



9 QUESTIONS FOR ...

Hubert Brody, CE of Imperial Group

Your numbers are better – the company reported HEPS from continuing operations up 40% to 976c. But what needs to happen for this growth to be sustainable?

These are high-quality numbers, not one-off improvements. All our divisions came through. If we can do this under tough conditions, there will be more to come when the economy turns.

You have gone through extensive cost cutting. Is there any fat left to trim?

Essentially, there is only muscle left. We are at the point where we don't want to cut into our capacity.

Tellingly, revenue has not increased. Does this mean there is no recovery for Imperial?

The turnover figure is an aggregation of the five divisions. Some of them, like the car rental operation, performed really well. Car sales, especially the performance of the Hyundai and Kia dealerships, also excelled.

In your experience, what are the key indicators that show the way the economy is moving?

New passenger car sales have always been a good barometer. But used car sales are also a useful measure. We are starting to see promising signs. The current 3,4% GDP growth rate is not that bad.

Your businesses are known for being cyclical. What are you doing to address this?

Only half our businesses are cyclical. The other half – the logistics business – is very defensive. It would be great if two-thirds of our business were logistics. We are also expanding into other areas. We bought auto parts supplier Midas this year and also took a 25% holding in vehicle-tracking company MiX Telematics.

You have some operations in Europe. How strong is the recovery in Germany?

The recovery is very strong. Germany's growth rate of 2,2% does not sound like much, but it should be noted that the country's economy is very big and that it does not have high unemployment. It is also getting a boost from the weak euro, which is driving exports in its manufacturing sector.

The amount of cash you generated is down, but your dividend is up. Why not sit on the cash?

We are not short of cash. Our cash holdings are one-and-a-half times the size of our attributable profit. The previous results included a one-off exchange rate gain of about R400m and this year there were no special items. We could have paid out a higher dividend.

There has been a lot of speculation about the possible sale of vehicles by car rental companies flooding the car market after the World Cup. Will this happen?

Not really. We usually sell cars in March, but this time we held out for longer, so in real terms the rental fleet did not grow that much.

So will there be good deals for prospective buyers?

It's a good time to buy a one-year-old, used car.

Larry Claasen