

Imperial cuts costs, invests in acquisitions

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COST-cutting and a recovery in consumer spending have placed diversified industrial services and retail group Imperial Holdings in a position to benefit strongly from acquisitions.

The group, the largest owner of car dealerships in SA, released its financial statements for the year to June yesterday, posting 40% growth in headline earnings per share.

Operating profit rose 34% to R3,3bn from R2,5bn a year before. Net profit for the year was R2,26bn, a big increase from the R1,68bn reported the previous year.

CEO Hubert Brody said the group had managed its costs tightly given tough business conditions in its markets.

However, a slow recovery in consumer spending had seen greater sales of vehicles. Lower interest rates had also begun to "bolster demand for Imperial's products and services", he said.

The increase in headline earnings per share from continuing operations to 976c from 698c did, however, include a foreign exchange gain of R394m that was earned on repatriation of capital from European operations and not from regular domestic operations.

Basic headline earnings per share increased to 992c from 715c.

The main contributors to operating profit were the distributorships and insurance divisions, where profits grew 126% and 57% respectively. Further, group revenue was main-

IMPERIAL HOLDINGS

Full year	2010	2009
Revenue (Rbn)	53,4	52,2
Pretax (Rbn)	3,11	1,67
Net Profit (Rbn)	2,26	1,68
Basic HEPS	992	715
Dividend	350	200

tained, increasing 2% from R52,2bn to R53,4bn. Long-term debt of R697m was repaid during the year under review.

The debt to equity ratio, excluding preference shares, was at 39% compared with 50% at the end of June last year.

Mr Brody said Imperial may sell bonds "soon" to repay as much as R2bn in debt scheduled to mature at the end of this month and in November.

"The markets are in a good position currently, so things could reach a ripe position soon," he said.

The group had decided to acquire Namibian fast-moving consumer goods company CIC to increase Imperial's growth on the African continent.

About R750m was spent on acquisitions during the year, including 75% of automotive marketer Midas and 25% of MiX Telematics.

Mark Hodgson, an analyst at Avior Research, said he expected the CIC acquisition to enhance the group's earnings after the sale of Imperial Bank.

Mr Brody said the sale of Imperial Bank had been in line with the group's refined cost strategies.

He was cautious about the group's prospects. "The building blocks of our business are soundly positioned for further growth, but the economic recovery is still tentative."

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