

Veteran miner ready to do the heavy lifting



Company Name: Runge Ltd
Security code: RUL
Issue price: \$1 per ordinary share
Capital to be raised: \$50.25 million
Expected offer close date: May 27
Recommendation: None

IN the current commodities boom one industry that has had little difficulty making money is mining services.

Many don't realise how complex mining operations actually are. They require a large amount of planning, advanced heavy equipment and software. In boom periods the companies supplying the heavy machinery and drilling rigs are benefiting the most, although when the cycle turns down, winning business gets much harder.

Mining consulting and technology services companies like Runge (RUL) have been able to keep their margins intact even in a downturn as mining companies aim to increase productivity while lowering costs. Runge has been in operation for 31 years and is now aiming to list on the Australian Securities Exchange. The company has offices around the world. Apart from mining consulting Runge also supplies technology services that give it a competitive advantage.

"Offering software in conjunction with consulting services provides cross-selling opportunities," Wise-owl.com analyst Sven Restel says.

"The consulting arm can help identify the need for new or improved software while the IT side provides long-term relationships which can lead to more consulting jobs."

Runge has made six acquisitions in the past three years and continued growth will be found through continued acquisitions and organic growth. The

company mainly targets mines which have annual revenue of at least \$US100 million. Some of the biggest mining companies are its clients, and to date just over 16 per cent of such worldwide mines have received software. At the end of this financial year the company expects pro-forma revenue of \$63.5 million, which next year is expected to increase to \$84.3 million.

"At the issue price Runge will be trading on a price-earnings ratio of approximately 17. The company expects an earnings growth of 43 per cent for the next financial year and if earnings growth momentum is maintained, the company could see some steady growth in its share price, although investors need to be aware of the risks involved."

The sector Runge operates in is highly contested and any cost increases, loss of clients, or downturn in demand or mining activity could hurt earnings. The strong point for the company is its more robust business model involving technology services and a strong management team, which is very capable of dealing with downturns.

