Conference call transcript

3 March 2022

INTERIM RESULTS PRESENTATION TO INVESTORS AND ANALYSTS
FOR THE PERIOD ENDED 31 DECEMBER 2021

Ed Jardim
Good day ladies and gentlemen. Good day to our stakeholders on the webcast as well as on the call. Welcome to the Murray & Roberts half year results for the six months leading up to 31 December 2021. Just before I hand over to Henry and Daniël to lead us through the presentation, for those on the webcast and the call I encourage you to please ask your questions through the duration of the presentation. You will see on the webcast there is a question box on the top left-hand side of your screen where you can log your questions, and those will come through to us during the course of the presentation so that we can have a constructive Q&A session towards the end of the presentation. With that I'd like to hand over to Henry Laas, group CEO, to lead us through the slides. Thank you Henry.

Henry Laas
Thank you very much Ed. Ladies and gentlemen, good afternoon and welcome to our results presentation. I really do hope that when we do the full year results towards the end of August this year that we can do it in person and that we can host you at our corporate office here in Bedfordview. So I really look forward to that, and hopefully that will be a positive experience for all of us. Murray & Roberts is a multinational engineering and contracting group. We've been through a period of quite extensive transformation over the last couple of years. And you will see in this presentation we've included three videos. The idea is just to give you a better feel of the type of project work that we are undertaking within the business. The three videos are all from our Energy, Resources & Infrastructure platform. And it covers projects that we are doing not only in Australia but also in the US.

[Plays video]. The video was from a project in the USA just outside of Houston called Project Traveller, an LNG plant that is under construction. As I said, that is part of the ERI platform. We're going to follow more or less the same format as we normally do. I will start off by talking about the strategy, the salient features of the results, and a bit more detail around our order book. And Daniël will come and talk in a lot more detail about the financials. I will then end off with the presentation take-aways.

I would like to start this presentation by just sharing with you again a bit more detail about the new strategic future plan for Murray & Roberts. As I said, today it is a multinational engineering and contract group. And 2017 when we sold our Infrastructure & Building platform in South Africa was really the break from the group being a South African construction company. There are a few key focus areas for us. The first is to be a multinational specialised engineering and contracting group that is focussed on the natural resources market sectors. There is a lot of meaning to that statement because first of all there is a differential between a specialist contractor and a general contractor, and we have elected to be a specialist contractor.

Secondly, it defines our geographic reach, which is multinational, our core business, which is engineering and contracting, and then our market focus, which is predominantly energy, metals and minerals, power and water and specialised infrastructure. Secondly, we have elected to provide our services across the project lifecycle, in other words right from the design stage, the engineering phase, through the project implementation, commissioning and even operations and maintenance. And we do that because it gives us the opportunity to generate value not only from one aspect of the project lifecycle but across the project lifecycle. And I also think it contributes to our ability to be more competitive in the market. We employ a number of contracting models ranging from cost plus to EPC lump sum. Now, on these two first statements you have seen we have given it a green rating on that hexagon on the right, which essentially means that we believe we have achieved what we set out to achieve on those key points.

If I move on to the third point, which is engineered excellence, that is a standard that we wish to achieve in everything that we do. There is an amber rating because excellence is something that we aspire towards and there is always room for improvement. But you will see especially when it comes to the health and safety part of the group we have really done remarkably well in the first six months of this financial year. And then we would like to achieve growth through acquisition and also through organic growth. In the past couple of years we've concluded four acquisitions, one of them in South Africa and the other three all in the USA. What we are trying to do is focus on developed markets where we believe we can attract higher margins and also do work in market sectors where higher margins are possible. Also an amber rating. I think acquisitions will always be a part of Murray & Roberts' future, and for that reason an amber rating.

And then we would like to enhance shareholder value, which is about financial performance. And ultimately given the way in which the group has repositioned itself as a multinational business we have to think about the potential or the benefit of a potential offshore listing or a delisting in time to come. Currently with our market cap at around R6 billion, I think that will be difficult to achieve, so it will probably be associated with some other form of corporate transaction. But the strategic future for Murray & Roberts is important that we understand that Murray & Roberts as a group has transformed and it is different to what it has been in the periods leading up to about 2017.

Engineered excellence is something that is very important in the group. It is a philosophy that we apply across all our businesses. And we need to understand that an engineering and contracting business is a business that takes on risks, and sometimes significant risks. Risk management is for that reason of crucial importance to our business and is just not negotiable. I've got two slides on risk management. What I'm trying to explain here on this slide is risk management for us starts from when we engage in an opportunity to being the successful bidder eventually and securing the contract. And the second part of risk management is really during the implementation phase. And there are specific focus areas during the opportunity management phase and then during the implementation phase. If you will allow me just a few minutes to spend some time on these two slides on risk management.

First of all, in managing the opportunity it starts off with the tender that's being issued by the client. We will receive the tender and pre-tender a decision is required as to whether we're going to bid on this opportunity or not. It is a decision to bid that needs to be taken. All these opportunities that we decide to tender on get captured in our opportunity management system, which is a system which applies across the group. And all opportunities that we tender on, whether in South Africa, Australia or the US, any part of the world, gets captured on the opportunity management system. In the decision when we decide whether we want to bid or not, there are many considerations. But some of them would include considering our contracting principles, in other words the commercials that have been proposed with the enquiry document. How big is the gap between that and principles that we are prepared to contract under?

Secondly, the lessons learnt on previous projects. How relevant would it be to this tender that we are considering responding to? Then we also have minimum requirements for certain contracts. So there is an assessment that gets done on that opportunity that the Managing Director of that operating company has got the authority to decide when to submit a bid or not to submit a bid. If the decision is to submit a bid, as I said it all gets captured in the opportunity management system.

Then I want to move on to the tender block that you can see on this slide. Within the opportunity management system it is populated with the group's risk tolerance filters. And the risk tolerance is approved by the Murray & Roberts Holdings board. And it covers variables such as the contract value, the location of the project, the contract law, the revenue basis, the project type, the scope of work, who the client is, who the consultants and potential partners are on a project. All of this gets captured on the OMS. The OMS then automatically against the risk tolerance framework would assess the rating of a project, which would either be purple, red, amber or green.

Now, a purple opportunity requires ultimate approval from the Murray & Roberts Holdings board. Red is approval from the Murray & Roberts Ltd. board. Amber is the CEO of each of the three platforms within the group. And if it is green it gets approved at the MD level of the operating company. The purpose of this filter and risk tolerance and categorising of opportunities as either purple, red, amber or green is essentially to determine where the authority lies to approve a tender for submission.

During the tender compilation there is a complete and very thorough risk assessment that gets conducted. And then those risks need to be mitigated, and decisions are required on how it will be mitigated. Will the risks be priced? Will there be a contingency set aside for this risk? Or will we contract out of these risks? In other words say to the client we're not prepared to accept that risk and pass the risk back to the client. Then on our EPC projects we require independent reviews on our tenders. In other words, we invite an independent third party in to go through our tender and just to confirm whether the tender is reasonable and correct. Then Murray & Roberts Ltd has to approve all the red and purple prospects. As I said, purple eventually goes on to Murray & Roberts Holdings board for approval.

Once we get to the stage that the approval was granted and we were successful with our tender, it is important then for the company that's implementing that or that is closing out that award to make sure that the mandate in the commercial terms are the same as the mandate as was provided by the approval body, whether it was Murray & Roberts Holdings, Murray & Roberts Ltd, the platform CEO or the operating company MD. And any deviations to that mandate at that stage need to come back to the appropriate authority level where the approval was granted for the tender to be submitted. So all of this is part of the process before we get to the stage of including an award in our order book. And that only happens when all the commercial terms have been agreed and signed off.

Once that has happened we move on to the implementation phase, project delivery and close out. And what happens right at the beginning is there is a handover meeting. The team that put the bid and the tender together hands it over to the team that is going to be responsible for the implementation. And many times we include executives or senior management from the implementation team into the bid team so that there is good knowledge of what the project is all about.

So this all happens, and then there is also what we refer to as a 'know your contract' training session which is a training session for the implementation team on the detailed contract requirements. What is written into the contract? What are the terms and conditions of the contract? Make sure that the project team understands that very well. And once a project gets off the ground, the project team will then present that to the executives in that business through a readiness presentation their understanding of the project just to confirm that there is no misunderstanding between the bid team and execution team on how the project needs to be delivered.

We then move into a delivery phase, which can be one year or can be five years. But throughout that period on a monthly basis there is an operating company project performance review. We look at HSE performance, the financial performance on the project, the schedule performance, whether there are claims, whether there are variations. What is the forecast to completion? Do these get updated on a regular basis? What we also require from our businesses is within each of the relevant business platforms that implement the project at about 20% completion stage there is an independent platform review on that project and on the project performance. It's just another lens through which we look at the project to make sure that everything is in accordance with our expectations.

Then there are additional interventions. Should we find that a project for some or other reason is starting to show signs of being a project in distress, we've got the process in place where the Murray & Roberts Ltd project oversight committee would then consider those opportunities and see whether there is any advice that could be given to the project team or any support, any interaction or any intervention that could take the project that is showing signs of distress to put it back onto the rails again.

Then on a quarterly basis the team including myself and the CFO would then go to the platform executives and we would do an oversight review of all our projects. That is essentially by looking at what we refer to as the margin analysis. And that indicates to us whether there are projects showing signs of distress or not. But hopefully we close the projects out successfully or we complete them successfully.

But then we get into the close out period. The close out period is after we've completed the project. There are lots of things that need to happen. There are residual exposures relating to our accounts, our claims, our bonds, warrantees. There are patent and latent defects that we need to attend to. And eventually the project gets closed out. So by us applying this rigorous process we're not guaranteed that we will never have a problem on a project, but I can tell you that if go through this rigorous process we would have numerous problems on projects which we currently don't have.

The one thing I think which is also important for our stakeholders to understand is in the majority of instances when you start to build a project it is only on the first initial period, week or month that we find ourselves in a position where there is no change in the project. As you know, in putting a project together there are many assumptions during the design phase, even during the initial tender stage. And the reality is sometimes different to what you have assumed. And these differences need to be closed out in the commercial process. Now, a project value never goes down. It always goes up. It goes up with variations. It goes up with many other reasons, but it never goes down. And with clients if a project value increases, they need to pay us more for completing the work.

So it's never an easy conversation with clients. They don't want to part with their money. But we have to be fair and clients have to be fair. For that reason it's important that our commercial documents give us the opportunity to deal with change on a project. As I said, sometimes you get treated fairly by a client on a project and normally you would have a good outcome. Sometimes the treatment is not fair and then you end up with having disputes and you need to settle through the legal process. But I want to give assurance to all our stakeholders that the risk management processes that we adopt within the group are rigorous and they have protected us in many, many instances I think that could potentially have gone wrong if it was not for this risk management process that we are following diligently within the group.

Operationally the group is structured into three business platforms, and each of these business platforms are named after the main market sectors that they are focussing on. Our Energy, Resources & Infrastructure platform has currently from an order book perspective got the largest order book in the group, followed by the Mining platform and then the Power, Industrial & Water platform. The first two, Energy, Resources & Infrastructure and Mining, are multinational. They operate in all the selected geographic markets that we are targeting, whereas the Power, Industrial & Water platform is a Sub-Sahara focussed business platform.

So that brings me to the half year results. Just the salient features. Revenue is up from R10.8 billion to R13.3 billion and continuing EBIT is up from R117 million to R337 million. And diluted continuing HEPS from a loss of 8 cents a share to a profit of 29 cents a share. I think that is strong earnings growth as well as strong revenue growth. The one thing that I need to say is at an operating margin level operating margin at 2.5% is still below our targeted range which is between 3% and 5% for the consolidated group. But that is due to the continued impact that we are experiencing on our projects which are impacting on our efficiencies. And this covers the supply chain as well as labour productivity on our projects. So we are not out of the woods yet as far as COVID is concerned, but I think we've dealt with it in the previous two financial years and we've experienced the largest impact. But it's not that there aren't any ongoing impacts. We are still experiencing those impacts.

The increase in revenue and increase in earnings was essentially as a result of the improvement that we saw coming from our Energy, Resources & Infrastructure platform. That is the reason why earnings are up. That is the reason why the revenue is up. The Mining platform did very well, a margin increase on the first six months of the previous year. And our Power, Industrial & Water platform also came in with the result of no further deterioration relative to what we reported in the comparable period. But the order book of the group is something that we are very pleased about, and it is not an order book that was accumulated overnight.

It is hard work that went into securing this order book, especially in the Energy, Resources & Infrastructure platform which had a bit of a market focus shift. As you know, that platform essentially was focussed on a single market in LNG in Australia. And in the period of low investment in that sector over a number of years we had to broaden the market focus of that business. And for that reason we also changed the name to the Energy, Resources & Infrastructure business. And that has resulted in a phenomenal increase in order book for that platform. Peter Bennett, the CEO, has done remarkably well to achieve that outcome.

And then our net cash position at R0.9 billion is substantially up on the R0.3 billion which it was at December 2020, the first six months of the previous financial year. But I must say we do expect some cash outflow in the second half of the financial year, so we do believe that the R0.9 billion net cash position will come down in the second half. And the reason for that is on our large projects we've got milestone payments. And there are a number of milestone payments that were scheduled to be achieved before the end of June against which payment would have happened. But some of them have slipped into the next financial year, which is FY2023. As a consequence of that there will be a cash outflow in the second half of the year.

Now, why did the milestones move out? The milestones moved out because of the supply chain disruption that we are still experiencing with goods that get manufactured and equipment from other parts of the world arriving on our sites later than what the commitments are that we were given by our suppliers, which means that we get a delay in reaching those milestones and the payments that are associated with those milestones are drifting into FY2023. So it's purely a timing issue around what's going to happen leading up to the year end in June 2022.

This is a slide that is a little bit busy, so it's an opportunity to explain the layout of this slide, and then we will get to the content. What we are trying to depict here is that we believe that we have gone through the worst of the COVID-19 impact and we are starting to return to – I don't want to use the word normality. We are almost there, but to a similar type of business environment that we experienced prior to COVID. You will see three main columns, FY2020, FY2021 and FY2022, the current financial year towards the right. And each of those financial years you will see the half year result and you also see the full year results.

The half year for FY2022 was delivered prior to COVID. COVID happened just after that half year result. You will see what the position was for that half year. And then you can make a comparison leading up to the full year 2020, what we experienced during 2021, and then the first half of the current financial year, this reporting period. From a revenue point of view you will see that before COVID we were doing about R11 billion revenue over a six month period. That was maintained during 2021 as well. The first six months of the current financial year revenue has gone up to R13.3 billion, and that is starting to show the contribution from this large order book starting to find its way and reflecting into increased revenue.

EBIT was R419 million for the six months in FY2020, the first six months. And the first six months in the current financial year is R337 million. So the margin is down, but I just need to emphasise that in FY2020 the fair value adjustment on the Bombela Concession Company was R95 million more than what it is in the first six months of the current financial year in this reporting period. That has essentially got to do with the COVID impact on the Gautrain system. So overall the results are under the circumstances reasonable. The margins are still not there, and it is because of the ongoing impact that we are experiencing on our efficiencies on the projects.

The order book is R61.1 billion, really something that we are very pleased about. And we believe the share price is starting to reflect the improved prospects that we see for the business. We don't know what it's going to be by full year. It's currently R12.90 or around R13 a share. That's where our share price is. So the take-away from this slide is that the worst of the COVID-19 is behind us. We've navigated through that and I think we emerged from it reasonably well. It was a difficult period for us. We are hopeful that we are now in a different business environment where is an impact of COVID is not going to be as severe as it was in the previous reporting periods.

Health and safety. This slide shows you two graphs. The line graph on the left is our lost-time injury frequency rate. And the graph to the right is the fatal incidents in the group. Now, we are very pleased with the lost-time injury frequency rate at 0.42. This is the lowest it has ever been for the Murray & Roberts group. We have never reported a better lost-time injury frequency rate than what we have done for this reporting period to December last year. We are very pleased about that. We are also very pleased that notwithstanding the risk environment in which we are building projects – and I think you are well in appreciation of that when you look at some of the videos that we included in this presentation – that we have reached the point now that we are firmly of the view that we can run this business without people having to lose their lives, without any fatal incidents. And we actually believe that we can do it with zero harm.

Just a comment about COVID-19. Based on the records that we have on vaccinations of our employees we can comfortably say that about 77% or at least 77% of our employees have been fully vaccinated. And why I say 'at least' is because we do know that especially in the USA and Canada some people prefer not to report their vaccination status. So the 77% is only for what has been reported to us. And I think that is a reasonable level of vaccination.

Just a comment on environment, social and governance on ESG performance. I want to start off by saying Murray & Roberts is a very responsible organisation. And ESG has been very important to us and has received considerable consideration and the necessary management attention. It is not only because ESG has become very prominent today, but it has always been very important for Murray & Roberts as a group. We do know that it is becoming more prominent today for financiers and investors when they consider whether they're going to participate in providing finance and whether they're going to invest in your company.

Over the last couple of weeks a potential investor out of Finland has engaged with us. And one of the criteria before they reach finalisation on their decision to invest or not is the ESG performance. And we had to complete a questionnaire of ten or 15 pages, if not more, a detailed questionnaire on ESG. And this just indicates to you that ESG is becoming more and more important for companies today. But having said that, Murray & Roberts has in the previous financial year contracted the services of an organisation called CEN-ESG which operates out of London. And what they essentially do is they look at your reporting on ESG and they then score you based on your reporting.

And we got a score of 31.5 out of 100. It sounds like a low score, but of all the industrial sector companies that they have scored in their database the average is 30.2. So we have done better than the average. And then for the top 100 companies that score is 57.4. I believe that through the knowledge that we have now gained on the shortcoming in our reporting, if we more completely report what we are doing in the field of ESG, we will certainly get a new rating a much improved score relative to the 31.5. But for us it is not about tick box exercise. We are starting to report on ESG now, but it has always been a very important consideration for Murray & Roberts as an organisation. And I personally believe that we are doing very well on the environmental side, the social side as well as on the governance side. So we have 31.5, and when we talk again maybe in the not too far future we will be ready then with a new rating and we can share with you how that score has improved. But as I said, it’s not about a tick box exercise. It has to be substance over form, and in the field we have to demonstrate our ESG compliance and competence.

Just a few slides to explain a bit more about our business platforms. The first business platform, as I said earlier on, is a multinational business, Energy, Resources & Infrastructure. From these pictures you can see these photographs. The top left is a project in Australia. The top right is also a project in Australia. The bottom left is a project is Papua New Guinea. And the bottom right is a project in the United States. And then in the middle of the slide you will see a number of brands. These are the brands under which this platform is trading in the market. A multinational business, a solid presence in North America, a solid presence in the APAC region in Australia and Papua New Guinea.

This business has done enormously well, having grown the order book to R38.4 billion. Having said that, there is real potential that that order book can still grow materially between now and the end of June. And I will get to a bit more detail on that a bit later on. This order book is a multi-year order book, so we’re pleased with the growth in revenue and earnings that we are reporting for this business in the current financial year, but if you look at the order book we are confident that this order book provides great support for at least the next two financial years.

This is the Mining platform, again a multinational business. Top left is a project in Australia, the top right a project in the United States, bottom left South Africa and bottom right a project in Indonesia. And also there are various brands under which this business is trading. As you can see, a very good presence in North America, very well-established in the Australia region, and then also into Africa. The business has an order book of R22.2 billion. That order book has grown compared to the comparable period. And I must say that, as you would know, we have communicated to the market recently we were in a process of extracting ourselves from the Kalagadi project. That project has now been terminated and we have removed R2.5 billion out of our order book which was associated with the Kalagadi project. And notwithstanding that the order book is up at R22.2 billion.

This business you will see from the detailed slides that Daniël will show you a little bit later on, notwithstanding this order book, the timing of this order book is such that it is really going to give value in the 2023 financial year. So in the current financial year we don’t expect that our earnings for this platform will be more than what we reported for the previous financial year. But the order book points to strong growth in 2023 from a timing point of view.

Our Power, Industrial & Water platform is a Sub-Sahara business. One project, the one on the top right, is the Golomoti solar project in Malawi where all the electrical balance of plant was within our scope of work. That project has been completed now successfully. The bottom left is a photograph of the Organica waste water treatment plant. That photograph is when we had the demonstration plant out at Verulam just outside of Durban. And this plant has now been relocated to the V&A in Cape Town and commissioning will be in the next two to three months, after which we will treat water for the V&A under a contract term of about ten years. The Power, Industrial & Water platform is also trading under a number of brands. You can see we have Wade Walker Solar. We have established a solar business. That was a couple of months back. We've completed our first projects. It went very well. It's still on a very small scale, but we are hopeful that this business will grow into the future given the opportunities that we have in South Africa.

As I said, it is Sub-Saharan focussed, so there is no presence in the Americas. There is no presence in the APAC region. Purely South Africa and into Sub-Saharan Africa. The order book is R0.5 billion. It's a very low order book and we have really struggled after we've completed our scope of work on Medupi and Kusile to build an order book for this business and to get this business to a point where it can contribute to our earnings. It's been extremely difficult, but having said that, with the investment that is now happening in the renewable energy space we are optimistic, very optimistic that we can now turn the corner in this business and return to profitability in the next financial year. We are in close discussions with a number of independent power producers. And so you know, they in turn are in discussion with government. And they need to reach financial close towards the end of March or end of April, and our scope of work will then commence.

If we can get an early start in line with our current thinking, this business could have a breakeven period in the second half of the year. But if there is any delay on those projects, it will move out to the new financial year. Financial close is only towards the end of March, end of April, and we can only commence with our work once the IPPs have closed their contracts with government. So we are on tenterhooks to see when those projects will start. A real opportunity, and we are pleased about that. We've got a high level of confidence that this business in the new financial year will contribute to our earnings.

What I have said in some of the interviews I had yesterday after the results is I don't want to create the impression that this business has got the capacity or the potential to contribute equally with the other two platforms. The other two platforms are multinational businesses. They just have so much more opportunity and capacity to contribute. So this business if we can get it to be profitable and contribute between R50 million and R100 million earnings before earnings and tax, it will be a fantastic contribution. This is just to give you a feel in terms of the relative size and the relative opportunities that we have for the three platforms.

Just more detail about our order book. If I start on the far right-hand, we report it for the six-monthly period December 2020, June 2021 and December 2021. You can see that order book of R61 billion. As I said, it really is a phenomenal order book. To the left of that total column you will see the breakdown for the ERI platform, the Mining platform and the PIW platform. As I said, the ERI platform is at R38.4 billion with a high level of confidence that that will grow quite substantially to the end of June. The Mining platform R22.2 billion now excludes Kalagadi. The R2.5 billion value for Kalagadi is now excluded from the R22.2 billion. And there are a number of quite substantial prospects, especially the platinum sector in South Africa, which we are hopeful that will find its way into our order book before the end of June. And Power, Industrial & Water, a very small order book. But if the opportunities that we are targeting are successful, it is quite possible that that order book could jump up to about R4 billion by June of this year. It is all subject to the timing of the IPPs closing out with government before we can commence with our work.

Again a busy slide, but it will give you some sense of what the future holds for Murray & Roberts. To just explain the slide on the left-hand side, you've got the three platforms. To the right of that is an indication whether that order book value is in the SADC region or in the international space. You see per platform and overall for the group. 17% of our order book is in the SADC region, 83% of the order book is in the international market. In the column on the right you see a comparison of the order book in December 2021, which is the six month reporting period we're dealing with now, compared to the order book in December 2020, adding up to the R61.1 billion for December 2021.

On the far right we took this order book and we did a bit of a time distribution on that order book. We did it per platform and we totalled it for the group. FY2022 you will see that we have in this order book R16 billion of revenue for the second half of this financial year. Now, we've already delivered R13.3 billion in the first six months, so we can quite comfortably say that for the full financial year we are looking at circa R30 billion of revenue. When you look at 2023 there is already R22.6 secured for the 2023 financial year. And we are still months away from the start of that year, so we are confident again that FY2023 will report growth on the revenue of 2022, which we saw is going to be circa R30 billion.

Another slide on our order book. In an engineering and contracting company the order book is of crucial importance, because without an order book you don't have a business. So we are really putting a lot of emphasis on our order book and on the pipeline. This slide has got detail on the right-hand side under the heading 'pipeline'. All the values that you see there for near orders category 1, 2 and 3 are not included in the order book. But just to the left of the pipeline you will see a heading 'order book'. And there you see the breakdown that I already showed on an earlier slide per platform totalling R61.6 billion in the current financial year. Near orders is R12.8 billion. What that means are tenders that we've been successful with but we haven't yet finalised the commercial close. So the agreement has not been signed. But a lot of that R12.8 billion will find its way into the order book before the end of June.

Category 1, category 2 and category 3 are projects that we are working on. Category 1 is for projects where we have already submitted the tender. There is R74.3 billion of tenders that we have submitted. It doesn't mean that we will be successful with all of those, but that is the value of tenders that we have submitted. Category 2 is for projects that are a little bit later from a timing point of view, so they haven't reached the tender stage yet. This is the feasibility stage or budget estimates, but we are doing work on potential projects that have a collective value of R92 billion.

And category 3 are opportunities which are out there which we are targeting where we believe we can compete, but those opportunities are further out and have not come to market yet. It is not at the point that clients are asking for tenders, but we are following very closely to see the progress on those opportunities. So a very robust near order of R12.8 billion, and in the category 1 of R74.3 billion there is one project to the value of about R20 billion which we are negotiating on a sole source basis. It is in the ERI platform, and that is the one that I said there is a real chance of this finding its way into the order book before the end of June. And with that, I will now hand over to Daniël, and Daniël will take you through the financials in a bit more detail. Thank you, Daniël.

Daniël Grobler
Thank you, Henry. What you see on the screen here is the Snowy Hydro project and the tunnel boring machine that's about to enter the portal. So we do have a short video clip as to what the process looks like there. [Plays video]. To give you a bit of colour as to what these projects look like, to put it in context, that tunnel boring machine in length is about 118 metres long. So to bring that thing on the ground and to manage that underground is a tremendous effort. So large, complex projects, how do we simplify those in our financials? What we can see is turnover, as Henry mentioned, increased from R10.7 billion to R13.2 billion, so a large increase in turnover. That translates through to EBIT. EBIT increased from R117 million to R337 million.

Tax expense obviously is a bit higher compared to last year. The earnings before interest and tax will be higher. And then pleasingly, discontinued operations are coming down and will continue to come down. But there is a certain slide where we're going to talk to that. More importantly, Murray & Roberts is back in the black when we look at attributable earnings. Last year was a loss. This year we moved into a profit situation.

If we break it down per segment, as at the end of last year the ERI platform we disclosed between North America, EMEA and APAC. North America we can see an increase in turnover. And I must admit there is quite a lot that happened in the EBIT and operating profit line. Firstly we acquired JJ. There is an integration cost, due diligence cost. All of those costs were eating away at overheads. But we also had a COVID impact on that project. If I have two individuals to build a house and one individual falls sick, I have to get a second individual and still pay all three of them, but I get paid for the cost of one house. That's a simplified example, but it had a significant impact on that project in the US.

APAC we can see significant growth in turnover. That's your Snowy contract. Still a lousy operating margin. Pleasingly there are no more loss-making contracts left in that side of the platform. You can see a profit of R195 million compared to R86 million. And the total revenue went up from R5 billion to R7 billion. That's a meaningful increase, even more in the second half of the year. Order book also remained at R38 billion, but that can easily go up by between R10 billion and R20 billion before the end of the financial year.

In terms of Mining we've got Africa, Australia and the Americas. Africa had a tough start to the year. The prior year numbers did have some of the Kalagadi claims that were brought to book and that were settled. But we're still experiencing COVID on some of the contracts in Africa. The Australian market we can see has returned to profitability. And you can see the trading conditions in the Australian market have improved. So that's quite pleasing turnaround. We are experiencing the worst COVID impacts within the group in the Americas, not only the delay in project awards but there are a number of different impacts which Henry mentioned. And we can see that the revenue generated is just not enough to cover operating profit within that entity. There are no loss-making contracts. It is just purely a lack of turnover to cover the operating profit and overheads within that entity.

Still a reasonable performance by the Mining platform, R184 million versus R176 million in the prior year. And they are sitting on an order book despite Kalagadi coming out of R22 billion. A large chunk of that order book sits in the Americas, which is the R7.5 billion. The problem with that side of the order book is, as we mentioned, that revenue is only going to start towards the end of the financial year and we don't see a significant impact in the current financial year.

PIW is divvied up in different elements. The power and industrial mainly relates to maintenance work that we're doing at Medupi and Kusile. The teams are performing really well, on budget, on time, 12% margin. The power transmission and distribution, that's where we're expecting to see the most growth in this platform going forward. Now, there are a number of projects that we inherited when we bought the business. Those are coming to an end. Basically we have almost taken zero profit on those contracts. That's the reason why you don't see a reduced loss in that division.

Under other we see an amount of R66 million. Of that R66 million about R13 million relates to commercial costs as well as legal costs. Those costs are to defend historical claims against Murray & Roberts as well to pursue uncertified revenue and claims in the name of Murray & Roberts going forward. It's a large amount. Until the commercial issues in this platform have been resolved, we will have commercial and legal fees going forward. But overall, a loss of R65 million. As Henry mentioned, if things go according to plan, we expect a breakeven in the second half of the year. We can see the order book of R467 million. In near orders is another R1.2 billion. So we've got a bit of a tailwind. We are hoping to get to R3 billion to R4 billion in terms of order book by the end of this financial year.

In terms of our investment in the Bombela Concession Company, as we mentioned previously, we got an external party to give a forecast in terms of ridership and patronage. What we have seen throughout the pandemic is going to be the ridership until the end of the concession in 2026. At the moment we are trailing slightly behind the forecast. But that revenue that we're not making up in terms of passengers we are making up in terms of cost savings in the model, so at the moment we're on par. The next difficult period is going to be the next four months where ridership is expected to climb. A number of items are pointing that way. Last year the ridership numbers came in at 22,700. At the moment we're not too concerned about the investment.

In terms of discontinued operations we still incurred a loss of R37 million in the current year. That is closing out commercials. It is closing out all the office issues. Under other we've got an amount of R31 million. That is made up of two elements. We have disposed of the I&E business and we are busy wrapping up the Genrec contract. And there are some historical defects that we are currently managing. And then there was another R12 million of additional cost of businesses and historical elements that we're in the process of closing down. So you will remember you've got a stake in the Bombela Civils Joint Venture which built the Gautrain. R12 million of the R31 million relates to closing out defects. That defect period is coming to an end in the next year, so hopefully in the future that R31 million will come very close to zero.

If we look at the balance sheet I'm going to start from the top. I'm not going to go line by line. Property, plant and equipment increased. The main increase relates to an increase on PPE that was purchased on Snowy. Now, the client gave us cash up front. We had to utilise that cash to go and buy the PPE. If I go down directly to the cash line and just get that over with, we're sitting at R4 billion. That R4 billion is expected to reduce to the end of the year. There are a number of plans that we're busy doing to make sure that we effectively reduce the loss as much as we can. As I mentioned, at least R500 million or R600 million of that has already been spent on capex. But we are trying to claw back the milestones. There are jobs that incur a cost and you only get paid on a milestone. As long as we keep incurring cost and we don't get the milestone money in, your cash flow will worsen on those jobs. So we've engaged with clients on those jobs and we are trying to pull back some of those milestone payments into FY2022.

If we look at shareholders' equity it has gone up by R628 million. You will recall your attributable earnings was only R55 million. So what is driving the additional equity? In your equity line there is an element called your foreign currency translation reserve. Now, because your spot rates in the major currency increased from period to period by about 11%, it increased your foreign currency translation reserve by about R500 million. And that drove the bulk of that shareholders' equity increase. On assets and liabilities the bulk of those items relate to the Middle East. Hopefully when I stand here in June these items will be removed and the sale of the Middle East entities would have been concluded.

I just want to take two minutes on this debt and gearing analysis. I want to be very clear as to how we look at it as a company. We break debt up into three elements, corporate debt, self-servicing debt and IFRS 16. Corporate debt is debt that we use our profits or the sale of other assets or any other elements that we use to service this debt. And in that we've got TNT which is being paid on a quarterly basis. And we've got overdrafts and sundry loans sitting at R1.5 billion. Total corporate debt for the group is sitting at R1.7 billion.

In self-servicing we've got asset based finance and the Bombela pref share. Now, when we talk about asset based finance I've used the analogy before. We go and buy an LHD for a contract. I get paid on the revenue line for that LHD. That reduces my debt, but I still utilise that LHD to make a profit to contribute towards the other debt. That project by itself services the LHD and the debt on the LHD. So if that debt was to double, that would mean my revenue was to double, my profit was to double. So I'm not too concerned if self-servicing debt drives up our gearing ratio. The element I look at, you will see total debt about halfway on the slide is sitting at R3.08 billion versus R3.012 billion in the prior year. Total equity has increased and your gearing ratio has decreased. I explained the [unclear] behind why the debt gearing ratios have decreased. With that said, Henry, over to you.

Henry Laas
Thank you very much, Daniël. This is a photograph of the Booysendal platinum mine in South Africa which we have built for Northam Platinum. And I think they are very pleased with the asset that we've handed over to them a year or so ago after we've completed all the works and brought the mine production up to a steady state level. Before I get into the presentation take-aways, there is still one video still to come and then the final slide on presentation take-aways. I just want to maybe add something around our discontinued operations and the business that we have in the Middle East. You will recall we have announced in the previous financial year that we have sold the two companies, the one company in Dubai and another company in Abu Dhabi. And the sale is subject to certain conditions precedent which includes regulatory approval. We have still not obtained the regulatory approval, although we think it is possible that it could be achieved by the end of June. And that is why Daniël made the comment that those two companies would be sold by the end of the financial year.

If that was to happen, Daniël also explained something about the foreign currency translation reserve. There is a potential R350 million cost that will flow through the income statement at the time of transferring the shares to the buyer. Now, it is a non-cash item. It doesn't impact our equity. It also doesn't impact the net asset value. We have explained that previously, but I just want to bring it to your attention again. Don't be surprised on the day when the sale goes through when you see that foreign currency translation reserve happening. It unfortunately has to go through the income statement, but it's got no consequence from a cash perspective, equity or NAV. [Plays video].

That was the Waitsia gas project in Australia, another project under construction by our ERI platform. Ladies and gentlemen, we are getting to the end of the presentation. As Ed said right at the beginning, if you do have some questions, please note your questions and we will answer them after the presentation. In a nutshell I think importantly the message that Murray & Roberts is a multinational engineering and contracting group. We've been through a substantial transformation. From the slide presentation you will also agree and conclude that that is what Murray & Roberts is today.

The second part is the revenue and earnings over the next three years we do expect to grow. And it is supported by this order book of R61.1 billion and near orders of R12 billion. This is really a fantastic position for the group to be in. As I said earlier, for an engineering and contracting company the order book is of crucial importance. If you don't have an order book, you don't have a business. And we are very pleased with the R61.1 billion that we have in order book value. As I said, we do expect that number to increase towards the end of June notwithstanding the fact that there will be several billion of revenue in the second half that will come out of the R61.1 billion which we will replace with near orders, and on top of that we will grow.

The improvement in the net cash position at the half is up to R0.9 billion. We don't expect an improvement at the year-end stage. As Daniël has said, there will be an outflow of cash in the second half of this financial year. And it is some of the milestones moving from the 2022 financial year into 2023 and really are paid on achieving certain milestones. That cash on those milestones will move into the new financial year. So it's purely a timing issue.

The ERI platform has significant levels of revenue already secured for next year and the year thereafter. A strong pipeline, and we really have high expectations for this business to contribute substantially to earnings over the next few years. Mining, you would have noticed the increase in the Mining order book. But as I said, from a timing point of view it's going to really benefit the next financial year, and in the current financial year we don't expect earnings to be more than what we reported in the prior year. the Power, Industrial & Water platform, we've got sufficient confidence now to say that we believe this business can return to profitability in the short to medium term. There are substantial opportunities in the renewable energy space. We need to secure those, but subject to us being successful we think that this business can now be run profitably.

The group as a whole is exposed to our select target markets. Our order book is strong. And I think there is potential for meaningful earnings growth into FY22 and beyond. I must admit for the first six months of this year and I think even the financial year to June you will see that the margin on our earnings is going to be below our target range of 3% to 5%. Hopefully we can get through that quickly, but unfortunately we are still troubled with the impact that COVID has on our ability to operate efficiently on many of our projects.

To give you just a simple example, the Americas is the region that was impacted most by COVID, especially in the mining business but also in the ERI platform. As we speak we have a project in the Arctic which we are doing for BHP Billiton, a mining project. That project has been stopped. I'm not sure as we speak here whether it has started working again. But it is an isolated area. People work out of camps. There was an incident of COVID and the mine decided to close completely down. So we can't progress our work under those circumstances.

And that's just an example of the COVID impact that we are still experiencing today. But the biggest impact is on the supply chain where the supply chain is also experiencing its own difficulties. Some of our suppliers are not able to deliver what they have to deliver within the timeframes that we need them to deliver. And also from a shipping point of view we also have some challenges to get the equipment that we procure delivered in time to our sites. But we will get through that. I think all companies are facing this problem, and we will eventually get through COVID and the impacts of COVID. So thank you very much for participating and listening to us. As I said, hopefully when we do the full year results we will be able to invite you and host you here at the Murray & Roberts corporate office. And with that said I will now ask Ed to facilitate the Q&A session for us.

Ed Jardim
Thank you Henry. Thank you Daniël. We've got a few questions on the webcast that we'd like to get through. Perhaps let's start with the substantial differences in ERI and Mining performance between the APAC and North America regions. What led to the lower margins in North America and how rapid could recovery be?

Henry Laas
It's difficult to just give a simple answer because there are many factors which contribute to what we eventually achieve as a margin. But you would notice not only in the ERI platform but also in the Mining platform the margins in the Americas were lower than what we have elsewhere. And this is essentially due to the impact of COVID. And you will know that it was in the media all over, substantial levels of infection that were recorded in the US as well as in Canada. As I've just mentioned, currently we have a project in the Arctic which we brought into the Canada region. That stopped, and that is because of COVID.

Ed Jardim

Thank you Henry. Just staying perhaps on the US, an update on the integration of the US acquisition, background to the latest acquisition and your opportunity there to grow industrial maintenance. An update on supply chain or cost inflation.

Henry Laas
The acquisition of JJ White was completed in October of last year. From an integration point of view the integration into the group went very well. The VP or Vice President that is running that business for us is a guy that we know well, that has worked for us prior to that acquisition. And he is doing very well. There are no issues with the integration. The JJ White business is based in Philadelphia, whereas the other business we have in the US which is doing the Traveller project is based in Houston. So the intention is not to combine and consolidate those two businesses. They will continue to operate as separate entities.

But having said that, the fact that we do have a capability in JJ White which we didn't have before, we can combine that with the capability that we have in our Houston business and that will enable us to pursue opportunities and projects which these companies on an individual basis would not have been able to do. So we are hopeful that that will certainly enable us to win more work than what we were able to do without having concluded this acquisition. It's early days. What we see now at this stage is pleasing. Peter Bennett, the CEO of the platform, is very happy with the prospects for that region now that the acquisition of JJ White has been concluded. What was the question on…?

Ed Jardim
Supply chain.

Henry Laas
There is cost inflation in the supply chain. I think we know what happened to steel prices. We know what happened to the prices on other commodities. Luckily on these large projects most of our procurement which normally happens in the early stages of projects was concluded and done before these increases in commodity prices found its way into the market. In many instances when we price projects on a lump sum basis we take a view on what prices will do and what escalation will do, and we price that into our projects. In reality when the true price increases find their way through it can be that the way in which we've priced the escalation or the increase in prices is not in line with what we actually see in the market. And I think we're experiencing part of that now where price escalation has exceeded our expectation. But fortunately, as I said, on these large projects the bulk of the procurement was concluded before the price increase happened.

Ed Jardim
Thank you Henry. Staying with ERI, what level of revenue is optimal for the ERI platform from a risk management point of view, and what is your margin expectation?

Henry Laas
If we look at an optimal revenue there is one thing that our stakeholders need to understand. With the order book that we have and the order book that is growing, on all these projects we have to issue guarantees. We have to issue performance guarantees. We have to issue advanced payment guarantees where there are advanced payment guarantees. So from a facility point of view we are currently engaging quite a broad spectrum of surety providers to assist us to increase our capacity that we have from a facility point of view, which will enable us to take on more work.

In Australia the Australian government is probably one of the most progressive governments when it comes to investment in infrastructure. It's billions and billions of Rands that get invested in the Australian economy, not only in the infrastructure space but also in the resources space by mining companies. So there is huge opportunity for the ERI platform. From a capacity point of view I think the biggest issue that we need to address at this stage is our bonding facilities. So we have sufficient facilities to support the growth going into the future? From a management point of view you can always create more capacity to enable you to take on more work. And I think we are able to manage that. That to me is not the biggest risk. The biggest issue that we need to address is our bonding capacity.

Ed Jardim
Thank you Henry. Daniël, a question for you. Can you please expand on the high tax rate?

Daniël Grobler
The high tax rate has got a few elements to it. Obviously from a low earnings base you're always going to have a high tax rate. We've got a structure problem within Murray & Roberts. The SA entities except the mining entities sit in one entity called Murray & Roberts Ltd. Now, that generates cost. The PIW platform sits in there. There is not enough revenue that's coming out of there to help us create a deferred tax asset. So we're always going to have an issue where we've got losses being incurred that we can't raise the asset. The second element is where we operate in foreign jurisdictions there is always going to be an element of withholding tax when you bring the money back to your normal country. Those are the biggest contributors to the tax rate.

Henry Laas
Can I just add to that? The tax rate for the first six months of the year was about 50%.

Daniël Grobler
Yes.

Henry Laas
And the expectation over the next 12 to 18 months?

Daniël Grobler
The expectation will be about 46%. A sustainable tax rate for the group is between 36% and 38%.

Henry Laas
Okay. So that's what we're aiming for, to eventually get to the 36% to 38%.

Ed Jardim
Thank you Daniël. Just some questions on LNG. Given that some countries are looking to increase LNG import capacity to reduce their reliance on Russian gas, will the ERI platform consider prospects in that jurisdiction? And will the ERI platform participate in LNG infrastructure activity in SA and Mozambique as well?

Henry Laas
Yes, we will consider that. I think what we will see is probably more LNG import terminals will be built in Europe so that they can import LNG from other parts of the world as well. We will consider each of those opportunities on a case by case basis. We will have to see what the competitive landscape looks like, what our chances would be to be successful in that region. We will certainly not exclude it. I cannot say that we're going to be actively bidding for those opportunities, but we will certainly consider it on a case by case basis to see what our chances of success would be.

As you all know, Mozambique has been on stop for a while. It is coming back again. I think for us the opportunity is not really for the ERI platform but maybe for the PIW platform here in South Africa to undertake some work. But I think from a security point of view we've decided actually not to actively pursue opportunities. That is some time back. And it can be that other companies have put a foot forward and they have locked those opportunities in already. So we will see once these projects get going again what the security landscape looks like. We just don't want to expose our people to unnecessary security risk. But if it stabilises, and if the projects are underway again, and if new packages of work are put to tender in the market, we will consider those.

Ed Jardim

Thank you Henry. Plans to improve margin, which looks like a very competitive market. You have mentioned COVID supply chain issues and the impact on margin. How should we think about increased commodity prices and further supply chain issues on fixed price contracts, and how much of the increases can be passed on?

Henry Laas

I think on fixed contracts very little can be passed on because we take a view when the tender is submitted of what escalation would be and we price that into our tenders. If the actual increases are not in synch with what we assumed at the tender stage, that will introduce some risk for us. But as I said, fortunately on all these large projects the bulk of the procurement already happened prior to this run in prices. And as we move forward on new bits, we will obviously take whatever the current landscape of commodity prices is. We will consider that when pricing on new jobs. From a risk point of view in some instances you do get the opportunity to bid on a rise and fall basis. In other words, you would take the price for diesel at the base date of your tender, and whatever the actual prices do relative to that base date price you can get an adjustment in your contract price for that movement. So we are considering those types of ways to mitigate the risk and to manage the risk better. We're not successful in all instances, but I think we are alert to the areas that do require focus and what commodity prices are doing and what we can do actually to mitigate that.

Ed Jardim

Just a follow-on on procurement. Henry, you did mention there are supply chain issues, but in terms of our big order book are we seeing challenges in terms of procuring specifically materials and getting them to sites?

Henry Laas

I don't think we see difficulty with procuring specific materials at this point. I think the difficulty that we have is when we have fabricators in other parts of the world. They need to do the procurement, they need to fabricate and they need to deliver certain components to us. That's where the trouble comes in. And the delay that we're experiencing in our supply chain starts off with the fabricator. If we make use of a fabricator in a different country to fabricate certain components for us, the impact that COVID has on their business translates into a later delivery date of that product to our business. It impacts progress. Milestones move out. It impacts cash flow. It's a timing thing. It's very difficult to manage and very difficult actually to say how long it is going to take for this to work its way through. There is a bit of a backlog or bottleneck with fabricators where they were not able during the most intense time of COVID to process their orders as speedily as they were required to. So I think from a capacity point of view they are struggling a bit to catch up.

Ed Jardim

And on timeline impact, some peers are being charged penalties by clients. Do we see that in our environment?

Henry Laas

Well, penalties are a common feature of contracts if you have a completion date and you cannot achieve the completion date. Fortunately on several of our projects we have at the time that we secured the work included a specific clause that says that any COVID related impact would be a compensatable event. If the completion date moves out because of COVID impact then that would be compensatable. Where we do not have a COVID specific clause, in all our contracts we always have a change of law clause. In other words, we put our tender together in a certain regime. But if the laws were to change, and the change to that law has got an impact on our ability to progress our work, that is also compensatable. To give you a simple example, if we talk about COVID, if there was legislation in a specific country that closed borders or introduced other regulations which made it more difficult for us to mobilise people onto the project within the timeframe that we've allowed for in our tender, although we did not cover under a COVID clause, there is a change of law clause and we can pursue that entitlement under the change of law clause. These things are always difficult. Clients are not sitting there and waiting for a change so that they can pay out more money. It's always an issue. It's always a challenge. But as we speak now I think in most instances we have been treated fairly by our clients.

Ed Jardim
Thank you Henry. Moving on towards the end of the questions now. On Power, Industrial & Water how large is the opportunity for OptiPower in transmission lines or the grid connection?

Henry Laas
It is a significant opportunity. We've got two tenders currently under adjudication. Just to give you a feel for the size of it, if we're successful it's about R700 million for two overhead power lines. But we know the significant backlog that we have in South Africa when it comes to transmission lines. And the requirement for integrating all these new renewable energy projects into the grid, there is substantial opportunity. The latest information, if I'm correct, there are only about three companies in South Africa which are accredited to work on these high voltage overhead power lines with Eskom. So I believe we will get our fair share of that market. But it is substantial. But having said that, as I said during the presentation, even if those things do happen and even if we do get our fair share of the renewable energy work, I can't see this platform getting to a point where it will give us R800 million or R900 million of earnings before interest and tax. If it gets to between R50 million and R100 million earnings before interest and tax, I think that will be a realistic expectation within the opportunities that the business is presented with in South Africa.

Ed Jardim
Thank you Henry. Moving on to Gautrain. Are ridership levels on the Gautrain now above the level at which the patronage guarantee applies? And do you believe that higher fuel prices will have a positive impact on ridership levels in the short term at least?

Henry Laas
Maybe just a general comment on ridership. Pre-COVID ridership levels were around 55,000 passengers a day. Currently the past couple of days I think we were touching 23,000 passengers a day. So it is still substantially down. Petrol prices or the increase in fuel prices, companies and corporates asking their people to return back to work, all of that will assist in increasing the ridership. I live in Pretoria and travel every day between Pretoria and Johannesburg. And traffic is getting a nightmare again. Just the congestion on the roads I think will also move people onto Gautrain. We are reasonably confident that the rate at which ridership will increase will meet our forecasting model and what we have assumed for our investment value in the Bombela Concession Company. Your question on the patronage, what was the question specifically?

Ed Jardim

Is the ridership at such a level that the patronage guarantee now applies?

Henry Laas

The patronage guarantee always applies. The Gautrain system has not been designed to be financially completely independent. It will always be dependent on support from government, which is in this patronage contribution that we get. So it is a subsidised system. The greater majority of these types of train systems globally are all subsidised by their governments. So they are not there as an independent profit entity. It is there for a greater cause, the contribution that it has to the economy, to the country as a whole. But it cannot be financially sustainable in an independent way. So the patronage guarantee will always apply. The question is what the level is. Currently the patronage guarantee is still at the maximum level with the ridership where it is today.

Ed Jardim

Thank you Henry. Then perhaps on Gautrain as well. The concession expires March 2026. Is BCC considering tendering for that again once that tender is made available?

Daniël Grobler

Province has come to the market and said that they are considering putting the concession out on tender. We're not too certain exactly what's going to happen at that point in time. We know that an independent advisor has been appointed. But there are discussions between a number of parties as to exactly what that would mean. Is BCC well placed to participate in the tender? Yes, they are because they are the incumbents. But is there a guaranteed outcome in that process? No, there's not.

Ed Jardim

Thank you. A question on the offshore listing that you mentioned earlier. You mentioned the international listing via corporate action. Can you expand on this and whether this is something that Murray & Roberts is currently actively pursuing? And what factors will determine the timing of an international listing?

Henry Laas

Look, I think at the time that we put together this new strategic future for Murray & Roberts we always anticipated that there will be a time in the future where an offshore listing may become very important for the group and the right thing for the group to do. The impact of COVID over the past few years that we had on the business has really put those plans a little bit in the background. We prior to COVID started to think about that, but when COVID happened there were so many operational things that we had to deal with, we had to put that in the background a little bit. We are now emerging from COVID again, as you will see in the results. We are trying to say that we are starting to return to pre-COVID levels. That means that we are also starting to apply our minds to that again.

The challenge that we have as a group is our market capitalisation is about R6 billion. It's very difficult to achieve an offshore listing with a company at that scale. My view is you at least have to be at the $1 billion level if you want to without a corporate action achieve a delisting. So for Murray & Roberts to get to that point it would require a potential corporate transaction in the form of a merger or the form of an acquisition. And first and foremost that must make strategic sense. And if such a transaction would make strategic sense, then the delisting that comes along with that is a further outcome of it. So to answer the question, we are thinking about it. We have made some plans already. We are trying to identify opportunities that we can do. But it's not something that's going to happen in the immediate future.

Ed Jardim

Thank you Henry. I've had one last question come in on PIW. In the renewable energy projects how much work was done in the previous REIPP rounds?

Henry Laas
I don't think we've done any work previously. All right. It's minimal work. We have in the audience the CEO of the platform, Steve Harrison, and he just confirmed that he did electrical balance of plant on two wind farms. So it was not material.

Ed Jardim
Henry, Daniël, thank you very much. That's the end of the questions. And thank you very much to our stakeholders for all the questions that were asked today.

Henry Laas
Thank you Ed. Thank you to the stakeholders. Thank you very much.

END OF TRANSCRIPT