







## Interim Results

6 months ended 31 August 2017

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## Agenda

-  Six month overview
-  Operational overview
-  Financial results
-  Conclusion



## Six month overview



- Operating profit has improved despite an ongoing challenging trading environment
- The order book has remained stable between R13 billion and R14 billion
- Award of open-pit mining opportunities resulted in increased capex
- Improvement in cash on hand despite continued delayed payments

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## Key indicators

Operating profit  
**R119m**

Operating profit margin  
**2,3%**

Cash on hand  
**R1,263 bn**

Debt : Equity  
**32,1%**

Capex  
**R255m**

Health and safety  
LTIFR **0,11**  
RCR **0,67**

B-BBEE  
**Level 4**  
Generic score card

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## Industry matters



- Legal process relating to the civil claim from the City of Cape Town is ongoing
  - We are confident that we can defend the matter
- Revised construction sector codes to be gazetted

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## Operational overview



Jetty for Alufer Mining in Guinea



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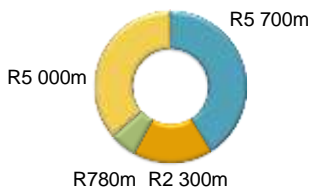
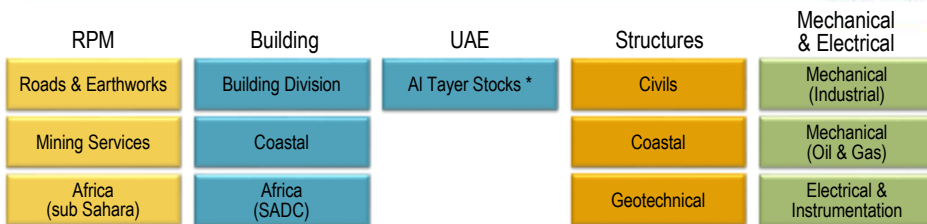
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# Market overview

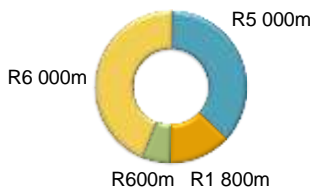


- Trading conditions remain challenging
- No/slow investment decision-making
- The current order book is R13,9 bn and certain sectors of the economy still provide opportunities, such as:
  - Mining surface infrastructure
  - Selected open-pit contract mining
  - Road and bridge infrastructure
  - Marine
  - Water and sanitation treatment plants
  - Residential and mixed-use buildings
  - Petrochemical (tank farms)
- Converting debtors (including scope changes and variations) into cash remains challenging

# Operations & order book



Order book:  
28 Feb 2017: R13,8 bn



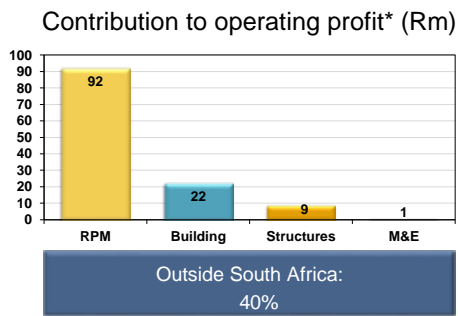
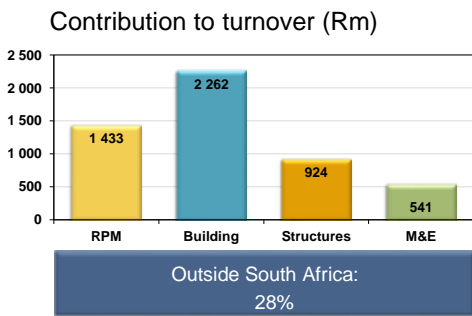
Order book:  
31 Aug 2017: R13,4 bn

### Current Order Book

2-year order book	R10,9 bn
Year 3	R2,0 bn
Beyond	R1,0 bn
<b>Total</b>	<b>R13,9 bn</b>

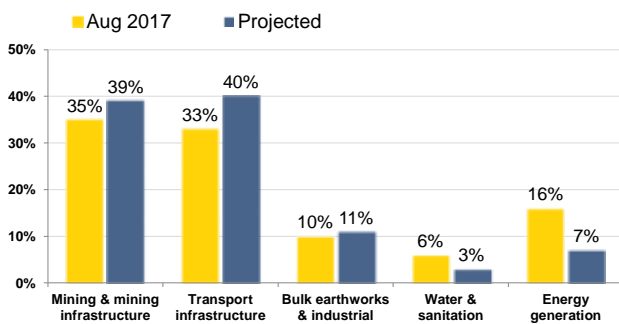
\* Equity accounted investee

# Operations contributions – excluding UAE



\* Excludes head office

# Roads, Pipeline & Mining Services (RPM) % turnover by sector



### Current Order Book

2-year order book	R4,0 bn
Year 3	R1,6 bn
Beyond	R1,0 bn
<b>Total</b>	<b>R6,6 bn</b>

	Aug 2017	Projected
Total work outside South Africa	36%	42%
Public sector work in SA	19%	15%
Public sector work outside SA	26%	30%

## RPM overview



- RPM delivered good results in a challenging environment
- On the back of a solid order book, Mining Services delivered good results
- Good performance in Roads & Earthworks
- Neighbouring countries continue to contribute positively
- Decline in public spend in South Africa affects available work and increases competition
- Outstanding debtor payments in Nigeria and Zambia remain problematic:
  - Following periodic payments, limited work has resumed in Nigeria
  - Payments received from Zambia remain sluggish and no work has commenced on affected projects
  - Ongoing discussions with clients to address outstanding payments

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## RPM work prospects

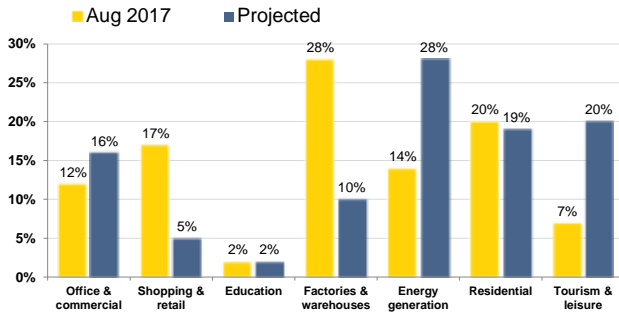


- In South Africa there are opportunities within:
  - Open-pit mining - Coal
  - Mining surface infrastructure
  - Roads in the public sector
- Infrastructure development opportunities in neighbouring countries
- Sourcing cross-border opportunities assisted by third party funding
- In the short term there are potential awards to SSK to the value of ±R2,4 billion
- For the next 12 months, projects to the value of ±R10,6 billion have been identified

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## Building % turnover by sector



### Current Order Book

2-year order book	R4,8 bn
Year 3	R0,2 bn
Beyond	-
<b>Total</b>	<b>R5,0 bn</b>

	Aug 2017	Projected
Total work outside South Africa	36%	34%
Public sector work in SA	24%	37%
Public sector work outside SA	4%	6%

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## Building overview



- In a competitive environment Building improved its operating profit relative to last year
- Mozambique division continues to deliver a good performance
- The UAE equity accounted operation continues to contribute positively
- Regional political uncertainty is influencing the delay of tenders in both the private and public sector
- Delayed government debtor payments (SA social housing sector and Mozambique) continue to affect working capital

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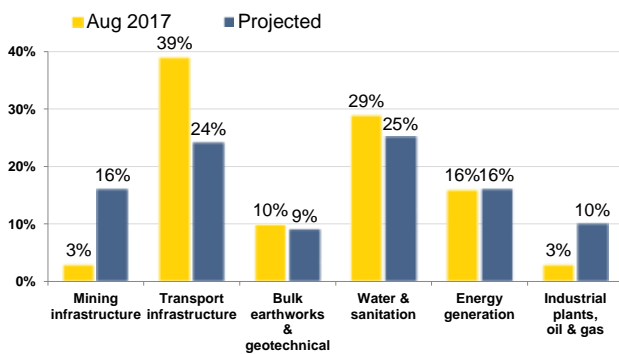
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# Building work prospects



- Although competitive, opportunities continue to exist in:
  - High rise mixed-use buildings in South Africa and Mozambique
  - Residential urban development throughout South Africa
  - Existing shopping centre upgrades
  - Factories and warehouses
  - Fit-out and construction in the UAE
- In the short term there are potential awards to SSK to the value of ±R1,9 billion
- For the next 12 months, projects to the value of ±R10 billion have been identified

# Structures % turnover by sector



### Current Order Book

2-year order book	R1,5 bn
Year 3	R0,2 bn
Beyond	-
<b>Total</b>	<b>R1,7 bn</b>

	Aug 2017	Projected
Total work outside South Africa	13%	13%
Public sector work in SA	59%	44%
Public sector work outside SA	0%	0%



## Structures overview



- Order book and operating margin continue to be under severe pressure with a shortage of sizeable projects in the public sector
- The delay of tenders and the slow awarding of projects adds pressure to an already competitive market
- Work is predominantly secured from medium sized projects
- The water and sanitation market is offering some opportunity
- The number of tender enquiries received from the mining sector has increased

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## Structures work prospects

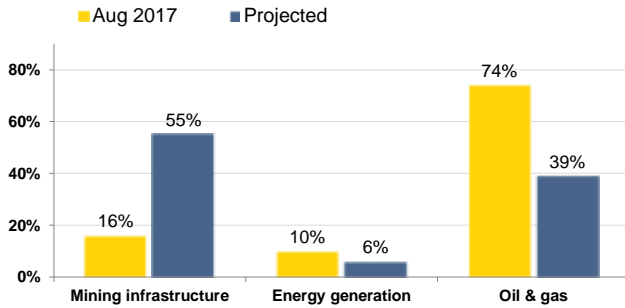


- Over the short- and medium term there are opportunities in:
  - Water and sanitation treatment plants throughout South Africa
  - Marine works in South Africa and along the east coast of Africa
  - Bridge construction throughout Southern Africa
  - Mining surface infrastructure opportunities
  - Concrete rehabilitation
- In the short term there are potential awards to SSK to the value of ±R1,0 billion
- For the next 12 months, projects to the value of ±R5,5 billion have been identified

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## Mechanical & Electrical (M&E) % turnover by sector



### Current Order Book

2-year order book	R600m
Year 3	-
Beyond	-
<b>Total</b>	<b>R600m</b>

	Aug 2017	Projected
Total work outside South Africa	0%	30%
Public sector work in SA	10%	6%
Public sector work outside SA	0%	0%

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## Mechanical & Electrical overview



- An increase in tender enquiries and awards have improved the Mechanical division's order book locally and cross-border
- The Electrical & Instrumentation division's order book is gradually improving on the back of mining infrastructure work
- The shortage of work in the traditional petrochemical sector is negatively affecting the Oil & Gas division
- Tender enquiries for the expected fuel storage tanks have not as yet materialised
- A contract cancellation by a client in the Oil & Gas division impacted on the division's turnover, thereby reducing the operating profit

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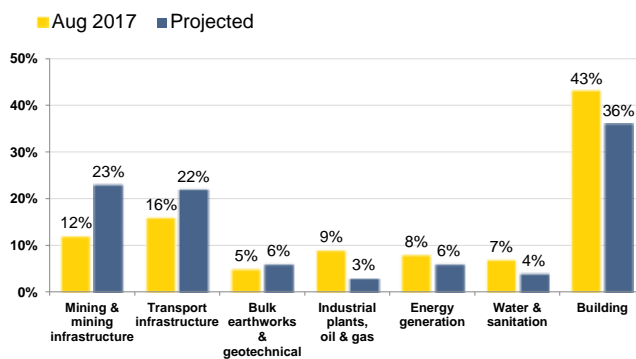
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# Mechanical & Electrical work prospects



- The uptick of tender enquiries from the mining sector both locally and cross-border could bolster the order book of:
  - Mechanical division and
  - Electrical & Instrumentation division
- There are further opportunities for the Electrical & Instrumentation division in the energy generation market
- In the short term there are potential awards to SSK to the value of ±R600m
- For the next 12 months, projects to the value of ±R4,8 billion have been identified

# Group % turnover by sector



### Current Order Book

2-year order book	R10,9 bn
Year 3	R2,0 bn
Beyond	R1,0 bn
<b>Total</b>	<b>R13,9 bn</b>

	Aug 2017	Projected
Total work outside South Africa*	35%	35%
Public sector work in SA	27%	23%
Public sector work outside SA	9%	20%

\* Includes UAE

# Challenges



- Maintain a quality order book in a challenging market where public and private infrastructure spend is limited
- Grow the higher return operations without excessive debt exposure
- Focus on continued reduction of the long outstanding debt in:
  - South Africa (social housing projects)
  - Mozambique (government building)
  - Nigeria (public roads)
  - Zambia (public roads)
 None of the above payments are in dispute
- Proposed legislative changes to public sector procurement

# Operating Segments: 2017



As at 31 August 2017

R'000s	RPM	Building (incl. UAE)	Structures	M&E	Head Office	Total operations	Exclude	
							UAE	Group as reported
Contract revenue	1 433 029	2 664 009	924 425	541 063	-	5 562 526	(402 270)	5 160 256
% Contribution	27,8%	51,6%	17,9%	10,5%	-	-	(7,8%)	100%
Operating profit/ (loss)	92 047	37 370	9 061	996	(5 166)	134 308	(15 682)	118 626
% Contribution	77,6%	31,5%	7,6%	0,8%	(4,3%)	-	(13,2%)	100%
Operating margin (%)	6,4%	1,4%	1,0%	0,2%	N/A	2,4%	3,9%	2,3%

\* Excluded from reported contract revenue and operating profit as UAE is an equity accounted investee

## Financial overview



Mayor's office in Windhoek

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## Financial indicators

Results for the 6 months ended 31 Aug 2017



Contract revenue	R5,2 bn	▲ 18%
Operating profit	R118,6 m	▲ 18%
Operating margin	2,3%	
Profit after tax attributable to equity holders	R80,7 m	▼ (16%)
Earnings per share	47,06 c	▼ (15%)
Headline earnings per share	44,81 c	▼ (15%)
Cash on hand	R1,263 bn	▲ 9%

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## Statement of Comprehensive Income



R'000	31 Aug 2017	% Change	31 Aug 2016
<b>Contract Revenue</b>	<b>5 160 256</b>	18,3%	4 362 165
EBITDA	208 989	21,5%	172 033
<i>EBITDA %</i>	4,0%		3,9%
Depreciation & amortisation	(90 363)		(71 688)
<b>Operating Profit</b>	<b>118 626</b>	18,2%	100 345
<i>Operating margin %</i>	2,3%		2,3%
Equity accounted investees	12 338		21 715
Net finance costs	(13 006)		(21 838)
<b>Profit before tax</b>	<b>117 958</b>		100 222
Taxation	(38 679)		(15 069)
<b>Profit for the period</b>	<b>79 279</b>	(6,9%)	85 153
<i>Net margin %</i>	1,5%		2,0%
Earnings attributable to ordinary shareholders	80 664		96 125
Headline earnings	76 816	(15,8%)	91 219
Weighted average shares in issue	171 413 490		172 977 624
Diluted weighted average shares in issue	188 080 746		188 080 746
EPS (cents)	47,06	(15,3%)	55,57
HEPS (cents)	44,81	(15,0%)	52,73

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## Extracts from Statement of Comprehensive Income



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<b>Operating Profit</b>	<b>118 626</b>	18,2%	100 345
<i>Operating margin %</i>	2,3%		2,3%

- Increase in contract revenue
- Slightly improved EBITDA margin to 4%
- Increase in depreciation to R86m (Aug 2016: R68m)
- Resulting in a 18% improvement in operating profit at a consistent margin of 2,3%

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## Extracts from Statement of Comprehensive Income



R'000	31 Aug 2017	% Change	31 Aug 2016
Operating margin %	2,3%		2,3%
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Net finance costs	(13 006)		(21 838)
Profit before tax	117 958		100 222
Taxation	(38 679)		(15 069)
Profit for the period	79 279	(6,9%)	85 153

- Reduced contribution from UAE operation - R16m (Aug 2016: R21m)
- Finance costs remained consistent at R36m offset by an increase in interest earned of R8m
- Tax impacted by contributions from operations in differing tax jurisdictions and non deductible expenditure

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## Extracts from Statement of Comprehensive Income



R'000	31 Aug 2017	% Change	31 Aug 2016
Profit for the period	79 279		85 153
Earnings attributable to ordinary shareholders	80 664		96 125
Headline earnings	76 816	(15,8%)	91 219
Weighted average shares in issue	171 413 490		172 977 624
Diluted weighted average shares in issue	188 080 746		188 080 746
EPS (cents)	47,06	(15,3%)	55,57
HEPS (cents)	44,81	(15,0%)	52,73

- Profit attributable to ordinary shareholders impacted by amounts allocated to minority shareholders
- HEPS – a decrease of 15,0%

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# Statement of Financial Position



	Unaudited 31 Aug 2017		Audited 28 Feb 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1 395 991	15,2%	1 212 248
Goodwill and intangible assets	1 082 351		1 087 133
Equity-accounted investees	211 810		189 860
<b>Current Assets</b>			
Bank balances	1 262 978	9,0%	1 158 431
Other current assets	3 397 341		2 816 126
<b>TOTAL ASSETS</b>	<b>7 350 471</b>		<b>6 463 798</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shareholders' interest	2 533 339	4,0%	2 438 252
Non-controlling interest	6 838		4 126
<b>Non-current liabilities</b>			
Interest-bearing liabilities	405 154		346 460
Deferred tax	(20 591)		(34 350)
<b>Current Liabilities</b>			
Other current liabilities	2 534 236		2 079 542
Excess billings over work done	1 360 089	13,6%	1 197 743
Provisions	514 818	22,5%	420 400
Taxation	16 588		11 625
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7 350 471</b>		<b>6 463 798</b>
Current interest bearing liabilities	408 289		328 794

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# Extracts from Statement of Financial Position



	Unaudited 31 Aug 2017		Audited 28 Feb 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1 395 991	15,2%	1 212 248
Goodwill and intangible assets	1 082 351		1 087 133
Equity accounted investees	211 810		189 860
<b>Current Assets</b>			
Other current assets	3 397 341		2 816 126

- Capex spend of R255m (Feb 2017: R272m)
  - expansion R219m and maintaining R36m

	31 Aug 2017		28 Feb 2017
<b>Other current assets</b>			
Inventories	198 357	36,7%	145 087
Contracts in progress	567 268	36,8%	414 525
Trade accounts receivable	2 159 817	17,9%	1 832 035
Other receivables	471 899	11,2%	424 479
	3 397 341	20,6%	2 816 126

- Increase in work in progress of 36,8%
- 17,9% increase in trade accounts receivable in line with the increase in contract revenue
  - debtors days (excluding retentions) increased to 78 days from 74 days

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## Extracts from Statement of Financial Position



	Unaudited 31 Aug 2017		Audited 28 Feb 2017
<b>Current Assets</b>			
Bank balances	1 262 978	9,0%	1 158 431
Other current assets	3 397 341		2 816 126

- Net cash on hand is R1 263m
  - Clients continue to delay:
    - certification of work
    - approval of variation orders
    - approval of scope changes
  - Cash conversion of work in progress and collecting amounts due by debtors continues to remain a priority

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## Extracts from Statement of Financial Position



	Unaudited 31 Aug 2017		Audited 28 Feb 2017
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	405 154		346 460
Deferred tax	(20 591)		(34 350)
<b>Current Liabilities</b>			
Other current liabilities	2 534 236		2 079 542

- Total interest bearing debt R813m (Feb 2017: R675m)
- Including amounts due to: - Competition Commission (R99m)  
- Settlement Agreement (R104m)
- Interest bearing debt : equity ratio increased to 32,1% (Feb 2017: 27,7%)

	31 Aug 2017		28 Feb 2017
Other current liabilities			
Short term loans	426 057	29,6%	328 794
Trade accounts payable	791 116	(0,3%)	793 315
Accruals & other current liabilities	1 317 063	37,6%	957 433
	2 534 236	21,9%	2 079 542

- Short term loans includes interest bearing liabilities of R408m (Feb 2017: R329m)

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## Extracts from Statement of Financial Position



	Unaudited 31 Aug 2017		Audited 28 Feb 2017
<b>Current Liabilities</b>			
Other current liabilities	2 534 236		2 079 542
Excess billings over work done	1 360 089	13,6%	1 197 743
Provisions	514 818	22,5%	420 400

- Trade accounts payable have remained consistent
- Creditors days reduced to 32 (Feb 2017: 36)
- Increased level of advances received during the period of R162m – positively affecting cash
- Contracting provisions increased by R95m from Feb 2017

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## Abridged statement of cash flows



31 Aug 2017 (Rm)		31 Aug 2016 (Rm)
1 158	Opening cash balance	851
310	Cash generated from operations	182
-43	Working capital changes	92
-1	Net investment and dividend income	-5
-20	Taxation paid	-32
-65	Investing activities	-61
0	Proceeds from assets held for sale	54
-72	Financing activities	-13
-4	Exchange rate effects and other	-55
1 263	Closing balance	1 013

No dividend has been declared

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## Summary & Conclusion



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## Work prospects for the next 24 months



Sectors	Value R billion
Mining & Mining Infrastructure	18
Transport Infrastructure (Rail, Road & Marine)	11
Industrial Plants	4
Oil & Gas	4
Energy generation	3
Water & Sanitation	8
Building	17
<b>Total</b>	<b>R65 billion*</b>

\* 38% cross-border

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## Conclusion



- There is a relentless focus on doing the basics well
- Cash management remains a key priority in which the collection of outstanding government debt is significant
- Diversification remains a key strength of the group
- With the better returns from sub-Saharan Africa, we will continue to expand our cross-border operations
  - Especially in countries where we already have a footprint
  - Maintaining a blend between public and private sector work
- A key focus remains to get the business in a position where it can resume dividend payments

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# Q&A

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