

ENGLISH EDITION

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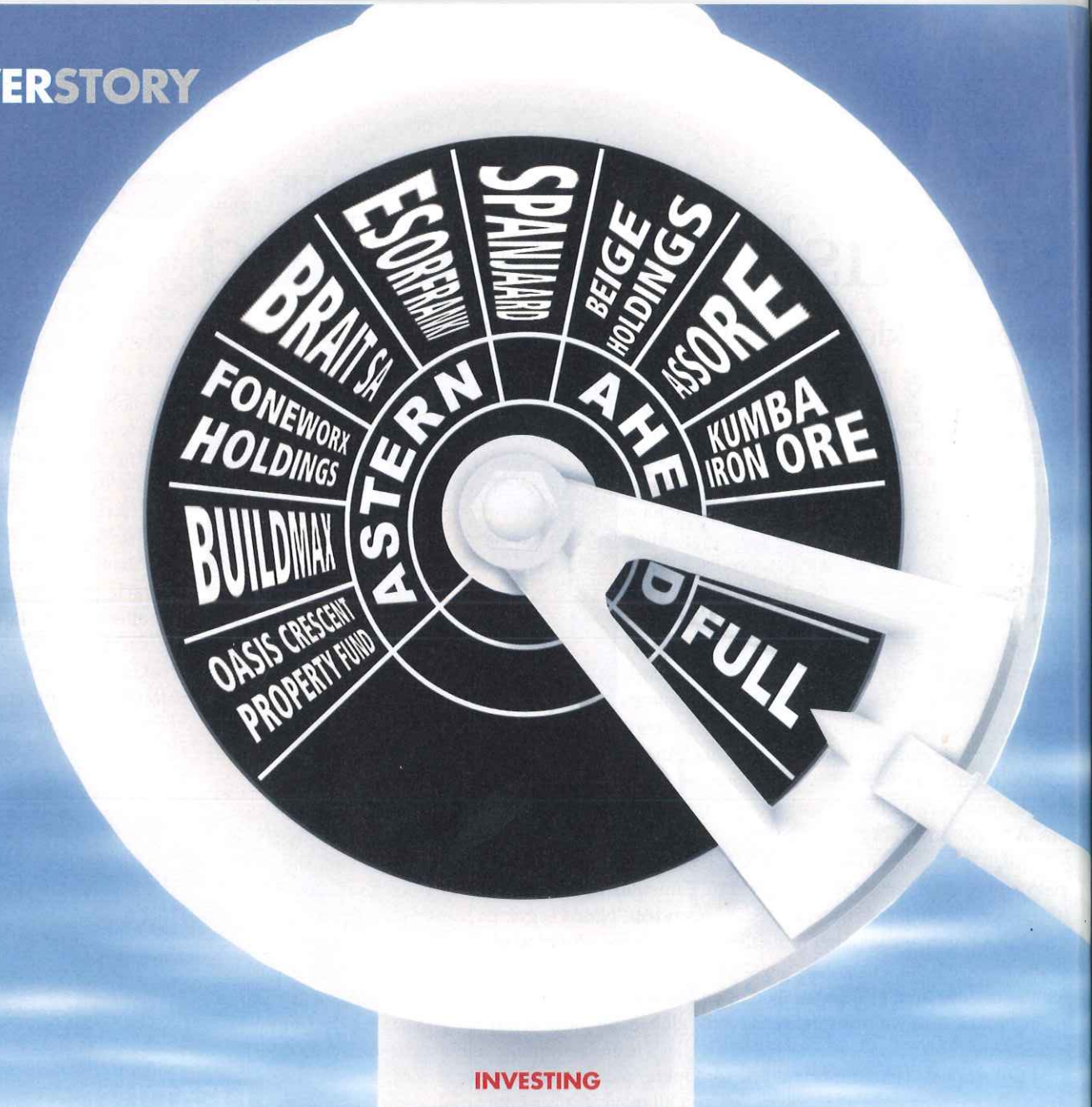
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HAVE KNOTS

Getting steamed up over SA's
10 'fastest' growing companies



INVESTING

HAVE KNOTS

GETTING STEAMED UP OVER SA'S
10 'FASTEST' GROWING COMPANIES

By Bruce Whitfield

Great companies sometimes make for lousy investments: the smart money has been there for some time and while you might have the certainty of dividend income and sure and steady growth over time, the odds are that others spotted the opportunity long before you and have capitalised on that. However, some great companies operate under the radar and deliver exponential growth. But are all stellar performers worth investing in?

Name South Africa's fastest growing companies over the past three years. Just quickly in your head: nothing fancy, just pause and consider for a moment. We're not talking share price here; we're looking at companies that may surprise and delight investors in years to come and may have been overlooked by the market.

What names did you come up with? I wouldn't be surprised if included on your list were the likes of Naspers, Capitec, Shoprite or maybe even Mr Price. Surprisingly enough, you'd be wrong. They fall into that category where lots of money has been made over the past decade – but their multiples are demanding, courtesy of the fact investors are banking on their continued strong underlying performance. They're all great businesses in their own right but it doesn't mean investors buying them now will see superior returns later.

Warren Buffett is quoted too often nowadays, so forgive this one. But it makes sense: "Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised."

Finweek's data service provider McGregorBFA assessed three different key indicators of growth, looking at companies listed in 2006 to give an unambiguous three-year comparison to year-end December 2009. Companies, such as banks, that don't report turnover numbers, were excluded: besides which, they'd hardly have featured anyway considering their trials and tribulations. Firms with negative earnings per share at either the

40 FASTEST-GROWING COMPANIES

	Full name	EPS Comp. Growth (%)	Turnover Comp. Growth (%)	IRR %	Average (%)
1.	CONDUIT CAPITAL	207,23	404,00	-26,69	194,85
2.	KUMBA IRON ORE	197,34	120,92	47,25	121,84
3.	ASSORE	127,48	37,63	69,42	78,18
4.	BEIGE HOLDINGS	157,13	92,51	-38,02	70,54
5.	SPANJAARD	178,69	10,98	21,03	70,23
6.	ESORFRANKI	69,37	124,28	8,94	67,53
7.	BRAIT SA	50,78	143,21	-0,10	64,63
8.	FONEWORX HOLDINGS	75,44	33,68	44,64	51,25
9.	BUILDMAX	18,90	150,01	-15,20	51,24
10.	OASIS CRESCENT PROPERTY FUND	54,63	87,64	7,38	49,88
11.	HOWDEN AFRICA HOLDINGS	81,99	24,09	42,40	49,49
12.	PETMIN	64,61	64,65	7,87	45,71
13.	AFRICAN RAINBOW MINERALS	69,41	29,74	21,52	40,22
14.	WILSON BAYLY HOLMES-OVCON	65,17	36,59	16,85	39,54
15.	BASIL READ HOLDINGS	54,91	58,90	4,50	39,44
16.	INDEQUITY GROUP	40,47	28,69	44,70	37,95
17.	VOX TELECOM	22,17	119,71	-29,33	37,52
18.	MURRAY & ROBERTS HOLDINGS	60,56	43,70	7,92	37,39
19.	SHOPRITE HOLDINGS	39,83	20,97	41,19	34,00
20.	ELB GROUP	62,34	23,28	12,00	32,54
21.	WESCOAL HOLDINGS	50,09	47,24	0,00	32,44
22.	ASPEN PHARMACARE HOLDINGS	28,04	36,31	32,77	32,37
23.	AVENG LTD	50,54	28,13	11,18	29,95
24.	TRANSPACO	41,64	31,23	14,59	29,16
25.	RESILIENT PROPERTY INCOME FUND	26,34	41,85	17,86	28,68
26.	GIJIMA GROUP	57,82	15,60	12,16	28,53
27.	OMNIA HOLDINGS	46,66	36,89	1,76	28,44
28.	NICTUS	53,05	11,02	21,22	28,43
29.	DIMENSION DATA HOLDINGS PLC	58,08	9,01	15,33	27,47
30.	AFRICAN & OVERSEAS ENTERPRISES	47,32	15,63	17,51	26,82
31.	FAMOUS BRANDS	23,95	32,29	23,60	26,61
32.	EOH HOLDINGS	24,35	35,61	17,32	25,76
33.	HOSKEN CONSOLIDATED INVESTMENTS	13,16	56,27	7,46	25,63
34.	CLICKS GROUP	31,89	6,78	37,67	25,45
35.	CAPITAL PROPERTY FUND	28,46	22,83	22,47	24,59
36.	PINNACLE TECHNOLOGY HOLDINGS	33,02	38,75	1,49	24,42
37.	OCEANA GROUP	35,30	9,07	28,42	24,26
38.	OANDO PLC	1,32	11,49	59,59	24,13
39.	CASHBUILD	28,67	23,18	19,31	23,72
40.	JSE	40,40	21,75	7,14	23,10
	OFF THE PACE				
1.	MVELAPHANDA GROUP	-46,29	6,48	-9,90	-16,57
2.	EVRAZ HIGHVELD STEEL & VANADIUM	-45,68	-14,91	9,85	-16,91
3.	OLD MUTUAL PLC	-36,32	-6,76	-14,93	-19,34
4.	METOREX	-20,57	-5,13	-33,43	-19,71
5.	ANGLO PLATINUM	-61,87	-2,08	2,66	-20,43
6.	JD GROUP	-62,22	2,67	-12,50	-24,02
7.	LIBERTY HOLDINGS	-81,43	3,11	4,60	-24,57
8.	ITALTILE	-70,88	0,46	-6,04	-25,49
9.	METAIR INVESTMENTS	-72,77	8,15	-20,10	-28,24
10.	COMBINED MOTOR HOLDINGS	-68,35	-0,87	-19,34	-29,52

8 FONEWORX HOLDINGS

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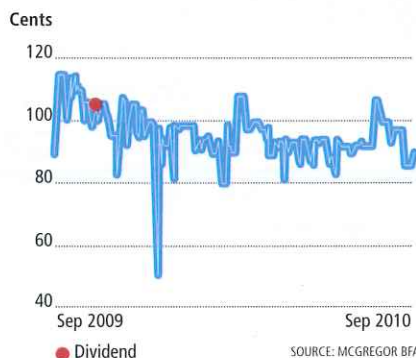
PE: 7 DY: 4,6%
OPPORTUNITY RATING: 4

FONEWORX IS a small player in IT business services, which is historically a competitive environment. However, it does seem to be making progress. The firm has a June year-end but at the time of writing hadn't submitted full year results. However, its first half showed a somewhat pedestrian growth picture, with revenues up 16% and HEPS just 6% higher.

It would be easy to write it off as a



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non-starter: it grew its staff numbers by 20% in the first half and expenditure on its talent by 26% to accommodate new growth projects. But that's always a risk in small companies that run the risk of running up costs not only in staffing but also in additional office space and capital expenditure.

The group has five main businesses, which it loosely classifies as infotainment, business services, identity access management, disaster recovery and carbon abatement. It operates some of its businesses in other parts of Africa – for example, providing mobile phone applications for advertising agencies seeking to get their message to clients of fast-moving consumer goods companies and counts among its

9 BUILDMAX

Speciality: Construction and materials

PE: -4,58 DY: -
OPPORTUNITY RATING: 5

BUILDMAX IS INTERESTING and bears an "Under new management" banner. This company found its way into the top 10 courtesy of its stellar turnover growth. However, turnover doesn't equal profitability. The building supplies supplier and specialist opencast coal mining contractor raised R300m via a rights issue halfway through this year. It was double its initial guidance and sent a worrying signal to the market about its viability as a business.

After singing the praises of Brait and its investment process, it's important to note it was Brait that paid a 36% premium of 150c/share to take up a "strategic stake" in Buildmax as recently as two years ago.

clients the SABC and MultiChoice. Investors scalded by trendy investments after being enticed by the language of jargon-filled prospectuses in the dot.com bubble may be put off this one despite its low multiple and attractive dividend yield. ■

10 OASIS CRESCENT PROPERTY FUND

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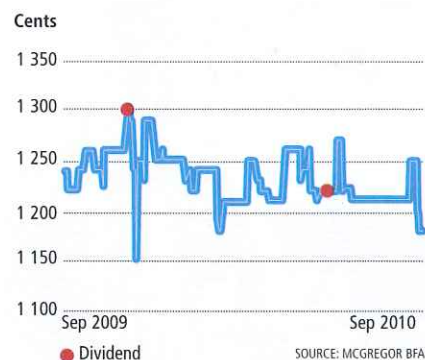
PE: - DY: 8%
OPPORTUNITY RATING: 5

YOU WOULDN'T EXPECT a property stock to be anywhere near the top of the heap considering the turmoil markets have gone through and the pressures at play in the domestic sector as landlords struggle to convince tenants the space they occupy is a real value worth paying for. Independent valuers Mills Fitchet Magnus Penny valued its portfolio at R374,4m.

Oasis Crescent Property Fund does

have some unique selling points: the Shariah-compliant investment was the world's first at its launch. It's a closed-end property fund that invests in commercial, industrial and retail properties, including office parks and buildings, as well as warehouses, factories and retail outlets, with a major focus on the Western Cape, plus some properties in Durban.

It has a captive target market of investors prohibited from investing in other property funds. However, if you had a choice and were determined to invest in property, surely Growthpoint is more enticing? However, talking to property CEOs, they're seeking signs of a sustained recovery in global economies and an indication that South African



consumers are returning to rude health before they'll develop an overly keen sense of what the future has for rentals across the board. ■