STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

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Summary:
Super Group Ltd.

Primary Credit Analyst:
Menique Smit, London 02071768308; menique.smit@standardandpoors.com

Secondary Contact:
Anna Szypkowska, London +442071763976; anna.szypkowska@standardandpoors.com

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Summary:

Super Group Ltd.

Rationale

Business Risk	Financial Risk
• Exposure to the cyclical, fragmented, and competitive logistics market. • Relatively strong EBITDA margin, despite some decline as a result of the challenging macroeconomic environment in South Africa and ongoing competitive pricing pressures. • Improved geographic diversification as business operations expand in the U.K. and Europe. • Strong product and end-market diversification. • Fairly strong growth opportunities in the supply chain business segment.	• Resilient cash flow generation in recent years. • Good track record in driving efficiencies across its acquired businesses. • Moderate level of Standard & Poor's-adjusted debt. • Highly acquisitive strategy.

Standard & Poor's Base-Case Scenario

Assumptions

- Revenues of about South African rand (ZAR) 22.7 million-ZAR23.7 million in 2016, or about 15%-20% higher than 2015 --this includes the most recent acquisition of IN tIME, a German supply chain logistics operator.
- Adjusted EBITDA margin of about 10%-11% in 2016, marginally down from 2015 and mostly reflecting our view that the competitive pricing pressure across most of Super Group's end markets will continue.
- Sizable acquisitions of around ZAR1 billion, although we highlight that this is discretionary.

Key Metrics

	2015	2016f	2017f
EBITDA margin (%)	11-12	10-11	10-11
FFO to debt (%)	57.2	50.0-55.0	50.0-55.0
Debt to EBITDA (x)	1.3	1.3-1.7	1.3-1.7

f--Forecast. FFO--Funds from operations.

Business Risk

Our assessment of Super Group's business risk as "fair" reflects our view of the company's exposure to the cyclical and competitive logistics services market in South Africa. In our opinion, Super Group's small scale of operations relative to peers also constrains the rating. This is partly mitigated by the strong underlying growth fundamentals of the logistics market in South Africa and by Super Group's well-diversified product offering, which we believe offers some protection against cyclical downturns. In addition, we note Super Group's recent efforts to expand its global footprint as part of its ongoing acquisition strategy. Specifically, Super Group strengthened its position in the U.K. through the 2014 acquisition of the Allen Ford group of dealerships and in Europe through its recent purchase of a 75% stake in IN tIME, a German logistics operator.

In our opinion, Super Group's business risk profile is further supported by its track record of delivering resilient operating results in tough market conditions. Super Group's adjusted EBITDA margin has been more than 10% over the last three years, which compares favorably with its rated European peers in the wider transportation industry.

Financial Risk

Our assessment of Super Group's financial risk profile as "modest" reflects our estimate that Super Group will maintain adjusted funds from operations (FFO) to debt and debt to EBITDA of around 55% and 1.5x, respectively, over the next two years. We also expect "adequate" liquidity in the coming 12 months.

Super Group's financial risk profile is supported by its track record of generating positive free cash flow as a result of its balanced approach to both capital expenditure (capex) and acquisitions.

In our view, Super Group has adequate headroom under its financial risk profile to make moderate acquisitions, without its FFO to debt declining to less than 40%--the level we consider commensurate with our 'zaA+' rating. Our analysis does not take aggressive shareholder distributions into account.

We could lower the rating if Super Group's liquidity position deteriorates significantly as a result of weaker operating performance or cash flow generation than we anticipate, or if the group makes sizable debt-funded acquisitions or aggressive shareholder distributions. We could consider lowering the rating if the adjusted FFO to debt falls below 40%, all other things being equal.

We could raise the rating if Super Group shows a sufficient track record of successful acquisitions or if the company's financial policy clearly underlines the group's commitment to maintaining credit ratios commensurate with FFO to debt of at least 45% on a sustainable basis, which could result in a favorable revision of the company's financial policy. We could also take a positive rating action if Super Group's revenues and profitability grow significantly, due to potential acquisitions or new contracts wins. We consider adjusted FFO to debt of more than 60%,on a sustainable basis, to be commensurate with a 'zaAA-' rating, all other things being equal.

Liquidity

We assess Super Group's liquidity to be "adequate" under our criteria. We forecast that sources will cover uses by more than 1.2x for the 12 months ending June 30, 2016.

Our "adequate" assessment indicates that sources will exceed uses even if EBITDA declines by more than 15%.

Principal Liquidity Sources	Principal Liquidity Uses
• Cash and cash equivalents of ZAR2.1 billion. • ZAR750 million of availability under committed bank lines. • Forecast positive FFO of about ZAR1.7 billion. • Net proceeds from shares issuance of ZAR813 million. • Proceeds from new debt issuance of around ZAR1 billion.	• Scheduled debt amortization of about ZAR400 million. • Working capital outflows of about ZAR172 million. • Capex of about ZAR1 billion. • Discretionary acquisitions of about ZAR2 billion, including the cash payment for the 75% stake of IN tIME.

Covenant Analysis

We understand that the general banking facility documentation includes minimum capital adequacy and net interest coverage ratios, to be tested quarterly. We expect that headroom under these covenants will remain adequate and that the group will be able to meet its cash needs with internally generated funds.

Other Credit Considerations

The Super Group's rating of 'zaA+' also incorporates our view of the company's financial policies and its lack of leverage target, with regards to the acquisition strategy. We see a potential risk that Super Group could opportunistically make larger acquisitions than we currently forecast in our base case, which could lower its ratios and lead us to revise Super Group's financial risk profile to "intermediate" from "modest" financial risk.

Ratings Score Snapshot

Corporate Credit Rating: ZaA+/--/zaA-1

Business Risk: Fair

- Country Risk: Moderate
- Industry Risk: Low Risk
- Competitive Position: Fair

Financial Risk: Modest

- Cash Flow/Leverage: Modest

Modifiers:

- Diversification/Portfolio effect: Neutral
- Capital Structure: Neutral
- Liquidity: Adequate
- Financial policy: Negative (-1 notch)
- Management and Governance: Fair

- Comparable Rating Analysis: Neutral

Related Criteria And Research

Related Criteria

- Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Standard & Poor's National And Regional Scale Mapping Tables, Sept. 30, 2014
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Key Credit Factors For The Railroad And Package Express Industry, Aug. 12, 2014
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Ratios And Adjustments, Nov. 19, 2013
- Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012

Related Research

- Ratings on South Africa Affirmed; Outlook Stable, June 12, 2015

Additional Contact:
Industrial Ratings Europe; Corporate_Admin_London@standardandpoors.com