Aveng sustains earnings recovery into second half

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Infrastructure and contract mining group Aveng reports that its earnings recovery – initially reflected in December interim results that showed positive earnings for the first time since 2014 – is continuing.

In a trading update, the JSE-listed group reports that revenue and earnings before interest and tax improved in the second half of its financial year to June 30, while cash flow, which was negative for the period, was positive for the full year.

CEO **Sean Flanagan** tells ***Engineering News & Mining Weekly*** that the result, while pleasing, must now be sustained to demonstrate that the restructured company – and its remaining core businesses of McConnell Dowell and Moolmans – is truly sustainable.

In March, Aveng completed a rights offer and balance-sheet restructure, enabling it to halve its debt from R2.1-billion to R1.1-billion.

The remaining debt owing to Aveng's South African lenders has been renegotiated and is repayable over a three-year term at more favourable rates. A further R100-million was also raised from a follow-on rights offer concluded on June 4.

The disposal of noncore assets has also continued, with several smaller disposals concluded during the period and with the shortlist of potential buyers of Trident Steel having been reduced to two.

During the interim period, Trident Steel also increased its profitability following a strategic shift to refocus the business as a steel services centre primarily serving the automotive sector.

CFO **Adrian Macartney** confirms that the group's strengthened balance sheet has allowed its contract-mining subsidiary, Moolmans, to embark on a heavy mining equipment renewal plan designed to enhance its offering during the current strong phase in the commodity cycle.

Moolmans has work in hand of R6.5-billion and Macartney tells ***Engineering News & Mining Weekly*** that revenues are likely to remain stable into the 2022 financial year, as it moves to replace tapering contracts with new ones in Southern Africa and West Africa and to negotiate new five-year deals with existing clients.

The order book of Aveng's Australasian subsidiary, McConnell Dowell, stood steady at A$2-billion as of the end of April and Flanagan is optimistic that the business is well placed to grow both revenues and profits, with second half profits exceeding those of the first half.

"The improvement is a direct result of continued growth in revenues and work in hand, notably in Australia. Revenue for the full year is expected to be more than 30% higher than the prior year."

Besides focusing on consistent operational delivery over the coming 12 months, Flanagan says Aveng aims to further reduce debt, using proceeds from the Trident sale, and will also move to consolidate the large number of shares in issue.

It will also continue to assess ways of attracting shareholder capital from those territories in which it is operating and will, thus, continue to assess a secondary listing in either Australia, Hong Kong or Singapore.