

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015  
19<sup>TH</sup> AUGUST 2015



# AGENDA



## PART 1

- Commentary and results overview
- Vision and strategy



## PART 2

- Financial review
- Mutlu financial review



## PART 3

- Operational review
- Prospects

# COMMENTARY & RESULTS OVERVIEW



## Main trading observations

- Good performance from Turkey OE
- Good performance from Turkey Aftermarket
- Stable OE labour environment in SA
- Good performance from Romania Aftermarket
- Preparation in SA for new vehicle launch from major customer
- Exports from Turkey to Russia challenged



## Financials

- Good operating performance R 346 million
- Increase shareholding in Mutlu to 100%
- Delisted Mutlu from Istanbul stock exchange
- Tax charge up R 32 million
- Net interest expense up only R 10 million
- Earning per share 112 cents

# VISION & STRATEGY




## Vision

- “To generate value for all our stakeholders by managing and controlling businesses that through manufacturing, logistical and marketing excellence, deliver quality, cost-competitive products to our customers in a sustainable manner”



## Strategy

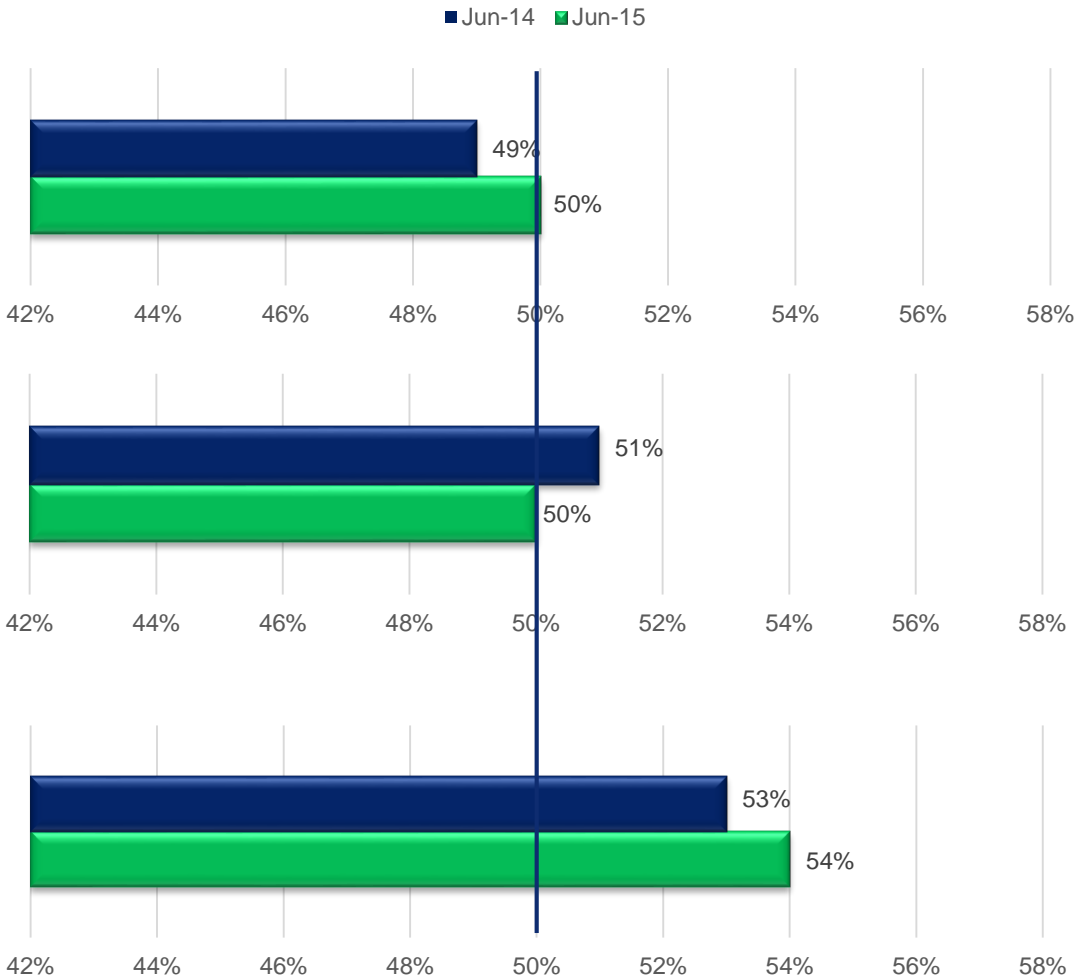
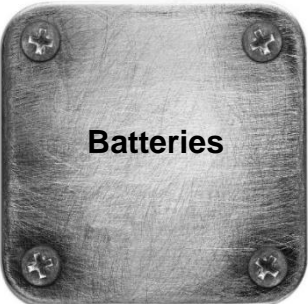
- Continue to target balance in the business
- Nurture Original Equipment (OE) business and expand Original Equipment Manufacturer (OEM) customer base
- Focus intently on cost
- Secure and grow aftermarket product range
- Grow Africa footprint
- Focus on transfer of battery technologies to facilitate AGM and EFB growth




## 3 X 5 Strategy

- 50 Million batteries
- 5 Continents
- 5 Years

# PERFORMANCE AGAINST 3 X 50 STRATEGY (INTERNATIONALISATION)



# PERFORMANCE AGAINST 3 X 5 STRATEGY (GLOBALISATION)



## Sale of spare capacity initiatives

- Established R & D Centre in Turkey
- Established Metair International Battery (MIB) structure
- Met 2<sup>nd</sup> generation specification for AGM Start/Stop batteries
- Sold 1/3 of spare capacity (Renault, Honda, Ford, Toyota, Fiat)
- BMW, Mercedes Benz, Hyundai, VW projects in progress

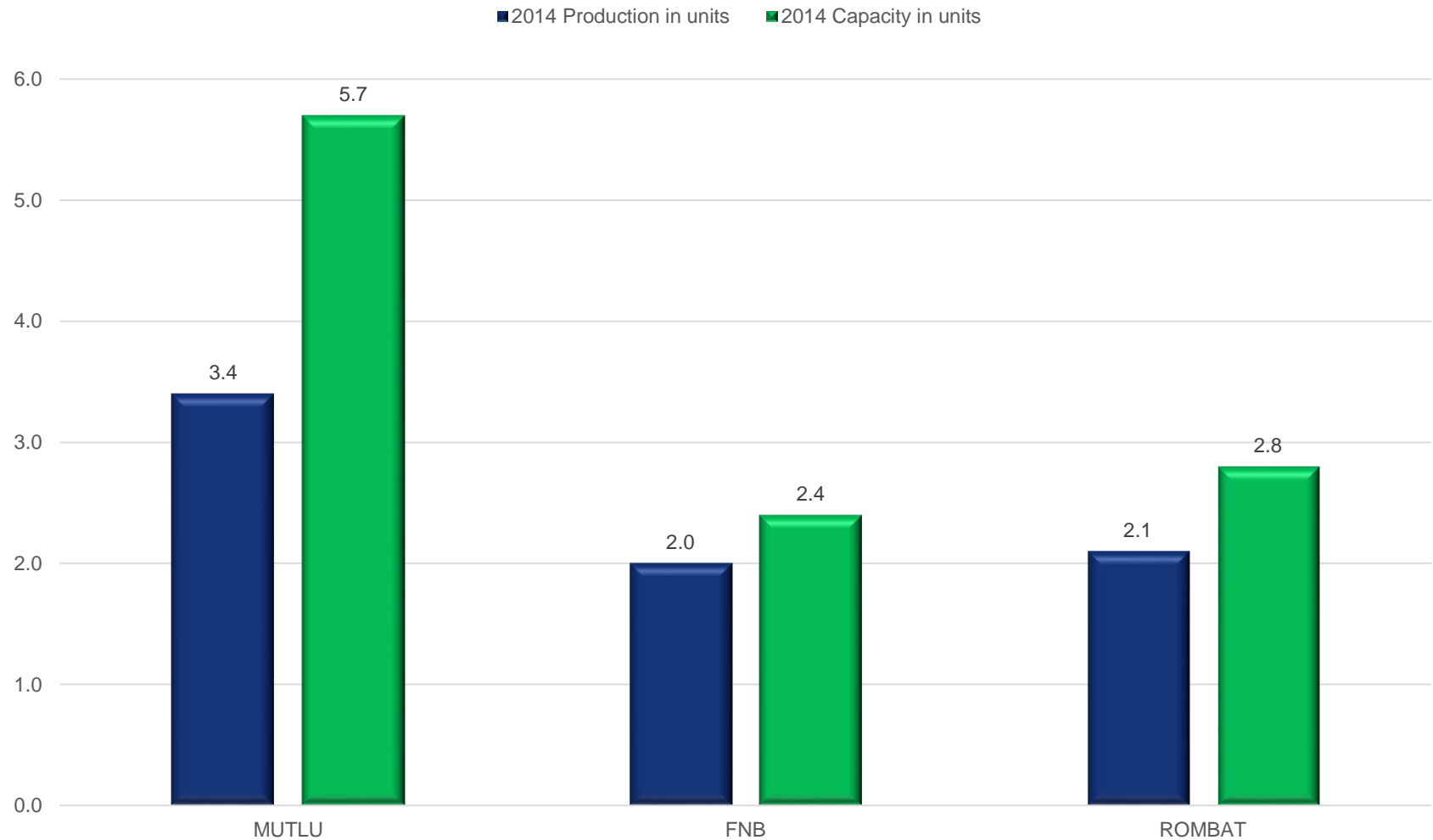


## Expansion Project Opportunities

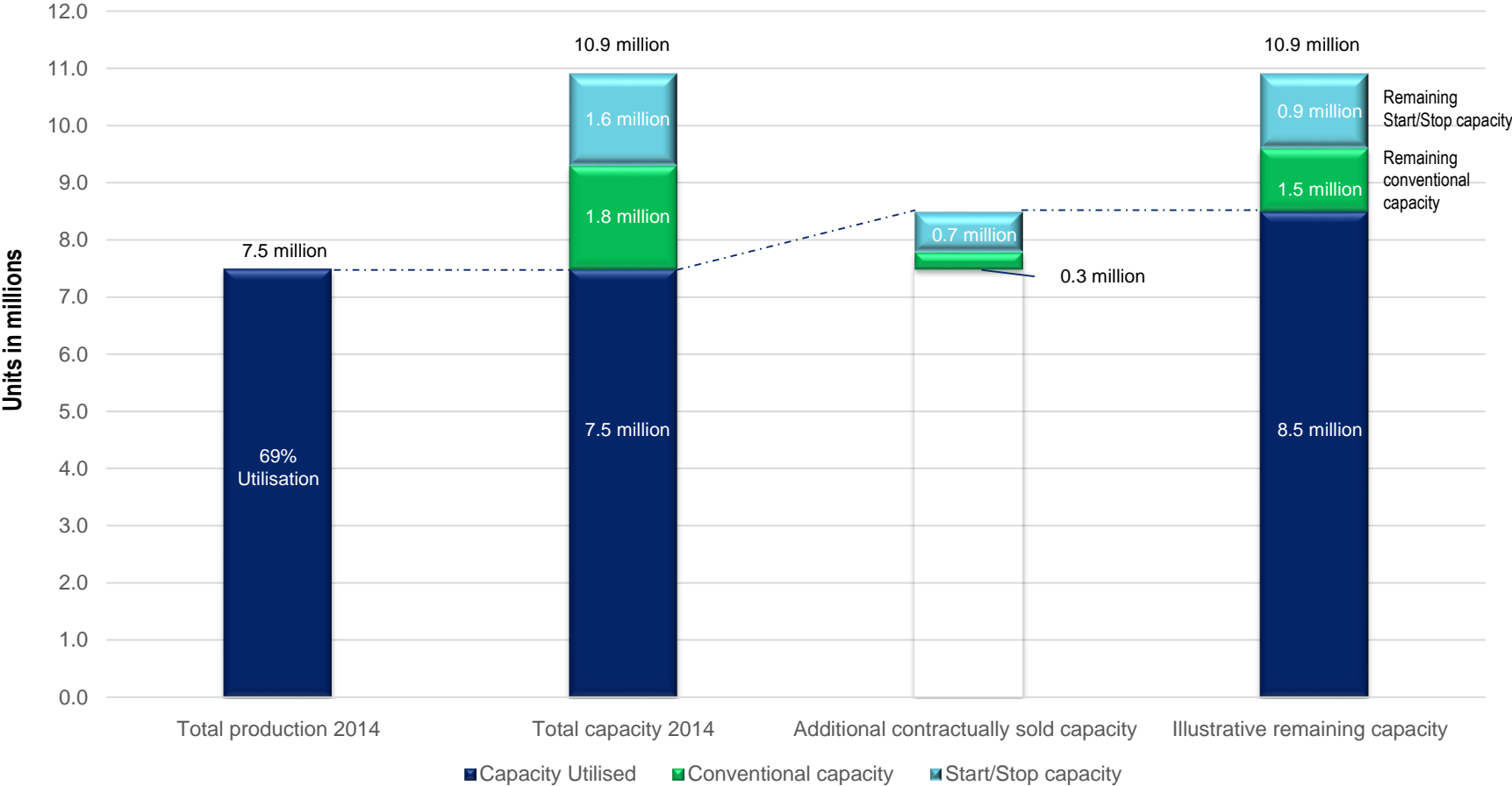
- Joint venture lead recycling - Russia
- Joint venture battery manufacturing – China
- Tyre distribution – Turkey and Middle East
- Joint venture battery distribution – Middle East and North Africa
- Joint venture total vehicle care concept – Africa
- Joint venture battery distribution - Europe
- 30% Shareholding battery manufacturing/distribution – East Africa
- 50% Shareholding leading battery manufacturer/distributor – Russia
- 100% Shareholding battery distribution – UK
- Searching for a major international battery company partner



# AUTOMOTIVE BATTERY PRODUCTION & CAPACITY UTILISATION



# AUTOMOTIVE BATTERY PRODUCTION & CAPACITY TYPE





## **Stakeholder consultation on inter alia:**

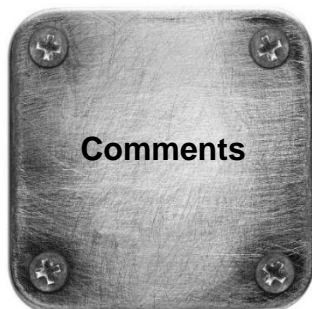
- Internationalise complete business
- Internationalise battery business
- Segmental optimisation of the business

# FINANCIAL REVIEW

# FINANCIAL HIGHLIGHTS



ITEM	June 2014 R'million	June 2015 R'million	Mvt.
Revenue	3 235	3 543	↑ 9%
EBITDA	485	502	↑ 4%
Operating profit	319	346	↑ 8%
Operating profit margin	9.9%	9.8%	↓ -0.1%
Profit after tax	251	236	↓ -6%



- Revenue grew 9%, just more than half from battery products
- Pleasing result despite
  - initial volume impact of model change in SA;
  - project costs of c. R 20 million in preparation for new model launches; and
  - loss of Russia battery exports
- But strong growth in AM segment combined with successful recovery of economics and forex enabled us to improve operating profit by 8% to R346 million at stable margins.

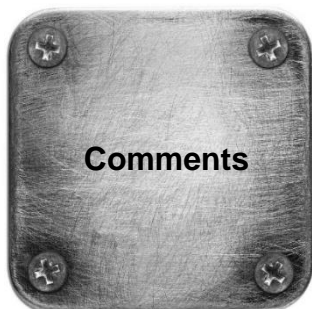


- Profit after tax reduced by R 15 million due to:
  - As alluded to last year 2014 results included a once-off tax benefit of c. R 20 million as we accounted for a previously unrecognized deferred tax asset
  - Net interest charge is c. R 10 million higher – loans utilised for Mutlu Aku minority squeeze out and capex investments

# FINANCIAL HIGHLIGHTS



ITEM	June 2014 R'million	June 2015 R'million	Mvt.
Attributable profit	235	220	↓ -6%
Earnings per share (cents)	120	112	↓ -7%
Weighted avg number of shares ('000)	195 099	197 066	↑ 1%
Headline earnings per share	120	111	↓ -8%
Net debt	(1 438)	(1 684)	↑ 17%
Dividend paid per share (gross of WHT)	70 cps	80 cps	↑ 10 cps



- Headline earnings declined by 8% to 111cps. The higher average number of shares in issue also contributed to the movement
- Net debt increased to R 1.7 billion as a result of the Mutlu minority squeeze out and capex investment

# INCOME STATEMENT



ITEMS	June 2014 R'million	June 2015 R'million
Revenue	3 235	3 543
Gross profit	722	738
Other operating income	68	58
Distribution, administrative and other expenses	(471)	(450)
Operating profit	319	346



ITEMS	June 2014 R'million	June 2015 R'million
Net interest expenses	(42)	(51)
Share of results of associates	32	32
Profit before taxation	309	327
Taxation	(59)	(90)
Profit for the period	251	236
Effective tax rate	18.9%	27.6%



- Expense base decreased by R 21 million, largely due to:
  - good cost management;
  - devaluation of TL of c. 8% offset Mutlu inflation and resulted in a flat OPEX base;
  - In the current period dealer rebates of R 35 million (2014: R 35m) in Mutlu (previously treated as distribution costs) were reclassified to net revenue;
  - excluding the reclassification, the OPEX base grew by 3%.
- Net interest charges were higher as net debt increased
- Effective half-year tax rate normalised from prior years' low of 19%

# BALANCE SHEET - ASSETS

## Non-Current Assets

## Current Assets

## Comparison to prior periods

ITEM	Dec-14 R'million	Jun-14 R'million	Jun-15 R'million
<b>Non-current assets</b>	<b>4 394</b>	<b>4 402</b>	<b>4 145</b>
Property, plant and equipment	2 855	2 886	2 746
Intangible assets	1 270	1 263	1 148
Investment in associates	252	215	246
Deferred tax	17	38	5
<b>Current assets</b>	<b>3 541</b>	<b>3 089</b>	<b>3 563</b>
Inventory	1 508	1 385	1 648
Trade and other receivables	1 402	1 149	1 455
Cash and cash equivalents	603	537	441
Other current assets	28	18	19
<b>Total assets</b>	<b>7 935</b>	<b>7 491</b>	<b>7 707</b>

- On the balance sheet you will also notice the impact of devalued TL
- The TL depreciated c. 8% to the ZAR from 2014 to 2015, as a result reported foreign asset base decreased. Total movement in FCTR (or net foreign assets) was R 300 million
- This is evident in the PPE, intangibles and other non-current asset balances
- Working capital will be discussed separately
- Net cash balance declined to R 151 million as a result of increased working capital investment



# BALANCE SHEET - EQUITY AND LIABILITIES

## Equity & non-current liabilities

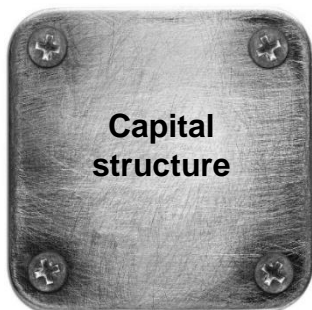
## Current liabilities

## Comparison to prior periods

ITEM	Dec-14 R'million	Jun-14 R'million	Jun-15 R'million
<b>Total equity</b>	<b>4 239</b>	<b>3 964</b>	<b>3 988</b>
<b>Non-current liabilities</b>	<b>2 323</b>	<b>869</b>	<b>2 360</b>
Borrowings	1 671	214	1 752
Post employment benefits	110	104	106
Deferred taxation	375	383	339
Deferred grant income	108	136	103
Provision for liabilities and charges	59	32	60
<b>Current liabilities</b>	<b>1 373</b>	<b>2 658</b>	<b>1 359</b>
Trade and other payables	1 027	753	869
Borrowings	69	1 490	83
Provision for liabilities and charges	117	124	108
Bank overdrafts	130	271	291
Other current liabilities	30	20	9
<b>Total liabilities</b>	<b>3 696</b>	<b>3 527</b>	<b>3 719</b>
<b>Total equity and liabilities</b>	<b>7 935</b>	<b>7 491</b>	<b>7 707</b>

- Total equity reduced from December '15 due to c. R 300 million movement in FCTR
- Net debt and borrowings increased for the reasons mentioned before
- Still well within debt covenants

# CAPITAL AND DEBT STRUCTURE



ITEM	Dec-14	Jun-14	Jun-15
Debt*:equity	42%	44%	47%
Net debt**:equity	31%	37%	43%




ITEM	Dec-14	Jun-14	Jun-15
Net debt** (R'million)	1 267	1 438	1 684
Net debt**:EBITDA (LTM for interim)	1.09	1.89	1.43



- Over time our target structure is c. 25% debt:equity
- May fluctuate short term especially during redesign phase
- Equity reduced by R 300 million due to currency movements
- Overall debt levels not to exceed 2 or 2.5 x EBITDA
- Well within covenants

\* Debt only includes borrowings

\*\* Net debt includes operational debt (overdrafts) and cash on hand



## Cash generated from operations

ITEM	Jun-14 R'million	Jun-15 R'million
<b>Operating activities</b>		
Profit before taxation	309	327
Non-cash items	170	165
Working capital changes	(144)	(403)
<b>Cash generated from operations</b>	<b>335</b>	<b>89</b>



## Comments

- Cash generated from operations declined to R 89 million, or 26% of operating profit
- R 403 million additional investment in working capital from:
  - Inventory increased due to threatened strike action in Turkey
  - Receivables days increased with the loss of cash based Russian exports and increase in AM sales in Turkey
  - Temporary tooling investment in SA associated with model changes

# WORKING CAPITAL

## Working capital

ITEM	June 2014 R'million	June 2015 R'million
Inventory	1 385	1 648
Trade & other receivables	1 149	1 455
Trade & other payables (excluding Mutlu minority liability in 2014)	(688)	(869)
<b>Total</b>	<b>1 846</b>	<b>2 234</b>

## Working capital days

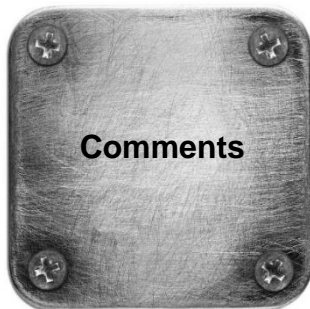
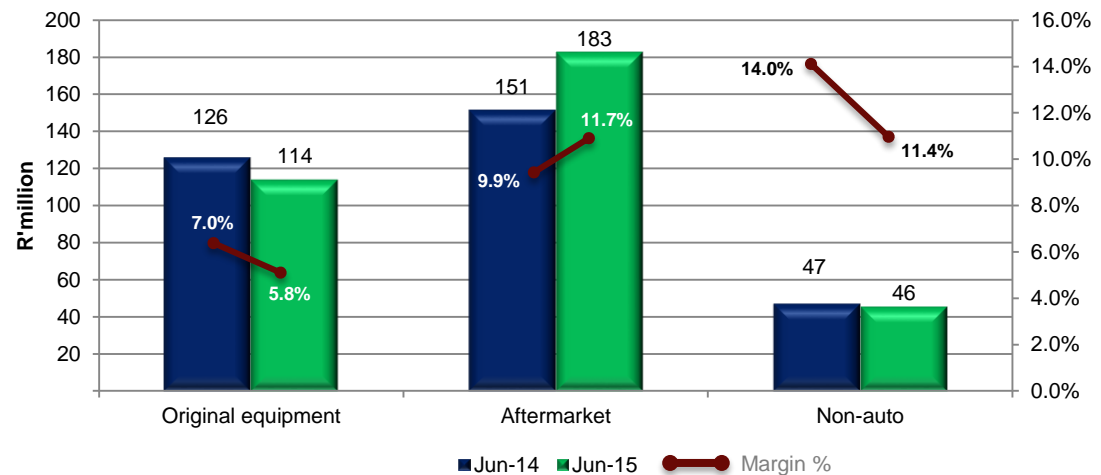
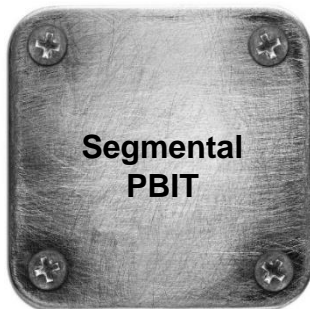
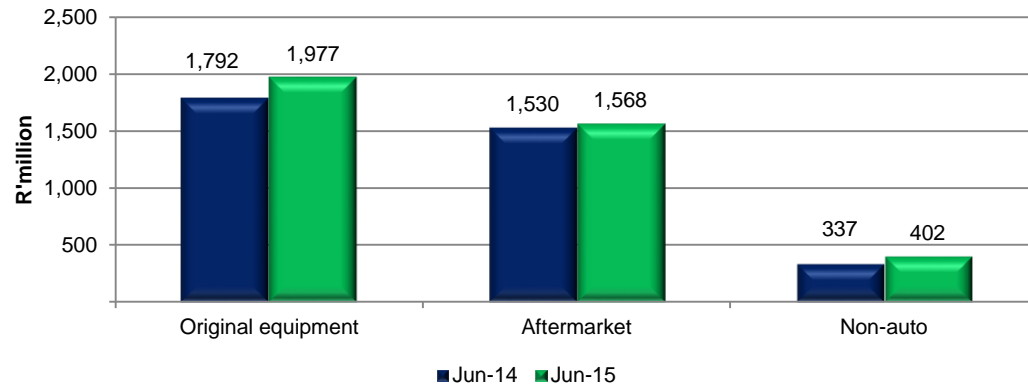
DAYS	June 2014	June 2015
Inventory	77	84
Trade & other receivables	64	74
Trade & other payables	(39)	(44)
<b>Total</b>	<b>102</b>	<b>114</b>

## Comments

- Working capital days increased by 12 days
- High investment in working capital necessitated by operational requirements (model change and stock building in Mutlu)
- Expect the high investment to be temporary in nature

*All days calculations based on turnover*

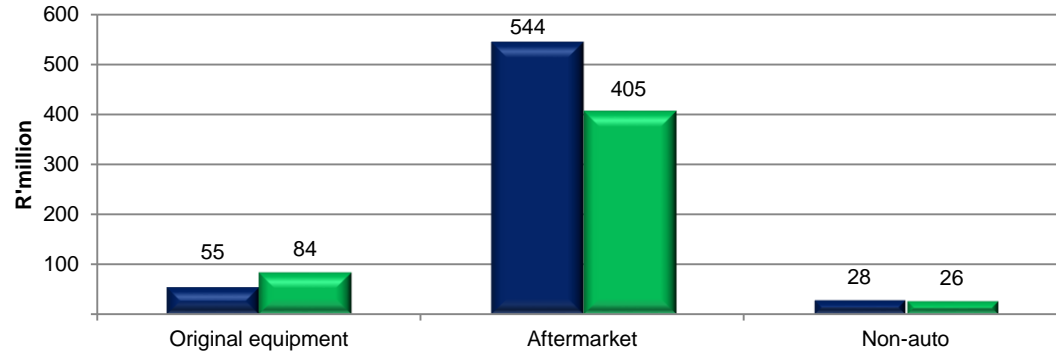
# OVERALL SEGMENTAL REVIEW (INCL. MANAGED ASSOCIATE)



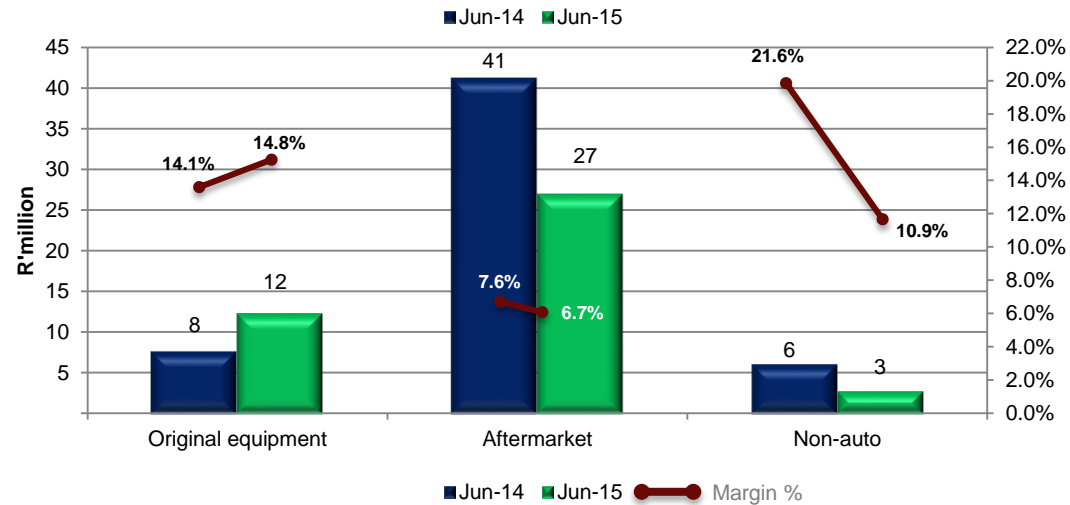
- OE impacted by reduced volumes from customers due to model changes in SA
- OE margins also impacted by project costs for new model launches of R 20 million and R 5 million costs incurred to prevent potential supply disruptions in Turkey
- AM margins stronger due to good volume growth in AM segment, more than offset the loss of Russian exports
- Non-auto improved standby and other industrial volumes but profitability mix dependent

# OVERALL SEGMENTAL REVIEW (INCL. MANAGED ASSOCIATE)

**Export revenue**



**Export PBIT**

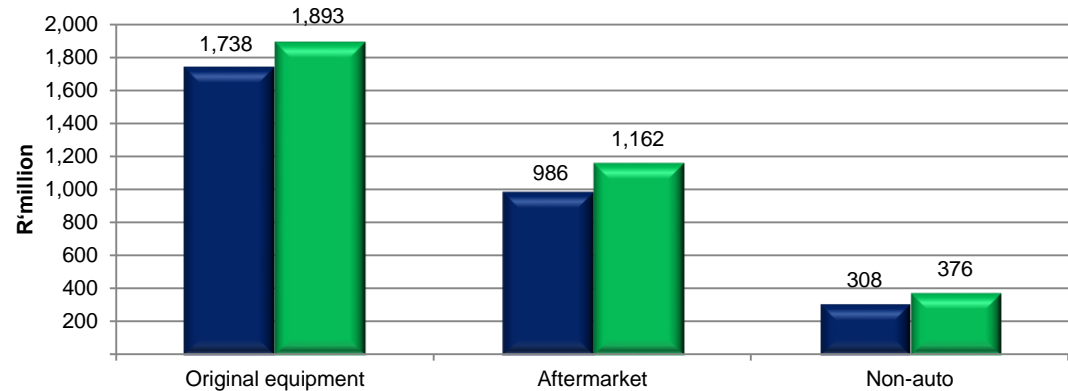


**Comments**

- Export revenue and profitability impacted by Russia. Overall export volumes declined by 180k units

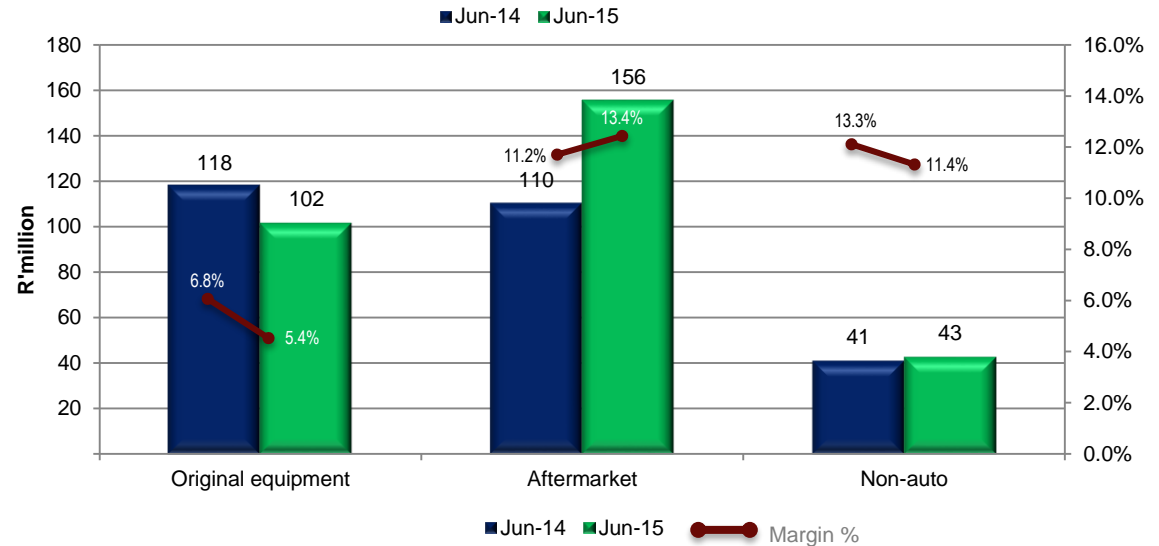
# OVERALL SEGMENTAL REVIEW (INCL. MANAGED ASSOCIATE)

**Local PBIT & margins**



**Local OE margin contraction**

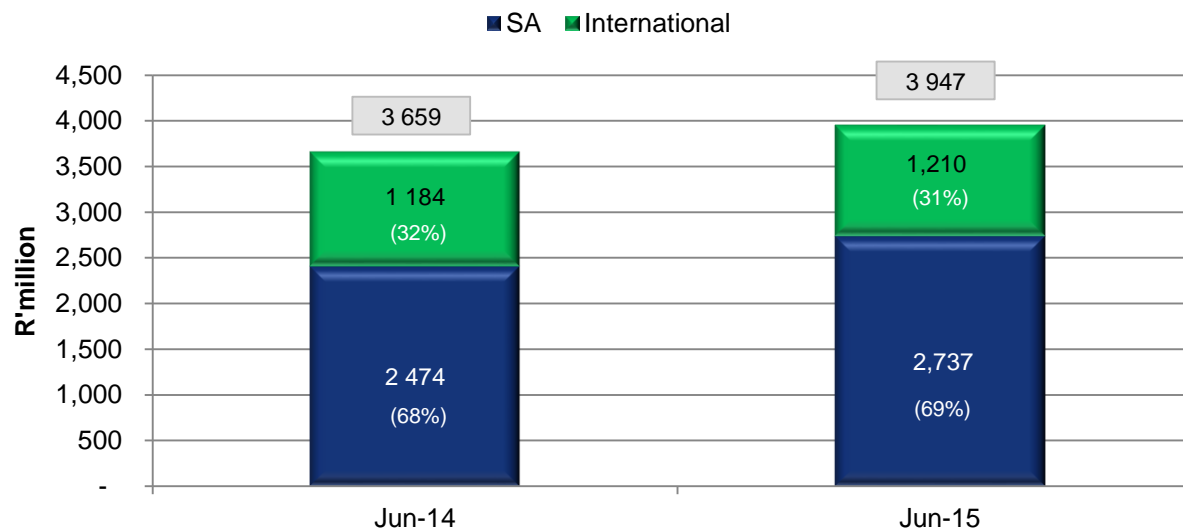
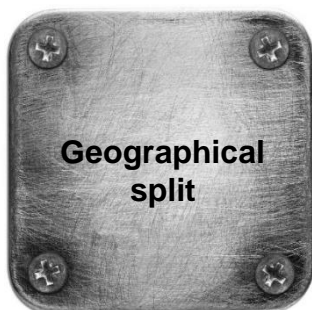
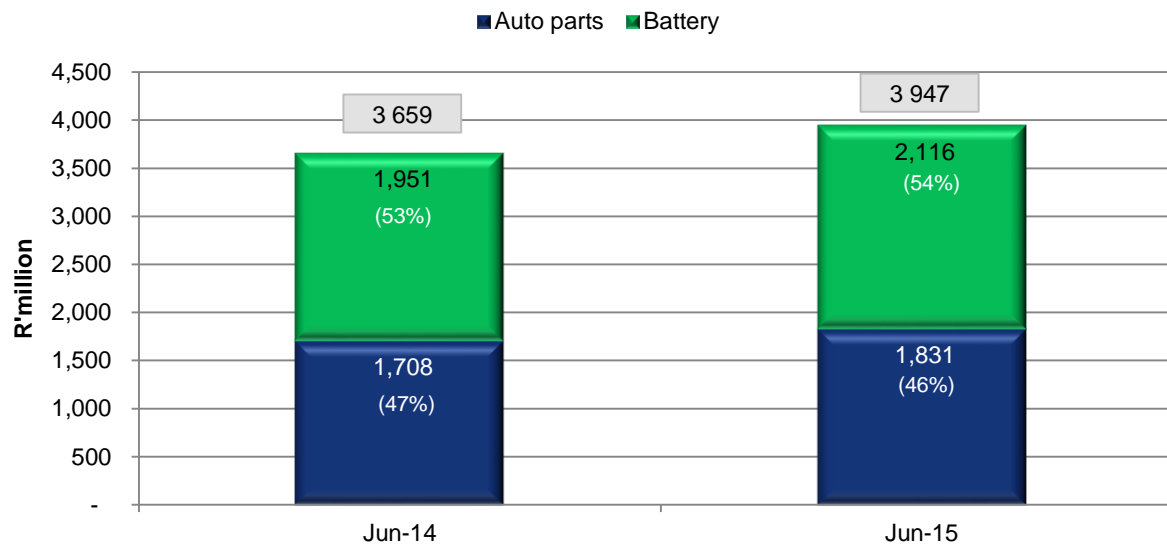
- Volumes
- Model changes
- Project costs



**Comments**

- Local OE margins and profits declined due to the impact of model changes and project costs of c. R 20 million
- AM margins improved to 13.4% as local volumes grew by 7%

# SEGMENTAL ANALYSIS – ADDITIONAL INFORMATION (INCL. MANAGED ASSOCIATE)





# MUTLU FINANCIAL REVIEW

# MUTLU 'IFRS' INCOME STATEMENT – STAND ALONE PRE-CONSOLIDATION



ITEMS	June 2014 R'million	June 2015 R'million
Sales revenue (incl dealer rebates)	843.4	881.5
Cost of sales	(659.1)	(676.2)
<b>Gross profit</b>	<b>184.3</b>	<b>205.3</b>
<i>Gross margin</i>	<i>21.9%</i>	<i>23.3%</i>
Operating expenses (excl dealer rebates)	(108.8)	(109.6)
Other net operating income / (expense) (incl forex)	11.1	(9.5)
<b>EBIT (Operating profit)</b>	<b>86.6</b>	<b>86.2</b>
<i>EBIT %</i>	<i>10.3%</i>	<i>9.8%</i>
Net finance cost	(2.6)	0.4
<b>Profit before tax</b>	<b>84.0</b>	<b>86.6</b>
Tax on profit	(15.1)	(17.2)
<b>Profit after tax</b>	<b>68.9</b>	<b>69.4</b>
<i>EBITDA</i>	<i>124.4</i>	<i>122.5</i>
<i>EBITDA %</i>	<i>14.7%</i>	<i>13.9%</i>



- Despite adverse foreign exchange effects, together with loss of export market in Russia, Mutlu delivered a very pleasing result
- Increase in gross profit mainly as a result of higher aftermarket sales and lower warranty costs/returns
- Operating expense base largely flat
- Once-off supply disruption mitigation cost of c. R 5 million and new model launch project costs of R 5 million was incurred during the current period
- Adverse foreign exchange movements contributed to higher forex losses on USD exposures
- TL depreciated 8% against ZAR and 17% against USD compared to prior period

# OPERATIONAL REVIEW

# COMBINED BATTERY VOLUMES (FNB, MUTLU & ROMBAT)

## Original Equipment market

Automotive Units	Actual June 2014	Actual June 2015
Original Equipment - Local	758 409	921 666

## Aftermarket

Automotive Units	Actual June 2014	Actual June 2015
Aftermarket	1 260 753	1 347 791
- Local	1 016 326	836 546
- Export		
<b>Total AM Volume</b>	<b>2 277 079</b>	<b>2 184 337</b>

## Volume movements

### OE

- Ford completed model change (Turkey)
- Renault gained as customer (Turkey)
- SA vehicle production increased by 55k units

### Aftermarket

- Local market performed well in Romania and Turkey. SA market was slightly down

# VEHICLE PRODUCTION PER OEM IN SOUTH AFRICA (NAAMSA)

OEM	2011	2012	2013	2014	Actual June 2014	Actual June 2015
BMW	52 908	44 229	66 087	71 004	36 855	37 149
MBSA	50 939	61 439	47 189	45 584	5 583	49 152
FMCSA	28 716	51 006	56 923	76 179	32 955	40 029
GM	32 530	38 199	40 019	41 491	21 670	20 493
NISSAN	43 743	54 657	46 443	43 268	20 421	20 119
VW SA	137 872	110 864	107 567	113 678	49 321	58 486
TOYOTA	153 052	149 252	151 392	142 739	69 079	64 954
Adjustments	720	968	-	1 133	559	702
<b>TOTAL</b>	<b>500 480</b>	<b>510 614</b>	<b>515 620</b>	<b>535 076</b>	<b>236 443</b>	<b>291 084</b>

# VEHICLE PRODUCTION PER OEM IN TURKEY

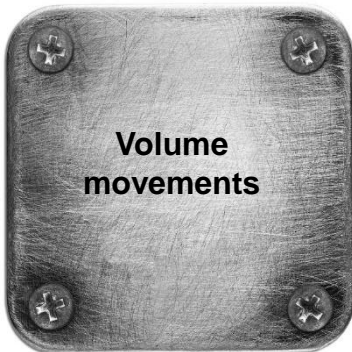
OEM	2011	2012	2013	2014	Actual June 2014	Actual June 2015
OYAK RENAULT	330 994	310 602	331 694	318 246	153 990	167 341
FORD	295 850	272 097	281 287	244 682	109 588	159 441
TOFAŞ	307 788	256 428	244 614	222 807	106 974	136 748
HYUNDAI	90 231	86 976	102 020	203 157	98 300	112 959
TOYOTA	91 639	76 925	102 260	131 504	69 050	59 137
TURK TRAKTOR	40 617	39 542	38 411	45 823	23 283	22 716
MERCEDES BENZ TURK	21 362	20 002	22 395	22 205	11 059	13 268
HONDA	12 341	21 850	14 813	11 633	7 093	6 763
OTHERS	43 815	30 811	28 549	-		
AIOS(ISUZU)	4 324	4 763	4 907	7 680	3 456	5 037
OTOKAR	3 062	2 851	4 840	3 266	1 898	1 784
TEMSA	4 060	2 354	2 918	2 500	1 551	1 439
HATTAT TARIM	4 889	2 713	2 098	2 580	1 393	1 599
KARSAN	22 146	15 448	12 486	1 714	595	2 623
MAN	1 610	1 134	1 300	1 051	524	977
BMC	3 724	1 548	-	-	-	-
<b>TOTAL</b>	<b>1 234 637</b>	<b>1 115 233</b>	<b>1 166 043</b>	<b>1 218 848</b>	<b>588 754</b>	<b>691 832</b>



<b>Automotive Units</b>	<b>Actual June 2014</b>	<b>Actual June 2015</b>
<b>Original Equipment</b> - Local	290 531	410 642



<b>Automotive Units</b>	<b>Actual June 2014</b>	<b>Actual June 2015</b>
<b>Aftermarket</b> - Local	442 099	533 314
- Export	486 430	254 122
<b>Total AM Volume</b>	<b>928 529</b>	<b>787 436</b>



**OE**

- Ford and Renault Start/Stop business

**Aftermarket**

- Local AM strong with improved market share and climate related carry-over sales from 2014
- Export sales down by 232k units, largely related to Russia

# VEHICLE PRODUCTION PER OEM IN ROMANIA

OEM	2011	2012	2013	2014	YTD Actual June 2014	YTD Actual June 2015
Renault- Dacia	329 842	304 994	349 276	344 101	183 360	195 545
PSA	137 942	68 160	29 879	37 319	17 819	66 720
Nissan	1 176	38 868	37 930	23 011	14 247	-
<b>Total</b>	<b>468 960</b>	<b>412 022</b>	<b>417 085</b>	<b>404 431</b>	<b>215 426</b>	<b>262 265</b>



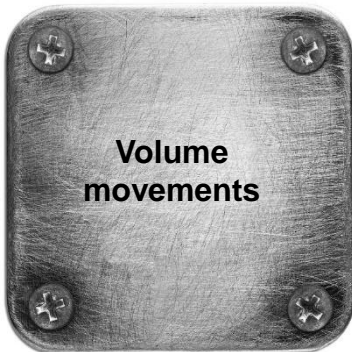
# ROMBAT VOLUMES



Automotive Units	Actual June 2014	Actual June 2015
Original Equipment - Local	216 266	262 949



Automotive Units	Actual June 2014	Actual June 2015
Aftermarket - Local	208 109	225 798
- Export	382 151	457 713
<b>Total Volume</b>	<b>590 260</b>	<b>683 511</b>



## OE

- PSA and Dacia production volumes improved
- PSA model change complete

## Aftermarket

- Improved market share in local market
- Exports – new customers

# 2015 CAPITAL EXPENDITURE COMMITMENTS\*

## GROUP - Approved

Sector R'000	Maintenance	Expansion Efficiency	Total
OE	54 710	142 690	197 400
Aftermarket / Non-Auto	30 263	76 461	106 724
Property	2 198	950	3 148
<b>Total</b>	<b>87 171</b>	<b>220 101</b>	<b>307 272</b>

\* Includes authorised and committed capex

# PROSPECTS

# PROSPECTS DEPEND ON ...

## Original Equipment (OE)

- Model changes and successful launch of new vehicle models
- Continuation of stable labour environment
- Continued increased vehicle production in Turkey and Romania
- Successful negotiation of new OEM supply projects

## Aftermarket

- European and export demand in winter period
- Severity of winter in Europe and export markets
- Russian market demand
- Geo-political instability in the Middle East and Russia
- Continued market share growth in local markets
- Demand from SA Government positive ruling in regard to the dumping of batteries from Korea and other regions
- Effectiveness of groups RARE marketing program

## Non-Automotive

- Return of demand in mining sector
- Competitiveness improvement in product range
- Retail sector demand
- Continued stand-by product demand
- Effectiveness of groups RARE marketing program

# METAIR

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automotive | industrial | retail

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