

Condensed Unaudited Consolidated Interim Financial Statements

for the six months ended 30 June 2020

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: ZAE40000036 ("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 (HI 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 (HI 2019: R 73.3 million). Headline earnings per share was down 25.3% to 12.20 cents per share (HI 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 swap	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.

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