The SPAR Group Limited acquires majority 80% stake in the BWG Group, owner of SPAR Ireland and South West England
Agenda

- Executive summary
- The BWG Group
- Strategic rationale
- Combined group
- Financial effects
Executive Summary

 Subscription for majority 80% stake in the BWG Group: Purchase price of €55m (short term ZAR 799m loan)

 The BWG Group is a leading food retail and wholesale distribution company
  - Operations in Ireland and South West England
  - Services >1,100 stores, including 100 company owned stores
  - Total annual turnover of ~€1.2bn (ZAR17.4bn)
  - The BWG Group owns SPAR brand in Ireland and South West England: 700 SPAR stores

 Compelling long-term returns
  - Established retail network

 Pro-forma financial effects (H1 F2014)
  - Normalised headline earnings per share: up 6.8% to 397.2 cents
  - SPAR’s consolidated revenue: up 30.2%
    - Net asset value per share: up 10.4%

 Strong synergies
  - Retail models, wholesale businesses and logistics

 Well-positioned international retail platform for future expansion

 Opportunity to participate in the economic recovery of Ireland
Who is the BWG Group?

**BWG Group**

- **BWG Foods**
  Wholesaler and distributor of grocery products to the retailing and catering sectors in Ireland

- **Triode Newhill**
  Property management company

- **Appleby Westward**
  The trading entity in South West England that trades under the SPAR brand in that region.

- **Retail**
  - SPAR: 365 stores
  - EUROSPAR: 56 stores
  - MACE: 282 stores

- **Wholesale**
  - Value Centre Cash & Carry: 23 outlets (retail format)
  - XL: 220 outlets

- Owner of SPAR brand in Ireland and South West England
- Proven and experienced management team:
  - Leo Crawford: CEO | John O'Donnell: FD | John Clohisey: Group Property Director
- Market leading complementary retail brand offering
- Retail brands: Recognised and trusted in Ireland
  - Capacity to attract and retain franchisees
- Leading cash & carry / food service provider in Ireland
Who is the BWG Group? SPAR

365 Local | Ultra-convenience | Top-up | Food to go | Forecourt stores
32 new stores in 2013
Who is the BWG Group? EUROSPAR

56 Local | Significant top-up | Food to go stores
High customer foot traffic with strong price and value message
Who is the BWG Group? MACE

282 Local | Convenience | Food to go | Forecourt store
Includes partnership with Maxol service stations
Who is the BWG Group?
VALUE CENTRE CASH & CARRY / XL (Retail stores)

VALUE CENTRE CASH & CARRY: 23 outlets / XL: 220 outlets (17,000 customers)
Independent retail | Licenced trade | Facia stores | Food service / catering
Who is the BWG Group? Appleby Westward

Owns the SPAR brand in South West England

274 Local | Ultra-convenience | Top-up | Food to go | Forecourt stores
Who is the BWG Group? National distribution centre

22,300m² stocking 4,600 ambient SKUs and 884 alcohol SKUs
200,000 cases dispatched per week to all SPAR, EUROSPAR, MACE and VALUE CENTRES
99% service levels across key strategies in first year of operation
The collective

The BWG Group
- Turnover ~€1.2bn (ZAR17.4bn) in 2013
- Supplies a network of ~1,100 SPAR, EUROSPAR, SPAR EXPRESS, MACE and XL branded stores
  - Incl. >100 company-owned stores
  - Up to 17,000 direct customers through 23 Value Centre Cash & Carry outlets
- Supplies fresh and ambient product to hospitality and catering sectors
- Opened a 22,300m² central distribution centre in Kilcarbery, on the outskirts of Dublin (2012): dispatches 10m cases p.a.
- >1,000 direct employees

The SPAR Group
- Turnover circa €3.5bn (ZAR47.4bn) in 2013
- Supplies groceries, fresh produce, beverages, pharmaceutical and building materials products
  - >1,800 retail stores
  - South Africa, Swaziland, Botswana, Lesotho, Mozambique, Zimbabwe and Namibia
  - 10 company-owned stores
- Operates seven distribution centres with total floor space of >227,000m² that dispatched over 200m cases in 2013
- SPAR Group employs over 3,800 people
Rationale

- Unique opportunity for SPAR to acquire a synergistic business
  - Adds value and furthers various strategic objectives
- Similar skill and market focus as both companies
  - Operate in food retail
  - Voluntary trading model and wholesale market segments
  - Opportunity to share knowledge, technology, and product and industry best practice
- The BWG Group has a strong management team
  - Founders to continue managing business
  - 5 to 8 yr service contracts to ensure continuity
  - No relocation of South African executives envisaged
- SPAR has controlling interest on board of directors of the Group
  - Provide strategic input
Key strategic benefits

- Long standing professional association between SPAR and the BWG Group
  - SPAR International membership for >50 yrs
  - Similar business models, operating culture with SPAR International
  - Both businesses founded on SPAR retail model and SPAR brands

- SPAR warehousing, logistics and distribution expertise
  - Broaden the BWG Group supply chain base

- SPAR’s track record in migrating retailers to larger store formats
  - Assist the BWG Group’s investigation into possible larger store formats

- The BWG Group has an internally-funded 5yr expansion plan in Ireland and South West England

- Sharing consumer insights in SA, Ireland and England
  - Innovations to cater for consumer preferences and sustain market leading position

- SPAR establishes attractive, well-positioned retail sector platform for future expansion
  - More geographically diversified revenue stream with foreign currency diversification
  - Enhances SPAR’s scale and critical mass

- Recovery of Irish economy: Positive long term growth fundamentals
Improving Irish economic fundamentals

- Irish GDP dropped 17% from 2007 to 2010 after severe property crash
  - Major recapitalisation of banking system, austerity programme and joint EU-IMF bail out (exited 2013)
- 92% of €33.1bn of budgetary measures agreed for 2008-2015 period implemented
  - On track to reach deficit target of 3% of GDP
- Economy showing clear signs of return to stability and growth
  - Trend is gaining momentum
- Ratings agency upgrades
  - Two Moody’s upgrades in 4 months, up a further two notches (to Baa1) in May 2014
  - S&P raised Ireland to A- in June 2014, the first ‘A’ grade from big 3 since Ireland returned to the markets
- Consumer confidence has reached highest level in almost seven years
- Solid retail sales in recent months

Source: Investec Specialist Bank
Terms and Funding: Consideration

- Purchase consideration: Cash payment of €55m (R799m)
- Use of proceeds by the BWG Group:
  - Settle some of existing BWG Group bank debt
  - Cancel outstanding share warrants held by certain BWG Group's banks
  - Funds for investment in the business
- Strength of SPAR’s ungeared balance sheet: ZAR-denominated short term loan
- Post transaction: €130.6m of BWG debt + €55m to be consolidated by SPAR
  - ZAR2.7bn SPAR Group
- Acquisition of Minority Interests:
  - Based on normalised BWG Group PAT (F2019, F2020, F2022) attributable to Minority Shareholders’ 20% equity interest
  - Priced at ~11.7x P:E
  - Effected over three years
Financial effects:
Before and after transaction and acquisition of minorities

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1. The BWG Group’s sustainable earnings calculated by excluding once-off / recurring items
   - Corporate and debt restructuring: R2.566bn
   - Normalised BWG PAT (12 months to December 2013): €11.6m (~ZAR170m)

2. Before: Based on SPAR’s H1 F2014 financial information

3. After: Based on information in 2. above and adjustments:
   - Purchase consideration of €55m and BWG normalised PAT
   - Difference between BWG NAV and purchase price: R358.7m (recognised as goodwill)
Conclusion: 1 + 1 = 3

Questions?