



HARDWARE WAREHOUSE
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MEDIA STATEMENT

HARDWARE WAREHOUSE DISPLAYS ITS PERFORMANCE DRIVEN RESILIENCE DURING THE RECESSION

17 September 2009: Hardware Warehouse Limited (“the group”) today announced its annual financial results for the year ended 30 June 2009, its second set of annual results since listing on Alt-X in September 2007.

“We are pleased by this set of financial results. Notwithstanding the severe economic downturn, specifically within the residential building market, the group has clearly demonstrated its resilience and ability to perform during trying times. We believe this bodes well for ensuring sustainable long term growth of our business, allowing us to capitalise on planned store growth and the economic recovery when it eventually materialises,” says Shaun Miller, CEO of Hardware Warehouse.

Highlights are as follows:

- Hardware Warehouse Revenue up 32.5% to R292 million
- Group Revenue up 43.8% to R317 million
- Hardware Warehouse EBITDA up 9.6% to R18.9 million
- Group EBITDA up 2.9% to R17.7 million
- Group stores up 31.3% to 21 stores

Group Performance

Group revenue grew by 43.8% to R317 million from R220 million in the prior year. This increase was attributable to good organic as well as new store growth, along with additional revenues from the newly acquired On-Tap Border.

Group EBITDA rose 2.9% to R17.7 million in the year under review. The Hardware Warehouse retail stores, the group’s core business, performed well overall. However, strategically increased overheads, the economic downturn experienced in the second half of this financial period, and lower than anticipated profits from On-Tap Border, resulted in lower than predicted profits for the group as a whole.

On-Tap Border (Pty) Ltd was acquired during the year and 7 months of revenue was included in group revenue. The group thus consists of two operations namely Hardware Warehouse and On-Tap Border at year end.

Hardware Warehouse

Hardware Warehouse’s revenue grew by 32.5% to R292 million and on a store for store comparable basis by 17.6%. EBITDA increased by 9.6% to R18.9 million. The business strategically bolstered its management and systems infrastructure in anticipation of the next store growth phase. During the calendar years 2010 to 2012, the division will be capable of a further strong store roll-out programme, having put in place the correct infrastructure base to support expansion.



On-Tap Border

The December 2008 conclusion of the acquisition of this business was unavoidably not well timed. This business was focused on the poor performing upper end of the market. This focus is being re-engineered to benefit from the market niche within which Hardware Warehouse operates. The division contributed R26.5 million to group revenue (7 months) and reported an EBITDA loss of R1.156 million. The two original stores made a profit during the period under review. The loss was attributed mainly to the overhead expenses while growing the two new stores revenue. Management expects the original stores to remain profitable and the new stores to become profitable in the financial year ended 30 June 2010.

The group stands firm on the benefits envisaged at the time of the On-Tap Border acquisition, namely: the company's specialised plumbing supply skills; the gap in the rural, peri-urban and government tendering market for plumbing suppliers and the synergies of trading plumbing products through the existing Hardware Warehouse stores. This approach will ensure that the four On-Tap stores' revenue base will change to reflect a stronger cash base and less reliance on the bonded, interest sensitive, upper end market.

"Hardware Warehouse's strategic focus remains on securing government tendering projects for low cost housing, especially within the Eastern Cape region. The severe housing shortage in South Africa coupled with government's endeavours to clear this backlog in delivery, allows the group to potentially position itself as the primary building material supplier in the provinces in which it operates," said Miller.

-ENDS-

Hardware Warehouse Holdings Limited Ticker: 'HWW'

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Notes to Editors:

Hardware Warehouse is a retailer of low cost building materials and associated products, selling directly to predominantly cash paying customers, including homebuilders, home improvers, contractors, traders as well as government organisations. Although lower to middle income rural groups comprise the core customer base, the group has recently diversified its support base slightly, to include urban, middle to high LSM groups, plumbing and other contractors.

Hardware Warehouse was established in 1996 in King Williams Town, where its first warehouse-style operation quickly expanded to three stores. From this base, the company opened another one to two stores per year in the towns of Alice, Butterworth, Port Alfred, Mdantsane, Ngcobo, Mthatha, Cofimvaba, Lusikisiki, Sterkspruit and Queenstown. The company has expanded its footprint into Kwa-



Zulu Natal and Mpumalanga and plans to expand into the other provinces of South Africa and neighbouring territories.

Acknowledging that the buying of materials to build or improve a home can be a significant expenditure and a daunting process to its target market, the company has developed a specific environment and approach to make the selection and buying of products both comfortable and understandable.

Hardware Warehouse's core competencies are in the understanding of its niche market, the precise selection of retail sites and the choice of product range to meet the particular needs of its target market, always ensuring that its product range remains at the most competitive prices.

Eastern Cape based On-Tap Plumbing Supplies, a well established plumbing, sanitary ware and tile retailer franchise incorporating Tiles-On-Tap, was acquired by Hardware Warehouse in December 2008. With a 16 year reputation of providing quality bathroom and kitchenware along with cutting edge plumbing supplies at competitive prices to a higher end clientele, the acquisition was seen as synergistic with Hardware Warehouse's current affordable building materials range and strongly established supplier base.

The acquisition included three existing branches in East London, Gonubie and Mthatha. Included in the deal were exclusive franchise rights to a segment of the Eastern Cape region, which includes Alice, Queenstown, Butterworth, Ncgobo, Cofimvaba, King Williams Town and Mdantsane.