Times Media aims to cut Avusa debt

Times Media, the listed entity that owns Avusa, says it will focus on reducing the group's debt a improving revenue and operating margins following a trading update on Friday, 16 November 2012, that revealed a very subdued performance.

When Avusa was bought by Times Media and subsequently delisted it raised R650m in debt, payable ove six years. The buyers also injected R480m to fund the deal. The company has now embarked on a turnaround strategy and management is reviewing each business unit.

Times Media now has a board of eight, compared to the 14 Avusa had. Kuseni Dlamini was appointed chairman and Mark Basel a nonexecutive director.

The trading update reported a negligible increase in revenue for the six months ended September, rising only 1.5%, or R44m, to just under R2.9bn.

The company is under pressure to drive efficiencies as its profit from operations was only R16m, compar to R74m last year. The company said its bottom line was hit by exceptional items of R70m, including R15 from the media division.

The media unit - newspapers, magazines, out-of-home advertising and a stake in I-Net Bridge - increased post-retirement medical aid provision by R15m.

Avusa noted in its 2011 annual report that some operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners and employees on retirement.

About R30m of the exceptional items came from the retail solutions division, which includes Hirt & Carter and Uniprint. The books unit had exceptional items of R15m. The company said that "the Exclusives.co.za operating platform was fully impaired following a review of the online business model".

The entertainment unit had exceptional items of R19m after an impairment of the software systems. A lool into the operations of Avusa shows that if exceptional items are included, no division reported a rise in pro But if the exceptional items are excluded only the media and book divisions had an increase in profits in th six months to end-September.

Profit from operations before exceptional items in the media division rose 21% to R57m. For retail solutio profit from operations before exceptional items fell 21% to R70m.

The books division had a profit before exceptional items of R1m, compared to a loss of R12m in the sam period last year.

Source: Business Day