

## BELL EQUIPMENT LTD

### 2008 Interim Results Announcement & Business Review

August 2008



Growing Our Business & Profitability



## Review

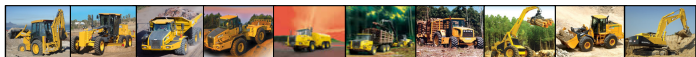
- Financial Report
- Understanding *BELL* Equipment
- Business Drivers
- Growth Strategy
- Key Risk Analysis
- Powering Ahead ....
- Questions?

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## Financial Review

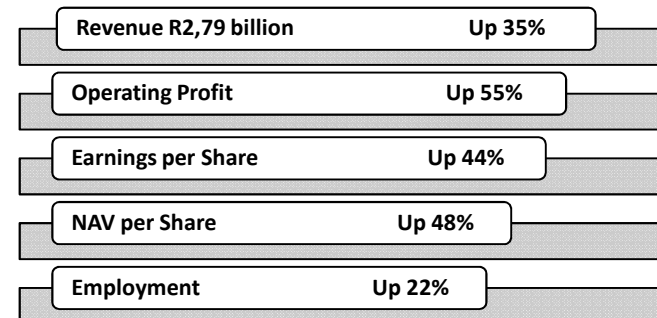
for the  
6 months ended  
June 2008



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## Highlights – June 2008



Positive Outlook for Mining and Civil Construction in Southern Africa, Middle East and Asia

Operating Profit Impacted by: Improved Price Realisation and increased Volumes and Currency shift

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## Condensed Income Statement

R 'million	For half year ended	
	30 June 2008	30 June 2007
Revenue	2,787.4	2,069.3
Cost of sales	2,074.9	1,615.7
Gross Profit	712.5	453.6
Net operating expenses	(303.8)	(189.3)
Profit from operating activities	408.7	264.4
Net finance costs	(34.9)	(8.7)
Profit before taxation	373.8	255.6
Taxation	(106.7)	(73.5)
Profit for the period	267.1	182.2
Earnings per share (diluted) (cents)	276	192

• Revenue assisted by weaker Rand against the Euro in 2008

• Operating expense increase driven predominantly by increase in staff costs. Additional 590 people. Profit per employee up 19%

• Finance cost increase is a function of increased borrowings and rising interest rates

• Earnings per share up 44%

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## Condensed Balance Sheet

R 'million	at 30 June 2008	at 30 June 2007
<b>ASSETS</b>		
Non-current assets	607.9	468.6
Property, plant and equipment	471.5	385.1
Other non-current assets	136.4	83.5
Current assets	3,269.1	1,985.0
Inventory	2,248.1	1,377.4
Trade and other receivables	884.5	537.2
Other current assets	136.5	70.4
<b>Total assets</b>	<b>3,877.0</b>	<b>2,453.6</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	1,653.3	1,114.2
Non current liabilities	303.6	182.7
Current liabilities	1,920.1	1,156.7
Trade and other payables	1,047.2	726.0
Short term interest-bearing debt	613.0	300.2
Other current liabilities	259.9	130.5
<b>Total liabilities</b>	<b>3,877.0</b>	<b>2,453.6</b>
Number of shares in issue ('000)	94,950	94,634

• Increase of 48% in net asset value per share driven by increase in profitability, inventory and trade debtors, partially set off by the increase in trade payables. The weaker Rand also contributes to this increase in value.

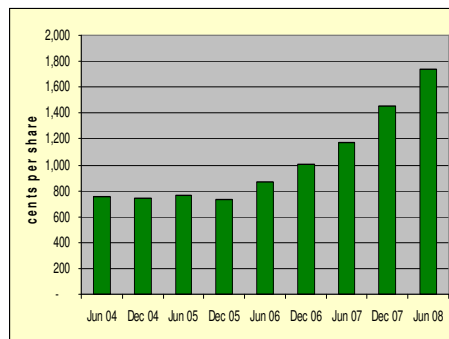
• Net trade cycle days have increased to 163 days, which has had a negative impact on the cash flow and has resulted in increased borrowings

• Gearing at June 2008 was 46%

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## Net Asset Value per Share (Cents)



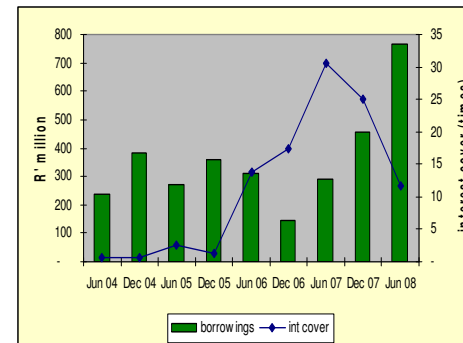
Growth of R2.85 per share over the six months to June 2008

23% compounded annual growth rate since June 2004

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## Borrowings



Interest cover at June 2008 of 12 times

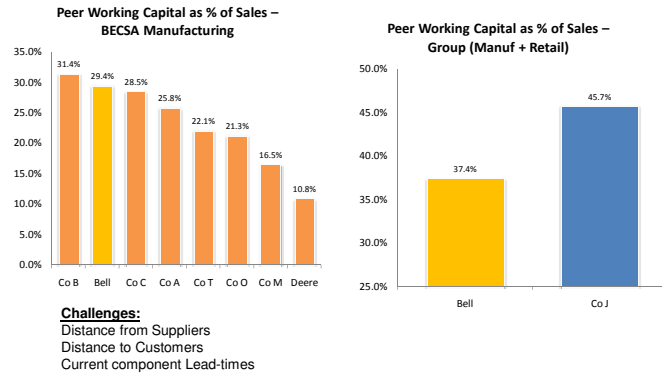
Bank facility utilisation of 65%

Gearing at 46%

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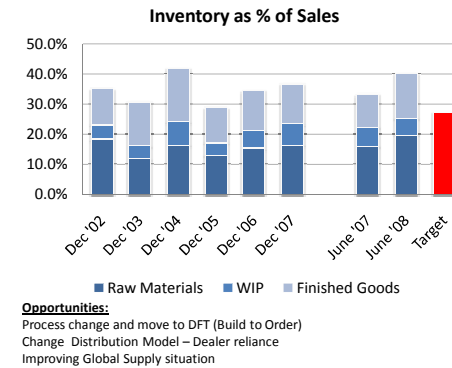
## Working Capital



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## Working Capital



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## Understanding **BELL** Equipment ...



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## Our Products

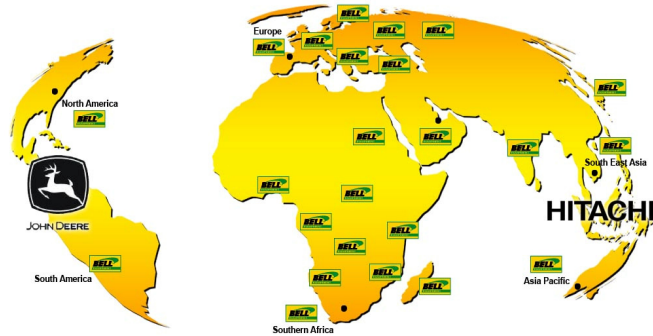


- **Articulated Trucks**
  - Designed and built in Richards Bay
  - Exported to Asia; sold under Hitachi brand
  - Built in Germany and distributed in Europe
  - Deere licensed to build Bell product in USA; sold under Deere brand
- **Front End Loaders**
  - Deere licenses Bell built in R/Bay
- **Tractor Loader Backhoes**
  - Deere licenses Bell built in R/Bay
- **Sugar and Forestry machines**
  - Designed and built in Richards Bay
- **Branded Machines**
  - Imported: Graders Bulldozers Excavators
  - Imported: Compaction & Road building
- **Parts and Service (Lifetime Revenue Stream)**

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## Growing Global Network +120 Outlets

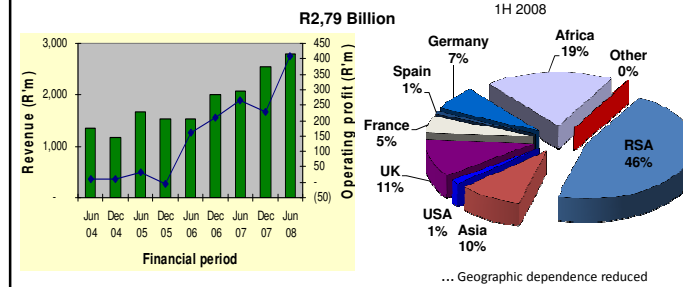


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## Strong & Diversified Revenue Base

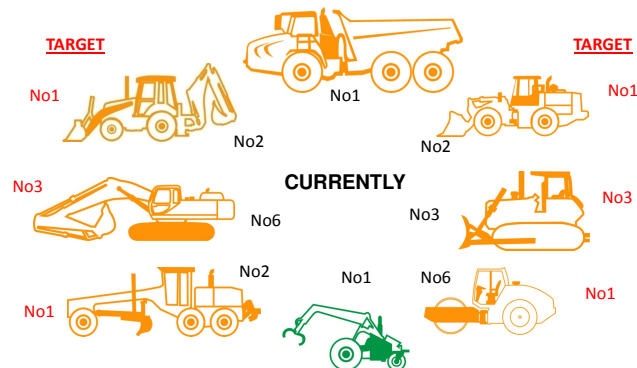
- 2007/6 Operating Profit up 34% with Revenue up 31%
- 1H2008/7 Operating Profit up 55% with Revenue up 35%



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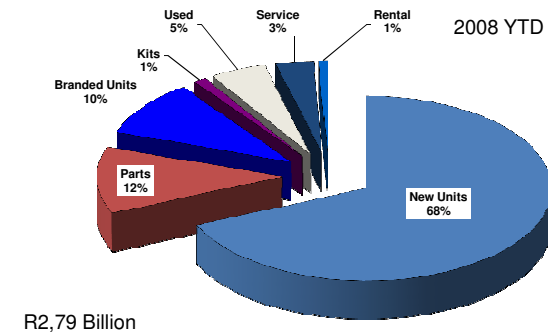
## Products and RSA Market Position



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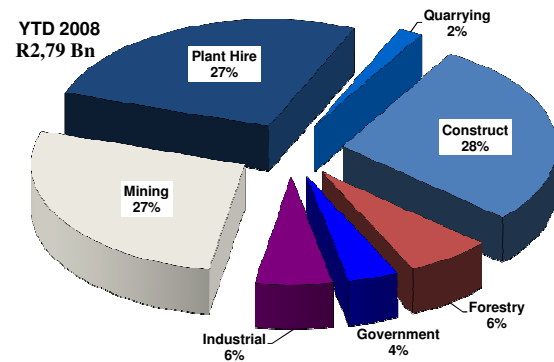
## Contribution to Turnover - Products



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## Industry Segmentation / Diversity



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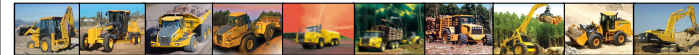
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## Business Drivers

Infrastructure – Civil Construction

Mining – Commodities

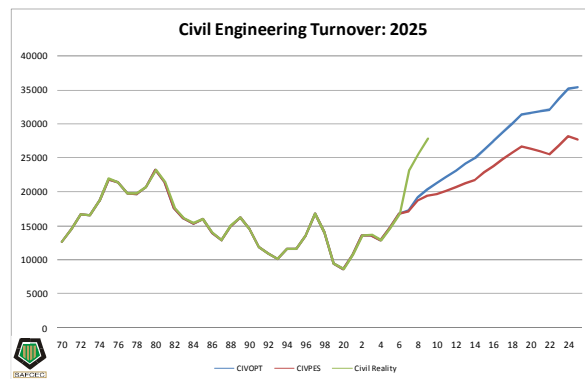
Energy – Coal (Driven by Oil)



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## Civil Infrastructure Spending



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## Private Sector - RSA Projects

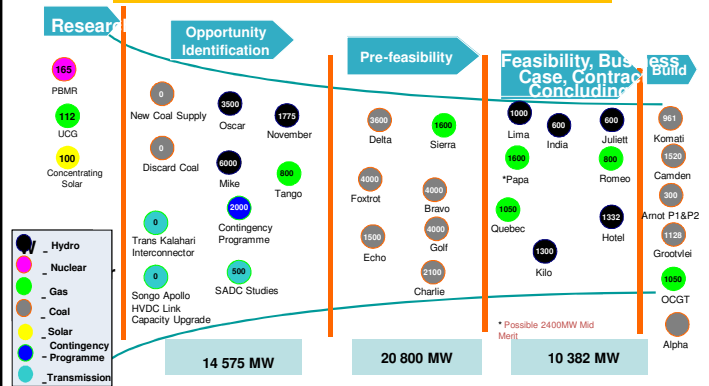
- 87 Projects announced worth R134.9 bill
- Manufacturing R68.2 bill
- Mining R32 bill for next 5 years
- Most large Construction Groups enjoying record order books

Nedbank Project Listing

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## Eskom's capacity project's funnel is well defined

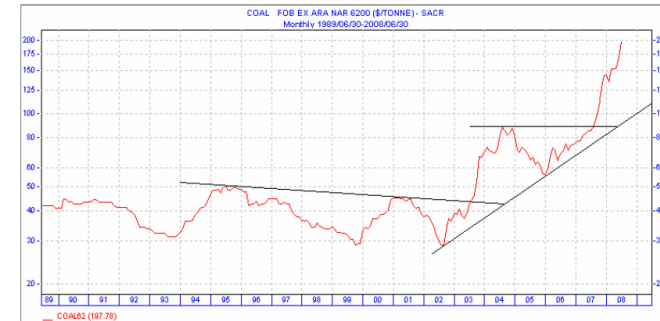


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## Global Commodities

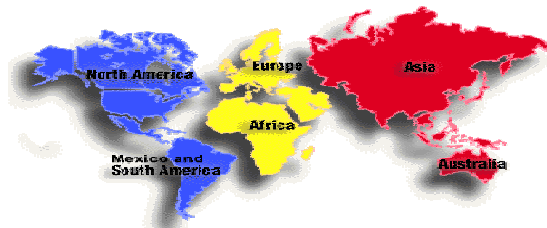
Rising coal price accompanies rocketing oil



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## Global Mining & Energy – Positive Future



Commodity curve still at all time High  
Growing energy needs – drives Coal production  
Copper, Platinum and other base Metals  
Prolonged underinvestment in Key sectors

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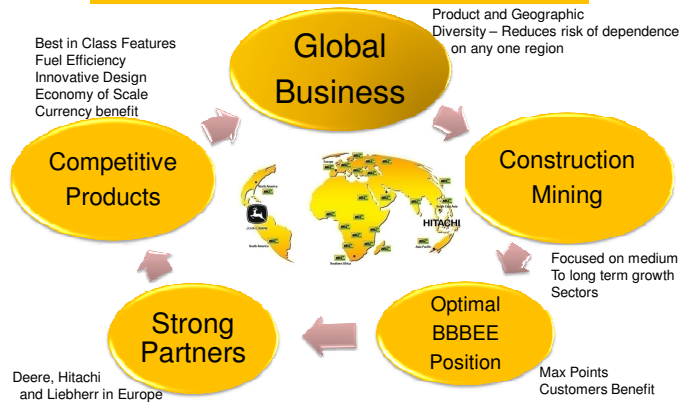
## Growth Strategy ...



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## Growth Strategy



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## Priorities



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## Working Capital Optimisation

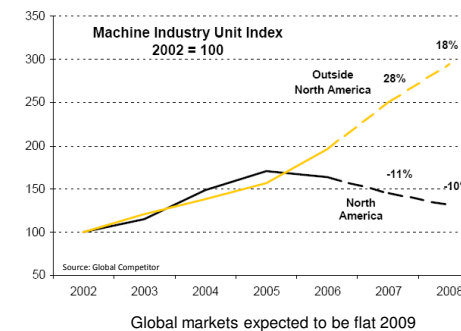
- **Short Term** (R200 million)
  - Order Book for next 6 months at high level
  - 4<sup>th</sup> Quarter production rate reduced – however production tonnage at highest level – mix
- **Medium Term** (R120 million)
  - Reduction of inventory buffers (tyres, steel etc)
  - Improved Forecasting – new tools
- **Longer Term** (R250 million)
  - Lean Initiatives
  - Greater Localisation – Reduction of GIT
  - Distribution Channel Improvements

Maximising management of inventory whilst not losing market and plant park opportunities

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## Worldwide Machinery Industry



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## Growing our Business

- New Series ADT Range (2010, 2012 & 2014)
- Full Line Compaction Machines
- Expanded Range of Deere Products
- New Markets – Middle East and East Europe
- Investment in LTRS (Lifetime Revenue Stream)
- Investment in Manufacturing Capacity
- SAP + Other business systems

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## Jetpark - Global Parts Centre



Total Cost of +R220 million  
Project to be complete by December 2008  
Will process R70-80 Million worth of Parts per month  
SAP launched in April 2008 will include WMS

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## Key Risk Analysis

- |                                |  |
|--------------------------------|--|
| • Major market changes         | • Forecasting                                      |
| • Loss of major client, dealer | • Customer service audits                          |
| • Bad debt                     | • Credit management                                |
| • Skills availability          | • Retention and development, succession planning   |
| • Quality                      | • Continuous improvement, process audits, training |
| • Power                        | • Generators installed at Richards Bay factory     |
| • Delinquent supplier          | • Liaising, develop alternatives                   |
| • Physical                     | • Insurance, regular assessment                    |
| • Injuries                     | • Focus on safety, training, audits                |

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## Powering Ahead ....

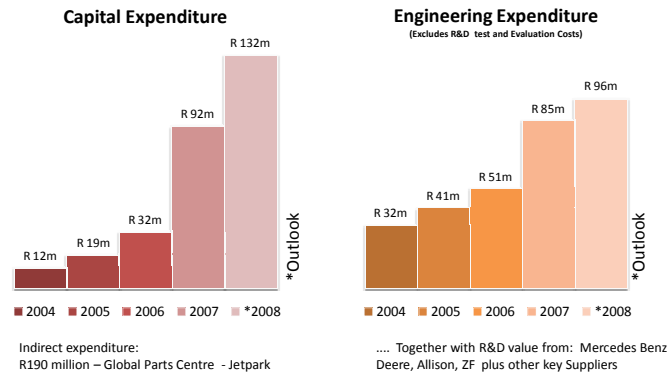


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## Investing in our Future



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## RSA Industry

- High growth period ahead
  - Infrastructure
  - Resources
  - Civil construction
  - M&HCV still growing since 98 (Passenger declining)
- Skills initiatives
  - AATP (Merseta funding)
  - Targeting HDI graduates
  - High retention (BCTWF improvement)
  - Wage settlement (industry) to June 2011
- We have the right Products, strategy, coverage and People

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## Enabling Opportunities

- Ongoing discussions with dti
  - MIDP Review
  - NIPF/IPAP in two of top 4 sectors (vehicle and capital equipment)
  - Polokwane – decent jobs emphasis – still to flow through to detailed policy/incentives
  - PPP with manufacturing group
  - Trade Policy review
  - New MIP

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## Rest of Africa

- Also high infrastructure growth and much higher resource exploitation
- Own operations in Zimbabwe, Zambia, Mozambique
- DRC – Operations established
- Dealers in Botswana, Angola, West Africa, East Africa
- Focus on Angola and Nigeria growth markets
- New **BELL** structure resulting in greater focus

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## European Network +65 Dealers

- France – good prospects
- Spain – Market slowed
- Germany – Strongest European market
- UK – Pricing pressure
- Rest of Europe – Dealer network growth
- Eastern Europe/CIS developing
- Middle East thrust – Growing support Infrastructure
- North African Opportunities

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## Medium Term Outlook (5-6 Years)

- Expect growth in World economy – and positive environment for our end Markets
- **BELL** No25 of 250 manufacturers globally
- Investment in new Products and Technology will ensure our Growth
- Focus on Safety, Quality, Cost and Lean principles will keep us Globally competitive
- Delivering on our Strategy will be rewarding for all our Stakeholders
- Global foothold will be strengthened and expanded

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## Concluding....

- **BELL** is a South African Group that is competing successfully in Global markets.
- We add value locally to SA raw materials and create many entry level and skilled jobs directly and indirectly.
- **BELL** will :
  - Continue to strengthen its Distribution channels
  - Invest in its People and Manufacturing Capacity
  - Grow its Global machine park and "Life Time Revenue Stream"
  - Lead in Technology of its core products
- **BELL** will benefit from the global Commodity and Energy boom that is expected continue. Together with domestic infrastructure spend.
  - Supported by the large and sustained increase in demand for commodities largely from the Far East.
  - Planned infrastructure spend in Southern Africa and Middle East
  - Coal demand driven by record Oil prices
  - New Market Opportunities to the North

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Thank You

QUESTIONS ?



Contact Details:  
 Gary Bell: [garyb@bell.co.za](mailto:garyb@bell.co.za)  
 Phone: 035 9079100  
[www.bellequipment.com](http://www.bellequipment.com)

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