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# Raubex bemoans adverse conditions despite rise in profit

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RAUBEX, a mid-tier construction group, said yesterday it was still experiencing adverse conditions in SA's construction industry even as revenue rose 12.2% and headline earnings per share shot up 17.9% for the year ended February.

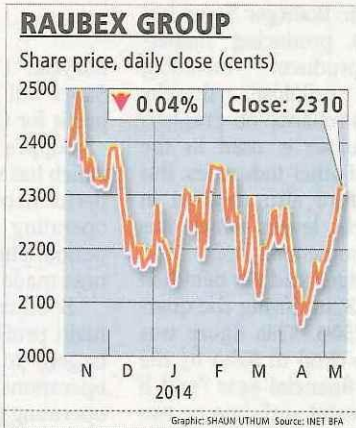
Though the order book of R6.55bn was significantly higher than the R5.23bn last year, the group said yesterday it was due to the performance of its new infrastructure unit and better construction material sales, rather than better markets.

Group operating profit margin was flat at 8.5%, with cash flow from operations down 12.5%. The cash-flow decrease was largely attributable to a Competition Commission penalty as well as an increase in the group's working capital requirements during the year.

Operating profit rose 11.6%, but normalised operating profit was down 0.5% to R539.9m, mainly due to a R58.8m provision for an industry settlement process over collusion, payable to the Competition Commission during the previous year.

"The past year has been a challenging one for the construction industry, characterised by extremely competitive trading conditions, particularly in the road construction space," said CEO Rudolf Fourie.

"Strong performances from our materials operations and (the new) Raubex Infrastructure (division), which has now successfully established its presence and reputation in the marketplace, have helped mitigate the impact of a difficult local



operating environment."

The group consists of construction and materials divisions. Construction specialises in all aspects of road construction, rehabilitation, and related infrastructure development, including bulk earthworks, services, concrete structures and asphalt surfacing.

Raumix, the materials division, specialises in supply of aggregate and mobile crushing facilities for remote project sites and provides materials handling and screening services for mining.

The new infrastructure construction unit's capabilities include electrical and renewable energy projects, railway, telecommunications, pipeline and housing infrastructure. Mr Fourie said key Raubex customer the South African National Roads Agency was still spending, but that the new

Full Year	2014	2013
Revenue (Rbn)	6.32	5.63
Pretax (Rm)	534	477
Net Income (Rm)	380	319
Diluted HEPS (c)	183.8	155.8
Dividend (c)	65	65

infrastructure division "saved us" because the road margins were "very narrow". But he said "good progress" had been made in growing the group internationally, with good contracts secured in Zambia and Namibia.

He said the order book was at the highest level yet, both for projects in SA and the rest of the continent. The group was looking to derive 15% of revenue and profit from the rest of Africa from next year, he said.

"The group has maintained a strong balance sheet and cash position during the year and, looking ahead, we will focus on acquisitions that strengthen our vertically integrated model and on growing our order book with improved margins."

Avior Research analyst Dirk Noeth said the results were "okay" and that the R1.32bn rise in the order book was positive. "But it is slow and steady, rather than shooting the

lights out next year," he said.

Raubex inventories shot up 71.2% to R420m as a result of a strategic increase in bitumen and aggregate stock on hand, and also the inventory requirements of bitumen producer Tosas, R75.2m at year-end.

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**“ The company will focus on acquisitions that strengthen our vertically integrated model**