Murray & Roberts

Conference call transcript

1 September 2022

ANNUAL RESULTS PRESENTATION TO ANALYSTS
YEAR ENDED 30 JUNE 2022

Ed Jardim

Good day, ladies and gentlemen. Welcome to the Murray & Roberts results for the year ended 30 June 2022. We had our employee presentation this morning. And I must say it's really wonderful after such a long time apart to actually see people in the room with us again. So, thank you very much for your time in being here today. Before we kick off, just a quick note on safety. In the unlikely event of an emergency, an audible alarm will sound. You have two evacuation exits off of this floor. The first one is out the door here to my left, turn sharp left again, here where the bathrooms are there's an emergency exit door there. You depress the box next to the glass and the door will release. You make your way down to the ground floor, out and around the building towards the public parking space across the road from the building. And that is the emergency assembly point.

Your second exit off of this floor is once again out these doors to my left towards the lift lobby. There are a set of stairs on either side of the lift. Please do not use the lifts. Please go down the stairs all the way down to the ground floor, out the main entrance where you would have entered this morning, across the road to the public parking space where we will do the emergency assembly. We have no drills planned for today. So, if there is an alarm, it'll be a real emergency. And our HSE staff and our security staff will assist with the exit. As I mentioned the bathrooms are out these doors to my left and left again. They are unisex bathrooms.

Also, a big welcome to our stakeholders on the webcast as well as on the call. Great to have you with us. Just a reminder with regards to questions, we are going to have opportunity for Q&A towards the end of the presentation. For those on the webcast, you have a question button on the top left hand side of your screen. Please click on that button. A dialogue box will open up which you can ask your questions. And it will pose to us here in the room. And we'll make sure we go through those questions at the end of the presentation. And of course, we'll open for questions to the floor and the call as well. With that, I'd like to ask a Group CEO, Henry Laas, to kick off for us. Thank you, Henry.

Henry Laas

Ladies and gentlemen, good afternoon. It is good afternoon now, five minutes past 12. It's really, really nice to see all of you in this room. It's been two and a half years. Can you imagine? Two and a half years since we since we had an in person presentation. We still have many people attending to the webcast and the conference call. Also welcome to all of you. It's really nice to have you in this room. A special word of welcome to the Chairman of the Murray & Roberts Holdings board. Professor Kana is with us today. Welcome, Suresh. Nice to have you with us. And I'm also very pleased to see that we have almost a full room this afternoon.

Okay, I've decided for this year's results presentation to invite some of my colleagues that will co-present with me. So, Daniel and I will deal with group matters. And then I've asked the CEOs of our three business platforms to also present today. So, Peter Bennett will present on the Energy, Resources & Infrastructure platform, Mike da Costa on the Mining platform, and Steve Harrison on the Power, Industrial & Water platform. And we did a presentation this morning to our staff, and they were really very pleased with the fact that we had the other

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CEOs also presenting. And I think they are able to present with more colour than myself and Daniel talking about their businesses.

Just a very broad comment on the strategy. As you know that the strategy that we follow within the group, we call this the new strategic future. And that is the plan that we've adopted to transition Murray & Roberts away from the South African civil construction company to become a multinational engineering and contracting group. And it's five aspects or five pillars to this plan. The first is to position ourselves as a multinational business, which means that we have to find ourselves in geographic markets where we believe the best growth potential is for businesses. And secondly, also we need to position ourselves in the market sectors where we believe we will achieve the best growth.

Secondly, from a capability point of view, it was important for us to enhance our capabilities so that we are able to provide a service across the lifecycle of a project. Now, those two aspects of our plan I think we have delivered on, and we have achieved. And for that reason, we have rated our performance as green. That is the positioning part of our plan, where to position yourself geographically and in which market sectors, and to make sure that we have the capability within the group to service the markets that we are targeting. Those two parts of the plan is green. The other three aspects I think will always be work in progress. That talks more to our performance.

The first element of that is engineered excellence, which is the philosophy that we adopt within the group. And that is to achieve excellence in whatever we do. And it is engineered excellence, which means it doesn't happen by chance. We plan to achieve a certain outcome. And then we implement that plan, and we make sure that we achieve an outcome of excellence, whether it is the way in which we manage our people in the organisation, the way in which we build our projects, in each and every aspect of what we do in the business, we do it with an approach of engineered excellence, a philosophy of engineered excellence.

The fourth pillar is to achieve growth through acquisition and organic growth, and finally, and ultimately, to enhance shareholder value. And as I say, these last three pillars, I don't think we will ever get to a point that we can say we can rate this green. It will always be working progress. But we have positioned the group geographically and in the market sectors where we believe we have to be. And that part of the plan I think is implemented, and there's not much more work to be done in that aspect.

Operationally, we are organised into three business platforms, Energy, Resources & Infrastructure, Mining, Power, Industrial & Water. Three separate business platforms. Each of them is managed by a separate CEO and these three CEOs will be presenting together with myself and Daniël this morning. But we share a common purpose, we share a common vision and a common set of values within the organisation. What we try to show on this map is how Murray & Roberts has achieved this multinational footprint that we've been aspiring to achieve for quite some time.

We divided the world map into three main regions: North America, EMEA and the APAC region. And you see different coloured dots that represents the offices that we have. In Johannesburg, there is a black dot for the corporate office. And the green dots represent Energy, Resources & Infrastructure offices. The yellow dots, Mining platform offices, and Power, Industrial & Water is the third platform, the blue dots. And so, if we can start with the EMEA region first, the corporate office in Johannesburg, where you have the black dock. And in Johannesburg and Cape Town, you'll see two blue dots. And that is where we have offices for our Power, Industrial & Water platform. And then up in Africa, we've got two Mining offices, one Kitwe in Zambia, the other one in Accra in Ghana. And then north in Scotland, we have an office for the Energy, Resources & Infrastructure platform, with the Booth Welsh business, which operates out of that office.

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In North America, the USA and Canada, several offices for the Mining business and several offices for the Energy, Resources & Infrastructure business. And then in the APAC region, also several offices for the Mining platform and several offices for the Energy, Resources & Infrastructure platform. So, a formidable coverage of the markets that we would like to penetrate, but also the geographic regions that we would like to penetrate. And for that reason, we are very confident and comfortable that this aspect of that strategy we've delivered on, and we don't need to go beyond what we currently have. We can service as your markets very well from where we are based.

I'm going to talk about the results a little bit in context. And I'm using the words 'in context' because we need to understand it around what happened during the pandemic and after the pandemic. The first set of information in the top left of this of this slide refers to revenue. And we start in 2019, which is pre-COVID. 2019 is pre-COVID. You can see in 2022, the revenue actually increased significantly from where it was in 2021 from R22 billion to R30 billion. On the EBIT slide, prior to COVID in 2019, we recorded earnings before interest and tax of R847 million.

And then we had a major impact of COVID in 2020. That was the year when almost all of our projects came to a grinding halt. We were not able to progress any of our work, and there was a material impact. And for that reason, we recorded that loss of R17 million. But the pandemic started in 2020. And we felt the impact into 2021 into that financial year, more from a point of view of virus infections and our inability to mobilise people onto project sites and our inability to progress the works the way we wanted to because of isolation and restriction our people could engage on project sites. So, the earnings before interest and tax in 2021 improved to R540 million.

But in that year, we started to encounter a further impact of the pandemic. And that is when the impact started to filter through into our supply chain. And that impacted us in 2021. It impacted us in 2022. And we still have impact in the new financial year, 2023. And supply chain is, is a problem for us. And also, when we do our procurement and shipping, it does not happen as efficiently as we would expect, and it does impact your progress on your projects. And also, currently we're dealing with an environment where we have escalating inflation.

So, the earnings before interest and tax at R705 million, it is not where we wanted it to be. So, our margins have been impacted and the margins are down. If you only compare pre-COVID to last year, 2019, R20 billion of revenue delivered R847 million of earnings before interest and tax. In 2022, R30 billion of revenue delivered only R705 million of earnings before interest and tax. So, you can see that the margin in the business, our operating margin is below our expected range of 3% to 5% for the reasons that I've mentioned.

The bottom left part of the slide is also very important information showing the order book. An engineering and contracting company without an order book is not a business. It's not like a retail organisation where you've got feet walking into your business and buying on a regular basis. Without an order book, you cannot really run an engineering and contracting business. And we believe that the size of the order book and the quality of our order book is proof of the impact that our strategic change in the business has achieved. We are comfortable that our strategy has delivered on supporting the business with a phenomenal order book.

But it's not only the order book, it's also near orders. And we will get to that in a bit more detail later on. Near orders of R60 billion. I mean this is just extraordinary. It is a fantastic order book that we have within the group. It is a fantastic set of near orders. But as I've already mentioned, we do sit with a scenario in the reporting

period to June 2022 that your margins came under pressure, and we could only report 2.4% operating margin compared to our expected range of 3% to 5%.

Just at a very high level, the results salient features. Revenue we have spoken about, up from R20 billion to R30 billion. Continuing earnings before interest and tax, it looks like a good increase from R514 million to R705 million. But as I said, we would have loved the R705 million to be a little bit more. And diluted continuing HEPS improved from 16 cents a share to 58 cents a share. That is notwithstanding the supply chain disruption that we are still experiencing, and the escalating inflation environment that we have to build our projects in within the Australian region and the Americas.

The growth predominantly came from improvement in our Energy, Resources & Infrastructure platform. Mining revenue was up slightly. Earnings were down slightly. And the Power, Industrial & Water platform reported to reduced loss in the past financial year. Now, I know we've been criticised for quite some time. Why are we still persisting with this business within the group? And I think we are at the point of breakthrough where this business is ready to return to profitability. The investment which is happening in South Africa and the accelerated investment in utility scale renewable energy is going to give us the opportunity which we haven't had for a long period of time in this business. We haven't had an opportunity compared to what is ahead of us now. And we believe that we will return to profitability in financial year 2023.

The order book I have spoken about. Just one further observation. In an order book of R60 billion, R29.8 billion is scheduled for financial year 2023. And that is the level of revenue that we've achieved in the previous financial year. So, we do expect strong revenue growth to continue into financial year 2023. Net debt of R1.1 billion compared to a net cash position of R700 million in the 2021 financial year. So, the movement in debt is predominantly due to an increase in working capital which was required to support the growth that we reported in this year. Earlier on, I said to the staff that we presented to that revenue improves by 50%, from R20 billion to R30 billion. And then Daniël ran the numbers and he said, no, it improved by 36% from R21.9 billion to R29.9 billion. So, I said we will just round it up to 50%. So, revenue was up by 50%. And when you achieve those levels of growth and expect that growth to continue into the new financial year, it does require increasing levels of working capital. And that is reflected in the net debt position that we closed out on in June 2022.

I want to talk to you about a few more slides, explaining in a bit more detail the order book. As I said earlier on, this is ultimately a primary requirement for an engineering and contracting group. You must have an order book. Without that you don't have work. On the right hand side, you see the total for the group. It starts off with June 2021, the end of the previous financial year, and then into the reporting period. You can see we maintained at R60 billion, an order book of R60 billion. So, if you started the financial year with R60 billion, and you've closed the financial year with a R60 billion order book, and your revenue during the year was R30 billion, that means that during the course of that year, you have secured R30 billion of work to maintain that order book after you've burned R30 billion of revenue.

That is a phenomenal achievement, for an organisation to be out in the market, and to bid and to respond to tender inquiries, and to end up winning R30 billion of new work during a 12 month period. That is quite an achievement. And I think that would not have been possible, if it wasn't for the strategy that we've implemented in the group, and the way in which we have positioned ourselves in our target markets to respond to the opportunities that we see in those markets.

The Energy, Resources & Infrastructure platform as well as the Mining have each maintained their order book during this period, and Power, Industrial & Water a very low order book, R500 million, but when you listen to Steve a little bit later, he will explain to you that we’re quite excited about opportunities in bid window five

where financial close will be reached at the end of September for the renewable energy in South Africa. And we are well positioned for a significant flow of orders associated with that work.

Just another way of looking at the order book, to the left we have to see platforms under the heading platform, and to the right of that is a split trying to explain what percentage of that order book is in the SADC region, and what percentage of that order book is in the international market. So, for Energy, Resources & Infrastructure 100% of that order book is in the international market. For mining 45% is in the SADC region, 55% international, and Power, Industrial & Water, the small order book that they have, all of it is in the SADC region. So, for the group as a whole 17% SADC region, and 83% is international. The set of information to the right of that column compares the order book June 2021 to June 2022. And we've looked at this detail in some of the previous slides, basically maintaining the order book at the levels we had at the end of the previous year and then for the group at R60 billion.

And to the right, we have a time distribution of the order book. And what we tried to do there is to take the June 2022 order book, for example, for the ERI platform, and to break that down over time. So, of the R37.2 billion, R18.6 billion is scheduled for implementation in financial year 2023. And we've done the same for Mining and we've done the same for the PIW platform. And then we have totalled it at the bottom for financial year 2023, 2024 and beyond 2024. And there you can see that we have R29 8 billion of revenue secured for financial year 2023 at the beginning of this year. And for that reason, we can say with reasonable degree of confidence that revenue for financial year 2023 should be circa R40 billion.

So, if you just look at the trajectory over the past couple of years in 2021 it was just over R20 billion, in 2022 it was R30 billion, and in 2024 we're looking at R40 billion of revenue. So that is the growth path that the group is on at this stage. And as I mentioned earlier on, when you grow business at the spice it does consumes working capital, and we have proactively put measures or plans in place to deal with that. And Daniël will expand on that a bit later.

Up till now we've spoken about orders and near orders. I just want to differentiate between all the different terminologies that we use when we describe our pipeline. The order book is all contracts that we have signed with clients to do project work for them. So, we are in the process of executing the work that is in our order book. The near orders are part of our pipeline. Under that yellow heading, 'pipeline', near orders is the first category there. With a near order, we are the preferred bidder, and the work might even be awarded to us. But we haven't signed the contract yet, because there might still be conditions outstanding, conditions that must be met. So near orders, we say it should find its way into the order book, subject to those conditions being achieved. And you'll see in the Energy, Resources & Infrastructure platform there's R43 billion of near orders. And Peter will talk to the conditionality around that R43 billion as and when that will find its way into the order book.

Category one is what we define for project tenders that we are working on, or tenders that have been submitted, which are under adjudication. So that is indicative of the next wave of projects that will move into the order book. So, it is the projects out in the market that are the furthest progressed at this stage, and the closest to being awarded. So that's category one. Category two is feasibility studies or budget estimates. So, it's further out in time. It is not as far progressed, that the market is asking for tenders, so that they can award for execution. It is still in the planning phase. That is category two. And category three are projects that we are aware of, that we have identified that we can compete in and that we will be targeting, as soon as those projects come to market. So, we've got knowledge of those projects, but it is not as if we've been asked to provide a budget estimate or to provide a tender. So that is in time further out.

And as an organisation it is very important for us that our operating platforms maintain visibility of what the opportunities are in their respective markets, and that they engage the markets and position themselves so that we can keep on winning R30 billion, at least R30 billion of work every year if we want to maintain this order book at current levels. And with revenue growing, we might even have to secure more than R30 billion a year. So, it is so important to remain focused on your market and understanding the opportunities in the market and to respond to them at the appropriate time.

We can never do a presentation on our results without talking about health and safety. You will see later on in the presentation some of the project slides that will be shared with you. We build projects in environments where people can get hurt and where people can get killed. So, it is so important for us to make sure that we are focused on ensuring the safety, health and well-being of our employees. On the left hand side of the slide, you'll see the line diagram with the 0.58. That is a lost time injury frequency rate for the group at the end of the previous financial year, 0.58. And that is an improvement on what we had last year. Last year was 0.9. So, a significant improvement. That is an expression of lost time injuries per million man hours worked.

To the right, the bar graph, that shows you the fatalities that we've had in the group over time. And as you can see, in financial year 2022, we had no fatal incidents within the group. And I am so proud of our businesses and the platform leadership and the work that they are doing to deliver these projects in environments, as I said earlier on, where people can get hurt and where people can get killed, and to do it with this outcome as far as safety is concerned. When we break that 0.58, which is the group's figure, if we break it down into various platforms and we benchmark ourselves against our competitors, our peers, this is a world class performance. This is a world class performance, and it's something that we're very pleased about.

Just a comment about ESG. ESG is becoming a more and more important topic under discussion, and we know what the pressures are worldwide in this space. And we decided in the previous financial year to make use of the services of a company called CEN-ESG. They are based in London, and they are specialists in rating companies on their ESG performance. For financial year 2021, we had a score of 31.5. That is a complete measurement of the entire ESG portfolio. And that compared to the 30.2 score which they've given to the industrial sector businesses that they have issued ratings on. In 2022, that result improved for the group to 39.4. And the industrial sector it is 38.2. So, there was an improvement across the board. But we are still very pleased with our performance. And the feedback from CEN-ESG was at this was a good performance because the really the best in class get a score of something like 50, just above 50. So, the 39.4 we're very pleased about.

But it's there's one thing I would like to point out. In our business we recognise the responsibility that we have being part of a larger society as far as the environmental responsibility is concerned. But we are not a polluter. We don't have fixed facilities, factories, chemical plants, power stations. We don't have that. So, our environmental footprint and our carbon footprint is a very small. The biggest contribution that we can bring in this ESG space is to support our client base, which have a much greater environmental footprint than what we have. How do we assist them? How do we assist them to improve on the footprint? So, that is our focus.

I think there's not much more we can do to improve our score as far as environmental is concerned because we are a service provider as a company. We don't own lots of fixed facilities, which brings a lot of pollution about. And on social and governance, we really had a good score. I think that's two areas within the group that that we are really doing very well in. On the social side, I think we're doing well. And safety performance also reports under the social responsibility. And from a governance perspective, I also think we are doing pretty well.

And with that said, we were getting to the next chapter of this presentation. And here we will move into some segmental analysis. You will receive presentations from our three business platform CEOs. After that, Daniël will

share with you more about the Bombela Concession Company, then into discontinued operations, before he will move into the consolidated financials for the group. So, I'd like to hand over to Peter Bennett now, who is the CEO of the Energy, Resources & Infrastructure platform. Thank you, Peter.

Peter Bennett
Thank you, Peter. Good afternoon, everybody. And again, it's great, as Henry says, to see everybody here in the room again for what feels like a very long time. So, I'll start out touching on a couple of the key projects that we have been executing in the portfolio at the moment. And the first one here is our largest project that we have underway in North America at the moment. So, this is a Project Traveler. Our client is Next Wave Energy Partners. And around $650 million project value at the moment. The project is due to complete within the current financial year. So, it's coming to a close. The photograph you see here on site is actually a little bit dated. Things have moved on quite a bit since then. This is one of the projects that Henry has talked about earlier, that's been through fairly extensive impact as it relates to the pandemic and all the other knock on effects that have impacted our industry in the last few years.

Snowy Hydro project, this is the largest project we have within the APAC region. This is a A$5.4 billion Australian project. We're a 35% joint venture partner here with Webuild from Italy. And the project has also endured everything from bushfires through pandemic to get to where it is today. But what I'm pleased to report is that as of today, the project has all three of its tunnel boring machines in operation. The precast segment factory is operating at full capacity building all the elements to line the tunnels. And also, we're about to start work on the excavation of the main underground powerhouse. So really the field execution phase of this project is in full swing at the moment. A lot of the preparatory works and support works associated with building the construction camps, all the surface facilities, all of those elements are all now behind us.

The project, as I said, has been impacted through its history to date. Despite what you might read in the press, we're not in dispute with the client here. What we do have is a pretty collaborative approach to look at how do we mitigate those impacts, both in terms of time and cost, as we look to the next few years of project execution. So, we are working very collaboratively with that client. But the project is really starting to perform quite well now and we're very pleased with where it's at.

Project Energy Connect, this is a large project that we have also on the east coast of Australia. So, it's Australia’s first high voltage power transmission project in about 30 years. It's running a partly 3.3 kV, partly 5 kV high voltage transmission line from central New South Wales to the South Australian border. As you can see from this photograph, this is very early stages in terms of its field activities. Right now, this is just a laydown yard that's been prepared for some of the construction materials and so on. So, early stages in the field, but the project has now got its full release and moving ahead at full steam.

So, looking in terms of the numbers that are represented here, and further to the geographic breakdown that Henry reported across the group, we also we also categorise the Energy, Resources & Infrastructure platform along these same lines. So, North America, EMEA, and then APAC. So, what you’ll see in the North American business and particularly as we contrast it with the prior year, revenues are up. But what you see is that operating profit is down. The other thing that you'll see is that order book is a little bit up on where it was this time last year. But effectively for a business that burned $6 billion of revenue this year, the order book being only at $6 billion tells you what we talked about at the last report, which is the fact that this market was grossly impacted by the oil price and other events. That's meant that we just haven't brought enough new work into the business to sustain these revenue volumes going forward.

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The reduced operating profit is impacted from a number of elements. There's been some un-forecast or unrecovered impacts from COVID that that we've taken into account in our margin recognition. And certainly, that ongoing impact has been something we've worked through the financials to date. It's also had a lot of integration costs. We acquired the JJ White business there in Philadelphia. And so that business is now fully integrated into the group. And obviously, we've recognised the cost of that integration in the year as well.

The EMEA region, this is our Booth Welsh business, relatively small in comparison to the other parts of the business. The business is in good shape over there. Their order book of 378 is quite a strong position to be and this is this is a small services business. They do a lot a lot of book and burn. So fairly short duration contracts and lots of them. So, to have an order book of this size at this point in the year is quite a quite a strong sign for that business. So, we're quite pleased with where they're at. They're just relatively small in the overall scheme of the platform.

The APAC businesses is I guess historically the oldest part of the platform, and certainly the most active. You'll see this year had quite a strong revenue performance of just under R1.5 billion and a strong recovery in terms of operating profits, back to 4%. We will obviously look to continue that trajectory. It does also have a very strong order book of just under R31 billion there at the moment. And we'll talk on the next slide a little bit about the near orders that Henry mentioned earlier. But the APAC region is benefiting right now from a series of great projects that we have that are now really starting in their key delivery phase, which is when the larger revenue volumes are there. And as Henry talked to, the diversification that we undertook within the platform over the last few years is now starting to bear fruit as those diverse markets have got projects in the field and starting to generate meaningful revenue. So, we're very, very pleased with where that's at.

A couple of projects mentioned there. The Waitsia gas project, which is in Western Australia, I was up on that project site about two weeks ago. It's now starting to receive all of its major equipment. So again, all the impact and the delays and so on that the supply chain has been inflicted with in the past couple of years are now behind us. We're starting to receive all of that equipment material on site. So that project has got a great pathway through to completion now. Transgrid, we spoke about. Lombrum is a project we're doing up in Papua New Guinea for the Department of Defence. The power station in Tallawarra, which is Australia's first hydrogen capable power plant. So, that project is moving ahead quite well. And again, we're starting to receive all the major materials and equipment on that site now and then through the coming six weeks. And Snowy we talked about earlier.

So, the earnings that we talked about in contrasting with 2021, those ones were impacted by some poorer performing projects that we had in the portfolio at that point in time. I'm pleased to say that at this point, we don't have any loss making projects in the portfolio. So, we're quite pleased with the operations going on there in the business. Looking to the trend over the last three years, so going from 2020 through to where we are today, you can see the trend in revenue and EBIT is in the right direction. And we're anticipating continuing that growth. And we've got the order book to do that. So, that's been very pleasing.

The order book that we talked about in terms of the near orders, a little bit north of R40 billion. The bulk of that is represented by two large projects that we actually both have signed contracts for at the moment. So, the first one is the Perdaman ammonia urea project in Western Australia. So, that project is one that we have got a signed contract for. We've been working with that client for the past three years to get to this point. There are two thresholds that are still yet to be met for that project to convert from a near order into the order book. And that is he needs to complete his financial close, which he's anticipating in the coming two months. And then obviously, our obligation alongside that is then to provide the bonding to support the performance guarantees that we have as a contractor in a joint venture with Saipan, our partner.

The second project that makes up the other half of that R40 billion is the Inland Rail project. So, this is a large freight rail project going from Toowoomba in Queensland, all the way down to Melbourne in Victoria. It has been broken up into a number of sections. We have a relatively short section, but the most complex. A lot of tunnels, bridges and so on. We had been awarded that project. They haven't made full notice to proceed at this point, because they've got to resubmit some of their environmental permits that required some changes from their initial submission. So, we are working for that client at the moment under a limited notice to proceed executing some of that work. They need to seek their final environmental approvals. And they're planning that for February of 2024, that sort of timeframe. So that one we have a little bit more time in front of us before that one comes into the order book. But it's a great position to be in.

And obviously there's a number of other projects in our pipeline that also takes the form of either near orders or category one orders. So, we're very, very happy with our pipeline and our positioning. But as Henry mentioned earlier, the growth of the business does have a challenge that comes with it. And that is the working capital requirements and indeed the bonding capacity. And so, both of those things really are helping us focus very clearly on the business and the sort of work that we pursue in this space. And so, getting a better balance in terms of some of the… We've got a lot of lump sum work in the portfolio. We're looking to add more reimbursable rate type work with a bit lower risk profile and lower bonding and working capital requirements. So, it's really helping us focus in terms of how we balance our risk in the portfolio. And something that we're really quite pleased to be challenged with given that it's in response to a strong growth in the business. And with that, I'll turn it over to Mike to take you through the Mining platform.

Mike da Costa
Good afternoon, everybody. So, like Peter, I'll just kick off and take you through a couple of projects that we are busy with in the Mining platform, just to give you an idea of the sorts of projects that we are delivering and the scale of some of the work that we're doing. So, I'll start off with the Venetia project, which is here in South Africa in northern Limpopo. The client is De Beers, so Anglo American. It's a massive project, basically transitioning Venetia from an open pit mine into an underground operation. We've been busy on this project for close to 10 years now and there's still quite a bit of runway ahead of us. So, we've basically sunk two vertical shafts down to about 1,000 metres depth, a production shaft and a service shaft.

We just recently commissioned the production shaft to transport men and material. And we're now busy doing the construction work to then enable us to commission the production shaft to hoist ore as well. And we're busy with quite a significant development programme off the bottom of those shafts to establish the long term mine infrastructure at the bottom of the mine. The other part of the project is a decline access where we are developing access via a decline to the ore body, also a very significant development project. So, this past year, we basically had our best year at Venetia. It was a reasonably good year, and we continue to work. Our teams continue to work to improve performance and continue to deliver good returns from the project.

The second one I'd like to highlight is the work that we're doing at Oyu Tolgoi. The client is Rio Tinto, and this project is in the Gobi Desert in Mongolia. Here we are sinking two ventilation shafts, pretty big ventilation shafts. We've been quite challenged on this project. COVID really disrupted this particular project. Essentially, we ended up putting the project on care and maintenance for more than a year. Fortunately, we were able to restart about six months ago. And with that restart, we engaged the client to restate the commercial terms of the contract. So, we are in much better commercial terms now and the project is pretty well de-risked from our perspective. So, both shafts are sinking and going reasonably well. The crews are busy ramping up their production output and going through the process to improve cycle optimisation.

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Then we have the project at the Jansen mine for BHP. That's in Saskatchewan in Canada. A very big potash project that BHP is developing in this area. So, two vertical shafts have been sunk, not by ourselves, by another contractor. And we recently were awarded the work to do the final equipping and basically getting all the infrastructure set up to bring these two shafts into production. So, a very big project for us too. We've been busy there for about four months establishing site and basically getting the work going. So far, progress is pretty good. And I'm sure that project to deliver very well for us.

Okay, so let's get into the numbers. I think as Henry pointed out, the Mining platform is really structured into three subsidiary regional operating companies, one in Africa based here in Johannesburg, one in the Americas based in Salt Lake City in Utah, and one in Australasia based in Perth. So, for our African business, you can see that there was a slight improvement in revenue for the year. And that was really driven by this good performance at Venetia. Venetia really outperformed from the previous year and that contributed to the increased revenue.

That didn't translate into earnings completely. And that's really because the prior year earnings were influenced by a couple of one-offs, those one-offs being positive impacts from project closures during that period. You'll note that the order book decreased by about R2 billion. That was really driven by early termination of two projects. Those projects were terminated by mutual consent. But it did mean that R 2 billion came out of the order book. The fact that those projects were terminated also impacted on operating profit to some extent, because they were higher margin projects.

In Australasia, a significant increase in revenue and in earnings. So, a fantastic performance from that business. We've seen some significant growth in that business over the last two to three years. And the prospects of further growth are really great. So, we’re really excited about that business and that region of the world and opportunities that that region holds for us. We believe we're very well positioned to capitalise on the growth in investment in that area of the world. As far as Americas are concerned, also a good recovery in order book. So, the Americas were really impacted by COVID. And that impacts manifested really, the real impact of COVID in that part of the world was that there was significant deferment in investment decisions.

Mining operators just delayed decisions in terms of any kind of investment. Work didn’t come to market, and the order book deteriorated. As you can see, the order book has recovered again through 2021 and we've been able to hold it steady in 2022. But the recovery in order book hasn't yet completely flowed through to revenue. And, as a result, the overheads that we carry in our business, we need to carry a fairly big overhead to continue tendering and continue winning work and growing the order book. So, the overhead that we're carrying in that business is fairly big. And the revenue hasn't recovered to the extent to offset those overheads. But it is recovering, and we anticipate that that recovery will continue and that we will now start seeing a recovery in earnings going into the future too.

As I pointed out, the Mining platform and the map that Henry showed earlier, you can see that the Mining platform has quite an extensive global footprint. But we've come to a realisation that these three regional businesses have served us pretty well, and they've performed really well. But we believe there is more value that that we can leverage out of these businesses if we create more of a global overarching structure over them and create more of a global presence. So, we are busy with quite a significant transformation programme within the Mining platform at the moment. That programme is incurring additional costs. It's kind of out of the ordinary costs. So that is adding to overhead is a platform. And that in this past financial year has eroded the margin a bit as well.

Okay, I think if it can start in the bottom left hand corner, so you can see that we've been able to maintain the order book pretty much through FY 21 to FY 22. Bearing in mind that we removed R2 billion from the African order book due to those projects that were terminated. Notwithstanding that, we've been able to maintain our order book. So, I think that’s a really solid performance. In addition to this, we have about R14 billion worth of new orders. And we anticipate that around half of that will convert in the next three months or so. It’s really three projects, two major development projects in the US that we are expecting to come to book, and quite a significant shaft sinking project in Australia that is fairly close to being awarded too. So, between those three projects, that should add about R7 billion to our order book over the next three to four months.

So, with that order book being very strong and stable, that has started to flow through to revenue. You can see the revenue numbers increasing from 2021 to 2022. And that hasn't quite flowed through to the EBIT yet, but we are forecasting for that to now start happening. Just a quick look at the order book. So, just to give you a sense of our commodity spread in order book, and you can see there, the order book is really focused on what we call future facing metals, these metals of the future that are required to decarbonise the world. So, between the future facing metals, gold and diamonds, that's basically our order book. And that puts us in a really good position, because it indicates that it's sustainable. These metals should perform, or these commodities should perform well over the over the medium term. So, we think that that order book is really solid and sustainable. And to support that as well, a lot of these projects are with really blue chip, major companies. Not too many juniors in there. So, I think a very strong, solid order book puts us in a good position for the future. So, with that, I think that’s the end of Mining, and I'll hand over to Steve.

Steve Harrison
Thanks Mike. Afternoon, everybody. Maybe we just start with this stunning photograph. Thanks to Lisa and her photographer for this. This is a beautiful African sunrise over our 75 megawatt PV plant that OptiPower did all the electrical balance of plant transmission and HV work on in the North West. That was a round 4 project that we concluded at the back end of last year, but it's always good to see a beautiful photograph like that and look at the good work that we do. Again, just going through some of our key projects. We are currently working directly for Eskom off Medupi, where we're doing maintenance work on their mills. So, it's obviously a very important project for us. We have to maintain those mills so that the mills can pulverise the coal, put the coal into the burners and fire the boilers. So that's a three year contract that we've got there. We're about 18 months into it, and it's the second time it's been renewed. So, we're hoping it will be renewed again and we're hoping it'll lead to a further maintenance work direct to Eskom.

Now, this is the Golomoti PV solar farm. Again, this is an OptiPower project. This is a 20 megawatt project that we completed in March this year. It was a private developer, JCM Power, a Canadian developer out of Canada. They did this work for the Malawi Eskom company. Again, if you look in the foreground, you can see that's the battery storage. It's quite interesting. It's a 20 megawatt PV. And it's got it's got a 5 megawatt [unclear]. So, we did all the integration engineering around the [unclear]. And then you can see the substation that we did the engineering and construction work, and then going out into a transmission line, and then tying into the Eskom network in Malawi. So, as I say, we finished that in March this year.

This is our Organica wastewater plant. And I was laughing earlier in the presentation we gave to some of our staff. Peter always teases me a little bit with regard to this. He always says, Steve, you've always got pictures of this Organica plant and you're milking it a little bit. I'm not embarrassed to milk it at all, Peter. We're very proud of this plant. This plant went through extensive testing over two years in eThekwini. And we found a home for it at the V&A Waterfront, which is really front and centre in Cape Town. So that is in commissioning right now. It's still our asset. We own that asset. We've got a 10 year contract with the V&A to mine sewage water and

produce grey water that they're going to use for irrigating and toilet flushing to offset the impacts of potable water.

I think the significance of the Organica technology is we all know the challenges that have happened in the wastewater treatment sector in South Africa. We're looking at applying this technology to a PPP which we believe is going to be floated towards the end of the year from eThekwini municipality. So, we think that this will give us a differentiator. So, we're going to be working hard on putting that PPP together when the RFP comes out. And we hope we can win that. So that's the significance of the Organica technology for us. Really low footprint, and really low operating cost, which will be fantastic when you build it into a complete operating model on a Rand per cube basis.

If we look at the numbers, a little bit disappointing from my perspective. We have had an improvement on the loss from 2021 to 2022 overall. But again, if we look at the sectors that we operate in, we have power and industrial, we have water, which is pretty self-explanatory, and then solar transmission and distribution. So, the power and industrial sector, it's basically the Murray & Roberts Projects business that runs through that sector. R756 million revenue last year down to R325 million. Why was that? We completed all the construction works at Kusile in this financial year. We completed all the outage works at Kusile in this financial year. So, the power programme is over for us. We're off site at Kusile. And we also completed the Sappi project as well. So, revenue is down because of those issues.

If you look at water, a very low revenue. That R18 million is basically the relocation cost of the Organica plant that we moved down to the V&A, as I mentioned. A pretty low overhead to support that business. But again, it's posted a loss. Less loss than 2021. But we still have hopes for that business. I think we all know the issues associated with water and water infrastructure. So, we’re hanging in there with that business. As I say, it’s a pretty low overhead, so it doesn't cost us too much to run the business. Currently, they've got an MBR plant under adjudication with the City of Cape Town. So that the adjudication process is on the go now. And as I said, there's a PPP that's going to be floated towards the end of the year, which we're certainly going to respond to. There was a reduction in water’s order book. We took the Athlone C project out of that order book. We could not conclude that project commercially with our clients. And a lot of that related to escalation in costs that we were seeing two years down the line from when we were initially awarded the contract to when we were going to sign the contract. So, we couldn't conclude that, and that unfortunately came out of the order book.

Solar transmission and distribution. The two businesses that sit in this sector is our OptiPower business and it’s our Wade Walker solar business which is a CNI PV solar company. So, if I talk about OptiPower, if I look at the results first, the results are disappointing. I think there's a direct correlation between the revenue we were expecting to burn and the profits we were expecting to make on that. And it was very much linked to round five renewables. The original timelines to close round five at half year, we were under the impression that they were going to close in about February. They didn't close in February. Then that moved to April. And currently we believe that several of the round five projects are going to close in September.

We currently have commenced early works on three wind farms and a main transmission substation. And that talks directly to our near orders. That's about R1.9 billion. So, I've got really high hopes for that business. We acquired it three years ago. It has the ability to do electrical balance of plants, HV works to support the renewables, and it's also a standalone transmission and distribution business. We've done two transmission projects, one for Eskom and one for a private client in Botswana during the course of this year. And those projects are going pretty well. The Eskom transmission network needs to be strengthened, we all know that to be able to evacuate the volumes of renewable power that we're talking about it. That needs to be done, and that really gives that business an opportunity to grow its order book in the transmission space as well. So, a bit

of a disappointing results for this year, but we've got high hopes and expectations of that business during the course of this year. And I firmly believe that will return us to profitability and growth in the years subsequent to that.

In the other column that basically relates to unallocated overhead costs and continued legal costs. We're closing out some legal matters. We're in processes now. We're pursuing our entitlement in that regard. So, I think this year will probably be a big year in that regard to close a lot of that out, and there might be a little bit of carryover into the following year. Also, with the with the renewables programme, we were holding on to key projects staff based on the timelines that we were expecting from renewables. That didn't come along, but we kept those key staff anyway. And another cost that we were incurring there was idle plant and equipment, again because the projects didn't come along. So that explains the results for the year. As I say, for me, disappointing, but I'm expecting a return to profit during the course of this year.

Our revenue over the last three years has decreased, as I explained. Our EBIT, as I explained, we have had a marginal improvement in EBIT, but still a loss, which is disappointing. Our order book is incredibly low. But as I mentioned, we are very close to signing three wind farms and a MTS. And that'll bring about R1.9 billion or R2 billion into our order book. And we are expecting that imminently. So, I believe there's a huge opportunity for us in the renewables space. Round five is going to close. We're responding to private sector clients on a weekly basis. The private sector now with the raising of the cap is really gaining momentum. So, I'm looking forward to a good year in that regard. I'm going to hand over to Daniël, and he'll take you through the numbers, because I can't.

Daniël Grobler
Thanks, Steve. So, I think different to the other platforms, finance hasn't got fancy projects I can show pictures or spend half my time explaining those. What I do have is the Gautrain. The Gautrain you're all familiar with. Hopefully, all of you took the Gautrain in to work to help us improve the investment. But it is a well-known asset within the SA environment. So, in the current year, we had a fair value adjustment of R193 million. So, if I just take a few steps back, pre-pandemic, the Gautrain ridership today was 55,000 people a day. During COVID, that went down to zero. After COVID, that started picking up to 20,000. And we are now sitting at between 24,000 and 26,000 passengers a day. So yes, we've adjusted the cost base. But the value of the Gautrain, we have lost a hell of a lot of money. And what we did in the current year is we've reset the passenger numbers. What are the cost savings? What assumptions do we need to make until the end of the concession in 2026? And we had a fair value adjustment coming out of that of R193 million which we booked in the current year.

A comment that we make at the bottom is that because the group has got significant growth exposure in both the ERI platform, the Mining platforms and some of the other platforms, what working capital do we need to actually empower those businesses to expand way beyond 2026? And the one asset we've got is to potentially sell the Gautrain and generate the cash and invest in those businesses to make sure they've got the working capital to execute a strategic growth process in the future. So, it's not a definite. The board hasn't made a definite decision. If we get a really good offer, we'll obviously consider it. If we get a really bad offer, we obviously won't consider the sale of the Gautrain.

So, this is the Mafraq Hospital in the Middle East. We lost a lot of money in there, and I asked for another picture where we actually made money, and they couldn't really find one. So, they had to put this picture on. That's the Mafraq Hospital. So, the results in the Middle East was a loss of R62 million, comprised of two elements, one operating costs, and the second obviously the legal fees that we incurred. And the legal fees we have to incur. It's one of those items that there's hundreds and hundreds of million claims brought against you. If you spend zero and those claims go against you, you are in deep water. If you spend the money, and we've

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been quite successful in some of the cases, you can actually prevent the claims coming against you. So, we have got no obligation or no alternative not to spend the money in the Middle East. Under other we sold a company called Genrec. That Genrec company had some retained liabilities One of the liabilities was to correct some welding errors on some of the boilers. That process should be completed by December. And we expect that whole line in terms of discontinued operations to reduce significantly in the next financial year.

This one I do want to talk to. So, that picture is not a meteorite hitting planet Earth and leaving a big hole in it. So, it's a mine that we're doing for [unclear]. It was an underground mine and in 2005 we were engaged, actually went underground. And it's a diamond mine. But you can only access heavy equipment during winter times. So, it's one of those mines that you've got to get the timing right. Yes, you can get some light equipment in, but if you really want to access heavy equipment to that mine, you've got to do that in the winter months. So, a very difficult operation. The first time I looked at it, I had to ask four times what that was, but they did explain that to me.

So, we went through segmental reporting and discontinued operations. So, what does it mean from a group income statement point of view? So, we can see the increase in revenue of R8 billion. R6 billion comes from the ERI platform, R2 billion comes from the Mining platform. So, a very good performance. And as Henry said, I ran the maths twice this morning after the first time he questioned me. The increase in revenue is 36%. But the increase in earnings is 30%. So, a good increase in earnings. Taxation, we've got a lower taxation rate of 51%. And again, that's purely based on a low earnings basis. Once that basis goes to R1.3 billion, it normalises at 35%. Now, why 35%? You're always going to have the 28% plus withholding tax when you do business in foreign entities, and you have to repatriate money.

So, if we go down discontinued operations, we talked about a good result, and attributable earnings in the current year of R135 million. Now, excuse me, I have to go back to this slide. So, in the Middle East when we do sell the entities in the Middle East, there will be a release of what we call the foreign currency translation reserve. And it's got to be removed from the FCTR reserve through the income statement into the distributable reserve. So, what does it mean from a company point of view? It's a zero cash transaction for the company.

In shareholders' equity, you've got different buckets of reserves. And it's merely moving from an accounting point of view from one bucket to another bucket without any impact on the NAV of the company, cash impact in the company. It's an accounting entry. If you ask me why, I don't know why. But the accounting standard says that you've got to do it. So, you've got to do. So, I just wanted to flag that in the next financial year, probably when we do so the Middle East that that entry will go through the income statement. It will look it will make the bottom line look worse, but overall, the company is the company, and the value is the value. So just wanted to flag that because I did forget that. And I just wanted to see that picture again.

So, if I go to the balance sheet, I'm not going to go through line for line. If we compare 2021 to 2022, we can see an increase in property plant and equipment of R850 million. The bulk of that increase sits in that ERI platform. So, what happened in the ERI platform? And we will see when the cash outflows. They've received advanced payments. They've now utilised the advanced payments to go and buy the tunnel boring machines and a lot of other equipment to actually invest in the project to make the project go, and some working capital to actually advance work on that project. So, it was not on unexpected. At the previous December results, we said that we could expect a deterioration in cash. And the reason for that was the ERI platform, not only at Snowy, but also Project Traveler where they utilised monies received in advance to go and invest into the project to start generating profit and to get the project going. So, you can see that flowing through to the cash and cash equivalent line. And we can see a decrease of R1.4 billion. And again, a large element of that relates to the PPE coming through.

If I take assets classified as held for sale, it increased by R179 million. So approximately R90 million of that came from when we terminated the B2Gold project in Namibia, consensual termination for various reasons. And those assets are now held for sale. And we are in the process of selling those assets off. And we have sold a few. We've got a few interested buyers in some of the other ones. But that does explain why your assets held for sale increases more than your liabilities held for sale, because the residual is an increase in exchange rates where your asset and liability in Dirhams is worth more in Rands after the increase in the rate.

And then in terms of interest bearing debt, long term interest bearing debt, the Mining platform also had an investment in property, plant and equipment. That investment you won't see directly because it was offset against some of the depreciation within the entities. But definitely, the Canadian mining business have gone through a very tough time. They now are starting to secure work and have secured work right at the end of the financial year. And they are now starting to invest. And we'll see an outflow of working capital in that business as well. And they've got facilities, but there will get through that.

Ed is rushing me alongside. Second last slide, and I've explained this quite a number of times. I want to explain the debt and I want to start from the bottom up. So, we've got IFRS 16 debt of R525 million. Previously, that debt was operating leases and you expense that as you go month by month. The new accounting standard says you've got to bring the full liability and assets onto the books. Again, if you ask me why, I don't know why. But they said you've got to do that. Secondly, you've got self-servicing debt. And that's where you buy equipment for projects. And you don't have to earn profit on that project to recoup or to repay that asset. That asset goes into your revenue line and the client actually pays for that asset.

The only debt that we track and that we monitor is corporate debt. So, corporate debt at the moment, you recall in March 2019 we acquired the TNT acquisition. There's still R172 million left. Those are to be repaid in quarterly repayments, and they are being repaid. And then you've got overdrafts and sundry loans. And I'll get to some of the details of that later on. If you compare the debt to the total equity, which is the last dark yellow line, so total equity obviously went up from R4.985 billion to R5.713 billion. So, your gearing percentage drops down slightly. And as it grew, we said that for corporate debt, we will be comfortable with a figure between 30% and 45%. It might seem high, but if you look at the order book and the way the company is going and where they're going, it does make sense from my point of view.

On our last slide, forgive me for running over two minutes, but I have to explain this to you. So, the group is sitting on a very high order book of R59.8 billion in terms of order book. The group is sitting at the highest it's been in terms of near orders. Obviously, to fund that is going to require something within the group. Now, the bulk of these projects are tendered on a cash positive basis, which means that we say that the client is going to pay us in excess of us having to pay the supplier X, Y and Z. And barring nothing other happening, we will be comfortable to be cash neutral. As we all know, life kicks in, and things happen on a project. You may have a supplier delay, and the supplier delay doesn't match your payment to the supplier. You may have a commercial dispute. You may have another pandemic, not COVID, but I don’t know what you want to call the new pandemic. So, life happens. So, what we as a group have said is, proactively we want to take steps to implement. How do we manage working capital for a growth in the company and in the group as to where we're going, and how we're going to address that?

So, in the first block, I'll explain these initiatives. And we’ve pulled some of the levers a long time ago. The debt structure in South Africa currently is an overdraft facility of R1.675 billion overnight facility. So, what we've done is we've increased that facility to R2 billion, and we said we take a term debt, which means it's not payable tomorrow, and we've put that into an 18 month bucket. And we've retained a R650 million revolving overnight

facility in place. And the banks are comfortable. We signed term sheets, and we should be signing long forms and financial documents in in the next two or three weeks on those items. So, I'm quite comfortable that's going to happen.

Clough currently is in discussion with two financial facilities, and they are well advanced with both facilities. NDAs have been signed. Credit committees have looked at it. They've got term sheets on the table. And Clough as an entity with that enormous order book, can you believe it, have got zero working capital facilities. So, it's ludicrous for Clough to not have anything in place. The investment in Bombela Concession Company, a while ago, we started the process to say, can we sell the investment in Bombela Concession Company? The answer was let's explore. Let's see what value we can obtain. And if it makes sense, we will dispose of it. So, we are still going through a process, but we are not at a point as yet where the board has said yes, we're going to sell it. This is the value. This is the buyer. So, we are exploring it, but it is going to be a short process to try and close that should the board take the decision to actually sell the asset.

And the last one is the sale of shares. The financial holding companies of the trust owns shares, and they utilise the dividends coming in from these shares to fund the operating activities in the trust. Now, there's nothing prohibiting the trust to tomorrow go to market and sell those shares on the open market. And we believe that can generate circa R300 million, depending on when the share price falls and how many of you go back on the Gautrain. It depends on how much we can generate from that. But that's an easy lever for us to pull and that can happen very quickly. So, to sell those shares, yes, it's circa 26 million. Yes, we've got ways we can do it and we can do it pretty quickly. Investment in Bombela, the process has started. If we get fair value and the board decides to sell, we can do that. Clough is already work in progress. We can put that in place. And in terms of debt facilities in SA, we are far advanced in the process. So, with that upbeat picture, I will give over to Henry to do takeaways.

Henry Laas
Thank you, Daniël. We've got one slide to go. Presentation takeaways. I must say I enjoyed listening to you guys presenting on your platforms. It is quite nice getting it from the people that's in the business and running those parts of the business. They can explain it with more colour than we can. So, what are the takeaways from this presentation? I think the first point that we need to acknowledge is the order books that we have within the group. And I said earlier on in the presentation that an engineering and contracting company without an order book, you don't have a business unless you have an order book. And I think that also supports that the strategic direction that we embarked on was the correct one for the group to do.

The second point is the revenue that we reported for the year under review, there was strong growth. In earnings also strong growth, but as I said, we have disappointed a little bit when it comes to the margin. The operating margin was down compared to where we want it to be. The net debt, R1.1 billion, it is quite a swing from the R700 million cash we had at the end of June 2021. But as we've explained, it was absorbed in working capital to fund the growth that we have in the group. And Daniël gave you some more detail around the proactive options that we are considering to make sure that we can continue to provide the necessary support for the growth that we anticipate the business.

The ERI and Mining platforms, both of them I think are on solid ground. They've got good markets that they're operating in. They've got good runway in terms of the order book and the pipeline that they have ahead of themselves. And for the PIW platform, with the investment that's happening in this utility scale renewable energy projects, and the role that we potentially can play there, I think Steve has an opportunity to bring this business to a profit position in 2023. And we didn't have those opportunities in prior years.

From a group point of view, we've got a nice runway ahead of us. Revenue in 2021 was R20 billion. In 2022, it was R30 billion. In 2023, it is going to be R40 billion. So, we've got a nice growth trajectory for the group. Our platform CEOs and their teams have to work very hard to make sure that we return back to these operating margins that we need within the group of between 3% and 5% and that we generate strong cash through our project delivery. But as I said earlier on, we are still in the current financial year, this 2023 financial year, experiencing impact of supply chain disruption. But that is getting less and less. So, we've got a target on 2024 to see the strong margins returning. Ladies and gentlemen, that brings us to the end of the presentation. We are into the Q&A session now, which I will ask Ed to facilitate. And what I suggest we do is we start off with questions in the room or on the webcast.

Ed Jardim
Henry, I think let's start with questions in the room, perhaps. So, for any questions in the room, before we go to the webcast, if I can ask if you have a question, let me come to you with the microphones so our stakeholders on the call can hear the questions as well. Any questions for Henry or any of our platform CEOs? Mark. Thank you.

Mark Ter Mors
It's Mark Ter Mors from SBG Securities. Can you comment on uncertified revenues as well? I appreciate that the projects look profitable. But I saw there was a R1.6 billion increase in uncertified revenues. What is management's view of the timing of resolving those uncertified revenues?

Henry Laas
Well, first of all, what is uncertified revenue? So, when you build a project, there's always things that happen. So, you may have a variation on a project. Let's say you tendered to build a project that has got three elements of something. And now the client wants it to have four elements of that. That is a variation, a variation to the scope. Until you get to a point that that variation is signed off by the client, it is a claim. So, you've got a claim against the client for additional income because of the scope change. So, that's a variation. It's a claim. Another part of uncertified revenue, which is also a claim, is when you experience disruption. If we experience a disruption on the project for reasons beyond our control, for which we can obtain additional compensation, we also submit a claim. So, a claim has got two elements to it. It's got either an element of variation or scope change, or it's got an element of disruption or other impact which you require additional compensation for.

So, you recognise that compensation or part of that compensation as uncertified revenue until the time arrives that the client has signed off on it, and then it comes through as revenue. The uncertified revenue that we account for in the group is, I can assure you, one of the elements which the auditors focus on with a lot of attention to make sure that there is sufficient merit to substantiate the uncertified revenue, and from a quantum perspective, that the quantum is also correct. So, we're very pleased that through this current audit period there weren't any real material discrepancies between our uncertified revenue numbers and that that the auditors have signed off on.

So, there is an increase in uncertified revenue and this uncertified revenue will be resolved. I spoke to Peter between the morning session and this meeting now. And he just returned from Canada. And we will be in a position I would think within the next three weeks to probably have between those two projects there about $40 million. So that's how quickly it can change. So, there's about $40 million which will be signed off within the next two weeks relating to the projects in the US and Canada. Sometimes it does take a bit longer. And sometimes it may even end up in a dispute. So, if you can't get to a point that you reach agreement through negotiation with a client, it might end up in a dispute.

But why it is important for us to recognise uncertified revenue? If we don't do that, we can present a scenario to the market in one year that we might have a material loss on the project, because we didn't recognise the uncertified revenue, and then the following year, all of a sudden, we have a massive improvement in the profitability. So, I think it is also us trying to be responsible in the way we report to the market, how the profit on a project is progressing. Uncertified revenue is not always a matter of dispute. In many instances, it is a matter of timing. You just haven't reached the point that you sign it off. So, to answer your question, Mark, a lot of it has already since year end progress to a point that the close-out of that is going to be imminently. But I would say we cannot say that all the uncertified revenue accounted for in June 2022 will be sorted out before June 2023. There is just no guarantee around that.

Ed Jardim
Any other questions for Henry, Daniël or our platform CEOs? Henry, then we've got one question on the webcast this far. Let's look at, for example, the ATON offer from a few years ago, what they offered for Murray & Roberts, our valuation of the group and perhaps where the share price is sitting today, as well as one of Daniel's points in terms of the sale of shares and timing.

Henry Laas
Let me read the question. It says Murray & Roberts fought off the ATON offer at R17 per share as it materially undervalued the group. Now with the share price at circa R8.90, Murray & Robert suggests it could sell R300 million of shares. Please could you clarify why Murray & Roberts believes that this makes sense? So, the first point I want to make is that Murray & Roberts never fought off the ATON offer. At the time that the offer was made, Murray & Roberts appointed an independent board. And the role of the independent board was to advise the market as to what their view was on the offer. So, the offer was at R17 a share. And the view at the time of the board was, and that is the view that was communicated to the market, that it was it was not within the valuation range which an independent expert had placed on the group. I think the value range at the time was R20 to R22 a share, which included a control premium.

So, the role of the independent board was not to say to ATON, we are fighting you on this. It was for the board to communicate its view and to leave it up to shareholders to decide whether they want to accept the offer or not. It never got to the point for shareholders to exercise their discretion whether they want to accept the offer or not because ATON couldn't get the approval from the competition authority to support that transaction. And that process never ran its full course because the Competition Commission made a recommendation. And their recommendation to the Competition Tribunal was that they should not support the transaction. However, ATON and Murray & Roberts still had the opportunity to make representations to the Competition Tribunal before the tribunal would have decided. And it is the tribunal's decision which is binding, not the recommendation of the Competition Commission.

Before the time that the Competition Tribunal heard the matter, the long stop date on the ATON offer ran out and they decided not to extend the long stop date, which we assumed was as a consequence of the position around the competition. Now, we've completed our budgets for 2023, 2024 and 2025 financial years a couple of months ago. I think early June we completed the budgets. We again asked for an independent valuation of the group. And we used the same entity that did the independent evaluation at the time that ATON made its offer a couple of years ago. And if you exclude the control premium, I think it came to just north of R17 rental share. So that is the value that the valuation expert placed on our shares.

A few weeks ago, maybe two months ago, we were trading at about R15 a share. I cannot say or explain fully why we're trading today at R8.90. Since we put out our trading statement, which was a week ago, Thursday, today a week ago, I think the share deteriorated 25%. So, I can't explain that. To get to the further question as to

why sell shares at the current share price? I'm not saying that we will do that. I think what Daniël explained was there's another option. We've got various ways and means. We don't have many assets that we would like to sell. The non-strategic investment in Bombela is one investment that we may consider selling to introduce more cash into the business. The shares that Daniel referred to is just another option that we've had. We're not saying we are going to sell the shares. And I think at R8.90, it's not a good thing to do. It's not a good thing to do. So, I hope that answers the question. Ed, are there any other questions?

Ed Jardim
No further questions on the webcast. Perhaps one more time in the room. Any questions?

Mark Ter Mors
Thank you. Could you also elaborate on the bonding requirements to convert some of the near orders into the order book?

Henry Laas
The projects that require bonding is essentially in the ERI platform. We do issue bonds on some of the other projects as well. But it is really in Peter's platform where we have bonding requirements. And I can say we have almost reached the full level of our bonding capacity. Over the past couple of years, the financial institutions that extend these guarantee facilities to us have really clamped down on the facilities that they extend, not only to our organisation, but broadly speaking within the engineering and contracting industry. We are really finding ourselves in the position that we are constrained from a bonding point of view. So, we have good bonding facilities. A lot of it has been consumed on these projects that we have secured over time, over the past couple of couple of years.

But we are in the process now to do to negotiate additional capacity. If you asked me, can we bond Perdaman today, the answer would be no. We don't have the capacity today to bond Perdaman. We are in the process to negotiate additional facilities. Another project that didn't appear in the order book, also not in near orders, because it was just awarded after year end, is the Darwin ship lift project. For that project, we do have sufficient bonding capacity, so we can bond that. So, we still have some capacity to bond projects. But these really mega scale projects like Perdaman is a bit of a challenge for us now. We don't have a facility. And I can't tell you offhand what the status of that process is, Peter, but we are working on creating capacity for that. Maybe you can help me.

Peter Bennett
You know, there's two main bonds required that project. One is the advance payment bond. And we have a process in place that we think we've got that one pretty much managed. The performance bond is a little bit more significant. We're working through how… We've got probably 60% to 80% of the capacity for that we're working on at the moment. And we've got a series of other initiatives underway to span that gap. So, working with the client, working with his lending group, and working, as Henry said, with some of our existing capacity providers around extending the amount of capacity that we have.

Henry Laas
I think the market circumstances will also dictate how we will engage on these projects into the future. Because the challenge that we have around bonding capacity is not unique to our organisation. It is a challenge that is broadly shared amongst the competitors, our competitors in the field in which we are operating. S, this requirement is there must be a performance guarantee of X percent of the project value. I think those requirements in time may have to be changed, and people will have to look differently at these things to enable their projects to progress. This Perdaman project that we're talking about the bonding for now, is it the WA

government that has invested $300 million already in improving certain…? So, there's already a large investment that has happened in enabling infrastructure from a government perspective to support this project. So ultimately, we think there will be solutions found. It's just not clearly visible to us today how we're going to get to in a very short term. No more questions. Ladies and gentlemen, thank you so much. It was really nice to have you guys in the room. And apologies for maybe carrying on a bit longer. I think it's because of all the excitement having you here. Thank you so much. Yes, there is some lunch in the area just next door. Thank you.

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END OF TRANSCRIPT