Conference call transcript

23 June 2021

BUSINESS PLATFORM PRESENTATIONS

Ed Jardim
Good morning and good day to all our stakeholders on the line. Welcome to the Murray & Roberts business platform presentations. This is our investor day before we go into our closed period. Our financial year end is the 30th June and we wanted to have an opportunity for our business platform executives to have a chat with our investment market stakeholders. So welcome to all dialling in on the webcast as well as on the call. On the call obviously you just have the audio, so the webcast is great for both video and audio. We will make a copy of these presentations available on our website after today. They should all be online by this afternoon. A copy of the recorded webcast will be online as well. And we will get a transcript of the presentations up onto the website together with that as soon as possible.

Just a quick welcome. Like I said these are virtual presentations, but we do have a few people with us in the room. A warm welcome to our group CEO, Henry Laas, our group Financial Director, Daniël Grobler. And then we have our Mining platform CEO, Mike da Costa. We have Steve Harrison, the CEO of the Power, Industrial & Water platform. And then online in Perth, Australia, we have Peter Bennett who is the platform CEO of the Energy, Resources & Infrastructure platform. Peter is going to present via Zoom today. We have thoroughly tested the technology, but sometimes with these events we have gremlins creeping in. So if for whatever reason we do lose the feed to Peter we please ask you to bear with us. We will get Peter back online if that does happen and get him presenting straight away.

The format today: Mike is up first, followed by Peter and then Steve towards the end. We do have a quick opening by our group CEO, Henry Laas. We will allow for some Q&A just after each of the platform presentations, and thereafter Henry will close the day for us again. In terms of your questions, please ask your questions on the webcast via the platform. There is an 'Ask Questions' button at the top left corner of your screen. Please log those throughout the course of the presentations, not only at the end, so those questions can come through to us during the presentation and we can have a constructive session at the end of each of the business platform presentations. With that I'd like to ask our group CEO, Henry Laas, to do a quick introduction for us. Thank you, Henry.

Henry Laas
Thank you Ed. Ladies and gentlemen, good day. The week before last we had quite a busy week with a series of board meetings and committee meetings here in Johannesburg. And we conducted them all through video conferencing. One of the directors commented and said this is now the new normal. My response to that was that there is nothing normal to this new normal. I cannot wait for business to return to how we used to know it before the time of COVID-19. And I really do hope that the world and South Africa can get on top of this and that we can deal with COVID-19. But under the current circumstances I think it is the safest way and the preferred way to conduct these types of meetings. I would have loved to have you all in the room, but unfortunately that is not possible today. So please bear with us through this video conferencing facility.

Murray & Roberts as a group have worked hard over the past ten years to reshape it into a multinational engineering and construction group. This strategy together with the fact that we had very limited investment in the South African economy over the past I don't know how many years, this positioned Murray & Roberts as a group with a substantial global footprint. And you will learn more about that when the platform CEOs present a little bit later this morning.

Now, we are of the view that over the next three year period that more than 85% of the group's revenue will come from our international businesses. We are very optimistic about the future of Murray & Roberts and we believe that we might be at the beginning of a new period of strong earnings growth for the group. The last decade, however, was brutal on engineering and construction companies, not only in South Africa but globally. And what we would like to do is start off by sharing with you the road that Murray & Roberts have travelled over the past ten years.

This is quite a busy slide, but the easiest way to read it is if you look right at the top there's a recovery year, FY2012. Then there are two growth years, FY2013 and FY2014, and then the new strategic future. That plan started in FY2015. In FY2012 that was shortly after the massive construction boom that we had in South Africa around about the time of the 2010 Soccer World Cup. At that time Murray & Roberts had just completed the Gautrain project. We had just completed Dubai Airport, two projects that were really sucking cash from the group. And we had quite a difficult liquidity position. So during the recovery year we had to renegotiate a debt packaging of R4 billion and we also had to do a rights issue of R2 billion. And that was to address the liquidity constraints at the time. And in FY2012 if you look at the financials at the bottom of the graph you will see that we reported an attributable loss of R0.7 billion for that year.

The following two years, 2013 and 2014, it was all about us cleaning up our portfolio of businesses. It was about disposing of our manufacturing businesses which we had in the group. And those businesses were disposed of by March 2014, and up to that period we've raised R3.2 billion through the disposal of those assets. But we have also restructured our investments that we had in Australia. At that time we had a 63% investment in Clough, and Clough in turn had a 36% investment in Forge. And what we did during that period is Clough divested from the investment in Forge and Murray & Roberts took control of Clough at 100%, and we delisted the company. So in that period, FY2013 and 2014, as I said it was about cleaning up our portfolio of businesses. But when you look at the financial performance you will see in 2013 we had a R1 billion attributable profit and in 2014 it went up to R1.3 billion. The reason it went up to R1.3 billion was because of the settlement that we achieved on a project in Australia, and that brought an additional profit of R300 million. That was the GPMOF settlement.

But important to note, at that time in 2013 and 2014 Clough was contributing R1 billion to earnings before interest and tax for Murray & Roberts as a group. That was where the business was operating at, R1 billion earnings before interest and tax. The years that followed from 2015 onwards were the years that we got actively involved in establishing Murray & Roberts as a multinational engineering and construction company. Part of that strategy was to divest from our construction businesses in South Africa, which we managed to do in April 2017 when the sale was eventually concluded. But we have also started to undertake a number of small acquisitions as you will see between the period September 2014 to January 2016. We acquired CH-IV in the US, Booth Welsh in Scotland, Aquamarine, a small South African acquisition, and then Enercore and Merit, two companies in Canada. And the plan really was at that stage to get us an entry into the international markets which we have targeted as regions presenting good potential for Murray & Roberts as a group.

Later on in that period in April and May 2019 we undertook more substantial acquisitions. We acquired an oil & gas EPC company in the US which Peter will talk about a little bit later. And we also acquired TNT in the US, a company which operates in the mining space, and a small business in South Africa, Optipower, which Steve will talk to a little bit later. So when you look at that period there were other important matters that we also had to deal with. We had to deal with the Grayston Bridge incident in October 2015 and we also had to deal with ATON's approach to acquire 100% of Murray &

Roberts. And that started in April 2018 and eventually failed in September 2019 when the Competition Commission recommended that the transaction should not be approved by the Competition Tribunal.

When you look at our financial results as from FY2015 onwards it's not a good picture. And we need to understand what the primary reason is for the decline in Murray & Roberts' earnings over that period, which eventually ended up in a loss of R0.4 billion in 2020. But as you know, that was largely impacted by the COVID-19 impact on our business. And we were very much struck in a negative way by COVID-19. But what is that reason? What is the main reason why our earnings started to decline from FY2015 onwards?

The single biggest reason for that is the collapse of the oil price in November 2014. That was 11 months after we acquired 100% of Clough. At the time the company was contributing R1 billion to earnings before interest and tax. And then the oil price collapsed from more than $100 a barrel to $25 a barrel at the time. Investment in the oil & gas sector – that was where Clough was predominantly providing services at that time – just completely dried up. And progressively over time the contribution that we had from Clough became less and less, moving from R1 billion profit in 2013 and 2014 and ended up in a R450 million loss in the 2020 financial year.

Now, I did say a bit earlier on we are very optimistic about the future of Murray & Roberts and that we might be approaching a period of strong earnings growth. The question is why is that? And the answer to that question is if you look at the top block on the right-hand side Murray & Roberts at the end of December when we declared our results in March our order book has grown to R60.5 billion. That is a record order book for Murray & Roberts as a group. And the main reason why that order book grew up to R60.5 billion was the growth that we've achieved in the Clough order book.

So the business which contributed to the decline in earnings over a period of many years has changed its strategy to the market in 2016. And we've broadened the market focus wider than only the oil & gas sector and we included the broader energy sector, the resources sector and specialised infrastructure. As a consequence of that the business has done extremely well to build a significant order book in these new market sectors. So we are confident that based on the strength of the Clough order book that it is heading back to a time when Clough will contribute R1 billion and even more to the group earnings.

The current financial year – as Ed has said, we are almost in a closed period so we can't talk results – the ERI platform which trades under the Clough brand will be profitable. But as I said, given the strength of this order book we are very excited what the earnings potential would be from that business. And together with that we still have the mining business in the group which is contributing handsomely to our profits. And that's the main reason why we're optimistic about our future. So the question is, after a decade of reshaping, are the planets starting to align for Murray & Roberts? That's not a question that I would want to answer now. It's one that I would like you to answer for yourself after our platform executives have presented their businesses to you.

I just have a few more slides which I would like to take you through very briefly. We talk about this new strategic future plan for Murray & Roberts. And I think it's important for the audience and our analysts and shareholders and all our stakeholders to understand what this means. Essentially it is a position that we would like to achieve to be a multinational specialised engineering and construction group that's focussed on specific target markets. Previously we spoke about focussed on the natural resources sector, but as from 2016 we have broadened that market focus to move away from the cyclicality of natural resource and to mitigate against that risk. That statement to be a multinational specialist engineering and construction company is a very loaded statement. You need to understand and differentiate between a specialist contractor and a general contractor. And we don't have time to do it now, but our choice has been to be a specialist contractor.

It also defines our geography to be multinational. It defines our core business, a business of engineering and construction, and then also our target markets which we now define as resources, industrial, energy, water and specialised infrastructure. As a group we also want to provide services across the project lifecycle. That approach we believe presents an opportunity to recognise maximum profit from a project opportunity. Now, just to explain this a bit in simple terms, if there was only one project in our portfolio of projects, and if we were only doing engineering work, we would have forfeited the opportunity to get profit from the procurement phase, from the construction phase and from the commissioning phase.

So for us we would like to play across the lifecycle of the project, provide services across the lifecycle, because that gives us the opportunity to extract maximum value from a single project. So we do engineering, procurement, construction, commissioning, operations and maintenance. And we apply various contracting models. It's not that we always have a choice in this regard. The market largely dictates the contracting models that are used on projects. But it ranges from cost reimbursable to EPC lump sum.

Thirdly, we wish to achieve engineered excellence in all aspects of our business. This is the philosophy of the group and it's a philosophy that has been established over the past ten years. And I believe it's only now really starting to get grip in the organisation. What this is about is we really want to achieve excellence in whatever we do, the way we build our projects, the way we manage our people, the way we engage with the market. We want to achieve excellence. And once we know what it looks like, we need to put a plan together to achieve that. That is what engineered excellence is. It's not excellence that happens by chance. It is excellence that is a consequence of a planned activity to achieve that outcome. And we do that by making sure we have the right people in the group, especially in leadership positions. We remain a values driven organisation, and we adopt the best business processes and business systems that are available and we use that in our business.

Fourthly, we want to achieve growth through acquisition and organic growth. I've mentioned earlier on that we undertook quite a few acquisitions over the past five years. We started off with small bolt-on acquisitions, later on in the period slightly more substantial acquisitions. But we are very much focused on growing both through acquisition and organically. I'm not sure, Peter, whether it is included in your presentation, but maybe you can elaborate a little bit more when you present. We are currently considering the potential again for looking at an acquisition in the US to position ourselves even better for the opportunity that we see in that market.

And then finally, we wish to enhance shareholder value. Now, based on the previous slide you will see we haven't performed well in that regard over the past number of years. And I've explained the main reason for that. But I believe that we have taken the right strategic decisions to refocus the group on newly defined market sectors. That is also the reason why in the previous financial year we changed our platform names. The Oil & Gas platform was changed to Energy, Resources & Infrastructure, the Underground Mining platform to Mining, and the Power & Water platform to Power, Industrial & Water.

If this is what Murray & Roberts strives for, we also need to understand what Murray & Roberts is not. We don't want our stakeholders to get confused about what Murray & Roberts' business is all about. It's important to know that we are not a primary project developer. So we do participate maybe at the PBT level if that opportunity will create an opportunity for us to do engineering and construction work as well. But per se we are not a primary project developer. We will take up an equity stake on an ad hoc basis if it creates an opportunity for us to build the project. We are also not an original equipment manufacturer. We are not an OEM. We don't manufacture mining equipment or turbine for power plants as an example. We procure from OEMs and we participate with OEMs in developing new equipment. We are also not a technology owner. We don't do research and development as a group. We are technology agnostic and we participate with technology developers in developing new technologies, and we partner and collaborate with them on agreements where a specific technology may be required.

So the group has three business platforms: Energy, Resources & Infrastructure, headed up by the Chief Executive, Peter Bennett, the Mining platform headed up by Mike da Costa, and Power, Industrial & Water headed up by Steve Harrison. The Energy, Resources & Infrastructure and the Mining platform are really the engines driving profitability in Murray & Roberts as a group. You will hear from all three Chief Executives just now. The Power, Industrial & Water platform is not a multinational, whereas the other two are. Power, Industrial & Water is focussed on South Africa and Sub-Saharan Africa. Due to a lack of opportunity that business is working really very hard to keep head above water. But it is never going to be in the same league as Mining or Energy, Resources & Infrastructure from a potential to contribute towards group profit.

And then my final slide as part of the introduction. If you look at these bars the yellow bars represent the order book for the ERI platform, the grey bars the order book for the Mining platform, and the blue bars the order book for the PIW platform over the period 2014 to December 2020. And you will see how the ERI platform order book decreased over time due to what happened in the oil & gas sector at that time. And in 2017 it started to turn. I mentioned earlier on in 2016 we started to broaden the market focus. And really in 2019 and 2020 we started to see the benefit of that strategy coming through. So a substantial order book for the ERI platform.

As far as Mining is concerned the order book came off a little bit. It is purely COVID related. We are not concerned about that at all. It remains a substantial business and it will contribute handsomely to earnings going forward. And the PIW platform, as I mentioned it doesn't have any order book really to talk about. And it's difficult for Steve and his team to keep head above water in this market and to support this platform as a sustainable business. So a lot of work is going into the PIW platform, and Steve will talk to you about that a bit later. But as I said, the engines driving profitability in Murray & Roberts are the ERI platform and the Mining platform. With that, ladies and gentlemen, thank you very much. I will hand over to Ed who will then make introductions for the next presenters. Thank you, Ed.

Ed Jardim

Thank you very much for that opening, Henry. The first presenter up is Mike da Costa, platform CEO of the Mining platform. Mike, thank you very much.

Mike da Costa

I'm going to be talking to you about the Mining platform this morning. Basically have a quick look at the business overview and our strategy. I'll talk you through some of our current projects, the major projects that we have on our book at the moment. A quick look at the market overview, and then we can talk through the order book and some key opportunities that we have lining up for ourselves. And I will then close off the presentation with key risks and some presentation take-aways.

As Henry has already mentioned, the Mining platform is a global platform. We are present in the major mining jurisdictions around the world. We have a leading position in a number of those jurisdictions. And the way our business is structured is really in three regional businesses. The one business covers the Americas. It trades under the name of Cementation and the main office is in Salt Lake City in Utah in the US. Then we have some other satellite offices, one in

North Bay in Ontario, Canada, one in Vancouver in BC, Canada, and one in Santee in California in the US. The Cementation Americas business really covers the Americas area and sometimes opportunistically into Europe.

The next business is then the African business basically covering Sub-Saharan Africa. That trades under the name of Murray & Roberts Cementation based in Johannesburg. And then we have satellite offices in Kitwe in Zambia and Accra in Ghana as well. That business really covers Sub-Saharan Africa, at the moment mainly concentrated in Southern Africa and trying to penetrate West Africa. The third regional business then is our Australasian business or the one that addresses the APAC market. They trade under the brand name of RUC and they are based in Perth in Western Australia. We also have an office and workshop in Kalgoorlie in Western Australia and then another office in Ulaanbaatar in Mongolia. So the market focus for these three businesses, our global focus is in underground mining but also in material handling services. That capability is really supplied through the TNT business that we acquired about 18 months ago or two years ago. And then in Sub-Saharan Africa we address the underground market as well as the open pit mining market. We don't have any work in open pit mining at the moment, but we continue to be on the look-out for an opportunity to enter that market.

Right now as far as market conditions are concerned we are seeing that capital investment has been continuing in the industry over the last two years mainly in brownfields expansions, stay in business type capital investment. Obviously over the 2020 period that investment cycle was impacted by COVID and we certainly felt that impact. As the world recovers from the worst of the pandemic the commodity prices have certainly recovered significantly. We seem to be at the start of a more sustained bull cycle listening to comments by analysts. And we are now starting to see an indication of capital investment in mining starting to pick up. And the forecasts are certainly suggesting the investment intensity should increase over the next couple of years. But I'll elaborate on that a little bit later on in the presentation.

Our order book at the moment, as Henry pointed out, reached a bit of a low point in December, R17.9 billion. That's the lowest it has been over the last two years. I think we are seeing signs of recovery in the order book, and again I will elaborate on that as we go through the presentation. I think in terms of the three businesses where we felt the biggest impact or the biggest effect of COVID is really in the Americas business. We've seen our order book erode quite significantly there. There are some big projects that came to an end, and a number of significant opportunities that we've had lined up that we had planned to use to replenish the order book just haven't been awarded. It's just by our assessment a lot of uncertainty driven by COVID. Particularly in that part of the world it would seem that mining companies have been very reluctant to invest capital. They have really been protecting their balance sheets and holding on to their cash resources and just haven't been awarding projects. So the order book eroded quite significantly there.

In the African region we were less impacted by COVID and our order book remains fairly strong in this part of the world. And prospects are looking fairly good into the future as well. As far as Australia is concerned right now analysts are saying that we are entering into an environment of some really increased investment in that part of world. And certainly from our perspective we are seeing that as well. The investment environment in Australia is really hot at the moment to the extent that there is now quite a lot of competition for resources developing. And already we are starting to see the skills market tightening up and it's becoming more difficult to get skills onto new projects that we're working on.

I think let me go on to the next slide. As far as our strategy is concerned we have two main strategic thrusts: growth and engineered excellence. Henry has spoken a bit about engineered excellence, but as far as growth is concerned we see two aspects to growth, one organic growth, one growth by acquisition. And we see the key enabler of driving that growth as being organisation capacity and making sure that the organisation is properly structured and resourced to facilitate the growth. So from an organic point of view our focus areas are around expanding the footprints of our current businesses within the regions where they currently operate.

For Cementation Americas we are looking to expand into Mexico, Peru and Chile in South America. As far as the African business is concerned we are fairly well established in Southern Africa and working on getting ourselves more into West Africa. We see significant opportunities there. And as far as the Australasian business is concerned, we are well established in Western Australia. We are trying to get more established in Tasmania and on the eastern part of Australia. And then we see quite a good opportunity for getting a footprint into Kazakhstan and we have already made some moves to start establishing a presence in Kazakhstan.

The other areas of organic growth that we're focussing on are project execution and increasing margins. As far as acquisition is concerned the last acquisition we made was TNT, but we continue to be on the lookout for acquisitions and it is certainly part of our strategy to continue to grow through acquisition. We are just very clear that any acquisition must be value accretive and it must serve to diversify the revenue profile of the platform. So while we have some opportunities coming to us on a reasonably regular basis, we are very careful about how we evaluate those opportunities.

As far as engineered excellence is concerned we have specific areas where we're focussing on in terms of our pursuit for engineered excellence. The key enabler that we see to enable the achievement of engineered excellence in those various areas is digitalisation and innovation. And we have recently developed a digitalisation strategy which is assisting us to work on a number of initiatives to implement in these various categories that I have listed there. So it is really improving safety, and as far as safety is concerned trying to get more proactive, focussing on leading indicators and becoming a lot more risk cussed in our safety improvement efforts. And to that end we have employed a new critical risk management system called CRM which has a very good digital support system to it. Improving productivity, we are working on initiatives and digital applications that really improve efficiency, reduce wastage, and improve information flow within our project systems.

Improved asset maintenance, there again implementing initiatives and digital applications that assist us in managing our assets and getting the total cost of ownership down, decreasing maintenance costs but balancing that with not increasing operational risk. We are working on strategic procurement, collaborating with OEMs, setting up special relationships with OEMs so that we're able to collaborate with them. And we're looking at an alternative innovative procurement platform where we are able to procure on an international basis and also arrange financing for procurement on an international basis. And then improved management information, that is just consolidating data and making use of artificial intelligence to analyse that data and get the necessary management information to the right level at the right time.

As far as our major projects are concerned, in South Africa we have two large projects, the one being Venetia for De Beers which is up in the Limpopo Province close to the Zimbabwean border. We have been on that project for quite a while. It started in 2013 and we still have a few years to run there. The project is quite advanced and it really entails moving the Venetia mine from an open pit mine to a large underground mine. We have sunk two vertical shafts there to a depth of just over 1,000 metres each, and we're just busy equipping and commissioning the one shaft. We are doing some development, off shaft infrastructure development on the other, and then a decline that we're busy with to access the ore body as well. So that project will complete in June 2024. The other project that we have is the Kalagadi manganese mine in the Northern Cape which is a bord and pillar mine, and we basically have a full services contract to do the bord and pillar mining at that operation. There we started in 2018 and the project runs until March 2023.

In Australia we have just been awarded a project for Newmont at their Tanami operation. That is to raise bore two vertical holes, one on top of the other, to create a shaft of 1,400 metres depth. And we have just been awarded the construction part of that project which includes the lining of that shaft, the construction of the shaft and the construction of the surface infrastructure around the shaft. And then we have the Freeport project in Indonesia at Freeport's Grasberg mine in Indonesia which is a very large block cave mine. And we supply a lot of support services into that mine. That accounts for quite a bit of our revenue for that business. And we have a master services agreement that is in place until end of June 2025. So that's quite a long duration contract and it's a very good annuity type income for us.

As far as metal prices are concerned I think the consensus out there is that metal prices will continue to increase over the medium term, the next two years or so. I just put up some graphs of some of the major commodities that we are active in, and really all of them are forecasting some decent increases over the next period. As far as forecasts for capital investment are concerned, the forecast that we have shows that total capital investment is forecast to increase by a compound annual growth rate of 6.8% over the next five years. From a commodity perspective you can see on the graph there that gold is forecast to get the major chunk of the capital investment, increasing by 12.4% over the next five years. Copper is also strong, increasing by 5.3%. And then on the other side of the scale, and probably not surprising, capital investment into coal is forecast to decrease somewhat over the next five years.

In terms of where this capital is going to be invested by region, again the biggest growth in capital investment is forecast to take place in the Americas with a compound annual growth rate of just under 9%. And in the Americas focussed more in Canada and Latin America or South America. And then that APAC region as I mentioned earlier, also very strong investment forecast to increase at around 6.6% over the next five years. And that investment is going mainly into Australia, India and China. We don't work in India and China, but we certainly do in Australia. And then Africa is forecast to grow at a bit of a slower rate than the other two regions that I've just spoken about, but nonetheless forecast to grow at about 4.6%. So as a platform we have a very strong presence in all of those regions of the world and we certainly think that we're well positioned to get our fair share of this increase in capital investment as it starts realising.

Just quickly through our order book, you saw some of this on the graph that Henry had up, and clearly there has been a deterioration of the order book over the past 18 months to two years. I think it reached a low point in December at R17.9 billion. And it has already turned with the order of two fairly significant projects. Those two awards happened after the conclusion of the reporting period in December. There were SENS announcements that went out as far as that is concerned. So that has already boosted the order book. Just in terms of the deterioration, it was mostly in our North American business. And while the other regions have really shown some significant signs of increased investment and certainly project awards coming our way, the North American area still seems to be a bit slow. We have some real opportunities in the pipeline there, but the clients seem to be slow in making those awards. It's not a case of them being awarded to others. It's just a case of them not being awarded.

Then on to the pipeline, what is basically sitting ahead of us and hopefully coming into our order book. You will see the status on most of these is category one. In other words we basically submitted tenders and we're waiting for award. The first one there is a very significant bord and pillar mining opportunity that we are engaging on a sole source basis with a PGM producer in Zimbabwe. So that's a greenfields PGM project in Zimbabwe. And we estimate that that would probably start in Q4 of this new financial year that we're going into. The other one is the Mogalakwena trial mine. Mogalakwena is a big open pit mine for Anglo Platinum, and they are doing an underground trial mine which we have tendered for of R1.3 billion and possible start date Q3 FY2022. IvanPlats, also a PGM operation in Limpopo, that's doing development off an existing vertical shaft. Again R1.3 billion and a forecast start date of Q3.

Then B2 Gold in Namibia. We currently have a contract with B2 Gold to do the decline development out of an open pit operation that they have there. The decline is well established and we are advancing it. We have just submitted a tender now to do the production mining as well. So that's around R1 billion and we anticipate a start in Q3 FY2022. Then the

Jansen shaft construction and equipping, that is a BHP project in Saskatchewan in Canada. And we submitted a tender to do the engineering and construction for that project, R2.6 billion and anticipated start date in Q2. The next opportunity is a copper operation in Utah in the US, basically on our back doorstep where our main offices are in Utah. That is around R1 billion and also anticipated start date in Q3 of FY2022. And the final significant opportunity then is the Prominent Hill hoisting shaft in Australia which we're busy working on the tender for that opportunity. We value it at around R1.6 billion and anticipate a start date of Q2 FY2022.

So just some key risks quickly. Clearly if we don't maintain schedule or margin on our major projects that would obviously have a negative impact on our revenue and earnings. We are very focussed on our systems and making sure that we have the right people on our projects to ensure that we are able to deliver schedule and margin. The rapid growth that we anticipate could be lining up could very well result in severe skills shortages. As I mentioned earlier, we are already starting to see that in Australia. If we can't get the skills to support our projects then that could be an issue. But we have mitigating controls in place as far as that is concerned in terms of our training programmes. All of our businesses do very well with training and bringing new skills into the industry. And we also have very strong recruitment systems and contacts.

Our inability to get ahead on the technology implementation curve can set us back, but I think we feel that the digitalisation strategy that we have in place and all the work that we're doing as far as that is concerned certainly puts us in a good position to get ahead on the technology curve. We are seeing to some extent that clients are imposing more onerous commercial terms in the contracts. That sometimes means that we have to accept more risk, or sometimes we are just not prepared to accept the risk and we have to forfeit the opportunity. So that can impact our business. And then there is always the threat for us of new competitors attempting to establish themselves in our markets and in areas where we've had leading positions for some time, but we keep a close watch on that and we believe that our record and reputation and the way we execute projects puts us in a good position to maintain our leading positions in the areas where we are.

So just to sum up then, our strategy that I spoke about has two major components, growth and engineered excellence. Until now we have made really good progress in implementing our strategic objectives and we will continue to pursue that for the financial year ahead. In support of the overall strategy we have our digital strategy in place and we're pushing very heard and making good progress in terms of implementation. That will enable improved safety, [unclear] of execution, better margins and greater market share. The forecasted improvement in capital investment in the mining industry is really encouraging and I think that together with the growing near-term project pipeline offers a good opportunity for us to accelerate the growth of the platform both from an organic point of view and acquisitive point of view.

There is a forecast of a great improvement in capital investment, but I think there is some uncertainty regarding the time of the investment and the timing of how this investment comes to market, and we need to be aware of that and just keep our eye on that because many of these mining companies and boards and executives have other competing priorities for their cash. It is not just into capital investment. Their capital allocation requires payment of dividends to shareholders. They have ESG commitments that are weighing heavily on them. And then there is still this COVID overhang. So that all creates a bit of uncertainty as to how much investment comes and when it comes. I think for the Mining platform FY2022 will be a year of consolidation and rebuilding of the order book after the COVID induced erosion of the past two years. But I think after we go through this period of stabilisation for the next year we should have a period of fairly strong growth for the medium term thereafter. Thank you very much.

Ed Jardim

Mike, thank you very much for the presentation. If you can just bear with me for a second, I've got one or two questions for you. Thank you very much, Mike. Mike, you spoke about the capex in the Americas and you spoke about one of the opportunities in your slide. Do you have a view of what the rest of the opportunities in the US market look like and what kind of commodities they are in?

Mike da Costa

Certainly. So the opportunity that I had up there is a potash opportunity. We then have some other opportunities developing in copper and quite a number of opportunities in South America, also mainly in copper. So the South American opportunities are mainly for TNT in the materials handling business. Then in the US copper/gold there is quite a number of opportunities developing there, and for our US business an opportunity in Europe is developing with one of the major operators in lithium, so that is also quite a significant opportunity. So most of the opportunities are in what we call future facing commodities. So the pipeline is there. We just need the clients to get through their approval processes and actually award the work.

Ed Jardim

Perhaps on that point, is there a feeling amongst your North American leadership in terms of the timing of how the market can recover post COVID in that region, when these projects could actually start coming to market?

Mike da Costa

We think, as I said, the last year or so has been a bit slow. But the feeling is that it's certainly starting to unlock now. I think over the next six to 12 months we will definitely see a lot more opportunities coming to market and being awarded in that area of the world. And I'm pretty sure we will be able to rebuild our order book over that period.

Ed Jardim

Do you feel there is a particular reason why companies are hesitant to spend capex when the cycle is turning? Do you see that the clients are hesitant to spend capex?

Mike da Costa

I think the period where the COVID pandemic was really ravaging the world obviously caused uncertainty. There is uncertainty in what would happen with commodities, what would happen with commodity prices. And my experience is whenever that happens mining companies have learnt over the last decade that basically cash is king. And as soon as the world environment becomes a bit uncertain, you hold on to cash and protect your balance sheet. I think that's really what everybody has done over the last 18 months. And even now that things have eased up a bit and commodity prices have increased, there are some guys who are really conservative and they want to sure that this commodity upswing is real before they approve any investments. I think that's really what's driving it.

Ed Jardim

Can you perhaps give an indication in your order book of the split versus open cast and the rest of your mining operations in your order book? And do you have any ambitions to pursue the open cast?

Mike da Costa

Right now we don't have any open cast in our order book. It is all underground or for our materials handling business. We do still have an ambition to pursue open cast in the Southern African region. I still believe that would be a good diversification for the platform. But we're not just going to pursue it for the sake of pursuing it. We are waiting for the right opportunity and the right entry point to come along. And when it does, we will enter the open pit market that way.

Ed Jardim

Do you think there is a reason why clients are transferring more commercial risks to contractors? Is this a sign perhaps that conditions are becoming more competitive?

Mike da Costa

I think where we've been experiencing that is really over the last two years or so. And over that period I think there hasn't been that much work available, so contractors have generally been in a bit of a weaker position as far as that is concerned. Obviously clients will try to transfer as much risk out of their business onto our businesses and onto their procurement supply chain and so on. If there is a real upswing and there is really a lot of work available that might shift again in favour of contractors as organisations maybe lose a bit of power as far as that is concerned. It's an issue that we need to be aware of and do what we can to mitigate, but it does shift as the environment changes.

Ed Jardim

Thanks Mike. We've got quite a few questions coming through and I think we will get all of these questions answered offline. I think for the purposes of time let's perhaps do two more. What do you believe your sustainable margin should be?

Mike da Costa

We target a margin somewhere between 4% and 7%. Our current margins run around about 5%, and 5% is certainly sustainable. But with the work we are doing we would certainly want to push it up a little and get it closer to the 7% range.

Ed Jardim

And then perhaps one more question. Any consolidation opportunities in South Africa?

Mike da Costa

Sorry, that was the EBIT margin.

Ed Jardim

Just to clarify. Thank you, Mike. Any consolidation opportunities in South Africa?

Mike da Costa

In the contractor space, no, I don't think so. Not from my perspective. Murray & Roberts Cementation is I think by far the number one underground mining contractor in this region of the world. So to consolidate or to play a consolidating role from that position is very difficult. Just from a competition point of view it would be very difficult. So I think in other parts of the world there might be opportunities, maybe in Australia, but not in this part of the world. That's why to diversify our footprint or our capabilities in this part of the world we need to look at things like open pit mining because we're so strong in the underground sector.

Ed Jardim

Thank you very much, Mike. I appreciate that. We've got a few more questions, but we will answer those offline after the presentation. Thank you very much, Mike. Next up we have the platform CEO of the Energy, Resources & Infrastructure platform. That's Peter Bennett. Peter is presenting via Zoom conference call out of Perth, Australia.

Peter Bennett

Thank you very much, Ed, and good morning everybody. If you turn to the presentation overview there, obviously the agenda that we have today is very consistent with what Mike presented in the Mining platform. We will give a bit of an overview of the business, where we've been and where we are today, and of course what is our strategy going forward. I will talk a bit about a few of the key projects we have. Not all of the projects in the portfolio, but certainly the ones that are of interest and of note that hopefully you're all interested in. I do want to talk a little bit about the markets that we're addressing, and the reason that we're doing so, and where we see our capability being strong.

I also want to identify some of the strengthening we've done in our leadership, and some changes in the way we're structured overall, and why that has been important to our strategy going forward. I've got a slide on some of the key opportunities we have in the business that we think are going to continue with building the platform for growth. I'll talk about the key risks to that plan in the business obviously and then summarise with some presentation take-aways.

So if we can go to slide three, I will give you a little bit of a refresher on the journey that Clough has been on. As Henry started off the presentation today talking about the fact that Clough has really transitioned significantly in recent years. Back in early 2010 Australia was undergoing a once in a lifetime investment cycle in the LNG industry. And Clough, very rightly so, focussed on being a key player in that investment cycle. And we were well established on all the LNG projects in Australia. What happened, something that nobody had foreseen would happen as quickly and as abruptly as it did, was when that investment cycle finished it coincided with the collapse in the oil price and investments in the oil & gas industry dried up virtually overnight. So Clough at that point really had to embark on a journey to reposition the business to be more relevant and present in the markets that were investing in Australia. We were tied very heavily to that single LNG market, and when it was down it really impacted our business significantly.

It has been a lot of hard work in that process in effecting that transition, but I'm pleased to be able to tell you that it's paid off and we are now starting to see the results of that transition finding their way through the order book and into the earnings contribution for the business. So that's something that we're very pleased about. I think it's worth noting that that delivery cycle from pursuing these new markets and identifying these opportunities, by the time they go through that cycle, you are awarded a project, you are getting to a meaningful revenue and such contributions are very visible, it's around a three year cycle. So it doesn't happen overnight.

Our strategy was quite simple. We looked at how we can take those unique skills sets and those differentiators that Clough as a business has and deliver those into the markets who are actually spending money in Australia. We didn't want to diversify and try and learn completely new skills. But we did want to take our expertise and our capabilities and deploy it into new markets. That has been quite successful. Our strategy going forward continues with the same philosophy. We do have some geographic diversification as well that I'll talk about. But certainly there is still the potential for strong organic growth in the near term. As Henry asked me to mention, we are looking at some key acquisitions as we look to add some complementary skills sets to our current capabilities to be able to pursue those markets more fully and in some cases more widely. Immediate acquisition plans are looking at the US to expand that market delivery capability in the US, and I'll talk a little bit about that when we get into the slides further down the road.

As part of it we've really had to go and change the internal structure of our business. We have changed our management systems. We've changed our reporting systems. We really had to get a lot more project delivery focus as the market moved from in the LNG phase fairly heavy emphasis on reimbursable and project management-led opportunities. Now we're very much back into the EPC lump sum delivery models that Clough has been known for throughout its history. So we have overhauled our management system. People that haven't been able to make that transition with us have had to exit the business. But we have also brought in those key skills and capabilities with new people joining the team to strengthen our organisation.

The other change through this period has been that we've created within the Clough group three separate profit and loss centres effectively. So the Australia/Asia Pacific business headed up by John Galvin that runs here out of Perth. A North American business that I'll talk about, that we've grown quite significantly through this period, headed up by Martin Siddle based out of Houston. And then of course our Booth Welsh operations based out of the UK headed up by Martin Welsh. So, each of those three businesses now are developing their own strategies which are much more tactically appropriate for their respective markets and the respective size of those organisations. They are all at different levels of maturity within the Clough family, but they all do roll up into this overall Clough strategy that I'm talking to you about today.

If we flip to slide number four, I won't read every word on this slide, but who Clough is today and where we want to be are things that we focus on quite often here. We see ourselves as a pioneering engineering and construction company. We deliver sustainable high-performing assets for the energy, the resources and the infrastructure sectors, really utilising our self-perform capability. Our areas of focus, Australia, the UK and North America, are quite key. The sustainable element is something I will talk a little bit more about in the markets. That's a really key part of defining who we are. And where do we want to be? We really want to be known as the most respected engineering and construction company in the market sectors that we operate in. We're not necessarily looking to be the biggest in that regard, but we do want to be the most respected as the organisation that the companies and markets turn to when they have a problem that they need solving.

That self-perform delivery capability and our project execution expertise really are the differentiators for our business, supported very much by our core principles. Being courageous in terms of the challenges we take on. Zero harm is fundamental in everything we do, and it has been pleasing to see the continued improvement in our safety performance in a number of projects we are delivering now with true zero harm. And of course doing what is right and making a positive impact in the areas and the communities in which we operate is very key to who we are and the principles we want to operate at. The financial goal of $200 million earnings per annum. That is something that for those that have followed our business for a number of years has remained there. We do have a very strong line of sight on that goal. I couldn't tell you which year we would deliver it in, but our great aspirations and our current platform that we continue to build on makes that a very achievable goal in our view and a very realistic expectation for our business.

Then on slide five we talk a little bit about the areas that represent the business today. I mentioned those earlier. These are the permanent locations that Clough has offices in. Here in Australia Perth is our historic home. Sydney is an office that we opened up about three years. Brisbane we have been in for about 40 years, similar to Port Moresby. In the UK, Ayrshire is where Booth Welsh is headquartered, and in Houston and Calgary where our North American business is headquartered. We also have offices in Baltimore and we share an office with Mike's team in Vancouver as well. So really our global footprint is something that has been expanding. It does lend itself very much to those three P&L management streams that we operate within our business.

If we go to slide six and look at our order book today, as of December 2020 an A$3.7 billion order book. If you look at back in 2016 I think as the oil & gas market unwound the order book went as low as A$380 million, so quite a significant shortfall from a business that really needs to deliver in excess of $1 billion annual revenue. You can see the period of consolidation there in 2017 and 2018 followed by consistent growth in our order book. So that has been quite important for us to build the foundation for the earnings potential for our organisation.

It is time now for us to focus on project execution as well. And I will talk through the presentation a bit about how we're doing that and some of the changes that we've made. But certainly having a strong order book is great, but if we continue to leak money through poor project execution then it doesn't serve the purpose that we all have an expectation that it will. Also noted on this slide here is we've got another $1.9 billion worth of current prospects that we have been awarded that are in the process of going through their final investment decision within their various groups. Both of those projects are identified a little bit later in the presentation as we talk through the opportunities, and I'll give you some updates around expectations around timing on those.

On slide number seven we summarise our strategic plan and how we approach the market. From a pure strategy standpoint similar to many business plans that you will see we have an element of organic growth that we need to deliver. And then of course the inorganic growth that comes through acquisitive capability and earnings that we bring in to the business. Our organic growth, diversification with the North American sector. That initial launch or foray into the US to create our Clough North American business has been very successful.

What we anticipated there was that that North American oil & gas market would remain buoyant for a little longer than it did. COVID and yet another oil price collapse has meant that investments in that sector have tapered off significantly. What that has done is accelerate our strategy to diversify in the North American markets similar to what we've done here in Australia. That is underway and we're seeing some early signs of success in that. When we look at our forward planning we are anticipating, as I mentioned in the early slide, that those contributions coming into the order book will start to become meaningful in a couple of years. But certainly the early expectations in the market are there, and I will talk about the markets in a little bit.

Hydrogen capability is something that also is very topical. This week or last week there was a major oil & gas industry conference here in Australia. Net zero, sustainability, the new hydrogen economy were very topical discussions all throughout that conference. Safe to say that Clough is positioned in the hydrogen industry both in North America and in Australia as we look to help that industry grow into a commercially viable delivery. I will talk about a couple of projects that are part of that future proofing in the energy sector around hydrogen potential. Expanding our infrastructure position here in Australia, I think that's very key. It's a market that is very buoyant at the moment. We have a good foothold in that market. We are quite strategic about what elements of that market we do pursue. But it is something we want to continue to strategically grow our presence and market position in. So that's something that's very important to us.

The power strategy also is very key. Here again domestically it is quite a significant investment in the coming years. And we have a strategic plan around how we are approaching our market. In some of the large renewables such as wind and solar those aren't strategically differentiated markets here in Australia for a contractor like Clough. We are focussed much more on the hybrid power generation and peaking power generation. We are focussed on the transmission of those new energy developments because that infrastructure is in dire need of expansion here in Australia. There are a fleet of large projects coming to market in that area. Further to that, the storage of energy. Snowy Hydro is one of those areas of energy storage to be able to make effective use of the renewable power that is generated outside of the grid. So that market is important to us. We've got a good relative position in all three elements of that, and I'll talk to some of those projects a bit later on.

In the inorganic growth elements what we're looking for is certainly in Australia we're always looking for an opportunity to add some capability to our portfolio that might allow us to better deliver in the markets we're pursuing. In North America we're looking at we are quite advanced in the due diligence around an acquisition at the moment that will give us a bit more geographic diversity in the US and also support our entry into the infrastructure market in the way we need to in

North America. So it is quite a key acquisition there at the moment. Not an overly large acquisition, but strategically placed in terms of the markets, the union sector, the part of the States we want to focus on. We're not looking to try and go into all 50 states. We are quite strategic about what we are approaching in North America. But we do feel like we've got a good acquisition in line that will support the delivery of those new markets in our business.

I won't go through all the objectives, but we break it down into those three areas. Growth markets we need to continue to target. Certainly the core capability for our business in oil & gas is always going to be important to us. Defence is another area where a number of years ago we embarked on pursuing work in the defence industry in Australia around some of the sorts of projects consistent with our delivery capabilities. We've secured our first large project in that space. We need to expand that portfolio such that we've got that underlying base load of revenue in our business to help us in our growth cycle in the emerging markets that we see here within our business.

Decommissioning here in Australia is very much an emerging market, very topical. There are a large number of offshore assets in and around Australia that are nearing the end of their lifecycle, and the decommissioning scope associated with those is something that we're developing some strategic plans around. We've got a couple of strategic partnerships right now. We are talking with regulators and operators around how best to help shape that market as it is going to become a significant investment that is going to be required by the oil & gas industry here in Australia.

Henry mentioned earlier about who the business is not going to be. In key areas there is an opportunity for us to take an equity position in some of our core markets. We will do that if the equity position is reasonable and if we have an exit strategy for that equity position in a reasonable timeframe. There are a few key areas where we think that will add some potential to our business. And then the alternative fuels market I've mentioned. Hydrogen is such a topical area at the moment, ammonia and some of the other transition fuels as Australia and indeed the world moves towards their net zero commitment by 2050.

As we move to the next slide we will talk about some of the key projects that we currently have. On slide eight is the Snowy 2.0 project that I hope many of you are familiar with. You can see from the ticker along the bottom there that we are two years into this project. I'm pleased to be able to tell you that actually last night and again this morning the first of the TBMs commenced the permanent tunnelling works for the project, so a really key milestone for the business, a key milestone for the project, and it is progressing quite well in the Snowy Mountains right now. TBM2 is the first of the TBMs to commence tunnelling. TBM1 and TBM3 are currently being installed and erected on site. So, really quite an exciting time for the business as that project really is going to start to deliver more meaningful earnings as the construction phase really ramps up from this point forward.

On slide number nine is Project Traveler, which is the name of the project we have in Houston, Texas. This is the large alkylate project that we have for Next Wave in North America. This is really to produce high octane alkylates for blending into the refining gasoline streams to help them offset some of the performance degradation that the Euro 5 regulations have imposed on the motor industry there. A very good market. They are looking at adding additional trains. Where that project sits in its project execution phase right now, we're about 30% complete.

The project is performing very well. We have construction activities on site now. All the underground is complete. Most of the large concrete foundations are installed. All the equipment has been purchased and delivered. Structural steel erection is going ahead. All the outside storage tanks and storage [unclear] are well under erection. The project is really moving in a good place. Certainly we feel like the worst of the impacts from COVID in the Houston area are behind us. The project managed through those quite well and we have high hopes for a good completion of that project. We've got through the engineering and procurement phase without any major obstacles. It has been off to a good start. We are really going to ramp up on the site works as the piping works really start to move to the field in the months of July and August. So that project has been going quite well for the group in North America.

On slide number ten is the Tallawarra Stage B project. This is quite an important project for Clough not just because of its size. It’s just under $100 million our share. We’re in a consortium here with GE who are obviously the turbine provider. This project is Australia’s first hydrogen capable gas-fired power plant, so again very key in Australia’s transition to a net zero energy footprint. So it can take 5% hydrogen fuel blended in with the feed gas to this project. At this stage Australia doesn’t have the hydrogen generation capabilities to be able to deliver that, but this power plant will be ready for it when it can. And I think it is going to set the model for the new generation that is coming on.

This is indeed a peaking type operation plant, so this is intended to be able to supplement some of the peak load requirements in the energy grid when perhaps the solar and wind generated power isn’t able to meet those demands. So this kind of hybrid power generation complex is something that we’re going to see more and more of here in Australia. For Clough to be able to the first mover in that market is strategically important and something that we have already had great interest from the industry around other developments going forward. There are a number of these projects on the drawing board and going to be coming to market shortly. So from a strategic standpoint it is quite pleasing for the business to be awarded this first one.

Slide number 11 is Project Energy Connect, which is equally important. This is the transmission side of that energy strategy that we have. This is the first high voltage power transmission project in Australia in about 20 years. This is a 700km long high voltage power transmission network from Wagga Wagga in central New South Wales all the way to the South Australian border. There are about five more projects like this coming to market in the coming years as we look to connect and integrate some of these new solar, wind and peaking type power plants into the existing energy infrastructure in Australia. So once again this is the first of these new projects. We have a strategic alliance with Elecnor from Spain, who is globally quite experienced in these high voltage power projects.

It’s about a $1.7 billion project, so quite sizeable. And I say there are about five more projects like this coming to market in the very near term, so it’s critical for Clough to be part of that market and very pleasing that we’ve got a first mover status. This project is underway now. You can see from some of the recent progress there we are fully mobilised. The client has actually been paying us now for about the last 12 months on this project. We’ve moved now into the Full Notice to Proceed phase where we’re about to make all the major equipment commitments. Again that work has been going very well. No surprises, no shocks with this project at the moment. It’s something that we’re quite excited about given the potential follow-on opportunities that this one will deliver.

If we go to slide 12 we can summarise Clough in the three market sectors that we pursue, energy, resources and infrastructure. One of the things we felt was important was to categorise various types of projects within these three market sectors. Some of them are able to be generally placed across a number of sectors here, but we wanted to identify where they were such that when we track, record and structure our business we’ve got some clarity around how we define those sectors.

Emerging energy obviously is the hybrid generation that I talked about like Tallawarra, hydrogen and renewable type gas projects, and then the distributed energy systems within the merging energies. Power is consistent, hydro power and co-gen power facilities. Then of course our traditional oil & gas markets. One of the things that I think is very clear in the LNG market is that even with the net zero aspirations across the globe, the oil & gas market still has a strong role to play given that so many of the commodities require oil & gas and petrochemical products in their manufacture and construction. The pure power generation sector can be fuelled by renewables but still have a very large and growing oil & gas industry underneath it.

The resources sector is a little bit more specific to Australia and doesn't have quite the global application that the energy sector does, at least not for Clough. Iron ore is key and I think everybody has probably been following the press around the iron ore prices. Above $200 a metric ton, Australia is a very key player in that market at the moment and our industry has remained open through COVID. Iron ore investments will continue. We will be a bit more strategic in the iron ore projects that we do pursue. The process facilities, the ore handling, the enabling infrastructure is a bit more akin to mechanical systems, the structural piping etc., rather than heavy civil works and those sorts of programmes which are Clough's core competencies.

Other mineral processing facilities, there is a lot of investment planned for particularly rare earth processing facilities here in Australia. Historically those rare earth minerals have been exported to foreign countries for processing. With some of the national security focus both in Australia and in some of the other NATO nations there is some investment now domestically here around mineral processing facilities for rare earth minerals such that supplier security is a bit more assured.

Then our third major focus is infrastructure. Again we're quite focussed on the infrastructure opportunities that we do pursue. We're not looking to do hospitals, schools, football stadiums, those sorts of things. We are looking to seek out the projects that allow us to deliver the competencies that make us strong in the sectors that we're in and have historically been in. Any complex roads or interchanges, tunnels and bridges are always something we're quite good at. Any of the transmission lines and power distribution, particularly with our new joint venture structure with Elecnor, is a really key part for us in that infrastructure sector.

The water sector has historically been also a strong part of Clough's pedigree. Water processing, desalination plants and some of the major dam constructions because of the hydroelectric element are important to us and will be markets we continue to focus on. We do have a current water processing contract in Queensland here in Australia that is worth around $40 million a year to the business. So it's a market we have stayed current in. We do see growth in that. There are desalination plants slated here in Perth and also across in Sydney. We are looking at and working on some projects in North America now with some of the strategic partner alliances that we've developed here in Australia such as Suez, Veolia etc. So we see the water market as being something quite important to us going forward.

Then the marine. Certainly Clough is well known for its expertise in near shore marine. Within the infrastructure market and Sydney metropolitan road expansions are a number of submerged tunnel projects which are very similar to some of the existing oil & gas type of projects we've been doing. So some great facilities in the marine space. We're looking at a very interesting project in the Antarctic along with our Dutch partner for a marine project out there. So marine is a key part of the infrastructure market, something Clough has got a fantastic delivery and reputation in, and one we will consistently find opportunities for, albeit certainly the oil & gas market hasn't provided many opportunities in that sector recently. Having said that, we are currently active on the Canada LNG project with Shell delivering the jetty project for that LNG export facility.

Slide 13 also really provides a table that indicates of our three P&L centres which of those markets we are currently active in. This represents the status as of today. I'll be very disappointed if this time next year when we meet the next time if that North American row there doesn't have check boxes in power, in transport and in water as well. As I mentioned earlier, I think the resources sector is probably always going to remain just a domestic Australian market for us. But certainly I would anticipate North America to be active outside of the resources sector in all the segments this time next year. In the UK I would say emerging energies we are currently in. Power will be an area that that market will be pursuing next year and obviously oil & gas. I think transport, water and marine elements for the UK, we are working on a strategy around those at the moment but I think that is a bit more mid-term than near-term in terms of when we'll have capability in that region.

If we go to slide 14 and the first of our slides on market status, in the energy sector the energy transition we've all heard about as the world expectations are that we move towards a net zero reality. Coronavirus and the impact on oil prices and so on have really accelerated the focus on that. I think the reality is that renewables at the moment are not going to be able to deliver that on their own. We are in this transition phase where there is going to be a combination of renewables, power storage and traditional generation. And then there are new hybrid power plants. So we are seeing a lot more of that and we are involved in some of those project developments at the moment.

At the recent oil & gas conference it was made very clear around not just society's expectations but shareholder expectations and investor expectations are becoming much more aligned with ensuring that businesses are working and progressing in this space. So it is pleasing for Clough to have the position it does in these markets. And certainly we have had some very engaging conversations with our clients in the energy sector around how we can help them transition as we move forward. So a really exciting time in the energy markets. The energy resources and enabling infrastructure that we're developing specialisation in we think has quite a large market potential going forward.

Slide 15 is where we break down by region how we see energy across the markets. In North America the low oil price really has curtailed a lot of the drilling investment. As you know, the energy market and certainly the oil & gas market there is predominantly from the shale gas and shale ore developments in North America. That investment cycle was impacted by the lower oil prices, and so there has been a little bit of stalling in that market. Certainly the new administration I think provides a bit more certainty now, so that will help with investment. But I think there is in general a fairly strong market sentiment that it will return and that those investments will come back to market in the near term. So certainly a good market for us to be party to.

In APAC we're going to see investment. As I mentioned earlier, the decommissioning side is going to become quite important. But the new power generation projects are where we're going to see the predominant investment cycle in this region. And along with that will be the high voltage transmission infrastructure to support it. The domestic gas shortfall is something talked about a lot here in Australia. It still seems almost unreasonable that we can have such a large domestic gas export capability and yet on the opposite side of the country a net shortfall of gas. Trying to reconcile the two is something that Australia is grappling with at the moment.

There is some import facilities planned for the east coast now, but there are also some more opportunities around how we can take some of the calcium methane on the east coast and deliver it down a little bit further south on the east coast. Part of the net zero transition as well is going to be carbon capture and sequestration. We're talking with some of the operators now around that. A lot of the calcium methane wells really do lend themselves for carbon sequestration on a go-forward basis once their gas reserves have been depleted. So that is a market that is emerging in the Australian energy sector as well.

In the UK the waste to energy sector is a very mature market in Europe. Australia has not really caught on to that technology very broadly yet. It's a fairly mature market in Europe and forecast to continue at a compound annual growth rate in excess of 7% per annum. So in the UK we've formed an organisation over there with a utility out of Austria to try and develop a waste to energy portfolio. And that project is launching at the moment. We will talk a little bit about that and some of the opportunities later on. The waste to energy market is one that we think has some potential for our business to enter. We do have a first foothold in there. But there are some significant deficits coming up in the UK energy sector has they start to decommission some of their coal-fired power plants and also a lot of the nuclear power plants that are coming offline in the near term as well. So the energy market in Europe is another one that we continue to develop a strategy to support.

Slide 16 takes us on to resources. As I mentioned earlier, Australia's resource exports are forecast at all-time record highs. Our recent investment cycle has continued to add capacity to the miners here. Globally there have been a number of historic iron ore suppliers that have been unable to meet their commitments through COVID-related impact. Australia has been able to step in and fill that gap. There are also continued major investments in preparing new mines as old facilities deplete. So the resources sector is going to continue to be a fairly important market for us.

As I mentioned earlier, we do need to be quite strategic in this market. We look at enabling infrastructure, the process facilities associates with that, and not get distracted by the heavy civil works that aren't our core business and core self-perform capability. But we do see a continuing investment cycle in that sector. We are seeing a little bit of other activity in some of our APAC region, particularly Papua New Guinea where Clough has had a long history with the resource companies in developing their infrastructure in that part of the world. So for us a key market.

So moving on to the next slide, infrastructure, on slide 17. In North America where we are developing a market strategy to enter that market there is $2.1 trillion of public investment slated for the North American economy. That doesn't include the private sector. That doesn't include the other projects that have yet to be brought to congress in North America. So a major investment cycle. It really replicates a lot of the conditions that enabled Clough's market entry into the infrastructure sector in Australia. Very large investment cycles, an industry that is really under-resourced in terms of contractor capability, so the market conditions for entry into that market sector are quite strong. We're going to do it in the same way we did in Australia. We're going to be quite disciplined. We're going to have some strategic alliances, and we've formed those already. But that as a market going forward is quite significant. $2.1 trillion over the next ten years, and we do consider there will be additional investment that will continue to drive that number upwards.

Here in Australia the investment cycle continues to grow. Certainly government in Australia is looking to help with some of the post-COVID economic recovery to be fuelled by infrastructure investments. They were already at record highs prior to COVID, so certainly that's going to continue. And we are very pleased with the market position we have, but we do see that as a growth market here in Australia. Certainly road and rail infrastructure, and as I mentioned earlier some of the more complex road interchanges, tunnels, bridges, that sort of complex infrastructure is where we really see great opportunity for Clough in Australia.

On slide 18 is on asset services. You may recall that a number of years ago Clough had a bit of a look at the asset services or maintenance industry here in Australia. We really wanted it structured in a way that was going to be competitive in that market. We are going to do that now. Our e2o business has been relaunched as a global asset services company. We are going to focus on three main areas: operations and maintenance, brownfields EPC project in existing facilities, and then the traditional markets that e2o has provided, which is really workforce solutions or providing key blue collar and key supervisory roles into our construction project. And e2o is indeed the recruitment and employment vehicle that Clough uses on most of its projects here in Australia anyway. But the asset services opportunities are strong. I think that's where we look to provide that long-term flywheel or long-term low-risk revenue stream to underpin the other revenue streams from the business.

The addressable market is quite large. The EBIT range is reasonable, providing operating costs are low. Clough has seen our operating cost particularly as a percent of revenue come down into the sorts of range that we need to be effective in this market. The e2o organisation doesn't have the overhead structure that contains the technical engineering capabilities that Clough does. It doesn't have the large project management capability that Clough does. And the same with the procurement supply chain function.

So with a skinny organisation that is focussed on the workforce management it will of course operate within our existing management structure and guidelines. And certainly from a health and safety perspective it will be no different from any of our other projects, but it will be able to be more efficient and more effective in that low overhead operations and maintenance space. So we are very excited about that. We have had some early success in that business already. We have also taken the brand international. In North America now we have our e2o business as a labour provider for our project work in the US. And in the mid-term we will look to launch that business into the North American asset and maintenance services market as well.

On slide 19 is the other part of our strategic plan. Growing our market and growing our order book is important, but we are also focused on our execution. We have got to grow our capability in those new sectors. We have got to grow our capability in the decommissioning and renewable energy sectors, and we're doing that. We're going to do that through three main pillars. Execution excellence and ensuring consistent, profitable project delivery. And the consistency is key. Mike talked a lot about digitalisation. That is certainly something that Clough is very focussed on. Digital engineering is a large part of where we are. We do it with the goal in mind of being more efficient in the projects that we deliver, and we've seen some good success in that. We've done a lot of work in recent years around integrating our tools such that we're operating more across the phases of the projects rather than a solo functional organisational delivery. That has been quite pleasing to see the integration across our business, again all geared around consistent, transparent project delivery.

And then finally the other pillar in the execution is around team effectiveness. Clough is that cliché. Our only asset is our people and our only income is from projects that we deliver. So we really need to make sure that we have the best and the brightest in our business to be able to deliver the projects more effectively and more efficiently than anybody else and be able to provide the innovative solutions that can differentiate us from our competition. So we've got to be able to attract the diversity in our workforce such that we can get that diversity of thought to help us solve those problems better. We've got to develop that culture in our business that makes us – again it's an overused cliché – the employer of choice, such that we can have the talent coming into the business that we need to sustain it. That has been very key for us.

On slide 20 there is a high level overview of the leadership. You can see at the bottom there the bottom three boxes with John Galvin, Martin Siddle and Martin Welsh being the leaders of those three business regions. And then of course my corporate team that sits above that really provides the global consistency across those three businesses. That has been quite important for us. On slide 21 I'll mention very briefly some of the recent additions to the team to help make sure that we've got the right capability to deliver the sorts of projects and support the sort of growth that we've got in our business. In North America we've brought in Martin Siddle to run that business. Martin is a 30 year veteran of the industry and he leads our North American business. He has been instrumental in consolidating the entities that we've got there, taking control of our business that we acquired through Saulsbury, and also leading the acquisition search for the business that we're hoping to bring into the fold shortly.

In Canada, certainly a little bit accelerated by COVID and our inability to support with people from Australia, Nathan Grob has joined the team there to run our operations in Canada. And certainly our Canada LNG project is seeing some early improvements from Nathan's leadership. Within the APAC region, John Guyer, another 30 year construction experienced individual on major projects, has joined our business as Senior Vice President for Operations. He has Jason Fletcher that he has brought to the business that is going to oversee particularly our civil and marine infrastructure type project work. Brent Maas joined the business to run certainly our e2o rebranding relaunch and also to help us develop a more domestic Queensland footprint of projects. Historically that office has pursued work in Papua New Guinea. We will still do that, but we need to have a sustainable business in Queensland as well. In the commercial team, Ashlee Bourhill, who is a senior commercial manager, has just joined us recently. And then Damian Weller as we look to grow our HR capability, certainly being aware of the resource constraints and the flexibility and agility we're going to need to deliver in the recruitment space as we look to support the projects going forward.

Slide 22 then talks about some of the key opportunities. I'll go through these from left to right. The Perdaman project that we have first listed there, this is an ammonia and urea plant. We have a 50/50 joint venture with Saipan. We have signed our EPC agreement with Perdaman. Perdaman is going through the final equity and debt raising elements of their project. That is going quite well. We've spoken to both the groups raising the debt and also raising equity. His gas purchase agreements, his product offtake agreements were all signed. Environmental permits were delivered. All the government heritage approvals, Section 18s, were all done. The equity raising is expected to be complete in September/October this year, and we're forecasting that that project will go into EPC release somewhere around February of next year. So a very exciting project for the business and will be a great contributor to the order book we hope in the February timeframe.

The next project, which also represents $1.7 billion in near-term orders that we had on the first slide, is another pumped hydro project. This is for UPCAC in Australia. We have our EPC contract agreed with the client. They need to go through their final investment decision and approval which they are anticipating will complete sometime the end of this month. It might potentially skip a month or two, but that project we anticipate will come into our order book somewhere by the end of the calendar year this year.

The third project on the list is Inland Rail for Australian Rail Transport Company. So this is a part of a large project. This is a rail project going from Toowoomba in Queensland all the way down to Melbourne in Victoria. It's to take rail fright off the passenger rail lines. Parts of this project have already been executed and implemented. This section that we are tendering in a joint venture with Webuild from Italy and GS from Korea is the largest section in terms of contract value but is probably the shortest section in terms of rail distance. It is the most complex because of the number of bridges, tunnels, ventilation shafts etc. that make up this part of the project. We have submitted our tender already. We had our first major presentation with the client yesterday and that project remains on track for an award before the end of this calendar year. We are one of two in that project evaluation, so fingers crossed on that one.

The fourth project is for Main Roads here in Western Australia. The value is confidential at the moment. Obviously because the tender has been submitted it is in that tender evaluation phase. But again we are one of two on that project. We have had our first round of questions and answers with the client and engagements so far don't give us any cause for concern, so fingers crossed with that project as well. The last project on this list in terms of opportunities is one that I mentioned earlier around the UK and the waste to energy project that we're developing with TegCo. It is an A$250 million project, but one of a number of projects in a portfolio that we're developing with TegCo in the UK. So quite exciting opportunities. Obviously there are many more than this that the business is tendering and pursuing. These are five that we thought might pique your interest today.

I guess the message for us is that Clough has a very strong pipeline of very good opportunities of which the bidding slate is quite limited and they have a history of awarding. We are thankfully through that phase a number of years ago that plagued us where there are a lot of projects to bid but very few projects had been awarded. We are seeing projects get awarded on a regular basis now. We are not competing as one of five. We are typically one of two. And our pipeline is in very healthy condition, so it's a great position for the business to be in and certainly something that we've worked hard to get ourselves to be credible in those sorts of markets that have these strong and consistent pipelines.

On slide 23 where we talk about the key risks it is really quite simple. Inconsistent execution. As I mentioned earlier, if we have loss-making projects that undoes a lot of good work. So our focus on project execution is very important and we remind ourselves of that every single day. Diversification in North America. If we're really going to continue with the growth trajectory that we want, we need to continue with the growth in North America and that diversification is going to be very important. So we need to make sure that we're as successful in those new market entries in North America as we have been here in Australia. I would love to see our North American business eclipse our Australian business in terms of the revenue generation and earnings generation for Clough.

And then finally in terms of risks, project resourcing. Martin is seeing the same thing in his organisation. Clearly project resourcing has changed given COVID and some of the travel restrictions. It changes the resourcing footprint that we can go to. We are moving with that, and so far we're not constrained from a resource perspective. But we are very cognisant of the fact that we need to be doing things differently to continue to resource the projects as we go forward because we are in a different environment in terms of the access that we do have.

The final slide, slide 24, is the key take-aways I would like you to remember from the presentation. The strategy is delivering for our business. It has been successful. We anticipate it will continue to be successful. We look to see it continuing that growth strategy, both within those markets that we have entered here in Australia and with those market segments that we are going to pursue in North America as we expand our footprint. Our focus is very much on project execution. We're making sure that we've got the right people and the right systems and transparency in our project reporting to ensure that. The signs are good. Certainly some of the poor project performances that we've had in recent years are not in our portfolio anymore. We don't see any of those same sorts of problems recurring. We really have taken the lessons learnt to heart from those poor project deliveries.

Portfolio diversification is quite strong both in terms of projects and in terms of geography. The business plan also is something that we're quite confident about. So, with the order book that we have it gives us a much higher level of secured revenue for future years than we've enjoyed in recent years, so that gives us a lot of confidence around our business planning going forward. And I guess off the back of all that, looking at the markets we're in, the market dynamics that are feeding that, we see continued strong growth expectations for Clough as a business. From that perspective we're quite pleased with the strategy. We think we're in the right markets and we certainly have a lot of opportunity in front of us. That was my last slide for the presentation today, so with that I'd like to hand it back to Ed for questions.

Ed Jardim
Peter, thank you very much. Thank you for that presentation. In the interests of time we have also received quite a few questions for you. We will ensure that all of these questions are answered offline. Perhaps let's look at two or three of the questions quickly. The first one would be could you please expand on the $200 million financial target. Is this EBIT, and what kind of revenue and margins would you need to fulfil this target?

Peter Bennett

Yes, that is an EBIT target. And we're looking at that requiring an annual revenue stream of around A$3.5 billion. That's where we see that coming from. In terms of margins we always look to be a little bit conservative in terms of margin expectation, but that has been growing. We are anticipating a 4% to 5% margin range.

Ed Jardim
Thank you Peter. How big does oil & gas remain for your platform, and are future opportunities in oil & gas effectively at zero now?

Peter Bennett
No, oil & gas is not at zero. Certainly [unclear] is an oil & gas project, and as I say it's a $1.1 billion project that we anticipate will be coming into our back book [?]. We have the Waitsia gas project that is in execution at the moment. That's a $400 million project. Project Traveler in the US is a $630 million project, so around A$1 billion. Oil & gas still forms a significant part of our portfolio. Instead of being 100% of the portfolio, right now it is probably about 40% of our portfolio in terms of annual revenue contribution. And I would anticipate at least in the next couple of years that that will remain around those sorts of level. I expect it will probably roll off a little bit certainly as Project Traveler starts to complete and it takes a little bit of time for new oil & gas projects to come back into the revenue curve. But it is always going to be a strong contributor to our business. Part of what we're looking through brownfields EPC work through the e2o operation is to be able to continue with that relevance in those oil & gas clients and projects and maintain a presence in those markets.

Ed Jardim
Thank you very much, Peter. The second-last question. How has project progress been going in the second half of the current financial year, so January to June this year? And how is it looking moving into the new financial year?

Peter Bennett
This is really the period, the second half of this year and the first half of next year, is when we're really going to see the progress increase on both the Snowy Hydro project and the Project Traveler project, which the two biggest projects in execution at the moment. Snowy Hydro the two years to date have really been around the engineering phase, the procurement phase and manufacture of the tunnel boring machines, the preparations and site works of the portals etc. As I mentioned earlier in the presentation, tunnelling actually commenced today literally. So as we now start to really advance the permanent project construction we anticipate that that project progress will ramp up. And the same in Project Traveler. A lot of work in the engineering phase, a lot of work in the procurement and preparation phase. Now that's all transitioned to site. The civil works are effectively complete, but the progress will start to really ramp up now with the piping mechanical works and electrical instrumentation works that are slated for starting right now. Progress is on the uptick at the moment.

Ed Jardim
Thank you Peter. A final question. You touched on resourcing earlier. What kind of growth in engineering or resource capacity is required to support the growth in the order book? Are you there or thereabouts, or are you needing to scale up quite quickly to fulfil the support of the order book?

Peter Bennett
From an engineering perspective actually we're in pretty good shape. One of the things that are also quite nice about the timing of the projects is the ability for the phasing of the engineering. So for example, the process engineers that are currently working on the Waitsia gas plant will be complete pretty much in time for the Perdaman project to commence.

So from an engineering standpoint we are in pretty good shape. We do have partners. As I mentioned, Saipan is our partner on Perdaman. Saipan being a large global organisation also have the Mozambique LNG project for Total which recently suspended. So they have a nexus of capacity at the moment as well. From an infrastructure space that's an industry that is not as intensive as oil & gas. There is an element of external designers and consultants required within that industry, but the resourcing for engineering is something that we feel like we've got a pretty good handle on.

Ed Jardim

Great. Peter, thank you very much for your time. As mentioned to our stakeholders on the call and the webcast, we will answer all the questions. We will make sure they get answered offline. Peter, thank you very much. We're going to cut back to the room now for our next presentation. And that is from Steve Harrison, the platform CEO of the Power, Industrial & Water platform. Steve, thank you.

Steve Harrison

Good morning to everybody on the call. As said, I'm Steve Harrison. I'm the CEO for the Power, Industrial & Water platform. A slightly different focus for me. I think as Henry said I find myself and my team finds themselves in a different environment in terms of challenges that we're dealing with relative to the other two platform CEOs. During the course of the presentation I'll take you through the world that we're in. It is not all doom and gloom. There is some optimism around some of the key opportunities, and I'll take you through those key opportunities. The business, as Henry said in his opening presentation, is based in Sub-Saharan Africa, obviously with a huge focus in South Africa and the SADC regions as well. Our market conditions are very limited in terms of the investment that's taking place in Sub-Saharan Africa and Africa. As I said, in terms of prospects I will take you through some of the green shoots, but my reality is we're sitting with an order book currently of about R0.4 billion.

We have some near orders which I will take you through when I talk about the companies in the platform. Down at the bottom left of this slide is the companies. There are five companies in my platform. Murray & Roberts Power & Energy is based in this office in Johannesburg. Murray & Roberts Power & Energy was the entity that executed the work at Medupi and Kusile. I think for several years we have been saying that work is coming to an end. I think we are now at that point. We are just finalising our scope of work on boiler 6 at Kusile. But there are opportunities for that business at a small scale in maintenance and outage work both at Kusile and Medupi, and I will talk to that when I talk specifically about Power & Energy.

Murray & Roberts Water is also based in this office. We've had that business now for probably seven years. It has struggled along to become a meaningful contributor and a meaningful business in the platform. But we do have a couple of project snow, one with the City of Cape Town. And we are also relocating our Organica demonstration plant, our waste water treatment plant, which is quite an innovative technology, to the V&A Waterfront, which we're very excited about. That will become commercialised down there, and we're hoping that will lead to some other opportunities to deploy that technology.

OptiPower Projects, Henry mentioned this as well. This is a transmission, distribution and substation company that we acquired. The effective date of that acquisition was 1st July. As I take you through the presentation you will see that OptiPower Project is quite a key component of the platform with regard to the real opportunities that are in front of us. The timing of that acquisition was good because there are some green shoots and some good opportunities in front of us for that platform. Wade Walker is our E&I construction business. Historically they've done reasonably well. They have ticked along. They find themselves in quite a difficult situation now. One of the fundamental decisions that we have made is that we're going to integrate OptiPower Projects with Wade Walker under a single leadership to get some synergies.

And then a new entity, Wade Walker Solar. I was given approval by our board to form three key joint ventures for industrial and commercial solar. And again I'll take you through that when I get to that slide.

But in terms of the prospects there are no real projects of any significance recently that we've secured. As I said, we have got the three projects, two in OptiPower and one in MRP, which I would suggest are near orders. They are not at the scale that we would want, but they are projects that fit in our core competency and we would be pleased to have them and execute them because it's all going to help the situation that we're in. The recently announced infrastructure plan by the South African government to stimulate the economy, when it happens and it is rolled out I'm sure it will give us some opportunities based on the services that we offer in the medium term.

I'll talk about this in quite a bit of detail on a couple of specific slides, but the REIPP Window 5 is a real opportunity for us. We are frantically supporting EPCs at a partnership level and a subcontract level and directly with developers in bid window 5. Those bids go in in August. And as I said, OptiPower really is front and centre in the opportunities that we see there on the electrical balancer plant. So that is positive. Will we get order book? I'm sure we're going to secure some work based on the volume of work that is out there, but it is probably going to be nine to 12 months before we start really on those projects and generating some meaningful revenue for the platform.

Also OptiPower, there are several transmission projects where tenders have been invited by Eskom and they are currently under adjudication. There is a specific slide I'll talk to you about with regards to Eskom's transmission rollout plan. So we are submitting those tenders. Some awards are taking place, but it is slowish. From my perspective I would hope that some of those awards happen sooner rather than later, but they are currently under adjudication, so that is positive.

Mike spoke about the mining sector and the opportunities that his guys have got from an underground mining perspective. The opportunity in the mining sector for our platform sits in Murray & Roberts Power & Energy with respect to construction work, so structural, mechanical, piping, electrical instrumentation work. Those are the opportunities that we have in the mining sector. And we are quite active currently with Anglo Platinum. We probably bid three projects over the last couple of months to Anglo Platinum, and they seem to be on realistic timelines. So that's cause for a little bit of optimism. But again it's in the future. It will be 12 months before we have the ability to put boots on the ground and start generating revenue on those projects if we're successful. As I mentioned, investment in the South African water sector is difficult in the short term. It is muted in the short term. But there are some longer term opportunities that I'll take you through in the presentation.

So this is OptiPower and Wade Walker, a little bit of a market overview. What is our reality and what is our focus for next year and the next three-year horizon? As I said, we have integrated the OptiPower business with Wade Walker. It's got synergies between those two businesses. So we've done that recently. In South Africa we were awarded the SKA Meerkat project which is in the Northern Cape which we are very excited about. It's this radio telescope project. It's a global project that is being developed around the world. So we're involved in phase 1 of that, and there are multiple phases to follow. So a relatively small scope for us at the moment, but we're hoping that as the next phases come along if we do well we'll be there for a while. The Golomomti project is in Malawi. We are doing an electrical balancer plant there for a developer. That is currently underway. As I said, we've got two that I would suggest are near orders in Botswana for this company as well.

The battery energy storage projects with Eskom will be awarded. I've got a specific slide on that, so I won't take you through too much detail there. I'll highlight that when I take you through the slide. And also as I said, REIPP 5 is currently under bidding at the moment. Those bids are going to go in in August. There is 2,600 megawatts of renewable energy that is going to be procured. 1,000 of that is PV and 1,600 is wind. So we are locked in discussions with developers and EPCs and we have been probably for the last month or two. And it's quite nice to have the feeling of being wanted again, which is great. So there are opportunities certainly that are there for the OptiPower business.

I spoke about Eskom. I read an article a couple of days ago saying this restructure and unbundling of the transmission business looks like it will be in place by the end of the year. I think that also is another element that will give opportunities to OptiPower. Maintenance and integrity of the grid system is also quite key. From my perspective there are a lot of initiatives and a lot of opportunities, not specifically in the short term now but more in the medium and long term. We believe that the acquisition of OptiPower has placed us well to be exposed to those and hopefully be successful on some of them.

I've got another slide on the issue of the raising of the cap that happened on 10th June. I think the market expected, or the players in the market and the clients and people who wanted these developments done were lobbying for the cap to be raised to 50 megawatts. That cap was actually raised to 100 megawatts. That is real utility scale power generation that has now been opened up, so again that opens up opportunities to OptiPower and Wade Walker on electrical balancer plant. We've done some work on data centres. We did some work for Amazon. We're still seeing opportunity on data centres, even though it is quite small. But there is activity on data centres. These data centres obviously require power, they require switching stations and they need to be powered.

Outside of South Africa there has been some success, as I said, in Malawi with the Golomomti project and we've got these new awards in Botswana. You're looking at probably R15 billion to R30 billion in the medium term in terms of opportunities, but it's specifically on the transmission side of the business. It's EPC+F type contracting model and it's pretty tough out there with World Bank requirements and IFC requirements. We have bid some projects and I've just found there's a response of probably 15 to 20 international contractors. And the range of pricing that is published is dramatically different from the lowest to the highest.

So we've got involved in a couple of those and basically we're saying what we'll do is be more selective. We will go for the smaller scale stuff. As I said, it looks like we're going to be successful on a transmission line and substation in Botswana. And we will also get involved when there's an angle to the financing that we can play into. As an example, we were involved with DBSA in Angola where DBSA were going to provide the financing and OptiPower was going to execute the work. So there are opportunities out there, but I think the message I'm sending is we're going to be quite selective in it in terms of what we pursue outside of South Africa. As I said, we have been focussed in Angola. There are still opportunities there. Botswana hopefully we're going to have some success. In Namibia there are opportunities. Kenya we've been active. In Ethiopia we've been active. In Malawi we've got a project, and we've also been looking at Tanzania for that OptiPower Wade Walker business.

Murray & Roberts Power & Energy, as I said these are the guys that provided our revenue and our income on the Medupi and Kusile mega projects over the past ten years or so. They probably peaked in terms of revenue about five years ago and have been declining year on year since then. And as I said, we are just concluding our scope of work on Kusile 6 at the moment and we do have maintenance and outage work. So at the minute that's currently where we're sitting with this business. We've got secured maintenance contracts at Medupi direct to Eskom. Actually this morning I couldn't make a finalisation meeting where again we're bidding maintenance work to Eskom at Medupi. So there is a basket of maintenance work at Medupi. We are entrenched there, so I'm hopeful that we can tick along with some maintenance at Medupi. We're also doing currently an outage on Kusile 1. So at the minute that's the focus for that business. It's the maintenance at those two power stations.

This business also does provide EPC solutions with partners. Sometimes those partners are internal. We've partnered with Peter's team on a couple of proposals specifically around fuel storage terminals. And we do partner with other appropriate technology partners and internationals when the need is there. It's pretty subdued for the Murray & Roberts Power & Energy guys at the moment. On the oil & gas side that is very subdued. When I say oil & gas in South Africa it's probably more petrochemical. So that is very subdued. There is practically no activity from Sasol down in Secunda and Sasolburg at the moment.

One of the things we are looking at, as I mentioned, in that area is import storage terminals. Before we went into COVID we probably had three tenders that were under adjudication for fuel storage facilities, one in Coega, one in Durban and one in Richard's Bay. None of those have been awarded yet, so we hope that post COVID and when the need arises that those opportunities will be presented to us again. And we will certainly bid that type of work. We did a marine gas oil storage facility in Ghana at Takoradi Port a few years ago. And another one of our near orders right now is three LPG storage facilities in Ghana. We're in contract negotiations to get that over the line currently. At this stage it's only a feed contract. And again Peter's guys are going to be providing the smart engineering for us. My team will do the on the ground execution and interfacing. And we're hoping that feed contract could roll into an EPC.

On the resource and industrial side for the Power & Energy guys it's pure structural mechanical type construction work. That's the type of work that we do for the resources and industrial space. We finished a job for Anglo Platinum at Polokwane recently which was a sulphur abatement project. We are currently talking to them because they've got to do a duplicate project to that on their smelter at Mortimer. So that's the type of work that the Power & Energy guys do. And as I said, we've been responding to multiple tenders and feasibility studies that Anglo Platinum are currently carrying out on the mining side. So difficult in the short term. As I say, our focus in the short term will be more based around the maintenance contracts that we've got. But longer term we're hoping that some of these mining minerals process plants will avail and also some of the fuel storage terminals.

That last point on the slide, community and labour unrest, is still a major risk to our business and I think a lot of other businesses which we see on quite a lot of our projects. It is challenging for us. We do manage it. But just as a really unfortunate example, we were preferred bidder for the Zulti Project, which is Rio Tinto's project in Richard's Bay. And you probably will have heard that the general manager of Richards Bay Minerals was murdered on his way to work. That project, Zulti, was suspended 18 months ago. And we've had that as a near order. We've now taken that out of our near orders. When that project will go ahead I cannot tell you and I would not guess.

Murray & Roberts Water provides EPC water treatment solutions and waste water treatment. I think I've mentioned before we're not in the bulk water storage, dams or transport pipelines business. That's not what we do. We provide waste water and water treatment solutions. So it is a tough market and you can see on the slide they talk about a R333 billion funding gap over the next ten years based on the National Water & Sanitation master plan. I guess the burning question that I still haven't got an answer to is: how is that funding unlocked and what are the mechanisms for that? One of the potentials that we see in the medium to longer term is the development of PPP, public private partnerships. We know that eThekwini have currently got two PPPs under development. They've appointed transaction advisors. They have appointed engineers. So we're hoping that that will become real. But again it is not short term. It is more medium to longer term opportunities.

So what have we got in the short term? We were awarded the Athlone C-works for the City of Cape Town. I think when it comes to which of the municipalities are spending money on water treatment and waste water treatment it's certainly the

City of Cape Town. I think when they were heading towards Day Zero, when they had those drought problems I think that really kick-started them into a strategic plan. It is running a little bit late. I think there was a lot of uncertainty around COVID. But we are expecting two tenders for Potsdam for a membrane bioreactor and for the Cape Flats Regional Sludge Handling Facility and the Athlone D-works to come to market in the next few months.

What we've learnt with the City of Cape Town is there is quite a gestation period between when it does come to market, when we then respond to it, and when an award is made. So if those enquiries came out tomorrow we would estimate that would probably take nine months to close those projects and receive an award if we were successful. So as I say, there is quite a gestation period there. But out of all the municipalities they probably give us the most certainty and the most visibility on projects.

While the project to relocate the Organica waste water treatment plant to the V&A is small in value, it is big in stature for us. We are really excited and the V&A are really excited that this new waste water treatment technology is going to be front and centre in the V&A. it will be highly visible. So we should have the relocation completed by the end of the year, and going into the new year we should be commissioning and starting up the plant. We can finally say it's not a demonstration plant. We have proven the technology under demonstration plant conditions. It will be commercialised, even if it's commercialised at a small scale. I'm pretty pleased about that and I'm excited about that.

Wade Walker Solar, as I mentioned our board gave me approval to form joint ventures with three entities. One of those entities is a developer. The other entity was an executer, an EPC or a construction company. And the third one was involved in the supply chain. The target here was one to ten megawatts. It's commercial PV solar roof installations, and it is certainly gaining momentum from my perspective. I think the differentiator here for us is there's lots of small players. A lot of the projects are fronted up by developers and by equity funds. What we believe we can do as Murray & Roberts and Wade Walker Solar is pull all of this together in terms of our ability to fund these projects, to develop these projects, to execute the projects and to fulfil the supply chain requirements. So it's early days. We're ticking along with it at the moment. There is a long list of prospects. I think what it's got to be is a type of portfolio approach whereby we are doing installations for Makro or for Nissan. So they're the sorts of conversations that we're having. And as I've said, we believe we have got a differentiation here with the Murray & Roberts brand and our ability to work across all elements of the cycle.

I spoke about key opportunities and I mentioned the battery energy storage. This is an Eskom initiative. It is funded by the IFC, so Eskom are under pressure to use it or lose it in terms of that funding. It came to market last year and in terms of its technology it's all international players who hold this technology and who have developed this technology. So it came out last year. It was a bit of a false start. It has been reshaped and now these proposals are going in at the end of this month. And we're involved in that through electrical balancer plant through OptiPower.

So there are three packages. Package one is Skaapvlei, which is the Sere Windfarm, which is 80 megawatts, which is meaningful in terms of energy storage. As those on the call would know, the idea here is to take the peaks and troughs out of renewable energy. When the sun is not shining we have the battery storage and the backup so we can still put power into the grid. And the same with wind when the wind is not blowing. Packaged two has got two lots associated with it and package three has also got two lots associated with it. These are big investments. You're probably talking about for Skaapvlei maybe R2 billion to R3 billion as a cost on Skaapvlei. Obviously we'd get a portion of that doing the electrical balancer plant. I think the other important thing in the conversations we've had with the international EPCs is they're obviously looking for a large, stable local contractor to support them. That's where our Murray & Roberts brand comes in.

Integrated resources plan, again I have also spoken to this. 2,600 megawatts of renewable energy, PV, solar and wind, in bid window 5. We are very busy at the moment bidding in EPCs either in partnership or as a subcontractor. And it closes in August. That is then going to be followed by bid window 6 and the RFP will open in September. There is 530 megawatts of storage I also spoke about. 1,500 megawatts of thermal coal. I'm not sure that that's going to happen given the current environmental issues and the fact that the two projects that were identified for implementation the finance has been withdrawn on them and some of the permitting is expired and EIAs need to be redone. So whether that gains traction or not I doubt. And then it's going to be followed up by gas to power. I think if gas to power does come along then that will create some real opportunities for Murray & Roberts Power & Energy which will be good. And then another window will open in 2022. This is a real opportunity for the OptiPower business, so we are heavily engaged in this. But is it going to create revenue for us in the next six months? No. It will probably be more like the next nine to 12, so we've certainly got a tough year ahead of us next year.

Self-generation, again I think I've touched on this. I think the real issue in raising that cap has opened up this market. I think a lot of the miners, specifically the miners, were restricted by the cap. And I think there was a lot of frustration around the ability to secure a generating license through NERSA above that cap. I read an article that Gold Fields had finally got their generating license and I think it had taken them two years to get it. So powering mining facilities, giving those mining facilities security of power. The other option is that they can invest in a renewable energy company at a reduced cost of electricity and then that power can be wheeled.

The Minerals Council says about 1.6 gigawatts could be invested in the medium term in power generation projects related to mining companies, and then possible another 15 gigawatts beyond that. This really has opened up that market. In terms of our role, Henry mentioned that we will play a development role if we can do the EPC work. So we won't become a developer unless we are doing that EPC construction work. So we will take a minor equity stake, but again only if we can secure the EPC. And then if we're not in that developer role we can also be involved as an EPC on the operations and maintenance side. We can partner with international EPC players as a large, capable South African company.

Wade Walker Solar, I think I spoke about this, and this slide will be in the pack. But this is exactly where we are, a start-up business. It has got potential. As I said earlier, we formed three joint ventures, one with Phoenix Squared on the construction side and the EPC side, Aardent in terms of supply chain, and Energy Capital, who are at the front of these developments in terms of the EPC and PPA as a developer. So we are quite excited about that. It is ticking along at the moment, but I'm expecting some contribution to come from that business in the short term.

This is the transmission line opportunities. When Peter speaks about these things he always speaks with absolute confidence that in the Australian context they will happen and they will take place. I wish I could speak with the same confidence here. This is Eskom's transmission master plan. You can see in terms of new assets expected between 2019 and 2023 are 2,600 kilometres of high voltage transmission lines. The 400 kV is obviously the bulk of it. OptiPower are probably one of four Eskom registered vendors who can provide HV transmission services above 400 kV, so it's quite a small number of contractors who can operate in that 400 kV and above and specifically 765 kV. And you can see that is where the bulk of the work is going to be carried out, so again that's a positive for OptiPower. Down at the bottom that shows you the total capacity and MVA of the transformers and substations that need to be built to support those power lines. With the advent of round 5 and then round 6, I think it makes this requirement more real. This power has got to be evacuated and put into the grid if all of these renewable projects are going to go ahead, so that's a positive as well from my perspective.

Just highlighting some key risks for the platform, our main market as you will have picked up in the discussions is the public sector. Investments in projects have been slow to come to market, and they have been delayed over the past few years, and we are not seeing massive changes in that. We are reliant on those market conditions to reach sufficient scale and order book. As I said, we're bringing in some smaller projects, but our reality is we need some larger projects to create some scale for the platform. As Henry mentioned, we are keeping our heads above water. Below the water me and my team are frantically paddling to remain above. We will be looking at the platform again probably in a year's time as to whether it is a sustainable business. Obviously whether it's a sustainable business or not will be key to some of the prospects that I've spoken about that we will have to secure. I think I mentioned as well the challenges to compete in Sub-Saharan Africa against global companies. It is very difficult in that space, and we will be more focussed as to where we put our efforts.

And then just finally some presentation take-aways. Right now we're looking at focussing for next year on stability and then sustainability over a three year horizon. The current market in reality is insufficient to support a sustainable business. Power & Energy: In the medium term, ongoing mechanical maintenance and outages as I mentioned. Medium to long term, further bidding into Eskom on other stations, industrials boiler outages and maintenance and EPC/SMP opportunities on minerals processing and industrial plants and storage terminals. Water: Deliver the Athlone waste water C-works project and the V&A relocation. City of Cape Town has got a project pipeline as I mentioned, and we will be bidding into the City of Cape Town in the short to medium term. And the long-term prospects for us sit in those PPPs, specifically eThekwini that I spoke about.

OptiPower Projects definitely stands out in terms of opportunities for this business. Transmission lines, high voltage substations and electrical balancer plant. So as I said, we are putting multiple bids in at the moment to the energy storage and to bid window 5 for the renewables. And then Wade Walker Solar, a start-up business. It has definitely got prospects. It has definitely got potential. We need to realise that potential in that business, but we think we've got a complete offering underpinned by Murray & Roberts. And that's where in the short term we're involved in supply chain and construction and in the medium to long term with Energy Capital we're looking more into the EPC and PPA in the industrial and commercial space. Thank you, Ed.

Ed Jardim
Steve, thank you very much for your presentation. Just one or two quick questions please. The first one is have you had any client enquiries already from the embedded energy following the 100 MW self-generating opportunity?

Steve Harrison
Yes we have. We're currently working on a development which is embedded energy in the Northern Cape area in the Kimberly area. So yes. We've got a partner company that we work with, and every Monday I now have a conference call with them and we go through the list of projects. There are three other projects that we're looking at. This is obviously before the cap was raised. Each of them were 10 megawatts. But we're seeing a flurry of activity now in that space based on the raise of the cap.

Ed Jardim
Thank you Steve. Just on Organica, what exactly is the technology? What is Organica?

Steve Harrison
It's a waste water treatment technology. We had a demonstration plant down in eThekwini at Verulam. It is based on an engineered media but also it's quite aesthetically pleasing in that we use plants to grow the biodiversity and the bugs that we need to treat the effluent that comes through the plant. So it's quite novel in that respect. It's basically an engineered media that we use as a starter, and then the roots of the plant naturally are a habitat for the nasty bugs that eat the

waste. So it's kind of architecture and aesthetics and a garden meets a waste water treatment plant. When we get the V&A up and running I'd really like to have a day there where we take people down and we show them the technology. What we can do is we've got information on the technology that we could also put on the website if needed, Ed.

Ed Jardim
Thank you, Steve. A final question just on Eskom. The relationship opportunities and discussions over the last 12 to 24 months, have you seen things change? Is there a better dialogue with Eskom?

Steve Harrison
There is a dialogue. Is it better? Yes, it's better. Is it challenging? Yes, it's still challenging. I was having dialogues with the Chief Procurement Officer who was there one day and then gone the next. So I think that environment is still challenging for Eskom and Eskom's leadership, and it's certainly challenging for us to interface with them in that regard. But it is improving.

Ed Jardim
Great. One more question has just come in, Steve. Would Murray & Roberts consider playing a role as an equity investor in future water PPPs?

Steve Harrison
Yes, I think the answer to that is yes. I think it meets our requirement and the criteria that we've set down in that we would be an EPC and O&M player in that space. Would we take equity in that? Yes, I think we would.

Ed Jardim
Great. Steve, thank you very much for your time and your presentation.

Steve Harrison
Thank you.

Ed Jardim
Just in terms of closing I'd like to ask our group CEO, Henry Laas, to join us upfront just to wrap up the morning's presentation. Henry, before I do that I have had one or two questions come in especially looking at the opportunity in Australia and how the order book has grown there. What is Murray & Roberts' view on a potential listing in Australia either for Murray & Roberts or the ERI business?

Henry Laas
I think for the ERI business it is part of the Murray & Roberts group and we don't see listing that separately. I don't think in its current shape and form it's got the scale for that. As far as the group is concerned, an international listing has always been a part of our plan. When the new strategic future was conceptually developed it was an initiative or a part of the plan that would have been executed by now if it wasn't for the collapse of the oil price and the impact that had on our earnings contribution. So currently it's still a very important part of our thinking, but with our market cap between R4.5 billion and R5 billion, I think we lack the scale to attract the necessary interest from an international stock market to be successful.

So in the short term what we have to do is make sure that this opportunity which we see in terms of our order book that we turn that opportunity into a real earnings growth for our stakeholders and our shareholders. And we want to see that the share trades closer to where we believe the intrinsic value is. When we concluded the recent three year business plan for FY2022 to FY2024 we again did a valuation on a sum of the parts basis. And the value is substantially higher than what we see currently in our share price and the market cap for Murray & Roberts. So for us before we can successfully think about a dual listing for Murray & Roberts as a group we need to get to a point that the market capitalisation is more reflective of what we believe the inherent value of the company is.

For us it's up to making sure that the execution around this order book is good and that the earnings are there to put us in a better position to achieve an offshore listing. And the way to do that is probably through a corporate transaction. On its own Murray & Roberts is from a scale point of view probably not where it should be. So it would be maybe combined with a corporate action. And again, if you want to engage in these types of transactions you don't want to do so from a position of weakness. You want to do so from a position of strength. And we need to wait for our market cap to reflect more what we believe the intrinsic value is. But certainly it is a very important part of our plan.

All right, Ed. If that was the only question you wanted me to answer at this stage, let me wrap up. First of all what I would like to do is just thank all the stakeholders on the call. It was fantastic to showcase the Murray & Roberts business to you and to get our platform CEOs to present to you. I think you will agree with me it is a fascinating organisation. And the projects that we are building all over the world is really something to be proud of. When we talk internally to our people I quite often refer to these projects as monuments that we are building because all of them have got a lifespan of 30 years or even more than 30 years and they will be there for generations to come. So we are very proud of what we do as a group.

But the important message from today's session is that our strategy to broaden the market focus – and that started in about 2016 – has really achieved a great outcome for us. And that is represented in the significant order book. As I mentioned earlier on, the two platforms that are really the engines driving profit and driving growth in Murray & Roberts are the Energy, Resources & Infrastructure business. And as you would have heard from Peter, a significant order book already there, but also significant potential to grow that order book further. And that platform is finding itself in a market where we can see real investment taking place and project awards being made on a continuous basis. So we are very excited about that.

And Mining also. With Mike's presentation you would have seen that we are well represented in this market. The order book at December at close to R18 billion was at a low point. It has increased or improved subsequently. But we are very excited about the growth prospects that we anticipate on the back of the strength in several commodity prices and the way in which we see the market is starting to come back with investment into projects, which obviously creates substantial opportunity for us. Power, Industrial & Water, Steve's business, is a difficult business, currently a loss-making business. And the opportunities are out there, but the timing of these opportunities is uncertain. As I said, Steve has got his job cut out for him, but it is a good executive team, well connected into the market, very close to the market and understands what these opportunities are.

The second-last point on this slide wasn't covered earlier on, but it is just about the Bomela Concession Company. As you know we are a 50% shareholder in the Bombela Concession Company. That investment and the fair value adjustments that we do on that investment is very much linked to the ridership on the system. Pre-COVID we were doing about 55,000 passengers a day. Currently we are doing about 13,000 passengers a day. So it is in a difficult space and we need to get ridership levels to increase, but under the current COVID scenario it is very difficult for us to increase ridership levels. But having said that, we have in the past couple of months successfully closed an insurance claim with Alliance, a business disruption claim on the system. It was a claim that was settled at R285 million and the proceeds from the claim were used to repay some of the high interest debt that we had in the concession. That obviously is going to reduce some of our interest exposure going forward. So all in all things are looking okay, but we need the ridership to improve.

From a group perspective last year was a very difficult year. As I said, the past decade was brutal for engineering and construction companies. You have seen the strategic changes that we have made. And we believe that that is positioning Murray & Roberts very well for a period of earnings growth again. And we believe we are at that stage where there is a real expectation that 2022, 2023 and onwards will show a significant improvement compared to this year and the previous financial year's performance. So it leaves me with this question. After a decade of reshaping, are the planets starting to align for Murray & Roberts? That is a question that each and every one of you has to answer for yourself, but we certainly have that view. With that said, Ed, is there anything else or are we done for the day?

Ed Jardim
Henry, thank you very much for closing up the day for us. Just to echo your sentiments, a big thank you to Mike, Peter and Steve for the presentations. A big thank you to our stakeholders on the call and on the webcast for dialling in. Thank you for your time. We know in the universe of other company results etc. your time is quite precious, and we appreciate you sharing your time with us. For stakeholders who have not managed to watch the presentations live, those presentations and a recording of the webcast is now available on the Murray & Roberts website. If you go to the home page of www.murrob.com the first slide on the home page says 'Business Platform Presentations'. You click on that. It will take you through to the presentations that our platform CEOs and our CEO presented today. We will also add a transcript to that page over the next two to three days. So with that I'd like to wrap up. Henry, thank you very much. Thank you to our presenters and thank you to our stakeholders, and we will chat again at the group's annual results at the end of August. Thank you.

Henry Laas
Thank you.

END OF TRANSCRIPT