



Cashbuild

AUDITED INTERIM RESULTS AND DIVIDEND DECLARATION

for the six months ended 31 December 2019

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AUDITED INTERIM RESULTS AND DIVIDEND DECLARATION

for the six months ended
31 December 2019



NOTES

DISCLAIMER

This presentation differs from the presentation available on the website and in the hand-out given to presentation participants as a result of industry sensitive information contained therein. The financial information pertaining to Cashbuild Limited's (Cashbuild's) results are exactly as published on SENS in terms of the JSE Limited's Listings Requirements.

The additional pro forma financial information has not been reviewed or reported on by the Company's auditors. The pro forma financial information has been prepared for illustrative purposes only and is the responsibility of the directors of Cashbuild.

This presentation may contain certain "forward-looking statements" regarding beliefs or expectations of Cashbuild, its directors and other members of its senior management about Cashbuild's financial condition, results of operations, cash flow, strategy and business and the transactions described in this presentation. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe", "expect", "anticipate", "intend", "estimate", "forecast", "project", "will", "may", "should" and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Such forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Cashbuild and are difficult to predict, that may cause the actual results, performance, achievements or developments of Cashbuild or the industry in which it operates to differ materially from any future results, performance, achievements or developments expressed by or implied from the forward-looking statements. Each member of Cashbuild expressly disclaims any obligation or undertaking to provide or disseminate any updates or revisions to any forward-looking statements contained in this announcement.

NOTES

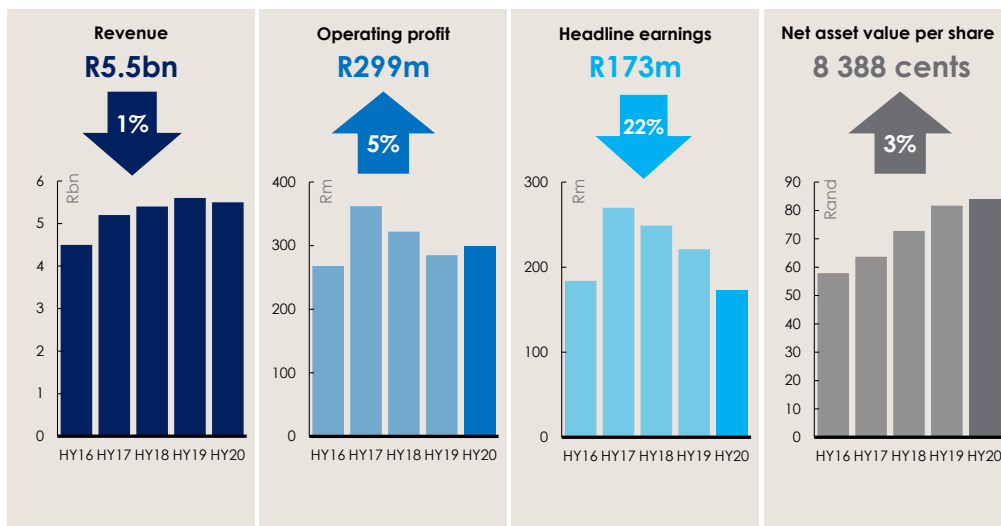


NATURE OF BUSINESS

- Mass retailer of building materials, home improvement and related products
- Offers a focused range of quality products at competitive prices
- Selling predominantly for cash
- Largest retail chain of building materials in southern Africa
- 321 stores and expanding (260 Cashbuild, 60 P&L Hardware and one Cashbuild DIY)

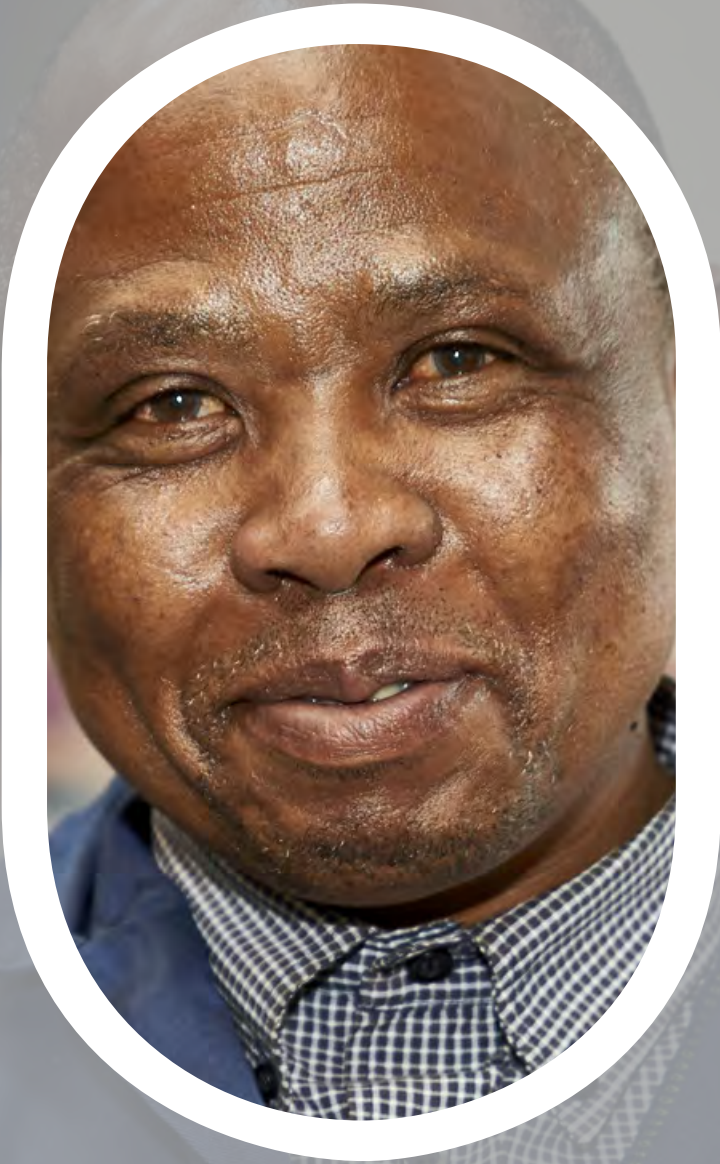
NOTES

FINANCIAL HIGHLIGHTS - STATUTORY



Modified retrospective approach selected for IFRS 16 adoption

NOTES



Financial review

Cashbuild™

INCOME STATEMENT STATUTORY PERIOD-ON-PERIOD

R'000	Audited Dec 2019 (26 Weeks)	Audited Dec 2018 (26 Weeks)	% change	Unaudited Jun 2019 (52 Weeks)
Revenue	5 510 188	5 563 231	(1)	10 622 138
Gross profit	1 368 574	1 394 256	(2)	2 667 258
Gross profit %	24.8	25.1		25.1
Operating expenses	1 069 125	1 109 387	(4)	2 159 954
Operating expenses %	19.4	19.9		20.3
Operating profit	299 449	284 869	5	507 304
Operating profit %	5.4	5.1		4.8
Net financing (cost)/income	(51 331)	27 751	(>100)	53 554
Profit for the period	172 813	219 752	(21)	396 130
Earnings per share (cents)	748.0	956.2	(22)	1 721.6
Dividend per share (cents)	435.0	435.0	-	855.0
Weighted number of shares ('000)	22 723	22 714	-	22 716

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NOTES

COMPARABLE PERIOD-ON-PERIOD

R'000	Audited Dec 2019	↔ IFRS 16	Unaudited Dec 2019	% change	Unaudited Dec 2018	← IAS 17	Audited Dec 2018
Revenue	5 510 188	-	5 510 188	(1)	5 563 231	-	5 563 231
Gross profit	1 368 574	-	1 368 574	(2)	1 394 256	-	1 394 256
Gross profit %	24.8		24.8		25.1		25.1
Operating expenses	1 069 125	60 144	1 129 269	3	1 098 784	(10 603)	1 109 387
Operating expenses %	19.4		20.5		19.8		19.9
Operating profit	299 449	(60 144)	239 305	(19)	295 472	10 603	284 869
Operating profit %	5.4		4.3		5.3		5.1
Net financing (cost)/income	(51 331)	89 581	38 250	38	27 751	-	27 751
Profit for the period	172 813	29 437	202 250	(12)	230 355	10 603	219 752
Earnings per share (cents)	748.0	129.5	877.5	(13)	1 002.9	46.7	956.2

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NOTES

REVENUE BREAKDOWN

R'000	FY 2020	FY 2019	Total	% change					
				Cashbuild stores			P&L Hardware stores		
				Total	New	Existing*	Total	New	Existing*
Quarter 1	2 711 922	2 650 823	2	3	2	1	(5)	3	(8)
Quarter 2	2 798 266	2 912 408	(4)	(3)	3	(6)	(8)	3	(11)
1st Half	5 510 188	5 563 231	(1)	-	3	(3)	(6)	3	(9)
Quarter 3		2 468 062							
Quarter 4		2 590 845							
53 rd Week		199 097							
Total		10 821 235							

1st 6 weeks trading since period end at similar levels to the prior period

* All stores in existence prior to 1 July 2018

NOTES

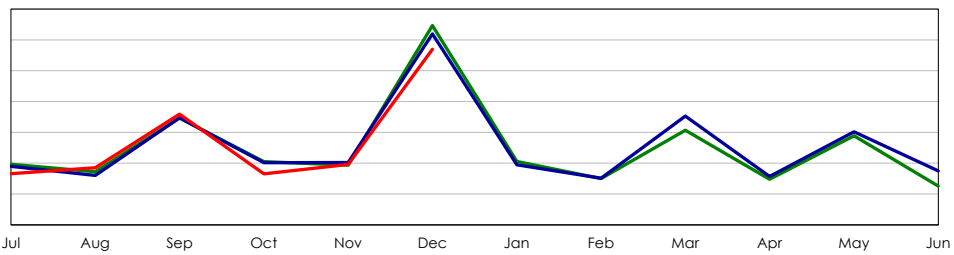
CUSTOMER TRANSACTIONS

'000

All stores

Growth: Q1: 1%

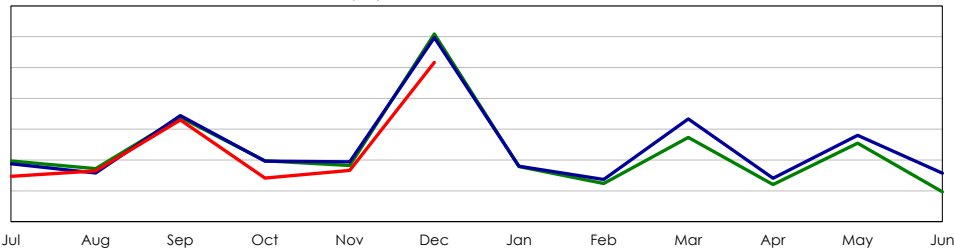
Q2: (4%)



Existing stores

Growth: Q1: (2%)

Q2: (7%)



* 2019 and 2018 have been smoothed for comparative 5 weeks vs 4 weeks

— FY2020 — FY2019 (excl W53) — FY2018

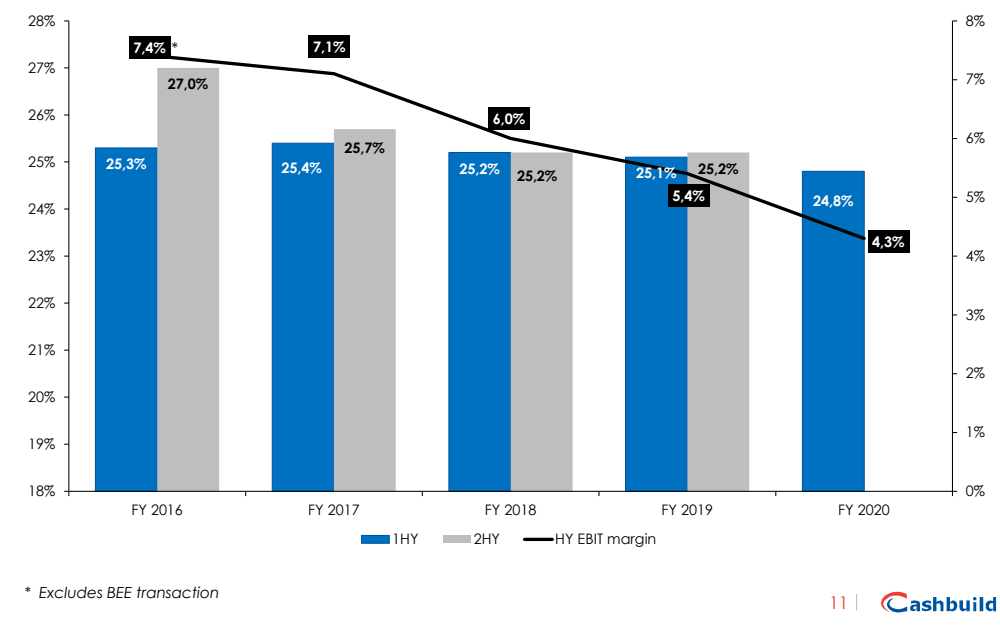
NOTES

AVERAGE BASKET SIZE RAND



NOTES

GROSS PROFIT AND EBIT MARGIN (EXCL IFRS 16 AND IAS 17)



NOTES

SEGMENTAL DISCLOSURE (EXCL IFRS 16 AND IAS 17)

Rm	Cashbuild South Africa			P&L Hardware South Africa			Cashbuild Namibia, Lesotho and Swaziland			Cashbuild Botswana, Malawi and Zambia			Total Group		
	Dec 2019	Dec 2018	%	Dec 2019	Dec 2018	%	Dec 2019	Dec 2018	%	Dec 2019	Dec 2018	%	Dec 2019	Dec 2018	%
Revenue	4 333	4 338	-	631	671	(6)	301	314	(4)	245	240	2	5 510	5 563	(1)
% Contribution to Group	78.6	78.0		11.5	12.1		5.5	5.6		4.4	4.3		100.0	100.0	
Gross profit	1 118	1 138	(2)	115	121	(5)	73	77	(5)	63	58	9	1 369	1 394	(2)
GP %	25.8	26.3		18.2	18.0		24.3	24.4		25.7	24.1		24.8	25.1	
Operating profit	202	253	(20)	16	22	(27)	13	16	(19)	8	5	60	239	295	(19)
% Contribution to Group	84.6	85.5		6.7	7.4		5.4	5.4		3.3	1.7		100.0	100.0	
OP %	4.7	5.8		2.5	3.2		4.3	5.1		3.3	2.1		4.3	5.3	
Capital investment	59	110	(46)	4	9	(56)	12	4	>100	7	1	>100	82	124	(34)

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NOTES

EXISTING BUSINESS RESULTS (EXCL IFRS 16 AND IAS 17)

R'000	Dec 2019	Dec 2018	% change
Revenue	5 329 315	5 529 485	(4)
Gross profit	1 322 142	1 383 694	(4)
Gross profit %	24.8	25.0	
Operating expenses	1 081 206	1 084 991	-
Operating expenses %	20.3	19.6	
Operating profit	240 936	298 703	(19)
Operating profit %	4.5	5.4	

"Existing business" refers to stores that have comparative trading results for the entire prior financial year

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NOTES

OPERATING EXPENSES (EXCL IFRS 16 AND IAS 17)

R'000	% of revenue	% of total	Dec 2019	Dec 2018	% change	Existing stores* %
Total	20.5		1 129 269	1 098 784	3	-
Main Contributors:						
People	8.6	42	471 683	466 843	1	(2)
Advertising	1.7	8	94 363	95 686	(1)	(5)
Delivery	1.1	6	62 710	61 040	3	(1)
IT	0.9	5	51 938	51 258	1	-
Property	4.2	20	230 451	228 715	1	(3)

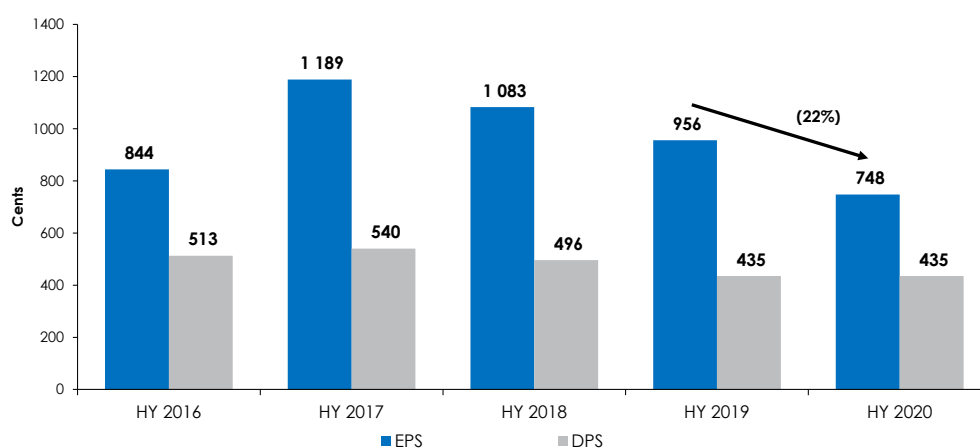
- Cost of living increases for Cashbuild and P&L Hardware staff of 5.5% and 5.0%, respectively
- Headcount at 31 December 2019: 6 327 (Dec 2018: 6 283) – plus 108 Yes4Youth employees
- Continued focus on expense benchmarks
- Improved allocations of marketing spend
- Property lease escalation and renewal expectations are softening

* "Existing stores" refers to stores that have comparative trading results for the entire prior financial year

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NOTES

EARNINGS PER SHARE (EPS) AND DIVIDEND PER SHARE (DPS) PERIOD-ON-PERIOD



- Interim dividend unchanged due to strong cash flow generation
- Dividend cover policy remains 2.0 times
- Cashbuild Empowerment Trust – R263 million to date

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NOTES

STATUTORY STATEMENT OF FINANCIAL POSITION

R'000	Audited Dec 2019	Audited Dec 2018	% change	Audited Jun 2019
Assets				
Property, plant and equipment	1 132 076	1 128 254	1	1 129 283
Right-of-Use asset	1 298 318	-	-	-
Intangible assets	428 285	428 842	-	426 398
Investment property/Assets held for sale	60 515	25 206	>100	31 734
Inventories	1 678 499	1 841 293	(9)	1 541 295
Trade and other receivables	148 929	164 246	(9)	117 807
Cash resources	1 403 752	1 066 718	32	590 150
Shareholders' equity and liabilities				
Shareholders' equity	2 129 229	2 071 143	3	2 188 811
Interest-bearing debt	-	516	-	-
Lease liabilities	1 623 559	-	-	-
Trade and other liabilities	2 425 419	2 445 748	(1)	1 553 156
Net asset value per share (cents)	8 388	8 167	3	8 636

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NOTES

INVENTORY ANALYSIS

Stock holding – all stores (% growth)	Cashbuild	P&L Hardware	Group
Stores stocked since December 2018 (11 Cashbuild and 2 P&L Hardware stores)	3%	2%	3%
Existing stores	(12%)	(12%)	(12%)
Total	(9%)	(10%)	(9%)

- Purchase inflation at 3%
- Continued focus on excess and slow moving stock
- Reviewing Stock Order Quantity (SOQ) formula and product range

Working capital days at period end	Dec 2019	Dec 2018
Inventory	82	85
Creditors	72	65

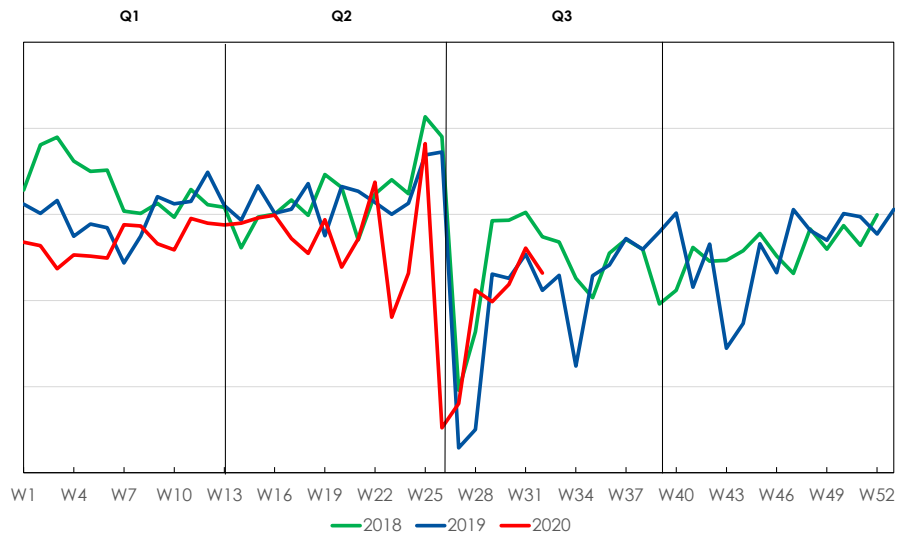
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NOTES



Product categories

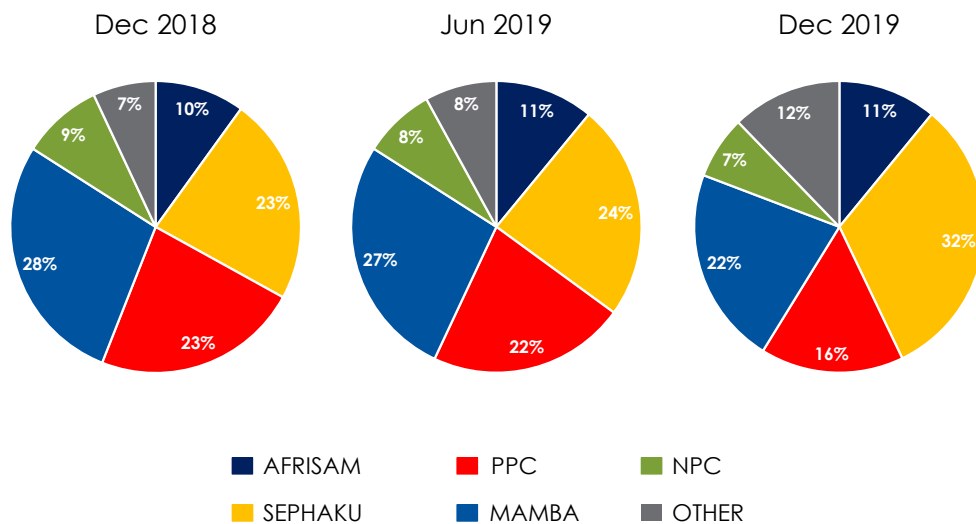
CEMENT SALES POCKETS



20 | **Cashbuild**

NOTES

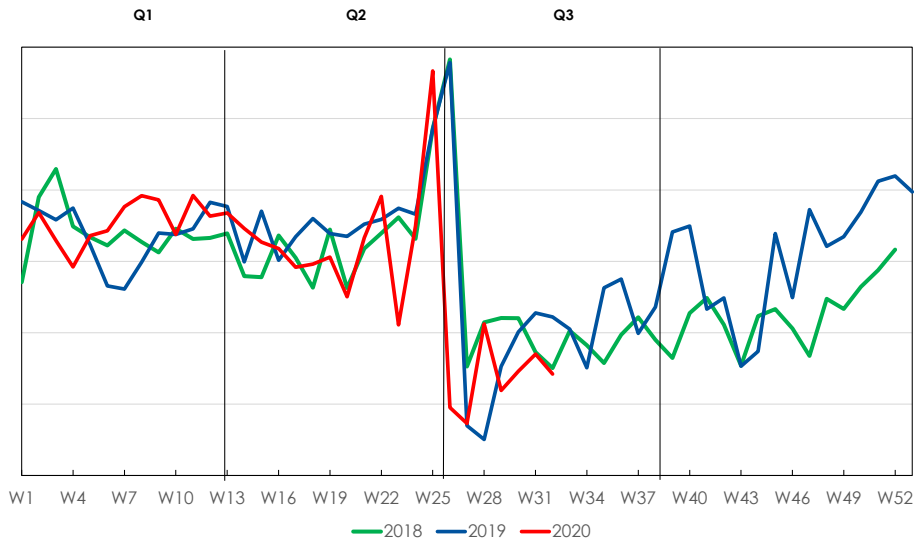
CEMENT UNIT SALES PER SUPPLIER



21 | **Cashbuild**

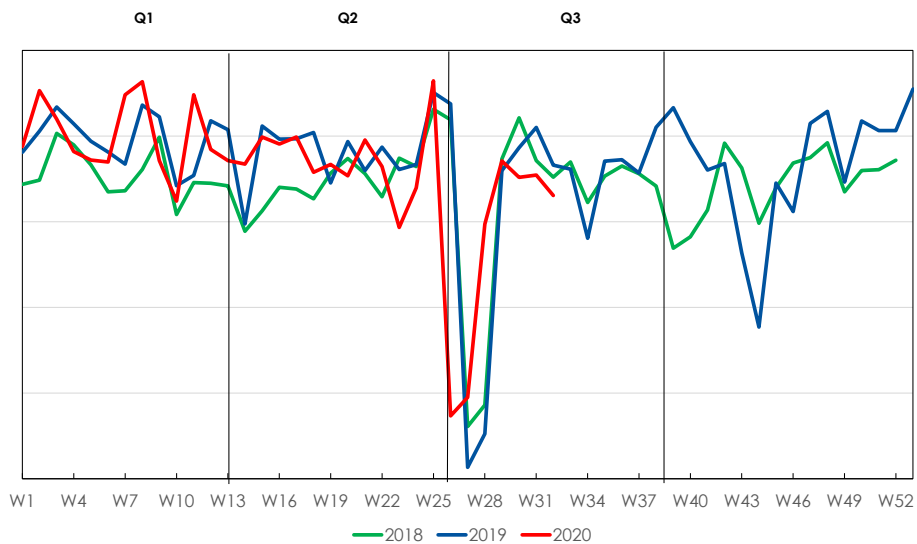
NOTES

TOTAL TIMBER SALES
R'MILLION



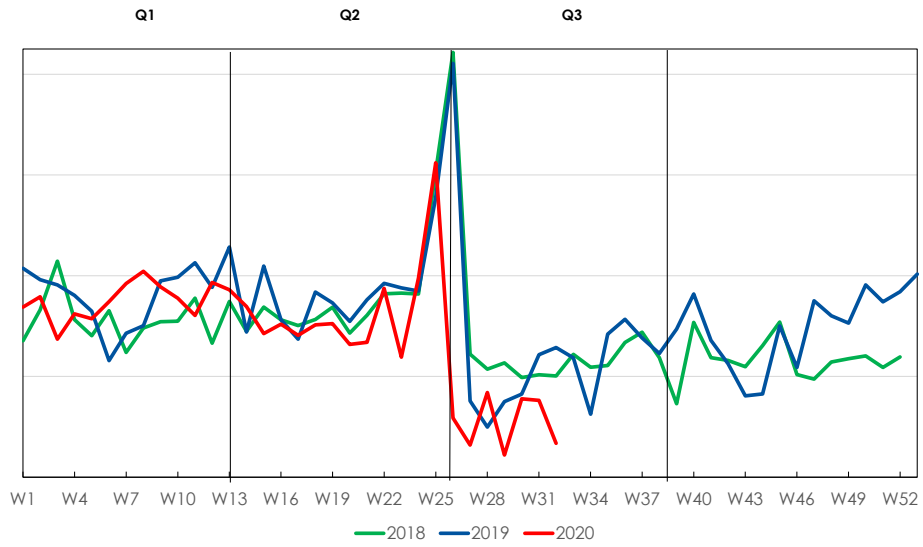
NOTES

TOTAL BRICK SALES
R'MILLION



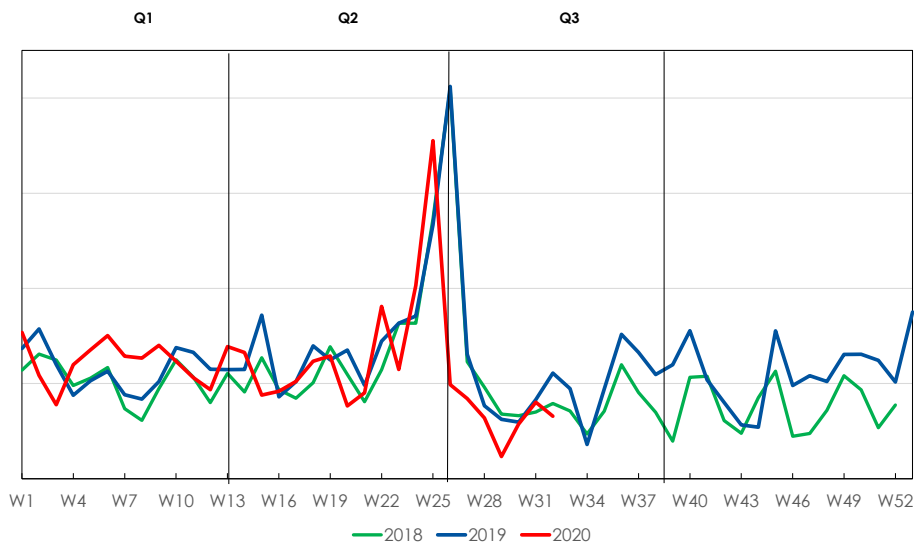
NOTES

TOTAL ROOF COVERING SALES
R'MILLION



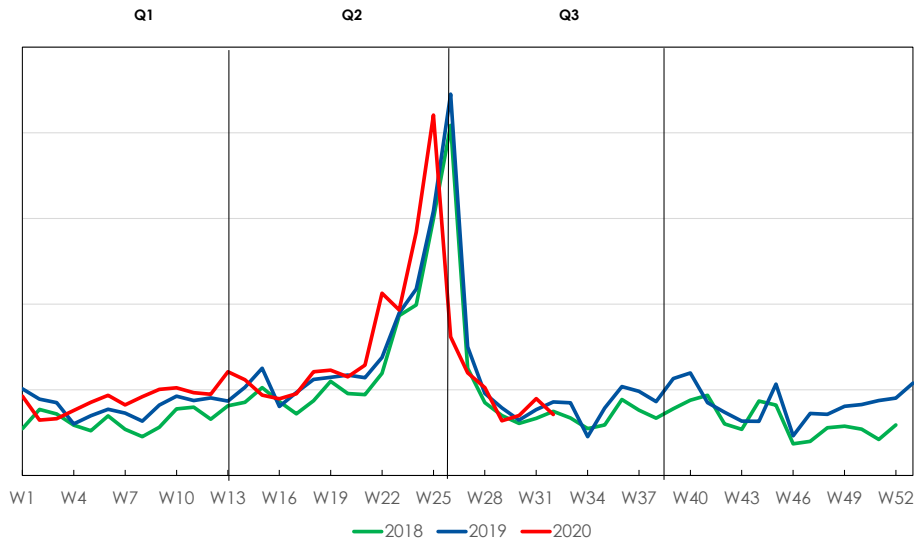
NOTES

TOTAL OPENING SALES
R'MILLION



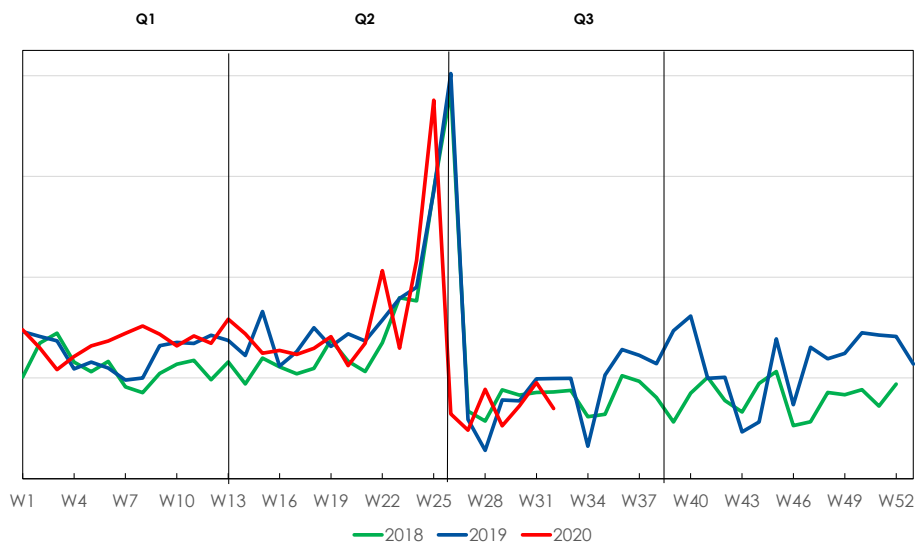
NOTES

TOTAL DECORATIVE SALES
R'MILLION



NOTES

GROUP SALES PER WEEK
R'MILLION



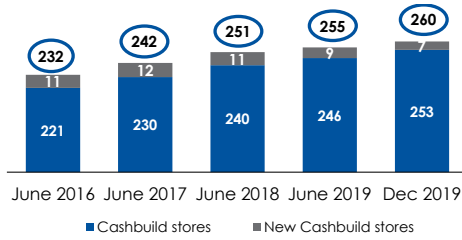
NOTES



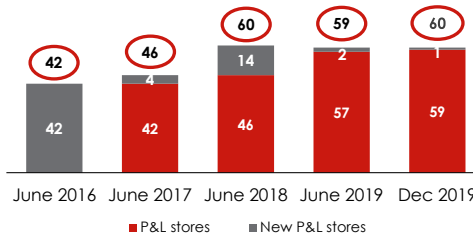
Store development and summary

STORE DEVELOPMENT

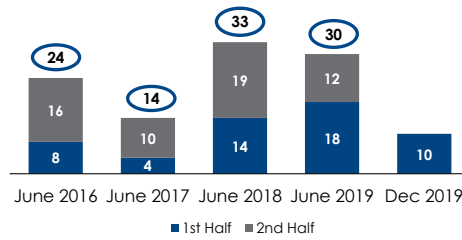
Total Cashbuild Stores (excl DIY)



Total P&L Hardware Stores



Group refit and relocations



HY2020 Summary

- **8 New Stores:** 7 Cashbuild and 1 P&L Hardware
- **10 Refurbishments**
- **2 Closures:** 2 Cashbuild (Selebi Phikwe and Ladybrand)
- **321 Stores:** 260 Cashbuild, 60 P&L Hardware and 1 DIY

NOTES

NEW STORES HY2020



Gauteng
Sam Ntuli
Trade Route
Ebony Park
Unaville

Mpumalanga
Aconhoek
Barberton
Zambia
Waterfall



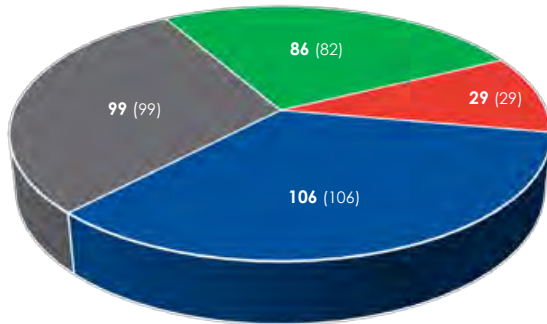
Kwa-Zulu Natal
Ezakeni

● Cashbuild ● P&L Hardware

NOTES

STORES BY LOCATION

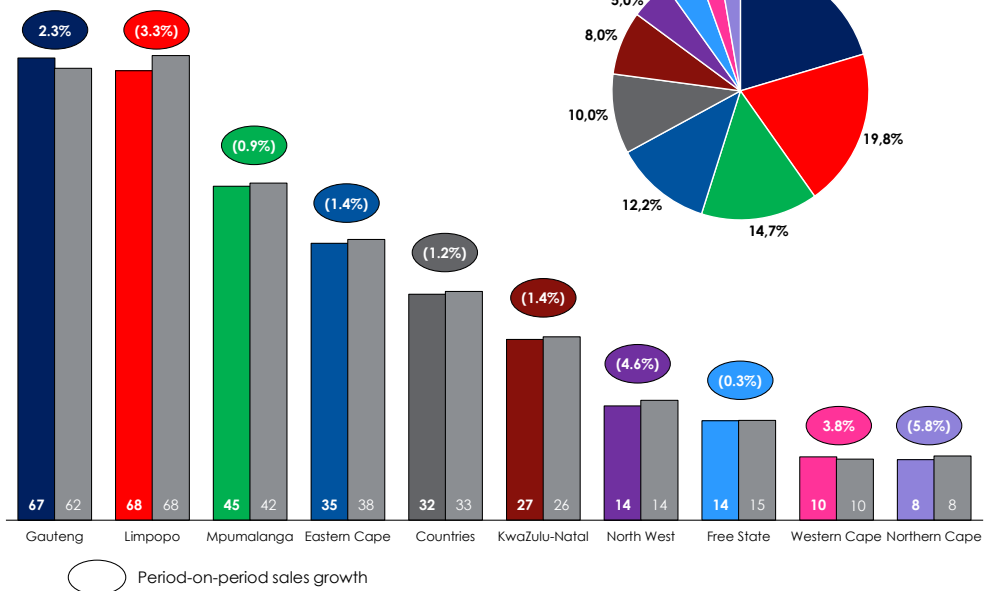
Number of stores **Dec 2019** (Dec 2018)
Excluding DIY store



Location (% of total)	Town	Rural	Township	Metro
2019 Stores	33%	31%	27%	9%
2019 Sales	34%	30%	26%	10%
2018 Stores	34%	31%	26%	9%
2018 Sales	35%	30%	25%	10%












NOTES


SALES BY PROVINCE



NOTES

COMPETITOR LANDSCAPE – CORPORATE

 <p>• Approximately 390 stores (PY 389) • Most direct competitor in terms of offering and location • Recently rebranded</p> 	  <p>95 (PY 94) 40 (PY 42)</p> <p>• Approximately 135 stores (PY 136)</p> 	  <p>49 (PY 48) 17 (PY 17)</p>   <p>13 (PY 13) 39 (PY 39)</p> <p>• Approximately 118 stores (PY 117)</p> <p>MASSMART</p>
 <p>• Approximately 80 stores (PY 83) • Launched by Italtile in 2008</p> 	 <p>• Approximately 32 stores (PY 32)</p> 	 <p>3 (PY 1)</p> <p>• Part of Groupe Adeo - Europe's largest DIY retailer and 3rd worldwide • 2 more stores planned</p> 

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NOTES

COMPETITOR LANDSCAPE – INDEPENDENTS

 <p>• 8 stores – Gauteng only (PY 8)</p>	  <p>141 (PY 137) 100 (PY 109)</p> <p>• Approximately 241 stores (PY 246)</p>
 <p>• Approximately 280 stores (PY 280)</p>	 <p>• Approximately 52 stores (PY 56)</p>
 <p>• Approximately 400 members representing 651 stores • Various strong independent stores part of this buying group</p>	

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NOTES

MARKET SUMMARY

- Protracted stressed economic environment
- Continued pressure on consumer and high unemployment rate
- Unabated service delivery protests
- COVID-19 virus potential impact
- Trading conditions for the financial year ending 30 June 2020 expected to remain under pressure



Cashbuild Group remains one of southern Africa's largest retailers of quality building materials, associated products & services and continues to expand its footprint across both the Cashbuild and P&L Hardware brands

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NOTES



THANK YOU FOR YOUR ATTENDANCE AND PARTICIPATION

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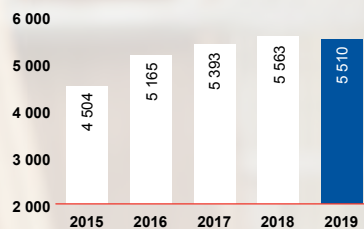
Financial results



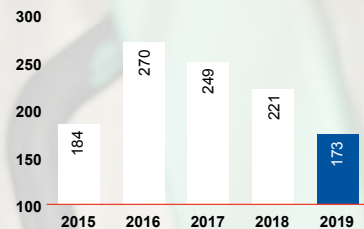
Financial Highlights

for the six months ended 31 December 2019

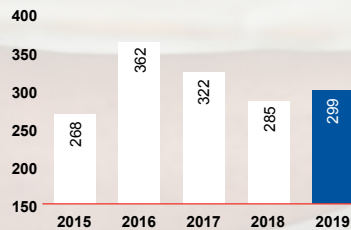
REVENUE (Rm)



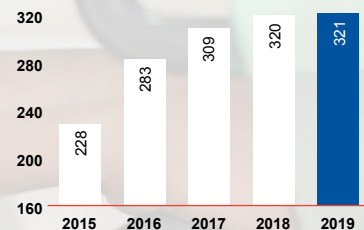
HEADLINE EARNINGS (Rm)



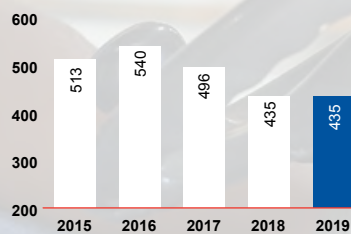
OPERATING PROFIT (Rm)



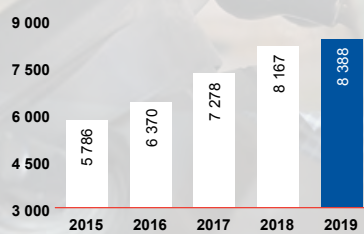
SPACE GROWTH (stores)



TOTAL DIVIDEND PER SHARE (cents)



NAV PER SHARE (cents)



Summary consolidated interim income statement – audited

R'000	Six months ended 31 December 2019 (26 weeks)	Six months ended 31 December 2018 (26 weeks)	%	Year ended 30 June 2019 (52 weeks)
			change	
Revenue	5 510 188	5 563 231	(1)	10 821 235
Cost of sales	(4 141 614)	(4 168 975)	(1)	(8 101 229)
Gross profit	1 368 574	1 394 256	(2)	2 720 006
Selling and marketing expenses	(917 060)	(968 961)	(5)	(1 884 034)
Administrative expenses	(154 611)	(137 343)	13	(279 056)
Other operating expenses	(2 404)	(9 808)	(75)	(13 288)
Other income	4 950	6 725	(26)	15 397
Operating profit	299 449	284 869	5	559 025
Finance cost	(90 495)	(2 966)	>100	(4 190)
Finance income	39 164	30 717	27	57 878
Profit before income tax	248 118	312 620	(21)	612 713
Income tax expense	(75 305)	(92 868)	(19)	(180 294)
Profit for the period	172 813	219 752	(21)	432 419
Profit attributable to:				
- Owners of the company	169 957	217 196	(22)	427 357
- Non-controlling interests	2 856	2 556	12	5 062
	172 813	219 752	(21)	432 419
Earnings per share (cents)	748.0	956.2	(22)	1 881.3
Diluted earnings per share (cents)	747.8	955.8	(22)	1 880.6

Summary consolidated interim statement of comprehensive income – audited

R'000	Six months ended 31 December 2019 (26 weeks)	Six months ended 31 December 2018 (26 weeks)	Year ended 30 June 2019
Profit for the period	172 813	219 752	432 419
Other comprehensive income:			
Total movement in foreign currency translation reserve (FCTR)	5 287	8 148	4 708
Attributable to:			
- Owners of the company	4 496	7 161	5 083
- Non-controlling interests	791	987	(375)
Total comprehensive income for the period	178 100	227 900	437 127
Total comprehensive income attributable to:			
- Owners of the company	174 453	224 357	432 440
- Non-controlling interests	3 647	3 543	4 687
	178 100	227 900	437 127

Additional information – audited

R'000	Six months ended 31 December 2019	Six months ended 31 December 2018	Year ended 30 June 2019
Net asset value per share (cents) – unaudited	8 388	8 167	8 636
Net asset value per share (excluding treasury shares) – unaudited	9 225	8 986	9 500
Ordinary shares ('000s):			
- In issue	24 990	24 990	24 990
- Weighted-average	22 723	22 714	22 716
- Diluted weighted-average	22 728	22 723	22 725
Capital investment	82 221	124 491	203 556
Depreciation of property, plant and equipment	177 523	66 286	131 380
Amortisation of intangible assets	2 921	3 399	6 517
Capital commitments	158 857	221 672	142 854
Property operating lease commitments	-	1 998 506	1 988 949
Contingent liabilities	16 022	14 618	16 022

Summary consolidated interim statement of financial position – audited

R'000	31 December 2019	31 December 2018	30 June 2019
ASSETS			
Non-current assets	3 013 288	1 684 111	1 716 090
Property, plant and equipment	2 430 394	1 128 254	1 129 283
Investment property	54 435	–	28 158
Intangible assets	424 285	428 842	426 398
Rent prepayments	–	68 524	66 470
Deferred income tax assets	104 174	58 491	65 781
Current assets	3 261 062	3 129 527	2 278 575
Assets held for sale	6 080	25 206	3 576
Inventories	1 678 499	1 841 293	1 541 295
Trade and other receivables	148 929	164 246	117 807
Prepayments	23 802	32 064	25 747
Cash and deposits	1 403 752	1 066 718	590 150
Total assets	6 274 350	4 813 638	3 994 665
EQUITY AND LIABILITIES			
Shareholders' equity	2 129 229	2 071 143	2 187 400
Share capital and reserves	2 096 141	2 041 023	2 156 701
Non-controlling interests	33 088	30 120	30 699
Non-current liabilities	1 466 097	215 904	224 285
Lease liabilities	1 434 039	–	–
Deferred operating lease liability	–	174 369	187 378
Deferred income tax liability	32 058	40 089	36 907
Contingent consideration	–	1 446	–
Current liabilities	2 679 024	2 526 591	1 582 980
Trade and other liabilities	2 425 419	2 445 748	1 554 567
Lease liabilities	189 520	516	–
Current income tax liabilities	64 085	80 327	28 413
Total equity and liabilities	6 274 350	4 813 638	3 994 665

Summary consolidated interim statement of cash flows – audited

	Six months ended 31 December 2019	Six months ended 31 December 2018	Year ended 30 June 2019
Cash flows from operating activities			
Cash generated from operations	1 187 845	384 944	213 079
Interest paid	(90 495)	(2 966)	(4 190)
Interest received – non-investing	803	334	337
Taxation paid	(42 337)	(101 602)	(251 414)
Net cash generated from operating activities	1 055 816	280 710	(42 188)
Cash flows from investing activities			
Net investment in assets	(75 928)	(119 611)	(195 503)
Increase in investments	(26 511)	–	–
Interest received	38 361	30 383	57 541
Net cash used in investing activities	(64 078)	(89 228)	(137 962)
Cash flows from financing activities			
Shares sold by Cashbuild Trusts	1 266	–	–
Finance lease payments	(79 415)	(535)	(1 051)
Dividends paid:			
– Own equity	(96 437)	(79 079)	(178 960)
– Non-controlling interests	(1 258)	(1 148)	(1 713)
Net cash used in financing activities	(175 844)	(80 762)	(181 724)
Net increase in cash and cash equivalents	815 894	110 720	(361 874)
Cash and cash equivalents at beginning of period	590 150	952 929	952 929
Effect of exchange rate movements on cash and cash equivalents	(2 292)	3 069	(905)
Cash and cash equivalents at end of period	1 403 752	1 066 718	590 150

Summary consolidated interim statement of changes in equity – audited

R'000

Balance at 30 June 2018

Total comprehensive income for the period

Dividends paid

Recognition of share-based payments

Balance at 31 December 2018

Total comprehensive income for the period

Dividends paid

Recognition of share-based payments

Balance at 30 June 2019

IFRS 16 adoption

Restated balance as at 1 July 2019

Total comprehensive income for the period

Shares sold by The Cashbuild Trusts

Dividends paid

Recognition of share-based payments

Balance at 31 December 2019

Attributable to owners of the company

	Share capital	Share premium	Share-based payments reserve	FCTR	Retained earnings	Non-controlling interests	Total equity
	227	(274 414)	65 509	(2 934)	2 101 206	27 725	1 917 319
	-	-	-	7 161	217 196	3 543	227 900
	-	-	-	-	(79 079)	(1 148)	(80 227)
	-	-	6 151	-	-	-	6 151
	227	(274 414)	71 660	4 227	2 239 323	30 120	2 071 143
	-	-	-	(2 078)	210 161	1 144	209 227
	-	-	-	-	(99 882)	(565)	(100 447)
	-	-	7 477	-	-	-	7 477
	227	(274 414)	79 137	2 149	2 349 602	30 699	2 187 400
	-	-	-	-	(148 826)	-	(148 826)
	227	(274 414)	79 137	2 149	2 200 776	30 699	2 038 574
	-	-	-	4 496	169 957	3 647	178 100
	-	1 266	-	-	-	-	1 266
	-	-	-	-	(96 437)	(1 258)	(97 695)
	-	-	8 984	-	-	-	8 984
	227	(273 148)	88 121	6 645	2 274 296	33 088	2 129 229

Summary consolidated interim segmental analysis – audited

R'000	Group			Cashbuild business		
	Six months ended 31 December		Year ended 30 June	Six months ended 31 December		Year ended 30 June
	2019	2018	2019	2019	2018	2019
Income statement						
Revenue	5 510 188	5 563 231	10 821 235	4 333 948	4 338 290	8 475 594
Operating profit	299 449	284 869	559 025	257 115	248 114	526 040
Statement of financial position						
Segment assets	6 274 350	4 813 638	3 994 665	4 411 306	3 095 260	2 435 673
Segment liabilities	4 145 121	2 742 495	1 807 265	2 817 537	1 998 559	795 192
Other segment items						
Number of stores	321	320	315	229	225	224
Depreciation	177 523	66 286	131 380	142 275	52 020	103 674
Amortisation	2 921	3 399	6 517	2 794	3 271	6 253
Capital investment	82 221	124 491	203 556	58 885	109 797	166 203

* Includes Namibia, Swaziland and Lesotho.

P&L Hardware business			Other members of common monetary area*			Botswana, Malawi and Zambia		
Six months ended 31 December		Year ended 30 June	Six months ended 31 December		Year ended 30 June	Six months ended 31 December		Year ended 30 June
2019	2018	2019	2019	2018	2019	2019	2018	2019
631 024	670 900	1 258 394	300 554	313 914	613 587	244 662	240 127	473 660
17 089	16 535	(8 493)	14 714	15 456	35 074	10 531	4 764	6 404
892 073	854 664	768 877	610 628	559 784	529 141	360 343	303 930	260 974
863 949	371 341	737 174	224 818	190 365	127 073	238 817	182 230	147 826
60	62	59	18	18	18	14	15	14
16 820	6 037	11 575	8 002	4 093	8 073	10 426	4 136	8 058
-	-	8	47	47	162	80	81	94
3 950	9 182	12 037	12 281	4 254	19 642	7 105	1 258	5 674

Notes to the summary consolidated interim financial information

1. **Basis of preparation.** The summary consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting as required by the JSE Limited Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa applicable to summary interim financial statements. The accounting policies applied in the preparation of the consolidated interim financial statements from which the summary consolidated interim financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements. The Group has adopted IFRS 16 Leases effective for the reporting period commencing on 1 July 2019.

IFRS 16 – Leases replaces IAS 17 – Leases, removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In adoption, the Group has applied the modified retrospective approach, whereby the comparatives figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 July 2019.

The following table summarises the impact of the adoption of IFRS 16 on the results:

R'000	Audited June 2019	IFRS 16	1 July 2019
Financial position			
Property, plant and equipment	1 129 283	1 224 547	2 353 830
Deferred tax	65 781	30 523	96 304
Lease liabilities	-	(1 518 267)	(1 518 267)
Deferred operating lease liability	(185 380)	185 380	-
Opening retained earnings	(2 349 602)	148 826	(2 200 776)

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the Group applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 01 July 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

When measuring lease liabilities, Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 10%.

The interim financial statements have been prepared under the supervision of the Finance Director, Mr AE Prowse CA(SA), and approved by the board on 2 March 2020.

2. **Independent audit by the auditor.** These summary consolidated interim financial statements were derived from the consolidated interim financial statements for the six months ended 31 December 2019. The consolidated interim financial statements have been audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. A copy of their unqualified audit report is available for inspection at the registered office of the company.

3. **Reporting period.** The Group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month (2019: 29 December (26 weeks); 2018: 23 December (26 weeks); June 2019: 30 June (53 weeks)).
4. **Declaration of dividend.** Considering the strong cash position the board has declared an interim dividend (No. 54), of 435 cents (2018: 435 cents) per ordinary share out of income reserves to all shareholders of Cashbuild Limited. The dividend per share is calculated based on 24 989 811 (2018: 24 989 811) shares in issue at date of dividend declaration. Net local dividend amount is 348 cents per share for shareholders liable to pay Dividends Tax and 435 cents per share for shareholders exempt from paying Dividends Tax. Local dividend tax is 20%.

Cashbuild Limited's tax reference number is 9575168712.

Date dividend declared:	Monday, 2 March 2020
Last day to trade "CUM" the dividend:	Tuesday, 24 March 2020
Date to commence trading "EX" the dividend:	Wednesday, 25 March 2020
Record date:	Friday, 27 March 2020
Date of payment:	Monday, 30 March 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 March 2020 and Friday, 27 March 2020, both dates inclusive.

5. **Earnings per share.** Earnings per share is calculated by dividing the earnings attributable to owners of the company for the period by the weighted-average number of 22 723 080 ordinary shares in issue at period end (2018: 22 714 257 shares; June 2019: 22 715 551).
6. **Headline earnings per ordinary share.** The calculations of headline earnings and diluted headline earnings per ordinary share are based on headline earnings of R173 million (2018: R221 million; June 2019: R434 million) and a weighted-average of 22 723 080 (2018: 22 714 257 shares; June 2019: 22 715 551) shares and fully diluted of 22 727 551 (2018: 22 723 330; June 2019: 22 725 551) ordinary shares in issue.

Reconciliation between net profit attributable to the equity holders of the company and headline earnings:

R'000	Six months ended December 2019	Six months ended December 2018	% change	Year ended June 2019
Net profit attributable to the owners of the company	169 957	217 196	(22)	427 357
Loss/(profit) on sale of assets after taxation	1 512	2 034	(26)	4 980
Impairment on intangible assets	1 769	1 620	9	1 620
Headline earnings	173 238	220 850	(22)	433 957
Headline earnings per share (cents)	762.4	972.3	(22)	1 910.4
Diluted headline earnings per share (cents)	762.2	971.9	(22)	1 909.5

On behalf of the board

Alistair Knock
Chairman
Johannesburg

Werner de Jager
Chief Executive
2 March 2020

Commentary

Nature of business

Cashbuild is southern Africa's largest retailer of quality building materials and associated products, selling direct to a cash-paying customer base through our constantly expanding chain of stores (321 at the end of this reporting period which includes 60 P&L Hardware stores and one DIY store). Cashbuild carries an in-depth quality product range tailored to the specific needs of the communities we serve. Our customers are typically home-builders and improvers, contractors, farmers, traders, as well as all other customers requiring quality building materials at the best value.

Cashbuild has built its credibility and reputation by consistently offering its customers quality building materials at the best value and through a purchasing and inventory policy that ensures customers' requirements are always met.

International Financial Reporting Standards

The Group is reporting its audited results in accordance with International Financial Reporting Standards ("IFRS").

Financial highlights

The Group adopted IFRS 16 which replaces IAS 17. The financial highlights are based on unaudited results, provided for comparative purposes and exclude the effects of IFRS 16 in the current period and IAS 17 in the prior reported period. The following table summarises the impact of the adoption of IFRS 16 on the results of the current and comparative reporting period excluding the IAS 17 impact:

R'000	Audited December 2019	IFRS 16 R'000	Unaudited December 2019	% change	Unaudited December 2018	IAS 17	Audited December 2018
Financial position							
Property, plant and equipment	2 430 394	(1 298 318)	1 132 076	-	1 128 254	-	1 128 254
Deferred tax	72 116	(91 337)	(19 221)	(38)	(30 838)	(49 240)	18 402
Lease liabilities	1 623 559	(1 623 559)	-	-	-	-	-
Deferred operating lease liability	-	-	-	(100)	1 696	(172 673)	174 369
Shareholders' equity	2 129 229	178 263	2 307 492	3	2 243 816	172 673	2 071 143
Net asset value per share (cents)	8 388	713	9 101	3	8 858	691	8 167
Comprehensive Income							
Operating expenses	1 069 125	60 144	1 129 269	3	1 098 784	(10 603)	1 109 387
Operating profit	299 449	(60 144)	239 305	(19)	295 472	10 603	284 869
Finance costs	90 495	(89 581)	914	(69)	2 966	-	2 966
Profit attributable to owners of the company	169 957	29 437	199 394	(12)	227 799	10 603	217 196
Earnings per share (cents)	748.0	129.5	877.5	(13)	1 002.9	46.7	956.2
Headline earnings per share (cents)	762.4	129.5	891.9	(12)	1 019.0	46.7	972.3

Revenue for the period decreased by 1%. Revenue for stores in existence prior to July 2018 (pre-existing stores – 302 stores) declined by 4% while our 19 new stores since July 2018 contributed 3%. Selling price inflation was 2%. Gross profit decreased by 2% in tough trading conditions with gross profit percentage reducing from 25.1% to 24.8%.

Operating expenses, including new stores, were well controlled and increased by only 3% (existing stores remained at similar levels) which, with 1% decline in revenue, resulted in a decline in operating profit of 19%. Earnings per share decreased by 13% and headline earnings per share by 12%.

The effective tax rate of 27.1% is slightly lower than the previous period of 27.8%, mainly due to prior period refunds.

Cash and cash equivalents increased by 32% to R1,404 million and cash generated from operations increased substantially which is mainly due to supplier payments effected prior to June 2019 financial year-end close. Stock levels, including new stores, decreased by 9% with overall stockholding at 82 days (December 2018: 85 days) at period end. Net asset value per share reflects a 3% increase, from 8 858 cents (December 2018) to 9 101 cents.

During the first half, Cashbuild Group opened eight new stores (seven Cashbuild stores and one P&L Hardware store), refurbished nine stores and closed two Cashbuild stores. Cashbuild will continue its store expansion, relocation and refurbishment strategy in a controlled manner, applying an even more rigorous process, than in the past.

Prospects

Group revenue for the subsequent six weeks after half year end has remained at similar levels for the comparable six week period. Management expects trading conditions to remain extremely challenging. This information has not been reviewed nor audited by the company's auditor.

Corporate information

Directors

AGW Knock (British)* (Chairman), M Bosman*, WF de Jager (Chief Executive), A Hattingh, HH Hickey*, Dr DSS Lushaba*, AE Prowse, NV Simamane*, GM Tapon Njamo*, SA Thoresson, WP van Aswegen (*Non-executive)

Company Secretary

T Nengovhela

Registered Office

101 Northern Parkway, Ormonde, Johannesburg, 2091, PO Box 90115, Bertsham, 2013

Transfer Secretaries

Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Auditor

PricewaterhouseCoopers Inc.

Sponsor

Nedbank CIB

Cashbuild Limited

(Registration number: 1986/001503/06)

(Incorporated in the Republic of South Africa)

JSE code

CSB

ISIN

ZAE000028320

Investor relations

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 **Cashbuild**

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