# MACQUARIE CONFERENCE 2017

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# MATERIAL ISSUES

## MARKET DYNAMICS

- Low-growth environment persists – affecting business and consumer confidence
- Increasing local political instability and policy uncertainty impacts investor confidence
- Confidence in the sector is at a 17-year low* underpinned by weak growth in activity
- High activity levels in Australia continue, both building and infrastructure

## SKILL SHORTAGES AND CAPACITY CONSTRAINTS

- Alignment of workforce with volume of work on hand
- Rapid commencement of four projects in West Africa
- High demand for construction professionals in Australia infrastructure markets

## REPUTATION AND CULTURE

- Competition Commission cases ongoing
- Retain culture of loyal, motivated and committed operational teams and support services
- Settlement agreement (VRP) not having impact (SANRAL) and SOE procurement policies
- Reputational consequences of fatalities and crane collapse in Australia

## TRANSFORMATION AND LOCALISATION

- Transformation within the industry a government priority
- Deliver VRP commitments
- Level 3 status on generic codes – valid to June 2018
- New Construction Sector Codes approved by cabinet but still to be gazetted
- Localisation practices gaining traction in the rest of Africa
- DOL major pressures on employment equity

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* FNB Bureau of Economic Research Civil Confidence Index

# NEW MARKETS

## UNITED KINGDOM

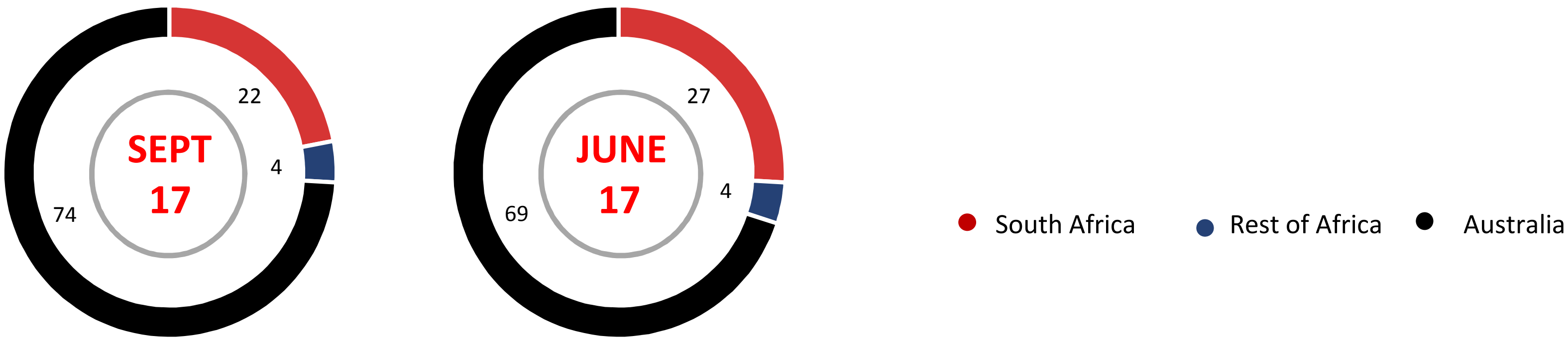
- Part of the group's diversification strategy to mitigate stagnant South African market
- UK market has experienced good growth
- Impact of Brexit still uncertain
- Acquired – 40% interest in Byrne group; further potential acquisitions being considered

## IKUSASA RAIL

- Strategic acquisition looking to opportunities in Africa
- Possible projects require CAPEX spend
- Locally, 51% black-owned
- Opportunity to work with local SOEs

# CONSOLIDATED ORDER BOOK

| GEOGRAPHIC (R'm) | June 2017 | September 2017 | Balance to June 2018 | 2019 and beyond |
|---|---|---|---|---|
| South Africa | 11 708 | 11 843 | 7 063 | 4 780 |
| Rest of Africa | 1 643 | 1 896 | 1 382 | 514 |
| Australia | 31 526 | 39 698 | 15 572 | 24 126 |
| **TOTAL** | **44 876** | **53 437** | **24 017** | **29 420** |

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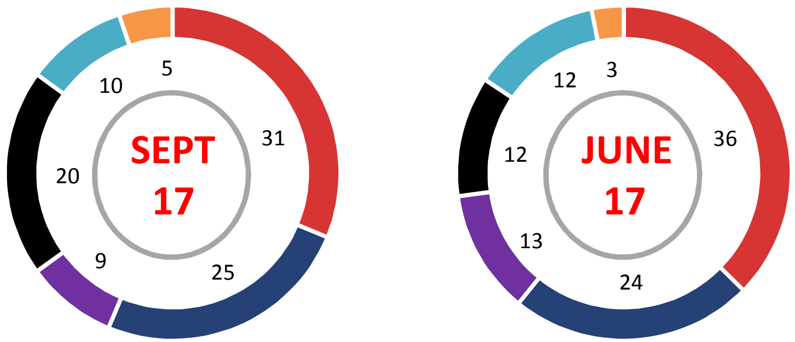
# BUILDING AND CIVIL ENGINEERING

| ORDER BOOK (R'm) | % growth | September 2017 | June 2017 |
|---|---|---|---|
| South Africa | 12 | 7 510 | 6 738 |
| Rest of Africa | 50 | 677 | 451 |
| **TOTAL** | **14** | **8 187** | **7 189** |

| New Projects | | Value ('m) |
|---|---|---|
| Umhlanga Arch | KZN | ZAR 808 |
| Oceans Umhlanga | KZN | ZAR 496 |
| Lakeside Office | GP | ZAR 411 |
| The Trilogy | GP | ZAR 404 |
| Takoradi Mall | Ghana | USD 21,7 |
| Milpark Southblock | GP | ZAR 386 |
| 144 Oxford (50% share) | GP | ZAR 337 |




- Commercial
- Retail
- Residential
- Healthcare and leisure
- Energy infrastructure
- Civil works / industrial

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# MARKET UPDATE - BUILDING AND CIVIL ENGINEERING

## SOUTH AFRICA

BUILDING:

- Local work diminishing but commercial projects remains consistent with 2017 execution
- Good order book replenishment in Western Cape KZN and Gauteng

CIVIL ENGINEERING:

- Despite continued enquiries from mining houses, no recovery in overall activity
- Expanded scope to include coastal markets as well as marine construction works

## REST OF AFRICA

BUILDING:

- 1st commercial office project in Ghana progressing well
- 3 additional projects in Ghana targeted
- Opportunities in additional geographies being explored

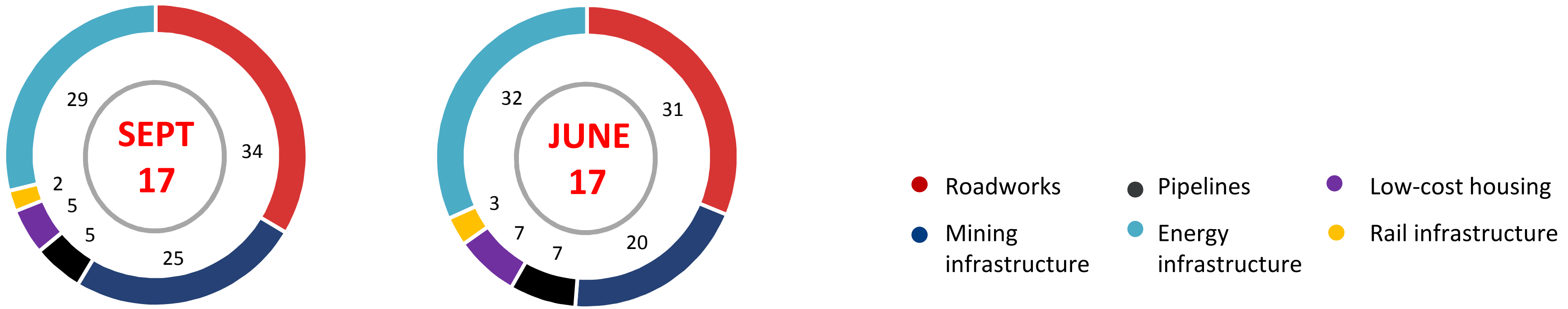
CIVIL ENGINEERING:

- Smaller mining infrastructure projects in Zambia ongoing
- Expanding client base and footprint in-country
- Renewable energy projects present potential opportunities
- Entry into West Africa together with Roads and Earthworks division

# ROADS AND EARTHWORKS

| ORDER BOOK (R'm) | % growth | September 2017 | June 2017 |
|---|---|---|---|
| South Africa | (13) | 4 333 | 4 969 |
| Rest of Africa | 2 | 1 219 | 1 192 |
| **TOTAL** | **(10)** | **5 552** | **6 161** |

| New Projects | | Value ('m) |
|---|---|---|
| Orapa Dam | Botswana | Pula 565 |
| Sasol PPA | Mozambique | MZN 358 |
| Saldanha Greenfields | WC | ZAR 248 |

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# MARKET UPDATE - ROADS AND EARTHWORKS

## SOUTH AFRICA

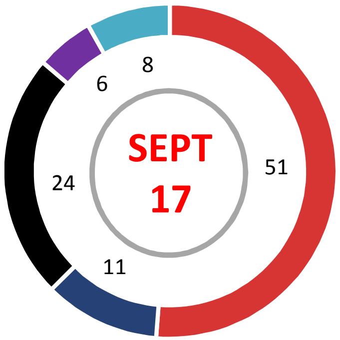
- A number of private sector projects awarded – potential for further work
- Additional road work projects anticipated in Q3 and Q4
- Opportunities in Pipeline market although fewer large projects available - high levels of competition remain
- Additional houses awarded on existing rural housing projects

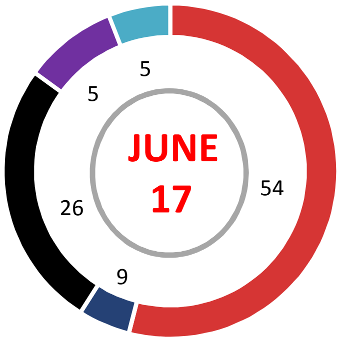
## REST OF AFRICA

- Botswana market remains quiet – secured anchor project at Orapa
- Mozambique market has slowed – Section 16 of EN4 in progress
- Smaller mining infrastructure projects in Ghana continue
- Opportunities in new geographies also being pursued

# AUSTRALIA

| ORDER BOOK (R'm) | % growth | September 2017 | June 2017 |
|---|---|---|---|
| Building | 24 | 36 723 | 29 740 |
| Civil engineering | 67 | 2 975 | 1 786 |
| **TOTAL** | **26** | **39 698** | **31 526** |




| **New Projects** | **Value (AUD'm)** |
|---|---|
| Civil engineering: | |
| Ellerton Drive extension | 52,3 |
| Margaret River perimeter road | 22,8 |
| Olympic Dam Mining Work | 49,9 |
| Building: | |
| Westside Place Residential (VIC) | 690,6 |
| Caulfield Village Residential Precinct 2 (VIC) | 129,8 |
| Murray Street (WA) | 206 |
| Queens Wharf Excavation (QLD) (*secured October 2017*) | 75,5 |

- Residential
- Commercial
- Retail
- Healthcare and leisure
- Civil works and mining infrastructure

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# MARKET UPDATE - AUSTRALIA

- Deteriorating ZAR exchange rate from June (9.99) to September (10.62)
- Impact on order book at September R2,4 billion

BUILDING:

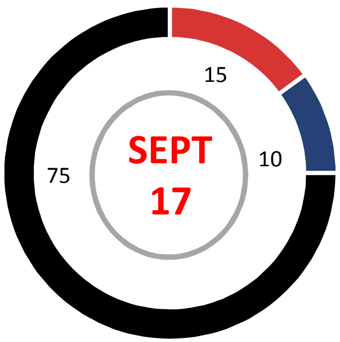
- Inner-city residential towers slow; opportunity to convert to suburban residential towers
- Increasing need for hotel developments to match tourism demand
- Building order book remains at high levels
- Growth in other states reducing reliance on Victoria
- Focus on project execution for FY18

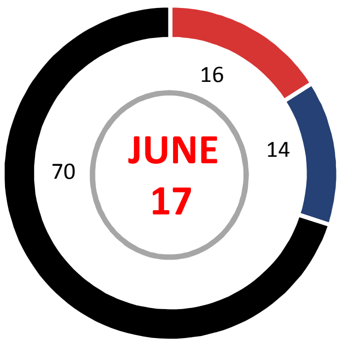
CIVIL ENGINEERING:

- Significant levels of activity, particularly in eastern seaboard states of Victoria and NSW
- Targeting public infrastructure projects in metropolitan cities bearing fruit
- Signs of improvement in Western Australia mining market
- Sector diversification in Western Australia
- Defense projects in North Australia creates opportunities
- Order book improving
- Preferred bidder OSAR project, public-private partnership with Victoria State Government

# CONSOLIDATED ORDER BOOK

| SEGMENT (R'm) | June 2017 | September 2017 | Balance to June 2018 | 2019 and beyond |
|---|---|---|---|---|
| Building and civil engineering | 7 189 | 8 187 | 4 964 | 3 223 |
| Roads and earthworks | 6 161 | 5 552 | 3 481 | 2 071 |
| Australia | 31 526 | 39 698 | 15 572 | 24 126 |
| **TOTAL** | **44 876** | **53 437** | **24 017** | **29 420** |




● Building and civil engineering ● Roads and earthworks ● Australia

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# FUTURE LARGE INFRASTRUCTURE PROJECTS IN SOUTHERN AFRICA

| PROJECT | Description | Value | Expected start | Remarks |
|---|---|---|---|---|
| Durban Container Terminal Pier 2 | Berths 203 – 205 | R4 billion | June 2018 | Bids submitted August 2017 |
| Lesotho Highlands phase II | Polihali Dam, Transfer tunnel and Advance Infrastructure | R13 billion | Early works April 2018 | Access road and Diversion tunnel bids out |
| Darwindale (Zimbabwe) | New platinum mine | R2 billion | Mid-2018 | Bids submitted |
| Sappi Saicor Umkomaas | Plant upgrade | R3 billion | Mid-2018 | Bids due early 2018 |
| N2 Wild Coast toll road | Freeway | R3 billion | Late 2018 | Mtentu River bridge awarded Msikaba River bridge being retendered – Roadworks tender 2018 |
| Jwaneng Mine Botswana | Cut 9 | R4 billion | Early 2019 | Bids due mid-2018 |
| Durban Container Terminal | Pier 1 infill project | R2 billion | 2019 | Bids due May 2018 |
| Anadarko Mozambique LNG | 2 train LNG terminal | $8 billion | Jan 2019 | Agreement signed with Mozambique government July 17 – close to FID – early works tenders out |
| ENI Mozambique LNG project | 2 train LNG terminal | $8 billion | 2020 | Agreement signed with Mozambique government July 17 |

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