

Altron asset sale plan pays off

Allied Electronics' (Altron's) turnaround strategy is yielding positive results as the group reverse a headline loss per share into earnings of 31c for the six months to August.

By [Thabiso Mochiko](#) 21 Oct 2016



Altron CEO Robbie Venter.

The group had disposed off nonperforming assets and would continue to sell more businesses, including companies within its Powertech division to focus on the technology and telecommunications sector, where had the "resources, competence and skills to leverage its competitive advantage", said CEO Robbie Venter.

Its remaining operations will include Bytes Technology group of companies, Altech Netstar, and Altech Radio Holdings. The group, which was formed more than 51 years ago, was also transitioning from a family owned business to an independently managed business, a process that would be implemented once it had achieved the sale of noncore entities. The disposals could take up to 12 months.

Mvunonala equity analyst Matthew Zunckel said Altron was "finally headed in the right direction", having disposed of many of its distressed businesses, and this was reflected in the 10% increase in headline earnings per share from continuing operations.

"The remaining portfolio is substantially higher quality and should position the group to generate reasonable earnings growth and cash flows going forward, as long as the capital allocation mistakes of the past are not repeated," said Zunckel.

The sale of the noncore assets has helped Altron reduce its debt by R1.5bn. "We are beginning to see the positive results of refocusing the Altron group in line with our stated strategy. The results from the core operations have been pleasing, particularly in the context of difficult and uncertain local economic and political conditions," said Venter.

Revenue from continuing operations rose 10% to R7.5bn for the six months to August. However, including discontinued operations within the Powertech group of companies and Altech Multimedia, revenue decreased by 14% to R11.4bn. The group reduced its total net loss to R37m from R618m.

Cratos Wealth portfolio manager Ron Klipin said additional sales of R350m were pending, which should further reduce losses on noncore assets. He expects the Powertech group to divest its batteries operation which, with other sales, could bring in another R340m. The possibility exists of a sale of Powertech's Transformer operations to a global player.

"A deal in this area is important due to major delays of Eskom awarding contracts, and the capital-intensive nature of its operations," said Klipin.

Aslam Dalvi, associate portfolio manager at Kagiso Asset Management, said it was a good performance overall, given the challenging macro environment. Management had made great progress in divesting some of the noncore assets and reducing debt to more sustainable levels. "Despite a challenging outlook, performance of the core operations was encouraging, with a good performance from the technology division, which grew profit by 13%."

Venter said although more work needed to be done in continuing to improve and grow the core operations and completing the remaining asset disposals, the outlook was "positive with respect to getting the group back on a path of profitability and growth that is sustainable and future-proof".

Source: Business Day

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