RESULTS PRESENTATION

for the six months ended 30 September 2016

AGENDA

OVERVIEW OF RESULTS

Revenue	Gross profit	Operating profit margin	Headline Earnings	Interim dividend per share
R2.7 bn (1.9%)	40.5%	10%	R 173m (39.7%)	100c
LY R2.8 bn	LY 36.4%	LY 14.7%	LY R287m	LY 215c

OVERVIEW OF RESULTS

- Sales patterns since year end
  - Furniture & appliances (83% of business – up 2.8%)
  - Electronics (17% of business – down 8.7%)
- Credit application decline rate 41% (LY: 41%)
- Credit sales at 63.4% (LY: 65.9%)
- Debtor costs as a % of net debtors 8.6% (LY: 8.1%)

OVERVIEW OF RESULTS

- Beares now trades out of 129 stores (LY: 84 stores)

- Rest of Africa — 118 stores (LY: 62)
  solid performance — 56 newly acquired stores

- Small format Lewis stores — 194 (LY: 178)

- Store outlets — 780 stores (LY: 724)
  consolidation in smaller towns — 770 stores (by year end)

OVERVIEW OF RESULTS

- Gross profit margin - 40.5% (LY 36.4%)
  - higher margin furniture category - 58.3% of business (LY 54.7%)
  - competitive pricing sourced locally
  - new product ranges supported margin

DEBTOR ANALYSIS

DEBTOR PERFORMANCE

		H1/2017	H1/2016
Collections			
Collections from instalment sales (-3.6%)	Rm	**2 027**	2 104
Actual collections achieved			
As a % of one contract instalment per customer per month		**74.6%**	76.6%
Contractual arrears		**38.5%**	36.1%
Debtor Costs			
Total debtor costs (+7.3%)	Rm	**502**	468
▪ Bad debts written off	Rm	**416**	244
▪ Impairment provision	Rm	**86**	224
Debtor costs as a % of net debtors	%	**8.6%**	8.1%

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	**Sep 2016**	**442 103**	**67.9**	**3 616 595**	**56.9**	**37 673**	**2.3**	**629 534**	**167 576**	**119 407**	**89 852**	**67 936**	**184 763**
		Sep 2015	471 067	68.1	3 704 323	58.0	29 763	2.0	604 044	170 442	118 611	87 217	64 430	163 344
		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 66%** of amounts due (Sep 2015: 12% to 72%)	**Sep 2016**	**53 090**	**8.2**	**540 194**	**8.5**	**187 597**	**11.6**	**324 927**	**36 791**	**35 727**	**33 884**	**31 618**	**186 907**
		Sep 2015	55 647	8.1	524 883	8.2	155 838	10.3	289 009	36 313	35 011	32 555	29 822	155 308
		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 **24% to 78%** of amounts due (Sep 2015: 23% to 84%)	**Sep 2016**	**49 167**	**7.6**	**585 809**	**9.1**	**248 481**	**15.3**	**372 092**	**34 396**	**32 708**	**31 563**	**30 298**	**243 127**
		Sep 2015	50 641	7.3	546102	8.5	212 694	14.0	318 561	32 894	30 878	29 332	27 859	197 598
		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 **33% to 100%** of amounts due (Sep 2015: 31% to 100%)	**Sep 2016**	**106 643**	**16.3**	**1 629 870**	**25.5**	**1 146 198**	**70.8**	**1 125 994**	**73 369**	**72 060**	**71 016**	**70 022**	**839 527**
		Sep 2015	113 869	16.5	1 627 385	25.3	1 120179	73.7	1 103 400	73 851	72 336	70 696	69 257	817 260
		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		**Sep 2016**	**651 003**	100	**6 372 468**	100	**1 619 949**	100	**2 452 547**	**312 132**	**259 902**	**226 315**	**199 874**	**1 454 324**
		Sep 2015	691 224	100	6 402 693	100	1 518 474	100	2 315 014	313 500	256 836	219 800	191 368	1 333 510
		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

NET DEBTOR ANALYSIS

Impairment Provision	Period	Gross Receivables R 000	Unearned Provisions R 000	Net Receivables R 000	Impairment Provision R 000	Impairment %
Net Debtor Analysis	**Sep 2016**	**6 372 468**	**(550 728)**	**5 821 740**	**1 619 949**	**27.8%**
	Sep 2015	6 402 693	(612 714)	5 789 979	1 518 474	26.2%
	Mar 2016	6 482 617	(606 354)	5 876 263	1 533 613	26.1%

- Less slow paying and non performing customers
- 2% more rands in slow paying and non performing customer categories
- Final ageing of long term book – 36 month business

FINANCIAL RESULTS

Income statement

	H1/2017 Rm	H1/2016 Rm	%
Revenue (Rm)	**2 746**	2 798	(1.9%)
Merchandise sales (Rm)	**1 233**	1 227	0.5%
Gross profit margin (%)	**40.5%**	36.4%	
Operating profit (Rm)	**275**	410	(32.9%)
Operating profit margin (%)	**10%**	14.7%	
Attributable earnings (Rm)	**174**	298	(41.5%)
EPS (cents)	**197**	335	(41.4%)
Headline EPS (cents)	**195**	323	(39.6%)

SEGMENTAL ANALYSIS

		Group	Lewis	Best	Beares
Revenue (Rm)		**2 746**	2 047	354	345
Revenue growth (%)		**(1.9%)**	(8.1%)	(7.5%)	82.3%
Operating profit (Rm)		**275**	218	55	2
Operating margin	H1:17	**10.0%**	10.6%	15.6%	0.6%
	H1:16	**14.7%**	16.3%	18.5%	(12.0%)
Number of stores	H1:17	**780**	526	125	129

ANALYSIS OF COSTS

	H1/2017 Rm	H1/2016 Rm	Change %
Employment costs	**498**	476	4.7%
Admin and IT	**156**	127	23.1%
Marketing	**113**	104	9.1%
Occupancy costs	**183**	160	14.2%
Transport/Travel	**102**	110	(7.9%)
Depreciation	**49**	45	7.6%
Other operating costs	**134**	117	14.5%
Total Operating costs	**1 235**	1 139	8.4%
% of revenue	**45%**	40.7%	
Total costs in Lewis and Best	**1 051**	1 022	2.9%

BALANCE SHEET OVERVIEW

	H1/2017 Rm	H1/2016 Rm
Property, equipment, goodwill and trademarks	440	421
Inventory	450	519
Insurance Investments	1 268	1 814
Trade and other receivables	4 472	4 398
Reinsurance and Insurance assets	1 009	1 753
Tax and Deferred Tax - net	199	30
Cash on hand	836	247
Total assets	8 674	9 182
Shareholders' equity and reserves	5 363	5 421
Retirement benefits - net	45	31
Trade and other payables	377	276
Reinsurance and Insurance liabilities	1 045	1 708
Interest-bearing borrowings	1 844	1 746
Total equity and liabilities	8 674	9 182

CAPITAL RATIOS

	H1/2017	H1/2016
ROE – after tax (%)	**6.4%**	11.0%
ROCE – after tax (%)	**6.4%**	9.6%
ROA – before tax (%)	**7.6%**	10.8%
Gearing ratio (%)	**18.8%**	27.6%
Interim dividend declared (cents)	**100c**	215c

REGULATORY AND LEGAL

Regulatory and legal

- Affordability assessment regulations
  - Minimum monthly expense table
  - Three payslips / bank statements requirement
  - NCR impact study and recommendations
- Capping of credit life insurance
  - Awaiting revised regulations
- Litigation update contained in press release

TARGETS AND OUTLOOK

FINANCIAL AND OPERATING TARGETS

Performance indicators	Actual H1/2017	Target 2017
Gross profit margin (%)	**40.5**	39 - 41
Operating profit margin (%)	**10**	12 - 15
Operating costs as a % of revenue	**45**	40 - 42
Credit sales as a % of total sales	**63.4**	63 - 66
Satisfactory paid customers (%)	**67.9**	66 - 70
Debtor costs as a % of net debtors	**8.6**	16 - 18
Gearing (%)	**18.8**	25 - 30

OUTLOOK

- GCR in Sept 2016 affirmed Lewis Group's credit rating and outlook
  - National long-term rating: \`A(za)´
  - National short-term rating: \`A1(za)´
  - Outlook: Stable
- Trading outlook
- Lewis and Best Home and Electric
- Beares
- Rest of Africa

QUESTIONS