

Afrimat to feel pinch of economic slowdown

Afrimat, after mostly shooting the lights out in its results over many years, appears at last to have been stymied by the poor South African economy.

By [Mark Alix](#) 20 Oct 2017



It seems a long-running and almost continuous improvement in earnings due to the group's diversification strategy, as well as cost reduction and efficiency initiatives, has also been slowed by heavy rain in March and a cluster of public holidays in April.

The supplier of industrial minerals and construction materials expects headline earnings per share for the 12 months ended-August 2017 to rise 5%-10% from the same period in 2016. This comes after headline earnings per share rose 25.4% in the year ended February 2017 from 2016.

The share lost 0.97% to close at R28.50 on Wednesday.

"At the Afrimat [annual general meeting] in early August ... it was undeniably clear that the company would have a weaker-than-expected [first half] 2017 and that the share price ... was fully valued as it was priced for perfection," Vunani Securities analyst Anthony Clark said on Wednesday. That "lack of perfection duly came" with headline earnings per share growth only 5% to 10% higher. He said that on a price-earnings of 14.3 "the counter still looks a bit full".

Clark's sell recommendation in early August saw the stock lose 12%. It had since clawed that back.

In September, Afrimat's construction index — compiled by economist Roelof Botha — for the second quarter of 2017 was affected by low levels of business and consumer confidence. This was mainly from a series of political shocks, including major staff changes at the Treasury and significant losses at a number of state-owned enterprises. Now, uncertainty in the economy has been made worse with President Jacob Zuma's surprise shuffling of the Cabinet.

But Afrimat's most recent index showed that despite such policy uncertainty acting as a constraint on economic expansion, SA's construction activity only declined marginally in the second quarter.

Source: *Business Day*

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