

The SPAR Group Limited acquires majority 80% stake in the BWG Group, owner of SPAR Ireland and South West England



Agenda

- ⊕ Executive summary
- ⊕ The BWG Group
- ⊕ Strategic rationale
- ⊕ Combined group
- ⊕ Financial effects



SPAR 

SPAR 

Executive Summary

- ⊕ Subscription for majority 80% stake in the BWG Group: Purchase price of €55m (short term ZAR 799m loan)
- ⊕ The BWG Group is a leading food retail and wholesale distribution company
 - Operations in Ireland and South West England
 - Services >1,100 stores, including 100 company owned stores
 - Total annual turnover of ~€1.2bn (ZAR17.4bn)
 - The BWG Group owns SPAR brand in Ireland and South West England: 700 SPAR stores
- ⊕ Compelling long-term returns
 - Established retail network
- ⊕ Pro-forma financial effects (H1 F2014)
 - Normalised headline earnings per share: up 6.8% to 397.2 cents
 - SPAR's consolidated revenue: up 30.2%
 - Net asset value per share: up 10.4%
- ⊕ Strong synergies
 - Retail models, wholesale businesses and logistics
- ⊕ Well-positioned international retail platform for future expansion
- ⊕ Opportunity to participate in the economic recovery of Ireland



Who is the BWG Group?



- ⊕ Owner of SPAR brand in Ireland and South West England
- ⊕ Proven and experienced management team:
 - Leo Crawford: CEO | John O'Donnell: FD | John Clohisey: Group Property Director
- ⊕ Market leading complementary retail brand offering
- ⊕ Retail brands: Recognised and trusted in Ireland
 - Capacity to attract and retain franchisees
- ⊕ Leading cash & carry / food service provider in Ireland



Who is the BWG Group? SPAR



365 Local | Ultra-convenience | Top-up | Food to go | Forecourt stores

32 new stores in 2013



Who is the BWG Group? EUROSPAR



56 Local | Significant top-up | Food to go stores

High customer foot traffic with strong price and value message



Who is the BWG Group? MACE

MACE



282 Local | Convenience | Food to go | Forecourt store

Includes partnership with Maxol service stations



Who is the BWG Group?

VALUE CENTRE CASH & CARRY / XL (Retail stores)



VALUE CENTRE CASH & CARRY: 23 outlets / XL:220 outlets (17,000 customers)

Independent retail | Licenced trade | Facia stores | Food service / catering



Who is the BWG Group? Appleby Westward



Owens the SPAR brand in South West
England

274 Local | Ultra-convenience | Top-up |
Food to go | Forecourt stores



Who is the BWG Group? National distribution centre



22,300m² stocking 4,600 ambient SKUs and 884 alcohol SKUs

200,000 cases dispatched per week to all SPAR, EUROSPAR, MACE and VALUE CENTRES

99% service levels across key strategies in first year of operation



The collective

The BWG Group

- ④ Turnover ~€1.2bn (ZAR17.4bn) in 2013
- ④ Supplies a network of ~1,100 SPAR, EUROSPAR, SPAR EXPRESS, MACE and XL branded stores
 - Incl. >100 company-owned stores
 - Up to 17,000 direct customers through 23 Value Centre Cash & Carry outlets
- ④ Supplies fresh and ambient product to hospitality and catering sectors
- ④ Opened a 22,300m² central distribution centre in Kilcarbery, on the outskirts of Dublin (2012): dispatches 10m cases p.a.
- ④ >1,000 direct employees

The SPAR Group

- ④ Turnover circa €3.5bn (ZAR47.4bn) in 2013
- ④ Supplies groceries, fresh produce, beverages, pharmaceutical and building materials products
 - >1,800 retail stores
 - South Africa, Swaziland, Botswana, Lesotho, Mozambique, Zimbabwe and Namibia
 - 10 company-owned stores
- ④ Operates seven distribution centres with total floor space of >227,000m² that dispatched over 200m cases in 2013
- ④ SPAR Group employs over 3,800 people



Rationale

- ④ Unique opportunity for SPAR to acquire a synergistic business
 - Adds value and furthers various strategic objectives
- ④ Similar skill and market focus as both companies
 - Operate in food retail
 - Voluntary trading model and wholesale market segments
 - Opportunity to share knowledge, technology, and product and industry best practice
- ④ The BWG Group has a strong management team
 - Founders to continue managing business
 - 5 to 8 yr service contracts to ensure continuity
 - No relocation of South African executives envisaged
- ④ SPAR has controlling interest on board of directors of the Group
 - Provide strategic input

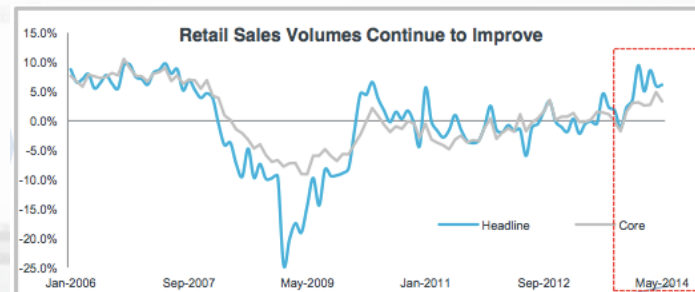
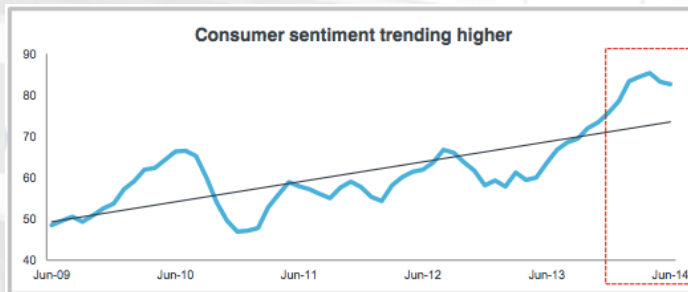


Key strategic benefits

- ⊕ Long standing professional association between SPAR and the BWG Group
 - SPAR International membership for >50 yrs
 - Similar business models, operating culture with SPAR International
 - Both businesses founded on SPAR retail model and SPAR brands
- ⊕ SPAR warehousing, logistics and distribution expertise
 - Broaden the BWG Group supply chain base
- ⊕ SPAR's track record in migrating retailers to larger store formats
 - Assist the BWG Group's investigation into possible larger store formats
- ⊕ The BWG Group has an internally-funded 5yr expansion plan in Ireland and South West England
- ⊕ Sharing consumer insights in SA, Ireland and England
 - Innovations to cater for consumer preferences and sustain market leading position
- ⊕ SPAR establishes attractive, well-positioned retail sector platform for future expansion
 - More geographically diversified revenue stream with foreign currency diversification
 - Enhances SPAR's scale and critical mass
- ⊕ Recovery of Irish economy: Positive long term growth fundamentals

Improving Irish economic fundamentals

- ④ Irish GDP dropped 17% from 2007 to 2010 after severe property crash
 - Major recapitalisation of banking system, austerity programme and joint EU-IMF bail out (exited 2013)
- ④ 92% of €33.1bn of budgetary measures agreed for 2008-2015 period implemented
 - On track to reach deficit target of 3% of GDP
- ④ Economy showing clear signs of return to stability and growth
 - Trend is gaining momentum
- ④ Ratings agency upgrades
 - Two Moody's upgrades in 4 months, up a further two notches (to Baa1) in May 2014
 - S&P raised Ireland to A- in June 2014, the first 'A' grade from big 3 since Ireland returned to the markets
- ④ Consumer confidence has reached highest level in almost seven years
- ④ Solid retail sales in recent months



Terms and Funding: Consideration

- ④ Purchase consideration: Cash payment of €55m (R799m)
- ④ Use of proceeds by the BWG Group:
 - Settle some of existing BWG Group bank debt
 - Cancel outstanding share warrants held by certain BWG Group's banks
 - Funds for investment in the business
- ④ Strength of SPAR's ungeared balance sheet: ZAR-denominated short term loan
- ④ Post transaction: €130.6m of BWG debt + €55m to be consolidated by SPAR
 - ZAR2.7bn SPAR Group
- ④ Acquisition of Minority Interests:
 - Based on normalised BWG Group PAT (F2019, F2020, F2022) attributable to Minority Shareholders' 20% equity interest
 - Priced at ~11.7x P:E
 - Effected over three years

Financial effects: Before and after transaction and acquisition of minorities

	Before ²	After ³	% change
Basic EPS (cents)	372.1	2,041.9	448.7
Diluted basic EPS (cents)	348.9	1,914.4	448.7
HEPS (cents) ¹	372.0	405.4	9.0
Diluted HEPS (cents) ¹	348.8	380.1	9.0
Normalised HEPS (cents) ¹	372.0	397.2	6.8
NAVPS (cents)	1,876.9	2,071.8	10.4
NTAVPS (cents)	1,647.2	241.9	(85.3)

1. *The BWG Group's sustainable earnings calculated by excluding once-off / recurring items*
 - *Corporate and debt restructuring: R2.566bn*
 - *Normalised BWG PAT (12 months to December 2013): €11.6m (~ZAR170m)*
2. *Before: Based on SPAR's H1 F2014 financial information*
3. *After: Based on information in 2. above and adjustments:*
 - *Purchase consideration of €55m and BWG normalised PAT*
 - *Difference between BWG NAV and purchase price: R358.7m (recognised as goodwill)*

Conclusion: 1 + 1 = 3



Graham O'Connor, CEO, The SPAR Group Limited and Leo Crawford, CEO, The BWG Group

Questions?

