AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06)
ISIN: ZAE000302618
SHARE CODE: AEG
("Aveng" or "the Company" or "the Group")

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

SALIENT FEATURES

- Revenue of A$3.1 billion (R37.5 billion); (June 2023: A$2.4 billion (R28.9 billion))
- Operating earnings of A$34.5 million (R424 million); (June 2023: A$86.8 million loss (R1.1 billion loss))
- Headline earnings of A$38.0 million (R466 million); (June 2023: A$77.7 million loss (R950 million loss))
- Headline earnings per share of A$29.6 cents (364 cents (Rands)); (June 2023: A$61.6 cents loss (753 cents (Rands))
- Basic earnings of A$25.7 million (R315 million); (June 2023: A$104 million (R1.1 billion loss)
- Basic earnings per share of A$20.0 cents (245 cents (Rands)) (2023: A$82.4 cents loss (1 017 cents loss (Rands))
- Net Cash of A$173.7 million (R2.1 billion); (June 2023: A$108.4 million (R1.4 billion))
- Work in hand of A$3.1 billion (R37.2 billion) with higher embedded margins; (June 2023: A$4.2 billion (R52.2 billion))
- Leadership transition and organisational structural change complete
- Strategic review concluded with intention to pursue two separate and independent operating and growth strategies

1. All figures have been restated due to a change in the reporting currency from ZAR to A$.
2. Prior year revenue and operating earnings from continuing operations exclude Trident Steel.

RESULTS FOR THE YEAR ENDED 30 JUNE 2024

OVERVIEW

Aveng showcased its resilience with a return to profitability and positive cash flow generation for the year ended 30 June 2024.

Return of the Group to profitability and positive cash generation

At 30 June 2024, Aveng increased revenue from continuing operations by 27% to A$3.1 billion (R37.5 billion) (June 2023: A$2.4 billion (R28.9 billion)), with a corresponding improvement of over 100% in its operating earnings before capital items to A$34.5 million (R424 million) (June 2023: A$86.8 million loss (R1.1 billion loss)) and an increase in headline earnings to A$38.0 million (R466 million) (June 2023: A$77.7 million loss (R950 million loss), compared to the prior comparative year. Earnings for the year improved to A$25.7 million (June 2023: A$91.8 million loss).

The Group produced gross earnings of A$175.6 million at a gross margin of 5.7% (June 2023: A$38.8 million at a gross margin of 1.6%), an increase of over 100% as compared to the prior year. Included in the gross earnings in the prior year is the impact of the Batangas LNG Terminal Project ("BLNG project") loss of A$104 million. The Group continues to be impacted by the effects of hyper-escalation on projects awarded pre-COVID. The impact has largely been ameliorated by way of various strategies adopted to address this potential risk. The embedded margin in work in hand is expected to improve as these projects are concluded.

The increase in operating earnings was driven by earnings in the *Infrastructure* and *Building* segments, with operating earnings of A$57.4 million (June 2023: A$49 million loss) in *Infrastructure* and A$8.6 million (June 2023: A$0.1 million) in the *Building* segment. The *Mining* segment generated operating earnings of A$2.0 million (R24.5 million) (June 2023: A$9.6 million (R110 million) loss) in 2024.

The *Infrastructure* segment is operating with 96% and the Building segment with 100% of projects profitable. This illustrates strong operational performance across these portfolios. The *Mining* segment continues to focus on project execution through a focus on improving production levels and operating efficiencies across all its sites.

Building on the first half of the year, the Group continued to deliver a strong operating free cash inflow of A$97.9 million for the full year (June 2023: A$62.7 million outflow).

Strengthened balance sheet through improved profitability, strong cash generation and the repayment of debt

Aveng strengthened its balance sheet through improved profitability, strong cash generation and the repayment of debt. The Group closed with a cash balance of A$227.7 million (June 2023: A$189.7 million) after settling A$23 million of the term debt facility by 30 June 2024. The Group's debt comprises asset-backed finance and lease liabilities associated with equipment.

The Group closed the year with an improved net cash position of A$173.7 million (R2.1 billion) (30 June 2023: A$108.4 million (R1.4 billion).

Improved quality of work in hand with higher embedded margin

The Group continues to win work within its specialist disciplines, with a focus on quality infrastructure, building and mining projects, which are expected to contribute positively to the operational margins. As a result, the Group enters the 2025 financial year in a strong position, with combined work in hand amounting to A$3.1 billion (R37.2 billion), down from the record high work in hand of A$4.2 billion (R52.2 billion) in June 2023. As expected, work in hand in the *Infrastructure* segment has reduced, reflecting the timing of larger infrastructure project awards, particularly for government funded projects. Tendering activity in the second half returned to required levels in support of future revenue projections at expected margins. Work in hand in the *Building* segment has come off peak levels and remains at comfortable levels to maintain similar revenue levels going forward. The *Mining* segment is currently focused on opportunities to improve volumes and extend contracts with existing clients.

Enhanced risk management processes having positive impact

As previously described, the risk management processes introduced across the *Infrastructure* and *Building* segments are having a positive impact across the entire portfolio. This includes improved tender preparation and review processes, project reviews and specific proactive attention provided by the Project Management Office (PMO) professionals through the tender and project life cycle. This has led to an improved project portfolio balanced between risk and opportunity, increased project specific contingencies and risk mitigation strategies now delivering opportunity. This has led to overall margin trending upwards towards expectations.

Risk reduced on Group legacy

The Group continues to actively manage the remaining legacy matters. Risk has been reduced with lower guarantee exposures, closing out of project related liabilities, contractual disputes and claims.

Strategic review undertaken

Strategic direction to enhance future value for all businesses has been determined.

CHANGE IN THE REPORTING CURRENCY

As announced in the interim results presentation, Aveng has evolved into a business with three operating segments, Infrastructure, Building and Mining, with 93% of its revenue sourced from outside South Africa. The Aveng Board bases its performance evaluation and many investment decisions on Australian Dollar financial information, being the predominant transactional currency of the Group. The Board believes that Australian Dollar financial reporting provides a more relevant presentation of the Group's financial position, funding and treasury functions, financial performance and its cash flows.

Based on the above, Aveng has elected to change its reporting currency from the South African Rand (ZAR) to the Australian Dollar (A$), with such change being implemented for the summarised consolidated annual financial statements at 30 June 2024.

It should be noted that the functional currencies of the Group's underlying businesses remain unchanged. Functional currencies refer to the currencies of the primary economic environments in which underlying businesses operate. Foreign exchange exposures will therefore be unaffected by the change, albeit that the effects of such exposures will be presented in Australian Dollars.

To assist investors in understanding the change, the Group has provided restated Australian Dollar financial information for the year ended 30 June 2023 in compliance with International Financial Reporting Standards (IFRS).

FINANCIAL REVIEW

Aveng reported improved headline earnings of A$38.0 million (R466 million) or A$29.6 cents (364 cents (Rands)) per share (2023: A$77.7 million loss (R950 million) or A$61.6 cents loss (753 cents (Rands)) per share)).

Earnings for the year attributable to equity holders of the parent amounted to A$25.7 million (R315 million) or A$20.0 cents (245 cents (Rands)) per share (2023: A$104.0 million loss (R1.1 billion loss) or A$82.4 cents (1 017 cents (Rands)) loss per share).

Reported earnings for the year are A$25.7 million (R315 million) (2023: A$104.0 million (R1.1 billion)) while normalised earnings increased from a loss of A$82.7 million (R1 billion loss) in the prior comparative year to A$25.3 million (R310 million) earnings.

Revenue increased by 27% to A$3.1 billion (R37.5 billion) (2023: A$2.4 billion (R28.9 billion)). Cost escalation on certain alliance contracts translated into additional revenue at zero margin.

Operating earnings before capital items of A$34.5 million (R424 million) (2023: operating losses of A$86.8 million (R1.1 billion)) were higher across all operating segments:

- *Infrastructure* – earnings of A$57.4 million (2023: losses of A$49.1 million)
- *Building* – earnings of A$8.6 million (2023: A$0.1 million)
- *Mining* – earnings of R24.5 million (A$2.0 million) (2023: losses of R110 million (A$9.6 million))
- *Aveng Legacy* – losses of R61 million (A$5.0 million) (2023: losses of R59 million (A$4.9 million))
- *Other*, including the Group corporate head office in South Africa and Australia –loss of A$28.5 million (2023: loss of A$23.4 million (includes the accumulated ticking fee of R75 million (A$6.0 million) recognised on sale of Trident Steel).

Capital expenses amounted to A$7.3 million (R90 million) (2023: capital earnings of A$0.7 million (R9 million) and includes the net impact of impairments on plant and equipment in the *Mining* segment and loss on sale of assets.

Net finance charges increased to A$11.1 million (R136 million) (2023: A$10.3 million (R123 million). Finance earnings of A$11.6 million (R142 million) increased by A$4.9 million (R65 million) in the year due to higher cash balances and deposit interest rates in Australia. Finance expenses of A$22.7 million (R278 million) increased by A$5.7 million (R78 million) as a result of interest paid on the settlement of a claim related to a legacy matter, higher interest rates, working capital requirements in South Africa, transaction costs for facilities, coupled with the introduction of new asset-backed financing for new heavy mining equipment at Moolmans.

Basic earnings per share of A$20.0 cents (245 cents (Rands)) (2023: A$82.4 cents loss (1 017 cents loss (Rands)) were calculated using a weighted average number of shares of 128.4 million shares. The prior year's basic loss per share of A$82.4 cents (1 017 cents (Rands)) was calculated using a weighted average number of shares of 126.1 million shares.

Headline earnings of A$38.0 million (R466 million) (2023: headline loss of A$77.7 million (R950 million loss)) after accounting for the impairment of property, plant and equipment and the derecognition of components at Moolmans and gain on disposal of property, plant and equipment.

STRATEGIC REVIEW

As announced on 12 August 2024, Aveng has been conducting a detailed review of the corporate strategy for the Group with the objective of enhancing stakeholder value and maximising value to shareholders.

The review has concluded that Aveng's two operating businesses (McConnell Dowell and Moolmans) have distinctly different business characteristics and value propositions and as a result should pursue independent and separate operating and growth strategies. This will assist each business to independently access appropriate pools of capital to better support their investment requirements. Aveng therefore intends to pursue, through a combination of transactions, the creation of two independent and separate entities:

- McConnell Dowell (including Built Environs): a leading engineering-led construction and building contractor delivering infrastructure across a diverse range of end markets; and
- Aveng Limited: which holds Moolmans, a tier 1 contract mining business operating in sub-Saharan Africa.

The Board is mindful of its commitments to all stakeholders through this process and intends to support and enhance the prospects of both entities for the benefit of all stakeholders, including clients, suppliers and employees, by enabling the two entities to access the most attractive capital to pursue their separate strategies. In the case of McConnell Dowell, this will involve exploring a potential listing on the Australian Securities Exchange (ASX) and Johannesburg Stock Exchange (JSE). In the case of Moolmans this will involve exploring alternative ownership options and potentially introducing BBBEE capital.

Aveng has appointed advisers, including Macquarie Capital, to assist with the implementation process.

OUTLOOK

Infrastructure

McConnell Dowell is positioned well to continue its growth trajectory through a strong secured revenue position and remains focused on managing risks, converting opportunities, disciplined tendering, reliable project execution and delivering profit. The current work in hand provides a robust revenue platform, with over 80% of planned revenue for 2025 secured. Work in hand comprises 77% in the government sector and 23% in the private sector. Newer contracts continue to perform strongly and we note an easing in cost escalation pressure, providing the opportunity for overall margin improvement.

There are signs of a softening transport infrastructure market in Australia, balanced by reduced cost escalation pressures and the emergence of a general trend toward new energy, defence and water & wastewater related developments. The addressable market across McConnell Dowell's footprint provides a visible pipeline of A$16.3 billion facilitating strategic selection of tender opportunities in support of profitable growth. The business remains focused on converting current tenders of A$1.9 billion in preferred bidder status to award, with a further A$3.4 billion pending decision.

Building

Built Environs enters the 2025 financial year with solid work in hand. Markets in Australia and New Zealand remain strong, especially in the health, education and recreation sectors. Recent contract awards are expected to perform well on the back of slowing inflationary pressure. Built Environs has a visible pipeline of A$2.6 billion, a preferred bidder status of A$0.6 billion and current tenders of A$0.5 billion pending decision.

Mining

Moolmans consolidation agenda includes focus on improved operational performance and cash-generation. A key factor to success is ensuring that Tshipi's production levels continue to improve, in line with the steady improvement achieved throughout the year. There are significant opportunities for contract and volume extensions with existing clients.

KEY MESSAGES

- Return to profitability and cash-generation.
- Pre-COVID projects nearing completion – post-COVID projects performing well.
- McConnell Dowell (including Built Environs) – aligned to growing defence, energy, water, marine and resource sector opportunities.
- Moolmans – focused on operational improvements and opportunities with existing customers.
- Strategy – to pursue two separate and independent businesses.
- Committed to all stakeholders and the long-term sustainability of all businesses.

ABOUT AVENG LIMITED

Aveng is an engineering led contractor focused on infrastructure, resources and contract mining in selected markets, capitalising on the expertise and experience within McConnell Dowell and Moolmans.

Short-form announcement

This short-form announcement is the responsibility of the directors and is only a summary of information contained in the annual financial statements for the year ended 30 June 2024, which are available at https://senspdf.jse.co.za/documents/2024/JSE/ISSE/AEG/afsFY2024.pdf and on the Company's website at https://www.aveng.co.za/results-reports-presentations.php. The full annual results presentation will is also available at https://www.aveng.co.za/results-reports-presentations.php tomorrow at 09:00

This announcement does not contain full or complete details and any investment decisions by investors and/or shareholders should be based on consideration of the full annual financial statements released on SENS and available on the Company's website.

Audit opinion

The annual financial statements were audited by KPMG Inc., who expressed an unqualified audit opinion thereon.

19 August 2024

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