



Unaudited interim results

for the six months ended
31 August 2017

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")



www.raubex.com

Agenda



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

Notes:

Company Overview



- Raubex was founded in 1974
- Started as a road construction and bridge building company
- Listed on the JSE in March 2007 under Construction and Materials sector
- Substantial growth through strategic acquisitions post listing
- Operates a vertically integrated model through a number of subsidiaries
 - Specialist in all road construction disciplines
 - Full road construction cycle
- Growth in the materials supply and mining sector including;
 - Commercial quarries, contract crushing and material handling and processing for the mining industry
- Recently diversified into infrastructure disciplines including;
 - Electricity and renewable energy (solar and wind), water, rail and housing infrastructure
- Operates throughout southern Africa
 - Botswana, Mozambique, Namibia, South Africa and Zambia
- Raubex currently employs approximately 9 000 people

Notes:

Company Overview

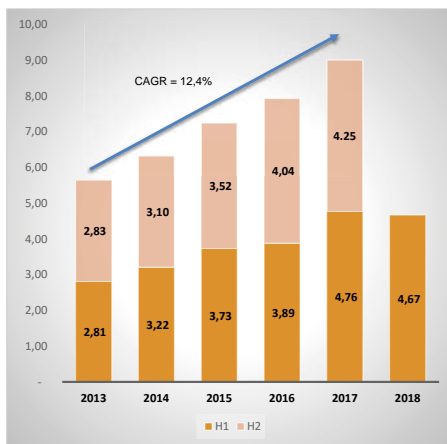


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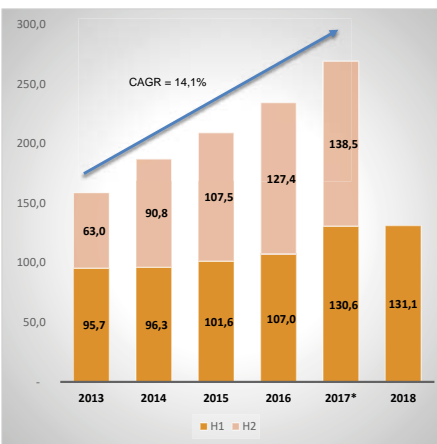
Company Overview



Revenue (Rbn)



Headline Earnings Per Share (cents)



* 2017 HEPS excludes nonrecurring Voluntary Rebuilding Programme expense of R120m

Notes:

The Period in Review



- Consistent results maintained under challenging market conditions
- Softer commercial aggregate market in Gauteng; stable conditions in the mining sector
 - Geographical expansion continued; acquisition of Lime Sales dolomite quarry bedded down
- Roads division executing well; no problem contracts
- Infrastructure division growth impacted by delay in renewable energy projects
 - Impact offset by affordable housing and commercial building activities
- International (the rest of Africa)
 - Materials related activities ongoing and stable supported by current commodity prices
 - Zambia Link 8000 suspended; regular payment pattern starting to materialise but not sufficient to resume works
 - Road contract in Namibia from Rosh Pinah to Oranjemund completed

Notes:

Group Financial Highlights



- Revenue down 2,0% to R4,67bn (H1 2017: R4,76bn)
- Operating profit down 6,1% to R370,6m (H1 2017: R394,7m)
- Group operating profit margin of 7,9% (H1 2017: 8,3%)
- HEPS up 0,4% to 131,1 cps (H1 2017: 130,6 cps)
- Cash flow from operations down 14,2% to R464,3m (H1 2017: R541,4m)
- Capital expenditure of R253,2m (H1 2017: R234,9m)
- Order book of R7,52bn (H1 2017: R8,2bn)
- Interim dividend of 45 cents per share declared

Notes:

Income Statement



	Interim results 2018 (R'000)	Interim results 2017 (R'000)	Annual results 2017 Before VRP (R'000)
Revenue	4 668 172	4 763 620	9 005 645
% growth	(2,0%)	22,5%	13,6%
EBIT	370 562	394 726	781 559
% growth	(6,1%)	19,9%	10,0%
Operating margin	7,9%	8,3%	8,7%
Net finance costs	15 913	22 163	40 307
Profit before tax	354 725	373 565	742 107
Profit after tax	254 958	263 335	533 002
Effective tax rate	28,1%	29,5%	28,2%
EPS (cents)	134,0	132,7	271,1
% growth	1,0%	22,9%	14,4%
DPS (cents)	45	45	90
ROCE	13,5%	14,7%	14,3%
Shares in issue ('000)	181 750	181 750	181 750
Treasury shares ('000)	70	1 362	1 362
Number of staff	8 953	9 926	9 871

Notes:

Statement of Financial Position – Assets



	Interim results 2018 (R'000)	Interim results 2017 (R'000)	Annual results 2017 (R'000)
Non-current assets	3 521 459	3 509 606	3 479 462
Property, plant and equipment	2 384 804	2 385 347	2 364 319
Intangible assets	881 255	845 403	851 102
Investment in associates and JV's	49 433	49 314	49 087
Deferred tax assets	46 083	46 017	40 938
Non-current inventory	69 030	77 434	73 459
Non-current trade and receivables	90 854	106 091	100 557
Current assets	3 691 687	3 495 043	3 514 320
Inventory	580 876	507 954	523 600
Construction contracts in progress	343 216	343 919	334 016
Trade and other receivables	1 722 264	1 747 211	1 553 086
Cash	1 045 331	895 959	1 103 618
Total assets	7 213 146	7 004 649	6 993 782

Notes:

Statement of Financial Position – Equity and Liabilities



	Interim results 2018 (R'000)	Interim results 2017 (R'000)	Annual results 2017 (R'000)
Equity	4 087 597	3 896 794	3 949 725
Attributable to shareholders	3 951 659	3 757 033	3 797 425
Non-controlling interest	135 938	139 761	152 300
Non-current liabilities	1 020 146	1 061 122	1 099 139
Borrowings	492 295	624 629	562 573
Deferred tax liabilities	307 600	301 138	311 608
Other	220 251	135 355	224 958
Current liabilities	2 105 403	2 046 733	1 944 918
Borrowings	379 502	411 453	388 227
Trade and other payables	1 671 284	1 585 953	1 531 571
Current income tax liabilities	54 617	49 327	25 120
Total equity and liabilities	7 213 146	7 004 649	6 993 782
Total borrowings	871 797	1 036 082	950 800
Gearing (Debt/Equity)	21,3%	26,6%	24,1%
Net debt	(173 534)	140 123	(152 818)
Gearing (Net Debt/Equity)	(4,2%)	3,6%	(3,9%)

Notes:

Statement of Cash Flows



	Interim results 2018	Interim results 2017	Annual results 2017
	(R'000)	(R'000)	(R'000)
Cash flows from operating activities			
Cash generated from operations	464 310	541 410	1 223 840
Finance costs – net	(9 837)	(20 576)	(32 410)
Taxation paid	(91 908)	(98 867)	(206 977)
Net cash generated from operating activities	362 565	421 967	984 453
Cash flows from investing activities			
Purchases of property, plant and equipment	(253 187)	(234 904)	(440 512)
Proceeds from sale of property, plant and equipment	70 950	45 205	88 986
Acquisition of subsidiaries	(32 889)	(18 233)	(26 148)
Loans to associates and joint ventures	(270)	2 370	2 450
Net cash used in investing activities	(215 396)	(205 562)	(375 224)
Cash flows from financing activities			
Proceeds from borrowings	223 132	190 488	377 903
Repayment of borrowings	(302 135)	(261 496)	(534 194)
Acquisition of interest in subsidiary	(33 685)	-	-
Dividends paid	(93 644)	(85 741)	(174 343)
Share buy-back transaction	-	(120 000)	(120 000)
Other	14	13	(20 466)
Net cash used in financing activities	(206 318)	(276 736)	(471 100)
Net (decrease)/increase in cash and cash equivalents	(59 149)	(60 331)	138 129
Cash and cash equivalents at the beginning of the year	1 103 618	969 736	969 736
Effect of exchange rates on cash and cash equivalents	862	(13 446)	(4 247)
Cash and cash equivalents at the end of the period	1 045 331	895 959	1 103 618

Notes:

Segmental analysis



Operating segments	Materials	Road surfacing and rehab	Road construction	Infrastructure	Consolidated
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%
August 2016					
Revenue (R'000)	1 284 154	1 913 560	792 441	773 465	4 763 620
Operating profit (R'000)	191 163	116 267	52 776	34 520	394 726
Operating margin	14,9%	6,1%	6,7%	4,5%	8,3%
Geographical segments	Local	% of Group	International	% of Group	
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%		
August 2016					
Revenue (R'000)	4 119 930	86,5%	643 690	13,5%	
Operating profit (R'000)	289 028	73,2%	105 698	26,8%	
Operating margin	7,0%		16,4%		

Notes:

Dividend Declaration



- Interim cash dividend declared of 45 cents per share
- 3 times cover policy maintained
- Relevant dates
 - Last day to trade cum dividend - Tuesday, 28 November 2017
 - Commence trading ex dividend - Wednesday, 29 November 2017
 - Record date - Friday, 1 December 2017
 - Payment date - Monday, 4 December 2017

Notes:

Materials Division



- Revenue increased 7,7% to R1,38bn (H1 2017: R1,28bn)
- Operating profit decreased 10,3% to R171,5m (H1 2017: R191,2m)
- Operating margin decreased to 12,4% (H1 2017: 14,9%)
- Capital expenditure of R173,9m (H1 2017: R136,7m)
- Order book of R1,98bn (H1 2017: R1,75bn)
- Softer commercial aggregate market in Gauteng; expected to stabilise at current level
- Stable conditions in the mining sector supported by current commodity prices
 - Improving conditions in the iron ore sector
- Contract crushing activities in the construction sector remain challenging
- Acquisitions being pursued in line with strategy to drive growth
 - Lime Sales bedded down; further geographical expansion opportunities being explored

Notes:

Road Surfacing and Rehabilitation Division



- Revenue decreased 7,4% to R1,77bn (H1 2017: R1,91bn)
- Operating profit decreased 0,6% to R115,6m (H1 2017: R116,3m)
- Operating margin increased to 6,5% (H1 2017: 6,1%)
- Capital expenditure of R60,9m (H1 2017: R43,2m)
- Order book of R2,23bn (H1 2017: R3,04bn)
 - SANRAL contracts: activity spike in H1 2017, budget spend delay in H1 2018
- No bitumen supply issues experienced in H1
 - Fully stocked for planned refinery shutdowns in H2
- Competitive conditions persist in the asphalt supply market
 - Delayed SANRAL spend; margin pressure
- Short term order book secured

Asphalt Production	H1 2018	H1 2017	FY 2017
Utilised capacity (total capacity = 2 250 kts)	645kts	822kts	1 449kts
Revenue	R677,9m	R804,4m	R1,469bn
Operating profit	R33,2m	R70,9m	R118,3m

Notes:

Road Construction and Earthworks Division



- Revenue increased 5,3% to R834,1m (H1 2017: R792,4m)
- Operating profit increased 21,0% to R63,9m (H1 2017: R52,8m)
- Operating margin increased to 7,7% (H1 2017: 6,7%)
- Capital expenditure of R8,6m (H1 2017: R35,7m)
- Order book of R1,73bn (H1 2017: R2,0bn); includes Zambia Link 8000 of R841,5m
- Namibia road contract successfully completed; supported margin
- Focus now on order book replacement to secure short term work flow
 - Lower volume of work out to tender from SANRAL; delay in budget spend
 - Opportunities being pursued to secure work from concessions; Bakwena, TRAC, N3TC
 - Zambia contracts still suspended, could resume if fiscal conditions in the country improve; not there yet
- Experiencing margin pressure in the South African market
- Higher margin opportunities in the rest of Africa continue to be explored to secure medium term work flow

Notes:

- Revenue decreased 12,3% to R678,6m (H1 2017: R773,5m)
- Operating profit decreased 43,4% to R19,5m (H1 2017: R34,5m)
- Operating margin decreased to 2,9% (H1 2017: 4,5%)
- Capital expenditure of R9,8m (H1 2017: R19,3m)
- Order book of R1,59bn (H1 2017: R1,40bn)
 - Growth in affordable housing and commercial building sector supporting order book
 - Entered niche new market of commercial building refurbishment; Raubex Renovo
- Renewable energy projects completed; future projects delayed by Eskom
 - Claim on Ilanga Solar 1 CSP to be settled through arbitration; value R50m
 - Wind farms projects to the value R678m secured with client pending Eskom signoff; not included in order book
- Roll-out of water infrastructure remains critically slow

Notes:

International operations



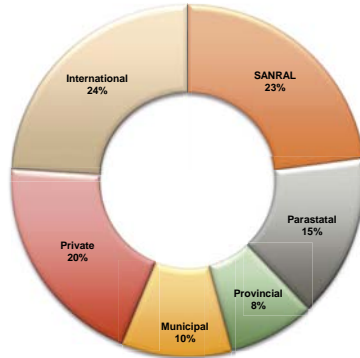
- Revenue decreased 15,9% to R541,1m (H1 2017: R643,7m); 11,6% of Group total
- Operating profit increased 3,8% to R109,8m (H1 2017: R105,7m); 29,6% of Group total
- Operating margin increased to 20,3% (H1 2017: 16,4%)
- Order book of R2,16bn (H1 2017: R2,15bn); 28,8% of Group total
- Materials division supporting the order book
- International margin improved due to completion of Namibian road contract
- Link 8000 contracts in Zambia remain suspended; R841,5m
 - Debt outstanding R156,2m; 3 payments totaling R24,0m received in H1
 - Payment pattern improving; will resume if debt is settled and fiscal conditions improve
- International acquisitions being investigated
 - Acquisition of a small civil construction business in Australia in final stages of completion
 - Target company to be used as a platform to secure medium term growth

Notes:

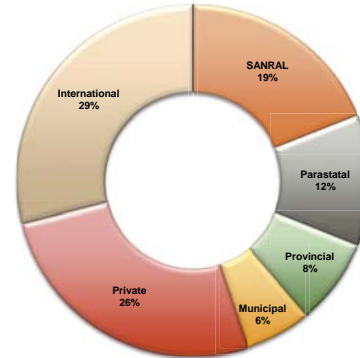
Order book



FY 2017



H1 2018



Timing	R8,035bn
FY 2018	R6,247bn
FY 2019	R1,428bn
FY 2020	R0,360bn
Beyond	-

Timing	R7,518bn
FY 2018 (6mths)	R3,486bn
FY 2019 (12mths)	R3,073bn
FY 2020 (12mths)	R0,711bn
Beyond	R0,248bn

Notes:

Lime Sales Ltd – Dolomite quarry in Moorreesburg

- Effective date - 1 March 2017
- Revenue (6 months) - R27,8m
- Net profit (6 months) - R4,5m
- Purchase price - R37m
- Percentage acquired - 74%



Notes:

Industry matters The South African National Roads Agency Limited



- SANRAL is a valued client; 17% of total Group revenue
- Draft transformation policy launched in September 2017
- Process of consultation underway; period for comments closes December 2017
- Pre qualification criteria
 - Level 2 B-BBEE, 51% black owned
 - Raubex are a level 2 B-BBEE and 40,2% black owned based on Generic Scorecard
- Constructive engagement held with SANRAL
- Ownership requirement can be achieved through JV's with black enterprises

Notes:

Major Projects Progress



Notes:

Namibia Roads Authority: Rosh Pinah to Oranjemund – R559m



Notes:

Phumelela Municipality: Construction of Cornelis River Dam – R90m



Notes:

Phumelela Municipality: Construction of Cornelis River Dam – R90m



Notes:

NMC Civils: Construction of Val de Vie bridge, Western Cape – R41m



Notes:

Innosun Energy wind park: Luderitz, Namibia – R31m



Notes:

Transnet: Concrete repair works at Robinson Drydock – R 5m



Notes:

Belabela Quarry: Gaborone, Botswana



Notes:

Material handling contract in Namibia



Notes:

Coal crushing contract in Mpumalanga, South Africa



Notes:

Contract crushing in Petra Quarry, Bloemfontein



Notes:

Department of Roads Northern Cape: Sink hole repair – R22m



Notes:

Kentha Developers: Hillside View phase 3 & 4, Bloemfontein – R153m



Notes:

Woodwind Estates Development: 871 residential opportunities
152 units completed, 146 units transferred, 78 units under construction



Notes:

Raubex Renovo

Zatara Property Group: Preller Mall Development – R150m



Notes:

Conclusion



- **Materials division diversifies the Group from the construction sector**
 - 46,3% of Group operating profit
 - Conditions expected to remain stable; acquisitions will be pursued to drive growth
- **South African construction market currently not conducive to growth**
 - Continue to pursue higher margin work in the rest of Africa and opportunities in other markets
 - Raubex Renovo to diversify revenue streams and support growth; order book of R322m
 - International expansion into Australian market
- **Lower secured order book in the Roads division; quality still good**
 - Margin pressure expected to replace order book
- **Prospects to secure more renewable energy work are encouraging**
 - Timing is uncertain due to Eskom policy
- **Activities in affordable housing and commercial building market expected to be maintained**
- **Industry Settlement Agreement ongoing; Emerging Contractors selected**
 - Emerging Contractors to assist in meeting SANRAL tender conditions
- **Strong balance sheet to be maintained while seeking opportunities to enhance shareholder value**

Notes:
