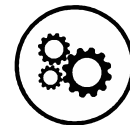




## SPAR RESULTS PRESENTATION

for the six months ended 31 March 2015



<b>INTRODUCTION: SPAR GROUP PERFORMANCE SUMMARY SALIENT FEATURES</b>	Graham O'Connor, CEO
<b>BUSINESS ENVIRONMENT</b>	
<b>FINANCIAL OVERVIEW</b>	Mark Godfrey, CFO
<b>OPERATIONAL REVIEW</b>	Graham O'Connor, CEO
<b>LOOKING FORWARD</b>	
<b>PROSPECTS</b>	
<b>QUESTIONS</b>	



# INTRODUCTION

Graham O'Connor

CEO

## SPAR International: Present in 40 countries following entry into 10 new territories in Asia, Africa and Eastern Europe during 2014

- 12 314 stores €32bn p.a. turnover
- South Africa is the second biggest SPAR country by turnover
- Ireland is fifth biggest SPAR country by turnover



## Southern Africa: Balanced portfolio of 1 897 stores across eight brands with R78.6bn retail turnover

- Groceries + fresh produce, liquor, pharmaceuticals and building material
- Offering spans consumer sectors from high to low LSMs
- Seven (+ satellites) distribution centres: 237 000m<sup>3</sup> warehousing space (including Imports)
- Handle 70% of SPAR's turnover + 30% directly from third party suppliers
- 111.8m cases dispatched in H1 2015
- Distance travelled 16.4 m km in H1 2015 (vs 29.9 m kms travelled in F2014)





## Ireland/South West England: BWG services >1 100 stores across 4 brands, ~€1.2bn (ZAR16.8bn) retail turnover

- Wholesale and distribution of groceries + fresh produce, liquor to retail/catering sectors
- Well established in convenience market
- 22 300m<sup>2</sup> stocking 4 600 ambient SKUs and 884 alcohol SKUs in Ireland\*
- 10.4m cases dispatched in the financial year in Ireland



## 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

**Good trading performance from SPAR South Africa in spite tough trading environment**

**First full period of consolidation for BWG/SPAR Ireland: Trading results in line with expectation**

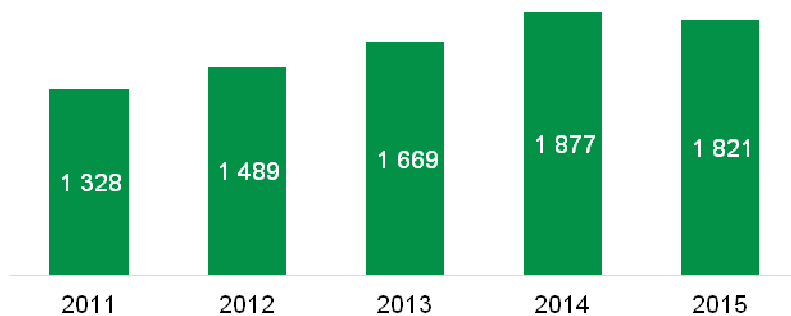
**Robust results reported by SPAR: Ex-warehouse distribution up & strong uptake of house brands**

**TOPS extended its strong growth trajectory**

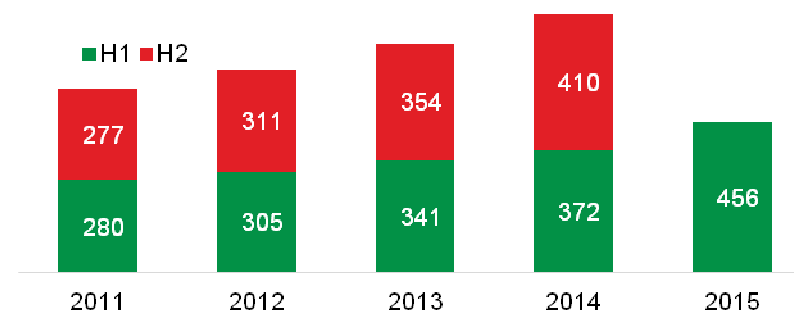
**Distribution and logistics volumes up 5.6%: Capacity expansion projects in progress**

**BWG Group : Acquisition of ADM Londis & Chilled product distribution migrated in-house**

Six months: Net asset value per share (cents)



Six months: Headline earnings per share (cents)



## SALIENT FEATURES



R million	H1 2015	H1 2014	Change (%)
Turnover	36 024.4	25 605.8	+40.7
Gross profit	3 089.7	2 053.5	+50.5
Gross profit (%)	8.6	8.0	
Operating profit	1 150.2	889.3	29.3
Profit after tax	783.6	642.9	21.9
Headline earnings per share (cents)	455.5	372.0	22.4
Dividend per share (cents)	239	195.0	+22.6
Return on equity (%)	24.5	21.0	+16.7

## South Africa

- Pedestrian economic growth
- Power supply disruptions
- Continued pressure on consumer spending
  - › High levels of unemployment
  - › Indebtedness and rising utility costs
- Internally measured food inflation relatively low at 5.4%
- Highly competitive across all segments of SPAR's business

## Ireland

- 4.8% GDP growth in 2014: Forecast 4.0% in 2015
- Decreasing unemployment
  - › Lowest rate since 2009
- Improving consumer spending
  - › Higher disposable income with income tax reductions and reduced mortgage costs
- Negative food inflation
- Discounting remains a major driver in retail
- 2% wage inflation





# FINANCIAL OVERVIEW

Mark Godfrey

CFO

## FINANCIAL OVERVIEW: TURNOVER



R million	H1 2015	H1 2014	Change (%)
SPAR/TOPS	25 442.5	22 938.9	+10.9
Build it	2 918.5	2 666.9	+9.4
<b>Total South Africa</b>	<b>28 361.0</b>	<b>25 605.8</b>	<b>+10.8</b>
<i>Liquor sales (SPAR/TOPS)</i>	<i>2 442.5</i>	<i>2 090.2</i>	<i>+16.9</i>
Ireland	7 663.4	-	-
<b>Total Group</b>	<b>36 024.4</b>	<b>25 605.8</b>	<b>+40.7</b>

- SPAR Southern Africa: Growth of 10.8% in local markets vs 5.4% food inflation
- Exceptional liquor sales growth of 16.9%
- Building materials impacted by high levels of supplier competition and restricted consumer spending
- SPAR Ireland achieved 2.3% Euro-denominated growth: Ahead of Irish convenience market

## FINANCIAL OVERVIEW: GROSS MARGINS



	Turnover (Rm)	H1 2015 (GP%)	H1 2014 (GP%)
Normal business	28 145.2	7.82	7.84
Retail division (net)	92.1	16.78	15.58
Imports – Build it	123.7	21.48	20.21
<b>Total South Africa</b>	<b>28 361.0</b>	<b>8.08</b>	<b>8.02</b>
Ireland	7 663.4	10.42	-
<b>Total Group</b>	<b>36 024.4</b>	<b>8.58</b>	<b>8.02</b>

### Stronger ex-warehouse sales:

- Warehouse
  - Dry 46.5% vs 46.1%
  - Perishables 15.7% vs 14.8%
  - 62.1% vs 60.9%
- Dropshipment 37.9% vs 39.1%

## FINANCIAL OVERVIEW: INFLATION PER SEGMENT



	H1 2015	H1 2014
SPAR business	5.5% <sup>1</sup>	4.7%
Liquor	6.8%	5.7%
Build it	c. 3.0% <sup>2</sup>	4.5%

1. SPAR's budgeted expectations for 2015 remain:

- › SA food 6.0%
- › Building materials 3.5%
- › Ireland 0.5%

2. Building material inflation tracking at c. 3.0% for first half inclusive of deflation in price of cement estimated at -1.0% for the period

	H1 2015	H1 2014	Increase (%)
South Africa	1 494.8	1 382.8	+8.1
Ireland	796.6	-	-
<b>Total Group</b>	<b>2 291.4</b>	<b>1 382.8</b>	<b>+65.7</b>

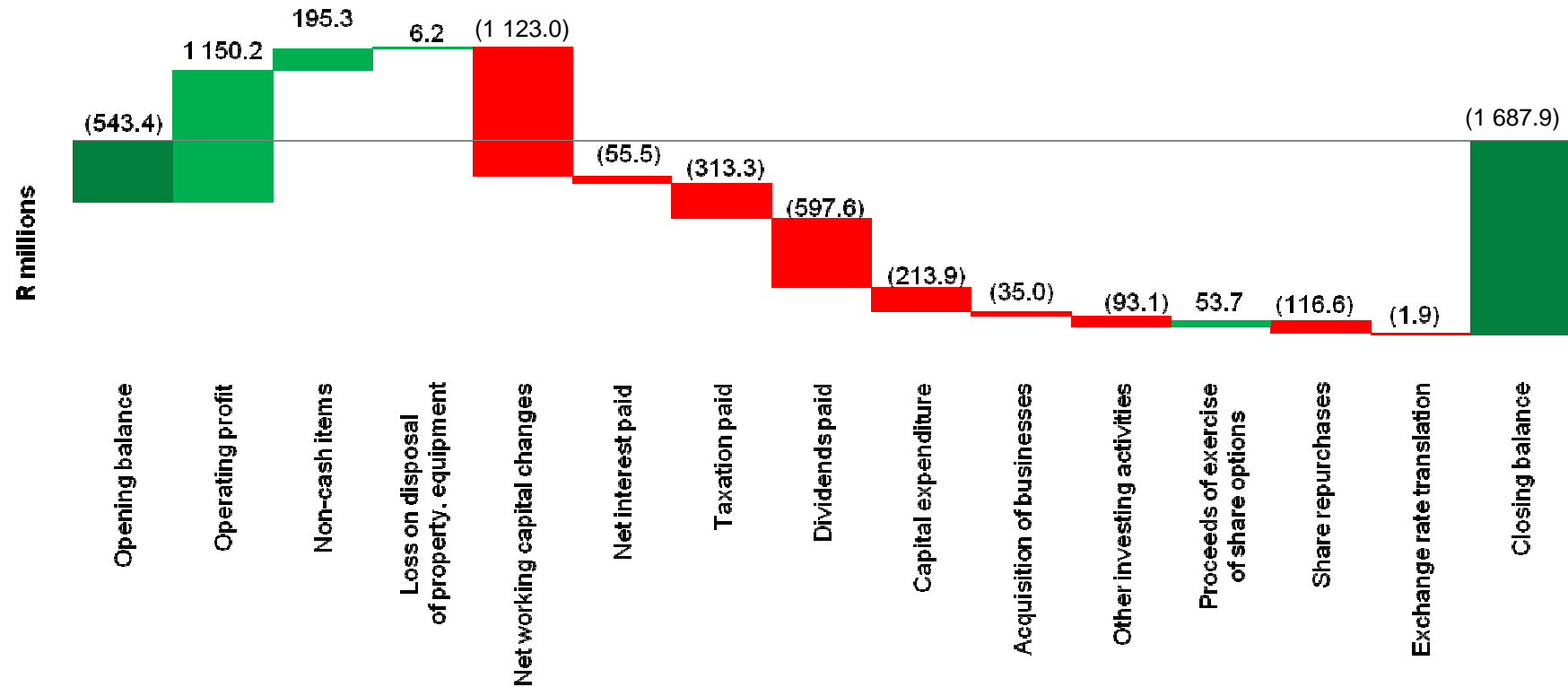
### South Africa:

- Lower fuel prices despite strong volume growth
- Higher cross-border transport costs due to demand in Namibia and Botswana absorbed fuel benefit
- Increase in marketing expenditure to defend position in domestic market
- R43.7m FX gain on valuation of BWG minority purchase obligation

### Ireland:

- Overall costs under budget by €0.8m, despite showing an increase of +9%

# FINANCIAL OVERVIEW: CASHFLOW



- Operating profit up 29.3%: Turnover growth + BWG acquisition
- Net working capital changes and timing of payments
- Resumed capex programme : Investments to increase capacity at KZN and South Rand + SPAR Ireland

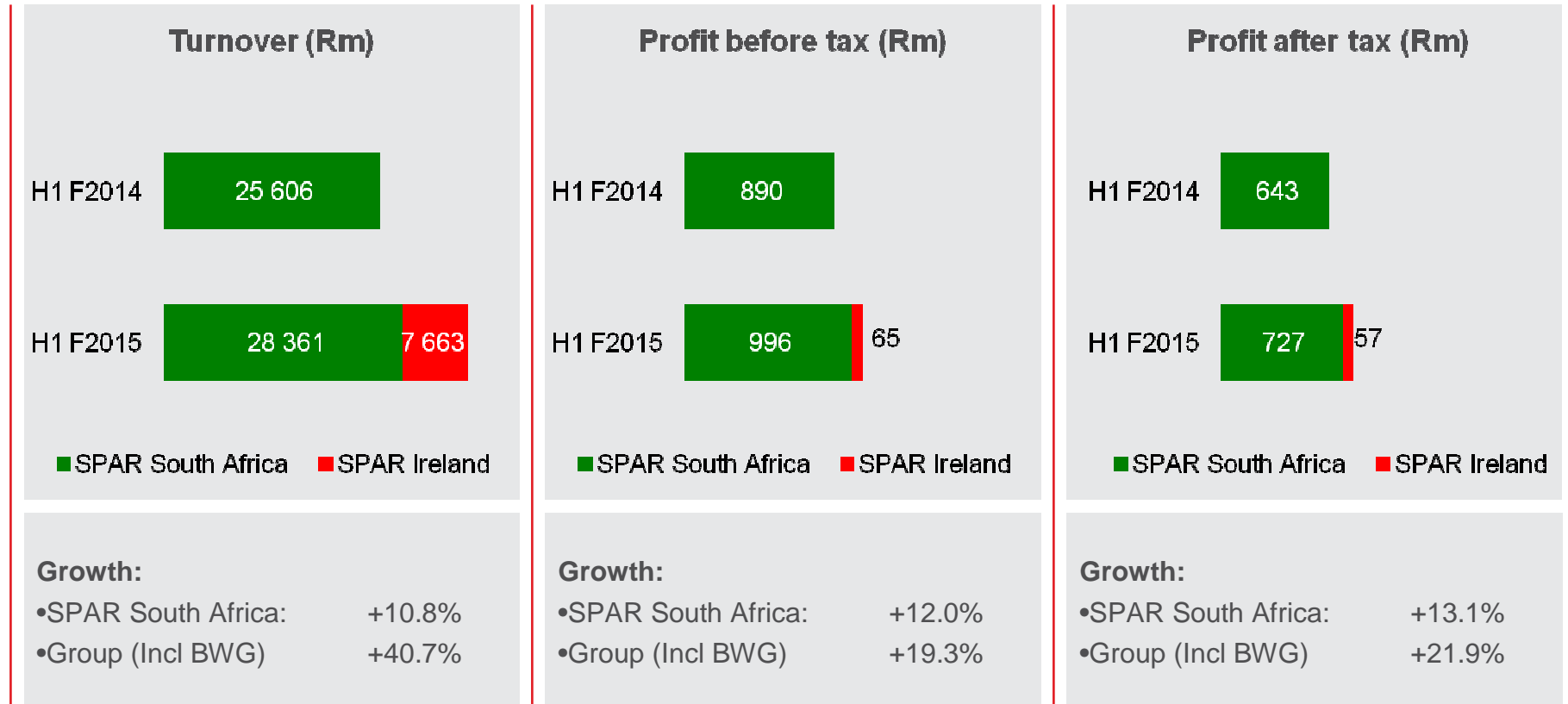
## FINANCIAL OVERVIEW: CASH FLOW (continued)



Rm	H1 2015	H1 2014
Cash flow from trading	1 351.7	998.0
Working capital changes	(1 123.0)	(995.9)
- Decrease/(increase) in inventory	(348.8)	(306.4)
- (Increase) in trade receivables	(74.2)	(118.8)
- (Decrease)/increase in trade payables	(700.0)	(570.7)
Cash generated from operations	228.7	2.1
Interest (net paid)	(55.5)	(0.8)
Taxation paid	(313.3)	(255.6)
Dividends paid	(597.6)	(529.5)
Capex spend	(213.9)	(95.8)
Acquisition of business	(35.0)	(11.6)
Loans/share activity	(74.9)	(97.8)
Repayment of borrowings	(81.1)	(-)
<b>Net cash outflow</b>	<b>(1 142.6)*</b>	<b>(989.0)</b>

\* Includes negative foreign currency translation adjustment of (R1.9m)

# FINANCIAL OVERVIEW: COMPARATIVE TRADING





## FINANCIAL OVERVIEW: IMPACT OF SPAR IRELAND: KEY METRICS



R million	SPAR Southern Africa	SPAR Ireland	Group
<b>Income statement</b>			
Turnover	28 361.0	7 663.4	36 024.4
Gross profit	2 291.5	798.2	3 089.7
<i>Gross margin</i>	8.1%	10.4%	8.6%
Operating expenses	(1 494.8)	(796.6)	(2 291.4)
Profit before tax	996.0	65.1	1 061.1
Profit after tax	727.0	56.6	783.6
<i>Earnings per share (cents)</i>	420.1	32.7	452.8
<i>Headline earnings per share (cents)</i>	420.8	34.7	455.5

## FINANCIAL OVERVIEW: IMPACT OF SPAR IRELAND: KEY METRICS



R million	SPAR Southern Africa	SPAR Ireland	Group
<b>Balance sheet</b>			
Property, plant and equipment	1 825.8	1 006.4	2 832.2
Goodwill	420.2	1 963.4	2 573.2
Current assets	8 818.8	2 530.0	11 348.8
Current liabilities	8.290.9	2 770.3	11 061.2
Long-term liabilities	779.9	2 069.8	2 849.7
<i>Net asset value per share (cents)</i>	<i>1 772.3</i>	<i>400.7*</i>	<i>1 821.2</i>

\* Ignores the effect of consolidation entries

## CAPITAL EXPENDITURE: INCREASING DISTRIBUTION CAPACITY



Rm	H1 2015	H1 2014
Investing to expand operations	(150.6)	(64.8)
Investment to maintain operations	(63.3)	(31.0)
- Replacement of property, plant and equipment	(68.1)	(31.3)
- Proceeds on disposal of property, plant and equipment	4.8	0.3
Acquisition of business/subsidiaries	(35.0)	(11.6)

- KwaZulu-Natal perishables facility expansion
- Initial work at South Rand slow moving product facility (“inland consolidation centre”)
- Construction of chilled warehousing facility at BWG Kilcarbery (Dublin national distribution centre)
- Purchase of 3 local retail stores to be on-sold in due course



# OPERATIONAL REVIEW

Graham O'Connor

## OPERATIONAL REVIEW: RETAIL PERFORMANCE: TURNOVER



	Total growth	Like for like
SPAR	+9.2%	+7.7%
TOPS	+19.6%	+14.9%
Build it	+9.0%	+7.2%

- Continued development of **SPAR** house brands paying off: Up 20.8%
- **TOPS** gaining further market share: Retail growth of 19.6%
- Wholesale growth exceeded **Build it** retail growth

## Wholesale turnover growth continues to exceed retail turnover growth

- Continued recognition of SPAR's merchandising, distribution and logistics services
- 20.8% growth from house brands to R3.2bn

## Same store turnover up 7.7%: Exceptional result

- Food inflation: 5.4%

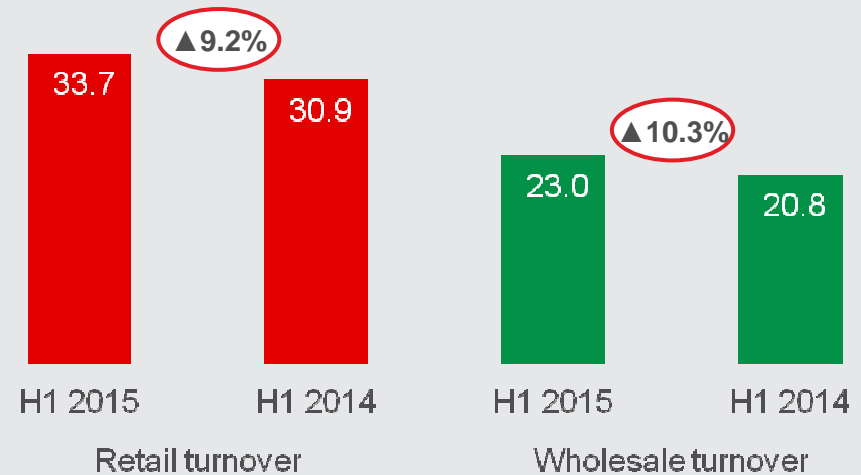
## Organic growth focus

- 56 substantial store revamps: >340 stores revamped in last 2 years

## New business

- New store openings: 14 bringing total SPAR stores to 879
- Net retail space up 1.3%

Turnover analysis (Rbn)



# OPERATIONAL PERFORMANCE: TOPS



## TOPS maintained strong growth trajectory

- 19.6% increase in retail turnover

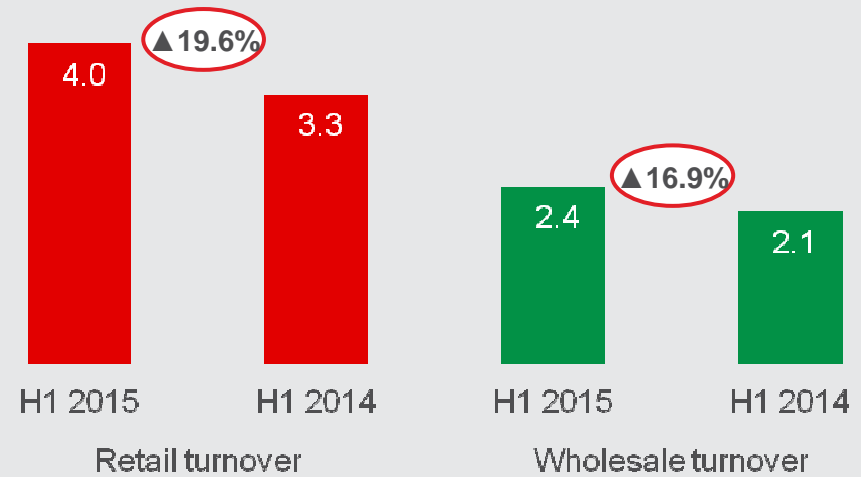
Exceptional same store retail growth of 14.9%

Wholesale turnover up 16.9%

21 new stores opened: Total of 639 stores

Remains the consumer's Liquor Retailer of Choice

## Turnover analysis (Rbn)



# OPERATIONAL PERFORMANCE: BUILD IT



## Performance impacted by tough markets

- Cement prices impacted by supplier competition
- Constrained consumer spending, especially in rural markets
- 9.0% retail sales growth
- Strong growth in neighbouring countries

**Solid same store growth of 7.2%**

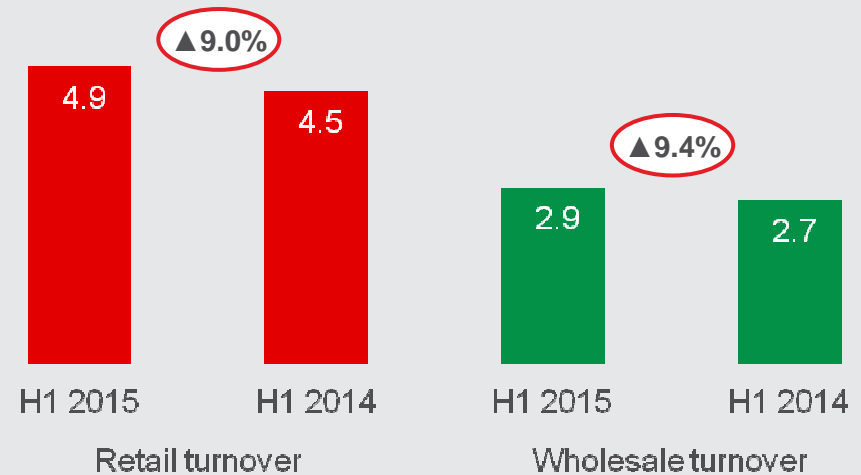
**Wholesale turnover up 9.4%**

**Sales of house brand imports up 6.8%**

**298 stores at year-end**

- 4 new stores opened

## Turnover analysis (Rbn)





## First full period of consolidation

- 2.3% Euro-denominated revenue growth vs reported -1% food deflation in convenience market
- Lower seasonal revenues during Northern hemisphere winter
- Gross margin up to 10.4% due to product mix
- Operating profit in line with budget

## Actuarial loss of R134.6m in retained earnings

- Lower discount rate to calculate defined benefit pension plan liabilities



## SPAR and Mace

- Grew market share in forecourt and convenience sectors

## EUROSPAR

- Pressure across supermarket sector affected trading performance
- Management interventions to address issues

## Chilled product distribution brought in-house

- Construction of new chilled facility completed on budget
- Relocation to national distribution centre from May 2015



### Agreement to acquire ADM Londis

- Trading business purchased for €23m
- 200 convenience, forecourt and supermarket store throughout Ireland with annual sales ~€200m
- Offer accepted by shareholders
- Irish Competition Authority approval expected by June 2015
- BWG to integrate Londis retailers into existing business supply chain



# OPERATIONAL PERFORMANCE: DISTRIBUTION (SOUTH AFRICA)



IMPORTS WAREHOUSE

Build it

Imports Centre

VALUE

NORTH RAND

LOWVELD

WESTERN CAPE

SOUTH RAND

EASTERN CAPE

KZN DRY

KZN PERISHABLES

### Volumes handled up 5.6%: 111.8 million cases despatched

### Expanding distribution capacity to service independent retailers' growing volume requirements

- Progress with extension to KwaZulu-Natal perishable facility: Completion expected by September 2015
- Orders placed for crane-system to be installed at South Rand's slow moving product facility: Commissioning planned by end 2015
- Finalisation of land rezoning in Lanseria area to develop 8<sup>th</sup> regional distribution centre pending: Transfer not expected in FY2015

### Capex budget for South Africa: R350 million

- Property: R170m
- Vehicles/equipment: R90m
- Computers: R80m
- Other: R10m



# LOOKING FORWARD

Graham O'Connor

**Entrench our values: Passion, Entrepreneurship and Family**

**Top priority is to drive SPAR's organic growth**

- Continue **SPAR** store upgrades: 180 planned in 2015 (56 completed)





2010  
**168 Stores**

2012  
**140 Stores**

2011  
**126 Stores**

2013  
**155 Stores**

STORE  
UPGRADES  
& REVAMPS

2014  
**185 Stores**

# AVONMORE SUPERSPAR



# AVONMORE SUPERSPAR



**Entrench our values: Passion, Entrepreneurship and Family**

**Top priority is to drive SPAR's organic growth**

- Continue **SPAR** store upgrades: 180 planned in 2015 (56 completed)
- Drive Fresh food offering: Fresh produce, HMR, Butchery and Bakery







Fresh Drive  
HMR





### **Entrench our values: Passion, Entrepreneurship and Family**

#### **Top priority is to drive SPAR's organic growth**

- Continue **SPAR** store upgrades: 180 planned in 2015 (56 completed)
- Drive Fresh food offering: Fresh produce, HMR, Butchery and Bakery
- Support retailer profitability

#### **Drive opportunities in BWG**

- Chilled distribution
- Revamp of **EUROSPAR**, **SPAR** and **MACE** stores
- Complete Londis acquisition
- Complete refinancing

#### **Finalise agreements with partners in Zimbabwe and Zambia**

#### **Drive Build it and TRENDIY**

#### **Continue TOPS roll out**





First Store Launched in 2002

**641 Stores in 2015**

Turnover

**590 million Euros**



## **Continued pressure on consumer spending in South Africa anticipated**

- Subdued economic growth and resultant lack of job creation
- Increased likelihood of food inflation impact of drought on maize pricing
- Risk of increased load-shedding in winter could pose additional pressure on retail sales

## **Strong performance of SPAR's brands in South Africa in H1 place it on solid footing but competitive retail trading environment unlikely to ease**

### **Encouraging signs of recovery in Irish retail market**

- Economic recovery has been confirmed
- Positive fundamentals for consumer spending: Tax reductions, increased employment and reduced mortgage costs
- BWG acquisition expected to impact revenue growth performance in H2 as it enters comparative base

### **Strong trading performance in first 7 weeks of new period**

- Timing of Easter holidays

### **SPAR is well positioned to maintain growth in H2**

# QUESTIONS



## DISCLAIMER



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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.