

## SAN: Small Cap Pick

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In contrast to **yesterday's article** that outlined the effects of a dismal residential property and construction market on the small cap construction companies, Sanyati's recent interim results showed for the period ended August 2008 showed revenue growing 104%, attributable profit growth of 83% and HEPS up by 51%.

Sanyati is a diversified civil engineering and construction company that offers a range of services through its various holdings that include Sanyati Civils Inland, Brick Asphalt Surfacing, Sanprop, Sanyati Construction, Sanyati Roads, and GEM Earthworks.

Over 70% of revenue is generated by the two Civils segments (Coastal and Inland), while the Building and Roads Segments contribute an aggregate of around 20%.

As well as having a fairly diversified offering, Sanyati has also recently expanded into all nine provinces and even Zambia.

Perhaps more so than the other small cap construction companies, Sanyati has been able to tap into gaining a share of the recession-proof public infrastructure spending and, thus, avoid the fallout from the residential construction slowdown. This is due in part to the group's greater focus on roads and other public infrastructure necessities and its strong BEE credentials.

Civils Road, the largest division in the group, managed to win road contract to the value of R120 million in Nelspruit and the Greenville road contract valued at R115 million during the interim period. During this period this division recorded revenues of R326 million, and still has an outstanding order book of almost R670 million.

Contrary to the company's robust developments, the SAN share price touched an all-time low of 83c a week ago and is currently trading at around 90c with historic PE of about 3.5. Given the growth inherent in Sanyati's results and the promise of its future, the historic PEG is an extremely tempting 0.06 and the forward PEG might even be lower.

There is an argument that Sanyati's earnings are at a cyclical peak (which they are), but this peak appears sustainable for at least another year if not a couple more years, as the group will carry forward into the 2010 financial year an order book of approximately R1,1 billion.

Simply these fundamentals point to the value inherent in Sanyati and, thus, in conclusion to yesterday's article SAN is the pick of the small cap construction companies at the moment.



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