



Unaudited interim results

for the six months ended 31 August 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 Period in Review
- Group Financial Highlights
- Divisional Review
- Order Book
- Major Projects Progress
- Conclusion

Notes:

The Period in Review



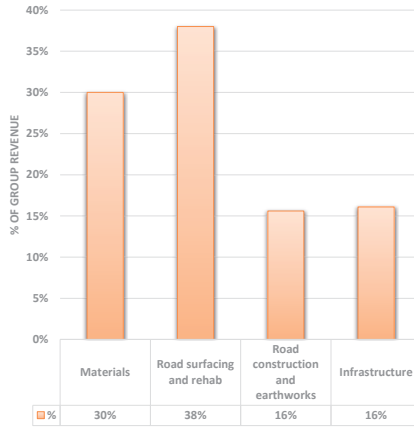
- Weak results due to tough trading conditions
- Materials division contributing most of Group operating profit
 - Stable conditions in the mining sector
 - Some volume growth in commercial quarries
- Challenging market conditions persist in the construction sector
 - Construction sector not conducive to growth, road divisions both loss making
 - Lower SANRAL spend impacting results, particularly the volume dependent asphalt and bitumen supply operations
- Improving performance from the infrastructure division
 - Growth in affordable housing and commercial building activities
 - Renewable energy order book secured, works to commence in H2
- International operations performing well
 - Stable operations in the materials division in Namibia and Botswana
 - Good progress made by Raubex Renovo on commercial building projects in Cameroon
 - Acquisition of Westforce in Western Australia, bedded down and performing well
- Progress made towards securing medium term order book in Africa

Notes:

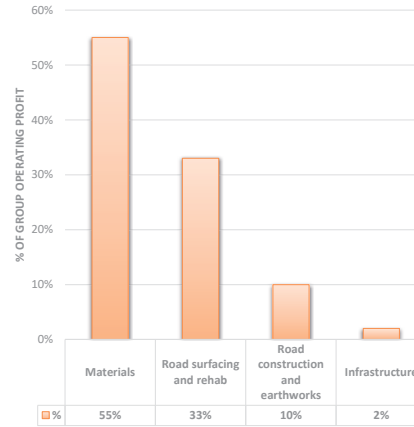
The Period in Review



FY18 Revenue per division



FY18 Operating profit per division

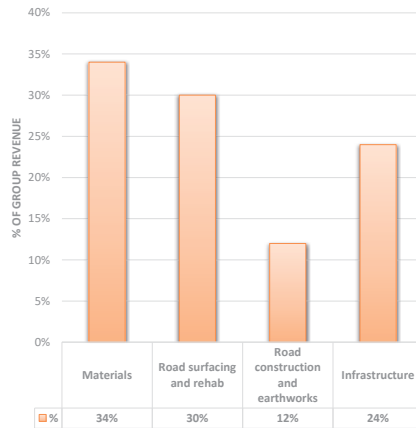


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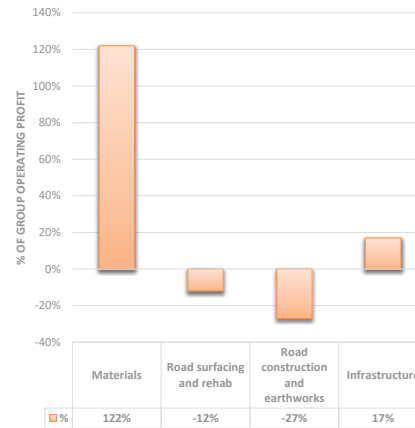
The Period in Review



H1 FY19 Revenue per division



H1 FY19 Operating profit per division



Notes:

Group Financial Highlights



- Revenue down 4,0% to R4,48bn (H1 2018: R4,67bn)
- Operating profit down 57,4% to R157,8m (H1 2018: R370,6m)
- Group operating profit margin of 3,5% (H1 2018: 7,9%)
- HEPS down 72,8% to 35,7 cps (H1 2018: 131,1 cps)
- Cash flow from operations down 36,8% to R293,3m (H1 2018: R464,3m)
- Capital expenditure of R197,5m (H1 2018: R253,2m)
- Order book of R8,41bn (H1 2018: R7,52bn)
- Interim dividend of 12 cents per share declared

Notes:

Income Statement



| | Interim results 2019 (R'000) | Interim results 2018 (R'000) | Annual results 2018 (R'000) |
|--------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Revenue | 4 483 609 | 4 668 172 | 8 542 247 |
| % growth | (4,0%) | (2,0%) | (5,1%) |
| EBIT | 157 828 | 370 562 | 671 913 |
| % growth | (57,4%) | (6,1%) | (14,0%) |
| Operating margin | 3,5% | 7,9% | 7,9% |
| Net finance costs | 14 048 | 15 913 | 31 750 |
| Profit before tax | 143 022 | 354 725 | 640 640 |
| Profit after tax | 95 837 | 254 958 | 452 684 |
| Effective tax rate | 33,0% | 28,1% | 29,3% |
| EPS (cents) | 35,7 | 134,0 | 233,5 |
| % growth | (73,4%) | 1,0% | (13,9%) |
| DPS (cents) | 12 | 45 | 78 |
| ROCE | 5,7% | 13,5% | 12,2% |
| Shares in issue ('000) | 181 750 | 181 750 | 181 750 |
| Treasury shares ('000) | 70 | 70 | 70 |
| Number of employees | 7 722 | 8 953 | 8 271 |

Notes:

Statement of Financial Position – Assets



| | Interim results 2019 (R'000) | Interim results 2018 (R'000) | Annual results 2018 (R'000) |
|------------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Non-current assets | 3 918 395 | 3 521 459 | 3 655 822 |
| Property, plant and equipment | 2 507 223 | 2 384 804 | 2 410 165 |
| Intangible assets | 1 098 372 | 881 255 | 947 806 |
| Investment in associates and JV's | 129 850 | 49 433 | 111 789 |
| Deferred tax assets | 57 765 | 46 083 | 39 614 |
| Non-current inventory | 59 314 | 69 030 | 64 533 |
| Non-current trade and receivables | 65 871 | 90 854 | 81 915 |
| Current assets | 3 537 323 | 3 691 687 | 3 483 849 |
| Inventory | 506 312 | 580 876 | 600 636 |
| Construction contracts in progress | 332 852 | 343 216 | 280 933 |
| Trade and other receivables | 1 803 605 | 1 722 264 | 1 518 192 |
| Cash | 894 554 | 1 045 331 | 1 084 088 |
| Total assets | 7 455 718 | 7 213 146 | 7 139 671 |

Notes:

Statement of Financial Position – Equity and Liabilities



| | Interim results 2019 (R'000) | Interim results 2018 (R'000) | Annual results 2018 (R'000) |
|-------------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Equity | 4 289 263 | 4 087 597 | 4 197 968 |
| Attributable to shareholders | 4 045 537 | 3 951 659 | 4 040 728 |
| Non-controlling interest | 243 726 | 135 938 | 157 240 |
| Non-current liabilities | 939 931 | 1 020 146 | 923 080 |
| Borrowings | 396 594 | 492 295 | 411 284 |
| Deferred tax liabilities | 326 017 | 307 600 | 342 036 |
| Other | 217 320 | 220 251 | 169 760 |
| Current liabilities | 2 226 524 | 2 105 403 | 2 018 623 |
| Borrowings | 334 263 | 379 502 | 365 272 |
| Trade and other payables | 1 740 079 | 1 654 037 | 1 530 581 |
| Current income tax liabilities | 65 382 | 54 617 | 31 680 |
| Other | 86 800 | 17 247 | 91 090 |
| Total equity and liabilities | 7 455 718 | 7 213 146 | 7 139 671 |
| Total borrowings | 730 857 | 871 797 | 776 556 |
| Gearing (Debt/Equity) | 17,0% | 21,3% | 18,5% |
| Net cash | 163 697 | 173 534 | 307 532 |
| Gearing (Net Debt/Equity) | (3,8%) | (4,2%) | (7,3%) |

Notes:

Statement of Cash Flows



| | Interim results 2019 | Interim results 2018 | Annual results 2018 |
|---|-------------------------|-------------------------|------------------------|
| | (R'000) | (R'000) | (R'000) |
| Cash flows from operating activities | | | |
| Cash generated from operations | 293 324 | 464 310 | 1 039 786 |
| Finance costs – net | (7 248) | (9 837) | (15 413) |
| Taxation paid | (68 495) | (91 908) | (177 950) |
| Net cash generated from operating activities | 217 581 | 362 565 | 846 423 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | (197 509) | (253 187) | (441 286) |
| Proceeds from sale of property, plant and equipment | 23 064 | 70 950 | 95 960 |
| Acquisition of subsidiaries | (99 270) | (32 889) | (81 737) |
| Loans to associates and joint ventures | (17 019) | (270) | (37 698) |
| Net cash used in investing activities | (290 734) | (215 396) | (464 761) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 204 272 | 223 132 | 360 921 |
| Repayment of borrowings | (274 551) | (302 135) | (542 815) |
| Dividends paid | (64 765) | (93 644) | (178 368) |
| Other | (1 700) | (33 671) | (36 748) |
| Net cash used in financing activities | (136 744) | (206 318) | (397 010) |
| Net decrease in cash and cash equivalents | (209 897) | (59 149) | (15 348) |
| Cash and cash equivalents at the beginning of the year | 1 084 088 | 1 103 618 | 1 103 618 |
| Effect of exchange rates on cash and cash equivalents | 20 363 | 862 | (4 182) |
| Cash and cash equivalents at the end of the period | 894 554 | 1 045 331 | 1 084 088 |

Notes:

Segmental analysis



| Operating segments | Materials | Road surfacing and rehab | Road construction | Infrastructure | Consolidated |
|--------------------------|-----------|--------------------------|-------------------|----------------|--------------|
| August 2018 | | | | | |
| Revenue (R'000) | 1 523 750 | 1 362 695 | 541 915 | 1 055 249 | 4 483 609 |
| Operating profit (R'000) | 191 770 | (18 318) | (42 485) | 26 861 | 157 828 |
| Operating margin | 12,6% | (1,3%) | (7,8%) | 2,5% | 3,5% |
| August 2017 | | | | | |
| Revenue (R'000) | 1 382 835 | 1 772 675 | 834 056 | 678 606 | 4 668 172 |
| Operating profit (R'000) | 171 545 | 115 626 | 63 859 | 19 532 | 370 562 |
| Operating margin | 12,4% | 6,5% | 7,7% | 2,9% | 7,9% |
| Geographical segments | Local | % of Group | International | % of Group | |
| August 2018 | | | | | |
| Revenue (R'000) | 3 620 080 | 80,7% | 863 529 | 19,3% | |
| Operating profit (R'000) | 35 976 | 22,8% | 121 852 | 77,2% | |
| Operating margin | 1,0% | | 14,1% | | |
| August 2017 | | | | | |
| Revenue (R'000) | 4 127 072 | 88,4% | 541 100 | 11,6% | |
| Operating profit (R'000) | 260 796 | 70,4% | 109 766 | 29,6% | |
| Operating margin | 6,3% | | 20,3% | | |

Notes:

Dividend Declaration



- Interim cash dividend declared of 12 cents per share
- 3 times cover policy maintained
- Relevant dates
 - Last day to trade cum dividend - Tuesday, 20 November 2018
 - Commence trading ex dividend - Wednesday, 21 November 2018
 - Record date - Friday, 23 November 2018
 - Payment date - Monday, 26 November 2018

Notes:

Materials Division



- Revenue increased 10,2% to R1,52bn (H1 2018: R1,38bn)
- Operating profit increased 11,8% to R191,8m (H1 2018: R171,5m)
- Operating margin increased to 12,6% (H1 2018: 12,4%)
- Capital expenditure of R149,0m (H1 2018: R173,9m)
- Order book of R1,76bn (H1 2018: R1,98bn)
- Stable conditions in the mining sector
 - Operations focused on a broad range of commodities including diamonds, gold, coal, copper, platinum and iron-ore
- Commercial aggregate volumes increased ~15% compared to prior period like for like
 - Strategic acquisition of Transkei Quarries performing well
 - Donkerhoek Quarry taking longer than anticipated to achieve production efficiencies; anticipate improvement in H2
- The division continues to look for strategic bolt-on acquisitions

Notes:

Road Surfacing and Rehabilitation Division



- Revenue decreased 23,1% to R1,36bn (H1 2018: R1,77bn)
- Operating profit decreased 115,8% to - R18,3m loss (H1 2018: R115,6m profit)
- Operating margin decreased to - 1,3% (H1 2018: 6,5%)
- Capital expenditure of R25,9m (H1 2018: R60,9m)
- Order book of R2,15bn (H1 2018: R2,23bn)
- Significant reduction in work from SANRAL
 - Asphalt and bitumen supply operations severely impacted due to reduced volume
 - Rightsizing initiatives undertaken in H1, 280 retrenchments, once off cost of R13m
 - Prolonged delay from SANRAL will require further rightsizing in asphalt and bitumen operations
- Road surfacing and rehabilitation now focused on provincial government and concession routes
 - TRAC, N3TC and Bakwena
 - Provincial Administration Western Cape

| Asphalt Production | H1 2019 | H1 2018 | FY 2018 |
|---|----------|---------|----------|
| Utilised capacity (total capacity = 2 250 kts) | 418kts | 645kts | 1 104kts |
| Revenue | R485,1m | R677,9m | R1,200bn |
| Operating profit | (R19,9m) | R33,2m | R30,9m |

Notes:

Road Construction and Earthworks Division



- Revenue decreased 35,0% to R541,9m (H1 2018: R834,1m)
- Operating profit decreased 166,5% to - R42,5m loss (H1 2018: R63,9m profit)
- Operating margin decreased to - 7,8% (H1 2018: 7,7%)
- Capital expenditure of R5,6m (H1 2018: R8,6m)
- Order book of R1,65bn (H1 2018: R1,73bn); includes Zambia Link 8000 of R791,6m
 - Zambia contracts remain suspended due to payment delays
- Results negatively affected by
 - No SANRAL work to tender for and the delay in award of provincial work already tendered.
 - Quality order book completed in prior year and replaced with lower margin work
 - Community unrest in certain areas impacting on production efficiencies
 - Completion of loss making contract; R19,4 million operating loss reported on Moloto road contract
- Very challenging local conditions anticipated for the remainder of H2
- Progress made towards securing medium term order book in Africa

Notes:

Infrastructure Division



- Revenue increased 55,5% to R1,06bn (H1 2018: R678,6m)
- Operating profit increased 37,5% to R26,9m (H1 2018: R19,5m)
- Operating margin decreased to 2,5% (H1 2018: 2,9%)
- Capital expenditure of R17,1m (H1 2018: R9,8m)
- Order book of R2,86bn (H1 2018: R1,59bn); R522m REIPPPP projects secured
- Favourable conditions in the affordable housing and commercial building sector
- Raubex Renovo establishing itself as a reputable operator in the hotel and retail refurbishment market
- Renewable energy work secured and will commence in H2; further opportunities are being pursued
 - ~ R500m > 90% probability
- Anticipate good growth in this division during H2

Notes:

International operations



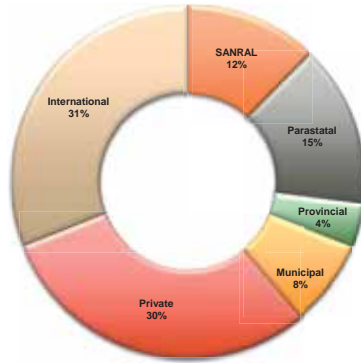
- Revenue increased 59,6% to R863,5m (H1 2018: R541,1m); 19,3% of Group total
- Operating profit increased 11,0% to R121,9m (H1 2018: R109,8m)
- Operating margin decreased to 14,1% (H1 2018: 20,3%)
- Order book of R2,0bn (H1 2018: R2,16bn); 23,7% of Group total
- Stable conditions in the materials division operations in Namibia
- Botswana quarry performing well
- Good progress made by Raubex Renovo in Cameroon
 - Onomo Hotel and Douala Grand Mall
- Westforce acquisition bedded down, performing in line with management expectations
- Zambia Link 8000 still suspended, will look to resume work once account is fully paid up to date

Notes:

Order book

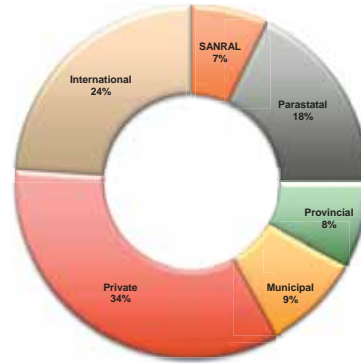


FY 2018



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

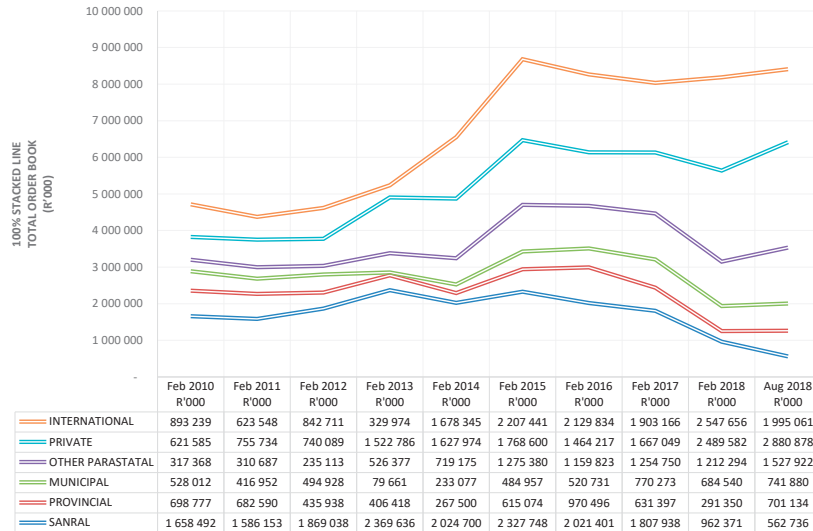
H1 2019



| Timing | R8,410bn |
|------------------|----------|
| FY 2019 (6mths) | R3,227bn |
| FY 2020 (12mths) | R3,658bn |
| FY 2021 (12mths) | R1,202bn |
| Beyond | R0,323bn |

Notes:

Order book history



Notes:

Major Projects Progress



Notes:

Raubex Renovo: Preller Mall Development, Bloemfontein



Notes:

Raubex Renovo: Preller Mall Development, Bloemfontein



Notes:

Raubex Renovo: Onomo Hotel in Douala, Cameroon



Notes:

Raubex Renovo: Onomo Hotel in Douala, Cameroon



Notes:

Raubex Building: Riverside View BNG housing units



Notes:

Raubex Renovo: Garden Court, Mthatha



Notes:



Notes:

Raudev: Woodwind Estates Development: 871 residential opportunities



Notes:



Notes:



Notes:



Notes:

Raumix Aggregates: Donkerhoek Quarry



Notes:

Raumix Aggregates: Transkei Quarries, Butterworth



Notes:



Notes:

OMV: New Calcining Plant, Potchefstroom



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Raubex Construction: N4 Bakwena Platinum Corridor



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Raubex Infra: Woodland Hills Wildlife Estate, Bloemfontein



Notes:

Conclusion



- **Materials division will continue to diversify the Group from the construction sector**
 - Overall conditions in the materials division are expected to remain stable in the short term
 - Mining charter progress and policy certainty could encourage medium term growth
- Road divisions will remain under pressure in H2
 - Road surfacing and maintenance operations will be partially supported by work from concessionaires
 - Asphalt and bitumen supply operations mainly depend on volume from SANRAL, further rightsizing will be required if SANRAL work does not resume
 - Road construction and earthworks division is pursuing large project opportunities in Africa, including the Beitbridge border post upgrade in Zimbabwe and LAPSSET corridor in Kenya
- Infrastructure division is expected to show growth in H2 through participation in the REIPPP projects and opportunities in the affordable housing and commercial building sector
- Strong balance sheet and strict cash flow management to be maintained

Notes: