

# Alexander Forbes retail card lifts profit

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After trading lower for most of Monday, the market gave financial group Alexander Forbes' share price the thumbs up on its first results since relisting, as the group lifted operating profit by 10% in the year to end-March...



Alexander Forbes. Photographer: Martin Rhodes

The share price was flat in the early morning after the results were released, but drifted 1.5% lower during the day. It closed 0.56% higher at R8.90.

Analysts said the results were "according to expectations" and "solid", but that Alexander Forbes traded at a high valuation.

Alexander Forbes relisted on the JSE in July last year at R7.50 per share and has steadily climbed to a high of R11.49 in February.

The listing marked the end of a seven-year period of private equity-controlled ownership.

Momentum Wealth portfolio manager Wayne McCurrie said the results looked fine but share price appeared expensive.

"With operating income up about 10% to March, an improved operational result may be necessary."

He said it was difficult to justify the results on the historical price:earnings of 36 at which the group was now trading. "The dividend was also small."

He said when a share price did not react much after results were released it indicated the market was reasonably happy about the results. "But I would adopt a wait-and-see stance before I buy at these levels," McCurrie said.

Alexander Forbes' operating profits from continuing operations, before non trading and capital items, rose 10.4% to R1.13bn. A cash dividend of 12c per ordinary share was declared. Net operating income from continuing operations, net of

direct expenses, increased 12% to R4.9bn.

Group CEO Edward Kieswetter described the present results as a watershed for Alexander Forbes.

"It is now a focused core group of companies with a clear strategic intent of delivering financial services to SA, the rest of Africa and the UK."

PSG Wealth financial analyst Adrian Cloete said the results were solid with income higher than initially forecast. "But they were complicated by the large number of normalised items."

SA's financial services still remain the main focus of the group, with divisional operating profit before direct expenses increasing 9% to R1.8bn, however profit from operations was up only 2%.

Kieswetter said this reflected the group's investment in growth strategies, specifically in the retail part of the business, where it strengthened its distribution.

Compared to Coronation Fund Managers, which reported lower earnings for the first time in seven years last month, Investment Solutions' asset management division delivered a credible performance, with profit from operations growing 13% to R407m. Assets under management increased by 13% to R322bn.

Alexander Forbes Insurance grew profit from operations by 19% to R105m. In Africa the group's AfriNet division increased profits by 25% to R60m.

Cloete said: "Alexander Forbes has safe, defensive earnings and is cash generative."

**Source:** BDpro

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