

Freeworld Coatings	Business Day
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Freeworld 'set to weather tough market conditions'

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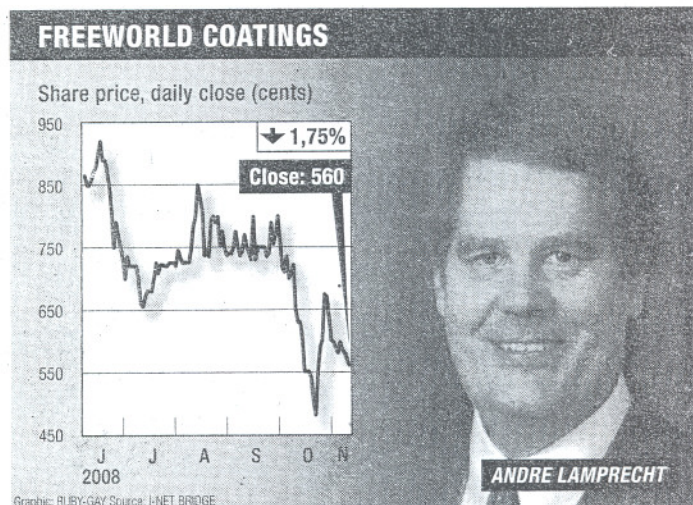
DECORATIVE coatings firm Freeworld Coatings expects to weather the tough economic conditions thanks to its exposure to the government's infrastructure expansion programme.

The government has earmarked more than R600bn over the medium term to expand road, rail and municipal infrastructure, while airport upgrades and the construction of stadiums for the Soccer World Cup in 2010 continue.

Freeworld has, among other things, secured contracts for the coating of seven of the 10 soccer stadiums being built, while it also has a Transnet contract over the next year to coat wagons and locomotives.

Freeworld, which was spun out from Barloworld and listed last year, posted solid results for the year to September. Revenue increased 15% to R2,7bn. Earnings before interest, tax, depreciation and amortisation (Ebidta) grew 10% to R465m as margins came under pressure – declining from 18,1% to 17,2% – squeezed by higher input costs, a weaker currency and as customers resisted price increases in the face of slower growth.

However, chief financial



officer Doug Thomas said Freeworld still counted itself among the top 20% earners in the coatings industry.

Operating profit grew 10% to R397m, while headline earnings were 15% better at 106c per share. A total dividend of 20c a share was declared.

Despite rising inflation and high interest rates, the decorative coatings segment boosted sales 15% while Ebidta increased 11%, lifted by a solid performance from the trade and industrial sector.

The performance coatings segment, which includes vehicle

coatings, had a tougher year, with Ebidta barely growing at 3% on sale increases of 8%, as higher input costs and foreign exchange fluctuations brought margins under pressure.

Despite the gloomy outlook and expectations that consumer spend will tighten even more, CE André Lamprecht remained upbeat. He said direct consumer spend constituted only 32% of Freeworld's overall business. "The panic-stricken view of consumers' inability to spend may be overstated."

Freeworld shares traded 1,75% down at 560c yesterday.