



# Management Afternoon

29 November 2011

# ITINERARY FOR IASSA MANAGEMENT AFTERNOON

29 NOVEMBER 2011

12h45	Registration				
13h00	Introduction by Mike Upton				
	Mike Upton & Cristina Teixeira	Willie Zeelie & Andrew McJannet	Paul Le Sueur & Eric Vemer	John Wallace	Guy Mottram & Junaid Allie
13h15	Group 1	Group 2	Group 3	Group 4	Group 5
14h00	Group 5	Group 1	Group 2	Group 3	Group 4
14h45	Group 4	Group 5	Group 1	Group 2	Group 3
15h30	Group 3	Group 4	Group 5	Group 1	Group 2
16h15	Group 2	Group 3	Group 4	Group 5	Group 1
17h00	Closing by Mike Upton				
17h15	Drinks & Snacks				

# Presentation to Investment Analysts Society

➤ current Group strategy

what has the strategy delivered to-date

group challenges faced

market impact on strategy and response

pipeline and order book update

close

# Group positioning and strategy

The group's strategy is to secure growth and reduce earnings volatility by capturing multiple margin streams across the infrastructure value chain by:

## Diversification:

1. Geographic Diversity (**Where**)



2. Product Diversity (**What**)

3. Revenue timing Diversity (**When**)

1. Expanding our geographic footprint to at least 40% of revenue outside South Africa – currently in 24 countries, with 34% of construction order book over-border
2. Diversifying across the 7 sectors of Mining, Industrial, Power, Oil and Gas, Water, Real Estate and Transport to spread risk and to access stronger growth opportunities
  - Securing and executing larger and/or multi-disciplinary contracts
  - Optimising the contribution from our own supply companies
  - Building an Infrastructure Concessions and Property portfolio
3. Timing diversity discussed overleaf

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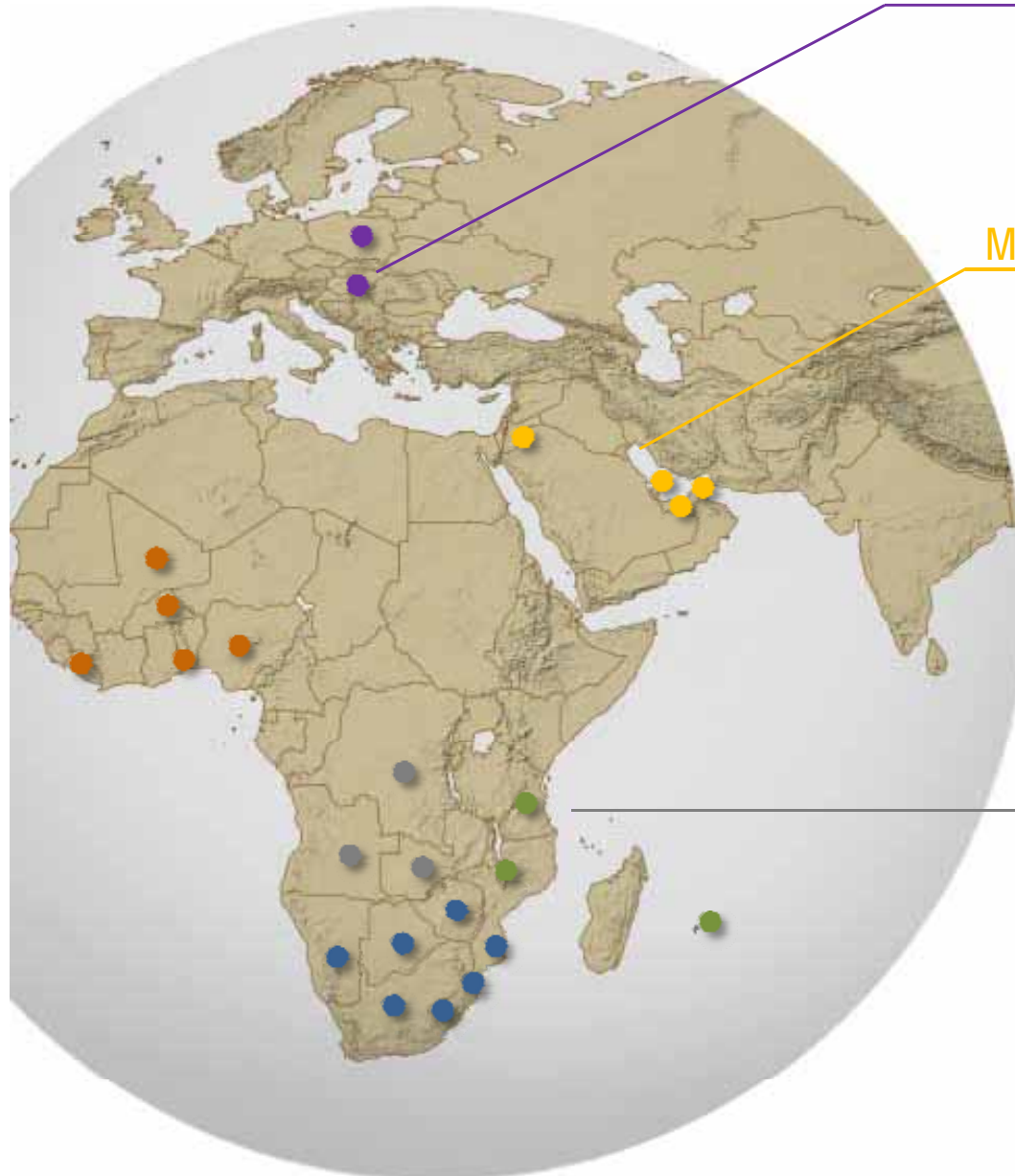
# Product diversity (What)

Investments and Concessions ERIC VEMER	Construction	Construction Materials JOHN WALLACE	Manufacturing JOHN WALLACE
Infrastructure Concessions	Building & Housing PAUL LE SUEUR	Aggregates	Fibre Cement products
Property Developments	Civil Engineering ANDREW MCJANNET	Ready Mix Concrete	Group Five Pipe
	Engineering WILLIE ZEELIE Projects (SMEIP) Engineering + Construction	Cement extenders	Construction steel
		Mobile Crushing services	

# Revenue-timing diversity (When)

Long Cycle	Medium / long	Short	Short
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# Geographic diversity: 24 countries (where)



## Eastern Europe

Poland / Hungary

Infrastructure Concessions

	F2010	F2011
Turnover (R mn)	370	300
Employees	488	434

## Middle East

Jordan / Abu Dhabi / Dubai / Qatar

Civil Engineering / Engineering

	F2010	F2011
Turnover (R mn)	768	405
Employees	1 010	404

## Africa

West Africa - Mali / Burkina Faso / Ghana / Nigeria/Sierra Leone

Southern Africa - Namibia / Botswana / South Africa / Lesotho / Swaziland / Mozambique/Zimbabwe

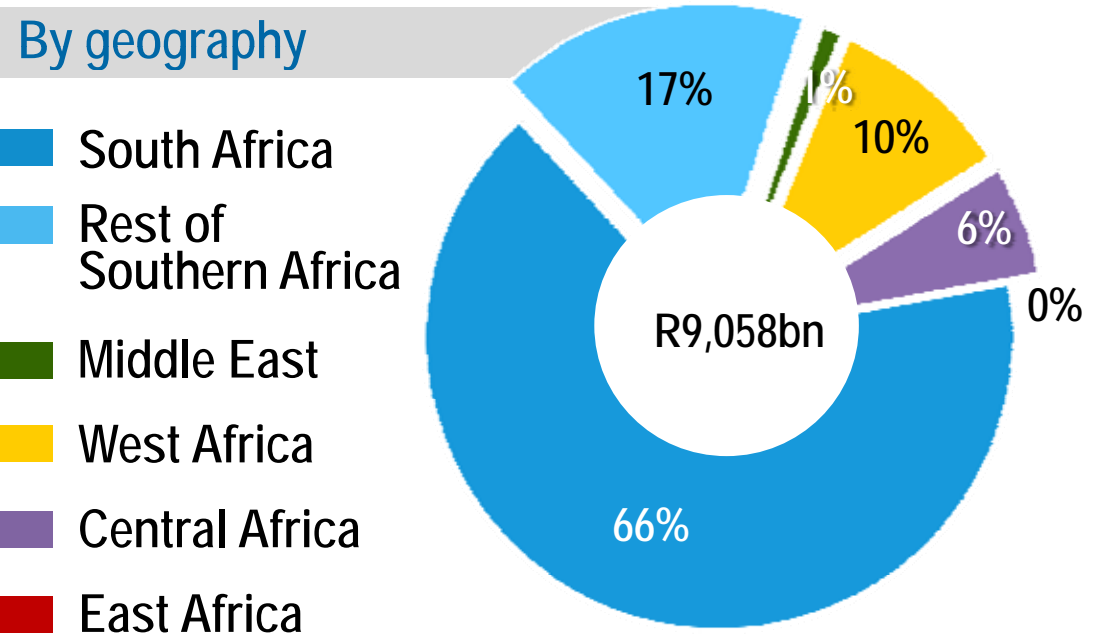
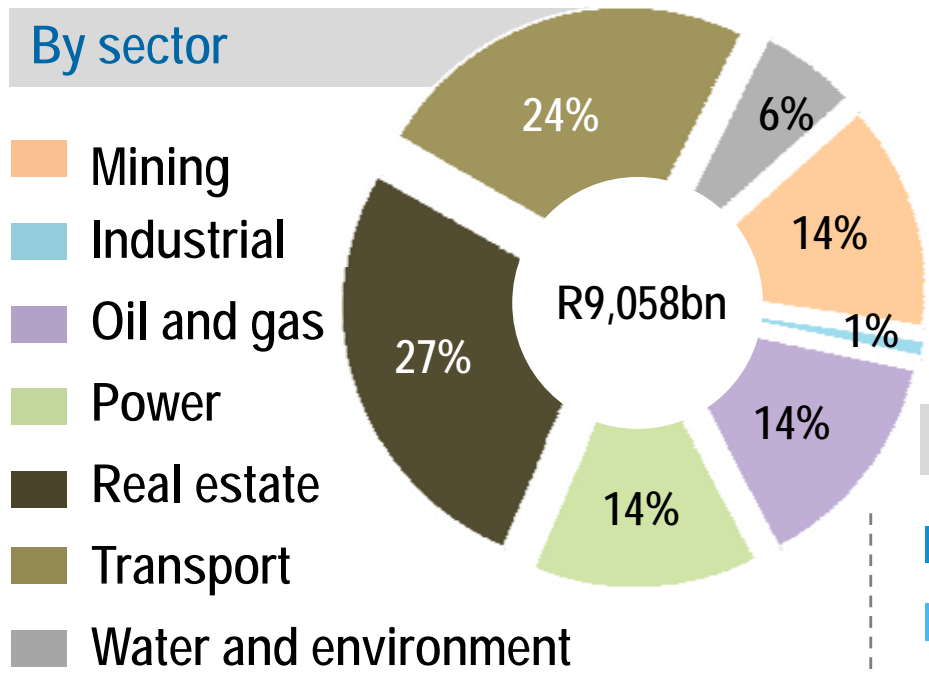
East Africa - Tanzania / Malawi / Mauritius

Central Africa - DRC / Angola / Zambia

Engineering / Building and Housing / Civil Engineering / Manufacturing / Infrastructure Concessions / Property Development / Construction Materials

	F2010	F2011
Turnover (R mn)	10 200	8 502
Employees	10 999	11 159

# Product and geographic diversity – secured construction order book red total Construction order book split

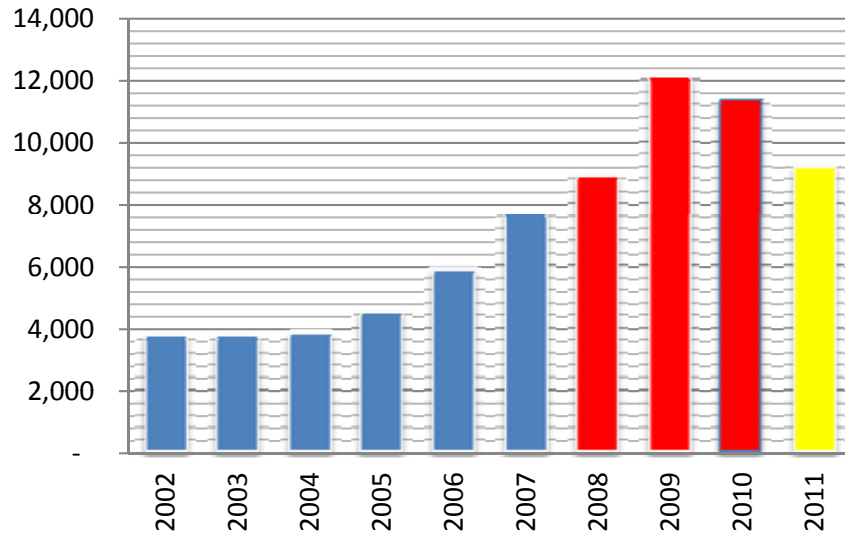


Group increasingly focused on 7 sectors

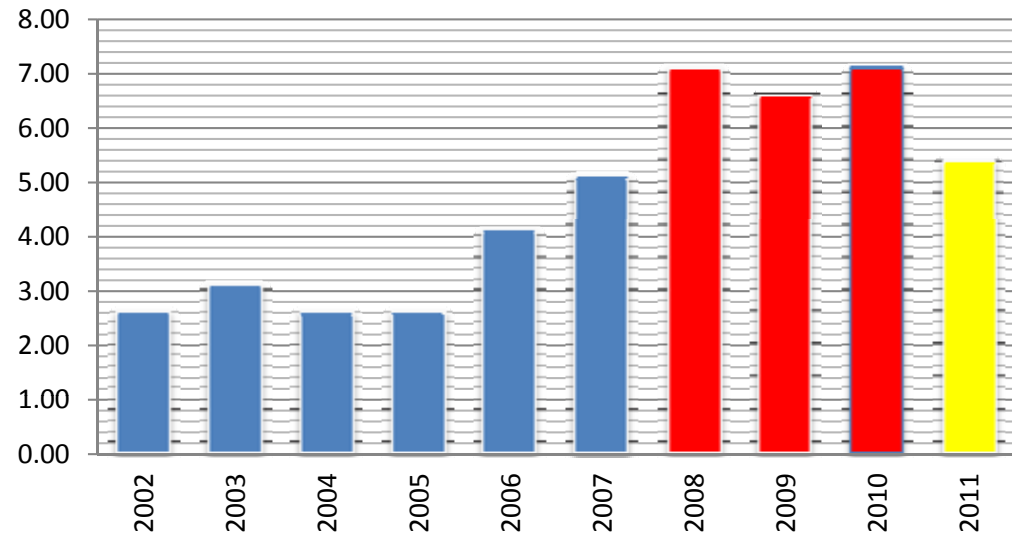
Order book moved from  
 24% Aug '10      30% Aug '11      34% Oct '11

# Ten year performance against current strategy

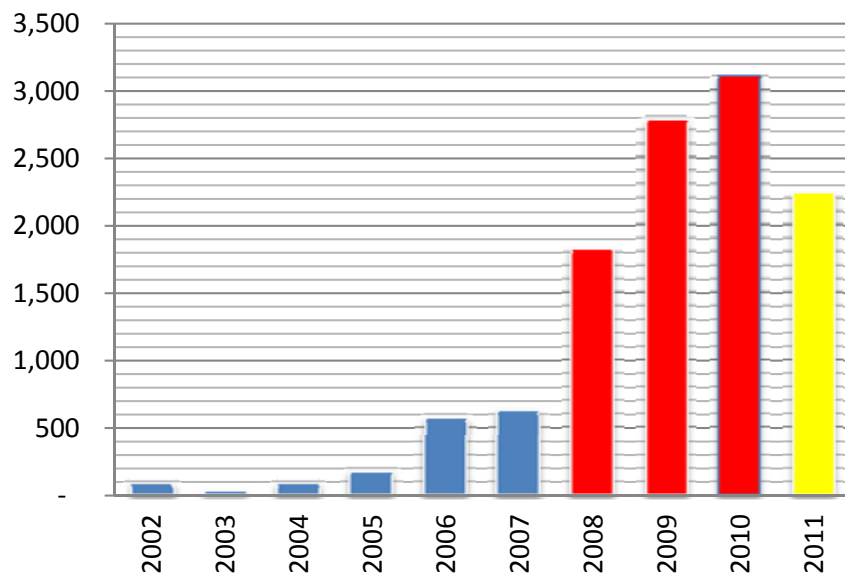
## Revenue



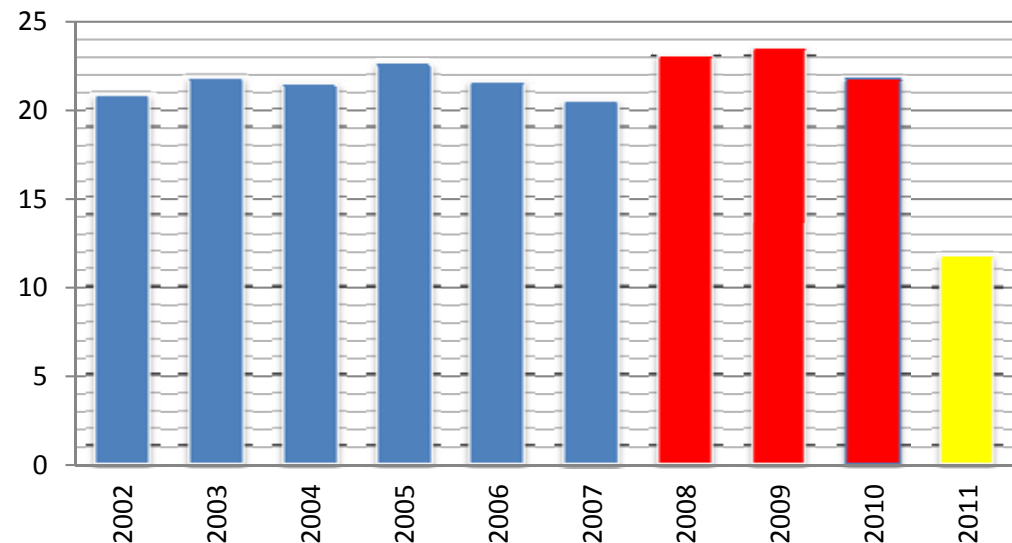
## Operating margin %



## Bank balances and cash



## Return on shareholders' equity <sup>before</sup> impairment adjustment



# Summarised strategic objectives

Est. impact:

Current

1-2 yrs

3+ yrs

## Diversification by sector and by geography

- *Sector diversification* - Establish competence in 7 key sectors
- *Geographic diversification* - > 40% of group revenue from non-SA sources

✓

✓

✓

WIP

✓

✓

## Develop, invest in, and operate concessions and property assets

- Develop/invest in assets for fee income and capital value growth
- Pull through of opportunities to construction; multiple margins from one project
- Offers early entry opportunity in infrastructure projects (roads, PPPs and power)

✓

✓

✓

✓

✓

✓

✓

✓

✓

## Optimise contribution of Manufacturing and Construction Materials

- Corrective actions at Steel and Construction Materials

WIP

WIP

✓

## Secure and execute large multi-disciplinary projects

- Capacity built in multiple business units to participate in turnkey & large multi-disciplinary contracts
- Growth through cross-group packaging & increasing EPC capacity in E+C

✓

✓

✓

WIP

WIP

✓

## Improved ROE

WIP

WIP

✓

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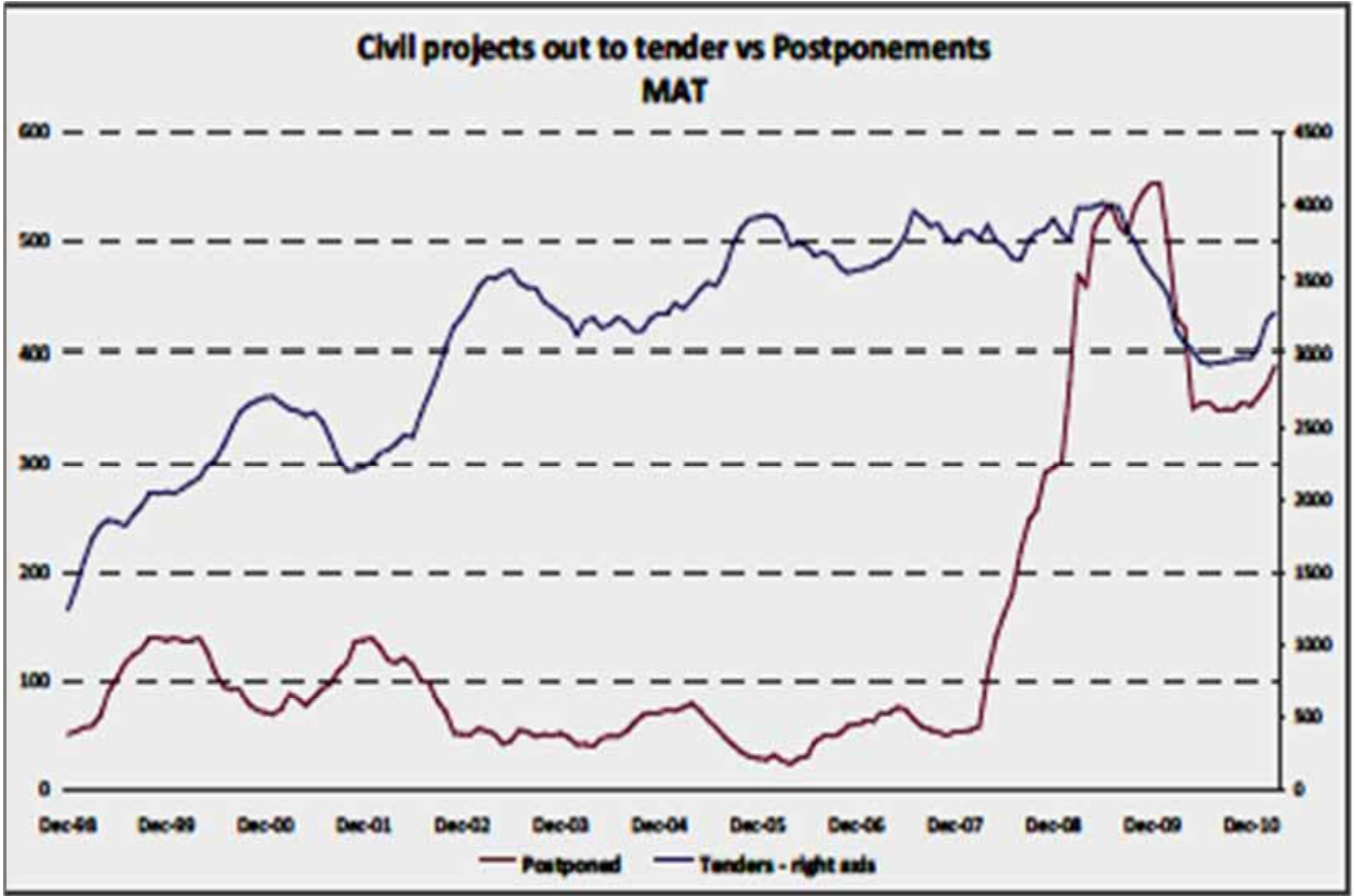
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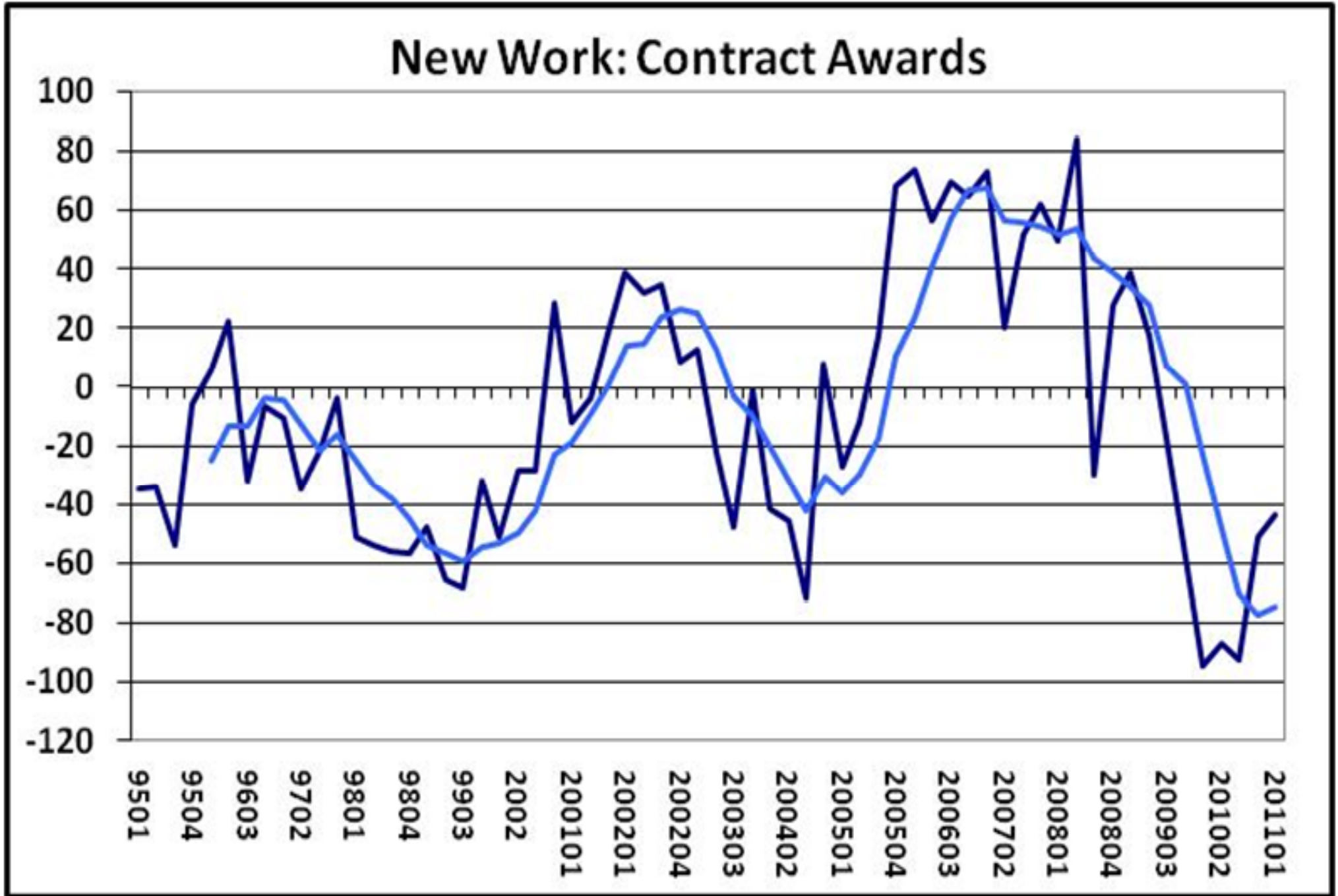
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# SA Civils market became unreliable post the 2010 fuelled boom



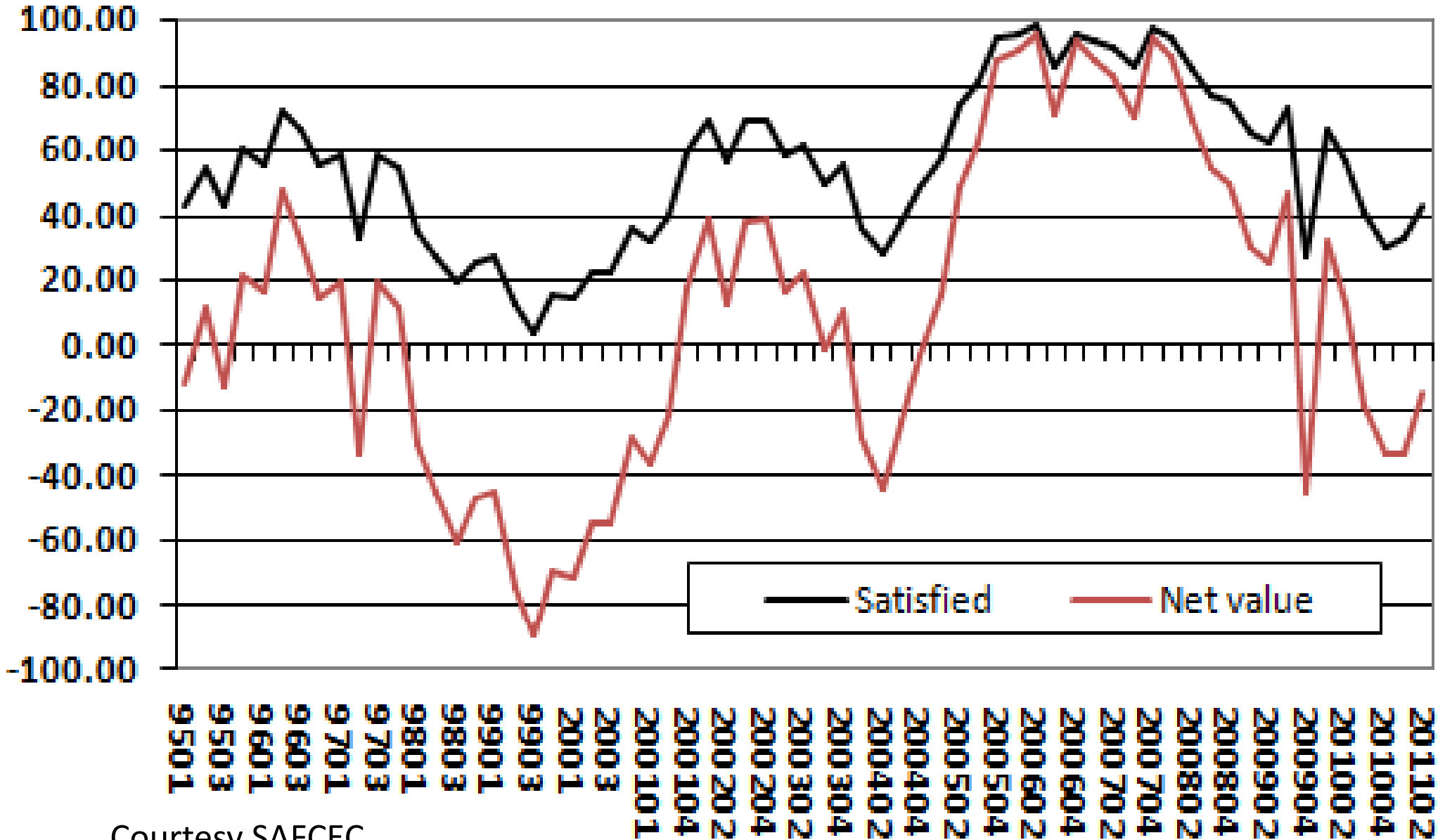
Courtesy SAFCEC

# SA Civils market became unreliable post the 2010 fuelled boom



Courtesy SAFCEC

# STATE OF ORDERBOOKS



Courtesy SAFCEC

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Market impact on strategies and G5 response	Est. impact:		
	Current	1-2 yrs	3+ yrs
Diversification by sector and by geography			
• <i>Sector diversification</i> - Establish competence in 7 key sectors	✓	✓	✓
• <i>Geographic diversification</i> - > 40% of group revenue from non-SA sources	WIP	✓	✓

### Sectors – good progress

- 7 Sectors all active, industry and real estate very quiet.

### Africa- steady progress

- Africa mineral resources now in recovery – Group capturing new growth rapidly
- Infrastructure backlog – Group cautious on public sector outside SA – selective.
- Funding is key to unlocking opportunity – leverage African investment theme. (Zim roads)

### Eastern Europe – good concessions base with targeted projects

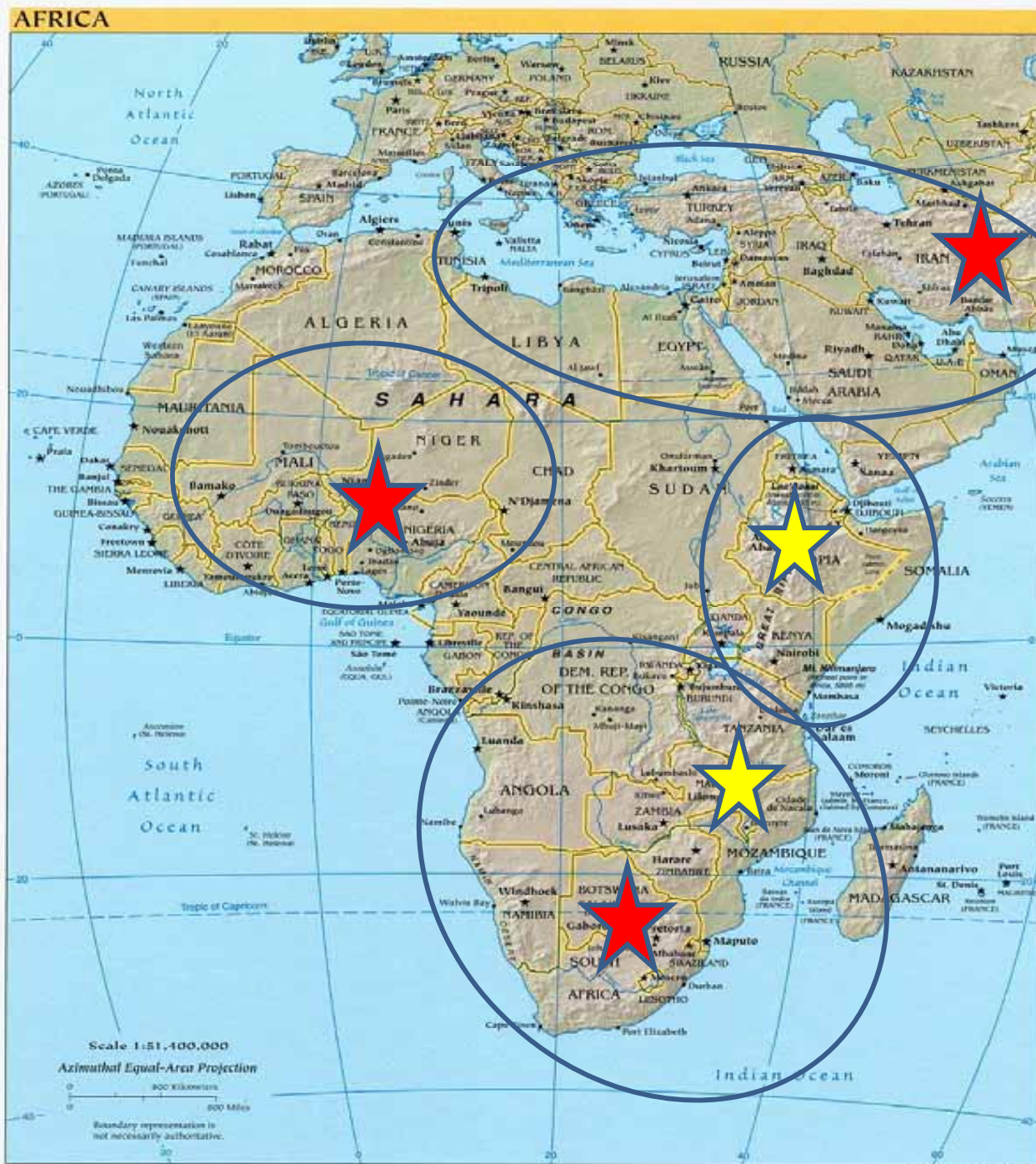
### MENA- holding costs during close out of legacy contracts and bid costs to rebuild

- Potential in Saudi, Qatar strongest with live bids under adjudication.

### Australia- comprehensive strategic evaluation undertaken.

- Evaluated several entry options and acquisitions, but expensive, low margin businesses and prefer to focus on internal fitness and Africa at this time.

# Africa beckons.....much to be done



Permanent hubs



Hub under development

- Mining
- Power
- Oil + Gas
- Water
- Housing
- Retail/commercial
- Transport
- PPP / concessions

Market impact on strategies and G5 response	Est. impact:		
	Current	1-2 yrs	3+ yrs
<b>Develop, invest in, and operate concessions and property assets</b>			
• Develop/invest in assets for fee income and capital value growth	✓	✓	✓
• Pull through of opportunities to construction; multiple margins from one project	✓	✓	✓
• Offers early entry opportunity in infrastructure projects (roads, PPPs and power)	✓	✓	✓

### Global market for PPP / concessions is active

- Strong in Americas
- Eastern Europe – political changes have slowed some markets
- Africa strong emerging interest in PPP’s and concessions.
- SA political crossroads on private sector investment into infrastructure - Govt retraction from stated policy has impacted the group in costs and order book.
- Presidential Infrastructure coordinating commission (PICC) and MoF /MoT working group to clarify infrastructure priorities and political direction on private sector inclusion in infrastructure delivery – output March/April suggested.
- Move skill set and focus to more reliable markets Africa / Australia/ East Europe
- Evaluate private sector concessions – mining, power, water, steam etc

# PPP's - Delays experienced

Department	Contract	Approx. value (Rm)*	Status
<b>Serviced accommodation</b>			
Dept. of Correctional Services	New correctional facilities	3 600	Cancelled
Dept. of Environmental Affairs & Tourism	Head office	900	Tender adjudicated, selected reserve bidder Dec 2009
City of Tshwane HQ	Head office	1 000	Appointed Preferred Bidder, negotiations in progress
Dept of Rural Development & Land Reform	Head office	1 000	Appointed Preferred Bidder, Slowly moving forward
Gauteng Dept. of Health	Upgrade C. Hani Baragwanath Hospital	4 000	Consortium formed, PQ expected 1Q-2012
Dept. of Statistics HQ	Head office	1 500	Responded to request for pre-qualification
Various provincial Departments of Health	- Limpopo Academic Hospital - King Edward Hospital - George Makari Hospital - Eastern Cape Hospital	8 000	PQ/Tender expected 2012
<b>Total serviced accommodation</b>		<b>20 000</b>	

\* Total project value, Group Five and other consortium members

# PPPs - Delays experienced

Department	Contract	Approx. value (Rm)*	Status
<b>Transport (Concessions)</b>			
N1-N2 Toll Road	Road Concession	10 000	Suspended
Wild Coast Toll Road	Road Concession	8 000	Awaiting tender issue
Cape Town Airport rail link	Light Rail Concession	2 000	Selected preferred bidder, feasibility complete, stalled
Zambian Government	Roads	> 3 000	Approach being developed
ZINARA	Zimbabwe Roads Initiative	1 600	Awarded, project commenced
Mauritian Government	Port Louis Ring Road	> 4 000	Selected as prequalified bidder, tender response under way
<b>Total transport</b>		<b>&gt; 28 600</b>	
<b>Power (IPPs)</b>			
Eskom LNG Plant – KZN	300MW LNG & Anthracite	4 000	Pre-qualified in MSPPP
Kalahari Solar (REFIT)	75MW Solar	5 000	Submission targeted 05/03/2012
Lesedi with Xstrata	300MW Coal Fired IPP	4 500	Expression of interest submitted
Bulgaria IPP	115MW CCGT Peaking Plant	1 000	Delayed due to Euro issues
<b>Total power</b>		<b>14 500</b>	

\* Total project value, Group Five and other consortium members

Market impact on strategies and G5 response	Est. impact:		
	Current	1-2 yrs	3+ yrs
Optimise contribution of Manufacturing and Construction Materials			
• Corrective actions at Steel and Construction Materials	WIP	WIP	✓

## **Boom to bust cycle revealed our naivety in entering the aggregates, RMX market**

- Fixed quarry and RMX business has high risk to locality activity levels.
- Gauteng market has fallen continuously from 2009 to YTD – a further 15% since June 2011
- We can not add value, only react to demand, not create it.
- Very high capex and HSE, Environmental, compliance demands

## **Reversal of performance since acquisition has impacted group performance**

- Cash and margin erosion
- Loss of shareholder value

**We have expended massive management time and resources in restructuring**

**Business is lean but market demand continues to disappoint.**

**Logical next steps in progress**

Market impact on strategies and G5 response	Est. impact:		
	Current	1-2 yrs	3+ yrs
Secure and execute large multi-disciplinary projects			
• Capacity built in multiple business units to participate in turnkey & large multi-disciplinary contracts	✓	✓	✓
• Growth through cross-group packaging & increasing EPC capacity in E+C	WIP	WIP	✓

## Growing Market demand for EPC and O+M solutions in key sectors

**New E+C business** - just completed its first year and focused on group packaged offering of technically rich solutions to selected customers.

**Delays incurred on all targeted projects affecting F2011** – mostly funding or Govt regulatory delays

- **Power** - Captive, industrial, Renewable
  - R4 billion bid into REFIT round 1 (November 2011)
  - R10 Billion expected to be bid into REFIT 2 (March 2012)
- **Nuclear programme** – F2013 start which requires investment in F2012 in a readiness programme and bid support.
  - Two nuclear bids under adjudication
- **Oil + gas** – G5 now largest refinery services contractor in Southern Africa

Market impact on strategies and G5 response	Est. impact:		
	Current	1-2 yrs	3+ yrs
Improved ROE	WIP	WIP	✓

## Forecast ROI is poor for F2012 + F2013

- Materials acquisitions have underperformed in a historically deep down-cycle
- Margins are squeezed in construction and manufacturing
- **Actions**
  - Shedding underperforming, non core assets – H1 and H2
  - Internal fitness – Further cost and efficiency intervention across the group – F2012 cost, F2013 benefit
  - Co-location strategy (under evaluation) – F2013/4 benefit
  - Structural change in SA business, to release resources for growth in Africa and Europe – Australia potential for the right deal.

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# Secured Construction order book (November 2011)

Rm	Actual revenue			Order book	
	F2009	F2010	F2011	1-year rolling from 1.11.11	Total book
Building and Housing	2 900	3 186	2 143	2 388	3 329
Civil Engineering	4 633	4 713	3 548	2 335	3 536
Engineering	2 443	1 488	1 659	1 418	2 193
<b>Total</b>	<b>9 976</b>	<b>9 387</b>	<b>7 350</b>	<b>6 141</b>	<b>9 058</b>

*Note: No's incl. only Group Five's portion of fully secured construction work\**



**E Total order book is holding, despite large scale cancellations of SA infrastructure projects**

# Multi-year target opportunity pipeline

Total as at September 2011: R138bn							
By sector (Rbn)	International split			Local split			TOTAL
	Total	Private	Public	Total	Private	Public	
Mining	15	15	-	3	3	-	18
Industrial	2	2	-	1	1	-	3
Power	7	6	1	18	3	15	25
Oil & gas	-	-	-	2	1	1	2
Water & environment	8	2	6	2	-	2	10
Real estate – Building	10	7	3	36	26	10	46
Real estate – Housing	2	2	-	3	3	3	8
Transport	13	5	8	11	-	11	24
<b>TOTAL</b>	<b>57</b>	<b>39</b>	<b>18</b>	<b>81</b>	<b>37</b>	<b>44</b>	<b>138</b>

 Of this R138 billion pipeline R20 billion of imminent “won” work has been suspended.

 Profile demonstrates key sectors aligned to Group competencies

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# Market appears to be starting to bottom – but uncertainty and risk to continue for longer

- SA government currently failing in terms of infrastructure policy and delivery
- SOEs generally good clients
- Market conditions & order books expected to improve from H2 F2012, albeit slowly
  - Export orientation is the driver through infrastructure & commodities growth in Africa
  - European and Middle Eastern economies still constrained
- Margins still under pressure; unlikely to improve until F2013 off a low F2012
- F2012 performance will be weaker than originally anticipated
- Cash preservation a priority to fund growth

## Contact details

for more information please contact:

Mike Upton

Chief Executive Officer

Telephone: +2711 806 0111

Email: [mupton@groupfive.co.za](mailto:mupton@groupfive.co.za)

Cristina Teixeira

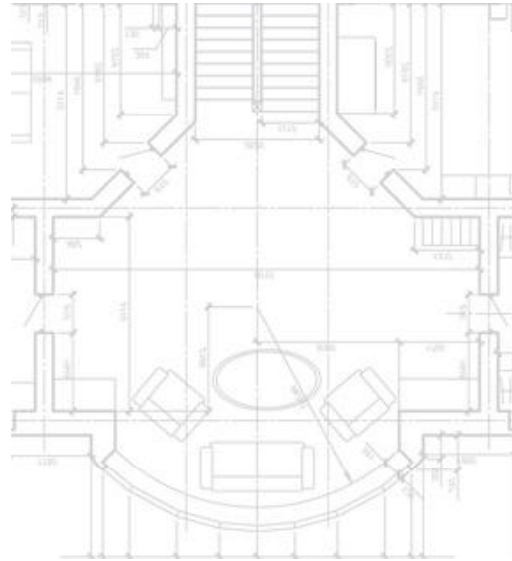
Chief Financial Officer

Telephone: +2711 806 0111

Email: [cteixeira@groupfive.co.za](mailto:cteixeira@groupfive.co.za)

Our website:  
[www.groupfive.co.za](http://www.groupfive.co.za)





appendix

# Recently awarded contracts within total order book

Sector	Contract	Sector	Country	Public/ Private
Buildings	Maseru Shopping Mall	Real estate - Building	Lesotho	Private
	Assmang Mining - Kathu	Real estate - Housing	SA	Private
	Netcare Femina Hospital	Real estate - Building	SA	Private
Civil Engineering	Boss Mining Concentrator Project	Mining	DRC	Private
	Kathu - Kuruman Road	Transport	SA	Public
	Umgeni Interchange	Transport	SA	Public
Engineering	Construction of Luita Gold Plant	Mining	DRC	Private
	Tenke Fungurume Stage II	Mining	DRC	Private
	Akyem Gold Plant	Mining	Ghana	Private

# Forward looking statements

Certain statements in this pack may be defined as forward looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements may be identified by words such as 'expect', 'believe', 'anticipate', 'plan', 'estimate', 'intend', 'project', 'target', 'predict', 'outlook' and words of similar meaning.

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