

Engineering Infrastructure

for a sustainable future



Record results

- An extraordinary and record trading performance
- Strong cash flow and continued EPS¹ growth
- Operating margin¹ of 6.4% (2019: 6.4%), reflecting continued focus on quality of earnings
- Engineering Services order book¹ of £603m (2019: £542m)
- Final dividend of 8.33p (2019: 7.67p)

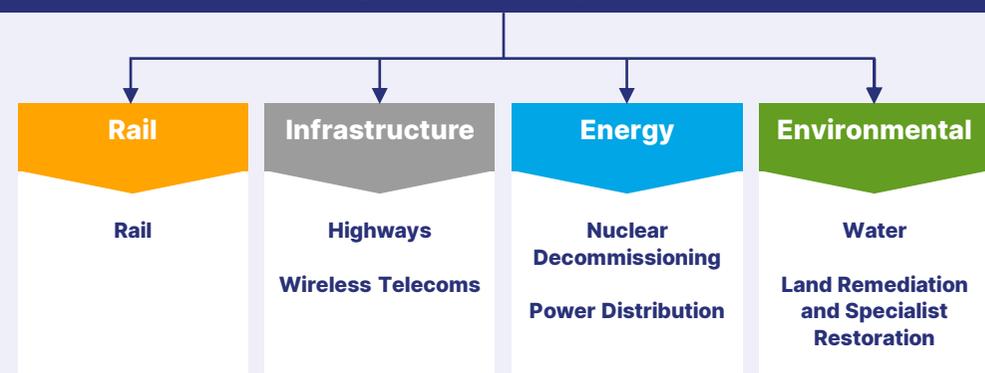
Adjusted operating margin¹

6.4%

Engineering Services order book¹

£603m

Our engineering markets



¹ Renew uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in the appendix.

Our business

Our branded businesses:

- Provide multidisciplinary engineering services nationwide through our directly employed workforce where we maintain and renew UK infrastructure
- Carry out High Quality Residential and science projects in London and the home counties



Energy



Rail



Environmental



Infrastructure



High Quality Residential and Science

Our values



Our investment case

Differentiated business model

Our subsidiary businesses operate across a diversified range of markets providing critical asset maintenance and renewal services.

Our differentiated business model delivers reliability and a competitive advantage and is key to the Group's success in these markets.

Key differentiators

5

Non-discretionary spending programmes

The Group operates in regulated markets which have long-term asset renewal and maintenance spending programmes, visible in our clients' operational expenditure budgets.

We work on long-term frameworks delivering the day-to-day renewal and maintenance tasks required to keep critical networks operational.

Frameworks in regulated markets

150+

Delivering sustainable returns

We seek to create long-term value through our established and proven strategy, delivering reliable capital growth.

Adjusted EPS¹

41.2p

Established market position

Our businesses work in markets with high barriers to entry which demand a highly skilled and experienced workforce and a proven track record of safe delivery.

We continue to develop our range of skills enabling us to provide a more efficient and cost-effective service to our clients.

Highly skilled workforce

c.3,800

Long-term growth prospects

The Group is committed to growing the business in its chosen markets both organically and through selective complementary acquisitions whilst maintaining a disciplined approach to capital allocation and risk.

Adjusted EPS¹ growth over last 5 years

58%

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Working together

Tunnel collaboration

Close collaboration between the teams at AmcoGiffen and QTS successfully brought to a conclusion a challenging drainage project at Severn Tunnel for Network Rail in April.

Differentiated business model

Our markets enjoy committed funding

- Visible, reliable and resilient revenues via long-term maintenance and renewal programmes

Non-discretionary maintenance and renewals

- Lower financial and contractual risk than those delivering large enhancement schemes
- Rail maintenance average task size less than £20k
- Opex budgets

Complex, challenging and highly regulated environments

- Markets with high barriers to entry

Highly skilled, directly employed workforce

- Safe working practices
- Responsiveness
- Reduced exposure to sub-contractor pricing volatility

Proven track record of revenue growth, profitability and cash generation

- Attractive, long-term investment case

Our resilience against Covid-19:



Continuous and reliable funding via frameworks relating to key infrastructure programmes



Demand for essential maintenance and renewal activity has been continuous despite the wider impact of the pandemic



Long established frameworks supported by our qualified and experienced resources have enabled continuity of service



Our proactive and compliant response in our highly regulated sectors has strengthened our relationships with key customers



Control of our direct workforce enabled swift compliance with new working restrictions



Strong balance sheet and sufficient liquidity



Well positioned to take advantage of infrastructure opportunities arising as the economy rebuilds

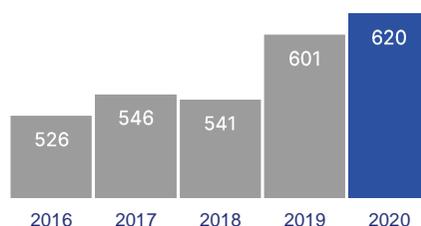
Financial review



Highlights

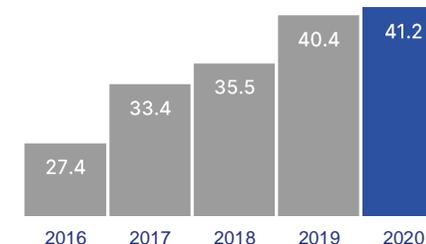
Group revenue¹ £m

£620.4m



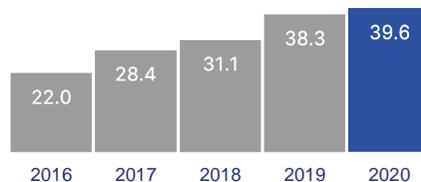
Adjusted EPS¹ p

41.22p



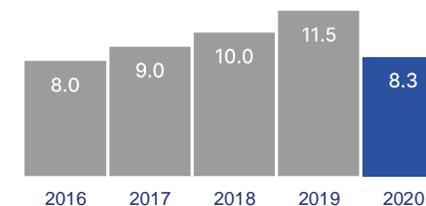
Adjusted operating profit¹ £m

£39.6m



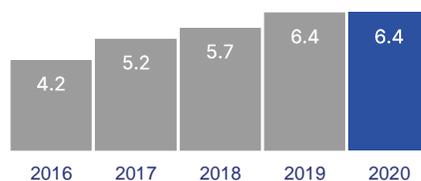
Dividend p

8.33p



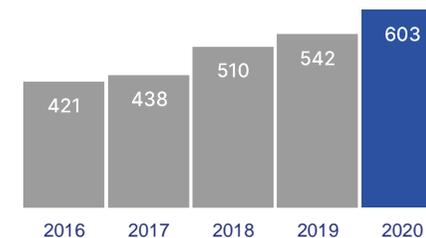
Adjusted operating margin¹ %

6.4%



Engineering Services order book¹ £m

£603m



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Income statement highlights

- **Group Revenue¹ of £620.4m (2019: £600.6m)**

- *ES revenue¹ up 2% to £577.2m (2019: £563.8m)*
- *SB revenue up 11% to £43.2m (2019: £36.1m)*

- **Adjusted operating profit¹ up 3% to £39.6m (2019: £38.3m)**

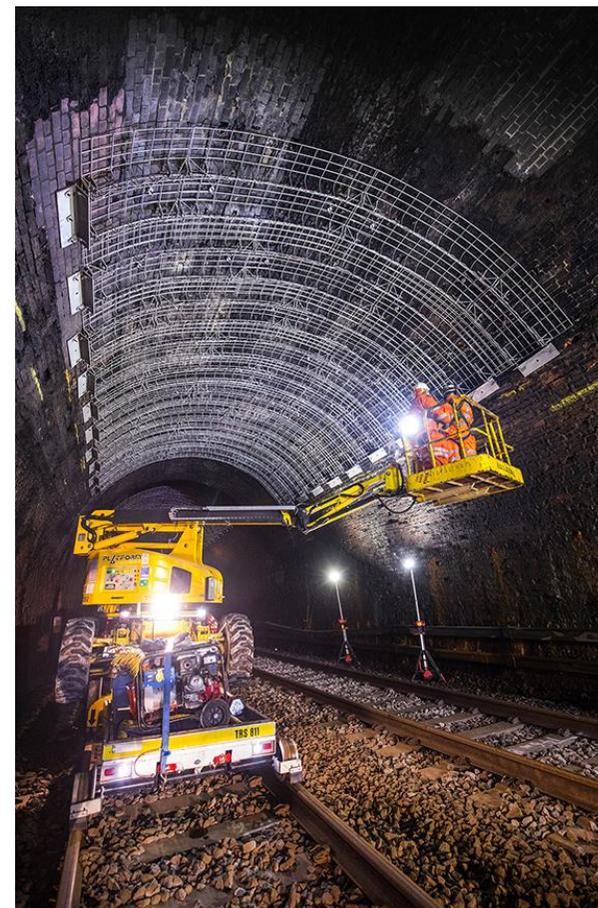
- *Adjusted ES operating profit¹ up 3% to £40.8m (2019: £39.4m)*
- *SB operating profit up 11% to £1.0m (2019: £0.9m)*

- **Adjusted operating profit margin¹ 6.4% (2019: 6.4%)**

- *Adjusted ES operating profit margin¹ 7.1% (2019: 7.0%)*
- *SB operating profit margin 2.3% (2019: 2.4%)*

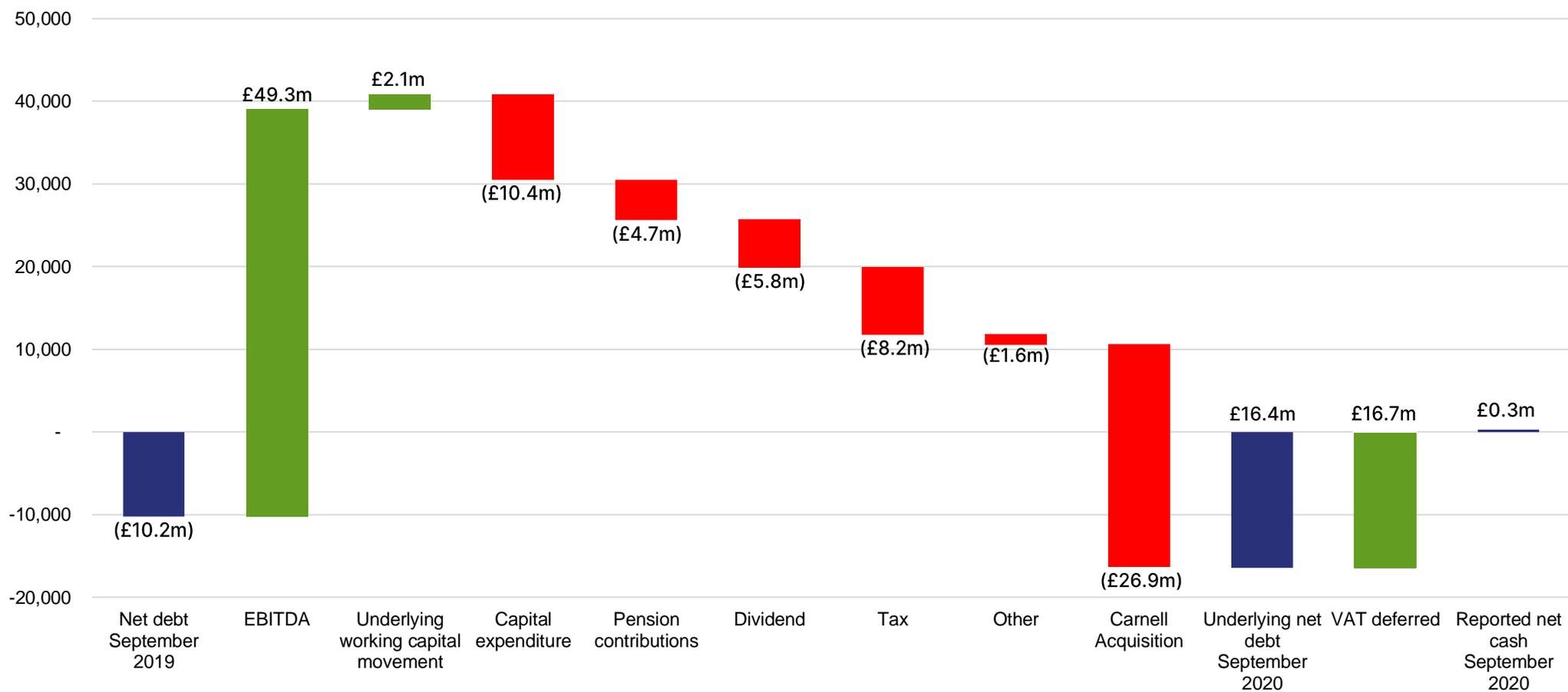
- **Adjusted EPS¹ up 2% to 41.2p (2019: 40.4p)**

- **Carnell trading in line with expectations**



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Cash flow highlights



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Balance sheet

- **Net cash/(debt)¹ £0.3m (Sep 19: net debt £10.2m)**

- *Includes balance outstanding on the QTS term loan of £13.1m*
- *Includes deferred VAT of c.£17m to be repaid in 2021*
- *Net debt: EBITDA ratio significantly lower than 1x*

- **Refinanced working capital facilities in January 2020**

- *£44.2m RCF expiring in January 2024 and £10m unsecured overdraft*
- *Headroom to support acquisitive growth strategy*

- **Post balance sheet event - Buy-in of Lovell Pension Scheme Liabilities**

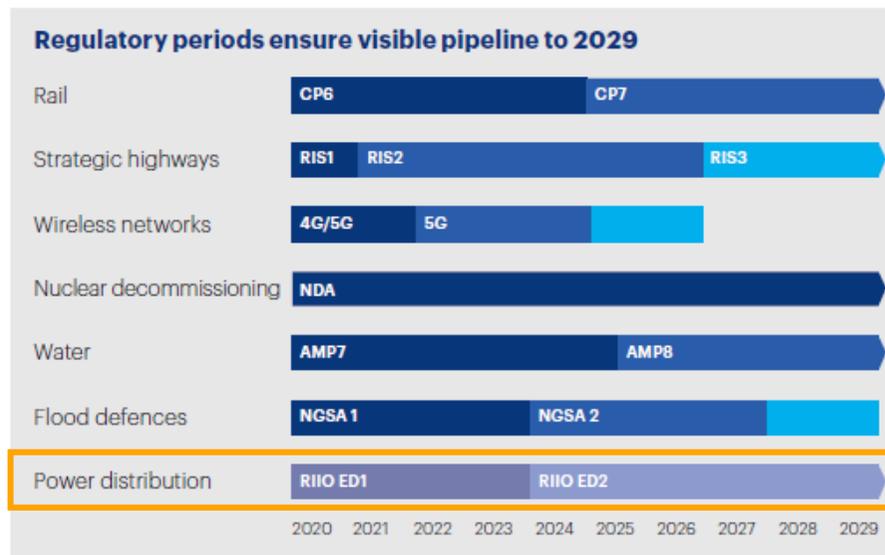
- *Significant de-risking of balance sheet*
- *Accelerate buy-in of remaining Amco Scheme liabilities*

- **Increased provision against discontinued, historic liabilities in Allenbuild**

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Engineering services in markets with committed investment

UK Government investment in infrastructure March 2020 Budget²
£640bn
 2020–2025



Target market
 Power
 Estimated investment in electricity network during RIIO-1
£37bn¹⁰

Market drivers

- Political and economic landscape
- Population growth
- Government regulation
- Climate change
- Technological developments

Our subsidiaries

AMCO GIFFEN

CLARKE
telecom

seymour
civil engineering

VHE

LEWIS

SEL

QTS

Carnell

Keeping the nation on the move

Rail

Investment in Control Period 6

£53bn³

Our services

- Essential multidisciplinary engineering support providing maintenance and renewal services across the national rail network
- 24/7 emergency support provision

Our opportunities

- Network Rail £53bn³ agreed spending plan for CP6 (2019-2024)
- Increased investment in network resilience following flooding events
- Decarbonisation agenda (rail electrification)

- Over 50 CP6 frameworks
- Multidisciplinary maintenance and renewals, minor signaling, geotechnical and earthworks, devegetation, slab track, station information and security systems and telecoms
- New positions on the 5 year CP6 Wales and Western renewals frameworks across all 5 Lots
- Additional rail drainage framework in Scotland, complementing existing framework positions
- Significant 24/7 emergency support – responsive to events in Wales, Eastern and Scotland
- Further fleet investment - innovative solutions for devegetation, tunnel maintenance and drainage

Covid-19: Planned work for our rail customers continues with minimal disruption



Working together to meet national needs

Infrastructure

Road Investment Strategy 2 ("RIS2")

£27.4bn⁴

Estimated 5G investment

£5bn²

Our services

- Multidisciplinary engineering support providing maintenance and renewal services across the strategic highway network
- Multidisciplinary engineering services to the wireless network infrastructure market

Our opportunities

- Government committed to increased roads infrastructure expenditure, focus on maintenance and renewals
- £27.4bn⁴ of RIS2 funding
- Long-term 4G/5G investment programmes
- £0.5bn⁶ investment in Shared Rural Network programme

Highways

- Carnell fully integrated and trading in line with expectations
- Operating as 1 of only 3 suppliers for Highways England across all Asset Delivery Areas
- New and extended frameworks in the period

Wireless Telecoms

- Significant increase in work across all our frameworks as the 5G roll-out programme accelerates
- Appointed to work on the Shared Rural Network and the programme to remove Huawei 5G equipment

Covid-19: Operations in both markets continues at pre-pandemic levels



High hazard risk reduction

Energy

Nuclear Decommissioning Authority spend per annum

£3bn⁷

Our services

- Multidisciplinary engineering support to nuclear facilities
- Decommissioning, asset care, maintenance, new build support and specialist manufacturing
- Mechanical, electrical and instrumentation services

Our opportunities

- UK nuclear decommissioning provision current estimate £124bn⁸, c.75% allocated to Sellafield
- UK 'Net Zero' carbon emissions target by 2050

- At Sellafield:
 - Long-term frameworks including DDP, SR&DP, MSSS, Bundling Spares and Tanks and Vessels frameworks
 - Appointed to both Lots of the 4 year Fabrication and Machining Spares Framework
 - Strongly positioned for future opportunities on the major projects programme
- At Springfields:
 - Significant increase in site activity
 - Appointed to major programme of works associated with decommissioning the Magnox Island

Covid-19: Work programme at Sellafield continues to gain momentum; we expect to be fully operational by April 2021



Maintaining complex water infrastructure

Environmental

Estimated spend in AMP7

£50bn⁹

Our services

- Maintaining and renewing clean and wastewater networks and waterway assets
- Flood risk management programmes
- 24/7 emergency reactive works
- Specialist restoration and land remediation

Our opportunities

- Long-term opportunities through AMP7
- Investment on flood and coastal defences
- Demand through land and environmental regulations
- Long-term conservation works at the POW

- Pressurised Pipelines, Major Civils and Capital Delivery Alliance frameworks
- Extensive 24/7 emergency reactive works
- Awarded 7 schemes on dam safety programme
- Appointed to 5 year AMP7 Minor Civils Framework for new client Yorkshire Water
- Appointed to first scheme for new client Thames Water
- Strengthened relationships with water clients including Scottish Canals, Peel Ports and Natural Resources Wales

Covid 19: We remain fully operational for our water, land remediation and restoration clients



High Quality Residential and Science

Our services

- Prestigious private residential refurbishment
- Development of research and laboratory schemes
- Specialist restoration

Our opportunities

- Increased government investment in research facilities
- Opportunities in High Quality Residential in London and the Home Counties

- Focus on contract selectivity and risk management
- Science schemes for Defra and the MRC remain uninterrupted
- Continue to work on a number of High Quality Residential schemes

Covid-19: Work continues uninterrupted for all our clients in these markets



A better, more sustainable future



Our purpose led approach to ESG

- Developed our sustainability strategy which is now reported in five key areas
- Continue to add value to our customers through our sustainable innovation, assisting in the delivery of the UK's net-zero carbon target by 2050
- First year of reporting under the Streamlined Energy and Carbon Reporting regulations

Our commitments



Customer value

- Customer engagement
- Sustainable innovation
- Support our customers' sustainability goals

Climate action

- Support the UK's net-zero carbon goals
- Reduce carbon emissions
- Climate related risks and opportunities

Operate responsibly

- Health and safety
- Supply chain engagement
- Resource efficiency
- Waste management
- Green infrastructure

Engage our people

- Training and development
- Diversity and inclusion
- Employee wellbeing
- Employee engagement

Support local communities

- Future skills
- Charitable giving

A better, more sustainable future

Our commitments



Customer value

Customer value means we are constantly striving to extend the range of benefits we can provide for our existing and potential customers. Understanding our customers' requirements and delivering innovative solutions to assist them with their goals.



Climate action

We are constantly striving for new ways to contribute to reduce climate change and its impacts.

Aligned with the UK Government's target to achieve net-zero carbon emissions by 2050, our businesses focus on improved working practices and education.



Operate responsibly

Renew is responsible for operating in a way that benefits and does not cause any negative impact on our stakeholders as well as the communities in which we operate.

The safety of our employees and those who work with us is a key focus of the Group's Safety and Environmental Management Group.



Engage our people

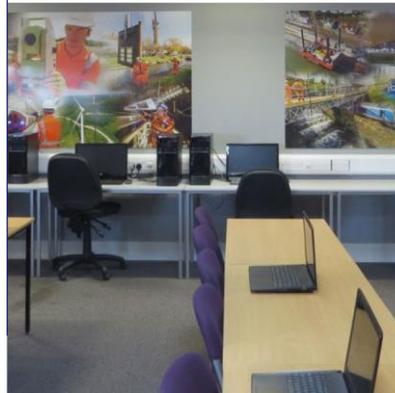
Engagement of our employees is critical to the success of the Group. As a direct delivery organisation our people are our biggest asset.

Investing in training is key to recruiting and retaining our highly skilled workforce.



Support local communities

Our subsidiaries are committed to engaging with their communities and the communities in which they work to understand what is important to them. Our teams provide support for charitable causes, environmental schemes and education programmes as an integral part of the work they undertake.



Working together

AmcoGiffen's Training Academy provides mechanical and electrical engineering qualifications for students from across the North East. AmcoGiffen take on a number of apprentices each year as part of their commitment to protecting the future of engineering skills.

In collaboration with Barnsley College, AmcoGiffen also provide upskilling opportunities to their employees through various courses in maths, English, and computer skills.

Acquisition criteria

Target attributes

Supporting UK
Infrastructure assets

Engineering services with
an opex focus & potential
capex budgets

Market areas with high
barrier to new entrants

Long term relationships
with clients preferably
engaged via frameworks

Cash generative working
capital model

Complimentary bolt on
or standalone brand

Sustainable EBIT up
to £40m

Operating margin >5% or
with growth potential to
this level and beyond

Preferably a
strong incumbent
management team

Preferably a direct
delivery model

Preferably direct
principal client
relationships

Target areas

Existing sectors:

- Rail (only as a complimentary capability)
- Energy
- Infrastructure
- Environmental

New sectors:

- Aviation Infrastructure (continued airside opex opportunity)
- Transmission and Distribution

Outlook - A solid platform for our continued growth

- Proven resilience in a challenging economic environment
- Delivered uninterrupted, mission-critical services through both UK lockdown periods
- Entry into Highways has broadened our offering into a new growth area
- Increased investment with a focus on renewal and maintenance across our markets
- Strongly positioned for opportunities arising from economic stimulus in UK infrastructure



Appendix



Covid-19: Our response

Our priorities



Covid-19 task force

- Keep people safe
- Ensuring compliance with Government guidelines
- Continuous monitoring and audit

Respond to critical infrastructure demand

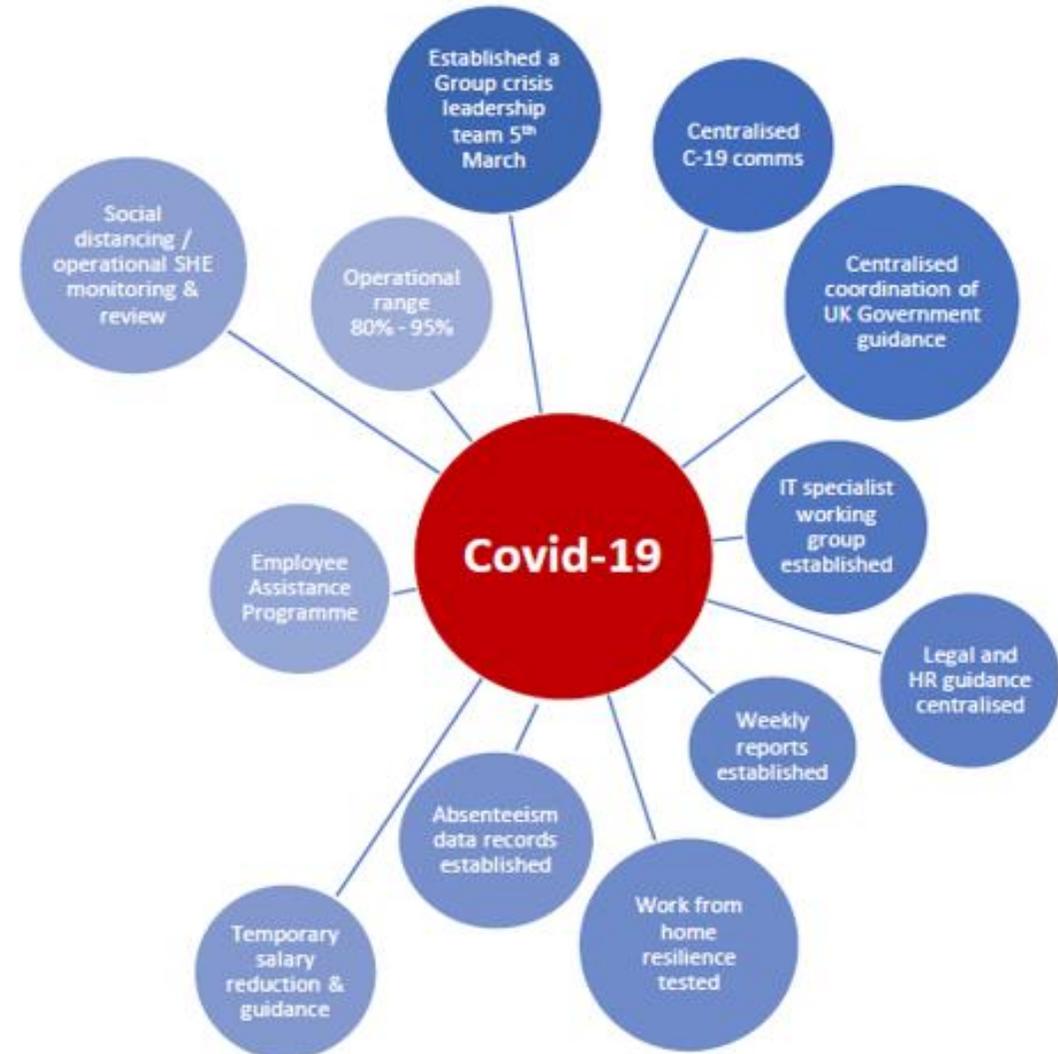
- Ongoing maintenance and renewals requirements despite pandemic
- Responding to increasing demand in Rail and Highways

Adapt operational approach

- Office layouts changed to support social distancing
- Working from home facilities increased
- Shifting to online meetings

Protect all stakeholder's interests

- Maintain business operations
- Consistently review risks to the business
- Ensuring continued good liquidity



Income statement

For the year ended 30 September

	2020 £m		2019 £m	
Revenue	620.4		600.6	
Operating profit*	39.6	6.4%	38.3	6.4%
Net finance costs	(0.8)		(0.5)	
Profit before exceptional items and amortisation	38.8		37.8	
Exceptional items and amortisation	(6.7)		(10.8)	
Profit before taxation	32.1		27.0	
Taxation	(5.8)		(4.7)	
Profit after taxation	26.3		22.3	
EPS*	41.2		40.4	
Dividend per share	8.33p		11.50p	

*Operating profit and EPS are stated prior to exceptional items and amortisation

Exceptional items and amortisation

For the year ended 30 September

Amortisation

Acquisition cost re Carnell

GMP equalisation

Total

2020 £m	2019 £m
5.5	6.5
1.2	-
-	4.3
6.7	10.8

Balance sheet

For the year ended 30 September

	2020 £m	2019 £m
Intangible assets	147.8	114.7
Property, plant & equipment*	14.8	20.9
Right of use assets	17.5	-
Deferred tax (liability) (net)	(2.3)	(0.2)
	177.8	135.4
Current assets	135.1	122.9
Current liabilities	(192.4)	(166.2)
Net current assets	(57.3)	(43.3)
Cash	13.4	11.7
Term loan	(13.1)	(21.9)
Long-term liabilities**	(18.6)	(6.2)
Net assets prior to pension schemes	102.2	75.7
Pension schemes (net)	18.2	16.6
Net assets	120.4	92.3

* 2019 PPE comparatives include £7.8m finance leased assets

**2020 Long-term liabilities include £9.9m other right of use liabilities

Cash flow statement

For the year ended 30 September	2020 £m
Opening cash balance at 1 October 2019	11.7
EBITDAE	49.3
Exceptional acquisition fees	(1.2)
Capital expenditure	(10.4)
Working capital movement	18.8
Pension scheme contributions	(4.7)
Dividends	(5.8)
Tax	(8.2)
Net HP and interest	(1.6)
Term loan repayment	(8.8)
Acquisition of Carnell	(40.5)
New equity	14.8
Closing cash balance at 30 September 2020	13.4
Term loan at 30 September 2020	(13.1)
Net cash at 30 September 2020	0.3

Engineering Services

For the year ended 30 September

	2020 £m	2019 £m
Revenue	577.2	563.8
Operating profit*	40.8	39.4
Operating margin*	7.1%	7.0%
Order book	603	542

*Operating profit and margin are stated prior to exceptional items and amortisation

Specialist Building

For the year ended 30 September

	2020 £m	2019 £m
Revenue	43.2	36.1
Operating profit	1.0	0.9
Operating margin	2.3%	2.4%
Order book	89	39

Alternative performance measures

Renew uses a variety of alternative performance measures ('APM') which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The Directors use a combination of APMs and IFRS measures when reviewing the performance, position and cash of the Group.

The Directors believe that APMs provide a better understanding of the underlying trading performance of the business because they remove the impact of non-trading related accounting adjustments. Furthermore, they believe that the Group's shareholders use these APMs when assessing the performance of the Group and it is therefore appropriate to give them prominence in the Annual Report and Accounts. The APMs used by the Group are defined below:

Net Cash/(Debt) - This is the cash and cash equivalents less bank debt. This measure is visible in Note 32. The Directors consider this to be a good indicator of the financing position of the Group.

Adjusted operating profit (£39.609m) and adjusted profit before tax (£38.842m) - Both of these measures are reconciled to total operating profit and total profit before tax on the face of the consolidated income statement. The Directors consider that the removal of exceptional items and amortisation provides a better understanding of the underlying performance of the Group. The equivalent GAAP measures are operating profit (£32.868m) and profit before tax (£32.101m).

Adjusted operating margin (6.4%) - This is calculated by dividing operating profit before exceptional items and amortisation of intangible assets (£39.609m) by group revenue including share of joint venture (£620.375m) both of which are visible on the face of the income statement. The Directors believe that removing exceptional items and amortisation from the operating profit margin calculation provides a better understanding of the underlying performance of the Group. The equivalent GAAP measure is operating profit margin (5.3%) which is calculated by dividing operating profit (£32.868m) from group revenue including share of joint venture (£620.375m).

Adjusted earnings per share (41.22p) - This measure is reconciled to the earnings per share calculation based on earnings before exceptional items and amortisation in Note 7. The Directors believe that removing exceptional items and amortisation from the EPS calculation provides a better understanding of the underlying performance of the Group.

Group Revenue (£620.375m) - This measure is visible on the face of the income statement as Revenue: Group including share of joint venture.

Group order book, Engineering Services order book and Specialist Building order book - This measure is calculated by the Directors taking a conservative view on secured orders and visible workload through long-term frameworks.

Engineering Services revenue (£577.238m) - This measure is visible in Note 2 business analysis as Engineering Services Revenue including share of joint venture. The Directors consider this to be a good indicator of the underlying performance of the Group's Engineering Services business.

Adjusted Engineering Services operating profit (£40.754m) - This measure is visible in Note 2 business analysis as Engineering Services operating profit before exceptional items and amortisation of intangible assets. The Directors consider this to be a good indicator of the underlying performance of the Group's Engineering Services business. The GAAP equivalent measure is engineering services operating profit (£34.013m) which is also visible in Note 2.

Adjusted Engineering Services operating profit margin (7.1%) - This is calculated in the same way as adjusted operating profit margin but based on the adjusted Engineering Services operating profit (£40.754m) and the Engineering Services revenue (£577.238m) figures as set out above. The equivalent GAAP measure is engineering services operating profit margin (5.8%) which is calculated by dividing engineering services operating profit (£34.013m) from engineering services revenue including share of joint venture (£577.238m).

References

- 1 Renew uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in the appendix
- 2 HM Treasury Budget 2020 12 March 2020
- 3 Network Rail Delivery Plan Control Period 6 High Level Summary 26 March 2020
- 4 Department for Transport Road Investment Strategy 2: 2020-2025 March 2020
- 5 Department for Transport Road Investment Strategy: for the 2015/16–2019/20 Road Period March 2015
- 6 UK Government press release ‘£1bn deal to end poor rural mobile coverage agreed’ 9 March 2020
- 7 Nuclear Decommissioning Authority Business Plan 1 April 2020 to 31 March 2023
- 8 UK Government Nuclear Provision: the cost of cleaning up Britain’s historic nuclear sites 4 July 2019
- 9 Renew estimates from water companies’ business plans
- 10 Ofgem press release ‘Ofgem proposes £25 billion to transform Great Britain’s energy networks 9 July 2020

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