



Hudaco

SUMMARISED REPORT

For the year ended 30 November 2020

PROFILE

Hudaco Industries is a South African group specialising in the importation and distribution of high-quality branded automotive, industrial and electronic consumable products, mainly in the southern African region.

Hudaco businesses serve markets that fall into two primary categories. The automotive aftermarket, power tool and fasteners, data networking, security and communication equipment businesses supply products into markets with a bias towards consumer spending whilst the bearings and belting, electrical power transmission, diesel engine, hydraulics and pneumatics, specialised steel, thermoplastic fittings and filtration businesses supply engineering consumables mainly to mining and manufacturing customers.

Hudaco sources branded products, mainly on an exclusive basis, directly from leading international manufacturers and to a lesser extent from local manufacturers. Hudaco seeks out niche areas in markets where customers need,

and are prepared to pay for, the value Hudaco adds to the products it distributes.

The value added includes product specification, technical advice, application and installation training and troubleshooting, combined with ready availability at a fair price. The group has a network of specialised branches and independent distributors throughout southern Africa to ensure product availability to its customers. Hudaco's black employees are its BEE partners and have a 15% equity interest in all Hudaco businesses, with the exception of DD Power in which Deutz AG has a 30% share.



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- ▶ Net borrowings down **R365 million** for the year to **R643 million**
- ▶ Cash generated from operations at **R908 million**
- ▶ Full year headline earnings per share down **23%**
- ▶ Full year comparable earnings per share down **35%**
- ▶ H2 headline earnings per share up **4%**
- ▶ H2 comparable earnings per share up **2%**
- ▶ H2 operating profit up **7%**
- ▶ Final dividend maintained at **410 cents** per share

Hudaco Industries is a South African group specialising in the importation and distribution of high-quality branded automotive, industrial and electronic consumable products, mainly in the southern African region. Hudaco businesses serve markets that fall into two primary categories:

- The automotive aftermarket, power tool and fasteners, data networking, security and communication equipment businesses supply products into markets with a bias towards consumer spending.
- The bearings and belting, electrical power transmission, diesel engine, hydraulics and pneumatics, specialised steel, thermoplastic fittings and filtration businesses supply engineering consumables mainly to mining and manufacturing customers.

Results

We are all fully aware that 2020 was a year of great trauma and hardship for people the world over and that the economic impact of measures to contain the spread of the Covid-19 coronavirus has been devastating. In South Africa we also suffered from the effect of level 6 load shedding and a ratings downgrade of government debt to junk status by Moodys, events which paled into insignificance compared to the lockdowns but should not be overlooked.

In our interim results announcement released at the end of June 2020, we detailed how events unfolded for Hudaco in the first half of the year, the extensive steps we took in response and how the financial results were affected. Operating profit to May 2020 was only R79 million, after increasing expected credit losses and writing down certain inventory in the expectation of write-offs due to the pandemic. Goodwill and other intangibles were impaired by R348 million, resulting in a loss for that period. These impairments, required in terms of IFRS, were based on judgement exercised while the country was in the midst of the first wave of Covid-19. As expected, the impact on the first half numbers was so overwhelming that it also dominates the results for the full year and so we believe that there is little to be gained from an analysis of the full-year income statement on its own. A much better understanding of the performance of the group, and the extent to which it has bounced back after the battering it took in the first half, can be derived from an assessment of the performance in the second six months, the commencement of which coincided with the downgrade of the lockdown status to level 3. The group's performance in this period was commendable.

We used the extended lockdown in the first half of our financial year to identify opportunities to achieve long-term savings and synergies through rationalisation of elements of certain businesses whose cost structures were expected to be out of line with future sales levels. Most of these opportunities were found in the security and communication, hydraulics and pneumatics and electrical power transmission businesses.

Throughout the second half of the year, all our businesses and the majority of our customers were able to operate, albeit initially at reduced capacity. The all-important work on planning and strategising,

managing working capital, and cost containment done over the lockdown months in the first half enabled us to optimise performance from the outset. Despite the negative sentiment and lack of business confidence, both of our business segments very quickly got back up to 2019 turnover levels.

The increasing difficulty in getting goods through our ports had a significant impact on our supply chain and led to stock shortages which had a negative effect on turnover and operating profits. There was a general shortage of containers available on the world market and then finding space on ships that would stop in South Africa's ports was the next challenge. Durban, in particular, is now regarded worldwide as notoriously inefficient, with ships sometimes having to wait for longer periods offshore before being granted a berth. There are then delays in offloading and transporting containers inland. All of this increases costs. It is of concern that if the inefficiencies at our ports remain unresolved, South Africa could be marked as an undesirable export destination for suppliers and result in our having to carry more inventory.

For the record, annual turnover was down 6.7% to R6.3 billion while operating profit decreased 27.2% to R510 million. Headline earnings were down 22.5% to 1 050 cents per share, and comparable earnings were down 35.5% to 800 cents per share. Importantly, R908 million cash was generated from operations, and borrowings declined by R365 million over the year. Our sales by market sector analysis reflected very little change in the various segments we serve from the prior year.

Hudaco is predominantly an importer of branded products, so currency levels and movement greatly impact our pricing. The best scenario for Hudaco is a gradually depreciating Rand, but in 2020 the Rand once again did not oblige, making pricing exceptionally difficult. The currency started the year at R14.66 to the US dollar, depreciated by 31.4% in April to R19.26, and gradually strengthened to close the financial year back at R15.40. We adhere to our hedging policy to protect the downside, but the volatility means we are sometimes locked in with expensive cover when the Rand strengthens.

Comparing the second half of 2020 results with those of 2019

- Turnover was up 2.5% to R3.6 billion.
- Operating profit increased by 6.9% to R431 million.
- Headline earnings were up 3.5% to R269 million, while headline earnings per share increased 4% to 855 cents.
- Comparable earnings were up 1.0% to R230 million, while comparable earnings per share increased 1.5% to 731 cents.
- Operating expenses are down 0.4%, whilst GP% was maintained.
- Closing net borrowings are R643 million, down R523 million from May 2020 and down R365 million from November 2019. This is after spending R82 million on repurchasing shares.
- Working capital is down R203 million since May 2020.
- Return on equity for the second half was 24.0%. If the May 2020 goodwill impairment was added back, then the ROE in the second half would have been 21.1%.

Consumer-related products

The consumer-related products segment now comprises 11 businesses. In 2020, it made up 54% of Hudaco's sales and 67% of operating profit. In 2019, this segment contributed 60% of group operating profit.

MiRO had a very good second half, with increased demand for wireless and fibre home connectivity, video conferencing, touchless access control and network upgrades for internet service providers and enterprises. Our battery businesses supplying products to the automotive wholesale and retail sectors, as well as in the energy storage market, stand-by battery systems for support infrastructure to the UPS market, telecommunication, security (alarm) and solar markets, project orders within the data centre sector, together with replacement batteries for load shedding stand-by applications, both did very well. Our automotive businesses managed their gross profit margins and expenses well to produce a good second half result. The consolidation of Global Communications, SS Telecoms, TPA and Pentagon projects into Elvey incurred extra once-off expenses through moving and retrenchments. We believe the work done now has set us up well for 2021 and beyond.

In the second half of the year, consumer-related products sales were up 2.5% with operating profit up 18.1%. Operating margin increased from 11.5% to 13.3%.

Engineering consumables

The 18 businesses that now constitute engineering consumables made up the other 46% of sales and 33% of operating profit. In 2019 this segment contributed 40% of operating profit. The expense base in engineering consumables is much higher because of its extensive branch network and the number of separate businesses in that segment, so the negative effect of reduced sales on its profitability was greater.

Demand in the second half has been surprisingly strong in this segment with all businesses very quickly getting up to 2019 levels. Ambro Steel and Bearings International in particular had a good second half. There were consolidations in our hydraulics cluster with Dosco, Ernest Lowe and HERS. Bauer, Powermite, Ampco, Three-D Agencies and Varispeed are to be consolidated into one electrical cluster in March 2021.

In the second half of the year, engineering consumables turnover was up 3.5% with operating profit up 12.6%. Operating margin increased from 10.6% to 11.5%.

Financial position

While always solid, the financial position has strengthened even further with R908 million cash generated by operations in 2020. The group had R643 million in net bank borrowings at year end, down R365 million from R1 008 million in 2019, after spending R82 million on repurchasing shares. More importantly, interest payments were covered more than seven times by operating profits, compared with our internal benchmark of at least five times. We still have significant additional bank borrowing facilities available, so if suitable acquisition opportunities are identified, we have the capacity to fund them.

At the beginning of 2019, we committed to reducing inventory levels and have done so by a further R122 million on top of R102 million achieved that year. Closing inventory was R1 598 million.

Accounting for leases: IFRS 16

The adoption of IFRS 16, with effect from 1 December 2019, in accounting for leases has resulted in a right-of-use asset and a lease liability being brought onto the statement of financial position for the first time. In the statement of comprehensive income, operating lease costs on fixed property are replaced with depreciation and finance costs.

Settlement of lawsuit

Hudaco was paid R35 million to settle the damages claim instituted by Hudaco against its advisers on its 2007 BEE transaction. Full details were set out in an announcement released on SENS on 31 August 2020.

Dividends and repurchase of shares

Hudaco normally pays an interim dividend but did not do so in 2020. Given the uncertainty prevailing at the time and the extent of the impact the Covid-19 virus was having and was expected to continue to have on our businesses, the board considered it prudent and in the company's and its stakeholders' best interests to preserve the company's financial liquidity. A strong performance in the second half of the year with very good cash generation means that we can pay a final dividend. The board has decided that 410 cents, which is the same as the 2019 final dividend is an appropriate level. This is 68% of the total dividends for 2019 of 600 cents. The dividend cover is 2.0 times comparable earnings, which is at the top end of our long-term dividend policy range of paying between 40% and 50% of comparable earnings.

Suitable acquisitions proved elusive, and as the Hudaco share price traded lower during 2020, buying back shares became an attractive option. After paying down some of the debt, late in the financial year the company utilised available cash resources, including the R35 million proceeds of the legal settlement, to repurchase 3% of the issued shares in the open market. In total, we repurchased 1 024 600 shares at a cost of R82 million, including transaction costs, which were withdrawn from the market on 8 December 2020.

Declaration of final dividend no 67

Final dividend number 67 of 410 cents per share (2019: 410 cents per share) is declared payable on Monday, 22 February 2021 to ordinary shareholders recorded in the register at the close of business on Friday, 19 February 2021.

The timetable for the payment of the dividend is as follows:

Last day to trade <i>cum</i> dividend	Tuesday, 16 February 2021
Trading ex dividend commences	Wednesday, 17 February 2021
Record date	Friday, 19 February 2021
Payment date	Monday, 22 February 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 February 2021 and Friday, 19 February 2021, both days inclusive. The certificated register will be closed for this period.

In terms of the Listings Requirements of the JSE Limited regarding the Dividend Tax the following additional information is disclosed:

- The dividend has been declared from income reserves;
- The dividend withholding tax rate is 20%;
- The net local dividend amount is 328 cents per share for shareholders liable to pay the Dividend Tax and 410 cents per share for shareholders exempt from the Dividend Tax;
- Hudaco Industries Limited has 33 128 931 (2019: 34 153 531) shares in issue (which includes 2 507 828 treasury shares); and
- Hudaco Industries Limited's income tax reference number is 9400/159/71/2.

Annual general meeting

The company's 36th annual general meeting will be held at Hudaco's offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale at 11:00 on Thursday, 18 March 2021. The notice and proxy form for the company's annual general meeting will be posted to the shareholders during the last week of February 2021 and will be included in this summarised report. The integrated report will be published on Hudaco's website during February 2021.

Approval of financial statements

The financial statements have been approved by the board and abridged for purposes of this report. BDO has expressed an unqualified audit opinion on the annual financial statements. The signed auditors' report is available for viewing at Hudaco's website (www.hudaco.co.za). The financial statements are available for inspection at the company's registered address.

This summarised report is extracted from audited information, but is not itself audited.

The auditors' report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' work they should view the report together with the accompanying financial information.

Prospects

Hudaco has managed well through the business interruption of the first Covid-19 wave and has again shown its resilience. The second half of 2020 operational and financial performance compared favourably against the comparable period in 2019. Therefore, we consider prospects for Hudaco to be positive for 2021, despite what is happening in the economy. While we appreciate there is much uncertainty ahead, our businesses are well placed and ready for 2021, subject to no further lockdown restrictions on businesses in the markets we serve. We should also see the benefit of the rightsizing and rationalisation within certain businesses coming through in 2021. We are confident that we will benefit immediately from any increase in business confidence and growth in GDP.

We continue to seek opportunities to improve efficiencies and synergies in our businesses where it makes sense, manage the elements within our control and use the cash generated to either pay down debt or make accretive acquisitions, potentially including of our own shares.

For and on behalf of the board



SJ Connelly
Chairman



GR Dunford
Chief executive

18 February 2021

Nedbank Corporate and Investment Banking

Sponsor

These results are available on the internet: www.hudaco.co.za

GROUP STATEMENT OF FINANCIAL POSITION

R million	30 Nov 2020	30 Nov 2019
ASSETS		
Non-current assets	1 924	1 887
Property, plant and equipment	265	274 [^]
Right-of-use assets	414	
Investment in joint venture		12
Goodwill	1 170	1 512
Intangible assets	33	51 [^]
Deferred taxation	42	38
Current assets	3 031	3 057
Inventories	1 598	1 720
Trade and other receivables	1 196	1 269
Taxation	3	10
Bank deposits and balances	234	58
TOTAL ASSETS	4 955	4 944
EQUITY AND LIABILITIES		
Equity	2 669	2 843
Equity holders of the parent	2 593	2 742
Non-controlling interest	76	101
Non-current liabilities	1 148	918
Amounts due to bankers	780	918
Lease liabilities	367	
Deferred taxation	1	
Current liabilities	1 138	1 183
Trade and other payables	937	968
Bank overdraft	97	148
Amounts due to vendors of businesses acquired		65
Lease liabilities	88	
Taxation	16	2
TOTAL EQUITY AND LIABILITIES	4 955	4 944

[^] Computer software has been reclassified from property, plant and equipment to intangible assets in 2019.

GROUP STATEMENT OF COMPREHENSIVE INCOME

R million	Six months ended*			Year ended		
	30 Nov 2020	% change	30 Nov 2019	30 Nov 2020	% change	30 Nov 2019
Turnover	3 618	2.5	3 529	6 254	(6.7)	6 704
Cost of sales	2 297	2.9	2 232	4 079	(4.3)	4 263
Gross profit	1 321	1.8	1 297	2 175	(10.9)	2 441
Operating expenses	890	(0.4)	893	1 665	(4.3)	1 740
Operating profit	431	6.9	404	510	(27.2)	701
Other income – proceeds from damages claim	35			35		
Impairment of goodwill and intangible assets				(348)		
Fair value adjustments	4		33	48		30
– Adjustment to capital amounts due to and from vendors of businesses acquired	5		37	52		42
– Adjustment for time-value of money	(1)		(4)	(4)		(12)
Profit before interest	470	7.4	437	245	(66.5)	731
Interest on lease liabilities	16			35		
Finance costs	26		48	69		103
Profit before taxation	428	9.9	389	141	(77.5)	628
Taxation	124		97	133		160
Profit after taxation	304	4.0	292	8	(98.3)	468
Equity-accounted income from joint venture	1		2	1		3
Profit for the period	305	3.7	294	9	(98.1)	471
Other comprehensive (loss) income that will subsequently be reclassified to profit or loss	(1)		(4)	(2)		1
Movement on fair value of cash flow hedges	3		(3)			1
Exchange gain on translation of foreign operations	(4)		(1)	(2)		
Total comprehensive income for the period	304	4.8	290	7	(98.5)	472
Profit attributable to:						
– Equity holders of the parent	269	3.3	260	36	(91.7)	429
– Non-controlling shareholders	36		34	(27)		42
	305	3.7	294	9	(98.1)	471
Total comprehensive income attributable to:						
– Equity holders of the parent	269	4.7	257	35	(92.0)	430
– Non-controlling shareholders	35		33	(28)		42
	304	4.8	290	7	(98.5)	472
Earnings per share (cents)						
– Basic	851	3.5	822	113	(91.7)	1 355
– Headline	855	4.0	822	1 050	(22.5)	1 355
– Comparable	731	1.5	720	800	(35.5)	1 240
Diluted earnings per share (cents)						
– Basic	851	6.0	803	113	(91.5)	1 329
– Headline	855	6.5	803	1 050	(21.0)	1 329
– Comparable	731	3.8	704	800	(34.3)	1 217
Calculation of headline earnings						
Profit attributable to equity holders of the parent	269	3.3	260	36	(91.7)	429
<i>Adjusted for:</i>						
Impairment of goodwill and intangible assets				348		
Loss on disposal of plant and equipment and intangible assets	1			1		
Non-controlling interest and tax	(1)			(54)		
Headline earnings	269	3.5	260	331	(22.8)	429
Calculation of comparable earnings						
Headline earnings	269		260	331		429
<i>Adjusted for:</i>						
Other income – proceeds from damages claim	(35)			(35)		
Fair value adjustment on capital amounts due to and from vendors of businesses acquired	(5)		(37)	(52)		(42)
Non-controlling interest	1		4	8		5
Comparable earnings	230	1.0	227	252	(35.8)	392
Dividends						
– Per share (cents)	410		410	410		600
– Amount (Rm)	126		130	126		190
Weighted average shares in issue						
– Total (000)	31 516		31 646	31 527		31 646
– Diluted (000)	31 516		31 615	31 527		32 262

* Neither audited nor reviewed

GROUP STATEMENT OF CASH FLOWS

R million	Six months ended*		Year ended	
	30 Nov 2020	30 Nov 2019	30 Nov 2020	30 Nov 2019
Cash generated from trading	537	446	726	794
Decrease in working capital	203	106	182	59
Cash generated from operations	740	552	908	853
Other income – proceeds of damages claim	35		35	
Taxation paid	(54)	(128)	(113)	(196)
Net cash from operating activities	721	424	830	657
Net investment in new operations	(1)	(106)	(6)	(114)
Net investment in property, plant and equipment and intangible assets	(21)	(30)	(39)	(74)
Net cash from investing activities	(22)	(136)	(45)	(188)
Repayment of non-current amounts due to bankers	(250)	(46)	(138)	(96)
Share-based payments settled	(3)	(4)	(4)	(22)
Repurchase of shares	(82)		(82)	
Finance costs paid	(26)	(48)	(69)	(103)
Interest on lease liabilities	(16)		(35)	
Repayment of lease liabilities	(46)		(90)	
Dividends paid		(66)	(139)	(189)
Net cash from financing activities	(423)	(164)	(557)	(410)
Decrease in net bank balance	276	124	228	59
Foreign exchange translation gain	(4)	(1)	(2)	
Net bank overdraft at beginning of the year	(136)	(213)	(90)	(149)
Net bank balance (overdraft) at end of the year	136	(90)	136	(90)

* Neither audited nor reviewed

GROUP STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
Balance at 1 December 2018	55	99	2 362	2 516	68	2 584
Comprehensive income for the year		1	429	430	42	472
Movement in equity compensation reserve			(5)	(5)		(5)
Dividends			(180)	(180)	(9)	(189)
Balance at 30 November 2019	55	100	2 606	2 761	101	2 862
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 30 November 2019	55	100	2 587	2 742	101	2 843

R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
Balance at 1 December 2019	55	100	2 606	2 761	101	2 862
Repurchase of shares	(52)		(30)	(82)		(82)
Acquisitions					11	11
Comprehensive (loss) income for the year		(1)	36	35	(27)	8
Movement in equity compensation reserve		25	3	28		28
Dividends			(130)	(130)	(9)	(139)
Balance at 30 November 2020	3	124	2 485	2 612	76	2 688
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 30 November 2020	3	124	2 466	2 593	76	2 669

SUPPLEMENTARY INFORMATION

The results for the year have been prepared in accordance with IAS 34: *Interim Financial Reporting*, *International Financial Reporting Standards (IFRS)* as issued by the International Accounting Standards Board (IASB), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act and the JSE Listings Requirements. Except for the adoption of IFRS 16: *Leases*, the same accounting policies, presentation and measurement principles have been followed in the preparation of the group's annual financial statements as were applied for the year ended 30 November 2019.

These results have been compiled under the supervision of the financial director, CV Amoils, CA(SA). The directors of Hudaco take full responsibility for the preparation of this report.

Impact of adopting IFRS 16: *Leases* at 1 December 2019

The group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone prices.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases – ie these leases are on-balance sheet. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate of 8.13% as at 1 December 2019. Right-of-use assets are measured at the amount equal to the lease liability adjusted for lease straightlining balances (R12 million) as at 30 November 2019.

The group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Reconciliation between the operating lease commitments disclosed in the group's 30 November 2019 annual financial statements and the lease liabilities at 1 December 2019:

	R million
Operating lease commitments in respect of fixed property at 30 November 2019 as disclosed in the group's consolidated financial statements	303
Effect of renewal options reasonably certain to be exercised	309
Discounted using the incremental borrowing rate at 1 December 2019	(146)
Lease liabilities recognised as at 1 December 2019	466

The adoption of IFRS 16: *Leases* using the modified retrospective approach: As a result of initially applying IFRS 16 in respect of leases that were previously classified as operating leases, the group recognised right-of-use assets of R454 million and lease liabilities of R466 million at 1 December 2019, the initial date of application.

At the end of the reporting period the group recognised right-of-use assets of R414 million and lease liabilities of R455 million. During the year ended 30 November 2020, the group recognised R119 million of depreciation charges, R90 million of capital repayments and R35 million of interest costs from these leases, instead of operating lease expenses.

	Six months ended*		Year ended	
	30 Nov 2020	30 Nov 2019	30 Nov 2020	30 Nov 2019
Average net operating assets (NOA) (Rm)	3 920	3 981	4 095	3 992
Operating profit margin (%)	11.9	11.4	8.2	10.4
Average NOA turn (times)	1.8	1.8	1.5	1.7
Return on average NOA (%)	22.0	20.3	12.5	17.5
Average net tangible operating assets (NTOA) (Rm)	2 356	2 429	2 377	2 437
PBITA margin (%)	12.1	11.8	8.4	10.9
Average NTOA turn (times)	3.1	2.9	2.6	2.8
Return on average NTOA (%)	37.0	34.3	22.0	29.9
Net asset value per share (cents)	8 470	8 666	8 470	8 666
Return on average equity (%)	24.0	21.4	0.3	17.4
Turnover comprises of:				
<i>Revenue from contracts with customers</i>				
Sales of products	3 540	3 431	6 101	6 522
Rendering of services	78	98	153	182
	3 618	3 529	6 254	6 704
<i>Timing of revenue recognition</i>				
Goods and services transferred at a point in time	3 385	3 405	5 948	6 510
Goods and services transferred over time ⁽¹⁾	233	124	306	194
	3 618	3 529	6 254	6 704
<i>(1) The remaining transaction price allocated to unsatisfied performance obligations will be satisfied within one year.</i>				
<i>Geographical disaggregation</i>				
Goods and services sold in South Africa	3 469	3 227	5 737	6 060
Goods and services sold outside South Africa	149	302	517	644
	3 618	3 529	6 254	6 704
Operating profit has been determined after taking into account the following charges (Rm)				
– Depreciation of property, plant and equipment	19	22	45	43
– Depreciation of right-of-use assets	60		119	
– Amortisation of intangible assets	12	17	20	33
Capital expenditure (Rm)				
– Incurred during the period	27	32	45	79
– Authorised but not yet contracted for			63	70
Commitments				
– Operating lease commitments on properties (Rm)			30	303

* Neither audited nor reviewed

SUPPLEMENTARY INFORMATION (CONTINUED)

Fair value disclosure

All financial instruments are carried at amounts that approximate their fair value. The fair value of forward exchange contracts is directly derived from prices in active markets for similar liabilities, which means it is classified as a level 2 fair value measurement. The carrying amount of forward exchange contract liabilities at 30 November 2020 is R23.8 million (2019: R10.0 million). The fair value for amounts due to vendors of businesses acquired is estimated by using a present value technique based on unobservable inputs regarding the future profitability of businesses acquired, which means it is classified as a level 3 fair value measurement.

Reconciliation of financial liability at fair value through profit or loss (level 3)

R million	2020	2019
Balance at beginning of year	65	213
Adjustments to fair value	(48)	(46)
Acquired during the year		4
Payments during the year	(17)	(106)
Balance at end of year		65

Acquisition of business

Effective 30 November 2020 the group gained voting control over Ironman 4X4 Africa RF (Pty) Ltd, previously jointly controlled, for no consideration.

Plant and equipment of R2.6 million, right-of-use assets of R6.2 million, inventories of R8.0 million, trade and other receivables of R2.4 million, trade and other payables of R2.1 million, cash of R10.4 million, lease liabilities of R6.7 million, goodwill of R3.4 million and a non-controlling interest of R12.3 million were recognised at the date of acquisition. These values approximate the fair values as determined under IFRS 3.

The fair value of the equity interest held by the group before gaining control was R12.3 million.

Had this acquisition of control been effected at the beginning of the year, additional turnover of R32.8 million and a profit after interest and tax of R1.3 million would have been included in the group results and the turnover and profit after interest and tax for the group would have been R6 286.5 million and R9.5 million respectively.

Impairment of goodwill

Goodwill was assessed for impairment in May 2020 as the impact of Covid-19 was considered to be a factor that might indicate impairment. It was assessed again at year end.

Discount rates applied to cash flow projections are based on a South African specific pre-tax weighted average cost of capital (WACC), which takes into account appropriate risk-free rates adjusted for market risk, company specific risk, cost of debt and the relevant weighting between debt and equity. The WACC applied to cash generating units at year end ranges from 18.9% to 25.8% and includes a risk premium for the impact of the Covid-19 pandemic.

The result of the assessment in May was an impairment of R345 million. No further impairment was required at 30 November 2020.

SEGMENT INFORMATION

R million	Year ended		
	Turnover		
	30 Nov 2020	% change	30 Nov 2019
Consumer-related products	3 360	(6.4)	3 589
Engineering consumables	2 907	(6.8)	3 120
Total operating segments	6 267	(6.6)	6 709
Head office, shared services and eliminations	(13)		(5)
Total group	6 254	(6.7)	6 704

R million	Year ended		
	Operating profit		
	30 Nov 2020	% change	30 Nov 2019
Consumer-related products	369	(12.3)	421
Engineering consumables	178	(37.5)	284
Total operating segments	547	(22.4)	705
Head office, shared services and eliminations	(37)		(4)
Total group	510	(27.2)	701

R million	Year ended		
	Average net operating assets		
	30 Nov 2020	% change	30 Nov 2019
Consumer-related products	2 184	2.7	2 126
Engineering consumables	1 936	3.5	1 869
Total operating segments	4 120	3.1	3 995
Head office, shared services and eliminations	(25)		(3)
Total group	4 095	2.6	3 992

SHAREHOLDER ANALYSIS

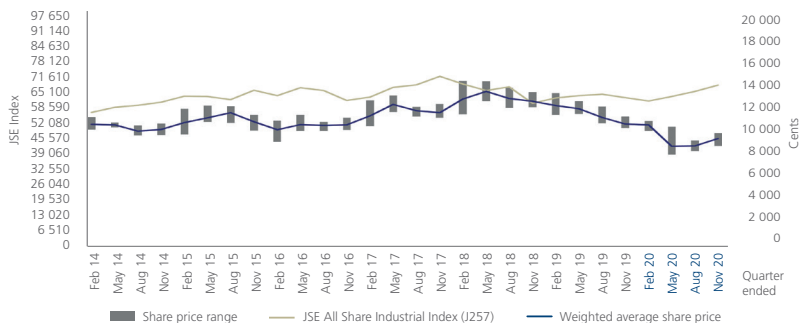
as at 30 November 2020

	Number of shareholders	Number of shares	% of issued shares
Shareholder analysis			
Portfolio size			
1 – 1 000 shares	2 956	986 538	3.22
1 001 – 5 000 shares	1 086	3 290 962	10.75
5 001 – 10 000 shares	187	5 913 637	19.31
10 001 – 100 000 shares	46	13 156 994	42.97
Over 100 000 shares	4	7 272 972	23.75
Total⁽¹⁾	4 279	30 621 103	100.00
Category			
Banks and nominee companies	44	2 683 588	8.76
Financial institutions and pension funds	510	22 293 424	72.80
Individuals	3 654	5 135 337	16.77
Other corporate bodies	71	508 754	1.67
Total⁽¹⁾	4 279	30 621 103	100.00
Shareholder spread			
Public shareholders	4 251	29 073 617	94.95
Non-public shareholders	28	1 547 486	5.05
Total⁽¹⁾	4 279	30 621 103	100.00
Major shareholders			
Beneficial shareholders holding more than 3%			
Public Investment Corporation GEPI		3 008 220	9.82
Old Mutual Life Assurance		1 732 795	5.66
PSG Flexible Fund		1 139 663	3.72
Fund managers holding more than 3%			
Public Investment Corporation		3 119 474	10.19
PSG Asset Management		2 961 031	9.67
Foord Asset Management		1 976 994	6.46
Old Mutual Investments		1 963 865	6.41
Ninety One		1 581 224	5.16
Bateleur Capital		1 365 659	4.46
Aylett & Co Fund Managers		1 174 315	3.83

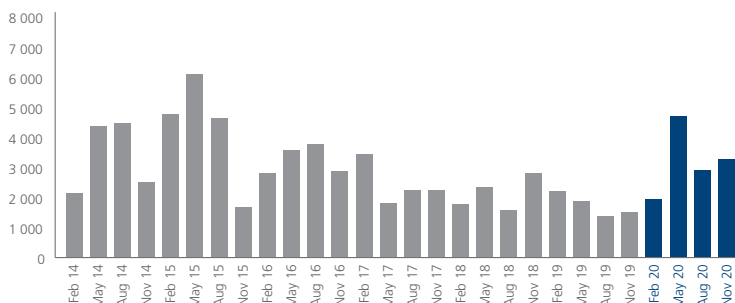
⁽¹⁾ Excludes 2 507 828 shares held by a subsidiary company and the 1 024 600 shares that were repurchased during the year and cancelled on 8 December 2020.

SHARE INFORMATION

Share price history



Volume of shares traded (000)



JSE statistics	2020	2019	2018	2017	2016	2015	2014
Market price (cents)	8 550	10 808	14 200	13 600	10 850	10 701	9 590
NAV per share (cents)	8 470	8 666	7 927	7 252	6 525	5 827	5 210
Number of shares in issue (000)*	30 621	31 646	31 646	31 646	31 646	31 646	31 646
Market capitalisation (Rm)*	2 618	3 420	4 494	4 304	3 434	3 386	3 035
Price:earnings ratio (times)	8.4	8.4	10.9	11.0	9.3	9.2	10.3
All Share Industrial Index PE ratio (J257)	32.5	22.9	19.9	30.4	27.0	22.6	21.6
Dividend yield (%)	3.8	4.2	3.2	3.1	4.8	4.9	4.8
All Share Industrial Index dividend yield (J257) (%)	1.9	2.3	2.3	1.9	2.5	2.3	2.2
Annual trade in Hudaco shares							
Number of transactions recorded	33 184	22 314	24 072	29 245	20 903	36 271	22 549
Volume of shares traded (000)	13 424	6 882	8 440	9 714	12 995	17 211	13 475
% of issued shares traded*	44	22	27	31	41	54	43
Value of shares traded (Rm)	1 041	863	1 272	1 234	1 341	2 007	1 354

* Excludes 2 507 828 treasury shares and 1 024 600 shares repurchased during 2020 and cancelled on 8 December 2020.

NOTICE OF ANNUAL GENERAL MEETING

Hudaco Industries Limited

(Incorporated in the Republic of South Africa)

(Registration number 1985/004617/06)

Share code: HDC ISIN code: ZAE000003273

("Hudaco" or "the company")

Notice to shareholders of the 36th annual general meeting (AGM) of Hudaco Industries Limited

Notice is hereby given that the 36th AGM of shareholders of the company for the year ended 30 November 2020 will be held at 11:00 on Thursday, 18 March 2021 in the boardroom at Hudaco's offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale. Registration for attendance will commence at 10:30.

Important dates and times ^{(1), (2)}

2021

Record date for determining which shareholders are entitled to receive the AGM notice	Friday, 12 February
Notice posted to shareholders on or about	Thursday, 18 February
Last day to trade to be eligible to participate and vote at the AGM	Tuesday, 9 March
Record date for attending and voting at the AGM ⁽³⁾	Friday, 12 March
AGM to be held at 11:00	Thursday, 18 March
Results of AGM to be released on SENS on	Thursday, 18 March

Notes

- (1) All times referred to in this notice are local times in South Africa.
- (2) Any material variation of the above dates and times will be announced on SENS.
- (3) The Hudaco board of directors (the board) has determined that the record date for the purpose of determining which shareholders are entitled to receive the AGM notice is Friday, 12 February 2021, and the record date for purposes of determining which shareholders of the company are entitled to participate and vote at the AGM is Friday, 12 March 2021. Accordingly, only shareholders who are recorded as such in the register maintained by the transfer secretaries of the company on Friday, 12 March 2021, will be entitled to participate in and vote at the AGM.
- (4) Kindly note that AGM participants (including shareholders and proxies) are required to provide satisfactory picture identification before being entitled to attend or participate at the AGM. Forms of satisfactory identification include valid identity documents, driver's licences and passports.

Business to be transacted

The purpose of the AGM is for the following business to be transacted and the following ordinary and special resolutions to be proposed:

1. Presentation of audited consolidated financial statements

To present the audited consolidated financial statements of the company (as approved by the board), as well as the reports of the external auditor, audit and risk management committee, social and ethics committee and directors for the financial year ended 30 November 2020, distributed as required.

Copies of the integrated report which contains the full audited consolidated annual financial statements for the year ended 30 November 2020 are obtainable from the company's website: www.hudaco.co.za or from the group secretary.

2. Ordinary Resolution Number 1: To re-elect directors retiring by rotation

To re-elect as directors, each by way of a separate vote, the following directors who are required to retire in terms of clause 21.6.1 of the company's memorandum of incorporation (MOI) and who are eligible and have offered themselves for re-election:

- 2.1 Ordinary Resolution Number 1.1: Re-election of Mr SJ Connelly;
- 2.2 Ordinary Resolution Number 1.2: Re-election of Ms D Naidoo; and
- 2.3 Ordinary Resolution Number 1.3: Re-election of Mr LFJ Meiring.

The nomination committee of the board has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the re-election of the directors listed above in 2. It is the view of the board that re-election of the candidates referred to in 2 above would enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the board.

Brief *curricula vitae* of directors who have offered themselves for re-election are included in the Hudaco integrated report.

For Ordinary Resolution Numbers 1.1, 1.2 and 1.3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

Note

In terms of clause 21.6.1 of the company's MOI at least one third of the directors must retire each year and are eligible for re-election. The directors who shall retire shall be the longest serving directors since their last election.

3. Ordinary Resolution Number 2: To approve the appointment of external auditors

To appoint BDO South Africa Incorporated (BDO) as independent auditors of Hudaco and to note that the individual registered auditor who will undertake the audit for the financial year ending 30 November 2021 is Ms V Pretorius.

The audit and risk management committee of the company has concluded that the appointment of BDO will comply with the requirements of the Companies Act, 71 of 2008 (the Companies Act), the Companies Regulations 2011 and the JSE Listings Requirements and has accordingly nominated BDO for appointment as auditors of the company.

For Ordinary Resolution Number 2 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

4. Ordinary Resolution Number 3: Appointment of the members of the audit and risk management committee

To elect, each by way of a separate vote, the members of the audit and risk management committee of the company, with effect from the end of the AGM:

- 4.1 Ordinary Resolution Number 3.1: To elect Ms D Naidoo as member, subject to the passing of Ordinary Resolution Number 1.2;
- 4.2 Ordinary Resolution Number 3.2: To elect Ms N Mandindi as member; and
- 4.3 Ordinary Resolution Number 3.3: To elect Mr MR Thompson as member.

Under the Companies Act the audit committee is a committee elected by the shareholders at each AGM. A brief *curriculum vitae* of each of the independent non-executive directors mentioned above appears in the Hudaco integrated report.

The board has reviewed the proposed composition of the audit and risk management committee against the requirements of the Companies Act and the Companies Regulations 2011 and has confirmed that the proposed audit and risk management committee will comply with the relevant requirements and have the necessary knowledge, skills and experience to enable the committee to perform its duties in terms of the Companies Act. Accordingly, the board recommends the election of the directors listed above as members of the audit and risk management committee.

For Ordinary Resolution Numbers 3.1, 3.2 and 3.3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

5. Special Resolution Number 1: Approval of non-executive directors' remuneration

That the remuneration, exclusive of value-added tax, payable to the non-executive directors of Hudaco for their services as directors for the period 1 April 2021 until 31 March 2022, be and it is hereby approved as set out below:

R (excluding VAT)	Proposed 2021		2020	
	Base fee	Penalty for non-attendance	Base fee	Penalty for non-attendance
Board				
Chairman of the board	1 134 000*	21 000	1 134 000*	21 000
Lead independent director	412 000	20 000	412 000	20 000
Board member	303 000	15 000	303 000	15 000
Audit and risk management committee				
Chairman of the committee	264 000	21 000	264 000	21 000
Committee member	146 000	15 000	146 000	15 000
Remuneration committee				
Chairman of the committee	185 000	21 000	185 000	21 000
Committee member	84 000	14 000	84 000	14 000
Nomination committee				
Chairman of the committee	*		*	
Committee member	61 000	10 000	61 000	10 000
Social and ethics committee				
Chairman of the committee	158 000	21 000	158 000	21 000
Committee member	70 000	12 000	70 000	12 000

* All inclusive fee.

The penalty incurred for non-attendance as chairman of a meeting would be paid to the member who stood in as chairman at that meeting.

The fee for additional meetings would be: Chairman – R31 000 (2020: R31 000), Member – R22 000 (2020: R22 000).

Reason and effect of Special Resolution Number 1

This resolution is proposed in order to comply with the requirements of the Companies Act. In terms of section 65(1)(h) of the Companies Act, read with sections 66(8) and 66(9), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years, and, only if this is not prohibited in terms of the company's MOI.

Therefore the reason for and effect of Special Resolution Number 1 is to approve the payment of and the basis for calculating the remuneration payable by Hudaco to its non-executive directors for their services as directors of the company for the period 1 April 2021 until 31 March 2022. The fees payable to the non-executive directors are detailed above. Further details on the basis of calculation of remuneration are included in the remuneration report in the Hudaco integrated report.

For Special Resolution Number 1 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

6. Non-binding Resolution Number 1: Approval of Hudaco's remuneration policy

That shareholders endorse, through a non-binding advisory vote, Hudaco's remuneration policy. Hudaco's remuneration policy is set out in its integrated report.

King IV as well as the JSE Listings Requirements require the board (with the assistance of the remuneration committee) to present Hudaco's remuneration policy to the shareholders. This ordinary resolution is of an advisory nature and failure to pass this resolution will therefore not have any legal consequences for existing arrangements. However, should the resolution be voted against by 25% or more of the voting rights exercised, the board undertakes to engage with those opposed to the remuneration policy in order to ascertain the reasons therefore, and to address appropriately legitimate objections and concerns. The manner and timing of such engagement will be communicated in the voting results announcement.

7. Non-binding Resolution Number 2: Approval of Hudaco's remuneration implementation report

That shareholders endorse, through a non-binding advisory vote, Hudaco's remuneration implementation report. Hudaco's remuneration implementation report is set out in its integrated report.

King IV as well as the JSE Listings Requirements require the board (with the assistance of the remuneration committee) to present Hudaco's remuneration implementation report to the shareholders. This ordinary resolution is of an advisory nature and failure to pass this resolution will therefore not have any legal consequences for existing arrangements. However, should the resolution be voted against by 25% or more of the voting rights exercised, the board undertakes to engage with those opposed to the remuneration implementation report in order to ascertain the reasons therefore, and to address appropriately legitimate objections and concerns. The manner and timing of such engagement will be communicated in the voting results announcement.

8. Special Resolution Number 2: Authorising the provision of financial assistance to subsidiaries

That the board of the company be and it is hereby authorised, to the extent required by and subject to section 45 of the Companies Act and the requirements, if applicable of: (i) the MOI; and (ii) the JSE Listings Requirements, to cause the company to provide direct or indirect financial assistance to a subsidiary or joint venture of Hudaco, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the adoption of this Special Resolution Number 2.

Reason and effect of Special Resolution Number 2

In the normal course of business, the company is often required to grant financial assistance to subsidiary or joint venture companies. This assistance includes but is not limited to loans and guarantees for banking facilities. If this authorisation is not granted, it could inhibit the group from making acquisitions or obtaining banking facilities without having to call a general meeting of shareholders on each occasion. Special Resolution Number 2 will enable the company to provide financial assistance to subsidiaries and joint ventures in the Hudaco group for any purpose in the normal course of business.

Section 45 of the Companies Act provides, among others, that financial assistance to subsidiaries and joint ventures must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance whether for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that: (a) immediately after approving the financial assistance, the company would satisfy the solvency and liquidity test, and (b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

For Special Resolution Number 2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

9. Special Resolution Number 3: General authority to repurchase up to 1 656 446 (5%) of the ordinary shares in issue

That Hudaco or any of its subsidiaries be and is hereby authorised, by way of a general approval, to acquire up to 1 656 446 (5%) of Hudaco's ordinary shares (ordinary shares) in terms of section 48 of the Companies Act and the JSE Listings Requirements, being that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Hudaco and the counterparty;
- this general authority shall be valid until Hudaco's next AGM, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- an announcement will be published as soon as Hudaco or any of its subsidiaries has acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with rule 11.27 of the JSE Listings Requirements;
- acquisitions of ordinary shares in aggregate in any one financial year may not exceed 5% of Hudaco's ordinary issued share capital as at the date of passing of this Special Resolution Number 3;
- ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by Hudaco or any of its subsidiaries;
- Hudaco has been given authority by its MOI;
- at any point in time, Hudaco may only appoint one agent to effect any repurchase on its behalf;
- prior to entering the market to repurchase the company's shares, a company resolution authorising the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, stating that the board has applied the solvency and liquidity test as set out in section 4 of the Companies Act, and has reasonably concluded that the company will satisfy the solvency and liquidity test immediately after the repurchase; and
- Hudaco and/or its subsidiaries may not repurchase any ordinary shares during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place, where the dates and quantities of ordinary shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, will ensure that for a period of 12 months after the date of this notice of AGM:

- Hudaco and the group will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of Hudaco and the group, fairly valued in accordance with statements of International Financial Reporting Standards, will exceed the consolidated liabilities of Hudaco and the group; and
- Hudaco and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, which appears in the integrated report as published on Hudaco's website, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase shares:

- major shareholders – page 14 of this summarised report; and
- share capital – note 18 of the audited financial statements.

Directors' responsibility statement

The directors, whose names appear in the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution Number 3 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Special Resolution Number 3 contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of Hudaco and its subsidiaries since the date of signature of the audit report and up to the date of this AGM notice.

Reason and effect of Special Resolution Number 3

The reason for and effect of this special resolution is to grant the directors of Hudaco a general authority in terms of the Companies Act and the JSE Listings Requirements for the repurchase by Hudaco, or a subsidiary of Hudaco, of up to 1 656 446 (5%) of its ordinary shares.

For Special Resolution Number 3 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

10. Ordinary Resolution Number 4: General authority to directors to allot and issue up to 1 656 446 authorised but unissued ordinary shares (5% of the shares in issue)

That, as required by and subject to the MOI and the requirements of the Companies Act and the JSE Listings Requirements, from time to time, the directors be and they are, as a general authority and approval, authorised, as they in their discretion think fit, to allot and issue unissued ordinary shares of the company, subject to the following:

- the authority shall be valid until the date of the next AGM of the company, provided that it shall not extend beyond 15 months from the date of this AGM; and
- issues in terms of the authority will not, in any financial year, in aggregate, exceed 5% of the number of ordinary shares in the company's issued share capital as at the date of the AGM.

As explanation for the passing of Ordinary Resolution Number 4, please note that clause 10.4 of the company's MOI, read with the JSE Listings Requirements, provides that shareholders may authorise directors to allot and issue the authorised but unissued shares, as the directors in their discretion think fit.

The authority in Ordinary Resolution Number 4 will be subject to the Companies Act and the JSE Listings Requirements. The aggregate number of ordinary shares able to be allotted and issued in terms of this authority is limited as set out in this Ordinary Resolution Number 4.

For Ordinary Resolution Number 4 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

11. Ordinary Resolution Number 5 – Signature of documents

That any one director or the group secretary of Hudaco be and is hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution will be considered.

For Ordinary Resolution Number 5 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

Quorum

A quorum for the purpose of considering the resolutions above consists of three shareholders of the company, personally present or represented by proxy and entitled to vote at the AGM. In addition, a quorum will comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services (Pty) Ltd, to be entitled to attend, participate in and vote at the AGM is Friday, 12 March 2021.

Voting and proxies

To record the votes more effectively and give effect to the intentions of shareholders, voting on all resolutions will be conducted by way of a poll. Any shareholder entitled to attend and vote at the AGM may appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith.

The attached form of proxy is to be completed only by those shareholders who are:

- holding the company's ordinary shares in certificated form; or
- recorded on the electronic sub-register in "own name" dematerialised form.

Shareholders who have dematerialised their ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the AGM must instruct their CSDP or broker to provide them with their voting instruction in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

A form of proxy is attached but may also be obtained on request from the company's registered office. Completed forms of proxy should be returned to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132), so as to reach them by no later than 11:00 on Tuesday, 16 March 2021. It may also be emailed to them at proxy@computershare.co.za. Any forms of proxy not submitted in this time may nevertheless be submitted to the transfer secretaries before the AGM or handed to the chairman of the AGM prior to the shareholder exercising any rights of a shareholder at the AGM.

Electronic participation

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders.

Therefore, shareholders or their proxies may participate in a meeting by way of video conference if they wish to do so. In this event:

- Hudaco's company secretary must be contacted by email (at the address hudaco@acorim.co.za) by no later than 10:00 on Tuesday, 16 March 2021 in order to obtain dial-in details for participation;
- valid identification will be required:
 - if the shareholder is an individual, a certified copy of their identity document and/or passport;
 - if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the AGM by way of video conference call as well as a valid email address and/or facsimile number;
- no electronic voting facilities will be available so shareholders who wish to participate in the meeting by video conference and wish to vote are still required to submit their proxy forms in advance.

By order of the board



N Petrides – Acorim Secretarial and Governance Services

Company secretaries

18 February 2021

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

FORM OF PROXY

To: **Computershare Investor Services Proprietary Limited**
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)
email: proxy@computershare.co.za

Hudaco Industries Limited
(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
Share code: HDC **ISIN:** ZAE000003273
("Hudaco" or "the company")

Proxy form for the 36th annual general meeting – for use by certificated Hudaco ordinary shareholders and dematerialised shareholders with own name registration only (see note 1)

For use by Hudaco shareholders at the annual general meeting of Hudaco to be held on Thursday, 18 March 2021 at Hudaco's offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale, Gauteng at 11:00 (the annual general meeting).

I/We

of (address)

(please print)

being the holder(s) of ordinary shares in the capital of the company,

do hereby appoint (see note 2):

1 or failing him/her

2 or failing him/her

3 the chairman of the annual general meeting

as my/our proxy to act on my/our behalf at the annual general meeting, which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of all the above ordinary shares registered in my/our name/s, in accordance with the following instructions:

Please indicate with an "X" in the appropriate box below how you wish to vote.

	Number of ordinary shares		
	For	Against	Abstain
Resolution			
Ordinary Resolution Number 1: To re-elect directors retiring by rotation:			
1.1 SJ Connelly			
1.2 D Naidoo			
1.3 LFJ Meiring			
Ordinary Resolution Number 2: To approve the appointment of external auditors			
Ordinary Resolution Number 3: Appointment of the members of the audit and risk management committee:			
3.1 D Naidoo (subject to the passing of Ordinary Resolution Number 1.2)			
3.2 N Mandindi			
3.3 MR Thompson			
Special Resolution Number 1: Approval of non-executive directors' remuneration			
Non-binding Resolution Number 1: Approval of Hudaco's remuneration policy			
Non-binding Resolution Number 2: Approval of Hudaco's remuneration implementation report			
Special Resolution Number 2: Authorising the provision of financial assistance to subsidiaries			
Special Resolution Number 3: General authority to repurchase up to 1 656 446 of the ordinary shares (5% of the shares in issue)			
Ordinary Resolution Number 4: General authority to directors to allot and issue up to 1 656 446 authorised but unissued ordinary shares (5% of shares in issue)			
Ordinary Resolution Number 5: Signature of documents			

Signed at on 2021

Signature(s)

Assisted by me (where applicable)

NOTES

1. Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker must either inform their CSDP or broker of their intention to attend the annual general meeting to provide them with the necessary authority to attend or provide the CSDP or broker with their voting instruction in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by "X" in the appropriate box provided on the proxy form. Failure to comply with the above will be deemed to authorise a proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all the members' votes exercisable at the annual general meeting.
4. The completion and lodging of this form of proxy will not preclude the shareholder from attending the annual general meeting and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof should the shareholder wish to do so (see note 1 above).
5. The chairman of the annual general meeting may reject or accept any proxy form that is completed and/or received, other than in accordance with these notes. Proxy forms received by way of facsimile will be acceptable.
6. Each shareholder is entitled to appoint one or more proxies (none of whom needs to be a shareholder of Hudaco) to attend, speak and vote in place of the shareholder at the annual general meeting.
7. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatories.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Hudaco.
9. Where there are joint shareholders:
 - (a) Any one shareholder may sign the form of proxy;
 - (b) The vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in Hudaco's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.
10. For administrative purposes only, forms of proxy should be lodged with the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or be posted to them at Private Bag X9000, Saxonwold, 2132, or emailed to them at proxy@computershare.co.za, by Tuesday, 16 March 2021, at 11:00 or thereafter to the company by hand at Hudaco's offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale, Gauteng. Any forms of proxy not submitted by this time may nevertheless be submitted to the transfer secretaries before the annual general meeting or handed to the chairman of the annual general meeting prior to the shareholder exercising any rights of a shareholder at the annual general meeting.
11. In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Therefore, shareholders or their proxies may participate in a meeting by way of video conference if they wish to do so. In this event:
 - Hudaco's Company Secretary must be contacted by email (at the address hudaco@acorim.co.za) by no later than 10:00 on Tuesday, 16 March 2021 in order to obtain dial-in details for participation;
 - valid identification will be required:
 - if the shareholder is an individual, a certified copy of their identity document and/or passport;
 - if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the AGM by way of video conference call as well as a valid email address and/or facsimile number;
 - no electronic voting facilities will be available so shareholders who wish to participate in the meeting by video conference and wish to vote are still required to submit their proxy forms in advance.

Additional forms of proxy are available from the transfer secretaries on request.

CORPORATE INFORMATION

Hudaco Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
JSE share code: HDC
ISIN code: ZAE000003273

Registered and business address

1st Floor, Building 9
Greenstone Hill Office Park
Emerald Boulevard
Greenstone Hill, Edenvale
(Private Bag 13, Elandsfontein, 1406)

Tel: +27 11 657 5000

Email: info@hudaco.co.za

Website: www.hudaco.co.za

Secretary

Acorim Secretarial and Governance Services
13th Floor, Illovo Point
68 Melville Road
Illovo, 2196
Tel: +27 11 325 6363
Email: natashap@acorim.co.za
Website: www.acorim.co.za

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Tel: +27 11 370 5000

Auditors

BDO South Africa Incorporated
Wanderers Office Park
52 Corlett Drive, Illovo
(Private Bag X60500, Houghton, 2041)

Bankers

Absa Bank Ltd
FirstRand Bank Ltd
Nedbank Ltd
The Standard Bank of South Africa Ltd

Sponsor

Nedbank Corporate and Investment Banking
135 Rivonia Road, Sandton, 2196
(PO Box 1144, Johannesburg, 2000)

SHAREHOLDERS' DIARY

Financial year end	30 November
Annual general meeting	18 March 2021
Reports and financial statements	
Preliminary report and final dividend announcement	28 January 2021
Abridged financial statements and notice of annual general meeting (mailed to shareholders)	18 February 2021
Interim report and interim dividend announcement	last week in June 2021
Dividend payment details	
Payment of final dividend	22 February 2021
Payment of interim dividend	third week in August 2021

GROUP DIRECTORY

DIVISION	BUSINESS NAME	PRINCIPAL ACTIVITIES	ADDRESS
CONSUMER-RELATED PRODUCTS			
Power tools and fasteners	Rutherford	Distributor of Makita tools, Mercury marine engines and survey instrumentation.	Unit 3A & B City Deep Industrial Park 36 Fortune Street City Deep
	FTS Boltworld	Distributor of a comprehensive range of quality fasteners, including blind rivets, self-drilling screws, hexagonal bolts, nuts and washers.	Unit 3A & B City Deep Industrial Park 36 Fortune Street City Deep
Security and communication equipment	Elvey Security Technologies	Distributor of electronic security equipment, including intruder detection, access control, CCTV, fire detection, electric fencing and specialised products, as well as related consumables.	27 Greenstone Place Greenstone Hill Edenvale
	Commercial ICT	Distributor of Permaconn mobile radio communication equipment and systems as well as hosting and support of core IT infrastructure and communication networks.	27 Greenstone Place Greenstone Hill Edenvale
	Global Communications	Distributor of professional mobile radio communication equipment and radio systems integrator.	27 Greenstone Place Greenstone Hill Edenvale
	SS Telecoms	Supplier of voice and data solutions, specialising in PBX communication management software and telephone management.	27 Greenstone Place Greenstone Hill Edenvale
Data networking equipment	MIRO	Distributor of wireless IP convergence solutions, including network infrastructure, switches and routers, Wi-Fi and hotspot, enterprise wireless, fixed wireless broadband, carrier class wireless, antennas and masts, voice over IP and IP surveillance products.	9 Landmarks Avenue Kosmosdal Ext 11 Samrand
Automotive aftermarket	Abes Technoseal	Distributor of light and heavy duty clutch kits, ignition leads and rotary shaftseals to the automotive aftermarket and hydraulic and pneumatic seals to the industrial and construction equipment market.	3 Wankel Street Jet Park
	Partquip	Importer and distributor of automotive spares and accessories.	61 Trump Street West Selby Johannesburg
	A-Line Wheels	An importer and distributor of alloy and steel wheels.	61 Trump Street West Selby Johannesburg
	Ironman 4X4	Distributor of suspension and accessories to the 4X4 industry.	1 Voortrekker Road Alberante Alberton
Batteries	Deltec Energy Solutions	Distributor of maintenance free batteries for automotive, trucking, mining, stand-by, solar utility and electric vehicle applications and a provider of custom designed energy solutions.	6 Liebenberg Street Alrode Alberton
	Eternity Technologies	Supplier of batteries, high frequency chargers and related battery equipment to the traction battery market in southern Africa. It also designs, builds and manages battery bays for warehouses and distribution centres.	192 Peenz Street Corner Pretoria Road Putfontein Benoni
	Specialised Battery Systems	Importer and distributor of stand-by and solar batteries.	23 Golden Drive Morehill Benoni
ENGINEERING CONSUMABLES			
Bearings and belting	Bearings International	Distributor of bearings, chains, seals, electric motors, transmission and allied products.	Lancaster Commercial Park Cnr Merlin Rose & Lancaster Ivy Drives (off Atlas Road) Parkhaven Ext 5, Boksburg
	Belting Supply Services	Distributor of conveyor belting, industrial hose, fluid sealing and process control products.	12 Fortune Street City Deep
	Brewtech Engineering	Importer and distributor of plastic and stainless steel slat chains and modular belting and conveyor components. Manufacturer of plastic engineering parts for machines used in food, bottling and mining industries.	389 Elsecar Road Kya Sand
Diesel engines and spares	Deutz Dieselpower	Distributor of DEUTZ diesel engines, DEUTZ spare parts, HJS exhaust gas aftertreatment systems and provider of service support.	5 Tunney Road Elandsfontein

CONTACT

EXECUTIVES


















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ENGINEERING CONSUMABLES continued

Specialised steel	Ambro Steel	Distributor of engineering steels, solid, round, square, hexagonal and hollow bar steel.	Corner Lamp and Snapper Roads Waderville
	Sanderson Special Steels	Distributor of special steels and of heat treatment to the tool making and general engineering industries.	18 Junction Street Parow Industria Cape Town
	Bosworth	Manufacturer of conveyor drive pulleys, forging and rollings.	Corner Vereeniging and Juyin Roads Alrode
	The Dished End Company	Manufacturer of end caps on pressure vessels and single pressed weld caps and the pressing and flanging of small conical sections.	30 North Reef Road Elandsfontein Germiston
	Joseph Grieseson	Manufacturer of ferrous and non-ferrous castings.	332 Aberdare Drive Phoenix Industrial Park Phoenix, Durban
Thermoplastic pipes and fittings	Astore Keymak	Distributor of specialised thermoplastic pipes, fittings and Keymak PVC hose.	Building B 1 Makro Place Sunnyrock, Germiston
Filtration	Filter and Hose Solutions	Supplier of filtration solutions, customised exhaust systems, kits and accessories.	160 Francis Road Anderbolt Boksburg North
Hydraulics and pneumatics	Dosco Precision Hydraulics	Supplier of hydraulic pumps and motors to the mining, industrial, mobile, marine and forestry industries.	6 Impangela Road Sebenza Ext 6 Edenvale
	Ernest Lowe	Manufacturer of hydraulic and pneumatic equipment.	6 Skew Road Boksburg North
	Gear Pump Manufacturing	Manufacturer and assembler of hydraulic gear pumps.	15 Moody Avenue Goodwood Cape Town
	Hydraulic Engineering Repair Services	Manufacturer and repairer of hydraulic cylinders and repairer of drivetrain components.	69 Miller Road Industries East Germiston
Electrical power transmission	Powermite	Distributor of electric cabling, plugs, sockets, electric feeder systems and crane materials.	Linbro Business Park 47 Galaxy Avenue Frankenwald, Sandton
	Proof Engineering	Manufacturer and distributor of mining connectors and lighting systems.	368 Sifon Street Robertville Roodepoort
	Three-D Agencies	Distributor of electrical cable accessories.	Linbro Business Park 47 Galaxy Avenue Frankenwald, Sandton
	Varispeed	Distributor of controllers, monitors and regulators of the speed of standard AC motors.	Linbro Business Park 47 Galaxy Avenue Frankenwald, Sandton
	Bauer Geared Motors	Supplier and repairer of geared and electric motors, industrial bevel helical transmissions and drive solutions.	72 Acacia Road Cnr Barbara Road Primrose, Germiston
GROUP			
Group head office	Hudaco Industries Hudaco Trading		Building 9 Greenstone Hill Office Park Emerald Boulevard Greenstone Hill Edenvale

CONTACT

EXECUTIVES

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Designations in consumer-related products and engineering consumables segments referring to director denotes divisional directorships and not statutory directorships.

The logo for Hudaco, featuring the word "Hudaco" in a bold, italicized, blue sans-serif font.

Hudaco

www.hudaco.co.za