

BUILDMAX MARKET CAP SOARS TO ALMOST R2 BILLION AS NEW SHARES FLOATED ON JSE

Newly enlarged Buildmax, listed on the Main Board JSE, today floated 179 million new shares to raise approximately R310 million in capital. The share opened trade at R2.25, a 25% premium to the R1.80 a share in the pre-listing private placement, giving the company a market capitalisation of almost R2 billion on listing of the new shares. The capital raised will be used partly to fund the recent acquisition of Diesel Power, one of the largest open cast mining and earthmoving contractors in South Africa, which followed the earlier acquisition by Buildmax of the Buildco group of companies (“Buildco”) in December 2007.

Investor demand saw the company exercise its ‘over-allotment option’ to raise R250 million by placing 138,9 million new shares at R1.80 a share. Offshore investors took approximately 40% of the private placement. The company raised a further R61 million by the issue of 40 million new shares to a BEE consortium led by Vuwa Investments (Pty) Ltd, an existing shareholder in Buildco. The capital raised will further be used to reduce group debt and fund organic growth.

CEO Paul de Klerk says that in addition to boosting the group’s empowerment credentials the private placement will strengthen the existing investor base and stimulate liquidity in its shares.

Through the acquisitions of Diesel Power and Buildco, Buildmax has been re-positioned as a diversified supplier of equipment and open cast mining services as well as construction materials to the mining and construction industries. The newly enlarged group operates through two key divisions - Equipment & Services and Construction Materials.

The acquisitions have significantly extended the group’s scale and range of services, expected to drive top and bottom line growth – for the year to February 2009 revenue is forecast to grow to R1,7 billion, profit from operations to R373 million and profit after tax to R201 million.

De Klerk says that the Diesel Power acquisition will significantly boost the Equipment and Services division by further exposing Buildmax to the high-growth mining industry, particularly open cast coal mining. “Growth is expected to be fuelled by the escalating demand for coal in the immediate term, as well as medium and long-term demand as more coal-fired power stations are re-commissioned and new stations come on stream,” says de Klerk. He expects volume growth to be driven by increased calls at existing contracts for major coal mining houses, which are all group customers, as well as the growth of junior miners.

Equipment & Services, which also includes Vukuza Earth Works (a member of Buildco), is expected to be the key driver of profitability going forward contributing over 70% of EBITDA.

He says that the Construction Materials division has been bolstered by the acquisition of Buildco whose major activities involve the quarrying and distribution of sand and building materials and is one of the largest cement brick manufacturers in the country.

The division comprises a number of well-established businesses with track records of consistent profitability for the past 20 to 70 years.

De Klerk is upbeat about Buildmax's prospects with the group active in robust industries supported by sustainable demand, boding well for long-term growth. "The new enlarged group offers an attractive value proposition to investors through strong brands, incentivised management who hold a 25% shareholding in the group and significant opportunities to pursue organic growth".

Buildmax shares closed trade yesterday at R2.20 a share.

Ends.

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