







Annual Results

12 months ended 28 February 2018

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Agenda

-  12 month overview
-  Operational overview
-  Financial results
-  Conclusion



12 month overview



- The group's performance reflects the impact of the subdued trading environment and includes an impairment of assets of R667m predominantly relating to the goodwill pertaining to the Stocks Limited acquisition
- The order book has remained stable at around R14 billion
- Restructured the business to improve synergy and efficiency
- Revenue from outside SA remains at 30%
- Profit generated from outside SA exceeds 50%
- Slight improvement on the HEPS relative to the previous year

3

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Key indicators



Operating loss
R451m

Adjusted operating profit
R216m
Excluding impairment of assets

Cash on hand
R916m

Adjusted Debt : Equity
30,7%
Excluding impairment of assets

Capex
R500m

Health and safety
LTIFR **0,11**
RCR **0,54**

B-BBEE
Level 4
Generic score card

4

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Operational overview

	Page
Market overview	6
Operations & order book	7
Construction & Mining	8 – 10
Building	11 – 13
Mechanical & Electrical	14 – 16
Group % turnover by sector	17
Operations contributions	18
Challenges	19
Performance - operating segments	20 – 21

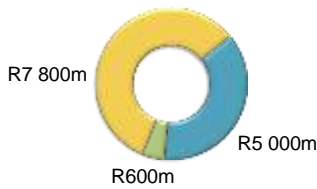
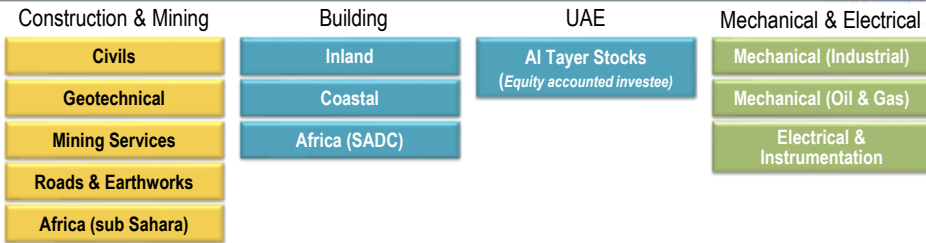


Market overview

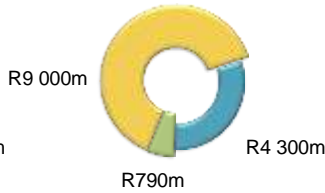


- The construction market remains extremely challenging
- Due to uncertainty in the market, there is no / slow investment decision-making
- The current order book is R14,3 bn and certain sectors of the economy still provide opportunities, such as:
 - Surface mining related services
 - Selected open-pit contract mining
 - Water and sanitation treatment plants
 - Petrochemical (plant shut-downs and tank farms)
 - Industrial and mixed-use buildings (local and cross-border)
 - Road and bridge infrastructure (cross-border)
 - Marine (cross-border)
- Converting debtors (including scope changes and variations) into cash remains challenging

Operations & order book



Order book:
31 Aug 2017: R13,4 bn

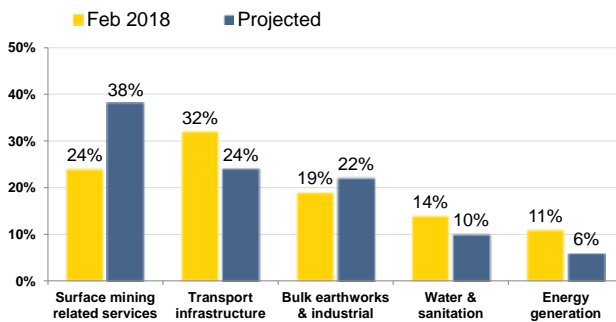


Order book:
28 Feb 2018: R14,1 bn

Current Order Book

2-year order book	R11,0 bn
Year 3	R2,1 bn
Beyond	R1,2 bn
Total	R14,3 bn

Construction & Mining (C&M) % turnover by sector



Current Order Book

2-year order book	R6,2 bn
Year 3	R1,6 bn
Beyond	R1,2 bn
Total	R9,0 bn

	Feb 2018	Projected
Total work outside South Africa	32%	37%
Public sector work in SA	19%	16%
Public sector work outside SA	27%	31%

Construction & Mining overview



- Due to challenging conditions in the infrastructure market, the Structures and Roads, Pipelines & Mining Services business units have been combined
- This newly formed business unit - Construction & Mining delivered steady results in a demanding environment
- On the back of a solid order book, Mining Services performed well
- Good performance from Roads & Earthworks
- Cross-border operations continue to contribute positively towards operating profit
- The former Structures business unit under-performed resulting in a reduction in operating profit for Construction & Mining
- Collection of outstanding undisputed debt in Nigeria and Zambia remains problematic:
 - Ongoing discussions with clients to address outstanding payments
 - Periodic payments are being received

9

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Construction & Mining work prospects

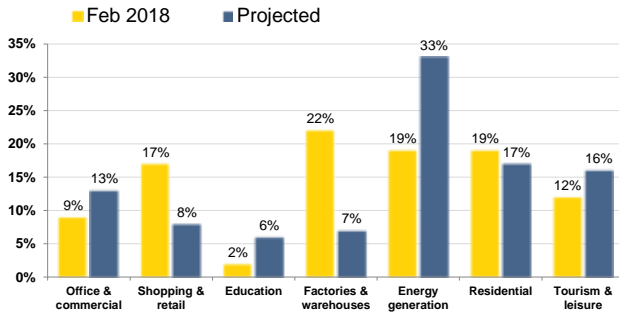


- In South Africa there are opportunities within:
 - Open-pit mining - Coal
 - Surface mining related services
- Infrastructure development opportunities in neighbouring countries
 - Selected roads and bridges in the public sector
 - Marine work
 - General contracting work in the build environment
- In the short term there are potential awards to SSK to the value of ±R2,5 billion
- For the next 12 months, projects to the value of ±R19 billion have been identified

10

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Building % turnover by sector



Current Order Book

2-year order book	R3,9 bn
Year 3	R0,5 bn
Beyond	-
Total	R4,4 bn

	Feb 2018	Projected
Total work outside South Africa	29%	32%
Public sector work in SA	28%	44%
Public sector work outside SA	3%	0%

11

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Building overview



- Due to the ongoing difficult local building environment, an impairment test on the goodwill relating to the 2008 Stocks acquisition was performed at year end and resulted in a significant write-off
- In a competitive environment the Building business unit improved its operating profit which mainly stems from cross-border operations
- The UAE equity accounted operation continues to perform well
- The local Building business is still not functioning to its full potential and it is our intent to scale down this business in South Africa
- 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 converting work in progress to cash continue to affect working capital

12

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Building work prospects

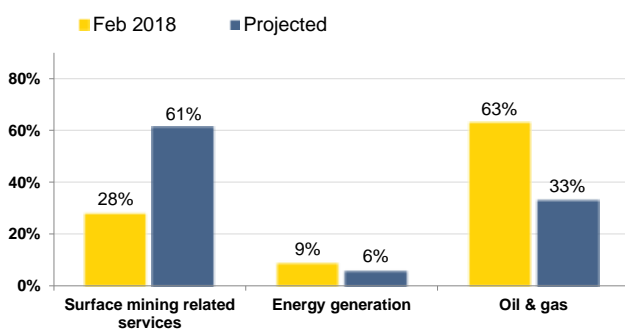


- Although margins are expected to remain under pressure in the short to medium term, select opportunities continue to exist in:
 - High rise mixed-use buildings in South Africa and Mozambique
 - Residential urban development throughout South Africa
 - Design and construct of factories and warehouses
 - Fit-out and construction in the UAE
- In the short term there are potential awards to SSK to the value of ±R1,5 billion
- For the next 12 months, projects to the value of ±R9 billion have been identified

13

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



Current Order Book

2-year order book	R900m
Year 3	-
Beyond	-
Total	R900m

	Feb 2018	Projected
Total work outside South Africa	10%	12%
Public sector work in SA	9%	0%
Public sector work outside SA	0%	0%

14

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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 surface mining related services
- The shortage of work in the traditional petrochemical sector is negatively affecting the Oil & Gas division
- A contract cancellation by a client in the Oil & Gas division impacted on the division's turnover, thereby reducing the operating profit

15

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Mechanical & Electrical work prospects

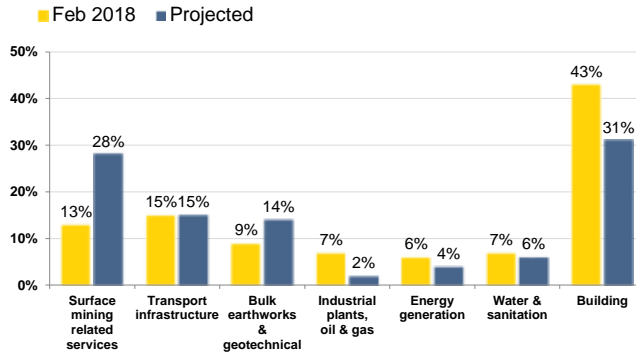


- The uptick of tender enquiries from the mining sector both locally and cross-border creates opportunities for the Mechanical and Electrical & Instrumentation divisions
- Upcoming plant maintenance shut-down work will create opportunities for Oil & Gas and Electrical & Instrumentation
- Fuel storage tanks tender enquiries are now coming to the market
- 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 ±R5 billion have been identified

16

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Group % turnover by sector



Current Order Book

2-year order book	R11,0 bn
Year 3	R2,1 bn
Beyond	R1,2 bn
Total	R14,3 bn

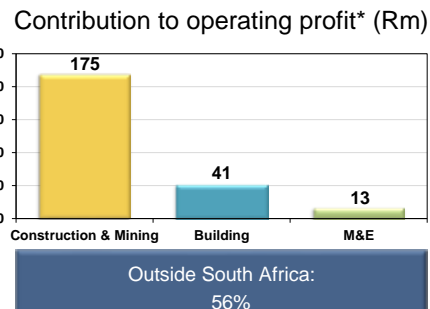
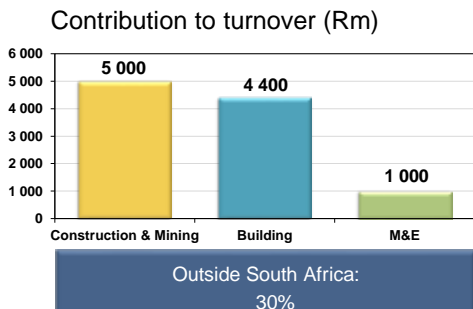
	Feb 2018	Projected
Total work outside South Africa	30%	34%*
Public sector work in SA	22%	23%
Public sector work outside SA	14%	20%

* Includes UAE

17

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Operations contributions – excluding UAE



* Excludes head office

18

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Challenges



- Due to provincial and state-owned enterprises' shortage of cash:
 - Fewer contracts are coming to the market
 - On existing projects, lack of decision-making impacts on not reaching agreement on compensation events
- To maintain a quality order book in a challenging market where public and private infrastructure spend is limited
- To grow the higher return operations without increased debt exposure
- Continue to focus on collecting the long outstanding debtors in:
 - South Africa (social housing projects)
 - 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 28 February 2017

R'000s	C&M	Building (incl. UAE)	M&E	Head Office	Total operations	Exclude	Exclude	Group as reported
						One-off charges	UAE*	
Contract revenue	3 964 177	5 000 299	1 134 766	-	10 099 242	-	(1 040 666)	9 058 576
% Contribution	39,3%	49,5%	11,2%	-	100%			
Operating profit/ (loss)	188 070	38 874	40 330	(24 824)	242 450	(308 223)	(40 623)	(106 396)
% Contribution	77,6%	16,0%	16,7%	(10,3%)	100%			
Operating margin (%)	4,7%	0,8%	3,6%	N/A	2,4%	N/A	3,9%	(1,2%)

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

Operating Segments: 2018



As at 28 February 2018

R'000s	C&M	Building (incl. UAE)	M&E	Head Office	Total operations	Exclude	Exclude	Group as reported
						Impairment of assets	UAE*	
Contract revenue	4 973 719	5 400 277	1 022 597	-	11 396 593	-	(981 112)	10 415 481
% Contribution	43,6%	47,4%	9,0%	-	100%			
Operating profit/ (loss)	174 681	88 016	13 165	(13 089)	262 773	(667 114)	(46 751)	(451 092)
% Contribution	66,5%	33,5%	5,0%	(5,0%)	100%			
Operating margin (%)	3,5%	1,6%	1,3%	N/A	2,3%	N/A	4,8%	(4,3%)

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

Financial overview



Financial indicators

Results for the 12 months ended 28 Feb 2018



Contract revenue	R10,4bn	▲ 15%
Operating loss	R451,1m	
Adjusted* operating profit	R216,0m	▲ 7%
Adjusted* operating margin	2,1%	▼ 5%
Loss per share	294,94c	
Headline earnings per share	90,35c	▲ 1%
Cash on hand	R916m	▼ (21%)

* Excluding impairment charges

23

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Statement of Comprehensive Income



R'000	28 Feb 2018	% Change	28 Feb 2017
Contract Revenue	10 415 481	15,0%	9 058 576
EBITDA	400 457	91,6%	209 046
EBITDA %	3,8%		2,3%
Depreciation & amortisation	(184 435)		(145 882)
Impairment of assets	(667 114)		(169 560)
Operating Loss	(451 092)	(324,0%)	(106 396)
Operating margin %	(4,3%)		(1,2%)
Equity accounted investees	41 388		40 893
Net investment Inc.	(33 729)		(40 733)
Loss before tax	(443 433)		(106 236)
Taxation	(64 606)		(43 554)
Loss for the year	(508 039)	(239,2%)	(149 790)
Net margin %	(4,9%)		(1,7%)
Earnings attributable to ordinary shareholders	(503 599)		(137 068)
Headline earnings	154 272	716,6%	18 892
Weighted average shares in issue	170 748 789		172 750 427
Diluted weighted average shares in issue	188 080 746		188 080 746
HEPS (cents)	90,35	725,9%	10,94
Adjusted* HEPS (cents)	90,35	0,5%	89,86

* Prior year - excluding costs associated with the Settlement Agreement (net of tax)

24

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Extracts from Statement of Comprehensive Income



R'000	28 Feb 2018	% Change	28 Feb 2017
Contract Revenue	10 415 481	15,0%	9 058 576
EBITDA	400 457	91,6%	209 046
EBITDA %	3,8%		2,3%
Depreciation & amortisation	(184 435)		(145 882)
Impairment of assets	(667 114)		(169 560)
Operating Loss	(451 092)	(324,0%)	(106 396)
Operating margin %	(4,3%)		(1,2%)

- Increase in contract revenue
- EBITDA margin of 3,8% consistent with the prior year when excluding the one-off charge relating to the Settlement Agreement
- Increase in depreciation to R176m (Feb 2017: R138m)
- Operating loss has been negatively affected by an impairment of assets of R667m = *adjusted* operating profit of R216,0m (Feb 2017: R201,9m) with a margin of 2,1% (Feb 2017: 2,2%)

25

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Extracts from Statement of Comprehensive Income



R'000	28 Feb 2018	% Change	28 Feb 2017
Operating margin %	(4,3%)		(1,2%)
Equity accounted investees	41 388		40 893
Net investment Inc.	(33 729)		(40 733)
Loss before tax	(443 433)		(106 236)
Taxation	(64 606)		(43 554)
Loss for the year	(508 039)	(239,2%)	(149 790)

- Increased contribution from UAE operation – R48m (Feb 2017: R41m)
- Net finance costs reduced by R7m
- Excluding impairment of assets, the tax rate is 29%

27

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Extracts from Statement of Comprehensive Income



R'000	28 Feb 2018	% Change	28 Feb 2017
Loss for the year	(508 039)	(239,2%)	(149 790)
Net margin %	(4,9%)		(1,7%)
Earnings attributable to ordinary shareholders	(503 599)		(137 068)
Headline earnings	154 272	716,6%	18 892
Weighted average shares in issue	170 748 789		172 750 427
Diluted weighted average shares in issue	188 080 746		188 080 746
HEPS (cents)	90,35	725,9%	10,94
Adjusted* HEPS (cents)	90,35	0,5%	89,86

- Excluding the impairment charge the adjusted profit after tax is R159,1m compared to the prior years R152,1m (excluding all one-off charges)
- HEPS – similar to prior year's adjusted HEPS

29

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Statement of Financial Position



	Reviewed 28 Feb 2018		Audited 28 Feb 2017
ASSETS			
Non-current assets			
Property, plant and equipment	1 483 727	22,4%	1 212 248
Goodwill and intangible assets	460 506		1 087 133
Equity-accounted investees	209 181		189 860
Current Assets			
Bank balances	915 891	(20,9%)	1 158 431
Other current assets	3 212 553		2 816 126
TOTAL ASSETS	6 281 858		6 463 798
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' interest	1 884 559	(22,7%)	2 438 252
Non-controlling interest	(3 726)		4 126
Non-current liabilities			
Interest-bearing liabilities	478 633		346 434
Non-interest-bearing liabilities	26		26
Deferred tax	(96 949)		(34 350)
Current Liabilities			
Other current liabilities	2 186 120		2 079 542
Excess billings over work done	1 092 801	(8,8%)	1 197 743
Provisions	657 470	56,4%	420 400
Taxation	82 924		11 625
TOTAL EQUITY AND LIABILITIES	6 281 858		6 463 798
Current interest bearing liabilities	278 600		328 794

30

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Extracts from Statement of Financial Position



	Reviewed 28 Feb 2018		Audited 28 Feb 2017
ASSETS			
Non-current assets			
Property, plant and equipment	1 483 727	22,4%	1 212 248
Goodwill and intangible assets	460 506		1 087 133
Equity-accounted investees	209 181		189 860
Current Assets			
Other current assets	3 212 553		2 816 126

- Capex spend of R500m (Feb 2017: R272m)
– expansion R369m and maintaining R131m

	28 Feb 2018		28 Feb 2017
Other current assets			
Inventories	146 278	0,8%	145 087
Contracts in progress	465 067	12,2%	414 525
Trade accounts receivable	2 248 981	22,8%	1 832 035
Other receivables	352 227	(17,0%)	424 479
	3 212 553	14,1%	2 816 126

- Increase in work in progress of 12,2%
- 22,8% increase in trade accounts receivable
– debtors days (excluding retentions) increased to 79 days from 74 days

31

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Extracts from Statement of Financial Position



	Reviewed 28 Feb 2018		Audited 28 Feb 2017
Current Assets			
Bank balances	915 891	(20,9%)	1 158 431
Other current assets	3 212 553		2 816 126
TOTAL ASSETS	6 281 858		6 463 798

- Net cash on hand is R916m
 - 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

32

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Extracts from Statement of Financial Position



	Reviewed 28 Feb 2018	Audited 28 Feb 2017
EQUITY AND LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities	478 633	346 434
Non-interest-bearing liabilities	26	26
Deferred tax	(96 949)	(34 350)
Current Liabilities		
Other current liabilities	2 186 120	2 079 542

- Total interest bearing debt R783m (Feb 2017: R675m)
- Including amounts due to: - Competition Commission (R40m)
- Settlement Agreement (R108m)
- Interest bearing debt : equity ratio increased to 41,6% (Feb 2017: 27,7%)
or 30,7% excluding the impairment charge

	28 Feb 2018		28 Feb 2017
Other current liabilities			
Short term loans	293 445	(10,8%)	328 794
Trade accounts payable	948 702	19,6%	793 315
Accruals & other current liabilities	943 973	(1,4%)	957 433
	2 186 120	5,1%	2 079 542

- Short term loans includes interest bearing liabilities of R278m (Feb 2017: R329m)

33

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Extracts from Statement of Financial Position



	Reviewed 28 Feb 2018	Audited 28 Feb 2017
Current Liabilities		
Other current liabilities	2 186 120	2 079 542
Excess billings over work done	1 092 801	1 197 743
Provisions	657 470	420 400
Taxation	82 924	11 625

- Trade accounts payable have increased by 19,6%
- Creditors days increased to 37 (Feb 2017: 36 days)
- Reduction in advances received of R105m – negatively affecting cash
- Contracting provisions increased by R237m from Feb 2017

34

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Abridged statement of cash flows



28 Feb 2018 (Rm)		28 Feb 2017 (Rm)
1 158	Opening cash balance	851
616	Cash generated from operations	342
-293	Working capital changes	274
21	Net investment and dividend income	35
-57	Taxation paid	-102
-131	Investing activities maintaining	-185
-369	Investing activities expanding	-87
65	Other investing activities	145
-64	Financing activities	-35
-30	Exchange rate effects and other	-80
916	Closing balance	1 158

No dividend has been declared

35

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Summary & Conclusion

	Page
Work prospects for next 24 months	37
Industry matters	38
Conclusion	39
Q&A	40

Waste water treatment works
– Mangaung, Free State



36

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Work prospects for the next 24 months



Sectors	Value R billion
Surface mining related services	18
Transport Infrastructure (Road & Marine)	7
Industrial Plants & Geotechnical	3
Oil & Gas	6
Energy generation	2
Water & Sanitation	6
Building	15
Total	R57 billion*

* 36% cross-border

37

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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



38

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Conclusion



- Cash management remains a key priority in which the collection of outstanding government debt is significant
- 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
- The restructured business will improve our efficiencies and focus
- Continue to buy back shares

39

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Stefanutti Stocks City

A multi-disciplinary construction group

www.stefanuttistocks.com



Q&A

40

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