Order book keeps Hudaco on track

Headline earnings per share at Hudaco Industries lagged a jump in other metrics in its results for the half-year to May 2017. This related to acquisitions by the importer and distributor of branded automotive, industrial and electrical consumables into Southern Africa.

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While group turnover was up 7% to R2.7bn for the period, and operating profit rose 9% to R269m, basic and headline earnings per share crept up 2%. But net cash from operations came in at a healthy R247m.

"The results are okay in the current difficult economic environment," Ron Klipin, a Cratos Wealth portfolio manager, said on Friday. He said that the generation of strong cash flows, a healthy order book into the second half of the year and acquisitions were again helping to underpin sustainable growth.

Market categories

Hudaco's markets fall into two main categories. First, the automotive aftermarket and power tool, security and communication equipment businesses that support consumer spending. Second, mechanical and electrical power transmission markets - mainly in mining and manufacturing - including for diesel engines, hydraulics, steel, thermoplastic fittings and engineering consumables.

The group said on Friday it was concerned the revised Mining Charter had the potential to make the industry and much of its supply chain "uninvestable", resulting in further job losses. To this end, the group had over the past few years cut its mining exposure in favour of retail consumables. "The group has delivered pleasing first-half results under extremely difficult trading conditions in an economy that is under enormous pressure," CEO Graham Dunford said.

"With stagnant markets, rating downgrades, SA falling into recession and the rand being the most volatile currency in the world this year, we, fortunately, carried a healthy order book into the new year and this, together with improvement in certain sectors of the economy, gave us a strong start to the year."

Source: Business Day