FirstRand remains committed to growing African presence

By Gillian Jones

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Though FirstRand suffered some setbacks in its African growth strategy, it remains committed to growing its presence in the rest of the continent through greenfields operations or small acquisitions.

The financial services group said on Tuesday (10 September) it had "been consistently executing its strategy to grow its franchise on the African continent, matched with a highly disciplined approach to protecting shareholder returns".

In July, FirstRand announced that its plan to acquire a 75% stake in Merchant Bank Ghana, for about R750m, had fallen through after the parties had failed to reach agreement.

In 2011, FirstRand failed to conclude terms with Nigeria's Sterling Bank after the parties could not agree on a price. The deal was reported to be valued at about US$400m.

Later in 2011, FirstRand concluded a deal with Finance Bank of Zambia in the lead-up to elections. The US$5.5m merger was reversed immediately after President Michael Sata won the election.

FirstRand said on Tuesday (10 September), on the release of its annual results to the year to June that it would stick to its strategy first announced in 2011 of expanding its presence outside SA while protecting its return on equity.

Greenfields operations

"It prefers greenfields operations or small rather than significant acquisitions, and while this means that expansion takes longer, potential dilution of returns can be contained," FirstRand said.

It plans to do this by using the capabilities of its South African franchise, especially the domestic balance sheet, intellectual capital and its international platforms - and not necessarily a physical presence in those countries.

It said RMB had been successfully doing this, having completed 28 transactions in 13 African countries, valued at R19.5bn.

It also grew advances in the rest of Africa by 75% from R9.4bn to R16.4bn, representing 11% of RMB's structured lending book, without a physical presence in those countries.

FirstRand said it was also gaining access to the rest of Africa by starting in-country franchises that grow organically. It has done do in Zambia, Mozambique and Tanzania.

"RMB's investment banking licence in Nigeria and its representative office in Kenya, were generating good profits from cross-border activity in East and West Africa," FirstRand said.

The third leg of it strategy outside SA is to make small or medium-sized acquisitions in Africa where it makes commercial sense.

"These operations needed to either contribute to scale or provide access to local deposits, skills and client bases to make it worthwhile," it said.

FirstRand increased normalised earnings by 20% to R15.3bn this year from R12.7bn in the previous year.

Diluted normalised earnings per share increased 20% to 278.1c in the year to June from 225.8c in the previous year in what FirstRand called a "challenging" macroeconomic environment both locally and globally.

The group declared a dividend of 136c per share - an increase of 33% on the previous year's 102c per share.