

[31 August 2009]

## Rectron South Africa reports "resilient 2009 financial results"

Despite the heavy impact of the global economic crisis on South Africa, Rectron - one of South Africa's leading ICT and consumer electronics distributors - reports that although revenue for its FY2009 dropped by 2, 52 percent ending on R1 367 billion, gross profits increased by 4 percent, taking only its South African operations into account, while net profit before tax for the financial year increased by 5, 25 percent.

The company says it has based its focus on going back to basics by adopting a conservative sales strategy, realigning ties and expanding product portfolios based on established relationships with key vendors.

It also states that renewed efforts in the re-training of employees and its commitment to adding the same value to its customers have also been part of this focus.

"I see no concern on the small drop in turnover; at the end of the day, size doesn't matter, only profits count," says Mark Lu, the Rectron CEO.

"Despite the small revenue drop, Rectron remains in its dominant position in the components arena, where we have been number one Intel distributor for the last eight consecutive quarters and we have also been Microsoft's biggest DSP OEM distributor over the last five years. Our market share is still growing but unfortunately - due to the global economic crisis - a lot of products' average selling price (ASP) have dropped significantly, including DRAM, which has dropped more than 200 percent and LCD panel pricing, which has dropped more than 100 percent".

Dean Prinsloo, Rectron COO, reports that the company's decision to relocate back to its 15th Road premises, its investment in efficiency, as well as its new automated infrastructure and continued drive into "delivering excellent customer experiences" have strongly added to Rectron's growth and its dominant position in the market.

"Apart from growing market share in our conventional core businesses, including Intel, Microsoft, Gigabyte motherboard, Transcend memory, Seagate hard drive and Lite-On optical disk drives (ODD), we have successfully expanded our market influences from components and peripherals to consumer electronics, and notebooks," says Cheslynne Britz, Rectron general manager.

"The success of TomTom in South Africa has been a major milestone in which we have increased market share from one percent to 51 percent in just over a year. This success can be attributed to Rectron's strong marketing, sales and service capabilities in both the dealer and retail channels. Taking this success into account we aim to achieve the same with our four major notebook brands - Gigabyte, Asus, Samsung and Sony."

"Rectron is confident that we can achieve success with these brands, which are aligned with our current strategies that we have in place".

### Weather the storm

Compared with the 2008 financial year, Rectron Holdings' net profit before tax was down 10 percent. The company attributes this drop to its Australian operations, which reported a net loss of R950 000 for the year.

"Although they reported a loss, our Australian subsidiary made a fairly good return, after reporting a R5, 7 million net loss during the first six months," says Gerhard Malan, Rectron CFO.

Britz adds that Rectron will weather the storm by focusing on its core competencies by assisting resellers in all aspects of their business by creating and adding more value to their business.

"While markets in SA are still struggling with the recession, with few showing signs of recovery, Rectron's focus remains unchanged for the next financial year and will continue to work closely with its partners to ensure higher returns."