

MEDIA RELEASE
MERCHANTEC (PROPRIETARY) LIMITED

CEOS CONFIDENCE REMAINS STEADY, HOWEVER UNCERTAINTY PERSISTS.

22 July 2010: After steadily increasing for 3 quarters in row, the Merchantec CEO Confidence Index stabilised to a score of 64.12 in the second quarter of 2010. This pause in optimism is further echoed by Nick Badminton, CEO of Pick n Pay Holdings Limited (“Pick n Pay”) who explains that he is “cautiously optimistic” as the group has not seen really good trading conditions in the last number of months.

The Merchantec CEO Confidence Index collates views from CEOs of top South African companies and therefore provides a leading indicator into how business leaders perceive local market conditions and the economy going forward.

CEOs confidence in South Africa’s economic conditions has improved substantially in the last year. “Food inflation was running very high last year and has come rocketing down, which is probably a part cause for the improved sentiment,” says Badminton. “In addition, Africa’s growth pattern could be a reason for optimism and this should translate into a higher confidence rating over time.”

While there is slight optimistic sentiment by CEOs with regards to economic and industry conditions, CEOs are still finding it difficult to obtain capital. “Banks have become considerably more conservative since late 2008 and early 2009. This will change over time, as it always does, when the economy improves and debt levels and repayments are more stable,” comments Badminton.

CEOs optimism regarding their planned level of investment in their company is rising as they anticipate increasing returns on capital expenditure and employment. According to Badminton, this investment “may well turn out to be a healthy combination of both human capital and capital expenditure, but more likely capital expenditure.”

The aggregated results from CEOs over all sectors indicated that the FIFA World Cup has not had an effect, either positive or negative, on their businesses. However, from the consumer services sector point of view, Badminton states that “Pick n Pay’s experience with the FIFA World Cup has been very good indeed. We not only had World Cup-related merchandise sales exceeding expectations, but many of our stores traded particularly well over the period.” There are fears that confidence in this sector may be short-lived as the Consumer Protection Act comes into effect in October 2010. “The Act may place considerable pressure on the sector, with retailers being held responsible for the goods of suppliers,” says Badminton.

Confidence in the basic materials sector has declined by 15%, as the results indicated concerns over CEOs ability to raise debt or equity capital. “Uncertainty over future Government involvement may be a reason why potential investors are cautious to invest further in this sector,” says Margolius.

Confidence of CEOs in the financial sector also dropped by 13%, as “CEOs are still wary of the global financial recovery as the Euro debt crisis and deficits still pose a considerable threat for South African financial market,” explains Margolius.

For more information on accessing the detailed report, please contact Merchantec on 011-325-6363.

More about the Merchantec CEO Confidence Index

The CEO Confidence Index collates views from CEOs of top South African companies and therefore provides a leading indicator into how business leaders perceive local market conditions and the economy going forward.

The Merchantec CEO Confidence Index is a copyrighted report prepared quarterly by Merchantec Capital. The survey collates responses from over 100 top CEOs, primarily from the listed environment.

Quarter 2 Bonus Question: *“What effect has the 2010 World Cup had on your business?”*

About Merchantec Capital

Merchantec Capital is a leading independent corporate finance and research company and an approved designated adviser and sponsor to the AltX and JSE Limited. Merchantec Capital provides integrated equity and financial advisory services to listed and corporate clients alike. Our diversified service offering includes in-depth equity research as well as climate change advisory services.