

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")

## **BUSINESS UPDATE AND TRADING STATEMENT IN RESPECT OF THE YEAR ENDED 30 JUNE 2022**

### **DECISION TO DISCONTINUE FINANCIAL ASSISTANCE TO WBHO AUSTRALIA PTY LTD ("WBHOA")**

Shareholders are referred to the Trading statement which was released on the Stock Exchange News Service on 23 February 2022. The decision by the Board to withdraw further funding of the Australian operations and the subsequent decision by the board of WBHO Australia to place those operations into administration resulted in a loss of control by the Australian Group on 23 February 2022, the date upon which the administrator was appointed. The Group anticipated recognising a provision of AUD \$119 million for the settlement of its obligations given to a financial institution in Australia on behalf of the Australian operations at 23 February 2022.

### **CBA Guarantee facility**

The Group has worked with the sureties to whom the parent company guarantee was provided and the administrator with agreement reached for the return of AUD \$34 million of issued guarantees to date, specific project guarantees to the value of AUD \$59 million have been called and funded by the Group. Taking cognisance of the cost of recovering these guarantees the group expects to achieve a positive result against the original provision of AUD \$119 million of at least AUD \$23 million.

### **Western Roads Upgrade Parent company guarantee**

The decision to put WBHO Infrastructure Pty Ltd (WBHOI) into administration allowed major subcontractors to cancel their contracts. This decision resulted in increased costs to contract these subcontractors to the client to achieve final completion and completion of defects. The Group has negotiated and worked with the client over the past 4 months and believes that an amicable agreement can be reached that achieves certainty and an exit from this contract.

### **Deed of Company Arrangement (DOCA)**

The DOCA seeks to resolve the claim position as between creditors and the administration entities and any possible claims against WBHO group companies that would have existed otherwise due to the insolvency event of the administration. The DOCA is an important step in resolving the voluntary administration process for these companies, significantly reducing any tail of trailing claims or litigation that may have otherwise existed. Based on the recommendations from its advisors in Australia, the Group submitted a DOCA which was accepted by the creditors on 30 June 2022, which achieves the following advantages:

- It effectively resolves all claims against the administration entities, with a view to these entities being deregistered on effectuation of the DOCA;
- The administration entities will avoid liquidation;
- Intragroup claims, including in relation to the holding company will not be pursued, and
- All claims will otherwise be released as between the administration entities and their creditors.

The key terms of the DOCA are:

- A cash contribution of at least \$9,08 million and up to \$9,58 million (Cash Contribution);
- Claims and assets of the Companies to be pooled and a Creditor of any particular Company to be treated as a Creditor of the Companies as a whole;
- The Group's possible distribution from the administration of WBHOI to be made available to creditors;

- A deed fund to be established to, amongst other things:
  - (a) pay Employee Creditors in full;
  - (b) pay a pro rata distribution to Small Creditors;
  - (c) make payment of the Administrators' Liabilities and Deed Administrators' Liabilities; and
  - (d) make a distribution to Unsecured Creditors and Insurance Bond Creditors;
 and
- The Group to receive possible recoveries from certain called CBA guarantees

The DOCA results in the Group achieving certainty and a cap on costs with regard to the closure of Australia operations, allowing the Group to focus on continuing operations.

### **Australia summary**

Ensuring a clean exit from Australia via the DOCA and considering funding to resolve the Western Road Upgrade parent company guarantee requires the Group to increase anticipated costs of closure from AUD \$119 million to AUD \$135 million. As noted below, the Group can fund these obligations from current resources and a three-year term loan facility.

### **Impact of Covid-19**

Due to the Group's geographic diversity, continuing measures taken by governments around the world to contain further outbreaks of the Covid-19 pandemic have affected operations within each country to varying degrees at different times during the reporting period under review.

The pandemic still exerted an influence on the Group, but with the loss of control of the Australian subsidiaries, the Group has not been impacted by significant Covid-19 disruptions in this financial year. But low work procurement has been a consequence of Covid-19, particularly affecting WBHO-Russells in the UK.

93% of the Group's employees have been vaccinated to date.

### **Building and civil engineering**

The shift in market activity toward the industrial building and warehousing sector remains prevalent. The emergence of increased demand for data centres in South Africa, has the potential to improve future activity within this sector. The coastal divisions have continued to perform well through the trading period while work in Gauteng remained steady when compared to 2021. Revenue is expected to be at least 5% down, with operating profit expected to be at least 8% better than the comparative period.

### **Roads and earthworks**

The improvement in commodity prices over the course of the last two years has seen a noticeable increase in construction spend from the South African mining sector which compensated for the SANRAL contract cancellation disappointment. The Roads and earthworks results were impacted by the mining infrastructure project in Madagascar and a loss-making contract in Lesotho while the other Roads and earthwork divisions performed well in the year. Revenue is expected to be at least 11% down with operating profit at least 4% up in comparison to the prior year.

### **United Kingdom (UK)**

The low business confidence experienced due to Covid-19 throughout FY21 continued to hamper new work procurement in the current reporting period. This lack of confidence combined with the uncertainty and inflationary effect of the war in Ukraine resulted in a likely decrease in revenue and profit for the year to 30 June 2022 by at least 25% and 40%, respectively, over the comparative period. Despite this, the UK operations delivered existing projects successfully and produced satisfactory results given the prevailing trading conditions.

## Construction materials

Trading conditions within the steel supply industry continue to show little signs of recovery. The growth in revenue stems from increased raw material prices and does not reflect any real improvement in the operating environment. RMS has successfully maintained its focus on the cash sales market to counteract the effect of fewer building contracts. In the current year revenue is expected to be up at least 15% with operating profit declining by at least 48%.

## Equity Accounted Investees

Gigawatt Mozambique SA, a subsidiary of the Gigajoule International Group, has completed a refinancing of its Power Station debt in the period, subject to the achievement of one Condition Precedent. This resolved previous lender events of default and has resulted in a once-off increase in earnings after tax of R64 million.

## Liquidity

WBHO has maintained a liquid balance sheet after the deconsolidation of the Australian group with R3,0 billion in cash reserves at 31 May 2022 after an outflow of AUD \$75 million in the period post the WBHO Australia deconsolidation date. 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 2023. WBHO is acutely aware of the remaining impact of deconsolidating the Australia group and has forecast these negative cash flows. Cash reserves in the UK and Africa are anticipated to remain strong and the Group has the support of its South African and UK financial institutions. The existing cash reserves with a three (3) year term loan facility provided to the Group will allow the Group to adequately manage its liquidity position.

### Order book at 31 May 2022

R'm	May 2022	December 2021	June 2021
Building and civil engineering	11 049	8 963	8 558
Roads and earthworks	6 508	4 584	4 312
United Kingdom	2 287	3 441	2 699
<b>Total</b>	<b>19 844</b>	<b>16 989</b>	<b>15 569</b>

### Order book at 31 May 2022 - United Kingdom in foreign currency

£'m	May 2022	December 2021	June 2021
United Kingdom	117	160	136

Post 31 May 2022, the UK business was awarded two (2) projects to the value of £41 million [R803 million]. The UK business is preferred on two (2) projects to the value of £33 million [R646 million] and has signed a pre contract service agreement for a £65 million [R1 273 million] project.

## 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.

In accordance with International Financial reporting Standards (IFRS), the 2021 comparative results will be restated to exclude the Australian operations from the Group's continuing operating results.

Shareholders are accordingly advised that when compared to the restated earnings per share ("EPS") and headline earnings per share ("HEPS") of 1 293 cents and 1 322 cents respectively for the year ended 30 June 2021, the EPS of the Company is expected to be at least 1.1% worse (1 279 cents) and the HEPS of the Company is expected to be at least 3.6% worse (1 274 cents) for the period ended 30 June 2022.

Total operations, which include the discontinued Australian operations, are expected to produce a loss per share of at least (3 657 cents) and headline loss per share of at least (2 751 cents) compared to earnings per share of 594 cents and headline earnings per share of 620 cents at 30 June 2021.

A further trading statement will be released on SENS once more certainty is obtained.

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

The results for the year ended 30 June 2022 are currently expected to be announced on SENS on 13 September 2022.

By order of the board

Johannesburg

30 June 2022

Sponsor: Investec Bank Limited