

MAZOR MAINTAINS STRONG GROWTH DESPITE ECONOMY

JSE-listed construction group Mazor successfully navigated the tough market conditions to continue delivering healthy bottom line growth for the six months to August 2009 ('the period'). A scalable and adaptable business model proved a competitive advantage enabling the group to weather challenging conditions, with Mazor embarking on geographical expansion and continuing to diversify its product offerings. A share buy-in by private equity specialist Global Capital saw a cash injection of R27 million and the introduction of a proven growth partner to boost the group's diversification and acquisition strategy.

Revenue of R180,2 million was up 46% on the comparative period's R123,6 million, while operating profit increased 70% to R48,3 million. Net profit was up 30% to R32,2 million generating headline earnings per share of 29.19 cents, 41% higher than the comparative period. Core headline earnings per share increased 54% from 20,75 cents per share to 32,03 cents per share. (Core headline earnings are calculated after adjusting for the share-based payment that arose as a result of the Global Capital transaction.)

CEO Ronnie Mazor says: "The flexibility of our business model has allowed the group to shift focus from hard-hit regions in the country to high growth nodes both in and outside of South Africa that offer stronger prospects." To illustrate this he explains that while the group's traditional base – the Western Cape – is suffering a weak economy, expansion into Port Elizabeth and Gauteng paid off with these regions less severely affected by the economic downturn and benefitting from public and private sector spend, the latter albeit at a slower pace than previously.

Further, the group is actively targeting Africa where large-scale projects have the potential for higher margins. "We are making inroads into Namibia and Angola where we have indentified a solid pipeline."

Founding businesses Mazor Steel and Mazor Aluminum continued to perform well. "Our growth strategy in these two divisions is working," he says, "with both together still accounting for the lion's share of group revenue and profits." The divisions continue to target major, profitable projects such as high-rise buildings, hotels and similar large-scale works. Mazor Aluminium is the recognised specialist in the country in exterior glass façade cladding.

The relatively new Glass division fared well too, recording a steady increase in revenue. Ronnie Mazor says the group is successfully capitalising on increasing demand for glass driven by 'green awareness' and a need for cost-effective alternatives to traditional building materials. The Gauteng Glass operations settled well and Ronnie Mazor points out that Mazor used the weak economy to its advantage in this division by securing highly skilled personnel to support future growth.

He is pleased at the investment by Global Capital, reflecting, he says, the confidence of a market expert in the group's business model, management and prospects despite the prevailing economic landscape. Since listing in 2007 Mazor has successfully diversified into the high-growth glass sector and has achieved significant geographical expansion from its Western Cape base into Gauteng, KwaZulu-Natal and the Eastern

Cape. Ronnie Mazor says Global Capital will only add value to this strategy, as well as guiding and consulting on further product diversification for additional differentiation.

Looking ahead he says the group has a firm platform in place to maintain its growth and continue delivering superior shareholder returns. “Strategically we are confident of the direction we are taking, while financially we have a healthy balance sheet and are cash flush.” In this light he concludes that acquisitions will be a definite initiative going forward.

Mazor’s share closed yesterday at R2,78.

Ends.

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