https://www.iol.co.za/business-report/companies/vunani-capital-partners-expect-tighter-cash-flows-in-future-02a98dd0-a893-402b-b9c1-b42a4e33362c

Vunani Capital Partners expect tighter cash flows in future

Written by Edward West

Cash generation in the second half was lower than anticipated due to reduced coal exports by VCP's investment in the Black Wattle Colliery. Photo: Reuters

EESE listed, black-owned financial services group Vunani Capital Partners' (VCP) earnings and profitability metrics were strong, but cash generation in the second half of the February, 2023 year proved difficult and tough trading conditions were expected to persist, CEO Mark Anderson said in a statement yesterday.

"Our focus for the 2024 year will remain to leverage the partnerships we have formed to sustainably grow the business as we look to unlock more value for shareholders," he said.

VCP generated profit from operations of R128.3 million, up 142% compared to the previous year. Earnings per share increased to 68.3 cents from 32.3 cents.

Adverse fair value adjustments and impairments of R25.3m (positive R10.8m) resulted from impairment losses from the investment in Workforce Holdings.

The higher operating expenses of R31.4m (R17.5m) reflected the increased activity at VCP. Management fees paid to Vunani Capital Proprietary, a subsidiary of Vunani Limited, increased as the incentive fee component of the management fee was related to the strong cash earnings generated by VCP in the first half of the financial year.

"The decision to unbundle from Vunani Limited and list on EESE has worked exceptionally well for VCP and has allowed it to reach its strategic objective," said Anderson.

Dividends paid to VCP's shareholders during the past year came to R93.8m. Dividends paid in 2022 came to R5. Total dividend paid since listing in June, 2021 amounted to R98.8m.

Resources and energy was the top revenue contributor in a portfolio of investments in resources and energy, gaming, financial services, fintech, BEE investments, commodity trading and property. The resources and energy segment contributed 58% followed by commodity trading at 29.3% and fintech at 12.7%.

Cash generation in the second half was lower than anticipated due to reduced coal exports by VCP's investment in the Black Wattle Colliery. This was due to the underperformance of Transnet Freight Rail, the limited export allocation given to junior coal miners and softening of coal export prices.

This. with VCP's investment commitments, resulted in the board deciding not to declare a dividend, the statement said.