

Aveng to post lower interim earnings

Monday, 14 February 2022

JSE-listed construction group Aveng has warned that its basic earnings and headline earnings for the six months ended December 31, will be about 85% lower year-on-year.

The group expects to report basic earnings of between R49-million and R58-million, compared with basic earnings of R438-million posted for the six months ended December 31, 2020.

Headline earnings will likely be between R14-million and R19-million, compared with headline earnings of R109-million reported in the prior comparable period.

Diluted headline earnings per share (HEPS) will be between 11c and 14c in the six months under review, compared with diluted restated HEPS of 226c in the prior six months.

Operating earnings will be between R210-million and R218-million for the period, compared with operating earnings of R280-million posted in the prior corresponding period.

The company will publish its results on or about February 22.

Aveng CEO Sean Flanagan and CFO Adrian Macartney on February 14 told Engineering News that the first half of its financial year was characterised by continued Covid-19 travel restrictions and lockdowns, riots and a steel industry strike in South Africa, as well as a global shortage of semi-conductors affecting the automotive sector.

They noted that Aveng still intended to sell its Trident Steel business, despite the company not meeting the criteria to disclose Trident Steel as held for sale as at December 31.

Consequently, Trident Steel had to be reclassified following the calendar year-end as a continuing operation. The reclassification required the recognition of the prior period's depreciation of R155-million, partially offset by a reversal of previously recognised impairments of R103-million, resulting in a net charge of R52-million in the current period.

This compares to a fair value gain of R415-million in 2020.

These amounts have been included in the expected and reported earnings.

Flanagan told Engineering News that the reclassification simply related to accounting protocols, and the sale not having been concluded in a 12-month period, but the strategy to dispose of the business remains intact and discussions with potential buyers are underway.

Meanwhile, Aveng undertook a renounceable rights offer in March 2021 and a follow-up rights offer in June 2021, thereby increasing its total number of shares in issue from 19-billion to 64-billion; however, the group restructured its issued share capital on December 8, 2021, with every 500 shares consolidated into one share.

The company now has a total 129-million shares in issue.

Aveng's share price on the JSE fell by 36% on Monday afternoon after the release of the trading statement, but ended the day down nearly 18%.