

Aveng enters agreement for sale of Aveng Rail

Wednesday, 3 October 2018

“This is another step forward in our announced strategic intention to give effect to the sale of non-core assets for value. We believe Mathupha Capital has the necessary expertise and market knowledge and is therefore ideally positioned to steward Aveng Rail into its next phase of sustainable growth and development.”

Eric Diack, Aveng’s Executive Chairman.

Johannesburg, 2 October 2018: Aveng has entered into a sale and purchase agreement with 100% black-owned Mathupha Capital Proprietary Limited (Mathupha Capital) for Aveng’s Rail business for a cash consideration of R133 million.

In terms of the agreement, Aveng will establish a limited liability private company (Aveng Rail NewCo) to which the agreed tangible and intangible assets of Aveng Rail, including the short and long-term borrowings relating to the business, will be transferred as a going concern. Aveng Rail employees will also be transferred to the new entity. Mathupha Capital will then acquire 100% of Aveng Rail Newco from Aveng.

The proceeds from the sale will be used to strengthen the financial position of the Group and will contribute to the overall reduction of Aveng’s debt.

The proposed transaction is subject to the normal consents and conditions precedent associated with a transaction of this nature, including the conclusion of the final and binding agreements and all statutory and regulatory approvals, as well as Competition Commission approval. The transaction is expected to close no later than 31 December 2018, after all the conditions have been met.

Aveng Rail is the pre-eminent track work contractor in southern Africa, and is focused on the development, construction, rehabilitation and maintenance of regional track work systems. The company owns and operates an extensive fleet of mechanised track maintenance equipment geared to undertake all aspects of track construction, rehabilitation and maintenance.

Mathupha Capital is a Level 1 BBBEE investment company which invests in strategic companies that design, engineer and construct transport infrastructure and manufacture products supplied to the rail sector. As part of Mathupha’s growth strategy, it has been actively exploring opportunities in the rail sector to enable the company to become a fully-fledged railway solution provider and the proposed transaction will be an integral part of giving effect to that strategy.

Following the robust and thorough strategic review of the business, Aveng adopted a new and focused strategy to be an international infrastructure and resources group operating in selected fast-growing markets, capitalising on its considerable knowledge and experience. This resulted in identifying the businesses and assets that support its overall long-term strategy and will, therefore, be core to the Group. At the same time, the strategic review identified certain businesses that would be more successful in the hands of new owners. The creation of liquidity through the sale of certain non-core assets and properties remains an overriding priority in the achievement of the strategic action plan.