

Diamonds & Dogs

Jamie Carr

Diamond Huge Telecoms

It's a classic of the genre — you are so busy fending off the pesky little goblin in front of you that you don't notice a thumping great troll sneaking up behind and preparing to bean you with a club. Now that governments have opened the taxpayer's wallet and hurled cash at the banking sector, we can all settle down to the cosy reality of the incoming global recession. Investors who haven't lobbed themselves out of the nearest high window will be looking for opportunities, and little Huge may start looking appealing.

As the recession bites, corporates will be under pressure to sniff out every possible cost saving, and Huge offers a range of solutions to keep the phone bill under control.

It's a market that is growing at 18%/year, and this growth is expected to accelerate as economic conditions tighten. Huge has annuity-based revenue of R53m/month, which provides an effective value underpin for the company, and it sees potential in technologies such as VOIP in Africa. As well as the organic growth potential, Huge has been dipping a toe into acquisitions in areas such as mobile advertising, and it has plenty of room to grow, even during a recession. ■

Dog CMH

CMH's results announcement is so gloomy that the literary critics could be forgiven for suspecting that they had sneaked off and got Sylvia Plath to write them (always presuming that she knew a thing or two about the motor trade and hadn't topped herself in 1963).

The core of the problem is that national vehicle sales have dropped off a cliff, which the company blames on high interest rates and the impact of the National Credit Act, which, by the way, is my top tip for Most Far-Sighted Piece of Legislation of the Decade. The company has had to close branches and lay off staff in its core retail motor division, and the bottom line has taken a pounding.

The company's marine & leisure division is dependent on discretionary spending — and customers used their discretion, leading to a R13m loss.

The big question is when there is any prospect of spotting a turnaround, and the group expects the gloom to continue until at least Q4 2009. CMH has got cash in the bank and its reduced cost base will temper the impact of the recession, so things are not looking terminal, but it seems a long way from recovery time. ■