

TOUGH BUILDING ENVIRONMENT IMPACTS MAZOR RESULTS

The move by JSE construction materials supplier, Mazor Group (“Mazor”), to counter the impending construction gloom through diversifying both geographically and into complementary niche markets played out well in the year to February 2010 with the relatively new Glass division gaining market share. The Steel and Aluminium businesses were impacted by the hard-hit domestic construction sector in the wake of the global financial crisis, reporting a drop in revenue and profitability for the year.

Overall group revenue declined 7,5% to R273,5 million. Accordingly net profit reduced to R33,8 million from R63,6 million in 2009, which translated into earnings per share of 29,7 cents down from 52,1 cents. The group ended the year with a strong cash holding of R129,5 million, substantially up from R110,7 million at the end of the previous year. The group declared a dividend of 18,1 cents per share comprising 10,9 cents in line with the group dividend policy and 7,2 cents as part of a special dividend.

CEO Ronnie Mazor is realistically subdued about the performance and short-term prospects for the Steel and Aluminium businesses: “The year got off to a promising start with a number of large-scale contracts in the offing and is anticipated to kick off in the second half of the year. Unfortunately a tightening of credit availability in the market in the second half of the year made it difficult for private sector developers to source project funding, which saw these contracts either cancelled or delayed for the foreseeable future.” To proactively counter the reduced workload Mazor Steel & Mazor Aluminium were streamlined which necessitated contained retrenchment of personnel, with once-off severance costs impacting on group earnings.

The *Glass Division*, still in its infancy, allocated personnel and resources well to its growing project pipeline. Ronnie Mazor explains that the deliberate shift in focus away from construction and into alternative industries such as motor, industrial and furniture was in large part responsible for the division’s increased market share. “Further, growing demand for ‘green materials’ as an alternative to traditional building materials gave added impetus to growth.” 2009’s expansion into Gauteng settled nicely, leaving the division free to expand further in the current financial year, this time into Port Elizabeth.

Of the R27,3 million investment by private equity specialist Global Capital in August 2009, Ronnie Mazor says: “Proactively acquiring a 10% stake in our group at a tough time in the industry and economy affirms Global Capital’s confidence in our business model and more importantly, our management team.”

Effective April 2010 Mazor bought a 50% interest in Hulamin Business Systems (“HBS”) for approximately R32,6 million. Ronnie Mazor says he is comfortable with the purchase price in light of the strategic value of the client base and distribution channels to Mazor’s Aluminium operation going forward. “The acquisition exposes Mazor to previously untapped sources of new business which can also offer cross-selling opportunities to the benefit of the group’s other operations.” He is optimistic that Mazor’s long-standing expertise in the aluminium supply sector will succeed in effecting a turnaround of the HBS business by 2011 to drive financial benefits for the group from then onwards.

Looking ahead Ronnie Mazor says the group will stick to its guns in watching expenses and controlling working capital for organic growth in the still challenging times anticipated in 2010. “We will further focus on well-priced and risk-averse acquisitions that entrench and expand Mazor’s presence in growth nodes in South Africa as well as advance our listing strategy to target materials rather than services supply for higher margins.” To this end securing sources of raw materials will remain a priority. He is positive that the cloud of economic doom should lift over the construction industry in 2011.

Mazor’s share closed yesterday at R2,15.

Ends.

Issued by: Sunet Grobler/Michèle Mackey
(011) 325 5944 / 082 497 9827

On behalf of: Mazor Group Limited
Ronnie Mazor, CEO
(021) 556 1555 / 082 324 7215

Share Code: MZR

Issue date: 19 May 2009