

| SUPPORT SERVICES |

# A bag of mixed fortunes

As the economy turns, there should be tangible gains for these companies

**S**upport services is a mixture of different companies, ranging from conglomerates such as Bidvest and Mvela Group, to employment agencies like Adcorp and Kelly Group and technology firms like Net 1 UEPS (formerly Aplitech).

Bidvest dominates the sector, with net profit of more than R3bn in the year to June 2009. In the half-year to December 2009, founder and CEO Brian Joffe was remarkably upbeat about the group. He threw a great deal of light on Bidvest's exposure to the soccer World Cup at the results presentation. Though the event won't have a huge effect on bottom line earnings, it was instructive to see just how pervasive Bidvest's range of business interests is in the SA economy.

Outside of SA, prospects appear mixed. The

British operations are benefiting from the tough decisions taken previously, but conditions are still difficult in an economy that is largely stagnant. Likewise, Bidvest's European interests are holding their own against tough ambient conditions. A bright spot, however, is the Asia-Pacific region, where the group's interests are poised for recovery.

And while Bidvest has diversified offshore substantially in recent years, SA is still the driving force of the business, with just over half of revenue and almost 70% of trading profit still emanating from SA at December 2009.

Its share price approached its 2007 peak earlier this year but fell back. Perhaps a buying prospect at current levels (R130)?

Iliad's inclusion in this sector seems highly incongruous – it "sources, distributes, wholesales and retails general and specialised building materials". This sounds similar to a description of a home improvement retailer and it's surprising that the firm is not listed under general retailers on the JSE. It competes directly with Cashbuild, Massmart's Builders Warehouse and Builders Express chains, as well as Spar's Build-It chain.

Earnings for the year to December 2009 were almost 70% down on the previous year, an indication of how tough conditions are in the residential and nonresidential building markets. Cashbuild also suffered a decline in earnings in its half year to end-December, though nothing like as profound as Iliad's. Interestingly, after a very

tough couple of years, Builders Warehouse and Builders Express appear to be turning around.

Adcorp also had a tough year in the 12 months to February 2009, with group earnings declining by 19%. But the strategy of focusing attention on the flexible, blue-collar segment of staffing proved to be a winner. The balance sheet has been strengthened by the proceeds of a limited private placement of shares earlier this year, which raised R112.5m.

Mix Telematics offers a range of products and services that are sold in more than 75 countries. Earnings in 2009 were adversely affected by poor new vehicle sales globally as well as the strong rand.

Kelly Group is the parent company of a group of businesses engaged in the provision of comprehensive employment services, IT skills development and outsource solutions. For the year to March 2010, its profits slumped by over 50%, which is indicative of the fact that employment is a lagging indicator in the economic cycle.

Staff writer

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Source: I-NET BRIDGE

Share prices based to 100



Brian Joffe