

WBHO's earnings drop 20.2% to 581.5c

Construction company Wilson Bayly Holmes Ovcon (WBHO) reported a 20.2% decline in diluted headline earnings per share (HEPS) from 729.0c a year ago to 581.5c for the six months to December .



WBHO's earnings dropped by more than 20% but the company says its prospects look relatively good for the years ahead. Image: Idea go [Free Digital Photos](#)

The company declared an unchanged interim dividend of 135c per share. Revenue increased by 11% to R13.4bn, about 6% of which related to the full consolidation of Capital Africa Steel in the period. The building and civil engineering division achieved moderate growth, despite the effects of a three-week strike last August.

Revenue from the roads and earthworks division decreased in the absence of an anchor project in West Africa, which also hampered the division's profitability. Revenue from the Australian businesses was static in dollar terms, but increased by R364m in rand terms following further currency weakness.

Operating profit before non-trading items decreased from R566m to R481m as a result of a loss of R36m from Capital Africa Steel (CAS) and the decrease in operating profit from the roads and earthworks division. Consequently the overall operating margin dropped from 4.7% to 3.6%.

When excluding the performance of CAS, the operating margin increased by 4%, which was in line with the margin achieved at end June last year.

Cash and orders

Cash generated from operations amounted to R411m compared with R638m generated in the comparative period a year earlier. The group's order book at end of December increased 16% to R25.3bn.

Looking ahead, the group said subdued mining activity was affecting both the civil engineering and roads and earthworks divisions, with no new significant contract awards since June last year.

However, Exxaro was recently awarded the mining licence for its Mayoko mine in the Congo, for which WBHO remained the preferred contractor. In Ghana, WBHO was pursuing opportunities in the mining sector as well as further shopping centre prospects.

Locally, the strong building market in Gauteng continued to provide various opportunities in the short-term, while the recent award of the new Nedbank offices in KwaZulu-Natal had filled the order book in that region. In the Western Cape the V&A Waterfront continued to be a good source of projects.

In Australia, following the conversion of the Eastland shopping centre and South East Water projects to secured work, Probuild's order book had increased significantly, with good revenue until 2016. Probuild was the preferred contractor for a further six contracts worth a combined A\$729m.

These projects were expected to start in the current financial year. The bid for the new Perth Stadium was submitted in December last year and the announcement of the preferred bidder is expected next month

The company said WBHO Civil had a strong order book until the end of the financial year, but its future order book was affected by reduced mining spend in Australia.

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