



UNAUDITED INTERIM RESULTS

For the six months ended 31 May 2023

AGENDA

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

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**GENERAL BUSINESS
ENVIRONMENT**

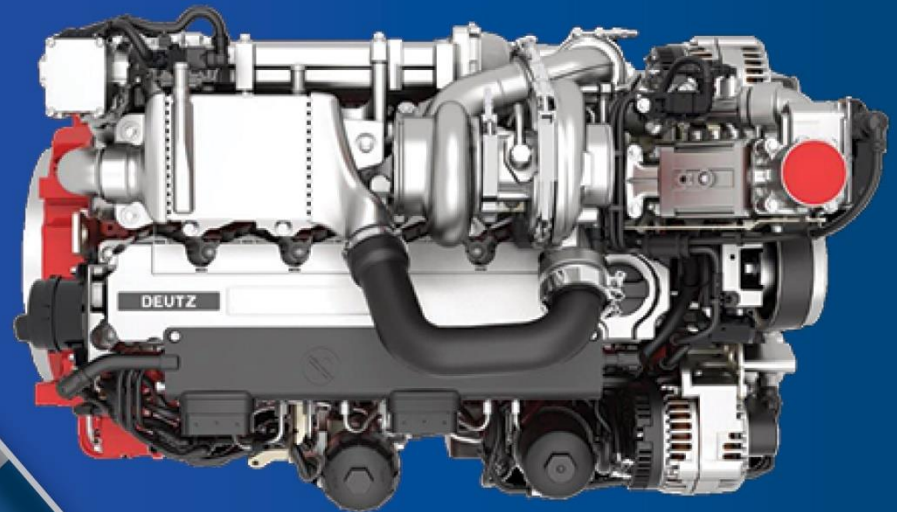


GENERAL BUSINESS ENVIRONMENT

- Another challenging six months
- Government still neglects to tackle infrastructure deterioration, address rampant corruption and create jobs, all of which is needed to stimulate the economy
- Increased load-shedding and inefficient ports
- Exchange rate volatility, rising inflation and higher interest rates
- Consumers and smaller businesses under pressure
- Some easing in supply chain constraints – international only

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**HUDACO IN THE GENERAL
BUSINESS ENVIRONMENT**



HUDACO IN THIS ENVIRONMENT

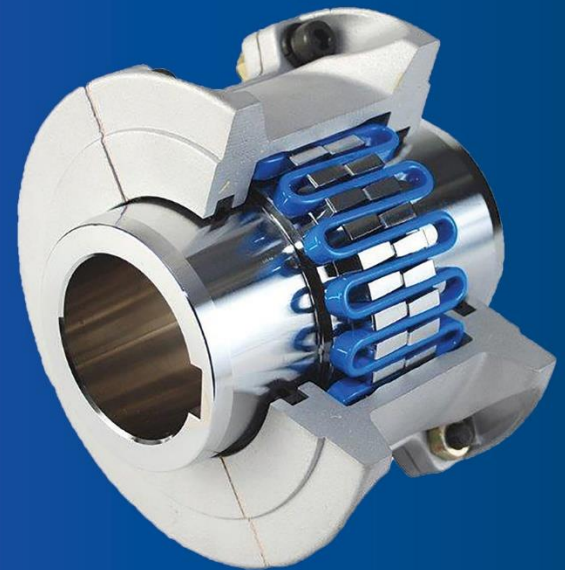
- Notwithstanding the challenges, our strong performance over the last three years continues
- Hudaco has once again shown its resilience
- Continue to deliver highly commendable results in tough times
- Stuck to our strategy and core business model
- Invested more into businesses with greater growth potential
- Managed the elements within our control
- Made sure we did the basics right
- Astute allocation of capital
 - Maintained higher stock levels
 - Repurchased shares
 - Found a good acquisition (Brigit)

RESULTS SUMMARY 2023 VS 2022

Turnover	↑	12,4% to R4,3bn
Operating profit	↑	2,8% to R465m
Profit for the period	↑	0,3% to R293m
Headline and comparable earnings per share	↑	8,1% to 926 cents
Interim dividend per share	↑	8,3% to 325 cents
Cash generated from operations		R246m
Repurchase of shares		R112m

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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 – 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 665m

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

Receivables R1 528m

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

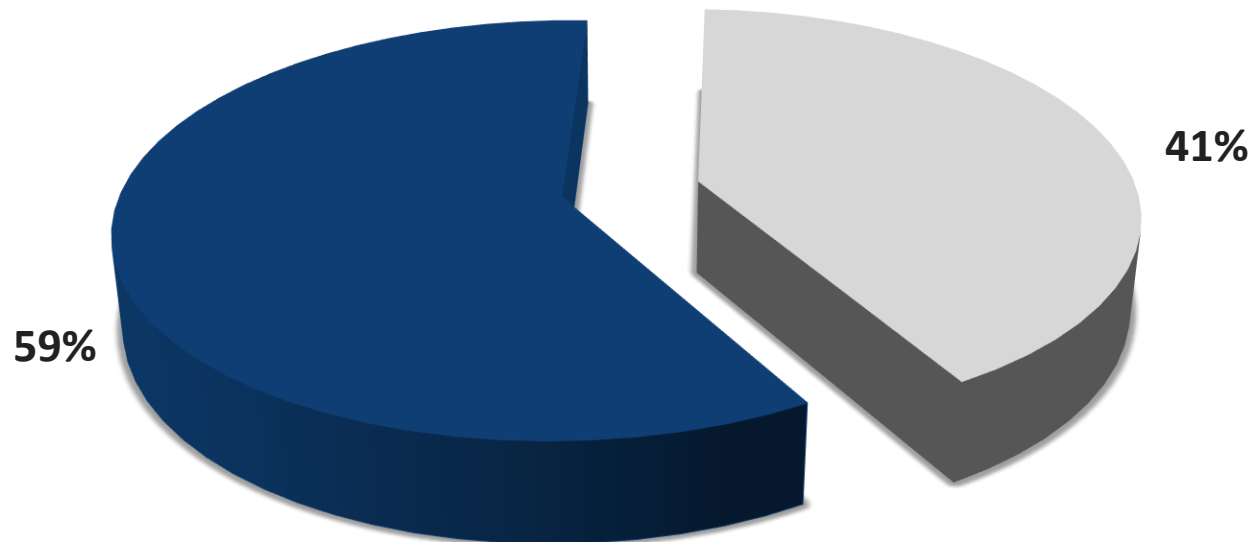
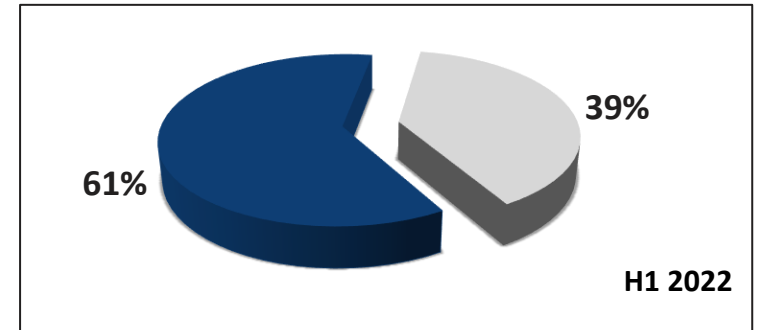
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REPORTING SEGMENTS



CONTRIBUTION BY SEGMENT

Contribution to H1 2023 operating profit
(before shared services and head office)



■ Consumer-related products ■ Engineering consumables

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 sustainable energy products
- Security and communication equipment
- Gas and outdoor products

SEGMENT RESULTS

CONSUMER-RELATED PRODUCTS

Rm	Turnover			Op Margin		Operating Profit		
	2023	% ch	2022	2023	2022	2023	% ch	2022
Ongoing operations	2 038	8,1	1 886	12,8	15,4	262	(9,7)	290
Acquisition	204		95	15,7	12,9	32		12
Segment total	2 242	13,2	1 981	13,1	15,2	294	(2,8)	302

- Invested more in and had market share gains in security and communications, alternative energy products and CADAC
- The higher interest rates and inflation put consumers and smaller businesses under pressure
- Our power tools, data networking and automotive business volumes under pressure

Engineering consumables segment imports and distributes branded products generally used in the repair and maintenance of machines.

Engineering consumables (18 businesses)

- Bearings, belting and power transmission
- Diesel engines and spares
- Electrical power transmission
- Filtration
- Hydraulics and pneumatics
- Specialised steel
- Thermoplastic pipes and fittings

ACQUISITION

- Target date: 1 September 2023, subject to suspensive conditions
- “One Source Total Fire Protection”
 - Fire detection
 - Fire containment protection
 - Fire suppression systems
 - Onsite and offsite cylinder refills
 - Cylinder revalidation and hydrostatic testing
 - Product training and system design
- Products that are specifically required for commercial and industrial applications
- Will complement Elvey and Pentagon offering
- Two-year earn-out
- Consideration: R143m up-front, maximum R315m



SEGMENT RESULTS

ENGINEERING CONSUMABLES

Rm	Turnover			Op Margin		Operating Profit		
	2023	% ch	2022	2023	2022	2023	% ch	2022
Ongoing operations	2 023	11,8	1 810	10,1	10,8	204	4,3	196
Acquisition								
Segment total	2 023	11,8	1 810	10,1	10,8	204	4,3	196

- This segment continues to show its resilience
- Increased sales in the mining and manufacturing sector
- Deutz diesel engines, GPM and FHS had a good H1

GROUP RESULTS

	Turnover			Op Margin		Operating Profit		
Rm	2023	% ch	2022	2023	2022	2023	% ch	2022
Consumer-related products	2 242	13,2	1 981	13,1	15,2	294	(2,8)	302
Engineering consumables	2 023	11,8	1 810	10,1	10,8	204	4,3	196
Head office, shared services and eliminations	(15)		(9)			(33)		(46)
Total group	4 250	12,4	3 782	10,9	12,0	465	2,8	452

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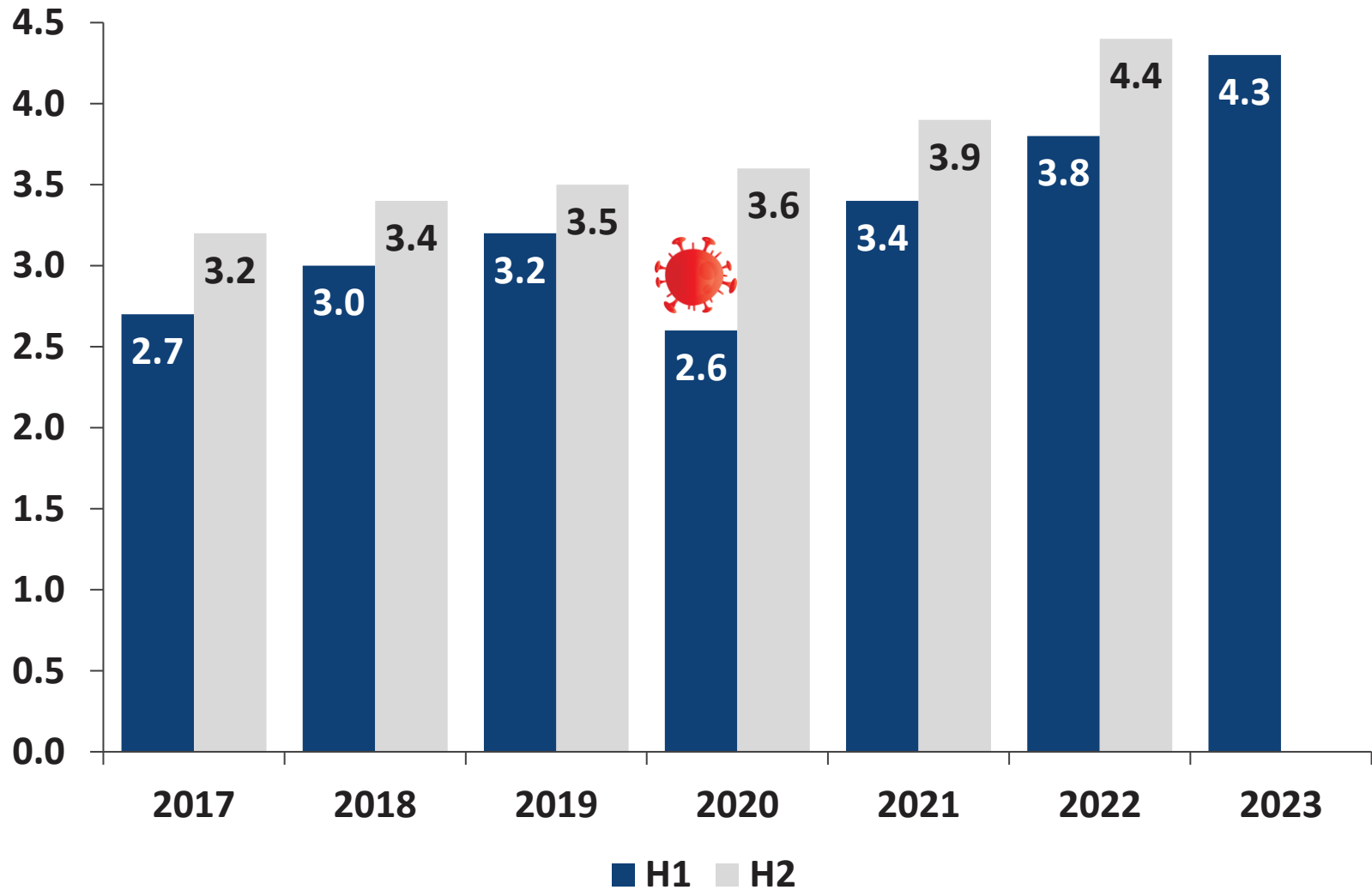
OPERATING PROFIT AND
MARGINS



TURNOVER

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R billion



GROSS PROFIT MARGIN

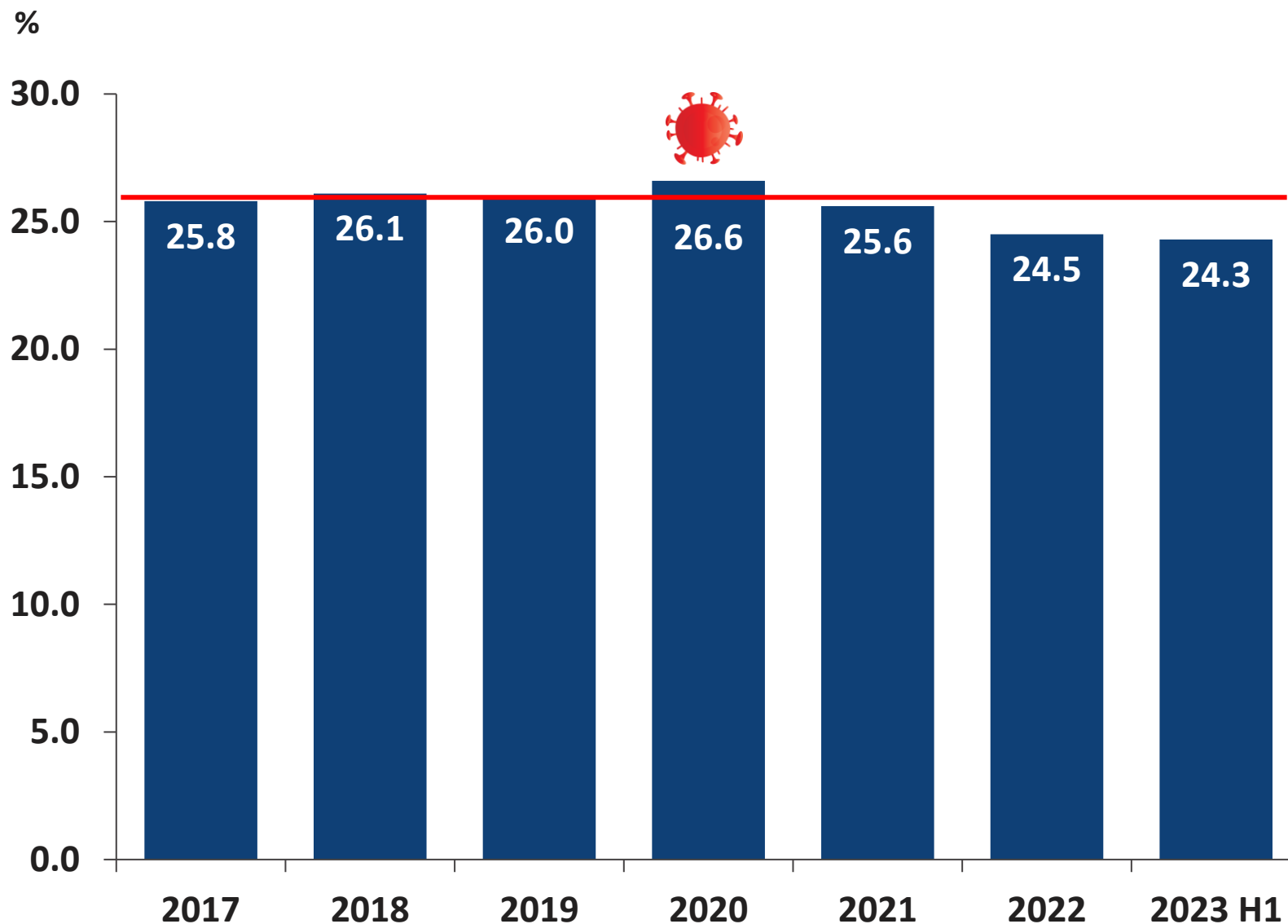
	2023	2022
Margin (%)		
Turnover	100%	100%
Gross profit	35,2%	36,6%

OPERATING EXPENSES MARGIN

	2023	2022
Margin (%)		
Turnover	100%	100%
Gross profit	35,2%	36,6%
Operating expenses	24,3%	24,6%

OPERATING EXPENSES TO TURNOVER

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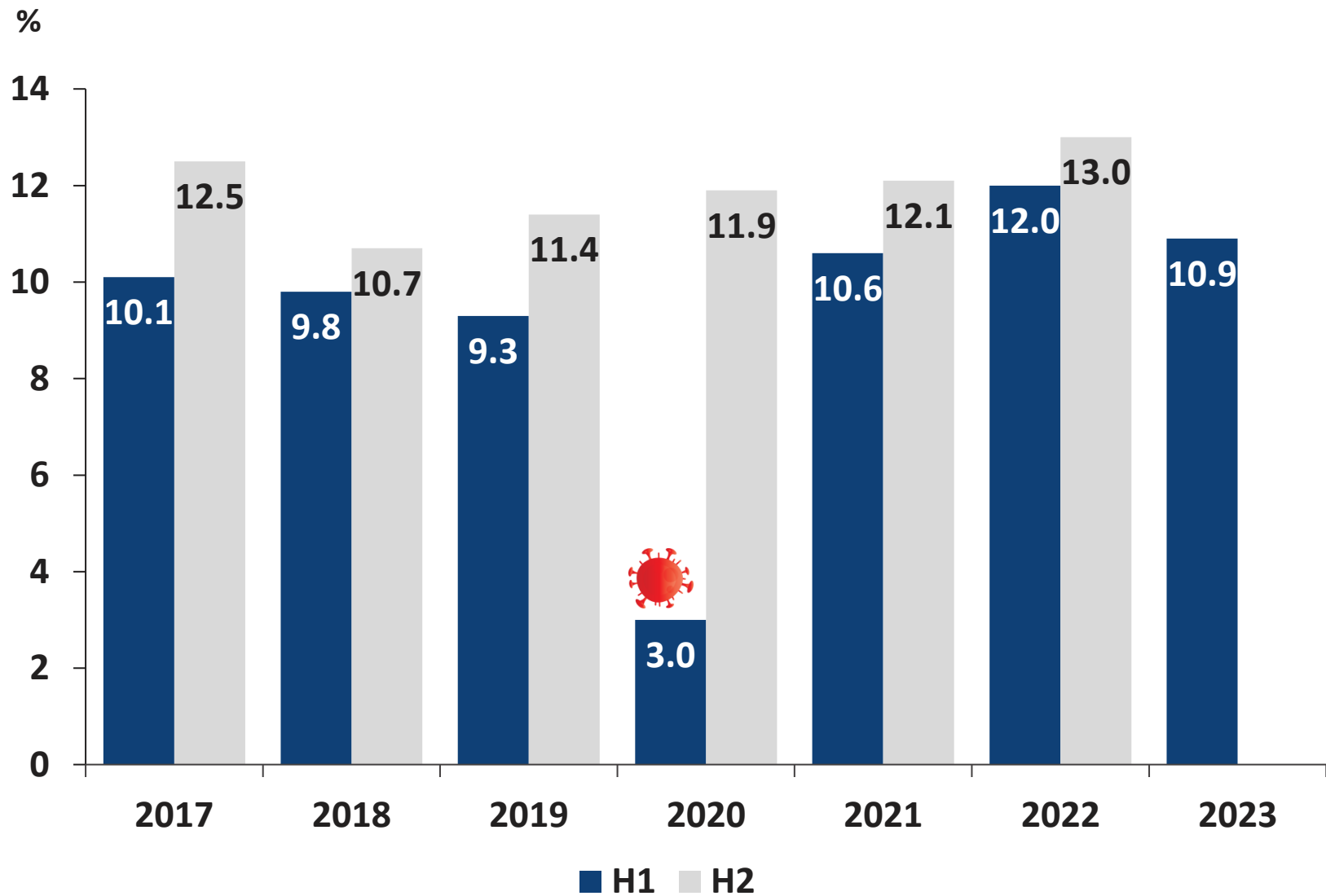


OPERATING PROFIT MARGIN

	2023	2022
Margin (%)		
Turnover	100%	100%
Gross profit	35,2%	36,6%
Operating expenses	24,3%	24,6%
Operating profit	10,9%	12,0%

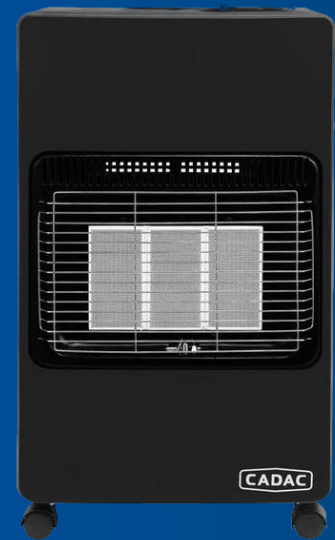
OPERATING PROFIT MARGIN

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FINANCIAL REVIEW



PROFIT

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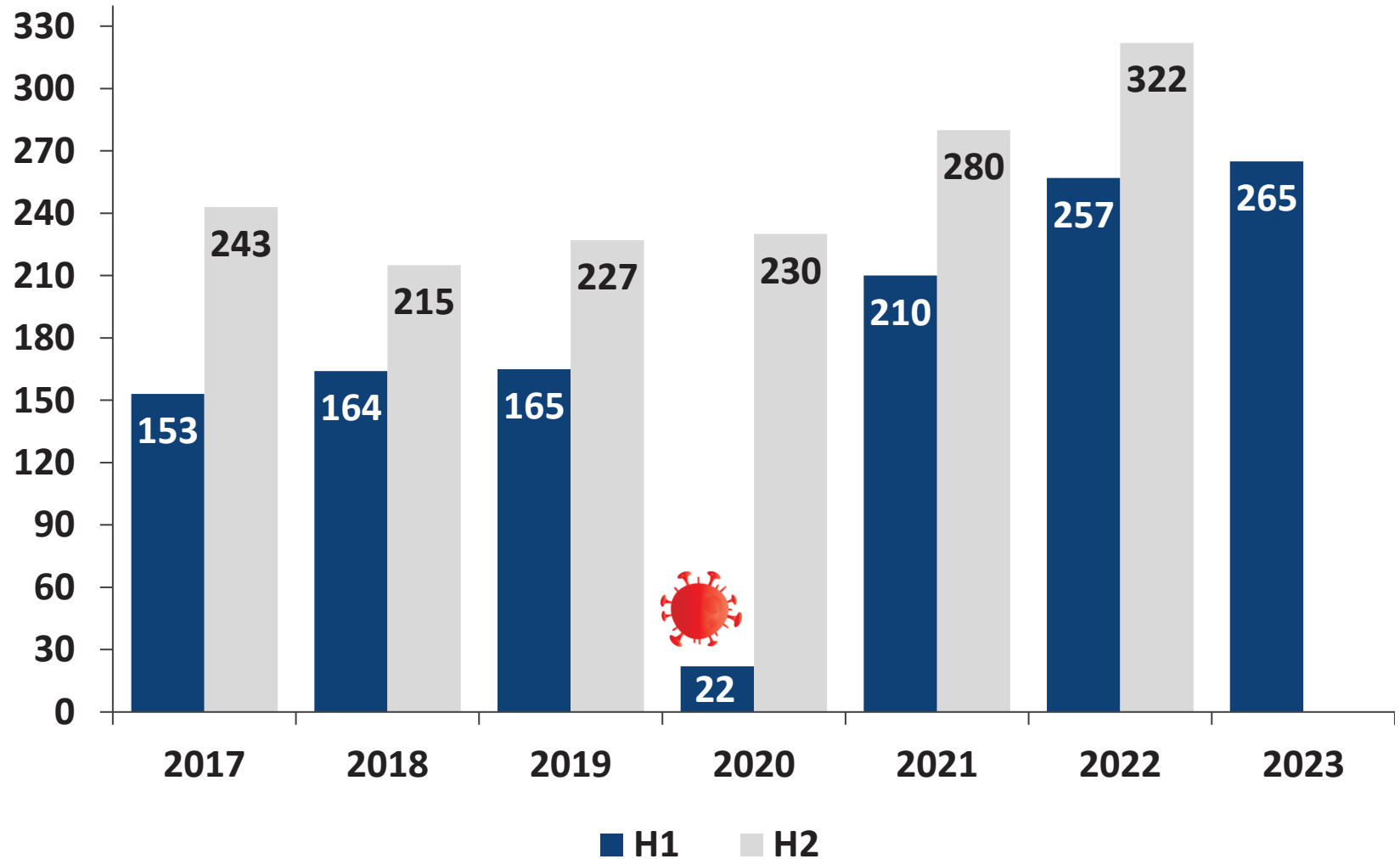
Rm	2023	% ch	2022
Turnover	4 250	12,4	3 782
Ongoing operations	4 046	9,8	3 687
Acquisition	204		95
Gross profit	1 499	8,2	1 385
Operating expenses	1 034	10,8	933
Ongoing operations	1 000	8,9	918
Acquisition	34		15
Operating profit	465	2,8	452
Ongoing operations	433	(1,7)	440
Acquisition	32		12

PROFIT

Rm	2023	% ch	2022
Operating profit	465	2,8	452
Net interest on funding	(50)		(27)
Imputed interest on leases	(12)		(14)
Profit before taxation	403	(2,1)	411
Taxation (Rate 2023: 27,2% 2022: 28,9%)	(110)		(119)
Profit after taxation	293	0,3	292
Non-controlling interest	(28)		(35)
Attributable earnings	265	3,3	257
Headline earnings	265	3,3	257
Comparable earnings	265	3,3	257

COMPARABLE EARNINGS

R million



EARNINGS PER SHARE AND DIVIDENDS

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Cents	2023	% ch	2022
Earnings per share			
Comparable	926	8,1	857
Basic	926	8,1	857
Headline	926	8,1	857
Dividends per share			
- Interim	325	8,3	300
- Final			625
Total			925
Dividend cover H1 (times)	2,85		2,86

SHARE REPURCHASE PROGRAMME

(excludes treasury shares)

	No. of shares	%	Weighted avg shares	Cost Rm
30 Nov 2019	31 645 703	100,0%	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
31 May 2023	28 388 152	89,7%	28 650 185	396

STATEMENT OF FINANCIAL POSITION

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Rm	2023	2022
Working capital	2 758	2 515
Inventories	2 665	2 290
Receivables	1 528	1 297
Payables	(1 435)	(1 072)
Property, plant and equipment	348	294
Right-of-use assets	325	382
Goodwill and intangibles	1 226	1 222
Tax	72	55
Net assets	4 729	4 468

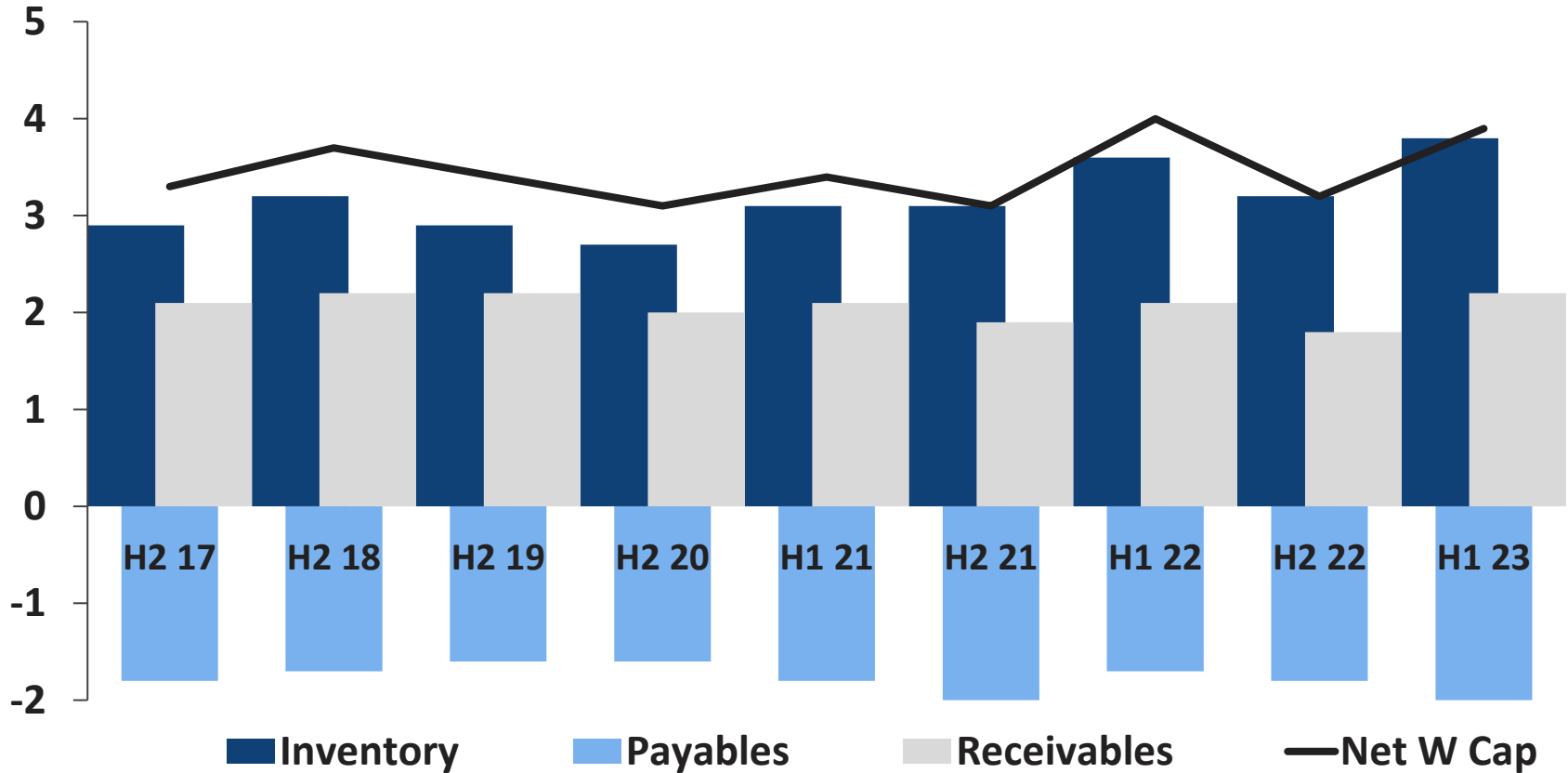
STATEMENT OF FINANCIAL POSITION

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Rm	2023	2022
Equity	3 241	3 082
Bank borrowings	1 094	860
Lease liabilities	383	438
Due to vendors	6	28
Tax	5	60
Total equity and liabilities	4 729	4 468

WORKING CAPITAL ELEMENTS

In months of sales



One month of sales

2021 = R564m (H1)

2022 = R630m (H1)

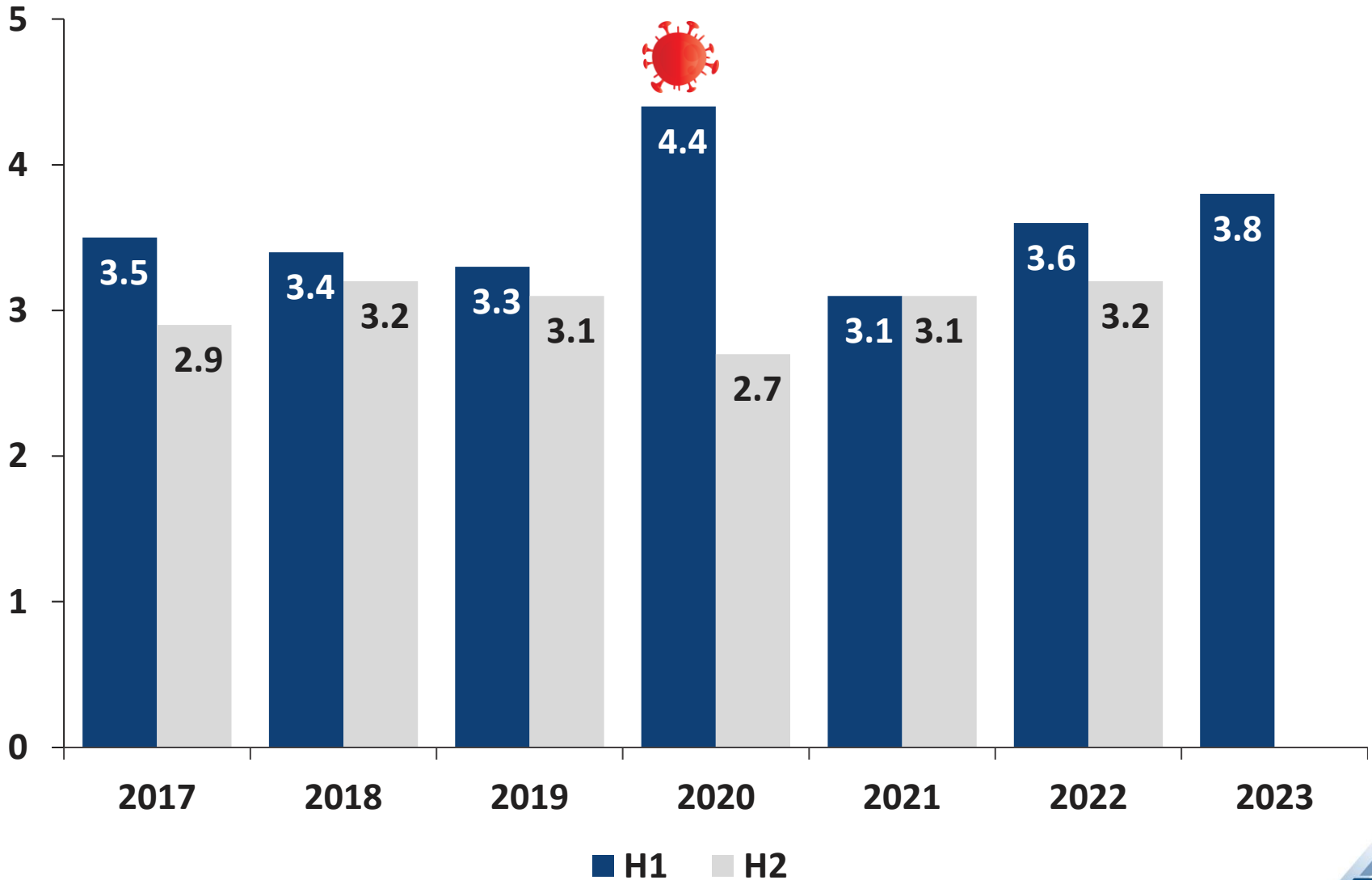
2023 = R708m (H1)

2021 = R646m (H2)

2022 = R728m (H2)

INVENTORY

In months of sales



CASH FLOW

Rm	2023	2022
Cash from trading	581	558
Increase in working capital	(335)	(459)
Cash from operations	246	99
Tax paid	(154)	(77)
Cash from operating activities	92	22
Invested in new business	(24)	(75)
Invested in software and ppe	(70)	(33)
Cash flow after investing activities	(2)	(86)
Share-based payments	(51)	(30)
Repurchase of shares	(112)	(8)
Lease payments	(70)	(67)
Finance costs paid	(50)	(27)
Dividends paid	(196)	(174)
Net movement	(481)	(392)
Foreign exchange translation gain	8	1
Opening borrowings	(621)	(469)
Closing borrowings	(1 094)	(860)

KEY FINANCIAL POINTS

- Inventories are costing more and will turn into higher sales
- Stock levels are up for busier H2
- The operating margin is healthy
- The expense ratio is down despite inflationary pressures
- Interest rates are higher, so we will work on reducing debt
- Businesses remain cash generative
- Borrowings well within capacity and covenants

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OUTLOOK



- Inevitably, there will be more load-shedding and the usual challenges of doing business in South Africa, including the government's ineptitude
- Optimistic that the strong performance of the last 3 years is sustainable
- Alternative energy, CADAC, security and communications, mining and manufacturing sectors' good performance to continue
- Expect the usual strong cash generation in H2
- Capital to be allocated strategically:
 - Invest in our higher-growth businesses
 - Acquisition of Brigit
 - Reduce borrowings
- We are looking forward to our busier second half

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CONTACT DETAILS AND
DISCLAIMER



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