




Edgars
Consolidated Stores Limited

Half Year to September
Interim Results

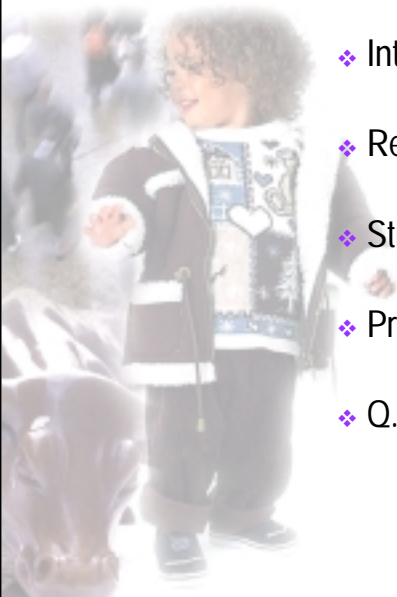
November 2002



Manufacturing
Division



Agenda




- ❖ Introduction
- ❖ Results
- ❖ Strategy
- ❖ Prospects
- ❖ Q. & A.

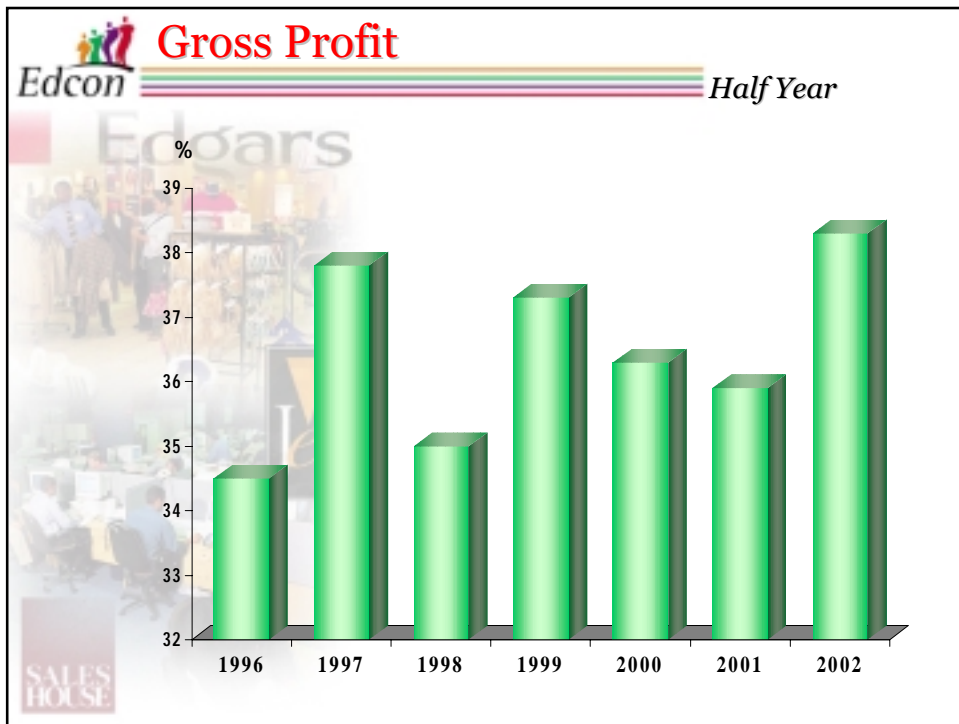
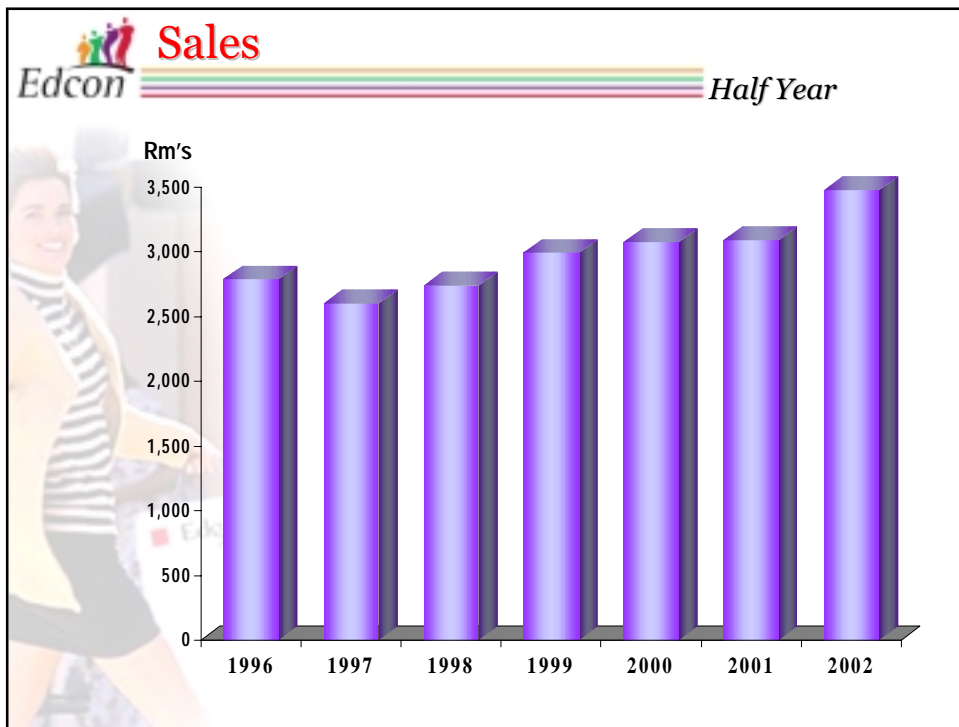
| | Financial Results | | | <i>Group Objectives/ Constraints</i> |
|----------------------------------------------------------|--------------------------|--------|------|------------------------------------------|
| | Target | 2002 | 2001 | |
| Return on Shareholders' Equity (%) (MA) | 20 | 14,3 | 7,5 | |
| Operating Profit to Sales (%) | 10 | 8,2 | 4,0 | |
| Financing Costs Cover (times) | 5 | 8,7 | 2,8 | |
| Gearing Ratio | 0,25 | (0,23) | 0,21 | |
| Working Capital Management (Rm) | Minimise Investment | 184 | 98 | |
| Stockturn (times) | 5,5 | 4,4 | 3,5 | |
| Space Management (%) reduction to date from March '99 | -15 | -11 | -7 | |

| | Financial Results | | | <i>Consolidated Income Statement</i> |
|------------------------------------------------|--------------------------|-------------------------|----------------------|------------------------------------------|
| | September 2002 Rm | September 2001 Rm | Percentage Change | |
| Retail Sales | 3478,3 | 3087,0 | 13 | 6 709,8 |
| Cost of Sales | <u>2 147,7</u> | <u>1 978,8</u> | | <u>4 264,1</u> |
| Gross Profit | 1 330,6 38,3% | 1 108,2 35,9% | 20 | 2 445,7 |
| Store Costs | 674,3 | 669,2 | | 1 381,1 |
| Other net Operating Costs | <u>397,3</u> | <u>287,1</u> | | <u>680,8</u> |
| Retail Trading Profit | 259,0 | 151,9 | 70 | 383,8 |
| Credit & Financial Services Profit/Loss | <u>25,8</u> | <u>(28,4)</u> | | <u>(55,2)</u> |
| Operating Profit before Financing Costs | 284,8 | 123,5 | 131 | 328,6 |
| Net Financing Costs | <u>32,7</u> | <u>44,9</u> | | <u>63,5</u> |
| Profit before Taxation | 252,1 | 78,6 | 221 | 265,1 |
| Taxation | <u>88,3</u> | <u>26,3</u> | | <u>93,4</u> |
| Earnings Attributable to Ordinary Shareholders | <u>163,8</u> | <u>52,3</u> | <u>213</u> | <u>171,7</u> |

| Edcon Financial Results | | <i>Consolidated Income Statement</i> | | | |
|--------------------------------|-------------------|------------------------------------------|-------------------|---------------|-------------------------|
| Divisional Analysis | September 2002 Rm | September 2001 Rm | Percentage Change | March 2002 Rm | Percentage Change Space |
| Retail Sales | | | | | |
| Edgars | 2 246,3 | 1 931,6 | 16,3 | 4 125,2 | (3) |
| United Retail | 1 232,0 | 1 155,4 | 6,6 | 2 584,6 | (5) |
| Retail Trading Profit | | | | | |
| Edgars | 208,9 | 109,9 | 90 | 296,4 | |
| United Retail | 44,9 | 36,5 | 23 | 115,5 | |
| Manufacturing and Other | <u>5,2</u> | <u>5,5</u> | | <u>(28,1)</u> | |
| Group Trading Profit | <u>259,0</u> | <u>151,9</u> | <u>70</u> | <u>383,8</u> | |

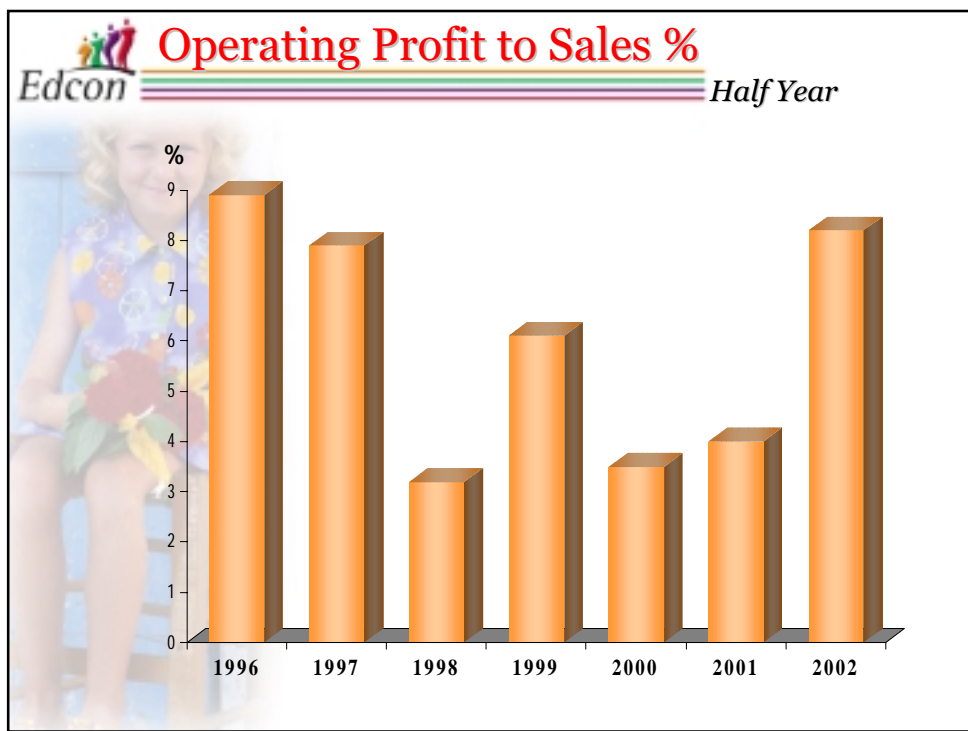
| Edcon Financial Results | | <i>Sales and Area Indicators</i> | | | | | | | | | | |
|--------------------------------|----------------|--------------------------------------|-----------|----------------|----------------|-----------|--------------|--------------|-----------|------------|------------|--------------|
| Divisional Analysis | Total | | | Sales | | | | | | Space | | |
| | | | | CFTA | | | Cell Phones | | | Facias | | Space Growth |
| | Sept 2002 Rm | Sept 2001 Rm | % Change | Sept 2002 Rm | Sept 2001 Rm | % Change | Sept 2002 Rm | Sept 2001 Rm | % Change | Sept 2002 | Sept 2001 | % |
| Edgars | 2 246,3 | 1 931,6 | 16 | 2 134,1 | 1 846,7 | 16 | 112,2 | 84,9 | 32 | 152 | 183 | (3) |
| United | 1 232,0 | 1 155,4 | 7 | 1 115,3 | 1 038,2 | 7 | 116,7 | 117,2 | - | 571 | 456 | (5) |
| Total | 3 478,3 | 3 087,0 | 13 | 3 249,4 | 2 884,9 | 13 | 228,9 | 202,1 | 13 | 723 | 639 | (4) |

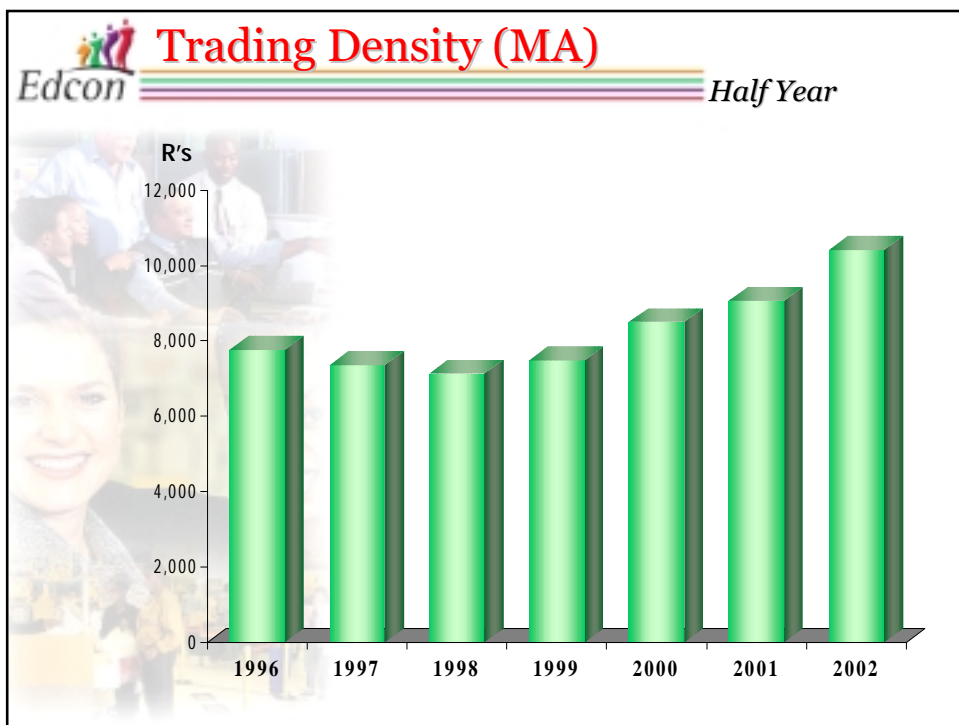
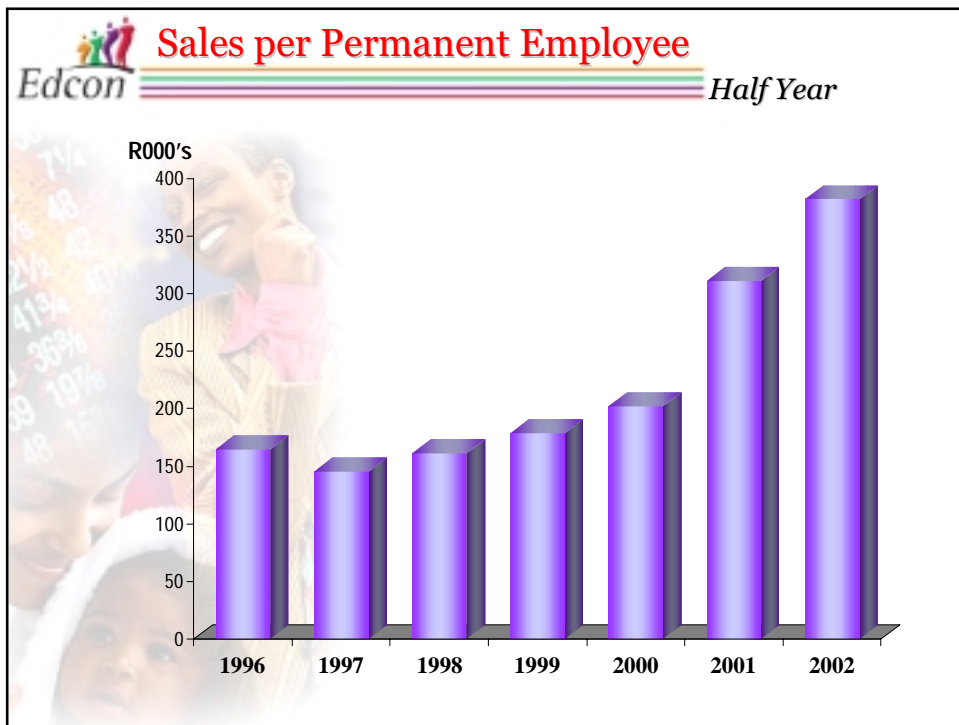






Edcon **Financial Results** *Analysis of Operating Profit*


| | Percentage Change |
|---------------------------------------------|-------------------|
| Retail Sales | 12,7 |
| Gross Profit (after advertising down 2%) | 20,1 |
| Store Expenses (incl. Stock losses up 0,5%) | 0,7 |
| Chain Management Expenses | 11,8 |
| Chain Direct Profit | 64,8 |
| Credit and Financial Services | Up R54,2 million |
| Systems | 21,1 |
| Human Resources Costs | 53,1 |
| Other Head Office Costs | 22,0 |
| Manufacturing Profit | R1,9 million |
| Operating Profit | 130,6 |





|  Financial Results | | <i>Credit Disclosure</i> | | |
|------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------|---------------------|--|
| | September 2002 Rm | September 2001 Rm | March 2002 Rm | |
| Total cost of Financing | | | | |
| Cost of Credit | (19,6) | (49,1) | (111,4) | |
| Financial Services Profit | <u>45,4</u> | <u>20,7</u> | <u>56,2</u> | |
| Credit and Financial Services profit / loss (per income statement) | 25,8 | (28,4) | (55,2) | |
| Notional Financing Costs | | | | |
| Allocated on own Debtors | (113,0) | (101,5) | (197,0) | |
| Total Cost of Credit | (87,2) | (129,9) | (252,2) | |
| Net Financing Costs (per income statement) | (32,7) | (44,9) | (63,5) | |
| Notional Financing Receipts Allocated | 113,0 | 101,5 | 197,0 | |
| Group Net Financing Receipts | <u>80,3</u> | <u>56,6</u> | <u>133,5</u> | |
| Total Cost of Financing | (6,9) | (73,3) | (118,7) | |


|  Financial Results | | <i>Credit Division</i> | |
|--------------------------------------------------------------------------------------------------------------|-----------------|------------------------|--|
| | Sept 2002 Rm | Sept 2001 Rm | |
| ONTHECARDS | | | |
| Initial Discount | 47 | | |
| Discount | 15 | | |
| Other Interest / Cost | 9 | | |
| Net Loss | 71 | | |
| Nedcor | 8 | 5 | |
| EDCON | | | |
| Interest from Customers | -169 | -120 | |
| Net Bad Debt | 40 | 65 | |
| Doubtful Debt Provision | 33 | -21 | |
| Release of Provision | -50 | 0 | |
| Net Profit | -146 | -76 | |
| Collection Costs | 122 | 120 | |
| Profit from Financial Services | -45 | -21 | |
| Profit purchase of RAG book | -36 | | |
| Net (Profit) / Loss | -26 | 28 | |



Financial Results

Credit Division
cont/...


| Statistics | Sept 2002 | Sept 2001 |
|---------------------------------------------|--------------|--------------|
| Weighted average usury rate (%) | 25,2 | 24,8 |
| Growth in credit sales (%) | 13,4 | -0,4 |
| Growth in Collections – total book (%) | 6,0 | 4,8 |
| Debtors Books – gross (R millions) exc. RAG | | |
| Own book | 903 | 1,590 |
| OntheCards / Nedbank | 2,298 | 1,419 |
| Total | 3,201 | 3,008 |
| Rag Gross Debtors (R millions) | 312 | |
| Less Provision | -149 | |
| | 163 | 0 |



Financial Results

Credit Division
cont/...

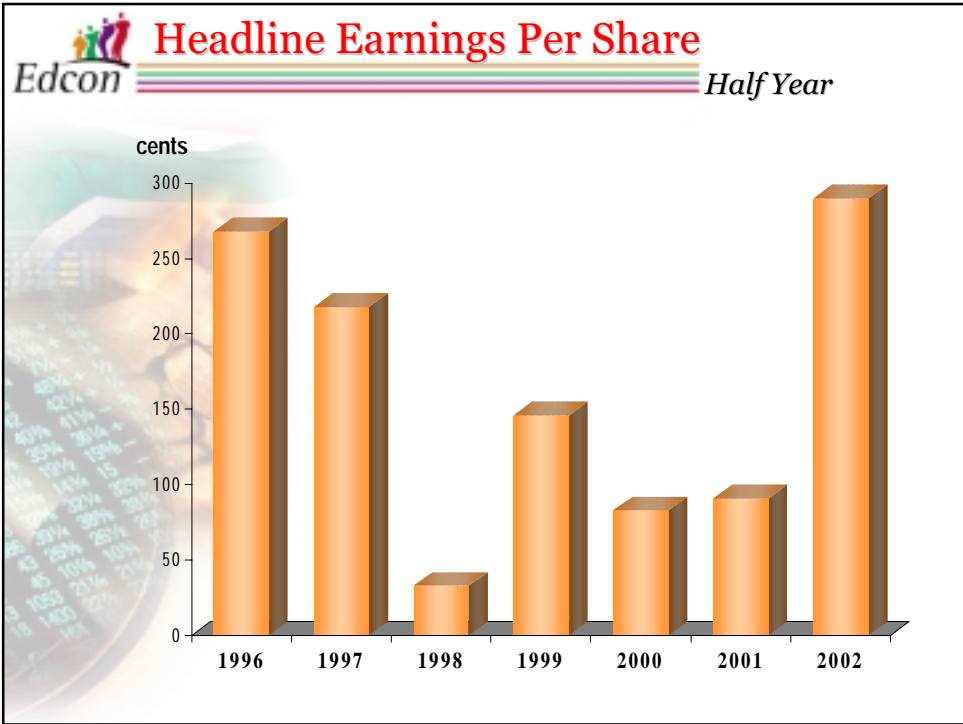
| | Sept 2002 | Sept 2001 |
|-----------------------------------------------------------|-----------|-----------|
| Cash Sales as % of Total Sales | 33,8 | 33,9 |
| Number of Active Accounts (000) exc. RAG | 2,757 | 2,701 |
| Number of Rag Active Accounts (000) | 405 | 0 |
| Net Write off to Debtors Balances % (inc VAT) | 7,54 | 11,50 |
| Net Bad Debt Write off to Credit Transactions % (inc VAT) | 3,47 | 6,34 |
| Doubtful Debt Provision as % of Debtors (exc RAG) | 7,8 | 6,5 |
| General Provision (Rm) | 15,3 | - |
| % Able to Purchase (October) | 86,30 | 84,50 |



Financial Results

Headline Earnings

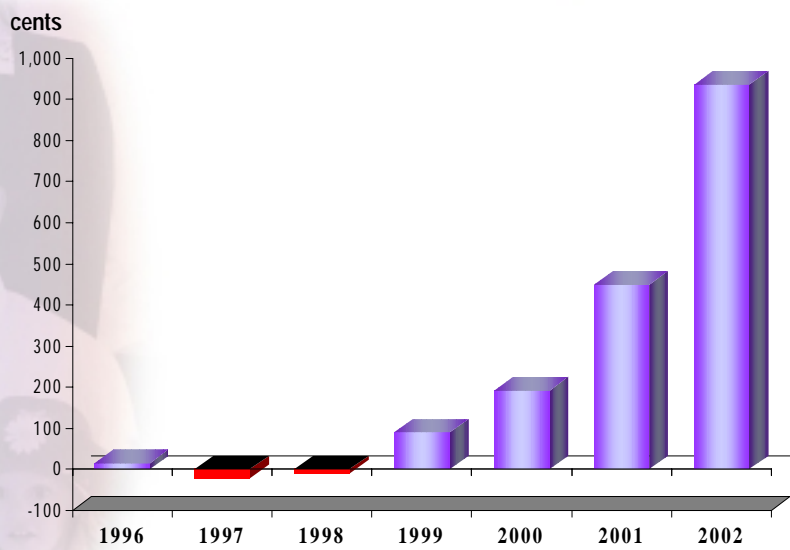
| | Sept 2002 Rm | Sept 2001 Rm | March 2002 Rm |
|--------------------------------------------------------------------------------------|-----------------|-----------------|------------------|
| Reconciliation of Headline Earnings | | | |
| Group Attributable Earnings | 163,8 | 52,3 | 171,7 |
| Plus: Loss on disposal of fixed assets net of taxation | 7,9 | - | 0,6 |
| Less: Part recognition of discount on acquisition of RAG receivables net of taxation | (23,4) | — | — |
| Headline Earnings | 148,3 | 52,3 | 172,3 |
| Earnings per Share (cents) | 320 | 90 | 296 |
| Headline Earnings per Share (cents) | 290 | 90 | 297 |





Edcon **Financial Results** *Consolidated Cash Flow Statement*

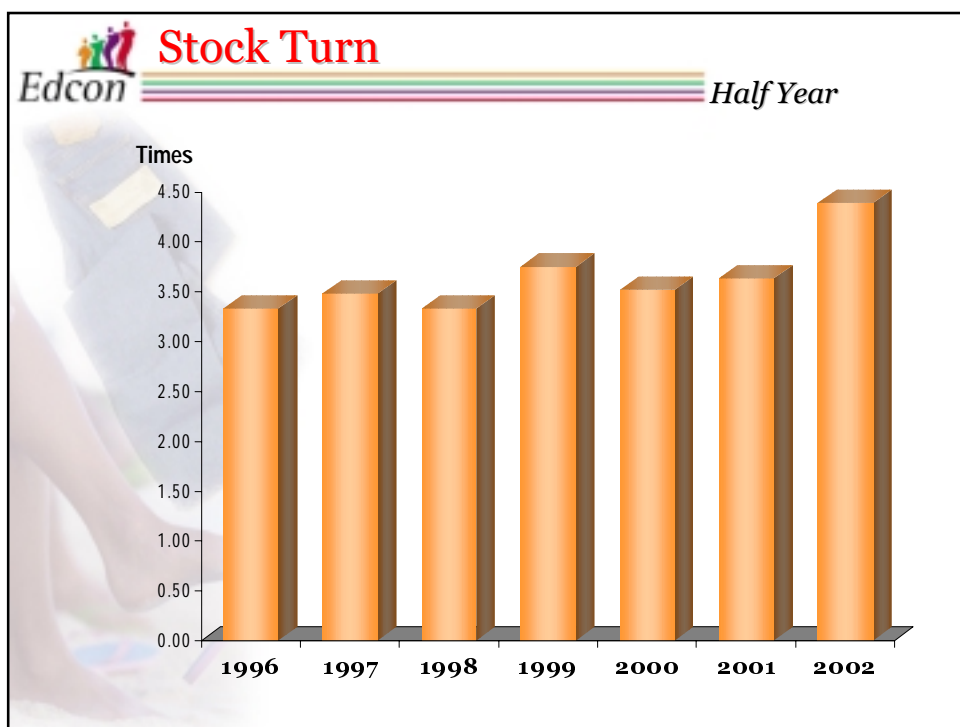
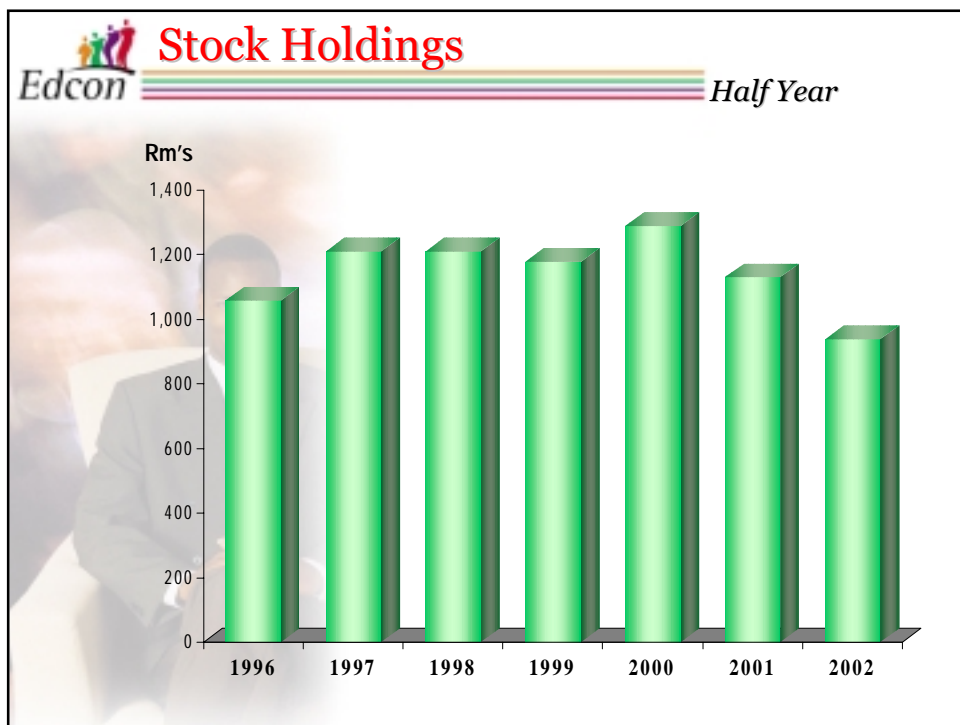
| | Sept 2002 Rm | Sept 2001 Rm | March 2002 Rm |
|---------------------------------------------------------|-----------------|-----------------|------------------|
| Cash Retained from Operating Activities | | | |
| Operating Profit | 284,8 | 123,5 | 328,6 |
| Depreciation | 98,3 | 96,0 | 198,7 |
| Other Non-cash Items | (23,6) | 0,6 | 2,7 |
| Cash EBITDA | 359,5 | 220,1 | 530,0 |
| Working Capital Requirements (*Note 1) | 183,7 | 97,9 | 185,7 |
| Cash Generated from Operating Activities | 543,2 | 318,0 | 715,7 |
| Net Financing Costs Paid | (32,7) | (44,9) | (63,5) |
| Taxation Paid | (32,1) | (13,9) | (40,0) |
| Cash Inflow from Operations | 478,4 | 259,2 | 612,2 |
| Dividends Paid | (42,0) | (36,8) | (57,2) |
| Net Cash Retained | 436,4 | 222,4 | 555,0 |
| Cash Generated from / utilised in Investment Activities | 507,1 | (78,3) | (159,8) |
| Cash Generated | 943,5 | 144,1 | 395,2 |
| Cash Effects of Financing Activities | | | |
| Decrease in Shareholder Funding | (44,6) | (12,0) | (141,5) |
| Decrease in Interest Bearing Debt | (365,8) | (135,2) | (238,7) |
| Net Cash Outflow from Financing Activities | (410,4) | (147,2) | (380,2) |
| Increase in Cash and Cash Equivalents | 533,1 | (3,1) | 15,0 |
| *Note 1: Inventories | 53,8 | 44,6 | 180,9 |
| Accounts Receivable / Prepayments | (162,1) | (43,3) | (43,9) |
| Accounts Payable | 292,0 | 96,6 | 48,7 |
| Cash Flow Per Share (cents) | 935 | 449 | 1080 |

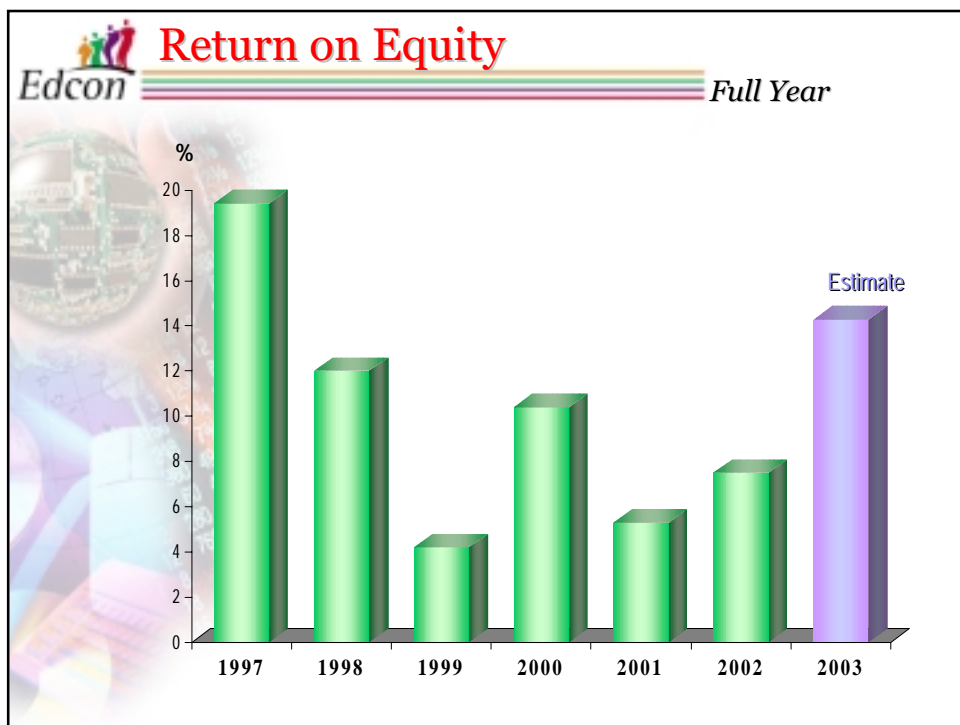
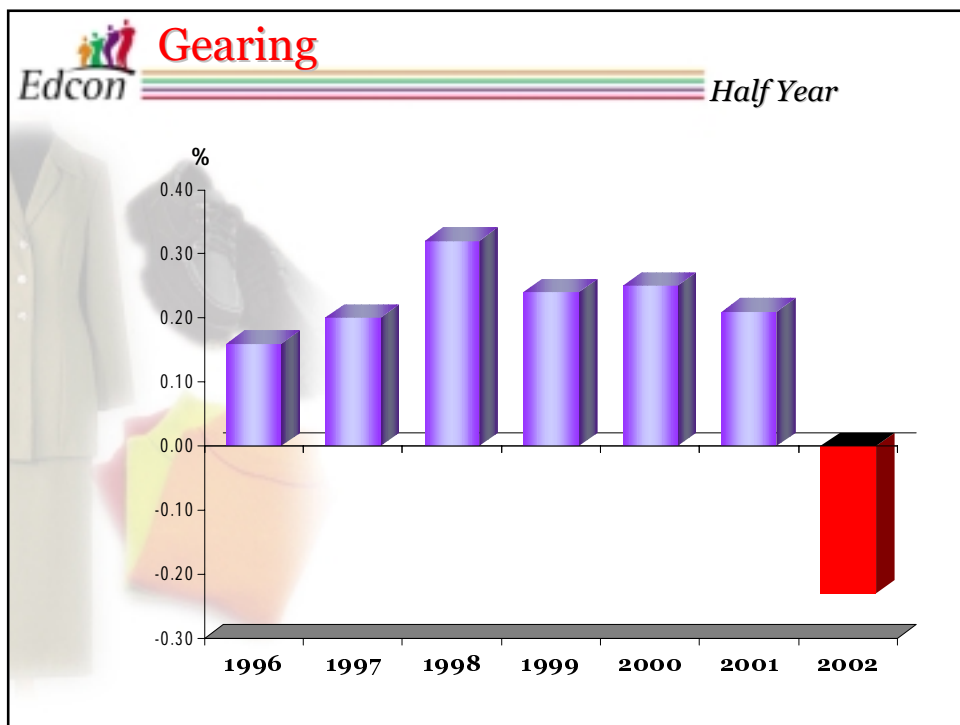
Edcon **Cash Flow per Share** *Half Year*



|  Financial Results | | <i>Investment Activities</i> | | |
|------------------------------------------------------------------------------------------------------------|---------------------|------------------------------|-----------------------|--|
| | Sept 2002 Rm | Sept 2001 Rm | March 2002 Rm | |
| Increase in Property, Plant and Equipment | (29,5) | (77,4) | (129,0) | |
| Acquisition of RAG Assets | (229,1) | - | - | |
| Net proceeds of Securitisation | 798,3 | - | - | |
| Purchase of FNB / Jet Branded Book | (27,0) | - | - | |
| Other | (5,6) | (0,9) | (30,8) | |
| Net Cash Generated / (Invested) | <u>507,1</u> | <u>(78,3)</u> | <u>(159,8)</u> | |

|  Financial Results | | <i>Consolidated Balance Sheet</i> | | |
|--------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------|------------------|--|
| | Sept 2002 Rm | Sept 2001 Rm | March 2002 Rm | |
| Assets | | | | |
| Non-current Assets | | | | |
| Properties, Fixtures, Equipment and Vehicles | 760,0 | 733,2 | 825,8 | |
| Trademarks | - | 1,8 | - | |
| Negative Goodwill | (16,0) | - | - | |
| Investments | 413,9 | 13,9 | 13,9 | |
| Other | <u>81,6</u> | <u>46,1</u> | <u>76,0</u> | |
| Total Non-current Assets | <u>1 239,5</u> | <u>795,0</u> | <u>915,7</u> | |
| Current Assets | | | | |
| Inventories | 938,7 | 1 129,7 (17%) | 993,2 | |
| Accounts Receivable and Prepayments | 1 268,1 | 2 072,7 (39%) | 2 026,8 | |
| Cash and Cash Equivalents | <u>749,6</u> | <u>185,3</u> | <u>215,5</u> | |
| Total Current Assets | <u>2 956,4</u> | <u>3 387,7</u> | <u>3 235,5</u> | |
| Total Assets | <u>4 195,9</u> | <u>4 182,7</u> | <u>4 151,2</u> | |
| Equity and Liabilities | | | | |
| Capital and Reserves | | | | |
| Ordinary Shareholders' Equity | 2 379,3 | 2 308,6 | 2 296,8 | |
| Minority Interest | 0,3 | 0,4 | 0,6 | |
| Total Shareholders' Equity | 2 379,6 | 2 309,0 | 2 297,4 | |
| Interest Bearing Debt | 204,7 | 676,5 | 575,0 | |
| | <u>2 584,3</u> | <u>2 985,5</u> | <u>2 872,4</u> | |
| Interest Free Liabilities | | | | |
| Current | 1 431,2 | 1 041,2 | 1 104,3 | |
| Deferred taxation | 180,4 | 156,0 | 174,5 | |
| Total Interest Free Liabilities | <u>1 611,6</u> | <u>1 197,2</u> | <u>1 278,8</u> | |
| Total Equity and Liabilities | <u>4 195,9</u> | <u>4 182,7</u> | <u>4 151,2</u> | |
| Gearing | (0,23) | 0,21 | 0,16 | |
| Net Equity Per Share (cents) | 4692 | 4019 | 4431 | |







Key Progress

Strategy 1 - Market Segmentation

- ❖ Segment consumers - tailor product, pricing and service to appeal to specific segments
- ❖ Done - both chains trading up in tandem

Strategy 2 - Improve Operating Efficiency

- ❖ Cost of selling March 1999 – 22,4% Sept. 2002 – 19,4% Down 300 basis points
- ❖ Sales per employee (MA) March 1999 - R465 000 Sept. 2002 - R656 895 Up 41%
- ❖ Sales per m² (MA) March 1999 - R7 143 Sept. 2002 - R10 413 Up 46%

Strategy 3 - Real Estate Productivity

- ❖ Shed hopeless real estate in Edgars/United, consolidate real estate with promise
 - 61 870 m² (13,9%) reduced in Edgars since March 1999
 - 21 810 m² (7,1%) reduced in United since March 1999
- ❖ Top United multibrand stores April/September year on year sales growth 35%
- ❖ Group trading density improved 13,1% p.a. over last three years against average gross sales improvement of 6,1% p.a.

Strategy 4 - Transform Credit Management and Securitize Debtors

- ❖ Done



Strategy 5 - Growth

- ❖ Objective : Grow business to R12 billion sales p.a.
- ❖ Background :
 - Declining % of disposable income allocated to apparel
 - Trading space deployed against LSM 7-9 excessive
 - Strong competitors, limited consolidation in future
 - Edcon most mature CFT player in RLC
 - Far sighted front loaded systems investments give Edcon competitive edge and spare capacity
 - Multi product retailers attractive to consumers
 - Edcon success in allied products and financial services
- ❖ Conclusion :
 - Find additional core related lines to boost organic growth
 - Edgars - Size up United - Infants/toddlers
 - Charter Club - Home textiles
 - Homewares
 - Find locations to trade that serve customers A-J – Formal market
 - Find retail business to broaden our portfolio and leverage our infrastructure
 - Fix or build established businesses and avoid cost of entry



Edgars Organic Growth

March 2003 - 2006

❖ Sales

- Existing product - R835m
- New product - R165m
- New stores (net) - R325m

❖ Gross Profit

- Improved sourcing and inventory management
- Stock turn from 4,5 to 5,3 in F.06
- Gross profit maintained

❖ Operating Efficiency

- Sales/Employee from R903 000 to R1 117 000 in F.06
- Sales/m² from R11 981/m² to R14 089/m² in F.06
- Total payroll from 9,3% to 9,1% of sales in F.06



United Organic Growth

March 2003 - 2006

❖ Sales

- Existing product - R461m
- New product - R68m
- New stores (net) - R84m

❖ Gross Profit

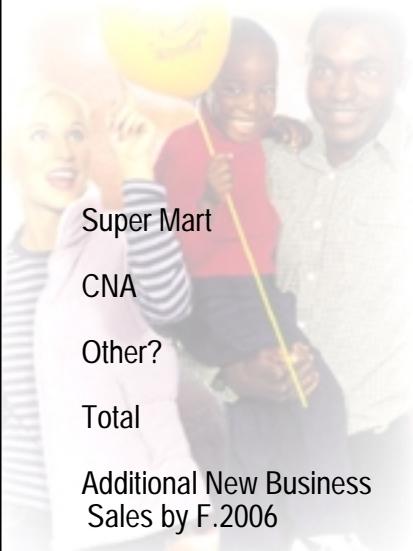
- Improved sourcing and inventory management
- Stock turn up from 5,1 to 5,5 in F.06
- Gross profit increases by 80 basis points

❖ Operating Efficiency

- Sales/Employee from R1 269 000 to R1 545 000 in F.06
- Sales/m² from R9 810/m² to 12 600/m² in F.06
- Total payroll Steady at 8.2% of sales through to F.06



New Business



| | Sales | | Operating Profit | |
|--------------------------------------------|-------------------------|--------------|-------------------------|--------------|
| | Balance F.2003 Rm | F.2006 Rm | Balance F.2003 Rm | F.2006 Rm |
| Super Mart | 210 | 890 | 12,9 | 67,3 |
| CNA | 375 | 1 100 | 10,0 | 72,0 |
| Other? | - | - | - | - |
| Total | 585 | 1 990 | 22,9 | 139,3 |
| Additional New Business Sales by F.2006 | 1 405 | | | |



Strategy 6 – Employer of Choice

- ❖ Strategic agenda has covered product and premises
- ❖ Now - concentrated focus on PEOPLE
- ❖ Key initiatives are :
 - Training - improved performance, confidence and development of people
 - Compensation - basic and performance based, priority to retain key talent
 - Employee care - recognition schemes, assistance programmes, home/work life balance
 - The job - challenging job content, enjoyment, pleasant environment
 - Community commitment - corporate social investment, B.E.E.
 - Branding the company in terms of E.O.C. recruitment initiatives
 - Leadership
 - Our objectives :

**Well trained
people**

**Well motivated
people**

**Ability to attract
the best**



Three Year View


- ❖ Continued steady sales growth from F.2003 to F.2006
 - Approaching R12 billion level
 - Edgars and United additional annual sales of R1,9bn by F.2006
 - New business additional annual sales of R1,4bn by F.2006
- ❖ Trading space increasing with new leaner formats
- ❖ Costs remain tightly controlled
- ❖ New growth opportunities will be explored
- ❖ ROE target of 20% will be achieved during course of 3 year plan





Prospects F.2003




- ❖ Expect current positive momentum to continue during the festive season
- ❖ Full year HEPS tracking towards 1996 record levels



Analyst Forecasts for HEPS

| Analyst | 2003 cents | 2004 cents |
|---------------|------------|------------|
| A | 470 | 550 |
| B | 474 | 482 |
| C | 483 | 545 |
| D | 366 | 427 |
| E | 430 | 501 |
| F | 439 | 519 |
| G | 440 | 633 |
| H | 435 | - |
| I | 434 | 572 |
| INETConsensus | 435 | 521 |



Questions