Conference call transcript

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Murray & Roberts Business Platform Presentations

Ed Jardim

Good morning and good day, good afternoon to all of our stakeholders on the call. Welcome to the Murray & Roberts investor day. Thank you for your time in joining us today. Most of our viewers I think are on the webcast. We'd like to encourage questioning throughout the presentation. You will see that you have a questions tab on the webcast that you can ask your questions through. I encourage you throughout the morning to please ask your questions during the presentation so we can have a constructive Q&A session towards the end.

First up we're going to have our Group CEO, Henry Laas, to talk us through the opening. Thereafter we'll have Peter Bennett, platform CEO of the Energy, Resources & Infrastructure business. After that Mike da Costa, the platform CEO for the Mining platform, and finally Steve Harrison for the Power, Industrial & Water platform. Henry will close off the morning for us. Once again, please ask your questions throughout. What's interesting today is that we do have Peter via Zoom presenting in Australia, and we also have Mike presenting from Canada. With that I'd like to ask Henry to please open for us. Thank you very much, Henry.

Henry Laas

Thank you, Ed, and good morning, ladies and gentlemen. Welcome to Murray & Roberts' investor day. Ed was very cool and collected when he opened the meeting this morning. I can assure you he has been running around this morning testing the technology and making sure that everything will work well. So, I hope the technology will not give us any problems this morning and that we will be able to have a very successful investor day. As you all know, Murray & Roberts' year end is on the 30th of June, so we're about a week away from our year-end. And we would like to do this investor day today so that we can have an opportunity to engage before we move into the closed period.

Murray & Roberts is a very capable organisation. Or should I rather say, it is an excellent engineering and contracting group. We provide our services to the market through three business planforms, and each of them are targeting very specific market sectors. And the platforms are named after these market sectors which they are targeting. I would like to take a minute to talk about the purpose of Murray & Roberts as a group. Why do we exist as an organisation? It is to enable fixed capital investment. In other words, to build the projects that we are building. And we do that to support the advancement of sustainable human development. Now, when we talk about sustainable human development, I also want to say a word about ESG. It will feature also in some of the other presentations that will follow after my presentation this morning.

Murray & Roberts as a service provider don't own operating assets which are polluting the environment. Our carbon footprint is indeed very small. But we take ESG very seriously in the group. And the reason we do so is because we believe when we talk about the environmental side that the move towards greener energy will be presenting opportunities to all three of our business platforms. So, ESG in Murray & Roberts is important from an opportunity point of view more so than from a risk point of view. As I said, our carbon footprint is really insignificant.

In 2015 we designed the strategy for the group that we named the new strategic future plan. And that strategy essentially stands on five pillars, and we have on this slide rated our performance relative to what we set out to achieve in these five pillars. And you will notice that the first two pillars have been rated as green and the last three pillars have been rated as amber. So, we believe that we have achieved what we set out to achieve when we said we want to be a multinational specialist engineering and construction group. And we also believe we have achieved what we have set out to achieve when we said that we would like to provide services across the project lifecycle. And I will explain a little bit more about that in a short while.

The last three pillars, engineered excellence, it is a philosophy within the group. Engineered excellence is a philosophy within Murray & Roberts. What we are saying is we would like to achieve excellence in whatever we do. In the safety discipline, in the human resources discipline, the way we manage our finances, the way we deliver our projects, we want to achieve excellence. And engineered excellence means that this excellence is not something that happens by chance. We need to first of all appreciate what excellence looks like in a specific context. And then we need to plan for that outcome. And that process of planning for that outcome is what engineered excellence means. So, we need to do a bit more work on that because we're setting ourselves a very high standard of excellence, and I cannot say that we are achieving excellence in everything that we do at this point.

Grow through acquisition and organic growth. We are still in the phase of growing the business, and you will see it shortly when we talk about our order book. And then to enhance shareholder value. It is very frustrating to me that we have not yet reached the point that our shareholders get value for the patience that they've demonstrated in being with Murray & Roberts for many years as we were implementing our strategy that we call our new strategic future plan.

As I said, Murray & Roberts is a multinational engineering and contracting group. I mentioned earlier on that we've achieved what we wanted to achieve. By that I mean that our footprint that we have, our global footprint is now well established, and we don't envisage to expand on this footprint in the near term. What you see on this slide is the world map and the corporate office in Johannesburg where you see the black dot. Then the Mining is represented by the yellow dots. You will see a number of offices in North America, in Africa, in the APAC region, in Australia and also in Mongolia.

The ERI platform represented by the green dots, you will see there are quite a few of them in North America, quite a few of them in Australasia and one in Scotland as well in the EMEA region. Power, Industrial & Water is not a multinational platform, whereas the other two are multinational businesses. The PIW platform is headquartered here in Johannesburg, but we also have an office in Cape Town. Our global footprint we believe is now at a point that we believe we are operating, and we've got a permanent presence in the main markets which we are targeting through our three business platforms. And there is no plan in the short term to expand on this footprint.

A comprehensive service offering across the project lifecycle. You will see for each of the three platforms when you look at the middle column, it starts off from detailed engineering all the way through to commissioning of projects and also maintenance once projects are in operation. The only platform where we do undertake operations as well is in the Mining platform. As you may know, we are operating mines on behalf of our clients. So, we actually do the mining on behalf of clients. So, we also undertake mining operations in the Mining platform. Very soon in the PIW platform we will have a small water treatment facility that Steve will talk to that we will operate for a period of about ten years. So, we will also have an element of operations in the PIW platform.

The three CEOs that head up these platforms, the ERI platform is Peter Bennett, Mining, Mike da Costa, Power, Industrial & Water, Steve Harrison. I can assure you that each of these executives are well respected in their respective industries and they are doing an excellent job in managing those parts of the group that they are responsible for. So, this was the second pillar of the strategy where I said we wanted to provide this comprehensive service offering, and I think we have achieved that as well. We are providing a complete project service to our client organisations.

Just a few words about revenue and order book before I hand over to the other speakers. On this slide what we're trying to show is how the revenue has shifted more towards international revenue than revenue from southern Africa. The yellow bars represent revenue from southern Africa and the grey bars represent revenue from the international operations. And you can see from about 2017 the revenue from southern Africa started to decline sharply and the revenue from our international businesses started to grow strongly.

What you see on the far right-hand side is only revenue for the first six months of the current financial year, in other words up to December 2021. And at that stage we had revenue of R13.3 billion total revenue for the group. And at the half year results we indicated that we would expect revenue to exceed R30 billion by the end of June, and we think that is more or less where our results will be. So, the lack of opportunity that we've experienced in southern Africa for many years now has really resulted in our international footprint to grow strongly and for us to have a diminishing contribution from southern Africa. Ladies and gentlemen, over the next three years when you look at our business plan, we expect that less than 10% of our revenue will be from southern Africa. So, Murray & Roberts really is a multinational engineering and contracting group. It is no longer a South African civil engineering and building contractor.

A few words about our order book. I mentioned earlier that we're a services organisation. In other words, we don't own a lot of assets as a group. For an engineering and contracting company your business opportunity is really underpinned by your order book. If you have an order book, you've got a business. If you don't have an order book, you don't have a business. What you see on this slide is the yellow bars represent the ERI platform order book, the grey bars the Mining platform order book and the blue bars the PIW platform order book. And as you can see from about 2017 or 2018 you will see the steep increase in the yellow bar.

That is the ERI platform. That is a result of the strategic change that was implemented at that time under the leadership of Peter Bennett. Up to then that business predominantly was providing services into the LNG market in Australia. And when that market started to taper off and with the collapse of the oil price in 2014 the business had to refocus itself onto new market sectors. As I said, under Peter's leadership that strategic shift was implemented very successfully. That is demonstrated by that very strong growth in order book, those yellow bars as you can see from 2017 starting to increase.

The Mining platform has always been a substantial business within the group, and we do expect as the whole world is transitioning towards greener energy that there is significant opportunity for our Mining business in the medium term. The PIW platform, the blue bars, I mentioned earlier on very limited opportunity in South Africa. And up to about 2017 the blue bars really represent the work we were doing at Medupi and Kusile. When our scope on those projects was delivered, the order book tapered off and basically disappeared.

But I am really encouraged by what is happening in the renewable energy sector in South Africa. Although the projects are much later than what we expected – we expected some breakthroughs in the current financial year in the renewable energy projects in South Africa, but the financial close has drifted out and has drifted out – we are confident that we will secure a significant portion of especially the electrical balance of plant work on the renewable energy projects in South Africa between July and December of this calendar year.

When you look at the far right-hand side, the order book there in FY2022, that was the order book at the half year stage compared to an FY2021. That was the order book at the full year stage. So, the order book at the half year stage this financial year is around R61 billion. And you will see an asterisk next to FY2022 in that table. And what we have communicated to the market several weeks back is that the ERI platform was successful in being awarded the Perdaman contract in Australia. And our platform's share of that award value is R22 billion. So, where we had an order book at the end of last year of about R60 billion and at the half year stage this financial year, we do expect the order book to grow to about R80 billion by the end of this month, by the end of June. Back to you, Ed. Thank you.

Ed Jardim
Henry, thank you very much for that opening. We're now going to start with our platform presentations. The first up is Peter Bennett, platform CEO of the Energy, Resources & Infrastructure platform. Peter is presenting via Zoom out of Australia. Thanks, Peter. Over to you. At about quarter to we will look at what questions we have for you, and I will facilitate those for you. Thank you, Peter.

Peter Bennett
Thank you, everybody. I really appreciate the opportunity to present our platform to you here today. You're an important part of our business, and it's great to be able to share the story of the ERI platform with you and how we fit within the Murray & Roberts group. On the second slide we've got the agenda that I'll cover today, an overview of the business, who we are and where we've come from. We'll talk about the strategy and how it's evolved, and how recent world events have been incorporated within that strategy. We'll view some of our current projects just for information in terms of where we're currently at. We will touch on some of the key risks to the business going forward. Then of course we've got some presentation take-aways to go with you. Slide three is the headline slide for the business overview and it just has a photograph there of part of our Snowy Hydro project.

As we move on to slide four and we talk about the background to Clough, as I think many of you know, back in the end of 2019 we really started to see the benefits coming through and be more visible in the business of all of the hard work that we've made to really diversify the platform away from its focus on LNG related work in Australasia. As we all know, there was a period of massive investment here at that time, and Clough was well positioned and took a key role in many of those developments. It was a very successful period for the company, but when those investments were completed, the oil & gas price collapsed. We needed to diversify the business into a broader range of sectors that were continuing with project investments.

So, we've been on that track now for the past six years. And we really started to see the results of that coming through in 2019. As Henry pointed out earlier, we feel confident that that strategy has been successful. We've got the strongest order book that Clough as a business has ever seen, and we've got a strong pipeline, and as Henry mentioned, some near term prospects that will continue to grow that order book from where it is today. In 2020 when the pandemic hit certainly a lot of the perspectives around the globe have changed and certainly priorities have changed. Really the thing that has been very comforting here is that the resilience of our strategic plan has remained intact.

Frankly, we haven't had to alter it. In many areas some of the changes that we have been seeing in the market were accelerated through that process, and that really just underpins what we're doing with our business and the strategy that we're pursuing. As I point out in the first bullet there, we're unlikely to see things go back to the way they were pre-pandemic time. What it has done is facilitated some changes in things around energy transition and waste reduction. And some of the other technological advances that we're seeing coming to market today were really part of what we were building our strategy around initially. What we're enjoying at the moment is probably a bit of a head start in that space.

We are seeing a much stronger emphasis today too on the ESG side of the business. We spend as much time talking to financial institutions about our ESG philosophy as we do about our financial components these days. They really are a key factor in determining where investments are going to be made. So, all of our clients, the lending institutions, even current and potential new employees have a much larger interest in ESG related issues. And if you can't articulate a clear strategy around where you are in ESG and what your plans are going forward, then you're behind the eight ball. So, we really can't afford not to be paying attention to this. I think we have been, and we've made some great progress in that space, and that has been recognised certainly here locally and within our industry. So, it gives us a good platform to continue to build from.

On slide five we talk about where we are today. Alluding to Henry's earlier comments, we're an engineering and construction company and we provide sustainable, high-performing assets to the energy, resources and infrastructure industries. That's a very important point. The high-performing assets across these industries is quite key. Our core capability is unchanged, and that's really project delivery. We have certainly within the Australasian market a fairly unique ability to do that. That is self-performed engineering, self-performed procurements and large parts of the construction including the commissioning and start-up phases. So, those core capabilities will remain unchanged, but we are putting a much stronger focus around our ESG obligations and commitments. Our relevance in the market and our ability to be attractive in the markets that are accessing that sort of capital investment now is a key part of what we're doing.

So, drivers and opportunities for us remain with our clients in supporting their energy transition. Certainly, the net zero expectations remain. I think the timeline has probably shifted out a little bit, and I think the focus on the transition energy has been brought much more into the realm. As we talk though some of the projects you will get a sense that Clough is relevant and has active work in hand at the moment that is part of this energy transition process. So, in that regard we're quite pleased with where we're positioned in this market. Those complex energy resources and critical infrastructure projects are really what we specialise in, and we have a current regimen of work and projects to be ablet o demonstrate that expertise in.

Having the new work is one part of the equation, but as you will see in our strategy, there are two real key drivers. One is the growth mechanism. That is being in the right markets with the right skills sets. But equally and particularly important to our shareholders is the ability to deliver those projects profitably. Excellence in project delivery is a key part of our commitment and a key part of the journey that Clough has been on and will continue on. In APAC our growth is going to come through delivering these capabilities into these growth markets, and we are well represented in them already. Power, power storage, transmission, complex infrastructure and the new renewable energy platforms are really going to be key areas that are seeing quite a bit of investment here in the APAC region, and we have a great portfolio of work currently in hand, also key prospects that we have in fairly well developed form with our clients today.

North America is a market that strategically we made the decision to enter that North American market about five years ago. And we have had a structured approach to that market. We had not anticipated the global collapse of the oil price and clearly, we missed the fact that COVID was coming. So, that has changed our strategy a little bit and accelerated our need to diversify in that North American sector. You will see when we talk about the family of companies that make up the Clough group now, the acquisition we made of JJ White in Philadelphia was part of that diversification strategy. And we're quite pleased with that acquisition and the opportunity that brings to the business.

There has in recent months been a bit of a resurgence of the traditional oil & gas markets in North America, and certainly the energy security concerns arising out of Eastern Europe at the moment are driving investment in export capability and capacity in North America right now, which is feeding into opportunities for the business there. In the normal gestation of those project opportunities that will be a few years before they transition from their current studies into EPC contracts and visible revenue, but certainly we're seeing some opportunities and investment return to that market giving us good encouragement there for the continued delivery in North America in the long term.

In the UK we're looking to continue our customer focus there. We've got a strong relationship with a number of key clients in Europe through our Booth Welsh business. We have actually the largest order book that Booth Welsh has ever enjoyed. Project deliveries are probably a little bit elongated at the moment with the many issues that Europe still manages through, but as a business it has been continuing to build order book through a time when we thought we might see a more difficult period around our ability to sustain workload. But pleasingly that has not been the case. We have a good order book, as I say, the best order book that they've had in Europe now for quite some years.

If we move to slide six, I won't dwell on this too much, but this is our group of companies. We're a wholly owned subsidiary of Murray & Roberts. Within the Clough family there's Clough here in APAC, Clough in North America and Clough in Canada. Subsidiary companies and brands that operate under the Clough umbrella is Booth Welsh that I just talked about from our office just outside of Glasgow in Scotland. It's a company that joined the Clough group eight or nine years ago. It specialises in process automation and control systems. It really has a diverse market, predominantly pharmaceuticals, petrochemical, food and beverage, a little bit in the medical and also some nuclear capacity.

One of the things that we have been doing is starting to leverage that skill set and those capabilities into the broader Clough business. Indeed, Booth Welsh are part of the delivery of the Waitsia gas plant in Australia now, and also the Next Wave project in North America. So, we're looking to continue to grow that intercompany interplay there and start to utilise those capabilities inhouse. They also have a tremendous engineering resource, particularly in the instrumentation and automation space. As we globalise our business and standardise our systems and our methodologies of working, we're able to utilise that resource there in Europe rather than having to ramp up and down in different locations in North America and in Australasia.

The JJ White group is also a 100 year old company that joined the Clough family fairly recently, based out of Philadelphia in New York, part of our strategy to diversify the North American business in the same way we undertook here in Australia. This group gives us access to a larger geographic footprint in North America. Previously we've been a little bit limited to the region around the Gulf Coast in Houston. This gives us a larger geographic footprint across the east coast. It also gives us access to different end markets.

JJ White has historically around $250 million a year revenue, that sort of size. And it has been able to execute everything from small $100,000 projects up to maintenance contracts for petrochemical and refinery facilities. And the other thing that they do, they have a union construction capability. The US is quite segregated between union and non-union capability. This allows Clough to span both union and non-union projects, clients and regions in North America under this new structure. So, we are seeing already a strong interest from clients that have a traditional union based construction regime to be able to combine the JJ White construction capabilities with the broader Clough engineering, procurement and project management capabilities. So, that has been very exciting.

CH-IV, we will talk a little bit more about that in the strategy, but certainly that group has made a great reputation for itself in terms of supporting project developments in the LNG space. We are now diversifying that broadly across the decarbonisation space as well, so exciting times ahead for CH-IV. And the pull-through from CH-IV early project and client engagements into potential EPC opportunities remains a strong focus as well. We have a couple of feed projects in-house now that have come to the business through that route.

E2o has been with the business now for about seven years, initially supplying commissioning services and white collar and blue collar labour resources. We've expanded that now to an asset services type of businesses, and again we've had some pleasing awards from e2o and some good project delivery in that project asset services and maintenance space. So, we're looking to continue the e2o business. We did also expand its operations across into North America, so we're quite pleased with the e2o business.

If we go to slide seven, some highlights and lowlights of where we stand today. I think from a highlight perspective we're really pleased with the diversification. That has been a big success for the business and really has allowed us the consistent growth that we've had. And as we see now, we are diversified into different sectors where any industry that suffers typical cyclical moves can be combatted by another sector that's on an upside at that particular point in time. So, we're very pleased with the diversification. The order book, as I've mentioned $3 billion at the moment, a little bit more than that. We do have the Perdaman project that we'll talk to that we have signed a contract for. Assuming that goes into full notice to proceed early in the first quarter of the coming financial year, then that will grow our order book to in excess of $4 billion.

So, the capabilities that we've grown as well in the business have been very pleasing. Not only are we present in these areas, but we're getting experience and capability and reputation in these new and emerging energy sectors and power generation sectors. We're building Australia's first high voltage transmission project for quite some time, very similar to Steve's OptiPower business. And having those capabilities is going to be very key because there's a long-term investment programme in those markets going forward. So, we're quite pleased with that.

Then on the ESG space, as I've mentioned earlier, we're seeing a lot of intention and expectation from the investment community, from our stakeholder community, from our employees around that. When we initially started two years ago to set out our sustainability programme, we built it based around the development goals that were established by the United Nations, and that has been a great foundation for us to build from. We're quite pleased with the evolution of that ESG process.

In terms of lowlights, things that we do need to continue to work on, as I mentioned project execution is a key one. Inconsistent project performance is something that we always need to manage. The pleasing thing that I do have to report is that the business does not have any loss-making projects in its portfolio. What we are looking to do is ensure that we have improved visibility and forecasting capability around our project performance such that we can eliminate some of the variances that sometimes challenge the business. It is very pleasing. I think it's certainly the first time in the business since I've been here that we've been able to say we don't have a loss-making project in the portfolio.

COVID-19 [?] has been a huge challenge and certainly a frustration for us. No doubt for those of you who have followed the business, the [unclear] around our projects either not being awarded or not progressing into the EPC phase or the various challenges that COVID and indeed many other market factors have impacted has meant that it has moved out revenues and earnings within the business. Managing those changes has been challenging, and it's always frustrating when projects don't progress ahead as we've planned. I don't think anybody is naïve enough to think that at this point we're beyond the majority of the impacts that recent events have inflicted upon the industry. But certainly, I think we're getting much better at identifying and managing those.

So, we're building in levels of lessons learned into our project forecasting going forward, so that has been good. I would hope that this time next year we're not talking about COVID-19 effects, but certainly we are still managing through a number of the challenges that have been brought to the industry by the pandemic. I just had a conversation with the team today around the main sales [unclear] on one of our projects where the compressors are complete. They are finished, ready to go, but the small circuit board control chip that operates the control panels won't be available for a number of months yet. There are those sorts of issues that we need to continue to manage through. Pleasingly, we've got some good engagement with our clients and we're all in this together, so we're working through those. But it has certainly put a lot of pressure on projects and on project schedules. And managing the cash flows has always been a focus of the business, and we continue to manage through that.

Talent resourcing, everybody has heard about the great resignation. Certainly, here in Australia there is record numbers of job vacancies at the moment, so the pursuit of talent is at an all-time high. But our business is boom or bust in that regard. You've either got too many employees or not enough. The thing for us at the moment, we're working very hard within our business to be an employer of choice and therefore be able to retain good talent. We do have and attract key talent to us.

And then financial resourcing. As we continue to grow working capital and bonding facilities to support the growth is very important. Our industry and our sector is not necessarily the darling of some of the financial community at the moment, so the challenge around continuing to secure those additional facilities is something we're constantly working with. As I say, Richard Simons and myself spend a lot of time with the various parts of the investment community and banks to continue to negotiate those facilities and to continue to make sure that we've got adequate bonding capacity to support the growth of the business going forward. That's something we will continue to work through.

The next slide is a photograph of one of the largest towers of the Next Wave project. It is a bit of a lead-in to our strategy document. On slide number nine is really our strategy on a page, if you will. And we read it from left to right starting with our purpose and moving through to our objectives. But really our purpose is a summary of what we are here for. We are here to harness our people's innovative thinking for engineering and construction solutions that deliver a sustainable future today. That's the message that we try to instil in all of our colleagues and co-workers and communicate to or clients. Our strategic imperative is twofold. As I mentioned earlier, one is to continue to grow the business and maintain that competitive advantage in the marketplace. But in parallel with that, we have to be delivering projects profitably and sustainably. They are two very key imperatives of the strategy for Clough.

Priorities within those, in the growth section obviously the core capability is maintaining our oil & gas selective approach into the resources, water and defence markets. Clearly, our project management and engineering capabilities are quite strong. The growth markets we talk about there are quite obvious. I think the asset services growth is going to be key. The complex transport infrastructure, there is tremendous investment still here in Australasia around complex transport. And then power generation and transmission are very key, a huge political topic here in Australia at the moment, and investments in that market will continue.

In the continued diversification of our revenue stream, we want to look at where we might start to take in specific areas some equity positions in commercialising some emerging technologies. There are a couple of technologies we are working with at the moment where we have that opportunity, which will also then evolve into a royalties income stream as well. And also including the potential for that then to secure a sales force position on EPC solutions going forward. There is some work going on with a couple of key emerging technologies that that we would hope would give us that longer income stream both in the form of royalties, return on equity investment and EPC revenues during the delivery phase. The project delivery space, obviously I won't go through each and every one of these. The key areas are excellence in project delivery, accelerate innovation and maintain leadership in the ESG space. That will be quite critical.

The next slide focuses on the objectives bridge of the business units. North America, as I mentioned, our immediate focus is to start to diversify our markets a little bit more, expand CH-IV as I mentioned beyond LNG and into the renewables and the decarbonisation space. JJ White growing into an integrated part of the Clough delivery model in North America to perform EPC projects, that's a great opportunity for us and we're seeing some really strong interest in that market. Here in APAC, we continue to convert the very strong order book into revenue and then earnings. Targeting oil & gas opportunities is going to be quite critical. The investment int eh oil & gas space in Australia will be somewhat more limited than what we're going to see in North America, but there will be some, so we need to remain active in that space.

The resource and the water projects are quite key. We've got a good reputation there, but we're going to be quite targeted and focussed in terms of what sorts of projects we pursue in that space. We have a couple of good ones in the pipeline at the moment. The growth markets in transport infrastructure, power generation and transmission are very key. The $1.7 billion Transgrid project that we'll talk about here in a moment is the first of about five of those investments that are coming up. The same with Tallawarra and its hydrogen capable gas-fired power generation. In the UK, as I say, we will look at leveraging the capabilities of our group into our EPC business model in other parts of the world. But we've got to continue to grow that core client base, look at continued expansion. But that will always remain a relatively small part of the overall Clough group earnings compared to the other businesses.

As we go through the next phase of slides, we will touch on the projects very quickly. So, the first slide, which is slide 12, is project Traveler. This is our project is Pasadena, Texas. $650 million at the moment. It's a large alkylate project. This is a project where the client is looking for an expansion now to provide a green feedstock to help marketing their project. But this project provides an additive into the gasoline stream for refiners. They're oversubscribed. They are looking at their expansion project at the moment. It's been a good project for the business. With any luck I'll be heading over there next week to meet up with this client again and we're looking at working through that project and a completion date somewhere around October.

The next project is project EnergyConnect. This is the one that I mentioned, Australia's first high voltage transmission project in about 20 years. The project has started now in the field. It has an eastern and a western component to it. And we've started on the western part. The eastern part we're anticipating that notice to proceed early in the first quarter of the new financial year. So, a great project to be part of and really an important part of our strategy going forward given the amount of these high voltage transmission projects that are going to be required to service Australia as we go through our energy transition journey.

Similarly with the next slide, which is the Tallawarra power station, this is a fairly traditional gas-fired power plant. However, it has been converted or is being designed to be able to take a 5% hydrogen stream into the feed gas. So, very key in terms of that ability to provide that transition energy space. And again, the project is going very well. We've just received the gas turbine on site, so early days in the 20% to 25% complete range, but a great project.

A project I could talk about for hours at a time is the Snowy 2.0 project. Again, given the interest here, it's a very large project. It's a federal government owned project. It's in some of the early phases. A lot of the early preparatory works are now complete, and so we have all three tunnel boring machines operating. What you see in this photograph here is our concrete precast yard where we precast all the concrete segments to line the tunnels. That project has about five years left to run and we're working through with the client a number of the variations to keep up with the evolving design elements as we mature this project. But the project remains very positive. Unfortunately, everything has been impacted with COVID, with resourcing, with supply chain. And so, we're anticipating about an 18 month impact to the project schedule which the client has communicated to the market. And we anticipate we will continue to work though that with the client in the coming months, but a good relationship with the client and a strong project.

The next project is Clough's first project with the Department of Defence in many years. It is up in Papua New Guinea which Clough has a long history in. again, it's an upgrade for an operating base for the Australian defence forces, about $218 million. In relatively early stages, about a third of the way through right now. But the Department of Defence in the South

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Pacific region has a fairly large volume of activities that they're going to bring to market, and we feel in terms of the diversification of our revenue stream this is a good market to be invested in and allows us in a relatively low risk form to participate in a pretty consistent investment and portfolio.

The next project on the slide is our Waitsia gas plant. This is about four hours' drive north of Perth, a gas plant for Mitsui or MEPAU, Mitsui Energy Petroleum Australia. This project now is moving on. It's about 60% complete in the field. Again, this is the project that has had the gas compressor deliveries impacted by circuit board manufacturer shortages. But again, we're working very well with this client and the project has been going very successfully. We've had a great safety performance on the site. The client has been working very well with us in terms of mitigating and has been finding accelerations to overcome some of the supply chain impacts that we have felt. So, we are quite pleased with this project and the relationship with the client. Mitsui has a number of other developments that they wish to invest in here in Western Australia, and we talk to them constantly about partnering with them on those projects as opposed to going through the formal tendering.

The next slide is one of the complex infrastructure projects here in Western Australia. This is with Main Roads, again a very large investment portfolio coming up for Main Roads. It's very important for us to be able to successfully re-enter this market. This is a project that is actually an alliance type project, so from a risk perspective a different profile from some of our others. And again, early phases, so we're just about on site now doing some site surveying layout works and the engineering development.

The next slide covers the Oyu Tolgoi project. We've been in Mongolia with Oyu Tolgoi now for about four years. This project has been going very well. Mike will talk to it a little bit, because it is a joint venture between the Mining platform, Clough and a local partner. A great project. We're about a day or two away from converting this project into a reimbursable project given all the challenges and changes that have been thrust upon it through the last few years, but a great opportunity – two world-scale ventilation shafts that are being sunk there for Rio Tinto and a great project.

And the final project there is the Perdaman Urea Plant. This project value is just north of $2.7 billion with a 50/50 joint venture with Saipem. We've signed the contract now. The client has his debt and has his equity. He is going through the final financial close process at the moment and we're anticipating a full notice to proceed early in the first quarter, so end of July timeframe is our planned start. When we do get that full notice to proceed and we bring that project into the order book, that is what will push us above the A$4 billion mark, so a very exciting time for us. About 98% of next year's forecast revenue is already secured and about 75% of the following year, so in terms of confidence in our business plan going forward that's a very strong position to be in and we haven't enjoyed that healthy an order book and that length of visibility for quite some time, so we're very pleased about that.

I've got two slides to sum up here. The first one on slide 21 is the four key risks. We need to be able to continue to keep the support of the financial community in maintaining that bonding capacity to be able to support those new businesses. We need to make sure that we don't have inconsistent execution. And I'm very pleased with the progress the business has made there. We need to continue that diversification in North America, and of course we need to be able to resource our projects through this growth phase. Again, at this stage – fingers crossed – we're doing very well, but it's something we're very attuned to as there are quite a few people competing for resources. But particularly in the markets where we are we're a little bit outside of metropolitan Sydney and other areas where the resource constraints are truly horrific, but it's certainly something we need to keep an eye on.

Then the final slide there is the take-aways. What I would like you to remember about the presentation is we're maintaining our core capability and having a very selective approach. Part of the luxury afforded to us by having such a strong order book is we are able to be selective now. We are targeting growth markets as we support the energy transition here in Australia, asset services to give us that underpinning revenue stream, and certainly the investment levels in the complex transport infrastructure space is a key target for us. I'm probably repeating myself here but diversifying our revenue stream to avoid some of the cyclical market forces is what we need to do, have that stabilised earnings curve for the business.

Project delivery is always going to be a fundamental part of what we do, and certainly delivering our projects safely, sustainably and profitably are three unqualified must-haves in our project execution. Innovation is something that's very key to what we do. We differentiate ourselves by being innovative with our clients and coming up with those sorts of solutions. So, we continue to look to leverage new technologies and other methodologies to be able to improve our service to our clients, our efficiency internally, and certainly the decision-making we undertake as a business. And then finally the ESG space really can't be underestimated. We are very proactive in this space, and I think we do have locally well recognised leadership in that space. It's going to become increasingly important not just to our people in the community but certainly to our clients and to the investors that fund their developments. So, it is really quite a key part of our strategy going forward. With that, Ed, I will turn it over to questions.

Ed Jardim
Great. Thank you very much for your presentation, Peter. I just have two or three questions to quickly work through please. Is it possible to get a progress update on the largest project delays from supply chain issues, impact of profitability or mitigation actions?

Peter Bennett
That's a complex question, I think one of the things that by its very nature is very hard to communicate. We're going through that with a number of our clients. It's very hard to put a cause and effect straight line impact analysis to it. If we look at Snowy project for example, lockdowns within Australia and the inability to resource the project according to the plan that we had pre-pandemic was a significant impact. So, resourcing people without the levels of experience that we were looking for around hard rock tunnel boring machines, for example. That had an impact on the productivity of those assembling the TBM and then the operation of the TBM.

So, it's very hard to draw a straight definition that says COVID has had this amount of impact. But it's a little bit easier in terms of some of the areas where we're seeing large increases in steel prices or some of those things, but it's a very complex analysis. If we look at, for example, our Snowy Hydro project, which is our largest project and has probably seen the largest impact, indeed that contract was entered into prior to the pandemic being identified so it doesn't have specific language relating to it. However, it does have change clauses, force majeure clauses, and indeed [unclear] clauses and a client that is prepared to undertake a fair assessment. So, we're working through the COVID impacts in a series of chunks.

The first ones are what are the directly definable costs that we've incurred, and we can document? We are working with the client through those and working through getting those costs incorporated into the project. Then we're looking at the future costs that we see coming. Are we going to incur those? Is there any mitigation or how do we potentially otherwise address that? We will agree what that quantum is and then we'll incorporate that in the contract. Then there are some more obtuse impacts that we need to agree what the quantum of the impact has been and how we best assess that. So, it's a complex question. I'm sorry I'm not able to give you a clearer answer, but it's certainly something that we're working through every day.

Ed Jardim

Understood. Thank you for that answer, Peter. Is there a renewable of interest in LNG projects in Australia given the Russian impact, or what are the traditional oil & gas activities happening in the APAC market? Do you see any of that happening?

Peter Bennett
In the APAC market, no. Australia had that massive investment boom and we're unlikely to see much more investment. There is the Pluto expansion that Woodside is undertaking, but that was planned pre-pandemic as well. Where we are seeing LNG investment coming back is in North America. We've seen a number of projects start to move forward again there and financial investment decisions be undertaken. So, we're seeing that market come forward. In Australia where we see oil & gas is going to be around gas like the Waitsia project. So, there have been some large on-field gas bodies discovered by strike energy. For example, we're working with them on some of their funding work for a gas plant that they're looking to build similar to Waitsia.

There are a number of ammonia urea projects being developed here in Australia that again we expect to be well positioned to participate in. There are some storage terminal opportunities converting some storage terminals into other facilities on the east coast. And there is the potential for LNG import facilities on the east coast. So, in terms of oil & gas investment, yes, we won't see largescale LNG export plants being built in Australia here anytime soon, but a lot of other oil & gas infrastructure. We do think that investment cycle is coming back.

Ed Jardim
Thank you, Peter. One final question for you please. Can you comment on the impact of inflation on current projects, perhaps what percentage of the order book is at play when it comes to inflationary risk and what this means for margins?

Peter Bennett
I think the current inflation that I think has got everybody's attention from a timing perspective I think we're in good shape. The North American project obviously is bought out and most of those major capital purchases were committed early days and within budget. Snowy we're working through that. Again, we placed the purchase orders for the large. Capital equipment there well before the pandemic. The Perdaman project is a good example where we had a price we had developed with the client but given the rampant inflation we undertook an exercise to reprice that project and incorporate those market adjustments that have happened.

And that project, as you would have seen from the press reports, has gone up by some $400 million. That is indeed incorporated in those inflationary increases that have come to the market since we have priced it originally. And then Perdaman has been able to bring both his equity partners and debt partners along with him on that journey and they are also comfortable that the project economics still make good sense with those increased costs. So, that inflation has been captured in that project pricing. So, we think we've done a pretty good job in terms of being able to address market inflation.

Some of the projects, Lombrum has had some market impact, but again we're working through. It's a government project. We are working through addressing that with the client. That does have some language in it around COVID recoveries. All in all, it's a challenging time. I think the biggest impact from COVID on the supply chain has been the impact on time on site. That's something we're working through with our clients because that extends your time and obviously has an increase in cost, and so we need to recover that from our clients. That has probably been the area of biggest focus at the moment. But in terms of inflation on the commodities, yes, it is clearly there, but it is being managed within the continued variations we've had.

Ed Jardim

Peter, that's great. Thank you so much for your time in the presentation and answering the questions. Have a good afternoon in Australia.

Peter Bennett
Thank you, Ed.

Ed Jardim
Thank you. While we transition over to Mike, just a reminder again to please ask questions throughout the presentation. You will see there is a black tab or a black button towards your left on your webcast screen. Please click on that and your question will come through to us during the presentation. Now we're going to get Mike on the line. Mike da Costa is the platform CEO for the Mining platform. Mike is in Canada at the moment. It's 04:00 in the morning there. Mike, we're going to tee up the slides on our side. If you can just indicate to us to move on to the next slides, we will change those up for you. Over to you. Thank you very much, Mike.

Mike da Costa
Thanks, Ed, and good morning, everybody. I'm moving on to slide two. I'm just going to take you through a quick overview of the platform, a brief market overview and a quick look at our strategy going forward. We'll have a look at the order book and some key opportunities that we've got lined up in our pipeline. I will talk you through some of our major projects that we're busy with right now, and then cover the key risks and wrap up with the presentation take-aways at the end. I'm moving on to slide four now, Ed. The Mining platform has a fairly significant global footprint, and we are really active in all the major mining jurisdictions in the world. And the way we address that market is by way of our three regional companies that operate in the three major regions of the mining world.

So, we have Cementation Americas that really looks after the Americas part of the world, very active in North America. And we are doing some work in South America in Chile and doing some tendering in Peru at the moment. That business is headed up by Eric Smith. Eric replaced Justin Olsen towards the end of last year. He was an internal appointment, so when Justin left the business, we then promoted Eric. Eric was identified as a successor and then moved in to take over the role as Managing Director, and that transition has gone very well, quite seamlessly actually.

Then in the African region we have Murray & Roberts Cementation. Their market is really southern Africa. We are headquartered in Johannesburg and have offices in Kitwe and also an office in Accra in Ghana. Most of our work at the moment is in southern Africa. And this business is headed up by Mike Wells. Mike is approaching retirement. He will retire early in next year, and we are currently busy with a succession process to fill his position well ahead of the time that he retires. So, I anticipate a fairly smooth transition in that business too.

Then across to the Australasia region. Our business there operates under the brand of RUC Cementation. They are headquartered in Perth. We also have offices and a workshop in Kalgoorlie and an office in Hong Kong and Ulaanbaatar in Mongolia. That business covers the Australasia and southern Asia area. It is headed up by Greg Miller. Greg is also a new appointment. Barry Upton was the Managing Director there. He retired at the end of last year. And similar to Eric, Greg was also within the business, and we promoted him into the Managing Director position. And that transition has also progressed pretty well and fairly seamlessly, so I'm pretty pleased with that.

Then I'm moving on to slide six. Just having a look at the commodity price forecast and outlook into the medium term, you will see on the graphs that I have up on the slide that when you're looking at gold and the future facing metals – so metals that are required to green the world and drive the green transition – PGMs, nickel, copper, manganese, lithium, all of these are forecast to be fairly strong in the medium term. I think that bodes well for mining companies. The margins that they're seeing at the moment, although they may be eroded to some extent by inflationary forces that are starting to impact the world, I think the consensus is that these companies should continue generating acceptable margins that will enable them to reinvest in the capacity that's required to drive this transition into a greener world.

What we're seeing at the moment is most of that investment is in brownfields expansions or maybe production restarts of assets that were idled. Not a hell of a lot of greenfields investment yet, but if the mining industry is going to supply the volume of metal that's required to drive this transition to a green economy, there is going to have to be a lot more investment into exploration and greenfields projects certainly over the medium to longer term. All of that I believe bodes quite well for an increase in mining investment into the medium term.

I'm moving on to slide seven. What does that mean for our business? The graph on the left there is just indicating the growth forecast anticipated in the Australian contracting market. You can see there is steady growth forecast over the next couple of years. That market is really buoyant at the moment. Most analysts are forecasting similar growth in the Americas, both North America and South America. In Latin America there are some geopolitical issues at the moment, but as long as that doesn't derail things too badly, most people are expecting to see a good growth in the contract mining market in the Americas region. The African region is a bit volatile and a bit uncertain. The indications we have is that investment won't grow significantly the African continent, but it should still be reasonably good at the levels that it is at the moment.

Just looking at the operating environment that we operate in as mining contractors, the whole subject of ESG is becoming very important, and important from the perspective of the commodities that need to be mined and the commodities that we will be finding most opportunities in for our work. That's the one aspect of it. Then of course it's how we do the work. The mining industry really needs to up its game as far as ESG is concerned, and it is happening. We can see all of our clients, particularly the major clients are really demanding now when it comes to issues of ESG. And from our perspective the opportunity lies in how we support those clients in achieving their ESG goals. So, we are positioning ourselves to be able to do that.

Obviously, the S in ESG, social responsibility, I think that is becoming more and more prevalent that we behave responsibly and that we consider the needs of the communities and the environment around the areas where we're operating, and hopefully execute our projects in such a way that we leave those communities in a better position than they were before we arrived. That is certainly something we are working hard on. I mentioned earlier about geopolitical unrest. I think it's omnipresent in the world at the moment. That does pose some risk to the growth outlook for our industry.

The other thing which is starting to become evident is that with all of these demands on business capital allocation is not a simple process these days. There is a lot of demand on cash that's generated within the business. That means that there is not always money available to reinvest. It's really about the mine owners having to determine which priority is more pressing at a particular point in time. So, my own view is that where many of the mine operators sit at the moment, they have pretty strong balance sheets. Most of them have a lot of cash on their balance sheets. And they probably really are now at the point where when they're looking at their capital allocation priorities, reinvesting into the business or investing into new operations must be pretty high on the list of priorities right now.

As far as the business and operating environment is concerned, Peter spoke a bit about supply chain pressures. That is real. Particularly with a lot of investment starting to happen now into mining operations, it is putting a lot of pressure on particularly equipment supply. So, lead times for equipment are starting to extend quite a bit now even in terms of spare parts and that sort of thing. So, that means that we need to do our supply chain planning a lot better, and engage with our suppliers a lot closer, and really manage the movement of materials around the world.

Productivity challenges are becoming an issue in our game. There is a big squeeze on skills at the moment. It's not easy to get experienced, competent skills. There are also pressures increasing right now from a social perspective having to employ people from local communities, local within the local countries where we operate. So, it's not so easy to get work done just using expats these days. All of that starts placing pressure on productivity. And then when you look at skills, attracting young people into the mining industry is becoming more and more challenging. Really, we need to make the industry a lot more exciting for young people to get people interested in the industry so that we can get the right people coming into the industry to replace those that are leaving.

Then there's the issue of technology. That's something that we're working very hard on in Murray & Roberts Mining. We have a 66% ownership in a tehc0nology company based in Perth. And they are doing a lot of work for us in terms of developing proprietary software to improve productivities within our business, improve safety, and really improve the way we do business and move our business to a more data-led business. There is a lot of work around data acquisition, data analysis, and also quite a bit of work going on in terms of automation and remote control.

Ed, I'm moving on to slide eight now. Just a quick look at the competitors, so the people that we consider our competitors in the global industry. I think the main ones for us in terms of where the major parts of our business is focussed in underground mining and construction are clearly Perenti and Redpath. Byrnecut are pretty much Australasia and Africa focussed. They do a little bit of work in North America, but not very present there at the moment. A really big player in Australia and certain parts of Africa. I don't think they're growing significantly at the moment, but they are a big player and competition to us.

Redpath are pretty international. They've got an extensive global footprint very similar to ours. I would say Redpath are very similar to us. They provide all the services. They have the same range of services, the same sorts of capabilities. So, from a global perspective right now probably our biggest competitor. And then Perenti own Barminco and AMS, African Mining Services. They are the biggest contractor in Australia at the moment in the underground market and they are also very active in east and west Africa and starting to move further down into southern Africa too. And we're also starting to see them having a presence in Canada right now. They've got a couple of contracts in Canada, and they have a stated objective of expanding globally. So, I think also a global competitor to watch from our perspective.

Moving on to slide nine, just quickly some strategic insights. As a mining platform, as I said throughout this presentation, we've got a significant global footprint. But up to now we've operated very much as three autonomous regional businesses. And that served us pretty well up till now. I think the platform has done well, but we've got to the point now where we've realised if we want to grow significantly more, that very regional model is probably not going to do it for us. So, we've just been through a strategy rethink and got the senior team in the organisation together and went through a co-design workshop process. And we basically concluded that we need to become more of a global business and establish more of a global presence. The objective of establishing that global entity is so that we can have an overarching structure that better enables the regional businesses to perform better and to grow.

So, we believe that we would be better served by having a single global brand, which we are going to be having a look at. We would be better served by having a single global balance sheet and consolidating the balance sheets of the three regional companies. We believe we could do better with talent management and talent acquisition on a global basis rather than just on a regional business. And also, in terms of procurement and relationship with our suppliers, particularly in the current environment where supply chains are constrained and so on, we believe that we could enable the businesses a lot better if we were able to do strategic procurement on a global basis. So, those are some of the enablers that we're looking at. And we are now in the process of constituting task force teams within our business to look at those various work streams and see how best we can achieve those objectives.

I'm moving on now to slide 11, Ed. Just to look at the order book, as you can see there, our order book did deteriorate up to December 2020. That was really through the COVID period. That's where we really hit our low point from the order book perspective during COVID. So, we did have a bit of a challenge through that time where investment really dried up and there just wasn't much work becoming available in the industry. It wasn't that we weren't willing to work; it was just that there wasn't much investment happening. Thankfully that has turned. You can see that our order book has recovered again. We are basically almost back to the pre-COVID. The full growth of the order book is really not reflected on that graph because we agreed to terminate the Kalagadi contract on amicable terms. That took quite a chunk out of the order book. So, despite that chunk that came out, we still showed quite a strong growth in the order book. And I think that bodes well for the future.

We also have quite a strong pipeline of near orders, category 1, 2 and 3 projects that we're tracking. Maybe you should go on to the next slide, slide 12. There I have just listed a couple of the more near-term pipeline projects that we have lined up to continue feeding our order book. The first one there is the De Beers Venetia project. We've been on that project for close to ten years now. It's still got quite a few years to go. The way that project works is we've been awarded the full scope of work, but we get the work awarded in work packages. So, we haven't brought the full scope into our order book. We bring the packages into our order book as they are awarded. So, we are expecting a work package to come through in the next six months or so, and that will be somewhere around R1.5 billion.

We've also just been selected as the preferred contractor on the IvanPlats shaft 2 sinking, the IvanPlats project Mokopane in Limpopo. And that's to sink the main shaft for that project. So, that we're estimating around R1.3 billion, and that should come into our order book over the next six months or so. We are also in discussions with one of our clients in Utah in the US. It's a very big copper operation. We are currently doing some of the initial development work for them and we are now in discussions with them to engage in quite a big expansion on that operation. Another one of our clients in Colorado in the USA, a mine that we've been working on for quite a number of years, they are also looking at quite a significant expansion coming up. And we are the preferred contractor there, so we're busy negotiating with them at the moment.

And then in our materials handling business, TNT, we have been identified as the preferred contractor for quite a big surface materials handling project for Antofagasta in Chile. So, we have been awarded the upfront engineering work, which we are busy with at the moment, and expecting a full notice to proceed sometime in the third quarter of the new financial year. Then in Australia we are identified as the preferred contractor for two ventilation shafts for South 32 at their Appin mine. And we have been engaged in early contractor involvement work. We've been doing the engineering work on those shafts over the last six months and we're now expecting to get an instruction to proceed probably also in the third quarter of the new financial year.

We just submitted a tender to a gold copper operation in Mongolia for some underground development and construction work. So, we are also expecting to hear in the second six months of the new financial year. And then our project in Indonesia for Freeport, there again we have a master services agreement for five years on that project and we also get awards in packages. So that's R1 billion we're expecting anytime now. It will either be just at the end of June or early in July. As you can see, there are some fairly good prospects lined up.

Moving on to slide 14, I'm just going to flip through these quickly just to give you an idea of some of the major projects we are working on. These are RUC projects. As I mentioned, the Freeport Grasberg mine, there we do a lot of ground support and rehabilitation work on the block caves, construction works, and we have a full mining contracting services contract for the Big Gossan mine. And just recently we've started some development to a new block cave that they are starting up, the Kucing Liar. We are also busy with a shaft project for Newmont at their Tanami mine in the Northern Territory in Australia. That basically entails a raise boring of a shaft, which we are just busy completing, and now setting up to do the lining and equipping of that shaft. So, quite a significant project there.

Moving on to the next slide, slide 15, Murray & Roberts Cementation. I did speak about the Venetia project. That continues to be a really major project for us and one that underpins our order book and earnings quite significantly in that part of the world. And then we are busy sinking a ventilation shaft for Phalaborwa copper mine up in Limpopo as well, so a fairly significant job there.

Then moving on to the next slide, slide 16, Cementation Americas, we are busy sinking a shaft in Sudbury for Glencore, the Onaping Deep mine. As soon as I'm done with this presentation, I'm actually off to visit that project. So, at this stage the shaft is at a depth in excess of 1500 metres underground. I believe it's actually the deepest shaft in the Sudbury basin right now. So, quite a big job. I think our guys are doing some excellent work there. And then a project that we won during last year is the Jansen potash project in Saskatchewan for BHP. And that really entails two shafts that have been sunk and lined, and we have now been awarded the very big, significant contract to do all the equipping and construction.

Going on to slide 17, turning over to technologies, this is our materials handling business busy with two fairly big projects at the moment, one for Freeport at their Morenci mine. That is actually coming up to completion. And then in Chile we're busy with a project for BHP on their Spence mine, also quite a significant project.

If we move on to slide 18, just some key risks. So, clearly in our game safety is really important and we place a lot of focus on that and have some very robust systems to manage our risks around safety. But if a safety incident did disrupt a major project for an extended period, that would be quite a significant risk to our earnings. I think with the systems we have in place we wouldn't expect that risk to realise. It is there, though.

Then project execution, not maintaining schedule and margin on major projects could result in quite a significant impact to our revenue and earnings. This whole issue of skills shortages that I spoke about earlier, there is definitely a squeeze on skills and not being able to man projects with the right level of skill. The squeeze on skills is driving up labour costs. So, those are all risks to execution.

Technology and the rollout of particularly digital technology in underground mining is starting to gain momentum now and move along apace, so if we're not able to keep up with that, it will have a negative impact on our competitiveness. And we are seeing clients imposing more onerous commercial terms on some of our contracts. That does make it difficult to win work because in many cases we are not prepared to accept those onerous terms. And on the odd occasion we have to walk away from work. Then the competitors that I spoke about earlier. There are some competitors like Perenti who are wanting to expand globally and that is something that we need to keep an eye on.

Then on my final slide, slide 19, just some take-aways from the presentation. I think I've demonstrated that there has been quite a good recovery in the platform order book. I think the pipeline that I gave you a bit of a flavour of underpins support for the fact that we should see a recovery of earnings into FY23 and then growth from there moving forward. I think the contracting market is expected to grow over the medium term. The mine owners really do need to invest in order to meet the future demands for metals. So that does certainly indicate that there should be good growth in our market going forward. We believe that with the shift in strategy now we're positioning the Mining platform to capture a much bigger share of the growing market that's developing.

And then just finally, I've spoken you through some of the major projects that we're buys with. Those projects generate significant earnings for all of our regional businesses, and excellence of execution is really vital on those projects for us to ensure that we deliver the revenue and earnings that we're planning. Thank you. Ed, back to you for questions.

Ed Jardim
Great. Thank you, Mike. Just a few questions for you please. The first question is equipment lead times. What was it and what is it looking like now? And perhaps elaborate on what types of equipment are most under pressure as well.

Mike da Costa
Okay. The equipment I'm talking about is equipment required to do underground development and mining work, so jumbos, roof bolters, LHDs, dump trucks, that sort of equipment. We're seeing lead times going up to nine months now. Previously it was more like three to four months. So, it's becoming a bit of a challenge. Right now, we're engaging very closely with all of the OEMs and talking to them about securing equipment ahead of time, even looking at securing production slots at risk just to try to shorten that lead time. But I think if you went to one of those OEMs today wanting to order some equipment without having some sort of a relationship with them, the lead time is definitely going to be nine to 12 months.

Ed Jardim
Thank you, Mike. Tied perhaps to that question is how are you funding your equipment purchase?

Mike da Costa
Most of our equipment is funded through asset finance facilities that we have with banks. Many of the OEMs have financing offerings as well that we use from time to time. Up to now the three regional businesses have been doing that on their own, basically on their own agreements with asset financiers. We are in the process at the moment and we're quite advanced in the process in establishing a global asset procurement entity. Basically, it's an asset procurement entity to advance strategic procurement on a global basis, linked to that also a global funding entity. So, that entity will provide funding facilities, and we're busy engaging international banks at the moment to set up a global funding facility that will then fund the global procurement. So, fairly soon we will be doing that on a centralised global basis.

Ed Jardim
Thank you, Mike. One more question please. The thinking around the global operating model, is it all about efficiencies, for example, margin uplift, or is it more critical for client acquisition?

Mike da Costa
Both. I think certainly client acquisition. To expand on that a bit, to improve the quality of our clients, wanting to do more work for major clients, changing the relationship with those clients, trying to engage them more on a partnering type of relationship. So, building those relationships is certainly one part of it. The other part then is to become more efficient. I spoke about this global overarching structure that we're wanting to establish, and that the objective of that structure is to be enabling. So, it is to provide better enablement to the regional businesses so that they can perform better and generate a better margin.

Ed Jardim

Great, Mike. Thank you very much. That's all the questions we have for you. Thank you for your early morning start and all the best on the site visit.

Mike da Costa
Thanks a lot, Ed. Thanks, everybody.

Ed Jardim
Thank you, Mike. Thank you very much to our two presenters from Australia and from Canada. Last but not least we have Steve Harrison, the platform CEO for the Power, Industrial & Water platform. Steve is with us here in the room. Steve, thank you very much. Over to you.

Steve Harrison
Thanks, Ed. Morning, everybody on the call. I'm in room unlike my fellow CEOs who are spread around the world. As Henry said, the Power, Industrial & Water business is very much focussed in South Africa, SADC and Sub-Saharan Africa. I think as we go through the presentation you will see that clearly. Obviously, our challenges are related to market conditions in the geography that we serve, so the last few years have been pretty challenging for us. But I'm hoping I'm going to show you that there are some green shoots for the platform going forward, and we will look rather different than we did in previous years. This is probably my fourth or fifth investor presentation, and historically we've been talking about the work that we did in the mechanical construction sector, be it boilers, be it petrochemical, that type of work. We're still active in that area specifically on the mining side, but definitely a shift away to new sectors that we're focussing on.

I wanted to start just showing you the projects that we're currently doing in the platform. As you will see, they are quite different from where we were historically two or three years ago. We have a little bit of a market analysis. That market analysis will focus on three specific areas where we see opportunity and growth for us. Then our business capability. I will just take you through the businesses, what they do and what the outlook is for them in the platform. There are five businesses there. Then key opportunities and risks, and then some key take-aways.

I could be biased, but I think this is the most beautiful PV plant that I've ever seen. This is a project that we've just finished in Malawi for a Canadian developer. We did all the electrical side of the PV farm, the battery energy storage, the substation and the transmission line out into the network. We are very proud of that one, and that's up and running in Malawi for a Canadian developer. That was executed by the OptiPower business.

From a projects point of view these are split into the different sectors that we service. Transmission and distribution – this is all with the OptiPower business. We have currently got a context in the Richards Bay area. This is being executed for Eskom distribution. It's not Eskom transmission. So, the cut-off down to distribution is 132 and below. These are 132 KV lines that we're executing for Eskom in that area. It's going pretty well. It's not without challenges in that area with communities and some logistics, but I'm pretty pleased with the progress we're making on that.

The Edwaleni line is in eSwatini. We're doing that for the utility in eSwatini. We've just literally started that project and we're just mobilising the teams now. Again, it's a 132 KV transmission line and associated substations and feeder bays. The OptiPower Motheo Copper is for an Australian copper miner. That's up in Botswana. I actually visited the site last week. Again, I'm really pleased with that project and the progress we're making on that. Again, 132 KV lines. This time it's to power up a copper mine.

On the project side, Murray & Roberts Projects, historically they did the work on the power programme and Medupi and Kusile, and they've done the work for Sasol, structural mechanical piping work, maintenance work and EPC work. They do EPC work on terminals as well. We're currently doing a project or a feed study, a front end engineering design study for a client in Ghana. Strangely enough we have a South African project manager who relocated to Canada and a team of Clough Canadian engineers who were doing the process, mechanical, and piping electrical instrumentation design for us. We are hoping on successful completion of the feed that that will translate into an EPC which I'll collaborate with Peter and the Clough guys on that.

We've drawn a line under Kusile. We have completed Kusile. We are off site. We have completed our scope and we've also completed the outage works that we were contracted to do. There is a possibility that we may go back at some stage in the future to do more outage work, but our construction scope is complete at Kusile. We're doing maintenance work directly for Eskom at Medupi. We are keeping all of the mills in tip top order. We are refurbishing those. We've got a three year contract for those mills, and that is going pretty well for us as well.

Utility scale renewable energy. I think probably two or three years ago we wouldn't be having this conversation and we didn't have this service offering in the platform. I think the acquisition of OptiPower three years back now has enabled us to enter into that market. And we're seeing real opportunity in utility scale renewable energy. Golomoti is the project on the left which I've already spoken to you about. One of the significant items in Golomoti as well was there's a utility scale battery energy storage facility which we did the integration engineering for that, and we've done the construction of it. That was quite pivotal for us because we see a big future on battery storage in South Africa.

We've got two early works contracts for round five. We're doing the early works for Red Rocket on their 84 MW wind facility, which I'm really hoping is going to flow into a fully-fledged project when they close. I think Henry mentioned it around the delays associated with round five. We've got real visibility on round five now and we're expecting closure on these projects in September, so we're hoping to get on with it and get these things built. We're also doing an MTS, which is a main transformer substation, which is a major transmission substation. That's a self-build. I believe that there has only been one self-built previously in South Africa. Normally these are built by Eskom. But we are building that for EDF, and we've started the early works there. We've actually ordered the 500 MVA transformer that's going to be manufactured and delivered out of Korea.

On the water side I'll talk about the water business later. It has been really challenging. It might be smallish, but for us it's really significant. I've previously spoken about our Organica technology. This is our relocated Organica demonstration plant which we've relocated now to the V&A. so, it's really front and centre in tourist central in Cape Town. We're really proud of that, and the V&A are very excited about it as well. So, we're in commissioning of that plant now. Then as Henry mentioned as well, we've got a ten year O&M. We basically mine sewerage water and we treat it to grey water quality, and it's used for toilet flushing and irrigation.

Then I'll also talk to the Wade Walker Solar. This is a business that we developed through joint venture and acquisition a couple of years ago. We've built a hybrid system with a battery backup for our Cementation colleagues out in Carletonville to take them off the grid and give them energy security out of Bentley Park, which is their training facility. There's a picture of our beautiful Organica technology.

This is some market analysis I just wanted to bring to your attention. I've got three slides on this which really position us for next year and into the future to a large degree. This slide talks to the integrated resource plan. As I've mentioned, if you look at item one there, there are 2600 MW of renewable energy that's going to be awarded across PV and solar in bid window five. We've had a reasonably tough year this year with respect to our revenue because we envisaged that they were going to close a lot earlier. Originally it was February. Then it moved out to April. And we really believe now we've got line of sight that it's going to be September. But we've got some really good prospects, as I mentioned to you. And there are other prospects outside of the early works that we've got.

Round six is now open, and our tendering and estimating teams are flat out working on wind farms and PV for round six. That will close in August. And then we'd expect probably about a year before we get to the point where that will be executed. 550 MW of battery storage is coming as well through the IPP office. And again, that's really important I think for the future of South African renewable energy. Also, we've been involved with Golomoti at a utility scale. Thermal coal we don't see really going anywhere, even though it's still in the IRP. As Murray & Roberts we won't be involved in it. Gas to power in my view is still real. It has been talked about in the press quite recently. I think Andre de Ruyter spoke about it and said it's obviously a key component of the energy mix. So, we see that RFP coming out in December. Then more renewable energy and the RFP for nuclear is also mooted in December, but we will wait and see on that one.

I think the bottom line is that there's a lot of opportunities here. The EPCs will be under quite a bit of pressure to execute this work. The other dynamic that is happening is with the increase in the cap to 100 MW, the private sector is now getting their act together and we're starting to see a lot of enquiries and awards from mines and other energy intensive users. So, I think our position is as a PV solar EPC in the renewable space with partners, which is managed by the Murray & Roberts Projects company, and definitely as a standalone electrical balance of plant specialist high voltage interconnection subcontractor directly to the IPPs and international EPCs.

This is quite an interesting slide. What I'm trying to highlight here is the need in South Africa for expansion of our transmission system. This is in the public domain. This is Eskom's transmission rollout plan. If you look at a map, you will see the purplish colour is the 765 KV backbone and the green colour on the map is the 400 KV backbone. And where you see dotted green or dotted purple, that's where the system needs to either be expanded, strengthened or new portions to the system need to be built. If you look at the pie chart, it talks to R91 billion worth of transmission needed to support the IPP integration. That is quite key. Then there is about R35 billion of strengthening. So, over R120 billion worth of work that needs to be done on our transmission network.

How are we doing? Not very well. If you look at the table down at the bottom left, new assets that were expected between 2019 and 2023, we could analyse this all day, but if we just focus on the 400 KV that's really critical. 2,235 kilometres of KV line was planned between 2019 and 2023. 2023 is next year. So far based on our information there has probably been about 400 kilometres of that line built. So, it's quite frustrating for us in that we have a transmission business, all these opportunities are there, but it's a little bit locked up at the moment. We do believe that that will start to unlock. The unbundling of transmission from Eskom will probably also add a positive dynamic to that. Then at the bottom you see what transformers you need that are associated with the substations, again a huge amount of work that needs to be done over the next few years.

This is Eskom's battery energy storage project. They are at the point where they're just about to award the EPCs. Again, I think Andre de Ruyter was in the press in February. We're very interested in this, as I said, and we've got experience in it now. And we've got a couple of options here with respect to being a preferred contractor to the EPCs. So, that's quite exciting stuff and we're hoping to be involved in that in the coming year. That's just a picture of the Meerkat SKA project, the radio telescopes out in the desert there in the Northern Cape that look into space. Well, they don't look into space. They listen into space. OptiPower are doing all the electrical cabling and powering up of the RT telescopes and all the fibre optics.

OptiPower Projects, this is our transmission, distribution and renewables business. As I've said, we acquired this business three years ago. And to be blunt, if at that point we hadn't acquired that business, then I think our business outlook right now would probably not be as positive as it is from a renewables point of view. So, it was a good acquisition for us. We acquired it as a transmission business, and it has obviously morphed now into an electrical balance of plant renewables business, so that's good news. As I mentioned, Eskom transmission capex is way behind, a huge backlog. They really need to unlock that and get on with that now. The REIPPP is a successful programme. There was a bit of a stall in round four. Round five has also stalled a little bit, but we really see that opening up now and round six happening as well. And I think in this transmission and distribution business a couple of companies didn't last based on the fact that this business and this sector has been quite slow for a few years.

Outside of South Africa we are looking at some other opportunities. They are very much SADC based at the moment. So, it's interconnectors around Namibia, Angola and Malawi, Malawi Zambia, and then Botswana, Namibia and Zimbabwe. They are World Bank funded. We have done some pricing into these projects, and it's quite challenging, so we're being very selective as to where we want to operate and where we want to focus our attention at this stage. I think I've spoken to the key focus areas. I think I've covered that basically.

Murray & Roberts Projects, historically they did the work at Medupi and Kusile. They did structural mechanical piping work for Sasol. We've done work for Sappi. So, this is that entity. They've also done EPC terminal work. So, they will continue to do that. They will continue to look at maintenance opportunities. We'll be quite focussed where we go and follow those maintenance opportunities. As I say, a lot of it will be on the back of the work that we've done at Kusile and Medupi, and we will continue to pursue that.

What that business will be doing, it gives us the ability to take on an EPC wrap of a PV project with international partners. We will provide an EPC solution for utility scale PV, and we will use OptiPower and their skills on HV engineering and transmission to be the specialist subcontractor on those PV farms. So, we think we've got a really good offering and we've got some good international partners that we're working with. We've got a risk comm tomorrow where we're looking at putting in a bid to Cennergi to Exxaro for their operation up in Lephalale. I think that's about an 85 MW PV farm on a lump sum EPC basis.

Life is still difficult in wastewater. As I said, our short-term focus is getting the commercialised side of the Organica plant up and running. City of Cape Town, we've got visibility on their pipeline. Things do tend to run a little bit slowly and the gestation periods are quite long, but we've got visibility there. The green shoots for me are the PPPs. We are actively tracking a PPP with eThekwini municipality for their Umdloti and Umkomazi [?] wastewater treatment plants. We think that could be a real game-changer and unlock that.

The new green drop report, they haven't done a green drop report for nearly ten years now, and the state of our wastewater infrastructure has deteriorated further in the last ten years. I think there are 850 wastewater treatment plants in South Africa, and I think something like 348 of them have been classified as completely dysfunctional, so that's really quite disturbing. We are obviously there and ready to do something about that when the opportunity arises. We don't carry a big overhead in this business. The question has been, well, why not shut it down? We don't carry a big overhead and we really want to pursue some of these opportunities that are in front of us.

Wade Walker is our electrical instrumental construction business. They track the work that MRP do to a large degree. So, their opportunities, similar to MRP's, are stay in business type opportunities from the mining guys. There is a particularly strong portfolio from Anglo Platinum, so we're seeing a bit of an uptick in tendering in Anglo Platinum both from MRP and from Wade Walker. Where appropriate we put MRP's structural mechanical piping capabilities with Wade Walker's electrical instrumental capabilities and give a full suite of offering to our clients. The competition there is quite fierce. There are some very capable medium-sized contractors. So, for us it needs to be a little bit of a scale thing where we can be competitive and successful.

Wade Walker Solar, this is an interesting business. We started it through JVs and through JV acquisition two years ago now. They focus on the CNI market as it is termed, the commercial and industrial market, so rooftop and ground mounted PV. It is ticking along quite nicely, and we've got some high hopes for it. We've capped them internally at around about… Their mandate was about 10 MW as a cap. We've probably reduced that now to about 3 MW. Anything above 3 MW will be integrated by MRP and OptiPower. But there are some real opportunities there. We've had some good successes. We've done work with Impala. We've done work with Broll Property Group. Obviously, the drive there is to get portfolios of projects with these key large clients and roll those out.

As part of that business, we also have a supply chain company called Aarden Solar. We think they've got about 1.7% of the CNI supply chain market, and we want to grow that into 2023 and then up to 2025. And we think conservatively at 3% it is achievable. That business needs more depth and technical backup for that business. I think that will be a key differentiator. And then also some geographical expansion. We've got warehouses in Centurion, but we're going to start up a couple of smaller satellite offices where we can be front and centre with potential clients.

In terms of key opportunities, I think I've probably touched on a lot of these as I've been speaking. But our current order book, even though our order book is small, is quite low as Henry mentioned, it's about R570 million, we've got some really good near prospects in the renewable energy and transmission distribution sector. Bid window five, we now know the timelines to financial close and we really believe that's going to get over the line. Several private sector utility scale projects are also heading towards financial close, be that mines or be that energy intensive users. And bid window six is upon us. We are currently working on estimating on bid window six.

Utility scale PV, as I said, we've got JV partnerships with internationals to provide utility scale PV either into the IPP programme or into the private sector. And we can do that now on a fully wrapped EPC basis. And we have het benefit there of being a South African owned and level 1 BBBEE contributor, so that gives us an edge to a certain degree in some of the opportunities we're chasing. Utility scale wind, the clients execute this slightly differently. More often than not it's not EPC. But our OptiPower business has got early works on those two contracts I mentioned to you earlier in round five, and we generally pursue these with a civil balance of plant partner, and we do the electrical balance of plant work direct to the IPPs.

As I mentioned, battery energy storage. I won't go over it again, but we see that as quite key to the future and we're engaged in that. As I said, we have completed a utility scale battery storage up at Golomoti. The PGM mining sector stay in business and brownfields, specifically Anglo Platinum, is giving us an opportunity. We have also currently bid work in Zimbabwe with Impala at Zimplats. That will give the SMEIP business, which is MRP and Wade Walker, opportunities. Wade Walker Solar, as I say we're still establishing a track record there and gaining market share, but I'm quite positive that we're going to grow that business in the right direction.

Risk to the business, our main market is the public sector, or it is government led programmes and we deal with SOEs. We deal with Eskom, we deal with Transnet, and we deal with the municipalities. So, when those projects are slow or delayed, it affects us directly. That's the world we live in, and we just have to deal with that. And obviously we're reliant on macro market conditions to reach sufficient scale in this business. The last few years it's been really difficult to support a sustainable business. We continue to do that, but from my perspective the opportunities now are realising, and we've got really good visibility on those opportunities.

So, breaking into other markets where we can extend our service offering, that can be quite difficult at times. As I mentioned, we are doing power station work, but more often than not it is serviced by local entities. But we're still optimistic on the good work that we're doing on Medupi on the mills that we can get some more contracts in that regard through Eskom on the maintenance side. and the water sector remains subdued, and it remains under funded. The green shoots for me are these PPPs, these public private partnerships that are mooted to unlock that space and get investment going so we can invest in the terrible state of our wastewater treatment infrastructure.

And as I mentioned earlier on the slide about OptiPower, it is challenging competing in Sub-Saharan Africa against global companies on the transmission lines, but we've had success in SADC. As I say, we're working in Botswana. We've worked in Malawi. So, we think there are opportunities there and we're going to be selective as to how we target those opportunities, but they are definitely there.

And then just in terms of take-aways, I guess the focus for my platform in this financial year is to achieve some consolidation. Then we've got some growth plans over 2023 to 2025. It's really important for us that we return to profitability and make a contribution to the group. And really the bulk of that revenue we think next year about 70% of our revenue is going to be linked to renewable energy type projects and transmission type projects. OptiPower, as I said, they've got the strongest pipeline of opportunities on the transmission high voltage substation side, also linked into renewable energy.

Then Murray & Roberts Projects, they're the EPC integrator as I mentioned. We will carry on doing what was our core a few years ago of mechanical, structural and piping construction. We'll only bid those jobs on the contracting conditions and models that we believe is a manageable risk for us and an equitable risk, so we're very selective on the work that we will bid in that regard. As I said, we will continue to pursue maintenance type work. Murray & Roberts Water, as I say in a difficult space. Cape Town has a pipeline, a bit slow to implement, and PPPs are making progress. The eThekwini project, we see that we will probably receive an RFP in the third quarter of this year, and then we'll respond to that appropriately. And Wade Walker Solar, as I said a smallish business, but doing well, going along nicely. The issue for us is grow that supply chain, a chunk of the supply chain market, and also grow these EPCs that we do where we provide the equipment and do the construction to larger entities who have a portfolio available for us. So, Ed, I think that's mine. I was short and sweet as I could be.

Ed Jardim
Steve, thank you very much for your presentation. I do have a couple of questions for you please.

Steve Harrison
Sure.

Ed Jardim
How significantly has the price of steel and modules affected your operations. Are you able to pass on the cost to the client?

Steve Harrison
The simple answer to that is yes, it has been significant. I'll tell you a small story about a project that we basically had secured. The contract had an escalation clause in it. We applied that escalation clause. We went back to the market for steel prices. The escalation calculation told us that we should have escalated the price of steel 26%. The market said that steel must

escalate 42%. So, unfortunately, we didn't close that project, but that was the situation we found. So, it is real, and it is meaningful. We obviously look to protect ourselves in that regard. So, it is meaningful.

Ed Jardim
Thank you, Steve. How big could the private sector power developments be over the next five years in your opinion?

Steve Harrison
I think the simple answer to that is very big. If you look at Anglo American alone, Anglo American have selected EDF, the French renewable company, as their selected partner to roll out all of their renewable projects. And that's about 5 GW, so that is huge. That's just Anglo American. All the other mining companies are rolling that out as well. And there is a drive as well. Sasol are looking at it and a couple of other people. Private developers are looking at the drive towards green hydrogen, and green hydrogen requires massive amounts of renewable energy in the gigawatt space. So, the simple answer is very, very significant.

Ed Jardim
Thanks, Steve. To what extent is indigenisation required in South Africa and other African jurisdictions, and have you had any experience in this regard?

Steve Harrison
I guess if you talk indigenisation in the South African context, it normally relates to local employment and to local spend. That also for us is alive and well. The majority of our clients and the programmes that we work on have minimum targets that we have to achieve, and we have to hit, so it's a part of what we have to do. I guess the frustration for us at times is clients tend to just pass that risk on to us. We don't own that asset and we don't have to stay in that area and operate that asset. We're transient. We come for a couple of years, and we do the project. So, from my perspective greater collaboration with the clients and even government would really assist in that regard. But it is a perquisite and we do manage it. We can't always meet those expectations, but if we can't meet the expectations, we tell the client that upfront.

Ed Jardim
Steve, are you keeping your eye on Mozambique? Any opportunities in the future?

Steve Harrison
Yes, I'm keeping my eye on Mozambique. We heard rumours that they were going to remobilise the Total project, the LNG project. We're still very wary of the security situation I think in that area. So, we're not ready to go back there yet, but we're certainly keeping our eye on it. We're looking at some gas developments there, and there are also some transmission lines. But I think as I said earlier, we've done some bidding into Mozambique for international type tenders, and there will be 20 bidders and the price will vary when the tenders are opened from $150 million to $50 million. So, it's a market that we aren't actively pursuing, but we're definitely keeping our eye on opportunities in Mozambique.

Ed Jardim
Thank you, Steve. One last question. What portion of renewable spending would Murray & Roberts have exposure to via its competencies. Also, the same question for transmission and distribution, battery storage. Percentage of spending exposure.

Steve Harrison
I guess I'll do this in simple terms. If you look back at that slide on the transmission side, that's Eskom transmission alone. It's not transmission associated with the renewables programme. That was R120 billion that needs to be spent by 2030.

There are four capable contractors that are vendors to Eskom who can do that work. That gives you an idea of the value that we're targeting there. I also think in the renewable space we're probably one of two or three consortiums who are capable of doing that work. So, the answer is wherever you're looking at that market I think the opportunity is for us potentially to maybe get 20% of the market that's available either in the transmission space or in the renewable electrical balance of plant space. So, it is significant, and that doesn't include the private sector, as I've said. I haven't sat down and added all of that up. Maybe I should do that as an exercise and then apply that.

Ed Jardim
Thank you very much, Steve. A new one has come through. Is there any potential for water treatment work in mines?

Steve Harrison
I think the whole thing with acid mine drainage, that's gone quite quiet. They seem to have come up with a solution there. I don't think it's the final solution. So, I think there are opportunities. Funnily enough we talk to mines sometimes about wastewater treatment as opposed to mine water treatment. So, there are opportunities, but we're not actively pursuing those opportunities. There are a couple of specialist water treatment companies that do acid mine drainage, and we don't do acid mine drainage.

Ed Jardim
That's it, Steve. Thank you very much. I appreciate your time. Thank you, Steve. I'm going to ask our group Chief Executive, Henry Laas, to perhaps wrap up the presentations and the morning for us. Thank you very much, Henry.

Henry Laas
Thank you very much, Ed, and thank you, Peter, Mike and Steve. I think you will agree with me three very capable CEOs responsible for the three business platforms that we have within the Murray & Roberts group. Before I touch on the presentation take-aways, there are two other parts of the business which Ed reminded me about which I should just give you a brief update on before I get into the presentation take-aways. The first obviously is our investment in Bombela Concession Company, which falls outside of the three business platforms, and then also the Middle East. As you know, we've been trying to extract ourselves from the Middle East for many years, and we're almost getting there. As soon as I think we have arrived at that stage, then it moves out for some or other reason.

So, an update on those two. First of all, the Bombela Concession Company, which is the Gautrain, our investment in that concession. It has been challenging for the concession company because the ridership on the system is still significantly down compared to what it was pre-COVID levels. And for some or other reason it's just very slow to recover. Before COVID we were doing about 55,000 passengers per day on the system, and at this stage we're doing between 21,000 and 22,000 passengers per day. So, it is a significant variance from what we had pre-COVID. However, with that being said, if you look at the financial model that we have on the Gautrain system and what we have done to try and limit cost etc., we don't envisage any impairment in that investment at this moment in time. Obviously, we need to see how the ridership will respond into the future, but the concession that we have on the system runs until March 2026, so it is four years to go. And based on our current forecasts and analysis there is no impairment necessary on that investment.

Secondly, an update on the Middle East. You will recall that reached the point that we've concluded the sale agreement to sell our two remaining companies, a company in Abu Dhabi and a company in Dubai, to sell that to a local buyer in the Middle East. That contract is subject to a few conditions precedent, and we have not been able yet to close out all those conditions. And between ourselves and the purchaser we move out the long stop date for those conditions precedent on a regular basis. The main issue that we need to overcome is we need to get to a point that we can transfer our shares in the

Abu Dhabi and Dubai company. And that transfer is being held back by a commercial issue on the Mafraq Hospital. It relates to the claim that the joint venture that built the Mafraq Hospital have against the owner, a company called [unclear]. And that matter is currently in court.

The courts have appointed an independent panel of experts to assess and to advise the court on that commercial matter, and the court has ruled that the panel of experts need to submit their preliminary report to the courts on the 4th of July. Hopefully that could be closed out in the not too far future. The consequence of that for Murray & Roberts is that you will recall that I've been talking about and our CFO, Daniel, has been talking about the foreign currency translation reserve, which is an accounting entry that we need to do at the time that the sale is closed. That ranges between R270 million and R300 million depending on the exchange rate.

That foreign currency translation reserve will not be accounted for in the current financial year because the sale will not be unconditional. It is most likely that it will be accounted for in the first six months of the new financial year. So, that adjustment will not be made in the current financial year to June. As we have said previously, it is purely an accounting entry that has to move through the income statement. It does not impact equity and it does not impact the NAV of the company. No cash impact at all. It's purely an accounting entry. But it won't happen in this financial year but most probably in the first half of the next financial year.

So, I hope you will agree with me that Murray & Roberts is absolutely a formidable company. I think if you look at the projects which our three CEOs have shared with you, the type of work that we do and the projects that we are building all over the world is just absolutely phenomenal, so a company with a very strong capability. And as I said, truly a formidable company and very different to what we used to be. The first take-away point is that we have now successfully transformed to be a multinational engineering and contracting group. I hope you will agree with me having listened to these three CEOs and seen the type of work that we are doing globally that this transformation has happened, and Murray & Roberts is completely different from what we used to be as a group.

Our order book for us, as I mentioned in my opening remarks, as an engineering and contracting company, the opportunity for that business is really reflected in its order book. And we have reached a point where our order book is at a significant level, and we are very pleased with what we have achieved. And that gives us confidence about the short to medium-term future for our group and even longer term. The issue that we need to manage very well is working capital to support this growth that we have within our business.

You will recall when we presented the first six months' results for this financial year, the results up to December, we had a net cash position in the group of R300 million and we did say that we do expect an outflow during the second half of the year. That outflow did happen. And why did it happen? It happened because of what we're experiencing on some of our projects where the impact of COVID that has been in explained in more detail by Peter has resulted in some of the milestone payments that we were relying on to come through before the end of June this financial year. Some of those milestone payments have drifted into the new financial year, and that has resulted in the cash outflow.

Also, as Peter explained, when you grow an organisation as we've been growing, you need to provide performance bonds and the like on these types of projects. And you very quickly get to a point where you get a little bit constrained because your capacity to raise additional bonding facilities may become limited. And it is because of the growth that we've seen in our order book. So, from a bonding point of view we need to raise additional capacity in order to support the growth still to come for us as a group.

The ERI platform, we didn't talk too much about new opportunities and the project pipeline in the ERI platform because we've already established such a significant order book. But as Peter has spoken to you, there is certainly no lack of opportunity for the ERI platform. And the strong growth that we've seen in our order book over the past couple of reporting periods, we do expect that we'll be able to maintain that order book. I think the growth may slow down a bit, but we should surely be able to maintain that level of order book, which is really significant. Project delivery, as Peter has said, is really the main focus, and managing the disruption that has been caused by COVID related supply chain backlog. We do order equipment in time, but it arrives on site a lot later than what was expected. There is quite a big backlog in the supply chain that we need to manage.

From a mining perspective the business has been doing very well for us constantly for many years, and we do expect strong earnings growth in 2023 – not the reporting period up to June, this current financial year, but in the next financial year and the year beyond, 2024. That is on the back of the work that Mike indicated and what we do expect to happen as there will be more investment made in the mining industry to support the transition to a greener future. But a business that certainly has got a long history of being a successful business, and we do expect it to report strong growth from financial year 2023 and 2024 onwards. I think very exciting for us is what Mike has shared with you, that there is now a strategic move to leverage the global scale of this business by having an overarching global business and facility where we can leverage our combined scale for procurement and for other strategic reasons. That's an important development.

The Power, Industrial & Water platform, as Steve has shared with you, the renewable energy market in South Africa is presenting us with significant opportunity and we do believe that this business will turn from a loss-making business even in the current financial year into a profit position in the new financial year and making a contribution to the group profit. But having said that, overall, we don't expect the PIW platform relative to ERI and relative to Mining to ever be as significant as the other two business platforms.

I think this is the final point, our exposure to our select target markets. We're encouraged by that, the strong order book, the growing demand for our services, and we really believe that Murray & Roberts is now positioned for meaningful earnings growth in the short and medium term. The challenges that we have short term we are managing well I believe. It is really all COVID related, and the consequence of COVID, and the impact that it has had on our businesses. And the processes we are busy working through with our clients to get whatever issues that we have resolved in an amicable way. But having said that, I think we are really in a good position, and we are quite pleased with what we have achieved over a number of years. I want to thank you for your patience and for your participation in this investor day today. Thank you very much. Ed, are there any questions finally before we wrap up?

Ed Jardim
Thank you, Henry. No, no further questions. Just a reminder to our stakeholders that these presentations will be uploaded to the Murray & Roberts site throughout the course of today. Otherwise, that's it from our side. Thank you very much for your time and attending.

Henry Laas
Thank you very much.

END OF TRANSCRIPT