

# *Hudaco*

PRELIMINARY REPORT 2022

## Highlights

Year ended 30 November 2022		Against 2021	Against 2019
Turnover <b>R8.2 billion</b>	↑	<b>12%</b>	22%
Operating profit <b>R1 billion</b>	↑	<b>23%</b>	45%
Profit for the year <b>R675 million</b>	↑	<b>23%</b>	44%
Comparable earnings per share <b>1 951 cents</b>	↑	<b>21%</b>	57%
Headline earnings per share <b>2 007 cents</b>	↑	<b>22%</b>	48%
Final dividend <b>625 cents</b>	↑	<b>20%</b>	52%

Hudaco Industries is a South African group specialising in the importation and distribution of a broad range of high-quality, branded automotive, industrial and electronic consumable products, mainly in the southern African region.

Its businesses fall into the following categories:

### Consumer-related products

Supplied to markets with a bias towards consumer spending and generally sold to installers

- Automotive aftermarket products
- Power tools and fasteners
- Data networking equipment
- Batteries and sustainable energy products
- Security and communication equipment
- Gas and outdoor products

### Engineering consumables

Products generally used in the maintenance of machines and sold mainly to mining and manufacturing customers

- Bearings, belting and power transmission
- Diesel engines and spares
- Electrical power transmission
- Filtration
- Hydraulics and pneumatics
- Specialised steel
- Thermoplastic pipes and fittings

Hudaco sources branded products, mainly on an exclusive basis, directly from leading international manufacturers and to a lesser extent from local manufacturers. Hudaco seeks out niche areas in markets where customers need, and are prepared to pay for, the value Hudaco adds to the products it distributes.

The value added includes product specification, technical advice, application and installation training and troubleshooting, combined with ready availability at a fair price. The group has a network of specialised branches and independent distributors throughout southern Africa to ensure product availability to its customers.

Hudaco's black employees are its BEE partners and have a 15% equity interest in all Hudaco businesses, except for DD Power, in which Deutz AG has a 30% share.

## 2022 Overview

We are delighted with the results Hudaco has achieved this year, especially as they follow the excellent results produced in 2021. For perspective, compared to the pre-Covid 2019 results, comparable earnings per share have increased by 57%. This has been achieved not on the back of buoyant economic conditions but rather in an extremely challenging environment. We are proud of the manner in which the executive teams at almost all our businesses have managed their entire value chain through the myriad of challenges that came their way in 2021 and 2022. Hudaco has again demonstrated its resilience and agility, adapting quickly and successfully to ever-changing conditions.

Doing business in South Africa in 2022 has meant having to deal with, among other things: the government's malaise, which has manifested itself in rampant corruption now rapidly spreading throughout society; the collapse of critical infrastructure and general ineptitude at organs of state. The government's economic policies and its governance failures have been major contributors to the challenging economic conditions and deteriorating living conditions currently being experienced by South Africans. We urge government to put in policies proven internationally, including embracing the rule of law; stamping down on corruption, adopting legislation that encourages businesses to employ more people and ensuring that only competent people are appointed to senior state and municipal positions.

This year Hudaco was impacted by, in particular, the parlous state of Eskom and the associated cost and interruption to business activity caused by ever more frequent, record levels of load shedding (>200 days in 2022); the flooding in KZN; persistent logistical challenges at ports, which were exacerbated by the floods and by strike action, all of which further increased disruptions and costs in the value chain; internationally, Russia's invasion of Ukraine disrupted elements of the world supply chain and drove up logistics costs; China's devastating zero-Covid policy slowed their economy causing stock shortages, including of essential components; the ongoing unavailability of shipping containers; and the now familiar but still disruptive currency volatility.

There has been some international and local easing in supply chain constraints, but the underlying problems remain. Shipping lines are increasingly reluctant to endure the delays involved in docking at Durban port. There are still production backlogs in China and the worldwide shortage of semiconductors and certain raw materials, which has had a knock-on impact on many other products, still needs to be resolved. On the brighter side, the cost of shipping a container has come down somewhat but still exceeds pre-Covid levels. Fortunately, for most of our products, Hudaco has pricing power and can pass these increases on to our customers, thereby protecting our margins.

We are satisfied that the overall strategy we have employed as a group over the past few years has been the appropriate one. We have stuck to the core business model that we understand well, while defensively diversifying our offering to cover sectors of the economy that we had not previously served and which offered growth opportunities missing in our more traditional markets. Since Covid struck, we have invested in our existing businesses by increasing inventory levels by about one month's sales to ensure that we can meet demand from our customers despite the supply chain constraints. Appropriately priced acquisition opportunities have been few and far between, so we have rather deployed available capital in repurchasing Hudaco shares at attractive price levels.

Annual turnover was up 12.3% over 2021 to R8.2 billion, whilst operating profit increased 23.4% to R1 billion. Turnover from the consumer-related products segment was up 13.0%, and operating profit increased 19.8%. Engineering consumables' turnover increased by 11.6%, while its operating profit increased by 28.5%. Encouragingly, the operating profit margin increased from 10.4% to 12.0%. Our sales analysis by market sector shows the turnaround in the security sector and the growth in sustainable energy.

The return on equity increased from 19.5% to 21.7%, and the cash-generative nature of Hudaco's businesses was evident with cash generated from operations of R893 million.

The final dividend has been increased to 625 cents, giving us a total dividend for 2022 of 925 cps, 21.7% up on 2021. Comparable earnings cover the total dividend 2.1 times, which falls within our long-term dividend policy range of paying between 40% and 50% of comparable earnings.

## Financial position

The financial position remains healthy, and this year more of the strong cash generation than usual was invested in working capital, mainly through a strategic increase in inventories of R290 million, taking them to R2 355 million while still leaving the group with a very comfortable R621 million net bank borrowings at year-end. More importantly, interest payments were covered almost 18 times by operating profits, which compares with our internal benchmark of at least five times. We still have significant additional bank borrowing facilities, so there is capacity for acquisitions. We continue to look for businesses in growth areas to diversify further and strengthen our portfolio of businesses.

## Consumer-related products

The consumer-related products segment comprises 12 businesses. In 2022, it made up 52% of Hudaco's sales and 58% of operating profit. In 2021, this segment contributed 52% of the group sales and 60% of the operating profit.

Consumer spending was under pressure again because of significantly increased inflation, rising interest rates, unemployment and a depressed economy. Nevertheless, almost all businesses in this segment had a good year despite volume reduction in some businesses. The security division delivered a vastly better performance. Unfortunately, our traction battery business performed poorly, so we have changed the management team and are looking forward to a much-improved result in 2023.

Segment sales increased by 13.0% to R4.3 billion. Having the right stock available alleviated the pressure on margins, so the operating profit increased by 19.8% to R661 million, and the operating profit margin was a very healthy 15.5% compared to 14.6% in 2021.

CADAC, acquired at the end of February 2022, has been a very welcome addition to the portfolio, as has Hudaco Energy, which we established a year ago to supply solar power equipment and other solutions to the burgeoning sustainable energy market.

## Engineering consumables

The 18 engineering consumables businesses made up 48% of group sales and 42% of operating profit. In 2021 this segment contributed 48% of group sales and 40% of the operating profit.

The segment increased turnover 11.6% to R3.9 billion and operating profit by 28.5% to R470 million. The two most significant market sectors in this segment are mining and manufacturing, and we have managed to grow sales again this year. Most of the businesses in this segment performed well, with outstanding performances coming from our businesses supplying diesel engines, specialised steel and dished ends, gear pumps, bespoke castings, filtration, bearings, modular belting and inverters. The operating profit margin increased from 10.4% to 12.0%, partly because we are seeing the benefits of cost rationalisations completed in recent years.

## Repurchase of shares

Capital allocation is always an essential consideration for Hudaco. During the 2022 financial year, in the absence of further suitable acquisitions and given the prevailing price of Hudaco's shares, the company repurchased and cancelled 928 740 shares at an average cost of R142.81 per share before transaction costs. The total cost was R133 million. The shares were repurchased between 8 December 2021 and 8 November 2022. The lowest price paid per share was R126.00 and the highest was R147.00, excluding transaction cost.

## Prospects

On the back of two years of solid growth under extremely challenging conditions, Hudaco is in a very strong position to weather whatever storms 2023 may bring. The market shares our businesses have gained will be maintained, and this is now our new base to grow from.

In the consumer-related products segment, we expect to see further improvement in our security and communications businesses. Our automotive aftermarket businesses should continue to benefit from the growing second-hand carpool requiring more replacement parts. Thus far, our excitement about the alternative energy sector has been justified, and we remain positive about the impact our year-old Hudaco Energy business should bring to our diesel engine, battery and electrical businesses already supplying to the sustainable energy market. Since its acquisition, CADAC has performed well above expectations, and we remain excited about its growth potential.

The engineering consumables segment supplies parts that wear and require regular replacement to businesses that mine, or that manufacture necessities for everyday life. There will always be a need for these products in good times and bad. The synergies and consolidations we have implemented over the last two years have contributed to our market share gains, and we believe there is more to come in the year ahead. We estimate that the overall negative impact of the floods in KZN on the group's operating profit was around R20 million, which hopefully will not be repeated in 2023.

Hudaco's business model, principally the sale of replacement parts and products 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. That augurs well for stability as we navigate the challenges of doing business in South Africa.

There is much that the government could do to set South Africa on the path to reasonable economic prosperity. We implore them to take the bold steps required to create an environment where businesses can play a leading role in achieving this. If we get more of the same on the political and economic front, we will continue to grind it out as we have done over the past few years, doing the right things well and delivering highly credible returns. Notwithstanding the difficult general business environment for SA Inc, Hudaco has a track record of delivering highly commendable results in tough times. In the right environment, Hudaco has outstanding potential.

## Alternate director and executive committee

We are pleased to announce that Ernie Smith, one of our portfolio executives, was appointed by the board as an alternate director to Louis Meiring on 2 February 2023 and that Burtie Roberts, who has held various positions in the group over 20 years, and Lavern Jacobs, who has been with Partquip for 28 years, were appointed to the executive committee with effect from 2 February 2023. We look forward to working with them and wish them much success in their new roles. David Allman, who reaches retirement age in a few months after a career of 37 years with the group, steps down from the executive committee.

## Appreciation

As we have said before, operating in South Africa is exceptionally challenging. The excellent results achieved this year were made possible only through the commitment and experience of our management teams at the executive committee and individual business levels. Furthermore, we are blessed with excellent people at all levels throughout the group. We value their contributions and appreciate them for who and what they are individually, as people. We make special mention of David Allman, and thank him for his friendship and significant contribution to the businesses with which he has been involved over the years and to the executive committee. We wish him a long and happy retirement in good health.

## Declaration of final dividend no 71

Final dividend number 71 of 625 cents per share (2021: 520 cents per share) is declared payable on Monday, 6 March 2023 to ordinary shareholders recorded in the register at the close of business on Friday, 3 March 2023.

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

Last day to trade <i>cum</i> dividend	Tuesday, 28 February 2023
Trading ex dividend commences	Wednesday, 1 March 2023
Record date	Friday, 3 March 2023
Payment date	Monday, 6 March 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 March 2023 and Friday, 3 March 2023, both days inclusive. The certificated register will be closed for this period.

In terms of the Listings Requirements of the JSE Limited regarding Dividend 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 500 cents per share for shareholders liable to pay the Dividend Tax and 625 cents per share for shareholders exempt from the Dividend Tax;
- Hudaco Industries Limited has 31 590 980 (2021: 32 519 720) shares in issue (which includes 2 507 828 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 year ended 30 November 2022 via webinar at 10:00 on Friday, 3 February 2023. Should you wish to participate kindly contact Megan Cameron-Gunn at [megan@hudaco.co.za](mailto: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, 3 February 2023.

## Auditor's review

The preliminary group condensed financial statements for the year ended 30 November 2022 have been reviewed by Deloitte & Touche, who have expressed an unmodified review conclusion which appears on page 13.



**SJ Connelly**

*Chairman*

2 February 2023



**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](http://www.hudaco.co.za)

# Group condensed statement of financial position

at 30 November 2022

R million	2022 #	2021*
<b>Assets</b>		
<b>Non-current assets</b>	<b>1 994</b>	1 978
Property, plant and equipment	309	285
Right-of-use assets	382	422
Goodwill	1 182	1 170
Intangible assets	39	26
Deferred taxation	82	75
<b>Current assets</b>	<b>3 949</b>	3 472
Inventories	2 355	2 004
Trade and other receivables	1 366	1 245
Taxation	1	
Bank deposits and balances	227	223
<b>Total assets</b>	<b>5 943</b>	5 450
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>3 254</b>	2 976
Equity holders of the parent	3 096	2 863
Non-controlling interest	158	113
<b>Non-current liabilities</b>	<b>1 081</b>	1 003
Amounts due to bankers	750	630
Lease liabilities	330	372
Deferred taxation	1	1
<b>Current liabilities</b>	<b>1 608</b>	1 471
Trade and other payables	1 322	1 272
Bank overdraft	98	62
Amounts due to vendors of businesses acquired	24	
Lease liabilities	110	105
Taxation	54	32
<b>Total equity and liabilities</b>	<b>5 943</b>	5 450

# Reviewed \* Audited



# Group condensed statement of comprehensive income

for the year ended 30 November 2022

R million	2022 *	% change	2021*
<b>Turnover</b>	<b>8 151</b>	12.3	7 258
– Ongoing operations	<b>7 916</b>	9.1	7 258
– Acquisition	<b>235</b>		
Cost of sales	<b>(5 159)</b>	12.9	(4 571)
<b>Gross profit</b>	<b>2 992</b>	11.3	2 687
Other income – proceeds from insurance claims	<b>27</b>		
Decrease in expected credit losses	<b>3</b>		
Operating expenses	<b>(2 003)</b>	7.7	(1 861)
<b>Operating profit before fair value adjustments</b>	<b>1 019</b>	23.4	826
– Ongoing operations	<b>992</b>	20.1	826
– Acquisition	<b>27</b>		
Fair value adjustments	<b>(1)</b>		10
<b>Profit before interest</b>	<b>1 018</b>	21.8	836
Interest on lease liabilities	<b>(29)</b>		(32)
Finance costs	<b>(58)</b>		(36)
<b>Profit before taxation</b>	<b>931</b>	21.3	768
Taxation	<b>(256)</b>		(219)
<b>Profit for the year</b>	<b>675</b>	22.8	549
<b>Other comprehensive income that will subsequently be reclassified to profit or loss</b>	<b>18</b>		5
Profit on fair value of cash flow hedges	<b>14</b>		2
Tax effect of the above	<b>3</b>		
Exchange gain on translation of foreign operations	<b>1</b>		3
<b>Total comprehensive income for the year</b>	<b>693</b>	25.1	554
Profit attributable to:			
– Equity holders of the parent	<b>596</b>	19.6	499
– Non-controlling shareholders	<b>79</b>		50
	<b>675</b>	22.8	549
Total comprehensive income attributable to:			
– Equity holders of the parent	<b>611</b>	21.7	502
– Non-controlling shareholders	<b>82</b>		52
	<b>693</b>	25.1	554
<b>Basic earnings per share (cents)</b>	<b>2 007</b>	22.2	1 643
<b>Diluted basic earnings per share (cents)</b>	<b>1 927</b>	19.7	1 610
<b>Additional metrics<sup>^</sup></b>			
<b>Earnings per share (cents)</b>			
– Headline	<b>2 007</b>	22.3	1 641
– Comparable	<b>1 951</b>	21.0	1 613
<b>Diluted earnings per share (cents)</b>			
– Headline	<b>1 926</b>	19.8	1 608
– Comparable	<b>1 873</b>	18.5	1 581
<b>Calculation of headline earnings</b>			
Profit attributable to equity holders of the parent	<b>596</b>	19.6	499
<i>Adjusted for:</i>			
Profit on disposal of plant and equipment and intangible assets after non-controlling interest and tax			(1)
<b>Headline earnings</b>	<b>596</b>	19.7	498
<b>Calculation of comparable earnings</b>			
Headline earnings	<b>596</b>		498
<i>Adjusted for:</i>			
Other income – proceeds from insurance claim	<b>(27)</b>		
Fair value adjustment on capital amounts from vendors of businesses acquired			(10)
Non-controlling interest and tax	<b>10</b>		2
<b>Comparable earnings</b>	<b>579</b>	18.3	490
<b>Dividends</b>			
– Per share (cents)	<b>925</b>	21.7	760
– Amount (Rm)	<b>272</b>		229
<b>Shares in issue (000)</b>	<b>29 083</b>		30 012
– Total (000)	<b>31 591</b>		32 520
– Held by subsidiary (000)	<b>(2 508)</b>		(2 508)
<b>Weighted average shares in issue</b>			
– Total (000)	<b>29 702</b>		30 357
– Diluted (000)	<b>30 938</b>		30 975

# Reviewed \* Audited ^ Not part of group condensed statement of comprehensive income

# Group condensed statement of cash flows

for the year ended 30 November 2022

R million	2022 <sup>#</sup>	2021 <sup>*</sup>
<b>Cash flow from operating activities</b>		
Operating profit before fair value adjustments	1 019	826
<i>Adjusted for non-cash items:</i>		
– Equity-settled share-based payments	56	36
– Depreciation and profit on disposal of plant and equipment	49	42
– Depreciation on right-of-use assets	118	108
– Amortisation and loss on scrapping of intangible assets	7	14
Increase in working capital	(356)	(116)
<b>Cash generated from operations</b>	893	910
Taxation paid	(244)	(220)
<b>Net cash from operating activities</b>	649	690
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment	(78)	(69)
Additions to intangible assets	(6)	(6)
Proceeds from disposal of property, plant and equipment	8	8
Acquisition of business	(81)	
Receipts from vendors of businesses acquired		9
<b>Net cash from investing activities</b>	(157)	(58)
<b>Cash flow from financing activities</b>		
Advances from non-current amounts due to bankers	400	40
Repayment of non-current amounts due to bankers	(280)	(190)
Share-based payments settled	(36)	(16)
Repurchase of shares	(133)	(69)
Repayment of lease liabilities (Rent paid)	(143)	(126)
– Capital	(114)	(94)
– Interest	(29)	(32)
Finance costs paid	(58)	(36)
Dividends paid	(276)	(213)
<b>Net cash from financing activities</b>	(526)	(610)
(Decrease) increase in net bank balances	(34)	22
Foreign exchange translation gain	2	3
<b>Net bank balances at beginning of the year</b>	161	136
<b>Net bank balances at end of the year</b>	129	161

<sup>#</sup> Reviewed <sup>\*</sup> Audited

# Group condensed statement of changes in equity

for the year ended 30 November 2022

R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
<b>Balance at 1 December 2020</b>	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)
<b>Balance at 30 November 2021</b>	3	136	2 743	2 882	113	2 995
Less: Shares held by subsidiary company			(19)	(19)		(19)
<b>Net balance at 30 November 2021*</b>	3	136	2 724	2 863	113	2 976

R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
<b>Balance at 1 December 2021</b>	3	136	2 743	2 882	113	2 995
Repurchase of shares			(133)	(133)		(133)
Transfer to cost of inventory		(21)		(21)	(5)	(26)
Comprehensive income for the year		15	596	611	82	693
Movement in equity compensation reserve		28	(8)	20		20
Dividends			(244)	(244)	(32)	(276)
<b>Balance at 30 November 2022</b>	3	158	2 954	3 115	158	3 273
Less: Shares held by subsidiary company			(19)	(19)		(19)
<b>Net balance at 30 November 2022 #</b>	3	158	2 935	3 096	158	3 254

\* Audited # Reviewed

# Supplementary information

The group condensed financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements, as issued by Financial Reporting Standards Council. The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the preparation of the group annual financial statements for the year ended 30 November 2022 and are the same as were applied for the year ended November 2021, except for the adoption of amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 as part of the IBOR reform project phase 2. This had no impact on these preliminary results of the group. The group condensed financial statements have been prepared on the going concern and historical cost bases, except where otherwise indicated. The presentation currency is the South African Rand, rounded to the nearest million, except where otherwise indicated.

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 the preliminary report.

	2022 <sup>^</sup>	2021 <sup>^</sup>
Average net operating assets (NOA) (Rm)	<b>4 275</b>	3 790
Operating profit margin (%)	<b>12.5</b>	11.4
Average NOA turn (times)	<b>1.9</b>	1.9
Return on average NOA (%)	<b>23.8</b>	21.8
Average net tangible operating assets (NTOA) (Rm)	<b>2 708</b>	2 246
PBITA margin (%)	<b>12.5</b>	11.5
Average NTOA turn (times)	<b>3.0</b>	3.2
Return on average NTOA (%)	<b>37.7</b>	37.0
Net asset value per share (cents)	<b>10 647</b>	9 541
Return on average equity (%)	<b>21.7</b>	19.5

<sup>^</sup> Unaudited

	2022 #	2021*
<b>Turnover comprises (Rm)</b>		
<i>Revenue from contracts with customers</i>		
Sales of products	<b>7 895</b>	7 020
Rendering of services	<b>256</b>	238
	<b>8 151</b>	7 258
<i>Timing of revenue recognition</i>		
Goods and services transferred at a point in time	<b>7 976</b>	7 042
Goods and services transferred over time <sup>(1)</sup>	<b>175</b>	216
	<b>8 151</b>	7 258
<small>(1) The remaining transaction price allocated to unsatisfied performance obligations will be satisfied within one year.</small>		
<i>Geographical disaggregation</i>		
Goods and services sold in South Africa	<b>7 348</b>	6 711
Goods and services sold outside South Africa	<b>803</b>	547
	<b>8 151</b>	7 258
<b>Operating profit has been determined after taking into account the following charges (Rm)</b>		
– Depreciation of property, plant and equipment	<b>49</b>	46
– Depreciation of right-of-use assets	<b>118</b>	108
– Amortisation of intangible assets	<b>7</b>	11
<b>Capital expenditure (Rm)</b>		
– Incurred during the period	<b>84</b>	76
– Authorised but not yet contracted for	<b>94</b>	88
– Already contracted for	<b>32</b>	

# Reviewed \* Audited

## Fair value disclosure

All financial instruments are carried at amounts that approximate their fair value. The fair value of forward 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 carrying amount of forward exchange contracts at 30 November 2022 is a liability of R19.4 million (2021: R13.6 million asset).

## Acquisition of business

On 28 February 2022, the group acquired the South African operations of Cadac (Pty) Ltd for a maximum consideration of R100 million based on future profits, with an initial payment of R76 million. The remainder of the purchase price is payable in May 2023.

Amounts recognised on acquisition include plant and equipment of R3 million, right-of-use assets of R3 million, inventories of R59 million, trade and other receivables of R35 million, trade and other payables of R15 million, bank overdraft of R5 million, lease liabilities of R3 million, deferred tax liabilities of R4 million, intangible assets of R14 million, all determined at fair values, and goodwill of R12 million. The purchase price allocation was done in terms of 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 R8 192 million and R677 million, respectively.

# Segment information

for the year ended 30 November 2022

R million	Turnover		
	2022 #	% change	2021*
Consumer-related products	4 269	13.0	3 777
Engineering consumables	3 907	11.6	3 501
<b>Total operating segments</b>	<b>8 176</b>	<b>12.3</b>	<b>7 278</b>
Head office, shared services and eliminations	(25)		(20)
<b>Total group</b>	<b>8 151</b>	<b>12.3</b>	<b>7 258</b>

R million	Operating profit		
	2022 #	% change	2021*
Consumer-related products	661	19.8	552
Engineering consumables	470	28.5	366
<b>Total operating segments</b>	<b>1 131</b>	<b>23.2</b>	<b>918</b>
Head office, shared services and eliminations	(112)		(92)
<b>Total group</b>	<b>1 019</b>	<b>23.4</b>	<b>826</b>

R million	Average net operating assets		
	2022^	% change	2021^
Consumer-related products	2 226	9.3	2 036
Engineering consumables	2 089	12.6	1 855
<b>Total operating segments</b>	<b>4 315</b>	<b>10.9</b>	<b>3 891</b>
Head office, shared services and eliminations	(40)		(101)
<b>Total group</b>	<b>4 275</b>	<b>12.8</b>	<b>3 790</b>

# Reviewed \* Audited ^ Unaudited

## **INDEPENDENT AUDITOR'S REVIEW REPORT ON THE PRELIMINARY GROUP CONDENSED FINANCIAL STATEMENTS To the Shareholders of Hudaco Industries Limited**

We have reviewed the Group Condensed Financial Statements of Hudaco Industries Limited, contained in the accompanying Preliminary Report, which comprise the group condensed statement of financial position as at 30 November 2022 and the group condensed statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

### **Directors' Responsibility for the Group Condensed Financial Statements**

The directors are responsible for the preparation and presentation of these group condensed financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in the Supplementary Information, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require group condensed financial statements contained in a preliminary report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34 - Interim Financial Reporting.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

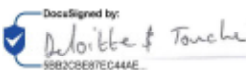
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

### **Other Matter**

The group financial statements of the Group for the year ended 30 November 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 17 February 2022.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the group condensed financial statements of Hudaco Industries Limited for the year ended 30 November 2022 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in the Supplementary Information, and the requirements of the Companies Act of South Africa.

DocSigned by:  
  
50B2C8E87EC44AE

**Deloitte & Touche**  
Registered Auditor  
Per: PWM van Zijl  
Partner  
2 February 2023

5 Magwa Crescent, Waterfall City, Waterfall, Johannesburg

# 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 a comprehensive range of quality fasteners, including blind rivets, self-drilling screws, hexagonal bolts, nuts and washers.
	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 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.
<b>DEUTZ DIESELPWER</b>	Distributor of DEUTZ diesel engines, DEUTZ spare parts, HJS exhaust gas after-treatment 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.

# 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](mailto:info@hudaco.co.za)

Website: [www.hudaco.co.za](http://www.hudaco.co.za)

## **SECRETARY**

Acorim Secretarial and Governance Services

13th Floor, Illovo Point

68 Melville Road, Illovo

Tel: +27 11 325 6363

Email: [hudaco@acorim.co.za](mailto:hudaco@acorim.co.za)

Website: [www.acorim.co.za](http://www.acorim.co.za)

## **TRANSFER SECRETARIES**

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue, Rosebank

(PO Box 61051, Marshalltown, 2107)

Tel: + 27 11 370 5000

## **AUDITORS**

Deloitte & Touche

5 Magwa Crescent

Waterval City, Waterfall

(Private Bag X6, Gallo Manor, 2052)

## **SPONSOR**

Nedbank Corporate and Investment Banking,  
a division of Nedbank Limited

135 Rivonia Road, Sandton

(PO Box 1144, Johannesburg, 2000)

## **DIRECTORS**

SJ Connelly (Chairman)\*

GR Dunford (Chief executive)

CV Amoils (Financial director)

N Mandindi\*

LFJ Meiring

D Naidoo\*

MR Thompson\*

EJ Smith (Alternate director)

*\*Non-executive*

