



**MASTER DRILLING**



**AUDITED ANNUAL RESULTS**  
FOR THE YEAR ENDED 31 DECEMBER 2017



**PRESENTED BY**  
**DANIE PRETORIUS, CEO**  
**ANDRE VAN DEVENTER, CFO**



**Who we are**



**Business overview**



**Operational overview**



**Financial overview**



**In Closing**

**AGENDA**

- 30 years in the raise boring industry
- Truly global business
- Healthy cash generation since 2012
- Diversified across regions, commodities, currencies and industries



**WHO WE ARE**



## **BUSINESS OVERVIEW**

## Client Challenges

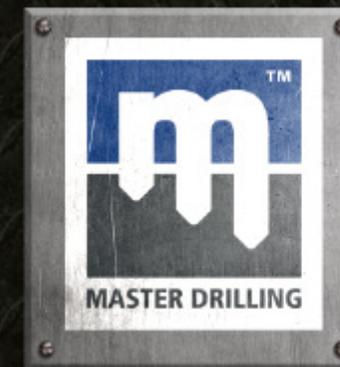
- Safety
- Increased costs
- Efficiencies
- Labour
- Net present value hurdles
- Accessibility to ore bodies

## Innovative tailor made drilling solutions

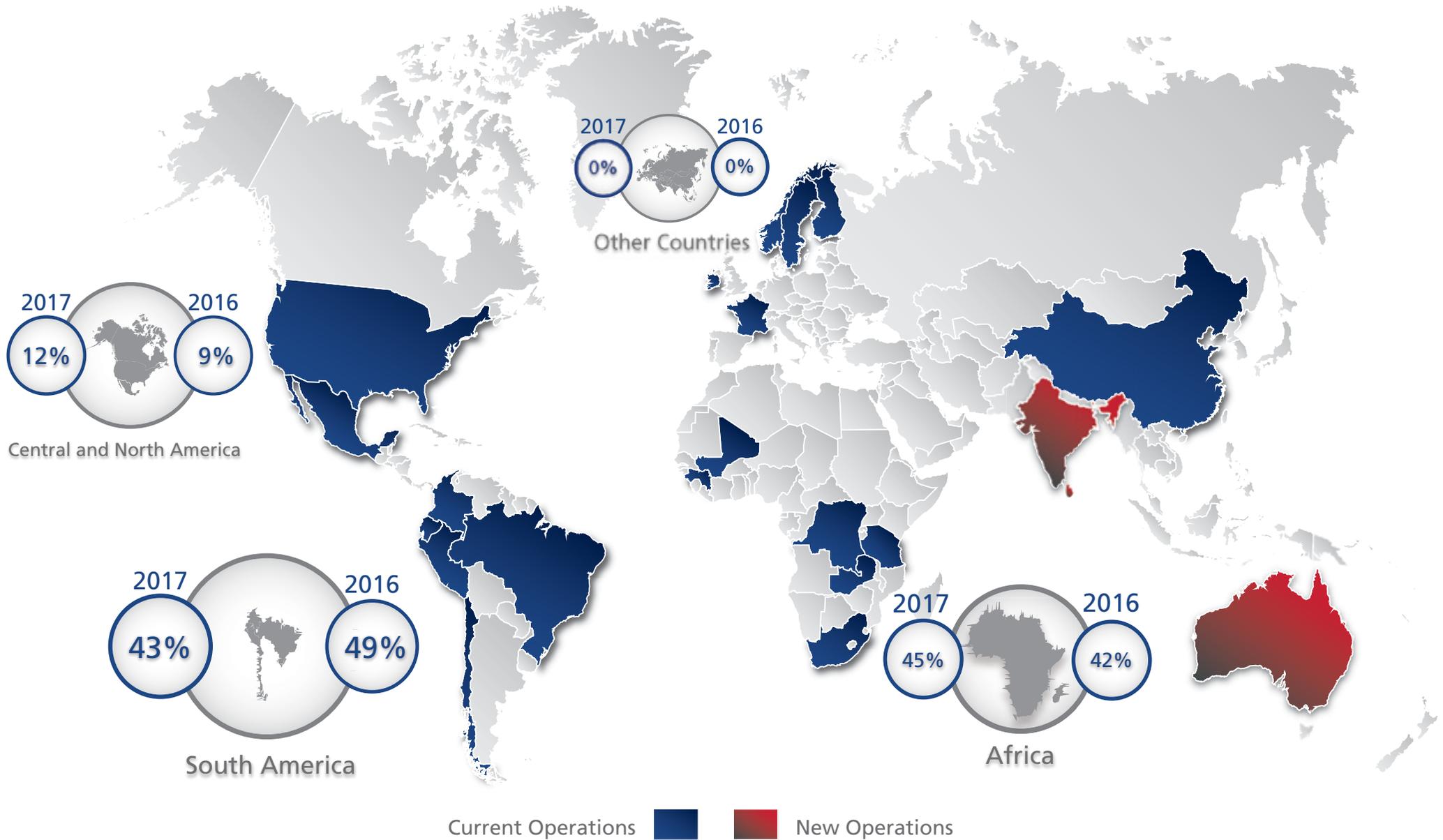
### Non-Blasting environment

- Blind Shaft Boring System
- Mobile Tunnel Borer
- Horizontal Raise Boring
- Automation/Autonomous drilling
- MD mobile app
- Rocma - Geotechnical

# MAN AND MACHINE

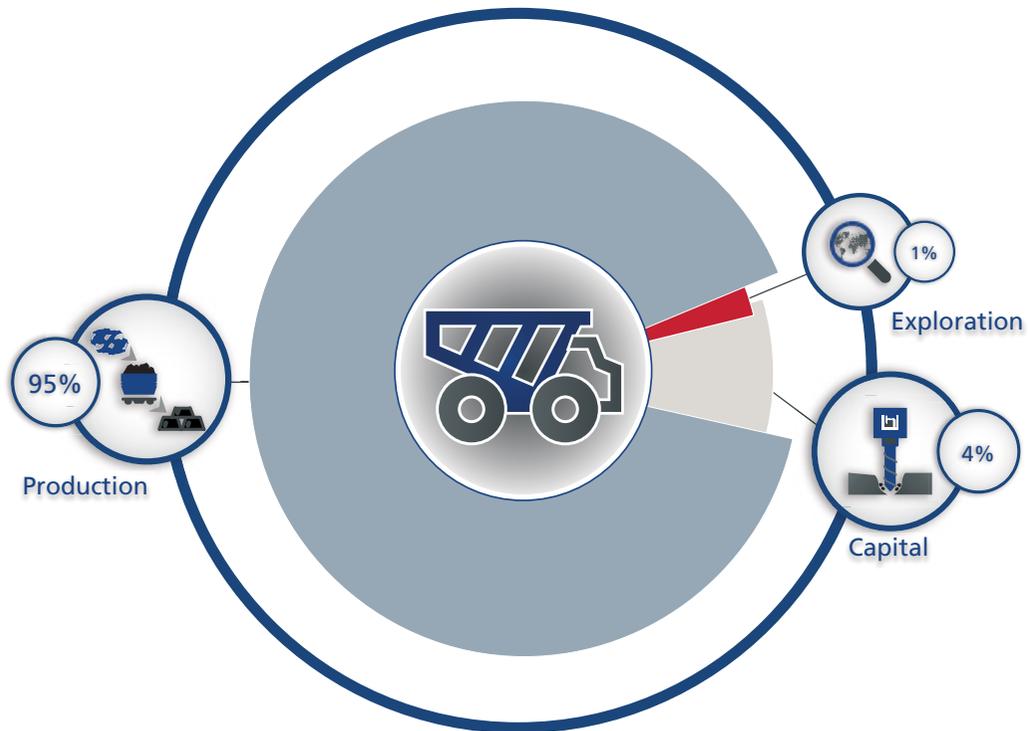


## TECHNOLOGY STRATEGY

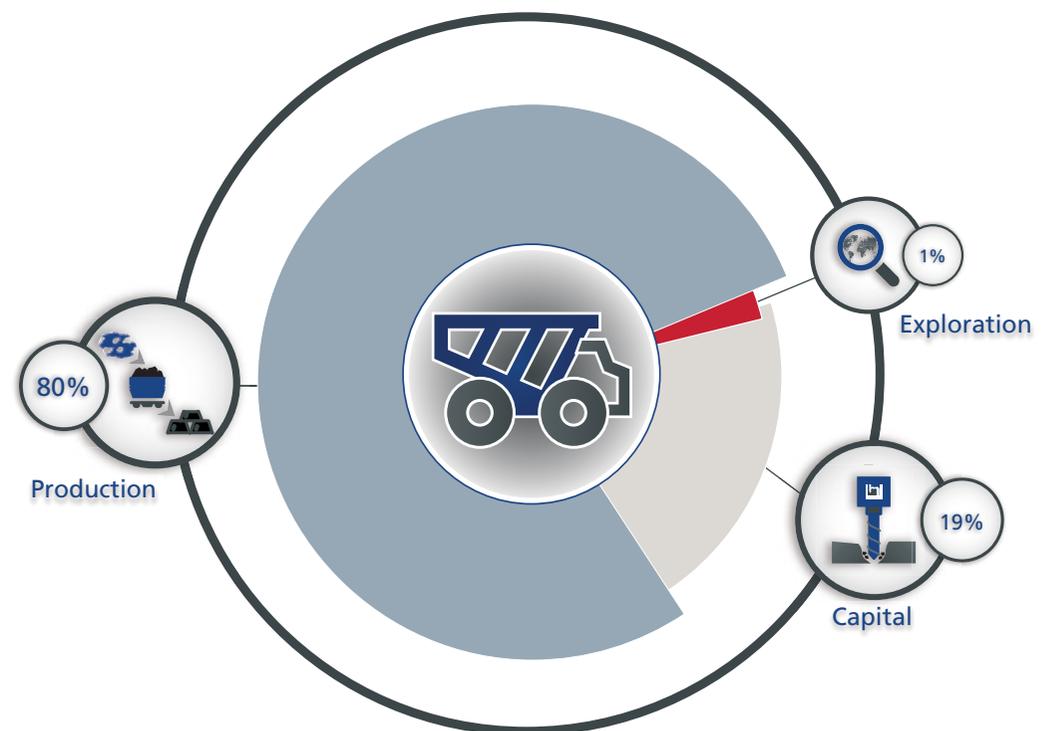


# REVENUE GEOGRAPHIC DIVERSIFICATION

2017

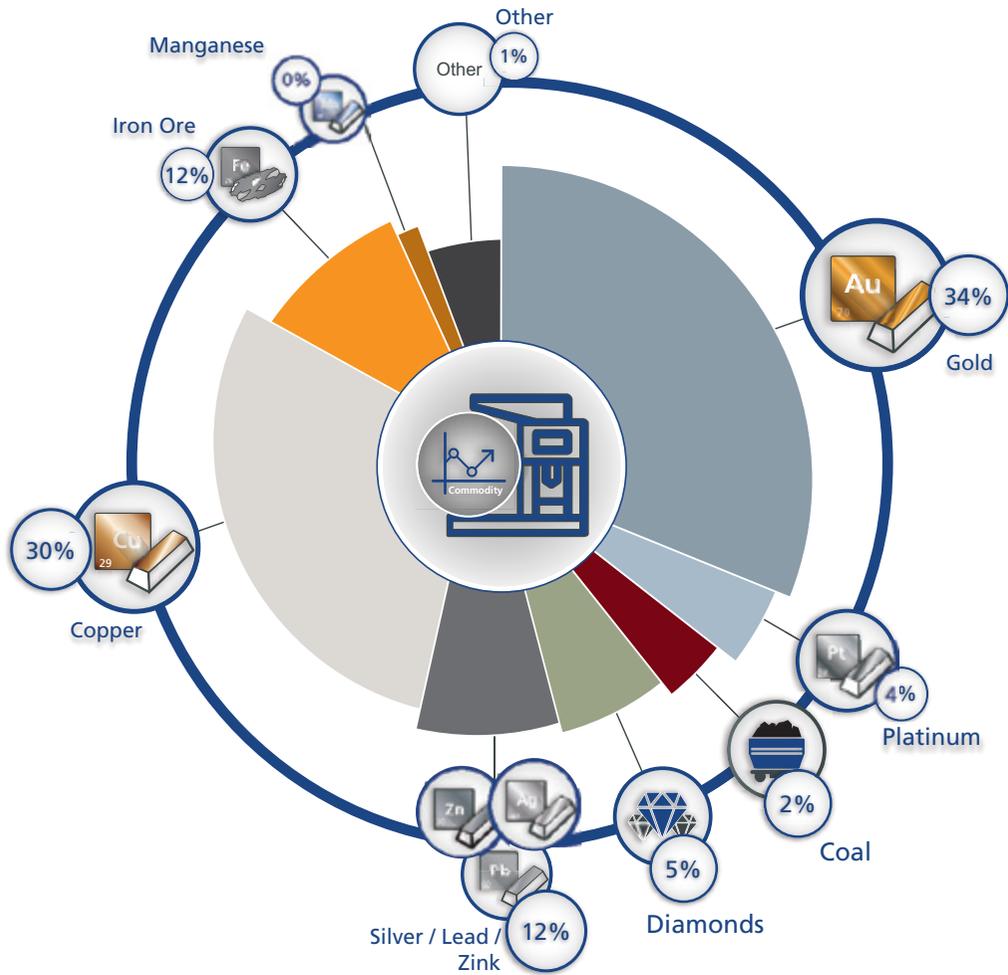


2016

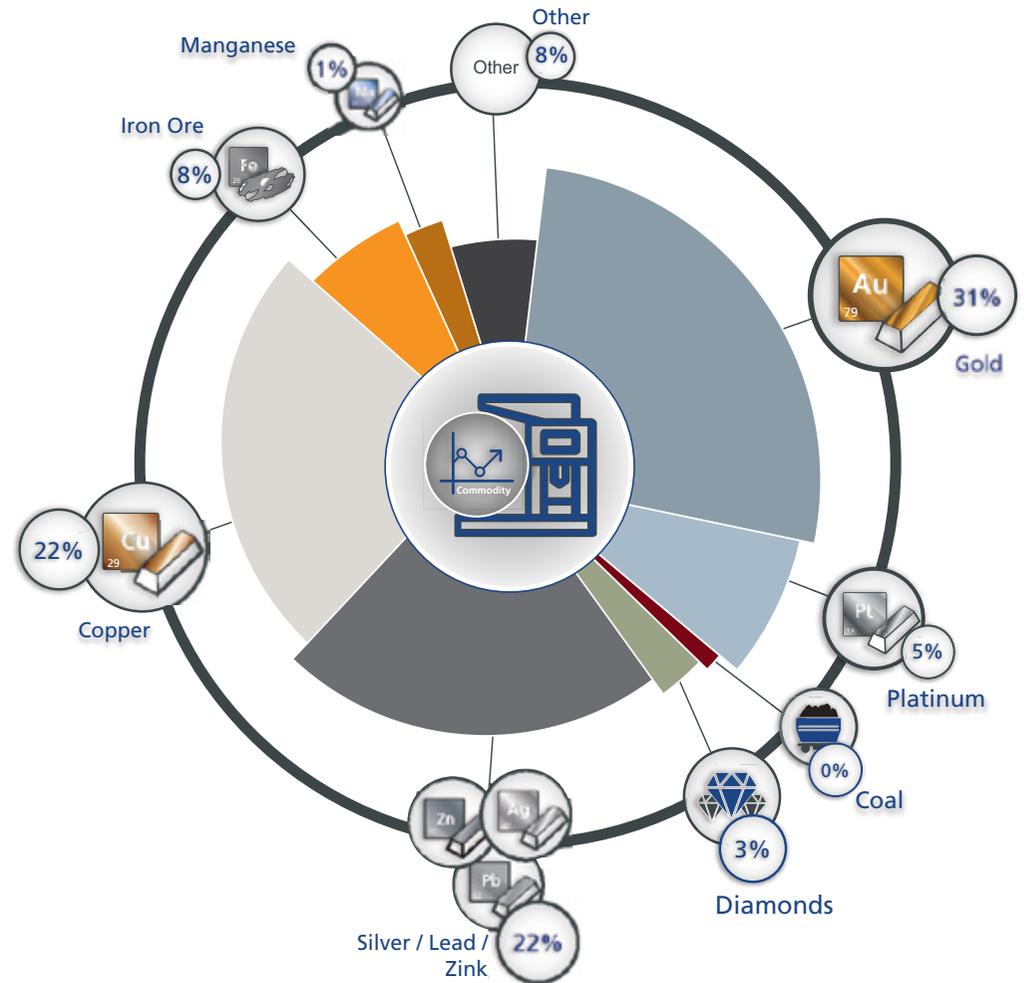


# REVENUE MINING ACTIVITY DIVERSIFICATION

2017

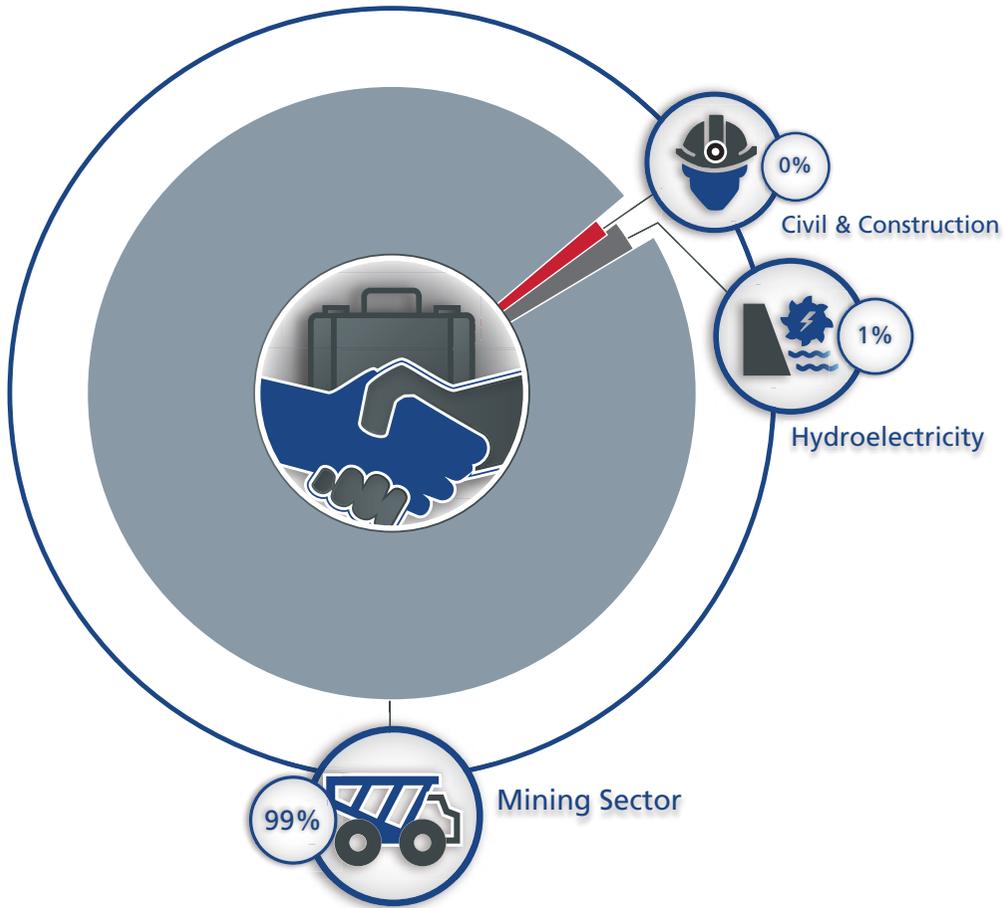


2016

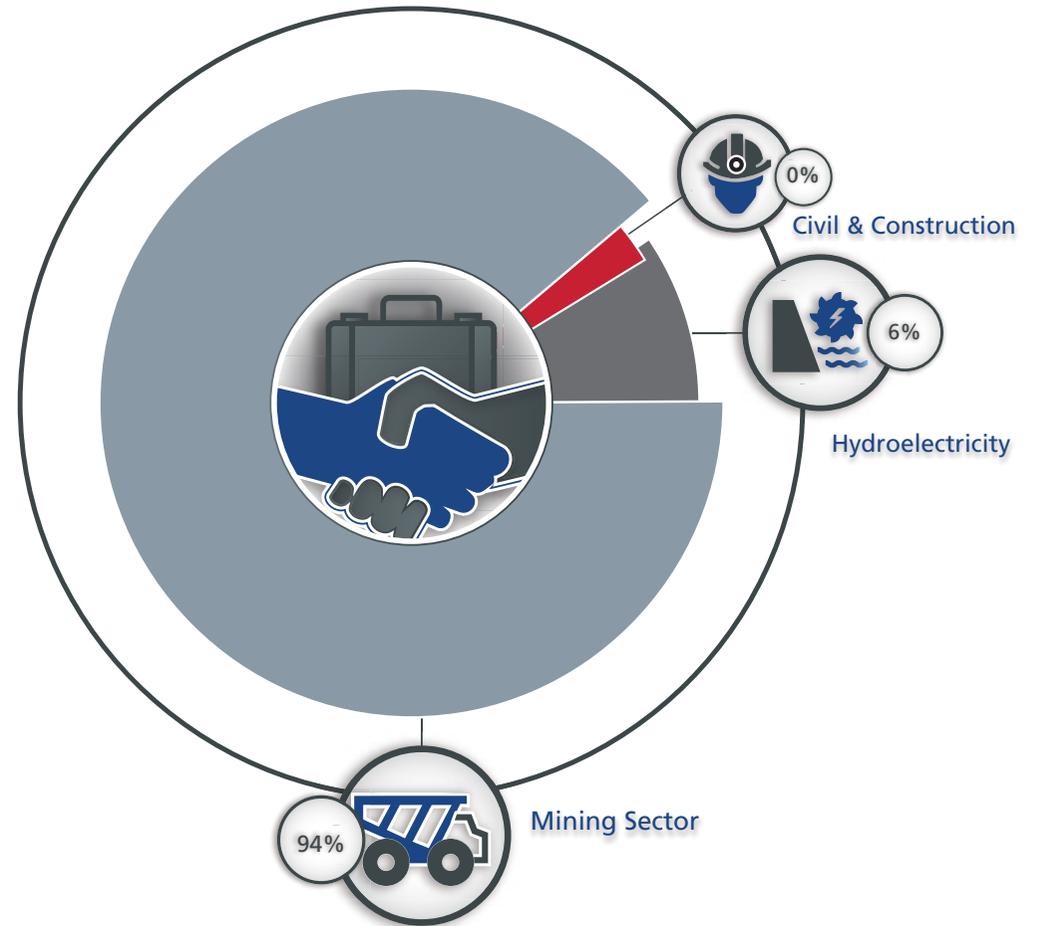


# REVENUE COMMODITY DIVERSIFICATION

2017



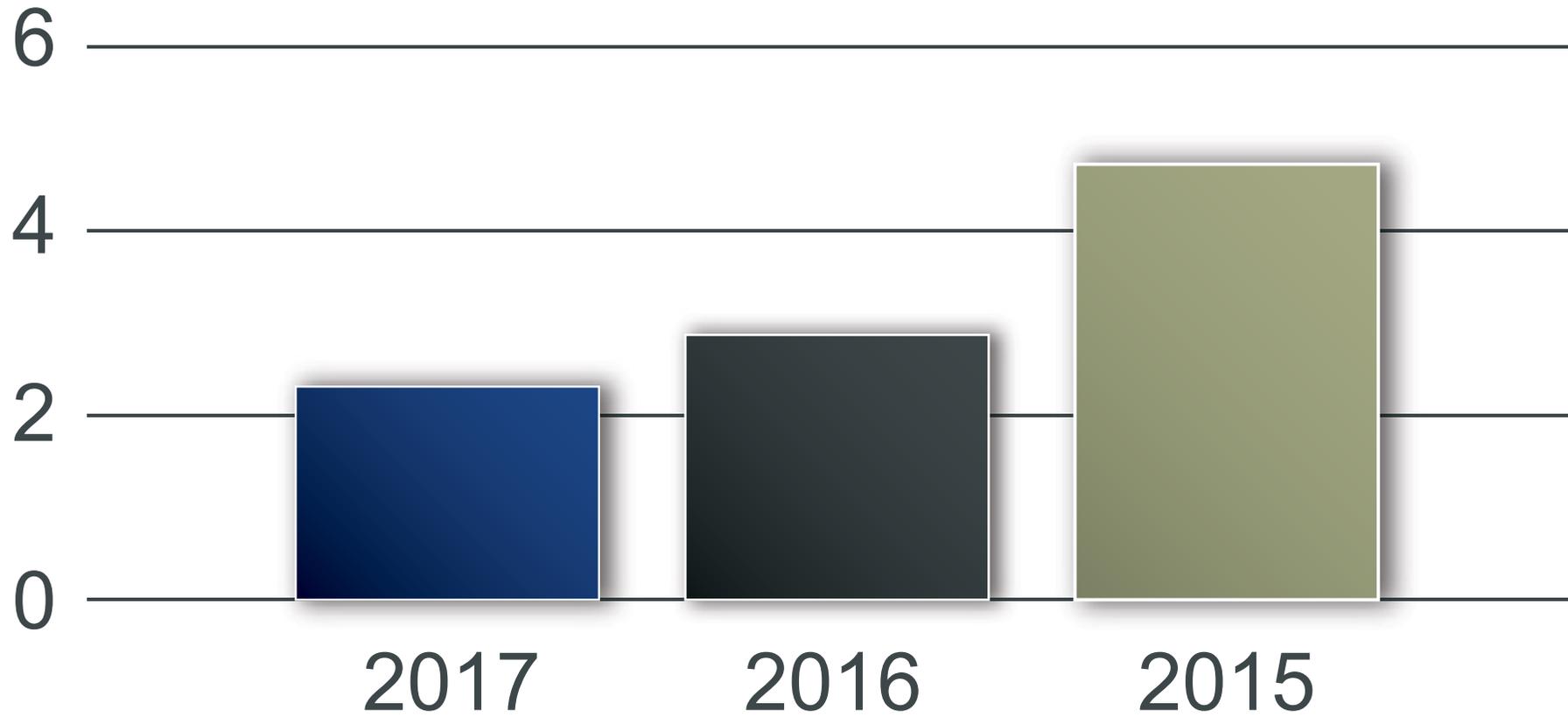
2016



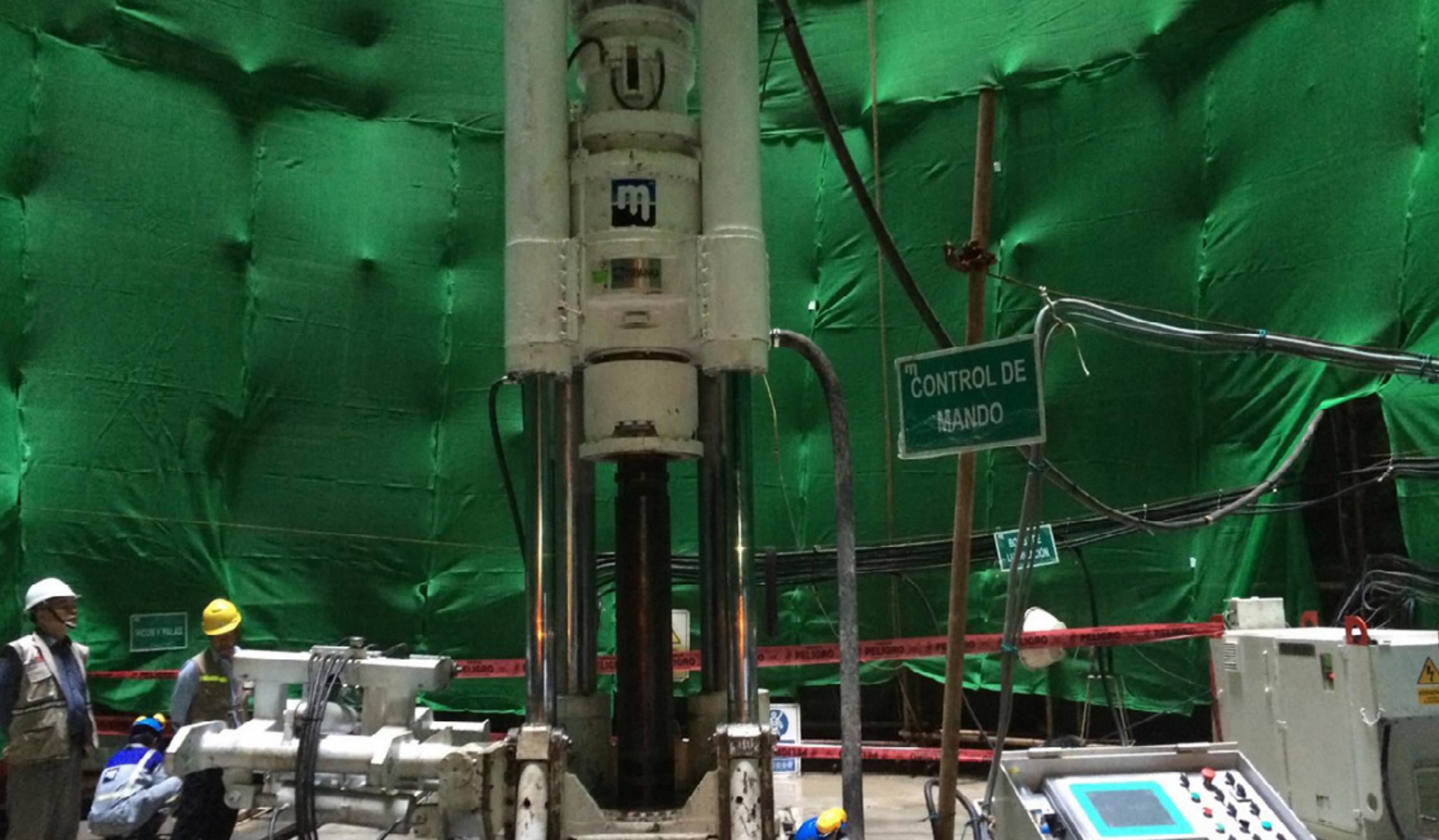
## REVENUE BUSINESS SECTOR DIVERSIFICATION



## OPERATIONAL REVIEW



## LOST TIME INJURY FREQUENCY RATE



# FINANCIAL OVERVIEW

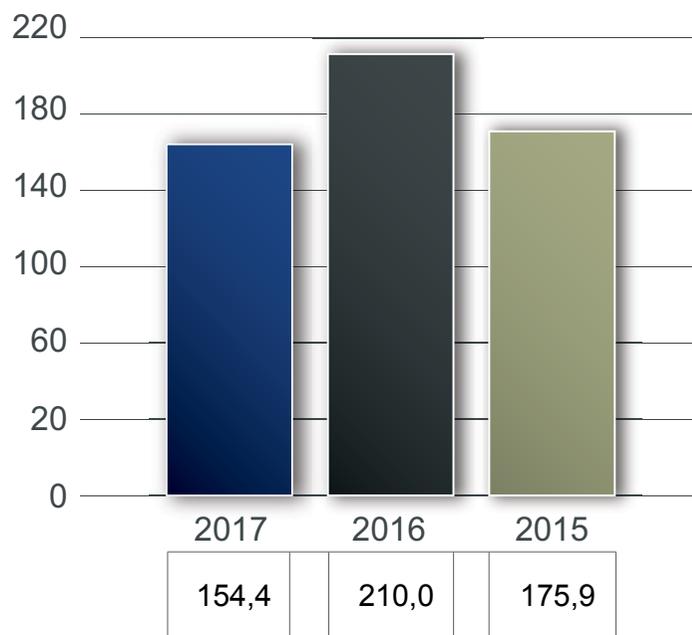
- USD Revenue increased by 2.8%
- Cash conversion ratio improved from 1.03 to 1.32
- Current ratio improved from 2.32 to 3.64
- Healthy cash balance - geared for future growth



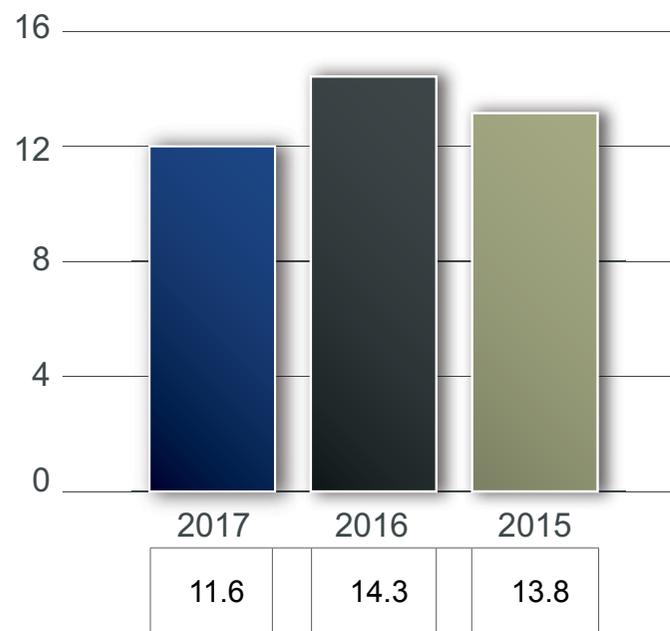
**HIGHLIGHTS FOR THE PERIOD**



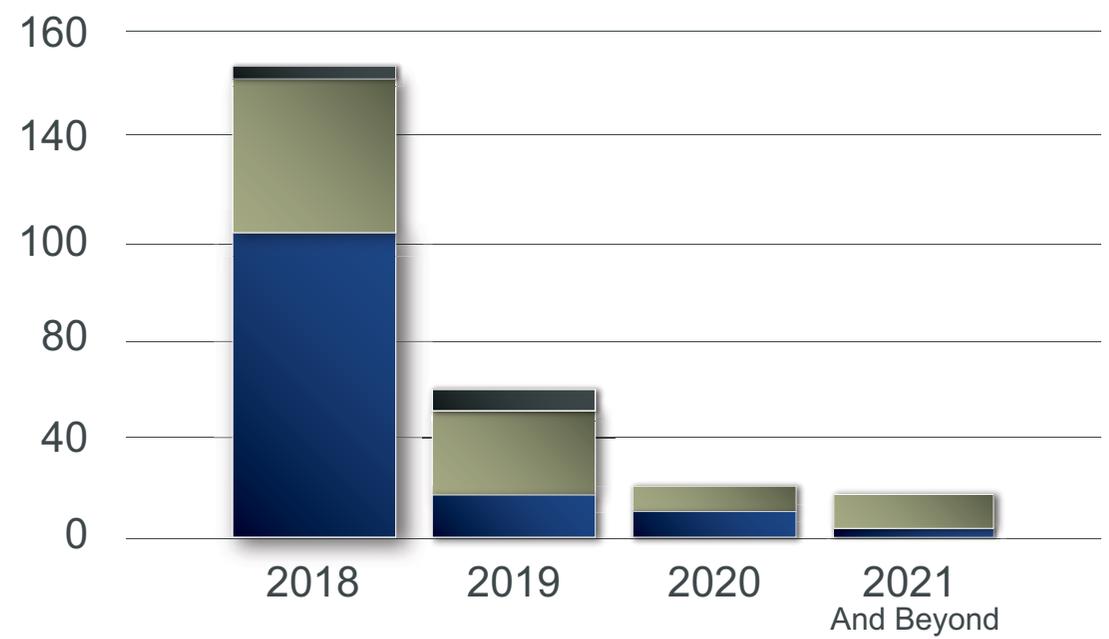
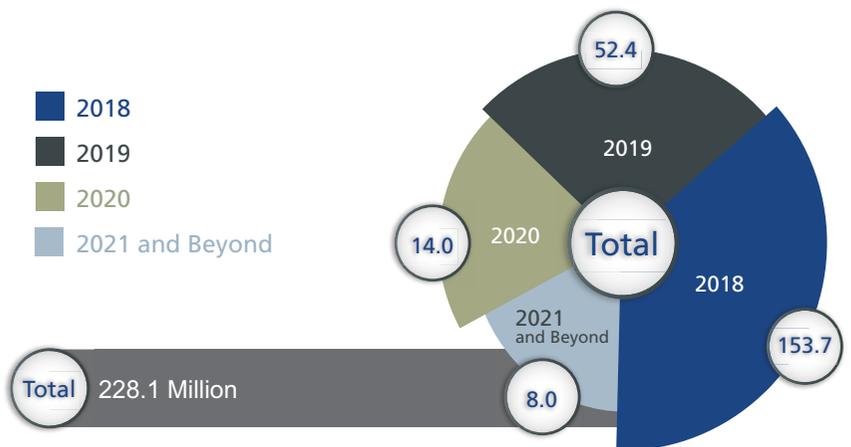
**HEPS (ZARc)**



**HEPS (USDc)**

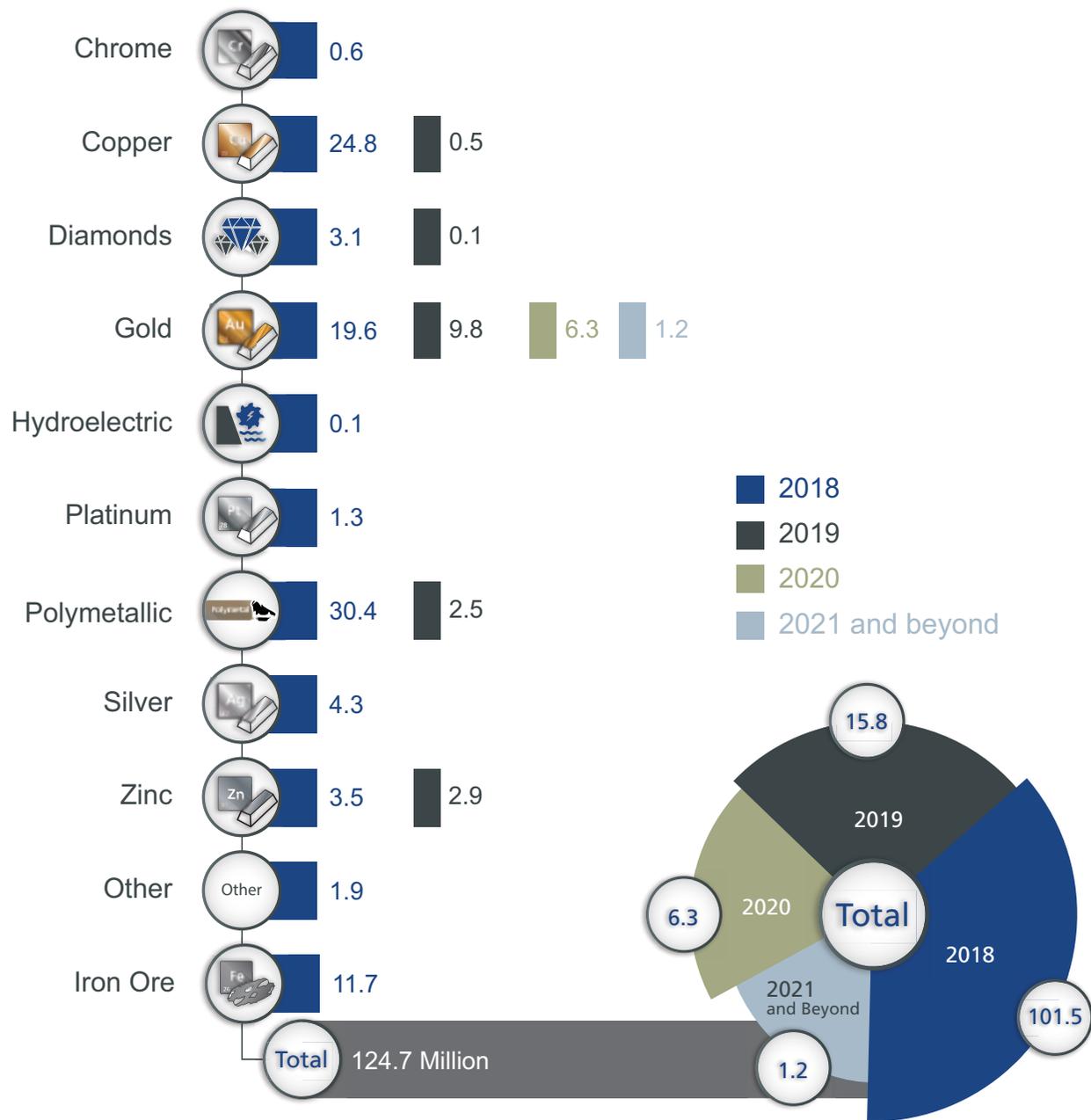


## HEADLINE EARNINGS PER SHARE



- Awarded
- Awaiting adjudication
- Enquiry received/ possible lead

## PIPELINE (USD ‘ MILLION)

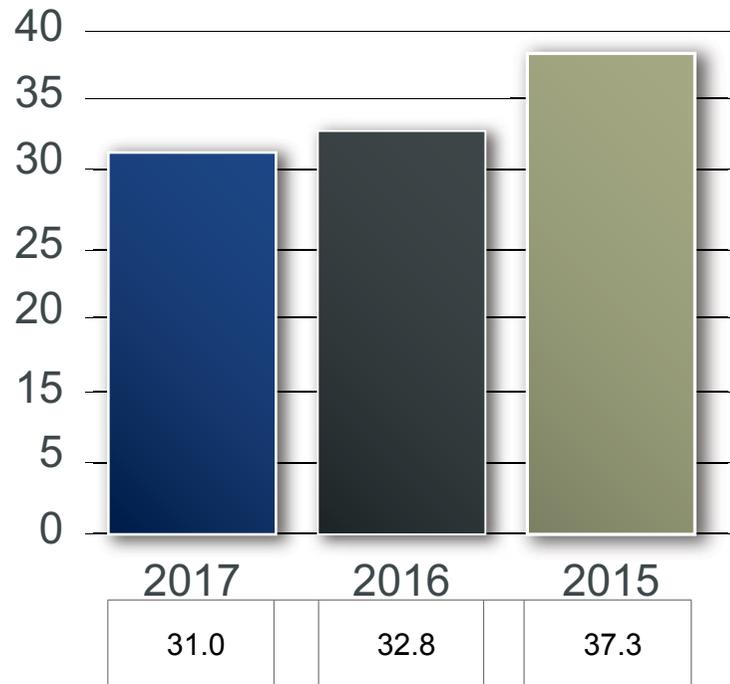


## COMMITTED ORDERS (USD ' MILLION)

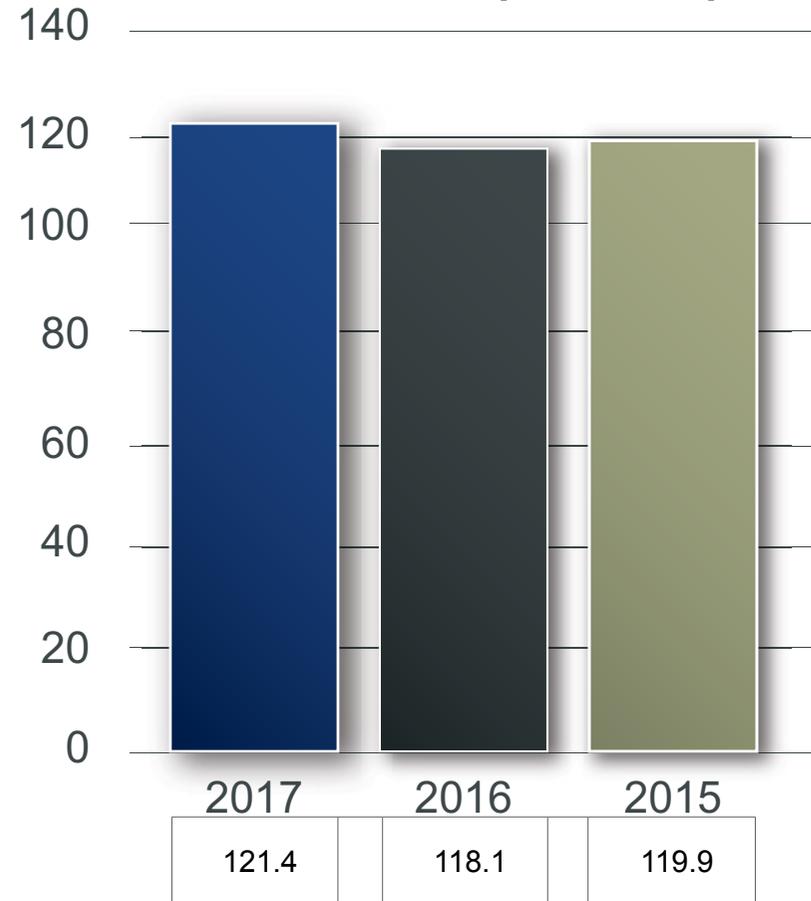
2017



### EBITDA (USD'm)



### Revenue (USD'm)



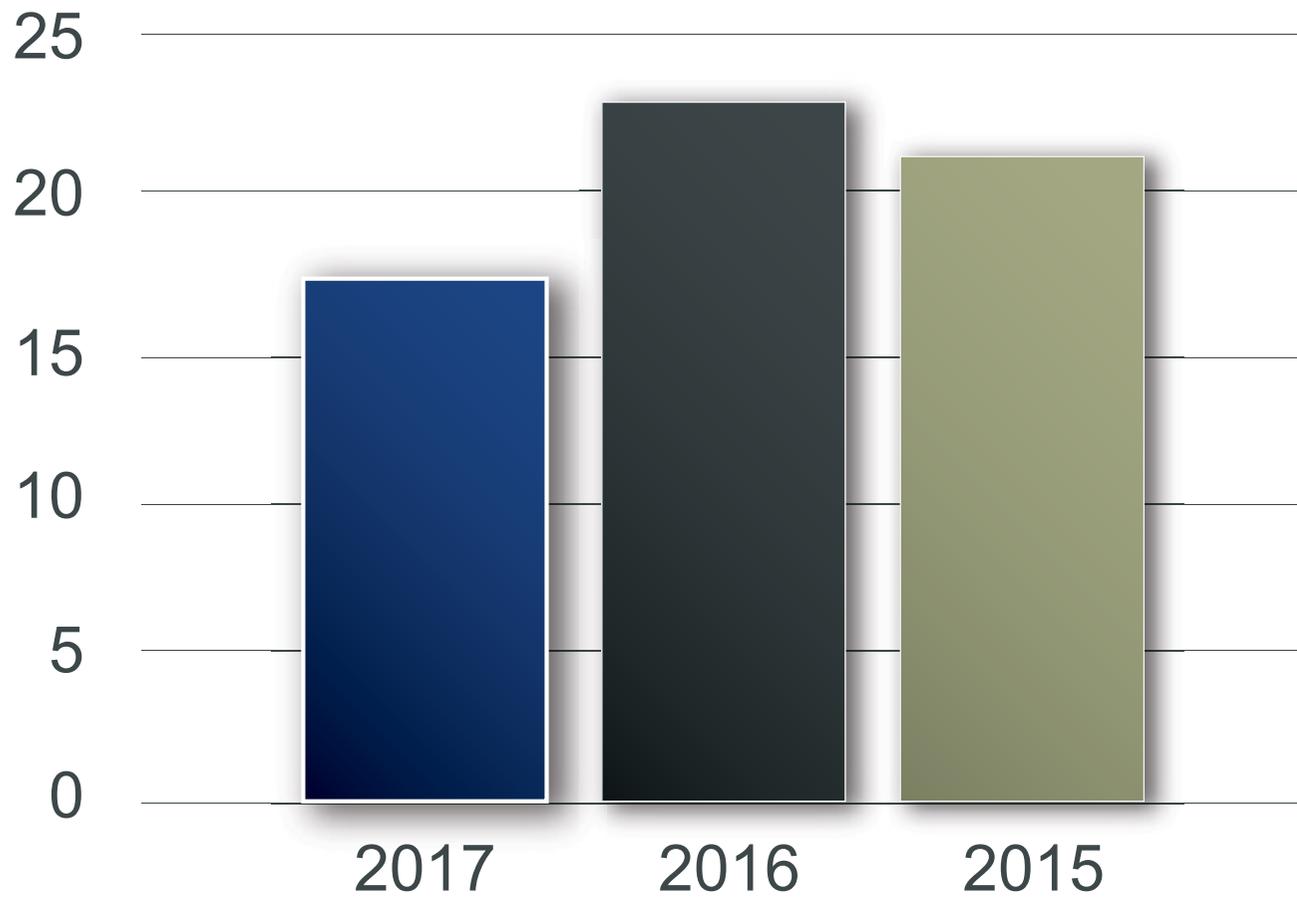
**EARNINGS BEFORE INTEREST TAX DEPRECIATION  
AMORTISATION (USD ' MILLION)**



	2017	2016	2015	2014	2013	2012
<b>Total Raise bore rigs</b>	107	105	98	94	88	88
<b>Utilization %</b>	69%	73%	70%	75%	77%	71%
<b>ARPOR* (USD)</b>	<b>110 937</b>	<b>111 040</b>	<b>120 819</b>	<b>118 215</b>	<b>117 047</b>	<b>108 847</b>
<b>Total Slim rigs</b>	34	33	48	45	74	64
<b>Utilization %</b>	77%	55%	35%	54%	54%	51%
<b>ARPOR* (USD)</b>	<b>63 597</b>	<b>74 280</b>	<b>96 761</b>	<b>58 525</b>	<b>50 740</b>	<b>34 293</b>

\* Average Revenue per operating rig per month

## ARPOR SUMMARY PER ANNUM



CAGR\*  
7.5%

Profit after tax	17.5		22.3		21.1
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\* Compounded Annual Growth Rate since 2012

**PROFIT AFTER TAX (USD ' MILLION)**



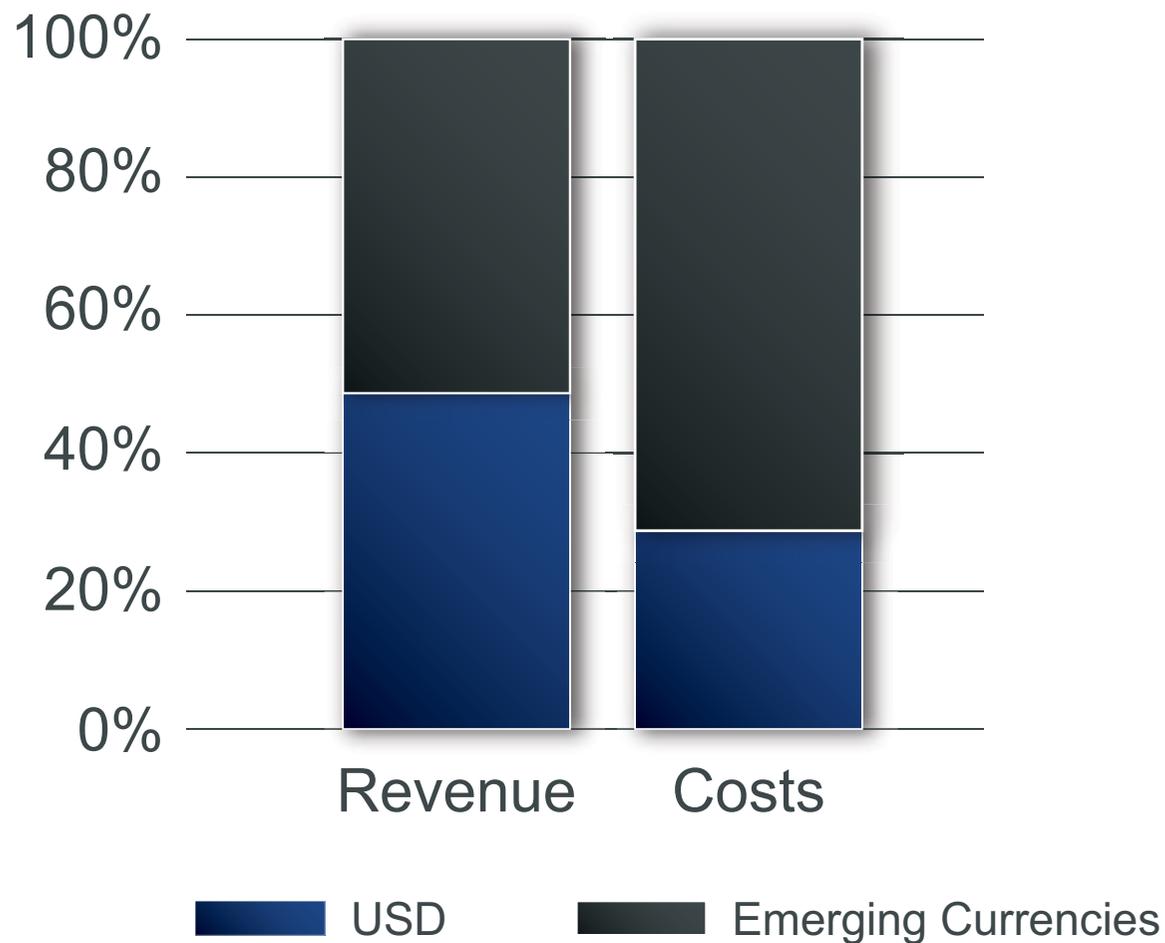
	2017 USD 'million	2016 USD 'million	Comment
<b>Assets</b>			
Total non-current assets	133.2	126.2	Continued investment in property, plant and equipment - USD 15.8 million
Total current assets	103.7	86.4	Working capital ratio fairly flat compared to 2016
<b>Total assets</b>	<b>236.9</b>	<b>212.6</b>	
<b>Equity</b>			
Equity	153.0	130.0	
Non-controlling interest	8.3	16.3	
<b>Total equity</b>	<b>161.3</b>	<b>146.3</b>	
<b>Liabilities</b>			
Total non-current liabilities	47.1	29.0	Gearing ratio moved from 21.2% to 27.3% (Net of cash - from 6.4% to 2.4%)
Total current liabilities	28.5	37.3	Current ratio improved from 2.32 to 3.64
<b>Total liabilities</b>	<b>75.6</b>	<b>66.3</b>	
<b>Total equity and liabilities</b>	<b>236.9</b>	<b>212.6</b>	

## STATEMENT OF FINANCIAL POSITION

	2017	2016
	USD 'million	USD 'million
Revenue	121.4	118.1
Cost of sales	(76.8)	(75.2)
<b>Gross profit</b>	<b>44.6</b>	<b>42.9</b>
Other operating income	3.7	4.6
Other operating expenses	(23.4)	(21.7)
<b>Operating profit</b>	<b>24.9</b>	<b>25.8</b>
Investment revenue	0.5	0.8
Finance costs	(2.9)	(1.9)
Share of profit from equity accounted investment	(0.0)	0.6
<b>Profit before taxation</b>	<b>22.6</b>	<b>25.3</b>
Taxation	(5.1)	(3.0)
<b>Profit for the period</b>	<b>17.5</b>	<b>22.3</b>

	Explanation\Comment
Revenue	Revenue increased slightly due expanding the fleet by two new machines
Cost of sales	Cost of sales increased in line with increase in revenue - resulting in a flat gross profit percentage
Other operating expenses	Investment in human resources
Profit for the year	Down due to lower utilisation rates and currency effect of the emerging currencies

## STATEMENT OF COMPREHENSIVE INCOME



	Revenue	Costs
USD	52%	28%
Emerging Currencies	48%	72%
	<b>USD' million</b>	
Negative impact on profit before taxation	(1.65)	

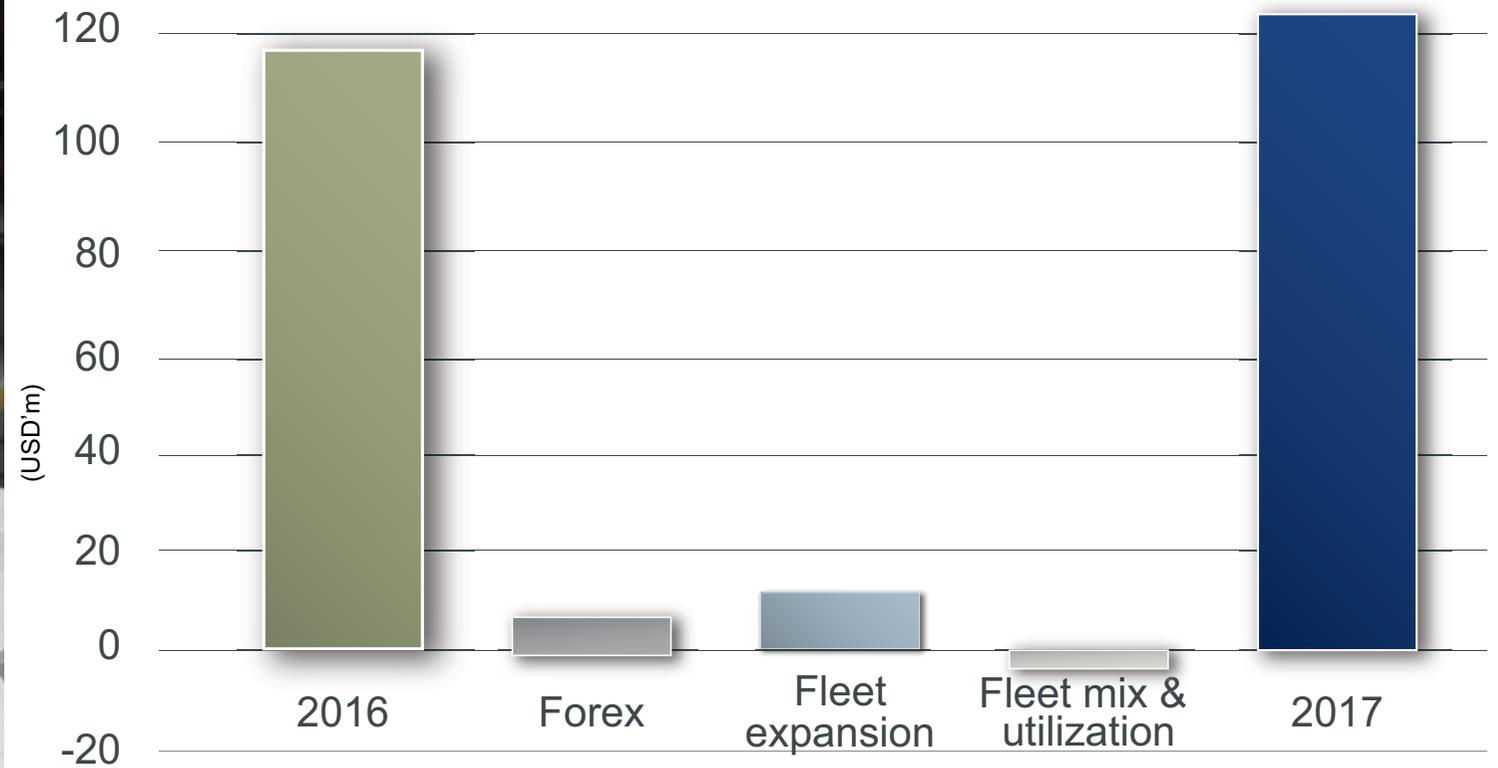
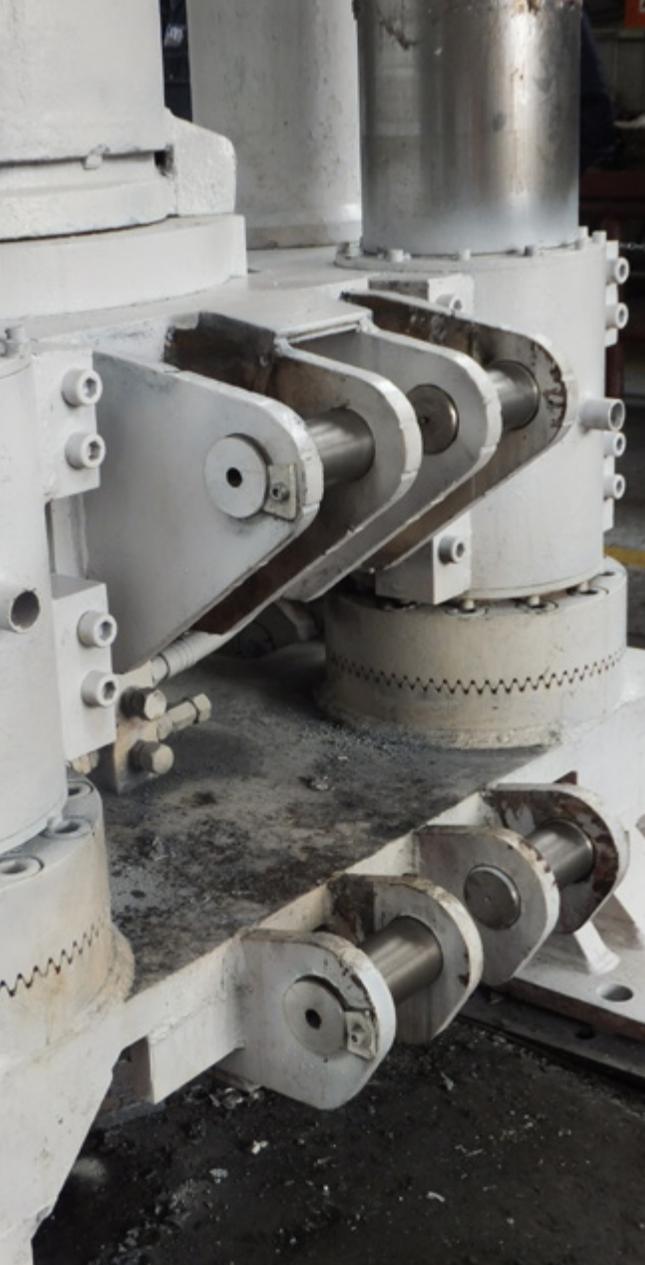


## IMPACT OF CURRENCY ON PROFIT BEFORE TAXATION



	2017	2016	
	USD 'million	USD 'million	Comment
Net cash from operating activities	25.0	19.6	Cash conversion ratio improved from 1.03 to 1.32
Net cash from investing activities	(15.3)	(18.9)	Maiden dividend to the value of USD 3.4 million paid during the year
Net cash from financing activities	9.4	(3.5)	Additional draw down of USD 20 million on the ABSA Capital facility
<b>Total cash movement for the period</b>	<b>19.1</b>	<b>(2.8)</b>	
Cash at the beginning of the period	20.4	22.5	
Effect of exchange rate movement on cash balances	0.7	0.6	
<b>Total cash at the end of the period</b>	<b>40.2</b>	<b>20.3</b>	Sufficient cash for future growth opportunities

## STATEMENT OF CASH FLOWS



<b>Revenue 2016</b>	<b>118.1</b>
<b>Foreign exchange movements</b>	<b>2.8</b>
<b>Fleet expansion</b>	<b>4.2</b>
<b>Fleet mix &amp; utilization</b>	<b>(3.7)</b>
<b>Revenue 2017</b>	<b>121.4</b>

## REVENUE WATERFALL BREAKDOWN (USD ' MILLION)



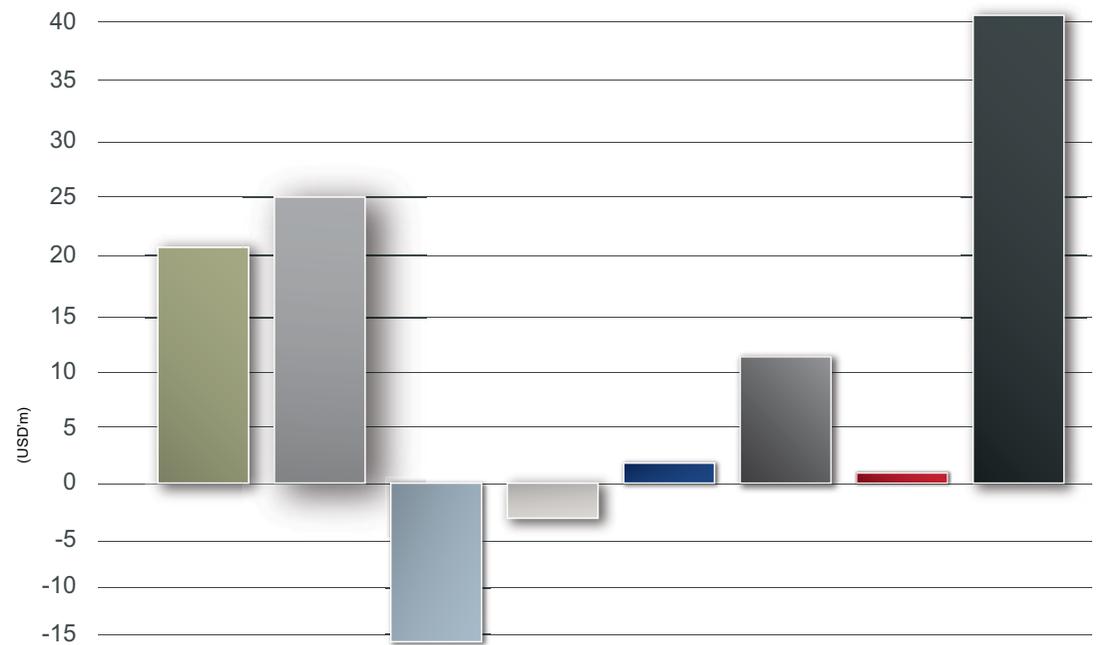
	2017	2016	Movement
<b>Inventory</b>	<b>23.9</b>	24.4	0.5
<b>Trade and Other Receivables</b>	<b>38.2</b>	39.0	0.8
<b>Trade and Other Payables</b>	<b>20.1</b>	23.0	(2.9)

## WORKING CAPITAL BREAKDOWN (USD ' MILLION)



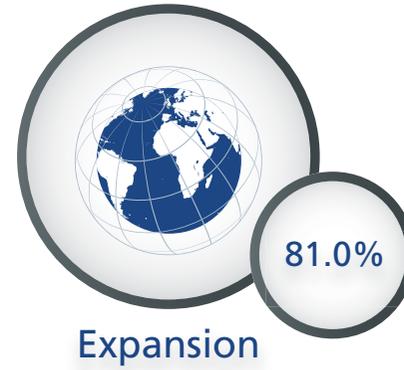
	2017	2016
<b>Return on Capital Employed (PAT)</b>	8.4%	12.7%
<b>Return on Capital Employed (EBITDA)</b>	14.9%	14.7%
<b>Working Capital Ratio (Days)</b>	126.3	125.0
<b>Gearing Ratio (Debt\Equity)</b>	27.3 %	21.2%
<b>Gearing Ratio (Net of Cash)</b>	2.4%	6.4%

## BALANCE SHEET RATIOS



		<b>2017</b>
	<b>Cash at beginning of period</b>	<b>20.4</b>
	<b>Cash from operation activities</b>	<b>25.0</b>
	<b>Net acquisition of property, plant &amp; equipment</b>	<b>(15.7)</b>
	<b>Dividends paid</b>	<b>(3.4)</b>
	<b>Issue of share capital</b>	<b>1.6</b>
	<b>Net movement in Financial Liabilities</b>	<b>11.6</b>
	<b>Other</b>	<b>0.7</b>
	<b>Cash at end of period</b>	<b>40.2</b>

## CASH FLOW WATERFALL (USD ' MILLION)



<b>Plant and machinery</b>	<b>96%</b>
<b>Motor vehicles</b>	<b>2%</b>
<b>IT Equipment</b>	<b>1%</b>
<b>Buildings</b>	<b>0%</b>
<b>Furniture and fittings</b>	<b>1%</b>

## CAPITAL SPEND

## Well positioned to navigate current extended commodity cycle

- Healthy pipeline of USD226.1 million
- Committed order book of USD115.3 million
- Opportunities beyond the mining sector
- Blind Shaft Boring System
- Mobile Tunnel Borer
- 95% of income from production



**IN CLOSING**



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**DISCLAIMER**

## MASTER DRILLING GROUP LIMITED

Registration number: 2011/008265/06

Incorporated in the Republic of South Africa

JSE share code: MDI

ISIN: ZAE000171948

## REGISTERED AND CORPORATE OFFICE

4 Bosman Street

PO Box 902

Fochville, 2515

South Africa

## DIRECTORS

### Executive

Daniël (Danie) Coenraad Pretorius	Chief executive officer and founder
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André Jean van Deventer	Financial director and chief financial officer
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Barend Jacobus (Koos) Jordaan	Executive director
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Gareth (Gary) Robert Sheppard #	Chief operating officer
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### Non-executive

Hendrik (Hennie) Roux van der Merwe	Chairman and independent non-executive
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Akhter Alli Deshmukh	Independent non-executive
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Jacques Pierre de Wet	Independent non-executive
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Johan Louis Botha	Independent non-executive
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Shane Trevor Ferguson	Non-executive
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Fred George (Eddie) Dixon	Alternate director
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# Resident in Peru

## COMPANY SECRETARY

Andrew Beaven

6 Dwars Street

Krugersdorp

1739

South Africa

PO Box 158, Krugersdorp, 1740

South Africa

## JSE SPONSOR

Investec Bank Limited

(Registration number: 1969/004763/06)

100 Grayston Drive, Sandown

Sandton, 2196

South Africa

## INDEPENDENT AUDITORS

Grant Thornton Johannesburg Partnership

South African member of Grant Thornton International Limited

52 Corlett Drive

Illovo

2196

South Africa

## SHARE TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

(Registration number: 2004/003647/07)

Rosebank Towers, 15 Biermann Avenue,

Rosebank,

South Africa

# CORPORATE INFORMATION



## **INVESTOR RELATIONS CONTACTS**

Lizelle du Toit

Instinctif Partners

Telephone: +27 11 050 7506

Mobile: +27 82 465 1244

E-mail: [MasterDrilling@instinctif.com](mailto:MasterDrilling@instinctif.com)

## **GENERAL E-MAIL QUERIES**

[info@masterdrilling.com](mailto:info@masterdrilling.com)

## **Master Drilling website**

[www.masterdrilling.com](http://www.masterdrilling.com)

## **Company Secretarial E-mail**

[Companysecretary@masterdrilling.com](mailto:Companysecretary@masterdrilling.com)

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# **CORPORATE INFORMATION**

