

# UNAUDITED RESULTS

for the six months ended 31 December 2016

**WBHO**



## SUBJECT

---

Welcome

Overview and highlights

---

Operational review

Roads and earthworks

Building and civil engineering

Australia

---

Financial review

---

Order book and outlook

---

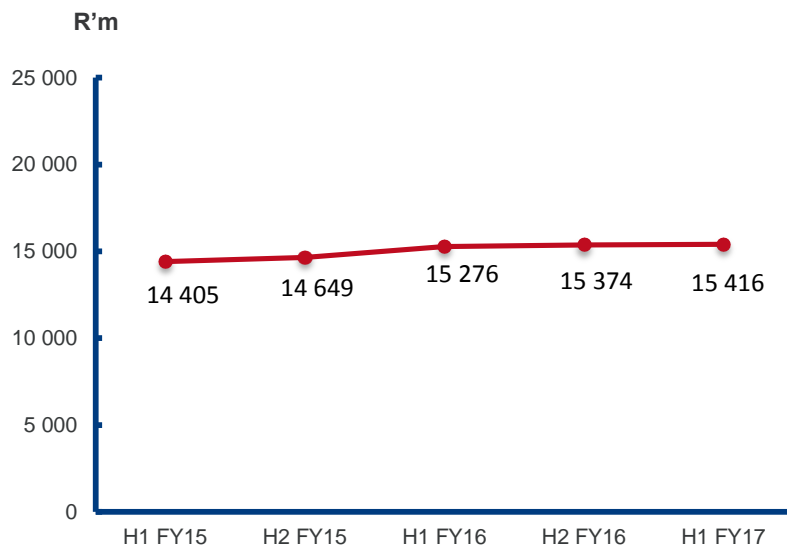



OVERVIEW AND  
HIGHLIGHTS

# OVERVIEW

- Recognition of socio-economic contribution arising from the settlement agreement signed with Government impacts earnings in the 1<sup>st</sup> half
- Overall operational performance was satisfactory
- Strong results from local Building division
- Low order intake within Civil engineering division
- Roads and earthworks division order book improves significantly
- Profitability from Australia impacted by a single loss-making project and unrealised currency losses
- Difficult project in KZN affects profitability within Reinforced Mesh Solutions (RMS)

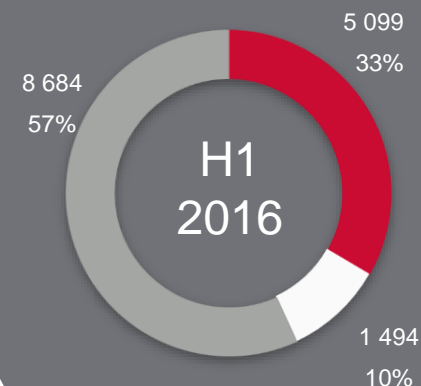
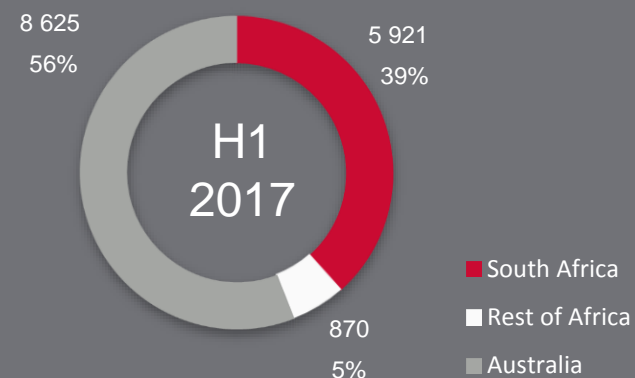
# REVENUE



Revenue  0,9% from H1 FY16

- 16,1% growth in South Africa
- 41,8% decline in the rest of Africa
- 0,7% decline in Australia

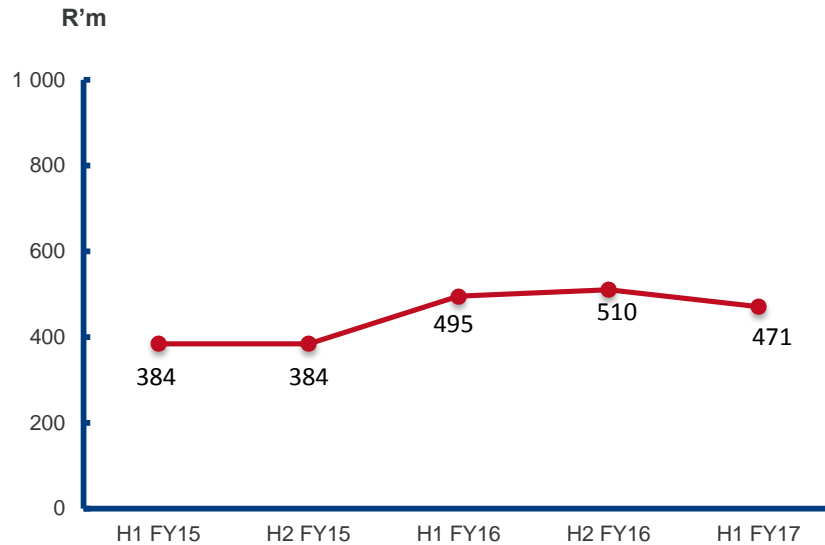
## Contribution by geography



0,9%  
GROWTH



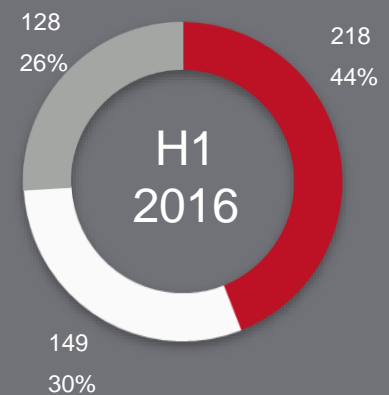
# OPERATING PROFIT



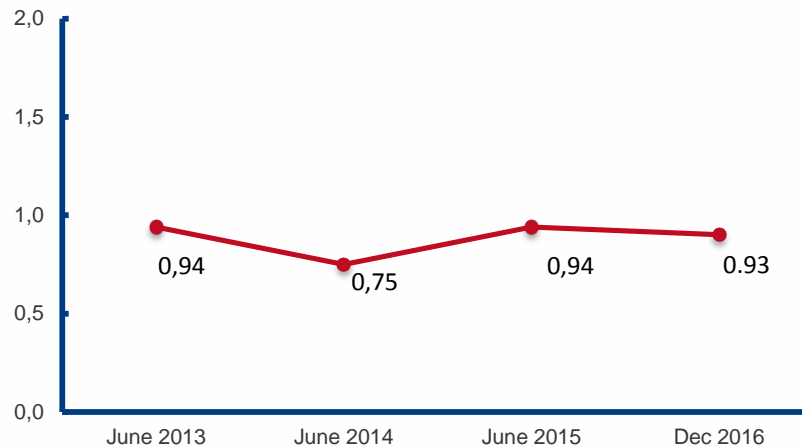
Overall margin of 3,1% (2015:3,2%)

- 4,9% margin from South Africa (2015:4,3%)
- 9,4% margin from the rest of Africa (2015: 10,0%)
- 1,2% margin from Australia (2015: 1,5%)

## Contribution by geography



**(4,7)%**  
GROWTH



No. of lost-time injuries per million man hours

## SAFETY

- One subcontractor fatality in Australia
- Focus remains on leading indicators

## EMPOWERMENT

- Level 4 on generic DTi Codes
- Improved rating expected on Construction codes once issued

## COMPETITION COMMISSION

- 'World Cup Stadia' meeting and contractual terms of N17 road tender referred to the Competition Tribunal
- WBHO continues to defend civil claim from the Cape Town City Council
- 4 civil claims received from SANRAL withdrawn under settlement agreement with government
- No provisions have been made as we believe these matters will be successfully defended

## SETTLEMENT AGREEMENT

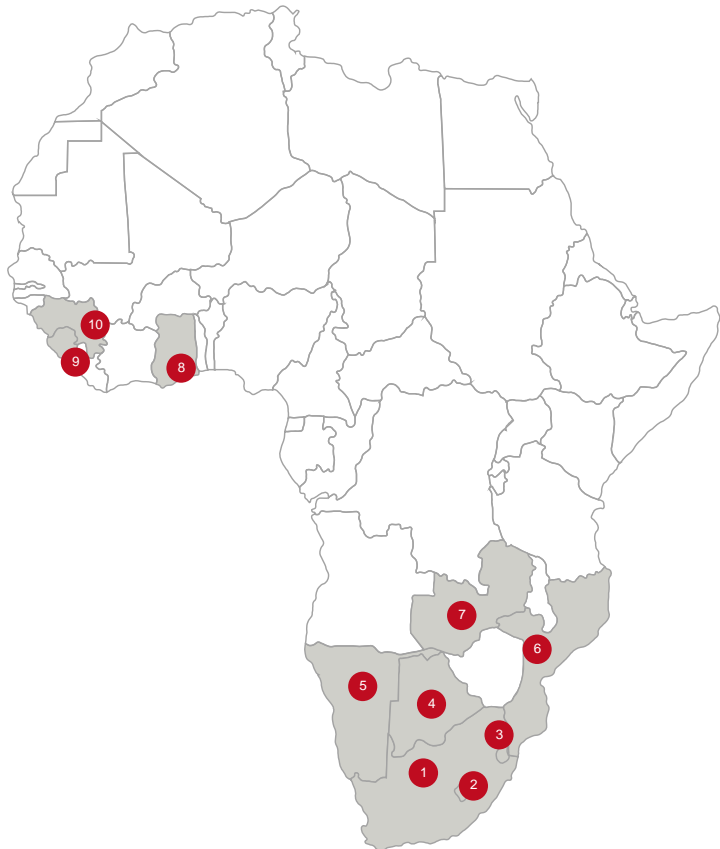
- Agreement signed with the Government of South Africa on 11 October 2016
- Contributions of R255 million over 12 years to be utilised to enhance and develop the construction industry with a focus on delivering transformation objectives
- Mentorship of 3 empowerment contactors to 25% of WBHO's South African revenue over 7 years
- Meaningful transformation within the sector





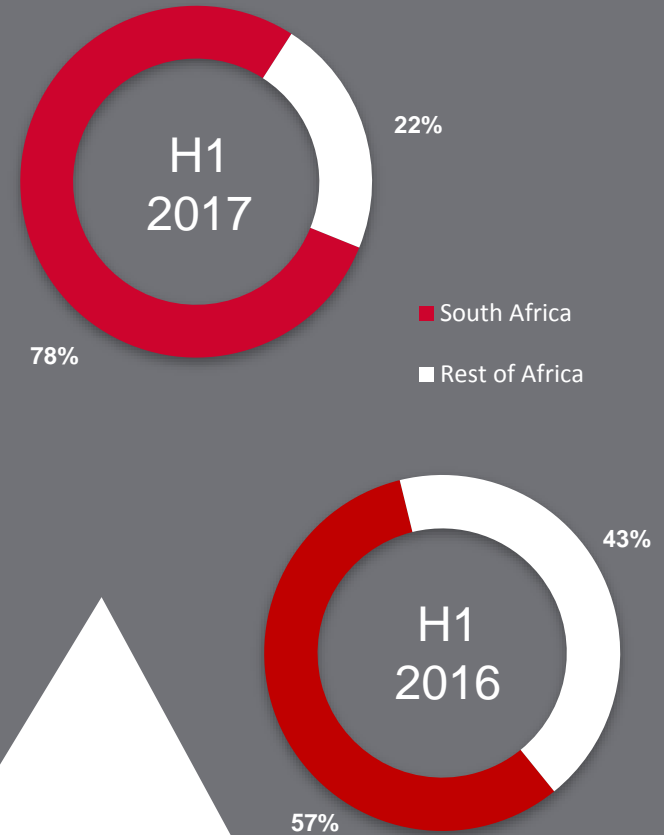
**ROADS AND  
EARTHWORKS**

# FOOTPRINT



- 1 South Africa
- 2 Lesotho
- 3 Swaziland
- 4 Botswana
- 5 Namibia
- 6 Mozambique
- 7 Zambia
- 8 Ghana
- 9 Sierra Leone
- 10 Guinea

## Revenue

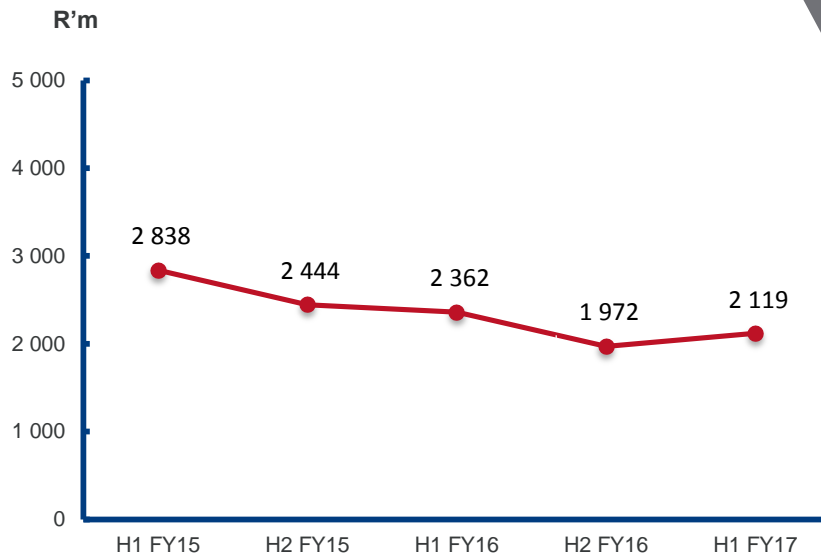


# SIX MONTHS IN PERSPECTIVE

## Improved performance in a challenging market

- Growth in South Africa largely offsets declining revenue from the rest of Africa
- Weighting toward roadwork continued to increase
- Mining activity continued its decline over the six month period
- Pipeline market remains highly competitive
- Lower revenues from all regions in the rest of Africa
- Improved order intake in 2<sup>nd</sup> quarter in West Africa
- Replacement of work in Mozambique particularly challenging

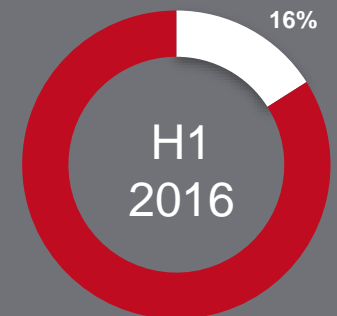
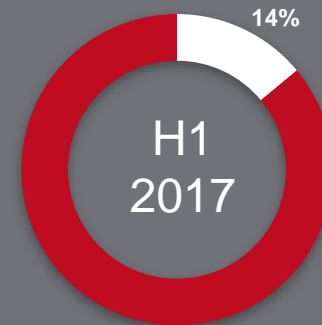
# REVENUE



Revenue 10,3% on H1 2016,  
yet 8% on H2 2016

- 23% growth in South Africa
- 54% decline from the rest of Africa
- 1<sup>st</sup> signs the market may be turning

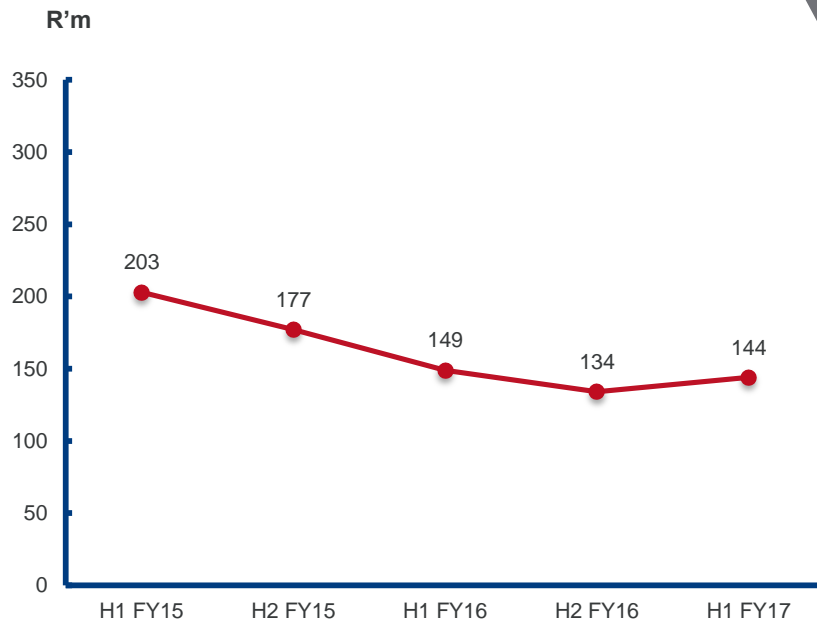
## Revenue contribution to group



(10,3)%

GROWTH

# OPERATING PROFIT

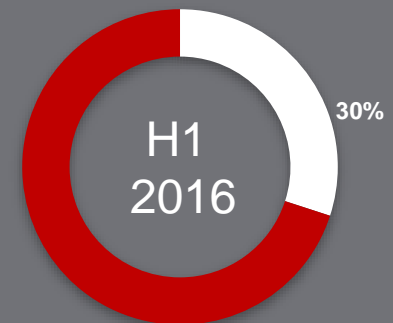
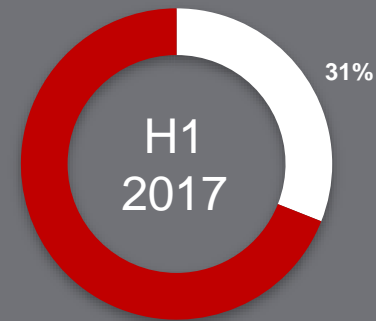


Operating profit 3,4% from H1 FY16

8% on H2 FY16

- Margin in line with H2 FY16 at 6,8%

Operating profit contribution to group



6,8%

MARGIN

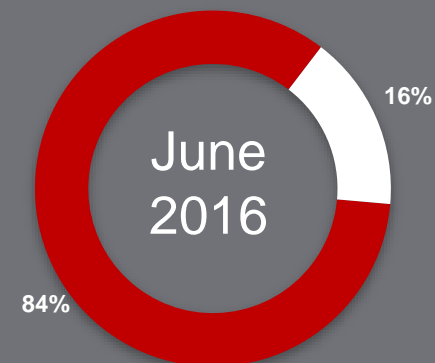
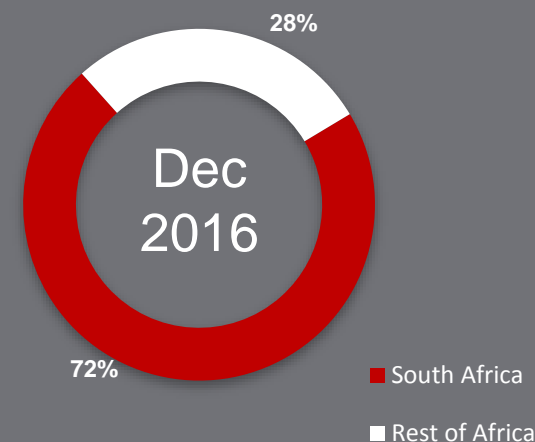


# ORDER BOOK

ROADS AND EARTHWORKS (R'm)	At June 2016	At Dec 2016	To June 2017	Beyond
South Africa	2 554	4 395	1 845	2 550
Africa	487	1 444	795	649
<b>Total</b>	<b>3 041</b>	<b>5 839</b>	<b>2 640</b>	<b>3 199</b>

Order book  92%

- Strong order in-take in the 2<sup>nd</sup> quarter of FY17
- 1 local and 3 West African mining projects awarded
- Advanced stages of negotiations on projects in SA, Mozambique and Ghana will further bolster order book in H2
- Revenue for H2 2017 expected to improve noticeably





**BUILDING AND CIVIL  
ENGINEERING**

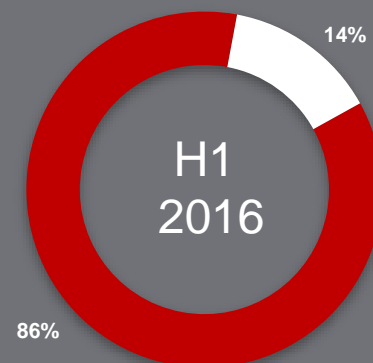
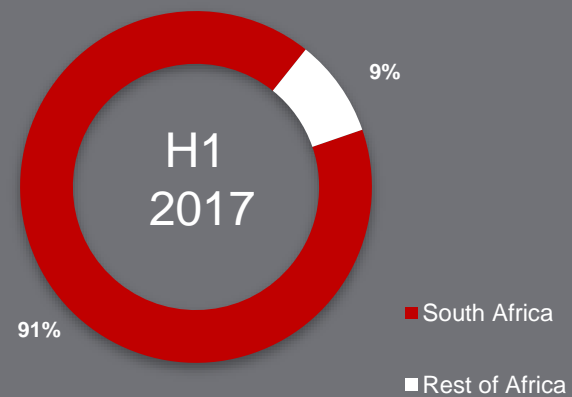


# FOOTPRINT



- 1 South Africa
- 2 Mozambique
- 3 Zambia
- 4 Ghana

## Revenue



# SIX MONTHS IN PERSPECTIVE

## BUILDING

Local Building division delivers excellent results

- Sustained growth in Gauteng and Kwa-Zulu Natal
- Activity centred in retail, commercial and entertainment sectors
- Key projects progressing well
- Improvement in margins

Africa Building division continues to perform well

- Revenue marginally down due to slow order in take
- Margins achieved are commensurate with additional inherent risk
- Lengthy lead times to finalise negotiations on potential new projects
- 1<sup>st</sup> commercial office design and construct project in Ghana secured and progressing well

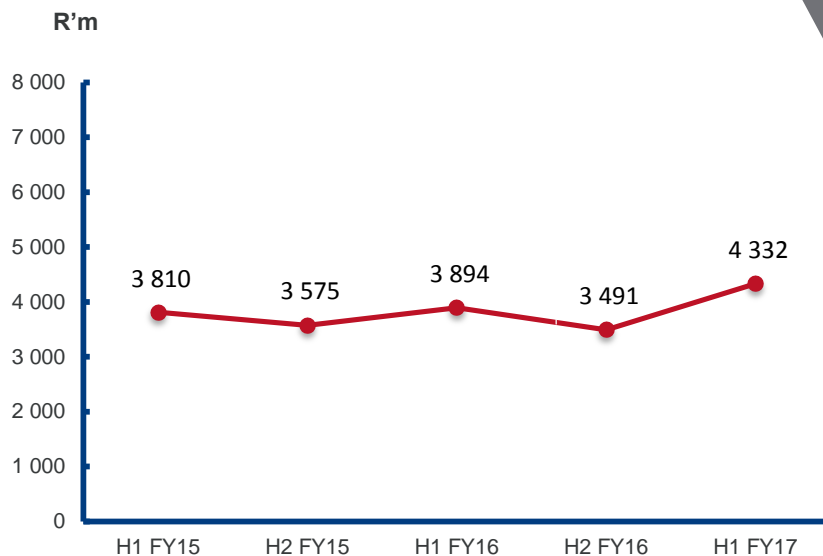
# SIX MONTHS IN PERSPECTIVE

## CIVIL ENGINEERING

Industry conditions considered to be at lowest levels in many years

- Revenue declined further in the six month period due to low activity and project delays in the sector
- Tender margins under pressure
- Ongoing presence in Zambia consists of industrial and mining projects

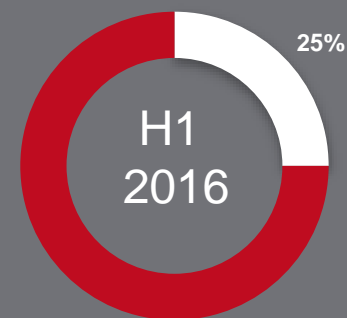
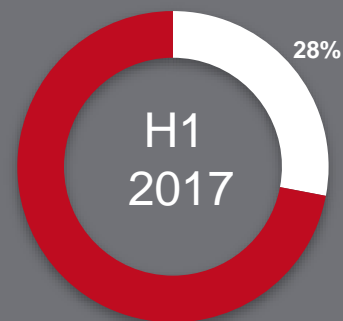
# REVENUE



Revenue 11,3% on H1 FY16 and 24% on H2 FY16

- 18% growth in South Africa
- 28% decline from the rest of Africa

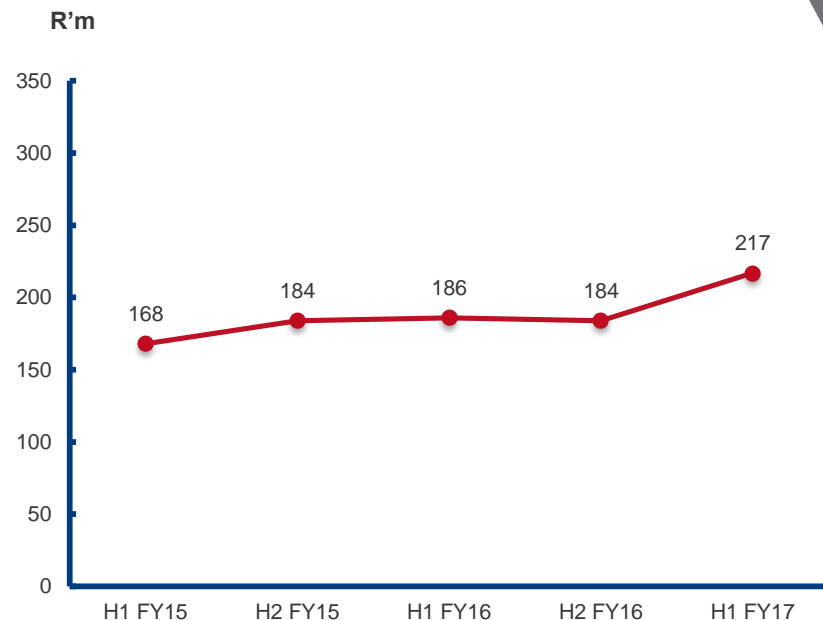
## Revenue contribution to group



11,3%

GROWTH

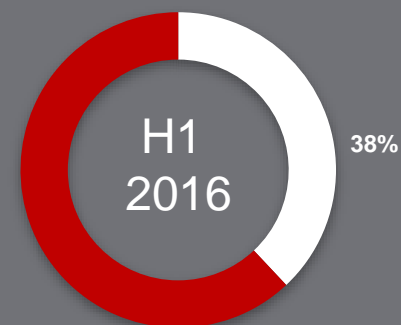
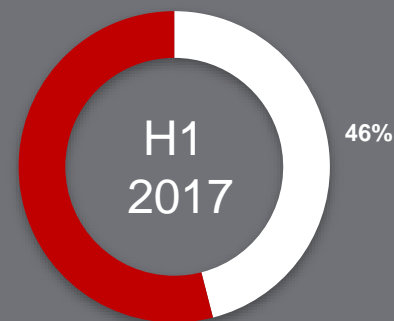
# OPERATING PROFIT



Operating profit 17%

- Margin of 5,0% up from 4,7% at 31 December 2015
- Peak in earnings despite lower earnings from civil engineering
- Reflects ability to deliver projects on time and within budget

Operating profit contribution to group



5,0%

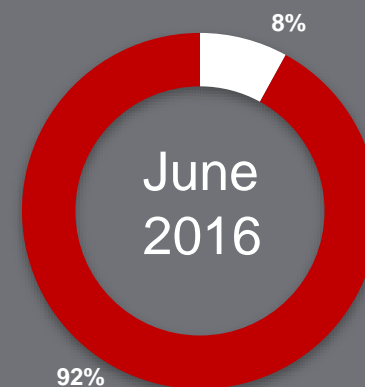
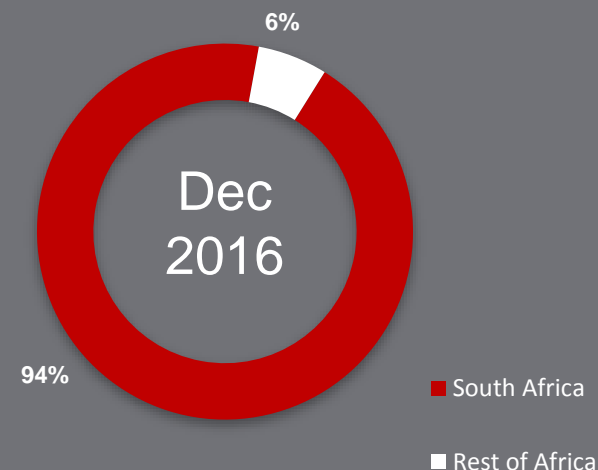
MARGIN

# ORDER BOOK

BUILDING AND CIVIL ENGINEERING (R'm)	At June 2016	At Dec 2016	To June 2017	Beyond
South Africa	7 977	7 609	2 887	4 722
Africa	706	481	247	234
<b>Total</b>	<b>8 683</b>	<b>8 090</b>	<b>3 134</b>	<b>4 956</b>

Order book  7%

- Building order book remains stable
- Building markets beginning to soften
- Exploring civil opportunities in coastal regions and marine construction
- Contract for crude oil terminal facility in Saldanha now awarded



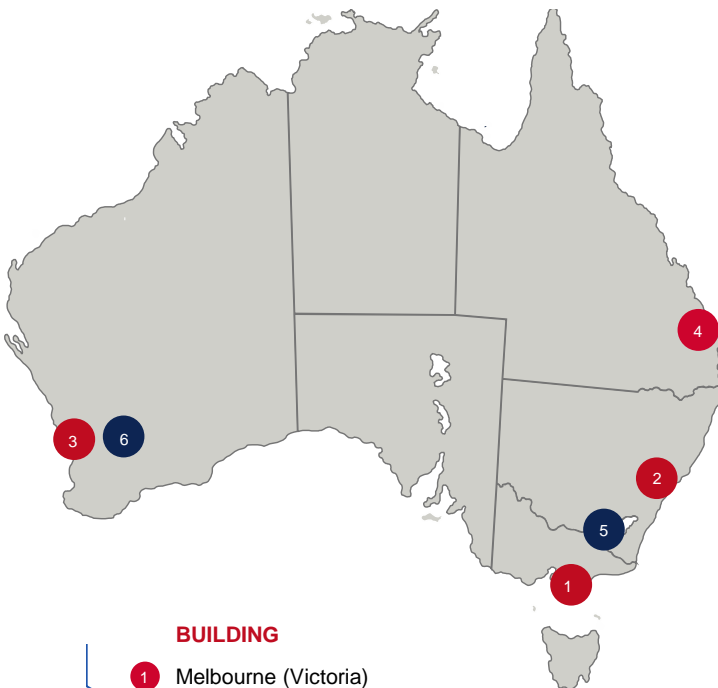




AUSTRALIA



# FOOTPRINT



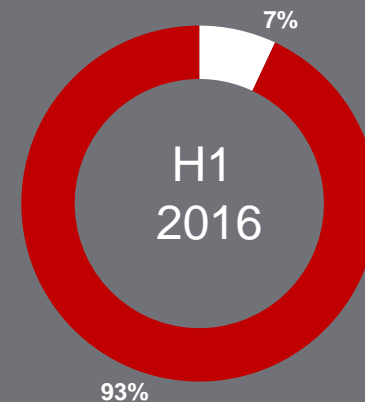
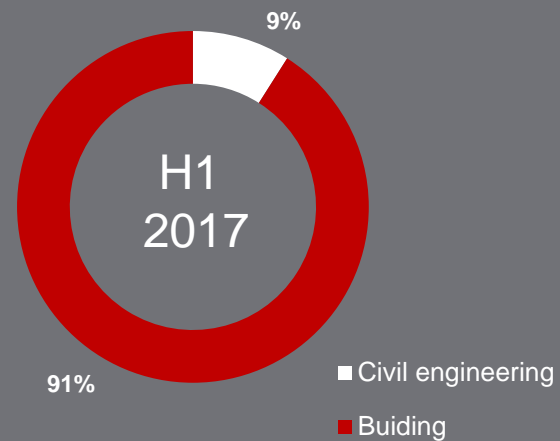
## BUILDING

- 1 Melbourne (Victoria)
- 2 Sydney (New South Wales)
- 3 Perth (Western Australia)
- 4 Brisbane (Queensland)

## CIVIL ENGINEERING

- 5 Eastern region
- 6 Western region

## Revenue



# SIX MONTHS IN PERSPECTIVE

## BUILDING

Building markets remain buoyant

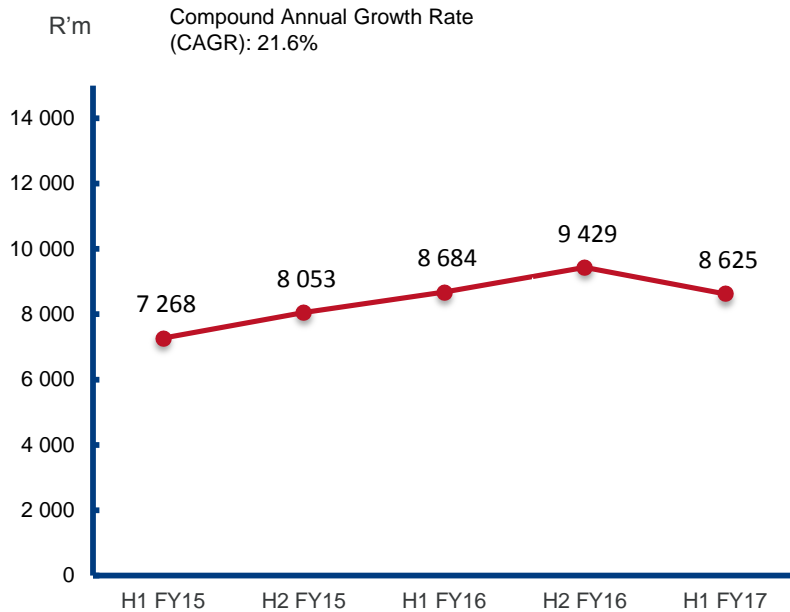
- Strategic diversification across key states proving successful
- Lower revenue from Victoria largely offset by growth in Queensland, New South Wales, Western Australia and Monaco Hickey
- Landmark projects in all key states bodes well for future growth
- High-end residential developments driving activity, supported by the retail and commercial sectors
- Monaco Hickey successfully entered sub \$50m residential and commercial sectors

## INFRASTRUCTURE AND CIVIL ENGINEERING

Repositioning of WBHO Infrastructure on-track

- 26% growth achieved in the period
- Western Region performing well and achieving diversification targets
- Two additional projects secured in the Eastern Region

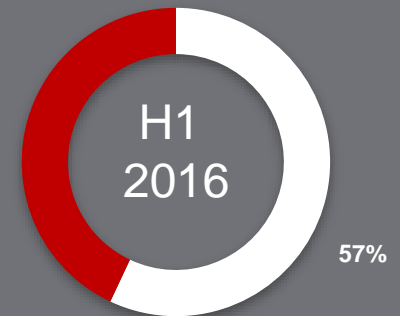
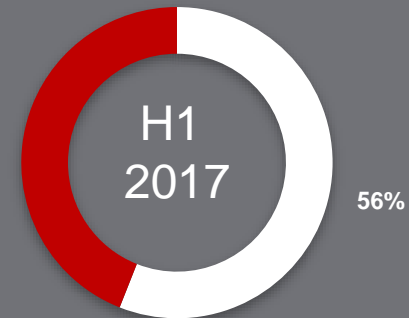
# REVENUE



Revenue 0,7% (ZAR) on H1 FY16 and 9% on H2 FY16

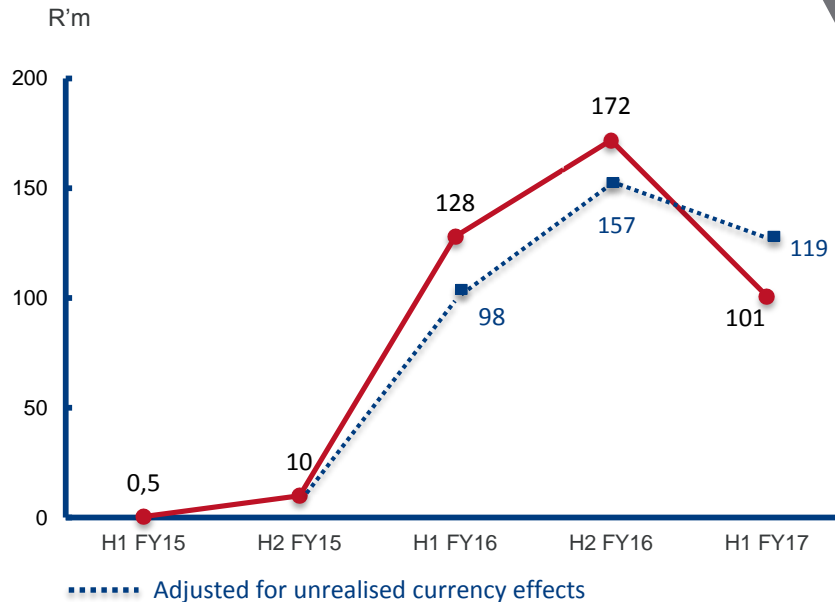
- 10,8% AU\$ decline in Building business due to construction start delays
- 26% growth in Infrastructure business

## Revenue contribution to group



(0,7)%  
GROWTH

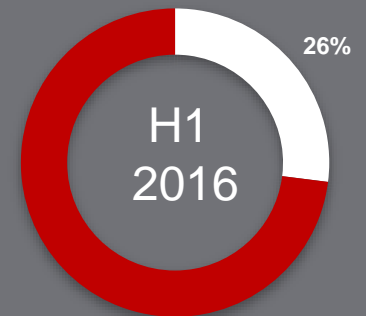
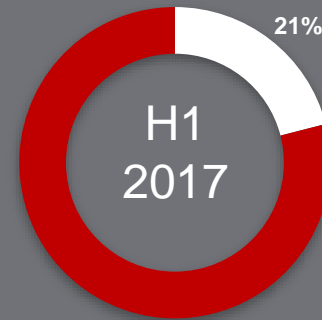
# OPERATING PROFIT



Operating margin 1,2%

- Victoria and Western Region deliver solid profitability
- Overall margin impacted by single loss-making project

Operating profit contribution to group



1,2%

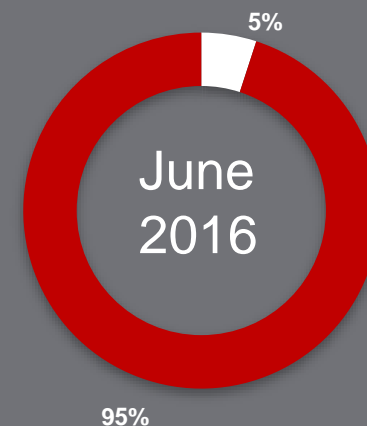
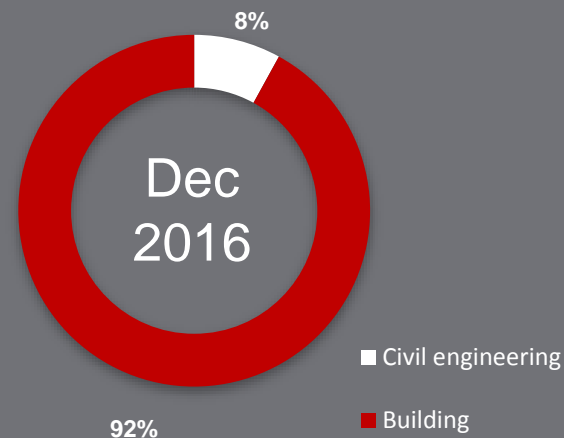
MARGIN

# ORDER BOOK

AUSTRALIA (R'm)	At June 2016	At Dec 2016	To June 2017	Beyond
Building	29 302	24 013	8 610	15 403
Civil engineering	1 674	2 211	1 020	1 191
<b>Total</b>	<b>30 976</b>	<b>26 224</b>	<b>9 630</b>	<b>16 594</b>

Order book  15%

- R11b secured after 31 Dec in retail, commercial and residential sectors
- Good growth in WA, QLD and NSW building order books
- 37% growth in infrastructure order book
- Improved revenue expected in H2 2017





# FINANCIAL REVIEW

Charles Henwood

# FINANCIAL PERFORMANCE

KEY FINANCIAL NUMBERS AND RATIOS	Target / growth%	H1 FY17	H1 FY16
Revenue growth	> 10%	0,9%	6,9%
Operating profit margin	3% - 4,5%	3,1%	3,2%
Earnings per share – continuing operations (cents)	(38,5)%	398	647
Adjusted earnings per share – continuing operations (cents)	9,7%	709	647
Headline earnings per share – continuing operations (cents)	(38,3)%	398	645
Adjusted headline earnings per share – continuing operations (cents)	10,1%	710	645
Dividend per share (cents)	11,1%	150	135



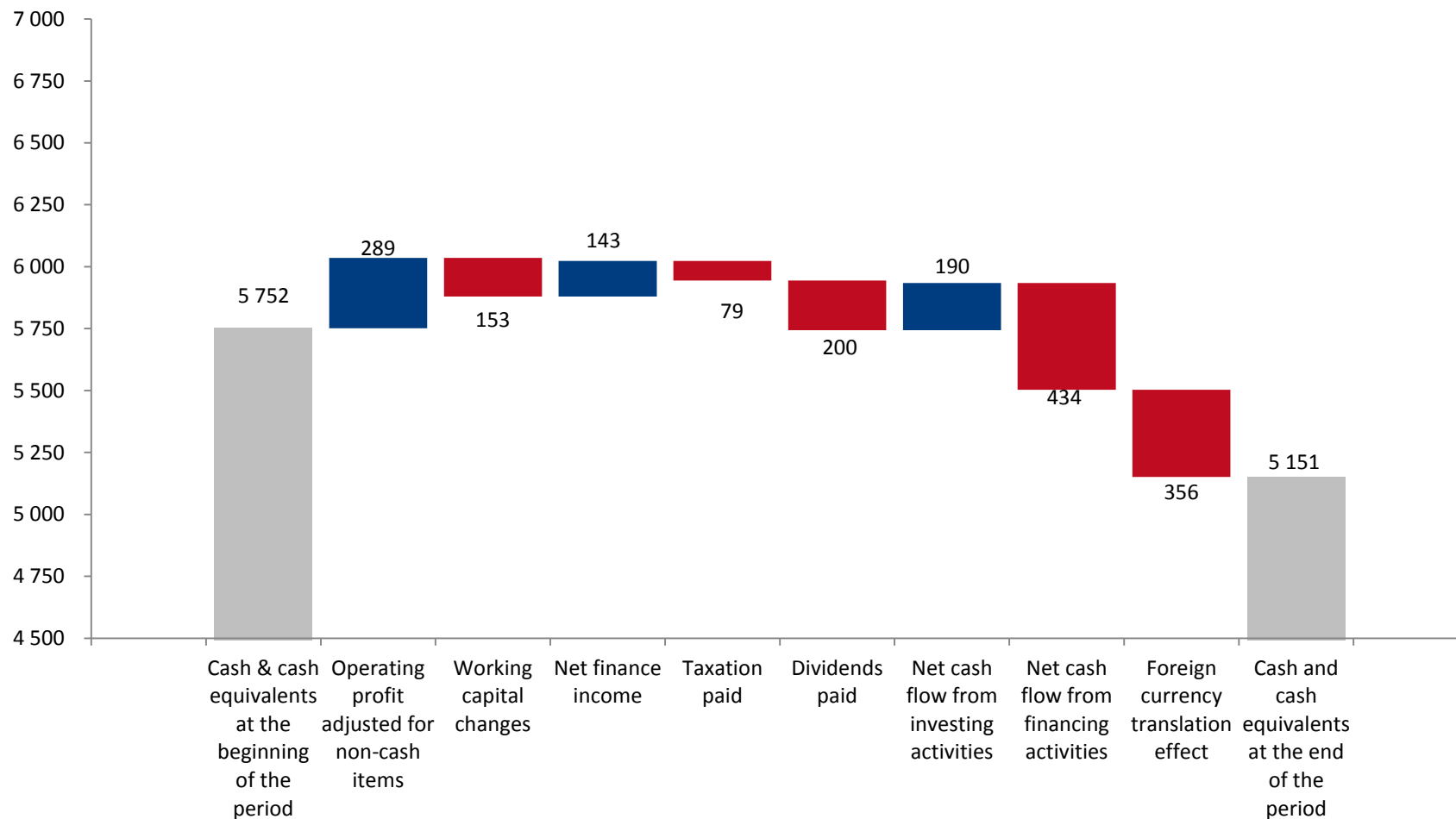
# FINANCIAL PERFORMANCE

CONTINUING OPERATIONS (R'm)	% change	H1 FY17	(Restated) H1 FY16
Revenue	0,9	15 416	15 276
Operating profit before non-trading items	(4,7)	471	495
Socio-economic fund contribution		(170)	-
Profit on disposal of investment		12	-
Share-based payment expense		(24)	(25)
Share of profits from associates		19	20
Net finance income		116	70
Profit before tax	(24,1)	424	559
Effective tax rate (%)		43	31
Effective tax rate adjusted for fund contribution			

- Revenue flat but a change in geographic mix
- Improved operating margin from South African business
- Australian margin impacted by loss-making project and unrealised currency losses
- PV of full socio-economic fund contribution recognised in H1 FY17
- R151m non-current; R5m settled in H1 FY17
- Increase in net finance income due to strong cash balances and mezzanine financing

# FINANCIAL POSITION

## CASH FLOW ANALYSIS (R'm)



# FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT (R'm)	H1 FY17	June FY16
Property, plant and equipment	1 657	1 710
Depreciation	115	242

CAPITAL EXPENDITURE (R'm)	Approved FY17	H1 FY17	June FY16
Replacement	254	117	87
Expansion	51	22	39
<b>Total</b>	<b>305</b>	<b>139</b>	<b>126</b>

- Conservative capital expenditure implemented in recent years due to suppressed civil engineering markets
- Replacement of older plant prioritised as activity levels and order book improve
- Full CAPEX budget expected to be utilised

# FINANCIAL POSITION

INVESTMENTS (R'm)	H1 FY17	June FY16
Investments	48	202
Investments in associates	344	347

- Capital repayment of AU\$14m investment in Caulfield development in Australia
- No further equity investment in Gigawatt Power and Dipalopalo
- Profit from Gigajoule of R19m for the period and a dividend of R20m distributed

LOANS (R'm)	H1 FY17	June FY16
Long-term receivables	220	249
Less: Current portion	(177)	(153)
	43	96

- R177m in mezzanine financing due for repayment within the next 6 months
- Balance of R43m represents remaining restricted consideration in respect of sale of 3Q and other sundry receivables

# FINANCIAL POSITION

TAX (R'm)	H1 FY17	June FY16
Net deferred tax asset	469	535
Net current tax asset	197	244

Deferred tax balances consist of:

- Tax losses of R80m in Australia and R51m in Africa
- R338m in respect of timing differences

Current tax asset consists of:

- Taxation refundable amounting to R135m
- Tax liability of R32m
- Foreign tax credits due of R94m

NCI ACQUISITIONS (R'm)	Description	% acquired	Purchase price
WBHO Australia	Purchase	0,8	15,9
Probuild	Share buy-back	2,6	38,0
Renniks	Purchase	17,5	3,8

- Share transactions in terms of Probuild shareholders' agreement
- Investment in Probuild now 85,6%






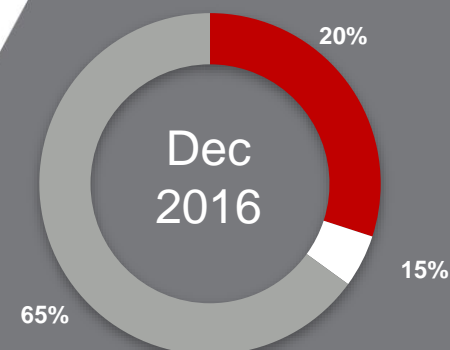
**ORDER BOOK  
AND OUTLOOK**




# CONSOLIDATED ORDER BOOK

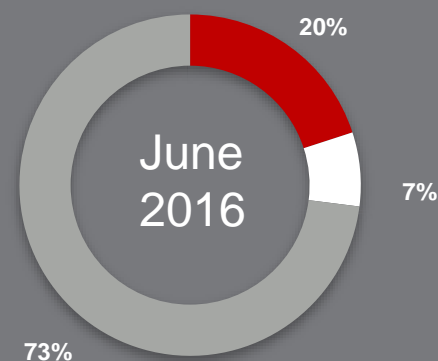
SEGMENT (R'm)	At June 2016	At Dec 2016	To June 2017	Beyond
Building and civil engineering	8 683	8 090	3 134	4 956
Roads and earthworks	3 041	5 839	2 640	3 199
Australia	30 976	26 224	9 630	16 594
<b>Total</b>	<b>42 700</b>	<b>40 153</b>	<b>15 404</b>	<b>24 749</b>

Consolidated order book  6%

- Roads and earthworks  92%
- Building and civil engineering  7%
- Australia  5% in AU\$



-  Building and civil engineering
-  Roads and earthworks
-  Australia

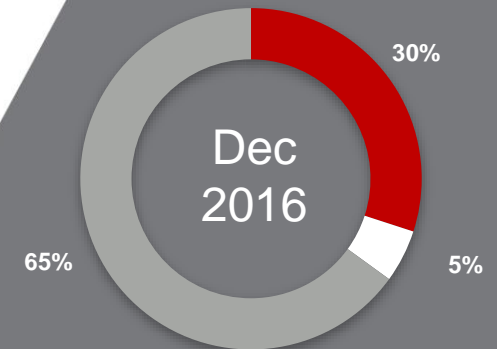




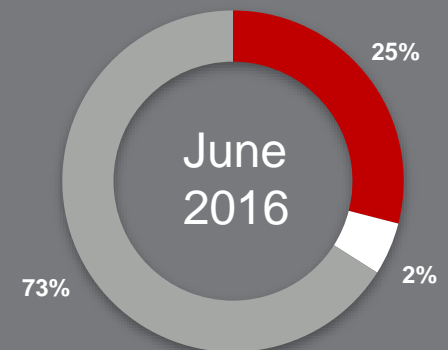
# CONSOLIDATED ORDER BOOK

GEOGRAPHIC (R'm)	At June 2016	At Dec 2016	To June 2017	Beyond
South Africa	10 532	12 004	4 733	7 271
Rest of Africa	1 192	1 925	1 041	884
Australia	30 976	26 224	9 630	16 594
<b>Total</b>	<b>42 700</b>	<b>40 153</b>	<b>15 404</b>	<b>24 749</b>

- Increase of 14% in South African order book
- Increase of 61% in Rest of Africa order book
- African order book comprises 35% of total order book up from 28% at 30 June 2016



- South Africa
- Rest of Africa
- Australia



## SOUTH AFRICA

Building order book healthy over the short-term

- Local market has peaked and is beginning to soften
- No mega-projects in targeted pipeline
- Impact of low growth economy on this sector a concern over the longer-term

Civil engineering markets remain suppressed

- Limited number of available projects
- Increased enquiries and budget pricing from mining sector
- Large-scale infrastructure projects have come to market
- Exploring opportunities in coastal markets and marine construction

Signs of improvement in Roads and earthworks markets

- Improved order intake
- A number of large projects in the final stages of negotiation
- Large-scale infrastructure projects beginning to materialise

## AFRICA

Building opportunities still available

- 1<sup>st</sup> commercial office project in Ghana secured
- Good relationships built with partners seeking African expansion
- Exploring opportunities in other African countries

Increase in commodity prices improving mining outlook

- 3 projects awarded in West Africa
- Potential additional works on existing mines in Mozambique and Ghana

## AUSTRALIA

Building markets remain healthy

- Positive outlook for next 24 months, additional R11b secured in H2 FY17
- Lower residential activity negated by increased commercial activity and sustained activity within retail and entertainment sectors
- Strong order book growth in other states decreasing reliance on Victorian market

Solid order book growth from a low base

- Good opportunities in infrastructure markets in Eastern Region
- 4 projects now secured in Eastern Region
- Diversification in Western Region proving successful

**THANK YOU**

**QUESTIONS ?**

# DISCLAIMER

*Certain statements contained within this presentation may be classified as forward-looking statements. Words, including but not limited to, “believe”, “anticipate”, “expect”, “seek”, “intend”, “estimate”, “project”, “plan”, or “predict” are used to identify such statements. Forward-looking statements, by their very nature, contain known and unknown risks as well as other uncertainties, the outcome of which may have a material impact on the future predictions expressed or implied therein.*

*No assurance can be given that future-looking statements will prove to be correct. Furthermore, no obligation is undertaken by the group to update or revise any forward-looking statements contained within this presentation and investors are cautioned not to place any reliance thereon.*