

Key Statistics

Code	: AVG
Listing	: AIM
Sector	: Industrial Engineering
Market Cap	: £49.67
Share in issue	: 27.75
Current Price	: 177-183p
12 month High/Low:	: 100.5/185.5p

Stock Performance



Financials

£'m (FY May)	2015	2014	2013	2012
Revenue	57.82	60.27	45.28	32.15
Profit	1.77	2.91	7.5	0.94
Dividend (p)	3	2.7	2.2	1
Net Assets	34.19	32.66	30.52	23.69

Source: Avingtrans Final Results

Avingtrans is a company engaged in the provision of engineered components, systems and services to the aerospace, energy and medical industries around the world. The Company operates its business through two segments: Aerospace, and Energy and Medical. The Company's Aerospace segment is engaged in manufacturing of rigid pipe assemblies and prismatic components for aero engines and precision polishing of aircraft components. The Company's Energy and Medical segment is engaged in the design and manufacture of machined and fabricated pressure and vacuum vessels, and process plant and equipment for the power, oil and gas, and medical markets. The Energy and Medical segment also designs and manufactures fabricated poles and cabinets for roadside safety cameras and rail track signalling.

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Avingtrans – Deeply Under-Valued

Avingtrans has a market cap of £50m. On the 4 May it announced that it had sold **Aviation**, one of its three divisions, for an enterprise value of £65m with net proceeds of £52m.

The board plans to:

- Return a “substantial” portion of the proceeds to shareholders.
- Invest in the energy equipment market
- Partially repay the group’s existing debt.

The two divisions that remain are **Energy and Medical**. Sales for these combined were £8m for the half year to Nov 2015 (£22m FY May 2015) and an EBIT loss around £200k. The Energy division has undergone some significant restructuring and is set for recovery in 2017. It has also recently won a £47m, ten year contract from Sellafield.

Net Debt is currently in the order of £6.1m and post this deal will become net cash of £47m.

In effect, with a market capitalisation of around £50m you get the two remaining divisions for £3m. Which seems very reasonable given the undoubted quality of the management and the fully loaded 2017 restructured energy division.

So what if the deal does not go through? Avingtrans is currently trading around 10x the brokers’ FY May 2017 EPS forecast with a yield of 2%, which is hardly a disaster. And with recently announced deals, including the £75m Rolls Royce contract (RNS 7 March 2016), this seems well underpinned.

The management have delivered this deal and they have delivered on many deals over the last several years, both acquisitions and disposals. They have an excellent track record and can take full credit for building up this Aviation division organically and through acquisition since the sale of Jena Tec (Industrial Division) for £13.5m in 2012.

For disclosures, refer to the Disclosure Section

Consolidated Income Statement (Unaudited) for the 6 months ended 30 Nov 2015

	6 months to 30-Nov 2015 £'000	6 months to 30-Nov 2014 £'000	Year to 31-May 2015 £'000
Revenue	26,301	27,545	57,819
Cost of sales	-18,351	-21,491	-43,297
Gross profit	7,950	6,054	14,522
Distribution costs	-645	-632	-1,226
Share based payment expense	-22	-24	-43
Acquisition costs	-	-68	-68
Restructuring costs	-268	-180	-360
Net proceeds on disposal of property	444	-	-
Start-up costs - China	-	-237	-450
Amortisation of intangibles from business combinations	-69	-69	-137
Other administrative expenses	-6,086	-4,489	-10,156
Total administrative expenses	-6,646	-5,067	-11,214
	-	-	-
Operating profit	1,304	355	2,082
Finance income	1	1	1
Finance costs	-68	-97	-212
	-	-	-
Profit before taxation	1,237	259	1,871
Taxation	-214	-34	-100
Profit for the financial period	1,023	225	1,771
	-	-	-
Earnings per share:			
From continuing operations (Note 4)			
- Basic	3.7p	0.8p	6.4p
- Diluted	3.7p	0.9p	6.3p

Source: Avingtrans Interim Results

Consolidated cash flow statement (Unaudited) for the 6 months ended 30 Nov 2015

	6 months to 30-Nov 2015 £'000	6 months to 30-Nov 2014 £'000	Year to 31-May 2015 £'000
Operating activities			
Cash flows from operating activities	-645	476	1,832
Finance costs paid	-68	-97	-213
Income tax repaid	198	30	27
Net cash (outflow)/inflow from operating activities	-515	409	1,646
Investing activities			
Acquisition of subsidiary undertakings	-	-1,137	-1,137
Finance income	1	1	1
Purchase of intangible assets	-323	-861	-1,582
Purchase of property, plant and equipment	-348	-671	-832
Proceeds from sale of property, plant and equipment	1,283	270	103
Net cash generated/(used) by investing activities	613	-2,398	-3,447
Financing activities			
Equity dividends paid	-277	-248	-740
Repayments of bank loans	-790	-283	-440
Repayments of obligations under finance leases	-380	-526	-901
Proceeds from issue of ordinary shares	5	-	61
Borrowings raised	187	274	1,875
Net cash outflow from financing activities	-1,255	-783	-145
Net decrease in cash and cash equivalents	-1,157	-2,772	-1,946
Cash and cash equivalents at beginning of period	-361	1,428	1,428
Effect of foreign exchange rate changes	-46	143	157
Cash and cash equivalents at end of period	-1,564	-1,201	-361

Source: Avingtrans Interim Results

Summarised consolidated balance sheet (Unaudited) at 30 November 2015

	30-Nov 2015 £'000	30-Nov 2014 £'000	31-May 2015 £'000
Non-current assets			
Goodwill	9,557	9,557	9,557
Other intangible assets	3,184	3,109	3,442
Property, plant and equipment	11,371	12,984	11,861
Deferred tax	64	83	64
	24,176	25,733	24,924
Current assets			
Inventories	12,655	12,979	10,733
Trade and other receivables	17,196	17,145	19,030
Current tax asset	16	74	277
Cash and cash equivalents	5,115	6,287	6,337
	34,982	36,485	36,377
Assets held for sale	-	-	631
Total assets	59,158	62,218	61,932
Current liabilities			
Trade and other payables	-11,721	-15,577	-14,338
Obligations under finance leases	-684	-769	-695
Borrowings	-7,809	-7,882	-8,357
Current tax liabilities	-510	-189	-334
Provisions	-	-535	-
Total current liabilities	-20,724	-24,952	-23,724
Non-current liabilities			
Borrowings	-2,176	-2,253	-2,434
Obligations under finance leases	-583	-1,066	-765
Deferred tax	-800	-957	-824
Total non-current liabilities	-3,559	-4,276	-4,023
Total liabilities	-24,283	-29,228	-27,747
Net assets	34,875	32,990	34,185
Equity			
Share capital	1,386	1,379	1,385
Share premium account	10,877	10,818	10,873
Capital redemption reserve	814	814	814
Merger reserve	402	402	402
Translation reserve	-285	-263	-202
Other reserves	180	180	180
Investment in own shares	-1,000	-1,000	-1,000
Retained earnings	22,501	20,660	21,733
Total equity attributable to equity owners of the parent	34,875	32,990	34,185

Source: Avingtrans Interim Results

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