



MURRAY & ROBERTS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1948/029826/06

JSE Share Code: MUR

ADR Code: MURZY

ISIN: ZAE000073441

(“Group” or “Company”)

SEVENTY-FOURTH ANNUAL GENERAL MEETING

The Group released its FY2022 annual financial results on 31 August 2022 and Annual Integrated Report to stakeholders on 30 September 2022. Full details of the Group’s financial results and Annual Integrated Report have been published on the website at www.murrob.com. Stakeholders are also referred to the Cautionary Announcement and Trading Statement which the Group published on SENS on 17 October 2022.

BUSINESS UPDATE

Operationally, the Group is structured to deliver its projects through three business platforms: the Mining platform, the Energy, Resources & Infrastructure platform, and the Power, Industrial & Water platform.

MINING PLATFORM

The Mining platform comprises three regional businesses in Africa, the Americas and Australasia. The platform is established in most of the world’s key growth areas for metals and minerals extraction and production.

Within this fast-changing operating environment, the Mining platform’s vision is to be the global mining services partner of choice, recognised as a responsible, fully diversified service provider with the best skillset in the industry. To take advantage of these global opportunities and drive growth, the leadership team identified the need to establish the platform as a single global organisation, enabling more effective collaboration between the regional entities. The Mining platform will be reorganized and restructured to drive greater collaboration with common systems, global metrics, shared resources and centres of excellence.

The price outlook for most major commodities remains strong in the medium term. This is expected to drive growth in mining investment with an emphasis on brownfields expansion, production optimisation and restarts. Prices for commodities required for decarbonisation are expected to escalate further in the medium term as demand increases.

The platform’s order book and near-term project pipeline is strong. The order book increased to R22,2 billion as at 30 September 2022 (June 2022: R21,9 billion), with the platform recording near orders of R9,8 billion as at 30 September 2022 (June 2022: R14,9 billion).

All projects in the Mining platform are progressing according to expectations.

ENERGY, RESOURCES & INFRASTRUCTURE (“ERI”) PLATFORM

The Group published a Cautionary Announcement on 17 October 2022 to alert shareholders and the market to the impact of ongoing disruption in supply chain delivery and delays in project milestone payments on several projects, which has had a material impact on project profit margins and pressure on working capital requirements. The pressure on the Group’s working capital is especially acute in the ERI platform, where certain project cashflows have been impacted by COVID-related disruption and margin deterioration.

For additional context, the Group conducts quarterly project reviews across all platforms, where project progress is measured and estimated project revenue and cost at completion are updated taking the latest information into consideration. Early in October, the Group was informed by the ERI platform that as part of its quarterly project reviews, it was assessed that the costs to complete two projects, Traveler in the United States and Waitsia in Australia, would be significantly higher than the previous estimate, and that certain claims-related adjustments to revenue were required, resulting in margin deterioration on both projects. The impact from this margin deterioration is that profits recognised on these projects in previous financial years would have to be reversed, which would lead to the Group’s next set of financial results for the six months to 31 December 2022, to be more than 100% down on the previous and comparable period. The reversal of previously recognised profits also impacts working capital.

Engagement with clients on the Traveler and Waitsia projects continue to be constructive with the objective of improving their commercial positions. Both projects are expected to be near completion by end-June 2023. All other projects within the ERI platform are progressing according to expectations.

The order book reduced to R35,4 billion as at 30 September 2022 (June 2022: R37,3 billion), with the platform recording near orders of R50,5 billion as at 30 September 2022 (June 2022: R43,6 billion).

As previously announced, the Group is continuing to review several strategic options with respect to addressing the ongoing and urgent cash flow needs of the ERI platform. The Group is not at this stage contemplating raising new capital. The Group will provide a further update to shareholders and the market in this regard as soon as possible.

POWER, INDUSTRIAL & WATER (“PIW”) PLATFORM

This Sub-Saharan-focused PIW platform provides complete project lifecycle services in the power generation, transmission & distribution, water, oil & gas, petrochemical and resources & industrial markets.

During the year, the business continued to face challenging market conditions, however the PIW platform is actively engaging with Independent Power Producers that have been shortlisted for projects in the South African renewable energy sector and is confident that several work packages will be secured in the near term.

South Africa’s constrained transmission and distribution infrastructure requires urgent investment to support additional capacity, which further presents longer-term potential for OptiPower Projects, given its specialised capability in high and medium voltage transmission and distribution lines, as well as substation infrastructure.

The PIW platform's order book reduced to R0,3 billion as at 30 September 2022 (June 2022: R0,4 billion). The platform recorded near orders of R1,9 billion as at 30 September 2022 (June 2022: R1,9 billion). However, OptiPower Projects is in final negotiations with a developer on three significant contracts as part of REIPPP Round 5. These three contracts make up a significant portion of the platform's R1,9 billion near order pipeline and an imminent award is expected.

The Group believes that the current emphasis on increasing investment in utility scale renewable energy projects is expected to enable the platform to return to profitability in the near term.

POTENTIAL SALE OF THE GROUP'S 50% SHAREHOLDING IN THE BOMBELA CONCESSION COMPANY

The process for the potential disposal of the Group's 50% non-strategic shareholding in the Bombela Concession Company ("BCC") is progressing well, with several parties having expressed interest in acquiring the asset.

Through the disposal of this investment, the Group will realise the present value of its expected dividends from this investment over the next three years to the end of the concession period, now, as opposed to over the next three years. The Group believes it should be able to realise the full value of its investment in BCC, should the disposal proceed. The proceeds from the disposal will be utilised to reduce debt in South Africa.

The Group will provide further updates to stakeholders in due course as appropriate.

TRADING STATEMENT

As engagement with clients on the Traveler and Waitsia projects are still ongoing, the board of directors of the Company does not yet have certainty regarding the precise impact on earnings per share for the financial results for the six months to 31 December 2022. The Group will, however, publish an updated trading statement once there is more certainty on these ranges as previously communicated.

The information contained in this Business Update has not been reviewed and reported on by the Group's external auditors.

Bedfordview
3 November 2022

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