



SPAR RESULTS PRESENTATION
FOR THE SIX MONTHS ENDED 31 MARCH 2016

AGENDA



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SPAR GROUP	
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INTRODUCTION



GRAHAM O'CONNOR, CEO

SPAR GROUP: FACTS AND FIGURES



SPAR INTERNATIONAL: PRESENT IN 42 COUNTRIES FOLLOWING ENTRY INTO FOUR NEW TERRITORIES IN ASIA, AFRICA AND MIDDLE EAST DURING 2015

- 12 100 stores €33bn p.a. turnover
- South Africa is the second biggest **SPAR** country by turnover
- Ireland is 10th biggest **SPAR** country by turnover
- Switzerland is 14th biggest **SPAR** country by turnover



Source: **SPAR** International: Year ended 31 December 2015

SOUTHERN AFRICA: BALANCED PORTFOLIO OF 1 997 STORES ACROSS NINE BRANDS WITH H1 F2016 R47.3BN RETAIL TURNOVER

- Groceries + fresh produce, liquor, pharmaceuticals and building materials
- Offering spans consumer sectors from high to low LSMs
- Seven distribution centres: 242 800m³ warehousing space (including Imports warehouse KZN)
- Handle 70% of **SPAR's** turnover + 30% directly from third party suppliers
- 118.6m cases dispatched in H1 F2016
- Distance travelled 15.9 m km in H1 2016 (vs 15.7 m kms travelled in H1 F2015)



SPAR GROUP: FACTS AND FIGURES (continued)



IRELAND/SOUTH WEST ENGLAND: BWG SERVICES >1 338 STORES ACROSS SIX BRANDS, €674.5M (ZAR11.1BN) TURNOVER IN H1 F2016

- Wholesale and distribution of groceries + fresh produce, liquor to retail/catering sectors
- Well established in convenience market
- 22 300m² stocking 4 600 ambient SKUs, 884 alcohol SKUs and 2 200 in chilled SKUs Ireland*
- 13.4m cases dispatched in H1 F2016



SUPPORT TO INDEPENDENT RETAILERS

- Relationships, marketing and branding, product development, systems support, property management, retail operations and training
- Financial: Trade credit and access to funding



* Kilcarbery facility only, excludes Appleby Westward

SPAR GROUP: FACTS AND FIGURES (continued)



SWITZERLAND: SPAR SWITZERLAND SERVICES 305 STORES ACROSS THREE BRANDS + 11 CASH & CARRY OUTLETS, CHF824M (ZAR12.8BN) TURNOVER IN F2015

- Responsible for operation of 58 corporate stores + 247 independent retailer stores



- Modern logistics centre supplying 6 500 ambient and chilled SKUs and total area of 33 000m²



- 32m cases distributed in 2015



- Top CC: 11 Cash & Carry outlets with total selling area of 44 000m²

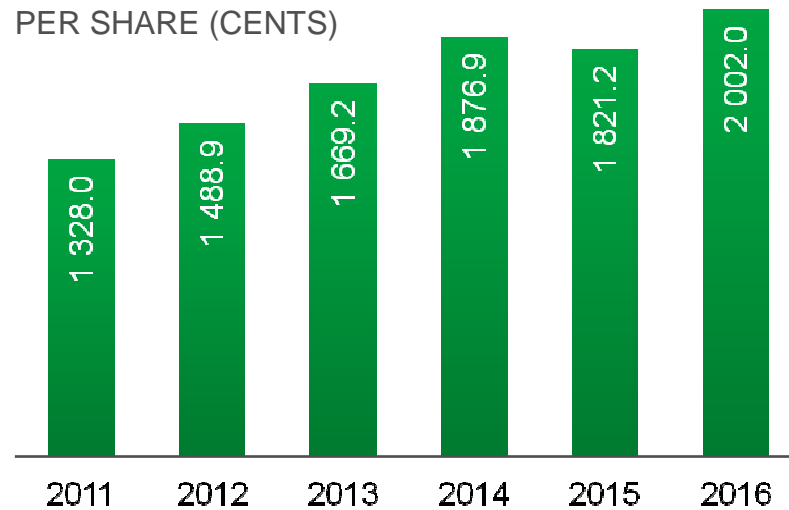


HIGHLIGHTS OF THE PERIOD

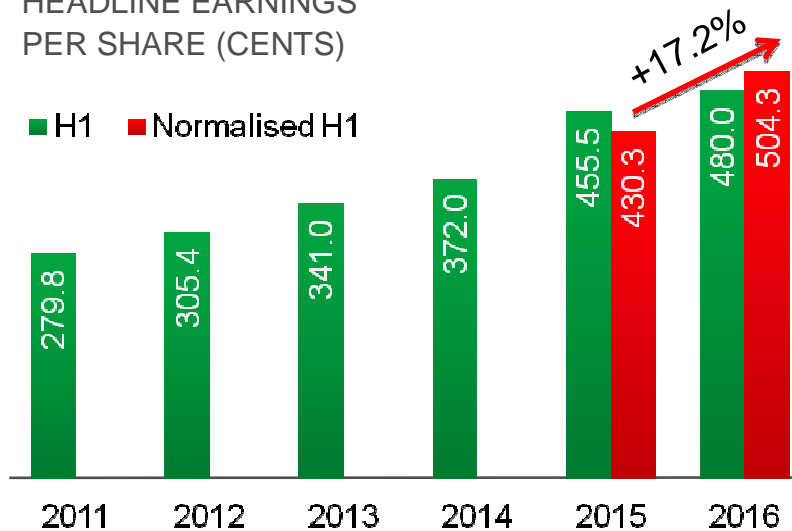


- Solid performance by SPAR Southern Africa in a tough trading environment
- Strong €-based organic turnover gains from SPAR Ireland: Boosted by acquisition of Londis brand
- Continued investments to enhance merchandising, warehousing and distribution capacity
- Acquisition of SPAR Switzerland completed (effective 1 April 2016)
- Total retail footprint rose to ±3 640 stores: Southern Africa, Ireland, South West England and Switzerland
- Accelerated book build four times oversubscribed: R2.1bn raised at R185 per share (post reporting period)

NET ASSET VALUE PER SHARE (CENTS)



HEADLINE EARNINGS PER SHARE (CENTS)



SALIENT FEATURES



R million		H1 2015	H1 2016	Change (%)
Turnover		36 024.2	42 056.4	+16.7
Operating profit		1 105.9	1 258.1	+13.8
Normalised headline earnings per share	(cents)	430.3	504.3	+17.2
Dividend per ordinary share	(cents)	239	255	+6.7
Net asset value per share	(cents)	1 821.2	2 002.2	+9.9

SOUTH AFRICA

- Economic growth under pressure
- Risks relating to sovereign credit rating
- Continued pressure on consumer spending
 - Rising unemployment
 - Increasing interest rates
 - Food inflation on the rise
- Relatively low internally measured food inflation: 4.5%
- Highly competitive across all segments of **SPAR's** business

IRELAND

- 7.8% GDP growth in 2015
 - Forecast 4.8% in 2016
- Unemployment down: 8.4% in April 2016
- Improving consumer spending
 - +4.6% to end March 2016 (Kantar)
- Positive food inflation in convenience sector
- Discounting remains a major driver in retail

FINANCIAL OVERVIEW



MARK GODFREY, CFO

FINANCIAL OVERVIEW: KEY INCOME STATEMENT METRICS

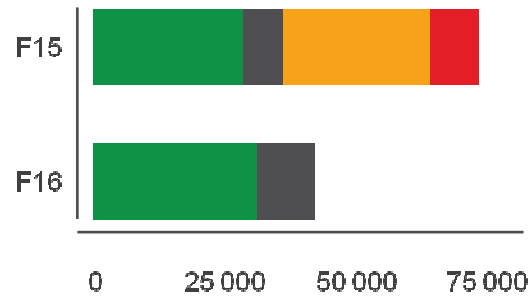


R million	SPAR Southern Africa	SPAR Ireland	Group
Income statement			
Turnover	30 967.6	11 088.8	42 056.4
Gross profit	2 512.6	1 146.1	3 658.7
<i>Gross margin</i>	8.1%	10.3%	8.7%
Operating expenses	1 674.2	1 147.0	2 821.2
Profit before tax	1 001.2	139.9	1 141.1
Profit after tax	706.8	118.6	825.4
<i>Earnings per share (cents)</i>	408.3	68.5	476.8
<i>Headline earnings per share (cents)</i>	408.8	71.2	480.0
<i>Normalised headline earnings per share (cents)</i>	433.1	71.2	504.3

FINANCIAL OVERVIEW: UNPACKING SEGMENTAL IMPACT AND 2016 VS 2015 COMPARATIVES



TURNOVER (Rm)

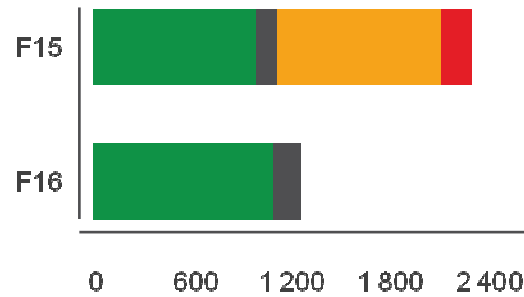


■ H1 South Africa ■ H1 Ireland
■ H2 South Africa ■ H2 Ireland

Growth

First half	+16.7%
South Africa	+9.2%
Ireland	44.7%

OPERATING PROFIT (Rm)

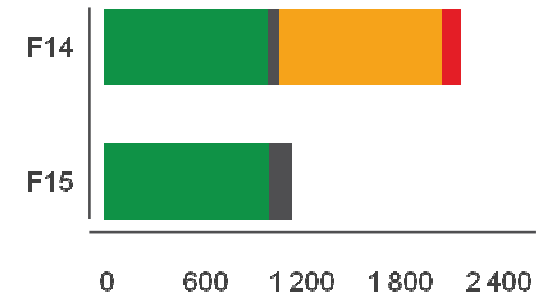


■ H1 South Africa ■ H1 Ireland
■ H2 South Africa ■ H2 Ireland

Growth

First half	+13.8%
South Africa	+10.4%
Ireland	41.4%

PROFIT BEFORE TAX (Rm)



■ H1 South Africa ■ H1 Ireland
■ H2 South Africa ■ H2 Ireland

Growth

First half	+7.5%
South Africa	+0.5%**
Ireland	114.9%

* Adjusted for minority accounting impacts
 ** Including finance costs and forex losses

FINANCIAL OVERVIEW: TURNOVER



R million	H1 2015	H1 2016	Change (%)
SPAR/TOPS	25 442.5	27 641.0	+8.6
<i>Liquor sales (SPAR/TOPS)</i>	2 442.5	2 745.8	+12.4
Build it	2 918.5	3 326.6	+13.9
Total Southern Africa	28 361.0	30 967.6	+9.2
Ireland	7 663.4	11 088.8	+44.7
Total Group	36 024.4	42 056.4	+16.7

- Very pleasing like-for-like growth in Southern Africa and Ireland
 - Positive impacts from Ireland
 - › Strong performance of core business 5.4%
 - › Acquisition of Londis business 17.6%
 - › Rand devaluation against Euro 21.7%
- 44.7%

FINANCIAL OVERVIEW: INFLATION PER SEGMENT



	H1 2015	H1 2016
SPAR business	5.5%	4.5% ¹
Liquor	6.8%	7.4%
Build it	c. 3.0%	c. 3.3% ²

1. SPAR's inflation expectations for remainder of 2016:

- › SA food (as budgeted) +6.4%
- › Current trend +6.0%
- › Ireland
 - Overall annual inflation (0.3%)
 - » Food and non-alcoholic drink (0.4%)
 - » Alcohol and tobacco +0.4%
 - » Convenience retail +0.5%

2. Building material inflation budget at c. 3.9% for 2016 with difference between coastal region (c. 4.5%) and inland (c.3.5%) attributed to cement effect

FINANCIAL OVERVIEW: GROSS MARGINS



	H1 2015		H1 2016	
	Gross profit (Rm)	Gross margin (%)	Gross profit (Rm)	Gross margin (%)
Southern Africa	2 291.5	8.08%	2 512.6	8.11%*
Ireland	798.2	10.42%	1 146.1	10.34%
Total Group	3 089.7	8.58%	3 658.7	8.70%

* Impact of growth in ex-warehouse sales :

	2015	2016		2015	2016
› Warehouse - Dry	46.8%	46.8%	vs	46.8%	
- Perishables	15.7%	16.0%	vs	16.0%	
	62.5%	62.8%	vs	62.8%	
› Dropshipment (Excl. Build it)	37.5%	37.2%	vs	37.2%	

FINANCIAL OVERVIEW: EXPENSES



	H1 2015		H1 2016		Increase (%)
	Expenses (Rm)	% of Sales	Expenses (Rm)	% of Sales	
Southern Africa	1 539.1	5.4%	1 674.2	5.4%	8.8%
Ireland	796.6	10.4%	1 147.0	10.3%	44.0%
Total Group	2 335.7	6.5%	2 821.2	6.7%	20.8%

SPAR Southern Africa

- Warehouse & distribution costs: Up 10.5% to R754.8m
- Fuel and diesel costs: Down 4.1% despite 6.1% increase in case volumes
- Higher third party transport costs for cross-border deliveries +29%
- Wage cost comparatives still reflecting implementation of “equal pay” alignment
- Balance of costs tightly controlled

Ireland

- Expenses below budget: Despite increase of 19.4% in €-terms
- Warehouse cost increased 66%: 37.9% in €-terms
- Impact of running two warehouses until Londis supply chain integrated into Kilcarbery infrastructure
- Kilcarbery chilled operations not in prior base
- Delivery cost efficiencies will now improve

FINANCIAL OVERVIEW: RECONCILIATION OF NORMALISED HEPS



R million	H1 2015	H1 2016	Change (%)
Reported headline earnings	788.3	831.0	+5.4
Adjusted for:			
• <i>Fair value adjustment (not considered necessary in this period)</i>	-	-	-
• <i>Foreign exchange charge / (gain) on minority liability</i>	(43.6)	42.0	-
Normalised headline earnings	744.7	873.0	+17.2
Normalised headline earnings per share (cents)	430.3	504.3	+17.2
<i>Normalised diluted headline earnings per share (cents)</i>	396.3	464.6	+17.2
<i>Weighted average number of ordinary shares ('000) (net of treasury shares)</i>	173 064	173 115	-

FINANCIAL OVERVIEW: RECONCILIATION OF DIVIDEND DECLARATION



	Rm
Reported headline earnings	831.0
Adjusted for:	
• <i>Forex loss on financial liability (non-cash related)</i>	42.0
Adjusted normalised headline earnings	873.0
Dividend cover (consistent interim level)	1.85 times
Dividend declared (total payable Rm)	471.9
<i>Shares ranking for dividend at declaration date* ('000s)</i>	184 963
Dividends per share (cents)	255.0

* Recognises the additional shares issued in April 2016

FINANCIAL OVERVIEW: KEY BALANCE SHEET METRICS



R million	SPAR Southern Africa	SPAR Ireland	Group
Balance sheet			
Property, plant and equipment	1 993.5	1 443.0	3 436.6
Goodwill and intangible assets	506.6	3 110.0	3 616.6
Current assets	9 063.3	4 042.4	13 063.0
Current liabilities	(8 512.8)	(4 560.1)	(13 030.2)
Long-term liabilities	(1 053.9)	(3 070.6)	(4 124.5)
<i>Net asset value per share (cents)</i>	1 766.2	697.0*	2 002.0

* Ignores the effect of consolidation entries

CAPITAL EXPENDITURE: INCREASING DISTRIBUTION CAPACITY



R million	H1 2015	H1 2016
Investing to expand operations	(150.6)	(179.4)
Investment to maintain operations	(63.3)	(122.3)
<ul style="list-style-type: none"> • Replacement of property, plant and equipment • Proceeds on disposal of property, plant and equipment 	(68.1)	(126.5)
Acquisition of business/subsidiaries	(35.0)	(44.4)
	(248.9)	(346.1)

- Expansion of Western Cape DC's dry and perishables facility
- Crane-system at South Rand DC's slow moving product facility
- Next phase of IT interface: Allow regional facilities to source product
- Upgrading trucking fleet, materials handling equipment and IT hardware
- Acquisition of one additional corporate store and two TOPS stores opened
- Irish investment in retail equipment

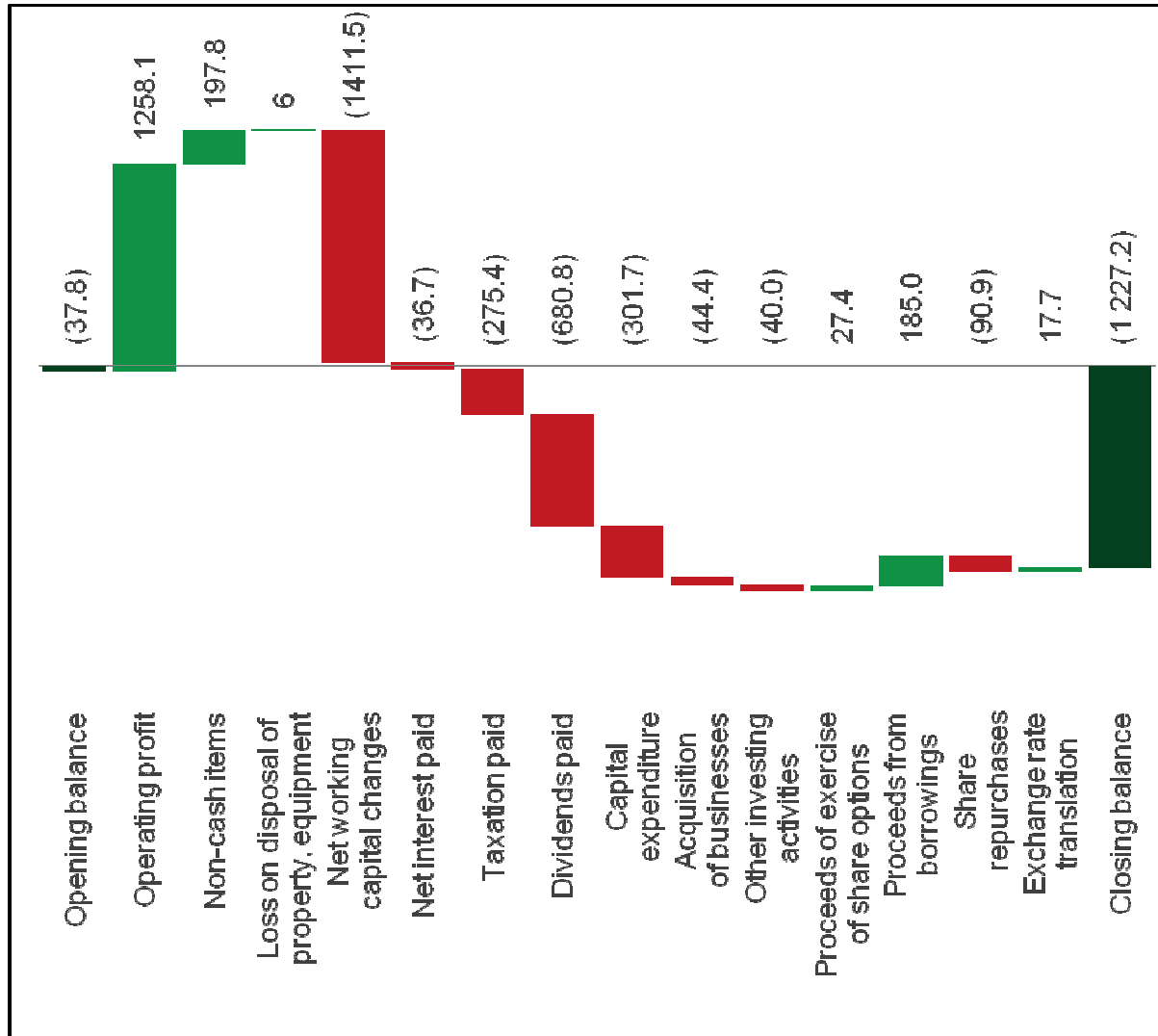
FINANCIAL OVERVIEW: CASH FLOW



R million	H1 2015	H1 2016
Cash flow from operating activities (adjusted for non-cash items)	1 351.7	1 461.9
Working capital changes	(1 123.0)	(1 411.5)
• Increase in inventory	(348.8)	(263.5)
• Increase in trade receivables	(74.2)	(226.6)
• Decrease in trade payables	(700.0)	(921.4)
Cash generated from operations	228.7	50.4
Interest	(55.5)	(36.7)
Taxation	(313.3)	(275.4)
Dividends	(597.6)	(680.8)
Capex spend	(213.9)	(301.7)
Acquisition of business	(35.0)	(44.4)
Disposal of assets held for sale	-	16.5
Loans/share activity	(74.9)	(120.0)
Borrowings raised / (repaid)	(81.1)	185.0
Net cash movement	(1 142.6)	(1 207.1)*

* Includes negative foreign currency translation adjustment of (R17.7m)

FINANCIAL OVERVIEW: CASH FLOW (continued)



- Operating profit up 13.8%:
 - › Strong organic growth in both geographies
 - › Impact of new business (Londis)
- Working capital impacted by reduction in payables
- Increased capex:
 - › Increased capacity at Western Cape and South Rand DCs
 - › IT infrastructure and development
 - › Irish investment in retail equipment

SUMMARY OF SALIENT FEATURES



R million	H1 2015	H1 2016	Change (%)
Turnover	36 382.5	42 056.4	+16.7
Gross profit	3 089.7	3 658.7	+19.4
<i>Gross profit (%)</i>	8.6%	8.7%	
Operating profit	1 105.9	1 258.1	+13.8
Profit after tax	783.6	825.4	+5.3
Headline earnings per share (cents)	455.5	480.0	+5.4
Normalised headline earnings per share (cents)*	430.3	504.3	+17.2
Dividend per ordinary share (cents)	239.0	255.0	+6.7
Net asset value per share (cents)	1 821.2	2 002.0	+9.9

* Adjusted for:

- Financing cost adjustment to minority financial liability
- Foreign exchange loss / (gain) on translation of financial liability

OPERATIONAL OVERVIEW



GRAHAM O'CONNOR, CEO

OPERATIONAL REVIEW: RETAIL PERFORMANCE: TURNOVER



	Total growth	Like for like
SPAR	9.0%	8.1%
TOPS	17.2%	12.9%
Build it	16.6%	9.4%

- Continued uptake of **SPAR** house brands by cash strapped consumers: up 10.6%
- **TOPS** maintained double digit growth trajectory
- **Build it** delivered excellent performance, despite continued competition in cement sector

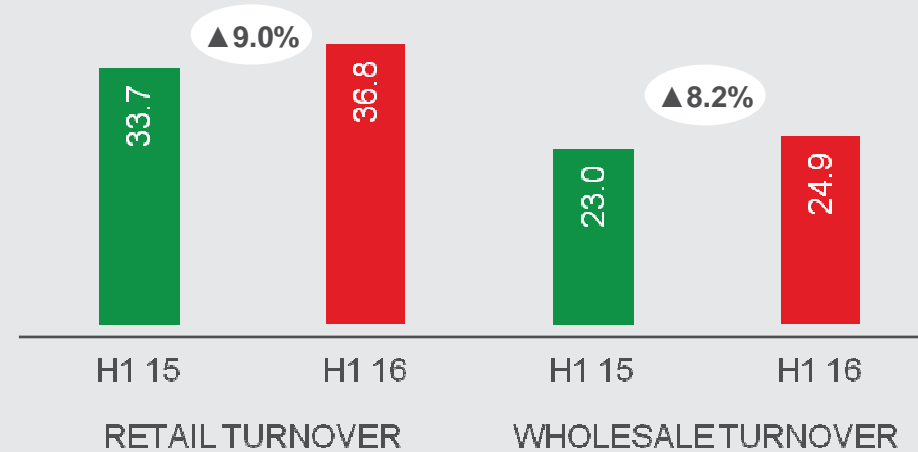


OPERATIONAL PERFORMANCE: SPAR



- Pleasing retail and wholesale growth despite continued pressure on retail environment
 - › SPAR house brands grew 10.6%:
Exceeds core SPAR business growth
 - › Fresh and meat sales: Increased acceptance among customers
- Same store turnover up 8.1% (2015: 7.7%)
 - › Food inflation: 4.5%
- Focus on supporting existing store network
 - › Eight new stores opened: 888 **SPAR** stores in total
 - › Retail space up 0.5%
 - › 66 store revamps and modernisations

TURNOVER ANALYSIS (Rm)

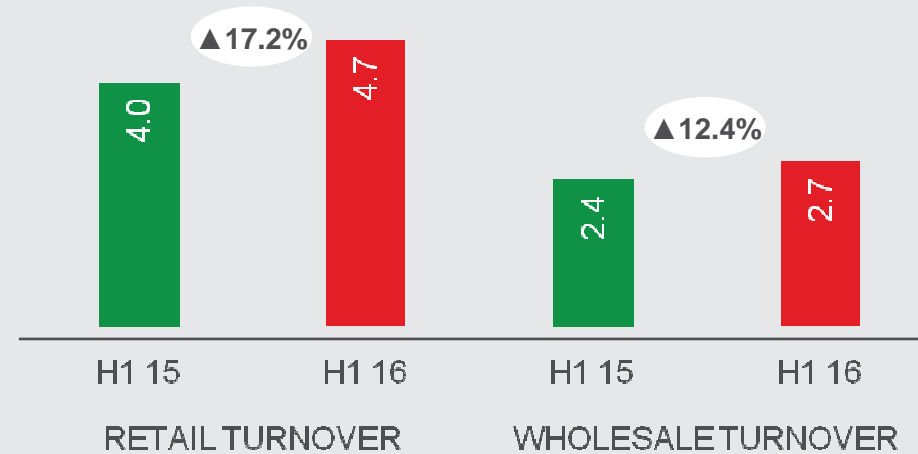


OPERATIONAL PERFORMANCE: **TOPS**



- Sustained growth trajectory
 - › Retail turnover up 17.2%
- Same store retail growth of 12.9%
- Wholesale turnover up 12.4%
- 679 stores in total: 30 new store openings
- Revamped 27 stores
- Innovative advertising and appeal to women shoppers

TURNOVER ANALYSIS (Rm)

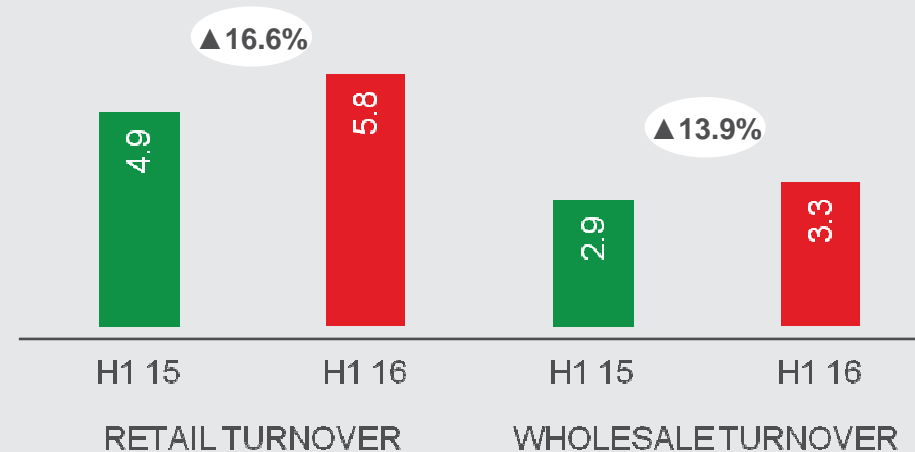


OPERATIONAL PERFORMANCE: BUILD IT



- Excellent performance in spite of pressure on consumer spending
 - › 16.6% retail turnover growth
 - SA retail sales up 14%
 - Cross border retail sales up 24%
 - › Like for like retail turnover up 9.4%
- Wholesale turnover growth accelerated to 13.9%
- Increased competition in cement sector: -0.7% price deflation
- **Build it** house brand import sales up 10.0%
- New format: TRENDIY aimed at “DIY” market
 - › Refining consumer offer
- 18 new Build it stores opened: Total 336 stores

TURNOVER ANALYSIS (Rm)



OPERATIONAL PERFORMANCE: BWG GROUP



- First half performance ahead of budget: ZAR-based turnover growth 44.7%
 - › Total €-denominated turnover growth: 5.4%
 - › Londis included for full period: Contributed of ±17.6% growth
 - › ZAR devaluation against Euro: 21.7% positive impact (+R1.6bn) on turnover growth
- Gross margins down marginally to 10.3%
 - › Positioning to compete as food market continues to normalise
- Strong EUROSPAR growth
 - › Success of management interventions to address increased competition
- Londis performance on budget
 - › Chill and produce supply chain migrated to Kilcarbery: More efficient consolidated deliveries
 - › Final stage of Londis integration
- Lower costs per case being achieved from Kilcarbery chilled facility (commissioned May 2015)

OPERATIONAL PERFORMANCE: DISTRIBUTION (SOUTH AFRICA)



IMPORTS WAREHOUSE

Build it Distribution Centre

VALUE

NORTH RAND

LOWVELD

WESTERN CAPE

SOUTH RAND

EASTERN CAPE

KZN DRY

KZN PERISHABLES

SPAR

EXTENSIONS DISTRIBUTION CAPACITY



Western Cape expansion underway

Mini-load: South Rand slow moving goods facility



Western Cape expansion underway

OPERATIONAL PERFORMANCE: DISTRIBUTION (SOUTH AFRICA)



- Strong case volume growth: Up 6.1% to 118.6m cases
- Progress on major projects:
 - › Expansion of Western Cape dry and perishables facility (completion October 2016)
 - › Crane-system at South Rand DC's slow moving product facility commissioned
- Continued administrative delays for rezoning of land for new facility in Lanseria
 - › Alternative land purchased in Muldersdrift area
 - › Goal to develop within next 3 yrs to cope with demand projections



LOOKING FORWARD



GRAHAM O' CONNOR, CEO

RECAP: ACQUISITION OF SPAR SWITZERLAND



- Operator and holder of SPAR licence in Switzerland (Member of SPAR International since 1989)
 - › Supplies wide range of food and beverage products to consumers
 - 58 company-owned SPAR, SPAR Express and convenience stores
 - 247 independent retailer stores trading under the SPAR, SPAR Express and Maxi brands
 - TopCC with total selling area of 44,000m² across 11 company owned Cash & Carry outlets
 - World-class logistics network: 33 000 m² centralised warehouse
- An aggregate purchase price of CHF100.8m (R1 563.8m*) for 100% of ordinary share capital
 - › 60% of issued ordinary shares acquired on effective date (1 April 2016) for CHF44.5m (paid R725m)
 - › Settled purchase price with short term bridging facility
 - Later repaid from proceeds of equity capital raised
 - › Option to buy remaining 40% of SPAR Switzerland after 5 years for CHF56.3m (R873m*)

* As at date of acquisition announcement on 10 March 2016

LOOKING FORWARD: GROUP PRIORITIES



- Further entrench our values: Passion, Entrepreneurship and Family
- Support **SPAR**'s organic growth
 - › Continue **SPAR** store upgrades: 150 planned in 2016
 - › Focus on retailer profitability
 - › Drive Fresh food offering: Fresh produce, HMR, Butchery and Bakery
- Further investments in warehousing and distribution: Effectively support retail growth
- Drive further opportunities in **BWG Group**
- Bed down **SPAR Switzerland** acquisition

- Trading in **South Africa** expected to remain under pressure
 - › Constrained consumer spending
 - › Food inflation showing signs of increasing as drought effect continues
 - › Unclear economic outlook: Weak currency, increasing interest rates and sovereign credit uncertainty
 - › SPAR maintaining organic growth focus
 - › Very positive about trading outlook for next six months
- Continued economic recovery in **Ireland**: Underpin for BWG Group's second half performance
 - › European summer holiday season in H2 F2016
 - › Complete integration of Londis into BWG supply chain
- Acquisition of **SPAR Switzerland** effective 1 April 2016
 - › Expected to make a positive contribution in F2016
- **SPAR's** business model remains robust
 - › Grounded in voluntary trading relationship with network of independent retailers
 - › Strong relationships with retailers



DISCLAIMER



This presentation contains forward-looking statements about the company's operations and financial conditions.

They are based on **SPAR** Group Limited's best estimates and information at the time of writing. They are nonetheless subject to significant uncertainties and contingencies many of which are beyond the control of the company. Unanticipated events will occur and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the company or its joint ventures as well as other factors. Any of these factors may materially affect the company's future business activities and its ongoing financial results.

