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Stefanutti interim results: Willie Meyburgh - CEO, Stefanutti Stocks



'The share price should have gone up, not down 5%,' says Wayne McCurrie.

ALEC HOGG: Stefanutti Stocks CEO Willie Meyburgh is with us in the studio this evening. Willie, turnover up 56%, headline earnings per share up 23%. The acquisition of Stocks now coming through, a company-changing deal - and it seems to have really paid off.

WILLIE MEYBURGH: It has really paid off for us. The Stocks transaction - six months of that came through for this period now, and the whole merged process worked out very well for us. We've established ourselves now as one of the top-tier companies, and the name and the brand has started coming through as well.

HILTON TARRANT: Your margins, though, because of the type of work you do, a lot tighter than your competitors.

WILLIE MEYBURGH: Ja, I wouldn't say a lot tighter, but you must understand that a large portion of our turnover comes from the building section and they normally produce lower turnovers. But they contributed quite healthily towards earnings.

HILTON TARRANT: Willie, looking at the future, which areas? You've got big segments. You've got structures, you've got your building segment, and you've got your road and earthworks division. Which areas is growth going to come from?

WILLIE MEYBURGH: Definitely from the road and earthworks division. We want to double the turnover in the immediate future. Then we also look at the mechanical and electrical and power. We see great opportunities there. Basically what we want to do, we've got a number of our business units where the turnover is less than a billion, and in the short-term future we would like to get those business units to be in excess of a billion, because those also have double-digit operating profit, and that is our strategy. And we certainly believe there are markets in South Africa, and also in southern Africa, where we can achieve those margins.

HILTON TARRANT: What's really exciting, phase two of the Gauteng Freeway project coming on board in 2012. Just as we thought the roadworks were ending here in Gauteng there's going to be another chunk of work.

WILLIE MEYBURGH: Well, we all trust and believe that Sanrail will find the necessary funding and all indications are that they are on track to get that. And in 2012 hopefully that will start. It will bring in excess of R20bn to the market.

HILTON TARRANT: Willie, is it much more competitive in the market to try to obtain the tenders?

WILLIE MEYBURGH: What we find in the last year is that the number of the projects that now come out to tender are a lot less, and we also find the competition's a lot fiercer, the pie is now much smaller - and that puts pressure on margins.

HILTON TARRANT: Are you likely to continue sacrificing those margins into next year?

WILLIE MEYBURGH: We believe it will continue for at least another year. That's why we are looking to see other markets, especially in Africa, where we get good returns. And we've been there for many, many years in countries like Mozambique, Swaziland, Botswana, Angola and also Zimbabwe. We'd like to continue and even grow that even further.

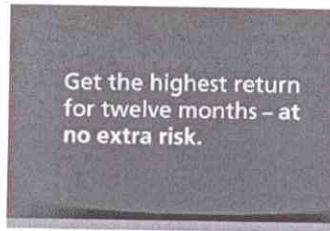
HILTON TARRANT: Internationally you do have a presence in Dubai and the Middle East. What's the situation like there? One of our analysts who is joining us on the show tomorrow evening was actually on the ground there last week, and he was telling us that projects literally stopped completely overnight.

WILLIE MEYBURGH: Ja, it's very quiet in Dubai at the moment. But there was an article in the paper not long ago, in actual fact last week, that they wanted to spend an amount of - I think it's R46bn, R47bn on infrastructure, and we have recently established an operation there that will specialise in general construction. And within the next year or two we certainly believe that we will get the benefit from that, because that market will also at some stage recover.

HILTON TARRANT: Stefanutti Stocks CEO, Willie Meyburgh. Wayne, definitely a good performance.

WAYNE McCURRIE: Look, I think it's a very good performance, and I'm quite surprised the share price went down today. It was down about 4%. Obviously the building and construction area under pressure. We know all the stories - government's not paying, can't find funding. But the order book looks good and I think the most important of the whole lot is that this company is a 6 P/E ratio and a 5% dividend yield. In other words, given those results and the current rating, the share price should have gone up, not down 5%.

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