

Remgro Limited

Final Results Press Release for Remgro Limited

(Remgro)

THE MAJORITY OF REMGRO'S INVESTMENTS DELIVER ON SOLID TRACK RECORD

- **Headline earnings per share increased by 20.3% to 1 555 cents**
- **Total dividend per share for the year increased by 10.0% to 428 cents**
- **Intrinsic net asset value per share increased by 17.5% to R288.89**

The majority of Remgro's underlying investments, for the year ended 30 June 2015, reported good results despite tough economic and trading conditions. The increase in headline earnings per share (HEPS) is mainly due to improved results being reported by RCL Foods Limited (RCL Foods) compared to the previous year. The headline earnings growth was negated by stock revaluation losses in Total SA due to the sudden drop in the crude oil price and mark-to-market losses of investments in Kagiso Tiso Holdings (KTH).

Headline earnings for the year to 30 June 2015 amounted to R7 996 million compared to R6 635 million for the year to 30 June 2014, representing an increase of 20.5%, whereas headline earnings per share increased by 20.3% from 1 292.4 cents to 1 555.0 cents. Remgro's intrinsic net asset value per share increased by 17.5% from R245.96 at 30 June 2014 to R288.89 at 30 June 2015.

The contribution to headline earnings by reporting platform is presented in the table below.

R'million	Year ended 30 June 2015	Change %	Year ended 30 June 2014
Food, liquor and home care	1 531	92.6	795
Banking	2 845	11.9	2 542
Healthcare	1 734	16.5	1 489
Insurance	986	13.2	871
Industrial	381	(45.6)	700
Infrastructure	392	136.1	166
Media and sport	(16)	(125.0)	64
Other investments	84	42.4	59
Central treasury	111	33.7	83
Other net corporate costs	(52)	61.2	(134)
Headline earnings	7 996	20.5	6 635

The contribution from the **food, liquor and homecare** platform to Remgro's headline earnings amounted to R1 531 million (2014: R795 million), representing an increase of 92.6%. This increase is mainly the result of a higher contribution from RCL Foods, which contributed R755 million to headline earnings (2014: R239 million headline loss). It should however be noted that the results of RCL Foods for the year under review now includes the results of TSB, while TSB was still reported separately for the first six months in the comparative year. During the year under review RCL Foods' results were positively affected by Rainbow's new business model whereby reliance on pure commodity lines was reduced, as well as the restructuring of its debt during the previous financial year whereby the Euro bonds were replaced by a rand based debt

package which eliminated the unfavourable foreign exchange adjustments. Unilever's contribution to Remgro's headline earnings decreased by 4.6% to R331 million (2014: R347 million). This decrease is mainly the result of increased brand and marketing investments. Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R445 million (2014: R495 million). This decrease is mainly the result of a favourable re-measurement of R159 million to the contingent consideration payable on the acquisition of Burn Stewart Distillers Limited accounted for in the comparative year. Excluding this re-measurement, Distell's contribution to Remgro's headline earnings would have increased by 0.7% from R442 million.

The headline earnings contribution from the **banking** division amounted to R2 845 million (2014: R2 542 million), representing an increase of 11.9%. Both FirstRand and RMBH reported good headline earnings growth of 13.2% and 11.8% respectively, mainly due to good growth in both net interest income and non-interest revenue from FNB, RMB and WesBank, partly offset by a slight increase in year-on-year credit impairment charges.

Mediclinic, Remgro's only **health** sector investment, contributed R1 734 million (2014: R1 489 million) to headline earnings. It should be noted that Mediclinic's results for the year under review include positive Swiss prior year tax adjustments amounting to R712 million, while the comparative period also included a once-off past service cost credit and Swiss tax adjustments totalling R303 million. Excluding these once-off items Mediclinic's contribution to Remgro's headline earnings would have increased by 5.9% from R1 354 million.

The contribution of RMI Holdings, Remgro's **insurance** investment, to headline earnings increased by 13.2% to R986 million. RMI Holdings reported an increase of 4.6% in normalised earnings, with Discovery and MMI Holdings achieving good earnings growth of 16.9% and 6.3% respectively, partly offset by a weaker performance by OUTsurance mainly due to an increase in claims resulting from severe storms in Australia.

Remgro's **industrial** investments' contribution to headline earnings decreased by 45.6% to R381 million (2014: R700 million). Total South Africa's contribution to Remgro's headline earnings amounted to R133 million (2014: R233 million). This decrease is mainly the result of substantial unfavourable stock revaluations in the year under review compared to favourable stock revaluations in the comparative year. These revaluations are the result of the volatility in the Brent Crude price and the rand exchange rate. Remgro's share of the results of KTH amounted to a loss of R108 million (2014: profit of R71 million). During the year under review KTH's results were negatively impacted by unfavourable fair value adjustments relating to its investment in Exxaro Resources Limited.

Remgro's largest investment in the **infrastructure** sector is Grindrod. Grindrod's contribution to Remgro's headline earnings amounted to R135 million (2014: R108 million). This increase is mainly the result of the closure of Grindrod's commodity trading division which produced poor results in the comparative year. During May 2015 the Pembani Remgro Infrastructure Fund (PRIF) had its first close, which resulted in Remgro receiving an income distribution of R170 million from PRIF (mainly resulting from foreign exchange gains realised in the PRIF structure), which together with interest income and related tax charges, contributed R177 million to Remgro's headline earnings.

Media and sport interests primarily consist of the interest in Sabido, whose contribution to Remgro's headline earnings amounted to R69 million (2014: R131 million). This decrease is mainly due to significant new business development costs incurred over the last two years (R245 million compared to R125 million in the comparative year).

The contribution from the **central treasury** division amounted to R111 million (2014: R83 million). This increase is mainly the result of higher average cash balances, as well as higher interest rates than in the comparative year. **Other net corporate costs** amounted to R52 million (2014: R134 million). This decrease is mainly the result of a net after-tax facilitation and underwriting fee of R99 million received from Mediclinic on the Spire transaction and resultant rights issue, partly offset by transaction and funding costs of R38 million also relating to the Spire transaction, which will be recovered from Mediclinic in the next financial year.

The most important investment activity undertaken by Remgro was the **Mediclinic/Spire Healthcare Group Plc (Spire) transaction**. During June 2015 Remgro entered into an agreement with funds managed by Cinven to acquire 119 923 335 Spire shares (equivalent to a 29.9% shareholding in Spire) at a price of GBP3.60 per share for a total purchase consideration of GBP431.7 million (excluding transaction costs). The transaction was concluded early in July 2015 and Remgro financed the transaction through a combination of its own cash, as well as external funding.

In conjunction with the above transaction, Remgro and Mediclinic concluded an agreement whereby Mediclinic would acquire Remgro's interest in Spire, subject to Mediclinic raising the appropriate funds in order to conclude such a transaction. During August 2015 Mediclinic raised R10.0 billion through a rights issue in terms of which 111 111 111 new Mediclinic shares were issued at a price of R90.00 per share. Remgro, by following its rights and by underwriting the balance of the rights issue, invested an additional R4.6 billion into Mediclinic. Following the successful conclusion of the rights issue, Mediclinic acquired Remgro's shareholding in Spire during August 2015 for an amount of R8.6 billion, equal to the purchase price, transaction and funding costs. Remgro thus effectively only facilitated the acquisition of Spire by Mediclinic.

Cash at the centre increased by R755 million to R4 019 million at 30 June 2015. During the year, Remgro invested mainly in Milestone China Opportunities Fund (Milestone III) (R371 million), Unilever (R258 million), RMBH (R216 million), Sabido (R157 million), Grindrod (R58 million), CIVH (R57 million), PTH (R49 million), InVenFin (R30 million) and KTH (R23 million). The main investment sold was Longkloof (R83 million) with capital distributions received from Pembani Remgro Infrastructure Fund (PRIF) (R317 million), Milestone III (R110 million) and GEMS (R54 million).

For the year ended 30 June 2015, the final dividend declared was 259 cents per share (equating to a **total dividend** per share of 428 cents) out of income reserves in respect of both the ordinary shares of no par value and the unlisted B ordinary shares of no par value. This represents a 10.0% increase from the total dividend declared for the year ended 30 June 2014 of 389 cents per share. The interim dividend paid on 16 March 2015 utilised all the remaining STC credits.

Jannie Durand, CEO of Remgro, concluded: "The results reported by the majority of our industrial, infrastructure and media investments reflect the true state of the South African economy. Our concerns that the consumer is struggling, exacerbated by industrial strikes across key economic sectors, have not been unfounded. Remgro's strategy to invest in industries that have a solid track record and investments with sound business principles have benefitted the group and its stakeholders."

Contact: **Remgro Limited**
Jannie Durand (CEO) (021) 888-3253

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