

The image features a dark blue background with a large, stylized 'X' shape formed by overlapping diagonal bands of a lighter blue and white color. The 'Hudaco' logo is prominently displayed in the center-left area.

Hudaco

RESULTS PRESENTATION 2023

AGENDA

- ❑ General business environment and overview
- ❑ Hudaco in the general business environment
- ❑ Exchange rates
- ❑ Business model
- ❑ Reporting segments
- ❑ Operating profit and margins
- ❑ Financial review
- ❑ Outlook

GENERAL BUSINESS ENVIRONMENT

- ❑ Pleasing set of results in another challenging year
- ❑ South Africa's economic environment is dire
 - 11th year of economic growth below population growth
 - steady degradation of South Africa's national and municipal infrastructure
 - load-shedding hours in 2023 more than double in 2022
- ❑ Supply chain disruptions
 - particularly at SA's inefficient ports
 - Russia-Ukraine war, Israel-Hamas war and terrorist attacks in the Red Sea

OVERVIEW

- ❑ Hudaco has once again shown its resilience
- ❑ Benefit of a defensive, robust portfolio of diverse businesses
- ❑ Management focused on
 - day-to-day basis: margins, expenses and working capital
 - medium term: capital allocation
 - long term: finding new growth areas
- ❑ Return on equity 20%
- ❑ Cash generated from operations R902m
- ❑ R402m back to shareholders – dividends and repurchases
- ❑ Hudaco has a track record of delivering commendable results in tough times

HUDACO IN THE GENERAL BUSINESS ENVIRONMENT



HUDACO IN THIS ENVIRONMENT

- ❑ Stuck to our strategy and core business model
- ❑ Managed the elements within our control
- ❑ Made sure we did the basics right
- ❑ Defensive balance within our portfolio of businesses
 - Consumer-related products v engineering consumables
- ❑ Capital allocation
 - Invested in our alternative energy businesses (R300m)
 - Acquired Brigit Fire and paid CADAC earnout
 - Repurchased shares
 - Purchased the FHS building
 - Paid dividends

RESULTS SUMMARY 2023 VS 2022

Turnover	↑	9,1% to R8,9bn
Operating profit	↑	5,1% to R1,1bn
Attributable earnings	↑	2,4% to R611m
Comparable earnings per share	↑	10,1% to 2148 cents
Headline earnings per share	↑	7,0% to 2148 cents
Total dividend per share	↑	10,8% to 1025 cents
Cash generated from operations	↑	1% to R902m

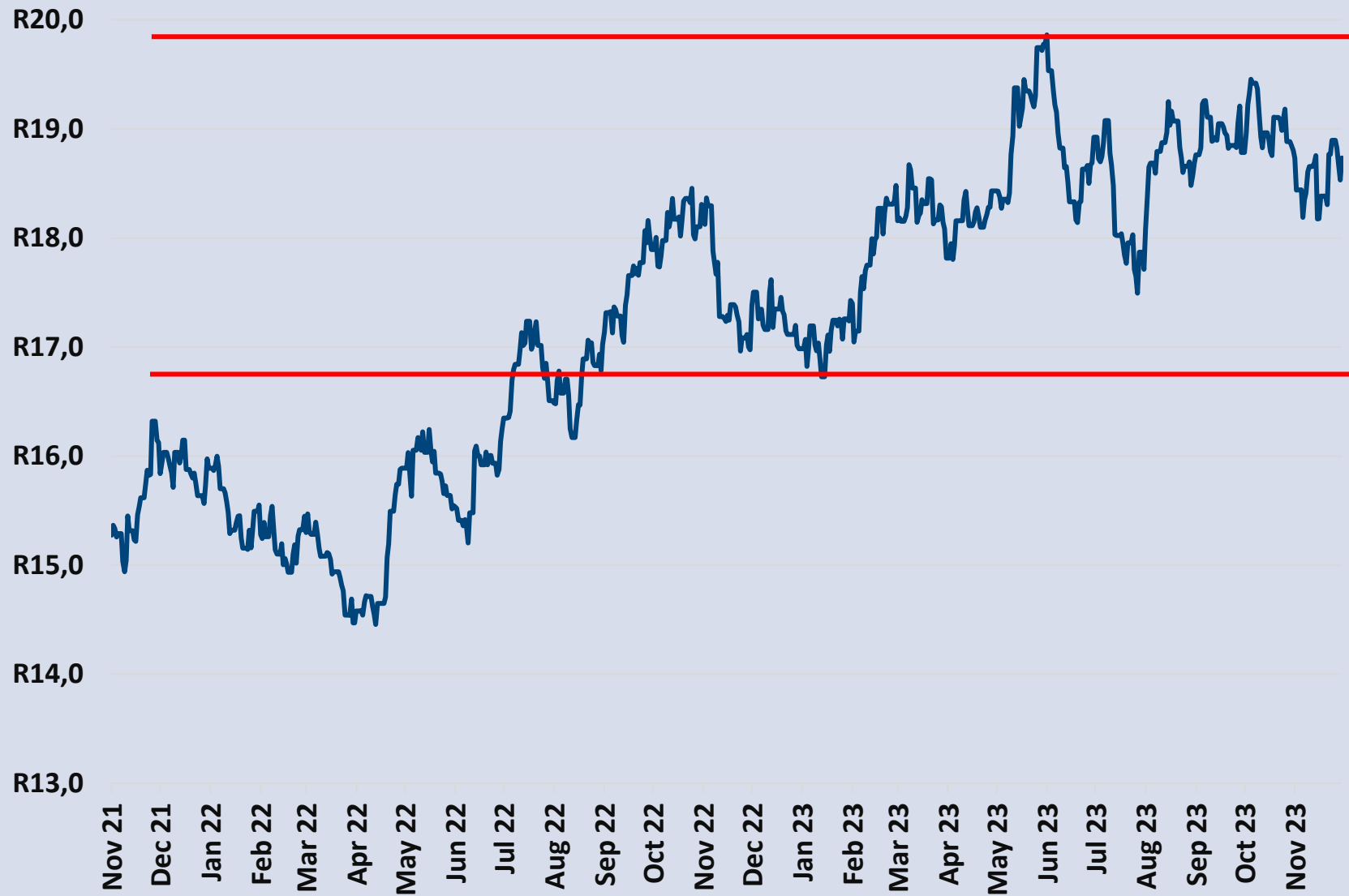
MAJOR SHAREHOLDERS / FUND MANAGERS

❑ PSG Asset Management	10%
❑ Government Employees Pension Fund	10%
❑ Ninety-One	8%
❑ Aylett	7%
❑ Invesco Advisers	6%
❑ Abax Investments	5%
❑ Bateleur Capital	4%
❑ Sanlam Investments	3%
	<hr/>
	53%

EXCHANGE RATES



EXCHANGE RATE v US\$



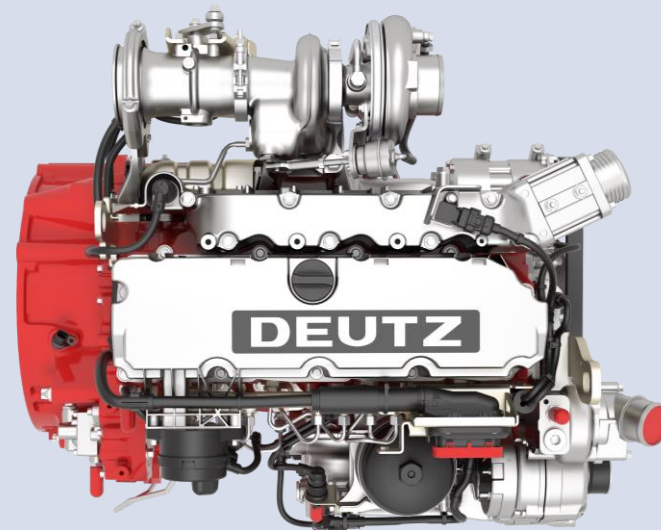
EXCHANGE RATE ENVIRONMENT

- ❑ We import directly 70% of the group cost of sales
- ❑ On average, these cost 13% more in 2023 than in 2022
- ❑ We don't take a house view on exchange rates
- ❑ We hedge all liabilities and on average, 30% of orders

Import currencies

- ❑ USD* 60% EUR 31% YEN 4% CNY 3% GBP 1%
- ❑ *Imports from China, Korea, etc. are paid in USD

BUSINESS MODEL



THE HUDACO BUSINESS MODEL

- ❑ Hudaco's main business is the importation and distribution of high-quality branded automotive, industrial and electronic consumable products
- ❑ The concept of "value-added distribution" is key to our business model
- ❑ Agency agreements generally restrict our activities to Africa, south of the equator
- ❑ Our diversified portfolio of businesses limits our risk and makes us resilient
- ❑ Many businesses across many sectors
- ❑ Many products in many industries
- ❑ Decentralised focused management teams – industry-specific specialists
- ❑ Quick decision-making, control and accountability

FEATURES OF VALUE-ADDED DISTRIBUTION

- ❑ Focused business units with application advice
- ❑ Technical specification and product knowledge
- ❑ Training
- ❑ Credit provision
- ❑ Drives customer retention and supplier loyalty
- ❑ Level 3 B-BBEE credentials (110% procurement recognition)

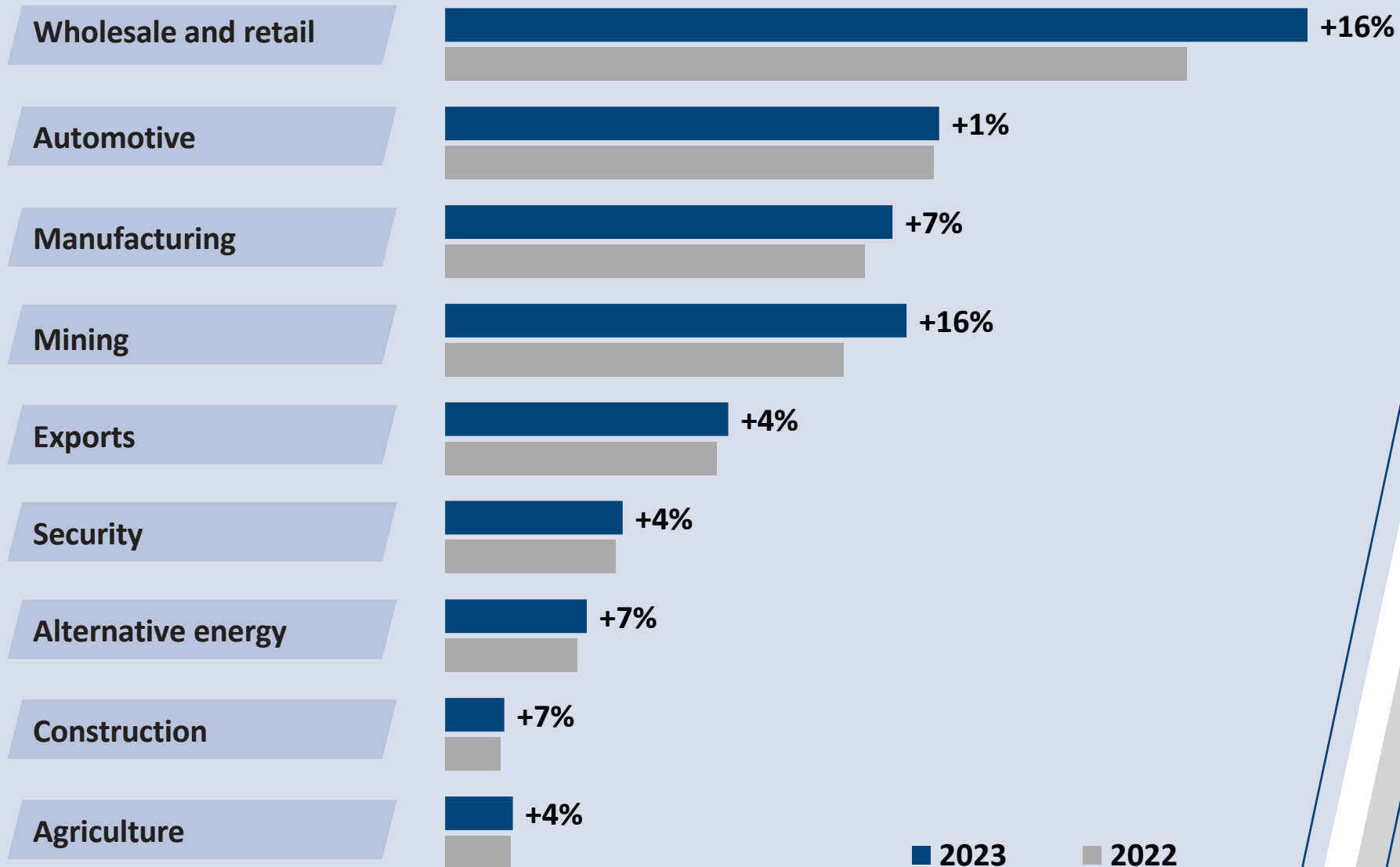
Inventories R2 693m

- ❑ Instant availability
- ❑ 29 warehouses
- ❑ 800 international suppliers
- ❑ Over 230 000 line items
- ❑ Over 130 branches

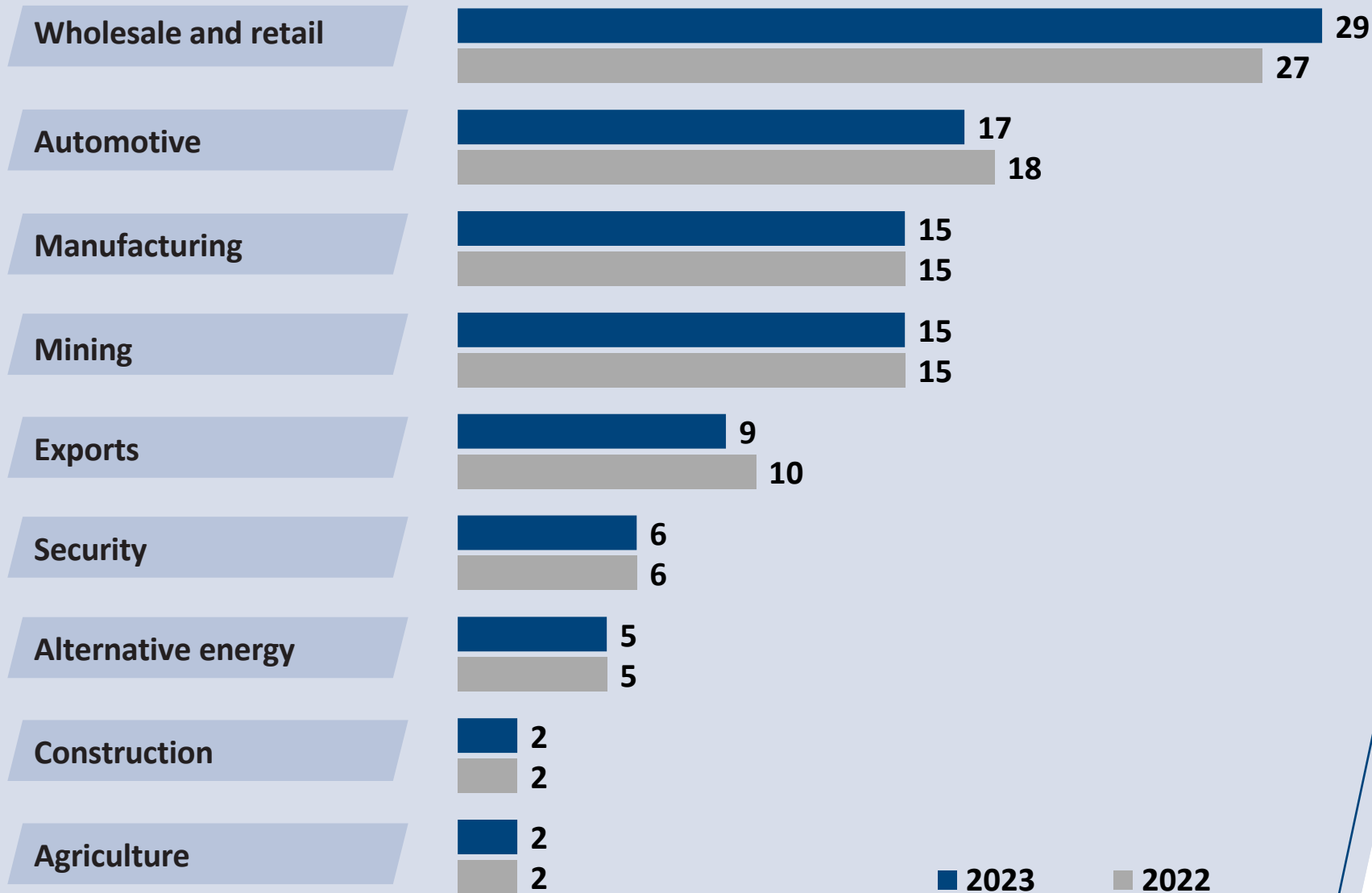
Receivables R1 490m

- ❑ 30 000 active customers
- ❑ Generally low-value transactions – low concentration or risk
- ❑ Low level of tender or contract business

2023 SALES BY MARKET SECTOR (RANDS)



2023 SALES BY MARKET SECTOR (%)

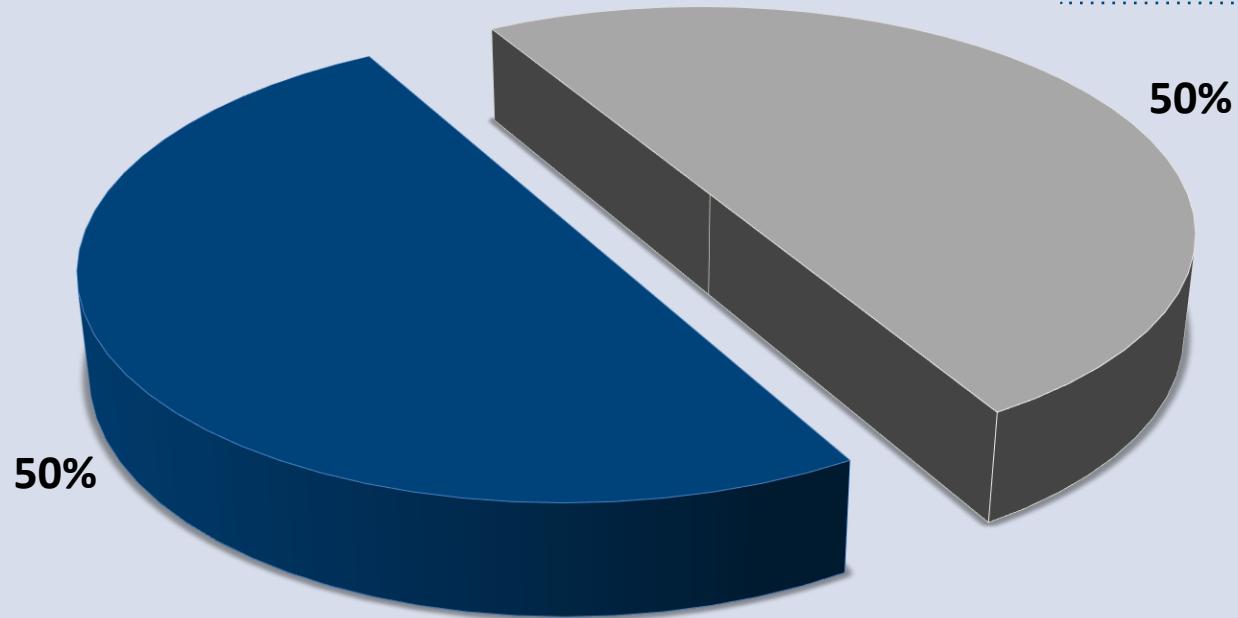


REPORTING SEGMENTS

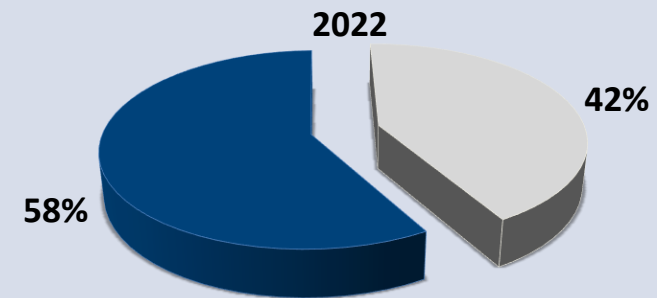


CONTRIBUTION BY SEGMENT

Contribution to 2023 operating profit
(before shared services and head office)



■ Consumer-related products ■ Engineering consumables



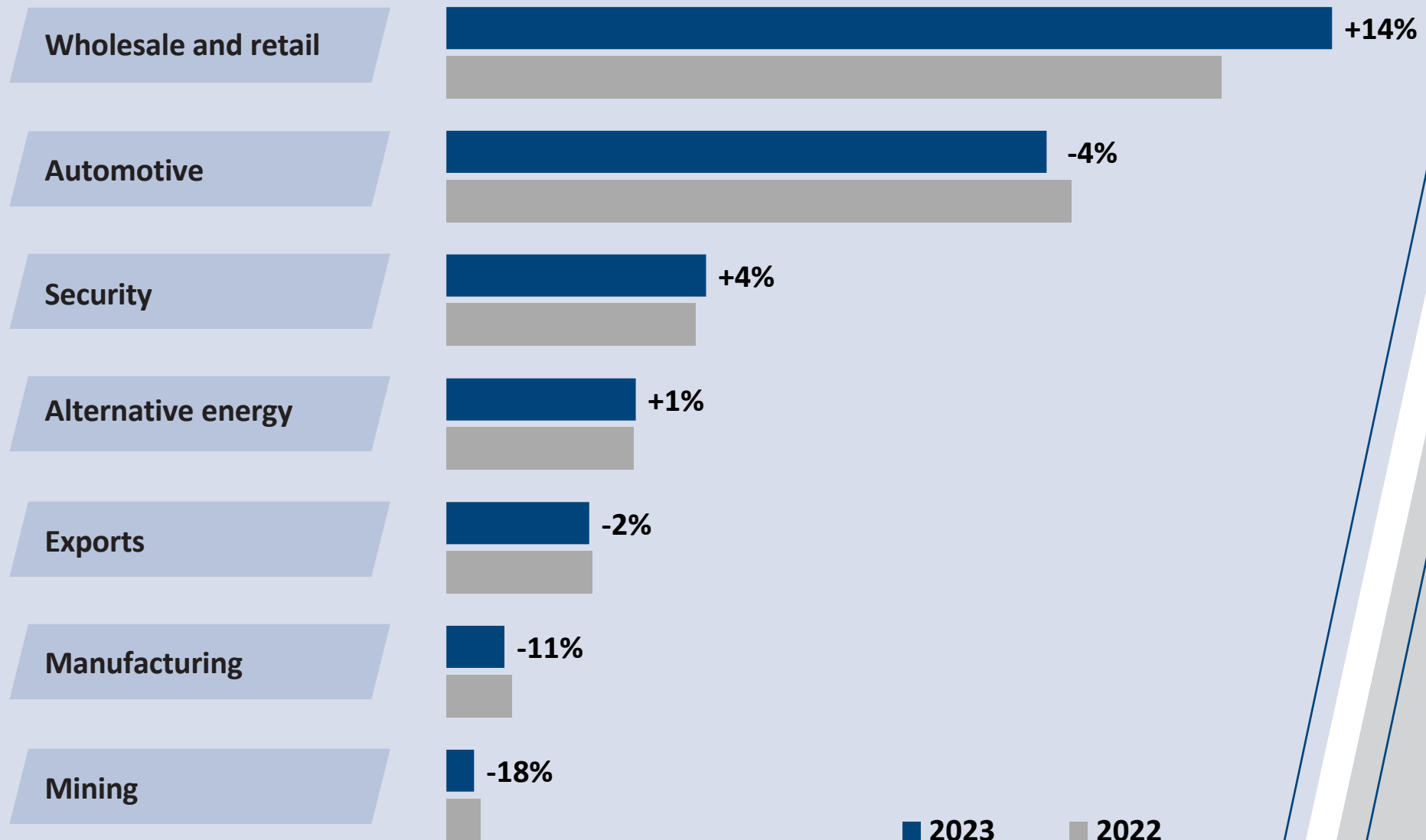
CONSUMER-RELATED PRODUCTS

- ❑ The consumer-related products segment imports and distributes branded products driven by consumer spending and generally sold to installers.

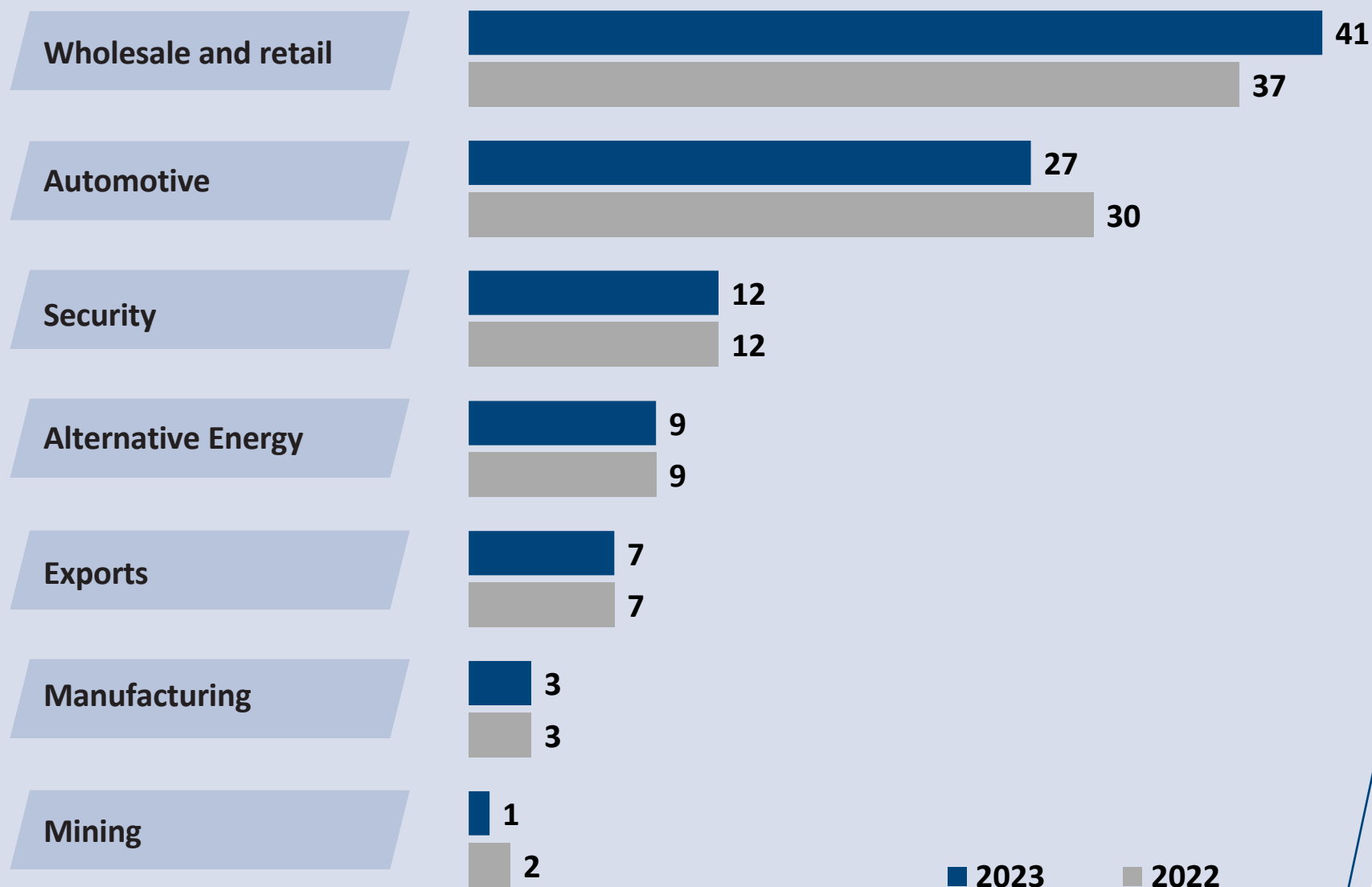
Consumer-related products (12 businesses)

- ❑ Automotive aftermarket products
- ❑ Power tools and fasteners
- ❑ Data networking equipment
- ❑ Batteries and alternative energy products
- ❑ Security and communication equipment
- ❑ Gas and outdoor products

2023 CONSUMER-RELATED PRODUCTS SALES BY MARKET SECTOR (RANDS)



2023 CONSUMER-RELATED PRODUCTS SALES BY MARKET SECTOR (%)



CONSUMER-RELATED PRODUCTS AUTOMOTIVE AFTERMARKET

Principal businesses



Principal brands



Freudenberg
Sealing Technologies



Main markets

- ❑ Automotive aftermarket
- ❑ Automotive alloy and steel wheels
- ❑ Automotive parts and accessories
- ❑ Construction machinery
- ❑ Spares shops
- ❑ Wheel and tyre fitment centres
- ❑ 4x4 recreation

Used for

- ❑ Automotive oil seals
- ❑ Ignition leads
- ❑ Light duty clutch kits
- ❑ Truck clutch components
- ❑ Underbody spares replacement
- ❑ 4x4 suspension and accessories

CONSUMER-RELATED PRODUCTS POWER TOOLS AND FASTENERS

Principal businesses

Rutherford

V.I. Instruments

Rutherford

Marine

BOLTWORLD

Principal brands

Makita

RLIDE

SOUTH

**HANDY
LAD**

TROXLER

MERCURY

Main markets

- ☐ Agriculture
- ☐ D.I.Y.
- ☐ Commercial marine
- ☐ Construction
- ☐ Manufacturing
- ☐ Mining
- ☐ Recreational boating

Used for

- ☐ Building
- ☐ D.I.Y.
- ☐ Fastening in all industries
- ☐ Installations
- ☐ Propulsions of boats
- ☐ Surveying

CONSUMER-RELATED PRODUCTS DATA NETWORKING EQUIPMENT

Principal businesses



Principal brands



Main markets

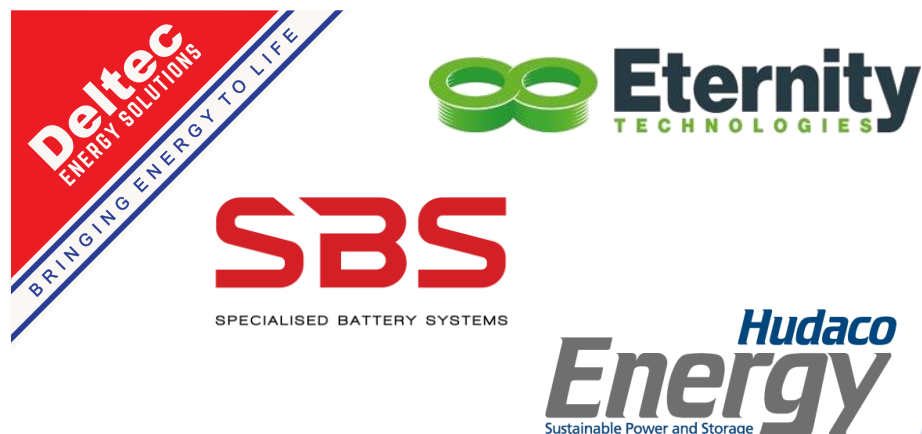
- ❑ Security
- ❑ Technology resellers
- ❑ Telecommunications operations
- ❑ Transport
- ❑ Wireless, internet, fibre service providers

Used for

- ❑ Data solutions
- ❑ Fibre optic networks
- ❑ Network infrastructure
- ❑ Outdoor wireless network
- ❑ Wi-Fi access networks
- ❑ Residential/commercial telephony

CONSUMER-RELATED PRODUCTS BATTERIES AND ALTERNATIVE ENERGY

Principal businesses



Principal brands



Main markets

- ❑ Alternative energy
- ❑ Battery bays
- ❑ Mining
- ❑ Motor industry
- ❑ Security
- ❑ Surface motive power
- ❑ Solar system installations
- ❑ UPS/standby batteries

Used for

- ❑ Back-up power (UPS, inverters, alarms)
- ❑ Distribution centres
- ❑ Energy load shifting
- ❑ Generator starting
- ❑ Materials handling
- ❑ Motor vehicles
- ❑ Solar system
- ❑ Underground locomotive traction

CONSUMER-RELATED PRODUCTS SECURITY & COMMUNICATION EQUIPMENT

Principal businesses



Principal brands

KENWOOD

AJAX



DSC

sepura



TRIDIUM



exacq

Texecom

Main markets

- ❑ Commercial security
- ❑ Military and police
- ❑ Mining
- ❑ Municipal
- ❑ Residential security
- ❑ Project consultants
- ❑ Systems integrators
- ❑ Transport

Used for

- ❑ Access control
- ❑ Control centres
- ❑ Fire detection
- ❑ Intrusion detection
- ❑ Mobile communication
- ❑ Perimeter detection
- ❑ Personal communication
- ❑ Video surveillance and analysis

CONSUMER-RELATED PRODUCTS GAS AND OUTDOOR

Principal businesses



Principal brands



Main markets

- ❑ Camping and outdoor living
- ❑ Alternative energy
- ❑ Household and residential
- ❑ Catering
- ❑ Hiking and outdoor recreation

Used for

- ❑ Cooking
- ❑ Lighting
- ❑ Heating
- ❑ Braaiing
- ❑ Coolers
- ❑ Camping

SEGMENT RESULTS FOR CONSUMER-RELATED PRODUCTS

Rm	Turnover			Op Margin		Operating Profit		
	2023	% ch	2022	2023	2022	2023	% ch	2022
Ongoing operations	4 055	0,5	4 034	13,4	15,7	544	(14,1)	634
Acquisitions	371		235	12,9	11,6	48		27
Segment total	4 426	3,7	4 269	13,4	15,5	592	(10,4)	661

- ❑ Security division and CADAC had another good year
- ❑ Traction battery business had a strong turnaround
- ❑ Consumer spending and disposable income under pressure
- ❑ Remaining businesses in the segment had a difficult year

ENGINEERING CONSUMABLES

Engineering consumables segment imports and distributes branded products generally used to repair and maintain machines.

Engineering consumables (19 businesses)

- ❑ Bearings, belting and power transmission
- ❑ Diesel engines and spares
- ❑ Electrical power transmission
- ❑ Filtration
- ❑ Fire detection, containment and suppression
- ❑ Hydraulics and pneumatics
- ❑ Specialised steel
- ❑ Thermoplastic pipes, fittings and equipment

ACQUISITION



- ❑ Brigit Fire was acquired on 1 September 2023
- ❑ Distributor of fire detection, containment and suppression systems
- ❑ Brigit distributes several products that it has developed itself, along with leading international products
- ❑ Focused on fire security and safety disciplines, specifically required for commercial and industrial applications
- ❑ Opportunity for growth and synergies with Elvey Security



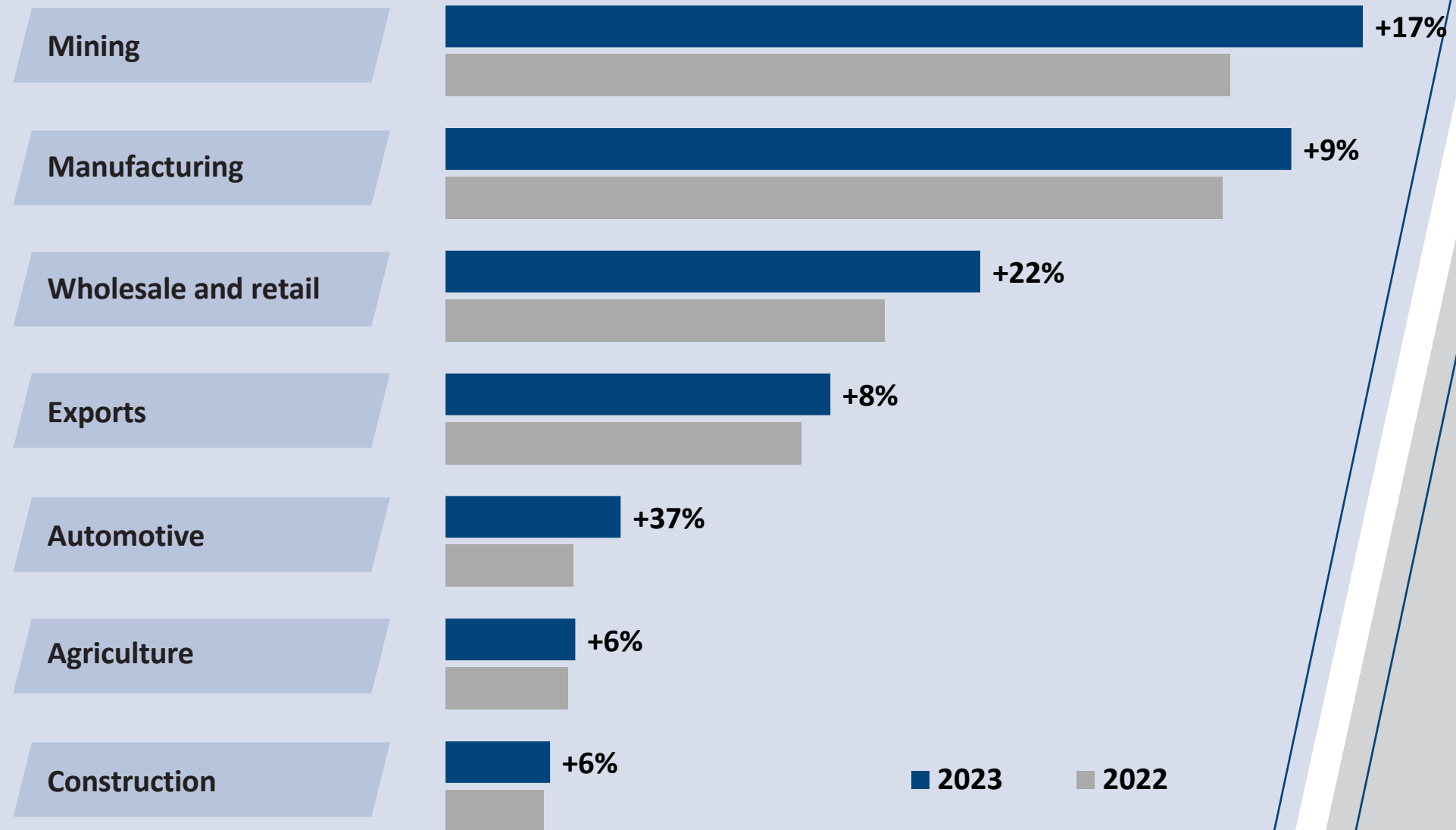
ACQUISITION

- ❑ Plasti-Weld was acquired on 1 December 2023
- ❑ Importer and distributor of plastic welding equipment, hot-air tools, specialised test and inspection equipment and thermo cutters
- ❑ Also manufactures plastic welding rods
- ❑ Estimated price R52 million
- ❑ Opportunity for growth and synergies with Astore Keymak

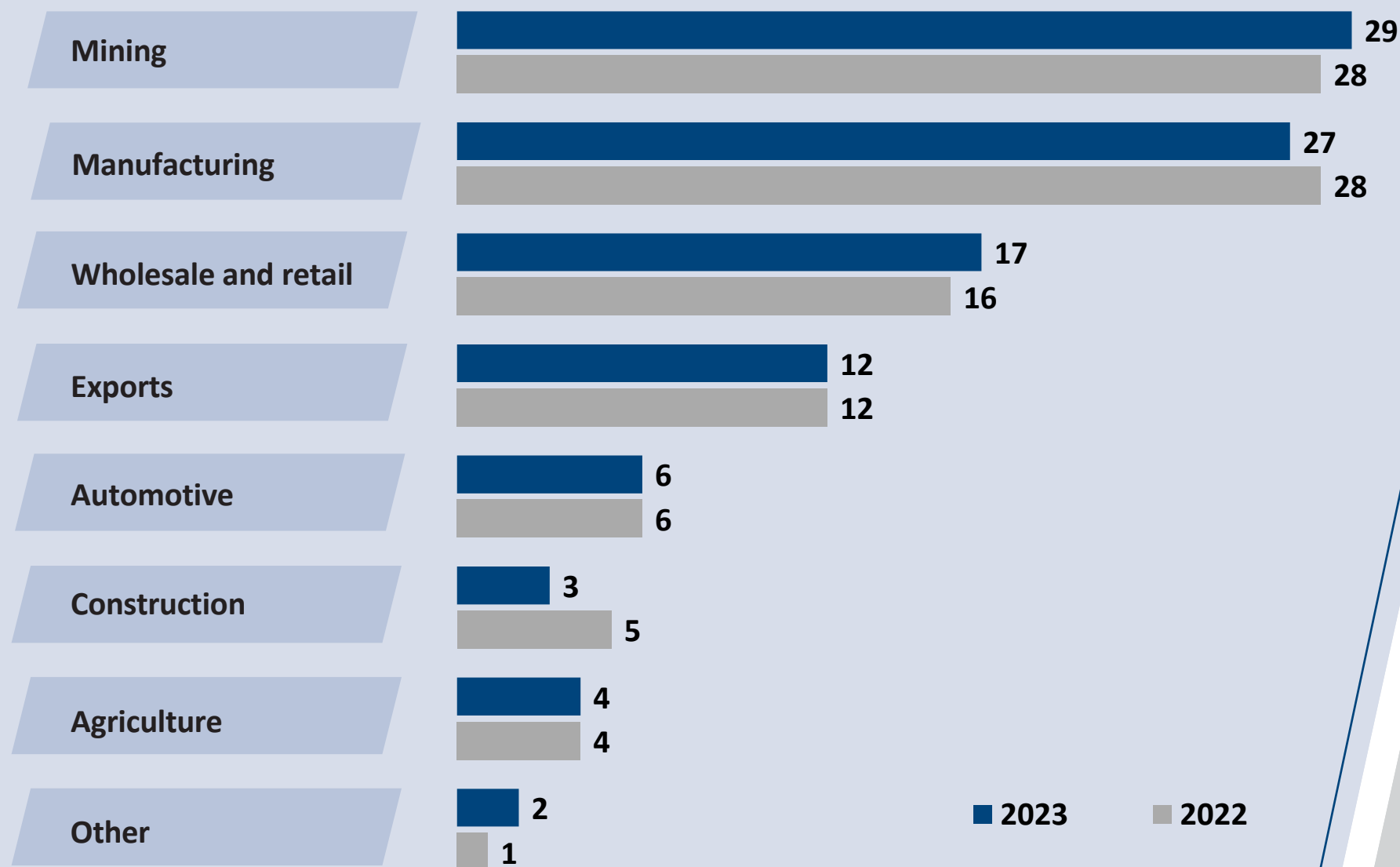


PLASTI-WELD
Plastic Welding Technology & Hot Air Tools

2023 ENGINEERING CONSUMABLES SALES BY MARKET SECTOR (RANDS)

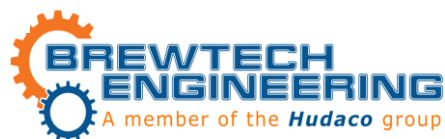


2023 ENGINEERING CONSUMABLES SALES BY MARKET SECTOR (%)



ENGINEERING CONSUMABLES BEARINGS, BELTING & POWER TRANSMISSION

Principal businesses



Principal brands



Main markets

- ❑ Automotive OEM's
- ❑ Construction
- ❑ Food processing
- ❑ General industry
- ❑ Manufacturing and mining
- ❑ Power generation
- ❑ Sugar industry
- ❑ Tobacco industry

Used for

- ❑ Automotive OE supply
- ❑ Conveyor systems
- ❑ General machinery and equipment
- ❑ Maintenance
- ❑ Mining equipment
- ❑ Process control and measurement

ENGINEERING CONSUMABLES ELECTRICAL POWER TRANSMISSION

Principal businesses



Principal brands

YASKAWA



Main markets

- ☐ Automation
- ☐ Manufacturing
- ☐ Materials handling
- ☐ Mining
- ☐ Ports
- ☐ Power generation
- ☐ Wholesale and retail

Used for

- ☐ Automation and control of electric motors
- ☐ Connection of electrical power in industry
- ☐ Electrical panel building
- ☐ Electrification of mobile machinery
- ☐ Maintenance and repairs
- ☐ Power stations

ENGINEERING CONSUMABLES HYDRAULICS AND PNEUMATICS

Principal businesses



Principal brands

Staffa **SPICER®**



Kawasaki
Powering your potential



Main markets

- ❑ Food processing plants
- ❑ Industrial
- ❑ Manufacturing
- ❑ Mining

Used for

- ❑ Breweries
- ❑ Fluid conveyance and control
- ❑ Industrial automation
- ❑ Mining equipment
- ❑ Process automation
- ❑ Trackless mining machines

ENGINEERING CONSUMABLES SPECIALISED STEEL

Principal businesses



Principal brands



Main markets

- ❑ General industry
- ❑ Manufacturing
- ❑ Mining
- ❑ Pressure vessels
- ❑ Road tankers
- ❑ Sugar industry

Used for

- ❑ Aerators and mixing
- ❑ Conveyor systems
- ❑ Fabrication
- ❑ General steel applications
- ❑ Mining equipment
- ❑ Petro-chemical plants
- ❑ Pressure vessel ends
- ❑ Sugar processing

ENGINEERING CONSUMABLES FIRE SUPPRESSION, DETECTION & CONTAINMENT

Principal businesses



Principal brands



Main markets

- ❑ Mining
- ❑ Data centres
- ❑ Commercial properties
- ❑ Industrial
- ❑ Warehouses

Used for

- ❑ Fire detection
- ❑ Fire suppression
- ❑ Fire containment
- ❑ Fire education

ENGINEERING CONSUMABLES OTHER

Principal businesses

DEUTZ DIESELPOWER



Principal brands



Main markets

- ❑ Agri equipment
- ❑ Construction and mining
- ❑ Earthmoving equipment
- ❑ Irrigation
- ❑ On and off-road trucks
- ❑ Opencast mining
- ❑ Plastic moulding
- ❑ Sewage reticulation

Used for

- ❑ Condensate drain management
- ❑ Industrial air filtration
- ❑ Generator sets
- ❑ Materials handling
- ❑ Mining equipment
- ❑ OEM supply
- ❑ Oil, air, fuel and hydraulic filtration
- ❑ Plastic moulds

SEGMENT RESULTS FOR ENGINEERING CONSUMABLES

Rm	Turnover			Op Margin		Operating Profit		
	2023	% ch	2022	2023	2022	2023	% ch	2022
Ongoing operations	4 434	13,5	3 907	12,8	12,0	569	21,0	470
Acquisitions	54			22,9		12		
Segment total	4 488	14,9	3 907	12,9	12,0	581	23,7	470

- ❑ Most businesses performed well, with growth in the mining and manufacturing sectors
- ❑ Outstanding performance from business supplying diesel engines, gear pumps, filtration, bearings and power transmission, modular belting and electrical products
- ❑ Brigit Fire has integrated well into Hudaco

COMBINED SEGMENT RESULTS

Rm	Turnover			Op Margin		Operating Profit		
	2023	% ch	2022	2023	2022	2023	% ch	2022
Consumer-related products	4 426	3,7	4 269	13,4	15,5	592	(10,4)	661
Engineering consumables	4 488	14,9	3 907	12,9	12,0	581	23,7	470
Head office, shared services and eliminations	(17)		(25)			(102)		(112)
Total group	8 897	9,1	8 151	12,0	12,5	1 071	5,1	1 019

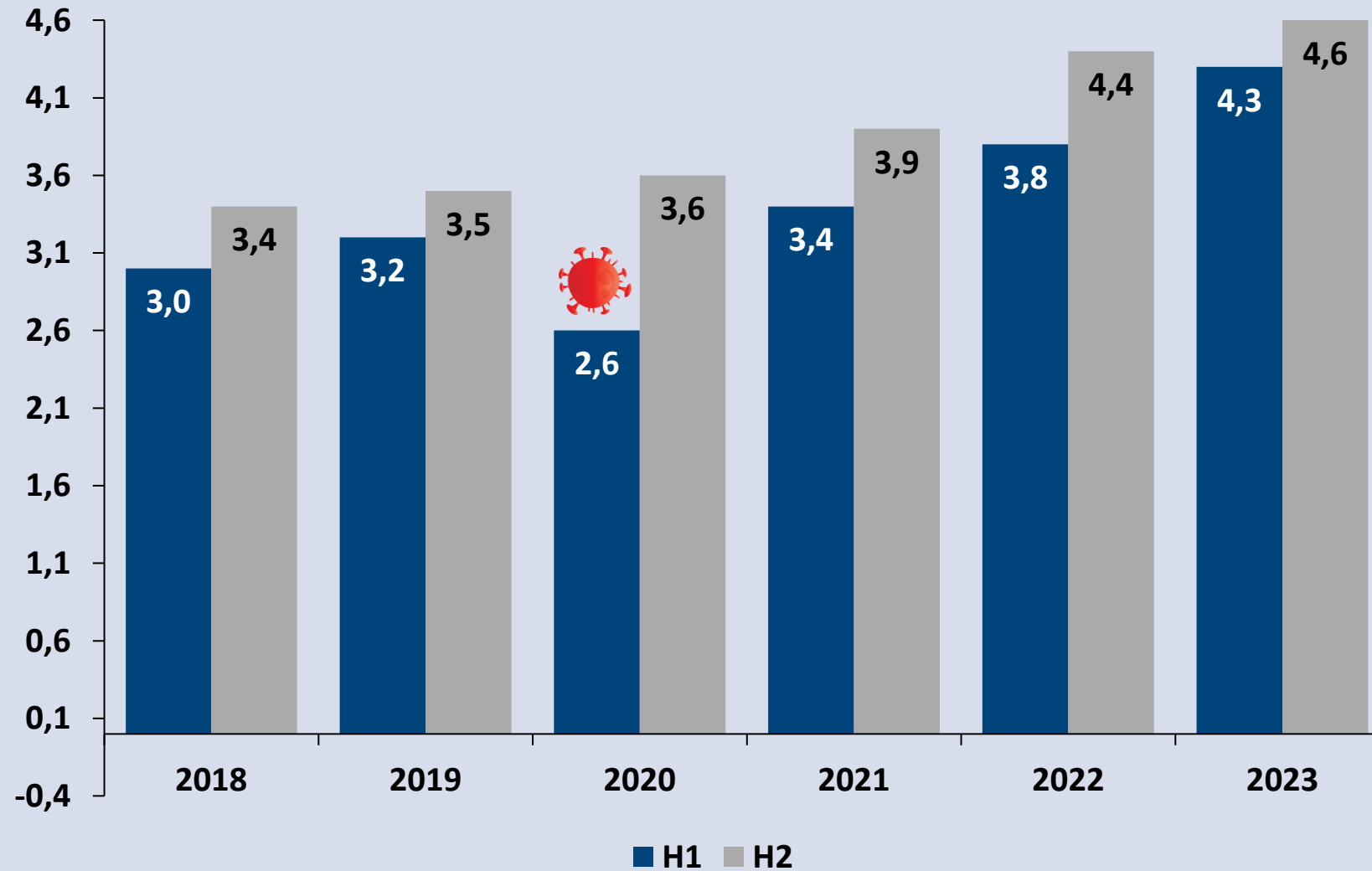
Rutherford

OPERATING PROFIT AND MARGINS



TURNOVER

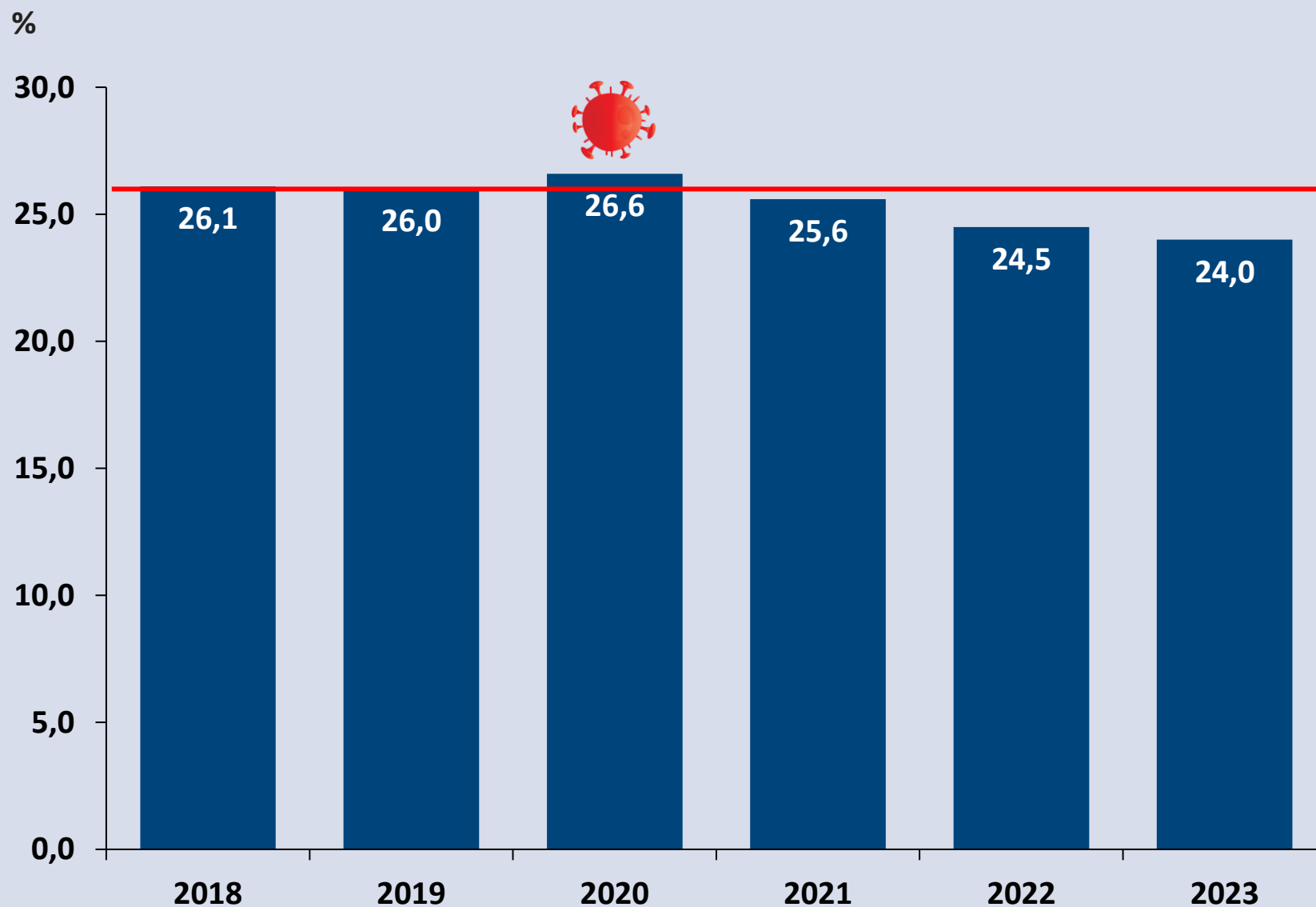
R billion



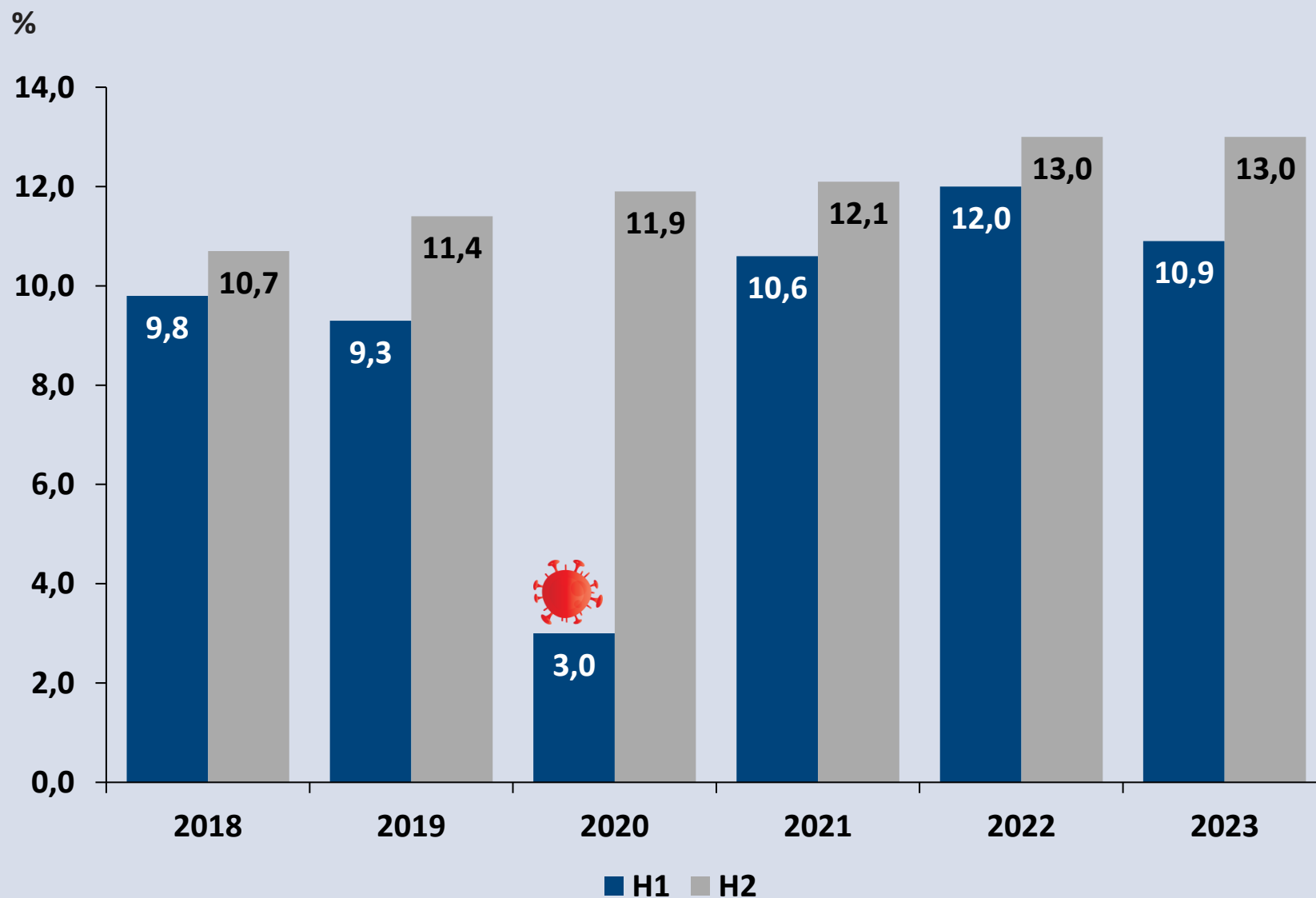
OPERATING PROFIT MARGIN

	2023	2022
Margin (%)		
Turnover	100%	100%
Gross profit	36,0%	36,7%
Sundry income		0,3%
Operating expenses	(24,0%)	(24,5%)
Operating profit	12,0%	12,5%

OPERATING EXPENSES TO TURNOVER



OPERATING PROFIT MARGIN



FINANCIAL REVIEW



PROFIT

Rm	2023	% ch	2022
Turnover	8 897	9,1	8 151
Ongoing operations	8 472	7,0	7 916
Acquisitions	425		235
Gross profit	3 203	7,1	2 992
Sundry income – insurance proceeds			27
Operating expenses	(2 132)	6,6	(2 000)
Ongoing operations	(2 043)	4,5	(1 954)
Acquisitions	(89)		(46)
Operating profit	1 071	5,1	1 019
Ongoing operations	1 011	1,9	992
Acquisitions	60		27

PROFIT

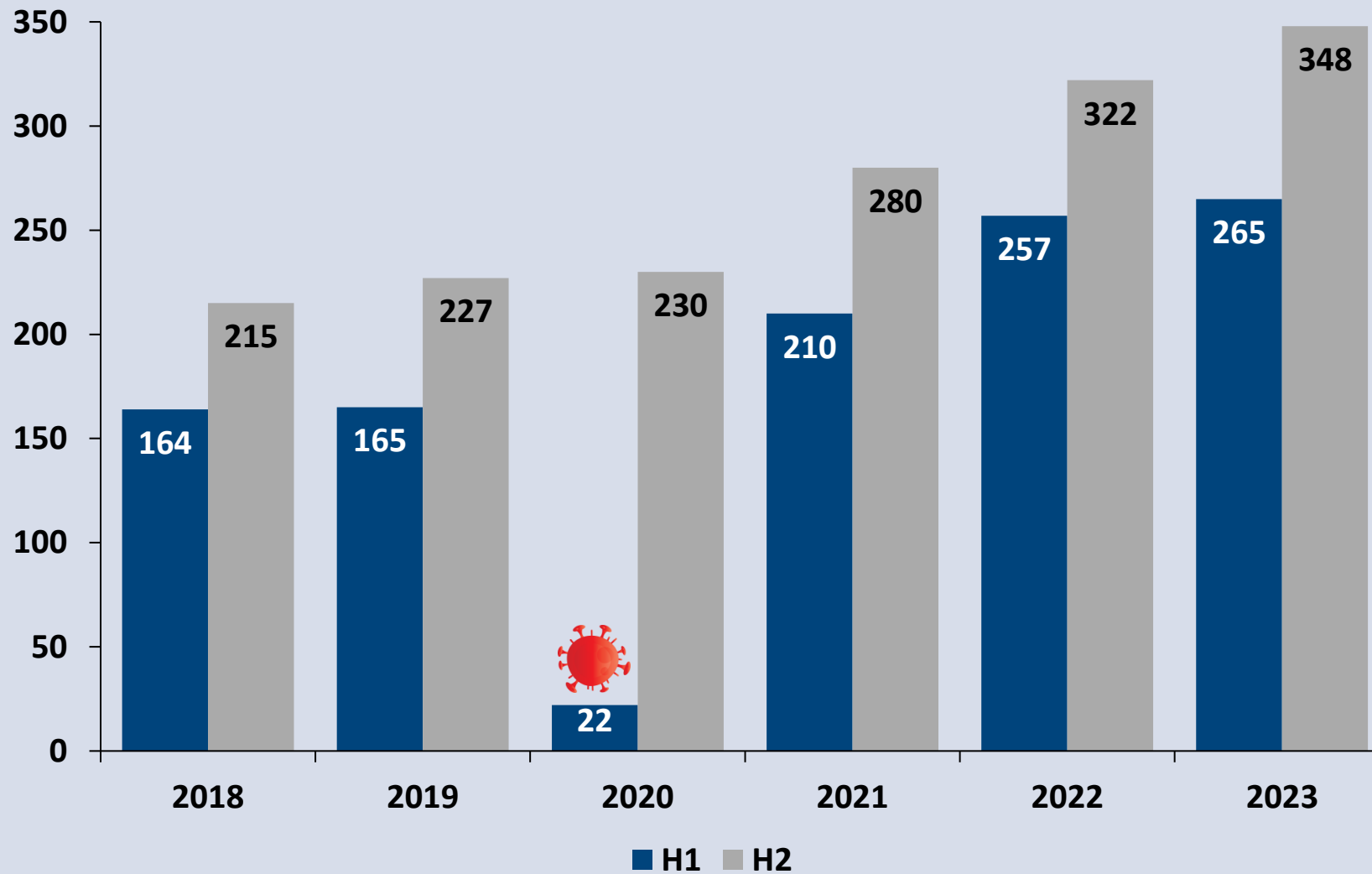
Rm	2023	% ch	2022
Operating profit	1 071	5,1	1 019
Fair value adjustments	(4)		(1)
Loss on disposal of business	(3)		
Net interest on funding	(112)		(58)
Imputed interest on leases	(38)		(29)
Profit before taxation	914	(1,8)	931
Taxation (Rate 2023: 26,8 % 2022: 27,6%)	(245)		(256)
Profit after taxation	669	(0,8)	675
Non-controlling interest	(58)		(79)
Attributable earnings	611	2,4	596

COMPARABLE EARNINGS

Rm	2023	% ch	2022
Attributable earnings	611	2,4	596
Net loss on disposal of PPE and business	2		
Headline earnings	613	2,8	596
Insurance proceeds			(27)
Non-controlling interest and tax			10
Comparable earnings	613	5,7	579

COMPARABLE EARNINGS

R million



EARNINGS PER SHARE AND DIVIDENDS

Cents	2023	% ch	2022
Earnings per share			
Comparable	2 148	10,1	1 951
Basic	2 142	6,7	2 007
Headline	2 148	7,0	2 007
Dividends per share			
- Interim	325	8,3	300
- Final	700	12,0	625
Total	1 025	10,8	925
Dividend cover (times)	2,1		2,1

SHARE REPURCHASE PROGRAMME (EXCLUDES TREASURY SHARES)

	No. of shares	%	Weighted avg shares	Cost Rm
30 Nov 2019	31 645 703	100%	31 645 703	
2020 Repurchases	1 024 600			82
30 Nov 2020	30 621 103	96,8%	31 529 399	
2021 Repurchases	609 211			69
30 Nov 2021	30 011 892	94,8%	30 356 525	
2022 Repurchases	928 740			133
30 Nov 2022	29 083 152	91,9%	29 701 990	
2023 Repurchases	695 000			112
30 Nov 2023	28 388 152	89,7%	28 518 810	396

STATEMENT OF FINANCIAL POSITION

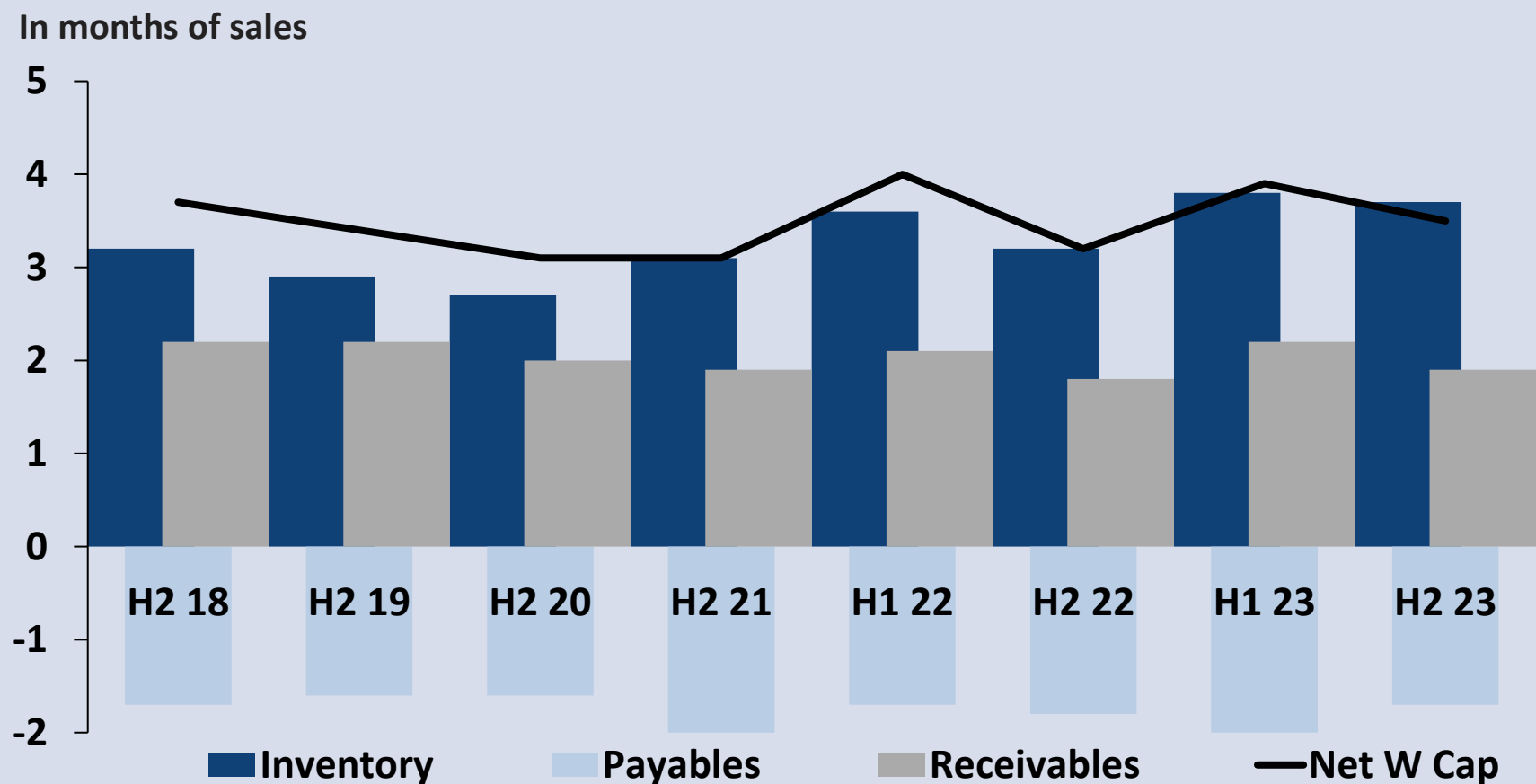
Rm

	2023	2022
Working capital	2 904	2 399
- Inventories	2 693	2 355
- Receivables	1 490	1 366
- Payables	(1 279)	(1 322)
Property, plant and equipment	363	309
Right-of-use assets	406	382
Goodwill and intangibles	1 417	1 221
Tax	43	83
Net assets	5 133	4 394

STATEMENT OF FINANCIAL POSITION

Rm	2023	2022
Equity	3 481	3 254
Net borrowings	1 013	621
Lease liabilities	470	440
Due to vendors	136	24
Tax	33	55
Total equity and liabilities	5 133	4 394

WORKING CAPITAL ELEMENTS



One month of sales

2022 = R630m (H1)

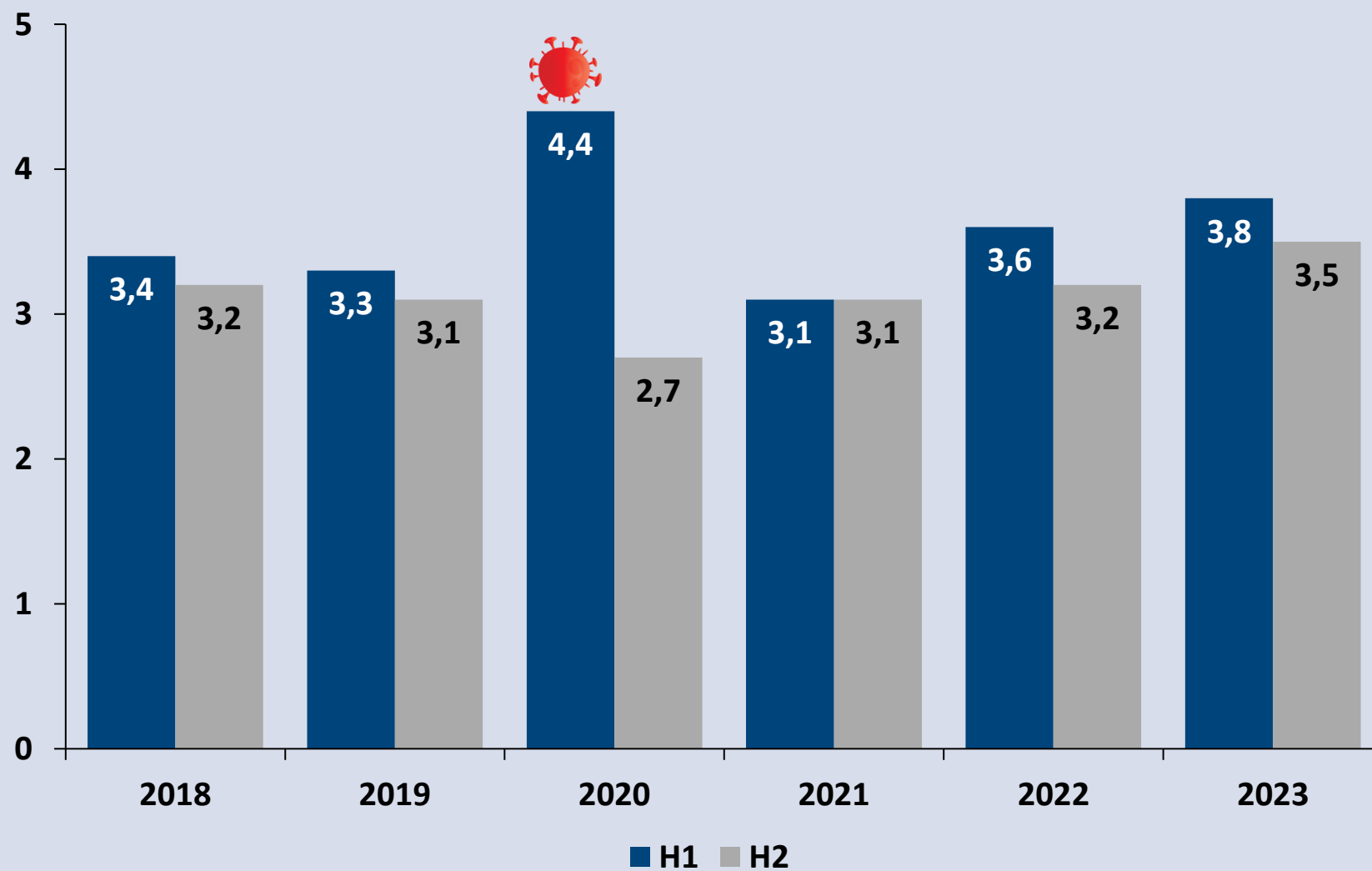
2023 = R708m (H1)

2022 = R728m (H2)

2023 = R774m (H2)

INVENTORY

In month of sales



CASH FLOW

Rm

	2023	2022
Cash from trading	1 294	1 249
Increase in working capital	(392)	(356)
Cash from operations	902	893
Tax paid	(260)	(244)
Cash from operating activities	642	649
Invested in new businesses	(171)	(81)
Invested in software and ppe	(104)	(76)
Cash flow after investing activities	367	492

CASH FLOW

Rm	2023	2022
Cash flow after investing activities	367	492
Share-based payments	(101)	(36)
Repurchase of shares	(112)	(133)
Lease payments	(144)	(143)
Finance costs paid	(112)	(58)
Dividends paid	(290)	(276)
Net movement	(392)	(154)
Foreign exchange translation gain		2
Opening borrowings	(621)	(469)
Closing borrowings	(1 013)	(621)

KEY FINANCIAL POINTS

- ❑ Operating margin healthy
- ❑ Expenses tightly managed
- ❑ Strategic increase in inventories
- ❑ Businesses remain cash-generative
- ❑ Borrowings well within capacity and covenants
- ❑ Capital allocation likely to focus on debt repayment but maintain dividend policy and good acquisitions are still a priority

OUTLOOK

ELVEY
Security Technologies



OUTLOOK FOR 2024

- ❑ Expect much of the same up to the elections, and then much of the same
- ❑ Interest rates coming down in H2 (CRP historically perform better)
- ❑ Drop in commodity prices likely to impact mining (EC)
- ❑ Reduced load-shedding
- ❑ Full-year Brigit Fire
- ❑ Growth in alternative energy

DISCLAIMER

The preceding presentation contains forward-looking statements about the Hudaco Group's operations and financial position. They are prepared in good faith and are based on Hudaco's best estimates and information at the time of preparing the presentation. They are nonetheless subject to significant uncertainties and contingencies, many of which are understandably beyond Hudaco's control. Unanticipated events will occur, and actual future events may differ materially from current expectations for many reasons, including new business opportunities and other internal and external factors. These factors may materially affect Hudaco's future business activities and financial results. Hudaco's auditors have reported on none of the forward-looking statements.

