

EXPANSION AT ARB BOOSTS INTERIM REVENUE

Black empowered electrical wholesaler ARB Holdings (“ARB”) successfully expanded into fast-growing Mpumalanga to grow revenue by 8,5% year-on-year for the six months to December 2008. The growth initiative helped the group to balance the negative impact of falling metal prices in the interim period. Facing down these tough trading conditions, ARB significantly reduced stock levels and cut its risk exposure.

Interim revenue increased to R647,2 million from R596,4 million. According to Chairman Alan Burke, sales volumes across the branch network – which extends across KwaZulu-Natal, Gauteng, the Western and Eastern Cape and now Mpumalanga – reflected good growth. Headline earnings remained consistent with the same period in 2007.

The Mpumalanga branch was opened in May 2008 to supply Nelspruit, the surrounding mining region and the high-growth market in adjacent Mozambique. CEO of ARB’s primary operation, Craig Robertson, says: “The Mpumalanga branch outperformed all expectations. In addition it boosted the performance of the Gauteng branch, with pleasing growth there further buoyed by increased infrastructure spend in that region.” He adds that given the depressed regional market conditions in the Western Cape, ARB’s branches reflected a measure of resilience by retaining operations on a par with last year.

Robertson points out that the lower price of metals – which are a key component in many of ARB’s products – has been accounted for as the group raised a provision against the value of inventory during the interim period. He emphasises that to further mitigate the risk going forward, ARB has reduced its inventory levels by R57 million during the six months to end 2008 with a far lower inventory holding.

Looking ahead he is positive as ARB is firmly aligned to public sector infrastructure projects. He explains that the distribution side of Eskom’s operations – to which ARB is a direct and indirect supplier - is going full steam ahead. “Despite the current economy Eskom’s major connectivity projects, including in rural areas, are continuing unabated.”

Robertson says plans to gain a foothold in the mining sector are progressing well. “We are now registered as an accredited supplier with a number of mines as well as with the contract facilitators. We expect the mining sector to continue growing, albeit at a slower pace than previously anticipated.”

He says ARB’s main growth strategy is centred on the pursuit of market share and expanding its footprint across Southern Africa. He continues that this could be achieved organically or through strategic acquisitions. “To drive growth we need further vertical integration by drilling down into associated industries, for instance manufacturers of our products,” he says.

Giving effect to this strategy ARB appointed Byron Nichles, a corporate finance specialist, as CEO of the holding company from February 2009 to focus exclusively

on growth by acquisition. Robertson remains on the board as an executive director and the chief executive of main operating subsidiary, ARB Electrical Wholesalers.

He says although 2009 will be difficult he is cautiously optimistic given the continuation of infrastructure spend in the group's sector and positive levels of enquiry. Burke concludes: "Despite the challenges posed by the current global economy, our experienced management team and focus on sustainable markets position the group for sustained growth to build on our 29 year track record which has spanned a number of previous economic downcycles."

ARB shares closed yesterday at R1,40 putting the company on a rolling 12-month historical PE of 3,1.

Ends.

Issued by: Envisage Communications
Nicole Katz/Michèle Mackey
(011) 325 5944/082 497 9827

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

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