CA SALES HOLDINGS

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

CONDENSED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE **2018**

REVENUE	HEADLINE EARNINGS	HEADLINE EARNINGS PER SHARE	NET ASSET VALUE PER SHARE
(Rm) 2 435.8	(Rm) 45.7	(cents) 10.2	(cents) 259.2
▲ 28.0%	▲ 44.0%	▲ 30.9%	▲ 6.7%

COMMENTARY

Nature of business

CA Sales operates within the Fast-Moving Consumer Goods industry and delivers route-to-market services to blue chip manufacturers. The service offering includes selling, merchandising, warehousing, distribution, shopper promotions, training and debtor's administration. The group has a diverse geographical presence across Southern Africa operating in Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

Financial highlights

CA Sales is pleased to announce its half-year results for the period ended 30 June 2018. Revenue increased by 28% to over R2.4 billion from R1.9 billion in the prior interim period, through a combination of organic and acquisitive growth. In a challenging operating environment, management continued to focus on margin retention, stock management, dynamic service levels and continual cost analysis. This resulted in a healthy increase in gross profit of 23% to R382.4 million (H1 2017: R309.3 million) and a robust 44% increase in headline earnings to R45.7 million (H1 2017: R31.7 million). This was also supported by the increased shareholding in major subsidiaries towards the end of last year. Headline earnings per share is up 30% to 10.25 cents per share (H1 2017: 7.83 cents).

Despite the volatile trading environment in which the businesses operate, the group is pleased with the good results produced by the major operating companies. Manufacturers' below the line marketing spend cuts have negatively impacted on the marketing and promotional operations and tough trading conditions prevailed in Namibia.

Total assets increased by 10% to R 2.3 billion mainly as a result of the acquisition of the currently occupied warehouses in Botswana at the end of June 2018. The bond over these properties increased the group's gearing to 42%, from 26% at the prior year-end.

Future strategy

CA Sales will continue its expansion by growing its principal and customer networks and making value-adding acquisitions, widening its footprint further across the African continent.

It is expected that the challenging economic environment and difficult trading conditions will prevail for the time being. The group is, however, 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 remainder of the year.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) six months ended 30 June 2018 R'000	(Unaudited) six months ended 30 June 2017 R'000	(Audited) 12 months ended 31 December 2017 R'000
Revenue	2 435 837	1 902 519	4 838 511
Cost of sales	(2 053 447)	(1 593 188)	(4 114 878)
Gross profit	**382 390**	309 331	723 633
Other operating expenses	(300 726)	(247 603)	(520 051)
Other operating income	1 641	3 243	27 680
Operating profit	**83 305**	64 971	231 262
Share of profit of investments accounted for using the equity method	1 886	(802)	464
Profit before interest and tax	**85 191**	64 169	231 726
Finance income	2 896	3 410	13 265
Finance costs	(6 482)	(5 396)	(16 175)
Profit before income tax	**81 605**	62 183	228 816
Income tax	(27 869)	(19 882)	(56 969)
Profit for the period	**53 736**	42 301	171 847
Other comprehensive income:			
Currency translation differences net of taxation	12 635	(685)	(3 998)
Share of other comprehensive income of associated companies net of taxation	33	–	(1)
Total comprehensive income for the period	**66 404**	41 616	167 848
Profit attributable to:			
– Owners of the parent	46 053	32 199	144 737
– Non-controlling interest	7 683	10 102	27 110
Total profit for the period	**53 736**	42 301	171 847
Total comprehensive income attributable to:			
– Owners of the parent	58 638	31 514	140 760
– Non-controlling interest	7 766	10 102	27 088
Total comprehensive income for the period	**66 404**	41 616	167 848
Basic earnings per share (cents)	10.33	7.94	35.14
Diluted earnings per share (cents)	10.33	7.79	34.46

RECONCILIATION BETWEEN PROFIT AFTER TAXATION ATTRIBUTABLE TO THE OWNERS OF THE PARENT AND HEADLINE EARNINGS:

	(Unaudited) six months ended 30 June 2018 R'000	(Unaudited) six months ended 30 June 2017 R'000	(Audited) 12 months ended 31 December 2017 R'000
Profit after taxation attributable to the owners of the parent	46 053	32 199	144 737
Profit on sale of property, plant and equipment	(699)	(809)	(1 479)
Impairment of investment in associates	–	–	2 537
Fair value adjustment on step-up from associated company to subsidiary	–	–	4 886
Gain on bargain purchase	–	–	(14 221)
Tax effect on above	170	210	421
Non-controlling interest on above	168	130	–
Headline earnings attributable to owners of the parent	**45 692**	31 730	136 881
Headline earnings per share (cents)	10.25	7.83	33.23
Diluted headline earnings per share (cents)	10.25	7.67	32.59
Dividends paid per share (cents)	5.99	–	5.25
Issued number of shares	448 520 150	405 400 800	444 634 430
Weighted average number of shares	445 929 670	405 400 800	411 939 738
Weighted average number of diluted shares	445 929 670	413 508 900	420 047 838

On 17 April 2018, share options of 3 885 720 shares were exercised by the directors.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 June 2018 R'000	(Unaudited) 30 June 2017 R'000	(Audited) 31 December 2017 R'000
Assets			
Non-current assets	**1 016 889**	692 188	696 141
Property, plant and equipment	420 370	94 667	100 807
Intangible assets	564 625	546 929	566 591
Investments accounted for using the equity method	19 344	28 149	16 273
Deferred income tax assets	12 550	6 443	12 470
Loans and advances	–	16 000	–
Current assets	**1 284 952**	1 057 375	1 397 805
Inventories	338 096	307 894	313 550
Trade and other receivables	757 603	591 963	878 389
Income tax receivable	10 221	10 607	1 725
Cash and cash equivalents (excluding overdrafts)	179 032	146 911	204 141
Total assets	**2 301 841**	1 749 563	2 093 946
Equity and liabilities			
Equity	**1 203 902**	1 045 175	1 183 868
Stated capital	841 526	708 944	841 526
Other reserves	23 639	15 457	14 398
Retained earnings	297 374	260 853	286 145
	1 162 539	985 254	1 142 069
Non-controlling interest	41 363	59 921	41 799
Non-current liabilities	**320 030**	31 932	27 532
Borrowings	316 246	28 792	23 308
Deferred income tax liabilities	3 784	3 140	4 224
Current liabilities	**777 909**	672 456	882 546
Trade and other payables	550 727	448 296	543 120
Provisions	37 830	33 889	52 624
Income tax payable	2 640	6 673	5 557
Borrowings	186 712	183 598	281 245
Total equity and liabilities	**2 301 841**	1 749 563	2 093 946

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) 30 June 2018 R'000	(Unaudited) 30 June 2017 R'000	(Audited) 31 December 2017 R'000
Opening balance	1 183 868	1 025 820	1 025 820
Total comprehensive income for the period	**66 404**	41 616	167 848
Profit	53 736	42 301	171 847
Other comprehensive income	12 668	(685)	(3 999)
Currency translation differences net of taxation	12 635	(685)	(3 998)
Share of other comprehensive income of associated companies net of taxation	33	–	(1)
Transactions with owners:			
Shares issued net of capitalised listing fees	–	–	132 582
Share-based payment	(11 521)	2 100	4 333
Acquisition of subsidiary	–	–	3 641
Transaction with non-controlling interest	(1 286)	(20 660)	(117 577)
Dividends paid	(33 563)	(3 701)	(32 779)
Closing balance	**1 203 902**	1 045 175	1 183 868

CONDENSED SEGMENTAL RESULTS

	(Unaudited) six months ended 30 June 2018 R'000	(Unaudited) six months ended 30 June 2017 R'000	(Audited) 12 months ended 31 December 2017 R'000
Segmental revenue			
Botswana	1 439 109	1 258 237	3 078 832
Namibia	326 871	86 682	478 875
South Africa	358 645	279 901	642 459
Swaziland	306 879	277 699	636 288
Other countries	4 333	–	2 057
	2 435 837	1 902 519	4 838 511
Segmental EBITDA			
Botswana	38 301	30 187	111 449
Namibia	4 454	6 873	23 869
South Africa	37 615	25 336	78 629
Swaziland	25 757	24 967	60 874
Other countries	754	(429)	148
Group transactions	(7 452)	(3 914)	(7 329)
	99 429	83 020	267 640
Segmental EBIT			
Botswana	31 770	23 353	96 059
Namibia	3 843	6 694	23 095
South Africa	32 940	17 686	66 853
Swaziland	23 406	20 786	53 032
Other countries	689	(429)	30
Group transactions	(7 457)	(3 921)	(7 343)
	85 191	64 169	231 726
Segmental profit after tax			
Botswana	23 132	14 984	68 702
Namibia	642	5 287	22 400
South Africa	21 103	11 498	44 888
Swaziland	16 565	14 893	38 353
Other countries	69	(429)	(18)
Group transactions	(7 775)	(3 932)	(2 478)
	53 736	42 301	171 847
Segmental assets			
Botswana	1 438 988	1 062 068	1 162 868
Namibia	237 971	137 633	255 435
South Africa	423 759	373 225	417 892
Swaziland	196 774	194 053	231 100
Other countries	20 201	4 239	3 669
Group transactions	(15 852)	(21 655)	22 982
	2 301 841	1 749 563	2 093 946
Segmental liabilities			
Botswana	904 874	461 828	673 364
Namibia	147 845	57 067	153 426
South Africa	70 577	194 873	64 110
Swaziland	78 110	80 539	118 451
Other countries	4 228	–	3 097
Group transactions	(107 695)	(89 919)	(102 370)
	1 097 939	704 388	910 078
Reconciliation from EBITDA to profit after tax:			
EBITDA	99 429	83 020	267 640
Depreciation and amortisation	(14 238)	(18 851)	(35 914)
Net finance cost	(3 586)	(1 986)	(2 910)
Taxation	(27 869)	(19 882)	(56 969)
Profit after tax	**53 736**	42 301	171 847

The significant increases in revenue, assets and liabilities for Namibia, is as a result of the step up of Wutow Trading Proprietary Limited from an associate, equity-accounted up to 30 June 2017, to a subsidiary, consolidated from 1 July 2017.

The increases in revenue, assets and liabilities for other countries, is as a result of the acquisition of Expo Africa Group, consolidated from 1 July 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) six months ended 30 June 2018 R'000	(Unaudited) six months ended 30 June 2017 R'000	(Audited) 12 months ended 31 December 2017 R'000
Cash generated from operations	82 508	79 716	247 900
Working capital changes	97 113	(102 628)	(222 374)
Taxation paid	(41 391)	(34 084)	(59 250)
Net cash flow generated from/(utilised by) operating activities	**138 230**	(56 996)	(33 724)
Net cash flow used in investment activities	(5 302)	(25 221)	(85 174)
Net cash flow (used in)/generated by financing activities	(172 492)	51 040	83 776
Net movement in cash and cash equivalents	**(39 564)**	(31 177)	(35 122)
Effects of exchange rate changes on cash and cash equivalents	2 327	(457)	(690)
Cash and cash equivalents at the beginning of the period	96 583	132 395	132 395
Cash and cash equivalents at the end of the period	**59 346**	100 761	96 583
Bank overdrafts	(119 686)	(46 150)	(107 558)
Cash and cash equivalents reported per the statement of financial position	179 032	146 911	204 141

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS

1. Basis of preparation and accounting policies

This interim financial report is an extract from the condensed consolidated interim financial statements which are available on the company's website (www.casholdings.co.za). The condensed consolidated financial statements for the six months ended 30 June 2018, 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 adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

The financial information is presented in South African Rand (rounded to the nearest thousand), which is considered the reporting currency. The condensed interim financial statements have been prepared under the supervision of the acting Chief Financial Officer, Mr FJ Reichert CA(SA) and have not been reviewed by the auditors. These condensed interim financial statements were approved for issue on 28 August 2018.

2. New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

– IFRS 9 Financial Instruments, and

– IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in the complete set of interim results on the group's website (www.casholdings.co.za). The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

3. Shares issued

On 17 April 2018, share options were exercised by the directors. The impact is as follows:

Issued shares	Number	R'000
Balance at beginning of the year	444 634 430	841 526
Share options exercised	3 885 720	–
Balance at 30 June 2018	**448 520 150**	841 526

4. Events occurring after the reporting period

On 1 July 2018, Pamstad Proprietary Limited, a subsidiary of CA Sales Holdings Limited, increased its shareholding in Kalahari Training Institute Proprietary Limited from 49% to 83%. The financial effects of the above transaction have not been brought to account at 30 June 2018. The operating results and assets and liabilities of the subsidiary will be brought to account from 1 July 2018.

5. Dividends

The company has a policy of declaring dividends once a year based on the annual results.

For and on behalf of the board

Chairman: JA Holtzhausen
Chief Executive Officer: FW Britz

Johannesburg
28 August 2018

CORPORATE INFORMATION: **Directors:** *Executive:* FW Britz. *Non-executive:* JA Holtzhausen, PN de Waal, TP Rogers. *Independent non-executive:* B Patel, B Marole, E Masilela. *Alternate non-executive:* J Craven. **Registered office:** 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600

4AX Issuer Agent: PSG Capital Proprietary Limited, 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch
BSE Sponsor: African Alliance Botswana Securities Limited, African Alliance House, Fairgrounds Office Park, Plot 64511, Gaborone

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