Santova
INNOVATIVE SOLUTIONS • ENDLESS POSSIBILITIES

INVESTOR ANALYST

Interim Results Presentation for the period ending 31 August 2024

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and James Robertson (GFD)

INTRODUCTION

Much like the previous financial year, the first six months of the 2025 financial year remained challenging globally.

- Inflation has started to recede; interest rates remain high by historic standards and continue to weigh on consumer demand, resulting in pressure on trade volumes - particularly during the first quarter of the year.

- 2024 represents an election year for nearly half the world's population with many investors adopting a 'wait and see' approach to capital expenditure.

- This situation has been complicated even further by two disturbing conflicts which has and still is fast tracking the polarization of economies and global trade lanes.

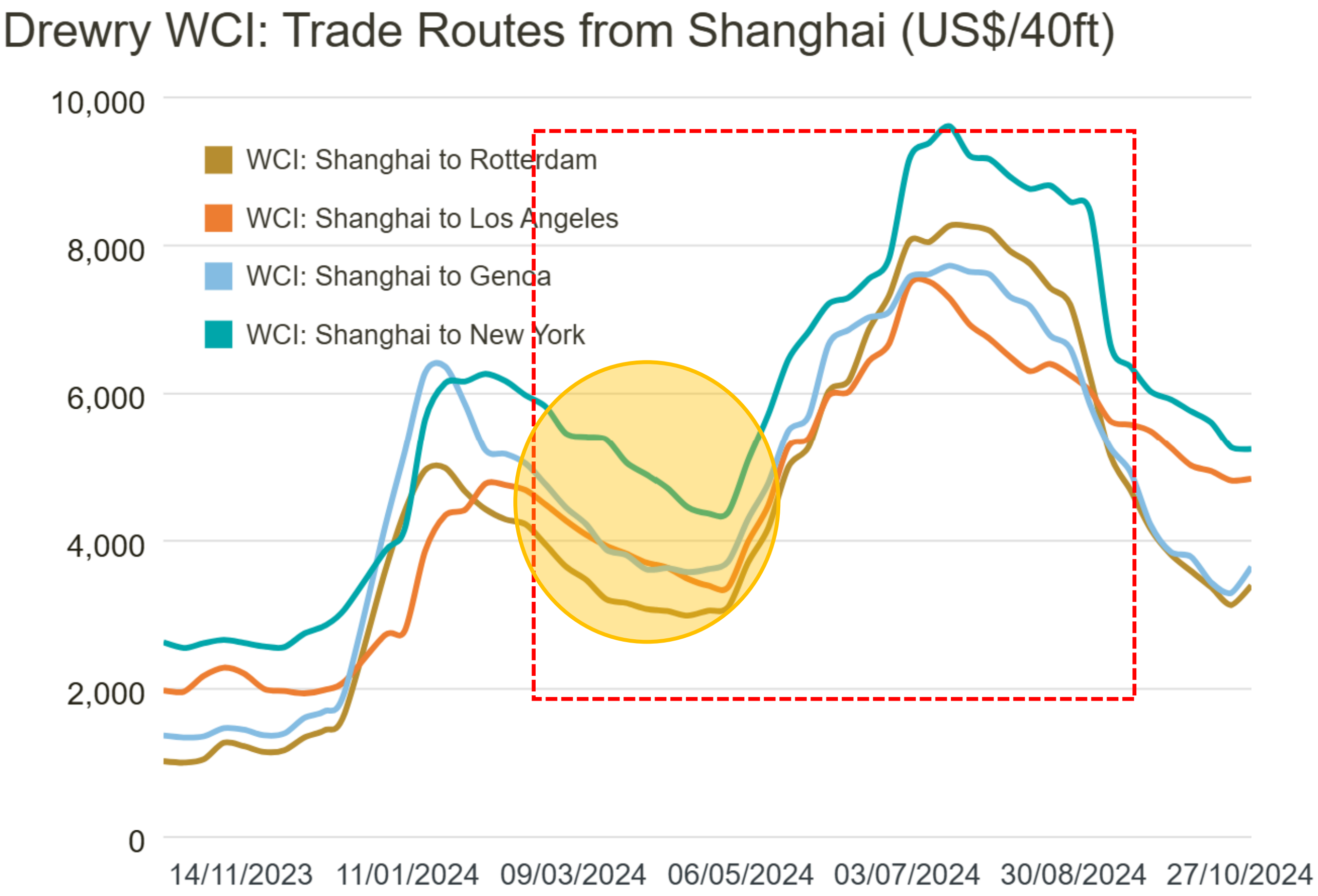
Freight rates, which were at pre-pandemic lows at the start of the year, briefly surged to highs in July.

- Red Sea crisis, which has extended sailing times and created a shortage of capacity in the market.
- Bottlenecks at ports in Asia, and an earlier peak season as shippers look to anticipate and avoid delays.
- Spot rates ex-China on major East-West trade lanes continue to increase amid strong demand, tight capacity, and port congestion.

To respond effectively to a changed environment, a difficult period offered our Group the opportunity to reset, refocus and redesign to once again focus on continued growth.

The Drewry World Container Index

31 October 2024



Source: Drewry World Container Index, Drewry Supply Chain Advisors

The Drewry WCI composite index increased 4% to $3,213 per feu (forty-foot equivalent unit)

- 69% below the previous pandemic peak of $10,377 in September 2021
- 126% more than the average 2019 (pre-pandemic) of $1,420.

NORTH AMERICA

- At the outset, a decision was made to take the ‘tough road’ – “grassroots” the business.

- The transition in ownership, the re-alignment of the business, accompanied by decline in revenue due to lower freight rates and lower demand from customers in Southeast Asia - its main trade lane, has impacted on the time it has taken to get this business on the front foot;

- The costs relating to the delays in obtaining the relevant trading regulatory licenses, together with “grassroots” costs in Chicago, appear to be behind us as we make encouraging progress.

- The focus of this business cargo from Los Angeles to Asia Pacific countries (China, Hong Kong, Macau, Japan, South Korea, Mongolia, Siberia, Taiwan, East Timor, Laos, and other ASEAN countries) is well suited to the Groups strategic focus on Asia Pacific countries.

EUROPE AND THE UNITED KINGDOM

United Kingdom

- The UK, while facing similar challenges to the rest of the Group, benefited from its diversified operations.
- Tradeway (Shipping), delivered solid results off a record-year in the prior year.
- SAI Logistics maintained its steady performance, benefitting from its strategic geographical positioning to accommodate e-commerce and other import businesses through its facility in Milton Keynes.
- Santova Logistics, UK had a relatively subdued year with household and consumer product customers continuing to trade down due to inflationary pressure on end-consumer’s disposable income.

Netherlands and Germany

- As the “gateway to Europe”, the suppressed economic conditions in Europe have impacted on trade volumes whist low freight rates have limited profit margins.
- The opportunity is in the e-commerce market which is booming. E-commerce usage in the Netherlands is the highest in the EU at 84%, indicating a massive opportunity to Santova.
- Germany is facing a mild recession. Output across the whole of 2024 will be flat, according to a Bloomberg survey — underscoring the malaise in Europe's largest economy.
- These offices have combined their efforts to build the region.

Santova UK has ‘found its feet’ and are making good progress on the 4PL front – the market is engaging well with what are now ‘confident’ representatives of our sophisticated solutions driven business model. No longer is it just about the freight rate, technology and the application of decision-making being based on fact is leading the way.

ASIA PACIFIC

Singapore

- Making good progress on the development of ‘direct client’ business as opposed to Agent referral business.
- The transition (‘unsettled period’) to a more experienced workforce and effective leadership of the business is starting to yield good returns through global trade services.
- The region’s earnings were adversely impacted by a slow-down amid subdued demand in China.

Australia

- The region continues to acquire new clients and further diversify its client revenue streams in a bid to generate more sustainable revenue.

Hong Kong

- Strategic hub for the Group, continues to play a key role in the Group’s ability to negotiate rates and secure capacity for global clients importing from China.
- Ex-works services in mainland China is now a focus of this office going forward which should generate greater and more diversified earnings.

Vietnam

- This business which officially began operating in August 2023, is starting to make progress in securing its own domestic client base. It is also now playing an important role in ex-works services for the Groups global client base, particularly global cross trades.

AFRICA

South Africa

- The South African economy has benefitted from a stable electricity supply in the past six months as well as a positive investment sentiment surrounding the formation of a Government of National Unity.

- Whilst low freight rates and limited project work had a significant impact, there is good momentum in current trade. This growth is off the back of Santova gaining a larger share of a relatively static economy through a unique set of skills and capabilities and an ability to differentiate itself from its competitors.

- We could see a recovery in the second half as newly acquired quality new clients trade up and current inventory levels run low.

- This business continues to act as an incubator of new ideas and/or innovative international trade solutions.

Mauritius

- Mauritius, on the other hand, has delivered beyond expectation and is not showing signs of slowing down. The latter is indeed an impressive achievement in what is a relatively small economy.

OUTLOOK

The outlook for the next 6 months to 28 February 2025 remains uncertain. The World economic forum portray a mood of cautious optimism about the global economy. This optimism is tempered by the uncertainty about geopolitical and domestic political developments, which are seen as sources of volatility going forward.

- Whilst economists foresee consistently buoyant activity in the economies of South Asia and East Asia and the Pacific this year, the expectations for China are somewhat more muted, as weak consumption data and ongoing property market woes dampen the near-term outlook.

- The outlook is considerably more pessimistic for Europe, with most economists expecting weak growth. For the rest of the world, most economists expect moderate growth, with a slight improvement in expectations.

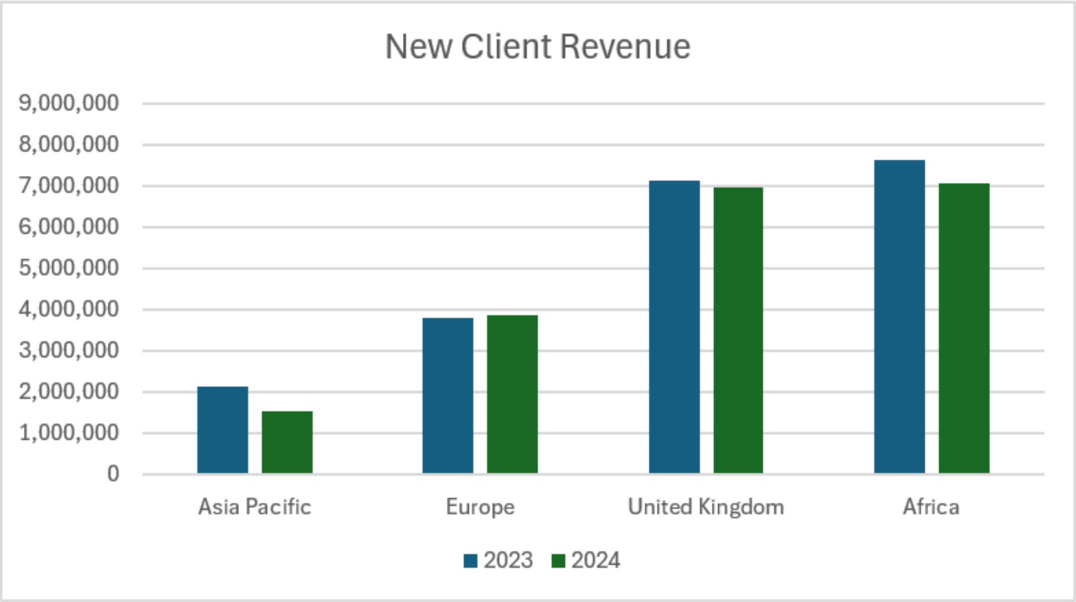
That said, I believe as economies always do, the world will adjust to current circumstances and trade will 'loosen-up' as we move forward with greater momentum being achieved during 2025 by which time interest rates should have begun to soften – albeit never to levels experienced pre-pandemic. It will be during this period that the Group will once again make progress in earnings growth. Until such time, we are going to have to show 'grit' and have faith in our capabilities and/or potential to leverage off our solid foundation.

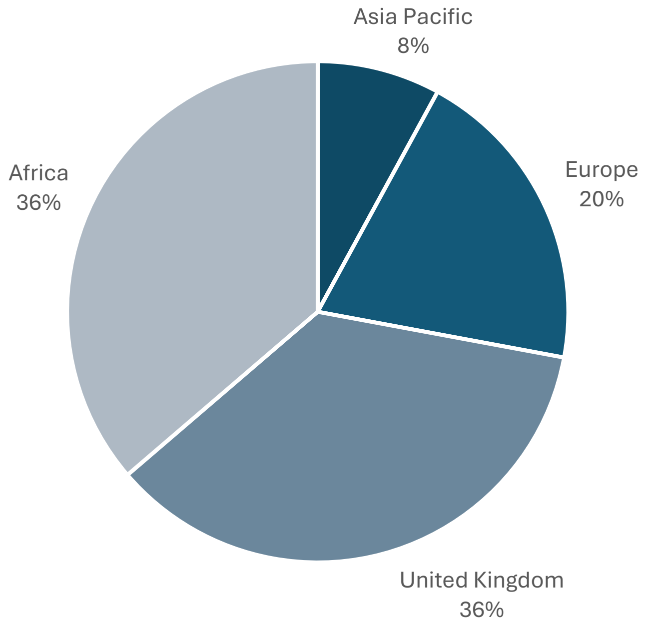
NEW CLIENT REVENUE BY REGION

March 2023 – August 2023 | March 2024 – August 2024

Including revenue generated during the 6-month period for any new clients signed on in the preceding 12 months

New Client Revenue				
Region	**2023**	**2024**	**Change**	**% Change**
Asia Pacific	2,148,725	1,545,548	-603,177	-28.1%
Europe	3,818,072	3,886,757	68,685	1.8%
United Kingdom	7,116,803	6,963,549	-153,254	-2.2%
Africa	7,639,254	7,058,144	-581,110	-7.6%
Total	**20,722,854**	**19,453,998**	**-1,268,856**	**-6.1%**



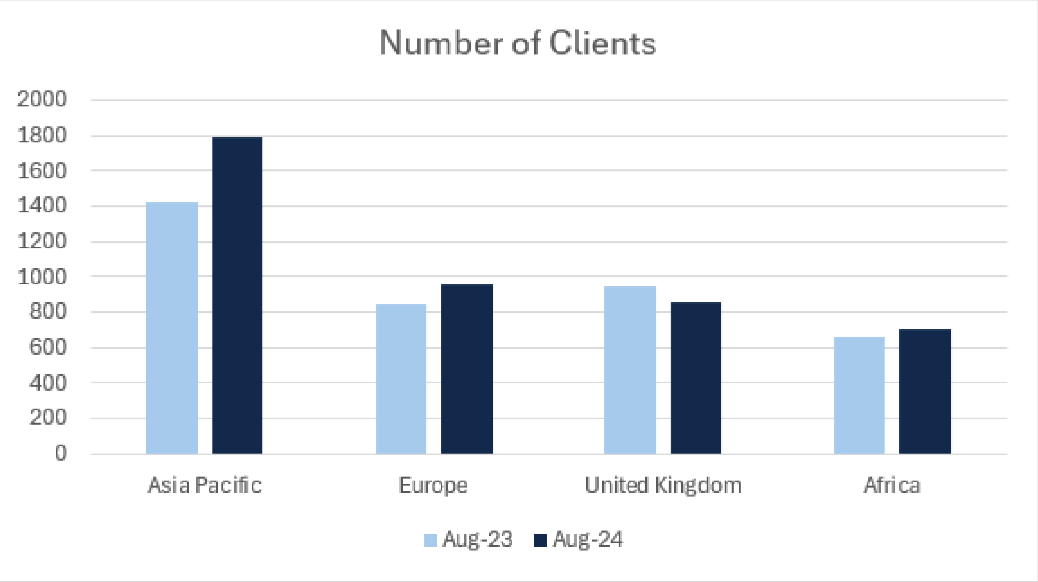


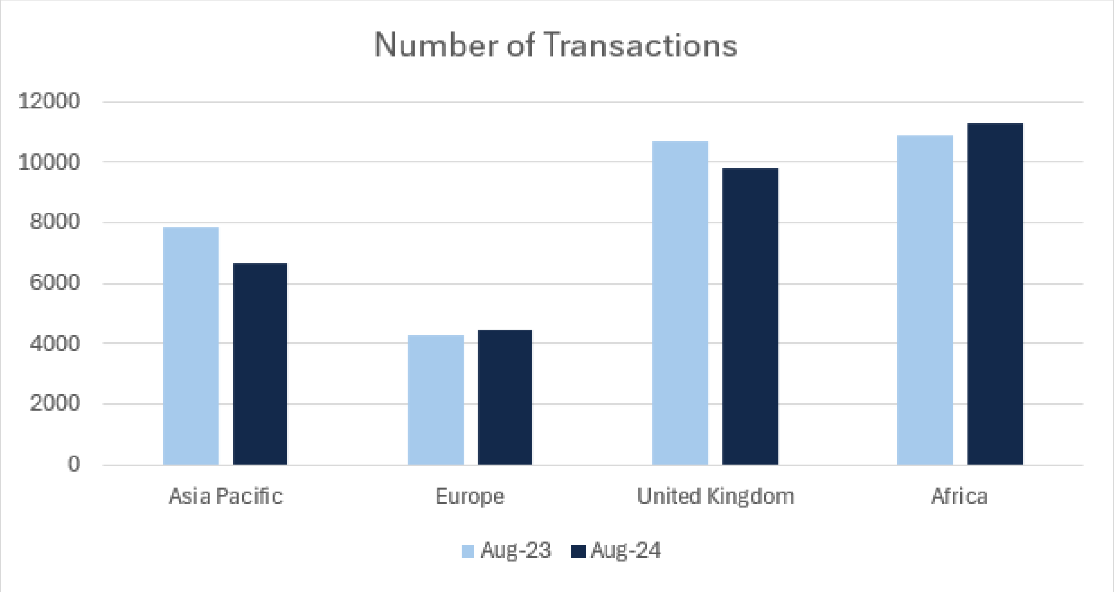
CLIENT & TRANSACTION ANALYSIS

March 2023 – August 2023 | March 2024 – August 2024

Number of Clients				
Region	**Aug-23**	**Aug-24**	**Change**	**% Change**
Asia Pacific	1427	1786	359	25.2%
Europe	842	954	112	13.3%
United Kingdom	942	857	-85	-9.0%
Africa	666	703	37	5.6%
Total	**3877**	**4300**	**423**	**10.9%**

Number of Transactions				
Region	**Aug-23**	**Aug-24**	**Change**	**% Change**
Asia Pacific	7864	6673	-1191	-15.1%
Europe	4303	4458	155	3.6%
United Kingdom	10692	9795	-897	-8.4%
Africa	10853	11293	440	4.1%
Total	**33712**	**32219**	**-1493**	**-4.4%**





SLOW AND CONSISTENT GROWTH

A successful strategy for Santova which has and will continue to lead to long-term success.

Santova Group	Movement over 5 years	Actual August 2024 R'000s	Actual August 2023 R'000s	Actual August 2022 R'000s	Actual August 2021 R'000s	Actual August 2020 R'000s	Actual August 2019 R'000s
Revenue	53 %	**300 902**	**321 139**	**319 660**	281 536	211 811	196 908
		-6%	***0%***	***14%***	*33%*	*8%*	*21%*
Profit for the Period	113 %	**62 371**	**79 535**	**107 132**	67 592	33 505	29 283
		-22%	***-26%***	***58%***	*102%*	*14%*	*-13%*
Total Assets	70 %	**1 882 095**	**1 717 783**	**1 675 868**	1 198 706	1 248 528	1 108 135
		10%	***3%***	***40%***	*-4%*	*13%*	*15%*
Capital & Reserves	126 %	**1 171 460**	**1 106 274**	**861 548**	656 346	632 565	517 755
		6%	***28%***	***31%***	*4%*	*22%*	*7%*
Interest Bearing Borrowings	-91 %	**5 098**	**16 499**	**45 864**	29 587	43 773	58 705
		-69%	***-64%***	***55%***	*-32%*	*-25%*	*87%*
Cash and cash Equivalents	261 %	**415 214**	**467 664**	**339 517**	227 717	185 166	114 865
		-11%	***38%***	***49%***	*23%*	*61%*	*48%*

However, there are reasons for increased positivity.

- The period of high inflation that occurred over the previous two years appears to be largely behind us with central banks around the world moving into a rate cutting cycle, which should increase disposable income and stimulate trade.

- In addition, the announcement of China's stimulus package to boost its ailing economy should result in increased global trade.

- Shipping rates, which briefly surged to unexpected highs in July 2024 have started to recede again, however, with the Red Sea crisis persisting and potentially escalating, further disruption cannot be ruled out. The Suez Canal is only expected to return normal trade in 2026.

- To optimise and outperform the competition, it is crucial to streamline the organisation and enhance operational efficiency. This requirement is well aligned with the Groups unique positioning.

- Finally, Santova's appetite for acquisitions has returned as industry earnings have normalised. This offers the Group an opportunity to make acquisitions to boost volumes by accessing new customers, new geographies, new service offerings and new sectors.

STRATEGIC DEVELOPMENT - ACQUISITIONS

We will continue seeking quality businesses that meet our criteria.

- Four ‘lost years’ - 3 years of abnormally high earnings obscured by COVID-19. Then the last year saw depressed earnings in the context of a global ‘recessionary environment’ and low freight rates.

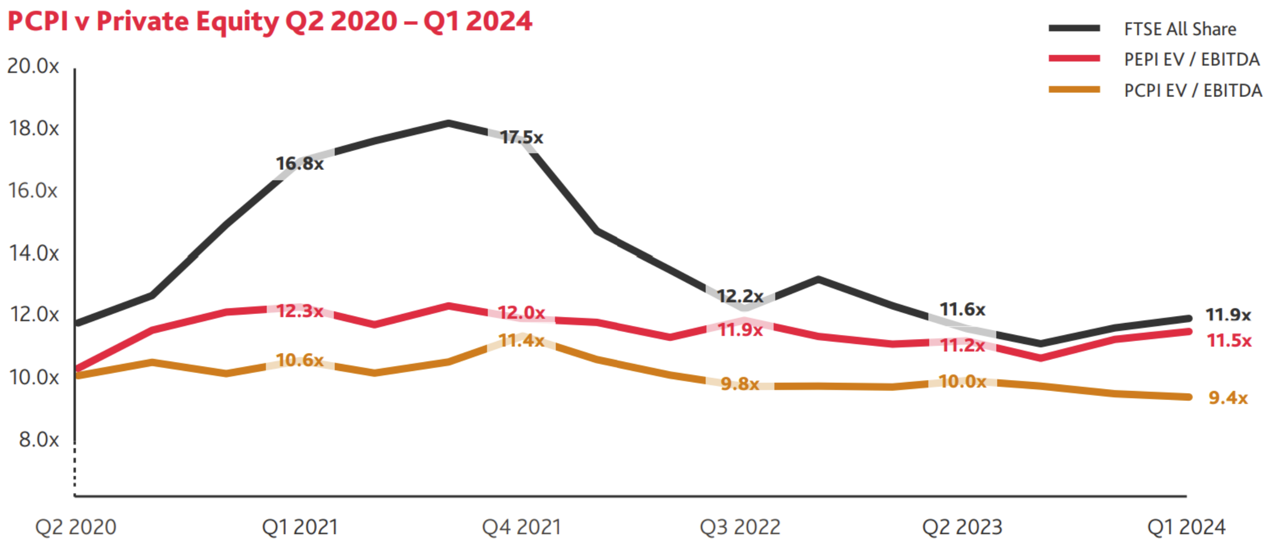
- The first-year post pandemic witnessed the management and ‘settling down’ of the business in the face of post pandemic disruptions.

- Markets appear to have adjusted to the ‘new norm’ and have a better idea of where underlying trading of businesses is returning.

- Softening of trade valuations
  Private Company Price Index (PCPI): 9.4x EBITDA
  The Private Equity Index (PEPI): 11.5x EBITDA

BDO

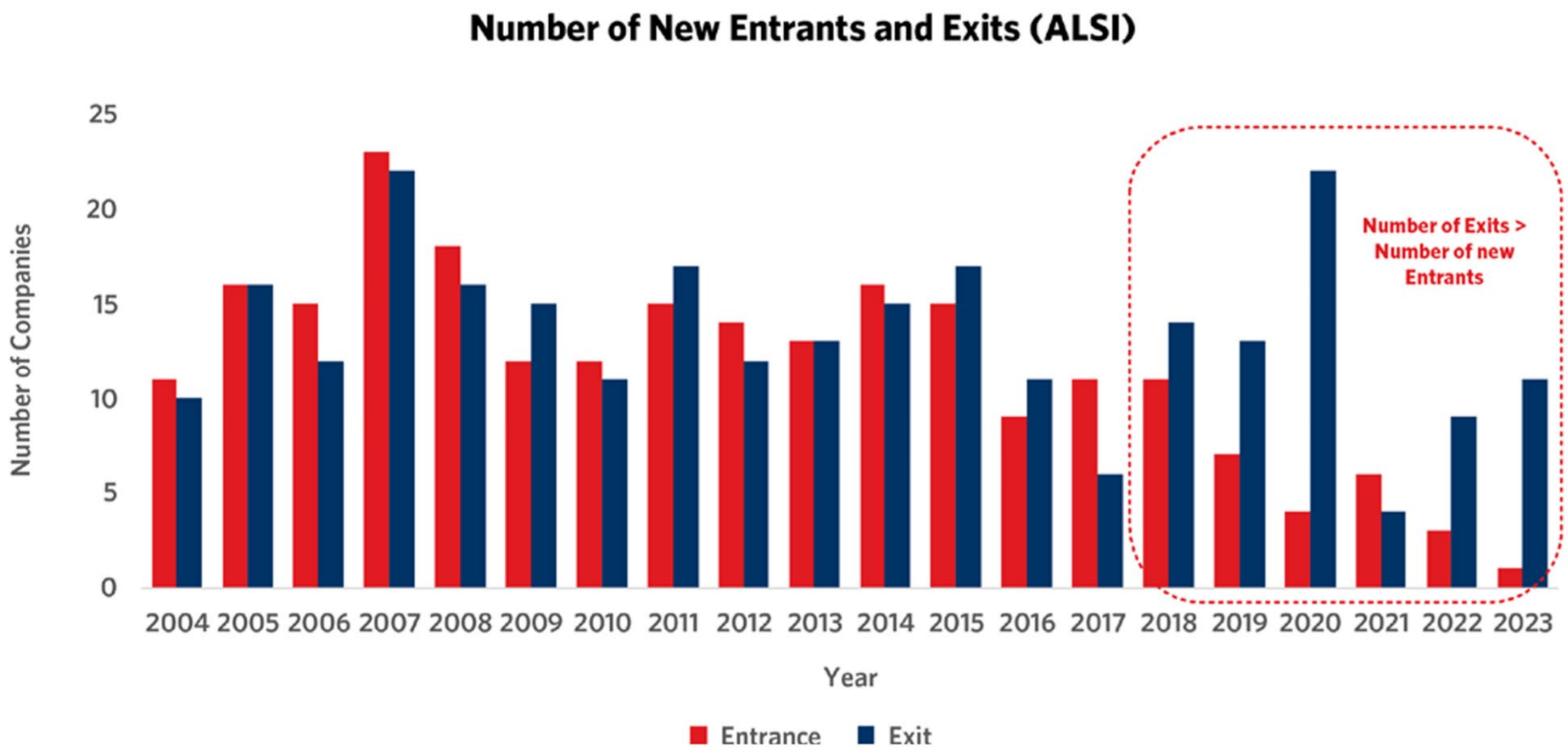
2024 Private Company Price Index **Q1**



Insight to Small cap & Santova Valuations

Over 52% of companies delisted are not part of the **opportunity set** as defined by asset managers. Smaller companies that do not meet the typical **size** and **liquidity** requirements of the average asset manager comprising a significant portion of delisted companies.

The modest decrease in annual market capitalisation resulting from exits also suggests that the downward trend primarily stems from **exits among smaller to mid-cap** companies that fall outside the scope of the opportunity set

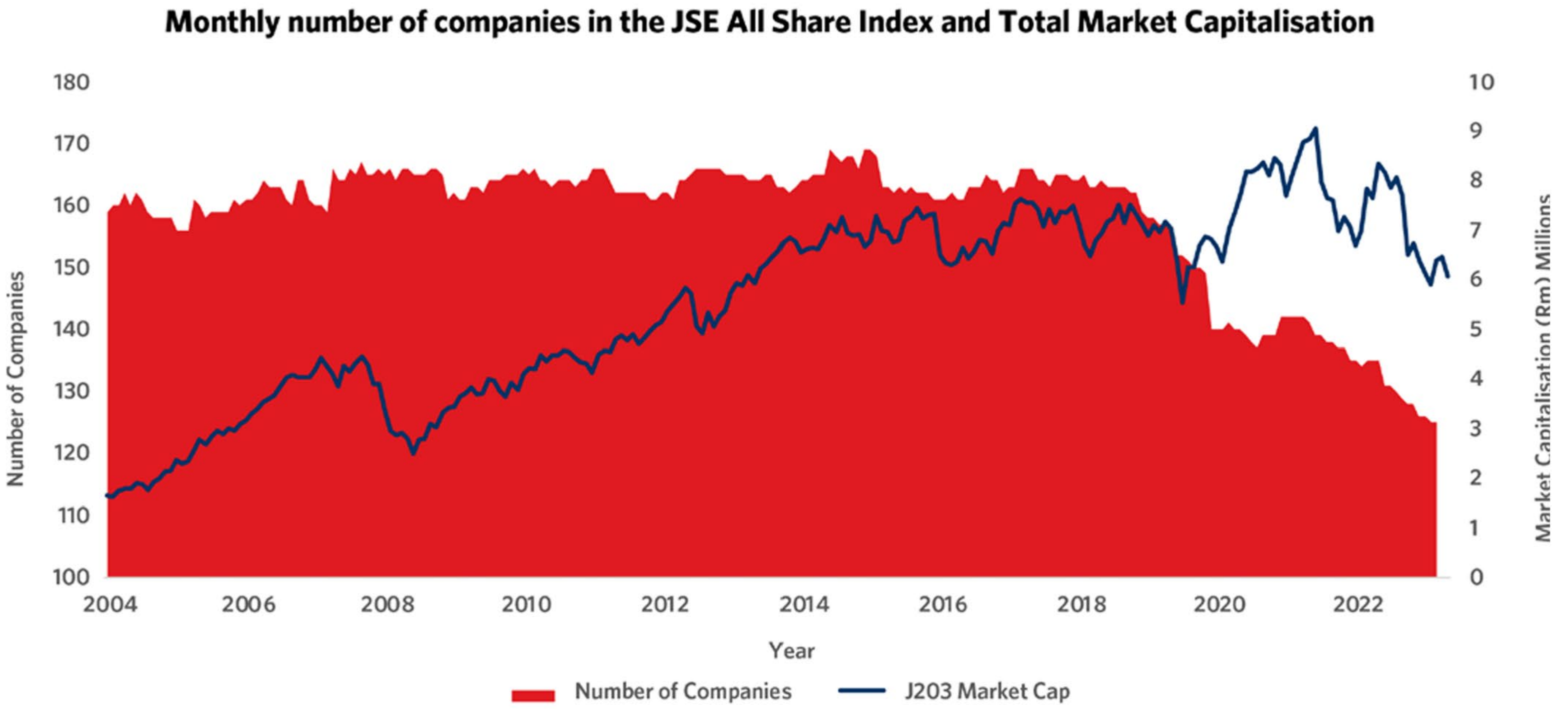


SOURCE: MSCI Barra Portfolio Manager | Momentum Investments Group

The Context: A Changing Market

Whilst we have an aggressive trend of de-listings and limited number of new listings, the **market capitalisation** of the index exhibited an **upward trajectory**, highlighting a **consolidation of market value** among fewer entities. The total market capitalisation lost due to companies exiting remains modest. This is a long-term global trend seen in the US, UK, Germany and other major markets, which is in line with what we see on the JSE.

<u>Note: </u>**More than 60%** of the gross market capitalisation of the JSE is now made up by **secondary listed companies** that are served by financial sectors elsewhere in the world.



In the 1990s, the JSE had approximately 850 listed companies. In 2024, this number is approximately 275.
https://www.listcorp.com/jse

SOURCE: MSCI Barra Portfolio Manager | Momentum Investments Group

Our priority and our challenge

The economy will strengthen, interest rates and inflation will lower, but the availability of a *driven and skilled workforce* is unlikely to improve. The combination of numerous socio-eco-political disruptions has created a challenging human capital environment.

We have entered an age of volatility and unpredictability, accompanied by *people changing their values and priorities,* which requires a unique skill set to manage and capitalise upon. After all, the more advanced and pervasive technology becomes, the more important people are becoming to our strategic decision to engage with heightened client-centricity.

Through *creating purpose* in our regional businesses, strategically placing high-calibre leaders in key locations, carefully coaching our people, focusing further on intercompany collaboration, and relentlessly striving to instill our *company culture and values,* we are confident that we will continue to attract and retain the right talent.

> *What people want from work is a (reflection of) what people want from life.*
> *Also, you do not build a business. You build people, and then the people build the business.*
>
> *Zig Ziglar*

Industry must adapt to technological disruptions and rising costs to maintain profitability in the face of geopolitical uncertainty and instability.

This will require investment in innovation, operational excellence (quality workforce, proactive energetic leadership), and customer-centric engagement – today.

It’s all about reducing transactional input costs.

INTERIM RESULTS

For the period ending 31 August 2024

INTERIM RESULTS: STATEMENT OF PROFIT OR LOSS ANALYSIS

	31 August 2024 R'000	31 August 2023 R'000	Move %	
BILLINGS	2,973,903	2,838,784	4.8%	Increase in freight rates and Red Sea surcharges.
REVENUE	300,902	321,139	(6.3)%	Decline in logistics revenue in the UK (R16m) and Europe (R6m).
Net interest	10,131	9,138	10.9%	Higher interest rates and extensions taken by clients in SA.
Other income	4,860	6,374	(23.8)%	Lower forex gains and commission income.
Depreciation, amortisation and impairment loss on non-financial assets	(14,286)	(14,061)	1.6%	
Impairment (loss)/reversal on trade receivables	(558)	1,648	(133.9)%	
Administrative expenses	(219,200)	(215,756)	1.6%	Lower inflation and stable currency.
Share of profit of associate, net of tax	-	(25)	(100.0)%	Thailand business liquidated.
Operating profit	81,849	108,457	(24.5)%	
Finance income	6,096	2,324	162.3%	Higher interest earned on cash facilities.
Finance costs	(1,518)	(2,705)	(43.9)%	Ongoing repayment of MTL facilities.
Profit before tax	86,427	108,076	(20.0)%	
Income tax expense	(24,056)	(28,541)	(15.7)%	Decrease in line with decrease in profit before tax with increase in effective tax rate due to higher proportion of SA profits.
Profit for the year	62,371	79,535	(21.6)%	

INTERIM RESULTS: OPERATING CONTEXT

AVERAGE EXCHANGE RATES		31 AUGUST 2024 R'000	31 AUGUST 2023 R'000	Movement %	Weighted average Mvmt %
Primary Operating Currencies					
Euro	EUR	**20.00**	20.17	(0.8)%	**(0.3)%**
Pound Sterling	GBP	**23.49**	23.24	1.1%	**0.4%**
US Dollar	USD	**18.46**	18.52	(0.3)%	**0.0%**
Australian Dollar	AUD	**12.20**	12.32	(1.0)%	**0.0%**
Hong Kong Dollar	HKD	**2.36**	2.36	(0.1)%	**(0.0)%**
Mauritian Rupee	MUR	**0.39**	0.40	(1.9)%	**(0.2)%**
Singapore Dollar	SGD	**13.74**	13.81	(0.5)%	**(0.0)%**
		WEIGHTED AVERAGE CURENCY MOVEMENT			**0.0%**

Stable currency

CLOSING EXCHANGE RATES		31 AUGUST 2024 R'000	29 FEBRUARY 2024 R'000	Movement %	Weighted average Mvmt %
Primary Investment Currencies					
Euro	EUR	**19.65**	20.80	(5.5)%	**(1.6)%**
Pound Sterling	GBP	**23.35**	24.30	(3.9)%	**(1.7)%**
US Dollar	USD	**17.79**	19.21	(7.4)%	**(0.2)%**
Australian Dollar	AUD	**12.03**	12.50	(3.7)%	**(0.3)%**
Hong Kong Dollar	HKD	**2.28**	2.45	(7.1)%	**(0.8)%**
Mauritian Rupee	MUR	**0.37**	0.41	(9.0)%	**(0.0)%**
Singapore Dollar	SGD	**13.61**	14.28	(4.7)%	**(0.2)%**
		CURRENCY EFFECT ON CLOSING BALANCES			**(4.9)%**

Direct impact on Other Comprehensive Income ("OCI"), Assets, Liabilities and Equity

INTERIM RESULTS: STATEMENT OF FINANCIAL POSITION ANALYSIS

		31 AUGUST 2024 R'000	29 FEBRUARY 2024 R'000	Move %	
TOTAL ASSETS	Cash and cash equivalents	**415,214**	477,206	(13)%	Strong cash position with 96.0% of cash held offshore.
	Current tax assets	**809**	2,219	(64)%	
	Deferred tax assets	**6,344**	8,800	(28)%	Reversal of provisions/accruals.
	Financial assets at FV through P/L	**9,673**	9,086	6%	
	Intangible assets	**354,773**	369,583	(4)%	Primarily comprised of goodwill on offshore subsidiaries with decrease due to translation effects.
	Property, plant and equipment	**17,530**	17,343	1%	
	Non-current assets held for sale	**9,605**	9,998	(4)%	Forex.
	Loans recievable	**2,245**	2,245	0%	
	Amount owing by related party	**-**	75	(100)%	
	Right-of-use assets	**33,891**	34,564	(2)%	
	Trade and other receivables	**1,032,011**	856,091	21%	Increased freight rates and surcharges due to the Red Sea crisis + extended terms granted to some customers + potentially early peak season.
		1,882,095	1,787,210	5%	
EQUITY AND LIABILITIES	**Capital and reserves**	**1,171,460**	1,161,420	1%	
	Liabilities				
	Total Interest-bearing borrowings	**5,098**	10,277	(50)%	Ongoing repayment of MTL facilities.
	Employee benefit obligations	**583**	583	0%	
	Financial liabilities	**281**	-	100%	
	Lease liabilities	**34,428**	35,176	(2)%	
	Deferred tax liabilities	**2**	1,302	(100)%	
	Trade and other payables	**443,198**	369,752	20%	Increased freight rates and surcharges.
	Current tax liabilities	**16,080**	10,540	53%	Timing of payments.
	Overdrafts and bank facilities	**210,965**	198,160	6%	
		1,882,095	1,787,210	5%	

INTERIM RESULTS: RATIO ANALYSIS

	31 August 2024 R'000	31 August 2023 R'000	Move %	
- Billings/revenue margin	**10.5%**	11.6%	(1.1)%	Increase in freight rates and Red Sea surcharges passed on to clients with little to no margin.
- Operating margin	**26.3%**	32.8%	(6.5)%	Decline in revenue primarily in the UK and EU regions. Operating Margin remains above industry average.
- Effective tax rate	**27.8%**	26.4%	1.4%	Increased proportion of SA profits taxed at higher marginal rate.
- Headline earnings per share (cents)	**48.24**	60.21	(19.9)%	Decline in earnings offset by the impact of share buy back and reduction in WANOS from 133.5mil (Aug 2023) to 129.2mil (Aug 2024).
- Percentage offshore revenue	**68.6%**	70.6%	(2.0)%	Lower offshore revenue primarily in the UK and EU regions.

	31 August 2024 R'000	29 February 2024 R'000	Move %	
- Debtor days	**45.2**	41.4	3.8	Red Sea crisis causing extended sailing times and increased costs resulting in pressure being placed on credit terms and limits.
- Creditor days	**12.1**	22.7	(10.6)	Peak season and timing of payments.
- Net debt to equity ratio	**(17.0)%**	(23.1)%	6.1%	Reduction in cash on hand.
- NAV per share	**915.23**	896	2.1%	
- Tangible NAV per share	**638.10**	611	4.4%	Tangible NAV excludes goodwill and other intangibles.

INTERIM RESULTS: CASHFLOW ANALYSIS

	31 AUGUST 2024 R'mil	
CASH ON HAND	(62.0)	
- 31 August 2024	415.2	
- 29 February 2024	477.2	
ANALYSIS OF MAJOR CASH FLOW MOVEMENTS	(62.0)	
Net cash from operating activities	(5.8)	Weak cash generation due to the escalating freight rate and red sea issues.
Repurchase of treasury shares	(12.4)	1.6mil shares repurchased in the current year.
Settlement of medium term loans	(5.2)	Ongoing repayment of MTL facilities.
Payment of lease liabilities	(10.2)	IFRS 16 lease liability payments recorded outside of cash generated from operations.
Effect of movements in exchange rates	(24.6)	96,0% of cash held offshore and ZAR appreciation.
Other	(3.8)	Capex + other.

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