ARB Holdings maintains revenue line, grows profit while managing cash resources tightly

- **Earnings per share up 8,1% to 62,38 cents**
- **Dividend per share up 8.2 % to 25.0 cents**
- **Special Dividend maintained at 10.0 cents per share**
- **Cash on hand of R306.6 million**

18 August 2017 – Property holding and investment company, ARB Holdings Limited, today released its final results for the year ended 30 June 2017, maintaining revenue at R2,5 billion and increasing gross profit by 8,4% through disciplined trading practices. Profit before interest and tax declined by 1% to R214 million. ARB has investments in closely-related trading and distribution businesses, including 74% of ARB Electrical Wholesalers, a level 3 BEE company that operates 21 electrical wholesale branches throughout South Africa. It also has a 60% holding in Eurolux, which imports and distributes light fittings, lamps and related accessories.

The Group continues to be cash generative, and managed its cash resources effectively, which resulted in an improvement in interest income, with a concomitant after tax profit improvement of 7,1% to R171,6 million. The Group remains ungeared with R306,6 million cash on hand.

Group CEO Billy Neasham commented that overheads had increased by 15,5% largely due to the Electrical Division rolling out four new ARB Connect stores, which operated for the full year, and the expansion of the Lighting Division's warehouse facilities to accommodate the increase in its product range, which is not yet fully operational. "These increases in overheads were partly offset by the increase in other income arising from the surplus realised on the sale of the East London property."

He added that although the Group is pleased by the efforts, conditions remained tough, with the Electrical Division's revenue remaining constrained by the limited government infrastructure spend during the year, and the decline in local mining and manufacturing activities. "The Lighting Division was adversely affected by the decline in retail sales, especially in the second period of the financial year, when the South African economy entered a recession. "

Electrical Division

Revenue in this division decreased by 0,5% and profit before interest and tax was down 0,6%. "The Electrical Division continues to operate in a tough and competitive environment, given the limited infrastructure expenditure as mentioned. Some market share gains were achieved by existing branches, while the new ARB Connect branches assisted in curtailing the decline in total revenue arising predominantly from the lower level of project activity."

Neasham added that an improvement in the number of Eskom-related electrification projects was evident in the latter part of the financial year.

"While the Connect stores added overheads, all existing costs were well-managed, with profit before interest and tax marginally down compared to the prior year. However, the prior year did include a write down of goodwill in Elektro Vroomen of R5,5m."

Working capital continues to be adequately maintained and monitored in a volatile environment.

Lighting Division

Revenue for the Lighting Division was up 0,8%, with profit before interest and tax down 3,5%. "This division felt the impact of the decline in consumer spending at the retail stores, its primary customers, while the improvement in the Rand / US$ exchange rate necessitated a reduction in pricing of its products to its customers."

Neasham added that trading margins had been maintained despite the volatile exchange rate and the competitive trading environment, and that the new warehouse for the distribution of an extended product range had resulted in increased operating costs, with a reduction in profit before interest and tax of 3,5% to R57,8m (2016: R59,9m). "There was an improvement in the working capital management in the division during the second half of the financial year. This trend is expected to continue into the new financial year."

Corporate Division

The division, which comprises the property portfolio and the ARB IT business, reported a decrease in revenue of 2,4%, with profit before interest and tax up 15,8%. "Given the fixed nature of the properties rental income, the results are in line with expectations but were enhanced by the sale of the East London property. A new property has been acquired in East London. This property is in the process of construction and will house the trading operations of the Electrical Division's East London branch."

ARB IT continued to show customer gains, but remains a small revenue generator for the division.

Dividends

In view of the Group's continued strong cash generation and its ungeared balance sheet, the Board has declared an ordinary dividend of 25.0 cents per share (2016: 23,1 cents per share) for the year ended 30 June 2017, representing the normal pay-out in terms of the Group's dividend policy and a special dividend of 10.0 cents per share.

Outlook

Neasham said that while little change is expected in the outlook for the South African economy during the next financial year, the Group was focused on taking advantage of the limited opportunities which exist. "The Electrical Division forecasts an increase in Eskom spend on electrification projects, and will remain focused on reducing costs and improving the performance of the existing ARB Connect stores, as well as expanding its footprint. In addition, the East London branch will be relocating to new premises in the East London CBD, which will improve access to a broader customer base to expand the product offering into that region."

Neasham said that new land had been acquired by the Corporate Division, which will be developed during the next 18 months to house a new home for the Electrical Division's Gauteng operation which has outgrown its current premises.

He added that the Lighting Division would continue its strategy of growing market share and introducing new product ranges to its existing customer base. "Furthermore, the new Euro Nouveau range and project lighting segment are expected to show growth in the new year."

Neasham concluded by saying that while no new corporate activity has been undertaken during the year, acquisitions remain an integral part of the Group's growth and expansion strategy.

Ends

Issued on behalf of:	**ARB Holdings Limited**
Contact:	Billy Neasham, Chief Executive Officer
Tel:	+27 31 910 0203
Compiled and released by:	**Keyter Rech Investor Solutions**
Contact:	Lynne Bothma
Tel:	+27 87 351 3815
Email:	lynne@kris.co.za

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