

STEFANUTTI STOCKS HOLDINGS LIMITED
("Stefanutti Stocks" or "the company" or "the group")
(Registration number: 1996/003767/06)
(Share code: SSK ISIN: ZAE000123766)

UNAUDITED CONDENSED
CONSOLIDATED RESULTS
FOR THE 6 MONTHS ENDED 31 AUGUST 2024

FINANCIAL RESULTS

		UNAUDITED 31 AUGUST 2024	RESTATED 31 AUGUST 2023	% CHANGE
Contract revenue - Continuing operations	(R'000)	3 625 849	3 542 261	2
Operating profit before investment income - Continuing operations	(R'000)	131 889	61 981	113
Profit/(loss) for the period - Continuing operations	(R'000)	50 601	(12 455)	506
(Loss)/profit for the period - Discontinued operations	(R'000)	(47 734)	10 434	(557)
Profit/(loss) for the period - Total operations	(R'000)	2 867	(2 021)	242
Earnings per share - Total operations	(cents)	1,71	(1,21)	241
Headline earnings per share - Total operations	(cents)	13,23	(22,41)	159

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Consolidated Annual Financial Statements of Stefanutti Stocks for the year ended 29 February 2024, issued on 18 June 2024 and the SENS announcements issued on 29 August 2024 and 7 October 2024.

The following aspects of the Restructuring Plan remain outstanding:

- concluding the disposal of SS-Construcoes (Mocambique) Limitada and Stefanutti Stocks Construction Limited (the disposal group);
- reaching a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- resolution of the arbitral award relating to the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia; and
- an evaluation of the company's capital structure, including the potential of raising new equity.

The group on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025.

Capital repayments of R13 million and R37 million were made in March 2024 and July 2024 respectively, reducing the loan to R947 million.

The loan bears interest at prime plus 3,7%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The loan does not contain any financial covenants, but rather imposes certain information and general undertakings.

The Lenders continue to provide guarantee support for current and future projects being undertaken by the group.

The Restructuring Plan is anticipated to be implemented over the period to June 2025 and, to the extent required, shareholder approval will be sought for the remaining aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

The directors consider it appropriate that the group's results for the period be prepared on the going-concern basis, taking into consideration:

- the current order book;
- short-term potential awards;
- identified prospects over the medium- and long-term;
- continuing operations executing the group's order book profitably;
- reaching a favourable outcome on contractual claims and compensation events on the Kusile power project;
- continued support from the Lenders; and
- successfully implementing the remaining aspects of the Restructuring Plan.

The loan provided by the Lenders has assisted with the group's liquidity, even though at 31 August 2024 the group's current liabilities exceed its current assets by R1 280 million (Feb 2024: R1 136 million), and the group's total liabilities exceed its total assets by R94 million (Feb 2024: R52 million). The group remains commercially solvent based on the cash flow projections included in the Restructuring Plan and the continued support of the Lenders. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 26 of the group's Consolidated Annual Financial Statements for the year ended 29 February 2024, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

KUSILE POWER PROJECT UPDATE

As previously highlighted to shareholders in numerous announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project.

Since August 2021, the group has secured payment of a combined total of R119 million for measured work and the Dispute Adjudication Board (DAB) rulings.

Stefanutti Stocks and Eskom (the parties) entered into an "Interim Arrangement for the Purposes of Agreeing or Determining the Contractor's Claims and Facilitating the Dispute Resolution Process" in February 2020, for all delay events up to the end of December 2019, referred to as claim 5. This process involves the appointment by each party of independent experts (the experts) to evaluate the causes, duration and quantification of delays.

Further to the above, the parties and the DAB have signed a memorandum of understanding (MOU) dealing with the following:

- The DAB will issue decisions confirming entitlements, which entitlements the experts have agreed to, which will then be binding on the parties;
- The DAB will rely on the experts for the narrowing of the issues and information to be considered in its assessments;
- The DAB will continue to make interim decisions on the narrowed issues and information, in a progressive manner which will be binding on the parties;
- The DAB will issue such interim decisions relating to delay and quantum; and
- At the end of the process the DAB will issue a final binding decision in terms of the contract with respect to duration and quantification, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

It is anticipated that the DAB will issue its binding decision for claim 5 in early 2025.

At this stage the claims must follow due process, therefore, the group's claims team cannot express a view on the value of any potential award nor the exact timing thereof. As the outcome of this process remains uncertain, the claims have not been recognised in the financial statements.

OVERVIEW OF RESULTS

Discontinued Operations and Disposal Group

On 22 November 2022 shareholders approved the disposal of SS-Construcoes (Mocambique), Limitada (SS Mozambique) and Stefanutti Stocks Construction Ltd (SS Construction) (collectively the Proposed Transaction) by the company's wholly owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited and Stefanutti Stocks International Holdings Proprietary Limited to CCG-Compass Consulting Group (Purchaser). The completion of the Proposed Transaction is subject to the fulfilment or waiver of certain conditions precedent, including that the Purchaser provides alternative security arrangements to release Stefanutti Stocks from its existing security arrangements. The parties have extended the period for fulfilment or waiver of the conditions precedent to 31 December 2024.

SS Mozambique holds an 80% interest in a Mauritian company, Stefanutti Stocks Hyvec Partners JV Limited (Hyvec JV), which was established to execute a contract that was awarded to construct villas for a resort in Mauritius (the Project).

The Proposed Transaction envisaged that the group's interest in Hyvec JV would be (indirectly) transferred to the Purchaser. However, for various commercial reasons, the parties now intend for the 80% shareholding in Hyvec JV (as well as certain plant and formwork owned by SS Mozambique used on the Project) to be sold by SS Mozambique to other Stefanutti Stocks group companies prior to the implementation of the Proposed Transaction. Due to the exclusion of Hyvec JV from the Proposed Transaction the original sale and purchase agreements concluded with the Purchaser will be amended. The amendments will also address related and ancillary matters, in particular the restraint and non-solicitation provisions originally agreed by the parties in relation to the Mauritius territory. The amendments will not impact the purchase consideration payable by the Purchaser. When the amendments are signed, shareholders will be updated accordingly.

Consequently, the Hyvec JV has been reclassified to continuing operations as at 29 February 2024 and the Statement of Comprehensive Income for the period ended 31 August 2023 has been restated.

Due to legislative changes in Mauritius, it took the Hyvec JV substantially longer to on-board the required out-of-country labour. Additional resources required to achieve the construction programme resulted in the group recognising a further onerous contract provision at 31 August 2024 of R30 million.

Due to circumstances beyond the group's control, the classification of SS Mozambique and SS Construction as held for sale remains appropriate.

Continuing operations

Contract revenue from continuing operations is R3,6 billion (restated Aug 2023: R3,5 billion) with an improved operating profit of R132 million (restated Aug 2023: R62 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved to R166 million from R90 million for the comparative period due to an improved operating performance. Earnings per share for total operations is a profit of 1,71 cents (Aug 2023: loss per share of 1,21 cents), and headline earnings per share a profit of 13,23 cents (Aug 2023: loss per share of 22,41 cents).

The group's current order book is R8,9 billion (restated Aug 2023: R7,2 billion) of which R1,5 billion (restated Aug 2023: R1,9 billion) arises from work beyond South Africa's borders.

Safety

Management and staff remain committed to the group's health and safety policies and procedures, and together strive to constantly improve the group's safety performance. The group's Lost Time Injury Frequency Rate (LTIFR) at August 2024 was 0,06 (Feb 2024: 0,03) and the Recordable Case Rate (RCR) was 0,29 (Feb 2024: 0,24).

Broad-Based Black Economic Empowerment (B-BBEE)

The group is a level 1 B-BBEE contributor measured in terms of the Construction Sector scorecard with a Black Ownership score of 63,73%.

Industry-related matters

The group continues to be negatively affected by disruptive and unlawful activities by certain communities and informal business forums in several areas of South Africa.

Dividend declaration

Notice is hereby given that no dividend will be declared (Aug 2023: Nil).

Capital commitments

Capital commitments relate to expenditure for plant and equipment which has been authorised and/or contracted for but not yet recognised in the financial statements. Capital commitments which have been authorised but not yet contracted for as at 31 August 2024 amount to R207 million.

Subsequent events

Other than the matters noted herein, there are no other material reportable events which occurred between the reporting date and the date of this announcement.

Further information

These results have been compiled under the supervision of the Chief Financial Officer, Y du Plessis, CA(SA).

This announcement is an extract of the full unaudited condensed consolidated announcement. This extract has not been reviewed by the auditors. This extract, which is the responsibility of the directors, does not contain full or complete details and any investment decision by investors and/or shareholders should be based on the consideration of the full announcement, the webcast together with the investor presentation which is available on the company's website at www.stefstocks.com.

The full announcement is available for inspection, at no charge at the registered office of the company and at the office of Bridge Capital Advisors (Pty) Ltd, during normal business hours. Copies of the full announcement may also be requested by contacting the company secretary, William Somerville at w.somerville@mweb.co.za.

The full announcement is also available at <https://senspdf.jse.co.za/documents/2024/jse/isse/SSK/FY2025H1.PDF>.

Published on 26 November 2024

Corporate advisor and sponsor
Bridge Capital Advisors Proprietary Limited
10 Eastwood Road, Dunkeld, 2196
(PO Box 651010, Benmore, 2010)