

WILSON BAYLY HOLMES - OVCON LIMITED
Building and civil engineering contractors
(Registration no. 1982/011014/06)
ISIN No: ZAE 000009932
Share code: WBO
("WBHO", "the Group" or "the Company")

TRADING STATEMENT IN RESPECT OF THE YEAR ENDED 30 JUNE 2020 TAKING COGNIZANCE OF THE EFFECT OF COVID-19 AND THE COMPLETION OF THE WESTERN ROADS UPGRADE (WRU) PROJECT.

Impact of Covid-19

Governments around the world have announced wide-spread measures to contain the outbreak of the Covid-19 pandemic. Due to the Group's geographic diversity, these measures have affected operations within each country to varying degrees and severity at different times.

WBHO continues to work closely with all stakeholders to ensure our industry operates safely under Covid-19 and in compliance with particular government recommendations. The health and safety of our employees is non-negotiable and the group's senior management has worked tirelessly to ensure operational projects remain safe. All divisions were, and are, ready to safely recommence work.

Unlike in Australia and the United Kingdom, construction in South Africa was not classified as an essential service and, accordingly, all works on South African construction projects were suspended from 26 March 2020 to 30 April 2020. Thereafter, on 4 May 2020 certain civil engineering projects commenced work under Alert Level 4 and the remainder of the South African operations resumed work on 1 June 2020 under Alert Level 3.

In Australia, both infrastructure and building projects were considered essential services and all projects remained operational during the lockdown period and continue to operate as restrictions are being eased.

Other than four projects which were suspended by clients, all projects in the United Kingdom operated throughout the lockdown period and remain operational. The four suspended projects have subsequently all restarted.

In the rest of Africa, operations continued uninterrupted in both Zambia and Ghana; while in Botswana a 28 day lockdown was imposed up until 30 April 2020 with all operations, other than limited mining infrastructure operations which were considered essential, being suspended. Work in Mozambique was suspended in line with South Africa. The impact of international travel restrictions, anticipated quarantine periods once travel is allowed and logistics will impact the start-up of a number of projects in the rest of Africa.

The group has submitted contractual claims attributable to Covid-19 and will negotiate in good faith with clients on a contract-by-contract basis.

Building and civil engineering

Other than the Zambian projects which remained fully operational and the Kusile Power Station and Saldanha Tank Storage projects which commenced work under Alert Level 4, all other projects within the division were suspended for the full duration of the lockdown period and returned to work on a phased basis from 1 June 2020.

The 10 week lockdown period will severely impact the performance of the division at 30 June 2020 through a reduction in revenue and associated margin, non-recovery of holding costs (particularly labour and salary costs) and specific Covid-19 related costs in order to attain operational preparation. One project in Cape Town has been suspended due to the impact of Covid-19 by the client and clarity on its future will only be known post-lockdown. Revenue and operating profit for the year to 30 June 2020 are expected to be at least 15% and 50% down respectively in comparison to the prior year.

Roads and earthworks

Projects in Ghana continued to operate throughout the period; however the majority of projects in other regions (including South Africa) were suspended for differing lockdown periods. Certain aspects of projects were considered essential or permitted services and operated during all or parts of the lockdown period. Approximately 60% of the division's South African projects resumed work on 4 May 2020 under controlled conditions, gradually ramping up to full production, with the remainder returning to work during June.

The results of the division at 30 June 2020 will be materially impacted by the lockdown periods implemented in the various African countries in which the division operates. Revenue is expected to be at least 10% down and operating profit at least 40% down in comparison to the prior year.

Australia

While infrastructure and building projects continued during the lockdown periods in Australia, productivity on all projects was, and continues to be, affected by Covid-19 which has negatively affected programmes and profitability.

Completion of the WRU project has encountered further delays and expected increased costs to complete as a result of delayed design completion, the discovery of unknown services, unidentified contaminated soils and the performance and profiteering of utility owners as well as their subcontractors. Completion of Project 2 is expected in January 2021.

The 443 Queens Street project has encountered further letting losses in placing subcontractors and the expected completion of the project has been extended by a further 2 months to the end of October 2021.

For the year to June 2020, revenue is expected to improve by 5% in comparison to the prior year mainly due to a weaker rand. However the operating loss will be at least 200% worse than the comparative period due to the effect of Covid-19 and further material provisions for the costs to complete the abovementioned projects.

WBHO continues to assess all potential options for the Australian businesses to ensure completion of these contracts and the future operation of these businesses. Please refer Unsolicited, Indicative, Non-binding proposal for Probuild which has been released on SENS simultaneously.

United Kingdom (UK)

Other than the four client-suspended projects in London, all remaining projects continued to operate over the lockdown period. Productivity on all projects has been affected by Covid-19 which have affected programme and profitability.

While Covid-19 has dampened what would have been a solid year from the region, revenue and profit for the year to 30 June 2020 is still expected to be up by at least 5% over the comparative period.

Construction materials

The construction material business was materially affected by the South African lockdown with revenue expected to be at least 15% down when compared to the prior year and an operating loss incurred for the year to 30 June 2020.

Liquidity

WBHO has maintained its strong balance sheet with R5.5 billion in cash reserves at 31 March 2020. The Group has appropriate processes and systems in place to provide the necessary information to proactively manage cash and liquidity. Liquidity in each region has been forecast to the end of June 2021. WBHO is aware of the immense pressure that Covid-19 will undoubtedly place on the economies of those countries in which it operates, has forecast the impact of these pressures into its future cash flows and is taking all necessary steps to preserve cash reserves.

Cash reserves in the UK and Africa are anticipated to remain strong. The Australia operations will require funding to avoid breaching certain covenants within the Australian local guarantee facility and to support liquidity levels for the completion of the previously mentioned onerous contracts.

Although the overall liquidity of the Group will be severely impacted by Covid-19 and the onerous contracts in Australia, the large existing cash reserves will allow the Group to adequately manage its liquidity position.

Order book at 30 April 2020

R'm	April 2020	December 2019	June 2019
Building and civil engineering	6 198	7 407	6 447
Roads and earthworks	4 902	5 103	5 730
Australia	23 290	23 583	27 316
United Kingdom	6 168	6 351	7 810
Total	40 558	42 444	47 302

Order book at 30 April 2020 - Australia and United Kingdom in foreign currency

'm	April 2020	December 2019	June 2019
Australia (\$)	1 957	2 387	2 761
United Kingdom (£)	272	343	437

Trading statement

In terms of the JSE Limited Listing Requirements, companies are obligated to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported upon next will differ by at least 20% from the financial results for the previous corresponding reporting period.

Shareholders are accordingly advised that when compared to earnings per share ("EPS") and headline earnings per share ("HEPS") of 939 cents and 932 cents respectively for the year ended 30 June 2019, the EPS and HEPS of the Company are expected to be at least 150% (1409 cents and 1 398 cents respectively) lower for the period ended 30 June 2020. A further trading statement for the year ended 30 June 2020 will be released on SENS once the Company has reasonable certainty regarding the extent of the expected decrease for the year ended 30 June 2020.

The financial information on which this trading statement is based, has not been reviewed or reported upon the by the Company's external auditors.

The results for the year ended 30 June 2020 are currently expected to be announced on SENS on 1 September 2020.

By order of the board

Johannesburg

3 June 2020

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