

B&W RIDES OUT TOUGHEST YEAR YET

B&W Instrumentation & Electrical (“B&W”), the AltX E&I group ranking in the top three providers in the country, weathered its toughest year yet to August 2011.

Despite the drop in earnings, the group demonstrated its resilience with new orders for the year totalling R360 million and a post year-end emergence from the cash crisis with no outside financing assistance. Further, B&W successfully resolved and concluded certain problem contracts which had pressured performance in the year.

Revenue increased to R683 million from R601 million, with work outside of South Africa accounting for 50,5%. However, last year’s net profit after tax reversed into a loss for the year of R15,8 million and gross margins dropped from 20,5% to 3,2%. CEO Brian Harley says the group is targeting a return to profitability by the end of the new financial year (August 2012).

Cash balances dwindled to debt of R34,5 million compared to R71 million cash in hand at the previous year-end. In light of this the group did not declare a dividend for the year.

Harley explains that the cash flow crisis was caused by unexpected growth on existing projects such as major works in Madagascar and Mozambique, which drained working capital and resources, and drawn-out negotiations with clients on final fee settlements which saw B&W forced to discount early payments. He adds that the group was trapped in a vicious cycle, prevented from taking on additional work to alleviate the cash crisis as it was unable to hire further resources due to the cash constriction.

“Encouragingly B&W is now in a cash neutral position trending to positive by December 2011. All problem contracts have been concluded or resolved, and our harsh experience has been translated into practical new contract terms that will help avoid these negative scenarios in the future.”

Relatively new addition Pontins remained the group’s star performer. The lightning and earthing specialist maintained revenue year-on-year and managed to boost profits. Harley points out Pontins’ ability to drive cash flow for the group, with the company providing services right at the start of a project and balancing B&W’s E&I involvement coming only towards the end. “Going forward we further intend to leverage Pontins’ client base, core business and position in the market to expand revenue streams into the commercial and infrastructure arenas, with a primarily cross-border focus,” he says.

He is positive that the year’s woes are now behind the group. “By the end of December 2011 the group will resume a cash positive position with a return to profitability by end-FY2012,” confirms Harley. B&W is set to capitalise on a recovering order intake as well as a reasonable pipeline of potential projects.

He says strategic and operational achievements during the year should not be overshadowed by the financial underperformance. B&W achieved Level 5 B-BBEE

status. “Further, we maintained an exemplary safety record contributing to the site-wide 13 million lost time injury-free hours on the Sishen project and 4,5 million lost time injury-free hours on the Ambatovy project.”

Harley concludes that much hard work lies ahead for the group. “Key focus will remain on cash flow and operational efficiencies for an improvement in margins. Diversification of revenue streams through Pontins, with concentration on opportunities in Africa, should enable a return to financial stability.” He remains confident that the group’s fundamentals are steady. “Almost 40 years’ experience in riding out economic storms has enabled B&W to resolve the key drivers of poor performance in the year for long-term sustainability.”

B&W’s share closed Friday at R0.67.

Ends.

Issued by: Nicole Katz/Michèle Mackey
(011) 325 5944/082 497 9827

On behalf of: B&W Instrumentation and Electrical Limited
Brian Harley, CEO
(011) 907 1663
www.bwie.co.za

Share Code: BWI

Issue date: 14 November 2011