



ARB Holdings records double digit growth in revenue and profit, despite tough trading environment

- **Revenue up 16% to R2.5 billion**
- **Profit before interest and taxation (PBIT) up 10% to R216.7 million**
- **HEPS up 15,5% to 59.74 cents**
- **Dividend per share up 15% to 23.1 cents**
- **Special dividend again declared of 10.0 cents a share**

Wednesday, 24 August 2016 – Investment and property holding company ARB, with investments primarily in electrical wholesaling and lighting distribution, today released its final results for the year ended 30 June 2016, reporting double digit growth in PBIT.

In the year under review, Group revenue increased by 15,8% to R2.5 billion (2015: R2.1 billion). PBIT increased to R216.7million from R196.4 million last year, representing an improvement of 10,3%. Headline earnings per share increased by 15,5% to 59.74 cents.

ARB has investments in closely-related trading and distribution businesses, including 74% of ARB Electrical Wholesalers (Pty) Ltd, a level 3 BBBEE company that operates 20 electrical wholesale branches throughout South Africa and 60% of Eurolux (Pty) Ltd, which imports and distributes light fittings, lamps and related accessories. The company also holds exclusive rights to distribute various leading international electrical products into the SADC region.

“The Group delivered commendable results despite the lack of any real economic growth and infrastructure spend,” says Group CEO Billy Neasham. “The Lighting Division continued to show pleasing market share gains, bolstered by the introduction of new products. The Electrical Division has had success in securing orders from the limited project opportunities available both locally and in neighbouring countries. These efforts have been augmented by the resumption of electrification projects implemented by local municipalities ahead of the August 2016 local government elections.”

The limited number of projects available and the volatile exchange rate put pressure on operating margins, but through disciplined management of expenditure, PBIT was only slightly lower at 8,7% compared to 9,1% in the previous year.

“The group continues to be cash generative through the rigorous management of working capital. The Group’s net working capital ratio is 22,3% of revenue, which remains within the targeted range of 20% to 25% of revenue.



Stock increased 13,4% to R439.9 million (2015: R387.9 million), however there is scope to better manage the stock efficiencies in the Lighting Division”, says Neasham.

Debtors increased 24,8% to R439.1 million (2015: R351.9 million), mainly as a result of the need to grant extended terms on a number of contracts. Neasham points out that the Group’s credit risk exposure was reduced as all divisions now have credit risk insurance. Creditors have also increased by 25,9% to R317.6 million (2015: R252.2 million), primarily as a result of the nature and timing of stock purchases and not as a consequence of any change in payment terms to suppliers.

The Group maintained its robust balance sheet, which remains ungeared with cash on hand of R243.3 million. The liability in respect of the put option granted in 2012 to the minority shareholders of Eurolux exercisable after December 2016, was raised as a prior year restatement.

Operational review

Electrical Division

The division reported increases of 15,3% and 10,3% in revenue and PBIT, respectively. Trading conditions were extremely difficult but the impact thereof was negated by securing orders from the limited opportunities available and by the addition of two new Connect stores in Tshwane and the Western Cape.

Lighting Division

The trading environment remained competitive, but the division increased market share by expanding its product range. Revenue increased by 19,1% and the PBIT by 36,9%. This environment together with the effects of a volatile exchange rate, were countered by a tight control of overheads

Corporate Division

The Corporate Division’s results were in line with expectations, given the fixed nature of rental income from its ungeared property portfolio. One of the properties was sold during the year and the Corporate Division continues to run down its vehicle fleet which is rented to operating divisions. ARB IT Solutions (Pty) Ltd has shown some customer gains through the commercialisation of its software offering, but is still a relatively small revenue generator for the Group.



Outlook

Neasham says “there are opportunities upon which the Group can capitalise in the next year to counter the challenging trading conditions. These include organic growth opportunities through the opening of new Connect stores in the Electrical Division, and through the introduction of new product ranges at Eurolux such as Euro Nouveaux, a top range of lighting for discerning buyers”.

Ends

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