

ARB Holdings Limited
Registration number: 1986/002975/06
Share code: ARH
ISIN: ZAE000109435
("ARB" or "the company" or "the group")

Summarised audited consolidated results for the year ended 30 June 2021, notice of annual general meeting and Broad-based Black Economic Empowerment (B-BBEE) compliance report

KEY FINANCIALS:

- Revenue up 24.2% on prior year (up 8.0% on 2019)
- Operating profit up 102% on prior year (up 89.75% on 2019)
- Profit for the year up 126.5% on prior year (up 45.6% on 2019)
- Basic earnings per share up 128.3% on prior year (up 41.8% on 2019)
- Headline earnings per share up 37.6% on prior year (up 41.7% on 2019)
- Cash resources of R345.2m (2020 : R151.9m) (2019 : R180.9m)
- Dividend per share 42.5 cents (ordinary R32.50 and a special dividend 10.00 cents a share) (2020: nil)

Financial review

Revenue improved by 24.2% (2020: -13.1%) mainly as a result of market share gains; the significant rise in the copper price, which impacts cable sales, and the lost revenue in the comparable period from April to June 2020. Gross margins improved from 25.0% to 25.6%, primarily due to the change in product mix, the advantages of the well-priced stockholding at the beginning of the year and the rising value of copper stock on hand throughout the year.

Although closely managed and constantly reviewed, overheads increased by 4.5%, largely as a result of the variable cost increases attributable to the growth in revenue.

Operating profit increased by 102.0% to R294.8m (2020: R145.9m), while operating margin improved to 10.1% (2020: 6.2%). This improvement is principally a result of the focus of controlling cost increases in all divisions

Net interest received increased by 42.4% despite the reduction in the prime interest rate, and is mainly due to the cash generated from the improved management of working capital, particularly in the lighting division. As a result, working capital in the group is now within the targeted range of 20% to 25%. Again, this is a credit to operational management and confirmation of comments last year that the group believed the excess working capital was a short-term phenomenon.

Inventory levels declined by 1.9% as part of the focus on balancing the inventory profile while ensuring the group's ability to satisfy customers requirements, particularly the retailers, who measure ARB's delivery performance. Both major divisions have been impacted by the supply challenges from abroad, with the lighting division significantly so. This division's management continues to take steps to improve inventory control while still meeting the "in-stock" requirements of its major retail customers. Management remains committed to ensuring that inventory is kept within the group's targeted parameters.

The trade receivables book increased by 40.2%, even though revenue increased by only 24.6%. This is mainly due to the low sales in the comparable quarter of April to June 2020, where revenue declined in the first and most severe stage of the lockdown due to COVID-19.

Capital expenditure for the financial year amounted to R120.7m (2020: R51.9m), principally as a result of the transfer of ownership of the properties acquired in the Radiant acquisition being registered after 18 months. These properties were financed by external debt.

As a trading and distribution group, the focus remains on working capital management, to ensure that ARB's operations remain cash generative.

Divisional review

Electrical division (revenue increased by 25.5% and operating profit improved by 107.0%)

This division comprises ARB Electrical Wholesalers, GMC Powerlines, ARB Global, CraigCor and Consolidated Electrical Distributors (CED). Revenue has increased across all of these operations.

The revenue increase during the year is attributable to:

- the implementation of certain projects (particularly in the first half of the financial year), that were initially delayed by the first lockdown;
- the improving rand value of cable sales from an increase in the rand copper price and a gain in market share;
- the reduced revenue during the initial lockdown in the previous financial period; and
- the sale of cable management products.

Gross margin improved by 0.2%, predominantly due to the effort by management to increase margin wherever possible, and to changes in product mix.

The division restructured certain operations in September 2020 and the resulting cost savings helped to improve the operating margin to 6.9% (2020: 4.2%). Management of working capital remains a high priority, and the business remains cash generative.

Lighting division (revenue increased by 20.4% and operating profit improved by 266.8%)

This division comprises Eurolux, Radiant and Cathay Lighting. The increase in revenue is predominantly attributable to:

- the improved demand from retailers arising from the increase in discretionary expenditure in "do it yourself" (DIY) projects during the lockdowns;
- the lack of revenue in the comparable period, in which the division experienced a loss of approximately six weeks of trading, and
- the availability of stock, given the relatively high stockholding at the end of the prior year, which the group indicated would be proactively addressed and this proved to be a competitive advantage due to international supply chain issues.

The finalisation of the Radiant integration and the rightsizing of the operations in September 2020 resulted in a significant reduction in the cost base. The overall increase in revenue, with constant gross margin, and a significant reduction in overheads, has resulted in an improvement in the operating margin to 12.9% of turnover (2020: 4.2%).

The optimisation of working capital, particularly inventory, remains another significant focus for the next six months, while maintaining the required customer "On Time and In Full" (OTIF) measures.

Corporate division (revenue increased by 9.7%, operating profit reduced by 7.1 %) The division comprises the group's property portfolio and the Xact ERP Solutions business. For the financial year under review, performance has been in line with expectations.

For the past year, the emphasis of Xact ERP Solutions has been diverted to the electrical division's software integration of the warehouse management system (WMS) and ERP systems at the Lords View distribution centre. While this has not been

without significant challenges, the implementation is now well on track, and as highlighted in the group's interim results, is expected to deliver results in the six months after the year end through significant overhead savings.

Unfortunately, the premises that housed Xact ERP Solutions were destroyed during the civil unrest that erupted in KwaZulu-Natal in July 2021, and new premises are now being sought. Once the business has been relocated, the emphasis will revert to external customer relationships. Xact ERP remains a small revenue and profit generator for the division and the group.

CORPORATE ACTIVITY AND EXPANSION

While acquisitions remain part of ARB's overall strategy, at this point there it is unlikely that this will entail major transactions. To date, only one potential immaterial acquisition has been identified, the details of which will be disclosed when appropriate.

DIVIDENDS

In view of the group's continued strong cash generation, the board has resolved to declare a dividend of 32.50 cents per share (2020: no dividend) for the year ended 30 June 2021, representing the maximum pay-out in terms of the company's dividend policy. In addition, the Board has resolved to declare a special dividend of 10.00 cents per share (2020: no dividend) in order to return excess cash to shareholders.

The relevant dates for the dividends are as follows:

Event	Date
Declaration date	Thursday 19 August 2021
Finalisation date announcement	Tuesday, 7 September 2021
Last day to trade cum dividend	Tuesday, 14 September 2021
Shares commence trading ex-dividend	Wednesday, 15 September 2021
Record date	Friday, 17 September 2021
Payment date	Monday, 20 September 2021

Share certificates may not be dematerialised or re-materialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both days inclusive.

In compliance with the JSE Listings Requirements, the following additional information is disclosed:

1. the dividend and special dividend have been declared out of income reserves;
2. the local Dividend Withholding Tax rate is 20%;
3. the gross local dividend amount is 32.50000 cents per share for shareholders exempt from paying Dividend Withholding Tax;
4. the gross local special dividend amount is 10.00000 cents per share for shareholders exempt from paying Dividend Withholding Tax;
5. the net local dividend amount is 26.00000 cents per share for shareholders liable to pay Dividend Withholding Tax;
6. the net local special dividend amount is 8.00000 cents per share for shareholders liable to pay Dividend Withholding Tax;
7. the issued share capital of ARB is 235 000 000 ordinary shares of 0.01 cent each; and
8. ARB's income tax reference number is 9010/138/20/5.

Exchange control approval has been applied for from the South African Reserve Bank to give effect to the payment of the special dividend noted above. Payment of the special dividend to foreign holders can only be made once this approval has been given.

DIRECTORS

During the period up to this announcement, two new directors were appointed:

- Theo Botha (6 April 2021)
- Blayne Burke (1 July 2021)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of ARB will be held at 10:00 via an online Zoom webinar (https://us06web.zoom.us/webinar/register/WN_4XBRfQokTOCaY0yiZzx19w?_x_zm_rtaid=zfgxXbJrQIKRsyy4Fe0E1A.1629301005325.e06d4635e4f3d53b5fe62abd1c5670b8&_x_zm_rhtaid=453). The notice of annual general meeting will be contained in the integrated report which will be posted to shareholders by no later than Thursday 30 September 2021.

The record date, for purposes of determining which shareholders are entitled to receive the notice of annual general meeting, will be Friday 24 September 2021.

The last day to trade and the record date, in order for shareholders to be eligible to participate in and vote at the annual general meeting, will be Tuesday 2 November 2021 and Friday 5 November 2021, respectively.

FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES AND CORPORATIONS (s45)

The holding company has provided financial guarantees and cessions of loan accounts to the group's bankers on behalf of its subsidiary companies as security for facilities granted to them. During the year, the Eurolux banking facility was restructured and updated. Full details are set out in the 2021 consolidated financial statements. Shareholders will again be asked to approve the company's authority to provide S45 security, other than for loans to directors.

NOTIFICATION OF PUBLICATION OF ANNUAL B-BBEE COMPLIANCE

The group holding company does not trade and has no B-BBEE score. In accordance with paragraph 16.20(g) and Appendix 1 to Section 11 of the JSE Listing Requirements, notice is hereby given that the annual compliance report relevant to the ARB operational group, in terms of section 13G(2) of the B-BBEE Act is available on the company's website at <https://www.arbhold.co.za/documents/Certificate-ARB-Electrical-Wholesalers.pdf>.

AUDIT OPINION AND RESPONSIBILITY

These summarised consolidated financial statements have been extracted from the audited consolidated financial statements for the year ended 30 June 2021, but are not themselves audited. The consolidated financial statements have been audited by the group's external auditors, PKF Durban, whose unqualified audit report, including key audit matters, is included in the consolidated financial statements available for inspection at the company's registered office and on the company's website at <https://www.arbhold.co.za/documents/reports/'Group-consolidated-AFS-30-June-2021.pdf>.

The group's external auditor's report does not necessarily cover all the information included in this announcement and therefore it is advised that in order to obtain a full understanding of the nature of the external auditor's engagement, the external auditor's report referred to above is inspected.

This short-form announcement is the responsibility of the directors of ARB. This short-form announcement is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of, inter alia, the full announcement. The full announcement has been released on SENS on 19 August 2021 and is available for viewing on ARB's website: www.arbhold.co.za/documents/results/Final-results-June-2021.pdf and at <https://senspdf.jse.co.za/documents/2021/jse/isse/ARH/ARHFY2021.pdf>.

The full announcement is available on the group's website or for inspection at the offices of ARB (10 Mack Road, Prospecton, Durban, KwaZulu-Natal, 4133) and the offices of the Sponsor, Grindrod Bank Limited (Grindrod Tower, 8A Protea Place, Sandton, 2196), at no charge during normal office hours on business days from 19 August 2021 or may be requested by emailing info@arbhold.co.za

19 August 2021

Sponsor Grindrod Bank Limited