

RAUBEX GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2006/023666/06)

JSE Share code: RBX

ISIN: ZAE000093183

("Raubex" or "the Company")

FURTHER TRADING STATEMENT IN RESPECT OF THE YEAR ENDED 28 FEBRUARY 2019

Further to the trading statement released on 12 February 2019 in which shareholders were advised that Raubex expects its earnings per share and headline earnings per share for the year ended 28 February 2019 to be at least 20% lower than the earnings per share and headline earnings per share from the previous corresponding period, the Company is now in a position to provide specific guidance on its trading range in terms of paragraph 3.4(b)(iii)(2) of the JSE Limited Listings Requirements.

Shareholders are accordingly advised that Raubex expects its earnings per share for the year ended 28 February 2019 to be between 85% and 95% lower than the earnings per share from the previous corresponding period and its headline earnings per share for the year ended 28 February 2019 to be between 70% and 80% lower than the headline earnings per share from the previous corresponding period. This translates to earnings per share of between 11,7 cents and 35,0 cents (2018: 233,5 cents) and headline earnings per share of between 45,7 cents and 68,6 cents (2018: 228,6 cents).

The following two abnormal items have been taken into account in determining the above trading range:

- 1) A present value charge and work in progress adjustment with respect to the long overdue accounts receivable balance due from the Road Development Agency ("RDA") in Zambia for a combined value of R116,7 million before tax (R75,9 million after tax). This charge effectively provides for the full accounts receivable balance due from the RDA as at 28 February 2019. The Company will however aggressively pursue the outstanding accounts receivable from the RDA, although timing of the recovery of this debt is uncertain. The outstanding debt relates to the two Link 8000 road contracts in Zambia which have been suspended, pending the resolution of the current funding impasse.
- 2) A goodwill impairment charge of R51,5 million before tax (R51,5 million after tax), attributable to the asphalt cash generating unit in the road surfacing and rehabilitation division, which is primarily dependent on the South African road construction sector. The asphalt cash generating unit has experienced a significant decrease in earnings during the year due to the lower volume of asphalt supplied to the road construction sector and has undertaken rightsizing initiatives to reduce excess capacity. The lower asphalt volumes are primarily as a result of a reduced volume of road maintenance work undertaken by the South African National Roads Agency SOC Limited ("SANRAL") during the year. The goodwill impaired amounts to 40% of the total goodwill attributable to the asphalt cash generating unit.

If these two abnormal items were to be excluded from the guidance range above then Raubex would have expected earnings per share and headline earnings per share for the year ended 28 February 2019 to be between 55% and 65% lower than the earnings per share and headline earnings per share from the previous corresponding period. This would have translated to earnings per share of between 81,7 cents and 105,1 cents (2018: 233,5 cents) and headline earnings per share of between 80,0 cents and 102,9 cents (2018: 228,6 cents).

The Company has continued to experience weak trading conditions in the South African construction industry during the second half of the financial year, particularly in the road construction sector. This has negatively impacted Raubex subsidiaries both in the road construction operations and in the road rehabilitation and maintenance operations, which includes the supply of asphalt and bitumen to the market. As reported in the interim results released on 29 October 2018, the Company went through a process of rightsizing the affected subsidiaries during the first half of the financial year. Rightsizing initiatives continued during the second half of the financial year to further reduce capacity in line with the current low level of demand being experienced.

The materials division, which contributed 54,5% of the Company's total operating profit in the previous corresponding period, has experienced stable operating conditions during the current financial year and its diversified operations including material handling services to the mining sector and commercial aggregate supply, have continued to support the Company's earnings.

The infrastructure division has experienced favourable conditions in the affordable housing sector throughout the financial year. The division is also well positioned to benefit from the roll out of work related to the Renewable Energy Independent Power Producer Procurement Programme ("REIPPPP") in which a number of contracts are being negotiated, four of which have now been secured to the total value of R729 million. Work on the REIPPPP projects commenced during the second half of the financial year.

Notwithstanding the challenging conditions being faced by the South African construction industry, the Company has maintained a strong balance sheet throughout the year and is well positioned to participate in any future opportunities in the sector should conditions begin to improve.

Positive cash flows from operating activities have been maintained during the year and based on the above trading update Raubex expects to declare a final dividend per share of between 15,0 cents and 23,0 cents (2018: 33 cents). This dividend guidance is based on a three times cover policy applied to earnings before taking into account the two abnormal items detailed above which, due to their nature, do not have an impact on the Company's cash flow.

The financial information on which this trading statement is based has not been reviewed or reported on by the Company's auditors. The release of the results for the year ended 28 February 2019 is anticipated to be published on or about 13 May 2019.

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