

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

Shareholders are referred to the market update published on SENS on 3 June 2020 in which stakeholders were advised of the potential impact of COVID-19 and two material loss-making projects in Australia on the performance of the Group for the financial year ending 30 June 2020.

The directors of WBHO now hereby advise shareholders of the full extent of these events.

COVID-19

On 31 January 2020, the World Health Organisation declared the Coronavirus (COVID-19) a public health emergency. Subsequently, lockdown regulations were imposed to varying degrees in each of the countries within which the Group operates.

The health and safety of our employees has always been non-negotiable and WBHO has gone to great lengths to ensure that both its own operations and the wider industry operate safely under COVID-19 and in compliance with all government legislation and recommendations.

Following the lifting of Alert Level 5 implemented between 27 March and 30 April 2020 in South Africa, the majority of projects within the Roads and Earthworks and Civil Engineering divisions recommenced operations on 4 May 2020 under Alert Level 4. The remaining projects from these divisions, together with all projects within the Building division, began work on 1 June 2020 under Alert Level 3.

With the exception of Mozambique, projects in the rest of Africa were largely able to continue working subject to social distancing and other safety regulations. However, the closing of international borders resulted in the restricted movement of people and goods which severely impacted productivity on certain projects.

In both Australia and the United Kingdom (UK), construction was considered an essential service and other than four client-suspended projects in the UK, operations were able to continue, albeit at reduced levels of productivity. The four suspended projects have subsequently all restarted.

The immediate impacts of COVID-19 manifested in potentially unrecoverable costs (comprising primarily of payroll and direct COVID-19 related expenditure) and lengthy project delays as construction activity either reduced or ceased entirely, depending on the severity of the lockdown restrictions imposed.

MATERIAL LOSS-MAKING PROJECTS IN AUSTRALIA

In the market update of 3 June 2020, the directors advised stakeholders of further expected losses to be incurred in the completion of the Western Roads Upgrade (WRU) project within the Australian infrastructure business and the 443 Queen Street project within the Australian building business.

WRU Project

Subsequent to 30 June 2020, WBHO Infrastructure reached agreement with the State Government of Victoria with regard to completion of the 8 projects which constitute the WRU project and settlement of the agreed quantum and terms of payment of the submitted claims. This significantly reduced the completion risk of the project and the effect on the Group's cash flow. WBHO Infrastructure, having resolved its position with the State Government of Victoria will pursue its entitlements against the Design Consultants. Disappointingly, the anticipated cost to complete has continued to increase due to the delay and cost resulting from the discovery of further unknown services, causing protracted design finalisation, continuing utility provider delays and sub contractor failures. The anticipated cost to complete has increased since May which has been accounted for in the 30 June 2020 period.

Good on-site progress has been made and physical completion of all projects is expected by end of January 2021 with commercial acceptance of all projects by 30 April 2021.

443 Queen Street

443 Queen Street letting losses and expected completion has not materially changed from the expected position at 30 May 2020.

IMPACT ON THE FINANCIAL RESULTS OF THE GROUP AT 30 JUNE 2020

The impact of COVID-19 on the African operations of the Group will result in revenue from the Building and Civil Engineering division decreasing by between an expected 5% and 15% over the comparative period and operating profit decreasing by between 45% and 55%. Revenue from the Roads and Earthworks division is expected to decrease by between 0% and 10% while operating profit is expected to decrease by between 25% and 35%. The Construction Materials business which is dependent on construction activity, has also been adversely affected. Revenue is expected to be between 10% and 20% down compared to the preceding period and will incur an operating loss for the year to 30 June 2020.

The COVID-19 pandemic curtailed what would have been a strong performance from the UK operations. Despite the reduced productivity experienced over the final quarter of the reporting period, revenue from the UK operations is expected to increase by between 10% and 20% with operating profit up by between 25% and 35%.

Revenue from the Australian operations is expected to increase by between 10% and 20%, however the material losses incurred which were further exacerbated by the impact of COVID-19 have resulted in the operating loss increasing by between 260% and 270%.

The directors regrettably advise shareholders that in respect of the consolidated financial results for the year ended 30 June 2020, the group will report a loss per share and headline loss per share as disclosed in the table below:-

	30 June 2020 % range between	30 June 2020 between	30 June 2019
Attributable (Loss)/ Earnings per share (cents)	-195% to -205%	-892 to -985	938,7
Headline (Loss) / Earnings per share (cents)	-195% to -205%	-886 to -979	932,3

GOING CONCERN

WBHO proactively managed cash and liquidity which enabled a strong balance sheet with R7 billion in cash reserves at 30 June 2020.

The knock-on effect of COVID-19 on the global economy resulted in a number of imminent awards being delayed. The negligible intake of new work over the last quarter of the reporting period has had a detrimental effect on the secured order book and forward-looking pipeline of the Group.

Furthermore, a resurgence in COVID-19 infections in Australia and the UK in the first half of the new reporting period have resulted in stricter lockdown restrictions being implemented which continues to disrupt productivity.

With such high levels of uncertainty within economic markets, it is exceptionally difficult to predict what the ultimate outcome of COVID-19 on the Group will be, however in assessing going concern the directors have considered the following:-

- the impact of COVID-19 on the secured order book;
- new order intake between the end of the reporting period and the date of this announcement;
- imminent project awards expected within the next three months;
- the number and availability of short- and mid-term projects in the forward-looking pipeline;
- the effects of steps already taken to reduce the fixed-cost base of the Group;
- available financial facilities and existing cash reserves; and
- 12 month rolling cash flow forecasts taking into account the expected funding of the Australian operations.

While it is anticipated that the overall liquidity of the Group will be constrained over the short-term, the cash reserves will allow the Group to adequately manage its liquidity position.

EVENTS AFTER THE REPORTING DATE

Alongside the market update released on 3 June 2020, the Group advised shareholders of the receipt of an unsolicited, non-binding proposal for the acquisition of Probuild Constructions Pty Ltd, the Group's building business in Australia. Shareholders are referred to the cautionary announcement released simultaneously on SENS with this trading update.

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 expected to be announced on SENS on 17 November 2020.

By order of the board

Johannesburg

28 October 2020

Sponsor: Investec Bank Limited