Lewis Group Ltd

RESULTS PRESENTATION

for the six months ended 30 September 2017

Agenda

Key features

Merchandise sales
up 5%

Debtor Costs
reduced by 11.5%

Expense growth
contained at 1.8%

Balance sheet
ungeared

Dividend
maintained

Key features

Revenue	Gross Profit	Operating profit	Headline earnings per share
(3.2%)	40.9%	(30%)	(15.8%)
R2 659m	**R 529m**	**R 192m**	**164c**
LY R2 746m	LY 40.5%	LY 275m	LY 195c

Key features

- Sales patterns since year end
  - Furniture & appliances (83% of business – up 5.4%)
  - Electronics (17% of business – up 2.5%)
- Gross profit margin - 40.9% (LY 40.5%)
  - new product ranges supported margin
  - competitive pricing sourced locally

Key features

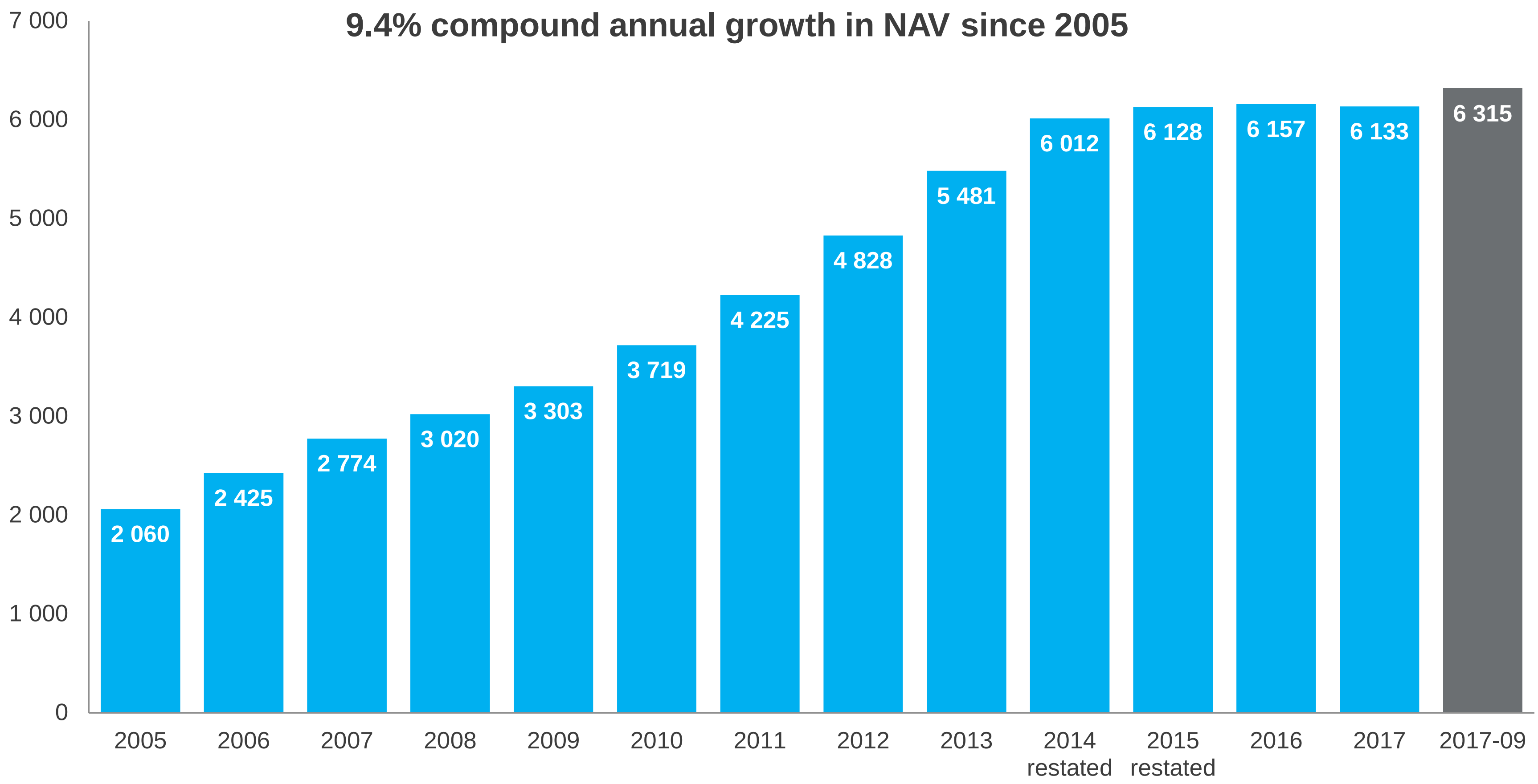
- Rest of Africa - solid performance - 110 stores
- Small format Lewis stores - 207 (41% of Lewis store base)
- Store outlets - 744 stores (LY: 780)

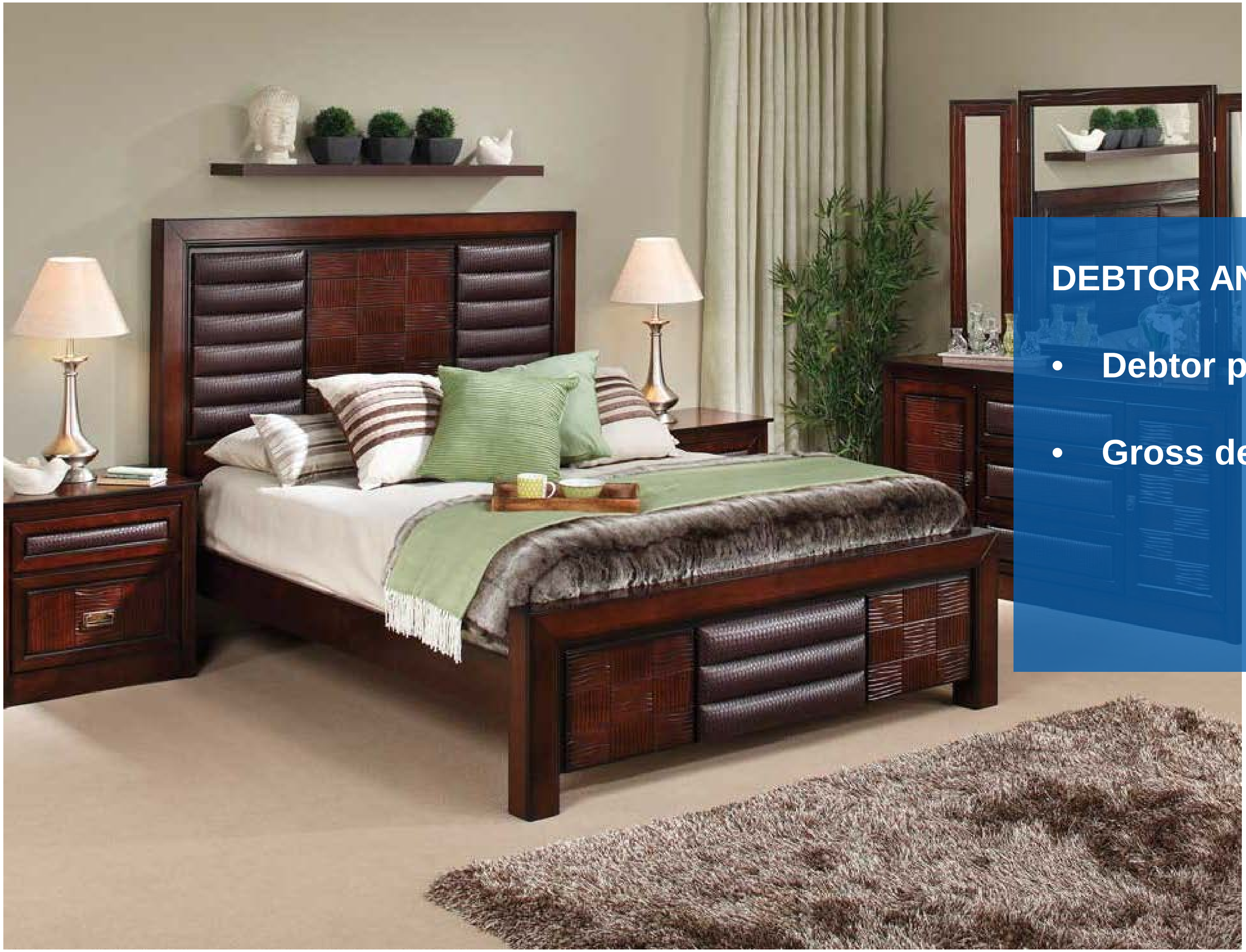
  consolidation in smaller towns
- Credit application decline rate 37.4% (LY: 41%)
- Credit sales at 68.8% (LY: 63.4%)
- Debtor costs as a % of net debtors 8% (LY: 8.6%)

Key features

- Gearing
  - Ungeared balance sheet
  - Repaid borrowings of R1.4 billion in last 18 months
- Expense control
  - High focus area
  - Well below inflation

Net asset value per share





DEBTOR ANALYSIS

- Debtor performance
- Gross debtor analysis

Debtor performance

		H1/2018	H1/2017
Collections			
Collections from instalment sales	Rm	**1 990**	2 027
Actual collections achieved			
As a % of one contract instalment per customer per month		**76.2%**	74.6%
Contractual arrears	Rm	**2 352**	2 452
% of gross debtors		**38.6%**	38.5%
Debtor Costs			
Total debtor costs (-11.5%)	Rm	**444**	502
■ Bad debts written off	Rm	**379**	416
■ Impairment provision	Rm	**65**	86
Debtor costs as a % of net debtors		**8.0%**	8.6%

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 2017**	**409 445**	**67.7**	**3 457 430**	**56.8**	**20 437**	**1.3**	**561 863**	**153 413**	**107 496**	**80 648**	**61 171**	**159 135**
		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
		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**
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 **13% to 68%** (Sep 2016: 14% to 66%) of amounts due and includes an ***in duplum*** provision	**Sep 2017**	**52 312**	**8.6**	**522 647**	**8.6**	**195 250**	**12.0**	**324 376**	**37 633**	**36 471**	**34 665**	**32 541**	**183 066**
		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
		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
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 **23% to 79%** of amounts due (Sep 2016: 24% to 78%)	**Sep 2017**	**45 632**	**7.5**	**550 218**	**9.0**	**248 575**	**15.3**	**359 017**	**33 350**	**31 744**	**30 622**	**29 533**	**233 768**
		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
		Mar 2017	47 981	7.8	576 347	9.4	258 823	16.6	366 979	34 413	32 902	31 201	29 727	238 736
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 **34% to 100%** of amounts due (Sep 2016: 33% to 100%)	**Sep 2017**	**97 792**	**16.2**	**1 559 939**	**25.6**	**1 161 281**	**71.4**	**1 107 034**	**71 012**	**69 576**	**68 415**	**67 372**	**830 659**
		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
		Mar 2017	94 118	15.3	1 484 119	24.3	1 081 237	69.2	1 057 905	67 299	66 090	64 564	63 075	796 877
Gross Debtor Analysis		**Sep 2017**	**605 181**	**100**	**6 090 234**	**100**	**1 625 543**	**100**	**2 352 290**	**295 408**	**245 2867**	**214 350**	**190 617**	**1 406 628**
		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
		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**

Total Impairment provision as a % of Net Debtors	**Sep 2017**	**29.1%**
	Sep 2016	27.8%
	Mar 2017	28.0%

Financial results

- Income statement
- Segmental analysis
- Analysis of costs
- Balance sheet overview
- Capital ratios

Income statement

	H1/2018 Rm	H1/2017 Rm	%
Revenue (Rm)	**2 659**	2 746	(3.2%)
Merchandise sales (Rm)	**1 295**	1 233	5.0%
Gross profit margin (%)	**40.9%**	40.5%	
Operating profit (Rm)	**192**	275	(30.1%)
Operating profit margin (%)	**7.2%**	10.0%	
Attributable earnings (Rm)	**143**	174	(17.7%)
EPS (cents)	**164**	197	(16.7%)
Headline EPS (cents)	**164**	195	(15.8%)

Segmental analysis

		Group	Lewis	Best	Beares
Revenue (Rm)		**2 659**	1 931	349	379
Revenue growth (%)		**(3.2%)**	(5.7%)	(1.4%)	9.8%
Operating profit (Rm)		**192**	114	56	22
Operating margin	H1:18	**7.2%**	5.9%	16.2%	5.7%
	H1:17	**10.0%**	10.6%	15.6%	0.6%
Number of stores	H1:18	**744**	500	126	118

Analysis of costs

	H1/2018 Rm	H1/2017 Rm	Change %
Employment costs	**514**	498	3.0%
Admin and IT	**164**	156	5.0%
Marketing	**123**	113	9.0%
Occupancy costs	**183**	183	0.2%
Transport/Travel	**99**	102	(2.6%)
Depreciation	**44**	49	(10.2%)
Other operating costs	**130**	134	(3.4%)
Total Operating costs	**1 257**	1 235	1.8%

Balance sheet overview

	H1/2018 Rm	H1/2017 Rm
Property, equipment, goodwill and trademarks	**390**	440
Inventory	**530**	450
Insurance investments	**701**	1 268
Trade and other receivables	**4 204**	4 472
Insurance and reinsurance assets	**298**	1 009
Tax and deferred assets	**111**	199
Cash on hand	**684**	836
Total assets	**6 918**	8 674
Shareholders' equity and reserves	**5 421**	5 363
Trade and other payables	**411**	377
Insurance and reinsurance liabilities	**399**	1 045
Interest-bearing borrowings	**635**	1 844
Net retirement benefits	**52**	45
Total equity and liabilities	**6 918**	8 674

Capital ratios

	H1/2018	H1/2017
ROE – after tax (%)	**5.2%**	6.4%
ROCE – after tax (%)	**5.0%**	6.4%
ROA – before tax (%)	**6.4%**	7.6%
Gearing ratio (%)	**ungeared**	18.8%
Interim dividend declared (cents)	**100c**	100c

Targets and Outlook

Financial and operating targets

Performance indicators	**Actual H1/2018**		Target 2018
Gross profit margin (%)	**40.9**		38 – 42
Operating profit margin (%)	**7.2**		5 - 10
Increase in operating costs (%)	**1.8**		2 - 4
Credit sales as a % of total sales	**68.8**		63 - 66
Satisfactory paid customers (%)	**67.7**		66 - 70
Debtor costs as a % of net debtors	**8.0**	(H1/17: **8.6**)	17 - 20
Gearing (%)	**ungeared**		ungeared

Outlook

- Trading conditions remain challenging
- Continued focus on collections
- Share repurchase programme
- Acquisition of UFO
- Festive trading period

Questions