

Group Five to dispose of its manufacturing cluster

By [Karl Gernetzky](#)

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Group Five's share price was little changed on Tuesday, 7 November, despite the company providing additional details on a turnaround strategy first announced in October.



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The construction group said in a strategy update it would dispose of its manufacturing cluster - some 10% of its business - as it shifts away from its historical focus on construction, towards infrastructure and investment.

Group Five's share price shot up 14.5% on October 6, when the reformulated strategy was first announced, but has had a turbulent year. The small-cap company underwent a major shake-up in July, after its board was reconstituted at the insistence of shareholder Allan Gray.

Group Five's share price has lost 52.57% so far this year, its largest decline since 1992, but was unchanged at R11.65 at 10.42am.

Despite manufacturing being a strong performer, management was evaluating multiple expressions of interest received, Group Five said. The group's construction cluster, which gets 57% of its revenue from SA, continued to face significant headwinds and would migrate to smaller, streamlined businesses.

"As Group Five's exposure to basic construction is being scaled down, the group will benefit from reduced balance-sheet requirements, less operational execution risk and improved capital risk management," the company said.

The group had finalised its preferred strategy for the investments and concessions cluster but, again, was evaluating expressions of interest regarding various infrastructure development opportunities. A final strategy will be communicated in due course.

Source: BDpro

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