Lewis Group Ltd

Results Presentation

for the

12 months ended

31 March 2013

Agenda

1. Overview of Results
2. Debtor Analysis
3. Financial Results
4. Regulatory Environment
5. Targets and Outlook
6. Questions

Overview of results

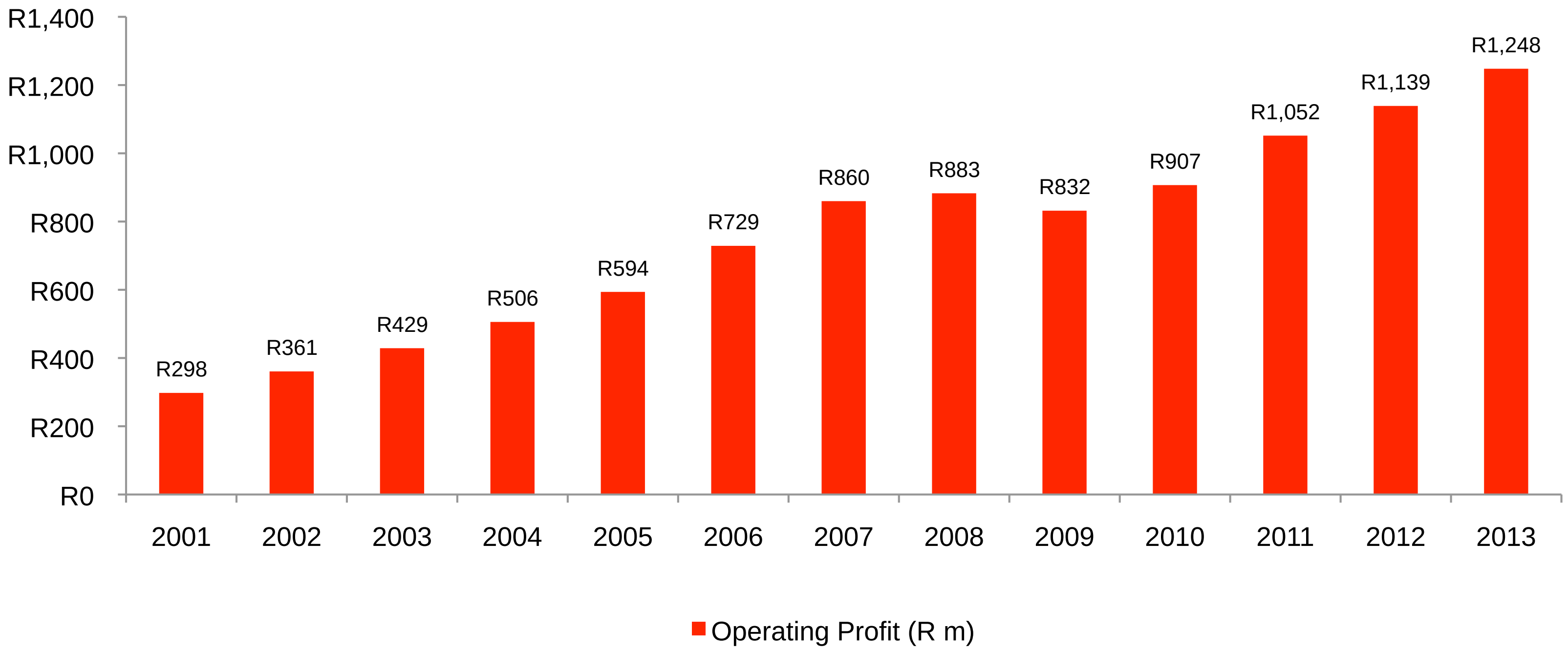
R5 188m	R947 m	24%	1003c	514c
+ 6.8%	38.3%	24%	+ 13.6%	+ 16.3%
Revenue	Gross Profit	Operating Margin	Headline Earnings per share	Dividend per share
LY 4 857m	LY 38.9%	LY 23.5%	LY 883c	LY 442c

Performance Review

	Target	Achieved
Gross profit margin (%)	36 – 38	38.3
Operating costs as a % of revenue	36 – 37	36.2
Debtor costs as a % of net debtors	9.5 – 10.5	9.4
Operating profit margin (%)	23 – 24	24.0
Inventory turn (times)	5 – 5.5	5.0
Gearing ratio (%)	28 - 32	29.9

Operating Profit History

Solid operating performance over the past 13 years – Compound annual growth of 12.7%



15%	18%	21%	22%	24%	25%	26%	25%	22%	22%	23%	23.5%	24%

Operating margin %

Overview of results

- Strength of the Lewis business model.
- Sales pattern for the year.
  - Furniture & appliances (82.4% of business) - up 4% (FY13)
  - Electronic sales (17.6% of business) - up 6% (FY 13)
- Improving credit mix to 75.3% (LY: 71.4%)
- Credit application decline rate – 36.5% (LY: 33%).
- Debtor costs 9.4% of net Debtors (LY: 10.8%).
- Expense management.

Overview of results (continued)

- Store roll out – 24 new stores opened
  – 111 stores refurbished
- Merchandise a key focus.
- New ranges launched twice a year.
- Gross profit margin ahead of target range 36% - 38%.

	FY13	FY12	FY11
Gross profit	38.3%	38.9%	36.3%
Exchange gains/(losses)	0.1%	0.6%	(0.3%)
All in gross	38.4%	39.5%	36.0%

- Stock turn – 5 times.

Debtor Analysis

Debtor Costs

	FY13 Rm	FY12 Rm
Total Debtor costs	540	522
▪ Bad debts written off	418	405
▪ Impairment Provision	122	117
Debtor costs as a % of net debtors	9.4%	10.8%

Target 2013 – 9.5% to 10.5%

Debtor Payment Analysis

Debtor's Payment Analysis		NUMBER OF CUSTOMERS			DISTRIBUTION OF IMPAIRMENT PROVISION		
			2013	2012		2013	2012
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period. The provision in this category results from an *in duplum* provision.	No.	478,093	491,478	R	27,502	35,100
		%	69.4%	72.1%	%	2.8%	4.0%
Slow payers	Customers who have paid between 65% and 70% of amounts due over the contract. The provision in this category ranges from 12% to 79% of Debtors and includes an *in duplum* provision (LY: 7% to 72%).	No.	58,155	55,791	R	111,440	104,129
		%	8.5%	8.2%	%	11.2%	11.9%
Non performing customers	Customers who have paid between 55% and 65% of amounts due over the period of the contract. The provision in this category ranges from 23% to 90% of Debtors (LY: 19% to 86%).	No.	55,202	45,978	R	177,860	137,178
		%	8.0%	6.7%	%	17.8%	15.7%
Non performing customers	Customers who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 33% to 100% of Debtors (LY: 28% to 100%)	No.	97,093	88,265	R	680,393	598,807
		%	14.1%	13.0%	%	68.2%	68.4%
Totals			688,543	681,512	R	997,195	875,214
Total impairment provision % of net debtors					%	17.4%	18.0%

Financial Results

Income Statement

	FY13 Rm	FY12 Rm	%
Revenue	5 188	4 857	6.8%
Merchandise sales	2 470	2 365	4.4%
Gross profit %	38.3%	38.9%	
Operating profit	1 248	1 139	9.5%
Operating margin %	24.0%	23.5%	
Attributable earnings	907	801	13.3%
EPS (cents)	1 022	905	13.0%
Headline EPS (cents)	1 003	883	13.6%

Segmental Analysis

2013		Group	Lewis	Best Home and Electric	My Home
Revenue (Rm)		5 188	4 319	737	132
Revenue growth (%)		6.8%	5.8%	12.8%	9.9%
Operating profit (Rm)		1 248	1 048	185	15
Operating margin	FY:13	24.0%	24.3%	25.1%	11.1%
	FY:12	23.5%	24.1%	22.3%	7.0%
Number of stores		619	477	129	13

IFRS 8: OPERATING SEGMENTS
Information provided to Chief Operating decision makers

Analysis of costs

	FY13 Rm	FY12 Rm	Change %
Employment costs	792	733	8.1%
Admin and IT	203	221	(8.1)%
Marketing	191	185	3.6%
Occupancy costs	233	207	12.3%
Transport/Travel	185	178	4.1%
Depreciation	55	49	13.4%
Other operating costs	218	177	22.8%
Total	1 877	1 750	7.3%
% of revenue	36.2%	36.0%	

2013 Target 36 – 37%

Balance Sheet overview

	FY13 Rm	FY12 Rm
Property, plant and equipment	333	312
Investments	1 704	1 378
Inventory	306	281
Debtors	4 841	4 065
Cash	59	78
Total Assets	7 243	6 114

	FY13 Rm	FY12 Rm
Shareholders' equity and reserves	4 835	4 275
Retirement benefits	70	64
Tax and Deferred Tax	149	115
Creditors	684	586
Interest-bearing borrowings	1 505	1 074
	7 243	6 114

Capital Ratios

	FY13	FY12
ROE – after tax (%)	19.9%	20.0%
ROCE – after tax (%)	16.7%	16.7%
ROA – before tax (%)	20.3%	21.1%
Total Dividend (cents)	514	442
Gearing ratio (%)	29.9%	23.3%

- No share buy back planned for 2014
- Investing in store roll out/Debtor book

Regulatory Environment

Regulatory Environment

- Credit Insurance
- Task Team – NCR, FSB and Treasury
- Basis of engagement
  - Nienaber Report – issued 2009
  - Credit Insurance Review – FSB 2012
- Engagement – Industry specific
  - CGCSA, Furniture retail – May 2013
  - Banking Association
  - Other Credit Associations
- Report expected in July 2013
- Welcome speedy resolution

Targets and Outlook

Targets and Outlook

- **Financial and operating targets**

	2014	Medium-term
Gross Profit margin (%)	37.5 – 38.5	37.5 – 38.5
Operating costs as a % of revenue	36 – 37	35 – 36
Debtor costs as a % of net debtors	9.5 – 10.5	9 – 9.5
Operating Profit margin (%)	23.5 – 24.5	25 -26
Inventory turn (times)	5 – 5.5	5 – 5.5
Gearing (%)	30 – 34	< 35

- **Merchandise**
- **Store expansion**

Questions