MURRAY & ROBERTS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1948/029826/06
JSE Share Code: MUR
ADR Code: MURZY
ISIN: ZAE000073441

("Murray & Roberts" or "Group" or "Company")

SEVENTY-THIRD ANNUAL GENERAL MEETING: BUSINESS UPDATE

The Group released its FY2021 annual financial results on 1 September 2021 and Annual Integrated Report to stakeholders on 30 September 2021. Full details of the Group's financial results and Annual Integrated Report have been published on the website at www.murrob.com.

Murray & Roberts is a multinational engineering and construction group, targeting the natural resources, industrial, energy, water, and specialised infrastructure market sectors. These are market sectors with robust fixed capital investment fundamentals, which are expected to benefit from extensive investment earmarked for a post-pandemic infrastructure-led economic recovery, and which will underpin the global shift towards clean energy and a reduction in carbon emissions.

Operationally, the Group is structured into three business platforms and its target markets present the best growth potential for these business platforms.

The Group's exposure to the natural resources, industrial, energy, water and infrastructure markets, and its strong order book, holds the potential for meaningful earnings growth in FY2022 and in the medium term thereafter.

ORDER BOOK AND SOLE-SOURCE PROJECT OPPORTUNITIES

The Group reported a large, quality order book of R60,7 billion at the end of the previous financial year, being 30 June 2021. The order book includes several multi-year projects.

The Group currently generates revenue from its order book of between R2,0 billion and R2,5 billion per month and is maintaining the order book value at about R60 billion through the systematic addition of new project awards.

The project pipeline is robust and includes projects which are being negotiated on a sole-source basis. It is anticipated that the largest of these projects, with a Group order book contribution of circa R20 billion, will be awarded to the Energy, Resources & Infrastructure platform during the current financial year.

BUSINESS PLATFORM UPDATE

Energy, Resources & Infrastructure – This multinational business is mainly focused on the Asia-Pacific region and the Americas. After several years of strategic repositioning to diversify away from its dependence on a single-cyclical market in Australian LNG, the platform strongly returned to profitability in the prior financial year.

At the end of October 2021, Clough North America Holding Incorporated, a wholly owned subsidiary of Murray & Roberts Limited, concluded the acquisition of J.J. White Inc. ("JJ White"), headquartered in Philadelphia, Pennsylvania, United States. JJ White specializes in industrial maintenance and related construction services that cover a full range of mechanical and electrical disciplines. The acquisition is part of the Group's strategy to diversify and expand the service offering of its Energy, Resources & Infrastructure business platform in North America, similar to its recent market sector diversification in the Asia-Pacific region, which translated into significant order book growth. This strategic investment presents potential for market share expansion and is forecast to provide good returns in the medium term.

The order book is stable at R37,2 billion as at 30 September 2021 (June 2021: R37,0 billion). The platform's target markets are prospering, with Australian public and private sectors continuing to invest heavily in economic and resources infrastructure.

Significant levels of revenue for FY2022 and FY2023 have been secured, underpinning the expectation of strong earnings growth from this platform over the next three years. Project delivery is progressing according to expectation and there are no underperforming projects in the portfolio.

Mining – This multinational business comprises three regional businesses in Africa, the Americas and Australasia, and is the business platform that has been the most severely impacted by the COVID-19 pandemic. The platform has done well to grow its order book during the previous financial year and to protect its book from declining through the period of the pandemic, especially in the Americas.

Recovery of the world economy has resulted in a significantly increased demand for commodities. The start of a much longer structural bull market has been foreshadowed in the global forecasts of several investment banks, which point to a super cycle of commodities that supports the increased efforts to decarbonise the economies of the world. These market conditions bode well for mining investment and increasing demand for this platform's services.

The platform is anticipating order book growth, especially from the Americas, mainly during the second half of the current financial year, thus the current financial year is not expected to record much earnings growth relative to the prior year. The Group is anticipating accelerated growth in the medium term, given its high share of the regional markets in which it operates.

The order book is strong and the near-term project pipeline is expanding. The order book decreased to R20,8 billion as at 30 September 2021 (June 2021: R23,2 billion) due to an agreement reached with Kalagadi Manganese, which agreement is subject to lenders' approval, for the consensual termination of the mining contract as at 28 February 2022, 16 months earlier than the contractual completion date. This termination is expected to have a marginal impact on platform earnings for the current financial year.

Power, Industrial & Water – This sub-Saharan focused business continues to face challenges due to a lack of infrastructure investment in this region.

The platform continues to perform routine, relatively small maintenance and outage works at Medupi and Kusile respectively. Several transmission tenders invited by Eskom are under adjudication and it is anticipated that some of these projects will be secured in the short term. In addition, the imminent investment in the South African renewable energy sector, together with the urgent expansion required of Eskom's transmission network, should provide potential for this business to return to profitability in the medium term.

The platform recently established a solar business to pursue industrial photovoltaic opportunities up to 10MW in scale and has secured its first projects, albeit on a small scale. With the increase in the unlicensed self-generation limit from 1MW to 100MW, this business is likely to see more prospects in the medium term. As a result, several cooperation arrangements have been concluded with technology owners to pursue these opportunities.

Investment in the South African water sector continues to be fragmented, notwithstanding the urgent need for investment in the wastewater sector. The platform holds the licence for the Organica wastewater technology in Africa and is relocating its Organica demonstration plant from eThekwini to the V&A Waterfront in Cape Town to supply water under a 10-year contract. This is a significant breakthrough as it will be the first commercialised application of the Organica wastewater technology in South Africa.

The order book was R0,6 billion as at 30 September 2021 (June 2021: R0,5 billion). It is anticipated that new orders will be secured with Eskom for transmission lines and with independent power producers in the renewable energy sector, during the second half of the current financial year.

Bombela Concession Company

The Bombela Concession Company operates the Gautrain system, which is experiencing low passenger demand and resultant low ridership levels. Passenger demand is anticipated to remain subdued until infection rates from the COVID pandemic are curtailed.

Current ridership is circa 16 000 passengers per day, compared to circa 55 000 passengers per day prior to the pandemic. Currently, no impairment of this investment is being expected, and it is anticipated that the annual fair value profit adjustment of about R200 million will be maintained.

Closure of business in the Middle East

The Group's exit from the Middle East is progressing and as previously announced, a sale and purchase agreement was concluded with a UAE-based investment company for the sale of the Group's Abu Dhabi and Dubai companies. Regulatory approval is a pre-requisite for the shares to be transferred to the purchaser and has not yet been obtained.

Although the Group will retain certain potential contingent liabilities post the sale of these two companies - which will be appropriately managed - the conclusion of the proposed transaction will reduce the outflow of ongoing legal fees and costs of maintaining an office in the UAE.

PROSPECTS STATEMENT

Continuing operations returned to profitability in FY2021, and it is expected that the Group has entered a multi-year period of strong earnings growth. This view is supported by the growing demand for the Group's services as evidenced by its current order book of about R60 billion, which is anticipated to grow even further.

Over the next three years, the Group expects most of its revenue to be generated by its two international business platforms, being the Mining and the Energy, Resources & Infrastructure platforms. Both platforms have established credible positions in regions and sectors with sustainable growth prospects.

The information contained in this Business Update has not been reviewed and reported on by the Group's external auditors.

Bedfordview
2 December 2021

Sponsor
The Standard Bank of South Africa Limited