



RESULTS  
PRESENTATION

FOR THE SIX MONTHS ENDED  
31 DECEMBER 2016

# AGENDA



**OVERVIEW**

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OPERATIONS  
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FORWARD

# GROUP OVERVIEW



## GROUP REVENUE

↑ 2%  
**R61 253 million**

## ONGOING REVENUE<sup>1</sup>

↑ 8%  
**R58 661 million**

## OPERATING PROFIT

↑ 4%  
**R3 181 million**

## ONGOING OPERATING PROFIT<sup>1</sup>

↑ 9%  
**R2 923 million**

## HEPS

↓ 15%  
**682 cents**  
PER SHARE

## EPS

↓ 23%  
**679 cents**  
PER SHARE

## CORE EPS<sup>2</sup>

↓ 8%  
**795 cents**  
PER SHARE

## INTERIM DIVIDEND

↓ 14%  
**320 cents**

ROIC OF 12.2% VS WACC OF 10.0%

NET DEBT:EQUITY RATIO OF 98%  
(INCL PEF SHARES AS EQUITY)

<sup>1</sup> Excludes discontinued operations & businesses held for sale

<sup>2</sup> Core EPS excludes once-off & non-operational items, mainly: amortisation of intangibles arising on acquisitions of R263m; re-measurement of contingent consideration, put option liabilities & business acquisition costs of R51m

# OVERVIEW

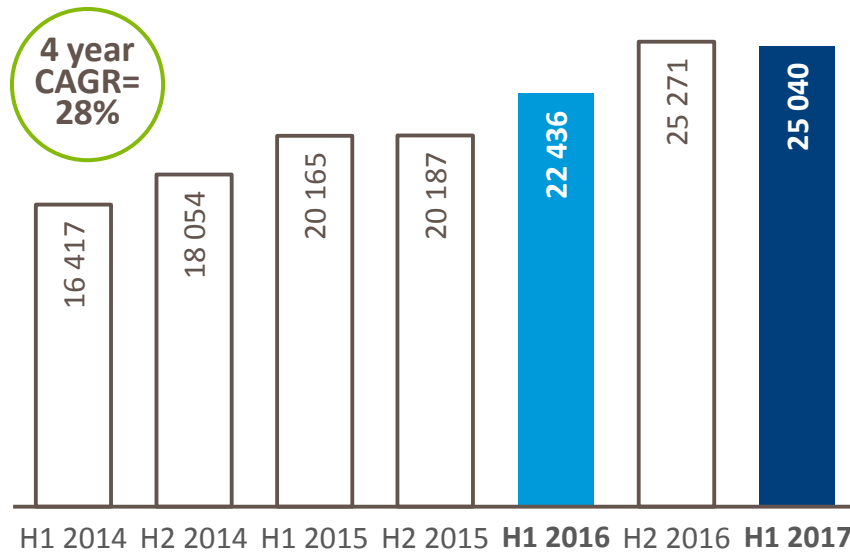


- > Results feature the latter stages of Imperial's strategic, capital, operational, organisational & managerial restructuring
- > Imperial's activities consolidated into two large, increasingly self-sufficient divisions:  
**Imperial Logistics & Motus Corporation**
  - ahead of original plans in many instances
  - reporting according to the new divisional structure for the first time
- > Record H1 2017 revenue & operating profit, supported by the Palletways acquisition, Logistics South Africa & Motor Related Financial Services
- > Currency movements undermined headline earnings
- > Growth of revenue & operating profit from foreign operations

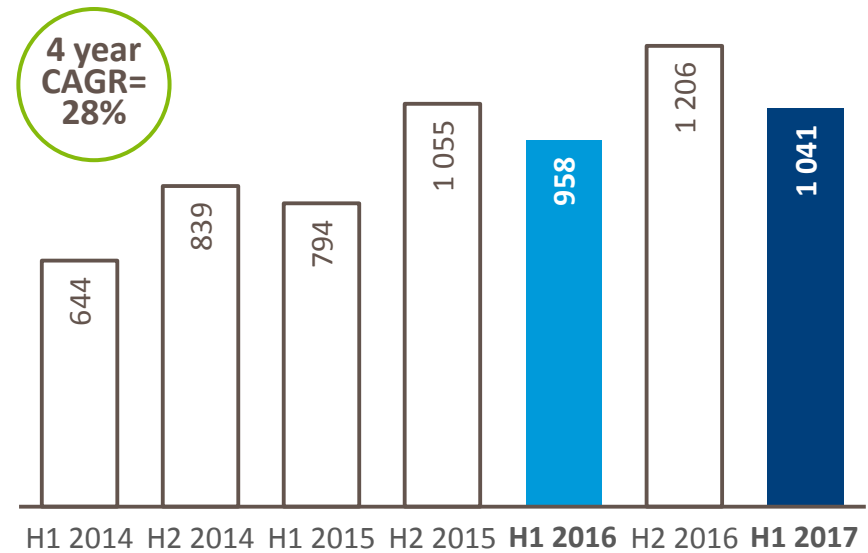
# GROWTH TREND IN FOREIGN OPERATIONS



REVENUE\* (Rm)



OPERATING PROFIT\* (Rm)



- > Foreign revenue up 12% to R25.0bn (**42% of group\***)
- > Foreign operating profit up 9% to R1.0bn (**36% of group\***)

*Growth in foreign operations to offset the limited growth opportunities dictated by Imperial's position as a South African market leader in logistics & motor vehicles*

\* Excludes discontinued operations, businesses held for sale, head office & eliminations

# OVERVIEW

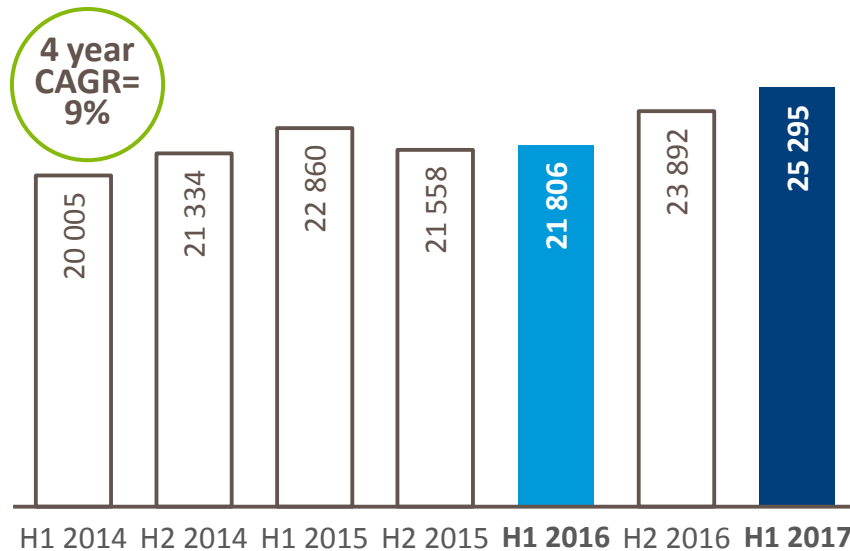


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- > Record H1 2017 revenue & operating profit, supported by the Palletways acquisition, Logistics South Africa & Motor Related Financial Services
- > Currency movements undermined headline earnings
- > Growth of revenue & operating profit from foreign operations
- > Increase in revenue & operating profit from non-vehicle operations

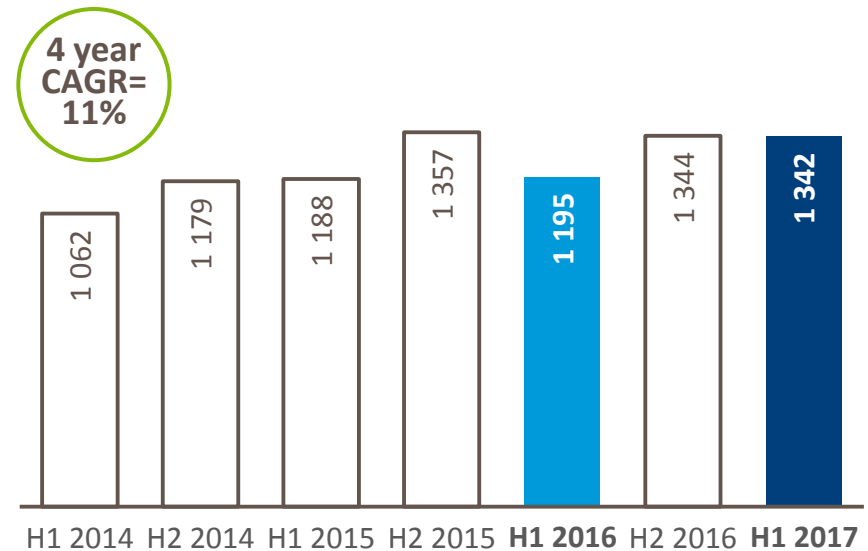
# GROWTH TREND IN NON VEHICLE OPERATIONS



REVENUE\* (Rm)



OPERATING PROFIT\* (Rm)



- > Revenue not related to Vehicles up 16% to R25.3bn **(42% of group\* revenue)**
- > Operating profit not related to Vehicles up 12% to R1.3bn **(now 46% of group\* operating profit)**

*Imperative throughout Imperial to grow revenues & profits less susceptible to currency volatility, in order to reduce the group's exposure to exchange rate sensitive operating profits attributable mainly to directly imported vehicles*

\* Excludes discontinued operations, businesses held for sale, head office & eliminations

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## **South Africa (59% revenue; 64% operating profit): uncontrollable factors in H1**

- > Strengthening of the Rand resulting in foreign exchange hedging losses & higher priced inventory
- > 13% decline in national new vehicle sales resulted in reduced demand & excess inventory
- > Low business confidence
- > Fragile consumer health & higher inflation depressed personal income expenditure
- > Partially offset by higher volumes in the commodities, fuel and gas sectors

## **African Regions (9% revenue; 16% operating profit): uncontrollable factors in H1**

- > Currency volatility, availability & devaluation
- > Slowing GDP growth rates
- > Rising inflation & interest costs
- > Lower consumer demand

### **Eurozone, UK & Australia (32% revenue; 20% operating profit): uncontrollable factors in H1**

- > Pro-longed low water levels depressed the profitability of inland shipping
- > Lower demand & pricing pressures from the steel, energy, commodities & construction sectors in Germany
- > Steady UK economic growth supporting our business
- > Strengthening of the Rand against the Pound by an average of 15% depressed Rand denominated results of the UK businesses
- > Weakening of the Rand against the Euro & Australian dollar by an average of 2% and 7% respectively assisted Rand denominated results in these regions

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- > Clarify the portfolio
  - What businesses are we in? What sectors do they occupy? What capital characteristics do they have? What capital characteristics do we want?
  - Disposals & acquisitions
- > Structure the portfolio
  - Sectoral grouping (i.e. similar skills / counterparties / business models / assets, etc.)
  - Are they discreet sectors? Are there operational synergies?
  - Eliminate managerial & organisational complexity
- > Get the right people in the right jobs at the right cost
  - Organisation design & development / enterprise architecture
  - Standardised data for structured performance management
  - Ensure succession to future leadership: highly qualified; younger; diverse; open & responsive to change
- > Leverage technology
  - Optimum transactional efficiency
  - Turning data > information > insight > wisdom
  - Enhancing value proposition for clients

### Imperial strives to create long term value for stakeholders through:

- > Strategic clarity (what business are we in; how do we compete and win; what is the strategic parenting role of Imperial group office)
- > Financial discipline (deep experience & expertise in finance, treasury & accounting – 130 CA's, rapid reporting)
- > Operational excellence (quest for global best practice, lean structures, continual measurement & course correction)
- > Strictly defined capital allocation principles (target ROIC = WACC +3%; reduce capital intensity)

Notwithstanding current external challenges, our **investment** thesis remains unchanged & steady progress was registered with each of our **five capital allocation objectives**

## CAPITAL ALLOCATION OBJECTIVE 1



**We will release capital & sharpen executive focus, by disposing of non-core, strategically misaligned, underperforming or low return on effort assets**

### Disposals

- > Regent's non-South African operations for an upfront payment of R697m, concluded in January 2017
- > Minority stake in MixTelematics for R470m with payment received on 30 August 2016
- > 51% (control) of 10 entities in AMH Group to a related party for R55m on 30 August 2016
- > Jurgens & Prestige Safari sold for R233m in February 2017
- > 6 various smaller disposals in Imperial Logistics & the Vehicle Retail & Rental sub-division for R18m

### Disposals in progress:

- > Non-strategic properties: R1.5bn is expected to be realised in the 2017 calendar year & a further R700m expected during 2018
- > The sale of Regent's South African business is still subject to regulatory approvals
- Disposals during 2017 to generate proceeds of ~R4.6bn including Regent, R1.4bn received to date
- Although the bulk of identified disposals have been concluded, continual analysis of the strategic & financial performance of businesses will result in refinements to the portfolio of both divisions over the medium term

***Since 2015: 42 businesses with total revenue of R11.9 billion & operating profit of R937 million have been or are in the process of being disposed of. In addition, 82 properties have been or are in the process of being sold. The total capital employed in these businesses & properties totalled R5.1 billion.***

## CAPITAL ALLOCATION OBJECTIVE 2



**We will invest capital in South Africa to maintain the quality of our assets & our market leadership in logistics & motor vehicles**

### Acquisitions:

- > Logistics South Africa acquired a 70% stake in Sasfin Premier Logistics for R38m in July 2016
- > Logistics South Africa acquired 55% of Itumele Bus Lines for R147m in November 2016
- > The remaining 10% minority stake was acquired in Midas for R87.5m

### H1 2017 Capex:

- > R1.9bn (continuing operations)





## CAPITAL ALLOCATION OBJECTIVE 3



We will invest capital in African Regions primarily to achieve our 2020 objective for the revenue & profits generated by logistics in that region to equal that of South African logistics & secondarily to expand our vehicles & related businesses in the region

### Acquisitions:

- > 70% of Surgipharm Limited for a consideration of USD35m (ZAR470m) announced on 15 February 2017, subject to regulatory approvals

### Expansion:

- > The Imperial Managed Logistics business was expanded in Nigeria & Ghana

### H1 2017 Capex:

- > R84m



## CAPITAL ALLOCATION OBJECTIVE 4

We will invest capital generated from operations & divestments to grow our businesses beyond the continent, with an emphasis on logistics

### Acquisitions:

- > 95% of Palletways for R3.0bn\* (£155m), effective on 5<sup>th</sup> July 2016
- > Palletways acquired 100% of Topco in Italy for R14m

### H1 2017 Capex:

- > R390m



\* Includes purchase of debt at acquisition date

## CAPITAL ALLOCATION OBJECTIVE 5



**The development & sustainability of Imperial will be underpinned by investment in human capital & information systems**

### Organisation Effectiveness

- > Investing in enterprise architecture
- > Enhancing Executive Talent Management: objective assessment; ensuring relevant skills & leadership capability for a changing world, business sustainability & transformation through succession planning
- > Development of Human Capital information systems – data centric approach to people decisions
- > Recent examples:
  - Restructuring of Logistics under one Board, CEO, Execucom completed
  - Restructuring of Vehicles under one Board, CEO, Execucom concluded
  - Involves 2 year succession process > changes to the roles or reporting lines of 26 most senior Imperial executives > now extended to second and third tiers of management

## CAPITAL ALLOCATION OBJECTIVE 5 (CONT.)



### Information Systems

- > Major systems implementations:
  - Logistics Africa – SAP & other
  - Logistics International – Integration of SAP, TalentSoft, Global unified Transport Management System, Imperial Fleet Management System
  - Vehicle Import & Distribution – Dealer Management System
  - Vehicle Retail & Rental – Europcar, Alert & Midas
- > Major development of online / social media

### H1 2017 Capex:

- > R538m

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# IMPERIAL'S DIVISIONS



## LOGISTICS



### REVENUE\*

⬆️ 16%

**R25.3 billion**

42% contribution

### OPERATING PROFIT\*

⬆️ 12%

**R1.3 billion**

46% contribution

**4 YEAR CAGR 11%**

## MOTUS



### REVENUE\*

⬆️ 3%

**R35.0 billion**

58% contribution

### OPERATING PROFIT\*

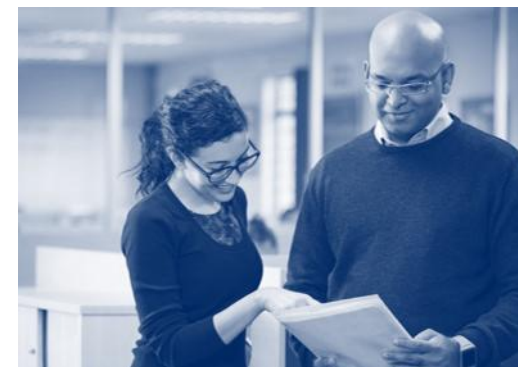
⬆️ 6%

**R1.6 billion**

54% contribution

**4 YEAR CAGR -4%**

## REGENT (discontinued)



### REVENUE

↔️ unchanged

**R1.6 billion**

### OPERATING PROFIT

⬆️ 10%

**R302 million**

\* Excludes discontinued operations, businesses held for sale, head office & eliminations

# DIVISIONAL OVERVIEW – IMPERIAL LOGISTICS



Imperial Logistics is focused on expanding & leveraging its footprint in selected African & European countries, with a bias towards less capital intensive businesses that enhance revenue growth & returns. Integrated logistics capabilities are also being strengthened to enable deeper penetration of clients' supply chains

## LOGISTICS



### SOUTH AFRICA

> Leading logistics provider across entire supply chain in South Africa

> **12%** group revenue

> **17%** group operating profit



### AFRICAN REGIONS

> Leading distributor of pharmaceuticals & consumer goods in sub-Saharan Africa

> **7%** group revenue

> **13%** group operating profit



### INTERNATIONAL

> Leading positions in inland shipping, chemical & industrial contract logistics

> Operates as two sub divisions:

- Transport Solutions
- Supply Chain Solutions

> **18%** group revenue

> **15%** group operating profit

*Note: Excludes discontinued operations, businesses held for sale, head office & eliminations  
The Logistics International image shows The Rhine between Bonn and Duisburg, in October 2016 when the depth was 2.14 metres, less than half of its normal depth of 4.33 metres*

# DIVISIONAL OVERVIEW – MOTUS



The formation and structuring of Motus, under one collaborative leadership team, will enhance returns in the medium term by reducing duplication, complexity, costs & capital employed, unlocking intra-divisional efficiencies & more deeply penetrating the vehicle supply chain, while maintaining market share amidst industry change

## MOTUS



### VEHICLE IMPORT & DISTRIBUTION

- > Exclusive importer of 14 automotive brands, the major exclusive imported brands being Hyundai, Kia & Renault
- > Distributorships in 6 African countries

> **13%** group revenue  
 > **13%** group operating profit



### VEHICLE RETAIL & RENTAL

- > *RSA*
  - Represents 22 OEMs through 268 passenger vehicle dealerships (including pre-owned), 193 franchised dealerships & 19 commercial vehicle dealerships
  - Car rental (Europcar & Tempest)
  - Panel shops
- > *UK 38 commercial dealerships*
- > *Australia 5 dealerships*

> **44%** group revenue  
 > **23%** group operating profit



### AFTERMARKET PARTS

- > Distributor, wholesaler & retailer of accessories & parts for older vehicles, through 764 Midas (AAAS) & Alert Engine Parts & Turbo Exchange owned & franchised stores

> **5%** group revenue  
 > **6%** group operating profit



### MOTOR-RELATED FINANCIAL SERVICES

- > Developer & distributor of innovative vehicle-related financial products & services through dealer & vehicle finance channels, & a national call centre
- > Full maintenance leasing

> **1%** group revenue  
 > **13%** group operating profit

Note: Excludes discontinued operations, businesses held for sale, head office & eliminations  
 Retail dealerships that were previously part of VIDD are now included in the Vehicle Retail & Rental sub-division



# IMPERIAL'S DIVISIONS



## LOGISTICS



### REVENUE

⬆️ 16%

**R25.3 billion**

42% contribution

### OPERATING PROFIT

⬆️ 12%

**R1.3 billion**

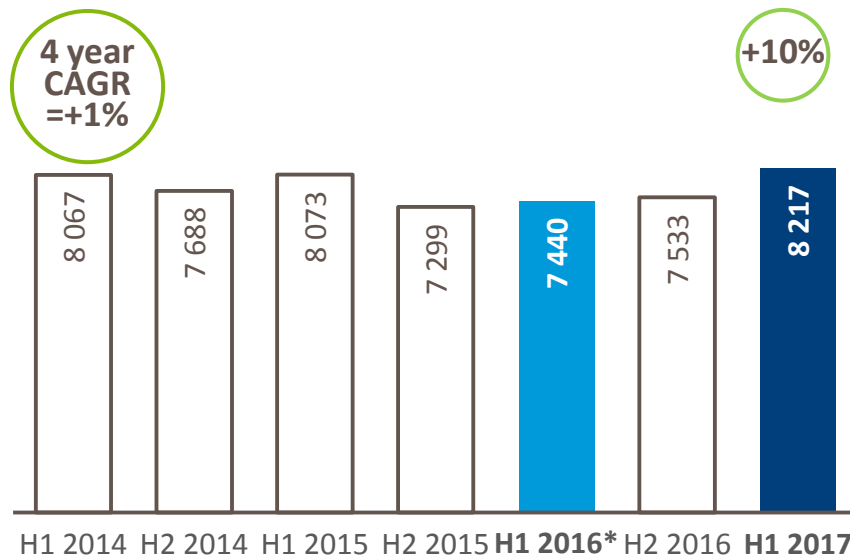
46% contribution

**4 YEAR CAGR 11%**

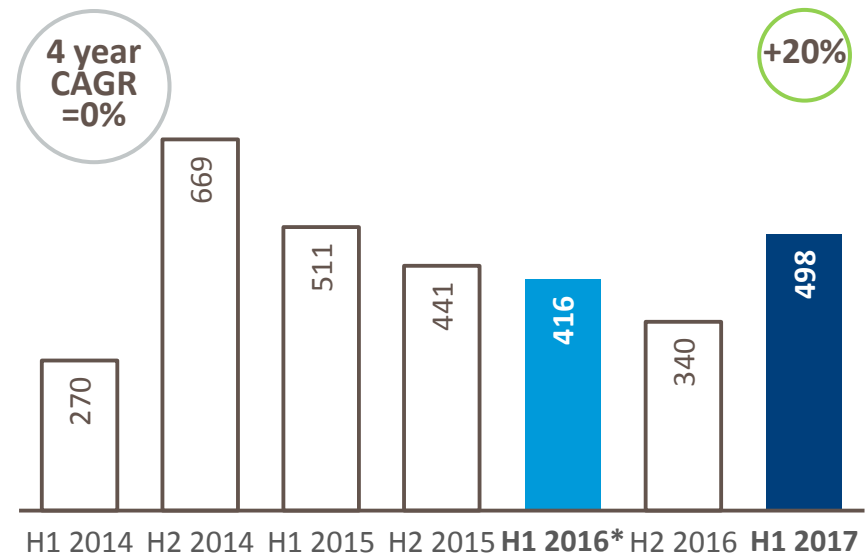
# GROWTH TREND LOGISTICS SOUTH AFRICA



REVENUE (Rm)



OPERATING PROFIT (Rm)



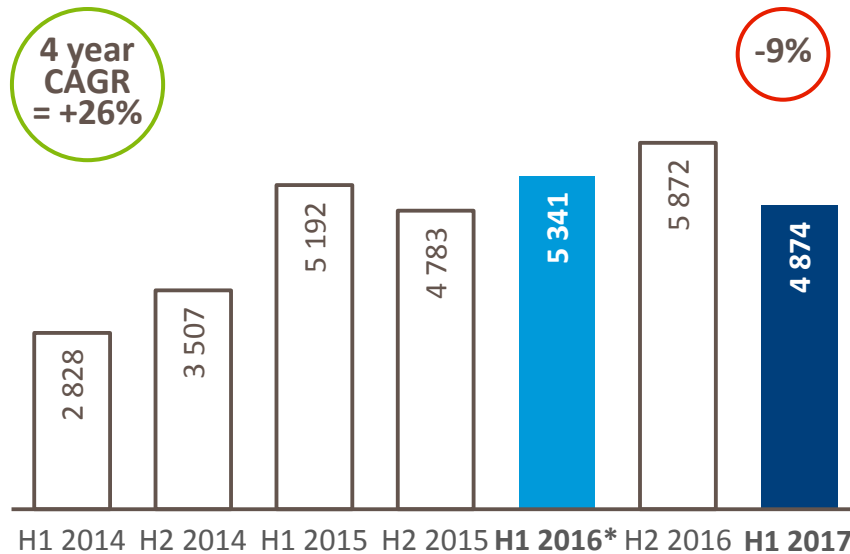
- > Strong performance supported by increased volumes in the commodities, fuel & gas operations & solid performances from Managed Logistics & Resolve
- > The bulk commodities business increased revenue & operating profit compared to a break-even result in the prior period, driven by a higher demand for commodities & the inclusion of the Itumele Bus Lines acquisition for two months
- > The consumer logistics businesses recorded revenue & operating profit growth supported by an improvement from Imperial Cold Logistics, which reduced its losses from the prior period, partially offset by lower volumes in the other retail facing businesses

\* Restated to exclude businesses held for sale

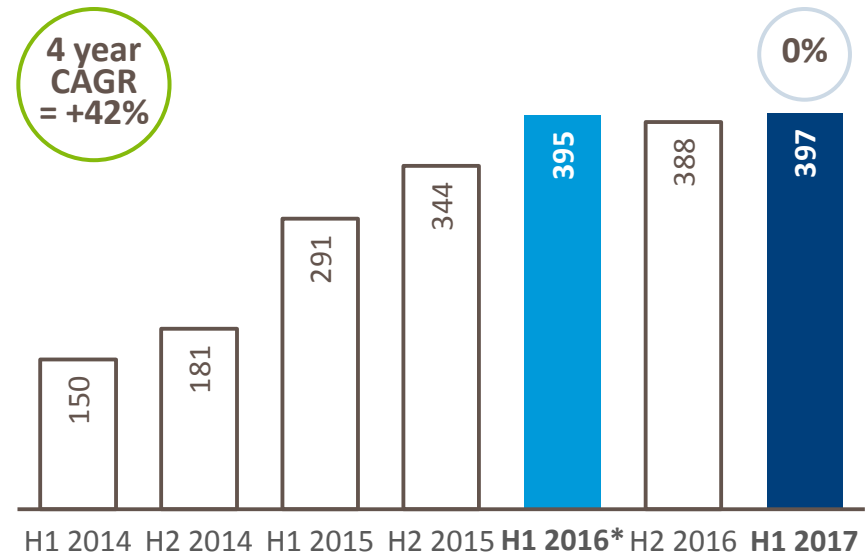
# GROWTH TREND LOGISTICS AFRICAN REGIONS



REVENUE (Rm)



OPERATING PROFIT (Rm)



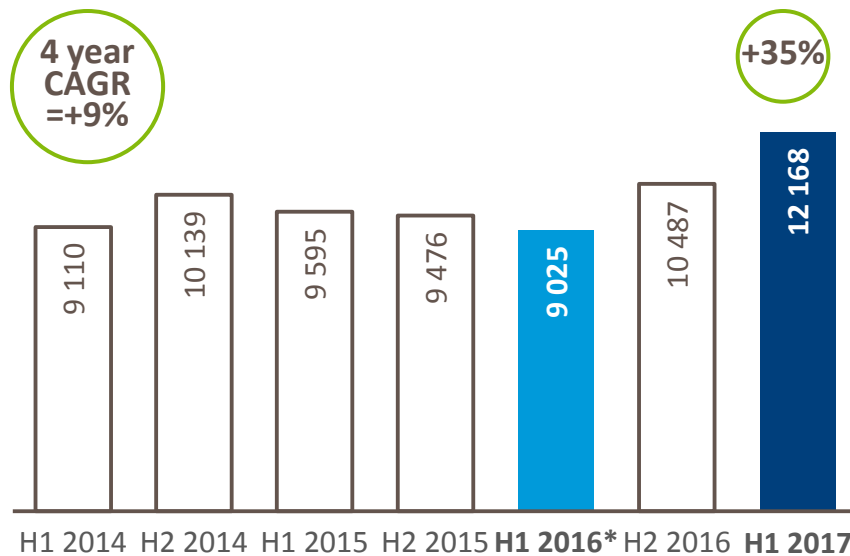
- > Performance was undermined by slowing growth rates & rising inflation & interest rates, which resulted in lower consumer demand in many of its African markets
- > Revenue declined by 9% mainly due to the weakening of the Naira & the Metical by 37% on a combined average; subdued demand from Imres' key markets; & a weak performance from CIC
- > Operating profit was maintained due to a strong performance from EcoHealth, Nigeria's leading distributor of ethical pharmaceuticals
- > Expansion into new markets & partnerships with new principals delivered favourable results

\* Restated to exclude businesses held for sale

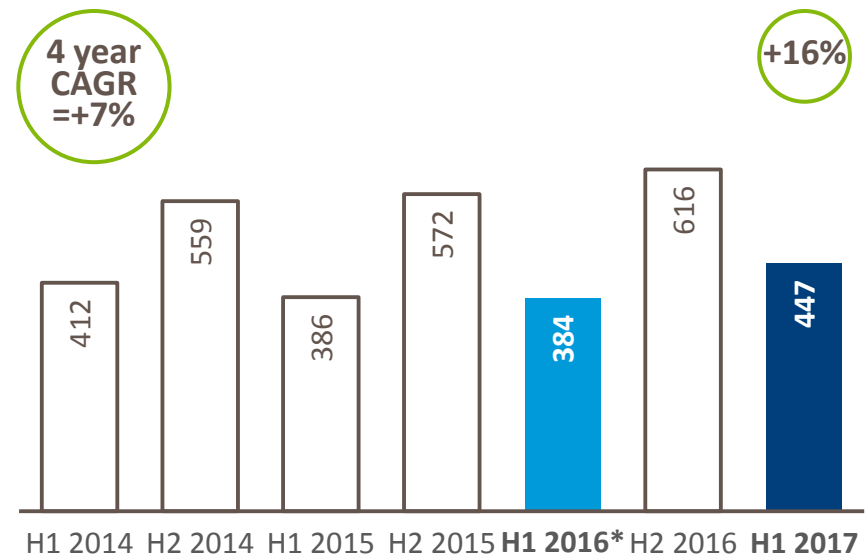
# GROWTH TREND LOGISTICS INTERNATIONAL



REVENUE (Rm)



OPERATING PROFIT (Rm)



- > Revenue & operating profit increased 35% & 16% respectively, boosted by the acquisition of Palletways, but excluding Neska which was sold in December 2015
- > The Transport Solutions business was negatively affected by lower shipping volumes in South America resulting from a poor corn harvest in Brazil & lower iron ore volumes; & lower bulk-shipping volumes in Germany due to low water levels on the River Rhine & lower demand
- > The Supply Chain Solutions business performed well with a strong performance from the automotive & industrial operations more than offsetting lower volumes from key customers in the retail and contract chemical operations

\* Restated to exclude Neska

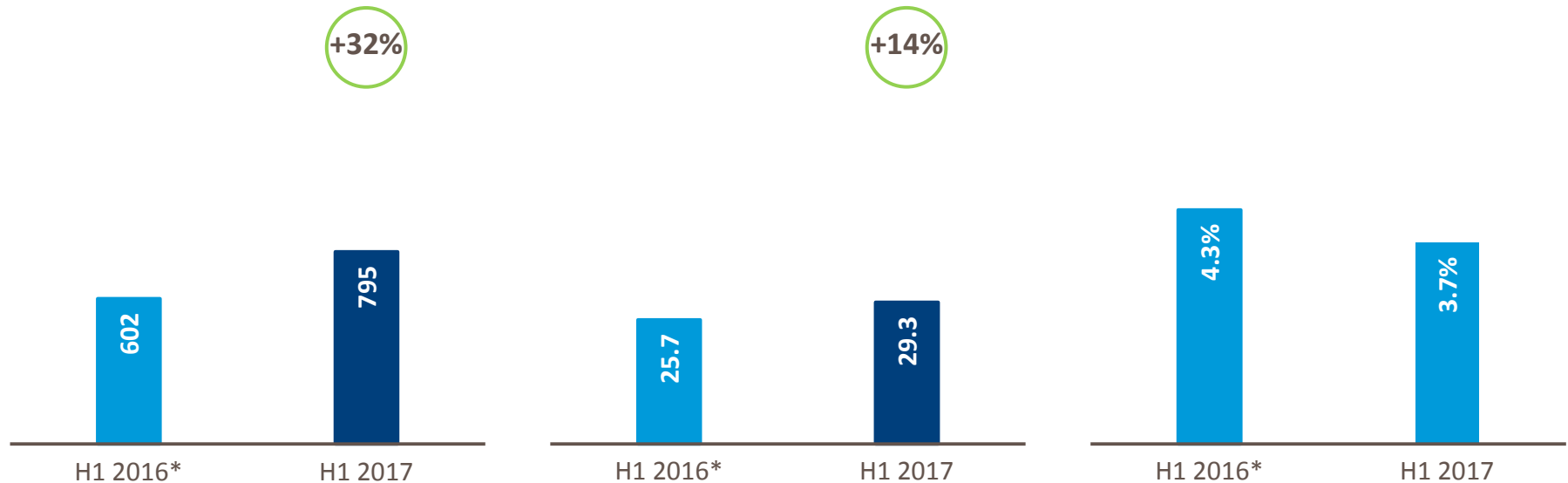
# LOGISTICS INTERNATIONAL (EURO)



REVENUE (€m)

OPERATING PROFIT (€m)

OPERATING MARGINS (%)



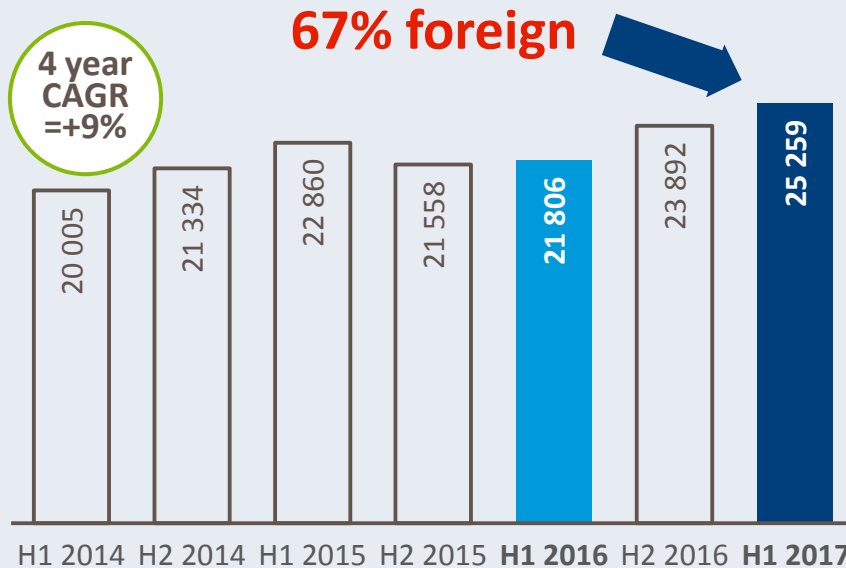
- > The performance in Rand terms was enhanced by a weaker average R/€ exchange rate
- > H1 2017 average R/€: 15.31 vs H1 2016 average R/€: 15.03
- > Effective currency hedge & diversification in group portfolio

\* Restated to exclude Neska

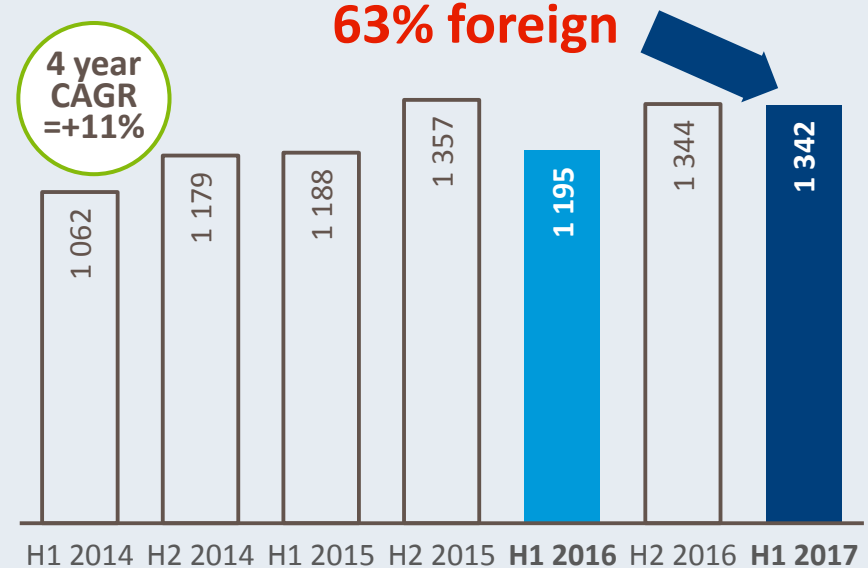
# IMPERIAL LOGISTICS (TOTAL)



REVENUE\* (Rm)



OPERATING PROFIT\* (Rm)



- > Solid revenue & operating profit growth trends
- > Comprised R25.3bn (42%) of group\* revenue – up 16% for the period
- > Comprised R1.3bn (46%) of group\* operating profit – up 12% for the period

***“Logistics” is Imperial’s major growth vector. Strict capital allocation disciplines will be applied in pursuit of focussed organic & acquisitive growth***

\* Excludes discontinued operations, businesses held for sale, head office & eliminations

## MOTUS



### REVENUE

⬆️ 3%

**R35.0 billion**  
58% contribution

### OPERATING PROFIT

⬆️ 6%

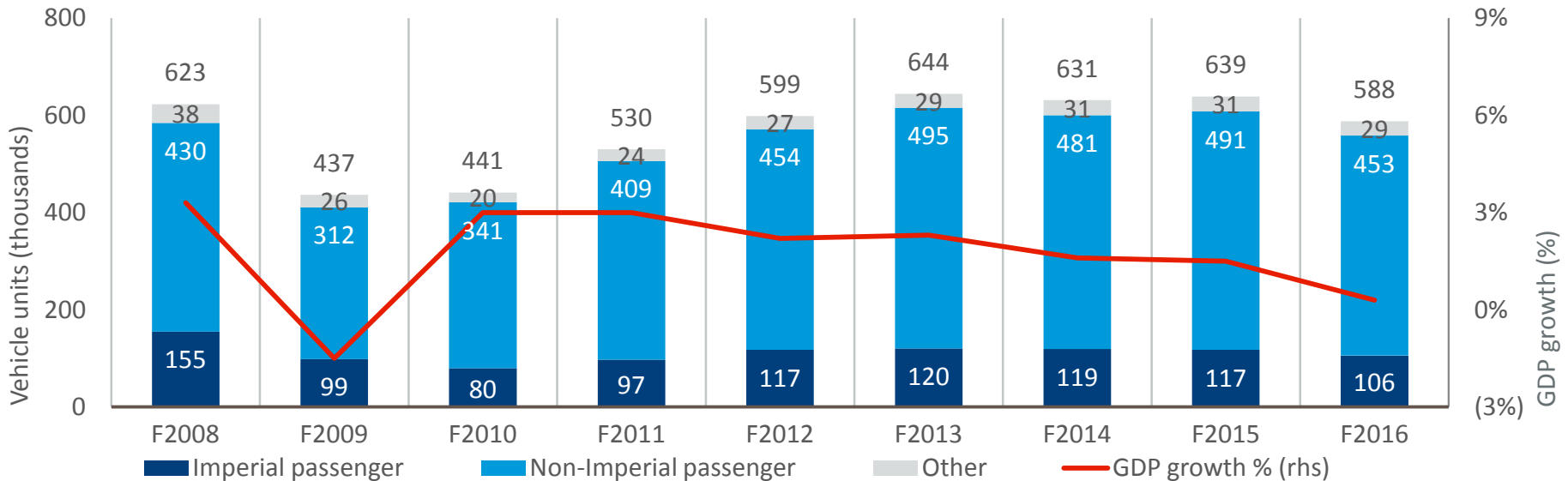
**R1.6 billion**  
54% contribution

**4 YEAR CAGR -4%**

# NATIONAL VEHICLE SALES 2008 – 2016



## IMPERIAL'S SHARE OF TOTAL NAAMSA VEHICLE SALES & GDP GROWTH



- > RSA new passenger & commercial sales track GDP growth
- > Calendar 2017 forecast: NAAMSA 561 000;  
Imperial ~550 000
- > Imperial total sales H1 2017\*
  - New
    - Passenger: 54 707 (61 749) (-11%)
    - Commercial: 6 384 (7 031) (-9%)
  - Preowned
    - Passenger: 37 905 (36 755) (3%)
    - Commercial: 843 (894) (-6%)
- > Industry structure: multi national OEMs & manufacturer controlled distributors who franchise dealerships
- > Imperial's direct imported brands represent ~15% of passenger vehicle market in SA, up from 14%

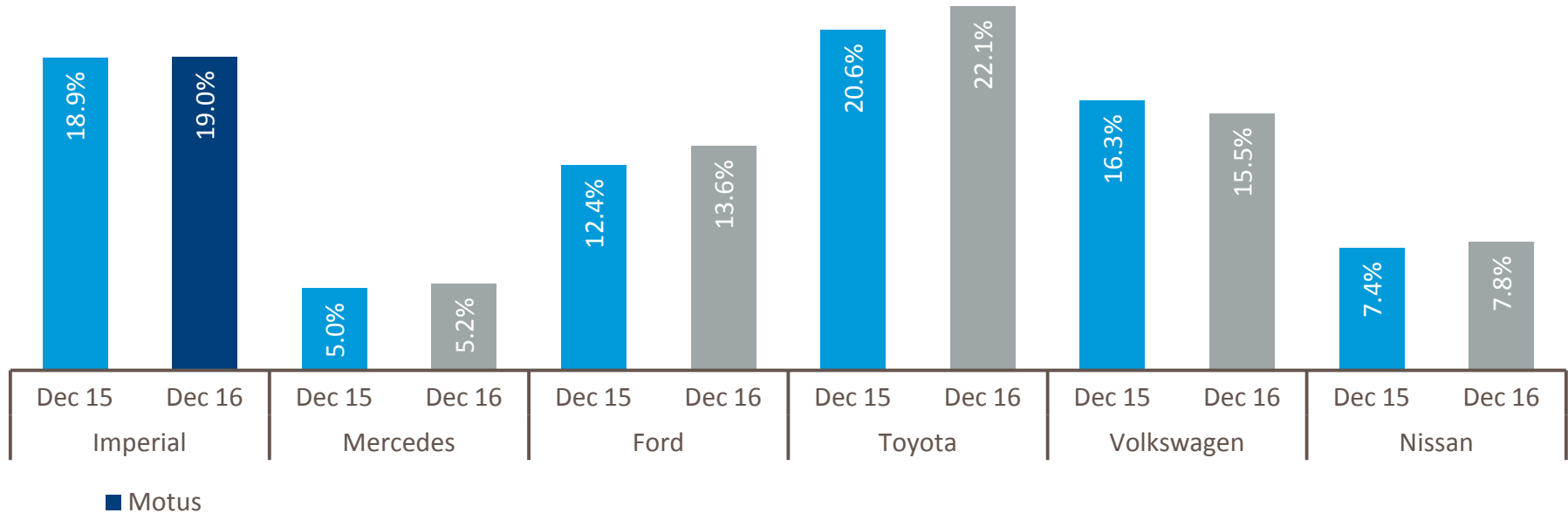
\* Passenger includes Australia & Commercial includes UK



# IMPERIAL'S MARKET SHARE VS OEMS



MARKET SHARE\* (%)



- > Imperial's total market share was maintained compared to the prior year at 19%
- > Imperial's direct imports increased to 15% from 14%, & comprises the third largest share of the total SA vehicle market
- > In South Africa, Imperial sold 50 718 new vehicles & 35 239 pre-owned vehicles in H1 2017

\* Graph is presented on a 6 months basis from July 2016 to December 2016

## VEHICLE IMPORT & DISTRIBUTION



### REVENUE

↓ 1%  
**R8.9 billion**

### OPERATING PROFIT

↑ 2%  
**R390 million**

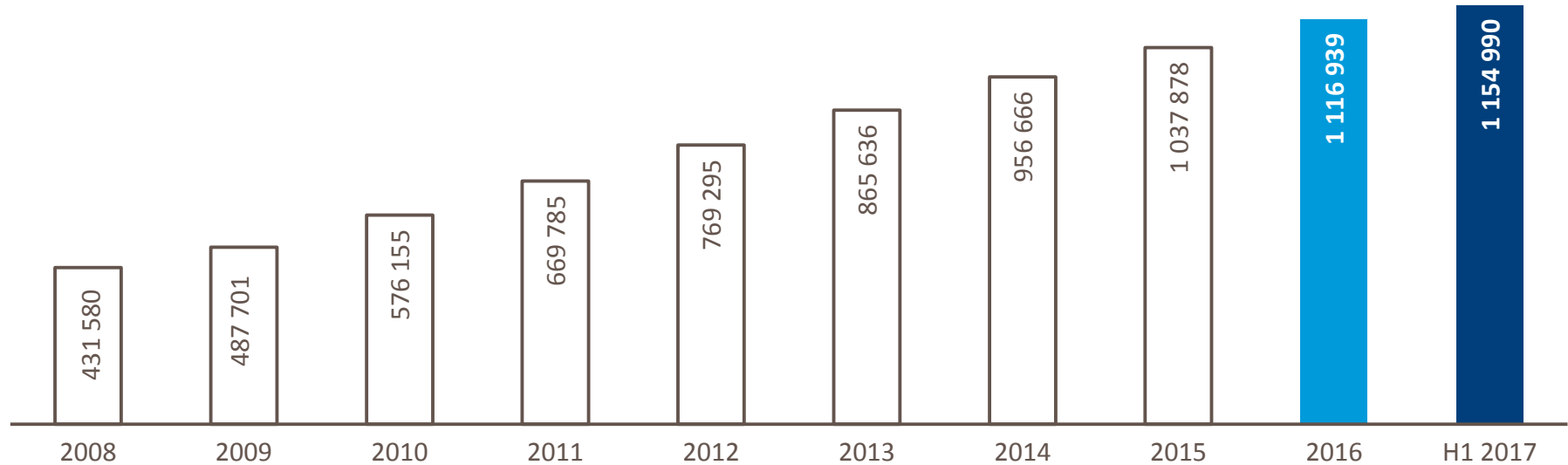
### Performance

- > Revenue decline marginally due to lower volumes & delays in new vehicle launches, partially offset by price increases, in challenging trading conditions
- > Operating profit improved by 2% resulting from:
  - solid performances from Hyundai & Kia;
  - assistance from manufacturers;
  - a change in the vehicle mix &
  - price increases,
  - offset by a weak performance by Renault where competitiveness & volumes were depressed
- > Importer unit sales of passenger & light commercial vehicles (LCVs)\* decreased by 11% due to the decrease in sales through the dealer network
- > However, our market share increased by 1% to 15% due mainly to a strong unit volume performance by Hyundai
- > Forward cover on the US Dollar & Euro imports extends to August 2017

*Note: Retail dealerships that were previously part of the Vehicle Import, Distribution & Dealerships division are now included in the Vehicle Retail & Rental sub-division*

*\*As defined by NAAMSA*

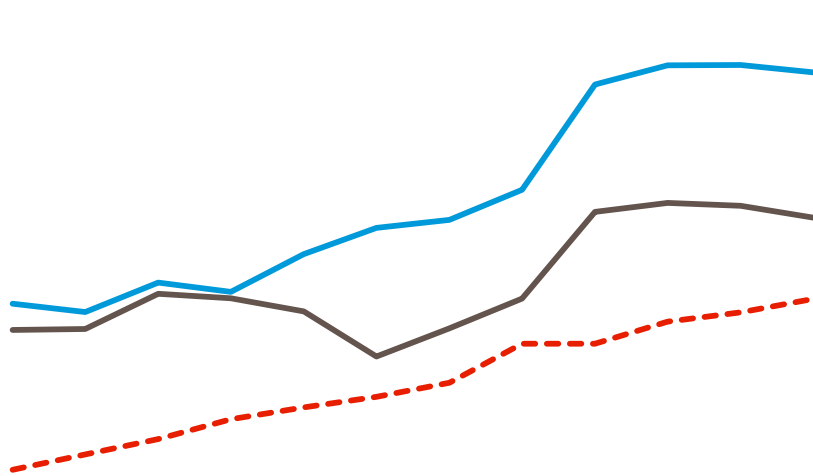
## CAR PARC OF IMPERIAL IMPORTED BRANDS



- > Car parc of approximately 1.2 million vehicles, continues to grow at a steady pace
- > The growing car parc provides an underpin to earnings by delivering good levels of after-market activity for the dealerships

# SOUTH AFRICAN NEW VEHICLE PRICES

SELLING PRICE VS CURRENCY COST OF IMPORTED PRODUCT (%)



Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
2014				2015				2016			

Based to 100

- Euro based cost (ind. 2012)
- Dollar based cost (ind. 2012)
- - - Selling price

- > 37% imports in USD
- > 63% imports in EUR



## VEHICLE RETAIL & RENTAL



### REVENUE

↑ 2%  
**R29.3 billion**

### OPERATING PROFIT

↑ 2%  
**R694 million**

### Performance

- > Revenue & operating profit increased by 2% assisted by price increases & an increase in pre-owned vehicle sales, partially offset by lower volumes
- > Eight dealerships were disposed of over the past 12 months
- > Passenger, LCVs & commercial vehicles experienced a decline in new vehicle sales in South Africa
- > Revenue & operating profit in the UK Commercial business increased
- > Car rental increased its revenue, operating profit & market share
- > Panel shops increased revenue & operating profit
- > Total pre-owned retail unit sales increased by 3%
- > African Regions operations continued to contribute positively
- > The Australian operations returned a strong performance off a low base

*Note: Retail dealerships that were previously part of the Vehicle Import, Distribution & Dealerships division are now included in this sub-division*

## AFTERMARKET PARTS



### Performance

- > Grew revenue & operating profit by 8% & 10% respectively, enhanced by:
  - parts sales & price increases;
  - change in the sales mix

### REVENUE

⬆️ 8%  
**R3.0 billion**

### OPERATING PROFIT

⬆️ 10%  
**R173 million**

# DIVISIONAL REVIEW

## MOTOR RELATED FINANCIAL SERVICES



### REVENUE

⬆️ 7%  
R855 million

### OPERATING PROFIT

⬆️ 16%  
R388 million

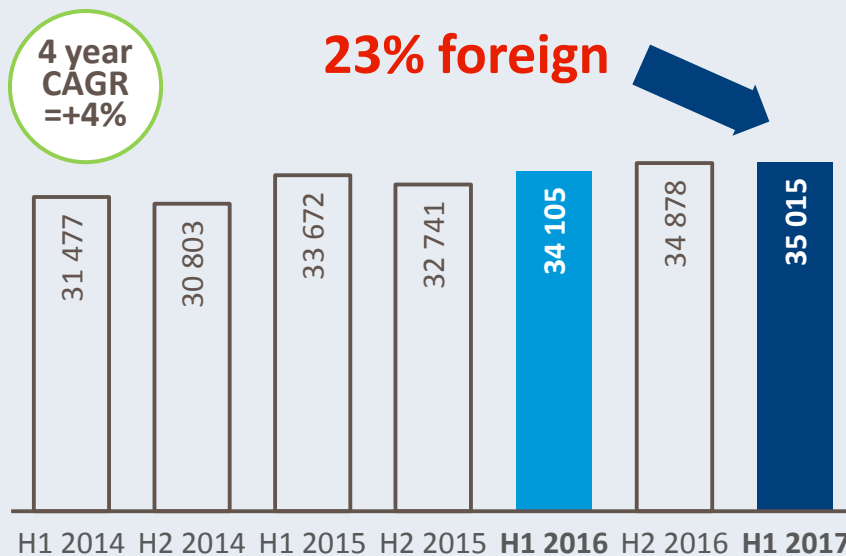
### Performance

- > Grew revenue & operating profit by 7% & 16% respectively, despite declining new vehicle sales
- > Higher profitability was experienced in demo sales & rental income due to higher business volumes
- > Profitability of the maintenance funds increased as cost increases did not materialize
- > Book growth & returns from the alliances with financial institutions was tempered by slowing vehicle sales

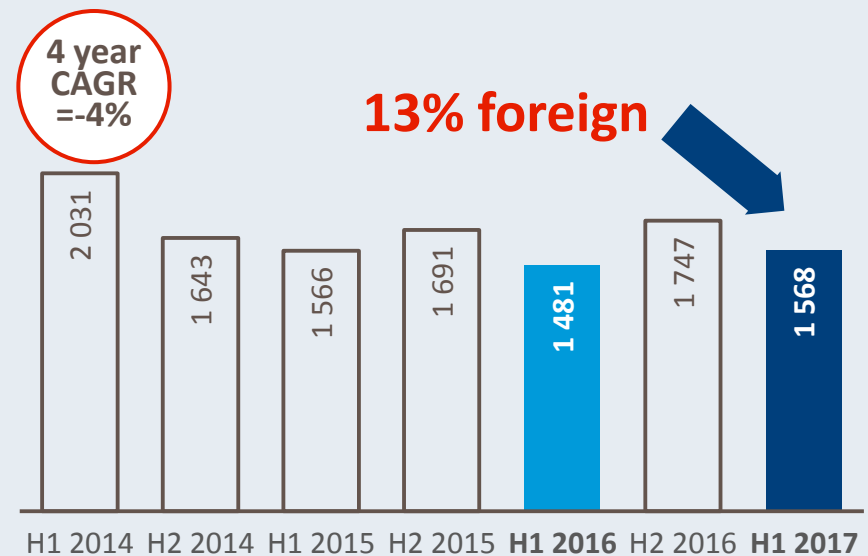
# MOTUS (TOTAL)



REVENUE\* (Rm)



OPERATING PROFIT\* (Rm)



- > Comprised R35.0bn (58%) of group\* revenue – up 3% for the period
- > Comprised R1.6bn (54%) of group\* operating profit – up 6% for the period

***“Motus” is Imperial’s major source of operating cash flow. Strict operating disciplines will be applied to mitigate consumer & currency volatility in a low growth environment***

\* Excludes discontinued operations, businesses held for sale, head office & eliminations



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# INCOME STATEMENT



	H1 2016 Rm	H1 2017 Rm	% CHANGE
Revenue (including discontinued operations)	59 766	61 253	2

## LOGISTICS

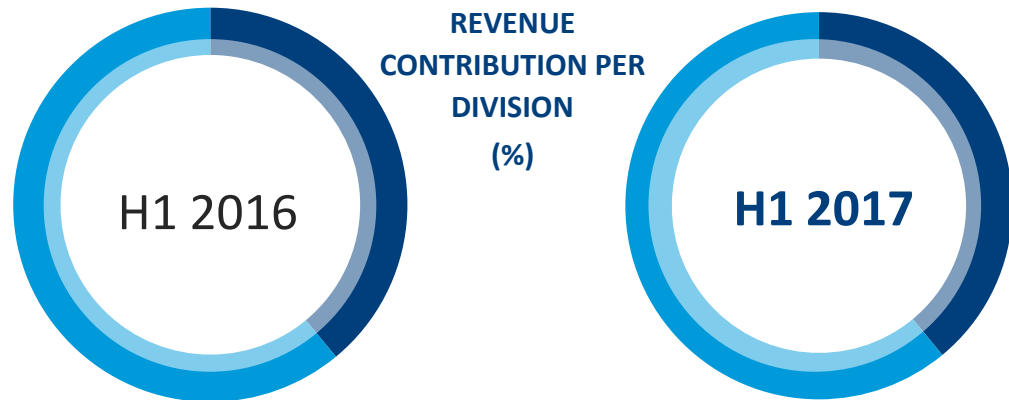
↑ 8%

the Palletways acquisition in Logistics International & a solid performance from Logistics South Africa assisted growth; reduced by the weakening of the Naira & the Metical by 37% on a combined average & subdued demand in the Logistics African Regions' businesses

## MOTUS

↓ 2%

volumes declined, impacted by the low growth environment in South Africa, market contraction & pressure on consumers, partially offset by price increases



	H1 2016 %	H1 2017 %
● LOGISTICS	40	42
● MOTUS	60	58

# INCOME STATEMENT



	H1 2016 Rm	H1 2017 Rm	% CHANGE
Revenue (including discontinued operations)	59 766	61 253	2
Operating profit (including discontinued operations)	3 066	3 181	4
Operating profit margin	5.1%	5.2%	

## LOGISTICS

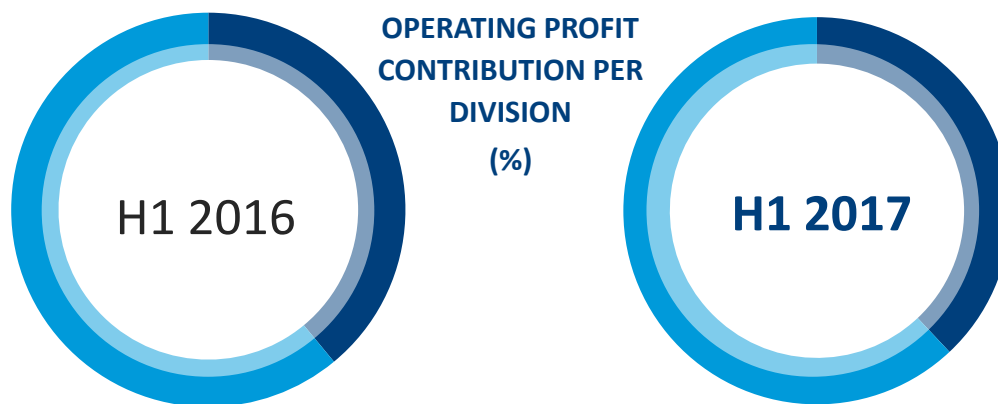
↑ 8%

the Palletways acquisition & a weaker average Rand/Euro exchange enhanced the performance in Rand terms in Logistics International; a solid performance from Logistics South Africa; African Regions impacted by lower demand & depreciation of currencies

## MOTUS

↓ 2%

lower SA volumes partially offset by price increases, improved performances from Hyundai & Kia with assistance from OEM's; strengthening of the Rand against Pound reduced Rand results of the UK business; strong performances from the African & Australian operations

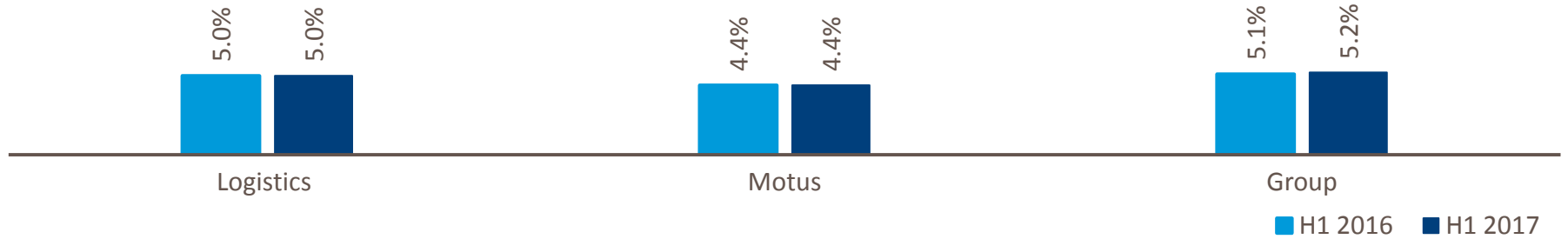


	H1 2016 %	H1 2017 %
● LOGISTICS	43	45
● MOTUS	57	55

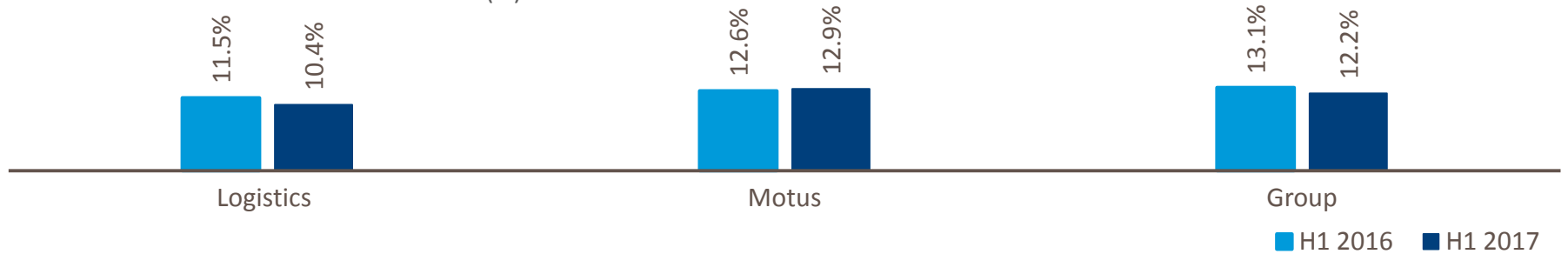
# DIVISIONAL STATISTICS



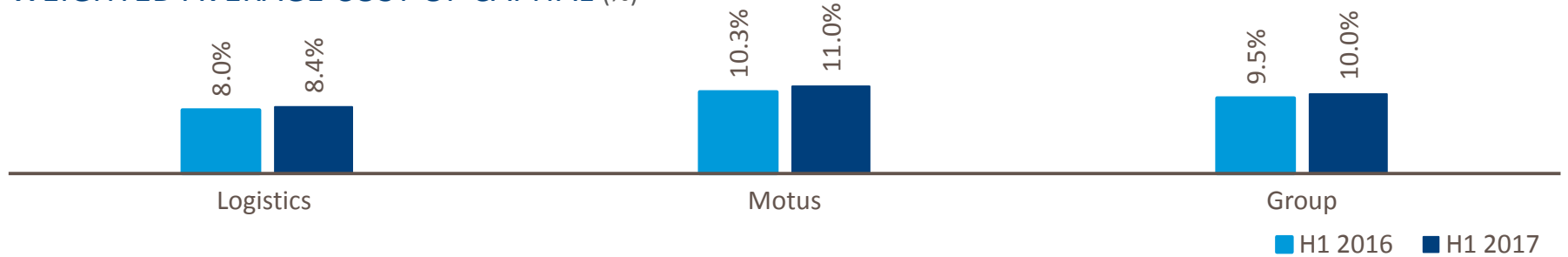
## OPERATING MARGIN (%)



## RETURN ON INVESTED CAPITAL (%)



## WEIGHTED AVERAGE COST OF CAPITAL (%)



# INCOME STATEMENT



	Dec 2015 Rm	Dec 2016 Rm	% CHANGE
Revenue	59 766	61 253	2
Operating profit	3 066	3 181	4
Amortisation of intangible assets	(207)	(263)	
Impairments of goodwill and other assets	(303)		
Profit / (loss) on sale of businesses	447	(46)	
Foreign exchange gains / (loss)	126	(121)	
Re-measurement of contingent consideration, put option liabilities and business acquisition costs	(36)	(48)	
Other	(25)	16	
Profit before financing costs	3 068	2 719	(11)

- > Acquisitions resulted in higher amortisation of intangible assets from R207 million to R263 million
- > Profit on sale of businesses in the prior period of R447 million mainly includes the disposal of Neska in Logistics International compared to a loss in the current period of R46 million
- > Foreign exchange losses of R121 million were recorded on various monetary items including working capital items, inter-group loan funding & hedging instruments compared to gains of R126 million

# INCOME STATEMENT



	Dec 2015 Rm	Dec 2016 Rm	% CHANGE
Profit before financing costs	3 068	2 719	(11)
Net financing costs	(651)	(828)	27
Income from associates	58	47	(19)
Profit before tax	2 475	1 938	(22)
Tax	(692)	(586)	(30)
Net profit for the year	1 783	1 352	(24)
Attributable to minorities	84	33	(61)
Attributable to Imperial shareholders	1 699	1 319	(22)

- > Net financing costs increased due to higher costs of funding & higher debt levels
  - increased debt levels are mainly due to:
    - Palletways acquisition;
    - delays in the receipt of proceeds from assets and businesses held for sale;
    - capital expenditure;
    - increase in working capital
  - high debt levels partially offset by the strengthening Rand
- > Income from associates decreased largely due to the sale of Mix Telematics
- > Effective tax rate of 31.0% increased from 28.6%, mainly due to loss making operations where we have not recognised a tax credit in the income statement, largely Renault & Imperial Cold Logistics
- > Minorities declined due to the purchase of the non-controlling shareholders' interest in AMH & Midas, & the sale of Goscor in H2 2016 which had a non-controlling shareholder

# FINANCIAL POSITION



	Dec 2015 Rm	June 2016 Rm	Dec 2016 Rm	% CHANGE
Property, plant & equipment	11 736	11 465	9 997	(13)
Transport fleet	6 372	5 953	5 887	
Vehicles for hire	3 841	3 469	4 320	25
Goodwill & intangible assets	7 866	7 501	9 764	30
Associates, investments & loans	1 975	1 277	1 209	
Other assets	1 597	1 867	2 109	
Net working capital	11 475	9 936	11 205	13
Assets classified as held for sale	6 530	6 552	7 312	12
<b>Total</b>	<b>51 392</b>	<b>48 020</b>	<b>51 803</b>	<b>8</b>

- > Property, plant & equipment decreased by R1.5 billion primarily from disposal of properties & reclassification of properties to “assets held for sale”
- > Vehicles for hire increased by R851 million due to an increase in prices of the car rental fleet & higher sales to external car rental companies by the importers
- > Goodwill and intangible assets rose by 30% mainly due to the acquisition of Palletways & Itumele Bus Lines, partially offset by the amortisation of intangibles & Rand strength
- > Net working capital increased due to higher cost of inventory & increased stock levels in the vehicle businesses, & an increase in trade receivables in Logistics International
- > Assets held for sale includes Regent, properties & other businesses identified as being held for sale, namely Logistics – Imperial Express, LTS Kenzam; & Motus – Jurgens, Safari Centre

# FINANCIAL POSITION



	Dec 2015 Rm	June 2016 Rm	Dec 2016 Rm	% CHANGE
Total shareholders' interest	21 191	19 802	19 270	(3)
Net interest bearing borrowings (ignoring Regent cash)	17 709	16 079	20 682	29
Other liabilities	9 249	9 025	8 866	
Liabilities directly associated with assets classified as held for sale	3 243	3 114	2 985	
Equity & liabilities	51 392	48 020	51 803	8

- > Shareholders' interest impacted mainly by:
  - Rand strengthening which resulted in:
    - the foreign currency translation reserve reducing equity by R831 million
    - reduction in the hedge accounting reserve by R337 million
  - dividends paid of R991 million
  - increase in non-controlling interests of R204 million mainly due to the acquisitions of Palletways & Itumele Bus Lines
- > Interest bearing borrowings impacted by:
  - Palletways acquisition;
  - delays in the receipt of proceeds from assets and businesses held for sale;
  - capital expenditure;
  - increase in working capital



## CASH FLOW – OPERATING ACTIVITIES



	Dec 2015 Rm	Dec 2016 Rm	% CHANGE
Cash generated by operations	4 485	4 330	(3)
Net working capital movements (excludes currency movements & net acquisitions)	(1 194)	(2 379)	
Interest & tax paid	(1 641)	(1 473)	
Cash flow from operating activities before rental assets capex	1 650	468	(72)
Capex: rental assets	(1 561)	(1 399)	
Cash inflow / (outflow) from operating activities	89	(931)	

- > Net working capital increased due to higher cost of inventory & increased stock levels in the vehicle businesses, & an increase in trade receivables in Logistics International
- > Higher interest due to increased debt & interest rates, reduced by lower tax payments
- > Cash outflow from operating activities of R931 million impacted by high working capital & includes rental asset capital expenditure outflows

# CASH FLOW SUMMARY

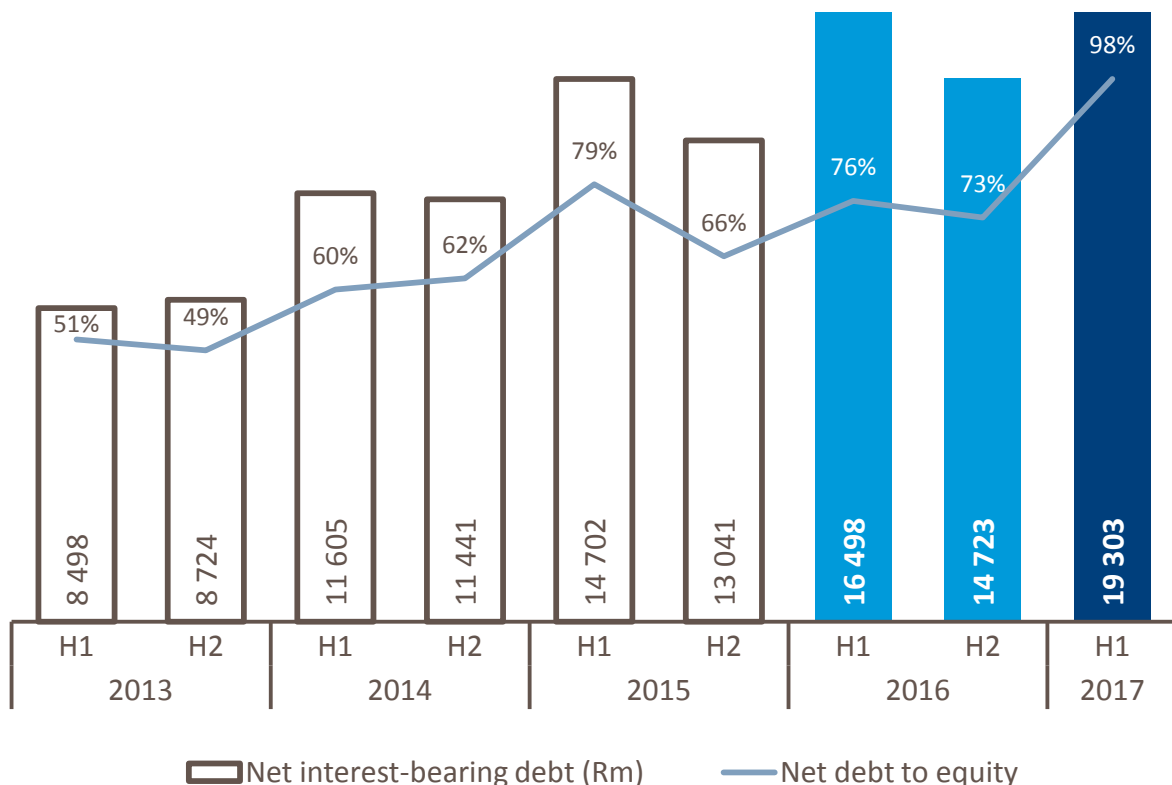


	Dec 2015 Rm	Dec 2016 Rm
Cash flow from operating activities	89	(931)
Investing activities:		
Net disposals / (acquisitions) of subsidiaries & businesses	726	(1 671)
Capital expenditure – non-rental assets	(1 501)	(1 017)
Net movement in associates & JVs	(114)	542
Net movement in investments, loans & other financial instruments	71	(109)
Financing activities:		
Dividends paid	(1 030)	(991)
Other financing activities	(550)	58
Increase in net borrowings	(2 309)	(4 119)

- > Net acquisitions & disposals of subsidiaries & businesses mainly due to acquisitions of Palletways & Itumele Bus Lines
- > Capital expenditure reduced to R1.0 billion from R1.5 billion due to strict capital management
- > Net inflow in associates & JV's due to sale of Mix Telematics
- > Increase in net borrowings required mainly to fund the acquisition of Palletways, working capital & rental assets

# GEARING

## Net debt to equity



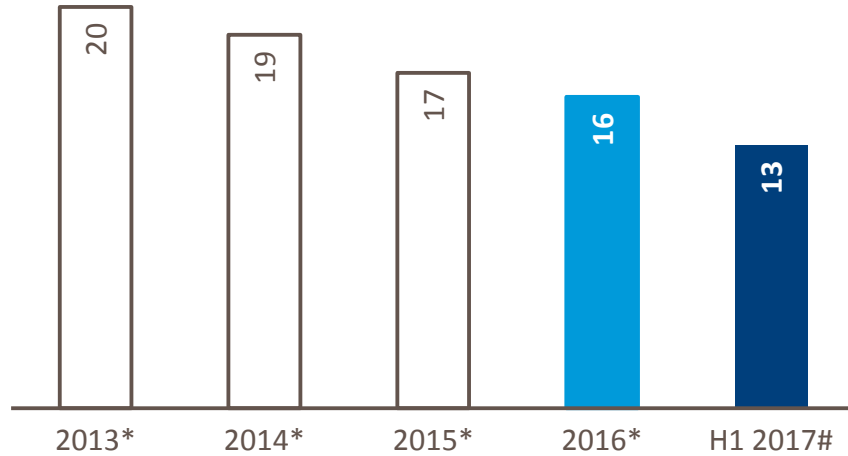
- > Net debt includes cash in discontinued operations & in disposal groups
- > Equity includes preference shares

- > Higher net debt to fund:
  - acquisitions
  - capital expenditure
  - working capital requirements
- > Net debt to equity at 98% was higher than 73% at June 2016 & 76% at December 2015 mainly due to the Palletways acquisition & working capital
- > While the net debt level exceeds the target gearing range of 60% to 80%, it will be reduced with proceeds from disposals in H2 2017 totaling R4.6 billion
- > Group has R12.5 billion unutilised funding facilities (excluding asset backed finance facilities)
- > Mix of fixed & floating debt (37% fixed)
- > Debt maturity profile: 78% long term
- > The group's international scale credit rating by Moody's was unchanged at Baa3 with a stable outlook

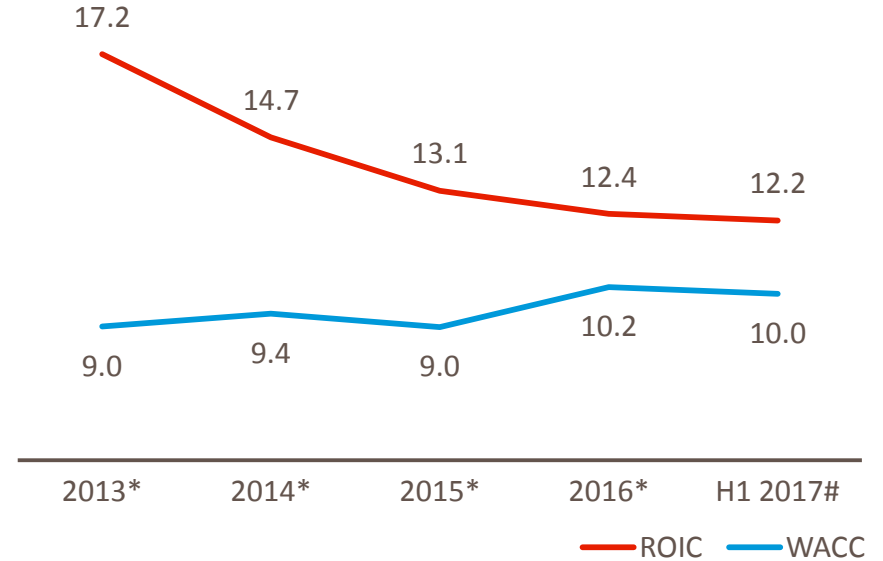
# RETURNS



ROE (%)



ROIC vs WACC (%)\*\*



## ROE affected by:

- > Attributable profits down 22%
- > Partially offset by a 3% decrease in Equity on prior period

## ROIC affected by:

- > Lower returns from reduced earnings
- > Increase in net debt

\* Financial year

# Dec 2016 based on a rolling twelve months

\*\* Revised basis: taxed operating profit plus associates divided by average of Imperial equity plus minorities plus net debt

# AGENDA



OVERVIEW

CONTEXT

STRATEGY

OPERATIONS  
REVIEW

FINANCIAL  
REVIEW

**LOOKING  
FORWARD**

## LOOKING FORWARD



### **For the balance of F2017:**

- > Conditions remain challenging but are not expected to deteriorate
- > We face pressure on revenue & margins, most particularly in our logistics operations beyond South Africa & in our Vehicle Import & Distribution business where fully priced inventory & out of the money forward cover must work through the system
- > New structures, processes & management will stabilise with a focus on costs & working capital
- > Gearing will be reduced by the cash received from disposals
- > The European snow melt could regularise the levels on the Rhine

Our outlook for divisional performance in F 2017 is as follows:

## > Imperial Logistics

- South Africa: Growth of revenues & operating profit
- African Regions: Decline in revenues & operating profit due to the indirect impact of currency movements on volumes & translation of profits into Rands
- International: Growth of revenues & operating profit, substantially from the Palletways acquisition & a recovery in the German & South American businesses

## > Motus

- Import & Distribution: Flat revenues & a decline in operating profit, impacted by challenging trading conditions & the high cost of foreign exchange cover to August 2017
- Retail & Rental: Decline in revenues and operating profit attributable to challenging trading conditions in South Africa
- Aftermarket Parts: Increase in revenues & operating profit, enhanced by the sale of Jurgens
- Motor Related Financial Services: Growth of revenues & operating profit

*We expect the Imperial group to achieve a single digit increase in revenues & unchanged operating profit for the year to June 2017, subject to stable currencies in the economies in which we operate, & South Africa retaining its investment grade.*

*However, a significant increase in foreign exchange losses and higher financing costs will negatively impact headline earnings for the year to June 2017.*

***“We will continue to execute on our espoused strategies”***



THANK YOU



The background of the slide is a collage of industrial images. On the left, a close-up of a smiling Black male worker wearing a blue cap and a high-visibility yellow safety vest, giving a thumbs-up gesture. On the right, a perspective view of a factory floor filled with numerous large, stacked rolls of metal. In the center, a semi-transparent blue rectangular area contains the word "ANNEXURES" in white, uppercase, sans-serif font. A white diagonal line cuts across the image from the bottom-left corner towards the top-right corner.

# IMPERIAL LOGISTICS AFRICAN REGIONS



## West Africa

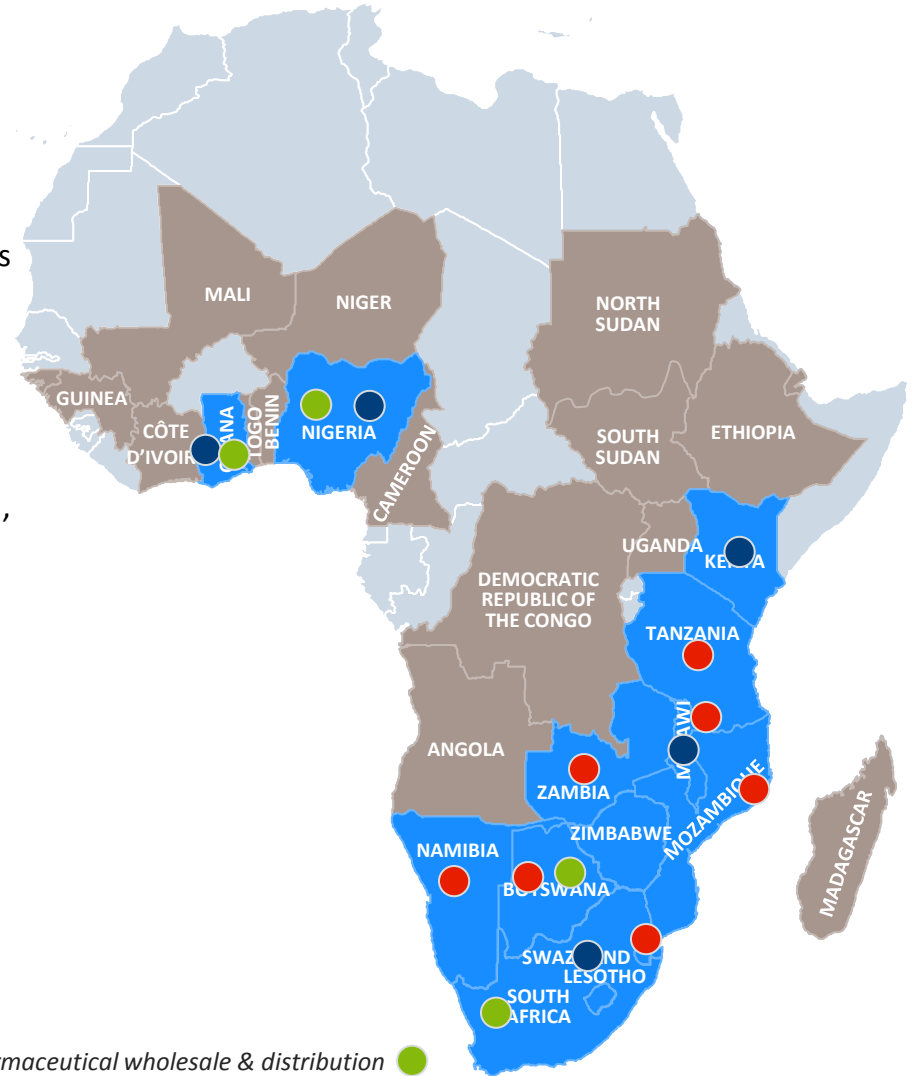
- > Imperial Health Sciences – pharma logistics, supply chain management, warehousing
- > MDS Logistics – transport, distribution, warehousing (FMCG, pharma, telecoms)
- > Eco Health – distribution, sales, marketing of pharma products
- > Imres – a wholesaler of pharmaceutical & medical supplies

## East Africa

- > Imperial Health Sciences – warehousing & distribution in health & pharma (facilities being expanded in Nairobi)
- > Surgipharm – a leading distributor of pharmaceutical, medical, surgical & allied supplies in Kenya
- > Tanzania & Malawi – FMCG distribution, sales & marketing
- > Imres – a wholesaler of pharmaceutical & medical supplies

## Southern Africa

- > FMCG distribution, sales & marketing
- > Further expansion of facilities
- > Transport operations – cross border, load consolidation, warehouse management, cross border documentation
- > Key corridors across SADC
- > Imres – a wholesaler of pharmaceutical & medical supplies



Warehousing & distribution ● Consumer products distributors ● Pharmaceutical wholesale & distribution ●  
 Countries serviced by agents of Imperial Health Sciences ● Imperial Logistics owns facilities ●

## PALLETWAYS OVERVIEW



- > Acquisition of ~95% of Palletways concluded 5th July 2016
- > Enterprise value consideration R3.0bn (£155m):
  - funded by existing unutilised foreign credit facilities
- > Leading European operator in express small consignment palletised freight market (#1 in UK, Italy & Iberia), with a competitive cost advantage in the 1-3 express pallets market
- > Express delivery solution for small consignments of palletised freight across 20 European countries: in the UK (1 in 4 pallets handled by palletised freight networks in UK)
- > Dedicated experienced founder & team co-invested ~5% & remain for 3 years

Depots	Hubs	Daily volume	Annual volume
Over 400	14	38 000 pallets	8 million pallets

# DIVISIONAL REVIEW

## REGENT

(Held for sale)



### REVENUE

→ unchanged  
**R1.6 billion**

### OPERATING PROFIT

↑ 10%  
**R302 million**

- > Provides regulated life & short term insurance products & services mainly in South Africa
- > Regent is currently held for sale, subject to regulatory approvals by the South African authorities
- > The disposal of the Regent Group's non-South African operations for an upfront consideration of R697 million was concluded in January 2017

#### Performance

- > Regent's underwriting result increased by 10% due to:
  - an improved performance in the Life business &
  - lower loss ratios in the short term business
- > Investment income increased by 3%
- > The underwriting performance in Regent's short-term business benefited from the absence of a loss-making portfolio of business that was terminated in the prior financial year
- > New business penetration of motor related value added products remained under pressure due to declining vehicle sales

# DISCLAIMER



Certain statements made in this presentation constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as ‘believes’, ‘expects’, ‘may’, ‘will’, ‘could’, ‘should’, ‘intends’, ‘estimates’, ‘plans’, ‘assumes’ or ‘anticipates’ or the negative thereof or other variations thereon or comparable terminology, or by discussions of, e.g. future plans, present or future events, or strategy that involve risks and uncertainties. Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the company's control and all of which are based on the company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the company and its subsidiaries. The forward-looking statements contained in this presentation speak only as of the date of this presentation.

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