Aveng soars on news of 'advanced' talks to sell Trident Steel

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The share price of infrastructure and mining services group Aveng gained the most in more than six months after it said it is in advanced talks to sell the last remaining significant asset that formed part of a disposal strategy dating back to 2018, Trident Steel.

Aveng's share price rose by as much as 13.17% to R16.41 in intraday trade on Monday as the market welcomed the news that the company would finally dispose of Trident, which supplies a wide range of products. By the market close, Aveng's share price has risen 8.69% to R15.76.

The stock has fallen more than 40% so far in 2022.

In February, news that the group had to reclassify Germiston-based Trident as a continuing operation due to a slow sales process rattled the market, sending Aveng's shares down more than a fifth.

This required reclassification weighed on earnings for its half-year to end-December. The process saw R450m in assets transferred held for sale, and also resulted in the recognition of a prior period's depreciation of R155m, partially offset by a reversal of already recognised impairments of R103m.

Management at the time said the change came into play because it was "unlikely" that it would be able to complete the disposal of Trident by June 30 for it to remain classified as held for sale.

But four months later the group told shareholders on Monday that the "due diligence is well advanced and will be completed as soon as possible", adding it planned to use proceeds from the transaction to settle its remaining external debt in SA and create further liquidity to strengthen the group's financial position.

Without going into detail, the Johannesburg-based group said the value of the transaction was expected to exceed that of Trident's reported net asset value according to its 2022 interim results.

"They are in the process of streamlining and fixing balance sheets so any sale of businesses should be good for them," Chronux Research analyst Rowan Goeller told Business Day. "But it's difficult to comment in detail without a price," he said.

The group, now valued at just under R2bn on the JSE, has sold off R1bn in assets since it launched the 2018 strategy, which included manufacturing and rail interests, as well as property.

Once one of SA's largest construction companies, Aveng is among just a few left standing after an industrywide slump that led to the collapse of peers including Group Five and Basil Read. It has, however, shifted focus away from SA construction.

It now focuses on Moolmans, which provides services such as shaft sinking and bulk earth moving, and is one of Africa's largest open-cut mining contractors. Its other core business is Australasian engineering, construction and maintenance contractor McConnell Dowell, which generates two-thirds of group revenue.

Goeller said the trend among construction firms in recent years has been to get rid of those manufacturing-type businesses because "they are better run outside a construction company" and "it's not their core strength".