

Hudaco

RESULTS PRESENTATION

FOR THE YEAR ENDED 30 NOVEMBER 2017



- Overview
- The Hudaco business model
- Operating segments and acquisitions update
- Financial review
- Outlook

- Low business confidence (cabinet reshuffle, downgrades, state capture, corruption and unworkable new mining charter)
- Difficult economy - pleasing results
- Proven track record with acquisitions - manage them well
- Powder for more acquisitions
- Cash generation matches profit
- ROE well in excess of cost of capital
- Working capital have been well managed considering the volatility of the Rand
- Corporate structure straight forward
- Board changes - April 2018
 - Stephen Connelly - Chairman
 - Daisy Naidoo - Lead Independent Non-Executive

Turnover	↑ 7% to R5,9bn
Operating profit	↑ 6% to R676m
Comparable earnings	↑ 7% to 1 251 cps
Headline earnings	↑ 3% to 1 256 cps
Dividends per share	↑ 7% to 560 cps
Cash generated from operations	R 711m
Return on equity	19%

Market capitalisation @ R142 per share	R 4,5bn	
Free Float	100% - no control	
P:E ratio @ R142 (ceps)	11,4x	
Dividend yield @ R142	3,9%	
Annual Trade (to Nov)	2012	R 1 062m
	2013	R 1 496m
	2014	R 1 354m
	2015	R 2 007m
	2016	R 1 341m
	2017	R 1 224m

MAJOR SHAREHOLDERS / FUND MANAGERS

Hudaco

■ PSG Group Asset Management	14%
■ PIC/Govt Employees Pension Fund	10%
■ Prudential Portfolio Managers	7%
■ Melville Douglas	6%
■ Old Mutual Investment Group	6%
■ 36ONE Asset Management	4%
■ Foord Asset Management	4%
■ Sanlam Investment Management	4%
■ Nedgroup Investments	3%
■ Dunford Holdings	3%
	<hr/>
	61%
	<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
- Hudaco is heavily dependent on two important factors
 - South Africa's GDP growth rate (economy in recession for the part of the year)
 - Rand exchange rate (very volatile throughout the year)

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

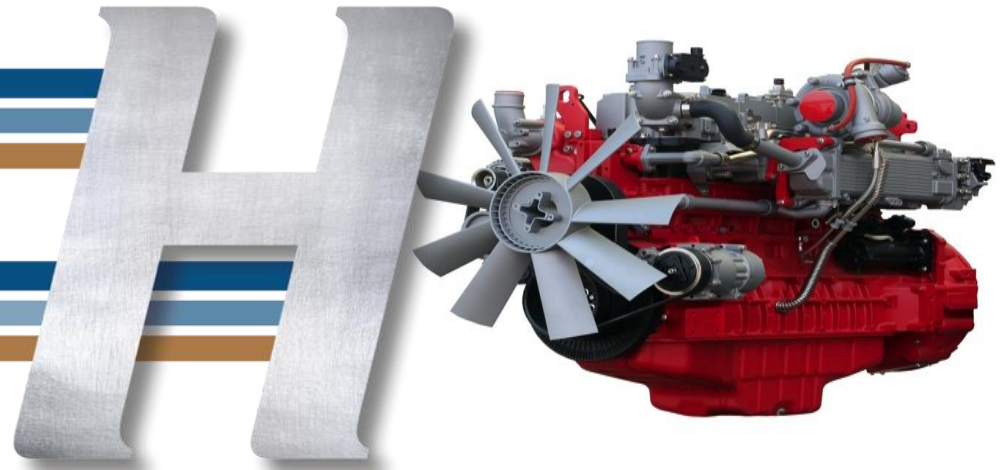
Inventory R1 538m in 36 warehouses:

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

Receivables R1 156m:

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

Consumer-related products (11 businesses)

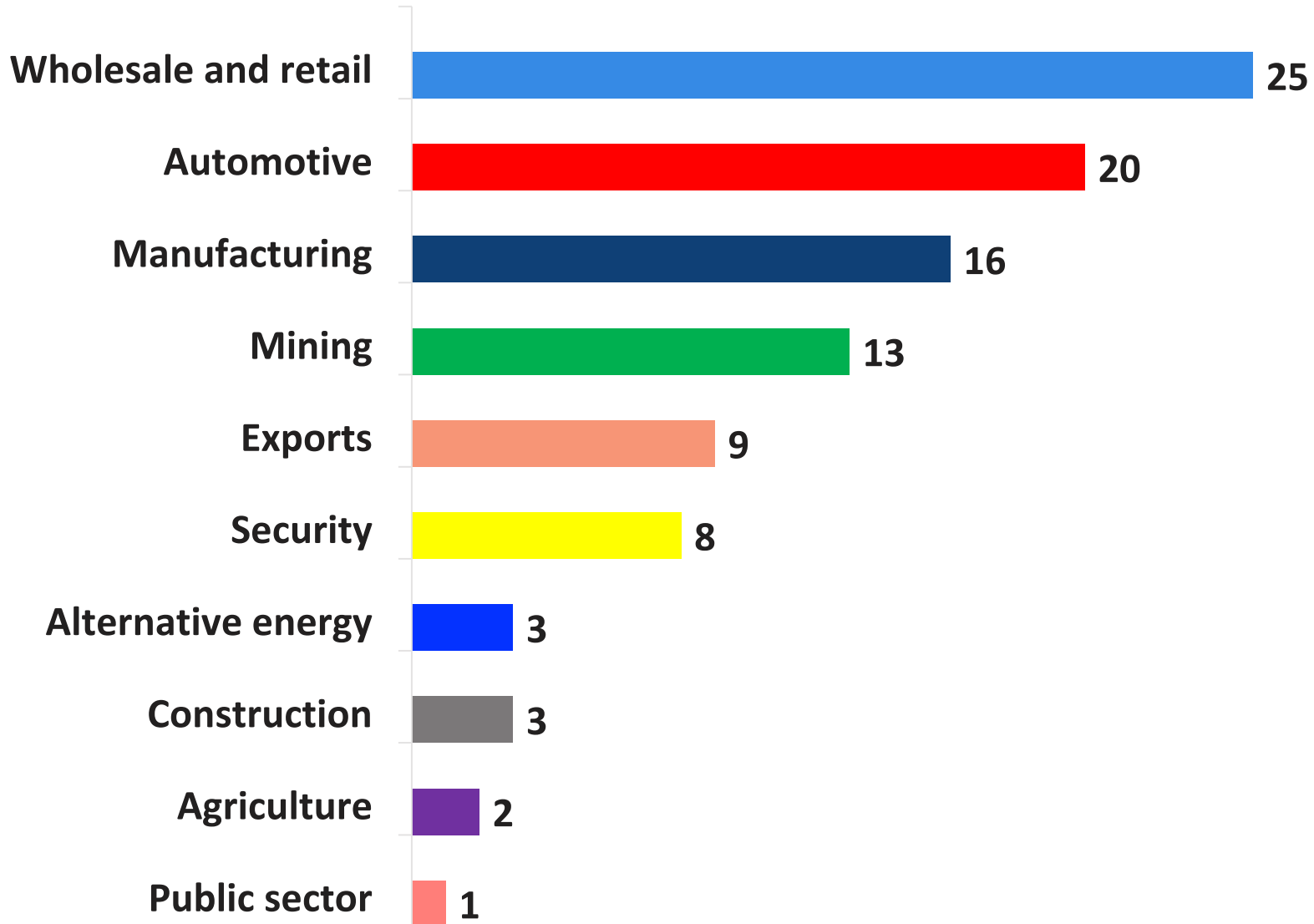
- Automotive aftermarket products
- Power tools
- Batteries
- Professional communication equipment
- Security equipment
- Data networking equipment

Engineering consumables (21 businesses)

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

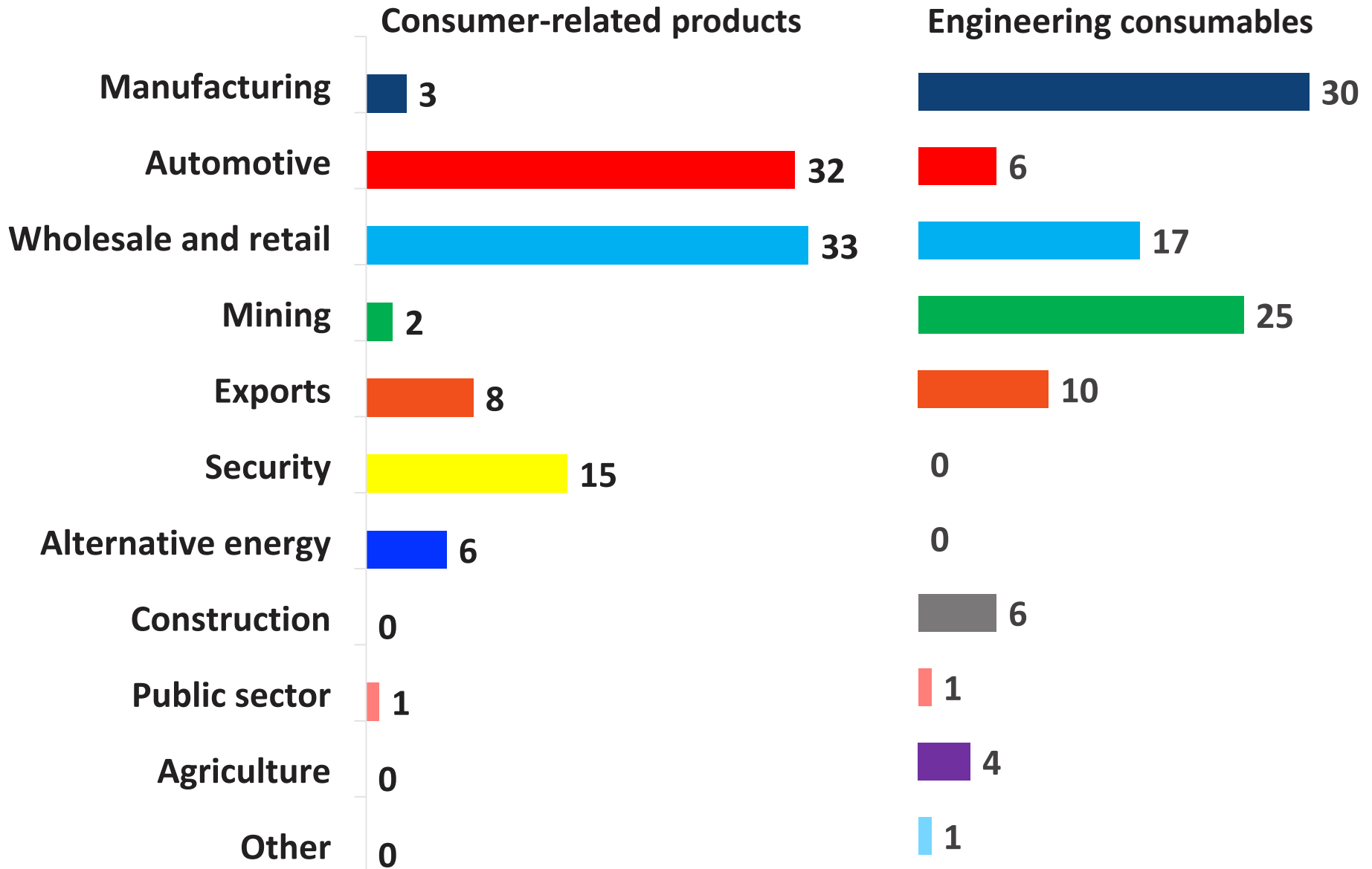
2017 SALES BY MARKET SECTOR (%)

Hudaco

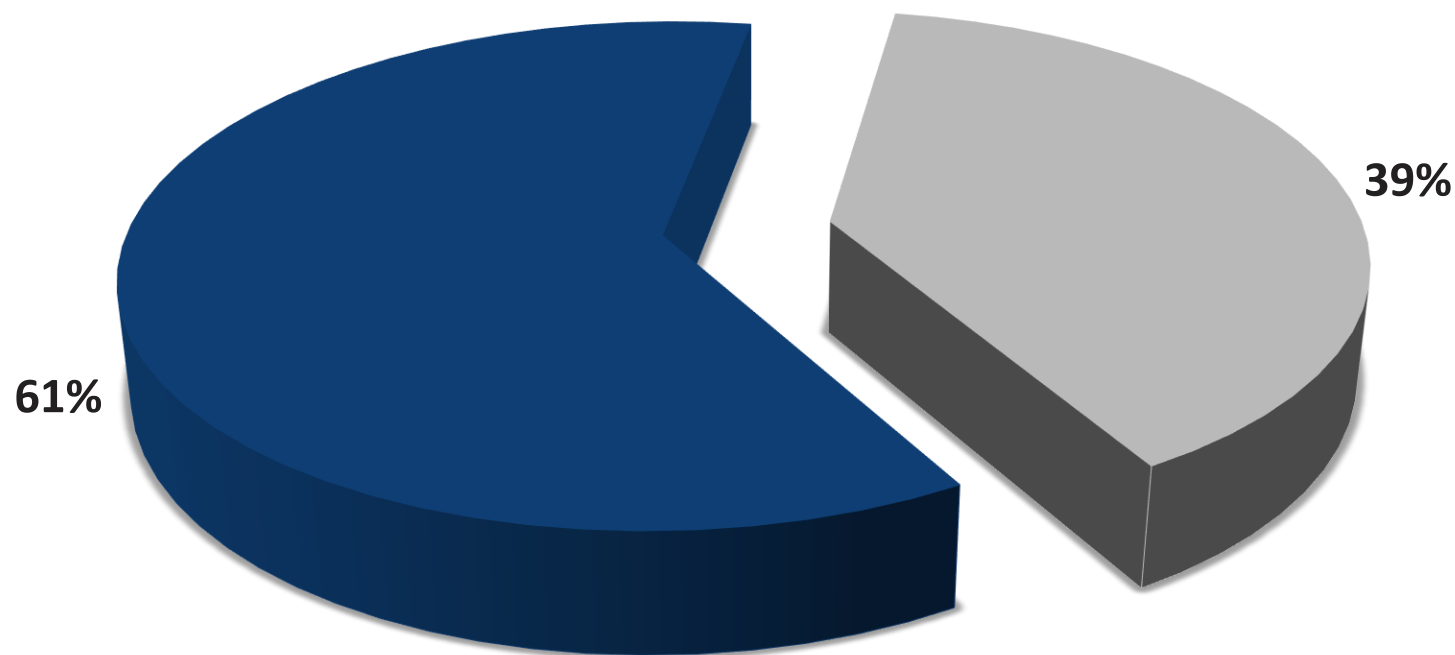


2017 SALES BY MARKET SECTOR (%)

Hudaco



Contribution to 2017 operating profit
(before shared services and head office)












■ Consumer-related products

■ Engineering consumables

CONSUMER-RELATED PRODUCTS

AUTOMOTIVE AFTERMARKET






Hudaco

Principal Businesses		Principal Brands	
 		      	
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> Automotive aftermarket Automotive parts and accessories Construction machinery Spares shops Wheel and tyre fitment centres 4x4 recreation 	<ul style="list-style-type: none"> Light duty clutch kits Ignition leads Truck clutch components Automotive oil seals Underbody spares replacement 4x4 suspension and accessories 	<ul style="list-style-type: none"> Scheafler-Luk ZF Sachs Huco OE vehicle distributors Tiger Wheel and Tyre ARB 	

CONSUMER-RELATED PRODUCTS

BATTERIES










Hudaco

Principal Businesses		Principal Brands	
  		      	
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> ■ UPS / standby batteries ■ Solar system ■ Security ■ Motor industry ■ Mining ■ Alternative energy ■ Surface motive power ■ Battery bays 	<ul style="list-style-type: none"> ■ Back-up power (UPS, inverters, alarms) ■ Solar systems ■ Generator starting ■ Motor vehicles ■ Underground locomotive traction ■ Energy load shifting ■ Materials handling ■ Distribution centres 	<ul style="list-style-type: none"> ■ First National Batteries (Metair) ■ Enertec ■ Willard Batteries ■ Dixon Batteries ■ Solar World ■ Ex-Solar 	

CONSUMER-RELATED PRODUCTS

DATA AND COMMUNICATION EQUIPMENT










Hudaco

Principal Businesses		Principal Brands	
   <p>telecoms our solutions. your success</p>		     	
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> ▪ Military and police ▪ Mining ▪ Municipal ▪ Security ▪ Transport ▪ Telecommunications operators ▪ Technology resellers ▪ Wireless, internet, fibre service providers 	<ul style="list-style-type: none"> ▪ Mobile communication ▪ Control centres ▪ Personal communication ▪ Residential/commercial telephony ▪ Data solutions ▪ Network infrastructure ▪ Outdoor wireless network ▪ Wi-Fi access networks ▪ Fibre optic networks 	<ul style="list-style-type: none"> ▪ Motorola ▪ Hytera ▪ Icom ▪ Cisco ▪ Huawei ▪ D-Link ▪ Duxburg Networking ▪ Scoop distribution ▪ Corex 	

CONSUMER-RELATED PRODUCTS

POWER TOOLS












Hudaco

Principal Businesses		Principal Brands	
   		    	
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> Construction Mining D.I.Y Agriculture Recreational boating Commercial marine Manufacturing 	<ul style="list-style-type: none"> Building Installations D.I.Y. Propulsion of boats Fastening in all industries Surveying 	<ul style="list-style-type: none"> Bosch Yamaha Suzuki National Socket Screws Trimble 	

CONSUMER-RELATED PRODUCTS

SECURITY EQUIPMENT














Hudaco

Principal Businesses		Principal Brands	
  		       	
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> Residential security Commercial security Project consultants Systems integrators 	<ul style="list-style-type: none"> Intrusion detection Video surveillance Access control Perimeter detection Fire detection Data storage Building management systems Intelligent video analysis 	<ul style="list-style-type: none"> IDS Regal ADI Pinsec 	

ENGINEERING CONSUMABLES

BEARINGS AND DIESEL ENGINES



Hudaco

Principal Businesses		Principal Brands	
 		          	
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> ■ Mining ■ Construction ■ Power generation ■ General industry ■ Automotive OEM's ■ Manufacturing 	<ul style="list-style-type: none"> ■ Mining equipment ■ Construction equipment ■ Generator sets ■ General machinery and equipment ■ Maintenance ■ OE supply 	<ul style="list-style-type: none"> ■ Cummins ■ Volvo ■ Mercedes ■ Perkins ■ Caterpillar ■ SKF ■ BMG 	

ENGINEERING CONSUMABLES

ELECTRICAL POWER TRANSMISSION

Hudaco












Principal Businesses	Principal Brands
 <p>THE CABLE ACCESSORY COMPANY</p>    	     <p><small>© DELACHAUX GROUP</small></p>

Main Markets	Used for	Competitors
<ul style="list-style-type: none"> ■ Mining ■ Wholesale and retail ■ Materials handling ■ Steel industry ■ Ports ■ Manufacturing ■ Automotive ■ Aviation ■ Agriculture 	<ul style="list-style-type: none"> ■ Electrification of mobile machinery ■ Connection of electrical power in industry ■ Maintenance and repairs ■ Electrical panel building ■ Motor vehicle repairs ■ Power stations ■ Automation and control of electric motors 	<ul style="list-style-type: none"> ■ Aberdare Cables ■ Helukabel ■ Alvern Cables ■ Hellerman Tyton ■ Stone Stamcor ■ Prately ■ AC/DC ■ Zest ■ Siemens ■ Rockwell Automation

ENGINEERING CONSUMABLES

MECHANICAL POWER TRANSMISSION



Hudaco

Principal Businesses		Principal Brands	
     <p>JOSEPH GRIEVESON EST 1915 SUPPLIERS OF FERROUS AND NON-FERROUS CASTINGS</p> 		    	
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> ▪ Mining ▪ General manufacturing ▪ Earthmoving equipment ▪ Opencast mining ▪ Construction ▪ On and off road trucks ▪ Agri equipment ▪ Food processing ▪ Sugar industry ▪ Tobacco industry 	<ul style="list-style-type: none"> ▪ Materials handling ▪ Fabrication ▪ Conveyor systems ▪ Oil, air, fuel and hydraulic filtration ▪ Industrial air filtration ▪ Process control and measurement ▪ Aerators and mixing 	<ul style="list-style-type: none"> ▪ Lorbrand ▪ CPM ▪ CIS Engineering ▪ Fleetguard ▪ Baldwin ▪ Truco ▪ Chick Henderson ▪ SEW ▪ BMG ▪ Flender 	

ENGINEERING CONSUMABLES

OTHER

Hudaco

Principal Businesses		Principal Brands	
			
Main Markets	Used for	Competitors	
<ul style="list-style-type: none"> Industrial Manufacturing Marine and forestry Food processing plants Irrigation Mining Sewage reticulation Plastic molding Pressure vessels Road tankers 	<ul style="list-style-type: none"> Industrial automation Process automation Condensate drain management Plastic moulds Gears Petro-chemical plants Breweries Mining equipment Fluid conveyance & control 	<ul style="list-style-type: none"> Festo Pneumax Inclendon Parker Hannifin Bohler Uddeholm Steel merchants BMG Hytec Georg Fischer (Alprene) Marley 	

- Many businesses across many sectors
- Many products in many industries
- Diversification reduces risk
- Decentralised focused management - specialists
- Control and accountability
- Key performance drivers

Successful bolt-ons and acquisitions in stronger economic sectors are continuing to diversify our revenue base

2016

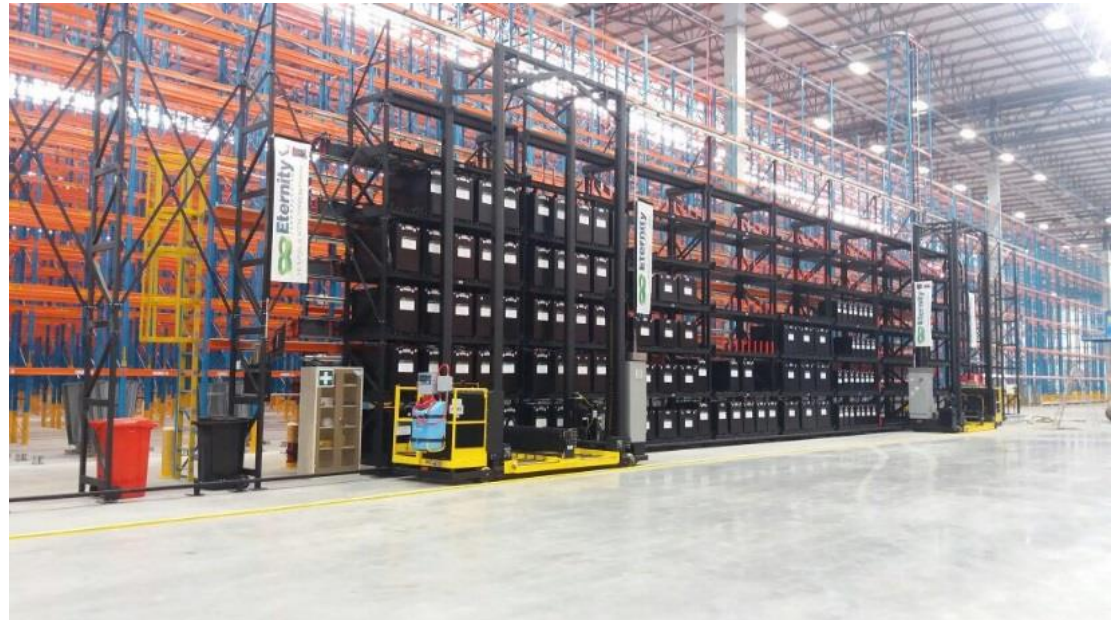
- HERS
- All-Trade
- MiRO
- Brewtech Engineering

2017

- The Dished End Company
- Eternity Technologies
- Gear Pump Distributors – UK
- SS Telecoms
- Commercial ICT

Eternity Technologies

- Supply of batteries, high frequency chargers and related battery equipment to the traction battery market.
- They also design, build and manage battery bays for warehouse and distribution centres.
- Estimated price R200m
- 3 year earn-out



The Dished End Company

- Manufacture of dished and flange ends, pressing and flanging of small conical sections, push thru's and weld caps normally for cylinders and pressure vessels
- Estimated price R71m
- 3 year earn-out



SEGMENT RESULTS – CONSUMER-RELATED PRODUCTS

Hudaco

Rm	Turnover			Op Margin		Operating Profit		
	2017	% ch	2016	2017	2016	2017	% ch	2016
Ongoing operations	2 434	(4,6)	2 553	14,7%	14.6%	357	(4,0)	372
New businesses	617		249	11,5%	13.3%	71		33
Segment total	3 051	8,9	2 802	14,0%	14.5%	428	5,7	405

- Excellent year in power tool sales - up after issuance of authority letters for Makita MT series
- The demand for spares and accessories in our automotive businesses continued to grow
- MiRO's sales of wireless connectivity products continued to grow
- Security and communications businesses both well down with no projects
- Rutherford relocated to bigger and better premises

City Deep Industrial Park, Johannesburg

m ²	New	Old
Warehousing	10 000	6 120
Offices	2 500	1 680



- Racking to 7.5m
- Capacity is 3 times old warehouse
- Room for expansion and/or acquisitions

RUTHERFORD : NEW PREMISES

Hudaco



SEGMENT RESULTS – ENGINEERING CONSUMABLES

Hudaco

Rm	Turnover			Op Margin		Operating Profit		
	2017	% ch	2016	2017	2016	2017	% ch	2016
Ongoing operations	2 780	2,7	2 706	9,3%	9,1%	258	4,5	247
New businesses	81		33	17,3%	24,2%	14		8
Segment total	2 861	4,5	2 739	9,5%	9,3%	272	6,8	255

- Electrical side of the business showed growth from mining and projects
- Improved performances from businesses supplying belting, hydraulics and castings
- GPM (gear pumps) export sales to America and UK well up
- Dished Ends business integrated and performing to expectations
- FHS, our filter business, had a very good year

SEGMENT RESULTS 2017

Hudaco

Rm	Turnover			Op Margin		Operating Profit		
	2017	% ch	2016	2017	2016	2017	% ch	2016
Consumer-related products	3 051	8,9	2 802	14,0%	14.5%	428	5,7	405
Engineering consumables	2 861	4,5	2 739	9,5%	9.3%	272	6,8	255
Head office, shared services & eliminations	(10)		(7)			(24)		(21)
Total Group	5 902	6,6	5 534	11,5%	11.6%	676	5,7	639

FINANCIAL REVIEW



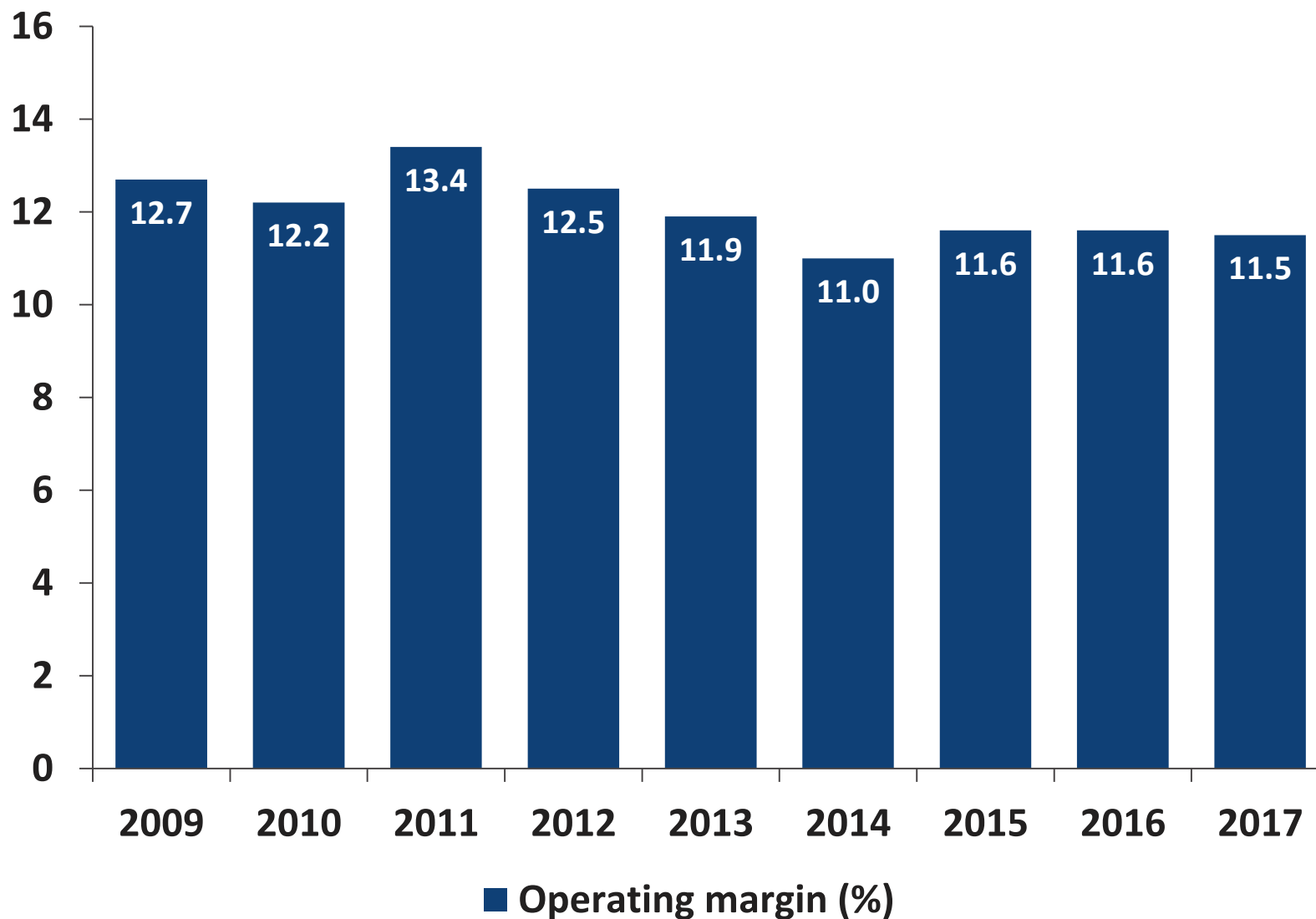
PROFIT FOR THE YEAR

Hudaco

Rm	2017	% ch	2016
Turnover	5 902	6,6	5 534
- Ongoing operations	5 204	(0,9)	5 252
- New businesses	698		282
Gross profit	2 198	10,0	1 998
Operating expenses	1 522	12,0	1 359
- Ongoing operations	1 395	6,0	1 315
- New businesses	127		44
Operating profit	676	5,7	639
- Ongoing operations	591	(1,2)	598
- New businesses	85		41
Margin (%)			
Turnover	100,0		100,0
Gross Profit	37,2		36,1
Operating expenses	25,7		24,5
Operating profit	11,5		11,6

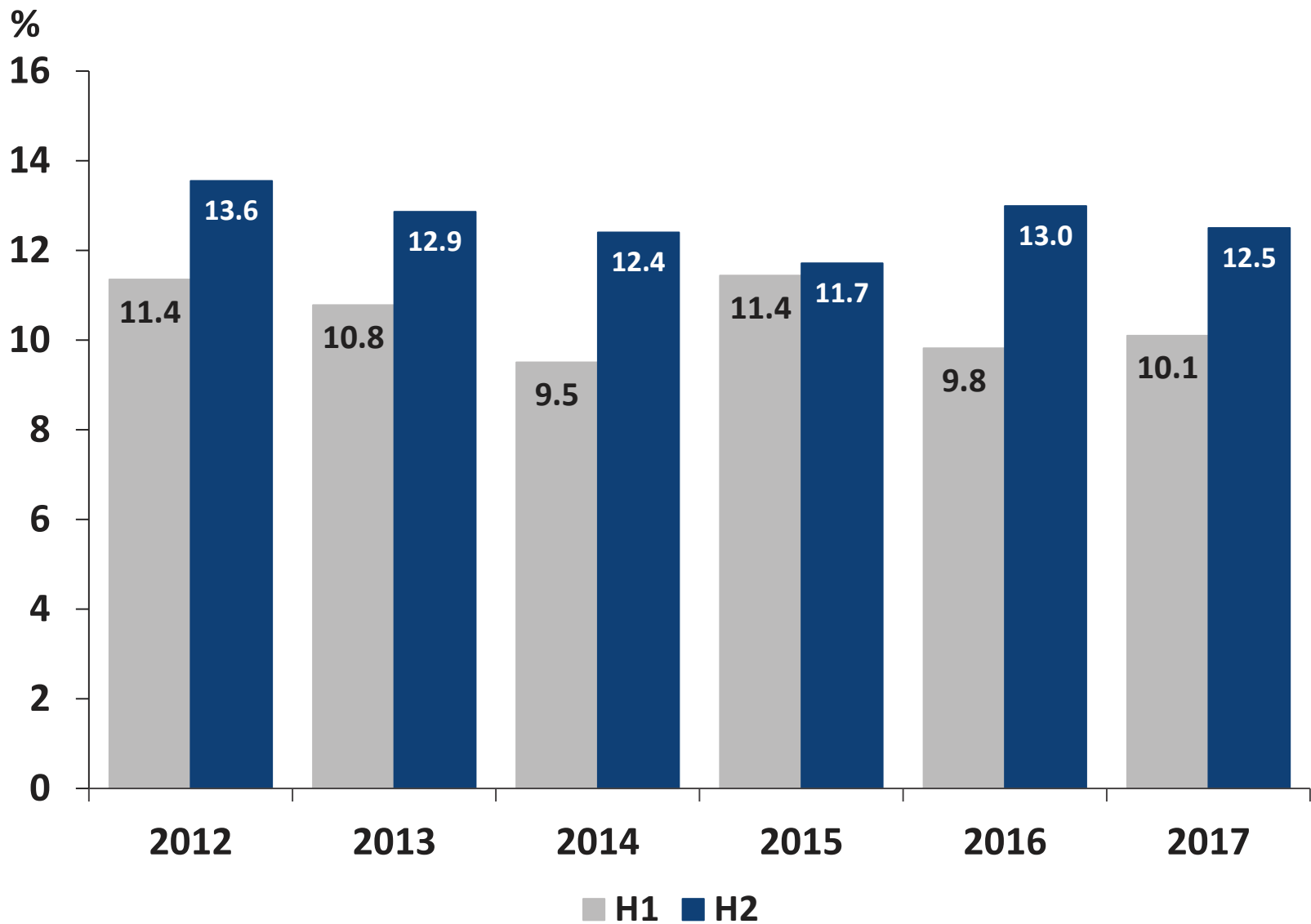
LONG-TERM OPERATING MARGIN PERFORMANCE

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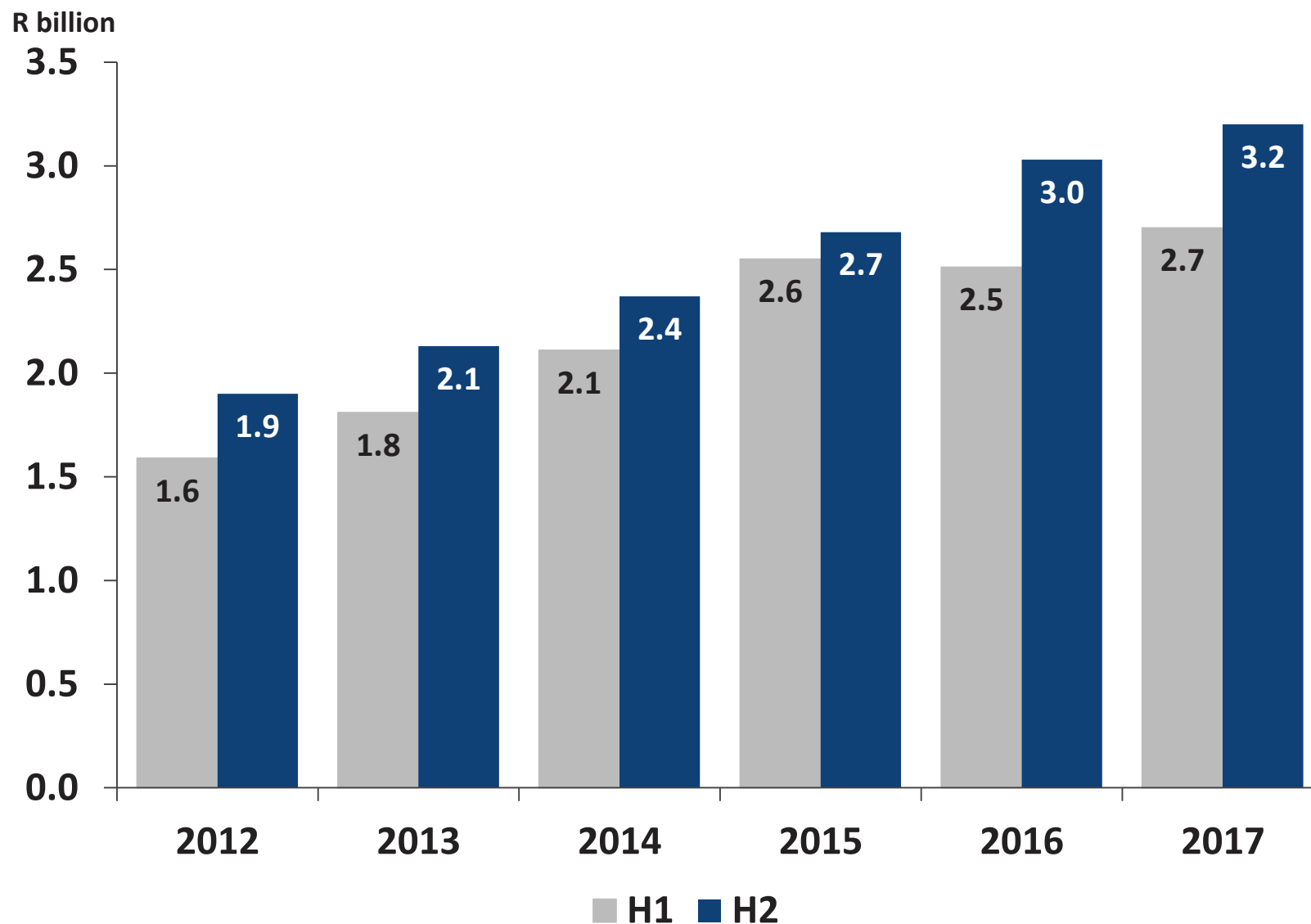
OPERATING MARGIN BY HALF YEAR

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TURNOVER BY HALF YEAR

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PROFIT FOR THE YEAR

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Rm	2017	% ch	2016
Operating profit	676	5,7	639
Fair value adjustment to amounts due to vendors	2		19
Net interest on funding	(81)		(87)
Interest paid to vendors (imputed)	(22)		(13)
Profit before taxation	575	3,0	558
Taxation (Rate 2017:27% 2016:27%)	156		148
Profit after tax	419	2,0	410
Income from joint venture	3		3
Profit for the year	422	2,2	413
Non-controlling interest	(25)		(25)
Attributable earnings	397	2,3	388

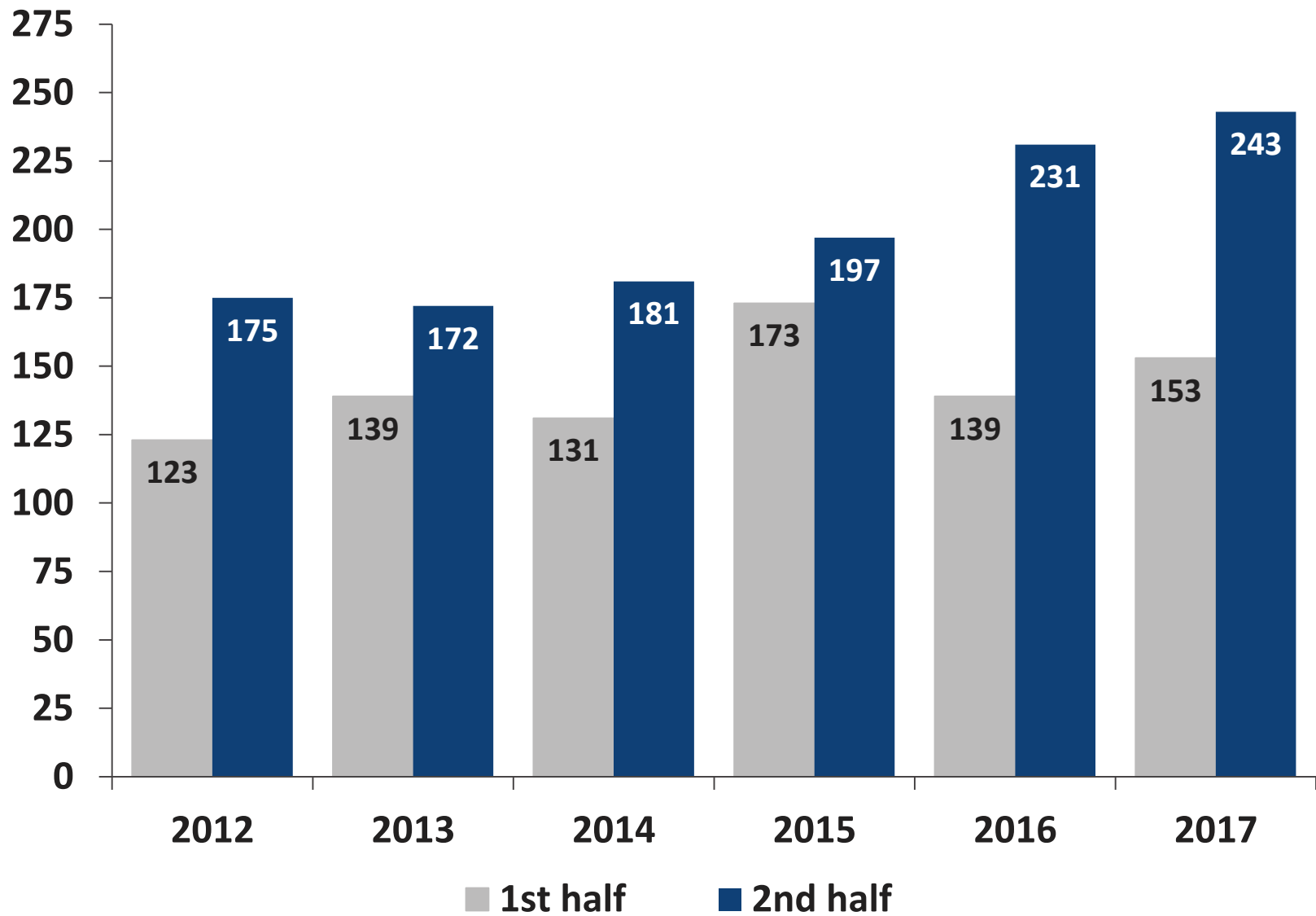
COMPARABLE EARNINGS FOR THE YEAR

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Rm	2017	% ch	2016
Attributable earnings	397	2,3	388
Loss (profit) on disposal of PPE	1		(1)
Headline earnings	398	2,8	387
Fair value adjustment of vendor liability	(2)		(19)
Non-controlling interest			2
Comparable earnings	396	6,8	370

COMPARABLE EARNINGS BY HALF YEAR

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EARNINGS PER SHARE AND DIVIDENDS

Hudaco

Cents	2017	% ch	2016
Earnings per share			
Comparable	1 251	6,8	1 171
Basic	1 254	2,3	1 226
Headline	1 256	2,8	1 222
Dividends per share			
- Interim	180		170
- Final	380		355
Total	560	6,7	525
Dividend cover (times) for the year			
	2,23		2,23

CASH FLOW FOR THE YEAR

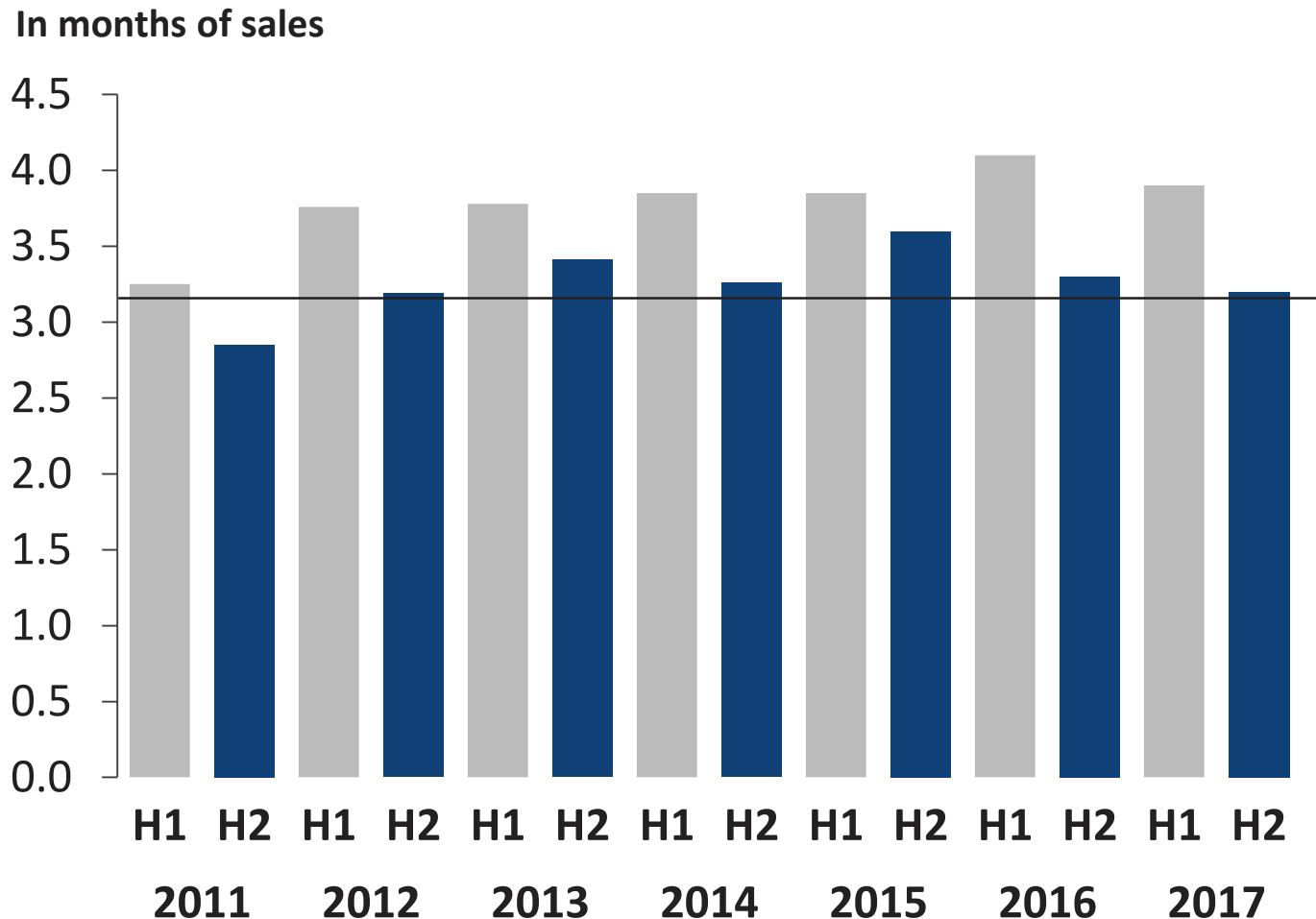
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Rm	2017	% ch	2016
Cash from trading	772	8,4	712
Increase in working capital	(61)		34
Cash from operations	711	(5,6)	746
Finance costs	(81)		(87)
Tax paid	(131)		(174)
Cash generated after tax	499	2,9	485
Share-based payments	(16)		(5)
Dividends paid	(177)		(173)
Invested in new businesses and property, plant and equipment	(257)		(195)
Net movement	49		112
Foreign translation loss	(4)		(1)
Opening borrowings	(905)		(1 016)
Closing borrowings	(860)		(905)

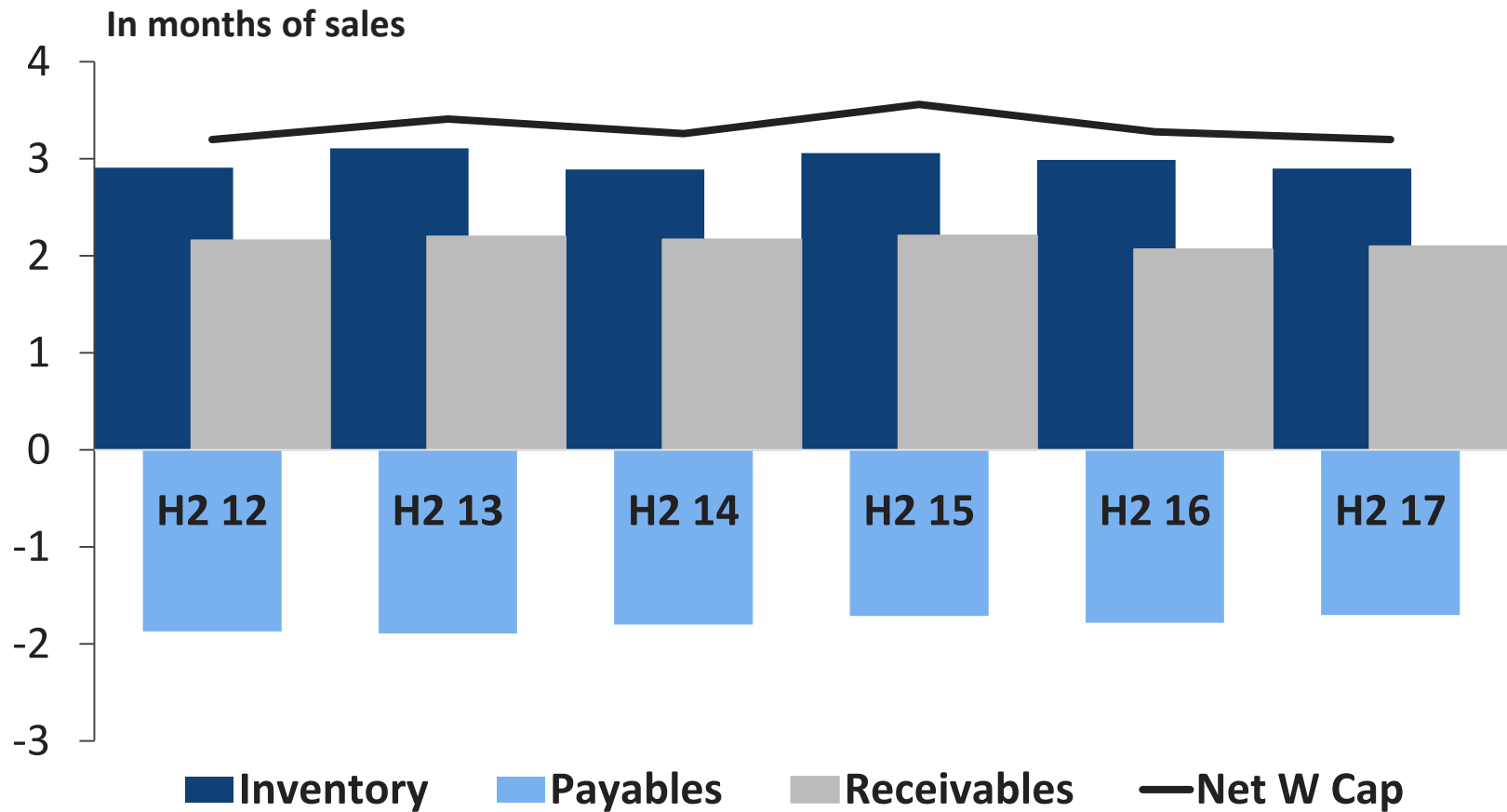
STATEMENT OF FINANCIAL POSITION

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Rm	Nov 17	Nov 16
Working capital	1 751	1 656
Property, plant equipment	270	256
Goodwill and intangibles	1 550	1 311
Investment in joint venture	9	7
Tax		29
Net assets	3 580	3 259
Equity	2 376	2 130
Bank borrowings	860	905
Due to vendors	331	224
Tax	13	
Total equity and liabilities	3 580	3 259



- 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 (2017: 45/55)



One month of sales:

H2 2015 = R447m H2 2016 = R505m H2 2017 = R539m

- We import directly 65% of group cost of sales
- On average these cost 10% less in 2017 than 2016
- We do not take a house view on exchange rates
- We hedge all liabilities and 20% - 30% of orders

Import currencies:

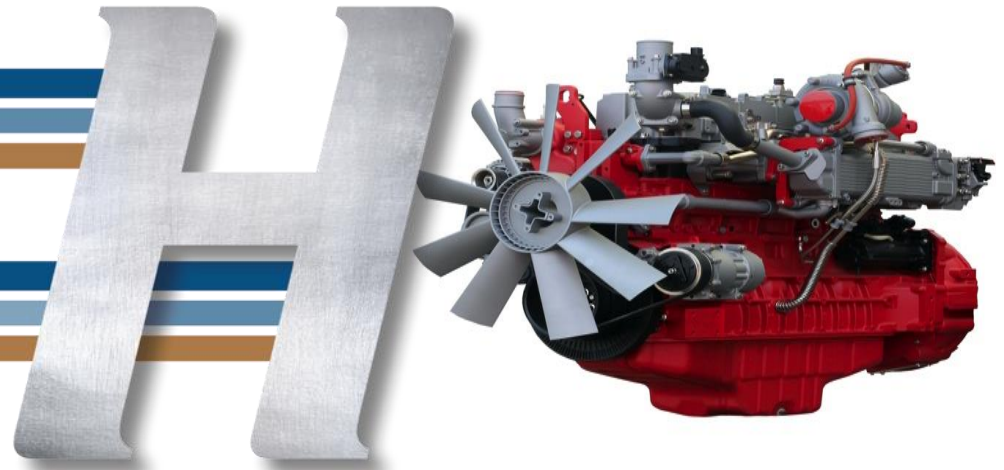
- USD* 66%
- Euro 25%
- Yen 7%
- GBP 2%

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

Ave rate	2010	2011	2012	2013	2014	2015	2016	2017		
								H1	H2	Year
USD	7,4	7,2	8,2	9,5	10,8	12,5	14,8	13,4	13,4	13,4
Euro	9,9	9,9	10,6	12,6	14,4	14,0	16,4	14,3	15,6	15,0
Index	53	53	59	67	77	84	100	89	91	90

- Existing 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 in tough times
- Existing businesses are poised to benefit from any economic revival

OUTLOOK



- Hudaco sales are predominantly driven by GDP activity
- Any 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 32 separate businesses
- There are 21 businesses in our engineering consumables
- There are 11 businesses in our consumer-related products

Factors that should impact positively on 2018:

- The year has started off in a much more positive vein with consumer and business confidence increasing
- There are signs of improvement in certain sectors in which we operate
- Mining and manufacturing are benefiting from strengthening commodity prices
- Our businesses are sized optimally for current market conditions and are well placed to benefit immediately from any improvement in the economy

The strengthening Rand:

- should allow us to release cash from inventories
- we will have to manage our pricing carefully and the benefit of increased economic activity should outweigh pressure on prices

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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.

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