



# RESULTS PRESENTATION

MAY  
**2011**

For the 12 months ended  
31 March 2011

**Lewis**  
Group Ltd



## AGENDA

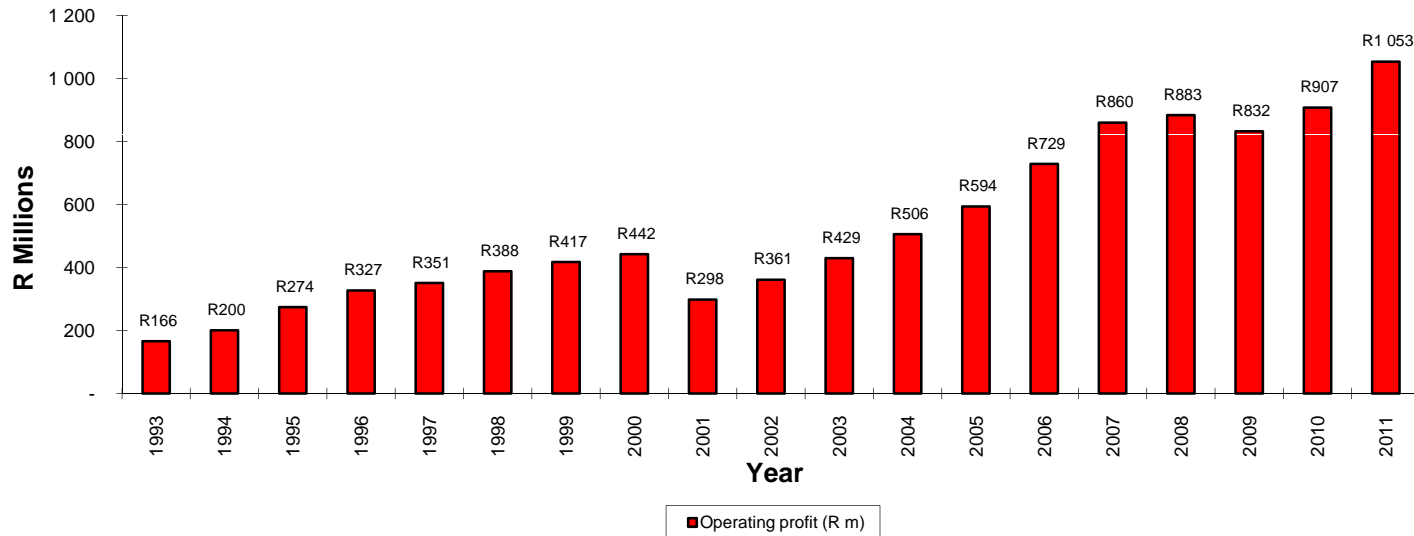
1. Year in Review
2. Debtor Analysis
3. Financial Results
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# 1. YEAR IN REVIEW

<b>R2 290m</b>	<b>23%</b>	<b>781.1c</b>	<b>R832 m</b>	<b>207c</b>
<b>+ 12.0%</b>	<b>23.0%</b>	<b>+21.6%</b>	<b>36.3%</b>	<b>+ 15.6%</b>
<b>Merchandise Sales</b>	<b>Operating Margin</b>	<b>Headline Earnings per Share</b>	<b>Gross Profit</b>	<b>Final Dividend per Share</b>
	<b>LY 22.1%</b>	<b>LY 642.6c</b>	<b>LY 34.9%</b>	<b>LY 179c</b>

# Operating Profit - History

Solid operating performance over the past 19 years –  
Compound annual growth of 10.8%



22%	23%	27%	27%	27%	28%	27%	24%	15%	18%	21%	22%	24%	25%	26%	25%	22%	23%
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Operating margin  
%

# Year In Review

- Improving sales trend – up 12.6% in H2 (11.2%: H1).
  - Furniture & appliances (82% of business) - up 12.1% (FY11)
  - Electronic sales (18% of business) - up 11.9% (FY 11)
- Improved credit/cash mix – 71.4% (FY 10: 68.5%).
- Customer acquisition initiatives.
- Credit application decline rate – 31.5% (LY: 27.5%).
- Debtor costs 10.2% of net Debtors (FY10: 10.9%).

# Year In Review (Cont'd)

- Store roll out on track – 40 stores opened.
- Exclusivity of merchandise a key focus.
- New ranges launched twice a year.
- Gross profit margin improved.

	<u>FY11</u>	<u>FY10</u>
Gross profit	36.3%	34.9%
Exchange gains/(losses)	<u>(0.3%)</u>	<u>(1.5%)</u>
All in gross	36.0%	33.4%

- Solid stock turn – 5.7 times.



## 2. DEBTOR ANALYSIS

# Debtor Costs

	FY11 Rm	FY10 Rm
Total Debtor costs	459	434
<ul style="list-style-type: none"><li>▪ Bad debts written off</li><li>▪ Impairment Provision</li></ul>	336 123	331 103
Debtor costs as a % of net debtors	10.2%	10.9%

# Debtor Payment Analysis

Impairment provision allocated on number of customers in the four summary categories.

Debtor's Payment Analysis		NUMBER OF CUSTOMERS			IMPAIRMENT PROVISION %		NCA OVER 24 MONTHS
			2011	2010	2011	2010	
<b>Satisfactory paid</b>	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	<b>No.</b>	521,304	498,370			271,599
		<b>%</b>	<b>74.5%</b>	72.7%	1%	0%	76%
<b>Slow payers</b>	Customers who have paid between 70% and 65% of amounts due over the contract period	<b>No.</b>	55,439	58,476			25,599
		<b>%</b>	<b>7.9%</b>	8.5%	27%	23%	7.2%
<b>Non performing customers</b>	Customers who have paid between 65% and 55% of amounts due over the contract period	<b>No.</b>	44,436	48,446			21,258
		<b>%</b>	<b>6.4%</b>	7.1%	44%	43%	5.9%
<b>Non performing customers</b>	Customers who have paid 55% or less of amounts due over the contract period	<b>No.</b>	78,174	80,417			38,862
		<b>%</b>	<b>11.2%</b>	11.7%	98%	94%	10.9%
			<b>699,353</b>	<b>685,709</b>	16.8%	<b>16.0%</b>	<b>357,318</b>

- 100% provision raised covering the potential impact of the recent judgement on the statutory in duplum rule (NCA).
- Average impairment provision on non performing customers – 79% (LY 75%).



## 3. FINANCIAL RESULTS

# Income Statement

	FY11	FY10	%
	Rm	Rm	
Revenue	4 578	4 111	11.4%
Merchandise sales	2 290	2 046	12.0%
Gross profit %	36.3%	34.9%	
Operating profit	1 053	907	16.0%
Operating margin %	23.0%	22.1%	
Attributable earnings	712	591	20.4%
EPS (cents)	807	672	20.1%
Headline EPS (cents)	781	643	21.6%

# Segmental Analysis

<b>2011</b>		<b><u>Group</u></b>	<b><u>Lewis</u></b>	<b><u>Best Home Electric</u></b>	<b><u>My Home</u></b>
Revenue (Rm)		4 578	3 853	589	136
Revenue growth (%)		11.4%	11.0%	16.9%	(0.9%)
Operating profit (Rm)		1 053	920	126	7
Operating margin	FY:11	23.0%	23.9%	21.4%	5.0%
	FY:10	22.1%	23.3%	19.1%	1.7%
Number of stores		582	454	107	21

IFRS8: OPERATING SEGMENTS

Information provided to Chief Operating decision makers

# Business Split

		Retail Rm	Risk Services Rm	Financial Services Rm	Group Rm
<u>2011</u>					
Revenue		2 594	752	1 232	4 578
Operating profit		416	213	424	1 053
Operating margin	FY:11	16.0%	28.3%	34.4%	23.0%
	FY:10	14.5%	24.5%	35.8%	22.1%

- Supplied for continuity purposes only.  
Our business is not managed in accordance with this split.
- Our business model reflects the customer centric nature of operations based on the premise that the selling of furniture and the provision of credit are interdependent.

# Analysis of Costs

## Excluding Debtor Costs

	FY11 Rm	FY10 Rm	Change %
Employment costs	693	607	14.2%
Admin and IT	208	195	6.9%
Marketing	156	134	16.5%
Occupancy costs	186	165	12.7%
Transport/Travel	148	136	9.3%
Depreciation	47	46	0.4%
Other operating costs	170	155	8.7%
Total	1 608	1 438	11.8%
% of revenue	35.1%	35.0%	

# Balance Sheet Overview

	FY11 Rm	FY10 Rm
Property, plant and equipment	279	251
Investments	1 097	894
Inventory	256	210
Net Debtors	3 835	3 428
Cash	84	62
<b>Total Assets</b>	<b>5 551</b>	<b>4 845</b>
Shareholders' equity and reserves	3 728	3 274
Retirement benefits	59	52
Tax and Deferred Tax	114	108
Creditors	567	450
Interest-bearing borrowings	1 083	961
	<b>5 551</b>	<b>4 845</b>

# Capital Ratios

	FY11	FY10
ROE – after tax (%)	20.3%	19.2%
ROCE – after tax (%)	17.2%	17.2%
ROA – before tax (%)	21.8%	21.9%
Total Dividend (cents)	363	323
Gearing ratio (%)	26.8%	27.5%

- No further share buy back planned
- Investing in store roll out/Debtor book
- Gearing is well within our max range of 35%

# Net Cash Position

	FY11	FY10
Insurance Investments	1 097	894
Cash	84	62
Cash, Bonds, Equities	<u>1 181</u>	<u>956</u>
Interest Bearing Borrowings	<u>1 083</u>	<u>961</u>
Net position	<u>98</u>	<u>(5)</u>



## 4. OUTLOOK

# Outlook

- Management of Debtors book.
  - The collections environment continues to improve.
  - Debtor costs continue to moderate.
  - Debtor costs target – 8% by 2013.

# Outlook

- Merchandise innovation focused on exclusivity and increased furniture sales.
  - Two launches per annum
- The proven business model a competitive advantage.
- Store expansion.
  - 3yr target : 700 stores
  - FY2012 40 stores
- Operating margin three year target – 26%.



**5. QUESTIONS**

**THANK YOU**