

MICROMEGA

Mega turnaround

Considering its controversial roots, it is no surprise that investment holding company Micromega has kept a low profile for the past few years.

Micromega was formed by financial wheelerdealer Dave King after he left his previous company, Specialised Outsourcing, under a cloud in the late 1990s. He sold that company to institutional investors for more than R1bn. At its height the share traded at R80, but it collapsed to R2,80 after the sale.

King left Micromega in 2002 and has since become involved in an endless fight with the tax authorities.

Some institutional investors are still skittish at the mere mention of King. Micromega executive chairman Greg Morris says the group decided to stay under the radar until its results showed that it had become a credible company.

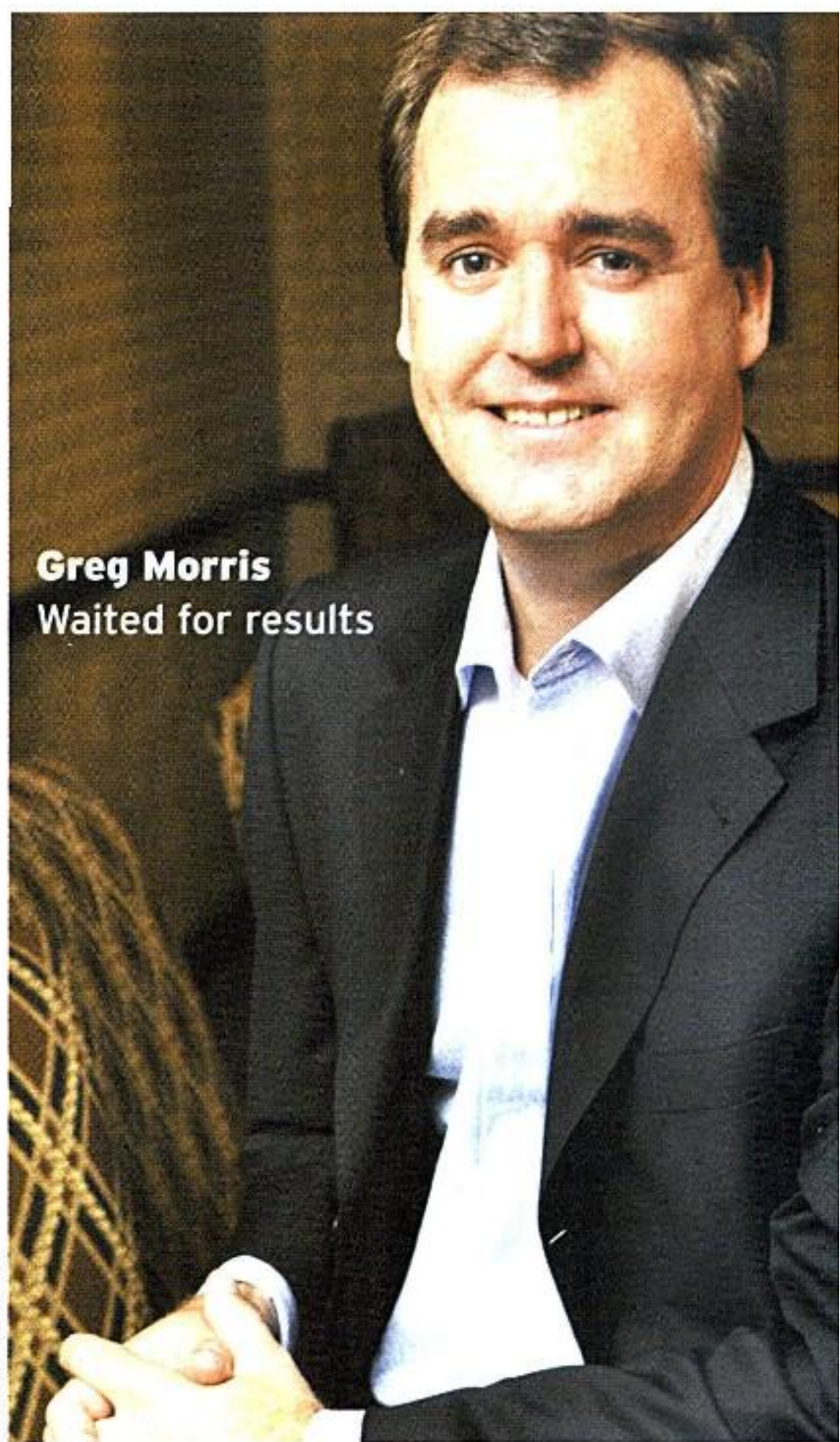
Over the past five years, Micromega has steadily been building up its portfolio of companies and quietly improving its figures. The year to end-December may be the breakthrough it has been waiting for. Revenue was up 53% to R483m, operating profit from R40m to R54,3m.

These figures are a long way from the R24,4m operating loss for 2003. All the nonexecutive directors and the auditors resigned a few months before the 2003 results came out.

Morris says the latest set of results shows the group has turned the corner. "The only way to restore credibility is to demonstrate capability," he says.

Under Morris the company has been transformed into a diversified investment company. The subsidiaries, which range from a securities dealer to a supplier of vehicle parts, seemingly have little in common. But Morris says Micromega looks for established niche companies in the automotive, IT and business support sectors, which can do well despite the performance of the economy. "We look for old, robust businesses," he says.

Morris is not put off by the gloomy economic outlook. He thinks a softening economy could actually further demon-



Greg Morris
Waited for results

Russell Roberts

strate Micromega's ability to deal with hardship.

The performance of Micromega may be improving, but King's association with the company continues. Not only is he a 21% shareholder in the group, he is also a friend of Morris. Morris points out that King is not operationally involved, but makes no excuses for the association. "He's a good lad," Morris says of King.

Both men were arrested on fraud and corruption charges in 2003, relating to Specialised Outsourcing's deal with water utility Umgeni Water.

The charges were later dropped. But Morris, who was financial and treasury manager at Umgeni Water, came in for criticism after it was found that he agreed to be employed by Specialised Outsourcing if it won a contract to manage Umgeni Water's treasury.

Morris defends reaching his own deal with King before Umgeni Water concluded its deal with Specialised Outsourcing. He points out that the whole of Umgeni Water's treasury management team went to work for Specialised Outsourcing, and that it is not unusual in outsourcing contracts to have employees go from working for one company to another. "It was not a mistake," Morris says.

Larry Claasen