

## PSV pushes up revenue, despite market conditions

PSV Holdings Limited (“PSV” or “the Group”)

PSV Holdings, the diversified industrial engineering Group, release full year results for the period ended 28 February 2009. Abie da Silva, Chief Executive Officer of PSV said that, “The Group produced a reasonable performance despite the prevailing though trading conditions. Our focus on quality products and high levels of service delivery across all client categories has ensured acceptable revenue growth.”

### **Financial review:**

The increase in revenue was countered by gross and net margins coming under pressure as the Group had to reposition to align itself with deteriorating market conditions. Revenue for the period rose by 44% to R431 million (2008: R299 million) and produced an operating profit of R33 million (2008: R30 million). Margins were impacted as a result of the change in sales mix to lower margin products and services.

Headline earnings per share decreased to 7.06 cents per share (“cps”) from 7.98 cps in the previous period. The Group’s core earnings per share (defined as the Group’s headline earnings after eliminating all material IFRS adjustments) decreased to 9.12 cps, down 19.2% compared to the previous period of 11.29 cents per share mainly attributable to the additional shares issued during the year.

The Group achieved a 62.3% cash conversion ratio compared to 50,1% in the previous year. Despite the improved cash conversion ratio, the Group’s cash flow from operations declined due to a substantial investment in stock required to underpin the 44% growth in turnover. The Group finished the year with a net overdraft of R2.8 million mainly as a result of amounts paid on investing activities of R37 million which was only partially offset by loans raised to fund these payments. The investing activities primarily relate to the acquisition of plant and equipment and payments made to vendors of companies acquired.

### **Operational Review:**

“The three segments of the business continued to do well, despite poor trading conditions,” said da Silva. “Pumps, spares and valves segment, put in a strong performance contributing 24% of the Group’s revenue,” he went on to say.

The contract for Swirl Vane pumps has been signed and production according to special specifications has begun. A major achievement was the signing of the first mechanical electrical contract for a water treatment plant in Zambia.

## Press release – PSV Holdings Limited

APE Pumps has completely outperformed all our expectations, doubling in size since the acquisition and strong growth is expected to continue into the future.

Mather + Platt became part of the Group in February 2009 and the year ahead will see the company embark on a marketing drive to re-establish the Mather + Platt brand in the market place. Current marketing efforts are being well received. PSV bought the business for a purchase consideration of R10 million. Dasher, the valve and pump manufacturer, and Umzantsi Africa Pumps & Valves, the valve marketing business, have been incorporated into the Mather + Platt business in order to maximise the extraction of synergies.

The **Engineering Linings and General Industrial Supplies segment**, contributed 44% to revenue for the Group. Da Silva says, “Engineered Linings, based in Cape Town, has performed exceptionally well over the period, being responsible for concluding the largest contract ever undertaken by the Group.”

Groupline Projects continues to do well with glass, ceramic and plastic lining contracts being undertaken at mines and power stations.

Omnirapid Mining & Industrial Supplies has once again shown exceptional growth largely due to new client wins and superb client service and turnaround times.

The **Specialised Services segment** saw the most recent acquisition of Rand Air & Gas Installations, for R18 million. Da Silva says he is pleased that integration into the Group was unflawed. Rand Air & Gas has exposed PSV to the specialised niche business of cryogenics with recent wins in supply contracts to the cryogenic after market.

Petrologic had a tough year with pressure on margins and from the devaluation of the rand against the euro. Despite this, the subsidiary managed to retain turnover levels. Da Silva told us, “The subsidiary has embarked on a substantial restructuring programme to optimise resources and profitability, which should results in a significant contribution for February 2010.”

The **Specialised Services segment** contributed 32% revenue to the Group for the period.

## Press release – PSV Holdings Limited

### Prospects:

The Group expects to face challenging market conditions in the coming period and has adopted a cautious outlook. Abie da Silva remarked that, “Despite these market conditions, the PSV Group of companies is solid and able to continue bidding on lucrative projects and has a confirmed order book in place of R150 million.”

“New projects across the spectrum of our companies, diversity within the Group and quotes for new equipment requirements from clients, we are capable of filling all orders and contract requirements, said Da Silva.

He concluded that, “Our enhanced manufacturing capacity is complete and the new workshop capacity is close to completion, giving the Group spare capacity to meet growing demands.”

**19 May 2009**

**-ENDS-**

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**Background information:** PSV is an industrial engineering holding company comprising three operating business segments:

- Pumps, spares and valves
- Engineering linings and general industrial supplies
- Specialised services (including petrochemical and cryogenic activities).

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