

24 February 2011

Runge announces Strengthening Earnings

Leading mining technology services company, Runge Limited (Runge; ASX: RUL), today announced its results for the six months ended 31 December 2010 (1H11), with earnings at the high end of recent guidance issued by the Company.

Key highlights:

- Revenue up 20% to \$45.2 million (1H10: \$37.6 million; 2H10: \$41.4 million)
- Earnings before interest, tax and amortisation (EBITA) up 32% to \$3.7 million (1H10: \$2.8 million; 2H10: \$3.0 million)
- Significant improvement in consultant utilisation levels, but margins impacted by the strengthening Australian dollar
- Net profit after tax up 26% to \$1.5 million (1H10: \$1.2 million; 2H10: \$1.1 million)
- Earnings per share up 20% to 1.2 cents (1H10: 1.0 cents; 2H10: 0.8 cents)
- Net debt / equity of 6%, and interest cover of 10x EBITA
- Interim dividend of 1.0 cent per share unfranked (1H10: 1.0 cent per share fully franked).

Commenting on the 1H11 results, Runge Managing Director, Tony Kinnane said that following two consecutive periods of earnings growth, it was clear that the low point in the cycle is behind us.

“Demand for Runge’s services is increasing and management’s focus on customer engagement and efficiency across our global consulting footprint is starting to be reflected in the improved financial results. These results are testament to the hard work, effort and focus of Runge’s people around the globe,” said Mr Kinnane.

EBITA increased by 32% on 1H10 to \$3.7 million, however Mr Kinnane noted that the strengthening Australian dollar against the US dollar had an adverse impact on reported results with a foreign exchange loss of \$1.2 million recorded in the half year.

Revenue continued to increase, up 20% on 1H10, and 9% on 2H10, to \$45.2 million. “We have been able to re-establish revenues to pre-GFC levels, with growth returning to the Australian and American regions,” added Mr Kinnane.

Professional fees were up 25% to \$33.6 million due to improved utilisation of consulting professionals. Almost half (49%) of the professional fees generated during 1H11 were from work undertaken outside of Australia (1H10: 44%).

Software revenue (licence + maintenance) was up 6% to \$8.7 million with 44% of new licence fees during 1H11 generated outside of Australia.

Labs and testing operations continued to expand with revenue up 19% to \$2.5 million. The recent Queensland flooding is expected to temporarily interrupt this business during 3Q11, before rebounding in 4Q11. Pleasingly, the new Wollongong laboratory facilities are now operational providing increased capacity, and with the strong demand elsewhere in Australia and overseas we are confident of further growth in this business.

Commenting on the future outlook for Runge, Mr Kinnane said that with the operational performance of the business having improved significantly over the last 12 months, the earnings outlook for Runge remained positive and should continue to improve.

“With commodity demand continuing to strengthen we are seeing increased opportunities and levels of activity across our global businesses. Additionally we have refocused the Group on its core global capabilities and this has better positioned us to build momentum and continue growing earnings.

“We have further opportunities to continue increasing consultant utilisation levels given the demand for consulting services continues to grow in all of our operating regions. We have put in place a number of strategies to address the restrictions posed by the tight labour market, including actively expanding our Asian presence where we are seeing a number of attractive growth opportunities leveraging the growing minerals industry in that region.

“The pipeline for software sales in the second half of this year remains strong, however it is difficult to forecast revenue given that sales are dependent on the timing of orders and delivery.”

“With exposure to a number of attractive growing markets and a strong financial position, Runge is well placed to pursue growth opportunities as they arise,” said Mr Kinnane.

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About Runge Limited:

Runge was established in 1977 by Dr Ian Runge and listed on the Australian Securities Exchange on 27 May 2008 (ASX: RUL).

Runge is a leader in the provision of technology products, consulting services and training courses to the global mining industry, delivering solutions and services across a range of commodities.

With expertise across a range of mining disciplines, Runge’s approach to the business of mining is strongly grounded in economic principles and delivering mine planning solutions that are tightly coupled with technological support and training. Runge currently operates 19 offices in 12 countries throughout the world. Our team includes Pincock Allen & Holt, Minarco-MineConsult, MRM Mining Services Pty Ltd and GeoGAS Pty Ltd.