

Group Annual Results

For the year ended 30th June 2021



Date: 9th December 2021

The Annual Report and Results presentation is available at www.randwater.co.za



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Master of Ceremony

Group Treasurer: Lucky Ncobela

Opening & Welcome

Chairperson: Adv. Tshidi Faith Hashatse

Highlights & Operations

Chief Executive: Sipho Mosai

Financial Performance

**Chief Financial Officer:
Matshidiso Nyembe**

Conclusion

Chief Executive: Sipho Mosai

Vote of Thanks

**Board Member RWF - Mr Linda
Mngomezulu**





Highlights & Operations Chief Executive Sipho Mosai



About Rand Water



Be a provider of sustainable, universally competitive water and sanitation solutions for Africa



To consistently meet the expectations of Rand Water customers, partners and the government by strengthening the capacity to:



- Attract, develop and retain leading edge skills in the water services
- Sustain a robust financial performance
- Develop and sustain globally competitive capabilities in core areas
- Enter into and sustain productive partnerships; and
- Develop, test and deploy cost effective technologies

Strategic Objectives

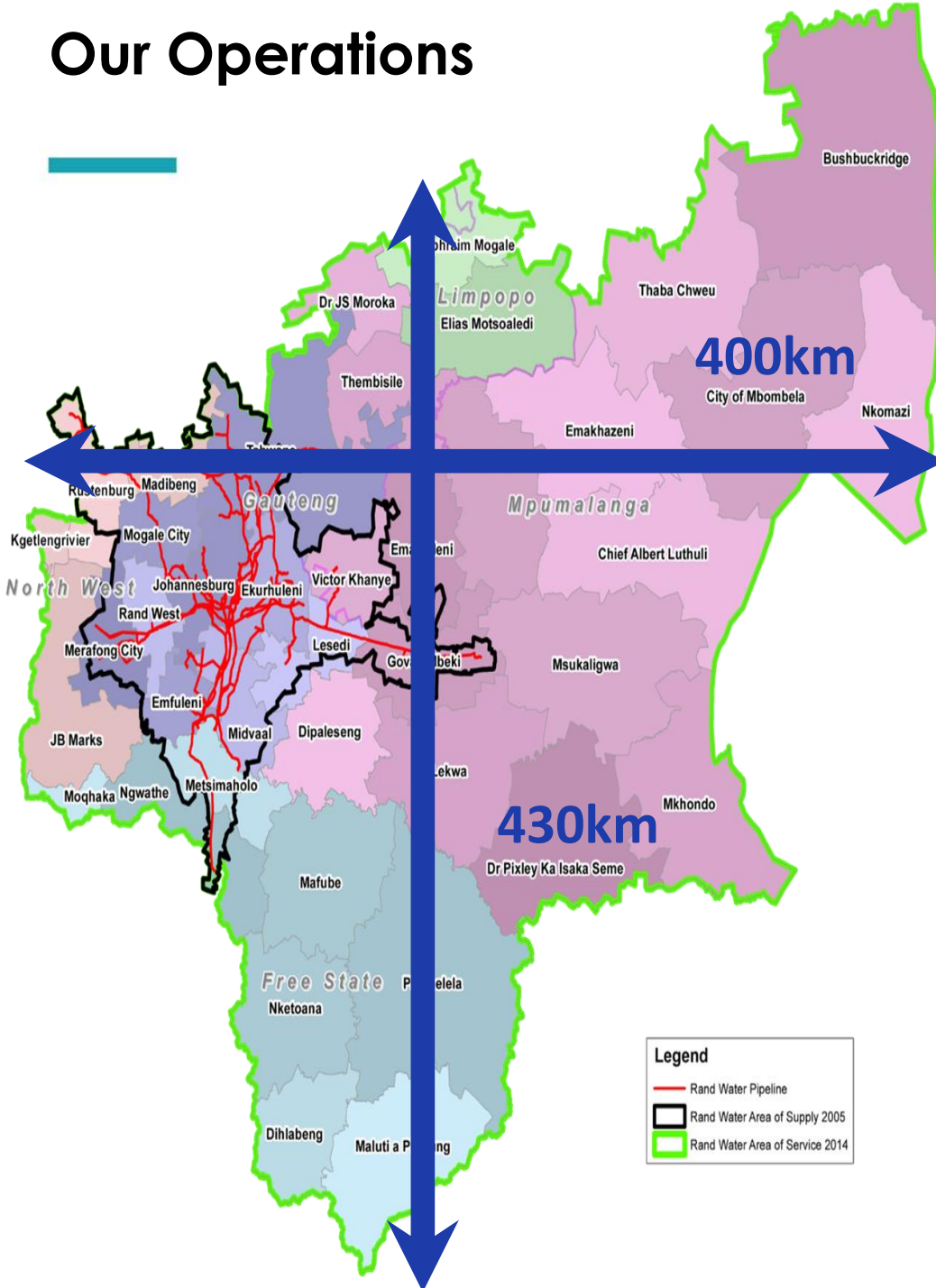
- Achieve Operational Integrity and Use Best Fit Technology
- Achieve a High-Performance Culture
- Positively Engage Stakeholder Base
- Achieve Growth
- Maintain Financial Health & Sustainability0

Innovation Driven Risk Based Strategy

- Growth of the organisation looking into various markets
- Establish a fully functional Innovation Hub (Innovation, Research & Development)
- To build a compliance driven & transformed Supply Chain Management function
- Proactive & modernised communication
- Proactive Stakeholder Management



Our Operations



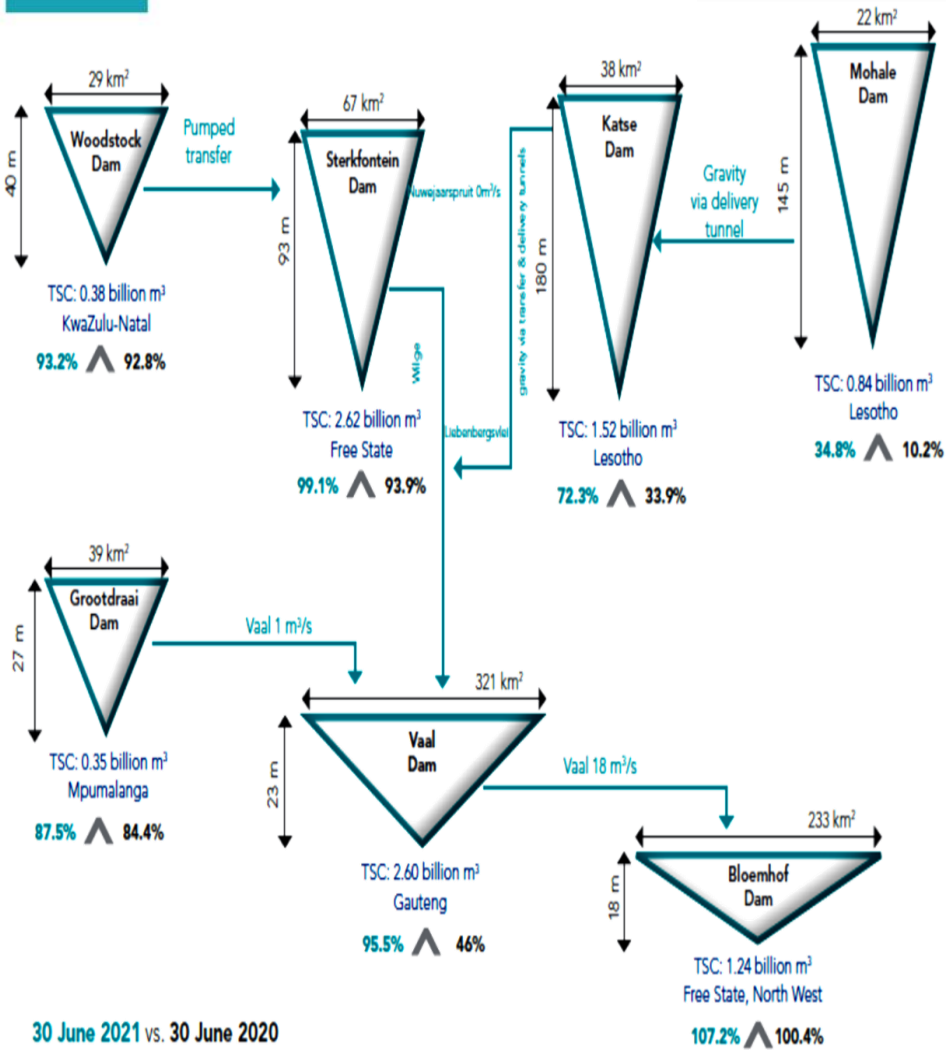
Capacity to Supply

- Largest water utility in Africa existing for **118 years**
- Bulk Water supplier mainly to municipalities
- Distribution network over **3 056km** of large diameter pipeline
- Feeding **58** strategically located service reservoirs
- Supplied an average of **4 331 Mℓ/d** and peak day demand of **5 036Mℓ/d**

Main customers:

- Municipalities (18)
- Mines(49)
- Industries and direct consumers (959)

Water Sources & Levels



Water is Life - Water is more Precious than Gold or Diamonds

Rand Water Structure

Mr. Senzo Mchunu, MP
Minister of Water & Sanitation
Appointed: 5 August 2021



Adv. Tshidi Faith Hashatse
Rand Water Board
Chairperson
2018 - Current



CE
Siphosiso Mosai
April 2019
April 2009-19 - COO



GM Rand Water
Foundation
Mohlatleho Sekoaila



Our People

Transformation

- Female recruitment - Target 54% - Achieved 56%
- PWDS at 3.1% is above the 2% public sector target
- Corporate Disability Forum fulfilled 70% of its mandate with a new leadership elected



Skills & Capacity Building

- Learnerships – Target – 50 - Achieved 79
- Graduate Programme – Target 95 - Achieved 160
- Bursary Employees - Target 20 - Achieved 59



Operational Highlights



Uninterrupted
Supply of
Water

**No
Unplanned
Supply
Disruptions**



BBEE Spend
as a % of
Budget

Target **85%**
Achieved
116.3%



Water Quality
Standards
SANS 241

Target **98.33%**
Achieved
99.25%



Percentage Spent
on Corporate
Social Investment

Target **95%**
Achieved
225%



Customer
Satisfaction
Rating

Target **82.5%**
Achieved
94.2%



Females recruited
in Management &
Technical positions

Target **51%**
Achieved **56%**

Operational Highlights



Capital Expenditure as a % of Budget

Target **95%**
Achieved **112%**



Debtors Days

Target **70 days**
Not Achieved **75 days**



Gross Profit Margin Primary Activities

Target **30.3%**
Achieved **34.4%**



Gross Profit Margin Secondary Activities

Target **5%**
Achieved **5.5%**



Unqualified Audit Report

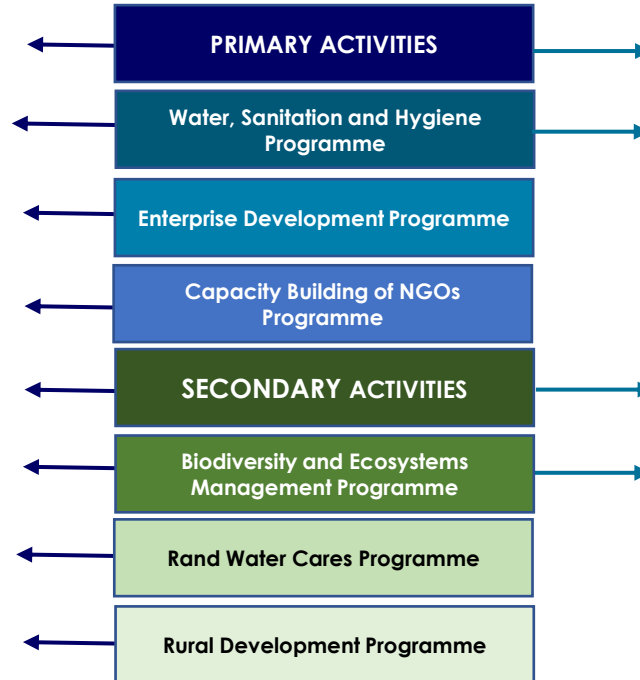
Our Corporate Social Investment

Rand Water Foundation

2020/2021
R85.1 million

Rand Water Foundation External Revenue

2020/2021
R7 million



PROVIDERS OF EXTERNAL FUNDING INCLUDE
Independent Development Trust (IDT)
Gauteng Department of Education
Gauteng Department of Agricultural Development (GDARD)
Department of Forestry, Fisheries and Environment (DFFE)



CSI - Our Contribution

EPWP (Rehabilitation of Wetlands Marievale Bird Sanctuary (Nigel))



- Environmental conservation interventions
- Protecting wetlands
- Rehabilitated the Marievale wetland creating 26 temporary jobs for local community members
- Supporting 2 Small Businesses
- Restored 20, 000 m3 of wetlands through restoration activities



Koppies Greenhouse Farming Primary Cooperative

- Food security initiatives supported by Rand Water Foundation.
- Seven hydroponic tunnels and two greenhouses fully operational, with spinach being produced in all tunnels
- Surrounding fence, crop production tunnels and greenhouses
- Construction of the office administrative block, guardhouse, and the parking lot

OUR ENVIRONMENT

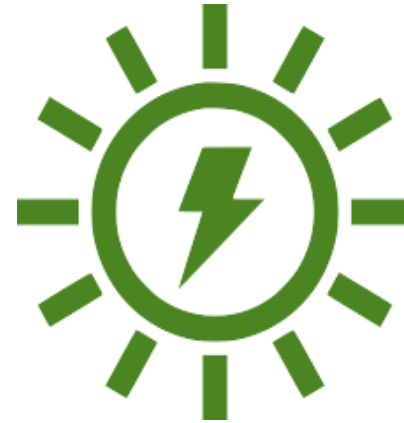
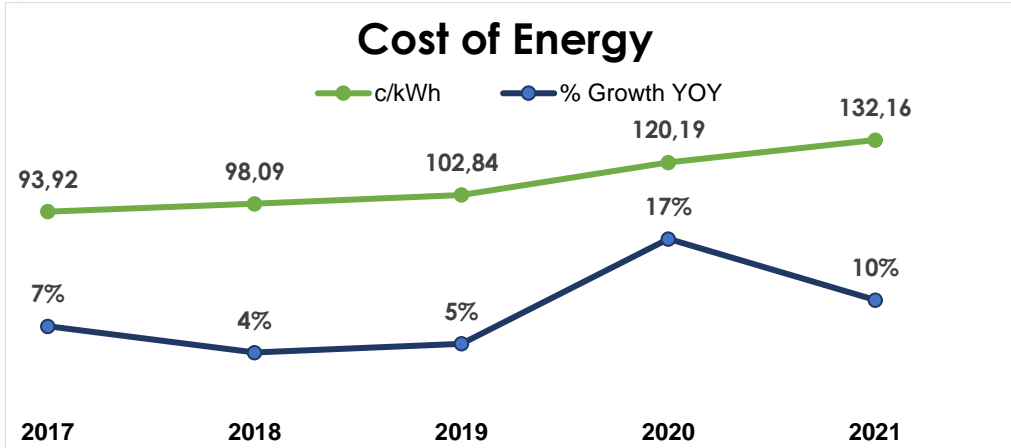
OUR CONTRIBUTION

Vaal Dam/ River cleaning initiatives:

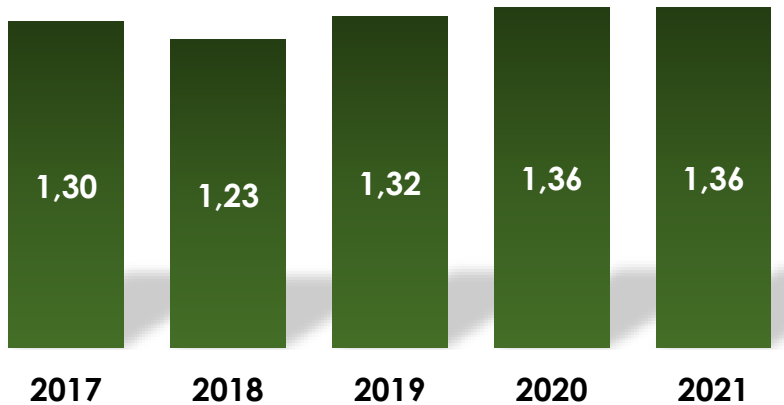
- Waste removal
- Cutting bushes covering a total of 26 hectares.
- Waste containers installed around riverbanks to control
- The project created 21 jobs for local community members.



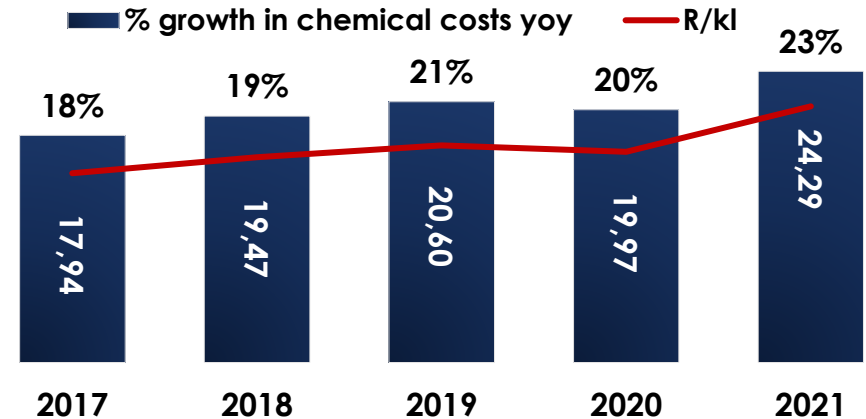
Environmental Bottom Line



Energy Usage Mwh/ml



Chemical Costs



Security of supply

Tariff minimization

Energy Efficiency improvement

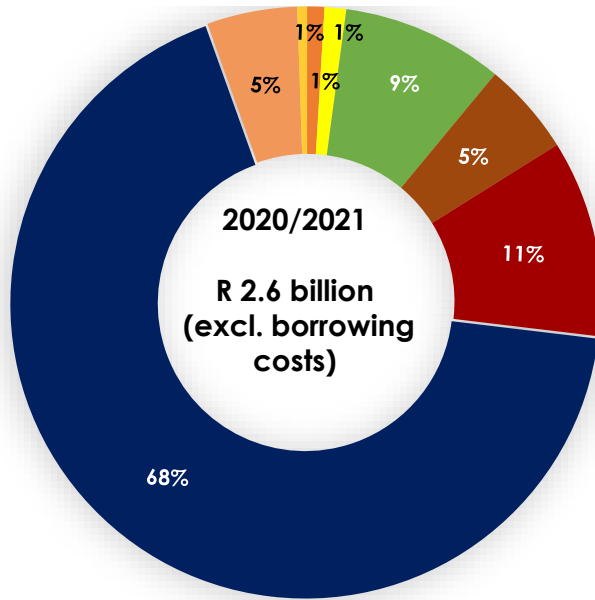
Energy Cost optimization

Cogeneration

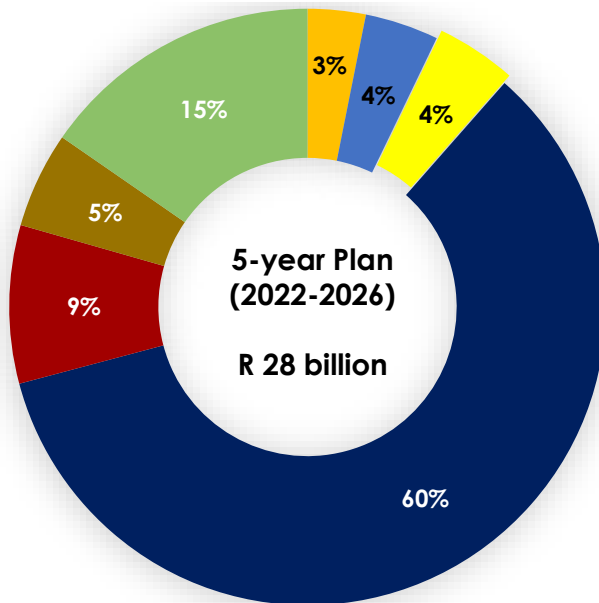
Other



Analysis of Capex expenditure



- Automation Assets
- Buildings & Property
- Civil Structures
- Electrical Assets
- Mechanical Assets
- Pipelines Assets
- Process Assets
- IT



- Buildings
- Automation
- Other
- Pipelines
- Pumping
- Purification
- Reservoir



Asset life Cycle Management Strategy

Aims to achieve the following three objectives:

Baseline Phase – Design and Asset Management

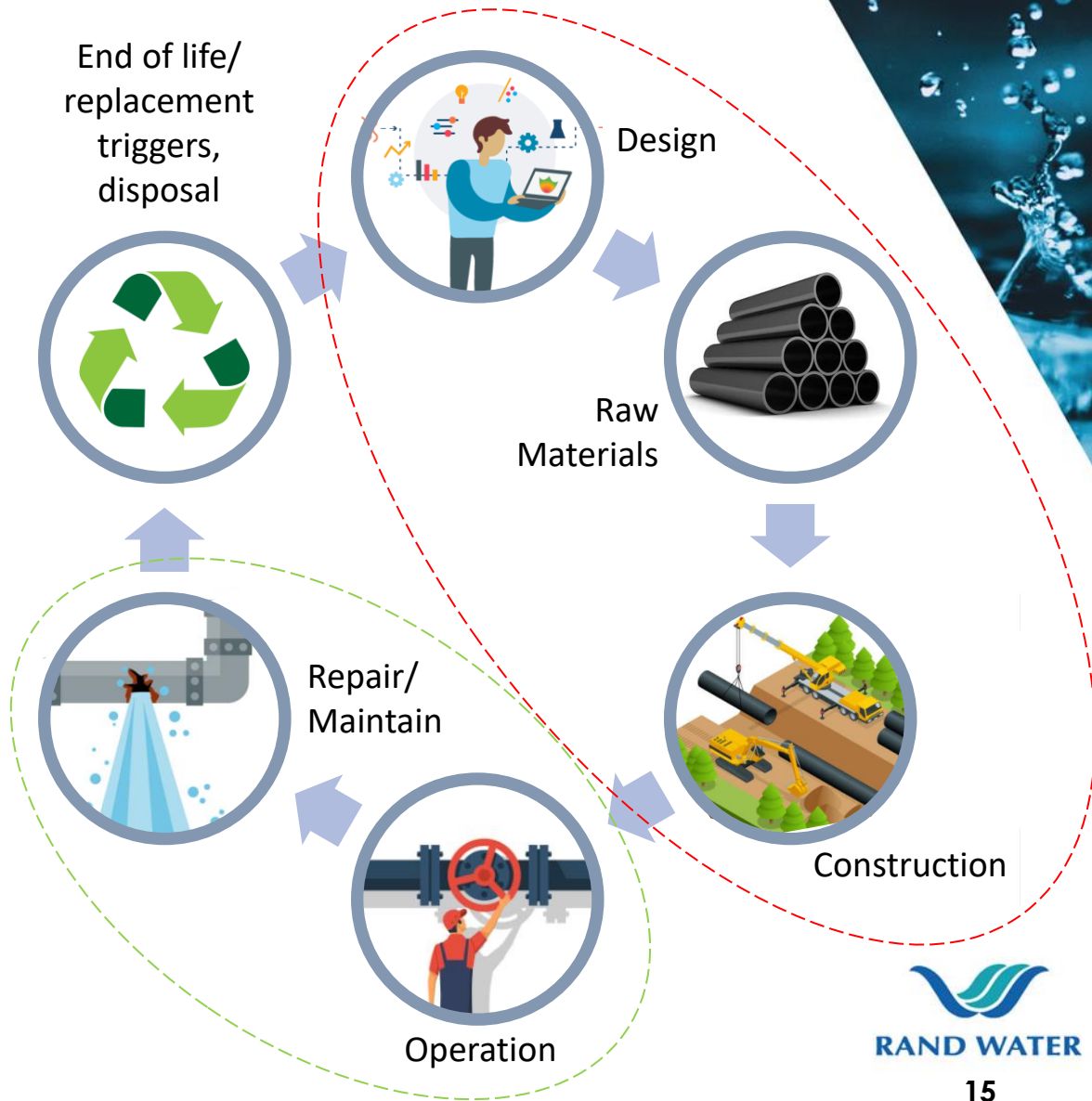
Overall lifecycle costs minimized through correct design, trade-offs between different lifecycle cost components and appropriate timing of lifecycle actions

Operations and maintenance Phase – Maintenance planning

Ensure that the asset (at a minimum) achieves its original design or estimated useful life

End of Life – Asset Management

Extend the life and/or capacity of the asset through selective Renewal or augmentation. Or: dispose of the asset



Financial Performance

Chief Financial Officer
Matshidiso Nyembe





Financial Strategy still underpinned by



Productivity & Efficiency Strategy

Reinvestment Growth

Risk & Internal Control Strategy

Funding Strategy

Balance Sheet Optimisation

Performance Snapshot – FY 2021

Current Ratio
2.51 times
2020: 1.79
times

**Return on
Assets Ratio**
8%
2020: 11%

**Debtors
Days** **75**
Days
2020: 72
Days

**Debt to
Equity Ratio**
15%
2020: 17%

**Return on
Equity**
10.2%
2020: 13.4%

**Increase in
Capex Spend**
47%
R2.997 bn

2020:
2.042 bn

**Total
Liabilities**
7%
R8.492 bn

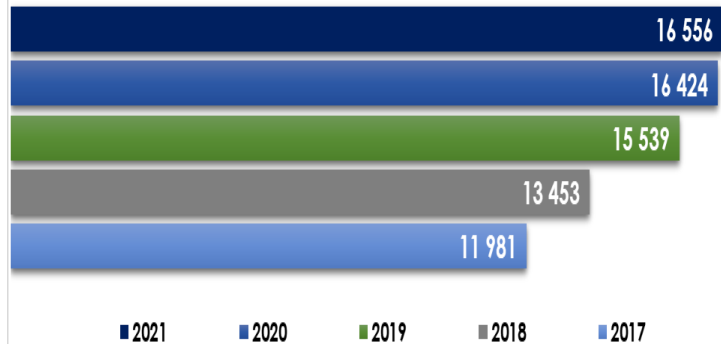
2020:
R7.929 bn

Total Assets
11%
R37.272 bn

2020:
R33.464 bn

Performance Snapshot – FY 2021

Revenue - R'mil



Revenue

1%

R16.556 bn

2020: R16.424 bn



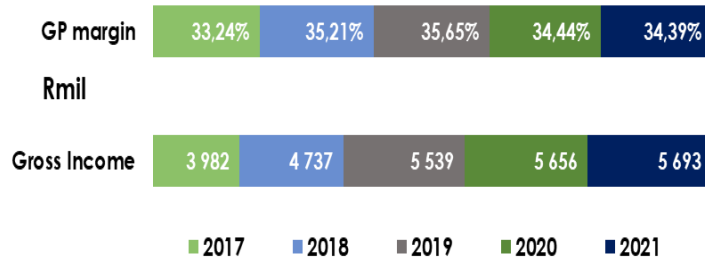
EBITDA

-16%

R3.357 bn

2020: R3.994 bn

Gross Income



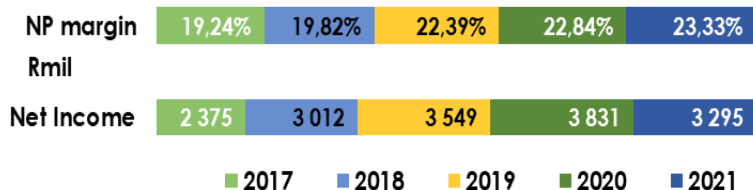
Gross Income

1%

R5.693 bn

2020: R5.656 bn

Net Income



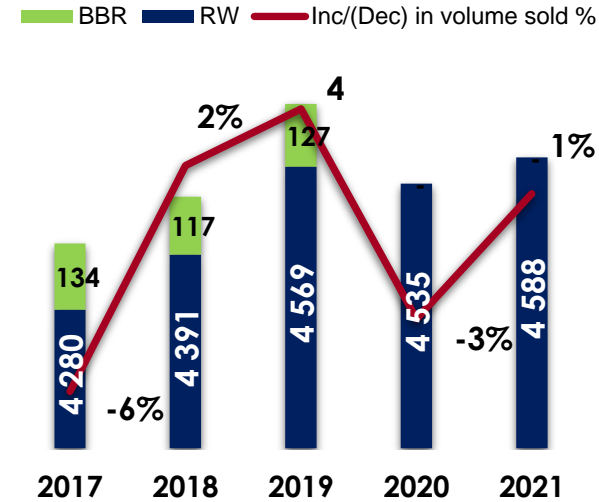
Net Income

-14%

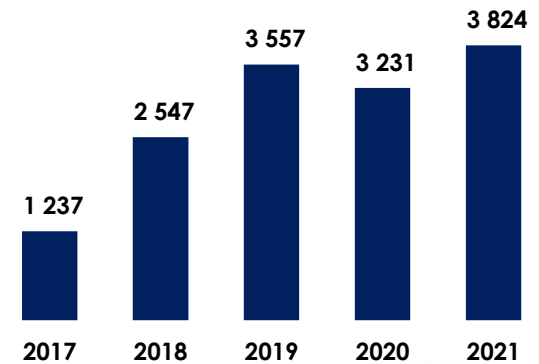
R3.295 bn

2020: R3.831 bn

Volume Sold



Rmil Net cash from Operations



Statement of Financial Performance

For the year ended	2021	2020
30-Jun	R million	R million
Revenue	16 556	16 424
Net Operating Expenses	(13 213)	(12 431)
EBITDA before discontinued operations	3 343	3 993
Profit from discontinued operations	14	1
EBITDA	3 357	3 994
Depreciation and amortisation	(426)	(584)
Income from operations before net finance costs	2 932	3 410
Net investment income	363	421
Net income for the year	3 295	3 831

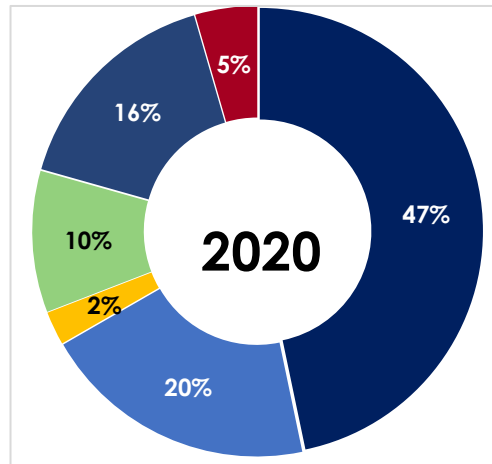
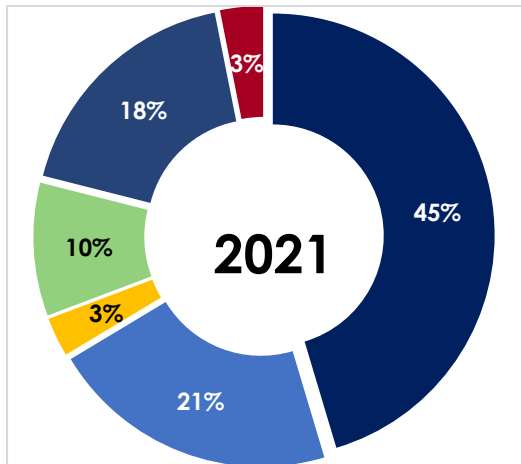
NOE increase in 2021 mainly attributable to Expected Credit Loss (ECL) increase by R 240m to R 581m

Net finance income	2021	2020
Total finance cost	(454)	(470)
Borrowing costs capitalised	393	428
Finance costs expensed	(61)	(42)
Total finance income	424	463
Net investment income	363	421

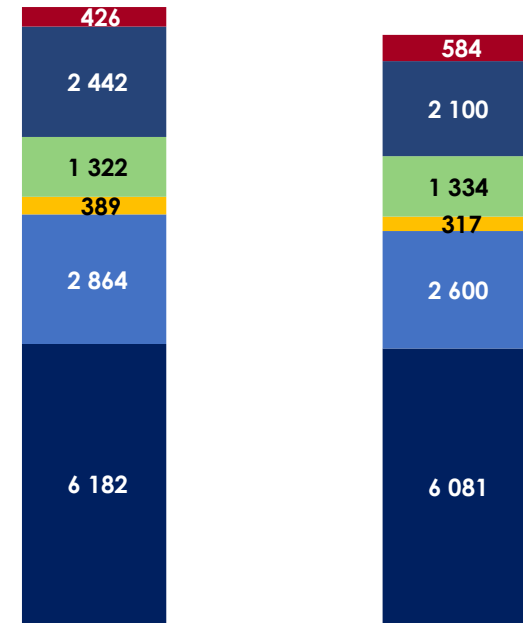
Net investment income includes interest on available-for-sale investments of R334m (2020: R382), decrease of 13% on the back of the lower interest rate environment for 2021

Cost Breakdown

For the year ended 30-Jun	2021 R'million	2020 R'million
Revenue	16 556	16 424
Operating expenses	13 199	12 431
Depreciation and Amortisation	426	583
Total operating expenses	13 625	13 014



Net Operating Expenses



Credit Management & Interventions Explored

Credit Risk Management & Mitigation



Implement interest holiday ✓



Water pressure restrictions – Court Interdict in light of pandemic



Revision of payment terms ✓



Collateral to minimise credit risk



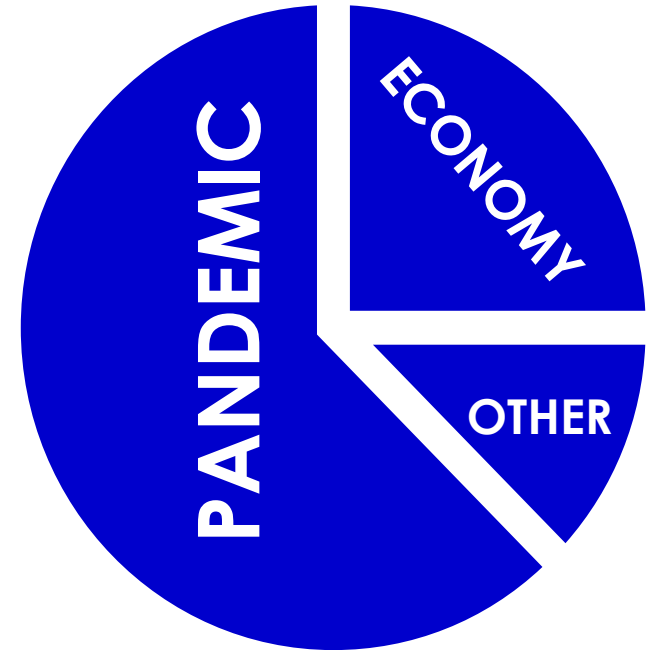
Ring-fenced overdue debt – repayment terms 36 months with no interest ✓



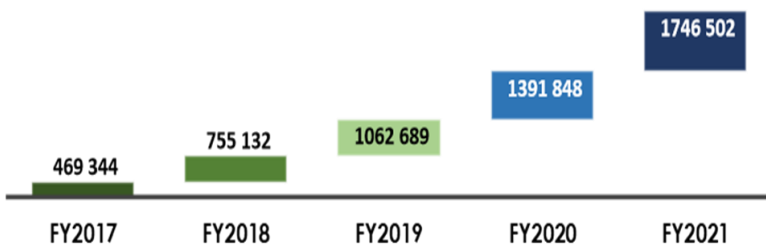
Inter-ministerial meetings (MDRC)

Contributing Factors & Cause

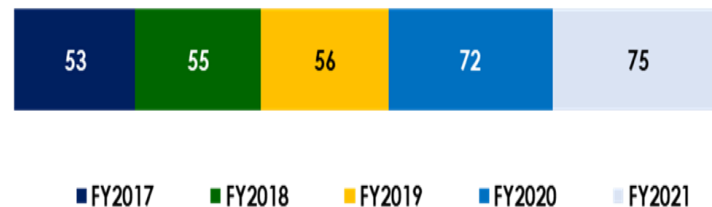
Continuing with Communications campaign to build a civic duty for payment



Expected Credit Loss



Debtors Days - Yearly Trend



Irregular, Fruitless and Wasteful Expenditure Movement - FY 2021

IRREGULAR EXPENDITURE

Current Year Confirmed Irregular Expenditure = R3.8 million

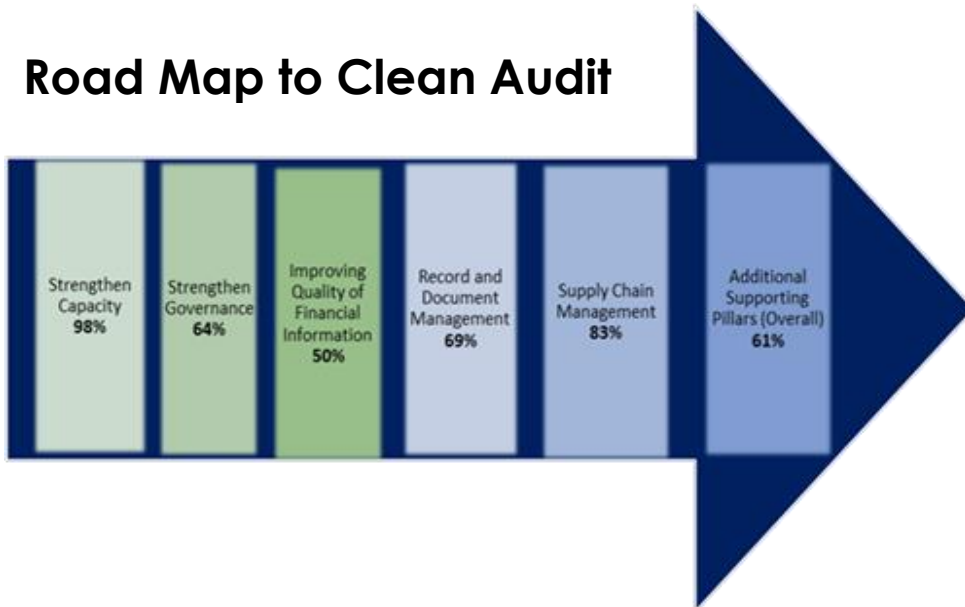
Prior Year - Phase 2 quantification compliance assessment concluded in Current Year = R297.3 million

Contracts from prior years continue to be identified as Irregular Expenditure as noted below until the contract comes to term

Prior Year Movement = R729 million (includes prior year adjustments of R274.6 million)

Condonations received from National Treasury = R2 million

Road Map to Clean Audit



MATERIAL CASES OF CRIMINAL CONDUCT

None

FRUITLESS & WASTEFUL EXPENDITURE

Recovery = (R0.434 million)
Current year movement = 0.074 million

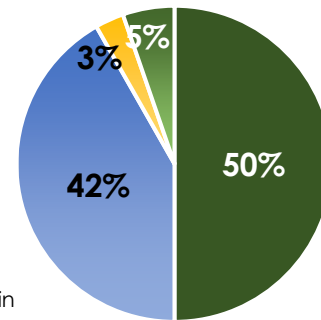


In progress means:

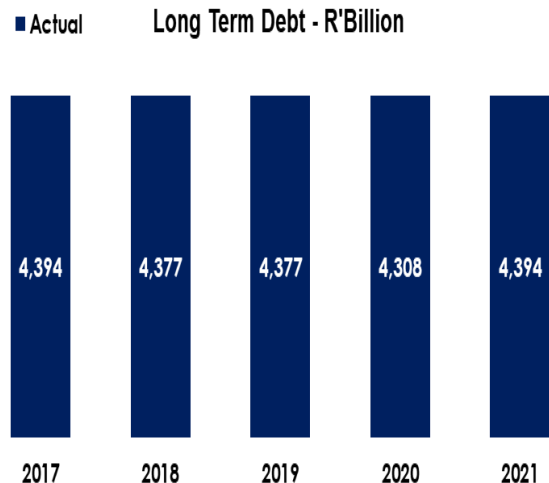
- Loss Control processes of determination has not been finalized wherein the individuals who caused the irregularity has been identified, or
- Where LCO processes have been concluded, the disciplinary processes are underway and have not been finalized yet.

Consequence Management Status 2019-2021

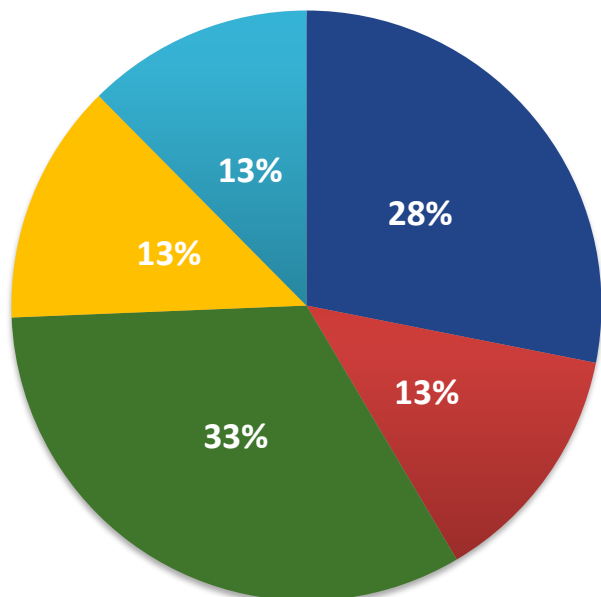
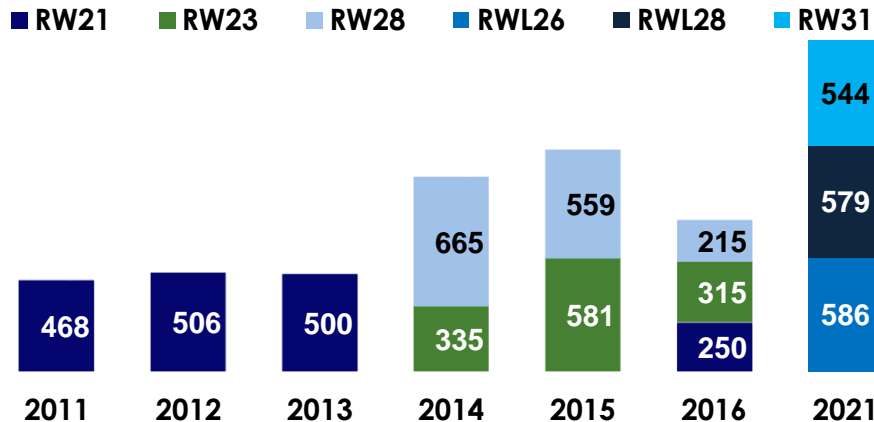
- Recommended
- Concluded
- Death or resignation
- Consequence management in progress



Debt Profile



Total Bond Issuances to Date



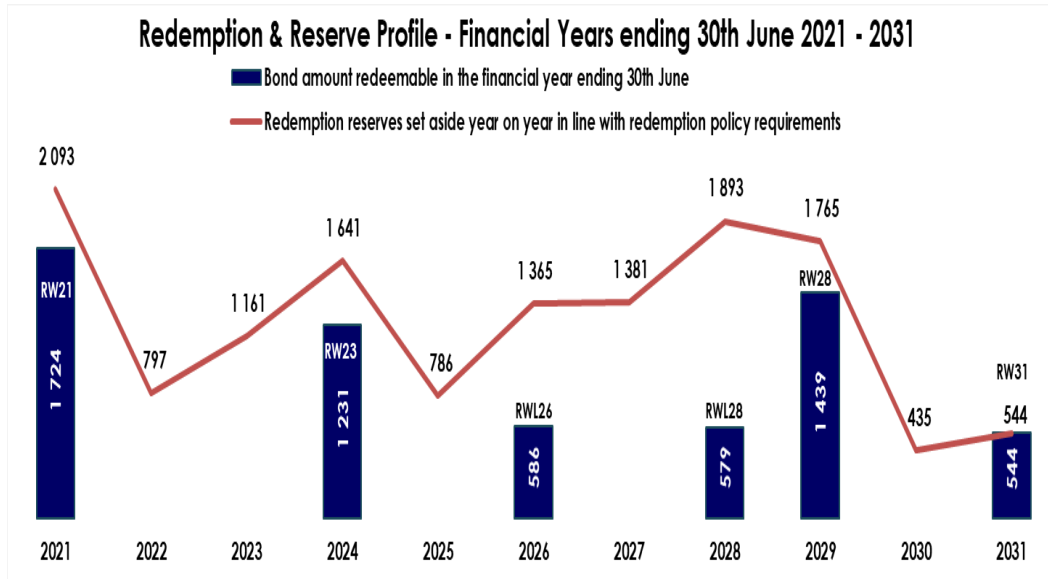
Debt Maturity



Key Focus Area

- Debt Management
 - ✓ Sinking fund
 - ✓ "market making"
- Debt Restructuring
 - ✓ Funding cost reduction
 - ✓ Managing stand-alone credit profile
 - ✓ Diversification of funding sources

Balance Sheet Flexibility



STANDARD & POOR'S

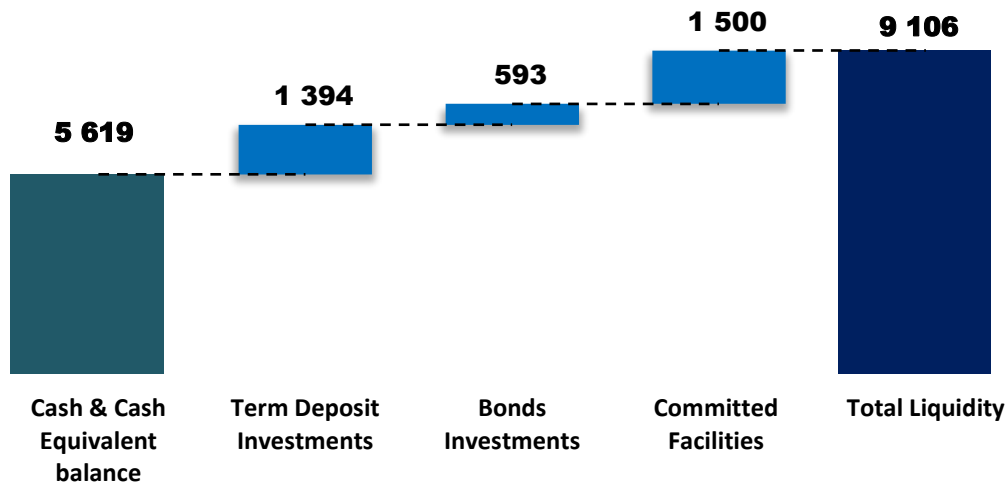
Standalone Za BB
 Local Currency Za BB
 National Rating Za AAA
Outlook Stable

FITCH RATINGS

Long Term AA+(zaf)
 Senior Secured AA+(zaf)
 Short Term F1+ (zaf)
Outlook Stable



Total Liquidity 30 June 2021 (Rm)





Conclusion
Chief Executive
Sipho Mosai

Continued Journey to Deliver on 5 YR Plan



compliance

Compliance & Governance

- Enhance Corporate Governance & Compliance Systems, Policies, Procedures & Controls
- Transform the Supply Chain Management to address any gaps in its Compliance driven function
- Institute the corrective plan to ensure that the control environment and operating culture adheres to all Compliance, regulatory & legislative requirements
- A zero-tolerance culture for non-compliance
- Fully transform the Supply Chain Management function of the business to operate within a well-defined framework that mitigates any transgressions that may result in FWIE



Innovation

- Fully established Innovation Hub
- Use of satellite technology to detect leaks on drinking water pipelines
- Development of a predictive catchment water quality model
- 3D modelling – poly electrolyte plant 5a (ZB)
- Road to secure chemicals
- Robotic Process Automation in the Finance Business Unit
- Digital Twin Pump Laboratory
- Using hyper satellite imaging and nano electromagnetic technology to characterize UNDER GROUND water reservoirs
- Alternative Water Sources / water reuse



Our Operations

- Roll out of Capex Renewal & Augmentation
- Credit management policy to maintain financial health and sustainability
- Diversify Rand Water's product offering including vertical integration
- Proactive and modernized Communications & Stakeholder Management



RAND WATER



THANK YOU



Demand & Planning

Infrastructure challenges affecting Planning

Resource challenges

- LH Phase II is delayed (delaying raw water)
- Alternative sources are at development stage

Delayed project implementation

- SCM impacted by Covid 19, changing policies and procedures
- Project packages are being compiled for accelerated execution of infrastructure
- Forming an in-house construction team that will assist with key projects

Demand challenges

- Persistent high per capita consumption
- Large municipal inefficiencies
- More WDM progress required in municipal spaces (Project 1600)
- Direct RW control infrastructure is to be installed in municipal networks to guarantee WDM savings in key areas
- Rollout of improved monitoring and control infrastructure
- Tracking down and resolving RW bulk pipe leaks

Demand forecasting for Augmentation

Rand Water compiles an approved demand projection every 5-6 years

Customer-obtained figures

- Rand Water requests demand forecasts from major customers
- Metros historically predicted 1.5% to 2% growth
- Rand Water may produce estimates for customers that do not respond to questionnaires
- Correlation done against various demographic sources (total includes immigrants)

Demand is compared against capacity to determine infrastructure augmentation dates

5-yr Main Capex Activities

Increased capacity of 600 MI/d potable water by 2023

Capacity upgrades: raw water canal, reservoirs, waste management (Panfontein)



Continuous investment in refurbishment of existing network infrastructure

Additional sources to increase capacity of 600 MI/d being explored through alternative water resources such as boreholes, fissure water (2026), and wastewater reuse (2028)

Secure control of water demand management initiatives (400 MI/d savings) are sought by 2026 by means of RW operated infrastructure within municipalities



Energy cost saving investments via our strategic growth project implementation (PV solar and hydro electric)

System	Authorised Vote R/m	% Completion	Estimated Completion Date
Primary System			
Station 5	3,863	75%	Mar-23
Install New B16 Pipeline ZB to Slangfontein	1,513	40%	Dec-24
Panfontein Drying beds - upgrade (Phase 1 &2)	945	33%	June 2020/2023
Palmiet			
Construct New ER3B, Res & Pipework	389	80%	Nov-22
Construct O6 phase 1	1,377	90%	Dec-22
Construct 10.3km pipe (H39)	293	100%	Completed
Install H39 Pipeline Phase 2	289	80%	Dec-21
Mapleton			
Build Engine Room 3	788	46%	Apr-23
Install New S4 Pipeline	782	92%	Jun-22

Pipes feature as 50% of capex spend

Investment in improved measurement infrastructure equipment (meters that will improve network control)

Top Ten Risks – 2020/2021



- 10**
Disposal of water treatment residue
- 9**
Lack of identification, assessment and successful implementation of technology and innovation
- 8**
Legal, Regulatory and all other compliance
- 7**
Information Security (including cyber & physical security)
- 6**
Infrastructure project implementation, completion and integrity of new installation

- 1**
Encroachment over pipeline, servitudes and properties
- 2**
Credit & Debt Management
- 3**
Non-revenue water and water loss in the RW and municipal systems
- 4**
Cost effective and timeous procurement of quality goods and services for sustainability of Rand Water
- 5**
Climate change and its impact on future sustainability of the company