

Conference call transcript

22 July 2019

MARKET UPDATE

Operator

Good day ladies and gentlemen and welcome to the Murray & Roberts market update. All participants are currently in listen only mode and there will be an opportunity for you to ask questions later during the conference. If you should need assistance during the call please signal and operator by pressing star and then zero. Please also note that this call is being recorded. I would now like to turn the conference over to Ed Jardim. Please go ahead.

Ed Jardim

Good morning and thank you for the time to attend this investor call. I have on the call with me Suresh Kana, Chairman of the independent board of Murray & Roberts, Ralph Havenstein, lead independent non-executive director and independent board member, and Christo Els, Darrel Dingley and John Foreman, legal advisors to the independent board. The subject matter of this call is to announce the release on Friday 19 July concerning the media statement by the Competition Commission regarding its recommendation to the Competition Tribunal that the merger involving ATON and Murray & Roberts be prohibited. In terms of the format of the call Suresh Kana will read out the SENS announcement released on Friday followed by a statement as prepared by the independent board. Finally we will provide an opportunity for questions and answers. I would now like to hand over to Suresh Kana.

Suresh Kana

Good morning everyone. The independent board is still considering the recommendation by the Competition Commission together with its advisors. After our SENS announcement on Friday a further statement has been made by the Competition Commission giving greater detail on its recommendation. We will summarise the salient points during this call and will publish the full statement on SENS during the course of today. In addition, there may be further announcement in the coming days. I will now read the Murray & Roberts SENS announcement released on Friday with the exception of the full media statement released by the Competition Commission which was included in our full SENS announcement, so the announcement regarding the recommendation by the Competition Commission of South Africa relating to the mandatory offer by ATON GmbH referred to as ATON.

Shareholders are referred to the various announcements published on SENS regarding ATON's mandatory offer in terms of section 123 of the Companies Act, 71 of 2008 to all Murray & Roberts shareholders, other than ATON or ATON's affiliates, to acquire all the remaining issued and to be issued ordinary shares of Murray & Roberts not already owned by ATON (referred to as the Mandatory Offer). The Mandatory Offer is subject to the fulfilment or waiver, as the case may be, of certain conditions precedent, including obtaining merger control clearances or approvals from the competition authorities in all relevant jurisdictions, specifically the South African competition authorities. So moving on to the Competition Commission's recommendation. Shareholders are advised that on 19 July 2019 the Competition Commission of South Africa published a media statement regarding its recommendation to the Competition Tribunal of South Africa that the merger involving ATON and Murray & Roberts be prohibited. That is referred to as the recommendation. The Competition Commission has not yet provided the parties with the full reasons for its recommendation. The independent board of Murray & Roberts together with its advisers will review the reasons for the recommendation once received.

The guidance we provide to shareholders is as follows. Shareholders are advised that ATON has the right to contest the recommendation. Should ATON decide to contest the recommendation, a pre-hearing conference will be convened by the Competition Tribunal within 10 business days of the recommendation. At the pre-hearing conference, a timetable will be determined. The Competition Tribunal will thereafter determine an appropriate set-down date for a merger hearing. Following the merger hearing, the Competition Tribunal, having reference to the recommendation, can either prohibit the merger or approve it with or without conditions. Should ATON decide not to contest the recommendation, the mandatory offer will fail in accordance with its terms. The Independent Board will continue to engage with the regulators as required and update shareholders regarding all relevant developments regarding this matter. Ladies and gentlemen, this is the end of the SENS announcement.

In addition to the SENS announcement the independent board provides the following statement. Ordinarily the parties to a merger would submit a joint merger certification to the Competition Commission. ATON lodged an application for permission to submit separate merger notifications to the Competition Commission on 26th March 2018. On 10 April 2018 the Competition Commission directed Murray & Roberts to file a separate merger notification. Murray & Roberts submitted its separate merger notification on 24 May 2018, and thereafter provided responses to questions asked by the Competition Commission throughout its investigation.

The Competition Commission and the Competition Tribunal are independent institutions and investigate and adjudicate mergers, taking into consideration a multitude of factors including the views of customers and competitors of the parties. As mentioned at the beginning of this call, the Competition Commission late on Friday afternoon after our SENS announcement published a further statement giving greater detail on its recommendations. In summary the Commission considered the effects of the proposed transaction and found that the merging parties are close competitors in the underground mining market in South Africa. They found evidence of substantial and ongoing competitive interactions between the merging parties in shaft sinking, raise boring, contract mining and mine development and underground construction.

They also found that for a number of reasons there are a limited number of firms that would be able to impose a competitive restraint on the merged entity post mergence. So it found that both the public interest commitment and the efficiencies proposed by ATON were not likely to outweigh the significant competition concerns identified during their assessment of the merger, and it is therefore of the view that the proposed transaction will result in a substantial prevention or lessening of competition. The independent board notes the proposed transaction and accordingly the offer remains subject to the approval of the Competition Tribunal. Thank you, I will now hand you over to Q&A.

Ed Jardim

Thank you Suresh. We will now provide an opportunity for questions. After a question has been asked I will direct the question to the appropriate person to answer. Just a reminder, the group is currently in a closed period and will not be able to answer questions on the group's operational performance unless information is already publicly disclosed. I would now like to hand over to Chris to begin the Q&A for us.

Operator

Thank you very much. Ladies and gentlemen, at this time if you do wish to ask a question please press star and then one on your touchtone phone. If you decide to withdraw your question please press star and then two to remove yourself from the queue. Again, if you wish to ask a question please press star and then one. Our first question is from Mark ter Mors of Standard Bank. Please go ahead.

Mark ter Mors

Good morning everyone. Thank you very much for the update. I have two questions if I may. The first one is an estimate of the current market shares and the combined market shares if the deal were to go ahead between Redpath in South Africa and Murray & Roberts underground in South Africa. And a second question. Is there an updated estimate of what the ATON ownership would be at this stage? And does that include the undertakings or is that clear, full ownership of the Murray & Roberts shares by ATON? Thank you.

Ed Jardim

Perhaps if I can answer your second question in terms of the ownership of ATON. That ownership is currently at around 44% of Murray & Roberts' issued shares.

Mark ter Mors

Thank you. And would that include undertakings of potential sellers if the R17 cans offer would hold? Is this where they have full ownership already of Murray & Roberts shares?

Ed Jardim

Mark, we don't have any visibility of that.

Ralph Havenstein

Mark, on the first question we are not in a position to actually answer that question and provide that information.

Operator

Thank you. Ladies and gentlemen, a reminder if you wish to ask a question please press star and then one now. Sir, it would appear we have no further questions. My apologies, we do have from John Barker of Bloomberg News. Please go ahead.

John Barker

Hi there. Just one question really. Do you have any visibility on what would happen to the ATON ownership if indeed the Competition Tribunal rules against this deal?

Christo Els

Hi John. It's Christo from Webber Wentzel. I think that question is a little bit premature at this stage. The process is still unfolding. It needs to be decided on by the Competition Tribunal. Maybe the regulators may have a view on that shareholding post the 7th, but the transaction must obviously first go through the regulatory process.

John Barker

Okay. Sorry if I missed this, but when will the Competition Tribunal make the ruling?

Darrel Dingley

It's Darrel Dingley here from Webber Wentzel. It's difficult to determine at this stage. If ATON was to contest the recommendation then it's likely that we will have a pre-hearing conference within ten business days of last Friday and the timetable will be drawn up for proceedings in the coming months. So it's difficult to determine at this stage because it will very much depend on the Tribunal's role and when there is availability to hear it, how long that hearing will be, and

whether there will be any interlocutories. So we don't have a sense at this stage as to when that actually is going to happen and when the Tribunal will arrive at its decision.

John Barker

Okay. Thanks very much.

Operator

Thank you. Ladies and gentlemen, again if you wish to ask a question please press star and then one now. Sir, we have no questions in the queue.

Ed Jardim

Thank you, Chris, and thank you ladies and gentlemen for your time on the call. I'd like to conclude the call with that then.

Operator

Thank you very much sir. Ladies and gentlemen, that then concludes this conference call and you may now disconnect your lines.

END OF TRANSCRIPT