

| SUPPORT SERVICES |

Still got services to offer

This mixed group manages
to stay alive despite the
odds stacked against it

It is difficult to find many themes running through this very broad sector, which is dominated by SA's largest industrial holding company, Bidvest. The company's spectacular rise to its current position has happened in little more than 20 years and is due almost entirely to its founder and CEO, Brian Joffe. It is effectively an industrial holding company, even though such terminology is hardly used on the JSE these days, as it tends to suggest a lack of focus.

Though Bidvest's fortunes were historically tied largely to the SA economy, in more recent times the group has ventured offshore in a big way. Today, the revenue split between foreign and local is about 50:50 and the earnings split is roughly 60% South African, 40% foreign.

Investors tend to buy Bidvest because of its stable revenue and profit growth. Joffe's retirement is rarely mentioned and it is difficult to imagine the company without him. But already he has made some deft moves on the succession front, with the appointment of Myron Berzack as head of strategic investments and Lindsay Ralphs as head of Bidvest SA. These and other appointments have resulted in a realignment of the management structure into smaller divisional structures.

Other companies in the top five in this sector are Net-1 UEPS (formerly Aplitech), Adcorp, Mix Telematics and Kelly Group.

One theme running through the sector is that of employment agencies, such as Adcorp, Kelly Group, Primeserv and Workforce. At this point in the economic cycle, one would expect to see a profound improvement in the fortunes of employment firms, but that's not the case. One of the reasons appears to be that many companies are reluctant to hire new staff, though the economy is in recovery.

Net-1 UEPS is a highly innovative information technology driven company whose genesis on the JSE was in the listings boom of the late 1990s. Using homegrown technology for smartcard-based payment systems ranging from taxi fares to pensions, the company enjoyed a reasonable degree of success in the early days when it was one of the darlings of the IT sector. It languished on the JSE in the wake of the dot-com bubble burst last decade, but undaunted, founder Serge Belamant gave the group a new lease of life by moving its primary listing to the Nasdaq in New York. It now has a secondary listing on the JSE.

Though investors can see the so-called "blue-sky" potential of a company like Net-1 UEPS – positioned in serving the bottom end of the market – there are risks involved. The main risk is its effective reliance on one customer, the SA government, in the guise of the SA Social Security Agency (Sassa). Net-1 UEPS also sells some hardware to a few other African states and owns a fledgling business in Iraq as well as a payment processing business in Korea. But the bulk of its revenue comes from Sassa.

Iliad's inclusion in this sector is a complete mystery, as it should logically be housed under general retailers. It is mainly a home improvement retailer. The company has experienced a fairly rough couple of years, due to the subdued conditions that have prevailed in the building industry. These conditions are unlikely to improve in the remainder of 2011, so Iliad's prospects appear unremarkable for the immediate future.

The Dialogue Group listed with a fair degree of fanfare on the AltX in 2006 with what appeared to be a compelling business model in the form of call centres. But the global recession and the impact of the National Credit Act hit it hard, resulting in the closure last year of its SA call centre operation.

Judy Gilmour

SECTORS



TOP TWO SUPPORT SERVICES

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Dec '10 Rm	Equity funds Rm
1	The Bidvest Group	3 337,0	36 701,0	48 663,6	9 754,6
2	Adcorp Holdings...	170,8	923,0	1 716,3	107,4

Source: McGregor BFA