

Iliad aims to capitalise on improvement in market

Iliad Africa Limited, the general and specialised building materials group, recently announced its interim results for the six months ended 30 June 2013. The building materials supply industry remains competitive and although it has been challenging to operate in the industry over the past few years, the company's ongoing focus on procurement and improving cost structures has countered these conditions to some extent.



Key financial features:

- Revenue up 0.4% year-on-year
- Gross margin percentage is maintained 26.7%
- EBITDA on continuing operations of R77.7 million
- Earnings loss per share of 39c

Eugene Beneke, CEO of Iliad, put the fall in earnings into perspective saying: "The results include the fair value adjustment on available for sale assets of R70.2-million relating to the disposals of the Timber Wholesale and Ceramics businesses, a loss on disposal of business components to the value of R6 million relating to the Ceramics Cash & Carry businesses as well as restructuring cost of R14.7-million in respect of the rationalisation of two underperforming stores."

"As a result, a sound remaining portfolio is well positioned for future growth," Beneke added.

Operational overview

The General Building Materials (GBM) Division launched the group's monolithic brand, BUCO, which was completed on schedule and within budget, at the end of June 2013. Subdued revenue trends in both the inland and coastal regions attributed to the slight decrease of 0.3% in the division's revenue. This is further exacerbated by the fact that the residential market remains challenging. However, the improved revenue trends experienced in the second quarter is continuing in the third quarter.

The GBM Division's inland businesses experienced strong performances in the Free State and the Northern Cape in the second quarter. In addition, the challenges faced in the mining industry impacted the North West region to a certain extent. Regardless of the subdued revenue growth figure within the GBM Division, Iliad is set to open two new stores in Mpumalanga. Revenue growth along the coastal operations experienced an increase of 1.3% which in part is attributed to commendable performance in the Eastern Cape.

The Ironmongery business within the Specialised Building Materials (SBM) division's retail business delivered another solid result and an improvement in the Wholesale business included notable results from Equipment Hire and the Boards businesses, contributing to the 1.7% increase in revenue growth. After the various disposals in 2013, the remaining SBM portfolio has the potential to deliver enhanced performance trends going forward.

Prospects

Beneke confirms the improved quarter two revenue growth trend is continuing into the third quarter of 2013, although the

challenging trading environment is expected to continue. The first seven weeks since 30 June 2013 reflected an increase revenue for the future portfolio of approximately 5% on that of the comparable period in 2012. Iliad will continue to pursue effective procurement which will assist in sustaining the gross margin. In an attempt to partially negate cost associated with investing in key strategic initiatives, the group remains focused on the management of its expenses.

The group aims to achieve a sustained future growth through various strategic initiatives including the balancing of its portfolios, expanding locally through organic and acquisitive growth, building the BUCO brand and a continuation of its IT platform integration across the group.

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