



Business and Strategy Review

BELL Equipment Ltd

April 2011



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BELL Products



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BELL Equipment Company

- 2010 Review
- 2011 Outlook
- Sustainability Strategy
 - Mission 2014
 - Project 2014



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2010 Review

- Return to Profitability
- Significantly reduced Borrowings
- Positive Cash Flow
- Banks and IDC facilities in place
- Market shares on track
- Order Book increasing
- Product Quality/Warranty improved
- Engineering of new Products on target



Financial Summary 2009/2010

2009 Revenue R2,699 billion

2010 R3,4 billion

Loss after Tax R272 million

2010 Profit R36,72 million

Loss per Share 274c

2010 Positive 27c per Share

NAV per Share 1496c

2010 NAV per Share 1494c

Positive Cash Flow R272 million

2010 Positive R338 million

Inventory Reduction R928 million

2010 Further Reduction R263m

2009

2010



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Condensed Income Statement

Financial Results 2010

INCOME STATEMENT	Actual	Prior
R'000	YTD Dec 10	YTD Dec 09
Sales	3 410,691	2,699,149
Cost of Sales	2,684,220	2,164,082
Gross Profit	726,471	535,067
GP %	21%	20%
Other Income	132,180	143,477
Total Income	858,651	678,544
Total expenses	734,014	941,970
Depreciation	51,255	55,095
Net foreign currency losses	18,349	6,710
Salaries and wages	561,287	617,606
Increase (decrease) in warranty provision	5,178	(17,398)
Warranty	80,781	79,489
Manufacturing and services labour and overhead recovered	(318,077)	(190,742)
General	335,241	391,210
Profit (loss) before interest and tax	124,637	(263,426)
Net interest paid	58,404	108,605
Profit (loss) before tax	66,233	(372,031)
Taxation	(29,509)	100,325
Profit (loss) after tax	36,724	(271,706)
Net profit (loss) attributable to:		
Equity holders of Bell Equipment Ltd	25,576	(259,744)
Non-controlling interest	11,148	(11,962)



Condensed Balance Sheet (Assets)

Financial Results 2010

STATEMENT OF FINANCIAL POSITION	Actual	Prior
R'000	Dec 10	Dec 09
ASSETS		
Non-current assets	733 472	798 445
Property, plant and equipment	481 023	520 452
Intangible assets	70 775	39 873
Interest-bearing investments and long-term receivables	34 378	73 982
Deferred taxation	147 296	164 138
Current assets	1 911 808	2 127 669
Inventory	1 355 613	1 618 728
Trade and other receivables	446 787	412 008
Current portion of interest-bearing long-term receivables	40 359	37 409
Prepayments	11 103	16 932
Other financial assets	-	430
Taxation	4 285	10 280
Cash resources	53 661	31 882
TOTAL ASSETS	2 645 280	2 926 114



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Condensed Balance Sheet

Financial Results 2010

STATEMENT OF FINANCIAL POSITION R'000	Actual Dec 10	Prior Dec 09
EQUITY AND LIABILITIES		
Capital and reserves	1 418 709	1 420 435
Stated capital	228 605	228 605
Non-distributable reserves	90 488	123 984
Retained earnings	1 087 162	1 066 540
Attributable to equity holders of Bell Equipment Limited	1 406 255	1 419 129
Non-controlling interest	12 454	1 306
Non-current liabilities	255 540	374 654
Interest-bearing liabilities	84 175	218 404
Repurchase obligations and deferred leasing income	79 902	49 724
Deferred warranty income	66 735	89 047
Long-term provisions and lease escalation	24 728	17 479
Current liabilities	971 031	1 131 025
Trade and other payables	699 158	530 151
Current portion of interest-bearing liabilities	4 974	52 830
Current portion of repurchase obligations and deferred leasing income	61 926	46 639
Current portion of deferred warranty income	23 852	17 599
Current portion of provisions and lease escalation	41 783	37 199
Other financial liabilities	4 271	3 922
Taxation	23 138	14 856
Short-term interest-bearing debt	111 929	427 829
TOTAL EQUITY AND LIABILITIES	2 645 280	2 926 114



Condensed Cash Flow

Financial Results 2010

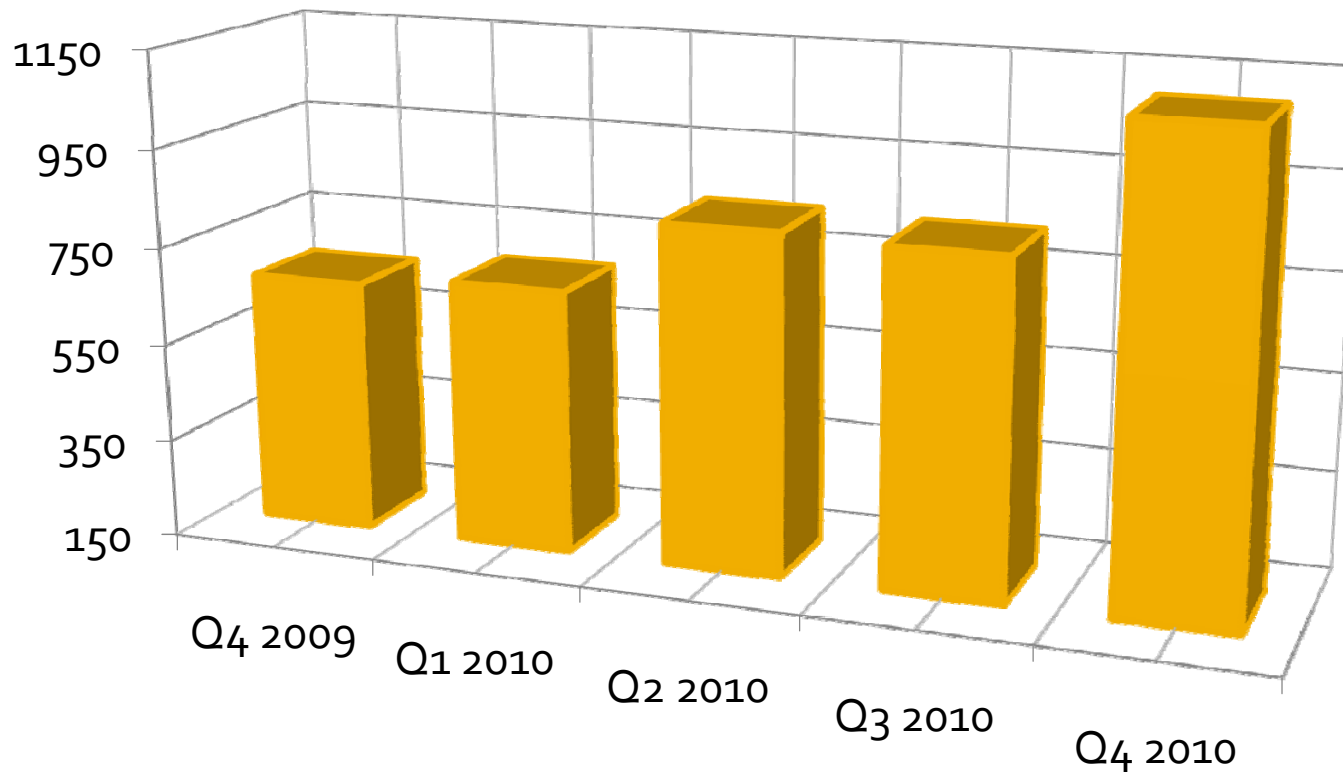
STATEMENT OF CASH FLOWS	Actual	Prior
R'000	Dec 10	Dec 09
Cash operating profit (loss) before working capital changes	202 325	(223 592)
Cash generated from working capital	418 724	784 160
Cash generated from operations	621 049	560 568
Net interest paid	(58 404)	(108 605)
Taxation refunded (paid)	1 624	(95 526)
Net cash generated from operating activities	564 269	356 437
Net cash flow utilised in investing activities	(90 381)	(117 316)
Net cash flow (utilised in) generated from financing activities	(136 209)	33 138
Net cash inflow	337 679	272 259
Net short-term interest-bearing debt at beginning of the period	(395 947)	(668 206)
Net short-term interest-bearing debt at end of the period	(58 268)	(395 947)



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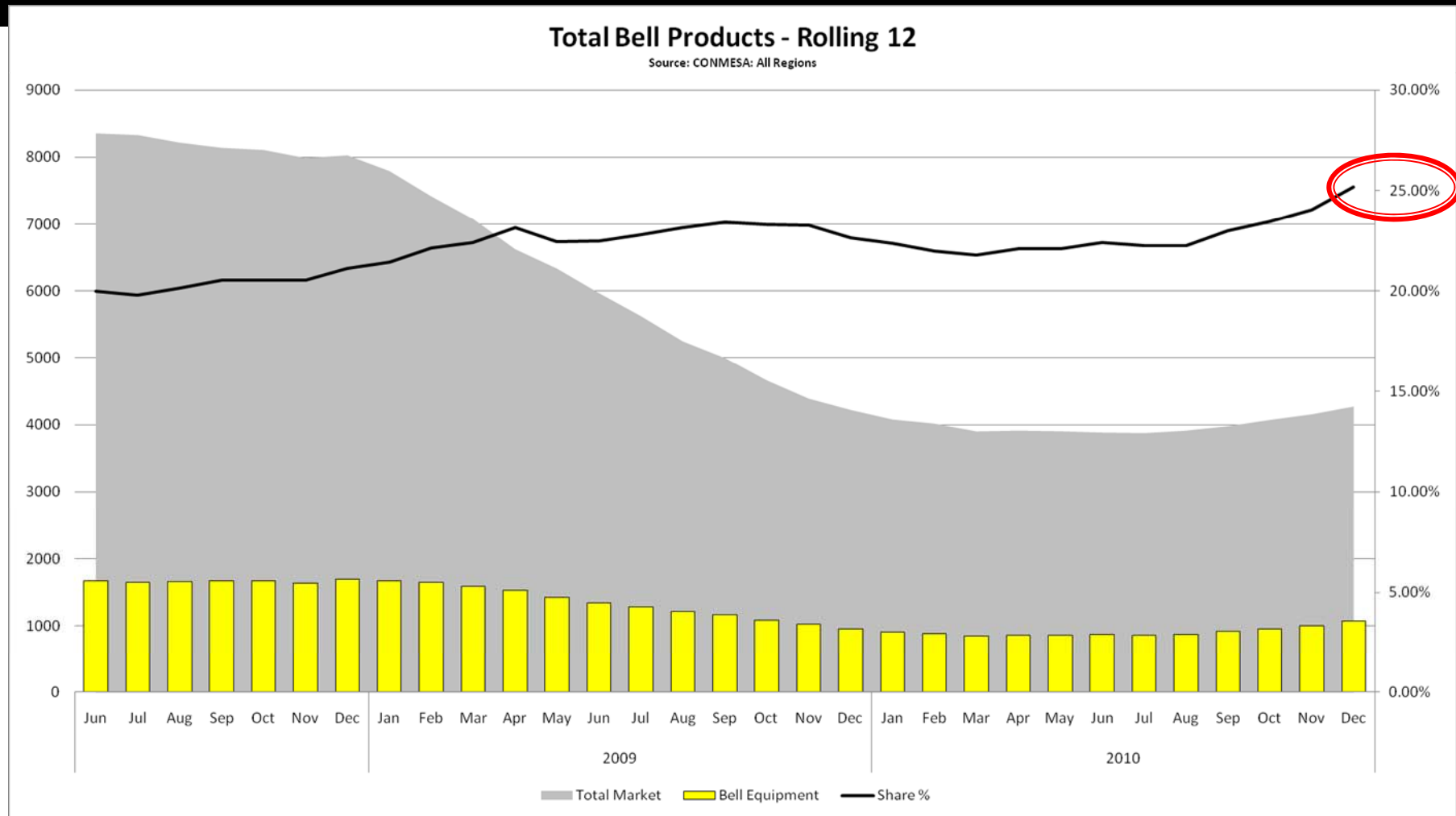
BELL Group Sales

Quarterly Revenue R'm



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Market & Performance Stats



Market Share – Southern Africa

Bell ADT - Rolling 12

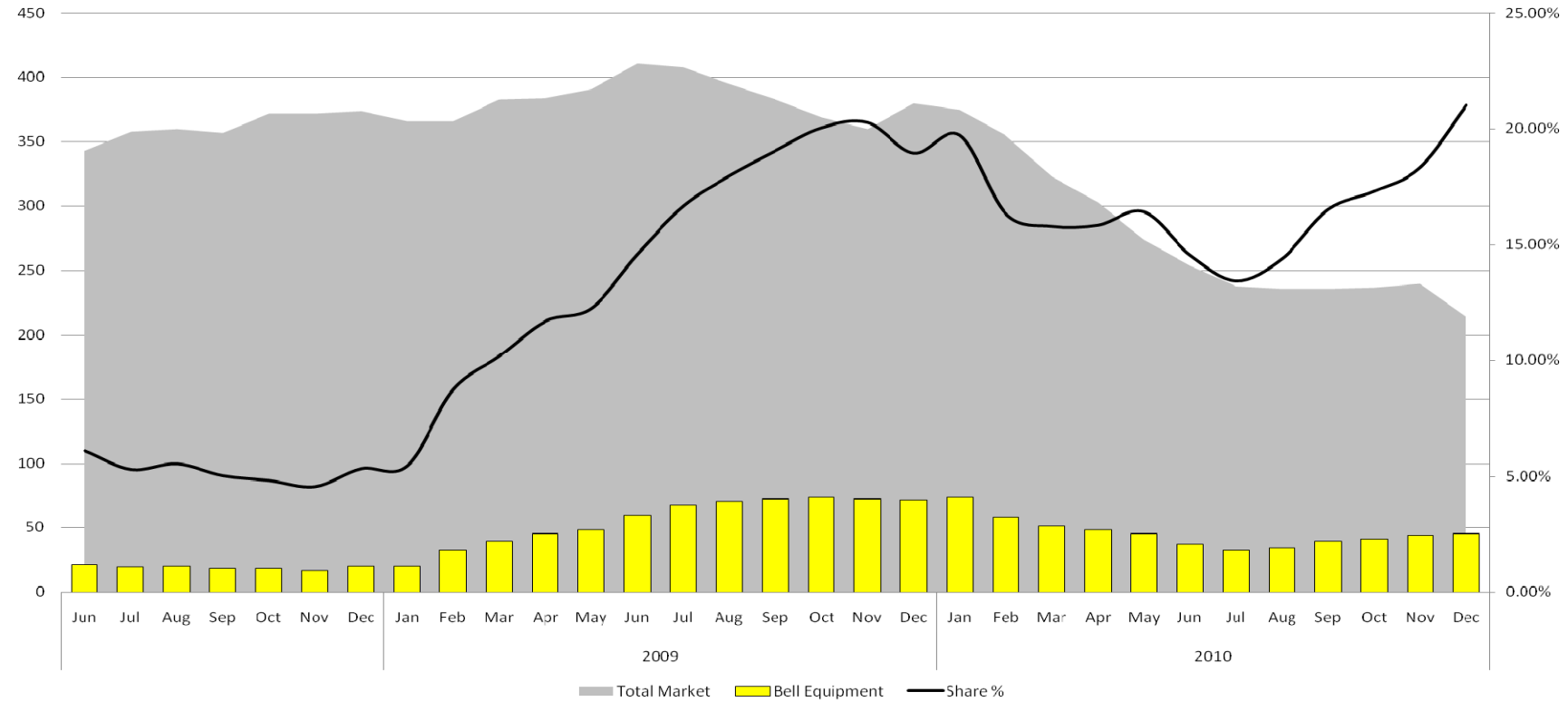
Bell FEL - Rolling 12

Bell TLB - Rolling 12

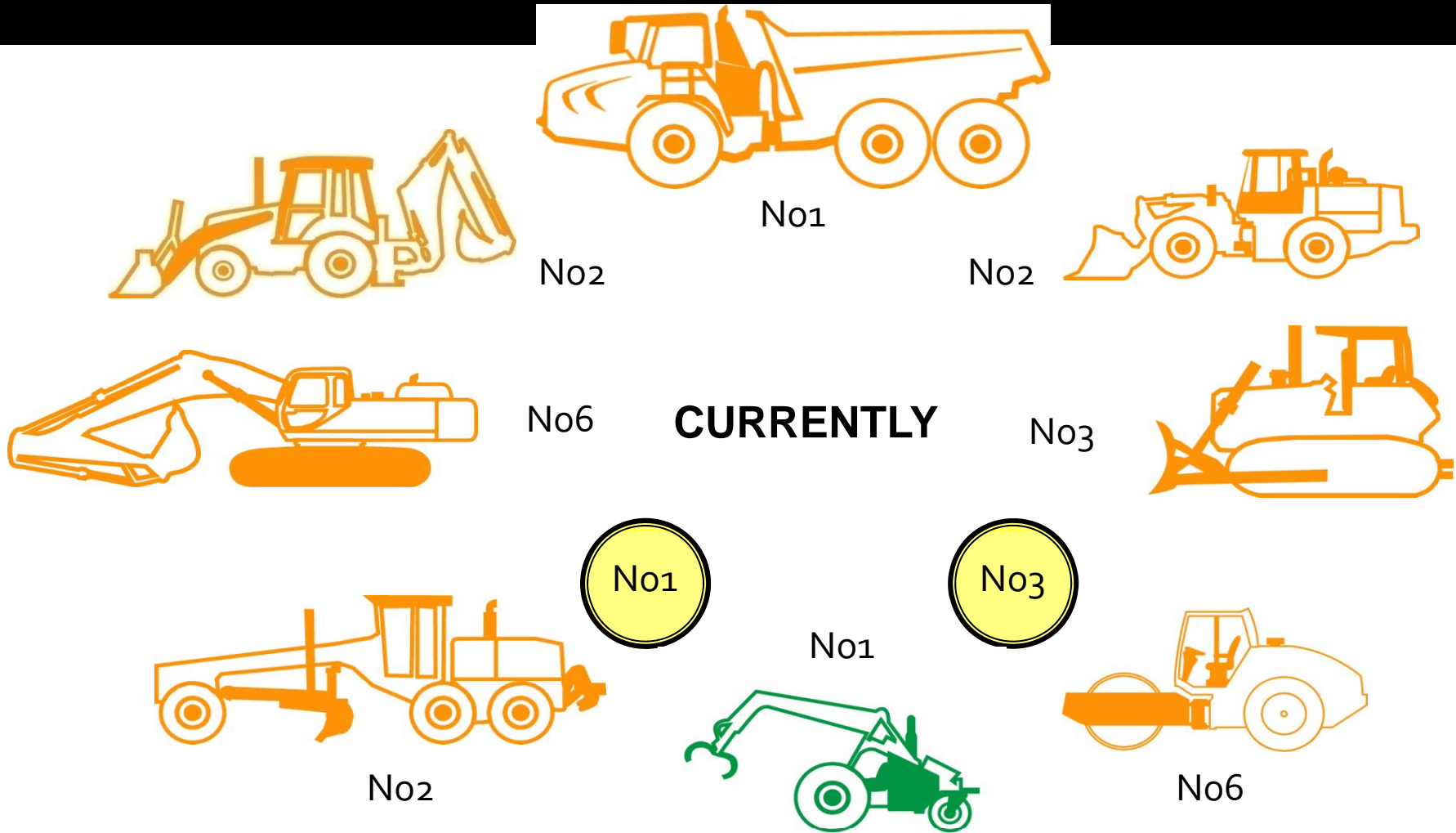
Bell Motor Grader - Rolling 12

Bell Single Drum Roller - Rolling 12

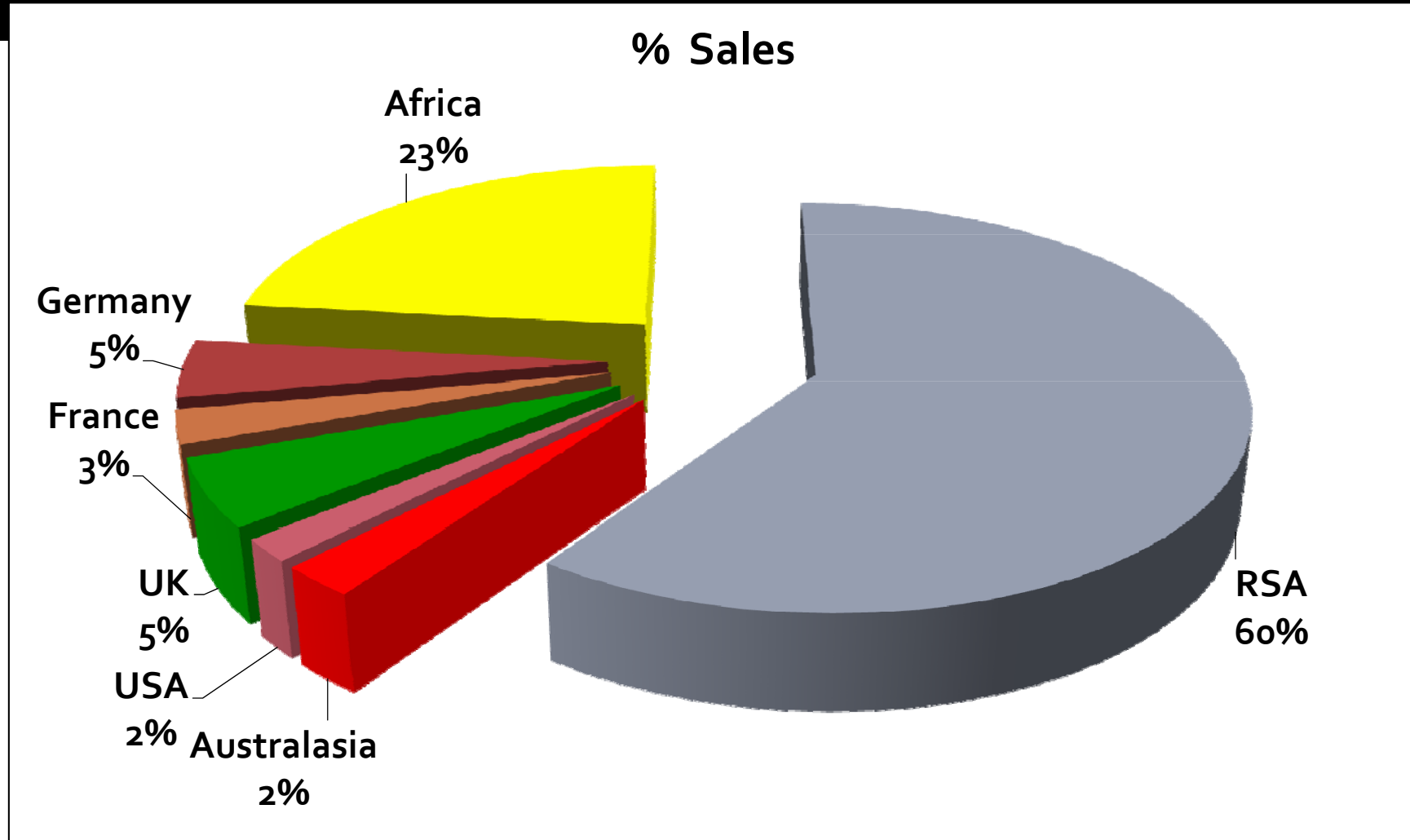
Source: CONMESA: All Regions



Market Position

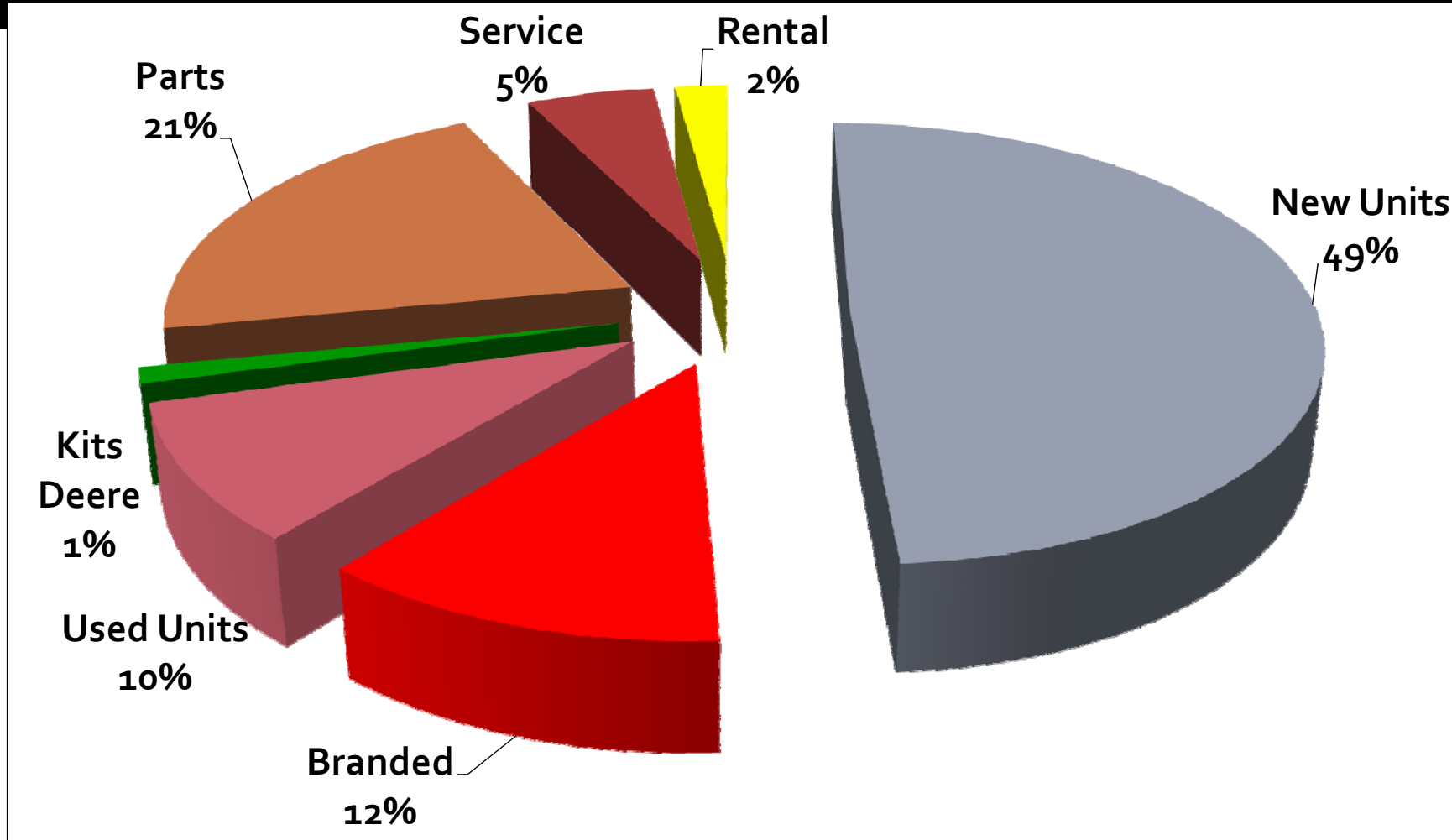


Sales by Region



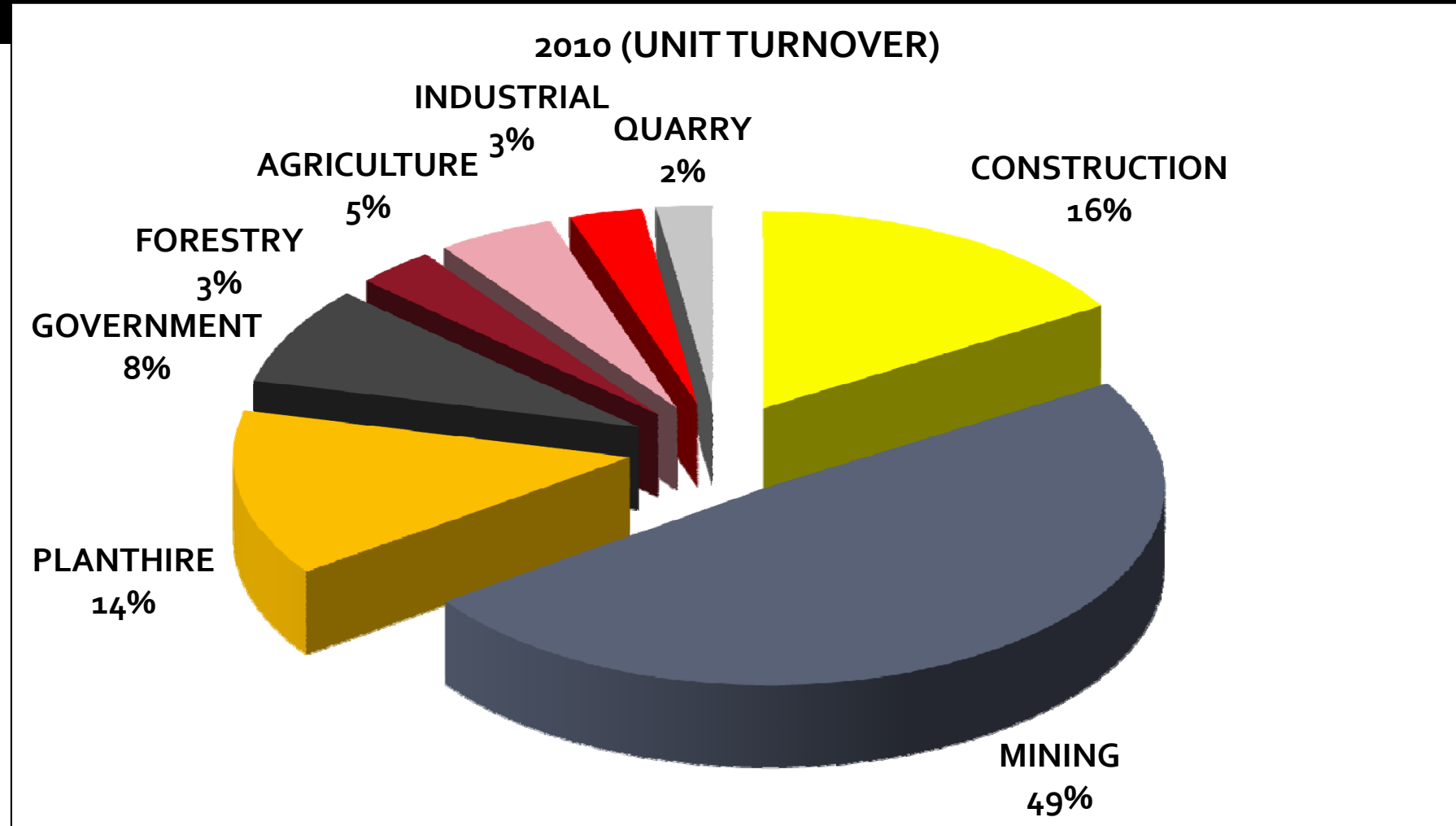
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2010 Sales by Product Group



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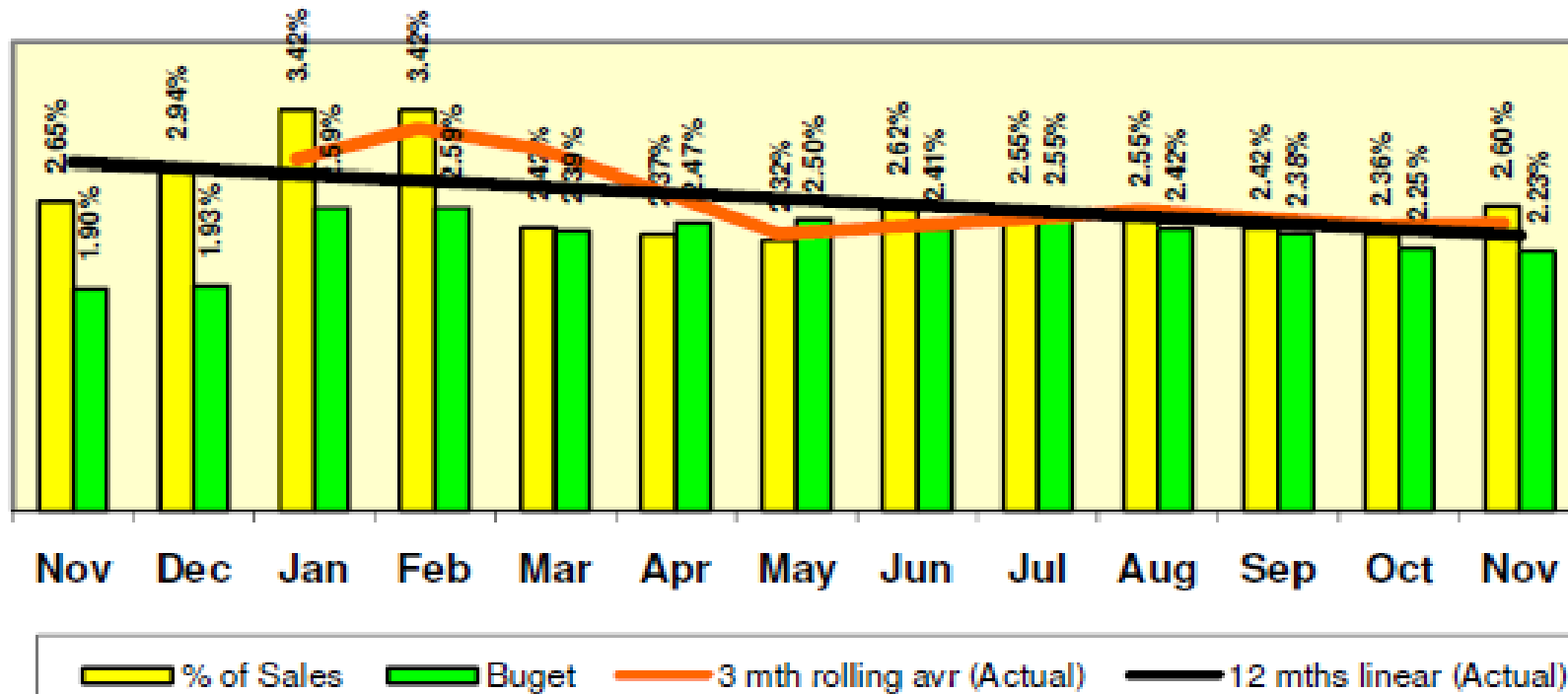
Sales by Industry



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Quality/Warranty Trending Well

Group Warranty,
Rolling 12 Mths



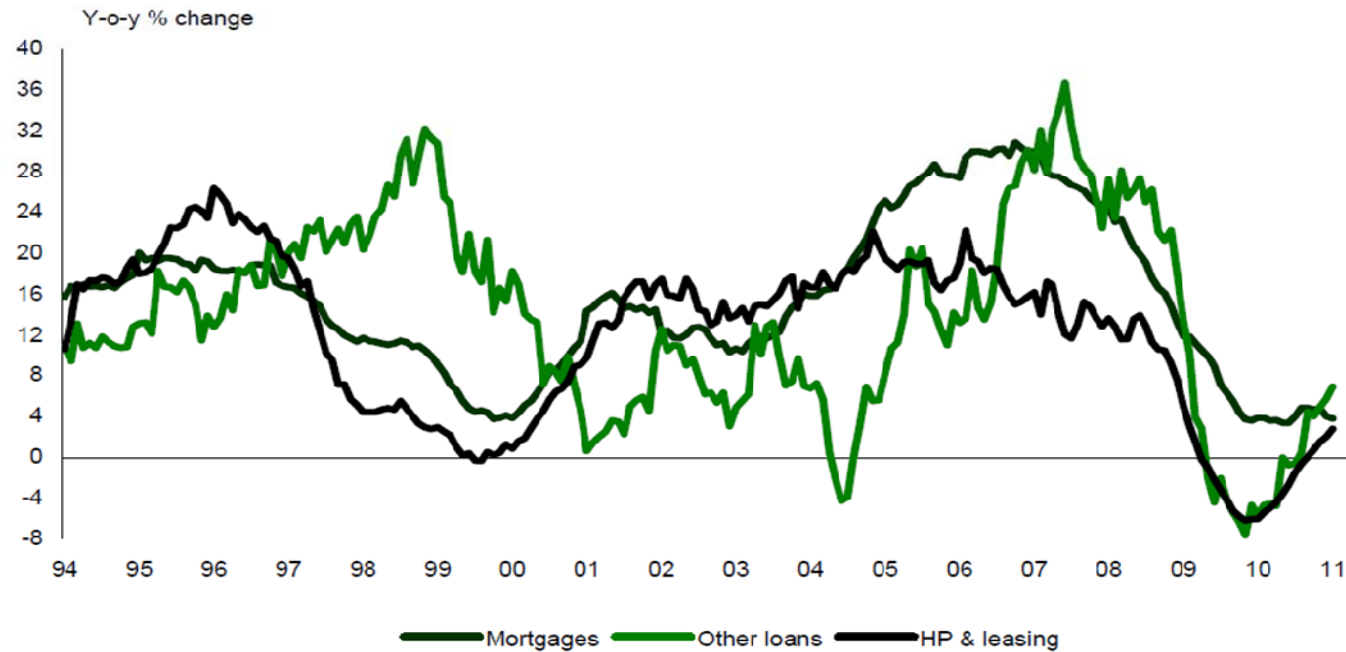
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2011 Outlook

- Banks/Funding Improving
- Commodities Driving Mining activity
- Construction Slowly improving
- Government highly Supportive
- Business Improvement (Project 2014)
- New Product Developments
- 2011 would represent MID Cycle with most products



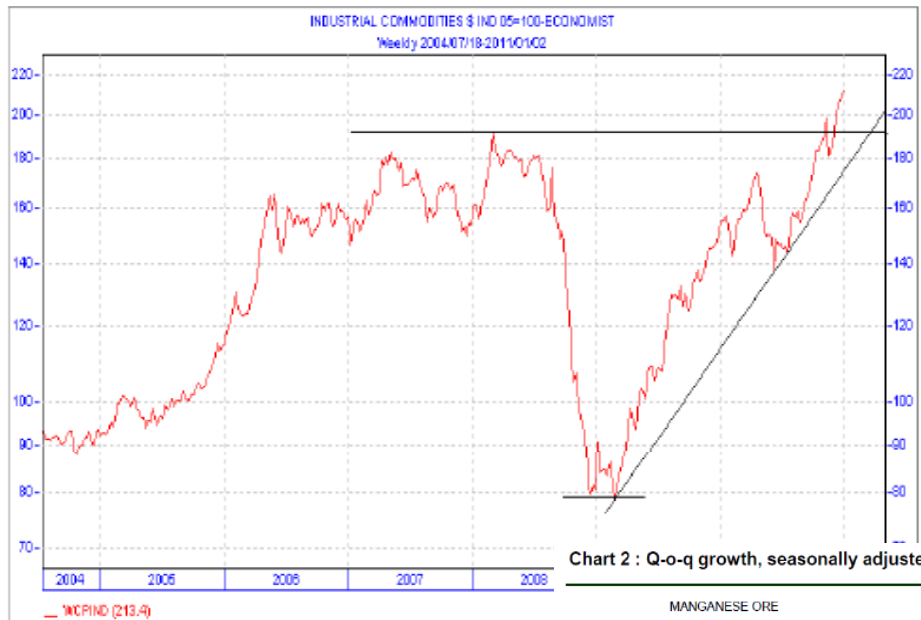
Growth in Private sector Credit



Source: SARB



Industrial Commodities – Driving Mining



Source: I-Net, Nedbank

Chart 1 : Total mining production

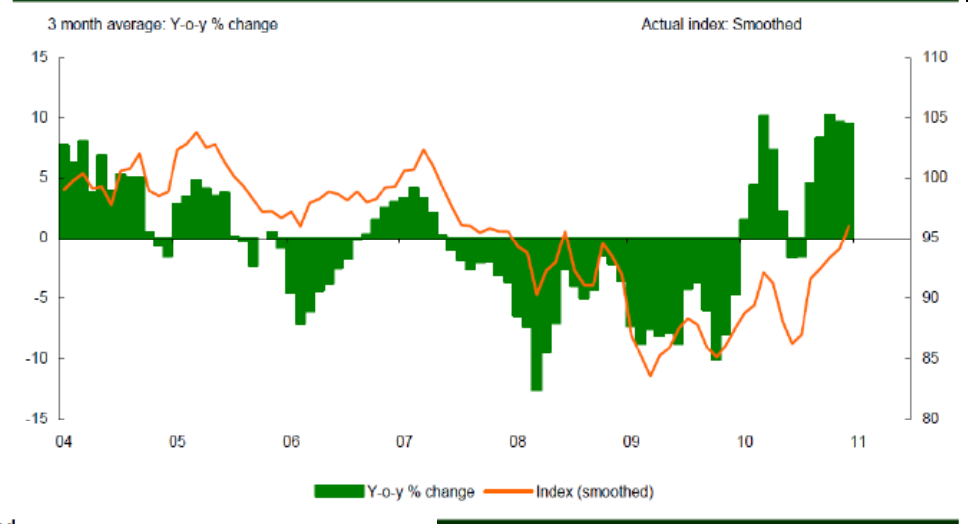
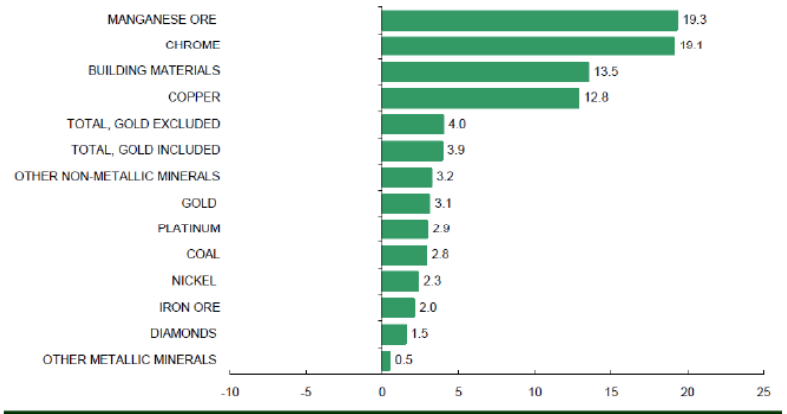


Chart 2 : Q-o-q growth, seasonally adjusted

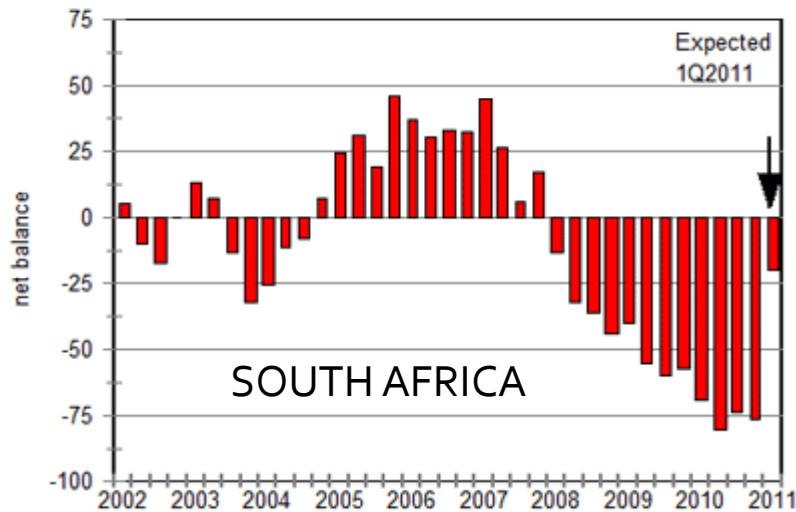


Source: Statistics South Africa



Construction Spend - Improving

Civil construction
Growth in construction activity



Source: BER Stellenbosch

EURO AREA - BUSINESS CONFIDENCE

European Commission survey
straight lines indicate average 1990 to 2008 (pre-crisis)



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Government Support

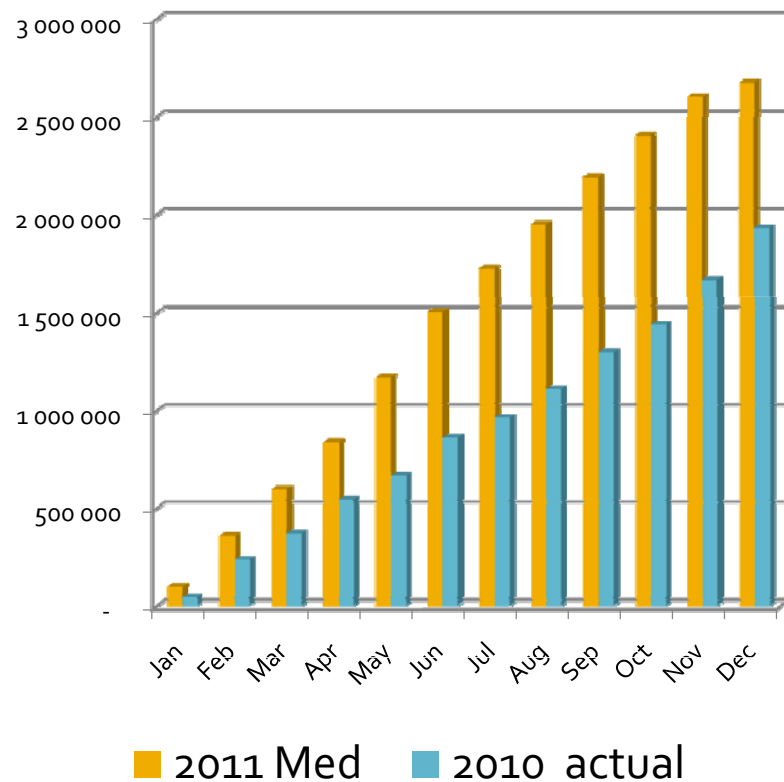
Jobs Jobs Jobs Jobs Jobs

- IPAP₂
- Preferential Procurement Framework
- Accelerate Localisation initiatives
- Tariff application assistance
- Engaging Banks to support
- Pool /Rental Fleet concept
- Initial Proposals – Assist with Sales finance

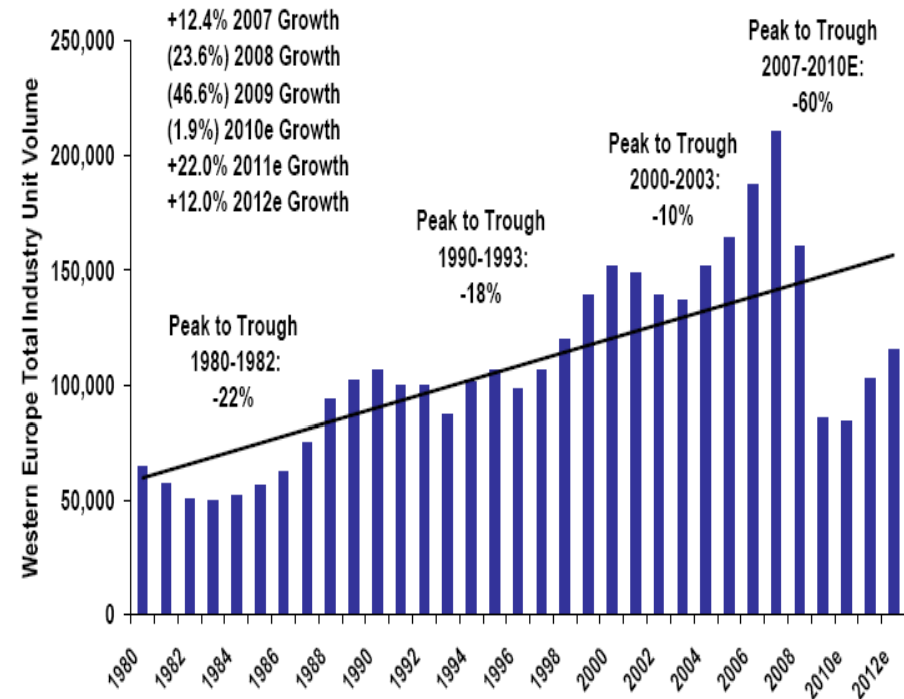


2011 Machine Production Plans

BELL Machine Production - Up 37%



European (EU-15) Construction Equipment Industry Unit Volumes 1980-2012e



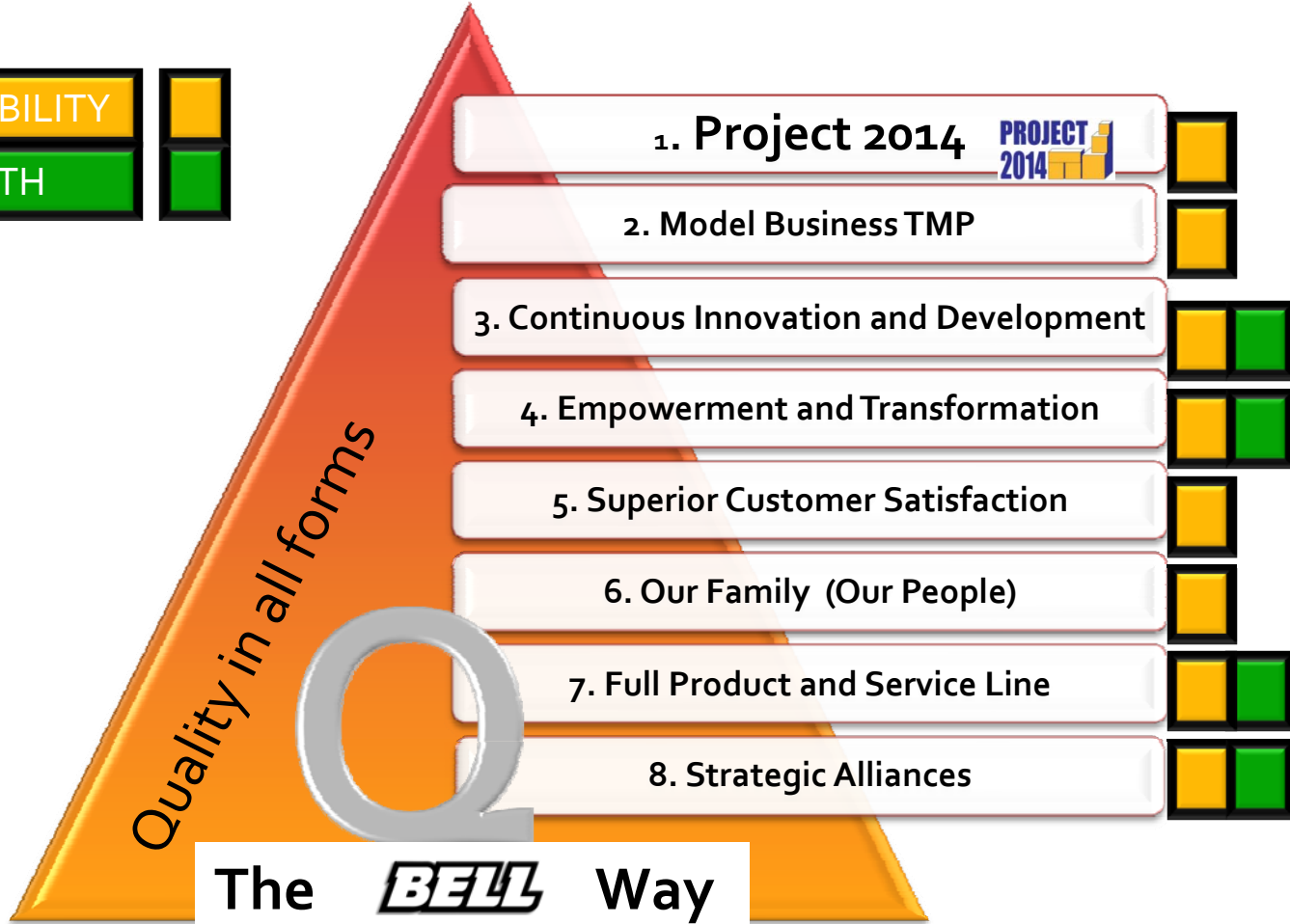
Source: Off-Highway Research, ISI estimates



Strategic Focus



SUSTAINABILITY	
GROWTH	



Project 2014

7 x Business Improvement Projects

Projects all fully underway – confidence High

- COS Reduction
- LTRS Growth
- 130 Days Inventory
- 3% Price Realisation
- Maintain Market Share
- 40 Days Receivables
- Expense Reduction

+ Interest Rates
+ New Products
+ New Markets

PROJECT
2014 



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Strategic Focus

- 1. Project 2014
- 2. Model Business TMP
- 3. Continuous Innovation and Development
- 4. Empowerment and Transformation
- 5. Superior Customer Satisfaction
- 6. Our Family (Our People)
- 7. Full Product and Service Line
- 8. Strategic Alliances



Full Product Line - soon



Bell 85t

+



Bell B50D x 4



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Challenges

- Staff Retention – Loss of Key skills !
 - Bring forward partial annual Adjustment to April
 - Incentive Scheme - Operational for 1st Quarter
- Recruitment
 - General improvement in markets – shortage of Skills
 - Factory skills – High training costs
- Pending Labour Legislation
 - Limiting Contract Employees
- Supplier Problems
 - Hydraulics and Tyres
- Customer Finance
- Japanese Catastrophe ??



Summary

- Order Book at 2 year High
- Outlook continues to Improve
- Real Government Assistance likely
- Mining activity accelerates
- Critical economic throughput attained
- Project 2014 on Track to deliver gains
- 2011 will deliver significant gains on **BELL** performance of 2010 !

