



**STEINHOFF**  
INTERNATIONAL HOLDINGS N.V.

# Quarterly **update**

3 MONTHS ENDED DECEMBER 2016 (Q1FY17)  
(UNAUDITED)



## FOR LIFE

- CLOTHING
- FOOTWEAR
- HOUSEHOLD GOODS
- PERSONAL ACCESSORIES
- CELLULAR PRODUCTS
- SELECTED FINANCIAL SERVICES

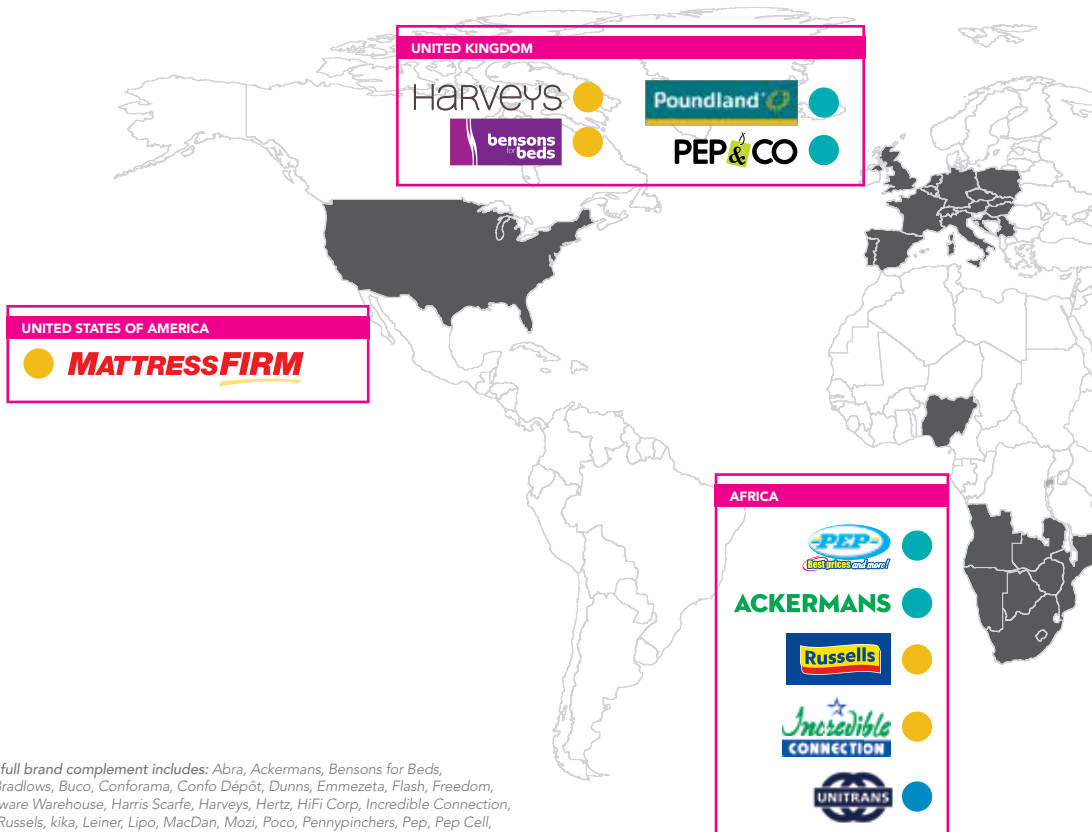
## FOR THE HOME

- FURNITURE AND BEDDING
- HOUSEHOLD GOODS
- APPLIANCES
- HOME ACCESSORIES
- CONSUMER ELECTRONICS AND TECHNOLOGY PRODUCTS
- BUILDING MATERIALS AND DIY PRODUCTS



# STEINHOFF TODAY ...

... adds value to our customers' lifestyle providing **everyday products** at **affordable prices** and serve customers at **their convenience** with more than 40 local brands in more than 30 countries



The group's full brand complement includes: Abra, Ackermans, Bensons for Beds, Best&Less, Bradlows, Buco, Conforama, Confo Dépôt, Dunns, Emmezeta, Flash, Freedom, GHM1, Hardware Warehouse, Harris Scarfe, Harveys, Hertz, HiFi Corp, Incredible Connection, John Craig, Russels, kika, Leiner, Lipo, MacDan, Mozi, Poco, Pennypinchers, Pep, Pep Cell, PEPCO, PEP&CO, Postie, Powersales, Refinery, Rochester, Shoe City, Sleepmasters, Snooze, Store & Order, The Tile House, Timbercity and Unitrans Automotive.

\* NOTE: Fantastic Furniture and Tekkie Town not included in this quarter



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#### EUROPE



### HOUSEHOLD GOODS

#### Furniture and homeware retail businesses

Product categories include: furniture, mattresses, household goods, appliances, home accessories, consumer electronics and technology goods, building materials and DIY products and accessories.



### GENERAL MERCHANDISE

#### Clothing and footwear, accessories and homeware

Product categories include: clothing, footwear, household goods, personal accessories, cellular products and selected financial services.



### AUTOMOTIVE

Dealerships and rental outlets in southern Africa provide vehicles, parts, insurance, accessories, servicing and car rental

This category includes a wide range of motor and heavy road vehicle brands at price points ranging from entry level to luxury, as well as the Hertz vehicle rental brand.



#### AUSTRALIA AND NEW ZEALAND



# HIGHLIGHTS

## Mattress Firm rebrand

Bedding brand Mattress Firm in the USA is rebranding Sleepy's and Sleep Train stores. The first rebranded store opened its doors in May of 2016 and the full rebrand is expected to be completed by the end of the second quarter. Mattress Firm brings well-known brands and its own private brands to its customers.



## MATTRESS FIRM

## Fantastic group

The acquisition of the Fantastic group in Australia became unconditional at the end of December and will be consolidated from 1 January 2017. This acquisition will be highly complementary to Steinhoff's existing Asia Pacific household goods businesses. The combined group will position Steinhoff as the second largest furniture retailer in Australia by market share. The brand portfolio is focused on mattresses and furniture, covering the value spectrum from entry-level to premium products, with differentiation through specialist (mattress) store formats and complete solution brands in furniture.



think sofas.



## 267 new stores opened across

New store openings continue to ensure that more customers can get easy access to and experience the group's product offerings through its trusted local brands.

## General merchandise: 207 store openings



## Household goods: 60 store openings





**STEINHOFF**  
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ss the group



## Amazing value shopping is easy at Poundland

From amazing top brands and daily essential items, to fantastic new lines and great deals, Poundland expanded Steinhoff's product offering at a value price point providing customers with a wider variety of every day products across approximately 900 stores.



## Pep & Co store-in-store concept

Pep & Co, Steinhoff's clothing retailer in the UK, joined forces with Poundland when it opened the first store-in-store concept in Hanley in February 2017. Recognising that Pep & Co customers shop at Poundland and vice versa, this new venture makes shopping even more convenient for customers, providing them with a one-stop-shop, closer to home for everything they need. This concept includes a full range of women's, men's and kidswear.



## Tekkie Town

The acquisition of Tekkie Town in South Africa was implemented on 1 February 2017. Tekkie Town presents a good opportunity to the group to maximise supply chain benefits and add further scale to the buying power of the group in footwear. Trading from approximately 325 stores, Tekkie Town targets the value and brand-conscious customer.



# OPERATIONAL REVIEW

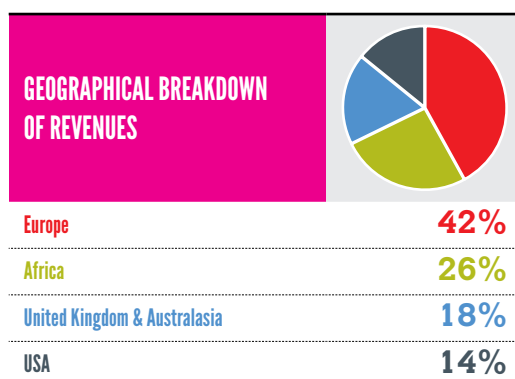
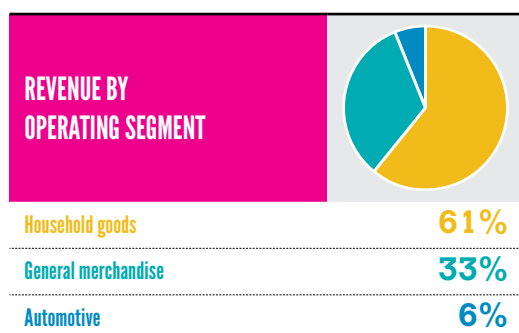
Three months ended 31 December 2016

Steinhoff further aligned its quarterly reporting with the amended reporting requirements of the Frankfurt Stock Exchange.

The Steinhoff group performed well during the first quarter of its 2017 financial year with growth momentum continuing in line with management expectations. Group revenue in Q1FY17 increased by **45%** to **€5.3 billion**. This growth includes the newly acquired Mattress Firm and Poundland businesses, which in aggregate contributed revenue of **€1.3 billion** during the quarter. Excluding these acquisitions, group revenue increased by **11%**. Furthermore the group operating margin, excluding the effect of acquisitions, was at the same percentage level when compared to Q1FY16.

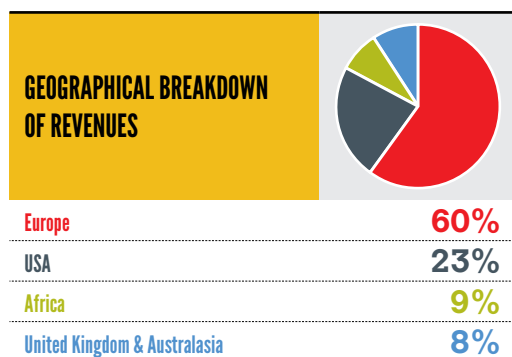
REVENUE for the three months ended 31 December 2016	Q1FY17 (€m)	Q1FY16* (€m)	% change
Group revenue	5 336	3 668*	45%
Household goods	3 235	2 298	41%
General merchandise	1 760	1 060*	66%
Automotive	341	310	10%

\* Q1FY16 Represents the three months ended 31 December 2015. \* Q1FY16 Revenue was adjusted to eliminate intergroup revenue of €27 million.





# Household goods



For the quarter under review, the Household goods segment improved revenue by **41%**. Excluding the acquisition of Mattress Firm, Household goods revenue increased by **8%**. Retail revenue in this segment, excluding Mattress Firm and global supply chain operations, increased by **13%**. Global supply chain revenue continued to decrease as a result of further capacity used by owned retailers in line with the group's procurement strategy to increase margins.

## Europe

The Conforama group performed well during the quarter with continued market share gains in all territories throughout the 2016 calendar year. Strong double-digit growth prevailed in the Iberia (Portugal and Spain) and Balkan (Croatia and Serbia) territories. Performance was supported by the focus on strategic product categories, including bedding, kitchens and upholstery, which continues to improve margins.

The ERM business continued to perform well, with consistent revenue growth as a result of the resilient performance in German-speaking territories. The kika-Leiner business reported stable revenue as management continues to focus on the improvement of margins while the eastern European operations continued to report strong growth during the quarter. This quarter's performance includes the contribution of the kika-Leiner business for the full three months, compared to only one month in the previous year's quarter.

GEOGRAPHICAL REVENUE ANALYSIS	Q1FY17 (€m)	Q1FY16 (€m)	% change
Europe	1 945	1 802	8%
USA	760	–	–
Africa	281	216	30%
United Kingdom & Australasia	249	280	(11%)
<b>Total</b>	<b>3 235</b>	<b>2 298</b>	<b>41%</b>

## United States of America

The quarter under review is traditionally the slowest trading quarter for Mattress Firm. Since Steinhoff's investment in Mattress Firm, the business has continued with the focussed integration of the Sleepy's business acquired by Mattress Firm in 2016. This integration was accelerated during the quarter and saw the temporary closing of approximately 550 stores for one week for rebranding purposes, the sell down of Sleepy's merchandise and training of sales employees, that resulted in non-recurring pressure on revenue for the quarter. In addition, certain store overlaps were identified and rationalised with the opening of 56 new stores and the closure of 54 stores. The integration and rationalisation resulted in negative like-for-like sales growth of 3%, even though units sold increased with 1%.

The brand consolidation process of all Sleepy's and Sleep Train stores should be completed by the end of the second quarter. Once the consolidation is finalised, Mattress Firm will be trading under a single brand and can then direct its marketing spend to a single proposition to the customer base.

As referred to in our previous results, Mattress Firm incurred approximately \$30 million restructuring costs during the quarter in order to accelerate the brand conversion.

## United Kingdom & Australasia

Revenue was maintained on a constant currency basis, despite the challenging post-Brexit United Kingdom (UK) environment and currency impact. The bedding product category continues to support performance.

## Africa

Revenue in the southern African operations increased by 30% during the quarter mainly as a result of the inclusion of the Iliad business in the current quarter. JD Group managed to maintain revenue levels notwithstanding a large number of store closures in the prior year. Like-for-like revenue growth amounted to 6% despite a challenging trading environment which continues to exist in Southern Africa. Management of both JD Group and SteinBuild continue to focus on profitability through the consolidation of retail brands and optimisation of store networks.

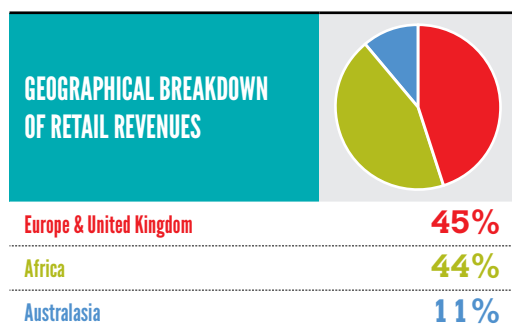
## Integrated Supply chain

Steinhoff's integrated supply chain business performed well during the quarter and continues to support retail operations' profitability with its manufacturing, central sourcing, logistics and owned property portfolio capabilities and scale.





# General merchandise



The General merchandise segment reported revenue growth of **66%** to **€1.8 billion** during the quarter and includes the newly-acquired Poundland business. Excluding the contribution of Poundland, which was included for the full quarter, revenue increased by **17%**.

## Africa

Despite weaker consumer markets in South Africa, double-digit revenue growth momentum continued. This performance underscores the resilience of Pepkor's defensive business model, supported by strong footprint growth.

Despite foreign exchange fluctuations, the operations in the rest of Africa, which represent 6% of the African operations, reported constant currency growth of more than 20% during the period.

## Europe and United Kingdom

This division, which now includes the Poundland business, performed very well during the quarter, highlighting the success of the trading model in eastern Europe which reported strong double-digit like-for-like growth. Furthermore, the Eastern European

GEOGRAPHICAL REVENUE ANALYSIS	Q1FY17 (€m)	Q1FY16 (€m)	% change
Europe & UK	789	180	>100%
Africa	783	700*	12%
Australasia	188	180	4%
<b>Total</b>	<b>1 760</b>	<b>1 060*</b>	<b>66%</b>

\* Q1FY16 Revenue was adjusted to eliminate intergroup revenue of €27 million.

growth is supported by a rapidly expanding footprint, with 88 new stores opened during the quarter, resulting in a total of 1 063 stores. Performance continues to be supported by strong growth in key product categories, including kidswear and homewares, as well as the expansion of the store network.

Poundland performed ahead of expectations during the quarter with positive like-for-like sales, contributing GBP448 million revenue to the division.

The UK operations have now gained significant scale and management is focused on executing its value creation plan in terms of introducing a multi-price point product range, expansion of product ranges to include clothing, optimisation of the store network and collaboration with the greater Steinhoff group on supply chain initiatives.

## Australasia

The Australian division performed well in relation to challenging market conditions with revenue being flat in constant currency.

# Automotive

The Automotive retail segment increased revenue by **6%** in constant currency for the quarter, supported by the acquisition of four dealerships. On a like-for-like basis, revenue increased by **4%** despite continued weakness in the new and pre-owned vehicle markets in South Africa. Profitability was maintained as a result of the complimentary dynamic between the new, pre-owned vehicle, parts and service and car rental divisions.

## Share capital

The number of shares in issue at 31 December 2016 remained stable at **4 242 million** compared to 30 September 2016.

The diluted average number of shares in issue amounts to **4 680 million** at 31 December 2016.

## Outlook

Based on the group's performance during the first quarter, management remains confident that the momentum in the business will continue and that the group will perform in line with expectations, as discussed in the Outlook section of the 2016 annual report.

Subsequent to the end of the reporting period, Mattress Firm communicated its intention to phase out Tempur-Sealy brands and move towards a termination of the agreement in early to mid-May. The Tempur-Sealy products will be replaced with exciting new innovative merchandise from other large leading brands. This will further enhance the customer offering and attract a wider customer base focussed on value and innovative new products. The repositioning and replacement of the new products and refinement of the required supply chain will lead to initial revenue and margin pressure during the repositioning phase. It will however, result in new exclusivity arrangements that will stimulate both top line revenue and trading densities over the medium term.

## Administration

### Analyst call

Steinhoff International Holdings N.V. will host a conference call for analysts and investors on 28 February 2017 at 14:00 pm CET to discuss its quarterly update.

The webcast link is available on the company website via [www.steinhoffinternational.com](http://www.steinhoffinternational.com).

### Forward-looking statements

This report contains management's view on future developments based on information currently available and is subject to risks and uncertainties, as described in the Risk report as included in the 2016 annual report, which can be accessed on the group's website at [www.steinhoffinternational.com](http://www.steinhoffinternational.com). These risks are outside the control of management, and in the event that underlying assumptions turn out to be inaccurate or risks contained in the Risk report materialise, actual results may differ materially from those included in these statements.

Management and the group do not assume any obligation to update any forward-looking statements made beyond statutory disclosure obligations.

## Financial calendar

Annual general meeting of Steinhoff International Holdings N.V.	<b>Tuesday, 14 March 2017</b>
Anticipated payment date of final distribution (if and when approved)	<b>Monday, 20 March 2017</b>
Interim results	<b>Wednesday, 7 June 2017</b>
Quarter three – Trading update	<b>Thursday, 31 August 2017</b>
Financial year 2017 – Publication of results	<b>Wednesday, 6 December 2017</b>

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Commerzbank AG Strawinskylaan 2501 1077 22 Amsterdam  PO Box 75444, 1070 Amsterdam  Standard Corporate and Merchant Bank (A division of The Standard Bank of South Africa Limited) (Registration number 1962/000738/06) Ground Floor, 3 Simmonds Street Johannesburg 2001 (PO Box 61150, Marshalltown 2107) In addition, the group has commercial facilities with various other banking and financial institutions worldwide.

For further publications and additional information, please refer to the company website:

**[www.steinhoffinternational.com](http://www.steinhoffinternational.com)**

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