LEWIS GROUP LIMITED
COMPANY REVIEW

June
2009

AGENDA

1. The Investment Case
2. Debtor Analysis
3. Summary Financial Results – Year Ended 31 March 2009
4. Outlook
5. Questions

1. The Investment Case

- Solid business model established over past 75 years.
- Biggest single furniture brand in South Africa.
- Consistent performance.
- Historically high operating margin business.
- Strongly cash generative.
- Low cost structures.

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The Investment Case (Cont'd)

- Dividend per share maintained.
- Cash returned to shareholders exceeds 50% of 2004 listing market cap.
- Merchandise innovation – a prime focus.
- New format Lewis store.
- Introduction of furniture range to Best Home & Electric.
- Stock turn – 5.8 times.

The Investment Case (Cont'd)

- Integrated credit and marketing strategies – resulting in a high level of repeat business. (55% of total sales).
- Store based customer focus – developing long term relationships.
- Target Market LSM 4-7. A growing market in South Africa.
- Centralised credit granting processes – utilising application and behavioural scorecards.
- Customer debt to income ratio (34%) well below national average (76%).

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The Investment Case (Cont’d)

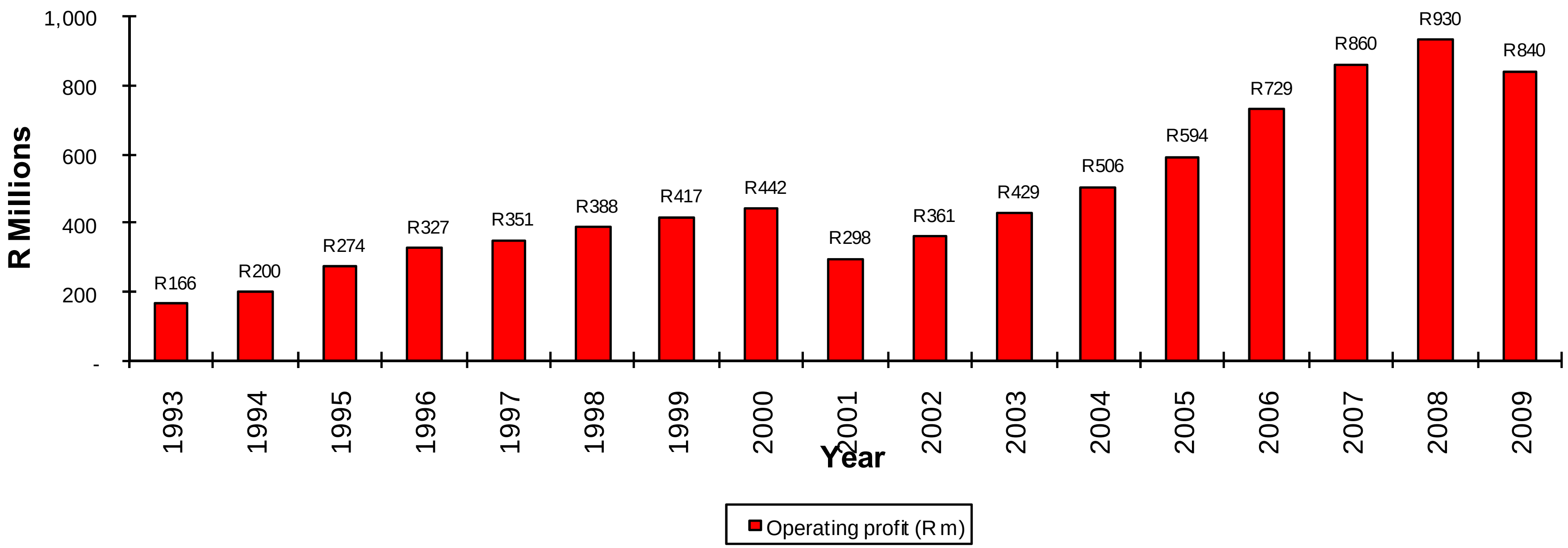
- Proven store based collections – direct relationship with customer.
- Experienced management team.

CHALLENGES TO THE INVESTMENT CASE

- Extremely challenging past year for credit retail.
- Unemployment – although not yet a factor – remains a risk.

Operating Profit - History

Over the past 16 years –
Compound annual growth of 10.7%



Operating margin %	**22%**	**23%**	**27%**	**27%**	**27%**	**28%**	**27%**	**24%**	**15%**	**18%**	**21%**	**22%**	**24%**	**25%**	**26%**	**26%**	**22%**

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Core Strengths

Re-serve model	→	± 55% of sales from repeat business
In store promotions	→	Building customer loyalty
Convenience	→	Extensive store network
Selection	→	Merchandise offers to meet local needs
Small store based Warehouses	→	90% of deliveries executed within 24 hours
Immediate Credit decision	→	Centralised credit approval
Store based collections	→	Direct relationship with customer

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Re-serve Scheme

- Identifies suitability of customer for further credit extension.
- Fully integrated with debtors system and store operations.
- Driven by historic payment behaviour & current indebtedness.
- Customer base is segmented and targeted monthly.
- Targeted direct mailing with promotional offers.
- In-store operations – follow through on promotional offers.

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2. DEBTOR ANALYSIS

Debtors Provisions

- The Lewis group model is credit based with 64% of sales on credit.
- Over 690 000 individual debtors with a debtors book of R3.4 billion.
- Debtor provisions well above debtor costs.
- Since 2003 debtor provision calculated in terms of International Accounting standard IAS 39.

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Debtors Provisions (Cont'd)

- IAS 39 requires receivables to be carried at the net present value of the expected cash flow from the debtor, discounted at the interest rate applicable to the contract.

- Provision calculated monthly for each individual customer utilising the payment behaviour (good or bad) of the customer.

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Debtor Analysis

	FY09 Rm	FY08 Rm	
Net debtors	3 388	2 939	
Bad debts written off	202	172	17.3%
Doubtful debts provision – Balance Sheet	533	396	34.6%
Doubtful debt provision as a % of net Debtors	15.7%	13.5%	
Bad debts as a % of net Debtors	6.0%	5.9%	
Debtor costs as a % of net Debtors	10.0%	6.5%	
Credit application decline rate	25.4%	22.5%	

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Debtor Payment Analysis

Debtor's Payment Analysis			NUMBER OF CUSTOMERS 2009	NUMBER OF CUSTOMERS 2008	DOUBTFUL DEBT PROVISION % 2009	DOUBTFUL DEBT PROVISION % 2008
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	**No.**	497,296	534,286		
		%	72.0%	75.1%	0%	0%
Slow payers	Customers who have paid between 70% and 65% of amounts due over the contract period	**No.**	57,042	51,759		
		%	8.2%	7.3%	20%	17%
Non performing customers	Customers who have paid between 65% and 55% of amounts due over the contract period	**No.**	50,300	47,130		
		%	7.3%	6.6%	42%	42%
Non performing customers	Customers who have paid 55% or less of amounts due over the contract period	**No.**	86,448	78,413		
		%	12.5%	11.0%	88%	86%
			691,086	**711,588**	**15.7%**	**13.5%**

Analysis of NCA Business

Analysis of NCA Business			NUMBER OF CUSTOMERS NCA 24 Months	NUMBER OF CUSTOMERS NCA Over 24 Months
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	**No.**	269,491	175,940
		%	81.5%	83.7%
Slow payers	Customers who have paid between 70% and 65% of amounts due over the contract period	**No.**	20,732	10,895
		%	6.3%	5.2%
Non performing customers	Customers who have paid between 65% and 55% of amounts due over the contract period	**No.**	15,998	9,496
		%	4.8%	4.5%
Non performing customers	Customers who have paid 55% or less of amounts due over the contract period	**No.**	24,462	13,883
		%	7.4%	6.6%
			330,683	**210,214**

3. SUMMARY FINANCIAL RESULTS

The Year In Review
March 2009

R3807m	22.1%	R670m	637.1c	323c
+ 5.9%	22.1%	+ 20.4%	- 7.6%	Maintained
Revenue	**Operating Margin**	**Cash Flow from Operations**	**Headline Earnings per Share**	**Dividend per Share**

Income Statement

	FY09 Rm	FY08 Rm	%
Revenue	3 807	3 596	5.9%
Merchandise sales	1 920	1 890	1.6%
Gross profit %	31.3%	32.7%	
Operating profit	840	930	(9.7%)
Operating margin %	22.1%	25.9%	
Attributable earnings	567	642	(11.7%)
EPS (cents)	643	717	(10.3%)
Headline EPS (cents)	637	690	(7.6%)

Trading Performance

	Group	Lewis	Best Electric	Lifestyle Living
▪ Revenue growth	5.9%	5.7%	9.1%	(0.5%)
▪ Merchandise sales % contribution	100%	81.7%	11.8%	6.5%
▪ Merchandise sales growth	1.6%	1.7%	3.6%	(2.8%)
▪ No. of stores – total	535	427	88	20

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Segmental Analysis

	Retail	Risk Services	Financial Services	Total
	Rm	Rm	Rm	Rm
2009				
Revenue	2 214	581	1 012	3 807
Operating profit	286	183	371	840
Operating margin	12.9%	31.4%	36.7%	22.1%
2008				
Revenue	2 141	564	891	3 596
Operating profit	307	175	448	930
Operating margin	14.4%	31.1%	50.2%	25.9%

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Analysis of Costs
(Excluding Debtor Costs)

	2009 Change %	2009 Like for Like Change %
Employment costs	6.8%	3.6%
Admin and IT	3.7%	0.7%
Marketing	15.9%	4.9%
Occupancy costs	11.4%	11.4%
Transport/Travel	9.0%	9.0%
Depreciation	11.8%	7.4%
Other operating costs	14.0%	11.2%
Total	8.8%	5.4%
% of revenue	34.4%	34.6%
LY % of revenue	33.5%	34.8%

In terms of IAS18, initiation fees and directly related costs are recognised over the period of the contract on an effective yield basis.

Following the implementation of the NCA the deferral of directly related costs for the first time last year has affected the cost comparison.

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Balance Sheet Overview

	FY09 Rm	FY08 Rm
Property, plant and equipment	230	201
Investments	734	665
Tax and Deferred tax	-	30
Inventory	228	230
Net Debtors after Doubtful Debts	2 944	2 615
Cash	54	67
Total Assets	4 190	3 808
Shareholders' equity and reserves	2 940	2 730
Retirement benefits	54	58
Tax and Deferred Tax	55	14
Creditors	404	303
Interest-bearing borrowings	737	703
	4 190	3 808

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Capital Ratios

	FY09 Rm	FY08 Rm
Gearing ratio	23.2%	23.3%
Share repurchases	51	162
Total dividend (cents)	323	323
ROE – after tax	20.0%	24.4%
ROCE – after tax	17.7%	21.4%
ROA – before tax	22.9%	27.8%

4. OUTLOOK

Outlook for 2009/10

- The proven business model will remain our competitive advantage.
- Merchandise innovation – increased furniture sales.
- We expect an improvement in gross profit.
- Management of Debtor book will continue to be a top priority.

Outlook for 2009/10 (Cont'd)

- Expand selectively – 20 to 25 stores.

- Capital management:
  - ➢ No further buy back planned
  - ➢ Maintain gearing at current levels

- Benefit from competitor brand reduction and store closures.

- Continued improvement in sales post year end.

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5. QUESTIONS