



Providing a better life

The background of the slide is a collage of mining-related images. The top left shows a yellow CAT wheel loader and a dump truck in a rocky, open-pit mine under a cloudy sky. The bottom right shows a large industrial structure, possibly a headframe, at a mining site at dusk or night, with lights and buildings visible in the distance. The foreground is dominated by large piles of grey and brown rocks.

# 2020 INTERIM RESULTS PRESENTATION

25 February 2020

# AGENDA

**01** OVERVIEW & STRATEGIC REVIEW  
**Eric Diack**  
Executive Chairman

**02** FINANCIAL OVERVIEW  
**Adrian Macartney**  
Group Finance Director

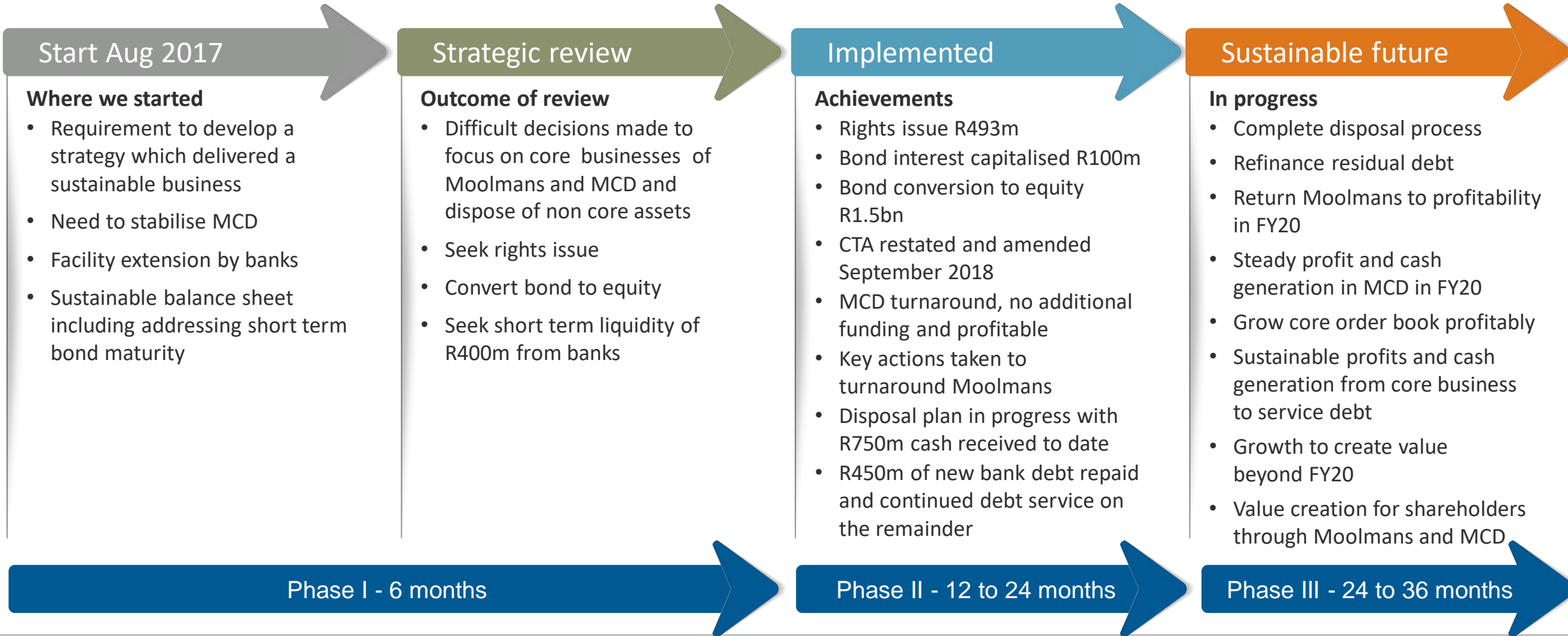
**03** OPERATIONAL PERFORMANCE  
**Sean Flanagan**  
Group Chief Executive Officer

**02** OUTLOOK  
**Sean Flanagan**  
Group Chief Executive Officer



# STRATEGY IMPLEMENTATION

The Group's risk profile has been and will continue to be reduced via the execution of the strategic plan



Commenced  
March 2018

## NON-CORE DISPOSAL PROCEEDS IN LINE WITH EXPECTATIONS

Anticipated completion  
June 2020

### Cash to date R750m

#### Achievements:

- Jet Park R215m
- Rail R133m
- Water R85m (R5m deferred)
- DFC R125m
- B&C R70m (deferred payment)
- M&E R72m
- Rand Roads R37,5m (R25m initial payment)
- Other properties and investment R95m

### Deals announced

#### Sales announced to market:

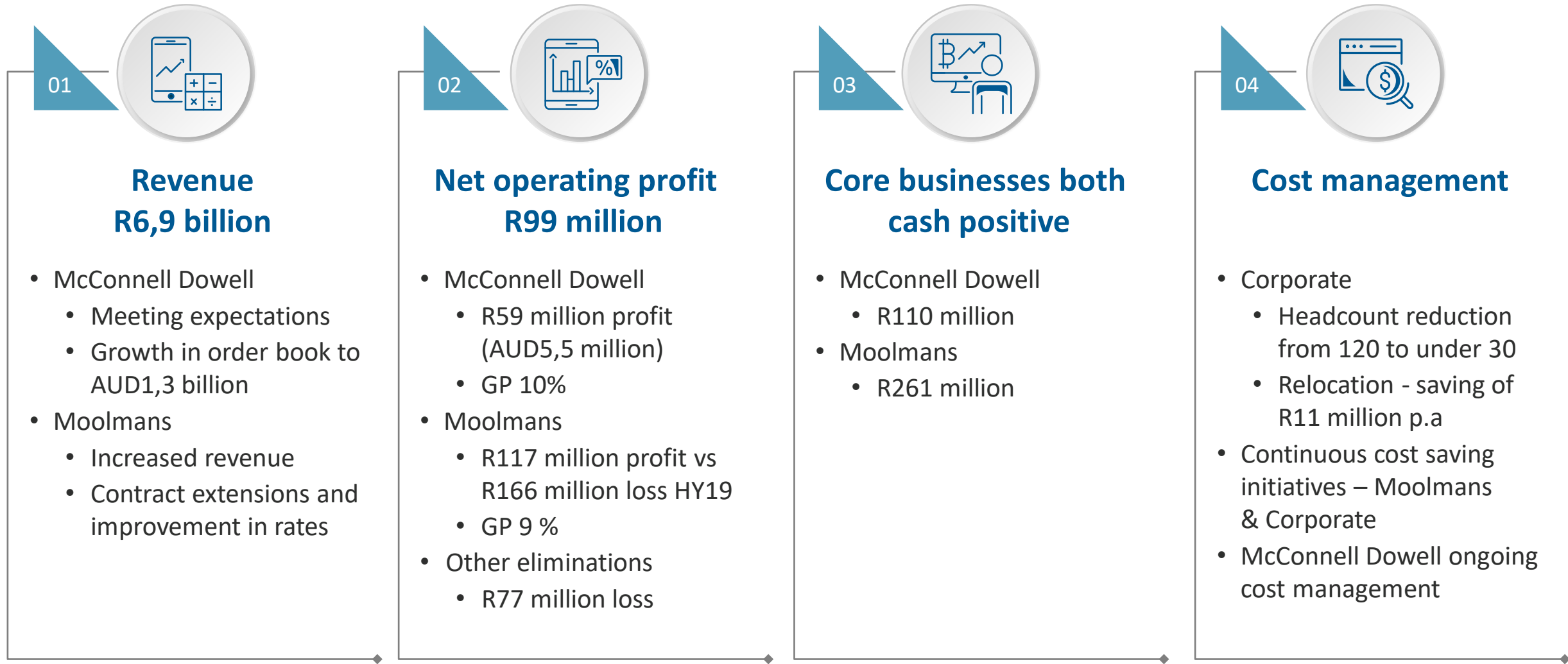
- Infraset R180m
- GEL\* R7,5m

\*Purchaser unable to secure requisite funding

### Deals in negotiation

- Steel
- ACS
- Duraset

**The disposal process materially reduces the Group's risk profile**





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## FINANCIAL OVERVIEW



*Platreef – South Africa*

# SALIENT FEATURES



**Group Revenue  
R11,2 billion**



**Net operating profit  
R14 million**

- McConnell Dowell sustained profitability
- Moolmans returned to profitability
- Non-core operations reduced net loss



**Core businesses  
both cash positive**

# SALIENT FEATURES



**R750 million  
non-core assets  
sales proceeds  
received to date**



**Diversified core  
order book**  
**72% International;  
28% South Africa**



**R450 million  
debt repaid**

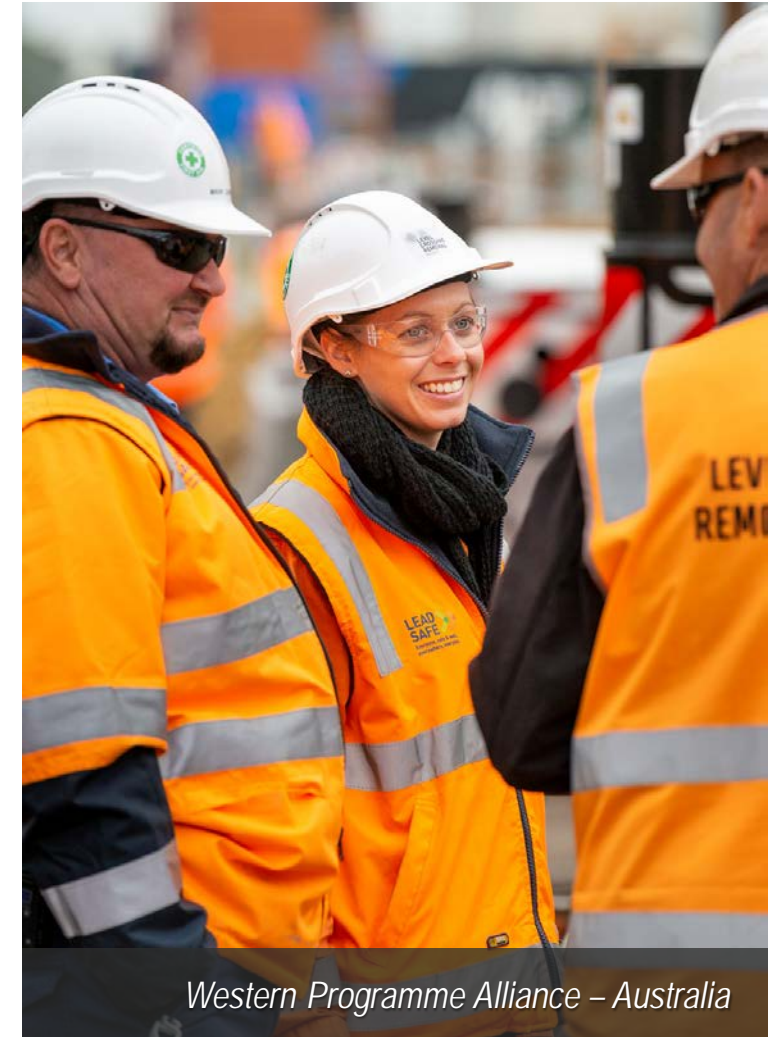
- R400 million of Super Senior Liquidity Facility
- R50 million of Term Loan
- R2,5 billion reduction in performance bonds



# FINANCIAL PERFORMANCE

Results	H1 2020 Rm	H1 2019 Rm
Revenue	<b>11 185</b>	13 367
Gross margin %	<b>6,9</b>	4,5
Operating expenses	<b>(886)</b>	(1 125)
Net operating earnings/(loss)	<b>14</b>	(484)
Net interest	<b>(217)</b>	(255)
Impairment of PPE and equity-accounted investment	<b>(11)</b>	(163)
Loss for the period	<b>(170)</b>	(920)
Headline loss for the period	<b>(205)</b>	*(703)
Headline loss per share(cents)	<b>(1,1c)</b>	*(5,5c)

\*Headline loss restated to better reflect the asset component utilisation for Moolmans



# SEGMENTAL RESULTS

	REVENUE		NET OPERATING EARNINGS/(LOSS)		OPERATING FREE CASH FLOW	
	H1 2020 Rm	H1 2019 Rm	H1 2020 Rm	H1 2019 Rm	H1 2020 Rm	H1 2019 Rm
McConnell Dowell	→ 4 636	4 818	↑ 59	55	↑ 110	(198)
Moolmans	↑ 2 287	2 035	↑ 117	(166)	↑ 261	(145)
Other eliminations	↑ (37)	(69)	↑ (77)	(196)	↑ *12	(212)
<b>Total core</b>	<b>6 886</b>	<b>6 784</b>	<b>99</b>	<b>(307)</b>	<b>383</b>	<b>(555)</b>
Aveng Construction: South Africa	↓ 1 151	2 705	↑ (142)	(160)	↓ (400)	(296)
Aveng Manufacturing	↓ 823	1 086	↑ 7	(31)	↑ (14)	(38)
Aveng Steel	↓ 2 325	2 792	↑ 50	14	↑ 205	179
<b>Total non-core</b>	<b>4 299</b>	<b>6 583</b>	<b>(85)</b>	<b>(177)</b>	<b>(209)</b>	<b>(155)</b>
	↓ 11 185	13 367	↑ 14	(484)	↑ 174	(710)

\* Includes R222 million received net of transaction cost on disposal of non-core assets

# FINANCIAL POSITION

	Dec'19 Rm	Jun'19 Rm
<b>Assets</b>	<b>11 455</b>	12 282
Goodwill and intangible assets	<b>134</b>	139
Property, plant and equipment	<b>3 284</b>	2 814
Investments	<b>173</b>	187
Deferred taxation	<b>617</b>	622
Other assets	<b>64</b>	43
Working capital	<b>2 730</b>	3 029
Assets Held for Sale	<b>3 057</b>	3 843
Cash and bank balances	<b>1 396</b>	1 605

	Dec'19 Rm	Jun'19 Rm
<b>Liabilities &amp; equity</b>	<b>11 455</b>	12 282
<b>Liabilities</b>		
Borrowings and liabilities	<b>1 945</b>	2 145
Borrowings and liabilities ( <i>IFRS 16</i> )	<b>488</b>	-
Working capital	<b>3 137</b>	3 496
Deferred taxation	<b>85</b>	86
Other liabilities	<b>1</b>	137
Employee-related payables	<b>465</b>	528
Liabilities Held for Sale	<b>2 948</b>	3 436
<b>Equity</b>	<b>2 386</b>	2 454
<b>NAV PER SHARE (cents)</b>	<b>12,3</b>	12,7
<b>Net debt</b>	<b>(1 037)</b>	(540)
<b>Market capitalisation</b>	<b>388</b>	582

# WORKING CAPITAL

	Core Assets		Non-core Assets	
	Dec'19 Rm	Jun'19 Rm	Dec'19 Rm	Jun'19 Rm
Inventory	220	214	1 121	1 658
Trade and other receivables	281	194	656	1 277
Amounts due from contract customers	2 229	2 621	119	401
Trade and other payables	(2 285)	(2 683)	(1 272)	(2 194)
Amounts due to contract customers	(684)	(813)	(53)	(224)
<b>Net working capital</b>	<b>(239)</b>	<b>(467)</b>	<b>571</b>	<b>918</b>

# UNCERTIFIED REVENUE AND CLAIMS

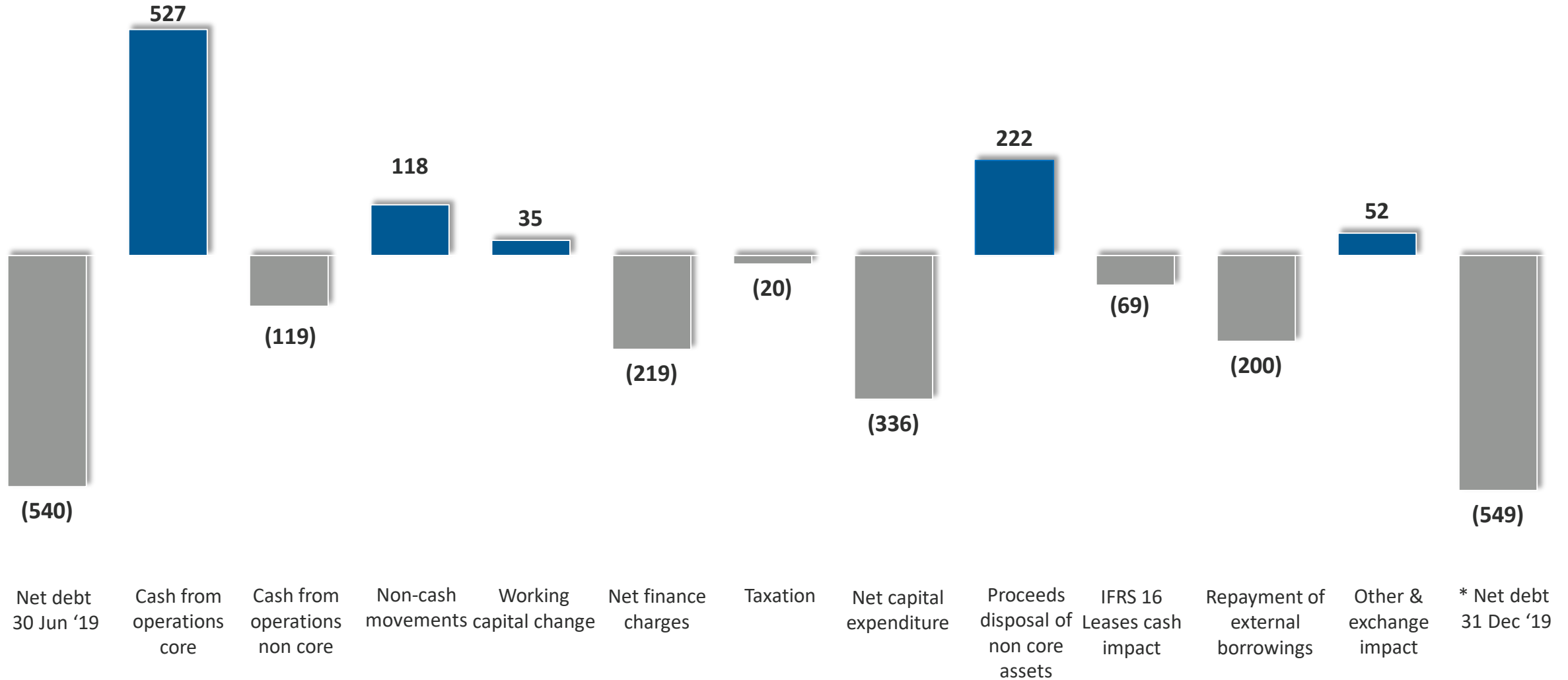
	Dec'19 * Rm	Jun'19 * Rm
Uncertified claims and variations	1 289	1 316
Contract contingencies	(410)	(638)
Contract and retention receivables	1 469	2 347
Provision for contract receivables	-	(3)
<b>Amounts due from customers</b>	<b>2 348</b>	<b>3 022</b>
Progress billings received	(696)	(977)
Amounts received in advance	(41)	(60)
<b>Amounts due to customers</b>	<b>(737)</b>	<b>(1 037)</b>
Net amounts due from contract customers	1 611	1 985
Foreign exchange impact	40	34

Dec'19	C&E Australia and Asia	Mining	Non-core	TOTAL
Contract claims	828	-	5	833
Uncertified variations (timing)	302	46	108	456
<b>Uncertified claims and variations</b>	<b>1 130</b>	<b>46</b>	<b>113</b>	<b>1 289</b>

June'19	C&E Australia and Asia	Mining	Non-core	TOTAL
Contract claims	800	-	23	823
Uncertified variations (timing)	176	56	261	493
<b>Uncertified claims and variations</b>	<b>976</b>	<b>56</b>	<b>284</b>	<b>1 316</b>

\*Reflects uncertified revenue and claims before Held for Sale adjustments

# MOVEMENT IN NET DEBT



\*Excludes R488 million, IFRS 16 Leases, lease liabilities

	Dec'19 Rm	Jun'19 Rm
<b>Net Cash</b>	<b>1 396</b>	1 605
South African operations	<b>294</b>	581
McConnell Dowell	<b>1 102</b>	1 024
<b>Borrowings</b>	<b>(1 945)</b>	(2 145)
South African operations	<b>(1 768)</b>	(1 967)
McConnell Dowell	<b>(177)</b>	(178)
<b>Net debt</b>	<b>(549)</b>	(540)
IFRS 16 Finance lease liability	<b>(488)</b>	-
<b>Post IFRS 16 net debt</b>	<b>(1 037)</b>	(540)



Oaklands level crossing removal – Australia

# **McCONNELL DOWELL**

**CREATIVE CONSTRUCTION™**

**OPERATIONAL  
PERFORMANCE**



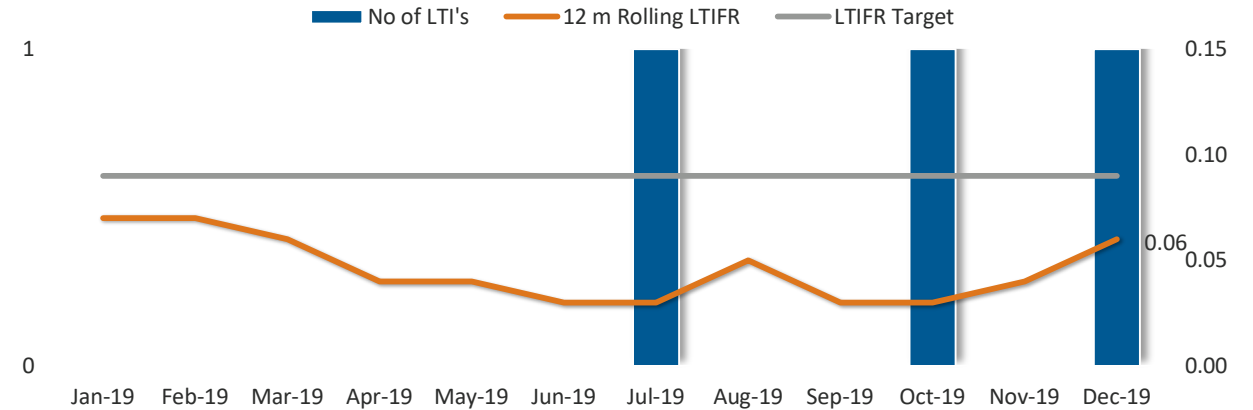
*Northern Gas Pipeline - Australia*



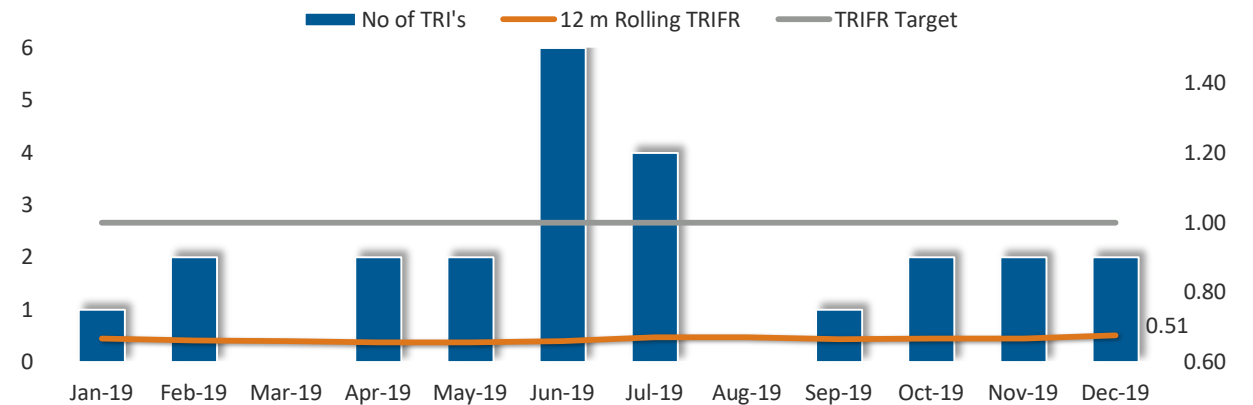
# SAFETY, HEALTH & ENVIRONMENT

- Zero fatalities
- LTIFR & TRIFR tracking below targets
- Built Environs achieved 5 years LTI free record

## 12 MONTH ROLLING LTIFR

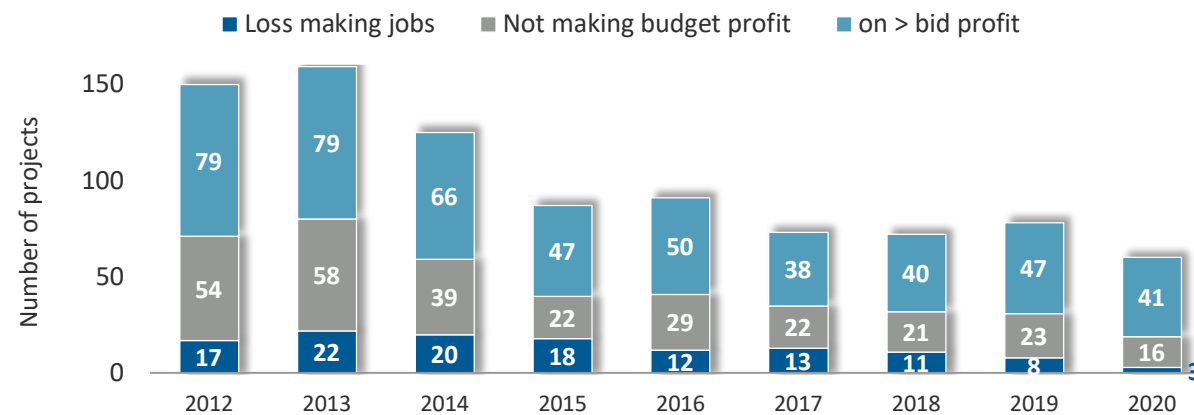


## 12 MONTH ROLLING TRIFR

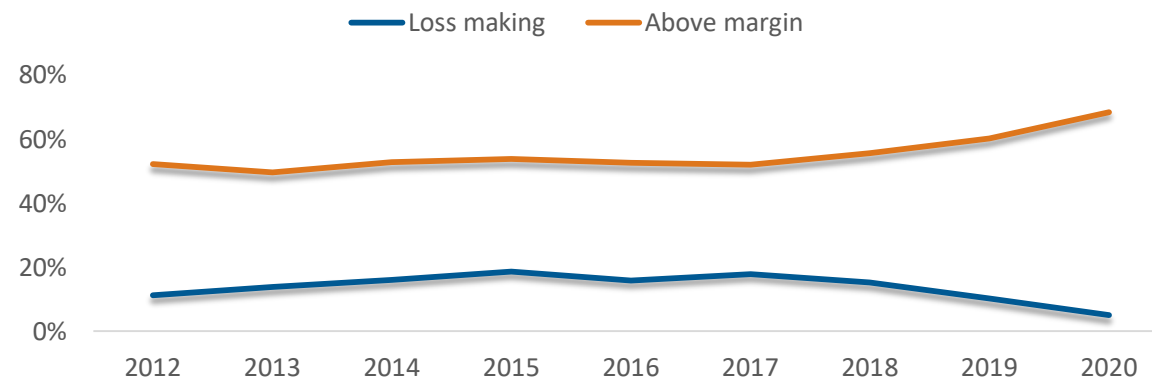


- Maintained profitability for fifth consecutive reporting period
- Positive Cash flows
- Improved project execution enhances margin performance
- Expect profitability to be sustained
- Pursuing commercial entitlements for Gold Coast, Wheatstone and Perth Airport

## CONTRACT PERFORMANCE



## % CONTRACTS ABOVE MARGIN/LOSS MAKING

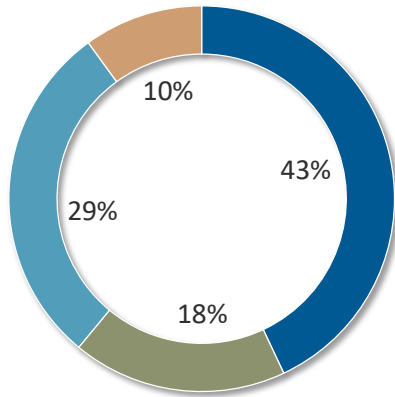


- Current order book AUD1,6 billion
  - AUD604 million of new orders secured to 31 December 2020
  - Further AUD350 million secured in January 2020
  - 96% of FY20 and 61% of FY21 revenue secured
- AUD1,9 billion of preferred contractor status



Sembcorp tunnel- Singapore

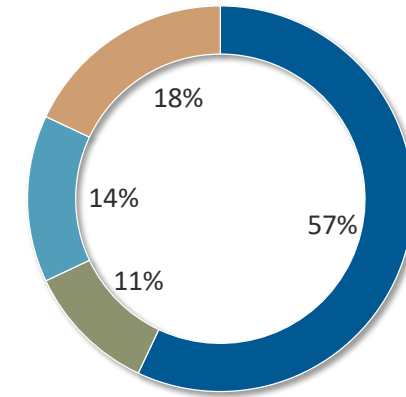
### REVENUE FY20



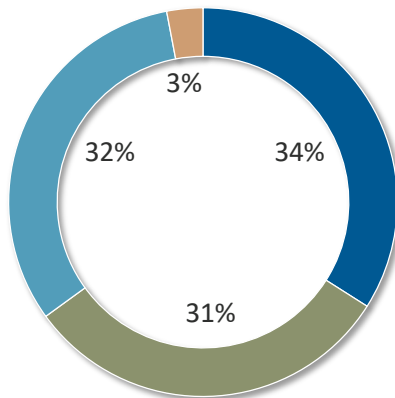
### GEOGRAPHY

- Australia
- Southeast Asia
- New Zealand and Pacific Islands
- Built Environs

### ORDER BOOK AS AT JAN 2020



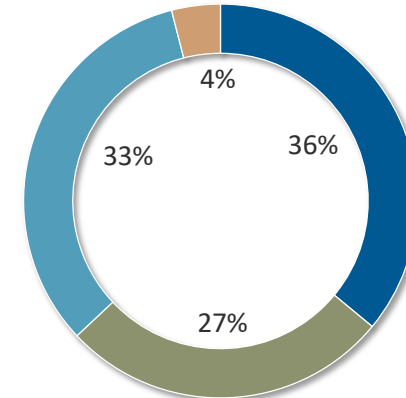
### REVENUE FY20



### CONTRACT TYPE

- Alliance
- Construct only
- Design and Construct
- Services

### ORDER BOOK AS AT JAN 2020

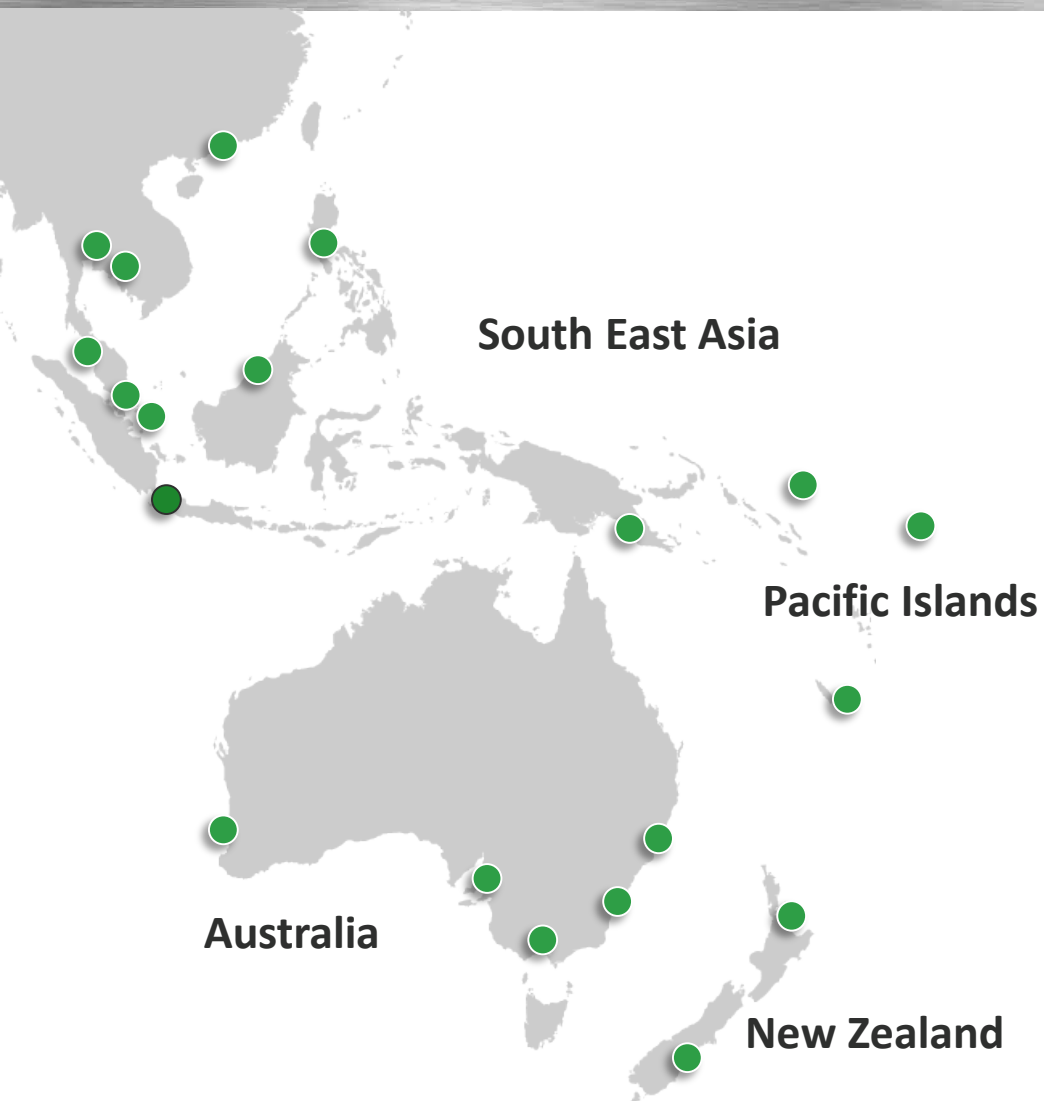


# WYNYARD EDGE ALLIANCE | New Zealand

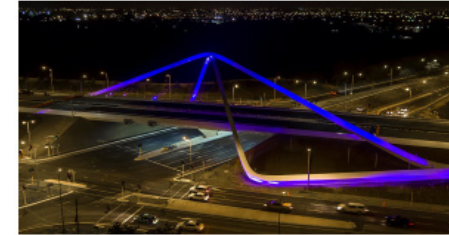


- First alliance led by Auckland City Council
- The Wynyard Edge Alliance will contribute over AUD100 million in revenue to the business in 2 years
- The project enables the 36<sup>th</sup> America's Cup to be held in New Zealand, an event that is important in drawing tourism to New Zealand
- Current project excellence has led to the award of additional works in the nearby area with the Daldy Street Outfall, the Sealink Ferry Relocation and the Silo Park Extension
- The Wynyard Edge alliance draws on McConnell Dowell's marine expertise
- An independent auditor for the customer has noted that this is the best performing alliance in the region

# MCCONNELL DOWELL | Specialist capabilities



Rail



Civils



Marine



Pipelines



Tunnel & Underground



Hydropower and Dams



Building

# JANE AND MULGOA STREET BRIDGE | Australia

- NSW project achieved major milestone and Australian construction first
- Involved demolition of existing rail bridge and replacement with a new longer concrete bridge built off-site
- Used self-propelled modular units to move complete new bridge (2500 tonnes) into place
- Minimal disruption to traffic and rail operations during implementation
- Benefits to client:
  - Innovative, cost saving solution
- Benefits to local community
  - Alleviates traffic congestion





**Moolmans**

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OPERATIONAL  
PERFORMANCE

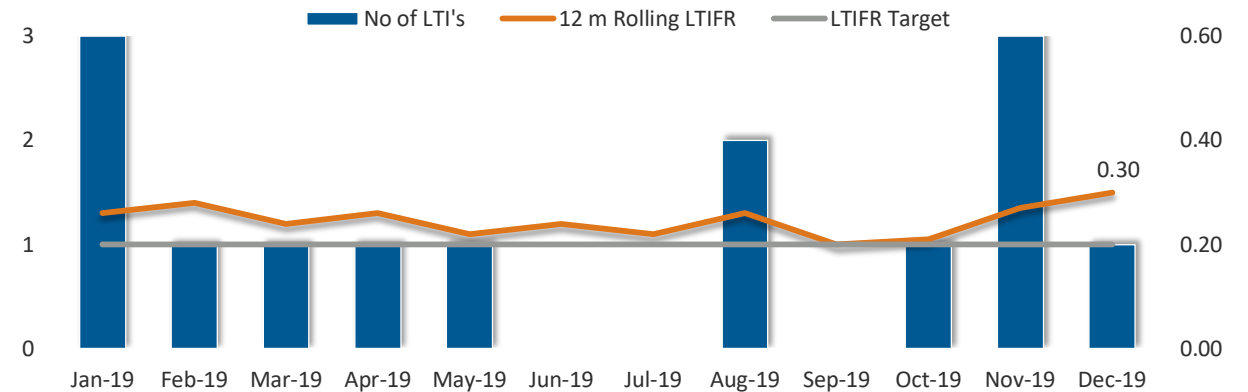
Sishen – South Africa



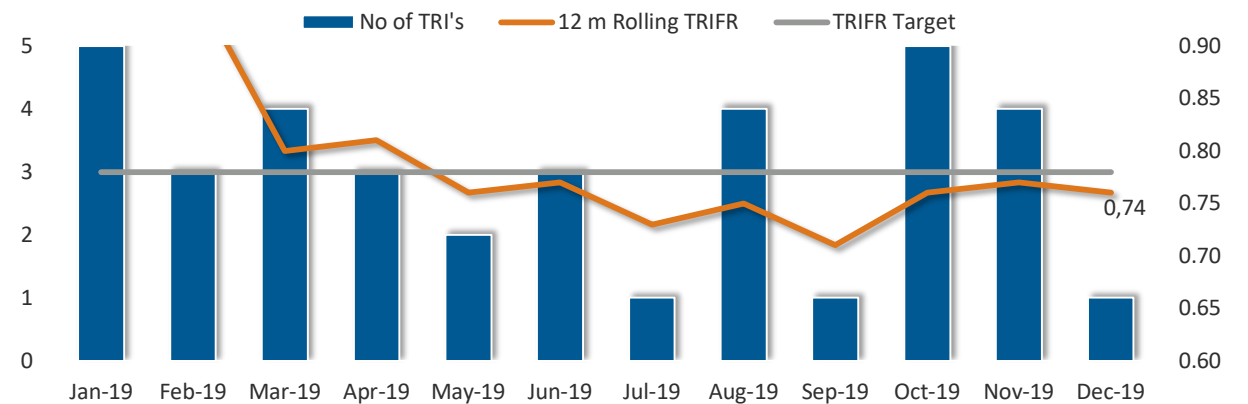
# SAFETY, HEALTH & ENVIRONMENT

- Zero fatalities
- Zero environmental incidents
- TRIFR tracking below target of 0,78
- Commendable performance at:
  - Kolomela Mine with 1036 LTI free days
  - Union Mine with 600 LTI free days
- Continued focus Visible Felt Leadership

### 12 MONTH ROLLING LTIFR



### 12 MONTH ROLLING TRIFR

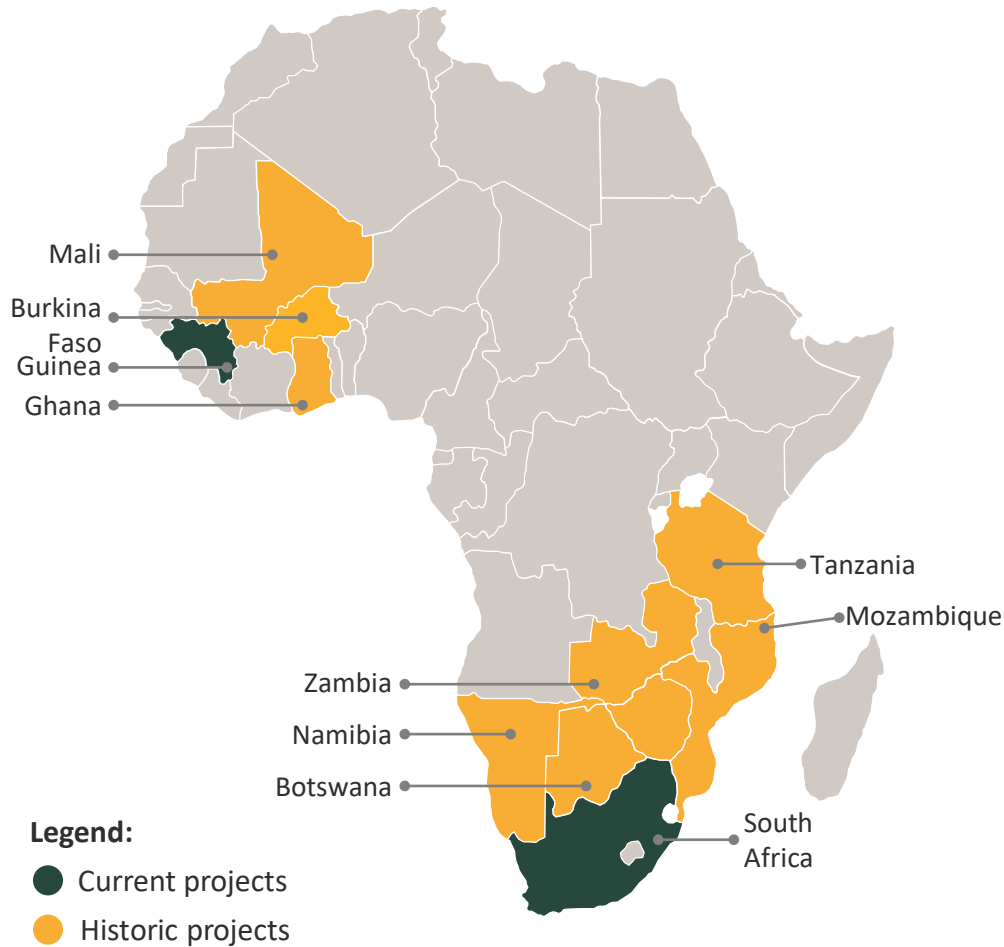


- Turnaround strategy gaining traction:
  - Net operating profit increase significantly y-o-y from R166 million loss to R117 million profit
  - Five Contract extensions completed
    - 96% of FY20 revenue secured and 53% of FY21
    - 25% of FY21 revenue in near orders
  - Improved performance at Gamsberg
  - Management team being rebuilt







*Kolomela – South Africa*

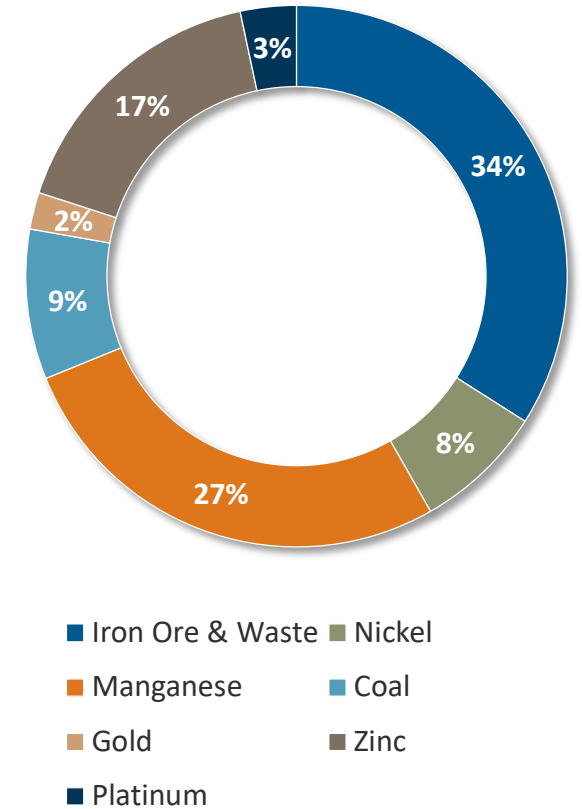
## FOOTPRINT



## CAPABILITY

-  Excavators / Face Shovels  
Mass range : 170 – 700 tonnes
-  Dump Trucks  
Mass range : 100 – 200 tonnes
-  Drill Rigs
-  Support Equipment

## TWO-YEAR ORDER BOOK COMMODITY SPLIT





## FAST FACTS

- Customer: Platreef Resources
- Commodity: Platinum
- Five underground stations
  - Final shaft depth of 982m
- Duration: 2014 to current



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PROJECT  
MANAGEMENT  
OFFICE



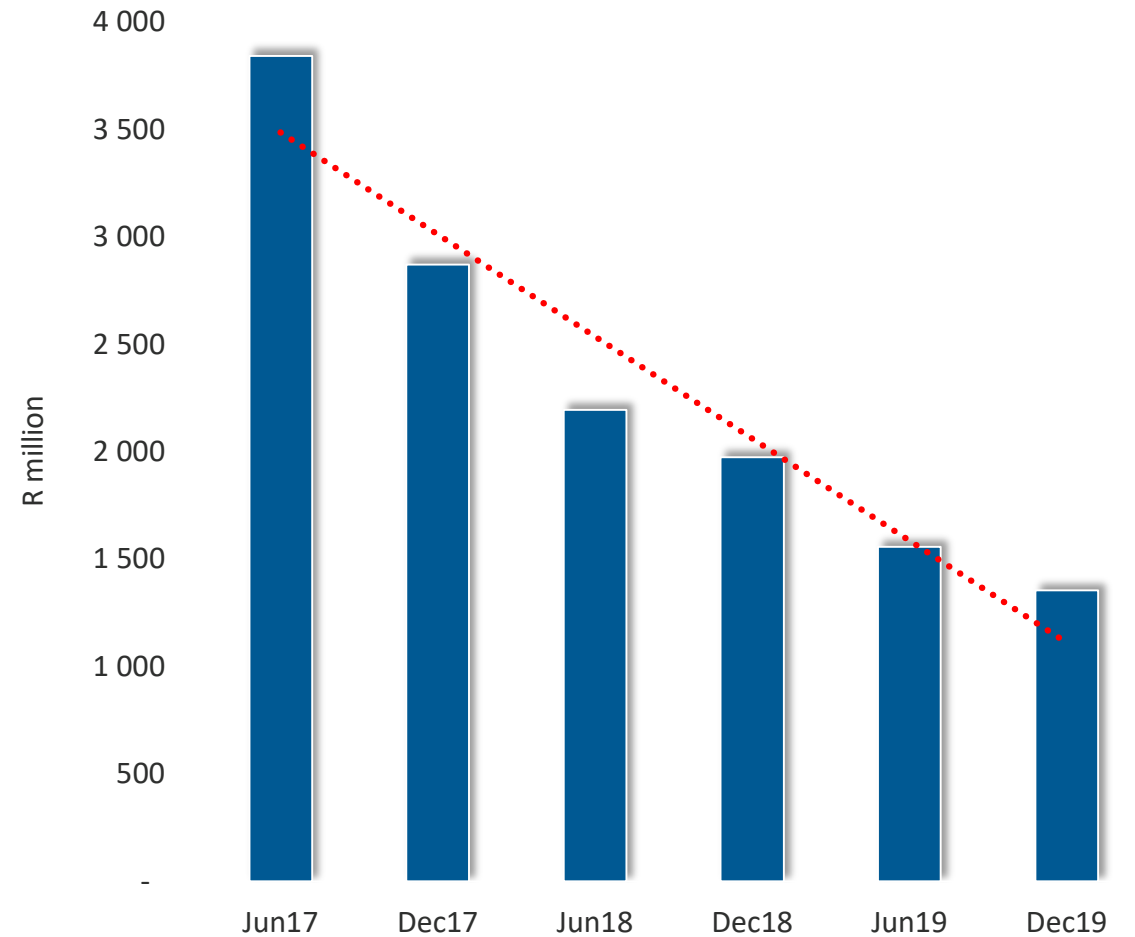
## Non-Core Assets

- Aveng Construction: South Africa – underlying R142 million net operating loss and R400 million cash outflow
  - Mainly impacted by Leonardo project
  - Four live construction contracts in Group being managed to completion
- Manufacturing – R7 million net operating profit and R14 million cash outflow
  - Impacted by ongoing losses at Duraset and Infraset due to weak market conditions coupled with operational underperformance
- Steel – R50 million net operating profit and R205 million cash inflow.
  - Bulk inventory sales contributed to positive cash performance
  - Restructured Tube and exited Gauteng Merchanting divisions
  - Outlook remains positive for the remaining service centre business

# ESTABLISHMENT OF PROJECT MANAGEMENT OFFICE

- Tasked with overseeing the phase out of all non-core assets
- Ensure remaining active projects and projects subject to defect liability periods are managed to completion
- Collection of all outstanding performance and retention bonds
- Resolution and collection of remaining contract entitlements

## SOUTH AFRICA BOND EXPOSURE





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OUTLOOK



Modbury Hospital upgrade Render – Australia

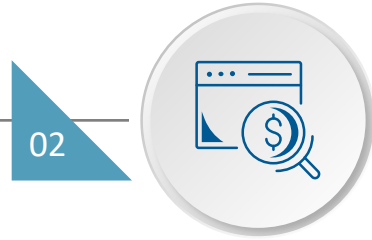




01

## Australia

- Industry forecast 3% growth for next three years
- Expanding pipeline of transport, infrastructure and energy projects
- Increased competition
- Strong demand for specialist skills



02

## New Zealand and Pacific Islands

- Construction market remains buoyant
- Government led infrastructure investment of NZD12 billion
- Industry forecast 3,4% growth for next three years
- Landscape remains competitive



03

## South East Asia

- Construction industry forecast 6% growth for next three years
- Rapid population growth increasing pace of urbanisation
- Highly competitive market in non-specialised segments



04

## Built Environs Australia & New Zealand

- Commercial construction in Australia expected to record a CAGR\* of 4.79% to 2022
- Infrastructure activity underpinned by government and private sector investment plans
- Commercial construction in New Zealand expected to record a CAGR\* of 6.97%

\*CAGR – Compounded Annual Growth Rate

# MARKET CONDITIONS | Moolmans

01



## Sub-Saharan Africa

- Opportunities coming on stream
  - Coal & Zinc
  - 19% (CAGR\*) increase to 2025

02



## Central Africa

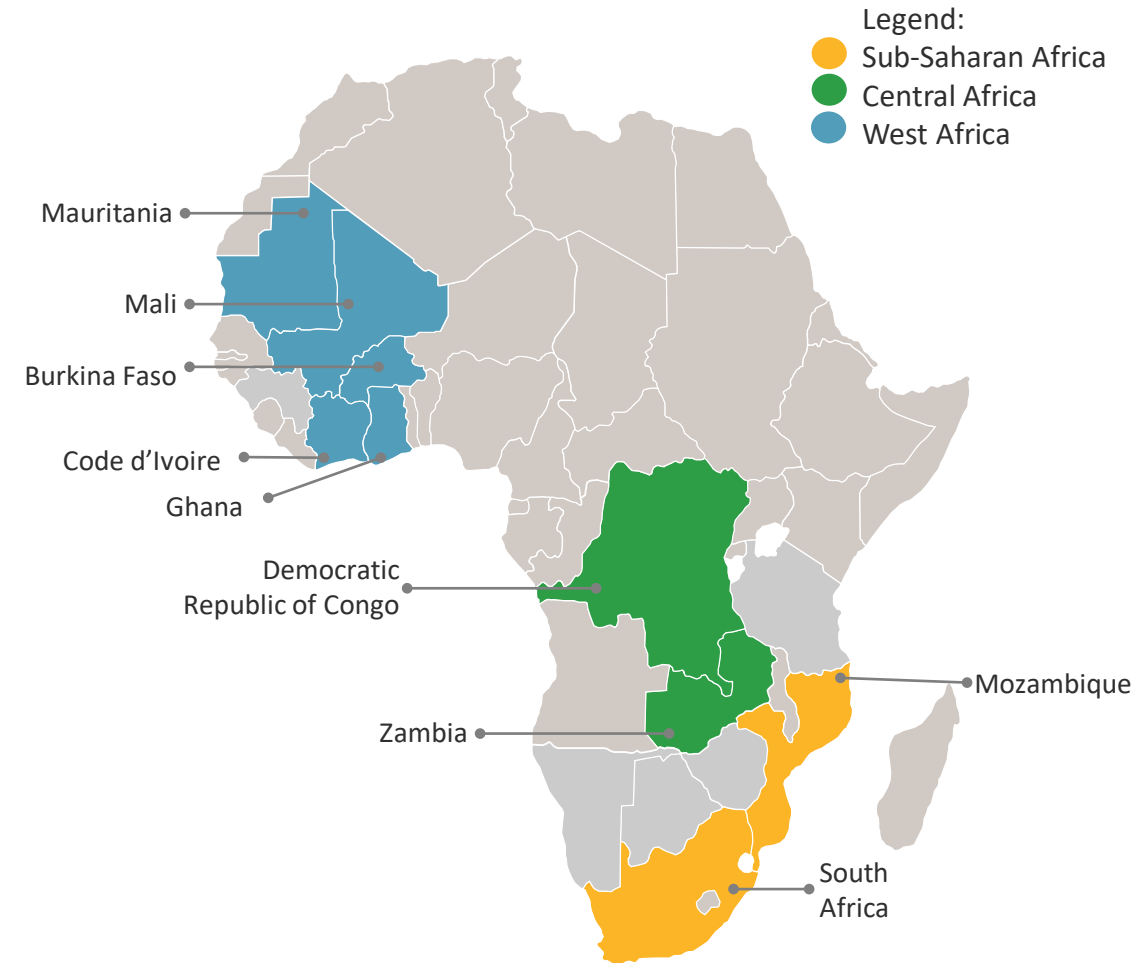
- Opportunities coming on stream
  - Copper, Gold & Cobalt
  - 52% (CAGR\*) increase to 2025

03



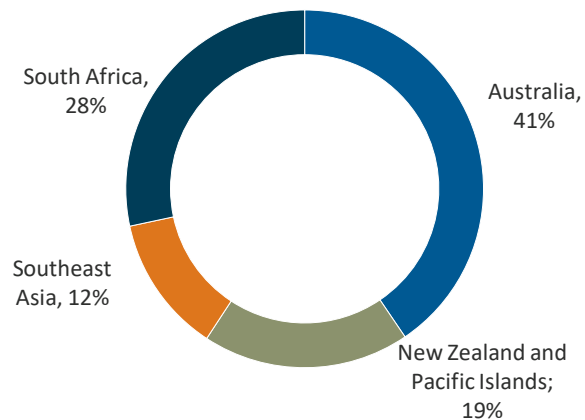
## West Africa

- Opportunities coming on stream
  - Gold, Iron and Copper
  - 24% (CAGR\*) increase to 2025

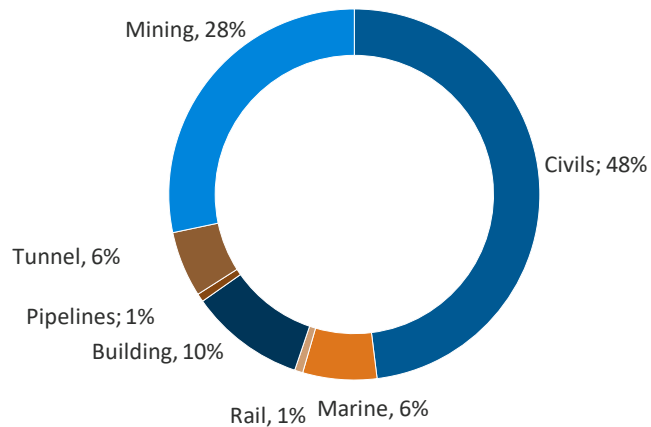


\*CAGR – Compounded Annual Growth Rate

## TWO-YEAR ORDER BOOK BY GEOGRAPHY



## TWO-YEAR ORDER BOOK BY SECTOR



## TWO-YEAR ORDER BOOK

	HY 2020 Rm	FY 2019 Rm
McConnell Dowell	12 851	11 686
Moolmans	5 072	5 980
<b>TOTAL</b>	<b>17 923</b>	<b>17 666</b>



# KEY FOCUS AREAS OVER NEXT SIX MONTHS

- Continuously improving operational performance on both core assets
- Optimise quality of order book
  - Size and embedded margins
- Positive cash generation
- Further reduction in costs
- Reduce debt and finance charges
- Complete the disposal process





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THANK YOU