



Gijima: Gumede takes back seat

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Johannesburg - GijimaAst executive chairperson Robert Gumede has decided to take a back seat at the company he helped build with the merger of Gijima and the old AST in 2005, assuming the position of non-executive chairperson going forward.

Gumede remains the single biggest shareholder, with 37% of the group, but said he had no intention of selling these shares: "In fact, I might buy more," he said.

Describing himself as an entrepreneur, Gumede said he was confident in the management team under Jonas Bogoshi - who joined from then State IT Agency (Sita) and has already made his mark on the group - said he wanted to concentrate on his other business interests.

GijimaAst reported results that showed considerable momentum building from its turnaround. The share price responded positively, with a 5.3% increase to 79c a share.

This puts it on a historic earnings multiple of 7 times.

Bogoshi said GijimaAst had registered a number of big wins in the private and public sector and believed it had managed to take market share away from some large competitors.

It continues to see good deal flow. Bogoshi said the company had yet to see the impact of the general economic slowdown, although some customers, mainly in financial services, had decided to delay certain contracts. But, he expects public sector business to more than make up for any slowdown in private sector spending, if this does indeed come through at a later stage.

The company reported above industry revenue growth of 25% to R2.5bn, an increase in earnings before interest, tax, depreciation and amortisation (Ebtida) profits of 70% to R204m and an increase of 111% in headline earnings a share to 11.7c.

Cash of R43.3m flowed from operating activities and the group built on last year's interim dividend of 1.5c, declaring 3.5c a share.

Despite the good numbers, Bogoshi says this is only the beginning of a sustainable path.

Operationally, both key divisions performed well, although Bogoshi said he was disappointed with the 20% operating profit growth from managed services (the professional services division's operating profit rose 82%).

If there was a small - but seemingly manageable - black mark on the numbers, and one that shareholders questioned management on at the presentation, it was in the R196m increase in debtors.

Chief financial officer Carlos Ferreira - on whom Gumedde heaped praise for his role in bringing financial prudence and discipline to the company - said the big increase was part due to higher revenues and partly because June (the last month of the financial year) saw its highest billings for the year.

Ferreira says the debtors are almost all blue chip JSE-listed companies or government departments, so there's no credit risk; it was more a matter of collecting the debt.