



# Interim Results

Six months ended  
31 August 2019

M2 Bridges, Johannesburg



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# Funding Plan update

M2 Bridges, Johannesburg



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## Funding Plan update (liquidity)



Funding requirement	Rm
Original funding (May 2019)	400
Large public sector power project	592*
Advisory fee	114
1 <sup>st</sup> Tranche received (26 July 2019)	(120)
	986
2 <sup>nd</sup> Tranche received (5 Nov 2019)	(391)
Still to be secured	595

\* Second IAS 37 provision made of R462m  
The difference already accounted for in prior periods

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## Key Indicators



Contract revenue  
**R4.4 bn**

Operating loss  
**(R973m)**

IAS 37 provision raised  
**R462m**

Provision slow-paying receivables  
**R331m**

Specific project losses  
**R260m**

Cash on hand  
**R396m**

Debt : Equity  
**98%\***

Capex  
**R68m\***

Health and safety  
LTIFR **0,01**  
RCR **0,31**

B-BBEE  
**Level 1**  
Construction score card  
58.1% Black Economic Interest score

Xhora Dam, Elliotdale, Eastern Cape

\* Excludes impact of IFRS 16 of R2m

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# Impact on operating loss



Rm	Provision for future costs	Provision for slow paying receivables	Project losses	Kenya Tax Audit	Goodwill
Goodwill impairment					22
Kenya division				43	
<b>Construction &amp; Mining</b>					
Roads & Earthworks division		70	95		
Mining Services division		92	62		
Civils division			17		
Zambian division		104			
Nigerian division		65			
<b>Building</b>					
Gauteng division			42		
IAS 37 (future costs)	462				
<b>Mechanical &amp; Electrical</b>					
Oil & Gas division			35		
Mechanical division			9		
	<b>462</b>	<b>331</b>	<b>260</b>	<b>43</b>	<b>22</b>
	<b>Total: R1 053m</b>				

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# Operational overview



Roundhill Landfill, East London

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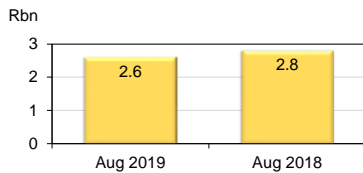
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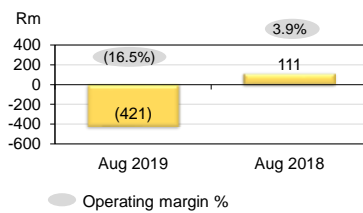
# Construction & Mining (C&M)



## Contract revenue



## Operating (loss) / profit



## Impact on operating loss

Rm	Provision for slow paying debtors	Project losses
Roads & Earthworks division	70	95 ✓
Mining Services division	92	62
Civils division		17 ✓
Zambian division	104	
Nigerian division	65	
<b>Total</b>	<b>331</b>	<b>174</b>

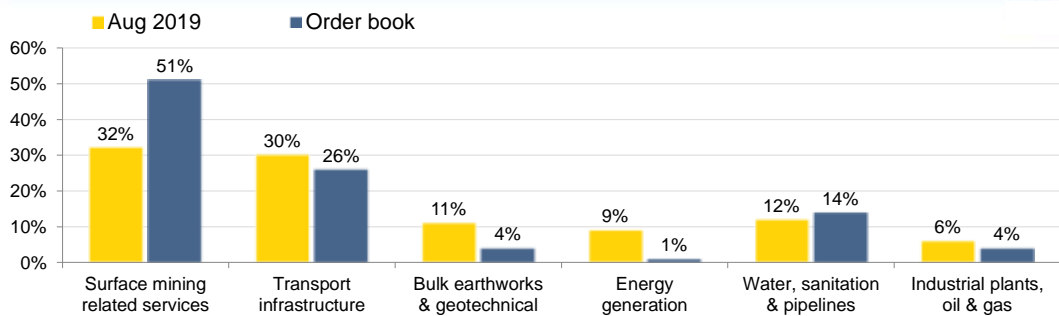
✓ Loss-making projects complete

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# Construction & Mining (C&M)

## % turnover and order book by sector



	Aug 2019	Order book
Total work outside South Africa	21%	27%
Public sector work in SA	27%	15%
Public sector work outside SA	16%	22%

Current Order Book	
2-year order book	R4,9 bn
Year 3	R1,7 bn
Beyond	R1,2 bn
<b>Total</b>	<b>R7,8 bn</b>

- Short-term potential awards ±R3.6 billion
- Identified prospects ±R26 billion

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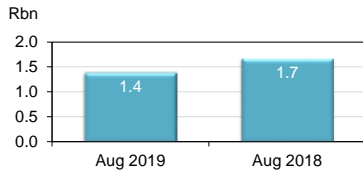
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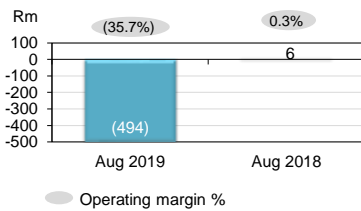
# Building overview



## Contract revenue



## Operating (loss) / profit – Excluding the UAE



## Impact on operating loss

Rm	Provision for future costs	Project losses
Gauteng division		42 ✓
IAS 37	462	
	<b>462</b>	<b>42</b>

✓ Loss-making project complete

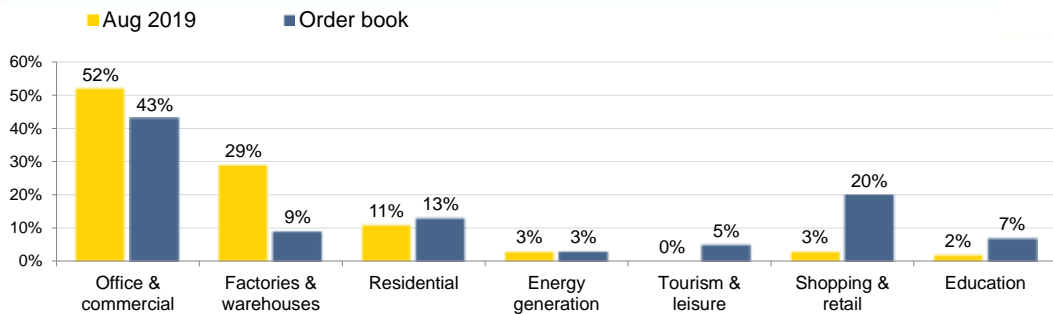
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# Building

## % turnover and order book by sector



	Aug 2019	Order book
Total work outside South Africa	27%	42%
Public sector work in SA	10%	13%
Public sector work outside SA	2%	8%

	Southern Africa	UAE (50%)
Current Order Book		
2-year order book	R2,25 bn	R0,7 bn
Year 3	-	-
Beyond	-	-
<b>Total</b>	<b>R2,25 bn</b>	<b>R0,7 bn</b>

- Short-term potential awards ±R3.5 billion
- Identified prospects ±R16 billion

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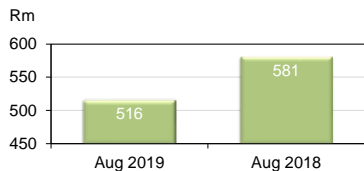
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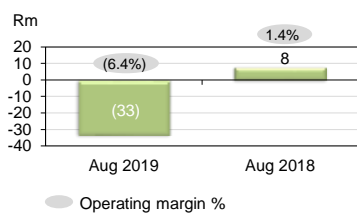
# Mechanical & Electrical (M&E) overview



## Contract revenue



## Operating (loss) / profit



## Impact on operating loss

Rm	Project losses
Oil & Gas division	35 ✓
Mechanical division	9 ✓
<b>Total</b>	<b>44</b>

✓ Loss-making projects complete

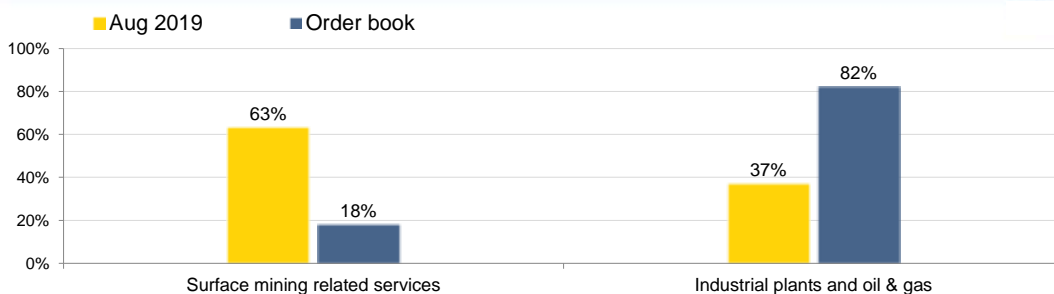
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# Mechanical & Electrical (M&E)

## % turnover and order book by sector



	Aug 2019	Order book
Total work outside South Africa	14%	0%
Public sector work in SA	0%	16%
Public sector work outside SA	0%	0%

Current Order Book	
2-year order book	R515m
Year 3	-
Beyond	-
<b>Total</b>	<b>R515m</b>

- Short-term potential awards ±R745 million
- Identified prospects ±R4.2 billion

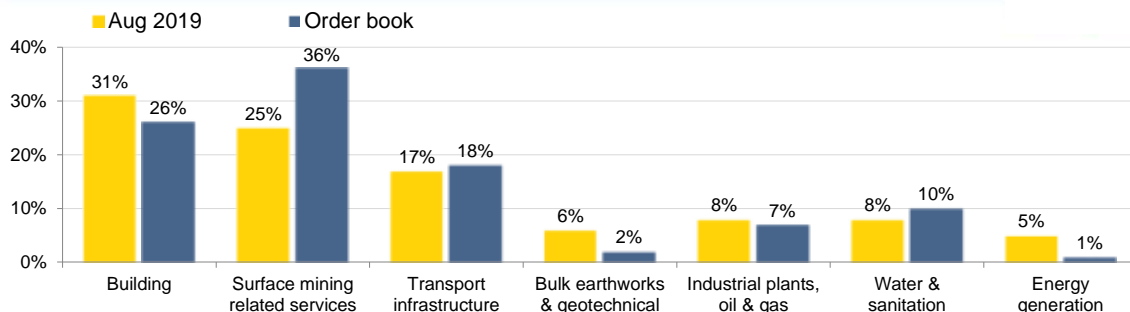
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# Group

## % turnover and order book by sector



	Aug 2019	Order book
Total work outside South Africa	22%	31%
Public sector work in SA	18%	14%
Public sector work outside SA	10%	17%

Current Order Book*	
2-year order book	R8,3 bn
Year 3	R1,7 bn
Beyond	R1,2 bn
<b>Total</b>	<b>R11,2 bn</b>

- Short-term potential awards ±R7.8 billion
- Identified prospects ±R46 billion

\* Includes UAE @ 50%

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# Operating Segments: 2018



As at 31 August 2018

R'000s						Exclude	
	C&M	Building (incl. UAE)	M&E	Head Office	Total operations	UAE*	Group as reported
<b>Contract revenue</b>	2 849 556	2 364 945	580 955	-	5 795 456	(700 058)	5 095 398
% Contribution	55,9%	46,4%	11,4%	-	-	(13,7%)	100%
<b>Operating profit</b>	110 740	42 600	8 030	266	161 636	(36 827)	124 809
% Contribution	88,7%	34,1%	6,4%	0,3%	-	(29,5%)	100%
<b>Operating margin (%)</b>	3,9%	1,8%	1,4%	N/A	2,8%	5,3%	2,4%

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

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# Operating Segments: 2019



As at 28 February 2019

R'000s	C&M	Building (incl. UAE) (excl. IAS 37)	M&E	Head Office	Total operations	Include	Exclude	Group as reported
						IAS 37 provision *	UAE **	
<b>Contract revenue</b>	5 313 875	4 767 381	1 208 570	-	11 289 826	-	(1 414 803)	9 875 023
% Contribution	53,8%	48,3%	12,2%	-	-	-	(14,3%)	100%
<b>Operating profit</b>	112 031	74 937	(19 036)	(80)	167 852	(263 206)	(62 637)	(157 991)
% Contribution	70,9%	47,4%	(12,0%)	(0,1%)	-	(166,6%)	(39,6%)	100%
<b>Operating margin (%)</b>	2,1%	1,6%	(1,6%)	N/A	1,5%	-	4,4%	(1,6%)

\* Provision in terms of IAS 37: Provisions, Contingent Liabilities and Contingent Assets

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

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# Operating Segments: 2019



As at 31 August 2019

R'000s	C&M (excl. provisions)	Building (incl. UAE) (excl. IAS 37)	M&E	Head Office	Total operations	Include	Include	Exclude	Group as reported
						IAS 37 provision *	Provision slow-paying receivables **	UAE ***	
<b>Contract revenue</b>	2 552 288	2 088 653	515 761	-	5 156 702	-	-	(707 162)	4 449 540
% Contribution	57.4%	46.9%	11.6%	-	-	-	-	(15.9%)	100%
<b>Operating loss</b>	(89 871)	(19 375)	(33 134)	(25 567)	(167 947)	(461 762)	(331 022)	(12 648)	(973 379)
% Contribution	9.2%	2.0%	3.4%	2.6%	17.3%	47.4%	34.0%	(1.3%)	100%
<b>Operating margin (%)</b>	(3.5%)	(0.9%)	(6.4%)	-	(3.3%)	-	-	1.8%	(21.9%)

\* Provision in terms of IAS 37: Provisions, Contingent Liabilities and Contingent Assets

\*\* Net provision for slow-paying trade receivables

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

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## Financial overview



Ahafo Mill Expansion Project, Ghana

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## Financial indicators

Results for the six months ended 31 Aug 2019



Contract revenue	R4.4bn	▼ (13%)
Operating loss	(R973m)	▼ (880%)
Operating loss excluding IAS 37 and slow-paying receivable provisions	(R180m)	
Loss after tax attributable to equity holders	(R1 041m)	
Loss per share	(622.35c)	
Headline loss per share	(607.72c)	▼ (1 108%)
Headline loss per share excl. provisions	(133.69c)	
Cash on hand	R396m	▼ (55%)

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## Statement of Profit or Loss



R'000	Unaudited 31 Aug 2019	% Change	Unaudited 31 Aug 2018
<b>Contract Revenue</b>	<b>4 449 540</b>	(12.7%)	<b>5 095 398</b>
EBITDA	(841 047)	(449.2%)	240 853
EBITDA %	(18.9%)		4.7%
Depreciation & amortisation and impairment of assets	(132 332)		(116 044)
<b>Operating (Loss) / Profit</b>	<b>(973 379)</b>	(879.9%)	<b>124 809</b>
<i>Operating margin %</i>	<i>(21.9%)</i>		<i>2.4%</i>
Equity accounted investees	8 527		38 339
Net finance costs	(41 915)		(29 219)
(Loss) / Profit before tax	(1 006 767)		133 929
Taxation	(34 010)		(29 830)
(Loss) / Profit for the period	(1 040 777)	(1 099.8%)	104 099
<i>Net margin %</i>	<i>(23.4%)</i>		<i>2.0%</i>
(Loss) / Earnings attributable to ordinary shareholders	(1 040 833)		103 952
Headline (Loss) / Earnings attributable to ordinary shareholders	(1 016 373)	(1 101.3%)	101 504
Weighted average shares in issue	167 243 684		168 319 772
Diluted weighted average shares in issue	188 080 746		188 080 746
EPS (cents)	(622.35)	(1 107.7%)	61.76
HEPS (cents)	(607.72)	(1 107.8%)	60.30

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## Extracts from Statement of Profit or Loss



R'000	Unaudited 31 Aug 2019	% Change	Unaudited 31 Aug 2018
<b>Contract Revenue</b>	<b>4 449 540</b>	(12.7%)	<b>5 095 398</b>
EBITDA	(841 047)	(449.2%)	240 853
EBITDA %	(18.9%)		4.7%

- Reduction in contract revenue
- EBITDA loss impacted by the following:
  - IAS 37 provision of R462m  
*Future costs to complete the project*
  - Provision for slow paying receivables of R331m  
*Less frequent and reduced payments from certain local & cross border clients since the beginning of the year*
  - Loss-making projects of R260m

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## Extracts from Statement of Profit or Loss



R'000	Unaudited 31 Aug 2019	% Change	Unaudited 31 Aug 2018
<b>Contract Revenue</b>	<b>4 449 540</b>	(12.7%)	<b>5 095 398</b>
EBITDA	(841 047)	(449.2%)	240 853
EBITDA %	(18.9%)		4.7%
Depreciation & amortisation and impairment of assets	(132 332)		(116 044)
<b>Operating (Loss) / Profit</b>	<b>(973 379)</b>	(879.9%)	<b>124 809</b>
<i>Operating margin %</i>	<i>(21.9%)</i>		<i>2.4%</i>

- Decrease in depreciation to R106m (Aug 2018: R113m) due to less CAPEX in the prior year
  - Includes IFRS 16 depreciation charge of R24m (Aug 2018: R20m)
- Resulting in an operating loss of R973m (Aug 2018: profit of R125m)
  - Excluding IAS 37 and slow-paying receivable provisions, operating loss is R180m

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## Extracts from Statement of Profit or Loss



R'000	Unaudited 31 Aug 2019	% Change	Unaudited 31 Aug 2018
<b>Operating (Loss) / Profit</b>	<b>(973 379)</b>	(879.9%)	<b>124 809</b>
Equity accounted investees	8 527		38 339
<b>Net finance costs</b>	<b>(41 915)</b>		<b>(29 219)</b>
(Loss) / Profit before tax	(1 006 767)		133 929
<b>Taxation</b>	<b>(34 010)</b>		<b>(29 830)</b>
<b>(Loss) / Profit for the period</b>	<b>(1 040 777)</b>	(1 099.8%)	<b>104 099</b>

- Reduced contribution from UAE operation – R15m (Aug 2018: R38m)
- Net finance costs:
  - Interest earned R17m (Aug 2018: R21m)
  - Interest paid R59m – incl. interest accrual for Kenya tax of R18m (Aug 2018: R50m) – due to increased funding requirements interest paid will increase
- The group has not provided for deferred tax asset on the losses incurred in the current period impacting on the tax charge
- Kenya tax audit – potential tax liability for 2013 of R43m

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## Extracts from Statement of Profit or Loss



R'000	Unaudited 31 Aug 2019	% Change	Unaudited 31 Aug 2018
(Loss) / Profit for the period	(1 040 777)	(1 099.8%)	104 099
(Loss) / Earnings attributable to ordinary shareholders	(1 040 833)		103 952
Headline (Loss) / Earnings attributable to ordinary shareholders	(1 016 373)	(1 101.3%)	101 504
Weighted average shares in issue	167 243 684		168 319 772
Diluted weighted average shares in issue	188 080 746		188 080 746
EPS (cents)	(622.35)	(1 107.7%)	61.76
HEPS (cents)	(607.72)	(1 107.8%)	60.30

- Loss for the period impacted by the IAS 37 and slow-paying receivable provisions
- HEPS – loss of 607.72 cents per share
- Excluding IAS 37 and receivable provisions, HEPS is a loss of 133.82 cents per share (Aug 2018: earnings of 60.30 cents)

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## Statement of Financial Position



	Unaudited 31 Aug 2019		Audited 28 Feb 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1 404 349	(6.5%)	1 501 945
Goodwill and intangible assets	435 012		457 585
Equity-accounted investees	297 639		280 449
Deferred tax assets	207 680		211 337
<b>Current assets</b>			
Bank balances	396 327	(55.0%)	880 771
Other current assets	3 255 047		3 035 269
<b>Non-current assets held-for-sale</b>	31 728		-
<b>TOTAL ASSETS</b>	<b>6 027 782</b>		<b>6 367 356</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shareholders' interest	750 759	(57.0%)	1 745 944
Non-controlling interest	(16 530)		(14 192)
<b>Non-current liabilities</b>			
Interest-bearing liabilities	349 253		313 864
Non-interest-bearing liabilities	26		26
Excess billings over work done	70 919		25 000
Provisions	87 299		79 942
<b>Current liabilities</b>			
Other current liabilities	2 500 069		2 383 391
Excess billings over work done	1 177 464	2.7%	1 145 970
Provisions	1 074 155	58.0%	679 948
Taxation	34 368		7 463
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 027 782</b>		<b>6 367 356</b>
Current interest-bearing liabilities	277 976		281 684

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## Extracts from Statement of Financial Position



	Unaudited 31 Aug 2019		Audited 28 Feb 2019
<b>ASSETS</b>			
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Property, plant and equipment	1 404 349	(6.5%)	1 501 945
Goodwill and intangible assets	435 012		457 585
Equity-accounted investees	297 639		280 449
Deferred tax assets	207 680		211 337
<b>Current assets</b>			
Other current assets	3 255 047		3 035 269
Other current assets			
Inventories	201 561	7.3%	187 924
Contracts in progress	603 626	19.2%	506 568
Trade accounts receivable	1 887 269	3.2%	1 829 180
Other receivables	562 591	10.0%	511 597
	3 255 047	7.2%	3 035 269

- Capex spend of R68m (Feb 2019: R109m)
  - Excludes IFRS 16 right of use assets of R2m (Feb 2019: R70m)
  - Expansion R60m and maintaining R8m (excluding IFRS 16 right of use assets)

- Increase in work in progress of 19.2%
- 3.2% increase in trade accounts receivable
  - Debtors days (excluding retentions) increased to 77 days from 68 days

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## Extracts from Statement of Financial Position



	Unaudited 31 Aug 2019		Audited 28 Feb 2019
<b>Current assets</b>			
Bank balances	396 327	(55.0%)	880 771
Other current assets	3 255 047		3 035 269
Non-current assets held-for-sale	31 728		-
<b>TOTAL ASSETS</b>	<b>6 027 782</b>		<b>6 367 356</b>

- Net cash on hand is R396m
- Due to:
  - delayed payments from customers
  - the temporary funding of the large public sector power project
- The group continues to experience short-term liquidity pressures
- The group has entered into a short-term funding agreement with its Lenders on standard terms and conditions applicable to this type of funding
- Funding received of R120m + R391m = R511m
- Cost of funding: effective rate of 13% excluding arranging fees
- Additional requirement of R595m
- The funds received have been utilised to stabilise the operations in the interim while longer term more cost-effective solutions are being considered and evaluated, including an appropriately-balanced capital structure.
- The group remains in discussions with its Lenders to secure additional tranches of funding. The restructuring advisors will develop detailed turnaround restructuring interventions and initiatives including assessing optimal internal operating structures (Restructuring Plan).
- The Restructuring Plan, to be finalised within the next couple of months, will be considered by the board for approval. Shareholders will be updated as to the plan and the anticipated timing of the implementation thereof.
- Based on the successful implementation of the Restructuring Plan, a favourable outcome on the process being undertaken as to the large public sector power project and raising additional short- and long-term funding, the group is deemed to be a going concern.

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## Extracts from Statement of Financial Position



	Unaudited 31 Aug 2019		Audited 28 Feb 2019
<b>Non-current liabilities</b>			
Interest-bearing liabilities	349 253		313 864
Non-interest-bearing liabilities	26		26
Excess billings over work done	70 919		25 000
Provisions	87 299		79 942
<b>Current liabilities</b>			
Other current liabilities	2 500 065		2 383 391
Excess billings over work done	1 177 464	2.7%	1 145 970
Provisions	1 074 155	58.0%	679 948
Taxation	34 368		7 463

- Total interest bearing debt R774m (Feb 2019: R637m)
- Including amounts due to:
  - IFRS 16 rental liability (R39m) - (Feb 2019: R61m)
  - VRP Settlement Agreement (R100m) - (Feb 2019: R100m)
  - Specific ring-fenced project funding (R132m) - (Feb 2019: Nil)
- Interest bearing debt : equity ratio declined to 103.1% (Feb 2019: 36.5%) or 98% excluding IFRS 16 liability and impacted by the provisions raised for the period
- Other current liabilities includes short term interest bearing liabilities of R278m (Feb 2019: R282m)

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## Extracts from Statement of Financial Position



	Unaudited 31 Aug 2019		Audited 28 Feb 2019
<b>Current Liabilities</b>			
Other current liabilities			
Short term loans	277 976	(1.3%)	281 684
Trade accounts payable	763 762	(13.7%)	884 660
Accruals & other current liabilities	1 458 327	19.8%	1 217 047
	2 500 065	4.9%	2 383 391
<b>Non-current &amp; current liabilities</b>			
Excess billings over work done	1 248 383	6.6%	1 170 970
Provisions	1 161 454	52.9%	759 890

- Trade payables, accruals and other current liabilities have increased from R2,1bn to R2,2bn
- Increase in advances received from customers of R77m
- Contracting provisions increased by R402m from Feb 2019 impacted by the IAS 37 provision

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# Abridged statement of cash flows



31 Aug 2019 (Rm)		31 Aug 2018 (Rm)
881	Opening cash balance	916
-124	Cash generated from operations	321
-379	Working capital changes	-103
-8	Net investment and dividend income	-1
-27	Taxation paid	-49
-8	Investing activities maintaining	-14
-60	Investing activities expanding	-20
84	Other investing activities	6
2	Financing activities	-160
35	Exchange rate effects and other	68
396	Closing balance	964

No dividend has been declared

## Summary & conclusion



DCC Jesus Dome, Mayville, Durban

## Industry-related matters



- Legal process relating to the civil claim from the City of Cape Town
  - A trial date had been set for Q1 2020
  - At the request of the City of Cape Town, this date has been postponed
  - The group remains confident that it can defend the matter
- The group continues to be negatively affected through disruptive and unlawful activities by certain communities and informal business forums

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## Summary



- Focus on resolving the liquidity pressure
- Large public sector power project, continue:
  - The current positive engagements
  - Pursue our contractual rights
- Maintain focus on the collection of slow-paying receivables
- Reduce loss-making projects
- Develop a restructuring plan
- Return the group to profitability

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# Conclusion



Resolution on large public sector power project

Potential asset disposal and debt recovery

Conclusion of loss-making contracts

Identified prospects ±R46 billion

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## Questions & Answers



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Nedbank Park Square Mall, Umhlanga



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# Disclaimer



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Words, including but not limited to, "aim", "believe", "anticipate", "expect", "intend", "could", "would", "should", "estimates", "project", "plan", "may", "potential", "targets" or similar words and phrases or the negative thereof are used to identify such statements. Forward-looking statements, by their very nature, contain known and unknown risks, uncertainties, assumptions and other important factors, because they relate to events and depend on circumstances that may occur in the future, whether or not outside the control of the company.

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