

## Super Group posts headline loss

Supply chain management group Super Group on Tuesday, 15 September 2009, reported a diluted headline loss of 170.9 cents for the year ended June 2009 compared to a profit of 11.3 cents per share in 2008.

Revenue generated by continuing operations reduced by 8.4% to R7.1 billion from R7.8 billion in 2008.

The decrease was mainly as a result of certain low margin contracts not renewed within the Supply Chain South Africa operations during 2008 and a weaker sales performance by the Dealership business, the group said.

Operating profit from continuing operations was at 473.8 million down from the 690.4 million reported before.

The group as a whole generated cash from operations of R1.19 billion, a slight increase on the R1.14 billion generated in 2008.

"We are very pleased with the cash generated from operations for the year as a result of a concerted effort made by the group to convert earnings into cash," said CEO, Peter Mountford.

He said he expected the cash-generating abilities of the group to improve after the disposal of non-core operations.

### Restructuring

Mountford said once the restructuring was complete, Super Group would comprise three operating divisions, the core Supply Chain division, made up of the South African operations and African Logistics; the Automotive division containing the remaining profitable motor dealerships and the Fleet Solutions division, which combined the FleetAfrica operations and sgfleet in Australia.

Discontinued operations include the Super Group Industrial Products division, made up of Hermans Truck Accident Repairs, MMS Mobile Cranes, Powerstar commercial vehicles and Cargolite, the group said.

In the Retail Supply Chain division, AutoZone was being disposed of while some Mica operations had been sold and the remainder is to be bought by a company which includes Mica members.

In corporate services, the Emerald Insurance Group had been sold to Santam.

### Debt reduction

Super Group said it had already substantially reduced its debt, with net debt decreasing by R769 million. A recapitalisation process currently underway will put the group on a firm financial footing.

The group said no decision had yet been announced on the two recapitalisation options open to the group.

It already has a bank recapitalisation agreement signed with lenders and Allan Gray in July, which would lead to a fully underwritten R1 billion rights issue through the issue of 2.2 billion shares at 45 cents.

Discussions are still underway with an international logistics group, concerning an alternative proposal involving the issue of 1.4 billion shares at 70 cents.

Detailing the divisional performance, Mountford said he was very pleased with the performance of the Supply Chain division.

Revenue decreased by 4.2%, with revenue declining by 11% at the South African operations and increasing by 56.5% in the African Logistics business.

The division's overall trading margin was slightly lower than the previous year at 11.4%.

"We are comfortable with this margin. Our target is in the region of 11.5%," Mountford said.

## **Future prospects good**

He was confident that the South African supply chain business would expand its customer base. New contracts had been awarded by multinational companies, and key contracts had been renewed.

Regarding African Logistics, Mountford said it remained "the leading sub-Saharan transport company" and was well positioned to benefit from the upturn in commodity markets and aid programmes in Africa.

Should the Zimbabwe economy recover, African Logistics was in a strong position to participate through its presence there.

In the Automotive division, dealerships had an exceptionally tough year in common with motor dealerships throughout the country.

Cost-cutting initiatives included staff reductions and the closure of non-profitable dealerships.

Challenging trading conditions are expected to continue into 2010, with the new Consumer Protection Act and the Second Hand Goods Act coming into effect and impacting the dealership industry.

## **Fleet performance**

Mountford said he was very pleased with the Fleet Solutions division's overall performance.

FleetAfrica posted an 8.6% increase in revenue and a 0.5% rise in trading profit, mainly as a result of cost saving initiatives.

In Australia sgfleet had a successful year, gaining market share and renewing contracts in a tough year for the Australian economy.

It had been awarded a large Australian State Government contract, and is poised for growth once the market recovers.

He said FleetAfrica was looking for a funding partner to support its expansion.

## Intensive strategy

The recapitalisation of Super Group will place it in a stronger position to tender for new Government, parastatal and private sector business.

Looking ahead, the group said it had implemented an intensive restructuring strategy which was set to continue into 2010.

The strategy is primarily focused on the recapitalisation of the Group and the implementation of the realigned business strategy.

The proposed recapitalisation of the Group together with the debt restructuring package would ease liquidity pressure and create the financial scope to allow the implementation of a value-maximising strategy.

Further focus areas include the recovery and growth effort within Super Group's area of core competence being supply chain and maximising value from medium-term disposal opportunities.

The group said tough economic trading conditions were expected to prevail in the year ahead and all indications are that consumer spending would remain under pressure as a result of local and global economic conditions.

"The group's cores businesses are expected to show improved profitability. The initiatives being implemented across the business position Super Group to improve market share in its core operations," he said.

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