



Hudaco

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 MAY 2021

- Worldwide economic recovery from Covid shutdowns has been faster than expected
- But supply chain constraints now felt in all Hudaco businesses – stock is king & pricing power lies with suppliers
- RSA threats: 3rd wave COVID-19, electricity supply, port delays, degradation of municipal infrastructure
- Hudaco has been well managed through these very challenging times and has produced an excellent 2021 H1 result
- We are cautiously optimistic about momentum continuing into future earnings

AGENDA



- H1 results summary
- General business environment
- Business model and operating segments
- Financial review
- Outlook

RESULTS SUMMARY H1 2021 v H1 2020

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Turnover	↑ 28,3% to R3,4bn
Operating profit	↑ 351,9% to R357m
Basic earnings per share	↑ 193,1% to 686 cps
Headline earnings per share	↑ 252,2% to 686 cps
Comparable earnings per share	↑ 899,4% to 686 cps
Interim dividend per share	240 cps
Cash generated from operations	R393m

RESULTS SUMMARY H1 2021 v H1 2019

Turnover	↑ 6,5% to R3,4bn
Operating profit	↑ 20,2% to R357m
Basic earnings per share	↑ 28,9% to 686 cps
Headline earnings per share	↑ 28,9% to 686 cps
Comparable earnings per share	↑ 32,1% to 686 cps
Interim dividend per share	↑ 26,3% to 240 cps
Cash generated from operations	R393m

We returned R244m to shareholders in the past year

- Share repurchases – R82m in 2020 and R36m in 2021
- Final dividend – R126m paid February 2021

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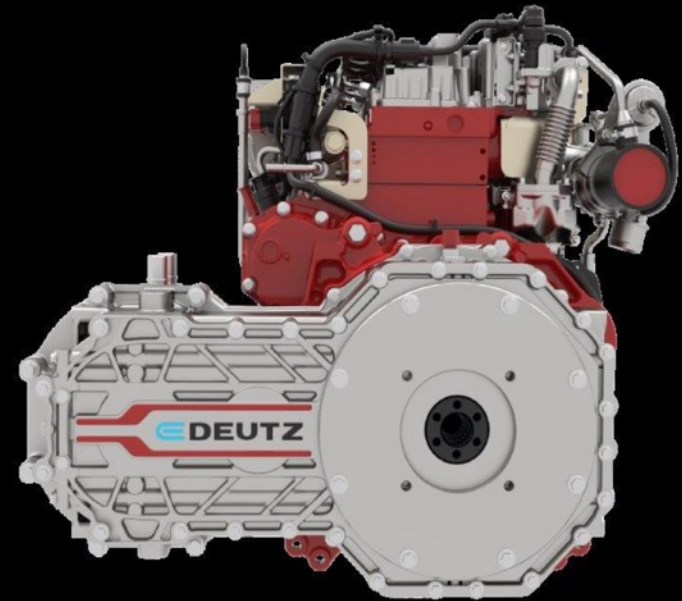


**GENERAL BUSINESS
ENVIRONMENT**

GENERAL BUSINESS ENVIRONMENT

- Momentum from H2 2020 continued
- Increase in mining, manufacturing and agriculture sectors
- Decrease in security sector
- Load shedding disruptive
- Serious challenges in supply chain
- Increased delays at inefficient ports
- Rand strengthening created pricing pressures

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**BUSINESS MODEL AND
SEGMENTS**

- 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 core 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, even in these unprecedented times
 - Many businesses across many sectors
 - Many products in many industries
 - Diversification reduces risk
 - Decentralised focused management - specialists
 - Quick decision making, control and accountability

Consumer-related products segment imports and distributes branded products driven by consumer spending and generally sold to installers

Consumer-related products (11 businesses)

- Automotive aftermarket products
- Power tools and fasteners
- Data networking equipment
- Batteries and renewable energy products
- Security and communication equipment

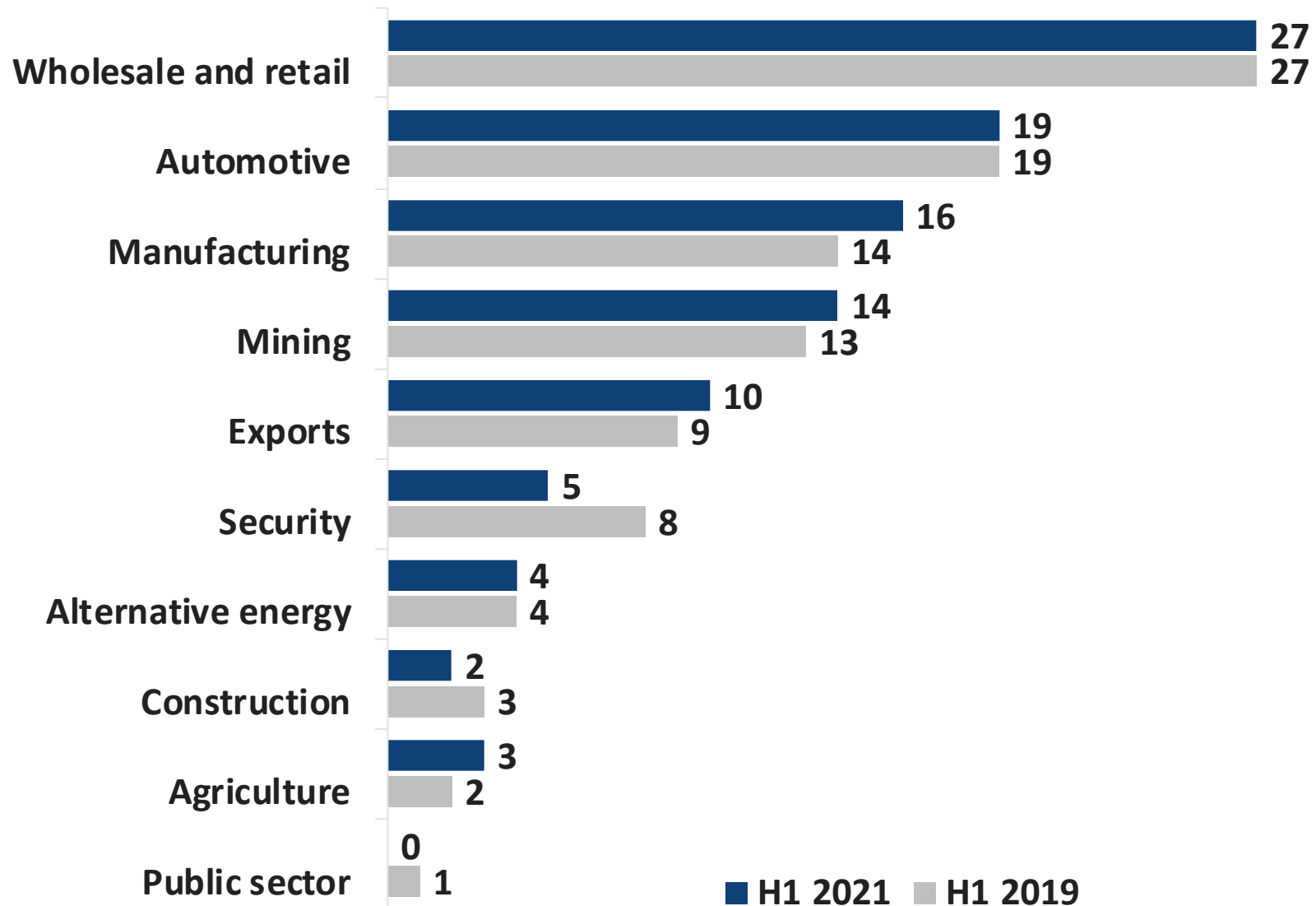
Engineering consumables segment imports and distributes branded products generally used in the repair and maintenance of machines

Engineering consumables (18 businesses)

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

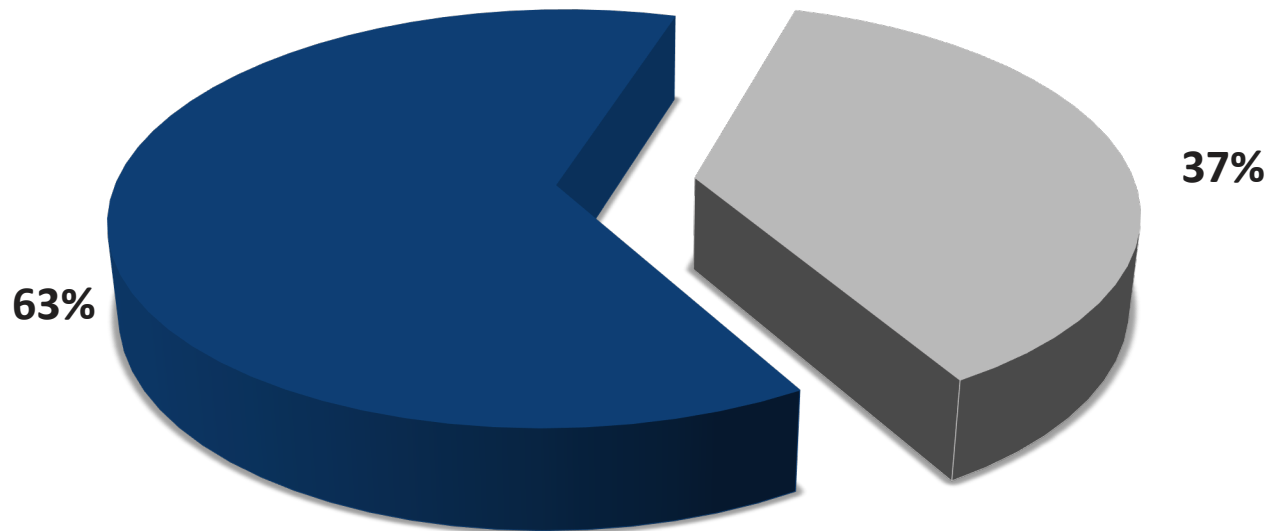
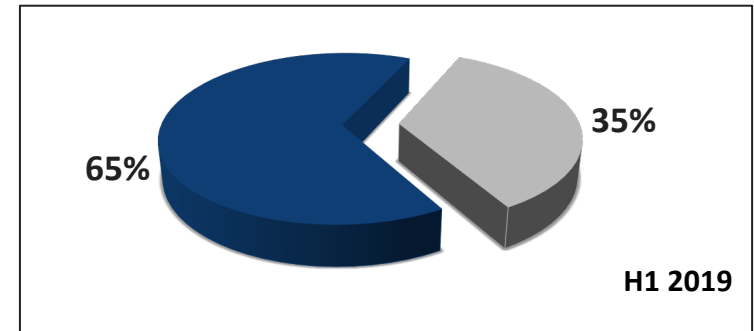
H1 2021 SALES BY MARKET SECTOR (%)

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CONTRIBUTION BY SEGMENT

Contribution to H1 2021 operating profit
(before shared services and head office)



■ Consumer-related products ■ Engineering consumables

SEGMENT RESULTS FOR H1 CONSUMER-RELATED PRODUCTS

	Turnover			Op Margin		Operating Profit		
Rm	2021	% ch	2019	2021	2019	2021	% ch	2019
Segment total	1 773	3,3	1 717	13,8	11,9	245	19,1	205

- Power tools and marine had an excellent H1
- Fastener business is now firing on all cylinders
- Automotive businesses had a great result
- MiRO had a good H1 but constrained by supply
- Security business had a very disappointing H1

SEGMENT RESULTS FOR H1 ENGINEERING CONSUMABLES

	Turnover			Op Margin		Operating Profit		
Rm	2021	% ch	2019	2021	2019	2021	% ch	2019
Segment total	1 616	10,2	1 467	8,9	7,4	143	31,9	109

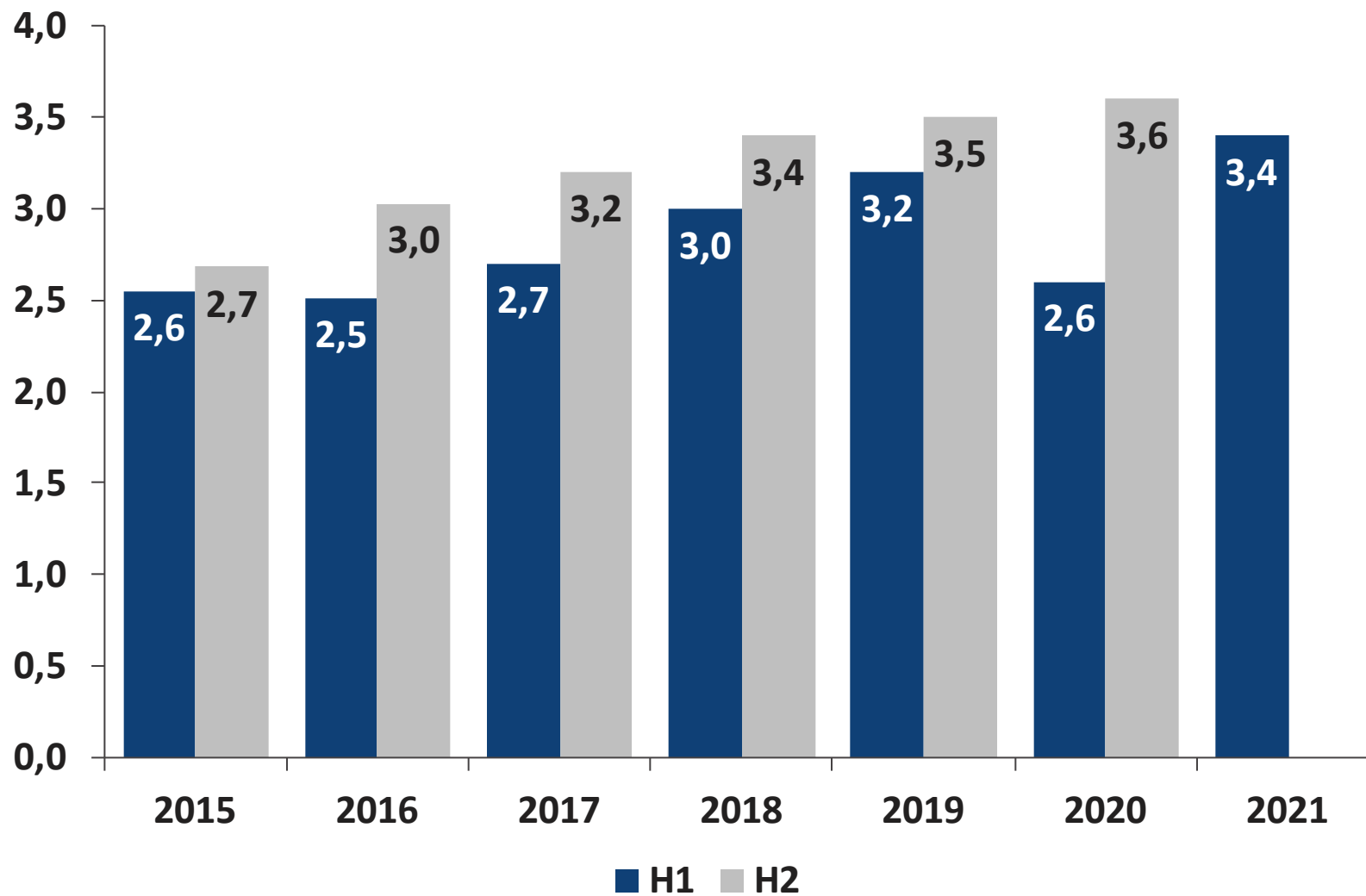
- Fantastic result from our steel businesses
- Bearings International going from strength to strength
- Belting Supply Services and Brewtech performed well
- Our diesel engine and filtration businesses had another good start
- The consolidation of our electrical businesses is starting to come through
- Hydraulics consolidation benefits to come through in H2

SEGMENT RESULTS FOR H1

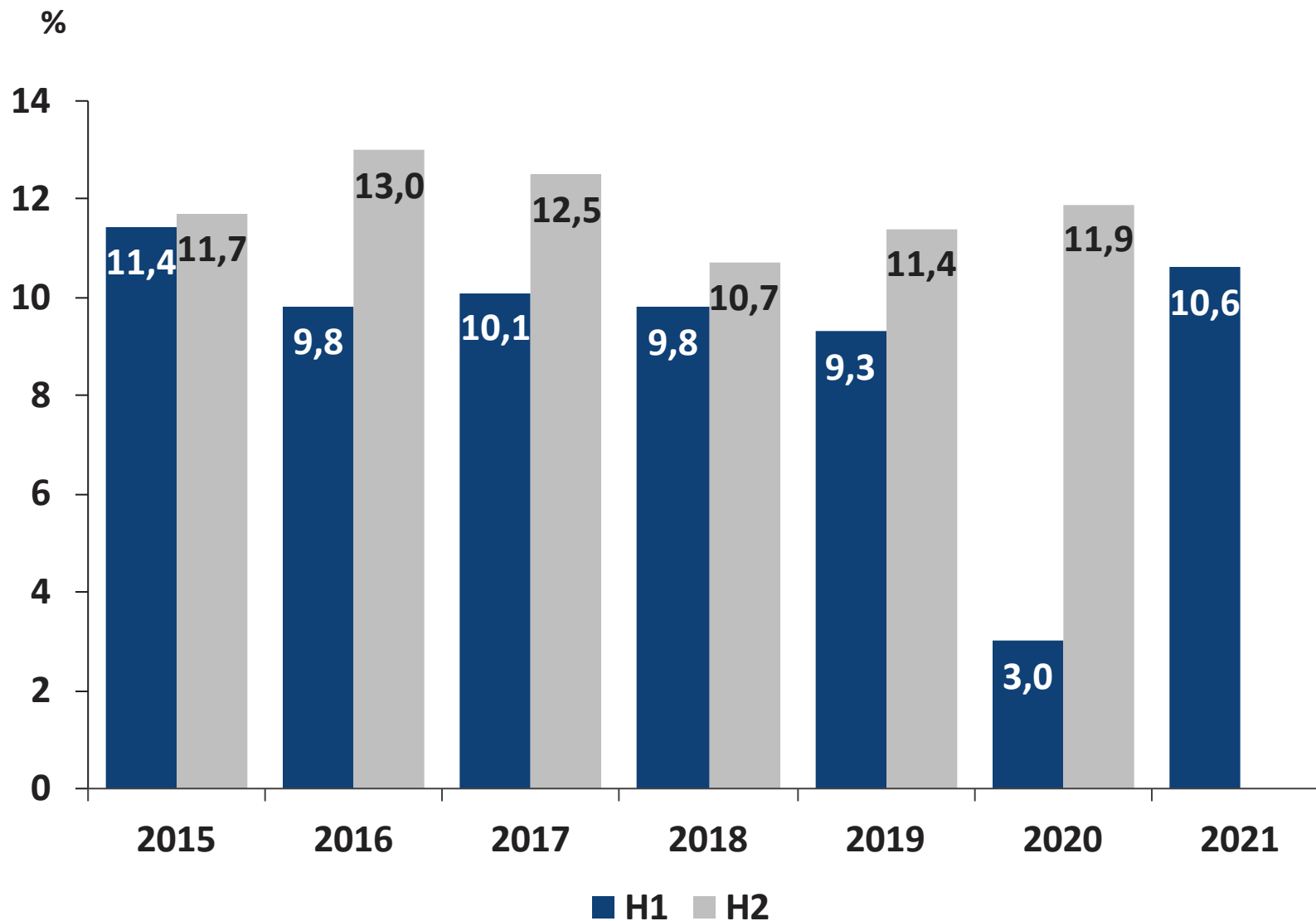
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Consumer-related products	1 773	3,3	1 717	13,8	11,9	245	19,1	205
Engineering consumables	1 616	10,2	1 467	8,9	7,4	143	31,9	109
Head office, shared services and eliminations	(6)		(9)			(31)		(17)
Total group	3 383	6,5	3 175	10,6	9,3	357	20,3	297

TURNOVER

R billion



OPERATING MARGIN



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FINANCIAL REVIEW

PROFIT FOR H1

Rm	2021	% ch	2019	2020
Turnover	3 383	6,5	3 175	2 636
Gross profit	1 247	9,0	1 144	854
Operating expenses	890	5,1	847	775
Operating profit	357	20,2	297	79

Margin (%)			
Turnover	100,0	100,0	100,0
Gross profit	36,9	36,0	32,4
Operating expenses	26,3	26,7	29,4
Operating profit	10,6	9,3	3,0

PROFIT FOR H1

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Rm	2021	% ch	2019	2020
Operating profit	357	20,2	297	79
Net interest on funding	(34)		(55)	(62)
Impairment of goodwill and intangibles				(348)
Fair value adjustment to amounts due to vendors			(3)	44
-Adjustment for time-value of money (imputed interest)			(8)	(3)
-Adjustment to estimated capital value			5	47
Profit before taxation	323	35,1	239	(287)
Taxation (Rate 2021: 27,9% 2019:26,5%)	(90)		(63)	(9)
Profit after taxation	233	32,4	176	(296)
Income from joint venture			1	
Profit for the period	233	31,6	177	(296)
Non-controlling interest	(23)		(8)	63
Attributable earnings	210	24,4	169	(233)

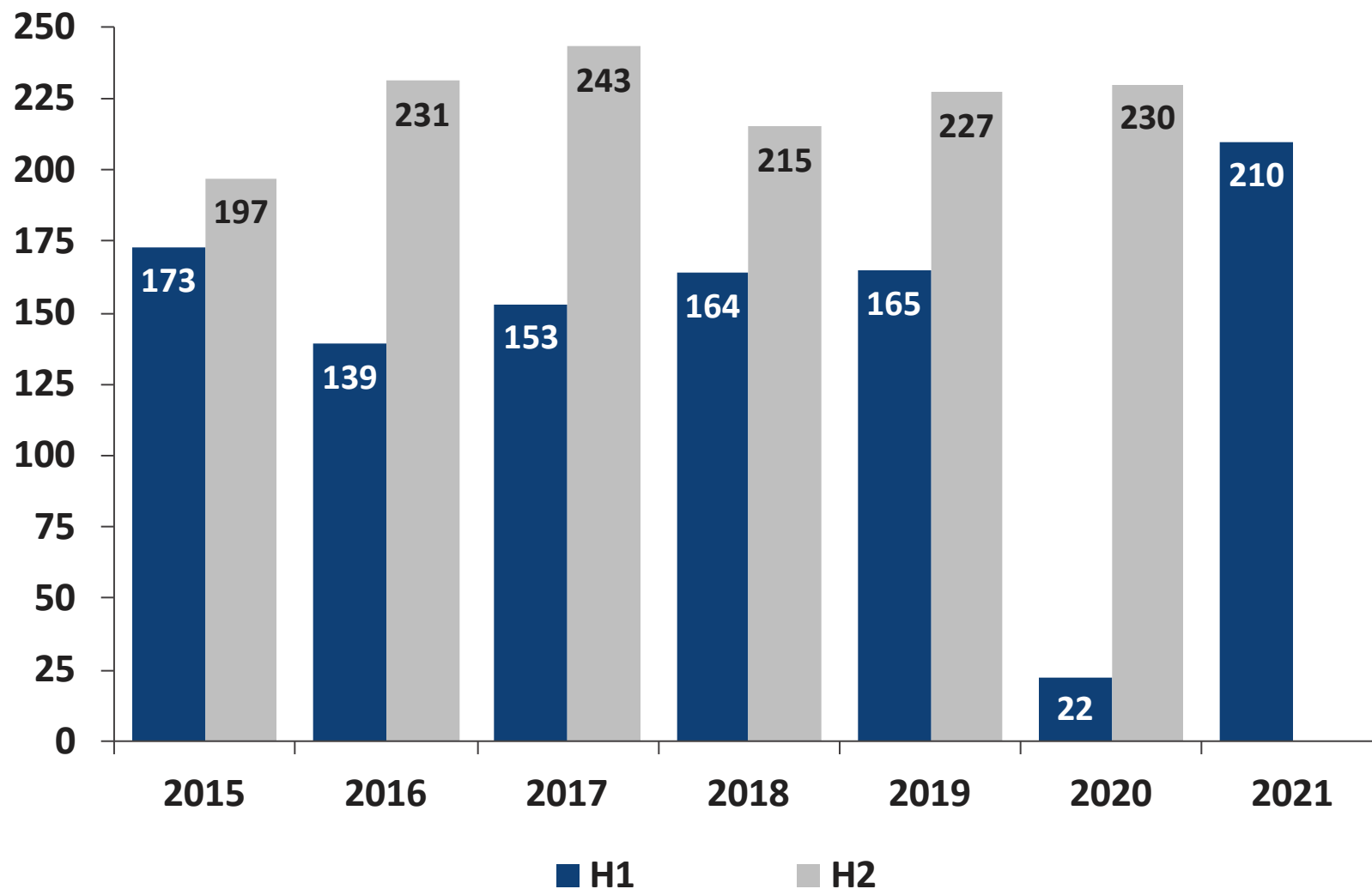
COMPARABLE EARNINGS FOR H1

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Rm	2021	% ch	2019	2020
Attributable earnings	210	24,4	169	(233)
Impairment of goodwill and intangibles				348
Taxation				(1)
Non-controlling interest				(52)
Headline earnings	210	24,4	169	62
Fair value adjustment to estimated capital value of vendor liabilities			(5)	(47)
Non-controlling interest			1	7
Comparable earnings	210	27,6	165	22

COMPARABLE EARNINGS

R million



EARNINGS PER SHARE AND DIVIDENDS

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Cents	2021	% ch	2019	2020
Earnings per share				
Comparable	686	32,1	520	69
Basic	686	28,9	533	195
Headline	686	28,9	533	(738)
Dividends per share				
- Interim	240	26,3	190	0
- Final			410	410
Total			600	410
Dividend cover (times)				
	2,86		2,74	n/a

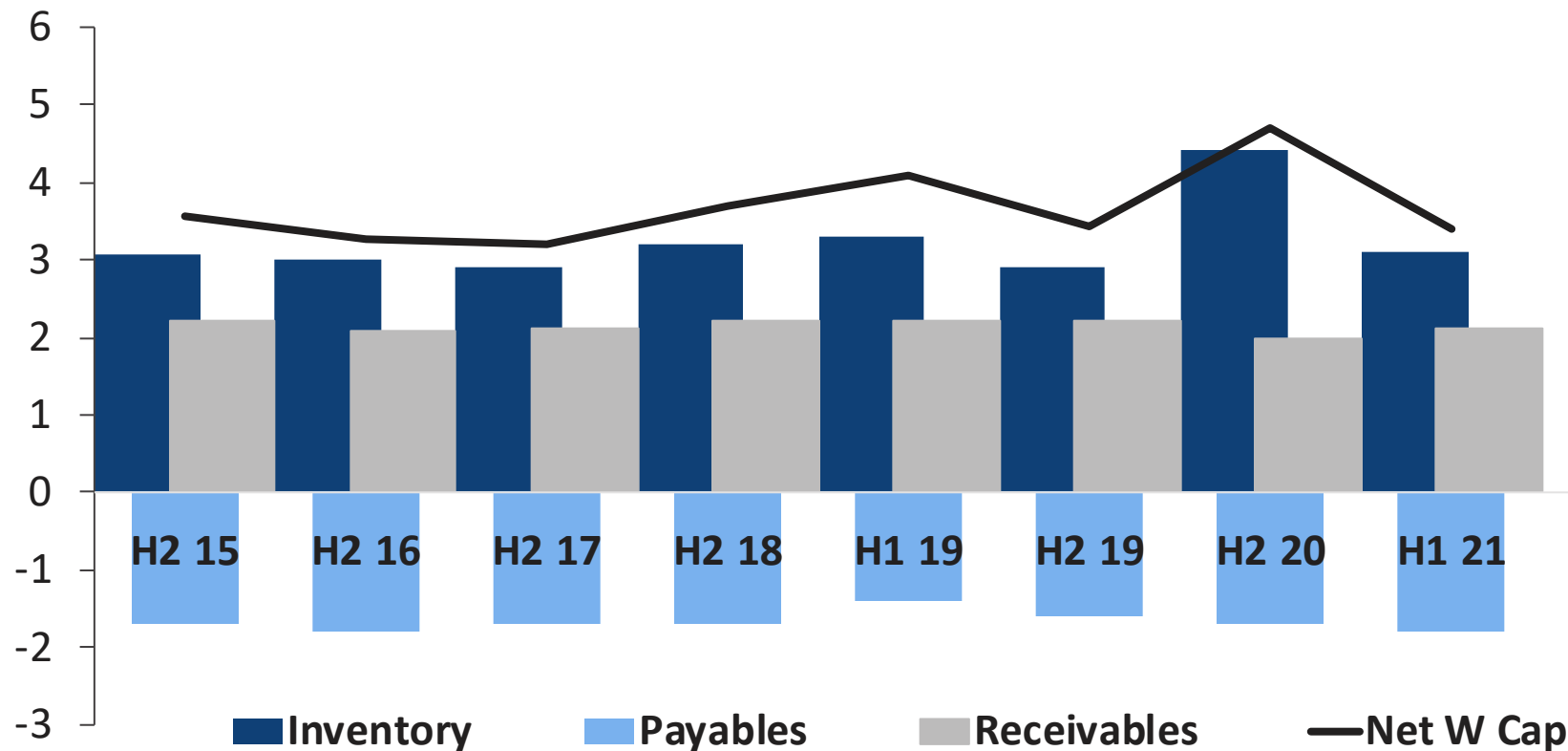
STATEMENT OF FINANCIAL POSITION

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Rm	May 21	May 19	May 20
Working capital	1 915	2 164	2 052
Property, plant and equipment	266	297	295
Right-of-use assets	362		395
Goodwill and intangibles	1 195	1 548	1 178
Investment in joint venture		10	12
Tax	38	51	96
Net assets	3 776	4 070	4 028
Equity	2 737	2 637	2 424
Bank borrowings	594	1 177	1 166
Lease liabilities	407		422
Due to vendors		221	16
Tax	38	35	
Total equity and liabilities	3 776	4 070	4 028

WORKING CAPITAL ELEMENTS

In months of sales



One month of sales (in H2)

2015 = R447m

2018 = R571m

2021 (H1) = R564m

2016 = R505m

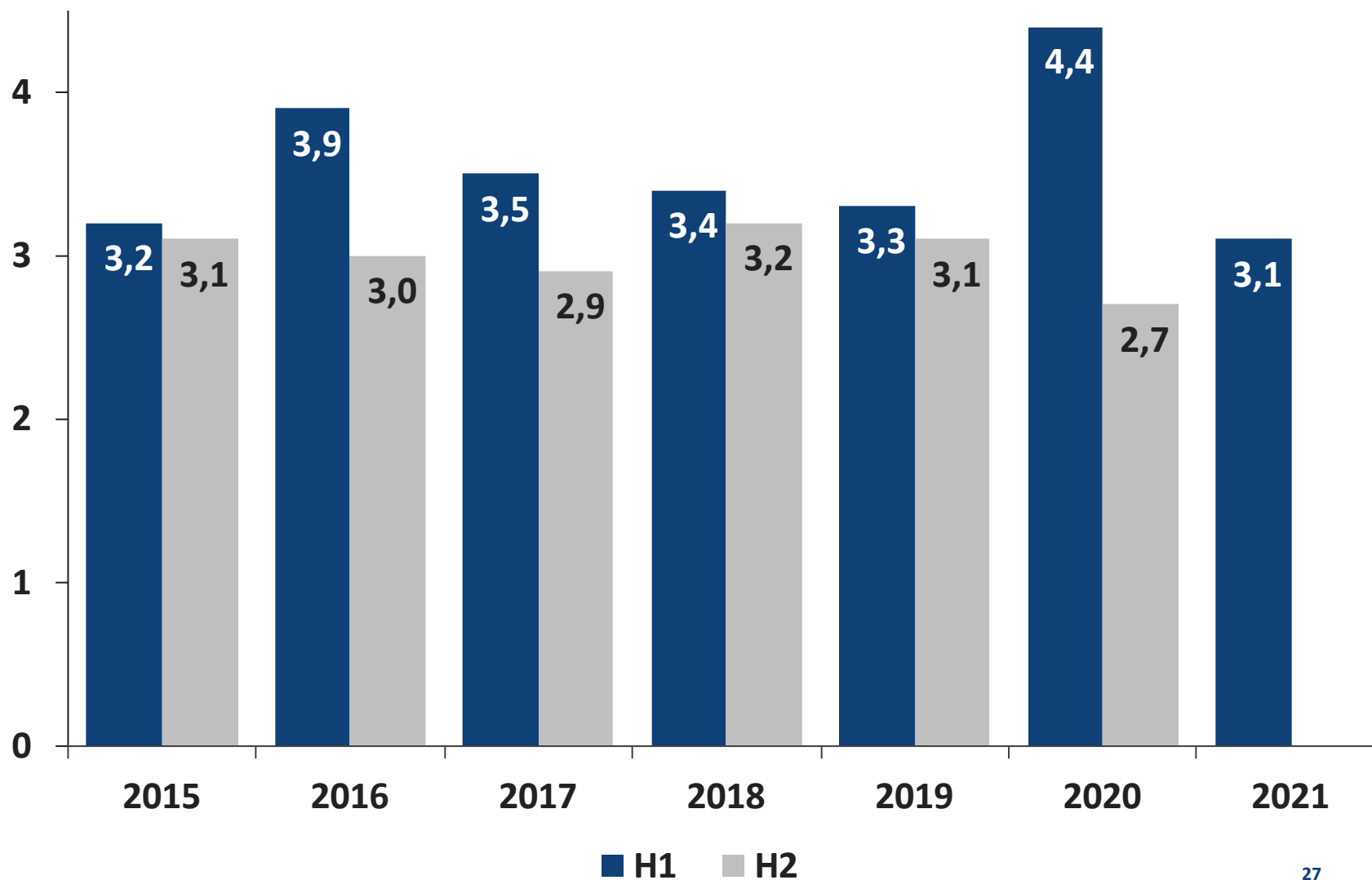
2019 = R559m

2017 = R538m

2020 = R439m

INVENTORY

In months of sales



CASH FLOW FOR H1 2021

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Rm	2021	2019	2020
Cash from trading	458	408*	189
Increase in working capital	(65)	(47)	(21)
Cash from operations	393	361	168
Finance costs paid	(19)	(55)	(43)
Tax paid	(62)	(68)	(59)
Cash generated after tax	312	238	66
Share-based payments	(4)	(18)	(1)
Repurchase of shares	(36)		
Lease payments	(62)	(60)*	(63)
Dividends paid	(135)	(123)	(139)
Invested in new businesses, software and property, plant and equipment	(23)	(52)	(23)
Net movement	52	(15)	(160)
Foreign exchange translation (loss) gain	(2)	1	2
Opening borrowings	(644)	(1 163)	(1 008)
Closing borrowings	(594)	(1 177)	(1 166)

*Adjusted for IFRS 16: Leases

KEY FINANCIAL POINTS

- Margins up
- Expenses tightly managed
- Inventories lower than we would like at this time of year
- Cash generation strong
- Borrowings well down
- All capital allocation options are considered

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OUTLOOK

OUTLOOK FOR H2 2021



- Third wave biggest risk to H2 performance
- Synergies and benefits from consolidations to continue
- Better performance from our security business
- Despite the supply chain issues, we expect H1 momentum to continue in H2
- Expect strong cash generation in H2
- Acquisition activity has increased

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IFRS16: LEASES

IMPACT OF IFRS 16: LEASES

- Initial date of application – 1 December 2019
- At Hudaco, affects only property leases
- Incremental borrowing rate at initial date – 8,13%

- **At 1 December 2019**
 - Recognised lease liabilities of R466m and
 - Right-of-use assets of R454m

- **For six months**
 - Repaid R62m to May 2021 on lease liabilities
 - Capital of R47m
 - Interest of R15m
 - Depreciation on right-of-use assets of R51m
 - Upfronts the lease expense and decreases earnings by 13cps
 - Interest expense portion to reduce over lease period (if leases static)

- **At 31 May 2021**
 - Lease liabilities R407m
 - Right-of-use assets R362m

PROFIT IF IFRS 16: LEASES WAS NOT ADOPTED

Rm	IFRS16 2021	Effect of IFRS16	No IFRS16 2021	% ch	2019
Operating profit	357	8	349	17,5	297
Net interest on funding	(19)		(19)		
Imputed interest on leases (IFRS 16)	(15)	(15)			(55)
Fair value adjustment to amounts due to vendors					(3)
- Adjustment for time-value of money (imputed interest)					(8)
- Adjustment to estimated capital value					5
Profit before taxation	323	(7)	330	38,1	239
Taxation	(90)	1	(91)		(63)
Profit after taxation	233	(6)	239	35,8	176
Income from joint venture					1
Profit for the period	233	(6)	239	35,0	177
Non-controlling interest	(23)	2	(25)		(8)
Attributable earnings	210	(4)	214	26,6	169

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CONTACT DETAILS AND DISCLAIMER

CONTACT DETAILS



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

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