

UNAUDITED INTERIM RESULTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

H1 2023



Lewis
Group Ltd

AGENDA



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outlook

HIGHLIGHTS

- Review of H1 2023
- Operational context
- Operational achievements
- Share repurchases
- Dividends per share

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REVIEW OF H1 2023



Revenue
+ 4.0%

Merchandise sales
+ 4.3%

Gross profit margin
at
39.3%

Debtor costs
improved by
2.2%

Operating margin
at
13.6%

Headline Earnings
+4.4%

HEPS
+ 19.2% to
393 cents per share

Interim dividend
maintained at
195 cents per share

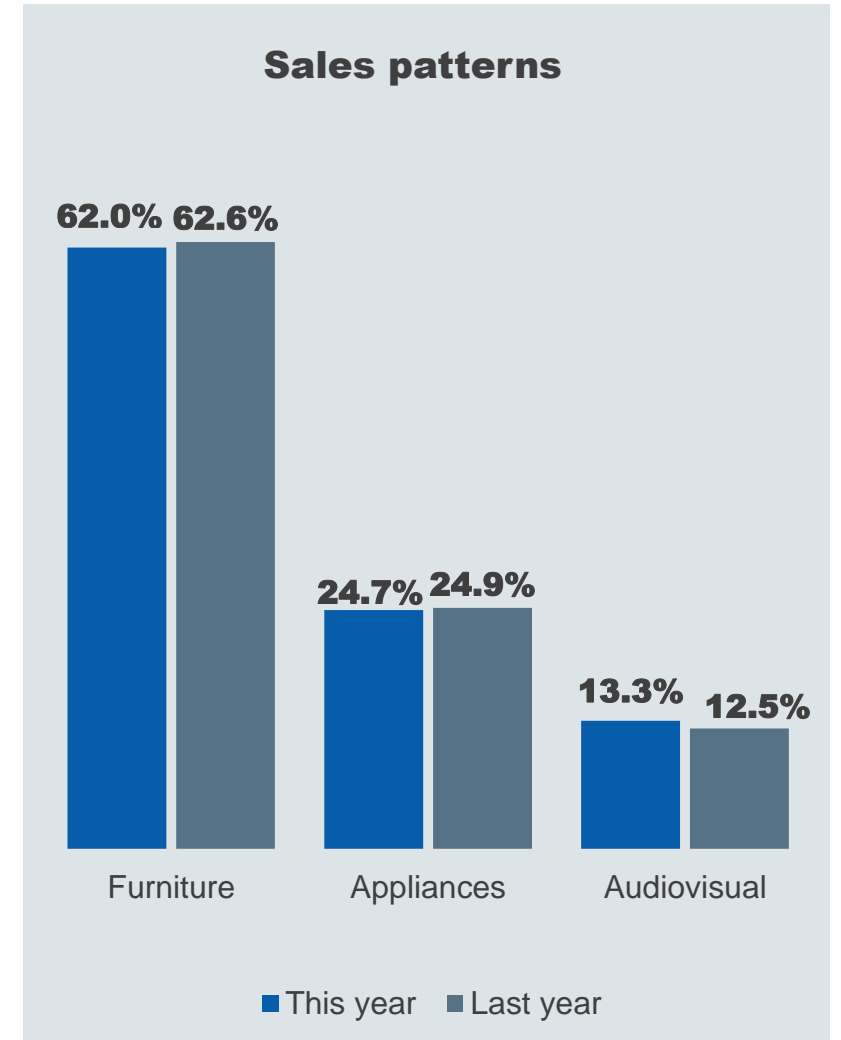
OPERATIONAL CONTEXT

- Weakened retail trading conditions
 - Rising inflation and interest rates
 - Deteriorating socio-economic conditions
 - Decreased consumer confidence and spending
 - Local and international supply chain challenges
 - Adverse impact of Eskom load shedding
- Continued exchange rate pressure
- Decline in cash purchases
- Increased demand for credit
- Continued strategy of carrying higher stock levels to meet customer demand and to counter ongoing challenges in the supply chain



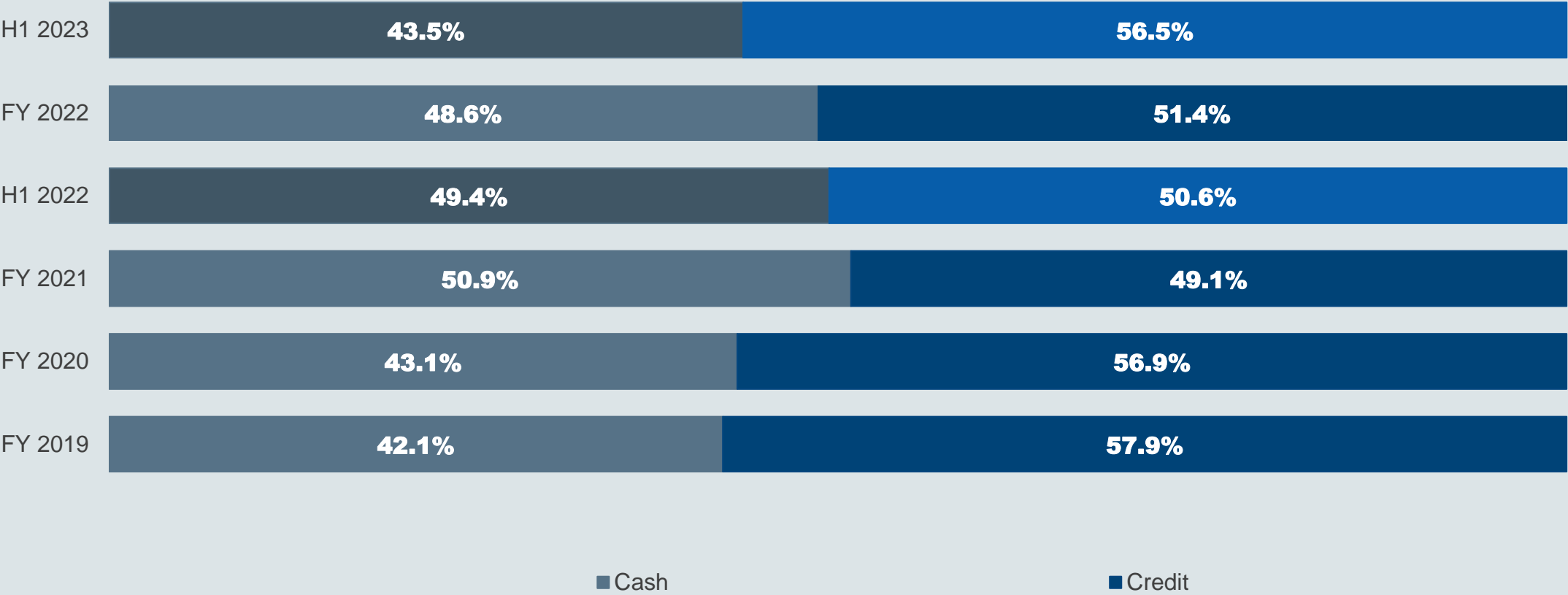
OPERATIONAL ACHIEVEMENTS

- Trading out of 829 store outlets (LY: 817 stores)
 - Net 10 new stores opened in FY23
 - 131 stores outside SA (LY:129 stores)
 - 239 small format Lewis stores (49% of Lewis stores)
 - 103 stores refurbished
- Group merchandise sales increased by 4.3%
 - Traditional brands up by 6.5%
 - UFO declined by 9.5%
 - Group credit sales increased by 16.4%
 - Group cash sales declined by 8.1%
- Credit application decline rate improving to 35.8% (LY: 39.1%)
- Other revenue increased by 3.6%



OPERATIONAL ACHIEVEMENTS

Sales mix



OPERATIONAL ACHIEVEMENTS

- Expenses well managed

- Operating costs (excl. debtor costs, impairments and capital items) increased by 5.4%, despite increasing cost pressures

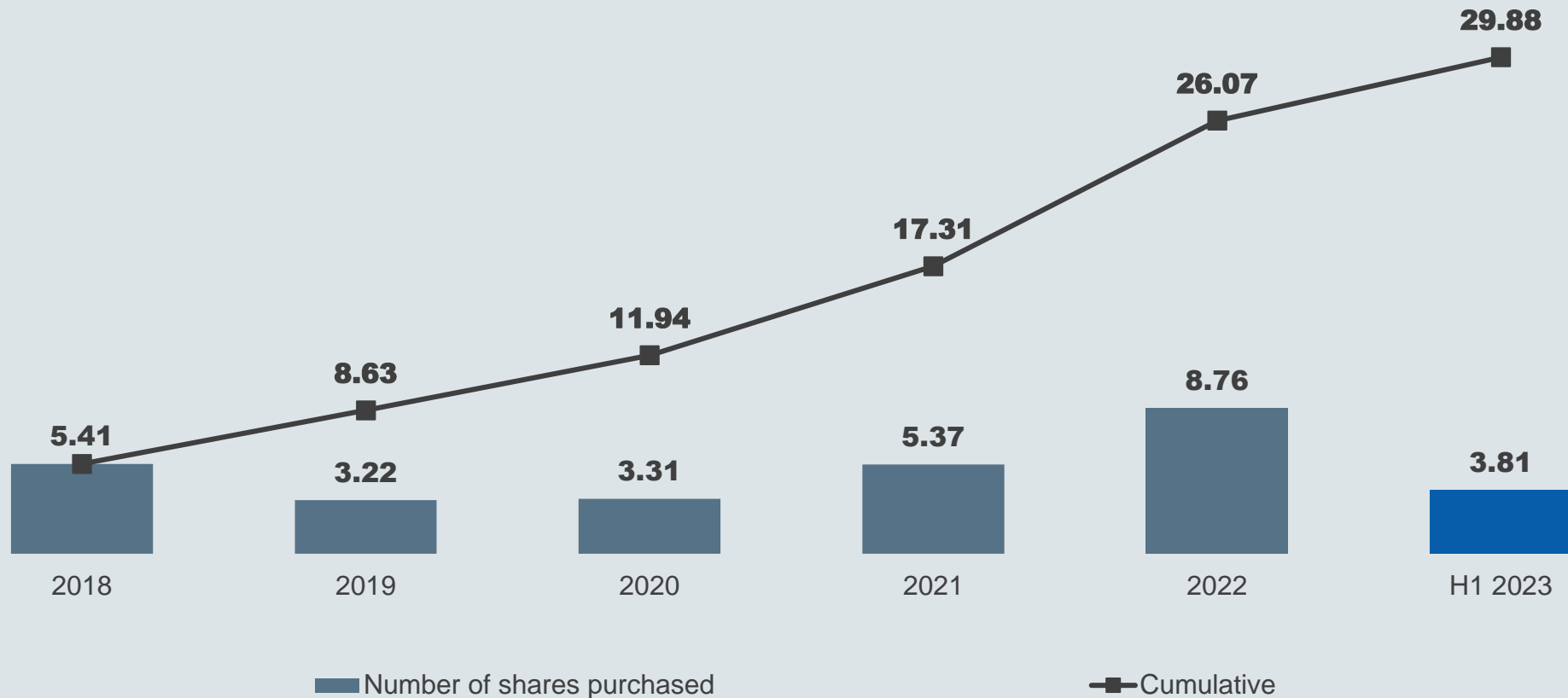
- Strong balance sheet

- Share repurchase programme

- 7.15 million shares repurchased in the 12 months to September 2022
- 41% of shares in issue repurchased since listing, returning over R1bn to shareholders



NUMBER OF SHARES REPURCHASED SINCE 2018 (MILLIONS)



DELIVERING SHAREHOLDER RETURNS / ACTIVE CAPITAL MANAGEMENT



	2022	2021	2020
Return of capital - share buy back (Rm)	353.2	112.6	101.7
Return of income - dividends (Rm)	260.4	149.9	198.6
Total spent on increasing shareholder returns (Rm)	613.6	262.5	300.3
Market capitalisation (Rm)	2 945.6	2 195.8	1 370.4
Annual return to shareholders (%)	20.8	12.0	21.9

**Average return to shareholders
over 3 years**

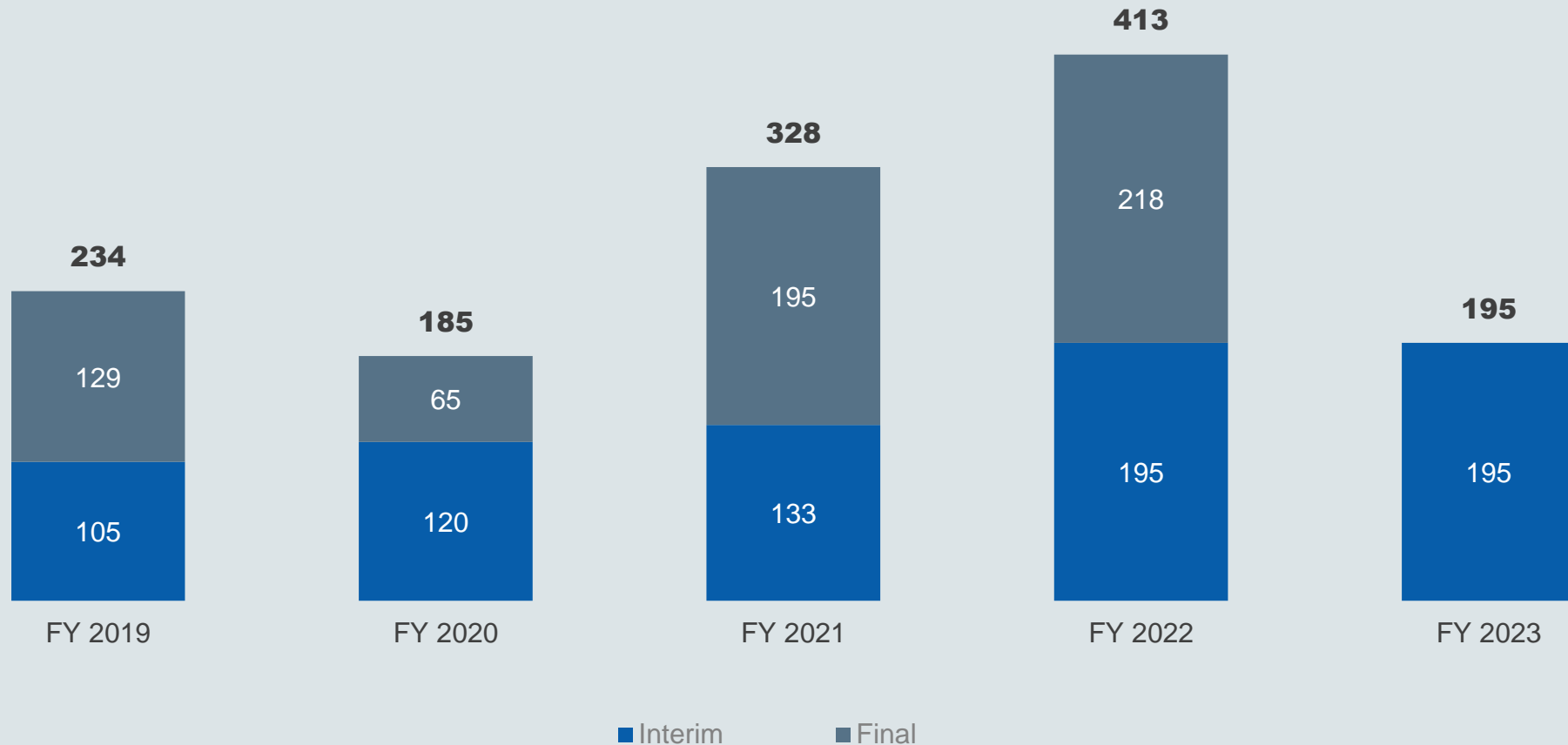
18.2%

DELIVERING SHAREHOLDER RETURNS / ACTIVE CAPITAL MANAGEMENT



	H1 2023	H1 2022
Return of capital - share buy back (Rm)	192.2	194.5
Return of income - dividends (Rm)	129.4	131.7
Total spent on increasing shareholder returns (Rm)	321.6	326.2
Market capitalisation (Rm)	2 705.5	2 743.2
Return to shareholders (%)	11.9	11.9

DIVIDENDS PER SHARE (CENTS)



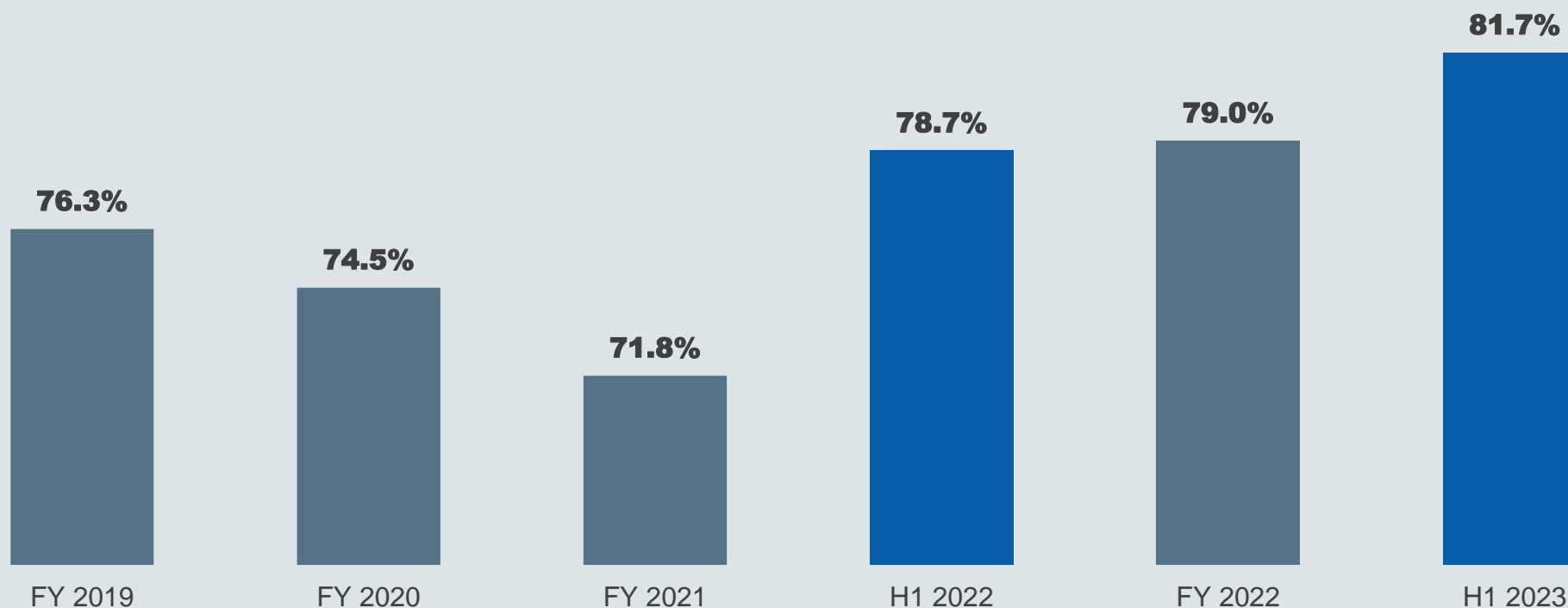
DEBTOR ANALYSIS

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DEBTOR PERFORMANCE

Group collections (%)



DEBTOR PERFORMANCE

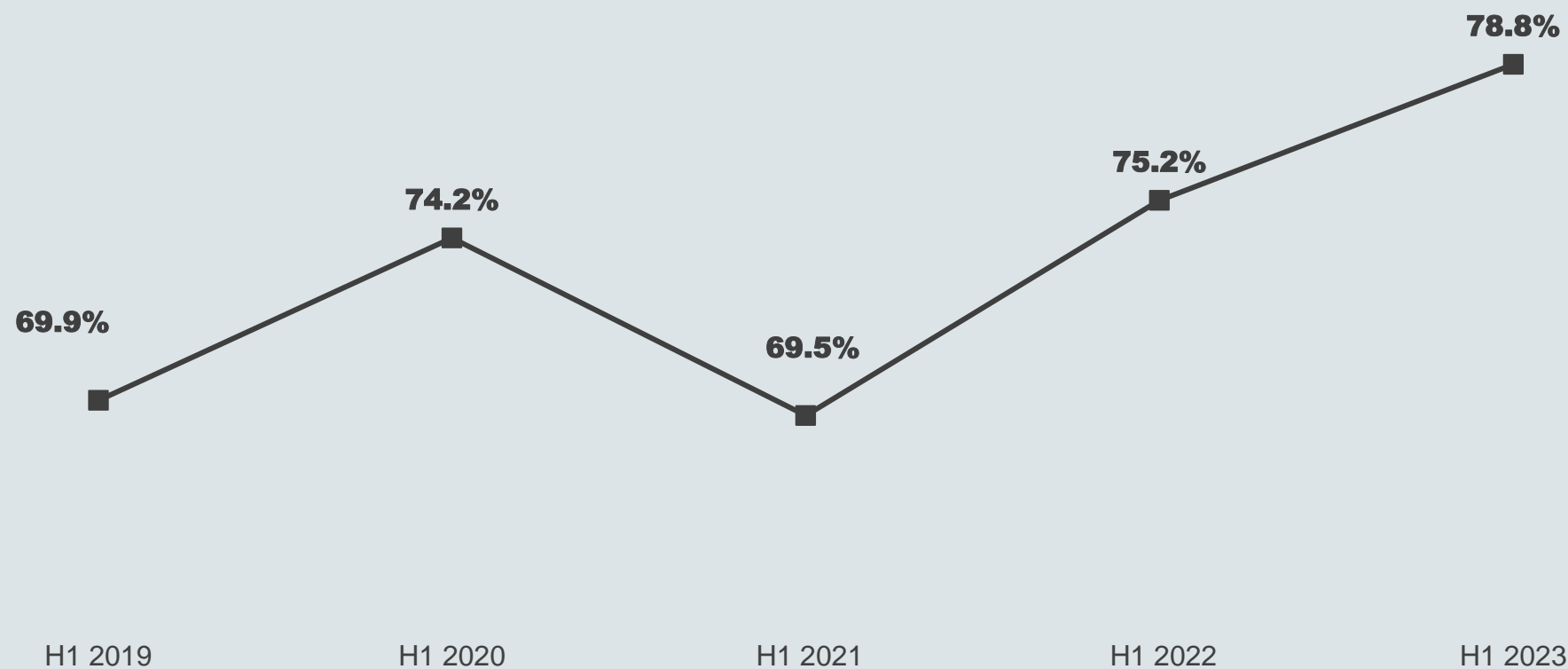
	H1 2023	H1 2022
Collections (Rm)		
Collections from instalment sales	2 332	2 172
Actual collections achieved		
As a % of one contract instalment per customer per month	81.7%	78.7%
Contractual arrears (Rm)		
	1 940	2 160
% of debtors at gross carrying value	32.9%	37.3%
Debtor costs (Rm)		
Debtor costs (-2.2%)	267	273
▪ Net bad debts written off	286	252
▪ Debtors impairment provision	(19)	21
Debtor costs as a % of debtors at gross carrying value	4.5%	4.7%

GROSS DEBTOR ANALYSIS

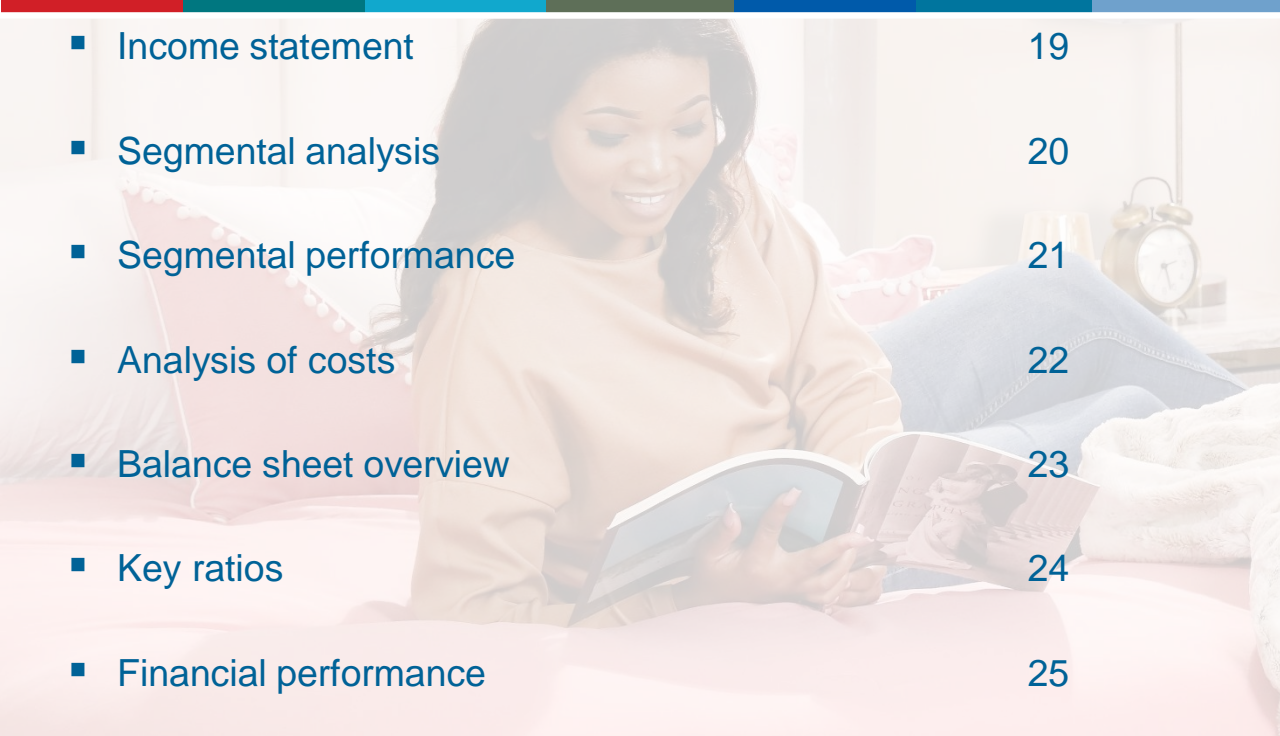
Customer grouping	Number of customers Total		Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears			
							1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid	2023	463 910	4 088 511	846 943	20.7	602 185	173 073	119 413	87 425	222 274
	%	78.8	69.2	37.2						
	2022	437 383	3 649 167	719 478	19.7	587 355	162 322	114 743	85 568	224 722
	%	75.2	63.1	29.4						
Slow payers	2023	71 808	835 179	573 640	68.7	556 326	60 783	58 602	56 028	380 913
	%	12.2	14.2	25.1						
	2022	73 965	857 018	595 531	69.5	573 041	61 321	59 357	57 135	395 228
	%	12.7	14.8	24.4						
Non-performing accounts	2023	52 803	976 894	861 104	88.1	781 075	48 404	47 589	46 897	638 185
	%	9.0	16.6	37.7						
	2022	69 941	1 280 813	1 129 178	88.2	999 503	62 430	61 582	61 003	814 488
	%	12.1	22.1	46.2						
Total	2023	588 521	5 900 584	2 281 687	38.7	1 939 586	282 260	225 604	190 350	1 241 372
	2022	581 289	5 786 998	2 444 187	42.2	2 159 899	286 073	235 682	203 706	1 434 438

DEBTOR PERFORMANCE

Satisfactory paid accounts (%)



FINANCIAL RESULTS

- 
- A woman with long dark hair, wearing a beige sweater, is sitting on a bed with a red duvet, reading a book. The room is softly lit, with a bedside table holding a gold alarm clock and a glass of water. A white blanket is draped over the bed.
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INCOME STATEMENT

	H1 2023	H1 2022	%
Revenue (Rm)	3 541	3 406	4.0
Merchandise sales (Rm)	2 076	1 991	4.3
Gross profit margin (%)	39.3	40.2	
Operating profit before impairments and capital items (Rm)	316	330	(4.1)
Impairments and capital items (Rm)	(34)	11	
Operating profit (Rm)	282	341	(17.3)
Operating margin (%)	13.6	17.1	
Attributable earnings (Rm)	205	234	(12.5)
EPS (cents)	341	342	(0.1)
HEPS (cents)	393	330	19.2

SEGMENTAL ANALYSIS

	Group		Traditional		UFO	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Revenue (Rm)	3 541	3 406	3 292	3 130	249	276
Merchandise sales (Rm)	2 076	1 991	1 830	1 719	246	272
Operating profit before impairments and capital items (Rm)	316	330	320	310	(4)	20
Operating profit /(loss) (Rm)	282	341	330	320	(48)	21
Operating margin:						
Before impairments and capital items(%)	15.2	16.6	17.5	18.1	(1.6)	7.3
After impairments and capital items (%)	13.6	17.1	18.1	18.6	(19.7)	7.6
Number of stores	829	817	783	773	46	44

SEGMENTAL PERFORMANCE – UFO

■ Challenges

- New range launch delayed
 - › KZN/ Gauteng rail link
 - › Transnet strike
- Significant product inflation, record high logistics costs
 - › Approximately 66% of range imported
- Increased pressure on disposable income of target market

■ Action taken

- Strengthened senior management team
- Changed road logistics supplier to improve efficiency
- Increased focus on social media marketing and online sales
- Reduced stockholding over next 12 months
- Shipping rates trending downwards, potential savings of 20-25% from Q1 FY24



ANALYSIS OF COSTS

(EXCLUDING DEBTOR COSTS, IMPAIRMENTS AND OTHER CAPITAL ITEMS)



	H1 2023 Rm	H1 2022 Rm	%
Employment costs	707	690	2.4
Admin and IT	171	182	(6.0)
Marketing	165	146	13.0
Transport and travel	177	139	27.4
Depreciation and amortisation	174	186	(6.5)
Other operating costs	304	268	13.4
Total	1 698	1 611	5.4

BALANCE SHEET OVERVIEW

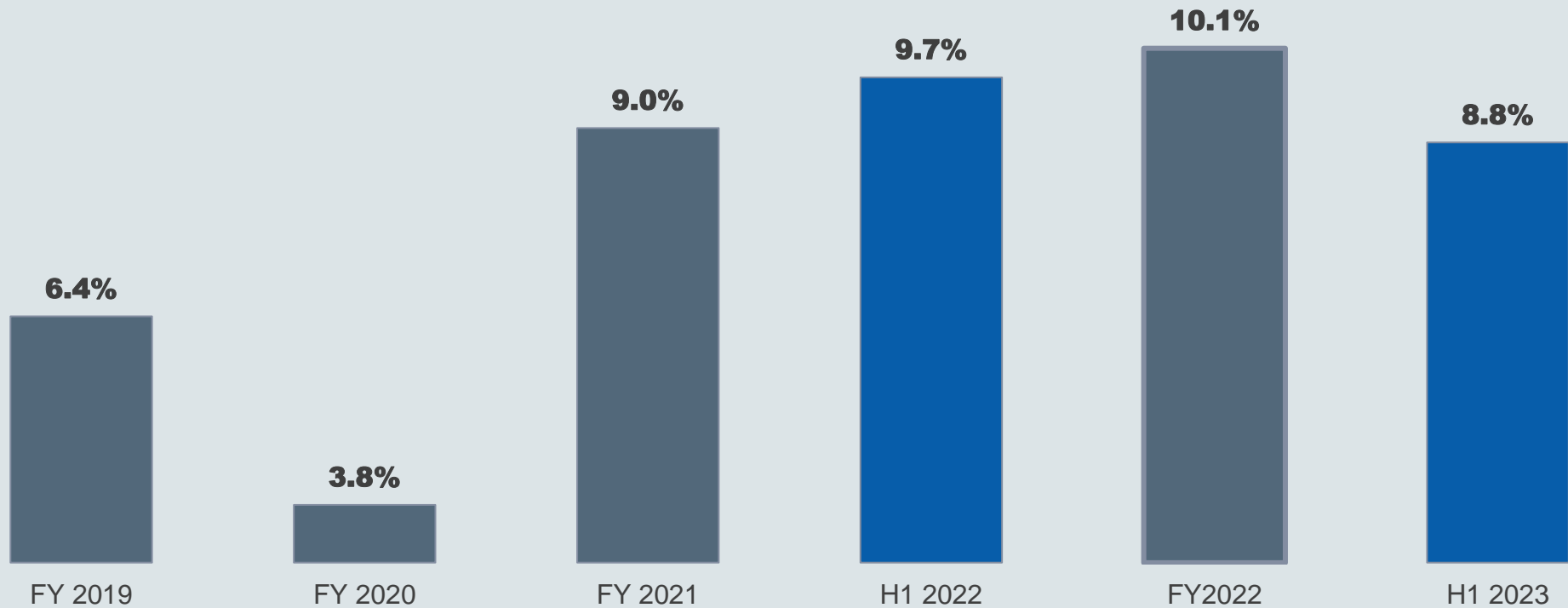
	H1 2023 Rm	H1 2022 Rm
Property, plant, equipment and intangible assets	650	701
Right-of-use assets	743	661
Inventory	1 245	1 057
Trade and other receivables	3 763	3 439
Cash on hand	241	390
Other assets	603	779
Total assets	7 245	7 027
Shareholders' equity and reserves	4 583	4 737
Trade and other payables	780	888
Borrowings	432	-
Lease liabilities	950	832
Other liabilities	500	570
Total equity and liabilities	7 245	7 027

KEY RATIOS

	H1 2023	H1 2022	%
HEPS (cents)	393.3	330.0	19.2
ROE – after tax (%)*	8.8	9.7	
ROCE – after tax (%)*	7.4	8.8	
ROA – before tax (%)*	8.6	10.5	
Gearing ratio – including lease liabilities (%)	24.9	9.3	
Total dividend declared (cents)	195	195	-

* Annualised

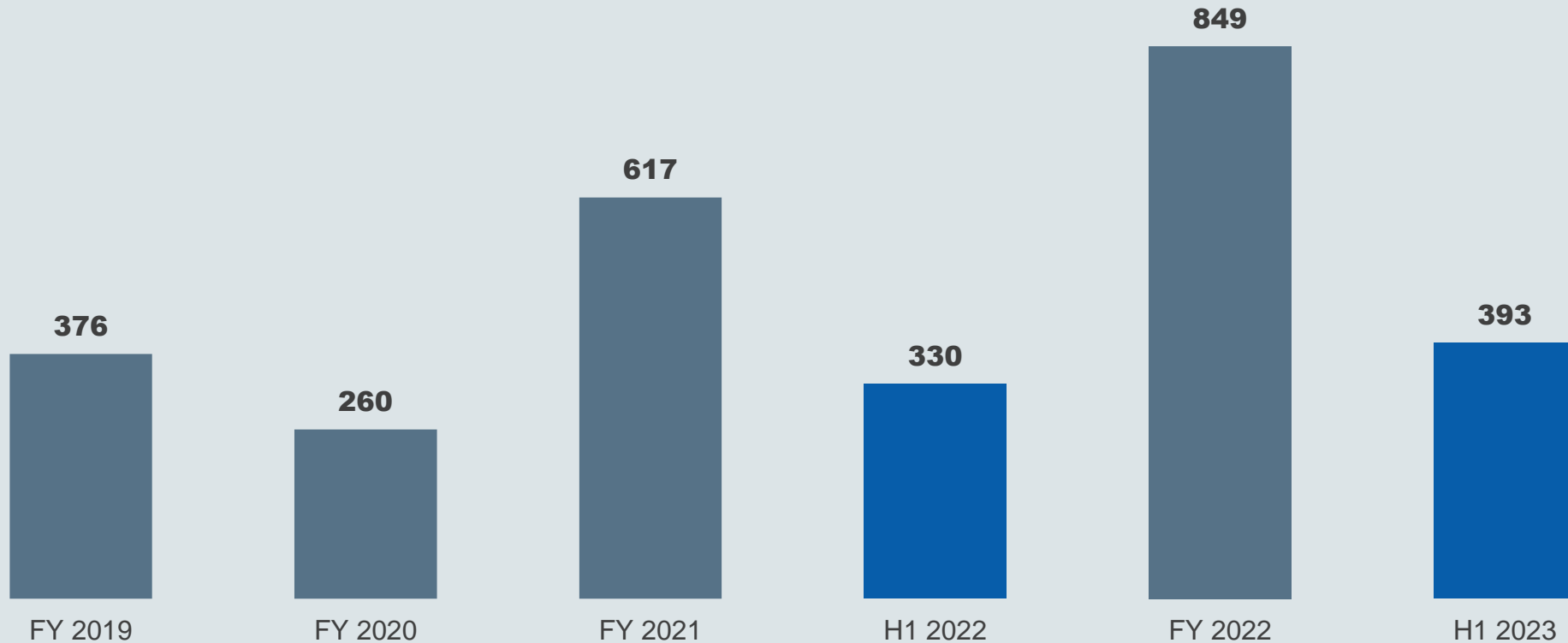
RETURN ON EQUITY



FINANCIAL PERFORMANCE

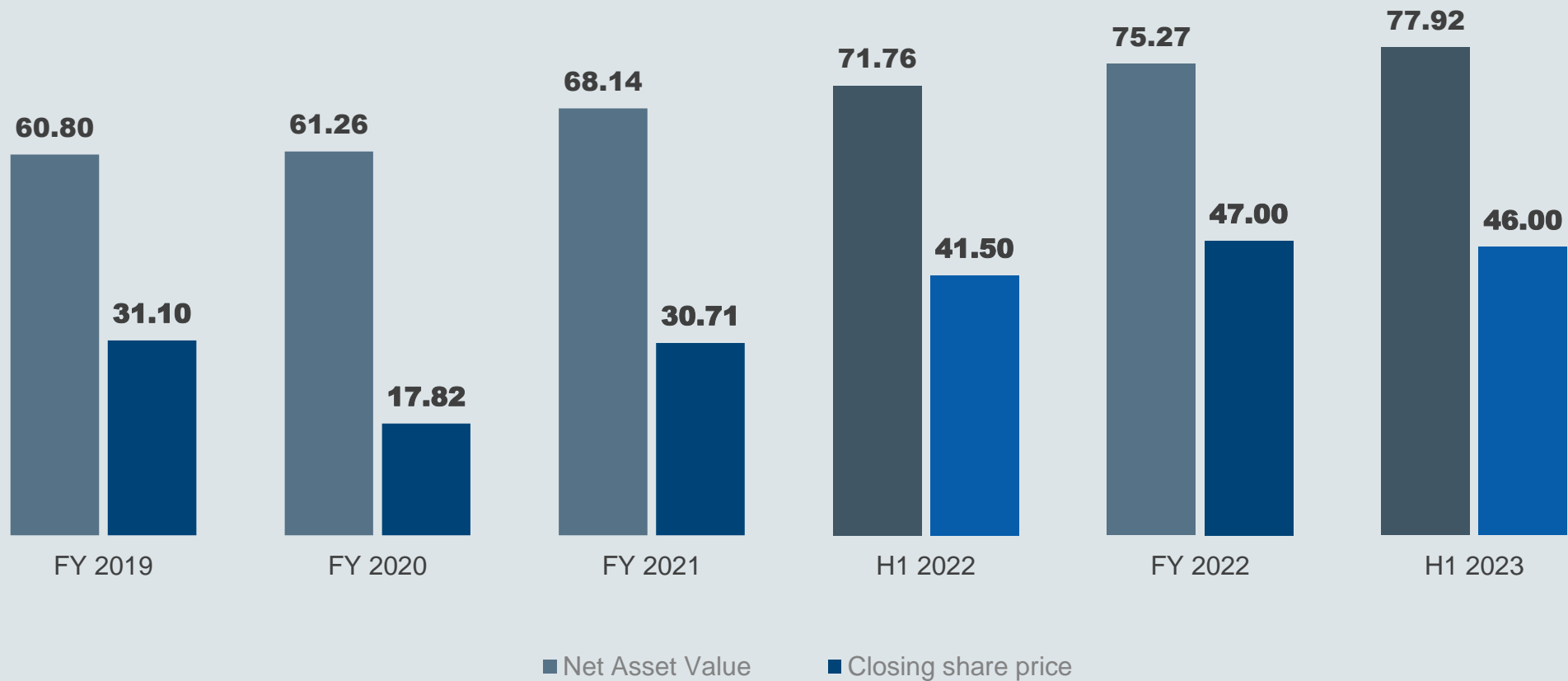


HEADLINE EARNINGS PER SHARE (CENTS)



FINANCIAL PERFORMANCE

NET ASSET VALUE PER SHARE VS SHARE PRICE (R)



TARGETS AND OUTLOOK

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FINANCIAL AND OPERATING TARGETS

%	Actual H1 2023	Targets	
		Year end 2023	Medium-term
Gross profit margin	39.3	40-42	41-43
Operating margin	13.6	14-18	16-20
Increase in operating costs	5.4	4-8	3-6
Credit sales as a % of total sales	56.5	52-56	52-56
Satisfactory paid customers	78.8	74-79	75-80
Debtor costs as a % of debtors at gross carrying value	4.5	12-15	12-15
Gearing	24.9	< 20	< 25

OUTLOOK

- Increasing pressure on consumer disposable income expected to result in retail conditions deteriorating further
 - Rising interest rates
 - Rising food, fuel and electricity prices
 - Record high unemployment levels
- Ongoing Eskom load shedding
- Domestic political instability
- Russia-Ukraine war impact on global & domestic economy
- Ongoing supply chain challenges



OUTLOOK

- Experienced management team
- Strong credit sales growth bodes well to support future income streams
- UFO turnaround strategy
- Strategically positioned to continue to gain market share
- Strong Black Friday and festive season promotions planned
- New merchandise ranges and high levels of stock availability
- Same day delivery remains a competitive advantage
- Share repurchase programme to continue
- Group remains on track to open net 16 stores and revamp 150 stores



QUESTIONS

