

enX Group Limited

Financial Results Presentation: August 2015

December 2015



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Overview and Prospects



Continue to Deliver on Key Strategic Goals

Highlights and Developments:

- **Strong H2 performance**
 - Private Power Sales ▲ 20% to R428,3 million (2014: R357,4 million). 30% ▲ y-o-y for H2
 - Adj H2 HEPS of 4.9cps, ▲ 29% vs H1 (3.8cps)
 - FX loss amounted to 2.8cps
- Successfully integrated Centlube and transitioned the **ExxonMobil distributorship** from Engen
 - Revenue of R210,0 million and adjusted EBITDA of R8,0 million for 9 months
- **Sustained turnaround** at Wood division

Challenges:

- FX losses of R13,7million at Centlube
 - Safety stock build up to transition Mobil customers was unhedged during period of rapid USD:ZAR FX decline

Subsequent Events:

- **25% B-BBEE transaction** raises **R213,8 million capital**
- Acquisition of a **Genmatics** - Diesel generator rental business. **Enlarges fleet** and gives us **national footprint**
- **Cautionary announcement** regarding potential acquisition

Positive Outlook for 2016

Power:

- Q1 trading has been good
- Well positioned through manufacturing capability, inventory holding, technical services capacity and rental fleet to service increased demand
- Genmatics early trading has exceeded expectations. Will be included for full FY2016
- Order book remains healthy going into a seasonally slower Dec and Jan

Fuel and Chemicals:

- Centlube expected to become a material contributor to group revenue and profitability in the coming years:
 - Completed ExxonMobil take-on phase. Foundation established for growth
 - Volumes are healthy
 - FY2016 focus on gross margins and optimising inventory levels. Expect to reach target levels by mid 2016
 - Full 12 months of trading to be reflected in FY2016

Positive Outlook for 2016

Wood:

- Strategically non-core
- Will continue to contribute to group earnings and cash flow

Growth prospects intact:

- Focus on growing **Power and Fuel segments** organically and through acquisition
- Acquisition pipeline is promising

Key risks:

- Continued ZAR depreciation will need to be reflected in selling prices to maintain gross margins. In the short term that this may boost profitability but ultimately may impact volumes
- Timing of acquisitions vs B-BBEE share dilution

Our Track Record Transforming enX

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

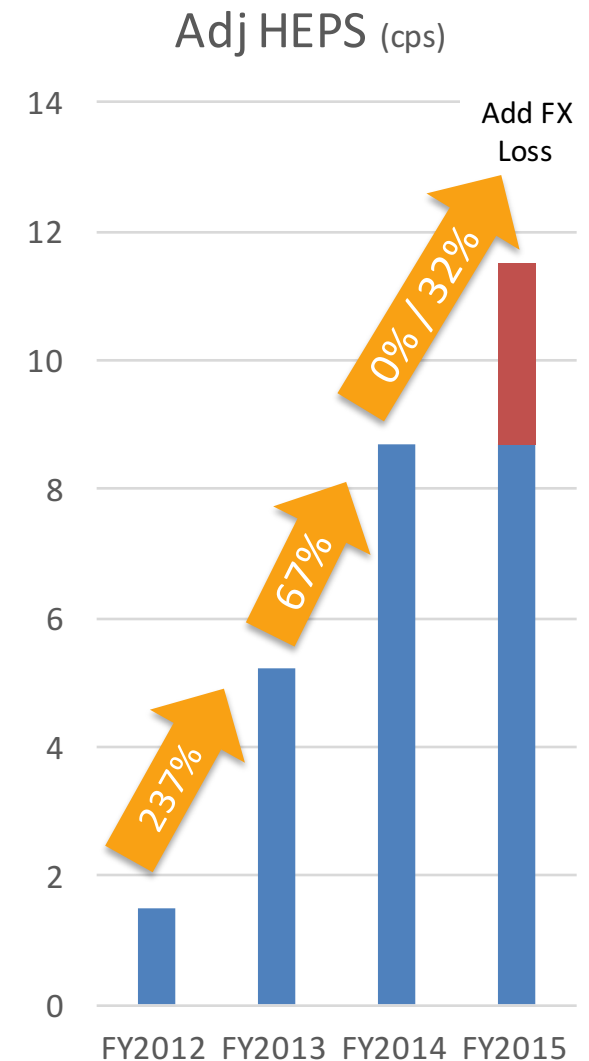
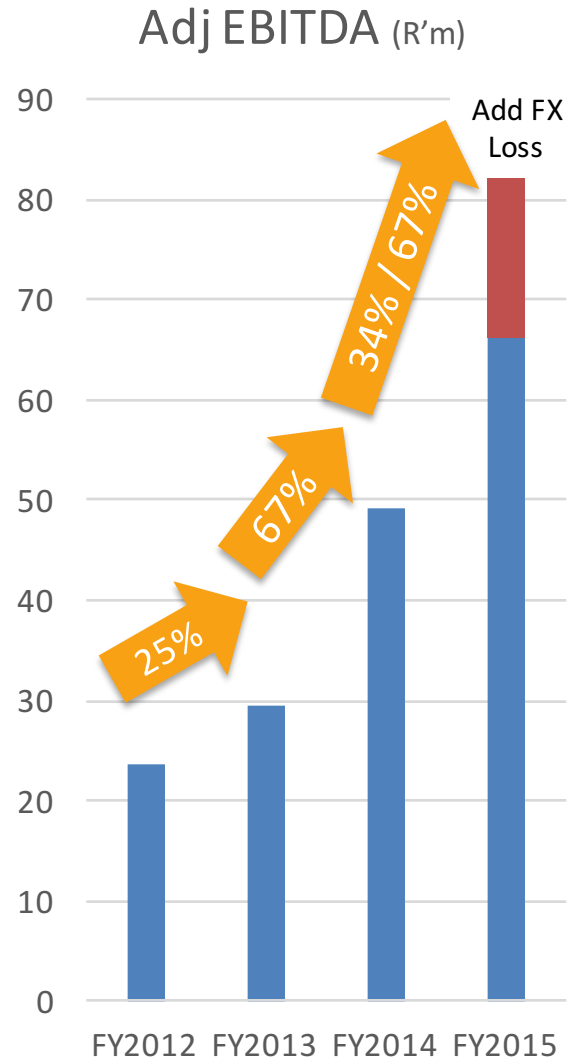
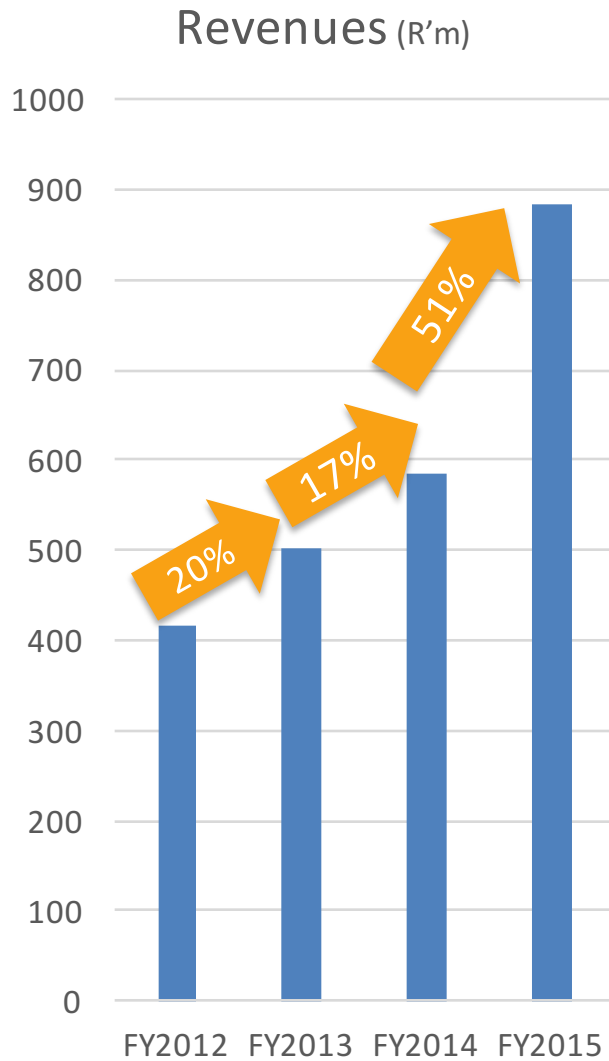
- **Ricophase acquires 27% shareholding:** Aligns executive and shareholders interest
- **Board of directors reconstituted:** Brings significant commercial expertise, power industry experience, public sector networks and strengthens empowerment credentials
- **Strategy re-focus:** Growing an energy business through power, fuel and chemical clusters
- **Wood turnaround continues:** Significant growth in earnings
- **Improved financial performance:** Adjusted HEPS ▲ 67%

Sep 2014 – Aug 2015⁽¹⁾

- **25% B-BBEE transaction and associated R213,8m capital raise:** Improves B-BBEE rating to level 4 (old codes), strengthens balance sheet and provides capital for growth
- **Fuel and chemical cluster created:** Centlube transaction finalised. Awarded Mobil distributorship and take-on completed
- **Genmatics acquisition completed:** Provides national footprint and capacity to meet higher demand for temporary power
- **Sustained turnaround at Wood**
- **Group renamed to enX:** Better reflects strategic direction
- **Improved financial performance:** Adjusted HEPS ▲ 32% (excluding FX losses)

(1) Including subsequent events

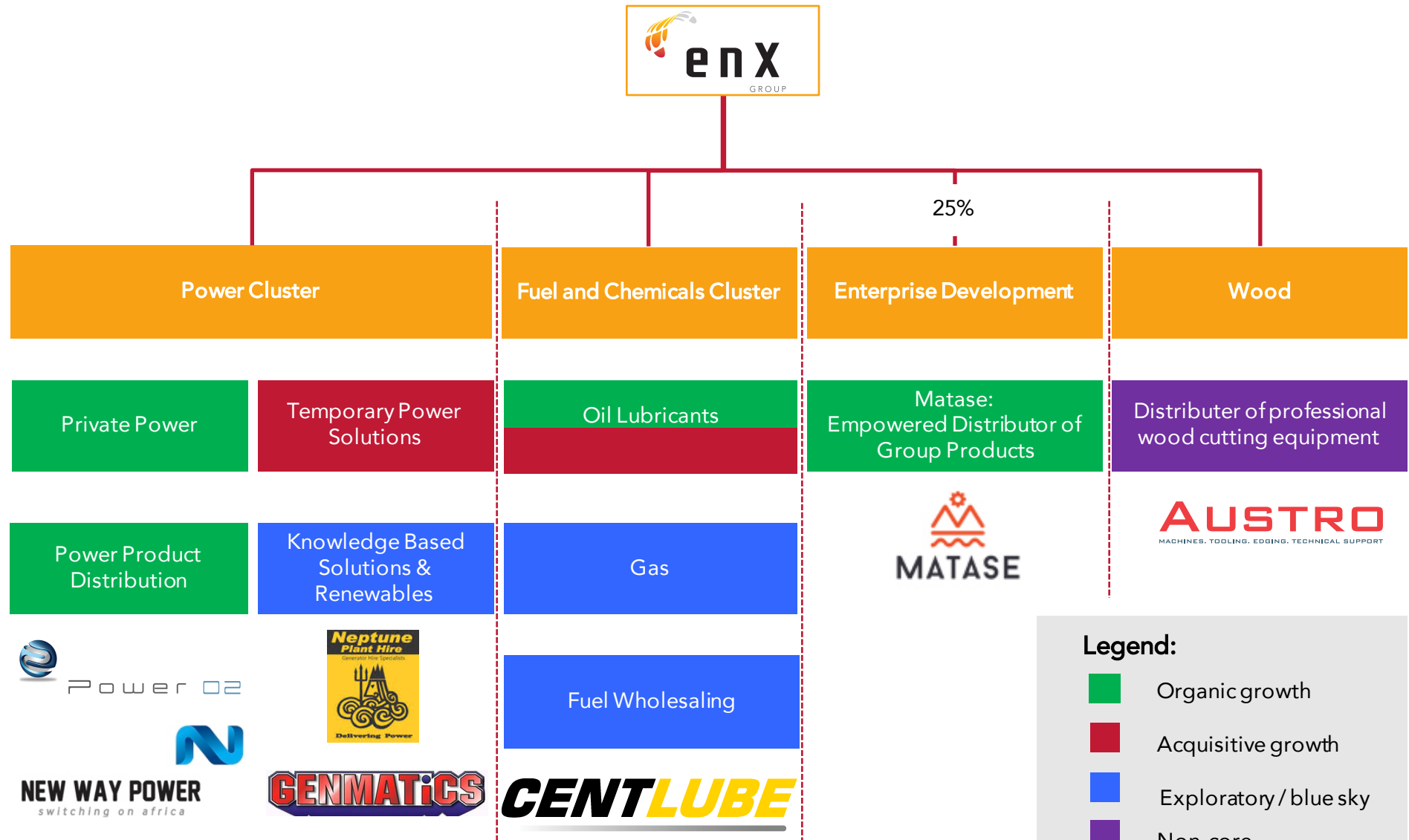
Improving Financial Performance



Group Vision and Business Model



Aspirational Structure: A focused Energy Group



Legend:

- Organic growth
- Acquisitive growth
- Exploratory / blue sky
- Non-core

Power

- Largest genset production facility in Southern Africa:
 - Produced >800 units , 166MW in FY2015
- One of the largest generator rental fleets in the South Africa with national presence:
 - >250 units, >50MW
- Represent global leaders in engine manufacture:
 - John Deere and Mitsubishi
- Revenue: R450million
- EBITDA: R55million

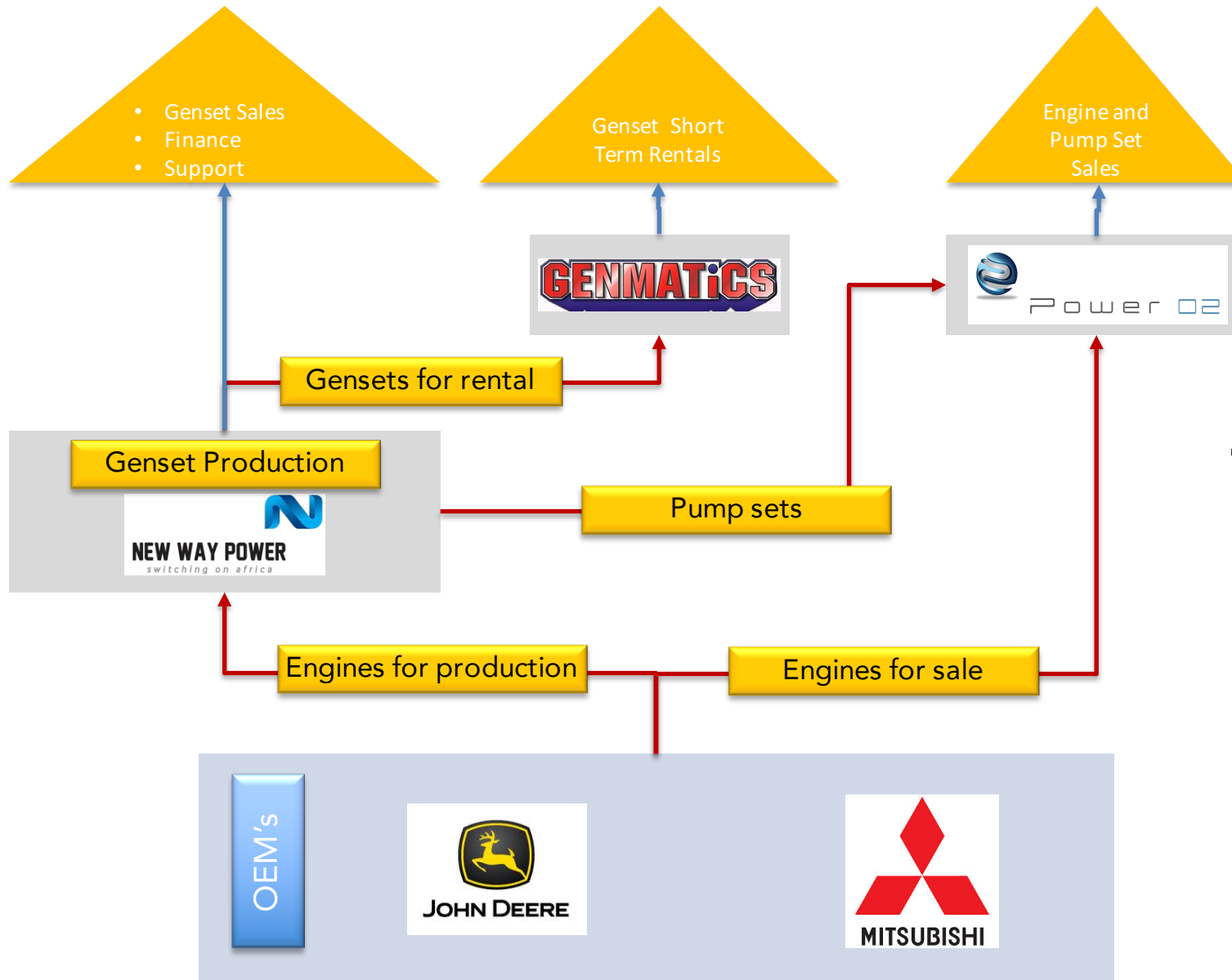
Fuel and Chemicals

- Top 2 independent blender and marketer of oil lubricants in Southern Africa
 - In excess of 12m lt. production capacity p.a.
 - >1m lt produced and distributed in Oct and Nov 2016
- Represent global oil majors and niche downstream players:
 - Distribute: Mobil, ENI
 - Toll blending: Houghton, Puma
- Revenue: R280million⁽¹⁾
- EBITDA: R24million⁽¹⁾⁽²⁾

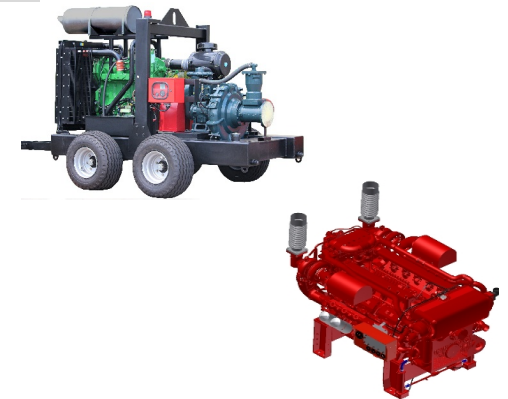
(1) Run rate for 12 months

(2) Excluding FX loss

Power Business Model



Rental Sets



Engines and Pump sets



Genset Factory

END USER INDUSTRY SECTORS

- ❖ Agriculture
- ❖ Automotive
- ❖ Construction
- ❖ Engineering
- ❖ Manufacturing
- ❖ Mining
- ❖ Transport and logistics

BLENDING AND FILLING

- **Storage and blending** of base oils and additives to produce lubricant oils
- **Filling** blended product into customer specified containers for distribution



SALES AND MARKETING

- Retail and wholesale **sales and marketing** of licensed lubricant oil products
- Sub-distributor network
- Full admin support function



WAREHOUSING AND DISTRIBUTION⁽¹⁾

- Contract **warehousing and distribution** of oil lubricants to major city centers in South Africa
- Stringent SLA's to deliver anywhere, anytime





1) Family owned, on-site, contractual relationship

FY2015 Financial Performance



Key Financial Performance Indicators

R '000	FY2015	FY2014	% Change
Revenue	882 835	585 006	↑ 50,9
Gross Profit	254 367	174 590	↑ 45,7
Adjusted EBITDA	66 342	49 379	↑ 34,4
Adjusted Headline Earnings	36 064	34 408	↑ 4,8
Adjusted HEPS (cps)	8,7	8,7	-
Shares in issue (number '000) ⁽¹⁾	421 689	395 293	↑ 6,7
Weighed average shares in issue (number '000)	415 090	395 293	↑ 5,0
Excluding FX Loss			
Adjusted EBITDA	82 542	49 379	↑ 67,2
Adjusted HEPS	11,5	8,7	↑ 32,1

1. Increase due to shares issued for Centlube acquisition

Significant Adjustments to Earnings Explained

R '000	FY2015	Cash Impact	Explanation
Impairment of Goodwill	10 961	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	15 480	Non Cash	Increase in provision required for potential Share Appreciation Rights liability as a result of increase in share price for the full 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

Key Financial Position Indicators

R '000	FY2015	FY2014
Plant and Equipment ⁽¹⁾	80 271	42 853
Goodwill and Intangibles ⁽¹⁾	125 931	95 544
Inventories ⁽¹⁾	353 736	145 467
Trade Receivables ⁽¹⁾	248 630	128 943
Trade and other Payables ⁽²⁾	296 631	119 368
Non-current Portion of Interest Bearing Liabilities ⁽³⁾	57 041	1 820
Current Portion of Interest Bearing Liabilities ⁽⁴⁾	38 169	1 785
NAVPS	109,4	98,6
NTAVPS	74,4	74,4

Explanatory Notes:

1. Increase in balances primarily due to acquisition of Centlube and commencement of ExxonMobil distributorship
2. Generous supplier terms from ExxonMobil assisted in funding initial inventory build-up. Supplier funding has since been replaced by bank credit facilities
3. Group facilities to fund increased investment in working capital
4. Balance of funding for Mobil distributorship bridged by way of R27,5m short term loan from Ricophase

Key Cash Flow Indicators

R '000	Aug 2015	Aug 2014
Operating Cash Flow (pre-working capital)	55 237	31 726
Investment in working capital ⁽¹⁾	(124 442)	16 478
Net interest and tax outflows	(4 097)	(2 258)
Net Capital Expenditure ⁽²⁾	(35 365)	(9 749)
Acquisitions ⁽³⁾	(39 598)	-
Interest Bearing Liabilities Raised ⁽⁴⁾	87 255	(2 891)

Explanatory Notes:

1. Investment required to fund working capital for ExxonMobil distributorship and engine inventories
2. Purchase of laser cutting machine in New Way, additional rental fleet at Neptune, delivery vehicles at Wood and bulk installation equipment at Centlube
3. Cash portion of acquisition of Centlube and Centlube Cape Town distributor
4. Ricophase funding and group credit facilities

R '000	FY2015	FY2014	% Change
Revenue	454 620	389 859	↑ 16,6
Gross Profit	136 984	107 776	↑ 27.1
<i>Gross Profit %</i>	30.1%	27.6%	
Adjusted EBITDA	55 583	42 091	↑ 32,1
<i>Adjusted EBITDA Margin %</i>	12,2%	10,8%	

Reporting Period Dynamics:

1. High demand for generators in H2 after flat revenues for H1
2. Strong performance by focused engine distribution business
3. Improved gross margins through economies of scale
4. Stable performance from temporary power

Prospects:

1. Trading for first quarter has been positive
2. Well positioned to service the market in the event of constrained electricity supply
3. Engine distribution expected to be solid contributor off a high base
4. Temporary power expected to good show Y-o-Y growth with introduction of Genmatics for 12 months

R '000	FY2015
Revenue	210 000
Gross Profit	47 932
<i>Gross Profit %</i>	22.8%
Adjusted EBITDA	8 026
<i>Adjusted EBITDA Margin %</i>	3,8%
Adjusted EBITDA excluding FX loss	21 726

Reporting Period Dynamics:

1. Consolidated from December 2014. Results included for 9 months
2. ExxonMobil distributorship commenced mid-Jan 2015. Has added significantly to revenues and volumes

Prospects:

1. FY2016 will reflect a full twelve months of trading
2. Focus on growing volumes in all parts of the business, improving gross margins and optimizing inventories
3. Inventory levels are being run down and we expect them to reach target levels by mid 2016

R '000	FY2015	FY2014	% Change
Revenue	218 215	195 147	↑ 11,8
Gross Profit	72 109	67 361	↑ 7.0
<i>Gross Profit %</i>	33.0%	34.5%	
Adjusted EBITDA	17 431	24 831	↓ 29,8
<i>Adjusted EBITDA Margin %</i>	8,0%	12,7%	

Reporting Period Dynamics:

1. Sustained turnaround following the restructure completed in 2013
2. Good growth in capital equipment sales driven by mechanisation of furniture manufacturers
3. Gross margins slightly down due to higher portion of revenue generated by capital goods
4. Employee base adjustment to sustainable levels resulted in lower EBITDA

Prospects:

1. Strong capital equipment sales projected to continue
2. Focus on growing high margin revenue lines
3. Stable cost base
4. Expected to show reasonable year-on-year growth in profitability

Capitalisation, Funding and Liquidity

R '000	Facility	Outstanding
Capital and Reserves:		
As at 31 August 2015	461 346	
Expected equity injection from B-BBEE transaction	213 770	
<i>No. of shares in issue post-transaction</i>	562 327	
Interest Bearing Borrowings:		
Group credit facilities	75 000	51 200
<i>New Term (split into 3 tranches of R10m each)</i>	30 000	10 000
<i>Revolver / Overdraft / Vehicle</i>	45 000	41 200
Centlube credit facilities	48 500	35 300
<i>Term</i>	23 500	22 400
<i>Revolver / overdraft</i>	25 000	12 900
Cash and Cash Equivalents	33 960	na
Trading facilities	129 700	

Thank you and questions

