



**MASTER DRILLING**



# INTERIM CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017



**Presented by**  
**DANIE PRETORIUS, CEO**  
**ANDRE VAN DEVENTER, CFO**



**Who we are**



**Business Overview**



**Operational Overview**



**Financial Overview**



**Closing**

**AGENDA**

- 30 years in the raise boring industry
- Truly global business
- Consistent growth since listing in 2012
- Diversified across regions, commodities, currencies and industries



**WHO WE ARE**



## **BUSINESS OVERVIEW**

# Challenges

- Net present value hurdles
- Safety
- Accessibility to ore bodies

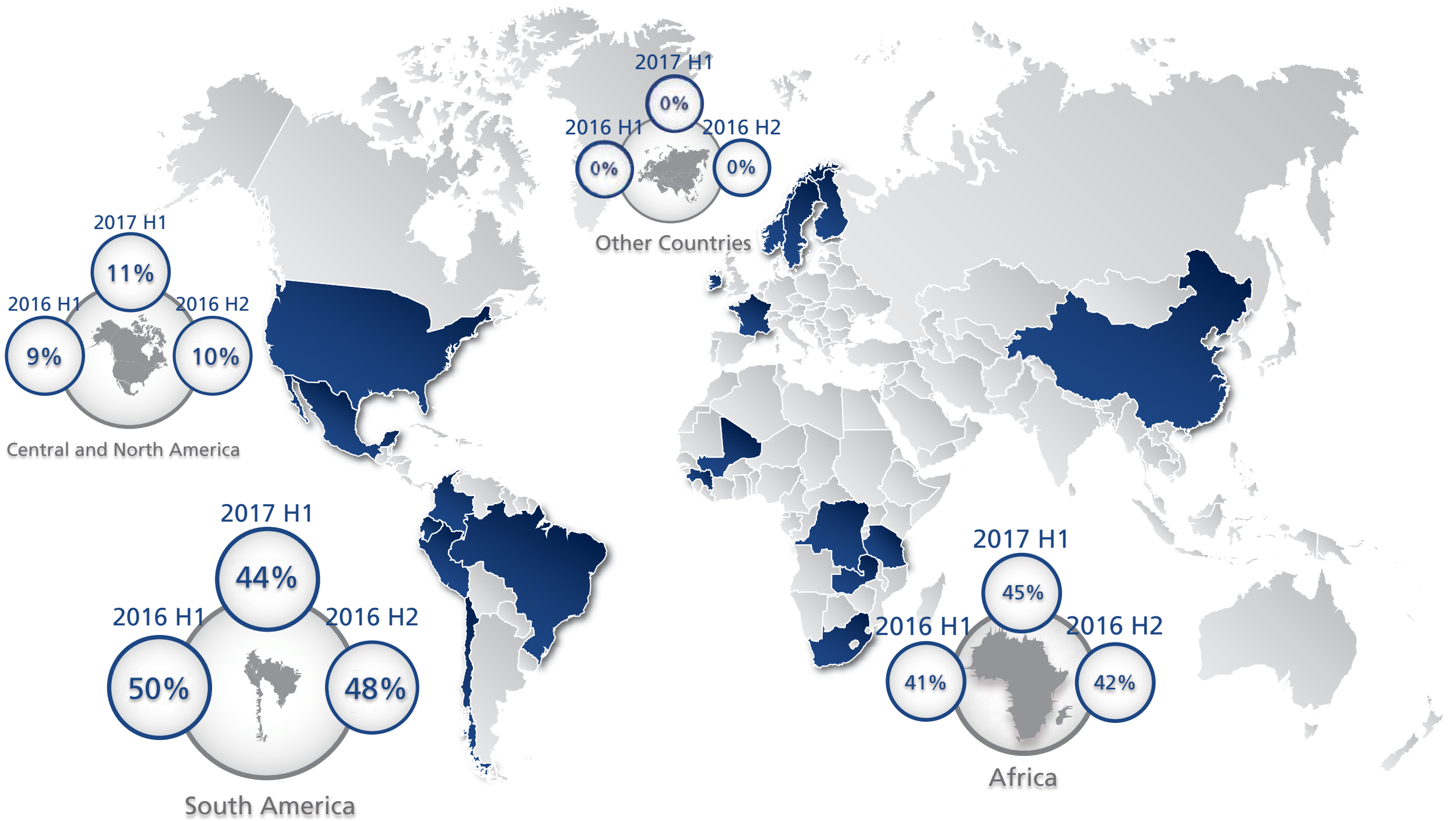
# Solutions

- Blind Shaft Boring System
- Mobile Mining
- Horizontal Raise Boring
- Automation
- Non-blasting environment



*The first Horizontal Raise Boring hole completed*

**TECHNOLOGY STRATEGY**

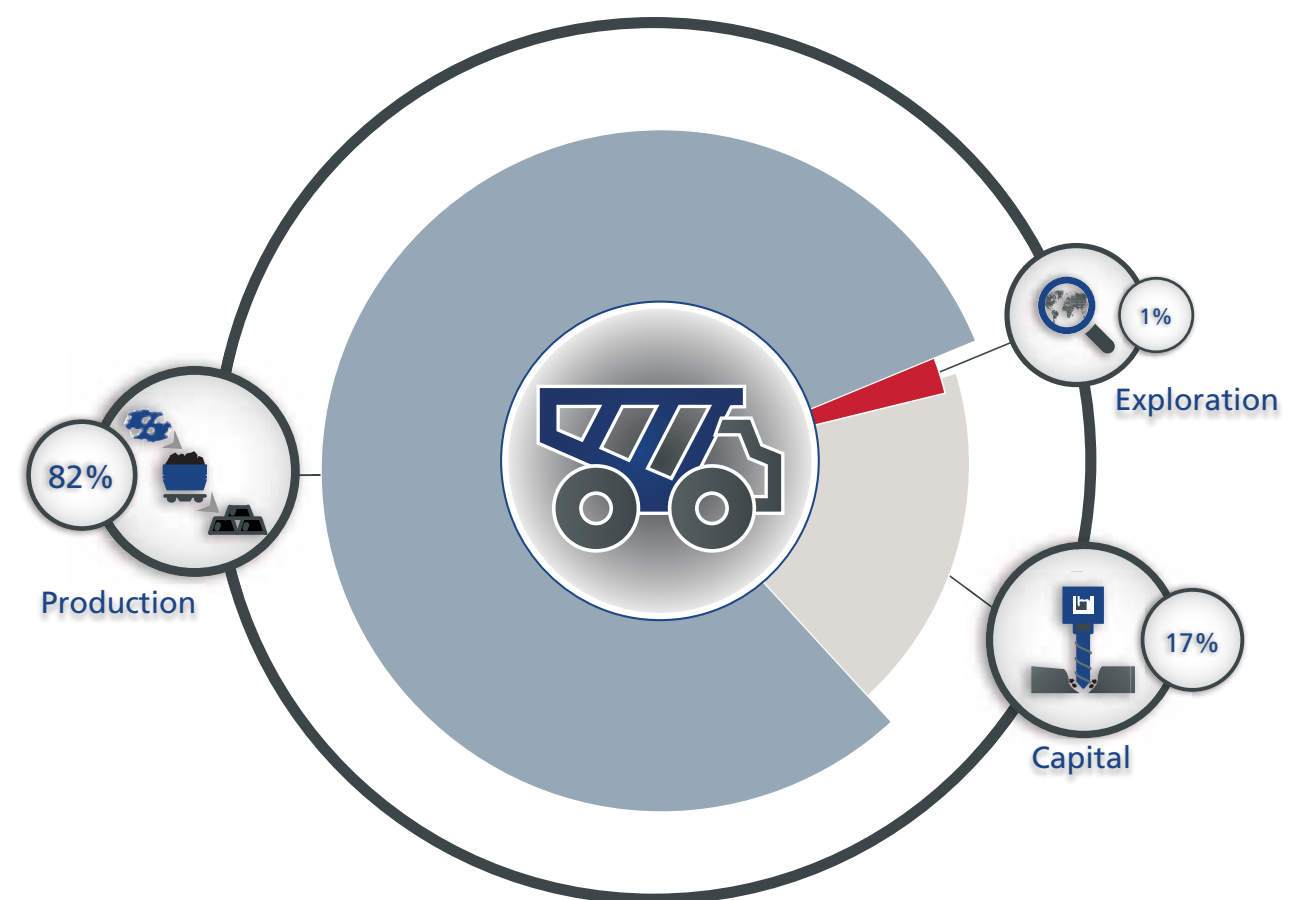
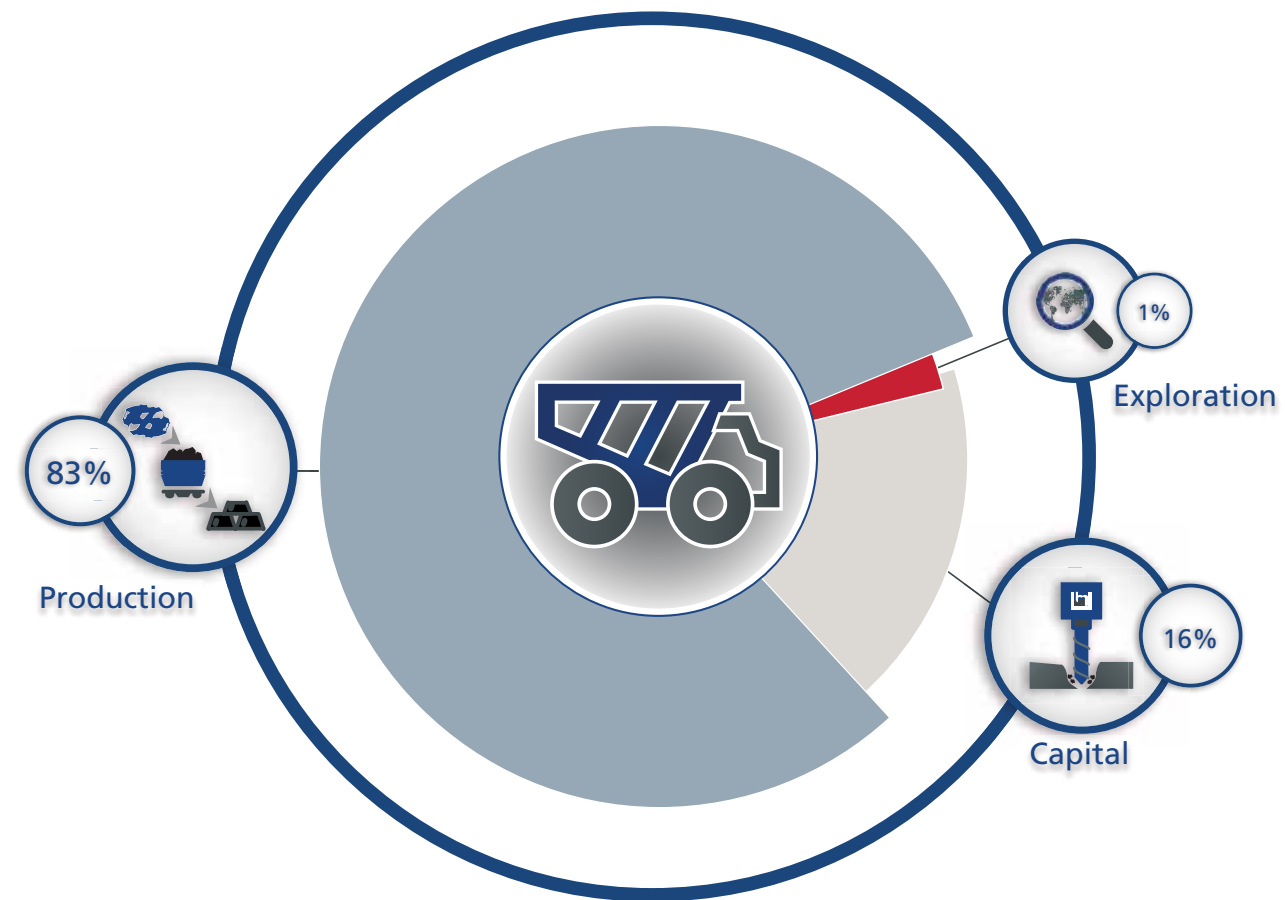


# REVENUE GEOGRAPHIC DIVERSIFICATION



2017 H1

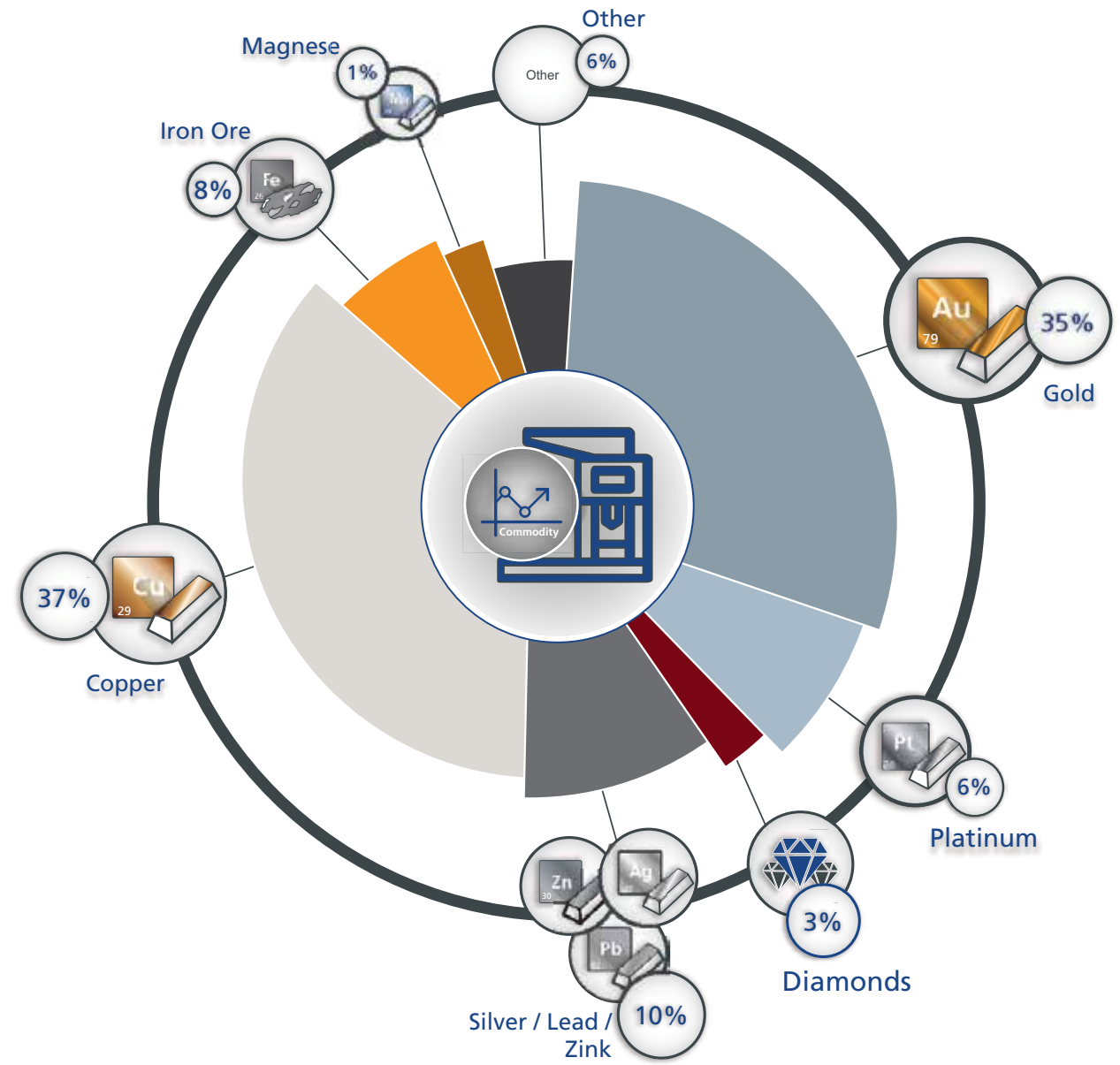
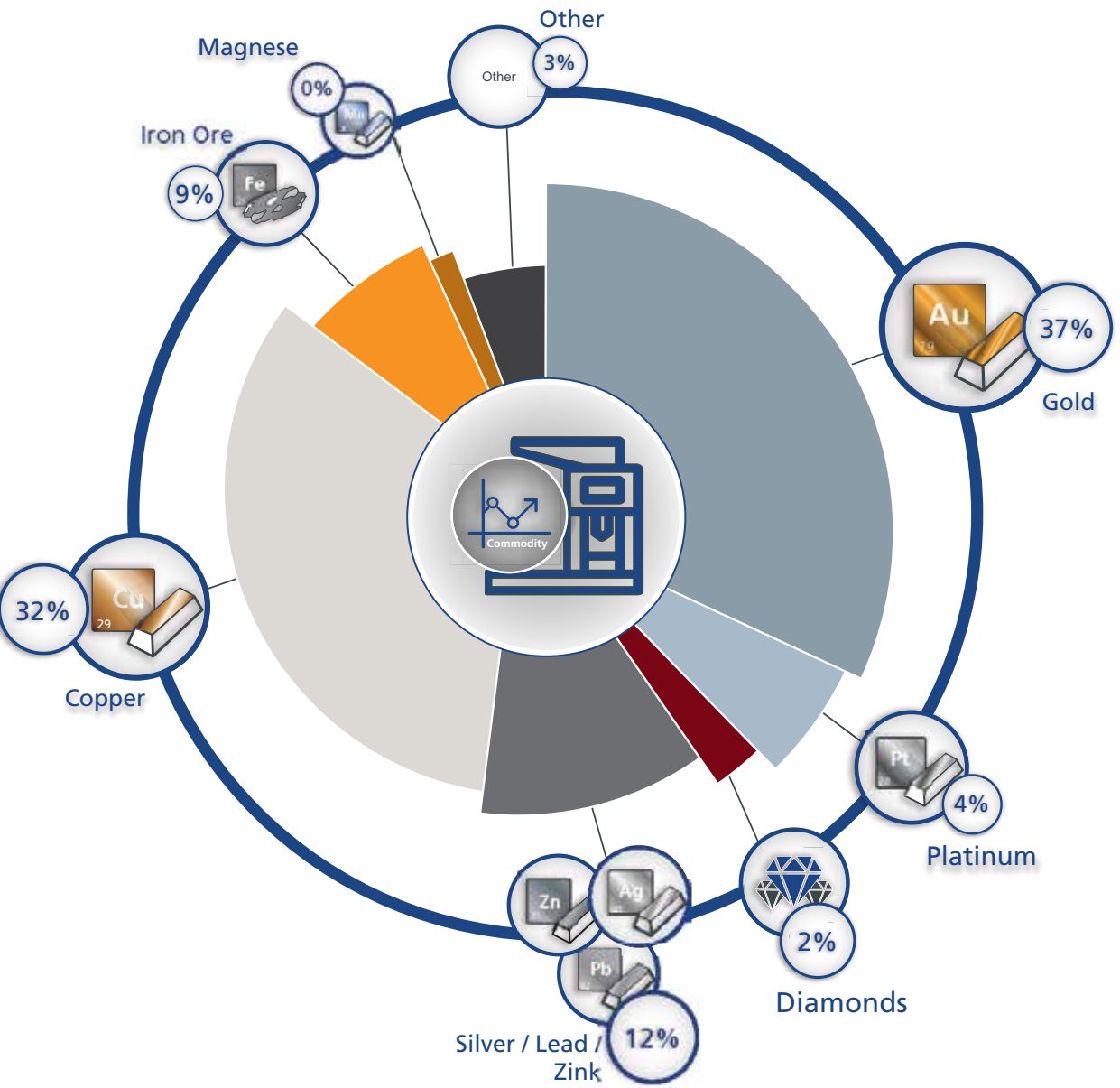
2016 H1



# REVENUE MINING ACTIVITY DIVERSIFICATION

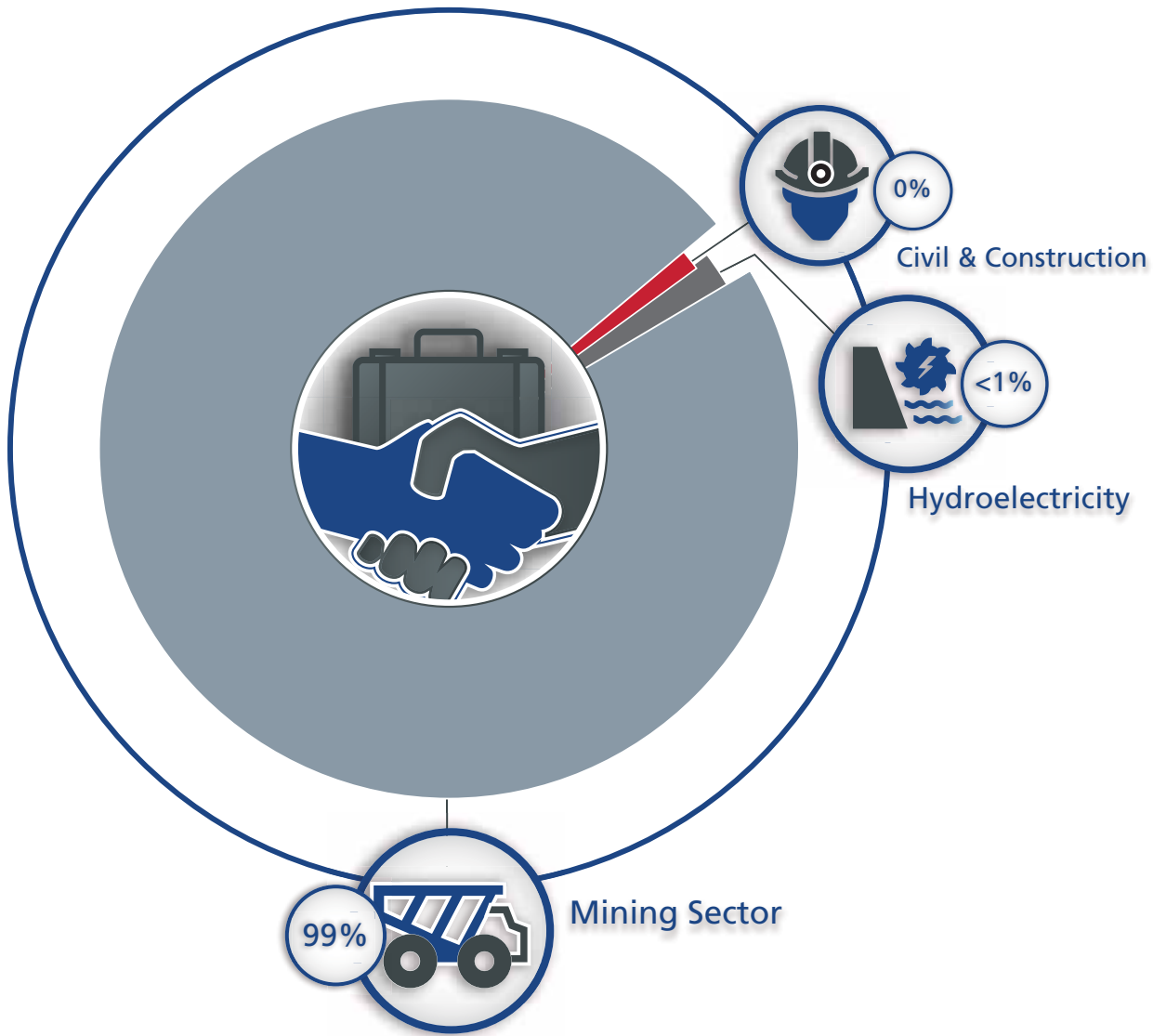
2017 H1

2016 H1

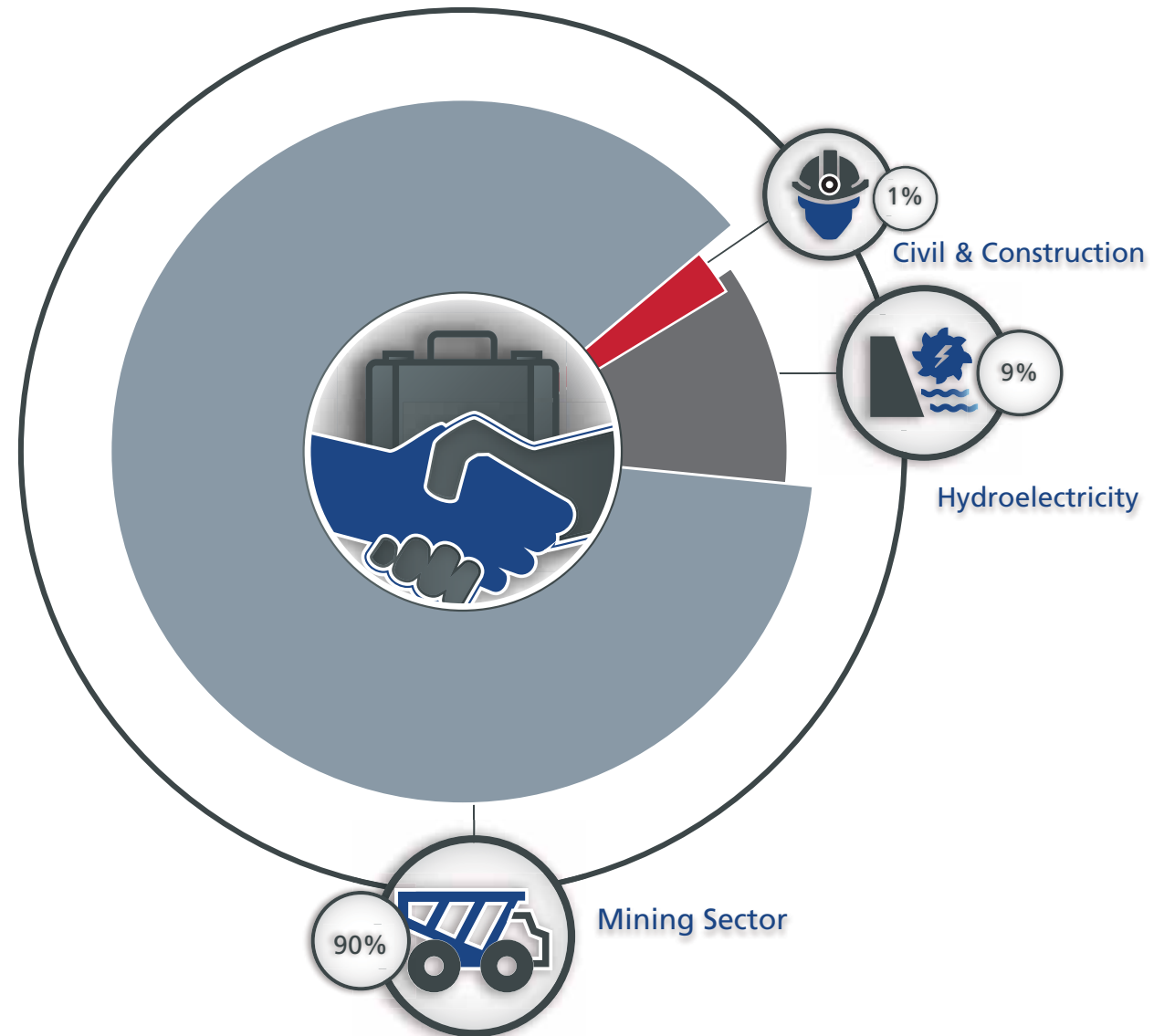


# REVENUE COMMODITY DIVERSIFICATION

2017 H1



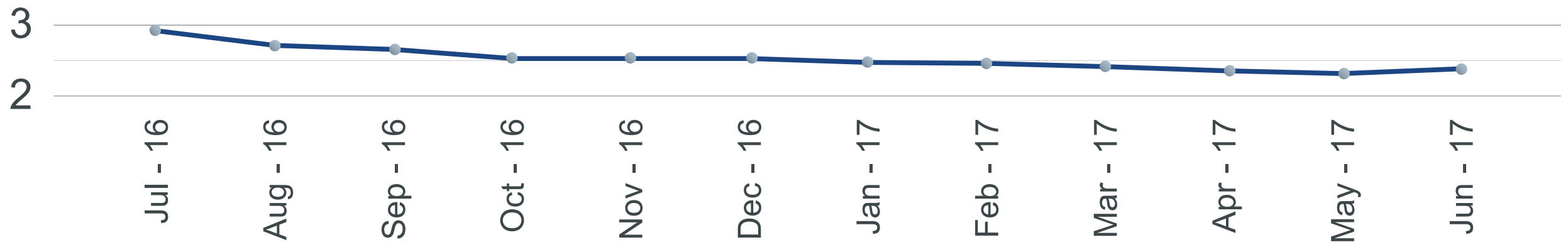
2016 H1



# REVENUE BUSINESS SECTOR DIVERSIFICATION

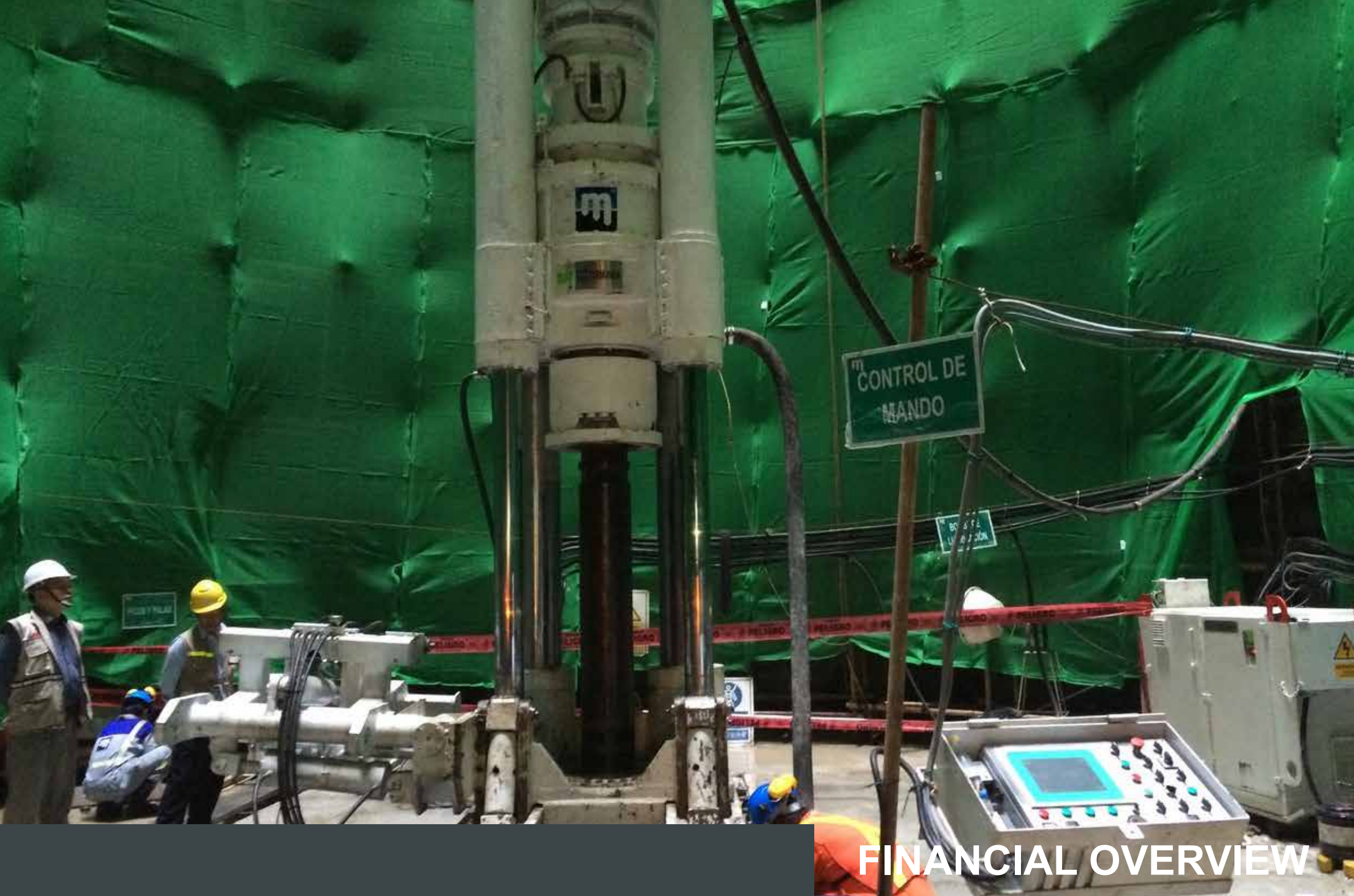


## **OPERATIONAL REVIEW**



**LOST TIME INJURY FREQUENCY RATE**





## FINANCIAL OVERVIEW

- USD Revenue was up by 12.5%
- USD Earnings per share increased by 4.8% to 6.6 cents
- Cash conversion ratio improved from 1.17 to 1.37
- Sufficient cash to support future growth opportunities

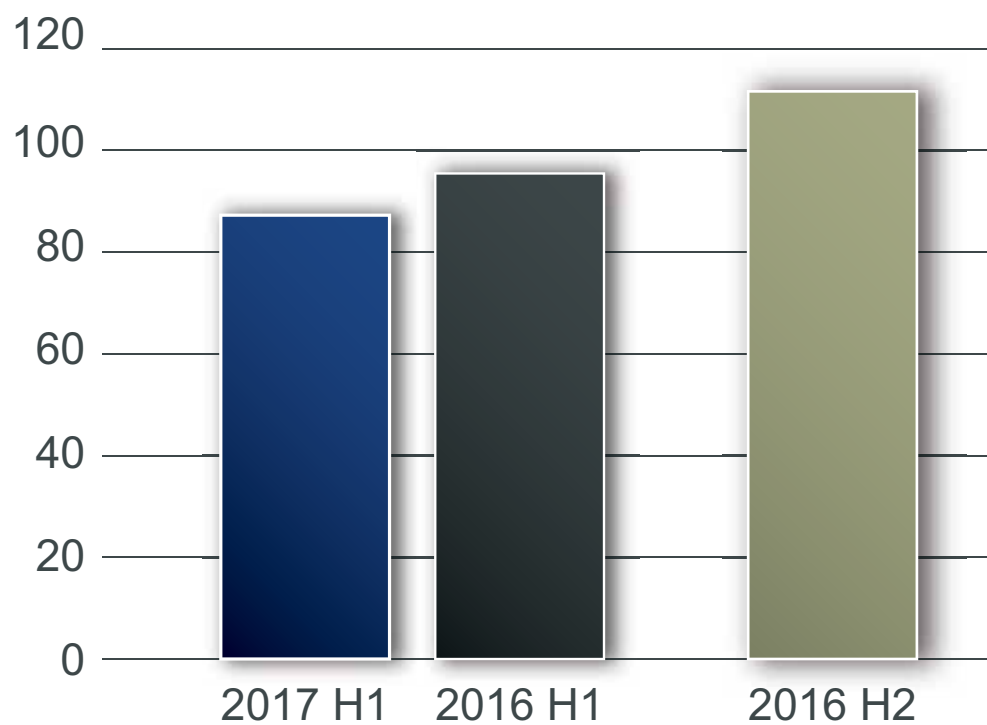


**HIGHLIGHTS FOR THE PERIOD**

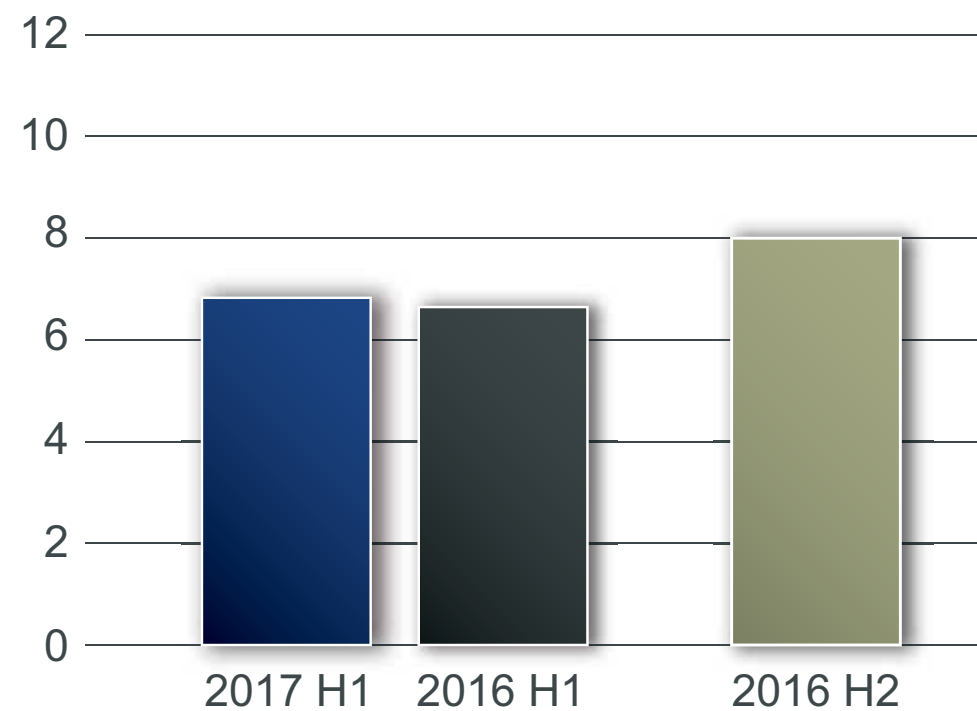




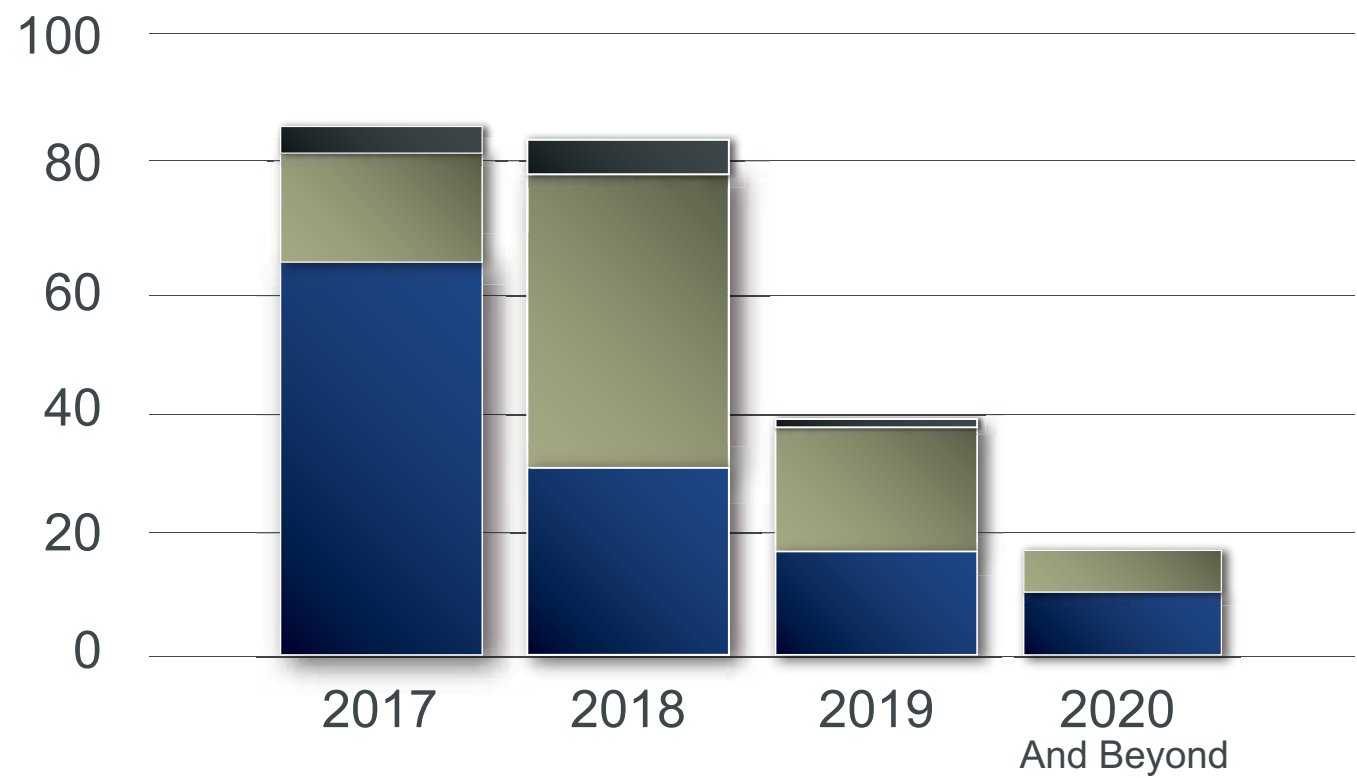
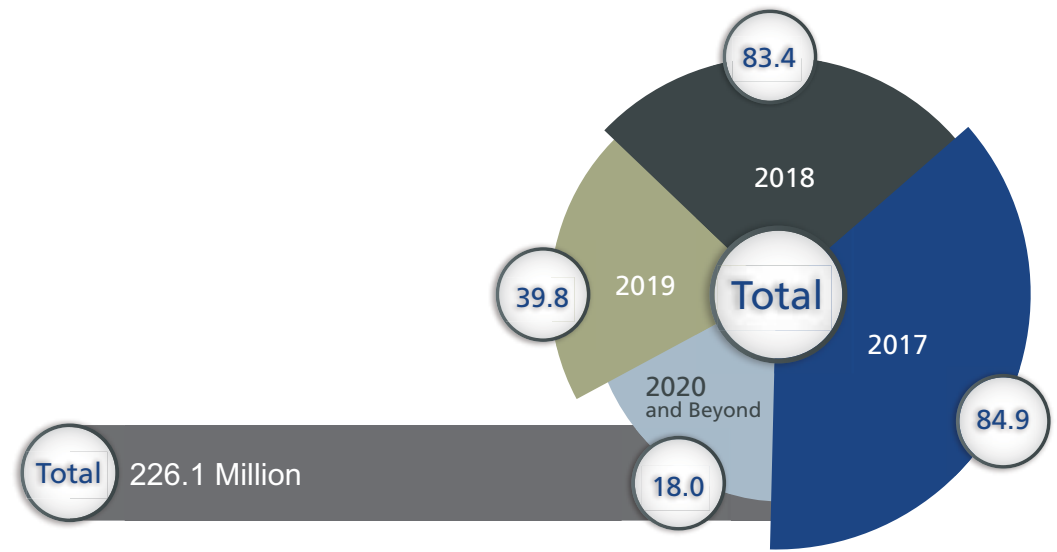
**HEPS (ZARc)**



**HEPS (USDc)**

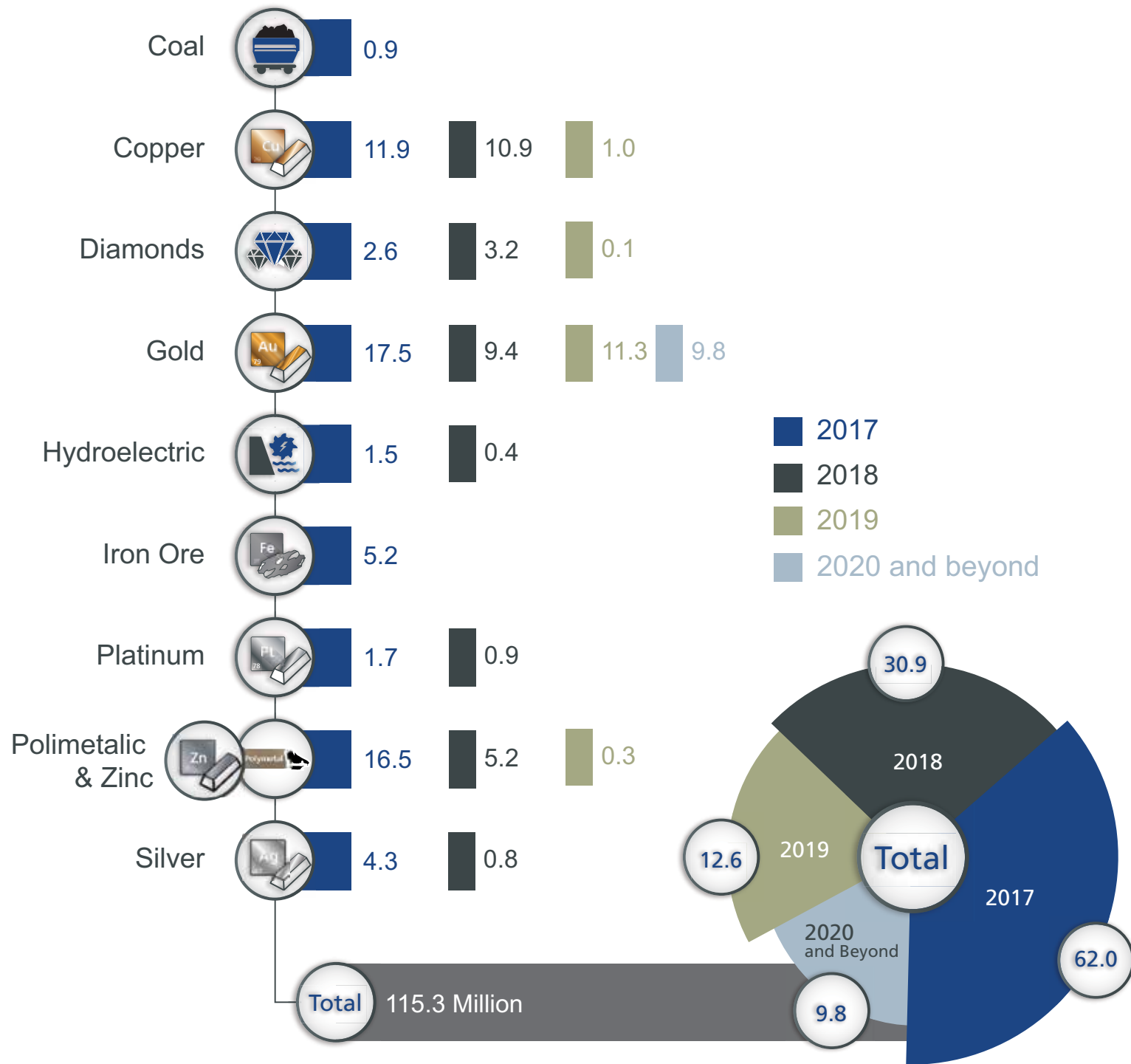


**EARNINGS PER SHARE**



- Awarded
- Awaiting Adjudication
- Enquiry Received/ Possible Lead

## PIPELINE (USD ‘ MILLION)

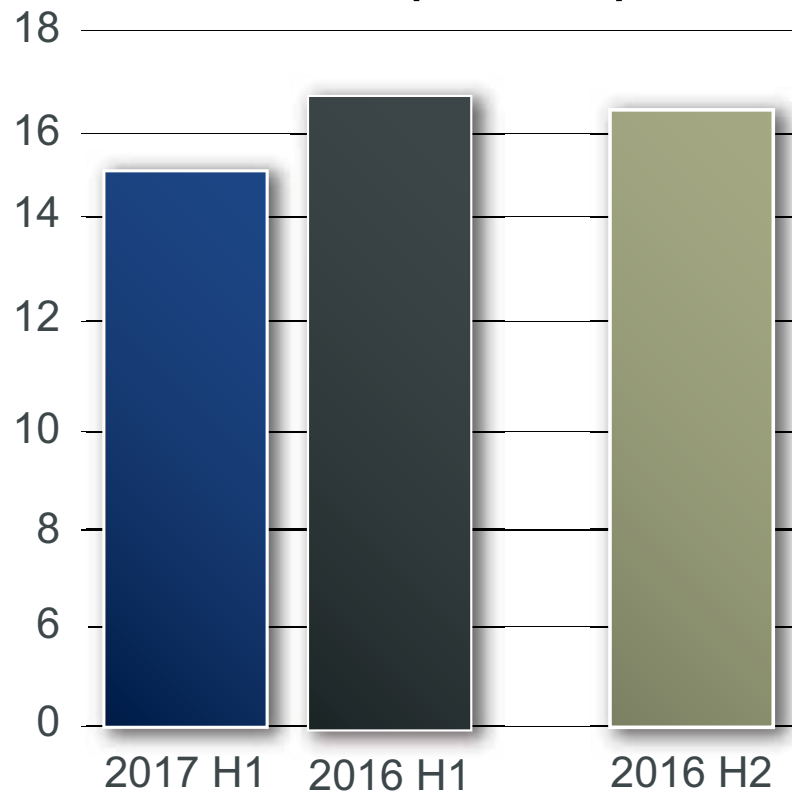


# COMMITTED ORDERS (USD ' MILLION)

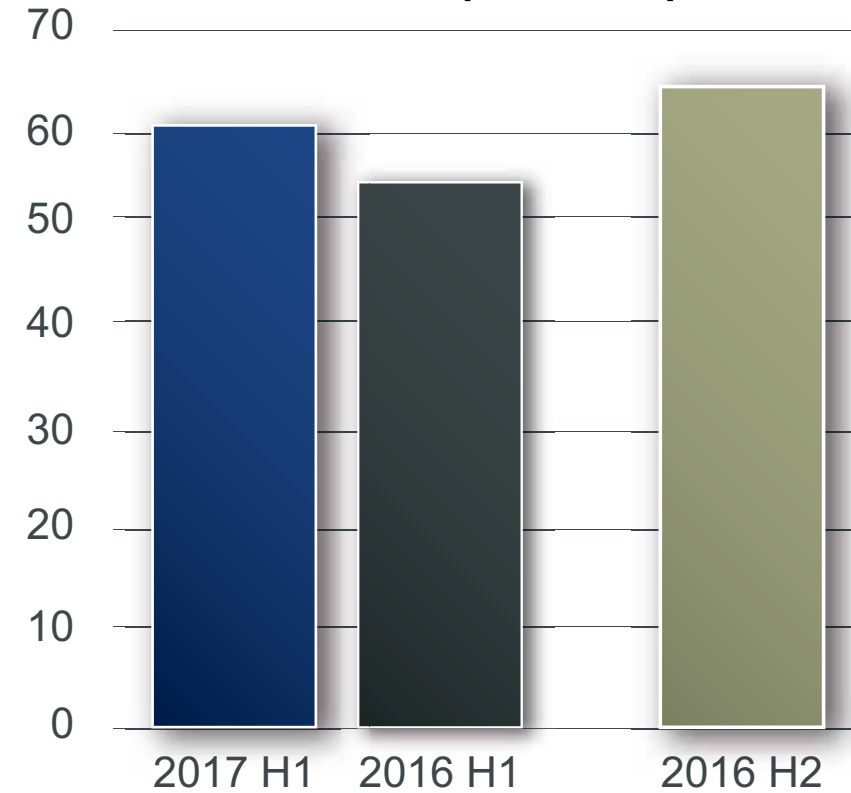
2017 H1



**EBITDA (USD'm)**



**Revenue (USD'm)**



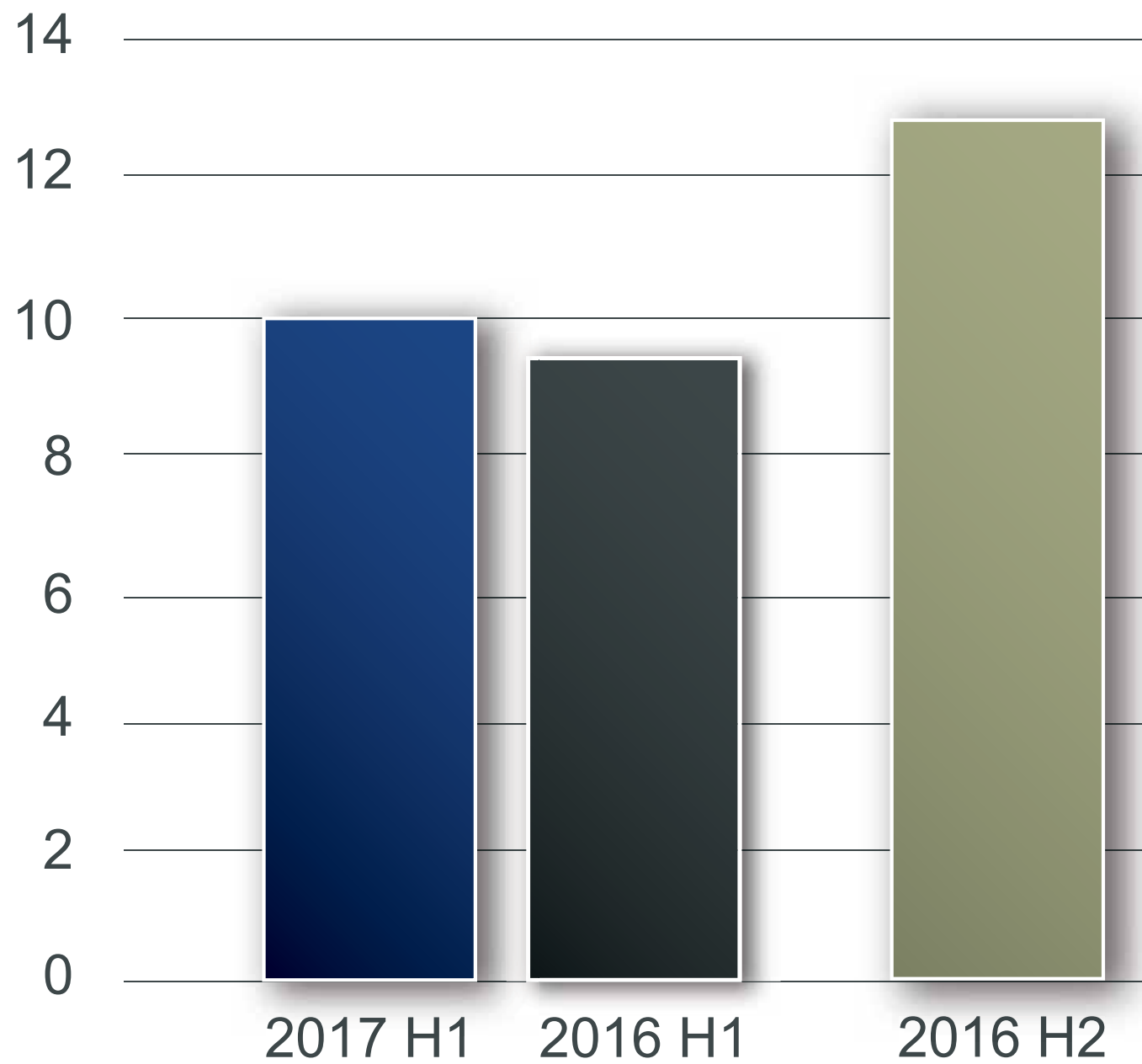
**EARNINGS BEFORE INTEREST TAX DEPRECIATION  
AMORTISATION (USD ' MILLION)**



	2017H1	2016H1	2016H2
<b>Total Raisebore rigs</b>	106	102	105
<b>Utilisation %</b>	70%	71%	72%
<b>ARPOR* - (USD)</b>	<b>116 729</b>	<b>109 596</b>	<b>115 796</b>
<b>Total Slim rigs</b>	33	49	33
<b>Utilisation %</b>	76%	31%	82%
<b>ARPOR* - (USD)</b>	<b>58 080</b>	<b>70 680</b>	<b>74 280</b>

\* Average Revenue per operating rig per month

## ARPOR SUMMARY PER ANNUM



Profit after tax	10.0	9.7	12.6
------------------	------	-----	------

## PROFIT AFTER TAX GROWTH (USD ‘ MILLION)



	2017 H1	2016	Comment
	USD 'million	USD 'million	
<b>Assets</b>			
Total non-current assets	132.2	126.2	Investment in Property, Plant and Equipment - 5.8 million
Total current assets	102.7	86.4	Working Capital Ratio affected by increase in client's payment cycles
<b>Total assets</b>	<b>234.9</b>	<b>212.6</b>	
<b>Equity</b>			
Equity	141.4	130.0	
Non-controlling interest	16.5	16.3	
<b>Total equity</b>	<b>157.9</b>	<b>146.3</b>	
<b>Liabilities</b>			
Total non-current liabilities	49.5	29.0	Additional ABSA Facility - resulting in gearing ratio to move from 21.2% to 29.8%
Total current liabilities	27.5	37.3	Current Ratio improved from 2.32 to 3.72 - 0.69 of the improvement as a result of additional ABSA Facility in bank account
<b>Total liabilities</b>	<b>77.0</b>	<b>66.3</b>	
<b>Total equity and liabilities</b>	<b>234.7</b>	<b>212.6</b>	

## STATEMENT OF FINANCIAL POSITION

	<b>2017 H1</b>	<b>2016 H1</b>	<b>2016</b>
	<b>USD 'million</b>	<b>USD 'million</b>	<b>USD 'million</b>
Revenue	60.5	53.8	118.1
Cost of sales	(37.7)	(32.0)	(75.2)
<b>Gross profit</b>	<b>22.8</b>	<b>21.8</b>	<b>42.9</b>
Other operating income	1.2	0.5	4.6
Other operating expenses	(11.9)	(8.9)	(21.7)
<b>Operating profit</b>	<b>12.1</b>	<b>13.4</b>	<b>25.8</b>
Investment revenue	0.4	0.4	0.8
Finance costs	(1.0)	(1.3)	(1.9)
Share of profit from equity accounted investment	0	0.2	0.6
<b>Profit before taxation</b>	<b>11.5</b>	<b>12.7</b>	<b>25.3</b>
Taxation	(1.5)	(3.0)	(3.0)
<b>Profit for the period</b>	<b>10.0</b>	<b>9.7</b>	<b>22.3</b>

#### **Explanation\Comment**

Revenue	Revenue increased with the addition of new machines and foreign exchange currencies
Cost of Sales	Costs negatively affected by foreign exchange currencies
Other operating expenses	Costs negatively affected by foreign exchange currencies
Taxation	Over-provision of taxation in some of the group's jurisdictions
Profit for the year	Profit after tax remained fairly flat. Investment in associate had negative as the return on investment is basically nil

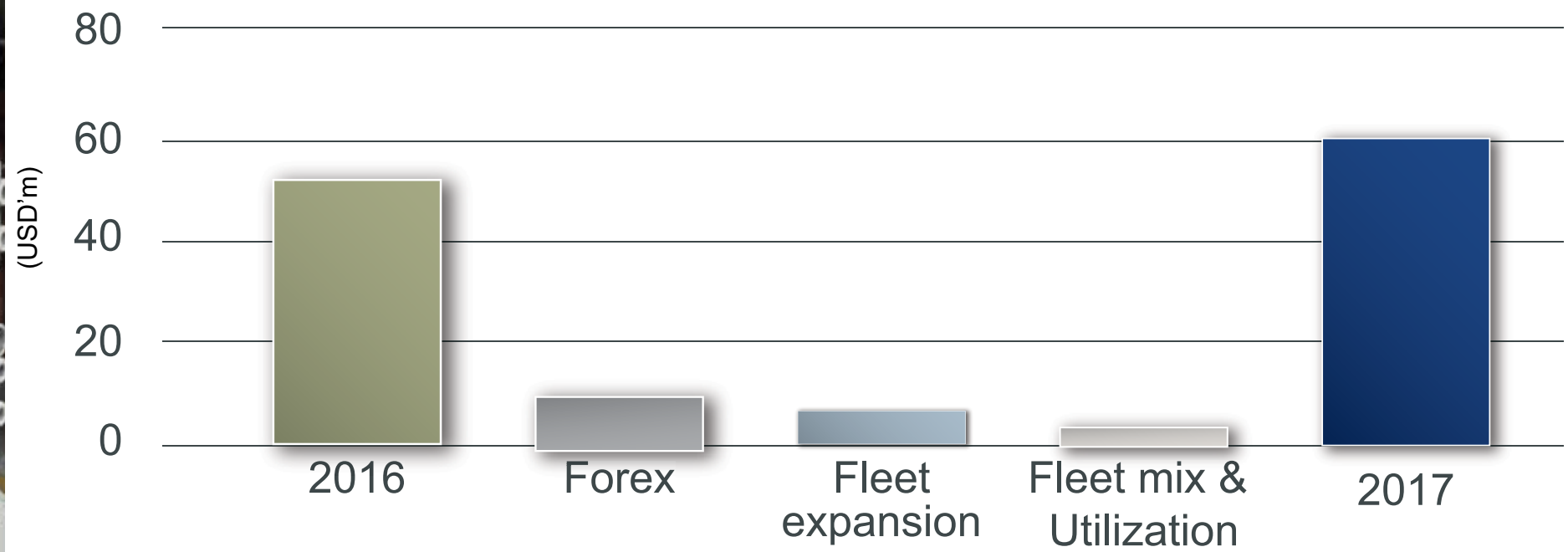
## **STATEMENT OF COMPREHENSIVE INCOME**





	<b>2017 H1</b>	<b>2016 H1</b>	<b>Comment</b>
	<b>USD 'million</b>	<b>USD 'million</b>	
<b>Net cash from operating activities</b>	9.2	2.2	Cash conversion up from 1.17 to 1.37
<b>Net cash from investing activities</b>	(6.7)	(8.1)	Investment in Property, Plant and Equipment - 5.8 million
<b>Net cash from financing activities</b>	14.4	3.0	Additional ABSA Facility. Maiden dividend paid in May 2017
<b>Total cash movement for the period</b>	16.9	(2.9)	
<b>Cash at the beginning of the period</b>	20.4	22.5	
<b>Effect of exchange rate movement on cash balances</b>	0.4	0.4	
<b>Total cash at the end of the period</b>	37.7	20.0	Sufficient cash for future growth opportunities

## STATEMENT OF CASH FLOWS



<b>Revenue 2016</b>	<b>53.8</b>
<b>Forex</b>	<b>3.1</b>
<b>Fleet expansion</b>	<b>2.5</b>
<b>Fleet mix &amp; Utilization</b>	<b>1.1</b>
<b>Revenue 2017</b>	<b>60.5</b>

## REVENUE WATERFALL BREAKDOWN (USD ' MILLION)



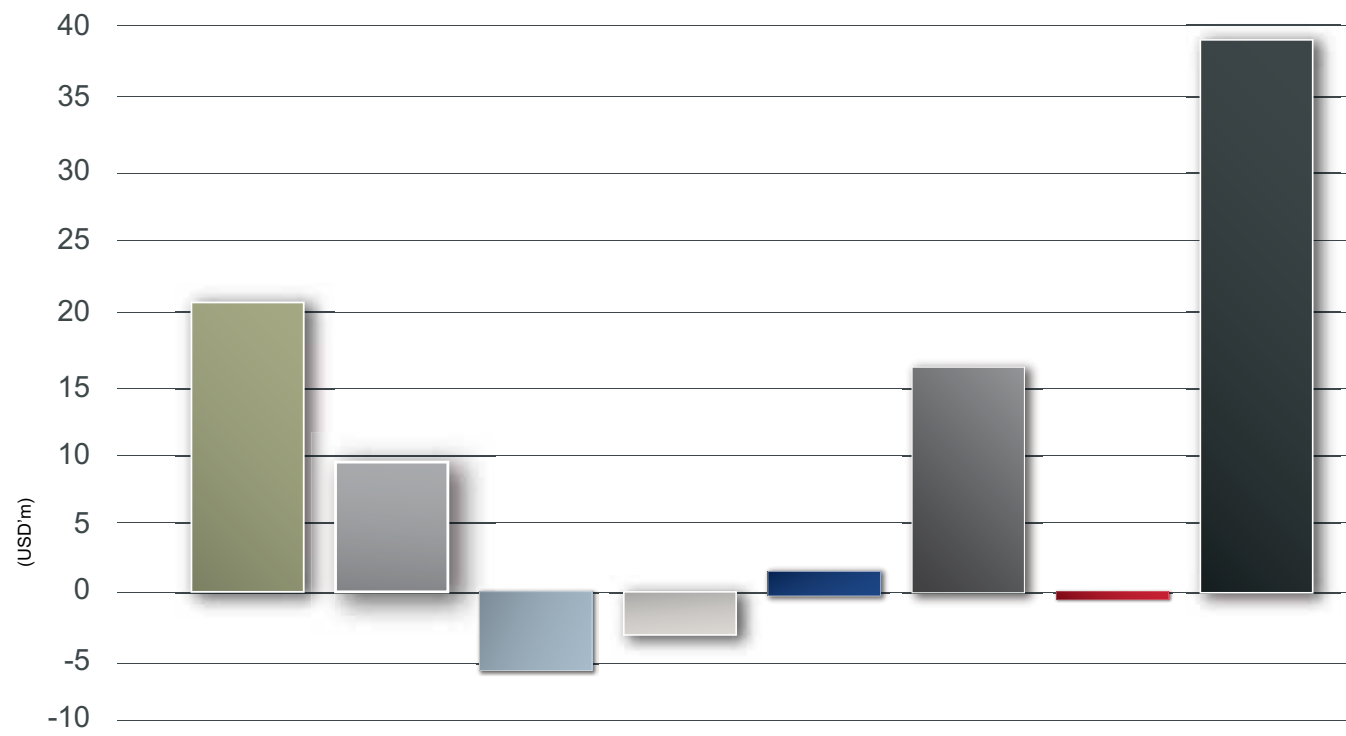
	2017 H1	2016	Movement
Inventory	26.3	24.4	(1.9)
Trade and Other Receivables	36.9	39.0	2.1
Trade and Other Payables	18.1	23.0	(4.9)

## WORKING CAPITAL BREAKDOWN (USD ‘ MILLION)



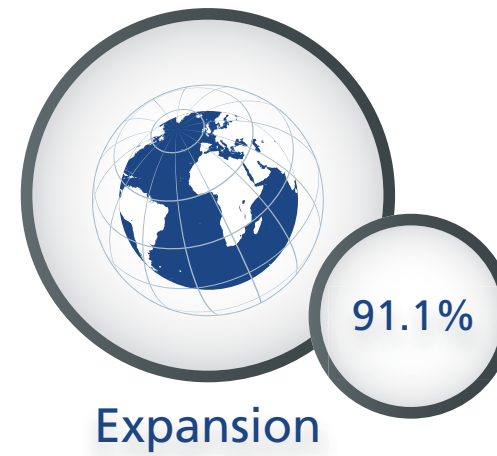
	2017H1	2016H1	2016H2
<b>Return on Capital Employed (PAT)</b>	9.4%	11.6%	12.7%
<b>Return on Capital Employed (EBITDA)</b>	14.7%	19.9%	18.7%
<b>Working Capital Ratio (Days)</b>	135.9	152.7	125.0
<b>Gearing Ratio (Debt\Equity)</b>	29.8%	27.7%	21.2%
<b>Gearing Ratio (Net of Cash)</b>	5.9%	12.7%	6.4%

## BALANCE SHEET RATIOS



	2017 H1
<b>Cash at beginning of period</b>	20.4
<b>Cash from operation activities</b>	9.2
<b>Net acquisition of property, plant &amp; equipment</b>	(5.8)
<b>Dividends paid</b>	(3.4)
<b>Issue of share capital</b>	1.8
<b>Net movement in Financial Liabilities</b>	16.0
<b>Other</b>	(0.5)
<b>Cash at end of period</b>	37.7

## CASH FLOW WATERFALL (USD ‘ MILLION)



<b>Plant and Machinery</b>	94%
<b>Motor Vehicles</b>	3%
<b>IT Equipment</b>	1%
<b>Buildings</b>	1%
<b>Furniture and Fittings</b>	1%

## 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
- 80% of income from production; well positioned

**IN CLOSING**



This document has been compiled from information provided by the Directors of Master Drilling Group Limited (“Master Drilling”, “Master Drilling Group” or the “Company”) and from publicly available sources, and involves elements of subjective judgment and analysis, which may or may not be correct, and have not been independently verified. Accordingly, Master Drilling and its Advisors accept no responsibility for the correctness or otherwise of the content set out herein and no representation or warranty, express or implied, is being made or given as to the accuracy or completeness of the information set out herein. The information contained in this document is subject to completion, revision, verification and amendment without prior notice and without liability to compensate or reimburse any party. No representation or warranty, express or implied is, or will be, given by Master Drilling or its Directors, Partners, Employees or Advisors or any other person as to the accuracy, completeness or fairness of this document and, so far as permitted by law and except in the case of fraud by the party concerned, no responsibility or liability whatsoever is accepted for the accuracy or sufficiency thereof or for any errors, omissions or misstatements negligent or otherwise relating thereto. Master Drilling shall only be bound by those particular representations and warranties set forth in definitive written transaction documents, when and if such transaction documents are executed and subject to such restrictions and limitations as may be contained therein. This document may include certain statements, estimates, targets, forecasts and projections provided by Master Drilling. Such statements, estimates, targets, forecasts and projections reflect significant assumptions and subjective judgments and analysis by Master Drilling’s management concerning anticipated future events which may or may not prove to be correct and there can be no assurance that any estimates, targets, forecasts or projections are attainable or will be realised. Nothing contained in this document is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Accordingly, (subject as aforesaid) neither Master Drilling nor its Directors, Partners, Employees or Advisors nor any other person, shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this document and any such liability is expressly disclaimed. In particular, but without limitation, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any estimates, targets, forecasts or projections contained in this document (or otherwise provided by or on behalf of Master Drilling with respect to the subject matter of this document). In all cases, interested parties should conduct their own investigation and analysis of Master Drilling and the information contained in this document before making any decisions. This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of an offer to purchase or subscribe for, any securities of the Company or any other entity, nor shall the information contained in this document or the fact of its distribution form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or investment decision in relation thereto. The document is not an offer of securities in the United States. The securities of the Company have not been and will not be registered under the US Securities Act of 1933, as amended (the “US Securities Act”), and may not be offered or sold in the United States absent registration under, or an exemption from the registration requirements of, the US Securities Act. The distribution of this document may be restricted by law and persons into whose possession the Information comes should inform themselves about and observe any relevant restrictions. This document is not intended to provide, and should not be relied upon for, or as, accounting, legal, tax advice or investment recommendations. You should consult your tax, legal, accounting or other professional advisors about the issues presented in the Information. This presentation and the documents provided with this presentation are confidential and may not be disclosed to any third party without the prior written consent of Master Drilling.

**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
-----------------------------------	-------------------------------------

André Jean van Deventer	Financial director and chief financial officer
-------------------------	--

Barend Jacobus (Koos) Jordaan	Executive director
-------------------------------	--------------------

Gareth (Gary) Robert Sheppard #	Chief operating officer
---------------------------------	-------------------------

### Non-executive

Hendrik Roux van der Merwe	Chairman and independent non-executive
----------------------------	--

Akhter Alli Deshmukh	Independent non-executive
----------------------	---------------------------

Jacques Pierre de Wet	Independent non-executive
-----------------------	---------------------------

Johan Louis Botha	Independent non-executive
-------------------	---------------------------

Shane Trevor Ferguson	Non-executive
-----------------------	---------------

Fred George Dixon	Alternate director
-------------------	--------------------

# 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)

Master Drilling posts information that is important to investors on the main page of its website at [www.masterdrilling.com](http://www.masterdrilling.com) and under the “investors” tab on the main page. The information is updated regularly and investors should visit the website to obtain important information about Master Drilling.

# **CORPORATE INFORMATION**