



**MASTER DRILLING**



# UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019



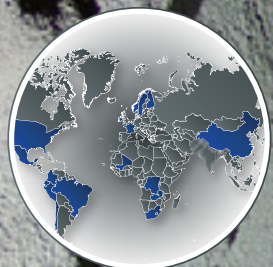
**PRESENTED BY**  
**DANIE PRETORIUS, CEO**  
**ANDRE VAN DEVENTER, CFO**



Who we are



Business overview



Operational overview



Financial overview



In Closing



**AGENDA**

- Established in 1986, listed on JSE in 2012
- Design, manufacture, operate and maintain boring technology
- Operations in 23 countries in Africa, South America, North 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

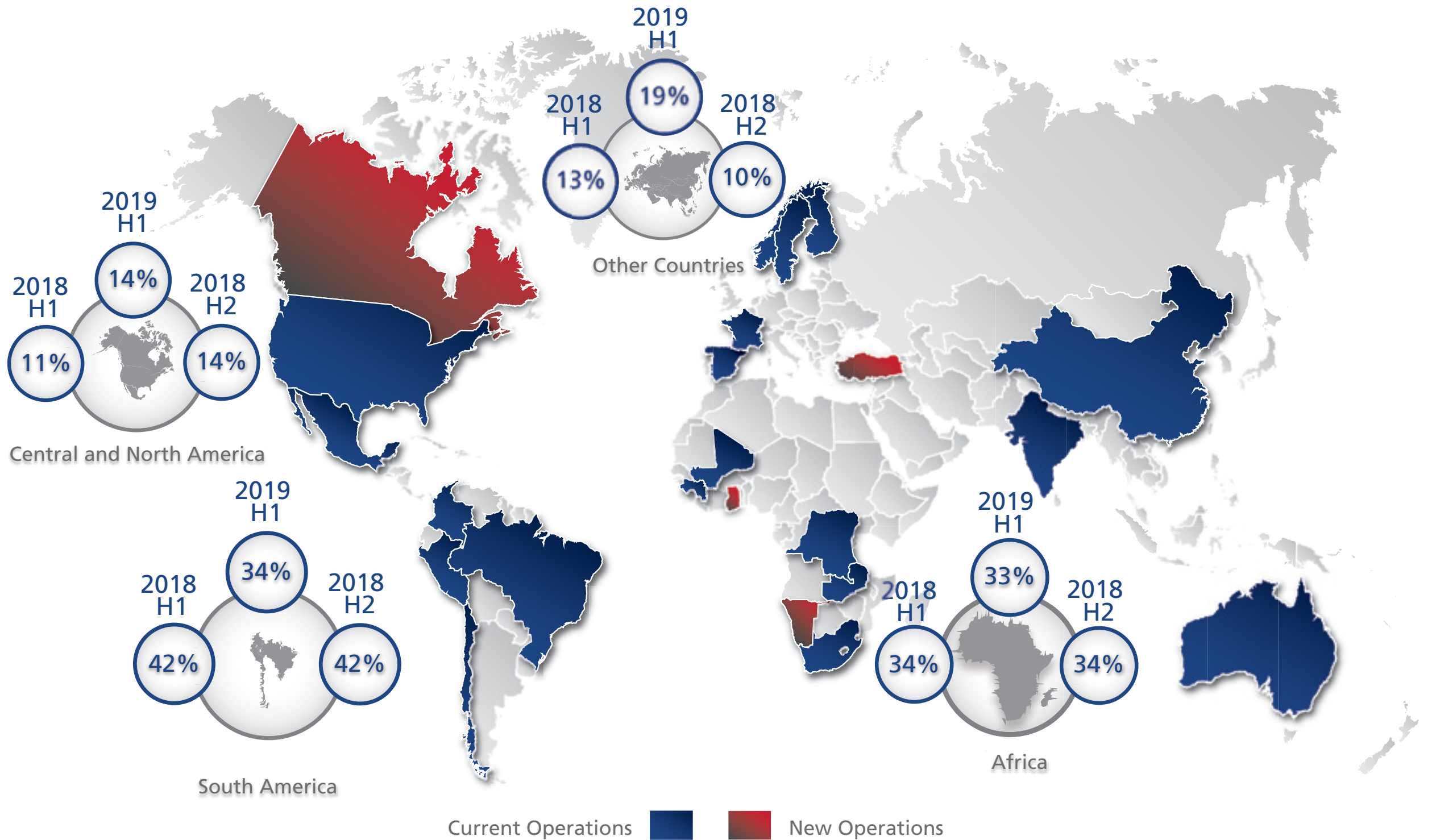
## Innovative tailor made drilling solutions

### Non-Blasting environment

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



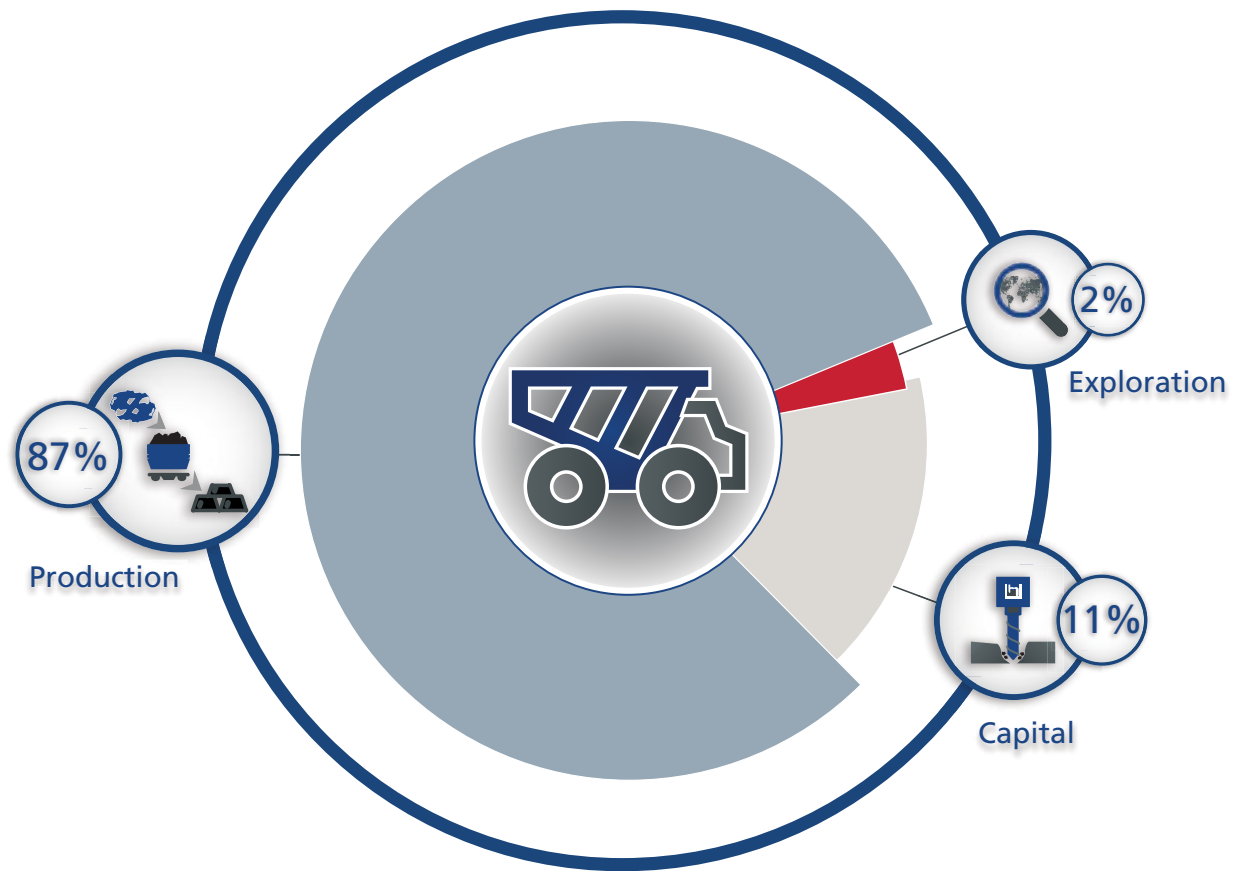
**TECHNOLOGY STRATEGY**



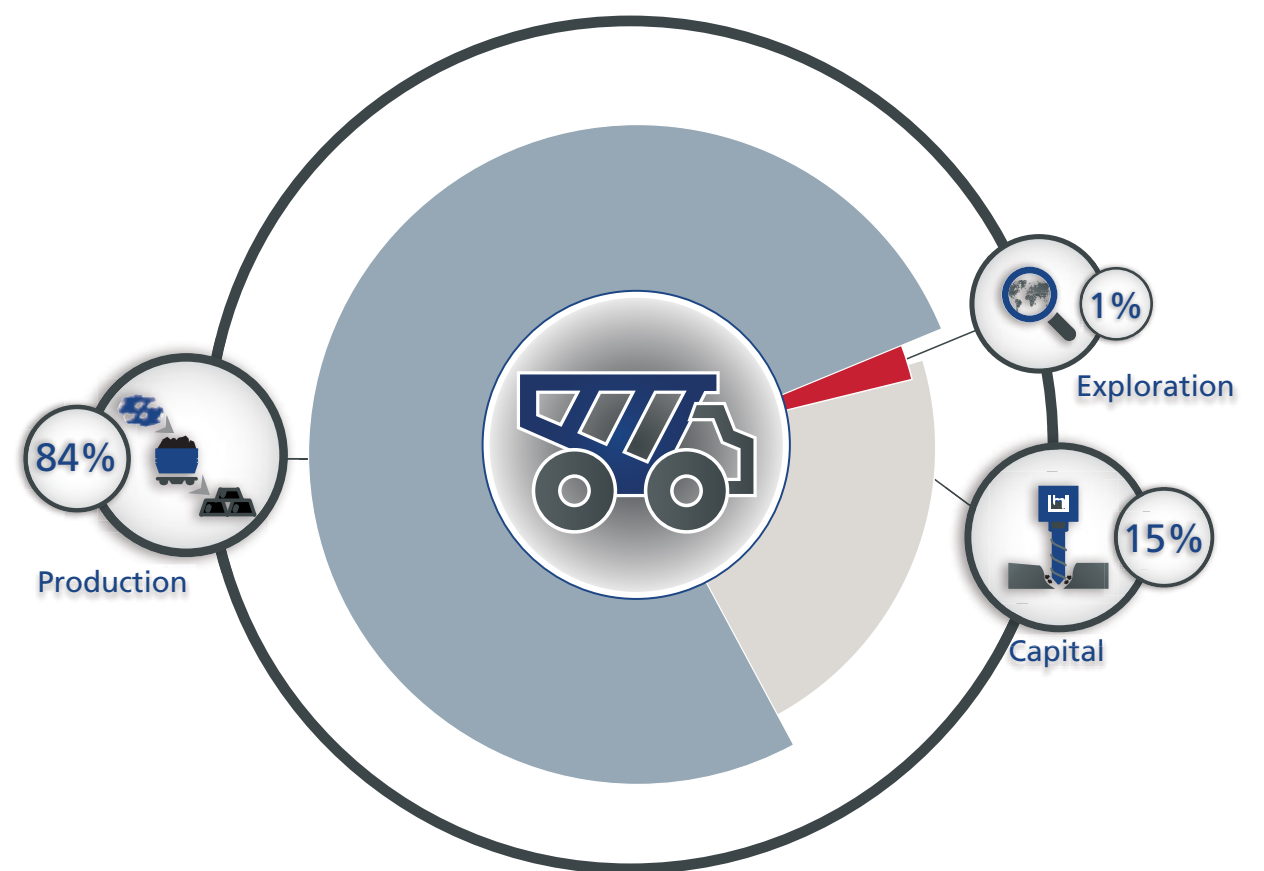
# REVENUE GEOGRAPHIC DIVERSIFICATION



2019H1

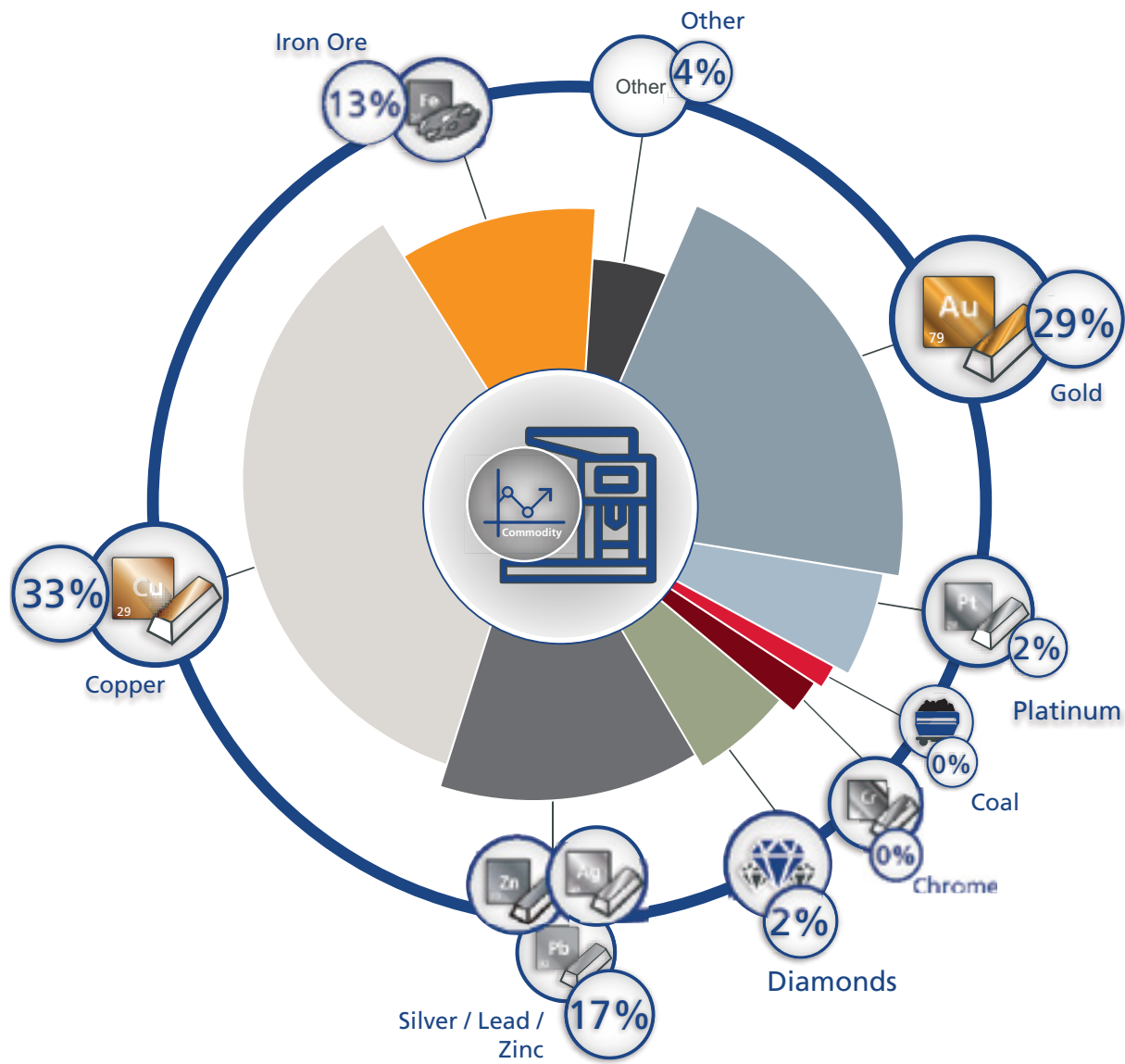


2018H1

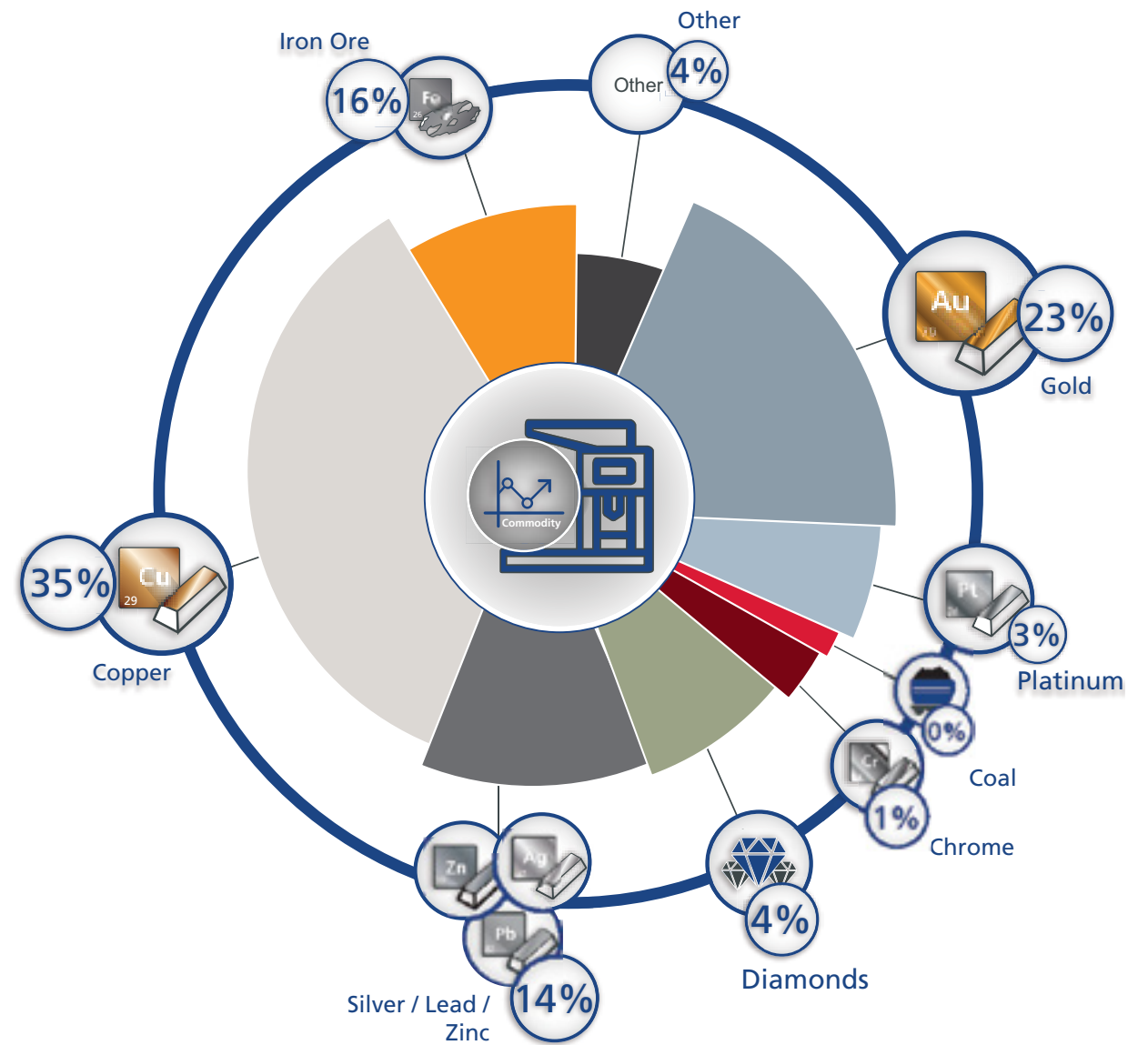


## REVENUE MINING ACTIVITY DIVERSIFICATION

2019H1



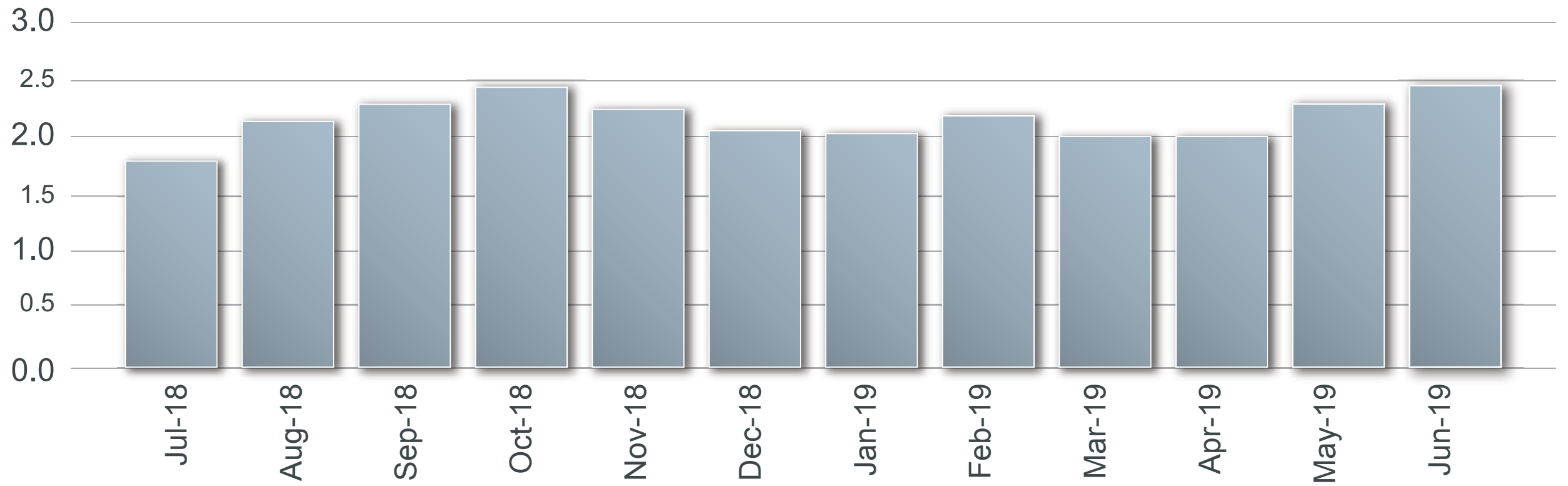
2018H1



# REVENUE COMMODITY DIVERSIFICATION



## OPERATIONAL REVIEW

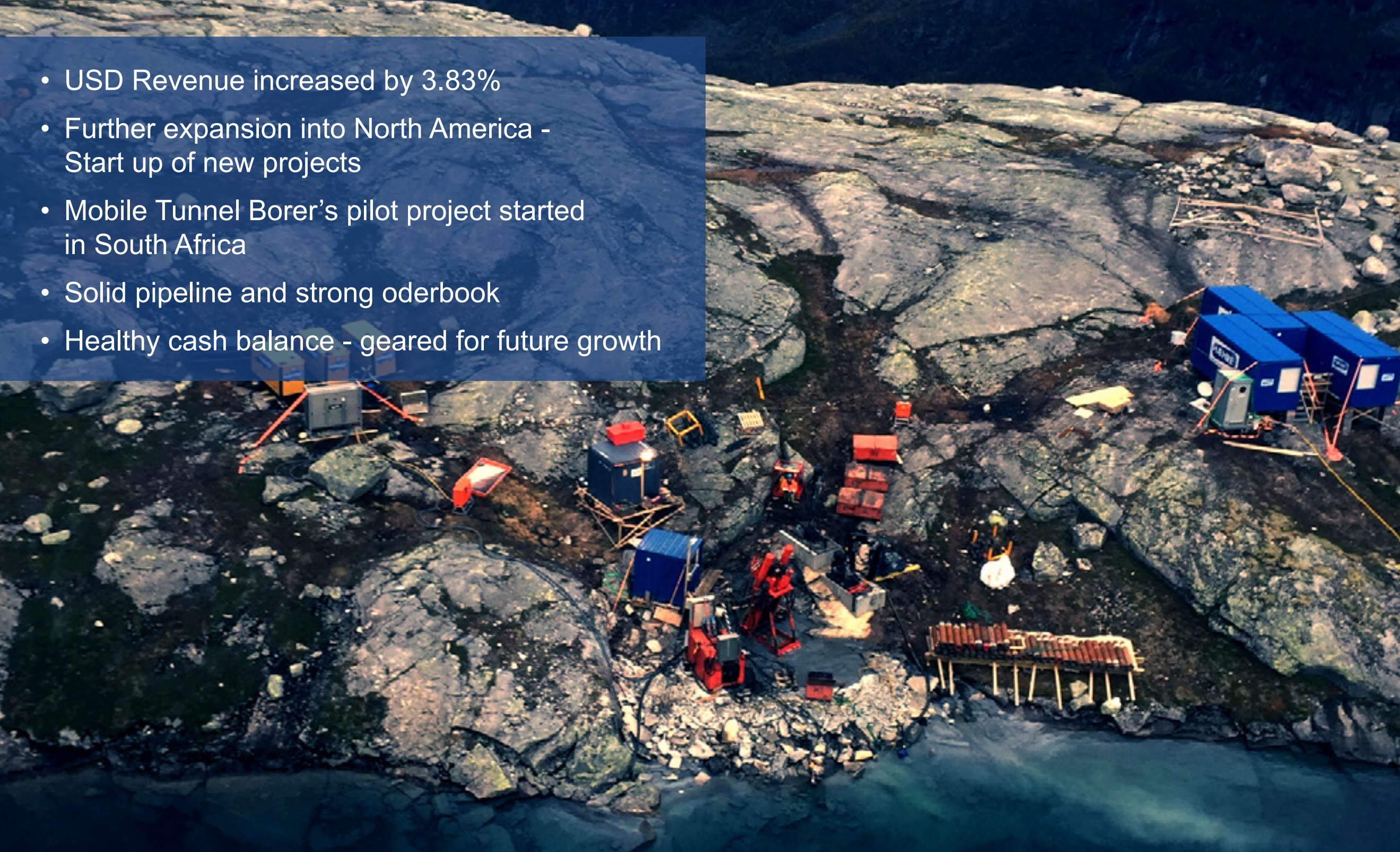


# LOST TIME INJURY FREQUENCY RATE



## FINANCIAL OVERVIEW

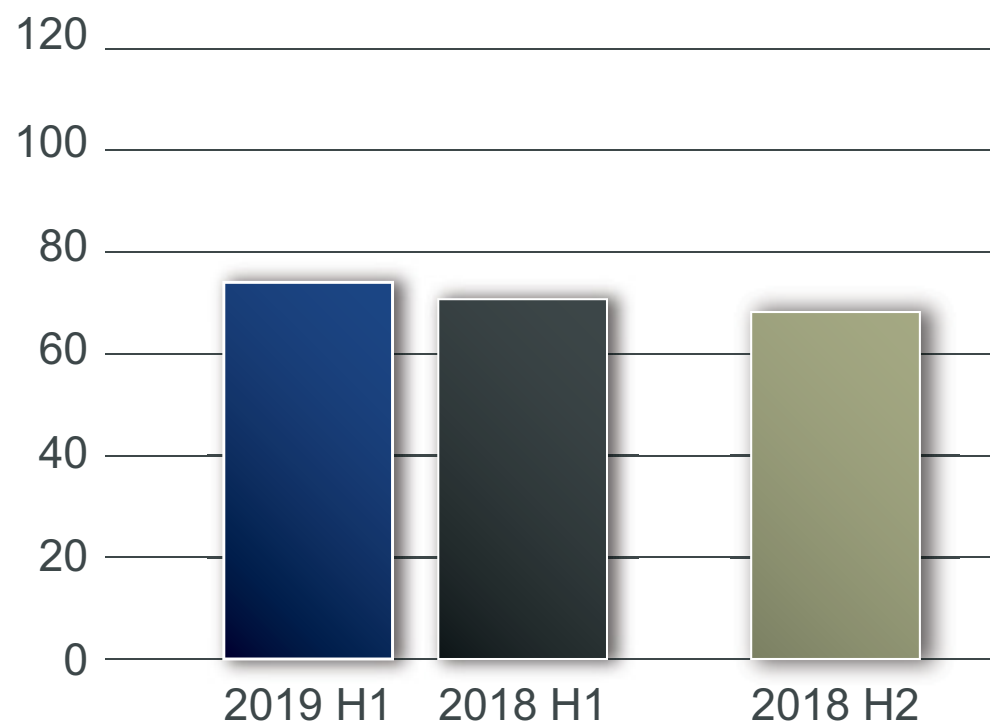
- USD Revenue increased by 3.83%
- Further expansion into North America - Start up of new projects
- Mobile Tunnel Borer's pilot project started in South Africa
- Solid pipeline and strong orderbook
- Healthy cash balance - geared for future growth



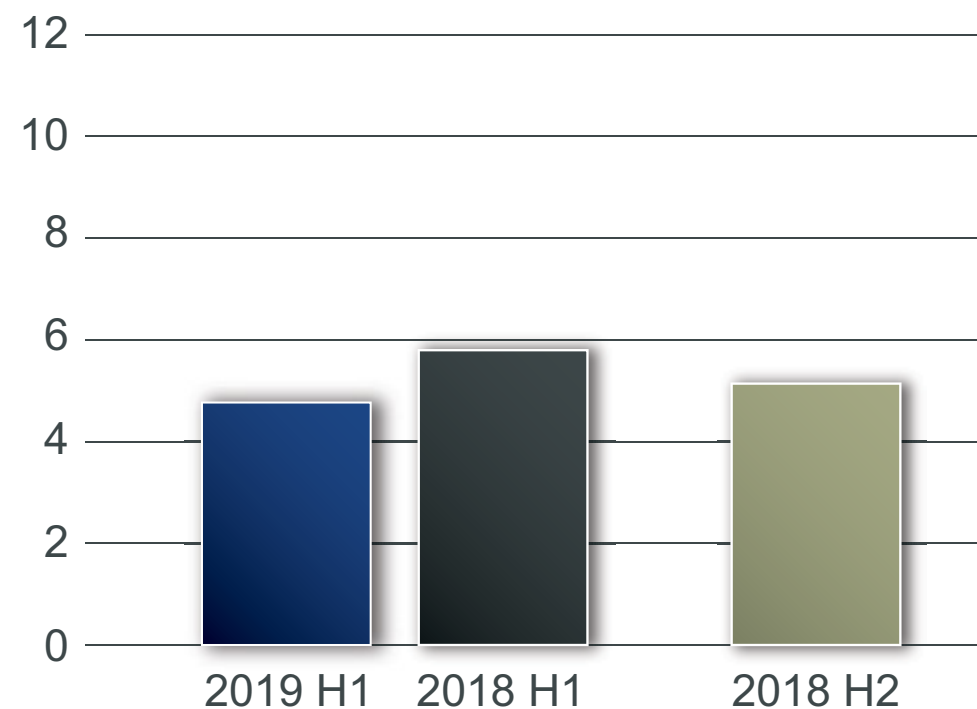
**HIGHLIGHTS FOR THE PERIOD**



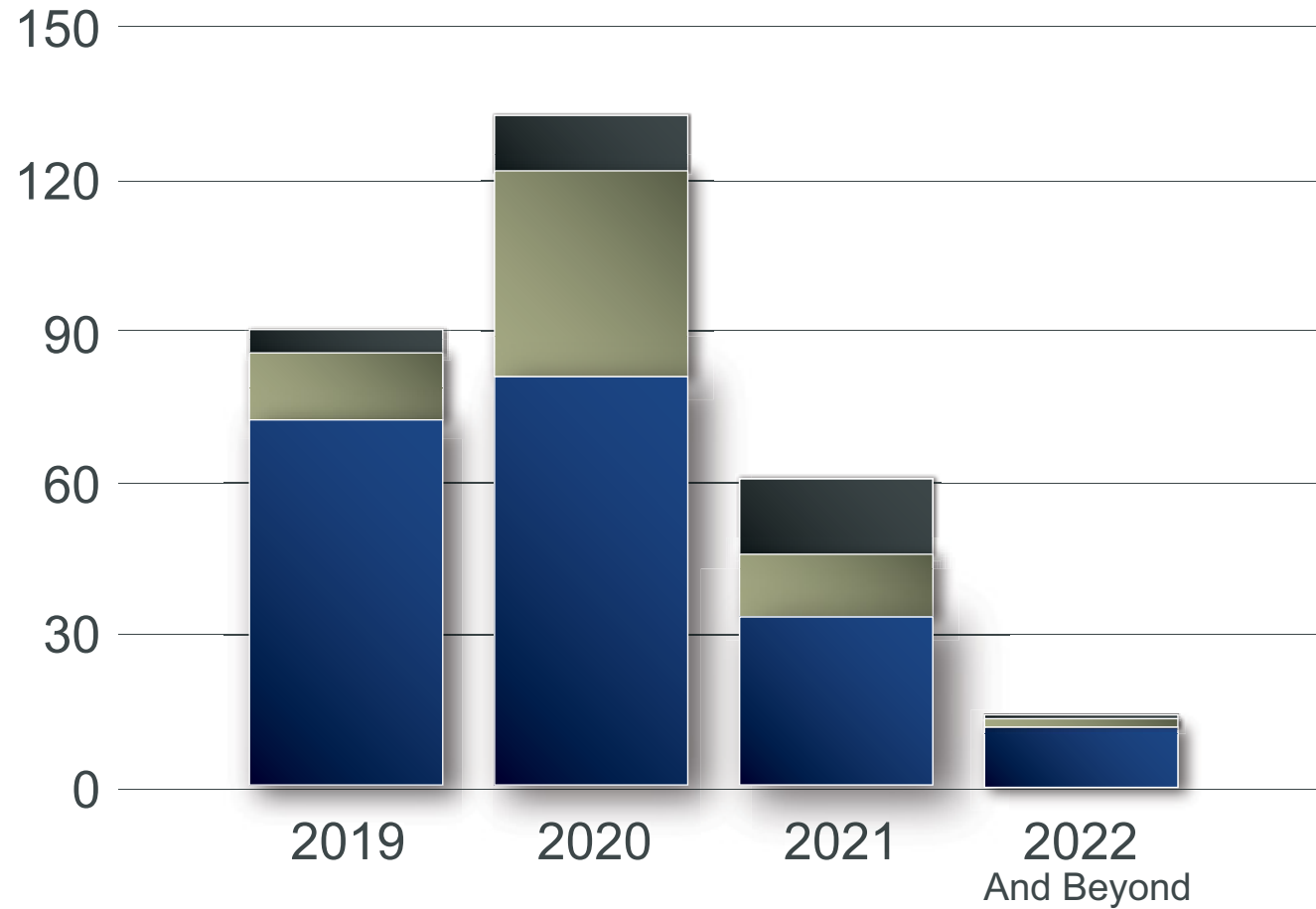
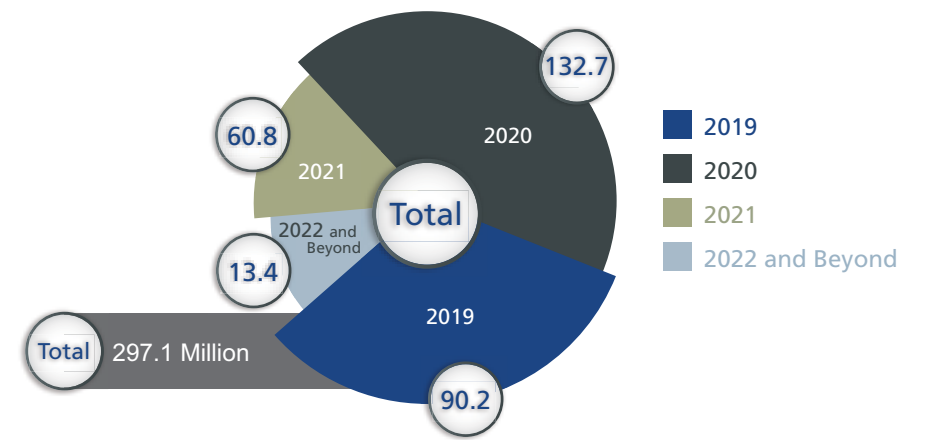
**HEPS (ZARc)**



**HEPS (USDc)**



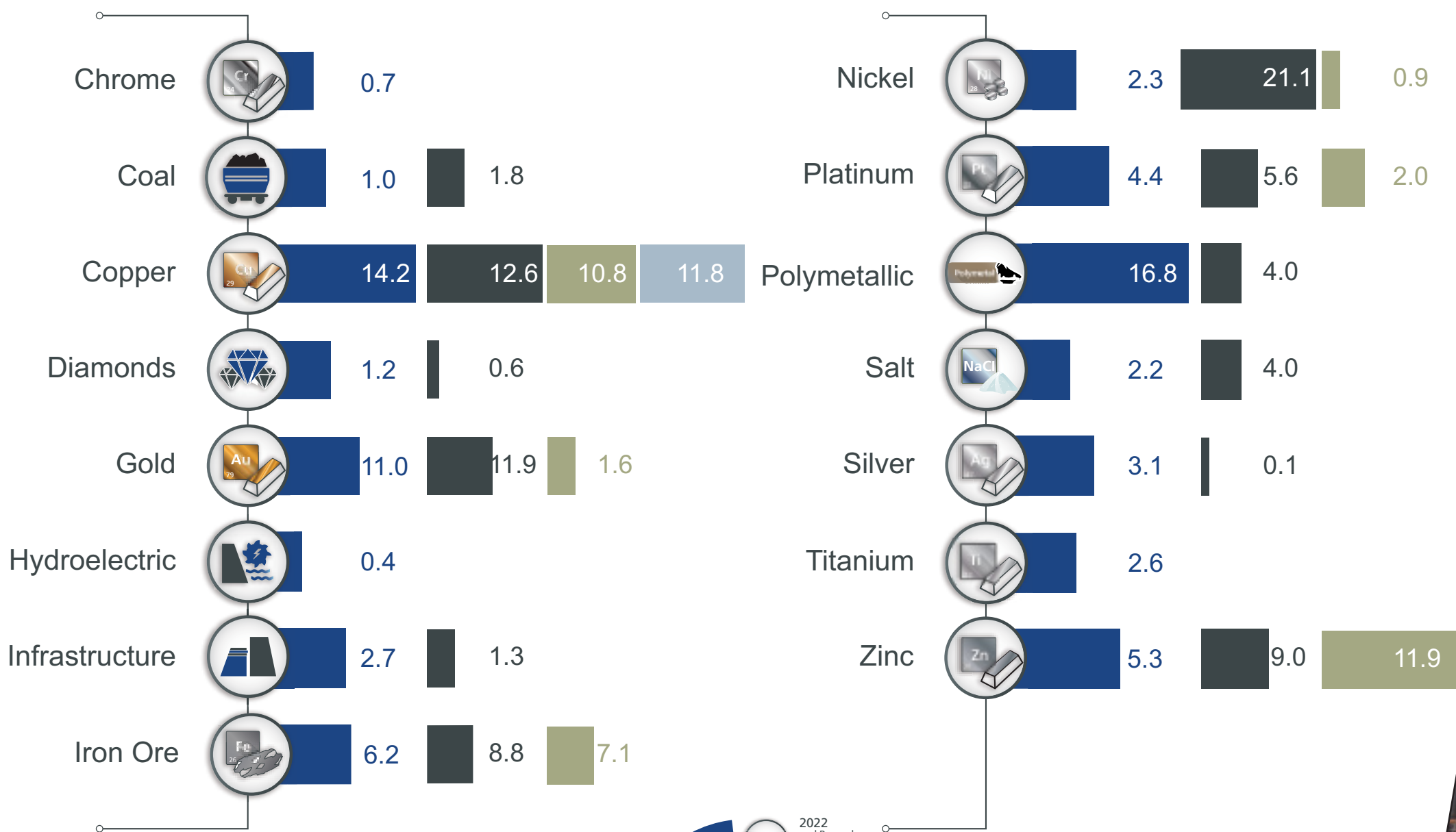
**HEADLINE EARNINGS PER SHARE**



- Awarded
- Awaiting adjudication
- Enquiry received/ possible lead

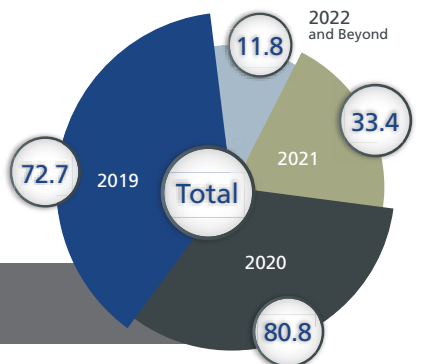
## PIPELINE (USD ‘ MILLION)





■ 2019    ■ 2021  
■ 2020    ■ 2022 and beyond

**Total** 198.6 Million

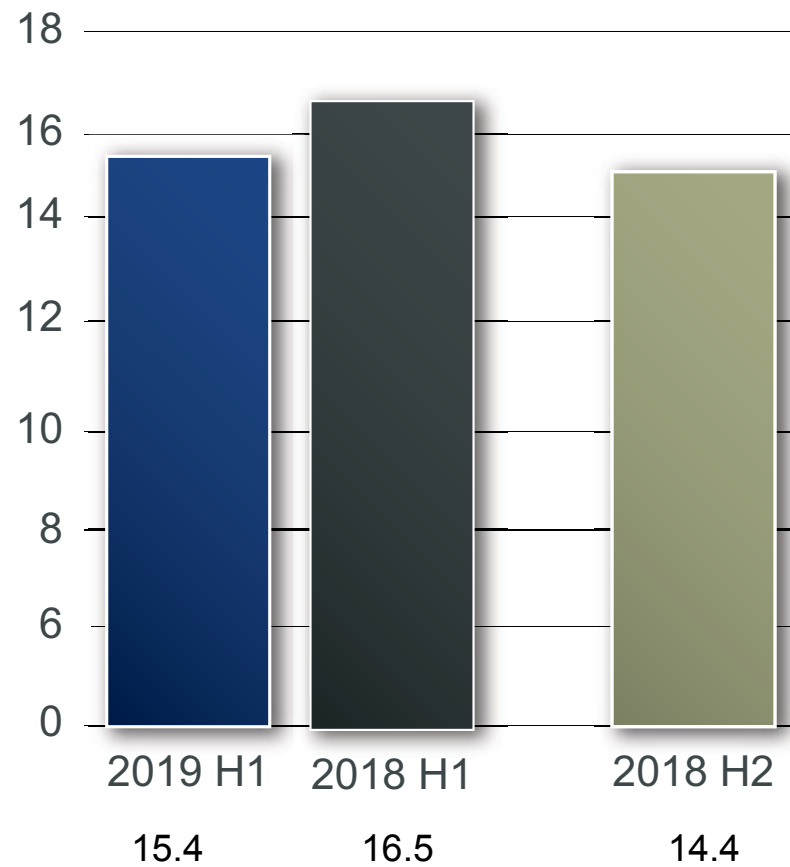


# COMMITTED ORDERS (USD ‘ MILLION)

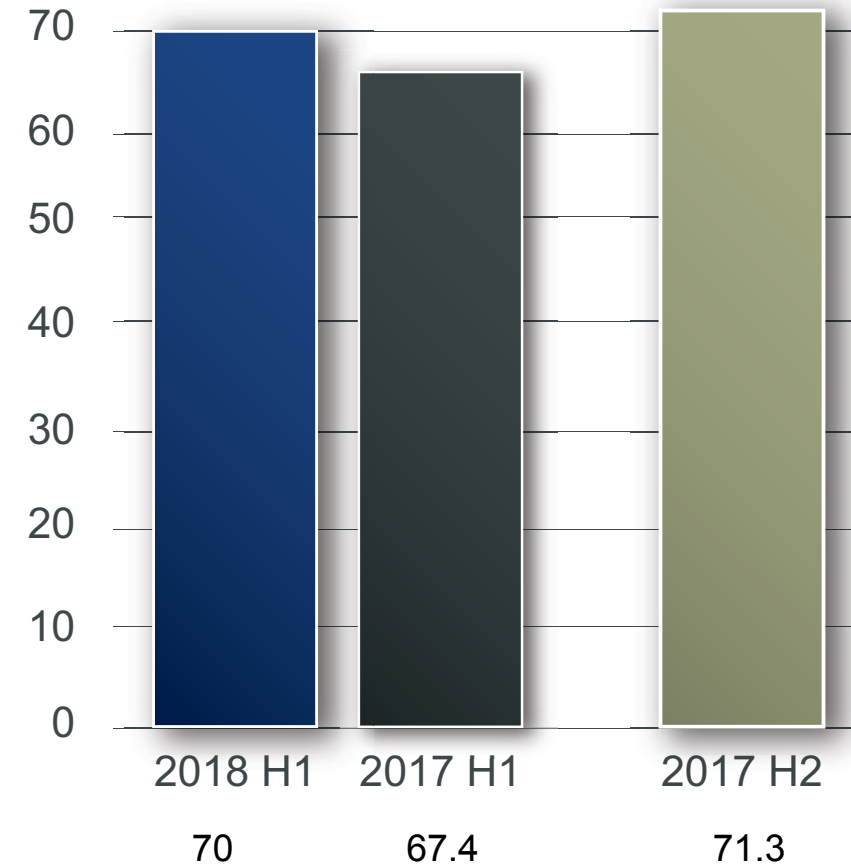
2019 H1



**EBITDA (USD'm)**



**Revenue (USD'm)**

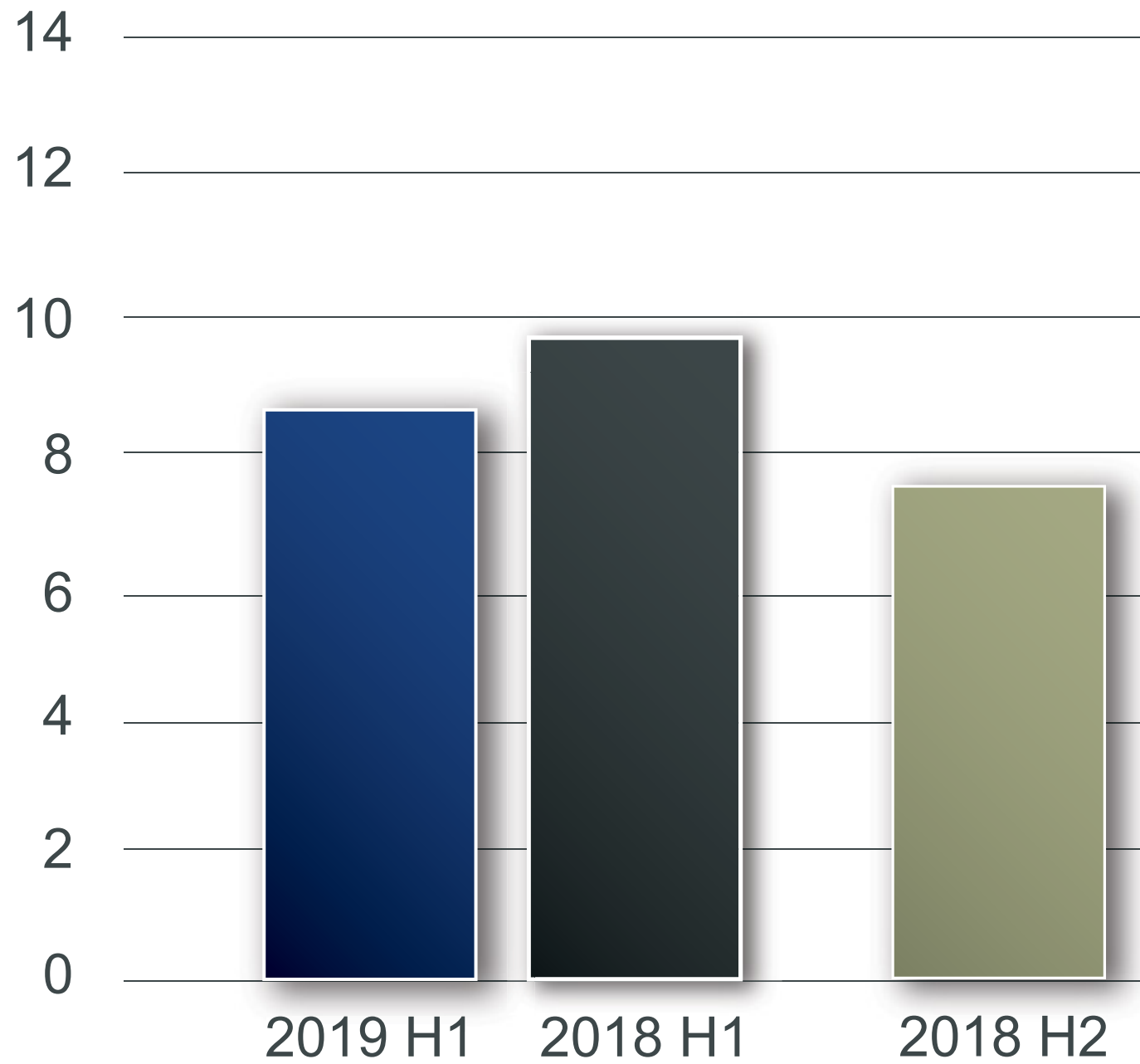


**EARNINGS BEFORE INTEREST TAX DEPRECIATION  
AMORTISATION (USD ' MILLION)**



	2019H1	2018	2017
<b>Total Raise bore rigs</b>	149	149	107
<b>Utilization %</b>	62%	61%	69%
<b>ARPOR* (USD)</b>	<b>106 812</b>	<b>107 530</b>	<b>110 937</b>
<b>Total Slim rigs</b>	30	30	34
<b>Utilization %</b>	70%	68%	77%
<b>ARPOR* (USD)</b>	<b>68 867</b>	<b>70 430</b>	<b>63 597</b>

## ARPOR SUMMARY PER ANNUM



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



	2019H1 USD 'million	2018 USD 'million	Comment
<b>Assets</b>			
Total non-current assets	174.2	157.7	Limited investment in plant and equipment - USD8.1 million; additional investment in associate (TunnelPro) during the period
Total current assets	106.3	108.7	Working capital ratio moved from 119.6 days to 134.8 days
<b>Total assets</b>	<b>280.5</b>	<b>266.4</b>	
<b>Equity</b>			
Equity	168.4	155.1	
Non-controlling interest	9.3	9.0	
<b>Total equity</b>	<b>177.6</b>	<b>164.1</b>	
<b>Liabilities</b>			
Total non-current liabilities	66.0	61.2	Gearing ratio moved from 16.3% to 18.9%
Total current liabilities	36.9	41.1	Healthy current ratio of 2.88
<b>Total liabilities</b>	<b>102.9</b>	<b>102.3</b>	
<b>Total equity and liabilities</b>	<b>280.5</b>	<b>266.4</b>	

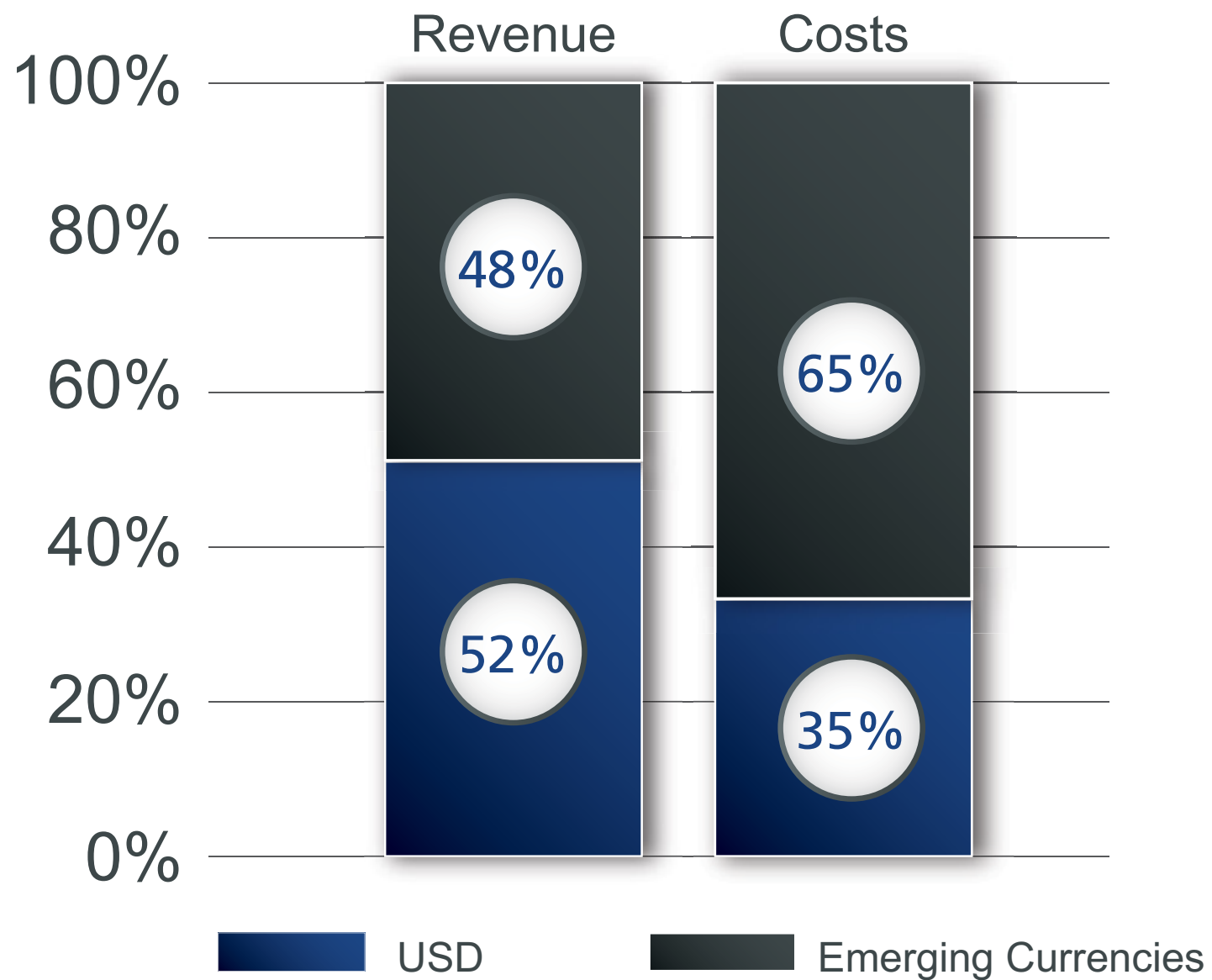
## STATEMENT OF FINANCIAL POSITION

	2019H1	2018H1	2018H2
	USD 'million	USD 'million	USD 'million
Revenue	70.0	67.4	71.3
Cost of sales	(45.7)	(43.5)	(51.7)
<b>Gross profit</b>	<b>24.2</b>	<b>23.9</b>	<b>19.6</b>
Other operating income	0.9	2.0	3.9
Other operating expenses	(13.4)	(13.0)	(12.8)
<b>Operating profit</b>	<b>11.8</b>	<b>12.9</b>	<b>10.8</b>
Investment revenue	0.2	0.6	0.2
Finance costs	(1.8)	(1.5)	(1.4)
Share of profit from equity accounted investment	(0.1)	(0.0)	(0.0)
<b>Profit before taxation</b>	<b>10.1</b>	<b>11.9</b>	<b>9.6</b>
Taxation	(1.9)	(2.2)	(1.8)
<b>Profit for the year</b>	<b>8.3</b>	<b>9.7</b>	<b>7.8</b>

	Explanation\Comment
Revenue	Revenue up by 3.8% in USD terms
Cost of Sales	Aligned with the increase in revenue - relatively flat gross profit percentage

## STATEMENT OF COMPREHENSIVE INCOME

2019



	USD' million
Negative impact on profit before taxation	(1.04)



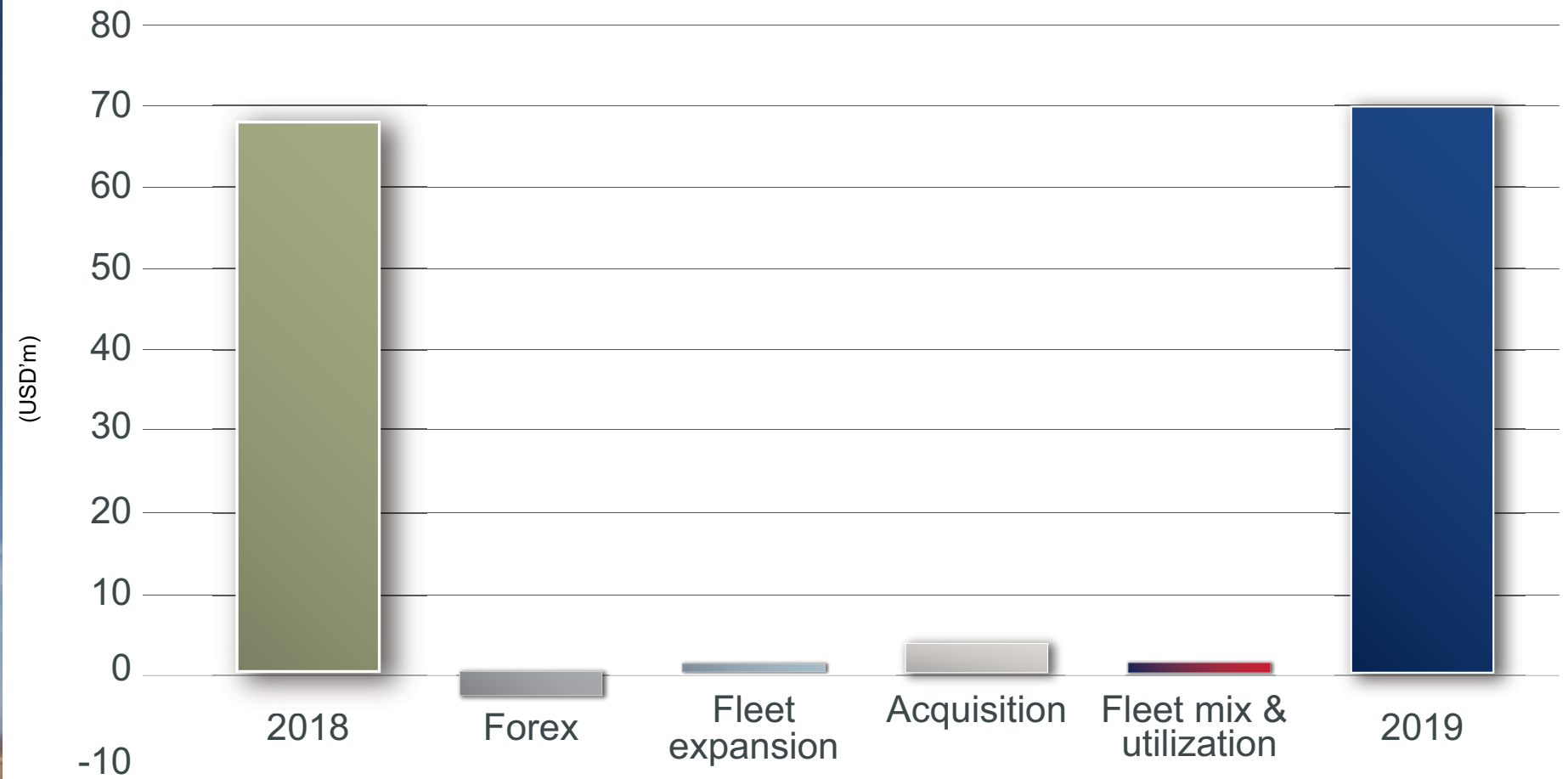
# IMPACT OF CURRENCY ON PROFIT BEFORE TAXATION



	2019H1	2018H1	Comment
	USD 'million	USD 'million	
Net cash from operating activities	5.5	8.7	Slower payments from debtors
Net cash from investing activities	(8.9)	(14.3)	Additional investment in property, plant and equipment as well as investment in associate
Net cash from financing activities	(5.5)	(4.3)	Loan repayments and dividends to shareholders
<b>Total cash movement for the period</b>	<b>(8.9)</b>	<b>(9.9)</b>	
Cash at the beginning of the period	33.3	40.3	
Effect of exchange rate movement on cash balances	2.4	(2.0)	
<b>Total cash at the end of the period</b>	<b>26.8</b>	<b>28.4</b>	Sufficient cash for future growth opportunities

## STATEMENT OF CASH FLOWS





<b>Revenue - 2018</b>	<b>67.4</b>
<b>Forex</b>	<b>(2.4)</b>
<b>Fleet Expansion</b>	<b>1.2</b>
<b>Acquisition</b>	<b>3.1</b>
<b>Fleet Mix and Utilisation</b>	<b>0.6</b>
<b>Revenue - 2019</b>	<b>70.0</b>

## REVENUE WATERFALL BREAKDOWN (USD ‘ MILLION)



Working Capital Breakdown	2019H1	2018	Movement
Inventory	26.9	25.8	(1.1)
Trade and Other Receivables	50.7	48.2	(2.5)
Trade and Other Payables	25.9	28.7	(2.8)

## WORKING CAPITAL BREAKDOWN (USD ‘ MILLION)



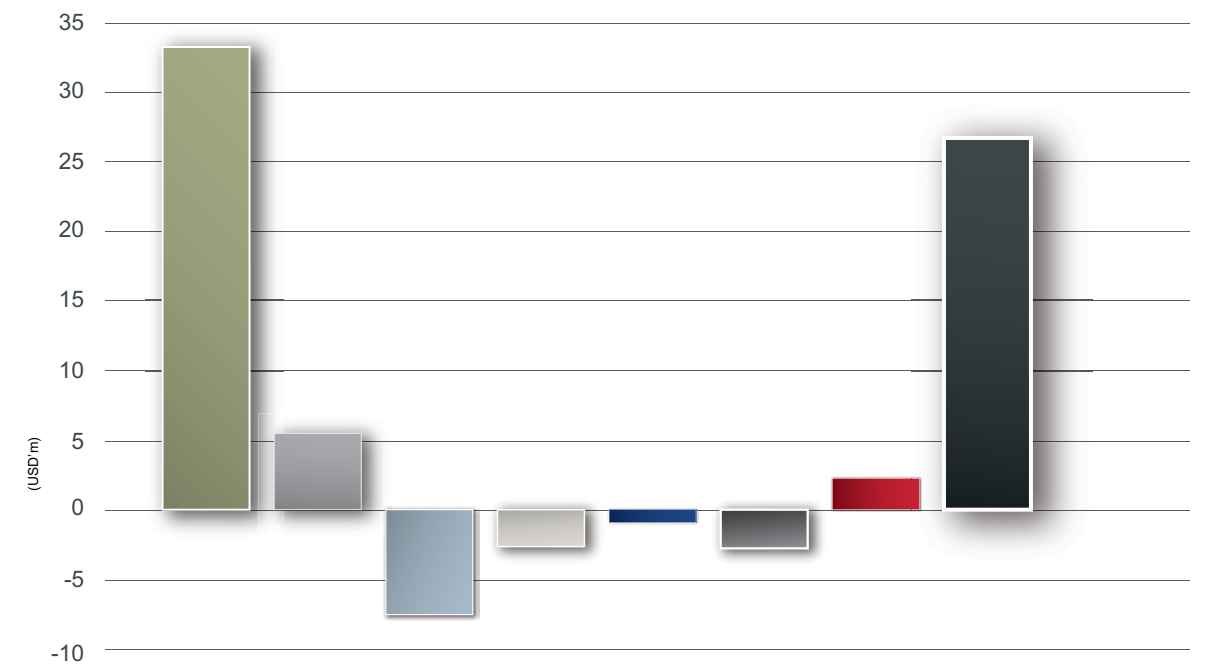
The ageing of amounts receivable are as follows:	2019H1	2018
<b>Outstanding on normal cycle terms</b>	<b>22.0</b>	<b>18.6</b>
<b>One month past due</b>	<b>10.0</b>	<b>9.3</b>
<b>Two months past due</b>	<b>4.8</b>	<b>4.0</b>
<b>Three months and over past due</b>	<b>6.3</b>	<b>7.2</b>
<b>Allowance for doubtful debts</b>	<b>(1.3)</b>	<b>(1.1)</b>
<b>Trade receivables</b>	<b>41.8</b>	<b>38.0</b>

## WORKING CAPITAL BREAKDOWN (USD ‘ MILLION)



	2019H1	2018
<b>Return on Capital Employed (EBITDA)</b>	<b>12.7%</b>	<b>14.1%</b>
<b>Return on Capital Employed (EBIT)</b>	<b>9.7%</b>	<b>10.9%</b>
<b>Working Capital Ratio (Days)</b>	<b>134.8</b>	<b>119.6</b>
<b>Gearing Ratio (Net of Cash)</b>	<b>18.9%</b>	<b>16.3%</b>

## BALANCE SHEET RATIOS

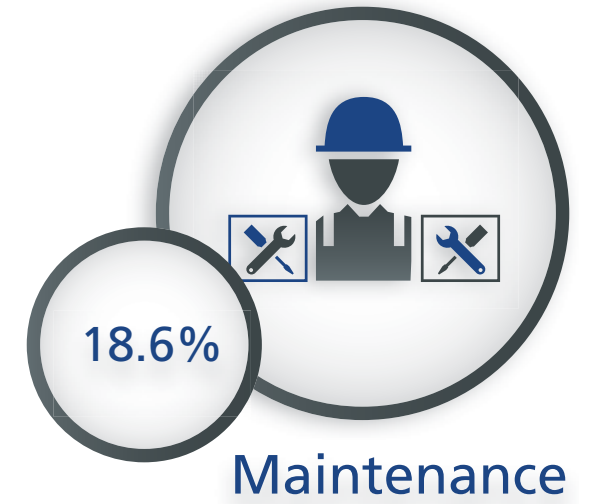
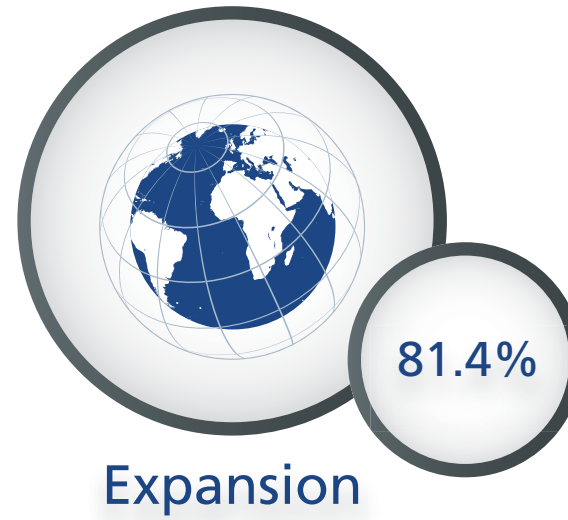


### Cash Flow Waterfall

2018

Cash at beginning of period	33.3
Cash from operation activities	5.5
Net acquisition of property, plant & equipment	(7.7)
Dividends paid	(2.7)
Investment of associate	(1.0)
Net movement in Financial Liabilities	(2.8)
Other	2.1
Cash at end of period	26.8

## CASH FLOW WATERFALL (USD ‘ MILLION)



<b>Plant and Machinery</b>	<b>95%</b>
<b>Buildings</b>	<b>4%</b>
<b>Motor Vehicles</b>	<b>1%</b>

## CAPITAL SPEND

- **Healthy pipeline of USD297.1 million**
- **Stable orderbook of USD198.6 million**
- **Geographical footprint expansion**
- **Opportunities beyond mining industry**
- **Mobile Tunnel Borer**
- **Shaft Boring System**



**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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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**

Andrew Beaven

6 Dwars Street

Krugersdorp

1739

South Africa

PO Box 158, Krugersdorp, 1740

South Africa

**JSE SPONSOR**

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(Registration number: 1969/004763/06)

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Sandton, 2196

South Africa

**INDEPENDENT AUDITORS**

BDO South Africa Incorporated

52 Corlett Drive

Illovo

2196

South Africa

**SHARE TRANSFER SECRETARIES**

Computershare Investor Services Proprietary Limited

(Registration number: 2004/003647/07)

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Rosebank,

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**CORPORATE INFORMATION**



## **INVESTOR RELATIONS CONTACTS**

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## **GENERAL E-MAIL QUERIES**

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**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**