

\$3 BILLION AFRICAN SATELLITE MARKET TO BOOST ELLIES AFTER ALT X LISTING

Ellies Holdings Limited (“Ellies”), the largest manufacturer, importer, wholesaler and distributor in Southern Africa of TV-reception and electronics products, is well-positioned to benefit from the fast growing African satellite market valued at \$3 billion by 2015. Through its ElSat brand, Ellies is the largest distributor in the region of satellite equipment. Nearly 30 years old, veteran Ellies is set to debut on AltX on 5 September 2007.

Ellies operates through ten divisions ranging across manufacturing and engineering, terrestrial and satellite TV product distribution, domestic electrical and industrial audio accessories and corporate and rental services. Its more than 10 000 products are sold to clients including Edcon, Elleries Group, Incredible Connection, JD Group, MassMart, Mica, MultiChoice, OK Bazaars, Pick ‘n Pay, Vodacom and a large number of independents.

Distinguishing the group from competitors, Ellies is built on strong vertical integration. The group controls the packaging, marketing, sales and distribution of both its own manufactured as well as imported products through specialist inhouse operations.

Executive Chairman and founder Ellie Salkow points out that the manufacturing capability, including R&D engineers, offers the group strategic as well as operational benefit. “A local manufacturing capability offers us an important currency hedge against Rand volatility,” he says citing the group’s ability to manufacture rather than import, popular size satellite dishes. He adds that it further gives the group flexibility to expand the product range easily to meet client requests.

Salkow explains that over the past three decades Ellies has grown from a one-man entrepreneurial venture to a group with over 900 employees, branch agencies in all major metropolitan areas in Southern Africa and 83 000m² of manufacturing and warehousing space.

Accordingly, growth in revenue and earnings has been exponential. Pro forma revenue of R560 million for the year to April 2007 saw pro forma earnings of R37 million. The growth trend is set to continue into 2008 with revenue forecast to rise to R624 million and earnings to R47,7 million. Looking to April 2009 the group is forecasting revenue of R718 million and earnings of R58,8 million.

CEO Wayne Samson explains that the group’s revenue stream is cleanly split. “Approximately 55% is derived from the manufacture, import and distribution of TV and video equipment under the ‘Ellies’ brand. The 45% balance is generated by the group’s satellite TV ‘ElSat’ brand.”

Locally a growing emerging middle class offers the group secure growth prospects. “With the increase in disposable income we have seen demand for TV-reception products spiral and expect the trend to continue,” says Samson. Ellies also intends to capitalise on opportunities offered by the 2010 World Cup. He says: “This large-scale event will force major technological changes in the field of TV-reception and Ellies is

well-placed to exploit this opportunity with our established capability and infrastructure.”

Forecast industry growth across Africa is spurring plans for the group to expand into the continent. “We intend a major roll-out of new operations in Africa over the medium-term. To facilitate this we may initially coat-tail on the expanding footprint of media and telecommunications leaders by utilising their distribution platforms in Africa,” says Samson.

Going forward he expects organic growth to be driven also by the group’s two fastest expanding operations – Ellies Corporate Services and ElSat Rentals. Ellies Corporate Services offers centrally-controlled TV and audio systems to the corporate market including shopping centres. ElSat Rentals rents TV-reception equipment and audio/video intercom systems on a full maintenance contract to the private and corporate markets.

Ellies is this week undertaking a pre-listing private placement of 31 million shares at R2 a share to raise R62 million in total. “A portion of the new capital will be used to fund the pre-listing acquisition of our national branch agencies to consolidate the group, as well as for expansion going forward,” says Samson. Ellies has planned the roll-out of a further five branches in Southern Africa over the next 24 months. “We will also look to expand our product lines and networks through strategic acquisitions,” he says.

Samson is proud of the negligible staff turnover with employees remaining at the group for just under eight years on average. Ellies’ focus on advancing black employees from within the group has resulted in 31% of management and 17% of senior management being black. On listing the group will introduce a staff share allocation programme to further promote broad-based black empowerment.

Salkow concludes: “We believe the business offers a sound investment in a high-growth industry. Our established manufacturing capability, diversified product range, loyal client base and buoyant growth prospects position the group to continue our profit growth.”

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