



# H1/06 INTERIM RESULTS PRESENTATION

**for the six months ended 30 September 2005**

Presented to investors, analysts and media

November 2005



# AGENDA

1. Introduction
2. H1/06 Highlights
  - Trading Environment
  - Financial Highlights
  - Operational Highlights
3. Business and Financial Overview
4. Challenges and Prospects
5. Questions

# 1. INTRODUCTION



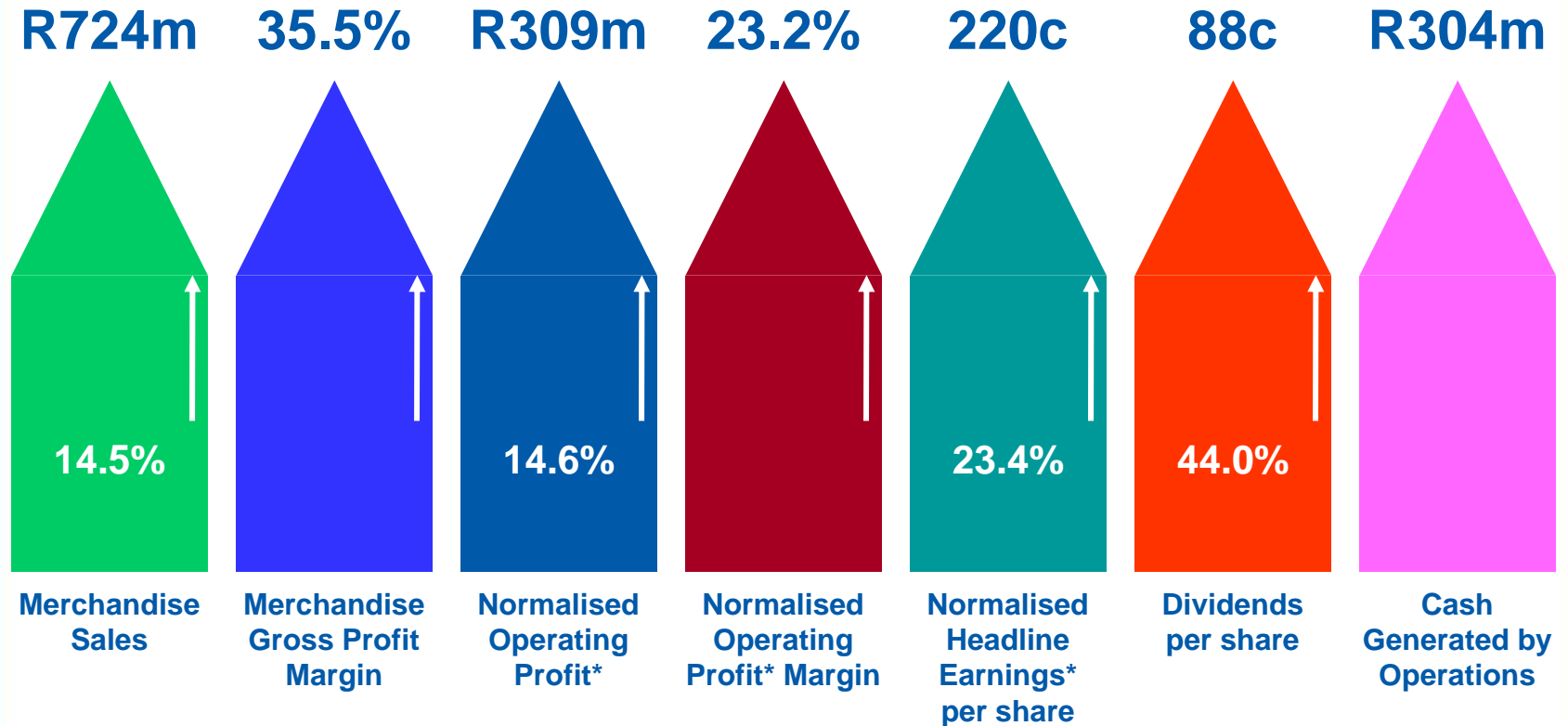
## 2. H1/06 HIGHLIGHTS



# H1/06 HIGHLIGHTS

- Buoyant trading environment continues with strong consumer demand
- Strong unit growth off the high base of FY05 in all three divisions
- GP margin % improved to 35.5% from 33.8%
- New store openings on track
- New - format Lifestyle Living, like-for-like sales performance excellent up at 49%
- Bad debts remain at low levels, good quality book well provisioned
- Normalised operating margin up at 23.2%, previously 22.8% - maintaining our consistent history
- Excellent operating cash flow
- Debt restructuring benefits
- Share buyback approved: - September 2005
- Dividends per share at 88c up 44%
- IFRS compliant - 1 April 2005

# FINANCIAL HIGHLIGHTS



\* Note: Excludes one-time IFRS 2 share-based payments of R58m

\* IFRS compliant

# OPERATIONAL HIGHLIGHTS – LEWIS STORES

- Merchandise sales up 11% at R617m
- Like-for-like sales growth up 10%
- Merchandise offerings - Imports
- GP margin
- New behavioural scorecard launched Q2 for existing customers
- Settled customer drive
- New stores
- Management team strengthened

# OPERATIONAL HIGHLIGHTS – BEST ELECTRIC

- Merchandise sales up 32% at R72m
- Like-for-like sales growth up 12%
- Merchandise offerings
- GP margin
- New stores
- Open to buy - Re-serve strengthened

# OPERATIONAL HIGHLIGHTS – LIFESTYLE LIVING

- Merchandise sales up 75% at R35m
- Like-for-like sales growth up 49%
- Merchandise offerings
- GP margin
- Introduction of accessories
- New stores
- Store card
- Integration on to Lewis systems complete

### 3. BUSINESS AND FINANCIAL OVERVIEW



# INCOME STATEMENT OVERVIEW

	H1/06 Rm	H1/05* Rm	%	FY05* Rm
Trading revenue	1 332.2	1 186.6	12.3	2 511.2
Merchandise sales	724.0	632.5	14.5	1 351.9
Gross profit	256.7	213.8	20.1	466.9
Gross profit %	35.5%	33.8%		34.5%
Operating profit				
* Normalised	309.4	270.0	14.6	593.5
* Share-based payment	(58.4)	-	-	(10.8)
Operating margin % - Normalised	23.2%	22.8%		23.6%
Attributable earnings -				
* Normalised	220.0	178.6	23.2	406.0
* As reported	161.6	178.6	(9.5)	395.2
Diluted Headline EPS (cents) -				
* Normalised	219.4	178.1	23.2	400.9
* As reported	160.4	178.1	(9.9)	390.1

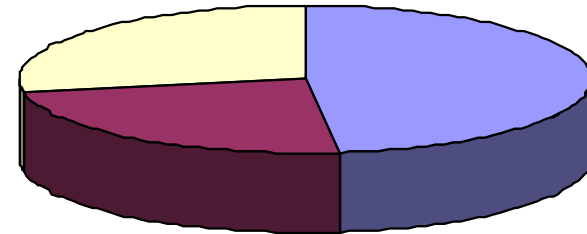
\* Restated for IFRS

# ANALYSIS OF REVENUE AND PRODUCT RANGE

## PRODUCT RANGE

Audiovisual 28%  
(H1/05: 27%)

Furniture 48%  
(H1/05: 52%)



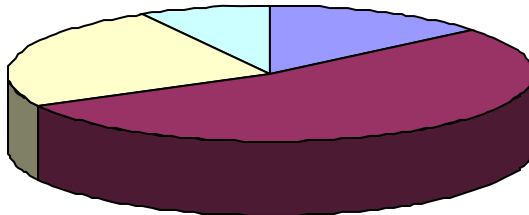
Appliance 24%  
(H1/05: 21%)

## REVENUE MIX

Services rendered 8%  
(H1/05: 8%)

Insurance premiums earned 14%  
(H1/05: 14%)

Finance charges earned 24%  
(H1/05: 25%)



Merchandise sales 54%  
(H1/05: 53%)

# SALES MIX – CASH % vs CREDIT %

## Lewis stores cash/credit ratio improving

	Cash			Credit		
	H1/06	H1/05	FY05	H1/06	H1/05	FY05
Lewis	28%	30%	29%	72%	70%	71%
Best Electric	33%	33%	31%	67%	67%	69%
Lifestyle Living	66%	N/A	64%	34%	N/A	36%

# RAND/UNIT ANALYSIS

	Total	Furniture	Electronic and Electrical Appliances
Units	22% (18%)	9% (16%)	32% (20%)
Rands	15% (14%)	8% (19%)	22% (10%)

Notes:

- Rounded off
- FY05 ( )

# NEW STORE OPENINGS

Since 1 April 2005, 20 new stores have either opened or will open during this financial year

These are:

- Lewis                      7 stores
- Best Electric            12 stores
- Lifestyle Living        1 store

# IMPROVED GROSS PROFIT GROWTH: UP 20.1%

	H1/06	H1/05	%	FY05
GP - Rm	256.7	213.8	20.1	466.9
GP - %	35.5%	33.8%	-	34.5%

## Key drivers:

- Competitive procurement strategies
- Exclusive furniture lines

# ANALYSIS OF COSTS

(Excluding bad debts and share-based payment)

	H1/06	H1/05*	Change	FY 05*
	Rm	Rm	%	Rm
Employment costs	214.4	194.5	10.2	406.0
Admin and IT	76.2	71.1	7.2	134.5
Marketing	48.5	40.6	19.5	79.6
Occupancy costs	46.8	42.8	9.3	87.9
Transport/Travel	48.6	42.2	15.2	85.6
Depreciation	21.5	20.9	2.9	36.9
Other operating costs	48.8	48.2	1.2	100.6
<b>Total</b>	<b>504.8</b>	<b>460.3</b>	<b>9.7</b>	<b>931.1</b>
<b>% of revenue</b>	<b>37.9%</b>	<b>38.8%</b>		<b>37.1%</b>

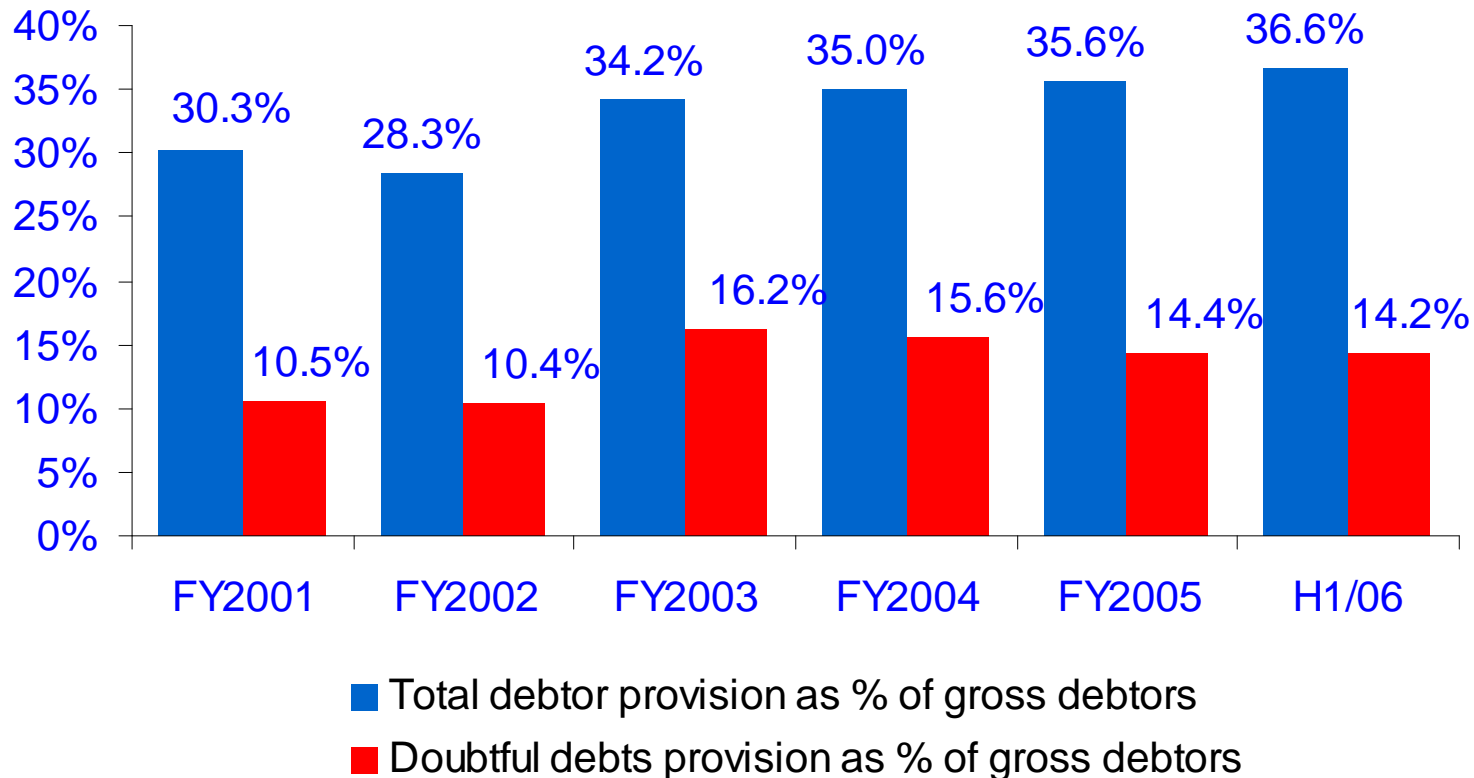
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# ANALYSIS OF BAD DEBTS WRITTEN OFF

	H1/06	H1/05	FY05
	Rm	Rm	Rm
Bad and doubtful debts - net	50.7	37.6	101.6
B & D, Repos, Recoveries	46.4	48.1	125.3
Impairment provision	4.3	(10.5)	(23.7)
Bad debt as a % of gross debtors book	1.9%	1.4%	3.8%
Arrears – full contractual	25.0%	27.6%	25.7%

# WELL – PROVISIONED DEBTORS BOOK

## Provisioning (Balance Sheet)



**H1/05 Provisions @ 34.9% and 15.3%**

Note: 2003 Includes first-time adoption of AC133

# BALANCE SHEET OVERVIEW

	H1/06	H1/05	FY05*	%
	Rm	Rm	Rm	
Property, plant and equipment	156.0	159.5	159.5	-
Investments - Long term	433.6	381.9	400.6	-
Investments - Short term	97.8	119.0	105.2	(7.0)
Inventory	248.5	168.5	155.8	59.5
Debtors - Gross	2 782.2	2 649.3	2 704.8	2.9
Debtors - Provisions	(1 002.3)	(907.4)	(954.2)	
Cash	88.4	58.4	55.3	
Deferred tax asset	86.7	-	48.7	-
<b>Total assets</b>	<b>2 890.9</b>	<b>2 629.2</b>	<b>2 675.7</b>	
Shareholders' equity and reserve	2 130.8	1 880.7	2 059.6	
Retirement benefits	74.2	77.0	72.4	
Interest-bearing borrowings				
- Long term	1.7	1.9	1.7	
- Short term	235.8	358.7	179.2	
Creditors	335.2	251.5	225.2	
Tax and D/T	113.2	59.4	137.6	
	<b>2 890.9</b>	<b>2 629.2</b>	<b>2 675.7</b>	

\* Restated for IFRS

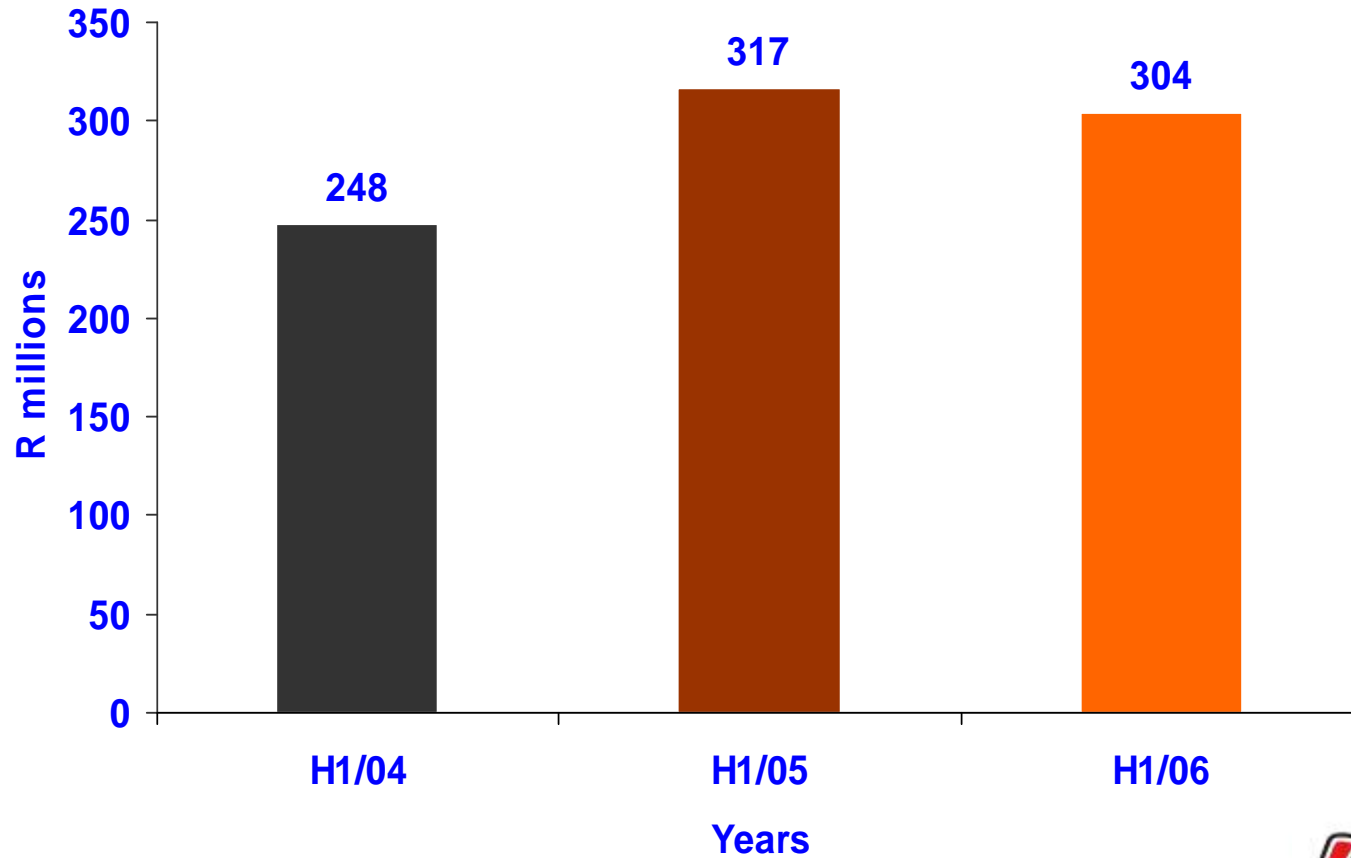
# CAPITAL STRUCTURE AND RATIOS

	H1/06	H1/05	FY05*
	Rm	Rm	Rm
<b>Shareholders' Funds</b>	<b>2 130.8</b>	<b>1 880.7</b>	<b>2 059.6</b>
	=====	=====	=====
<b>Interest-bearing borrowings</b>	<b>1.7</b>	<b>1.9</b>	<b>1.7</b>
- Long term	235.8	358.7	179.2
- Short term	(88.4)	(58.4)	(55.3)
<b>Net short-term (cash)/overdraft</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>
<b>Net interest-bearing debt</b>	<b>149.1</b>	<b>302.2</b>	<b>125.6</b>
	=====	=====	=====
<b>ROE - Normalised</b>	<b>21.0%</b>	<b>20.8%</b>	<b>22.1%</b>
<b>ROCE - Normalised</b>	<b>19.4%</b>	<b>17.0%</b>	<b>18.5%</b>
<b>Gearing ratio</b>	<b>7.0%</b>	<b>16.1%</b>	<b>6.1%</b>
<b>Dividend cover (x)</b>	<b>2.5</b>	<b>3.0</b>	<b>3.0</b>

\* Restated for IFRS

# CASH FLOW OVERVIEW

## Cash Flow from Operations



## 4. CHALLENGES AND PROSPECTS



# CHALLENGES GOING FORWARD

## External

- Interest rate stability
- Rand/Dollar
- National Credit Bill

## Internal

- Change in sales mix

# PROSPECTS

- Health of SA consumer is good
- Lewis well positioned in the market
- Further expansion opportunities in all three divisions
- Pleasing sales growths since 1 October to date
- Merchandise - innovative sourcing
- Strong cash flows continue
- Headline earnings growth (normalised) for FY06 meaningful

# QUESTIONS

