



# RAND WATER

Annual Results

Year Ended 30th June 2020

Date: 7<sup>th</sup> June 2021



The Annual Report and Results presentation is available at [www.randwater.co.za](http://www.randwater.co.za)

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## Opening & Welcome

Chairperson: Adv. Tshidi Faith Hashatse



## High Level Overview & Operational Performance Update

Chief Executive: SA Mosai



## Financial Performance

Chief Financial Officer: SM Nyembe



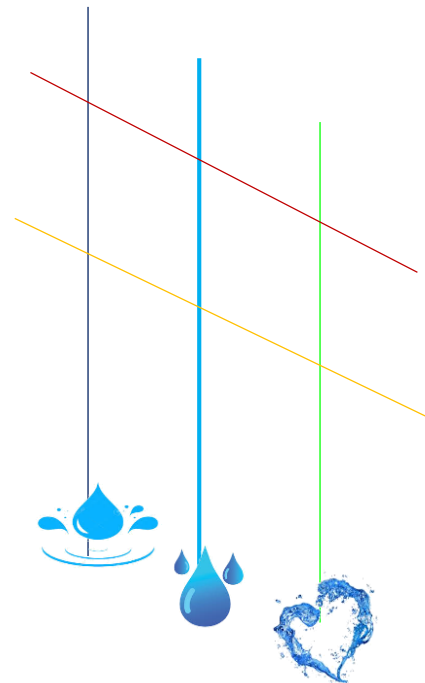
## Looking Forward

Chief Executive: SA Mosai



## Vote of Thanks

Board Member - Mr Mngomezulu





# High Level Overview & Operational Performance Update

Chief Executive: SA 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:

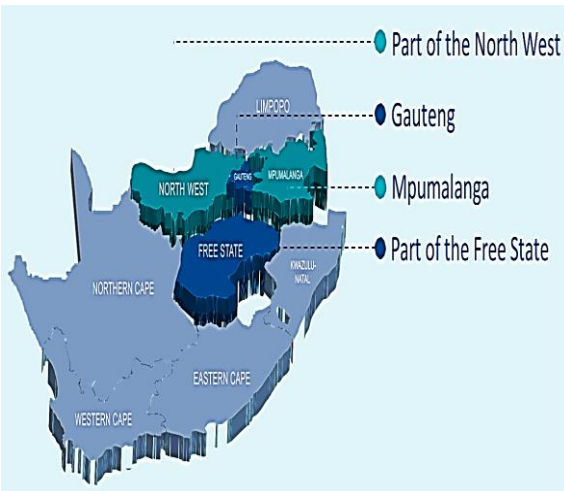
- Attract, develop and retain leading edge skills in water services
- Sustain a robust financial performance
- Develop and sustain globally competitive capabilities in core areas
- Enter into and sustain productive partnerships
- Develop, test and deploy cost-effective technologies

Strategic Objectives



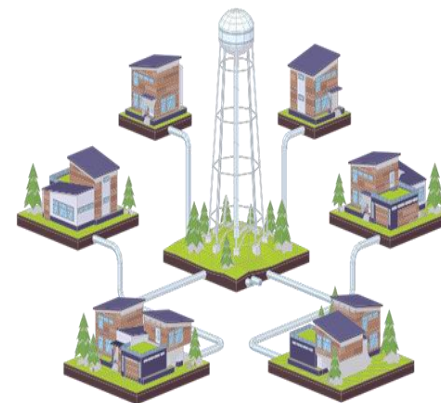
- Achieve Operational Integrity and Use Best Fit Technology
- Achieve a High Performance Culture
- Positively Engage Stakeholder Base
- Achieve Growth
- Maintain Financial Health & Sustainability

## Area of Supply



- Largest water utility in Africa existing for 117 years
- Bulk Water supplier mainly to municipalities
- Distribution network over 3 056km of large diameter pipeline
- Feeding 58 strategically located service reservoirs
- Supplies 4696 Mℓ/d on average (peak day demand of 5045Mℓ/d)

## Uninterrupted Supply



Out of Covid-19, the Rand Water brand name continues to stand out as a shining example of a State-Owned Entity that supplied water every day of the year.

### Main customers are:

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



# High Level Overview



## OUR STATUS

- Attained Unqualified audit opinion
- 24/7 continuous supply of water



## OUR COMPLIANCE

- Achieved statutory reporting compliance
- Quality Management systems certification maintained:
  - **ISO 9001**
  - **OHSAS 18001**
  - **ISO 17025**
  - **ISO 1400**
- IFRS / IAS



## BBBEE

- B-BBEE spend target exceeded **109% 2020** (2019: 90.71%)
- Award of work to BBBEE compliant entities **100% 2020** (2019: 96% )
- Socio Economic Development Contributions **2020 R40m** (2019: R17m)

# High Level Overview



## FINANCIAL

- Financial Capital Strong & improvement in operating margins & returns in excess of weighted cost of capital value created
- Deterioration in Credit Quality **(DSO) 72 Days**
- **Energy Cost optimisation** - 86.12% pumping during off peak and only 13.88% of pumping was done during peak time
- **Efficient chemical usage** - achieving 0.180 R/kl against a target of 0.276R/kl.



## OUR ENVIRONMENT

- Workplace standards
- Compliance to applicable legislation
- Safety equipment fit for purpose
- Cradle to grave practice – hazardous waste management
- Contract Management
- Equipment fit for purpose
- SHEQ Leadership commitment at all levels
- Appropriate SHEQ training
- Effective communication across the board
- Upgraded to latest QMS standards
- Occupational Health Management & Reporting



## OUR CUSTOMERS

- Customer Centric Approach Satisfaction Rate **89.5%**
- Met peak daily demand & abided to Bulk Supply Contracts
- Consistently maintained the National drinking water standard and delivery to Customers on the SANS 241 Composite Indicator
- Water quality compliance to SANS 0241 and WHO

# Operational Overview: Water Volumes, Supply & Product Quality



## Daily consumption (MI/d):

AADD  
4,331 MI/d

Peak daily demand  
5,045 MI/d



## Highest daily consumption volume sold:

Highest daily volumes sold were 4,586 MI/d



## Lowest daily consumption volume sold:

Lowest daily volumes sold were 4,084 MI/d



## Total consumption for the financial year 2020:

Total sales volumes were 1,576,452 MI



RAND WATER

# Operational Overview: Continued

## Supply of chemicals during the COVID induced lockdown

Global lockdown resulted in raw material production & import challenges, threatening supply of water during a very crucial period. Operations reacted swiftly to avert a crisis by sourcing an alternate product during lockdown period Level 5 to Level 2.



## Man hours and staff safety

- Some plants achieved 1-2 million hours working without injury during the high prevalence of the COVID-19 pandemic.
- In compliance with the Occupational Health and Safety Act, Rand Water's operations' plants keep improving their DIFRs with all surpassing the 1- and 2-million-man hours at some point in the financial year.

## Compliance & Performance

- Sites maintained the Blue Drop Compliance status.
- Rand Water maintained the SABS compliance certification.
- **No disruption of water supply.**

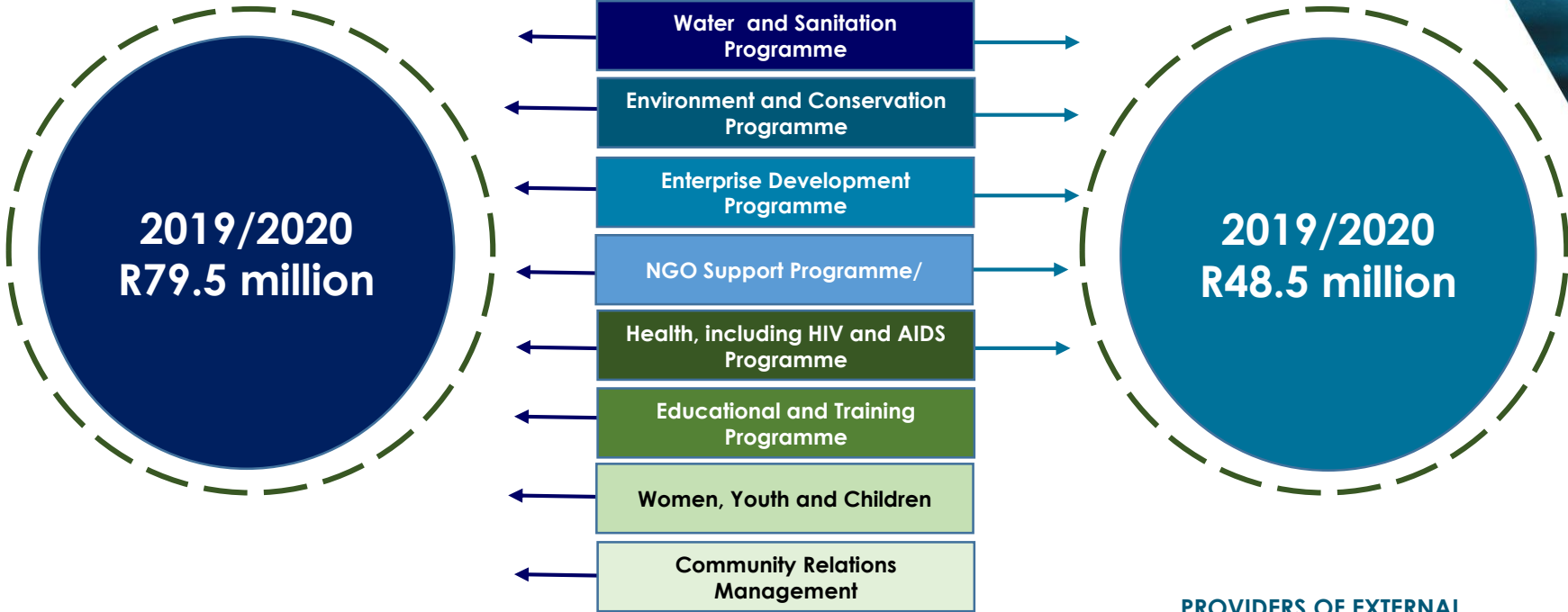




# Our Corporate Social Investment

## Rand Water Foundation

## Rand Water Foundation External Funding

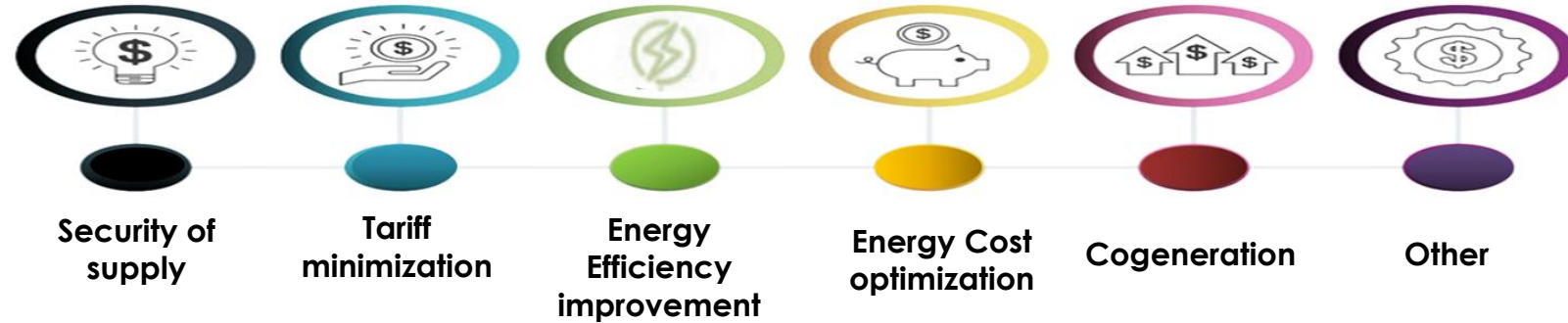


### PROVIDERS OF EXTERNAL FUNDING INCLUDE

- Independent Development Trust (IDT)
- Gauteng Department of Agriculture and Rural Development (GDARD)
- Department of Water and Sanitation (DWS)
- Moqhaka Local Municipality
- Mogale City Local Municipality
- Fezile Dabi District Municipality



# Environmental Bottom Line



Security of supply

Tariff minimization

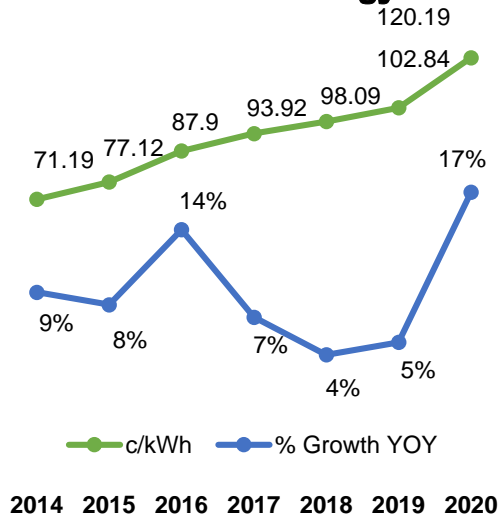
Energy Efficiency improvement

Energy Cost optimization

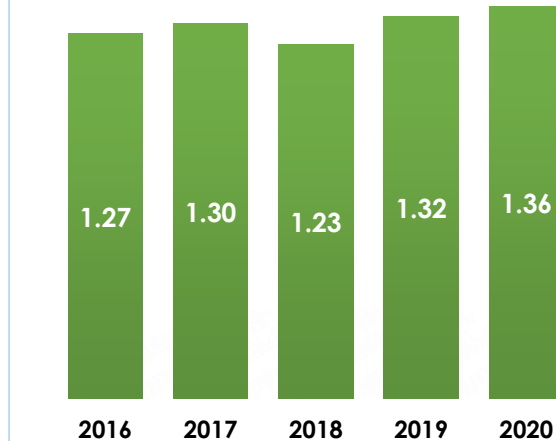
Cogeneration

Other

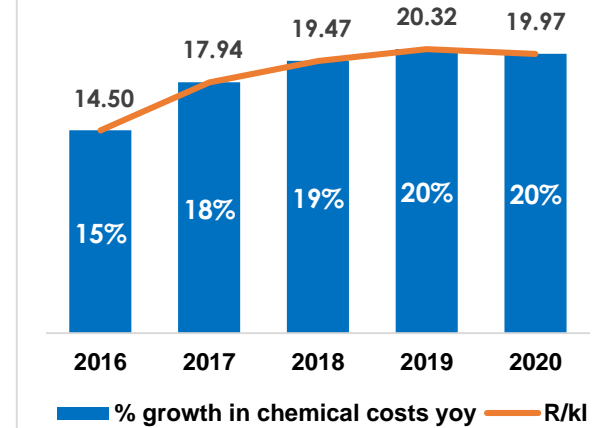
## Cost of Energy



## Energy Usage Mwh/ml



## Chemical Cost Analysis

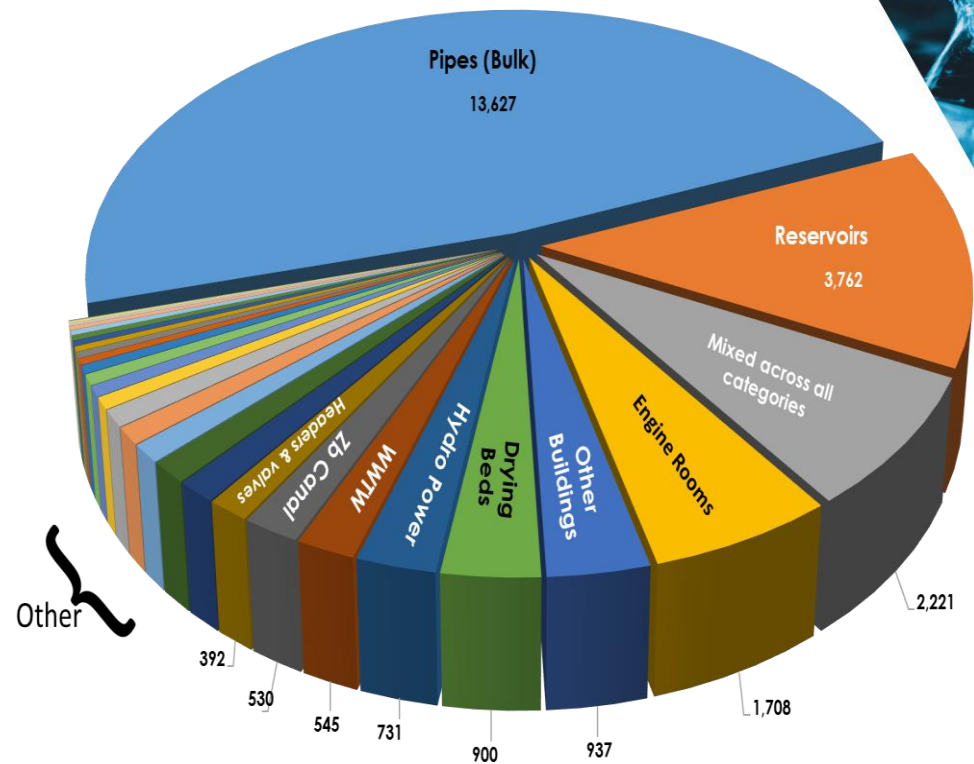


## 5 year Capex activities (high-level)

- Continued rollout of 600 MI/d potable capacity augmentation and distribution
- Strategic infrastructure capacity upgrades: raw water (Canal), reservoirs, waste management (Panfontein)
- Additional 600 MI/d of potable resources are currently being explored, via alternative water resources such as boreholes, wastewater reuse
- Ongoing refurbishment of network infrastructure, guided by Asset Management practices
- Guaranteed water demand savings of 400 MI/d are being sought by 2026

Capex by equipment type in the next 5yrs

Slices: (R Million), including augmentation and renewal



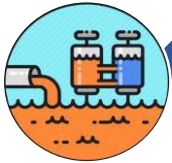
# Strategic Growth Pillars



Integrated Monitoring (measure, control, use to optimize)



Non Revenue Water (PRVs, RW WDM initiatives)



Waste Water Resources (effluent re-use, AMD)



Water Schemes (Boreholes, fissure water, mine water)



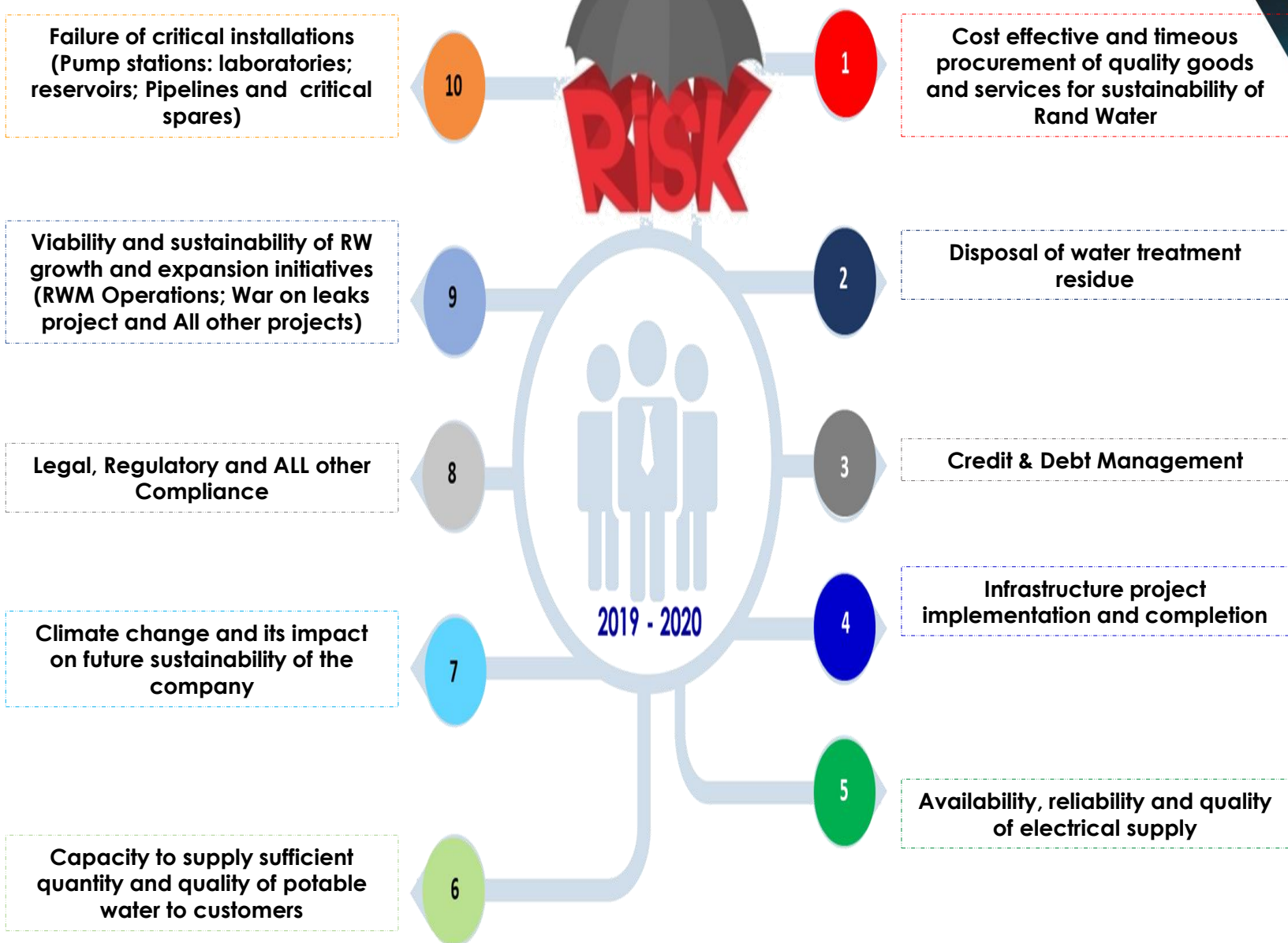
Waste Water Schemes (regional WWTW, innovative renewal)



Vertical Integration (sludge, hydropower, spiral mill, chemical manufacture)

**Additional initiatives are also rolled out in line with our Innovation Driven Risk-based Strategy to diversify our water sources including partnerships in the Sector to address legacy challenges**

# Top Ten Risks – 2019/2020





# Financial Performance

# Performance Snapshot – FY 2020

Revenue	↑ 6%	<b>R16.424 billion</b>	(2019: R15.539 billion)
Gross Income	↑ 2%	<b>R5.654 billion</b>	(2019: R5.539 billion)
Net Income	↑ 8%	<b>R3.837 billion</b>	(2019: R3.549 billion)
EBITDA	↑ 3%	<b>R3.996 billion</b>	(2019: R3.886 billion)
Total Assets	↑ 12%	<b>R33.533 billion</b>	(2019: R29.846 billion)
Total Liabilities	↓ 3%	<b>R7.908 billion</b>	(2019: R8.118 billion)
Capex Spend	↑ 47%	<b>R2.060 billion</b>	(2019: R1.398 billion)

## \*Excluding borrowing costs

Return on Assets Ratio	<b>11%</b> (2019: 11%)
Debtors Days	<b>72 days</b> (2019: 56 Days)
Current Ratio	<b>1.79 times</b> (2019: 1.94 times)
Return on Equity	<b>13.3%</b> (2019: 16%)
Debt to Equity	<b>17%</b> (2019: 20%)



## Financial Strategy still

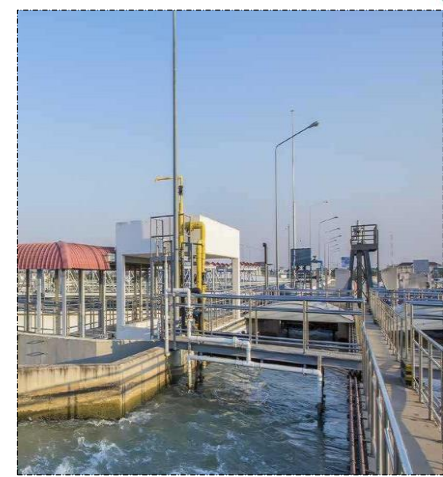
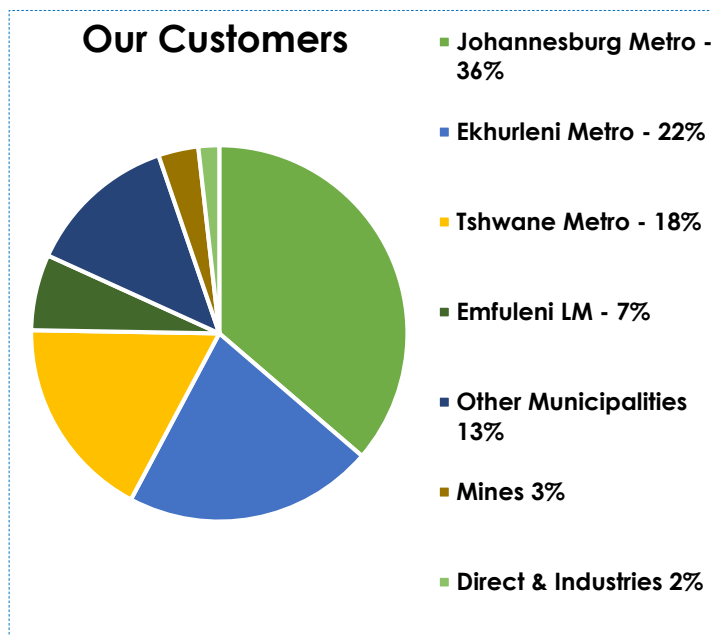
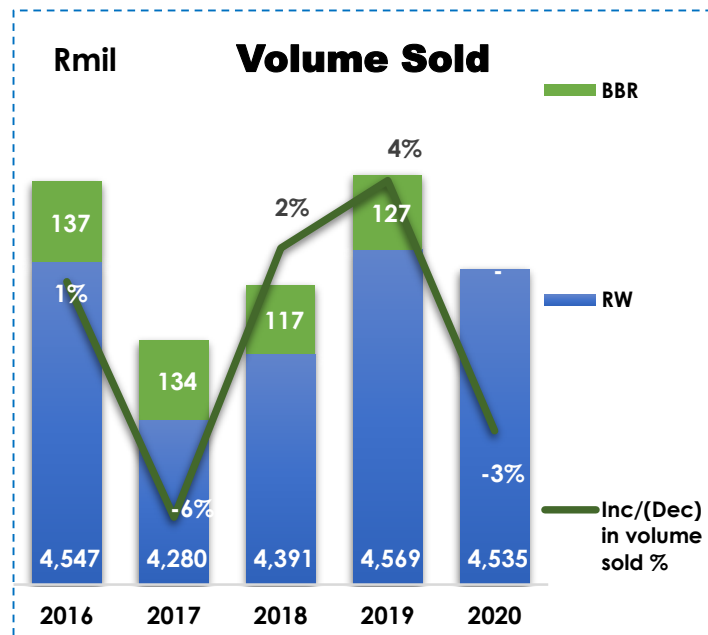
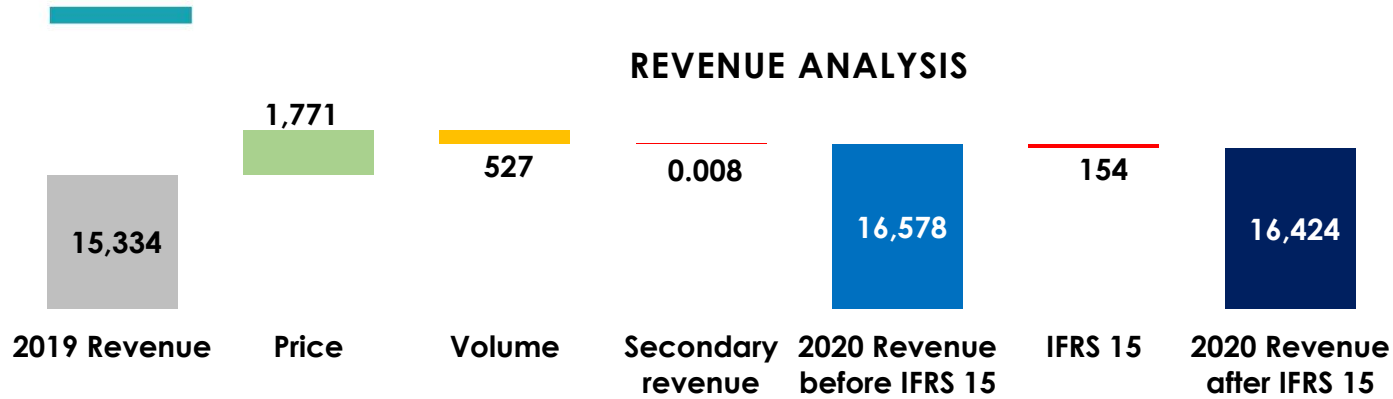
underpinned by:



- **Productivity & Efficiency Strategy**
- **Risk & Internal Control Strategy**
- **Funding Strategy**
- **Reinvestment Growth**
- **Balance Sheet Optimisation**



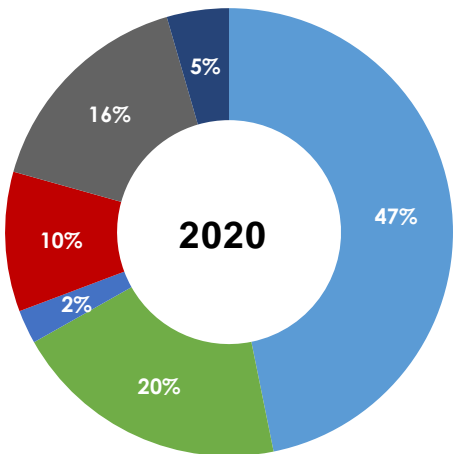
# Revenue Analysis



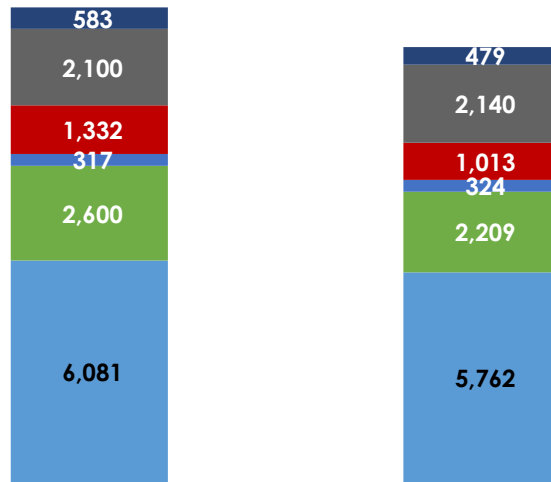


# Cost Breakdown

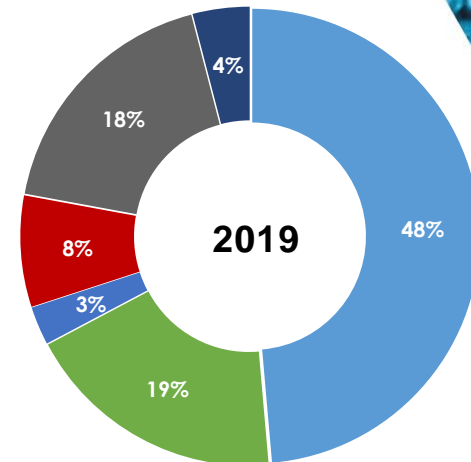
For the year ended 30 June	2020 R million	2019 R million
Revenue	16 424	15 334
Operating expenses	12 428	11 448
Depreciation and Amortisation	583	479
Total operating expenses	13 011	11 927



## Net Operating Expenses



- Cost of raw water
- Energy
- Chemicals
- Other Costs
- Labour
- Depreciation

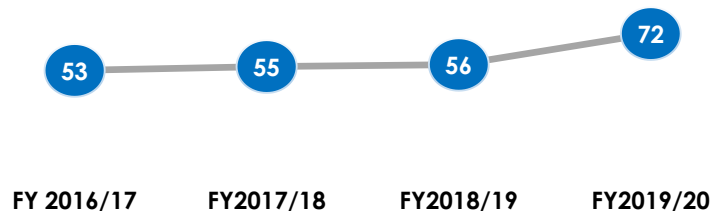


# Dashboard on Performance – FY 2020

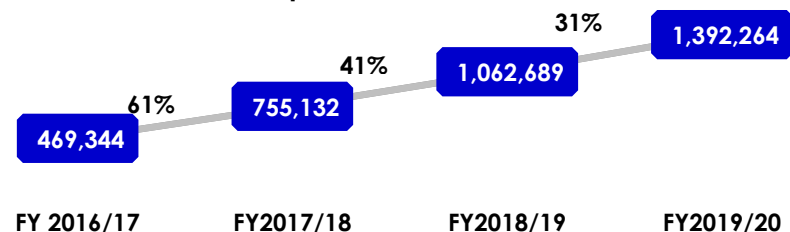
Customer by type	Gross receivable R' million	Expected credit loss R' million	Net receivable R' million
National Government Department	283	(201)	82
Local Government /Municipalities	3,400	(1,164)	2,235
Mines	46	(9)	38
Retail	67	(18)	49
Industries	1		1
Balance at 30 June 2020	3,797	(1,392)	2,405

MAJOR CONTRIBUTORS TO ECL	
CITY OF MBOMBELA LOCAL MUNICIPALITY	70,341
DEPARTMENT OF WATER & SANITATION	200,177
EMFULENI LOCAL MUNICIPALITY	611,958
GOVAN MBEKI LOCAL MUNICIPALITY	108,321
VICTOR KANYE LOCAL MUNICIPALITY	44,160
RANDWEST CITY LOCAL MUNICIPALITY	16,876
MERAFONG LOCAL MUNICIPALITY	39,857
BUSHBUCKRIDGE LOCAL MUNICIPALITY	216,567
	<b>1,308,257</b>

Debtors Days - Yearly Trend



Expected Credit Loss



# Credit Management And Other Interventions Explored

Implement interest holiday ✓



Mitigations

Shareholder grant funding  
Explored - did not bare fruit ✗

Collateral to minimise credit risk

Revision of payment terms ✓

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

Water pressure restrictions - Court  
Interdict ✗

Credit insurance  
Not available ✗

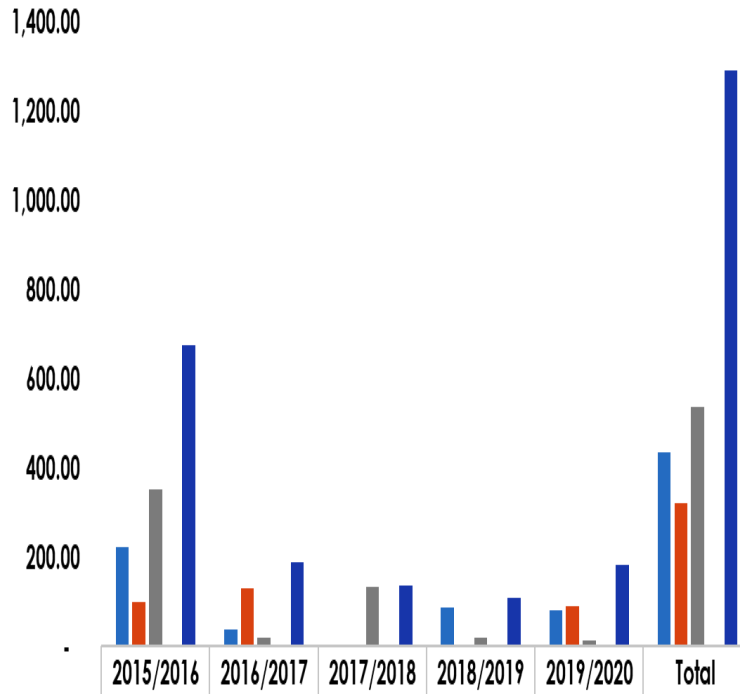
Inter-ministerial meetings

DWS funding for WOL

Approached Financial institutions  
for Credit Guarantee  
Not available ✗

Communications campaign to build a civic duty  
for payment

# Irregular, Fruitless and Wasteful Expenditure – FY 2020



## IRREGULAR EXPENDITURE

Current Year Confirmed Irregular Expenditure = R183.5 million

Prior Year Irregular Expenditure in Current Year = R1 106.9 million

Prior Year Movement = R263.2 million

Prior Year Adjustments = R5.96 million

Condonations received from National Treasury = R104.4 million

## POTENTIAL FRUITLESS & WASTEFUL EXPENDITURE

Prior Year = R145 million

## POTENTIAL IRREGULAR EXPENDITURE

Prior Year Matters = R1080.9 million

## MATERIAL CASES OF CRIMINAL CONDUCT

None

## FRUITLESS & WASTEFUL EXPENDITURE

Prior Year = R12.35 million

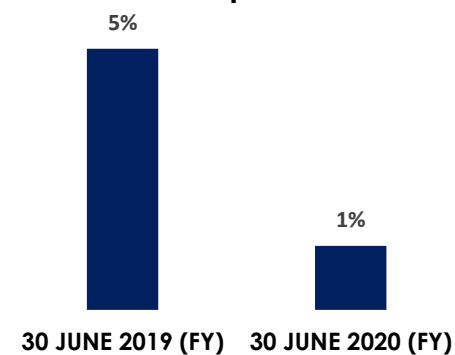
# FWIE – Nature Of Transgression

Nature of Transgression	R' Million	%	Consequence Management
SCM Policy	535,8	41	Consequence management has been conducted for R0.88 mil (Formal Counselling & Caution) and Remainder, in progress in line with the Rand Water disciplinary code and grievance procedure
Preferential Procurement Regulations	433,4	34	In progress, in line with the Rand Water disciplinary code and grievance procedure
Section 217 of the Constitution & PFMA 51	320,7	25	In progress in line with the Rand Water disciplinary code and grievance procedure
National Treasury Instruction Note 3 of 2016/2017	0.57	0	Consequence management (Formal Counselling & Caution) has been conducted in line with the Rand Water disciplinary code and grievance procedure

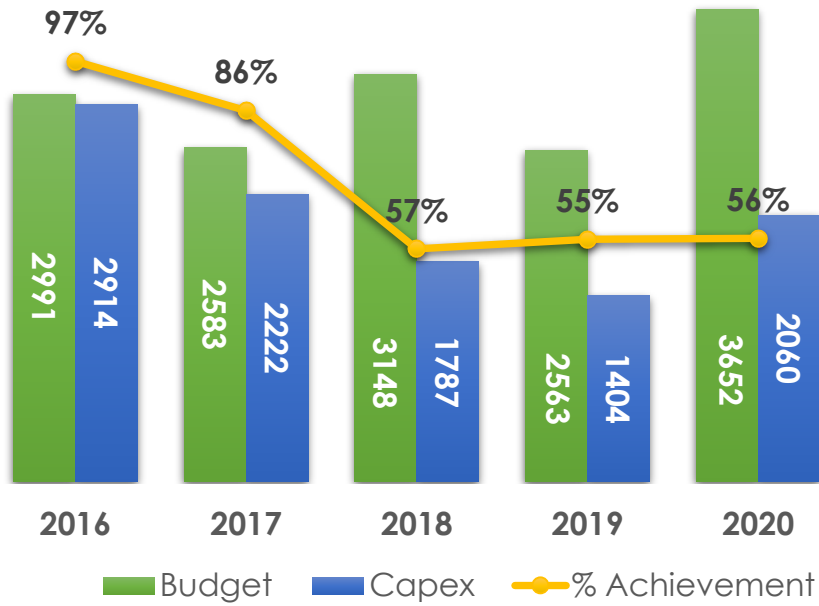
In progress means:

- Loss of 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.

**FWIE as a percentage of Total Expenditure**



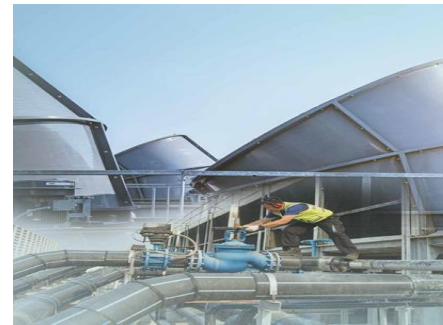
# CAPEX Performance



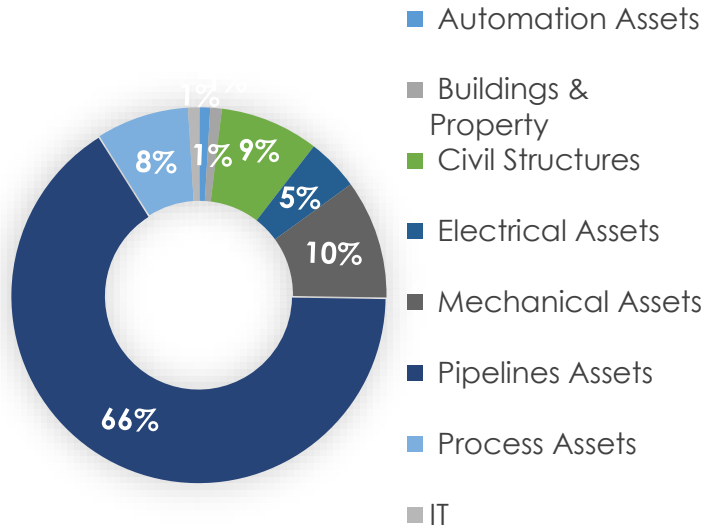
An upward trajectory in Capex from 2020 realized from existing projects. Upward trajectory expected to be sustained over the next 5 years.

## Covid19 Impact:

- Unavailability of pipeline shutdowns
- Delays in approving access to wayleaves
- Encroachments on our servitudes
- National lockdown
- Major contracts tendered during the year only awarded in the latter part of the financial year



# Analysis Of Capital Expenditure



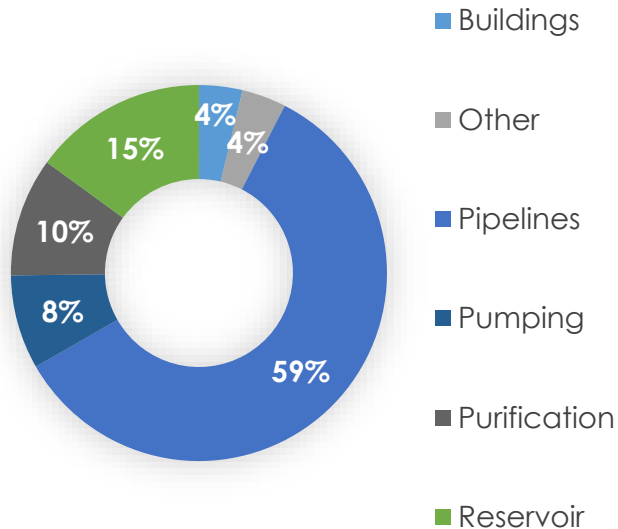
## Capital Expenditure 2019/2020

R 2 billion  
(excl. borrowing costs)



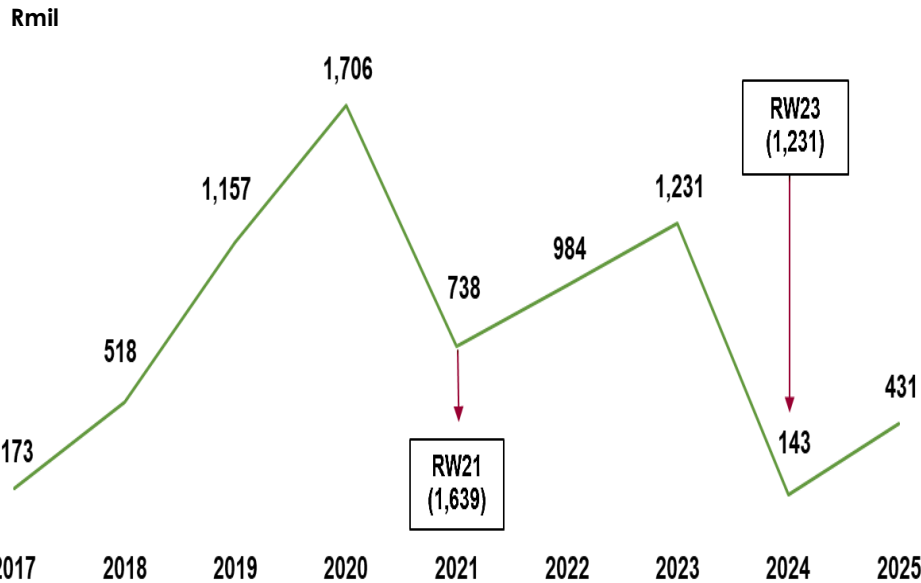
## Five Year Capital Expenditure 2021-2025

R 25.1 billion



# Balance Sheet Flexibility

Redemption Requirements 2017 - 2025



	4 Years to Maturity	3 Years to Maturity	2 Years to Maturity	1 Year to Maturity	Year of Maturity
Percentage Per Annum	10%	20%	30%	20%	20%
Cumulative Percentage	10%	30%	60%	80%	100%

The RW21 bond of R1,639 billion was fully redeemed on the 21<sup>st</sup> April 2021.

Rand Water's stringent redemption policy aims to not expose the organisation to any refinancing risk.

## Key Focus Area

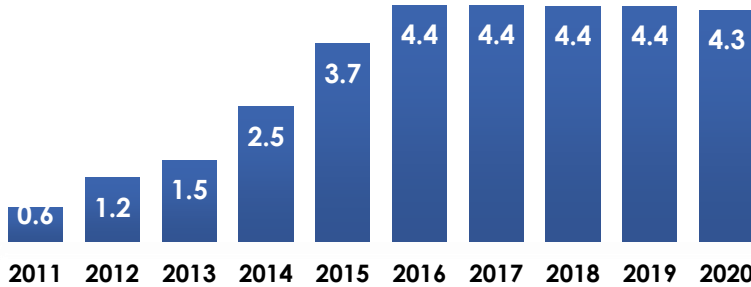
- Debt Management
  - ✓ Sinking fund
  - ✓ "market making"
- Debt Restructuring
  - ✓ Funding cost reduction
  - ✓ Managing stand-alone credit profile
  - ✓ Diversification of funding sources

	Available Facilities R'm	Facility Amount	Utilised Amount	Available
Banks (Committed Facilities)		1,000	-	1,000
DMTN		10,000	4,317	5,683
<b>TOTAL</b>		<b>11,000</b>	<b>4,317</b>	<b>6,683</b>

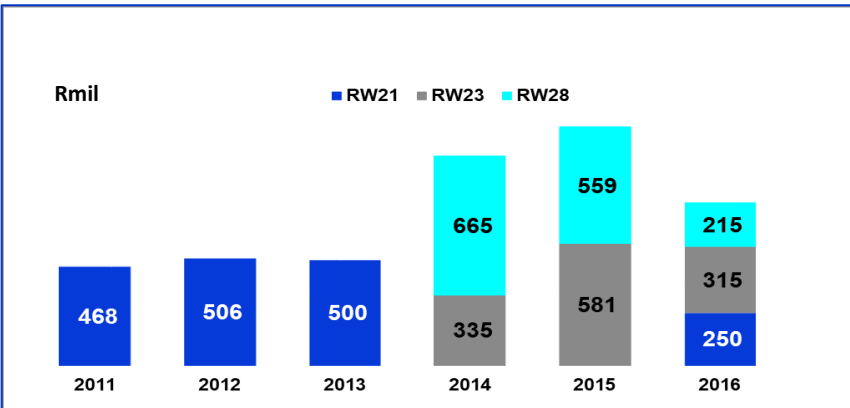
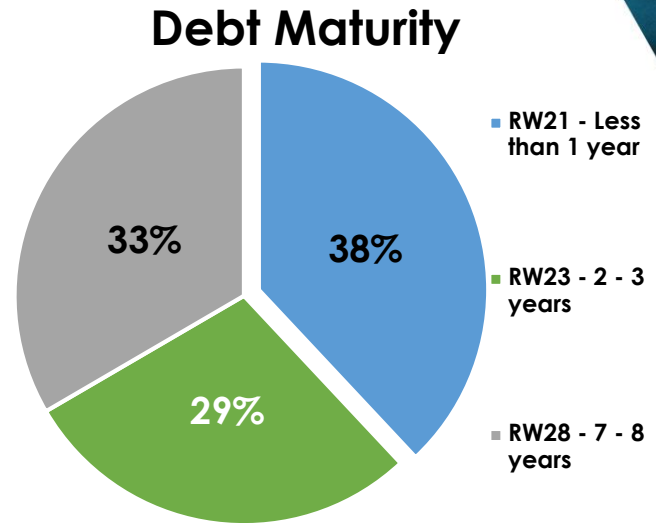


# Debt Profile

R' mil      ■ Actual Long Term Debt



Bond	Nominal R' million	Coupon %	Maturity Yrs	Maturity Date
RW21	1,638	9.97	2021	21st April
RW23	1,231	9.51	2023	10th December
RW28	1,439	10.245	2028	10th December
	<b>4,308</b>			



**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**

↔





**RAND WATER**

**Interim Results  
31st December 2020**

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# Performance Snapshot

## Interim Results Ending 31<sup>st</sup> December 2020

Revenue	<b>R8.344 billion</b>	(2019: R8.471 billion)
Gross Income	<b>R 2.906 billion</b>	(2019: R3.005 billion)
Net Income	<b>R1.833 billion</b>	(2019: R2.203 billion)
EBITDA	<b>R1.913 billion</b>	(2019: R2.230 billion)
Total Assets	<b>R35.177 billion</b>	(2019: R31.307 billion)
Total Liabilities	<b>R7.701 billion</b>	(2019: R7.353 billion)
Capex Spend	<b>R1.755 billion</b>	(2019: R0.865 billion) *Excluding borrowing costs
Return on Assets Ratio	<b>9.6%</b> (2019: 13%)	
Debtors Days	<b>78 days</b> (2019: 58 Days)	
Current Ratio	<b>1.8 times</b> (2019: 2.5 times)	





# Looking Forward

# Looking Forward - Five Year Strategy In A Nutshell

## Our Operations

- Continued roll out of the capital expenditure Programme to address renewal & augmentation investments
- Adopt new approaches that supports the prudent application of the credit management policy to maintain financial health and sustainability
- Diversify Rand Water's product offering including vertical integration
- Established a fully functional Innovation, Research and Development Division to finding new innovative ways to diversify our water sources including our growth initiatives
- Proactive and modernized Communications & Stakeholder Management

## Compliance & Governance Environment

- 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

## Our Innovation Hub Focus

- Renewable energy (hydro power, solar, storage)
- Circular economy thinking (sludge beneficiation / waste beneficiation Water security and resiliency water reuse).
- Smart Grid (Data analytics, sensors, satellites, drones and robotics, etc.)
- Artificial Intelligence (pipeline asset management, network optimization, predictive analysis, etc.)
- Alternative water treatment technologies / off grid / decentralized
- Pipeline Asset Management
- Skills of the future - its impact on the workforce
- Material science and new materials (construction material, new pipeline material, etc.)
- Fintech



**RAND WATER**

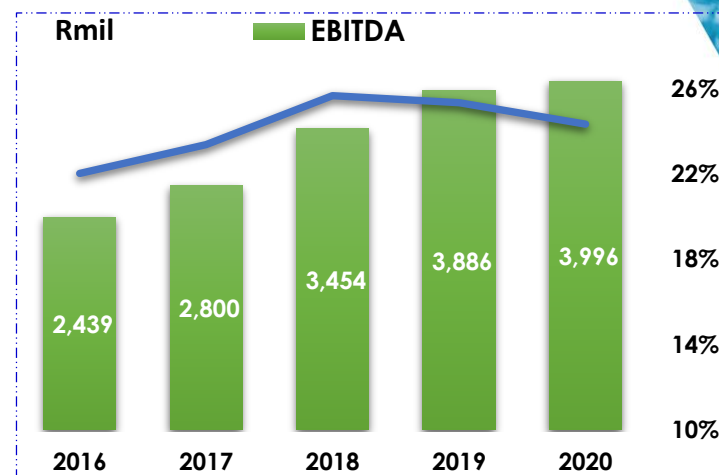
**THANK YOU**

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# Statement of Financial Performance – FY 2020

For the year ended 30 June	2020 R million	2019 R million
<b>Revenue</b>	<b>16 424</b>	<b>15 334</b>
<b>Net operating expenses</b>	(12 428)	(11 371)
<b>EBITDA</b> before discontinued operations	<b>3 996</b>	<b>3 963</b>
Losses from discontinued operations	-	(77)
<b>EBITDA</b>	<b>3 996</b>	<b>3 886</b>
Depreciation and amortisation	(584)	(479)
<b>Income from operations before net finance costs</b>	<b>3 412</b>	<b>3 407</b>
Net investment income	425	142
<b>Net income for the year</b>	<b>3 837</b>	<b>3 549</b>

**NOE** increase in 2020 mainly attributable to Expected Credit Loss (ECL) increase by R 80.5m to R 341m



Net finance income	2020	2019
Total finance costs	(470)	(483)
Borrowing costs capitalised	432	273
<b>Finance costs expensed</b>	<b>(38)</b>	<b>(209)</b>
Total finance income	463	351
<b>Net investment income</b>	<b>425</b>	<b>142</b>

**Net investment income** includes interest on available-for-sale investments of R382m (2019: R237), increase of 61%.

# Statement Of Financial Position – FY 2020

For the year ended 30 June		2020 R million	2019 R million
<b>ASSETS</b>			
Non-current assets	Reduction of Panfontein useful life – Impacted GP Margin	24 492	23 250
- Retirement benefit asset		55	2.2
<b>Current assets</b>		<b>9 038</b>	<b>6 267</b>
- Contract assets		221	118
- Term deposit investments	Includes Redemption Reserves for RW21 Bond & Liquidity Buffer	2 935	899
- Cash and cash equivalents		2 771	2 646
Non-current assets held for sale and Assets of disposal groups		2	329
<b>TOTAL ASSETS</b>		<b>33 533</b>	<b>29 846</b>

Working capital movements	30 June 2020	30 June 2019	Movement R' m	
	R' m	R' m		
Inventories	463	494	(31)	
Trade and other receivables	Increase in ECL by 31% to R1 392m (2019: R1 063m)	2 647	2 107	540
Trade payables	(3 069)	(3 170)	101	
Contract assets	221	118	103	
Contract liabilities	(253)	(59)	(194)	
Income received in advance	(111)	(114)	3	
<b>Working capital movements</b>	<b>(102)</b>	<b>(624)</b>	<b>522</b>	

