

# Interim Results 31 December 2009

**super group** 



## PROJECTIONS, PRO FORMA INFORMATION AND FORWARD LOOKING STATEMENTS

This presentation may contain certain forward-looking statements concerning Super Group's operations, business strategy, financial condition, growth and plans and expectations. These statements include without limitation, those concerning the economic outlook, business climate and changes in market share. Such views involve both known and unknown risks, assumptions, uncertainties and other important factors that could materially influence the actual performance of the group. All forward-looking statements included are based on information available on the date hereof and neither Super Group nor its respective affiliates assume any duty to update any forward-looking statement. No assurance can be given that these will prove to be correct and no representation or warranty express or implied is given as to the accuracy or completeness of such views or as to any of the other information in the presentation. Super Group's future results may differ materially from past or current results and those projected in the forward-looking statements.



# Agenda

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- **The past 6 months**
- **Business and financial review**



**Supply Chain Division**



**Dealerships**



**Fleet Solutions Division**

- **Discontinued businesses**
- **Financial results**
- **Outlook**

The past 6 months



# What has been achieved?

**1. Recapitalising the business and restructuring of debt**

- Rights issue raised R1.2 billion
- Supportive shareholders – fully subscribed
- Debt restructuring completed

**2. Focusing the recovery and growth effort within our area of core competence**

- Non-core businesses disposed or near completion
- Reallocation of staff completed

**3. Maximising value from medium-term unbundling opportunities**

- Proceeds from remaining disposals will net approximately R420 million
- Proceeds applied to short term debt

**4. Freeing up resources and reducing risk via short-term disposals**

- Substantially completed
- Significant cost optimisation
- Organisational focus

**5. Creating the new organisation focused on delivery and performance**

- Staff motivated and focussed
- Appointed new CFO
- More representative Exco

# The past 6 months

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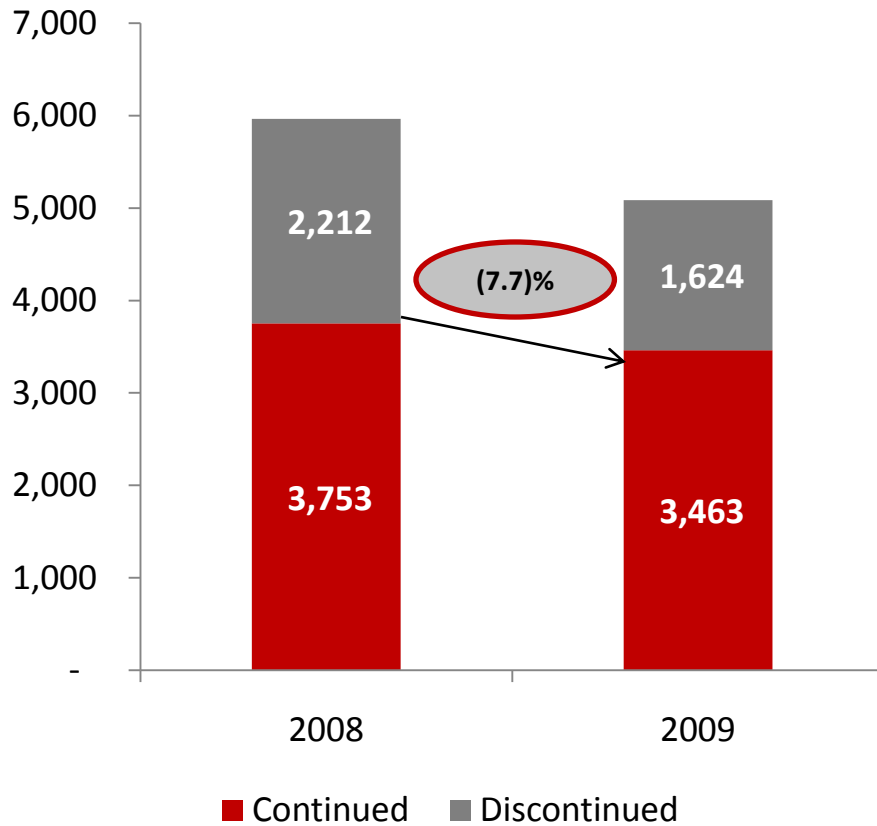
- The trading environment remains challenging
  - Volumes and margins remain under pressure
  - Competitive contract renewal environment
- Overview of continuing businesses:
  - Satisfactory performance from Supply Chain South Africa
  - Supply Chain International impacted by the exit of non-core businesses
  - African Logistics' results severely impacted by poor economic conditions mainly in the DRC and Zimbabwe
  - Dealerships outperformed NAAMSA new vehicle sales by approx 7%
  - Healthy performance by FleetAfrica
  - sgfleet Australia delivered a solid performance, ahead of its 6 month AUD budget
- Robust balance sheet positions Super Group for growth

# Discontinued businesses - status

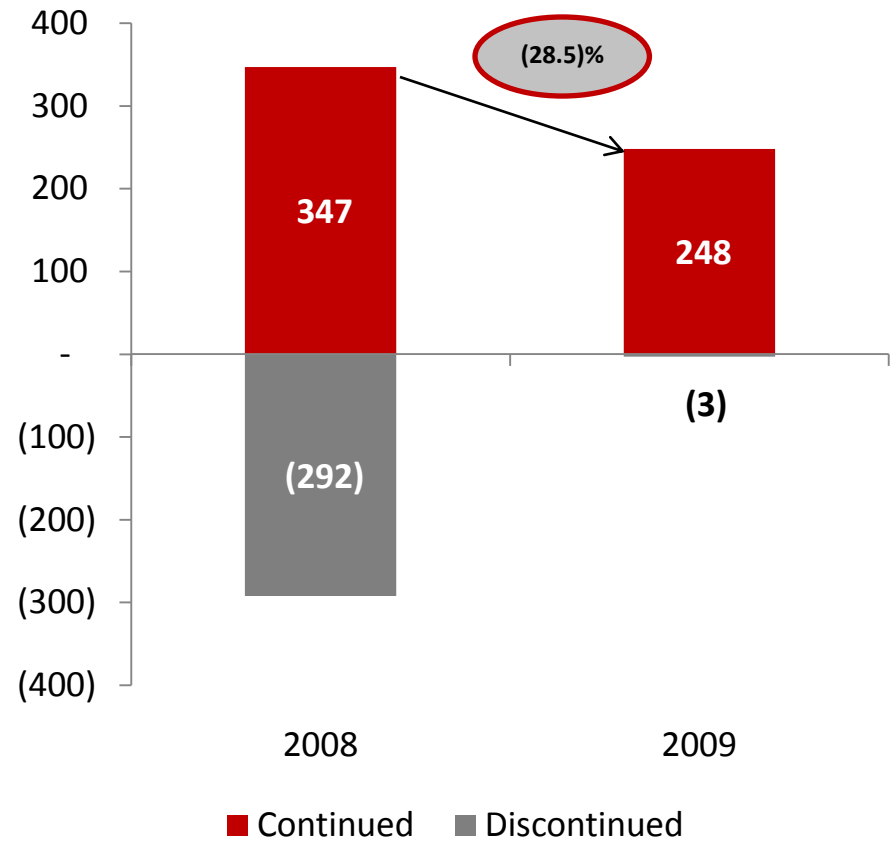
<b>Discontinued business</b>	<b>Status</b>
<b>AutoZone</b>	<ul style="list-style-type: none"><li>• Shareholder approval required</li><li>• Circular being finalised</li></ul>
<b>Mica</b>	<ul style="list-style-type: none"><li>• Mica disposals substantially completed – only two remaining stores to be resolved</li></ul>
<b>Emerald</b>	Transaction amended: <ul style="list-style-type: none"><li>• 1<sup>st</sup> Phase: Sold Emerald's 38% interest in Emerald Risk Transfer (Pty) Ltd to Santam for R38 million – concluded</li><li>• 2<sup>nd</sup> Phase: Potentially selling 100% of Emerald (excluding Mauritius) to Santam – negotiations ongoing</li></ul>

# Financial performance for the 6 months to 31 December 2009

## Revenue (R'million)

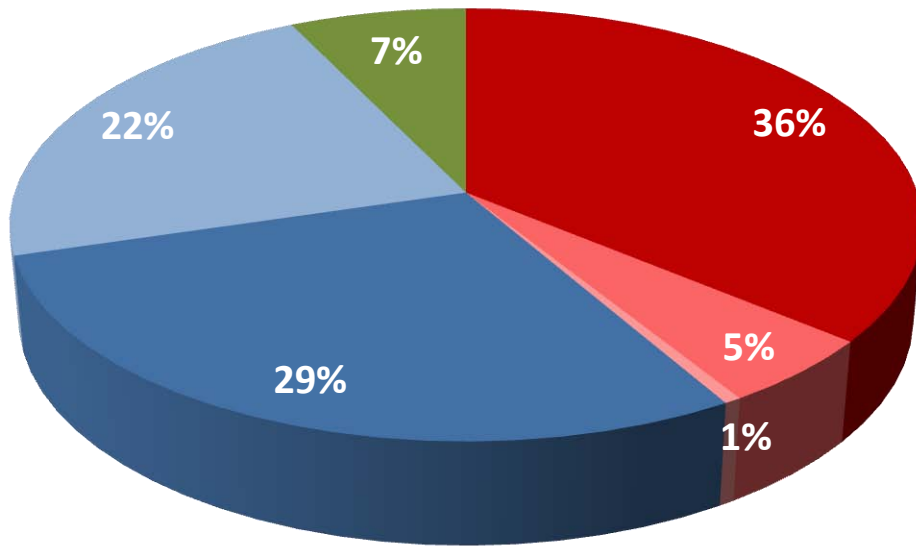


## Operating profit / (loss) (R'million)



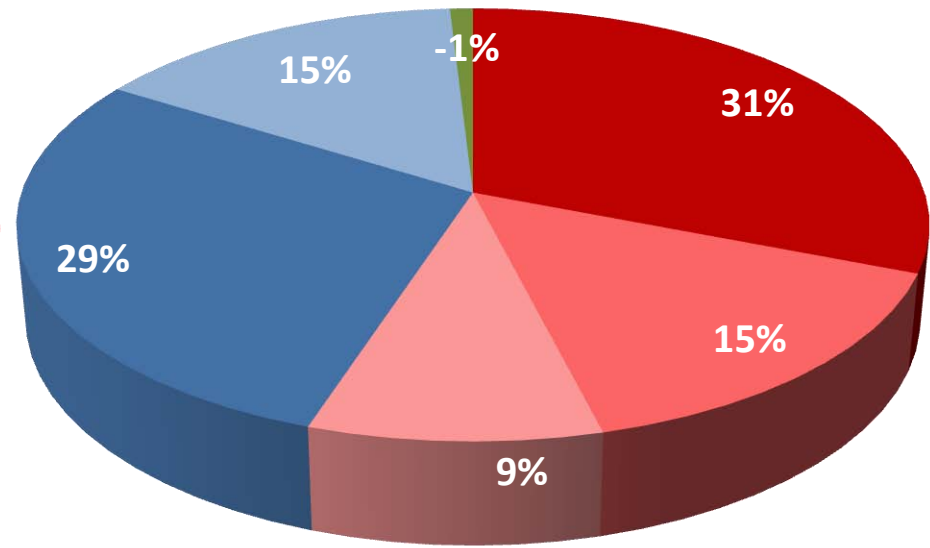
# Operating profit segmental performance

Interim results to 31 December 2009



■ SC South Africa    ■ SC International  
■ African Logistics    ■ FleetAfrica  
■ sgfleet    ■ Dealerships

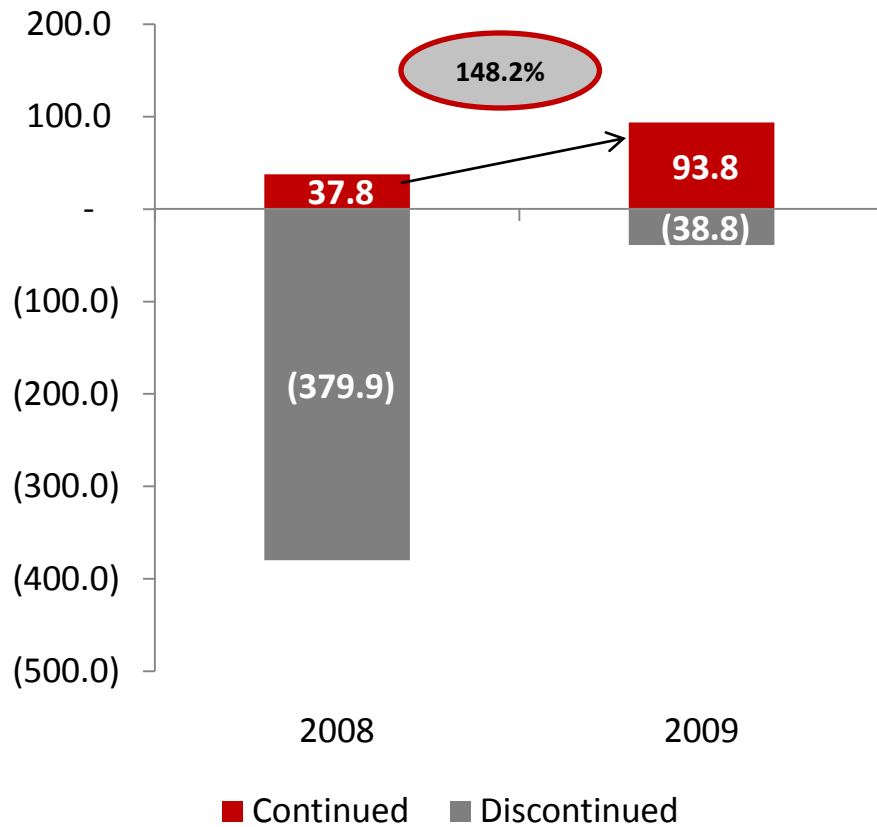
Interim results to 31 December 2008



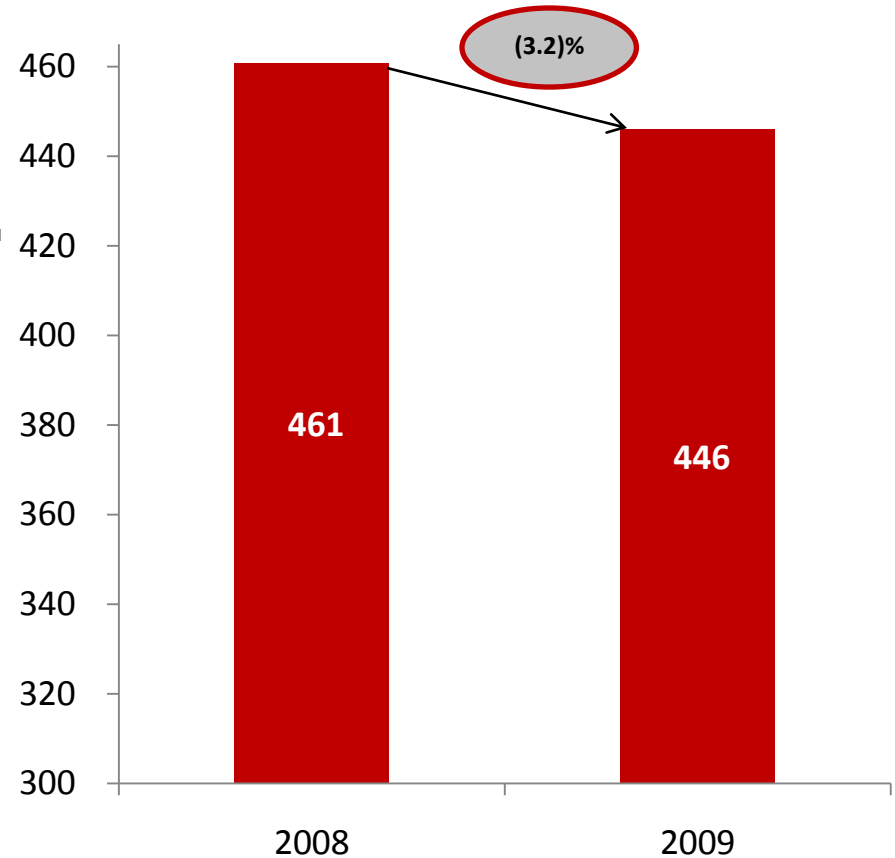
■ SC South Africa    ■ SC International  
■ African Logistics    ■ FleetAfrica  
■ sgfleet    ■ Dealerships

# Financial performance for the 6 months to 31 December 2009

Profit before tax (R'million)



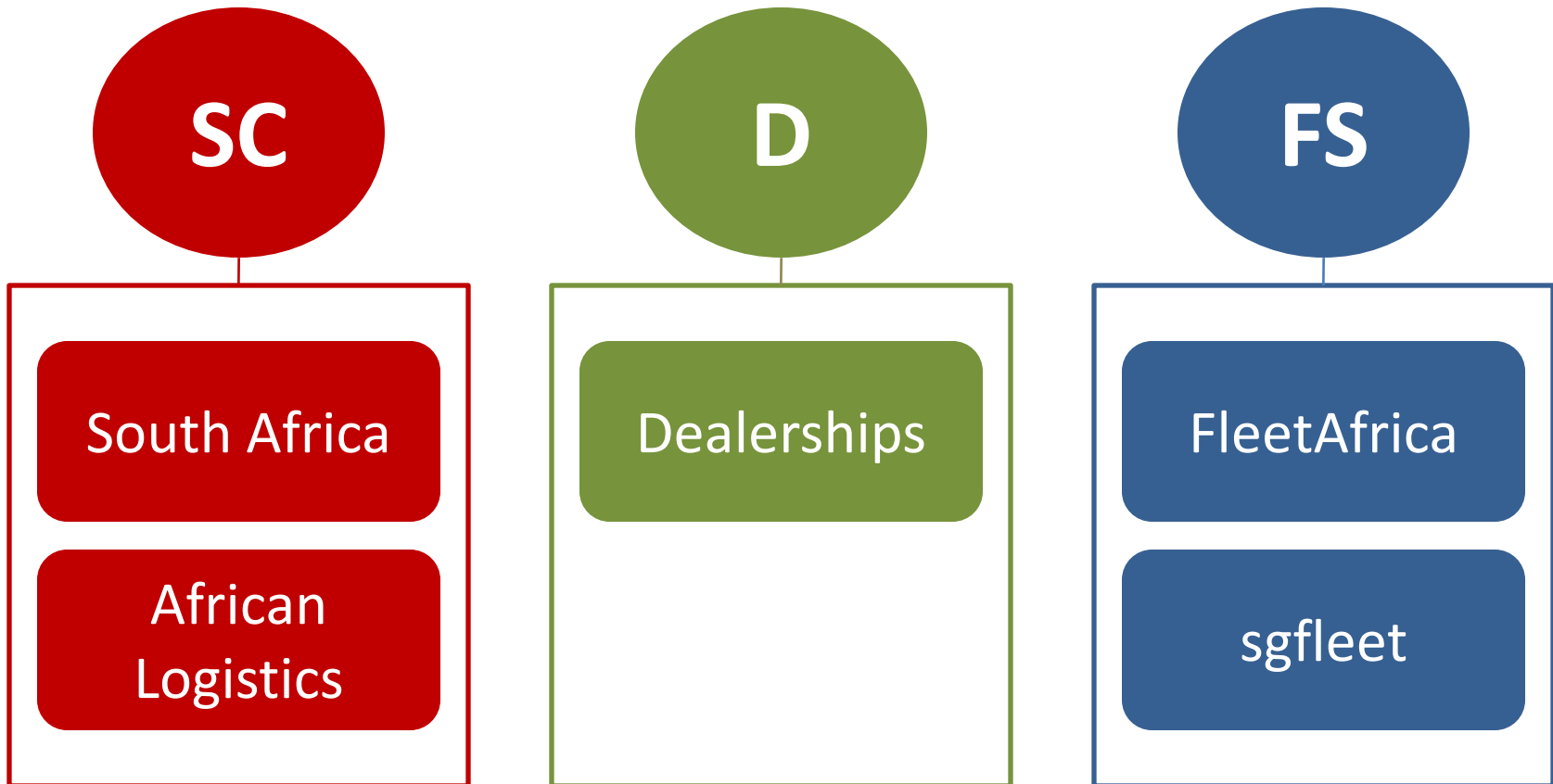
Operating cash flow (R'million)



# Business and Financial Review



# Group structure

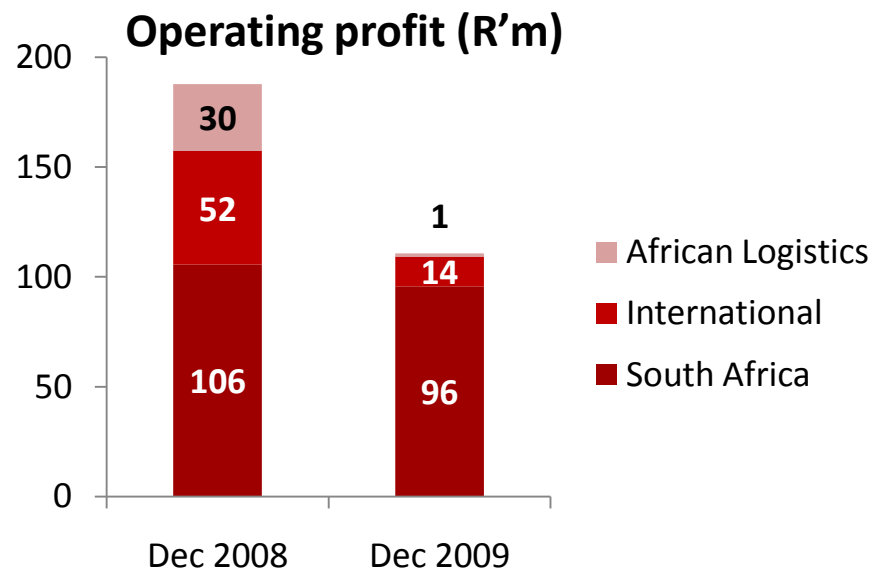
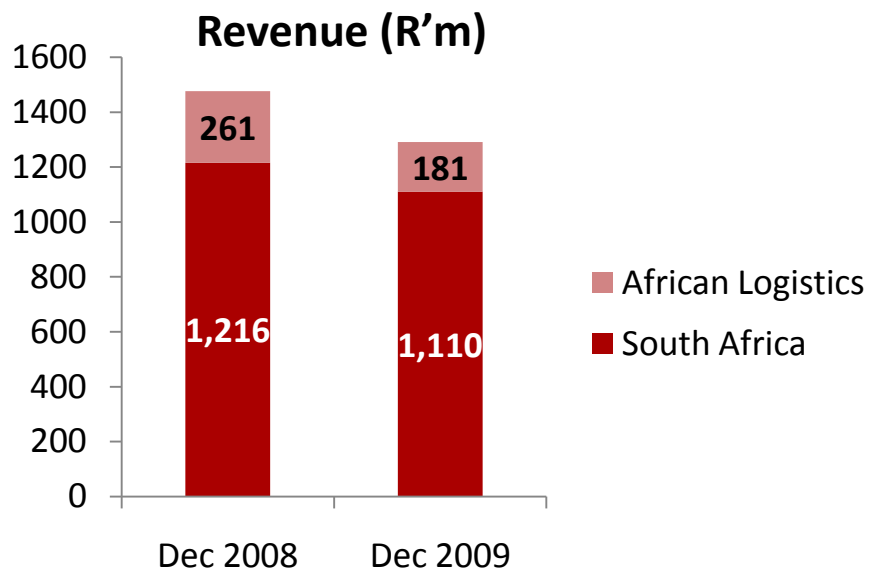




# Supply Chain Division

# Financial performance

R'million	Change	Interim 31 Dec 2009	Interim 31 Dec 2008
Revenue	(12.6)%	1 291	1 477
Operating profit	(41.0)%	111	188
<i>Operating profit margin</i>		8.6%	12.7%



# The past 6 months

## South Africa

- Current economic downturn evidenced by severe negative pressure on volumes, including imports
- Business rationalisation in underperforming businesses and overhead cost reductions mainly completed
- Operating margin maintained at 8.7% in the current period
- New FMCG warehousing contracts at Super Park
- Freight haulage expansion in timber, paper and packaging markets
- Convenience Supply Chain reported solid growth and strategic partners have been secured for forecourt and convenience markets

# The past 6 months (cont'd)

## International

- Lower import volumes and exit of non-core businesses impacted offshore procurement operations
- Volatility of the Rand / US\$ negatively impacted hedging activities

## African Logistics

- Despite improved copper prices, relatively low volumes emanating from the DRC and Zambia
- Donor community holding back on large movements into Zimbabwe
- Minimal construction and mining material movements into Africa
- Strong Rand against US\$ had a considerable impact on costs

# Outlook

- On the assumption that the economic downturn has bottomed out, Supply Chain South Africa should meet its full year budget
- Significant new contracts under tender, however, competition continues to put pressure on margins
- A new large warehouse client has been signed up at Super Park
- Potential new market areas and expansion opportunities have been identified and are being explored, including pharmaceuticals and document storage
- Convenience Supply Chain awarded the national distributor contract for Red Bull effective January 2010
- Despite projected increases in cross border demand, pricing remains under pressure
- African Logistics invested in 22 new fleet vehicles



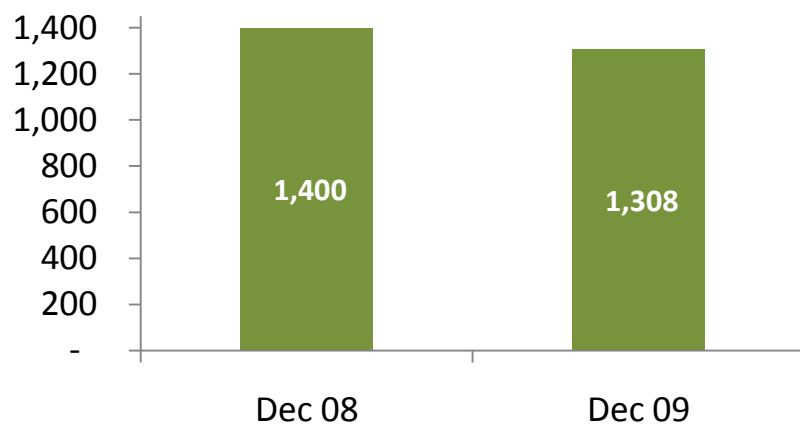
# Dealerships



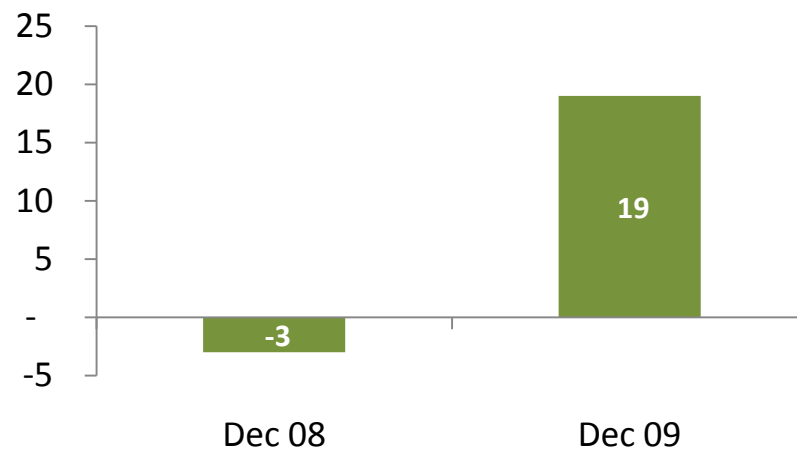
# Financial performance

R'million	Change	Interim 31 Dec 2009	Interim 31 Dec 2008
Revenue	(6.6)%	1 308	1 400
Operating profit /(loss)	733%	19	(3)
<i>Operating profit margin</i>		<i>1.5%</i>	<i>nm</i>

Revenue (R'm)



Operating profit/(loss) (R'm)



# The past 6 months

- Dealerships sold 11.4% less new vehicles compared to the previous six months, however, the national dealer market declined by 30.2% over the same period
- Ongoing expense control, specifically advertising and demonstration vehicle costs, yielded positive results
- Some of the savings were off-set by >50% increase in municipal utility charges and inflationary increases in employment costs
- Closure of non-performing dealerships last year and reduction in inventories gave rise to positive cash flows
- Improved working capital management

# Outlook

- Trading environment expected to remain similar to that of previous six months
- Pricing pressure expected to continue on aftermarket activity
- Cost containment will remain a key focus area
- Demand for used vehicles should remain strong
- Industry estimated 7% improvement in passenger car sales
- Strategic alternatives being investigated for high cost premises

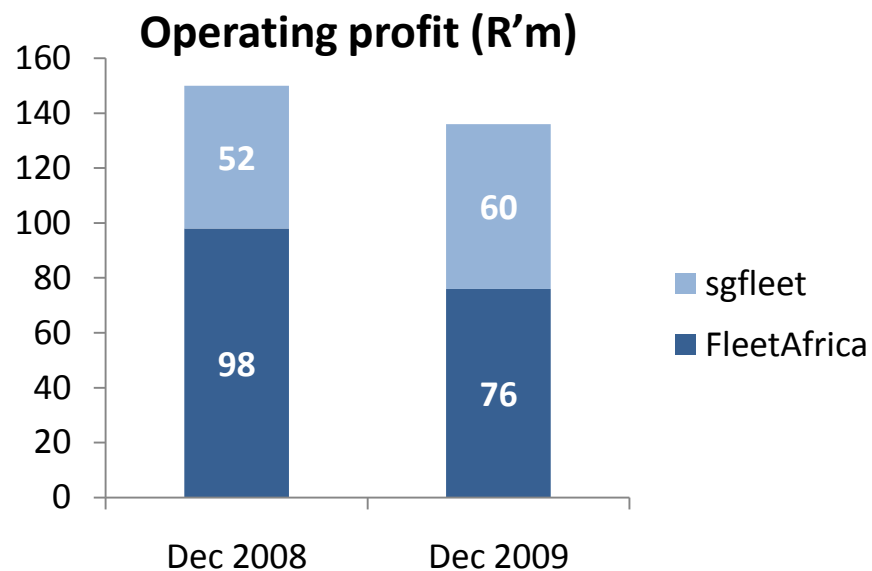
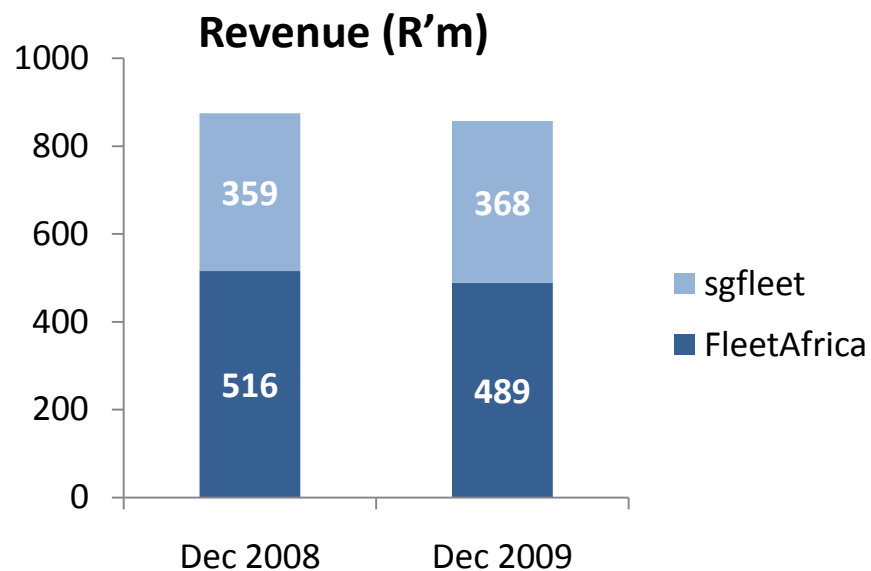
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# Fleet Solutions Division



# Financial performance

R'million	Change	Interim 31 Dec 2009	Interim 31 Dec 2008
Revenue	(2.1)%	857	875
Operating profit	(9.3)%	136	150
<i>Operating profit margin</i>		<i>15.9%</i>	<i>17.1%</i>



# The past 6 months

## **FleetAfrica**

- Lower interest rate environment and increased maintenance, depreciation and restructuring charges impacted revenue and operating profit

## **sgfleet**

- sgfleet currently manages a book of AUD 1.5 billion (AUD 40 million on balance sheet)
- Funding margins under pressure
- Demand for operating leases continues to be strong
- Level of sale and leaseback activity is relatively high
- Novated business remains subdued as a result of economic uncertainties
- Second-hand market for passenger vehicles showing improvement

# Outlook

## **FleetAfrica**

- Extension of ECPG contract awarded – 2 years commencing 1 February 2010
- A Memorandum of Undertaking has been signed with a funder that will underpin future Government FML growth without onerous funding challenges
- Solid new business prospects over the next 12 months

## **sgfleet**

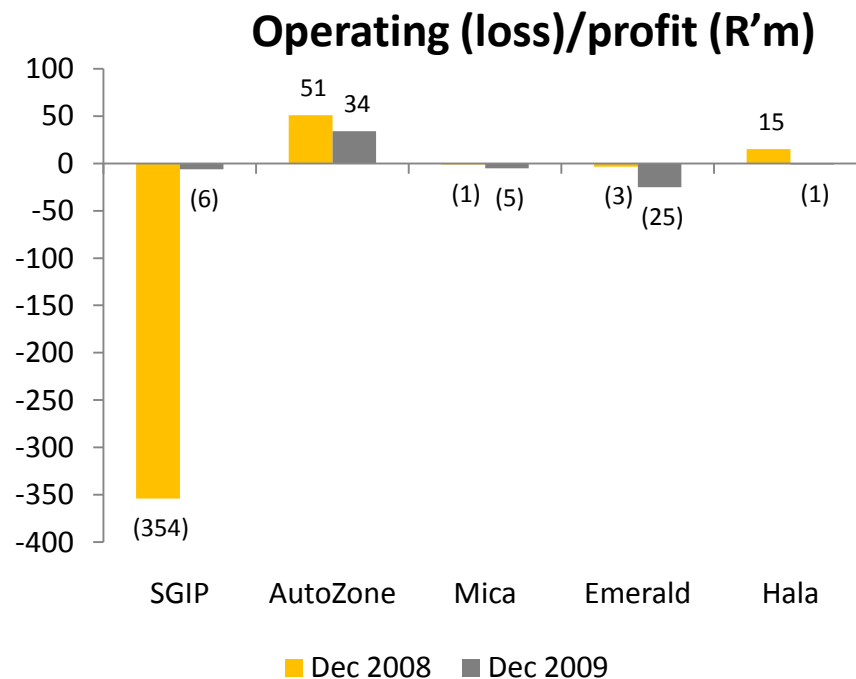
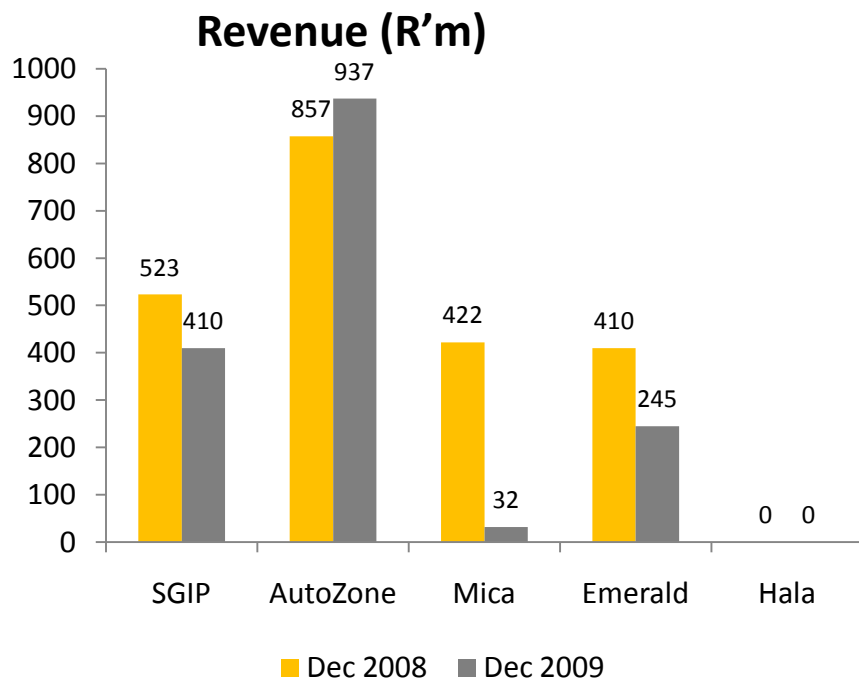
- Opportunities for margin improvement as a result of operations and system enhancements
- Modest increase in economic activity and vehicle realisation values

# Discontinued businesses



# Financial performance

R'million	Interim 31 Dec 2009	Interim 31 Dec 2008
Revenue	1 624	2 212
Operating loss	(3)	(292)



# Review of past 6 months

## **AutoZone**

- Reported 9.4% growth in revenue
- Due to competitive pricing environment and stock losses, operating profit was down by 34%

## **Emerald Insurance**

- Solvency and capital adequacy ratios improved significantly
- The South African business has not renewed any insurance risk from January 2010
- Higher reinsurance costs being experienced across all sectors
- Emerald Mauritius – no new business since 1 July 2009
- Currently both businesses in run-off mode

# Review of past 6 months (cont'd)

## Hala

- Assessing strategic options
- Treated as “asset-held-for-sale”
- No trading contribution from Hala (Saudi Arabia)

# Financial Results



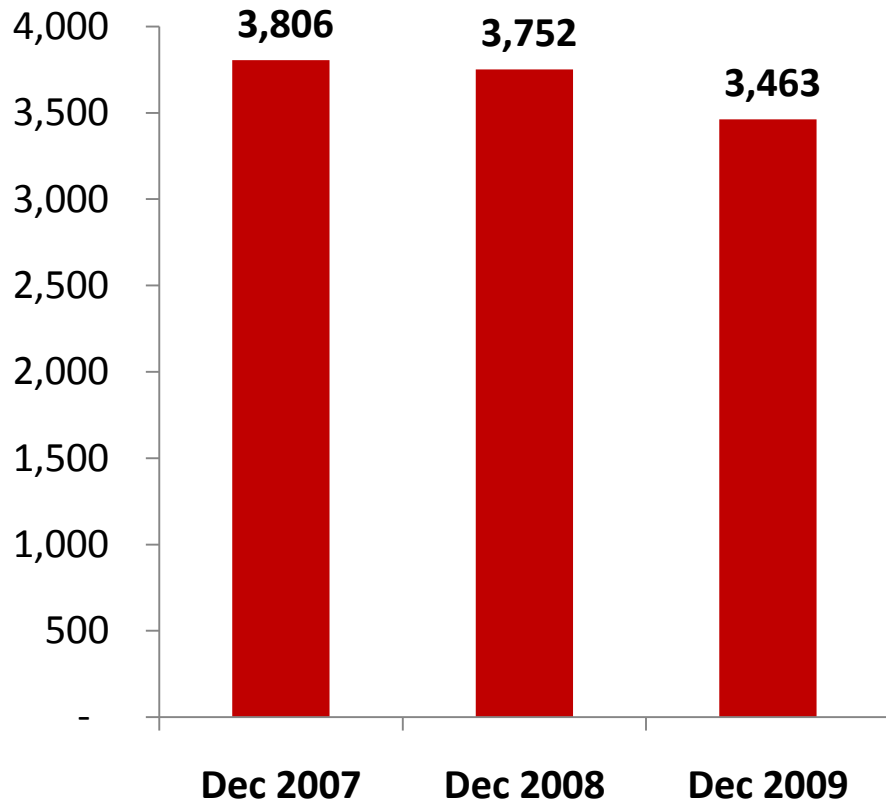
# Financial highlights

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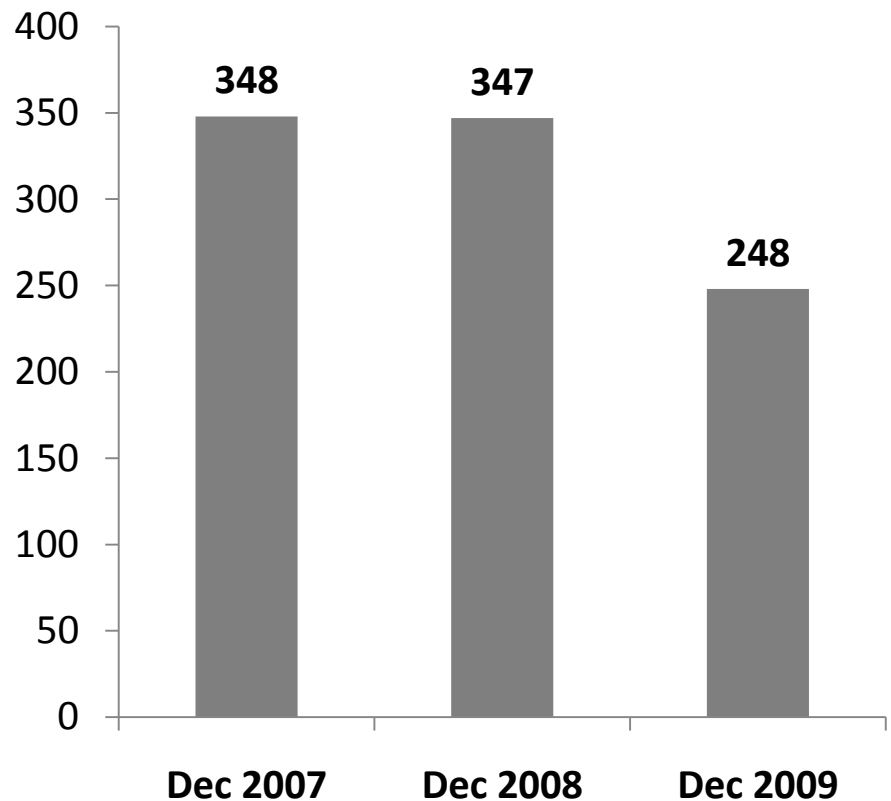
- Improved capital structure and debt restructured following the rights issue
- Net debt reduced from R3 006 million to R1 670 million
- Trade gearing reduced from 120% to 12%
- Continuing operations margins satisfactory in challenging trading conditions
- HEPS from continuing operations is 6.5 cents
- Cash generated from operations before working capital of R446 million
- Working capital utilised - R207 million
- NTAV is 27.1 cents

# Continuing operations - overview

## Revenue (R'million)



## Operating profit (R'million)



# Income statement

R'million	31 December 2009 Unaudited	31 December 2008 Restated *	% change
Revenue	3 463.0	3 752.5	(7.7)%
Operating profit	247.8	346.5	(28.5)%
Net finance charges	(154.1)	(308.8)	(50.1)%
<b>Profit before taxation</b>	<b>93.7</b>	<b>37.7</b>	<b>148.5%</b>
Income tax expenses	(15.2)	25.3	
<b>Profit after taxation – continuing</b>	<b>78.5</b>	<b>63.0</b>	
Loss from discontinuing operations	(53.6)	(119.7)	
Fair value profit/(loss) on discontinuation	6.2	(293.7)	
<b>Profit / (loss) for the period</b>	<b>31.2</b>	<b>(350.4)</b>	
<b>Headline profit / (loss) for the period</b>	<b>17.4</b>	<b>(65.9)</b>	
<b>Headline profit from continuing operations</b>	<b>68.9</b>	<b>55.8</b>	<b>23.5%</b>
Weighted average shares in issue (mil)	1 059.1	416.7	

\* Restated to disclose discontinued operations

# Balance sheet

ASSETS (R'million)	31 December 2009 Unaudited	30 June 2009 Audited	% Change
Property, plant and equipment	1 250	1 242	0.6%
Full maintenance lease assets	1 455	1 693	(14.1)%
Intangible assets and goodwill	1 454	1 411	3.1%
Investments and investments in associates	26	88	(70.4)%
Deferred tax assets	239	230	3.9%
Current assets	4 142	4 164	
» <i>Assets held for sale</i>	1 815	2 285	(20.6)%
» <i>Inventories</i>	425	390	9.0%
» <i>Trade and other receivables</i>	1 126	1 305	(13.7)%
» <i>Cash and cash equivalents</i>	776	184	321.7%
<b>Total assets</b>	<b>8 566</b>	<b>8 828</b>	

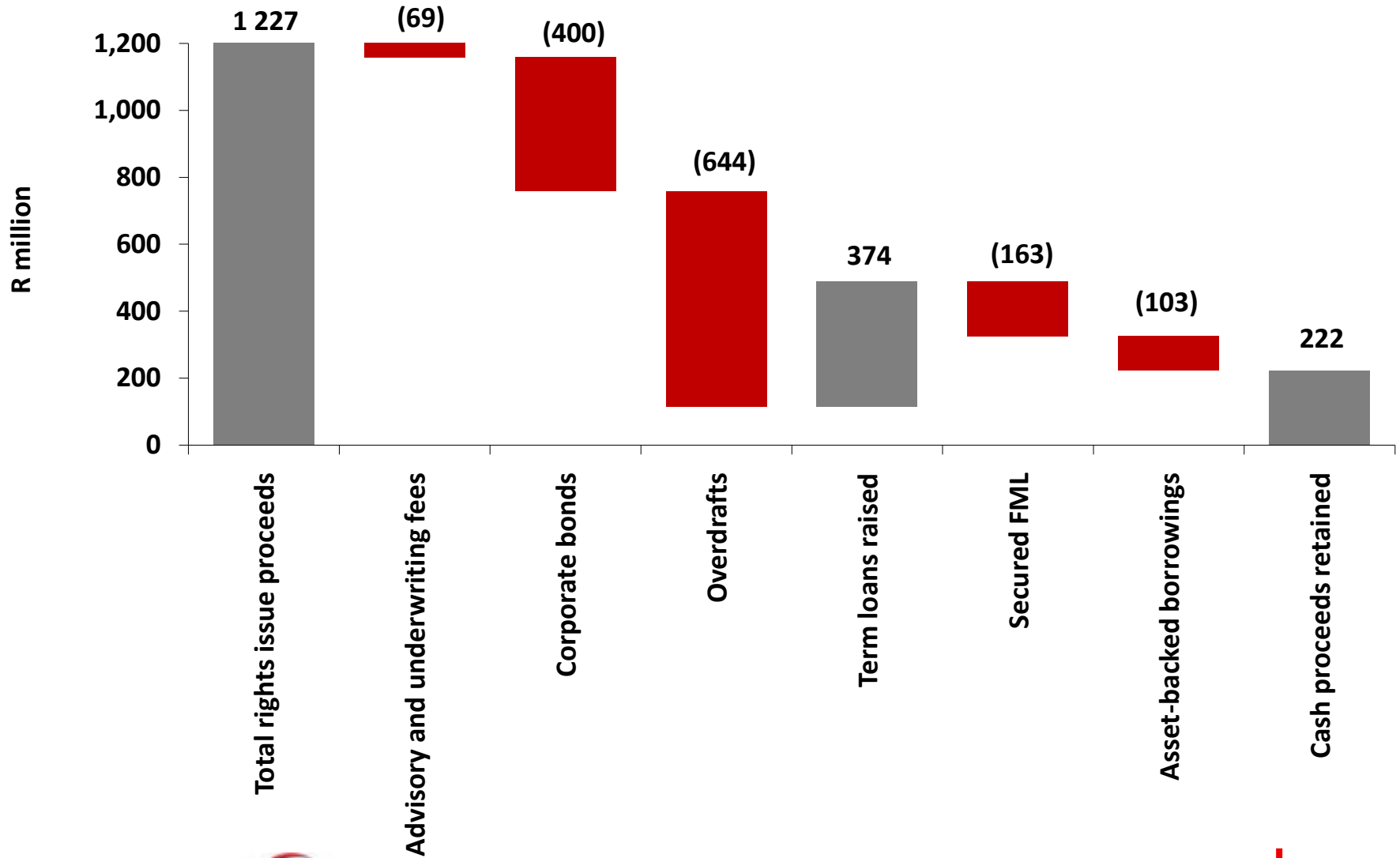
# Balance sheet (cont'd)

EQUITIES AND LIABILITIES (R'million)	31 December 2009 Unaudited	30 June 2009 Audited	% Change
Shareholders' equity	2 200	994	121.3%
Minority interests	178	194	(8.2)%
<b>Capital and reserves</b>	<b>2 378</b>	<b>1 188</b>	
<b>Liabilities</b>			
Fund reserves	226	269	(16.0)%
Deferred tax liabilities	189	188	0.5%
Interest-bearing borrowings	1 511	1 961	(22.9)%
Full maintenance lease borrowings	1 182	1 433	(17.5)%
Liabilities associated with assets held for sale	1 578	1 942	(18.7)%
Other current liabilities	1 502	1 847	(18.7)%
<b>Total equity and liabilities</b>	<b>8 566</b>	<b>8 828</b>	

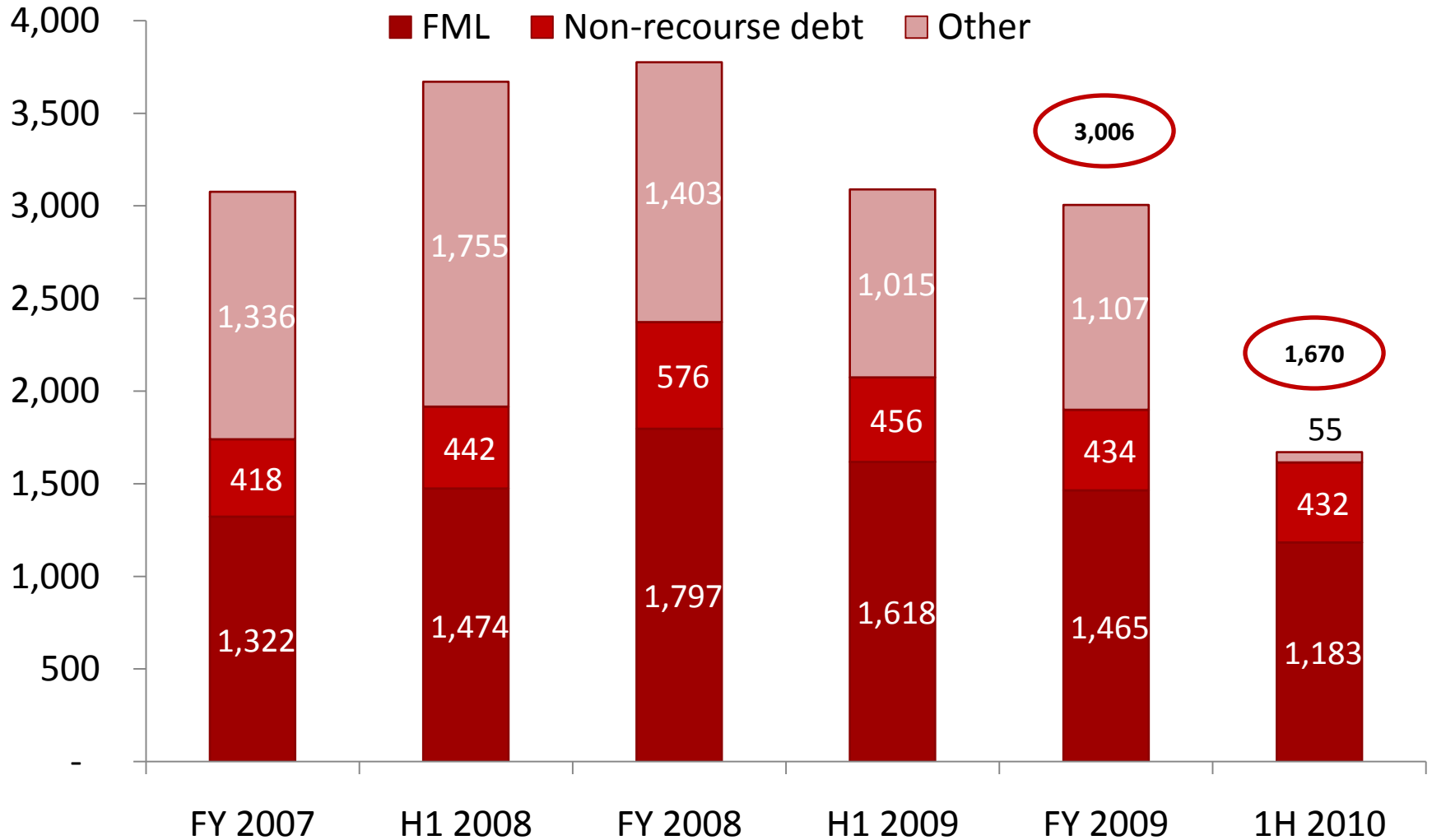
# Interest-bearing borrowings

R'million	31 December 2009 Unaudited	30 June 2009 Audited
Corporate bond	-	412
Term loan	375	-
Securitisation	256	258
Property borrowings	365	425
Other borrowings	234	333
	1 230	1 428
FML borrowings › South Africa	907	1 188
Gross South African borrowings	2 137	2 616
Australian borrowings	432	434
FML borrowings › Australia / UK	276	277
	2 845	3 327
Overdrafts	-	318
Cash resources	(1 175)	(639)
<b>Net debt</b>	<b>1 670</b>	<b>3 006</b>

# Application of rights issue



# Interest-bearing debt

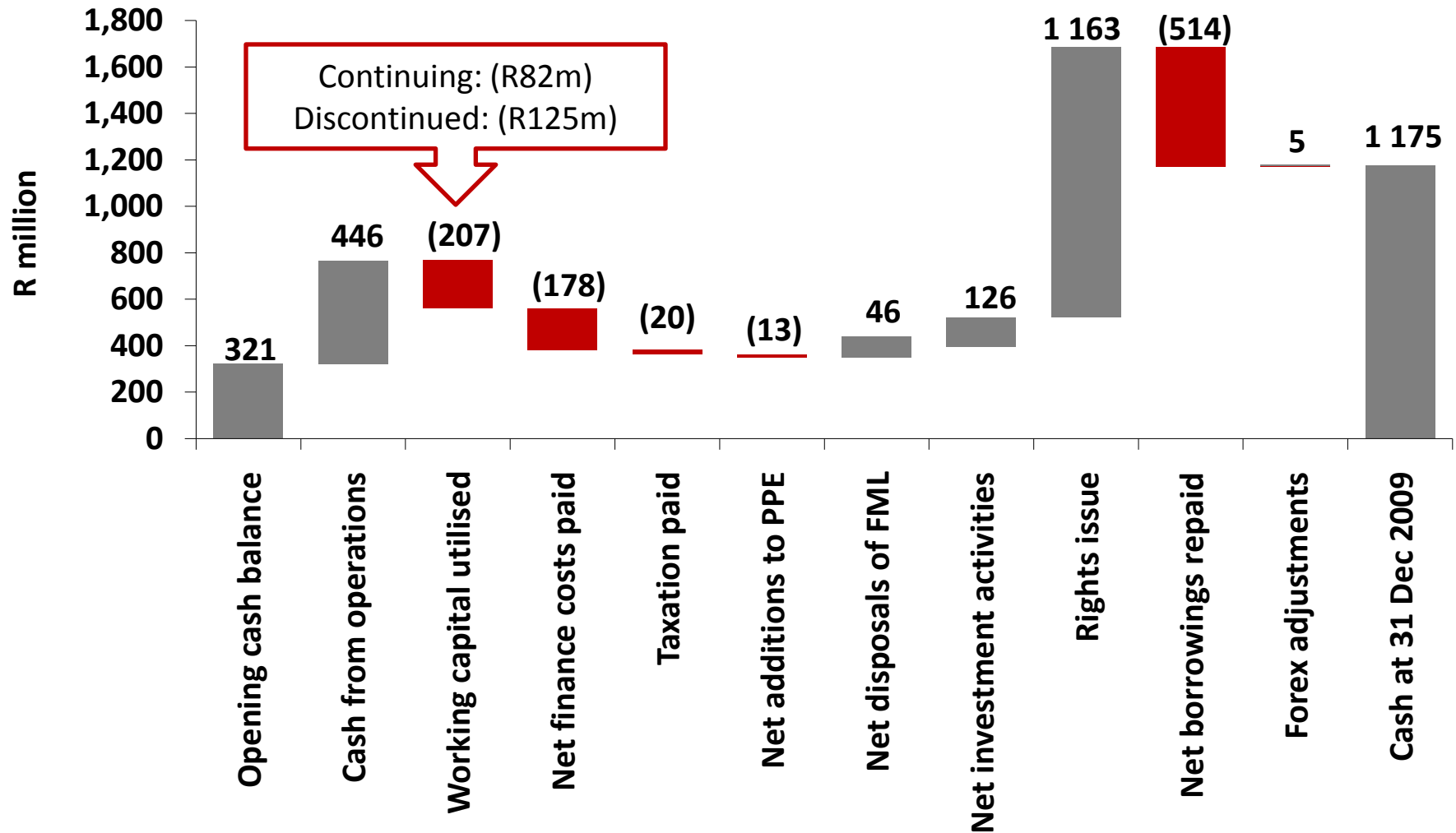


# Financial ratios

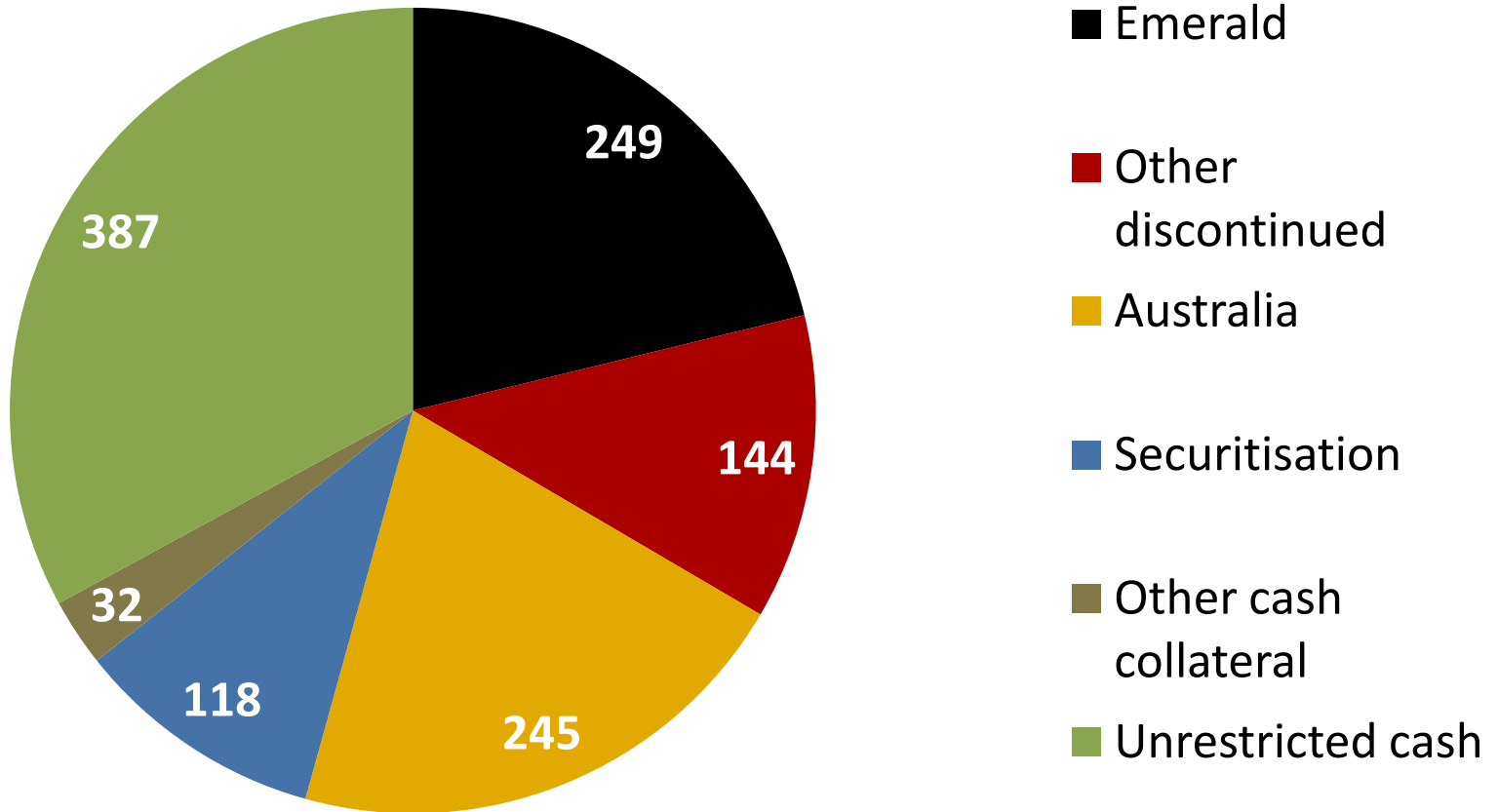
	<b>31 December 2009 Unaudited</b>	<b>30 June 2009 Audited</b>
<b>Net debt / equity ratio*</b>	<b>12%</b>	<b>120%</b>
<b>Interest cover for continuing operations</b>		
Trading profit before depreciation, amortisation and recoupments less capital items / net finance charges	<b>3.5</b>	<b>1.9</b>

\* Excludes FML and ring-fenced Australian borrowings

# Cash flow movements



# Analysis of cash



# Outlook



# Outlook

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- Tough trading conditions to prevail - short to medium term
- Supply Chain will benefit from renewed FMCG contracts
- Super Group market penetration improved by recent new business awarded in the freight and vehicle rental markets
- The renewal of the FleetAfrica ECPG contract together with the potential joint venture with a strategic off-balance sheet financier, positions the business for optimal growth
- Dealerships are well positioned to benefit from any upturn in the new and used vehicle sectors
- Emphasis is on sustainable growth and service within core business units

# Appendices



# New board members

## **Colin Brown – CFO**

Colin is a Chartered Accountant and has an MBL from the UNISA School of Business Leadership. Colin has provided support services to the Group's treasury activities since June 2009. Prior to that, Colin was CFO and a member of the board of Celcom Group Limited, a business in the mobile phone industry and previously listed on the JSE's AltX. Colin has also held the position of Finance Director at EDS Africa Limited, and of Fujitsu Services South Africa, both multi-national companies in the business of Information Technology services.

## **Neil Davies – Independent Non-Executive Director**

He has had a long career in industry and commerce in both executive and non-executive positions. Since retiring from the Altron Group, where he held the position of chief financial officer and later deputy chairman, he has served on various boards of listed companies. He held the position of chairman of the boards of Concor Limited, Rand Leases G.M. Limited and Astrapak Limited. Other non-executive directorships have included Austro Limited, Anglo American Industrial Corporation Limited, the JD Group Limited, Advtech Limited, Brait S.A. Limited, Bytes Limited and Afgri Limited. He is currently non-executive chairman of the ATM Solutions Group and a non-executive director of Savcio Holdings (Pty) Ltd.

## **John Newbury– Independent Non-Executive Director**

John is a vastly experienced industrialist whose expertise has him serving on the boards of and chairing a number of listed and unlisted companies. Companies chaired by John include Tracker Network (Pty) Ltd, Blue Bulls Company (Pty) Ltd, Sail Group Limited and Metropolitan Health Limited. John's business career spans 4 decades with a significant focus on the motor industry. He served as chief executive of Nissan South Africa for 17 years, until retirement in 2000. He purchased Kolbenco, Africa's largest manufacturer of automotive pistons in 2001. Other directorships have included Dorbyl Limited and Kolbenco (Pty) Ltd. John is a non-executive director at MicroMega Limited and InVenFin (Pty) Ltd.