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Ecsponent posts fantastic financial results

Ecsponent Limited (Ecsponent) has defied volatile market conditions both locally and abroad to post sterling financial results for the extended period of fifteen months ending on 31 March 2017.

This is the sixth consecutive year the African financial services group achieved triple digit growth in its key performance areas. All three strategic business units enjoyed substantial growth, with a series of transactions further refining the group's business focus.

- Revenue increased to R321.8-million. This is up from R144.7-million in the comparative period a year before.
- Operating profits were up to R229.2-million, a massive increase from R44.4-million in the comparative period.
- Earnings per share increased to 8.38c per share, up from 2.59c per share in the prior period.

"Our sustained growth can be attributed to the consistent performance of our core business units: Investment Services (including capital raising), Business Credit and Equity Holdings. These core business assets are identifiable by their contribution to profits. Similarly, the discontinued operations, including disposals, contributed only 4% to our operating profit," said Ecsponent CEO Terence Gregory.

Investment Services has continued its exponential growth. As such, preference shares, issued under the company's JSE-approved Preference Share Programme, increased in value to R807.8-million - that's a R230-million increase in 2015. In Swaziland, through a similar linked-loan units programme over the same period, an amount of R70.7-million was raised and R127.3-million was paid or accrued to preference shareholders as dividends.

Ecsponent finalised the disposal of its retail credit operations in favour of SME business credit operations, including enterprise finance. These new operations resulted in an increase in interest income to R232.3-million for the period under review. "Enterprise or SME development finance contributed R31-million towards this income – a pleasing start-up result. In addition, Ecsponent Procurement Services (EPS) contributed revenue of R30.6-million to the group results," said Gregory.

Equity Holdings was significantly bolstered during the period under review with the 10% acquisition of MyBucks SA share capital. MyBucks is a Luxumbourg-based and Frankfurt-listed Fintech company that offers credit, banking and insurance products.

The group's Biotechnology business also enjoyed good results, posting a sales revenue of R32.2-million, a significant increase compared to the prior period. This growth is attributed to contracts that were finalised in the previous period that had resulted in lead generation from medical aid and pharmacy groups.

Ecsponent's investment in Return on Innovation, a media intelligence business, showed sustained growth, contributing a healthy R10.3-million in revenue for the eleven months included in the group's results.

"We are proud of the group's continued triple digit growth and this could not have happened without clear objectives we had put in place for each of our strategic business units. Investment Services is substantially expanding its product range through internal development as well as strategic partnerships with respected financial services providers, Business Credit is significantly increasing its enterprise development range and the equity business has a target to achieve further synergistic and profitable acquisitions during the current year," Gregory said.

Ecsponent also announced that George Manyere would become deputy chairman of the board. Manyere has become a major shareholder in the holding company through his asset investment company Mason Alexander.

"We are privileged to have someone with his international experience and business acumen. I look forward to working with him and to the contribution he will undoubtedly make. This has been a significant period for us and one which could not have been accomplished without the commitment and dedication of our management team, non-executive directors and employees," says Gregory.

"Our sustained growth can be attributed to the consistent performance of our core business units."

Terence Gregory
Chief Executive Officer
Ecsponent Limited

Exposing investment myths

Investors are often fooled by false truths or myths that end up tripping them up on their road to financial prosperity.

People believe these myths because that's what everybody believes. For centuries everyone believed that the earth was flat and stood at the centre of the universe. Just a few decades ago it would not be uncommon for a doctor to take a few drags of a cigarette while examining patients, as this would lead to relaxation and be healthy to boot. Of course we now know that the earth is in fact round and that smoking is the main cause of cancer and can lead to an untimely death.

Conventional wisdom and traditional perceptions in the world of investments are fobbed off as the truth, despite irrefutable facts to the contrary, such as:

Investing in shares on the stock exchange is a gamble. False. Shares have outperformed other asset classes for decades.

Your home is an investment. False. The value of a house rarely grows at a higher rate than inflation and property comes with a multitude of expenses and risks.

You are too young or too old to invest. False. The earlier you start investing, the better, because compounded growth creates wealth over time.

Saving is an investment. False. You need to invest your savings to create more money and wealth over time.

You can only invest if you have lots of money. False. Many small investments add up to a big investment and create prosperity.

Tradition

Family and traditions play their part in keeping myths alive. "My grandfather and father made money through property and so this is where I invest all my money today." This myth continues, despite the true performance of an investment.

Similarly, people often can't break with a financial advisor or an investment company, despite poor service and dismal performance, as the family has always used this advisor or company and that means that they can't be wrong.

Over the years pushing these myths, knowingly or unknowingly, has led to a false sense of security among investors, especially when they are used to cast doubt on competitors and innovative thinking.

Choose big names

In the past investors have relied on the bigger companies' knowledge and expertise to invest on their behalf. Today investors have more knowledge and have access to sophisticated information to direct their decisions.

Investors are no longer automatically in awe of the giants. On the contrary, many prefer to invest in companies that are not buried under the typical bureaucracy of large enterprises, but who can respond quickly to market conditions and can adjust their asset allocation appropriately.

Patience! The market will recover

Markets usually recover, but the time it takes often involves opportunity costs just to break even again.

Investors who are proactive and take timeous defensive decisions are able to create real wealth when the market recovers.

Too good to be true

There are risky investments that shouldn't be touched with a barge pole - that is no maybe. But sometimes a tactic of scaremongering is used to counter healthy competition.

This, unfortunately, has a seriously negative influence on the investment industry as it sabotages the growth of new, promising products and curbs creativity, initiative and ingenuity.

Turn convention on its head at times

Expand your horizons and supplement your investment portfolio with a variety of growth options. Ecsponent's preference shares offer a fixed income and capital growth rates. They are listed on the JSE and are not exposed to market volatility in the same way as conventional unit trusts.

Though these are an unconventional option when compared to ordinary unit trusts, they offer an investment option to people seeking peace of mind and security - with a FIXED capital growth rate of 11.2% per annum which cannot be beaten by conventional unit trusts!

Did you know?

Gold is often considered a safe haven when there are fears about the economy. Since 1926 gold has presented an after-tax yield of only 1% per annum, comparing very unfavourably with that of unit trusts and shares.

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