



[www.basilread.co.za](http://www.basilread.co.za)

## Financial results

March 2018

## Forward-looking statements

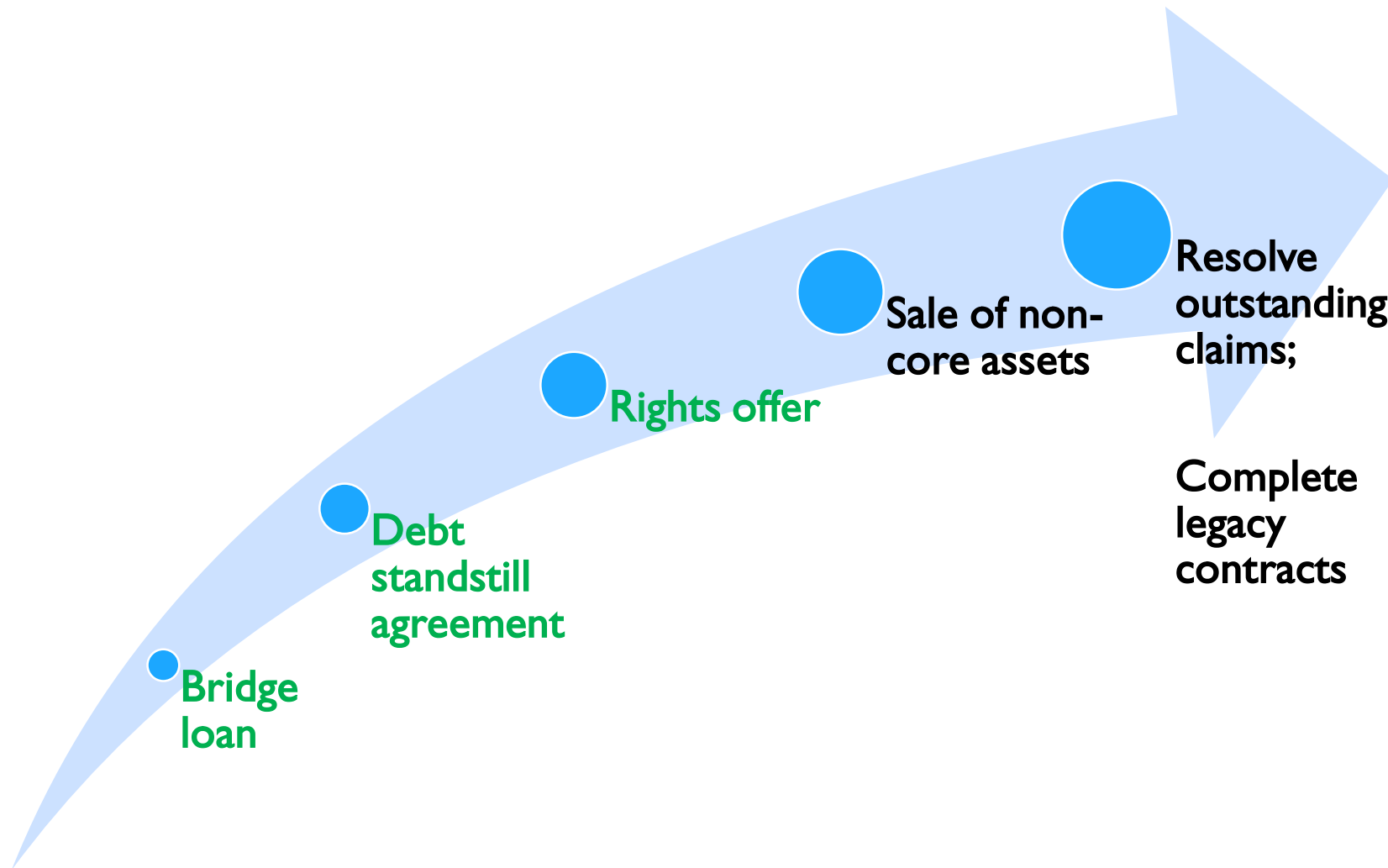
Certain statements in this presentation that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The 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.

1. **Overview – K2 Mapasa**
2. Financial performance – Pieter van Buuren
3. Outlook – K2 Mapasa

# BASIL READ JOURNEY

BASIL READ



- Bridge loan of R150 million from IDC received and fully settled in March 2018
- Debt Standstill for 18 months implemented in December 2017
- Capital raising through rights offer of R300 million successfully concluded in February 2018
- Non-core assets identified and disposal processes underway
- Legacy claims resolution receiving increasing intensity in parallel to negotiated settlements
- Turnaround plan approved by the board
  - Minimum profit margins for new contracts implemented
  - Focus on traditionally profitable markets, Developments, Mining and selective Civil construction.
  - Reduction of overheads implemented
  - New Executive and Board members appointed
- Mining & Development divisions continue to deliver profits

# KEY RESULTS

**BASIL READ**

	2017	2016
Safety	<b>Zero fatalities</b>	Zero fatalities
Turnover	<b>R4.6 billion</b>	R5.1 billion
Operating (loss) / profit	<b>(R743.1 million)</b>	R63.7 million
(HEPS) from continuing operations	<b>(752.28 cents)</b>	(21.79 cents)
Cash on hand at the end of the period	<b>R126.4 million</b>	R458.5 million
Order book	<b>R12.6 billion</b>	R12.3 billion

- Operating loss of R734.1 million (2016: R63.7 million profit)

Divisional operating profit	2017	2016
Construction	(R224.9 million)	(R107.7 million)
Developments	R19.3 million	R15.9 million
Roads	(R589.7 million)	(R41.9 million)
Mining	R76.1 million	R111.6 million
St Helena airport project	(R23.9 million)	R85.8 million
<b>Total</b>	<b>(R743.1 million)</b>	<b>R63.7 million</b>

- Challenging year for construction, roads and St Helena airport project, but offset by profits from developments and mining
- Losses in the construction and roads divisions attributable to legacy loss making projects
- Onerous legacy contracts contributed R622.7 million to the loss
- Claims negotiations ongoing but not included in the result

# OPERATIONAL OVERVIEW - Construction

**BASIL READ**

	2017	2016
Revenue (R000)	1 398 901	1 639 583
Operating (loss) / profit	(224 860)	(107 704)
Operating margin - %	(16,1%)	(6,6%)
Order book (R000)	1 375 526	2 607 458
Safety	Zero fatalities	Zero fatalities



- Impact from onerous legacy contracts most evident in increased costs to completion
- Olifants River water resource development project
  - Construction work completed – operating loss of R116 million during 2017
  - Significant claims under negotiation – potential positive resolution not included in results
- Onerous building contracts –operating loss during 2017 of R141 million
  - Exited SSBR Buildings Joint Venture derisking future losses
- Excluding onerous contracts this division would have been profitable

# OPERATIONAL OVERVIEW - Developments

BASIL READ

	2017	2016
Revenue (R000)	79 551	81 263
Operating (loss) / profit	19 274	15 873
Operating margin - %	24,2%	19,5%
Order book (R000)	3 244 191	1 015 154
Safety	Zero fatalities	Zero fatalities

- Increased sales at Cosmo City and Klipriver Business Park
- Growth in order book includes construction and roads activities incorporated into the division

# OPERATIONAL OVERVIEW - Mining

**BASIL READ**

	2017	2016
Revenue (R000)	1 812 285	1 567 998
Operating (loss) / profit	76 129	111 652
Operating margin - %	4,2%	7,1%
Order book (R000)	6 146 851	5 456 323
Safety	Zero fatalities	Zero fatalities

- Unusual rain during the first quarter of the year impacted mining activities in the region
- Strong recovery during the second half
- Start – up costs of new projects impacting profitability year on year
- Bad debt provision (junior miner Botswana) also eroding profitability
- Order book is growing with one large contract awarded in December 2017

# OPERATIONAL OVERVIEW - Roads

**BASIL READ**

	2017	2016
Revenue (R000)	987 630	1 115 291
Operating (loss) / profit	(589 740)	(41 938)
Operating margin - %	(59,7%)	(3,7%)
Order book (R000)	1 287 359	2 412 156
Safety	Zero fatalities	Zero fatalities

- Losses incurred on Admin Craft Basin – Coega project of R157.8 million
- Other Roads contracts performance affected by:
  - Design changes
  - Delayed services relocation
  - Inclement weather
- Negotiating on claims, not included in income until resolved
- Focus on
  - concluding projects within cost provisions,
  - resolution of claims and
  - minimising overhead costs

# OPERATIONAL OVERVIEW – St Helena airport project

**BASIL READ**

v	2017	2016
Revenue (R000)	302 778	721 950
Operating (loss) / profit	(23 936)	85 854
Operating margin - %	(7,9%)	11,9%
Order book (R000)	523 589	851 997
Safety	Zero fatalities	Zero fatalities

- Commercial flights commenced in October 2017
- Completing the bulk fuel installation system in the current year (phase I)
  - Additional costs to complete outstanding work
  - Losses also due to disposal of plant
- The order book reflects the phase 2 of the contract which entails operations of the airport



1. Overview – K2 Mapasa
- 2. Financial performance – Pieter van Buuren**
3. Outlook – K2 Mapasa

# FINANCIAL PERFORMANCE

BASIL READ

	2017	2016
Revenue (R000)	4 581 144	5 126 085
Operating (loss) / profit	(743 132)	63 736
(Loss) / Profit before tax	(774 577)	4 601
Net (loss) after taxation	(1 010 903)	(53 646)

## 2017 results include:

- Onerous Contract costs R622.7 million
- Once-off non-cash impairments R294.1 million

# FINANCIAL POSITION

BASIL READ

	2017	2016
Property, plant and equipment	956 795	799 092
Intangible assets	137 842	408 030
Other non-current assets	223 911	183 636
Other current assets	1 252 676	1 313 104
Cash and cash equivalents	177 758	517 513
<b>TOTAL ASSETS</b>	<b>2 748 982</b>	<b>3 221 375</b>
Shareholders' equity	111 406	1 141 978
Interest bearing debt – long term	433 370	300 378
Interest bearing debt – short term	381 846	137 760
Other non-current liabilities	77 613	47 788
Current liabilities	1 693 411	1 534 434
Bank overdraft	51 336	59 037
<b>TOTAL EQUITY AND LIABILITES</b>	<b>2 748 982</b>	<b>3 221 375</b>
Net cash	126 422	458 476

- Total group debt at R815,2 million more than previous year R438,1 million driven by
  - the IDC Bridge loan (R150 million, repaid in March 2018),
  - IDC revolving credit facility (R39 million increase in the year),
  - And a net R183.6 million hire purchase funding for additional earthmoving equipment at new mining contracts
- Debt standstill agreement of 18 months concluded in December 2017 allows for
  - no capital repayment on R235 million loans during this period, whilst interest are paid
  - R1 billion guarantees honoured during this period by the guarantors
  - no changes to the terms and conditions of loans and guarantees
  - debt tenure also extended by 18 months from May 2019
- Rights offer concluded post year-end on 26 February 2018: R300 million
- Sale of non-core assets will improve working capital and used for debt reduction

# CASH FLOWS

BASIL READ

	2017	2016
Net cash flows from operating activities	(390 514)	30 255
Net property plant and equipment	16 132	(86 583)
Other investing cash items	16 348	64 522
Cash flow from investing activities	32 480	(22 061)
Cash flow from financing activities	25 380	4 331
Effects of exchange rates on cash	600	(28 725)
Net movement in cash and cash equivalents	(332 054)	(16 200)
Cash at the beginning of the reporting period	458 476	474 676
Cash at the end of the reporting period	126 422	458 476

1. Overview – K2 Mapasa
2. Financial performance – Pieter van Buuren
- 3. Outlook – K2 Mapasa**

# OUTLOOK – Order Book

BASIL READ

	2017	2016
Construction	1 375 526	2 607 458
Developments	3 244 191	1 015 154
Mining	6 146 851	5 456 323
Roads	1 287 359	2 412 156
St Helena airport project	523 589	851 997
<b>TOTAL</b>	<b>12 577 516</b>	<b>12 343 088</b>

- The new Basil Read will focus on Mining, Developments and select Civil Construction services
- Growth in the order book from profitable and cash generating divisions
- Continued focus on liquidity
  - Sale of non-core assets unlock cash from unproductive assets in the balance sheet
  - Legacy claims resolution
  - Onerous contracts completion
  - Improve productivity on ongoing contracts
  - Reduction in overheads
- Equity raise injection have assisted in normalising working capital position
- Continued support from the lenders and guarantors through the debt standstill agreement remains important
- Newly engaged board members and executives ensure increased focus to delivery of strategic turnaround plan
  - Combine construction and roads divisions from 2018 to reduce overheads
  - New construction executive and support team in place
  - Reworked targets, tight deadlines, specific focus on resolving long outstanding claims





**BASIL READ**

[www.basilread.co.za](http://www.basilread.co.za)

THANK YOU