

Eqstra results a 'bit lower' than market expected

Fleet manager Eqstra (EQS) Holdings produced "satisfactory" results from continuing operations in a year it say was characterised by a "weakening" economic environment.

By [Mark Alix](#) 23 Aug 2012

However, Rajay Ambekar, portfolio manager at Investec Asset Management, said on Tuesday the results were "a bit lower" than what the market was expecting at the start of the year.

"But it was not a terrible set of results," he said.

The group says revenue rose 18% in the year to June, mainly on the ramp-up of production volumes in its contract mining unit, and plant rental for the Benga coal project in Mozambique.

The diversified distributor of mining, construction and industrial equipment and fleet manager also saw rising unit and after market sales in industrial products.

Profit before tax from continuing operations shot up 35.6%, with the group pretax margin increasing to 6% from 5.2% in the previous year.

Eqstra says profit before tax is an important measure of group performance, because finance costs are seen as operating costs necessary to generate revenue from leasing contracts.

He said this included improving contract management processes, asset utilisation and relations with organised labour, as well as ensuring the renewal of long-term contracts throughout the business.

"All other divisions remain positioned for meaningful growth ... from secured long-term contracts, increased client penetration and additions to the group's range of products and value-added services," he said.

The group said the disposal of its Bucyrus equipment business within the Eqstra Mining Services division, and the relinquishing of the rights of the New Holland Construction distributorship, shielded it from volatile construction and mining markets.

Hill said Eqstra's performance was expected to improve next year as the group optimised its asset base, even as global and domestic economic conditions were likely to remain subdued.

"We have further diversified our commodity exposure from a previous concentration in platinum and diamonds, and we have matched equipment purchases to contract mining requirements," Hill said.

"In addition, our fleet management and logistics and industrial equipment divisions have retained their resilience and defensive nature through depressed economic cycles."

Group net finance costs increased 17.3% to R481m, as average debt levels rose during the year, mainly on growth in revenue-producing assets, Eqstra said.

Working capital was up R250m, as trade and other receivables increased on higher revenues in contract mining and plant rental, resulting in cash generated by operations falling 24.6%.

Cash and cash equivalents increased to R610m from R191m last year, mainly on the proceeds from the sale of the Bucyrus business unit.

These proceeds were used subsequent to year-end to repay bank debt maturing in April next year, as well as commercial paper, the group said.

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