



***Investor Presentation***

**Trading Results for the period ended 26 September 2009**

*(excluding consolidation of OtC)*



**Q2 FY 2010**  
**Excluding consolidation**  
**of OtC**



# Trading results for the 2<sup>nd</sup> Quarter FY 2010

- ❑ Retail sales down 5.9% to R4.5bn
- ❑ Divisional retail sales growth:

	Total
Edgars	- 4.2%
CNA	- 2.1%
Discount division	- 8.9%

- ❑ Group Like for Like sales were down 9.1% on last year
- ❑ Average trading space grew 6.5% to 1.309 million sqm
- ❑ 1244 stores versus 1153 last year

# Trading results for the 2<sup>nd</sup> Quarter FY 2010 (cont.)

- ❑ Credit sales were 49% of total compared to 52% last year
- ❑ Gross Profit margin of 35.8% from 37.0%
- ❑ Profit from credit and financial services down R90m to R49m
- ❑ Adjusted EBITDA down 38.4% to R386m
- ❑ Cash generated by operations up 185.4%

# Gross Profit Margins

	Q2 FY10	Q2 FY09
Edgars	40.3%	41.8%
CNA	32.5%	32.1%
Discount Division	30.3%	31.7%
Group	35.8%	37.0%

# Cash Flow for 2<sup>nd</sup> Quarter for FY 2010 (excl. OtC)

- Reduction in working capital of R541m compared with R298m increase last year
- Cash generated from operating activities up to R936m from R328m (a rise of 185.4%)
- Cash net interest expense of R469m (R530m incl. OtC)
- Capex was R104m compared with R162m last year
  - R47m store fixtures
  - R57m in IT infrastructure

# Credit Highlights for 2<sup>nd</sup> Quarter for FY 2010

- ❑ Loss from credit of R45m, down from R68m profit in FY09
- ❑ Bad debts to average debtors of 12.1%, same as last year
- ❑ Active account base of 4.2 million, compared to 4.1 million last year
- ❑ After tax earnings of financial services JV up 32.4% to R94m



**Six months to  
September 2009  
excluding consolidation  
of OtC**



# Trading results for Year to Date FY 2010

- Retail Sales down 1.7%
- Divisional Retail Sales Growth

	Total
Edgars	- 1.3%
CNA	0.1%
Discount Division	- 2.5%

- Group like for like sales growth was down 4.9% on last year
- Gross profit margin of 36.0%, from 37.8%

# Trading results for Year to Date FY 2010 (cont.)

- ❑ Adjusted EBITDA down 20.7% to R1 123 million
- ❑ Profit from Credit and Financial Services down from R250 million to R147 million
- ❑ Cash generated by operations up 58.6%
- ❑ Capex was R213 million compared with R298 million last year

# Liquidity and Capital Resources

- ❑ Notes (net of derivatives) of R18.7bn
  
- ❑ Borrowing base facility – R2.4bn utilised
  - ❑ R0.5bn utilised by Edcon
  - ❑ R1.9bn utilised by OtC
  
- ❑ Notes issued by OtC II R1bn
  
- ❑ Revolving credit facility – R2.0bn utilised
  
- ❑ Maximum drawdown during FY 2010:
  - ❑ Borrowing Base (including OtC) R3.4bn
  - ❑ Revolving Credit R2.7bn

# Liquidity and Capital Resources (cont.)

- ❑ Total Facilities:
  - ❑ Borrowing Base and Receivable Backed Facilities R5.5bn
  - ❑ Notes issued by OtC II R1.0bn
  - ❑ Revolving Credit R3.5bn
  
- ❑ Current hedging position :
  - ❑ Interest rates on notes are still fixed and currency hedged until June 2011
  - ❑ Currency hedged on principal until June 2012
  - ❑ We continue to monitor appropriateness of hedging strategy

# Securitisation and Receivables Financing

- ❑ Borrowing base facility matures in June 2010
- ❑ In August 2009, R1 billion was raised in a publicly listed securitisation
- ❑ Funds raised were used to pay down commitments under the existing receivables facilities
- ❑ Still in discussion with bank syndicate to extend the remaining receivable backed facilities. We are close to finalisation

# Commentary on Results

- ❑ South Africa economic environment remained challenging
  - ❑ Negative economic growth
  - ❑ Job losses
  - ❑ High levels of consumer debt
  - ❑ Volatile Rand
  - ❑ Interest rates have come down by 500bps but debt to household income ratio still at 76% so no short term benefit to sales
  
- ❑ Lower GP margins due to
  - ❑ Weak economic environment
  - ❑ Extensive competitor markdown activity
  
- ❑ Tightened credit granting due to reducing credit risk in period of negative economic growth

# Actions taken to Mitigate Risks

- ❑ Strong focus on cash flow generation
  - ❑ Reduced capex spend – R453m in FY10, from R569m in FY09
  - ❑ Store expansion will slow – an additional 4.7% will be added in FY10
  - ❑ Cost containment initiatives resulted in lower corporate overheads
- ❑ Reduce debtors book risk
  - ❑ Tightened credit granting for higher risk customers
  - ❑ Conservative provisioning for bad debts
- ❑ Labour productivity improvement in stores
- ❑ Stock levels below last year, inventory very current, markdowns up to date

# Outlook

- ❑ Retail conditions challenging due primarily to:
  - ❑ Negative economic growth
  - ❑ Further job losses in South Africa
  - ❑ High levels of consumer debt
  - ❑ Falling consumer confidence
  - ❑ High increases in utility prices
  
- ❑ Medium/long term prospects still look good
  - ❑ Government infrastructure spend program, approximately R700bn over next three years
  - ❑ Impact of lower inflation and interest rates
  - ❑ Medium term GDP growth projections are more positive
  - ❑ Impact of 2010 World Cup
  - ❑ Fiscal policy is stimulatory and government has capacity to spend more