

Pleasant shock Aug 13 2010 07:55.

So many of the small cap companies that came to the JSE in the 2006 to 2008 listings boom with great flourishes and fanfare now appear to be flat on their backs or limping along.

On the other hand, some of the low(er) key listings - companies that attracted little hype - appear to be chugging along very comfortably.

History will show that listing booms on the JSE tend to produce quantity but not always quality. But there will always be a handful of exceptional companies that do wend their way onto the JSE in the heady rush of a listings boom.

I have been keeping a beady eye on a few of the more robust contenders (Afrimat [JSE:AFT] , Universal Industries Corporation [JSE:UNI] , Buildworks Group [JSE:BWK], MiX Telematics [JSE:MIX] , Wescoal Holdings [JSE:WSL] etc), but had unfortunately not taken - until Thursday - as much as a sideways glance at ARB Holdings [JSE:ARH] , a specialist electrical wholesaler.

ARB was up 9% to 262c on Thursday (a distinctly dull day on the market) after releasing results for the year to end-June.

At face value, one might not describe the results as stunning.

Turnover (R1bn) and pre-tax profits (R115m) both crept down, leaving diluted earnings 5% off last year at 29 cents per share.

But it's a great comeback from the interim period, when earnings were down by more than 20%.

Even more encouraging was that ARB managed to fatten up its gross profit margin during the second half of the year - pushing the full-year margin to 18.4% (last year 17.5%). It's not easy out there (especially when bedding down a new acquisition), and management can take a bow for a sterling effort in bumping up margins.

Most reassuring - especially as I like to keep close tabs on cash flows - is that ARB's cash conversion rate is excellent. The R115m shown at pre-tax profit level is more than reflected in the cash flows from operating activities of R116m.

Fantastic for shareholders

But what really got the market going on