Condensed Unaudited Consolidated Interim Financial Statements

for the six months ended 30 June 2020

Collaboration. Activation. Sales.

CA SALES HOLDINGS LTD TRADING AS CA&S GROUP

(Incorporated in the Republic of South Africa) South African registration number 2011/143100/06, Botswana registration number EX2017/18292 Share code: CAS, ISIN: ZAE400000036 (**"CA&S"** or **"the group"**)

Commentary

Nature of business

The CA&S group specialises in the fast-moving consumer goods industry and delivers route-to-market services to the manufacturers or owners of some of the world's leading and most prominent brands. The service offering includes warehousing, distribution, selling, merchandising, shopper marketing, training and debtor's administration. The group has a varied geographical presence across Southern Africa operating in Botswana, Eswatini, Lesotho, Mozambique, Namibia, South Africa, Zambia and Zimbabwe.

Financial highlights

CA&S is pleased to announce that its half year results for the period ending 30 June 2020, has been satisfactory under the extraordinary circumstances. The majority of the group's products and services are classified as essential products and services, ensuring continued trading during this COVID-19 pandemic, albeit challenged under the circumstances. Revenue increased by 18.5% to over R 3.4 billion from R 2.9 billion in the prior interim period, despite trade restrictions in certain sectors and challenges in cross-border distribution. New clients obtained in the latter half of the prior year contributed to the first half growth on prior year. In this challenging operating environment, management focused on delivering operational excellence, optimal service levels and identifying cost saving initiatives. The basket mix, specifically the tobacco product sales contribution and reduced liquor sales, resulted in a curbed increase in gross profit of 8.9% to R 491.3 million (H1 2019: R 451.2 million). During the second quarter of the year, the South African rand depreciated to the Botswana pula. This resulted in a significant foreign exchange loss in the Botswana operations and a decline of 25.1% in headline earnings for the group to R 54.9 million (H1 2019: R 73.3 million). Headline earnings per share was down 25.3% to 12.20 cents per share (H1 2019: 16.33 cents).

Despite the net foreign exchange loss of R 42.8 million, in the current economic environment, the group produced satisfactory results. If the net foreign exchange loss is excluded from the operating profit, the growth on prior year is 0.7%. The operational profit growth on prior year was underpinned by a good overall performance from the majority of the operations for the first six months of the year. The businesses that were significantly impacted by the trade restrictions in quarter two were the distributors of alcohol and the promotions operations.

The goodwill of two subsidiaries, deriving their revenue from merchandising services in the hardware sector, was impaired by R 20.2m. A retailer in the hardware industry made a strategic decision to replace the out-sourced service offering with an in-house solution. After lengthy discussions with all the relevant parties no alternative solution could be reached and the investments had to be impaired due to the loss of the business.

Total assets increased by 14.8% to R 3.0 billion mainly as a result of the stronger pula at which the balance sheets of the Botswana businesses are translated. Stockholding increased compared to the prior year interim period due to the additional products from new clients obtained in the latter half of the prior year. Cash balances increased as a result of increased sales and continued focus on working capital management as well as a cautionary approach to capital investment.

Future strategy

The impact of COVID-19, with the related trade restrictions and imposed lock downs in the relevant countries, on their economies and the group's full year performance, cannot be fully quantified. Governments' attempts, through imposed regulations, to curb the spread is unpredictable. The impact of continued or re-introduced restrictions on alcohol sales will hamper the group's growth in certain markets.

The group will continue its expansion, where feasible, by growing its principal and customer networks and making value-adding acquisitions.

The duration of the challenging economic environment and difficult trading conditions is still uncertain. However, the group is well positioned with a strong balance sheet and a diverse geographical presence across Southern Africa. The group's diversified portfolio should enable it to deliver sustainable profitable results for the remainder of the year.

Condensed consolidated statement of comprehensive income

	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Unaudited) 6 months ended 30 Jun 2019 R'000	(Audited) year ended 31 Dec 2019 R'000
Revenue from contracts with customers	**3 481 212**	2 936 630	7 131 967
Cost of sales	**(2 989 954)**	(2 485 450)	(6 107 893)
Gross profit	**491 258**	451 180	1 024 074
Other operating expenses	**(410 474)**	(326 423)	(772 796)
Net impairment losses on financial assets	**(1 270)**	(775)	(3 510)
Other operating income	**12 669**	8 893	88 681
Operating profit	**92 183**	132 875	336 449
Share of profit of investments accounted for using the equity method	**231**	71	1 031
Profit before interest and tax	**92 414**	132 946	337 480
Finance income	**5 025**	4 105	8 653
Finance costs	**(18 672)**	(19 440)	(42 968)
Profit before income tax	**78 767**	117 611	303 165
Income tax	**(34 767)**	(36 691)	(94 819)
Profit for the period	**44 000**	80 920	208 346
Other comprehensive income:			
Items that will be reclassified to profit or loss net of taxation			
Foreign currency translation differences	**52 692**	(5 114)	(7 636)
Total comprehensive income for the period	**96 692**	75 806	200 710
Profit attributable to:			
– Owners of the parent	**37 415**	73 425	187 820
– Non-controlling interest	**6 585**	7 495	20 526
Total profit for the period	**44 000**	80 920	208 346
Total comprehensive income attributable to:			
– Owners of the parent	**89 854**	68 337	180 195
– Non-controlling interest	**6 838**	7 469	20 515
Total comprehensive income for the period	**96 692**	75 806	200 710
Basic earnings per share (cent)	**8,31**	16,36	41,83
Diluted earnings per share (cent)	**8,30**	16,34	41,79

Condensed consolidated statement of changes in equity

	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Unaudited) 6 months ended 30 Jun 2019 R'000	(Audited) year ended 31 Dec 2019 R'000
Opening balance at 1 January	**1 467 556**	1 327 649	1 327 649
Profit for the period	**44 000**	80 920	208 346
Other comprehensive income		–	–
Currency translation differences net of taxation	**52 692**	(5 114)	(7 636)
Transactions with owners:			
Share swop	**15 251**	–	–
Share-based payment	**3 418**	189	2 957
Transaction with non-controlling interest	**(15 151)**	(16 678)	(16 680)
Dividends paid	**(50 878)**	(40 326)	(47 080)
Closing balance	**1 516 888**	1 346 640	1 467 556

Condensed consolidated statement of financial position

	(Unaudited) at 30 Jun 2020 R'000	(Unaudited) at 30 Jun 2019 R'000	(Audited) at 31 Dec 2019 R'000
Assets			
Non-current assets	**1 081 487**	1 080 803	1 056 250
Property, plant and equipment	**536 428**	507 792	511 522
Intangible assets	**484 974**	537 636	504 944
Investments accounted for using the equity method	**31 078**	25 298	13 109
Deferred income tax assets	**29 007**	10 077	26 675
Current assets	**1 939 817**	1 551 784	2 054 661
Inventories	**503 242**	386 291	483 360
Trade and other receivables	**1 056 255**	964 133	1 318 229
Income tax receivable	**18 185**	9 471	3 095
Cash and cash equivalents (excluding overdrafts)	**362 135**	191 889	249 977
Total assets	**3 021 304**	2 632 587	3 110 911
Equity and liabilities			
Equity	**1 516 888**	1 346 640	1 467 556
Stated capital	**848 599**	833 210	833 348
Other reserves	**81 591**	25 503	25 734
Retained earnings	**535 764**	438 221	551 524
	1 465 954	1 296 934	1 410 606
Non-controlling interest	**50 934**	49 706	56 950
Non-current liabilities	**332 549**	341 459	324 133
Borrowings	**322 218**	336 744	317 396
Deferred income tax liabilities	**10 331**	4 715	6 737
Current liabilities	**1 171 867**	944 488	1 319 222
Trade and other payables	**836 145**	604 914	1 003 461
Provisions	**85 196**	65 795	100 477
Income tax payable	**8 583**	8 666	5 255
Borrowings	**241 943**	265 113	210 029
Total equity and liabilities	**3 021 304**	2 632 587	3 110 911

Condensed consolidated statement of cash flows

	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Unaudited) 6 months ended 30 Jun 2019 R'000	(Audited) year ended 31 Dec 2019 R'000
Cash flows from operating activities			
Cash generated from operations	**241 556**	79 951	349 440
Interest paid	**(18 672)**	(19 440)	(42 968)
Income taxes paid	**(45 716)**	(35 581)	(105 250)
Net cash generated from operating activities	**177 168**	24 930	201 222
Net cash outflow from investing activities	**(10 885)**	(27 115)	(50 798)
Net cash outflow from financing activities	**(113 755)**	(101 651)	(145 934)
Net increase in cash and cash equivalents	**52 528**	(103 836)	4 490
Effects of exchange rate changes on cash and cash equivalents	**8 179**	(1 399)	(1 659)
Cash and cash equivalents including overdrafts at beginning of the year	**150 705**	147 874	147 874
Cash and cash equivalents including overdrafts at end of the period	**211 412**	42 639	150 705

HEADLINE EARNINGS PER SHARE
12.2
(cents)
▼ 25.3%

REVENUE
3 481.2
(Rm)
▲ 18.5%

EBITDA
150.0
(Rm)
▼ 10.3%

NET ASSET VALUE PER SHARE
324.2
(cents)
▲ 3.3%

taking brands beyond borders

Condensed segmental results

The group's chief operating decision makers (CODM), consisting of the chief executive officer and the chief financial officer, examine the group's performance from a geographical perspective. The group's reportable segments are operating segments that are differentiated by the country of operation. Countries with insignificant results have been aggregated under the heading "other countries" and include Lesotho, Mauritius, Mozambique, Zambia and Zimbabwe.

The group evaluates the performance of its reportable segments based on revenue and operating profit (EBIT and adjusted EBITDA). The intersegment sales and transfers are included in the values per segment and eliminated on the intersegmental transactions line.

The segments derive their revenues from either selling and distributing fast-moving consumer goods or transport, merchandising, promotional or training services.

	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Unaudited) 6 months ended 30 Jun 2019 R'000	(Audited) year ended 31 Dec 2019 R'000
Segmental revenue			
Botswana	**1 927 483**	1 741 647	4 217 718
Eswatini	**502 770**	380 980	940 660
Namibia	**533 037**	342 971	956 342
South Africa	**521 501**	478 053	1 026 461
Other countries	**5 595**	8 328	13 003
Intersegmental transactions	**(9 174)**	(15 349)	(22 217)
	3 481 212	2 936 630	7 131 967
Segmental adjusted EBITDA			
Botswana*	**42 907**	77 937	220 236
Eswatini	**36 033**	30 570	83 600
Namibia	**16 926**	14 971	14 332
South Africa	**54 660**	45 292	119 255
Other countries	**781**	2 835	1 969
Intersegmental transactions	**(1 261)**	(4 415)	3 186
	150 046	167 190	442 578
Segmental EBIT			
Botswana*	**29 963**	66 111	195 639
Eswatini	**30 015**	27 101	72 962
Namibia	**11 311**	10 614	(25 820)
South Africa	**21 630**	30 741	89 617
Other countries	**755**	2 802	1 894
Intersegmental transactions	**(1 260)**	(4 423)	3 188
	92 414	132 946	337 480

	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Unaudited) 6 months ended 30 Jun 2019 R'000	(Audited) year ended 31 Dec 2019 R'000
Segmental assets			
Botswana	**1 809 417**	1 566 221	1 834 825
Eswatini	**310 519**	268 534	355 470
Namibia	**340 602**	264 296	362 189
South Africa	**751 669**	678 953	698 689
Other countries	**27 163**	15 647	14 656
Intersegmental transactions	**(218 066)**	(161 064)	(154 918)
	3 021 304	2 632 587	3 110 911
Segmental liabilities			
Botswana	**1 038 404**	969 228	1 122 344
Eswatini	**140 973**	133 221	171 627
Namibia	**236 290**	162 022	263 863
South Africa	**292 903**	177 209	239 275
Other countries	**15 828**	4 155	3 982
Intersegmental transactions	**(219 982)**	(159 888)	(157 736)
	1 504 416	1 285 947	1 643 355
Reconciliation from adjusted EBITDA to profit after tax:			
Adjusted EBITDA	**150 046**	167 190	442 578
Depreciation & amortisation	**(37 462)**	(33 696)	(73 931)
Impairment of intangible assets	**(20 170)**	(548)	(31 167)
EBIT	**92 414**	132 946	337 480
Net finance cost	**(13 647)**	(15 335)	(34 315)
Taxation	**(34 767)**	(36 691)	(94 819)
Profit after tax	**44 000**	80 920	208 346

* June 2020 includes a net foreign exchange loss of R 42.8m. Excluding the net forex loss, EBITDA increased by 8.4% on the prior year and EBIT by 8.2%.

Reconciliation between profit after taxation attributable to the owners of the parent and headline earnings:

	(Unaudited) 6 months ended 30 Jun 2020 R'000	(Unaudited) 6 months ended 30 Jun 2019 R'000	(Audited) year ended 31 Dec 2019 R'000
Profit after taxation attributable to the owners of the parent	**37 415**	73 425	187 820
Profit on sale of property, plant and equipment	**(795)**	(1 048)	(1 788)
Impairment of investment in associates	**–**	–	12 000
Loss on sale of associated companies	**–**	–	438
Impairment of intangible assets	**20 170**	548	31 167
Tax effect on above	**217**	288	513
Non-controlling interest on above	**(2 083)**	55	241
Headline earnings attributable to owners of the parent	**54 924**	73 268	230 391
Headline earnings per share (cent)	**12,20**	16,33	51,31
Diluted headline earnings per share (cent)	**12,19**	16,31	51,26
Dividends paid per share (cent)	**10,26**	7,96	7,96
Issued number of shares	**452 135 508**	449 219 484	449 219 484
Weighted average number of shares	**450 191 492**	448 753 261	448 986 373
Weighted average number of diluted shares	**450 671 475**	449 310 418	449 466 356

Notes to the condensed consolidated interim financial statements

1. **Basis of preparation and accounting policies**
   This financial report is an extract from the condensed consolidated interim financial statements which are available on the company's website (www.cas.group).
   The condensed consolidated interim financial statements for the six months ended 30 June 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and presented according to the disclosure requirements of accounting standard IAS34 *Interim Financial Reporting.*

   The accounting policies applied in the preparation of the consolidated interim financial statements are consistent with those accounting policies applied in the preparation of the previous year's consolidated interim financial statements.

   The financial information is presented in South African Rand (rounded to the nearest thousand), which is considered the reporting currency. The condensed consolidated interim financial statements have been prepared under the supervision of the Chief Financial Officer, Mr FJ Reichert CA(SA) and have not been reviewed by the auditors. These condensed consolidated interim financial statements for the six months ended 30 June 2020 were approved for issue by the board on 31 August 2020.

2. **New and amended standards adopted by the group**
   Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. **Events after balance sheet date**
   There were no significant events that occurred after the reporting date that require adjustment to or disclosure in the consolidated interim financial statements for the six months ended 30 June 2020. Re-introduced restrictions on alcohol sales in Botswana and Eswatini since June 2020 will further impact on the group's results. The impact cannot be quantified at this time.

4. **Dividends**

R'000	30 June 2020	30 June 2019
Ordinary shares		
Dividends paid	**46 078**	35 702

The company has a policy of declaring dividends once a year.

For and on behalf of the board

Chairman: JA Holtzhausen
Chief Executive Officer: DS Lewis

Centurion
2 September 2020

CORPORATE INFORMATION:

Directors:

Executive: DS Lewis, FJ Reichert.
Non-executive: FW Britz, JA Holtzhausen, PN de Waal, TP Rogers.
Independent non-executive: LR Cronje, B Marole, E Masilela, JS Moakofi, B Patel.
Alternate non-executive: J Craven.

Registered office: 1st Floor Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600

BSE Sponsor: Imara Capital Securities (Pty) Ltd, Unit 1E, Ground Floor, Peelo Place Plot 54366 Western Commercial Road, New CBD, Gaborone

4AX Issuer Agent: PSG Capital (Pty) Ltd, 1st Floor, Ou Kollege Building 35 Kerk Street, Stellenbosch