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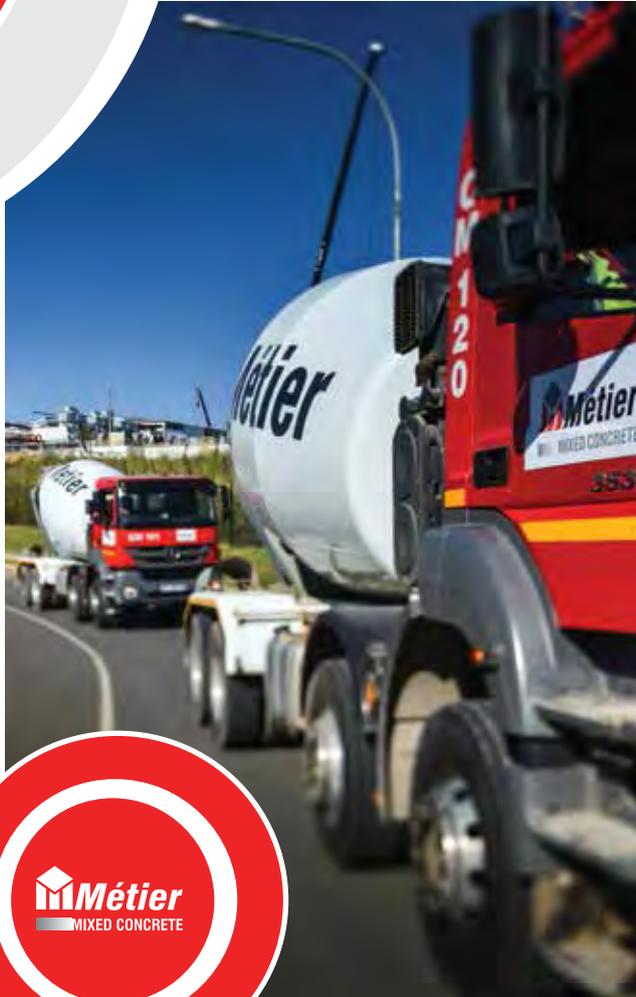
## BUSINESS REVIEW: METIER MIXED CONCRETE

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# BUSINESS REVIEW: MÉTIER MIXED CONCRETE



To be a highly trusted brand and industry leader building a lasting concrete legacy in South Africa.

Based on the Métier Way ethos and the customer's experience of the company's products and services must be:

- **Integrity:** honesty, fairness, ethics, equality and respect
- **Service excellence:** efficiency, speed, dependability, motivation, drive, results-orientated, professional approach and brand pride
- **People:** partnerships, development, passion, engagement, commitment, loyalty, empathy, respect, transparency, humility and collaboration
- **Accountability:** reward, recognition and sustainability



Partnering with customers to enable success on their concrete projects through innovative solutions.

## MANAGING DIRECTOR'S REPORT

*Intense competition required a high level of cohesiveness and agility to secure supply deals as well as cost management efforts to support margins.*

### OPERATING CONTEXT

The construction industry, our key market, was depressed. Mixed concrete supply exceeded demand, which increased price competition and decreased margins. The higher volumes were mainly in KwaZulu-Natal where the decline in demand was less severe. Established producers migrated from areas where demand had stagnated to traditionally high-volume markets. More independent building and construction materials operators began using ready-mix as a conduit for their aggregates or hardware product offering, while vertically integrated producers secured supply contracts at low prices to distribute volumes for their related cement manufacturers.

### PERFORMANCE OVERVIEW

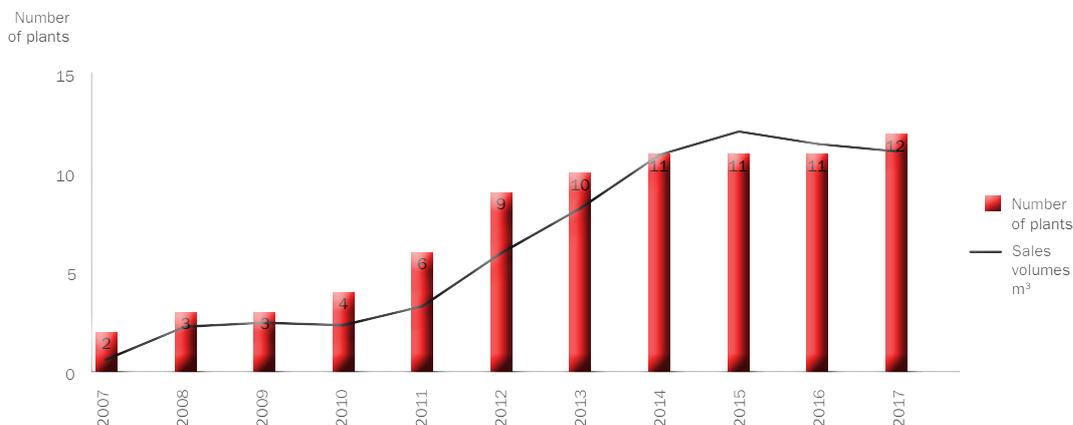
However, I am pleased to confirm that our strategic expansion in Gauteng supported our performance with the 12th plant, contributing 7,0% to our overall sales volumes. The plant enabled our reach to new demand nodes within Gauteng. The plant's long-term value aligns to Métier's strategic plan for the northern region. Furthermore, we purchased a mobile ready-mix plant that was commissioned in March 2018 to supplement existing plant capacity in nodes with growing demand in Gauteng. Although this may seem counterintuitive in view of declining demand, this mobile plant provides flexibility in accessing different demand nodes in Métier's regions to service viable projects.

Métier's revenue decreased by 1,1% to R831 million in spite of the marginal price increase of 1,8% per unit of concrete because of a 3,0% decline in sales volumes. Selling prices have been significantly below cost inflation for the past few years due to intense competition. Métier recorded a net profit of R48 million against R67 million in the previous year.



**Jürgens du Toit**  
Managing director

Sales volumes growth compared to plant footprint from 1 January 2007 – 31 December 2017



# MANAGING DIRECTOR'S REPORT (continued)

## Cost management

To support margins, we focused on improving the sourcing of raw materials to minimise the cost increases without compromising our fit for purpose offering. Our deep skills and deal-making abilities enabled us to maintain our sales volumes through technical and after-sales customer support. We promised and delivered consistently high-quality product, high service levels and reliability to distinguish ourselves in an extremely competitive market. Although our customers were less interested in service for pricing, we did not lower our service levels below our pledged minimum standard. We also assessed all overhead expenses and production costs to lower the overall cost per cubic metre of concrete.

## THE MÉTIER WAY

We reinforced the Métier Way (page 39) ethos in our operations and made plans to entrench this approach over the next few years. This is an ongoing process that will continue to grow and evolve with the business. We focused on motivating employees in the different operational functions to achieve the short- to medium-term objectives.

Intense competition required a high level of cohesiveness and agility to secure the supply deals as well as cost management efforts to support margins. We reorganised our operational structure to position all employees to have the requisite acumen to achieve success. We strengthened operating procedures to be more effective and efficient in offering consistent quality concrete. This sustained our market share in KwaZulu-Natal and Gauteng.

To instil the Metier Way, we have platforms through which we can hold each other accountable for agreed performance objectives.

## RISK MANAGEMENT AND MATERIAL MATTERS

Identifying, understanding and mitigating key risks is on the agenda for every executive committee meeting. The committee

continually monitors and manages the risk register. In 2017, customer credit default was our main risk, our customers have been operating in a challenging market with declining demand. Métier's customer base, mainly medium to large building and construction contractors, became less profitable and experienced constrained cashflows. Insufficient funding, convoluted project management structures, and disruptions from community-led business forums delayed construction projects for our customers and increased the credit default risk.

Consequently, we recorded a high incidence of payments beyond the agreed trading terms from our customers. To mitigate this risk, we implemented a rigorous vetting process to properly understand contractors' project structures and accurately assess their creditworthiness.

## LOOKING AHEAD

Oversupply amid weak economic growth is still our biggest challenge, while credit risk exposure in the broad construction sector remains a concern. We anticipate marginal improvement in pricing on the back of the recent and sustained increases in cement pricing. Due to the tenure and pricing of supply contracts there is approximately a 6 to 12-month price recovery lag. To maintain sustainable sales volumes, we will expand our footprint in Gauteng by extending our offer into Pretoria in Tshwane through a thirteenth plant. This plant will continue to increase the market currently serviced by the mobile plant that is located in Centurion. The mobile plant will continue to be used to support those Métier plants in highly active nodes as the demand increases. The mobile plant provides us with the agility to harness viable supply opportunities as they emerge. The reporting structures to the senior and executive management will be improved to create a customer-centric business that fully understands and harnesses opportunities.

# STRATEGIC OUTLOOK

- **To maintain sustainable sales volumes:** Addition of the 13th plant to increase geographical presence.
- **Re-alignment of the reporting structure:** Increased focus on the customers and to be solutions minded.
- **To improve cost efficiencies:** Continuously improve operational performance to reduce the impact on fixed and variable costs.

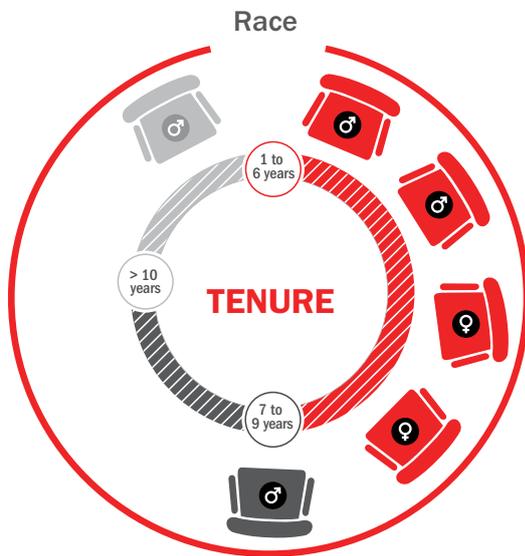
# HUMAN CAPITAL OVERVIEW

*Métier strives to up-skill and develop employees in line with its the Métier Way.*

The Métier Way is a high-performance culture that promotes our brand of service, quality and reliability. This culture is characterised by:

- uncompromising service;
- a safe working environment;
- innovation;
- employees that are sensitive and responsive to the needs of customers; and
- ethically and honestly meeting commitments.

## Executive committee



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## EXPERIENCE AND SKILLS

- Over 85 years combined experience in mixed concrete manufacturing
- Concrete technology experience and skills
- Deep quarrying and mining experience



## HUMAN CAPITAL OVERVIEW (continued)

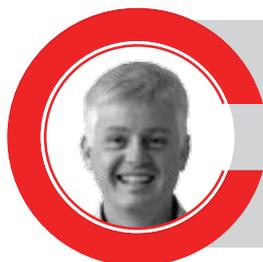


### **Jürgens du Toit (44)**

#### **Managing director**

NDip (Civil Engineering) (Technikon Pretoria)

Jürgens has gained a wealth of experience in the mining and building and construction materials industries over the past 25 years. He has held senior management positions in several aggregates and ready-mix businesses in South Africa, Botswana and Lesotho. He was appointed as managing director on 1 March 2016.



### **Doug Thring (50)**

#### **National maintenance manager**

BSc Hons (Environmental Management) (University of Natal), NHDip (Civil Engineering) (Technikon Natal)

Doug has extensive experience in construction and project management gained from over 27 years with Bosch & Associates Consulting Engineers, Murray & Roberts, and his own construction business. Doug joined Métier on 1 November 2015.



### **Gregg Hollins (47)**

#### **Regional manager, eastern region**

NDip (Civil Engineering) (Technikon Natal)

Gregg has extensive experience in the ready-mix concrete and aggregates industry. He held various management positions in the technical, production and commercial departments of Lafarge South Africa over 11 years. Gregg is a civil technician and concrete technologist. He joined Métier on 1 June 2007.



### **Glen Talmage (47)**

#### **Regional manager, northern region**

NHDip (Civil Engineering) (Technikon Witwatersrand)

Glen has extensive experience in the ready-mix concrete and aggregates industry. He held various senior positions in the technical, production and commercial sectors at a building and construction materials entity over 16 years. He joined Métier on 1 June 2011 to establish and expand Métier's footprint in Gauteng.



### **Stacey Venter (36)**

#### **Financial manager**

BAcc (Rhodes University), CA(SA)

Stacey is a qualified chartered accountant with six years of commercial management experience. She has accounting, tax and financial experience from eight years with KPMG. Stacey is responsible for all administrative and financial aspects of the business. She was appointed on 1 October 2015.



### **Ceri Rayne (37)**

#### **Human resource manager**

BSocSci (Hons) (University of KwaZulu-Natal), Cert: Retail Management (University of South Africa), Cert: Practical Labour Law (University of Cape Town), Cert: Advanced Human Resource Management (University of Cape Town)

Ceri has extensive experience in human resources gained from eight years with the Foschini Group. She joined Métier with a focus on training, human development, employee performance and talent management. Ceri was appointed on 1 July 2013.

## EMPLOYEE OVERVIEW

Métier recruited fifty-two people against thirty-three terminations. Nineteen of the recruited people were for the fifth plant that commenced production in March 2017 and the technical laboratory, both in Gauteng. The reasons for the terminations were retirement or contract expiration (3), resignations (12) and dismissals (17). The dismissals were due to misconduct and failure to act with diligence and competence. We retained all our critical skills despite the increased turnover rate of 12,1% (2017: 10,1%).

### Employee complement

	31 March 2018			31 March 2017		
	Male	Female	Total	Male	Female	Total
White	46	11	57	36	11	47
African	170	13	183	168	10	178
Coloured	3	0	3	3	0	3
Indian	32	6	38	28	6	34
<b>Total</b>	<b>251</b>	<b>30</b>	<b>281</b>	<b>235</b>	<b>27</b>	<b>262</b>

### Training and development

Métier strives to up-skill and develop employees in line with the Métier Way. Employees developed their skills through strategically aligned training that included a sales management convention and BBBEE compliance workshop. We also conducted individual performance development discussions to improve employees' efficiency.

Métier increased its investment in training by 43% to R1,2 million (2017: R815 398), mainly through a new learnership programme for six physically challenged individuals. One hundred and eighty-three employees (2017: 145) were trained of which 127 (2017: 80) were historically disadvantaged South Africans (HDSAs). Fifty-eight employees attained certification in health and safety, and the balance completed training in leadership, technical skills and human resource management.

Logistics is vital to our business, and delivery truck drivers participate in a customised external monthly training programme and an internally managed advanced driving course. The training aims to make logistics activities more efficient and to reduce operating costs. Fifty-two drivers participated in the internal advanced driving course. This training was complemented by the customised online programme called 'King of the Road' which utilises a live tracking system to monitor and measure driver performance. This system monitors delivery in real-time, includes safety features, improves on-time delivery and reduces fuel costs. After assessing the costs and benefits of the driver-related training programmes, Métier suspended the accreditation of the internal driver courses through the Transport Education

Training Authority. The assessment gauged the current programmes as sufficient for the operational requirements.

### Internships

A university requested that Métier absorb some of their civil engineering students for 12 months as interns to broaden the technical skill and knowledge base. As part of the strategy of developing scarce skills, we recruited one student who started the internship during the year. The objective is to retain the intern pending the outcome of the internship.

### Employee equity

Our two-year employment equity (EE) plan ends in August 2018 at which time we would have promoted 14 ACI<sup>1</sup> employees within and between different occupational levels. The plan targeted fair demographic representation across different occupational categories and levels. To date, Métier has achieved its targets for employing i) black women at middle and junior management levels and ii) people with disabilities. The number of black men in middle and senior management increased by 4% during the year, and we aim to improve HDSA representation at senior and middle management levels by prioritising internal promotions. There are still more opportunities to address current imbalances in occupational categories in which the ACI employees are under-represented.

Métier has a level 6 BBBEE certificate awarded on 28 July 2017.

In July 2017, Métier employed six physically disabled black learners who were on a 12-month business administrative service learnership (NQF Level 2) until June 2018. We partnered with a training consultancy that facilitates structured learning

<sup>1</sup> African, Coloured and Indian.

## HUMAN CAPITAL OVERVIEW (continued)

programmes and simulates a specified workplace environment. The reports produced by the consultancy indicated that the learners had made satisfactory progress during the 12 months and they all successfully completed the programme at the end of June 2018. Following the success of the learnership programme, the six employees have proceeded with business administration NQF level 3 learnership for another 12 months until June 2019.

### Health and safety

Métier complies with the Occupational Health and Safety Act, 85 of 1993 and recorded zero fatalities (2017: 0). Safety induction is mandatory for new employees, and refresher sessions are regularly held at all plant construction sites, during which safety procedures are reinforced. Métier became a member of the ER24 network, and employees can now access emergency medical services throughout South Africa.

Unfortunately, there was a notable increase in lost time safety incidents to 22 (2017: 13) resulting in approximately 806 hours of lost time. Consequently, the recorded lost time injury rate frequency increased to 3,96 (2017: 1,80). Two of the 22 reported incidents resulted in 50% of the lost time hours.

Management identified disregard of the safety guidelines as the main reason for the major incidents. To this effect, Métier held several awareness and safety training initiatives, which included toolbox talks. The toolbox talks address broad safety

and compliance matters, especially those that result in the highest recorded incidences. Furthermore, management enforced stricter corrective measures in cases of reported and identified non-compliant behaviour, such as written warning letters.

During the year, Métier held a total of 171 toolbox talks across all operations. We also held 87 health and safety committee meetings to assess the effectiveness of safety initiatives at the different operations.

To further improve the safety regime the national quality assurance manager's function was extended to include the enforcement of the health and safety standards. The manager monitors and audits plants' adherence to safety procedures and their overall compliance.

### CORPORATE SOCIAL INVESTMENT

#### **Métier believes that educating children is the key to breaking the cycle of poverty.**

Métier's social investment is primarily in early childhood development initiatives. We donated R750 000 (2017: R225 000) in cash and mixed concrete for building schools, crèches and orphan villages. The beneficiaries included lthemba Lethu that received a donation towards their family integration programme which facilitates the reunification or adoption of orphaned or abandoned children.

## NATURAL CAPITAL OVERVIEW

Métier strives to responsibly steward its working environment and mitigate the negative environmental impact of operations. We regularly consult with the relevant authorities on environmental management matters, which include banded fuel areas; plant storm water run-off and storage; water usage and recycling and dust emissions. To minimise the impact on the surrounding areas, we partner with independent experts to develop environmental management programmes for all plants to ensure that they operate within the legislative framework. The national quality assurance manager conducted 52 audits (2017: 42) to effectively implement the environmental management programmes. The plants achieved above the targeted score and implementation was confirmed as satisfactory.

All concrete returns are dried and disposed of to quarry operators for crushing or to approved contractors for use in construction activities such as road layer works and fills.

### DUST EMISSIONS MANAGEMENT

Métier proactively monitors dust emissions and recycles wash water sediment, which are the only two material outputs

that impact the environment. The bulk of the dust comes from natural sand and natural crushed stone.

Our dust emissions were within the regulatory limit of 1 200 mg per m<sup>2</sup> per day. We achieved this by using mist sprayers, sprinklers and dust curtains to control the emissions.

Each of our silos have dust filters at the top which limit emissions during the re-filling process. We used two independent environmental consultants to monitor two of our plants, which are located near communities, for dust emissions compliance. Their proximity to communities requires stringent levels compared to the rest of the plants located close to quarries. This is ongoing but and to date the sampling results confirm our suppression is keeping the dust emissions within legal parameters for maximum emissions and three-month moving averages.

### WATER MANAGEMENT

We recycled approximately 37 million litres during the year that was used in washing out the concrete drums and cleaning of the trucks and plants.

