

RESULTS PRESENTATION

FOR THE YEAR ENDED 30 NOVEMBER 2015



- A year of two halves
 - H1 very strong, included a large contract
 - H2 engineering consumables and security products hit by economic downturn and lack of business confidence
- Acquisitions continue to grow our portfolio of businesses and reduce the group's dependence on mining and manufacturing
- Gearing increased strategically (now 54%) and this reflects in ROE of 22%
- Acquisitions in stronger economic sectors as a strategy for growth is working
- Dividend increased appropriately
- On average Rand was significantly weaker in H2 than H1
- Hudaco is resilient and the results are excellent



BUSINESS HIGHLIGHTS AND MARKET INFORMATION

- Highlights of the year
- Market information
- The Hudaco business model
- Operating segments and acquisitions update
- Financial review
- Outlook

- Turning point where consumer-related products surpassed engineering consumables
- Sterling performance from Partquip in their first year
- Excellent performance from alternative energy businesses of Deutz Dieselpower, Specialised Battery Systems and Deltec
- Acquisitions of All-Trade, Sanderson Special Steels and HERS (hydraulics)
- Turnover up 17%
- CEPS up 19%
- RONTA up from 32% to 39%
- Stock up only 7% (excl. acquisitions) despite decline in the Rand

RESULTS SUMMARY

Hudaco

Turnover	↑	17% to R 5.2bn
Operating profit	↑	23% to R 605m
Comparable earnings per share	↑	19% to 1 169 cps
Dividends per share	↑	13% to 525 cps
Net borrowings	↑	R 603m to R 1 016m
Return on equity (comparable earnings)	↑	from 18% to 22%

Market capitalisation at year end
at 26 January 2016

R 3.4bn @ R107

R 2.8bn @ R90

Free Float

100% - no control

P:E ratio @ R107 (ceps)

9.2x

@ R90 (ceps)

7.7x

Dividend yield @ R107

4.9%

@ R90

5.8%

Annual Trade (to Nov)

2011 R 757m

2012 R 1 062m

2013 R 1 496m

2014 R 1 354m

2015 R 2 007m

▪ Old Mutual	12%
▪ Sanlam Group	11%
▪ Govt Employees Pension Fund	10%
▪ Prudential	9%
▪ PSG Group	6%
▪ 36One	5%
▪ Foord	5%
▪ Bateleur	4%
▪ Argon	3%
▪ Dunford Holdings	3%
	<hr/>
	68%
	<hr/>

Possibly some double counting



THE HUDACO BUSINESS MODEL

- Hudaco's main business is the importation and distribution of high quality branded automotive, industrial and electrical consumable products
- The concept of “value added distribution” is core to our business model
- Agency agreements generally restrict our activities to Africa south of the equator

Value add is:

- Instant availability
- Application advice
- Technical specification
- Training
- Credit provision

Technically skilled sales & support staff:

- in focused business units
- with technical product knowledge
- who build and retain customer and supplier loyalty

Inventory R 1 369m in 32 warehouses:

- 4 to 6 month supplier lead times
- 750 international suppliers
- over 225 000 line items

Receivables R 860m:

- 25 000 active customers
- low value transactions
- rarely sell on tender or contract
- decentralised credit management
- generally low concentration of risk



OPERATING SEGMENTS AND ACQUISITIONS UPDATE

- Consumer-related products distributes products driven by consumer spending and generally sold to installers
- Engineering consumables imports and distributes branded engineering consumables generally used in the repair and maintenance of machines

Consumer-related products

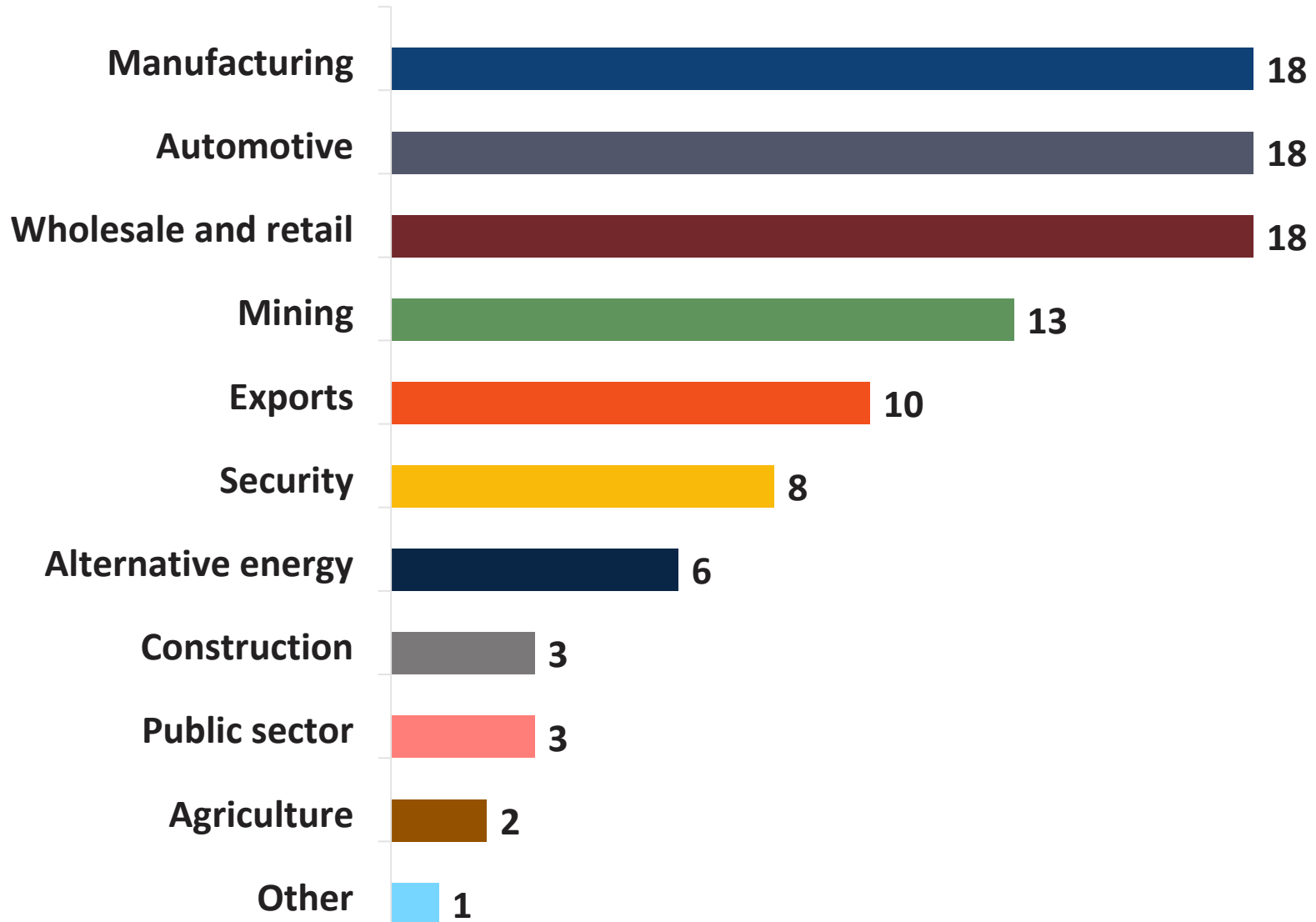
- Automotive aftermarket products
- Power tools
- Batteries
- Professional communication equipment
- Security equipment

Engineering consumables

- Diesel engines and spares
- Power transmission products: mechanical and electrical
- Bearings

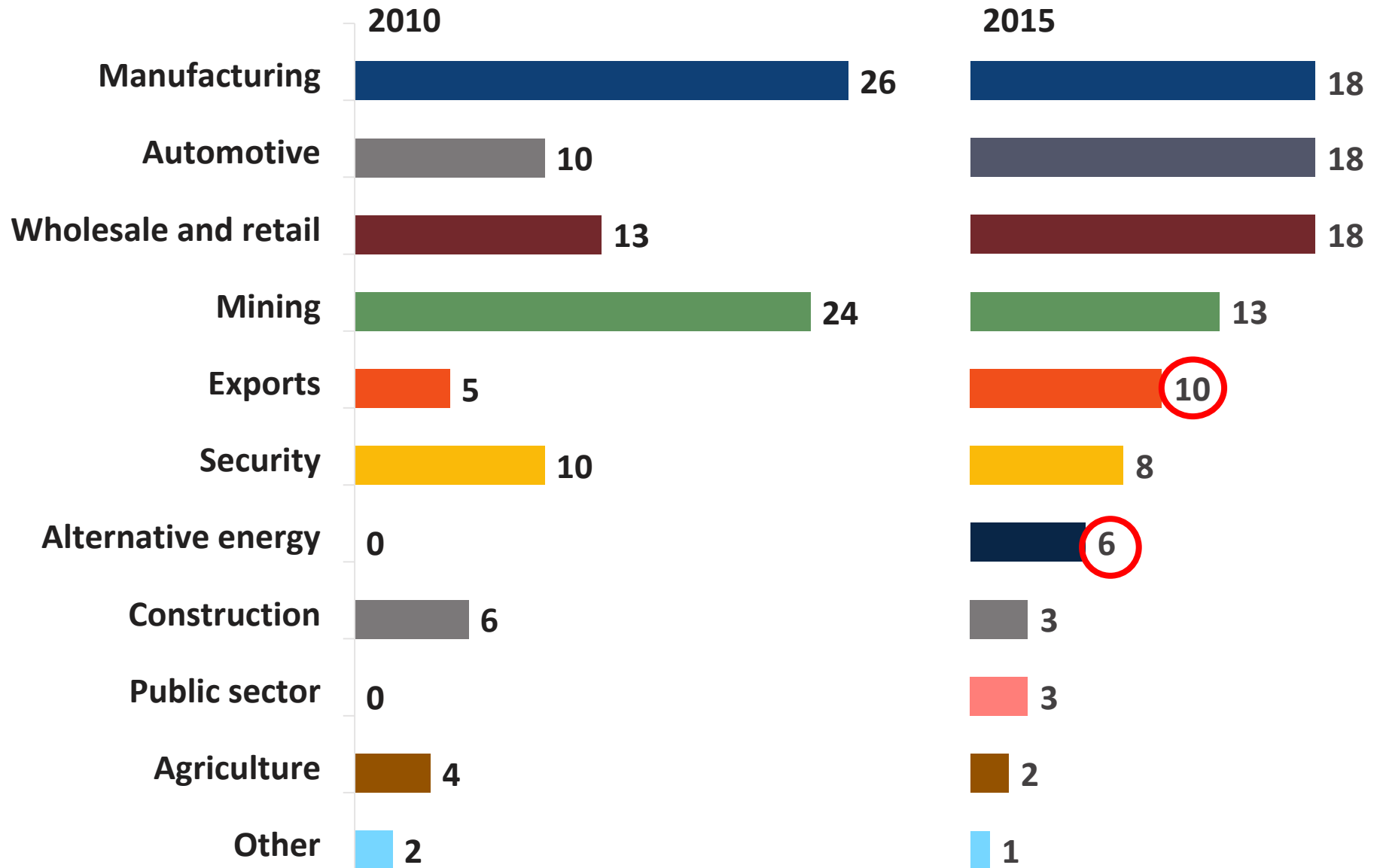
2015 SALES BY MARKET SECTOR

Hudaco



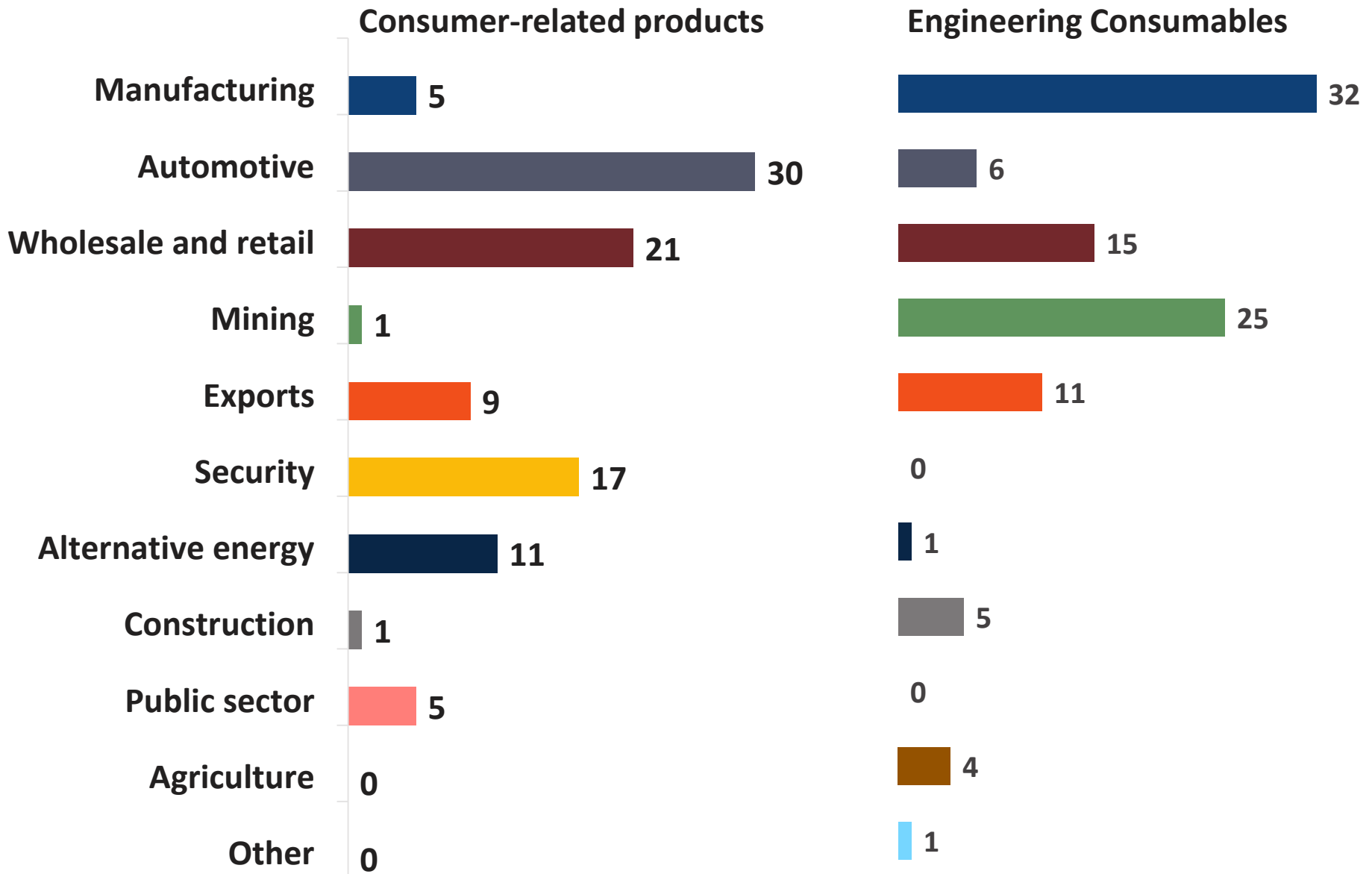
DIVERSIFICATION OF SALES BY MARKET SECTOR

Hudaco



2015 SALES BY MARKET SECTOR

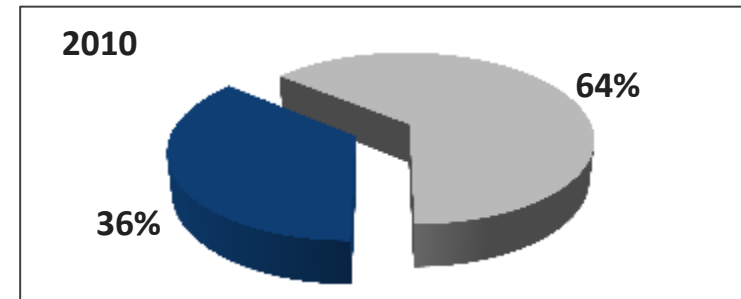
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SEGMENT CONTRIBUTIONS

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Contribution to 2015 operating profit
(before shared services and head office)



■ Consumer-related products

■ Engineering consumables

Principal Businesses



Principal Brands



Main markets:

- Building finishing
- Building additions
- Leisure
- Residential and commercial security
- Armed response providers
- Automotive aftermarket
- Military and police

Used for:

- Woodworking
- Grinding
- Renovations
- Boating
- Intruder detection
- Access control
- Video monitoring
- Communication
- Motor vehicles

Competitors:

- Bosch
- Hitachi
- Metabo
- Yamaha
- ADI
- Inhep
- Regal
- Luk
- Motorola

Principal Businesses



Principal Brands



Main markets:

- Manufacturing
- Mining
- Sugar industry

Used for:

- Repairs
- Maintenance
- Expansion
- Resale
- Underground mining
- Gen sets

Competitors:

- BMG
- SKF
- Altron/Altech
- Siemens
- Hytec
- Zest
- Caterpillar
- Cummins

Sanderson Special Steels

- Specialised steel distributor
- Bolt-on to Ambro Sales
- Heat treatment plant
- Estimated price R38m
- 3 year earn-out



All-Trade Distributors

- Distributor of:
 - Industrial fasteners
 - Rivets
 - Bolts and nuts
 - Springs and clips
 - Machined parts
- Estimated price R24m
- 2 year earn-out



ACQUISITIONS

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HERS

Hydraulic Engineering Repair Services

- Hydraulic cylinder repairs
- Drivetrain repairs
- Estimated price R64m
- 2 year earn-out



KESSLER+CO



SEGMENT RESULTS – CONSUMER-RELATED PRODUCTS

Rm	Turnover			Op Margin		Operating Profit		
	2015	% ch	2014	2015	2014	2015	% ch	2014
Ongoing operations	1 947	13.3	1 718	13.4%	12.5%	261	21.4	215
New businesses	656			18.1%		119		
Segment total	2 603	51.5	1 718	14.6%	12.5%	380	76.7	215

- Rutherford - power tool sales held steady but marine down
- Deltec/SBS - battery businesses capitalising on need for alternative energy
- Partquip – automotive products performing above expectations
- Global - communication equipment sales up (contract in H1)
- Elvey/Pentagon - security equipment volumes slightly down
- Gross profit and expenses well managed

SEGMENT RESULTS – ENGINEERING CONSUMABLES

	Turnover			Op Margin		Operating Profit		
Rm	2015	% ch	2014	2015	2014	2015	% ch	2014
Ongoing operations	2 609	(5.7)	2 767	9.8%	10.9%	256	(15.2)	302
New businesses	26			15.4%		4		
Segment total	2 635	(4.8)	2 767	9.9%	10.9%	260	(13.9)	302

- Deutz Dieselpower - sales to alternative energy well up
- Joseph Grieveson (foundry) and GPM (gear pumps) had a good year
- BI, mechanical and electrical power transmission battled in a tough environment with minimal project business
- FHS - filter sales slightly down

SEGMENTS RESULTS 2015

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Rm	Turnover			Op Margin		Operating Profit		
	2015	% ch	2014	2015	2014	2015	% ch	2014
Consumer-related products	2 603	51.5	1 718	14.6%	12.5%	380	76.7	215
Engineering consumables	2 635	(4.9)	2767	9.9%	10.9%	260	(13.9)	302
Head office, shared services & eliminations	(8)		(5)			(35)		(23)
Total Group	5 230	16.7	4 480	11.6%	11.0%	605	22.5	494



FINANCIAL REVIEW

PROFIT FOR THE YEAR

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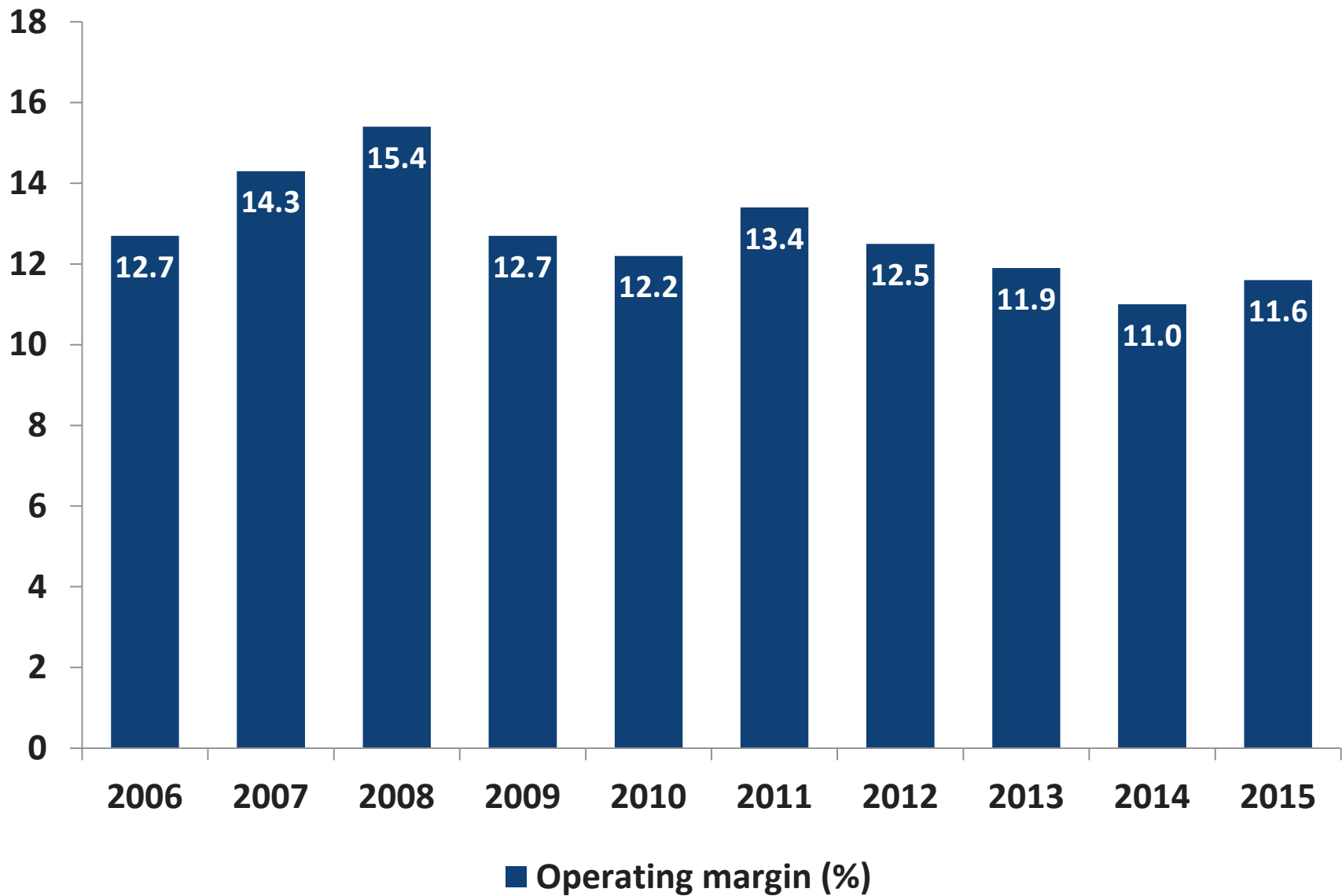
Rm	2015	% ch	2014
Turnover	5 230	16.7	4 480
- Ongoing operations	4 548	1.5	4 480
- New businesses	682		
Gross profit	1 917	17.2	1 635
Operating expenses	1 312	15.0	1 141
Operating profit	605	22.5	494
- Ongoing operations	482	(2.4)	494
- New businesses	123		

Margin (%)

Turnover	100.0	100.0
Gross Profit	36.7	36.5
Operating expenses	25.1	25.5
Operating profit	11.6	11.0

10 YEAR OPERATING MARGIN PERFORMANCE

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PROFIT FOR THE YEAR

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Rm	2015	% ch	2014
Operating Profit	605	22.5	494
Fair value adj to amounts due to vendors	(2)		3
Net interest on funding	(73)		(37)
Interest paid to vendors (imputed)	(3)		(2)
Profit before taxation	527	15.1	458
Taxation (Rate 2015 : 27% 2014 : 28%)	141		128
Profit before tax settlement	386	17.0	330
Income from joint venture	3		
Settlement of tax dispute			312
Profit for the year	389		18
Non-controlling interest	(20)		(15)
Attributable earnings	369		3

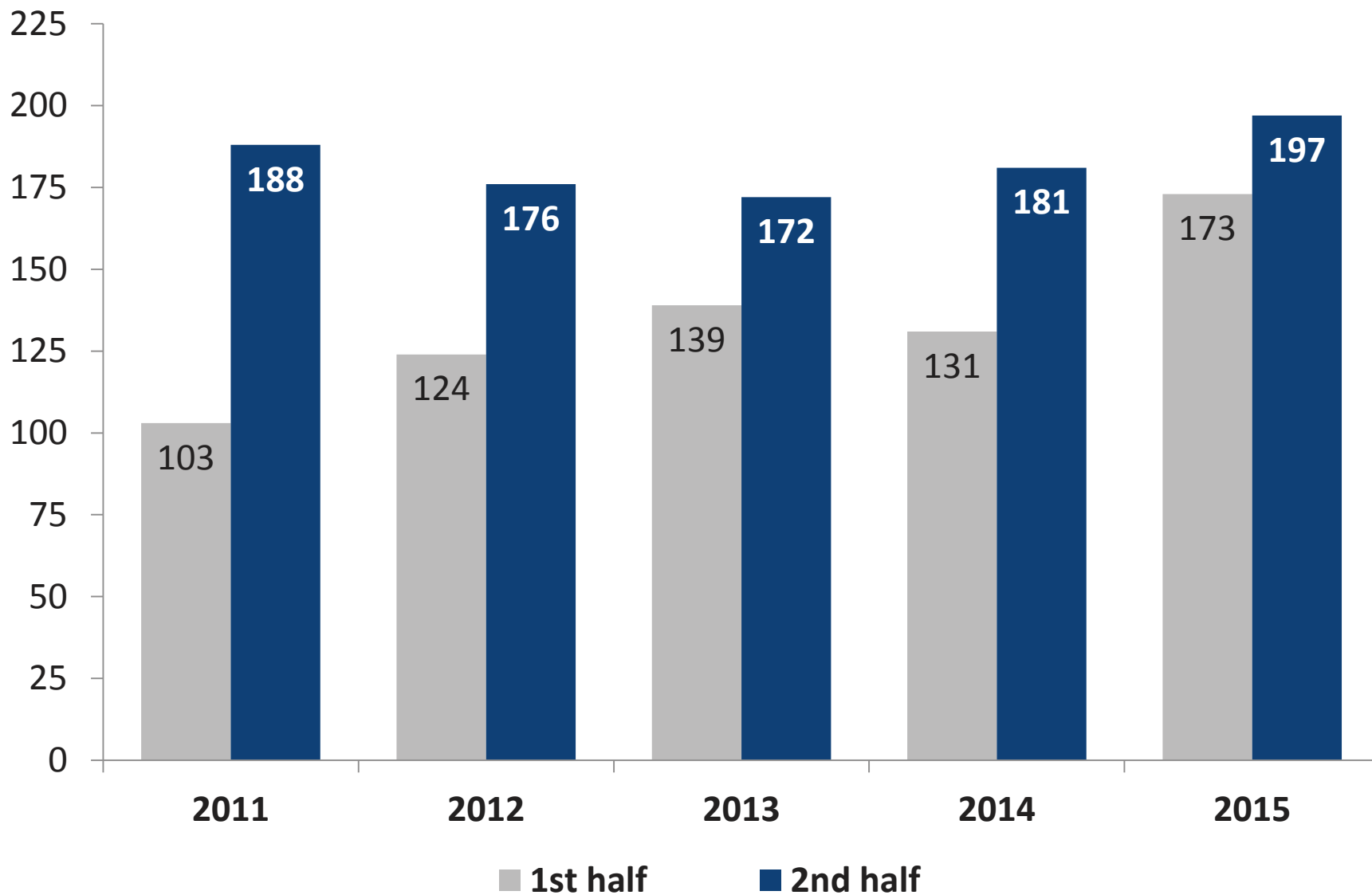
COMPARABLE EARNINGS FOR THE YEAR

Hudaco

Rm	2015	% ch	2014
Operating Profit	605	22.5	494
Net interest on funding	(73)		(37)
Interest paid to vendors (imputed)	(3)		(2)
Profit on PPE	(1)		-
FV adjustment of vendor liability			
Profit before taxation	528	16.0	455
Taxation (Rate 2015 : 27% 2014 : 28%)	(141)		(128)
Profit after taxation	387	18.3	327
Income from joint venture	3		-
Non-controlling interest	(20)		(15)
Comparable earnings	370	18.6	312

COMPARABLE EARNINGS BY HALF YEAR

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EARNINGS PER SHARE AND DIVIDENDS

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Cents	2015	%	2014
Earnings per share			
Comparable eps	1 169	18.6	986
Basic eps	1 164		8
Headline eps	1 163		6
Dividends per share			
- Interim	180		155
- Final	345		310
Total	525	12.9	465
Divided cover (times)			
	2.23		2.12

CASH FLOW FOR THE YEAR

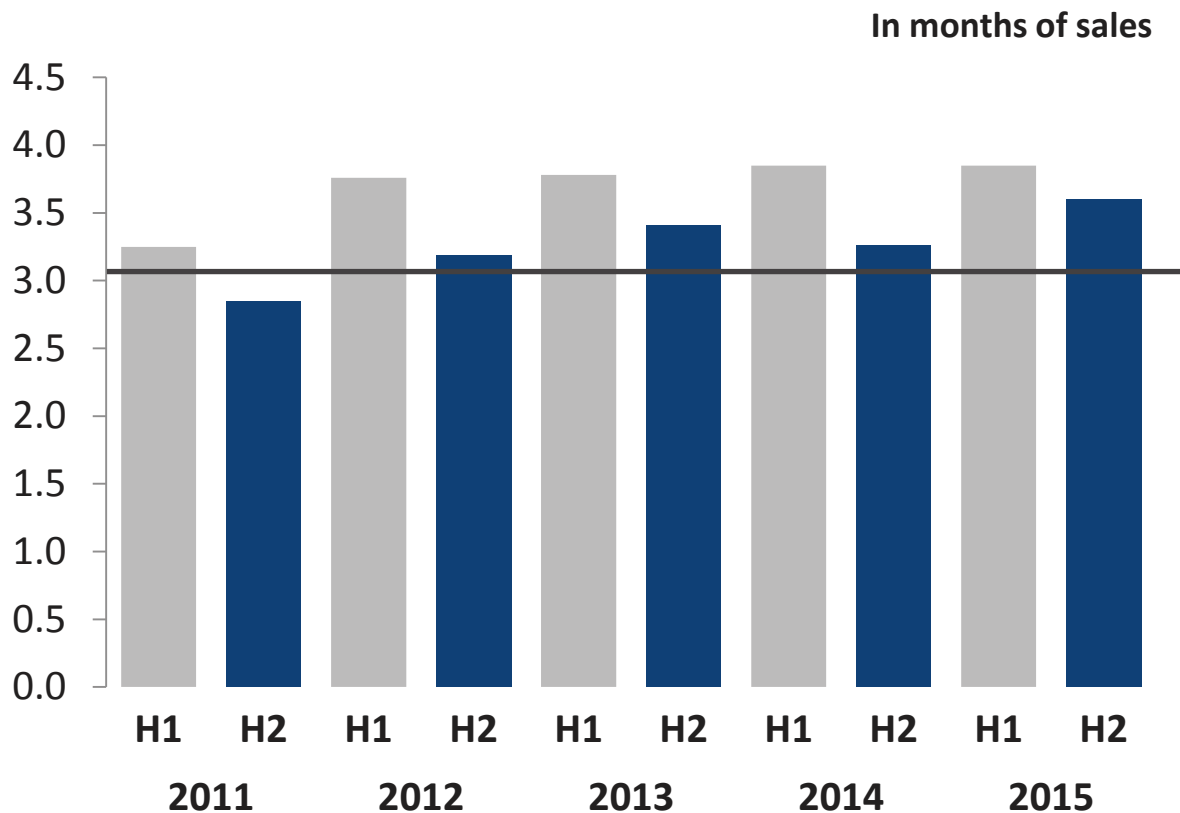
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Rm	2015	2014
Cash from trading	653	525
Increase in working capital	(153)	(44)
Cash from operating activities	500	481
Net finance costs	(73)	(38)
Tax paid (excluding tax settlement)	(186)	(142)
Cash from operations before tax settlement	241	301
Tax settlement	(192)	(80)
Cash flow from operations	49	221
Dividends paid	(158)	(148)
Invested in new business and property, plant and equipment	(494)	(282)
Net movement	(603)	(209)
Opening borrowings	(413)	(204)
Closing borrowings	(1 016)	(413)

STATEMENT OF FINANCIAL POSITION

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Rm	Nov 15	Nov 14
Working capital	1 595	1 286
Property, plant equipment	261	257
Goodwill and intangibles	1 070	766
Investment in Joint Venture	7	
Tax (excluding tax settlement)	18	7
Net assets	2 951	2 316
Equity	1 895	1 682
Bank borrowings	1 016	413
Taxation		192
Due to vendors	40	29
Total equity and liabilities	2 951	2 316



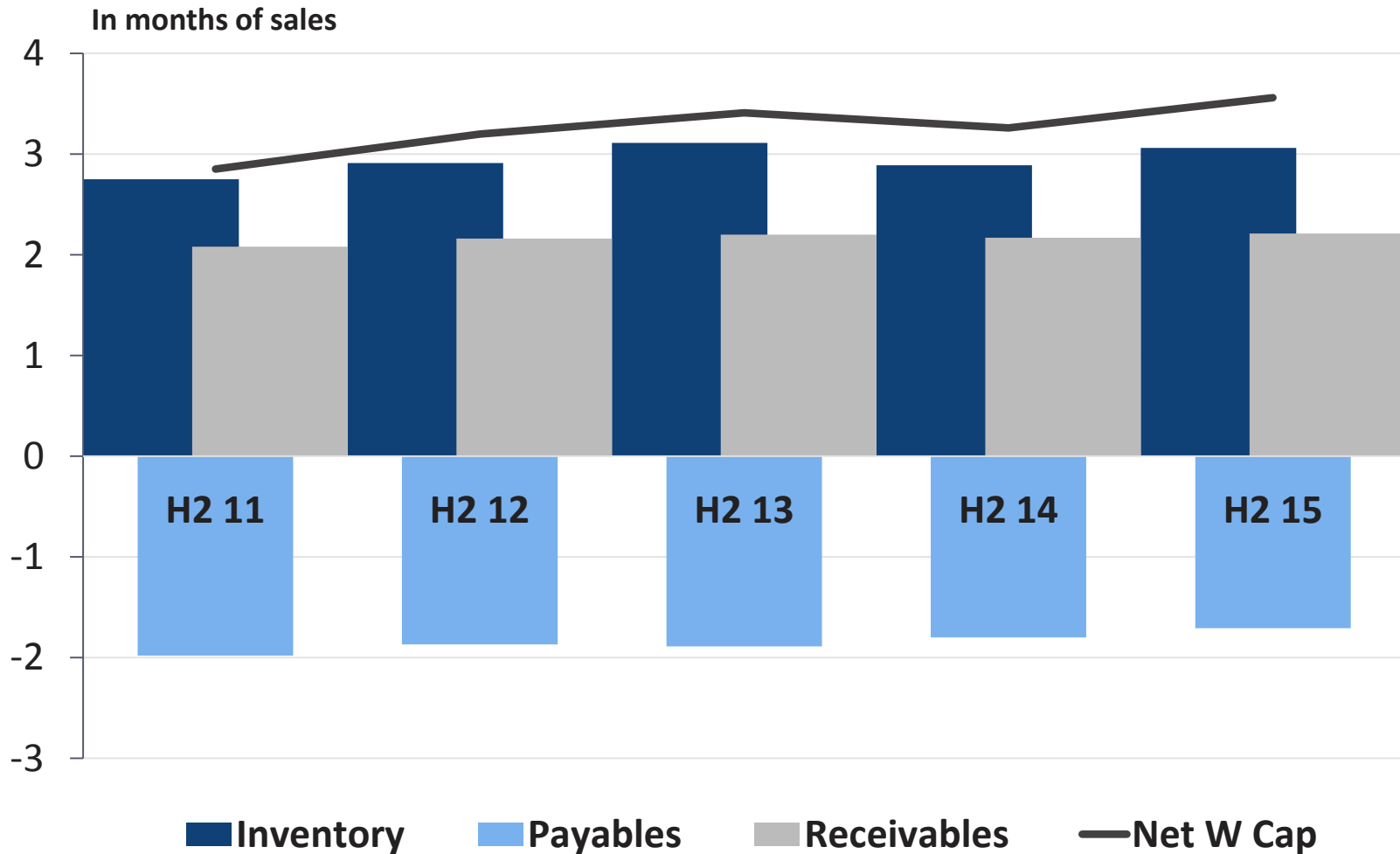
One month of sales:

H2 2015 = R447m; H2 2014 = R395m

- Working capital traditionally peaks end of H1 to cope with anticipated increased seasonal demand in H2
- Sales were generally split 45/55 between H1 and H2 (2015: 49/51)

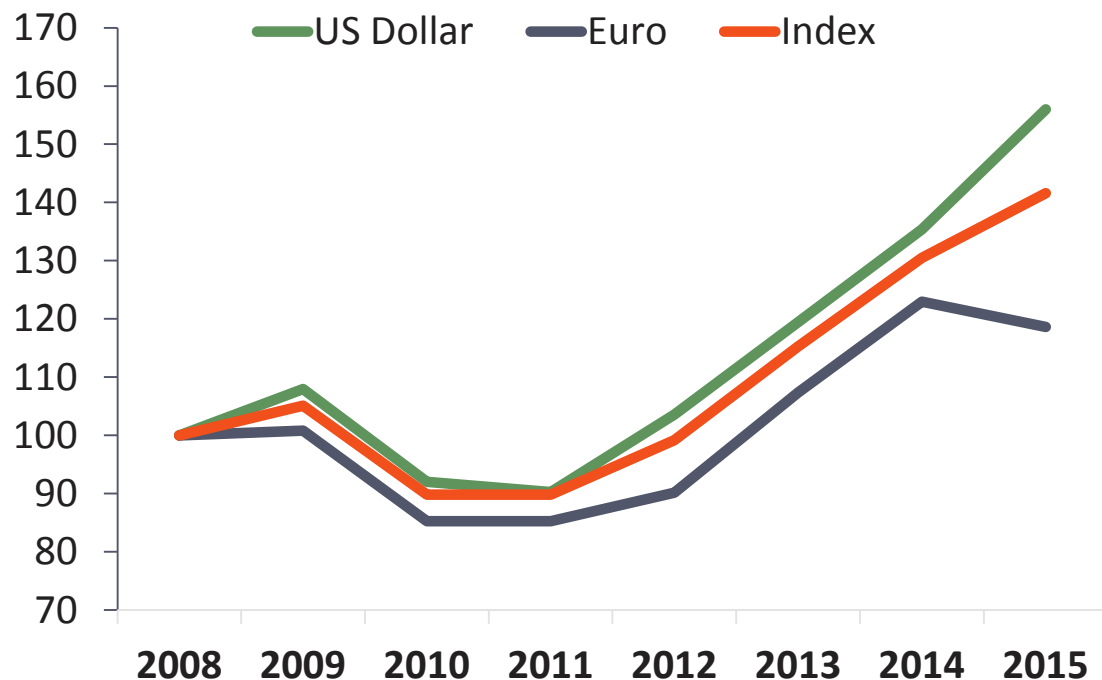
WORKING CAPITAL ELEMENTS

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One month of sales:
H2 2015 = R447m; H2 2014 = R395m

EXCHANGE RATE ENVIRONMENT



- We import directly 60% of group cost of sales
- On average these cost 9% more in 2015 than 2014
- Spot 18 January 2016 is 33% up on 2015 average
- We do not take a house view on exchange rates
- We hedge all liabilities and 20% - 30% of orders
- Demand generally not price sensitive in short term

■ Import currencies: USD* 63% Euro 30% Yen 5% GBP 2%

*Imports from China, Korea etc. are priced in USD

Ave rate	2008	2009	2010	2011	2012	2013	2014	2015			18 Jan 2016
								H1	H2	Year	Spot
USD	8.0	8.6	7.4	7.2	8.2	9.5	10.8	11.8	13.2	12.5	16.8
Euro	11.8	11.9	9.9	9.9	10.6	12.6	14.4	13.4	14.7	14.0	18.3
Index	77	82	69	69	77	88	100	103	114	109	145

- Businesses generate strong cash flows
- Working capital (inventories) will cost more
- We continue to invest successfully in new businesses
- Bank facilities are available
- Capacity remains for smaller acquisitions



OUTLOOK

- Hudaco sales are predominantly driven by GDP activity
- GDFI adds capacity for future GDP activity
- Rand exchange rate has a big impact on pricing and profitability
- Exposure to mining and manufacturing has decreased significantly
- Products linked to consumer spending now represent the principal part of our business

OUTLOOK 2016

Factors that should impact on 2016

- Minimal growth in the economy
- Benefit from a weaker Rand
- Our earnings base is considerably broader
- Management team is focused on managing the balance between margin, expenses and stock
- Businesses well positioned for improvement in market conditions

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