

# Steinhoff International Holdings Ltd



***Key Strengths and Strategies deliver Sustainable Growth***

**Audited results for the  
year ended 30 June 2003**

**September 2003**



# Agenda

- **Welcoming Address**
- **Trading Environment**
- **Financial Review**
- **Operational Review**
- **Prospects and Outlook**



# Trading Environment

- **Euro and Rand strength**
  - **Cost base**
  - **Earnings**
- **Fragmented European market**
- **German economy remains slow**
- **Trends in consumer spend in EU and SA**
- **Sales mix**
  - **Total lifestyle offering growing**
  - **Middle to upper end stable**
  - **mass consumer – mail order, fast growing**



# Financial Review



# Highlights

- Revenue up 21% to R9.95 bn (2002: R 8.21bn)
- Headline earnings up 25% to R985 m (2002: R785 m)
- HEPS up 15% to 105 cps (2002: 91 cps)
- Cash generated from operations after investing activities R 86 m (2002: shortfall of R425 m)
- Working capital management with cash and cash equivalents reaching R1.5bn (2002: R405 m)
- Foreign currency revenues reached 83% (2002: 81%)
- Return on equity stable at 21% (2002: 22%)
- Gearing ratio 15% (2002: 24%)
- Operating margin increased to 12.1% (2002: 11.4%)
- Dividend per share 18 cps (2002: 15 cps)



# Income Statement features

- **Average conversion rate was ZAR 9.415 /1 Euro  
(2002: ZAR 9.00 /1 Euro)**
- **Ebitda increased by 25% to R1.3bn (2002:R1.04bn)**
- **Ebitda margin at 13.1% (2002: 12.7%)**
- **Operating expenses contained**
  - **88.9% of sales (2002: 89.3% of sales)**
- **Share of associated companies' income increased to R91m (2002: R56m)**



# Income Statement features

- **Net finance charges increased to R121 m (2002: R79 m)**
- **Costs of discontinued operations R37m (2002: R83 m)**
- **Effective tax rate at 11% (2002: 8%)**
- **AC 133 and 137 impact**



# Turnover analysis (Euro)

## Europe

	Audited Year ended 30 June 2003 €'000	% change	Audited Year ended 30 June 2002 €'000
European Community	467,096	17	398,782
- Germany, Austria and Switzerland	296,668	19	248,783
- Benelux and France	68,853	9	63,014
- United Kingdom	101,575	17	86,985
Eastern Europe	252,910	25	202,284
- Poland	204,212	38	147,851
- Hungary	48,698	(11)	54,433
Australia and New Zealand <sup>*</sup>	53,269	62	32,909
<b>Total for Europe</b>	<b>773,275</b>	<b>22</b>	<b>633,975</b>
Operating margin	13%		12%

\* = Included in Africa for management purposes





# Turnover analysis (Rand)

## Europe

	Audited Year ended 30 June 2003 R '000	% change	Audited Year ended 30 June 2002 R '000
European Community	4,397,709	23	3,589,038
- Germany, Austria and Switzerland	2,793,129	25	2,239,047
- Benelux and France	648,251	14	567,126
- United Kingdom	956,329	22	782,865
Eastern Europe	2,381,148	31	1,820,556
- Poland	1,922,656	44	1,330,659
- Hungary	458,492	(6)	489,897
Australia and New Zealand <sup>*</sup>	501,528	69	296,181
<b>Total for Europe</b>	<b>7,280,385</b>	<b>28</b>	<b>5,705,775</b>
<b>Operating margin</b>	<b>13%</b>		<b>12%</b>

\* = Included in Africa for management purposes



# Turnover analysis (Rand)

## Africa

	Audited Year ended 30 June 2003	% change	Audited Year ended 30 June 2002
	R '000		R '000
Africa	2,668,211	7	2,502,161
- Local market	1,706,686	9	1,566,396
- Exports	961,525	3	935,765
Operating margin	9%		9%



# Balance Sheet features

- **Conversion rate at 30 Jun 2003 was ZAR 8.61 / 1 Euro  
(2002: ZAR 10.25 /1 Euro)**
- **Accounts payable – improved sourcing**
- **Foreign currency reserve**
- **Long-term liabilities – syndicated loan**



# Cash Flow features

- **Cash inflow from operations : proof of business' cash generative capacity**
- **Dividends**
- **Investing activities – Mail order expansion,  
distribution centre and sawmilling**
- **Investment in working capital increased in favour of  
higher margins**



# Operational Review



# Operational Review:

# Europe



# Overview – German Region

- **German region consists of :** **Germany**
  - Austria**
  - Switzerland**
  - Scandinavia**
  - Benelux**
- **Market share growth**
- **Fragmented market with consolidation prevalent**
- **Strategic relationships further entrenched**
- **Factory closures – cost efficiency drive**
- **Supply chain integration**



# Overview – Benelux & France

- **Tough trading conditions**
- **New distribution centre in Holland to accommodate anticipated increased activity levels**
- **Potential in France – major retailer**





# Overview - Poland

- **Admission to the EU:**
  - **Impact on tax**
  - **Low cost base**
  - **Transitional phase based on East/West Germany experience**
  - **Additional domestic markets**
- **New and expanded operations opened**



# Overview – Hungary & Ukraine

- **Admission of Hungary to the EU :**
  - **Impact on tax**
  - **Low cost base**
  - **Transitional phase**
  - **Additional domestic markets**
- **Strength of Forint**
- **Growing manufacturing base in Ukraine**



# Overview - UK

- **Consumer spending remains subdued**
- **Challenging trading conditions and import competition**
- **Competitive position maintained**
- **Brand loyalty**
- **Diversification**
- **Rationalisation opportunities**



# **Operational Review:**

**Africa, Australia, New  
Zealand & India**



# Overview - Africa

## Local market

- **Consolidation of the retail sector**
- **Additional markets**
- **Key developments in local manufacturing**
- **Raw materials : self-sufficiency**
- **Timber and sawmilling: securing long-term supply of FSC timber**



# Overview - Africa

## Exports

- **Rand exchange rate**
- **Alternative strategies to maintain margins**
- **FSC entry barrier**
- **Expanded capacity for door exports**
- **Opportunities to secure raw material supply**
- **Raw material – inter group potential**



# Overview - Africa

## Logistics

- **Strategic investment in Unitrans**
- **Service levels and reliability as a supplier**

## PG Bison

- **Positive contribution expected to grow**
- **Export potential**
- **Synergies with sawmilling division**



# Overview

## Australia & New Zealand

- **Freedom Group (FGL) relationship with Steinhoff Pacific**
- **Turnover up**
- **Improved efficiencies**
- **FGL under cautionary**





# Overview - India

- **Cut & sewn outsourcing potential for Australia and Europe**
- **Additional low cost sourcing opportunity**



# Prospects & Outlook



# Prospects : Europe

- **Further growth in market share**
- **Reliability as supplier of choice**
- **Higher-margin branded products**
- **Lifestyle offerings**
- **Entry into new markets (e.g. France)**
- **Opportunity to participate in FGL**



# Prospects : Europe (cont.)

- **Mail order potential**
- **Admissions to the EU – hard currency market**
- **Grow exports to the UK, France, Benelux and Scandinavia**
- **General broadening of manufacturing base**
- **Centralised sourcing of raw materials**
- **Enhanced efficiency of logistics chain**



**Prospects:  
Africa, Australia, New Zealand  
& India**



# Africa

- **Increase exports despite strong ZAR**
- **Strategic investments in timber**
- **Positive trends for retail industry**
- **Grow presence in Africa**



# Australia and New Zealand

- **Increase market share and sales growth with FGL**
  - **Bedding**
  - **Motion furniture**
  - **Leather**



# India

- **Expand inter-group outsourcing potential of covers and components**





# Outlook

- **We have delivered sustainable growth**
- **Our leadership in chosen markets ensures profitable market share**
- **Our geographically-diversified model hedges currency impact**
- **Our improved sourcing, cost management and supply chain integration drives down input costs**
- **We have a strong balance sheet**
- **We have excellent growth prospects**

