

<https://www.miningweekly.com/article/vunani-earnings-down-amid-coal-price-collapse-2023-10-19>

Vunani earnings down amid coal price ‘collapse’



Investment group Vunani Capital Partners (VCP) has reported a decline in earnings owing to what it calls challenges in its coal investments in the six months ended August 31. However, the group reported on October 19 that its other investment sectors performed satisfactorily during the period.

While VCP recorded strong earnings in the same period last year as a result of record coal prices, the group said it was bracing for investor disappointment thanks to a hat-trick of challenges, notably a collapse in coal prices, logistics issues and mining challenges, which resulted in earnings and cash receipts from coal bottoming out during the interim period.

As a result, an interim dividend for 2023 could not be declared.

Prices in the first ten months of 2022 were well above \$300/t, more than halving in the same period this year.

Junior coal miners are granted Richards Bay Coal Terminal port access through the Quattro programme. However, owing to onerous logistics issues, railing for the period declined significantly compared to the previous period. This resulted in lower earnings from the resources and energy sectors.

On the positive side, VCP noted that there were some green shoots at both coal mining operations in which the group had invested, with a better performance expected from the resources sector in the second half of the year.

VCP said that, if this could be achieved, the group would consider the possibility of resuming dividends, subject to the normal solvency and liquidity test. The group said that regular dividend distributions remained one of the pillars of VCP’s objectives.

As a result of these challenges, all earnings metrics were down. VCP reported that it had generated revenue from operations of R6.7-million, compared with R10.2-million in the prior comparative period. The resources and energy segment contributed negative losses of R400 000 for the period compared with a profit of R72.6-million in 2022.

“We have had a tough six months for our coal investments that in the prior year were standouts. This has had a negative impact on our earnings for the period overall. However, on the positive side, we have closed the second solar deal [with] Specialized Solar Systems in July, which continues to perform strongly and we have disposed of our longer-standing investment in Workforce Holdings.

“Additionally, the funding for three on-balance sheet property developments has been arranged and construction is about to commence,” VCP CEO Mark Anderson said.

Another positive reported by VCP was the first closing of the limited partnership Ditikeni Vunani Transformation Fund Partnership. The fund is managed by VCP through a subsidiary and its focus is on mid-sized corporates which can positively impact on the environment and other transformation objectives.

Two renewables deals have been concluded for the fund and just less than R100-million has been raised to date for more deals. VCP earns a fee and carried interest, apart from its own R20-million commitment.

VCP also reported that its operating expenses had come down from R17.2-million to R8.3-million for the six-month period. Professional fees, which included management fees linked to the performance of the group's investments, decreased by 63% from R13.2-million to R8.3-million.

In terms of the gaming sector, VCP reported that it is continuing on its growth path, with the group looking to obtain licences in several new jurisdictions with its partners. In the group's fintech fund, several corporate actions took place over the past six months.

Owing to the challenging economic conditions over the period, no interim dividend was declared. However, the VCP said it would nonetheless seek to reward its shareholders by distributing free cash flow after considering its capital allocation requirements.