



Erbacon Investment
Holdings Limited
“Erbacon”

Interim Results

(31 August 2008)

Presentation October 2008



Erbacon Investment Holdings Limited

- ❑ 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 on 28 February 2008 for R71m
- ❑ Total number of shares in issue increases 41% to 136,8m
- ❑ 1204 employees at 31 August 2008 (49% are on fixed term contracts)



Directors of Erbacon

Alan
Dawson
66 years

Chairman

} Independent
Non-executive

Dave
Erskine
54 years

CEO

Frans
Boraine
37 years

MD, Small
Plant and
Formwork

Rob
Braithwaite
53 years

Group
Finance
Director,
Company
Secretary

Dave
Armstrong
47 years

MD,
Armstrong
Construction

Wayne
Ric-Hansen
46 years

Commercial
Director,
Armstrong
Construction

} Executive

Mark
Hedley
53 years

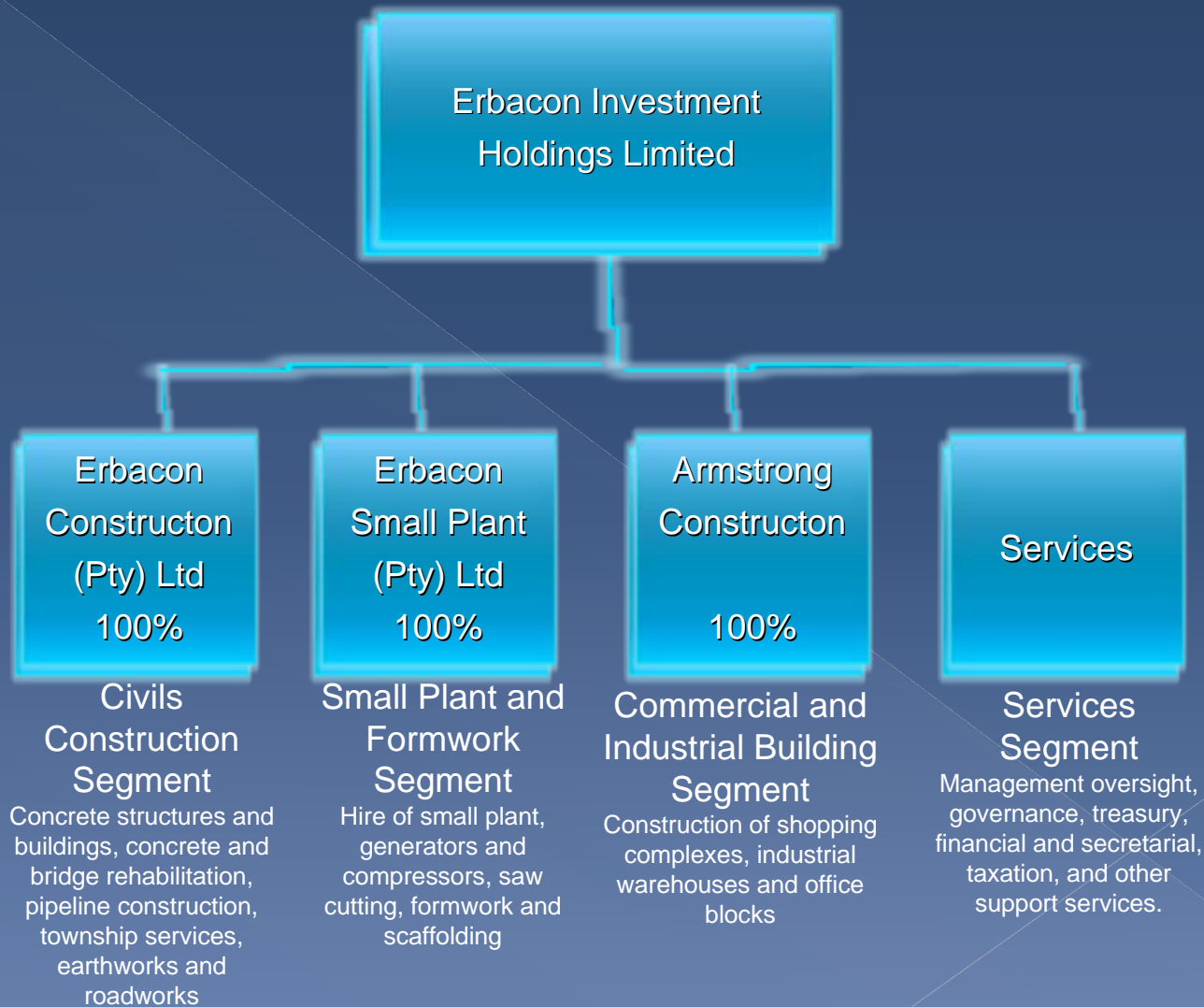
Johan
Holtzhausen
38 years

Samara
Totaram
30 years

} Non-Executive



Erbacon Group Structure



Public/Non-public Shareholder Analysis at 31 August 2008

PUBLIC / NON PUBLIC SHAREHOLDERS	No. of Share- holdings	%	Before Armstrong Acquisition	
			No of Shares	%
Non-Public Shareholders	8	2.07	117,942,511	86.21
Directors and associates	7	1.81	84,002,261	61.40
Strategic holdings	1	0.26	33,940,250	24.81
Public Shareholders	379	97.93	18,860,664	13.79
TOTAL	387	100	136,803,175	100



Major Beneficial Shareholders' Analysis

MAJOR BENEFICIAL SHAREHOLDERS		
	No of Shares	%
Paladin Capital Limited	33,940,250	24.81
Erskine, DB (CEO)	33,920,250	24.79
8 Mile Investments 41 (Pty) Ltd (S M Hedley)	14,537,250	10.63
Boraine, FP (MD - Small Plant and Formwork)	14,537,250	10.63
Armstrong, D (MD - Armstrong Construction)	14,307,167	10.46
Ric-Hansen, W (Commercial Director Armstrong Construction)	6,131,643	4.48
Investec Emerging Companies fund	4,116,404	3.01
RMB Emerging Companies Fund	1,734,932	1.27
Titan Nominees	1,454,546	1.06
Capital Alliance Small Cap	1,416,709	1.04
TOTAL	126,096,401	92.18

Note:

1. Armstrong/Ric-Hansen allocating 5,5 million shares to certain Armstrong employees
2. Erbacon Employees Share Incentive Trust – 4,2 million allocated on 29 July 2008 out of 5,818,218 securities that can be utilised in terms of the scheme. (IFRS 2 consequences for H2)



Civils Construction Business Segment



2008 Income Statement - Civils Construction

- ◉ Erbacon Construction Revenue up 9%, to R79,6m (2007 – R73,3m)
- ◉ Gross Profit Margin up to 19% (2007 – 13%)
- ◉ Contribution to Group Revenue of 23% (2007 - 67%)
- ◉ Operating Margin of 13% (2007 - 8%)
- ◉ Profit before tax of R12,2m (2007 – R5,7m), an increase of 113%
- ◉ Contribution to Group attributable profit of 34% (2007 - 31%)



Clients

Customer	% at 31 August 2008	% at 29 February 2008
Private Developers and Companies	10%	35%
South African National Roads Agency	50%	28%
Ethekekwini Municipality	5%	8%
KZN Department of Transport	15%	10%
Other Parastatals	20%	19%
Grand Total	100%	100%



Major Contracts Over The Past 2 Years

Contract	Client	Year	Value
New England Road Bridge	SANRAL	2007	R29m
Mthonjaneni Water Works	Biwater	2007	R25m
E.London Treatment Works	Buffalo City	2008	R50m
Higginson Highway and Edwin Swales interchange	SANRAL	2008	R34m
Widening of N1 – JHB	SANRAL	2008	R206m
Gauteng Freeway Project	SANRAL	2008	R76m
Raubex Bridges (Subcontracted)	SANRAL	2008	R20m
Harry Gwala Stadium – PMB	Umgungundlovu Municipality	2008	R86m



Civils Construction

Key Issues

- Slower H1 than expected (project mobilization delays)
- Solid forward order book -> R400m
- Strong tender environment, outlook very positive
- Pending CIDB 9 (maximum) rating
- Permanent Gauteng presence – under review
- R19m debt repaid in July 2008
- Skills availability satisfactory
- IT systems under review (eg. new estimating package)
- Entry into earthworks / roads – under review
- JV with Armstrong Construction (Soccer stadium) – synergies appearing



Small Plant and Formwork Business Segment



28 6 2007



2008 Income Statement - Small Plant and Formwork

- Small Plant Revenue up 30%, to R45,9m (2007 - R35,2m)
- Contribution to Group Revenue of 13% (2007 - 32%)
- Operating Margin of 24% (2007 - 38%)
- Operating profit of R11,1m (2007 - R13,6m)
- Contribution to Group operating profit of 32% (2007 – 70%)



Major Contracts Supplied

Name of Project	Companies that Erbacon has hired to
Roads Upgrade	Raubex
Coega Port Elizabeth	Concor / Grinaker LTA
Durban Harbour Pier 2	Basil Read
Gautrain	Bombela Consortium
FNB Stadium/ PE Stadium	Grinaker/LTA
Water Rehab Contract, Durban	Sanyati / WK Construct.
Richards Bay Coal Terminal Expansion	Group Five
N1 Upgrade	Group Five Joint Venture



Small Plant and Formwork

Key Issues

- Good geographic spread
(DBN, PE, Richards Bay, JHB, Lepalale, Nelspruit)
- Consolidated Salt Rock and Hillcrest into Durban branch
- New branches slow on up-take, but well positioned now
- Small formwork business acquisition aborted
- Margin pressure in H1 (rain affected sites / upfront establishment costs for new branches / productivity)
- Service formal (higher end) construction sector only
- Depreciating Rand positive for plant hire?
- Consistent asset replenishment programme for 2009 (+/- R30m)
- De-risk business (IT systems, asset control, branch controls)



Commercial and Industrial Building Segment



2008 Income Statement - Commercial and Industrial Building

- ◉ Armstrong Construction Revenue up 44%, to R220m (2007 – R152m)
- ◉ Gross profit margin up to 9% (2007 – 7%)
- ◉ Contribution to Group Revenue of 64% (2007 – 56%)
- ◉ Operating Margin of 6,4% (2007 – 5,4%)
- ◉ Profit before tax of R14,1m (2007 – R8,1m), an increase of 74%
- ◉ Contribution to Group operating profit of 40% (2007 – 40%)



Armstrong Construction

- ◎ Acquisition unconditional on 28/02/2008 - paid R20m cash and allocated 11,1m ordinary shares in March 2008, and 9,3m ordinary shares in August 2008
- ◎ Integrated well, good synergies – won joint tender for Harry Gwala Stadium in PMB (R86m)
- ◎ Material contribution to interim earnings –
 - > 64% of Group Revenue
 - > 40% of Group Net Profit before Taxation



Armstrong Construction

Major Contracts Completed / Underway

Contract	Value
UWP Offices – PMB (completed)	R10m
Boxer Centre – Lady Frere (completed)	R13m
Shopping centre – Elliotdale (completed)	R20m
Boxer Centre – Nkandla (completed)	R12m
Nandi Park Mini Factories	R22m
Multimedia Centre – Melmoth	R18m
Shopping Centre – Ulundi	R68m
Unilever Warehouse	R225m
Offices and Shops – Ballito	R15m
Upgrade of Granada Centre – Umhlanga	R31m
Offices for Softline Computers – Mt Edgecombe	R20m
Mtubatuba Taxi City	R16m
ABSA Bank – Umtata	R8m
Jeffares and Green offices – Hilton	R16m
Metrofile Warehouse	R8m
Buildit – Richards Bay	R12m
SSI Engineers offices – PMB	R16m



Armstrong Construction

Key Issues


- H1 outperformance
 - Unilever project (R225m) a major achievement
 - Targeting larger contracts, spreading countrywide (branch offices)
 - Forward order book -> R250m
 - Nil residential project exposure
 - Tender pricing more competitive
 - New business development opportunities (eg. property development JV's)
- Harmonise IT systems with Erbacon Construction



2008 Group Income Statement year on year

R'000	2008 6 months	2007 6 months	% change
Revenue	341 803	108 523	215%
GP	48 999	25 158	95%
Other Income	1 300	208	525%
Operating/Admin Expenses	(16 175)	(6 100)	165%
Operating Profit	34 124	19 266	77%
PBT	35 442	18 463	92%
Tax	(9 924)	(5 354)	79%
Net Profit After Tax	25 518	13 109	95%
EPS	20,15 cps	13,52 cps	49%
HEPS	19,41 cps	13,38 cps	45%
GP %	14,3%	23,2%	(38,4%)
Operating Profit %	10,0%	17,8%	(43,8%)

2009 / 2008 Group Balance Sheet

	2009 Interim (31 August 2008)	2008 Final (29 February 2008)	% Change
Non-current Assets			
PPE	32 279 325	19 994 378	61%
Plant for hire	61 997 883	42 464 956	46%
Deferred tax	538 012	414 679	30%
Premium to be allocated	54 264 143	54 264 143	-
Current Assets			
Trade/other receivables	163 800 206	108 365 214	51%
Inventory	12 037 847	8 690 192	39%
Cash and cash equiv.	15 260 435	42 403 658	(64%)
Equity			
Share capital	295 356 150	244 382 860	21%
Common control deficit	(177 246 106)	(177 246 106)	-
Shares to be issued	-	51 097 033	(100%)
Retained earnings	66 190 560	40 672 300	63%
Non-current Liabilities			
Borrowings	15 698 627	10 968 525	43%
Deferred tax	3 251 451	3 128 118	4%
Current Liabilities			
Trade / other payables	112 506 477	80 298 941	40%
Borrowings	9 293 265	13 222 763	(30%)
Current tax liability	15 127 427	10 072 786	50%



2009 / 2008 Group Cash Flow

R'000	2009 Interim (6 months)	2008 Final (12 months)	% change
Cash receipts from customers	286 367 551	194 722 994	47%
Cash paid to suppliers / employees	(251 317 176)	(163 085 257)	54%
Cash generated from operations	35 050 375	31 637 737	11%
Net finance income / cost	1 318 115	(1 110 482)	(219%)
Tax paid	(4 869 126)	(6 936 181)	(30%)
Net cash from operating activities	31 499 364	23 591 074	34%
Acquisition of subsidiary - net cash acq.	-	703 962	(100%)
Acquisition of PPE	(16 905 084)	(8 772 249)	93%
Acquisition of Plant for hire	(26 252 591)	(30 376 137)	(14%)
Proceeds on disposal of PPE	1 345 788	341 584	294%
Proceeds on disposal of Plant for hire	2 492 439	1 759 518	42%
Net cash from investing activities	(39 319 448)	(36 343 322)	8%
Net proceeds on share issue	(123 743)	50 552 860	(100%)
Settlement of cash portion of purchase price – Armstrong	(20 000 000)	-	100%
Movement in borrowings	800 604	4 347 772	(82%)
Net cash from financing activities	(19 323 139)	54 900 632	(135%)
Net movement in cash / cash equivalents	(27 143 223)	42 148 384	(164%)
Balance at beginning of year	42 403 658	255 274	16511%
Cash and cash equivalents at end of year	15 260 435	42 403 658	(64%)

Group Balance Sheet and Cash Flow

- ◉ Premium to be allocated of R54m arising from the acquisition of Armstrong Construction – in progress. Will affect earnings H2 for 2009 in terms of IFRS 3, but not materially
- ◉ The amount of R19,3m in Erbacon Construction, overdue at 29/02/2008 due to a developer/Land Bank dispute, has been repaid in full
- ◉ Capex of R18,7m authorised at 29/02/2008 for Small Plant and Formwork branches, has been spent.
- ◉ Ungearred balance sheet
- ◉ Construction companies (cash generative) compliment/offset Small Plant and Formwork (cash absorber)
- ◉ Dividend policy to be reviewed at financial year-end



Group Prospects/issues

- Controlled growth (risk management, business mix)
- BEE - Key issue
- Committed Government Infrastructural Spending – good space for Erbacon
- Sustainable growth in Civils Construction Sector
- Expand into earthworks / roads sector
- Presence in Gauteng
- Future acquisitions – have “in principle” support of major shareholders
- Branding and profiling
- Information systems
- IFRS 2 and 3 – valuations in progress
- Earnings growth anticipated



Corporate Governance

- Committed to the principles of effective corporate governance
- Compliance with King Report II
 - Independent, non-executive chairman, Alan Dawson, appointed 1 March 2008.
- Risk Management philosophy
- Internal audit and other control methodologies
- Standardisation of policies and procedures especially HR/IT/sites
- Information System upgrades





Thank you

Questions...