

LOGISTICS & AUTOMOTIVE

# Still Acquisitive

Imperial Group sniffs yet more logistics acquisition targets

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**T**he JSE-listed Imperial Group spent around R750-million on acquisitions in the 2010 financial year, ended June 30.

The list of newcomers to the group includes Pragma Holdings (with Imperial acquiring 36%), e-Logics (51%), Provaart (55%), Midas (75%), MiX Telematics (25%), and Loubser Transport (65%).

The company is also in the process of acquiring 100% of Namibian logistics group CIC Holdings, which has 30 warehouses in the Southern African Development Community region, in a R724-million deal.

Any new acquisitions will probably also be in the logistics business, says Imperial CEO **Hubert Brody**.

He says that the "ideal" acquisition is a South African company, active in Africa.

"We are looking for businesses that we can easily bolt onto our operations."

## STORY HIGHLIGHTS

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Brody says that Imperial's debt position has improved significantly, with gross debt down 54% from R17,3-billion in December 2007, to R7,83-billion in June 2010. This presents opportunities for acquisition and organic growth.

Imperial's net debt to equity ratio is at 39, with the target set at between 60 and 80.

"The 2010 financial year has delivered outstanding organic growth. With low financial leverage, and substantial undrawn facilities, our balance sheet is currently stronger than at any time in the recent past. This presents opportunities for acquisitive growth, which would be sought in areas where our existing skills and infrastructure would give us an advantage," says Brody.

Imperial did indeed record another sterling set of results as headline earnings a share from continuing operations for the 2010 financial year were up 40%, to 976c a share, compared with the previous financial year's figure, with operating profit up 34%, to R3,3-billion.

Revenue was up slightly, at 2%, reaching R53,4-billion.

Brody says this showed that the group has managed to improve its efficiencies significantly, while also achieving better margins.

Imperial recorded an operating margin of 6,2% for the period, compared with 4,7% in the 2009 financial year.

Just under 60% of group revenue was generated by the Automotive Retail & Distributorships divisions, which derive the bulk of their revenue from the



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retailing of passenger and commercial vehicles, and 31% was generated by the Southern African and European logistics operations.

The Car Rental & Tourism and Insurance divisions generated 10% of revenue.

The group declared a final dividend of 200c a share, which brought the total ordinary dividend for the year to 350c a share.

All the divisions increased their operating profit, with the star contributors being Distributorships (with a 126% jump) and Insurance (up 57%).

The Distributorships division's new-vehicle registrations were up 54% for the financial year – in a new-vehicle market that grew 2% over the period.

Imperial's AMH subsidiary imported the Kia, Hyundai, Bentley, Chery, Zotye, Foton and Daihatsu brands into South Africa.

Imperial retailed 73 326 new and 52 576 used vehicles in the financial year.

Brody expects the recent eight-day strike at vehicle manufacturing plants, which halted delivery of some vehicle brands to dealerships, to impact slightly on Imperial's results in the first half of the 2011 financial year.

Imperial's Southern African Logistics division limited the negative impact of the economic recession by growing revenue by 4,9%, and operating profit by 3,4%.

Photo by Chief Photographer Dawnie Diale