
Slowdown signs - Aveng sees its FY 09 EPS to drop by up to 25pct

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Construction group Aveng said that its headline earnings per share for the full year to June 2009 will drop between 20% and 25%, citing a fall in the price and demand of steel. Aveng had so far also cut 450 jobs or 1.4% of its workforce due to tough economic times and project cancellations amounting to ZAR 4.2 billion.

The decline in earnings come after CEO Mr Roger Jardine warned in March that the group would not match growth achieved for the full year last year as trading conditions continued to deteriorate in the second half because of the global economic crisis.

Mr Jardine said in March 2009 that "We are not expecting to match performance in the six months to June last year mainly because our manufacturing and processing division is feeling the squeeze of price reduction in steel. Steel prices have come down significantly in recent months as compared to where they were this time last year."

Aveng said that "Steel volumes in Trident Steel are down 26% on 2008, with demand in the automotive sector falling by 35%. This, together with the decline in steel prices of between 30% and 35% has resulted in the profitability levels of Trident being substantially below that achieved in 2008."

The group said that its Steeledale and Infraset business units had also come under earnings pressure due to the decline in steel prices, as well as due to decreasing demand for consumer related paving and landscape products within Infraset. It added that it had not had further project cancellations since February, with its 2 year order book now standing at ZAR 32 billion, which represented 9.6% growth since December.

(Sourced from www.businessday.co.za)

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