



➤ Turnover up 7% to R5,9 billion	➤ Annual dividend up 7% to 560 cents per share
➤ Operating profit up 6% to R676 million	➤ Return on equity 19%
➤ Comparable earnings per share up 7% to 1 251 cents	➤ Net cash generated from operations R711 million

CONSUMER-RELATED PRODUCTS

	Distributor of automotive clutch kits and ignition leads, rotary oil and hydraulic seals
	Distributor of maintenance free batteries and 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
	Supplier of batteries, high frequency chargers and related battery equipment to the traction battery market in southern Africa. 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 wireless networking, VoIP and video products and the provision of strong after-sales service and technical support
	Importer and distributor of automotive spares and accessories
	Distributor of integrated security and life safety solutions, including CCTV, access control, fire detection, public address and perimeter detection products
	Distributor of Makita power tools, Mercury marine engines, survey instrumentation, rivets and fasteners
	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, 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 pulleys, steel fabrication, plate rollings and distributor of sheet rubber
	Importer and distributor of plastic and stainless steel slat chains, modular belting and conveyor components and manufacturer of plastic engineering parts
	Supplier and repairer of hydraulic pumps and motors to the mining, industrial, mobile, marine and forestry industries
	Manufacturer of hydraulic and pneumatic equipment. Supplier of water valves and sewage processing systems
	Supplier of filtration solutions, customised exhaust systems, kits and accessories
	Manufacture and assembly of cast iron 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
	Manufacturer of dished and flanged ends, pressing & flanging of small conical sections, push thru's and weld caps
	Distributor of electrical cable accessories and electrical instruments
	Stockists, suppliers and repairers of automation and electronic motor control equipment for commercial and industrial applications

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.

2017 Overview

Hudaco is an agency distribution business, the financial performance of which is heavily dependent on South Africa's GDP growth rate and the Rand exchange rate. In the 2017 financial year the resilience of our strategy for tough market conditions was proven yet again. We had to cope with a South African economy in recession coupled with an extremely volatile Rand exchange rate resulting in economic conditions that were challenging to say the least. The relatively strong Rand between October 2016 and March 2017 placed our businesses under pressure to reduce prices. Thereafter we had to contend with a disastrous cabinet reshuffle in which the highly respected finance minister was removed and the release of an unworkable new mining charter. The ensuing inevitable ratings downgrades caused the Rand to weaken substantially, which relieved the downward pressure on pricing but, coupled with regular negative news throughout the year, including the revelations around State capture, increasingly ineffective government, corruption and high risk populist rhetoric, it sapped any remaining business confidence from the economy and business suffered. The largest impact on Hudaco of the negative sentiment was felt in those businesses heavily reliant on projects because so many customers either cancelled planned projects or put them on hold until such time as the turmoil abated.

Against this negative backdrop we are pleased with the results achieved. Annual sales were up 7% to R5,9 billion whilst operating profit rose 6% to R676 million. Comparable earnings per share were up 7% to 1 251 cents while headline earnings per share rose only 3% to 1 256 cents because of a positive fair value adjustment on the vendor liability in the previous year. The return on equity was a very respectable 19%, well above our cost of capital.

Ongoing operations' operating profit was down 1% with both segments having to grind it out. Their results give a good indication of how difficult trading conditions were. Ongoing operations in the consumer-related products segment was down 4% with the bulk of this decline coming from the projects side of both the communications and security businesses. Encouragingly, engineering consumables' operating profit from ongoing operations was up 4,5% even with the mining and manufacturing sectors firmly in recession for part of the year. It is only through the deployment of cash generated by the existing businesses in the acquisition of successful new businesses with better growth potential that we were able to increase profits.

The final dividend has been increased by 25 cents giving a total dividend for 2017 of 560 cents, up almost 7% year on year. Comparable earnings cover the full dividend 2,23 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 with consistently strong cash generation. The group had R860 million in net bank borrowings at year-end, representing gearing of 36%, down from R905 million in 2016, notwithstanding R210 million spent on acquisitions. More importantly, interest payments (excluding imputed interest) were covered eight times by operating profits against our internal benchmark of at least five times. We have significant additional bank borrowing facilities available so there is still capacity for acquisitions and we continue to look for businesses in growth areas to further diversify and strengthen our portfolio.

Inventories have been well managed considering the volatility of the Rand against our basket of currencies. At R1 538 million, they are down 2%, excluding take-on inventory of acquisitions. The return on net operating assets including goodwill (RONA) in 2017 is 19,8%, compared with 20,4% last year, still well above our cost of capital, which is approximately 15%.

Consumer-related products

The consumer-related products segment comprises 11 businesses. In 2017, it made up 52% of Hudaco's sales and 61% of operating profit.

The demand for automotive spares and accessories in the year from Partquip and Abes Technosol was strong, which was to be expected. As new car sales slumped, repairs took preference over replacement and consequently both these businesses had a good year. Rutherford, the second largest business in this segment which distributes Makita power tools and garden equipment had an excellent year, as all the authority letters for new products were issued by the National Regulator for Compulsory Specifications. Miro, a distributor of wireless connectivity products in its second year with Hudaco, achieved strong growth as it continued to add to its impressive basket of wireless technology products. The Elvey Security Technologies group had a difficult year with both sales and profit well down, particularly in Pentagon, the high end project side of the business. Our communications business struggled again for the second year with no significant projects awarded. We will right size this business this year for current turnover levels.

Rutherford had recently moved to a larger, more effective distribution centre at City Deep and we look forward to the benefits.

The segment increased sales by 9% to R3 billion and operating profit by 6% to R428 million. Operating profit margin was 14,0%.

Engineering consumables

The 21 businesses that constitute engineering consumables made up the other 48% of sales and 39% of operating profit.

The majority of businesses in this segment distribute mature industrial products to mature economic segments (mainly mining and manufacturing). These market sectors have been in decline for the last approximately ten years partly due to natural boom and bust cyclicity of resources but also recently due to new regulations scaring off investment. Hudaco businesses in this segment are sized correctly for current market conditions and, whilst profits are not growing, returns are good and they generate the cash we use to diversify and expand our portfolio of businesses.

We are happy to report that two of the three businesses in this segment which suffered significant declines in sales and operating profit in 2016 delivered significantly improved performances this financial year. Our filter business, FHS, has benefitted from an increase in activity, mainly in open cast mining but also in the construction sector. In the gear pump business, GPM, sales have picked up locally and from the USA and UK. Sales in our diesel engine business, Deutz Dieselpower, normalised albeit at a lower level than in the load shedding era. Encouragingly, late in the year we saw an increase in activity in the mining side of this business, which bodes well for 2018.

The segment increased sales by 4,5% to R2,9 billion whilst operating profit increased 7% to R272 million. Operating profit margin increased to a very respectable 9,5%.

Prospects

Prospects for Hudaco in 2018 will depend on how the economy performs and that in turn depends largely on Government policy and its implementation. The year has started off in a much more positive vein with consumer and business confidence increasing after the election of Cyril Ramaphosa as president of the ANC. There is a great deal of optimism that he will deliver good governance, eradicate much of the corruption, put in place policies that support economic growth and assign responsibility to competent people. Withdrawal of the controversial Mining Charter would be a case in point. If that perception becomes a reality then the optimism is likely to translate into investment in those sectors of the economy that are traditional Hudaco markets. That will enable those of our businesses that have been in austerity mode for the past few years to thrive once again. Many of our businesses are well placed to benefit immediately from such a scenario, while others will need to wait for the positive cycle to mature first. If industry is active, we will supply the replacement parts it requires. We also believe that these positive developments, if they eventuate, will be enough to counter the pressure on pricing resulting from a strong Rand. On the other hand, if the government just delivers more of the same, we will again have to fall back on strategic acquisitions to deliver growth. We are optimistic.

Lawsuit against Bravura and certain associates

The legal case against Bravura, Cadiz and certain of their associates for up to R490 million continues slowly. We are preparing for court, although a date for the matter to be heard has not yet been set. 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 62

Final dividend number 62 of 380 cents per share (2016: 355 cents per share) is declared payable on Monday, 5 March 2018 to ordinary shareholders recorded in the register at the close of business on Friday, 2 March 2018.

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

Last day to trade <i>cum</i> dividend	Tuesday, 27 February 2018
Trading ex dividend commences	Wednesday, 28 February 2018
Record date	Friday, 2 March 2018
Payment date	Monday, 5 March 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 February 2018 and Friday, 2 March 2018, 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 20%;
- The net local dividend amount is 304 cents per share for shareholders liable to pay the Dividend Tax and 380 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 9400/159/71/2.

Directorate

We thank Stuart Morris who retired from the board on 30 June 2017 for the significant contribution that he made to the group over the years and wish him well in his retirement. We welcome Mark Thompson as a member of the board, the nomination committee and the audit and risk management committee and as chairman of the remuneration committee.

Royden Vee, who has been an independent non-executive director since June 2007 and has served as chairman of the board since March 2008, has indicated that he will retire from the board after the annual general meeting in April 2018. He has been a great asset to the group and his contribution will be missed both personally and professionally. We are pleased to advise that Stephen Connolly, a non-executive director and former chief executive of Hudaco who knows the group intimately, will assume the chairmanship when Royden steps down. He will also chair the nomination committee. Daisy Naidoo will assume the role of lead independent non-executive director and will join the nomination committee. Nyami Mandindi will join the remuneration committee. All these appointments will take effect immediately after the annual general meeting.

Results presentation and annual general meeting

Hudaco will host presentations on the financial results in Johannesburg and Cape Town on Friday, 2 February 2018 and Monday, 5 February 2018, respectively. Anyone wishing to attend should contact Janine Yon at +27 11 657 5000.

The slides which form part of the presentation will be available on the company's website from Friday, 2 February 2018.

The company's 33rd annual general meeting will be held at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvalle at 11:00 on Thursday 5 April 2018. The notice and proxy form for the company's annual general meeting will be posted to the shareholders during the last week of February 2018 and will be included in the integrated report that will be published on Hudaco's website during February 2018.

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 auditor's 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 auditor's 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 auditor's work, they should obtain a copy of the report together with the accompanying financial information.

For and on behalf of the board

<b>RT Vice</b> Independent non-executive chairman 1 February 2018	<b>GR Dunford</b> Chief executive
<b>Nedbank Corporate and Investment Banking</b> Sponsor These results are available on the internet: <a href="http://www.hudaco.co.za">www.hudaco.co.za</a>	
<b>COMPANY INFORMATION</b> <b>Hudaco Industries Limited</b> Incorporated in the Republic of South Africa Registration number: 1985/004617/06 JSE share code: HDC ISIN code: ZAE000003273	<b>Registered office</b> 1st Floor, Building 9 Greenstone Hill Office Park Emerald Boulevard, Greenstone Hill, Edenvalle Tel: +27 11 657 5000 Email: <a href="mailto:info@hudaco.co.za">info@hudaco.co.za</a>
<b>Transfer secretaries</b> Computershare Investor Services Proprietary Limited PO Box 61051 Marshalltown, 2107	<b>Group secretary</b> R van Zyl <b>Sponsor</b> Nedbank Corporate and Investment Banking
<b>Directors</b> RT Vice (Chairman)* GR Dunford (Chief executive) CV Amols (Financial director) SJ Connolly* N Mandindi* MR Thompson* D Naidoo* * Non-executive	

GROUP STATEMENT OF FINANCIAL POSITION

R million	30 Nov 2017	30 Nov 2016
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 843</b>	1 611
Property, plant and equipment	270	256
Investment in joint venture	9	7
Goodwill	1 480	1 243
Intangible assets	70	68
Deferred taxation	14	37
<b>Current assets</b>	<b>2 777</b>	2 619
Inventories	1 538	1 508
Trade and other receivables	1 156	1 046
Taxation	2	18
Bank deposits and balances	81	47
<b>TOTAL ASSETS</b>	<b>4 620</b>	4 230

<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>2 376</b>	2 130
Equity holders of the parent	2 295	2 065
Non-controlling interest	81	65
<b>Non-current liabilities</b>	<b>891</b>	869
Amounts due to bankers	675	710
Amounts due to vendors of businesses acquired	215	148
Deferred taxation	1	11
<b>Current liabilities</b>	<b>1 353</b>	1 231
Trade and other payables	943	898
Bank overdraft	266	242
Amounts due to vendors of businesses acquired	116	76
Taxation	28	15
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 620</b>	4 230

GROUP STATEMENT OF COMPREHENSIVE INCOME

R million	30 Nov 2017	% change	30 Nov 2016
<b>Turnover</b>	<b>5 902</b>	6,6	5 534
– Ongoing operations	<b>5 204</b>		5 252
– Operations acquired after December 2015	<b>698</b>		282
Cost of sales	<b>3 704</b>		3 536
<b>Gross profit</b>	<b>2 198</b>		1 998
Operating expenses	<b>1 522</b>		1 359
<b>Operating profit</b>	<b>676</b>	5,7	639
– Ongoing operations	<b>591</b>	(1,2)	598
– Operations acquired after December 2015	<b>85</b>		41
Adjustment to fair value of amounts due to vendors of businesses acquired	<b>2</b>		19
<b>Profit before interest</b>	<b>678</b>	3,0	658
Finance costs	<b>103</b>		100
<b>Profit before taxation</b>	<b>575</b>	3,0	558
Taxation	<b>156</b>		148
<b>Profit after taxation</b>	<b>419</b>	2,0	410
Income from joint venture	<b>3</b>		3
<b>Profit for the year</b>	<b>422</b>	2,2	413
<b>Other comprehensive loss</b>	<b>(2)</b>		(8)
Movement on fair value of cash flow hedges	<b>2</b>		(7)
Exchange loss on translation of foreign operations	<b>(4)</b>		(1)
<b>Total comprehensive income for the year</b>	<b>420</b>	3,6	405
Profit attributable to:			
– Equity holders of the parent	<b>397</b>	2,3	388
– Non-controlling shareholders	<b>25</b>		25
	<b>422</b>	2,2	413

	30 Nov 2017	30 Nov 2016
Total comprehensive income attributable to:		
– Equity holders of the parent	396	381
– Non-controlling shareholders	24	24
	420	405

<b>Earnings per share (cents)</b>		
– Basic	1 254	1 226
– Headline	1 256	1 222
– Comparable	1 251	1 171
<b>Diluted earnings per share (cents)</b>		
– Basic	1 241	1 222
– Headline	1 243	1 219
– Comparable	1 237	1 168

<b>Calculation of headline earnings</b>		
Profit attributable to equity holders of the parent	397	388
<i>Adjusted for:</i>		
Loss (profit) on disposal of plant and equipment	1	(1)
<b>Headline earnings</b>	<b>398</b>	387
<b>Calculation of comparable earnings</b>		
Headline earnings	398	387
<i>Adjusted for:</i>		
Adjustment to fair value of amounts due to vendors of businesses acquired	(2)	(19)
Non-controlling interest	2	2
<b>Comparable earnings</b>	<b>396</b>	370

<b>Dividends</b>		
– Per share (cents)	560	525
– Amount (Rm)	177	166
<b>Shares in issue (000)</b>	<b>31 646</b>	31 646
– Total (000)	34 154	34 154
– Held by subsidiary (000)	(2 508)	(2 508)
<b>Weighted average shares in issue</b>		
– Total (000)	31 646	31 646
– Diluted (000)	31 981	31 732

SEGMENT INFORMATION

	Turnover			Operating profit			Average net operating assets		
R million	30 Nov 2017	% change	30 Nov 2016	30 Nov 2017	% change	30 Nov 2016	30 Nov 2017	% change	30 Nov 2016
<b>Consumer-related products</b>	<b>3 051</b>	8,9	2 802	<b>428</b>	5,7	405	<b>1 592</b>	19	1 337
– Ongoing operations	2 434	(4,6)	2 553	357	(4,0)	372	1 469	24	1 185
– Operations acquired after December 2015	617		249	71		33	123		152
<b>Engineering consumables</b>	<b>2 861</b>	4,5	2 739	<b>272</b>	6,8	255	<b>1 710</b>	(1,3)	1 732
– Ongoing operations	2 780	2,7	2 706	258	4,5	247	1 676	(1,0)	1 693
– Operations acquired after December 2015	81		33	14		8	34		39
<b>Total operating segments</b>	<b>5 912</b>	6,7	5 541	<b>700</b>	6,1	660	<b>3 302</b>	7,6	3 069
Head office, shared services and eliminations	(10)		(7)	(24)		(21)	109		72
<b>Total group</b>	<b>5 902</b>	6,6	5 534	<b>676</b>	5,7	639	<b>3 411</b>	8,6	3 141

GROUP STATEMENT OF CASH FLOWS

R million	30 Nov 2017	30 Nov 2016
Cash generated from trading	772	712
(Increase) decrease in working capital	(61)	34
<b>Cash generated from operations</b>	<b>711</b>	746
Taxation paid	(131)	(174)
<b>Net cash from operating activities</b>	<b>580</b>	572
Net investment in new operations	(210)	(165)
Net investment in property, plant and equipment	(47)	(30)
<b>Net cash from investing activities</b>	<b>(257)</b>	(195)
Decrease in non-current amounts due to bankers	(35)	(90)
Share-based payments	(16)	(5)
Finance costs paid	(81)	(87)
Dividends paid	(177)	(173)
<b>Net cash from financing activities</b>	<b>(309)</b>	(355)
Decrease in net bank overdraft	14	22
Foreign exchange translation loss	(4)	(1)
Net bank overdraft at beginning of the year	(195)	(216)
<b>Net bank overdraft at end of the year</b>	<b>(185)</b>	(195)

GROUP STATEMENT OF CHANGES IN EQUITY

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 2015</b>	55	75	1 733	1 863	51	1 914
Comprehensive income for the year		(7)	388	381	24	405
Movement in equity compensation reserve		(4)	7	3		3
Dividends			(163)	(163)	(10)	(173)
<b>Balance at 30 November 2016</b>	55	64	1 965	2 084	65	2 149
Less: Shares held by subsidiary company			(19)	(19)		(19)
<b>Net balance at 30 November 2016</b>	55	64	1 946	2 065	65	2 130
<b>Balance at 1 December 2016</b>	<b>55</b>	<b>64</b>	<b>1 965</b>	<b>2 084</b>	<b>65</b>	<b>2 149</b>
Comprehensive income for the year		(2)	398	396	24	420
Movement in equity compensation reserve		16	(13)	3		3
Dividends			(169)	(169)	(8)	(177)
<b>Balance at 30 November 2017</b>	<b>55</b>	<b>78</b>	<b>2 181</b>	<b>2 314</b>	<b>81</b>	<b>2 395</b>
Less: Shares held by subsidiary company			(19)	(19)		(19)
<b>Net balance at 30 November 2017</b>	<b>55</b>	<b>78</b>	<b>2 162</b>	<b>2 295</b>	<b>81</b>	<b>2 376</b>

SUPPLEMENTARY INFORMATION