

Hudaco

CONDENSED RESULTS 2023

Highlights

Year ended 30 November 2023

Turnover R8.9 billion	↑	9%
Operating profit R1 billion	↑	5%
Cash generated from operations R0.9 billion	↑	1%
Comparable earnings per share [^] 2 148 cents	↑	10%
Headline earnings per share 2 148 cents	↑	7%
Final dividend 700 cents	↑	12%

[^] Non-IFRS measure

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
- Fire detection, containment and suppression
- Hydraulics and pneumatics
- Specialised steel
- Thermoplastic pipes, fittings and equipment

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.

2023 Overview

Hudaco has once again delivered pleasing results under very trying economic circumstances. The benefit of having a defensive, robust portfolio of diverse businesses was once again evident in 2023 in that, although the consumer-related products businesses found the environment very difficult with consumer spending under so much pressure, the engineering consumables businesses came to the fore with a sterling performance.

The last year was the worst year yet from a load-shedding perspective. Coupled with increased chaos at our ports and Transnet's substantial and escalating logistical issues, this is severely damaging the country's economy and foreign investor confidence. Disposable income has come under even greater pressure due to high petrol prices and interest rates, as well as high unemployment. We also note that attracting and retaining high-quality technical professionals in many of our businesses is becoming increasingly difficult. The slow decline of our country is extremely alarming and denies all South Africans the promise of 1994. It is of great concern that growth in GDP in South Africa has continued to lag behind population growth year after year for over a decade, which means that people are becoming consistently poorer.

Annual turnover was up 9.1% over 2022 to R8.9 billion, whilst operating profit increased 5.1% to R1 071 million. The group operating profit margin was 12.0%, compared with 12.5% last year. Turnover from the consumer-related products segment was up 3.7%, whilst its operating profit decreased 10.4%. On the other hand, engineering consumables' turnover increased by 14.9%, and its operating profit increased by 23.7%. Sales analysis by market sector shows increases in the wholesale and retail, mining and manufacturing and alternative energy sectors.

Headline earnings per share, which in 2022 included COVID-19 insurance claims, increased by 7%, whereas comparable earnings per share increased by 10%. Return on equity is healthy at 19.9%, and the cash-generative nature of Hudaco's businesses was evident, with cash generated from operations of R902 million.

The final dividend has been increased by 12% to 700 cents per share, resulting in a total dividend for 2023 of 1 025 cents per share, up 10.8% on 2022. 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 strong. We invested R171 million in acquisitions, R33 million in purchasing the property occupied by FHS, R112 million in share buybacks and allocated R392 million more to working capital, mainly inventory, which contributed to an increase in bank borrowings from R621 million to R1 013 million. Importantly, operating profits covered interest payments almost ten times, which compares favourably with our internal benchmark of at least five times. We still have significant additional bank borrowing facilities, so there is capacity for good acquisitions should we find them.

Inventories at year-end of R2 693 million are R338 million up on 2022, mainly due to the 13% increase in the cost of stock due to the devaluation of the Rand, the acquisition of Brigit Fire and the strategic investment in our alternative energy businesses.

Consumer-related products

The consumer-related products segment consists of 12 businesses. In 2023, it comprised 50% of Hudaco's sales and 50% of operating profit. In 2022, this segment contributed 52% of the group sales but 58% of the operating profit.

With consumers feeling the pressures of load-shedding, near record-high fuel prices, inflation, rising interest rates, unemployment and a depressed economy, volume sales and gross margins declined, and most businesses in this segment were down on 2022 but still produced good results under the circumstances. As part of our growth strategy, we invested heavily in our alternative energy businesses, in both people and stock; unfortunately, with the oversupply of panels and batteries in the market from around mid-year and reduced load-shedding for a while, the budgeted growth in sales did not materialise. The security division and CADAC had another year of good growth in sales. Our traction battery business, with a new management team now in place, achieved a strong turnaround, with more to come in 2024.

Segment sales increased by 3.7% to R4.43 billion, operating profit decreased by 10.4% to R592 million, and the operating profit margin was a healthy 13.4%.

Engineering consumables

The 19 engineering consumables businesses comprised 50% of group sales and 50% of operating profit. Last year, this segment contributed 48% of group sales and 42% of operating profit.

The segment increased turnover by 15% to R4.49 billion and operating profit by 23.7% to R581 million. The two most significant market sectors in this segment are mining and manufacturing, and we saw good growth in these sectors again in 2023. Consequently, most of the businesses in this segment performed well, with outstanding performances coming from our businesses supplying diesel engines, gear pumps, filtration, bearings and power transmission, modular belting and our electrical businesses. Brigit Fire has been included in these results for three months and has integrated well into Hudaco. The operating profit margin increased from 12% to 12.9%.

Repurchase of shares

Capital allocation is always an essential consideration for Hudaco. During the 2023 financial year, in the absence of suitable acquisitions and given the prevailing price of Hudaco's shares, the company repurchased and cancelled 695 000 shares at an average cost of R159.99 per share before transaction costs. The total cost was R112 million.

Acquisitions

Brigit Fire

To invest in an industry with growth potential and to further diversify the revenue stream, on 1 September 2023, the group acquired the businesses of the Brigit Fire group for a maximum potential consideration of R315 million based on future profits, with an initial payment of R150 million. The remainder of the purchase price is payable in two tranches after one and two years respectively, based on actual average levels of profitability achieved in each of those years.

Plasti-Weld

As a bolt-on acquisition for Astore Keymak, Hudaco's thermoplastic pipes and fittings business, the Plasti-Weld business was purchased on 1 December 2023. The final consideration will be determined in February 2025 with a maximum of R56 million, which includes an initial payment of R43 million made in December 2023.

Strategic focus

Our key strategic focus remains unchanged: distributing strong international branded products requiring added value in instant availability and technical input. Our philosophy of carefully managing the relationship between turnover, margins, inventories and costs means that businesses currently serving low- or no-growth markets generally remain very cash generative. We continue to pay generous dividends and invest the balance in our higher-growth businesses and accretive acquisitions that diversify and strengthen our overall offering. We also continue to look for new markets and grow our businesses' reach geographically, where appropriate.

Prospects

Prospects for Hudaco will depend mainly on how the economy performs, and in 2024, that is bound to be influenced by the lead-up to and outcome of the national elections. We expect that in the first half we will experience more of the same inertia as business adopts a wait and see approach. However, we are ever hopeful for change and a positive electoral outcome for the country, followed by some meaningful action and implementation from government on the policy front. The country desperately needs to counter high unemployment and reverse the performance deterioration seen in almost every area under government and municipal control. This would kick-start the economy and hopefully translate into investment in those sectors that are traditional Hudaco markets. Our businesses are well placed to benefit immediately from such a scenario. We expect another year of strong cash generation as the excess stock in our alternative energy businesses is sold.

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, makes Hudaco resilient. That augurs well for stability as we navigate the challenges of doing business in an election year in South Africa.

Changes to the board of directors and board committees

Louis Meiring has tendered his resignation as executive director of the company to enable him to devote his time to his personal business interests. His departure date, which will be set to ensure a smooth transition of responsibilities, will be no later than 31 March 2024. With effect from 1 February 2024, Ernie Smith, who has served as alternate director to Louis Meiring for the past year, has been appointed to the Board as a director in his own right.

Daisy Naidoo will retire from the board following the annual general meeting to be held on 27 March 2024. Daisy has been an independent non-executive director since 2011 and currently serves as lead independent non-executive director, chairman of the audit and risk management committee and a member of the nomination and the social and ethics committees. Although the board is completely satisfied that her independence has not been impaired in any way on account of her tenure, in the interests of being seen to follow principles of good corporate governance, she believes that she should not continue on the board, and we respect her decision.

Pursuant to the above, the following changes will be effective after the forthcoming annual general meeting to be held on 27 March 2024:

- Mark Thompson will assume the role of lead independent non-executive director;
- Bukelwa Bulo, who was appointed to the board on 22 June 2023, will assume the roles of chairman of the audit and risk management committee, and member of the remuneration committee and the social and ethics committee;
- Nyami Mandindi will step down as a member of the remuneration committee and become a member of the nomination committee; and
- Ernie Smith will replace Louis Meiring as a member of the social and ethics committee.

Appreciation

Challenging has become the new normal over the past few years given the economic conditions under which we operate. It is only through the commitment and experience of the members of the executive committee as well as management at an individual business level that the group has been able to deliver so consistently. There is excellence among our staff at all levels within the group and their contribution is valued and appreciated. Our loyal suppliers and customers are important stakeholders too and we thank them for the roles that they play in our mutual success.

We thank our experienced board members for their guidance and direction over the year. Interaction between non-executive and executive directors has always been constructive, effective and in the best interests of the company. We make specific mention of Daisy Naidoo, who has served as an exemplary non-executive director since 2011 and Louis Meiring, who has been an important member of the executive for the past five years, both of whom will be stepping down from the board in the next few months. We thank them for the very significant contributions they have made in all respects.

Declaration of final dividend no 73

Final dividend number 73 of 700 cents per share (2022: 625 cents per share) is declared payable on Monday, 4 March 2024 to ordinary shareholders recorded in the register at the close of business on Friday, 1 March 2024.

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

Last day to trade <i>cum</i> dividend	Tuesday, 27 February 2024
Trading ex dividend commences	Wednesday, 28 February 2024
Record date	Friday, 1 March 2024
Payment date	Monday, 4 March 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 February 2024 and Friday, 1 March 2024, 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 560 cents per share for shareholders liable to pay the Dividend Tax and 700 cents per share for shareholders exempt from the Dividend Tax;
- Hudaco Industries Limited has 30 895 980 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 2023 via webinar and in person in Johannesburg at 10:30 on Friday, 2 February 2024. Should you wish to participate, kindly contact Megan Cameron-Gunn at megan@hudaco.co.za. The slides which form part of the presentation will be available on the company's website from Friday, 2 February 2024.

Auditor's review

The group condensed financial statements for the year ended 30 November 2023 have been reviewed by Deloitte & Touche, who have expressed an unmodified review conclusion which appears on page 14.

Any forward-looking statements or indicators of future financial performance included in this announcement have not been reviewed or reported on by the group's external auditors.



SJ Connelly
Chairman



GR Dunford
Chief executive

1 February 2024

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Sponsor

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

Group condensed statement of financial position

at 30 November 2023

R million	2023 [#]	2022 [*]
Assets		
Non-current assets	2 229	1 994
Property, plant and equipment	363	309
Right-of-use assets	406	382
Goodwill	1 285	1 182
Intangible assets	132	39
Deferred taxation	43	82
Current assets	4 428	3 949
Inventories	2 693	2 355
Trade and other receivables	1 490	1 366
Taxation		1
Bank deposits and balances	245	227
Total assets	6 657	5 943
Equity and liabilities		
Equity	3 481	3 254
Equity holders of the parent	3 285	3 096
Non-controlling interest	196	158
Non-current liabilities	1 602	1 081
Amounts due to bankers	1 150	750
Amounts due to vendors of businesses acquired	83	
Lease liabilities	361	330
Deferred taxation	8	1
Current liabilities	1 574	1 608
Trade and other payables	1 279	1 322
Bank overdraft	108	98
Amounts due to vendors of businesses acquired	53	24
Lease liabilities	109	110
Taxation	25	54
Total equity and liabilities	6 657	5 943

[#] Reviewed ^{*} Audited

Group condensed statement of comprehensive income

for the year ended 30 November 2023

R million	2023 [#]	% change	2022*
Turnover	8 897	9.1	8 151
– Ongoing operations	8 472	7.0	7 916
– Operations acquired after December 2021	425		235
Cost of sales	(5 694)		(5 159)
Gross profit	3 203	7.1	2 992
Other income – proceeds from insurance claims			27
(Increase) decrease in expected credit losses	(20)		3
Operating expenses	(2 112)	5.5	(2 003)
Operating profit before fair value adjustments	1 071	5.1	1 019
– Ongoing operations	1 011	1.9	992
– Operations acquired after December 2021	60		27
Loss on disposal of business	(3)		
Fair value adjustments	(4)		(1)
Profit before interest	1 064	4.6	1 018
Interest on lease liabilities	(38)		(29)
Finance costs	(112)		(58)
Profit before taxation	914	(1.8)	931
Taxation	(245)		(256)
Profit for the year	669	(0.8)	675
Other comprehensive income that will subsequently be reclassified to profit or loss	34		18
Profit on fair value of cash flow hedges	38		14
Tax effect of the above	(4)		3
Exchange gain on translation of foreign operations			1
Total comprehensive income for the year	703	1.5	693
Profit attributable to:			
– Equity holders of the parent	611	2.4	596
– Non-controlling shareholders	58		79
	669	(0.8)	675
Total comprehensive income attributable to:			
– Equity holders of the parent	644	5.4	611
– Non-controlling shareholders	59		82
	703	1.5	693
Basic earnings per share (cents)	2 142	6.7	2 007
Diluted basic earnings per share (cents)	2 067	7.3	1 927
Additional metrics[§]			
Earnings per share (cents)			
– Headline	2 148	7.0	2 007
– Comparable	2 148	10.1	1 951
Diluted earnings per share (cents)			
– Headline	2 073	7.6	1 926
– Comparable	2 073	10.7	1 873
Calculation of headline earnings			
Profit attributable to equity holders of the parent	611	2.4	596
<i>Adjusted for:</i>			
Loss on disposal of business	3		
Profit on disposal of plant, equipment and intangible assets	(1)		
Headline earnings	613	2.8	596
Calculation of comparable earnings			
Headline earnings as per above	613	2.8	596
<i>Adjusted for:</i>			
Other income – proceeds from insurance claim			(27)
Non-controlling interest and tax			10
Comparable earnings[^]	613	5.7	579
Dividends			
– Per share (cents)	1 025	10.8	925
– Amount (Rm)	291		272
Weighted average shares in issue			
– Total (000)	28 519		29 702
– Diluted (000)	29 549		30 938

[#] Reviewed ^{*} Audited [§] Not part of group condensed statement of comprehensive income [^] Non-IFRS measure

Group condensed statement of cash flows

for the year ended 30 November 2023

R million	2023*	2022*
Cash flow from operating activities		
Operating profit before fair value adjustments	1 071	1 019
<i>Adjusted for non-cash items:</i>		
– Equity-settled share-based payments	49	56
– Depreciation and profit on disposal of plant and equipment	52	49
– Depreciation and profit on remeasurement of right-of-use assets	111	118
– Amortisation and loss on scrapping of intangible assets	11	7
Increase in working capital	(392)	(356)
Cash generated from operations	902	893
Taxation paid	(260)	(244)
Net cash from operating activities	642	649
Cash flow from investing activities		
Additions to property, plant and equipment	(105)	(78)
Additions to intangible assets	(8)	(6)
Proceeds from disposal of property, plant and equipment	9	8
Acquisition of businesses	(147)	(81)
Payments to vendors of businesses acquired	(24)	
Net cash from investing activities	(275)	(157)
Cash flow from financing activities		
Advances from non-current amounts due to bankers	400	400
Repayment of non-current amounts due to bankers		(280)
Share-based payments settled	(101)	(36)
Repurchase of shares	(112)	(133)
Repayment of lease liabilities (rent paid)	(144)	(143)
– Capital	(106)	(114)
– Interest	(38)	(29)
Finance costs paid	(112)	(58)
Dividends paid	(290)	(276)
Net cash from financing activities	(359)	(526)
Increase (decrease) in net bank balances	8	(34)
Foreign exchange translation gain		2
Net bank balances at beginning of the year	129	161
Net bank balances at end of the year	137	129

* Reviewed * Audited

Group condensed statement of changes in equity

for the year ended 30 November 2023

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			(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)
Balance at 30 November 2022	3	158	2 954	3 115	158	3 273
<i>Less: Shares held by subsidiary company</i>			(19)	(19)		(19)
Net balance at 30 November 2022*	3	158	2 935	3 096	158	3 254

R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
Balance at 1 December 2022	3	158	2 954	3 115	158	3 273
Repurchase of shares			(112)	(112)		(112)
Transfer to cost of inventory		(22)		(22)	(1)	(23)
Comprehensive income for the year		33	611	644	59	703
Movement in equity compensation reserve		(3)	(48)	(51)		(51)
Dividends			(270)	(270)	(20)	(290)
Balance at 30 November 2023	3	166	3 135	3 304	196	3 500
<i>Less: Shares held by subsidiary company</i>			(19)	(19)		(19)
Net balance at 30 November 2023#	3	166	3 116	3 285	196	3 481

* Audited * Reviewed

Supplementary information

The condensed consolidated financial results contained in this report are prepared in accordance with the requirements of the JSE Limited Listings Requirements for condensed reports and the requirements of the Companies Act of South Africa. The Listings Requirements require condensed reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Reporting. The accounting policies applied in the preparation of these condensed consolidated results are in terms of IFRS and are consistent with those used in the annual financial statements for the year ended 30 November 2022 except for the adoption of the Annual Improvements to IFRS Standards 2018 – 2020 and Amendments to IAS 16; IFRS 3 and IAS 37, which did not have an impact on the accounting policies of the group.

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.

	2023 [^]	2022 [^]
Average net operating assets (NOA) (Rm)	4 724	4 275
Operating profit margin (%)	12.0	12.5
Average NOA turn (times)	1.9	1.9
Return on average NOA (%)	22.7	23.8
Average net tangible operating assets (NTOA) (Rm)	3 154	2 708
PBITA margin (%)	12.1	12.5
Average NTOA turn (times)	2.8	3.0
Return on average NTOA (%)	34.0	37.7
Net asset value per share (cents)	11 571	10 647
Return on average equity (%)	19.9	21.7
	2023 [*]	2022 [*]
Turnover comprises (Rm)		
<i>Revenue from contracts with customers</i>		
Sales of products	8 673	7 895
Rendering of services	224	256
	8 897	8 151
<i>Timing of revenue recognition</i>		
Goods and services transferred at a point in time	8 732	7 976
Goods and services transferred over time ⁽¹⁾	165	175
	8 897	8 151
<i>Geographical disaggregation</i>		
Goods and services sold in South Africa	8 054	7 348
Goods and services sold outside South Africa	843	803
	8 897	8 151

^{*} Reviewed ^{*} Audited [^] Unaudited

Operating profit has been determined after taking into account the following charges (Rm)

– Depreciation of property, plant and equipment	54	49
– Depreciation of right-of-use assets	112	118
– Amortisation of intangible assets	10	7

Capital expenditure (Rm)

– Incurred during the period	118	84
– Authorised but not yet contracted for	122	94
– Already contracted for		32

* Reviewed * Audited

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 carrying amount of forward exchange contracts at 30 November 2023 is an asset of R3.0 million (2022: R19.4 million liability).

Repurchase of shares

During the year 695 000 shares were acquired in terms of the share repurchase programme. The average price paid was R159.99, excluding transaction costs.

Acquisition of business

On 1 September 2023, the group acquired the operations of Brigit Fire for a maximum consideration of R315 million based on future profits, with an initial payment of R150 million. The remainder of the purchase price is payable in two instalments in November 2024 and 2025.

Amounts recognised on acquisition include plant and equipment of R4 million, inventories of R62 million, trade and other receivables of R41 million, trade and other payables of R7 million, bank balance of R3 million, deferred tax liabilities of R25 million, intangible assets of R96 million, all provisionally determined at fair values, in terms of IFRS 3, and goodwill of R101 million.

Had this acquisition been made at the beginning of the year, additional turnover of R146 million and profit after interest and tax of R26 million would have been included in the group results and the turnover and profit after interest and tax for the group would have been R9 043 million and R695 million, respectively.

Events after reporting date

On 1 December 2023, the group acquired the operations of Plasti-Weld. The final consideration will be determined in February 2025 with a maximum of R56 million, which includes an initial payment of R43 million made in December 2023.

Amounts recognised on acquisition include plant and equipment of R1 million, inventories of R10 million, trade and other receivables of R4 million, bank balance of R1 million, trade and other payables of R3 million, deferred tax liabilities of R7 million, intangible assets of R26 million and goodwill of R18 million. These values approximate the fair values as provisionally determined under IFRS 3.

Segment information

for the year ended 30 November 2023

R million	Turnover		
	2023 [#]	% change	2022 [*]
Consumer-related products	4 426	3.7	4 269
– Ongoing operations	4 055	0.5	4 034
– Operations acquired after December 2021	371		235
Engineering consumables	4 488	14.9	3 907
– Ongoing operations	4 434	13.5	3 907
– Operations acquired after December 2021	54		
Total operating segments	8 914	9.0	8 176
Head office, shared services and eliminations	(17)		(25)
Total group	8 897	9.1	8 151

R million	Operating profit		
	2023 [#]	% change	2022 [*]
Consumer-related products	592	(10.4)	661
– Ongoing operations	544	(14.1)	634
– Operations acquired after December 2021	48		27
Engineering consumables	581	23.7	470
– Ongoing operations	569	21.0	470
– Operations acquired after December 2021	12		
Total operating segments	1 173	3.6	1 131
Head office, shared services and eliminations	(102)		(112)
Total group	1 071	5.1	1 019

R million	Average net operating assets		
	2023 [^]	% change	2022 [^]
Consumer-related products	2 426	9.0	2 226
– Ongoing operations	2 293	6.8	2 147
– Operations acquired after December 2021	133		79
Engineering consumables	2 315	10.8	2 089
– Ongoing operations	2 250	7.7	2 089
– Operations acquired after December 2021	65		
Total operating segments	4 741	9.9	4 315
Head office, shared services and eliminations	(17)		(40)
Total group	4 724	10.5	4 275

[#] Reviewed ^{*} Audited [^] Unaudited

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE 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 Condensed Report, which comprise the group condensed statement of financial position as at 30 November 2023 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 condensed reports, as set out in the Supplementary Information to the financial statements, 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 condensed 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, contain the information required by International Accounting Standard (IAS) 34, Interim Financial Reporting.

Auditor's Responsibility

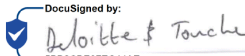
Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires 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 condensed financial statements.

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 2023 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for condensed reports, as set out in the Supplementary Information to the financial statements, and the requirements of the Companies Act of South Africa.

DocuSigned by:

5BB2CBE87EC44AE...

Deloitte & Touche

Registered Auditor

Per: PWM van Zijl

Partner

1 February 2024

5 Magwa Crescent, Waterfall City, Waterfall, Johannesburg

Consumer-related products

	<p>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.</p>
	<p>Distributor of alloy and steel wheels.</p>
	<p>Distributor of a comprehensive range of quality fasteners, including blind rivets, self-drilling screws, hexagonal bolts, nuts and washers.</p>
	<p>Distributor of CADAC cooking, heating and outdoor products.</p>
	<p>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.</p>
	<p>Distributor of electronic security equipment, including intruder detection, access control, CCTV, fire detection, electric fencing and specialised products, as well as related consumables.</p>
	<p>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.</p>
	<p>Distributor of professional mobile radio communication equipment and radio systems integrator.</p>
	<p>Distributor of sustainable power and storage products and solutions, including solar inverters, PV panels, residential, commercial and industrial storage and balance of plant equipment.</p>
	<p>Distributor of suspension and accessories to the 4X4 industry.</p>
	<p>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.</p>
	<p>Distributor of automotive spares and accessories.</p>
	<p>Distributor of integrated security and life safety solutions, including surveillance, access control, fire detection, public address and perimeter detection products.</p>
	<p>Distributor of Makita power tools, Mercury marine engines and survey instrumentation.</p>
	<p>Distributor of stand-by and solar batteries.</p>

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, transmission and allied products. Distributor and repairer of geared and electric motors, industrial bevel helical transmissions and drive solutions.
	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 fire detection, containment and suppression products and solutions.
	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.
	Manufacturer of ferrous and non-ferrous castings.
	Distributor of plastic welding equipment and manufacturer of plastic welding rods.
	Distributor of electric cabling, plugs, sockets, electric feeder systems and crane materials.
	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
ISIN code: ZAE000003273

REGISTERED AND BUSINESS ADDRESS

1st Floor, Building 9
Greenstone Hill Office Park
Emerald Boulevard
Greenstone Hill, Edenvale
(Private Bag 13, Elandsfontein, 1406)
Tel: +27 11 657 5000
Email: info@hudaco.co.za
Website: 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
Website: 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
Waterfall City, Midrand
(Private Bag X6, Gallo Manor, 2052)

BANKERS

Absa Bank Ltd
FirstRand Bank Ltd
Nedbank Ltd
The Standard Bank of South Africa Ltd

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)
B Bulo*
N Mandindi*
LFJ Meiring
D Naidoo*
MR Thompson*
EJ Smith

**Non-executive*

