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**2007 FINANCIALS RELEASE PRESENTATION**

# Agenda

- Welcome
- Introduction
- Looking back.....2007
- Financials Overview
- Economic Environment
- Strategy
- Conclusion
- Q & A





# LOOKING BACK.....2007



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# Another record year

- Revenue up 73% to R2 billion
- Operating profit up 217% to R170 million
- Earnings per share up 70%
- Order book of R3.6 billion
- Cash in hand as at 31 December 2007 R434 million
- Dividend up 66% to 50c per share



# Another record year

- High level of organic growth, reflecting hard work and dedication of past few years
- Contracts secured R3.3 billion
- Firmly positioned as one of the leaders in the construction industry





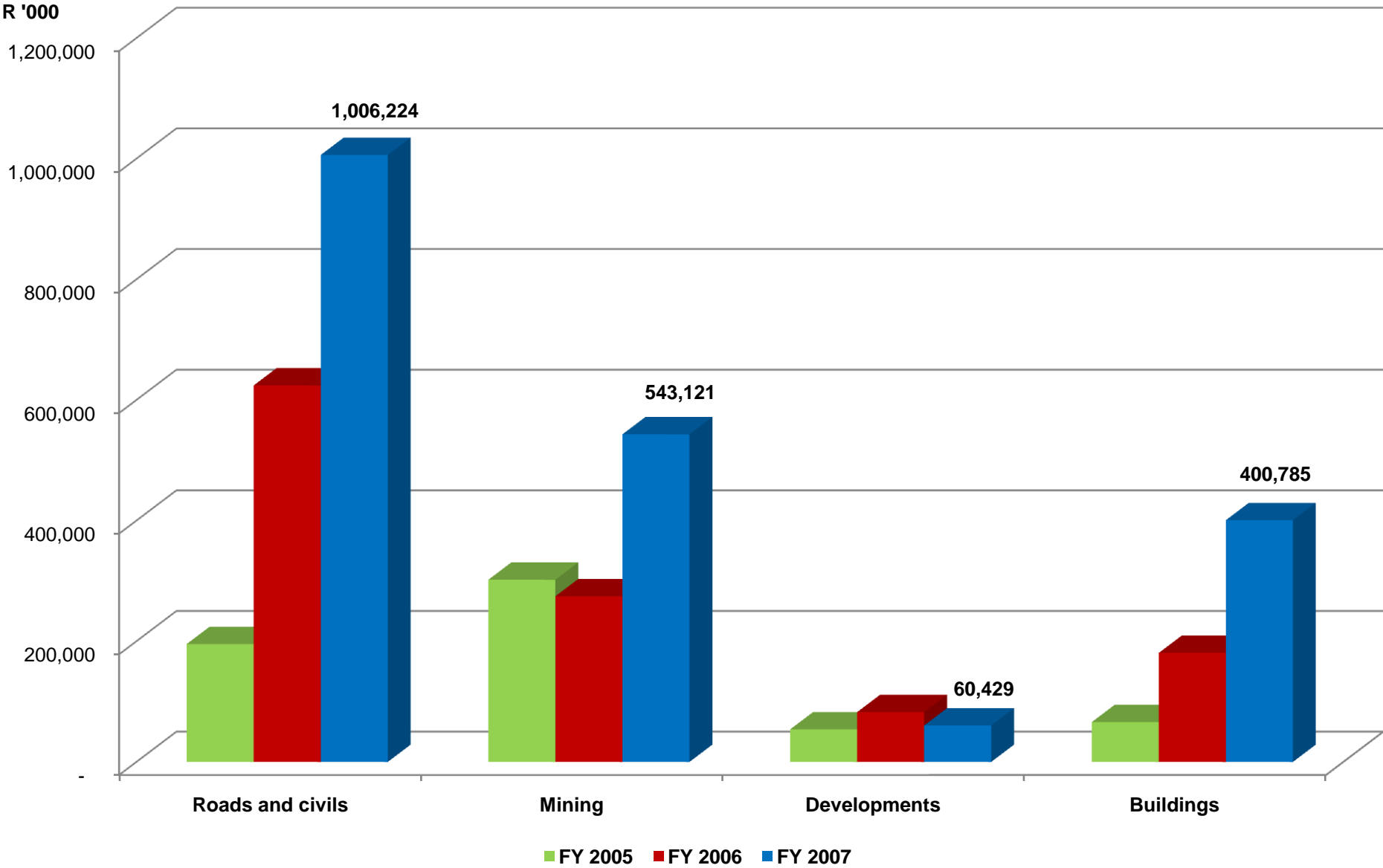
# FINANCIAL OVERVIEW



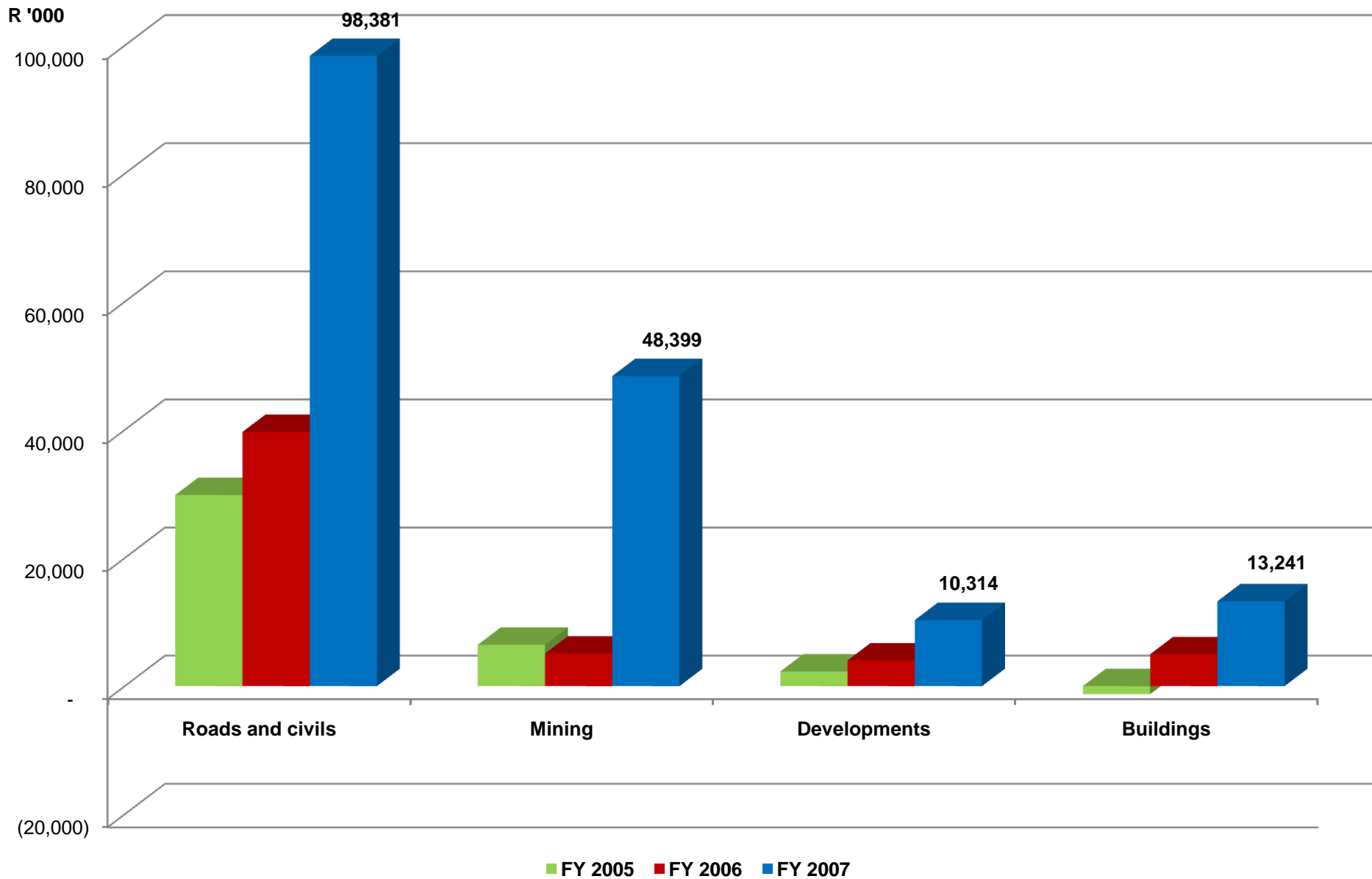
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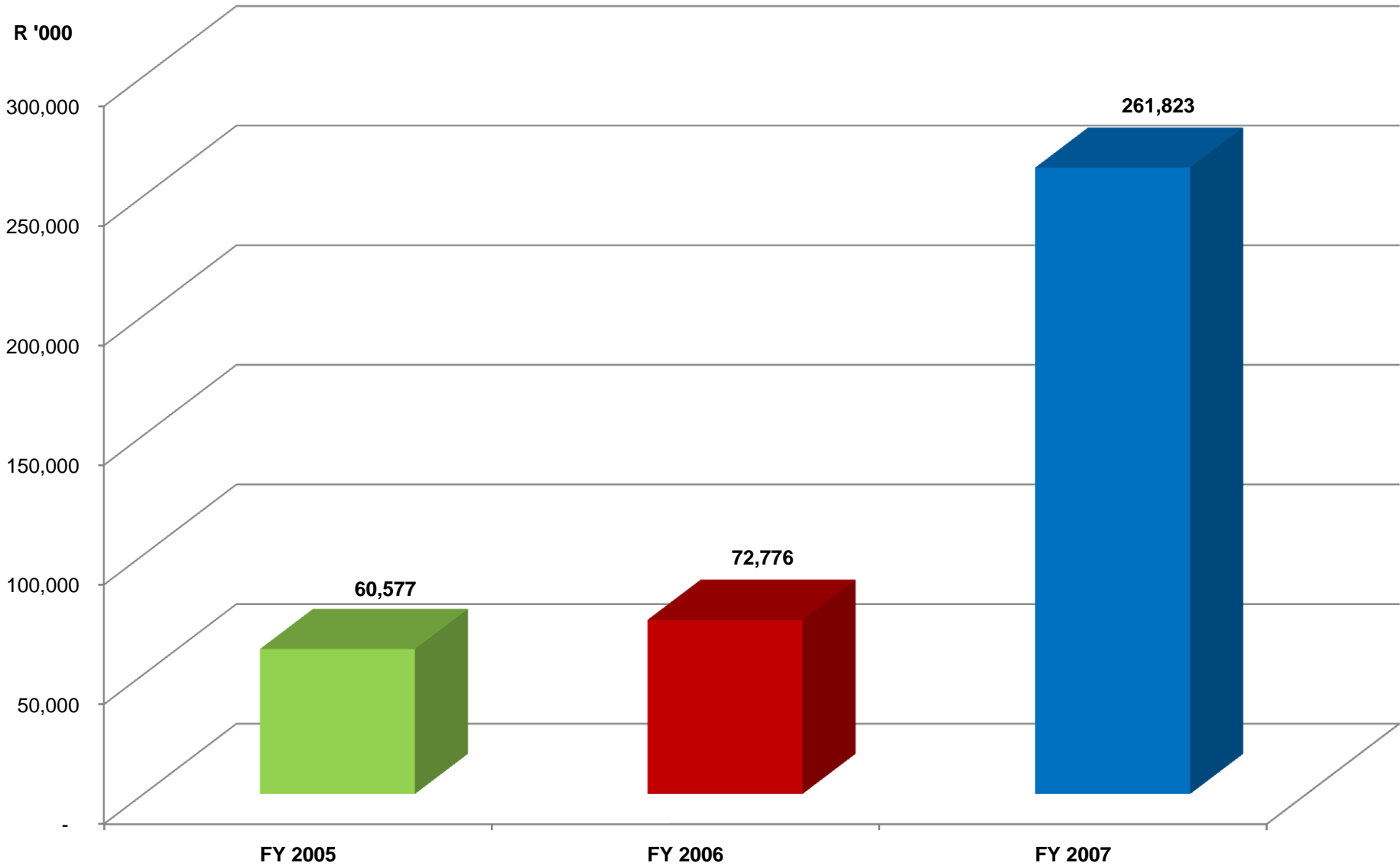
# Revenue



# Operating profit

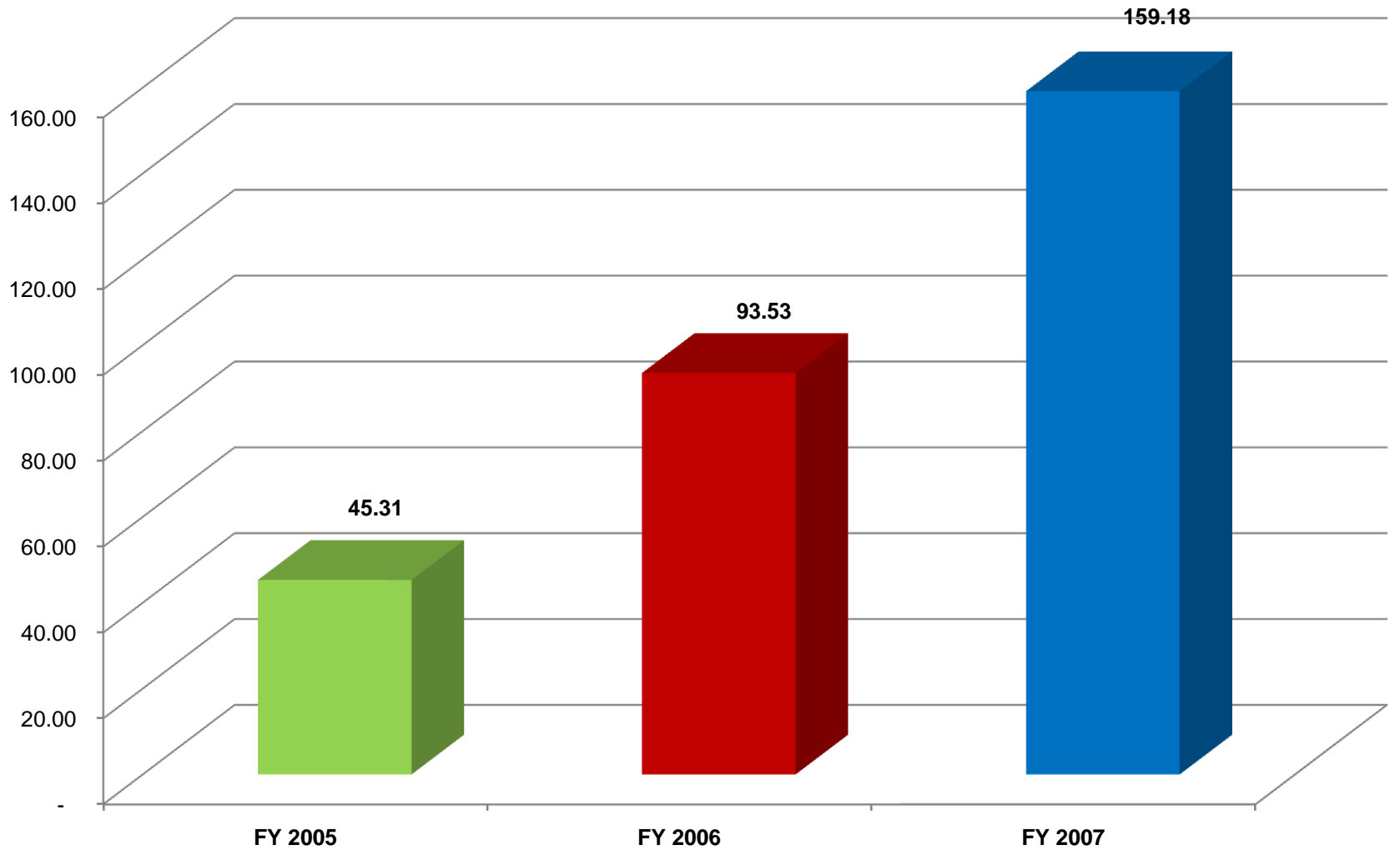


# Operating cash flow

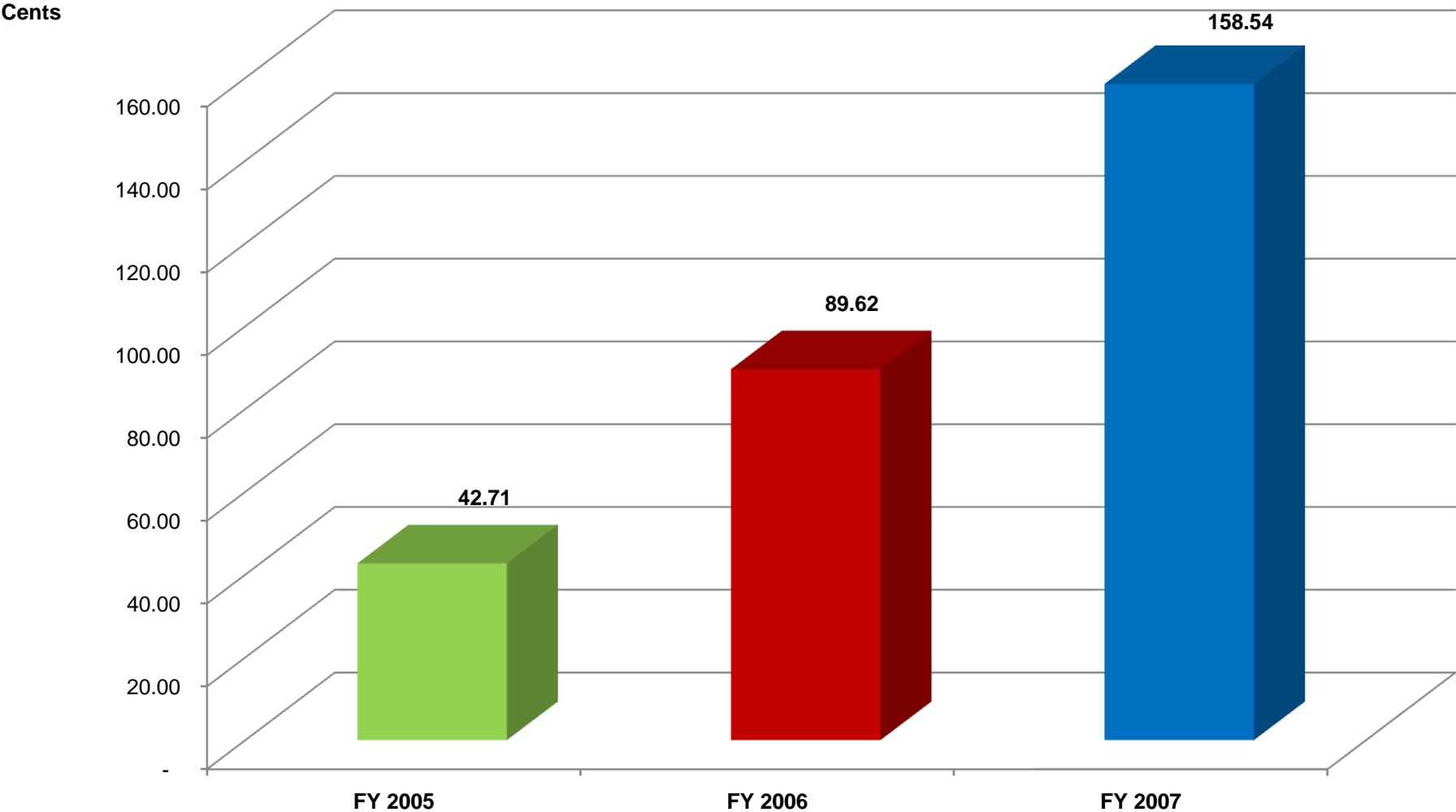


# Earnings per share

Cents



# Headline earnings per share



# Balance sheet

	2005 R'000	2006 R'000	<b>2007 R'000</b>
Non-current assets	106,933	215,007	<b>587,074</b>
Current assets	159,896	415,941	<b>732,682</b>
<b>TOTAL ASSETS</b>	<b>266,829</b>	<b>630,948</b>	<b>1,319,756</b>
Capital and reserves	33,385	199,463	<b>357,923</b>
Non-current liabilities	24,045	55,775	<b>195,539</b>
Current liabilities	209,399	375,710	<b>766,294</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>266,829</b>	<b>630,948</b>	<b>1,319,756</b>



# ECONOMIC ENVIRONMENT



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# Economic Environment

- 2008 prospects similar to 2007
  - Despite worldwide economic downturn
  - 2007 financial markets were euphoric, but have since become more volatile
- Financial crisis in US
  - Knock on effect around the globe
  - Can be offset by economic development of emerging countries
  - No direct impact on the group in the short term
  - Order book can withstand the knock-on effect



# Economic Environment

- Basil Read prospects looking good in all divisions
- Healthy margins maintained
- Strong operational cash flow
- Sound financial position
  - Stable levels of debt
  - Equity and profits increasing
  - Debt equity 49.4%
- Well structured balance sheet



# Economic Environment

- Increasing raw material prices
  - Minimal impact on results
  - Risk borne by clients
  - Strategic partnerships (exploring partnerships in reinforced steel supplies)
- Interest rates
  - No impact in the short term
    - No exposure to residential housing
  - Long term effect uncertain
    - May affect retail market i.e. shopping centres



# Economic Environment

- Electricity shortage
  - No direct impact on Basil Read
  - Indirect impact through suppliers of raw materials and subcontractors
  - Effect on South African economy
- Political environment
  - No impact on Basil Read
  - We believe that government is committed to delivering on its promises of infrastructural spend which is in the forecasted pipeline (cannot be stopped e.g. power stations)





# STRATEGY



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# Strategy – for 2010 and beyond

- Vision up to 2010 remains constant
  - Build a sustainable business model to enhance profitability and cash flow generation
  - R5 billion turnover group
  - Maintain margins between 5% - 6% after tax as a minimum
  - Improve return to shareholders

BUT

- Need to address issue of concentration risk



# Strategy (5 tier approach)

## 1. Organic growth

- Key to success is to manage organic growth
- 2008 turnover forecasted to be R3 billion minimum
- Capitalise on key market strengths
- Bouyant local market at least up to 2010
- Strategic acquisitions in niche market planned to support and strengthen current divisions



# Strategy

## 2. More complex and larger projects

- Technically challenging projects
- Less competition, higher risk, better margins
- Long term cycle
- Option to share the risk with strong partner
- E.g. St Helena airport, nuclear power station, marine works, etc.



# Strategy

## 3. Enhance our expertise in Private Public Partnerships

- Niche area for Basil Read e.g. Cosmo City, N4 toll road etc
- Identified as high growth area
- Financial partners committed to providing finance to low- to middle-income earners to meet own targets
- Current projects targeted – Munitoria, Correctional Services Facilities etc (design, build and operate)
- Enables government to build infrastructure with minimum capex – latest trend worldwide



# Strategy

## 4. Develop Strategic Partnerships

- Partnerships with
  - global construction conglomerates e.g. Bouygues
  - financial institutions e.g. Old Mutual, IDC
  - turnkey contractors e.g. Alstom, Kalyx
- Limit risk exposure on larger projects
- Gain invaluable experience
- Generates entry into new business areas



# Strategy

## 5. Globalisation - imperative to mitigate risk

- Some uncertainty beyond 2010 following completion of FIFA Soccer World Cup
- Recent developments in local economy, specifically power crisis and the effect on GDP (could decline to around 2%)
  - Less tax income for government
  - Less capacity expenditure for infrastructure
  - Less foreign investment
  - Worsened balance of payments
  - Weaker Rand



# Strategy

## 5. Globalisation - imperative to mitigate risk

- Combined effect of increasing interest rates and weakness of the Rand
- R 5 billion group more difficult to sustain in volatile economy



# Strategy

## 5. Globalisation— key considerations for target company

- Must have healthy level of cash holdings that exceed working capital requirements
- Similar levels of margin to Basil Read (at least maintain EPS)
- Company must be a strategic fit with group
- Must be core business or complimentary
- Country must have a stable currency and strong economy



# Strategy

## 5. Globalisation – benefits to group

- Extension of current capacity (human capital)
- Broaden skill set
- Extend market opportunities
- Enhance foreign currency revenue



# Strategy

## 5. Globalisation – work to date

- Preliminary investigations into UK market
  - No language barrier, overnight travel, similar business environment, Olympic Games 2012
- BUT
  - Industry profitability a concern
  - Margins less than 2% (dilution effect on EPS)
- We are currently exploring other options





# CONCLUSION



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# Conclusion

- Basil Read sustainable entity
- On track to achieve vision of R5 billion turnover by 2010
- Local operations bedded down
- Competitive advantages identified
- Time is right to go global





**THANK YOU  
ANY QUESTIONS?**



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