

# Renew Holdings plc

2014 Results

Year ended 30 September 2014

Brian May  
John Samuel

Chief Executive  
Group Finance Director



renew



# Highlights

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- Record results
- Strong order book of £439m, increase of 21%
- 20% increase in Engineering Services order book to £361m
- Acquisition of Clarke Telecom and Forefront Group
- Engineering Services revenue up 65% to £382m
- Appointed to 7 frameworks with Network Rail advertised at £450m over 5 years
- Disposal of Allenbuild after the year end
- EPS growth of 68% to 20.8p
- Dividend increased by 39% to 5.0p (2013: 3.6p)



# Income statement

Year ended	30 Sept 2014		30 Sept 2013	
	£m		£m	
<b>Revenue</b>	<b>464.5</b>		<b>282.7</b>	
<b>Operating profit</b>	<b>16.4</b>	<b>3.5%</b>	<b>10.0</b>	<b>3.5%</b>
Net finance costs	<b>(0.3)</b>		<b>(0.3)</b>	
<b>Profit before exceptional items</b>	<b>16.1</b>		<b>9.7</b>	
Exceptional items	<b>(0.8)</b>		<b>3.8</b>	
Amortisation	<b>(2.2)</b>		<b>(0.5)</b>	
<b>Profit before taxation</b>	<b>13.1</b>		<b>13.0</b>	
Taxation	<b>(2.7)</b>		<b>(3.0)</b>	
Profit after taxation	<b>10.4</b>		<b>10.0</b>	
<b>EPS pre exceptional items and amortisation</b>	<b>20.8p</b>		<b>12.4p</b>	
<b>Dividend per share</b>	<b>5.0p</b>		<b>3.6p</b>	

Note: comparative figures have been adjusted to account for Allenbuild Ltd as a discontinued business

Renew Holdings plc - Results Presentation: Year ended 30th September 2014

# Balance sheet

	30 Sept 2014	30 Sept 2013
	£m	£m
Intangible assets	61.0	37.4
Property, plant & equipment	15.3	8.2
Deferred tax assets (net)	1.0	2.1
	<u>77.3</u>	<u>47.7</u>
Current assets	90.9	79.1
Current liabilities	(134.9)	(114.1)
Net current liabilities	<u>(44.0)</u>	<u>(35.0)</u>
Cash	5.6	5.3
Term loan	(21.7)	(2.5)
Long term liabilities	(4.8)	(2.6)
Pension schemes (net)	1.5	(2.6)
<b>Net assets</b>	<u><u>13.9</u></u>	<u><u>10.3</u></u>

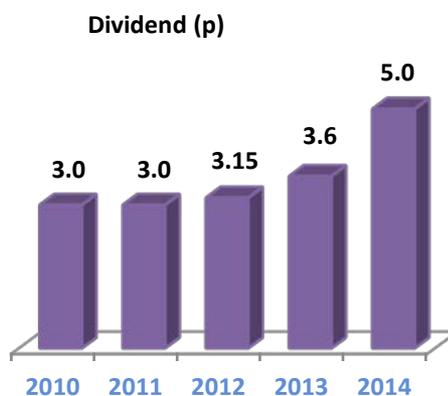
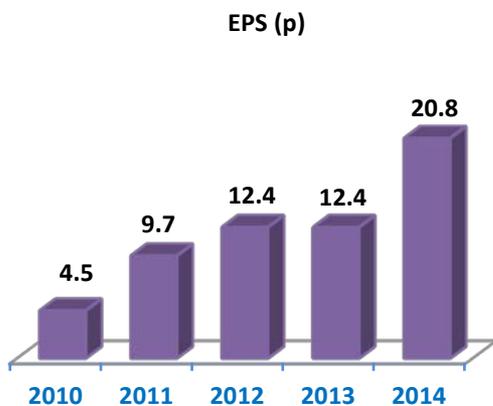
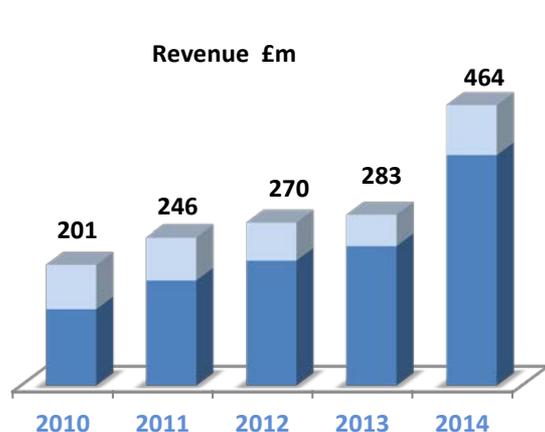
# Cash flow statement

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	£m
<b>Opening cash balance at 1 October 2013</b>	<b>5.3</b>
Group operating profit prior to exceptional items and amortisation	16.4
Depreciation & share based payments	2.8
Acquisition of Clarke and Forefront including costs	(32.9)
Working capital movement	10.6
Cash outflow on discontinued activities	(4.8)
New term loan	24.0
Term loan repayments	(4.8)
Capital expenditure and finance leases	(3.4)
Pension scheme contributions	(3.1)
New shares issued on option exercise	0.1
Dividends, interest and taxation	(4.6)
<b>Closing cash balance at 30 September 2014</b>	<b>5.6</b>
Term loan at 30 September 2014	(21.7)
<b>Net debt at 30 September 2014</b>	<b>(16.1)</b>
Net cash at 30 September 2013	2.8



# Group financial track record



Engineering

Building

Group

All figures are shown prior to exceptional items and amortisation charges and after accounting for Allenbuild as a discontinued business



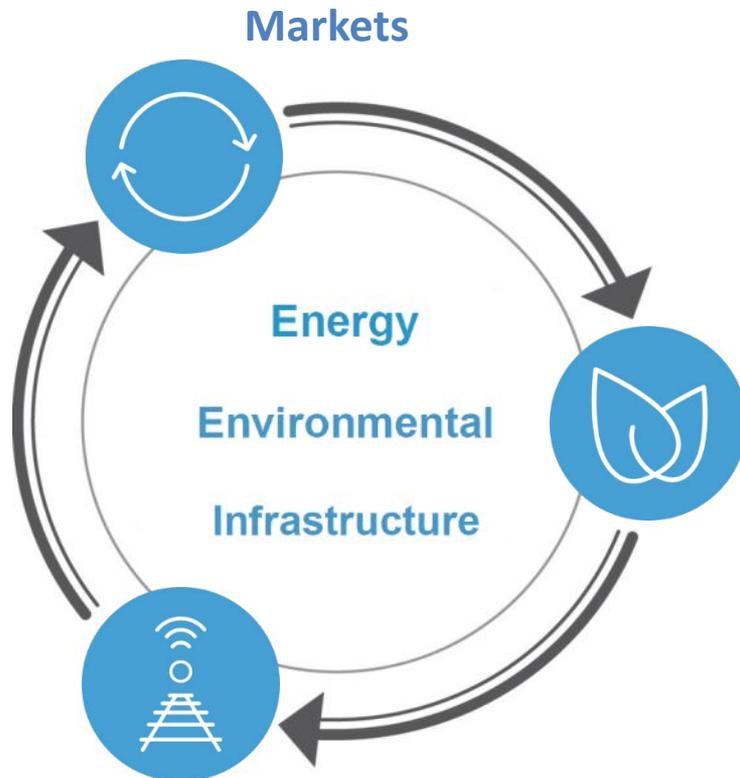
# Renew Holdings plc

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Through our branded businesses we

- provide multidisciplinary engineering services nationwide through our directly employed workforce where we maintain & develop UK infrastructure focused in the Energy, Environmental & Infrastructure markets
- carry out High Quality Residential projects in London and the Home Counties specialising in major structural engineering works

# Engineering Services



## Brands

AMCO *rail*



AMCO *engineering*



forefront

# Engineering Services

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## Engineering markets

- Highly regulated, high barriers to entry, critical to UK economy
- Essential maintenance & renewal to keep assets working
- Accessing clients' operating budgets
- Expenditure backed by secured funding

## Business differentiators

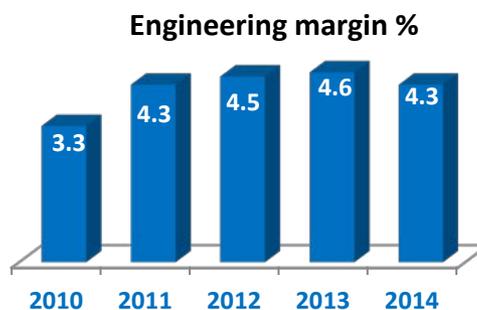
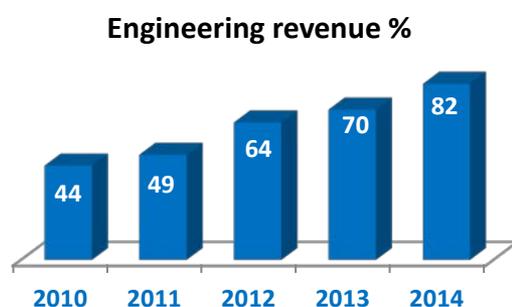
- Brand strength
- Directly employed multiskilled workforce
- Local experienced delivery teams
- Long term relationships established through responsiveness



# Engineering Services performance

Y/E 30 Sept	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
<b>Revenue</b>	<b>382.5</b>	232.4	214.1	172.8	127.4
<b>Operating profit</b>	<b>16.3</b>	10.6	9.6	7.5	4.2
<b>Margin</b>	<b>4.3%</b>	4.6%	4.5%	4.3%	3.3%
<b>Order book</b>	<b>361</b>	301	235	179	82

- **47% organic growth in 2014**  
(27% due to non-recurring rail revenue)
- **Order book increased by 20%**
- **83% of revenue secured for 2015**
- **Targeting 5% margin in 2015**



\*all figures are shown prior to exceptional and amortisation charges

# Energy

## Our services include

- multidisciplinary engineering support, maintaining and decommissioning nuclear facilities
- maintenance of thermal and renewable energy facilities
- replacement of low and medium pressure gas mains

## Our opportunities

- £3bn p.a. nuclear decommissioning programme
- £60bn new nuclear investment
- potential “energy gap” requiring long term maintenance of existing facilities
- increased renewables to meet 15% target by 2020
- programme to replace all cast iron gas mains within 30m of property by 2032



# Energy



- Active on 15 energy sites including 9 nuclear licenced sites across the Nuclear Decommissioning Authority's estate, commanding 80% of annual NDA expenditure
- Leading position at Sellafield as largest mechanical and electrical contractor with 9 frameworks
- 1 of 3 participants to the Multi Discipline Site Works framework delivering packages up to £280m over 4 years – aligned to Production Operations Support
- Continued support to major programmes at Sellafield including over £80m on Evaporator Delta
- Enhanced position at Springfields Nuclear Fuels
- Maintaining UK energy facilities provides ongoing workload including outage work at Heysham
- Renewable schemes providing opportunities in wind, biomass and hydroelectric
- Increased visibility in New Nuclear with relationships established at Hinkley, Wylfa and Moorside
- Acquisition of Forefront Group gives entry into the gas market

# Forefront Group

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- Specialist in providing engineering services to gas infrastructure market
- Leading supplier in London & the South East
- Services include gas mains installation, repair, maintenance, replacement and specialist drilling
- Provider of emergency leakage repair services
- Services delivered through framework agreements

**nationalgrid**



## Forefront financial performance

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Year ending 31 March	2013	2014
	£m	£m
Revenue	26.9	23.3
Operating profit	1.7	0.0
Margin	6.3%	0%

**Revenue and margin now returned to previous levels following new framework awards**

# Acquisition of Forefront Group

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- Acquired entire issued share capital for cash consideration of £14.8m
- Acquisition funded from the Group's cash resources plus £12m four year term loan from HSBC plc
- Managing Director, Bradley Beard, is a leading expert in gas mains installation and repair and reports to Renew's Chief Executive
- Forefront's financial performance will be accretive to Renew's Engineering Services operating margin

# Market opportunity

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- Long term market visibility due to HSE 30/30 Gas Iron Mains Replacement Programme
- Market leading position in the South East
- Specialist drilling services on live gas mains
- Long term frameworks operating for National Grid and Southern Gas Networks on low pressure mains replacement
- London Strategic Replacement Programme
- Excellent growth opportunities for Forefront

# Environmental

## Our services include

- supporting the water industry in maintaining and renewing their networks in clean and waste water
- providing multidisciplinary support to flood risk management programmes
- providing remediation solutions to clean up contaminated land

## Our opportunities

- £3.2bn investment programme in AMP6 for Northumbrian, Wessex and Welsh Water
- £2.3bn Defra spending plans on coastal and river flood risk management
- estimate of 300,000 hectares of land remains contaminated providing opportunity to meet housing requirements



# Environmental



- Strong relationships continue with Northumbrian, Wessex and Welsh Water across both clean and waste water on projects, minor works and maintenance
- Lewis successfully integrated and performing ahead of expectations
- Framework extension awarded with Welsh Water
- Good visibility of workload from NWL on accelerated flood prevention, in addition to 7 maintenance frameworks
- Strongly positioned for AMP6 renewals
- Relationship with Environment Agency developing through 5 flood control minor works & maintenance frameworks
- Projects awarded under Gasholder Dismantling and Infilling frameworks with National Grid
- Awarded Land Quality Services framework by Magnox for decommissioning remediation

# Infrastructure

## Our services include

- multidisciplinary services to provide “off-track” renewal and maintenance of Network Rail assets
- planned, reactive and emergency maintenance services to ensure rail network is fully operational
- multidisciplinary services to the wireless network infrastructure

## Our opportunities

- £38bn Network Rail spending plans agreed until March 2019 (CP5)
- increasing wireless capacity to meet needs of customers demand for mobile data, particularly 4G



# Infrastructure



- 80% increase in rail activity, 63% non recurring revenue due to extreme weather and enhanced spend
- Underlying organic growth of 17% in rail
- 5,000 tasks carried out under Asset Management frameworks
- Successful completion of Holme Tunnel (£12m) and Whiteball Tunnel (£5m) on time and within budget
- Appointed to 7 infrastructure project frameworks with Network Rail, advertised as providing £450m of revenue over next 5 years
- Development of Scotland as independent region within Amco Rail
- Successful integration of Clarke Telecom

# Clarke Telecom

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- Engineering services business providing wireless telecoms infrastructure delivery since 2000
- Services include site acquisition and design, construction, installation, site optimisation, maintenance and decommissioning delivered through framework agreements
- Relationships with all the UK's cellular network operators and major network equipment manufacturers
- Revenues of c £35m per annum with operating margins of c 7%



# Market opportunity for Clarke Telecom

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- Wireless telecoms infrastructure market is experiencing growth
- Demand for mobile internet access and communications is outstripping capability and capacity of existing mobile network infrastructure
- Growing need for network operators to increase infrastructure, upgrade existing networks and decommission redundant assets
- Nationwide roll out of 4G services
- New 4G spectrum auctions in 2015/16 for additional 2.3 and 3.4 Ghz bands

# Specialist Building performance

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<b>Y/E 30 Sept</b>	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
<b>Revenue</b>	<b>82.1</b>	50.6
<b>Operating profit</b>	<b>2.2 2.6%</b>	1.3 2.5%
<b>Order book</b>	<b>78</b>	62

- **Sector predominantly focused on High Quality Residential in the London area**

# Specialist Building



## High Quality Residential

- Positioned as luxury brand
- Specialist in engineering solutions to extend properties below ground and carry out major structural alterations
- Revenue fully secured for 2015
- Continued strong level of opportunities in this robust market
- Procurement predominantly negotiated and 2 stage

## Allenbuild Limited sold for £2.75m

# Our growth strategy

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- Key provider of Engineering Services in the UK's Energy, Environmental and Infrastructure markets
- Focus on non-discretionary spend, asset support, maintenance and renewals
- Direct delivery model through strong local brands
- Long term relationships established through responsiveness
- Continued organic growth combined with selective acquisitions

# Outlook

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- Positioned in sustainable markets
- Record forward order book
- Successful acquisition record
- Targets and ambitions over next 3 years
  - Group revenue in excess of £500m
  - Group operating margin over 4.5%
  - Growth in pre-exceptional EPS of at least 40%

# Appendix

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- 1 Nuclear Decommissioning Authority, *Business Plan – financial year beginning April 2014 to financial year ending March 2017* (April 2014)
- 2 HM Government, *Industrial strategy: government and industry in partnership, The UK's Nuclear Future* (2013)
- 3 Department of Energy & Climate Change, *UK Renewable Energy Roadmap* (July 2011)
- 4 Health and Safety Executive, *Enforcement Policy for the iron mains risk reduction programme 2013–2021*
- 5 Environment, Food and Rural Affairs Committee, *Winter floods 2013–14: Government response to the Committee's First Report of Session 2014–15* (October 2014)
- 6 Homes and Communities Agency, *Corporate Plan 2014–18* (July 2014)
- 7 Network Rail Limited, *Annual report and accounts 2014* (June 2014)
- 8 Ofcom, *Consumer experiences of mobile phone calls* (August 2014)