



**THE SPAR GROUP LTD
INTERIM RESULTS
PRESENTATION**

FOR THE SIX
MONTHS ENDED
31 MARCH 2019



OVERVIEW & HIGHLIGHTS

Graham O'Connor, CEO

FINANCIAL OVERVIEW

Mark Godfrey, CFO

OPERATIONAL UPDATE

Graham O'Connor, CEO

OUTLOOK

Graham O'Connor, CEO

QUESTIONS

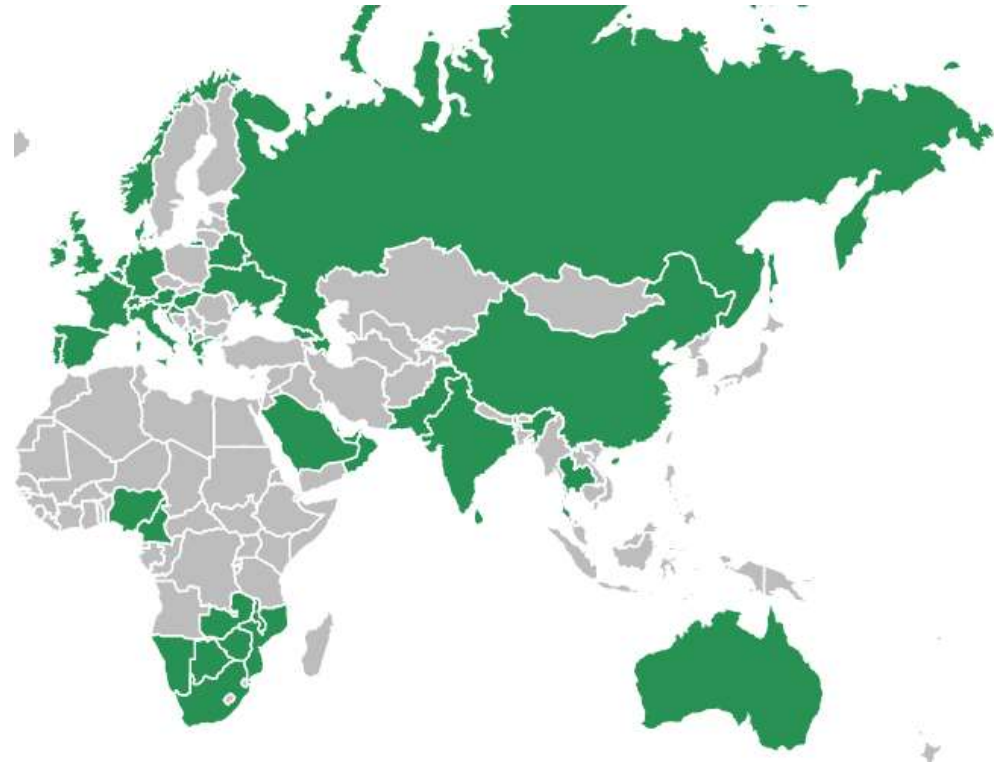




OVERVIEW & HIGHLIGHTS

GRAHAM O'CONNOR
CEO

- 48 countries
- 246 distribution centres
- > 13,000 stores
- 13.6m customers served per day
- Global wholesale turnover
 - EUR35.8 billion
 - +3.8% year-on-year
- Ranking in turnover
 - SPAR SA – 2nd
 - SPAR IRE – 10th
 - SPAR SWZ – 17th



**Independent wholesalers and retailers working together
serving communities around the world**

BETTER TOGETHER

SOUTHERN AFRICA

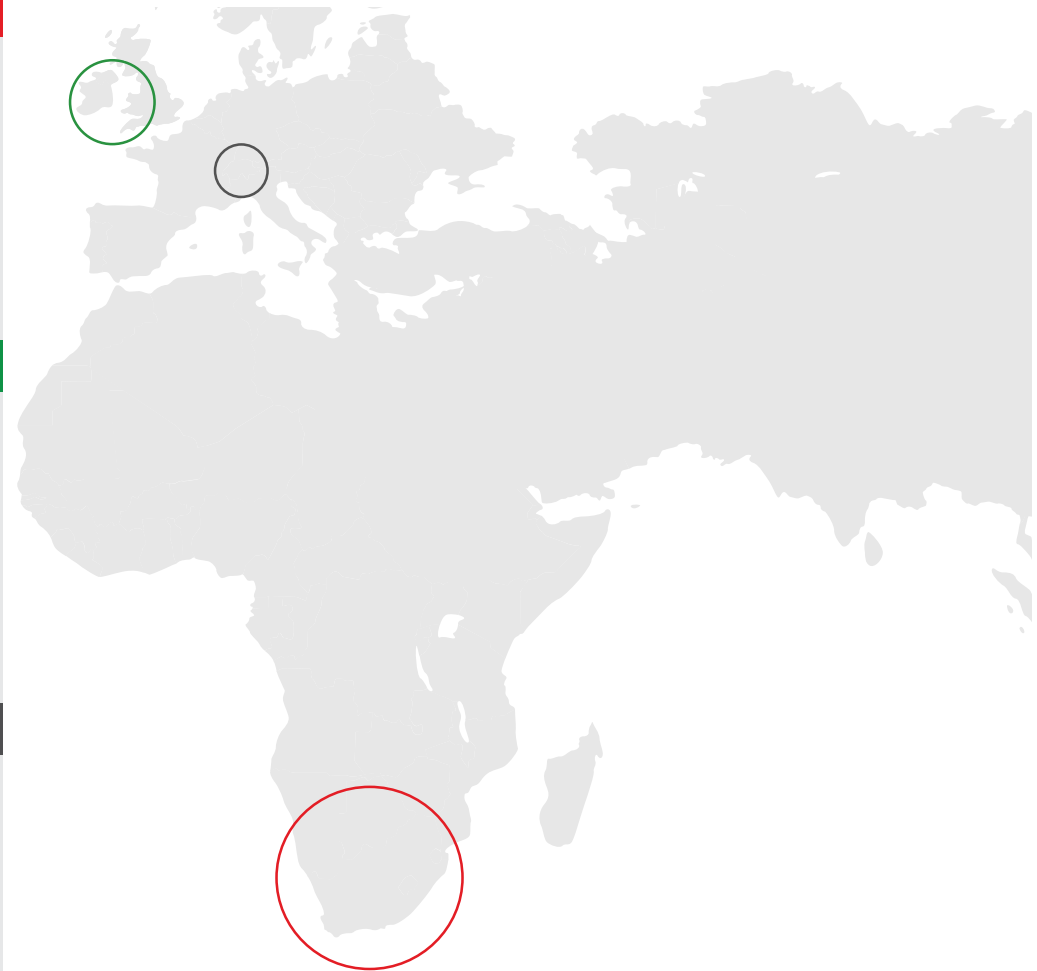
- 2 308 stores
- 295 500m² warehousing space
- R37.3bn wholesale turnover
- R1 094.9m operating profit

IRELAND

- 1 381 stores + 26 cash & carry outlets
- 34 560m² warehousing space
- R11.9bn wholesale turnover
- R270.3m operating profit

SWITZERLAND

- 327 stores + 11 cash & carry outlets
- 44 000m² warehousing space
- R5.1bn wholesale turnover
- R17.3m operating profit



GROUP

- Overall strong performance; turnover up 8.6% to R54.3bn
- Continued capital investment in wholesale capacity and retail offering

SOUTHERN AFRICA

- Strong total turnover growth of 7.7%
 - Excellent performance from TOPS at SPAR liquor +19.3%
 - Build it continues to beat expectations +8.3%

IRELAND

- Excellent H1 performance
- Value enhancing acquisitions and integrations
 - 4 Aces Wholesale business and Corrib Foods

SWITZERLAND

- Weak first half, but well positioned for better H2



Group turnover **+8.6% to R54.2bn**



Southern Africa turnover **+7.7% to R37.3bn**



Group operating profit **+5.1% to R1.3bn**



Normalised* headline earnings per share **+7.5% to 525.9 cents**



Dividend per share **+5.2% to 284 cents**



Net asset value per share **+10.1% to 3 662.5 cents**

*Normalised headline earnings per share is calculated on earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisition costs.



FINANCIAL OVERVIEW

MARK GODFREY
CFO

SUMMARY OF SALIENT FEATURES

Rmillion	H1 2019	H1 2018 Restated	Change (%)
Revenue – sale of merchandise	54 273.2	49 981.5	+8.6
Gross profit	5 650.7	5 244.9	+7.7
<i>Gross profit (%)</i>	<i>10.41%</i>	<i>10.49%</i>	-
Operating profit	1 382.5	1 314.9	+5.1
<i>Operating margin (%)</i>	<i>2.55%</i>	<i>2.63%</i>	-
Profit after tax	1 001.2	1 029.4	-2.8
Headline earnings per share (cents)**	523.6	542.1	-3.4
Normalised* headline earnings per share (cents)**	525.9	489.1	+7.5
Dividend per ordinary share (cents)	284.0	270.0	+5.2
Net asset value per share (cents)**	3 662.5	3 328.0	+10.1

* *Normalised HEPS is calculated on headline earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisitions costs*

** *Weighted average number of ordinary shares (net of treasury shares) 192 554 957 (2018: 192 561 398)*

Rmillion	As reported H1 2019	IFRS 15	IAS 2	WESBANK IAS 39	H1 2019
Revenue – sale of merchandise	54 273.2	(12.2)	(53.5)		54 338.9
Cost of Sales	(48 622.5)		361.9		(48 984.4)
Gross Profit	5 650.7	(12.2)	308.4		5 354.5
<i>Gross Profit %</i>	10.4%				9.9%
Revenue – other	975.5	975.5			0.0
Other income	73.1	(950.9)	18.8	(1.3)	1 006.5
Net operating expenses	(5 316.8)	(12.4)	(327.2)		(4 977.2)
<i>Net operating expenses %</i>	9.8%				9.2%
Operating profit	1 382.5			(1.3)	1 383.8

- Impact of IFRS 16

REVENUE - OTHER AND OTHER INCOME



	Southern Africa		Ireland		Switzerland		SPAR Group	
	H1 2019	H1 2018 Restated	H1 2019	H1 2018 Restated	H1 2019	H1 2018 Restated	H1 2019	H1 2018 Restated
Revenue - other	342.1	344.7	220.8	199.9	412.6	376.6	975.5	921.2
Marketing & services revenue	342.1	344.7	142.1	125.3	315.0	284.1	799.2	754.1
Franchise fee revenue	-	-	78.7	74.6	91.3	82.4	170.0	157.0
Other receipts	-	-	-	-	6.3	10.1	6.3	10.1
Other Income	40.4	37.8	12.9	8.6	19.8	18.9	73.1	65.6
Service income	11.4	8.9	-	-	11.8	12.2	23.2	21.1
Rental income	13.0	8.3	12.9	8.6	2.7	2.2	28.6	19.1
Other receipts	16.0	20.8	-	-	5.3	4.5	21.3	25.4

Revenue – other: this relates to ancillary sales and services which comprise of marketing and promotional activities provided by the group. The group is satisfied that these services are distinct within the context of the relevant contracts.

Other income: this represents income that is derived from activities that are incidental to the group's main trading activities and ancillary services offered.

Rmillion	Southern Africa	Ireland	Switzerland	SPAR Group
Income statement				
Revenue – sale of merchandise	37 315.7	11 855.1	5 102.4	54 273.2
Gross profit	3 265.2	1 517.1	868.4	5 650.7
<i>Gross profit %</i>	8.8%	12.8%	17.0%	10.4%
Operating expenses	2 554.9*	1 478.4*	1 283.5	5 316.8
Profit/(loss) before tax	1 065.3*	256.4*	(27.4)	1 294.3
Profit/(loss) after tax	796.3*	233.4*	(28.5)	1 001.2
<i>Earnings per share (cents) – by segment contribution</i>	427.7	108.5	(14.8)	520.0
<i>Headline earnings per share (cents) – by segment contribution</i>	428.7	109.6	(13.3)	523.6

* adjusted for inter-group charges

TURNOVER



Rmillion	H1 2019	H1 2018	Change (%)
SPAR/TOPS	32 853.2	30 559.7	+7.5
<i>Liquor sales</i>	4 014.9	3 366.7	+19.3
Build it	3 966.9	3 661.7	+8.3
Southern Africa (excl. S Buys)	36 820.1	34 221.4	+7.6
S Buys – Pharmaceutical business	495.6	438.4	+13.0
Total Southern Africa	37 315.7	34 659.8	+7.7
Ireland	11 855.1	10 487.9	+13.0
Switzerland	5 102.4	4 833.8	+5.6
Total Group	54 273.2	49 981.5	+8.6

Group

- Foreign generated turnover in ZAR terms: 31.2% (H1 2018: 30.7%)

SPAR Southern Africa

- Impacted by constrained consumer spending and low inflation levels

SPAR Ireland

- SPAR Ireland (EUR): strong growth of +8.0%
- +2.5% comparable business
- +5.5% newly acquired businesses

SPAR Switzerland

- SPAR Switzerland (CHF): -1.8%
- still impacted by strategic decision to close/sell corporate stores
- wholesale business turnover up 3.3%

	H1 2019	H1 2018
SPAR wholesale business	1.9%	1.9%
Liquor	5.9%	3.9%
Build it	c.4.0%	c.3.4%

SPAR Southern Africa

- Current trend (regional ranges) 1.3% to 3.0%
- Real risk of inflation increasing in the short term
- Building material inflation budget at c.4.1% for 2019 (current trend in line with this)

SPAR Ireland

- Grocery expected to remain deflationary

	<u>2019 (%)</u>	<u>2018 (%)</u>
• Irish CPI for the period	+1.1	+0.2
• Food and non-alcoholic beverage	-0.6	-0.2
• Alcohol and tobacco	+3.1	+0.1

SPAR Switzerland

- Short term inflation estimate of 0.3%

	<u>2019 (%)</u>	<u>2018 (%)</u>
• Swiss CPI for the period	+0.7	+0.8
• Food and non-alcoholic beverage	+1.0	+0.9
• Alcoholic beverages and tobacco	+1.0	+0.4

Rmillion	H1 2019 (GP%)	H1 2019 Turnover (Rm)	H1 2018 (GP%)
Southern Africa	8.7%	36 820.1	8.9%
S Buys	9.9%	495.6	9.3%
Total Southern Africa	8.8%	37 315.7	8.9%
Ireland	12.8%	11 855.1	12.4%
Switzerland	17.0%	5 102.4	18.0%
Total Group	10.4%	54 273.2	10.5%

SPAR Southern Africa

- Largely impacted by change in sales mix due to strong growth in both liquor and building materials

SPAR Ireland

- Positive trading performance in higher margin convenience sector
- Contribution from Corrib Foods

SPAR Switzerland

- Aggressive marketing campaign in H1

OPERATING EXPENSES



	H1 2019		H1 2018		Increase (%)
	Expenses (Rm)	% of Sales	Expenses (Rm)	% of Sales	
Southern Africa (comparable base)	2 506.8*	6.8%	2 386.3	7.0%	+5.0%
S Buys	48.1	9.7%	40.2	9.2%	19.7%
Southern Africa	2 554.9*	6.8%	2 426.5	7.0%	+5.3%
Ireland	1 478.4	12.5%	1 269.7	12.1%	+16.4%
Switzerland	1 283.5	25.2%	1 220.6	25.3%	+5.2%
Total Group	5 316.8	9.8%	4 916.8	9.8%	8.1%

*After adjusting for inter-group charges

SPAR Southern Africa

- Well managed, with increase contained to 5%, despite continued pressure from employment costs and rising fuel costs
- Fuel costs up 18% (fuel costs represent c.10% of operating expenses)

SPAR Ireland

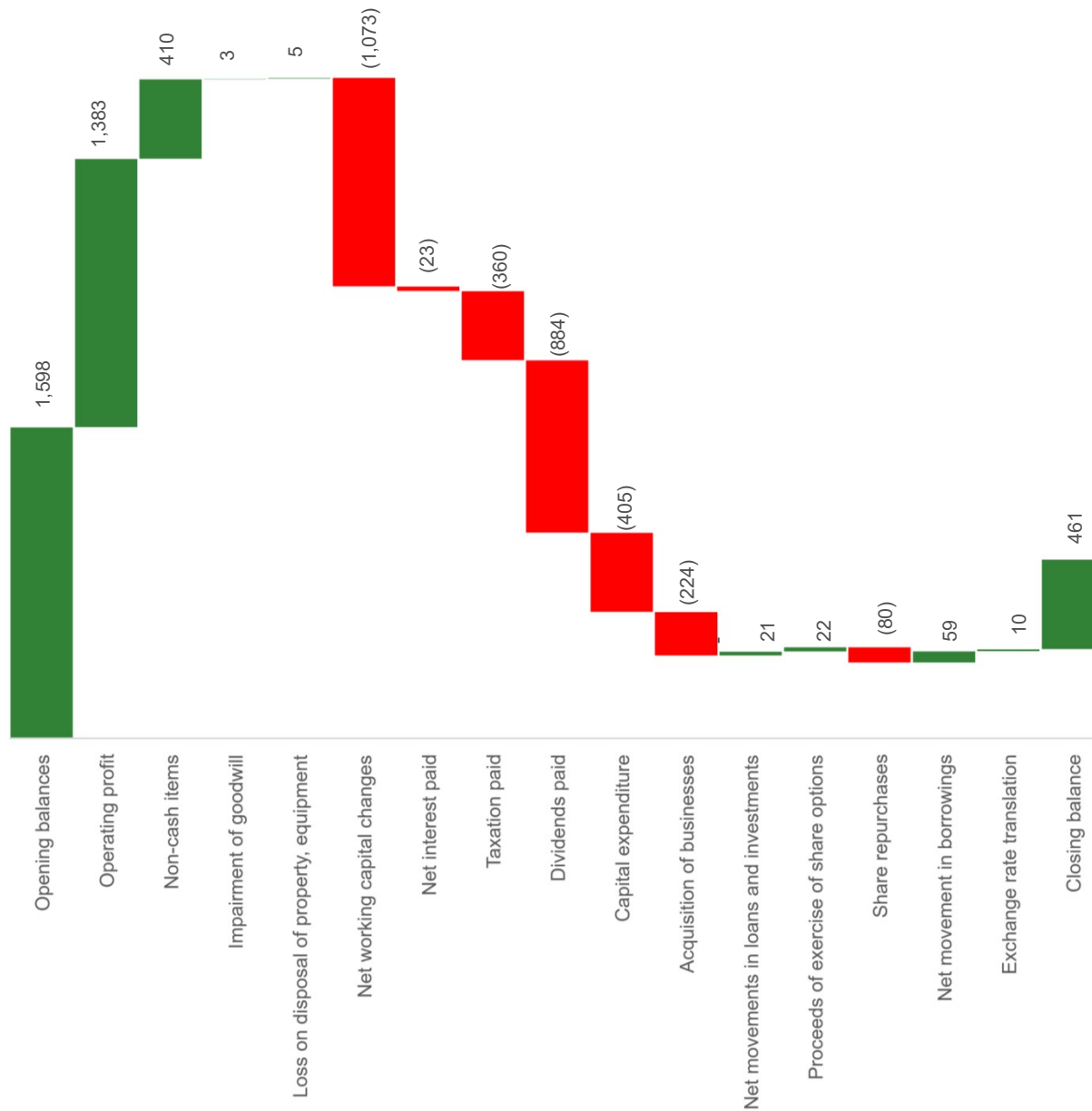
- Increase of 9.7% in EUR terms (15% in ZAR terms)
- Newly acquired 4 Aces and Corrib foods contributed 4.8%
- Major drivers: depreciation; payroll costs linked to turnover; and marketing & selling costs

SPAR Switzerland

- Decrease of 2.1% in CHF terms (increase of 5.2% in ZAR terms)
- General costs reduction drive and disposal of corporate stores
- IAS19 impact: R3.3m debit pension adjustment versus abnormal credit adjustment of R7.7m in H1 FY18

Rmillion	H1 2019	H1 2018
Cash flow from operating activities (adjusted for non-cash items)	1 800.3	1 672.2
Working capital changes	(1 073.1)	(1 643.9)
• Increase in inventory	(385.8)	(250.9)
• Increase in trade receivables	(226.6)	(399.6)
• Decrease in trade payables	(460.7)	(993.4)
Cash generated from operations	727.2	28.3
Interest paid (net)	(23.4)	(30.2)
Taxation paid	(360.1)	(320.8)
Dividends paid	(883.9)	(837.8)
Capital expenditure	(405.3)	(384.9)
Acquisition of businesses	(223.9)	(313.9)
Proceeds from disposal of businesses	-	15.1
Disposal of assets held for sale	-	16.4
Loans/share repurchases	(37.1)	(204.6)
Borrowings repaid/ raised	59.0	(216.8)
Net cash movement	(1 147.5)*	(2 249.2)

* Includes positive foreign currency translation adjustment of R10.1m



- Cash generated from operations: significantly higher at R727.2m
 - Significant decrease in outflows relating to payables in South Africa (payment timings)
 - Significant inflow in trade and other receivables in Ireland
- Business acquisitions of R223.9m (Corrib Foods R185.5m)
- Investment in Capex of R405.3m
- Share repurchases of R80.1m
- Closing cash balance: R460.8m

**ZAR/€ exchange rate:
Oct 2017 - Mar 2018**



**ZAR/€ exchange rate:
Oct 2018 - Mar 2019**



Average rate: ZAR/€		
H1 F2018	F2018	H1 F2019
15.39	15.56	16.11

EARNINGS AND HEADLINE EARNINGS PER SHARE



Rmillion	H1 2019	H1 2018	Change (%)
Profit for the period attributable to ordinary shareholders	1 001.2	1 029.4	-2.7
<u>Adjusted for:</u>			
Net loss on disposal of property, plant and equipment	4.6	7.7	
Impairment of goodwill	2.5	4.5	
Loss / (Profit) on disposal of business		2.2	
Headline Earnings	1 008.3	1 043.8	-3.4
Earnings per share (cents)	520.0	534.6	-2.7
Headline earnings per share (cents)	523.6	542.1	-3.4

RECONCILIATION OF NORMALISED HEPS

Rmillion	H1 2019	H1 2018	Change (%)
Reported headline earnings	1 008.3	1 043.8*	-3.4
Adjusted for:			
• <i>Fair value adjustment (not considered necessary in this period)</i>	-	-	
• <i>Foreign exchange loss/(gain) on minority liability</i>	0.9	(105.7)	
• <i>Business acquisition costs</i>	3.5	3.8	
Normalised headline earnings	1 012.7	941.9	+7.5
Normalised headline earnings per share (cents)	525.9	489.1*	+7.5
<i>Weighted average number of ordinary shares (millions) (net of treasury shares)</i>	192.6	192.6	-
<i>Diluted weighted average number of ordinary shares (millions) (net of treasury shares)</i>	193.8	193.5	

* Restated

Rmillion	H1 2019
Reported headline earnings	1 008.3
Adjusted for:	
• <i>Forex loss on financial liability measurement (non-cash related)</i>	0.9
Adjusted headline earnings	1 009.2
Dividend cover (consistent with H1 2018)	1.85 times
Dividend declared (total payable Rm)	546.9
<i>Shares ranking for dividend at declaration date* ('000s)</i>	192 555
Dividend per share (cents)	284.0

BALANCE SHEET: KEY REGIONAL METRICS



Rmillion	Southern Africa	Ireland	Switzerland	SPAR Group
Balance sheet				
Property, plant and equipment	2 688.6	1 797.7	2 497.8	6 984.1
Goodwill and intangible assets	617.8	3 604.4	321.5	4 577.4
Current assets	12 199.4	4 340.7	2 154.7	18 498.2
Current liabilities	(10 867.0)	(4 621.3)	(1 104.3)	(16 396.0)
Long-term liabilities	(2 129.7)	(2 734.3)	(3 238.0)	(8 156.1)
<i>Net asset value per share (cents)</i>	2 788.6	1 302.6*	391.6*	3 662.5

* Ignores the effect of consolidation entries

Rmillion	H1 2019	H1 2018
Investing to expand operations	(212.1)	(221.5)
Investment to maintain operations	(193.2)	(163.4)
• Replacement of property, plant and equipment	(215.5)	(185.1)
• Proceeds on disposal of property, plant and equipment	22.3	21.7
Acquisition of business/subsidiaries	(223.9)	(313.9)
	(629.2)	(698.8)

- Business acquisition net cash outflows arising on:
 - Corrib Foods - R185.5m
 - Corporate stores in strategic retail locations - R27.1m
 - Settlement of contingent consideration for 4 Aces Wholesale business – R8.7m

Rmillion	Expansion	Replacement	Total H1 FY19
South Africa	50.6	87.8	138.4
Ireland	95.4	82.8	178.2
Switzerland	66.1	44.9	111.0
	212.1	215.5	427.6

SPAR Southern Africa

- Investment in commercial vehicles
- Continuing IT infrastructure upgrades and software development

SPAR Ireland

- Primarily warehouse equipment of R125.8m and further retail store investment

SPAR Switzerland

- Ongoing store refurbishments and upgrades to technology to further enhance retail offering

SUMMARY OF SALIENT FEATURES

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<i>Gross profit (%)</i>	10.4%	10.5%	-
Operating profit	1 382.5	1 314.9	+5.1
<i>Operating margin (%)</i>	2.5%	2.6%	
Profit after tax	1 001.2	1 029.4	-2.8
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OPERATIONAL UPDATE

GRAHAM O'CONNOR
CEO

Distributions centres

- 5.2% increase in cases volume
 - 121.4m cases (H1 FY18: 115.4m cases)
 - Maintained retailer loyalty

Supplier relationships

- Advantage Grocery mirror survey results 2018 (retailer/supplier survey)
- SPAR ranked No.1 relative to peers
 - Overall performance
 - Personnel / Organisation
 - Business relationship
 - good company to do business with
 - creates and sustains a climate of cooperation and trust



Advantage

Retail

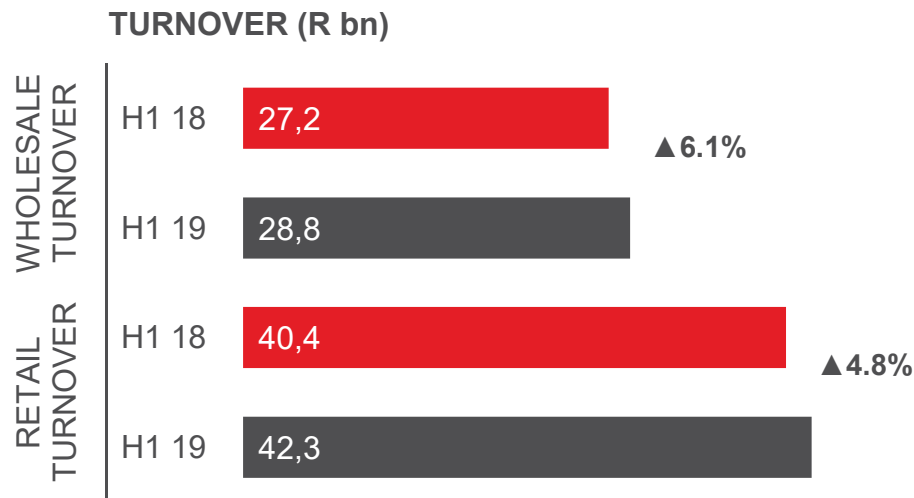
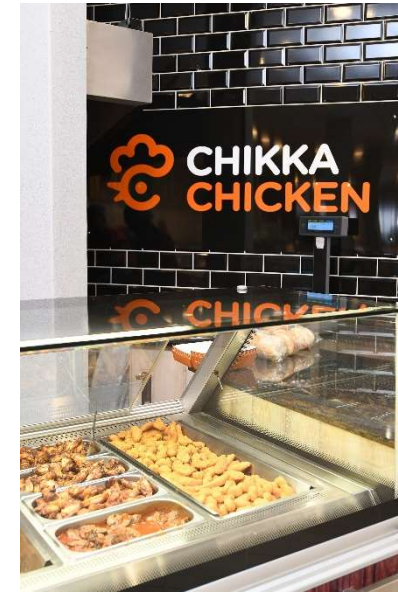
- Strong motivated independent retailers
- Ongoing investments to support retailer profitability through growth across all formats
 - 175 store refurbishments
 - 72 net new stores
 - Total space growth +1.3% (H1 FY18: +2.7%)
 - 2 308 stores, end of H1 FY19
- Encouraging retail performance sales growth despite extremely competitive trading environment



Retail sales	Growth %	Like-for-like %
SPAR	+4.8	+3.8
TOPS	+14.0	+9.2
Build it	+7.0	+4.2

Combined SPAR/TOPS retail sales growth +6.0% and LFL + 4.5%

- Innovation
 - Private label
 - Driving value and quality for customers
 - H1 turnover up +10% to R5.8bn
 - SPAR Express - 39
 - Chikka Chicken offering at deli counter - 398
 - Bean Tree - 283 (various formats)
 - SPAR natural - 32



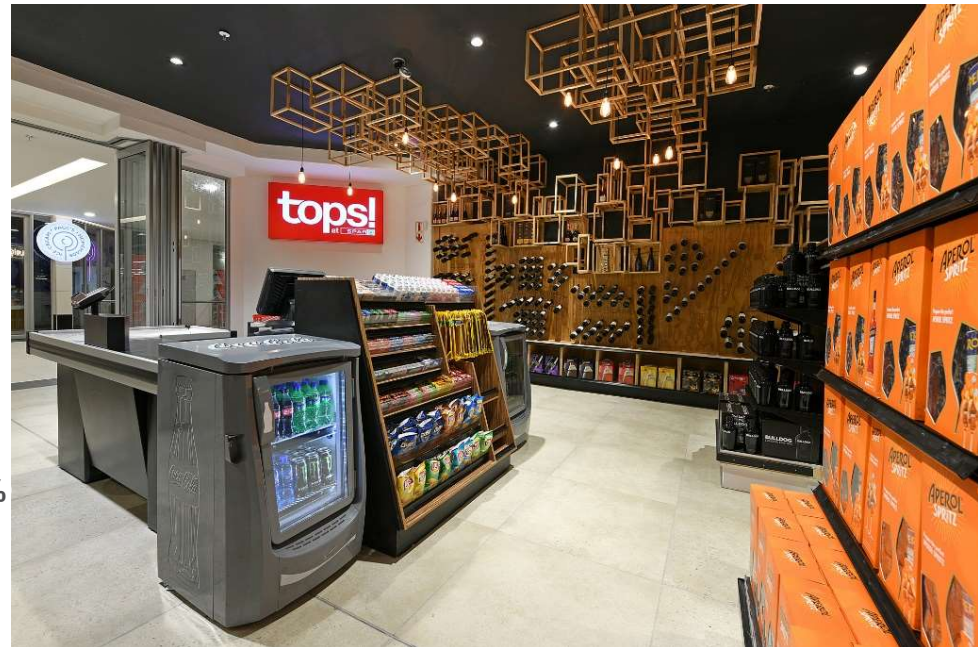
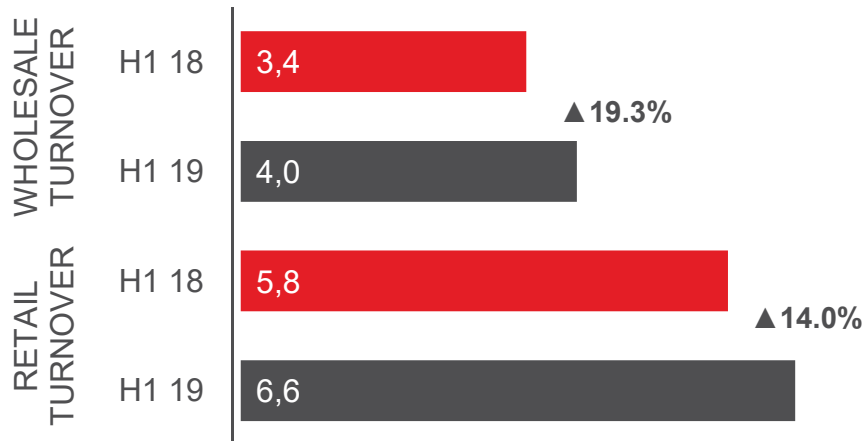
- Retail operations support
 - Driving retail sales momentum and profitability
 - Drive on 'fresh' through store refurbishments
 - Customer service - GUEST programme
- Ongoing marketing support
 - Rewards programme refresh
 - Super Saturdays
 - January budget booster
 - Red campaign
 - Christmas - free shopping for 20 000 customers
- Store portfolio
 - 89 SPAR refurbishments
 - 15 net new stores; 952 stores end of H1



- Retailers can now own more than one TOPS store
- Strong marketing initiatives
 - Brand refresh continues to attract consumers
- 42 upgrades
- 25 net new stores; 799 stores end of H1
- Gin leads the market

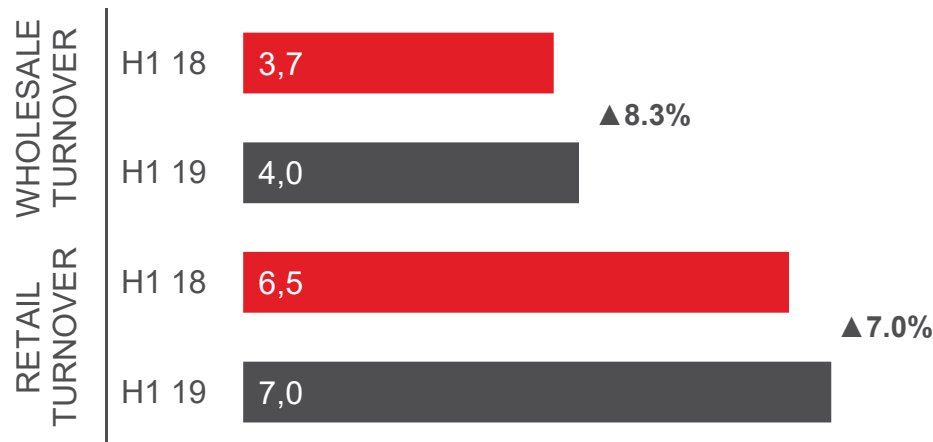


TURNOVER (R bn)



- Market-leading sales growth performance
- Building sector inflation of c.4%
- New brand gaining traction
- Increased retailer loyalty through improved pricing
- Build it house brand sales up +12.4%
- 35 upgrades; 13 net new stores
- 389 stores at end of H1

TURNOVER (R bn)



- Superb performance in Ireland
- World-class convenience retail execution
- Upgrades to stores and innovation
- Strong growth in all retail formats
- Acquisitions (4 Aces Wholesale & Corrib Foods)
- 10 net new stores opened during the half
- 1 381 stores at end of H1



- Core DC turnover +3.3%
- Growth in independent retailers' turnover
- Focus on retail execution
 - Meat & More butchery concept
 - Concept methodology
 - Fresh to go
 - Bean Tree
 - In store bakery & snacking
 - Natural
 - Trinkgenuss
- Additional 12 net new stores
- 327 stores in total end of H1
- Excellent inroads into the market but disappointing profit performance





OUTLOOK

GRAHAM O'CONNOR
CEO

SOUTH AFRICA

- Consumer and business sentiments expected to improve
- Extremely competitive trading environment in medium term
- Food inflation likely to increase, but consumer will remain under pressure

IRELAND

- Ability to adapt to market changes
- Management are confident in delivering further solid results
- Shadow of uncertainty around Brexit remains

SWITZERLAND

- Immediate operational objective
 - Increase sales volumes, while strictly managing margins
- Drive strategic initiatives to further improve the overall performance

GROUP

- Opportunities abroad
 - Sri Lanka
 - Two stores - beating expectations
 - Five more stores by March 2020
 - Poland
 - The group has been awarded the SPAR Licence to operate the brand in Poland, by SPAR International
 - Subject to the approval of the Office of Competition and Consumer Protection, the group is in the final stages of negotiation to acquire the Piotr i Pawel Group
 - Retail chain of 77 supermarket stores with wholesale distribution network
- Management are confident that the group remains well placed to continue delivering value through well-established retail brands in chosen markets

1ST CHOICE BRAND IN THE COMMUNITIES WE SERVE





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.