Raubex Group Limited

Audited results
for the year ended 28 February 2018

Raubex Group Limited (Incorporated in the Republic of South Africa) Registration number 2006/023666/06
Share code: RBX ISIN: ZAE000093183 ("Raubex" or the "Group")

Agenda

- The Year in Review
- Group Financial Highlights
- Divisional Review
- Order Book
- Industry Matters
- Acquisitions
- Major Projects Progress
- Conclusion

Notes:

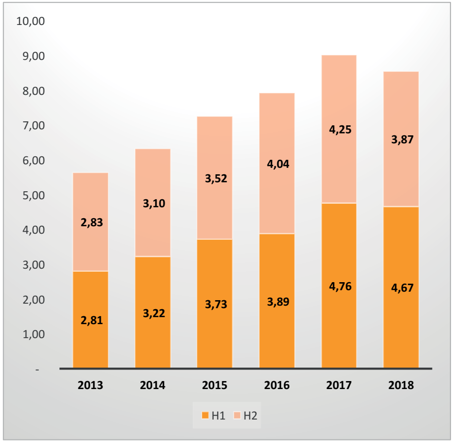
The Year in Review

- Challenging market conditions in the construction sector not conducive to growth
- Stable results from the materials division contributing 54,5% of Group operating profit
  - Softer commercial aggregate market in Gauteng offset by stable conditions in the mining sector
- Roads division executing well, impacted by low order book in second half of the year
  - Lower SANRAL spend impacting construction order book, including asphalt and bitumen supply
- Infrastructure division results impacted by the delay in renewable energy projects ("REIPPP") and also the closure of L&R Civils and Strata Civils
  - Impact offset by affordable housing and commercial building activities
- International operations performing well
  - Materials division activities stable, supported by current commodity prices
  - Road contract in Namibia from Rosh Pinah to Oranjemund completed successfully
  - Commercial building projects secured in Cameroon through Raubex Renovo
  - Acquisition of Westforce Construction in Perth, Western Australia

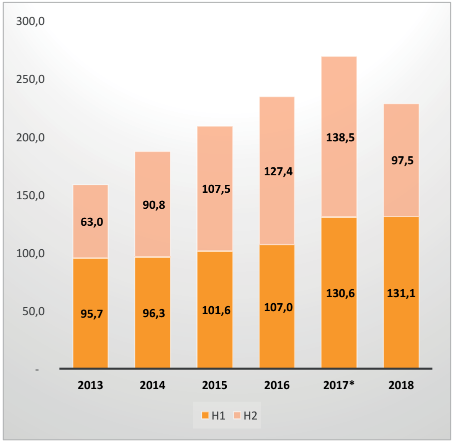
Notes:

The Year in Review

Revenue (Rbn)



Headline Earnings Per Share (cents)

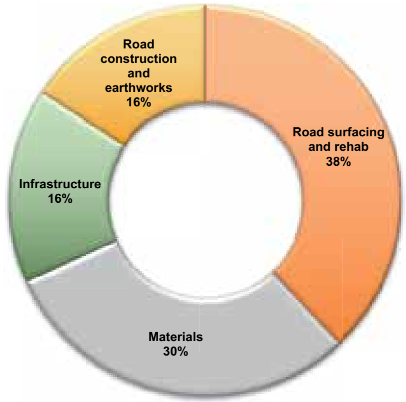


* 2017 HEPS excludes non-recurring Voluntary Rebuilding Programme ("VRP") expense of R120m

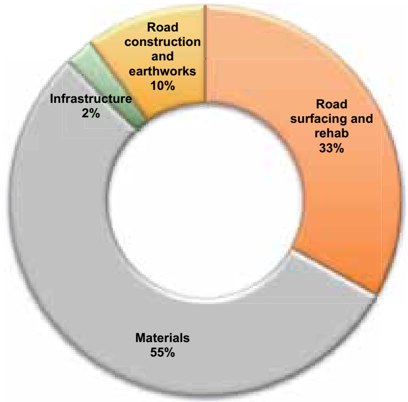
Notes:

The Year in Review

FY 2018 Revenue per division



FY 2018 Operating profit per division



Notes:

Group Financial Highlights

- Revenue down 5,1% to R8,54bn (2017: R9,01bn)
- Operating profit up 1,5% to R671,9m (2017: R661,7m)
- HEPS up 13,3% to 228,6 cps (2017: 201,7 cps)
- Excluding the non-recurring “VRP” expense of R119,9m from the prior year results
  - Operating profit down 14,0% to R671,9m (2017: R781,6m)
  - Operating profit margin of 7,9% (2017: 8,7%)
  - HEPS down 15,1% to 228,6 cps (2017: 269,1 cps)
- Cash flow from operations down 15,0% to R1,04bn (2017: R1,22bn)
- Capital expenditure of R441,3m (2017: R440,5m)
- Order book of R8,19bn (2017: R8,03bn)
- Final dividend of 33 cents per share declared

Notes:

Income Statement

	Annual results 2018 (R'000)	Annual results 2017 excl VRP (R'000)	Annual results 2017 IFRS (R'000)
Revenue	**8 542 247**	9 005 645	9 005 645
% growth	(5,1%)	13,6%	13,6%
EBIT	**671 913**	781 559	661 675
% growth	(14,0%)	10,0%	(6,9%)
Operating margin	7,9%	8,7%	7,3%
Net finance costs	**31 750**	40 307	43 571
Profit before tax	**640 640**	742 107	618 959
Profit after tax	**452 684**	533 002	409 854
Effective tax rate	29,3%	28,2%	33,8%
EPS (cents)	**233,5**	271,1	203,7
% growth	(13,9%)	14,4%	(14,0%)
DPS (cents)	**78**	90	90
ROCE	**12,2%**	14,3%	12,2%
Shares in issue ('000)	181 750	181 750	181 750
Treasury shares ('000)	70	1 362	1 362
Number of staff	8 271	9 871	9 871

Notes:

Statement of Financial Position – Assets

	Annual results 2018 (R'000)	Annual results 2017 (R'000)
Non-current assets	**3 655 822**	**3 479 462**
Property, plant and equipment	2 410 165	2 364 319
Intangible assets	947 806	851 102
Investment in associates and JV's	111 789	49 087
Deferred tax asset	39 614	40 938
Non-current inventory	64 533	73 459
Non-current trade and receivables	81 915	100 557
Current assets	**3 483 849**	**3 514 320**
Inventory	600 636	523 600
Construction contracts in progress	280 933	334 016
Trade and other receivables	1 518 192	1 553 086
Cash	1 084 088	1 103 618
Total assets	**7 139 671**	**6 993 782**

Notes:

Statement of Financial Position – Equity and Liabilities

	Annual results 2018 (R'000)	Annual results 2017 (R'000)
Equity	**4 197 968**	**3 949 725**
Attributable to shareholders	4 040 728	3 797 425
Non-controlling interest	157 240	152 300
Non-current liabilities	**923 080**	**1 099 139**
Borrowings	411 284	562 573
Deferred tax liabilities	342 036	311 608
Other	169 760	224 958
Current liabilities	**2 018 623**	**1 944 918**
Borrowings	365 272	388 227
Trade and other payables	1 530 581	1 514 324
Current income tax liabilities	31 680	25 120
Other	91 090	17 247
Total equity and liabilities	**7 139 671**	**6 993 782**

Total borrowings	**776 556**	**950 800**
Gearing (Debt/Equity)	18,5%	24,1%
Net cash	**307 532**	**152 818**
Gearing (Net Debt/Equity)	(7,3%)	(3,9%)

Notes:

Statement of Cash Flows

Cash flows from operating activities	Annual results 2018 R'000	Annual results 2017 R'000
Cash generated from operations	1 039 786	1 223 840
Finance costs – net	(15 413)	(32 410)
Taxation paid	(177 950)	(206 977)
Net cash generated from operating activities	846 423	984 453
Cash flows from investing activities		
Purchases of property, plant and equipment	(441 286)	(440 512)
Proceeds from sale of property, plant and equipment	95 960	88 986
Acquisition of subsidiaries	(81 737)	(26 148)
Loans granted to associates and joint ventures	(37 698)	2 450
Net cash used in investing activities	(464 761)	(375 224)
Cash flows from financing activities		
Proceeds from borrowings	360 921	377 903
Repayment of borrowings	(542 815)	(534 194)
Dividends paid	(178 368)	(174 343)
Share buy-back	-	(120 000)
Other	(36 748)	(20 466)
Net cash used in financing activities	(397 010)	(471 100)
Net decrease in cash and cash equivalents	(15 348)	138 129
Cash and cash equivalents at the beginning of the year	1 103 618	969 736
Effect of exchange rates on cash and cash equivalents	(4 182)	(4 247)
Cash and cash equivalents at the end of the year	1 084 088	1 103 618

Notes:

Segmental analysis

Operating segments	Materials	Road surfacing and rehab	Road construction	Infrastructure	Other *	Consol
February 2018						
Revenue (R'000)	2 583 677	3 250 728	1 332 325	1 375 517	-	8 542 247
Operating profit (R'000)	366 428	222 399	67 063	16 023	-	671 913
Operating margin	14,2%	6,8%	5,0%	1,2%	-	7,9%
February 2017						
Revenue (R'000)	2 439 016	3 575 199	1 435 421	1 556 009	-	9 005 645
Operating profit (R'000)	345 532	258 872	109 633	67 522	(119 884)	661 675
Operating margin	14,2%	7,2%	7,6%	4,3%	-	7,3%

Geographical segments	South Africa	% of Group	International	% of Group
February 2018				
Revenue (R'000)	7 429 769	87,0%	1 112 478	13,0%
Operating profit (R'000)	483 463	72,0%	188 450	28,0%
Operating margin	6,5%		16,9%	
February 2017				
Revenue (R'000)	7 790 122	86,5%	1 215 523	13,5%
Operating profit excluding VRP (R'000)	563 602	72,1%	217 957	27,9%
Operating margin	7,2%		17,9%	

* Other consists of the non-recurring Voluntary Rebuilding Programme ("VRP") expense

Notes:

Dividend Declaration

- Final cash dividend of 33 cents per share declared
  - Total dividend of 78 cents per share for the year
- 3 times cover policy maintained
- Relevant dates
  - Last day to trade cum dividend - Tuesday, 29 May 2018
  - Commence trading ex dividend - Wednesday, 30 May 2018
  - Record date - Friday, 1 June 2018
  - Payment date - Monday, 4 June 2018

Notes:

Materials

- Revenue increased 5,9% to R2,58bn (2017: R2,44bn)
- Operating profit increased 6,0% to R366,4m (2017: R345,5m)
- Operating margin stable at 14,2% (2017: 14,2%)
- Capital expenditure of R225,8m (2017: R230,1m)
- Order book of R1,87bn (2017: R1,78bn)
- Softer commercial aggregate market in Gauteng; stabilised at current level
- Stable conditions in the mining sector supported by current commodity prices
- Crushing and plant hire activities in the construction sector remain challenging
  - Closed Burma Plant Hire (Namibia), revenue R26,0m, net loss after tax R10,3m
- Acquisitions being pursued in line with strategy to drive growth

Notes:

Road Surfacing and Rehabilitation

- Revenue decreased 9,1% to R3,25bn (2017: R3,58bn)
- Operating profit decreased 14,1% to R222,4m (2017: R258,9m)
- Operating margin decreased to 6,8% (2017: 7,2%)
- Capital expenditure of R154,1m (2017: R130,1m)
- Order book decreased to R1,84bn (2017: R2,68bn); lower SANRAL spend
- Lower order book supplemented with work on roads maintained by concessionaires
- Competitive conditions in the asphalt and bitumen supply market
  - Lower SANRAL spend resulting in margin pressure and lower volume supplied to the market
- Short term order book secured; H2 dependent on SANRAL resuming budget spend

Asphalt Production	FY 2018	FY 2017	FY 2016
Utilised capacity (total capacity = 2 250 kts)	1 104kts	1 449kts	1 059kts
Revenue	R1,200bn	R1,469bn	R1,136bn
Operating profit	R30,9m	R118,3m	R29,9m

Notes:

Road Construction and Earthworks

- Revenue decreased 7,2% to R1,33bn (2017: R1,44bn)
- Operating profit decreased 38,8% to R67,1m (2017: R109,6m)
- Operating margin decreased to 5,0% (2017: 7,6%)
- Capital expenditure of R29,5m (2017: R50,7m)
- Order book decreased to R1,85bn (2017: R2,09bn); lower SANRAL spend
  - Includes Zambia Link 8000 of R835,8m
- Zambia contract remains suspended due to non payment
  - Incurred a present value charge of R33m discounting the debt from R160m to R127m
- Lower order book is supplemented with work from concessionaires; but not enough
  - Excess capacity impacting results, important that SANRAL resumes budget spend
- Focus now on order book replacement to secure short term work flow
  - Large pipeline of opportunities being pursued

Notes:

Infrastructure

- Revenue decreased 11,6% to R1,38bn (2017: R1,56bn)
- Operating profit decreased 76,3% to R16,0m (2017: R67,5m)
- Operating margin decreased to 1,2% (2017: 4,3%)
- Capital expenditure of R31,8m (2017: R29,6m)
- Order book increased to R2,62bn (2017: R1,48bn); excluding REIPPP projects
- The results for the year were impacted negatively by the following factors:
  - Delay in roll out of renewable energy projects
  - Claim on Ilanga Solar 1 CSP to be settled through arbitration, value R50m
  - Closure of L&R Civils, revenue R36,4m, net loss after tax R29,3m
  - Closure of Strata Civils, revenue R37,2m, net loss after tax R17,5m
- Good growth in the affordable housing and commercial building sector
- Entered new market of commercial building refurbishment through Raubex Renovo
- Encouraging prospects for the year ahead

Notes:

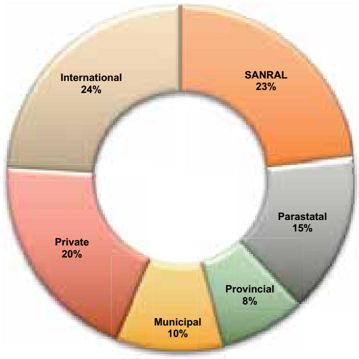
International

- Revenue decreased 8,5% to R1,11bn (2017: R1,22bn); 13,0% of Group total
- Operating profit decreased 13,5% to R188,5m (2017: R218,0m); 28,0% of Group total
- Operating margin decreased to 16,9% (2017: 17,9%)
- Order book increased to R2,55bn (2017: R1,90bn);
  - 31,1% of Group order book secured outside of South Africa; includes Zambia Link 8000 of R835,8m
- Stable conditions in the materials division operating in the mining sector
- Diversified revenue streams across southern Africa
- Successfully completed road contract in Namibia from Rosh Pinah to Oranjemund
- Zambia Link 8000, incurred present value charge of R33m on outstanding debt
- Raubex Renovo established in Cameroon, major works to commence in FY2019
  - Onomo Hotel and Douala Grand Mall
- Established a footprint in Perth, Western Australia through the acquisition of Westforce

Notes:

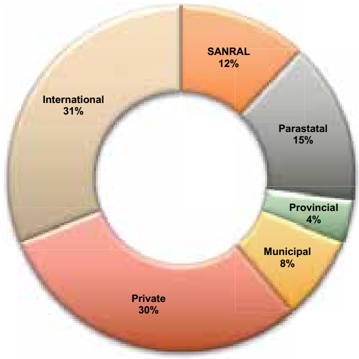
Order book

FY 2017



Timing	R8,035bn
FY 2018	R6,247bn
FY 2019	R1,428bn
FY 2020	R0,360bn
Beyond	-

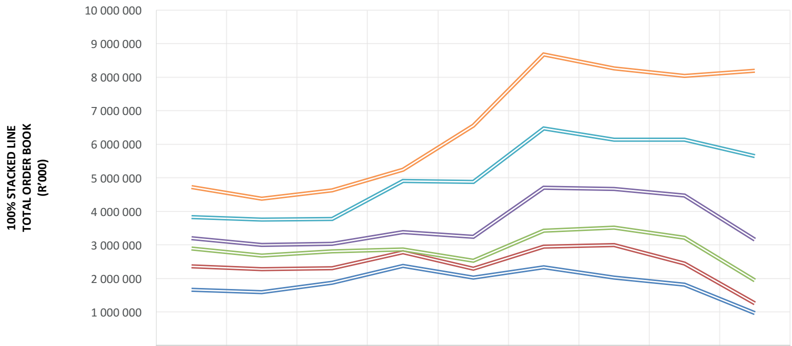
FY 2018



Timing	R8,188bn
FY 2019	R5,598bn
FY 2020	R1,680bn
FY 2021	R0,910bn
Beyond	-

Notes:

Order book history



	Feb 2010 R'000	Feb 2011 R'000	Feb 2012 R'000	Feb 2013 R'000	Feb 2014 R'000	Feb 2015 R'000	Feb 2016 R'000	Feb 2017 R'000	Feb 2018 R'000
INTERNATIONAL	893 239	623 548	842 711	329 974	1 678 345	2 207 441	2 129 834	1 903 166	2 547 656
PRIVATE	621 585	755 734	740 089	1 522 786	1 627 974	1 768 600	1 464 217	1 667 049	2 489 582
OTHER PARASTATAL	317 368	310 687	235 113	526 377	719 175	1 275 380	1 159 823	1 254 750	1 212 294
MUNICIPAL	528 012	416 952	494 928	79 661	233 077	484 957	520 731	770 273	684 540
PROVINCIAL	698 777	682 590	435 938	406 418	267 500	615 074	970 496	631 397	291 350
SANRAL	1 658 492	1 586 153	1 869 038	2 369 636	2 024 700	2 327 748	2 021 401	1 807 938	962 371

Notes:

Industry Matters | SANRAL

- SANRAL is a valued client, historically 25% of total Group order book
- Draft transformation policy published in September 2017
  - Implementation of the policy is uncertain
  - Qualification criteria includes level 2 B-BBEE, 51% black owned, 30% black management
  - Raubex expects to maintain level 2 B-BBEE status in FY2019 and 40% black ownership under the Construction Charter scorecard, scorecard verification in progress
- Industry Settlement Agreement commonly known as the VRP is ongoing
  - Emerging Contractors have been selected by Raubex and approved by Competition Commission
- Raubex will structure JV's with Emerging Contractors to meet SANRAL procurement policy requirements
- SANRAL order book decreased 46,8% to R962m (2017: R1,81bn)
  - 52 contracts not brought out to tender during FY2018 budget cycle, estimated value of R4,7bn
  - The reason for delays is uncertain

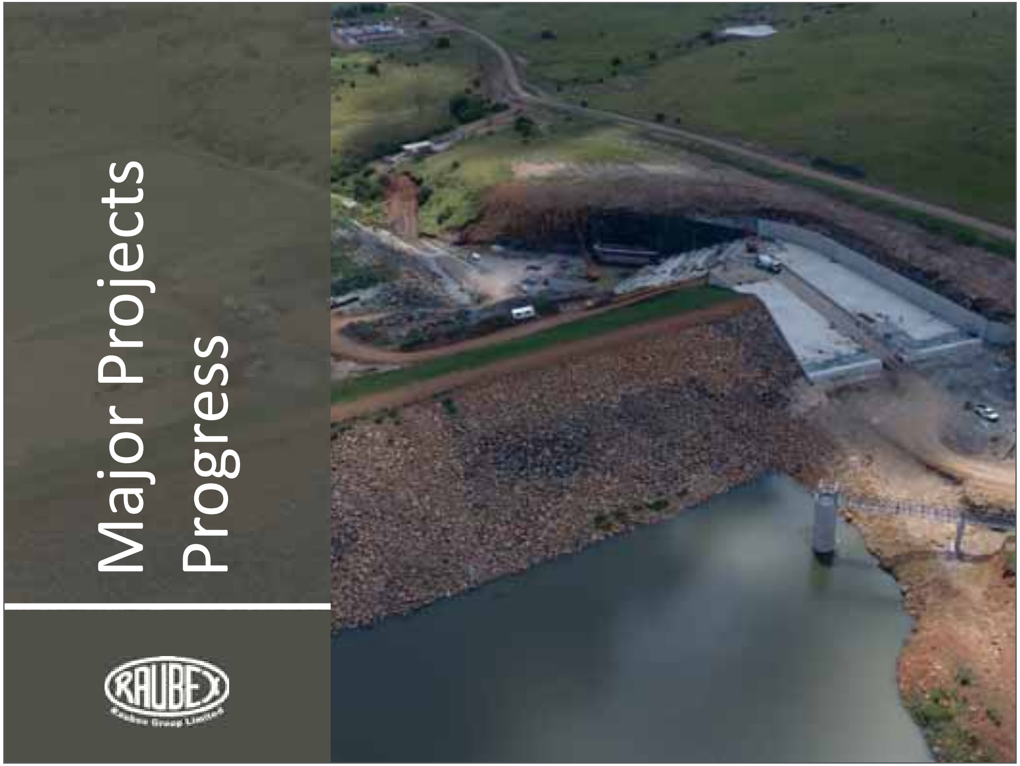
Notes:

Acquisitions

WEST FORCE CONSTRUCTION

- Effective date – 1 January 2018
- Percentage acquired – 70%
- Purchase price – R70,0m (A$6,5m)
- Revenue (2mths) – R44,4m (A$4,6m)
- Profit after tax (2mths) – R4,4m (A$0,4m)
- Results for the year ended 30 June 2017
  - Revenue - A$31,9m
  - Profit after tax - A$2,0m

Notes:



Notes:

Western Cape Department of Transport and Public Works:

Periodic road maintenance between Rooi Els and Gordons Bay - R59m

Notes:

Northern Cape Department of Roads and Public Works:

Sink hole repair – R22m

Notes:

SANRAL / Martin and East:

Construction of N1 Old Oak bridge – R50m

Notes:

Tronox Namakwa Sands:

Earthworks and Civils for ROM Tip Project – R48m

Notes:

SANRAL / WBHO:

B&E International crushing aggregate for rehabilitation of N6 at Smithfield

Notes:

Weatherly International:

Operation of crushing plant for Tschudi Copper Mine in Namibia

Notes:

Kumba Iron Ore:

Rehabilitation work at Kolomela mine in the Northern Cape

Notes:

OMV Potchefstroom: Gypsum drying kiln

Notes:

Clinix Health Group:

Construction of Lesedi Private Hospital in Soweto: R162m

Notes:

Actis and Craft Development:

Construction of Douala Grand Mall in Cameroon

Notes:

Actis and Craft Development:

Construction of Douala Grand Mall in Cameroon

Notes:

Zatara Property Group:

Expansion of Preller Mall in Bloemfontein – R150m

Notes:

Woodwind Estates Development: 871 residential opportunities

Notes:

Conclusion

- Road construction divisions are dependent on SANRAL resuming its budget spend
- The South African construction market is currently not conducive to growth
  - Opportunities in the rest of Africa will be pursued more aggressively, within risk tolerance level
  - Raubex Renovo will diversify revenue streams and support growth in Africa; order book of R827m
  - Opportunities for private clients in the commercial building sector will be explored
  - Growth in the Australian market will be explored through Westforce; at a measured pace
- Infrastructure division will participate in the REIPPP projects now signed by Eskom
  - Prospects are encouraging, pending financial close; however works will not commence before H2 FY2019
- **Materials division will continue to diversify the Group from the construction sector**
  - Conditions are expected to remain stable; acquisitions will be pursued to drive growth
- The Group has experienced management, a strong balance sheet and is well positioned to benefit from any improvement in the conditions in the construction sector

Notes: