



***Hudaco***

**RESULTS PRESENTATION**  
FOR THE YEAR ENDED 30 NOVEMBER 2020

# AGENDA



- General business environment and overview
- Results summary
- H2 Results summary
- Covid-19 impact on Hudaco businesses
- Business model and operating segments
- Financial review
- Outlook

## GENERAL BUSINESS ENVIRONMENT

- 2020 was a year of great trauma and hardship for South Africa
- Rising government debt and rising unemployment
- December 2019 stage 6 load shedding
- 23 March Covid-19 lockdown announcement
- Moody's downgrade 27 March
- Very restricted trading until end May
- Beginning of June moved to level 3 - all businesses could operate, albeit at a reduced capacity initially

## OVERVIEW

- Lockdown was used to strategise, plan and organise
- Management of our businesses through this crisis and H2 performance is commendable
- Impact on the first half numbers was so overwhelming that it also dominates the results for the full year
- A better understanding of performance and bounce back can be derived from H2 results
- Hudaco has once again shown its resilience

## RESULTS SUMMARY

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|                                  |   |                    |
|----------------------------------|---|--------------------|
| Turnover                         | ↓ | 6,7% to R6,3bn     |
| Operating profit                 | ↓ | 27,2% to R510m     |
| Basic earnings per share         | ↓ | 91,7% to 113 cps   |
| Headline earnings per share      | ↓ | 22,5% to 1 050 cps |
| Comparable earnings per share    | ↓ | 35,5% to 800 cps   |
| H2 Comparable earnings per share | ↑ | 1,5% to 731 cps    |
| Total dividend per share         | ↓ | 31,7% to 410 cps   |
| Cash generated from operations   |   | R908m              |

We return R208m to shareholders (R82m in share repurchases and R126m in final dividend)

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## RESULTS SUMMARY FOR H2

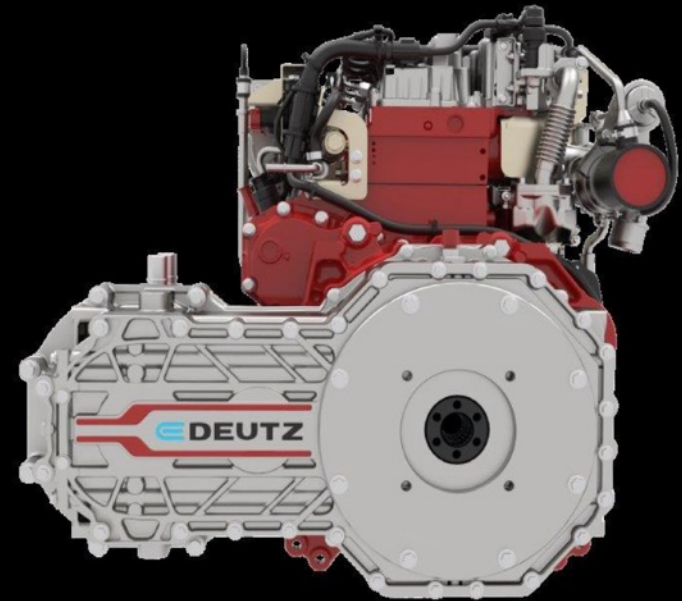
|                                |   |                 |
|--------------------------------|---|-----------------|
| Turnover                       | ↑ | 2,5% to R3,6bn  |
| Operating profit               | ↑ | 6,9% to R431m   |
| Basic earnings per share       | ↑ | 3,5% to 851 cps |
| Headline earnings per share    | ↑ | 4% to 855 cps   |
| Comparable earnings per share  | ↑ | 1,5% to 731 cps |
| Final dividend per share       | → | 410 cps         |
| Cash generated from operations |   | R740m           |

## MAJOR SHAREHOLDERS / FUND MANAGERS

|                                     |            |
|-------------------------------------|------------|
| ■ Government Employees Pension Fund | 11%        |
| ■ PSG Asset Management              | 10%        |
| ■ Old Mutual                        | 7%         |
| ■ Foord Asset Management            | 6%         |
| ■ Ninety One                        | 5%         |
| ■ Nedbank                           | 5%         |
| ■ Citigroup                         | 5%         |
| ■ Bateleur Capital                  | 4%         |
| ■ Aylett & Co Fund Managers         | 4%         |
| ■ Alexander Forbes                  | 4%         |
| ■ Prudential Investments Managers   | 3%         |
|                                     | <hr/>      |
|                                     | <b>64%</b> |
|                                     | <hr/>      |



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**COVID-19 IMPACT ON  
HUDACO BUSINESSES**

# COVID-19 IMPACT ON HUDACO BUSINESSES



- Rationalisation of branches and some businesses, especially back-office
- Retrenchments
- Delays at ports
- Rand exchange very volatile

# EXCHANGE RATE VOLATILITY ZAR TO US \$



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## **BUSINESS MODEL AND OPERATING SEGMENTS**

## OPERATING SEGMENTS

### **Consumer-related products (11 businesses)**

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

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

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

# FEATURES OF VALUE-ADDED DISTRIBUTION



- Instant availability
- Focused business units with application advice
- Technical specification and product knowledge
- Training
- Credit provision
- Drives customer retention and supplier loyalty

Inventory R1 598m

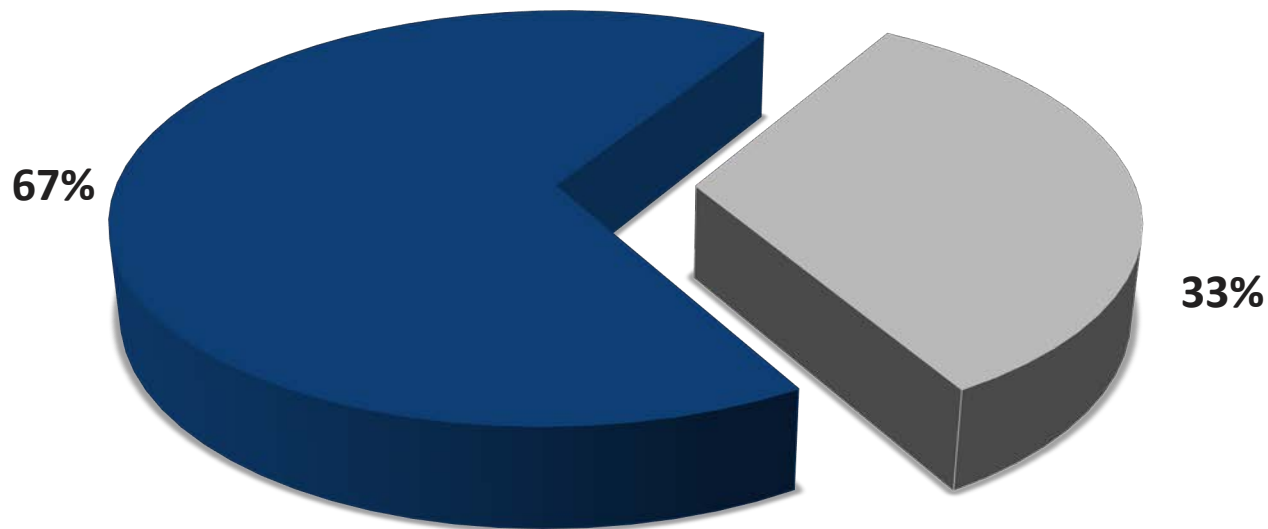
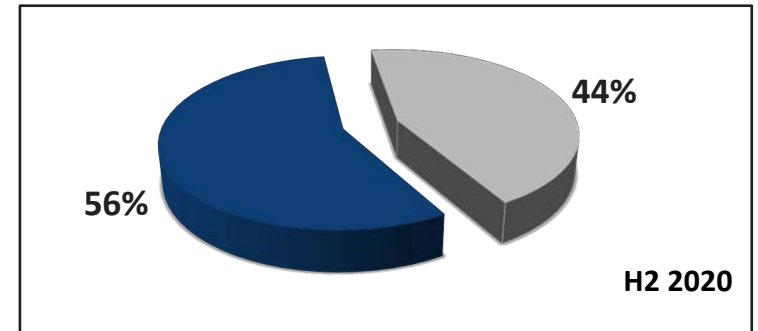
- 32 warehouses
- 800 international suppliers
- over 230 000-line items
- over 130 branches

Receivables R1 196m

- 30 000 active customers
- low value transactions - generally low concentration of risk
- low level of tender or contract business

## CONTRIBUTION BY SEGMENT

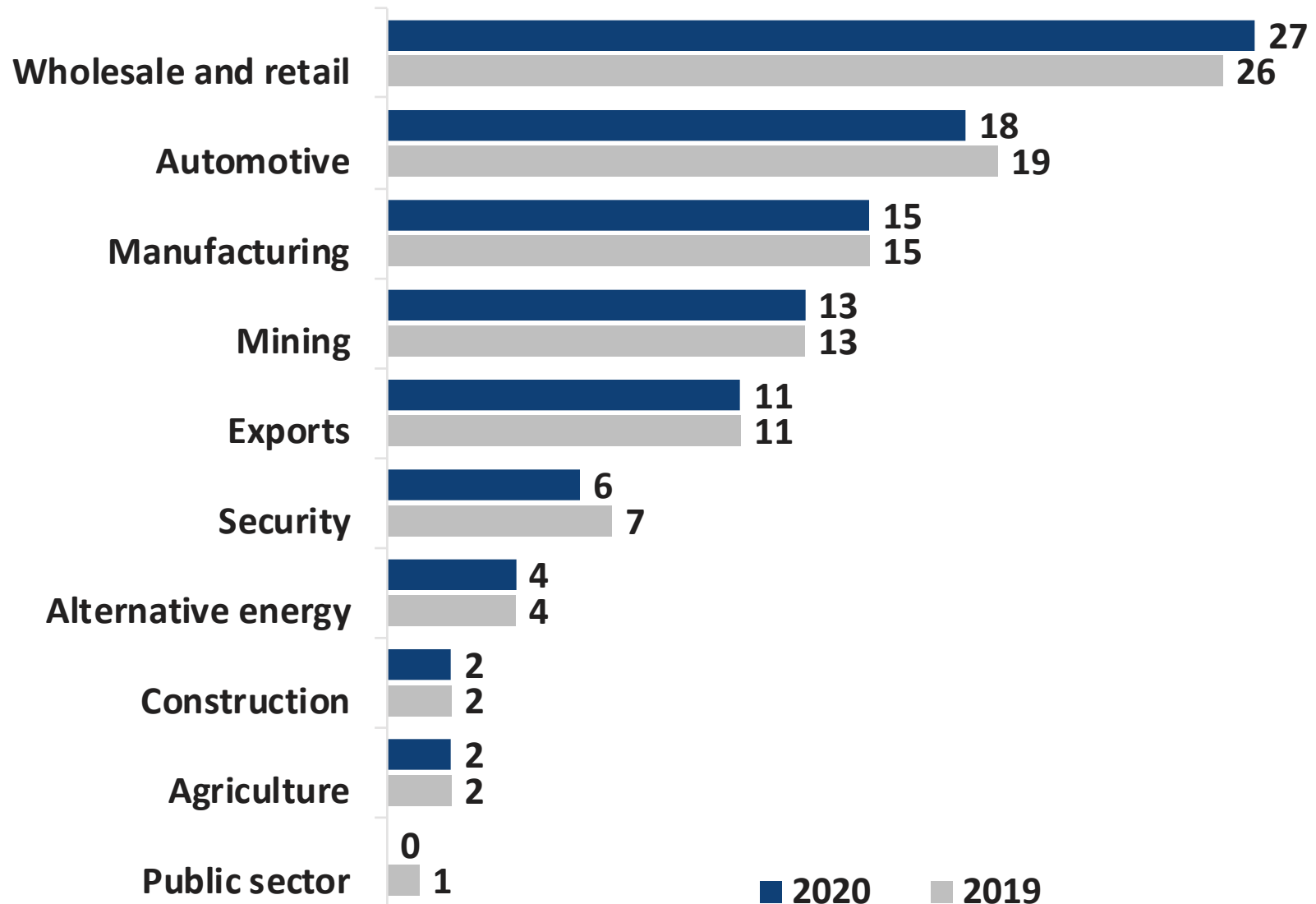
**Contribution to 2020 operating profit**  
(before shared services and head office)



■ Consumer-related products ■ Engineering consumables

## 2020 SALES BY MARKET SECTOR (%)

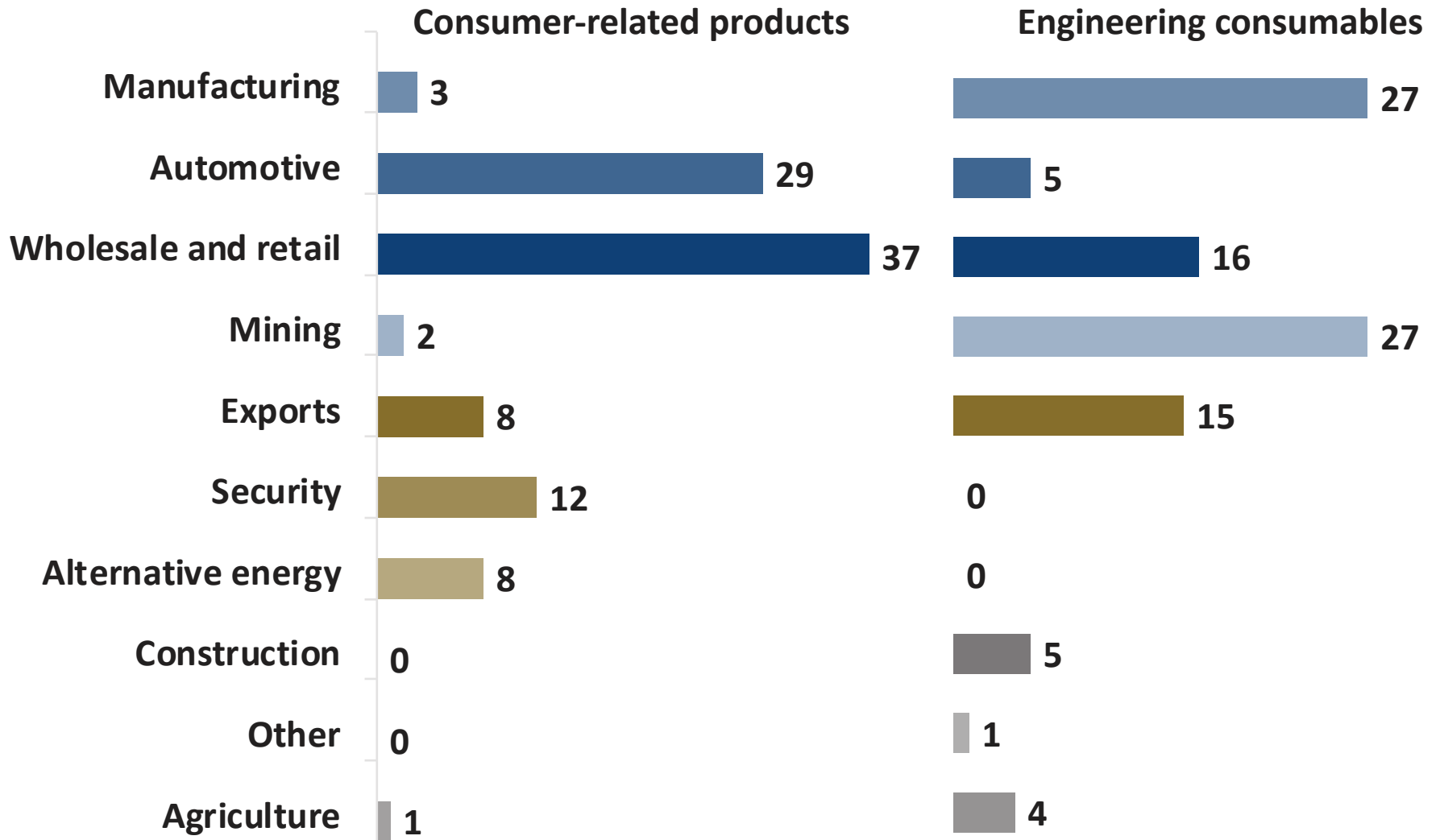
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## 2020 SALES BY MARKET SECTOR (%)

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## SEGMENT RESULTS FOR H2 CONSUMER-RELATED PRODUCTS

|               | Turnover |      |       | Op Margin |       | Operating Profit |      |      |
|---------------|----------|------|-------|-----------|-------|------------------|------|------|
| Rm            | 2020     | % ch | 2019  | 2020      | 2019  | 2020             | % ch | 2019 |
| Segment total | 1 919    | 2,5  | 1 872 | 13,3%     | 11,5% | 255              | 18,1 | 216  |

# CONSUMER-RELATED PRODUCTS

## AUTOMOTIVE AFTERMARKET











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| Principal Businesses  | Principal Brands   |
|---|--|
|      |       |
| Main markets  | Used for   |
| <ul style="list-style-type: none"> <li>■ Automotive aftermarket</li> <li>■ Automotive parts and accessories</li> <li>■ Construction machinery</li> <li>■ Spares shops</li> <li>■ Wheel and tyre fitment centres</li> <li>■ 4x4 recreation</li> </ul>  | <ul style="list-style-type: none"> <li>■ Automotive oil seals</li> <li>■ Ignition leads</li> <li>■ Light duty clutch kits</li> <li>■ Truck clutch components</li> <li>■ Underbody spares replacement</li> <li>■ 4x4 suspension and accessories</li> </ul>  |

# CONSUMER-RELATED PRODUCTS






## POWER TOOLS AND FASTENERS

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| Principal Businesses  | Principal Brands   |
|---|--|
|     |       |
| Main markets  | Used for   |
| <ul style="list-style-type: none"> <li>■ Agriculture</li> <li>■ D.I.Y</li> <li>■ Commercial marine</li> <li>■ Construction</li> <li>■ Manufacturing</li> <li>■ Mining</li> <li>■ Recreational boating</li> </ul>  | <ul style="list-style-type: none"> <li>■ Building</li> <li>■ D.I.Y.</li> <li>■ Fastening in all industries</li> <li>■ Installations</li> <li>■ Propulsion of boats</li> <li>■ Surveying</li> </ul>   |

# CONSUMER-RELATED PRODUCTS

## DATA NETWORKING EQUIPMENT

| Principal Businesses   | Principal Brands  |
|--|---|
|   |     <p>Cambium Networks</p> |
| Main markets   | Used for  |
| <ul style="list-style-type: none"> <li>Security</li> <li>Technology resellers</li> <li>Telecommunications operators</li> <li>Transport</li> <li>Wireless, internet, fibre service providers</li> </ul> | <ul style="list-style-type: none"> <li>Data solutions</li> <li>Fibre optic networks</li> <li>Network infrastructure</li> <li>Outdoor wireless network</li> <li>Wi-Fi access networks</li> </ul>   |

# CONSUMER-RELATED PRODUCTS

## SECURITY AND COMMUNICATION EQUIPMENT












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| Principal Businesses  | Principal Brands   |
|---|--|
|      |              |
| Main markets  | Used for   |
| <ul style="list-style-type: none"> <li>Commercial security</li> <li>Military and police</li> <li>Mining</li> <li>Municipal</li> <li>Residential security</li> <li>Project consultants</li> <li>Systems integrators</li> <li>Transport</li> </ul>  | <ul style="list-style-type: none"> <li>Access control</li> <li>Control centres</li> <li>Fire detection</li> <li>Intrusion detection</li> <li>Mobile communication</li> <li>Perimeter detection</li> <li>Personal communication</li> <li>Residential/commercial telephony</li> <li>Video surveillance and analysis</li> </ul>   |

# CONSUMER-RELATED PRODUCTS

## BATTERIES

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| Principal Businesses  | Principal Brands   |
|---|--|
|    |         |
| Main markets  | Used for   |
| <ul style="list-style-type: none"> <li>Alternative energy</li> <li>Battery bays</li> <li>Mining</li> <li>Motor industry</li> <li>Security</li> <li>Surface motive power</li> <li>Solar system</li> <li>UPS/standby batteries</li> </ul>               | <ul style="list-style-type: none"> <li>Back-up power (UPS, inverters, alarms)</li> <li>Distribution centres</li> <li>Energy load shifting</li> <li>Generator starting</li> <li>Materials handling</li> <li>Motor vehicles</li> <li>Solar systems</li> <li>Underground locomotive traction</li> </ul>   |












## SEGMENT RESULTS FOR H2 ENGINEERING CONSUMABLES

| Rm            | Turnover |      |       | Op Margin |       | Operating Profit |      |      |
|---------------|----------|------|-------|-----------|-------|------------------|------|------|
|               | 2020     | % ch | 2019  | 2020      | 2019  | 2020             | % ch | 2019 |
| Segment total | 1 711    | 3,5  | 1 653 | 11,5%     | 10,6% | 197              | 12,6 | 175  |



# ENGINEERING CONSUMABLES BEARINGS AND BELTING















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| Principal Businesses   | Principal Brands  |
|--|---|
|             |         |
| Main markets   | Used for  |
| <ul style="list-style-type: none"> <li>Automotive OEM's</li> <li>Construction</li> <li>Food processing</li> <li>General industry</li> <li>Manufacturing</li> <li>Mining</li> <li>Power generation</li> <li>Sugar industry</li> <li>Tobacco industry</li> </ul> | <ul style="list-style-type: none"> <li>Automotive OE supply</li> <li>Conveyor systems</li> <li>General machinery and equipment</li> <li>Maintenance</li> <li>Mining equipment</li> <li>Process control and measurement</li> </ul>   |

# ENGINEERING CONSUMABLES













## ELECTRICAL POWER TRANSMISSION

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| Principal Businesses  | Principal Brands  |
|---|---|
|      |          |
| Main markets  | Used for  |
| <ul style="list-style-type: none"> <li>Automation</li> <li>Manufacturing</li> <li>Materials handling</li> <li>Mining</li> <li>Ports</li> <li>Power generation</li> <li>Wholesale and retail</li> </ul>  | <ul style="list-style-type: none"> <li>Automation and control of electric motors</li> <li>Connection of electrical power in industry</li> <li>Electrical panel building</li> <li>Electrification of mobile machinery</li> <li>Maintenance and repairs</li> <li>Power stations</li> </ul>  |



# ENGINEERING CONSUMABLES HYDRAULICS AND PNEUMATICS

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| Principal Businesses   | Principal Brands  |
|--|---|
|      <p><b>Gear Pump Manufacturing</b></p>  <p><b>PRECISION HYDRAULICS</b></p> |    <p><i>Kawasaki Precision Machinery</i></p>   <p><b>Gear Pump Manufacturing</b></p>  |
| Main markets   | Used for  |
| <ul style="list-style-type: none"> <li>Food processing plants</li> <li>Industrial</li> <li>Manufacturing</li> <li>Mining</li> </ul>  | <ul style="list-style-type: none"> <li>Breweries</li> <li>Fluid conveyance &amp; control</li> <li>Industrial automation</li> <li>Mining equipment</li> <li>Process automation</li> </ul>  |

# ENGINEERING CONSUMABLES SPECIALISED STEEL

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| Principal Businesses  | Principal Brands  |
|---|---|
|  <p><b>JOSEPH GRIEVESON</b><br/>EST 1915<br/>SUPPLIERS OF FERROUS AND NON-FERROUS CASTINGS</p>   |  <p><b>Bosworth</b></p> <p><b>JOSEPH GRIEVESON</b><br/>EST 1915<br/>SUPPLIERS OF FERROUS AND NON-FERROUS CASTINGS</p>  |
| Main markets  | Used for  |
| <ul style="list-style-type: none"> <li>General industry</li> <li>Manufacturing</li> <li>Mining</li> <li>Pressure vessels</li> <li>Road tankers</li> <li>Sugar industry</li> </ul> | <ul style="list-style-type: none"> <li>Aerators and mixing</li> <li>Conveyor systems</li> <li>Fabrication</li> <li>General steel applications</li> <li>Mining equipment</li> <li>Petro-chemical plants</li> <li>Pressure vessel ends</li> <li>Sugar processing</li> </ul> |

## ENGINEERING CONSUMABLES OTHER

| Principal Businesses  | Principal Brands   |
|---|--|
| <p><b>DEUTZ DIESELPOWER</b></p> <p> <b>Astore Keymak</b><br/><small>"Driven by quality; Delivered by experience!"</small></p> <p></p> | <p> <b>FILTREC</b><br/>Technical Filtration</p> <p> <b>DEUTZ</b></p> <p> <b>agru</b></p> <p> <b>UNIDELTA</b></p> <p> <b>Donaldson</b><br/>FILTRATION SOLUTIONS</p> <p> <b>HJS</b><br/>Emission Technology</p> |
| Main markets  | Used for   |
| <ul style="list-style-type: none"> <li>■ Agri equipment</li> <li>■ Construction</li> <li>■ Earthmoving equipment</li> <li>■ Irrigation</li> <li>■ Mining</li> <li>■ On and off-road trucks</li> <li>■ Opencast mining</li> <li>■ Plastic moulding</li> <li>■ Sewage reticulation</li> </ul>             | <ul style="list-style-type: none"> <li>■ Condensate drain management</li> <li>■ Industrial air filtration</li> <li>■ Generator sets</li> <li>■ Materials handling</li> <li>■ Mining equipment</li> <li>■ OEM supply</li> <li>■ Oil, air, fuel and hydraulic filtration</li> <li>■ Plastic moulds</li> </ul>  |

## SEGMENT RESULTS FOR H2



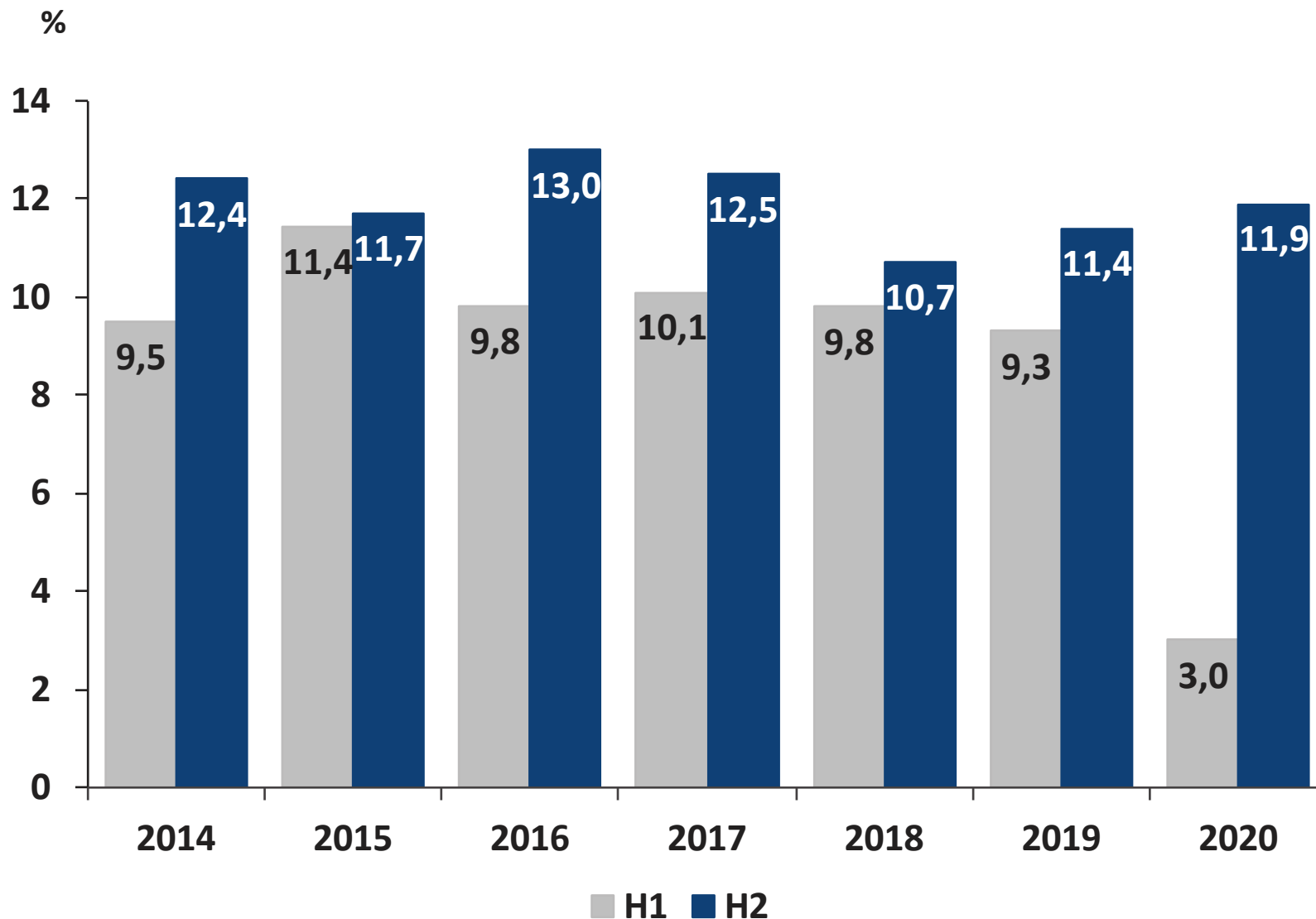
| Rm   | Turnover     |             |              | Op Margin    |              | Operating Profit |             |            |
|--|--------------|-------------|--------------|--------------|--------------|------------------|-------------|------------|
|  | 2020         | % ch        | 2019         | 2020         | 2019         | 2020             | % ch        | 2019       |
| Consumer-related products                      | 1 919        | 2,5         | 1 872        | 13,3%        | 11,5%        | 255              | 18,1        | 216        |
| Engineering consumables                        | 1 711        | 3,5         | 1 653        | 11,5%        | 10,6%        | 197              | 12,6        | 175        |
| Head office, shared services, and eliminations | (12)         |             | 4            |              |              | (21)             |             | (13)       |
| <b>Total group</b>                             | <b>3 618</b> | <b>2,5%</b> | <b>3 529</b> | <b>11,9%</b> | <b>11,4%</b> | <b>431</b>       | <b>6,9%</b> | <b>404</b> |

## OPERATING MARGIN FOR H2



|                         | 2020         | 2019         |
|-------------------------|--------------|--------------|
| <b>Margin (%)</b>       |              |              |
| <b>Turnover</b>         | <b>100,0</b> | <b>100,0</b> |
| Gross profit            | <b>36,5</b>  | <b>36,7</b>  |
| Operating expenses      | <b>24,6</b>  | <b>25,3</b>  |
| <b>Operating profit</b> | <b>11,9</b>  | <b>11,4</b>  |

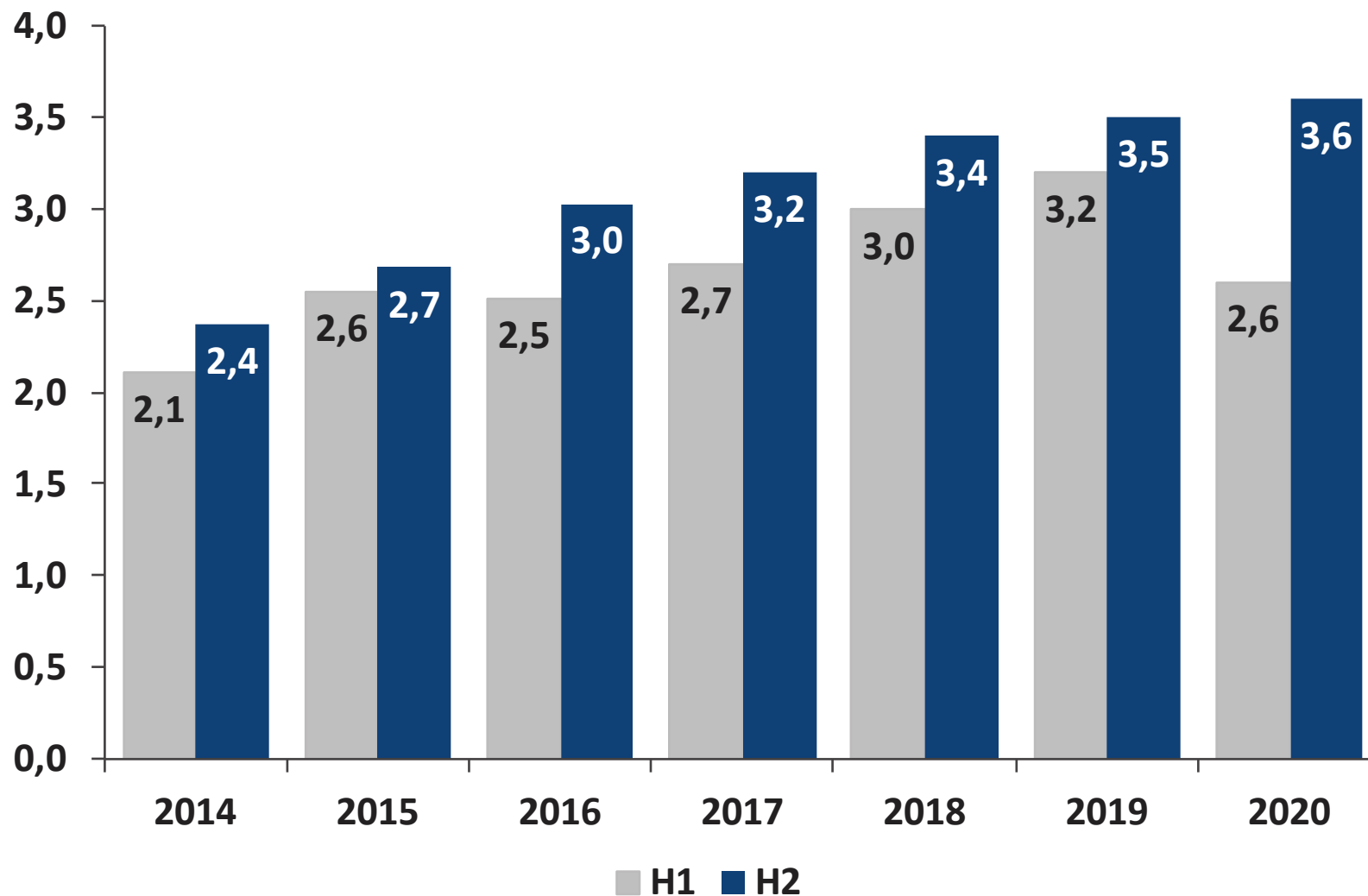
# OPERATING MARGIN





# TURNOVER

R billion



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**FINANCIAL REVIEW**

## PROFIT FOR H2



| Rm                      | 2020         | % ch         | 2019         |
|-------------------------|--------------|--------------|--------------|
| <b>Turnover</b>         | <b>3 618</b> | <b>2,5</b>   | <b>3 529</b> |
| Gross profit            | <b>1 321</b> | <b>1,8</b>   | <b>1 297</b> |
| Operating expenses      | <b>890</b>   | <b>(0,4)</b> | <b>893</b>   |
| <b>Operating profit</b> | <b>431</b>   | <b>6,9</b>   | <b>404</b>   |

## PROFIT FOR FULL YEAR

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| Rm                      | 2020         | % ch          | 2019         |
|-------------------------|--------------|---------------|--------------|
| <b>Turnover</b>         | <b>6 254</b> | <b>(6,7)</b>  | <b>6 704</b> |
| Gross profit            | <b>2 175</b> | <b>(10,9)</b> | <b>2 441</b> |
| Operating expenses      | <b>1 665</b> | <b>(4,3)</b>  | <b>1 740</b> |
| <b>Operating profit</b> | <b>510</b>   | <b>(27,2)</b> | <b>701</b>   |

# ADJUSTMENTS ARISING FROM COVID-19 AND CONSEQUENTIAL ECONOMIC CONDITIONS

- Fully explained in interim results
- Expected credit loss increased
- Inventory net realisable value allowance up
- Goodwill impaired by R345m (22,8%)
- Intangible assets impaired by R3m
- Foreign deferred tax asset impaired by R6m

## PROFIT FOR H2

| Rm  | 2020       | % ch       | 2019       |
|---|------------|------------|------------|
| <b>Operating profit</b>                                 | <b>431</b> | <b>6,9</b> | <b>404</b> |
| Damages settlement                                      | 35         |            |            |
| Net interest on funding                                 | (26)       |            | (48)       |
| Imputed interest on leases (IFRS 16)                    | (16)       |            |            |
| Fair value adjustment to amounts due to vendors         | 4          |            | 33         |
| - Adjustment for time-value of money (imputed interest) | (1)        |            | (4)        |
| - Adjustment to estimated capital value                 | 5          |            | 37         |
| Impairment of goodwill and intangibles                  |            |            |            |
| <b>Profit before taxation</b>                           | <b>428</b> | <b>9,9</b> | <b>389</b> |
| Taxation (rate: 28,9%)                                  | (124)      |            | (97)       |
| <b>Profit after taxation</b>                            | <b>304</b> | <b>4,0</b> | <b>292</b> |
| Income from joint venture                               | 1          |            | 2          |
| <b>Profit for the period</b>                            | <b>305</b> | <b>3,7</b> | <b>294</b> |
| Non-controlling interest                                | (36)       |            | (34)       |
| <b>Attributable earnings</b>                            | <b>269</b> | <b>3,3</b> | <b>260</b> |

## PROFIT FOR FULL YEAR

**Hudaco**

| Rm  | 2020       | % ch          | 2019       |
|---|------------|---------------|------------|
| <b>Operating profit</b>                                 | <b>510</b> | <b>(27,2)</b> | <b>701</b> |
| Damages settlement                                      | 35         |               |            |
| Net interest on funding                                 | (69)       |               | (103)      |
| Imputed interest on leases (IFRS 16)                    | (35)       |               |            |
| Fair value adjustment to amounts due to vendors         | 48         |               | 30         |
| - Adjustment for time-value of money (imputed interest) | (4)        |               | (12)       |
| - Adjustment to estimated capital value                 | 52         |               | 42         |
| Impairment of goodwill and intangibles                  | (348)      |               |            |
| <b>Profit before taxation</b>                           | <b>141</b> | <b>(77,5)</b> | <b>628</b> |
| Taxation  | (133)      |               | (160)      |
| <b>Profit after taxation</b>                            | <b>8</b>   | <b>(98,3)</b> | <b>468</b> |
| Income from joint venture                               | 1          |               | 3          |
| <b>Profit for the period</b>                            | <b>9</b>   |               | <b>471</b> |
| Non-controlling interest                                | 27         |               | (42)       |
| <b>Attributable earnings</b>                            | <b>36</b>  | <b>(91,7)</b> | <b>429</b> |

## HEADLINE AND COMPARABLE EARNINGS FOR H2



| Rm   | 2020       | % ch       | 2019       |
|--|------------|------------|------------|
| <b>Attributable earnings</b>   | <b>269</b> | <b>3,3</b> | <b>260</b> |
| Loss of disposal of PPE  | 1          |            |            |
| Non-controlling interest and tax                                       | (1)        |            |            |
| <b>Headline earnings</b>   | <b>269</b> | <b>3,5</b> | <b>260</b> |
| Fair value adjustment to estimated capital value of vendor liabilities | (5)        |            | (37)       |
| Damages settlement   | (35)       |            |            |
| Non-controlling interest   | 1          |            | 4          |
| <b>Comparable earnings</b>   | <b>230</b> | <b>1,0</b> | <b>227</b> |



# HEADLINE AND COMPARABLE EARNINGS

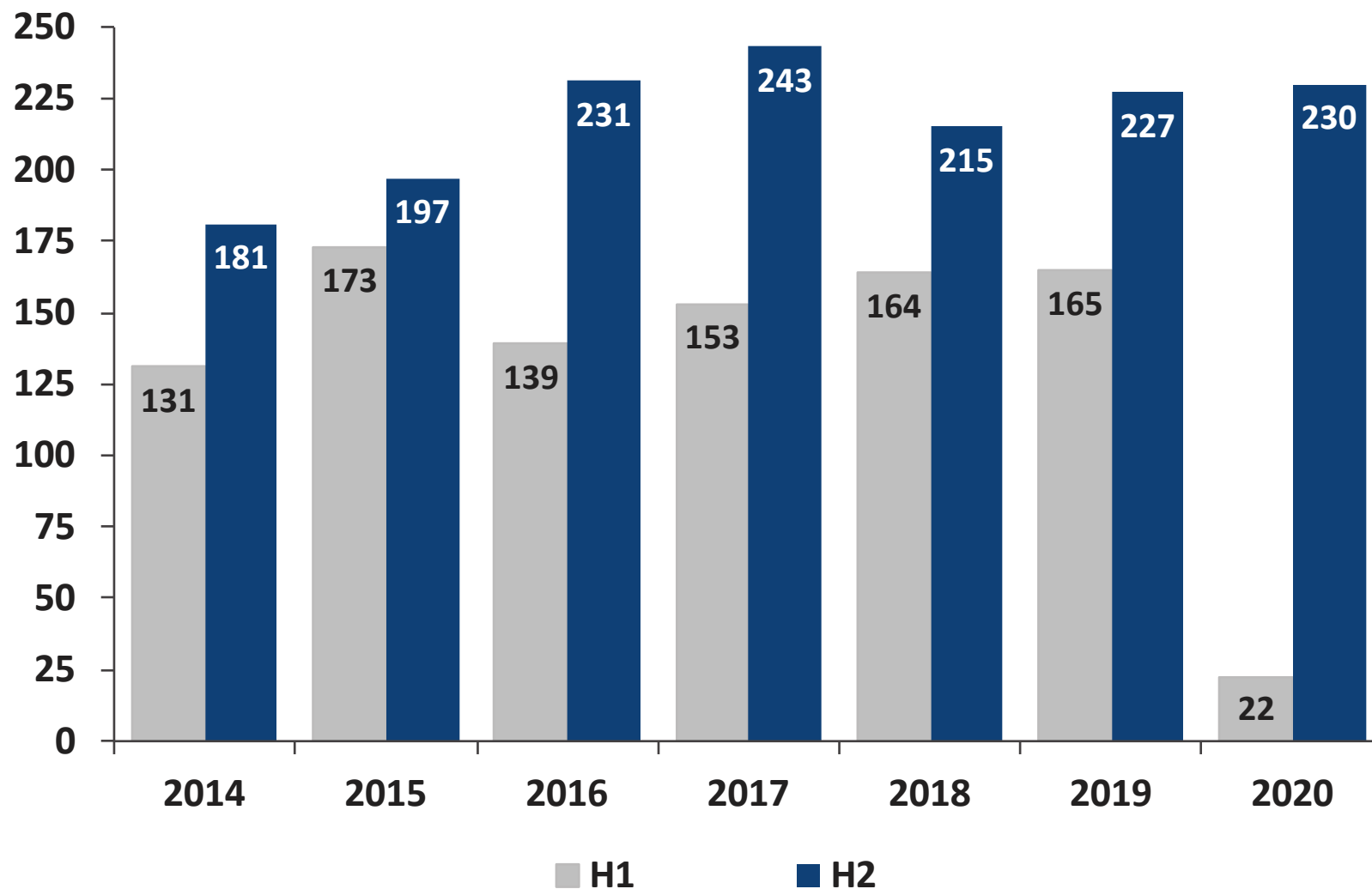
## FULL YEAR



| Rm   | 2020        | % ch          | 2019        |
|--|-------------|---------------|-------------|
| <b>Attributable earnings</b>   | <b>36</b>   | <b>(91,7)</b> | <b>429</b>  |
| Impairment of goodwill and intangibles                                 | <b>348</b>  |               |             |
| Loss of disposal of PPE  | <b>1</b>    |               |             |
| Non-controlling interest   | <b>(54)</b> |               |             |
| <b>Headline earnings</b>   | <b>331</b>  | <b>(22,8)</b> | <b>429</b>  |
| Fair value adjustment to estimated capital value of vendor liabilities | <b>(52)</b> |               | <b>(42)</b> |
| Damages settlement   | <b>(35)</b> |               |             |
| Non-controlling interest   | <b>8</b>    |               | <b>5</b>    |
| <b>Comparable earnings</b>   | <b>252</b>  | <b>(35,8)</b> | <b>392</b>  |

# COMPARABLE EARNINGS

R million



## EARNINGS PER SHARE



| <b>H2 cents</b>           | <b>2020</b> | <b>% ch</b> | <b>2019</b> |
|---------------------------|-------------|-------------|-------------|
| <b>Earnings per share</b> |             |             |             |
| Comparable                | <b>731</b>  | <b>1,5</b>  | <b>720</b>  |
| Basic                     | <b>851</b>  | <b>3,5</b>  | <b>822</b>  |
| Headline                  | <b>855</b>  | <b>4,0</b>  | <b>822</b>  |

- If 2019 had been adjusted for IFRS 16: Leases, comparable earnings would have been 704 cents and the increase 3,8%

| <b>Full year cents</b>    | <b>2020</b>  | <b>% ch</b>   | <b>2019</b>  |
|---------------------------|--------------|---------------|--------------|
| <b>Earnings per share</b> |              |               |              |
| Comparable                | <b>800</b>   | <b>(35,5)</b> | <b>1 240</b> |
| Basic                     | <b>113</b>   | <b>(91,7)</b> | <b>1 355</b> |
| Headline                  | <b>1 050</b> | <b>(22,5)</b> | <b>1 355</b> |

- If 2019 had been adjusted for IFRS 16: Leases, comparable earnings would have been 1 189 cents and the decrease 32,7%

## RETURNED TO SHAREHOLDERS



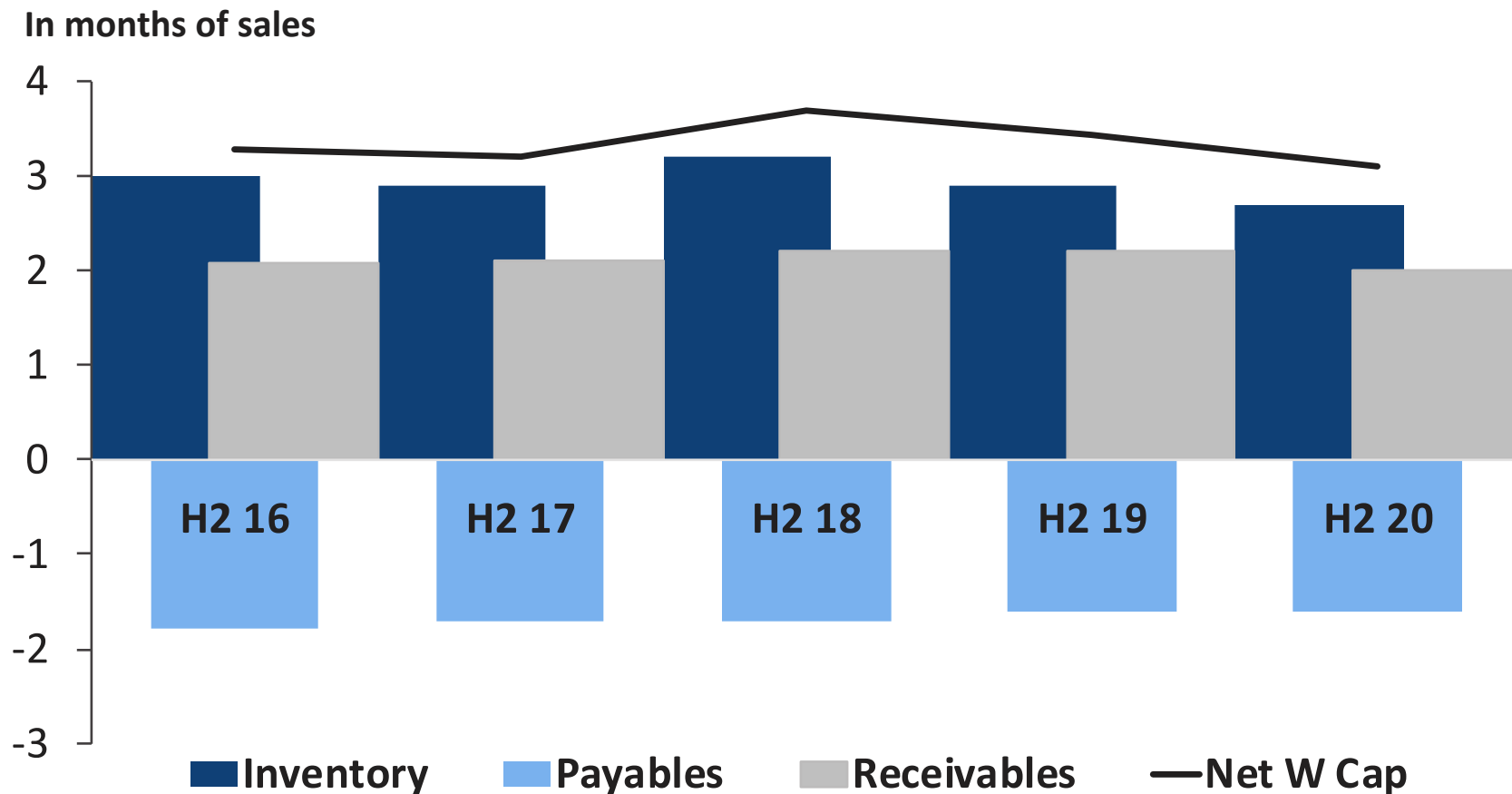
| Rm                   | 2020       | 2019       |
|----------------------|------------|------------|
| <b>Dividends</b>     |            |            |
| Interim              |            | 60         |
| Final                | 126        | 130        |
| <b>Total</b>         | <b>126</b> | <b>190</b> |
| Repurchase of shares | 82         |            |
|                      | <b>208</b> | <b>190</b> |

# STATEMENT OF FINANCIAL POSITION



| Rm                                      | 2020         | 2019         |
|---|--------------|--------------|
| <b>Working capital</b>                  | <b>1 857</b> | <b>2 021</b> |
| Property, plant and equipment           | 265          | 302          |
| Right-of-use assets for leased premises | 414          |              |
| Goodwill and intangibles                | 1 203        | 1 535        |
| Investment in joint venture             |              | 12           |
| Tax                                     | 45           | 48           |
| <b>Net assets</b>                       | <b>3 784</b> | <b>3 918</b> |
| Equity                                  | 2 669        | 2 843        |
| Bank borrowings                         | 643          | 1 008        |
| Lease liabilities                       | 455          |              |
| Due to vendors                          |              | 65           |
| Tax                                     | 17           | 2            |
| <b>Total equity and liabilities</b>     | <b>3 784</b> | <b>3 918</b> |

# WORKING CAPITAL ELEMENTS



One month of sales (in H2)

**2016** = R505m

**2018** = R571m

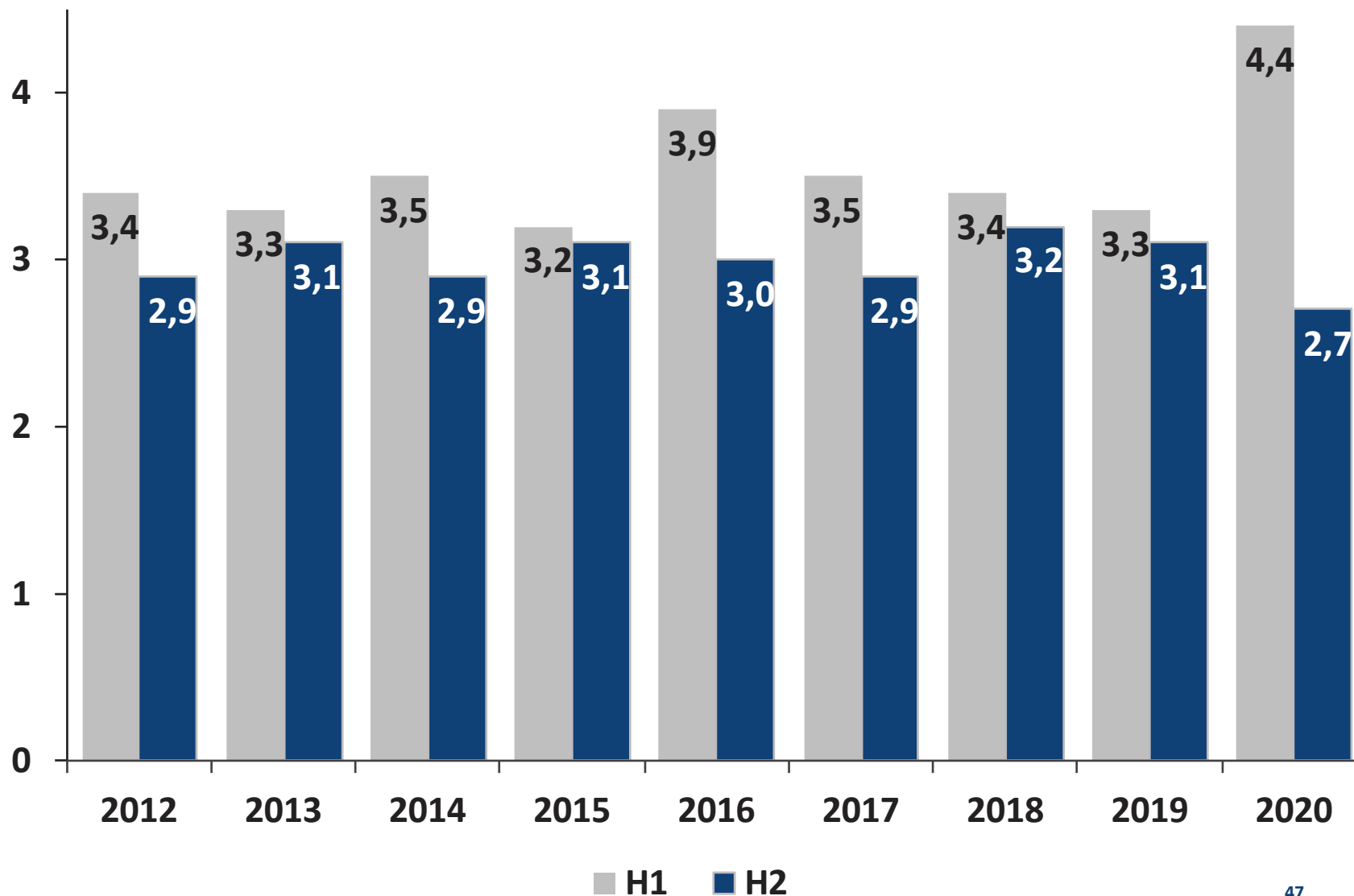
**2020** = R603m

**2017** = R539m

**2019** = R588m

# INVENTORY

In months of sales



## CASH FLOW FOR H2



| <b>Rm</b>                                 | <b>2020</b>  | <b>2019</b>    |
|---|--------------|----------------|
| Cash from trading                         | 537          | 446            |
| Decrease in working capital               | 203          | 106            |
| <b>Cash from operations</b>               | <b>740</b>   | <b>552</b>     |
| Damages settlement                        | 35           |                |
| Finance costs                             | (26)         | (48)           |
| Tax paid                                  | (54)         | (128)          |
| <b>Cash generated after tax</b>           | <b>695</b>   | <b>376</b>     |
| Share-based payments                      | (3)          | (4)            |
| Repurchase of shares                      | (82)         |                |
| Dividends paid                            |              | (66)           |
| Invested in new businesses                | (1)          | (106)          |
| Invested in property, plant and equipment | (21)         | (30)           |
| Lease liabilities settled                 | (62)         |                |
| <b>Net movement</b>                       | <b>526</b>   | <b>170</b>     |
| Foreign exchange translation gain         | (3)          | (1)            |
| Opening borrowings                        | (1 166)      | (1 177)        |
| <b>Closing borrowings</b>                 | <b>(643)</b> | <b>(1 008)</b> |



## CASH FLOW FOR FULL YEAR



| Rm  | 2020         | 2019           |
|---|--------------|----------------|
| Cash from trading                         | 726          | 794            |
| Decrease in working capital               | 182          | 59             |
| <b>Cash from operations</b>               | <b>908</b>   | <b>853</b>     |
| Damages settlement                        | 35           |                |
| Finance costs                             | (69)         | (103)          |
| Tax paid                                  | (113)        | (196)          |
| <b>Cash generated after tax</b>           | <b>761</b>   | <b>554</b>     |
| Share-based payments                      | (4)          | (22)           |
| Repurchase of shares                      | (82)         |                |
| Dividends paid                            | (139)        | (189)          |
| Invested in new businesses                | (6)          | (114)          |
| Invested in property, plant and equipment | (39)         | (74)           |
| Lease liabilities settled                 | (125)        |                |
| <b>Net movement</b>                       | <b>366</b>   | <b>155</b>     |
| Foreign exchange translation gain         | (1)          |                |
| Opening borrowings                        | (1 008)      | (1 163)        |
| <b>Closing borrowings</b>                 | <b>(643)</b> | <b>(1 008)</b> |

# EXCHANGE RATE ENVIRONMENT

- We import directly 65% of group cost of sales
- On average these cost 14% more in H2 2020 than H2 2019
- The average cost for the full year was 14% up on 2019
- We do not take a house view on exchange rates
- We hedge all liabilities and on average 30% of orders

## Import currencies:

- USD\* 68%
- Euro 25%
- Yen 6%
- GBP 1%

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

| Ave rate | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |      |      |
|----------|------|------|------|------|------|------|------|------|------|------|------|
|          |      |      |      |      |      |      |      |      | H1   | H2   | Year |
| USD      | 8,2  | 9,5  | 10,8 | 12,5 | 14,8 | 13,4 | 13,1 | 14,4 | 16,2 | 16,6 | 16,4 |
| Euro     | 10,6 | 12,6 | 14,4 | 14,0 | 16,4 | 15,0 | 15,5 | 16,2 | 17,8 | 19,4 | 18,6 |
| Index    | 61   | 69   | 80   | 86   | 102  | 92   | 92   | 100  | 112  | 117  | 114  |

- **Statement of financial position at November 2020**
  - Lease liabilities R455m
  - Right-of-use assets R414m
  
- **Statement of comprehensive income**
  - Depreciation on right-of-use assets of R119m
  - Imputed interest R35m
  - Operating profit up R9m
  - Profit before tax down R26m
  
- Further information at the back of this presentation on website, including what financial statements would have looked like without IFRS 16

- Working capital down R164m from November 2019
- Net borrowings down R365m since November 2019, after share repurchased R82m
- Exchange rate impacts working capital requirements
- Expenses and capex have been tightly managed
- We are within our banking covenants and committed facilities are available
- Focus is on cash management
- Inventory requirements likely to increase
- Only compelling acquisitions will be considered

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**OUTLOOK**

# OUTLOOK FOR 2021



- We urge the President to lead the meaningful action needed from the government on the economic front to kick-start the economy
- Planning is based on no regression to level 4 or 5 lockdown
- Very difficult for us to accurately predict what lies ahead
- Trading in H2 2020 was encouraging
- Achieve benefits through the rationalisation in security and communication cluster
- Better results from the consolidation and restructure of engineering consumables branch network
- Battery, automotive and data networking businesses to have good year
- Hudaco is resilient and agile, and our businesses are well placed to take advantage of any improvement in the economy. In the meantime, we will manage the elements within our control and generate cash
- We will use the cash generated to either pay down debt or make accretive acquisitions, potentially including of our own shares

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**IFRS 16: 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 R454m
  
- **For year**
  - Repaid R125m on lease liabilities
  - Imputed interest of R35m
  - Depreciation on right-of-use assets of R119m
  - Upfronts the lease expense and decreases earnings by 50 cps
  - Interest expense portion to reduce over lease period (if leases static)
  
- **At 30 November 2020**
  - Lease liabilities R455m
  - Right-of-use assets R414m



## PROFIT IF IFRS 16: LEASES WAS NOT ADOPTED

**Hudaco**

| Rm   | IFRS16<br>2020 | Effect of<br>IFRS16 | No IFRS16<br>2020 | % ch          | 2019       |
|--|----------------|---------------------|-------------------|---------------|------------|
| <b>Operating profit</b>                                    | <b>510</b>     | <b>(9)</b>          | <b>501</b>        | <b>(28,5)</b> | <b>701</b> |
| Damages claim  | 35             |                     | 35                |               |            |
| Net interest on funding                                    | (69)           |                     | (69)              |               | (103)      |
| Imputed interest on leases (IFRS 16)                       | (35)           | 35                  |                   |               |            |
| Fair value adjustment to amounts<br>due to vendors         | 48             |                     | 48                |               | 30         |
| - Adjustment for time-value of<br>money (imputed interest) | (4)            |                     | (4)               |               | (12)       |
| - Adjustment to estimated capital<br>value                 | 52             |                     | 52                |               | 42         |
| Impairment of goodwill and<br>intangibles                  | (348)          |                     | (348)             |               |            |
| <b>Profit before taxation</b>                              | <b>141</b>     | <b>26</b>           | <b>167</b>        | <b>(73,4)</b> | <b>628</b> |
| Taxation   | (133)          | (7)                 | (140)             |               | (160)      |
| <b>Profit after taxation</b>                               | <b>8</b>       | <b>19</b>           | <b>27</b>         | <b>(94,2)</b> | <b>468</b> |
| Income from joint venture                                  | 1              |                     | 1                 |               | 3          |
| <b>Profit for the period</b>                               | <b>9</b>       | <b>10</b>           | <b>28</b>         | <b>(94,1)</b> | <b>471</b> |
| Non-controlling interest                                   | 27             | (3)                 | 24                |               | (42)       |
| <b>Attributable earnings</b>                               | <b>36</b>      | <b>16</b>           | <b>52</b>         | <b>(87,9)</b> | <b>429</b> |

# FINANCIAL POSITION IF IFRS 16 WAS NOT ADOPTED *Hudaco*

| Rm                                      | IFRS16<br>Nov 20 | Effect of<br>IFRS16 | No IFRS16<br>Nov 20 | Nov 19       |
|---|------------------|---------------------|---------------------|--------------|
| <b>Working capital</b>                  | <b>1 857</b>     | <b>(15)</b>         | <b>1 842</b>        | <b>2 021</b> |
| Property, plant and equipment           | 265              |                     | 265                 | 302          |
| Right-of-use assets for leased premises | 414              | (414)               |                     |              |
| Goodwill and intangibles                | 1 203            |                     | 1 203               | 1 535        |
| Investment in joint venture             |                  |                     |                     | 12           |
| Tax                                     | 45               | (7)                 | 38                  | 48           |
| <b>Net assets</b>                       | <b>3 784</b>     | <b>(436)</b>        | <b>3 348</b>        | <b>3 918</b> |
| Equity                                  | 2 669            | 19                  | 2 688               | 2 843        |
| Bank borrowings                         | 643              |                     | 643                 | 1 008        |
| Lease liabilities                       | 455              | (455)               |                     |              |
| Due to vendors                          |                  |                     |                     | 65           |
| Tax                                     | 17               |                     | 17                  | 2            |
| <b>Total equity and liabilities</b>     | <b>3 784</b>     | <b>(436)</b>        | <b>3 348</b>        | <b>3 918</b> |

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