

## *Fighting Uncertainty: a Reunert example*

*History will probably remember Liberation Day as a turning point in global trade and economics. There were curved balls aplenty, with more likely still to come. The immediate tariff costs pose a challenge to both companies and individuals, and their reaction given the growing uncertainty. South Africa's own challenges have not gone away either. However, life continues and economic action is taking place – like, for example, the call for tenders around upgrading South Africa's electricity distribution grid. Management teams are tasked to confront these challenges and find solutions. This week, we use Reunert as an example of how companies are rising to meet the raft of challenges.*



**Willie  
Pelser**

Since 2nd April the world has changed. President Trump's salvo that he (it's probably more accurate to say "the US") will slap every country with tariffs has pushed decades-old established patterns into a scenario of a big unknown. We simply call this "Uncertainty" – a word we have often used in our Money Morsel chats, Intuition and Insight presentations. Casting your mind back over the past few months

since Liberation Day in April, much has changed: tariff rates have been implemented, then postponed, rates have been changed, deadlines have been moved, some countries have struck deals, whilst others are hoping to avoid the inevitable.

On top of all this, South Africa's own challenges remain. We are grappling with GNU ultimatums, the unknown impact of US tariffs on an already underperforming economic engine, the potential move to a new inflation-targeting regime, and many other issues. At least we had some reprieve on the interest rate front - a rare glimmer of good news.

The Harvard House investment team often reminds clients that despite this blanket of uncertainty, companies' management teams remain focused and continue to surprise with good results, despite the turmoil facing their respective operations.

This week, I will give you a glimpse into the economic transformation that is quietly happening under the surface, despite the negativity contained in news headlines, and an example of how the impact of tariffs on a business can be managed.

### **SPEED READ**

- It is not just tariffs that keeps moving the goalposts on how we are doing business.
- South Africa's internal issues and slow economic growth adds to the pool of uncertainty.
- The latest site visit with the Reunert Group shed some light on the depth of our industrial capability in South Africa and how they are trying to mitigate the tariff impact.

Last month I had the opportunity to visit two of Reunert's operations. Reunert is an industrial group, founded in 1888 and listed on the JSE in 1948. The Group manages a portfolio of businesses across various divisions, including Electrical Engineering, Information Communication Technologies (ICT), and Applied Electronics. Within its Electrical Engineering segment, Reunert's operations include:

1. African Cables, a manufacturer of various power cables for industries such as electricity, mining and renewable energy.
2. Metal Fabricators of Zambia Plc (ZAMEFA), which produces electrical cables and wires for African markets.
3. CBI-Electric (Circuit Breaker Industries) Low Voltage, specializing in low voltage electrical distribution and protection equipment, including circuit breakers and smart home devices.

Investors and analysts were taken to visit the African Cables plant in Vereeniging and the Low Voltage plant in Elandsfontein (on the East Rand of Johannesburg).

My feedback is as follows:

**African Cables**

1. The Cable division was heavily involved with Teraco during the construction of Africa’s largest datacentre at Isando. Amazingly, energy consumption from this datacentre is more than the whole of Sandton – a practical example of the power challenges posed by the rapid growth in AI. Reunert had to develop specific and proprietary cables to meet the client’s unique requirements – including platinum over copper to protect against theft and tailor-made fibre optic cables to handle the data traffic and speed.
2. Over the years, Reunert has actively diversified its product range and customer base to mitigate against challenging conditions. Previously, the company relied on just five customers (of which Eskom was one). Now they have more than twenty substantial customers.
3. They have also improved their offering, by widening their skill base and offering. Previously, Reunert was a manufacturer only. Now they also install and manage (maintain). Reunert has a reputation as best in market from this perspective.
4. Potential for Reunert: The country is waiting (patiently) for the electricity grid upgrade. Management mentioned 7 projects identified for the period 2025 to 2029 worth R50 billion, and a further R90 billion for the period from 2030 - 2034. Refer to the box below for the latest developments on this front.
5. Solar plants in South Africa have brought about new initiatives. The cable division designed new types of cable – apparently there are different nuances in the flow of current from renewables than from traditional generation – and these nuances require innovative cables. That has created new opportunities.

**Update on SA’s Independent Transmission Programme**

Challenges	South Africa’s energy transition and economic recovery agenda hinges on the rapid expansion and modernisation of its transmission infrastructure. The Integrated Resource Plan (IRP 2019) and Eskom’s Transmission Development Plan (TDP 2024–2033) estimates that more than 14,000 km of new transmission lines will be required in the next decade to accommodate an additional 53GW of generation capacity. The current grid expansion pace is wholly inadequate, necessitating a minimum of 1,400 km per year required for the country’s energy security requirements.
Action	The Department of Electricity and Energy (DEE) has formally launched the first stage of its independent transmission projects (ITP) procurement programme with an invitation for companies to respond to a request for prequalification (RFQ) by 23 September 2025. The infrastructure earmarked for this inaugural ITP procurement has been identified by the National Transmission Company South Africa from its Transmission Development Plan. It includes 1,164 km of powerlines and 2,630 MVA of transformation capacity across seven corridors.
Outcome	The purpose of this RFQ stage is to identify and shortlist Pre-Qualified Bidders with the necessary technical expertise, financial capacity and proven experience required to deliver transmission capacity at significant scale and within accelerated timeframes. Pre-Qualified Bidders (evaluated on the criteria set out in the RFQ) are afforded the opportunity to submit Bid Responses in response to the subsequent Request for Proposal (RFP). Winning bidders selected following the future RFP, which could be issued before the end of the year, will be expected to design, finance, construct, operate and maintain the infrastructure procured under the programme, which is being managed by the Independent Power Producer Office.
Sources	Government Gazette, National Treasury, Engineering News.

*Upgrades to the electrical grid is gaining momentum and has huge value to unlock possibilities across multiple sectors.*

**Low-Voltage**

All the products and specifics are too complex to explain in an article of this nature - perhaps you can ask ChatGPT to talk you through Reunert’s Low voltage offering! The easiest example to visualize of their products is the trip-switch on the distribution board in your home. Trust me, it looks simple on the outside; it is far more complex than that and even more so when you start scaling up. Furthermore, in the world of tech, the app on your phone can now talk to the plug point where you can ask the stove to be switched on to start Sunday’s roast!

A few things from the day that stood out for me:

1. The operation was founded in 1949 (a joint venture with Heinemann Electric) and developed the world’s first high-sensitive earth leakage relay in 1957.
2. They own and operate the second-largest toolroom in the Southern Hemisphere, other than in the motor industry. These guys make the tools that make everything they manufacture!
3. CBI-Electric supply product into first-world, high-speed rail and signalling sector across countries as

diverse as China, Japan, France and UK, as well as a local presence. That local products can compete with those from such industrialised countries was heartwarming.

4. They develop and supply customer-specific products for Microsoft AI and Gridcoin projects.
5. The operation is very export-oriented, and this is where the tariffs will hurt. Refer to the picture below which

is a slide from Reunert's presentation on the day. It highlights how they analysed the impact as well as their mitigation initiatives. Management did highlight that uncertainty will persist if tariffs do settle at 30% - as they now have done. Nonetheless, they remain positive that similar mitigating negotiations will be entered into to reduce the impact as far as possible for all parties.

## MITIGATING AGAINST US TARIFFS

### OUR BUSINESS MODEL | MITIGATING AGAINST US TARIFFS



#### Route to market

##### Background

- > CBI-electric: low voltage imported duty free under AGOA; import duty excluding AGOA is 2,7%
- > All sales in USA are through our 100%-owned subsidiary, CBI Inc.
  - CBI Inc sells product through distribution channels and directly to USA OEMs / system integrators
- > No local USA manufacturers; significant competition in Mexico and China
- > The US introduced "30% reciprocal" tariffs in South Africa on 02 April 2025; suspended until 09 July 2025
  - This 90-day pause provided a window for South Africa to negotiate with the US
- > Despite the suspension, a 10% tariff was applied to imports from South Africa

##### Mitigation

- > The following mitigating actions have been completed:
  1. Investigate and understand the full impact on:
    - exports to the USA (completed)
    - respective tariffs from key competitors such as China, Europe and the USA (completed)
  2. Implement a 10% tariff increase to the wholesale / distribution network (completed)
    - Negotiate and implement a 7% tariff increase to the system integrators / OEMs (in process)
    - Manage an internal product cost reduction of 3% through value engineering and hybrid component manufacturing (completed)

The 10% increases to the wholesale / distributor networks were well received. The success of implementing the 7% increase to the system integrators / OEMs is dependant on continuous on-time deliveries



#### Reunert's views on how to face the latest business challenges

Despite the popular narrative, reforms and infrastructure continue to progress in South Africa – albeit slowly in some cases. Furthermore, through the example shown by the Reunert's Low-voltage division, companies are throwing everything at the challenges that tariffs bring to our shores. There will be negative impacts, we can't be oblivious to that, however we must recognise that management teams are empowered to act and adapt. Our research will continue to focus on finding those companies that will manage the pain well.

*"South Africa has lots of intellectual property that keeps us relevant"*

Driving home after the visit, I was reminded again that South Africa has lots of intellectual property that keeps us relevant and amongst the best in the world. Some of the engineers within CBI-Electric's low voltage division serve on international bodies and often lead international study groups in their specific fields of operation and expertise. Also recall the recent Intuition article on ASP Isotopes and South Africa's leading scientists in their respective fields. I remain a proud South African and felt good after I left – having walked more than 12 thousand steps around Reunert's sites.



Harvard House has a unique financial planning philosophy that derives the investment plan from the client's income need. While the concept is pretty clear for clients, the link to how this is applied in portfolios is somewhat more opaque. In the next Insight, Robin Gibson will explore the implementation of a portfolio from a financial plan and also demonstrate that growing income is good not just for those who need income, but also those who need capital growth.



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## Topic: Harvard House AI: Advice to Implementation

### Natal Midlands

Date:	11th of September, 2025
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

### Johannesburg

Date:	9th of September, 2025
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

### Cape Town

Date:	N/A
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Morne du Plessis Boardroom, 4th floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

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