



# RESULTS PRESENTATION

FOR THE YEAR ENDED 30 JUNE 2014

# AGENDA

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HIGHLIGHTS

CONTEXT

OPERATIONAL  
REVIEW

FINANCIAL  
REVIEW &  
ACQUISITIONS

STRATEGY

OUTLOOK

# AGENDA

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## HIGHLIGHTS



<b>REVENUE</b>	<b>OPERATING PROFIT</b>	<b>DILUTED CORE EPS<sup>1</sup></b>
+12% <b>R103 567 million</b>	+2% <b>R6 185 million</b>	unchanged <b>1 790 cps</b>
<b>DILUTED HEPS</b>	<b>FULL YEAR DIVIDEND PER SHARE<sup>2</sup></b>	<b>ROE</b>
-7% <b>1 606</b>	<b>820 cps</b>	<b>19%</b>

- > ROIC 13.0% vs WACC of 9.1% (target of 4% above WACC through the cycle)
- > Net debt:equity ratio of 63% (excl. prefs)

1. Diluted core EPS excludes once-off and non-operational items, mainly: charge for amending conversion profile of deferred ordinary shares issued to Ukhamba: R70m; amortisation of intangibles on acquisitions up 32%; future obligations under an onerous contract: R64m

2. Dividend current dividend yield of 4.1% based on a share price of R200

## HIGHLIGHTS

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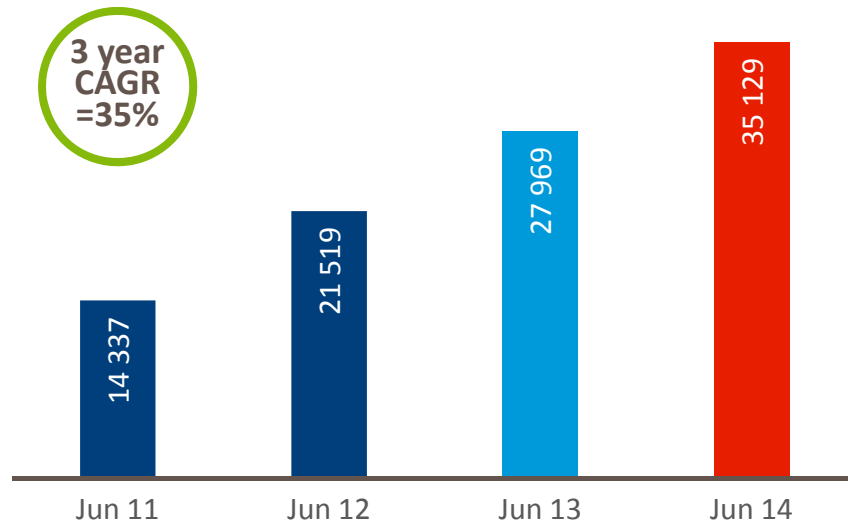


- > Revenues exceed **R100 billion** for the first time
- > R5.2 billion - 5.7% acquisitions (businesses not owned 1st July 2012)
- > Good operating profit growth from **four divisions**
  - **Logistics Africa** + 38%;
  - **Logistics International** + 4.5% in Euros +27% in Rands;
  - **Vehicle Retail, Rental & Aftermarket Parts** + 16%;
  - **Financial Services** + 14%
- > Rand weakness drives **Vehicle Import, Distribution & Dealerships** operating profit down R710 million or 32%
- > **Foreign operations** operating profit +30% to R1.6 billion

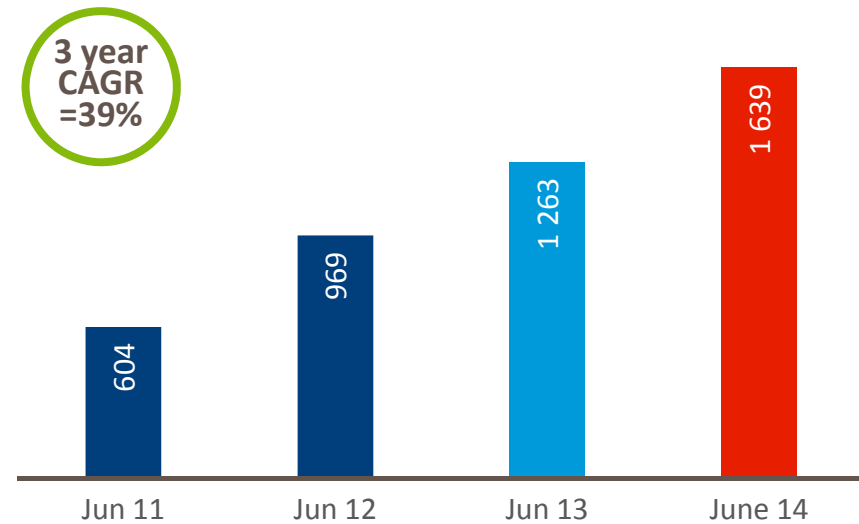
# GROWTH TREND IN FOREIGN OPERATIONS



Revenue  
(Rm)



Operating profit  
(Rm)



- > Positive growth trend in revenue & operating profit outside South Africa
- > Foreign operating profit now 27% of group
- > Africa ex RSA operating profit + 32% to R523m
- > Strategy to grow further

## HIGHLIGHTS

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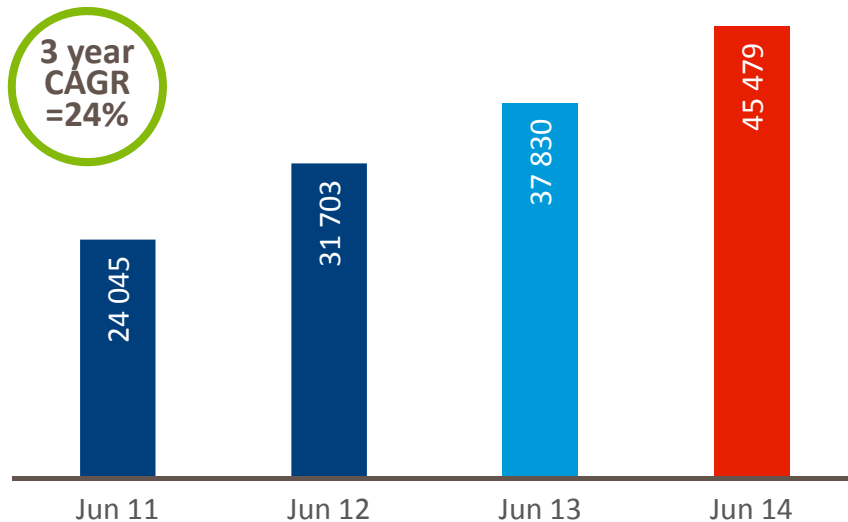


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- > **Foreign operations** operating profit +30% to R1.6 billion
- > **Non-vehicle operations** now 54% of operating profit

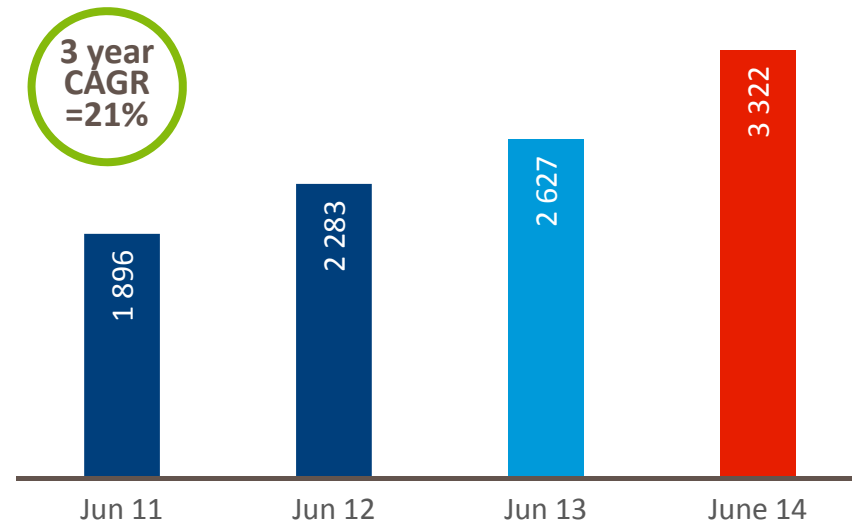
# GROWTH TREND IN NON VEHICLE OPERATIONS



Revenue  
(Rm)



Operating profit  
(Rm)



- > Positive growth trend in revenue & operating profit in businesses not dependant on new vehicle sales
- > Represents 54 % of group operating profit
- > This includes service & parts which are not as cyclical as new car sales
- > Strategy to grow further



## HIGHLIGHTS

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- > Revenues exceed **R100 billion** for the first time
- > R5.2 billion - 5.7% acquisitions (businesses not owned 1st July 2012)
- > Good operating profit growth from **four divisions**
  - **Logistics Africa** + 38%;
  - **Logistics International** + 4.5% in Euros +27% in Rands;
  - **Vehicle Retail, Rental & Aftermarket Parts** + 16%;
  - **Financial Services** + 14%
- > Rand weakness drives **Vehicle Import, Distribution & Dealerships** operating profit down R710 million or 32%
- > **Foreign operations** operating profit +30% to R1.6 billion
- > **Non-vehicle operations** now 54% of operating profit
- > **Sharpened strategic & organisational focus**

# IMPERIAL'S THREE LINES OF MOBILITY



## LOGISTICS



## VEHICLES



## FINANCIAL SERVICES



### REVENUE

↑ +23%  
**R41.3 billion**  
 39% contribution

↑ +6%  
**R61.1 billion**  
 57% contribution

↓ -2%  
**R4.1 billion**  
 4% contribution

### OPERATING PROFIT

↑ +33%  
**R2.2 billion**  
 35% contribution






↓ -14%  
**R3.1 billion**  
 48% contribution

↑ 14%  
**R1.1 billion**  
 17% contribution

# ORGANISATION CHANGES IN THESE RESULTS



Manage & report on **five divisions** based on strategic drivers, management expertise, business models, intra-divisional value creation & geography in three major lines of mobility

LOGISTICS		VEHICLES		FINANCIAL SERVICES
				
AFRICA (INC. RSA)	INTERNATIONAL	VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS	VEHICLE RETAIL, RENTAL & AFTERMARKET	LEVERAGE IMPERIAL'S VEHICLE EXPERTISE & DISTRIBUTION
> Leading logistics provider across entire supply chain	> Leading positions in inland shipping, terminal operations and bulk logistics, industrial contract logistics & chemical logistics	> Exclusive importer of 18 automotive & industrial vehicle brands > Covers virtually all aspects of the motor value chain, from import to after-sales servicing & parts	> Represents virtually every SA OEM passenger & commercial vehicle brand > Vehicle rental > Pre-owned retail outlets > Commercial vehicles in UK	> Mainly motor related insurance & financial products & services
> <b>21%</b> group revenue > <b>20%</b> group operating profit	> <b>18%</b> group revenue > <b>15%</b> group operating profit	> <b>25%</b> group revenue > <b>24%</b> group operating profit	> <b>32%</b> group revenue > <b>24%</b> group operating profit	> <b>4%</b> group revenue > <b>17%</b> group operating profit



### > South Africa

- Low & slowing economic growth
- Volatile & steadily depreciating currency
- High & rising unemployment
- Excessive consumer debt
- Violent social & labour unrest
- Sovereign debt downgrading
- Consumer & business confidence at 10 & 15 year lows

### > Rest of Africa

- Improving Gross Domestic Product
- Urbanisation & increasing consumption off a low base
- Political instability / terrorism in certain regions

> UK recovering steadily but Europe at lower rate than anticipated

> Generally low consumer & commercial demand

> Competitive logistics, vehicle & financial services markets

- > Significant asset base & market positions in logistics, vehicles & motor related financial services
- > Leadership legacy of entrepreneurship & financial control
- > Drive to decouple Imperial's performance from cyclical, or Rand induced, vehicle import volatility

# AGENDA

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## LOGISTICS AFRICA



### REVENUE

↑ +23%  
**R22.1 billion**

### OPERATING PROFIT

↑ +38%  
**R1.3 billion**

- > Three regional hubs – SADC, East Africa, West Africa
- > Developed market & infrastructure in SA with sophisticated supply chains & formal routes to market
- > Logistics challenging with underdeveloped route to market channels in the Rest of Africa
- > Provider of logistics services across the entire supply chain in almost every industry
  - access to 7 500 vehicles (own 5 500)
  - ±1 million m<sup>2</sup> of warehousing
  - consumer focused distributorships in 10 African countries (favour consumer over industrial)
- > Market opportunities
  - cost reduction & focus on core activities by customers leads to outsourcing opportunities
  - skills shortage within organisations regarding specialisation & complexity associated with integrated supply-chain management
  - development of opportunities in inter-modal logistics
  - route to market solutions for principals wanting to access the African continent



## West Africa

- > Imperial Health Sciences – pharma logistics, supply chain management, warehousing
- > MDS Logistics – transport, distribution, warehousing (FMCG, pharma, telecoms)
- > Eco Health – distribution, sales, marketing of pharma products

## East Africa

- > Imperial Health Sciences – warehousing & distribution in consumer, health & pharma (facilities being expanded in Nairobi)
- > Tanzania & Malawi – FMCG distribution, sales & marketing

## Southern Africa

- > FMCG distribution, sales & marketing
- > Further expansion of facilities
- > Transport operations – cross border, load consolidation, warehouse management, cross border documentation
- > Key corridors across SADC





FREIGHT &  
TRANSPORT



WAREHOUSING  
& STORAGE



DISTRIBUTION  
& FULFILMENT



DEMAND  
MANAGEMENT



INTEGRATION  
SERVICES

## SUPPLY CHAIN OUTSOURCING PARTNER

- > **Ability to reduce client's costs** – consolidation of transport & distribution facilities; economies of scale
- > **Ability to enhance client's competitiveness** – operational expertise & experience; consulting; integration
- > **Specialised operations** – company & industry dedicated specialised transport fleets & warehousing
- > **Extensive regional footprint** – ability to offer innovative solutions for principals (including SA manufacturers) to access point of sale in Africa
- > **End-to-end service offering** – tangible value-add through a fully integrated supply chain

## LEADING LOGISTICS PROVIDER

# ACCESSING UNDEVELOPED MARKETS FOR OUR PRINCIPALS



Get me there...

Sell my product

Establish my brand

- > **Exclusive relationships** with our principals
- > **Bring products to market** in a trading environment where logistics are challenging & sales & marketing channels are relatively underdeveloped
- > Ability to take existing principals to **new markets** & add more principals to existing **distribution network**

**Achieving market leading positions in pharmaceutical & consumer product distribution in Africa – ex RSA**

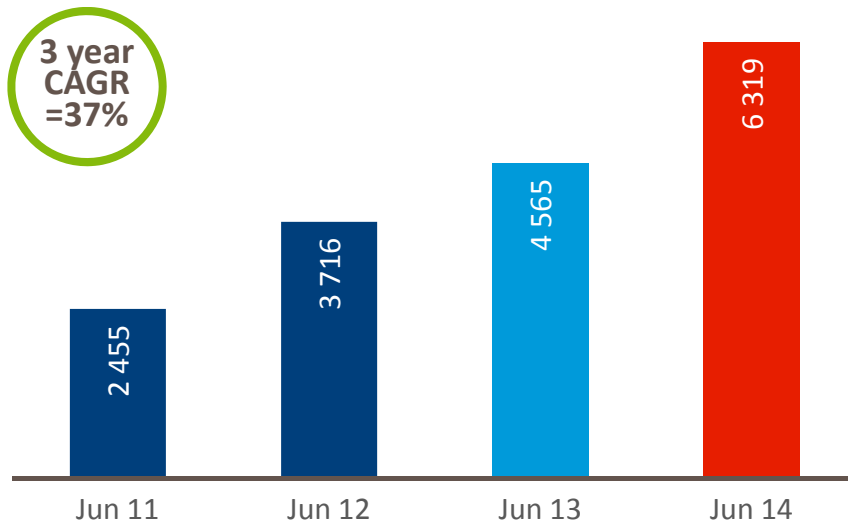
# OUR CLIENTS



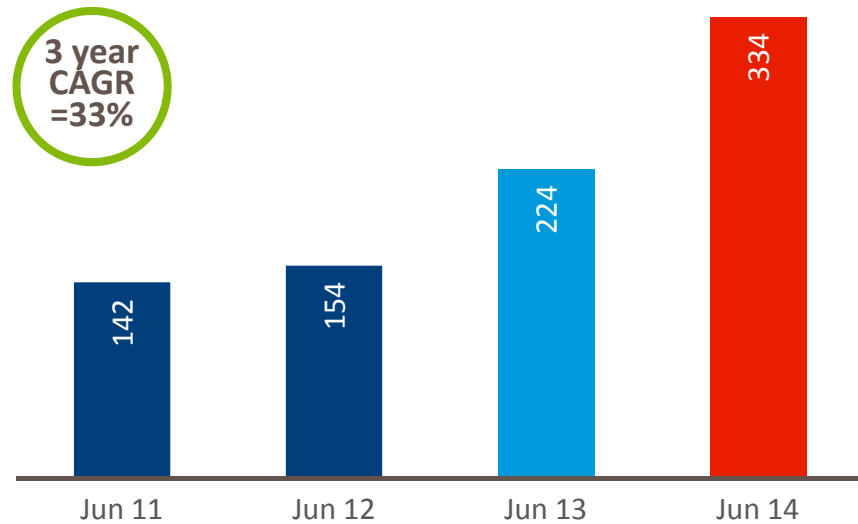
# GROWTH TREND LOGISTICS EX RSA



Revenue  
(Rm)



Operating profit  
(Rm)

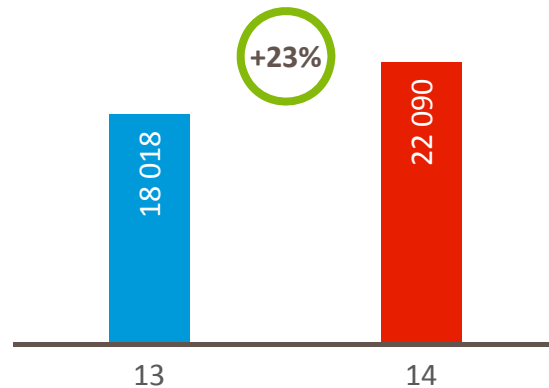


- > Operating profit up 49% to R334m
- > Contributed 26% to Logistics Africa operating profit (5% of Group)

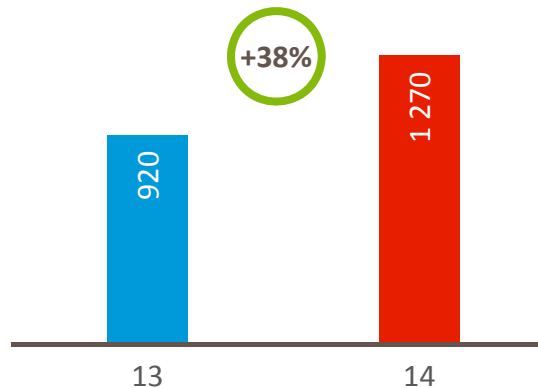
# 2014 LOGISTICS AFRICA



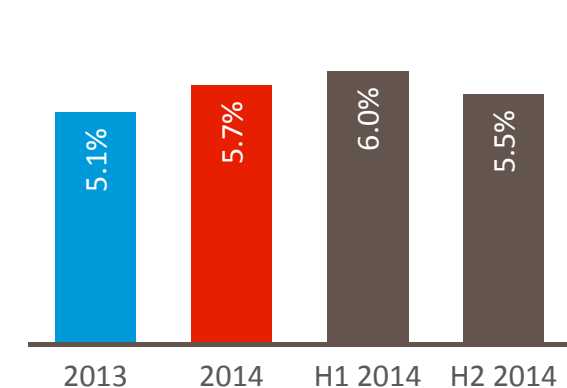
Revenue  
(Rm)



Operating profit  
(Rm)



Operating margins  
(%)

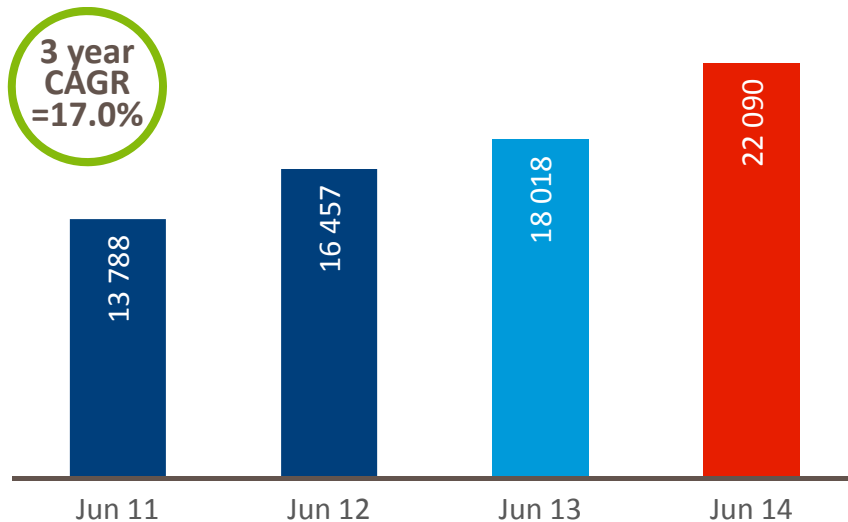


- > Subdued & declining volumes in most sectors served in South Africa
- > Strong revenue growth & margin improvement; prior year included impact of industrial action
- > Positive benefits of recent acquisitions, rationalisation & contract gains
- > Cold Logistics had negative impact on performance as difficult trading conditions persist – restructured accordingly
- > Newly acquired Eco Health contributed positively for four months
- > Active acquisition pipeline in South Africa & Rest of Africa

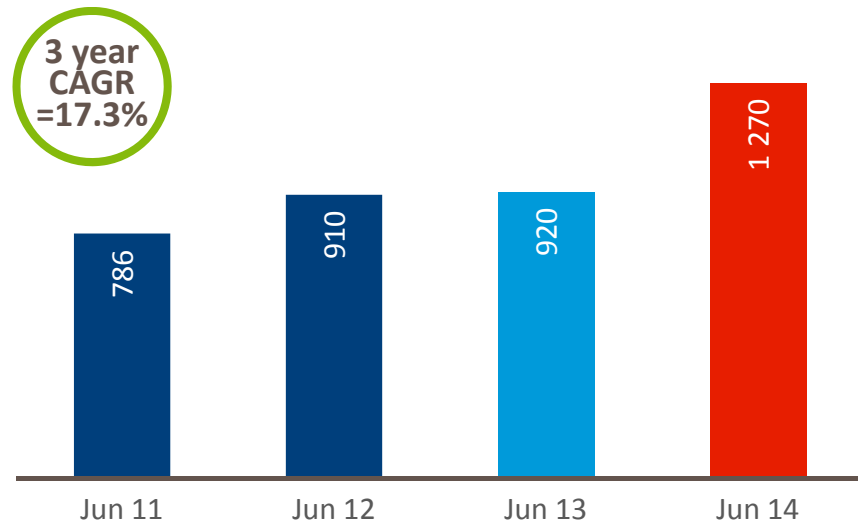
# GROWTH TREND LOGISTICS AFRICA



Revenue  
(Rm)



Operating profit  
(Rm)



**Key organic & acquisitive growth vector for Imperial – conscious of obligation to achieve risk adjusted returns**

### LOGISTICS INTERNATIONAL

- > Europe (mainly Germany)
- > Recent entry into South America

### REVENUE CONTRIBUTION

(including inter-segment revenue)

**R19 billion**



> Highly developed market & infrastructure

> Assets:

- more than 700 inland vessels
- 2 million m<sup>2</sup> of storage capacity (including 20 hazardous goods warehouses)
- 100 million tonnes handled per year
- world class expertise in auto & chemical contract logistics
- established relationships with world leaders: Mercedes, BMW, Volkswagen, Bayer, BASF

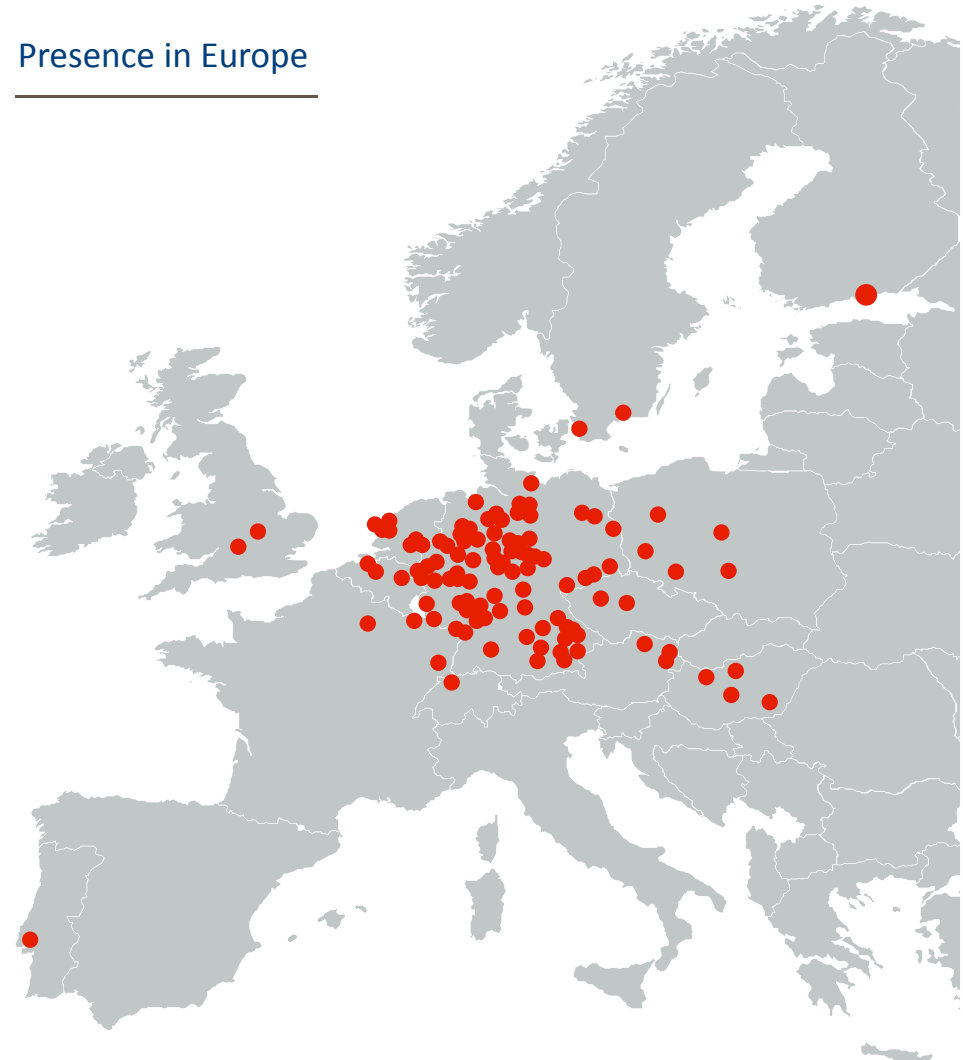
> Market opportunities

- Industries served - automotive, steel, aluminium, paper & chemicals
- Niches linked to import & export growth of leading manufacturers in Europe's strongest economy – follow them in new markets
- Build on market leadership in inland shipping, terminal operations & bulk logistics, industrial & chemical contract logistics



- > Germany is the base
- > Strategy to follow customers/products to new markets
- > Recently entered the South American market
  - profitable greenfield operation
  - further investment allocated
- > China entry

## Presence in Europe



# HOW WE ARE DIFFERENTIATED



## INLAND SHIPPING



- > Leading inland shipping company
- > Transport iron ore, coal, gas, liquid bulk

## PANOPA



- > Contract Logistics
  - automotive
  - machinery & equipment
  - steel
  - logistics & services

## LEHNKERING



- > Logistics services & manufacturing (synthesis / formulation) for the chemical industry

## NESKA

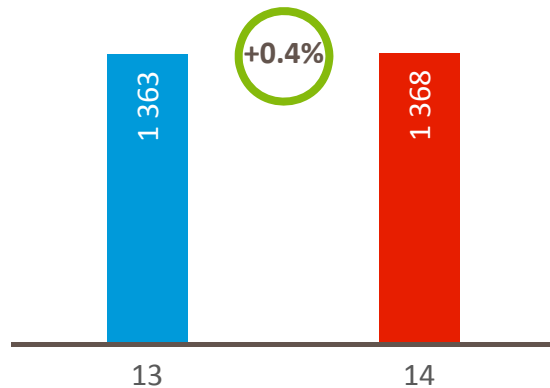


- > Leading player in inland terminal operations

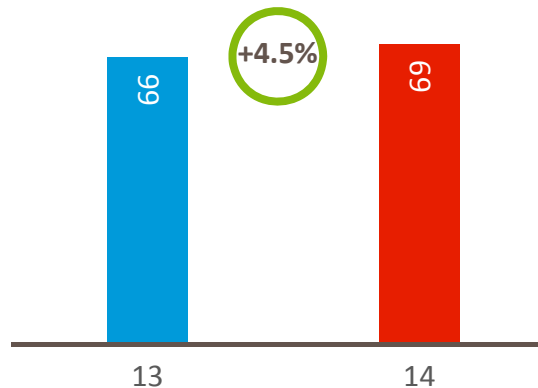
- > Ability to service complex niche areas of logistics, such as chemicals & automotive parts
- > Expertise & quality assets in inland shipping in Europe: platform to duplicate our offering in new markets in Eastern Europe & South America
- > Leading positions at critical chokepoints in German economic sectors (steel, chemicals, automotive, spare parts & paper)

# 2014 LOGISTICS INTERNATIONAL (EURO) IMPERIAL

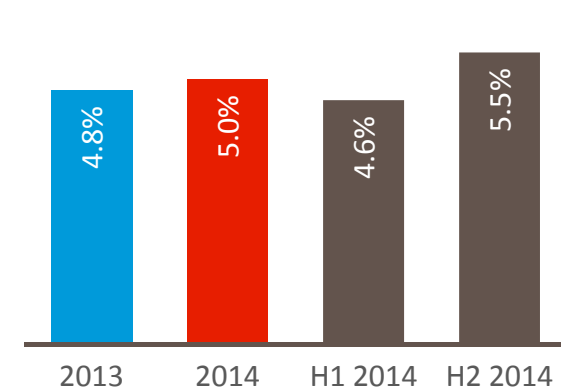
Revenue  
(€m)



Operating profit  
(€m)



Operating margins  
(%)

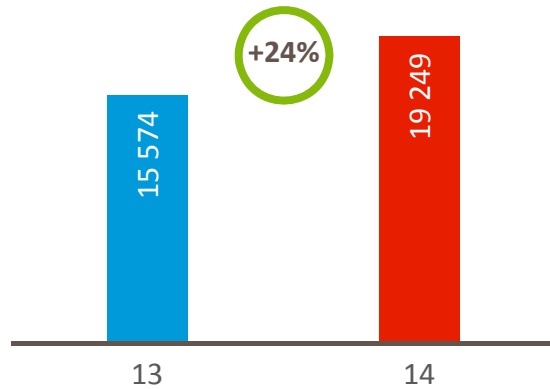


- > Fragile recovery of the European economy; depressed German activity levels
- > Inland shipping volumes declined & rates under pressure
- > Growth achieved through fleet optimisation & increased efficiencies across operations
- > Lehnkering performed well, in line with expectations
- > Volumes at terminals volatile (paper & containers) – Krefeld underutilised
- > South American inland shipping business in line with expectations

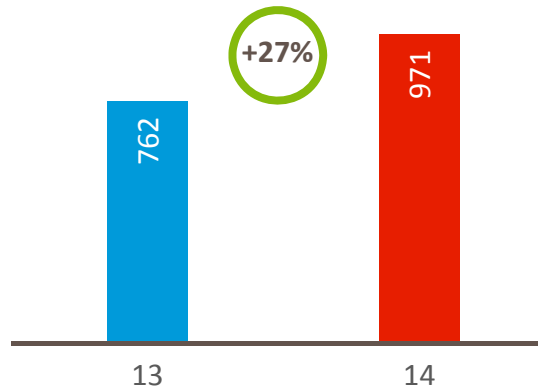
# 2014 LOGISTICS INTERNATIONAL (ZAR)



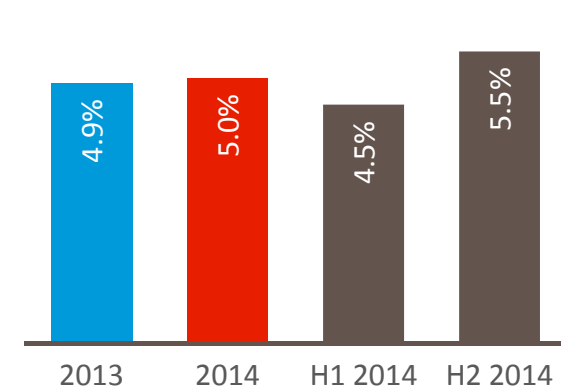
Revenue  
(Rm)



Operating profit  
(Rm)

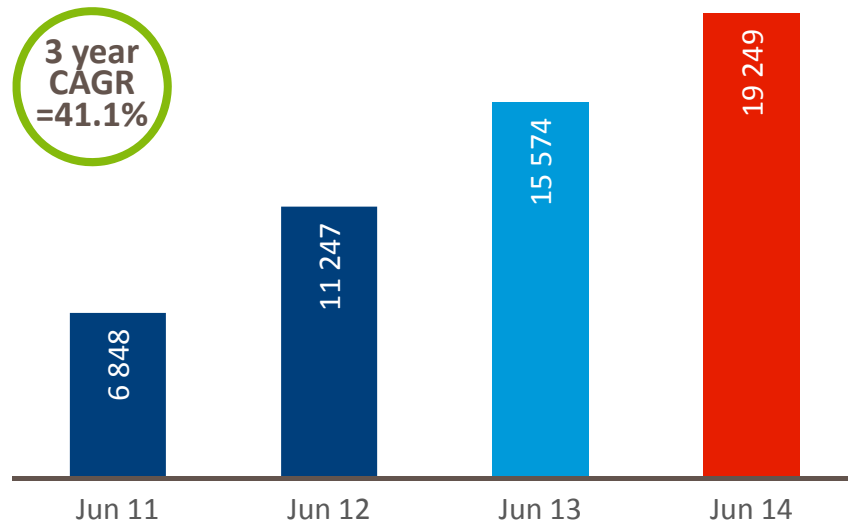


Operating margins  
(%)

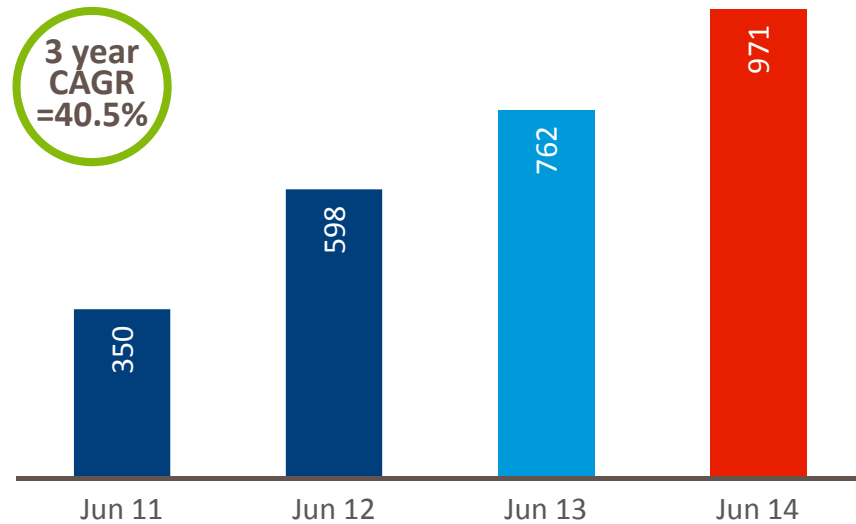


- > Translation effect of weak Rand assisted growth in Rands
- > 2014 average R/€: 14.07 vs 2013 average R/€: 11.43
- > Effective currency hedge in group portfolio

Revenue  
(Rm)



Operating profit  
(Rm)

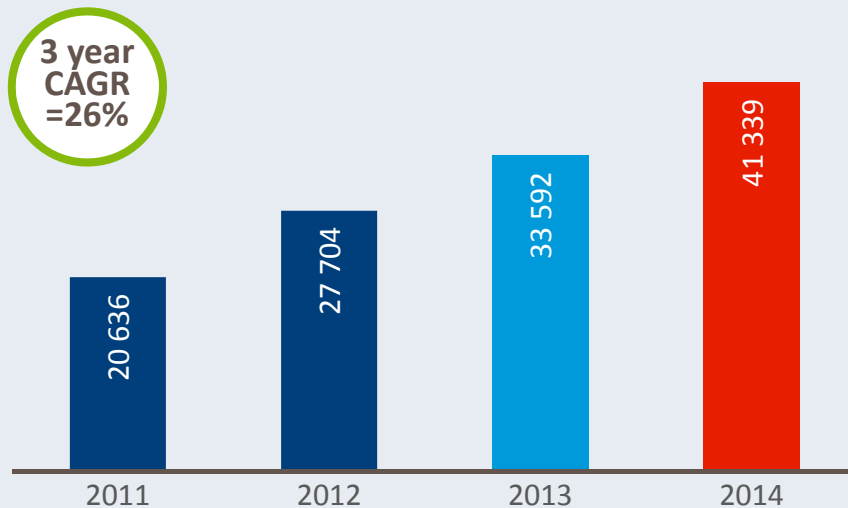


- > Key strategic area of growth & investment
- > Remain in current niches
- > Follow customer in new markets
- > Acquisitions targeted

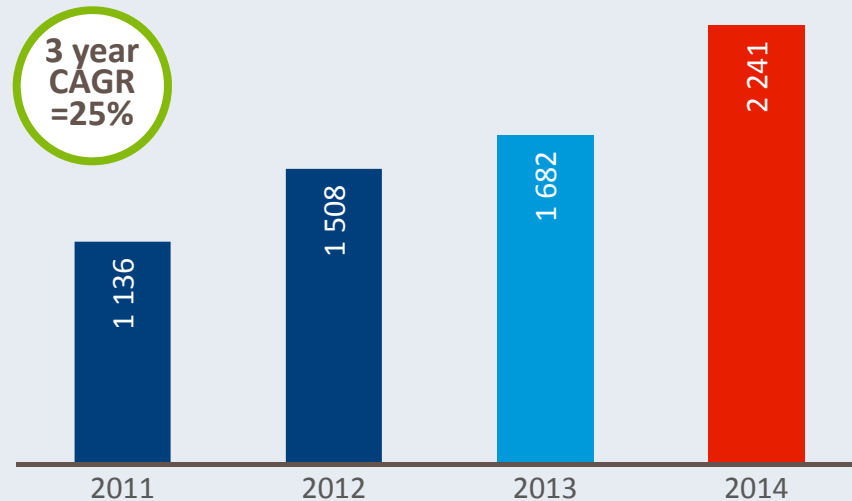
# GROWTH IMPERIAL GROUP LOGISTICS



Revenue  
(Rm)



Operating profit  
(Rm)



- > Solid revenue & operating profit growth trend in Imperial's logistics businesses
- > Contributed R2.2 billion to operating profit for the year – 35% of group operating profit
- > Expected to grow, main target of capital allocation & acquisitions
- > Strategies to further grow

### VEHICLE IMPORT, DISTRIBUTION & DEALERSHIPS



### REVENUE CONTRIBUTION

(including inter-segment revenue)

**R27 billion**

- > Low vehicles sales penetration, as in other emerging markets
- > Direct imported brands represent approximately 15% of the passenger car market in SA
- > Passenger vehicle market tracks economic & consumption growth; 4% - 5% down (circa 610k in 2014)
- > Division exclusive importer of 18 automotive & industrial vehicle brands (including Hyundai, Kia, Renault, Mitsubishi, Crown forklifts & Genie access equipment); distribute through 126 owned & 113 franchised dealerships
- > Market opportunities
  - distribution platform offers us the ability to multi-franchise & add additional brands
  - ability to capture revenue across virtually all elements of the motor value chain, from import to after-sales servicing & parts
- > Risk – susceptibility to Rand weakness

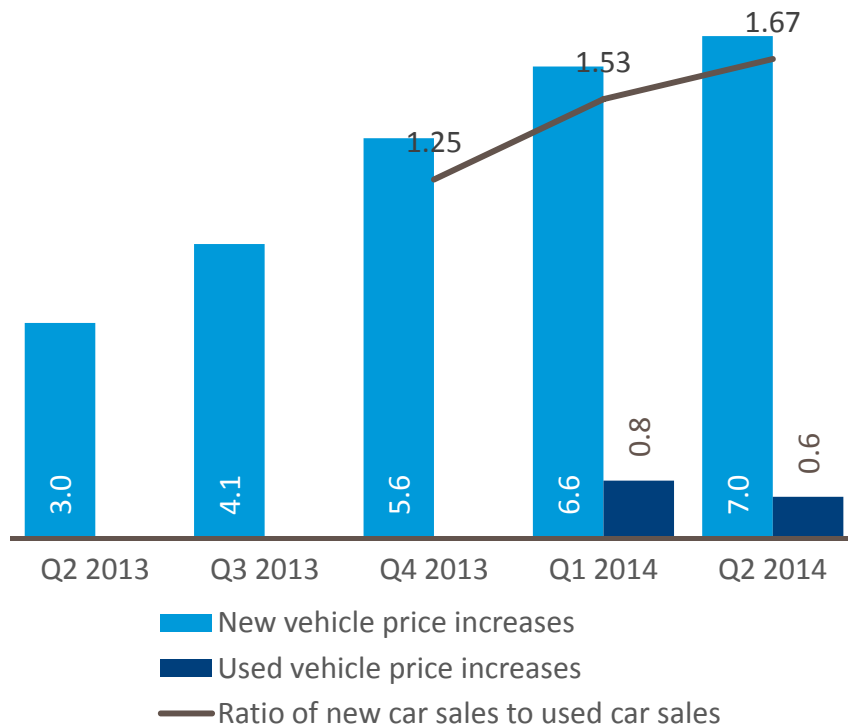
# SOUTH AFRICAN NEW VEHICLE PRICES



## Vehicle price increases (yoy growth)

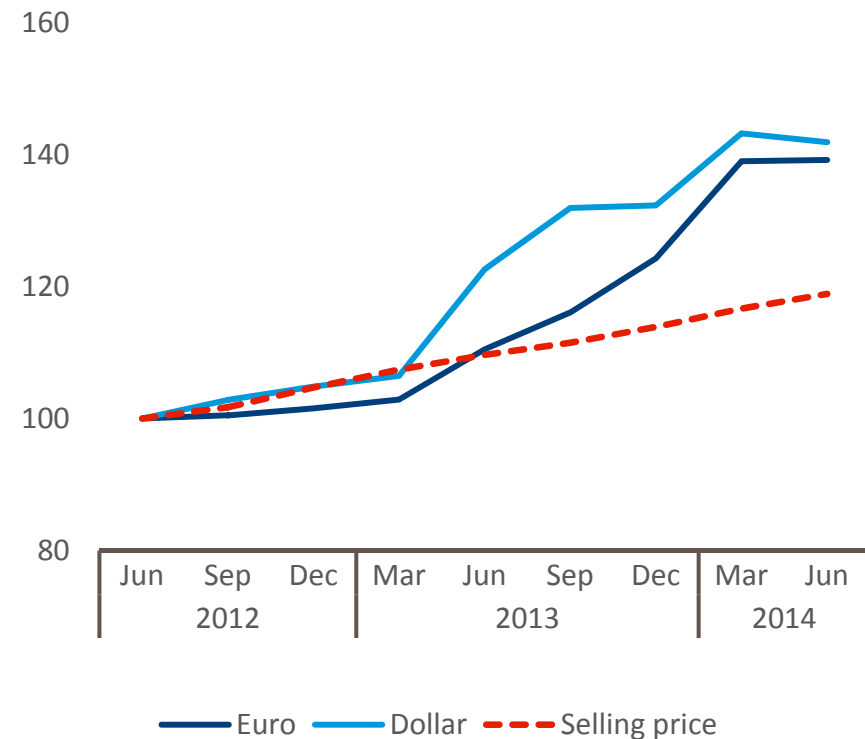
New & Pre owned

(units)



## Exchange rate impact on imported brands

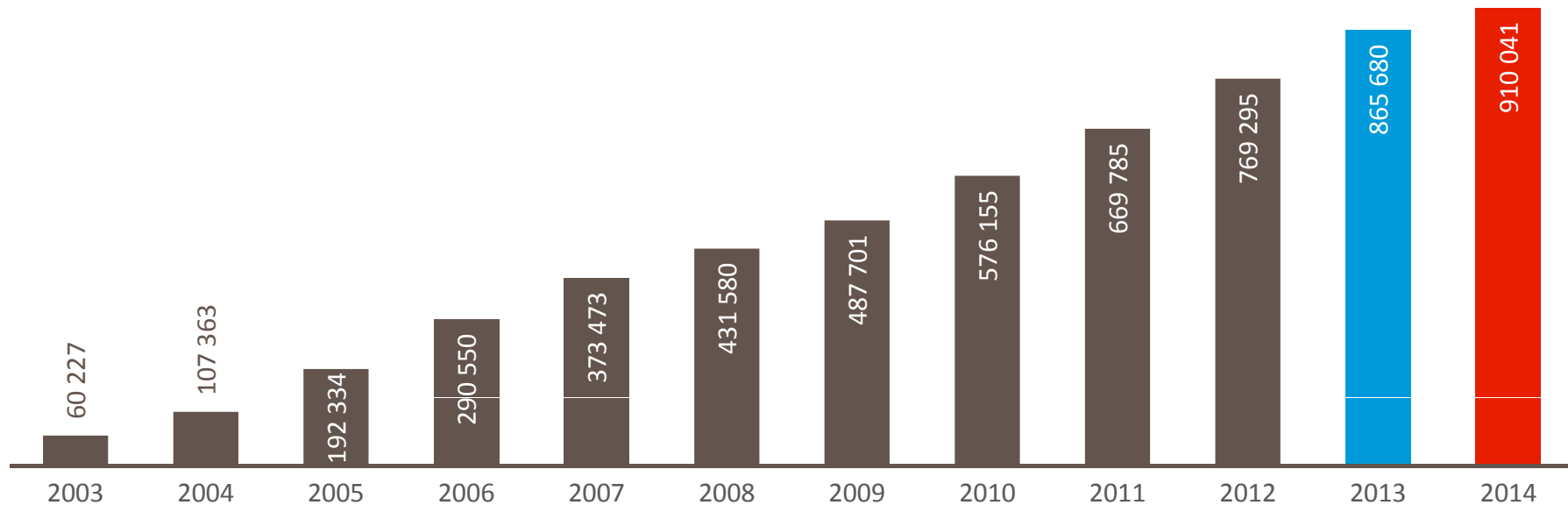
(%)



Source: TransUnion



## GROWING CAR PARC OF IMPORTED BRANDS



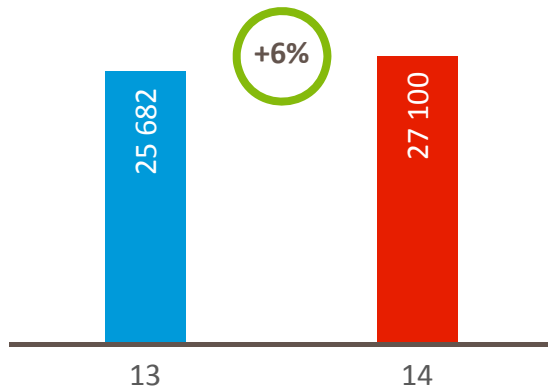
- > Car parc doubled over past 5 years
- > Parts & services continue to grow strongly
- > Provides an underpin to earnings

*Note: Includes Hyundai, Kia, Daihatsu, Chery, Foton, Mitsubishi, Renault and Tata – PC and LCV*

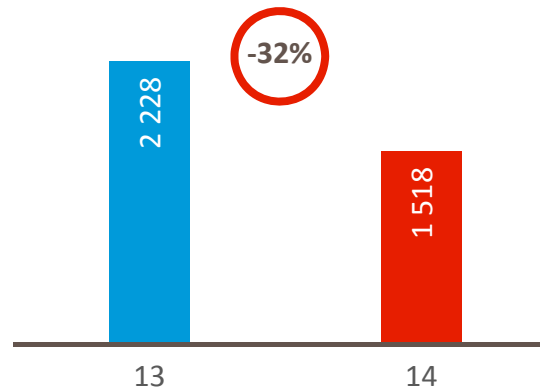
# 2014 VEHICLE IMPORT, DISTRIBUTION & DEALERSHIPS



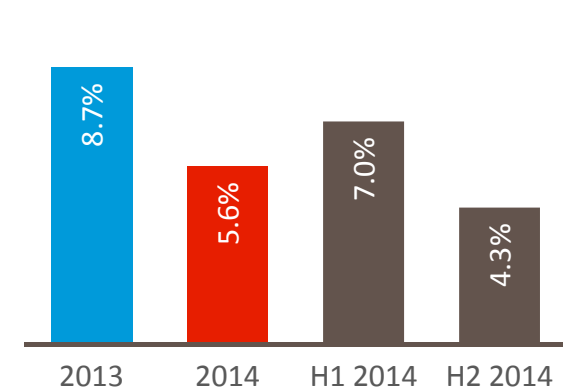
Revenue  
(Rm)



Operating profit  
(Rm)



Operating margins  
(%)



- > Currency weakness – required price increases impacted negatively on pricing, margins, volumes, inventory & competitiveness
- > Benefits of growing car parc – good growth in annuity revenue streams from after-sales parts & services - rendering of services revenue up 18%
- > Renault performed to expectation – volume growth but at lower margins
- > Goscor had an excellent year despite a declining forklift market

### VEHICLE RETAIL, RENTAL & AFTERMARKET PARTS



- > New vehicle sales in SA expected to slow in tighter economic conditions
- > Commercial vehicle market achieved a post-2008 record of 30 900 units; expected to perform better than passenger vehicles in current cycle
- > Car rental - mature market which remains highly competitive & price sensitive; growth has slowed to  $\pm 2\%$  over the last two years
- > Aftermarket Parts industry is mature but stable, underpinned by a circa 11 million vehicle RSA Parc & benefiting from recent growth in new vehicle sales
- > UK commercial market buoyed by recovery in the economy
- > Pre owned sales to improve in current cycle

### REVENUE CONTRIBUTION

(including inter-segment revenue)

**R34 billion**

### VEHICLE RETAIL

- > 86 passenger car dealerships
  - 14 locally based OEMs
- > Extensive dealer footprint owning 85% of properties
- > 20 commercial vehicle dealerships - 12 brands in SA
- > 38 truck & van dealerships in the United Kingdom
- > Beekman canopies
- > Jurgens caravans

### RENTAL

- > Car Rental (Europcar and Tempest)
- > 65 dedicated Pre-owned retail outlets (Auto Pedigree)
- > Panelshops

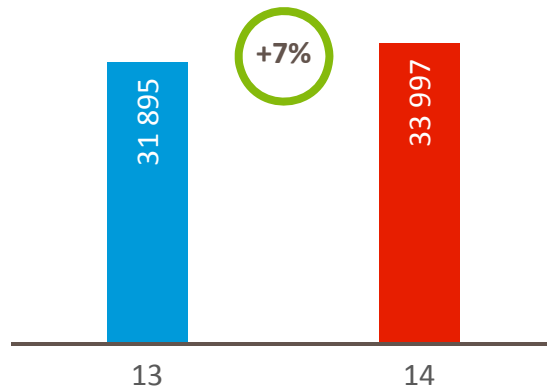
### AFTERMARKET PARTS

- > Distributor, wholesaler & retailer through approximately 450 owned & franchised stores
- > Midas, Alert Engine Parts & Turbo Exchange
- > Focus on parts & accessories for vehicles between five & ten years old

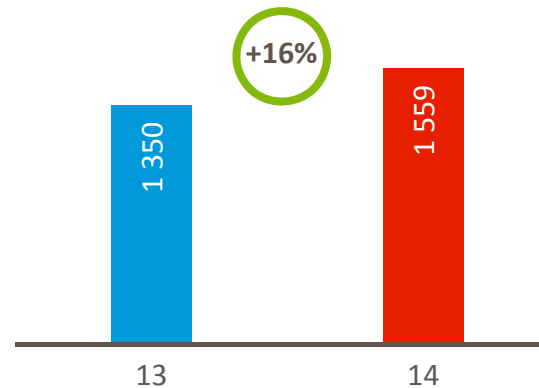
# 2014 VEHICLE RETAIL, RENTAL & AFTERMARKET PARTS



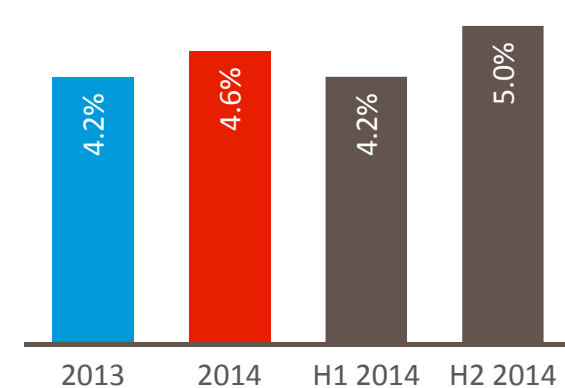
Revenue  
(Rm)



Operating profit  
(Rm)



Operating margins  
(%)



- > Strong revenue growth; improved operating margin despite subdued passenger volume
- > Commercial vehicles: RSA sales up strongly - 8% volume growth; UK good growth (Orwell)
- > Pre-owned vehicle volumes improved
- > Satisfactory performance from car rental - revenue per day up 5% & improved returns due to reduced fleet size
- > Aftermarket parts performed satisfactory in a competitive & mature market
- > Revenue & operating profit in 2014 from Car Rental R3.8bn & R432m respectively & from Autoparts in 2014 R4.9bn & R319m respectively

## 6. Pre Owned vehicle sales

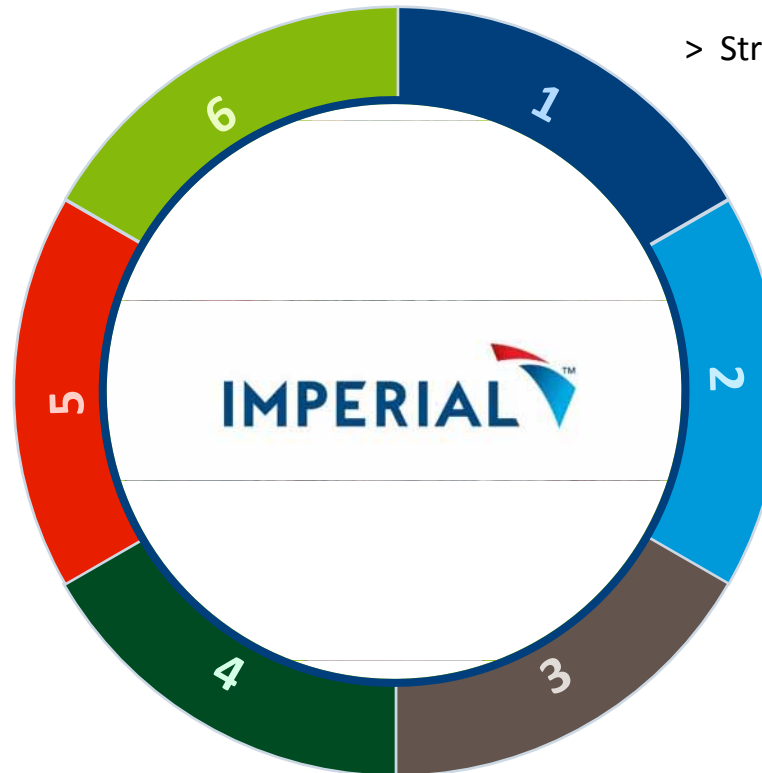
- > ±70 000 units p.a.

## 5. Aftermarket parts

- > Parts, oils & accessories for vehicles outside maintenance & warranty plans

## 4. Car rental

- > Purchase vehicles from the group & local OEMs
- > Rental of vehicles
- > Dispose of vehicles through group outlets (65 Auto Pedigree outlets)



## 1. Vehicle import & distribution

- > Represent 18 exclusive Automotive & Industrial brands
- > Strong after sales & service capability

## 2. Vehicle retail

- > Major local & imported brands
  - > Extensive dealer network (240 new vehicle dealerships)
- > Sell 1 in 5 new vehicles in SA
  - > Commercial dealerships
  - > POS for financial services

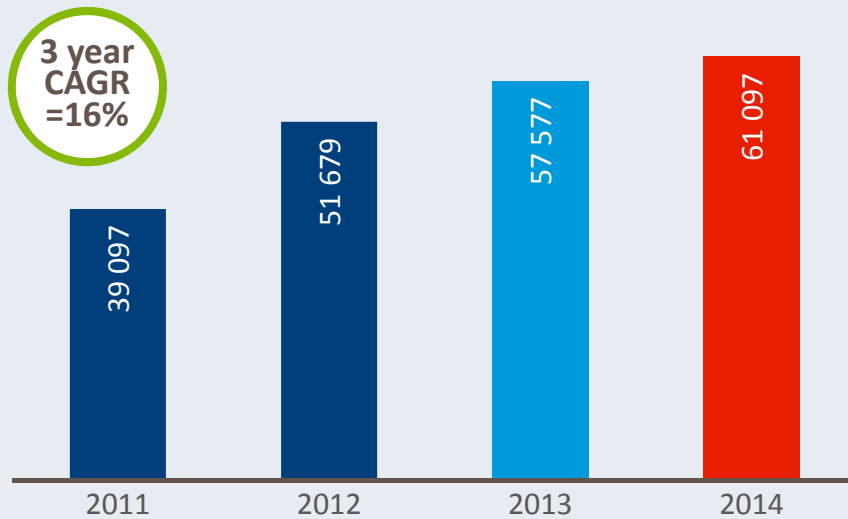
## 3. Vehicle maintenance

- > Growth in car parc
  - > Annuity income
- > Service & maintenance at dealerships
  - > Parts

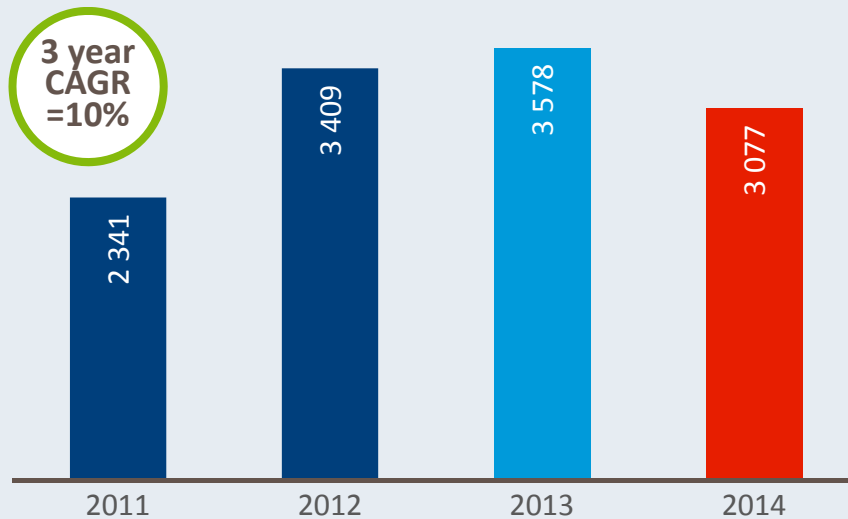
# GROWTH IMPERIAL GROUP VEHICLES



Revenue  
(Rm)



Operating profit  
(Rm)



> Represents 46% of group operating profit

> Number of vehicles sold

- New
  - Passenger: 125 468
  - Commercial: 8 342
- Preowned
  - Passenger: 69 513
  - Commercial: 1 033

## FINANCIAL SERVICES



### REVENUE

↓ -2%

**R4.1 billion**

### OPERATING PROFIT

↑ 14%

**R1.1 billion**

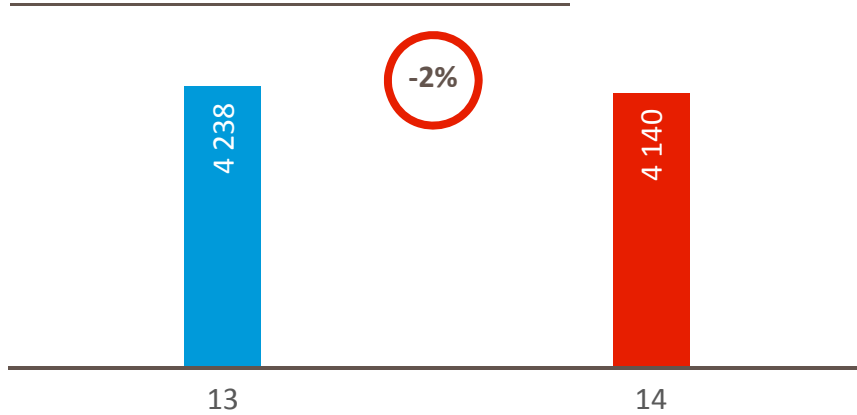
- > Specialised & cost-effective motor related financial services & products (insurance, finance & FML through banking alliances, service & maintenance plans & warranties)
- > Value proposition centred on responsive engagement at all stages of the vehicle lifecycle
- > Channels include Imperial & independent dealerships, banks, direct sales & niche intermediaries
- > Excellent performance
- > Insurance underwriting +27%
  - improved motor underwriting in the second half
  - exited non-performing classes of business
- > Good performance from Regent Life; underwriting up 19%
- > Investment returns higher - equity markets favourable
- > Rest of Africa continues to contribute meaningfully
- > Finance alliances continue to grow - more conservative impairment provisions
- > Good growth in funds held under service, maintenance plans, warranties & roadside assistance
- > Volumes in Imperial Fleet Management continue to improve with contract gains (7 000 vehicles under management)



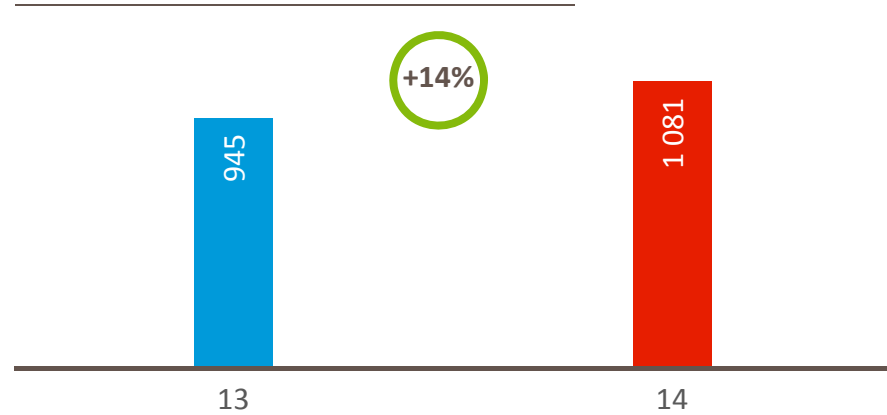
# FINANCIAL SERVICES



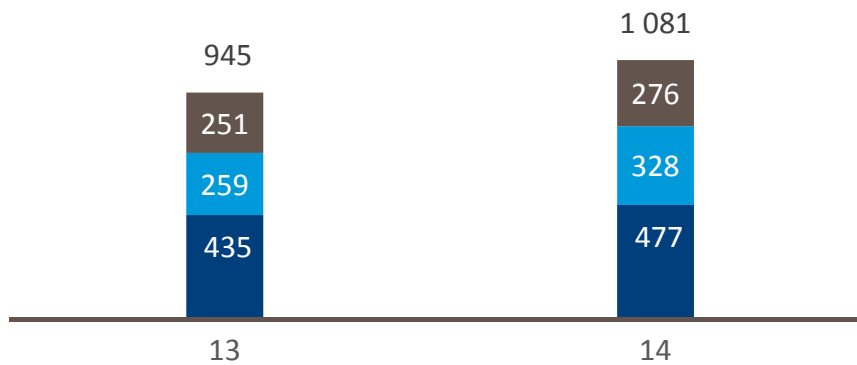
Revenue  
(Rm)



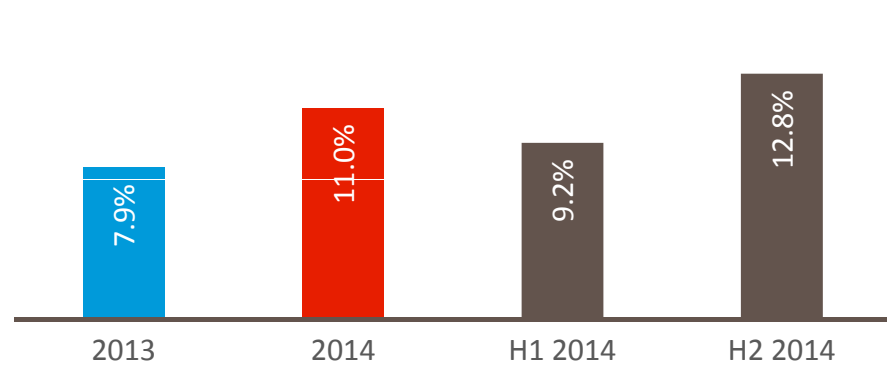
Operating profit  
(Rm)



Operating profit split  
(R000)

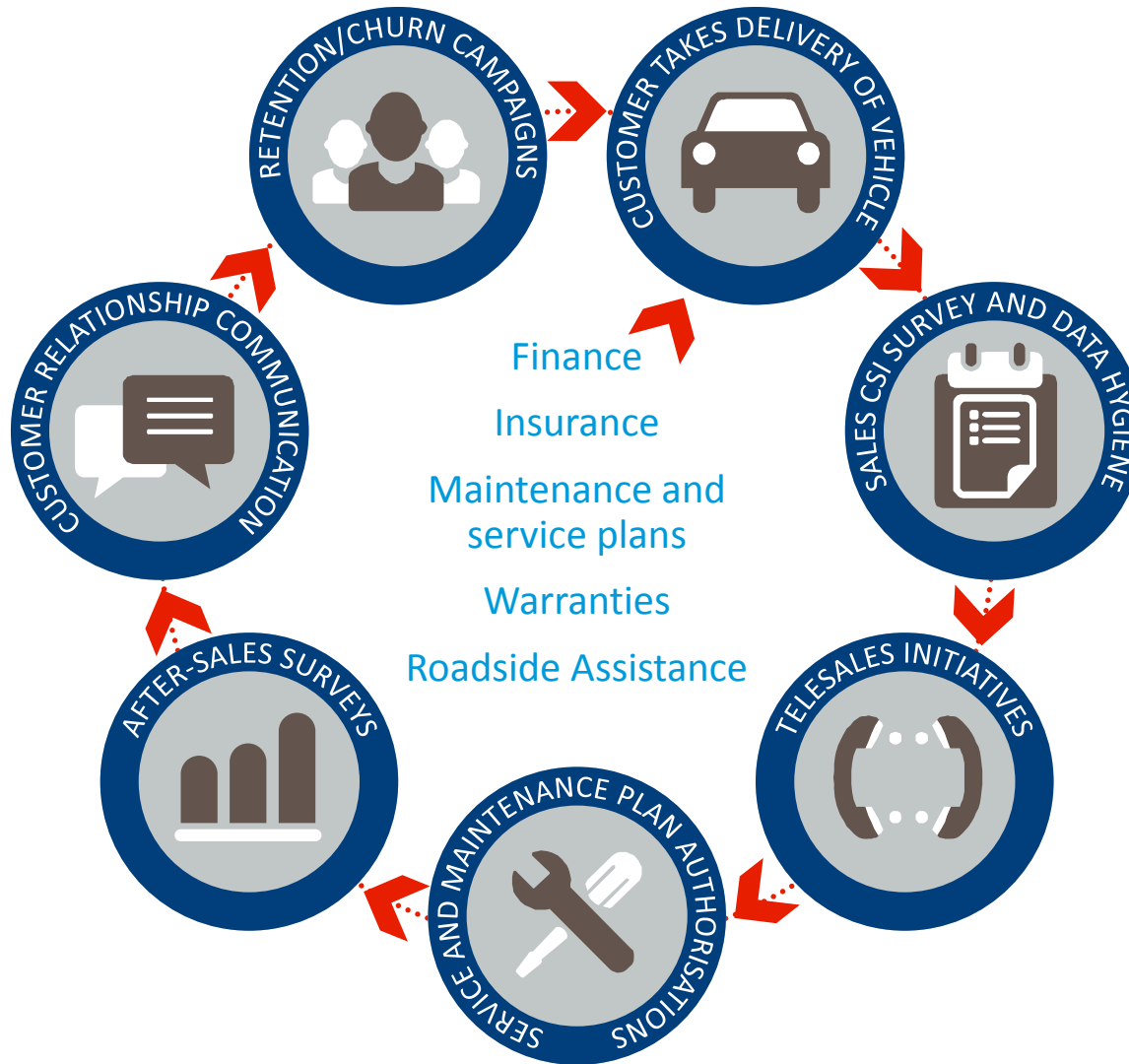


Net underwriting margin  
(%)



- Motor related financial services and products
- Underwriting result
- Investment income, including fair value adjustments

# BASIS FOR IMPERIAL'S LEADERSHIP IN MOTOR RELATED FINANCIAL SERVICES



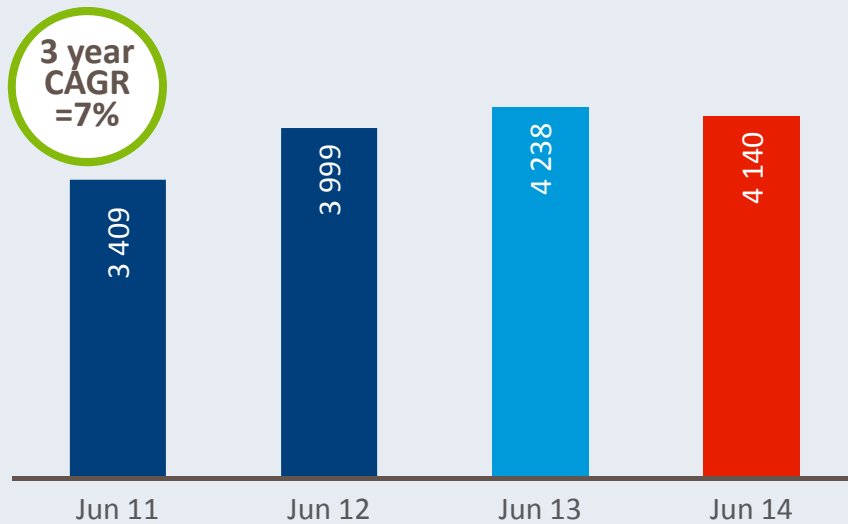
Insurance & motor related financial products & services

- > Extensive retail network provides scale & points of sale for the group's financial services business
- > Market intelligence & a basis from which to grow demand for existing products & services & develop new products

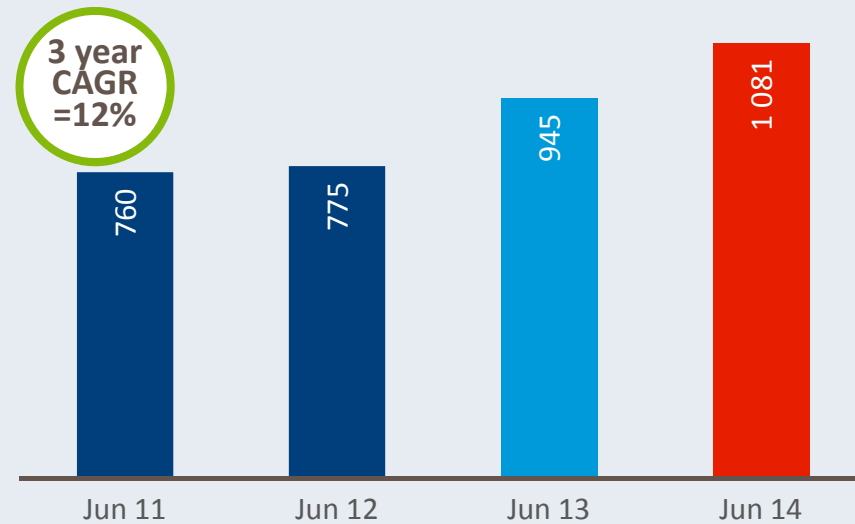
# GROWTH IMPERIAL GROUP FINANCIAL SERVICES



Revenue  
(Rm)



Operating profit  
(Rm)



- > Positive growth trend in revenue & operating profit
- > Operating profit now >R1 billion
- > Access to group's distribution platform
- > Proven record of product & channel innovation & development



# INCOME STATEMENT

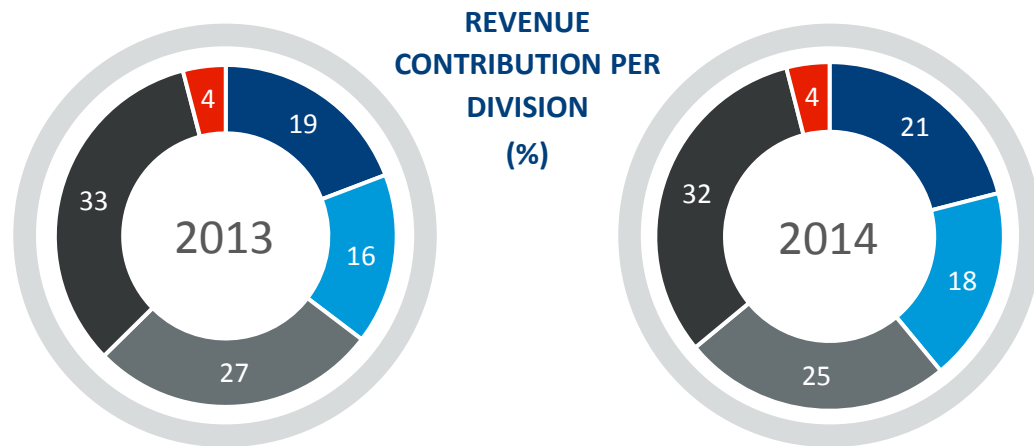


Rm	2013 Rm	2014 Rm	% change
Revenue	92 382	103 567	12%

**LOGISTICS +23%**  
 new contract gains, strong growth in Rest of Africa, acquisitions, weak currency

**VEHICLES +6%**  
 price increases in new vehicle sales; growth in annuity revenues from parts and service activities and acquisitions

**FINANCIAL SERVICES -2%**  
 reduction due to exit of certain non performing classes of insurance



- LOGISTICS AFRICA
- LOGISTICS INTERNATIONAL
- VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS
- VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS
- FINANCIAL SERVICES

# INCOME STATEMENT



Rm	2013 Rm	2014 Rm	% change
Revenue	92 382	103 567	12%
Operating profit	6 090	6 185	2%
Operating profit margin	6.6%	6.0%	

**LOGISTICS +33%**

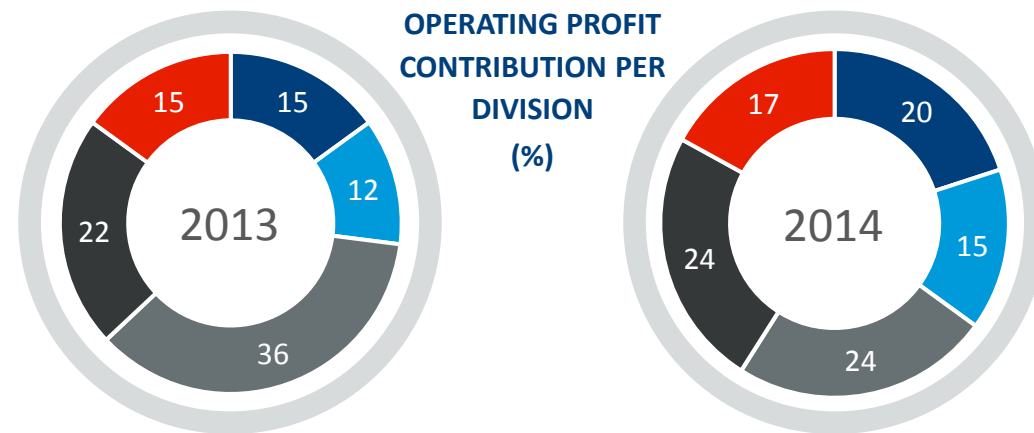
rationalisation, contract gains, acquisitions, currency weakness

**VEHICLES -14%**

impacted by currency in Vehicle Import, Distribution & Dealerships business, reduced volumes and margins

**FINANCIAL SERVICES +14%**

Improved underwriting margin, strong investment performance, exit from non-performing businesses, improved product penetration

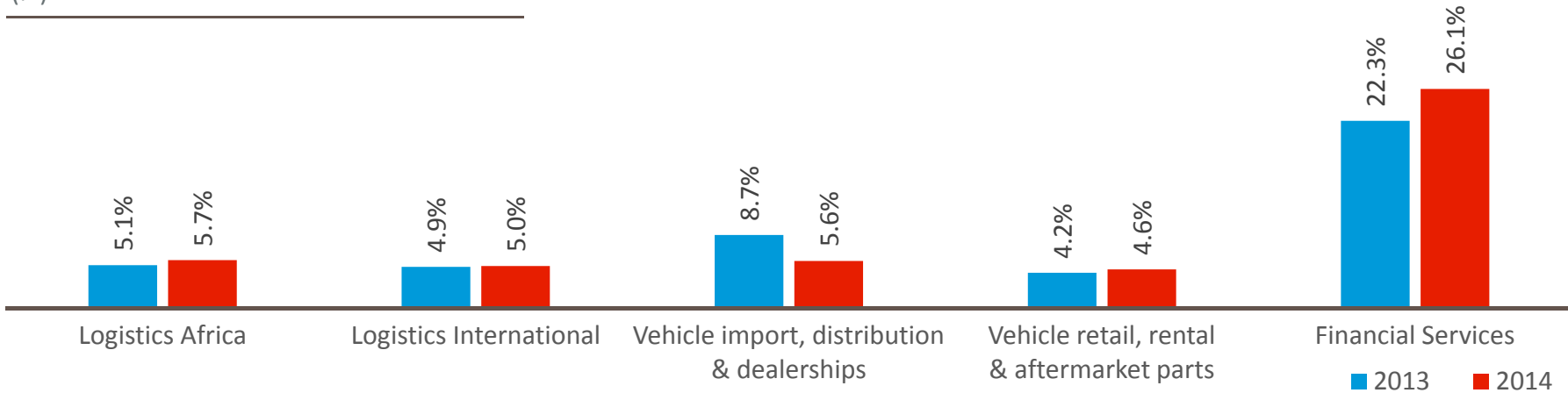


- LOGISTICS AFRICA
- LOGISTICS INTERNATIONAL
- VEHICLE IMPORT, DISTRIBUTION AND DEALERSHIPS
- VEHICLE RETAIL, RENTAL AND AFTERMARKET PARTS
- FINANCIAL SERVICES

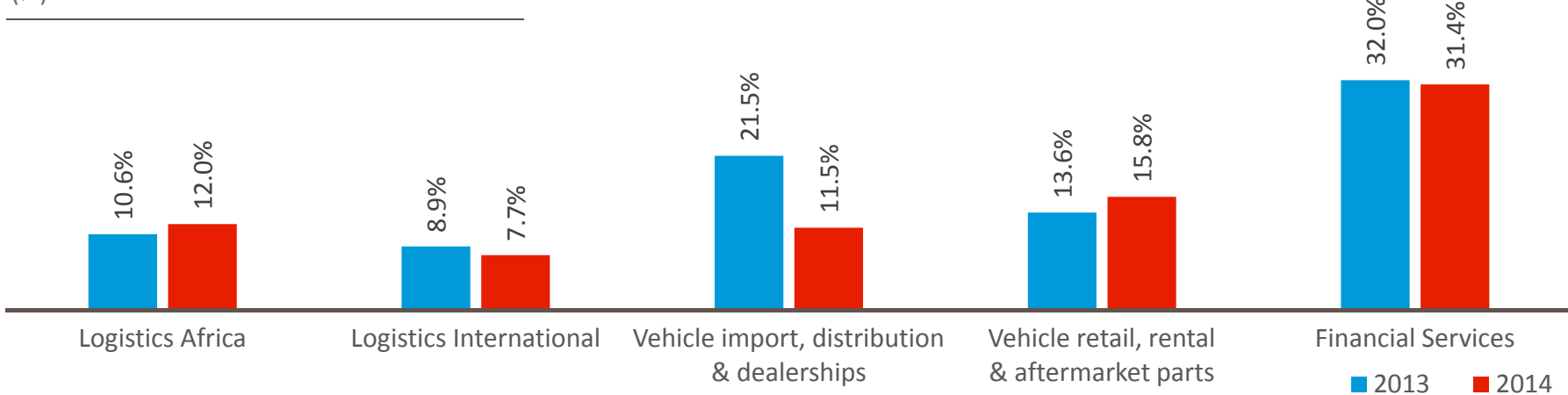
# DIVISIONAL STATISTICS



## Operating margin (%)



## Return on invested capital (%)



Adjusted to exclude PPA amortisation and acquisition costs

# INCOME STATEMENT



Rm	2013 Rm	2014 Rm	% change
Revenue	92 382	103 567	12%
Operating profit	6 090	6 185	2%
Amortisation of intangible assets	(254)	(336)	32%
Foreign exchange (losses)/gains	103	(3)	
Fair value losses on foreign exchange derivatives	(79)	(28)	
Business acquisition costs	(15)	(22)	
Recouplements from disposal of properties	8	113	
Realised gain on sale of available for sale investment	10	1	
Change in economic assumptions on insurance funds	-	(7)	
Remeasurement of contingent considerations	66	2	
Charge for amending conversion profile of deferred ordinary shares	-	(70)	
Net cost of meeting obligations under onerous contracts	-	(64)	
Exceptional items	(178)	36	

- > Amortisation of intangibles increased due to recent acquisitions and currency effects
- > Amendment of conversion profile of Ukhamba deferred ordinary shares resulted in R70m share based equity charge
- > Onerous contract at Krefeld, Germany
- > Profit on sale of Tourism business and goodwill write-offs



# INCOME STATEMENT



Rm	2013 Rm	2014 Rm	% change
Net financing costs	(744)	(926)	24%
Income from associates	86	76	
Tax	(1 405)	(1 330)	
Net profit for the year	3 688	3 627	(2%)
Attributable to Imperial shareholders	3 296	3 272	
Attributable to minorities	392	355	(9%)

> Net finance costs increased as a result of higher debt:

- increased capital expenditure
- higher level of working capital
- acquisitions

> Healthy interest cover at 6.7 times

> Effective tax rate is 27.2%

> Minorities declined due to the reduced contribution from the Vehicle Import, Distribution and Dealerships division

## HIGHLIGHTS



<b>REVENUE</b>	<b>OPERATING PROFIT</b>	<b>DILUTED CORE EPS<sup>1</sup></b>
+12% <b>R103 567 million</b>	+2% <b>R6 185 million</b>	unchanged <b>1 790 cps</b>
<b>DILUTED HEPS</b>	<b>FULL YEAR DIVIDEND PER SHARE<sup>2</sup></b>	<b>ROE</b>
-7% <b>1 606</b>	<b>820 cps</b>	<b>19%</b>

- > ROIC 13.0% vs WACC of 9.1% (target of 4% above WACC through the cycle)
- > Net debt:equity ratio of 63% (excl. prefs)

1. Diluted core EPS excludes once-off and non-operational items, mainly: charge for amending conversion profile of deferred ordinary shares issued to Ukhamba: R70m; amortisation of intangibles on acquisitions up 32%; future obligations under an onerous contract: R64m

2. Dividend current dividend yield of 4.1% based on a share price of R200

## BALANCE SHEET



Rm	2013 Rm	2014 Rm	% change
Property, plant and equipment	9 257	10 469	13%
Transport fleet	4 626	5 322	15%
Vehicles for hire	2 465	2 303	
Goodwill and intangible assets	5 206	6 766	30%
Investments and loans	4 535	3 886	(14%)
Other assets	1 854	1 516	
Net working capital	6 158	8 675	41%
Cash resources	1 844	3 103	
Assets	35 945	42 040	

- > PPE increased mainly due to:
  - increased investment in properties in Logistics International and Vehicle businesses
  - effects of translation due to weaker currency
- > Transport fleet increased due to investment in fleet in the Logistics businesses
- > Goodwill and intangible assets rose due to the acquisitions of Eco Health and Renault SA and translation effects of a weaker Rand
- > Investments and loans reduced due to a reduction of Regent exposure to equities and longer dated deposits
- > Net working capital increased mainly due to:
  - acquisitions
  - higher inventory, accounts receivables and lower accounts payable in the Vehicle businesses

## BALANCE SHEET



Rm	2013 Rm	2014 Rm	% change
Total shareholders' interest	17 536	18 109	3%
Interest bearing borrowings	10 568	14 544	38%
Other liabilities	7 841	9 387	20%
Equity and liabilities	35 945	42 040	

> Shareholder interest impacted by:

- gains on foreign currency translation of R521m
- dividends paid of R1.9bn
- share buybacks of R502m
- reduction in hedge accounting reserve of R420m
- put option liability of R1bn relating to Eco Health minority shareholders

> Interest bearing borrowings increased due to:

- acquisitions
- higher capital expenditure
- an increase in level of working capital
- translation of foreign debt due to a weaker currency

> Other liabilities increased due to additional business written on insurance, maintenance and warranty contracts - up 9%

## CASH FLOW – OPERATING ACTIVITIES



Rm	2013 Rm	2014 Rm	% change
Cash generated by operations	8 795	8 568	
Net working capital movements	(1 604)	(2 879)	79%
Cash generated by operations	7 191	5 689	
Net finance costs and tax paid	(2 138)	(2 193)	
Cash flow from operating activities before rental assets capex	5 053	3 496	
Capex: rental assets	916	527	
Expansion capex rental assets	(332)	(137)	
Net replacement capex rental assets	(584)	(390)	
Cash flow from operating activities	4 137	2 969	

- > Net working capital increased due to higher inventory, accounts receivable and lower accounts payable in the Vehicle business
- > Average net working capital turn down to 14 times from 17 times in the prior year

## CASH FLOW – INVESTING ACTIVITIES



Rm	2013 Rm	2014 Rm	% change
Net acquisition of subsidiaries and businesses	(539)	(297)	
Capital expenditure	(2 161)	(2 788)	29%
Expansion	(1 350)	(1 626)	
Replacement	(811)	(1 162)	
Net movement in associates and JVs	(321)	(144)	
Net movement in investments, loans and non-current financial instruments	(771)	1 113	
Total investing activities	(3 792)	(2 116)	(44%)

- > Net acquisition of subsidiaries relates to the acquisition of Renault and Eco Health, net of cash
- > Capital expenditure 29% higher - fund growth mainly in Logistics - also impacted by the weaker currency
- > Movement in investments, loans & non-current financial instruments due to reduction in equity and long dated deposits in favour of cash

## CASH FLOW – SUMMARY

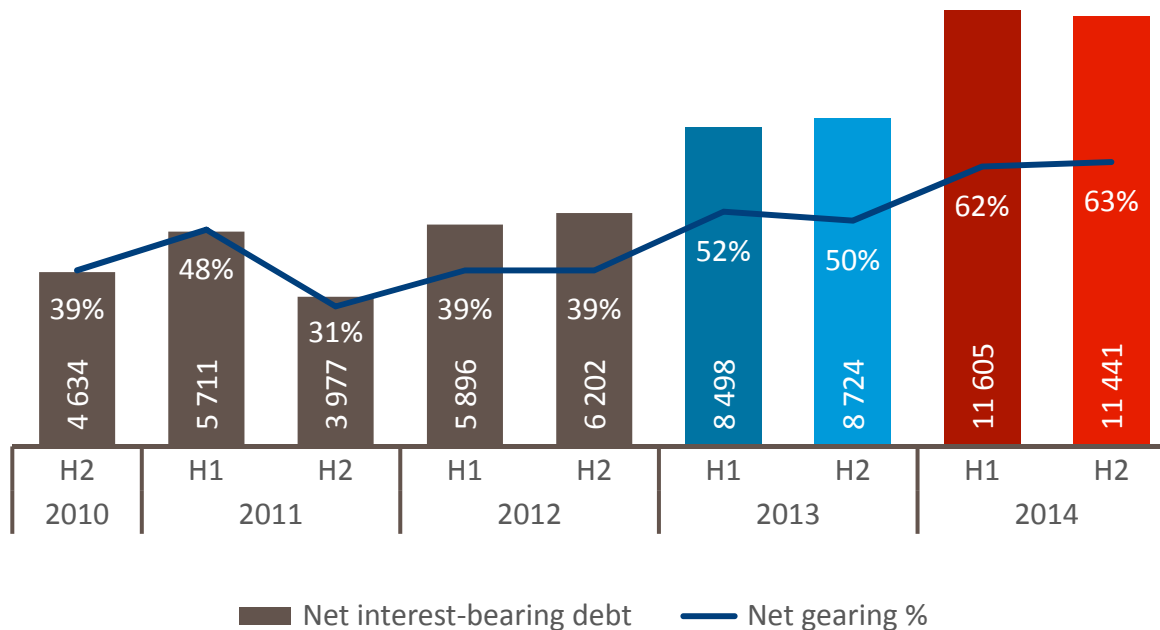


Rm	2013 Rm	2014 Rm
Cash flow from operating activities (pre capex)	4 137	2 969
Net acquisition of subsidiaries and businesses	(539)	(297)
Capital expenditure (excl Car Rental)	(2 161)	(2 788)
Net movement in associates and JVs	(321)	(144)
Net movement in equities, loans and other	(771)	1 113
Hedge costs premium paid	(117)	(108)
Dividends paid	(1 755)	(1 940)
Ordinary shares repurchased and cancelled	(742)	(502)
Net increase in other interest-bearing borrowings	672	1 805
Proceeds on issue of corporate bonds	750	3 000
Repayment of bond	(2 690)	(1 500)
Change in non-controlling interests	19	(275)
Net decrease in borrowings	(3 518)	(1 333)
Foreign exchange effects on cash in a foreign currency	209	45
Free cash flow - total operations	3 658	1 944
Free cash conversion ratio of core earnings	102%	55%

# GEARING



## Gearing (%)



**TARGET GEARING  
OF 60-80%**

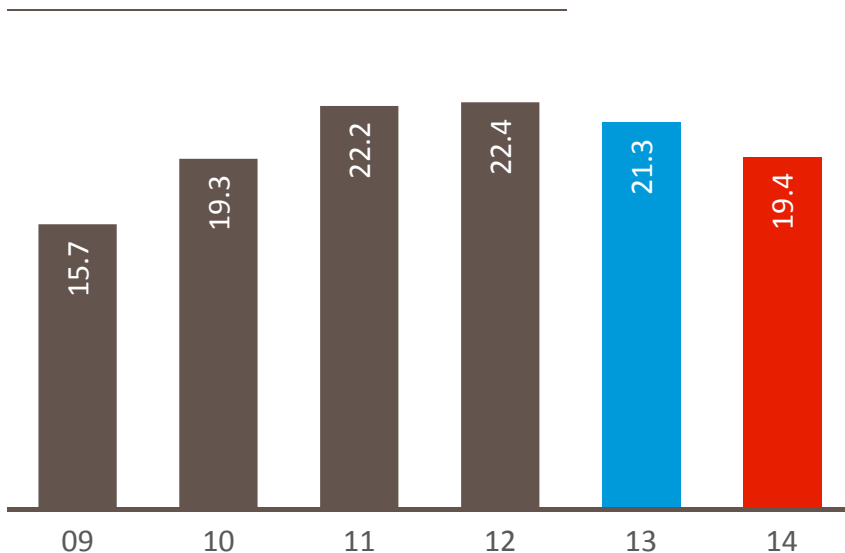
- > New bonds (IPL 8, 9 and 10) issued in South Africa - R3bn
- > Registered a Domestic Treasury Management Company - major addition to our treasury capabilities
- > Higher net debt to fund:
  - acquisitions
  - higher working capital
  - expansion capex
  - weak currency
- > Capacity for further acquisitions and organic growth
- > Group has R6.7bn unutilised funding facilities
- > Improved mix of fixed and floating debt
- > Improved maturity profile of debt



# RETURNS



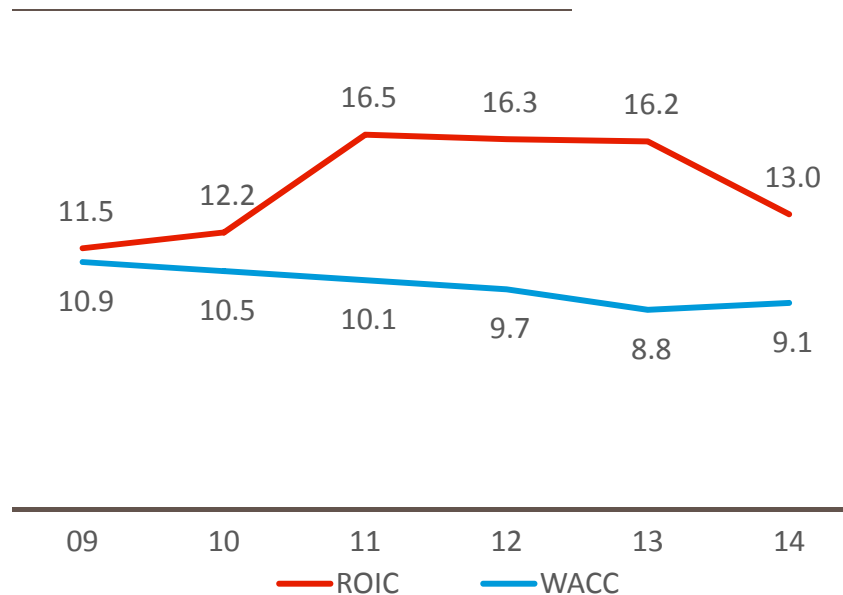
ROE  
(Rbn)



## ROE is healthy

- > impacted by:
  - lower returns from Vehicle import business
  - significant expansion and acquisitions during the year
- > strong balance sheet management and focus on returns

ROIC vs WACC  
(%)



*Objective: average ROIC > than WACC + 4% through the cycles*

- > ROIC affected by:
  - lower returns in Vehicle import business
  - recent expansion and acquisitions

## Eco Health

- > purchase price USD100 million – 68% shareholding
- > pharmaceutical distributor in Nigeria
- > extensive distribution network; ability to add new products
- > adds sales and marketing capabilities to our offering
- > complements existing acquisitions (MDS and Imperial Health Sciences)

## Renault

- > acquired a further 11% shareholding for R65 million
- > in line with strategy of adding more imported brands to our existing distribution network
- > creating downstream opportunities for the rest of our motor value chain

## Acquisition criteria

- > Favour logistics
- > Asset light preferred
- > Earnings enhancing
- > Target ROIC - WACC plus 4%  
- adjusted for risk where necessary (medium to long term)

## Pharmed – after 30 June 2014

- > purchase price – R148 million for 62.5% shareholding
- > pharmaceutical wholesaler based in Durban and Johannesburg
- > purchases product from pharmaceutical companies
- > warehouses, distributes and sells to hospitals, private pharmacies and dispensing doctors
- > in line with strategy to integrate pharmaceutical wholesaling and distribution into our logistics business offering

## Acquisition criteria

- > Favour logistics
- > Asset light preferred
- > Earnings enhancing
- > Target ROIC - WACC plus 4%  
- adjusted for risk where necessary (medium to long term)



- > Today's VUCCA (volatile, uncertain, complex, chaotic, ambiguous) environment & the size & complexity of Imperial demands strategic clarity at two levels:
  - Corporate strategy as a Group
    - more expansive & precise as to the value added & the parenting advantage created by Imperial Holdings
    - clarify precisely how Holdings should influence & relate to the businesses it is associated with & whether its capabilities are aligned to Divisional requirements
  - Business strategy at the Divisional & Company level
    - determine precisely the bases for competitive advantage, clarifying how each client facing business competes & wins in its chosen market
- > Sharpen executive attention & increase returns on capital & effort by: disposing of underperforming, sub-scale or strategically misaligned assets
- > Improve productivity & reduce costs by eliminating complexity in organisation structures, reporting lines, legal structures, minorities, boards, accounting & reporting

## LOGISTICS

Expansion, organic growth & acquisitions

## VEHICLES

Enrich value chain & cash generation

## FINANCIAL SERVICES

Growth & cash generation

CASH FLOW FROM MOTOR VALUE CHAIN TO FUND GROWTH IN LOGISTICS

# AGENDA

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“...confident that our strategic positioning & operating practices will result in a continued growth of revenue, earnings & value in the medium term.”

“...we expect earnings in the first half of the 2015 financial year to decline on the prior period as the currency impact on the Vehicle Import, Distribution & Dealership division flows through. In the absence of any further softening of the Rand this should right itself in the second half to produce earnings for the full year in line with 2014”





THANK YOU