Lewis Group Ltd

ANNUAL RESULTS PRESENTATION

for the year ended 31 March 2017

Agenda

Overview of results

Revenue	Gross Profit	Operating margin	Headline earnings per share	Final dividend per share
(3.3%)	41.6%	10.1%	(35.6%)	100c
R5 592m	R1 085	R 565m	400c	Total dividend 200c
LY R5 785m	LY 38%	LY 14.1%	LY 622c	LY 517c

Overview of results

- Sales pattern for the year

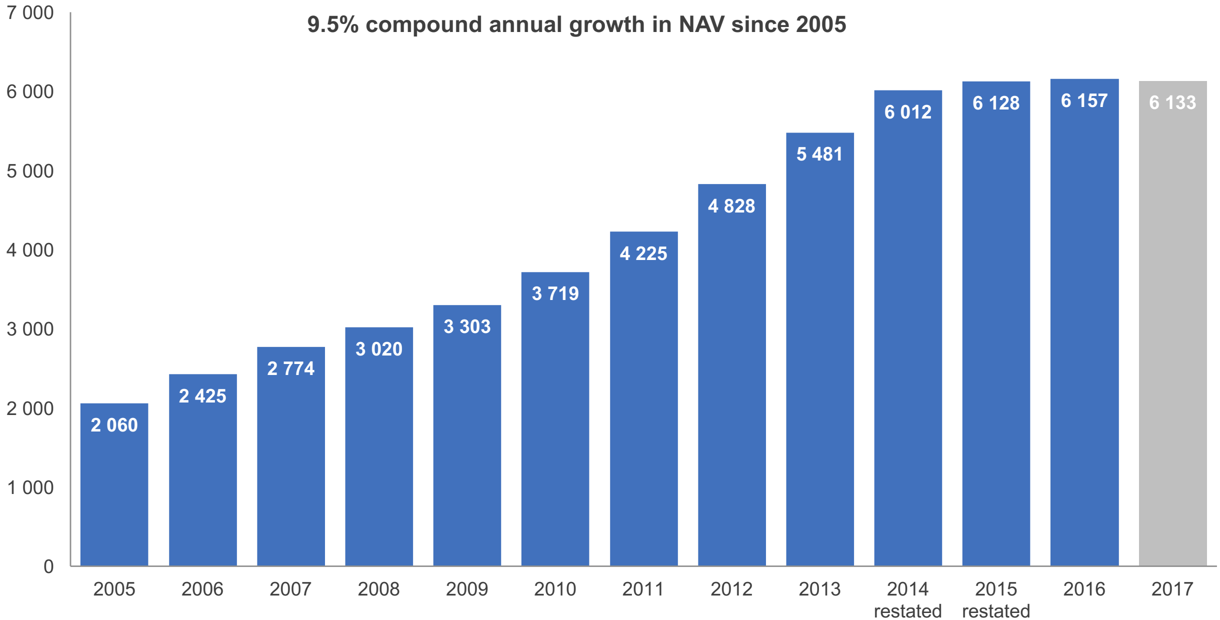
- Furniture	56.3%	(LY: 54.4%)
- Appliances	26.4%	(LY: 27.9%)
- Electronics	17.3%	(LY: 17.7%)

- Increased the Gross profit margin to 41.6% from 38%
  - higher margin furniture category sales
  - competitive offering sourced locally
  - new product ranges and exclusivity supported margin

Overview of results

- Credit application decline rate - 38.7% (LY: 39.3%)
- Credit sales mix - 65.2% (LY 64.3%)
- Debtor costs 19.1% of net debtors (LY: 17.1%)
- Expenses well controlled
- Trading out of 761 stores (LY 760)
  - 201 small format Lewis Stores (39% of Lewis base)
  - 125 Beares Stores
- Completed acquisition and integration of all foreign stores
  - Trading out of 116 foreign stores (LY: 93 stores and 2015: 62 stores)
- Low levels of gearing

Net asset value per share



Debtor analysis

Debtor Performance

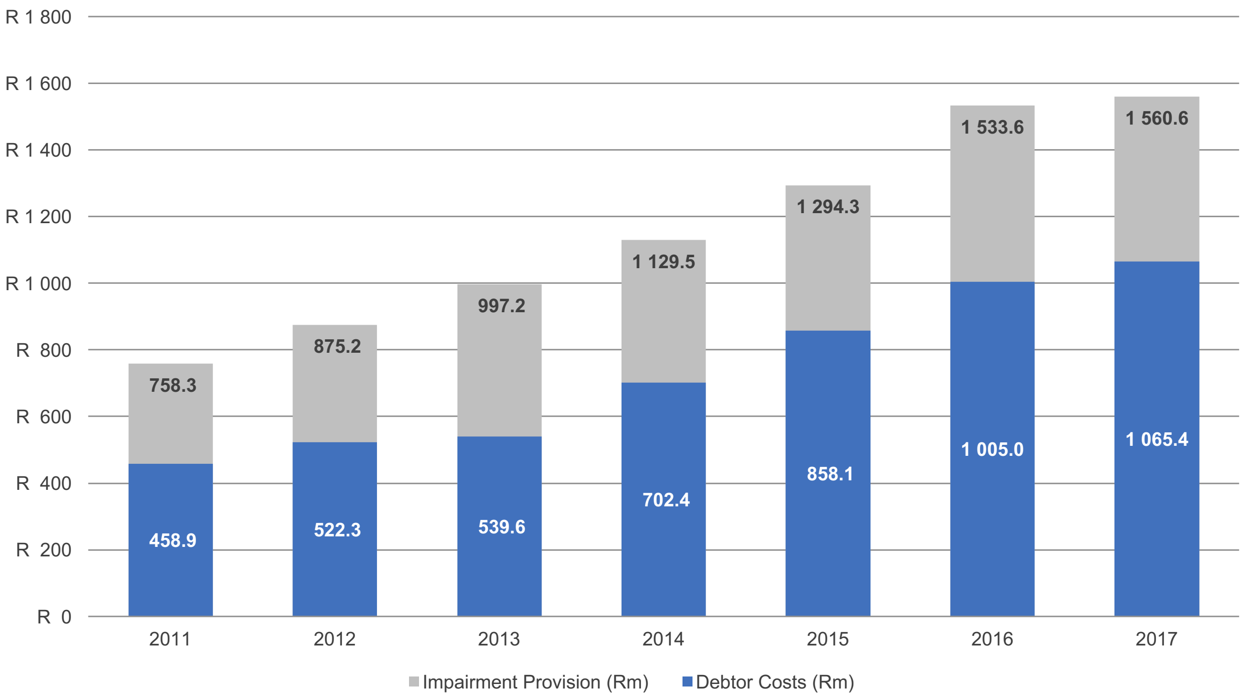
		FY17	FY16
Collections			
Collections from instalment sales	Rm	**3 995**	4 067
Actual collections achieved			
% of one contract instalment per customer per month		**73.8%**	73.3%
Contractual arrears	Rm	**2 343**	2 376
% of gross debtors		**38.4%**	36.7%
Debtor Costs			
Total debtor costs (+6%)	Rm	**1 065**	1 005
▪ Bad debts written off	Rm	**1 038**	766
▪ Impairment provision	Rm	**27**	239
Debtor costs as a % of net debtors	%	**19.1**	17.1

Gross debtor analysis

Customer Grouping		Period	No Customers		Gross Receivables		Impairment Provision		Total Arrears R 000	Instalments in arrears				
			No	%	R 000	%	R 000	%		1 R000	2 R 000	3 R 000	4 R000	>4 R 000
Satisfactory paid	Customers who have paid **70% or more** of amounts due over the contract period. The provision in this category results from the ***in duplum*** provision	**Mar 2017**	**422 070**	**68.5**	**3 507 921**	**57.4**	**27 609**	**1.8**	**596 271**	**162 822**	**114 395**	**86 010**	**65 285**	**167 759**
		Mar 2016	459 390	68.8	3 775 137	58.2	38 319	2.5	641 286	175 898	121 896	90 493	67 565	185 434
Slow payers	Customers who have paid **65% to 70%** of amounts due over the contract period. The provision in this category for the current period ranges from **14% to 67%** of amounts due (LY: 13% to 72%)	**Mar 2017**	**52 078**	**8.4**	**538 715**	**8.9**	**192 890**	**12.4**	**321 871**	**37 240**	**36 064**	**33 849**	**31 573**	**183 145**
		Mar 2016	54 507	8.1	558 758	8.7	176 249	11.5	313 201	37 684	36 322	33 604	30 913	174 678
Non performing customers	Customers who have paid **55% to 65%** of amounts due over the contract period. The provision in this category for the current period ranges from **25% 79%** of amounts due (LY: 24% to 86%)	**Mar 2017**	**47 981**	**7.8**	**576 347**	**9.4**	**258 823**	**16.6**	**366 979**	**34 413**	**32 902**	**31 200**	**29 727**	**238 736**
		Mar 2016	50 690	7.6	589 858	9.1	241 999	15.8	353 286	35 071	33 189	31 195	29 501	224 330
Non performing customers	Customers who have paid **55% or less** of amounts due over the contract period. The provision in this category for the current period ranges from **35% to 100%** of amounts due (LY: 34% to 100%)	**Mar 2017**	**94 118**	**15.3**	**1 484 119**	**24.3**	**1 081 237**	**69.3**	**1 057 904**	**67 299**	**66 090**	**64 564**	**63 075**	**796 877**
		Mar 2016	103 495	15.5	1 558 864	24.0	1 077 046	70.2	1 068 377	70 458	68 649	66 504	64 447	798 319
Gross Debtor Analysis		**Mar 2017**	**616 247**	**100**	**6 107 102**	**100**	**1 560 559**	**100**	**2 343 026**	**301 774**	**249 451**	**215 624**	**189 660**	**1 386 517**
		Mar 2016	668 082	100	6 482 617	100	1 533 613	100	2 376 150	319 111	260 056	221 796	192 426	1 382 761

Total Impairment provision as a % of Net Debtors	2017	28%
	2016	26%

Debtor costs vs. Impairment provision (Rm)



Financial results

Income statement

		FY17	FY16	%
Revenue	Rm	**5 592**	5 785	(3.3%)
Merchandise sales	Rm	**2 608**	2 668	(2.2%)
Gross profit margin	%	**41.6**	38.0	
Operating profit	Rm	**565**	815	(30.7%)
Operating margin	%	**10.1**	14.1	
Attributable earnings	Rm	**358**	961	(62.8%)
EPS (FY16: Investment Income R495m)	cents	**404**	1083	(62.7%)
Headline EPS	cents	**400**	622	(35.6%)

Segmental analysis

2017		**Group**	**Lewis**	**Best Home and Electric**	**Beares**
Revenue	Rm	**5 592**	4 137	725	730
Revenue growth	%	**(3.3)**	(9.4)	(8.6)	71
Operating profit	Rm	**565**	424	111	29
Operating margin	%	**10.1**	10.3	15.3	4.1
Number of stores		**761**	513	123	125

Analysis of costs (excluding debtor costs)

	FY17 Rm	FY16 Rm	**%**
Employment costs	**987**	946	4.3%
Admin and IT	**318**	275	16%
Marketing	**200**	192	3.9%
Occupancy costs	**371**	329	12.6%
Transport / Travel	**203**	224	(9.6%)
Depreciation	**90**	86	5.3%
Other operating costs	**270**	260	4.0%
Total	**2 439**	2 312	5.5%
% of revenue	**43.6%**	40.0%	

Second half expense increase of only 2.7%

Balance sheet

	FY17 Rm	FY16 Rm
Assets		
Property, plant and equipment and trademarks	**415**	431
Inventory	**455**	445
Insurance investments	**750**	1 669
Insurance and reinsurance assets	**555**	1 185
Trade and other receivables	**4 226**	4 514
Tax and deferred tax assets	**139**	53
Cash on hand	**789**	587
Total Assets	**7 329**	8 884
Equity and liabilities		
Shareholders equity and reserves	**5 445**	5 449
Trade and other payables	**271**	270
Insurance and reinsurance liabilities	**619**	1 153
Interest-bearing borrowings	**947**	1 975
Net retirement benefits	**47**	37
Total equity and liabilities	**7 329**	8 884

Capital ratios

	FY17	FY16
ROE – after tax (%)	**6.6%**	17.6%
ROCE – after tax (%)	**6.7%**	14.7%
ROA – before tax (%)	**8.3%**	15.8%
Gearing ratio (%)	**2.9%**	25.5%
Total dividend (cents)	**200c**	517c

Regulatory Update

Regulatory update

- Affordability assessment regulations
  - Minimum monthly expense table
  - Three payslips / bank statements requirement
  - NCR impact study and recommendations

- Litigation

Customer protection insurance

- Capping of credit life
  - August 2017 implementation
  - Only applicable to new policies
  - Applied to deferred amount at inception
- Estimated impact on Insurance Revenue
  - 2018 R15 million
  - 2019 R50 million
  - 2020 R40 million
- Effect of lower credit sales in Debtors base
  - Similar trend to current year (approx. 9.5% reduction)

Outlook

Financial and operating targets

Performance indicators	Achieved 2017	Target 2017	Target 2018	Medium-term targets
Gross profit margin (%)	41.6	39 - 41	38 - 42	41 - 43
Debtor costs as a percentage of net debtors	19.1	16 - 18	17 - 20	14 - 16
Satisfactory paid customers (%)	68.5	66 - 70	66 - 70	70 - 72
Operating profit margin (%)	10.1	12 - 15	5 - 10	12 - 15
Credit sales as a percentage of total sales	65.2	63 - 66	63 - 66	63 - 66
Increase in operating costs (excluding debtor costs)	5.5%	8%	2% – 4%	3% - 5%
Gearing (%)	2.9	25 - 30	Zero	Less than 25%

Outlook

- Challenging trading environment
- Shifting competitive landscape
- Rest of Africa contribution
- Management of the debtors book
- Merchandise
- Expense focus
- Strong Balance Sheet - low levels of gearing
  - solid platform for growth
- Share repurchase programme

QUESTIONS