One Logix

OneLogix, the niche logistics operator, turned in a relatively poor set of interim results to end November 2020, as anticipated. This was widely signalled to the market and there were no major surprises. Demand for motor vehicle storage and distributions has plummeted in line with the faltering economy and that trend is likely to continue for as long as the current pandemic persists. However, at least the large capital expenditure programme of recent years is now over and the group balance sheet is clean. OneLogix remains an extremely well-run business and must surely present an attractive acquisition target for an acquiror with deep pockets and a long term vision. In the meantime, OneLogix remains on the lookout for suitable acquisitions itself in the niche logistics space.

Group revenue fell by 16% to R1.22 billion, with revenue declines experienced in all business segments, but especially in the Abnormal Logistics segment. Abnormal Logistics, comprising VDS, Truck Logix and Onelogix Projex, has traditionally been the cornerstone of the group, with VDS itself typically contributing around 80% of revenue. Original equipment manufacturers have deliberately been keeping stock levels low in response to greatly reduced global demand. Contribution from VDS was only around 30% of group revenue in these results, with Abnormal Logistics as a whole contributing 40% of group revenue. In terms of domestic demand, 2020 was the worst year in 11 years for new motor vehicles. Exports and cross-border business held up well but this was of cold comfort to OneLogix.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) fell by 9% to R187 million while profit before tax dropped by 25% to R42.6 million. Headline earnings per share (HEPS) fell by 41% to 10.1c. Net cash resources were R280 million. The sale and leaseback of phase 3 of the Umlaas Road development for a consideration of R310 million was completed in mid-December 2020. Also in December, the group acquired specialist agricultural equipment logistics company Agritrans for a cash purchase price of R18.6 million and two deferred contingent payments of R1.125 million each. No interim dividend was paid.

OneLogix’s cold chain facility has been approached by government to participate in the Covid vaccine rollout programme, but the rates offered are currently unattractive. This may change, at which point OneLogix would seriously consider getting involved in the vaccine distribution, as it has the capability to offer ultra-low temperature distribution.

At the current share price of 200c, the OneLogix share price is languishing at 69% below its all-time high of 639 cents achieved in January 2015. The market capitalisation is a relatively low R455 million. Using rolling HEPS of 10.2c, the current price earnings ratio is a rarefied 19.6 times. It has limited appeal from an investment perspective unless the HEPS can improve substantially from the current level.

The share’s appeal may lie more in its strategic fit within a larger logistics entity. The balance sheet is clean with no debt, covenants with lenders are all up to date and from an operational perspective, the group is exceptionally well-managed. There are large barriers to entry in the cornerstone businesses within Abnormal Logistics, notably the impressive storage facility at Umlaas Road. The group enjoys large, often dominant market shares in the niches in which it operates and in a reasonable economy that feature will hold the group in good stead. The major capital expenditure programmes of the past few years are largely complete now.

There are reasons to believe that the fundamentals affecting OneLogix’s businesses are either going to gradually improve from now on or alternatively the worst may now be over. The South African economy, along with most other southern African economies, should enjoy something of a bounce this year, though it may be a few years before pre-Covid levels are achieved. Mass vaccination should begin properly in the second half of 2021, with 2/3 of the South African population being forecast to be vaccinated by year end. Passenger vehicle demand is likely to bounce back later this year after a horrendous year in 2020, resulting in enhanced demand for VDS’s services.

ENDS