



FRONTIER
Transport Holdings

**UNAUDITED CONDENSED
CONSOLIDATED INTERIM RESULTS**
For the six months ended 30 September 2022

COMMENTARY AND RESULTS

OVERVIEW

A steady upward trajectory from a passenger base that was decimated by COVID lockdown restrictions during the previous review period, was the lodestar of a resilient Group performance severely impacted by uncontrollable operational expenses which affected the road passenger transport sector in general during the reporting period.

The anticipated collateral fallout of the military invasion of the Ukraine has been patently evident in a burgeoning fuel price, global supply bottlenecks and price gouging by OEM suppliers, all of which placed an inordinate strain on budgets.

The Group's operational performance was further hampered by the failure of Treasury to increase the contracted rate for the year to the Group's largest subsidiary, Golden Arrow.

Despite the substantial losses incurred by the road passenger transport industry during the lockdown, a 6% across the board (ATB) salary increment was settled following robust negotiations in the South African Road Passenger Bargaining Council (SARPBAC).

As a non-party, SARPBAC's main collective agreement was extended to the Group's commuter bus subsidiaries in June. In line with the previously held contention that the implementation of an ATB increment constituted sufficient grounds for challenge on the basis that it exacerbated pervasive wage differentials, an application to be exempted from implementing the ATB increases in certain job categories, has been made to the bargaining council.

Regretfully, Golden Arrow had to contend with violent backlashes in the aftermath of law enforcement crackdowns on rogue taxi operators, which resulted in the burning of five buses during the reporting period.

The new law enforcement liaison unit within the Golden Arrow operations division received credible intelligence that assisted in circumventing attacks on buses through route diversions. As part of ongoing efforts to prevent the scourge of criminality on buses, steady progress has been made with the installation of drop safes, panic buttons and cameras across the bus fleet. Success has been achieved in the apprehension of several individuals involved in criminality.

Following the garnering of favorable results from the stringent testing of two electric buses under service conditions, Golden Arrow's board approved the purchase of an electric bus unit designed specifically for its operation. The outcome of the performance of the customised unit will be the precursor to the full recapitalisation of the Golden Arrow fleet with electrically powered buses.

Through maintaining a consistently good operational performance, Sibanye Bus Services has entrenched itself as the preferred public transport option along the West Coast corridor. The company posted creditable results with passenger levels exceeding that of the pre-COVID period and steady progress having been made in converting cash paying passengers to multi-ride cards.

Notwithstanding the challenges of an ageing City owned bus fleet, Table Bay Area Rapid Transit, which operates MyCiTi services, delivered a solid performance through vigilant adherence to contractual obligations and maintaining rigorous technical maintenance schedules.

The erstwhile N2 Express service was resuscitated as a joint venture with two taxi associations from Khayelitsha and Mitchells Plain during the reporting period. The partnership has provided a basis for restoring trust amongst the partners and the service adequately augments the existing service offerings to passengers from the south-east metro into the City of Cape Town.

The niche subsidiaries in the Group's portfolio, ElJosa and Shuttle Up, took full advantage of the post COVID resurgence in the luxury travel and tourism sectors with both entities boosting revenues and clawing back lost patronage caused by lockdown restrictions.

Frontier Tyres and Alpine Truck & Bus have settled into the rhythm of the Group's modus operandi and a sound basis has been laid for these entities to derive the full benefit of the Group's operational finesse in the road passenger transport sector.

REVIEW OF RESULTS

The Group managed to increase revenue by 15.2% when compared to the prior comparative period. However, the effect of the rising fuel price (Group fuel cost was R127.6m greater than the prior period) and above inflationary OEM price increases has seen operating expenses increase 22.9% over the same period. The net effect has resulted in EBITDA of R186.1m (11.4% lower than the comparative prior period of R209.9m).

Debt levels have decreased by R48.3m since 31 March 2022 whilst the prime rate increased over the period, and the Group has seen savings of R8.5m in its net finance costs (2022: Net finance income: R4.3m, 2021: Net finance expense: (R4.2m)). The decrease in debt is predominantly due to the fleet replacement programme which was on hold over the preceding two financial years. This has resumed in this financial year as reflected in the Commitments note below.

The reinstatement of The N2 Express service contributed R4.5m to the Group's profit from equity accounted investment for the period.

The Group reflected an attributable profit for the period of R104.9m (6.2% lower than the comparative period of R111.8m).

CHANGES IN DIRECTORATE

Mr JR Nicoletta was appointed to the board as a non-executive director with effect from 3 May 2022.

There were no other changes in directorate during the period under review.

COMMENTARY AND RESULTS (CONTINUED)

ORDINARY CASH DIVIDEND TO SHAREHOLDERS

The directors have approved and declared an interim ordinary dividend of 22 cents (gross) per Frontier share for the six months ended 30 September 2022 from income reserves (2021: 20 cents (gross)).

The salient dates for the payment of this dividend are as follows:

Announcement date	Thursday, 24 November 2022
Last day to trade cum dividend	Monday, 12 December 2022
Commence trading ex-dividend	Tuesday, 13 December 2022
Record date	Thursday, 15 December 2022
Payment date	Monday, 19 December 2022

Share certificates may not be dematerialised or rematerialised between Tuesday, 13 December 2022 and Thursday, 15 December 2022, both days inclusive.

In terms of legislation applicable to Dividends Tax ("DT") the following additional information is disclosed:

- The interim ordinary dividend shall constitute a "dividend" as defined in the Income Tax Act, 58 of 1962.
- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of the declaration is 290 516 386.
- The DT amounts to 4.4 cents per share for the interim ordinary dividend.
- The net local dividend amount is 17.6 cents per share for the interim ordinary dividend for all shareholders who are not exempt from DT.
- Frontier's income tax reference number is 9754/276/16/1.

In terms of DT legislation, any DT amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant (collectively "regulated intermediary") on behalf of shareholders. All shareholders should declare their status to their regulated intermediary as they may qualify for a reduced DT rate or exemption.

For and on behalf of the board of directors



FE Meyer
Chief executive officer

24 November 2022



ML Wilkin
Chief financial officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021 R'000	Audited 31 March 2022 R'000
ASSETS				
Non-current assets		1 604 103	1 667 703	1 626 129
Property, plant and equipment	1	1 562 900	1 614 221	1 588 298
Right-of-use assets		3 811	25 263	5 671
Goodwill		23 940	27 298	23 940
Intangible assets		59	59	59
Investment in associate		6 249	367	1 743
Loan to associate		6 070	–	5 882
Deferred taxation		1 074	495	536
Current assets		704 148	640 405	699 181
Inventories		36 563	25 783	36 015
Trade and other receivables		108 848	140 361	75 977
Taxation		5 105	5 678	8 949
Cash and cash equivalents		553 632	468 583	578 240
Total assets		2 308 251	2 308 108	2 325 310
EQUITY AND LIABILITIES				
Equity		1 426 705	1 319 020	1 413 853
Equity attributable to equity holders of the parent		1 430 590	1 330 015	1 426 504
Non-controlling interest		(3 885)	(10 995)	(12 651)
Non-current liabilities		453 237	525 387	491 967
Borrowings		2 144	3 113	2 619
Instalment sale obligations		81 636	149 546	121 640
Lease liabilities		2 542	–	1 857
Post-employment medical benefit liability		71 655	73 190	66 550
Deferred taxation		295 260	299 538	299 301
Current liabilities		428 309	463 701	419 490
Trade and other payables		216 556	198 739	225 872
Lease liabilities		1 406	23 330	1 336
Borrowings		976	16 466	8 145
Instalment sale obligations		91 598	115 404	92 219
Taxation		3	2 832	38
Provisions		117 770	106 930	91 880
Total equity and liabilities		2 308 251	2 308 108	2 325 310

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	Notes	Unaudited 6 months ended 30 September 2022 R'000	Unaudited 6 months ended 30 September 2021 R'000	Audited year ended 31 March 2022 R'000
Revenue	2	1 167 285	1 013 538	2 080 002
Other income		9 667	2 712	11 989
Operating expenses		(990 860)	(806 311)	(1 644 193)
EBITDA		186 092	209 939	447 798
Depreciation and amortisation		(50 815)	(46 097)	(92 028)
Investment income		11 939	7 006	15 975
Profit/(loss) from equity accounted investment		4 506	(11)	1 364
Finance costs		(7 598)	(11 235)	(19 880)
Profit before taxation		144 124	159 602	353 229
Taxation		(39 235)	(50 551)	(96 452)
Profit for the period		104 889	109 051	256 777
Profit attributable to:				
Equity holders of the parent		104 947	111 817	261 199
Non-controlling interest		(58)	(2 766)	(4 422)
		104 889	109 051	256 777
Earning per share (cents)				
Basic		36.16	38.56	90.07
Diluted		35.94	38.49	89.52

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Unaudited 6 months ended 30 September 2022 R'000	Unaudited 6 months ended 30 September 2021 R'000	Audited year ended 31 March 2022 R'000
Profit for the period	104 889	109 051	256 777
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains on defined benefit plan	–	–	5 473
Taxation relating to actuarial gains on defined benefit plan	–	–	(1 478)
Total comprehensive income for the period	104 889	109 051	260 772
Total comprehensive income attributable to:			
Equity holders of the parent	104 947	111 817	265 194
Non-controlling interest	(58)	(2 766)	(4 422)
	104 889	109 051	260 772

RECONCILIATION OF HEADLINE EARNINGS

For the six months ended 30 September 2022

Reconciliation of headline earnings	Unaudited 6 months ended 30 September 2022 R'000		Unaudited 6 months ended 30 September 2021 R'000		Audited year ended 31 March 2022 R'000	
	Gross	Net	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		104 947		111 817		261 199
Profit on disposal of plant and equipment	(3 768)	(2 751)	(360)	(259)	(5 495)	(3 956)
Impairment of goodwill	–	–	–	–	4 247	4 247
Impairment of plant and equipment	5 741	4 191	2 493	1 795	5 006	3 604
Insurance claim for capital assets	(3 898)	(2 846)	(917)	(660)	(2 683)	(1 932)
Headline earnings		103 541		112 693		263 162
Earnings per share (cents)						
Basic		36.16		38.56		90.07
Diluted		35.94		38.49		89.52
Headline earnings per share (cents)						
Basic		35.67		38.86		90.75
Diluted		35.46		38.79		90.19
Weighted average number of shares in issue ('000)						
Basic		290 253		290 000		290 000
Diluted		292 006		290 512		291 775
Actual number of shares in issue ('000)		290 516		290 000		290 000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Unaudited 6 months ended 30 September 2022 R'000	Unaudited 6 months ended 30 September 2021 R'000	Audited year ended 31 March 2022 R'000
Balance at the beginning of the period	1 413 853	1 284 243	1 284 243
Total comprehensive income	104 889	109 051	260 772
Equity settled share-based payments	763	1 126	2 238
Dividends	(92 800)	(75 400)	(133 400)
Balance at the end of the period	1 426 705	1 319 020	1 413 853

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Notes	Unaudited 6 months ended 30 September 2022 R'000	Unaudited 6 months ended 30 September 2021 R'000	Audited year ended 31 March 2022 R'000
Cash flows from operating activities		48 436	53 692	247 453
Cash generated from operations		176 880	177 852	483 010
Investment income		11 939	7 006	15 975
Finance cost		(7 598)	(11 235)	(19 880)
Taxation paid		(39 985)	(44 531)	(98 252)
Dividends paid		(92 800)	(75 400)	(133 400)
Cash flows from investing activities		(8 278)	279	(12 959)
Business combinations		–	–	(6 500)
Loan advanced to associate		–	–	(5 882)
Acquisition of property, plant and equipment	3	(17 570)	(3 101)	(12 402)
Proceeds from sale of plant and equipment		9 292	3 380	11 825
Cash flows from financing activities		(64 766)	(83 169)	(154 035)
Funding repaid	3	(63 603)	(82 622)	(152 836)
Principal paid on lease liabilities		(1 163)	(547)	(1 199)
(Decrease)/Increase in cash and cash equivalents		(24 608)	(29 198)	80 459
Cash and cash equivalents				
At the beginning of the period		578 240	497 781	497 781
At the end of the period		553 632	468 583	578 240

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34 – Interim Financial Reporting, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008 (as amended) and the Listings Requirements of the JSE Limited.

The accounting policies applied by the Group in preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated annual financial statements for the year ended 31 March 2022. Details of the standards adopted are provided in the annual financial statements. As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 1/2021 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

These interim financial statements were prepared under the supervision of the chief financial officer, Mr. Mark Wilkin CA(SA) and have neither been audited nor independently reviewed by the Group's auditors.

OPERATING SEGMENTS

The directors have considered the implications of IFRS 8: Operating segments and are of the opinion that the operations of the Group materially constitute one operating segment, being the provision of passenger transport services within South Africa. Resource allocation and operational management is performed on an aggregate basis. Performance is measured based on profit or loss before tax as shown in internal management reports that are reviewed by the chief operating decision maker, who is the Group's chief executive officer.

The operating segments attributable to Alpine Truck and Bus Proprietary Limited and Frontier Tyres Proprietary Limited which constitute the sale of vehicles, aftermarket spare parts and tyres and tyre retreading services fall below the threshold as set out in IFRS 8 and as such are not separately disclosed.

1. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment is summarised as follows:

	Carrying Value at 31 March 2022 R'000s	Additions R'000s	Depreciation R'000s	Disposals R'000s	Impairments R'000s	Carrying Value at 30 September 2022 R'000s
Buses	1 175 795	21 938	(41 445)	(5 376)	(5 520)	1 145 392
Computer hardware, fare collection and radio equipment	48 611	809	(3 196)	–	(221)	46 003
Land and buildings and leasehold improvements	349 498	6 038	(78)	–	–	355 458
Motor vehicles	8 788	2 972	(1 501)	(148)	–	10 111
Plant and machinery	4 952	1 073	(693)	–	–	5 332
Furniture and fixtures	654	74	(124)	–	–	604
Total	1 588 298	32 904	(47 037)	(5 524)	(5 741)	1 562 900

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONTINUED)

2. REVENUE

Group revenue for the year is made up as follows:

	Unaudited 6 months ended 30 September 2022 R'000	Unaudited 6 months ended 30 September 2021 R'000	Audited year ended 31 March 2022 R'000
Revenue from bus services			
<i>Revenue recognised over time</i>			
Operational contract carrying revenue risk	555 510	568 510	1 132 644
Operational contract with no revenue risk	80 809	69 642	140 787
Sale of multi-journey tickets	283 156	202 074	441 793
<i>Revenue recognised at a point in time</i>			
Sale of single journey tickets	167 846	138 879	293 603
Charter hire services	48 358	9 142	32 638
Total revenue from bus services	1 135 679	988 247	2 041 465
Revenue from goods sold			
<i>Revenue recognised at a point in time</i>			
Sale of vehicles	3 924	17 865	20 158
Sale of spares, tyres and retreads	16 778	2 570	8 073
	20 702	20 435	28 231
Revenue from automotive repair services			
<i>Revenue recognised at a point in time</i>			
Bus and vehicle repair and maintenance	3 228	177	1 199
Tyre repairs, retreading and related services	1 945	–	289
	5 173	177	1 488
Other revenue			
<i>Revenue recognised over time</i>	708	1 800	2 748
<i>Revenue recognised at a point in time</i>	5 023	2 879	6 070
	5 731	4 679	8 818
Total revenue	1 167 285	1 013 538	2 080 002

3. BORROWINGS ARISING FROM FINANCING ACTIVITIES

Movements in the carrying value of borrowings are as follows:

	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021 R'000	Audited 31 March 2022 R'000
Carrying value at the beginning of the period	224 623	364 695	364 695
Cash-flows:			
Debt repayments	(63 603)	(82 622)	(152 836)
Interest paid	(7 473)	(10 160)	(18 229)
Non-cash:			
Raising of instalment sales obligations	15 334	2 456	12 764
Interest capitalised	7 473	10 160	18 229
Carrying value at the end of the period	176 354	284 529	224 623

R15.3m (September 2021: R2.5m, March 2022: R12.8m) of debt raised in the period relates to instalment sale obligations used to finance bus acquisitions, and therefore has not been included in the cash flow statement as a cash flow amount.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONTINUED)

4. COMMITMENTS

	Unaudited 30 September 2022 R'000	Unaudited 30 September 2021 R'000	Audited 31 March 2022 R'000
Capital expenditure			
Property, plant and equipment authorised but not yet contracted	3 160	–	81 134
Property, plant and equipment authorised and contracted to be expended	177 878	40 791	103 820

It is intended that this expenditure will be funded from bank finance and operating cash flows.

The Board approved the reinstatement of the fleet replacement programme to commence during FY2023 and has authorised the acquisition of 60 commuter buses at a total cost of R162.3m.

5. RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's 2022 annual financial statements took place for the period under review.

6. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report that would require any adjustments to these interim financial statements.

CORPORATE INFORMATION

DIRECTORS

Executive directors

FE Meyer (chief executive officer)

ML Wilkin (chief financial officer)

Non-executive directors

Y Shaik (chairperson)

TG Govender

JR Nicoletta (appointed 3 May 2022)

Independent non-executive directors

L Govender (lead independent director)

NB Jappie

RD Watson

FRONTIER TRANSPORT HOLDINGS LIMITED

("Frontier" or "the Company" or "the Group")

Incorporated in the Republic of South Africa

Registration number: 2015/250356/06

JSE share code: FTH

ISIN: ZAE000300505

Registered office

103 Bofors Circle, Epping Industria, 7460

(PO Box 115, Cape Town, 8000)

COMPANY SECRETARY

HCI Managerial Services Proprietary Limited

Suite 801, 76 Regent Road, Sea Point, Cape Town, 8005

(PO Box 5251, Cape Town, 8000)

AUDITORS

BDO South Africa Incorporated

6th Floor, 123 Hertzog Boulevard, Foreshore, Cape Town, 8001

(PO Box 3883, Cape Town, 8000)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

(Private Bag X9000, Saxonwold, 2132)

SPONSOR

Investec Bank Limited

100 Grayston Drive, Sandown, Sandton, 2196

(PO Box 785700, Sandton, 2146)

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