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Financial Results

August 2015

Forward-looking statements

Certain statements in this presentation that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements).

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

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**THE PERIOD
UNDER REVIEW**

Key results



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	2015HI	2014HI
Profit / (loss)	R41,6 million	(R198,0 million)
Turnover	R2,9 billion	R3,1 billion
Order book	R10,1 billion	R12,4 billion
HEPS	37.12 cents	(145.74 cents)
ROE	3.9%	(12.27%)
Safety	0 fatalities	2 fatalities

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15**

**OPERATIONAL
OVERVIEW**

- ➔ Safety of employees vital; zero tolerance for occupational fatalities
- ➔ Two deaths on roads sites caused by accidents involving public
- ➔ Emerging risks
 - Disregard for traffic regulations
 - Community unrest
- ➔ Disabling injury frequency rate 0.20 against target of 0.10

- Organisational restructure complete
- Company with divisions
- Duplicate management and support structures eliminated
 - Policies, procedures and systems currently being aligned
- Overheads reduced and contained in line with forecast
- Exco and Opsco entrenched focusing on strategic and operational issues respectively

→ Non-core components

- Disposal of LYT Architecture completed in February 2015
- Closure of Matomo completed in March 2015

→ Disposal of Basil Read Energy

- Key terms agreed
- Transaction requires approval from the regulator, which remains outstanding

→ Disposal of SprayPave

- Non-binding indicative offer received
- Process ongoing

- Resolution of legacy claims ongoing
- Contractual process proving tedious and protracted
- Committed to ensuring fair compensation
- Reasonable expectation of success

- Proud history as leading roads contractor
- Competitive tender market
- Projects increasing in size and duration
- Community disruption an emerging risk – largely driven by dissatisfaction with service delivery and limited employment opportunities
- Loss-making contracts to be completed in 2015 / early 2016
- Major projects – Standerton and Platrand contracts, Ashton to Montagu, Umtata

- Division stabilised, loss-making contracts nearing completion
- Major projects for Eskom affected by industrial action and community disruptions
- Contracts secured for Transnet work
- Lack of new project opportunities industry-wide concern
- Opportunity for future work in water sector

- ➔ Buildings market largely saturated, with thin margins
- ➔ Tender activity has yielded limited success
- ➔ Focus shifting to social housing and buildings for integrated developments
- ➔ Demand for affordable housing at Savanna City exceeding expectations
- ➔ Major projects – Medupi and Kusile buildings contracts, Savanna City, Malibongwe Ridge

- ➔ New division hampered by community disruptions and access to site
- ➔ Skills developed on TCTA contract to bolster division on completion of contract
- ➔ Identified growth opportunity due to deteriorating water infrastructure
- ➔ Major projects – Wallmansthal, Savanna City

- ➔ Flagship project evidencing capacity and capabilities on complex design-build-operate projects
- ➔ Airfield, runway, navigational aids and aerodrome ground lighting complete
- ➔ Building works nearing completion
- ➔ Calibration and validation flights scheduled for mid-September
- ➔ Additional works on-island progressing well
- ➔ Replacement project being sought

- Results affected by closure of Matomo and two clients entering business administration
- Core mining operations performing well
- Commodities market under strain
- Replacement capex scaled back with focus on effective maintenance strategy
- Future growth tempered by capital requirements

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**FINANCIAL
OVERVIEW**

Statement of financial performance - extract



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R '000	2015 HI	2014 HI	
Continuing operations			
Revenue	2,853,797	3,132,983	↓
Operating profit / (loss)	93,688	(255,152)	↑
Net profit / (loss) from continuing operations	66,619	(167,446)	↑
Loss from discontinued operations	(25,063)	(30,574)	↑
Net profit / (loss) after tax	41,556	(198,020)	↑
EPS	33.08 cents	(145.75 cents)	↑
HEPS	37.12 cents	(145.74 cents)	↑

Statement of financial performance - extract



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R '000	2015 HI	2014 HI
Discontinued operations		
Net loss from discontinued operations		
LYT Architecture	(47)	2,313
Matomo	(8,913)	(27,441)
Basil Read Energy	(2,134)	(1,624)
SprayPave	(3,518)	(3,822)
Loss on disposal of discontinued operations		
LYT Architecture	(3,013)	-
Impairment of goodwill – SprayPave	(7,438)	-
	(25,063)	(30,574)

Statement of financial position - extract



R '000	2015 H1	2014 H2
Property, plant and equipment	981,824	1,086,074
Intangible assets	92,070	99,938
Other non-current assets	462,514	483,696
Other current assets	1,887,433	1,642,142
Cash and cash equivalents	477,941	910,815
Non-current assets held for sale	141,875	53,112
Total assets	4,043,657	4,275,777
Shareholders' equity	1,086,656	1,035,552
Interest-bearing debt – long term	192,702	215,898
Interest-bearing debt – short term	292,186	273,594
Other non-current liabilities	50,294	44,067
Current liabilities	2,402,932	2,696,647
Liabilities classified as held for sale	18,887	10,019
Total liabilities	4,043,657	4,275,777
Net (debt) / cash	(54,288)	331,087

Statement of cash flows - extract



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R '000	2015 H1	2014 H2
Operating profit / (loss)	61,459	(984,691)
Non-cash items	156,249	740,358
Movements in working capital	(554,803)	126,003
Other operating cash items	9,735	(83,325)
Cash flow from operating activities	(327,360)	(201,655)
Net property, plant and equipment	14,976	(126,031)
Other investing cash items	24,591	80,438
Cash flow from investing activities	39,567	(45,593)
Cash flow from financing activities	(116,326)	(116,838)
Effects of exchange rates on cash	(1,308)	(2,734)
Net movement in cash and cash equivalents	(405,427)	(366,820)

- ➔ Domestic medium-term note programme refinanced in June 2015
 - BSR14 – R60 million – 8.633% - 18 September 2015
 - BSR15 – R60 million – 3-month jibar + 3.10% - 18 December 2015
 - BSR16 – R35 million – 3-month jibar + 3.85% - 17 June 2016
 - BSR17 – R50 million – 3-month jibar + 4.50% - 19 June 2018
- ➔ Rates affected by credit rating downgrade to BBB- (long term) and A3 (short term)

- ➔ Liquidity tight; being closely managed
- ➔ No impact on day-to-day operations
- ➔ Opportunities to improve cash position
 - Sale of non-core assets – progress has been slower than anticipated
 - Resolution of claims – contractual process proving to be tedious
 - External funding – working capital facility under discussion

Order book

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R millions	2015 H1	2014 H2	
Buildings and developments	1,518	1,667	↓
Civils and plant	1,010	1,065	↓
Mining	3,685	3,774	↓
Pipelines	97	87	↑
Roads	2,364	2,246	↑
St Helena airport project	1,391	1,700	↓
Total	10,065	10,539	↓

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**STRATEGIC
REVIEW**



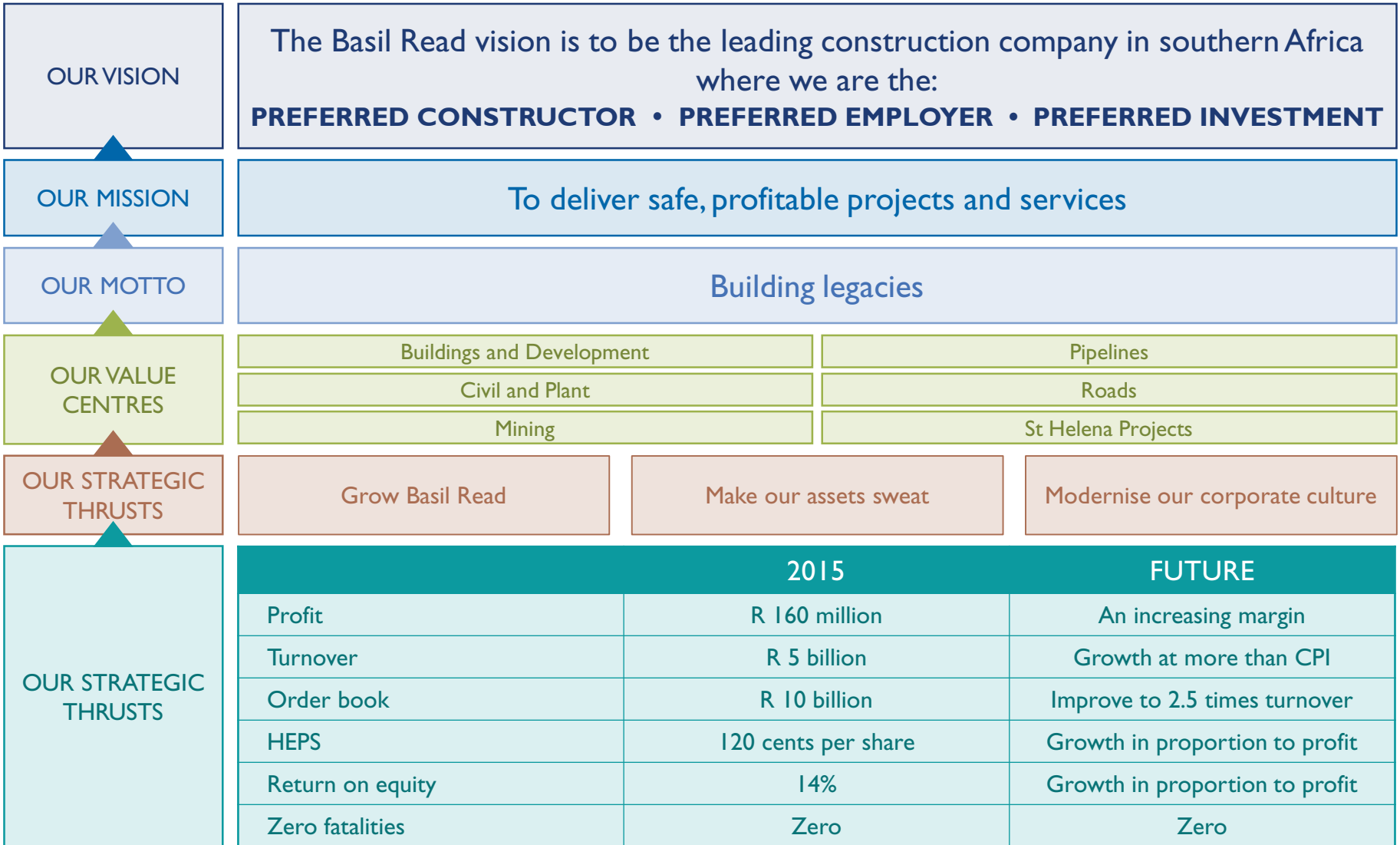
- ➔ Economic growth under pressure
 - Electricity supply concerns
 - Rising inflation
 - Ongoing labour unrest and resultant wage increases
 - Depreciation of the Rand
 - Weak commodity prices
- ➔ Construction sector impacted across all divisions
- ➔ Competitive tender market with lower tender activity in the first half of the year
- ➔ Slow roll out of government infrastructure spend
 - Distrust between government institutions and departments and the sector

- ➔ Apparent need for infrastructure
- ➔ Billions in spend required in short to medium term
 - Energy
 - Water
 - Transport
- ➔ Requires maturity on the part of construction sector to rebuild trust
- ➔ Lack of transformation
 - Basil Read's B-BBEE rating level 2

- ➔ Progress in the sector has been slow
- ➔ Benefits of transformation include:
 - Licence to tender for government contracts
 - Improved margins
 - Ability to attract scarce skills from a broader pool
 - Opportunity to become the preferred partner to other construction firms
- ➔ Need to differentiate Basil Read

Long term strategy

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→ Grow Basil Read

- Primary focus has been on stabilisation of the company
- Growth impacted by slow roll out of projects
- Concern about order book

→ Make our assets sweat

- Centralised tender department focusing on innovative methods of construction
- Multi-disciplinary 90-day project reviews
- Standardisation of company-wide policies, procedures and systems
- Implementation of enhanced systems to reduce reliance on manual interventions underway

→ Corporate culture

- Various internal surveys completed to gauge current state
- Follow up processes underway
- Zero tolerance of discriminatory practices and unfair treatment

→ Strategy amended / updated when necessary

→ Formal strategy session scheduled for early-2016

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OUTLOOK



	2015 target	Progress
Profit after tax	R160 million	On track
Turnover	R5 billion	Likely to exceed
Order book	R10 billion	Area of concern
HEPS	120 cents per share	On track
ROE	14%	On track
Safety	Zero fatalities	Vigilance required

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Thank you

Any Questions?

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**ADDITIONAL
INFORMATION**

Additional segment information



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R '000	2015 HI	2014 HI
Buildings and developments		
Revenue	498,823	672,792
Operating loss	(7,141)	(18,171)
Operating margin (%)	(1,43%)	(2,70%)
Order book	1,518,336	1,759,000

Additional segment information



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R '000	2015 HI	2014 HI
Civils and plant		
Revenue	448,448	726,215
Operating loss	(7,519)	(224,374)
Operating margin (%)	(1,68%)	(30,90%)
Order book	1,010,465	786,000

Additional segment information



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R '000	2015 HI	2014 HI
Mining		
Revenue	601,725	528,969
Operating profit / (loss)	55,858	(2,167)
Operating margin (%)	9,28%	(0,41%)
Order book	3,685,392	4,790,000

Additional segment information



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R '000	2015 HI	2014 HI
Pipelines		
Revenue	38,680	4,068
Operating loss	(3,690)	(2,716)
Operating margin (%)	(9,54%)	(66,76%)
Order book	97,275	85,000

Additional segment information



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R '000	2015 HI	2014 HI
Roads		
Revenue	810,884	718,934
Operating loss	(3,166)	(58,220)
Operating margin (%)	(0,39%)	(8,10%)
Order book	2,364,282	2,872,000

Additional segment information

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R '000	2015 HI	2014 HI
St Helena airport project		
Revenue	455,237	482,005
Operating profit	59,346	50,496
Operating margin (%)	13,04%	10,48%
Order book	1,391,115	2,101,000