uncompromising safety standards

Highest level of automated machine protection



# MATERIAL-HANDLING DISTRIBUTOR



Full line solutions

High performance and reliability

Low operating costs

Meeting customers' equipment needs

Innovative products

Specialised manufacturers

Premium like-minded partners

Diversified industries

**BELL**

**KOBELCO** **waratah**  
BUILT TO WORK

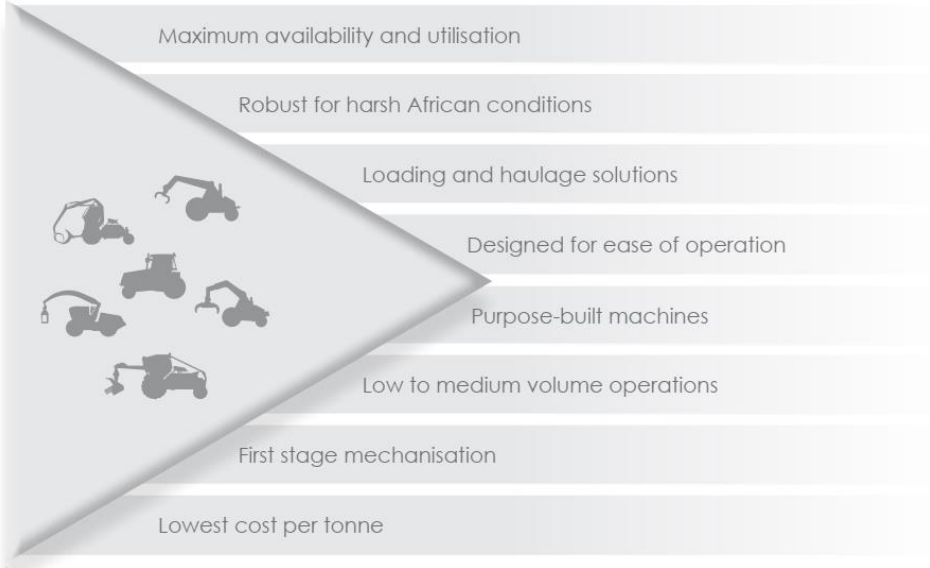
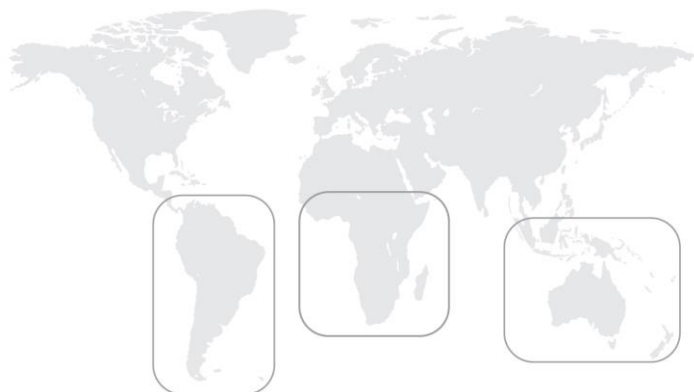
**JOHN DEERE**

**MATRIARCH** **BOMAG**  
PAVING GROUP

**FINLAY**



# AGRICULTURE & FORESTRY SOLUTIONS PROVIDER





# AFTERMARKET SUPPORT

