



Edcon

Year to March 2003
Final Results


A Record Year

May 2003



 Edgars   Manufacturing Division   United Retail   SMILEY'S WEARABLES  SUPER MART


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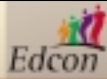


Edcon

Agenda

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

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Operating Highlights for FY 2003

- ◆ Retail sales growth of 24% - organic growth 15%, purchased growth 9%
- ◆ Operating margin of 7.4% - highest since FY 1998
- ◆ Record headline earnings per share of 753cps
- ◆ Record dividend per share of 308cps
- ◆ ROE of 15.5%-highest since FY 1997
- ◆ Integration of strategic acquisitions-CNA, Supermart, RAG



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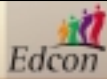


Financial Highlights for FY 2003

	March 2003	March 2002	March 2001
Headline EPS (cents)	753	304	214
Growth in headline EPS	148 %	42 %	(48%)
DPS (cents)	308	117	100
Growth in DPS	163 %	17 %	(34%)
Return on Shareholders' Equity (%) (MA)	15,5	7,5	5,3
Operating Profit to Sales (%)	7,4	4,9	3,9
Financing Costs Cover (times)	13,9	5,2	3
Gearing Ratio	(0,05)	0,16	0,28
Stockturn (times)	4,7	3,8	3,4
Space reduction to date from March 2000 (%) (excluding RAG, CNA and Super Mart)	11.9	7,1	2,1



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Income Statement

	March 2003 Rm	March 2002 Rm	% Change
<i>Retail Sales</i>	8 313,7	6 709,8	24
Cost of Sales	<u>(5 107,0)</u>	<u>(4 264,1)</u>	
<i>Gross Profit</i>	3 206,7	2 445,7	
Store Costs	(1 595,9)	(1 381,1)	
Other net Operating Costs	<u>(1 047,6)</u>	<u>(680,8)</u>	
<i>Retail Trading Profit</i>	563,2	383,8	47
Credit & Financial Services Profit / (Loss)	<u>51,7</u>	<u>(55,2)</u>	
<i>Operating Profit before Financing Costs</i>	614,9	328,6	
Net Financing Costs	<u>(44,2)</u>	<u>(63,5)</u>	
<i>Profit before Taxation</i>	570,7	265,1	115
Taxation	<u>(223,2)</u>	<u>(93,4)</u>	
<i>Earnings Attributable to Ordinary Shareholders</i>	<u>347,5</u>	<u>171,7</u>	102
<i>Headline EPS</i>	753	304	148



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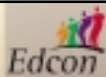


Divisional Analysis of Sales and Trading Space

	Total			CFTA				Cellphones			Fascias		Space
	March 2003 Rm	March 2002 Rm	% Change	% Change	Inflation %	Overall Volumes % Change	Like for Like Volume % Change	March 2003 Rm	March 2002 Rm	% Change	March 2003	March 2002	% Growth
Edgars	4 817,5	4 125,2	17	16	14,1	2,2	6,2	256,8	185,8	38	151	166	(4)
United	2 924,2	2 584,6	13	13	5,6	7,5	10,5	278,8	245,6	14	588	557	(3)
Super Mart	182,5										12		
CNA	389,5							36,0			151		
TOTAL	8 313,7	6 709,8	24		10,3			571,6	431,4	32	902	723	14

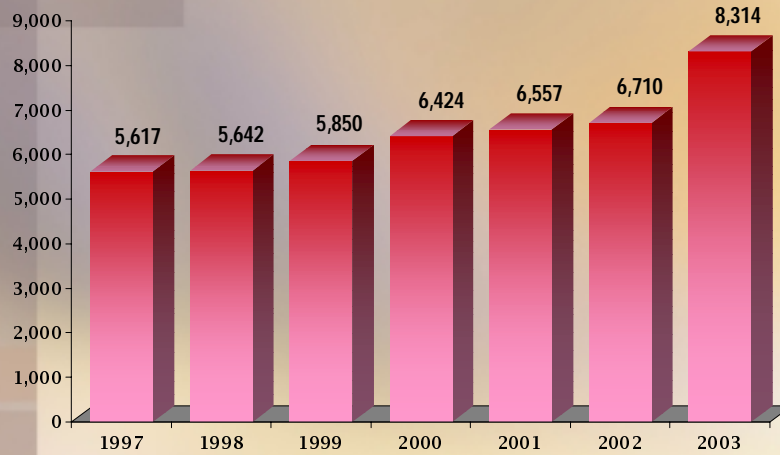


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Group Sales Trend

Retail sales (R'000)

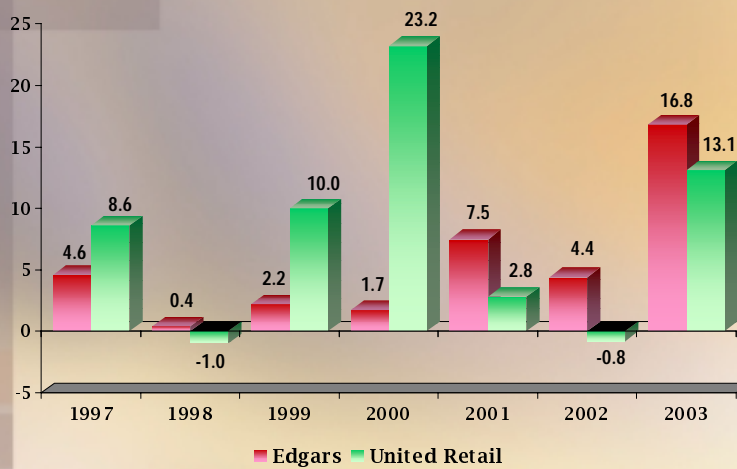


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Divisional Sales Growth Trend

Percent

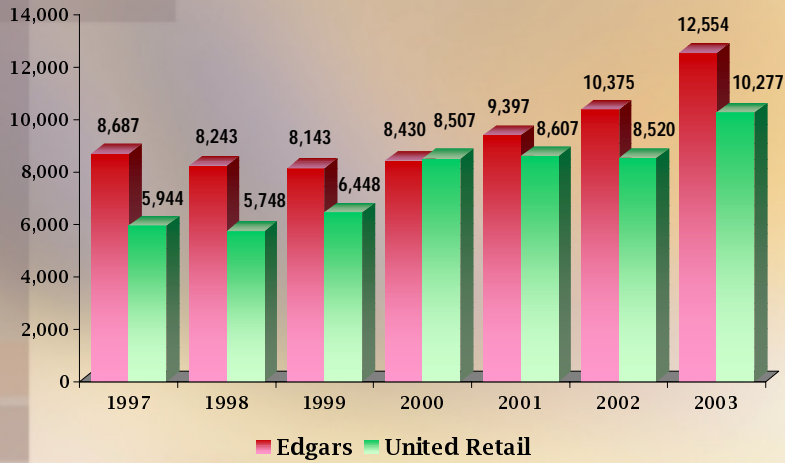


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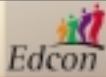


Divisional Trading Density Trend

Retail sales m² (R)

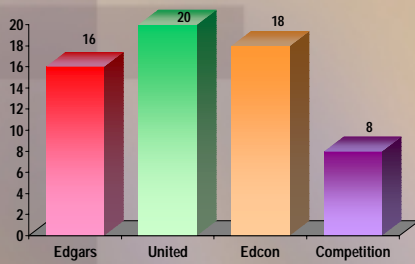


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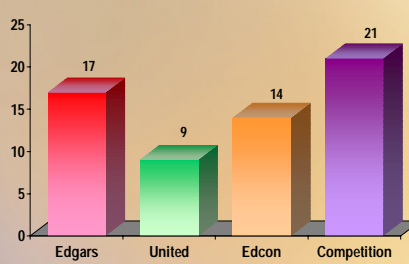


Sales Growth and Market Share

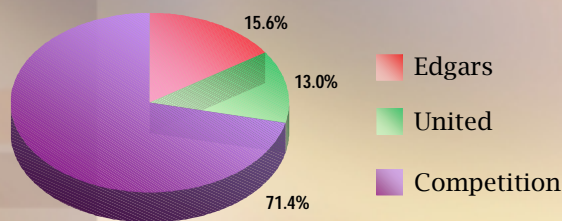
CFT Sales Growth - 6 months to March



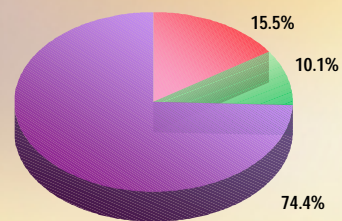
CFT Sales Growth - 6 months to Sept



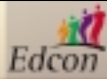
CFT Market Share - 6 months to March



CFT Market Share - 6 months to Sept



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Gross Profit Analysis

	% of sales
GP Margin FY 2003	38,6
GP Margin FY 2002	36,4
Change	2,2
Due to changes in:	
Input margin	(0,3)
Markdowns	0,7
Price breaks	1,8

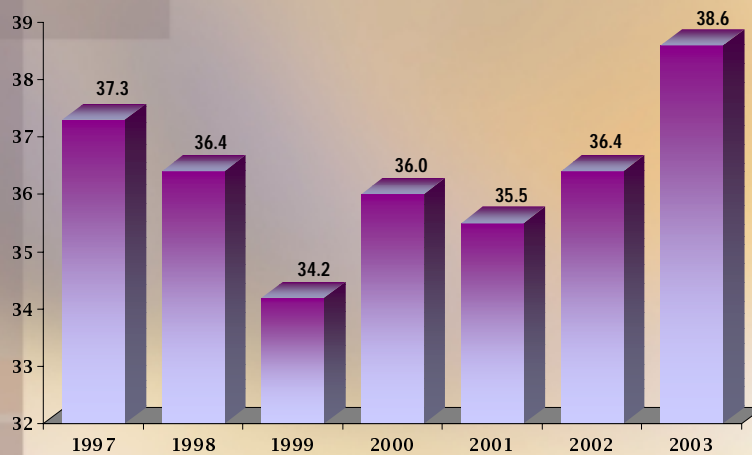


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Gross Profit Margin Trend*

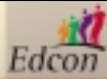
Percent



*Excluding Zimbabwe



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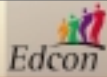


Divisional Analysis of Trading Profit

	March 2003 Rm	March 2002 Rm	% Change
<i>Retail sales</i>			
Edgars	4 817,5	4 125,2	17
United Retail	2 924,2	2 584,6	13
Super Mart	182,5	-	
CNA	389,5	-	
<i>Retail trading profit</i>			
Edgars	411,6	296,4	39
United Retail	182,8	115,5	58
Super Mart	10,2	-	
CNA	(2,4)	-	
Manufacturing	(7,7)	(36,6)	
Other (inc. goodwill amortisation)	(31,3)	8,5	
<i>Group retail trading profit</i>	<u>563,2</u>	<u>383,8</u>	47

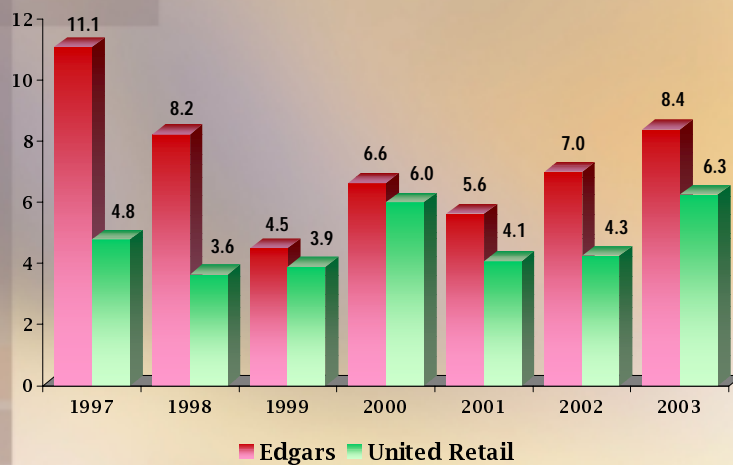


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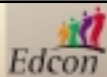


Divisional Trading Margin Trends

Trading margin (%)



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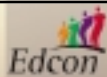


Analysis of Operating Profit

	March 2003 Rm	March 2002 Rm	% Change
Retail sales	8 313,7	6 709,8	24
Gross profit	3 206,7	2 445,7	31
Store expenses	(1 595,9)	(1 381,1)	16
Chain management expenses	<u>(190,0)</u>	<u>(105,7)</u>	80
Chain direct profit	1 420,8	958,9	48
Credit & financial services	51,7	(55,2)	194
Systems	(411,1)	(350,5)	17
Human resources costs	(102,4)	(69,7)	47
Other head office costs	(336,4)	(118,3)	184
Manufacturing loss	<u>(7,7)</u>	<u>(36,6)</u>	79
Operating profit	<u>614,9</u>	<u>328,6</u>	87



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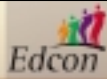


Analysis of Selected Operating Costs

	March 2003 Rm	March 2002 Rm	% Change
Store expenses	1 595,9	1 381,1	16
Existing chains	1 461,2	1 381,1	6
CNA & Super Mart	134,7		
Chain management expenses	190,0	105,7	80
Existing chains	148,4	105,7	40
CNA & Super Mart	41,6		
Systems	411,1	350,5	17
Existing chains	398,1	350,5	14
CNA & Super Mart	12,9		
Other head office costs	336,4	118,3	184
One-off items:			
Onerous rental costs	13,8		
Accelerated depreciation	61,6		
Leave pay top-up	27,2		
Goodwill & asset write-offs-CNA, Super Mart, RAG	45,3		
Provision for unsold markdowns - Retek	23,5		
Other one-off items	29,9		



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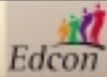


Reconciliation of Headline Earnings

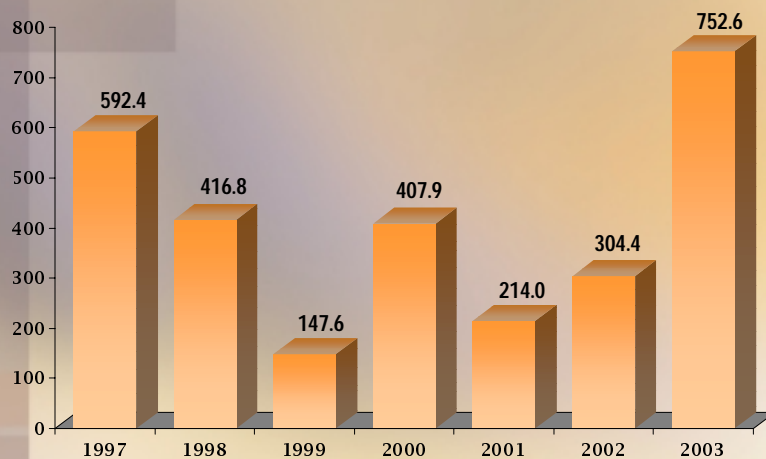
	March 2003 Rm	March 2002 Rm
Group attributable earnings	347,5	171,7
Plus: loss on disposal of fixed assets net of taxation	12,1	0,6
Less: recognition of discount on acquisition of RAG assets net of taxation	(19,2)	-
Plus: goodwill amortised	38,4	-
Headline earnings	378,8	172,3
Earnings per share (cents)	691	303
Headline earnings per share (cents)	753	304



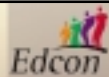
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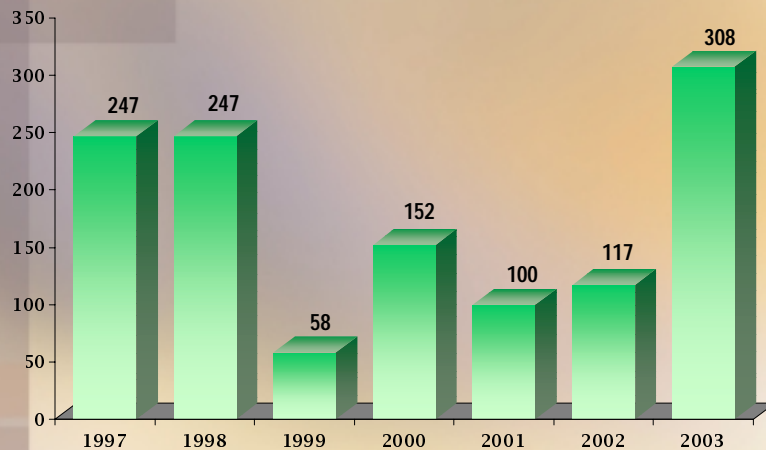
Headline Earnings Per Share Trend



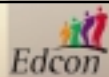
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Dividends Per Share Trend



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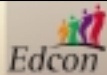


Credit Disclosure

	March 2003 Rm	March 2002 Rm
Cost of credit	(37,9)	(111,4)
Financial services profit	<u>89,6</u>	<u>56,2</u>
Credit & financial services profit / loss per income statement	51,7	(55,2)
Notional financing costs allocated on own debtors	(223,5)	(197,0)
Total cost of credit	(171,8)	(252,2)
Net financing costs (per income statement)	(44,2)	(63,5)
Notional financing receipts allocated	223,5	197,0
Group net financing receipts	<u>179,3</u>	<u>133,5</u>
Total profit / (cost) of financing	<u>7,5</u>	<u>(118,7)</u>



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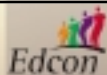


Credit Division

	March 2003 Rm	March 2002 Rm
<i>Onthecards</i>		
Initial discount	(47)	
Discount	(66)	
Other income	33	
Net loss	(80)	
Nedcor	3	(3)
Interest from customers	332	220
Net bad debt	(85)	(104)
Doubtful debt provision	(42)	28
Release of provision on OtC debtors	50	-
Other interest / cost	7	(8)
Net profit	262	136
Collection costs	(259)	(244)
Profit from Financial Services	90	56
Profit on purchase of RAG book	36	-
Net Profit / (Loss)	52	(55)



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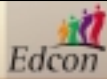


Credit Division Statistics

	March 2003	March 2002
<i>Statistics</i>		
Weighted average Usury rate (%)	27,1	24,2
Growth in credit sales (%)	17,4	1,8
Growth in collections – total book (%)	11,9	2,9
<i>Debtors books – gross (R millions)</i>		
Own book	1 218	1 725
OntheCards / Nedbank	2 398	1 293
Total	3 616	3 018
RAG gross debtors (R millions)	75	-
Less provision	(48)	-
	3 643	3 018



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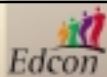


Credit Division Statistics *cont.*

	March 2003	March 2002
Credit sales as % of total sales	63	66
Number of active accounts (000)	3 438	2 860
Net write off to debtors balances % (inc. VAT)-own book	5,8	7,8
Net bad debt write off to credit transactions % (inc.VAT)-own book	2,5	2,7
Doubtful debt provision as % of debtors (exc. RAG)	6,7	5,8
% able to purchase	85,7	84,9

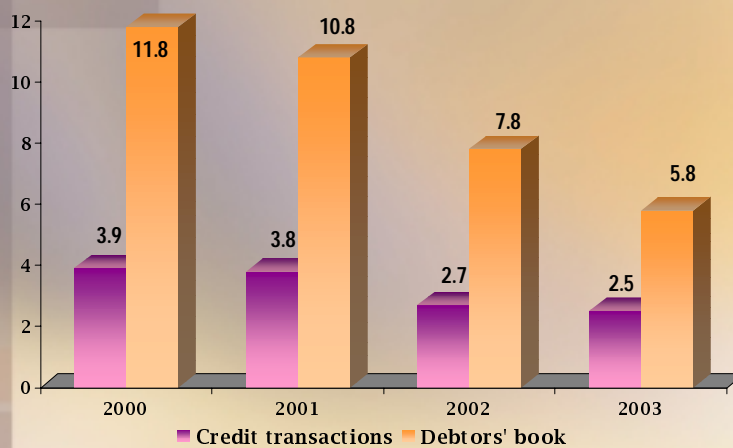


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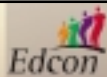


Bad Debt Write-off Trends (own book)

Bad debts as (%)



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Consolidated Cash Flow Statement

	March 2003 Rm	March 2002 Rm
<i>Cash retained from operating activities</i>		
Operating profit	609,2	325,1
Depreciation, amortisation & impairment	304,5	198,7
Dividends received	5,7	3,5
Other non-cash items	(12,9)	2,7
Cash "EBIDTA"	906,5	530,0
Working capital requirements (*Note 1)	(32,0)	185,7
<i>Cash generated from operating activities</i>	874,5	715,7
Net financing costs paid	(44,2)	(63,5)
Taxation paid	(103,2)	(40,0)
<i>Cash inflow from operations</i>	727,1	612,2
Dividends paid	(104,1)	(57,2)
<i>Net cash retained</i>	623,0	555,0
Cash generated from / utilised in investment activities	186,0	(159,8)
<i>Cash generated</i>	809,0	395,2
<i>Cash effects of financing activities</i>		
Decrease in shareholder funding	(324,0)	(141,5)
Decrease in interest bearing debt	(393,4)	238,7
<i>Net cash outflow from financing activities</i>	(717,4)	(380,2)
<i>Increase in cash and cash equivalents</i>	91,6	15,0
<i>Cash flow per share (cents)</i>	1 445	1 080
Note 1: Inventories	(39,4)	181,0
Accounts receivable / prepayments	(431,0)	(44,0)
Accounts payable	438,4	48,7



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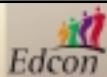


Investment Activities

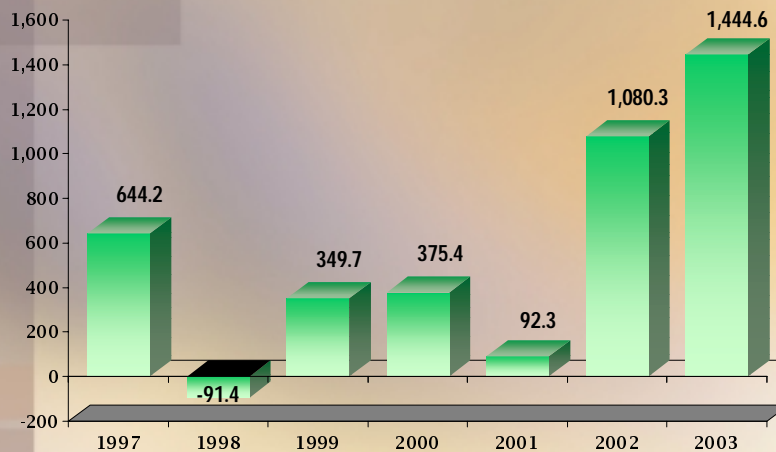
	March 2003 Rm	March 2002 Rm
Increase in property, plant & equipment	(113,7)	(129,0)
Acquisition of RAG assets	(252,3)	-
Net proceeds of securitisation	798,3	-
Purchase of FNB / Jet branded book	(27,0)	-
Acquisition of Super Mart	(86,3)	-
Acquisition of CNA assets	(129,6)	-
Acquisition of CNA foreign subsidiaries	(8,2)	-
Other loans	4,8	(30,8)
Net cash generated / (invested)	186,0	(159,8)



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Cash Flow Per Share Trend



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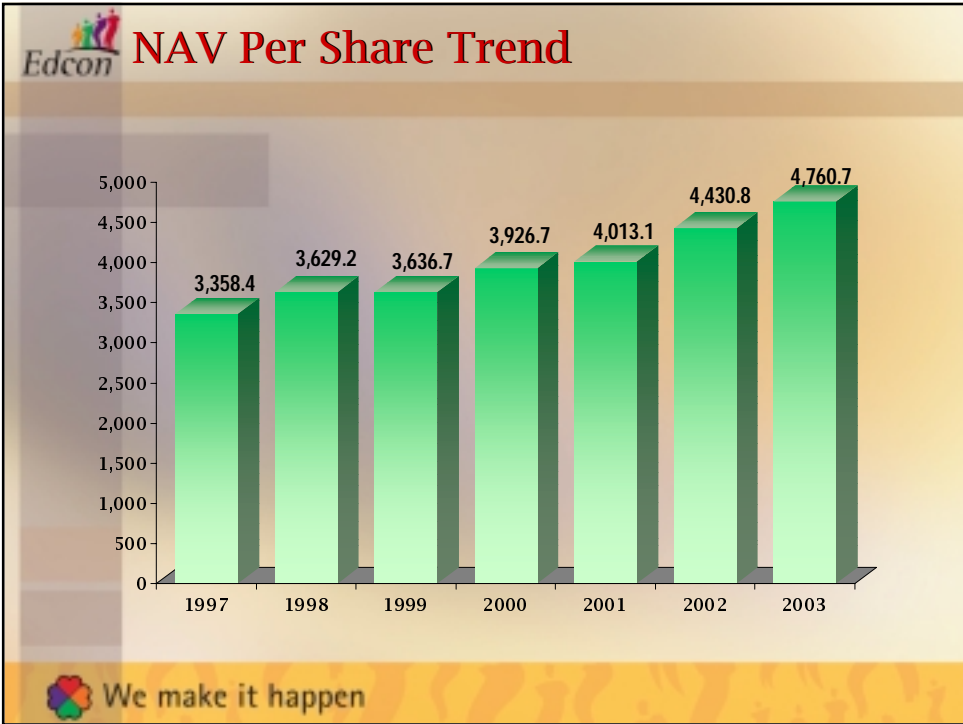


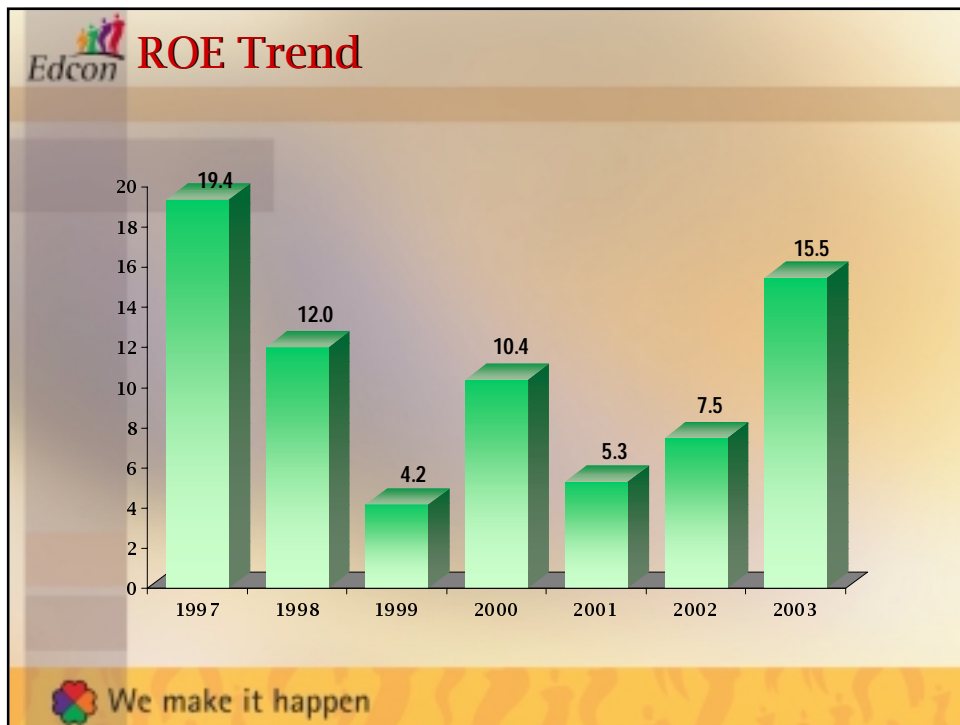
Balance Sheet

	March 2003 Rm	March 2002 Rm
Assets		
Non current assets		
Properties	689,2	825,8
Goodwill	103,6	-
Investments	400,0	13,9
Other	80,6	76,0
Total non-current assets	1 273,4	915,7
Current assets		
Inventories	1 186,6	993,2
Accounts receivable & prepayments	1 515,6	2 026,8
Cash & cash equivalents	298	215,5
Total current assets	3 000,2	3 235,5
Total assets	4 273,6	4 151,2
Equity & liabilities		
Capital & reserves		
Ordinary shareowners' equity	2 187,8	2 296,8
Minority interest	0,6	0,6
Total shareowners' equity	2 188,4	2 297,4
Interest bearing debt	183,4	575,0
Total capital employed	2 321,8	2 872,4
Interest free liabilities		
Current	1 859,5	1 104,3
Deferred taxation	42,3	174,5
Total interest free liabilities	1 901,8	1 278,8
Total equity & liabilities	4 273,6	4 151,2
Gearing	(0,05)	0,16
Net equity per share (cents)	4 761	4 431

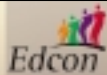


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- Edcon Recent Acquisitions**
- ◆ Strategic fit into group structure
 - ✔ Super Mart provides exposure to underserved low income market
 - ✔ CNA has primarily same customer base as Edgars
 - ✔ RAG debtors book provides boost to Edcon's customer account base
 - ◆ Synergies from acquisitions
 - ✔ Leverage existing infrastructure (head office, IT, credit, distribution) over broader base
 - ✔ Property development leverage
 - ✔ Increased group purchasing power due to overlap of merchandise
 - ✔ Experience sharing
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Recent Acquisitions – Super Mart

◆ Rationale

- ✓ Unique, well-established, cash-based format
- ✓ Provides access to under-served low-income market
- ✓ Diversifies Edcon's product offering
- ✓ Large scale growth potential within South Africa
- ✓ Ideal format for African expansion

◆ What has been done to date?

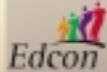
- ✓ Contracts to retain existing Super Mart management through earn out period
- ✓ 5 new stores opened
- ✓ Integration of HR function into Edcon

◆ What still needs to be done?

- ✓ Implement Arthur planning and Retek systems
- ✓ Integration of distribution facilities with Edcon's
- ✓ Increase product offering
- ✓ Open new stores



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Recent Acquisitions - CNA

◆ Rationale

- ✓ Increase Edcon's share of aggregate discretionary spend by its customers
- ✓ CNA has the strongest brand in its market
- ✓ CNA's problems in areas in which Edcon has high levels of expertise

◆ What has been done to date?

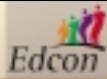
- ✓ Restructured / terminated legacy agreements relating to franchises, outsourced systems and distribution
- ✓ Reduced stock levels by 30% and cleared out old stock
- ✓ Introduced process of rebuilding inventory by department
- ✓ Restructured staffing at all levels

◆ What still needs to be done?

- ✓ Convert to Retek and other Edcon systems-end June
- ✓ Complete rebuilding and relaunch of merchandise assortments
- ✓ Implement centralised merchandise presentation standards, disciplines and service ethic
- ✓ Extend use of Edcon credit cards across all stores



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Recent Acquisitions - RAG

◆ Rationale

- ✓ Acquired debtors book of R345m for R160m
- ✓ Debtors book provided details of 463 000 customers eligible for Edcon accounts
- ✓ RAG brands competed directly with United Retail brands
- ✓ RAG had certain desirable store locations in Botswana

◆ What has been done to date?

- ✓ Initial outlay recouped in 4 months of collections
- ✓ RAG brand names have been retired
- ✓ 16 retail properties acquired (10 in Botswana) converted into Jet stores

RAG now fully integrated into Edcon structures



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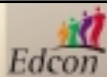


Areas of Concern

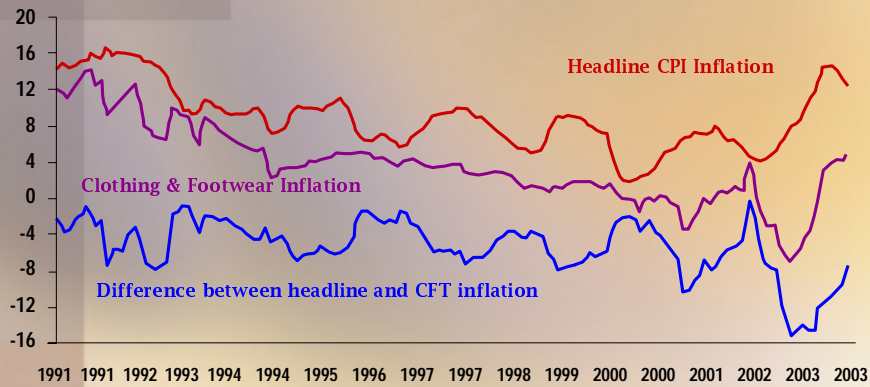
- ◆ Impact of expensing share options
- ◆ Impact of rand strength
- ◆ Low consumer appetite for credit
- ◆ Clothing and footwear inflation



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Areas of Concern - CFT Inflation



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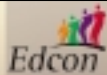
Areas of Concern-CFT Inflation

◆ Drivers:

- Levels of markdowns and pricebreaks relative to prior year
 - ▼ Edgars - 9.4% of sales (11.9% in 02)
 - ▼ United Retail - 4.4% of sales (5.7% in 02)
- Product mix
 - ▼ Core versus fashion mix
- Fashion changes
 - ▼ Type of product
- Overall CFT CPI



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Key Progress on Stated Objectives

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 – 22,5% March 2003 – 19,2% Down 330 basis points
- ◆ Sales per employee (MA) March 1999 - R465 400 March 2003 – R737 800 Up 59%
- ◆ Sales per m² (MA) March 1999 - R7 143 March 2003 - R10 678 Up 49%

Strategy 3 - Real Estate Productivity

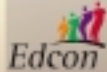
- ◆ Shed hopeless real estate in Edgars / United, consolidate real estate with promise
 - 61 000 m² (14%) reduced in Edgars since March 2000
 - 18 000 m² (7%) reduced in United since March 2000
- ◆ Group trading density improved 13% p.a. over last three years against average gross sales improvement of 9% p.a.

Strategy 4 - Transform Credit Management and Securitise Debtors

- ◆ Done



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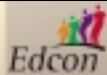


Employer of Choice

- ◆ To sustain growth Edcon needs:
 - Highly trained people
 - Highly motivated people
 - The ability to attract the best people
- ◆ Key focus areas are:
 - Company reputation as an employer
 - The community
 - Leadership
 - Culture
 - Compensation
 - Meaningful jobs and working conditions
 - Training
 - Employee care



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Growth in FY 2004

- ◆ Sales growth from existing businesses-slower rate than in FY 2003
- ◆ Operating margin expansion potential in existing chains
- ◆ Full year inclusion of new acquisitions
- ◆ Earnings growth ahead of sales growth



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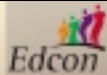


Growth Strategy for FY 2004-Edgars

- ◆ Store openings and refurbishments:
 - 7 Edgars stores
 - 6 Red Square stores
 - 21 refurbishments
- } Capex – R127m
- ◆ New business opportunities:
 - Upmarket clothing ranges (extension of Charter Club)
 - Increased outsize ranges
 - Kitchenware and home décor products
 - ◆ New initiatives to leverage information:
 - New data warehouse management system
 - New merchandise allocation module for Retek
 - ◆ Improve knowledge, skills, motivation of staff



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Growth Strategy for FY 2004 – United Retail

- ◆ Store openings and refurbishments:
 - 7 new stores
 - Refurbishment of mall-based stores
- } Capex – R25m
- ◆ Brand consolidation
 - ◆ Focus on category dominance in Childrenswear, Footwear, Denim
 - ◆ Increase direct imports of products
 - ◆ Improve supplier relationships and networks
 - ◆ Improve in-store service and customer retention



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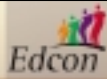


3 Year View-Details

- ◆ Continued steady sales growth from FY 2003 to FY 2006
- ◆ Trading space increasing with new / existing leaner formats
- ◆ Operating efficiencies to continue
- ◆ Costs to remain tightly controlled
- ◆ New organic growth areas and acquisition opportunities will be explored



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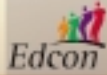


3 Year Targets - Edgars & United Retail

	Edgars	United Retail
Sales (Rm)	5 900	3 400
Gross profit margin (%)	Maintain	Maintain
Stock turn (x)	5.6	5.6
Sales / Employee (R'000)	1 117	1 545
Sales / m ²	R14 100	R12 600
Total payroll (% of sales)	9.1	8.2



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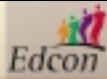


3-Year Targets - New Businesses

	Sales		Trading Profit Margin	
	FY 2003 Rm	FY 2006 Rm	FY 2003 %	FY 2006 %
Super Mart	183	890	5.6	7.6
CNA	390	1 100	(0.6)	6.6
Other?	-	-	-	-
Total	573	1 990		



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3 Year Targets - Group

	Target	FY 2003	FY 2002
ROE	20%	15.5%	7.5%
Retail Sales	R12bn	R8.3bn	R6.7bn
Gross profit margin	40%	38.6%	36.4%
Operating profit margin	10%	7.4%	4.9%
Stock turn	5.5x	4.7x	3.8x
Sales / employee	R1 243 000	R737 800	R690 600
Sales / m ²	R13 500	R 10 700	R9 600



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Key Messages

- ◆ Edcon's turnaround is not a one-off aberration
- ◆ Sustainable business practices are in place across the group to take the company forward
- ◆ There remain ample opportunities to improve and grow the existing business
- ◆ There is depth of management across Edcon to exploit these opportunities

The best is yet to come...



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Questions

