



 **Steinhoff**  
International Holdings Ltd

# STEINHOFF INTERNATIONAL

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INTERIM FINANCIAL RESULTS PRESENTATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (H109)

2 MARCH 2009



# AGENDA

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- **Introduction**
- **Operational highlights**
- **Financial performance**
- **Operational performance by segment**
  - United Kingdom (UK) and Continental Europe
  - Africa and Pacific Rim
- **Prospects**

# INTRODUCTION

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LEN KONAR



# OPERATIONAL HIGHLIGHTS

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MARKUS JOOSTE



# OPERATIONAL HIGHLIGHTS

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- **United Kingdom**
  - **Deflation for first time in 50 years**
  - **Pound Sterling decline**
  - **Significant retail industry failures**
- **Continental Europe**
  - **Conservative consumer debt culture**
  - **Value/Discount market positioning**
  - **Leader in discount market**

# OPERATIONAL HIGHLIGHTS

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- **Poland**

- **Zloty weakness**
- **Labour market**
- **Government incentives**

- **Asia**

- **Dollar strength**
- **Raw material prices**
- **US demand**

# OPERATIONAL HIGHLIGHTS

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- **Africa**

- **Debt approval rates**
- **Infrastructural and building market**
- **Rand weakness**
- **Logistics strong**

- **Pacific Rim**

- **Consumer confidence 'managed' by Government**
- **Market positioning under scrutiny**
- **New Zealand**



# FINANCIAL PERFORMANCE





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MARKUS JOOSTE





# FINANCIAL PERFORMANCE

## H109: Highlights

Net cash flow from operating activities – Increase to R1.4bn	<b>208%</b>  H108: R0.4bn
Earnings per share – Increase to 120.9cps	<b>9%</b>  H108: 110.6cps
Headline earnings per share – Decrease to 117.9cps	<b>2%</b>  H108: 120.4cps
Gearing maintained at 39% (versus June 08)	 FY08: 39%

# FINANCIAL PERFORMANCE

## H109: Highlights (continued)

Revenue – Increase to R26bn	26%  H108: R21bn
EBITDA – Increase to R3bn	39%  H108: 2.2bn
Intra-group supply – Increase to R5.6bn	119%  H108: R2.6bn
Decrease in working capital requirements to R758m	47%  H108: R1.4bn

# Operating and financial performance

	2008	% change	2007
Revenue (R'm)	25,940	26%	20,570
EBITDA (R'm)	3,052	39%	2,198
Operating profit (R'm)	2,469	25%	1,975
Net finance charges (R'm)	609	157%	237
Minority interest (R'm)	137		11
Headline earnings (R'm)	1,499	(1%)	1,522
EPS (cents)	120.9	9%	110.6
HEPS (cents)	117.9	(2%)	120.4
NAV per share (cents)	1,630	20%	1,363

# Headline earnings reconciliation

	<i>Rand million</i>	
	<b>2008</b>	<b>2007</b>
<b>Attributable earnings</b>	<b>1,598</b>	<b>1,455</b>
<b><i>Capital items (net of tax)</i></b>	<b>(38)</b>	<b>125</b>
<b>Impairment: Associate</b>	-	138
<b>Taxation effects on capital items</b>	<b>2</b>	<b>(7)</b>
<b>Other impairments</b>	-	2
<b>Goodwill adjustments</b>	-	(6)
<b>Loss/(profit) on disposal of PPE</b>	<b>(40)</b>	<b>(2)</b>
<b><i>Preference share dividends</i></b>	<b>(61)</b>	<b>(58)</b>
<b>Headline earnings</b>	<b>1,499</b>	<b>1,522</b>

# Operating and financial performance

ZAR denominated revenue: 39% (2007: 50%)

	Average translation rate:			Closing translation rate:		
	H109	% change	H108	H109	% change	FY08
EUR: ZAR	12.42	27%	9.8	13.31	7%	12.49
EUR: PLN	3.76	2%	3.67	4.17	24%	3.36
EUR: GBP	0.88	25%	0.71	0.97	23%	0.79
EUR: AUD	1.84	13%	1.63	2.04	24%	1.64
EUR: USD	1.41	0%	1.41	1.41	(11%)	1.58
EUR: HUF	250.91	1%	249.63	264.78	12%	237.03
EUR: NZD	2.26	24%	1.82	2.44	18%	2.08

# Segmental result

## Revenue

	<i>Rand million</i>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
<b>Retail activities</b>	<b>15,702</b>	10,741	
Household goods & building supplies	10,152	4,325	135%
Automotive	5,550	6,416	(13%)
<b>Manufacturing and sourcing of household goods and related raw materials</b>	<b>12,256</b>	9,382	31%
<b>Logistics services</b>	<b>3,043</b>	2,348	30%
<b>Corporate services</b>	<b>542</b>	654	
Brand management	192	146	31%
Investment participations	92	121	(24%)
Central treasury and other income	258	387	(33%)
<b>Total before intersegment eliminations</b>	<b>31,543</b>	23,125	36%
<b>Intersegment eliminations</b>	<b>(5,603)</b>	(2,555)	119%
<b>Total</b>	<b>25,940</b>	20,570	26%

# Segmental result

Operating profit before capital items

	<i>Rand million</i>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
<b>Retail activities</b>	<b>647</b>	<b>540</b>	
Household goods & building supplies	<b>522</b>	<b>293</b>	<b>78%</b>
Automotive	<b>125</b>	<b>247</b>	<b>(50%)</b>
<b>Manufacturing and sourcing of household goods and related raw materials</b>	<b>1,221</b>	<b>1,027</b>	<b>19%</b>
<b>Logistics services</b>	<b>289</b>	<b>182</b>	<b>59%</b>
<b>Corporate services</b>	<b>589</b>	<b>395</b>	
Brand management	<b>192</b>	<b>146</b>	<b>31%</b>
Investment participations	<b>92</b>	<b>121</b>	<b>(24%)</b>
Central treasury and other income	<b>305</b>	<b>128</b>	<b>139%</b>
<b>Total before intersegment eliminations</b>	<b>2,746</b>	<b>2,144</b>	<b>28%</b>
<b>Intersegment eliminations</b>	<b>(277)</b>	<b>(169)</b>	
<b>Total</b>	<b>2,469</b>	<b>1,975</b>	<b>25%</b>



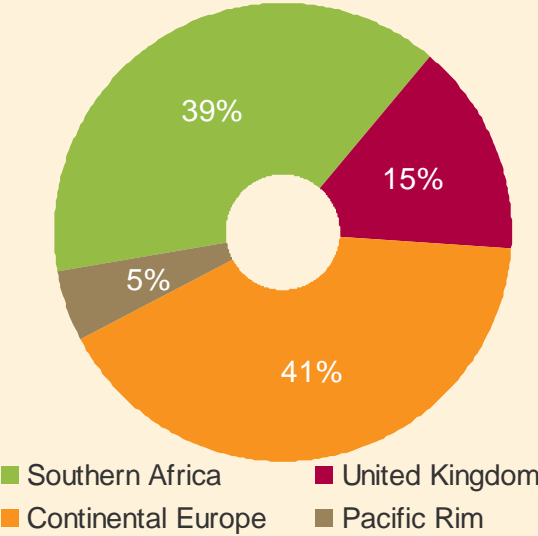
# Segmental margins

Operating profit before capital items

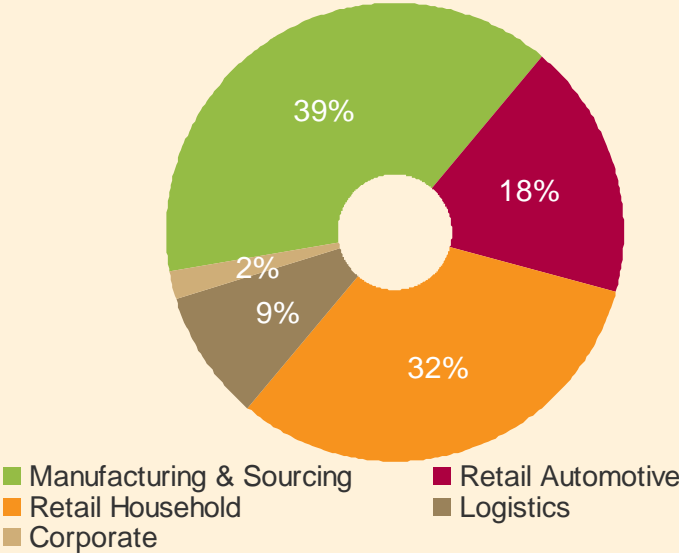
	2008	2007
<b>Retail activities</b>	4.1%	5.0%
<b>Household goods &amp; building supplies</b>	5.1%	6.8%
<b>Automotive</b>	2.3%	3.9%
<b>Manufacturing and sourcing of household goods and related raw materials</b>	10.0%	10.9%
<b>Logistics services</b>	9.5%	7.8%
<b>Total (before corporate services and intersegment eliminations)</b>	7.0%	7.9%
<b>Corporate services &amp; intersegment eliminations</b>	2.5%	1.8%
<b>Total</b>	9.5%	9.6%

# Revenue analysis

*Regional revenue*



*Segmental revenue*



# Cash flow

*Rand million*

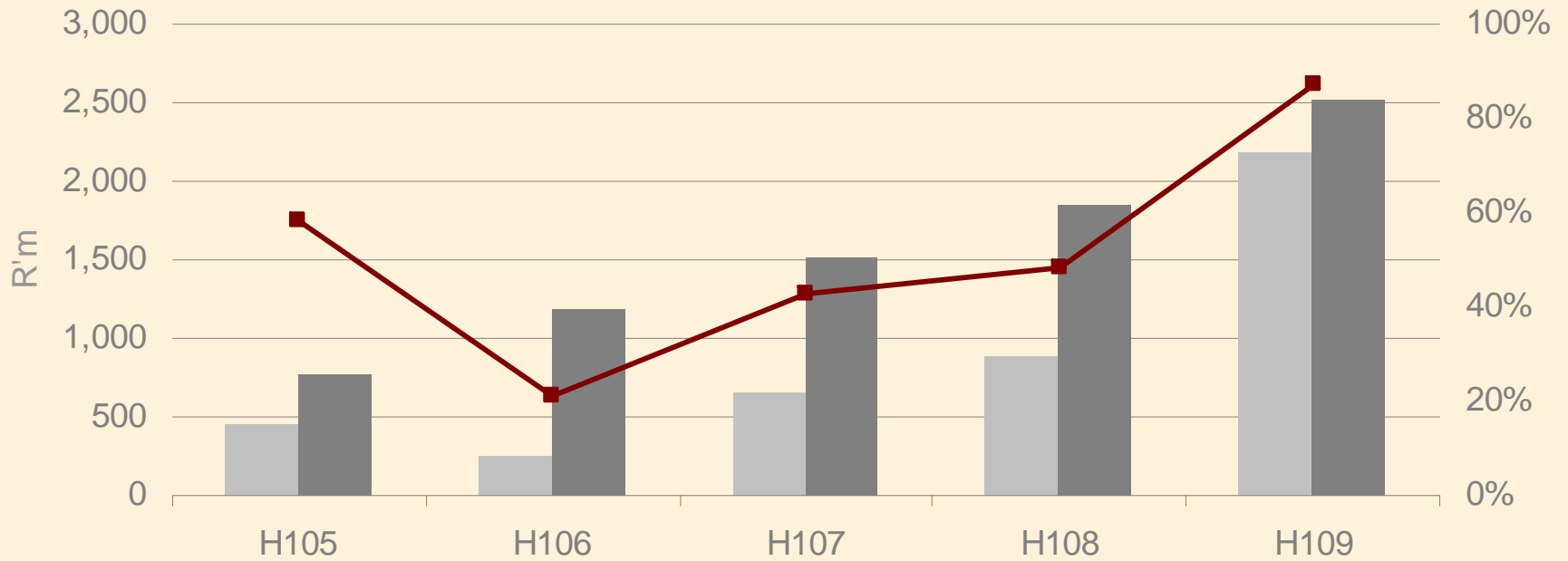
	2008	2007	% change
Operating profit before capital items	2,469	1,974	25%
Depreciation	543	357	52%
Revaluation of biological assets	(124)	(86)	44%
Amortisation and other non-cash adjustments	54	75	(28%)
Working capital changes	(758)	(1,432)	(47%)
Dividends, taxation and interest	(807)	(441)	83%
Cash flows from operating activities	1,378	448	208%

# Cash flow: Investing activities

	<i>Rand million</i>	
	2008	2007
Investing activities	(1,418)	(1,999)
Replacement capex:		
<i>Fixed assets</i>	(529)	(444)
Expansionary capex:		
<i>Fixed assets</i>	(199)	(1,174)
<i>Short-term loans awarded</i>	(379)	-
<i>Investment participation</i>	(311)	(381)

# Cash generation trend

% Cash generated from operations



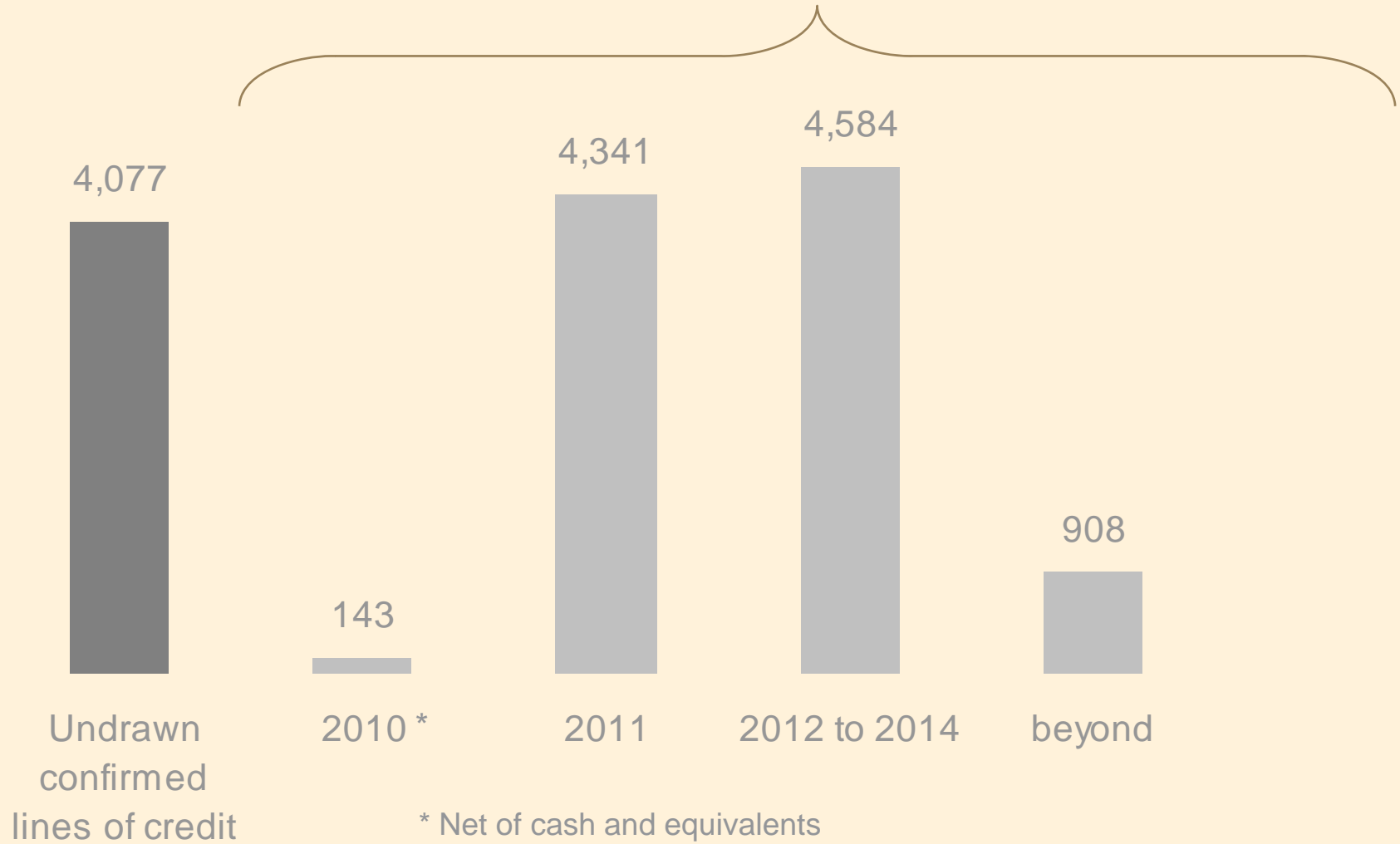
■ Cash generated from operations ■ Operating profit —■ % of operating profit generated in cash

# Capital structure

	H109	FY08
<b>Total equity (R'm)</b>	<b>25,376</b>	<b>24,784</b>
<i>Ordinary shareholders' funds (R'm)</i>	<b>20,855</b>	<b>20,773</b>
<i>Preference share capital (R'm)</i>	<b>1,042</b>	<b>1,042</b>
<i>Minority interest (R'm)</i>	<b>3,479</b>	<b>2,969</b>
<b>Net debt (R'm)</b>	<b>9,974</b>	<b>9,388</b>
<b>Gearing</b>	<b>39%</b>	<b>38%</b>
<b>Average tax rate</b>	<b>8.7%</b>	<b>10%</b>
<b>Closing rate ZAR:EUR</b>	<b>13.2037</b>	<b>12.3341</b>

# Liquidity

Net Debt R 9,974m



# OPERATIONAL REVIEW

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UNITED KINGDOM AND CONTINENTAL EUROPE

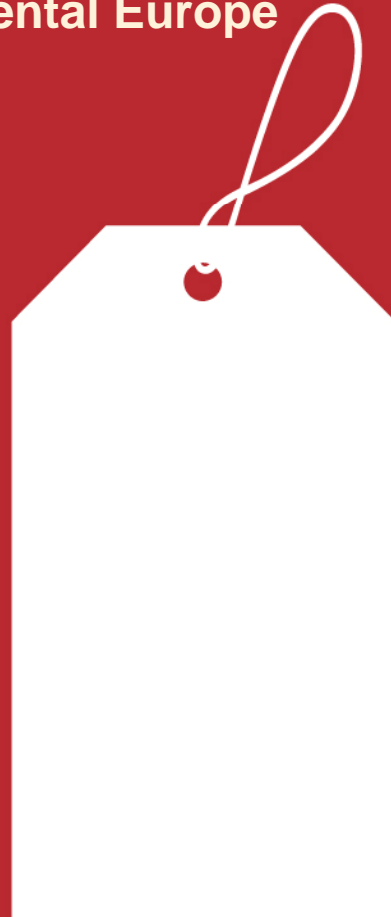
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# Retail: Household goods

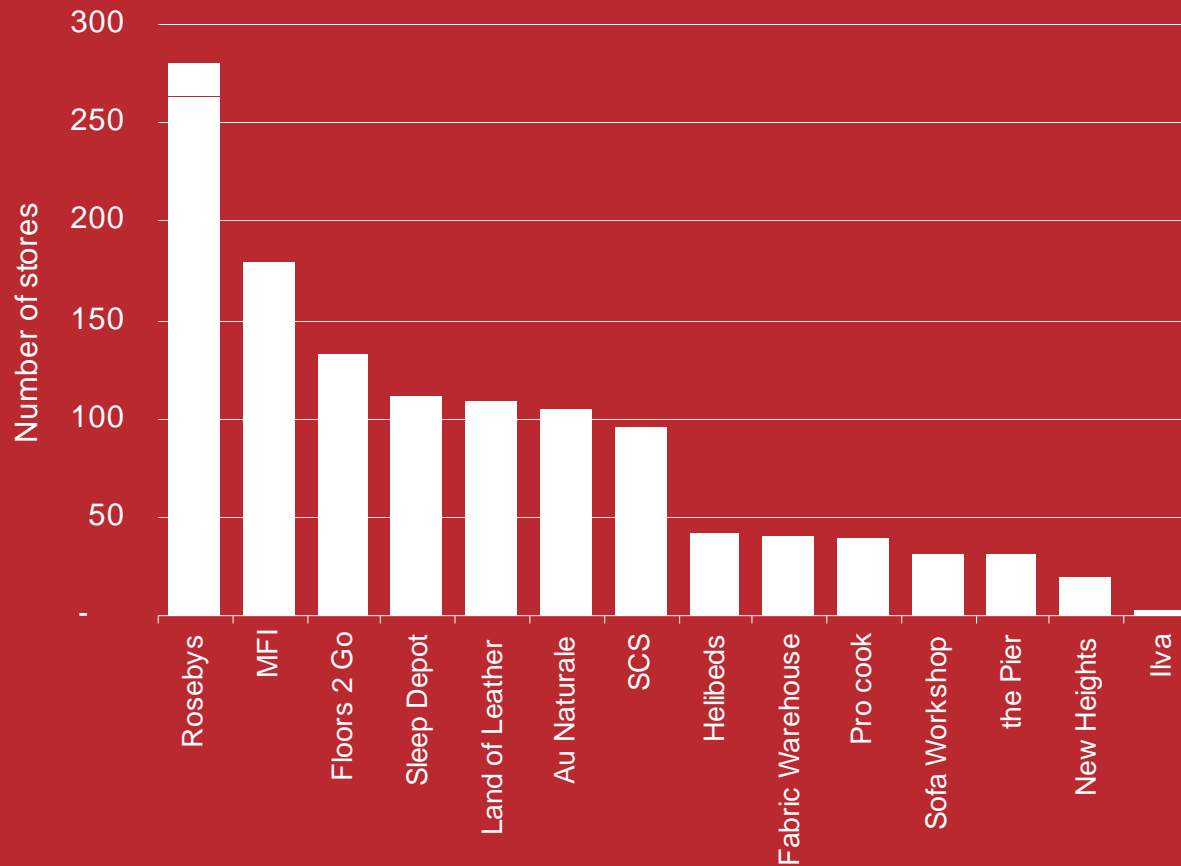
United Kingdom and Continental Europe



# Retail: Household goods

United Kingdom

- Harsh trading environment has caused many retail failures



# Retail: Household goods

## United Kingdom

- **Furniture: Harveys/Reid**

- Harveys outperformed market and gaining market share
- Much improved operationally with Xmas delivery failures negligible
- Brand awareness doubled in a year; now second only to DFS
- Reid Furniture now integrated into UK group

- **Beds: Bensons, Sleepmasters and Bed Shed**

- Performed in line with market
- Fascia performance variable but consistency returning
- Streamlining of store portfolio (-8% in store numbers)
- Concession model presents risks and opportunities



# Retail: Household goods

## Continental Europe

- **Consolidation through ERM**

- Market positioning ideal in current economic environment
- Increased margins
  - Trade with group integrated supply-chain growing
  - Overhead synergies realised
  - Möbelix stores converted

- **Successful store-in-store growth**

- Henders & Hazel Studios
- Esprit Studios
- Expansion into new markets
- Dieter Knoll



# Logistics

United Kingdom and Continental Europe



# Logistics

## United Kingdom and Continental Europe

- **Unitrans UK**

- Results affected by difficult trading environment
- Major restructuring continues
  - Workforce reduction of 20% and closure of a major site
  - Intra-group trade to grow – Cargo, Relyon

- **Global Warehouse Logistics (GWL) – Europe**

- ERM
- Global sourcing



# Manufacturing and sourcing

United Kingdom and Continental Europe



# Manufacturing and sourcing

## United Kingdom

- **Bed manufacturing**

- Major focus on increased intra-group supply
- External business declined in line with market
- Minimal exposure to failing retailers
- Margin decline reflects tough competitive conditions

- **Upholstery**

- Rapidly developing 100% inter-company supplier

- **Foam products**

- Poor automotive market but strong intra group sales



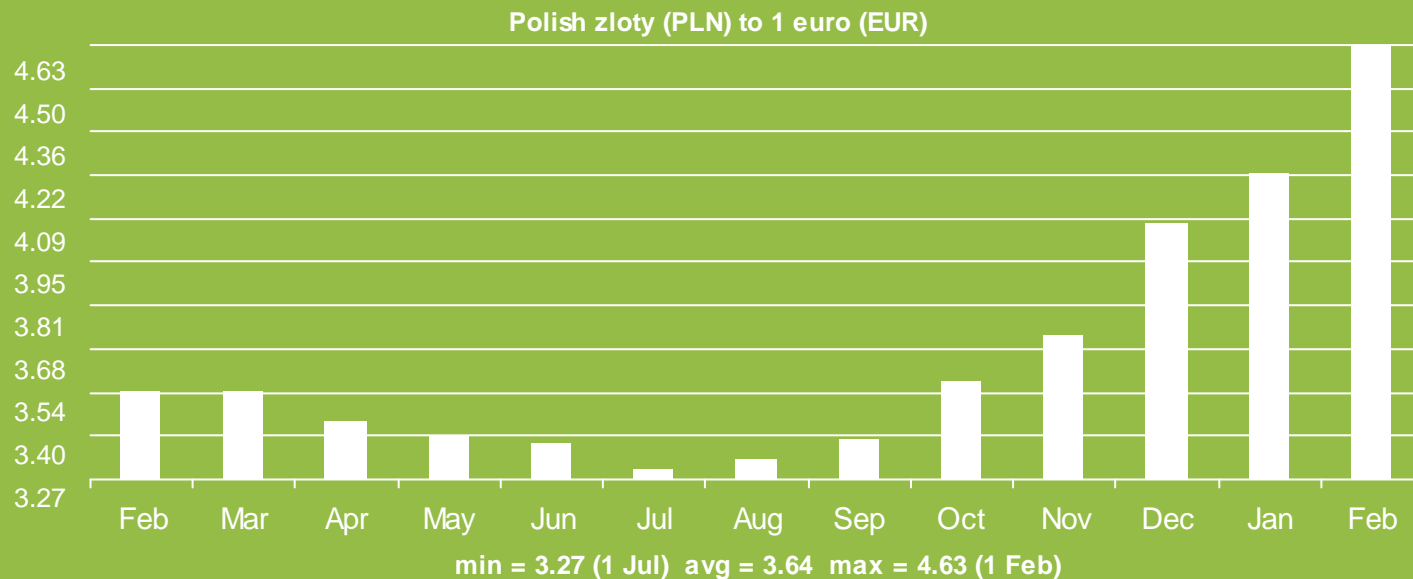


# Manufacturing and sourcing

## Continental Europe

- Polish manufacturing

- Restructuring complete
- Overheads reduced through centralised sales and admin centre
- Zloty volatility (42% change)



# Manufacturing and sourcing

Steinhoff International sourcing

- Key focus on intra-group supply
- Growth continues internally and externally
- Overhead absorption rate
- Key competitive advantage
- Key service provider to strategic alliance partners
- Operational excellence
- Quality record



# OPERATIONAL REVIEW

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AFRICA AND PACIFIC RIM

DANIE VAN DER MERWE



# Retail: Household goods and building supplies



# Retail: Household goods

## Pacific Rim

- **Australia**

- Competitive landscape
- Government incentives
- Marketing programme
- IT
- Distribution

- **New Zealand**

- Small exposure
- Difficult trading conditions



# Retail: Building supplies

Africa

- **Building supplies**

- **Timbercity and Pennypinchers**

- Expansion of national footprint
    - Like-for-Like growth
    - Profitability
    - Strategy



# Retail: Vehicles

Africa



# Retail: Vehicles

## Vehicles and financial services

- **Market decline**
- **New Cars**
- **Used Cars**
- **Parts and services**
- **Hertz**
- **Focus on cash: Working Capital management**
  - Reduced inventory on less profitable models
  - Market-share





# Logistics

Africa



# Logistics

Africa

- Freight and Logistics
- Fuel and chemicals
- Sugar
- Passenger



# Logistics

## Steinhoff International Sourcing

- Volume
- Quality control
- Performance
- Competitiveness



# Manufacturing and sourcing

Africa



# Manufacturing and Sourcing

## Raw materials

- Exposure to household goods
- Weaker currency
- Price fluctuation
- World supply



# Manufacturing and Sourcing

PG Bison

- **Integrated model – Key competitive advantage**
  - Forestry
  - Sawmills
  - Particle board plant
  - Resin plant
  - Distribution network
- **Softer demand**



# Manufacturing and Sourcing

Associate and other investments

- KAP International Holdings Limited
- Amalgamated Appliance Holdings Limited
- Bravo Group
- India



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PROSPECTS

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# PROSPECTS

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- **Regional analysis**

- United Kingdom
- Continental Europe
- Pacific Rim
- Africa

- **Liquidity**

- Treasury activities
- Interest rate management

# PROSPECTS

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- **Retail opportunities**

- Market share gains
- Selective participation investments

- **Vertically integrated supply-chain**

- Organic growth

- **Brand portfolio**

- Well positioned to increase market share

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THANK YOU

