

Metair's results bolstered by Mutlu Akü deal

By [Mark Allix](#)

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Metair, a manufacturer and distributor of mainly automotive products, saw its Mutlu Akü vehicle and industrial battery company in Turkey significantly bolster group revenue for the six months to June.



Metair's Theo Loock says the investment in Mutlu Akü added R880m in revenue to the group. Image: Metair

Revenue rose by 32% in the interim period and operating profit was up 16% to R319m. Cash generated from operations was up by 48% to R335m.

Metair bought Mutlu Group last December for R2.9bn. The main Mutlu Akü unit is a leading lead-acid battery manufacturer and distributor in Turkey and the Middle East. The JSE-listed group - an original equipment manufacturer (OEM) that sells to vehicle manufacturers, as well as to the replacement and aftermarket segments - said its latest results included the Mutlu Group contribution for a full interim period for the first time. It added R880m to overall revenues.

An automotive OEM allows vehicle manufacturers to buy OEM components and parts rather than produce these themselves.

Metair's Managing Director Theo Loock said the rise in Metair's revenue came from Mutlu Akü. "Lower hard currency debt levels, strict cost management and a drive to leverage group synergies had seen Mutlu Akü turnover rise 500% in the period," he said.

"The integration of Mutlu Akü is progressing according to plan and remains a key pillar of Metair's strategy to derive 50% of business from OEMs and 50% from the aftermarket (or non-OEM suppliers) - and 50% of overall business from batteries," Loock said.

Interim results distorted

But Metair also said its interim result was "distorted" as Mutlu Akü traditionally earned the bulk of its profits in the second half of the year during the European winter.

This meant that despite Mutlu Akü's outstanding "first half, the dilutionary effect of an additional 46.4m shares issued to buy Mutlu Group, along with acquired debt of R1.35bn, resulted in Metair headline earnings per share for the period falling 16% from the same period last year.

In addition, the performance of the OEM segment was disappointing as continued labour disruption had destabilised SA's automotive manufacturing environment.

Meanwhile, internationally a failure by manufacturers to meet new carbon emission standards due in 2016 led to a decline in vehicle output and higher import duties in parts of Africa reduced vehicle exports.

"The market's sell-down of Metair Investments on the release of its (first-half) results is a function of the 16% cut in earnings as Metair copes with 30% higher shares in issue and a large debt pile after the successful acquisition of Mutlu," said Anthony Clark, Small and Medium Company Analyst at Vunani Securities.

Metair a rand-hedge stock



Mutlu's batteries are being used to store solar energy in a new house being built in France. Image Mutlu.

"If you look at the 'bigger picture' Metair has diversified much of its risk away from SA but has kept much of its localised benefits via the Automotive Production and Development Programme. Metair is now a rand-hedge stock with access to new growth markets backed by conservative, disciplined management," Clark said.



Vunani Securities' Anthony Clark says that Metair can now be considered a rand-hedge stock by South African investors. Image: Twitter

The group is exporting to about 46 countries, and says demand remains strong in major export markets such as the Middle East, Africa and Russia.

Its non-automotive business includes products for telecommunications, utilities, mining, retail and materials handling.

In August 2012 the group bought a 99% stake in Rombat, the largest lead-acid battery manufacturer in Romania. The R440m purchase gave it its initial complementary technology platforms and access to Europe's vehicle markets.

Rombat and Mutlu Akü sell products to aftermarket customers in Romania, Turkey, Europe and the Middle East, as well as to OEMs in Romania, Turkey and Russia.

Metair has since introduced "start-stop" battery technology in these companies.

This allows vehicles to switch off instead of idle when stopped, in line with mainstream European pollution laws.

During the period the group increased its shareholding in Mutlu Akü from 75% to 96.7%.

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