

Ellies Holdings first half earnings 20.98c

Ellies Holdings, which manufactures and distributes electronic products related to television reception, on Tuesday, 24 January, reported a 38.8% rise in headline earnings per share to 20.98 cents for the six months ended October 2011 from 15.12 cents previously.

Revenue was 10.5% higher at R721.2 million and profit after tax grew to R62.375 million from R46.015 million. No dividend was proposed due to short term funding requirements to support working capital needs.

CEO Wayne Samson said the results were driven by a strong recovery in Megatron - Ellies' infrastructural electrification segment.

Ellies reports results in two segments - wholesale consumer goods, which houses the Ellies and Elsat brands, and infrastructural electronics which incorporates Megatron.

The wholesale consumer goods segment contributed R466.3 million, or 65%, to total revenue, while the infrastructural electrification segment contributed 35% to total group revenue.

Samson added that cost containment, changes in the satellite pricing and distribution models and a recovery from Megatron ensured that profitability at the gross profit, as well as EBITDA level, was greatly improved.

EBITDA increased by 33.6% to R105.5 million, while net profit before taxation increased 30.7% to R87.4 million.

The group's capital demands, additional investments in plant and equipment and the construction of new production facilities on existing land and buildings has been financed through the additional gearing.

Negotiations are being finalised with the group's bankers for the restructuring of short term funding into term debt.

Looking ahead, Samson said the group would continue to diversify through new product development and continued alliances with strategic partners.

An exciting development for Ellies is the roll out of Digital Terrestrial Television (DTT) in South and Southern Africa.

"We have chosen strong strategic alliance partners with whom to roll out the DTT migration and given our current market share, Ellies is well placed to make a success of the migration just as we have with other such major conversions," said Samson.

Ellies has also entered the renewable energy sphere. The starting point is renewable energy components for household consumption and market penetration into this segment has been well taken up.

It has the ability to manufacture, install, project manage and monitor complete self sufficient energy in houses, buildings and office parks.

It has established a close working relationship with Eskom in an effort to assist communities where power is required and can be offered through alternative renewable energy solutions from Ellies.

"We envisage that through continued weakening of the Rand, greater penetration into the African market of our wholesale consumer goods will be possible.

"Through our strong manufacturing ability and capacity we are well placed to penetrate Africa through exports," said Samson.

SkyeVine has been slow to achieve the initial objectives and management has adopted a conservative approach to its future involvement.

Megatron's growth is supported by a strong order book and opportunities at home as well as in southern Africa, continue to present themselves.

These include alternate power solutions, the building of and installation of telecommunication towers and infrastructural data centres.

In these areas of expansion substantial alliances with international technology and product leaders have been secured.

Megatron's traditional business of custom built power generation plants, within the housing and municipal environment, continues to recover.

"The Ellies group is poised to extract benefit from Eskom's rollout of renewable energy saving products as well as by the take up by domestic households to be more responsible in their consumption of energy.

"Furthermore Ellies remains in a strong position to benefit from the imminent roll out of DTT migration. The recovery of market conditions for Megatron bodes well for the future of this division," concluded Samson.

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