

Business Times TOP 100 COMPANIES

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TOP COMPANY: CAPITEC

On fast track to success

CEO strives for perfection, writes THEKISO ANTHONY LEFIFI

CAPITEC Bank has dominated the Top 100 Companies list in the past three years, much like Ferrari once dominated Formula One.

The group's CEO, Riaan Stassen, is a devout Ferrari fan and draws his leadership style from the racing team's management principles. It has helped him build his retail bank into an outfit that beat all the other JSE-listed companies in the race to the top of the Top 100 Companies list.

Capitec was ranked first in 2010 and second last year.

An investment of R10 000 in Capitec five years ago was worth R64 597 at the end of September this year. This represents an annual compound growth rate of 45.23%.

Stassen and his team, which he has led without major changes since the bank's inception 11 years ago, is "driven to perform".

The bank's management strives for perfection, much like Ferrari's team on the race track. Stassen, who owns a Ferrari and has been to the factory in Italy, attends at least one Grand Prix a year. He lauds the racing team for their constant support for their drivers. This is something he tries to implement in his Stellenbosch-based group.

"A hundredth of a second can make a difference between pole position or second," he said.

This philosophy has helped the bank differentiate itself from its peers. It is regarded as the master in the unsecured loans segment, beating the traditional big four banks to the point that some of them started to emulate its branch structure and model.

Capitec Bank's founders are not shy to say they spotted an opportunity caused by the

The difference between a rich and poor person is in the way they manage their money

apartheid regime. Before 1994, most underprivileged groups had to fund long-term assets by a combination of savings and short-term loans, which led to most of the houses or property in South Africa not being securable in a traditional bank's framework. Most rural houses are on tribal land and without title deeds.

In urban townships, houses have been renovated over time,

mainly by informal contractors, making it difficult for traditional banks to assess their property value.

Capitec is of the view that banks will effectively be carrying on the old apartheid approach if they continue to focus on secured lending.

Stassen expects the unsecured lending market to grow. Capitec currently offers up to R230 000 in unsecured loans and he hopes it will be able to offer a R500 000 non-asset-backed loan one day.

He said secured and unsecured loans must be viewed differently in the South African context, where only 1.6 million houses are mortgaged.

Capitec Bank, which is signing up about 90 000 new clients a month, will not be entering the secured lending market any time soon, nor will it dip its toes in the investment wealth or corporate market in the near future.

According to the bank, the difference between a rich and poor person is in the way they manage their money, not in banking needs.

Stassen has hopes of seeing Capitec go into markets such as India. He would like to enter other regions with partners who will provide lower cost of access to distribution, like a retailer or a telecommunications company.

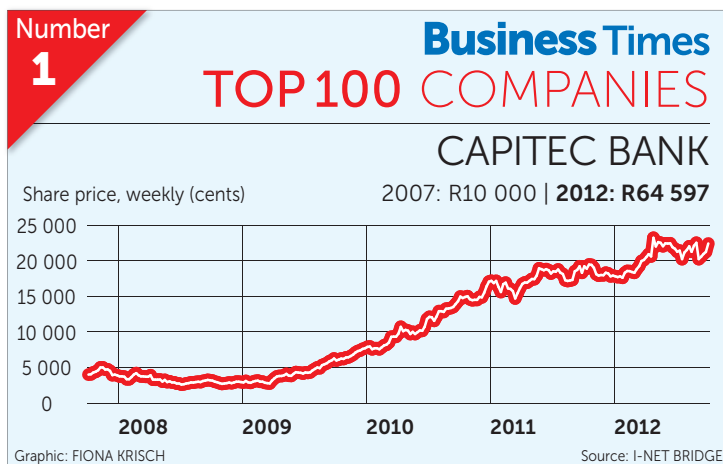
He does not fear Post Bank whizzing past Capitec, despite it having the largest footprint in South Africa. He said he has not seen a successful post bank anywhere in the world and added that having a large footprint does not guarantee dominance in the market.

Capitec has an active client base of more than four million and a national branch footprint of 534, 128 of which are located in malls. Over 30 reflect the new branch layout and corporate identity. Another 28 branches are due to open before the end of the financial year.

Capitec's revenue stream for the first six months to end-August grew by 61% year-on-year to R583-million.



■ FERRARI FAN: Capitec Bank CEO Riaan Stassen learns lessons from the famous F1 racing team PICTURE: KEVIN SUTHERLAND



Headline earnings grew by 43% to R700-million and headline earnings a share grew by 35% to 702c. Income from credit grew by 37% to R3.6-billion.

Last month, Stassen had to defend his decision to sell R88.4-million worth of shares in Capitec at a time when the investment community rated the share as a buy.

He said he was "embarrassed" at the public reaction after the news broke. At the time he was at pains to explain his personal investment strategy, which involves reviewing his investment bi-annually and offloading shares if necessary.

He remains the bank's sixth-largest shareholder, holding R400-million worth of shares.

LIFETIME ACHIEVER
Bobby Godsell
P3



BUSINESS LEADER
Stephen Saad
P4



CSI AWARD
Sappi
P6



How we calculate the Top 100 companies

JSE-listed firms' share performance has been tracked over the past five years

THE Top 100 Companies awards acknowledge those listed companies which have earned the most for their shareholders.

The share-price performance of every company listed on the JSE is calculated on the basis of R10 000 invested over five years — from October 1 2007 to the end of September 2012.

The winner is the company that earns the most for its shareholders in terms of share-price growth, after taking into account normal and special dividends and bonus shares reinvested.

Where there is an

unbundling, the proceeds of the unbundled company are treated as a special dividend.

Apart from being an accurate measurement of shareholder fortunes, the share price, plus the amount of income returned to shareholders, is an indicator of the soundness of a company's operations — if one accepts that share-price performance is generally an accurate barometer.

All calculations are carried out by I-Net Bridge, the financial services information company that is part of Times Media Group, the owner of Business Times.

We exclude suspended companies (although they are included in some one-year tables), preference shares and loan instruments.

If prices declined at the end of September as companies went ex-dividend, we have accrued the dividend.

Companies with a secondary listing on the JSE are included.

In previous years, we excluded companies which did not meet the minimum value traded of R10-million a year.

Last year, however, we increased the minimum value to R20-million due to higher trading volumes over the years, and to exclude penny

stocks.

This qualification does not apply to the Top 100 one-year and 10-year tables, which have a minimum value traded of R10-million.

We have also included a Top 40 table to show the performance of the blue-chip companies in the JSE's Top 40 index.

The Top 100 over 10 years reflects the performance of companies that have shown a track record for investors with a long-term view.

Certain information usually contained in the Top 100 survey can be found in this week's Business Times.

TOP 100 COMPANIES OVER FIVE YEARS

Share name	Open (cents)	Close (cents)	Final value (R)	Compound growth 5 yrs	Share name	Open (cents)	Close (cents)	Final value (R)	Compound growth 5 yrs
1 Capitec Bank	3 945	22 400	64 597	45.23%	51 Trencor	3 450	5 345	19 172	13.90%
2 Mr Price	2 625	12 599	60 111	43.15%	52 Clientele Life	825	1 100	18 360	12.92%
3 Coronation Fund Managers	870	3 100	54 324	40.28%	53 Nedbank	12 525	18 299	18 308	12.86%
4 Shoprite	3 750	16 834	52 355	39.25%	54 Liberty	7 388	9 925	18 235	12.77%
5 Famous Brands	1 726	7 250	51 407	38.74%	55 MTN	10 281	16 021	18 169	12.69%
6 Assore*	7 360	32 970	50 523	38.26%	56 Fountainhead Prop Trust	675	809	18 106	12.61%
7 EOH	940	3 900	47 696	36.68%	57 Netcare	1 179	1 790	18 063	12.55%
8 Woolworths	1 790	6 079	46 465	35.96%	58 Hudaco	8 600	11 180	17 776	12.19%
9 Pinnacle Technology	460	1 795	46 048	35.72%	59 Redefine Properties	825	935	17 706	12.10%
10 Aspen Pharmacare	3 370	14 300	43 259	34.03%	60 Bidvest	13 500	20 600	17 704	12.10%
11 Clicks	1 642	5 788	41 674	33.04%	61 Hospitality Property Fund - A	1 400	1 585	17 565	11.93%
12 Howden Africa	999	2 900	40 121	32.03%	62 Datatec	3 600	5 265	17 360	11.66%
13 Anglovaal Industries	2 075	5 976	38 096	30.67%	63 Emira Property Fund	1 213	1 339	17 315	11.61%
14 Ellies	190	690	38 068	30.65%	64 Kagiso Media	1 430	1 925	17 307	11.59%
15 Truworths International	3 140	9 400	36 714	29.71%	65 Pick n Pay Holdings	1 490	2 041	17 214	11.47%
16 Invicta	2 930	8 170	35 665	28.96%	66 Nampak	2 130	2 860	17 174	11.42%
17 PSG Group	2 600	6 750	33 384	27.26%	67 Lewis Group	5 652	7 151	17 170	11.42%
18 Kumba Iron Ore	23 000	50 292	31 956	26.16%	68 Cipla Medpro	401	665	17 149	11.39%
19 Oceana	2 265	5 400	31 893	26.11%	69 Omnia	8 050	12 500	17 101	11.33%
20 Foschini	5 200	12 651	31 517	25.81%	70 Foord Compass	850	815	16 530	10.57%
21 Value Group	229	570	31 078	25.46%	71 Brait	2 575	2 940	16 140	10.05%
22 Brimstone Investment Corp -N	720	1 000	30 624	25.09%	72 Steinhoff International	1 995	2 608	15 749	9.51%
23 Spur Corporation	1 005	2 200	29 197	23.90%	73 Tongaat-Hulett	10 200	13 975	15 699	9.44%
24 Cashbuild	6 350	15 500	29 191	23.89%	74 Octodec Investments	1 853	1 900	15 451	9.09%
25 Spar Group	5 499	12 800	28 614	23.40%	75 Mondi plc	6 515	8 419	15 349	8.95%
26 Remgro	17 800	14 525	28 468	23.27%	76 Mvelaphanda Group	990	210	14 979	8.42%
27 Metrofile Holdings	145	395	28 129	22.98%	77 Advtech	471	575	14 944	8.37%
28 Naspers -N	19 278	51 497	27 764	22.66%	78 Bowler Metcalf	660	800	14 858	8.24%
29 Santam	11 600	18 979	27 281	22.23%	79 Sasol	30 000	37 229	14 773	8.12%
30 Resilient Property Income Fund	2 579	4 800	26 153	21.20%	80 SA Corporate Real Estate*	401	360	14 673	7.97%
31 Metair Investments	1 300	2 790	25 750	20.82%	81 Illovo Sugar	2 418	3 050	14 667	7.96%
32 Capital Property Fund	610	1 059	25 429	20.52%	82 Italtile	608	639	14 554	7.79%
33 Massmart	8 416	16 691	24 222	19.36%	83 Wescoal Holdings	66	95	14 394	7.56%
34 Vukile Property Fund	1 191	1 799	23 838	18.97%	84 African Bank Investments	3 150	3 305	14 360	7.51%
35 Imperial*	12 750	18 751	23 610	18.75%	85 Absa	12 250	13 850	14 276	7.38%
36 Tiger Brands	18 400	27 312	23 275	18.41%	86 ELB Group	2 120	2 550	14 089	7.10%
37 Discovery	2 650	5 550	23 150	18.28%	87 City Lodge Hotels	8 110	9 195	13 929	6.85%
38 Exxaro Resources	8 410	16 094	22 702	17.82%	88 Zurich Insurance	19 500	25 500	13 903	6.81%
39 Growthpoint Properties	1 610	2 487	22 501	17.61%	89 African Rainbow Minerals*	13 200	16 298	13 835	6.71%
40 Acucap Properties	3 150	4 660	21 745	16.81%	90 Datacentrix	502	489	13 660	6.44%
41 Hyprop Investments	4 650	7 160	21 709	16.77%	91 Delta	1 451	619	13 437	6.09%
42 RMB Holdings	3 303	3 700	21 306	16.33%	92 Reunert	6 800	6 895	13 096	5.54%
43 Mediclinic International	2 210	4 100	21 295	16.32%	93 Standard Bank	9 905	10 563	13 033	5.44%
44 Sycom Property Fund	1 880	2 700	21 233	16.25%	94 Palabora Mining	9 003	8 900	12 949	5.30%
45 Sanlam	2 225	3 757	21 129	16.14%	95 Wilson Bayly Holmes - Ovcon	12 120	13 775	12 790	5.04%
46 SABMiller plc	19 358	36 176	21 089	16.09%	96 Gold One	281	348	12 384	4.37%
47 Compagnie Fin Richemont	4 521	5 006	21 020	16.02%	97 HCI	7 450	8 740	12 167	4.00%
48 FirstRand	2 190	2 789	20 042	14.92%	98 Old Mutual plc	2 232	2 284	11 971	3.66%
49 MMI Holdings	1 515	2 119	19 712	14.54%	99 BHP Billiton plc	25 112	25 785	11 962	3.65%
50 Premium Properties	1 351	1 770	19 275	14.02%	100 Astral Foods	12 200	10 400	11 817	3.40%

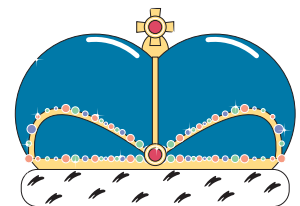
Graphic: FIONA KRISCH Source: I-NET BRIDGE

* denotes where a dividend due at period end has been accrued.

PREVIOUS WINNERS

2011	Assore
2010	Capitec Bank
2009	Basil Read
2008	Basil Read
2007	Distribution & Warehousing Network
2006	Mittal Steel SA
2005	Grindrod
2004	Grindrod
2003	Mvelaphanda Resources
2002	Mvelaphanda Resources
2001	East Daggafontein
2000	Dimension Data
1999	Adcorp Holdings
1998	Profurn
1997	Nu-World
1996	Dimension Data
1995	Q Data
1994	Ellerine
1993	Investec
1992	Investec
1991	Investec
1990	M & A Investment Corp.
1989	M & A Investment Corp.
1988	National Bolt
1987	Waltons
1986	Waltons
1985	Metair Investments
1984	Metair Investments
1983	Toyota SA
1982	Toyota SA
1981	Toyota SA
1980	Gold Fields of SA
1979	Otis Elevator Co.
1978	Metro Cash & Carry
1977	Metro Cash & Carry
1976	Metro Cash & Carry

Graphic: FIONA KRISCH Source: I-NET BRIDGE



THE ROYALS

Companies which were in the top 20 over the last three years.

Assore
Capitec Bank
Kumba Iron Ore
Howden Africa
Mr Price
Shoprite
Clicks
Pinnacle Technology
Famous Brands
Truworths International
Coronation Fund Managers

Graphic: FIONA KRISCH Source: I-NET BRIDGE

Bank newcomer takes top spot

THE winner of the Sunday Times Top 100 Companies is Capitec, which has shaken up the financial services industry. It is ranked first based on its extraordinary growth in value over the five years to end-September.

We also recognise the Business Leader of the Year — decided by CEOs of the Top 100 Companies — the Lifetime Achiever, and a company which has made a meaningful contribution through corporate social investment.

This year's Business Leader of the Year is Aspen CEO Stephen Saad.

The Lifetime Achievement award — which recognises someone who has made a significant difference during his or her career — goes to Bobby Godsell. The decision was made in consultation with a panel that included Busa CEO Nomaxabiso Majokweni, David Shapiro, director of Sasfin Securities, and Andrew McGregor, MD of Who Owns Whom.

The winner of the Corporate Social Investment award is Sappi — based on research on CSI done for the first time by Who Owns Whom.

■ LIFETIME ACHIEVER: BOBBY GODSELL

Times of crisis require a fundamental shift in the national mind-set, Bobby Godsell tells
JANA MARAIS

It was a particularly depressing Monday morning when we met former Anglo American executive and business leader Bobby Godsell.

Across the country, thousands of mineworkers had downed tools in the most violent strikes since 1987, with 34 protestors dying brutally at the hands of police. The Economist had called us “Sad South Africa” in a scathing lead article, dissecting all South Africa’s challenges and missteps. Moody’s and Standard & Poor’s had just downgraded the country’s debt, triggering a number of downgrades in the private sector.

Times are tough, said Godsell, who played a crucial role, with Cyril Ramaphosa, then leader of the National Union of Mineworkers (NUM), in ending the 1987 strike. “But don’t talk about a problem if you’re not also going to talk about a solution. The problems are well known.”

Godsell, who helped to convince Harry Oppenheimer to acknowledge NUM at Anglo’s operations when black unions were still illegal, is optimistic that union leaders and mining companies will find a new set of rules that will guide labour relations, just as they did in 1987, when Ramaphosa led nearly half a million miners on a three-week strike — during which Anglo fired 50 000 workers.

The strike led to an agreement between NUM and Anglo about the union’s right to picket, march and hold meetings, illegal under apartheid laws but tolerated as it took place on Anglo’s private property. Dismissals could suddenly be queried and appeals brought to an external arbitrator. “That code is still in existence.

That was 25 years ago. Now there are new workers and new leaders,” said Godsell. “The challenge now in the industry, for all the leaders of all the unions, is to bring them into a room and say, Look, the old rules don’t appear to work any more, let’s write some new rules. And hell, if we could do this in 1987 in the midst of a state of emergency and the regular imprisonment without trial of political activists, surely we can do it now.

“The leadership has got to do this. Leaders must lead. And it’s not only in government.”

It is time for a new political dispensation in South Africa, said Godsell, who was involved in the anti-apartheid movement through the Methodist Church and the Progressive Party’s youth wing. He chaired a public anti-apartheid protest meeting in the Durban City Hall at the age of 16.

“All I can really say to you about political leadership is I think it’s time for new wine and new wine skins. I think we’re still caught in a time warp; I think the ANC often falls back on what it did during the struggle, and it did very good stuff. But dwelling on the past doesn’t help you to seize the future,” he said.

“There are political challenges. I think we’re dealing with the anachronistic structures of the past and we probably need a new politics, certainly a new dialogue, a new sense of shared responsibility. But you know, that doesn’t let citizens off the hook. Citizens should lead by example. You have to be sweeping your own back yard.”

He refers often to the line, “We



■ TALKING TOUGH: Bobby Godsell PICTURE: MOELETSI MABE



■ NEW WAY: Cosatu’s first president, Elijah Barayi, its general secretary at the time, Cyril Ramaphosa, and Godsell in the 1980s

sweep and keep clean our yard”, from the *Vision Statement* by Antjie Krog and Njabulo Ndebele that features in the National Planning Commission’s National Development Plan.

Godsell, who described the time he spent on the commission as the “very best thing in my life”, is confident that the National Development Plan, which has won praise from many quarters as the way forward to solve South Africa’s many challenges, enjoys significant political and public support.

Implementing it will require energy from the government and pressure from citizens, Godsell said. “I simply do believe that without concerned, active parents, we can’t get 27 000 public schools right. Will we expect our kids to work hard? Will we insist that teachers are in class on time and teaching? So I think with the implementation — the question is always: are you prepared to start with yourself? You’re much more credible when you hold the government accountable when you’ve swept your own back yard.”

There is a need for business to be “courageous” and to play a more active role in highlighting problems and proposing solutions, but it’s not always easy to get

business to cohere and agree, he said.

“Businesspeople are engaged in making money. Every pizza store is in competition with every other pizza store, and they’re competing with McDonald’s. Business starts from a principle of competition; labour starts from a principle of unity. A lot of business things are about making money; they don’t sit well on T-shirts. We don’t have an equivalent to ‘an injury to one is an injury to all’.

“Having said all of that, if your country is in crisis, and we are indeed in crisis now, every individual and every part of society, including business, has a duty to say we can’t run a good business in a failing society. If the house is burning, everybody has to drop whatever else they’re doing and help — that’s the challenge to business,” said Godsell.

Business and government should also work hard to overcome the “trust deficit” between the parties, partly rooted in the ANC’s communist past.

“I must say, speaking personally, if you are a patriot and you want the best for your country — I can’t think of a single situation I’ve been in, including by the way, my Eskom experience, in which my bona fides have been

“The challenge now in the industry, for all the leaders of all the unions, is to bring them into a room and say, Look, the old rules don’t appear to work any more, let’s write some new rules”

questioned. I think the real challenge is to love your country, demand your rights and the right to criticise everybody, but to work for solutions,” he said.

Godsell, who resigned as Eskom chairman during a board meeting standoff with then CEO Jacob Maroga, who was in charge during the rolling blackouts of 2008, was accused of racism. The NUM and ANC came out in his defence.

He is not one to ask about the highlights of his career, the mentors, the lessons learnt. “I honestly don’t dwell in the past very much.”

His wife, Gillian, recalled: “In the late ’70s, the fledgling industrial relations department [at Anglo] was a group of young, formidably intelligent people, who were sent out on some rather odd tasks. To value achievements which, looking back, may seem rather trivial, it is important to remember how vicious race relations were in those days, how deep the lack of respect for black mineworkers, how terrible the wages, living conditions, fatality rates. Sometimes when Bobby looked back on his career and got despondent, he would say: Well, at least I made them put doors on the black mineworker toilets at Western Deep.”

Bobby Godsell

1952: Born in Boksburg to British immigrant parents
1973: Graduated from the University of Natal with a BA (philosophy and sociology)
1974: Joined Anglo American in what was to become the industrial relations department
1981: Wiehahn Commission recommended the legalisation of black trade unions; Godsell helped convince Harry Oppenheimer to recognise NUM at Anglo
1985: Completed a master’s degree in comparative religion at the University of Cape Town
1986: Appointed group industrial relations consultant at Anglo
1989: Became a director of Anglo
1991: Appointed chairman of the Chamber of Mines
1992-99: President of the Chamber of Mines
1995: Appointed CEO of Anglo’s gold and uranium division
1998: Appointed CEO of AngloGold
2001-2002: Chairman of the World Gold Council
2004: AngloGold merged with Ashanti Goldfields
2007: Godsell retired as CEO of AngloGold Ashanti
2008-09: Served as chairman of Eskom
Current Positions:
Chairman: Business Leadership South Africa
Member of economic advisory bodies in South Africa, Mali and Tanzania
Member of the National Planning Commission.
Co-wrote ‘A Future South Africa’ and ‘Do It! Every South African’s Guide to Making a Difference’, and authored ‘Shaping a Future South Africa: a citizen’s guide to constitution-making’.
Married to Gillian and they have three daughters, Megan, Sarah and Abigail.

■ BUSINESS LEADER: STEPHEN SAAD

From two rooms to R70bn

ADELE SHEVEL meets a genial, rugby-mad Durbanite who finds it more rewarding to run his multinational drug business from SA

STEPHEN Saad saw the opportunity to develop affordable, quality medicines, and in less than 15 years has transformed the local pharmaceutical industry and created the world's ninth-largest generic drugs company.

Aspen Pharmacare has made medicines more affordable, and sells one of every four medicines in South Africa.

Under Saad's leadership, Aspen has grown into a multinational operating out of South Africa, during a period when most pharmaceutical multinationals have sold their plants.

The group has doubled in size almost every three years, and recorded revenue of R15.3-billion for the year ending June.

Saad, 48, developed a collaborative approach with global companies — which saw generic companies as rivals — to the point where the world's fourth-largest pharmaceutical group, GSK, is Aspen's largest shareholder, with an 18.6% stake.

Along with Aspen co-founder Gus Attridge, Saad set out to change the perception that generics were inferior to branded products.

The pair started what they intended to be a small business from a two-bedroom house on the Berea in Durban.

But then they saw an opportunity to take over the biggest and oldest pharmaceutical company in the country, SA Druggists, and Aspen Healthcare was born in a deal described as a mouse swallowing an elephant.

After the takeover, the group signed agreements with multinational drug companies to manufacture licensed versions of their drugs. It bought companies around the world, from Latin America to Australia.

Initially, Aspen Healthcare wanted to close down the SA Druggists factories and move manufacturing to Asia, but Saad changed the strategy: he believed the South African plant was the heart of the business.

To improve standards at the Port Elizabeth site, he visited about 40 plants worldwide and in March 2005, Aspen became the world's first generics producer to receive approval from the US Food and Drug Administration (FDA) to make certain ARVs.

Today, more than 1.5 million HIV/Aids patients in Africa use Aspen's basket of ARVs every month.

The SA Druggists takeover was the first of many for Aspen, and shows Saad's ability to translate big dreams into reality.

But deal-making, growing businesses and

entrepreneurship is in Saad's blood.

In the early 1990s, he worked for QuickMed and merged it with Covan to form Zurich, which was eventually sold for R75-million.

With a restraint of trade and R20-million in his pocket at the age of 29, he got involved with Varsity College, a private tertiary education institution. He and Attridge turned it around and sold it to LeisureNet for about R100-million.

Colleagues say Saad has an ability to develop a rapport with anyone. And does not care about material things.

Nonetheless, he is in ninth position on the Sunday Times Rich List, with his share in Aspen worth R6.4-billion — the company's market cap today is R70-billion.

Aspen has 18 factories on six continents and Saad's role now is more strategic in terms of risks and opportunities.

However, he continues to worry about the detail, from the molecular requirements of drugs to the company's financials.

He has also managed to navigate the tricky waters of the government, which often accuses the private healthcare industry of profiteering at the expense of consumers. Where others have taken on the government in public, Saad has always dealt with issues behind closed doors. Aspen played a crucial role in the roll-out of cheap ARVs — which has not been without commercial benefit. The high volumes allow the company to reduce the cost of production.

Saad said: "We have

'The lovely thing about living in South Africa is you can make a tangible difference.'

delivered sustained, unbroken compound growth in sales and headline earnings a share of over 40% for 14 years, and we have successfully globalised the group, selling more than 50% more offshore than we do domestically."

He proved the sceptics wrong when Aspen successfully bedded down Sigma's pharmaceutical business, which was bought in 2009 in Australia for R5.9-billion. Within 18 months, pre-tax earnings had doubled to A\$140-million.

But his passion and focus remain in South Africa. "I think our biggest achievements are the hope we give South Africa.

"We've built an infrastructure, we work passionately, and we show it can be done.

"Our job is made so much easier when you see



■ WORK/LIFE BALANCE: Aspen Group's CEO Stephen Saad has entrepreneurship in his blood PICTURE: TEBOGO LETSIE

what benefits you deliver to society. I don't know if it would be as easy doing something that would not add such value."

He enjoyed "proving the conventional wisdom wrong that you can't manufacture competitively in South Africa. We have 18 sites around the world... but the South African site is the best.

"The lovely thing about living in South Africa is you can make a tangible difference."

He enjoys watching experts from overseas walk into the FDA-approved plant, or watching the people on the ground deal confidently with regulators and multinational companies.

Saad comes across as a regular guy from Durban who loves sport and a good laugh.

He hates bureaucracy and wants people to take responsibility for their own decisions and the divisions they run.

He hates being stuck behind a desk, and believes people spend too much time "managing up": worrying about what the layer above is thinking.

So the group head office in Durban is small — 40 people deal with 6 000 employees around the world.

Saad may appear genial, but don't be fooled: he's competitive, and expects

the best from his staff.

"I say to my kids: 'If you lose and you try your hardest, there's nothing more you can do. You can hold your head up with pride. But even if you win and haven't tried your best — don't look in the mirror.'" Obsessive about work/life balance, he exercises about six hours a week, and loves the bush.

He combined his love of exercise with social upliftment. He recently completed a 240km cycling race in 16 hours — riding for a while with Health Minister Aaron Motsoaledi — to raise R10-million to improve paediatric hospitals in South Africa.

Senior executive Stavros Nicolaou said: "Stephen likes to test boundaries. One of the worst things you can say to Stephen is that it can't be done, like we could never become market leader in Australia — he's bound to prove you wrong."

Aspen is now Australia's number one generic player and is responsible for one in seven scripts.

The sports-mad Saad went to Durban High School, and then studied to be a chartered accountant, even though he knew it wasn't for him.

However, he did manage to take a gap year to play rugby in Ireland.

A partner at the firm where Saad did his articles described him as a bird with clipped wings.

Saad has no plans to leave Durban, and is not a good traveller unless he has his whole family with him.

He calls his wife and four daughters "the big five".

TOP-40 INDEX COMPANIES OVER FIVE YEARS

Share name	Open (cents)	Close (cents)	Final value (R)	Compound growth 5 years
1 Mr Price	2 625	12 599	60 111	43.15%
2 Shoprite	3 750	16 834	52 355	39.25%
3 Assore*	7 360	32 970	50 523	38.26%
4 Woolworths	1 790	6 079	46 465	35.96%
5 Aspen Pharmacare	3 370	14 300	43 259	34.03%
6 Truworths International	3 140	9 400	36 714	29.71%
7 Kumba Iron Ore	23 000	50 292	31 956	26.16%
8 Remgro	17 800	14 525	28 468	23.27%
9 Naspers -N	19 278	51 497	27 764	22.66%
10 Massmart	8 416	16 691	24 222	19.36%
11 Imperial*	12 750	18 751	23 610	18.75%
12 Tiger Brands	18 400	27 312	23 275	18.41%
13 Exxaro Resources	8 410	16 094	22 702	17.82%
14 Growthpoint Properties	1 610	2 487	22 501	17.61%
15 RMB Holdings	3 303	3 700	21 306	16.33%
16 Sanlam	2 225	3 757	21 129	16.14%
17 SABMiller plc	19 358	36 176	21 089	16.09%
18 Compagnie Fin Richemont	4 521	5 006	21 020	16.02%
19 FirstRand	2 190	2 789	20 042	14.92%
20 Nedbank	12 525	18 299	18 308	12.86%
21 MTN	10 281	16 021	18 169	12.69%
22 Bidvest	13 500	20 600	17 704	12.10%
23 Steinhoff International	1 995	2 608	15 749	9.51%
24 Mondi plc	6 515	8 419	15 349	8.95%
25 Mondi Limited	8 197	8 453	14 604	7.87%
26 Sasol	30 000	37 229	14 773	8.12%
27 Absa	12 250	13 850	14 276	7.38%
28 African Rainbow Minerals*	13 200	16 298	13 835	6.71%
29 Standard Bank	9 905	10 563	13 033	5.44%
30 Old Mutual plc	2 232	2 284	11 971	3.66%
31 BHP Billiton plc	25 112	25 785	11 962	3.65%
32 AngloGold Ashanti	30 350	29 242	9 950	-0.10%
33 Gold Fields	12 126	10 675	9 708	-0.59%
34 Investec plc	7 049	5 128	9 083	-1.91%
35 Harmony Gold	7 952	6 983	9 041	-2.00%
36 Investec Limited	7 215	5 110	8 816	-2.49%
37 Impala Platinum	24 050	13 900	6 752	-7.55%
38 Anglo American plc	47 000	24 466	5 548	-11.12%
39 Capital Shopping Centres plc	15 705	4 380	4 355	-15.32%
40 Anglo American Platinum	109 100	42 800	4 250	-15.73%

Graphic: FIONA KRISCH Source: I-NET BRIDGE * denotes where a dividend has been accrued. British American Tobacco and Vodacom have not yet been listed for 5 years on the JSE.

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■ CSI AWARD

Tree farming branches out

Sappi and small farmers strike it rich as programme expands to other areas, writes LUCKY BIYASE

SAPPi's Project Grow has all the features of an aggressive permanent job creation and entrepreneurship development programme, despite it being a corporate social responsibility programme.

The project, which helped Sappi win the Top 100 CSI award, can be used as a best practice example of what works for the government's rural development strategy.

Project Grow was established in 1983 with three people on 8ha of land. Communities have since identified the economic spin-offs of the project and it has grown so much that there are now 2 500 growers on about 15 000ha and created 9 700 jobs. The tree-farming scheme is managed by Sappi for subsistence farmers who have access to between one and 20ha of land each.

Communities make their land available for planting eucalyptus trees while Sappi gives farmers free seedlings, interest-free loans, technical know-how and an off-take agreement when the trees are harvested after 10 years.

While the trees are growing, Sappi gives farmers advances to keep going and at harvest time the company will buy the timber from the farmers and pay them after subtracting the advance payments made.

The project was piloted in KwaZulu-Natal and covers areas from Manguzi near Kosi Bay in the north to Port Edward in the south and inland areas in Ixopo and Nongoma.

It was recently introduced in the Eastern Cape — near Bizana, Lusikisiki and Umzimkhulu.

Sappi's head of corporate affairs André Oberholzer attributes the success of Project



■ **EMPOWERMENT:** More than 80% of farmers in Project Grow are women. The tree-planting project has created many job opportunities

Grow to collaboration and partnerships which encompass the creation of contractor businesses and jobs.

He said Project Grow has benefits for the company because it is strategically aligned as it provides fibre for Sappi, and builds positive relations with neighbours and communities.

Project Grow provides Sappi with almost 130 000 tons of timber valued at more than R50-million a year.

"There are high barriers associated with timber farming. There are high costs of seedlings, fertiliser, harvesting and transport, in addition to the long period before trees are felled.

'When we started, we said we are going to stay with the communities and see this forward'

Project Grow helps small farmers offset all of these," Oberholzer said.

The interest-free loans cover all farming input costs, including the annual maintenance of plantations. The communities also reap the rewards of timber prices which keep on rising because of the increasing demand from the telecommunications and electricity industries.

Between 1995 and 2010, Sappi injected R305-million into the project. "When we started the

project, we said we are going to stay with the communities and see the project going forward. At the same time we said let the communities do it themselves rather than us doing it for them," said Sappi's general manager for forestry, Terry Stanger.

More than 80% of the farmers are women. More than 100 small and micro enterprises and over 1 100 job opportunities have been created.

"We have seen people creating businesses because all the

supporting services to farming such as transportation and felling of trees are provided by contractors from the communities and others have set up shops in the communities," said Stanger.

Oberholzer said the farmers benefit from the expertise such as guidance on environmental issues by creating awareness of wetlands, illegal logging, plantation management and weeding.

"We provide the necessary guidance around safety during harvesting and transportation, fire management as well as create an enabling environment for farmers and communities to enter the formal economy," he said.

Making its mark in the classroom

MAMELLO MASOTE

FROM school to a professional career — the Shanduka Foundation is involved in all levels of education.

The foundation, which was started in 2004, has taken second prize in the corporate social investment category of the Top 100 Companies survey.

The foundation is part of Shanduka Investment Holdings, a company founded by businessman Cyril Ramaphosa.

The foundation's flagship project is Adopt-a-School which, says executive director Donné Nicol, started off as an infrastructure project.

However, as the education crisis worsened, the foundation realised more needed to be done to boost literacy and numeracy.

"Over the years, we've developed the school development model... [which] looks at infrastructure, academics, the socio-economic environment and security.

"So, we go in and we do a needs analysis of the school and the curriculum needs of the teachers, and also include the needs of the pupils," said Nicol.

Part of the foundation's success has come from working with the government at district level,



■ **BRIGHT SPARKS:** Children from Diepsloot Combined School, which is part of the Shanduka foundation's Adopt-a-School project

rather than with the national department.

The programme also includes other structures such as non-governmental organisations, local government and other companies. The foundation works with an average of 15 other organisations at any given school.

Nicol said 167 schools had been

adopted so far, and around 450 000 children had received tangible educational benefits as a result.

Another project is Shanduka Black Umbrellas, an initiative to incubate entrepreneurs who may have ideas, but who lack the resources to get started in business.

Entrepreneurs in small to

The foundation works with an average of 15 other organisations at any given school

medium enterprises are trained, mentored and, for a subsidised monthly fee, provided with office facilities such as telephones, desks, access to the internet and transport.

The foundation has four incubators — in Johannesburg, Pretoria, Durban and Cape Town — "but we are aiming for 10 over the next two years", said Nicol. The foundation's target is to have half of all businesses that go through the incubators becoming sustainable within three years.

The foundation has also started a "black pages", which lists SMMEs and small black-owned businesses. The book is distributed to procurement offices around South Africa.

Then there are the bursaries the foundation distributes through the Cyril Ramaphosa Education Trust to disadvantaged students. The focus is on business-related qualifications, and so far 47 students have received support. An internship

programme has helped 33 pupils, graduates and work seekers in just over two years.

At the foundation's creation in 2004, R100-million was committed by Shanduka Investment Holdings for 10 years. About R67-million has been spent so far.

"The commitment from Shanduka really helps, and is also attractive to donors because they know that the money they put in doesn't go towards the running of the foundation, but to the actual projects," said Nicol.

To keep the project sustainable, Adopt-a-School is a 10% shareholder in logistics and shipping company Grindrod SA.

Nicol said: "Grindrod approached us and we got together with its BEE partners...

"Grindrod has become more involved with us and particularly with the schools in Durban. For us it's wonderful, because it's a sustainable way going forward."

The Shanduka Foundation itself has adopted a primary school called Olifantsvlei, in southern Johannesburg, and every Shanduka member makes a monthly contribution to the institution.

"We are very proud of our school development model. I think it's a model that has great potential... and as we're learning it's getting better and better," said Nicol.

How we chose winners for social initiative

THE Top 100 corporate social investment (CSI) award for 2012 was based on research by Who Owns Whom.

This is the first year the CSI winner has been chosen based on independent research into the effectiveness of companies' CSI initiatives.

How the selection process worked

A detailed BEE scorecard was provided by 997 of the companies researched for the Who Owns Whom SA Sector database, which profiles 3 200 listed and unlisted companies, multinational and state corporations.

The 40 top scorers in the socioeconomic and economic development components of the scorecard were identified across the eight major business sectors: agriculture; mining; manufacturing; electricity, gas and water; construction; wholesale, retail and leisure; transport, storage and communication; and finance and business services.

Those 40 companies were asked to provide details of their development initiatives for evaluation.

The submissions were evaluated and scored in terms of strategy, structure and size, and took into account factors such as legal and financial independence, duration, focus, sponsor involvement and effect.

The top 10 for 2012 are:

1. Sappi
2. Shanduka
3. Mondi
4. FirstRand
5. Group Five
6. Lafarge
7. DCD-Dorbyl
8. Neotel
9. Haw & Inglis
10. Sasani Africa

Sappi, the winner of the Top 100 Companies CSI award, was chosen by a Sunday Times and Who Owns Whom selection panel.

Sappi took first place in the economic development category for Project Grow, which has created and sustains 9 700 subsistence tree farmers.

It ranked second in the socioeconomic category for its KwaDukuza education initiative, which annually assists over 600 matrics.



■ LUNCH BREAK: Women from the local community benefit from Mondi's corporate social investment drive

More than just ticking boxes

From hot lunches to new jobs, communities get to share, writes RENÉ VOLLGRAAFF

CORPORATE social responsibility at Mondi goes further than simply ensuring all the boxes on the scorecard are ticked.

"Mondi has consistently scored full points for enterprise development and socioeconomic development in the three years since we began being rated," said Ron Traill, CEO of Mondi South Africa.

"However, there is an additional and greater investment made by Mondi in these development initiatives that are not included in our BBBEE scorecard.

"This is simply because we already achieve the maximum points and the effort required to collate the information in the manner required by the BEE verification process is prohibitive."

Mondi Zimele is one of these initiatives.

The enterprise development

agency provides support for the establishment and development of businesses in Mondi's forest-growing areas and surrounding communities.

Mondi Zimele was launched in 2007 and has to date helped to establish 18 businesses in Mondi's value chain with a total turnover of R306-million a year and which employ more than 2 200 people.

Mondi Zimele is placing special emphasis on job-creation projects.

Mondi's Food 4 Forests programme started in 2009 as part of an initiative to improve the health and safety of people working in the group's plantations.

"A study showed that a lot of the workers out in the forests are nutritionally deficient," Traill said.

"There are high HIV-Aids prevalence rates and nutritional deficiency just makes the situation so much more dire.

The Mondi board felt it was the right thing to do to at the very least provide a hot meal with sufficient calorie intake for hard labour."

The Food 4 Forests programme provides a daily meal to about 8 000 forestry workers.

These workers are not Mondi employees, but are employed by contractors to work in Mondi's plantations.

"A recent survey has shown improvements in the general health and wellbeing of workers and their families," Traill said.

Forestry is by definition a rural operation and Mondi has therefore had to deal with several land claims over the years. However, the group sees itself as playing a leading role in the settlement of land restitution claims on forestry land.

Up until August this year, Mondi had settled 19 land claims involving around

35 000ha of forestry land.

The settlements are based on a sale and leaseback model. Mondi leases back the land from the communities to which it is awarded, manages the forestry operations and provides opportunities for the communities to get involved in the forestry business.

The agreements are for 20 years, after which communities can choose to either enter into a new lease and management agreement with Mondi or take over the forestry operations themselves.

"Mondi's land claims model involves business development and support for new land owners in order to ensure sustainability of both fibre supply and new forestry businesses," Traill said.

"The support is provided by Mondi employees and through the Forestry Partners Programme, a division of Mondi Zimele."

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BRIAN MLABA Director of AEF Mining Services

■ MR PRICE

Cut-price can still offer value

Mr Price is best performing retailer for fifth year, says ADELE SHEVEL

THE MR Price Group has come a long way since it started as a one-store factory outlet buying and selling overruns in Klerksdorp. The clothing retailer, which has a market capitalisation of R35.9-billion, has developed a brand that shoppers find trendy and fashionable while still offering good value.

It has been South Africa's best performing retailer, and the second best performing share overall over the past five years — showing compound annual growth of 43.15%.

The group understands how to keep its wares relevant, ensure quick stock turnaround and maintain strong gross margins. The performance has been driven by innovative and



■ ON TREND: Mr Price Group CEO Stuart Bird
PICTURE: TEBOGO LETSIE

astute management.

The handover from long-term CEO Alastair McArthur to Stuart Bird two years ago appears to

have been seamless.

Sales continue to outstrip those of its peers, and its market share is 13% — up from 10% in 2006. The group

grows margins through strong sales performance, increasing trading densities, vigorous cost control and the closure of unprofitable space.

The group, which owns 360 stores under the brand names Mr Price, Miladys, Sheet Street and Mr Price Home, has appeared several times in the Top 10 of the Top 100 Companies.

It has recorded compound growth of 25% in returns to shareholders for the past 26 years.

Bird attributes this to a clear strategy, focus on the customer, employing good people, combining fashion and value, and being a cash-based retailer.

The group has 73 stores outside South Africa, 47 of which are corporate-owned outlets in Botswana, Lesotho, Namibia, Swaziland,

'Putting your brand into third-party hands brings reputational risk'

Nigeria and Ghana. The rest are franchised.

"Franchising was initially considered to be a lower-risk approach, but we realised putting your brand into third-party hands brings reputational risk and brand issues," said Bird.

The group aims to take its existing businesses into new markets and launch other formats. In August, it introduced an online sales facility, which provides access to the group's full

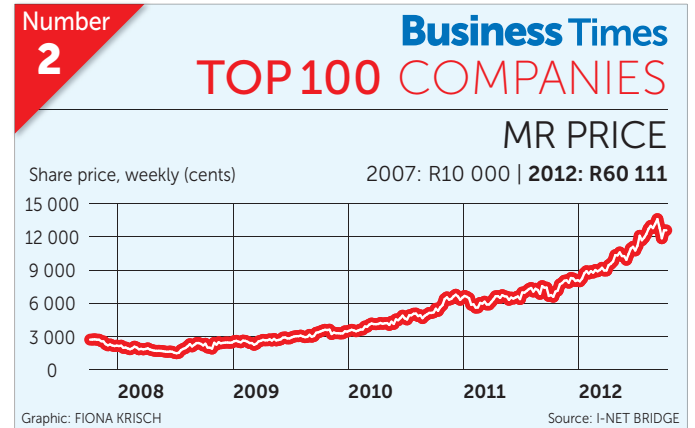
range of items. Bird said the online service would give Mr Price access to new markets in Africa and overseas.

The group is investing in state-of-the-art systems and is developing more cost-effective distribution facilities and structures to handle its planned growth in volumes.

For the interim reporting period to August, the retailer reported 14.9% growth in sales — of which 78.5% were in cash.

Mr Price Group's apparel segment, which accounts for 71.6% of group sales, experienced growth of 15% on a comparable basis. Its annual results are due this week.

The percentage of foreign shareholding in Mr Price Group at the end of last year was 42%.



■ CORONATION FUND MANAGERS

Coronation CEO happy to 'quit while at the top'

Hugo Nelson presided over spectacular growth, writes TSHEPO MASHEGO

CORONATION Fund Managers was the third-best performing company over the five years ended September 30, with a compound annual growth in its value of 40.3%.

Coronation runs nearly a third of all assets under management in South Africa, at R339-billion. The Association for Savings and Investment South Africa put the managed assets of the local collective investment schemes at R1.13-trillion at the end of the third quarter, to September 30.

Coronation posted 6% growth in headline earnings for the half-year to March. It declared an interim dividend of 95c a share.

Despite presiding over the spectacular growth in both results and share price, Coronation's CEO Hugo Nelson will step down at the end of January 2013 to pursue



■ TIME OUT: CEO of Coronation Fund Managers Hugo Nelson

personal goals and go on sabbatical for "at least a year". Chief operating officer Anton Pillay has been

appointed CEO designate.

"I've been with the firm for 13 years and CEO for five of those years. I think the business is in a very good place," said Nelson.

"At the time when I moved from a technical role to business leadership, I made a clear commitment to reassess after five years.

"I felt there was a natural successor in Anton Pillay, who had been chief operating officer during my tenure as CEO. I felt the business was doing well and it's always easier to do a handover under such circumstances.

"I thought this would be good timing to take time off as it wasn't going to harm the shareholders of the business. I felt very much this was a case

of quitting at the top."

Nelson, a medical doctor by profession, said Coronation's success was the result of sticking to its knitting.

"Historically we've been much more of a business-to-business service provider — only recently have we grown in the retail space. We try to deliver a good service to our clients, and that means good performance over a period of five years or more. We've been fortunate to have had tremendous stability in our staff and that has enabled us to perform at such a level."

Nelson said the initial stages of any investment were precarious and the company took great care in communicating its strategy to clients.

He said the worst

'We've been fortunate to have had tremendous stability in our staff'

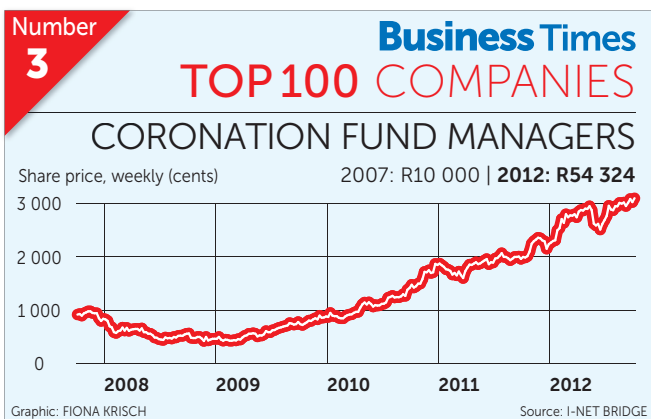
investments currently were government bonds and certain segments of developing-market equities — such as South African retailers.

"The retail businesses are fantastic. However, their share valuations are pricing in absolutely spectacular future performance. From our perspective, the major opportunities for South African investors are offshore, in both developed and developing-market equities."

TOP 50 GROWTH IN TURNOVER

Share name	Year	Compound growth 5 years
1 Uranium One	2011.12	179.44%
2 Conduit Capital	2011.08	170.32%
3 Purple Capital	2011.08	123.41%
4 Lonrho plc	2011.12	116.62%
5 Indequity	2011.09	96.16%
6 Ingenuity Property	2011.08	91.32%
7 Litha Healthcare	2011.12	67.96%
8 Buildmax	2012.02	61.76%
9 Erbacon	2012.02	57.37%
10 Taste	2012.02	55.15%
11 Thabex	2011.02	54.81%
12 Redefine Properties	2011.08	45.95%
13 EsorFranki	2012.02	43.48%
14 Sanyati	2011.02	42.71%
15 Amalgamated Electronic	2012.03	41.42%
16 Kumba Iron Ore	2011.12	41.19%
17 Capital Property Fund	2011.12	40.30%
18 Basil Read	2011.12	39.91%
19 Alert Steel	2011.06	39.24%
20 EOH	2012.07	38.94%
21 Brimstone	2011.12	37.65%
22 Grand Parade	2012.06	36.96%
23 Stefanutti Stocks	2012.02	36.46%
24 Resilient Property	2011.12	35.46%
25 Adaptit	2012.06	34.82%
26 Orion Real Estate	2012.06	33.45%
27 Raubex	2012.02	33.41%
28 B&W Instrument & Elec	2011.08	33.10%
29 Calgro M3s	2012.02	32.91%
30 Mediclinic	2012.03	32.60%
31 Rockwell Diamonds	2012.02	31.80%
32 Aspen Pharmacare	2012.06	30.53%
33 Mix Telematics	2012.03	29.91%
34 SA Corporate Real Estate	2011.12	29.58%
35 Pinnacle Technology	2012.06	27.78%
36 Onelogix	2012.05	27.73%
37 Hardware Warehouse	2012.06	27.22%
38 Kap International	2012.06	25.82%
39 Assore	2012.06	24.71%
40 Exxaro Resources	2011.12	24.01%
41 Blue Financial Services	2012.02	23.96%
42 African Rainbow Minerals	2012.06	23.53%
43 Grindrod	2011.12	23.47%
44 Afrimat	2012.02	23.34%
45 Rolfes	2012.06	23.14%
46 York Timber	2012.06	23.08%
47 Sovereign Food	2012.02	22.37%
48 Marshall Monteagle plc	2011.09	21.19%
49 Acucap Properties	2012.03	21.16%
50 1time Holdings	2011.12	20.97%

Graphic: FIONA KRISCH Source: I-NET BRIDGE



■ INVESTMENT

Staying in for the long haul brings returns



Art is surprisingly recession-proof and auctions before, during and after the global financial crisis have shown record prices

■ **ART ATTACK:** Robert Hodgins's *Three Golem Figures* will be sold on auction for between R400 000 and R500 000 this month. Buying Hodgins would have been a worthwhile investment five years ago

Economic crisis made a dent in investments and financials fared better than resources, writes TINA WEAVIND

THE JSE All Share index would have given you an annualised return of 6.6% between October 2007 and the end of September 2012 — but it must be seen in the context of the economic crisis of 2008 and 2009.

If you had bought shares at the end of 2009, as the crisis was ending, your money would have grown at a rate of 16% a year for the three years. If you were in it for the long haul, you would have made 17.6% a year for between 2002 and 2012.

Had you narrowed your focus to resources, over five years you would have lost 2% of your capital on an annualised basis. If you were in it for a decade, you would have seen an 11.7% annualised return, and if you had bought the shares at the end of 2009, you would have realised a 5.6% annualised return.

Financials would have been a better bet than resources. Over five years you would have earned 8.1% a year, but over three years and 10 years you would have seen returns of 18.8% and 18% respectively.

Industrials and listed property would have given you far and away the best returns. Industrials over five years would have netted you 14.2% a year, and 23.6% and 23.5% a year over three and 10 years respectively. Listed property would have

Art is surprisingly recession-proof and auctions have shown record prices

given you annualised returns of 13.5% over five years, and 22.1% and 23.6% over three and 10 years respectively.

If you had sought safety in bonds, you would have seen a 10.6% annualised return over five years. Over three years, you would have made returns of 12.7%, and over 10 years this would have dropped to 11.3% a year.

Cash would have been a better bet than resources for all but the 10-year period. You would have seen returns of 8.2% over five years, 6.3% over three years and 8.8% over a decade.

Houses and art are two other likely destinations for investment rands.

According to Absa's data, the smoothed average purchase price for approved loans on a medium-sized house (between 141 and 220m²) was R941 744 in September 2007. The same-sized house would be worth about R1.03-million now, an increase of a R87 130, which translates to a 9.25% increase over the period.

Because art is something one can enjoy every day, cashing in can be more difficult than for other investments. The range of possible investment artists is virtually endless, so expert advice is vital. However, art is surprisingly recession-proof and auctions before, during and after the global financial crisis have shown record prices.

Cruel shadows, an oil painting by South African artist Robert Hodgins, sold on auction for R99 000 in 2007. Five years later, Strauss & Co estimate that Hodgins' *Three Golem Figures* (oil and graphite on canvas) will go for R400 000 to R500 000.

But there are no guarantees. Gregoire Boonzaaier's 1957 work *View of the Cape archives* (oil on canvas) sold for R385 000 in 2007. In a 2012 auction in London, three of his works failed to meet their minimum bids and were "bought in" by Bonhams.

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■ SHOPRITE

Job growth held back by red tape

Whitey Basson bemoans trading barriers, writes LONI PRINSLOO

WHITEY Basson, the man responsible for building one of the most successful retailers in Africa, says excessive trading constraints are putting a damper on intercontinental economic growth and significant job creation opportunities.

Over the past 33 years Basson has grown Shoprite Holdings (Shoprite) from an initial R1-million acquisition of eight small stores to a business with a market cap of R100-billion. Shoprite now has over 1 700 stores in 17 countries.

In fact, if you invested R1 000 when the company listed in 1986, that investment would have grown to R1.2-million today.

Shoprite was the fourth most profitable investment and the best investment in the food retail sector over the past five years. A R10 000 investment five years ago at a share price of R37.50 would have shown an annual compound growth of 39.25% and would today be

worth more than R52 000, with a share price of R168.34 a share at the end of September.

Basson and his team have become so effective that on average the group is able to open a new shop every week and now employs 100 000 people, making it one of the largest employers in Africa.

‘There are substantially more jobs if we can get small things right’

But, said Basson, there were many more opportunities to create additional jobs if one could cut through red tape and trading barriers.

‘It is easy to set up a new shop and to train a 150 or 200 people to work in the shop. But there are substantially more jobs for South Africa if we get

small things right like exporting our goods and products to other African countries.

‘Currently we have to import meat for our shops in Africa from places like Argentina and Brazil, while some of the world’s best meat can be found right here in South Africa,’ said Basson.

‘If we could convert these imports from other countries into exports from South Africa, the country would be able to generate thousands of additional jobs without having to spend large amounts of capital to create those jobs.’

Basson said different government departments had to start working together to resolve the issues around exports. ‘We need a central minister to drive that process. It’s currently being handled by too many departments and small objections end up blocking the entire process.’

‘I am very bullish on South Africa, but the problem is we need to work about 20 times faster to make sure that we benefit from the seemingly obvious benefits that exist from other African countries expanding at a rapid pace.’

Nedbank Capital analyst Syd Vianello said Shoprite had clearly demonstrated that ‘the early bird catches the worm’, adding that the group had captured the first-time advantage on the continent.

‘That’s a huge advantage to have, but believe me, Africa was not walk in the park for Shoprite.’

‘They lost money in Angola for a long time before it became profitable, but the traditional U-curve has worked brilliantly for them in that country because I think it is either their best or second-best performing territory in Africa.’

‘Shoprite’s experience has no doubt taught them a lot about where the money will be made and what ingredients are necessary to make a country a profitable venture,’ said Vianello.

Basson said it was also important to lower entry barriers for small business in South Africa to ensure more robust employment growth. ‘We had a campaign a couple of months ago, where we wanted to buy about 1 000 ovens to



■ RETAIL: Shoprite CEO Whitey Basson PICTURE: MARTIN RHODES

HAW & INGLIS GROUP

SETTING THE BENCHMARK

Haw & Inglis Civil Engineering (Pty) Ltd (H&I), incorporated in 1984, is a Cape Town based construction company specialising in the road construction and rehabilitation markets. In addition to this, H&I also has a building division (Haw & Inglis Projects), an in-house concrete construction department and a crushing section (Great Karoo Crushing). In its 28 years of operation, H&I have established a reputation as one of the leading independent contractors operating throughout South Africa and various SADC countries.

The company’s investment in people has ensured the sustained growth of the company. H&I is well positioned to deliver and upgrade the province and South Africa’s ‘overextended’ infrastructure, which has been underfunded for several decades.

In 2006, the company established the Haw & Inglis Broad-Based Employee Trust (HIBBET), which has set a benchmark within the industry for proper broad-based black economic empowerment. Today, every permanent employee in H&I with more than two years services has a stake in the performance outcome of the business, making HIBBET the largest shareholder in the company.

Haw & Inglis has a programme to train students either at University or University of Technology in order to ensure that there are sufficient Civil Engineering graduates and technicians for the company’s needs in the future.

The Company has also taken up the challenge of tackling HIV, and is pioneering the fight against this scourge in the industry by running what is arguably one of the most successful patient management and treatment programmes in the country. The Company also has a medical caravan which caters for key employees’ occupational healthcare needs.

Management intends to maintain the company’s leadership in the market through structured organic growth, for which the ongoing skills training and upliftment of all employees is critical. The dedication to the development of our people is what sets H&I apart.

The company has a huge focus on their corporate social expenditure with the main focus being education, health and community programmes.

Should you require any additional information about the Company, you may contact Chrystal Poole who heads up the HR Department on 0219761110.



get people to do homemade cooking for our stores, but it is just too hard for the small guys to comply with excessive regulation in some cases. In the end, we had to scrap the campaign and all the jobs that would have come with it.’

He said while legislation was important, small businesses were often not given a fair chance to develop in South Africa — a country with an unemployment rate of almost 30% according to the latest census information released at the end of October.

‘Remember, trading is a wonderful and flexible business. If you need to survive, you can sell your goods on the pavement. We need to make it easier for the

smaller people to comply, and provide them an opportunity to also supply the bigger companies.’

‘If I had my life over, I would definitely choose to be in the retail business again. If you have a factory without orders, you just go one way and that’s down, whereas, as a retailer, you can always adjust your stock levels to be on terms with your suppliers and your clients,’ said Basson.

Avior Research analyst Mark Hodgson attributed Shoprite’s success to an effective management team, well thought-out investments, effective sourcing and cost control.

‘We like to run a lean, mean and hungry machine,’ said Basson.

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■ RETAIL

Foreign investors go berserk over shopping shares

But the sector, which has done better than the all-share index, may start to slide a bit, writes ADELE SHEVEL

THE Top 100 is dominated by companies in the retail sector, which has outperformed the all-share index, banks, resources and industrials.

Foreign investors now own about half of the retail sector on the JSE, up from 24% in 2007.

Theresa Heath, retail analyst at Stanlib, said: "SA retail shares are now big enough to count on international investor screens."

Truworths, for example, is 70% owned by foreign funds, Shoprite 50% and Clicks 63%.

The purchase by overseas funds has helped the retail index shoot up 108.9% over the past five years compared with the all-share, which has increased 19.34%.

The profits of some of the listed retailers have grown more than 15 fold since 2000, and continued to grow through the global financial crisis.

Retail is a well-run and competitive sector. But investors are largely interested in exposure to consumers in emerging markets, especially Africa which, according to PwC, is generating substantial consumer demand.

Domestic factors have also helped retailers' performance. Shoppers have spent more because real wage growth has outstripped inflation in many sectors; lower interest rates have helped richer shoppers; and poorer shoppers have benefited from higher social grants.

The growth in unsecured lending has also played a role.

'SA retail shares are now big enough to count on international investor screens'

Shoprite, the fourth-best performer on the Top 100 over the past five years, has greater exposure to Africa than any other retailer, with the rest of the continent accounting for 11% of group sales.

The big clothing retailers are all in the top 20 of top share performers.

Mr Price — in second position over five years — is followed by Woolworths (eighth over five years), Truworths International (15th) and Foschini, in 20th spot.

But is this the end of the big run for retailers? There is some concern they are overvalued.

Heath said: "We think they will continue to deliver, but maybe . . . the biggest quantum of margin expansion of earnings growth is now behind us. All the signs are pointing to consumers finding things tougher . . ."

So which sectors are likely to be the next strong performers?

Adrian Saville, chief investment officer of Cannon Asset Managers, pointed to resources and industrials.

"We are flagging resources as a broad cluster, and the domestic-focused industrial cluster including building, construction, engineering, domestic manufacturing and equipment suppliers."

He said resources were substantially underpriced. "Investors will give you all the reasons to stay away from the sector from labour action to electricity price pressure — but the companies are not priced for difficulty but disaster. To me, that's where the best opportunities reside."



■ **STRONG BUYING:** But analysts are now looking to resources and industrials for growth
PICTURE: KATHERINE MUICK-MERE

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■ FAMOUS BRANDS

See what boys in back room will do

The key is slick support of franchisees, writes BRENDAN PEACOCK

FAMOUS Brands, the owner of Steers, Debonairs, Wimpy, Mugg & Bean, House of Coffees and other franchises, has been rewarded by shareholders and analysts with consistent “buy” recommendations — because the fast-food group sticks to a tried-and-tested strategy.

It buys market-leading or challenger brands that connect with the public, and provides slick support in the background.

Any investor sinking R10 000 into the share five years ago would now be sitting on R51 407.

Franchisees have benefited too, because all the attractive margins are at their end.

So shouldn't Famous Brands struggle if the handsome margins are at store level, for the franchisees? It's all about striking the right balance and volumes, said CEO Kevin Hedderwick.

“What has set us apart from our peers is that we deliberately chose to get into logistics to service our

franchisees, and to manufacture on their behalf. This helps make prices far more competitive.

“But it means we have to go for volume, and that depends on the mix — how much we do for the franchisee and what it does to our margins,” said Hedderwick.

“We've just opened a logistics centre in Nelspruit because we had enough scale and volume in that geographical area.”

Famous Brands now roasts its own coffee, makes juices and sauces, and has brought a variety of other functions in-house.

Hedderwick said capacity kept coming, though in a calculated way.

“We buy brands at the front end and build the back end.

“But we won't get involved where the capital expenditure required is excessive. It must be low, with a quick payback period.

“Making chips is an example — a huge outlay and a lot of skill is required to start making chips, so we won't do it. We don't do

everything the franchise network requires.”

It is this cagey use of cash that keeps luring investors.

“Our balance sheet is strong, and we are a highly cash-generative business,” said Hedderwick.

“We pay back debt quickly, and our gearing is sitting at 4%.

“This means we can be acquisitive when opportunities present themselves. We are not at saturation point yet — if we see a compelling case, we'll buy.”

While the ability to pay down debt is attractive to shareholders, the company has no particular dividend policy. When there is more cash on hand, it simply pays out a smaller percentage to maintain reserves for acquisitive agility.

Famous Brands's strategy has always been to buy brands that already lead their segments, or to back potential challengers who could benefit with a little help from a finely honed organisation.

For example, it is in chicken for the long haul with Giramundo, even though Hedderwick praised KFC and Nando's for the imposing barriers to entry in this sector.

From essentially a fast-food takeaway specialist, Famous Brands is keen on getting its customers to sit down by expanding its presence in family-style restaurants.

First up, pubs. “KEG has been our flagship, and we've overhauled it and made it more contemporary,” said Hedderwick.

“We can show franchisees what good looks like and entice them. Pubs that can't become KEGs will become Brewers Guild, which is a hybrid of the old brands. We are in the process of converting four



■ A GOOD SPACE: Kevin Hedderwick, CEO of Famous Brands, which is moving into family restaurants PICTURE: KATHERINE MUICK-MERE

or five pubs to Brewers Guild — there is no point in having four different pub brands.”

He said no matter what a South African wanted to eat, Famous Brands had to offer options in every category.

“If it has a food and beverage spin, then we're interested. We want to get into the complete food-service landscape.”

That doesn't just go for South Africans. “We have been in Africa across our borders for 15 years or so, and we have planted many seeds in the last decade ...” he said.

“We are about to embark on an aggressive strategy from 2013; to go deep into our existing presence on the continent, but not necessarily into new territories.

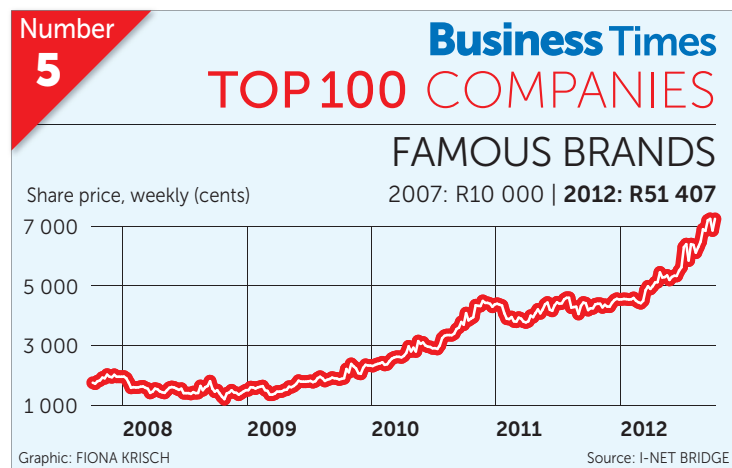
“We ought to understand the markets by now, although the

route to market in Africa and the retail-space aspect present challenges. If we can buy manufacturing facilities at critical mass we'll look at them too.”

Hedderwick said food service was closely linked to the economy, and Famous Brands was poised to benefit as soon as GDP grew.

“We have to constantly work to remain contemporary and offer a strong value proposition for customers — when disposable income comes under pressure it is the value proposition that becomes compelling.

“It has also been shown that when GDP begins to increase in a country, because people become cash-rich and time-poor, more people buy food out of home. Food-service profits tend to rise at twice the rate of GDP growth. I think we're in a good space.”



■ ASSORE

Good timing adds up to profits

Base-minerals miner releases all-time high results, writes LONI PRINSLOO

EXPOSURE to the right minerals at the right time has secured strong returns for investors that have put their money behind base-minerals miner and marketer Assore.

At number 6, Assore is the only resources company to make it into the top 10 of the 2012 Top 100 Companies list.

A R10 000 buy-in into Assore at R73.60 a share five years ago would have grown to R50 523 by end-September, at a share price of R329.70. Assore's shares were first listed on the JSE in 1950, and have enjoyed almost 100-fold growth over the past 15 years.

The company's principal investment is a 50% interest in Assmang, which it jointly controls with African Rainbow Minerals.

Assore chairman Desmond Sacco said the company had just released all-time-record results, with earnings of R3.7-billion, mainly bolstered by higher iron-



■ GROWTH: Chris Cory, CEO at Assore PICTURE: MOELETSI MABE

ore prices.

“We expanded our iron-ore business at just the right time. Six years ago, when we started our expansion at Khumani, iron-ore prices were hovering at \$50-60 and since then we have seen prices as high as \$185-200 for a short period,” said Assore CEO Chris Cory.

In 1929, Sacco's father Guido started exploration for manganese in the Kalahari. The company subsequently diversified into iron-ore and chrome mining, ferro-

alloys production, and selling and marketing commodities.

Assmang's plans for the coming five years include a manganese expansion that will increase production to five million tons a year. “We believe the right direction for us to continue on our current upwards trajectory will be to produce and sell more manganese in the future. We already have the plant capacity and infrastructure in place but require additional shafts and related infrastructure,” said Cory.

The company was considering its position in ferroalloys as ever-increasing electricity tariffs are making it difficult to survive in this business, he added.

Electricity prices have more than doubled in five years and state-owned power utility Eskom is now seeking a further 16% increase in tariffs.

Assmang had to temporarily halt ferrochrome production and converted most of its Machadodorp ferrochrome furnaces into ferromanganese furnaces.

Cory said increasing power prices would work against government's call for beneficiation.

“The main ingredient that goes into beneficiating our ores is power, and the increases administered by Eskom are making our alloys business unviable.”

Sacco said Assore had been affected by strikes at other mines. “The big concern is customer perception of reliability of supply from South Africa.”

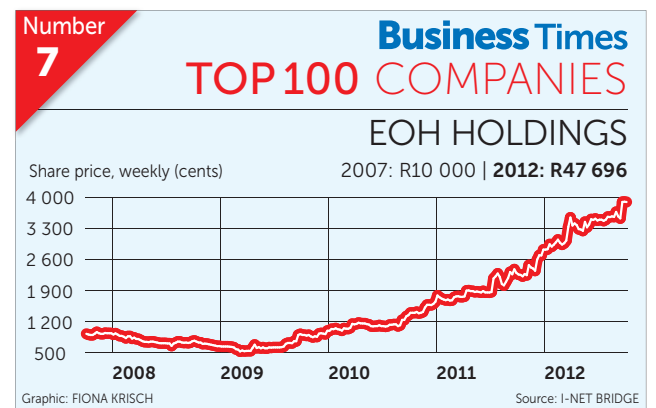


■ EOH

Expansion into public sector pays off



■ AWARE: Asher Bohbot, CEO of EOH
PICTURE: KATHERINE MUICK-MERE



Tech company grows 36% over last five years, writes MAMELLO MASOTE

TECHNOLOGY company EOH's foray into the public sector has paid off handsomely with the company being listed seventh in the Top 100 Companies survey.

Compound growth over the last five years is sitting at 36.68% and a large part of that is attributed to the company's aggressive expansion into the public sector, which now accounts for about a quarter of revenue.

If you had invested R10 000 in EOH 10 years ago, that investment would be worth a little more than half a million rands today. This is a reflection of the buoyant share price that has been on an upward trend for the last five years.

Five years ago, the share price was about R9.40 and today it is about R39 and showing no signs of slowing down, particularly after the positive results from the 2012 financial year.

EOH, with the second-largest market capitalisation in the technology sector after rival Datatec, has leaptfrogged over its competitors since it listed in 1998. According to CEO Asher Bohbot it has grown "44% per annum compounded since inception" and grew revenue by 50% last year.

It surpassed the R1-billion revenue mark in its 2009 financial year. In its 2012 financial year, EOH earned income of about R3.6-billion and was left with a net profit of R223-million, after taking into account all costs and expenses.

While government has proven that it can be great business, it has also rendered many companies bankrupt due to non-payment.

However, Bohbot said EOH has fared well thus far. "We are aware of the challenges [in the public sector] and cater to them up front. We have proper contractual obligations that are adhered to by both sides and the most important thing is that we ensure that we deliver. You have to be a lot sharper when you're dealing with government," said Bohbot.

According to Bohbot, the key to the consistent performance shown by EOH is the level of execution, which comes from the calibre of talent running the organisation. "In today's world we don't compete on the right strategy, especially being a public company. The strategy is out there for everyone to see, but the real competition happens at an execution level. And to execute, you need to attract and retain the right people," he said.

He admitted that highly specialised IT skills weren't always available in abundance and this is why EOH had made human development a priority.

"This year, in terms of employment, we reached the 5 000 people mark and we also have 620 interns," said Bohbot.

One of the things the leader is most proud of is the level of transformation the company has achieved. This was helped by a black economic empowerment (BEE) deal brokered with Mthombo IT in 2005, which raised the BEE profile of the company and resulted in a 25% broad-based black shareholding.

"We are reasonably transformed and doing well on our BEE scorecard," he said. "Thirty-eight percent of the company is under black ownership and 57% of our employees are black. We do believe that sustainable transformation is key for South Africa and it will allow business to grow."

With a cash pile of R452-million, Bohbot said, acquisitions were part of the growth plan. "Not to force growth but keep the momentum of the business going and look at organic growth and acquisitions."

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■ WOOLWORTHS

Greater control of brand brings results

CEO's interventions bolstered share price, writes ADELE SHEVEL

WHEN Ian Moir became CEO of Woolworths two years ago, he said he would fine-tune strategies that were working well, lose those that were not and improve decision making.

"We weren't really delivering and had become a little overconfident," said Moir.

Following his intervention, which included direct sourcing, focusing on the core customer, and lowering lead times in clothing, the share price has risen substantially.

This has placed Woolworths eighth in the Top 100 Companies, reflecting growth in its share price from R17.90 to R60.79.

A R10 000 investment in Woolworths five years ago would have been worth R46 465 at the end of September.

The business has been made simpler and more profitable. It is using direct sourcing rather than third parties.

The up-market retailer has benefited from an absolute focus on LSM 8 to 10 customers in food and clothing. Margins have



improved and increased the profitability of the business.

And the market approves. An investment in Woolworths has shown compound annual growth of 35.96% a share over five years. In the last year alone its share price has shot up 73%.

"We're more commercial, decisive, simpler. We've taken a lot of complexity out of the

business and made decision making easier," said Moir.

The opportunity in food is still about getting more people to shop with focus on price, and the expansion of its product offerings.

One of Moir's favourite images is getting consumers to shop with trolleys rather than baskets. "We're behaving more like a supermarket."



■ SIMPLER: Woolworths CEO Ian Moir PICTURE: HETTY ZANTMAN

The food division has had sales growth ahead of the market and gained market share over the past two years, and there's room for more growth. Woolworths has a 25% share of the local fresh fruit and vegetables market, but it has only a 2% share of other goods from cereals to coffee to cleaning materials.

Its food business is forecast to deliver strong same-store growth this year as higher LSM consumers increase their spending with a benign interest rate environment and rising food inflation.

The clothing division has been gaining market share with the re-

launch of its brands RE and Studio gaining favour with a younger customer.

The retailer continues to take out franchise operators and convert them into corporate stores. It has bought back about 80% of its franchisees at a cost of R700-million, giving Woolworths greater control of its brand.

Analysts see further potential in operating efficiency, which is still low compared with its peers.

Woolworths reported 2012 financial results marginally ahead of expectations. Headline earnings a share were 260.6c, a growth of 24.4%. Group sales rose 11.8%. Sales growth in South African clothing was up 12.6% and in food up 11.9%. Australian operations took strain and sales contracted 2.6%.

The retailer has made a big investment in Australia. Country Road, its 88%-owned subsidiary, bought 40-year-old fashion retailer Witchery Group for about R1.5-billion.

"The first signs are incredibly positive. The Australian business is nearly two-thirds the size of our South African clothing business," said Moir.

But Australian trading conditions have been tough for the past two years and is expected to remain so for another 18 to 24 months. The group has invested heavily in online retailing and is taking the strategy forward over the next three to five years.

Africa contributes a relatively small percentage to Woolworths at about 3% of turnover, but Moir believes that it might account for 7% of group sales in five to seven years, and 10% of group profit over the next 10 years.

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PINNACLE Technology Holdings retained its ninth spot in the Top 100 Companies rankings. Its compound annual returns to shareholders rose just over one percentage point from the previous year to 35.72%, perhaps signalling the effect its most recent acquisitions have had on profits.

CEO and founder Arnold Fourie agreed, attributing the group's improving performance to good acquisitions.

In the year to September, the IT company's various subsidiaries bought out the remaining shares in partly-held subsidiary Explit for R3.5-million; a majority stake in infrastructure company Merqu Communications for R3-million; and the entire business of internet security distributor e-Secure for R5.1-million.

"These are small acquisitions and are not currently making that much money, but they're strategic acquisitions," said Fourie. "They're providing the group with access to market spaces that we haven't been in before."

The purchases follow last year's R16.8-million deal to buy out the remaining shares in its 60%-held cabling and related ICT infrastructure distributor DataNet Infrastructure Group, as well as the R11.3-million deal for 39.2% more of its ICT-sector financier Centrafin; and the 2010 acquisition of the Axiz

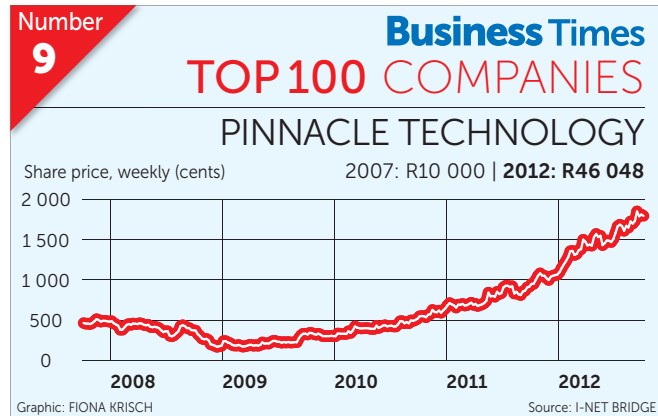
■ PINNACLE TECHNOLOGY

New acquisitions help cement position

Company's efficiency gives it the edge, writes MOYAGABO MAAKE



■ OPTIMISTIC: Arnold Fourie, CEO of Pinnacle PICTURE: KATHERINE MUICK-MERE



Technology Group at R151.2-million. Centrafin was generating a lot of revenue for the group. Daniel Isaacs, an equity analyst

at 36One Asset Management, which owned 6.9% of Pinnacle at the end of June, said the most notable buy was Axiz.

"This was an excellent acquisition as Axiz had very little client and product overlap with the existing business," said Isaacs. "The Axiz business has been seamlessly integrated, which is testament to management's operational excellence."

In its results to June 2011, the company said revenue grew by 57% to R5-billion, and more than half of that came from Axiz and Centrafin. The following year's set of results showed the integration of the Explit and DataNet purchases helped cut operating expenses. Indeed, efficiency is one of Pinnacle's competitive advantages, said Fourie.

This helped it accumulate headline earnings of R280-million in 2012, a major boost from R104-million just four years ago. The secret was "continuous

profit growth, and keeping the company's balance sheet robust. We remain efficient," said Fourie.

Said Isaacs: "Pinnacle will now look to grow more through non-distribution channels which is evidenced by its 'Projects and Services' segment and its recent acquisition in this space, Merqu Communications. Merqu focuses on data-centre design and installation which are an integral part of the cloud computing infrastructure."

Fourie said Pinnacle was now in a position to provide all the hardware and software needed to build the data centres that cloud computing depends on.

■ ASPEN PHARMACARE

A fuller medicine cabinet

Acquisitions boost pharmaceutical firm, writes TINA WEAVIND

IN the past five years Aspen's total return to shareholders has been 34% — compounded — a year. In the period, the pharmaceutical company has expanded from being an almost entirely local operation to one that operates in more than 150 countries.

Aspen ranks number 10 in this year's Top 100 Companies.

Investec asset management analyst Neil Stuart-Findlay said much of the company's success could be attributed to the outstanding leadership and insight of CEO Stephen Saad and his deputy Gus Attridge.

From the late 1990s, when Aspen was founded, until 2007, the company focused on generic drug manufacture and distribution in South Africa. Because of the shift in demand towards cheaper off-patent generic products, the model proved to be a superb earnings provider.

But it wasn't enough for top management, which began an



■ HEALTHY: Gus Attridge, Aspen deputy CEO PICTURE: TEBOGO LETSIE

acquisitive drive that has made Aspen one of the biggest pharmaceutical companies in emerging market economies. In addition to being beneficial from an earnings and share-price perspective, the global expansion helped the company diversify regulatory and currency risk.

As the rest of the world began to buckle under the global economic crisis in the third quarter of 2008,

Aspen's earnings moved upwards. Having just concluded its first deal with global drugs manufacturer GlaxoSmithKline (GSK), Aspen had not only acquired new products, it also had a pipeline into new territories through which it could introduce its own products.

Importantly, it had also acquired GSK's knowledge of the regulatory lay of these new lands. GSK's primary objective is to research and develop new products and bring them to market under patent, while Aspen's is to manufacture generic alternatives, which it markets and distributes. The strategic collaboration between the two companies involves Aspen acquiring the rights to GSK-developed products nearing the end of their patent, which Aspen then markets. Where appropriate, it creates a generic product.

Despite Aspen issuing a 16% equity stake to GSK in 2009 — GSK now owns a 18.6% stake — most of the deals it has done have

been debt funded. With the company being such a strong cash-flow generator, these debts are quickly paid up, leaving Aspen sufficiently capitalised to seek out new deals.

Attridge said part of Aspen's strategy was to reach more markets instead of getting bigger in existing markets. He said it made more sense from a risk perspective to do five small deals in five different countries than one big deal in one country. This strategy also gave the company the opportunity to grow organically and not just acquisitively.

However, as the company

grows, so the deals need to grow to have any real effect on the bottom line.

And they have. In January 2011, Aspen concluded its acquisition of listed Australian drug maker Sigma, which was struggling financially. Sigma was turned around operationally and Aspen is now the biggest generic pharmaceutical manufacturer in Australia.

Stuart-Findlay said the effect of cost cutting and improved efficiencies is likely to further effect Sigma's bottom line in the next 18 months to two years, which will result in an earnings uplift for Aspen over the period.



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Economic pendulum influences list

BRENDAN PEACOCK

THE list of top performers over 10 years reveals just how difficult it is for companies to maintain high returns for shareholders. Not only that, but a surprising number of seemingly impregnable companies fall by the wayside.

To maintain a compound annual growth rate in share price of over 40% for 10 years is unthinkable in the face of changing market conditions, leadership overhauls and stiff competition. Although the companies in the top 10 of the long-term list almost certainly have capable leaders guiding them, the same can be said of many of the bottom 10.

Shaun le Roux, portfolio manager at PSG Asset Management, said the list illustrates the importance of being in the right industry with the right management team.

“Owning a well-managed company in a fast-growing industry can be extremely rewarding for an investor — there is not one company on the list of top 10 performers that has not had an above-average management team. At the same time, all the dogs have one [or both] of two ingredients: being in a challenged industry or having a management team that allocated capital poorly.”

Le Roux said the standout sectors on the JSE over the past decade have enjoyed the benefits of growing household incomes and aggressive expansion into informal and under-served markets.

“Capitec has led the way in micro-lending and banking, Shoprite in food, Mr Price in clothing and Cashbuild in building materials.”

However, he said, not all companies exposed to the consumer have done well — especially those that manufacture or distribute consumer products and have had to compete directly with cheap Chinese and Asian imports.

“A relatively strong rand has seen companies like Ceramic [tiles] and Nu-World [appliances] battling to maintain profitability.

“It is interesting to note that mining shares can be found among the best and worst performers. Kumba has benefited from the very sharp appreciation in the iron-ore price, while most miners have failed to capture the benefits of rising commodity prices thanks to rampant cost pressures.

“One characteristic that the top four performers have in common is that they were quite small companies 10 years ago — all of their market capitalisations were significantly below R1-billion.

“It is much easier for a small company to quickly grow its profits or asset value than it is for a very large business. Smaller companies are typically more nimble and have many more opportunities to make transformational investments to grow their business.”

Adrian Saville, chief investment officer at Cannon Asset Managers, said while only one producer found its way into the top 10 — Kumba — the bottom 10 was largely populated with producers and miners.

“Perhaps producers will come off a low base now, but there’s a possibility that there could be a protracted period of pain ahead. It isn’t a good economic direction.

“Service companies can ‘make’ things, for example in information technology, but if you’re a retailer . . . your value-add hinges on consumer spend. This is not

TOP 100 COMPANIES OVER 10 YEARS									
Share name	Open (cents)	Close (cents)	Final value (R)	Compound growth 10 yrs	Share name	Open (cents)	Close (cents)	Final value (R)	Compound growth 10 yrs
1 Capitec Bank Holdings	160	22 400	1 900 427	69.00%	51 Metair Investments	448	2 790	90 695	24.67%
2 PSG Group	495	6 750	672 132	52.32%	52 Tiger Brands	7 201	27 312	88 179	24.32%
3 Brimstone Investment -N	50	1 000	550 038	49.29%	53 Mediclinic	774	4 100	86 324	24.05%
4 EOH Holdings	104	3 900	504 855	48.02%	54 Rainbow Chicken	252	1 345	85 522	23.94%
5 Mr Price	505	12 599	389 896	44.24%	55 Netcare	295	1 790	85 049	23.87%
6 Shoprite	650	16 834	353 807	42.85%	56 Sasfin	595	3 090	83 995	23.72%
7 Kumba Iron Ore	3 710	50 292	337 266	42.17%	57 Fountainhead Prop Trust	226	809	83 539	23.65%
8 Cashbuild	670	15 500	319 734	41.41%	58 Adcorp	607	2 800	82 839	23.54%
9 Invicta	450	8 170	303 066	40.65%	59 FirstRand	668	2 789	80 227	23.15%
10 Naspers -N	1 880	51 497	297 265	40.38%	60 Sanlam	740	3 757	79 081	22.97%
11 Assore*	1 420	32 970	279 841	39.54%	61 Discovery	805	5 550	77 520	22.73%
12 Premium Properties	158	1 770	272 589	39.17%	62 PPC	785	2 900	76 717	22.60%
13 Value Group	30	570	268 217	38.95%	63 Brait	930	2 940	75 186	22.35%
14 Truworths	575	9 400	245 949	37.75%	64 Imperial*	4 900	18 751	74 757	22.28%
15 Aspen Pharmacare	665	14 300	244 524	37.67%	65 Sycom Property Fund	815	2 700	73 078	22.01%
16 MTN Group	848	16 021	231 113	36.89%	66 Absa	2 995	13 850	71 372	21.72%
17 Woolworths	456	6 079	229 783	36.81%	67 Peregrine	220	1 120	70 949	21.65%
18 The Foschini Group	955	12 651	213 068	35.79%	68 Compagnie Fin Richemont	1 545	5 006	70 694	21.60%
19 Wilson Bayly Holmes - Ovcon	850	13 775	205 763	35.31%	69 BHP Billiton plc	4 926	25 785	68 436	21.21%
20 Distribution & Warehousing Network	36	650	205 266	35.28%	70 Group Five*	510	2 540	68 392	21.20%
21 Octodec Investments	246	1 900	192 975	34.45%	71 Bidvest Group	4 322	20 600	68 294	21.18%
22 Grindrod	122	1 420	180 422	33.55%	72 Datacentrix Holdings	123	489	68 218	21.17%
23 Capital Property Fund	156	1 059	164 274	32.30%	73 SABMiller Pplc	6 969	36 176	66 701	20.90%
24 Massmart	1 520	16 691	162 570	32.16%	74 Reunert	1 880	6 895	61 875	19.99%
25 Santam	3 180	18 979	157 177	31.72%	75 Pick n Pay Holdings	530	2 041	61 016	19.82%
26 Clientele Life Assurance	130	1 100	156 100	31.63%	76 Foord Compass	440	815	60 251	19.67%
27 Phumelela Gaming & Leisure	99	885	148 444	30.97%	77 Oceana Group	1 540	5 400	59 408	19.50%
28 Astral Foods	1 310	10 400	146 444	30.79%	78 Illovo Sugar	800	3 050	56 725	18.95%
29 Hyprop Investments	1 060	7 160	142 473	30.43%	79 SA Corporate Real Estate Fund*	169	360	54 756	18.53%
30 African Bank Investments	535	3 305	139 024	30.11%	80 Standard Bank Group	2 870	10 563	54 592	18.50%
31 Clicks Group	625	5 788	131 128	29.35%	81 Tongaat-Hulett	5 000	13 975	53 665	18.30%
32 Kagiso Media	290	1 925	130 621	29.30%	82 Bowler Metcalf	220	800	50 838	17.66%
33 Digicore Holdings	20	192	130 452	29.28%	83 AECI	2 220	8 184	50 607	17.60%
34 Spur Corporation	310	2 200	126 638	28.90%	84 Steinhoff International	694	2 608	50 449	17.57%
35 Growthpoint Properties	456	2 487	122 399	28.46%	85 African Rainbow Minerals*	3 705	16 298	49 290	17.29%
36 Distell Group	1 180	9 313	120 341	28.25%	86 Aveng	870	3 129	48 278	17.05%
37 Anglovaal Industries	1 410	5 976	119 487	28.15%	87 Caxton & CTP	505	1 730	47 685	16.91%
38 Hudaco Industries	1 600	11 180	116 713	27.85%	88 Amalgamated Appliance	85	295	46 692	16.66%
39 Acucap Properties	960	4 660	115 402	27.71%	89 Sasol	11 705	37 229	45 487	16.36%
40 ELB Group	330	2 550	113 281	27.47%	90 JD Group	1 600	4 650	43 335	15.79%
41 City Lodge Hotels	1 365	9 195	106 779	26.72%	91 Altron	775	2 295	43 256	15.77%
42 Trencor	670	5 345	103 571	26.34%	92 Sun International	2 658	8 500	41 086	15.18%
43 Omnia	1 650	12 500	101 124	26.03%	93 Liberty Holdings	4 832	9 925	38 012	14.29%
44 Tsogo Sun	280	2 000	100 137	25.91%	94 Argent Industrial	215	630	37 184	14.03%
45 Remgro	6 610	14 525	99 786	25.87%	95 Iliad Africa	205	520	36 111	13.70%
46 Redefine Properties	244	935	97 503	25.57%	96 Barloworld	5 880	7 190	35 496	13.51%
47 Datatec	660	5 265	97 330	25.55%	97 ArcelorMittal SA	2 030	4 100	34 278	13.11%
48 RMB Holdings	975	3 700	93 828	25.09%	98 Nampak	1 395	2 860	33 658	12.90%
49 Italtile	109	639	92 698	24.94%	99 Altech	2 151	4 350	33 580	12.88%
50 MMI Holdings	540	2 119	92 093	24.86%	100 Investec Limited	2 412	5 110	33 320	12.79%

Graphic: FIONA KRISCH Source: I-NET BRIDGE

* denotes where a dividend due at period end has been accrued.

sustainable if nothing is being made. There has to be a production underpin to the economy.”

He said recovery in production was an economic imperative.

“This table shows that South Africa has not had a strong production underpin, and we see that in the manufacturing data over the past few years. I think that’s unlikely to

repeat for another 10 years.”

Looking at Top 100 lists from decades gone by, Saville said, it wasn’t often that a company managed to stay in successive lists.

“Invariably there is an almost zero chance of one company repeating that kind of performance over the long run. After five years, most fall out of the top 10.”

Juniors in mining plunge to end of list

JANA MARAIS

INVESTORS in junior mining companies have had a tough time of late, with share prices falling by up to 95% in the 12 months to end-September.

Seven of the 10 worst performers on the JSE were small mining companies, mostly with projects in exploration or development stage, that ran into operational or funding troubles over the period.

Great Basin Gold, which suspended operations at its Burnstone mine in September after its cash dried up, was the overall worst performer, with its share price dropping from R13.50 to 70c. The company, which also owns a mine in Nevada in the US, entered business rescue in September.

Weak platinum prices, safety stoppages, labour unrest and rising costs caused troubles in the industry, making it difficult to raise capital and turn around loss-making operations. Aquarius Platinum, Eastern Platinum and Atlatsa Resources all feature on the list of the 10 worst performers, with Aquarius shareholders losing 77%, Eastplats 74% and Atlatsa 68%.

Shareholders in Wits Gold, an exploration and development company that pulled out of a bid to buy Harmony Gold’s Evander mine, lost nearly 60%, while First Uranium, which sold off assets to AngloGold Ashanti and Gold One, declined 7%.

Shareholders in Coal of Africa, who faced losses of 67% over the year, have more reason to smile after the company found a Chinese investor early in October. The company was under pressure to find capital to develop mines at Makhado and Vele in Limpopo.

However, one junior miner made it to the top performers’ list over the year. Shareholders in Central Rand Gold, an exploration and mining company with operations in the south of Johannesburg, saw returns of 150% over the year. Its share price of 10c at the end of September is still however, a long way from the R10.69 the company listed at in 2007.

The worst performers’ list includes struggling airline ITime Holdings, which has announced the liquidation of its main operating subsidiary; investment holding company Sherbourne Capital; and industrial group Dorbyl, which warned in October that it was in distress and “rea-

sonably unlikely” to pay all its debts. Trade in Dorbyl shares was suspended this month.

The top performing company over the period with returns of 99% was Calgro M3 Holdings, a housing developer. Its share price jumped from R1.00 to R4.70 at the end of September. Electrical products and television aerial company Ellies was in second place with returns of 78%.

Three technology firms made it to the top 10: Adapt IT Holdings, which offers consulting and software development services, was third with returns of 156%. Fourth was Foneworx Holdings, which offers hosting, disaster recovery and business continuity services and the technology platforms used for voting by SMS in programmes like Idols, returning 150%.

Pinnacle Technology, which distributes hard- and software, was 10th with returns of 93%.

The rest of the top 10 consists of private school group Curro Holdings, Taste Holdings, which owns Scooters Pizza, St Elmo’s, Maxi’s and NWJ Jewellery; engineering group Howden Africa; and SA French, which distributes tower cranes and hoists.

TOP 25 COMPANIES OVER ONE YEAR

Share name	Open (cents)	Close (cents)	Final value (R)	Compound growth 1 year
1 Calgro M3	120	470	39 167	291.67%
2 Ellies	185	690	37 767	277.67%
3 Adapt IT	65	155	25 625	156.25%
4 Foneworx	95	225	25 013	150.13%
5 Central Rand Gold	4	10	25 000	150.00%
6 Curro	655	1 629	24 870	148.70%
7 Taste Holdings	115	270	23 781	137.81%
8 Howden Africa	1 421	2 900	21 728	117.28%
9 SA French	5	10	20 000	100.00%
10 Pinnacle Technology	949	1 795	19 329	93.29%
11 Conduit Capital	64	108	19 286	92.86%
12 Mr Price	6 729	12 599	19 268	92.68%
13 Anglovaal Industries	3 233	5 976	19 189	91.89%
14 Interwaste	37	70	18 919	89.19%
15 Investec Property Fund	1 030	1 780	18 588	85.88%
16 Imperial*	10 525	18 751	18 486	84.86%
17 Invicta	4 590	8 170	18 474	84.74%
18 Super Group	840	1 535	18 274	82.74%
19 Metair Investments	1 590	2 790	18 020	80.20%
20 RMI Holdings	1 251	2 153	17 962	79.62%
21 Woolworths	3 500	6 079	17 913	79.13%
22 Spur Corporation	1 300	2 200	17 788	77.88%
23 Rolfes	216	370	17 712	77.12%
24 Old Mutual plc	1 491	2 284	17 679	76.79%
25 Famous Brands	4 249	7 250	17 677	76.77%

Graphic: FIONA KRISCH Source: I-NET BRIDGE * denotes where a dividend has been accrued.