

ARB ENTERS COAL-RICH MPUMALANGA

On the back of strong demand from existing clients in fast-growing Mpumalanga, black empowered electrical wholesaler group ARB (“ARB”) has expanded its geographical footprint by opening a new branch in the provincial capital of Nelspruit. The new branch marks the first such expansion since ARB Holdings listed on the JSE in November 2007, in line with the group’s strategy to extend its presence nationally and into sub-Saharan Africa.

CEO Craig Robertson says: “The opening of a branch in Nelspruit is a strategic initiative to satisfy demand as well as facilitate continued expansion into Africa.” To date ARB has serviced the Nelspruit region from the group’s Alrode branch in Gauteng. “We have opened an operation to supply both Nelspruit and the high-growth market in adjacent Mozambique following repeated requests from our clients in the region,” he says. ARB stocks and distributes the essential materials required for electrification in the construction and mining industries.

He points out Mpumalanga’s strong growth prospects which impelled the group to begin its post-listing national expansion programme in that province. “Nelspruit is experiencing significant expansion in anticipation of being a host city in 2010, and is further positioned as the economic hub of the Maputo Development Corridor. This translates to a robust construction sector in the region driven by infrastructure expansion.” He adds that the area is also buoyed by growth in tourism as a result of its proximity to the Kruger Park, which together with the prospects of 2010 should see added development in the leisure sector.

He says further that the new branch will facilitate ARB’s intended penetration of the high-growth mining market. “The Mpumalanga region boasts extensive coal resources which sustain large power stations as well as petrochemical plants. In addition there is mining of gold, iron ore, chrome and alusite and magnetite and vanadium quarrying, all robust markets in light of worldwide demand for coal and other commodities. This presents a ripe target market for the group and a significant growth opportunity.”

He says that in line with ARB’s business model the Nelspruit branch will be a “super branch”, explaining that to maintain levels of service the group concentrates on large branches in major industrial centres rather than a large number of small branches across the country. The new branch comprises a 2000 m² premises on the outskirts of Nelspruit and ARB has purchased a larger tract of land in the area which will be developed to cater to the expected growth. The branch will also be serviced by a fleet of new vehicles. “The location is ideally positioned for access to arterial routes to the surrounding regions.”

Further Robertson is confident that the group will quickly gain market share in Mpumalanga. “Our key competitive advantages are our standards of service and highly competitive pricing structure, which are transportable between regions.” He explains that fundamentally the success of the group depends on the sales skills of the staff at every level. “We have deployed staff from other branches to ensure that our high service levels are instilled at the onset, and going forward to employ and train local staff as soon as possible.”

Consolidating the new branch's prospects Robertson says there are strong economic drivers in the region and electricity is essential in every home, building and mine. With Nelspruit successfully opened, ARB is already considering the location of the next new branch to achieve further national expansion by the end of 2008.

Looking to ARB's growth prospects and the validity of the rationale behind its ongoing expansion, he concludes: "ARB has not been impacted by, nor experienced any slowdown in major electrification projects as a result of the current electricity crisis in South Africa. Eskom had previously committed R1 trillion to electrification and may now need to up its spend to achieve capacity as soon as possible. In addition, the Department of Minerals and Energy has confirmed R1 billion for connectivity in 2008/09 for schools, clinics and low cost housing."

In February 2008 ARB posted maiden interim results for the six months to December 2007 ahead of pre-listing forecasts with revenue up 17,3% to R596,4 million compared to R508,6 million in the comparative period in 2006. This translated into headline earnings per share of 21,7 cents, up from 20,7 cents at the same time last year. ARB is firmly on track to achieve forecast increases in revenue from R1 billion to R1,3 billion and in headline earnings from R84,2 million to R101,4 million for the year to June 2008.

In the 28 years since inception ARB has built a nationwide branch network across KwaZulu-Natal, Gauteng, the Western and Eastern Cape and now Mpumalanga anchored by a head office in Durban. The group offers a wide range of products including power and instrumentation cabling, conductors, overhead line hardware, insulators and transformers and general electrical contracting materials. Clients include major construction companies, parastatals, electrical contractors including those working on government's overhead electrification programme and independents.

ARB's share closed yesterday at R3,94.

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Issue date: 22 May 2008