

Aveng and M&R are both considering international listings

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JSE-listed construction and engineering group Aveng and JSE-listed multinational engineering and contracting company Murray & Roberts (M&R) are both considering international listings.

Aveng CEO Sean Flanagan confirmed that continuing to develop the opportunity for an international listing to facilitate the group's growth is one of the matters the company's management will focus on for the next reporting period.

Aveng's next reporting period is the six months to end-June 2022, the second half of its financial year.

Aveng group financial officer Adrian Macartney said the group has over the past few months been evaluating a listing on two particular stock exchanges.

"We are looking at Singapore and the Australian Stock Exchange. Both have differing regulatory requirements and obviously we need to do some work around that," he says.

"There are significant regulatory requirements and tax considerations from a South African perspective. We are busy working through those as well. I don't expect that this is something that is in the immediate term but rather beyond the end of this financial year."

Murray & Roberts

Murray & Roberts (M&R) first flagged that it anticipated listing the group internationally in June 2021.

M&R CEO Henry Laas said last week during a presentation on the group's financial results for the six months to December 2021 it always anticipated, at the time it put together the new strategic future for M&R, that there would be a time in the future where an offshore listing may become very important for the group and the right thing for it to do.

Laas said the group had started to think about an international listing prior to Covid-19 but had to put that in the background a little bit when the pandemic hit because there were so many operational things the company had to deal with.

"We are now emerging from Covid-19 again, as you will see in the results, and we are ... starting to return to pre-Covid-19 levels.

"That means that we are also starting to apply our minds to that [an international listing] again," he said.

However, Laas said the challenge M&R has as a group is that its market capitalisation is about R6 billion and it is very difficult to achieve an offshore listing with the company at that scale.

"My view is that you at least have to be at the \$1 billion level if, without a corporate action, you want to achieve a dual listing.

"For Murray & Roberts to get to that point, it would require a potential corporate transaction in the form of a merger or the form of an acquisition – and first and foremost that must make strategic sense," said Laas.

"And if such a transaction would make strategic sense, then the dual listing that comes along with that is a further outcome of it.

"We are thinking about it. We have made some plans already. We are trying to identify opportunities that we can do. But it's not something that's going to happen in the immediate future," he said.

What is the appeal?

Chronux Research analyst Rowan Goeller said South African companies want to list offshore thinking they will get a higher multiple ,but it is still the same business.

"I don't think an offshore listing solves the problems in the way management sometimes thinks it can," he said.

Goeller questioned Aveng's statement that it is investigating a possible offshore listing to facilitate growth.

"I don't see why. Why can't you raise capital in South Africa? There is an argument that you can raise capital cheaper offshore. Not necessarily.

"There have been a couple of industrial companies who have had plans to do an offshore listing and it's mostly to boost their multiple.

"They think they will trade at a higher multiple, which helps the share price and obviously it would help in capital raising," he said.

"I don't think it's ever been either tested or proved necessarily. If they are global businesses, is there a JSE discount for global business? The same probably applies if you try and list the same business in Singapore."