



Erbacon Investment
Holdings Limited
“Erbacon”

2010 Interim Results

(31 August 2009)

Presentation October 2009



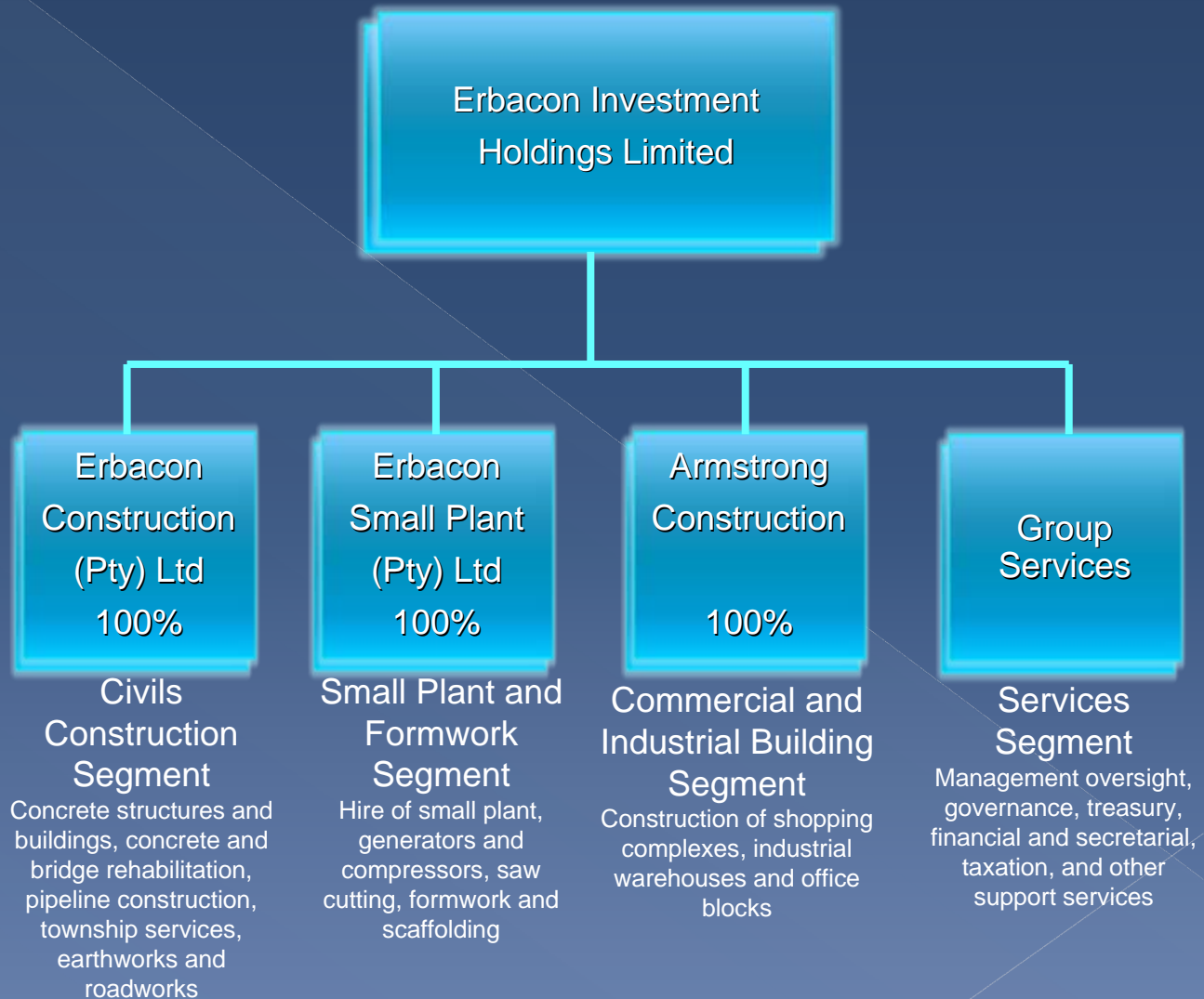
Erbacon Investment Holdings Limited

Historical Sequence

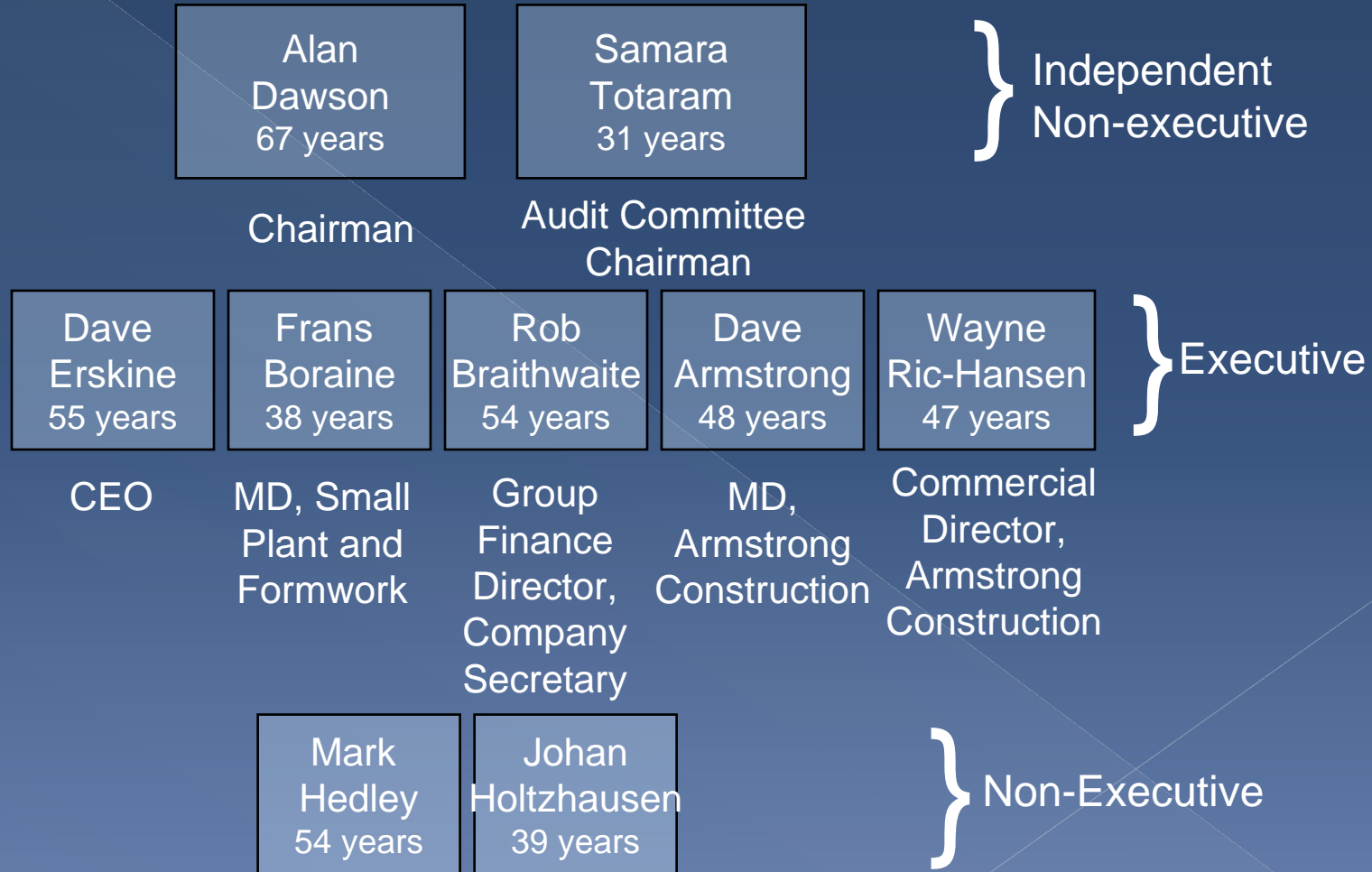
- ❑ Erbacon Construction formed by Dave Erskine in 1987
- ❑ Erbacon Small Plant co-founded by Dave Erskine and Frans Boraine in 1996
- ❑ Listed on Alt X in December 2007 following a restructuring
- ❑ Armstrong Construction acquired on 28 February 2008 for R71m. Shares in issue increase to 136 803 175
- ❑ Civcon merger to be approved by shareholders on 19 November 2009
- ❑ Medu Capital to acquire 29,41% as BEE partner – approval on 19 November 2009



Current Erbacon Group Structure

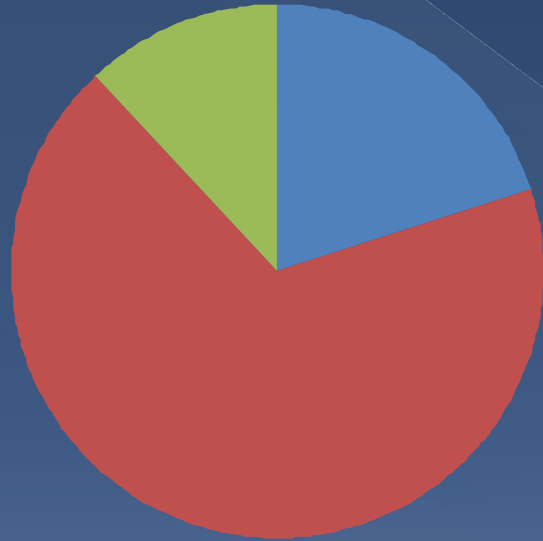


Current Directors of Erbacon



2010 Interim Contribution to Group Revenue

Revenue August 2009



- 20% - Industrial/Commercial Building
- 68% - Civils Construction
- 12% - Small Plant and Formwork

Revenue August 2008



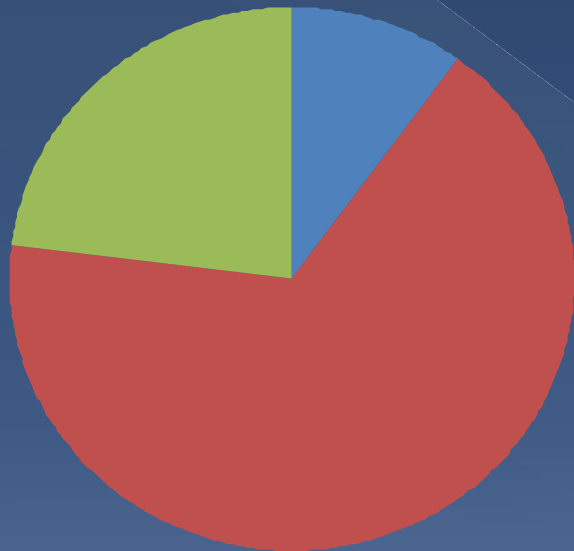
- 64% - Industrial/Commercial Building
- 23% - Civils Construction
- 13% - Small Plant and Formwork



The above excludes the effect of any acquisitions.

2010 Interim Contribution to Group Attributable Profit

Profit - August 2009



Profit - August 2008



■ 10% - Industrial/Commercial Building

■ 67% - Civils Construction

■ 23% - Small Plant and Formwork

■ 39% - Industrial/Commercial Building

■ 34% - Civils Construction

■ 27% - Small Plant and Formwork



The above excludes the effect of any acquisitions.

2010 Interim Performance at a Glance

Share Statistics

	2010 Interim August 2009	2009 Interim August 2008	February 2009
Headline Earnings per Share (cents)	22,87	19,41	40,11
Earnings per Share (cents)	23,24	20,15	40,64
Dividend per Share (cents)	-	-	5,5
Dividend cover (times)	-	-	7,4
Dividend Yield	-	-	3,7%
Net tangible asset value per share (cents)	135,38	97,04	117,11
Net asset value per share (cents)	173,40	134,72	155,33
Share price (cents)			
High	175	270	270
Low	130	180	145
Closing	135	188	150
Market capitalisation (Rm)	185	257	205
Volumes traded (000's)	380	1 953	3 094
Volumes traded as % of weighted number of shares	0,3%	1,5%	2,4%



2010 Interim Performance at a Glance

Ratios and Statistics

	2010 Interim August 2009	2009 Interim August 2008	February 2009
Return on total shareholders' interest	13,40%	13,85%	25,29%
Operating Profit Margin	11,11%	9,98%	10,08%
Current asset ratio	1.57	1.40	1.50
Number of employees	1 052	1 165	1 041
Number of shares in issue (000's)	136 803	136 803	136 803
Number of weighted shares in issue (000's)	136 074	126 655	131 517

2010 Interim Group Income Statement Year on Year

R 000	2010 Interim 6 months	2009 Interim 6 months	% change
Revenue	395 146	341 803	16%
GP	65 524	48 999	34%
Other Income	693	1 300	(47%)
Operating/Admin Expenses	(22 329)	(16 175)	38%
Operating Profit	43 888	34 124	29%
PBT	45 354	35 442	28%
Tax	(13 736)	(9 924)	38%
Net Profit After Tax	31 618	25 518	24%
EPS	23,24 cps	20,15 cps	15%
HEPS	22,87 cps	19,41 cps	18%
GP %	16,6%	14,3%	16%
Operating Profit %	11,1%	10,0%	11%


2010 Interim Admin / Operating Expenses

Expense / revenue ratio %	2010 Interim 31 Aug 2009	2009 Interim 31 Aug 2008
Erbacon Construction	2,4	6,0
Erbacon Small Plant	11,0	10,6
Armstrong Construction	5,9	2,5
Group elimination	-	-
Total Group (Increase of 10.2%) * * Excluding the movement in the doubtful debt provision	5,4	4,9
Total Group (Increase of 21.3%)	5,7	4,7

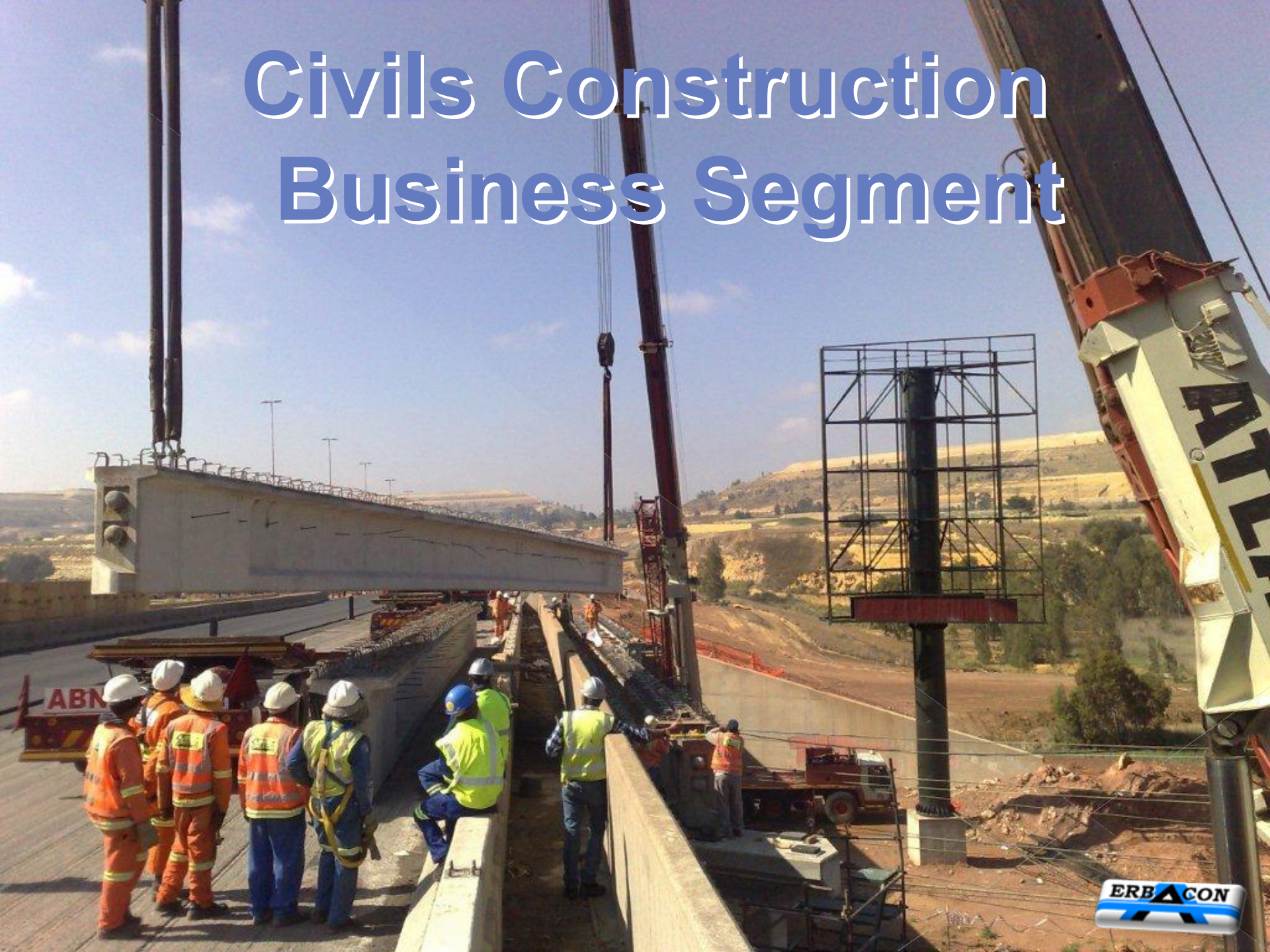
2010 Interim Group Balance Sheet

	2010 Interim (31 August 2009)	2009 Interim (31 August 2008)	% Change
Non-current Assets			
PPE	35 681 491	32 279 325	11%
Plant for hire	75 186 692	61 997 883	21%
Deferred tax	-	538 012	-
Goodwill	52 822 314	54 264 143	(3%)
Current Assets			
Trade/other receivables	172 026 646	163 800 206	5%
Inventory	24 814 764	12 037 847	106%
Cash and cash equiv.	48 262 643	15 260 435	216%
Equity			
Share capital	293 919 518	295 356 150	(0.5%)
Common control deficit	(177 246 106)	(177 246 106)	-
Share-based payments reserve	1 064 089	-	-
Retained earnings	118 209 452	66 190 560	79%
Non-current Liabilities			
Borrowings	15 425 371	15 698 627	(2%)
Deferred tax	1 097 632	3 251 451	(66%)
Current Liabilities			
Trade/other payables	131 696 015	112 506 477	17%
Borrowings	5 584 442	9 293 265	(40%)
Current tax liability	19 044 137	15 127 427	26%

2010 Interim Group Cash Flow

	2010 Interim (6 months)	2009 Interim (6 months)	% change
Cash receipts from customers	351 314 183	286 367 551	23%
Cash paid to suppliers / employees	(323 443 666)	(271 317 176)	19%
Cash generated from operations	27 870 517	15 050 375	85%
Net finance income	1 465 661	1 318 115	11%
Dividends paid	(7 524 175)	-	-
Tax paid	(10 247 835)	(4 869 126)	110%
Other non-cash items	491 118	-	-
Net cash from operating activities	12 055 286	11 499 364	5%
Acquisition of PPE	(3 435 737)	(16 905 084)	(80%)
Acquisition of Plant for hire	(17 669 390)	(26 252 591)	(33%)
Proceeds on disposal of PPE	226 860	1 345 788	(83%)
Proceeds on disposal of Plant for hire	2 643 798	2 492 439	6%
Net cash from investing activities	(18 234 469)	(39 319 448)	(54%)
Share issue expenses charged to share premium	-	(123 743)	-
Movement in borrowings	(2 861 817)	800 604	-
Net cash from financing activities	(2 861 817)	676 861	-
Net movement in cash / cash equivalents	(9 041 000)	(27 143 223)	(67%)
Balance at beginning of year	57 303 643	42 403 658	35%
Cash and cash equivalents at end of year	48 262 643	15 260 435	216%

Civils Construction Business Segment



2010 Interim Income Statement - Civils Construction

- Erbacon Construction Revenue up 240%, to R270,3m (2008 – R79,6m)
- Gross Profit Margin down to 13% (2008 – 19%)
- Contribution to Group Revenue of 68% (2008 - 23%)
- Operating Margin of 11% (2008 - 13%)
- Profit before tax of R30,4m (2008 – R12,2m), an increase of 149%
- Contribution to Group attributable profit of 67% (2008 - 34%)



Clients

Customer	% at 31 August 2009	% at 28 February 2009
Private Developers and Companies	0%	13%
South African National Roads Agency	40%	40%
Ethekwini Municipality	22%	12%
KZN Department of Transport	10%	15%
Other Parastatals	13%	20%
Umgungundlovu Municipality	15%	0%
Grand Total	100%	100%

Major Contracts Over The Past 2 Years

Contract	Client	Year	Value
E.London Treatment Works	Buffalo City	2008	R50m
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
Peoples Park Moses Mabhida Stadium	Ethekwini Municipality	2009	R122m
Pedestrian Bridges	KZN Department of Transport	2009	R30m
Road Reconstruction	KZN Department of Transport	2009	R44m

Civils Construction Key Issues

- Tender environment more competitive
- Solid forward order book > R425m
- CIDB 9 submission under review
- Permanent Gauteng presence – Civcon deal being concluded
- G4 transaction not pursued
- IS upgrade in progress (cost R1,25m)



Small Plant and Formwork Business Segment



2010 Interim Income Statement - Small Plant and Formwork

- Small Plant Revenue up 5%, to R48,3m (2008 – R45,9m)
- Contribution to Group Revenue of 12% (2008 - 13%)
- Operating Margin of 26% (2008 - 24%)
- Operating profit of R12,5m (2008 - R11,1m)
- Contribution to Group operating profit of 28% (2008 – 32%)



Small Plant and Formwork

Key Issues

- Decision on IS choice proving difficult
- Return on assets not satisfactory (target 20%)
- Focus on individual branch ROA
- Replenishment of plant hire assets curtailed
- New branches (Ellisras / Nelspruit) now gaining momentum
- Continue to de-risk business (IS, asset control, branch control)



Commercial and Industrial Building Segment



2010 Interim Income Statement - Commercial and Industrial Building

- ◉ Armstrong Construction Revenue down 37%, to R137,6m (2008 – R219,9m)
- ◉ Gross profit margin remains the same at 9% (2008 – 9%)
- ◉ Contribution to Group Revenue of 20% (2008 – 64%)
- ◉ Operating Margin of 3,1% (2008 – 6,4%)
- ◉ Profit before tax of R5,4m (2008 – R14,1m), a decrease of 62%
- ◉ Contribution to Group operating profit of 9,8% (2008 – 40%)



Armstrong Construction

Major Contracts Completed / Underway

Contract	Year	Value
Unilever Distribution Warehouse/ Offices	2007	R255m
Pep Distribution Warehouse	2007	R138m
Ulundi Shopping Centre	2007	R78m
Elliotdale Shopping Centre	2007	R21m
Granada Centre Refurbishment	2008	R41m
Road Lodge Umhlanga	2008	R30m
Mtubatuba Taxi City	2008	R22m
VCC SSI Newmans Office block	2008	R20m
Multi – Media Centre – Dingaansat	2008	R19m
Seth Mokothimi Seminary	2009	R48m
BDO Offices	2009	R41m
Builders Trade Depot	2009	R15m
Dairy Beach Upgrade	2009	R21m
Addington Beach Upgrade	2009	R21m



Armstrong Construction Key Issues

- Forward order book > R200m, better H2 expected
- Access to Civcon client base
- Nil residential project exposure
- Overhead / Revenue ratio increases in H1
- Tender pricing more competitive, margins tighter
- New business opportunities affected by funding constraints
- IS upgrade in progress



Civcon Engineering Contractors

- Civcontract Civils (Pty) Limited commenced business in 1980
- Based in Gauteng
- Operates in the Mining and Heavy Industrial markets
- Client base includes mining houses, fertilizer and Petro chemical companies, and heavy industry
- Undertakes projects for reservoirs, roads, bridges, mineral process plants, sewerage and water treatment plants, refrigeration plants, silos etc
- Revenue in 2009 was R352m, and NPAT was R51,3m
- Strong, focused management team
- Separate markets to Erbacon, good fit, management owned



Civcon

Major Contracts Over The Past 2 years

Contract	Contract for	Year	Value
Chemwes Gold and Uranium Plant	Chemwes	2009	R411m
Paardekraal 2 Fridge Plant	Anglo Platinum	2009	R67m
Waterval WCM Crusher	Anglo Platinum	2009	R14m
Chemwes Gold and Uranium Project	Ezulwini Mining Co.	2008	R206m
South Deep Brattice Wall	Placer Domer Joint Venture	2008	R66m
Grootgeluk Feedstock Conveyors	XL Projects	2008	R33m

Rationale for the Merger

- The critical mass of Erbacon will be significantly increased enabling the company to tender on larger and more profitable contracts
- Enable the group to tender on work outside South Africa (particularly Zimbabwe, Angola and Mozambique) which Erbacon views as potential markets in the future
- Erbacon's geographical diversification outside of KwaZulu-Natal and into the Gauteng key growth area will be enhanced
- Erbacon's client base will be extended to include mining construction and heavy industry thereby diluting its exposure to its traditional client base
- Medu Capital will provide Erbacon with funding for the Civcon acquisition and a significant BEE status which the company does not currently have



Rationale for the Merger - Continued

- Armstrong Construction and Erbacon Small Plant will be able to access the building and plant hire components of Civcon's future tenders
- Civcon prospects include benefiting from Government's planned infrastructure spend, including Eskom and major mining projects still currently under development in South Africa. Civcon has a history of involvement with these clients which is a space that Erbacon is not in
- Added management depth and experience
- Civcon gains immediate access to a listed vehicle (governance, support services etc)
- Corporate overheads recovered more effectively



Civcon / Medu Transaction

SALIENT DEAL TERMS

- Erbacon valued at R1.68 per share (after declaring a special dividend of R30m) – a premium of 20% to current trading price of R1.40 per share
- Erbacon will declare a special dividend of 21.93 cents per share (R30m)
- Adjustment to Erbacon share price
 - Original share price in terms of deal R1.90
 - Special dividend (R30m) (R0.22)
 - Adjusted share price R1.68
- Erbacon will acquire 100% of the share capital of Civcon for R266,8m based on a 4.16x forward PE
- Medu Capital will subscribe for 67,4 million preference shares in Erbacon at R1.68 per share, capitalizing Erbacon to the extent of R113m



Civcon Purchase Consideration

+/-50% on
effective
date

Cash R95,4m and
25m ordinary Erbacon shares
at an issue price of R1.6807 per
share – R42,1m

+/-30% on
Feb 2010
warranted profits

46,2m ordinary Erbacon shares
at R1.6807 per share – R77,6m

+/-20% on
Feb 2011
warranted profits

30,8m ordinary Erbacon shares
at R1.6807 per share – R51,7m



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
- ---

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

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

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



Medu Capital

- Majority owned and managed by black South Africans
- A BEE private equity fund, certified by Empowerdex
- Partners businesses that require equity risk capital and / or BEE partners
- Nil AC 503 effect at a R1.40 share price, increasing to R13,9m at R1.68

Terms of Medu Capital Preference Shares

- Rank pari passu with ordinary shares but shall be unlisted
- Entitled to proportionate share of ordinary dividends, but there is no pre-determined preference share dividend rate
- Entitled to vote with ordinary shareholders, but limited to a maximum of 25% less one vote
- Each preference share can be converted into one ordinary share
- Redeemable at issue price if not converted into ordinary shares at the end of 5 years
- Can appoint two directors to the Board
- Management shares 'tied-in' for 5 years
- Medu Capital cannot dispose of preference shares before 3 years unless to another BEE entity
- Redemption / conversion on an actionable event



Share Capital

000's	Prior to the transaction Number of shares	Post the transaction Number of shares
Authorised share capital		
Ordinary shares of 1 cent each	300 000	500 000
Preference shares of 1 cent each	-	67 410
Issued share capital		
Ordinary shares of 1 cent each	136 803	238 776
Preference shares of 1 cent each	-	67 410
Total	136 803	306 186

Erbacon / Civcon Simple Aggregation

28 February 2009 R 000	Erbacon Group	Civcon	Combined
Revenue	720 957	352 348	1 073 305
Gross profit	112 823	141 536	254 359
GP%	15,65%	40,17%	23,70%
EBITDA	92 101	83 810	175 911
EBITDA margin	12,77%	23,79%	16,39%
Operating Profit	72 659	73 962	146 621
Operating Profit Margin	10,08%	20,99%	13,66%
PAT	53 443	51 342	104 785
PAT Margin	7,41%	14,57%	9,76%
Net asset value	211 362	74 153	285 515
Net tangible asset value	159 353	74 153	233 506
Cash on hand	57 304	50 116	107 420
Proposed dividend to be paid	30 000	25 000	55 000

Pro Forma Adjustments

- Prior to the implementation of the transaction, Erbacon will declare a special dividend of 21.93 cents per share. The total dividend paid including STC amounts to R33m. The reduction in interest income arising from the payment of the dividend is calculated at 7%
- The convertible redeemable and participating preference shares issued to Medu Capital is a compound financial instrument, split into a liability and an equity portion. The liability portion has been calculated at R52 704 158. The discount rate applied is 16,53%
- The equity portion has been calculated at R43 592 142 after taking account of deferred tax of R16 952 500. The interest expense on the liabilities portion is calculated at 16,53%
- Pre-tax interest at 7% per annum will be earned on the excess cash of R17 830 540 not utilised by Erbacon to fund the acquisition
- Deal expenses is R4 000 000 of which R3 622 499 has been capitalised. No taxation has been raised in respect of the deal expenses as they are deemed to be of a capital nature



Pro Forma Adjustments - Continued

- Civcon is to declare a dividend of R25 000 000 plus STC of 10%. The reduction in interest income has been calculated at 7%
- A provisional purchase price allocation has resulted in an estimated goodwill value of R191 525 475. Contract based intangible assets amounts to R5 033 652 amortised over one year. Deferred taxation has been calculated at 28%. The purchase price allocation will be revisited in terms of IFRS 3 within 12 months
- The BEE expense, in terms of AC 503 to account for the BEE equity credentials introduced by Medu Capital has been calculated at R nil. This is based on an Erbacon share price of R1.40 per share. Should the Erbacon ordinary share price increase to R1.68 per share, the BEE expense would amount to R13 952 317
- Unaudited pro forma HEPS to increase 40.21% to 56.23 cps (2009: 40.11 cps)

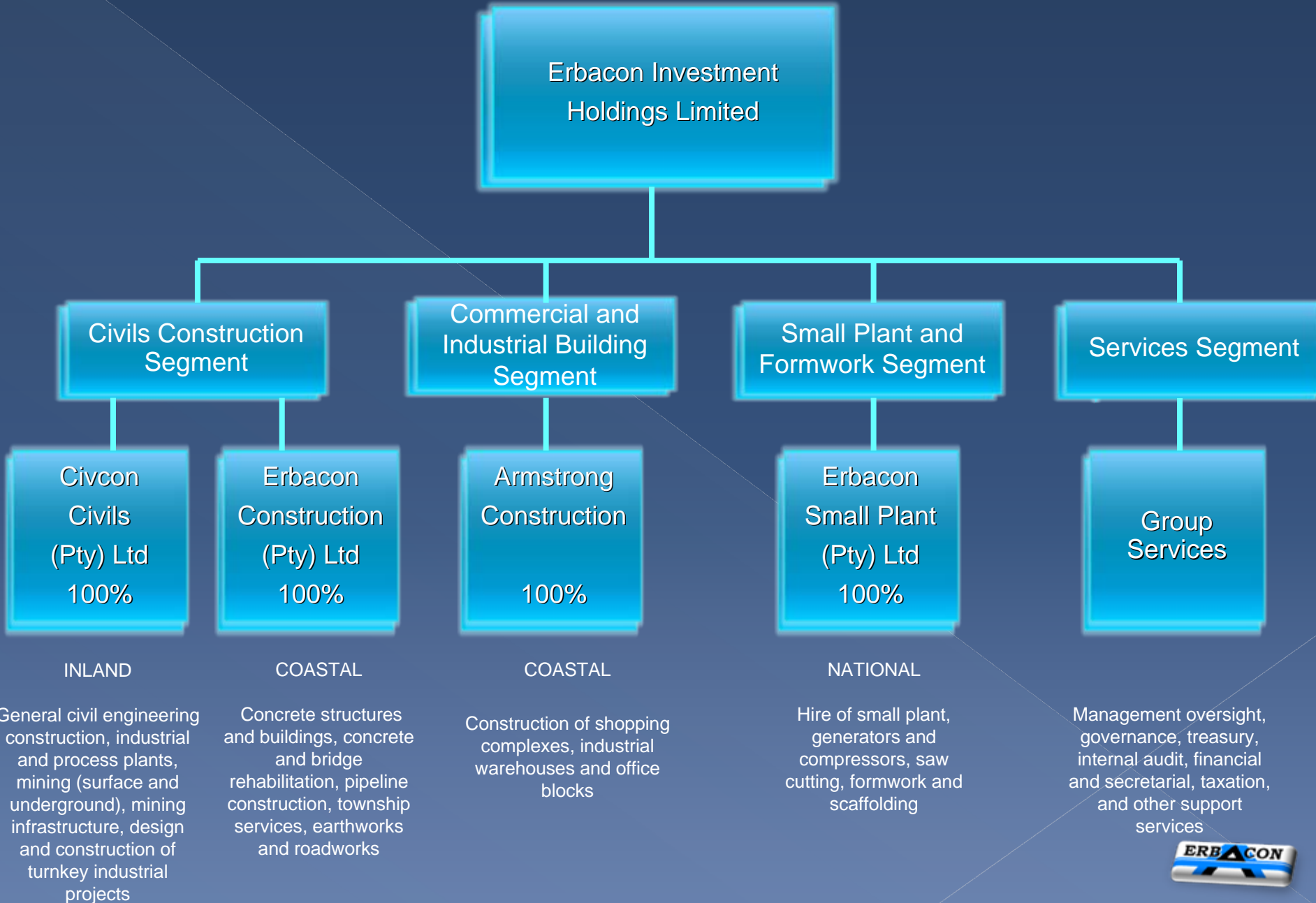


Major Shareholders and Spread

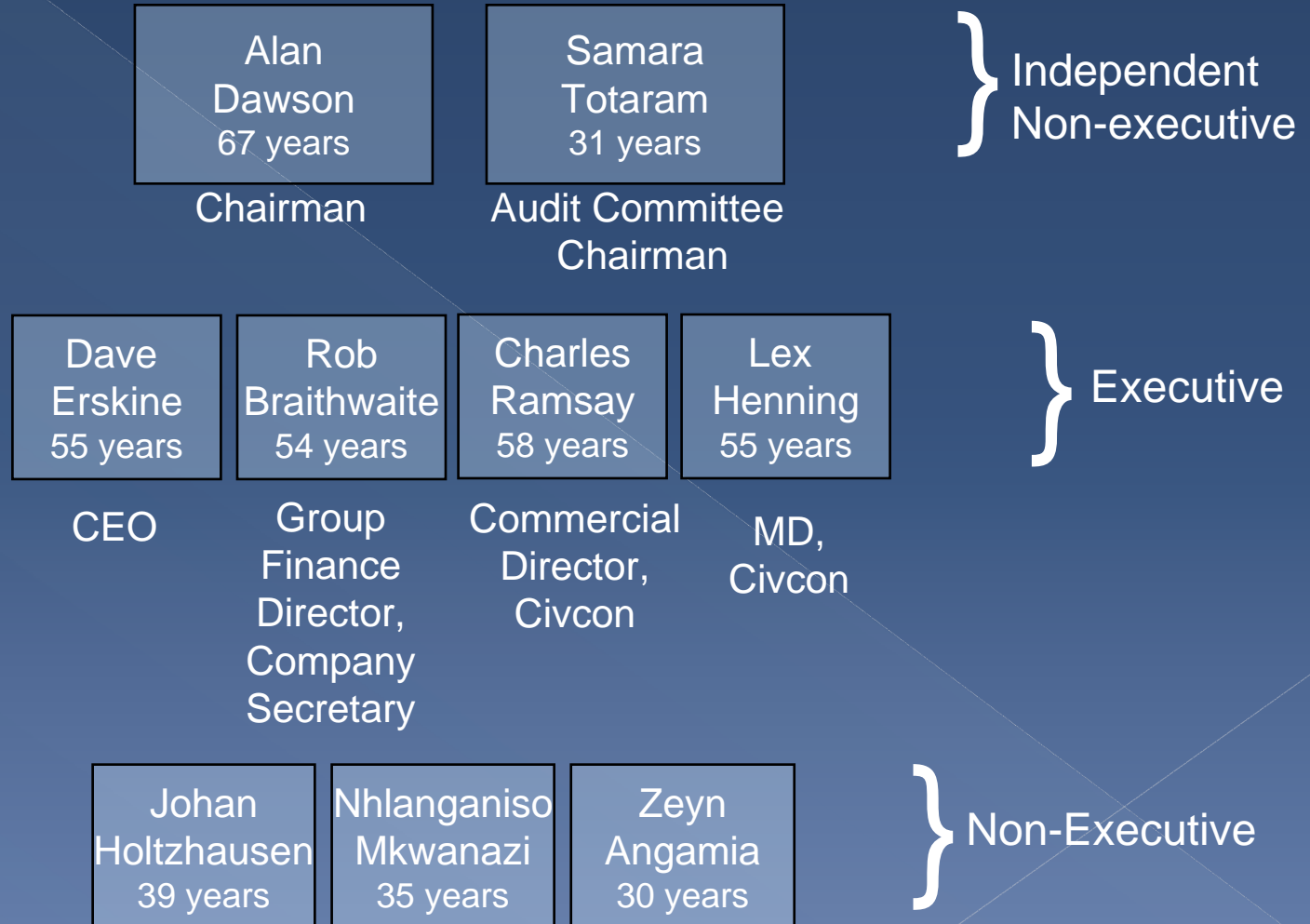
Name of shareholder	Number of shares post-transaction 000's	Percentage post transaction including all shares
Ordinary shares held:		
A H Henning	44 621	14.57
Ramsay Family Trust	44 621	14.57
Paladin Capital	34 904	11.40
D B Erskine	33 920	11.08
8 Mile / Charter	18 550	6.06
F P Boraine	14 537	4.75
D G Armstrong	10 426	3.41
Total ordinary shares in issue	201 579	65.84
Preference shares held:		
Medu Capital	67 410	22.02



New Erbacon Group Structure



New Board of Directors of Erbacon



2009 Strategic Intent - How have we done?

- Build a sustainable business → BEE/Critical mass/diversification addressed. Controlled growth. Final dividend objective, dividend cover likely to reduce. Balance sheet ungeared with access to GBF's
- Succession planning → Civcon deal helps. A key issue still
- Target turnover in the interest rate “insensitive” construction segments → Good success with Municipalities etc
- Remain wary of residential sector → Nil exposure
- Strong, visible Erbacon identity and brand → Progress sound. Civcon identity to be maintained over medium term
- Acquire an earthworks/roads company → G4 deal aborted
- Definitive presence in Gauteng → Civcon deal provides significant geographical diversification



2009 Strategic Intent - How have we done? - Continued

- Solve BEE business imperative (and go to JSE main board) → Medu Capital on board, need to address 'free float' in time
- Strengthen support services (HR/Internal audit) → Civcon deal gives more critical mass. Internal audit strengthened. Standardise policies
- Implement risk management methodologies → Progress at Erbacon satisfactory, but hindered by focus on deal. Civcon brings higher standards of quality/safety due to exposure to mining segment
- Proper control and leadership in IT/IS system overhaul → Major progress, hosting option for IT, construction software being installed
- KPI monitoring → Quarterly assessments in place





Thank you
Questions...