



**MASTER DRILLING**



TNI

# INTERIM CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018



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



**Who we are**



**Business overview**



**Operational overview**



**Financial overview**



**In Closing**

**AGENDA**

- Started in 1986, listed on JSE in 2012
- Design, manufacture, operate and maintain boring technology
- Operations in 23 countries in Africa, South America, Europe and Asia
- Motivated by tailor-made solutions, that in turn support our diversification strategy
- Trusted partner to blue-chip and mid-size mining companies
- A technology company that challenges the status quo



**WHO WE ARE**



# BUSINESS OVERVIEW

## Client Challenges

- Safety
- Increased costs
- Productivity decline
- Net present value hurdles
- Accessibility to ore bodies

## Innovative tailor made drilling solutions

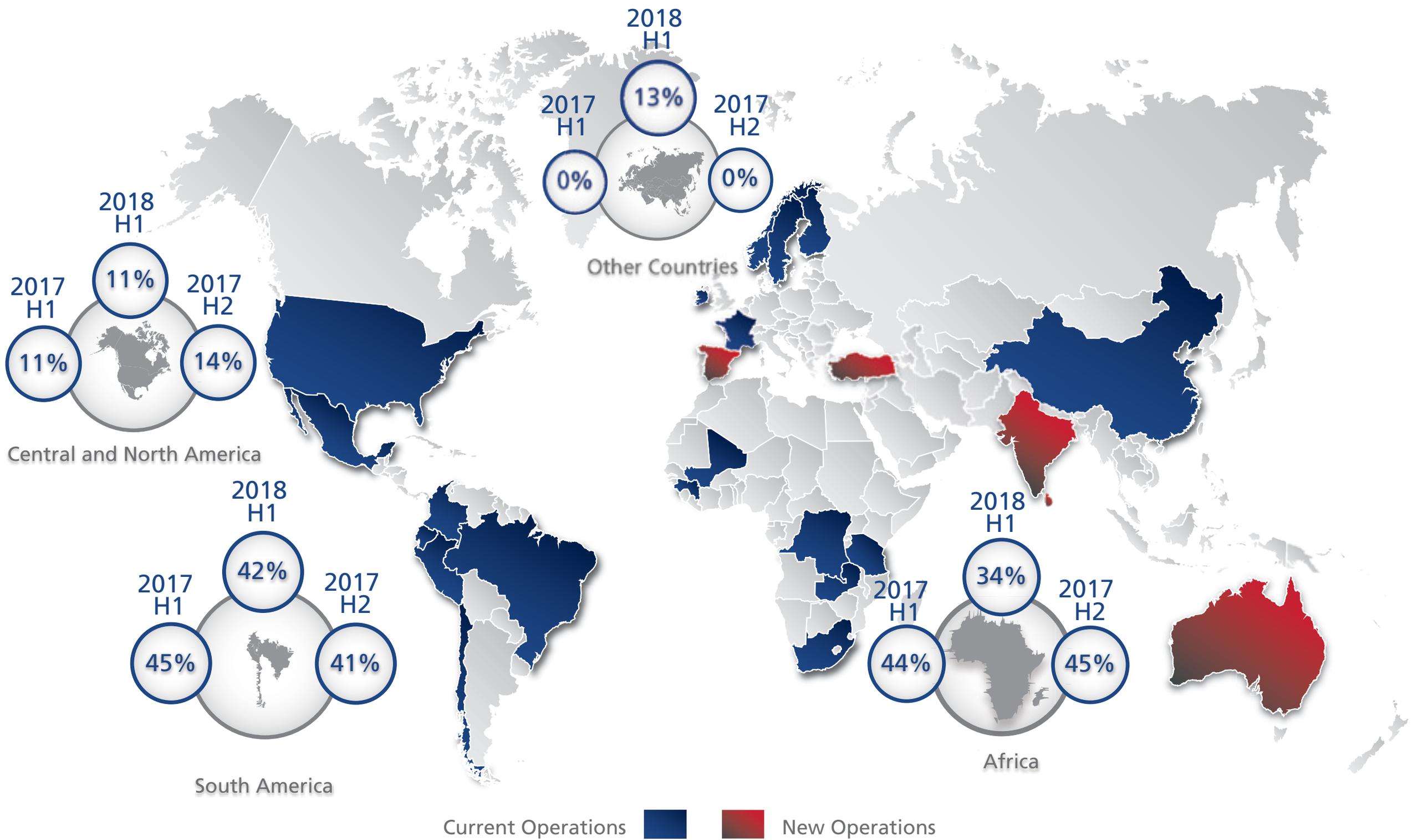
### Non-Blasting environment

- Mobile Tunnel Borer
- Blind Shaft Boring System
- Horizontal Raise Boring
- Automation/Autonomous drilling
- Geotechnical

# MAN AND MACHINE



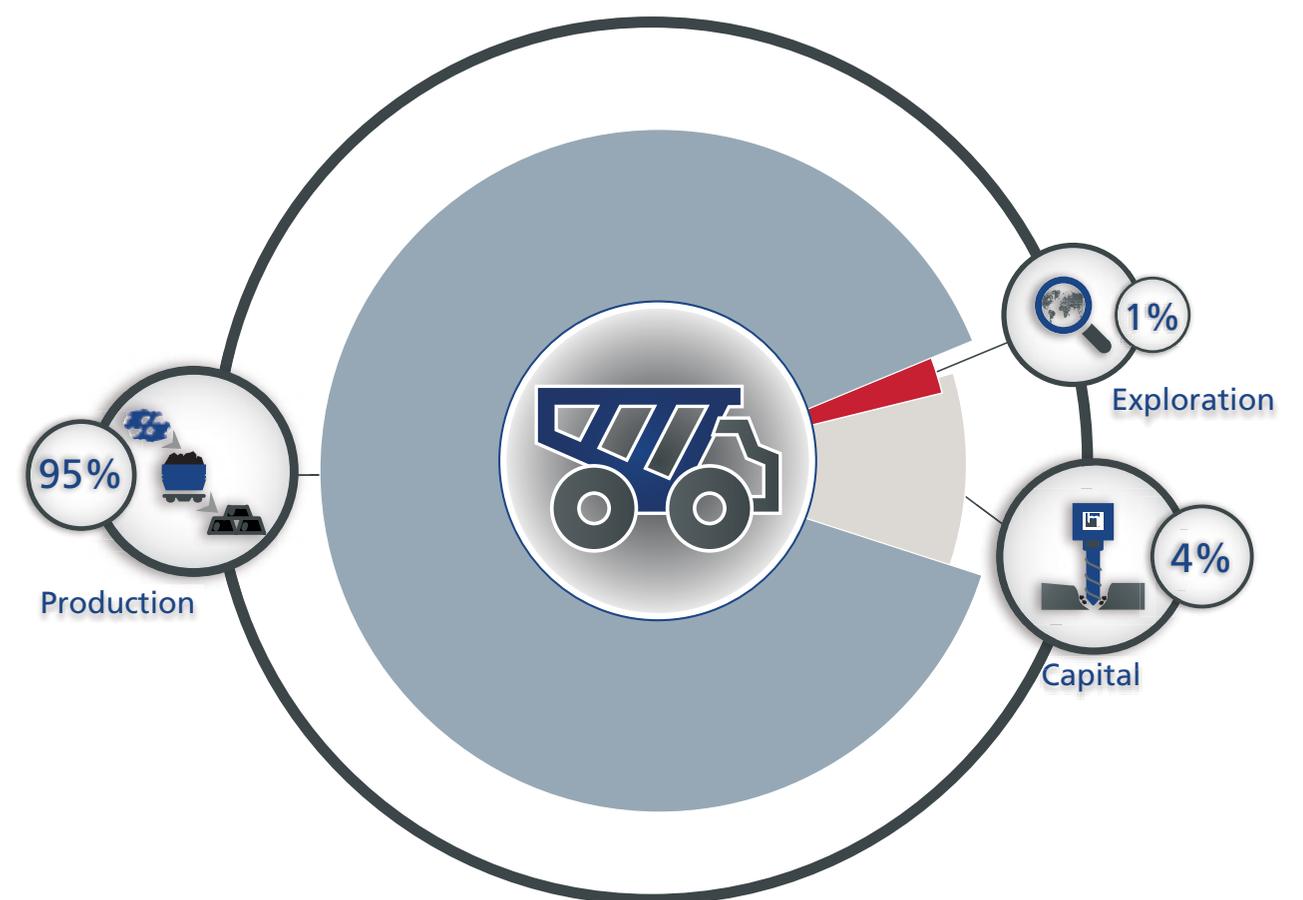
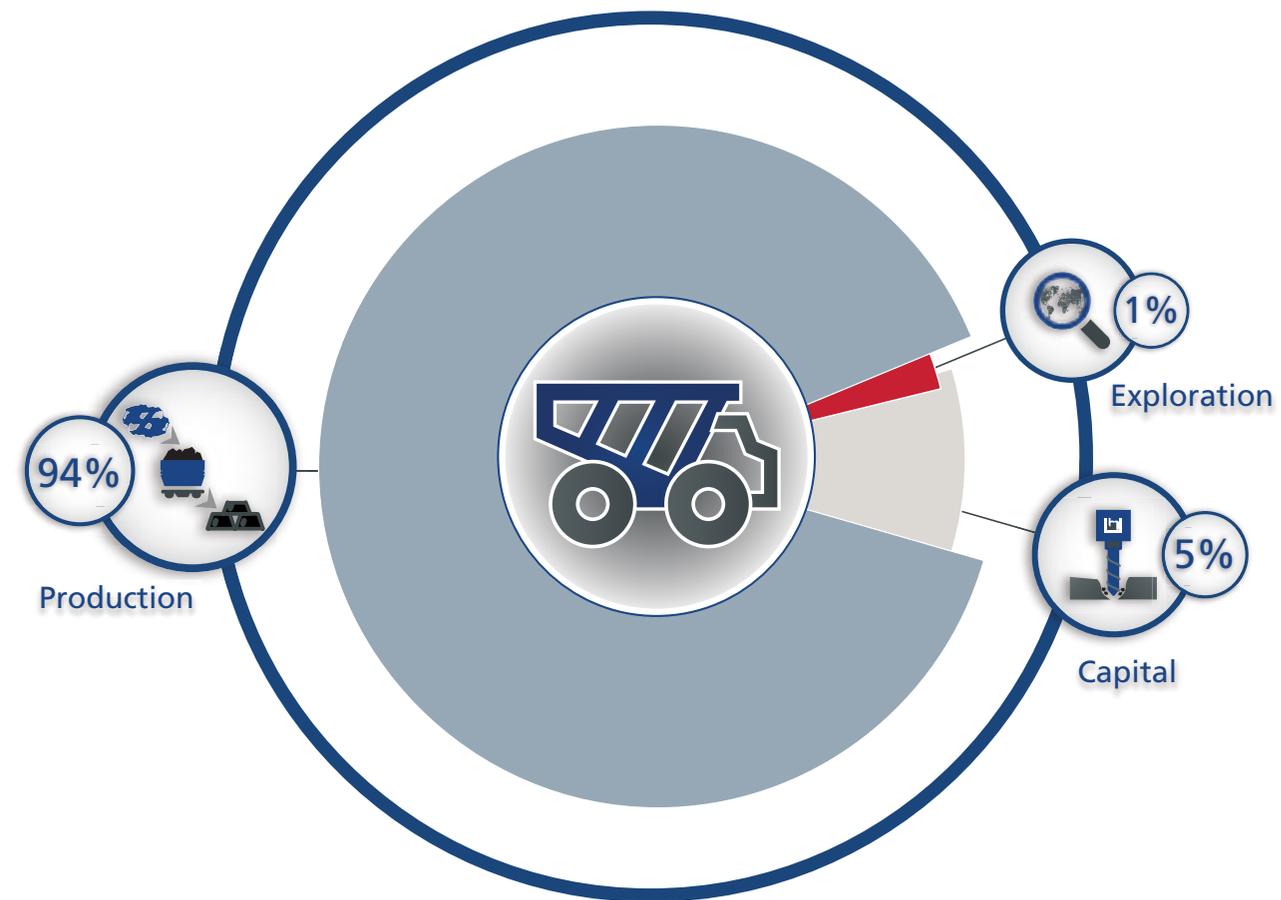
**TECHNOLOGY STRATEGY**



# REVENUE GEOGRAPHIC DIVERSIFICATION

2018 H1

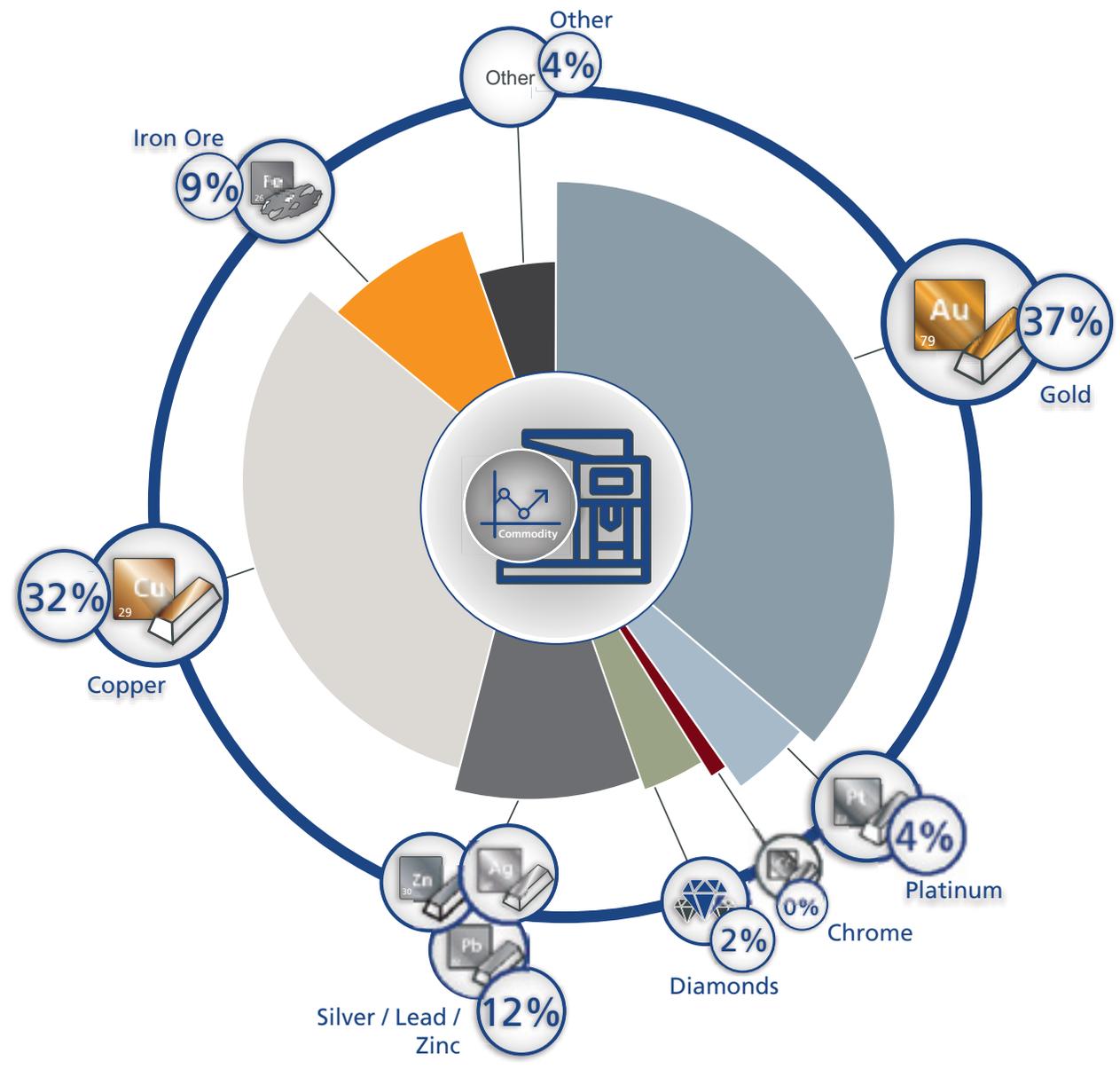
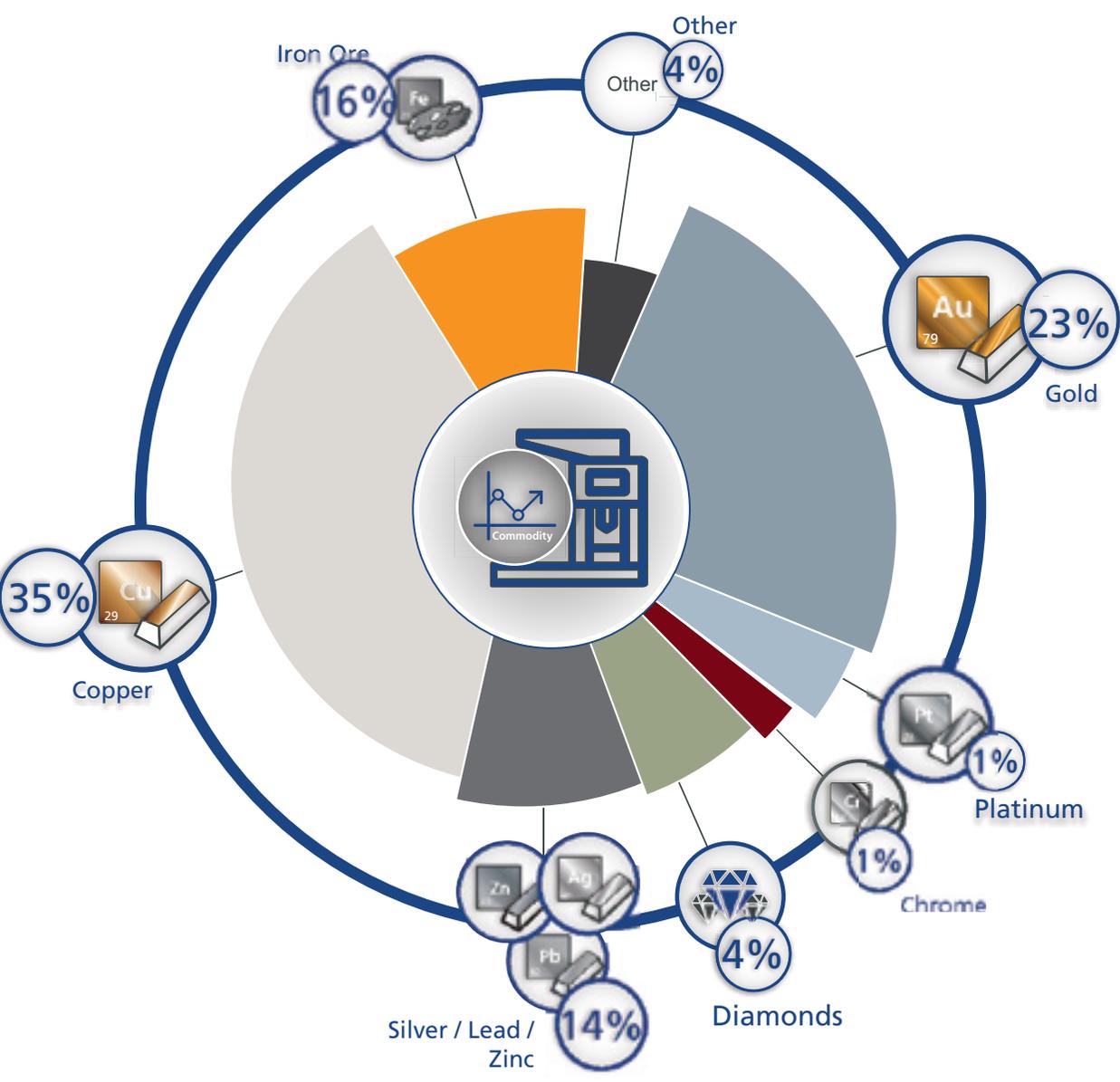
2017 H1



# REVENUE MINING ACTIVITY DIVERSIFICATION

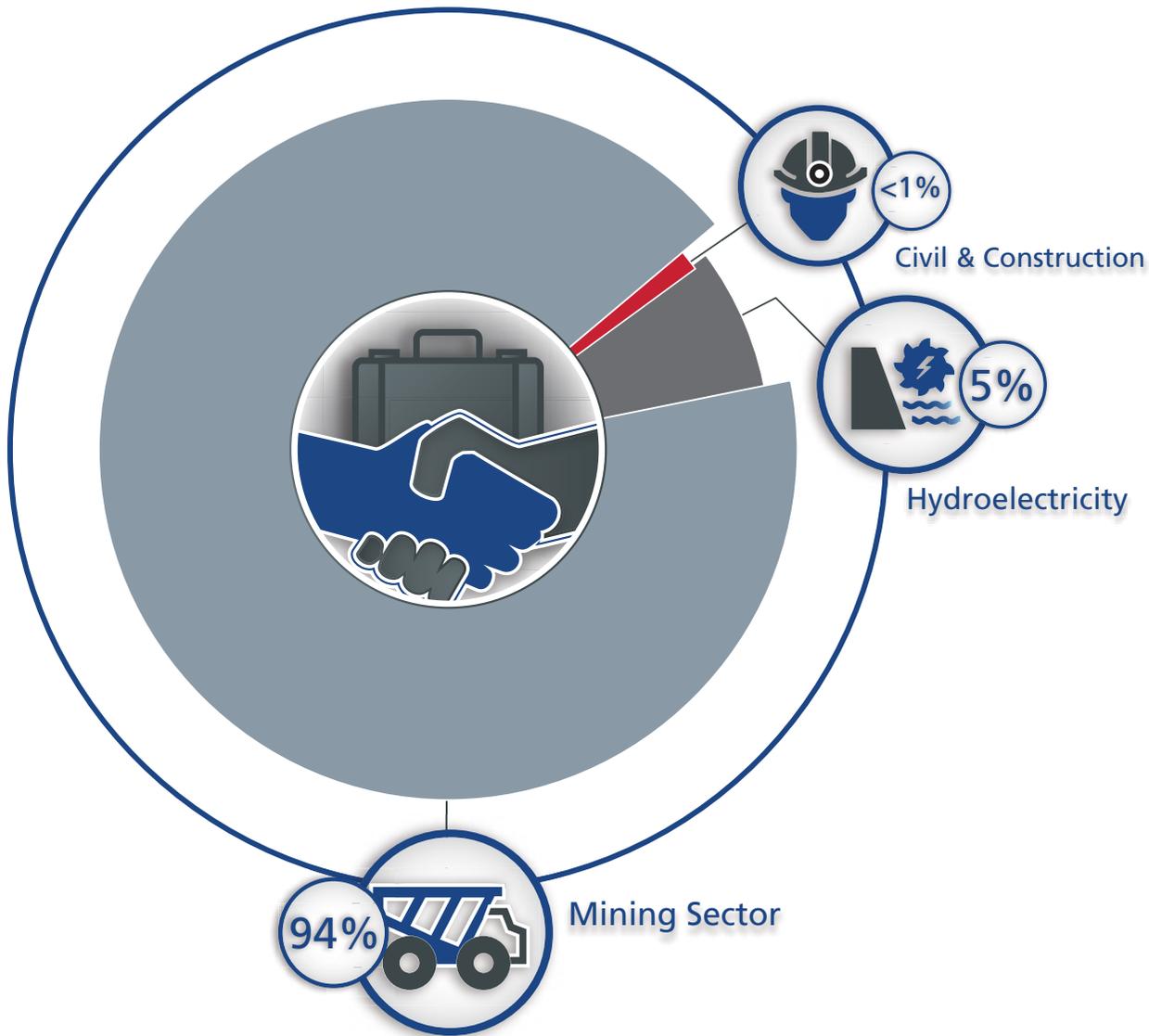
2018 H1

2017 H1

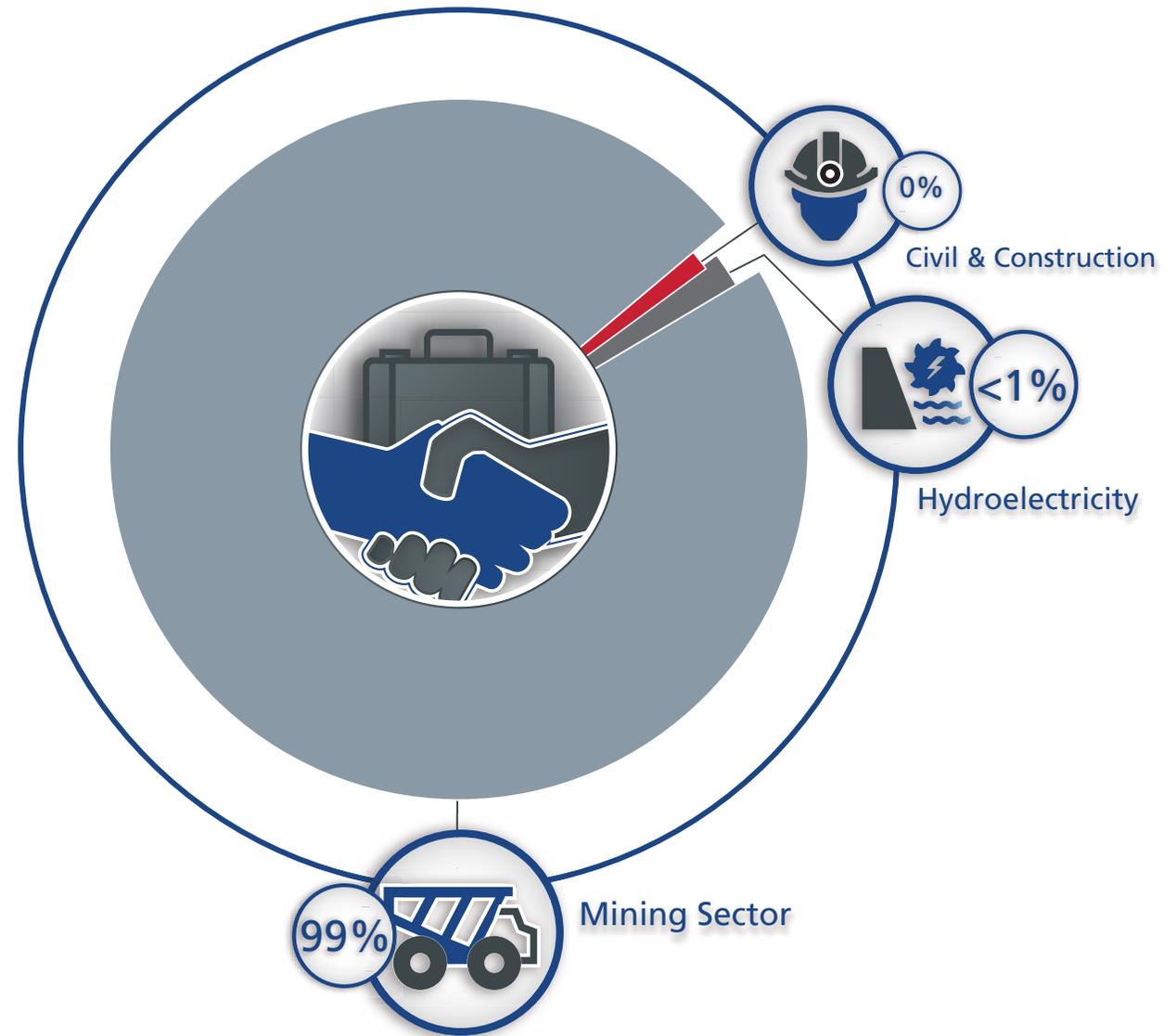


# REVENUE COMMODITY DIVERSIFICATION

2018 H1



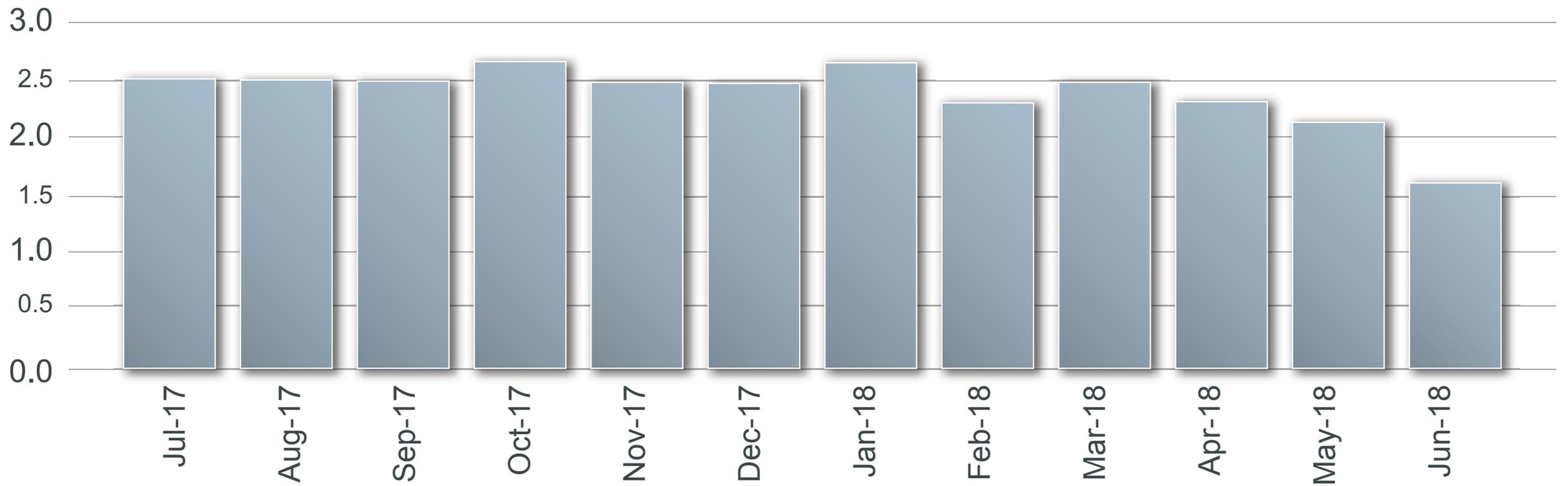
2017 H1



# REVENUE BUSINESS SECTOR DIVERSIFICATION



## OPERATIONAL REVIEW



## LOST TIME INJURY FREQUENCY RATE



## FINANCIAL OVERVIEW

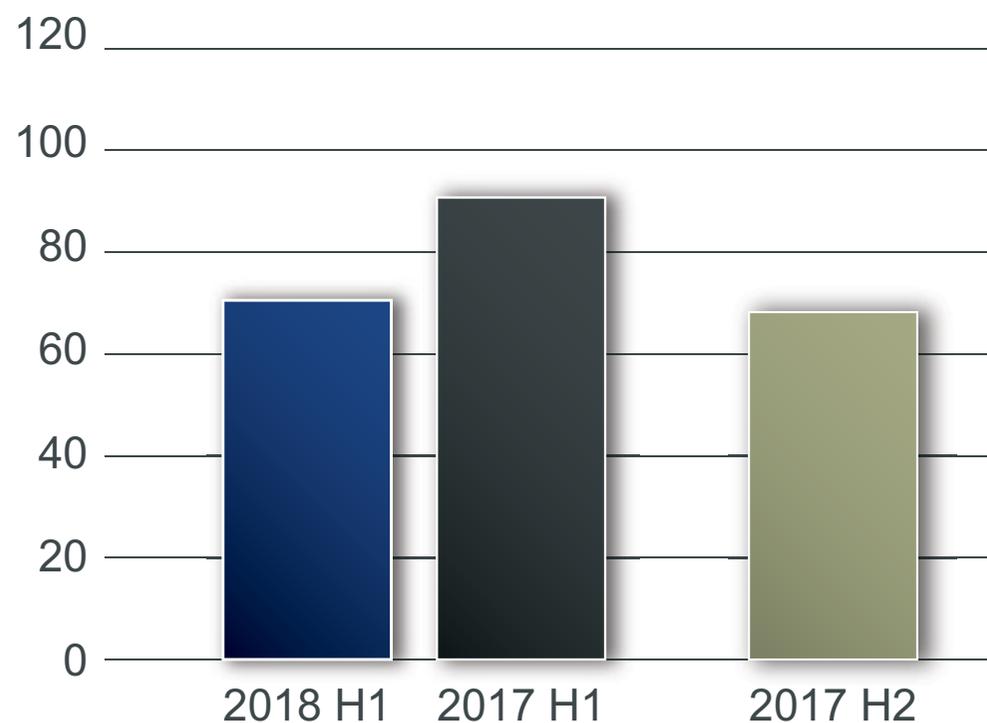
- Revenue growth in USD terms
- New geographies added in current reporting period
- Improvement in cash conversion ratio
- Sufficient cash for growth opportunities
- Healthy pipeline



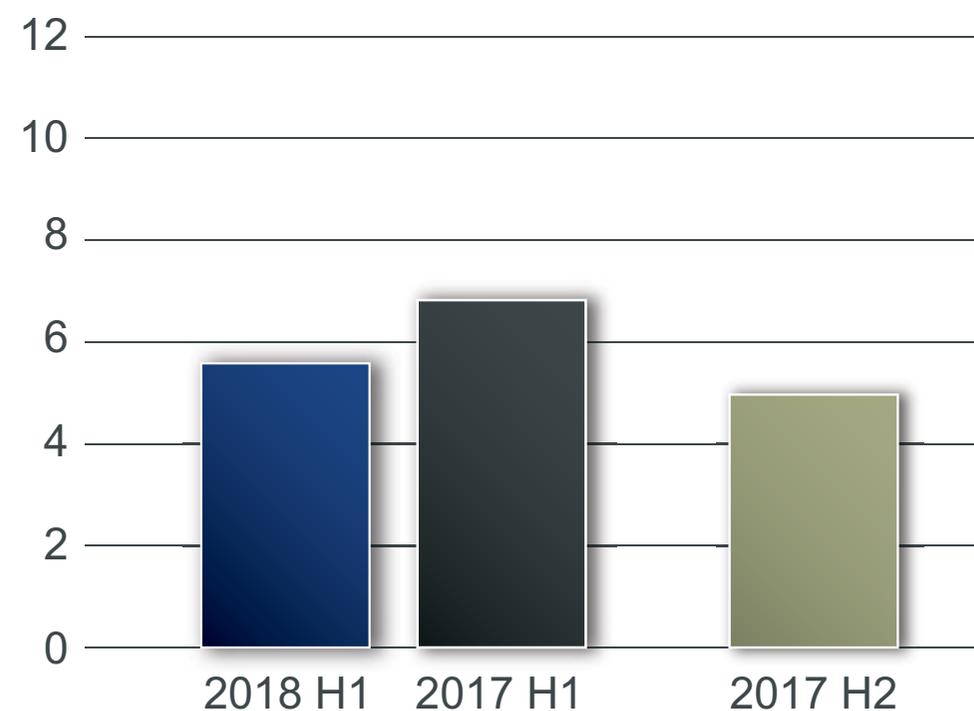
**HIGHLIGHTS FOR THE PERIOD**



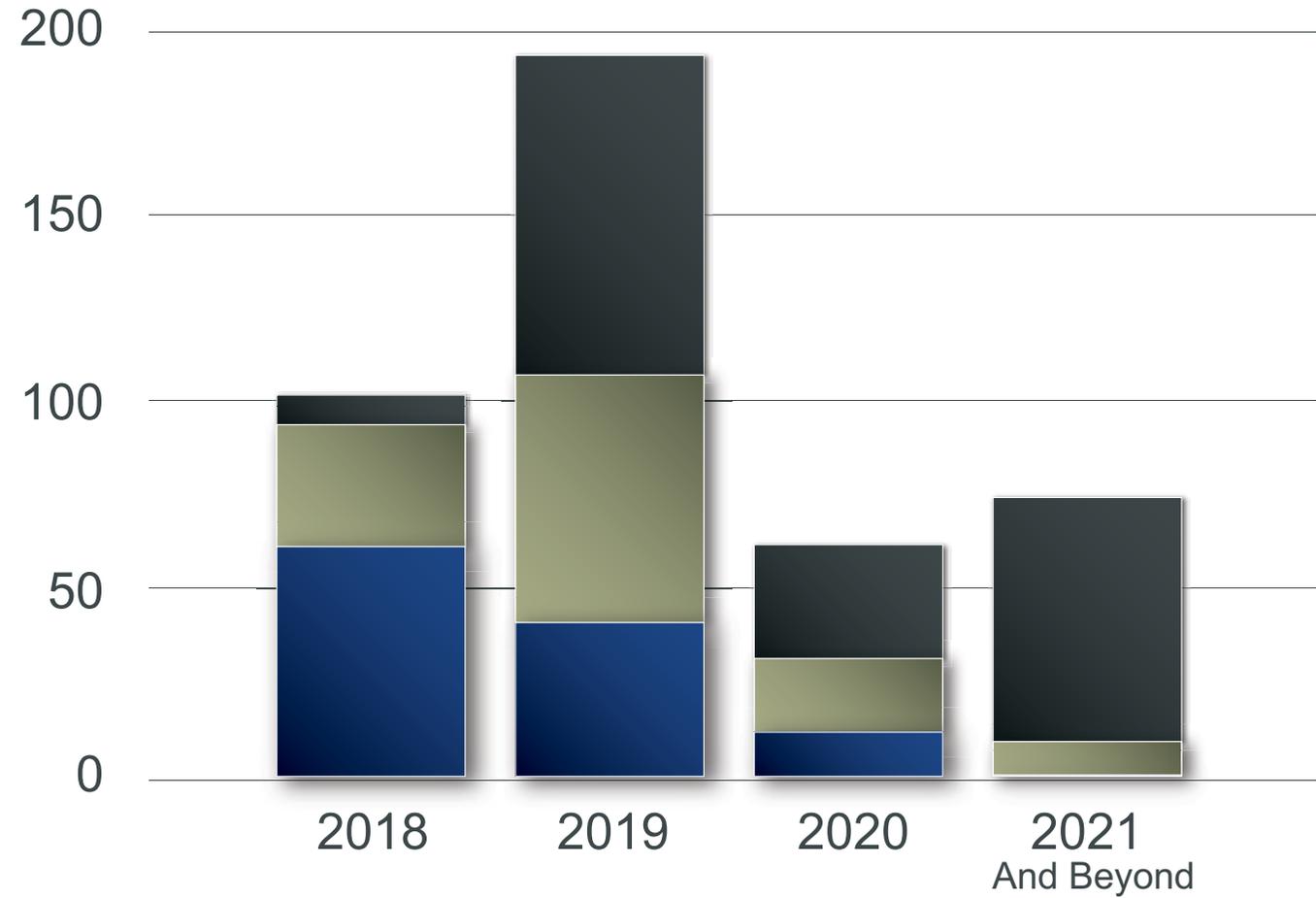
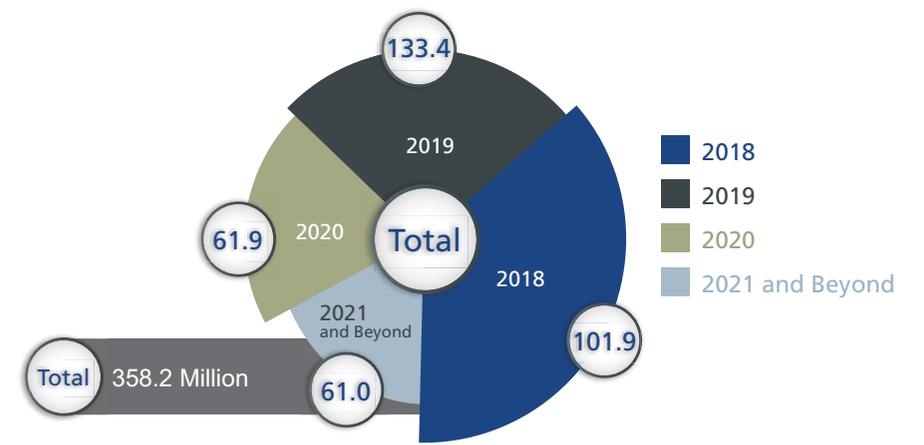
**HEPS (ZARc)**



**HEPS (USDc)**

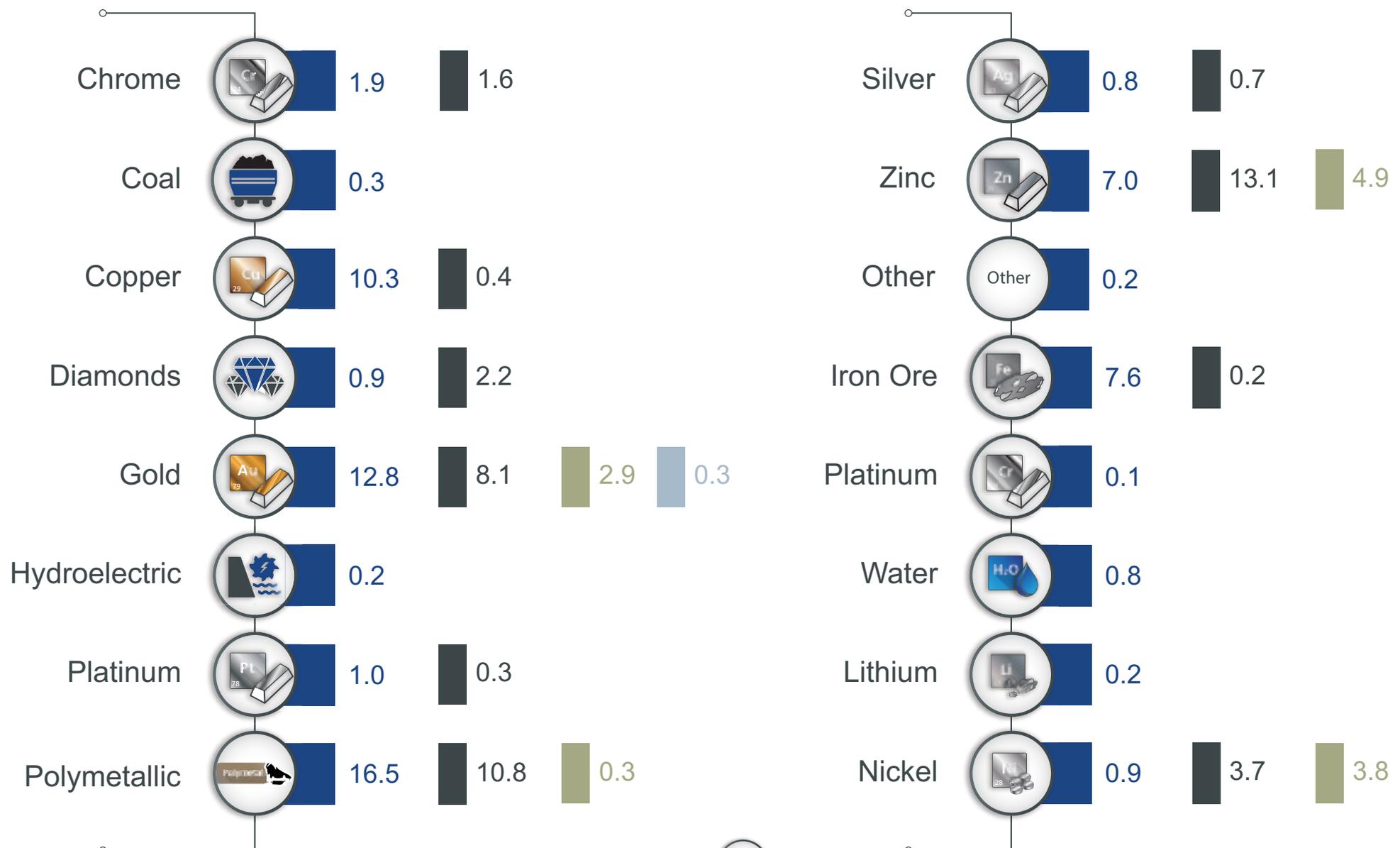


**HEADLINE EARNINGS PER SHARE**

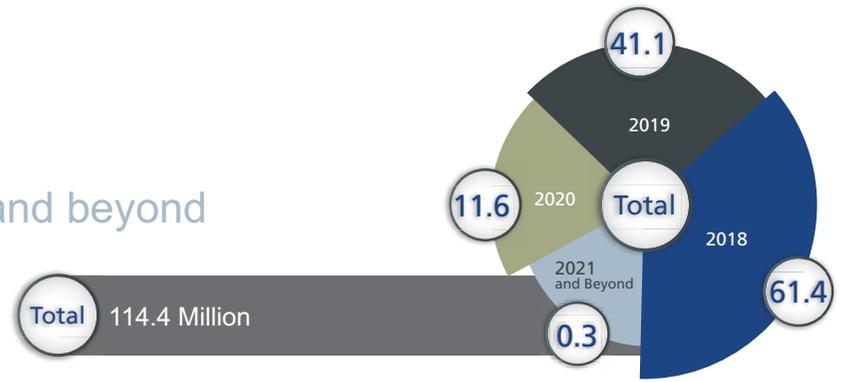


- Awarded
- Awaiting adjudication
- Enquiry received/ possible lead

## PIPELINE (USD ‘ MILLION)



■ 2018    ■ 2020  
■ 2019    ■ 2021 and beyond



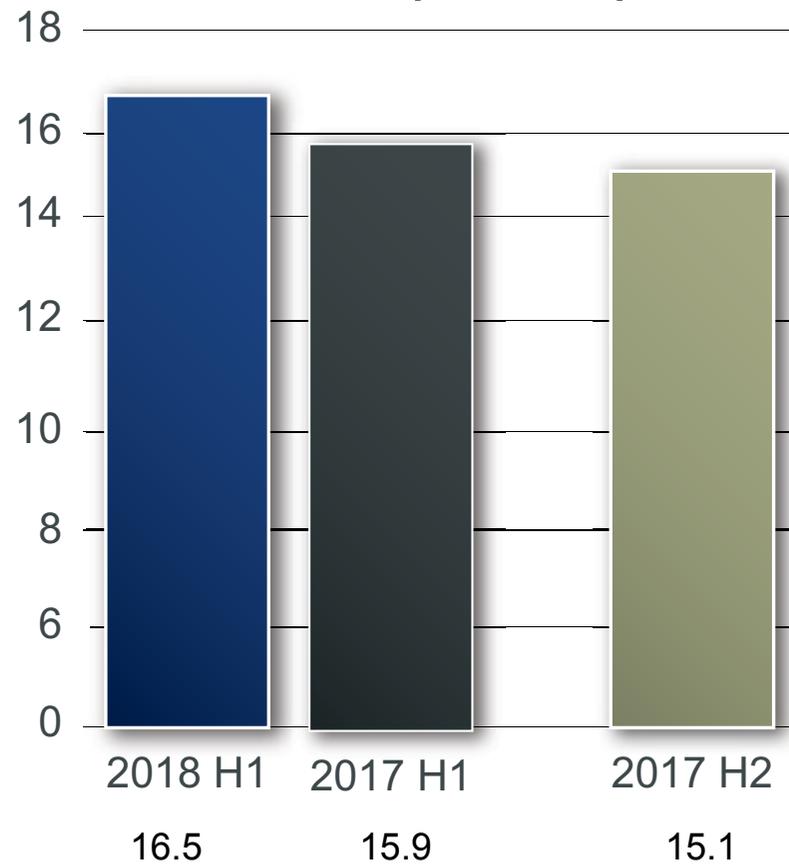
# COMMITTED ORDERS (USD ‘ MILLION)



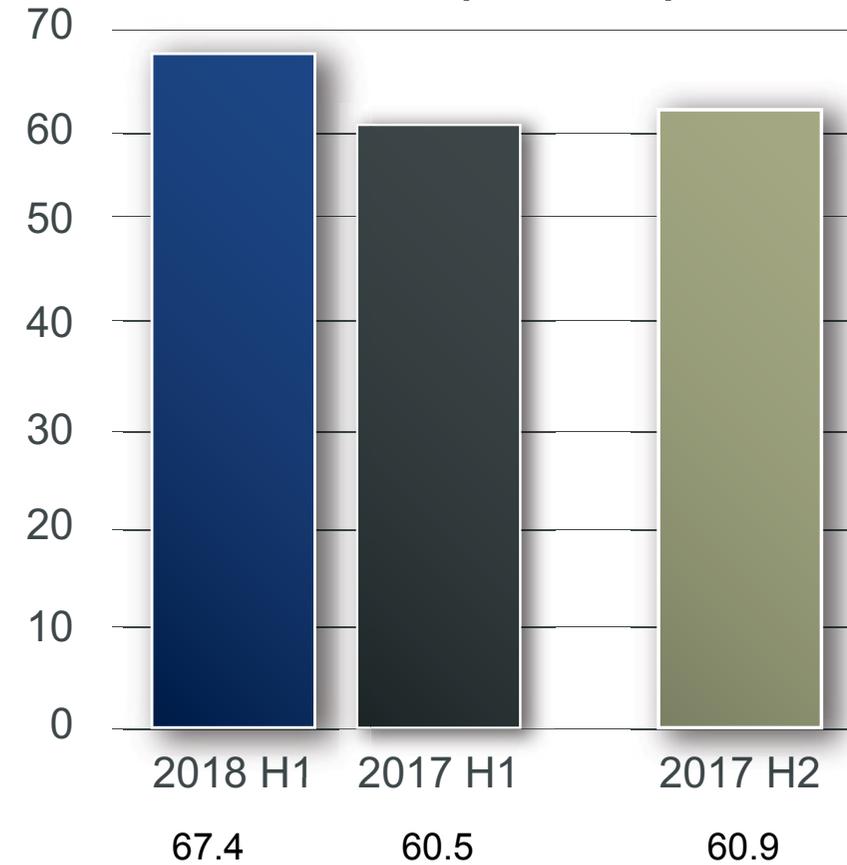
2018 H1



**EBITDA (USD'm)**



**Revenue (USD'm)**



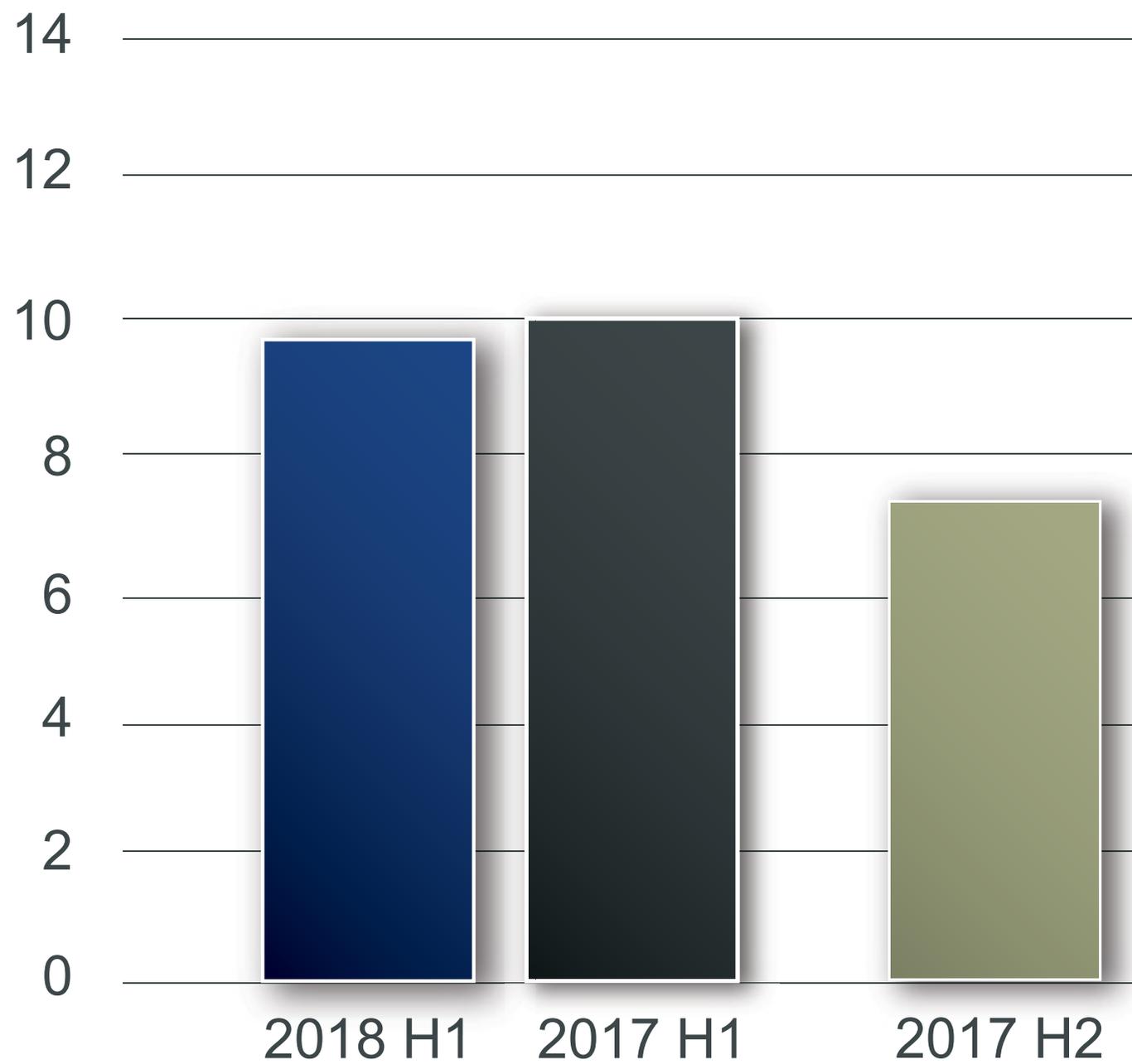
**EARNINGS BEFORE INTEREST TAX DEPRECIATION  
AMORTISATION (USD ' MILLION)**



	2018H1	2017	2016	2015	2014	2013	2012
<b>Total Raise bore rigs</b>	128	107	105	98	94	88	88
<b>Utilization %</b>	68%	69%	73%	70%	75%	77%	71%
<b>ARPOR* (USD)</b>	<b>109 953</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	34	33	48	45	74	64
<b>Utilization %</b>	69%	77%	55%	35%	54%	54%	51%
<b>ARPOR* (USD)</b>	<b>63 802</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



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



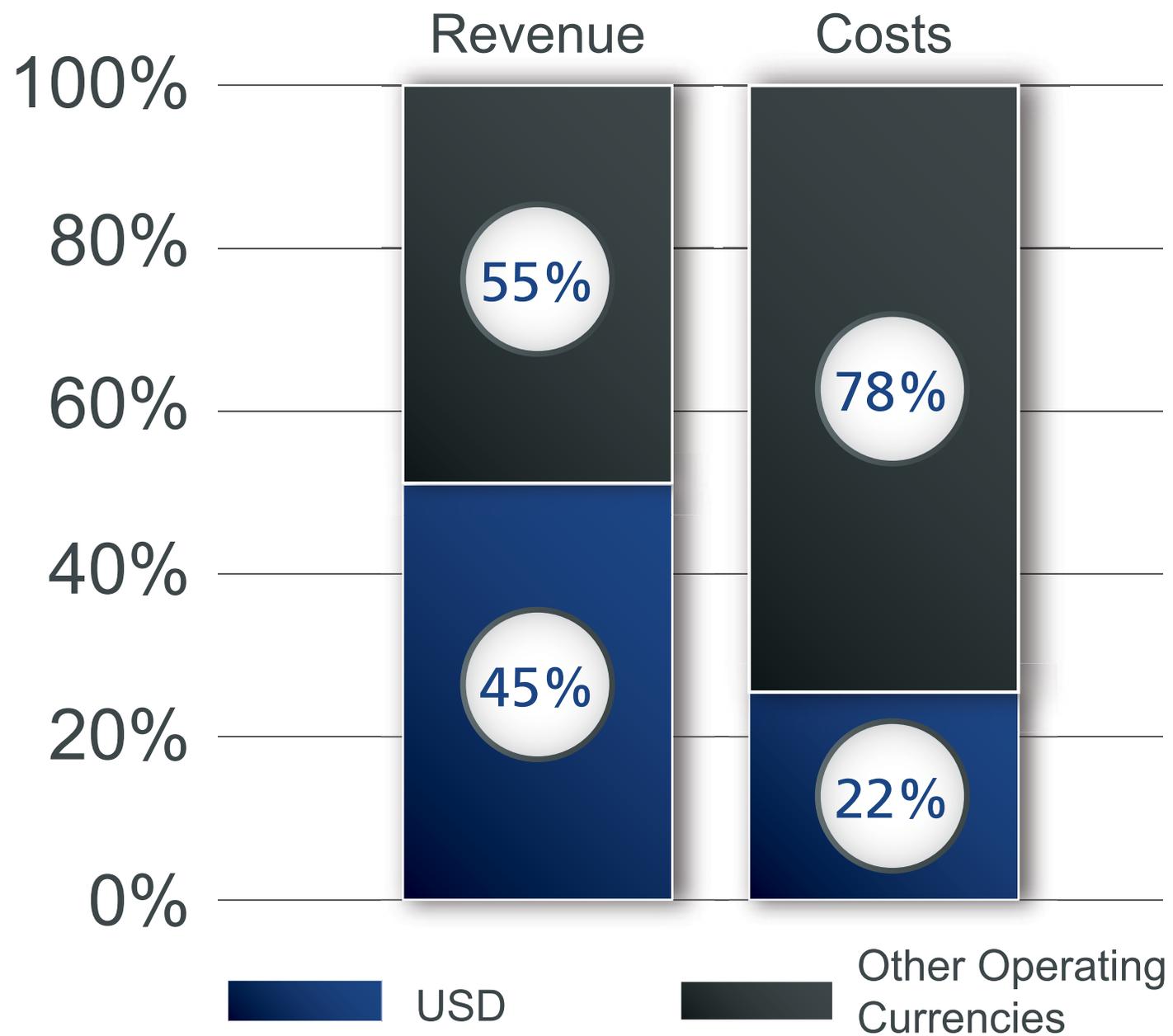
	2018H1 USD 'million	2017 USD 'million	Comment
<b>Assets</b>			
Total non-current assets	143.8	133.2	Continued investment in plant and equipment - USD 7.1 million
Total current assets	96.3	103.7	Working capital ratio fairly flat compared to 2017
<b>Total assets</b>	<b>240.1</b>	<b>236.9</b>	
<b>Equity</b>			
Equity	152.1	153.0	
Non-controlling interest	8.5	8.3	
<b>Total equity</b>	<b>160.6</b>	<b>161.3</b>	
<b>Liabilities</b>			
Total non-current liabilities	45.9	47.1	Gearing ratio moved from 2.4% to 10.9%
Total current liabilities	33.6	28.5	Current ratio healthy at 2.86
<b>Total liabilities</b>	<b>79.5</b>	<b>75.6</b>	
<b>Total equity and liabilities</b>	<b>240.1</b>	<b>236.9</b>	

## STATEMENT OF FINANCIAL POSITION

	2018H1	2017H1	2017
	USD 'million	USD 'million	USD 'million
Revenue	67.4	60.5	121.4
Cost of sales	(43.5)	(37.7)	(76.8)
<b>Gross profit</b>	<b>23.9</b>	<b>22.8</b>	<b>44.6</b>
Other operating income	2.0	1.2	3.7
Other operating expenses	(13.0)	(11.9)	(23.4)
<b>Operating profit</b>	<b>12.9</b>	<b>12.1</b>	<b>24.9</b>
Investment revenue	0.6	0.4	0.5
Finance costs	(1.5)	(1.0)	(2.9)
Share of profit from equity accounted investment	(0.0)	(0.0)	(0.0)
<b>Profit before taxation</b>	<b>12.0</b>	<b>11.5</b>	<b>22.6</b>
Taxation	(2.3)	(1.5)	(5.1)
<b>Profit for the year</b>	<b>9.7</b>	<b>10.0</b>	<b>17.5</b>

	Explanation\Comment
Revenue	Revenue increased slightly due to additional revenue from new subsidiary
Cost of Sales	Cost of sales increased in line with increased revenue - fairly flat gross profit percentage
Profit for the year	Lower utilisation rates and currency effect of the other operating currencies

## STATEMENT OF COMPREHENSIVE INCOME



	USD' million
Negative impact on profit before taxation	(1.14)

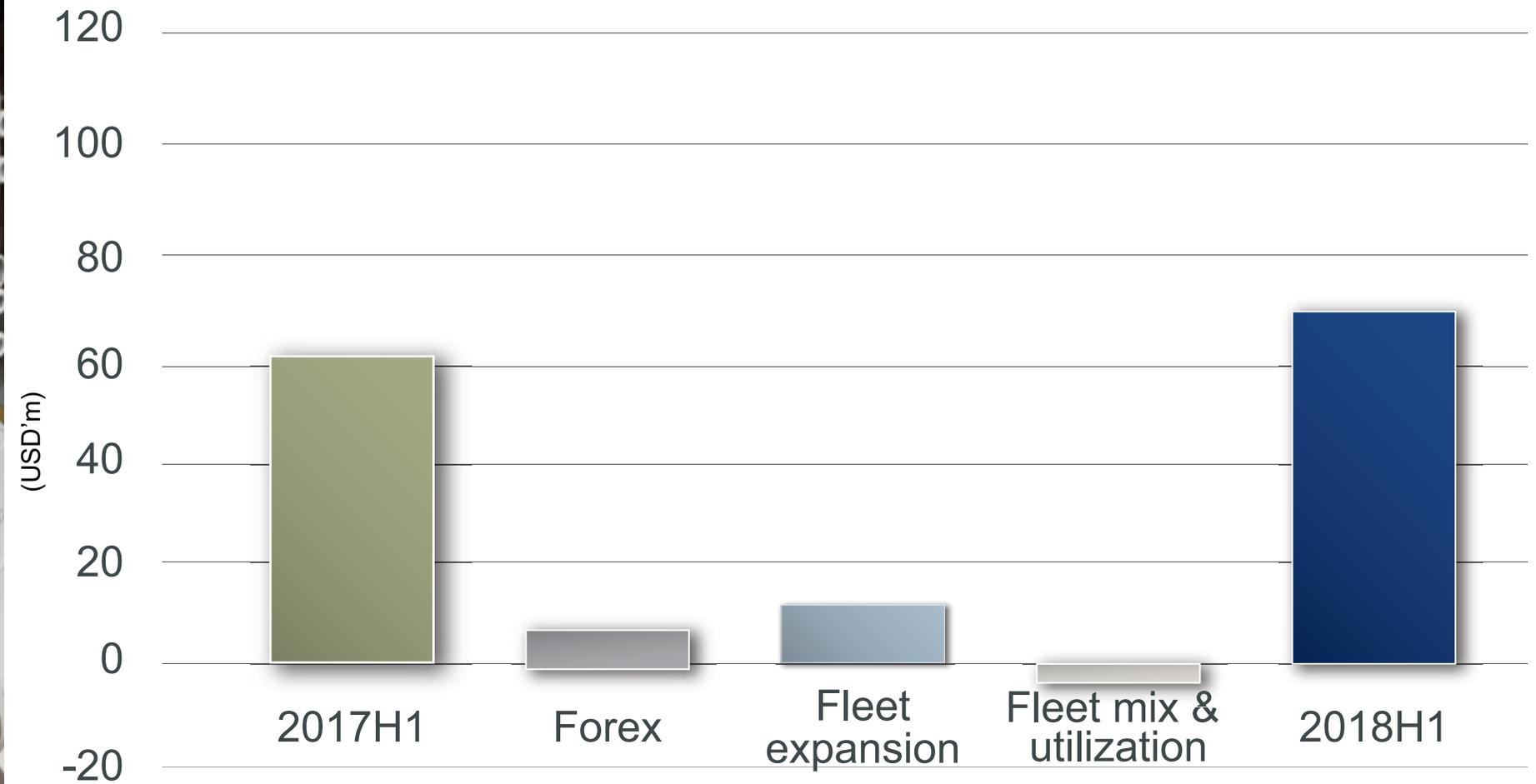
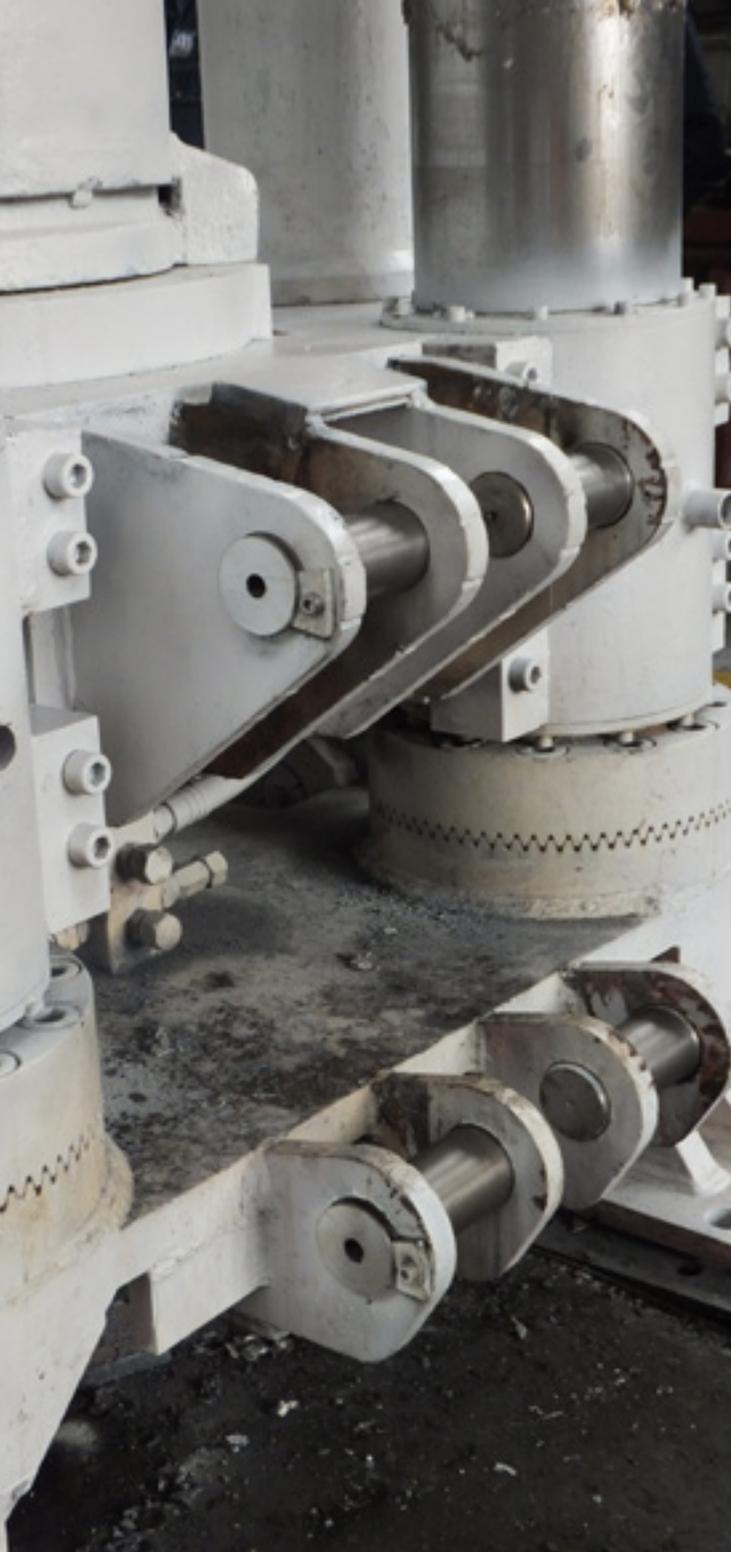


## IMPACT OF CURRENCY ON PROFIT BEFORE TAXATION



	2018H1	2017H1	Comment
	USD 'million	USD 'million	
Net cash from operating activities	8.7	9.2	Cash conversion ratio increased from 1.04 to 1.10
Net cash from investing activities	(14.3)	(6.3)	Acquisition of Subsidiary
Net cash from financing activities	(4.3)	14.0	
<b>Total cash movement for the period</b>	<b>(9.9)</b>	<b>16.9</b>	
Cash at the beginning of the period	40.3	20.4	
Effect of exchange rate movement on cash balances	(2.0)	0.4	
<b>Total cash at the end of the period</b>	<b>28.4</b>	<b>37.7</b>	Sufficient cash for future growth opportunities

## STATEMENT OF CASH FLOWS



<b>Revenue 2017 H1</b>	<b>60.5</b>
<b>Foreign exchange movements</b>	<b>1.7</b>
<b>Fleet expansion</b>	<b>6.1</b>
<b>Fleet mix &amp; utilization</b>	<b>(0.9)</b>
<b>Revenue 2018 H1</b>	<b>67.4</b>

## REVENUE WATERFALL BREAKDOWN (USD ‘ MILLION)



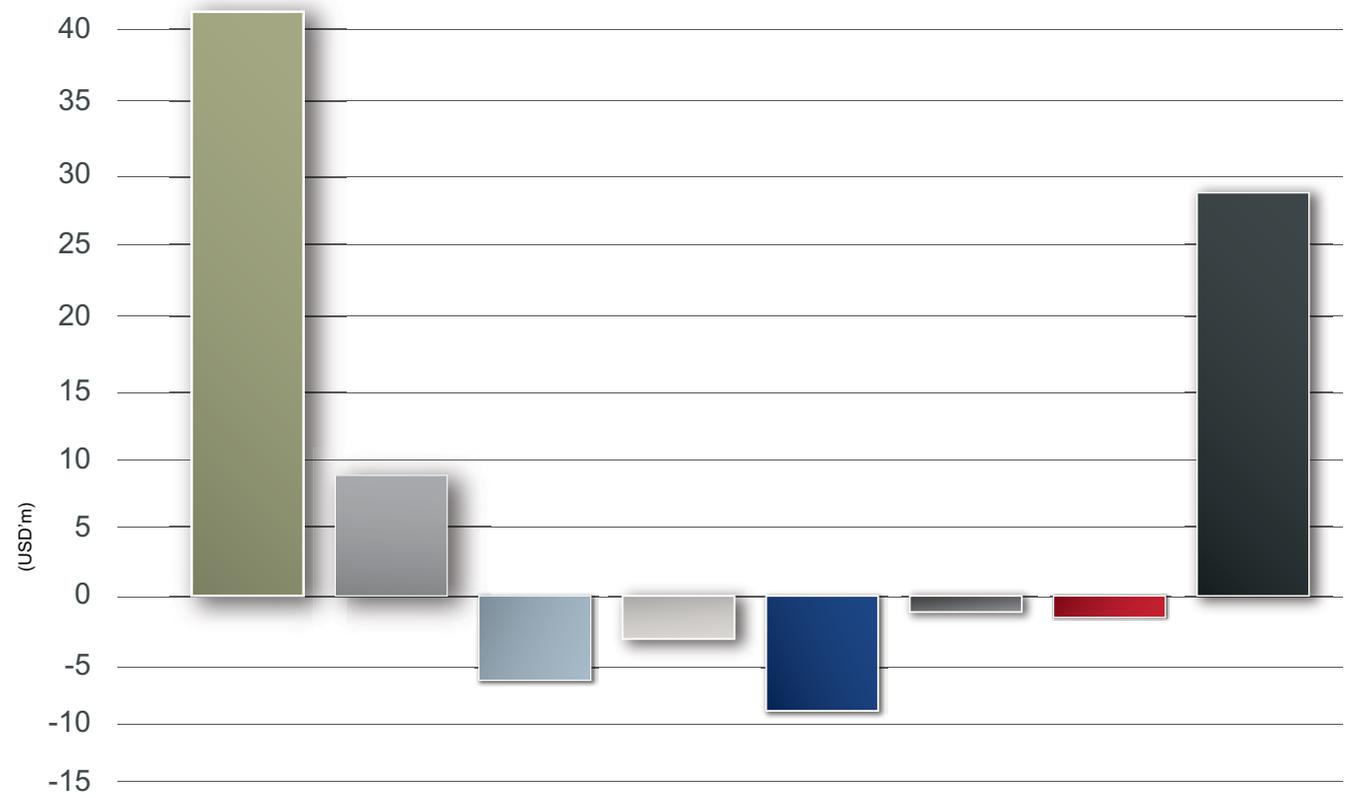
Working Capital Breakdown	2018H1	2017	Movement
<b>Inventory</b>	<b>24.5</b>	23.9	(0.6)
<b>Trade and Other Receivables</b>	<b>43.2</b>	38.2	(5.0)
<b>Trade and Other Payables</b>	<b>20.2</b>	20.1	0.1

## WORKING CAPITAL BREAKDOWN (USD ‘ MILLION)



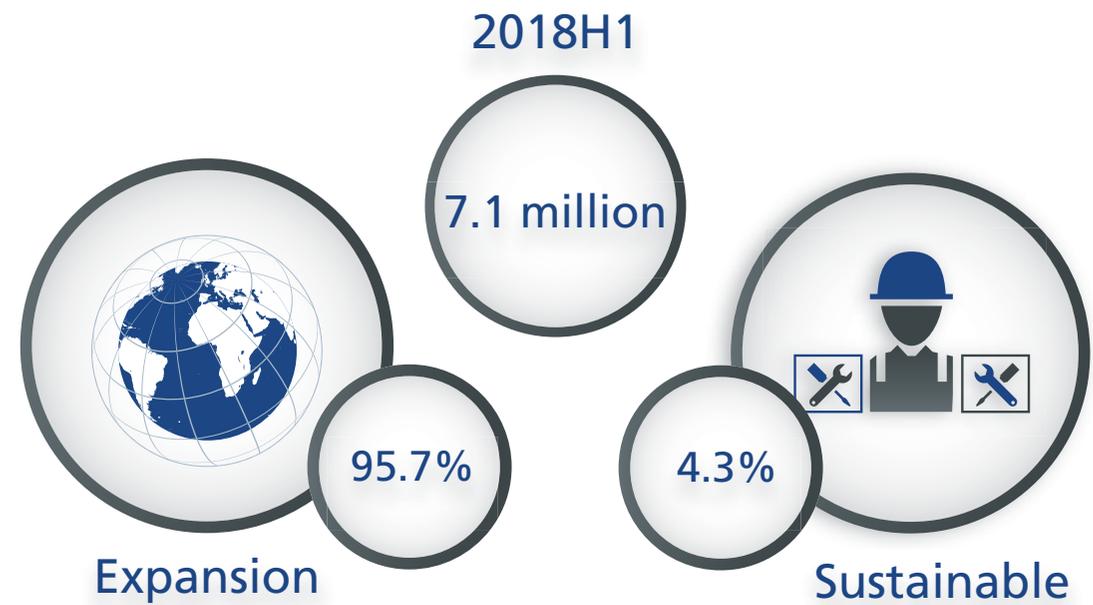
	2018H1	2017H1	2017
<b>Return on Capital Employed (EBITDA)</b>	<b>15.5%</b>	14.7%	15.3%
<b>Working Capital Ratio (Days)</b>	<b>128.8</b>	135.9	126.3
<b>Gearing Ratio (Net of Cash)</b>	<b>10.9%</b>	5.9%	2.4%

## BALANCE SHEET RATIOS



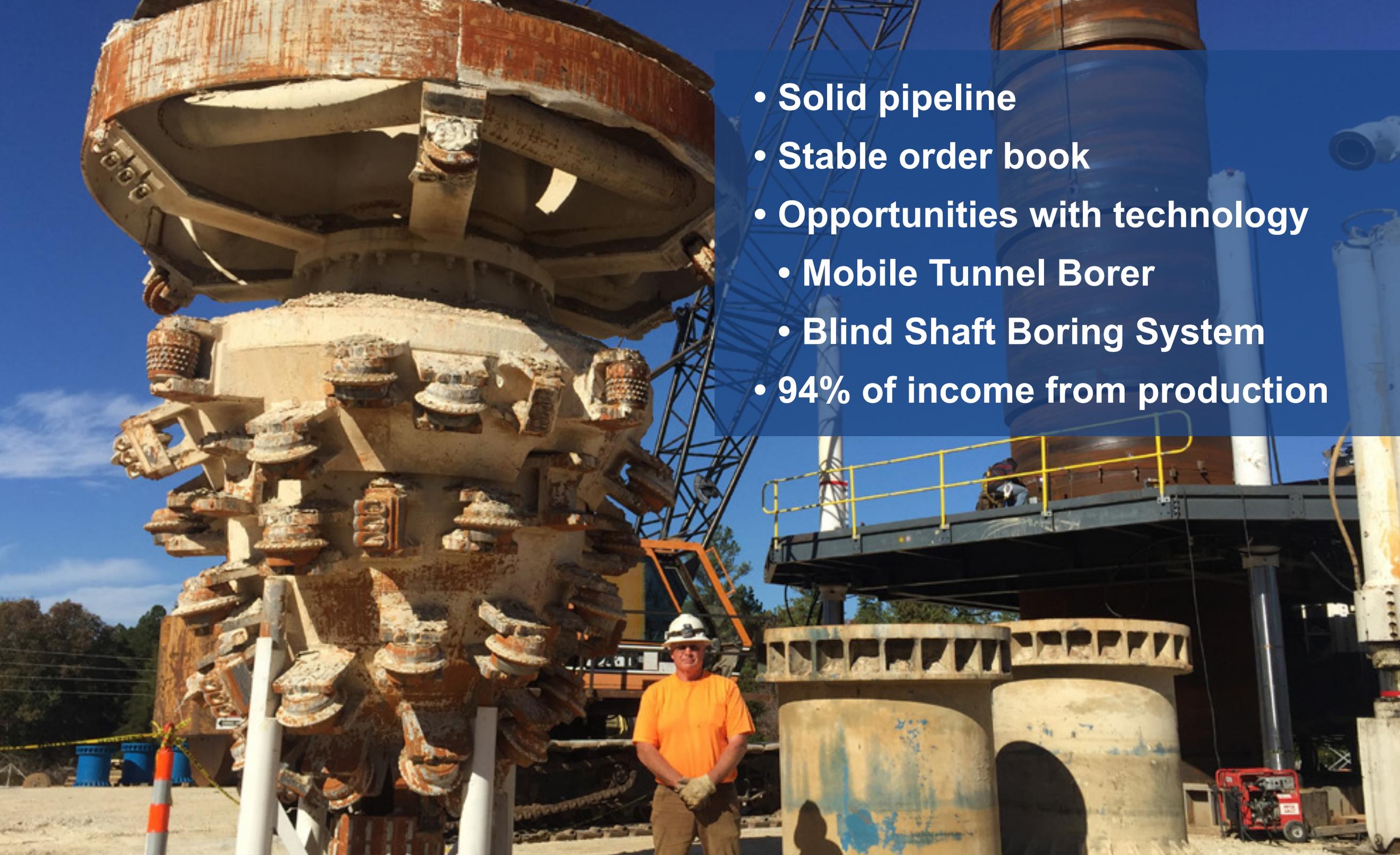
		2018H1
	<b>Cash at beginning of period</b>	40.2
	<b>Cash from operation activities</b>	8.7
	<b>Net acquisition of property, plant &amp; equipment</b>	(4.9)
	<b>Dividends paid</b>	(3.1)
	<b>Issue of share capital</b>	(9.3)
	<b>Acquisition of subsidiary</b>	(1.2)
	<b>Other</b>	(2.8)
	<b>Cash at end of period</b>	28.4

## CASH FLOW WATERFALL (USD ' MILLION)



<b>Plant and Machinery</b>	<b>97%</b>
<b>Motor Vehicles</b>	<b>2%</b>
<b>IT Equipment</b>	<b>1%</b>

## CAPITAL SPEND

- 
- Solid pipeline
  - Stable order book
  - Opportunities with technology
    - Mobile Tunnel Borer
    - Blind Shaft Boring System
  - 94% of income from production

**IN CLOSING**



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**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**

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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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Andries Willem Brink	Independent non-executive
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Octavia Matshidiso Matloa	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**

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1739

South Africa

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South Africa

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(Registration number: 1969/004763/06)

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South Africa

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Illovo

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Computershare Investor Services Proprietary Limited

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**CORPORATE INFORMATION**



## **INVESTOR RELATIONS CONTACTS**

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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**