

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 SIX-MONTH PERIOD ENDED 31 DECEMBER 2022

The Group

The results for the comparative period to December 2021 are restated in line with the published 30 June 2022 Annual Financial Statements. Continuing operations operating profit is expected to be up by at least 10% in comparison to the re-presented prior period, with revenue expected to be up by at least 12%.

Building and civil engineering

Operating profit for the reporting period to 31 December 2022 is expected to be up by at least 50% in comparison to the prior period, with revenue expected to be up by at least 30% in comparison.

Roads and earthworks

Revenue is expected to be in line with the comparative period while operating profit is anticipated to decline by at least 8% due to the finalisation of exit and suspension of projects in Northern Mozambique accounted for in the comparative period.

United Kingdom

Revenue is expected to be in line with the comparative period as the UK businesses have begun a recovery. Covid-19 had negatively impacted new work procurement with Russell WBHO still experiencing a delay in work being awarded. Operating profit for the period is expected to decline by at least 35% over the comparative period.

The Byrne Group Plant Yard lease expired at the end of December 2022 which necessitated the purchase of the assets of O'Keefe in the period. The cost of the yard amounted to £7 million and the plant £0,4 million.

An opportunity simultaneously arose to take over 11 contracts and O'Keefe staff which was successfully implemented by the Byrne Group.

Construction materials and property developments

Operating profit is expected to improve by at least 8% in comparison to the prior period.

Interest and income from associates

Interest income is expected to increase by at least 30%. Interest expense is expected to increase by at least 30%, largely due to capex requirements in Africa being financed. Income from associates and joint ventures is expected to increase by at least 160% as a result of the completion of the refinancing of the Gigawatt Power Station in Mozambique in the reporting period.

Liquidity

WBHO has maintained its strong financial position over the past six months with R3,2 billion in cash reserves on 31 December 2022, after sending R425 million to Australia. This excludes the WRU payment, which was funded by the R350 million loan drawdown and purchasing the O'Keefe assets amounting to R197 million.

Shareholders are further referred to the "Events after the Reporting Date" note to the Group's 2022 Consolidated Annual Financial Statements, wherein the details of a loan to fund exit of Australia close-out were disclosed. The loan amount drawn was R350 million considerably less than the R520 million expected at 30 June 2022. The Group continues to receive the support of its South African financial institutions.

Continuing Operations Order book at 31 December 2022

R'm	December 2022	June 2022	December 2021
Building and civil engineering	11 744	11 540	8 963
Roads and earthworks	9 682	6 400	4 584
United Kingdom	5 088	4 270	3 441
Australia	-	-	-
Total	26 514	22 210	16 988

Order book on 31 December 2022 in respect of the United Kingdom in foreign currency

£'m	December 2022	June 2022	December 2021
United Kingdom	248	217	160

The Group has been awarded R5,3 billion of new work subsequent to 31 December 2022, comprising R4,6 billion in the Roads and earthworks division and R0,7 billion in the United Kingdom.

Australia

Shareholders are referred to the detailed commentary on the 2022 Group Audited Financial Statements with regard to the Australian operations being classified as discontinued operations, the Business Update issued on 21 September 2022 "Fulfilment of Deed of Company Arrangement Conditions Precedent" and the Business Update issued on 22 December 2022 "Settlement Deed – Western Roads Upgrade".

The South African operating company of the Group had provided a guarantee to the Commonwealth Bank of Australia (CBA) in support of issued guarantees amounting to A\$ 119 million at the date the Australian operations entered administration, as well as a guarantee for the performance obligations of WBHOI on Western Roads Upgrade Project (WRU). Although WRU reached commercial acceptance in October 2021, WBHOI had continuing performance obligations up until the expiry of the defect liability period.

The resolution of outstanding CBA guarantees has been slow in the period and clients utilised the Deed of Company Arrangement (DOCA) process to renegotiate positions which had previously been agreed. At 31 December 2022 guarantees to the value of A\$ 72,5 million had been called under the CBA facility. The Group has successfully negotiated the return of guarantees to the value of A\$ 38,3 million which achieves an actual savings of A\$ 16 million. CBA guarantees which have not been called by clients amounting to A\$ 8 million are expected to be recovered in the 6 months to June 2023.

The DOCA conditions precedent relating to the consent by the indemnifying parties and the Commonwealth Bank of Australia (CBA) under the DOCA was fulfilled on 21 September 2022. Unanticipated unpaid usage fees to the value of A\$ 1,3 million was paid to achieve the conditions precedent. The DOCA eliminates any possible future claims and litigation against the group had the Australian companies entered into liquidation. The DOCA allows the group to participate in possible recoveries from CBA guarantees which have been called to the value of A\$ 24 million on 6 projects which the Group believes were spurious.

The WRU settlement was signed on 22 December 2022 and the payments made under this agreement amount to A\$ 29,75 million funded by a loan draw of R350 million. To conclude the matter, the Group agreed a further payment to the client of A\$ 2,25 million to achieve Maintenance Contractor acceptance of the Settlement Agreement which was a requirement of the State.

The conclusion of the DOCA and WRU settlement agreement has provided certainty of the expected costs to be incurred by the Group arising from its decision to exit the Australian construction market. Achieving these important milestones has resulted in increased costs of A\$ 5,5 million which the Group has accounted for in the period. The increased cost could possibly be recovered from the spurious guarantees called.

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 the Group expects to report earnings per share of at least 810 cents for the period ended 31 December 2022 compared to represented earnings per share from continuing operations of 634 cents in the prior period. Headline earnings per share are expected to be up at least 800 cents compared to the represented headline earnings from continuing operations of 631 cents per share for the period ended 31 December 2021.

The Group expects to report earnings per share of at least 620 cents for the period ended 31 December 2022 compared to a loss per share for total operations of 2 535 cents in the comparative period. Total operations headline earnings per share is expected to be at least 610 cents per share compared to the headline loss for total operations of 1 613 cents per share in the comparative period.

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

A further trading statement will be released providing shareholders with ranges for earnings per share and headline earnings per share, as required by the JSE Listings Requirements, in due course. The results for the period ending 31 December 2022 are expected to be announced on SENS on 28 February 2023.

By order of the board

Johannesburg

8 February 2023

Sponsor: Investec Bank Limited