

Ellies remain positive amid disappointing results

- Revenue down 3.8% to R1 083.4 million
- Profit after tax down 40.9% to R76.1 million
- HEPS down 40.9% to 25.09 cents per share
- NAV per share up 20.1% to 341.31 cents per share

Introduction

Johannesburg, 21 January 2014 – Ellies Holdings Limited (“Ellies”) a leading South African manufacturer, wholesaler, importer and distributor in diversified sectors servicing the local and African markets, today released its interim results for the six months ended 31 October 2013, with a disappointing decrease of 40.9% in headline earnings per share to 25.09 cents per share. “Although the results are disappointing, we look forward to the next six months and further growth in the business.” said Wayne Samson, Ellies CEO.

Consumer Goods and Services division

The Consumer Goods and Services division’s revenue decreased by 9.7% to R677.4 million (2013:R749.8 million) compared to the comparative period, however if the contribution from the Eskom RMR project were to be deducted from the comparative periods numbers as well as the contribution made by OVHD sales to the current period, the core business in fact grew revenue by around 20%, a satisfactory increase considering the depressed consumer market. Operating profit decreased by 48.5% to R65.8 million from R127.8 million (2013). The decrease in operating profit could be attributed to lower margins due to market conditions, currency impacts and the exclusion of Eskom’s RMR project which lessens capacity utilisation. This division consistently (excluding Eskom and OVHD) delivers growth through innovative thinking and first to market product development.

Infrastructure division

The Infrastructure division showed a marginal increase in revenue of 10.1% to R406.0 million compared to the R368.8 million in the prior period. The increase in revenue can in part be attributed to the successful acquisition of Botjheng Water. Unfortunately the division’s operating profit decreased by 21.6% to R47.2 (2013:R60.2 million) due to costs associated with various projects and a R1 million loss from Botjheng Water. Due to the nature of the Infrastructure division’s business, comparing the division’s results to the preceding six months rather than the comparative period gives a clearer indication of the divisions results. When compared to the results of the last six months of the 2013 financial year the division grew revenue and operating profit by 27.2% and 115.8%, respectively.

Overall group performance

The overall Group performance was disappointing with revenue decreasing by 3.8% to R1 083.4 million compared to the R1 125.8 million achieved in the previous period. As mentioned in the divisional review consideration should be given to the once-off Eskom RMR amount included in the previous period. Operating profit decreased by 38.6% to R116.4 million from R189.7 million in the previous comparative period.

Earnings and headline earnings per share also decreased by 40.7% and 40.9%, respectively.

The Group’s statement of financial position remains solid with a net asset value of 341.31 cents per share, an increase of 20.1% compared to 284.08 cents per share in the first six months of 2013.

Cash flow from operating activities decreased by R131.9 million as a result of working capital requirements in preparation of the OVHD programme launch.

Prospects

Ellies management believe the current tough trading environment in its sector will continue to be a challenge. Given this, the Group's diversification into new products and ventures together with its partnerships with leading technology partners, will enable to Group to build on existing skills, infrastructure and customer base.

Consumer goods and services division

Ellies anticipate the Digital Terrestrial Television roll out to begin before the end of the current calendar year and have all systems in place to immediately benefit once the roll out commences. Production machinery has been installed to ensure increased local production and employment.

The late launch and product placement of OVHD did not fully take advantage of the festive season and Ellies expects the roll out to gain further traction in the coming months.

The company remains well positioned in the satellite market with MultiChoice's DSTV sales remaining positive and the Group is confident it will retain market share.

Another field synonymous with Ellies is the energy efficiency market and the Group's innovative ideas in energy conservation continue to attract new renewable energy ideas and products. The Group's decision to expand into commercial efficient lighting solutions and energy generation continues to present new opportunities and the Group has bulked up on sales and technical personnel.

Infrastructure division

The Infrastructure division has numerous work-in-progress project which will be completed in 2014 and contribute to the Group's bottom line. The division remains focused on the continued successful integration of Botjheng Water into the division.

In the Power products and manufacturing sector the division has achieved success in engaging with numerous developers for a number of sites in the South African Renewable Energy Independent Power Producers programme, through the specifically-developed Transformer Compact Substation. "We are extremely excited as the first operating solar plant has been installed using this technology," said Samson. The transformer manufacturing operation has experienced growth with increased demand for exports to Mozambique and Namibia.

The Infrastructure projects sector, with its inclusion of Botjheng Water to its portfolio will allow the division access to new markets for both Botjheng's traditional business as well as complimentary services to Megatron's power offerings.

Conclusion

In conclusion, "We are always driven to extend prospects for organic growth, new ventures and product opportunities," said Wayne Samson. "We look forward to what 2014 holds for the Group as we will be focusing on increased local production and Research and Development projects."

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Editors note:

Ellies Holdings Limited (“Ellies”), is a leading listed South African manufacturer, wholesaler, importer and distributor in diversified sectors, including consumer goods, renewable energy, and power and telecommunications infrastructure serving the local and African markets.

Below is a selected list of products and services:

- Terrestrial TV reception products
- Accessories
- Remotes
- Appliances
- Satellite TV reception products
- Electrical
- Alternative power solutions
- Solar geysers
- Solar PV panels
- Electrical & Instrumentation
- Civils and Construction
- Renewable Energy
- Power Projects
- Integrated Power System
- Off-Grid Green Solutions
- Drop Down Sites
- Knock Telecoms
- Data Centres
- Mobile Trailer
- Towers
- Water infrastructure