

Ellies Holdings earnings down 40.9% to 25.09c

Electronics group Ellies Holdings has reported a 40.9% decline in its interim headline earnings per share (HEPS), which it ascribed to the end of an Eskom contract that had boosted its results in the previous periods.



Wayne Samson says Ellies earnings were hurt after the Eskom contract came to an end. Image: Ellies Holdings

HEPS for the six months ended October were down from 42,6c to just 25.09c.

It said the period had been "challenging" for the group, a manufacturer, wholesaler, importer and distributor of electronic products in diversified sectors in the local and African markets.

"Although the results are disappointing, we look forward to the next six months and further growth in the business," said chief executive Wayne Samson.

During the previous period, Ellies said, it had enjoyed the majority of the benefits derived from the Eskom consumer programme. This contributed substantially to the group's comparatively strong growth, when EPS rose from 21c to 43c. With the end of the contract, the earnings are now reflected in the comparative fall to 25c.

"Notwithstanding this, the core business of the group, excluding the Eskom impact, achieved satisfactory growth in revenue, albeit at a 3% drop in gross margin," it said.

Cancellation of Eskom project hurt results

Revenue declined by 3.8% from 1.126bn to R1.083bn, while net profit after tax fell 40.9% to R76.12m - down from R128.79m in the preceding quarter. Operating profit decreased by 38.6% to R116.4m.

The group noted that the consumer goods and services division's revenue fell 9.7% to R677.4m.

However, if the contribution from the Eskom residential mass roll-out project for solar panels were to be deducted from the comparative periods numbers, as well as the contribution made by OpenView HD (OVHD) sales to the current period, the core business in fact grew revenue by about 20%, which Ellis said was a satisfactory increase considering the depressed consumer market.

The infrastructure division showed a 10.1% increase in revenue to R406m, in part due to the purchase of Botjheng Water, but operating profit in the division fell 21.6% to R47.2m because of costs associated with various projects and a R1m loss from Botjheng Water.

Ellies expects the tough trading environment to continue, but says its diversification into new products and ventures will help to build on its existing skills, infrastructure and customer base. Samson said the focus would be on increased local production and research and development projects.

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