



accelerating  
entrepreneurial  
momentum



Imperial Holdings Limited | Audited Results 2007

## Agenda

Introduction and strategic intentions

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Results presentation

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## Imperial today

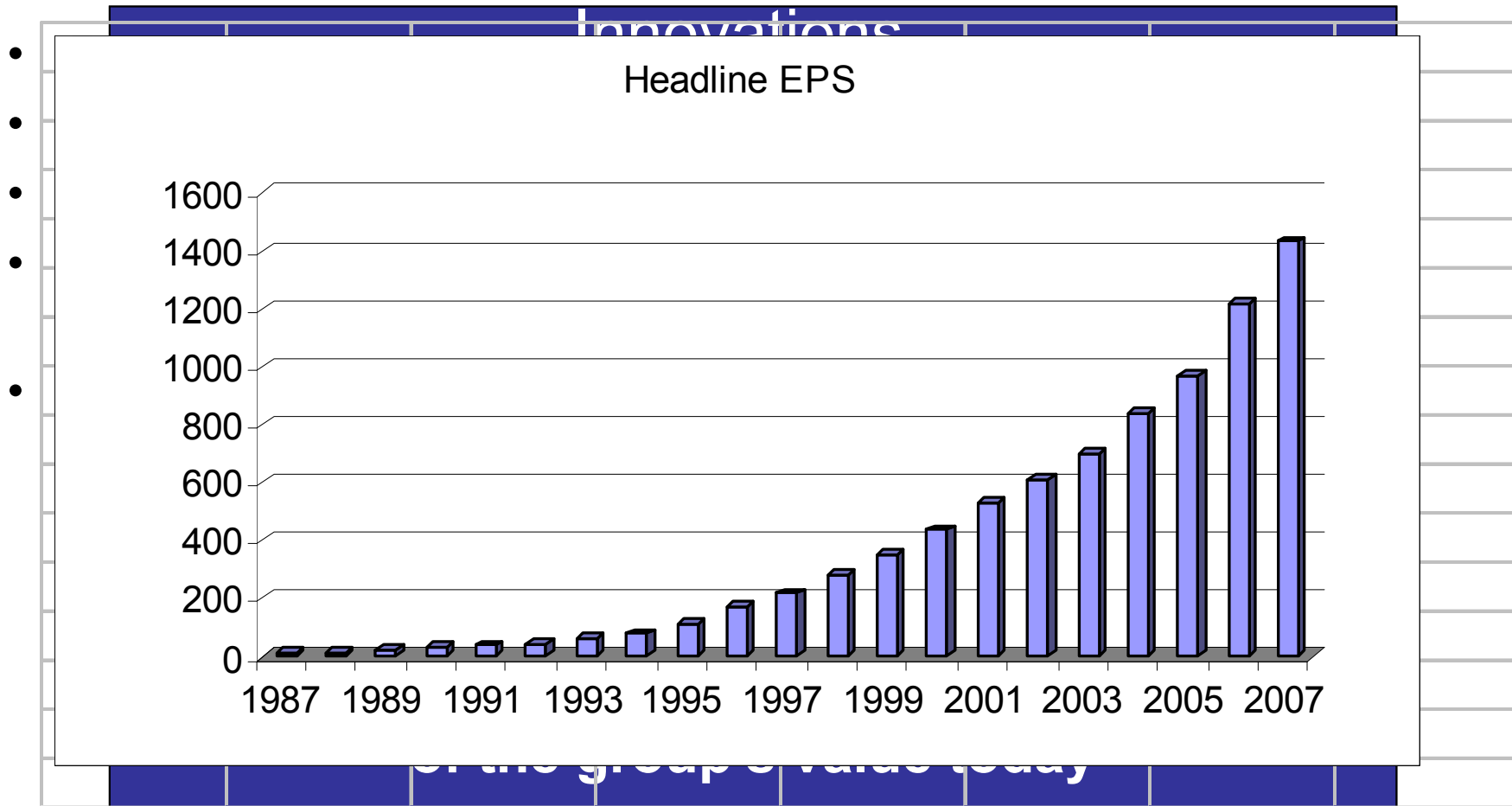
- A group with substantial scale in long term sustainable sectors of the South African economy
- Weighted towards the transport needs of individuals and businesses
- Occupying specific sweet spots in the motor vehicle market
  - The best established fully imported brands and a full complement of locally manufactured brands
  - Fully fledged motor focused financial services
- A comprehensive and versatile freight and logistics business
  - Another sweet spot given that transport and logistics will be a significant growth engine in the sub-continent

Continued..

## Imperial today

- An entrepreneurial leasing arm with a large asset base and a powerful yellow plant business
- A travel business consisting of a leading car rental company with strong local and international brands and a listed tourism specialist

# Why is it such a great business?



## Challenges

- We have a substantial platform for international expansion:

- *25% of revenue (2006: 20%), and 13% of operating profit (2006: 8%) earned from sources outside South Africa.*

- *Germany is a huge success making €26.2 million and 17.5% on net assets*

- *The UK truck dealership performed well with a very satisfactory operating margin*

- *The technology and business model of Multipart UK will deliver good results and has significant application possibilities in SA*

## Strategic intentions

- Business mix being reassessed to optimise shareholder value
- Cash generation and higher returns on capital are an absolute priority.
  - Capital allocation will be to areas of optimal returns
- Our core business themes will reflect the above two objectives
- Current initiatives
  - Tourvest
  - Considering capital intensive businesses
  - Aviation
- New businesses will be created from existing platforms (and around existing expertise)
- Internationally our themes will be refined
- Bold expansion will continue to be on the agenda

## Results to June 2007



# Highlights

		% Change
Headline earnings per share	1434 cents	17.3%
Revenue	R66.2 bn	22.4%
EBITDA	R6.9 bn	14.1%
Operating profit	R5.0 bn	12.7%
Profit attributable to shareholders	R3.1 bn	26.9%

## Income statement extracts

R million	2007	2006	Change
Revenue	66 214	54 105	22.4%



10% hereof from MCC and UK acquisitions

## Income statement extracts

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Operating profit	5 024	4 458	12.7%
<i>Operating margin</i>	<b>7.6%</b>	<b>8.2%</b>	

Decline due to lower import margins, Commercial Vehicle Holdings loss and lower margin UK businesses

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Interest, fair value adjustments and forex movements	(1 046)	(968)	8.1%

Interest rate increases and higher debt off-set by lower charges for Lereko

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Associates	327	282	16.0%

13% increase from Imperial Bank

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Exceptional items	10	(53)	-118.9%
Taxation	(1 161)	(1 234)	(5.9%)

Several unusual charges and non-deductible expenses in the previous year.

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Minorities	378	238	58.8%

Minorities' share of excellent performance from MCC

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Minorities	378	238	58.8%
Own shareholders' attributable income	<b>2 776</b>	2 247	23.5%



## Effect of equity accounting of the Lereko investment

Headline earnings per share (cents)	As disclosed	Pro forma*	Difference
2006	1222	1363	11.5%
2007	1434	1492	4.0%
Total earnings over two years	2656	2855	7.5%

***If the current accounting treatment was applied for the full 2006 and 2007 financial years, HEPS would have been 11.5% higher in 2006 and 4.0% higher in 2007, as total of 199 cents per share since inception of the transaction***

\* On the basis that the equity accounted basis had been in use for the full year – details of the calculation can be found at the end of this presentation

## Balance sheet extracts

Including Lereko vendor finance

Rbn	2007	2006
Intangibles	1.2	1.0
Investments in associates and joint ventures	2.7	1.6
Property, plant & equipment	5.4	4.2
Transport fleet	2.8	2.6
Leasing assets	7.0	6.4
Vehicles for hire	1.0	0.9
Investments, loans and other non current assets	3.6	2.9
Net working capital	4.6	4.2
	<b>28.5</b>	<b>23.9</b>
Shareholders' funds	13.5	10.8
Perpetual preference shares	0.4	
Insurance funds	1.7	1.3
Financial and other liabilities	1.8	2.7
Net interest-bearing debt	11.1	9.1
	<b>28.5</b>	<b>23.9</b>

Mostly Dealership properties

R1.6 bn from Lereko deconsolidation

## Cash flow

<b>R million</b>	<b>2007</b>	<b>2006</b>	<b>change</b>
<i>Operating cash flow</i>	<b>3 879</b>	<b>4 255</b>	<b>(9%)</b>
Less: replacement capex	<b>1 208</b>	<b>1 104</b>	<b>9%</b>
<i>Free cash flow</i>	<b>2 671</b>	<b>3 151</b>	<b>(15%)</b>
<i>As % of headline earnings (cash conversion ratio)</i>	<b>101%</b>	<b>138%</b>	
Utilised as follows:			
- Expansion capex and acquisitions	<b>3 078</b>	<b>3 417</b>	<b>(10%)</b>
- Loans and investments	<b>462</b>	<b>321</b>	<b>44%</b>
- Payments to shareholders	<b>1 623</b>	<b>2 498</b>	<b>(23%)</b>
<i>New funding raised (net of cash)</i>	<b>2 492</b>	<b>3 085</b>	<b>(19%)</b>

## Ratios

	2007	2006
Operating margin	7.6%	8.2%
Tax rate	29.2%	35.4%
ROE	23.6%	25.6%
Cash conversion ratio	101%	138%
Net debt/equity	85.4%	91.4%
Net debt/EBITDA	1.7	1.6

## Scale of operations

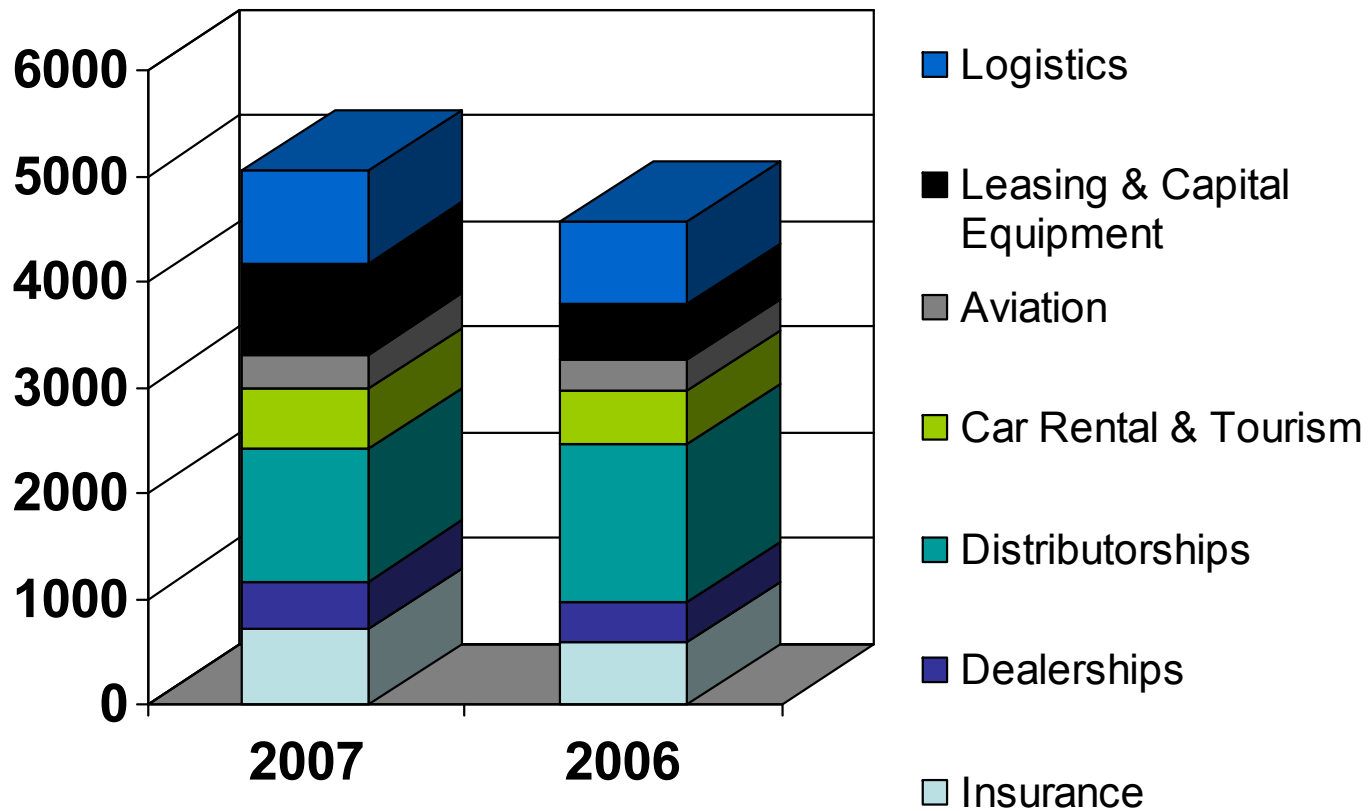
	2007	2006	Δ
Vehicles sold	206 077	195 713	5%
- Retail	185 826	175 573	6%
- Wholesale	20 251	20 140	1%
Owned fleets	55 832	54 101	3%
- Passenger and light commercials	37 828	37 201	2%
- Forklifts	11 004	10 651	3%
- Trucks	5 603	5 210	8%
- Earth moving equipment	1 397	1 039	34%
People employed*	43 792	39 412	11%
Invested in future expansion	3 724	3 417	9%

## Expansions during the period

- 22 new dealerships
- Significant new logistics contracts
- Acquisition of Alert Engine Parts and Jurgens Caravans
- Expansion of Tourvest's products in South Africa, Nigeria, East Africa and the Caribbean
- Mining and construction equipment distributors Terex Africa and New Holland
- Excelrate battery handling equipment for forklifts
- Imperial Air Cargo in partnership with Comair

# Seven divisions combining for sustainable growth

# Operating profit by division





# Logistics

	R'm	Δ %	% of group
Revenue	14 562	17.2	21.2
Operating profit	869	14.0	17.1
Pre-tax profit	820	19.2	19.7

Operating margin	
2007	2006
6.0%	6.1%



- Southern Africa
  - 14% pre-tax profit growth and 20% adjusted for BEE transactions in fuels division
  - Good cash generation
  - First half margin decline stemmed
  - Good prospects with broad base of leading customers
  
- Europe
  - Excellent second half with full year operating profit up 13% in € and 32% in Rand
  - A balanced performance benefiting from strong German exports

## Leasing and Capital Equipment

	R'm	Δ %	% of group	Operating margin	
Revenue	5 228	72.7	7.6	2007	2006
Operating profit	865	60.2	17.1	16.5	17.8
Pre-tax profit	565	67.2	13.6		



- Good all round but MCC advanced the division to a new level
- MCC executed well on several new mining contracts
- Good growth in passenger and commercial and forklift fleets despite wind-down of government contract
- Operations in seven African countries
- Distributors for Terex and New Holland – completing a powerful range of earth moving equipment

# Aviation

	R'm	Δ %	% of group	Operating margin	
Revenue	3 925	17.2	5.7	2007	2006
Operating profit	324	15.7	6.4	8.3%	8.4%
Pre-tax profit	230	32.2	5.5		



- Safair suffered from a lack of expansion capital, but good results were achieved from
  - Aircraft sales
  - European freight operations
  - Dry leasing through SLF
  - NAC
- 17% debt reduction due to limited new capital allocations
- 20% growth in aircraft sales by NAC

# Car rental and Tourism (Car rental, wholly owned tourism businesses and Tourvest)

	R'm	Δ %	% of group
Revenue	3 898	13.1	5.7
Operating profit	568	12.0	11.3
Pre-tax profit	514	11.5	12.4

Operating margin	
2007	2006
14.6%	14.7%



- 15% growth in car rental revenue from 13% fleet growth
- Poor performance from Auto Pedigree under a difficult used car market
- Long term extension of Europcar agency and merger with Imperial Car Rental back office
- Good growth from wholly owned tourism operations and Tourvest, benefiting from weaker Rand and tourist volumes
- 26% HEPS growth in Tourvest

# Distributorships (AMH, Tyco, UK and SA truck and parts businesses and Australian dealerships)

	R'm	Δ %	% of group	Operating margin	
Revenue	20 824	30.1	30.4	2007	2006
Operating profit	1 251	-16.8	24.8	6.00%	9.4%
Pre-tax profit	978	(25.2)	23.5		



- Weaker Rand hurt AMH margins, but margins recovered in second half
- AMH market share keeps growing
- Commercial Vehicle Holdings (Tyco) made a loss at operating level – serious corrective action is being taken.
- UK operations both satisfactory
- Australian Ford dealerships still in loss, but improving

## Dealerships

	R'm	Δ %	% of group	Operating margin	
Revenue	16 941	13.1	24.7	2007	2006
Operating profit	458	21.5	9.1		
Pre-tax profit	343	9.2	8.2	2.7%	2.5%



- A tough market with declining new car sales as rate hikes impacted strongly
- Used car volumes grew 10% and light commercials 28%
- The National Credit Act curtailed June sales to disappointing levels
- The new value adding businesses, Beekman Canopies and JurgensCi Caravans performed well

# Insurance

Regent Insurance, Regent Life and Imperial Re)

	R'm	Δ %	% of group	Operating margin	
Revenue	3 151	20.2	4.6	2007	2006
Operating profit	713	21.1	14.1		
Pre-tax profit	710	19.9	17.1	22.6%	22.5%



- 15% and 23.9% premium income growth in Regent Life and Regent Insurance respectively
- 29% combined investment income growth
- Regent Insurance underwriting profit 16% up with 65% claims ratio
- Effects of the National Credit Act are significant
  - Lower insurance sales
  - Lower investment income
  - Higher lapse ratio expected
- We believe the issues can be resolved and original profit levels regained
- Both companies have significant non-motor portfolios which are less affected by the NCA

## Associates

- Imperial Bank
  - Our share of profits grew by 12.8% from R179 m to R202 m
  - Credit environment more difficult
  - Gross advances grew by 35% to R31.4 bn
- Attractive wealth creation in Ukhamba from new investments and its 34% share of DAWN
- Good performance from Aviation associates (SLF and Air Contractors)
- Renault disappointed



## Black economic empowerment

- Ukhamba now owns 5 963 099 Imperial shares, 53% of which accrue to 15 018 black employees and deprived communities
- Value per employee varies from R50 000 to R150 000 depending on years' service
- R1.4 billion in wealth has been created for previously disadvantaged people through Ukhamba and Lereko
- Ukhamba is an attractive and viable BEE partner and investor
- Holds investments in 16 companies related to Imperial's business

## Outlook

- Good growth can be achieved despite temporary slowdown in vehicle market
  - The slowdown is from a high base
  - Light commercial sales are still growing strongly
  - Used car volumes are growing
- The group is diverse with exposures to strong sectors in a fast growing economy
- The initial effects of the NCA have been disappointing, but solutions are being found
- Further good results expected from Logistics, Leasing and travel businesses
- Diversification of the earnings base in Distributorships will protect the division's cyclical nature
- Margin enhancing acquisitions in Dealerships contribute well
- Restructuring initiatives to yield significant positive long term benefits

# Lereko accounting

## Imperial Holdings Limited

### 1. Restating Results for the Lereko Transaction

Equity Accounting Lereko for the Current & Previous Reporting Periods - for the full 12 months

	2007 Rm	%	2006 Rm	%	2005 Rm
Headline earnings as published	2,657	16.0%	2,291	18.0%	1,941
Elimination of impact while a subsidiary:					
-Lereko funding costs	29		86		
-Lereko embedded derivative costs	34		74		
-Lereko call option due to Imperial	70		179		
-Lereko tax costs	1		4		
Earnings attributable to Preferred ordinary shares	-26		-78		
	<u>2,765</u>	8.2%	<u>2,556</u>	31.7%	<u>1,941</u>
Weighted average no of ordinary shares issued (million)	185.2		187.5		200.4
As disclosed – HEPS	14.34	17.3%	12.22	26.2%	9.69
Equity accounting Lereko - HEPS	14.92	9.4%	13.63	40.7%	9.69

The adjustments for 2007 & 2006 are for 4 & 12 months respectively

## Lereko accounting

### **Imperial Holdings Limited**

#### **2. Equity accounting Lereko into the Future**

- Call option receivable from Lereko will be included in Investments in Associates
- This option for the delivery of Imperial shares is fair valued through the income statement and this will be separately disclosed
- The attributable profits or losses of Lereko are equity accounted before the revaluation of the Imperial shares
- Any attributable losses of Lereko are equity accounted only to the extent of the cost of the investment in Lereko
- The fixed earnings of the preferred ordinary shares are deducted in arriving at the earnings attributed to the ordinary shares



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Thank you