Raubex Group Limited

Unaudited interim results

for the six months ended 31 August 2014

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

Agenda

- The Period in Review
- Group Financial Highlights
- Financial Review
- Divisional Review
- Order Book
- Acquisitions
- Major Projects Progress
- Conclusion

The Period in Review

- Good results in a tough environment
- Market conditions
  - Competitive conditions persist in the road construction industry
  - SANRAL tender volumes maintained; low margin
  - Improved conditions in the materials sector; commercial quarries and material handling
  - Infrastructure division settled; focused on solar, mine infrastructure and housing solutions
- Tosas “right sizing” in progress; recovering market share
- Zambia link 8000; site established
- Acquisitions of OMV and Shisalanga bedded down
- Strong order book; improved mix and quality

Group Financial Highlights

- Revenues up 15,7% to R3,73bn (H1 2014: R3,22bn)
- Operating profit up 9,6% to R300,8m (H1 2014: R274,5m)
- Group operating profit margin of 8,1% (H1 2014: 8,5%)
- HEPS up 5,5% to 101,6 cps (H1 2014: 96,3 cps)
- Cash flow from operations up 50,3% to R537,4m (H1 2014: R357,6m)
- Capex spend of R273,8m (H1 2014: R241,9m)
- Order book of R7,5bn (H1 2014: R6,2bn)
- Interim dividend of 35 cents per share declared

Income Statement

	Interim results 2015 (R'000)	Interim results 2014 (R'000)	Annual results 2014 (R'000)
Revenue	**3 725 793**	**3 221 366**	**6 325 012**
% growth	15,7%	14,6%	12,2%
EBIT	**300 766**	**274 525**	**539 875**
% growth	9,6%	(5,6%)	11,6%
Profit before tax	**298 487**	**271 636**	**534 462**
Profit after tax	**211 597**	**191 297**	**379 676**
Share incentive scheme expenses	14 013	13 325	27 354
Operating margin	8,1%	8,5%	8,5%
Effective tax rate	29,1%	29,6%	29,0%
EPS (cents)	103,5	97,7	191,3
EPS growth	5,9%	(1,1%)	17,2%
DPS (cents)	35	30	65
ROCE	13,2%	13,5%	12,7%
Shares in issue ('000)	187 330	185 900	185 900
Number of Staff	9 059	7 700	8 306

Statement of Financial Position - Assets

	Interim results 2015 (R'000)	Interim results 2014 (R'000)	Annual results 2014 (R'000)
Non-current assets	**2 930 060**	**2 555 208**	**2 642 791**
Property, plant and equipment	2 012 857	1 755 560	1 841 611
Intangible assets	784 524	763 811	763 671
Non-current inventory *	93 016	-	-
Deferred tax asset	39 663	35 837	37 509
Current assets	**2 962 431**	**2 545 854**	**2 711 171**
Inventory	444 760	376 484	420 240
Trade and other receivables	1 249 238	1 062 275	1 097 081
Construction contracts in progress	378 714	320 354	322 590
Cash	889 719	786 741	871 260
Total assets	**5 892 491**	**5 101 062**	**5 353 962**

* OMV acquisition - Stilfontein mine dumps and Potchefstoom gypsum dump

Statement of Financial Position - Equity and Liabilities

	Interim results 2015 (R'000)	Interim results 2014 (R'000)	Annual results 2014 (R'000)
Equity	**3 400 859**	**3 093 710**	**3 241 037**
Attributable to shareholders	3 280 692	3 053 486	3 186 425
Non-controlling interest	120 167	40 224	54 612
Non-current liabilities	**867 565**	**705 696**	**731 100**
Borrowings	453 814	410 465	429 961
Other	413 751	295 231	301 139
Current liabilities	**1 624 067**	**1 301 656**	**1 381 825**
Borrowings	285 150	255 657	287 600
Trade and other payables	1 320 516	1 020 580	1 075 529
Current income tax liabilities	18 401	25 419	18 696
Total equity and liabilities	**5 892 491**	**5 101 062**	**5 353 962**

Total borrowings	**738 964**	**666 122**	**717 561**
Gearing (Debt/Equity)	**21.7%**	**21.5%**	**22.1%**
Net cash	**150 755**	**120 619**	**153 699**

Statement of Cash Flows

	Interim results 2015 (R'000)	Interim results 2014 (R'000)	Annual results 2014 (R'000)
Cash flows from operating activities			
Cash generated from operations	537 384	357 590	751 420
Finance costs – net	(2 279)	(2 889)	(5 413)
Taxation paid	(84 743)	(55 445)	(136 438)
Net cash generated from operating activities	450 362	299 256	609 569
Cash flows from investing activities			
Purchases of property, plant and equipment	(273 748)	(241 910)	(483 299)
Proceeds from sale of property, plant and equipment	17 641	33 499	52 839
Acquisition of subsidiaries	(94 926)	(120 925)	(115 040)
Net cash used in investing activities	(351 033)	(329 336)	(545 500)
Cash flows from financing activities			
Proceeds from borrowings	191 333	242 918	504 253
Repayment of borrowings	(203 153)	(194 423)	(404 319)
Proceeds from shares issued	14	14	14
Dividends paid to owners of the parent	(65 566)	(65 065)	(120 835)
Dividends paid to non-controlling interests	(3 705)	(2 308)	(2 308)
Acquisition of interest in subsidiary	-	-	(8 185)
Net cash used in financing activities	(81 077)	(18 864)	(31 380)
Net increase /(decrease) in cash and cash equivalents	18 252	(48 944)	32 689
Cash and cash equivalents at the beginning of the year	871 260	835 685	835 685
Effect of exchange rates on cash and cash equivalents	207	-	2 886
Cash and cash equivalents at the end of the period	889 719	786 741	871 260

Segmental analysis

Business segments	Raumix	Roadmac	Raubex Construct	Raubex Infra	Tosas	Consolidated
August 2014						
Revenue (R'000)	968 231	1 314 566	774 875	484 737	183 384	3 725 793
Operating profit (R'000)	162 544	96 400	20 400	27 547	(6 125)	300 766
Operating margin	16,8%	7,3%	2,6%	5,7%	(3,3%)	8,1%
August 2013						
Revenue (R'000)	829 719	1 220 262	772 435	316 100	82 850	3 221 366
Operating profit (R'000)	128 490	95 212	37 843	19 160	(6 180)	274 525
Operating margin	15,5%	7,8%	4,9%	6,1%	(7,5%)	8,5%

Geographical Segments	Local	% of Group	International	% of Group
August 2014				
Revenue (R'000)	3 426 085	92,0%	299 708	8,0%
Operating profit (R'000)	252 231	83,9%	48 535	16,1%
Operating margin	7,4%	-	16,2%	-
August 2013				
Revenue (R'000)	2 970 998	92,2%	250 368	7,8%
Operating profit (R'000)	225 203	82,0%	49,322	18,0%
Operating margin	7,6%	-	19,7%	-

Dividend Declaration

- Interim cash dividend declared of 35 cents per share

- 3 X cover policy

- Relevant dates
  - Last day to trade cum dividend - Friday, 28 November 2014
  - Commence trading ex dividend - Monday, 1 December 2014
  - Record date - Friday, 5 December 2014
  - Payment date - Monday, 8 December 2014

Roadmac

- Revenue up 7,7% to R1,31bn (H1 2014: R1,22bn)
- Operating profit increased 1,2% to R96,4m (H1 2014: R95,2m)
- Operating margin decreased to 7,3% (H1 2014: 7,8%)
- Capex of R23,2m (H1 2014: R40,3m)
- Order book of R1,79bn (H1 2014: R2,50bn)
- Rehabilitation and maintenance market; very competitive but stable
- SANRAL; increased strategic road network
- Asphalt; aggressive pricing experienced

Asphalt Production	H1 2015	H1 2014	FY 2014
Utilised capacity (total capacity = 2 100 kts)	543kts	524kts	927kts
Revenue	R602m	R476m	R893m
Operating profit	R42m	R36m	R54m

Raubex Construction

- Revenue flat at R774,9m (H1 2014: R772,4m)
- Operating profit decreased 46,1% to R20,4m (H1 2014: R37,8m)
- Operating margin decreased to 2,6% (H1 2014: 4,9%)
- Capex of R19,0m (H1 2014: R32,9m)
- Order book secured of R3,03bn (H1 2014: R857m); 52% in Africa
- Competitive conditions set to continue in South Africa
- Healthy volume of work to tender on; but at low margins
- Solid order book allows more selective tendering going forward

Raumix

- Revenue increased 16,7% to R968,2m (H1 2014: R829,7m)
- Operating profit increased 26,5% to R162,5m (H1 2014: R128,5m)
- Operating margin increased to 16,8% (H1 2014: 15,5%)
- Capital expenditure of R204,8m (H1 2014: R150,5m)
- Order book of R1,58bn (H1 2014: R1,82bn)
- Strong performance from commercial quarries and material handling
- Margin pressure in contract crushing market
- Earnings enhancing acquisitions
- Other acquisition opportunities being explored; in line with strategy

Production schedule (Mts)	H1 2015	H1 2014	FY 2014
Contract Crushing	2,62	2,56	4,00
Commercial Crushing	1,48	1,32	2,49
Mining	33,23	28,11	55,30

Raubex Infra

- Revenue increased 53,4% to R484,7m (H1 2014: R316,1m)
- Operating profit increased 43,8% to R27,5m (H1 2014: R19,2m)
- Margin of 5,7% (H1 2014: 6,1%)
- Capital expenditure of R24,6m (H1 2014: R18,2m)
- Order book of R1,02bn (H1 2014: R882m)
- Reputation established; quality and delivery
- Results supported by completion of solar contracts
  - Renewable project round 3 expected to be more competitive
- Division focused on:
  - Renewable energy; solar and wind
  - Mine infrastructure and housing solutions

Tosas

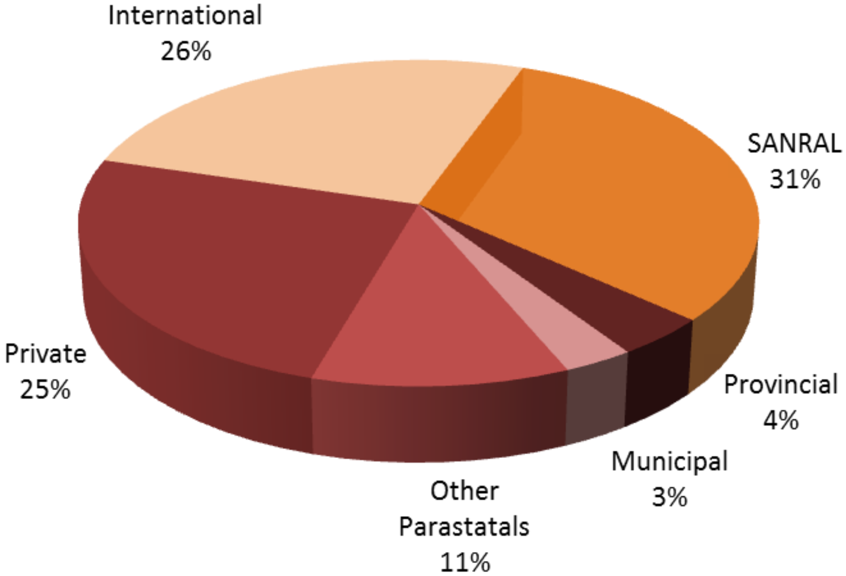
- Acquired 26 April 2013 from Sasol Oil
- Revenues of R183,4m (H1 2014: R82,8m)
- Net operating loss of R6,1m (H1 2014: Net operating loss of R6,2m)
- Revenues including inter group supply of R298,1m; 38,5% internal
- Order book of R127,6m (H1 2014: R98,4m)
- Short term synergies being realised; un-interrupted internal supply
- Competitive conditions experienced in the modified bitumen market
- Initiatives in progress to “right size” the business
- Expect to be profitable by year end

Raubex International

- Revenue increased 19,7% to R299,7m (H1 2014: R250,4m)
  - 8,0% of group total
- Operating profit decreased 1,6% to R48,5m (H1 2014: R49,3m)
  - 16,1% of group total
- Operating margin decreased to 16,2% (H1 2014: 19,7%)
- Order book of R2,23bn (H1 2014: R945,3m); 30% of group total
- Road construction and rehabilitation activities; Namibia and Zambia
- Materials operations; Namibia and Mozambique
- Tosas; Namibia and Botswana
- Zambia Link 8000 update
  - Safwa - site established, bush clearing in progress
  - Mfuwe - assisting RDA with redesign and realignment

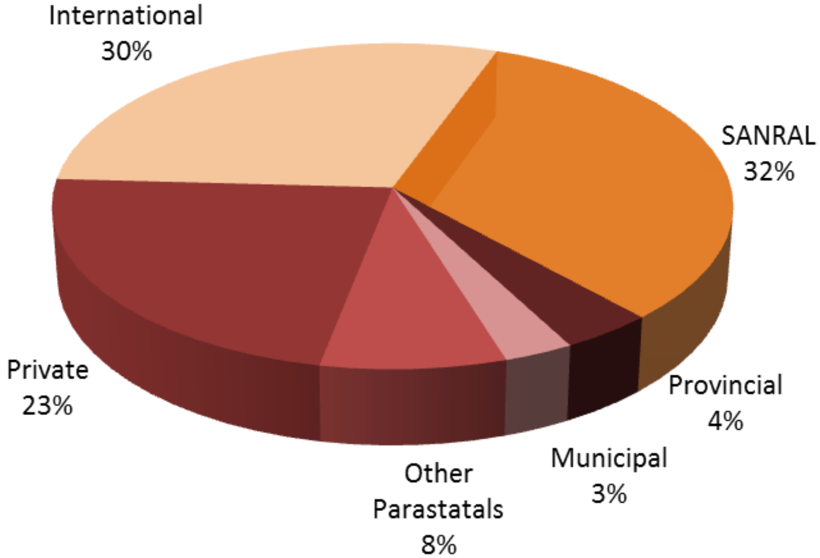
Order book

FY 2014



Order Book	R6,551bn
FY 2015	R4,451bn
FY 2016	R1,509bn
FY 2017	R0,501bn
Beyond	R0,090bn

H1 2015



Order Book	R7,536bn
FY 2015	R3,258bn
FY 2016	R2,683bn
FY 2017	R1,213bn
Beyond	R0,382bn

Acquisitions

OMV Crushers

- Materials
- Revenue – R28,7m
- Net profit – R4,5m
- Purchase price – R70,3m
- Percentage acquired – 70%
- Acquired 1 July 2014

Shisalanga Construction

- Asphalt
- Revenue – R35,4m
- Net profit – R2,4m
- Purchase price – R38,4m
- Percentage acquired – 60%
- Acquired 1 June 2014

Post balance sheet acquisitions

Buildmax Aggregates and Quarries (BAQ)

- On 1 Sept 2014 the Group acquired certain operations and assets from BAQ
  - Crushco Quarry
  - Alphasand Quarry
  - Aflease Crushing operations
- Product diversification - sand
- Historical revenue - R75m
- Purchase price - R54,8m
- Synergies to be realised under Raumix operating structure
  - Reduced overheads
  - Improved sales and marketing
- Located in Gauteng area

Post balance sheet acquisitions

Empa Structures CC and Empa Plant CC

- On 1 Nov 2014 the Group acquired 70% of Empa
- Average historical revenue – R150m
- Purchase price – R25,5m
- Empa specialises in the construction of concrete structures.

Major Projects Progress

Sanral : N5 Harrismith to Kestell
R308 million

Major Projects Progress

SANRAL N8: Thaba Nchu to Sannaspos Bridge

Major Projects Progress

SANRAL: N8 Thaba Nchu to Sannaspos
R463 million

Major Projects Progress

TRAC : N4 MARA
R328 million

Major Projects Progress

TRAC : N4 MARA
R328 million

Major Projects Progress

OMV Stilfontein crushing operations

Major Projects Progress

OMV Potchefstroom gypsum dump

Major Projects Progress

IHS: Spring Valley development, Duvha Park, Witbank
R153 million

Major Projects Progress

Zambia RDA: Safwa camp establishment

Major Projects Progress

Zambia RDA: Safwa to Chinsali
ZMW 265 million

Conclusion

- Competitive conditions set to continue in SA road construction
- Strong order book secured, focus now on;
  - Improving efficiencies in execution of SA contracts;
  - Planning and execution in Zambia; major works to commence in FY16
  - Strategic tendering going forward to improve margin mix
- Favourable conditions to continue for Materials Division
  - Supported by acquisitions
- Infrastructure division to stabilise at current level of operation
  - Mine infrastructure and housing;
  - Renewable energy; dependent on Eskom program role out
- Strong balance sheet and positive cash generation to be maintained
- Continue to pursue acquisition opportunities; in line with integrated model
- Solid results expected in a tough environment

Q&A