

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

BUSINESS UPDATE AND TRADING STATEMENT IN RESPECT OF THE SIX MONTHS ENDED 31 DECEMBER 2020

WBHO's operations in Africa and the United Kingdom produced solid results over the first six months of the financial year amidst a challenging environment. The Group will return to operating profitability even though it has been negatively affected by further previously unidentified costs to complete the WRU project.

Building and civil engineering

The division has performed well over the period and revenue is expected to have improved substantially over that of the second half of the prior year and be approximately 4% down over the comparative period which was prior to the impact of COVID-19. The operating margin is expected to be broadly in line with the comparative period at 3,6%.

Roads and earthworks

Revenue from this division is also expected to have recovered considerably when compared to the second half of the prior year but will have likely declined by approximately 11% over the comparative period. The operating margin has however improved significantly over the comparative period and is expected to be in the region of 5,8%.

Australia

Revenue from the Australian operations is expected to have decreased from the levels achieved both in the second half of the prior year and the comparative period by approximately 18% and 15% respectively. This can be attributed to the winding down of the physical works in respect of WRU as the project progressed toward completion and a hard lockdown implemented in Victoria that affected the operations of the Building business for 7 weeks during the six month period to 31 December 2020.

The Covid-19 related lockdown that spanned from 7 August 2020 to 28 September 2020 in Victoria, once-off costs incurred by WBHO Australia in respect of the unsuccessful sale of Probuild and further issues on the problematic Western Roads Upgrade (WRU) Project have all negatively impacted profitability from the region over the reporting period.

The 8 individual projects comprising the WRU project are now physically complete but to achieve physical completion, further material costs were incurred when replacing the lead subcontractors on Projects 3 and 7. Subsequent to their replacement, a sizeable number of defects were identified which require rectification. The project continued to experience utility clashes and increased utility charges which were not identified at September 2020. Based on the current progress toward achieving of the quality handover certification and commercial acceptance and the ability to retain employees, the contractual date for this process is considered to be at risk and significant additional costs have been provided in this regard. As such, a further loss of A\$ 28 million has been provided for.

The combined effect of each of these events is expected to result in the Australian operations operating profit excluding WRU essentially breaking even for the period and an overall operating loss from Australia of approximately A\$ 28 million.

United Kingdom

Revenue is expected to be in line with the second half of last year but 10% down in relation to the comparative period. The operating margin is also expected to remain in line with the comparative period at approximately 4,3%.

Construction materials

The Construction Materials businesses within the Group have performed admirably over the first half of the reporting period with revenue expected to have increased by around 28% over the comparative period with the division returning to profitability.

Investment income

Interest earnings have been affected by lower interest rates and lower cash balances due to the funding of WRU and is expected to be materially less than that of the comparative period.

Liquidity

WBHO continues to generate sufficient cash to meet both its operational funding and capital requirements and this has contributed toward healthy cash reserves of R5 billion and a strong balance sheet at 31 December 2020. The Group has the appropriate processes and systems in place to provide the necessary information to proactively manage cash and liquidity and liquidity in each region has been forecast to the end of November 2021. Consideration has been taken of the impact of Covid-19 on the economies in the countries in which the Group operates and these pressures, as well as the further capitalisation of WBHO Australia stemming from the further anticipated loss in respect of WRU, have been forecast into the future expected cash flows.

Cash reserves in the United Kingdom and Africa remain strong.

Trading statement

In terms of the JSE Limited listing requirements (“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 the earnings per share (“EPS”) of 412 cents per share and headline earnings per share (“HEPS”) of 411 cents per share for the half year ended 31 December 2019, the EPS and HEPS of the Company for the period ended 31 December 2020 are expected to be lower by at least 94% and 84% respectively, equating to 25 cents and 67 cents, respectively.

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

The results for the six months ended 31 December 2020 are expected to be announced on SENS on 2 March 2021.

By order of the board

Johannesburg

17 February 2021

Sponsor: Investec Bank Limited