






Hudaco

RESULTS PRESENTATION

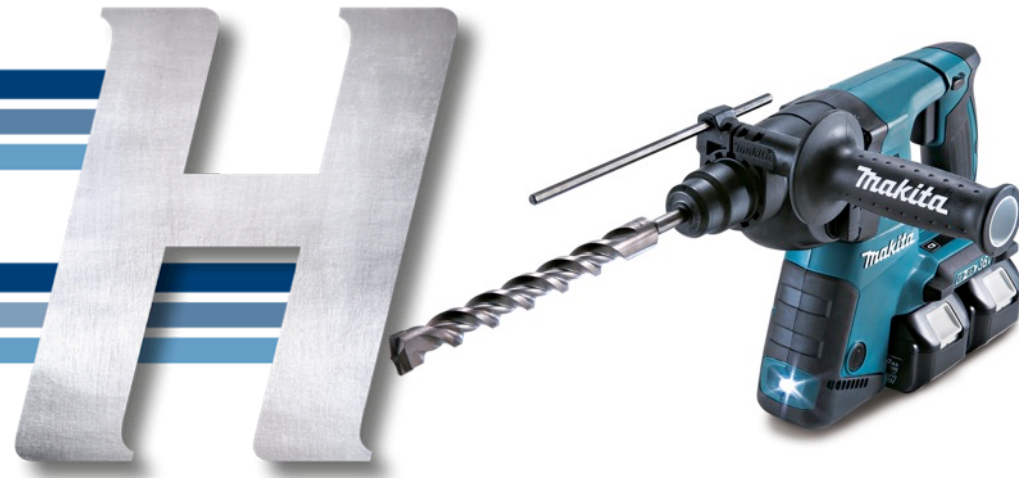
SIX MONTHS ENDED 31 MAY 2017



- Results summary
- General business environment and results drivers
- Business model and operating segments
- Financial review
- Outlook

Turnover	 7% to R 2,7bn
Operating profit	 9% to R 269m
Comparable earnings	 10% to 483 cps
Basic and headline earnings	 2% to 483 cps
Dividends per share	 6% to 180 cps
Cash generated from operations	R247m

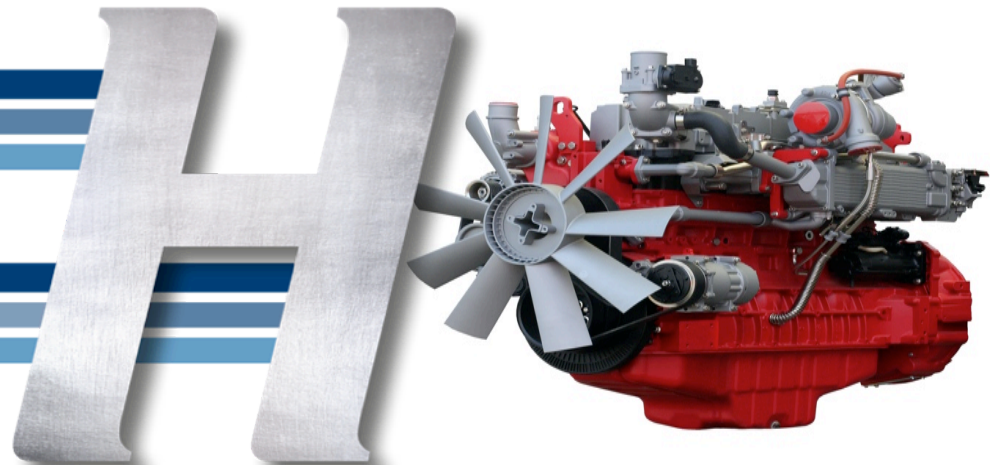
GENERAL BUSINESS ENVIRONMENT AND RESULTS DRIVERS



- South Africa is an extremely challenging place to do business
- Signs were encouraging until end March - cabinet reshuffle
- Trading conditions were particularly tough with the economy in recession and business confidence at a 10 year low
- Rand world's most volatile currency in 2017 - made pricing extremely challenging
- This tough environment resulted in lower demand and created aggressive pricing pressure
- The effect of this is now being felt in both our segments
- Consumer spending slowing

- Engineering consumables had a good start to the year
- Consumer-related segment under pressure
- Automotive businesses performed well
- African business remains moribund
- Particularly bad April with all the public holidays and the ratings downgrade
- May was up on 2016
- Remain strongly cash generative in tough conditions
- We continue to make good acquisitions targeting markets with stronger growth potential

BUSINESS MODEL AND OPERATING SEGMENTS



- 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

- 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

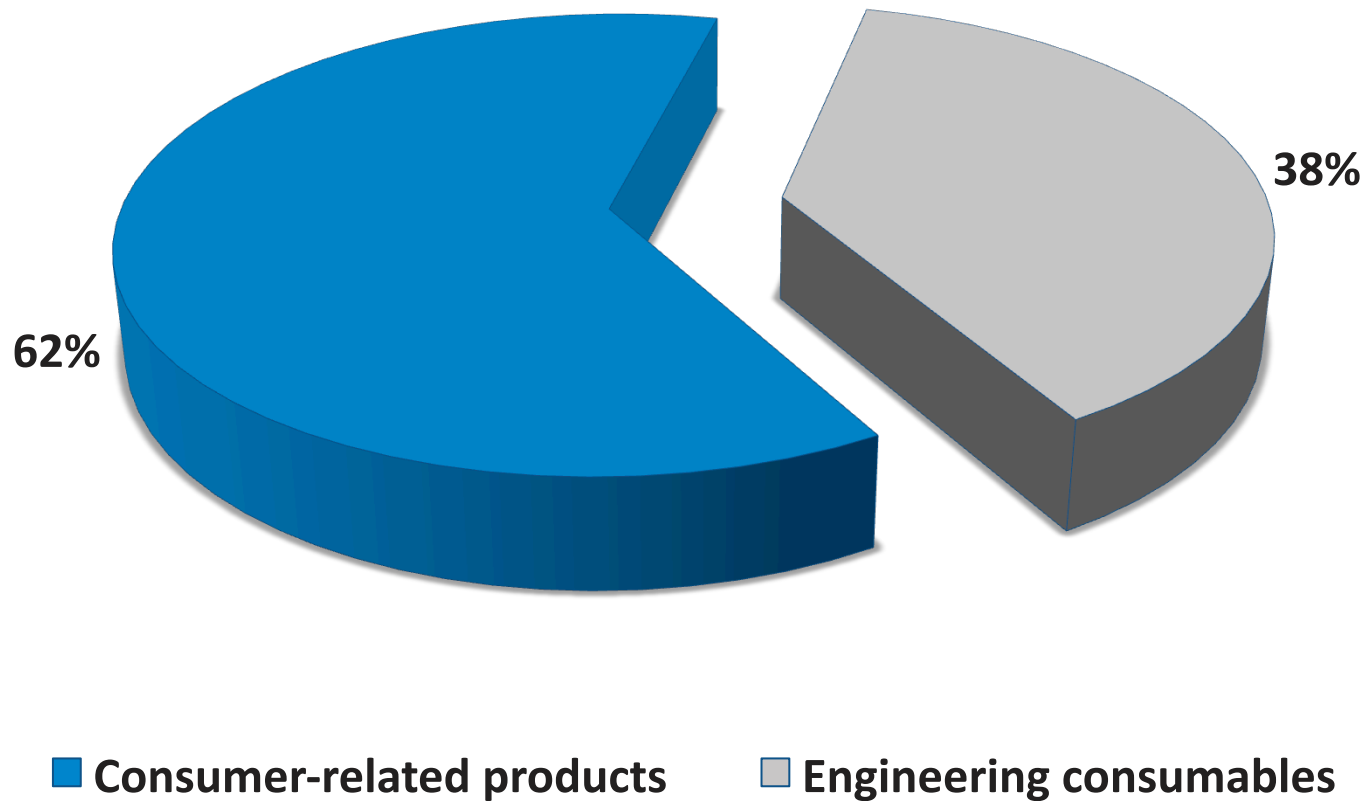
Consumer-related products (10 businesses)

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

Engineering consumables (21 businesses)

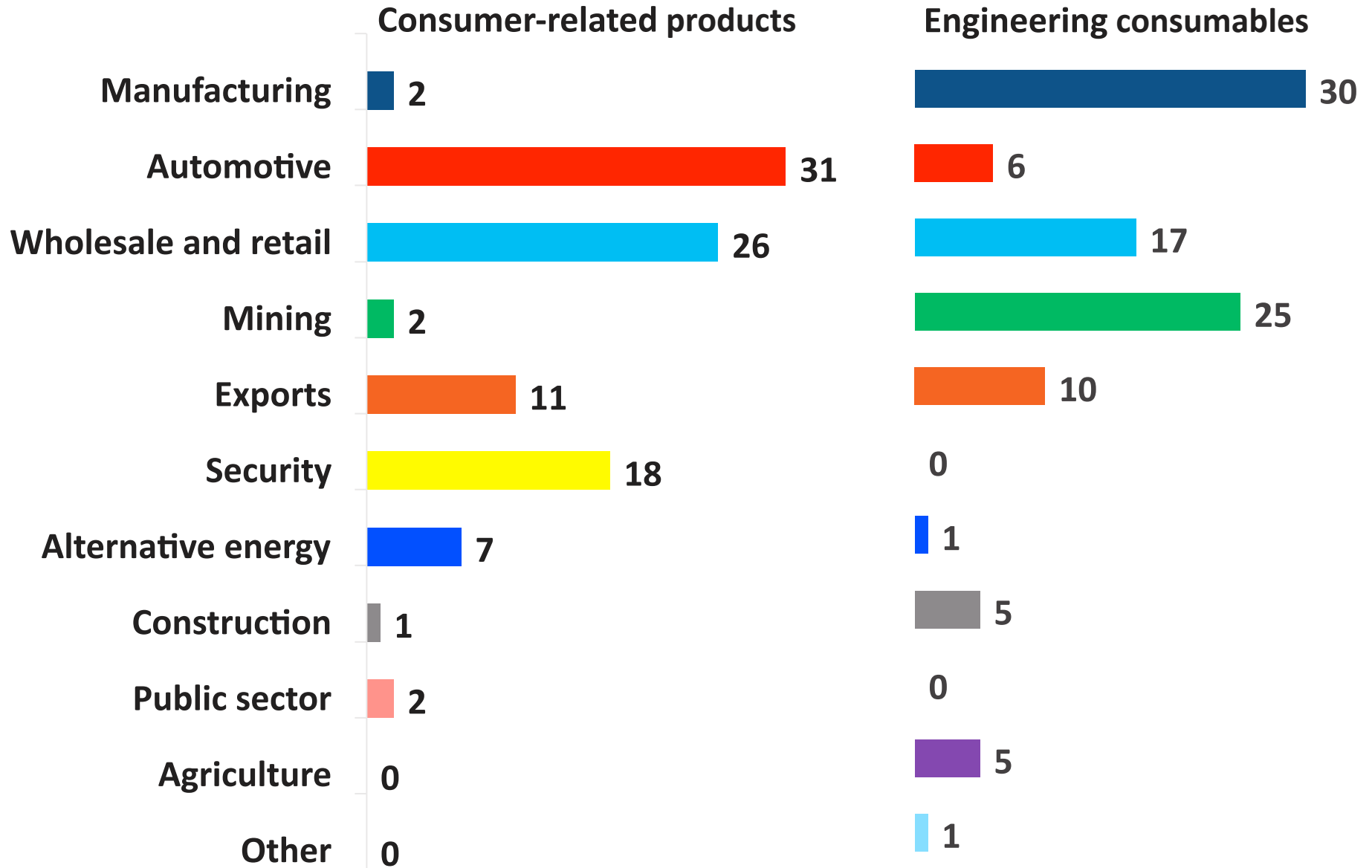
- Mechanical power transmissions
- Electrical power transmissions
- Diesel engines and spares
- Hydraulics and pneumatics
- Thermoplastic pipes and fittings
- Bearings
- Specialised steel

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



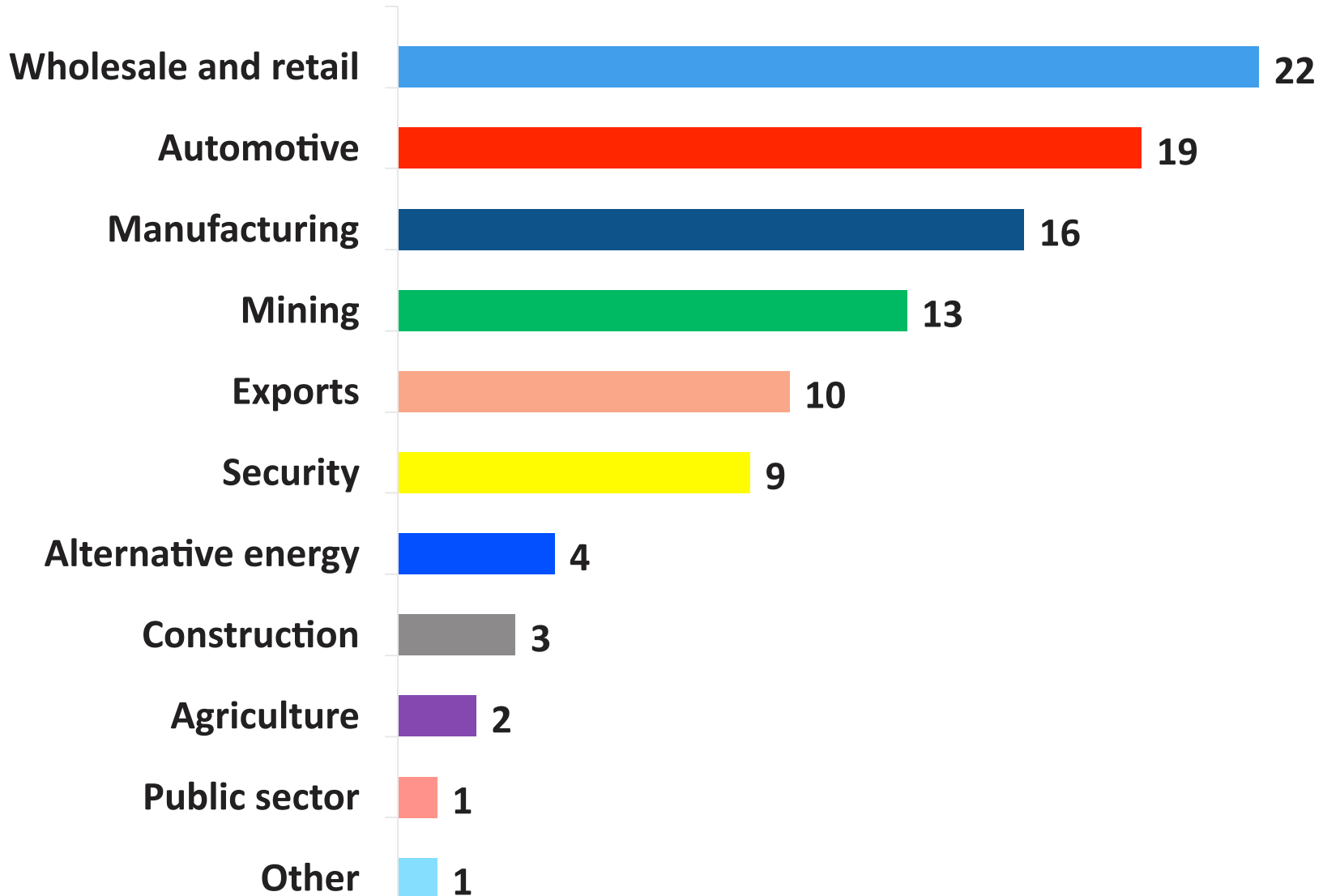
2016 SALES BY MARKET SECTOR (%)

Hudaco



2016 SALES BY MARKET SECTOR (%)

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

2016

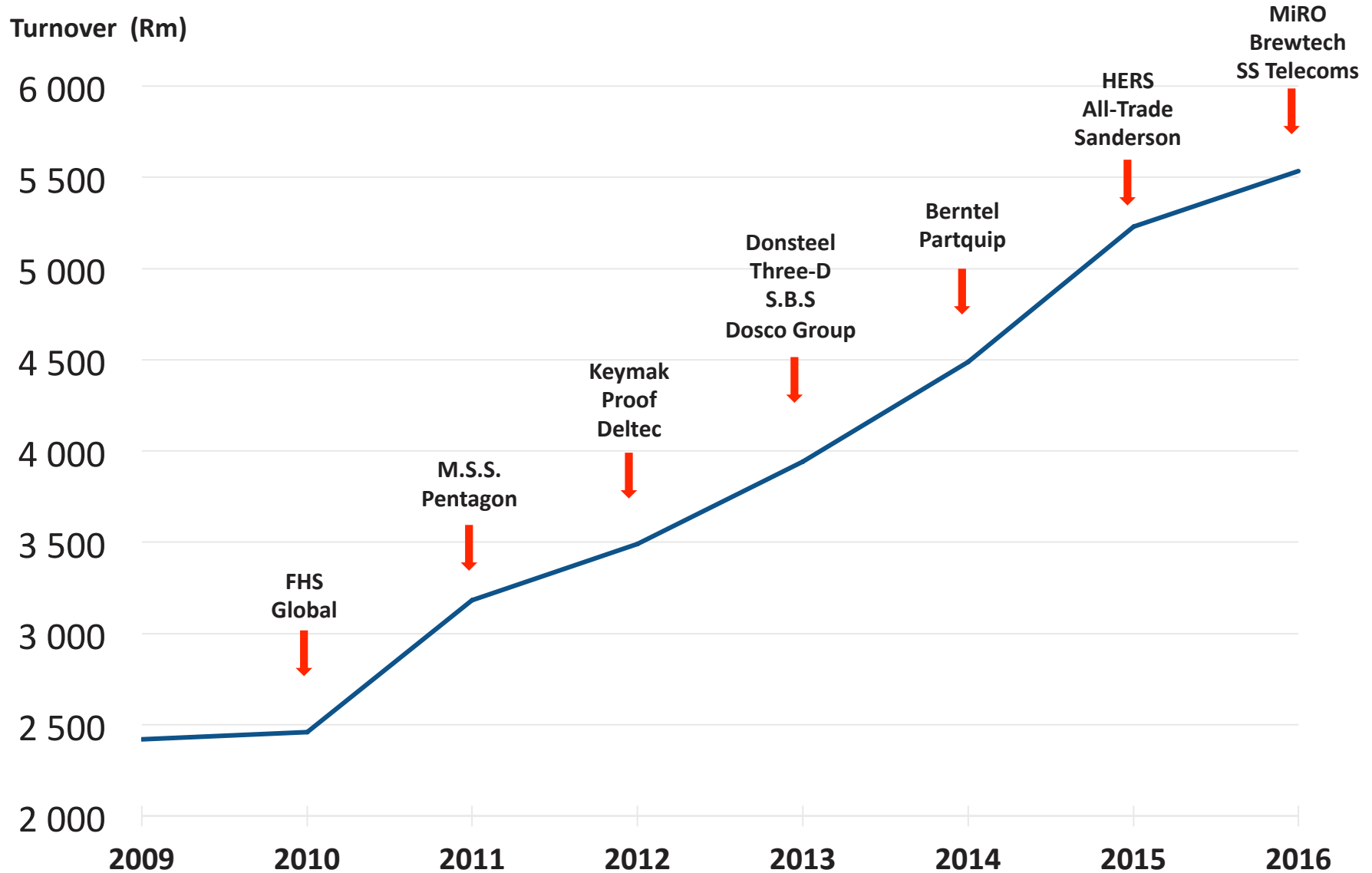
- All-Trade
- MiRO
- Brewtech Engineering

2017

- SS Telecoms
- Commercial ICT
- The Dished End Company

IMPACT OF ACQUISITIONS

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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



The Dished End Company

- Manufacture of dished ends eg for cylinders and pressure vessels
- Estimated price R71m
- 3 year earn-out



SEGMENT RESULTS – CONSUMER-RELATED PRODUCTS

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Rm	Turnover			Op Margin		Operating Profit		
	2017	% ch	2016	2017	2016	2017	% ch	2016
Ongoing operations	1 114	(7,2)	1 200	13,8%	13,0%	154	(1,5)	156
New businesses	229		38	10,0%	10,8%	23		4
Segment total	1 343	8,5	1 238	13,2%	12,9%	177	10,0	160

- Power tool sales up after issuance of authority letters for Makita MT series
- Automotive businesses continue to perform well
- MiRO has integrated well and performing to expectations
- Security and communications businesses had a slow first half of the year

SEGMENT RESULTS – ENGINEERING CONSUMABLES

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Rm	Turnover			Op Margin		Operating Profit		
	2017	% ch	2016	2017	2016	2017	% ch	2016
Ongoing operations	1 300	2,3	1 271	7,8%	7,7%	101	2,9	98
New businesses	30			20,0%		6		
Segment total	1 330	4,6	1 271	8,0%	7,7%	107	9,3	98

- Encouraging first half performance
- Improved performances from businesses supplying bearings, belting, hydraulics and electrical products
- GPM (gear pumps) export sales picking up
- Dished Ends business integrated and performing to expectations

SEGMENTS RESULTS FOR THE SIX MONTHS

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Rm	Turnover			Op Margin		Operating Profit		
	2017	% ch	2016	2017	2016	2017	% ch	2016
Consumer-related products	1 343	8,5%	1 238	13,2	12,9	177	10,0	160
Engineering consumables	1 330	4,6	1 271	8,0	7,7	107	9,3	98
Head office, shared services & eliminations	(2)		(2)			(15)		(12)
Total Group	2 671	6,5	2 507	10,1	9,8	269	9,4	246

FINANCIAL REVIEW



PROFIT FOR THE SIX MONTHS

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Rm	2017	% ch	2016
Turnover	2 671	6,5	2 507
- Ongoing operations	2 412	(2,3)	2 469
- New businesses	259		38
Gross profit	987	9,4	902
Operating expenses	718	9,5	656
Operating profit	269	9,4	246
- Ongoing operations	240	(0,8)	242
- New businesses	29		4

Margin (%)

Turnover	100,0	100,0
Gross Profit	37,0	36,0
Operating expenses	26,9	26,2
Operating profit	10,1	9,8

PROFIT FOR THE SIX MONTHS

Hudaco

Rm	2017	% ch	2016
Operating Profit	269	9,4	246
Fair value adjustment to amounts due to vendors			12
Net interest on funding	(42)		(44)
Interest paid to vendors (imputed)	(10)		(4)
Profit before taxation	217	3,4	210
Taxation (Rate 2017 : 28,4% 2016: 27%)	62		57
Profit after tax	155	1,3	153
Income from joint venture	2		1
Profit for the period	157	1,7	154
Non-controlling interest	(4)		(5)
Attributable earnings	153	2,3	149

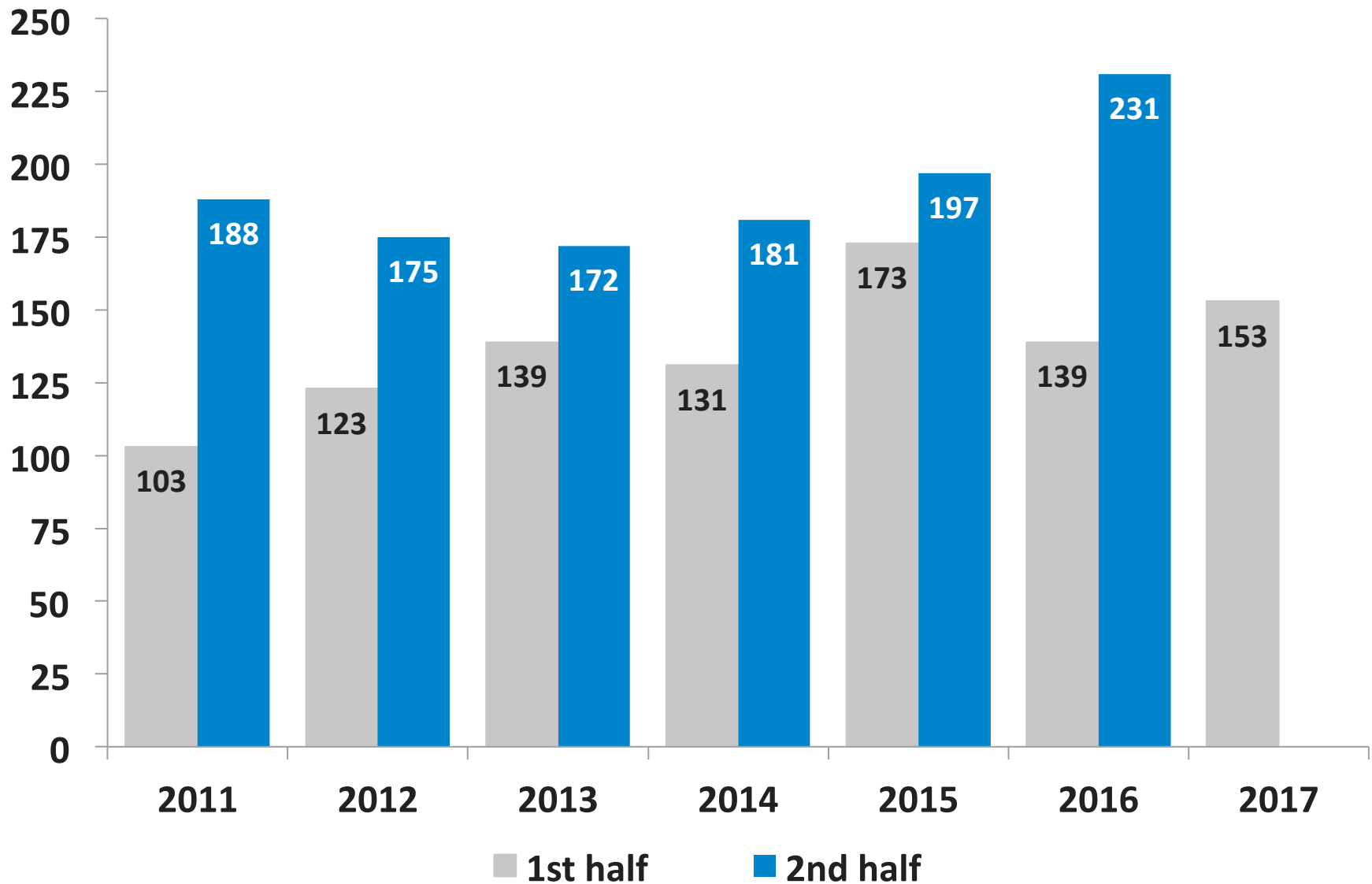
COMPARABLE EARNINGS FOR THE SIX MONTHS

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Rm	2017	% ch	2016
Attributable and headline earnings	153	2,3	149
Fair value adjustment of vendor liability			12
Non-controlling interest			(2)
Comparable earnings	153	9,8	139

COMPARABLE EARNINGS FOR THE SIX MONTHS

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EARNINGS PER SHARE AND DIVIDENDS

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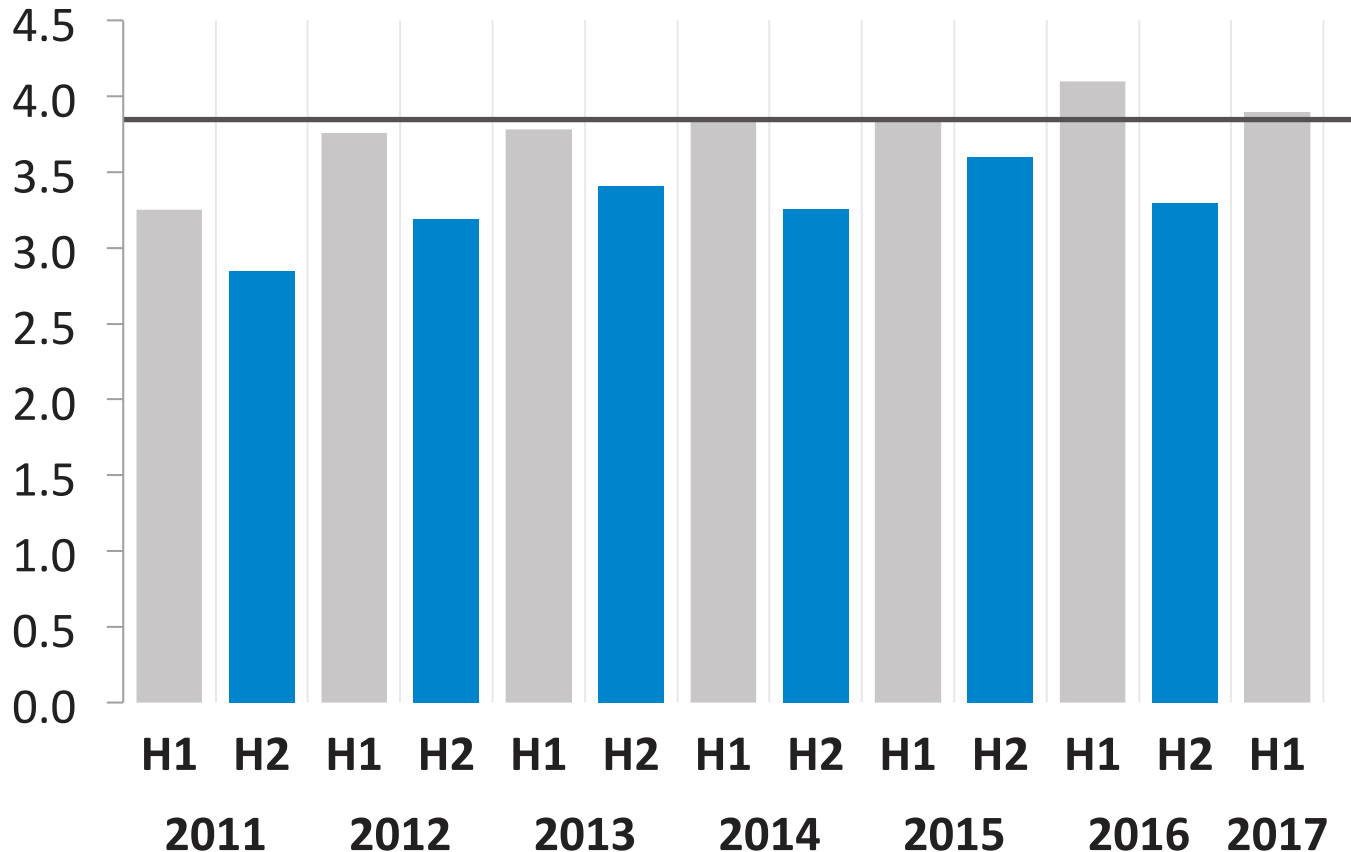
Cents	2017	% ch	2016
Earnings per share			
Comparable eps	483	9,8	440
Basic eps	483	2,3	472
Headline eps	483	2,3	472
Dividends per share			
- Interim	180	5,9	170
- Final			355
Total			525
Dividend cover (times) at midyear			
	2,68		2,58

STATEMENT OF FINANCIAL POSITION

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Rm	May 17	May 16
Working capital	1 735	1 710
Property, plant equipment	260	262
Goodwill and intangibles	1 413	1 315
Investment in joint venture	8	5
Tax	12	33
Net assets	3 428	3 325
Equity	2 186	1 941
Bank borrowings	973	1 153
Due to vendors	269	231
Total equity and liabilities	3 428	3 325

In months of sales



One month of sales:

H1 2017 = R445m

- 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)

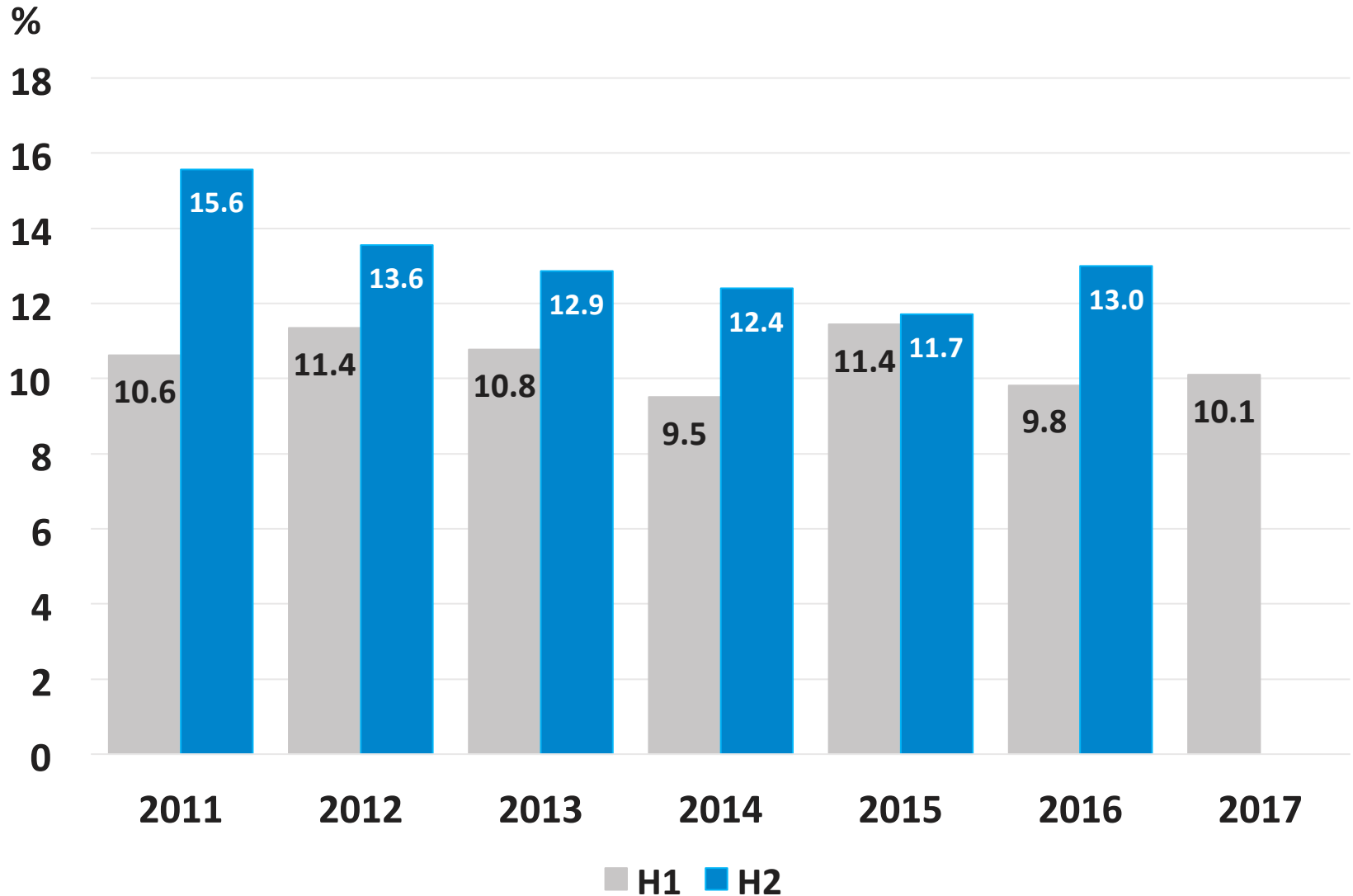
CASH FLOW FOR THE SIX MONTHS

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Rm	2017	% ch	2016
Cash from trading	317	10,5	287
Increase in working capital	(70)		(29)
Cash from operations	247	(4,3)	258
Fair value adjustment of cash flow hedges & translation	3		(2)
Finance costs	(42)		(44)
Tax paid	(52)		(83)
Cash generated after tax	156	20,9	129
Dividends paid	(116)		(115)
Invested in new businesses and property, plant and equipment	(108)		(151)
Net movement	(68)		(137)
Opening borrowings	(905)		(1 016)
Closing borrowings	(973)		(1 153)

OPERATING MARGIN PER HALF YEAR

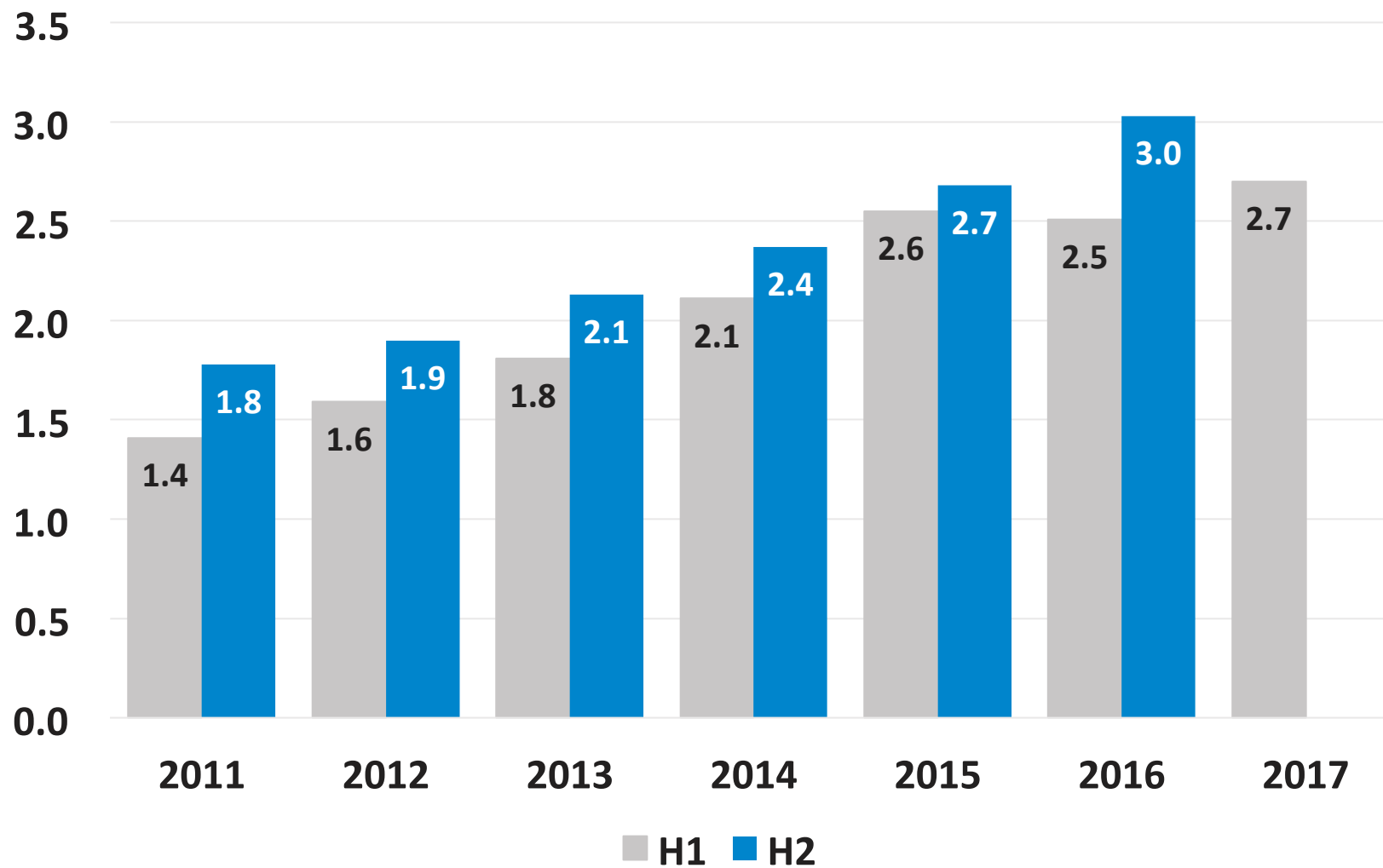
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TURNOVER BY HALF YEAR

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R Billion



- Hudaco is resilient and its businesses generate strong cash flows
- We use surplus cash to invest successfully in new businesses
- Exchange rate impacts working capital requirements
- Bank facilities are available
- Capacity remains for acquisitions
- 2nd half performance is usually considerably stronger

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 diversified group that is made up of 31 separate businesses
- There are 10 businesses in our consumer-related products segment
- There are 21 businesses in our engineering consumables segment

- We have had a good start to the year
- We are expecting strikes in July
- Our second half is generally our stronger half
- The management team is experienced and focused
- We will continue to manage the relationship between sales, gross margin and expenses
- We have been successful through tough economic conditions before because our business model makes us resilient and we generate cash

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