

ARB HOLDINGS TO ELECTRIFY JSE MAIN BOARD

South Africa's fastest-growing black empowered independent electrical wholesaler, ARB Holdings, is set to debut on the JSE next month in the wake of recent commitments by local government and the World Bank to electrify millions of homes over the next decade. The R1 billion top-line group will list in the 'Electronic and Electrical Equipment' sector of the JSE main board with a market capitalisation of over R1,2 billion.

Over 27 years since inception ARB has built a nationwide branch network across KwaZulu-Natal, Gauteng and the Western and Eastern Cape 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.

Revenue of R1 billion for the year to June 2007 saw headline earnings of R84,2 million almost double from R44,3 million in 2006. The growth trend is set to continue into 2008 with revenue forecast to rise to R1,3 billion and headline earnings to R101,4 million.

ARB CEO Craig Robertson says the growth targets are comfortable in light of ARB's market, with electricity being essential in every home, building and mine. "ARB is already established as a leading wholesaler to the local construction industry which is currently flourishing off the back of major government and private sector commitments to housing and infrastructure." He says that Eskom's recently announced commitment of R1 trillion over the next 20 years is expected to drive dramatic industry growth going forward, further strengthening ARB's growth prospects. "It is estimated at this point that around 250 million homes need to be electrified across Africa," he adds.

Directors of the company will next week begin in a bookbuilding exercise to place up to 35 million new shares at between R4,80 (on a forward price:earnings (PE) to June 2008 of 10,5) and R5,30 (on a forward PE of 11,6) to raise between R168 million and R186 million of new capital for the group.

Robertson says the capital raised will enable ARB to fund further national expansion to take advantage of demand, as well as continue expanding cross-border into Southern Africa. He says the success of ARB's recent penetration of Gauteng bodes well for extending the strategy across the country. "Although relatively new to the Gauteng market, the growth already achieved in the region reflects the value in our strategy – the newly-built facility in Alrode is a solid platform from which bordering regions will be serviced."

He says: "The new capital will also enable us to realise our further dual goals of Southern African expansion and penetration of the high-growth mining market. Mines in the pipeline in Zambia, Angola, the DRC, Mozambique, Madagascar and Botswana could offer possible growth opportunities for ARB." The capital will also fund working capital to enable ARB to meet high levels of demand.

ARB founder and Chairman Alan Burke says that management's interest in the company will be retained after listing on the JSE, reflecting their long-term commitment to the group. Burke and other existing shareholders will sell only 17,5% of their shareholding in ARB prior to listing, which will mean the current directors and management will retain a 70% stake in the company post listing.

ARB is black empowered through black-owned investment group Batsomi Power which holds a 26% stake in the group's key operating subsidiary ARB Electrical Wholesalers. "Over 25% of our executive management are black, a lot of whom have been trained and groomed for management positions inhouse," says Robertson adding that internal training programmes for all levels of staff are a standing commitment in the group's annual budgets. "We place an emphasis on promoting key talent through the ranks and will continue investing in our mentorship and talent retention programmes."

He is optimistic about the group's value proposition for investors: "We are a well-established leading supplier to robust markets with an expanding footprint across Southern Africa. This, together with our growth strategy targeting new high-growth markets such as mining, will ensure that ARB will maintain our growth and deliver real value to stakeholders."

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Issued by: Envisage Communications
Nicole Katz
(011) 325 5944/ 083 287 2771

On behalf of: ARB Holdings Limited
Craig Robertson, CEO
(031) 910 0204/ 082 827 0111

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