



# H1/07 INTERIM RESULTS PRESENTATION

For the six months ended 30 September 2006

November 2006



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# Agenda

- 1. H1/07 Highlights**
  - **Financial Highlights**
  - **Trading Highlights**
  - **Operational Reviews**
- 2. Financial Overview**
- 3. Outlook**
- 4. Questions**



# 1. H1/07 Highlights

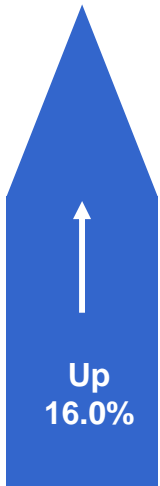


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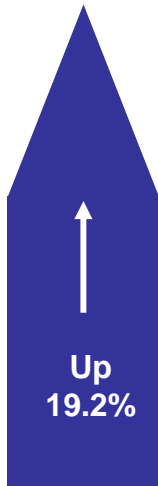
# Financial Highlights

R1545.1m



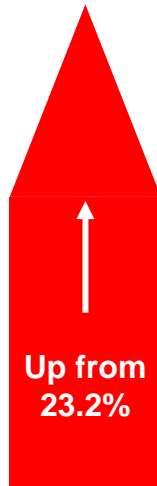
Revenue

R368.8m



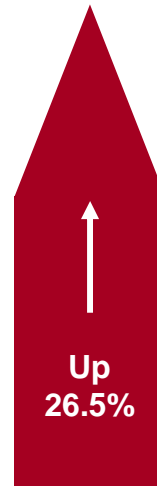
Normalised  
Operating  
Profit\*

23.9%



Normalised  
Operating  
Margin\*

278c



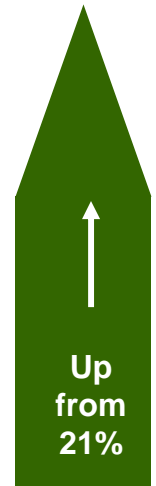
Normalised  
Headline  
Earnings  
per Share\*

116c



Dividends  
per share

23%



Normalised  
ROE%

\* Excludes share-based payments in prior period



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# H1/07 Trading Highlights

- Continued growth off the high base of FY06 in all three divisions.
- Merchandise import program
- Quality of debtors book improved
  - Doubtful Debt provision % down on last year. (12.9% vs 14.2%)
  - Actual bad debts lower than last year.
- 24 stores to be opened on a phased basis this financial year (23 stores in FY06)
- Strong operating cash flow
- Share buyback at 7.5% at average price of R48.37.



# Operational Review – Lewis Stores

- **Merchandise sales up 12.0% at R690.5m**
- **Like-for-like sales growth up 10.8%**
- **Strong furniture growth - merchandise initiatives**
- **Operating margin improved**
- **Customer retention drive further strengthened – Reserve programme**
- **New customer acquisition strategy**
- **Credit risk management improvement**
- **9 new stores will open this financial year**
- **Store refurbishment program**



# Operational Review – Best Electric

- **Merchandise sales up 25.2% at R90.6m**
- **Like-for-like sales growth up 6.3%**
- **GP margin maintained**
- **High operating margin maintained**
- **9 New Stores will open this financial year**
- **Customer retention strategies – Reserve strengthened**



# Operational Review – Lifestyle Living

- **Merchandise sales up 50.9% at R53.3m**
- **Like-for-like sales growth up 36.3%**
- **Successful merchandise strategies paying dividends**
- **Operating margin improvements**
- **4 New stores to open**



# “Best Bedding” Division

- **Specialist Bedding Chain**
- **Leverages off current Lewis Group infrastructure**
- **Pilot phase commences November 2006**



# New Store Openings

- March FY06 opened 23 stores
- Since 1 April 2006 a further 6 new stores have been opened with a further 18 committed to open.
- These are:

	<u>Opened</u>	<u>To Open</u>
– Lewis	3	6
– Best Electric	3	6
– Lifestyle Living	0	4
– Best Bedding	0	2
	-----	-----
	6	18
	=====	=====



## 2. Financial Overview



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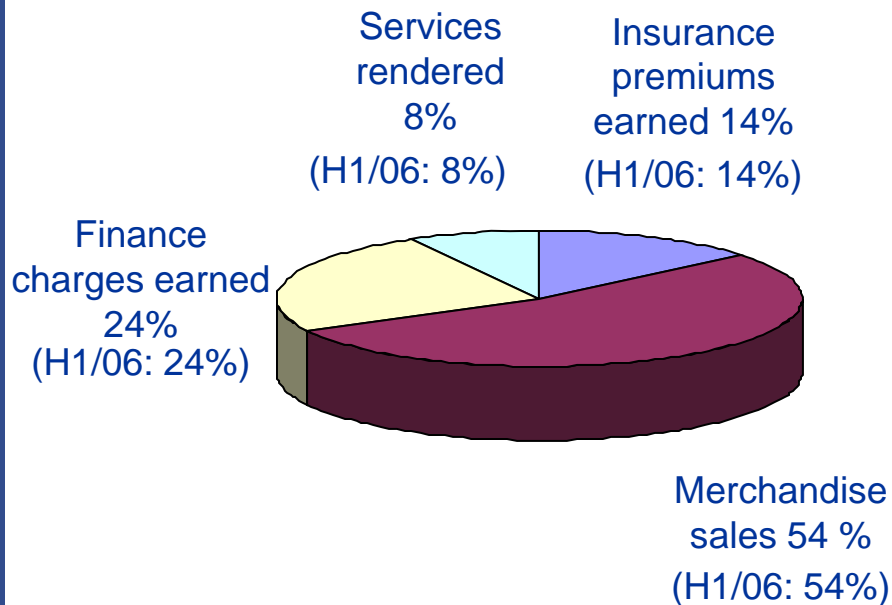
# Financial Overview – Normalised Income Statement

	H1/07 Rm	% Change	H1/06 Rm	FY06 Rm
Revenue	1 545.1	16.0%	1 332.2	2 874.5
Cost of merchandise sales	(548.2)		(467.3)	(1 020.6)
Operating costs	(628.1)		(555.5)	(1 125.3)
Normalised operating profit	<u>368.8</u>	19.2%	<u>309.4</u>	<u>728.6</u>
Profit before taxation	392.2		323.3	744.7
Taxation	(131.4)		(103.3)	(237.6)
Normalised attributable net profit	<u>260.8</u>	18.5%	<u>220.0</u>	<u>507.1</u>
Normalised headline earnings	<u>258.8</u>	19.2%	<u>217.2</u>	<u>510.4</u>
Normalised earnings per Share (cents)	280.1	25.9%	222.5	521.2
Normalised headline earnings per share (cents)	278.0	26.5%	219.7	524.6

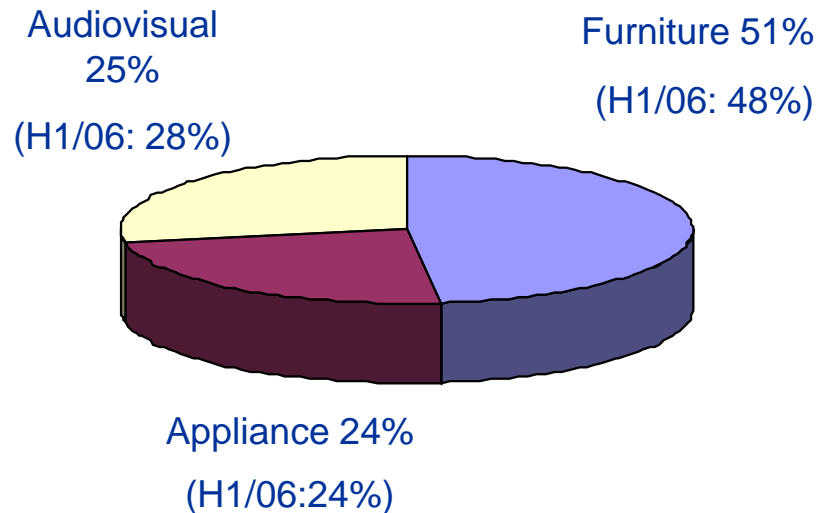


# Analysis of Revenue and Product Range

## REVENUE MIX



## PRODUCT RANGE



# Merchandise Gross Profit Analysis

	H1/07	H1/06	FY06
<b>Merchandise Gross Profit %</b>	<b>35.9%</b>	<b>36.4%</b>	<b>35.9%</b>
<b>Promotional Discount</b>	<b>(1.6%)</b>	<b>(0.9%)</b>	<b>(1.0%)</b>
	-----	-----	-----
<b>Reported Gross Profit %</b>	<b>34.3%</b>	<b>35.5%</b>	<b>34.9%</b>
	=====	=====	=====

**Forward Contract gains (Rm)  
included in finance costs**

**(8.9)**

**2.5**

**6.0**



# Analysis of Costs

(Excluding debtor costs and share-based payment)

	H1/07	H1/06	Change	FY06
	Rm	Rm	%	Rm
Employment costs	237.1	214.4	10.6	439.9
Admin and IT	79.7	76.2	4.6	152.3
Marketing	52.9	48.5	9.1	89.1
Occupancy costs	55.5	46.8	18.6	98.3
Transport/Travel	54.8	48.6	12.8	98.4
Depreciation	23.0	21.5	7.0	35.0
Other operating costs	53.0	48.8	8.6	96.5
<b>Total</b>	<b>556.0</b>	<b>504.8</b>	<b>10.1%</b>	<b>1009.5</b>
<b>% of revenue</b>	<b>36%</b>	<b>38%</b>		<b>35%</b>



# Health of Debtors Book

	H1/07	H1/06	% Change
Revenue	R1 545.1m	R1 332.2m	+ 16%
Gross Debtors : Rand	R3 069.8m	R2 734.7m	+ 12%
Increase in Debtors book	R335m	R135m	
Doubtful Debt Provision %	12.9%	14.2%	
Doubtful Debt Provision (Rm)	R396m	R390m	
Bad Debts written off	R42.6m	R46.4m	- 8%
Arrears – Full contractual	22.5%	25.0%	
Average age of book (months)	14.0	14.5	



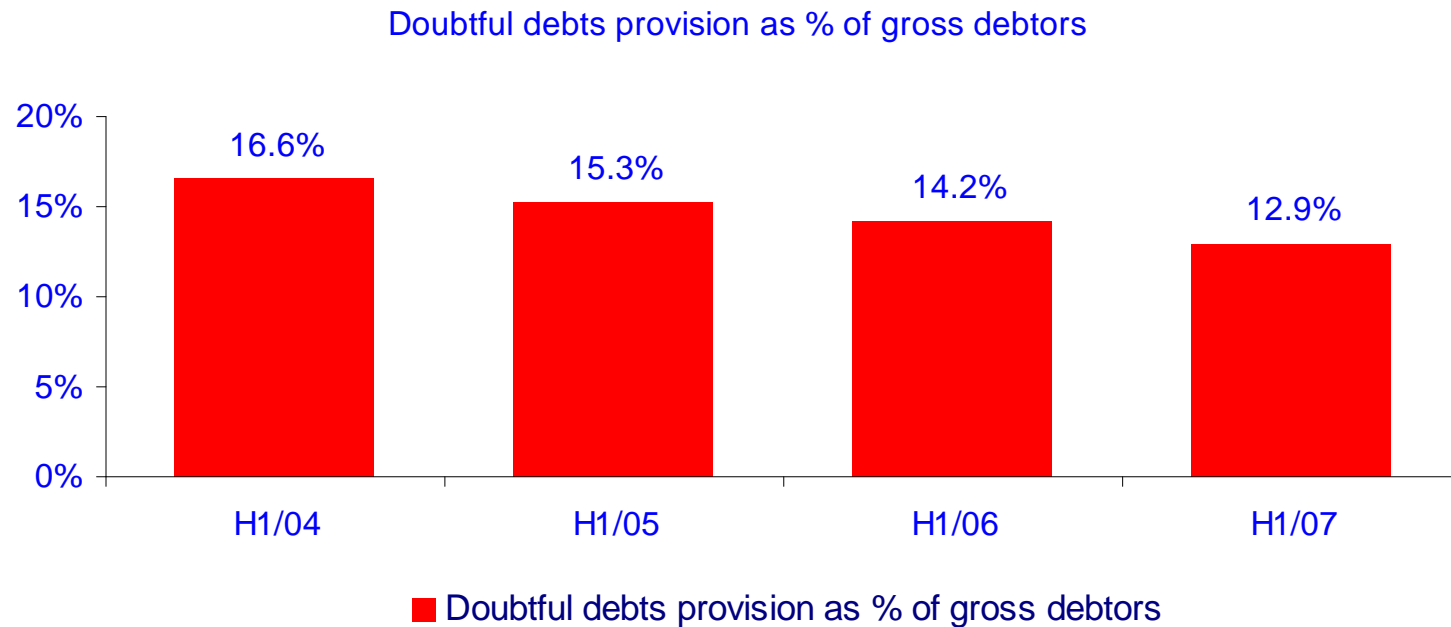
# Analysis of Debtor Costs

	H1/07 Rm	H1/06 Rm	FY06 Rm
<b>Debtor Costs</b>	<b>70.7</b>	<b>50.7</b>	<b>115.5</b>
- Bad debts written off (less recoveries)	42.6	46.4	132.9
- Provision for Doubtful Debts (Dr/(Cr))	28.1	4.3	(17.4)
<b>Debtor costs as a % of gross debtors</b>	<b>2.3%</b>	<b>1.9%</b>	<b>4.0%</b>



# Debtors Book

## Doubtful Debts Provision – last 4 years



# Balance Sheet Overview

	H1/07	H1/06	FY06
	Rm	Rm	Rm
Property, plant and equipment	174.4	156.0	163.2
Insurance investments	629.8	531.4	589.9
Inventory	243.8	248.5	212.6
Debtors - Gross	3 106.5	2 782.2	2 957.3
Debtor - Provisions	(1 117.4)	(1 002.3)	(1 060.8)
Cash	33.9	88.4	28.1
Deferred tax asset	98.7	86.7	89.7
<b>Total assets</b>	<b>3 169.7</b>	<b>2 890.9</b>	<b>2 980.0</b>
Shareholders' equity and reserves	2 247.4	2 130.8	2 305.4
Retirement benefits	77.6	74.2	75.8
Interest-bearing borrowings	417.3	237.5	134.6
Creditors	334.8	335.2	283.5
Tax and Deferred tax	92.6	113.2	180.7
	<b>3 169.7</b>	<b>2 890.9</b>	<b>2 980.0</b>



# Capital Structure and Ratios

	H1/07 Rm	H1/06 Rm	FY06 Rm
Shareholders' Funds	2 247.4	2 130.8	2 305.4
	=====	=====	=====
Interest-bearing borrowings	417.3	237.5	134.6
Net short-term cash	(33.9)	(88.4)	(28.1)
	-----	-----	-----
Net interest-bearing debt	383.4	149.1	106.5
	=====	=====	=====
ROE – Normalised	23.0%	21.0%	23.2%
ROCE – Normalised	20.2%	19.4%	22.1%
Gearing ratio	17.1%	7.0%	4.6%
Dividend cover (x)	2.25	2.5	2.25



# Cash Flow

**Lewis continues to generate significant cash flow which funded the following:**

- **Increased working capital requirements** **R100m**
- **Share repurchases** **R213m**
- **Dividends paid during the period** **R127m**

**Borrowings have increased by R277m**

**Current gearing is 17% compared to 7% last period**



### 3. Outlook



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# Outlook

- **Improving sales in existing stores**
- **Merchandise initiatives**
- **Customer retention**
- **Maintenance of the health of the debtors book**
- **Implementation of new Credit Act**



# Outlook

- **Merchandise sales growth for October.**
- **Expansion opportunities exist in all three chains and a new chain.**
- **Management continues to be positive about trading prospects for 2007.**



# 4. Questions



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