

Engineering for a better tomorrow

Renew Holdings plc
Preliminary results for the year ended 30 September 2023

Paul Scott
Sean Wyndham-Quin

Chief Executive Officer
Chief Financial Officer



Record results

- Another excellent performance reflecting our resilience
- Strong cash flow and continued EPS¹ growth
- Acquisitions of Enisca and TIS*
- Organic growth of 10%
- Collaborations driving new growth opportunities
- Final dividend of 12.00p (2022: 11.33p)

Our subsidiaries



Engineering Services operating margin¹

7.2%

Engineering Services order book¹

£777m

*Post period end

Our business

- We provide multidisciplinary, mission-critical engineering services nationwide through our directly employed workforce where we maintain and renew UK infrastructure
- We carry out High Quality Residential, Landmark and Science projects in London and the South East



Our differentiated business model

Markets with committed regulatory funding

- Visible, reliable and resilient revenue via maintenance and renewal programmes within long-term regulatory spending periods
- The UK Government committed to a record £600bn² investment in the UK's infrastructure from 2020-2025

Delivering mission-critical infrastructure services across the UK

- Exposure to core infrastructure markets underpins business model strengths
- Providing 24/7 specialist engineering solutions to keep the nation's infrastructure operational

Low-risk, non-discretionary maintenance and renewals

- Lower financial and contractual risk profile than those delivering large capital-led enhancement schemes with short durations
- Capital-light, opex-led maintenance and renewals model
- Commercial terms within our contracts protect against inflation

Operating in complex, challenging and highly regulated environments

- End markets with high barriers to new entrants requiring specialist skillsets
- Ensuring compliance through an embedded safety culture

Highly skilled, directly employed workforce

- High-quality engineering expertise
- Responsiveness, control and agility
- Reduced exposure to sub-contractor pricing volatility

Proven track record of compounded earnings growth and strong cash generation

- Differentiated investment case based on resilience of business model, structurally attractive end markets and scope for further growth as infrastructure spend increases
- 17% EPS CAGR 2011-2023

Committed to adding value through innovation and collaboration

- Investing in innovation to deliver superior and more sustainable customer service solutions
- Combining the capabilities of our branded businesses unlocks additional growth opportunities

The Government committed to a record

£600bn²

investment in the UK's infrastructure between 2023-2028

Financial review



Highlights

Another record year

Group revenue¹

£961m

2023	961
2022	849
2021	791
2020	620
2019	601

Adjusted operating profit¹

£63.6m

2023	63.6
2022	58.8
2021	51.2
2020	39.6
2019	38.3

Adjusted EPS¹

63.5p

2023	63.5
2022	59.5
2021	50.5
2020	41.2
2019	40.4

Adjusted operating margin¹

6.6%

2023	6.6
2022	6.9
2021	6.5
2020	6.4
2019	6.4

Dividend

18.00p

2023	18.00
2022	17.00
2021	16.00
2020	8.33
2019	11.50

Engineering Services order book¹

£777m

2023	777
2022	717
2021	679
2020	603
2019	542

Income statement

	FY23 £m	FY22 £m
Revenue ¹	960.9	849.0
Operating profit ¹	63.6	58.8
Net finance costs	(0.9)	(0.6)
Profit before exceptional items and amortisation ¹	62.7	58.2
Exceptional items and amortisation	(4.6)	(8.8)
Profit before taxation	58.1	49.4
Taxation	(11.0)	(9.5)
Profit after taxation	47.1	39.9
EPS ¹	63.5	59.5p

- Revenue¹ increased by 13.2% to £960.9m (2022: £849.0m)
- *Organic revenue growth of 10% in the year*
- Operating profit¹ increased by 8.2% to £63.6m (2022: £58.8m)
- Adjusted¹ operating profit margin of 6.6% (2022: 6.9%)
- EPS increased by 6.6% to 63.5p (2022: 59.5p)
- Final dividend of 12.00p (2022: 11.33p)
- *Full year dividend of 18.00p (2022: 17.00p)*

Balance sheet

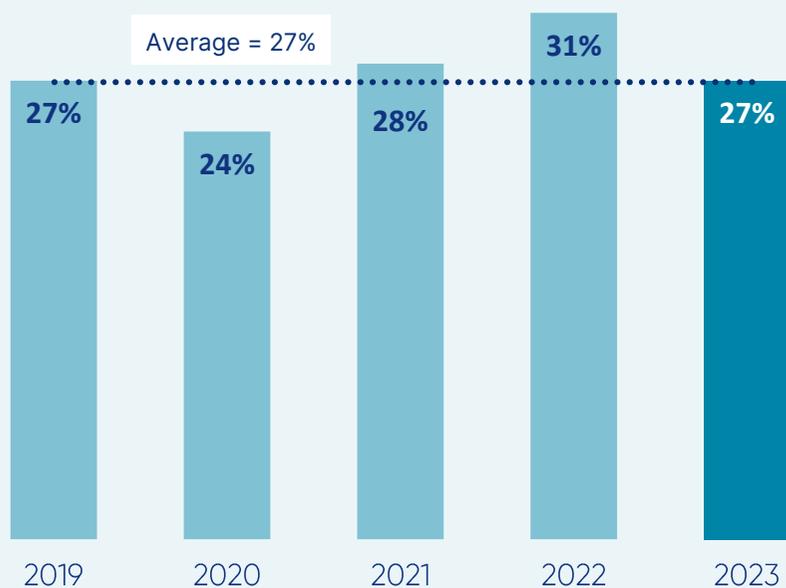
	FY23 £m	FY22 £m
For the year ended 30 September		
Intangible assets	176.7	160.8
Property, plant and equipment	19.4	17.8
Right of use assets	19.1	15.5
Investment in joint ventures	4.0	5.5
Deferred tax (liability) (net)	(6.7)	(4.1)
	212.5	195.5
Current assets	192.3	168.5
Current liabilities	(228.7)	(213.3)
Net current liabilities	(36.4)	(44.8)
Cash	35.7	20.2
Long-term liabilities	(33.4)	(22.9)
Net assets prior to pension schemes	178.4	148.0
Pension schemes (net)	1.0	0.7
Net assets	179.4	148.7

- Pre IFRS16 net cash £35.7m (2022: £20.2m)
- *IFRS16 net cash £18.0m (2022: £5.7m)*
- £80m RCF secured until November 2026 providing significant acquisition firepower
- *Margin 180bps*
- *Commitment fee 35bps*
- Work continues on pension true-up calculations required before a buy-out can take place
- Increased provision against discontinued, historic liabilities in Allenbuild:
- *£1.3m cash outflow in year (2022: £4.0m)*
- *Provision increased to £7.5m (2022: £5.3m)*
- Acquisition of Enisca in November 2022
- Post year-end acquisition of TIS Cumbria Limited for £4.7m in October 2023

ROCE & ROIC

ROCE

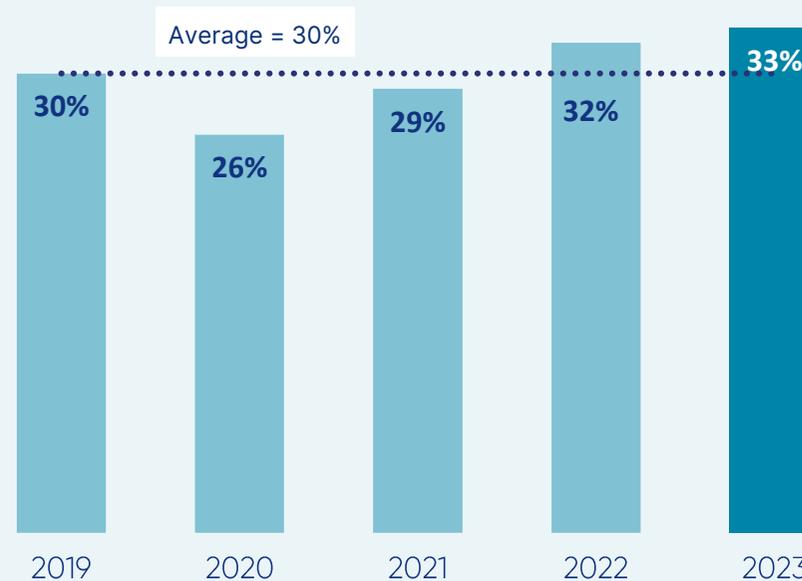
27%



*ROCE = Adjusted LTM EBIT over average capital employed

ROIC

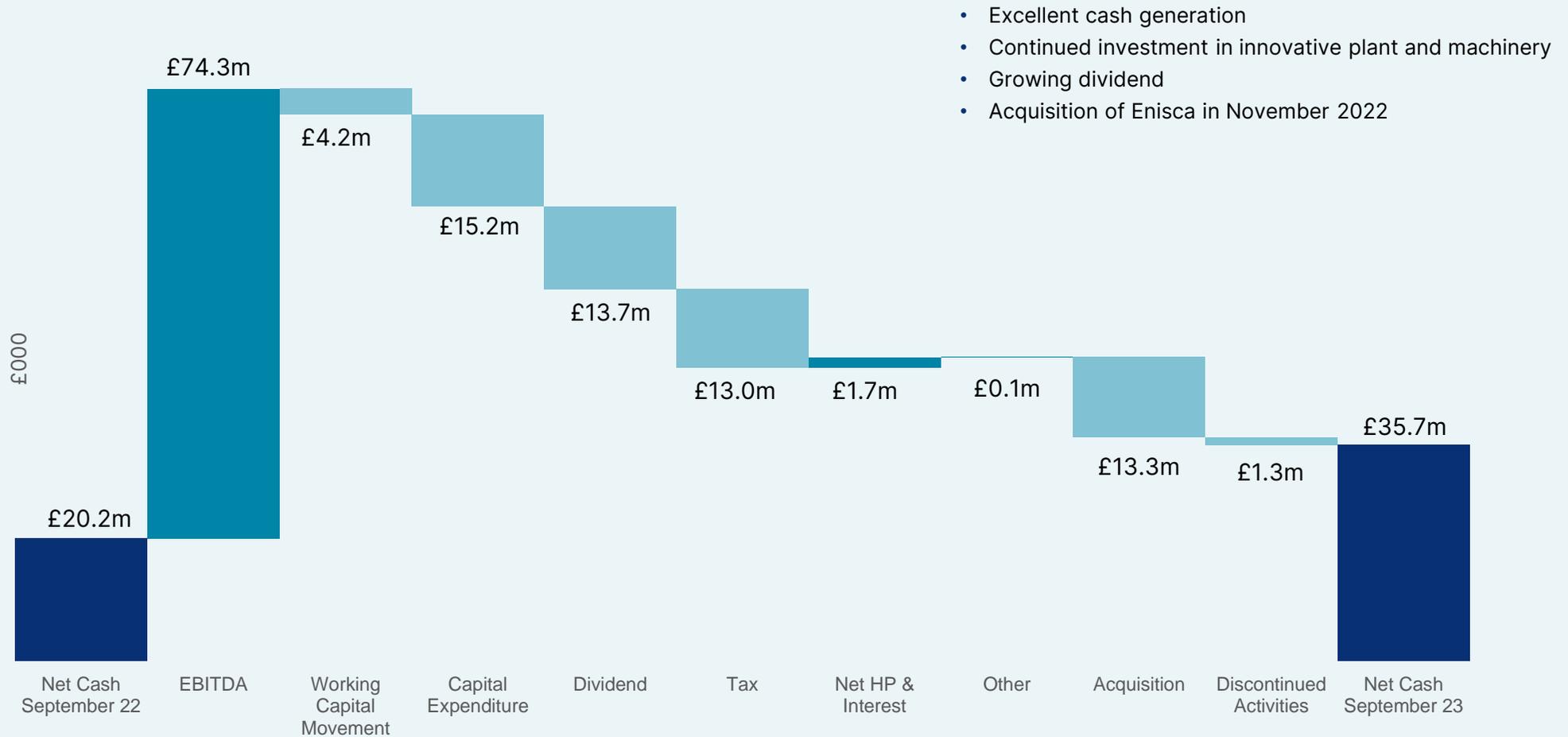
33%



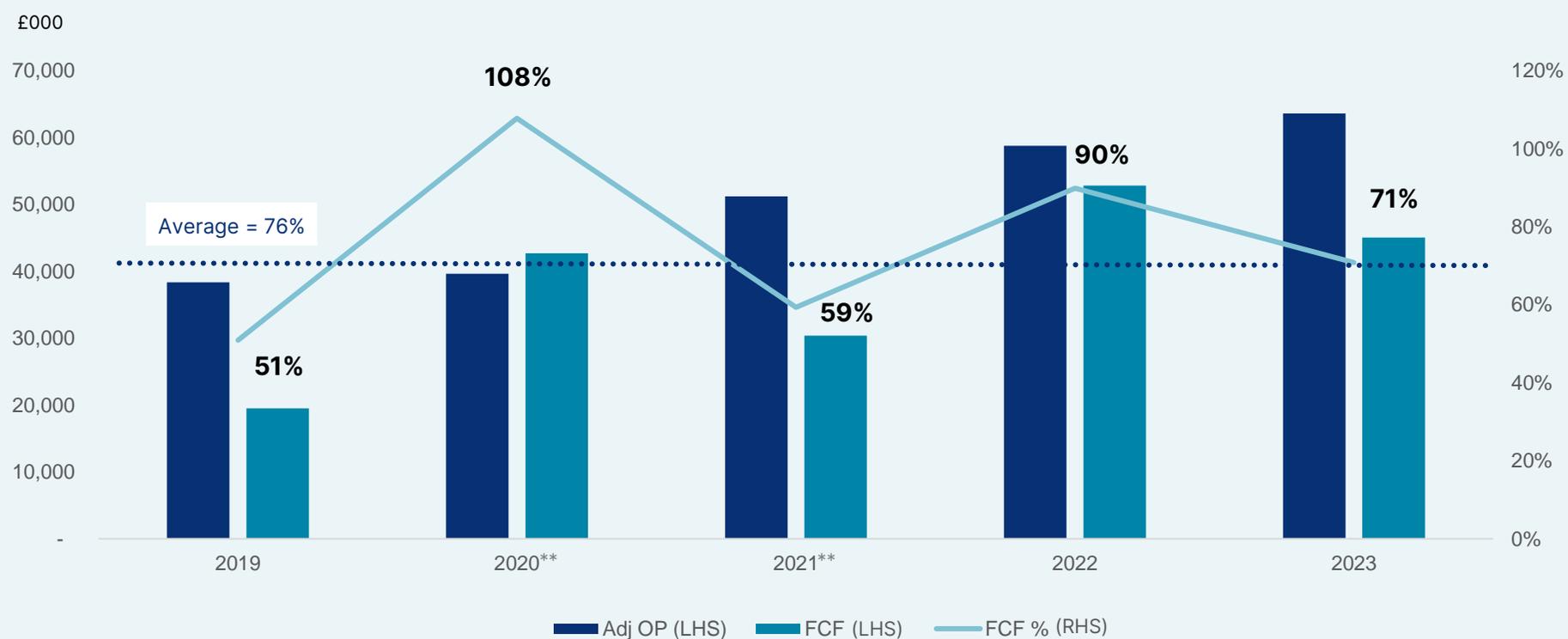
*ROIC = Adjusted LTM EBIT over average invested capital

Cash flow bridge

Strong cash generation supporting growth strategy



Free cash flow conversion*

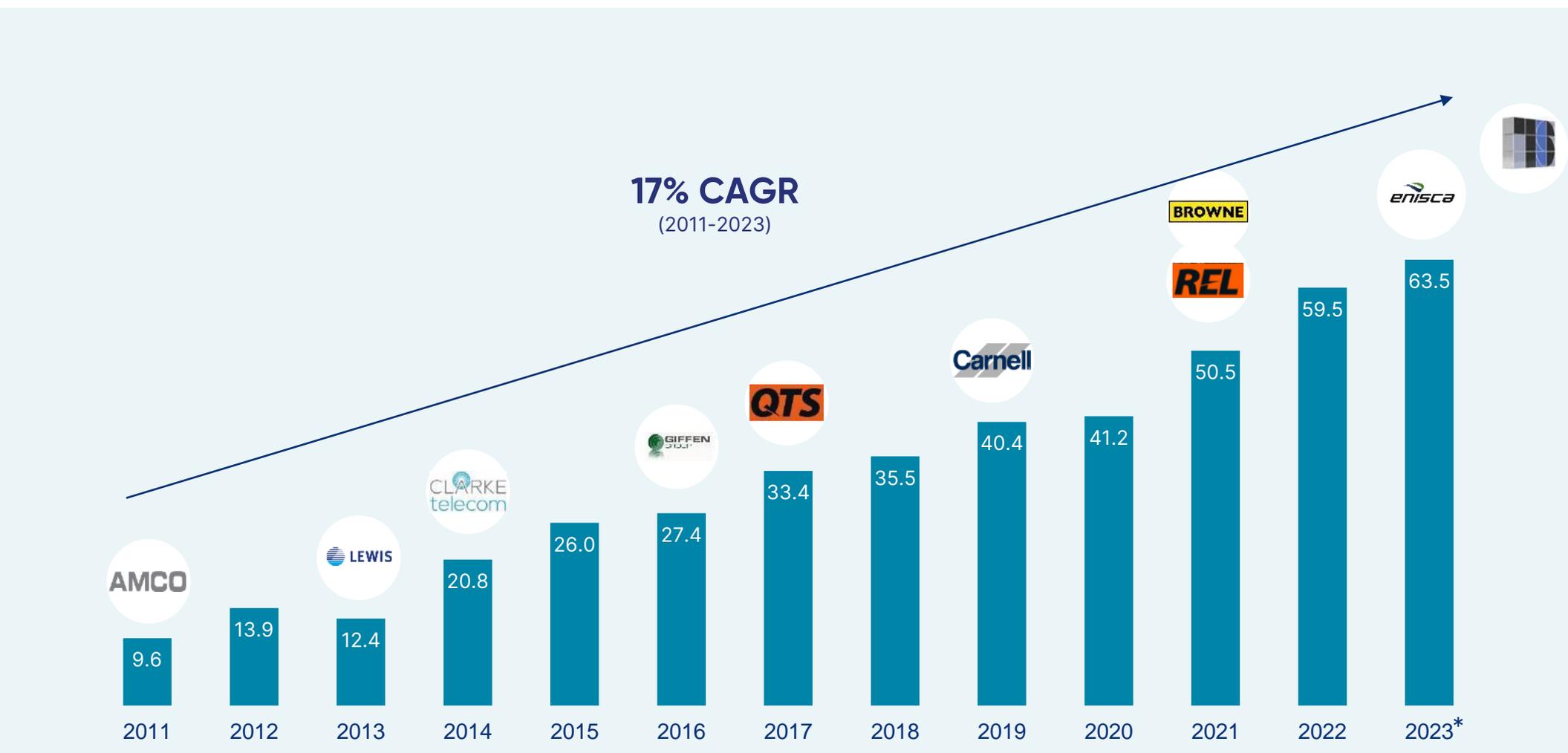


*From continuing operations

**FY20 and FY21 FCF impacted by Covid-19 VAT deferral and repayment.

FCF = EBITDA (inc. lease depreciation) – Working capital – Provisions – net capex (inc. lease principal payments) – pension – cash exceptional charges – cash interest – cash tax

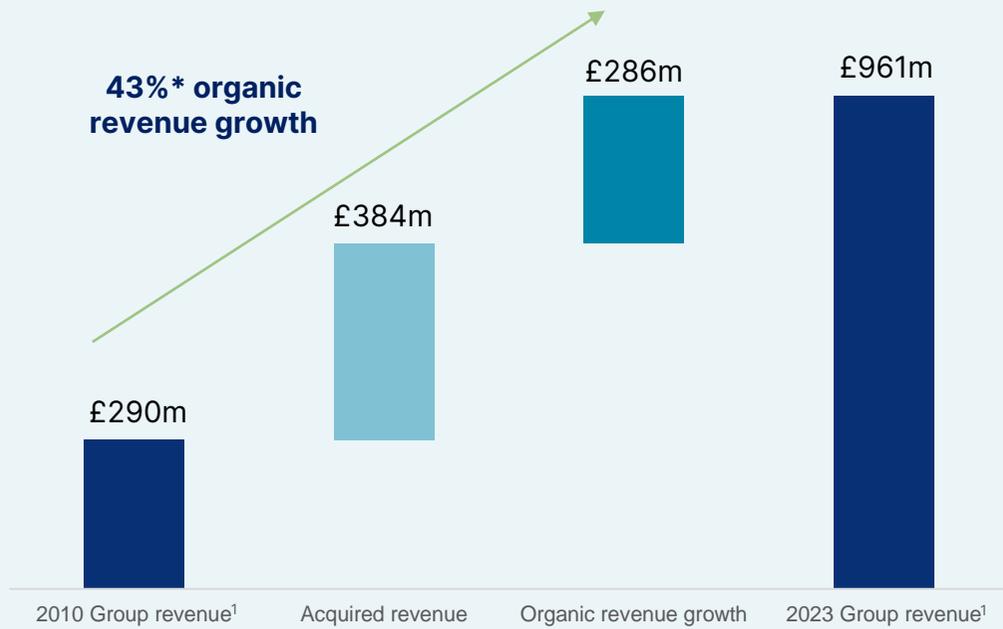
Adjusted EPS¹ track record



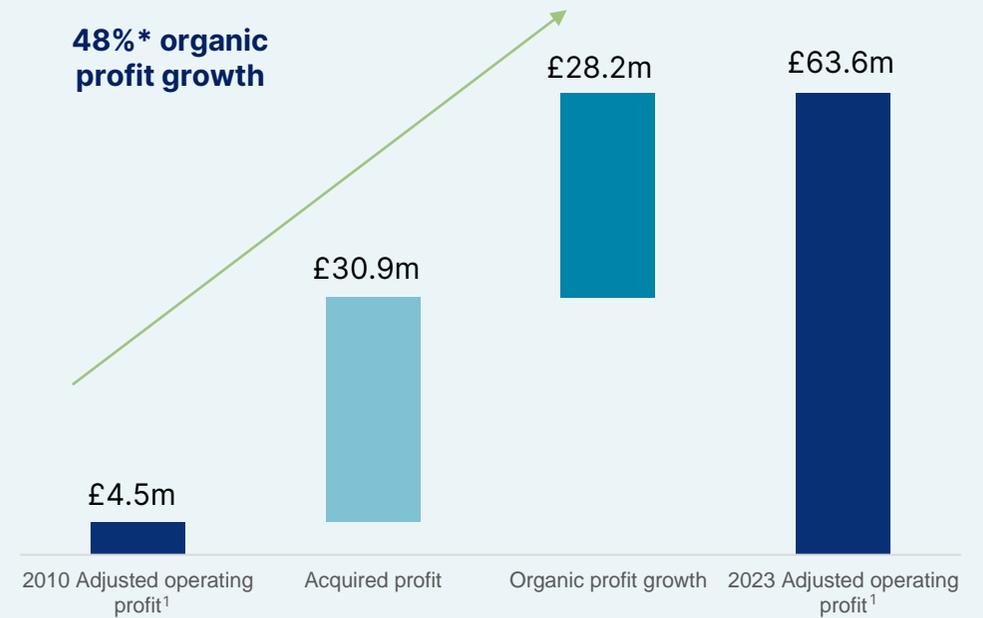
*Impacted by increase in Corporation Tax to 25% from April 2023

Growth drivers

Revenue



Profit



¹All growth from acquisitions that occurs after the date of the acquisition is treated as organic

M&A: The opportunity

Consolidate fragmented market, expand service offerings, enter new sectors

Current Sectors – acquisitions to expand existing service offering

Rail	Energy	Environmental	Infrastructure
Improve offering ahead of CP7 & support decarbonisation	Support growth in New Nuclear and PPP programme	Increase water offering ahead of AMP8 and consider opportunities in the flood and coastal infrastructure market	Widen scope of services within highways, telecoms and aviation

New Sectors – identifying additional verticals to diversify business

Energy Transmission & Distribution	Renewables
Working directly for distribution Network Operators and Transmission Operators	Targeting a range of new opportunities

What we look for – key M&A attributes

- ▶ **Engineering Services with opex focused budgets**
- ▶ **Highly attractive finances with EBIT up to £50m, operating margins >5%, a strong cash generative working capital model and inflation resilience**
- ▶ **Long term, direct, principal client relationships preferably engaged via frameworks**
- ▶ **Preferably a direct delivery model**
- ▶ **Complementary bolt on or standalone brand in markets with high barriers to entry**

Capability expansion through M&A



Acquired: June 2021

Overhead Line capability (OLE) combined with existing rail skills positions the business strongly for decarbonisation opportunities



Acquired: November 2022

Acquisition of MEICA capabilities increases opportunities in the water sector ahead of AMP8



Acquired: October 2023

Doubles the Group's specialist nuclear manufacturing capacity to target significant new opportunities in the civil nuclear market

Operational review



Rail



Delivering a railway for the future

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 £44bn³ agreed spending plan for CP7 (2024-2029)
- £18bn to £26bn⁴ estimated cost of decarbonisation to 2040
- Focus on asset performance with increased funding for renewals and maintenance

Rail – *Record year*

- Secured new CP7 frameworks
– *Wales and Western, North West and Central*
- Numerous framework extensions confirmed
- Success via collaboration between our rail brands
- Continue to see record demand for our services – good CP7 visibility
- Industry leading innovative plant solutions
- Increase in emergency reactive network support

Infrastructure



Working together to meet national needs

Our services

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

Highways – *Record year*

- Working on National Highways SDF across five framework lots
 - *AGC collaboration delivering road restraint systems nationally*
 - *Customer expansion (Scotland and Manchester)*

Aviation

- Good momentum with our organically grown capability

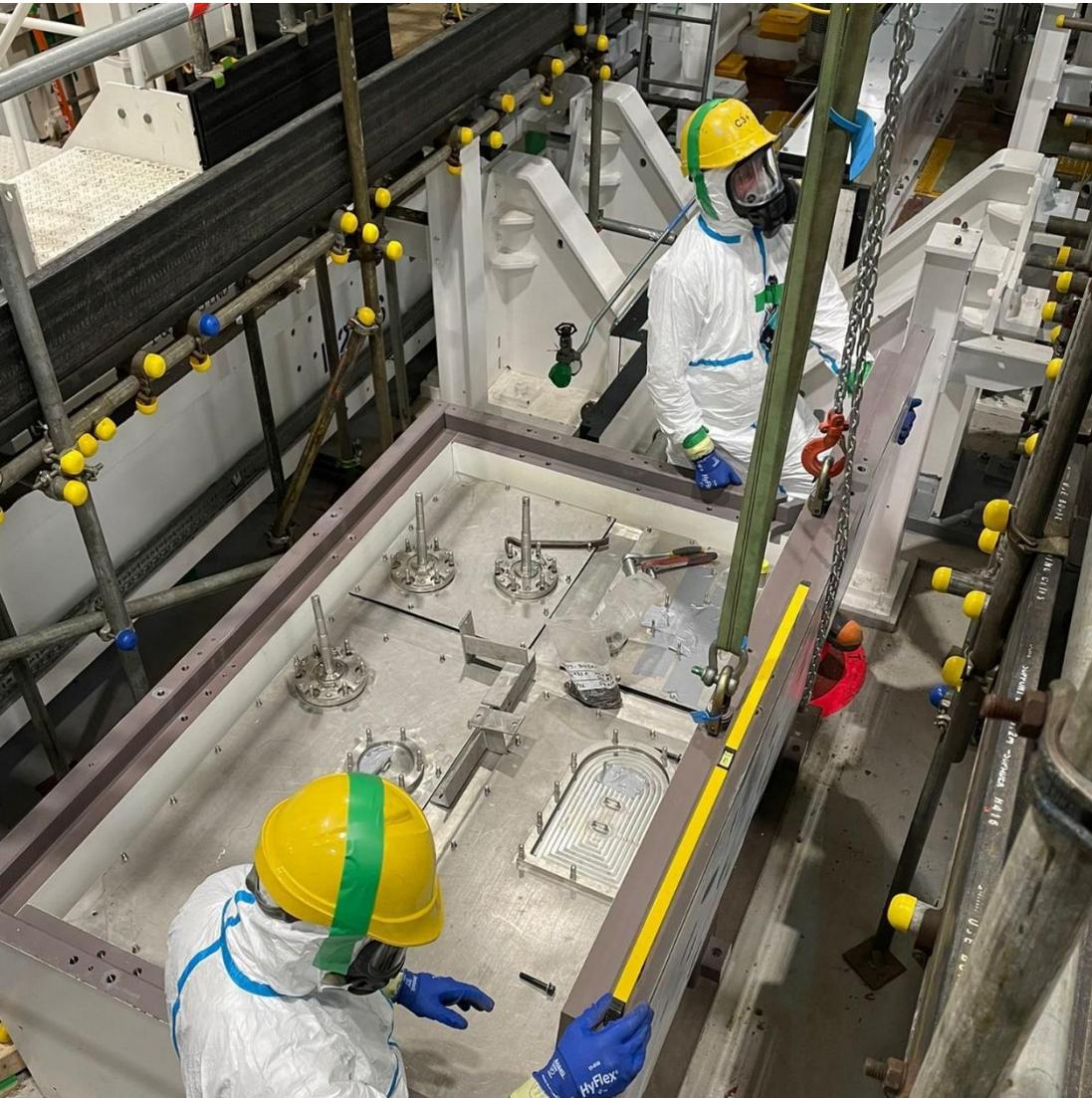
Wireless Telecoms – *Record year*

- Continue to broaden our customer base
- New opportunities with 5G private networks

Our opportunities

- £27.4bn⁵ of Road Investment Strategy 2 (RIS2) funding
- RIS3 increased roads infrastructure expenditure, focus on operations, renewals and maintenance
- £30bn⁶ estimated investment for gigabit-capable broadband speeds
- £5bn investment in 5G rollout

Energy



High hazard risk reduction

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

- £3bn NDA* spend per annum
- UK nuclear decommissioning provision current estimate £124bn⁷
- UK net-zero target
- New nuclear – British Energy Security Strategy
- £950m⁸ Rapid Charging Fund to support high powered charge points rollout

Nuclear

- Long-term frameworks at Sellafield – critical UK decommissioning
- Appointed by all four PPP Key Delivery Partners on a 20-year programme delivering critical M&E and HVAC services
- Expanding our civil nuclear customer base
- Acquisition of TIS doubles specialist manufacturing capacity

EV Infrastructure

- Growing momentum with fleet and charge point operators

Environmental



Maintaining complex water infrastructure

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

- £51bn⁹ estimated spend in AMP7
- AMP8 expected to see greater investment – AMP8 business plans proposed spending almost doubles
- Increase focus on climate and weather resilience – £5.2bn¹⁰ flood defence investment (2021-2027)

Water

- Notable successes include
 - Welsh Water Major Civils, Major Electrical & Major Mechanical
 - New customer in South West Water
 - Thames Water Mains Renewals £200m
- MEICA capabilities via acquisition of Enisca – access to new growth areas
- Water brands collaboration unlocking additional opportunities

Conservation and restoration

- Long-term conservation opportunities at the Palace of Westminster

High Quality Residential, Landmark and Science



One hundred year heritage

Our services

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

Our opportunities

- Increased Government investment in research facilities
- Opportunities in the ultra High Quality Residential and Landmark market in London and the South East

- Specialist restoration work continues at Lambeth Palace, Natural History Museum and the Parliamentary Estate
- Successful completion and handover of MRC project at Hammersmith
- New works via frameworks in science
- *MRC at Harwell and DEFRA*

Leveraging organic growth through collaboration



Overhead Line capability (OLE) combined with existing rail skills positions the business strongly for decarbonisation opportunities



Successfully awarded fencing framework with Welsh Water (DCWW)



Collaborating on AMP8 water procurement strategy



Collaborating on heritage restoration schemes



Collaboration between AmcoGiffen and Carnell resulting in successful award of National Highways Restraint Framework



Collaborative opportunities with South East Water and Essex & Suffolk (Northumbrian)



Collaborating on water schemes for Yorkshire Water and Welsh Water (DCWW)



Delivering EV charging infrastructure to Network Rail sites

Our commitment to ESG





The Renew Resilience Plan

Create long-standing customer value

To achieve our purpose to

Our purpose led approach

Our purpose-led approach to ESG is based on our four commitments. These ensure we continue to align our business with the environmental, social and governance ("ESG") requirements of our stakeholders.

It is important that we work responsibly and in a sustainable manner to leave a lasting positive impact.



Made possible through

Unique collaboration

Our commitments



Empower our people

- Improve the rate of response to our employee surveys
- Increase the number of mental health first aiders
- Continuous focus on employee development

70% employee survey response rate

58%



1:20 mental health first aiders

1:12



4.5 training days per employee

5.2



Build social value

- Commitment to community projects
- Focus on STEM engagement within our communities

1 working day per employee assisting community projects (measured in hours)

0.27



50 STEM events supported

166



Take climate action

- Increase use of energy from “green” tariffs
- Improvements in electric and hybrid company car options
- Move our commercial fleet to low carbon

Reduction in carbon intensity ratio 1 (tCO₂e/£000)

0.032



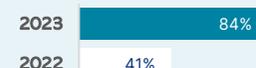
80% of our commercial fleet will be low carbon by 2030

4%



100% of energy we use will be derived from “green” energy tariffs

84%



Operate responsibly

- Reduce our Lost Time Incident Frequency Rate
- Reduce the amount of waste sent to landfill
- Mandatory waste broker
- Improve our gender pay gap

0 Lost Time Incident Frequency Rate (“LTIFR”)

0.20



95% of eligible* waste diverted from landfill

95%



Our investment case

Differentiated low-risk business model

- Our subsidiary businesses operate across a diversified range of markets.
- Critical asset maintenance and renewals services that are not dependent on large, capital-heavy contract awards, providing a lower risk profile.
- Supported by the commercial terms and short task execution periods within our frameworks, we continue to successfully manage the industry-wide material shortages and inflation challenges effectively.

Value-accretive model of compounding earnings

- Proven history of shareholder value creation through consistent execution of our strategy to deliver reliable capital growth.
- A track record of organic growth and M&A in high margin, high growth end markets, twinned with strong cash generation and shareholder returns.

Exposed to attractive long-term, non-discretionary structural growth drivers

- We operate in markets underpinned by resilient, long-term growth dynamics and committed regulatory spending periods, with maintenance and renewals expenditure continuing to increase.
- We deliver the day-to-day renewal and maintenance tasks required to keep critical networks operational.

Market leading position, expertise and capabilities

- Our businesses work in markets with high barriers to entry which demand a highly skilled, experienced workforce and a proven track record of safe delivery.
- We continue to develop our range of specialist skills enabling us to provide a more efficient and valuable service to our clients.

Ideally poised to benefit from green infrastructure investment

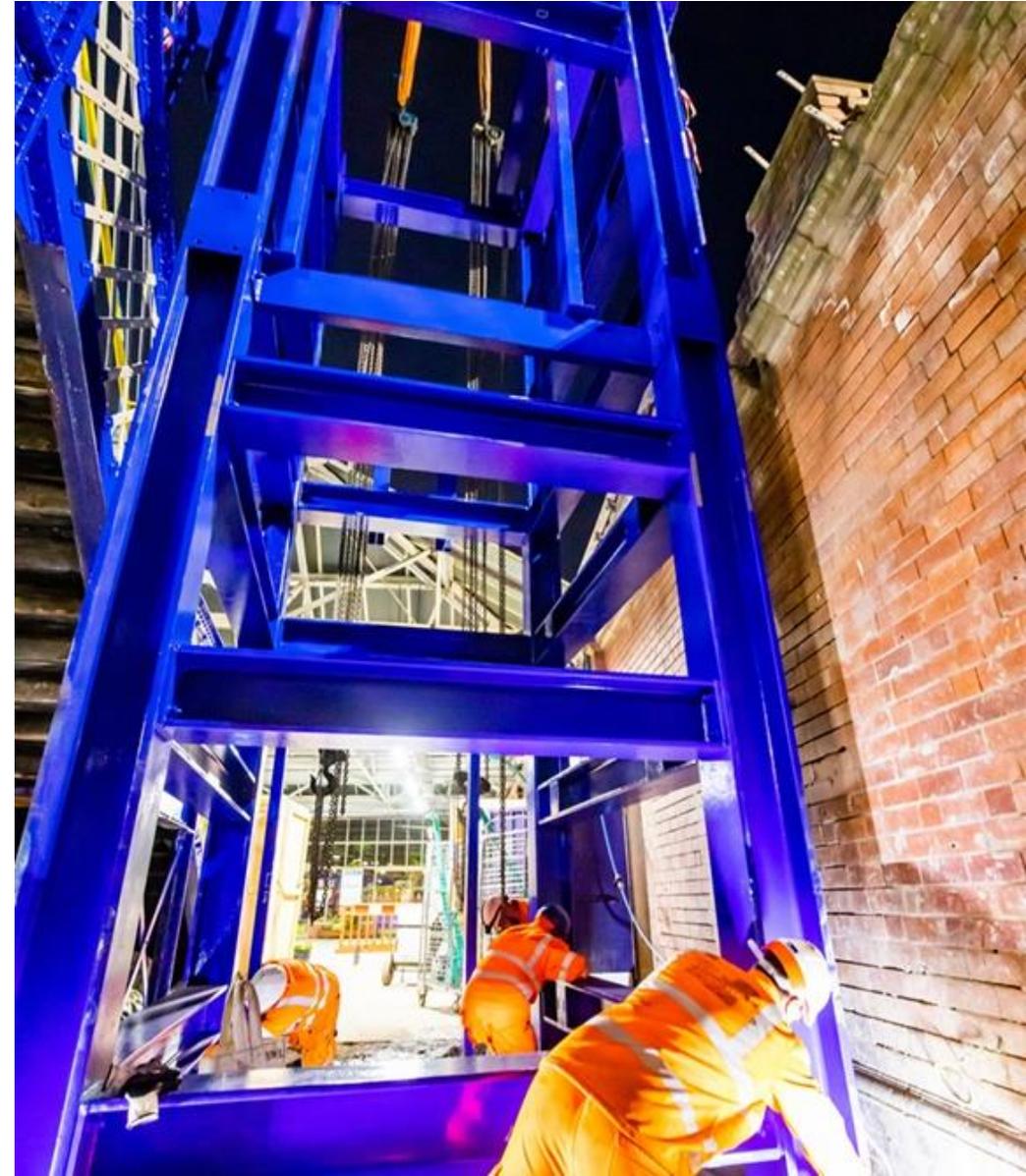
- Our purpose-led ESG approach enables us to add value to our customers through investment in innovation and technology, assisting in the delivery of the UK's net-zero carbon target by 2050.

Strong 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.

Outlook

- Attractive structural growth drivers in our end markets
- Investment prioritisation in renewals and maintenance of existing assets
- Continued focus on long-term, non-discretionary spending programmes
- Collaborations unlocking new organic growth potential
- Strong balance sheet leaves us well positioned to seize acquisitive opportunities
- Strong order book and positive momentum going into 2024



Appendix



Segmental analysis

Engineering Services

For the year ended 30 September	2023 £m	2022 £m
Revenue	887.5	778.9
Operating profit*	64.3	59.1
Operating margin*	7.2%	7.6%
Order book	777	717

* Stated prior to amortisation and exceptional items.

Specialist Building

For the year ended 30 September	2023 £m	2022 £m
Revenue	73.4	70.1
Operating profit	1.3	1.7
Operating margin	1.8%	2.4%
Order book	83	58

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 Note 9 of the results announcement.
- 2 HM Treasury, Autumn budget and spending review 2022 - November 2022
- 3 Network Rail Delivery Plan, Control Period 6, High Level Summary - 26 March 2020
- 4 Network Rail Strategic Business Plan, Control Period 7 – 19 May 2023
- 5 Department for Transport Road Investment Strategy 2: 2020 – 2025 (March 2020)
- 6 UK Government Department for Digital, Culture, Media & Sport, Future Telecoms Infrastructure Review (23 July 2018)
- 7 UK Government Nuclear Decommissioning Authority, Nuclear Provision: the cost of cleaning up Britain's historic nuclear sites (4 July 2019)
- 8 HM Treasury National Infrastructure Strategy (November 2020)
- 9 Ofwat PR19 Final determinations, Overview of companies' final determinations (December 2019)
- 10 Lovell, A. 2023. EA Chair says collaboration needed to protect local economies and nature on the coast. Annual Coastal Futures Conference, 26 January, London.

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