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 site  archives  Advanced Search
**Home****News**

- Front Page
- Economy & Business
- National
- World
- Companies
- Markets
- Mining
- Sport
- Personal Finance

**Opinion & Analysis**

- Comment & Analysis
- The Bottom Line

**Summit TV**

- Transcripts

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- Motor News
- Homefront
- Property
- Technology @ Work
- Business Travel
- Auctions

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- Online Courses



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**Stefanutti Stocks**

**Presenter:** Erika van der Merwe    **Guest(s):** Willie Meyburgh

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Summit TV speaks to Willie Meyburgh from Stefanutti Stocks about the bigger company and their strong performance headline earnings up almost 80% and a dividend for shareholders

Erika van der Merwe: The inclusion of Stocks into their results for seven months helped boost Stefanutti Stocks' financial performance for the full year to February 2009 despite the earnings dilution created by the issue of nearly 40 million new shares to fund the acquisition headline earnings per share jumping close to 80% and maiden dividend of 58 cents was declared. Willie Meyburgh is chief executive of Stefanutti Stocks. Willie, congratulations on the bigger company and your strong performance. The inclusion of Stocks makes it difficult to gauge the actual performance of the company - can you give us an idea on a like-for-like basis what sort of growth you saw over the financial year?

Willie Meyburgh: First of all I'd like to say that the acquisition of Stocks worked out exactly as planned - because we wanted to get access into the Gulf region, we wanted to increase our visibility to be in the top two of the construction industry, to bolster management, also to improve our BEE credentials - and all that worked out very well. If you look at the contribution of the seven months of Stocks - what they added to the order book they grew the building division by 245%, the structures division by 100%, roads and earthworks by 115%, and mining services that includes mechanical, electrical and open pit contract mining by 75% -so there was a good organic growth and also good growth with the addition of stocks.

Erika van der Merwe: Is this the kind of growth that we can expect to continue more or less?

Willie Meyburgh: I think that's exceptional. We certainly still see good growth in certain areas especially in the roads and earthworks division, and in the mining services division - and we are also looking at growth in the Gulf region. Going back to mining services - within that unit we have mechanical and electrical, and we've now also opened an operation that will concentrate on power distribution and power transmission where we see a good market in that - and in roads and earthworks we also see good growth in that. Then we've also opened up a unit now in the Gulf. Previously we had two businesses there - the one was Al Tayer Stocks basically interior fit-

out, the other Zener Steward Electromechanical. Now we would like to go into construction not necessarily in Dubai but in Abu Dhabi, Qatar and Oman where we see opportunities...

Erika van der Merwe: It's very clear that you've been very busy - just listening to that makes me tired. It's clear that it's a hugely diversified business and from the divisions that you've described - roads, earthworks, piling, technical services, electrical, etcetera - what is the relative performance you've seen in the business between the public sector and private sector?

Willie Meyburgh: In the financial year that now finishes with a February year end a lot of the work came from the mining sector, government work, and the private sector. We can see a definite shift into parastatal and government work - and there is still a fair amount of work in the private sector. That's where the income is going to be coming from this coming year. In the previous year about 20% of the turnover came from outside South Africa - this year we see it going up between 30 and 35%. The operations in the Gulf region are small relative to the whole business - it's less than 10% - but we expect good growth in that area as well so we are aiming for turnover of between R8billion and R9billion this coming year.

Erika van der Merwe: Did I hear correctly that you're expecting growth in the regions outside of South Africa to be faster than within South Africa?

Willie Meyburgh: Not necessarily. We expect growth in work outside - what we are saying is that there is going to be more work for us outside South Africa. We are very active in countries like Mozambique, Zambia, we've been in Zimbabwe for the last two years, we are also in Angola - and we are looking in other areas in Africa as well. The projects are all lucrative...

Erika van der Merwe: Just touching on that you also said that your private sector business will continue to grow and you will see income from there...

Willie Meyburgh: We definitely see that there is still investment in the private sector - the concern however is that the funding of these projects might be a problem. So far the indications are that the projects will go ahead -but one is always nervous of what's happened over the last six or seven months.

Erika van der Merwe: You're not that nervous because you declared a dividend of 58 cents and your first dividend ever - that puts you on a dividend yield of just under 7% that's pretty attractive compared with the big construction stocks - what is your dividend policy?

Willie Meyburgh: Our dividend policy is a maximum of three times cover - we would like to do that as long as possible and we believe we will do that this year as well.

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