

## **TRANSNET RECORDS IMPROVEMENT IN HALF-YEAR; BOUYANT ABOUT RECOVERY PLAN PROSPECTS**

**[Johannesburg, 22 December 2023]** Transnet SOC Ltd (Transnet) today released its results for the six months ended 30 September 2023.

### **Key highlights**

- **Revenue increased by 8,6% to R39,2 billion (2022: R36,1billion)**
- **Net operating expenses increased by 9,5% to R25,3 billion (2022: R23,1 billion)**
- **EBITDA margin is 35,3% (2022: 35,9%)**
- **Loss for the period is R1,6 billion (2022: R159 million profit)**
- **Gearing is at 44,4% and rolling cash interest cover at 1,9 times**
- **B-BBEE spend of R10,76 billion or 87,98% of total measured procurement spend**
- **LTIFR performance of 0,68, which is below the tolerance of 0,75**

Although volumes were slightly lower- rail down 7,2%, petroleum down 7,2% and container volumes down 1,8% -Transnet remains positive about the various rail and port volume improvement initiatives it is implementing and expects ongoing improvements in its performance as its Recovery Plan gains momentum.

The revenue increase over the six-month period is primarily in line with weighted average tariff increases in the rail, port, and pipeline businesses, which have been partially offset by lower volumes throughout operations.

Net operating expenses increased by 9,5% to R25,3 billion, (2022: R23,1 billion) due mainly to increased personnel (salary increases, bargaining council wage agreements, lower labour costs capitalised to projects and increased headcount at the ports), electricity (tariff increases), security (rail-related and pipeline theft and vandalism incidents) and material costs compared to the prior period.

The loss for the period is R1,6 billion (2022:R159 million profit).

The Transnet Recovery Plan, under the direction of the Transnet Board, has clear targets for volume growth and the improvement of capacity over the next 6, 12 and 18 months, aimed at improving operational and financial performance and curbing expenses. These interventions include securing crucial cargo handling equipment for the ports, awarding of the spares and maintenance service contracts for existing equipment, and resolving the locomotive challenges in TFR.

Lower volumes, especially at Transnet Freight Rail (TFR), were impacted by various operational challenges such as collisions and community unrest on the coal line and equipment challenges on the ore and coal lines, derailments, cable theft and power outages affecting all lines, as well as customer challenges on the coal and general freight business (GFB) lines. Petroleum volumes decreased due mainly to a NATREF refinery shutdown in the first quarter of the period which lasted longer than anticipated. Container volumes decreased due mainly to market and adverse weather conditions and equipment challenges.

Transnet has prioritised the resolution of the challenges at the ports. A number of short-term interventions are in place in the Port of Durban to ease the congestion. Transnet expects to clear all vessels from anchorage at Pier 1 by 31 December 2023, while it is anticipated to take until the end of February 2024 to clear vessels at Pier 2. Interventions are ongoing to improve the productivity and enhance the planning at the Cape Town Container Terminal so that it is adequately resourced to handle the growth in the reefer volumes, while also mitigating disruptions caused by severe weather changes.

Transnet is taking focused steps to improve the performance of the North Corridor (NorthCor), with the primary objective of decongesting the Port of Richards Bay. The coal service to the TPT RCB Terminal is being ramped up by an additional seven trains, bringing the total number of trains to 28 per week. This will go a long way to reducing the truck congestion in the City.

Between December 2023 and March 2024, TFR will bring in an additional seven trains, resulting in 35 trains per week to the Port.

### **Operational Performance**

Rising oil prices and a weaker rand reinforced concerns about a deteriorating near-term domestic inflation outlook that persisted during the reporting period. South Africa's load-shedding continued and prices for commodity exports also weakened. In concert with economic uncertainty, Transnet also experienced various operational challenges which resulted in a decline in volumes that diminished the overall financial performance of the Group.

Transnet has developed a multi-tiered, targeted Recovery Plan that is anchored on improving operational execution through tactical initiatives that drive operational performance improvement and volume recovery. Enhancing the availability and reliability of critical equipment is its primary goal. Cost control measures have been and continue to be implemented, along with better planning and execution of maintenance, employee training and incentives to support improved operational delivery. Procurement optimisation (particularly for critical spares), more efficient capital allocation to drive volume throughput, and maintenance delivery are a top priority.

The plan is executable in the next 18-month period and is in its third month of delivery. The first 6 months are for the period October 2023 to March 2024, and coincide with the last 6 months of the current financial year. The balance of the 18 months covers the 2024/25 financial year. There

is a focus on identifying quick wins that can be immediately addressed, as well as longer-term initiatives to stabilise the business and return it to its growth trajectory.

### **Prospects**

It is important to note that the first half of the financial year was clouded by uncertain economic conditions, perpetual operational challenges, load-shedding, and subdued business performance. The implementation of the Recovery Plan - focused on improving operational efficiencies, liquidity and meeting customer expectations, will enable Transnet to reclaim its rightful place in contributing to, and enabling South African economic growth and sustainability.

### **ENDS**

**Issued on behalf of the acting Group Chief Executive, Adv Michelle Phillips.**

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