

Barloworld earnings up 26% in tough conditions

By [Mark Allix](#)

20 Nov 2013

Barloworld saw headline earnings per share (HEPS) rise by 26% in the year to September, despite a wobbly global mining sector and SA's construction industry still largely stagnant.



Barloworld put in a strong performance with its equipment division showing nice results says CEO Clive Thomson. Image: Barloworld

The equipment division's results were boosted by the recent purchases of the Bucyrus distribution businesses in southern Africa and Russia. These businesses performed ahead of expectations, even as global mining companies reduced capital expenditure.

Barloworld, is a supplier of heavy earthmoving and power systems as well as an integrated rental, fleet management, product support and logistics provider.

The maintenance functions across its diverse business means that despite external market conditions, annuity income continues to stream in.

"The automotive and logistics division delivered a strong result with all business units performing well ahead of the previous year," chief executive Clive Thomson said.

Revenue and profits rise

"We continued our strategy of allocating capital to higher-returning businesses and were successful in concluding a number of important acquisitions and disposals in the period," he said.

Group revenue was up by 11% and operating profit rose 18% to R3.53bn. This allowed Barloworld to declare a year-end dividend that was 27% higher than last year's dividend.

The group said working capital levels were reduced significantly in the second half, lowering the net debt-to-equity ratio at year-end from 77% to 47% in the first half.

In the equipment division, the Bucyrus southern Africa distribution businesses bought last year performed well and this division remained earnings accretive in its first full year of operation.

Dominic Sewela, chief executive of Equipment Southern Africa, said the Bucyrus acquisition had complemented the Caterpillar heavy equipment range - and had not detracted from Caterpillar sales - adding hydraulic and rope shovels to the mining and earthmoving machinery mix.

Domestic infrastructure development slow

Sewela said the government's promise of significant domestic spending on many strategic infrastructure projects was still not forthcoming.

The group said the Russian surface and underground mining products business had significant long-term growth potential.

However, following the sale of group handling businesses in the US and UK last year, Barloworld had now disposed of its



The purchase of the Bucyrus operation is paying dividends for Barloworld shareholders. Image: [Boundary Equipment](#)

handling business in Belgium, and was in the process of selling its handling business in The Netherlands.

In the automotive and logistics division, the company said it continued to grow Avis Fleet Services in Ghana off a small base. It also bought the 25% minority share in its Lesotho fleet services operation.

On the motor retail side Barloworld bought the 49% minority share of its Toyota Stellenbosch dealership, while disposing of the Ferntree Gully dealership in Australia.

Thomson said Barloworld saw big opportunities arising in abnormal load transportation in southern African markets in future.

For more, visit: <https://www.bizcommunity.com>