Annual results presentation

FOR THE 12 MONTHS ENDED 31 MARCH 2014

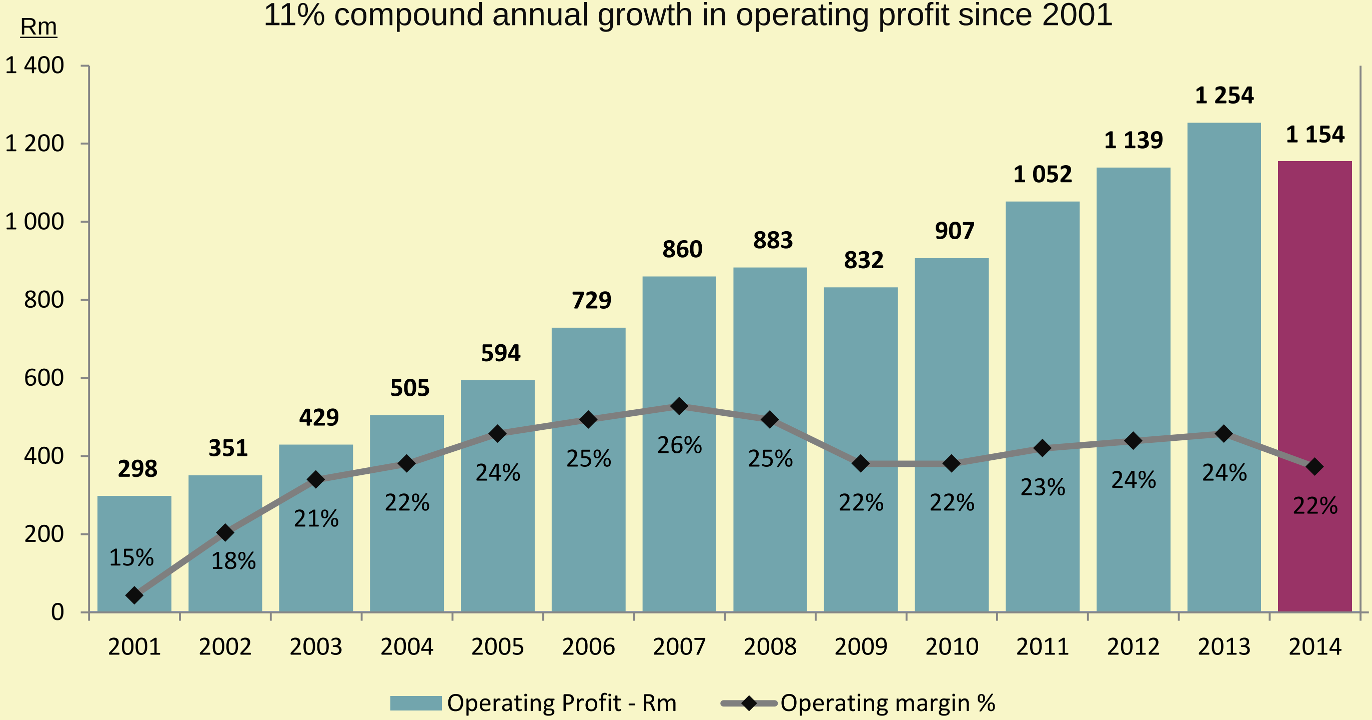
Agenda

Overview of results

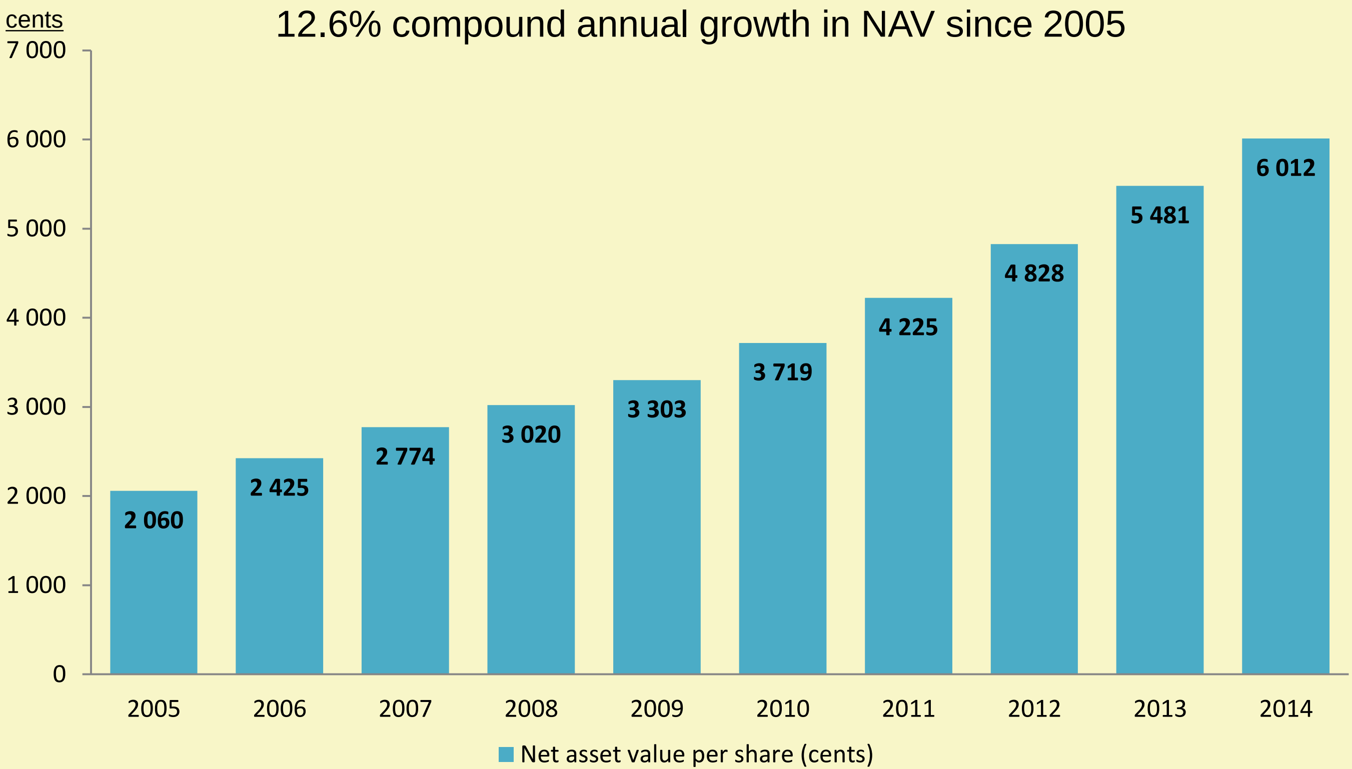
Revenue	Operating margin	Earnings per share	Net asset value	Total dividend per share
+ 1.8%	21.8%	-7.6%	+ 9.7%	+0.6%
R5 282m	**21.8%**	**949c**	**6 012c**	**517c**
LY R5 188m	LY 24%	LY 1 027c	LY 5 481c	LY 514c

Operating profit history

11% compound annual growth in operating profit since 2001



Net asset value per share history



Overview of results

- Resilient Lewis business model
- Sales pattern for the year
  - Furniture & appliances (81.4% of business) - down 3.6%
  - Electronic sales (18.6% of business) - up 3.1%
- Credit application decline rate 38.4% (LY:36.5%)
- Credit sales mix – 72.3% (LY:75.3%)
- Debtor costs 11.6% of net debtors (LY: 9.4%)
- Expenses well controlled at 1.6% up on LY

Overview of results (continued)

- Store roll out - 20 new stores opened
  - 100 stores refurbished
- Merchandise a key focus
- New ranges launched twice a year
- Stock turn 4.7 times
- Gross profit margin

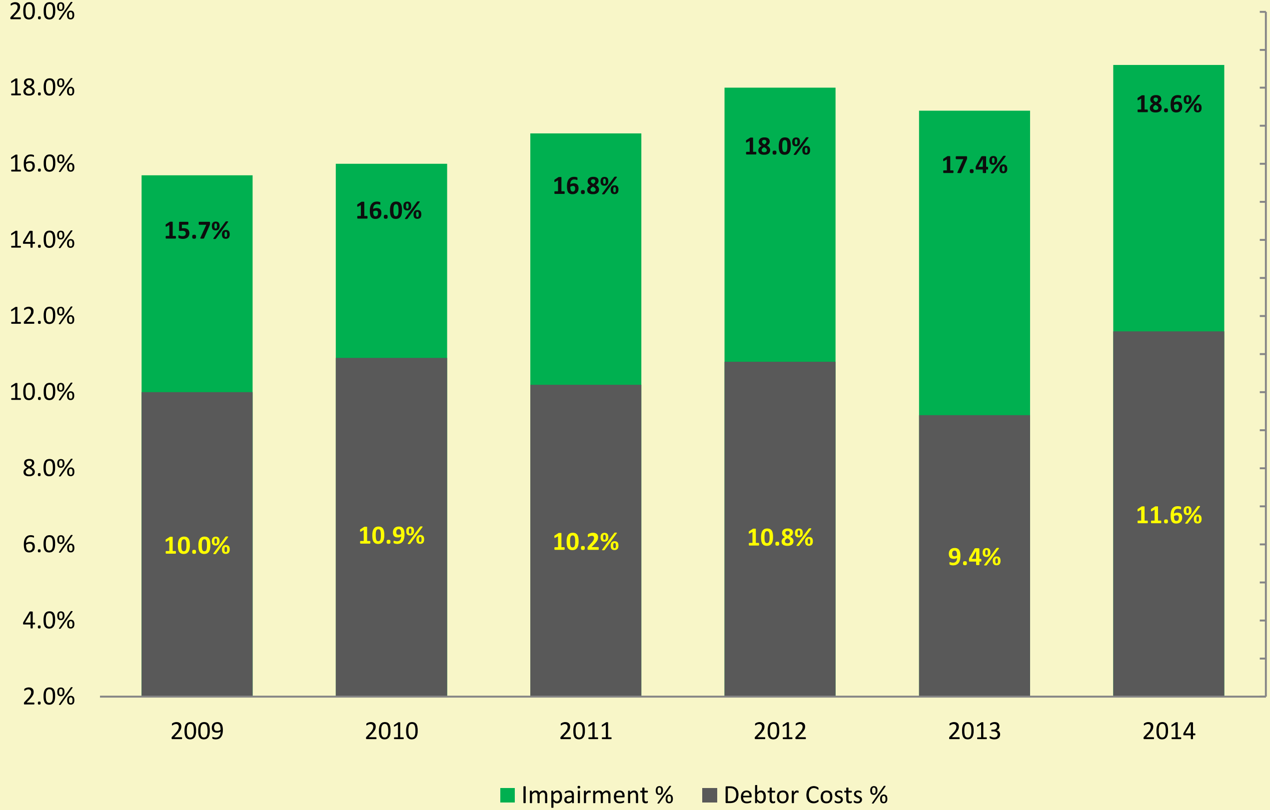
	FY14	FY13
Gross Profit	**36.7%**	38.3%
Exchange gains / losses	**0.3%**	0.1%
All in gross	**37.0%**	38.4%
Provision – VAT on promotional offers	**1.1%**	-
Normalised gross profit	**38.1%**	38.4%

Debtor analysis

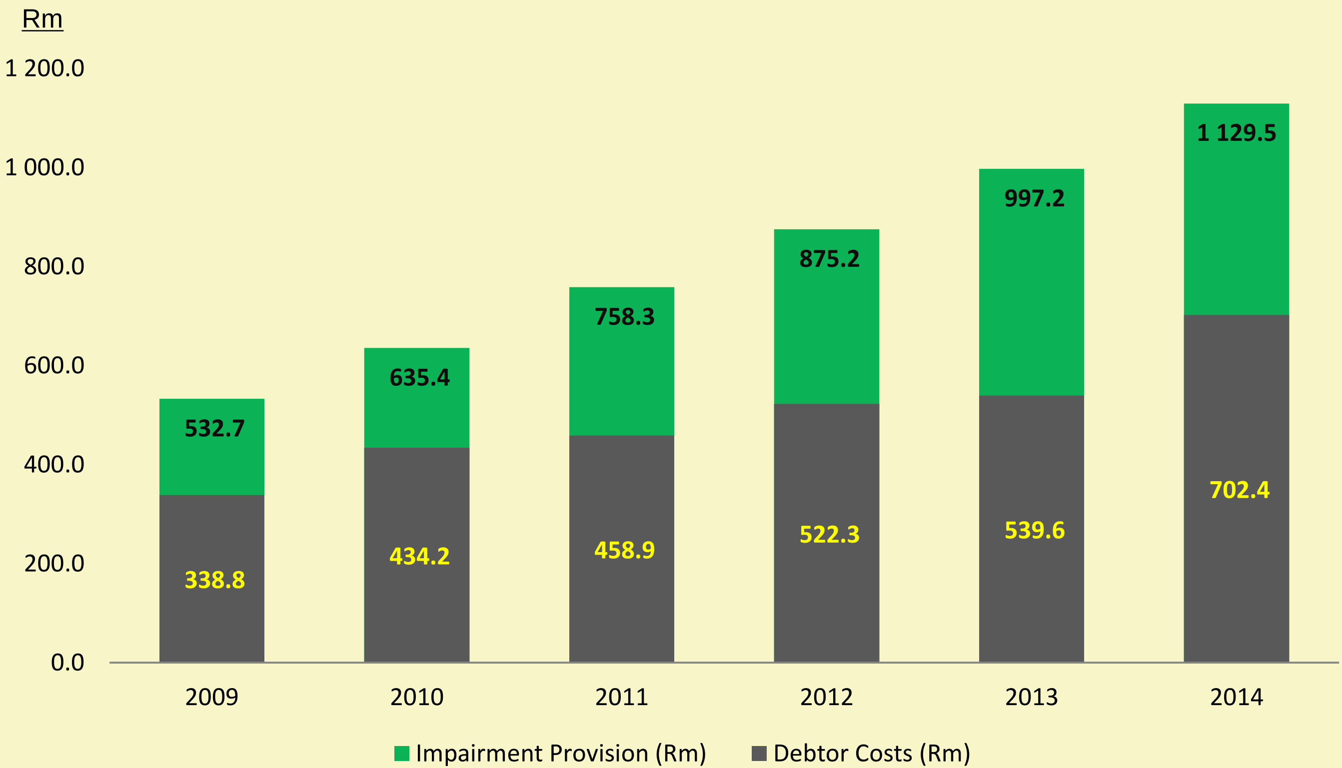
Debtor costs

	FY14 Rm	FY13 Rm
Total debtor costs (+30%)	**702**	540
■ Bad debts written off	**570**	418
■ Impairment provision	**132**	122
Debtor costs as a % of net debtors	**11.6%**	9.4%

Debtor costs vs Impairment provision %



Debtor costs vs Impairment provision (Rm)



Debtor payment analysis

Lewis Group Ltd

Debtor's Payment Analysis	NUMBER OF CUSTOMERS			DISTRIBUTION OF IMPAIRMENT PROVISION		
		2014	2013		**2014**	2013
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. %	**463 048** **68.3%**	478 093 69.4%	Rm %	**22.9** **2.0%**	27.5 2.8%
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: 12% to 79%)	No. %	**56 876** **8.4%**	58 155 8.5%	Rm %	**121.3** **10.8%**	111.4 11.2%
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: 23% to 90%).	No. %	**51 640** **7.6%**	55 202 8.0%	Rm %	**180.0** **15.9%**	177.9 17.8%
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: 33% to 100%)	No. %	**106 545** **15.7%**	97 093 14.1%	Rm %	**805.3** **71.3%**	680.4 68.2%
Total		**678 109**	688 543	Rm	**1 129.5**	997.2
Total impairment provision % of net debtors				%	**18.6%**	17.4%

Financial results

Income statement

		FY14 Rm	FY13 Rm	**%**
Revenue	Rm	**5 282**	5 188	1.8%
Merchandise sales	Rm	**2 409**	2 470	(2.5%)
Gross profit margin	%	**36.7**	38.3	
Operating profit	Rm	**1 154**	1 254	(7.9%)
Operating margin	%	**21.8**	24.2	
Attributable earnings	Rm	**842**	912	(7.6%)
EPS	cents	**949**	1 027	(7.6%)
Headline EPS	cents	**921**	1 008	(8.6%)

Segmental analysis

2014		Group	Lewis	Best Home and Electric	My Home
Revenue (Rm)		5 282	4 400	756	126
Revenue growth (%)		1.8%	1.9%	2.5%	(4.4%)
Operating profit (Rm)		1 154	963	176	15
Operating margin	FY:14	21.8%	21.9%	23.3%	12.1%
	FY:13	24.2%	24.4%	25.3%	11.0%
Number of stores		636	494	129	13

Analysis of costs

	FY14 Rm	FY13 Rm	%
Employment costs	**819**	786	4.2%
Admin and IT	**217**	203	7.1%
Marketing	**173**	191	(9.5%)
Occupancy costs	**245**	233	5.4%
Transport / Travel	**193**	185	4.0%
Depreciation	**58**	55	6.3%
Other operating costs	**196**	218	(10.5%)
Total	**1 901**	1 871	1.6%
% of revenue	**36.0%**	36.1%	

Balance sheet

	FY14 Rm	FY13 Rm
Property, plant and equipment	**327**	333
Retirement benefit asset	**80**	23
Investments	**1 699**	1 704
Inventory	**325**	306
Debtors	**5 079**	4 841
Cash	**480**	59
Total Assets	**7 990**	7 266
Shareholders equity and reserves	**5 342**	4 847
Retirement benefit liability	**93**	75
Tax and deferred tax	**181**	155
Creditors	**617**	684
Interest-bearing borrowings	**1 758**	1 505
Total equity and liabilities	**7 990**	7 266

Capital ratios

	FY14	FY13
ROE – after tax (%)	**16.5%**	20.0%
ROCE – after tax (%)	**13.6%**	16.8%
ROA – before tax (%)	**16.8%**	20.4%
Cash generated from operations (47% up)	**R931m**	R633m
Gearing ratio (%)	**23.9%**	29.8%
Total dividend (cents)	**517c**	514c

Share buy-backs planned for 2015

Continued investment in store roll-out and debtors book

Regulatory update

Regulatory update

- Constructive engagement on affordability assessment guidelines
- Formalises process to ensure customers can afford the proposed instalment
- National Credit Act Amendment Bill – approved
- Potential cap on both credit life insurance and asset cover
- Detail on possible pricing cap has not yet been discussed
- Broader credit industry expect further deliberations with the regulators in due course
- Positive engagement and a speedy resolution to current uncertainty in the market is necessary

Outlook

Lewis Group Ltd

Financial and operating targets

Performance indicators	Achieved 2014	Target 2014	Target 2015	Medium-term Target
Gross profit margin (%)	**36.7%**	37.5–38.5%	**37–38.5%**	37–38.5%
Inventory turn (times)	**4.7**	5–5.5	**5–5.5**	5–5.5
Debtor costs as percentage of net debtors	**11.6%**	9.5–10.5%	**11.5–13.5%**	9–11%
Satisfactory paid customers (%)	**68.3%**	70–72%	**66–70%**	70–72%
Operating profit margin (%)	**21.8%**	23.5–24.5%	**21–23%**	22–24%
New store openings	**20**	20–25	**20–25**	20–25
Credit sales as a percentage of total sales	**72.3%**	70–75%	**70–75%**	70–75%
Operating costs as a percentage of revenue (excluding debtor costs)	**36%**	36–37%	**36–37%**	36–37%
Gearing (%)	**23.9%**	32–34%	**30–34%**	<35%
Dividend payout ratio (%)	**60.2%**	50–55%	**50–55%**	50–55%

Outlook

- Challenging trading environment due to over-indebted consumers and continuing labour unrest
- Proven business model is a competitive advantage
- Management of the debtor’s book – a top priority
- Merchandise – a key focus
- Store expansion and marketing

Questions