

The image features a dark blue background with several decorative elements. On the left, a series of parallel white lines form a diagonal band that extends from the top left towards the bottom right. In the upper right, there are several horizontal bars in shades of blue and grey, some with a slight 3D effect. The company name 'Hudaco' is prominently displayed in the upper right area, centered within one of these horizontal bars.

# ***Hudaco***

## **UNAUDITED INTERIM RESULTS**

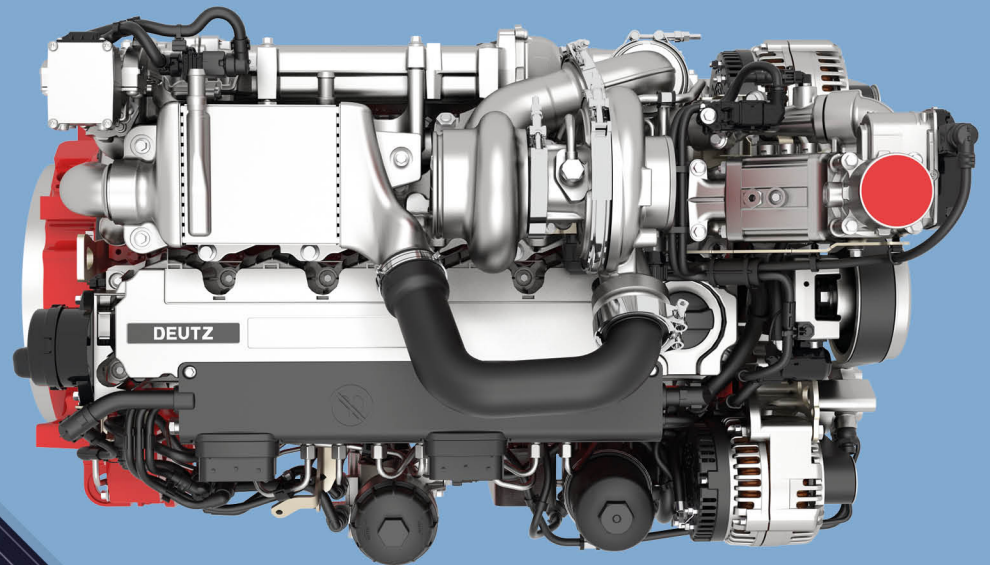
FOR THE SIX MONTHS ENDED 31 MAY 2022

# AGENDA

- Operating environment
- Results summary
- Business model and operating segments
- Financial review
- Outlook

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## OPERATING ENVIRONMENT



## OPERATING ENVIRONMENT

- Challenges in the supply chain continue – global and local
  - Global – Unpredictable supply of stock, Russia-Ukraine war, Covid lockdowns in China, shipping container shortage
  - Local – Durban port, KZN floods, N3 blockades, load-shedding
- Cost-push inflation adds pressure to our struggling economy

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- Momentum over the last 18 months continued
- Increase in alternative energy, automotive, mining and manufacturing sectors
- Gained further market share
- Experienced stock-outs on a few line items

## RESULTS SUMMARY

	2022		Against 2021	Against 2019 (pre-Covid)
Turnover	R3,8bn	↑	12%	19%
Operating profit	R452m	↑	27%	52%
Profit for period	R292m	↑	25%	65%
Comparable earnings per share	857cps	↑	25%	65%
Headline and basic earnings per share	857cps	↑	25%	61%
Interim dividend per share	300cps	↑	25%	58%
Cash from trading activities	R558m	↑	22%	60%

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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 key 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
- Many businesses across many sectors
- Many products in many industries
- 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 (12 businesses)**

- Automotive aftermarket products
- Power tools and fasteners
- Data networking equipment
- Batteries and sustainable energy products
- Security and communication equipment
- Gas and outdoor products



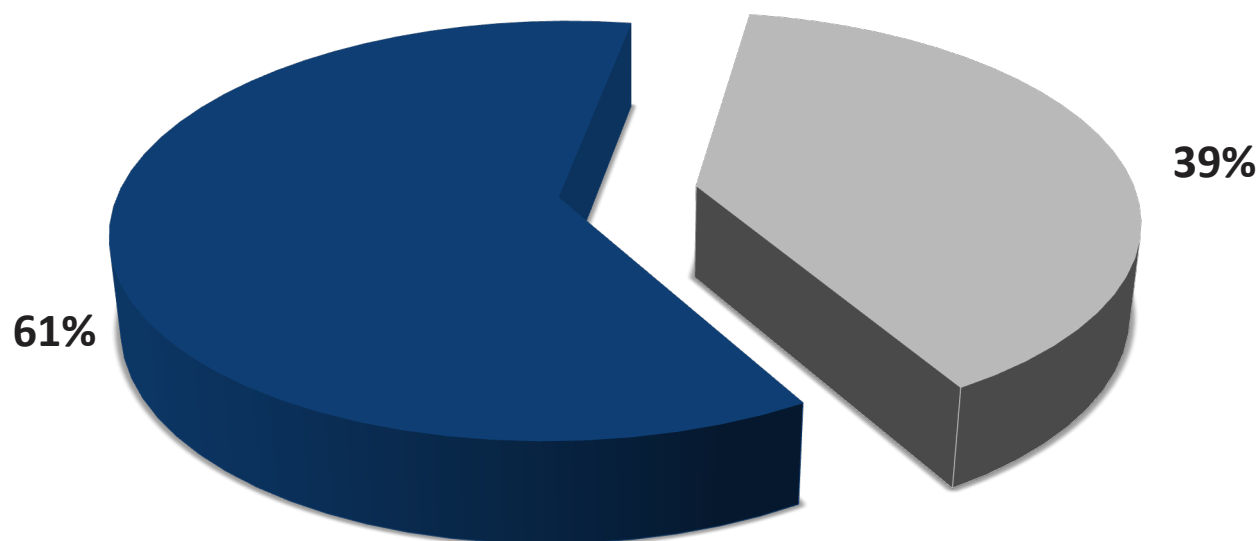
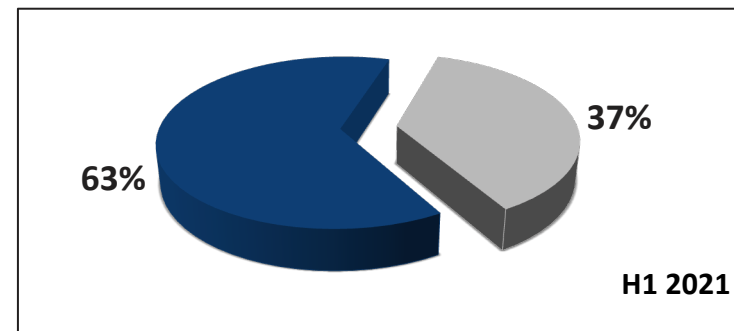
Engineering consumables segment imports and distributes branded products generally used in the repair and maintenance of machines.

## **Engineering consumables (18 businesses)**

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

## CONTRIBUTION BY SEGMENT

**Contribution to H1 2022 operating profit**  
(before shared services and head office)



■ Consumer-related products   ■ Engineering consumables

# SEGMENT RESULTS FOR CONSUMER-RELATED PRODUCTS

Rm	Turnover			Op Margin		Operating Profit		
	2022	% ch	2021	2022	2021	2022	% ch	2021
Ongoing operations	1 886	6,3	1 773	15,4	13,8	290	18,4	245
Acquisition	95			12,6		12		
<b>Segment total</b>	<b>1 981</b>	<b>11,7</b>	<b>1 773</b>	<b>15,2</b>	<b>13,8</b>	<b>302</b>	<b>23,4</b>	<b>245</b>

- Increase in automotive and alternative energy sectors
- Security sales down but profit up
- CADAC winter sales strong; busy season

# ACQUISITION

- CADAC acquired from 28 February 2022
- Distributor of a wide range of outdoor cooking and heating products including gas cylinders, stoves, cookers, braais, skottels, heaters, lamps, blowtorches and accessories in southern Africa.
- No exposure to Cadac pension fund
- Estimated price R100m
- Opportunity for growth



# SEGMENT RESULTS

## ENGINEERING CONSUMABLES

	Turnover			Op Margin		Operating Profit		
Rm	2022	% ch	2021	2022	2021	2022	% ch	2021
Ongoing operations	1 810	12,0	1 616	10,8	8,9	196	36,7	143
Acquisition								
Segment total	1 810	12,0	1 616	10,8	8,9	196	36,7	143

- Increase in mining and manufacturing sectors

## SEGMENT RESULTS

	Turnover			Op Margin		Operating Profit		
Rm	2022	% ch	2021	2022	2021	2022	% ch	2021
Consumer-related products	1 981	11,7	1 773	15,2	13,8	302	23,4	245
Engineering consumables	1 810	12,0	1 616	10,8	8,9	196	36,7	143
Head office, shared services and eliminations	(9)		(6)			(46)		(31)
<b>Total group</b>	<b>3 782</b>	<b>11,8</b>	<b>3 383</b>	<b>12,0</b>	<b>10,6</b>	<b>452</b>	<b>26,5</b>	<b>357</b>

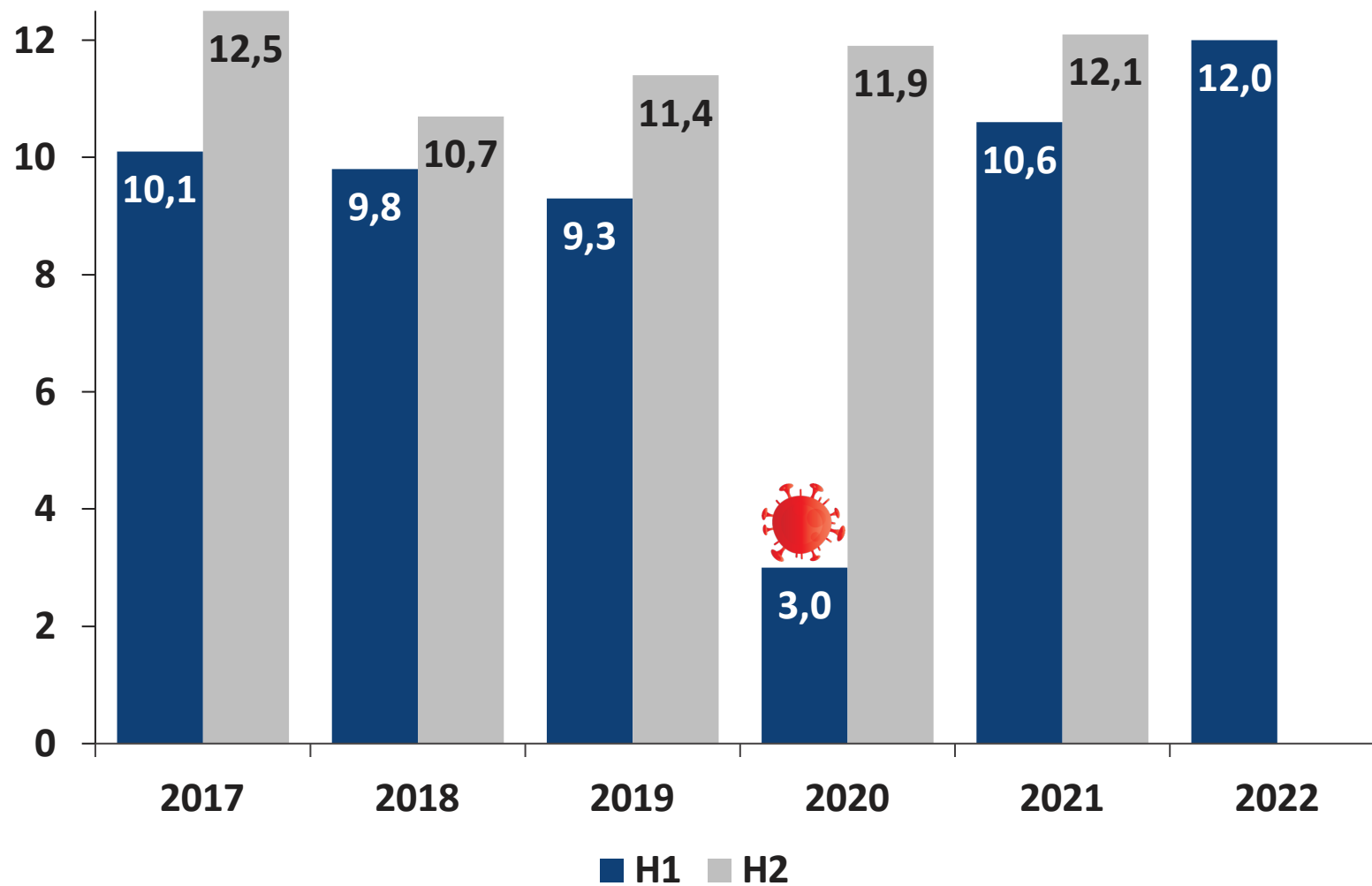
## OPERATING MARGIN

	2022	2021
<b>Margin (%)</b>		
<b>Turnover</b>	<b>100%</b>	<b>100%</b>
Gross profit	36,7%	36,9%
Operating expenses	24,7%	26,3%
<b>Operating profit</b>	<b>12,0%</b>	<b>10,6%</b>



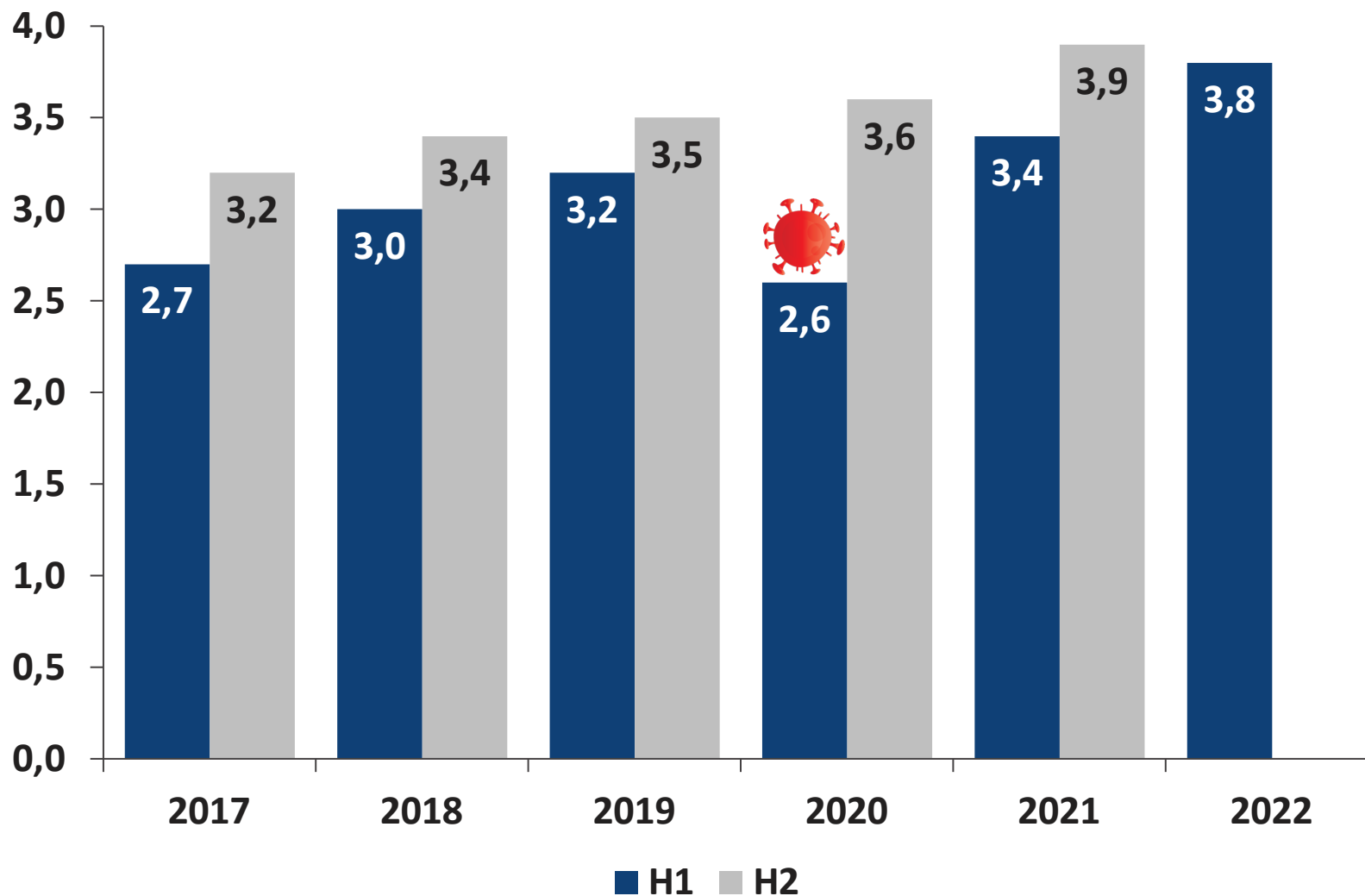
# OPERATING MARGIN

%



# TURNOVER

R billion



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## FINANCIAL REVIEW



# PROFIT

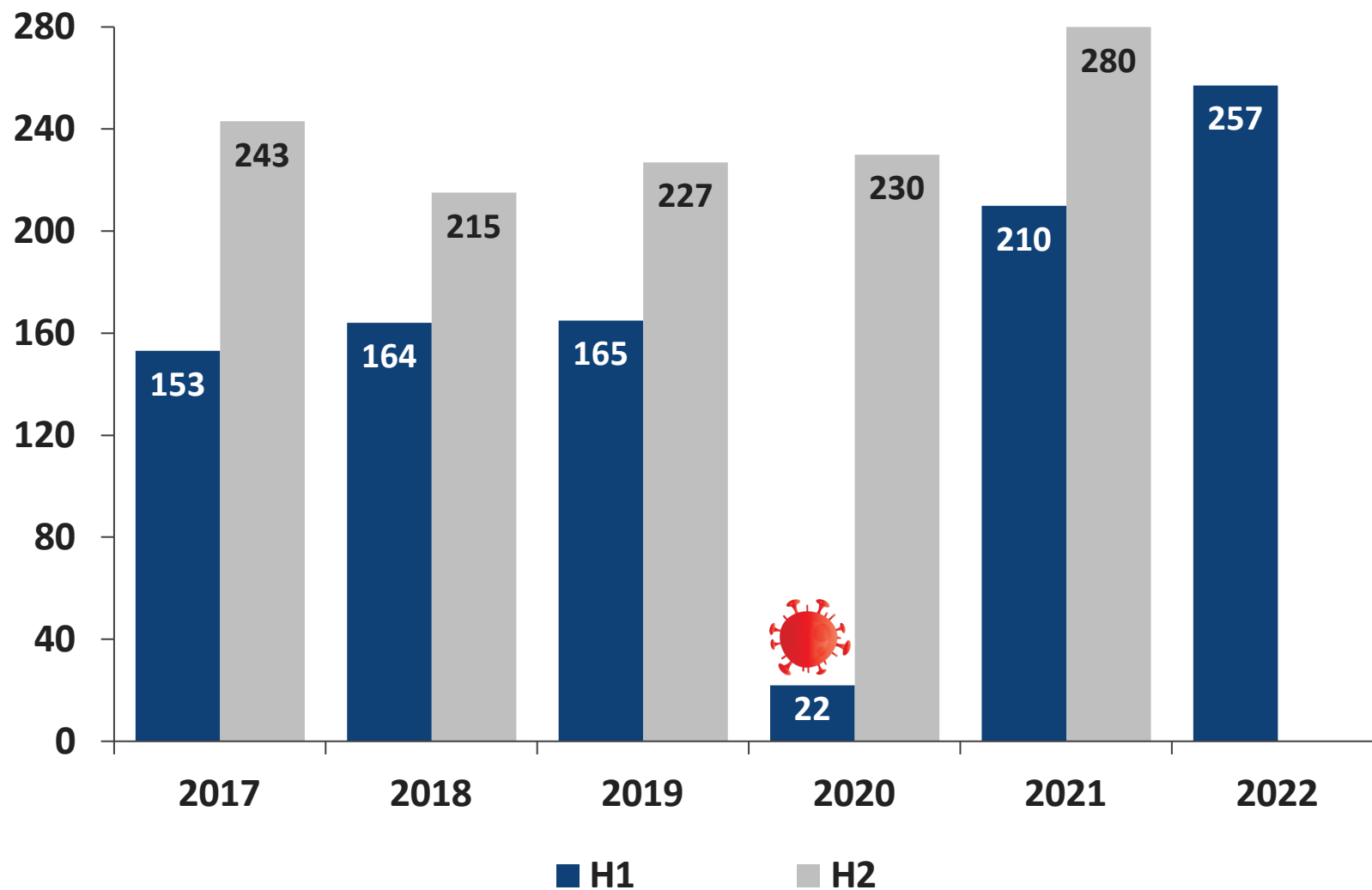
Rm	2022	% ch	2021
<b>Turnover</b>	<b>3 782</b>	<b>11,8</b>	<b>3 383</b>
Ongoing operations	<b>3 687</b>	<b>9,0</b>	<b>3 383</b>
Acquisition	<b>95</b>		
<b>Gross profit</b>	<b>1 385</b>	<b>11,1</b>	<b>1 247</b>
Operating expenses	<b>933</b>	<b>4,9</b>	<b>890</b>
<b>Operating profit</b>	<b>452</b>	<b>26,5</b>	<b>357</b>
Ongoing operations	<b>440</b>	<b>23,1</b>	<b>357</b>
Acquisition	<b>12</b>		

# PROFIT

Rm	2022	% ch	2021
<b>Operating profit</b>	<b>452</b>	<b>26,5</b>	<b>357</b>
Net interest on funding	(27)		(19)
Imputed interest on leases	(14)		(15)
<b>Profit before taxation</b>	<b>411</b>	<b>27,1</b>	<b>323</b>
Taxation (Rate 2022: 28,9% 2021: 27,9%)	(119)		(90)
<b>Profit after taxation</b>	<b>292</b>	<b>25,3</b>	<b>233</b>
Non-controlling interest	(35)		(23)
<b>Attributable earnings</b>	<b>257</b>	<b>22,4</b>	<b>210</b>
<b>Headline earnings</b>	<b>257</b>	<b>22,4</b>	<b>210</b>
<b>Comparable earnings</b>	<b>257</b>	<b>22,4</b>	<b>210</b>

# COMPARABLE EARNINGS

R million



## EARNINGS PER SHARE AND DIVIDENDS

Cents	2022	% ch	2021
<b>Earnings per share</b>			
Comparable	857	25,1	686
Basic	857	25,1	686
Headline	857	25,1	686
<b>Dividends per share</b>			
- Interim	300	25,0	240
- Final			520
<b>Total</b>			760
<b>Dividend cover H1 (times)</b>	2,86		2,86



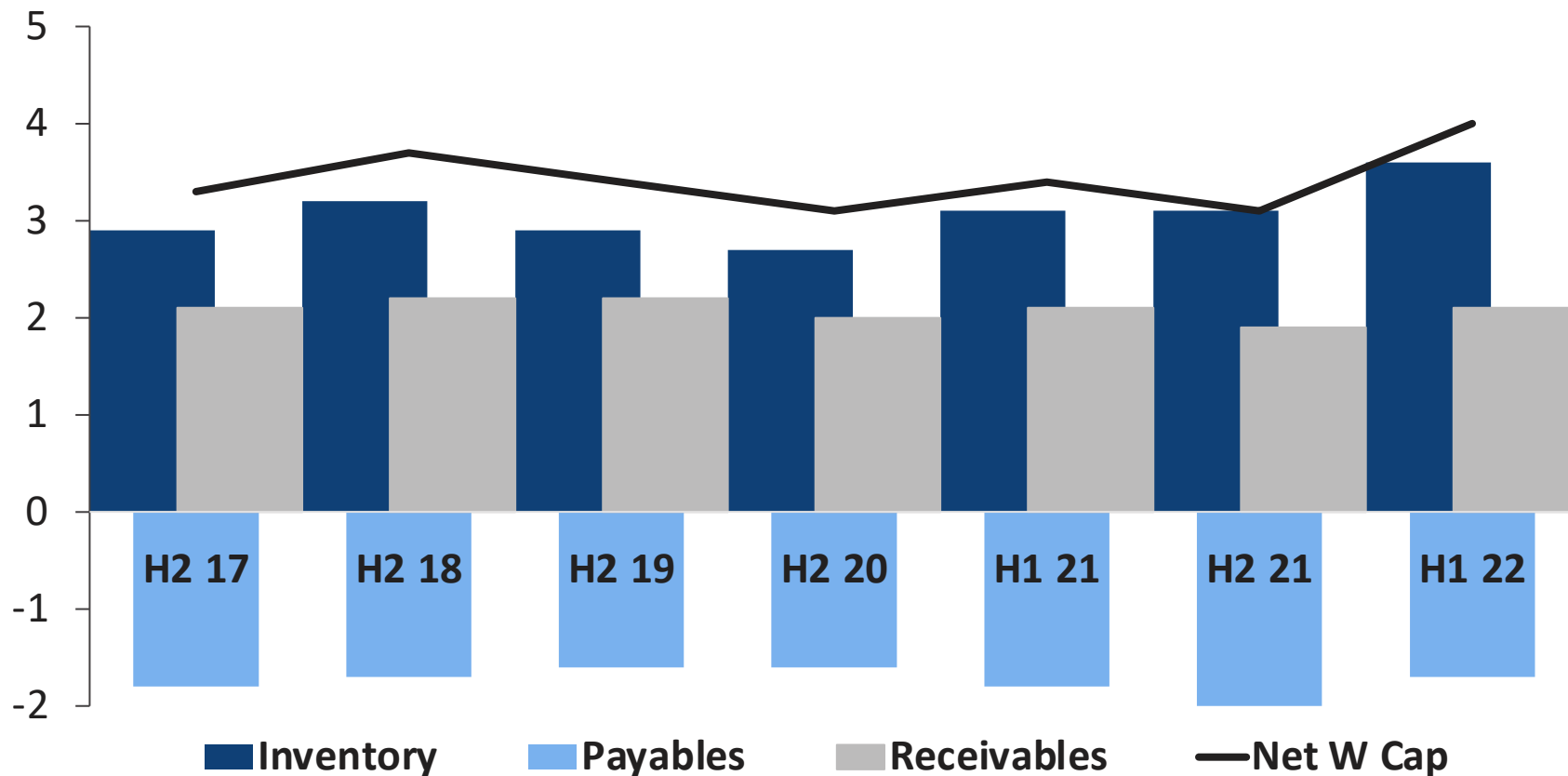
# STATEMENT OF FINANCIAL POSITION

Rm	May 22	May 21
<b>Working capital</b>	<b>2 515</b>	<b>1 915</b>
Property, plant and equipment	294	266
Right-of-use assets	382	362
Goodwill and intangibles	1 222	1 195
Tax	55	38
<b>Net assets</b>	<b>4 468</b>	<b>3 776</b>

Equity	3 082	2 737
Bank borrowings	860	594
Lease liabilities	438	407
Due to vendors	28	
Tax	60	38
<b>Total equity and liabilities</b>	<b>4 468</b>	<b>3 776</b>

# WORKING CAPITAL ELEMENTS

In months of sales



One month of sales

**2017** = R538m

**2020** = R439m

**2022** = R630m (H1)

**2018** = R571m

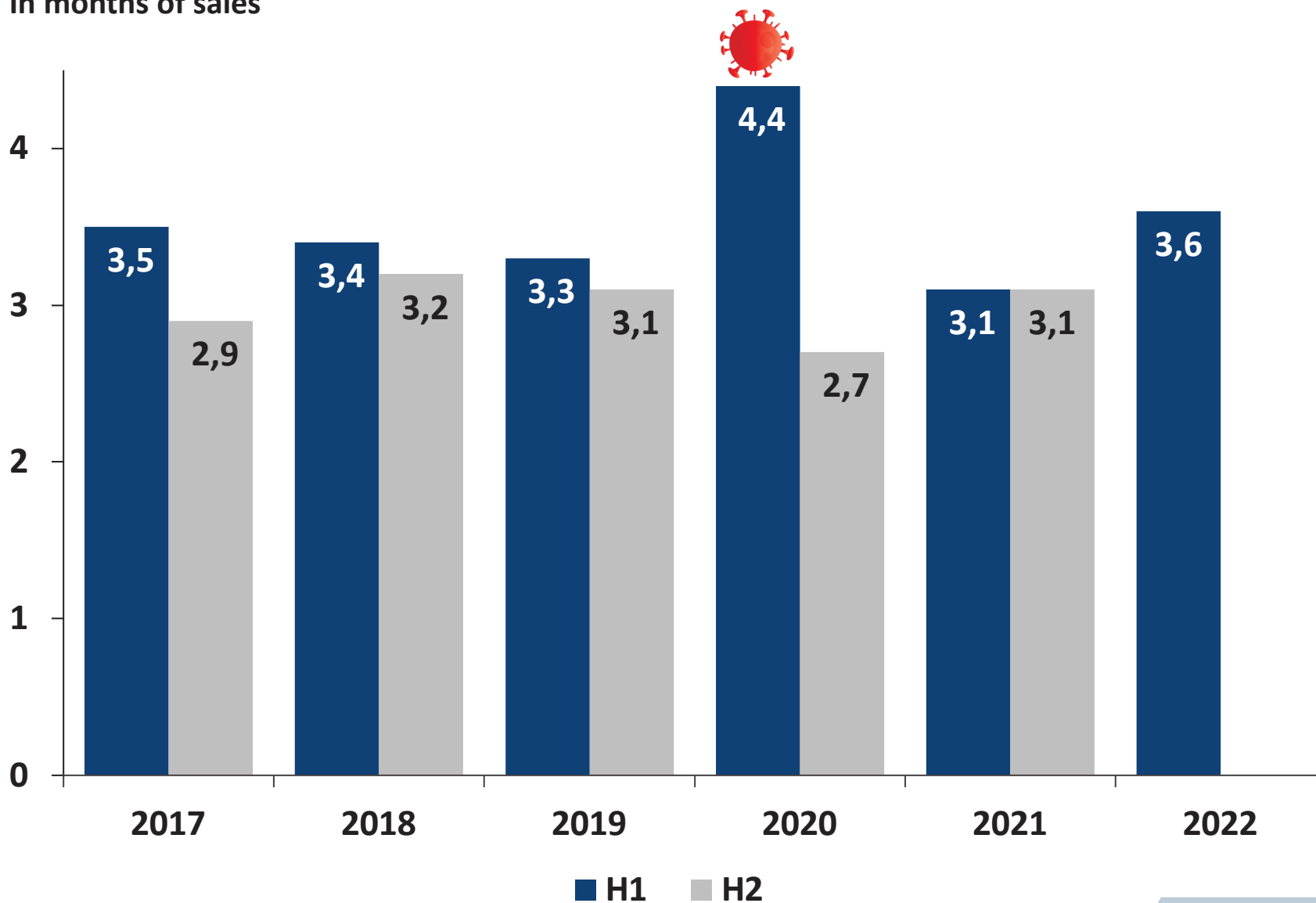
**2021** = R564m (H1)

**2019** = R559m

**2021** = R646m

# INVENTORY

In months of sales



## CASH FLOW

Rm	2022	2021
Cash from trading	558	458
Increase in working capital	(459)	(65)
<b>Cash from operations</b>	<b>99</b>	<b>393</b>
Tax paid	(77)	(62)
<b>Cash from operating activities</b>	<b>22</b>	<b>331</b>
Invested in new business	(75)	
Invested in software and plant & equipment	(33)	(23)
<b>Cash flow after investing activities</b>	<b>(86)</b>	<b>308</b>
Share-based payments	(30)	(4)
Repurchase of shares	(8)	(36)
Lease payments	(67)	(62)
Finance costs paid	(27)	(19)
Dividends paid	(174)	(135)
<b>Net movement</b>	<b>(392)</b>	<b>52</b>
Foreign exchange translation gain (loss)	1	(2)
Opening borrowings	(469)	(644)
<b>Closing borrowings</b>	<b>(860)</b>	<b>(594)</b>

## KEY FINANCIAL POINTS

- Operating margin up
- Expenses tightly managed
- Strategic increase in inventories
- Businesses remain cash generative
- Borrowings well within capacity
- All capital allocation options are still considered

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## OUTLOOK



- Inevitably, more supply chain difficulties, minor stock-outs, load-shedding and the usual challenges of doing business in South Africa
- Optimistic that the momentum of the last 18 months is sustainable
- Supplier order confirmations for H2 are reassuring
- Alternative energy, automotive, mining and manufacturing sectors' good performance to continue
- A further contribution from CADAC
- Expect usual strong cash generation in H2
- Capital to be allocated strategically:
  - Inventory (intentionally high and will come down by year-end)
  - Acquisitions (nothing imminent)
  - Pay down debt (likely)
  - Return to shareholders (we have a mandate to repurchase shares)



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**CONTACT DETAILS AND  
DISCLAIMER**

## CONTACT DETAILS

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