

The image features a dark blue background with several light blue and white geometric shapes, including diagonal lines and horizontal bars. The company name 'Hudaco' is prominently displayed in a white, italicized font. Below it, the text 'UNAUDITED INTERIM RESULTS' and 'For the six months ended 31 May 2022' is presented in a clean, white, sans-serif font.

Hudaco

UNAUDITED INTERIM RESULTS
For the six months ended 31 May 2022

HIGHLIGHTS

Six months ended 31 May 2022		Against 2021	Against 2019 (pre-Covid)
Turnover R3.8 billion	↑	12%	19%
Operating profit R452 million	↑	27%	52%
Profit for the period R292 million	↑	25%	65%
Comparable earnings per share 857 cents	↑	25%	65%
Headline and basic earnings per share 857 cents	↑	25%	61%
Interim dividend 300 cents	↑	25%	58%
Cash from trading activities R558 million	↑	22%	60%

Hudaco Industries is a South African group specialising in importing and distributing high-quality branded automotive, industrial and electronic consumable products, mainly in the southern African region. Hudaco businesses serve markets that fall into two primary categories:

- Automotive aftermarket, power tool and fasteners, data networking, gas and outdoor products, security and communication equipment and battery businesses supply products into markets with a bias towards consumer spending.
- Bearings and belting, electrical power transmission, diesel engine, hydraulics and pneumatics, specialised steel, thermoplastic fittings, and filtration businesses supply engineering consumables, mainly to mining and manufacturing customers.

Results

In the highlights table above, we have compared this half's results to the first half of 2021 and the first half of 2019, which was before the Covid outbreak in H1 2020. The objective is to demonstrate the extent to which earnings have grown consistently on the pre-Covid base, notwithstanding the impact of Covid on the operating environment.

Group sales at R3.8 billion for H1 are up 12% on H1 2021. Operating profit increased 26.5% to R452 million, with the operating margin increasing from 10.6% to 12%, an excellent number for the first six months, which include the December, January and April holiday periods.

Headline, basic and comparable earnings per share are up 25.1% on H1 2021 at 857 cents and up more than 60% on H1 2019. The interim dividend has been increased by 25% to 300 cents per share. Our dividend policy, which is to be covered between 2.5 and 2.0 times by comparable earnings annually, remains unchanged.

Results (continued)

The financial position remains strong. Bank borrowings at R860 million, are up R266 million on May 2021, primarily because of price increases and a strategic investment in more inventories in response to the well-documented challenges in the supply chain, both globally and locally. Trading generated cash of R558 million, of which R459 million was reinvested in working capital as we traditionally stock up in anticipation of the busier second half trading. This resulted in cash generated from operations of R99 million. During the six months, we paid taxation of R77 million, finance costs of R27 million, leases of R67 million, dividends of R174 million and returned a further R8 million to shareholders by repurchasing shares. R70 million (out of a maximum of R100 million) has been paid thus far on the acquisition of CADAC. Borrowings are comfortably within our self-imposed conservative guidelines and our available banking facilities. Unless we make further acquisitions, our usual strong second-half cash generation should reduce our borrowings by year end.

In our January results presentation, we indicated that our inventory levels would remain at higher levels until we felt that the supply chain had returned to normal. For H1, we have not seen any return to normal. Russia's war on Ukraine, Shanghai's Covid lockdown, the Durban port disruptions from the floods and blockades of the N3 highway added to our already increased delivery times from most suppliers. Management of working capital is a crucial focus. We recognise that having the right inventory available for our customers is more critical now than striving to keep inventory levels down.

Consumer-related products segment

There are 12 businesses in this segment. This segment's contribution to group sales continues to benefit from strategic diversification over the past few years (including the addition of CADAC) accounting for 52% of group sales and 61% of operating profit. There have been slight increases in the automotive and alternative energy sectors and a decrease in the security sector. Segment sales increased 12% to R1.98 billion, whilst operating profit increased 23.4% to R302 million, at an operating margin of 15%.

Engineering consumables segment

Eighteen businesses make up this segment. Trading conditions continued the positive trend of 2021. The segment has shown good growth, with increased turnover from the mining and manufacturing sectors. Engineering consumables accounted for 48% of group sales and 39% of operating profit. Sales grew by 12% to R1.81 billion, and operating profit increased 36.7% to R196 million, at an operating margin of 11%.

Prospects

We remain optimistic that the momentum our businesses have built up over the last 18 months will continue through the second half of the year. There will, inevitably, be supply chain disruptions, minor stockouts, loadshedding and the usual challenges of doing business in South Africa, just as there have been in H1. Nevertheless, we believe we have sufficient stock and order confirmations from our suppliers for most of our product lines to see us through into next year. We will continue to allocate capital to suit the conditions as they unfold by increasing stock, making acquisitions, paying down debt, repurchasing shares or paying dividends.

Once again, we emphasise that Hudaco's business model, principally the sale of replacement parts with a high value-added component; and its financial characteristics – high margin and strong cash flows with a limited requirement for investment in fixed assets; make Hudaco resilient, and this set of results again bears testimony to that characteristic.

Acknowledgement

We commend and thank the executives and the management teams in our businesses for the way in which they have coped with the challenging business conditions over this period. They have demonstrated exceptional agility, ingenuity and resilience in delivering another excellent set of results.

Declaration of interim dividend no 70

Interim dividend number 70 of 300 cents per share is declared payable on Monday, 15 August 2022 to ordinary shareholders recorded in the register at the close of business on Friday, 12 August 2022.

The timetable for the payment of the dividend is as follows:

Last day to trade <i>cum</i> dividend	Monday, 8 August 2022
Trading ex dividend commences	Wednesday, 10 August 2022
Record date	Friday, 12 August 2022
Payment date	Monday, 15 August 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 August 2022 and Friday, 12 August 2022, both days inclusive. The certificated register will be closed for this period.

In terms of the Listings Requirements of the JSE Limited regarding the Dividends Tax the following additional information is disclosed:

- The dividend has been declared from income reserves;
- The dividend withholding tax rate is 20%;
- The net local dividend amount is 240 cents per share for shareholders liable to pay the Dividend Tax and 300 cents per share for shareholders exempt from the Dividend Tax;
- Hudaco Industries Limited has 32 519 720 shares in issue (which includes 2 568 708 treasury shares); and
- Hudaco Industries Limited's income tax reference number is 9400/159/71/2.

Results presentation

Hudaco will be presenting its results for the six months ended 31 May 2022 via webinar at 11:00 on Friday, 1 July 2022. Should you wish to participate kindly contact Megan Cameron-Gunn at megan@hudaco.co.za to register. The slides, which form part of the webinar presentation, will be available on the company's website from Friday, 1 July 2022.

For and on behalf of the board



SJ Connolly
Non-executive chairman

30 June 2022



GR Dunford
Chief executive

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Sponsor

These results are available on the internet: www.hudaco.co.za

GROUP STATEMENT OF FINANCIAL POSITION

R million	31 May 2022	31 May 2021	30 Nov 2021*
ASSETS			
Non-current assets	1 953	1 861	1 978
Property, plant and equipment	294	266	285
Right-of-use assets	382	362	422
Goodwill	1 177	1 170	1 170
Intangible assets	45	25	26
Deferred taxation	55	38	75
Current assets	3 668	3 121	3 472
Inventories	2 290	1 751	2 004
Trade and other receivables	1 297	1 176	1 245
Bank deposits and balances	81	194	223
TOTAL ASSETS	5 621	4 982	5 450
EQUITY AND LIABILITIES			
Equity	3 082	2 737	2 976
Equity holders of the parent	2 951	2 647	2 863
Non-controlling interest	131	90	113
Non-current liabilities	1 118	958	1 003
Amounts due to bankers	780	630	630
Lease liabilities	338	328	372
Deferred taxation			1
Current liabilities	1 421	1 287	1 471
Trade and other payables	1 072	1 012	1 272
Bank overdraft	161	158	62
Amounts due to vendors of businesses acquired	28		
Lease liabilities	100	79	105
Taxation	60	38	32
TOTAL EQUITY AND LIABILITIES	5 621	4 982	5 450

* Audited

GROUP STATEMENT OF COMPREHENSIVE INCOME

R million	Six months ended			Year ended
	31 May 2022	% change	31 May 2021	30 Nov 2021*
Turnover	3 782	11.8	3 383	7 258
Ongoing operations	3 687	9.0	3 383	7 258
Acquisition	95			
Cost of sales	2 397		2 136	4 571
Gross profit	1 385	11.1	1 247	2 687
Operating expenses	933	4.9	890	1 861
Operating profit	452	26.5	357	826
Ongoing operations	440	23.1	357	826
Acquisition	12			
Fair value adjustment to capital amounts due to vendors of businesses acquired				10
Profit before interest	452		357	836
Interest on lease liabilities	14		15	32
Finance costs	27		19	36
Profit before taxation	411	27.1	323	768
Taxation	119		90	219
Profit for the period	292	25.3	233	549
Other comprehensive income (loss) that will subsequently be reclassified to profit or loss	2		(9)	5
Movement on fair value of cash flow hedges	1		(7)	2
Exchange gain (loss) on translation of foreign operations	1		(2)	3
Total comprehensive income for the period	294		224	554
Profit attributable to:				
– Equity holders of the parent	257	22.4	210	499
– Non-controlling shareholders	35		23	50
	292	25.3	233	549
Total comprehensive income attributable to:				
– Equity holders of the parent	258	28.3	201	502
– Non-controlling shareholders	36		23	52
	294	31.3	224	554
Earnings per share (cents)				
– Basic	857	25.1	686	1 643
– Headline	857	25.1	686	1 641
– Comparable	857	25.1	686	1 613
Diluted earnings per share (cents)				
– Basic	800	17.5	681	1 610
– Headline	800	17.5	681	1 608
– Comparable	800	17.5	681	1 581
Calculation of headline earnings				
Profit attributable to equity holders of the parent	257	22.4	210	499
Adjusted for:				
Profit on disposal of plant and equipment and intangible assets after non-controlling interest and tax				(1)
Headline earnings	257	22.4	210	498
Calculation of comparable earnings				
Headline earnings	257	22.4	210	498
Adjusted for:				
Fair value adjustment to capital amounts due to vendors of businesses acquired				(10)
Non-controlling interest				2
Comparable earnings	257	22.4	210	490
Dividends				
– Per share (cents)	300	25.0	240	760
– Amount (Rm)	90	22.6	73	229
Weighted average shares in issue				
– Total (000)	29 960		30 555	30 357
– Diluted (000)	32 097		30 776	30 975

* Audited

GROUP STATEMENT OF CASH FLOWS

R million	Six months ended		Year ended
	31 May 2022	31 May 2021	30 Nov 2021*
Cash generated from trading	558	458	1 026
Increase in working capital	(459)	(65)	(116)
Cash generated from operations	99	393	910
Taxation paid	(77)	(62)	(220)
Net cash from operating activities	22	331	690
Net investment in new operations	(75)		9
Net investment in property, plant and equipment and intangible assets	(33)	(23)	(67)
Net cash from investing activities	(108)	(23)	(58)
Increase (decrease) in non-current amounts due to bankers	150	(150)	(150)
Share-based payments settled	(30)	(4)	(16)
Repurchase of shares	(8)	(36)	(69)
Finance costs paid	(27)	(19)	(36)
Interest on lease liabilities	(14)	(15)	(32)
Repayment of lease liabilities	(53)	(47)	(94)
Dividends paid	(174)	(135)	(213)
Net cash from financing activities	(156)	(406)	(610)
(Decrease) increase in net bank balance	(242)	(98)	22
Foreign exchange translation gain (loss)	1	(2)	3
Net bank balance at beginning of the period	161	136	136
Net bank (overdraft) balance at end of the period	(80)	36	161

* Audited

GROUP STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
Balance at 1 December 2021	3	136	2 743	2 882	113	2 995
Repurchase of shares			(8)	(8)		(8)
Comprehensive income for the period		2	256	258	36	294
Movement in equity compensation reserve		(6)		(6)		(6)
Dividends			(156)	(156)	(18)	(174)
Balance at 31 May 2022	3	132	2 835	2 970	131	3 101
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 31 May 2022	3	132	2 816	2 951	131	3 082
Balance at 1 December 2020	3	124	2 485	2 612	76	2 688
Repurchase of shares			(36)	(36)		(36)
Comprehensive (loss) income for the period		(9)	210	201	23	224
Movement in equity compensation reserve		15		15		15
Dividends			(126)	(126)	(9)	(135)
Balance at 31 May 2021	3	130	2 533	2 666	90	2 756
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 31 May 2021	3	130	2 514	2 647	90	2 737
Balance at 1 December 2020	3	124	2 485	2 612	76	2 688
Repurchase of shares			(69)	(69)		(69)
Comprehensive income for the year		3	499	502	52	554
Movement in equity compensation reserve		9	26	35		35
Dividends			(198)	(198)	(15)	(213)
Balance at 30 November 2021	3	136	2 743	2 882	113	2 995
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 30 November 2021*	3	136	2 724	2 863	113	2 976

* Audited

SUPPLEMENTARY INFORMATION

These results have been prepared in accordance with IAS 34: *Interim Financial Reporting, International Financial Reporting Standards (IFRS)* as issued by the International Accounting Standards Board (IASB), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act and the JSE Listings Requirements. The same accounting policies, presentation and measurement principles have been followed in the preparation of the interim report for the period ended 31 May 2022 as were applied for the year ended 30 November 2021.

These results have been compiled under the supervision of the financial director, CV Amoils CA(SA). The directors of Hudaco take full responsibility for the preparation of this report.

	Six months ended		Year ended
	31 May 2022	31 May 2021	30 Nov 2021*
Average net operating assets (NOA) (Rm)	4 220	3 754	3 790
Operating profit margin (%)	12.0	10.6	11.4
Average NOA turn (times)	1.8	1.8	1.9
Return on average NOA (%)	21.4	19.0	21.8
Average net tangible operating assets (NTOA) (Rm)	2 642	2 192	2 246
PBITA margin (%)	12.0	10.7	11.5
Average NTOA turn (times)	2.9	3.1	3.2
Return on average NTOA (%)	34.4	33.1	37.0
Net asset value per share (cents)	9 852	8 739	9 541
Return on average equity (%)	19.3	17.3	19.5
Turnover comprises of:			
<i>Revenue from contracts with customers</i>			
Sales of products	3 682	3 350	7 020
Rendering of services	100	33	238
	3 782	3 383	7 258
<i>Timing of revenue recognition</i>			
Goods and services transferred at a point in time	3 534	3 299	7 042
Goods and services transferred over time ⁽¹⁾	248	84	216
	3 782	3 383	7 258
⁽¹⁾ The remaining transaction price allocated to unsatisfied performance obligations will be satisfied within one year.			
<i>Geographical disaggregation</i>			
Goods and services sold in South Africa	3 450	3 089	6 711
Goods and services sold outside South Africa	332	294	547
	3 782	3 383	7 258
Operating profit has been determined after taking into account the following charges (Rm)			
– Depreciation of property, plant and equipment	24	23	46
– Depreciation of right-of-use assets	54	51	108
– Amortisation of intangible assets	4	7	11
Capital expenditure (Rm)			
– Incurred during the period	35	27	76
– Authorised but not yet contracted for	74	63	88

* Audited

SUPPLEMENTARY INFORMATION (CONTINUED)

Fair value disclosure

All financial instruments are carried at amounts that approximate their fair value. The fair value of foreign exchange contracts is directly derived from prices in active markets for similar liabilities, which means it is classified as a level 2 fair value measurement. The fair values for amounts due to vendors of businesses acquired are estimated by using a present value technique based on unobservable inputs regarding the future profitability of businesses acquired, which means it is classified as a level 3 fair value measurement. There were no other liabilities classified as level 3 fair value measurements during the period.

Acquisition of business

On 28 February 2022, the group acquired 100% of the business of Cadac (Pty) Ltd for a maximum consideration of R100 million based on future profits, with an initial payment of R70 million. Amounts recognised on acquisition include plant and equipment of R3 million, right-of-use assets of R3 million, inventories of R57 million, trade and other receivables of R33 million, trade and other payables of R11 million, bank overdraft of R5 million, lease liabilities of R3 million, deferred tax liabilities of R7 million, intangible assets of R21 million and goodwill of R7 million. These values approximate the fair values as provisionally determined under IFRS 3. Had this acquisition been made at the beginning of the year, additional turnover of R40 million and profit after interest and tax of R2 million would have been included in the group results and the turnover and profit after interest and tax for the group would have been R3 822 million and R294 million, respectively.

Repurchase of shares

During the period 60 880 shares were acquired in terms of the share repurchase programme. The lowest price paid was R96.19, and the highest was R128.00, excluding transaction costs.

SEGMENT INFORMATION

R million	Turnover			
	Six months ended			Year ended
	31 May 2022	% change	31 May 2021	30 Nov 2021*
Consumer-related products	1 981	11.7	1 773	3 777
Ongoing operations	1 886	6.3	1 773	3 777
Acquisition	95			
Engineering consumables	1 810	12.0	1 616	3 501
Total operating segments	3 791	11.8	3 389	7 278
Eliminations	(9)		(6)	(20)
Total group	3 782	11.8	3 383	7 258

R million	Operating profit			
	Six months ended			Year ended
	31 May 2022	% change	31 May 2021	30 Nov 2021*
Consumer-related products	302	23.4	245	552
Ongoing operations	290	18.4	245	552
Acquisition	12			
Engineering consumables	196	36.7	143	366
Total operating segments	498	28.3	388	918
Head office, shared services and eliminations	(46)		(31)	(92)
Total group	452	26.5	357	826

R million	Average net operating assets			
	Six months ended			Year ended
	31 May 2022	% change	31 May 2021	30 Nov 2021*
Consumer-related products	2 221	13.4	1 959	2 036
Ongoing operations	2 172	10.9	1 959	2 036
Acquisition	49			
Engineering consumables	2 060	21.5	1 695	1 855
Total operating segments	4 281	17.2	3 654	3 891
Head office, shared services and eliminations	(61)		100	(101)
Total group	4 220	12.4	3 754	3 790

* Audited

COMPANY INFORMATION

HUDACO INDUSTRIES LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
JSE share code: HDC A2X share code: HDC
ISIN code: ZAE000003273
Tel: +27 11 657 5000
Email: info@hudaco.co.za
Website: www.hudaco.co.za

DIRECTORS

SJ Connelly (*Chairman*)*,
GR Dunford (*Chief executive*),
CV Amoils (*Financial director*),
N Mandindi*,
LFJ Meiring,
D Naidoo*,
MR Thompson*

* *Non-executive*

SECRETARY

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AUDITORS

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5 Magwa Crescent
Waterfall City, Waterfall
(Private Bag X6, Gallo Manor, 2052)

SPONSOR

Nedbank Corporate and Investment Banking,
a division of Nedbank Limited
135 Rivonia Road, Sandton, 2196
(PO Box 1144, Johannesburg, 2000)

CONSUMER-RELATED PRODUCTS



Distributor of light and heavy duty clutch kits, ignition leads and rotary shaftseals to the automotive aftermarket and hydraulic and pneumatic seals to the industrial and construction equipment market.



Distributor of alloy and steel wheels.



Distributor of CADAC cooking, heating and outdoor products.



Distributor of Permaconn mobile radio communication equipment and systems as well as hosting and support of core IT infrastructure and communication networks.



Distributor of maintenance free batteries for automotive, trucking, mining, stand-by, solar utility and electric vehicle applications and a provider of custom-designed energy solutions.



Distributor of electronic security equipment, including intruder detection, access control, CCTV, fire detection, electric fencing and specialised products, as well as related consumables.



Distributor of batteries, high frequency chargers and related battery equipment to the traction battery market. It also designs, builds and manages battery bays for warehouses and distribution centres.



Distributor of a comprehensive range of quality fasteners, including blind rivets, self-drilling screws, hexagonal bolts, nuts and washers.



global communications

Distributor of professional mobile radio communication equipment and radio systems integrator.



Distributor of sustainable power and storage products and solutions, including solar inverters, PV panels, residential, commercial and industrial storage and balance of plant equipment.



Distributor of suspension and accessories to the 4X4 industry.



Distributor of wireless IP convergence solutions, including network infrastructure, switches and routers, Wi-Fi and hotspot, enterprise wireless, fixed wireless broadband, carrier class wireless, antennas and masts, voice over IP and IP surveillance products.



Distributor of automotive spares and accessories.



Distributor of integrated security and life safety solutions, including surveillance, access control, fire detection, public address and perimeter detection products.



Distributor of Makita power tools, Mercury marine engines and survey instrumentation.



Distributor of voice and data solutions.



Distributor of stand-by and solar batteries.

ENGINEERING CONSUMABLES



Distributor of engineering steels, solid, round, square, hexagonal and hollow bar steel.



Distributor of specialised thermoplastic pipes, fittings and Keymak PVC hose.



Distributor of bearings, chains, seals, electric motors, transmission and allied products.



Distributor of conveyor belting, industrial hose, fluid sealing and process control products.



Manufacturer of conveyor drive pulleys, forging and rollings.



Distributor of plastic and stainless steel slat chains and modular belting and conveyor components. Manufacturer of plastic engineering parts for machines used in food, bottling and mining industries.



Distributor of DEUTZ diesel engines, DEUTZ spare parts, HJS exhaust gas aftertreatment systems and provider of service support.



Distributor of hydraulic pumps and motors to the mining, industrial, mobile, marine and forestry industries.



Manufacturer of hydraulic and pneumatic equipment.



Distributor of filtration solutions, customised exhaust systems, kits and accessories.



Manufacturer and assembler of hydraulic gear pumps.



Manufacturer and repairer of hydraulic cylinders and repairer of drivetrain components.



Distributor and repairer of geared and electric motors, industrial bevel helical transmissions and drive solutions.



Manufacturer of ferrous and non-ferrous castings.



Distributor of electric cabling, plugs, sockets, electric feeder systems and crane materials.



Manufacturer of mining connectors and lighting systems.



Distributor of special steels and of heat treatment to the tool making and general engineering industries.



Manufacturer of end caps on pressure vessels and single pressed weld caps and the pressing and flanging of small conical sections.



Distributor of electrical cable accessories.



Distributor of controllers, monitors and regulators of the speed of standard AC motors.

Hudaco

www.hudaco.co.za