Results Note
5 September 2017

ARB Holdings Ltd
FY 17 Results – Resilient Group

Share Code: ARH – Market Cap: R1.4bn – PE: 9.5x – DY: 3.4%

12m Target Price	809cps
Share Price	590cps
Implied Return	37%

Industrials | South Africa

FY 17 – Meeting Our Expectations Despite Recession

- ARB Holdings maintained its revenue during a tough period that included political upheaval in South Africa, SOE paralysis, sour consumer sentiment, a sovereign downgrade and a technical recession (not officially over at the date of publishing).
- The Group reported +4% y/y growth in HEPS to 61.9cps (FY 16: 59.7cps), beating our previous forecast of 61.4cps.
- The Group continued to generate strong cash flow with well-managed working capital whilst adding to its store and product footprint.
- Management remains committed to the organic and acquisitive growth of existing operations.

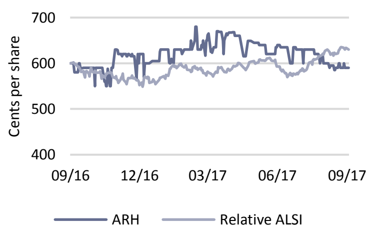
Our Thoughts: Resilience & Upside

- Solid results year-after-year continue to build the Group's track record for resilience while management put in place longer-term initiatives for growth that looks promising.
- We do note the various changing dynamics in the cabling supply market as a risk while the currently exercisable put option by Eurolux is actually a good opportunity (in our opinion).

Forecast, Valuation & Implied Return: Still Undervalued

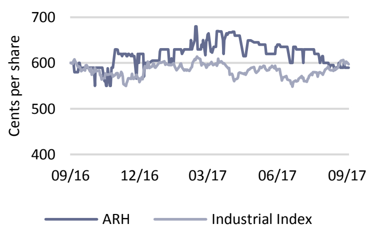
- We raise our estimated fair value for ARH to 687ps (previously: 664cps), which puts the stock on an implied Price Earnings (PE) of 11.1x.
- In our opinion, this PE does not appear unreasonable against either ARH's own history or the various comparatives in the market.
- Rolling our fair value forward at our CoE we arrive at a 12m TP of 809cps (previous 12m TP: 779cps).
- A 12m TP of 809cps places the share on a comfortable Exit PE of 12.9x.
- Our 12m TP implies a return of c.37%.
- Key risks to the Group are unchanged from our original Initiation of Coverage.

Share Price against the ALSI



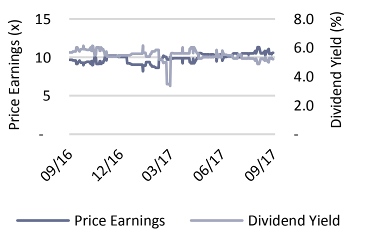
Sources: Bloomberg, Blue Gem Research

Share Price against the Industrial Index



Sources: Bloomberg, Blue Gem Research

Price Earnings (x) and Dividend Yield (%)



Sources: Bloomberg, Blue Gem Research

Key Forecast (R m)	FY 15A	YoY %	FY 16A	YoY %	FY 17A	YoY %	FY 18E	YoY %	FY 19E	YoY %
Revenue	2151	*-3%*	2490	*16%*	2479	*0%*	2622	*6%*	2843	*8%*
EBITDA	208	*-3%*	228	*10%*	228	*0%*	242	*6%*	268	*11%*
HEPS (cps)	51,7cps	*3%*	59,7cps	*16%*	61,9cps	*4%*	62,5cps	*1%*	67,6cps	*8%*
Return on Equity (%)	*16,7%*	-	*17,2%*	-	*17,3%*	-	*15,6%*	-	*15,4%*	-
Price Earnings Ratio (x)	*11,4x*	-	*9,9x*	-	*9,5x*	-	*9,4x*	-	*8,7x*	-
DPS (cps)	30,0*	*0%*	33,9*	*13%*	35,0*	*3%*	25,0	*-29%*	27,1	*8%*
Dividend Yield (%)	*5,1%*	-	*5,7%*	-	*5,9%*	-	*4,2%*	-	*4,6%*	-

*Sources: ARB Holdings, Bloomberg, Iress, Blue Gem Research; * FY 15, 16 and 17's total distributions include a special dividend of 10cps*

Keith McLachlan*

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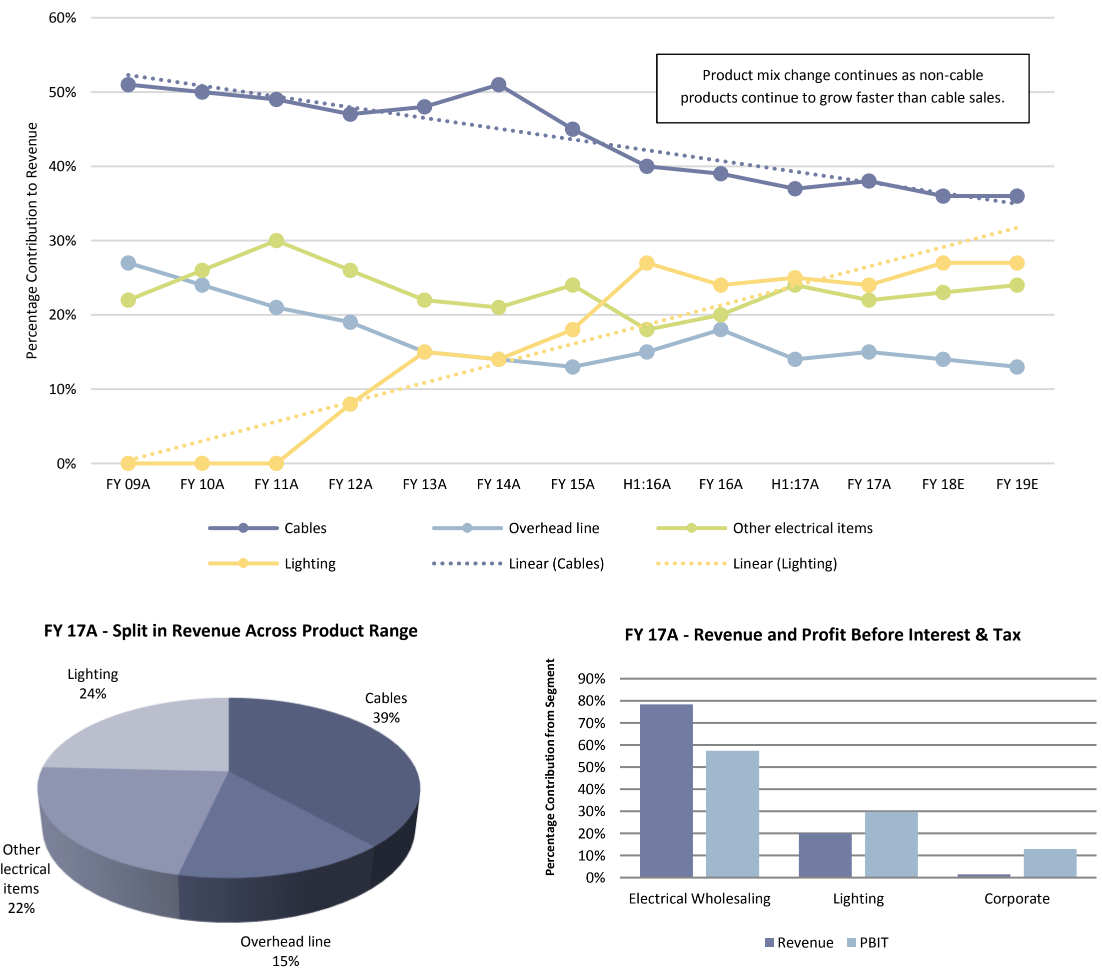
Key Forecast (R m)	***YoY %***	**FY 15A**	***YoY %***	**FY 16A**	***YoY %***	**FY 17A**	***YoY %***	**FY 18E**	***YoY %***	**FY 19E**	***YoY %***
Revenue	***14%***	**2151**	***-3%***	**2490**	***16%***	**2479**	***0%***	**2622**	***6%***	**2843**	***8%***
Electrical Wholesaling	*12%*	1741	*-7%*	2006	*15%*	1996	*0%*	2116	*6%*	2285	*8%*
Lighting	*25%*	425	*21%*	507	*19%*	511	*1%*	536	*5%*	590	*10%*
Gross Profit	***24%***	**517**	***-2%***	**548**	***6%***	**594**	***8%***	**622**	***5%***	**666**	***7%***
Gross Profit Margin (%)	-	*24,1%*	-	*22,0%*	-	*24,0%*	-	*23,7%*	-	*23,4%*	-
Operating expenses	*22%*	-325	*-1%*	-338	*4%*	-390	*15%*	-409	*5%*	-430	*5%*
EBITDA	***28%***	**208**	***-3%***	**228**	***10%***	**228**	***0%***	**242**	***6%***	**268**	***11%***
EBITDA Margin (%)	-	*9,7%*	-	*9,2%*	-	*9,2%*	-	*9,2%*	-	*9,4%*	-
Operating Profit/(Loss) Before Interest	*27%*	197	*-3%*	217	*10%*	214	*-1%*	223	*4%*	247	*11%*
Interest Received	*10%*	15	*32%*	12	*-21%*	22	*82%*	16	*-25%*	11	*-32%*
Finance Charges	*-80%*	-	*-100%*	-	*0%*	-	*0%*	-	*0%*	-	*0%*
Net Profit (Parents)	***24%***	**122**	***3%***	**136**	***12%***	**147**	***8%***	**147**	***0%***	**159**	***8%***
Weighted Ave. Number of Shares (millions)	*0%*	235,0	*0%*	235,0	*0%*	235,0	*0%*	235,0	*0%*	235,0	*0%*
EPS (cps)	*24%*	**51,7cps**	*3%*	**57,7cps**	*12%*	**62,4cps**	*8%*	**62,5cps**	*0%*	**67,6cps**	*8%*
HEPS (cps)	*27%*	**51,7cps**	*3%*	**59,7cps**	*16%*	**61,9cps**	*4%*	**62,5cps**	*1%*	**67,6cps**	*8%*
Gross Ordinary DPS (cps)	*15%*	30cps	*0%*	34cps	*13%*	35cps	*3%*	25cps	*-29%*	27cps	*8%*
Dividend Yield (%)	-	*5,1%*	-	*5,7%*	-	*5,9%*	-	*4,2%*	-	*4,6%*	-
Dividend Cover (x)	*11%*	1,7x	*3%*	1,8x	*2%*	1,8x	*0%*	2,5x	*41%*	2,5x	*0%*
Property, Plant & Equipment	*6%*	222	*8%*	226	*2%*	237	*5%*	342	*44%*	356	*4%*
Intangible Assets	*-1%*	84	*0%*	78	*-7%*	78	*0%*	78	*0%*	78	*0%*
Current Assets	*9%*	967	*4%*	1122	*16%*	1198	*7%*	1133	*-5%*	1271	*12%*
Net Cash	*-3%*	227	*15%*	243	*7%*	307	*26%*	207	*-32%*	267	*29%*
Cash	*-3%*	227	*15%*	243	*7%*	307	*26%*	207	*-32%*	265	*28%*
Overdraft	-	-	-	-	-	-	-	-	-	1	-
Interest-bearing Liabilities	-	-	-	-	-	-	-	-	-	1	-
Shareholder's Equity (Parent)	*9%*	769	*8%*	825	*7%*	899	*9%*	987	*10%*	1082	*10%*
Non-current Liabilities	*181%*	115	*8%*	126	*10%*	41	*-67%*	42	*2%*	45	*8%*
Current Liabilities	*3%*	255	*-11%*	320	*26%*	412	*28%*	337	*-18%*	364	*8%*
NAV per share (cps)	*6%*	322,5cps	*9%*	351,1cps	*9%*	382,5cps	*9%*	420,1cps	*10%*	460,6cps	*10%*
TNAV per share (cps)	*5%*	292,8cps	*11%*	322,0cps	*10%*	353,9cps	*10%*	386,9cps	*9%*	427,5cps	*10%*
Cash Generated by Operations	*-27%*	170	*19%*	168	*-1%*	212	*26%*	224	*6%*	215	*-4%*
Cash Conversion Ratio (%)	-	*82%*	-	*74%*	-	*93%*	-	*92%*	-	*80%*	-
Net Cash Flow from Financing Activities	*-69%*	-14	*-44%*	-10	*-26%*	-14	*33%*	-124	*800%*	-35	*-72%*
Net Increase / (Decrease) in Cash	*-86%*	-0	*-99%*	-7	*40394%*	-	*-100%*	-90	*#DIV/0!*	3	*-104%*
Return on Equity (%)	-	*16,7%*	-	*17,2%*	-	*17,3%*	-	*15,6%*	-	*15,4%*	-
Return on Capital Employed (%)	-	*13,4%*	-	*14,7%*	-	*13,4%*	-	*12,6%*	-	*12,7%*	-
Return on Assets (%)	-	*12,0%*	-	*11,2%*	-	*11,3%*	-	*11,0%*	-	*10,8%*	-
Price Earnings Ratio (%)	-	11,4x	-	9,9x	-	9,5x	-	9,4x	-	8,7x	-
Price-to-Book (x)	-	1,8x	-	1,7x	-	1,5x	-	1,4x	-	1,3x	-
Price-to-Tangible-Book (x)	-	2,0x	-	1,8x	-	1,7x	-	1,5x	-	1,4x	-
Current Ratio	-	3,8x	-	3,5x	-	2,9x	-	3,4x	-	3,5x	-
Quick Ratio	-	2,3x	-	2,1x	-	1,8x	-	2,0x	-	2,1x	-

*Sources: ARB Holdings, Bloomberg, Iress, Blue Gem Research workings, assumptions and forecasts; * Only final dividends declared.*

FY 17 Results Highlights

- ARB Holdings maintained its R2.5bn (FY 16: R2.5bn) revenue during a tough trading period that included political upheaval in South Africa, SOE paralysis, sour consumer sentiment, a sovereign downgrade and a technical recession.
- Though this is a bit light compared to what we had expected, the Group's margins improved and saw it report a 4% y/y growth in HEPS to 61.9cps (FY 16: 59.7cps), beating our forecast of 61.4cps.
- Perhaps more importantly, the Group continued steadily adding stores to its footprint, products to its range and generated strong cash flows while declaring another 10cps special dividend.
- The Group's balance sheet remains ungeared, though it does have a large, budgeted capex spend (c.R117m) planned for FY 18E as both an East London and a Gauteng site are developed for the Group's expanding operations, amongst other normal capex.
- The Group's current property portfolio is worth R188m (FY 16: R178m).
- Management remains committed to the organic growth of existing operations, careful expansion into Africa and acquisitions. On this last point, we do believe that the current domestic pessimism is offering up a number of reasonably-priced acquisitive opportunities and we would not be surprised to see some activity from the management team here over the next year or two.

Figure 1: Split of and Trends in ARB Holdings' Product Range & Segments



Sources: Various ARB Holdings' presentations, Blue Gem Research workings

Electrical Division segment

Table 1: Electrical Division – Key Revenue History and Forecasts

Key Forecasts (R m)	FY 10A	FY 11A	FY 12A	FY 13A	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19E
Revenue	1088	1258	1449	1679	1876	1741	2006	1996	2116	2285
Change in Revenue	*-10%*	*16%*	*15%*	*16%*	*12%*	*-7%*	*15%*	*0%*	*6%*	*8%*

Sources: Bloomberg, Blue Gem Research and ARB Holdings

- ARB Holding's Electrical Division saw flat revenue, some 3% lower than what we had expected. We have lowered our FY 18E revenue target by c.4%, but actually raised our forward margins and continue to see this segment as a strong core platform for the Group to expand on.
- During FY 17, the segment was negatively impacted by slowing economic growth, low infrastructure spend, a volatile Rand Copper Price and increased competition in the market.
- While Eskom delayed its material infrastructure roll-out and related spend during the period, the Group has noted that a steady tick-up in work from the utility from the end of May/June. If this trend continues, there is upside risk to our forecasts in this segment.
- A recent risk in this market is the change in control of a major supplier (Altron's sale of equity in Aberdare Cables to Hengtong Optic). The new player in this domestic market is disrupting commercial terms of cable supply and appears to be trying to disintermediate wholesalers like ARB Electrical Wholesalers. Given the optionality of supply (domestic and import) by a wholesaler of size and the sales and service infrastructure needed by Aberdare to effectively compete in the direct market, we are relatively neutral as to the impacts of these dynamics on ARB Electrical Wholesalers.
- The Group has exited its ACCC® supply agreement, but its Copperweld product continues to gain traction while its CED CHINT range continues growing nicely.
- There remains a contingent liability in this segment relating to ARB Electrical Wholesaler receiving a summons as a third defendant in a matter relating to a major construction company. Management continues to believe that there is no reasonable justification for this claim.
- **Note**: While copper is a key input cost in cables, given the fact that cables are steadily decreasing as a percentage of ARB's inventory/sales (Figure 1) and that copper is just a percentage of their value, we do not believe that the Segment/Group's prospects hinge on the copper price. Therefore, we have assumed a flat Rand Copper Price in our forecasts, valuations and related workings.

Lighting segment

Table 2: Lighting – Key Revenue History and Forecasts

Key Forecasts (R m)	FY 11A*	FY 12A*	H1:13A*	FY 13A*	H1:14A	FY 14A	FY 15A	FY 16A	H1:17A	FY 17A	FY 18E	FY 19E
Revenue	-*	120*	140*	281*	174	351	425	507	271	511	536	590
Change in Revenue	*-**	*>100%**	*>100%**	*135%**	*24%*	*25%*	*21%*	*19%*	*-47%*	*1%*	*5%*	*10%*

Sources: Bloomberg, Blue Gem Research and ARB Holdings

** Eurolux was acquired in January 2012, therefore there was no contribution before then, 6 months contribution in FY 12 and a full 12 months contribution in FY 13. Therefore, the percentage change during these periods is misleading with regards to the underlying business.*

- As opposed the last couple of years, the Lighting segment was the relative underperformer in the Group. Its revenue was flat at R510m (FY 16: R506m), which was about -9% lower than our forecasts.
- Importantly, this was driven by a combination of low consumer spending, a competitive market, exchange rate volatility, and technology and import duty changes. Many, if not all, of these challenges were not unique to its business and its competitors were also subject to them.
- Luckily, the Group managed to lift the margin in this segment nicely and continues to gain traction with steady product range expansions and market share gains.
- The Crabtree JV is expanding while the Group's piloting of a high-end offering (Eurolux Noveau) is proving promising.
- We have materially lowered our revenue expectation for FY 18E to R536m (previously R652m), but we have further lifted this segment's margins, limiting the change in bottom line expectations.

- While the environment remains tough in this segment, we continue to see it as a high-quality business with great growth prospects.
- **Note**: The management of Eurolux own 40% of Eurolux's equity. They have a put option with these shares against ARB Holdings. The option is currently exercisable. The purchase price will be based on Eurolux's annual average profits of the last 36 months, at 60% of the PE multiple of ARB Holdings, based on the 120 day VWAP, with a cap of 7,5 times and a floor of 4 times (currently, this would be approximately 6.0x PE). This is currently disclosed in ARB Holding's current liability section at a value of R91m (FY 16: R84m). Given the quality of the underlying business and the multiple the Group would be acquiring it at, we would view the exercise of the put option as a positive for ARB Holdings. We have assumed that the put option, though, is not exercised for the purposes of our forecasts and valuations of the Group.

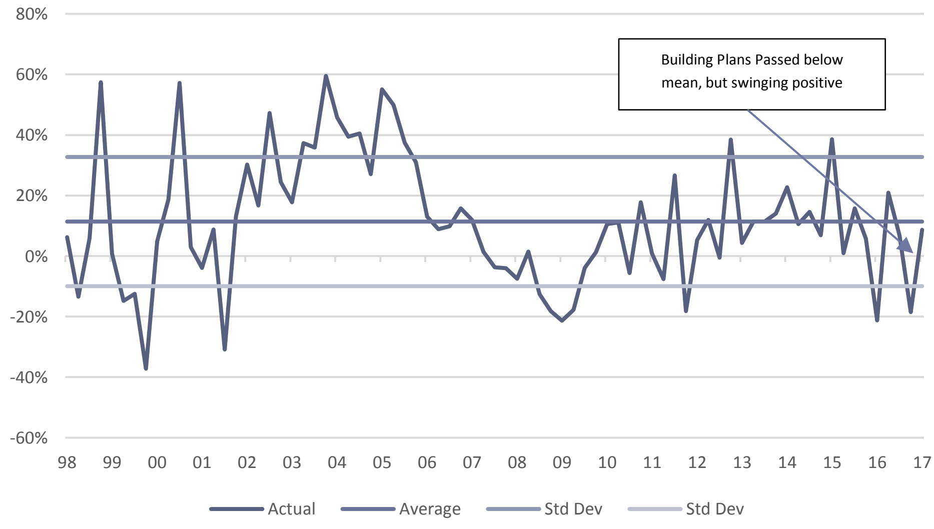
Group services segment

- **Strategic acquisitions**: Management continues to reiterate their acquisitive intentions, particularly focussing on a "third pillar" in the Group bringing further scale and diversification to its operations. We have built this report and our view of ARB Holdings without attempting to factor in any future acquisition(s). Thus, we note that this implies upside optionality in our valuation and forecasts regarding the Group. I.e. A conclusion of a value-enhancing acquisition can potentially make our valuation and forecast inaccurate.
- **Property**: The property segment operated in line with expectations and was valued at R188m (FY 16: R178m) with the decrease being due to a small disposal during the period. The Group should have above-normal capex in the FY 18E period as it is budgeting to move the Gauteng premises to a larger space in Midrand and the Group's East London branch will be moving too. This is in addition to the normal capex profile of the Group.

Construction, Building Materials & Electrical Wholesaling Industries

- While there has obviously been uncertainty and anaemic local growth impacting on domestic Building Plans (Figure 2), we feel quietly optimistic regarding the next few years.
- We note, though, that this is dependent on political de-risking of the domestic economy and the expected ending of the local recession.

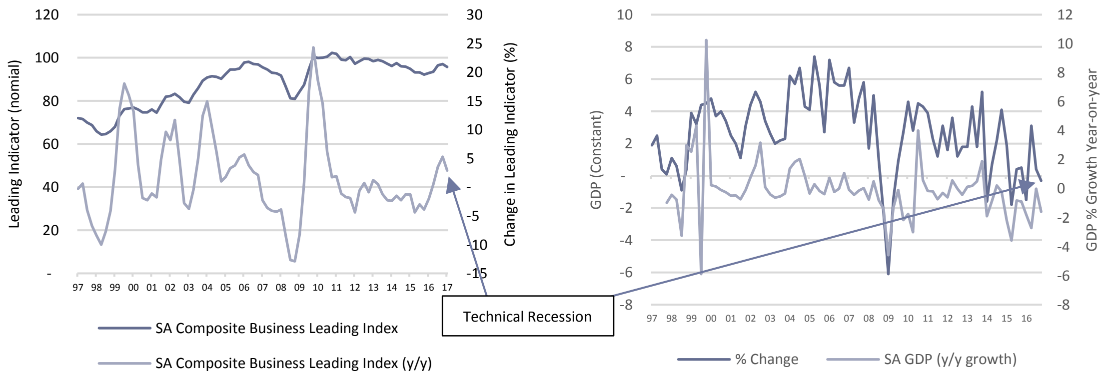
Figure 2: Building Plans Passed, Growth in Building Plans Passed



Sources: Bloomberg, Blue Gem Research workings

- We do note that South Africa has just gone through a recession (Figure 3). At the time of publishing this note, we do not yet have official stats indicating that the recession is over, but there are indications pointing to this fact.
- The current pressures to cut interest rates does help to create a conducive environment to support our macro view of a steady recovery in the domestic economy.

Figure 3: South African GDP and South African Leading Indicator



Sources: Economist Consensus (Bloomberg), Bloomberg, Blue Gem Research workings

Forecasts

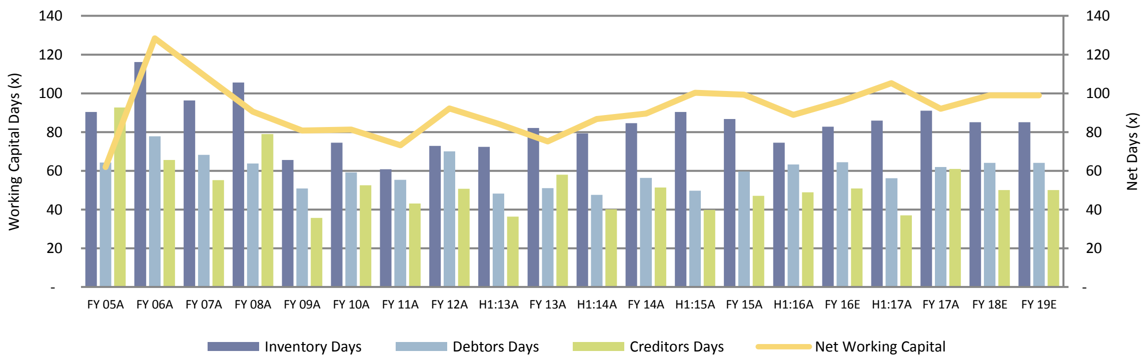
Revenues and profitability

- Resulting from the more specific segmental forecast adjustments (see details in the earlier sections), we have lowered our target FY 18E revenue from R2.8bn to R2.6bn. Margins are slightly higher, though, and our forecast FY 18E HEPS has been cut from 69.9cps to 62.5cps (which still reflects a fair +1% y/y growth on FY 17A HEPS).
- Given Eskom's recent ramp-up in spend and the varied political/economic landscape in South Africa, we note that there is both material upside and downside risk in this forecast.
- Despite us lowering our forecasts HEPS, the Group's profitability and its prospects remain robust. It remains cash generative and its balance sheet is well capitalised and quite accommodative for any potential corporate actions that may arise.

Liquidity, solvency and assets

- The Group continues to manage its working capital excellently with key ratios and days remains relatively stable during the period (Figure 4).

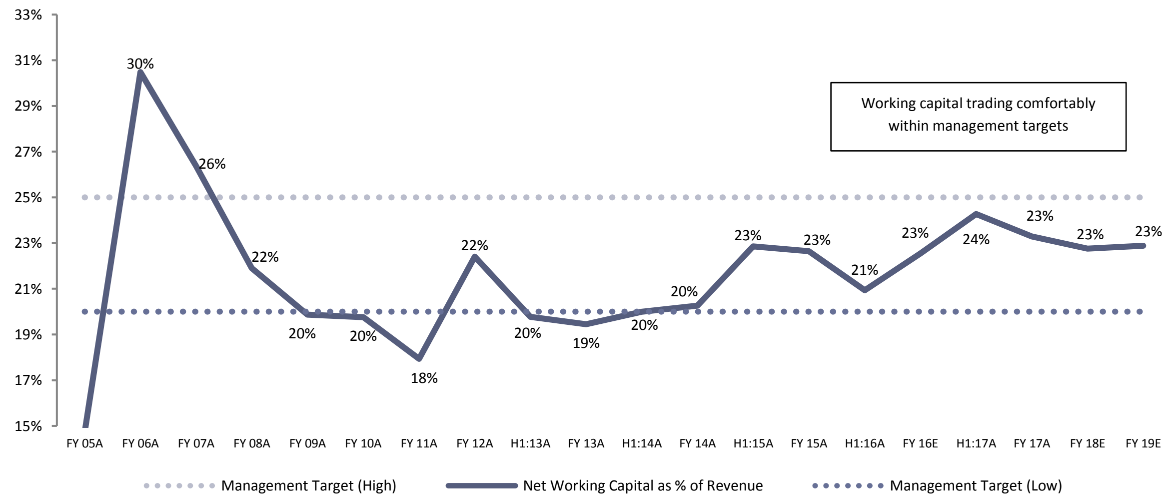
Figure 4: Working Capital History of ARB Holdings



Sources: ARB Holdings, Blue Gem Research workings

- Management track working capital as a percentage of revenue. On this basis, working capital has remained relatively stable. Perhaps more importantly, the Group's working capital remains within set management targets (Figure 5).
- We do not expect any major change to this relationship and consider the Group's long history of excellently managed working capital as indicative of what we can expect going forward.

Figure 5: Net Working Capital as Percentage of Revenue (Management Target: Between 20% and 25% of turnover)



Sources: ARB Holdings, Blue Gem Research workings

Valuation and 12m TP

Valuation Models

- A key consideration in all of our valuation models of ARB Holdings is that we do *not* value the property portfolio on the Group's balance sheet separately (it is worth c.R188m at the time of writing this). This methodology remains unchanged from our Initiation of Coverage.

Discounted Free Cash Flow (DCF) Model

The basis of our DCF model (Table 3) remains unchanged, except for the following updates:

- Cost of Equity (CoE) of 17.8% (previously: 17.2%) based off a "Rule of Thumb" beta of 1.5x (unchanged) and an Equity Risk Premium of 5.5% (unchanged).
- Despite 10-year bond yields trading below 9.0% in South Africa, post-Sovereign Downgrade, we have pegged out risk-free rate at 9.5% (previously: 9.0%).
- Growth rates of the following:
  - FY 18E and FY 19E: per our forecasts in this report,
  - FY 20E: 10% y/y (5% real and 5% inflation),
  - FY 21E: 15% y/y (10% real and 5% inflation),
  - FY 22E to FY 26E: 20% y/y (15% real and 5% inflation), and
  - FY 27E/Terminal Year: 10% y/y (5% real and 5% inflation).
- Finally, we take out an effective estimate of the minority interest of c.17% from the Group.

Table 3: DCF Model – ARB Holdings

R'000's	FY 18E	FY 19E	FY 20E	FY 21E	FY 22E	FY 23E	FY 24E	FY 25E	FY 26E	Terminal Year
EBITDA	242	263	289	332	399	479	575	689	827	910
Less: Tax	-69	-74	-82	-94	-113	-136	-163	-195	-234	-258
Less: Working Capital	-18	-20	-22	-25	-30	-36	-43	-52	-62	-68
Less: Capex	-118	-27	-30	-34	-41	-49	-59	-71	-85	-47
Free Cash Flow (FCF)	38	142	156	179	215	258	310	372	446	537
Discounted FCF	32	102	95	93	95	97	99	101	102	822
NPV (Enterprise Value)										R1,639m
Add: Net Cash										R307m
Fair Value, inc. Minorities (R m)										R1,946m
Fair Value, ex. Minorities (R m)										**R1,615m**
Fair Value of ARB shares (cps)										**687cps**
Implied Price Earnings (x)										*11,1x*
Discount to Fair Value (%)										*17%*
12m TP (cps)										**809cps**
Exit Price Earnings (x)										*12,9x*
Implied Return (%)										*37%*

Sources: ARB Holdings, Bloomberg, Iress, Blue Gem Research workings and assumptions

- We arrive at a fair value of 687cps (previously: 664cps) on an implied Price Earnings (PE) of 11.1x.
- Rolling this fair value forward at our CoE implies a 12m TP of 809cps (previous 12m TP: 779cps) on an Exit PE of 12.9x.
- Note our previously stated acquisitive upside to this valuation.

Dividend Discount (DD) Model

- Other than those indicated in the DCF model above, hiking the Dividend Withholding Tax (DWT) from 15% to 20%, our DD model remains unchanged (Table 4).

Table 4: DD Model – ARB Holdings

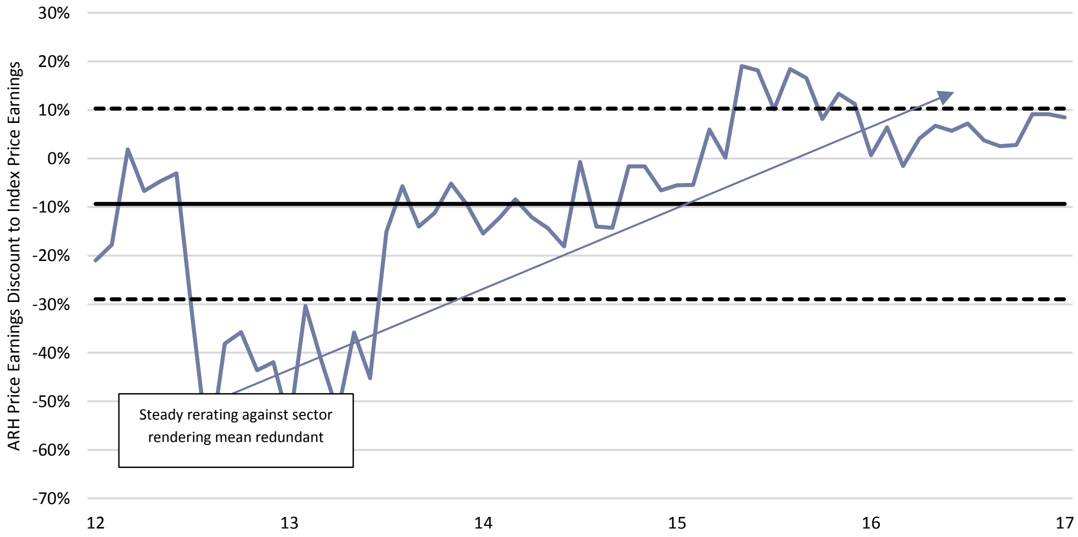
	FY 17A	FY 18E	FY 19E	FY 20E	FY 21E	FY 22E	FY 23E	FY 24E	FY 25E	Terminal Year
HEPS (cps)	61,9	62,4	64,5	67,7	74,5	85,7	98,5	113,3	130,3	136,8
Dividend Cover (x)	*1,8x*	*1,8x*	*1,8x*	*1,8x*	*1,5x*	*1,5x*	*1,5x*	*1,5x*	*1,5x*	*1,0x*
DPS (cps)	34,3	34,6	35,7	37,5	49,7	57,1	65,7	75,5	86,8	136,8
DWT (20%)	-6,9	-6,9	-7,1	-7,5	-9,9	-11,4	-13,1	-15,1	-17,4	-27,4
Net DPS (cps)	35cps	28cps	29cps	30cps	40cps	46cps	53cps	60cps	69cps	109cps
Discount Factor	*1,00*	*0,85*	*0,72*	*0,61*	*0,52*	*0,44*	*0,38*	*0,32*	*0,27*	*0,20*
Discounts DPS (cps)	35,0cps	23,5cps	20,6cps	18,4cps	20,7cps	20,2cps	19,7cps	19,2cps	18,8cps	275,5cps
Fair Value (cps)										**472cps**
Implied PE Ratio (x)										*7,6x*

Sources: ARB Holdings, Bloomberg, Iress, Blue Gem Research workings and assumptions

Price Earnings (PE) Model

- From a low in 2013, ARB Holding's share has been slowly re-rating upwards relative to the Electrical Component Index (Figure 6).
- Given this steady re-rating, we think that the average (naturally a lagging statistic when re-rating is occurring) is not very indicative of the Group's underlying valuation, albeit ARB's current multiple is within a standard deviation of this average.
- Perhaps more reflective of reality, ARB's current 12m lagging PE of 9.5x compares favourably to the FTSE/JSE AllShare Index PE of 19.76x (albeit, including Naspers' 115x PE rather distorts this comparative multiple too).

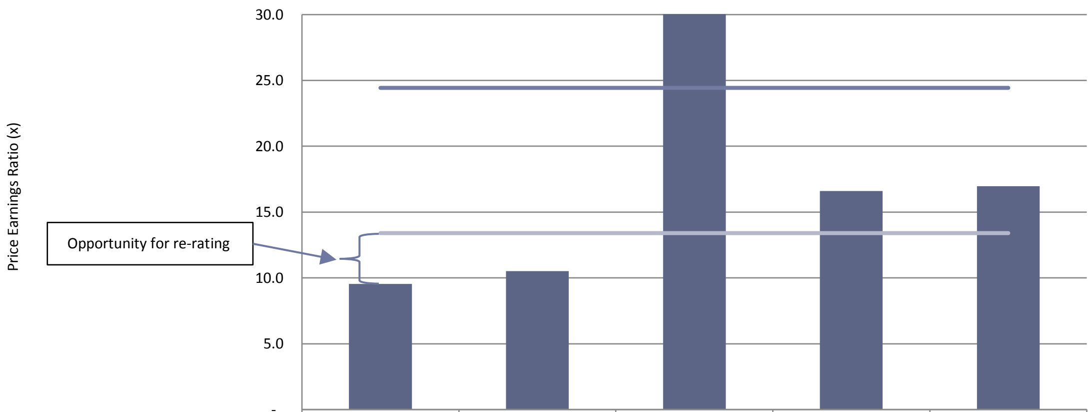
Figure 6: ARB Holdings Price Earnings (PE) Historical Discount versus the Electrical and Electrical Components Index



Sources: Bloomberg, Blue Gem Research workings

- Although ARB Holdings is listed in the electrical sector, we believe that the markets it supplies are linked to both hardware sales and/or construction.
- Once we consider ARH's PE against comparatives in these markets (Figure 7), the share appears relatively cheap versus comparatives with a c.40% upwards re-rating potential.

Figure 7: ARB Holdings Price Earnings (PE) Versus Peers & Indices



	ARB Holdings	Elec. & Elec. Prod. Index	Construction Index	Itatile	CashBuild
Price Earnings Ratio (x)	9.5	10.5	68.56	16.6	17.0
Average	24.4	24.4	24.4	24.4	24.4
Average Ex. Construction Index	13.4	13.4	13.4	13.4	13.4

Sources: Iress, Various Company Reports and Blue Gem Research workings

Valuation, 12m TP and Implied Return

- We reiterate our preferred valuation methodology as the DCF, therefore implying that our fair value for ARH is 687ps (previously: 664cps) on an implied Price Earnings (PE) of 11.1x.
  - This PE does not appear unreasonable against either ARH's own history or the various comparatives in the market (Figure 6 and 7).
  - In fact, this implied PE appears cheap versus many comparatives and could imply upside risk to our valuation assumptions.
- Rolling our fair value forward at our CoE we arrive at a 12m TP of 809cps (previous 12m TP: 779cps).
  - A 12m TP of 809cps places the share on a comfortable Exit PE of 12.9x.

  - Our 12m TP also implies a return of c.37%.

Key Risks to Our Valuation

- The major macroeconomic variables in South Africa (specifically, GDP growth, construction and building sectors, labour environment, Eskom- and municipal-related spend, sovereign risk, amongst other variables),
- Exercise of the Eurolux put option against ARB Holdings,
- The timing and successful implementation of the Group's organic product, store and market expansion drive, and
- The timing, quantum and success of the Group's acquisitive activity.

Disclaimer

Confused by this report? View our methodology, FAQ and this disclaimer.

** Market prices in this report predominantly set to intra-day price on during 1 September 2017 (590cps).*

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