

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

Unaudited interim results for the six months ended 31 December 2021
KEY FINANCIALS:

- Revenue up 7.5% to R1 605m
- Profit after tax down 3.2% to R106m
- Earnings per share down 4.9% to 39.00 cents
- Headline earnings per share down 5.0% to 39.06 cents
- Operating profit up 1.9% to R172m
- Tangible net asset value per share down 1.0% to 507.28 cents
- Cash on hand of R337m (2020: R305m)
- No interim dividend declared

Overview

The six-month period under review will be remembered for the riots experienced in July 2021, where significant violence and looting took place, impacting businesses in both KwaZulu-Natal and Gauteng. This challenging period was exacerbated by the continued impact of measures implemented to control the COVID-19 pandemic, despite the fourth wave of the pandemic and the Omicron variant being relatively mild in South Africa.

ARB's major divisions were directly affected by the riots, with all of the electrical division's KwaZulu-Natal branches being closed for the week, and 200 of the lighting division's customers' stores affected, some to the extent that they are unlikely to ever reopen.

The record performance of the lighting division for the year to 30 June 2021 was not something the group was able to repeat in the first six months of the current financial year. While the electrical division continued to perform well, with an increase in both revenue and operating profit, the lighting division experienced a slowdown as the well-documented discretionary spending with major retailers after the initial lockdowns in 2020 subsided.

DIVISIONAL REVIEW

Electrical division (revenue increased by 16.0% and operating profit improved by 16.4%)

This division comprises ARB Electrical Wholesalers, GMC Powerlines, ARB Global, CraigCor and Consolidated Electrical Distributors (CED).

Gross margin in Rands improved by 16.4%, predominantly due to the increase in revenue during the period. With the increase in overheads Operating margin remained consistent at 8.7%.

The electrical division's CED operation has secured an alternative range of switchgear, following the termination of the previous supplier agreement in 2021. The new product, TosunLux, was launched recently and is expected to be as much of a contributor to results going forward within a short space of time.

The division acquired the remaining 25% of the Craigcor subsidiary in August 2021 and the Put Option relating to this investment was settled during the period. This had no major effect on the results as the Put Option was adequately accounted for in the prior period.

Lighting division (revenue decreased by 15.3% and operating profit decreased by 26.4%)

This division comprises Eurolux, Radiant and Cathay Lighting.

The drop of 15.3% in revenue was partially offset by an improved gross margin. Overhead costs were static but the net effect was a drop in operating margin to 11.2% (2020: 12.9%).

The decrease in revenue is predominantly attributable to the impact of the July riots on the division's customers, the slowdown in discretionary spending experienced by our retail customers and the continuation of the supply chain challenges over the past 12 months.

The working capital management improvement achieved in the previous financial year could not be maintained, largely due to ongoing supply chain issues, where delays of up to seven months have been experienced as a result of pandemic-driven shipping issues, container shortages and local port inefficiencies.

Whilst the division has secured enough stock to ensure uninterrupted supply to its customers, this in turn has put pressure on in-house logistics, particularly in terms of storage space, creating pressure on cash flow. The start of the Chinese New Year early in January is expected to further negatively impact this situation.

Corporate division (revenue increased by 6.9%, operating profit was up by 13.0 %)

This division comprises the group's property portfolio and the Xact ERP Solutions business. For the financial period under review, the performance of both has been in line with expectations, given the fixed nature of both income and costs.

OUTLOOK

The focus for both the electrical and the lighting divisions for the foreseeable future will remain on managing both working capital and supply chain challenges. Unfortunately, the expected increase in infrastructure development from which the electrical division should benefit, has not yet materialised, although the proposed restructuring of South Africa's energy utility Eskom into three separate divisions holds potential opportunities, particularly for the overhead line (OHL) business.

The challenges in the local market in terms of the subdued economy and the lingering effects of the pandemic are also expected to continue for the foreseeable future.

CHANGES TO THE BOARD

On 1 July 2021 Blayne Burke was appointed to the board and Billy Neasham retired as executive CEO and became a non-executive director on 1 January 2022, at which date Mr Burke was appointed executive CEO.

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

The holding company has continued to provide financial guarantees and cessions of loan accounts to the group's bankers on behalf of its subsidiary companies as securities for facilities granted to them.

SUBSEQUENT EVENTS

On 27 January 2022 the group issued a SENS notification of the receipt of a firm intention offer ("FIA") from Masimong Group Holdings (Pty) Ltd. This SENS can be obtained from our website at <https://arbhold.co.za/index.php/2013-06-04-06-33-35/sens> or by sending an e-mail to mariol@arbhold.co.za. The details of this offer are set out in full in this SENS and are not repeated here.

The Covid-19 pandemic continues to have an influence on our economy (albeit reducing continuously) with the last remnants of the fourth wave currently being experienced at the moment. While it is possible that trading operations and results may be

negatively impacted in the future, it is not possible to reliably estimate the duration and severity of these consequences, as well as the impact on the financial position and results of the group for future periods.

The directors are not aware of any other material event or circumstance arising since the end of the reporting period and up until the date of this report, not otherwise disclosed in these consolidated financial statements which significantly affects the financial position, results or cash flows of the group.

DIVIDENDS

ARB's policy is to distribute a single annual dividend for the full year up to a maximum of 40% of net profit after taxation attributable to ordinary shareholders. In line with this policy, no interim dividend has been declared.

RESPONSIBILITY AND AVAILABILITY

The information in this report has been extracted from the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2021, which have not been audited nor reviewed by the company's auditors.

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 11 February 2022 and is available for viewing on ARB's website document <https://arbhold.co.za/index.php/2013-06-04-06-33-35/sens> and at <https://senspdf.jse.co.za/documents/2022/jse/isse/ARH/ARHHY2021.pdf>.

The full announcement is available 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 11 February 2022 or may be requested by emailing info@arbhold.co.za

14 February 2022

Sponsor Grindrod Bank Limited