



ARB

Holdings Limited

Summarised unaudited consolidated results

for the six months ended 31 December 2017

Disclaimer



Forward-looking statements

This presentation which sets out ARB's results for the six months ended 31 December 2017 contains 'forward-looking statements' with respect to, *inter alia*, ARB's financial condition, results of operations and certain of its plans, strategies and objectives, which have not been reviewed or reported on by ARB's auditors.

By their nature, forward-looking statements are not guarantees of future performance but are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause ARB's actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements.

Notes:

Agenda



- Group financial review
- Divisional reviews
- Electrical
- Lighting
- Corporate
- Strategy and outlook
- Q&A

Notes:

Group financial review



Revenue



5% to R1,3b

Operating profit



3% to R107m

HEPS



34% to 37,62 cents

IFRS effect on HEPS



5.9 cents or 20.9%

Ungeared

R227m net cash on hand

Notes:

Group financial review



'000	% change	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Revenue	5,4%	1 342 403	1 273 791	2 479 418
Gross profit	7,7%	312 537	290 242	594 412
<i>Gross profit margin</i>		23,3%	22,8%	24,0%
Operating profit	2,8%	107 430	104 544	216 581
<i>Operating profit margin</i>		8,0%	8,2%	8,7%
Profit for the period	29,3%	100 802	77 971	171 466

- Continued decline in projects in South Africa
- Continued low growth
- Lack of business and consumer confidence
- Exchange rate volatility
- "Eskom factor"

Notes:

Group financial review



Continued decline in SA projects*

- value of projects in 2017 at R63bn vs 2015 at R163bn
- lowest level since 2004

* as per Nedbank Economic Unit report dated 6 Feb 2018

Continued low growth

- 1,3% in Budget
- 0,7% in MTB
- IMF projects SA economy growth at 0,9% over next 2 years*

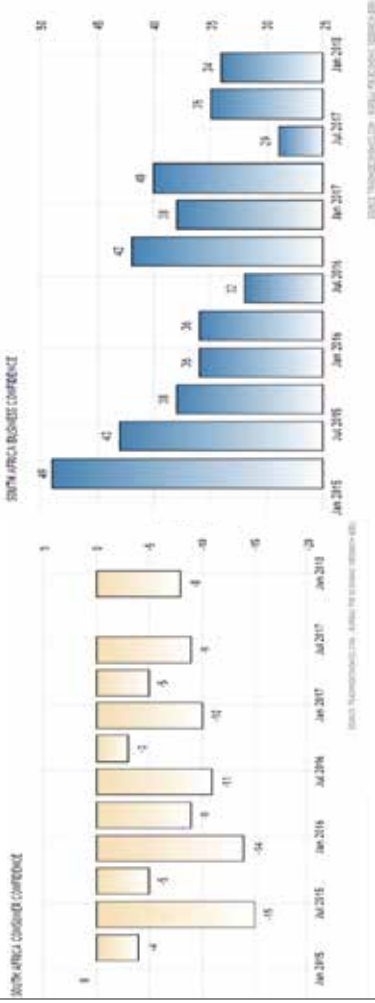
* businessstech.co.za 22 January 2018

Notes:

Group financial review



Consumer confidence and business confidence



Notes:

Group financial review



ESKOM factor*

- National Treasury allocated R18bn to DoE for electrification over next 3 years
- Estimated 723k grid and 60k non-grid connections over medium term funded by transfers to municipalities, non-grid service providers and ESKOM
- Cost of connections expected to increase over the medium term
- “Nations that use more power, tend to have increased income levels and educational attainment”

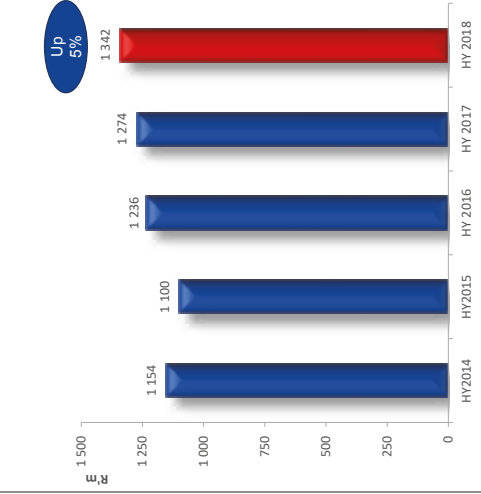
*Mongezi Ntsokolo, Eskom Group Exec for Distribution 24 May 2017 ESI-Africa

Notes:

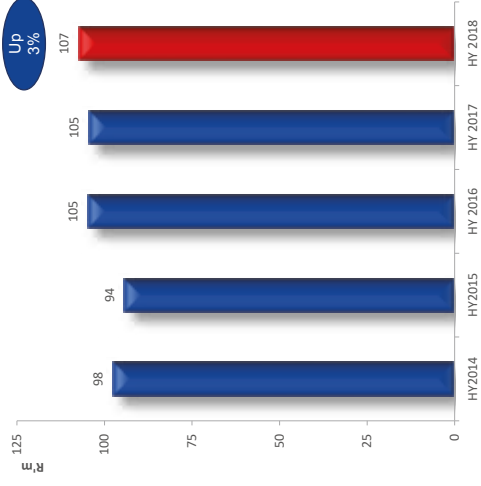
Group financial review



Revenue



Operating Profit

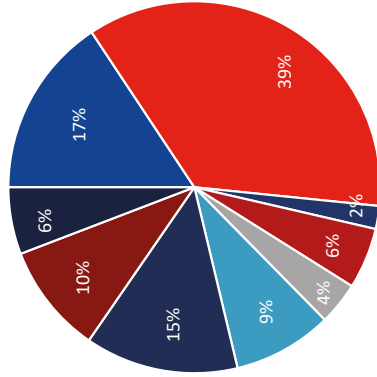


Notes:

Group financial review

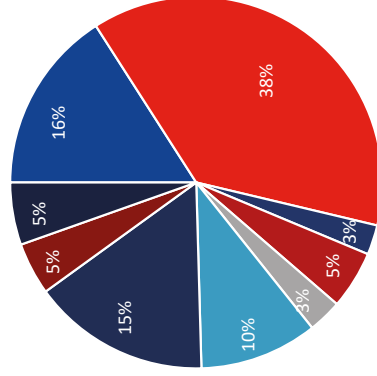


Sales by Customer type H1 '18



- Cash
- Contractors
- Government
- Industry
- Mining
- Wholesale
- Export
- Other
- Retail

Sales by Customer type H1 '17



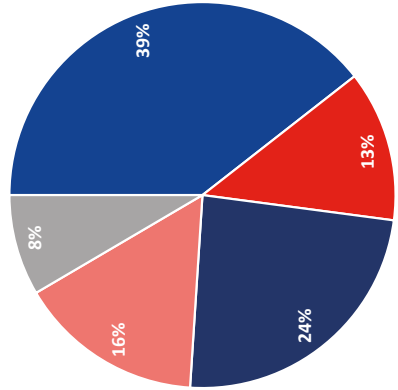
- Cash
- Contractors
- Government
- Industry
- Mining
- Wholesale
- Export
- Other
- Retail

Notes:

Group financial review

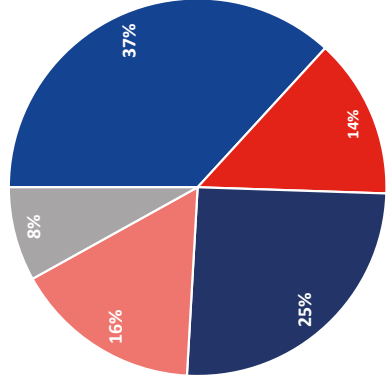


Sales by product H1 '18



■ Cable ■ OHL ■ Lighting ■ Low Voltage ■ Buy outs

Sales by product H1 '17



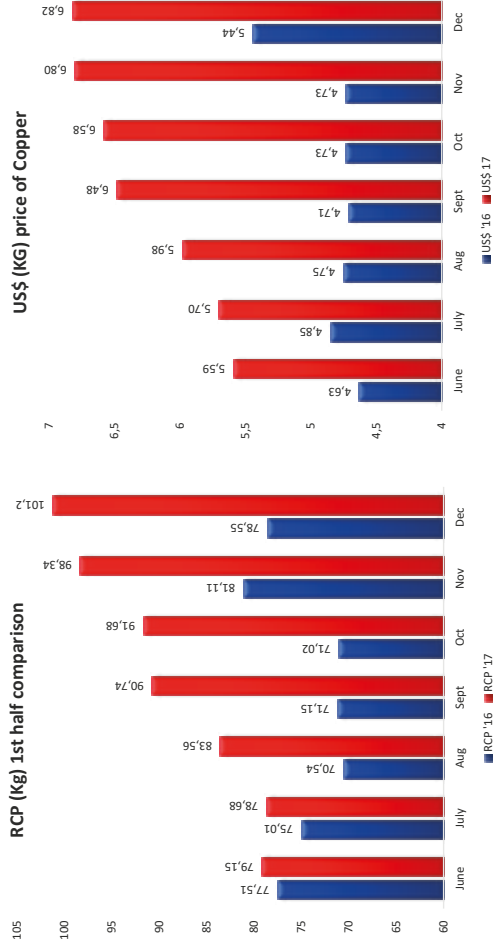
■ Cable ■ OHL ■ Lighting ■ Low Voltage ■ Buy outs

Notes:

Group financial review



Copper price



Notes:

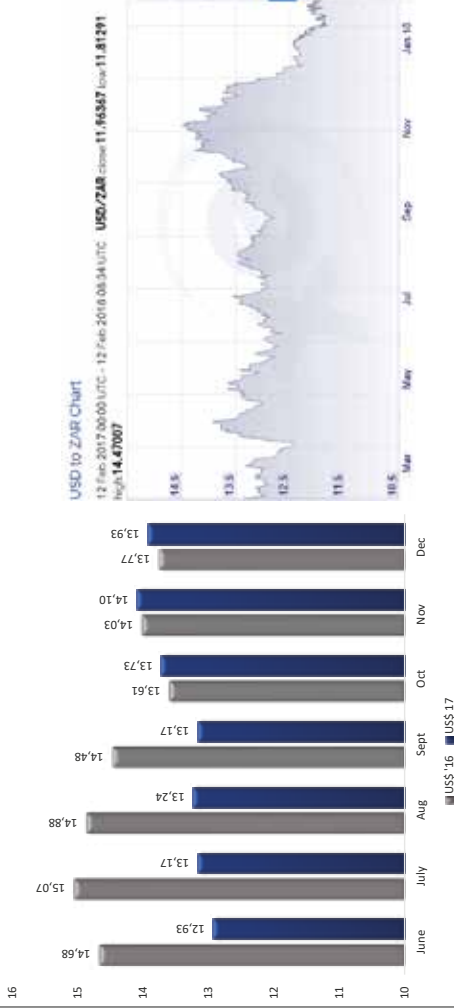
Group financial review



Average monthly R/\$ exchange rate

Average daily R/\$ exchange rate

R/\$ 1st half comparison

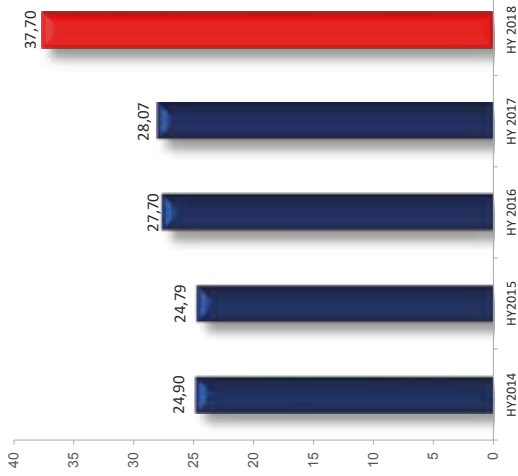


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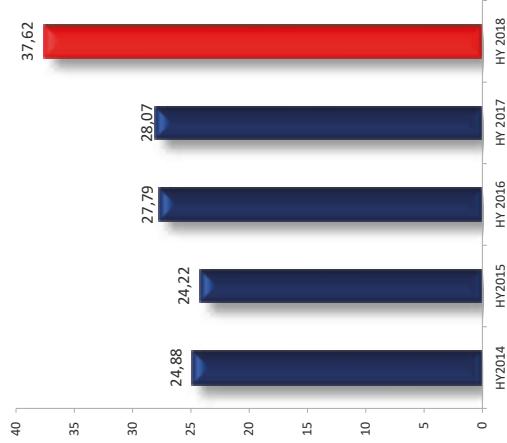
Group financial review



Earnings per share (cps)



Headline earnings per share (cps)



Notes:

Group financial review



Put Option Liability

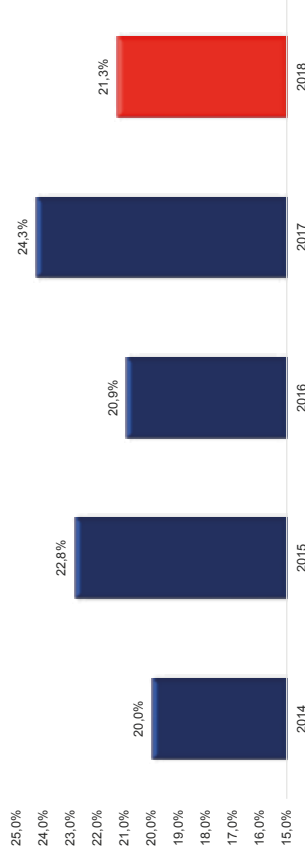
- arises from 'PUT option' by Eurolux minorities
- calculated on average over last 36 months reported PAT
- 60% of PE as determined by ARBH 120 day VWAP with a 'cap' of 7.5x & 'floor' of 4x
- value reduced as result of ARH share price

Notes:

Group financial review



Working capital as a % of revenue



	HY2014	HY2015	HY2016	HY2017	HY2018
Debtors days	42	44	56	49	47
Inventory days	79	90	74	86	82
Creditors days	41	41	50	39	44

Notes:

Group financial review



Cash generated by operations

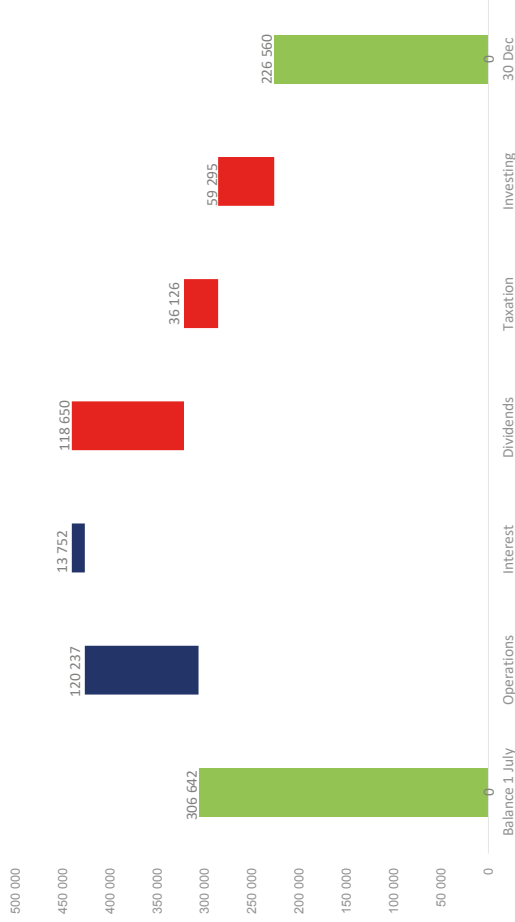


Notes:

Group financial review



Cash Flow



Notes:

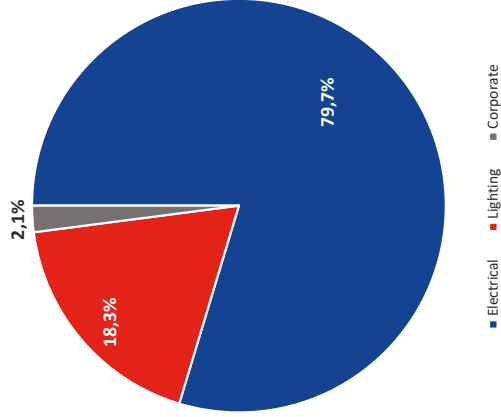


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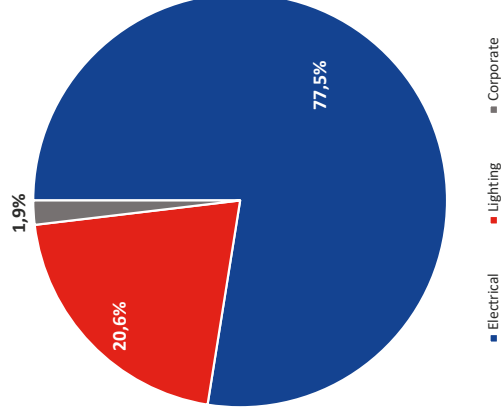
Divisional contributions



Contribution to revenue 1H '18



Contribution to revenue 1H '17



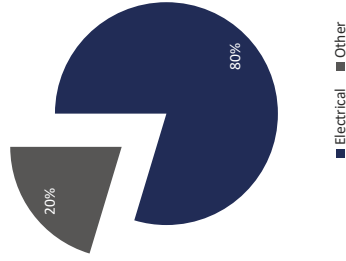
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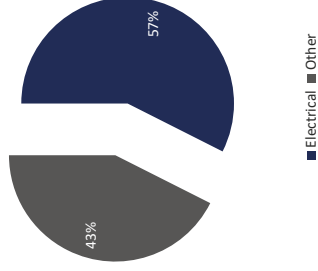
Electrical division



Contribution to revenue



Contribution to operating profit



Notes:

Electrical division



'000	% change	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Revenue	8,7%	1 107 263	1 018 247	1 996 374
Operating profit	12,8%	70 875	62 805	134 199
Profit margin		6,4%	6,2%	6,7%

- Aberdare change in strategy
- Credit environment: Construction sector
- Recovery in second quarter with success in smaller project orders
- Rising RCP
- Modest growth in OHL products
- LV products grew on back of momentum in Connect stores opened in prior year
- East London new store opened 1 November 2017

Notes:



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LIGHTING

Notes:

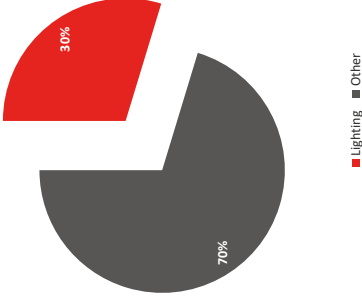
Lighting division



Contribution to revenue



Contribution to operating profit



Notes:

Lighting division



'000	% change	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Revenue	(6.1)%	254 180	270 556	510 802
Operating profit	(17.0)%	26 942	32 470	57 822
Profit margin		10.6%	12.0%	11.3%

- Retail customers managed stocks down with lack of consumer confidence
- Volatile exchange rate
- LED effect of change in technology
- Euro Nouveau now at break even
- Boland park floodlight project complete
- Prepack and cut wire plant not yet fully operational

Notes:

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CORPORATE

Notes:

Corporate division



'000	% change	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Revenue	15%	28 579	24 755	38 379
Operating profit	2%	14 397	14 067	29 723

- Results in line with expectations
- Property portfolio
 - 15 properties valued at R241 million, completely ungeared
- New property East London property completed
 - R17m in current year
- Lord's View new site acquired - post year end capex - R76m
 - Awaiting planning approval

Notes:



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STRATEGY AND OUTLOOK

Notes:

Strategy



No change in previously communicated strategy and remains:

Electrical	Lighting	Africa	Acquisitions
<ul style="list-style-type: none">• Mainly through new branch openings• New distribution facility at Lords View• Will review opportunistic acquisitions opportunities• Complimentary operations	<ul style="list-style-type: none">• Mainly organic through product extension and focused targeting of key customers and market segments• Crabtree retail now to be distributed directly by Eurolux	<ul style="list-style-type: none">• Both Electrical and Lighting divisions• Ongoing engagement but a cautious approach• Zambia 'in country' rep	<ul style="list-style-type: none">• Related diversification

Notes:

Outlook



Electrical division

- No change in 'tough trading' environment
- Structural challenges continue
 - Low growth forecast
 - Volatile exchange rate and copper price
 - Limited infrastructure spend
- Organic growth through new distribution outlets
 - Randburg branch opened January 2018
 - Port Elizabeth branch opening March 2018

Notes:

ARB Randburg branch



Notes:

Outlook



Electrical division (continued)

- Continue to build customer loyalty to create new opportunities
- Proprietary products
 - Chint / Copperweld
- CraigCor (Rockwell Automation) acquisition effective 1 February 2018
- Contingent liability of R76,4m still unresolved

Notes:

CraigCor Distribution



CRAIGCOR
DISTRIBUTION



Rockwell Automation
PROCESS MEASUREMENT AND CONTROLS

Honeywell

HARDY
PROCESS SOLUTIONS

Allen-Bradley

Sensors & Switches



Condition Monitoring



Connection Devices



Drives & Motors



Programmable Controllers

Allen-Bradley Software



Notes:

Outlook



Lighting division

- Continue to expand product offering to existing customers
- Retail “ready pack” plant for electrical and cut wire products to be fully operational
- Changes expected in the competitive environment:
 - New entrants
 - Competitors
- Exchange rate volatility

Notes:

Outlook



Lighting division (continued)

- Crabtree expansion of product range and basis of distribution to retail
- LOA delays continue
- Life expectancy of lamps with technology changes
- Further projects particularly LED floodlights

Notes:



Q&A

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Notes: