



## INTERVIEW WITH HENRY LAAS

### Interviewer

Congratulations on being selected as the new group Chief Executive, Henry. There are certainly great challenges that lie ahead, and we'd like to talk to you about some of those. But please could you share a bit about your family and background for us just to get started?

### Henry Laas

Thank you, first of all. I'm 52 years old. I'm a mining engineer and I've been with Murray & Roberts for ten years. I'm married. Two children, 27 and 25 years old. And I'm a family man. My family is very important to me. But also the employees in Murray & Roberts are equally important to me. I'm a guy that's very success-driven. I hate failure. And that is part of the reason why I made myself available for this position, because I do believe that Murray & Roberts has got a great future ahead of it and there is an opportunity for me to lead the organisation onto this new future which I've got a lot of faith in.

### Interviewer

How do you feel about taking up the challenges as group CE after the elation of the World Cup and certainly Murray & Roberts' great success in terms of construction during that event?

### Henry Laas

Look, I really look forward to it. And I think what is good is that Murray & Roberts did find a successor to Brian which is an internal candidate. You mentioned earlier on that we do have challenges to address, and being part of the group for a number of years I know what those challenges are and I know what to do about them. I think it would be

very difficult for an external candidate to move into the organisation at this time. So for me it is going to be something that I really look forward to. And I think it's also good then for the organisation, not only to be familiar with the new CEO but also for the organisation to believe in itself that they can produce people that can take over at the top from within the organisation.

### **Interviewer**

What is the current state of the construction, engineering and underground mining markets in which Murray & Roberts operates?

### **Henry Laas**

When you talk about construction and mining you need to understand that those sectors are very different. Our mining business is a global business and we are positioned globally. And the mining market globally is a very strong market at this stage. It has been strong for the last couple of years and I expect it to be strong for many more years to come. So that part of our business, the mining part of it, is well positioned in the current economy and I think is going to present us with very nice growth opportunities into the future. The other part of our construction business which you have not mentioned is Clough, our investment that we have in Australia, a business very active in the oil and gas market. And the oil and gas market in Australia is very buoyant at this stage. Not only that, but also the metals and minerals market. So I believe Clough is really well positioned in a market that is growing very strongly to do well into the future.

A part of the business where we are suffering a little bit at this stage is the construction sector in South Africa. When you look at our civil engineering or civil infrastructure type work that we do and the building work it is primarily in SADC, the Southern Africa region, and we do some work in the Middle East. And in the Middle East we have been very dependent on Dubai for the past couple of years, and that economy is finding itself in a very difficult space. So our construction business, the traditional building and civil infrastructure work, is going to struggle for the next year or so. The economy is still very depressed, the construction economy in both those markets, in South Africa as well as the Dubai area. So I don't expect that part of the group, or at least construction activity, to really move into a more buoyant market in the very near future. It's going to take some time for them to recover. But on average the business is well positioned for

growth if you consider the relative size of the mining business and Clough relative to our building and civil engineering business.

### **Interviewer**

Henry, you've applied for leniency in the Competition Commission's investigations. What is your view on the Competition Commission industry issues and how does it affect Murray & Roberts?

### **Henry Laas**

We need to be honest with each other here. Towards the late 1990s and early 2000 collusive tendering was very common in the construction sector, and I guess in certain parts of Murray & Roberts as well. My predecessor has done a lot of hard work to eradicate any collusive behaviour from the organisation and I think he has done a great job in doing so. But you can never really ensure that you've dealt with it in the organisation because you are dependent on people and people fail. They're not perfect. So you are exposed to the activities and the decisions and actions of the people in the business. But Murray & Roberts has taken a position. We're not a corrupt organisation and we will not tolerate any anti-competitive behaviour. It has been part of the group for the last couple of years. That position has been well established within Murray & Roberts.

What has happened recently, the Competition Commission in South Africa come forward and presented an opportunity to the construction businesses to come clean, to identify those projects where there might have been some collusive activity. And we have done a search in the organisation not only with our internal leadership but also brought people in from outside to assist us with this process. We did identify a few projects, so in the fast track application that went in on the 15<sup>th</sup> April we have participated in that process and we have put in an application, which effectively means that as far as those projects are concerned there is an admission of guilt. Many of them we don't have strong evidence. It is just a person that would say based on certain information there is a likelihood that there might have been some collusive activity. But as I said earlier on we're not a corrupt organisation, and even those were included in our fast track application. So we're now waiting for the competition authorities to work through the application and we will engage them as soon as they are ready to take about these issues. But I am not aware of any anti-competitive behaviour within Murray

& Roberts. It is definitely something of the past, but currently I don't know about anything. And I can tell you the executive team working with me is also very clear around that. We don't tolerate it within Murray & Roberts.

### **Interviewer**

Now tell me, Henry, the construction, engineering and underground mining industries also face an uphill battle in terms of fatalities, safety, injuries and so on. What is Murray & Roberts doing to prevent injuries and fatalities on its sites? You've said you're striving for zero harm.

### **Henry Laas**

You know, when you talk about Murray & Roberts not to talk in too broad terms about the organisation. In its construction activities each of the businesses relatively speaking to its competitors to the market are performing relatively well. In our mining business our safety performance is relatively good compared to others in the industry, and the same for other parts of the business. But in absolute terms it is unacceptable. You cannot say that it is fine for a person to come to work and then to get injured in the workplace or to lose his or her life. So for us it is really a moral thing. I think we've crossed the bridge now and to us it's a moral obligation to ensure that our people do not get injured in the workplace. And we're doing a lot of work in that area. We've recently appointed DuPont which is world-wide known consultant in the field of safety. And I'm confident that their contribution will assist us to improve our safety performance further into the future.

### **Interviewer**

As a final question could you just give us some sense of your particular vision?

### **Henry Laas**

I'm very excited about the future of Murray & Roberts, and the strategy that I've developed is a three year view at this stage, and I refer to it as the recovery and growth plan. The first year being the recovery year to June next year is primarily about our balance sheet, getting that strong again. We've got a plan around that, and it is primarily based on three aspects. The first is resolving our working capital issues around our major projects. The second aspect of it is the cash that we generate within the organisation. With the Gautrain project coming to the end the cash drain on the

organisation has also come to an end. The resolution on the power programme is going to take cash flow pressures off us into the future. And I'm confident that we will have strong cash flow generation within the business. But we have also identified a certain number of businesses as businesses which are up for sale which are discontinued operations and we don't view those as core to Murray & Roberts. And I think under the current circumstances we need to dispose of those businesses. And it is really our steel business and two smaller businesses that we own in the Middle East. Some of those transactions are well advanced and the others are work in progress but good progress.

So I'm confident that the recovery period based on resolution of our working capital issues on major projects, disposal of discontinued operations and cash generation within the business will put us in the position that we will have a relatively healthy net cash position where we are currently in a net debt position to swing that around from net debt to net cash by June next year. But we also need to define our growth plan for Murray & Roberts, and to do that we need to look at these three major areas of the group. I think the Cementation business, the mining business will do well, but there must be an acquisition in its future. Somewhere in its future there must be an acquisition. We know where we want to go with that business. It's about really getting our minds around the implementation of that. But it is not something that is going to happen whilst our focus is on recovery. It's longer term. But that's what we need to do with our mining business.

As far as Clough is concerned we made our first investment in 2004 and we have recapitalised the business three times since then. But now the business is finding itself in a market which is a buoyant market and we need to think how we're going to optimise the value from our investment in Clough to the benefit of our shareholders. Whether we need to increase our investment, whether we need to reduce it, what it is that we want to do with Clough. So in terms of growth into the future there is a specific plan for Clough that we need to define and we need to implement.

And then the construction business here in South Africa. My view is that the construction economy in South Africa is probably not big enough for all the players that we have in the sector, and I would like to consider some consolidation some time into the future as far as this local construction industry is concerned. So that is really what I

would like to do. In the next 12 months it is about recovery. Get my mind around what is required in each of these three major construction businesses; implement that in the 2013 and 2014 financial year. And that should give us the growth that we all would like to see in the business.