



MASTER DRILLING

Sinking more than one strategy

Master Drilling is a globally diversified business at the forefront of ground-breaking drilling and is the leader in its field – a rare find indeed.

isted since 2012, Master Drilling is arguably the number one raise bore-drilling company in the world. Despite going public just as the world's mining giants wrestled a drop-off in commodity prices, Master Drilling persevered and demonstrated its incredible resilience and agility. **Growing profits at a compounded annual rate of 16%, in dollar terms since listing, the group has certainly proven success in its niche, and a world-class value offering to both clients and shareholders.**

The key to the organisation's success is an invaluable service offering that is not only developed and owned in-house, but also mobile across continents and industries.

Impressively, the company is able to drill holes up to 8 metres in diameter and 1km deep! With state-of-the-art technology, Master Drilling reduces the time and cost of drilling holes, while improving safety standards using bespoke high-tech machinery. This changes the game significantly. Previously dormant ventures – due to extended project lives – become viable, profitable and increasingly feasible.

Highly inventive, the group has recently revealed that its Horizontal Raise Boring (HRB) technology is ready for international

roll-out after a successful pilot test. HRB provides mechanical excavation of a tunnel between two existing access points. The steady progress of the reamer can excavate an average 6 metres a day, compared with 2 metres in conventional drill-and-blast cycles. This technology is possibly a game-changer for the group and, even better, it's still priced in as free optionality.

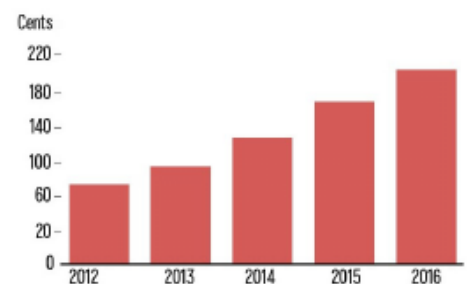
While the company has offered its services predominantly in the mining industry, it is clear that its visions are far broader. Under the guidance of founder and CEO Danie Pretorius, who owns 53% of the company, the group has managed to grow an impressive fleet

In its most recent results, the group increased headline earnings per share by 19.4% to 210c.

that will continue to enhance earnings. However, the most undervalued and overlooked asset is the company's internally generated intellectual property – arguably a mispriced technology business.

The group earns more than 75% of its revenue outside of South Africa, with a clear strategy to diversify across regions, commodities, currencies and industries. In its most recent results, the group increased headline earnings per share by 19.4% to 210c. Most remarkably, this conservative management team runs a very neat operation

MASTER DRILLING HEPS



with costs notably managed alongside a solid balance sheet. With operating margins at roughly 22% and the gearing at 21%, it's justifiable to say that Master Drilling is a rare find.

At the forefront of ground-breaking drilling, the company undoubtedly has exciting prospects. Being a globally diversified business, with predominantly hard currency-based revenue and a local currency cost base, it certainly has an attractive mix. Currently on a price-to-earnings ratio (P/E) of eight times, a solid and growing order book and recently a dividend payer, Master Drilling is certainly a share worth a dig. ■

editorial@finweek.co.za

Samantha Steyn is a portfolio manager at Cannon Asset Managers.