



ABRIDGED AUDITED RESULTS
FOR THE YEAR ENDED 30 NOVEMBER
2016

➤ Turnover up 5,8% to R5,5 billion

➤ Operating profit up 5,6% to R639 million

➤ Attributable profit up 5,3% to R388 million

➤ Annual dividend maintained at 525 cents per share

➤ Basic and headline earnings per share up 5%

➤ Comparable earnings per share marginally up to 1 171 cents

➤ Return on equity 21%

➤ Net cash generated from operations up 51% to R749 million

CONSUMER-RELATED PRODUCTS



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



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 integrated security and life safety solutions, including CCTV, access control, fire detection, public address and perimeter detection products



Distributor of wireless networking, VoIP and video products and the provision of strong after-sales service and technical support



Distributor of professional mobile radio communication equipment and radio systems integrator



Distributor of automotive clutch kits and ignition leads, rotary oil and hydraulic seals



Importer and distributor of automotive spares and accessories



Distributor of maintenance free batteries and provider of custom designed energy solutions



Importer and distributor of stand-by and solar batteries



Supplier of voice and data solutions, specialising in PBX, communication management software and telephone management

ENGINEERING CONSUMABLES



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



Distributor of Deutz diesel engines and Deutz spare parts and the provision of service support



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



Distributor of specialised thermoplastic pipes, fittings and Keymak PVC hose



Distributor of geared motors, helical gearboxes, frequency inverters and electric motors



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



Importer and distributor of pneumatic and process components



Manufacturer of conveyor drive pulleys, forgings and rollings



Importer and distributor of plastic and stainless steel slat chains, modular belting and conveyor components and manufacturer of plastic engineering parts



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



Manufacturer of hydraulic and pneumatic equipment



Supplier of filtration solutions, customised exhaust systems, kits and accessories



Manufacture and assembly of hydraulic gear pumps



Manufacturer and repairer of hydraulic cylinders and repairer of drivetrain components



Manufacturer of ferrous and non-ferrous castings



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



Manufacturer and distributor of mining connectors and lighting systems



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



Distributor of electrical cable accessories



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

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

- The automotive aftermarket, power tool, security and communication equipment businesses supply products into markets with a bias towards consumer spending.
- The mechanical and electrical power transmission, diesel engine, hydraulics and pneumatics, steel, thermoplastic fittings and bearings businesses supply engineering consumables mainly to mining and manufacturing customers.

Value added includes product specification, technical advice, application and installation training and troubleshooting, combined with availability at a fair price.

2016 Overview

A strong close to the year enabled us to finish with comparable earnings slightly up on 2015, which had been a record year for Hudaco. This is a pleasing result given a decline of almost 20% at mid-year and the fact that there was neither a large communication contract nor a load-shedding boost in 2016. We consider these results to be excellent, considering the challenging conditions under which they were achieved.

CEPS at half year were down 19,7%, with 2015's good first half results having been boosted by approximately R45 million in profits from the sales of alternative energy products due to load shedding and a large contract for communication equipment. We mentioned at the time that "we would be hard pressed to catch up the deficit and match last year's results" so we are very pleased to have been able to achieve that.

Annual sales were up 6% to R5,5 billion whilst operating profit rose 6% to R639 million. Headline earnings per share were up 5% to 1 222 cents with comparable earnings per share marginally up from 1 169 to 1 171 cents. The return on equity was a very respectable 20,5%.

The final dividend has been increased by 10 cents per share to 355 cents to bring the total dividend for the year to 525 cents, the same as in 2015.

Consumer-related products

The consumer-related products segment comprises ten businesses. In 2016 it made up 51% of Hudaco's sales and 61% of operating profit. The automotive businesses of Partquip and Abes had a very good year. There was good growth from our security businesses. Elvey Security Technologies had a significantly better year but the main increase was in the project business through Pentagon. MIRO, a distributor of wireless connectivity products, had a very good first seven months in the group and we look forward to its contribution in the years ahead as it has significant potential for growth. Ruthford, the second largest business in this segment which distributes Makita power tools and garden equipment had a difficult year, partly attributable to delays at the National Regulator for Compulsory Specifications in issuing authority letters to launch new products. The segment increased sales by 7,6% to R2,8 billion and operating profit by 6,6% to R405 million.

Engineering consumables

The 20 businesses that constitute engineering consumables made up the other 49% of sales and 39% of operating profit. This was yet another difficult year for the businesses in this segment serving the depressed mining and manufacturing industries. The severe drought that gripped the southern African region also had a negative effect on our sales. Nevertheless, most of the businesses in this segment performed satisfactorily considering the economic conditions. The second half results were very promising with a 12% increase in operating profit over the second half of 2015. We were particularly encouraged by the growth in operating profit from Bearings International, Astore Keymak, Bosworth and our specialised steel businesses. There were three companies in this segment with significant declines in sales and operating profit. Our filter business, FHS, whilst still yielding an excellent return on sales, saw a significant decline in revenue due to depressed opencast mining and construction sectors. In the gear pump business, GPM, where we opened a USA located warehouse to take advantage of growing demand for our product, sales plummeted as customers reduced their own inventories because we could deliver on much shorter lead times. This is a once-off issue and customer take-up has already started to normalise. Deutz Dieselpower, our diesel engine business, did not have the benefit of the sales of gen-set engines that it enjoyed in the previous year due to load shedding. The segment increased sales by 4,0% to R2,7 billion whilst operating profit declined slightly to R255 million.

We have taken steps over the last two years to right size certain businesses to the lower levels of activity being experienced. They will be better placed when mining and manufacturing activity improves. The second half of 2016 has shown signs that lead us to believe that prospects are turning.

Financial position

Our financial position remains healthy and Hudaco's operations remain strongly cash generative. The group had R905 million in net borrowings at year-end, down from R1 016 million, notwithstanding R168 million spent on acquisitions, representing gearing of 42%. More importantly, interest payments were covered eight times by EBITDA against our internal covenant of at least five times. Inventories have been well managed considering the volatility of the Rand against our basket of currencies. At R1 508 million, they are up only 4,5%, excluding take-on inventory of acquisitions.

Prospects

Notwithstanding the challenges that are bound to arise from the economic and political environment both nationally and internationally, we are optimistic that earnings in 2017 will be impacted positively by a combination of factors:

- we ended the year strongly and several businesses have come into the year with much healthier order books;
- there are signs of improvement in certain sectors in which we operate; strengthening in commodity prices since June last year should positively affect mining and manufacturing activity;
- the strengthening Rand should allow us to release cash from inventories;
- we are seeing relief from the crippling drought of the past two years; and
- we have made high potential growth acquisitions in recent months.

Lawsuit against Bravura and certain associates

The legal case against Bravura and certain of its associates for up to R490 million is continuing slowly. Hudaco has brought the action to recover, *inter alia*, secret profits made on the financing arrangements around the Hudaco BEE transaction that ran from August 2007 to February 2013.

Declaration of final dividend no 60

Final dividend number 60 of 355 cents per share (2015: 345 cents per share) is declared payable on Monday, 6 March 2017 to ordinary shareholders recorded in the register at the close of business on Friday 3 March 2017.

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

Last day to trade cum dividend	Tuesday, 28 February 2017
Trading ex dividend commences	Wednesday, 1 March 2017
Record date	Friday, 3 March 2017
Payment date	Monday, 6 March 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 March 2017 and Friday, 3 March 2017, both days inclusive. The certificated register will be closed for this period.

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

- The dividend has been declared from income reserves;
- The dividend withholding tax rate is 15%;
- The net local dividend amount is 301,75 cents per share for shareholders liable to pay the Dividend Tax and 355 cents per share for shareholders exempt from the Dividend Tax;
- Hudaco Industries Limited has 34 153 531 shares in issue (which includes 2 507 828 treasury shares); and
- Hudaco Industries Limited's income tax reference number is 94000/159/71/2.

Results presentation and annual general meeting

Hudaco will host presentations on the financial results in Johannesburg and Cape Town on Friday, 3 February 2017 and Monday, 6 February 2017, respectively. Anyone wishing to attend should contact Rika Wessels-Bouwter at +27 11 657 5000.

The slides which form part of the presentation will be available on the company's website from Friday, 3 February 2017.

The company's 32nd annual general meeting will be held at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale at 15:00 on Wednesday, 29 March 2017. The notice and proxy form for the company's annual general meeting will be posted to the shareholders by 17 February 2017 and will be included in the integrated report that will be published on Hudaco's website during February 2017.

Approval of financial statements

The financial statements have been approved by the board and abridged for purposes of this report. Grant Thornton has signed an unqualified audit opinion on the annual financial statements. Both the financial statements and the auditors' report are available for inspection at the company's registered office.

This abridged report is extracted from audited information, but is not itself audited.

The auditors' report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' work they should obtain a copy of the report together with the accompanying financial information from the registered office of the company.

For and on behalf of the board

RT Vice Independent non-executive chairman	GR Dunford Chief executive
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2 February 2017

Nedbank Corporate and Investment Banking

Sponsor

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

COMPANY INFORMATION	Registered office	Group secretary
Hudaco Industries Limited Incorporated in the Republic of South Africa Registration number: 1985/004617/06 JSE share code: HDC ISIN code: ZAE000003273	1st Floor, Building 9 Greenstone Hill Office Park Emerald Boulevard, Greenstone Hill, Edenvale Tel +27 11 657 5000 Email: info@hudaco.co.za	R van Zyl
Transfer secretaries Computershare Investor Services Proprietary Limited PO Box 61051 Marshalltown, 2107	Sponsor Nedbank Corporate and Investment Banking	
	Directors RT Vice (<i>Chairman</i>)* GR Dunford (<i>Chief executive</i>) CV Amols (<i>Financial director</i>) SJ Connelly* N Mandindi* SG Morris* D Naidoo* * Non-executive	

GROUP STATEMENT OF FINANCIAL POSITION

R million	30 Nov 2016	30 Nov 2015
ASSETS		
Non-current assets	1 611	1 367
Property, plant and equipment	256	261
Investment in joint venture	7	7
Goodwill	1 243	1 001
Intangible assets	68	69
Deferred taxation	37	29
Current assets	2 619	2 407
Inventories	1 508	1 369
Trade and other receivables	1 046	990
Taxation	18	9
Bank deposits and balances	47	39
TOTAL ASSETS	4 230	3 774
EQUITY AND LIABILITIES		
Equity	2 130	1 895
Equity holders of the parent	2 065	1 844
Non-controlling interest	65	51
Non-current liabilities	869	831
Amounts due to bankers	710	800
Amounts due to vendors of businesses acquired	148	17
Deferred taxation	11	14
Current liabilities	1 231	1 048
Trade and other payables	898	764
Bank overdraft	242	255
Amounts due to vendors of businesses acquired	76	22
Taxation	15	7
TOTAL EQUITY AND LIABILITIES	4 230	3 774

GROUP STATEMENT OF COMPREHENSIVE INCOME

R million	30 Nov 2016	% change	30 Nov 2015
Turnover	5 534	5,8	5 230
– Ongoing operations	5 077	(2,7)	5 216
– Operations acquired after December 2014	457		14
Cost of sales	3 536		3 313
Gross profit	1 998		1 917
Operating expenses	1 359		1 312
Operating profit	639	5,6	605
– Ongoing operations	573	(5,2)	604
– Operations acquired after December 2014	66		1
Adjustment to fair value of amounts due to vendors of businesses acquired	19		(2)
Profit before interest	658	9,1	603
Finance costs	100		76
Profit before taxation	558	5,7	527
Taxation	148		141
Profit after taxation	410	6,3	386
Income from joint venture	3		3
Profit for the year	413	6,1	389
Other comprehensive (loss) income			
Movement on fair value of cash flow hedges	(8)		4
Total comprehensive income for the year	405	3,1	393
Profit attributable to:			
– Equity holders of the parent	388	5,3	369
– Non-controlling shareholders	25		20
	413	6,1	389

Total comprehensive income attributable to:

– Equity holders of the parent	381	2,6	372
– Non-controlling shareholders	24		21
	405	3,1	393

Earnings per share (cents)

– Basic	1 226	5,3	1 164
– Headline	1 222	5,1	1 163
– Comparable	1 171	0,2	1 169

Diluted earnings per share (cents)

– Basic	1 222	5,1	1 163
– Headline	1 219	5,0	1 161
– Comparable	1 168	0,1	1 167

Calculation of headline earnings

Profit attributable to equity holders of the parent	388	5,3	369
Adjusted for:			

Profit on disposal of plant and equipment	(1)		(1)
Headline earnings	387	5,1	368

Calculation of comparable earnings

Headline earnings	387	5,1	368
Adjusted for:			
Adjustment to fair value of amounts due to vendors of businesses acquired	(19)		2

Non-controlling interest	2		
Comparable earnings	370		370

Dividends			
– Per share (cents)	525		525
– Amount (Rm)	166		166

Shares in issue (000)	31 646		31 646
– Total (000)	34 154		34 154
– Held by subsidiary (000)	(2 508)		(2 508)

Weighted average shares in issue			
– Total (000)	31 646		31 646
– Diluted (000)	31 732		31 696

SEGMENT INFORMATION

	Turnover			Operating profit			Average net operating assets		
R million	30 Nov 2016	% change	30 Nov 2015	30 Nov 2016	% change	30 Nov 2015	30 Nov 2016	% change	30 Nov 2015
Consumer-related products	2 802	7,6	2 603	405	6,6	380	1 337	24,7	1 072
– Ongoing operations	2 553	(1,9)	2 603	372	(2,1)	380	1 185	10,5	1 072
– Operations acquired after December 2014	249			33			152		
Engineering consumables	2 739	4,0	2 635	255	(1,9)	260	1 732	4,5	1 658
– Ongoing operations	2 531	(3,4)	2 621	222	(14,3)	259	1 634	(1,1)	1 652
– Operations acquired after December 2014	208		14	33		1	98		6
Total operating segments	5 541	5,8	5 238	660	3,1	640	3 069	12,4	2 730
Head office, shared services and eliminations	(7)		(8)	(21)		(35)	72		(22)
Total group	5 534	5,8	5 230	639	5,6	605	3 141	16,0	2 708

GROUP STATEMENT OF CASH FLOWS

R million	30 Nov 2016	30 Nov 2015
Cash generated from trading	708	653
Decrease (increase) in working capital	41	(157)
Cash generated from operations	749	496
Fair value adjustment of cash flow hedges	(8)	4
Taxation paid excluding tax settlement	(174)	(186)
Net cash from operations before tax settlement	567	314
Settlement of tax dispute		(192)
Net cash from operating activities	567	122
Net investment in new operations	(165)	(463)
Net investment in property, plant and equipment	(30)	(31)
Net cash from investing activities	(195)	(494)
(Decrease) increase in non-current amounts due to bankers	(90)	603
Finance costs paid	(87)	(73)
Dividends paid	(173)	(158)
Net cash from financing activities	(350)	372
Decrease in net bank overdraft	22	0
Foreign exchange translation loss	(1)	
Net bank overdraft at beginning of the year	(216)	(216)
Net bank overdraft at end of the year	(195)	(216)

GROUP STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	
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