MURRAY & ROBERTS INTERIM RESULTS TRANSCRIPT – 07 MARCH 2024

ED JARDIM

Good afternoon, ladies and gentlemen. Welcome to the Murray & Roberts results for the six months ended 31 December 2023. Before we start with the housekeeping, and with our CEO, and CFO presenting, I just like to ask the hotel's HSC rep to give us a quick safety briefing, Charl, please. Thank you.

CHARL

Good afternoon, ladies and gentlemen, welcome to the Radisson Blu, Gautrain Hotel. I really hope you enjoy the day with us. I'm not going to take a lot of your time. Just a few important things before you start your event. I think the toilets are the most important ,a couple of people asked me when they entered. So as you exit on your right-hand side, there's a hole in the wall, which is called the door. You just walk through the Ladies to the right, and Gents to the left. We do not have any planned evacuation drills for the day. So if the alarm sound, which will be via a public address system, please evacuate the building. In your case in this room, at the back of the room, there is a door, you calmly and orderly walked through to that door, there is a staircase and it will lead you to the outside of the building, which is the assembly point, to the parking where most of you probably drove in this morning, and you can just gather there. This is also a nonsmoking building, so please use the designated smoking areas if you need to smoke, which is on the outside of the building on the ground level, or you can go up to hotel level, there is a pool deck area which is on the outside, which you can also use. In the case that you get stuck in a lift, do not stress, we have people 24/7 on call, that can come quite quickly and remove it from lift. We also do not have any planed loadshedding for the day, so we should be okay. If we do, we've got generators on backup. Then lastly, ladies and gentlemen, this is Sandton, this is Johannesburg, there are crime activities in the area, so if you wait for your Uber, rather wait on the inside of the building, let security assist you by identifying your vehicle when it comes closer. So just give them your registration for your Uber, they will let you know, and they will help you into your car as well. If you walk in the area to the Gautrain area, just hide all of your personal belongings or valuables, and walk quickly. Do not entertain any people that approach you with any help or assistance. Okay. Hopefully we'll have a good event free day. Thank you very much. Enjoy.

ED JARDIM

Thank you, Charl, you covered 50% of my speech already, so thanks. Thanks for that. Just from a process this afternoon, our CFO is going to kick the presentation off for us, our CFO Daniel will follow and Henry will close off the presentation for us. There will be an opportunity for Q&A towards the end of the presentation. We will start in the room to answer any questions you may have. For any of the stakeholders on the webcast, you'll see that there's a questions button, should be on the left side of your screen. We encourage you to please ask questions throughout the presentation, and then also towards the end as well. We'll start with questions in the room and then we'll move to the webcast. I'll facilitate the questions into the room to our CEO, and CFO. And then after the presentation, we still have some food and drinks available, and we encourage you to stay for a bit, and enjoy yourselves as well. But with that, I'd like to ask Henry to please kick off for us. Thank you, Henry.

HENRY LAAS

Thank you, Ed, and good afternoon, ladies and gentlemen. Thank you for your attendance. Unfortunately, our Chairman, Dr. Suresh Khanna cannot be here with us today, but I am very pleased to introduce Alexandra Muller, she's the chair of our Audit and Risk Committee, and next to her Jesmane Boggenpoel, a member of that committee. And on the call, we have Ralph Havenstein, who is the Lead Independent Director. Quite a while ago, I was driving home one evening, and I had the radio on, and there were market commentators discussing the results of companies that presented the results on the day, and they were talking about one of the top 40 companies and apparently it was a very, very long presentation. But they were saying that during the presentation, many, many things were discussed, but they hardly touched on the financials, and that was a results presentation. So today, I will be discussing many, many things as well, but I can assure you that Daniel will go through the financials in quite a lot of detail.

I think it is important to start off this presentation by looking at Murray & Roberts the group as we see it today. And I need to give you the context again, although we've covered it in a lot of detail over the past 12 to 18 months, we need to talk about what happened to the group and the devastating impact that COVID had on Clough in Australia. So, as you know, in December 2022, we de-consolidated Clough and RUC from our accounts, and we've lost those two businesses due to the impact of COVID, specifically on Clough. The background to that is, at the time when Murray & Roberts acquired Clough, Clough was a specialist oil and gas company. And in 2014, in November 2014, the oil price collapsed, and all of a sudden investment in the oil and gas sector really became almost nothing, and we had to make a different plan for Clough, and decided to change its strategical direction and to move back into the markets that it used to serve, prior to becoming a specialist oil and gas company, and that happened from about 2015, 2016. And we were quite successful with that strategy, over the period 2017, 2018, 2019, we accumulated a very, very strong order book. I think at the time, it was between 35 or 40 billion rands, and all those projects were secured on a lump sum basis. As we all know, it is more risky type of commercial model, but it is a risk that you can manage, but it is very difficult to manage that risk, if you are impacted by severe circumstances which are beyond your control. So 2020, and 2021, was a very difficult period, not only for Murray & Roberts, but for the entire world as we had to deal with the impact of COVID on families, and people, but also on business. Lump sum projects are normally, your revenue is earned on a progress basis, on a milestone basis. In other words, you progress your work to a certain point, if you reach that point of progress, you get paid, a milestone payment. If you cannot progress your work as planned, as was the case with us, during COVID 2020 and 21, your milestones move out, you can't progress the work to get to that point where you get payment, but you still have your cost, so all of a sudden, you start to develop quite a significant working capital issue. So we went through 2020 and through 2021, and we were hopeful that we will be able to manage that working capital pressure on the group, but unfortunately, the impact of the supply chain, and bottlenecks in supply chain continued for a period beyond COVID. We couldn't get our equipment that were manufactured in other parts of the world into Australia, or into the US wherever the project was, and at the end of the day, the working capital pressure became so severe that the directors on the Clough board, had no option but to place the business in voluntary administration. So that had a ripple on effect, we didn't only lose Clough, we also lost our mining company in Australia called RUC, and that has left Murray & Roberts today as a much smaller group, compared to what we were prior to COVID. I must say, as far as our client base is concerned, we were making good progress on COVID related claims to have these claims, considered, and discussed and agreed, but it takes time to get that done. You don't settle a claim in six months or nine months, many times it takes more than a year. And unfortunately, before we got to the point where these claims could have been settled, and we've been compensated for the COVID impact, we couldn't continue trading. So that was quite a devastating blow for Murray & Roberts. So the group today as we sit here, Murray & Roberts is still an engineering and contracting company, but your market focus is purely underground mining, in Africa, and the Americas, and then secondly in sub-Sahara Africa, the renewable energy sector, and then also power infrastructure work that's what we do. But by far the largest part of the group it is a mining business, and it is diversified across the Northern and Southern hemisphere, and the brand under which we trade, is the Cementation brand. In the Americas, Cementation Americas, is the leading brand in the US or in North America, and in Africa, I think Murray & Robert Cementation is the leading brand for underground mining contracting.

OptiPower, we'll talk a little bit more about it shortly. But OptiPower is the company that we use, operating company for servicing the renewable energy market, and the power infrastructure markets in sub-Sahara Africa. So, something that we had to deal with over the past 18 months, as the earnings base of the group reduced significantly, following the loss of Clough, and RUC, we had to agree, debt deleveraging plan with our consortium of South African banks, and they asked that we repay all the debt that we had with them, and that debt had to be repaid by the end of June this year, 2023. So a little bit more of more detail about that. But most of our time over the past 12 months or so, was occupied by dealing with a deleveraging plan, and implementing the deleveraging plan. From a focus point of view, as a deleveraging is basically done. From a focus point of view, the focus is now shifting again to, how do we grow this business, and I think our growth is going to be easier obtained in the mining sector, where we are still highly recognized, actually, globally, with all international mining houses, we are recognized as the premier underground mining contractor. So that is our focus, and I think from the current base, we are hopeful that we will be able to generate returns, that will please our shareholders.

So when the deconsolidation of Clough and RUC happened, there were questions asked about the sustainability of Murray & Roberts. And many people were concerned whether this group is sustainable, or not, and there were many, many considerations that we had to deal with. And what I have on the screen is just three main considerations, looking historically, or pre the deconsolidation of Clough and RUC, and then looking forward. First of all, if you look at our balance sheet, the balance sheet was highly geared, at a time that Clough and RUC was still part of the group, the gearing was within acceptable levels. But having lost those two businesses, all of a sudden, the balance sheet in South Africa was not good, and it was over geared, and we sat with, actually a lot of debt for the size of the company at the time. Question was how then to deal with it. Where we are today, we are right sizing our capital structure, we've done a lot of work as far as the deleveraging plan is concerned, and we are in the process of putting a new funding structure in place for the group. And that funding structure will be more aligned to what our requirements are for Murray & Roberts at this point in time.

Capital allocation, just need to give the context there again, whilst we still had Clough as part of the group, the biggest part of our order book was with Clough, and in Clough we had 90% of the orders were in a lump sum basis. A lump sum project, as I explained earlier on, you achieve your payments on a milestone basis, which means there's working capital that goes into your project before you reach your next milestone, and before you get paid. So it is more capital intensive, and as we had a big proportion of our rderbook tied up in lump sum projects, the capital allocation in terms of working capital was quite high, and the returns that we got on those projects, especially, look, thinking what happened during the COVID period, those returns were not there to justify the capital that were allocated to them. Today, the scenario was completely different. Biggest part of our orderbook, you'll see it later on. The biggest part of the orderbook is in the mining business, and there we don't have lumps on projects. So those projects are not as capital intensive, as what the lump sum projects are, but OptiPower is still part of the group, it's a much smaller part of the group compared to the mining business, and there will do lump sum projects. You cannot undertake any work in the renewable energy space in South Africa, unless you do it on a lump sum basis. That's the only commercial model that is available in this market. So we still have lump sum work. It is in OptiPower, but it is significantly less than what we had previously. So capital allocation, also be a lot more effective going forward. And then we had operating structure within the business, and we had an overhead structure within the business which was appropriate for the business at the time, but following the loss of Clough and RUC, we had to do something about it, and also, with a view to enhance our profitability. So we performed a detailed cost analysis, we looked at many, from many, many angles of what we can do, and what we can do. And you will see a little bit later on significant work has gone into restructuring and reducing the overhead cost base, and I think all of that is positive from a looking forward point of view.

But let's talk about the deleveraging plan, and the refinancing of Murray & Robert. When the voluntary administration happened in the deconsolidation of Clough and RUC, at that time in December 2022, we had 2 billion rands of debt in South Africa. And when we talk about debt and the deleveraging, we talking about the debt that we have, with our banks in South Africa, we're not talking about small amounts of debt that we had outside of South Africa, in our mining companies. But we had 2 billion of debt, and that reduced to 30 June last year, end of the previous financial year, that came down to a billion. And as you know, we've sold our investment in the Bombella concession company, and there was a billion that came through that process, and all of it went to the banks, and to reduce our South African debt from 2 billion to 1 billion.

The next milestone in terms of the deleveraging plan was to reduce the debt further, in November of last year, and we achieved that milestone. We renegotiated some of the terms on one of our large mining projects here in South Africa, and some cash was released in that process. We sold our investment in a non-strategic solar distribution company, Aarden Solar, and other smaller initiatives, but collectively, those initiatives enabled us to reduce the debt from the billion, to about 770 million, and that was in November. The next milestone came in January of this year, where we had to reduce our debt further, and that was achieved through our mining company in Canada, Cementation Canada, renewing its financing agreements with a Canadian bank, and in terms of that agreement, there was approval that they could pay dividends to Murray & Roberts, to its parent, with a purpose of using that cash in support of our deleveraging initiatives in South Africa. So that dividend was received in January as was planned, and the debt was further reduced to circa 400 million. So, the debt that we have in South Africa today, is 400 million. We can quite easily repay this debt over the next 18 months, 2 years, but our banks have requested us to settle that debt by June, by June of that year, of this year. And we cannot renewable trading achieve that, and we don't have assets that we want to sell at this stage, so we're looking at a refinancing process, that remaining debt of 400 million, we are in a refinancing process, to refinance it with other financial institutions, and through that, we will settle that debt, and we would have repaid all the debt that we had with our current consortium of banks, and that is by June 2024.

Implementing a sustainable capital structure, obviously, the new funding structure that I've just spoken about, the refinancing that has happening, will be aligned to the business's requirements, so that's an important, it's an important requirement. Other than the refinancing of the existing debt, the 400 million, we need to put proper arrangements in place for working capital, for asset-based finance or additional bonding capacity, to enable us to grow the business, and to take the opportunity that's in front of us, and benefit from that. I must be honest with you, during the past 12, 18 months, we have lost work in South Africa, where we had difficulty in raising the necessary asset-based finance facilities, because, although we had facilities with our consortium of banks, those facilities were frozen, and we weren't able to draw down on those facilities. And also from a liquidity point of view, as we are deleveraging the business, the cash that becomes available goes towards settling the debt, which is making liquidity tight, very tight at this stage, but by the end of June, once the refinancing have been implemented, and the new package is available to us that would address working capital or liquidity, asset base finance, bonding requirements, we should be able to trade freely again, and that's a very important part of the sustainable capital structure. But we had to do a lot of rationalization and cost cutting, you will know, recall previously, from operating point of view, we had three operating or business platforms within the group, one of which was the ERI platform, which was essentially Clough that was lost to the group. But what we decided to do, is to do away with the platform structure, and that then made the CEO, and CFO positions that we previously had, at the platform level, those levels became redundant, and as a result, in the mining platform, the CEO, and the CFO left us at the end of February of this year.

OptiPower is the only operating company that will emerge from the previous PIW platform, there will only be OptiPower, and Steve Harrison that's in the room, used to be the CEO of the PIW platform, and he's been appointed as the MD in OptiPower. So we've got four operating companies within Murray & Roberts, the MDs of those operating companies have now been appointed to the Murray & Roberts Limited Board, which is now the Executive Committee of the group. They report directly to myself, and as I said, OptiPower, is Steve Harrison that's in the room. Murray & Roberts Cementation is Japie Du Plessis, Japie is also in the room here, Cementation America is Eric Smith. I think they still sleeping at this stage, and so is Steve Kou, who is the MD of TNT.   Headcount at the corporate office, reduced from 33 to 19, we will achieve that 19 position by June of this year, and we will then move forward with 19 people. And then we also entered into a new lease agreement with our landlord, the building that we're operating from in Bedfordview, as you know, it's not owned by Murray & Roberts, it's a multi-tenanted building, and we entered into a new lease agreement, and we reduced our office space to two and a half floors. And that's part of the reason why we're here today, are not doing our resulted in Bedfordview, because the ninth floor has been returned to the landlord. And another reason we're here is, analysts, and business people mentioned to us, it's a little bit inconvenient for them to travel out to Bedfordview to attend the results presentation there. But the main reason is, the facility that we had on the ninth floor, that's been returned to the landlord, so we're here today.

Looking at the overhead cost, and the headcount, it's about a 40% reduction, which we think is quite significant. And it really is an optimal level, considering the size of the group, and what we have to do to make sure, that we can still manage the group effectively, and in a responsible way. We talk about the overhead costs, and before we look at the numbers, let me just explain how this slide works. So 22, and 23, those are the actual positions for the financial year 22 and 23, and then I'll have an estimate for 2024, and an estimate for 2025. And actually want us to compare the actual for 2022, with the estimate for 2025, because in 2023, and 2024, there were extra ordinary costs that we didn't have in 22, and that we won't have in 2025. So for comparison purposes, really, you must look at 2022 and 2025. The corporate office, the cost there is salaries, external audit fees, I won't say that the audit fees is a majority of that, Michelon, I'm pulling your leg, and then obviously insurance cost is in there, and then costs associated with being a listed company. Group trade services is IT, internal audit, forensic consultants, office rental, external consulting services, mainly commercial and tax, and extra ordinary fees, are fees relating to the work that we had to do for developing a deleveraging plan, and working with our banks through this period. Now, the note at the bottom of the slide says extra ordinary cost associated with a voluntary administration in Australia. It's not a direct cost for the voluntary administration, because their direct cost is in the discontinued operations. It's the cost really, that we had to incur as a consequence of that voluntary administration, and that is mainly the deleveraging plan. So between 2023 and 2024, you're looking at about 70 million of extraordinary fees, which will not be recurring in 2025. Just another point I would like to make, if you want to compare these numbers, with what you will see in the booklet, there are two other elements of overhead cost which is not reflected on the slide. The one is, there's a small element of international cost, now that international cost will not be in 2025. So we didn't include it in the prior periods, it's just for comparing apples with apples. And there's IFRS2 costs, associated with share schemes, which is not really big. But ja, that cost is about 20 million. So when you look at the estimate for 2024 it's 161 on the screen, it's gonna be about 185, in that range, including the international overhead, and the IFRS2 charge, but as I said that international cost in not repeating for next year. So next year, you looking at a total cost of about 112 million. And if you compare that to the 169, which is a little bit understated, because International is not in the 169, but that's a 40% reduction, and so is the headcount from 33, down to 19.

Alright, I did say we will talk a little bit about the results as well, and Dannie will go through the detail. So revenue for the six months period is up on what we had last year, and so were earnings, up from 89, to 103 million. I just want to highlight that 89 million, included 17 million, I think it was, 17 million, which was the, associated with our investment, the income associated with the investment that we had in the Bombella concession company. So stripping that out, it's actually moving from about 72 million to 103 million. The change came mainly due to the improvement that we saw in OptiPower, in the prior period it was loss making, it's marginally profitable at this stage, our mining business had a small increase in revenue, but they sustained the earnings at the same level that we had last year. The attributable loss, it looks like it's a massive movement from a loss of 2.5 to 0.1, which is big, but last year, we had all the costs associated with the voluntary administration of Clough, and the deconsolidation of Clough and RUC from the group. Diluted continuing HEPS is still in a lost position of 16 cents. It is an improvement on what we had last year, and we are confident that, that will in a new financial year turn into a profit. We still have high interest charges in the group. Tax is still high, and we have the extra ordinary fees, which I've explained, associated with our deleveraging plan, none of that will repeat in the next year, and as I said, interest will be down and tax also. And Daniel when he talks to the details, financial slides can maybe give a bit more color, Daniel around the tax and the deduct interest, deductibility, the way in which the debt is now held within the group, how the benefit will be derived.

The order book 14.7, I would say more or less the same level of as it was last year, as you know, with an order book, and with the business of our nature, you submit tenders, you don't get the tenders that get awarded on a weekly basis, maybe every two months or three months you win a tender, then you get a billion or 2 billion into the order book again. So the order book being at 14.7 billion is really not something to be concerned about. And the debt, the debt, Daniel is there a problem on the slide, is it all right, I see a discussion here, I'm just wondering whether I said something wrong, not everything is okay. Thank you. So the nett debt in the group, I'm not talking about the debt in South Africa, I'm talking about the nett debt, in the group, total debt, and total cash. The nett position I think it's 248, 248 million nett debt position. Now I think it'd be fair to say yes, you don't want to be in a nett debt position. But the nett debt position of 248 million is not something to be overly concerned about, taking into consideration it was 2 billion this time last year.

Just a little bit more about where we operate, our mining business, as you can see there’s Americas, Sub Saharan Africa, and the Asia Pacific region, we've got no activity there. But Cementation in Canada operates out of North Bay, Cementation USA out of Salt Lake City, which is in Utah, and Terra Nova Technologies is in Santee, which is in California, and Murray & Roberts Cementation based in Johannesburg, office in Kitwe in Zambia, and Accra in Ghana. And our intention is, as soon as this refinancing is behind us to get a presence again in the Asia Pacific region, and we have announced previously that we've established a company there called Cementation APAC, unfortunately, due to the current financial pressures that we are experiencing, we don't want to be in a position that we need to move working capital into Australia, or fund that business until we get going, but we will do so after the refinancing has been implemented. We will reestablish our presence in Cementation APAC, and we will start to grow that business from there.

Market conditions, and I think we're going to have still good conditions for our business over the next five years, and I'll say that based on the activity that we see in your order book. But when you look at what the headlines in the newspapers, mining companies under pressure, which is correct, predominantly the platinum sector, which is going through a very difficult period, I think far as the gold mining companies are concerned, they are starting to invest again. The other day Harmony announced, I think is there Mponeng mine, Japie, something like a 7 billion rand project that they've approved. And we have actually, from a technical point of view, most of the design work we did on a subcontract basis for another business. So we are cautiously optimistic that there might be an opportunity for us at

Harmony. The copper region in Zambia is starting to boom, again, there's a lot of activity, we've worked in Zambia for a number of years. Over the past couple of years we haven't done any work in Zambia, but we are hopeful, Japie, when will you get your first project in Zambia. Within the next couple of months, it's not me it was Japie, put you on the spot my friend. Ja, but we are optimistic about the opportunities in Zambia. And yes, in the US, and Canada, especially in Canada, our business in Canada is doing exceptionally well. In the Americas, the operating profit, you'll see a bit later on, was down on what it was last year, we had two contracts that are complete now. And those contracts had almost a disproportionate margin relative to the other projects, and they've now been completed, so it's no longer part of the mix. Cementation, Murray & Robert Cementation in South Africa, we had a tough first six months period, specifically on two projects. And on one of these projects, the client is in business rescue, so that had an impact on cash, it had an impact on earnings, and hopefully we can work through that. You meeting with them on Friday again, Japie, tomorrow. Hopefully we'll get a resolution on that in the not too far future.

The business that we, the revenue that we forecasting for the rest of the year is 92% secure, and I think that's a very good percentage. I'm really confident that what we have in your financial plan, from a revenue point of view, we'll be able to achieve that revenue. And, yes, new orders of nine and a half billion, I'll talk about that a little bit later, and category one opportunities of 16.6 billion. OptiPower business, Steve's business, based in Johannesburg operates out of the office in Bedfordview. We've got a small, very small office in Cape Town. From a market condition point of view, we know that there is a lot of activity in the renewable energy space, and there will be a lot of activity as far as the transmission lines are concerned in South Africa. Our transmission network is not capable to really accommodate all the expansion that is happening in the renewable energy sector, and some of the renewable energy sector projects have been put on hold, because there's no capacity, there's no grid capacity. But for some other reason, Eskom has been slow, and is still very slow to get these projects into the market. I think it is a funding constraint on Eskom side, so we'll see when that happens, but at some stage, there is massive spend that will follow on transmission lines. There's more than 1500 kilometers per year, of 400 KV overhead power lines that need to be built in South Africa. So when that will happen, we don't know, but hopefully it's not too far out. The projects that we have in Steve's business, as I said, it turned a small profit from previously having been in a loss-making position. Profits, or the projects are performing in line with expectation, and there also revenue is 92% secured. Real challenge for us in the renewable energy market at this stage is, you get told that a project will, financial close will be achieved today. In reality, it's going to be six months or nine months later. So these projects are not moving through the pipeline as quickly as they should, and secondly, the commercial terms that we are, that are really forced onto us, you don't have a choice, there's not much room to negotiate, the commercial terms are onerous. So, there is stuff, and the commercial terms are onerous, so it's a lot of opportunity, but it's not an opportunity that comes without risk. So we need to be wide awake, how we develop these projects, and how we participate in the sector.

The order book on the mining side 13 and a half billion, as I said, we happy with that level of order book. In Steve's business it's a little bit down to 1.2. There was quite a large wind farm that had to be in the order book by now already, but the award has moved out by three to four months. If it was in the order book, it would have been more than 2 billion, but it's 1.2. So that is now in new order, that specific project, and the total order before the group at 14.7 billion, quite comfortable, I think we can grow it from this level. Quite a busy slide, and I think it's still an important one. So what we try to show here, on the first set of information on the far left, as we try to indicate what part of the order book is in the international market, and what percentage of the order book is in Sadec, and you can see the split there for mining and OpticPower. So overall, 56 of the order book is in the Sadec region, and 44% is international. And then the column to the right, that's just how the order book moved for those two businesses, and for the group as a whole, between December 2022, and December 2023. And then on the far right hand side, that is, for the following financial years, what is the time distribution of that order book. So for mining, at the end of December, we said 13.5 billion, of which 5.1 billion is in 2024, so that will come through in the second half of the year, 4.7 billion in 2025, and 3.7 billion after 2025. But looking at all of that, we believe that we will do revenue for the current year, circa 14 billion, that’s where we should be. And as I mentioned earlier on, I think we're getting to a point now that we really should expect to see earnings growth coming through as from FY 2025, revenue, and earnings growth. Just on the order book, again, a bit more detail. But I think it's important, especially for people that may be attending for the first time. So the order book is defined as, work which has been secured, and for which you have got a signed contract, and that you are busy executing. Near orders is where we the preferred bidder, so essentially it's our work, but we haven't achieved financial close with a client, we haven't signed the agreement yet. The official award hasn't been placed on us, so it's a near order. And in that category, we've got 10.2 billion worth of projects where we the preferred bidder, which currently is in the process of commercial close, and then it moves into the order book. We always say there should be 90 to 95% of that, must find its way into the order book. It's unlikely at this very late stage that you cannot achieve commercial closure with the client on the project, but 10. 2 is a nice figure for us to have. Category One is active tenders that we are tendering. So it is projects that have advanced to a stage that clients want to invest, and they asking market for tenders, so they can do the adjudication, and the project can be built. So there's 21.2 billion of tenders that we are working on, or tenders that we have submitted, that is under adjudication. Category Two, is projects that are further into the future. There we working on feasibility studies, or we do budget estimates for clients. And category three are opportunities that we are aware of, but it hasn't progressed to a point that the clients are engaging us to do a feasibility, or to do a tender, so they are further out. And I'm not concerned I heard the other day people commenting after our results yesterday, look at category one is down from 28, 29 or 28 to 21, look at Category Two it’s down from 77 to 51, I mean, that's not a analytical approach to all of this. That's full 77.8 billion that we had in June 2023, those were feasibility studies, and budget estimates at that time, it doesn't mean that those projects have disappeared.

They’re still out there, some of them might have moved into category one, but over and above that there's another 51 billion of category two opportunities. So, it's not a linear thing, but it gives you a feel of the volume of work that is out there, and it's available to us, and that we are tendering on.

Health and safety. You know, many times when you look at graphs, if there is a upward trend, it is good. When you look at safety, if you have an upward trend, it's not good. So on the left-hand side you see 1.52, which was our lost time injury frequency rate for the six month period to December, and that is expressed per million-man hours work. So how many injuries happened in that six months, expressed per million-man hours work, and that's 1.52. It is quite up on last year, but there's a reason for that. In the prior periods we had, most of the hours worked, were worked in Clough, and Clough had a very, very low injury rate. So by stripping those hours out, all of a sudden, the frequency rate increased quite a bit. The number of incidents, we had one more incident in the previous six months, compared to the first six months of the prior year. But the one incident that, one of the incidents that we had resulted in three injuries. What essentially happened, it was out at our Bentley Park facilities close to Carletonville, where a subcontractor was doing some sheeting on some of our buildings, and they moved a scaffold, from the one side of an overhead power line to the other side, and they got close to the power line and there was a flash. They didn't make contact with the power line, but there was a flash from the power line to the scaffolding, and three people were busy moving the scaffolding, and they were injured, all released from hospital, and everything is fine. But that is one incident, but three injuries, and that's the reason why we see the increase in that rate. And fortunately, we didn't have any fatal incidents in the business. The one in 2023 was in RUC in Australia, and our business in South Africa, our mining business in South Africa, how many years without a fatality now, 9 million fatality free shifts, but that must be five years, six, about six years. I mean, that's a phenomenal performance in the South African mining sector, to have been able to work for so long without a fatal injury. So, Japie well done to you and your guys.

And then I just want to comment again, make a comment on the incident, which happened, the bus accident that happened late last year, I think it was the 17th of September, people were traveling on a public road, traveling to work in a bus, and the bus was involved in a head on collision, 20 people lost their lives, 17 of them were employees of Murray & Roberts group. So we just want to recognize that and acknowledge that again. It was a very difficult period for the group, as you can imagine, and for the project as well. But yes, that's something I just wanted to touch on again. So with that said, Daniel, over to you for the detail.

DANIEL GROBLER

Henry, I just want to go back to slide eight, which is where I almost upset Henry. We talked about nett debt of 0.2 billion versus 2 billion. Now I forgot my glasses at home, I read that 0.2 billion versus 0.2 billion, and that was completely misleading, so that was my mistakes. I said to Henry, jeez these numbers don't compute, but the numbers are correct. And as where we sit today, the nett debt is 0.2 billion. So, luckily the numbers compute and I understand the numbers.

So getting into the segmental analysis, Murray & Roberts today consists of the mining platform and the OptiPower company or platform. OptiPower previously was known as Power Industrial and Water. The mining platform consists of Africa and the Americas. In terms of earnings, we can see Africa had a consistent revenue base of 2 billion with, almost exactly the same operating loss, and an operating margin of 2%. Now, Henry spoke about the incident at Venetia, Venetia accounts for almost 50% of the margin and the revenue in the Africa platform. So we lost a lot of productivity in the month of September, October, November and December, in Africa, which reduced our margin. So I believe that margin can go up to between 3 to 4% in the next six months in the financial year, but the unfortunate incident that cost us in terms of margin in the first six months. In the Americas, we can see revenues almost the same as in the previous six months. Henry did mention, we had two very lucrative contracts that came to an end, and those contracts, reduced our margin from 6 to 4%, I believe the 4% can go up again, depending on the size of the contracts, and the quality of the contracts we have going forward. The important element to note going forward, is in other, so other is our platform, overhead cost, which due to the right sizing and restructuring of Murray & Roberts, those won't be repeated going forward. So going forward, we will only have an Africa column, an Americas column, and the overhead structure in the other column will fall away going forward.

If we go to OptiPower on the left-hand side. So OptiPower going forward will focus solely on solar transmission distribution. What we've had is we've had contracts in the power and industrial elements, water, solar, and distribution, then other. Now if we had to combine them into one column, being solar, distribution and other, to represent a restatement of our financial statements, which we didn't want to do in this financial year. So in December, as well as in June, we still going to use these categories, because we still have contracts in these platforms.

Now, Power and Industrial in 2022, we can see operating margin of 27%. That has been inflated, based on the fact that we renegotiated or settled the power program with Mitsubishi Hitachi, and some of our risk provisions that we raised against Mitsubishi Hitachi were no longer required, so we could release some of those provisions. So the 27% has been inflated by the provision release in these entities. If you look at water, that's insignificant that's coming to an end in the current financial year, solar transmission distribution, the operating margin should be between 5 and 7%. So, the projects at the moment, we've got 4, 5 main projects at the moment, that are operating against tender margin, so they are operating well. Going forward, that's where the future of this platform lies. That's where the future is seen for this platform, and it is wind turbines, PV plants, transmission and distribution in the energy sector. In terms of other, we see the overheads came down from 78 to 43. Included in the 43 is commercial and legal costs. Once we've settled the power program, and there were about, correct me if I'm wrong Ian, then there were about 22 disputes, running where we had to incur legal costs to fight each of those disputes. All of those have now been settled. So we do see a reduction in overhead costs from 78 to 43. That's a combination of commercial legal fees as well as overhead costs, by coming down to one division being OptiPower. In discontinued operations, in Australia, in the prior year, we had the deconsolidation of Clough and RUC, and that was both operating loss, as well as the deconsolidation on the NAV of the company, it was 2.2 billion. In the current year, we've got 34 million rand loss that we incurred. So we were still trying to regain control of the RUC entity for Murray & Roberts. Some of those costs spilled into 2023, that's expected to come to an end in this financial year. In the Middle East, we had small admin fees and legal costs, amounting to 26 million. Again, as Henry mentioned, by the end of June, we expect to be exiting the Middle East. So either through a sale of the Middle East companies or other means, but by June, hopefully the Middle East costs will be coming to an end.

In the other column, we've got a 94 million revenue and a 19 million profit. Now, to put that into context, we did execute works for Mitsubishi Hitachi from our genric entity, and the work was done at a cost basis with no markup. So the 94 million was revenue we generated and they paid us the 94 million, but we also have a investment in the Bombella Civils Joint Venture Company, and in there we made certain provisions for end site costs that we expect to incur, which is 2026, when the contract is, well, should be handed over to province. Now according to the accounting standards, you can only provide for costs going forward, if the liabilities incurred. And we made a provision saying that we expect the following cost incurred, but we didn't have the current obligation. So we had to release those provisions going forward, and then the other column shows a profit of 19. In the new financial year, we don't expect discontinued operations to contribute significantly towards any losses or profits in FY 2025. So this culminates into an income statement. So the increase in revenue we see as 666, and that is in the OptiPower division, and mainly in the wind farms that we secured. We see an increase in EBIT, we see a decrease in the interest expense, and that's because we repaid some of the debt with the proceeds of the investment in Bombella, which is significant reduction in discontinued operation. So attributable loss in the first six months is 95. So what can improve in the new financial year. So operational improvement in Cementation Africa and the Americas could improve your EBIT, your nett interest expense, because as Henry mentioned, in January we refinanced 400 million from Canada, repay the debt in South Africa, Canada, we pay interest at 8%, and Africa we pay interest at 13%, so it's going to be a reduction in interest expense. The interest in Canada is tax deductible, whereas in South Africa, it's not tax deductible. So we do, we will see a decrease in tax expense going forward, and discontinued operations, we should see reducing very close to 0% in the next financial year.

In terms of our balance sheet, so we can see property, plant and equipment, it's hard assets, yellow metal, so it's not intangible. So a billion of that is sitting in Cementation Americas, but 560 million is sitting in Cementation Africa. So those are hard, current assets in terms of cash, cash equivalents, all of that cash at the moment, unfortunately, is sitting abroad, is sitting in the Americas. And we starting to address the imbalance of having all the debt in South Africa, and the cash sitting abroad. We do make a comment that because the debt is sitting in South Africa, and the cash sitting abroad, it does place a significant liquidity constraint on the SA operations, and that is being addressed, and that will be the case, up until we refinance the last outstanding debt, according to Henrys' slide, 400 million by the end of June. So liquidity in SA is extremely tight and we grateful with suppliers, and clients working with us in this process to get the refinance done. That should be done at the latest by the end of June, and by then we should restore the imbalance of cash sitting abroad, versus debt sitting in South Africa. And then shareholders equity is sitting at 1.6, 1.7 billion. That's around four Rand per share, and the share price today, last I looked, is sitting at 132, which is a lot less in then the group book value of the share price.

The last slide is our gearing level. So we distinguish between corporate debt, self servicing debt, IFRS 16 , IFRS 16 for the non-accountants are operating leases, as signing a lease on a building and non-operating assets. It's a small amount, and the bulk of that sits in the Americas as well as South Africa. Asset based finance is self servicing debt, when you buy an asset for a mining contract that is serviced by the mining contract, it's not serviced by operating profit in the contract, but it's service by revenue line in the mining contract. So our gearing level in terms of corporate debt, which is the TNT outstanding amounts, as well as overdraft, and term debt, and sundry loans, is 53%. So 53% is not out of proportion, where we stand today, that 53% is reasonable, that's expected to come down. And some of the models that we ran, shows, the SA debt, remaining, which is about 400 million, should be repaid by June 2026. So that percentage is expected to come down quite significantly. Henry, that's the very quick, detailed financials.

HENRY LAAS

Daniel's managing the time very well, I think we've got for the presentation between 12 and 1 o'clock, there's four minutes to go, and just enough for me to do the presentation takeaways. Thank you, Daniel.

So I think you will agree with me that the group has changed significantly, as we are emerging from this challenging period, which follow the deconsolidation of the Australian businesses in December 2022. We've gone through deep waters since then, and we almost have our feet back on dry land again. So we can't wait for that to happen. Again, defining the group, is an engineering and contracting services company, focused on underground mining in Africa and the Americas. And then in the renewable energy sector, and power infrastructure here in sub-Sahara Africa. Meaningful progress with the implementation of the sustainable capital structure, significant cost reductions, as we have shared with you, but also then concluding the debt refinancing by the end of June. And as we said, during the presentation, we will end up with financial facilities that are aligned to our business requirements in

South Africa. Interest in tax expected to reduce as from next year, and no further extra ordinary costs. We had 70 million over the last year, and in the first six months of this year, so it is substantial, that won't happen again.

Now discontinued operations Murray & Roberts has for many, many years. I think, let me rather put it this way, I think it was difficult for analysts to really gauge what was happening in discontinued operations, because we had substantial movements happening, in discontinued operations year on year. We are hopeful that by the end of this year, that the discontinued operations will be out of the system. The Middle East, we aiming to have the Middle East out of our system by the end of June, and the cost associated with that as well. The only remaining matter that we are dealing with is the contingent liability, that we've discussed as well previously, where there's a claim that's been brought against Murray & Roberts, which we believe it's spurious, and we're defending it here in South Africa. So there might be some legal costs associated with that into the next year. But costs directly in the UAE, that will no longer continue. One thing that I just want to emphasize, when we exit the Middle East, before the end of June that what we aiming for, remember there's that foreign currency translation reserve, of about 480 million that we have to account for. So it will come through the income statement, it's got no cash impact, no impact on equity. It's purely an accounting entry, and if you asked me, I would have loved to not even talk about it, but Michal, our auditor won't allow me to do that. Fortunately, we will have to account for the 486, but as I said, it's a meaningless thing. There is no, there's no cash associated with it, and it doesn't impact equity.

Growing the business I mentioned earlier on, is high on our agenda, and if we do so in the mining business, I think it's probably the easiest way for us to do it. And to get back into the APAC region is probably also for us the easiest way to do it, so after the refinancing has been concluded, we will start to pick up momentum to capacitate Cementation APAC, and to get traction in that region again. And we believe that there is efficient market opportunity considering our order book, considering our pipeline, that we should be able to report earnings growth as from the next year, not only in the mining business but also in OptiPower. And as Daniel has explained, we won't have that big discontinue charge next year again, so it will end in the current financial year. We expect interest to come down, interest, Daniel said is deductible for tax in Canada, our portion of interest in South Africa not, because we can't raise a tax asset in South Africa against that interest. So all in all, all of those items below earnings before interest in tax should improve. But we also expect earnings before interest in tax on the operations to improve. So ladies and gentlemen, thank you for your patience. I can carry on but it's one o'clock, and we've scheduled the presentation for 12 to 1. You're going to take questions now, Ed, and you're going to facilitate that for us.

ED JARDIM

Thank you, Henry. Perhaps like we said at the start of the presentation, let's perhaps start with questions in the room. Sam over there has got a microphone towards the back. I can handle any questions in the front. Can we please ask that you wait for the microphone to get you before asking the question, just so those on the webcast, the stakeholders on the webcast can listen as well. Any questions in the room for Henry or Daniel.

MARC TER MORS

Marc ter Mors here from SPG. Question on the restructuring in the power, water, industrials division, the focus on OptiPower, does that imply Murray & Roberts is exiting the water markets in South Africa, as well as mechanical and industrial engineering competencies.

HENRY LAAS

Yes, that is exactly what that means. It is unfortunate, because we believe that the solution that we had for our water challenges in South Africa is just so unique and so fantastic, and knowing what the need is for our type of services, but we can't hold on to resources, if there's no projects. And that's the difficulty that we have. Our only activity currently in water, is the organic water treatment plant in the VNA in Cape Town, and we've got an operating contract on that, and the intention is to hand it over to the VNA, let them then operate it. From the mechanical construction point of view, if we get an opportunity that drips with honey, we will again possibly think about it, but Steve tells me those opportunities are not there, and again, the market comes back to the same situation, you know, it is a capacity that you carry within the business, it comes with a cost, but it doesn't give you the return for that cost. So it is unfortunate, but I think it is best for the group considering our current circumstances.

MARC TER MORS

Thank you for that, next question, perhaps North American mining particularly the engineering and design business, TNT, it sounded like reducing losses and an increasing order book, can you talk about the profitability outlook for that business.

HENRY LAAS

Yes, TNT business that operates out of Santee, it's a logistics company. So what they essentially do, they build large crusher, overland conveyor systems, loading facilities, loadout facilities, that is what they do. When we acquired the business, I can't remember now when it was, 2017, 18, must have been around about there, 2018. At one stage, it made just before we entered COVID, I can't remember now, but quite a significant 90 million per year contribution that we had from that business. And then when COVID came, all the projects just dried up, we didn't have an order book, we made losses, post COVID, low order book, but some work that we forecasting, or estimating, people tell me when you do a results presentation you are allowed to do a forecast. So we estimate, our estimate is that the TNT should be profitable this year around about 20, 25 million. It had a small loss in the first six months, but the order book is starting to come together. It's a fantastic business, it's very, I think it's one of the few globally, you know, that can do the type of engineering design, and execution of the type of work that OptiPower is doing, sorry OptiPower TNT.

ED JARDIM
Any other questions in the room.

ROWAN GOELLER
Thanks Ed. It's Rowan Goeller from Chronux Research, Henry, to get back into the APAC region, what minimum capital requirement would you need, and where would that come from, would it be from South Africa or from the Mining International.

HENRY LAAS
No, I can tell you what the plan is for APAC. If you want to have a company operating in that region, you have to have the ability to provide bonding, you have to have proper working capital facilities, etc., etc. So our plan is to employ two or three key resources into the business. People that we know, people that we all familiar with, that are well experienced in that region, employ them in the business, and then to get onto the tender lists of mining companies. But to undertake projects initially, in joint venture either with Murray & Robert Cementation, or with Cementation Canada, use their bonding capacity to support the project, and through joint venture, grow Cementation APAC. And when they get to the point that the financial position is such that they can continue on their own, they will then continue on. So we don't intend to make a big working capital investment in that region. So we now have questions from two of the top analysts in South Africa, Marc ter Mors and Rowan Goeller.

ED JARDIM
Thanks, and perhaps, let's go to the to the webcast. First question. Can you comment on how we should think about the corporate costs, the number is mentioned of 84 million going forward, given that the cost cutting program is SA, will this, given the cost cutting program in SA, will this materially decline into FY 25.

HENRY LAAS
I think, I think that question was answered in a slide. I'm not sure about the 84 million that's referenced there. But I think that overhead slide explains what we are estimating as an overhead cost, total overhead cost for FY 25. And as I said, if you go back to 2022, which is the more relevant year for comparison purposes, it is a 40% reduction.

ED JARDIM
Thank you, Henry. Next question. Will the board consider a buyback before pursuing growth opportunities given the obvious value accretion, a buyback could add for equity on shareholders.

HENRY LAAS
You know, there's lots of debate whether a buyback is very value accretive or not. I am in favor of buybacks, but we can't do a buyback at this stage. We don't have shareholder approval, so that's something we will have to take to the AGM first. And secondly, I think considering your current financial position, I don't think, you know, we can think about buyback. We don't have the free cash, really, to support a buyback at this stage.

ED JARDIM
Thank you, A question for Daniel, taxation, when will the taxation charge normalized to SA tax rate.

DANIEL GROBLER
So, so taxation will never normalize to 28% SA tax rate, we're always gonna have withholding tax, which is about 5%, so over and above the 28%, you can add 5% for withholding tax. Tax rate in Canada, where the Americas make their money is sitting at about 32%, and when you with, well, dividend that money back SA, it's another 5%. So I think a more normalized rate will be about 38% for the SA entities. We will get to about 43, 44% in the next financial year, FY 25, and there after we should get back to abut 38%.

ED JARDIM
Thank you, Daniel. Question. Actually, you've just answered, it was a question around the tax rate for 25, 24 and 25. That seems to be the questions on the webcast. Any other questions in the room for Henry or Daniel.

HENRY LAAS
Thank you very much.