

PSV

Worth a punt

THE SHARE PRICE of engineering specialists PSV Holdings is taking strain following a decision to walk away from a partial buyout offer from UK-based landra Industries.

It would seem punters were using the indicative offer price – roughly 75c/share – as the underpin for PSV's share price, which now looks like drifting below 40c on the AltX.

The market's initial response may be an overreaction. One needs to remember that PSV walked away from the proposed deal with landra after the purchaser could not meet the conditions precedent to the partial buyout deal – which related to depositing money into an offshore account at a stipulated date.

In the past we have seen small cap counters hanging desperately on to drawn out buyout offers, only to see the final agreement dramatically altered or simply called

off. By that time management – which has been working full out to secure the offer – has most likely lost sight of the ball operationally speaking...sometimes with disastrous consequences for shareholders.

PSV's decision to walk away from the deal scarcely three months after it was proposed is perhaps a sign of no-nonsense management approach.

Walking away from landra also suggests directors are more than happy to continue running the diversified engineering business – which offers services in pumps, valves and engineering linings to the mining, waste management and petrochemical industries.

The March 2009 results were slightly disappointing (core earnings came in at 9c/share) after the group's petrochemical services operation Petrologic underperformed, detracting from an otherwise solid performance from the core pumps and valves business and a strong performance from engineering linings.

While trading conditions are undoubt-



edly tougher, a chunk of PSV's business could be considered essential services (water pumps for mines etc). On top of that PSV disclosed that the 2009 financial year closed off with a healthy order book of R150m.

How much downside risk could PSV hold at 40c?

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