

enX Group Limited

Interim Results Presentation: February 2015

May 2015



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Overview and Prospects



Highlights and Developments:

- Private Power **order book at highest level** on record
 - Increased utilisation of generator manufacturing facilities (February)
- **Centlube acquisition** completed
- Distribution of **Mobil** lubricants has commenced (mid-January)
 - Key customers secured in transfer from Engen
- **25% B-BBEE transaction** and **R211m capital raise** announced
- **Focused engine distribution** business delivers strong performance
- Wood division **sustains turnaround**
 - Strong capital equipment sales

Challenges:

- Soft first quarter generator sales
 - Strong recovery from mid-January spurred by Eskom load shedding

Positive outlook for H2 2015

Power:

- Generator manufacturing facility at **double shift** for last 4 months of H2
 - Increase in generator order activity commenced mid-January and has thus far been sustained
 - Investment required in working capital to support higher production volumes
- **Strong performance** from **engine distribution** expected to continue

Fuel and Chemicals:

- Centlube **included for full second half of year**
 - Focus on growing volumes in Mobil Automotive and Industrial line of business, widening margins and improving inventory mix
 - Investment required in customer equipment

Acquisitive growth potential:

- **B-BBEE transaction expected to close by end June**
 - R211m proceeds will be used to fund growth (mostly acquisitive, some organic)
 - Dilutive effect until proceeds have been employed (interest vs. operating earnings)

Good progress so far in transforming the company....Still a W-I-P

Apr 2013– Aug 2013

- **Full executive team hired:** CEO, CFO, Wood CEO. Governance improves. Group fully compliant with JSE requirements
- **Turnaround interventions implemented at Wood:** Results begin to bear fruit
- **Improved financial performance:** Adjusted HEPS ↑ 333%

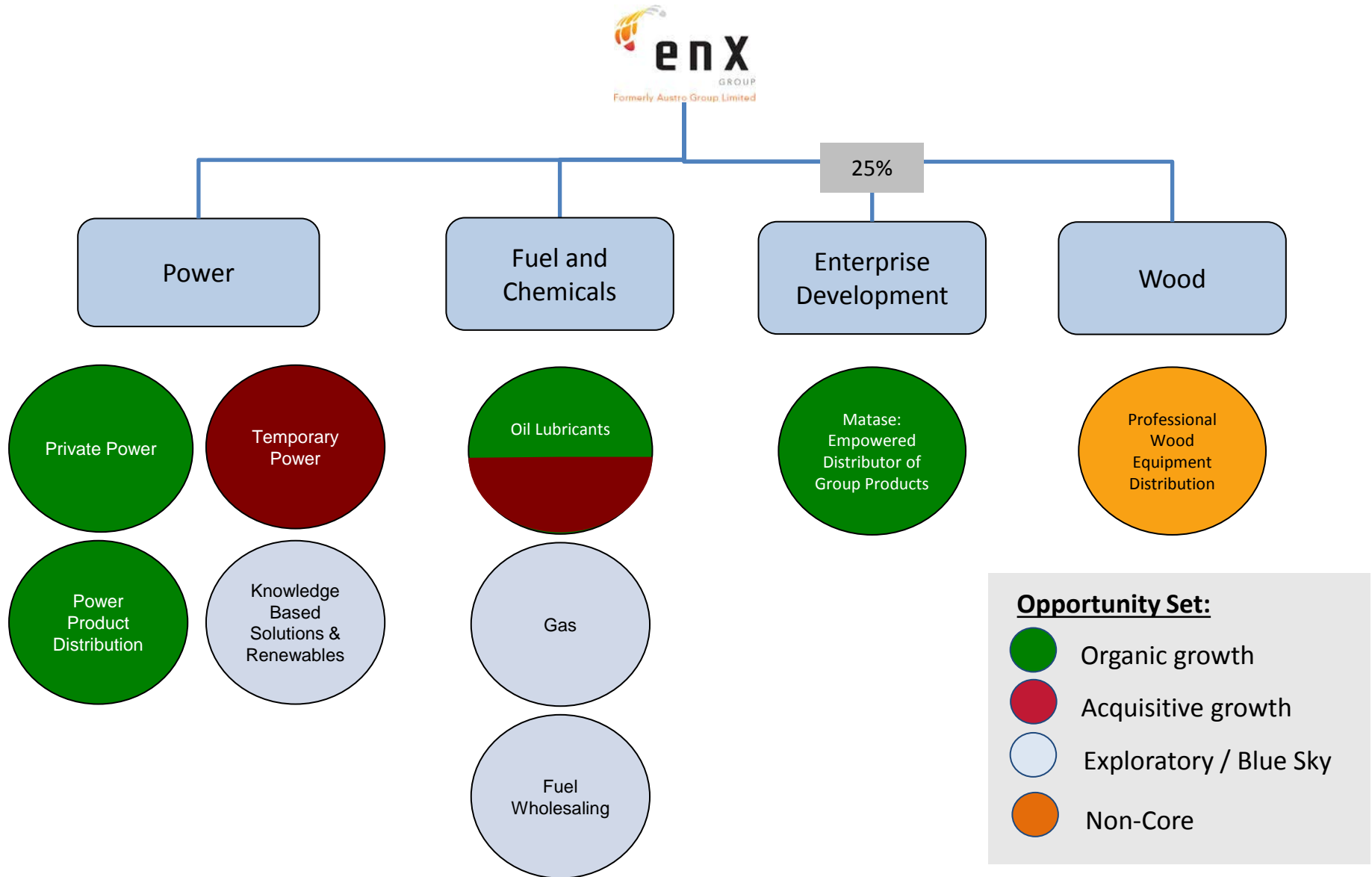
Sep 2013 – Aug 2014

- **Ricophase acquires 27% shareholding:** Aligns executive and shareholder interest
- **Board of directors reconstituted:** Brings significant commercial expertise, power industry experience, public sector networks and strengthens empowerment credentials
- **Strategy re-focused:** Growing an energy business through power, fuel and chemical clusters
- **Executive team at New Way replaced:** Improves business sustainability
- **Relationship with John Deere secured:** Restraint-of-trade litigation won against former New Way vendors
- **Wood turnaround complete:** Significant growth in earnings
- **Improved financial performance:** Adjusted HEPS ↑ 67%

Sep 2014 – Feb 2015

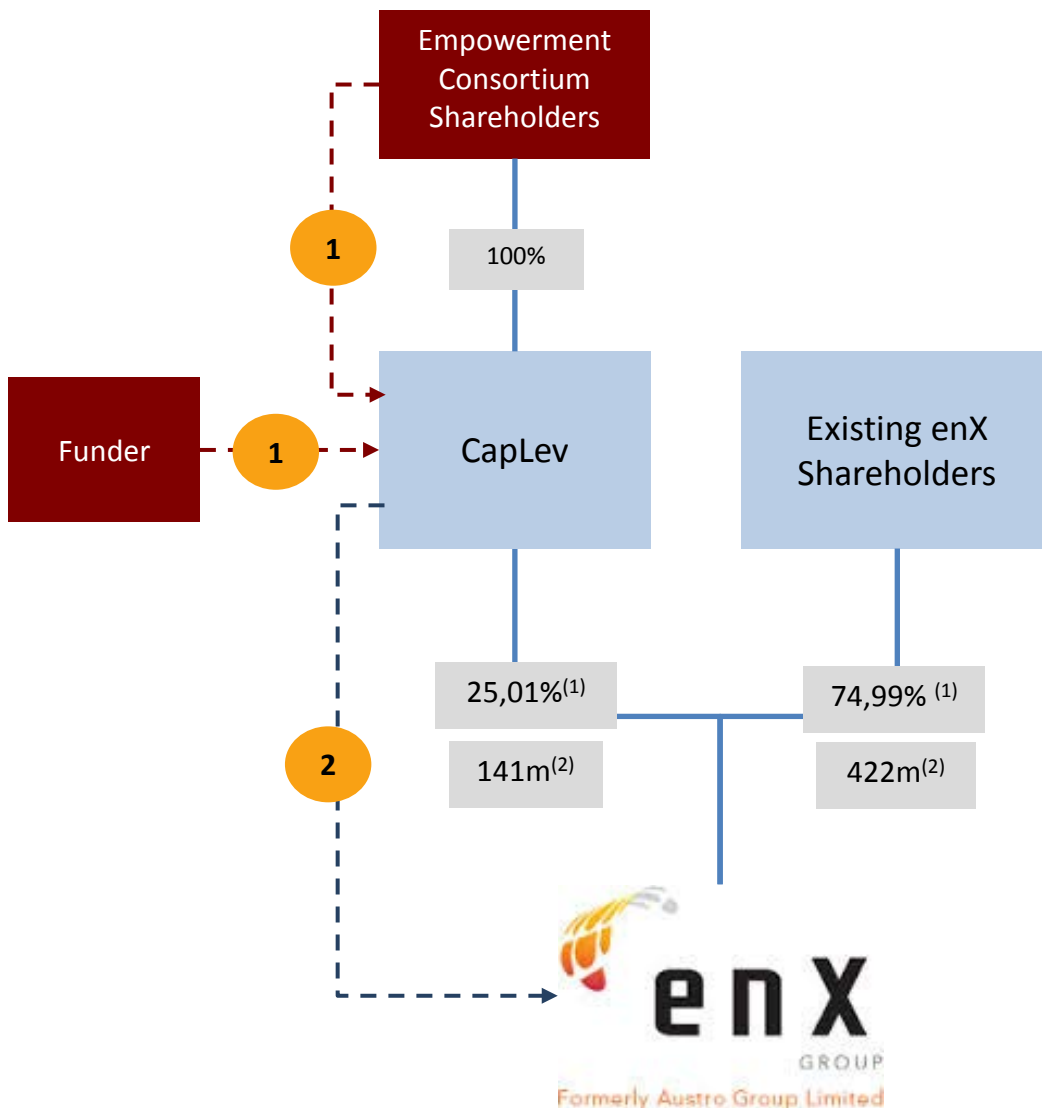
- **25% B-BBEE transaction and associated R211m capital raise announced:** Will improve B-BBEE rating to level 4 (old codes), strengthen balance sheet and provide capital for growth
- **Fuel and chemical cluster created:** Centlube transaction closed
- **Mobil distributorship commences:** Introduces important organic growth potential and key relationship into business
- **Sustained turnaround at Wood**
- **Group renamed to enX**

Building an empowered energy group



(1) All operations 100% owned unless otherwise stated

Empowerment transaction and capital raise: 2 birds with one stone



Transaction Steps

1

CapLev raises funding by issuing ordinary shares to Consortium members and preference shares to third party financier

- Consortium led by Paul Baloyi, Nombulelo Moholi and Paul O’Flaherty

2

enX issues of **141m** shares @ **150cps** for cash to CapLev, raising **R211m**

- **19%** discount to VWAP on day issue price agreed

(1) Shareholding post transaction
(2) Number of shares

H1 2015 Financial Performance



Key Financial Performance Indicators

R '000	HY2015	HY2014	% Change
Revenue ⁽¹⁾	326 469	264 110	↑ 23,6
Gross Profit ⁽¹⁾	98 599	84 424	↑ 16,8
Adjusted EBITDA ⁽²⁾	26 081	27 329	↓ (4,6)
Adjusted Headline Earnings ⁽²⁾	15 288	17 301	↓ (11,6)
Adjusted HEPS (cps)	3,8	4,4	↓ (13,9)
Shares in issue (number '000)	421 689	395 293	↑ 6,7
Weighed average shares in issue (number '000)	405 910	395 293	↑ 2,7

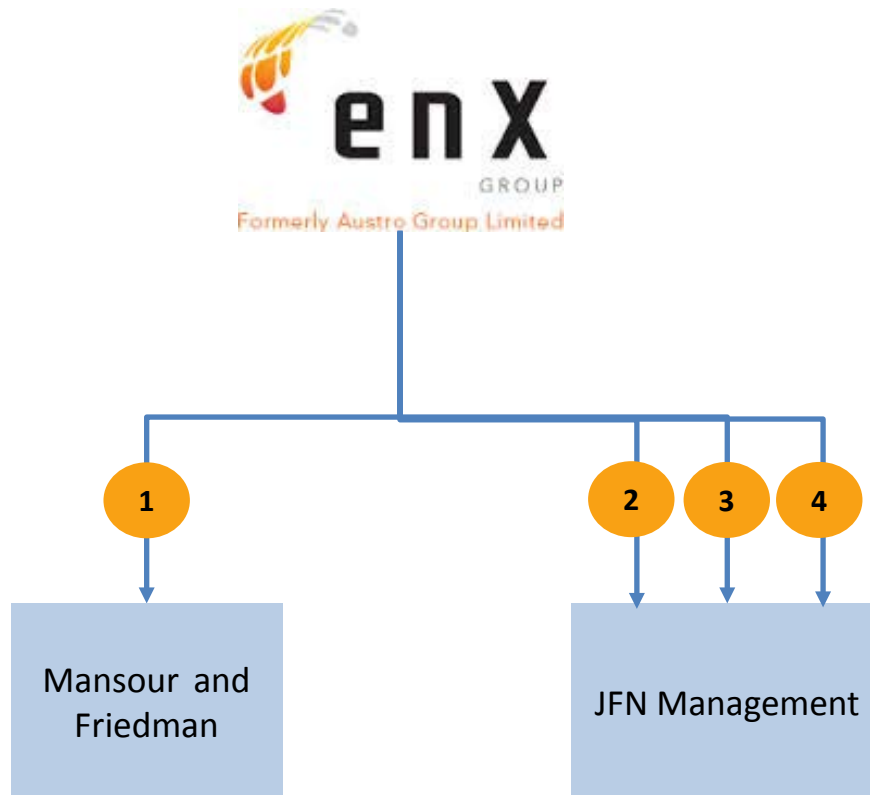
Explanatory Notes:

1. Revenue and gross profit growth driven by acquisition of Centlube and strong capital goods sales at Wood
2. Adjusted EBITDA and headline earnings decrease as a result of soft first quarter trading at New Way

Significant adjustments to earnings explained

R '000	HY2015	Cash Impact	Explanation
Impairment of Goodwill	15 712	Non Cash	Increase in enX share price of 60c between date of signing Centlube agreement and issue of shares. Company resolved to impair immediately
IFRS 2 Charge	15 796	Non Cash	Increase in provision required for potential Share Appreciation Rights liability as a result 40c increase in share price for the half year
Release of Straight Line Provision Relating to Operating Lease	(9 272)	Non Cash	New Way lease renegotiated. Escalations now linked to CPI (will result in future savings) and term extended. Straight-lining no longer required
Pre-Opening Expenses	1 061	Cash	Expenses incurred during month of December (primarily staff costs) ahead of commencement of Mobil distributorship

Management contract explained



Transactions described

- 1 Mansour and Friedman guaranteed compensation
 - CEO and CFO have to be employed by company per JSE rules
- 2 Neuberger (Wood CEO) guaranteed compensation
- 3 Mansour, Friedman and Neuberger annual short term incentive
 - Maximum payment equals **1x** guaranteed compensation
- 4 **19,5m** Special Appreciation Rights issued in April 2013 (long term)
 - Issue price of **47cps**
 - Vest April 2016
 - Represented **5%** of issued share capital when awarded

Key Financial Position Indicators

R '000	Feb 2015	Aug 2014
Plant and Equipment ⁽¹⁾	62 472	42 853
Goodwill and Intangibles ⁽¹⁾	141 934	95 544
Inventories ⁽¹⁾	247 089	145 467
Trade Receivables ⁽¹⁾	190 363	128 943
Trade and other Payables ⁽²⁾	242 593	119 368
Current Portion of Interest Bearing Liabilities ⁽³⁾	30 958	1 785
NAVPS	104	95
NTAVPS	71	71

Explanatory Notes:

1. Increase in balances primarily due to acquisition of Centlube and commencement of Mobil distributorship
2. Generous supplier terms from ExxonMobil assisted in funding initial inventory build-up. Supplier funding will be replaced by bank credit facilities
3. Balance of funding for Mobil distributorship bridged by way of **R27,5m** short term loan from Ricophase

Key Cash Flow Indicators

R '000	Feb 2015	Feb 2014
Operating Cash Flow (pre-working capital)	19 817	17 796
Investment in working capital ⁽¹⁾	(22 145)	(16 751)
Net interest and tax outflows	(1 635)	(1 060)
Capital Expenditure ⁽²⁾	(13 057)	(7 131)
Acquisitions ⁽³⁾	(38 035)	-
Interest Bearing Liabilities Raised ⁽⁴⁾	31 852	1 252

Explanatory Notes:

1. Investment required to fund working capital necessary for Mobil distributorship
2. Purchase of laser cutting machine in New Way, delivery fleet at Wood and installation of additional base oil storage capacity at Centlube
3. Acquisition of Centlube and Centlube Cape Town distributor
4. Ricophase funding

R '000	HY2015	HY2014	% Change
Revenue	175 291	174 237	Unchanged
Gross Profit	54 509	54 258	Unchanged
<i>Gross Profit %</i>	<i>31,1%</i>	<i>31,1%</i>	
Adjusted EBITDA	18 894	25 840	↓ 26,9
<i>Adjusted EBITDA Margin %</i>	<i>10,8%</i>	<i>14,8%</i>	

Reporting Period Dynamics:

1. Soft first quarter generator sales
2. Strong performance by focused engine distribution business
3. Unchanged gross margins
4. Stable performance from temporary power

Prospects:

1. Revenue and gross profit improvement planned for H2, driven by increased production
2. Engine distribution to continue to perform well
3. Temporary power expected to show Y-o-Y growth
4. Investment in working capital required to fund higher production levels

R '000	HY2015
Revenue	48 951
Gross Profit	10 730
<i>Gross Profit %</i>	22,0%
Adjusted EBITDA	4 461
<i>Adjusted EBITDA Margin %</i>	9,1%

Reporting Period Dynamics:

1. Consolidated from December 2014. Results included for 3 months
2. Mobil distributorship commenced mid-Jan 2015

Prospects:

1. H2 will reflect a full six months of trading
2. Revenues have increased >250% p.m. as a result of Mobil activity
3. Focus on growing Automobile and Industrial volumes, improving margins, reducing inventory levels, aligning inventory mix with market
4. Investment required in customer equipment

R '000	HY2015	HY2014	% Change
Revenue	102 227	89 873	↑ 13,8
Gross Profit	33 359	30 364	↑ 9,9
<i>Gross Profit %</i>	32,6%	33,8%	
Adjusted EBITDA	9 741	9 738	↓ 26,9
<i>Adjusted EBITDA Margin %</i>	9,5%	10,8%	

Reporting Period Dynamics:

1. Good growth in capital equipment sales driven by mechanisation of furniture manufacturers
2. Gross margins slightly down due to higher portion of revenue generated by capital goods
3. Employee base adjustment to sustainable levels

Prospects:

1. Strong capital equipment sales projected to continue
2. Higher margin tooling and sharpening sales to come under pressure as a result of changeover to higher priced Lietz distributorship
3. Overall turnaround expected to be sustained

Capitalisation, Funding and Liquidity

R '000	R' 000
Capital and Reserves:	
As at 28 February 2015	439 349
Expected equity injection from B-BBEE transaction	211 000
<i>No. of shares in issue post-transaction</i>	<i>562 327</i>
Interest Bearing Borrowings:	
Centlube credit facilities	48 500
<i>Existing Term</i>	<i>3 500</i>
<i>New Term</i>	<i>20 000</i>
<i>Revolver</i>	<i>25 000</i>
Group credit facilities	65 000
<i>New Term (split into 3 tranches of R10m each)</i>	<i>30 000</i>
<i>Revolver</i>	<i>35 000</i>
Cash and Cash Equivalents (28 Feb 2015)	50 441
Available Trading facilities (28 Feb 2015) ⁽¹⁾	69 200

(1) Excludes R10m existing overdraft facility which has been included in the Group revolving facility of R35m

Thank you and questions

