





The RACEC Group Limited

Listing Presentation

ALTX

September 2007

The Listing of RACEC

-  Raise R28.2 million of new capital
-  Private placement at R1.00 per share
-  2007 PE - 10.1 (HEPS – 9.9) (including JMB annualized trading)
-  2008 PE - 6.3 (HEPS – 15.9)



RACEC Group
Excellence in Engineering Infrastructure

Overview



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About RACEC

- Excellence in engineering infrastructure

 RACEC provides engineering infrastructure solutions in two focus areas: Rail and Electrical





 Strives to build long term relationships with clients

 Dedicated and committed staff with superior knowledge and skill levels



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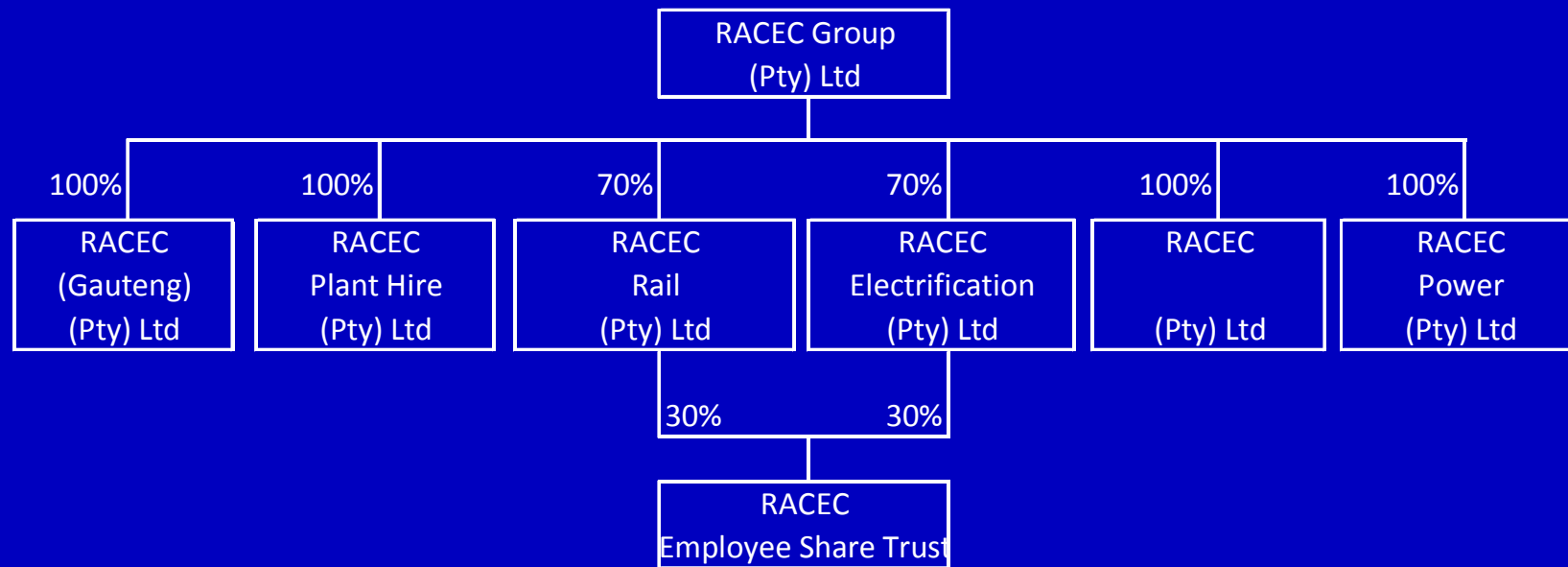
Key events

-  1956 - Launched as Railway and Civil Engineering Construction (Pty) Ltd. Focusing mainly on construction and maintenance of railway sidings.
-  1976 - Purchased by Metkor Limited
-  1977 - Electrical construction started to provide clients in rail sector with a more complete service
-  1988 - MBO - supported by Standard Corporate and Merchant Bank
-  2004 - RACEC Employee Share Trust established
-  2007 - JMB Electrical Contracts acquired





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RACEC's group structure



RACEC's core values

-  Quality
-  Cost effectiveness
-  Customer focus
-  Safety
-  Training
-  Skills transfer and empowerment



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Industry Associations

-  Founding member of South African Federation of Civil Engineering Contractors (SAFCEC)
-  Member of Electrical Contractors Association (ECA)
-  Registered with Construction Industry Development Board (cidb)
-  Member of Railroad Association of South Africa



Operations




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RACEC's foot print



 Current locations include permanent national offices in:

- Gauteng
- Kwazulu Natal
- Southern Cape
- Western Cape

 Southern African operations include

- Mozambique




Rail Activities


-  Construction, maintenance and upgrading of railway track systems
-  Gantry, stacker reclaimer and ship loader track work
-  Customised trolley racks
-  Thermite and arc butt welding of rails
-  Crane tracks for the building industry
-  Railway siding design
-  Railway material refurbishment and sales
-  Track work encased in concrete
-  Track related civil and ancillary works
-  Management of industrial rail networks
-  Manufacture of precast concrete items for Spoornet



Details of long-term rail contracts

 The following is a list of the larger valued long-term rail contracts in place:










<i>Details</i>	<i>Type</i>	<i>Period years</i>	<i>Expiry</i>	<i>Total value R000</i>
Richards Bay Coal Terminal	Maintenance	5	2011	29 600
Richards Bay Coal Terminal - Phase V Expansion project	Construction	2	2008	22 800
Sasol Synfuels Secunda	Maintenance	5	2009	21 500
Highveld Steel	Maintenance	5	2011	20 400

 In addition to the above, there are a number of smaller long-term rail contracts in place, as well as a number of annuity type rail contracts (maintenance, rental charges and yard sales)



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Electrical Activities

-  Electrical reticulation
-  Electrical metering and vending
-  Electrical distribution
-  Electrical substations
-  Overhead transmission lines
-  Road and area lighting
-  Rail track electrification
-  Maintenance of electrical networks
-  Maintenance of rail track electrification systems

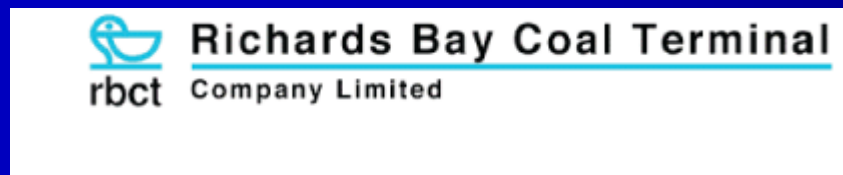
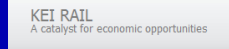


Key clients / relationships

 Through quality of customer service many projects have developed into long-term relationships with repeat work



GRANDWEST
CASINO AND ENTERTAINMENT WORLD





Our team



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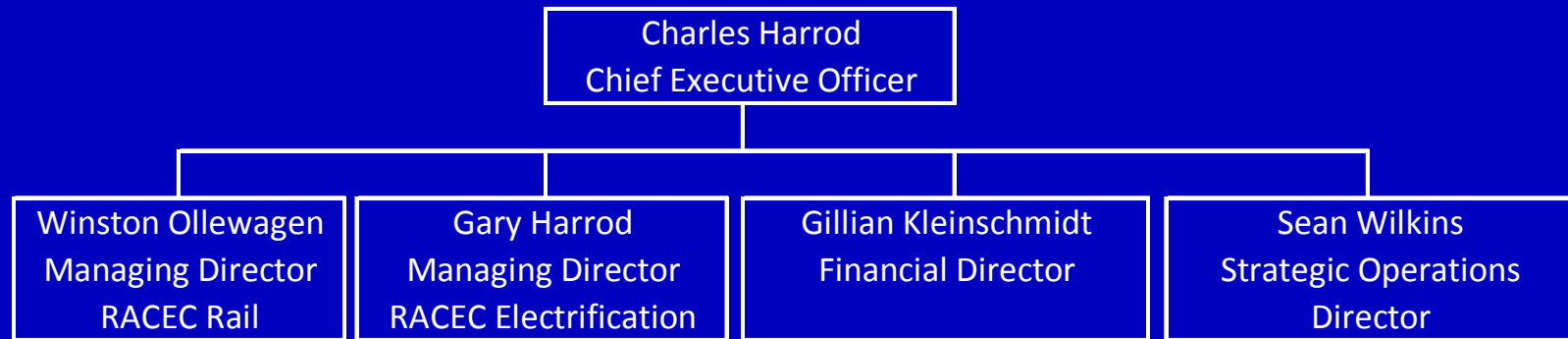
“Our staff is our greatest asset”

-  Flexibility is maintained by using temporary contracts of employment to supplement core staff
-  The RACEC Employee Trust established in 2004 for the benefit of loyal and long standing staff – enabled the trust to purchase a 30% shareholding in each of the rail and electrical operating companies



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Group Directors



Non Executive Directrs

Mike Uys
Non Executive Chairman

Colin Gooden
Non Executive Director



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Staff profile

	RACEC Pty Ltd	RACEC Electrification Pty Ltd	RACEC Rail Pty Ltd
GROUP DIRECTORS	7		
CONTRACTS MANAGERS		10	7
OTHER MANAGERS	4	1	1
SITE SUPERVISORY STAFF		26	15
FINANCIAL, ADMIN, SUPPORT	12	10	11
	<hr/> 23	<hr/> 47	<hr/> 34
GENERAL WORKERS (incl unskilled, semi- and skilled hourly and monthly paid employees and LDC employees)		Between 100 - 1,500	



Fully committed to BEE



Directors

- One out of the seven Group directors is PDI's



Shareholding

- BEE ownership within the RACEC Group = Group - 7.6% / Rail and Electrification operating company - 30% (Employee Share Trust)



Skills Development

- Significant investment of skills and resources into development of PDI employees



SMME's

- Assisted a number of individuals in starting their own businesses, including:
 - Sibanye Africa (Pty) Ltd;
 - Cof'e Dongweni Engineering C.C;
 - Hlanganani Rail Services C.C;
 - Uphondo Electrical (Pty) Ltd;
 - Zomba Construction (Pty) Ltd; and
 - Luxor Electrical (Pty) Ltd.



Fully committed to BEE (continued)

Joint Ventures/Partnerships

- RACEC has established and built long term relationships with emerging contractors from previously disadvantaged backgrounds
- This facilitates emerging contractors to be able to bid for larger contracts and ensures skills transfer
- Joint venture contracts awarded to RACEC include:
 - Grand West Casino;
 - Sasol Secunda;
 - V & A Waterfront;
 - Cape Town International Airport; and
 - Kei Rail Refurbishment.



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Prospects



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Prospects

-  Unprecedented sector growth
-  Demand for infrastructure is high - budgeted infrastructure spend of R372 billion over the next five years
-  A number of government led initiatives including
 - the 2010 soccer world cup
 - low cost housing
 - Additional infrastructure to cater for electricity demand.
-  Spoornet - committed to rail network spend over the next couple of years.

In addition

-  South Africa is experiencing constraints in the engineering sector - allowing specialised and empowered companies such as RACEC to focus on high quality projects.



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Growth strategy








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Growth strategy



- Maximise profitability of existing business

-  Fully utilise resources currently employed and strengthen in areas where required
-  Drive synergies out of the acquisition of JMB Electrical Contractors:
 - Significantly increase the size of the current electrical business and
 - Provide a greater geographical spread of business
-  Ideally positioned in both the rail-track and electrification markets to take advantage of Spoornet's commitment to spending on their rail networks, as well as government's general infrastructure spend;
-  Recently opened a permanent office in George to service clients in the Southern Cape
-  Will continue to pursue long term rail maintenance contracts, as well as other annuity type income.



Growth strategy

- Improve market position and geographical spread

-  Well positioned to expand into the geographical areas not currently covered and actively seeking opportunities to strengthen its position in Southern Africa
-  Achieved through targeted strategic acquisitions



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High level financial information



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Group Income Statement

INCOME STATEMENT for the year ending 30 Sept.


(All amounts R'000)


	<i>Actual</i> 2006	<i>Forecast</i> 2007	<i>Forecast</i> 2008	<i>Forecast</i> 2009
Revenue	157 797	211 915	326 018	393 984
Cost of sales	132 096	178 212	276 401	332 673
Gross profit	25 701	33 703	49 617	61 311
Gross profit %age	16.3%	15.9%	15.2%	15.6%
Other income	754	4 353	-	-
Operating expenses	(19 597)	(20 860)	(26 053)	(28 635)
EBITDA	6 859	17 196	23 564	32 676
Depreciation	(1 263)	(3 279)	(2 498)	(2 992)
EBIT	5 597	13 917	21 066	29 684
Net finance costs	(130)	1 219	1 453	1 710
Profit before tax	5 467	15 136	22 519	31 394
Taxation	(2 267)	(3 513)	(6 608)	(9 157)
Profit for the period	3 200	11 623	15 911	22 237
Net profit %age				
<i>Pro forma EPS</i>	3.2	11.6	15.9	22.2
<i>Pro form HEPS</i>	3.6	7.9	15.9	22.2
<i>Pro form HEPS - annualised JMB</i>		9.9		
<i>Pro forma DPS</i>	4.4	3.9	5.0	7.4




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Group Income Statement (continued)

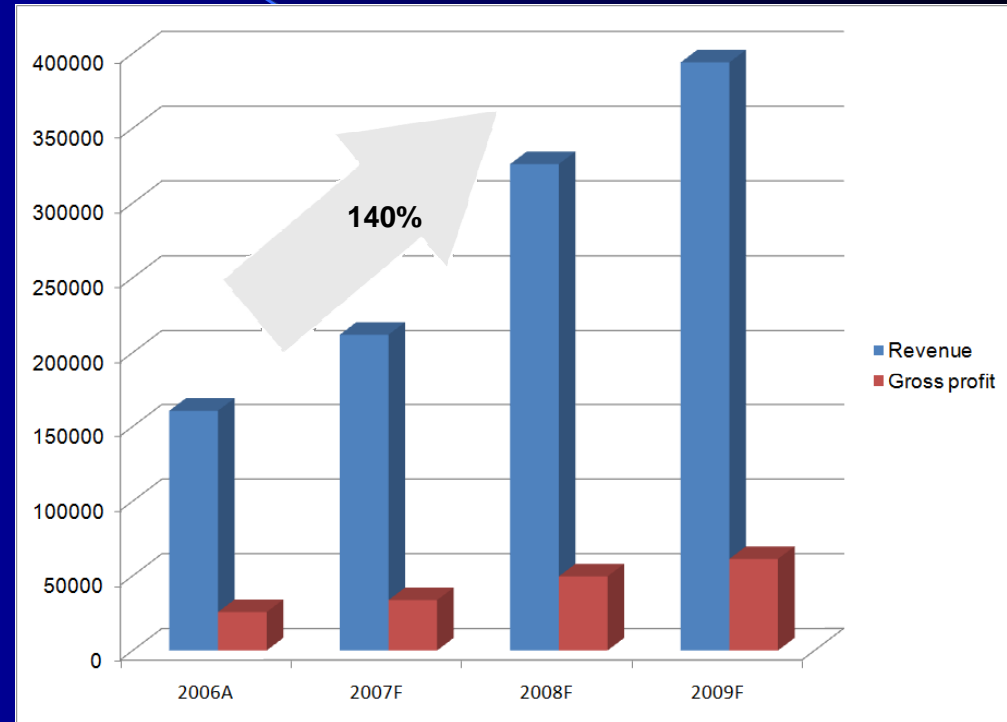
 Revenue has increased by 175% over the past five years

 Revenue forecast to increase by 140% in the four years to Sept. 2009

 Margin stable at between 15% and 16% - specialising in niche markets, RACEC has been able to provide superior returns, while operating in a lower risk environment

Dividends

- Historically – dividends paid monthly (Employee Share Trust)
- Current dividend policy - 1/3 Profit After Tax (Interim and Final)



Group Income Statement

- Segmental analysis

SEGMENTAL ANALYSIS for the year ending 30 Sept. (All amounts R'000)	Actual 2006	Forecast 2007	Forecast 2008	Forecast 2009
<u>Revenue</u>				
Administrative/investment	-	-	-	-
Electrical reticulation	100 201	105 746	189 742	230 087
Rail Construction	57 596	106 169	136 276	163 897
Total Revenue	157 797	211 915	326 018	393 984



Group Income Statement

- Segmental analysis - geographic

GEOGRAPHICAL ANALYSIS
for the year ending 30 Sept.
 (All amounts R'000)

Revenue

	<i>Actual</i> 2006	<i>Forecast</i> 2007	<i>Forecast</i> 2008	<i>Forecast</i> 2009
Western Cape	115 665	126 725	224 952	267 909
Gauteng	34 558	71 627	74 658	93 374
KwaZulu-Natal	7 574	13 563	26 407	32 701
Total Revenue	157 797	211 915	326 018	393 984



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Group Balance Sheet

	30 SEP 06	31 MAR 07	31 MAR 07
(All amounts in R'000)	Actual	Actual	Pro forma
Non current assets			
Property, plant and equipment	13 287	16 362	21 837
Investment property	-	-	350
Intangible asset	-	-	1 853
Loans to related parties	5 591	3 636	3 636
	<u>18 878</u>	<u>19 998</u>	<u>27 676</u>
Current assets			
Inventories	9 279	9 055	15 283
Loans to shareholders	15	-	-
Trade and other receivables	32 589	24 468	40 994
Cash and cash equivalents	3 253	22 407	41 346
	<u>45 136</u>	<u>55 930</u>	<u>97 623</u>
	64 014	75 928	125 299
Capital and reserves			
Shareholders equity	6 513	8 227	38 904
Minority interest	64	90	90
	<u>6 577</u>	<u>8 317</u>	<u>38 994</u>
Non-current liabilities			
Loans from related parties	-	236	236
Other financial liabilities	4 782	5 264	6 606
Deferred tax	2 931	2 675	2 675
Share based payments	628	1 499	1 499
	<u>8 341</u>	<u>9 674</u>	<u>11 016</u>
Current liabilities			
Loans from shareholders	4 562	3 291	3 291
Other financial liabilities	4 460	8 171	9 028
Current tax payable	1 572	2 060	2 060
Trade and other payables	30 709	44 388	57 993
Bank overdraft	7 793	27	2 917
	<u>49 096</u>	<u>57 937</u>	<u>75 289</u>
Total equity and liabilities	64 014	75 928	125 299
<i>Pro forma NAV per share</i>	6.6	8.3	39.0
<i>Pro forma NTAV per share</i>	6.6	8.3	37.1





The listing



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Why are we listing?

-  Facilitate growth
 - Organic growth - funding working capital
 - Acquisitions - script / cash
-  Well positioned for post 2010 consolidation
-  Attract and incentivise quality employees
-  Enhance investor and general public awareness of RACEC leading to new business opportunities

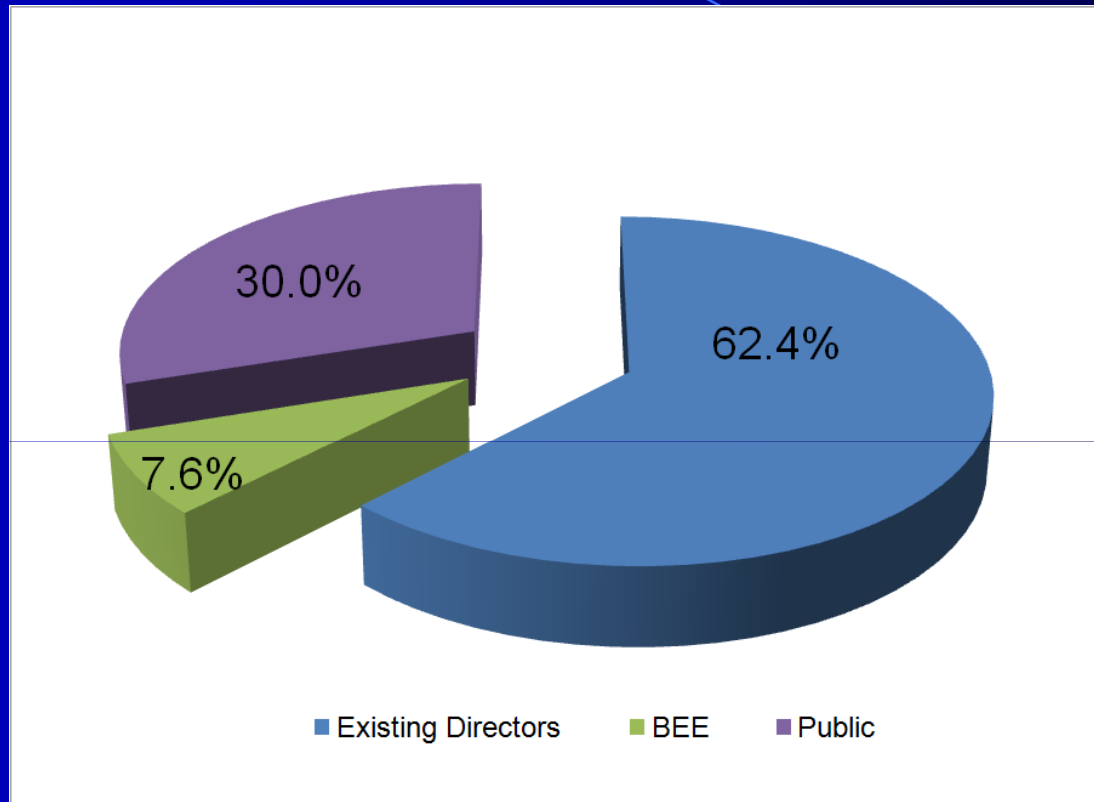


Application of funds

<i>Details</i>	<i>Proposed application %age</i>
Working capital	35%
Capex	4%
Listing expenses	4%
Acquisition funding	27%
JMB purchase consideration	30%
Total funds to be raised	28 150



Share float



Note:

- *The above represents the shareholding of RACEC Group Limited*
- *Additional BEE interests (30%) exist at the RAIL and Electrification operating company level via and Employee Share Trust*



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Conclusion



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Competitive advantage

-  Right place at the right time
 - Government's stated spending on infrastructural projects is directly in line with RACEC's capabilities and experience
-  Competent management
 - Proven track record of delivering on awarded projects over a long period.
-  Niche markets
 - RACEC is focused on a niche market and is a
 - Well known and respected brand
-  Revenue visibility
 - Has been successful in obtaining long-term contracts
-  Senior management stability
 - Senior management are substantial shareholders
 - No initial sell-down by existing shareholders



Questions



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