



Erbacon Investment  
Holdings Limited  
“Erbacon”

Annual Results Presentation 2010

June 2010

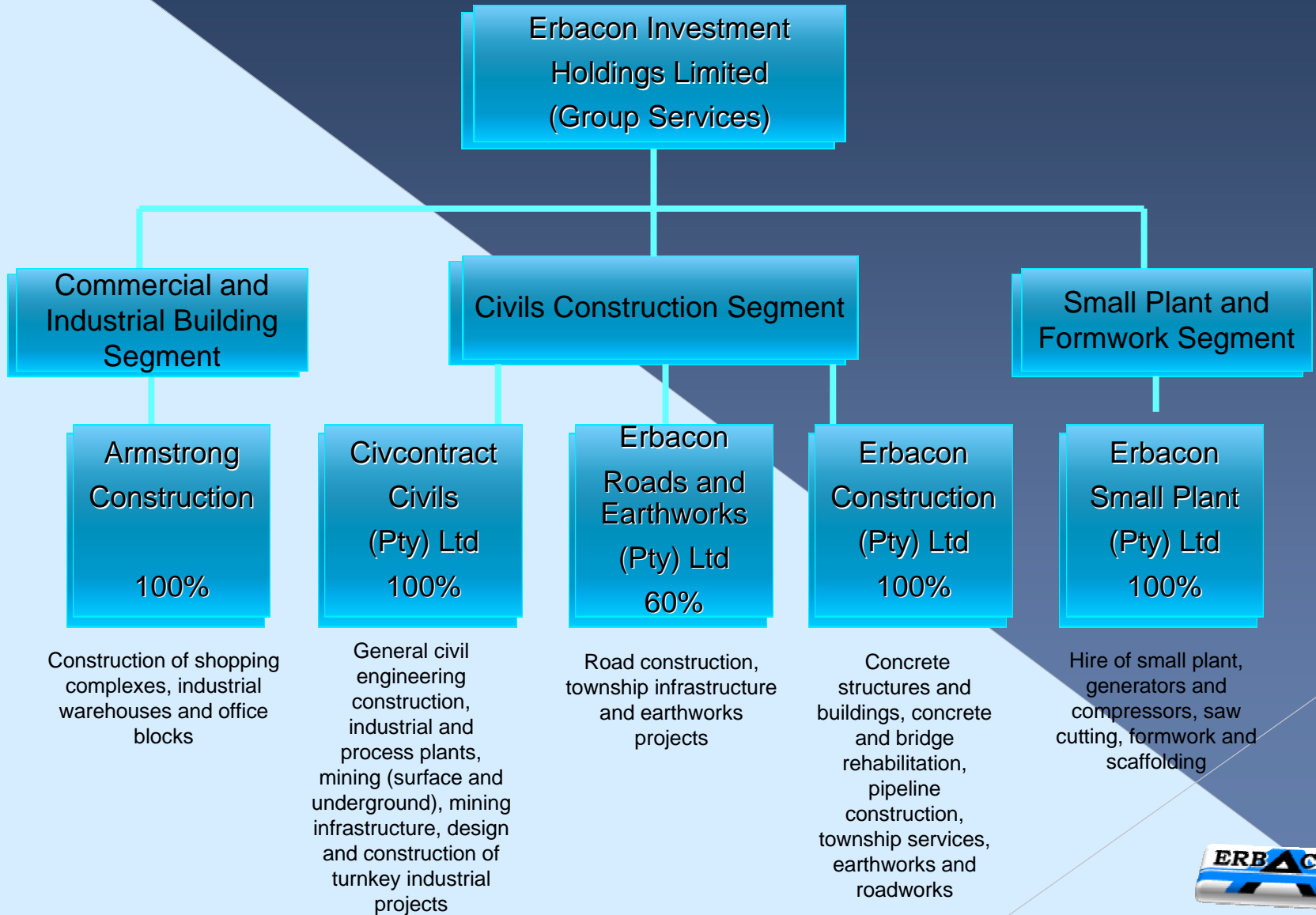
# Erbacon Investment Holdings Limited

## Historical Sequence

- ★ Erbacon Construction formed by Dave Erskine in 1987
- ★ Erbacon Small Plant co-founded by Dave Erskine and Frans Boraine in 1996
- ★ Listed on Alt X in December 2007 following a restructuring
- ★ Armstrong Construction acquired February 2008
- ★ Civcon acquired November 2009
- ★ Medu Capital invests as BEE partner, with a 29.41 % stake, in November 2009
- ★ Erbacon Roads and Earthworks (Pty) Ltd started in March 2010



# Erbacon Group Structure



# Directors of Erbacon

Alan  
Dawson  
66 years

Chairman

} Independent  
Non-executive

Dave  
Erskine  
56 years

Charles  
Ramsay  
58 years

Rob  
Braithwaite  
55 years

Lex  
Henning  
55 years

Sean  
Flanagan  
50 years

} Executive

MD  
Erbacon  
Construction  
/Small Plant

Commercial  
Director  
Civcon

Group  
Finance  
Director

MD  
Civcon

CEO

Nhlanganiso  
Mkwanazi  
35 years

Zeyn  
Angamia  
30 years

Samara  
Totaram  
31 years

Johan  
Holtzhausen  
39 years

} Non-Executive



# Public/Non-public Shareholder Analysis at 28 February 2010

<b>PUBLIC / NON PUBLIC SHAREHOLDERS</b>	<b>No. of Shareholdings</b>	<b>%</b>	<b>No of Shares</b>	<b>%</b>
<b>Non-Public Shareholders</b>	<b>11</b>	<b>2,70</b>	<b>137 488 540</b>	<b>84.96</b>
Directors and associates	8	1.96	87 034 605	53.79
Share trust	1	0,24	864 051	0.53
Strategic holdings	2	0,50	49 589 884	30.64
<b>Public Shareholders</b>	<b>397</b>	<b>97,3</b>	<b>24 335 511</b>	<b>15.04</b>
<b>TOTAL</b>	<b>408</b>	<b>100.00</b>	<b>161 824 051</b>	<b>100.00</b>

# Major Beneficial Shareholders' Analysis

<b>MAJOR BENEFICIAL SHAREHOLDERS at 28 February 2010</b>	<b>No of Shares</b>	<b>%</b>
Paladin Capital Limited	35 023 634	21.66
Erskine, DB	33,920,250	20.98
8 Mile Investments 41 (Pty) Ltd (S M Hedley)	14,537,250	8.99
Boraine, FP	14,537,250	8.99
Henning, AH	11 321 647	7.00
Ramsay Family Trust	11 321 647	7.00
Armstrong, DG	10 425 667	6.45
Ric-Hansen, WM	4 318 144	2.67
Investec Emerging Companies fund	4 116 404	2.55
Titan Nominees	1,454,546	0.90
Capital Alliance Small Cap	1,416,709	0.88
RMB Emerging Companies Funds	1 347 420	0,83
<b>TOTAL</b>	<b>143 809 857</b>	<b>88.90</b>



# 2010 Performance at a Glance



R'000	2010	2009	2008	2007
Revenue	834 532	720 957	224 727	117 817
Operating Profit	94 402	72 659	45 705	20 838
Profit for the year	65 343	53 443	31 680	12 492
Shareholders' interest (NAV)	374 735	211 362	158 906	25 576
Net cash / (debt)	97 657	33 432	18 212	(13 323)
Net cash generated from operating activities	1 465	74 582	23 591	17 413
Total Assets	634 340	373 406	276 597	57 313

# 2010 Performance at a Glance

## Ratios and Statistics

R'000	2010	2009	2008	2007
Return on total shareholders' interest	17,44%	25,29%	19,94%	48,84%
Operating Profit Margin	11,31%	10,08%	20,34%	17,69%
Current asset ratio	2.06	1.50	1.54	1.18
Number of employees	1 785	1 041	1 093	305
Number of shares in issue (000's)	161 824	136 803	116 364	96 945

# 2010 Performance at a Glance

## Share Statistics



R'000	2010	2009	2008	2007
Headline Earnings per Share (cents)	45,10	40,11	33,31	12,34
Earnings per Share (cents)	45,33	40,64	31,12	12,89
Diluted headline earnings per Share (cents)	37,62	40,11	33,31	12,34
Ordinary dividend per Share (cents)	9,54	5,5	-	-
Ordinary dividend Yield	6,0%	3,7%	-	-
Net tangible asset value per share (cents)	140,65	117,11	92,26	27,18
Net asset value per share (cents)	194,20	155,33	136,56	26,38
Share price (cents)				
High	190	270	290	n/a
Low	130	145	210	n/a
Closing (28 Feb)	170	150	225	n/a
Market capitalisation (Rm)	275	205	262	n/a
Volumes traded (000's)	1 736	3 094	2 805	n/a
Volumes traded as % of weighted number of shares	1,2 %	2,4 %	2,8%	n/a

# 2010 Civcon

R'000	2010	2009	2010 Consolidated
Revenue	318 487	352 348	77 401
GP	110 410	141 536	21 841
Operating/Admin Expenses	(34 096)	(67 789)	(12 182)
Operating Profit	78 582	73 962	10 816
PBT	78 466	75 581	11 012
Tax	(21 389)	(24 239)	(2 696)
NPAT	57 077	51 342	8 316
GP %	35%	40%	28%
Operating Profit %	25%	21%	14%
NPBT %	25%	21%	14%



# Medu/Civcon transaction

★ Transaction effective 3 November 2009

★ 2010 year:

- Medu preference shares part equity, part liability
- R1.8m Interest on Medu-Prefs (pre-tax)
- R5.9 m contract amortization per PPA
- R4.7m deal expenses capitalised
- Consolidation of Civcon – entry based on share price of R1.60:
  - Dr Investment R191 413 339
  - Cr Cash settlement (R95 418 260)
  - Cr Share Cap/Prem (R40 033 402)/ 25 020 876 shares
  - Cr Deferred Purchase Consideration (R51 199 199)/ 31 999 500 shares
  - Cr Deal Expenses (R4 762 478)
- Purchase price to date of R186 432 714 based on achieved 2010 profit warranty- maximum shares not issued.
- Goodwill of R73,7m
- Nil AC 503 (BEE expense)



# 2010 Cash Effect on Erbacon

- R113,2m - Medu Capital capitalises Erbacon
- R(85,4m) - Utilised for part of Civcon cash consideration
- R(10,0m) - Erbacon tops up Civcon cash consideration

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- R17,8m **Available for other opportunities**
- R(30,0m) - Erbacon pays a special dividend
- R(3,0m) - STC on dividend

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- R(15,2m) **NET OUTFLOW FUNDED FROM INTERNAL CASH RESOURCES**

- Unleveraged transaction
- Civcon self-funding and ungeared (after dividend)



# Shares in issue-2010

<u>SHARES IN ISSUE</u>	<u># in issue</u>	<u>Weighted</u>
<u>At 1 March 09</u>	<u>136 803 175</u>	<u>136 803 175</u>
3 Nov 09 – issue to Civcon Vendors	25 020 876	8 088 941
Less: Treasury shares	(864 051)	(740 695)
<u>Total at 28 February 2010</u>	<u>160 960 000</u>	<u>144 151 421</u>
<u>Diluted calculation</u>		
28 Feb 10 – issue to Civcon Vendors – 2010 PAT warranty	31 999 500	10 345 043
Add: convertible preference shares	67 410 000	21 792 822
<u>Total at 28 February 2010</u>	<u>260 369 500</u>	<u>176 289 286</u>
<u>EARNINGS / DILUTED EARNINGS</u>	<u>BASIC</u>	<u>DILUTED</u>
Profit after tax	65 342 611	65 342 611
Diluted Earnings Adj. (Medu-pref interest)	-	1 306 800
<u>EARNINGS / DILUTED EARNINGS</u>	<u>65 342 611</u>	<u>66 649 411</u>
Headline Earnings Adj.	(323 965)	(323 965)
<u>HEADLINE EARNINGS</u>	<u>65 018 646</u>	<u>66 325 446</u>

# 2010 Achievements

- ★ 'Organic' Erbacon grows profits by 14,7%
- ★ Business and geographic diversification (Civcon)
- ★ HEPS increases 12,5% after 9,6% increase in WANOS
- ★ BEE Profile (Medu Capital)
- ★ Civils sweetspot -72% of group revenue
- ★ Leadership and succession (appointment of new CEO)
- ★ Cash reserves increase to R123m
- ★ Increased Dividends
- ★ Board of directors re-balanced (more non-executives)
- ★ Appointment of new company secretary
- ★ Combined forward order book is >R800m



<b>Turnover Analysis (%) 2010</b>	<b>EC</b>	<b>ESP</b>	<b>AC</b>	<b>Civcon</b>	<b>Group</b>
Private Sector: Mining	0	5	0	95	25
Private Sector: Commercial/Industrial	5	60	55	2	20
Private Sector: Residential	0	0	1	0	-
Parastatals	45	0	0	1	20
Municipalities	35	0	44	0	26
Government	15	20	0	2	8
Offshore	0	0	0	0	0
Inter Company	0	15	0	0	1
<b>TOTAL%</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

# Major contracts during 2009/2010

- ★ Sports precinct Moses Mabhida stadium R122 m (EC/AC)
- ★ Gauteng Freeway improvement projects R233 m (EC)
- ★ Harry Gwala stadium R80 m (EC/AC)
- ★ First Uranium (Chemwes) R306 m (Civcon)
- ★ Dorstfontein Coal mine R80 m (Civcon)
- ★ Dairy/Addington Beach upgrades R51 m (AC)



# Strategic Intent

- ★ Build a sustainable business (vs short termism)
- ★ Capitalize on merger of Erbacon and Civcon
- ★ Focus on quality growth, organically
- ★ Leverage sales to existing clients for all group companies
- ★ Establish identity and brand/lift profile
- ★ Enhance capacity for front-end revenue creation
- ★ Establish quality systems to support organic growth
- ★ Optimizing Business Unit (BU) collaboration
- ★ Integrated organization (rainmakers/BEE scorecard/SHEQ/Technical)
- ★ Succession planning
- ★ Performance monitoring
- ★ Growth by acquisition
- ★ Define new CEO's role to support organic and acquisitive growth



# Other issues for 2011

- ★ ESP- performance and measurement
- ★ Build a longer and bigger forward order book
- ★ Establish gearing capacity
- ★ 13.39 cps dividend paid 28<sup>th</sup> June 2010
- ★ Civcon contract amortisation (IFRS 3) is R3,6 m for 2011 (2010: R5, 9 m) per PPA exercise completed 28<sup>th</sup> February 2010
- ★ Renegotiate banking facilities following Civcon merger
- ★ Share incentive scheme amendments (per AGM notice)
- ★ Governance (King III)

# Other issues for 2011 (continued)

- ★ CIDB 9 CE for EC (Civcon/AC have attained level 9)
- ★ Enhance BEE scorecard
- ★ The cost of the enlarged group (leadership/HR/Company Secretary)
- ★ The cost of a sustainable business and strengthening support services (IT; IS; Risk management and assessment; internal audit)
- ★ The cost of control and consolidation (standardized policies and procedures, compliance officer duties)
- ★ Research the merits of divisionalization
- ★ Safety commitment

# Risks

## ★ Skills shortage

- Commitment to training and EE plan
- Retaining talent

## ★ Pace of 'risk management' absorption into Group culture

- Executive buy-in and commitment
- Project cost overruns and control
- Regulatory non-compliance
- Policies and procedures
- Enforcement of discipline

## ★ Control over costs VS activity/workload

## ★ Sustainable business model

- Environmental/safety/governance/compliance/BEE/Succession

# Risks continued...

## ★ Global economic recovery

## ★ Growth prospects for construction sector in short/medium term

- ROI on commercial projects diminished by increased costs of funding
- Major infrastructural projects put on hold/deferred
- Margins squeezed
- Fixed overhead under-recoveries
- Rollout of government infrastructural spending program

## ★ Electricity power grid capacity

# Dividend Policy

Determine cash earnings at between 3 and 3.5 X cover depending on working capital requirements, capex, specific projects and feasible investment opportunities. To the extent that management has not earmarked excess cash (after considering capital and other operational cash commitments), the board will resolve to declare any excess cash as a special dividend.