

BASIL READ

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2014
Financial Results

March 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.



2014

**THE YEAR UNDER
REVIEW**

	2014	2013
(Loss) / profit after tax	(R820,9 million)	R281,5 million
Turnover	R6,5 billion	R6,2 billion
Order book	R10,5 billion	R12,5 billion
HEPS	(362.08 cents)	86.99 cents
ROE	(51.9%)	16.8%
Safety	2 fatalities	1 fatality

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**OPERATIONAL
OVERVIEW**

→ 2014 company structure

- Construction
- Developments
- Engineering
- Mining
- St Helena airport project (SHAP)

→ New company structure

- 2 Operating divisions
 - Construction
 - Mining
- Supported by
 - Corporate services
 - Business development

→ Major projects status

- TCTA
 - Project value before claims – R1.35 billion
 - Completion expected by June 2015, excluding technically-challenging river crossing, rehabilitation / seeding
 - Total project loss – R365 million of which R320 million taken in 2014 financial year
 - >R500 million in claims submitted – discussions ongoing with professional engineer and client
 - Reasonable expectation of recovering portion of losses
- Venetia
 - Project value before claims – R175 million
 - Project substantially complete, demobilisation in progress
 - Total project loss – R38 million fully provided for in 2014 financial year
 - R68 million claims submitted – discussion with client ongoing, likely to proceed to contractual process
 - Reasonable expectation of recovering portion of losses
- Roads contracts (Standerton, Platrand, Winburg, Petrusburg)
 - Combined project value of R1.4 billion
 - Petrusburg completed; Winburg to be completed June 2015; Platrand due for completion by December 2015; Standerton to be completed February 2017
 - Total combined project losses of R165 million fully provided for in 2014 financial year
 - No opportunity to recover losses

→ Major projects status

- Eskom contracts - Medupi and Kusile power stations
 - Civils contracts
 - Medupi Ash Dumps due for completion in May 2016;
 - Kusile Main Civil Works contract due for completion August 2015; Kusile Workface Schedule due for completion June 2017
 - Claims submitted – discussions with client ongoing, commitment from both parties to resolve amicably
 - Reasonable expectation of recovering losses
 - Buildings contracts
 - Completion at Medupi expected early 2016
 - Completion at Kusile expected early 2019
 - Total combined project losses of R105 million, of which R50 million taken in 2014 financial year
 - R220 million claims submitted – process to agree claims has been tedious, but renewed commitment to reaching agreement

➔ Major projects – Savanna City and Malibongwe Ridge

- Savanna City

- Servicing of phase 1 is complete
- Phase 2 bulk and link engineering services funding of R164 million secured from Gauteng Provincial Government over next two financial years; construction commenced January 2015
- Sales demand exceeding supply for bonded homes
- First occupations in second half of 2015

- Malibongwe Ridge

- Bulk funding has been secured for the water pipeline and link funding for roads and stormwater
- 486 Fully subsidised housing units are 80% complete - the first hand over to beneficiaries in June 2015

➔ Steady sales of stands at Klipriver Business Park

- ➔ Greater part of division disposed in 2013 financial year (TWP)

- ➔ Remaining business units include LYT Architecture and Matomo

- ➔ LYT Architecture
 - Stable operating performance; growth hindered by construction ownership
 - Disposed with effect from 1 February 2015 for sale consideration of R42 million

- ➔ Matomo
 - Poor performance with no order book forthcoming
 - High overhead cost base
 - Decisive action required to stem losses

- ➔ Good performance in tough environment

- ➔ Majwe Mining joint venture, Botswana
 - Total project value – US\$230 million
 - Contract original end date November 2016, extension of time agreed to May 2017
 - Basil Read is a 28% participant in JV
 - Profit during 2014 financial year – R54 million

- ➔ Tschudi Copper Mine, Namibia
 - Total project value – R2 billion
 - Site establishment started in June 2014; full ramp up expected in second quarter of 2015
 - Project life 66 months
 - Opportunity to accelerate mining rate by 40%

- ➔ Discovery Metals Boseto Copper Project, Botswana
 - Decline in copper price led to client entering voluntary administration process in March 2015
 - De-establishment complete
 - BWP44 million bad debt provision raised in 2014 financial year; further provision for BWP 16 million in 2015. No probability of recovering loss

- ➔ On track to meet project deadlines, within budget
 - Dry gut bulk fill completed in September 2014
 - 2 000m concrete runway 50% complete
 - Terminal and combined buildings to be complete mid-2015
 - Calibration flights set to start in July 2015
 - Airport to be certified by November 2015
 - First commercial flight scheduled for February 2016

- ➔ MOU signed for St Helena hotel development

- ➔ Agreement signed to upgrade hospital

- ➔ Proof that Basil Read has operational capacity and capabilities to successfully execute complex projects of this magnitude, on time and within budget



2014

FINANCIAL OVERVIEW

Statement of financial performance - extract



R '000	2014	2013	
Continuing operations			
Revenue	6 502 407	6 218 152	↑
Operating (loss) / profit	(906 237)	55 228	↓
(Loss) / profit from discontinued operations	(78 661)	190 097	↓
Net (loss) / profit after tax	(820 879)	281 470	↓
EBITDA	(303 731)	423 482	↓
EBIT	(866 698)	100 394	↓
EPS	(599.86)	235.97	↓
HEPS	(362.08)	86.99	↓

Statement of financial performance - extract



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R '000	2014	2013
Net (loss) / profit after tax	(820 879)	281 470
Net (loss) / profit from discontinued operations	78 661	(190 097)
Impairment of goodwill	222 212	-
Write down of development land	80 565	22 572
Right sizing costs	37 951	-
Operational losses – TCTA	320 000	50 000
– Venetia	38 000	-
– Matomo	103 059	(618)
– Mining (Discovery Metals)	53 240	-
Adjusted net profit after tax	112 809	163 327

Statement of financial performance - extract



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R '000	2014	2013
Revenue	6 502 407	6 218 152
Overhead costs	585 524	499 193
Overhead costs as a % of revenue	9,0%	8,0%
Less - rightsizing costs	37 951	-
- write down of development land	80 565	22 572
- over head costs – Matomo	74 080	73 448
Adjusted overhead costs	392 928	403 173
Adjusted overhead costs as % of revenue	6,0%	6,5%

Statement of financial position - extract



R '000	2014	2013
Property, plant and equipment	1 086 074	1 143 877
Intangible assets	99 938	411 829
Other non-current assets	483 696	358 615
Other current assets	1 642 142	1 546 068
Cash and cash equivalents	910 815	1 258 125
Non-current assets held for sale	53 112	-
Total assets	4 275 777	4 718 514
Shareholders' equity	1 035 552	1 871 258
Interest-bearing debt – long term	215 898	263 086
Interest-bearing debt – short term	363 830	218 955
Other non-current liabilities	44 067	46 682
Current liabilities	2 606 411	2 318 533
Liabilities classified as held for sale	10 019	-
Total liabilities	4 275 777	4 718 514
Net cash	331 087	776 084

Statement of cash flows - extract



R '000	2014	2013
Operating (loss) / profit	(984 691)	324 886
Non-cash items	740 358	81 884
Movements in working capital	126 003	(122 343)
Other operating cash items	(83 325)	(287 142)
Cash flow from operating activities	(201 655)	(2 715)
Net property, plant and equipment	(126 031)	(119 182)
Other investing cash items	50 974	809 108
Cash flow from investing activities	(75 057)	689 926
Cash flow from financing activities	(87 374)	(506 682)
Effects of exchange rates on cash	(2 734)	(23 767)
Net movement in cash and cash equivalents	(366 820)	156 762

- ➔ Liquidity tight but manageable
- ➔ Opportunities to stabilise cash position
 - Sale of assets
 - Resolution of claims
 - Domestic medium-term note programme – Basil Read will be seeking to roll-over / replace bond of R125 million maturing in June 2015

R millions	2014	2013	
Buildings and developments	1 667	1 451	↑
Civils and plant	1 065	1 361	↓
Mining	3 774	3 919	↓
Pipelines	87	25	↑
Roads	2 246	2 978	↓
St Helena airport project	1 700	2 450	↓
Engineering	-	280	↓
Total	10 539	12 464	

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Turnaround

- ➔ Problems identified mid-2014

- ➔ Major losses projected

- ➔ Overheads
 - Large and inefficient overhead due to group and subsidiary structure
 - Lack of operating organisational structure

- ➔ Operations
 - Poor project delivery
 - Unable to turn loss making contracts around
 - Poor operating management structure

→ Overhead

- Exco and Opsco established
- Restructured organisation according to company and divisional lines, not group lines

→ Operations

- Divided the organisation into four pillars, being construction, mining, corporate services and business development
- Business units include:
 - Buildings and developments
 - Civil and plant
 - Mining
 - Pipelines
 - Roads
 - St Helena airport project

→ Subsidiaries

- Incorporate and consolidate or fix and sell
- LYT disposal in February 2015; further disposals planned

➔ Results include:

- Exco, Opsco and divisional operational structure in place
- Overhead reduced as follows
 - Costs reduced from R586 million in 2014 to budget of R280 million for 2015
 - Costs reduced from 9% to 5% as a percentage of revenue
 - Staff complement prior to actions taken - 583
 - 119 retrenchments as part of Matomo overhead reduction
 - 82 voluntary separations
 - 25 resignations
 - 18 retirements
 - 89 disposal of LYT
 - Staff complement after actions taken - 250
 - Closure of two satellite offices
- Cost of overhead reduction R38 million

→ Subsidiary companies

- Roadcrete Africa fully incorporated into Basil Read structure
- LYT Architecture disposal finalised
- Matomo – various options explored to rescue Matomo; decision taken to close them down
 - Key individuals retained to support completed projects
- Basil Read Energy – earmarked for disposal



The Basil Read vision is to be the leading construction company in southern Africa where we are the:
PREFERRED CONSTRUCTOR • PREFERRED EMPLOYER • PREFERRED INVESTMENT

To deliver safe, profitable projects and services

BUILDING LEGACIES

Buildings and Development	Pipelines
Civil and Plant	Roads
Mining	St Helena Projects

Grow Basil Read	Make our assets sweat	Modernise our corporate culture
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	2015	FUTURE
Profit	R 160 million	An increasing margin
Turnover	R 5 billion	Growth at more than CPI
Order book	R 10 billion	Improve to 2.5 times turnover
HEPS	120 cents per share	Growth in proportion to profit
Return on equity	14%	Growth in proportion to profit
Zero fatalities	Zero	Zero

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OUTLOOK



	2015	2014
(Loss) / profit after tax	R160 million	(R820,9 million)
Turnover	R5 billion	R6,5 billion
Order book	R10 billion	R10,5 billion
HEPS	120 cents per share	(362.08 cents)
ROE	14%	(51.9%)
Safety	Zero	2 fatalities

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Thank you
Any Questions?

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**ADDITIONAL
INFORMATION**



R '000	2014	2013
Buildings		
Revenue	1 125 220	921 795
Operating (loss) / profit before impairment of goodwill	(70 164)	6 286
Impairment of goodwill	(170 240)	-
Operating (loss) / profit	(240 404)	6 286
Operating margin before impairment of goodwill (%)	(6.24%)	0.68%
Operating margin (%)	(21.37%)	0.68%
Order book	1 567 075	1 350 000

R '000	2014	2013
Civils		
Revenue	1 340 225	1 373 307
Operating (loss) / profit before impairment of goodwill	(389 102)	(32 998)
Impairment of goodwill	(15 501)	-
Operating (loss) / profit	(404 603)	(32 998)
Operating margin before impairment of goodwill (%)	(29.03%)	(2.40%)
Operating margin (%)	(30.19%)	(2.40%)
Order book	1 152 111	1 385 000
* Includes the results of the TCTA project		

R '000	2014	2013
Roads		
Revenue	2 461 733	2 327 844
Operating (loss) / profit before impairment of goodwill	(87 924)	38 769
Impairment of goodwill	-	-
Operating (loss) / profit	(87 924)	38 769
Operating margin before impairment of goodwill (%)	(3.57%)	1.67%
Operating margin (%)	(3.57%)	1.67%
Order book	3 946 088	5 430 000
* Includes the results of the St Helena airport project		