Mincon Group plc (ESM:MIO AIM:MCON), the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, today provides an interim trading update for the period from 1 January 2015 to date, incorporating the first quarter to 31 March 2015.

Summary:

- Revenue in Q1 2015 has increased 40% compared to Q1 2014, largely driven by additional revenue from acquisitions which have been completed in the intervening period. Excluding acquisitions, revenue was flat on a like-for-like basis compared to Q1 2014. The first quarter of the year generally has the least amount of activity in our key markets (surface mining, quarrying, waterwell and geothermal) due to a combination of winter shutdowns in the Northern hemisphere and summer vacations in the Southern hemisphere.

- Mincon generates, on average, 80% of its revenue from manufactured product and 20% from traded third party product. Revenue from manufactured products increased 2% as compared to Q1 2014 on a like for like basis (excluding acquisitions). Sales of third party traded product for Q1 2015 were 16% behind Q1 2014 on a like-for-like basis (excluding acquisitions), continuing the trend seen in this complementary sector for Mincon.

- There were no rig sales in Q1 2015 or Q1 2014. The sale of rigs remains a key part of our strategy for the Southern Africa region. There is significant interest in the rigs and negotiations with parties regarding potential sales or leases are ongoing, however, current market conditions for capital equipment sales remain challenging.

- The gross margin for Q1 2015 was 38% (Q1 2014: 50%) and profit before tax of 12% (Q1 2014: 22%), including the impact of acquisitions and acquisition related costs. The reduction in the Group’s profit before tax is primarily attributable to the reduction in gross margin. This is partly due to the mix of products as a result of the acquisitions completed in the second half of 2014, but also due to market conditions. The significant drop in commodity prices in the past 18 months has resulted in pricing pressure in all markets.

- Given the price pressure noted above, management are taking measures to adjust the Group cost base. Management expects the benefits of these efforts will begin to be reflected in the Group’s net margin in the second half of 2015 as it takes a number of months to work through the working capital cycle. Additionally, the Group’s recent investment in its geographic footprint is expected to have an increased impact on own manufactured revenue and profitability in future quarters.

- The Group continues to have a strong balance sheet at 31 March 2015, with net cash of €37.0 million (31 December 2014: €41.6 million). The €4.6 million cash outflow in the quarter included acquisition payments (€3.4 million), final instalment for rig payments (€0.8 million) and increases in working capital (€1.7 million) as a result of the expansion of the Group and investment in new operations. However, management remain cognisant of the need for a disciplined approach to working capital management and are taking initiatives to reduce working capital levels while continuing to invest for future growth.

- Mincon acquired Marshalls Carbide Limited, a leading tungsten carbide manufacturer based in Sheffield, England in March 2015. This strategic investment by the Group in the production of tungsten carbide further strengthens Mincon’s control over the production process and quality control procedures employed in manufacturing its products.

- Acquisition of three sales companies - Ozmine in Western Australia, Two Tusks in Tanzania and Rotacan Sudamericana in Q1 2015. Ozmine and Rotacan Sudamericana were existing distributors of Mincon manufactured product.

- The Group is engaged in valuation discussions with a number of additional potential acquisition targets. The Group’s acquisition strategy is focused on disciplined investment of resources with a view to further extending the existing product range and adding new customers and new geographic markets.

Mincon's Annual General Meeting will be held on Thursday, 28 May 2015 at 10.00 a.m. in Park Inn by Radisson, Shannon, Ireland.
Forward looking statements
Any forward looking statements made in this document represent the Board's best judgment as to what may occur in the future. However, the Group's actual results for the current and future financial periods and corporate developments will depend on a number of economic, competitive and other factors, some of which will be outside the control of the Group. Such factors could cause the Group's actual results for future periods to differ materially from those expressed in any forward looking statements included in this announcement.

ENDS

26 MAY 2015

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