



**UNAUDITED RESULTS FOR  
THE SIX MONTHS ENDED  
31 DECEMBER 2018**

**WBHO**



**WBHO**

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**Presented by Louwtjie Nel and Charles Henwood**

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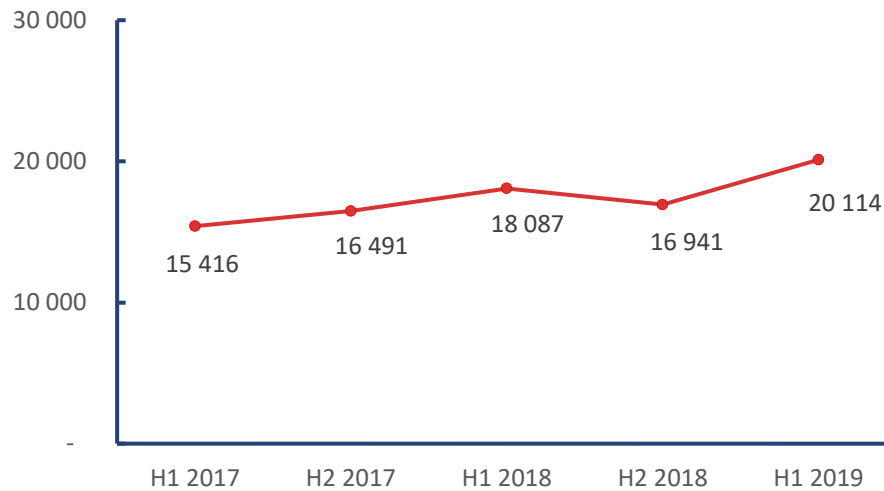


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OVERVIEW

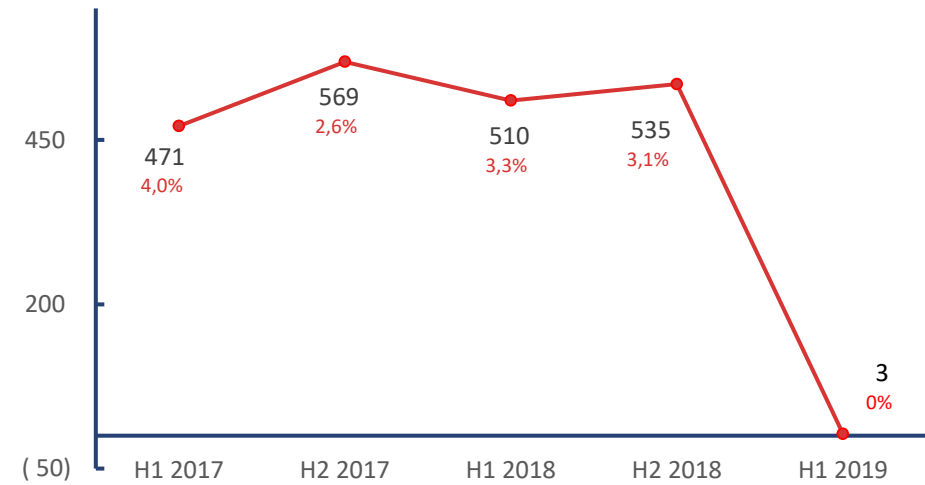


## REVENUE (Rm)



- Revenue growth of 11% to Dec 2018 largely due to consolidation of Russells Limited (acq 18 July 2018)
- 2.5% growth in revenue from South Africa
- 19% decline in revenue from the Rest of Africa due to completion of various projects in West Africa
- 3.6% decline in Australia in line with the group's strategy to limit growth and focus on project execution alongside securing new work with the correct risk allocation
- UK operations comprise 13% of total revenue

## OPERATING PROFIT (Rm)



- Breakeven result for the group as whole due to recognition of material anticipated loss on Western Roads Upgrade infrastructure project in Australia
- Loss recognised overshadows solid delivery from the African and UK operations as well as the Australian building business
- 5% margin delivered in Africa
- 4% margin in the UK
- 1.7% margin in Probuild (2017: 1.3%)

## THE SIX MONTHS IN PERSPECTIVE

### AUSTRALIA – WESTERN ROADS UPGRADE PROJECT (WRU)

#### BACKGROUND

- Design and construct contract consisting of eight packages for the widening and upgrade of various roads and intersections in the western suburbs of Melbourne
- Project bid in July 2017 and financial close was reached in December 2017
- WBHOI is the lead contractor responsible for the delivery of the project to the concession company
- Initial indications of problems on the project emerged in December 2018 – full extent not yet quantified

#### WHAT WENT WRONG?

- Incorrect interpretation of certain technical specifications
- Resulting in the under-estimation of the physical work necessary to meet the output specifications of the contract

## AUSTRALIA – WESTERN ROADS UPGRADE PROJECT (WRU)

### WHAT HAVE WE DONE?

- Termination of the WBHOI corporate leadership and bidding teams in December 2018
- Withdrawal from design and construct role on new projects bid with same risk profile
- Extensive due diligence performed by the project delivery team supported by senior management from Australia and South Africa
- Scope and full extent of the cost of additional works determined and quantified with currently available information in February 2019
- Forecast loss to the end of the project of A\$50 million provided for at 31 December 2018 (Accounting provision only with no cash flow effect as yet)
- Strong delivery team in place to ensure delivery against revised cost estimates
- South African director from Roads and earthworks relocated to oversee operations on site

### WHAT HAPPENS NEXT?

- Cash flow effect from WRU will be minimal in FY19 – full impact felt in 2020
- Cash flow effect will likely be mitigated by expected profitability from remaining Australian businesses
- Ongoing review of Australian tender sign-off and risk management processes
- Review of strategy for the Eastern region infrastructure business
  - Construction-only projects in the road sector
  - Retain focus on projects from the renewable energy sector

## THE SIX MONTHS IN PERSPECTIVE

### SOUTH AFRICA

- Solid delivery despite lower levels of private investment combined with little meaningful public infrastructure spending
- Failure of various mid-tier contractors together with financial distress within a number of large listed companies
- Profound consequences extending into subcontractor market and significant job losses for the South African workforce
- Further tapering of local building markets with pockets of activity in key areas
- Improved activity from coal mining houses providing opportunities for Civil engineering and Roads and earthworks divisions
- Fewer road projects available from SANRAL – shift toward concession companies and provincial government
- Private large-scale infrastructure projects supporting activity levels

### REST OF AFRICA

- Limited opportunities in West Africa across both building and civil engineering markets
- Increased mining activity in Botswana and Zambia as stronger copper price supports capital expenditure

## THE SIX MONTHS IN PERSPECTIVE

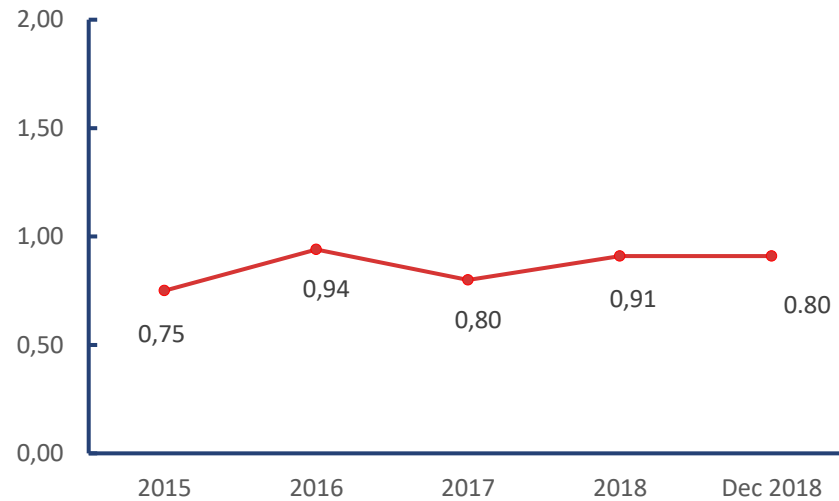
### UNITED KINGDOM

- Acquisition of a 60% interest in Russells Limited on 18 July 2018 adds further substance to the UK operations
- Byrne Group returns to profitability with restructuring of the business essentially complete
- London and Manchester markets offering sufficient opportunities amid Brexit uncertainty



# SAFETY

**LTIFR** (No. of lost time injuries per million man hours)



- Group LTIFR decreases from 0,91 to 0,80
- Decline in safety statistics to 0,6 from Africa business following continued focus from senior management
- Positive decrease in Australian statistics from 1,72 to 0,91



BYBUS

**BUILDING AND CIVIL ENGINEERING**

**TO LET.**

P Grade office space

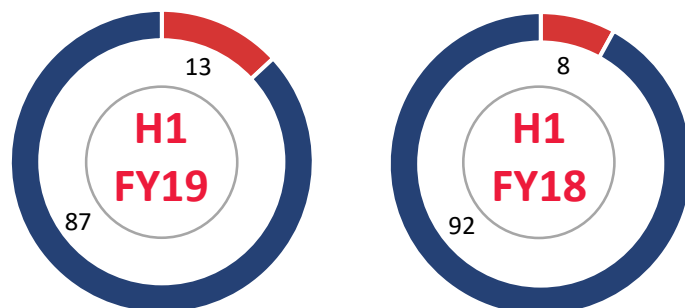
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recovery

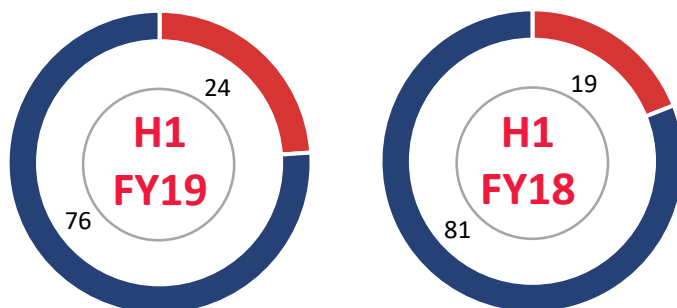


# GEOGRAPHIC FOOTPRINT

## REVENUE (%)



## OPERATING PROFIT (%)



● South Africa ● Rest of Africa





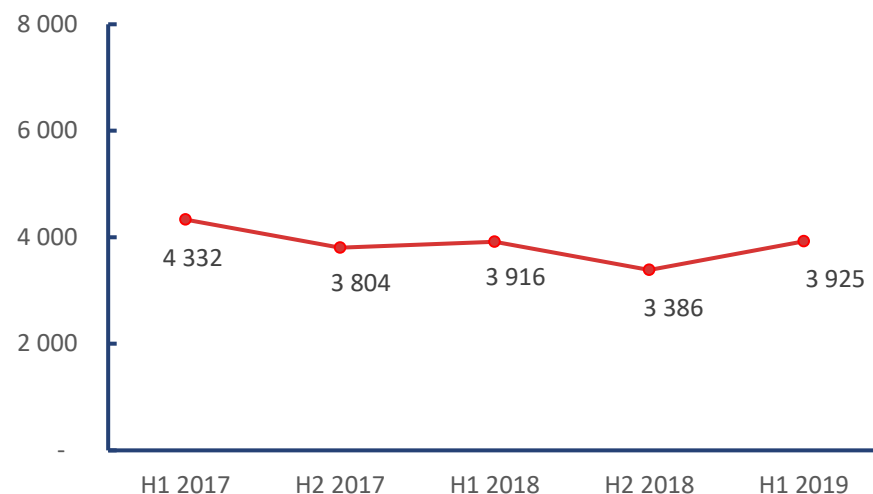
## THE SIX MONTHS IN PERSPECTIVE

### BUILDING

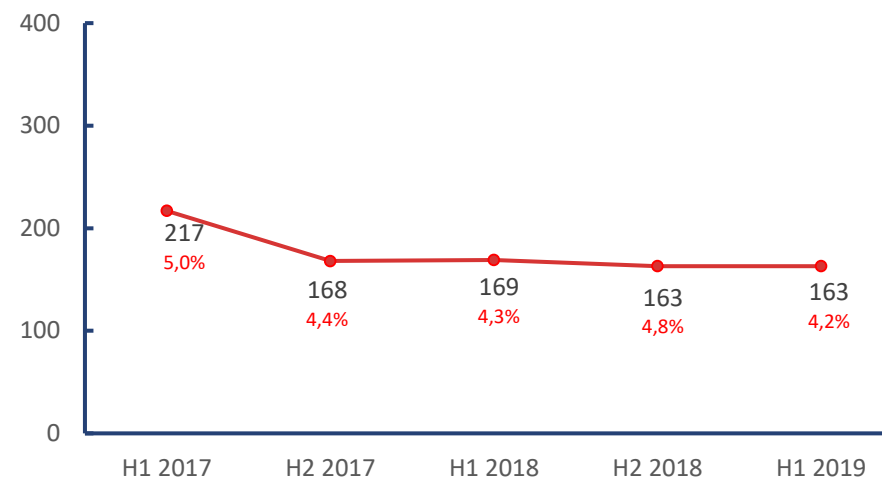
- Declining revenue in Gauteng with fewer large-scale projects available
- Competing with mid-tier contractors on smaller projects
- Sustained activity in coastal regions
- Concentration of work in commercial office sector but activity tapering
- Retail sector remains subdued
- Increase in residential-only and mixed-use developments as well as healthcare projects
- Margin pressure on new projects secured

### CIVIL ENGINEERING

- No significant improvement in overall civil engineering markets
- Growth this year largely due to increased activity in Zambia
- Increased mining infrastructure spending – coal mines in SA and copper in Zambia
- Construction of the commercial crude oil terminal facility now progressing well

**REVENUE (Rm)**

- Revenue in line with comparative period and up 16% on H2:FY18
- 20% contribution to group revenue
- 5% decline in revenue from South Africa
- 62% increase in revenue from the rest of Africa
  - Improved activity in Zambia

**OPERATING PROFIT (Rm)**

- Overall margin of 4,1%
- Good margin protection in difficult trading conditions
- Consistent profitability over time

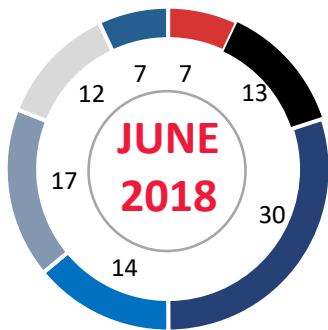
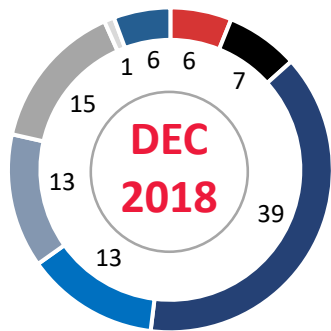
## ORDER BOOK

BUILDING AND CIVIL ENGINEERING (Rm)	% GROWTH	AT DECEMBER 2018	AT JUNE 2018
South Africa	15,2	6 188	5 374
Africa	(67,4)	199	611
<b>TOTAL</b>	<b>6,7</b>	<b>6 387</b>	<b>5 986</b>

### ORDER BOOK UP 7%

- 15% improvement in local order book
- Strong order books in coastal regions
- Difficulty in replacing building work in the rest of Africa evident in lower order book

### ORDER BOOK BY SECTOR (%)



### ORDER BOOK BY SECTOR

- Commercial offices and mixed-use developments comprise bulk of work-on-hand
- Increased number of residential projects
- Reduced proportion relating to energy infrastructure as work at the crude oil terminal progresses

- Retail
- Mixed-use developments
- Commercial offices
- Residential
- Healthcare and leisure
- Education
- Energy infrastructure
- Civil works and mining infrastructure





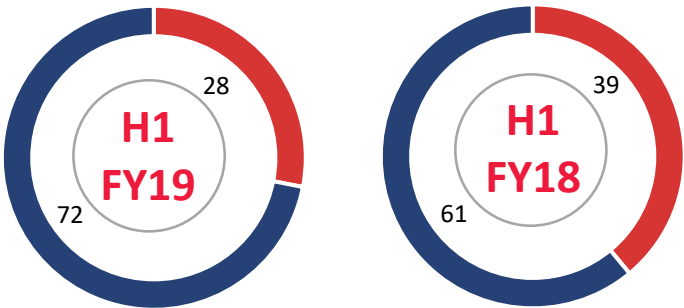
## ROADS AND EARTHWORKS



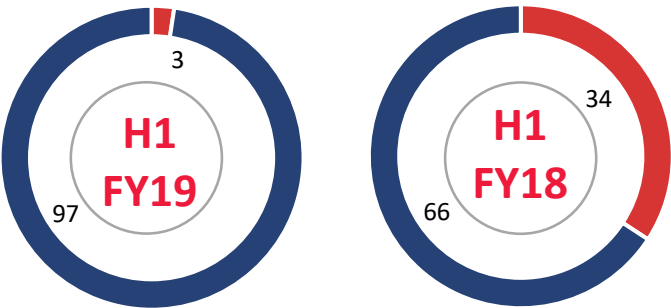


# GEOGRAPHIC FOOTPRINT

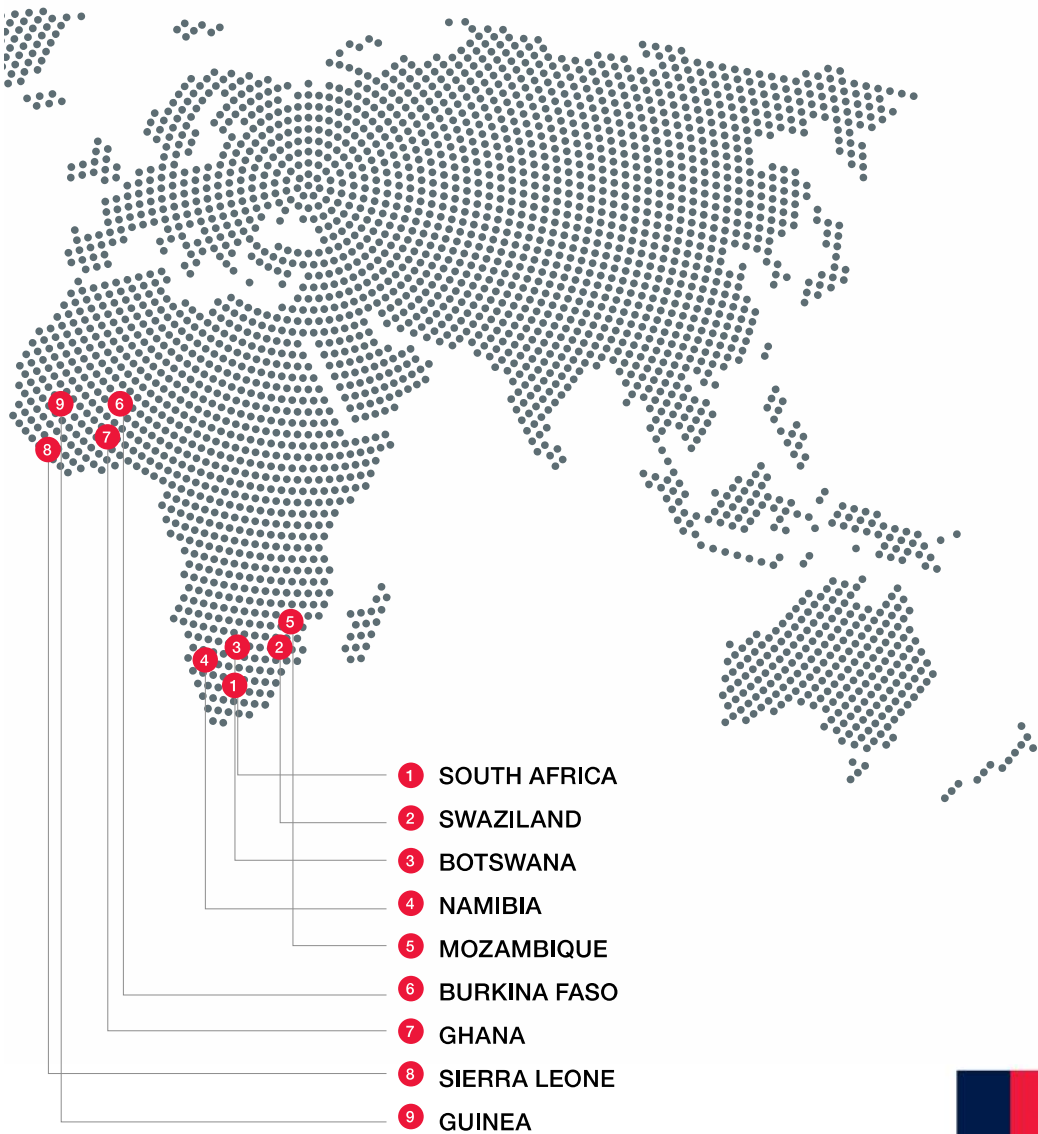
## REVENUE (%)



## OPERATING PROFIT (%)



● South Africa      ● Rest of Africa



## THE SIX MONTHS IN PERSPECTIVE

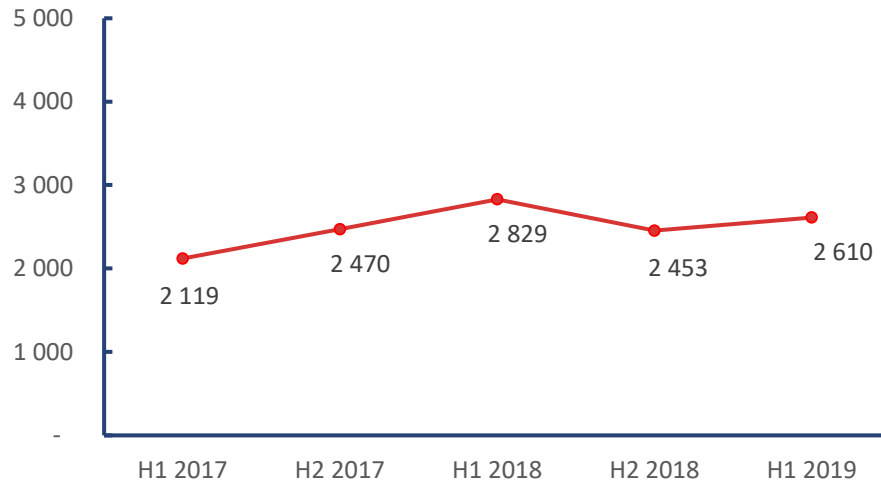
### SOUTH AFRICA

- Growth in local revenue supported by existing large-scale projects and new awards within the mining sector
- Infrastructure for mining, energy and industrial sectors forms the bulk of activity as roadwork begins to taper
- Local pipeline market remains highly competitive – large proportion of work derived internally by offering clients a full suite of construction services alongside the group's other divisions
- Increase in contribution from low-cost housing Market following award of new projects in KZN and the Eastern Cape

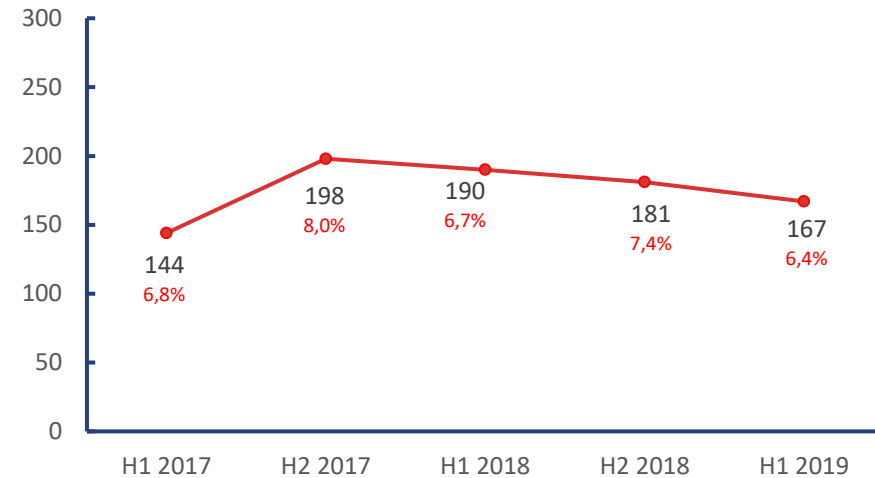
### REST OF AFRICA

- Technical challenges on Section 16 of the EN4 projects in Mozambique and additional cost to complete at Siguiri in Guinea eroded margin performance
- Substantial increase in work on hand in Botswana – additional work at Orapa and new award on Khoemacau copper mine
- Award of new road project in Swaziland during the period
- Declining activity in West Africa as a number of existing projects reach completion



**REVENUE (Rm)**

- Decline in revenue of 8% against the comparative period but 6% improvement over H2:FY18
- 13% contribution to group revenue
- 8% growth in revenue from South Africa
- 34% decline in activity in the rest of Africa

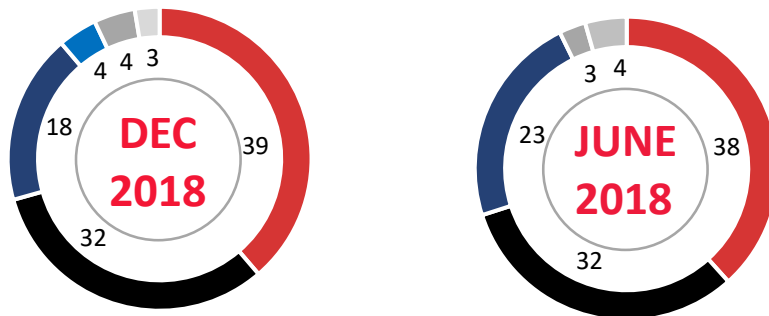
**OPERATING PROFIT (Rm)**

- Overall margin of 6,4% down from 6,7% at Dec 2017
- Impacted by particularly weak margin performance in the rest of Africa
- Additional costs to complete a project in Guinea and rectification costs on a road project in Mozambique

## ORDER BOOK

ROADS AND EARTHWORKS (Rm)	% GROWTH	AT DECEMBER 2018	AT JUNE 2018
South Africa	26,9	4 216	3 323
Africa	41,6	1 192	841
<b>TOTAL</b>	<b>29,9</b>	<b>5 408</b>	<b>4 164</b>

### ORDER BOOK BY SECTOR (%)



- Roadwork
- Mining infrastructure
- Energy infrastructure
- Water infrastructure
- Pipelines
- Low-cost housing

### ORDER BOOK UP BY 30%

- 27% increase in local order book supported by new mining infrastructure and low-cost housing projects
- 42% increase in Africa order book reflects increased activity in Botswana and new work in Lesotho and Mozambique
- West Africa again quieter following completion of projects

### ORDER BOOK BY SECTOR

- Decreasing volumes of local roadwork offset by new project in Swaziland
- Mining infrastructure and energy infrastructure will underpin future activity
- Water infrastructure project secured in Lesotho

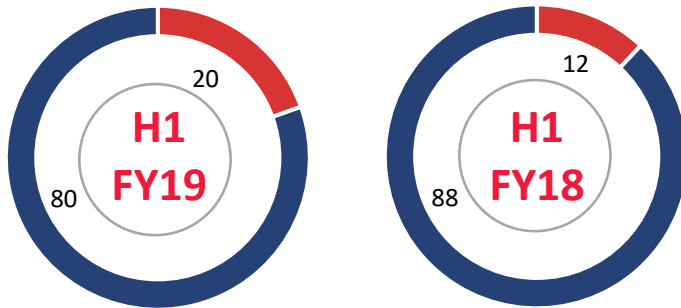


AUSTRALIA

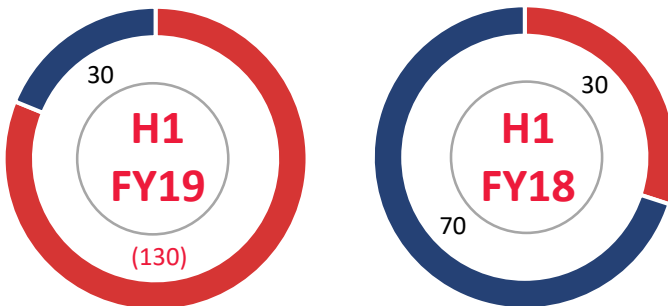


## GEOGRAPHIC FOOTPRINT

### REVENUE (%)



### OPERATING PROFIT (%)



● Building ● Infrastructure





## THE YEAR IN PERSPECTIVE

- Provision for future losses on WRU project overshadows solid performance from Probuild and Western infrastructure businesses
- Results in significant loss from Australian business as a whole

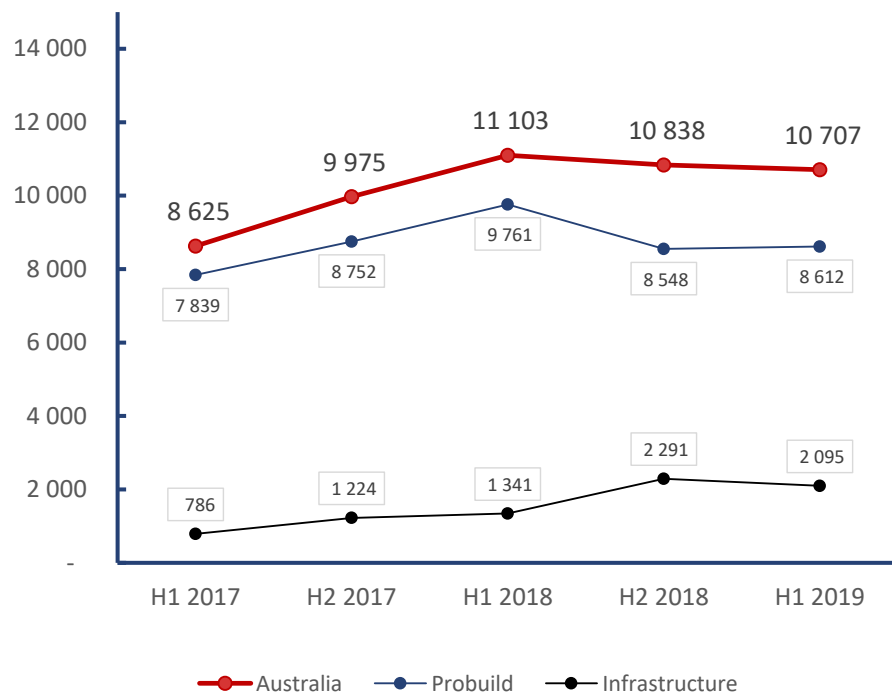
### BUILDING

- 12% decline from building divisions reflects focus on careful project selection to enhance project delivery and margins
- Successful shift away from residential-only projects as market softens
- Increasing number of mixed-use developments and commercial office projects within portfolio
- Large-scale projects in Victoria and Western Australia drive building activity

### INFRASTRUCTURE

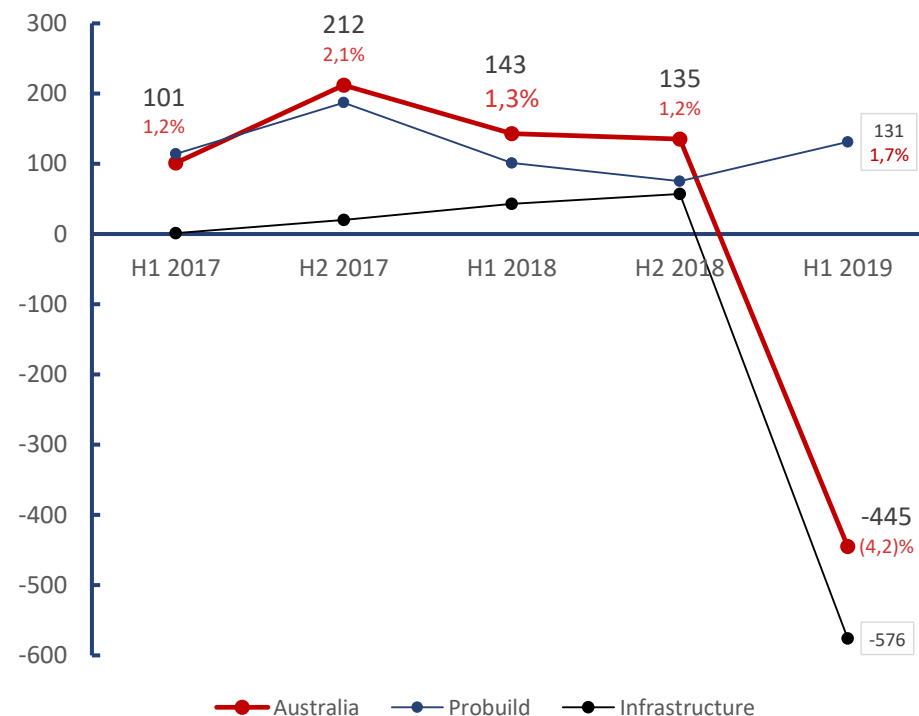
- Infrastructure activity supported by high levels of government spending
- Moderate growth in the Western region and strong profit contribution
- Significant revenue growth in the Eastern region as large-scale WRU road project and renewable energy projects generate increased revenue

## REVENUE (Rm)



- 4% decline in revenue but in line with H2:FY18
- Building growth purposefully constrained in accordance with strategy – revenue down 12% from H1:2018 and in line with H2:2018
- Infrastructure business grows by 56% over comparative period due to WRU

## OPERATING PROFIT (Rm)



- Combined operating loss of R445 million
- Probuild improves profitability and margin
- Full extent of anticipated loss on WRU provided for in the current six month period

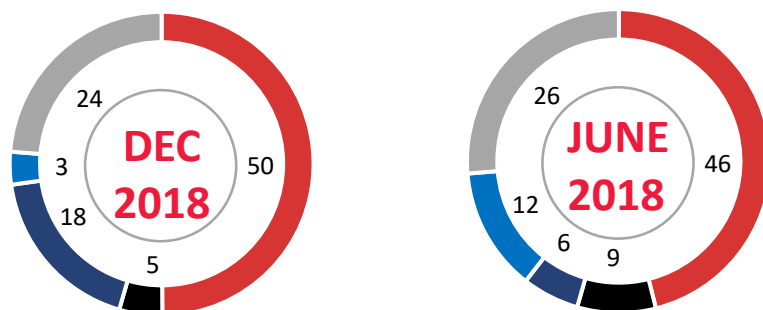
## ORDER BOOK

AUSTRALIA (Rm)	% GROWTH	AT DECEMBER 2018	AT JUNE 2018
Building	(6,9)	22 345	23 997
Infrastructure	(18,9)	6 949	8 569
<b>TOTAL</b>	<b>(10,0)</b>	<b>29 294</b>	<b>32 565</b>

### ORDER BOOK UP 3%

- Consolidation of building business and focused project selection reflected in lower building order book
- WRU comprises 44% of infrastructure order book

### ORDER BOOK BY SECTOR (%)



- Residential and mixed-use developments
- Hotels and leisure
- Retail
- Commercial
- Infrastructure

### ORDER BOOK BY SECTOR

- Residential sector and mixed-use developments comprise half of future activity
- Good growth in commercial office sector
- Healthy project pipeline across most markets





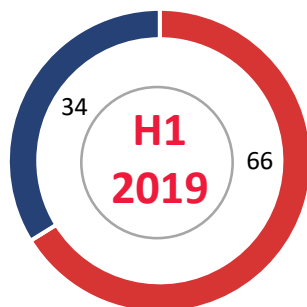
UNITED KINGDOM  
LOUWTJIE NEL

Castlefield

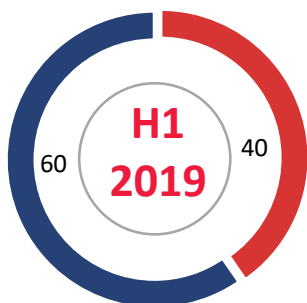


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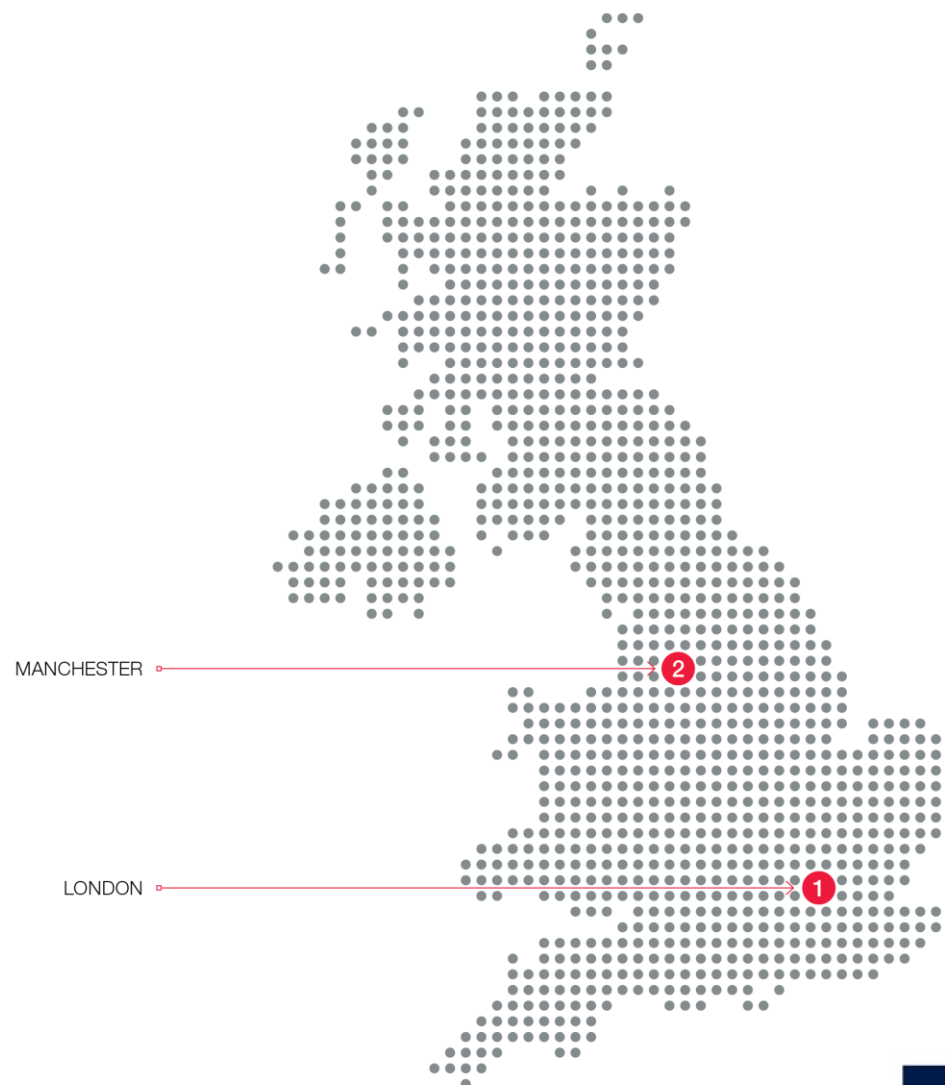
## REVENUE (%)



## OPERATING PROFIT (%)



● Byrne Group    ● Russells Limited



## THE YEAR IN PERSPECTIVE

### UNITED KINGDOM

- Acquisition of Russells Limited on 18 July 2018 adds substance to overall UK operations
- First time consolidation of UK operations drives overall revenue growth for the wider group
- Revenue of R2,5 billion comprises 13% contribution to group revenue
- Combined operating profit of R104 million at a margin of 4,1%
- Byrne Group returns to profitability due to revenue growth of 53% and reduction in the cost base
- Restructuring of the business now complete
- Solid performances from both Byrne Brothers, the specialist frame contractor and Ellmers Construction, the new build, fit-out and refurbishment contractor
- Russells Limited performs well over the period in line with expectations
- New large-scale projects at St Peters Square (£55 million) and Store Street (£80 million) secured during 2018 will support activity well into FY20
- The group also acquired a 31.7% interest Russell Homes Limited, a scheme developer and house builder
  - Three residential schemes currently under construction
  - Further schemes in various stages of planning permission with sales expected to commence in 2020

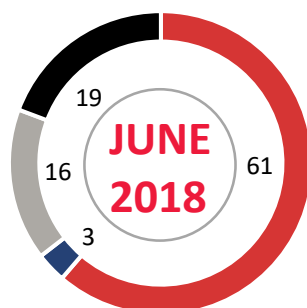
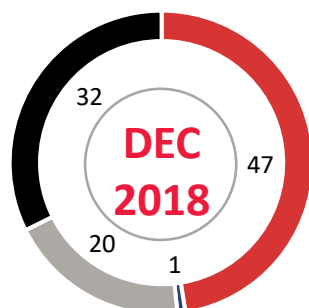
## ORDER BOOK

UNITED KINGDOM (Rm)	% GROWTH	AT DECEMBER 2018	AT JUNE 2018
Byrne Group	(23,8)	4 909	6 446
Russells Limited		4 107	-
<b>TOTAL</b>	<b>39,9</b>	<b>9 016</b>	<b>6 446</b>

### ORDER BOOK UP 40%

- Inclusion of Russells Limited increases UK order book by 40%
- 24% decrease in Byrne Group order book
- Cancellation of £60m project after commencement of early works
- Pipeline remains positive with solid prospects
- Strong order book in respect of Russells Limited

### ORDER BOOK BY SECTOR (%)



● Residential  
● Retail  
● Commercial

● Hotels and leisure

### ORDER BOOK BY SECTOR

- Residential and hotel sectors dominate future activity
- Good contribution from commercial offices
- Opportunities from the infrastructure sector being tracked by both businesses





## FINANCIAL REVIEW



## FINANCIAL PERFORMANCE

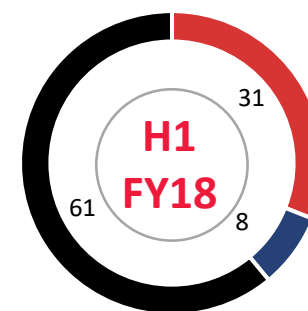
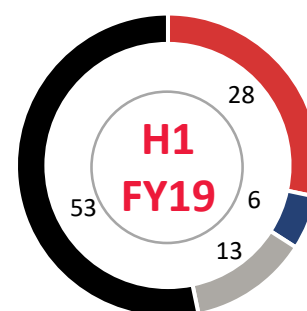
KEY FINANCIAL INDICATORS		TARGET/ GROWTH	H1 2019	H1 2018
Revenue growth	%	>10	11,2%	17,3%
Operating profit margin	%	3 – 4	0,0%	2,8%
Cash and cash equivalents	Rm	1%	4 286	4 256
Earnings per share	cents	(82%)	134	737
Headline earnings per share	cents	(80%)	145	727
Ordinary dividend per share	cents	-	0	150

## CONTRIBUTION BY GEOGRAPHY

REVENUE (Rm)	% growth	H1 2019	H1 2018
South Africa	2,5	5 695	5 558
Rest of Africa	(18,9)	1 157	1 427
Australia	(3,6)	10 707	11 103
United Kingdom		2 555	-
<b>TOTAL</b>	<b>11,2</b>	<b>20 113</b>	<b>18 086</b>

OPERATING PROFIT (Rm)	% margin	H1 2019	H1 2018
South Africa	4,8	274	272
Rest of Africa	6,0	69	97
Australia	(4,2)	(445)	143
United Kingdom	4,1	104	(3)
<b>TOTAL</b>		<b>3</b>	<b>510</b>

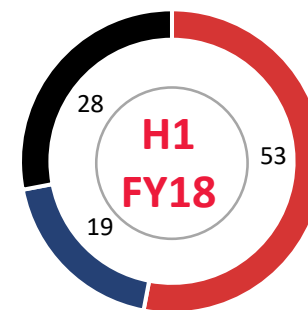
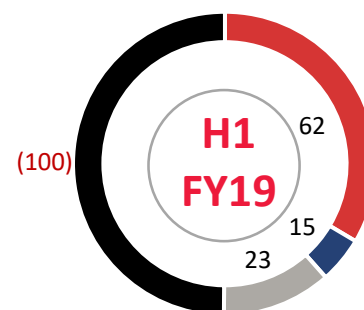
### REVENUE (%)



● South Africa  
● Rest of Africa

● Australia  
● United Kingdom

### OPERATING PROFIT (%)

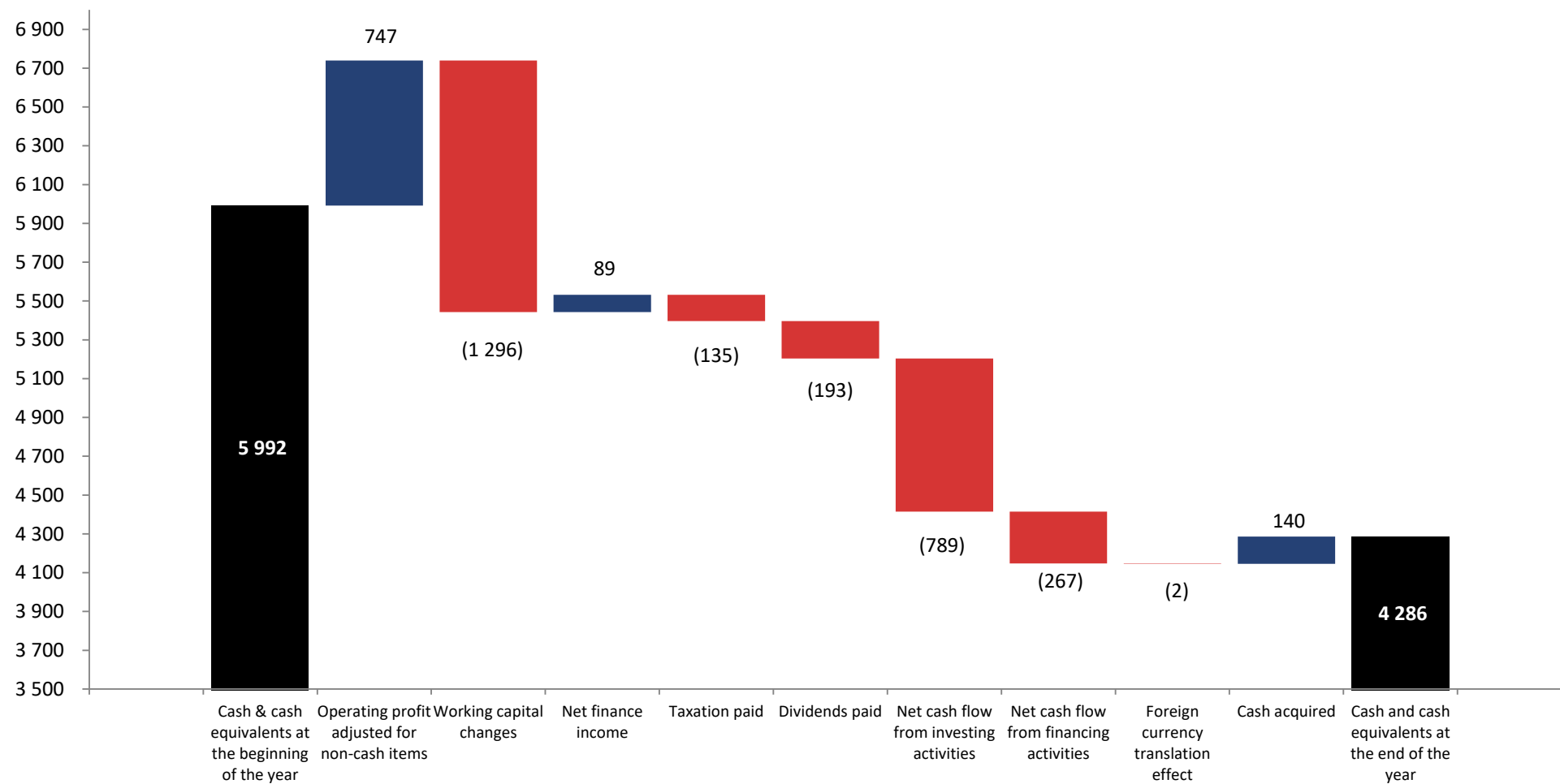




## FINANCIAL PERFORMANCE

SUMMARISED FINANCIAL PERFORMANCE	% change	H1 2019	H1 2018
Revenue	11,2	20 113	18 087
Operating profit before non-trading items	(99,5)	3	510
Share-based payments expense		(27)	(30)
Share of profits and losses from equity accounted investments		30	(6)
Finance income		95	110
Finance costs		(12)	(10)
Profit before tax	(84,6)	89	578
Effective tax rate (%)		11	30

# FINANCIAL POSITION



## FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT (Rm)	H1 2019	JUNE 2018
Property, plant and equipment	1 934	1 883
Depreciation	153	240

CAPITAL EXPENDITURE	APPROVED 2019	H1 2019	JUNE 2018
Replacement	198	110	283
Expansion	94	135	33
<b>TOTAL</b>	<b>292</b>	<b>245</b>	<b>316</b>

- Increased capital expenditure to expand the fleet in support of mining activity locally and in Botswana



# FINANCIAL POSITION

## EQUITY ACCOUNTED INVESTMENTS (Rm)

ENTITY	INDUSTRY	COUNTRY OF OPERATION	EFFECTIVE %	CARRYING AMOUNT OF INVESTMENT	SHARE OF PROFITS/(LOSSES)		
					H1 2019	H1 2018	JUNE 2018
Edwin Construction	Road /civil construction	South Africa	49%	97,0	0,9	4,9	9,6
iKusasa Rail SA	Railway construction	South Africa	49%	16,9	(2,1)	(0,2)	(6,7)
Byrne Group*	Building /civil construction	United Kingdom	40%	-	-	(28,9)	(46,8)
IACS	Airport construction	South Africa	26%	3,8	-	-	-
Gigajoule International	Gas supply	Mozambique	26,6%	139,2	9,4	7,5	10,9
Gigajoule Power	Power	Mozambique	13%	151,4	16,6	10,2	24,1
Dipalopalo	Serviced accommodation	South Africa	27,5%	58,8	-	-	-
DFMS Joint Venture	Serviced accommodation	South Africa	14,6%	1,6	0,9	-	4,1
Catchu Trading	Property development	South Africa	50%	101,6	-	-	-
Caulfield	Property development	Australia	30%	181,0	-	-	-
The Glen Residential	Property development	Australia	20%	108,6	-	-	-
Russell Homes Limited	Property developer	United Kingdom	31,7%	204,5	3,9	-	-
<b>TOTAL</b>				<b>1 064,4</b>	<b>29,6</b>	<b>(6,5)</b>	<b>(4,8)</b>

\*Byrne Group equity-accounted until 30 June 2018

## FINANCIAL POSITION

TAX (Rm)	H1 2019	JUNE 2018
Net deferred tax asset	758	640
Net current tax asset	87	105

Deferred tax asset consists of:

- Asset of R171m raised WRU provision
- Tax losses of R253m (June 2018: R276m)
- Timing differences of R334m (June 2018: R364m)

Current tax asset consists of:

- Foreign tax credits of R65m (June 2018: R81m)
- Taxation refundable of R77m (June 2018: R35m)
- Tax liability of R55m (June 2018: R11m)

NCI MOVEMENT (Rm)	DESCRIPTION	% CHANGE	CONSIDERATION
Probuild	Share buy-back	2,0	40,5
Probuild	Acquisition	0,8	15,9

- Effective interest in Probuild 87,53% (June 2018: 84,97%)
- Effective interest in WBHO Infrastructure 90,7% (June 2018: 90,1%)

## IMPACT OF NEW ACCOUNTING STANDARDS

### IFRS 15: REVENUE RECOGNITION

- Comprehensive framework for determining if, how much and when revenue is recognised
- 5-step assessments of active contracts to 31 December 2018 completed
- No changes to the recognition and measurement of revenue under new standard
- In Australia, capitalised bid costs at 30 June 2018 of R52 million before tax adjusted against retained income at 1 July 2018
- Bid costs of R62 million expensed in the current period

### IFRS 9: FINANCIAL INSTRUMENTS

- Financial assets assessed for impairment against client and country specific factors
- Expected credit loss (ECL) of R69 million before tax adjusted against retained income at 1 July 2018
- Additional net ECL of R4 million recognised in the current period



## POST BALANCE SHEET EVENT

### RUSSELLS LIMITED: EXERCISE OF OPTIONS

- Non-controlling shareholders exercised put options in terms of share purchase agreement
- Completion expected by 28 February 2019
- Consideration of £4,8 million (R83 million)
- Shareholding increases from 60% to 70%



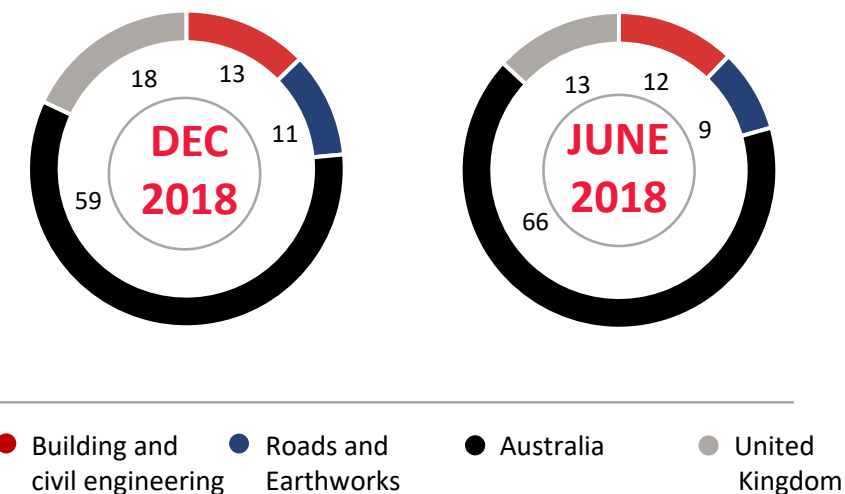
## ORDER BOOK AND PROJECT PIPELINE



## CONSOLIDATED ORDER BOOK

SEGMENT (Rm)	AT JUNE 2018	AT DECEMBER 2018	TO JUNE 2019	➔ 2020
Building and civil engineering	5 986	6 387	3 055	3 333
Roads and earthworks	4 164	5 407	2 577	2 821
Australia	32 565	29 294	11 828	17 467
United Kingdom	6 446	9 016	3 146	5 870
<b>TOTAL</b>	<b>49 161</b>	<b>50 105</b>	<b>20 606</b>	<b>29 490</b>

### ORDER BOOK BY SEGMENT (%)



### ORDER BOOK UP 2%

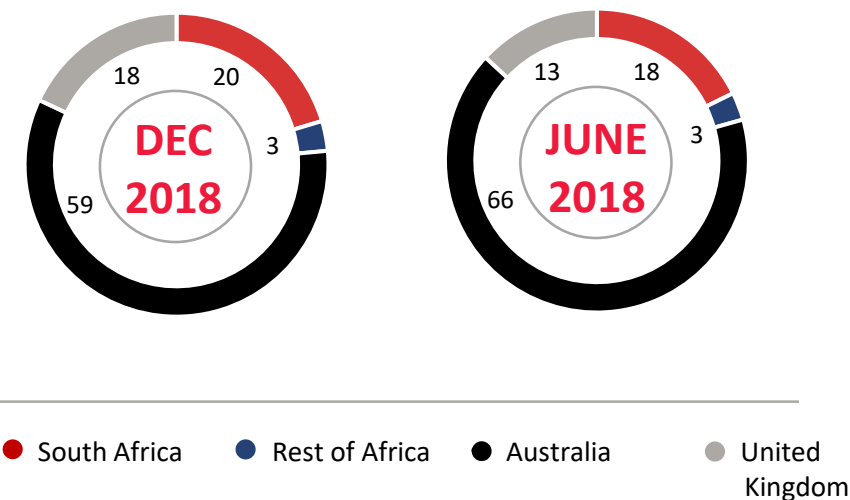
- Secured work to 30 June 2019 equates to 100% of H1:FY19
- Improved order book in South Africa and inclusion of Russells Limited offsets decline in Australia
- 7% increase in Building and civil engineering order book
- 30% increase in Roads and earthworks order book
- 10% decrease in Australian order book
- 40% increase in United Kingdom order book due to addition of Russells Limited



## CONSOLIDATED ORDER BOOK

GEOGRAPHY (Rm)	AT JUNE 2018	AT DECEMBER 2018	TO JUNE 2019	➔ 2020
South Africa	8 698	10 200	4 865	5 335
Rest of Africa	1 452	1 595	767	819
Australia	32 565	29 294	11 828	17 467
United Kingdom	6 446	9 015	3 146	5 870
<b>TOTAL</b>	<b>49 161</b>	<b>50 104</b>	<b>20 606</b>	<b>29 490</b>

### ORDER BOOK BY GEOGRAPHY (%)



### ORDER BOOK BY GEOGRAPHY

- The addition of the UK operations over F18 and FY19 has balanced the geographic representation of the group's operations
- 17% improvement in local order book
- 1% increase in the rest of Africa – improved activity in Botswana and Zambia together with new awards in Lesotho, Swaziland and Mozambique
- 10% decrease in the Australian order book in line with strategy

## OUTLOOK

### SOUTH AFRICA

- Local construction industry remains distressed
- Reduced capacity within the sector as a whole will support remaining industry players over the short-term until recovery
- Reduced capacity not healthy for the industry or country over the medium and long-term due to skills lost which is already evident
- Participation in public-private growth initiative and positive engagement with cabinet bodes well for the medium term
- Governments constrained finances will likely not result in improved infrastructure spending over the short term
- Continued reliance on private investment in a low growth environment
- Building markets and associated margins expected to remain under pressure
- Roadwork opportunities continue to decline while mining infrastructure opportunities improving slowly

## OUTLOOK

### REST OF AFRICA

- Replacement of building projects in Africa proving challenging
- Limited current activity from mining sector in West Africa however increased enquiries and pricing for gold mining houses in various countries
- Award of first contract relating to Lesotho Highlands Water Project – various phases still to come to market
- Award of first gas-related infrastructure project in Mozambique – various phases still to come to market

## OUTLOOK

### AUSTRALIA

- Market sentiment remains positive, particularly within infrastructure sectors
- Continued focus on project selection and delivery to improve margin performance
- Smaller number of larger-scale building projects
- Declining residential markets mitigated by focus on mixed-use hotel / residential developments
- New wave of retail projects entering the market
- Growth strategy for Eastern region of the infrastructure business curtailed

### UNITED KINGDOM

- The outlook for the UK market remains cautious due to the impact of Brexit and uncertain political landscape
- Acquisition of Russells Limited strengthens UK footprint
- Russell Homes provides access to UK residential markets
- Strong leadership and proven track record of profitability within Russells
- Ability to bid on larger projects with support from WBHO



## 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.*



An aerial photograph of a multi-lane highway bridge crossing a river. The landscape is arid and brown. In the background, there are industrial buildings and a large area filled with red shipping containers. A large white 'THANK YOU' text is overlaid on the image, with two white diagonal lines intersecting it. A red box with the 'WBHO' logo is in the top right corner.

THANK YOU

**WBHO**