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Vunani looks to renewables after coal fires earnings growth

Company will also focus on its gaming and property portfolios

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Picture: T23RF/VACLAW VOLRAB

Vunani Capital Partners (VCP), which is listed on the Equity Express Securities Exchange, intends mobilising strong cash flows from its coal-mining investments to secure new opportunities in the renewable energy sphere.

VCP released on Friday a robust set of interim results to end-August with more than R70m in dividends received from its investments in associates. Profit before tax, including a huge uplift in equity accounted earnings, was up almost fourfold to R83m with the interim dividend hiked markedly to 38c a share (previously 3c).

CEO Mark Anderson said the growth stemmed mainly from the more than 50% increase in energy prices. “We intend using this momentum for our next phase of investments.”

VCP's resources and energy segment, which comprises Butsanani Energy Investment Holdings and Black Wattle Colliery, was the major contributor to the interim period.

Anderson said VCP was able to capitalise on higher energy prices, but added that operationally Black Wattle increased production, which also positively affected earnings.

At Friday's investment presentation VCP was asked whether the group, which also has interests in gaming, fintech, property and commodity trading, had enough income streams to "future proof" itself against a commodity price downturn.

Anderson said that while coal-mining interests were still expected to perform strongly in the medium term, VCP was cognisant of the need to further diversify its earnings base. "We intend using dividends generated from our investments to make investments for the future. Our transition into clean energy remains a top priority for us."

VCP would not make any new investments in the mining sector, save for its existing interests in coal mining. “We want to invest in specific niches in the renewable energy sector.”

Anderson emphasised that VCP would follow the portfolio investment approach, and would not invest in just one big renewables project. “I think before the [financial] year-end we will be able to announce a number of investments into the renewable energy sector.”

Investments in renewables would not only be restricted to SA, but could stretch to territories in Southern Africa.

“Some projects will require capital, and we will be the provider of this capital. There is also bound to be consolidation in the renewable energy sector, and hopefully we will be the initiator of this consolidation.”

VCP will also be paying attention to its gaming and property portfolios.

Anderson said the gaming segment, in which VCP holds interests in five licences, offered growth potential. “This has prompted us to seek further licences across the continent.”

VCP’s property initiatives benefited from the rise in semigration, which has seen residents migrating from metropolitan areas to coastal areas and to several well-serviced and secure inland areas supported with reasonably good residential infrastructure.

VCP is involved in a retail and residential development in Hout Bay in Cape Town and a residential one in Plettenberg Bay. Anderson said these investments were expected to yield results in the next 12-24 months.