

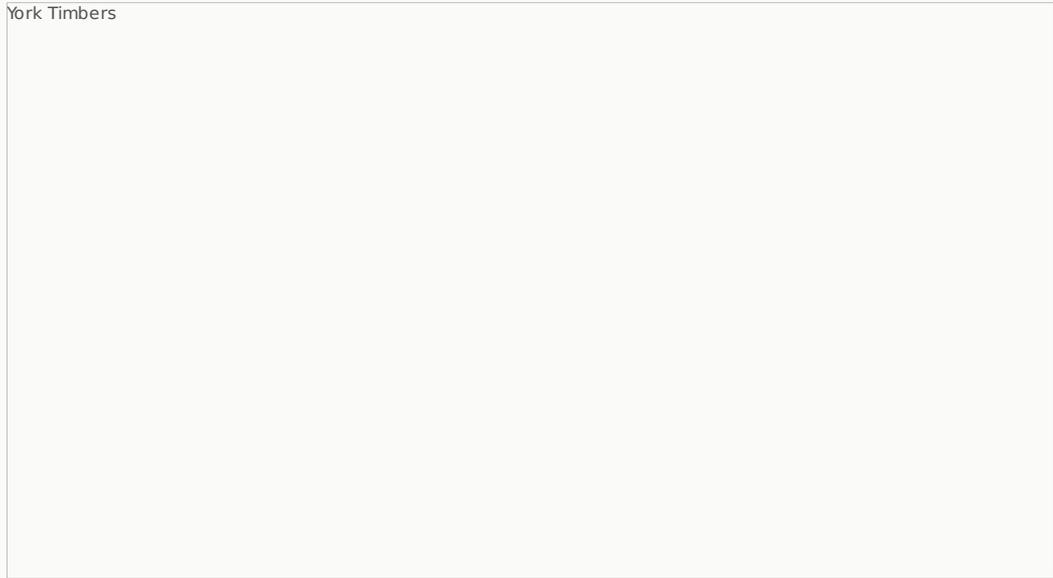


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York Timbers earnings down 53%



Forestry and forest products group York Timber Holdings on Tuesday reported earnings of R49.76-million for the year ended June 30, down 53% from the R106.86-million achieved during the prior year, with the decline mainly the result of reduced sawmill profitability and lower margins achieved by the wholesale division.

Group revenue for the period was up 17% to R1.32-billion, driven by the acquisition of two wholesale businesses; however, these acquisitions also contributed to a 24% cost escalation during the 2014 financial year.

Speaking at a presentation of the company's year-end results, York CEO **Pieter van Zyl** pointed out that, during the period under review, York's cash flow from operations increased by 42% to R151.46-million. He added that cash generation was a key focus area for the company.

Further, the company's gross profit margin declined by 3% to 33%; however, when the wholesale business was removed from the results, the gross profit margin remained intact at 36%.

York's operating profit was down 28% to R116.81-million.

This translated into a decline in York's operating margin from 14% to 9%, which Van Zyl said spoke to York's inability to recover increases in labour, transport and utility costs from the market.

During the year, production volume from York's sawmills and plywood plant increased by 2.7%, but processing costs were up 7.5% owing to higher wages and utility costs.

"We maintained a position in very tough market conditions [with] escalations, and unfortunately all the efficiencies that we put in, those benefits went to the utilities and organised labour," Van Zyl said.

He also pointed out that the company had increased investment in its processing plants to further enhance efficiencies.

During the 2014 financial year, York had invested R66.1-million in property, plant and equipment, with Van Zyl explaining that the benefits from these investments were expected to show in the results for the 2016 financial year.

York's processing division, comprising its sawmills and plywood plant, reported earnings before interest, taxes, depreciation and amortisation (Ebitda) of R54.3-million for the period, with capital expenditure having amounted to R52.8-million.

Meanwhile, its forestry division increased its Ebitda by 22% year-on-year to R118.4-million, driven by high price increases on eucalyptus and above-inflation increases from pine plantations.

Further, the wholesale division made an Ebitda loss of R5.3-million, having been impacted by one-off restructuring costs of R4.3-million.

Van Zyl, however, pointed out that the wholesale division was ticking up, having made a profit during the last quarter of the financial year.

PLYWOOD EXPANSION

In terms of its plywood business, York currently supplied 52% of the local market, with imports from countries such as China and Brazil having taken up about 44% of the market share.

Van Zyl noted that if York wanted to compete in the market going forward, the company would have to "sharpen its pencils," stating that this would be the aim of the plywood expansion project that would be executed over the next 18 months.

Through this project, for which the environmental approval had been received earlier this month, York planned to regain some of its market share.

He said that the R280-million plywood plant expansion would deliver increased capacity and provide the company with the ability to extract greater value from pruned logs.

This expansion project was expected to increase the plant's productivity by 51%, despite 48 new jobs being added.

The payback period for York's investment in this expansion was estimated at about four years.

In addition to the plywood expansion project, York was also planning to implement other projects over the course of the next four years to cement its future growth strategy.

These included the cogeneration of thermal and electrical energy from available biomass, which included plantation residue, as well as increasing the production capability of its sawmills through investments in improved processing technology.

Van Zyl said the scope of these two projects had already been determined.

Further, York noted that it had also conducted a preliminary feasibility study on the construction of a medium-density fibreboard plant, which had found that a significant opportunity existed for York to add value to the high-fibre material that it already had on site.

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