

Hudaco

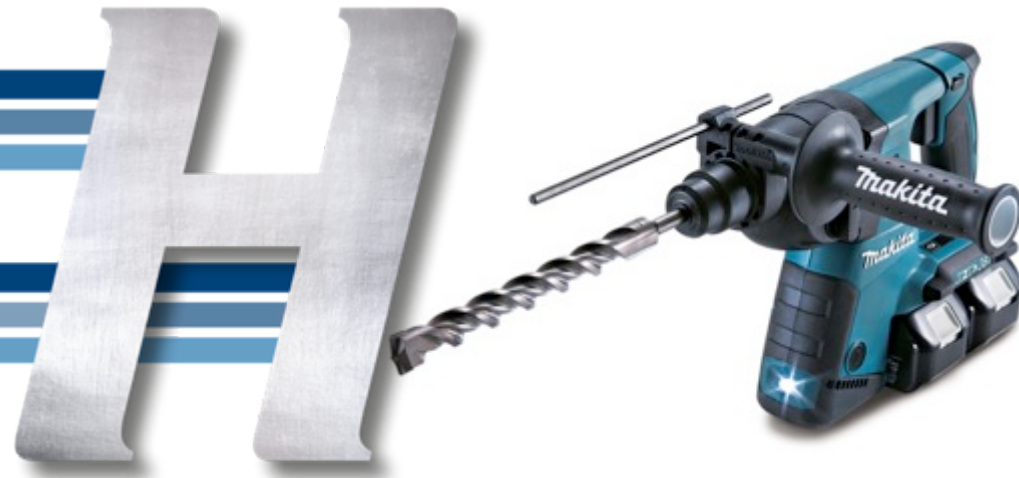
RESULTS PRESENTATION

FOR THE YEAR ENDED 30 NOVEMBER 2016



- Overview and highlights of the year
- The Hudaco business model
- Operating segments and acquisitions update
- Financial review
- Outlook

OVERVIEW AND HIGHLIGHTS OF THE YEAR



- A year of two halves
 - First half well down on an outstanding 2015
 - Excellent second half performance
- Growth in the manufacturing sector from acquisitions
- Growth from businesses supplying to the automotive sector
- Successful acquisitions in stronger economic sectors are continuing to diversify our revenue base
- Operating expenses up only 3,6% (incl. acquisitions)
- Tight management of working capital
- Stock up only 4,5% (excl. acquisitions)

RESULTS SUMMARY

Hudaco

Turnover	Up 6% to R 5.5bn
Operating profit	Up 6% to R 639m
Cash generated from operations	Up 51% to R749m
Basic and headline earnings	Up 5%
Comparable earnings	Marginally up to 1 171 cps
Dividends per share	Maintained at 525 cps
Net borrowings	Down R111m
Return on average equity	21%

Market capitalisation @ R114 per share	R 3.6bn	
Free Float	100% - no control	
P:E ratio @ R114 (ceps)	9.7x	
Dividend yield @ R114	4.6%	
Annual Trade (to Nov)	2011	R 757m
	2012	R 1 062m
	2013	R 1 496m
	2014	R 1 354m
	2015	R 2 007m
	2016	R 1 341m

MAJOR SHAREHOLDERS / FUND MANAGERS

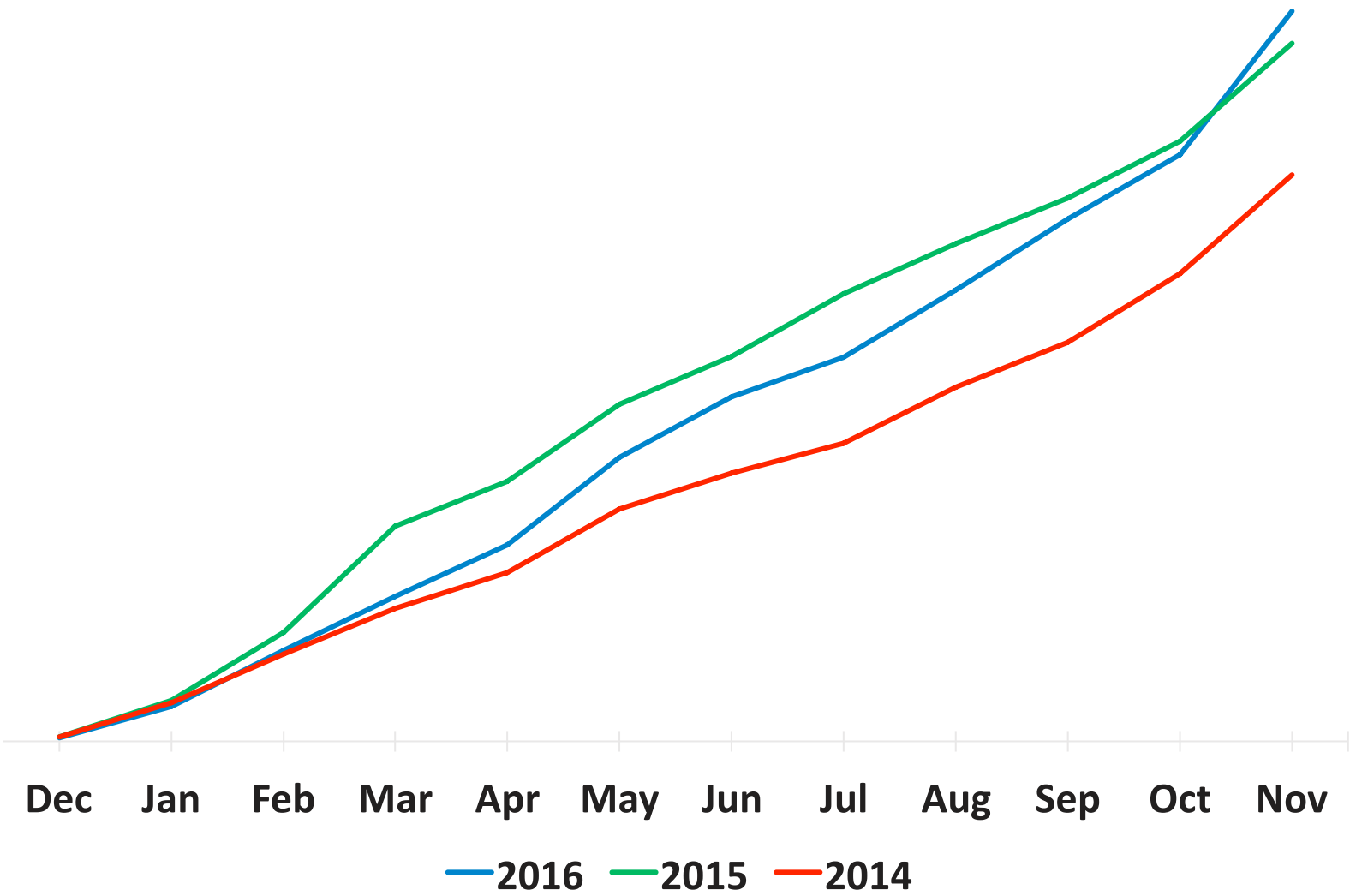
Hudaco

■ PSG Group	13%
■ PIC/Govt Employees Pension Fund	10%
■ Old Mutual	10%
■ Prudential	7%
■ Sanlam Group	7%
■ 36ONE	4%
■ Foord	4%
■ Nedgroup Investments	4%
■ Dunford Holdings	3%
	<hr/>
	62%
	<hr/>

Possibly some double counting

CUMULATIVE OPERATING PROFIT

Hudaco



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

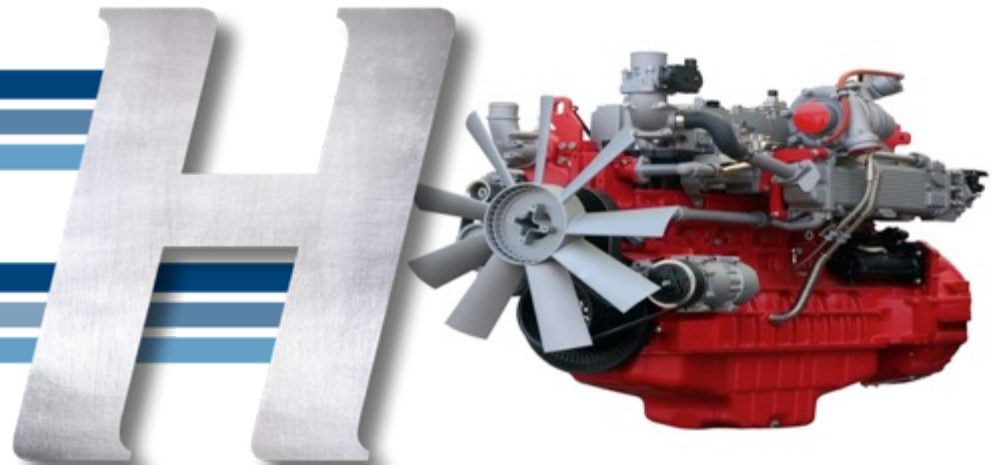
Inventory R 1 508m in 35 warehouses:

- 4 to 6 month supplier lead times
- 800 international suppliers
- over 230 000 line items

Receivables R 1 046m:

- 30 000 active customers
- low value transactions
- low level of tender or contract business
- 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 (10 businesses)

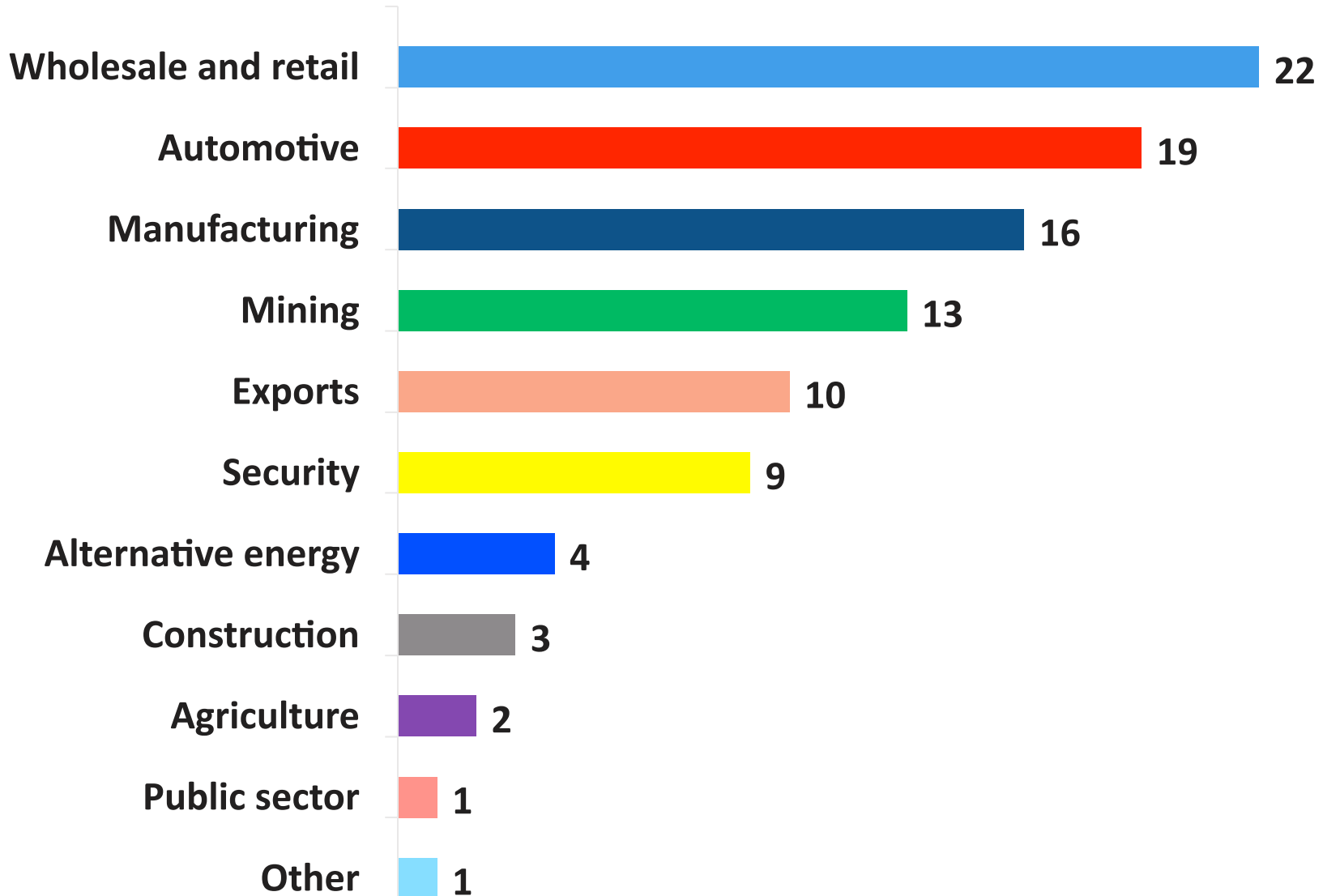
- Automotive aftermarket products
- Power tools
- Batteries
- Professional communication equipment
- Security equipment
- Data networking equipment

Engineering consumables (20 businesses)

- Mechanical power transmissions
- Electrical power transmissions
- Diesel engines and spares
- Hydraulics and pneumatics
- Thermoplastic pipes and fittings
- Bearings
- Specialised steel

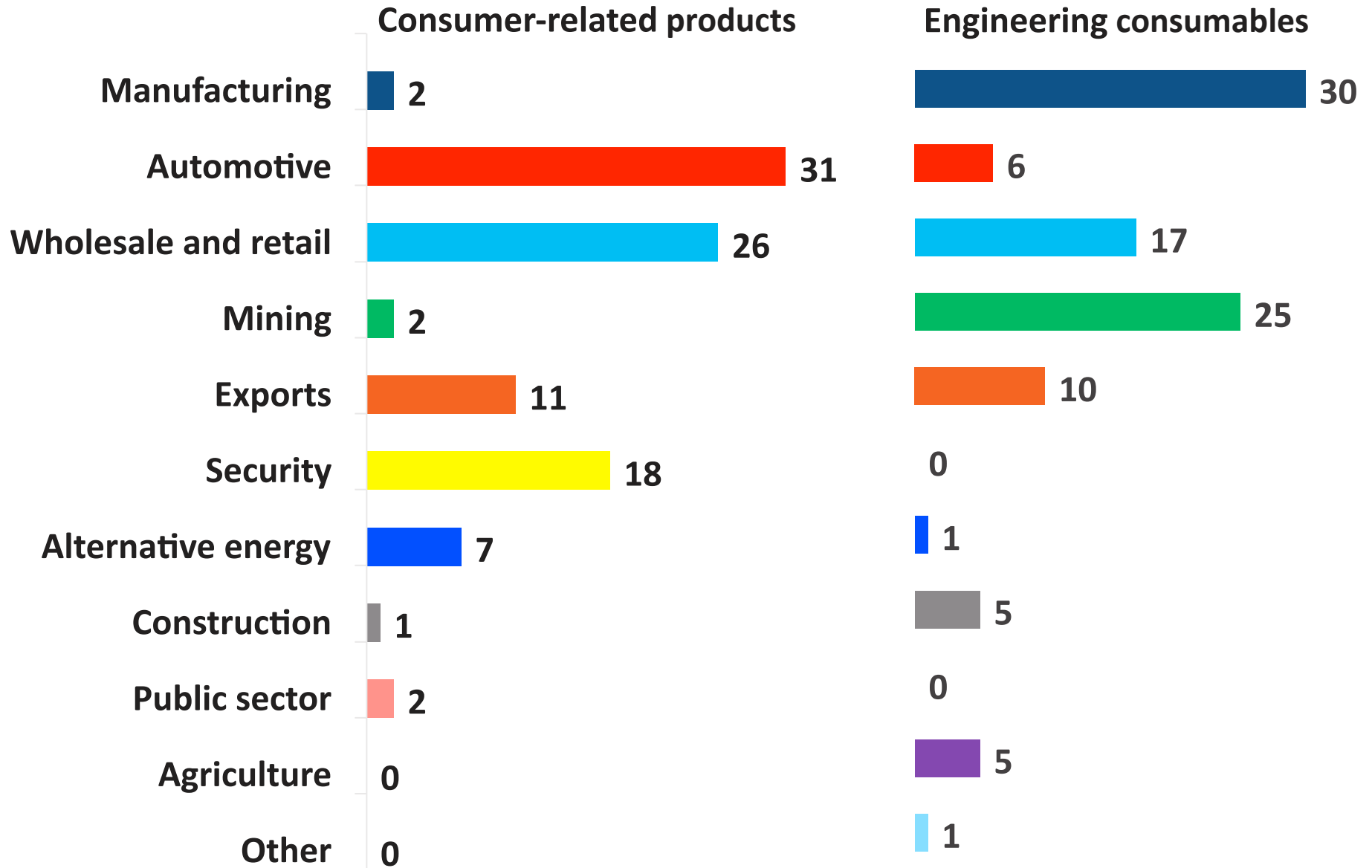
2016 SALES BY MARKET SECTOR (%)

Hudaco



2016 SALES BY MARKET SECTOR (%)

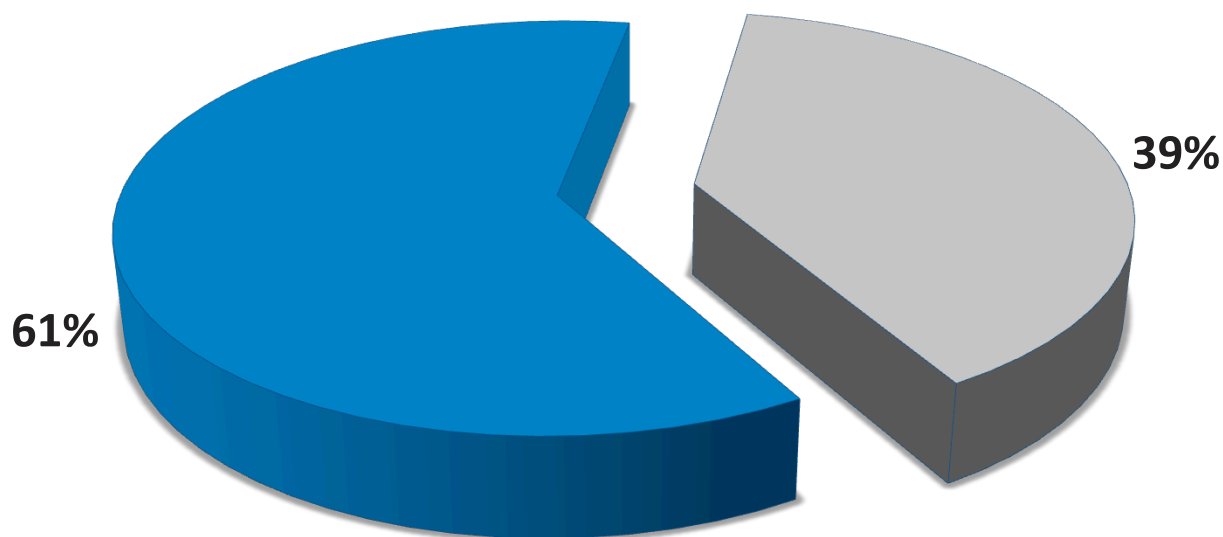
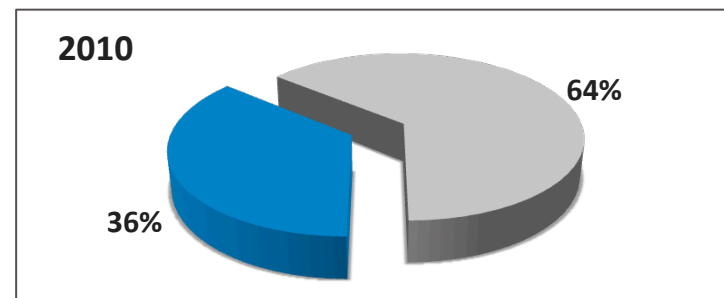
Hudaco



SEGMENT BY CONTRIBUTION

Hudaco

Contribution to 2016 operating profit
(before shared services and head office)



■ Consumer-related products

■ Engineering consumables

Principal Businesses



Principal Brands



Main markets:

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

Used for:

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

Competitors:

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

Principal Businesses



Principal Brands



Main markets:

- Automotive
- Exports
- Manufacturing
- Mining
- Wholesale and Retail

Used for:

- Expansion
- Gensets
- Maintenance
- Mining
- Repairs
- Resale

Competitors:

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

Successful acquisitions in stronger economic sectors are continuing to diversify our revenue base

2016

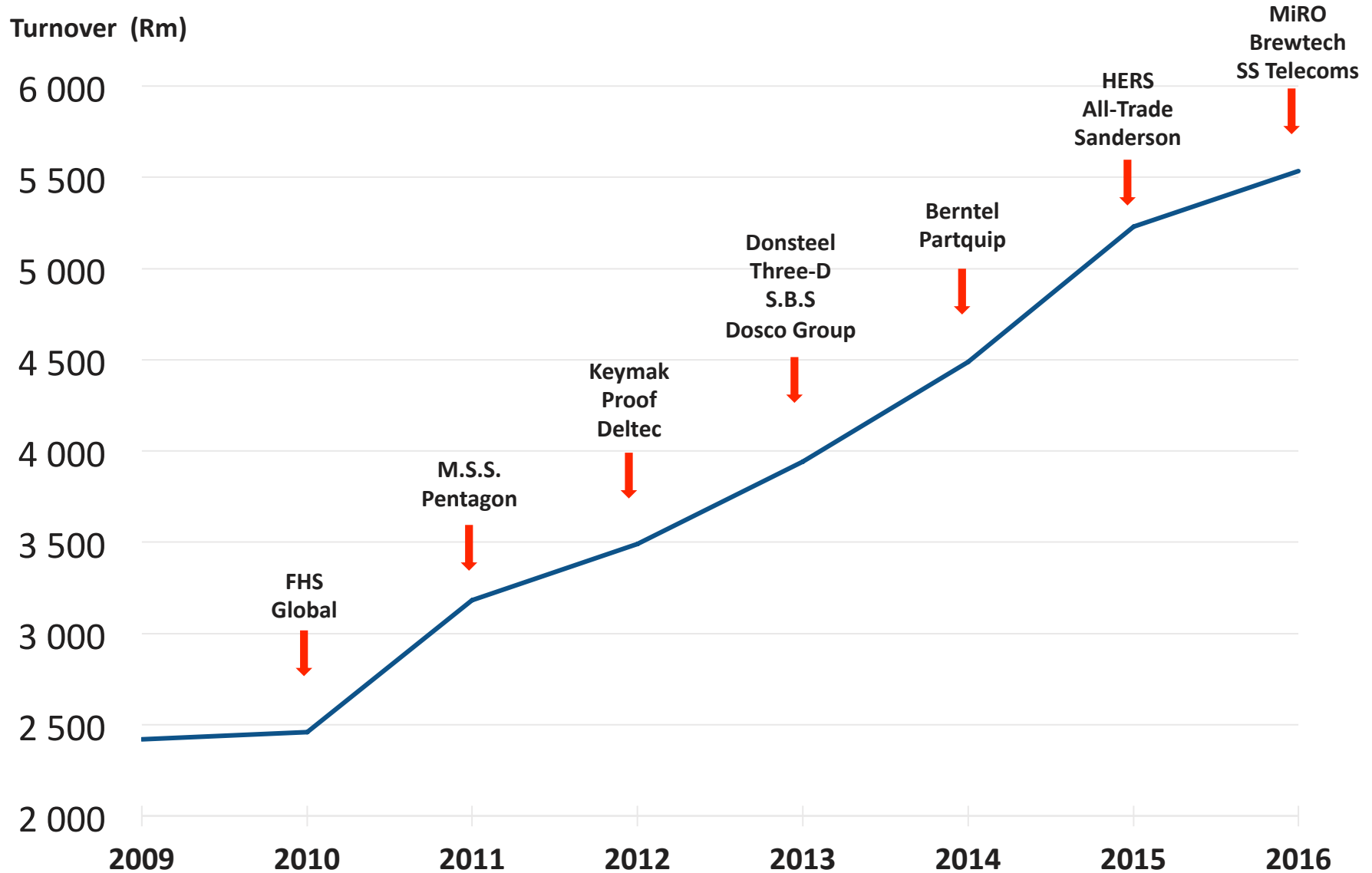
- HERS
- All-Trade
- MiRO
- Brewtech Engineering

2017

- SS Telecoms
- Commercial ICT

IMPACT OF ACQUISITIONS

Hudaco



MiRO

- Distributor of data networking equipment including:
 - Broadband wireless products
 - Surveillance products
 - Wi-Fi and Hotspot equipment
- Estimated price R254m
- 3 year earn-out
- Competitors : Duxbury, Westcon, Nology and Sensor

MiRO



Brewtech Engineering

- Distributor of:
 - Plastic and steel products for conveyors
 - Customer base is in the food and beverage market, especially bottling industry
- Estimated price R47m
- 3 year earn-out
- Competitors : iwis, IRP, Engineering Plastics, Nusaf and BMG



SS Telecoms

- Supplier of:
 - Voice and data solutions, specialising in PBX, communication management software and telephone management
- Estimated price R60m
- 3 year earn-out
- Competitors : Mia Telecoms, Arbalest



SEGMENT RESULTS – CONSUMER-RELATED PRODUCTS

Hudaco

Rm	Turnover			Op Margin		Operating Profit		
	2016	% ch	2015	2016	2015	2016	% ch	2015
Ongoing operations	2 553	(1.9)	2 603	14.6%	14.6%	372	(2.1)	380
New businesses	249			13.3%		33		
Segment total	2 802	7.6	2 603	14.5%	14.6%	405	6.6	380

- Rutherford power tool sales down due to non issuance of authority letters
- Deltec/SBS battery businesses down as load shedding boost of 2015 did not recur
- Global down as no large contracts for communication equipment were awarded
- Partquip and Abes had a very good year
- Elvey/Pentagon had a much better year mainly due to increase in project work
- MiRO had a very good first seven months in the group

SEGMENT RESULTS – ENGINEERING CONSUMABLES

Hudaco

	Turnover			Op Margin		Operating Profit		
Rm	2016	% ch	2015	2016	2015	2016	% ch	2015
Ongoing operations	2 531	(3.4)	2 621	8.8%	9.9%	222	(14.3)	259
New businesses	208		14	15.9%	7.1%	33		1
Segment total	2 739	4.0	2 635	9.3%	9.9%	255	(1.9)	260

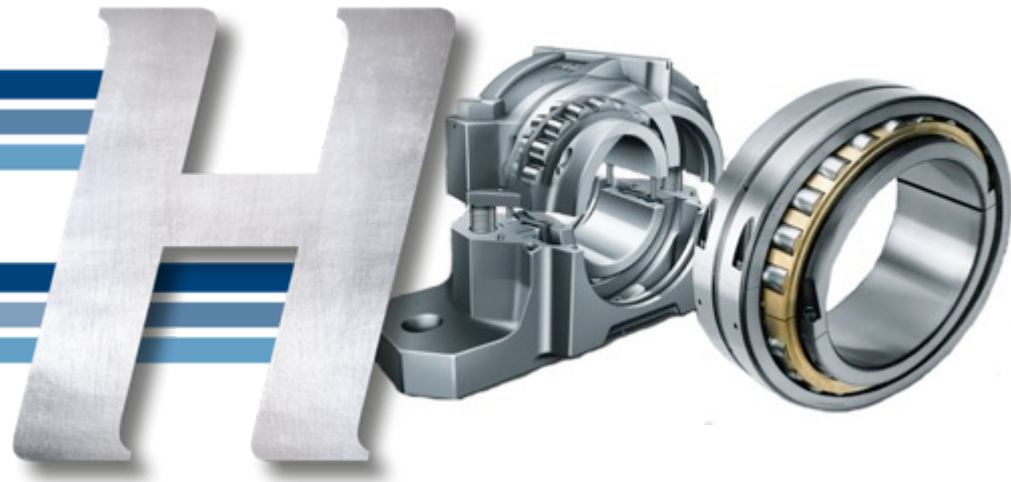
- Strong H2
- Acquisitions of Brewtech, Sanderson Steel and HERS contributed to growth in manufacturing sector
- HERS had an excellent year
- Growth in operating profit from BI, Astore Keymak, Bosworth and specialised steel division
- Deutz Dieselpower down as demand for generators decreased due to no load shedding in 2016
- Destocking by USA customers resulted in GPM (gear pumps) sales down
- FHS filter sales way down due to depressed opencast mining and construction sectors

SEGMENTS RESULTS 2016

Hudaco

Rm	Turnover			Op Margin		Operating Profit		
	2016	% ch	2015	2016	2015	2016	% ch	2015
Consumer-related products	2 802	7.6	2 603	14.5%	14.6%	405	6.6	380
Engineering consumables	2 739	4.0	2 635	9.3%	9.9%	255	(1.9)	260
Head office, shared services & eliminations	(7)		(8)			(21)		(35)
Total Group	5 534	5.8	5 230	11.6%	11.6%	639	5.6	605

FINANCIAL REVIEW



PROFIT FOR THE YEAR

Hudaco

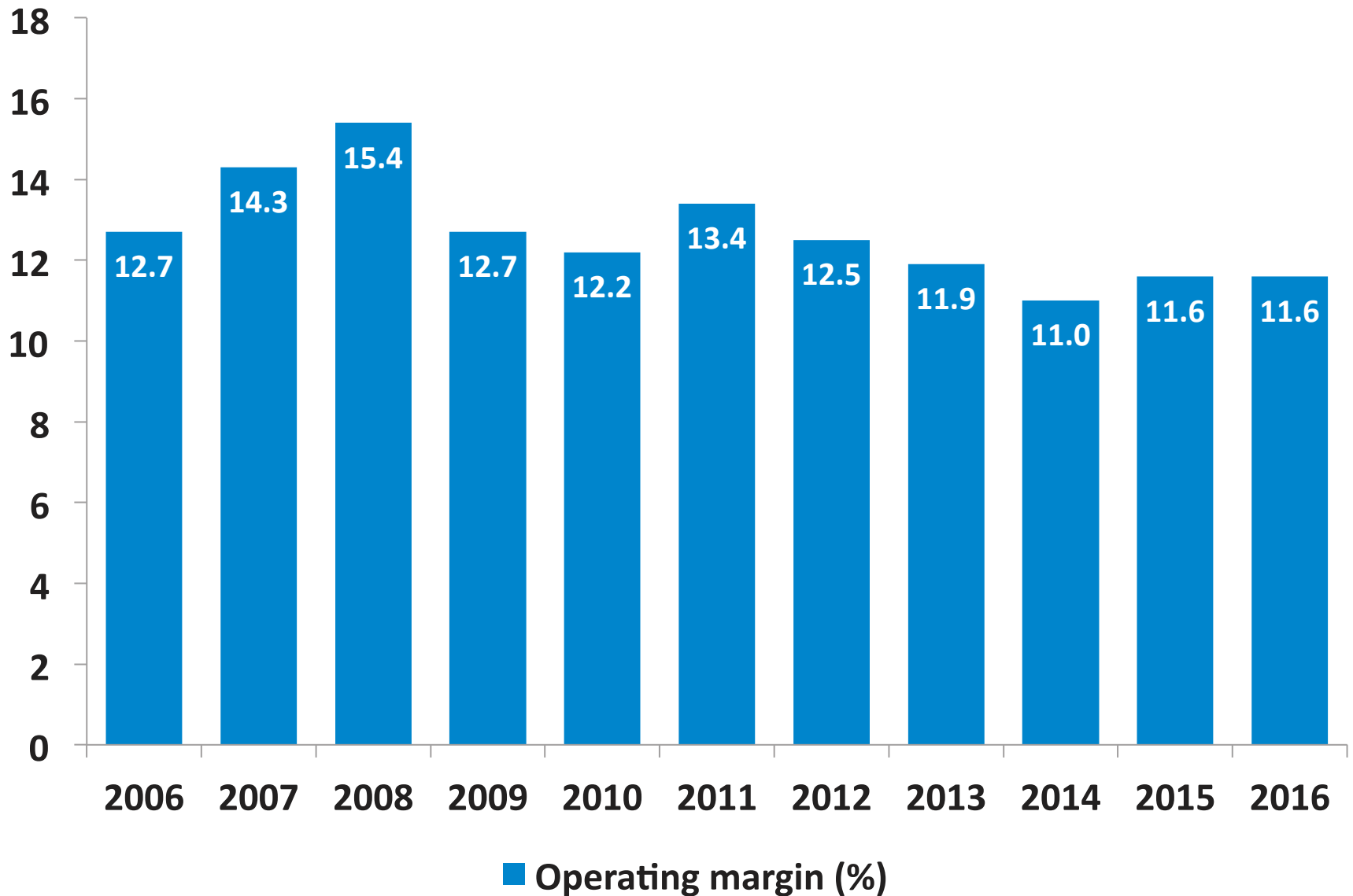
Rm	2016	% ch	2015
Turnover	5 534	5.8	5 230
- Ongoing operations	5 077	(2.7)	5 216
- New businesses	457		14
Gross profit	1 998	4.2	1 917
Operating expenses	1 359	3.6	1 312
Operating profit	639	5.6	605
- Ongoing operations	573	(5.2)	604
- New businesses	66		1

Margin (%)

Turnover	100.0	100.0
Gross Profit	36.1	36.7
Operating expenses	24.5	25.1
Operating profit	11.6	11.6

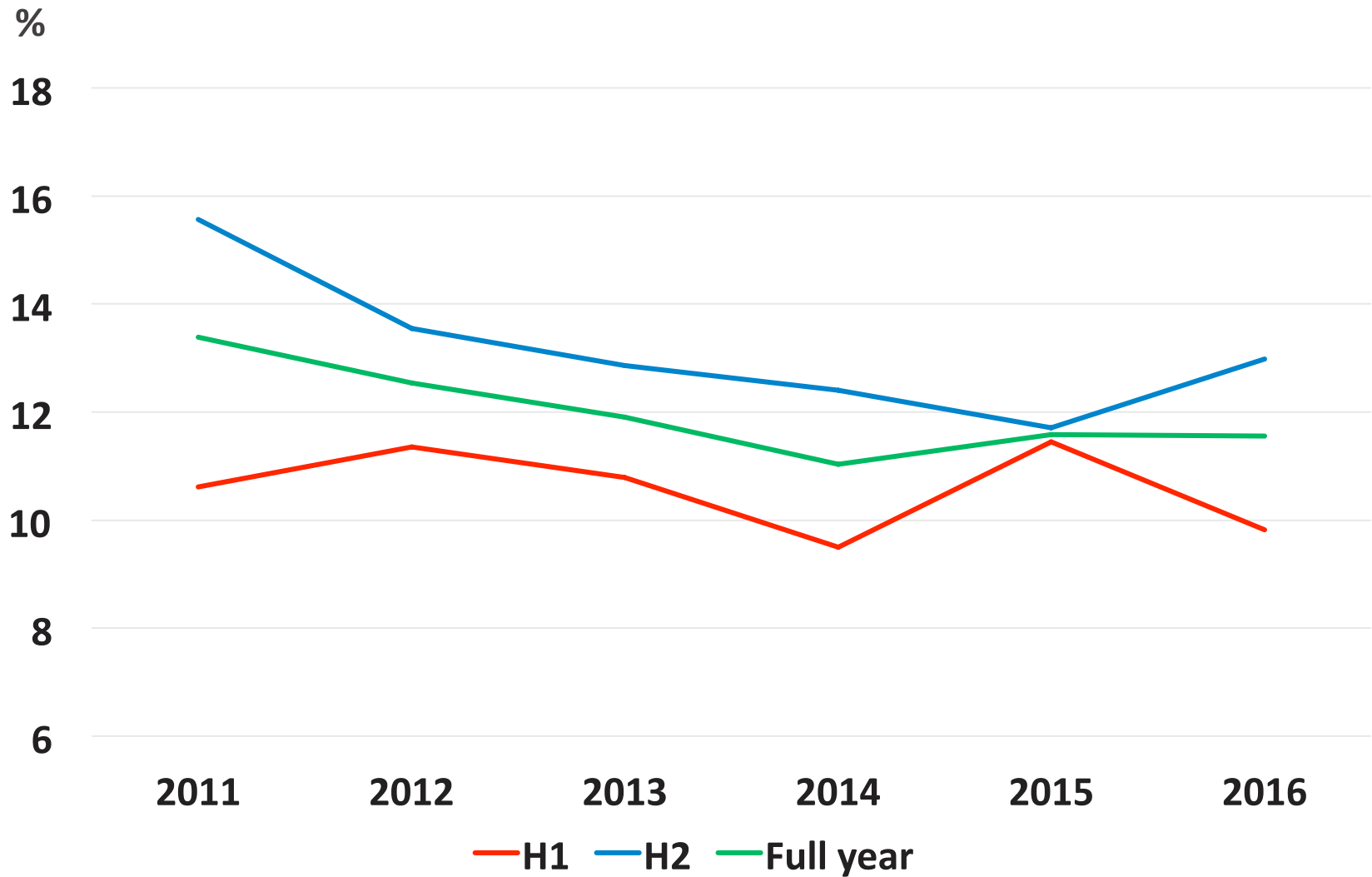
LONG TERM OPERATING MARGIN PERFORMANCE

Hudaco



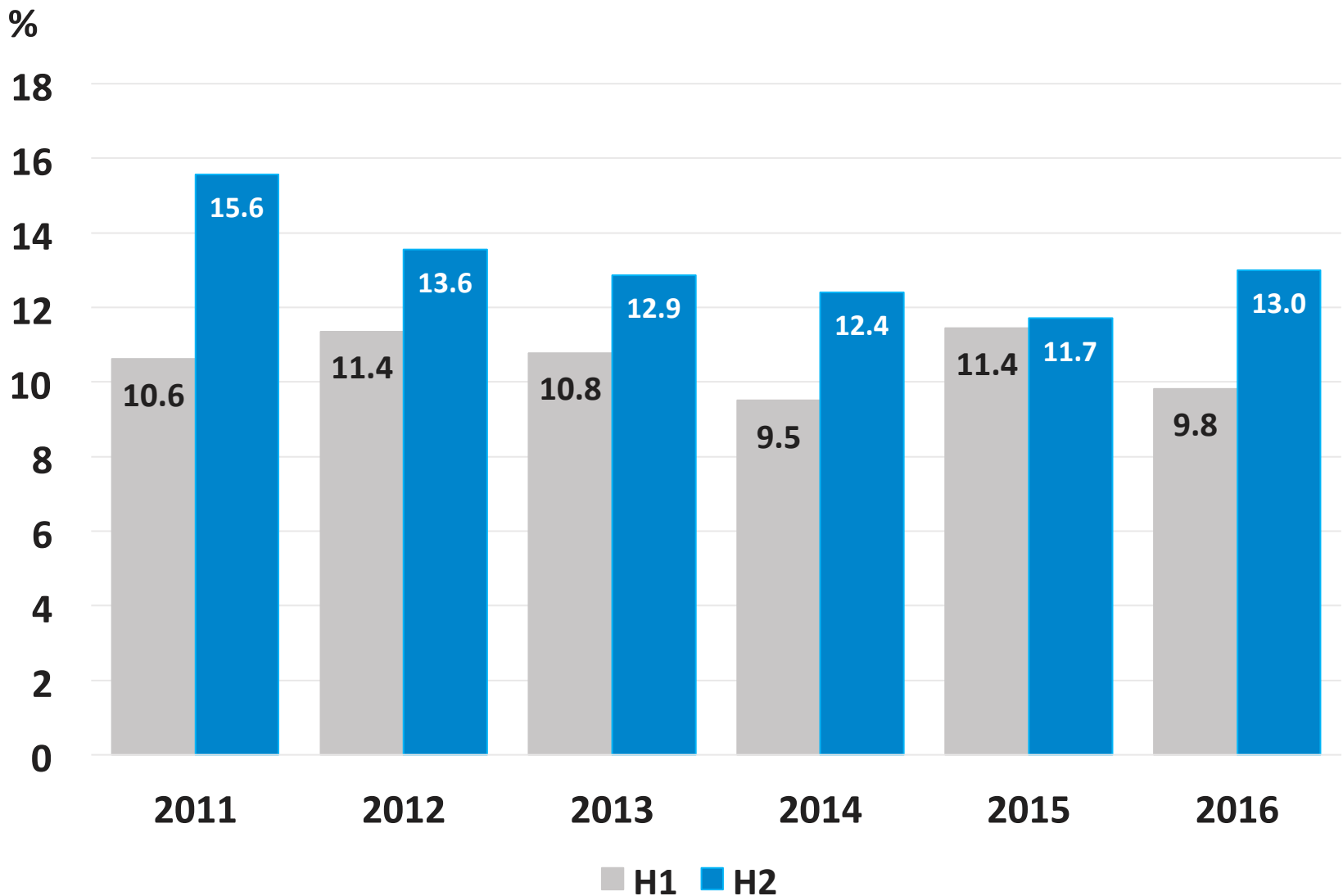
OPERATING MARGIN PER HALF YEAR

Hudaco



OPERATING MARGIN PER HALF YEAR

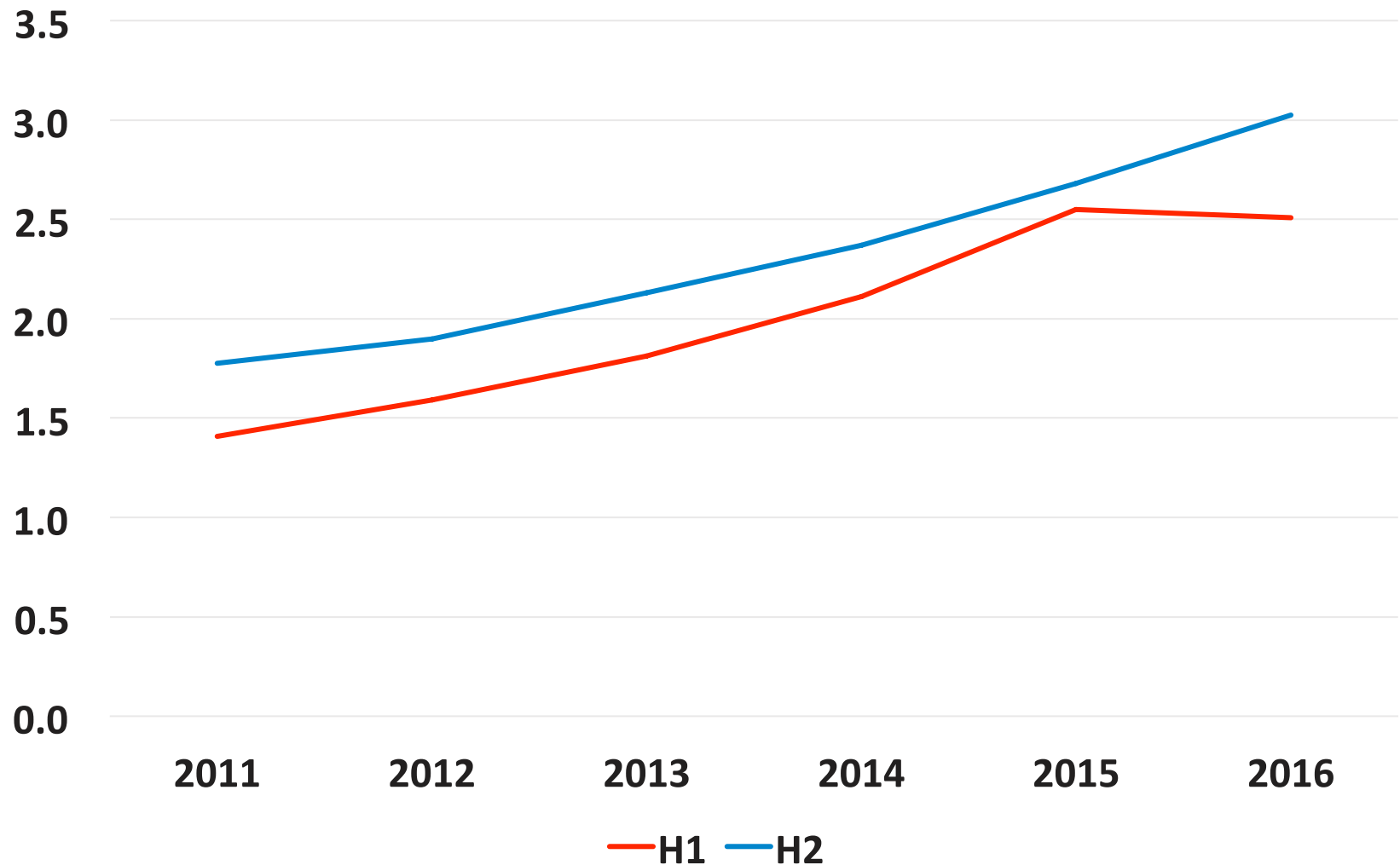
Hudaco



TURNOVER BY HALF YEAR

Hudaco

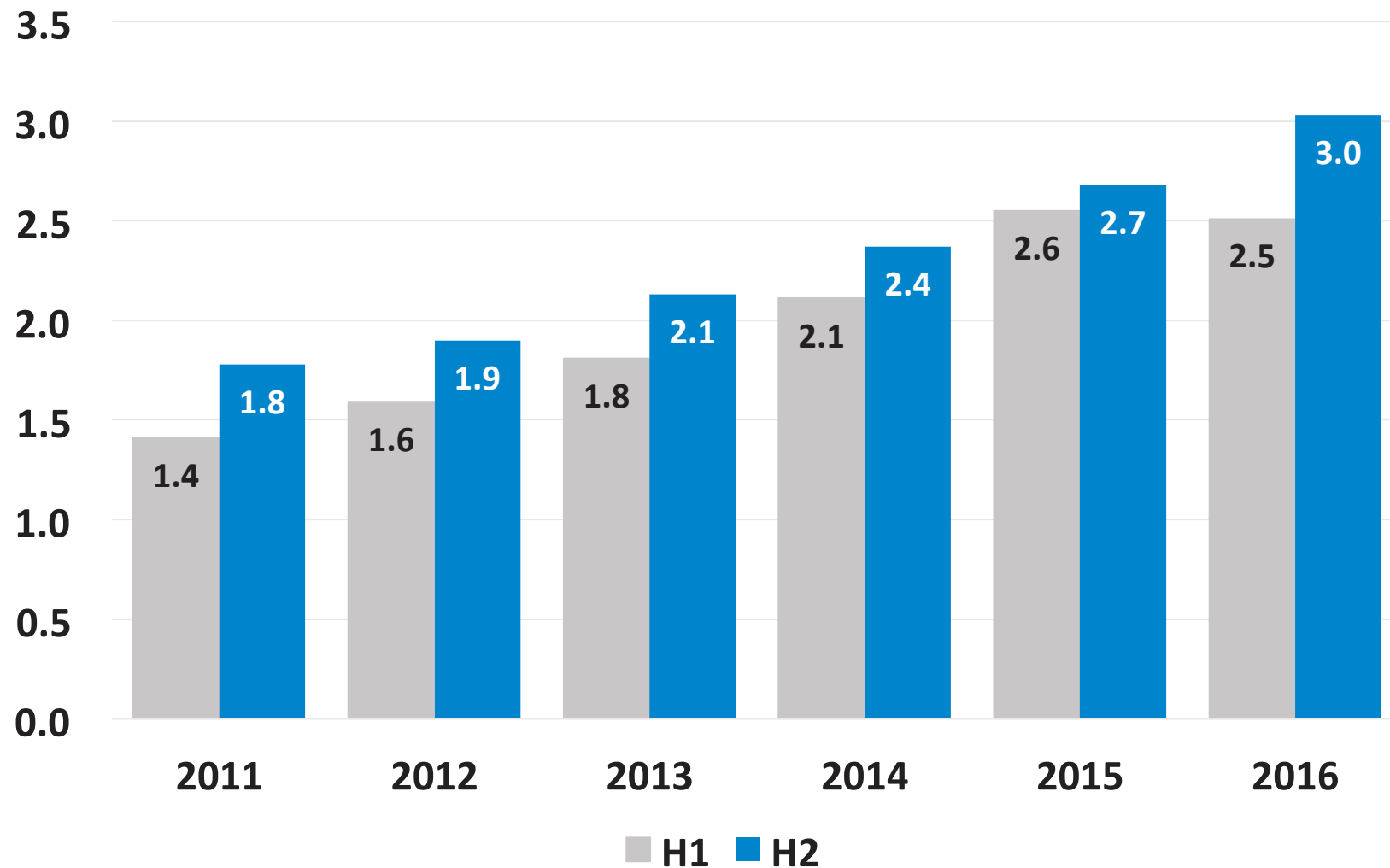
R Billion



TURNOVER BY HALF YEAR

Hudaco

R Billion



PROFIT FOR THE YEAR

Hudaco

Rm	2016	% ch	2015
Operating Profit	639	5.6	605
Fair value adjustment to amounts due to vendors	19		(2)
Net interest on funding	(87)		(73)
Interest paid to vendors (imputed)	(13)		(3)
Profit before taxation	558	5.7	527
Taxation (Rate 2016 : 27% 2015: 27%)	148		141
Profit after tax	410	6.3	386
Income from joint venture	3		3
Profit for the year	413		389
Non-controlling interest	(25)		(20)
Attributable earnings	388	5.3	369

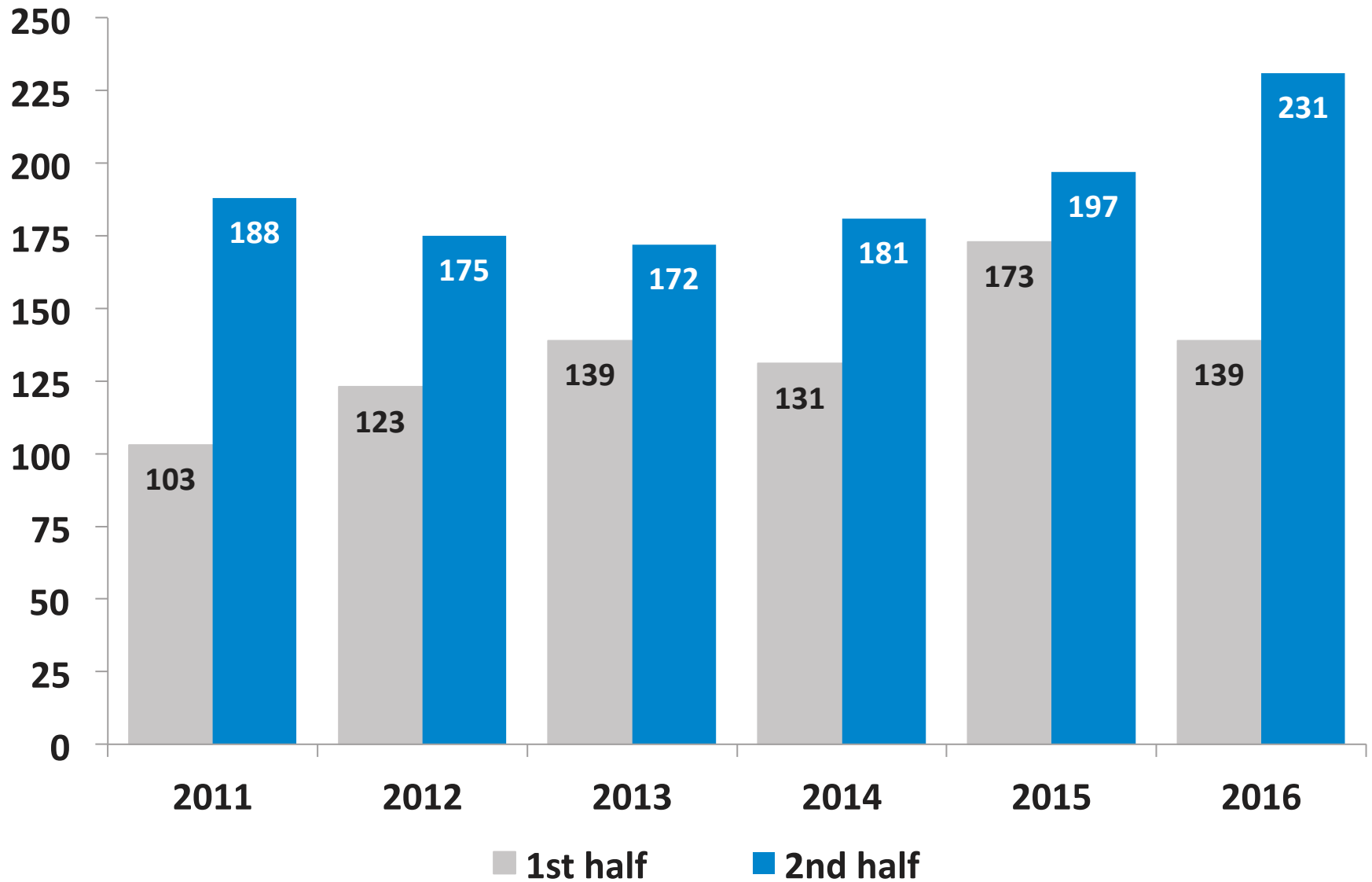
COMPARABLE EARNINGS FOR THE YEAR

Hudaco

Rm	2016	2015
Attributable earnings	388	369
Profit on PPE	(1)	(1)
Headline earnings	387	368
Fair value adjustment of vendor liability	(19)	2
Non-controlling interest	2	
Comparable earnings	370	370

COMPARABLE EARNINGS BY HALF YEAR

Hudaco



EARNINGS PER SHARE AND DIVIDENDS

Hudaco

Cents	2016	%	2015
Earnings per share			
Comparable eps	1 171	0.2	1 169
Basic eps	1 226	5.3	1 164
Headline eps	1 222	5.1	1 163
Dividends per share			
- Interim	170		180
- Final	355		345
Total	525		525
Dividend cover (times)			
	2.23		2.23

CASH FLOW FOR THE YEAR

Hudaco

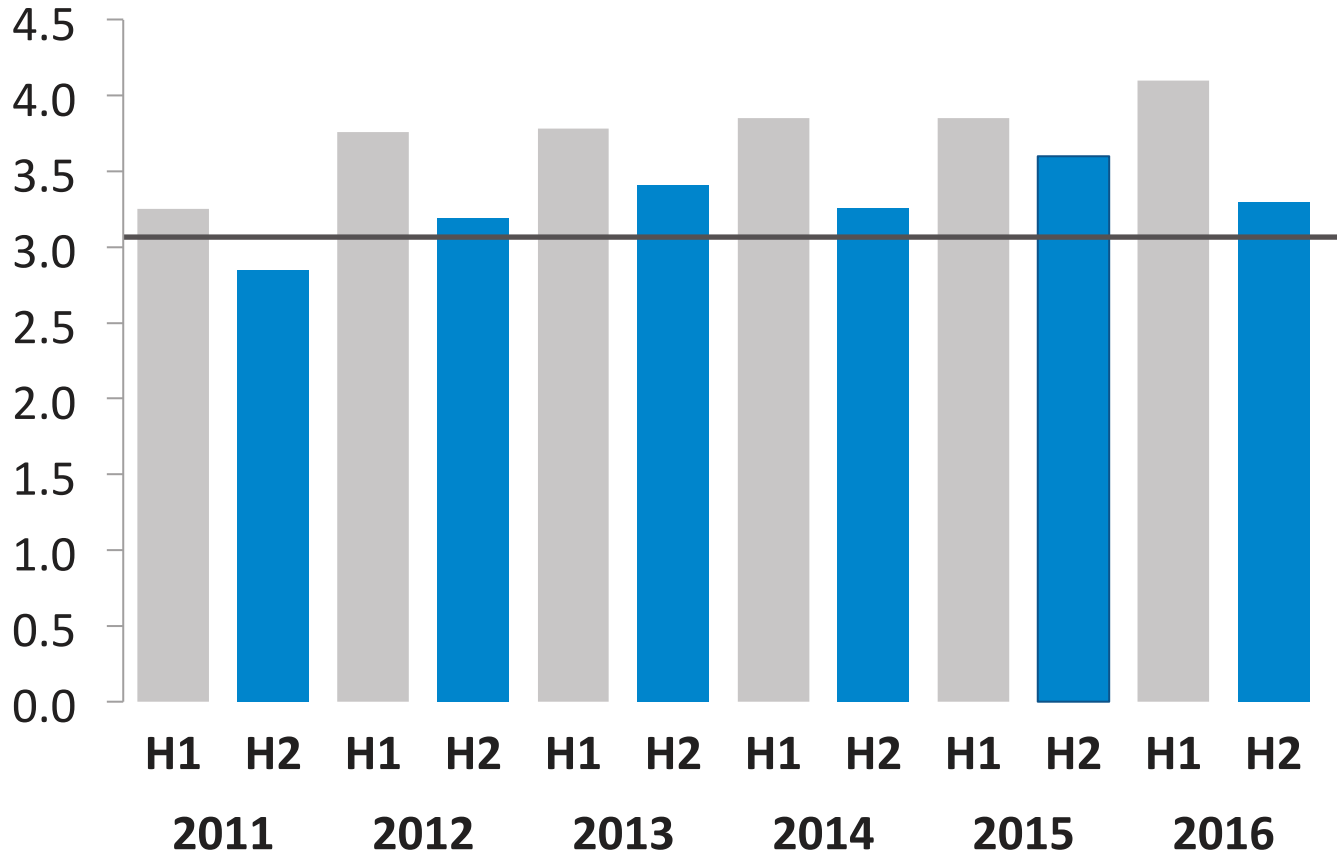
Rm	2016	%	2015
Cash from trading	708	8.4	653
Decrease (increase) in working capital	41		(157)
Cash from operations	749	51.0	496
Fair value adjustment of cash flow hedges & translation	(9)		4
Finance costs	(87)		(73)
Tax paid excluding tax settlement	(174)		(186)
Cash generated before tax settlement	479	98.8	241
Tax settlement			(192)
Cash generated after tax settlement	479		49
Dividends paid	(173)		(158)
Invested in new businesses and property, plant and equipment	(195)		(494)
Net movement	111		(603)
Opening borrowings	(1 016)		(413)
Closing borrowings	(905)		(1 016)

STATEMENT OF FINANCIAL POSITION

Hudaco

Rm	Nov 16	Nov 15
Working capital	1 656	1 595
Property, plant equipment	256	261
Goodwill and intangibles	1 311	1 070
Investment in joint venture	7	7
Tax	29	17
Net assets	3 259	2 950
Equity	2 130	1 895
Bank borrowings	905	1 016
Due to vendors	224	39
Total equity and liabilities	3 259	2 950

In months of sales



One month of sales:

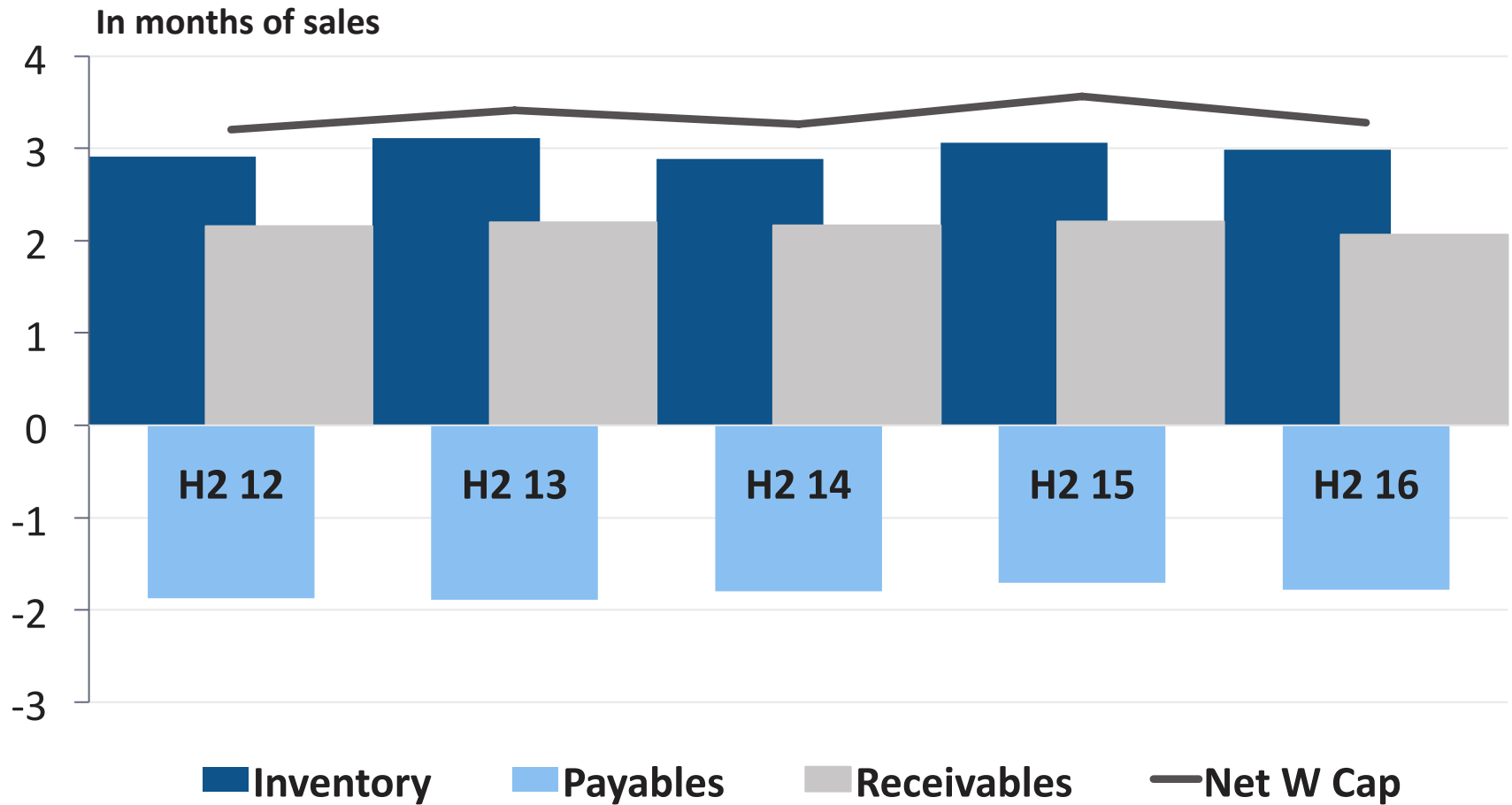
H2 2016 = R505m

H2 2015 = R447m

- Working capital traditionally peaks end of H1 to cope with anticipated increased seasonal demand in H2
- Sales generally split 45/55 between H1 and H2 (2016 : 45/55)

WORKING CAPITAL ELEMENTS

Hudaco



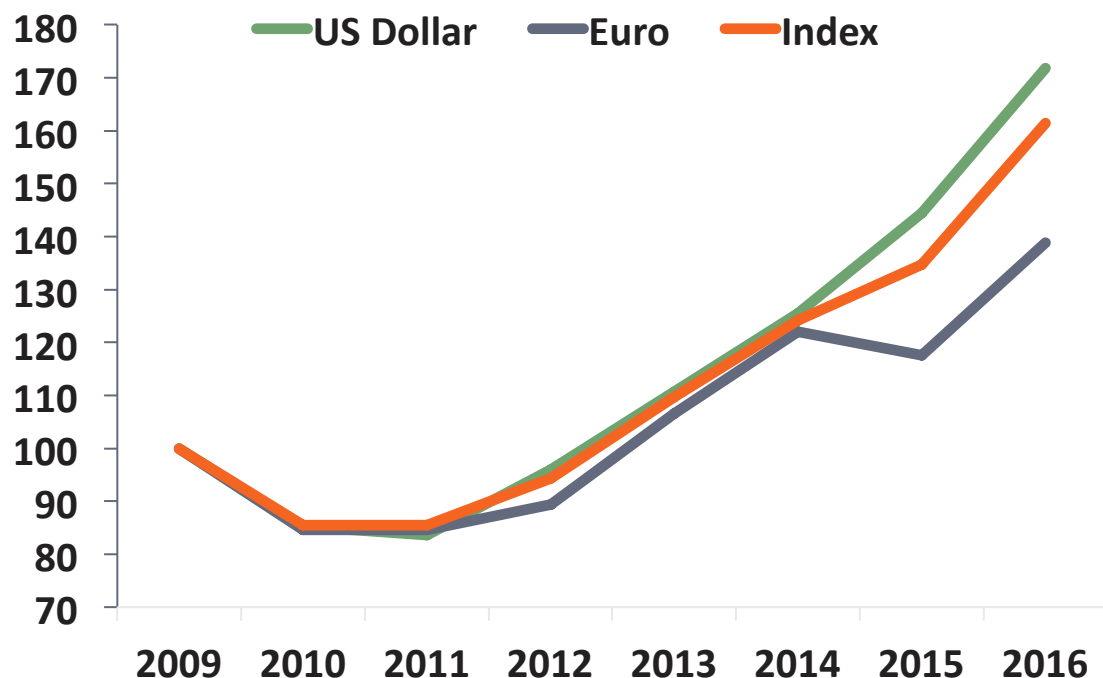
One month of sales:

H2 2016 = R505m

H2 2015 = R447m

EXCHANGE RATE ENVIRONMENT

Hudaco



- We import directly 65% of group cost of sales
- On average these cost 19% more in 2016 than 2015
- We do not take a house view on exchange rates
- We hedge all liabilities and 20% - 30% of orders

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

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

Ave rate	2009	2010	2011	2012	2013	2014	2015	2016		
								H1	H2	Year
USD	8.6	7.4	7.2	8.2	9.5	10.8	12.5	15.4	14.2	14.8
Euro	11.9	9.9	9.9	10.6	12.6	14.4	14.0	17.1	15.7	16.4
Index	82	69	69	77	88	100	109	135	125	130

- Businesses generate strong cash flows
- We continue to invest successfully in new businesses
- Using surplus cash to repay borrowings
- Exchange rate impacts working capital requirements
- Bank facilities are available
- Capacity remains for acquisitions
- Hudaco is resilient and the results are commendable

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
- Hudaco is a decentralised group that is made up of 30 separate businesses
- There are 20 businesses in our engineering consumables
- There are 10 businesses in our consumer-related products

Ceteris paribus, factors that should impact positively on 2017:

- We ended the year strongly and several businesses have come into the new year with much healthier order books;
- There are signs of improvement in certain sectors in which we operate;
- Mining and manufacturing are benefiting from strengthening in commodity prices;
- We are seeing relief from the crippling drought of the past two years; and
- The strengthening Rand should allow us to release cash from inventories;
- We have made high potential growth acquisitions in recent months.

Graham Dunford

Chief executive

Tel +27 11 657 5004

grahamd@hudaco.co.za

Clifford Amoils

Financial director

Tel +27 11 657 5002

camoils@hudaco.co.za

www.hudaco.co.za

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, as well as many other internal and external factors. Any of these factors may materially affect Hudaco's future business activities and financial results. None of the forward looking statements has been reported on by Hudaco's auditors.

Hudaco

RESULTS PRESENTATION

FOR THE YEAR ENDED 30 NOVEMBER 2016

