enX Group reports healthy revenue growth in 2015

Industrial energy and supplies group enX raised revenues by 51% to R883 million in the year to end August 2015, with all divisions showing healthy growth and the new fuel segment contributing nearly a quarter of group revenues.

The group provides capital and consumable goods and support services to a range of industries in South Africa and Sub-Saharan Africa through power, fuel and chemicals and wood clusters. Clients range from heavy industrial, automotive, mining and construction groups to wholesalers, retailers, technology and telecommunications companies, banks and manufacturers.

Adjusted EBITDA, which provides a more meaningful reflection of sustainable earnings, rose 34% to R66,3 million (2014: R49,4 million).

Adjusted headline earnings of R36,1 million increased by 5% (2014: R34,4 million) and translated into adjusted headline earnings per share of 8,7 cents (2014: 8,7 cents).

Both these financial performance measures included currency losses of R16,2 million primarily as a result of the rapid depreciation in the Rand versus the US Dollar. The impact of these losses amounted to 2,8 cents per share.

"Our power segment remains our principal revenue earner, but we are also particularly pleased with the growth of the new fuel segment. Established last year, it turned in revenues of R210 million during the 9 months that it formed part of the Group. We expect this business to contribute materially to revenue and profitability in the future once we have a full 12 months trading in our results" said CEO Paul Mansour.

Power segment revenues were R454,6 million (2014: R389.9 million). The segment incorporates the manufacture, sale and rental of diesel generators and related components, as well as the distribution of industrial and marine engines. While revenues for the first half of the year were flat, second half revenues of R279,3 million increased by 30% year on year (2014: R215,6 million). Adjusted EBITDA of R55,6 million was up 32% year on year (2014: R41,1 million).

The segment has been strengthened after financial year end by the acquisition in September 2015 of Genmatics, a diesel generator rental business, whose substantial presence in KwaZuluNatal gives enX a national footprint in this sector. The group says early trading has exceeded expectations.

Revenues in the new fuel and chemicals segment came from Centlube, a producer and marketer of oil lubricants in Sub-Saharan Africa. Centlube has taken on the ExxonMobil distributorship, and began distributing ExxonMobil oil lubricants from January 2015. Monthly revenues and volumes have increased significantly. Adjusted EBITDA was R8 million including a currency loss of R13,4 million.

As a precautionary measure during the take-on of the ExxonMobil distributorship, Centlube held a significantly higher level of safety stock to ensure its strategic customers did not run out of product. This additional stock holding, which is US Dollar denominated, was unhedged.

The Wood segment, which distributes professional woodworking equipment, sustained its turnaround. It reported sales of 218.2 million, compared to R195.2 million in 2014. Adjusted EBITDA was R17,4 million down from R24,8 million in 2014, due to the change in sales mix and investment in technical staff required to support their customers and drive the service component of the business.

The group completed an empowerment transaction in September 2015 with 25,01% equity participation from Samvenice Trading 1 Proprietary Limited, a wholly owned subsidiary of CapLeverage Proprietary Limited, for an aggregate subscription price of R213,8 million.

On the strength of this transaction and other empowerment initiatives, enX was recently awarded a Level 4 B-BEE rating.

The group is positive about future growth, but notes that its key risk is the performance of the rand. A sustained and rapid decline of the rand versus the group's trading currencies will increase input costs.

"Trading for the first quarter has been positive. Capacity in our Power cluster has increased, and we are well positioned through our manufacturing capability, inventory holding, technical services and rental fleet to service increased demand for back-up power in the event of constrained electricity supply. Our order book remains healthy"

"Having integrated Centlube into enX, completed the ExxonMobil take-on phase and employed key executives, the Centlube business is now settled. We are focused on growing volumes in all parts of the business, improving gross margins and optimising inventories," the CEO stated.

"enX will continue to focus on growing its power and fuel segments organically and through acquisition," Mansour said.

Ends

Enquiries to Paul Mansour at Austro Group: +27722863897