

Wednesday, 05 November 2008

Sanyati's expansion starts to pay off

Revenue more than doubles

Bheki Mpofu

Infrastructure Editor

CIVIL engineering and construction group Sanyati's earnings grew strongly in the first six months to August as its acquisition and geographical expansion strategy began to pay off.

Sanyati, which earlier this year migrated from AltX to the main board of the JSE after hitting the R1bn turnover mark, said yesterday it was well on its way to achieving its revenue target of R1,8bn for the full year to February.

The move in July to the main board was intended to position it alongside comparable first- and second-tier construction groups.

Revenue more than doubled during the first-half period, beating ex-

pectations as it jumped 104% to R809m and generated a net profit of R41,8m — an 83% improvement from R22,9m in the previous comparable period. Headline earnings per share rose 50,8% to 13,18c.

CEO Rick Jackson said stricter control of operating expenses had seen the group maintain a healthy operating margin of 13,6%, despite the substantial increase in working capital requirements in line with the revenue growth.

He attributed the strong performance to the group's successful expansion strategy, which had seen Sanyati grow its footprint beyond its traditional base of KwaZulu-Natal.

However, many of the company's operations are still in KwaZulu-Natal and account for more than 40% of total projects. The Civils Coastal division — the largest division — was also the largest contributor to revenue, raking in R326m and a net prof-

it of R8,3m, the majority of which was generated in KwaZulu-Natal. Jackson said diversification into other provinces was proving successful.

Last year Sanyati acquired Ruthcon Civil Contractors, GEM Earthworks and the Meyker group, which were fully consolidated in the group's results for the first time in the period.

These acquisitions had seen Sanyati expand operations into Gauteng, Mpumalanga, Northern and Eastern Cape and Free State, as well as a few African countries to take advantage of the billions of rands worth of infrastructure spending.

"Our geographical footprint now spans all nine provinces in SA, increasing our exposure to government-led infrastructure development."

Jackson said the group was well positioned to capitalise on continued infrastructure spending and had secured contracts worth more than R2,1bn.

Sanyati is involved in several major infrastructure projects including the King Shaka International Airport, the Bloemfontein stadium for the 2010 World Cup, as well as projects for Eskom, Gautrain and the South African National Roads Agency.

It is also working for large companies such as Tongaat Hulett Properties, Vodacom and Richards Bay Minerals.

"Despite the global financial crisis, local committed infrastructure spend should drive ongoing growth in the civils and construction industry," Jackson said.

"We are on track to meet forecast results for the year to February and, with R1,2bn already in hand for the following year to February 2010, prospects for Sanyati look positive."