



*Investor Presentation*

**Trading Results for the year ended 2 April 2011**

*(excluding consolidation of OtC)*



**Q4 FY 2011**  
**Excluding consolidation**  
**of OtC**



# Trading results for the 4<sup>th</sup> Quarter FY 2011

All data presented below is based on comparable weeks

- ❑ Retail sales were up 2.8% on last year to R4.8 billion
- ❑ Divisional retail sales growth:

Edgars	3.9%
CNA	2.1%
Discount division	1.4%

- ❑ Group Like for Like sales were up 2.6% on last year
- ❑ Group profit margin of 35.8% from 35.6%
- ❑ Adjusted EBITDA up 5.7% to R498 million
- ❑ Profit from credit and financial services increased from R134 million to R190 million



**Year to 2 April 2011  
excluding consolidation  
of OtC**



# Trading results for FY 2011

All data presented below is based on comparable weeks.

- Retail Sales up 6.1% to R22.7 billion

- Divisional Retail Sales Growth

	<b>Total</b>
Edgars	7.1%
CNA	3.9%
Discount Division	5.3%

- Group like for like sales growth was up 5.3% on last year

- Credit sales were 49% of total compared with 50% last year

  - Cash Sales up 9.5%

  - Credit sales up 2.8%

# Trading results for FY 2011 (cont.)

- ❑ Gross profit margin of 36.9%, from 36.8%
- ❑ Average trading space increased by 0.4% to 1.3 million m<sup>2</sup>
- ❑ 1,181 stores versus 1,228 last year.
- ❑ Adjusted EBITDA up 8.1% to R3,160 million
- ❑ Profit from Credit and Financial Services up from R534 million to R677 million
- ❑ Cash generated (after capex) of R481 million following cash generation of R1,372 million last year

# Gross Profit Margins

	FY11	FY10
Edgars	41.5%	41.2%
CNA	32.6%	32.8%
Discount Division	31.8%	31.9%
Group	36.9%	36.8%

# Credit Highlights for FY 2011

- ❑ Profit from credit of R190 million up from R99 million last year
- ❑ Bad debts to average debtors of 10.9%, up from 12.9% last year
- ❑ Active account base of 3.7 million, compared to 4.0 million last year
- ❑ After tax earnings of financial services JV up 12.0% to R487 million



# Cash Flow FY 2011

- ❑ Operating cash inflow up 10.2% to R3,159 million
- ❑ Increase in working capital of R446 million compared with R1,074 million decrease last year
- ❑ Cash net interest expense of R1,762 million (R2,131 million incl. OtC)
- ❑ Capex was R474 million compared with R473 million last year including
  - ❑ R337 million store fixtures
  - ❑ R127 million in IT infrastructure
- ❑ Reduction in net short-term debt of R1,585 million

# Liquidity and Capital Resources

- ❑ Euro Notes (net of derivatives) of R19.2 billion
- ❑ Super senior loan of R985 million (subsequently refinanced)
- ❑ Notes issued by OtC II R4.3 billion
- ❑ Revolving credit facility – Unutilised at year end
- ❑ Maximum drawdown on Revolving Credit facility during FY 2011 of R1,1 billion
- ❑ Cash on hand R1.7 billion (R2.3 billion including OtC)

# Liquidity and Capital Resources (cont.)

- ❑ Total Facilities:
  - ❑ Notes issued by OtC II R4.3bn
  - ❑ Revolving Credit R3.1bn
  
- ❑ Subsequent to year end:
  - ❑ Refinanced the super senior loan with an issue of R1,010 million ZAR notes
  - ❑ Repurchased €39 million 2014 senior secured notes for €35 million

# Liquidity and Capital Resources (cont.)

## □ Hedge Restructure:

In the final quarter of FY2011, Edcon completed a restructure of its debt and hedging facilities to settle its liability position on existing currency swaps:

- Extended Revolving Credit Facility to March 2014
- Placed EUR317 million and USD250 million 9.5% Fixed Rate Notes due March 2018
- Issued private Super senior secured loan of R985 million maturing March 2014
- Settled R5 billion of hedge liabilities from these new issuances
- Entered new hedges on offshore exposure through 2014

## □ Current hedging position :

- Interest rates on notes are fixed and currency hedged until March 2014
- Currency hedged on 60% of the principal until March 2014

# Trading Environment

- ❑ South Africa economic environment improving
  - ❑ Higher GDP growth
  - ❑ Low interest and inflation rates
  - ❑ Strong Rand
  - ❑ Further roll out of social grants, real wages increases and extensive government capital expenditure programmes
- ❑ Offset somewhat by job losses and stubbornly high levels of consumer debt and high increases in fuel and electricity prices

# Key focus areas going forward

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- ❑ Consistency and execution of merchandising and shopping experience
- ❑ Real estate expansion strategy and portfolio
- ❑ Operational efficiency in stores
- ❑ Credit and financial services strategy
- ❑ Cash flow generation

# Outlook

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- ❑ We are cautiously optimistic about the year ahead building on:
  - ❑ The strength of the South African economic recovery and its healthy medium term fundamentals despite short term challenges
  - ❑ Edcon's improved execution and momentum