



Collaboration. Activation. Sales.

Condensed Audited Annual Financial Statements

for the year ended 31 December 2019

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 on shelf availability to the manufacturers or owners of some of the world's leading consumer 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, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

The group has embarked on a rebranding exercise resulting in the new brand identity of the group, namely CA&S group, with its new logo.

Financial highlights

CA&S is pleased to announce its results for the year ended 31 December 2019. Revenue increased by 28.4% to over R7.1 billion from R5.5 billion in the prior year, through mostly organic growth. In a challenging operating environment, management continues to focus on capability building, delivering operational excellence, efficient stock management, dynamic service levels and continual cost efficiencies. This resulted in an increase in gross profit of 24.3% to R1.0 billion (2018: R0.8 billion) and a robust 28.4% increase in headline earnings to R230.4 million (2018: R179.4 million). Headline earnings per share was up 27.9% to 51.31 cents per share (2018: 40.11 cents).

Condensed consolidated statement of comprehensive income

	(Audited) 31 Dec 2019 R'000	(Audited) 31 Dec 2018 R'000
Revenue	7 131 967	5 555 533
Cost of sales	(6 107 893)	(4 731 467)
Gross profit	1 024 074	824 066
Other operating expenses	(776 306)	(579 143)
Other operating income	88 681	15 262
Operating profit	336 449	260 185
Share of profit of investments accounted for using the equity method	1 031	3 191
Profit before interest and tax	337 480	263 376
Finance income	8 653	8 463
Finance costs	(42 968)	(22 936)
Profit before income tax	303 165	248 903
Income tax	(94 819)	(76 897)
Profit for the year	208 346	172 006
Other comprehensive income: Items that will be reclassified to profit or loss net of taxation		
Foreign currency translation differences	(7 636)	17 734
Total comprehensive income for the year	200 710	189 740
Profit attributable to:		
– Owners of the parent	187 820	152 755
– Non-controlling interest	20 526	19 251
Total profit for the year	208 346	172 006
Total comprehensive income attributable to:		
– Owners of the parent	180 195	170 356
– Non-controlling interest	20 515	19 384
Total comprehensive income for the year	200 710	189 740
Basic earnings per share (cent)	41.83	34.16
Diluted earnings per share (cent)	41.79	34.01

Condensed consolidated statement of cash flows

	(Audited) 31 Dec 2019 R'000	(Audited) 31 Dec 2018 R'000
Cash flows from operating activities		
Cash generated from operations	349 440	325 980
Interest paid	(42 968)	(22 936)
Income taxes paid	(105 250)	(79 048)
Net cash generated from operating activities	201 222	223 996
Net cash outflow from investing activities	(50 798)	(873)
Net cash outflow from financing activities	(145 934)	(176 210)
Net increase in cash and cash equivalents	4 490	46 913
Effects of exchange rate changes on cash and cash equivalents	(1 659)	4 378
Cash and cash equivalents including overdrafts at beginning of the year	147 874	96 583
Cash and cash equivalents including overdrafts at end of the year	150 705	147 874

Condensed consolidated statement of changes in equity

	(Audited) 31 Dec 2019 R'000	(Audited) 31 Dec 2018 R'000
Opening balance at 1 January	1 327 649	1 183 868
Profit for the year	208 346	172 006
Other comprehensive income		
– Currency translation differences net of taxation	(7 636)	17 734
Transactions with owners:		
– Share-based payment	2 957	(9 913)
– Acquisition of subsidiary	–	445
– Transactions with non-controlling interest	(16 680)	(803)
– Dividends paid	(47 080)	(35 688)
Closing balance as at 31 December	1 467 556	1 327 649

Despite head winds in some of the territories in which the businesses operate, the group produced pleasing results. The growth on prior year was underpinned by a good overall performance from all the major operations for the year. The adoption of the new IFRS16 leases accounting standard did not have a material impact on the group's results.

Goodwill of R56.9 million arising on the acquisition of SMC Namibia has been impaired by R30 million based on the reassessment of the cash-generating units' future cash flows. This impairment negatively impacted earnings per share.

Total assets increased by 22.1% to R3.1 billion mainly as a result of the adjustments from IFRS 16. The right-of-use assets, not included in the balance sheet in the prior year, increased the closing carrying value of assets by R57.3 million.

Future strategy

The group will continue its expansion by growing its principal and customer networks and making value-adding acquisitions, broadening its footprint further across the African continent.

It is expected that the challenging economic environment and difficult trading conditions will continue for the time being. The group is well positioned with a strong balance sheet and a diverse geographical presence across Southern Africa.

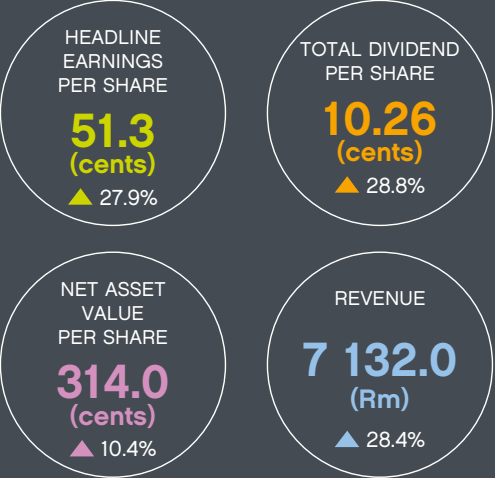
The group's diversified portfolio should enable it to deliver sustainable results for the upcoming year.

Condensed consolidated statement of financial position

	(Audited) 31 Dec 2019 R'000	(Audited) 31 Dec 2018 R'000
Assets		
Non-current assets	1 056 250	983 210
Property, plant and equipment	511 522	419 062
Intangible assets	504 944	540 236
Investments accounted for using the equity method	13 109	13 923
Deferred income tax assets	26 675	9 989
Current assets	2 054 661	1 573 723
Inventories	483 360	335 958
Trade and other receivables	1 318 229	1 004 987
Income tax receivable	3 095	5 456
Cash and cash equivalents (excluding overdrafts)	249 977	227 322
Total assets	3 110 911	2 556 933
Equity and liabilities		
Equity	1 467 556	1 327 649
Stated capital	833 348	833 348
Other reserves	25 734	30 264
Retained earnings	551 524	411 569
	1 410 606	1 275 181
Non-controlling interest	56 950	52 468
Non-current liabilities	324 133	306 596
Borrowings	317 396	301 268
Deferred income tax liabilities	6 737	5 328
Current liabilities	1 319 222	922 688
Trade and other payables	1 003 461	691 185
Provisions	100 477	52 351
Income tax payable	5 255	2 980
Borrowings	210 029	176 172
Total equity and liabilities	3 110 911	2 556 933

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

	(Audited) 31 Dec 2019 R'000	(Audited) 31 Dec 2018 R'000
Profit after taxation attributable to the owners of the parent	187 820	152 755
Profit on sale of property, plant and equipment	(1 788)	(2 171)
Impairment of investment in associates	12 000	–
Loss on sale of associated companies	438	835
Impairment of intangible assets	31 167	27 000
Tax effect on above	513	654
Non-controlling interest on above	241	328
Headline earnings attributable to owners of the parent	230 391	179 401
Headline earnings per share (cent)	51.31	40.11
Diluted headline earnings per share (cent)	51.26	39.95
Dividends paid per share (cent)	7.96	5.99
Issued number of shares	449 219 484	448 520 150
Weighted average number of shares	448 986 373	447 224 910
Weighted average number of diluted shares	449 466 356	449 098 595



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 geographic 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 group transactions line.

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

	(Audited) 31 Dec 2019 R'000	(Audited) 31 Dec 2018 R'000
Segmental revenue		
Botswana	4 217 718	3 364 479
Eswatini	940 660	714 014
Namibia	956 342	719 984
South Africa	1 026 461	761 434
Other countries	13 003	7 937
Group transactions	(22 217)	(12 315)
	7 131 967	5 555 533
Segmental adjusted EBITDA		
Botswana	220 236	151 027
Eswatini	83 600	66 614
Namibia	14 332	21 646
South Africa	119 255	85 725
Other countries	1 969	2 303
Group transactions	3 186	(4 346)
	442 578	322 969
Segmental EBIT		
Botswana	195 639	120 615
Eswatini	72 962	61 874
Namibia	(25 820)	20 314
South Africa	89 617	76 255
Other countries	1 894	2 164
Group transactions	3 188	(17 846)
	337 480	263 376

	(Audited) 31 Dec 2019 R'000	(Audited) 31 Dec 2018 R'000
Segmental assets		
Botswana	1 834 825	1 599 434
Eswatini	355 470	237 285
Namibia	362 189	253 207
South Africa	698 689	602 151
Other countries	14 656	17 514
Group transactions	(154 918)	(152 453)
	3 110 911	2 556 933
Segmental liabilities		
Botswana	1 122 344	1 003 872
Eswatini	171 627	91 748
Namibia	263 863	151 845
South Africa	239 275	125 969
Other countries	3 982	7 188
Group transactions	(157 736)	(151 338)
	1 643 355	1 229 284
Reconciliation from adjusted EBITDA to profit after tax:		
Adjusted EBITDA	442 578	322 969
Depreciation and amortisation	(73 931)	(32 593)
Impairment of intangible assets	(31 167)	(27 000)
EBIT	337 480	263 376
Net finance cost	(34 315)	(14 473)
Taxation	(94 819)	(76 897)
Profit after tax	208 346	172 006

Revenues of approximately R1 676 million (2018 – R1 446 million) are derived from two external customers domiciled in Botswana and are attributed to the Botswana and Namibia segments.

The EBIT loss in the Namibian segment is due to the R30 million impairment of the goodwill of the SMC Namibia investment.

Notes to the condensed consolidated annual financial statements

1. Basis of preparation and accounting policies

This financial report is an extract from the condensed audited consolidated financial statements which are available on the company's website (www.cas.group). The condensed consolidated financial statements for the year ended 31 December 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS) and presented according to the disclosure requirements of accounting standard IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the consolidated annual financial statements are consistent with those accounting policies applied in the preparation of

the previous year's consolidated annual financial statements, except for the adoption of new and amended standards as set out below, which were also reported on during the corresponding interim reporting period.

The financial information is presented in South African Rand (rounded to the nearest thousand), which is considered the reporting currency. The consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Mr FJ Reichert CA(SA) and have been audited by PricewaterhouseCoopers Inc. These condensed consolidated financial statements for the year ended 31 December 2019 were approved for issue by the board on 12 March 2020.

2. New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 *Leases*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Long-term Interest in Associates and Joint Ventures – Amendments to IAS 28
- Interpretation 23 *Uncertainty over Income Tax Treatments*

The group also elected to adopt the following amendment early:

- Amendments to IFRS 3 – *Definition of a Business*

The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 4 in the report on the website. The other amendments listed above did not have a material impact on the amounts recognised in the current reporting period and are not expected to significantly affect the foreseeable future periods.

There are no standards that are not yet effective that would be 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 annual financial statements for the year ended 31 December 2019.

4. Declaration of dividend

Notice is hereby given that the final gross ordinary share cash dividend of 10.2574 (2018: 7.9637) cents (or BWP equivalent) per share in respect of the year ended 31 December 2019 was declared on Wednesday, 18 March 2020, and will be paid to the ordinary shareholders of the company, recorded in the register on Friday, 3 April 2020, at the close of business on Thursday, 9 April 2020. In line with the company's dividend policy, the dividend was maintained at 20% of the headline earnings.

The ex-dividend date for shareholders on the Botswana Stock Exchange will be Wednesday, 1 April 2020 and Monday, 6 April 2020 for shareholders on the 4 Africa Exchange. The record date to appear in the register to participate in the dividend will be Friday, 3 April 2020. The dividend will be paid on Thursday, 9 April 2020. The South African register will be closed for the purposes of dematerialisation, re-materialisation from Wednesday, 1 April 2020 to Friday, 3 April 2020, both dates inclusive, and for transfers between the South African and Botswana registers between Wednesday, 1 April 2020 and Friday, 3 April 2020, both dates inclusive. The exchange rate applicable for the conversion of ZAR to BWP, tax implications and other information on the payment to shareholders on the Botswana Stock Exchange register will be confirmed in a separate announcement to be released on BSE X-News and 4 Africa News Service on Tuesday, 24 March 2020, being the finalisation date.

The number of issued shares at the declaration date is 449 219 484. The dividend has been declared from income reserves. The tax registration number of the company is 9390266170.

As per the double tax agreement between Botswana and South Africa, the South African withholding tax of 15% is deducted from dividends distributed to shareholders registered on the Botswana Stock Exchange. This dividend is treated as a foreign dividend for Botswana shareholders. In respect of shareholders registered on the 4 Africa Exchange, the dividends payable is subject to a 20% withholding tax as required under the South African Income Tax Act, resulting in a net dividend of 8.2059 cents per share. Shareholders must take individual advice as to applicable taxes.

For and on behalf of the board

Chairman: JA Holtzhausen
Chief Executive Officer: DS Lewis

Johannesburg
12 March 2020

CORPORATE INFORMATION:

Directors:

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

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

BSE Sponsor: African Alliance Botswana Securities Ltd, African Alliance House, Fairgrounds Office Park, Plot 64511, Gaborone

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