Imperial Holdings

BOAML Sun City Conference - Mar 2012

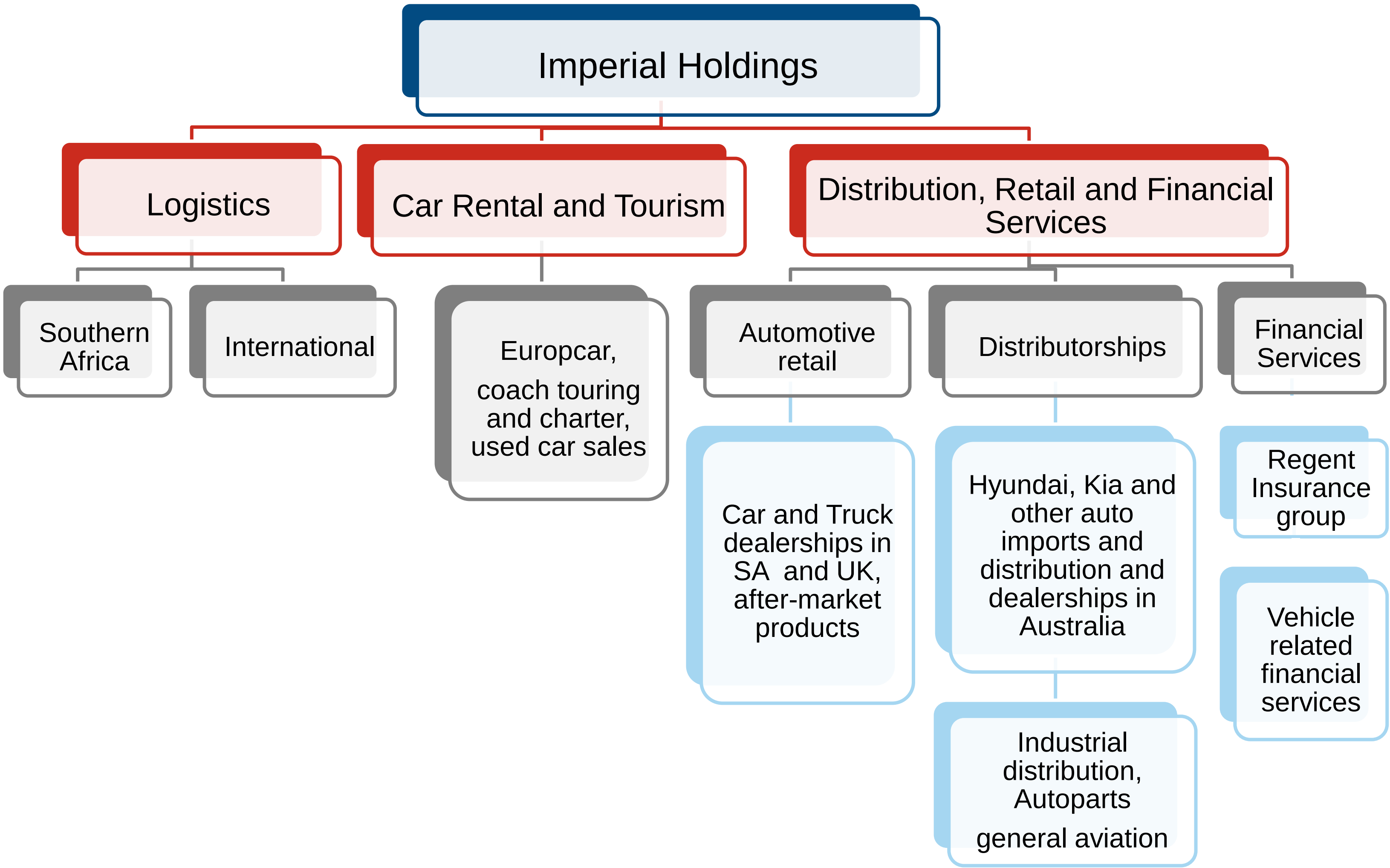
FAST MOVING FORWARD THINKING

IMPERIAL™

Agenda

- Overview of Imperial
    - Organisational Structure
    - Brief history
- Key financial highlights - Interim Results 2012
- Recent track record
- Divisional performance and outlooks
- Group prospects and strategy

Organisational structure



Who is Imperial?

- An integrated transport, logistics and vehicle retailer and distributor with a market capitalisation of more than $4 billion
- South Africa and Africa
  - 12th largest company by turnover
  - Largest privately held logistics company in South Africa
  - Largest auto distributor
  - Largest aftermarket parts distributor
  - 2nd largest vehicle rental company
  - Represented in 14 countries in Africa
  - Approximately 20 warehouses across Africa distributing FMCG
- The sole shareholder in Imperial Logistics International
  - A leading inland waterway shipping company in Europe
  - A major operator of bulk and container ports in Germany's industrial centres along its inland waterways
- An employer of 41 000 people

Financial review

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Highlights

Revenue	↑ 22%	R38 385m
Operating profit (Margin maintained at 6,8%)	↑ 23%	R2 621m
HEPS	→ 0%	727c
Core EPS*	↑ 30%	756c
Interim dividend^ per share	↑ 36%	300c

** Core EPS excludes once-off non-operational items, the most significant being:*

- *148cps income from the Lereko BEE structure in the prior period*
- *28cps in business acquisition costs in the current period*

^ Dividend pay out ratio of 40% of Core EPS

Key financial ratios

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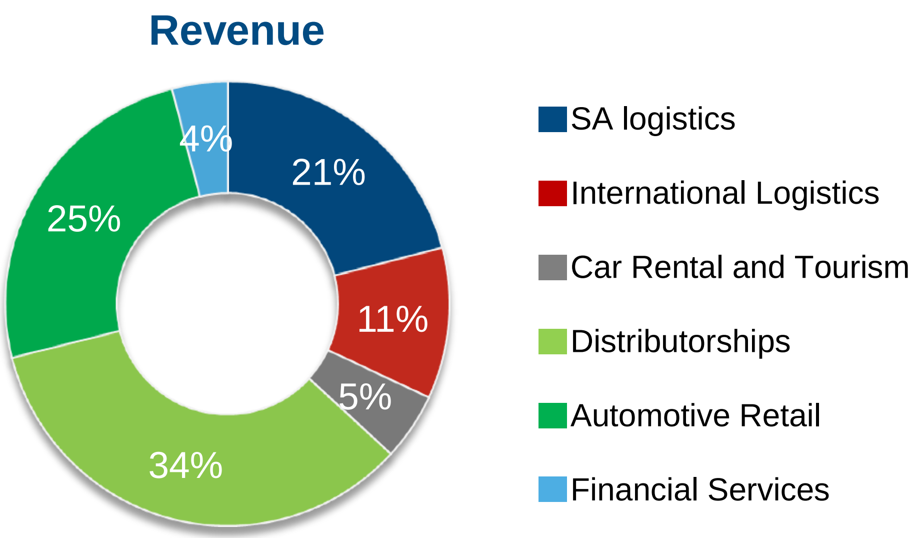
Ratios	H1 F2012	H1 F2011	F2011	Targets
Group operating margin	6,8%	6,8%	7,0%	-*
Net D:E ratio (excl. prefs)	39%	48%	30%	60-80%
Interest cover	8.4x	7.2x	8.2x	
Net debt : EBITDA	0.8x	1.0x	0.8x	
ROIC (annualised)	15,9%	16,0%	16,5%	WACC +4%^
ROE# (annualised)	22,5%	19,9%	20,3%	

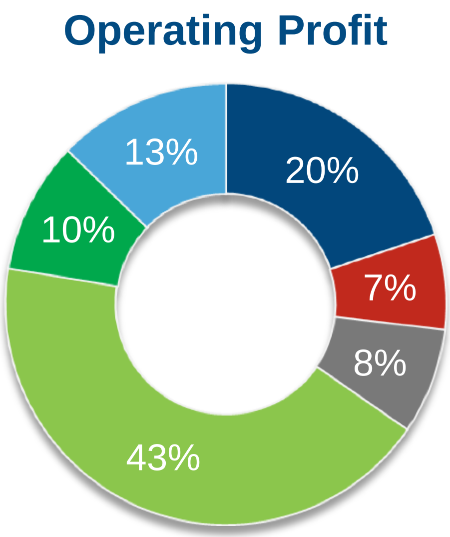
** Group is measured on ROIC*

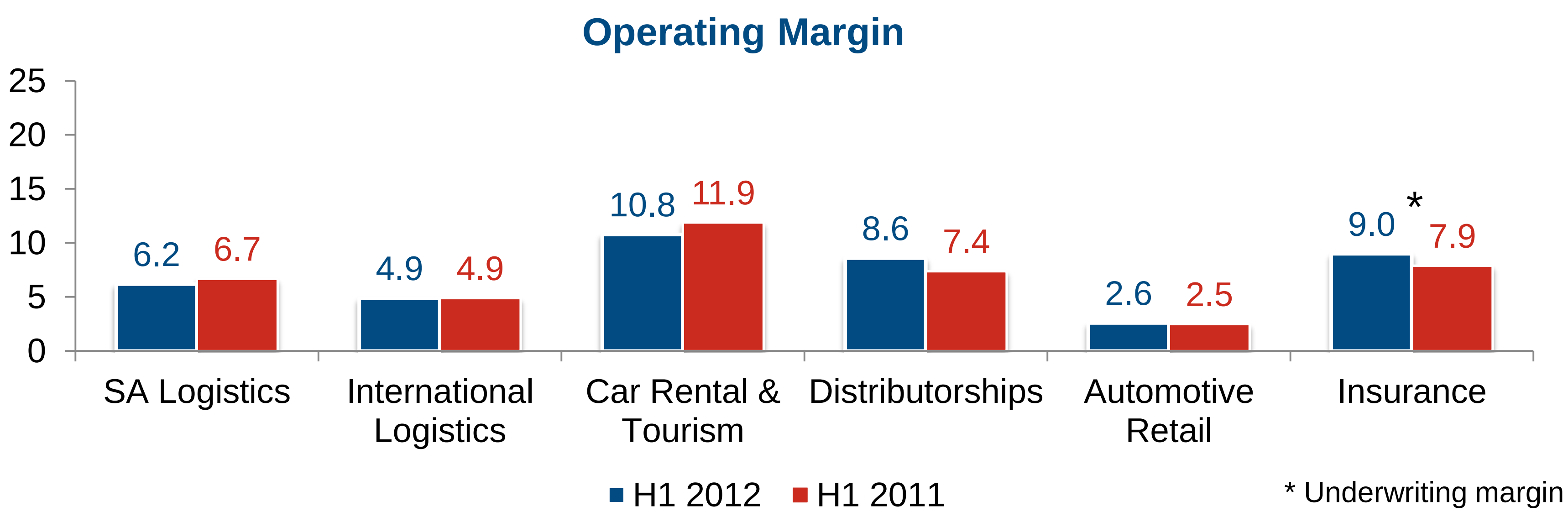
^ WACC = 10,1%

 # Based on core earnings

Divisional statistics

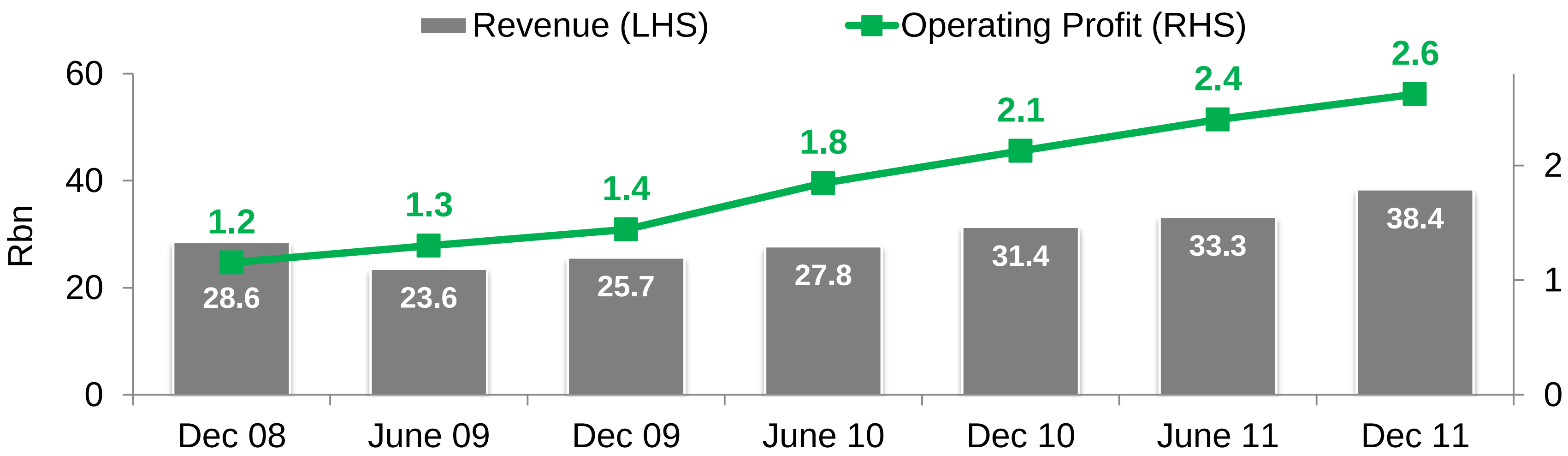


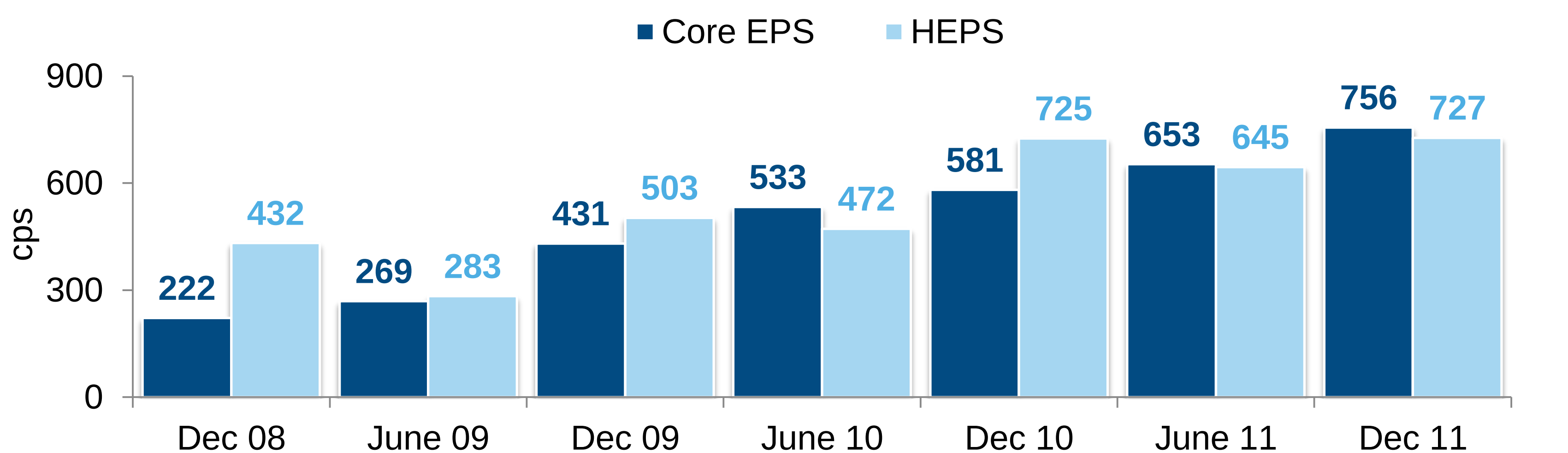




Improving profit trend

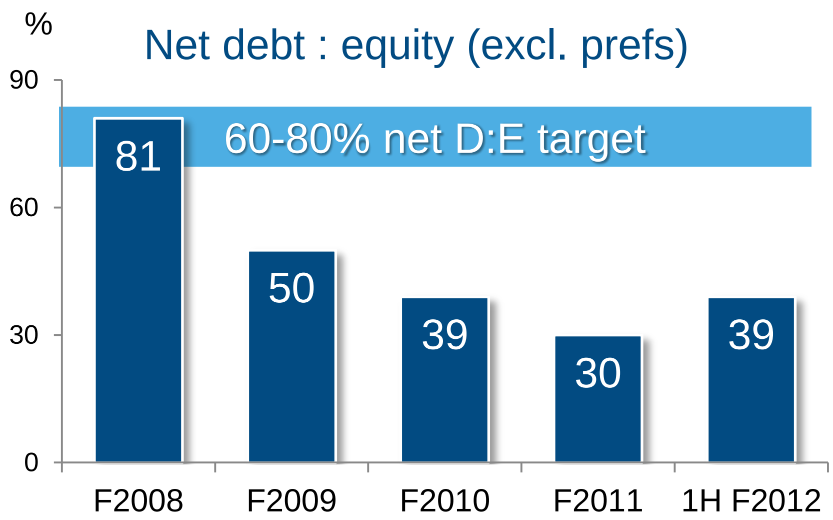
Excl. businesses sold or unbundled





Gearing

NOTE: Further breakdown in appendix 1

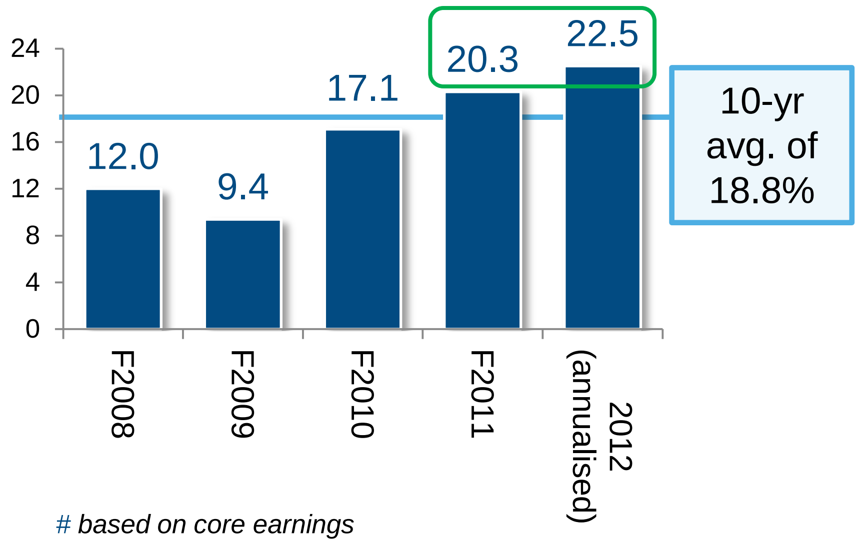


- Strong balance sheet
  - Capacity for further acquisitions and organic growth
  - Group has R7.0bn unutilised funding facilities (excludes asset-based finance facilities)

- Excludes R441m of perpetual preference shares
- Net D:E after Lehnkering acquisition = 59%
- Short term debt as % of gross debt = 18%
- 48% of Group's debt subject to fixed interest rates
- Moody's Ratings:
  - Domestic short term credit rating P-1.za
  - Domestic long term credit rating A2.za
  - International scale rating Baa3
  - Imperial Capital domestic ratings P-1.za and A1.za

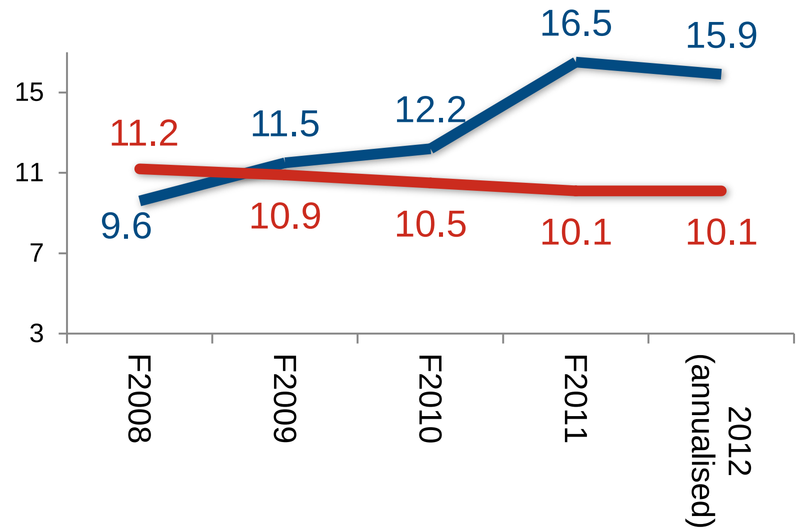
Improving returns

ROE#



based on core earnings

ROIC vs WACC



- Improving ROE over the past 4 years
  - More asset-light business mix
  - Strong balance sheet management and focus on returns

- Objective: Average ROIC > than WACC + 4% through the cycles
- Target returns now being achieved


Strategy and prospects

Strategic intentions

- Emphasis on businesses which generate higher returns and have annuity income streams
- In pursuit of this strategy, the majority of expansion capital will be applied to:
  - Expanding logistics business into Africa
  - Growing European & southern African logistics businesses
  - Acquisition and organic expansion of industrial and automotive distribution businesses
  - Grow motor-related financial services offering
- Expansion will be through acquisition, partnerships & grassroots development
  - Depending on skills requirement
- Growth into Africa to be driven by selective acquisitions & following our customer base into the continent

Current footprint and potential future markets

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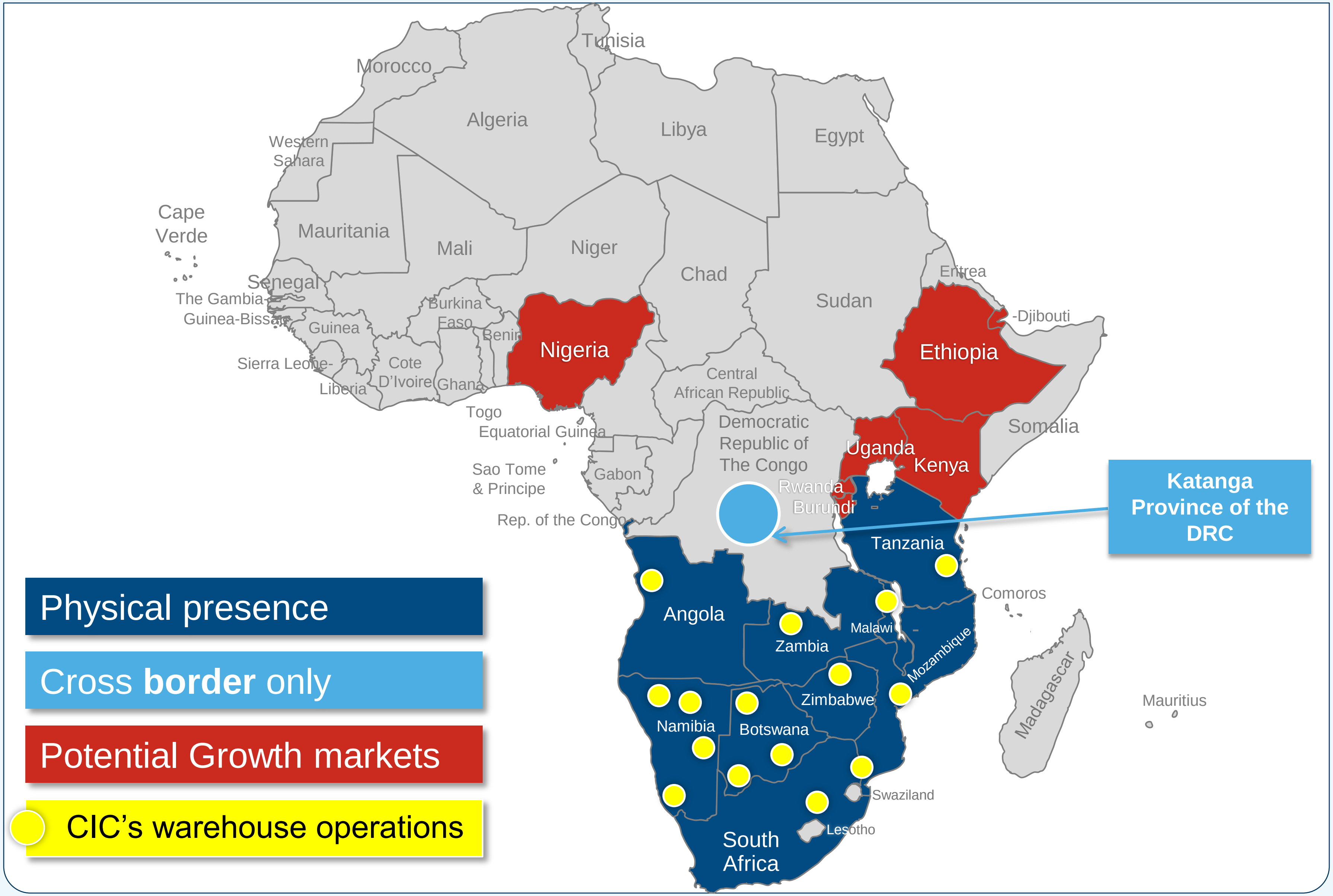
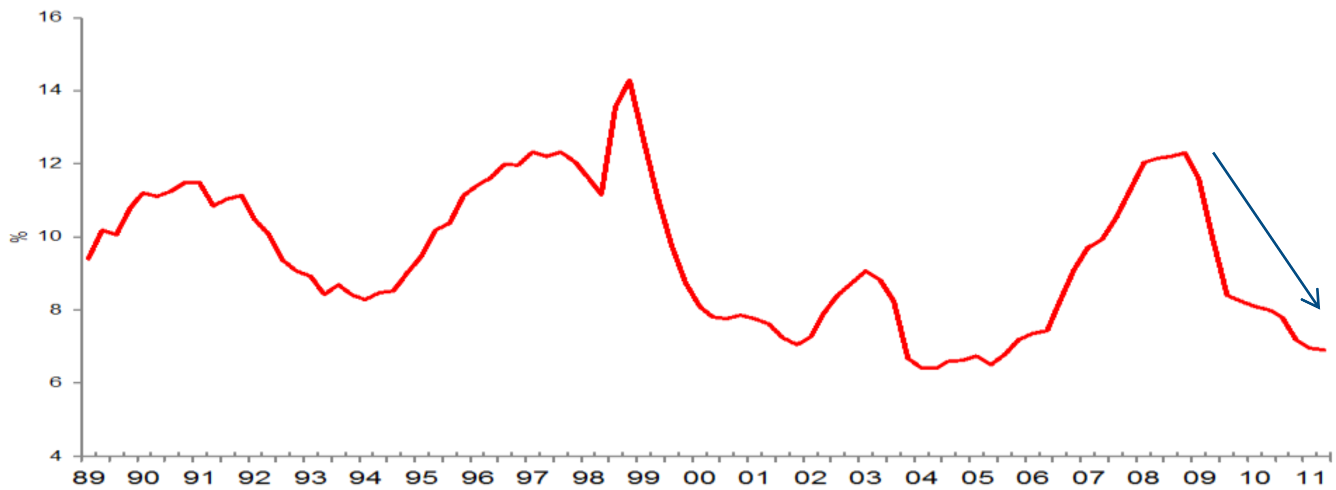
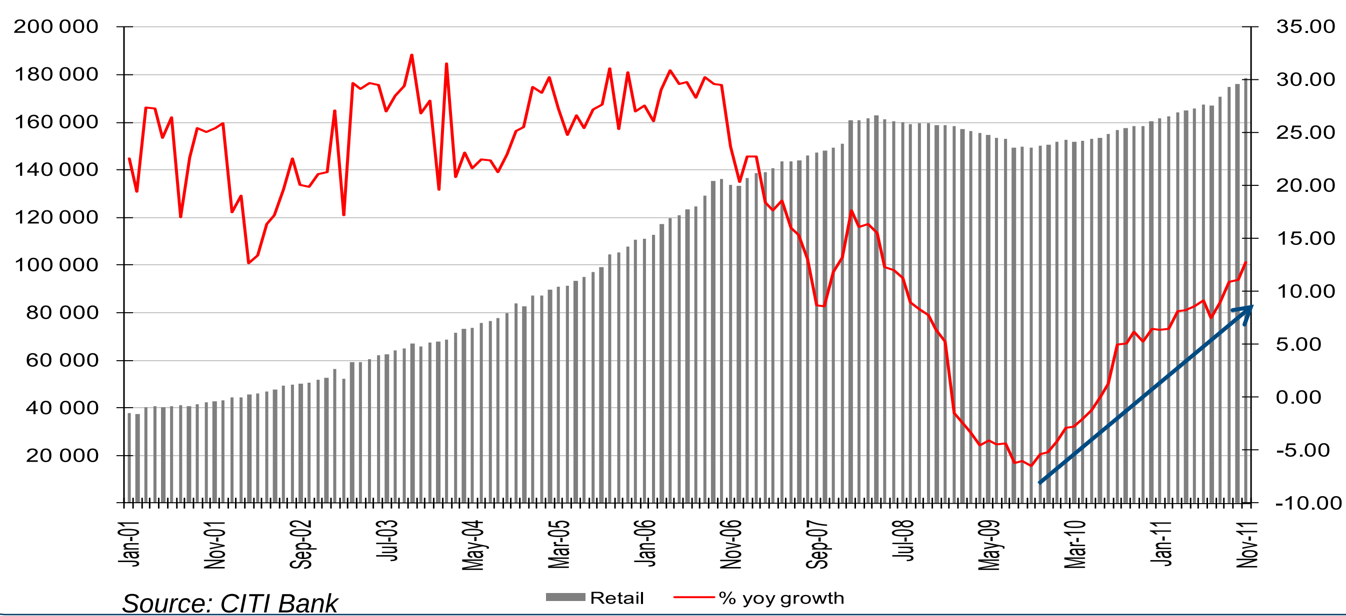


Improvement in household finances and credit extension- a vital ingredient for car sales



Interest on household debt as % of personal disposable income

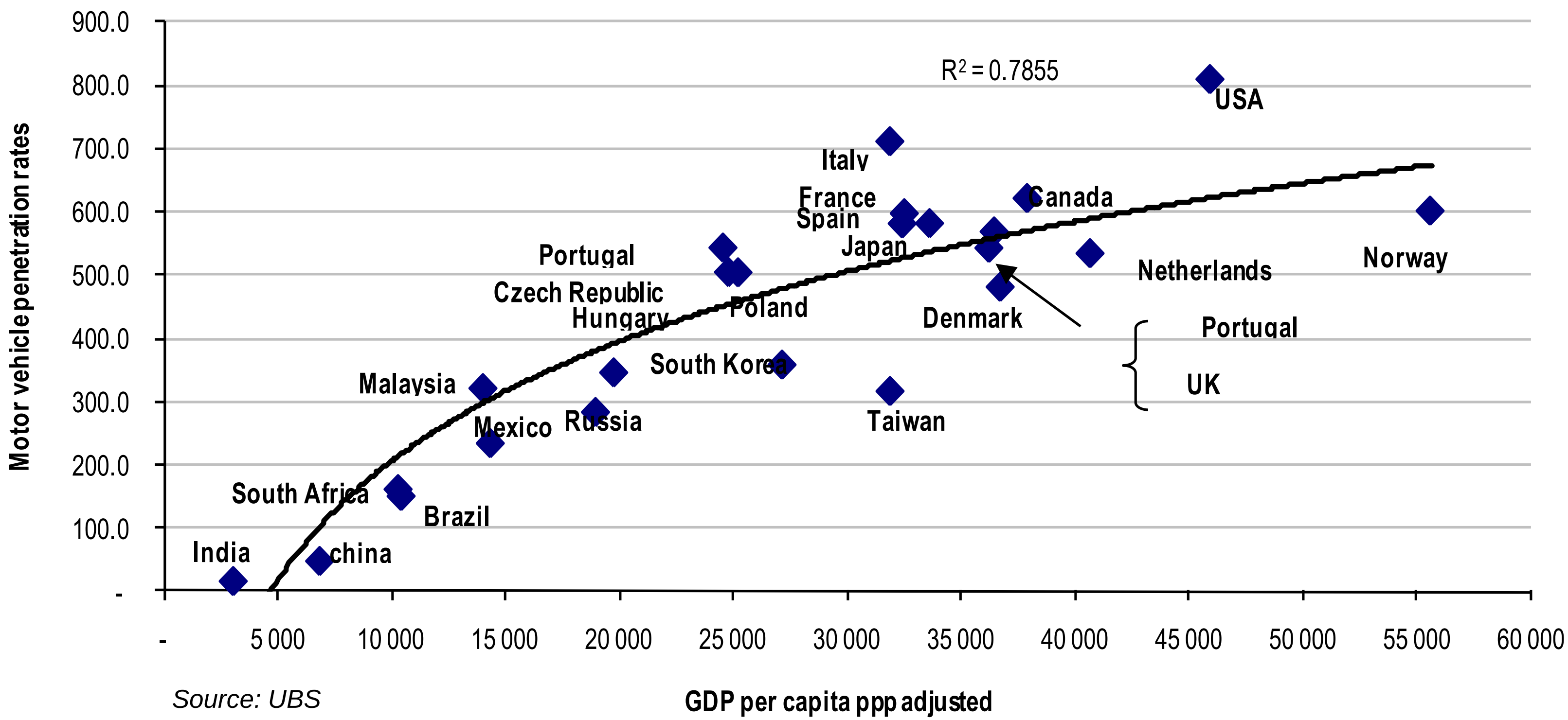


Source: CITI Bank

Retail credit excl. mortgages

- Retail credit growth still strong
- Credit approval rates in dealer network have improved

Vehicle Penetration in SA



Source: UBS

- SA's PPP-adjusted GDP per capita of appr. $10 000 supports accelerating vehicle demand in future
- Vehicle penetration, at 150 vehicles per 1 000, shows substantial potential for growth
- The S-Curve begins at per capita income levels of $8 000 and approaches saturation point at $50 000 - $60 000

Integrated Motor Business value chain should compensate to some extent against potentially weaker new vehicle market

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Vehicle Purchase

- Insurance
- Finance
- Vehicle tracking device
- Warrantees
- Maintenance plan

Group retailed appr. 50 000 – 60 000 used cars p.a.

Financial Services contribute 13% to operating profit

Trade in/ Aftermarket

- Aftermarket Parts
- Accessories
- Panel shops
- Used Cars

Insurance Event

- Insurance
- Towing
- Car rental
- Parts
- Panel shops

Vehicle Maintenance

- Service
- Courtesy cars
- Parts

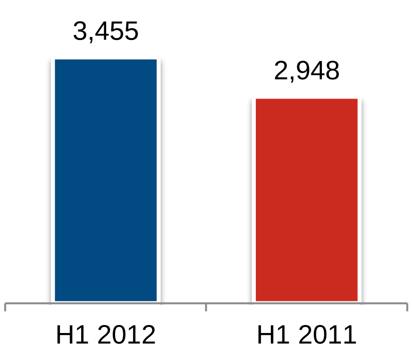
Non-motor retail businesses contribute 9% to operating profit

After sales parts and service becoming a significant contributor to the group

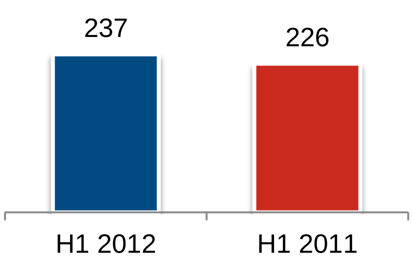
Automotive parts and industrial products

- The group pursued a strategy to add aftermarket vehicle parts, components, industrial equipment and new areas of distribution to its portfolio
- Recent acquisitions of Midas, Turbo Exchange, Goscor, E-Z-GO, Datadot and Segway are part of this strategy
- In total, across the group, such businesses contributed R 3,5 billion of turnover and R 237 million operating profit for the period (9% of group operating profit)
- We continue to pursue opportunities in these segments due to their asset-light nature and good returns on capital

Revenue (Rm)



Operating Profit (Rm)



Includes: Jurgens, Beekmans, Midas, Alert, Turbo Exchange, Engine Parts, Goscor, E-Z-GO, Graffiti, NAC, DataDot, Segway

Prospects

- Positioned to continue performing well in most markets
  - Increasing contribution from annuity-type income
  - Strong positioning of brands
- Rate of growth in vehicle sales likely to slow down
- Economic environment will continue to be challenging in some areas
- Balance sheet is strong
  - Can take advantage of attractive acquisition opportunities
  - Expansion strategy progressing, particularly in Africa
- Lehnkering will make a meaningful contribution
- Strong performance should continue into the second half

Lehnkering acquisition

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LEHNKERING
Logistics & Services

2 700 employees

Shipping Logistics & Services	Road Logistics & Services	Distribution Logistics & Services	Chemical Manufacturing Services
			

2010 Revenue: €506m	2010 EBITDA: €44m	Enterprise value: €270m	EV/EBITDA multiple: 6.1x	ROIC (incl. goodwill): 7.3%

Materially earnings enhancing acquisition; meets internal acquisition criteria

Adds appr. €10m annualised after tax profit

Rationale for Lehnkering acquisition

- Expansion in inland waterway shipping
  - Inland waterway fleet to grow by 140 vessels – especially in liquid cargo shipping
- Leadership in hazardous goods warehousing
  - Distribution network of 18 warehouses for chemicals
- Diversification of product portfolio
  - Gas tanker fleet of 16 owned vessels
  - Distribution network for chemical products
- Broadening customer base
  - Strong footprint in the chemical industry
- Combination of logistics services with value added services
  - Outsourcing manufacturer for agro and fine chemicals (Synthesis, formulation and packaging)

Divisional performance

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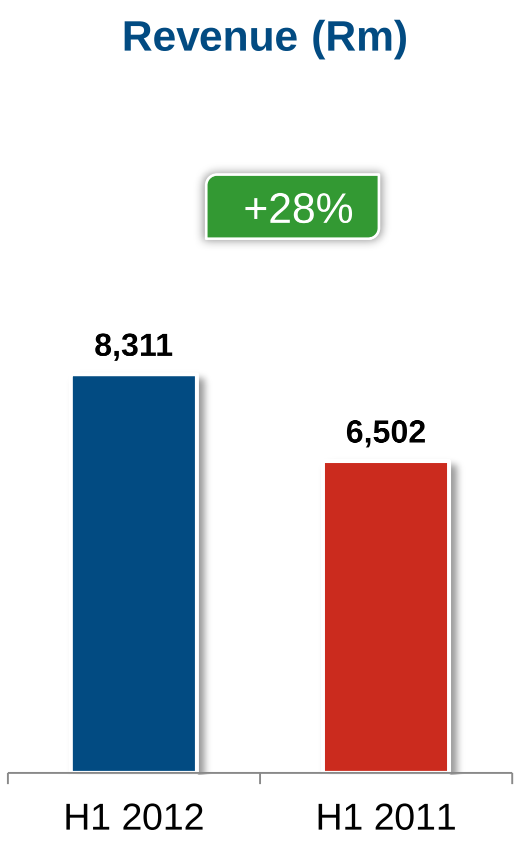
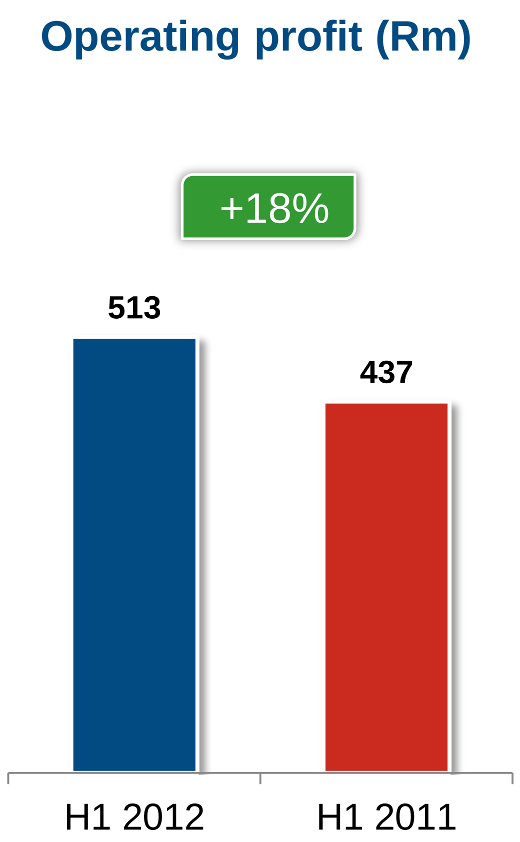
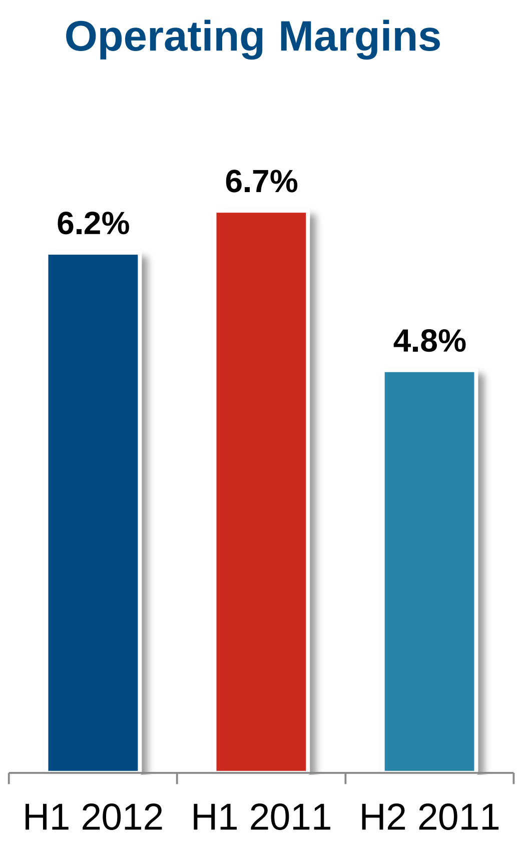
Southern Africa logistics





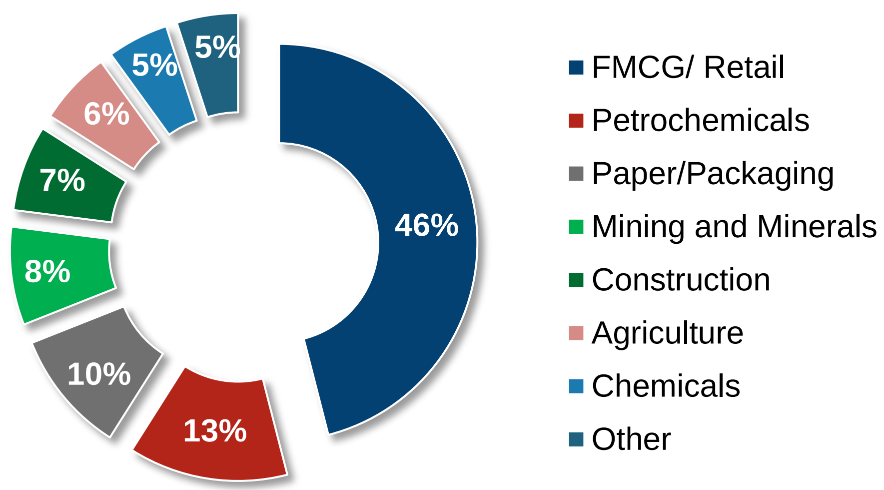


Good growth, with acquisitions contributing well

Southern Africa logistics

Revenue by activity

Revenue by sector



Southern Africa logistics

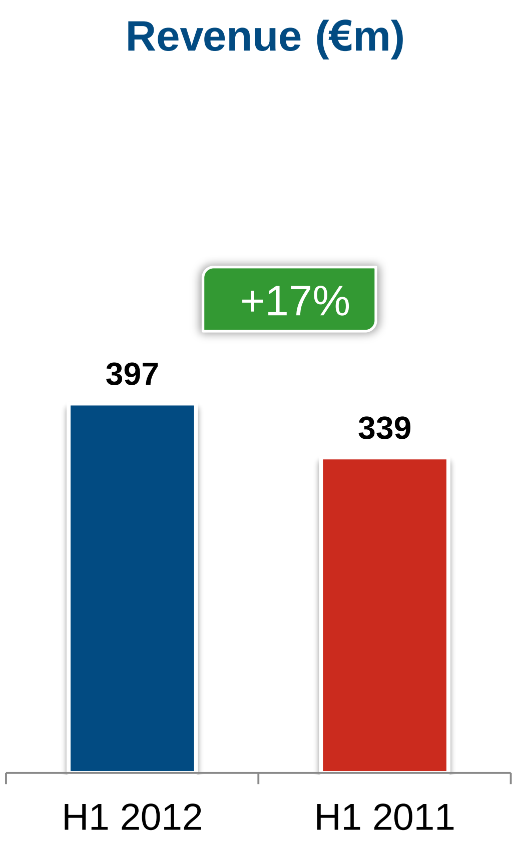
Prospects

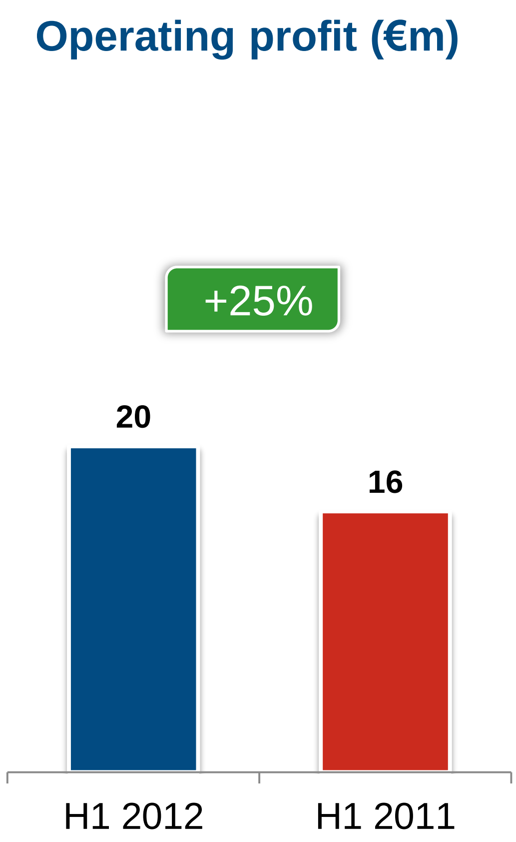
- Year on year growth will benefit partly from low base in H2 F2011
- Current transport volumes are under pressure
- Trend to outsourcing
  - 60-70% of all transport in SA still performed in-house
- Leading private sector transport and warehousing operation
  - Economies of scale
  - Given infrastructure and network, well positioned to capitalise on growth opportunities
- Exposed to diverse industries, markets, countries and clients - offers resilience

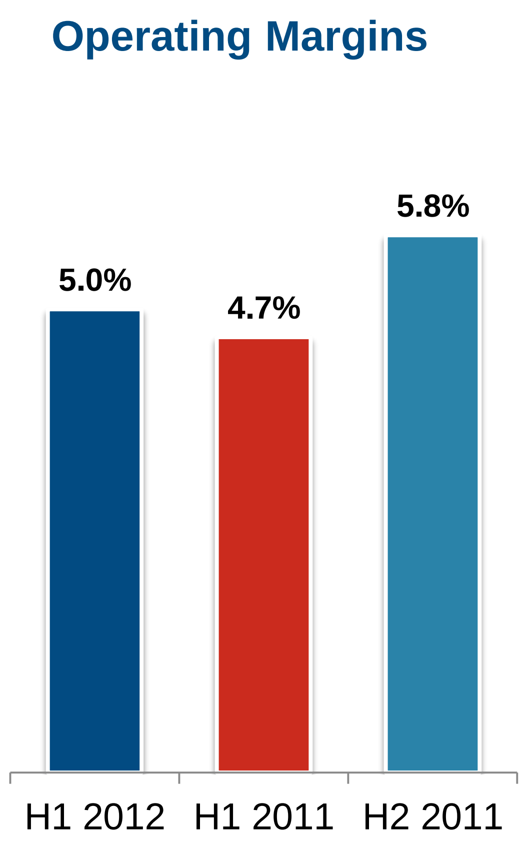
Strategic objectives

- Expansion into Africa is a priority; will continue gaining momentum
- Grow revenue – both organic and acquisitive
  - New business gains from existing clients
  - New contract gains (trend to outsourcing)
- Capitalise on integration services capability
  - Acquisition of 60% of Synchronised Logistics Solutions strengthens our position in the automotive logistics industry

International logistics (EURO)

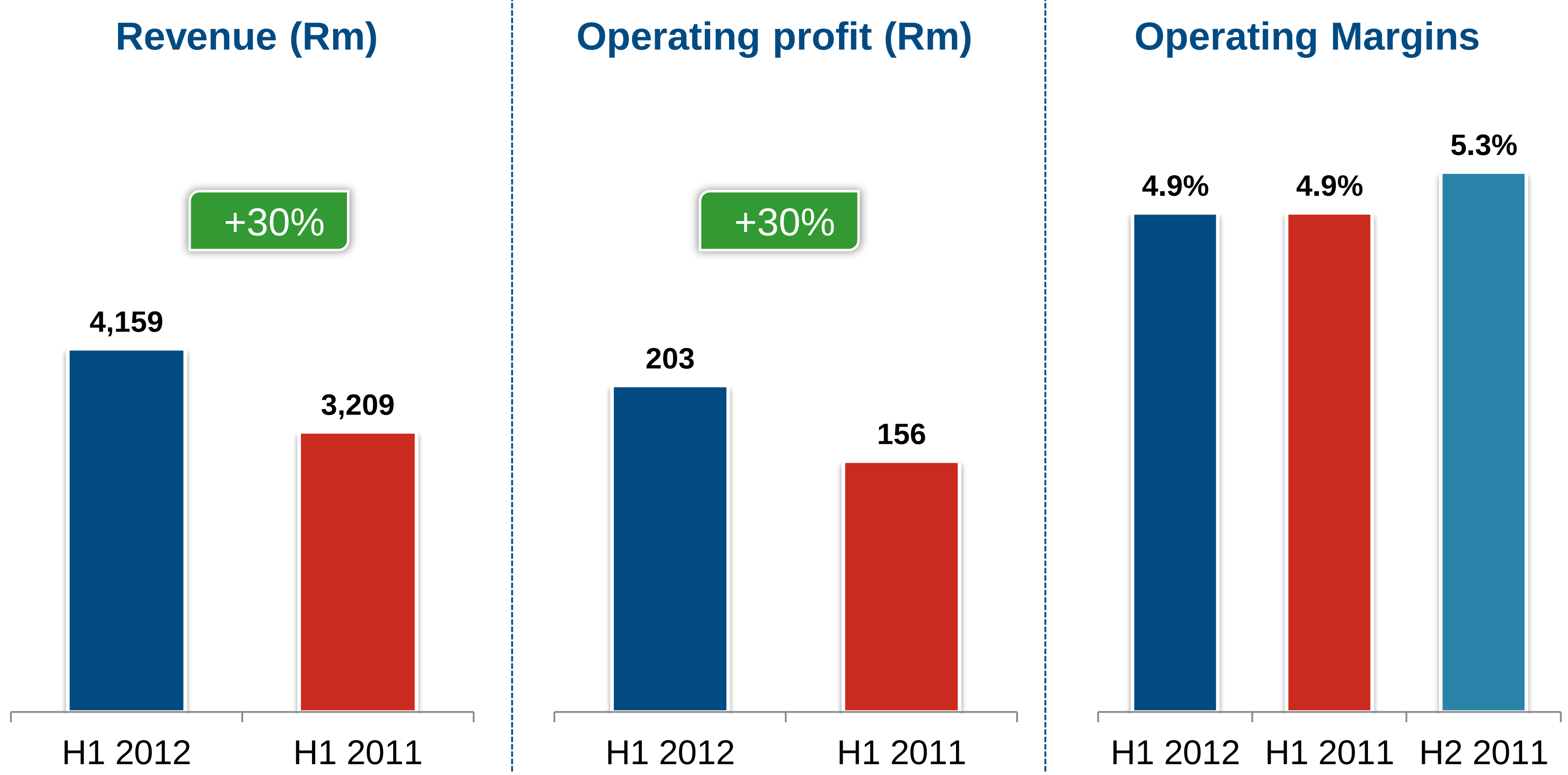






Results exceeded expectations

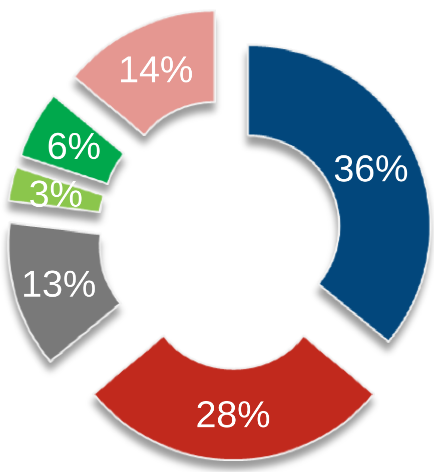
International logistics (ZAR)



Exchange rate benefit

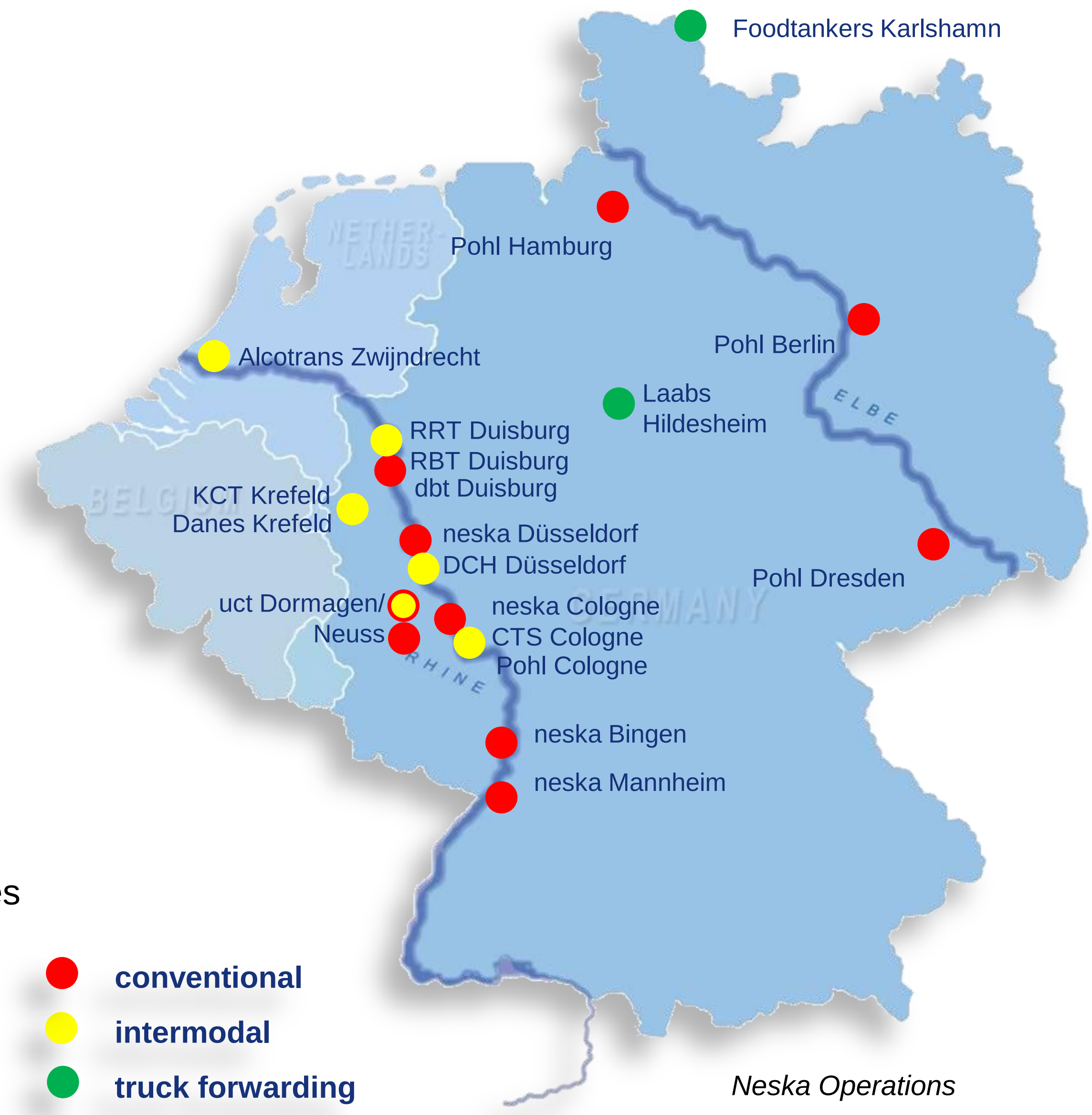
R/€ exchange rates: H1 F2012 average: R10.78 vs H1 F2011 average: R9.06

Revenue by sector



- Steel manufacturing
- Automotive
- Paper/Packaging
- Logistics
- Mechanical engineering
- Chemicals / Commodities

Pre Lehnkering



Neska Operations

International logistics

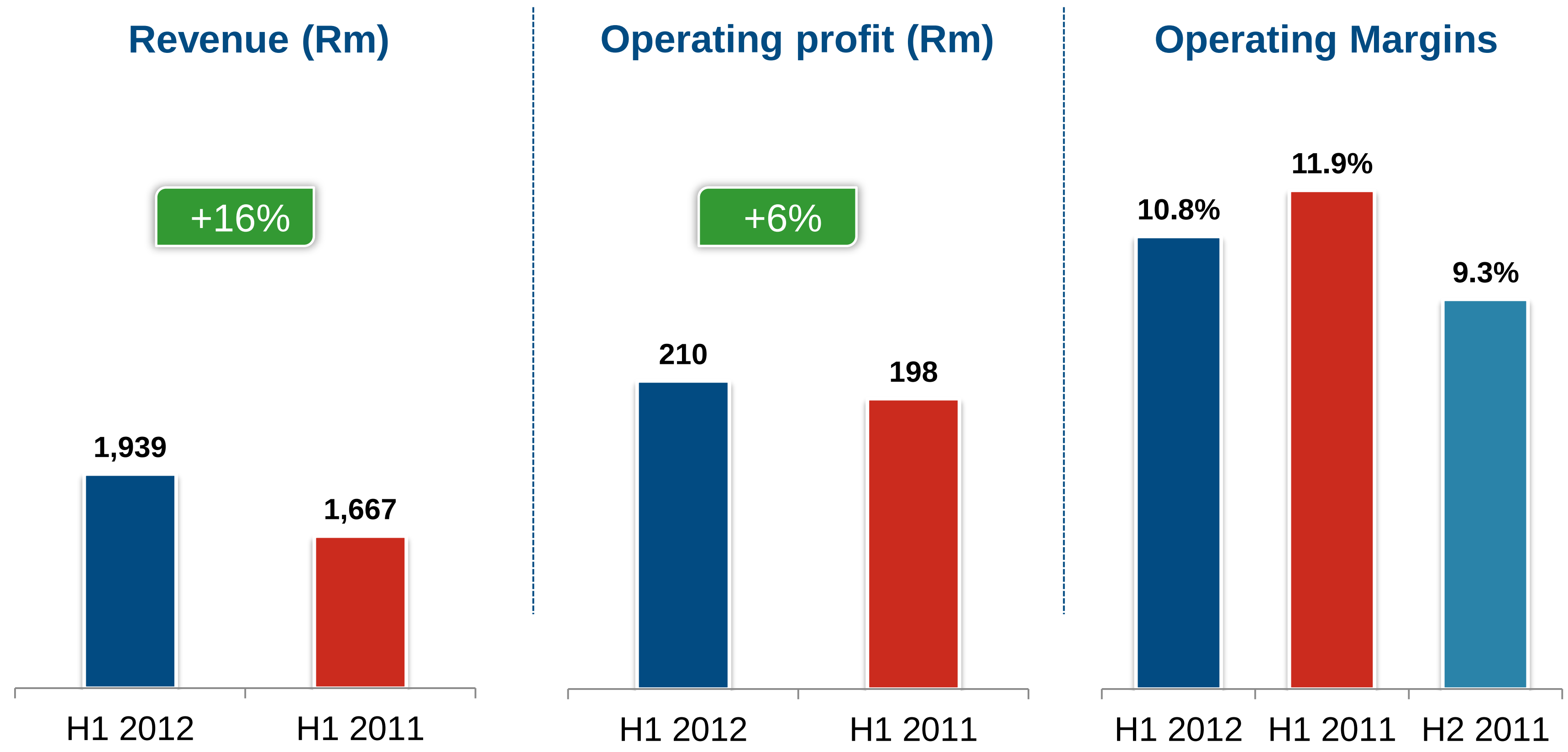
Prospects

- Lehnkering will make a positive impact
- Despite debt crisis in Europe, German economy appears to be steady
  - Conditions in sectors and industries in which we operate are still good
  - Initial signs of a slowdown in the steel industry

Strategic objectives

- Maximise position in current niches & segments
- Take advantage of trend to outsourcing
- Pursue bolt-on acquisitions in areas we currently operate
  - Mainly through consolidation & diversification
- Follow our customer base into other geographies, eg Eastern Europe, South America

Car Rental and Tourism



Difficult trading conditions but satisfactory result

Car Rental and Tourism

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Prospects

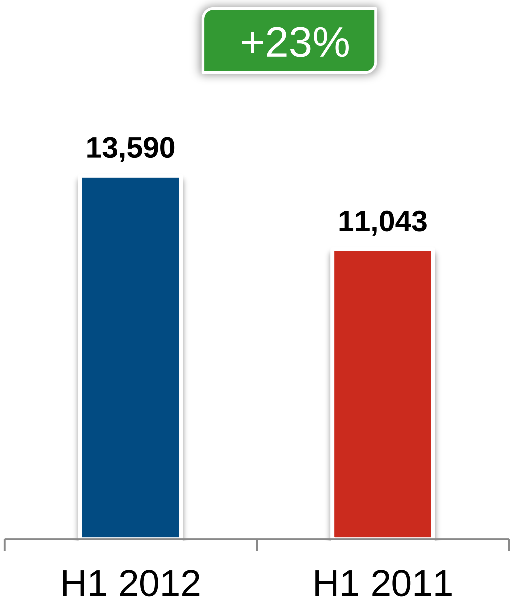
- Car rental industry will continue to be fiercely competitive
- Lower volumes in international and local leisure segments persist
- New vehicle price increases could relieve pressure on used car sales
- Challenging conditions are expected to continue in Tourism

Strategic objectives

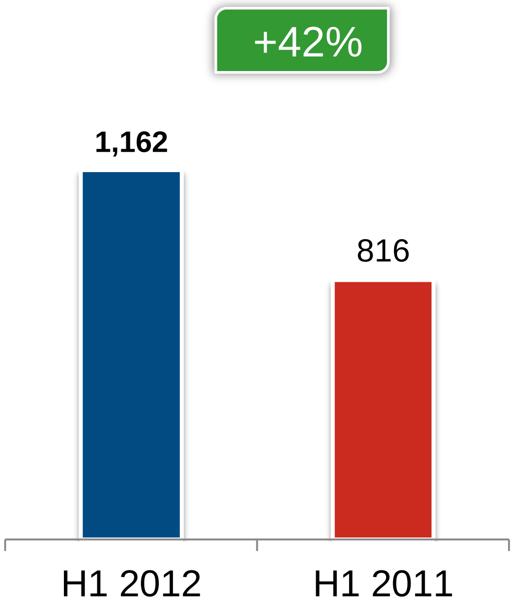
- Continue to build on the global Europcar brand
- Improve return on invested capital
- Maximise positioning in commercial vehicle rental
- Grow unit sales and market share in Auto Pedigree's specific target market
- Improve contribution from panelshops to divisional results
- Grow coach transport into more diverse markets

Distributorships

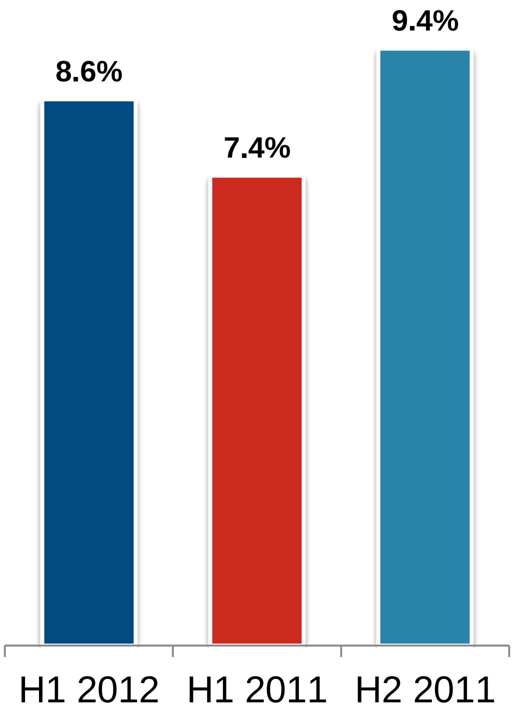
Revenue (Rm)



Operating profit (Rm)



Operating Margins



Strong growth continues

Distributorships

Prospects

- Slowing rate of growth expected for new vehicle sales
- Largely offset by
  - Strong positioning of our products
  - Significantly improved product supply
  - Benefits flowing from parts and service revenue streams as car parc grows strongly
- Medium to longer term potential headwinds: High consumer debt levels, possible interest rate hikes and any prolonged currency weakness
- Autoparts resilient through the cycles
  - Will benefit from growing car parc
- Goscor expected to continue its good performance

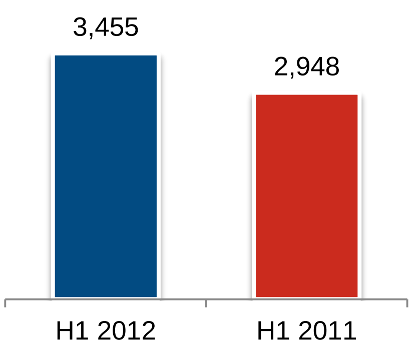
Strategic objectives

- Increase market share in the SA vehicle market
- Grow annuity-type income from parts, service & after-sales activity
- Expand product range in auto parts & industrial distribution businesses
- Add more industrial brands to current distribution network
- Identify acquisition opportunities in new areas of distribution and services related to existing activities

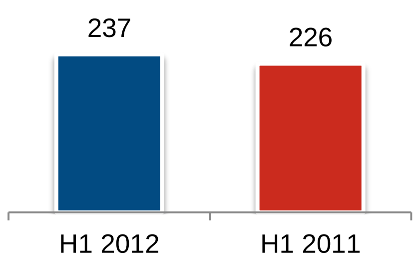
Automotive parts and industrial products

- The group pursued a strategy to add aftermarket vehicle parts, components, industrial equipment and new areas of distribution to its portfolio
- Recent acquisitions of Midas, Turbo Exchange, Goscor, E-Z-GO, Datadot and Segway are part of this strategy
- In total, across the group, such businesses contributed R 3,5 billion of turnover and R 237 million operating profit for the period (9% of group operating profit)
- We continue to pursue opportunities in these segments due to their asset-light nature and good returns on capital

Revenue (Rm)



Operating Profit (Rm)



Includes: Jurgens, Beekmans, Midas, Alert, Turbo Exchange, Engine Parts, Goscor, E-Z-GO, Graffiti, NAC, DataDot, Segway

ALERT ENGINE PARTS

BEEKMAN

JURGENS

Turbo Exchange

MIDAS GROUP

Automotive Retail

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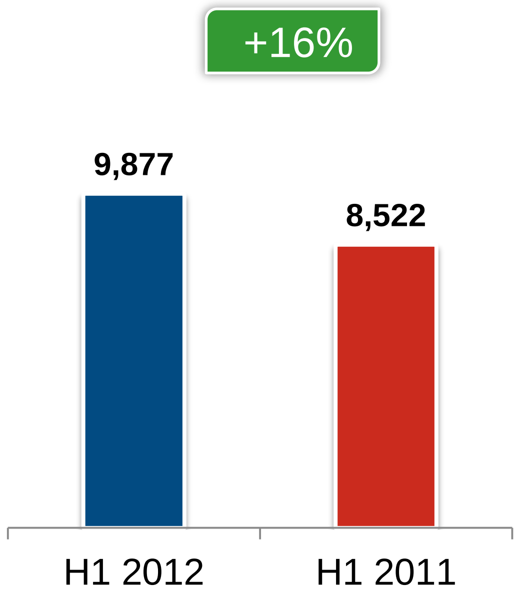
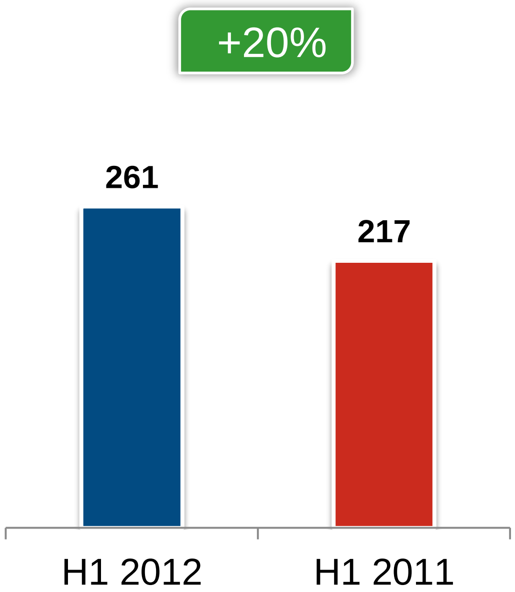
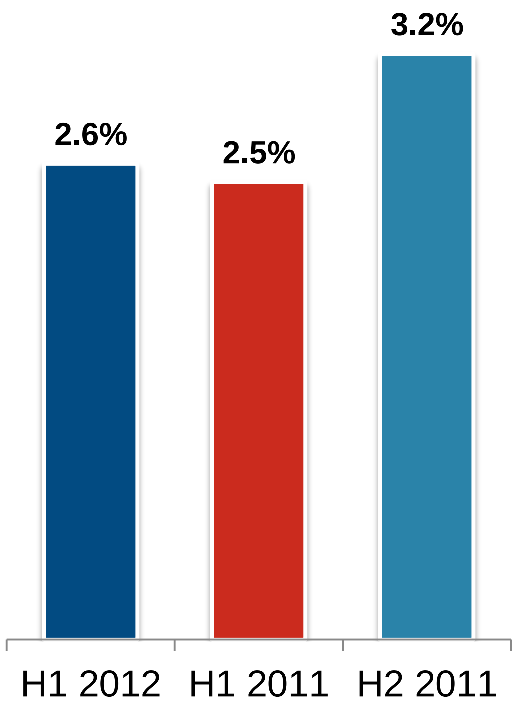
Revenue (Rm)



Operating profit (Rm)



Operating Margins



Good growth in operating profit

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Prospects

- Rate of growth in new vehicle market likely to moderate
- Streamlined network of dealerships & well-balanced portfolio
- Well positioned to take advantage of any growth opportunities presented
- Growing annuity-type income will compensate to some extent

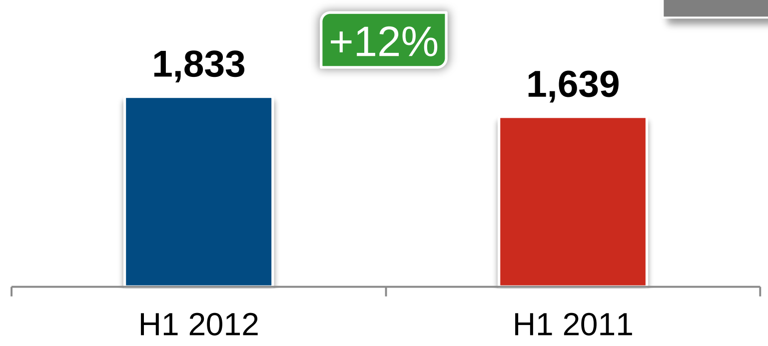
Strategic objectives

- Target best in industry ROIC & operating margins
- Focus on organic growth & optimising synergies between vehicle sales, related financial services and parts and service
- Increase parts & accessory sales in Jurgens
- Beekman to improve distribution model

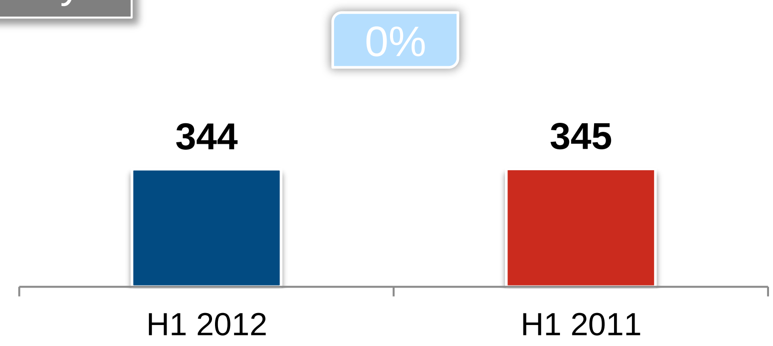
Financial Services

Performed satisfactorily

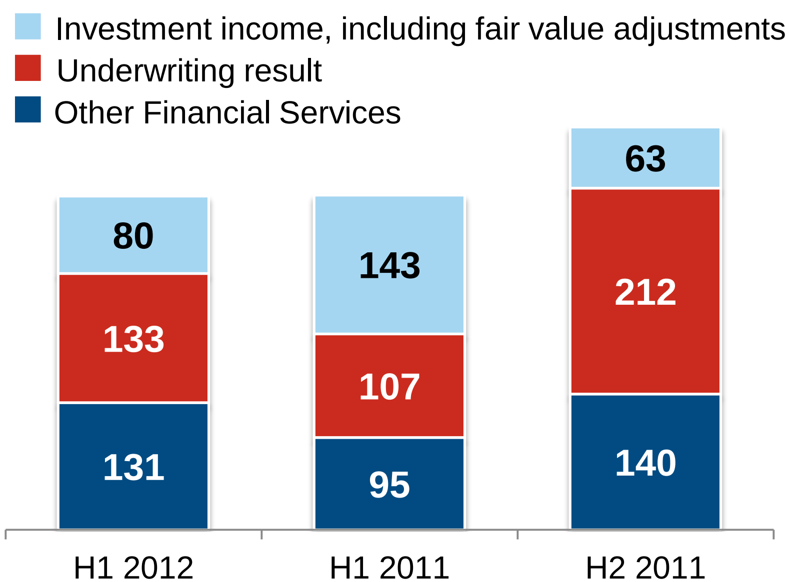
Revenue (Rm)



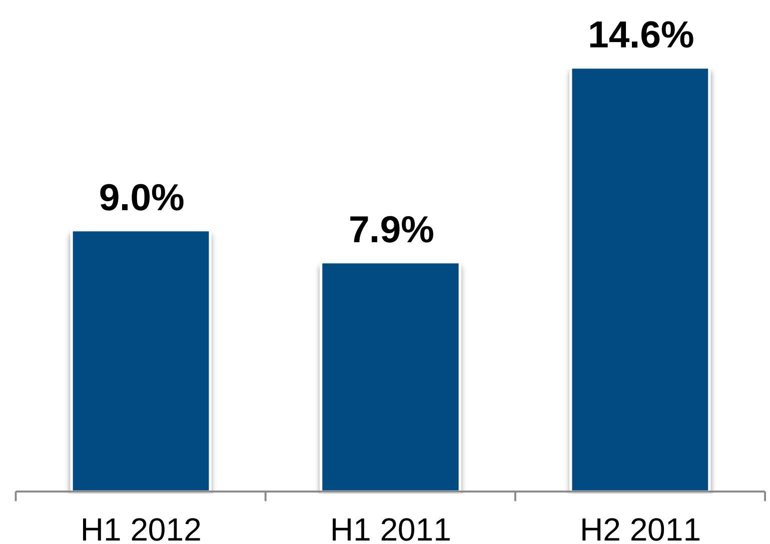
Operating profit (Rm)



Operating profit split



Net Underwriting Margins



Financial Services

Prospects

- Whilst underwriting conditions are unpredictable, earnings in Financial Services should be robust in H2
- Investment portfolio continues to be conservatively managed
- Maintenance & service plans written during the strong new vehicle market provide valuable annuity underpin to future earnings

Strategic objectives

- Regent will focus on growing revenues & expanding its distribution channels
- LiquidCapital will continue to develop new products & partnerships to create new sources of growth
- Increase market share by providing affordable financial products & services
- Find alternative finance for entry-level car buyers to grow the vehicle market