



ENGINEERING INFRASTRUCTURE

FOR THE FUTURE



Renew Holdings plc

2018 Interim results – six months ended 31 March

Paul Scott

Chief Executive

Sean Wyndham-Quin

Group Finance Director

HIGHLIGHTS

- Operating margin* increased to 4.9% (2017: 4.6%)
- Engineering Services order book grew 9% to £472m (2017: £435m)
- Interim dividend increased 11% to 3.33p (2017: 3.00p)
- Post period end acquisition of QTS Group Limited
- Disposal of Forefront
- Board changes

*Operating margin is stated prior to impairment, amortisation and exceptional items

Income statement

6 months ended

	31 Mar 18 £m		31 Mar 17 (restated**) £m	
Revenue	262.2		281.8	
Operating profit*	12.9	4.9%	12.9	4.6%
Net finance (costs)	(0.4)		(0.2)	
Profit before impairment, amortisation and exceptional items	12.5		12.7	
Impairment, amortisation and exceptional items	(10.5)		(7.1)	
Profit before taxation	2.0		5.6	
Taxation	(2.3)		(2.2)	
Profit after taxation	(0.3)		3.4	
EPS*	16.2p		16.5p	
Interim dividend per share	3.33p		3.0p	

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

** Comparatives restated for the reclassification of Forefront as a discontinued business

Impairment, amortisation and exceptional items

	31 Mar 18 £m	31 Mar 17 (restated**) £m
Impairment charge re Forefront	6.9	5.8
Loss on disposal of Forefront	3.0	-
Amortisation charges re Giffen	0.6	1.1
Acquisition costs re Giffen	-	0.2
	<hr/>	<hr/>
	10.5	7.1
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** Comparatives restated for the reclassification of Forefront as a discontinued business

Balance sheet

As at	31 Mar 18 £m	31 Mar 17 (restated*) £m
Intangible assets	53.2	62.3
Property, plant & equipment	11.9	13.2
Deferred tax liabilities (net)	(2.6)	(1.4)
	62.5	74.1
Current assets	105.8	99.4
Current liabilities	(149.7)	(150.8)
Net current assets	(43.9)	(51.4)
Cash	(2.5)	2.7
Term loan	-	(6.2)
Long term liabilities	(4.9)	(5.5)
Net assets prior to pension schemes	11.2	13.7
Pension schemes (net)	11.3	7.9
Net assets	22.5	21.6

* The comparative balance sheet has been restated to reflect prior year tax adjustments

Cash flow statement

	£m
Opening cash balance at 1 October 2017	7.0
Group operating profit prior to impairment, amortisation and exceptional items	12.9
Depreciation & share based payments	1.5
Capital expenditure	(1.3)
Finance leases	-
Working capital movement	(8.8)
Net cash outflow on discontinued activities	(3.7)
Term loan repayments	(3.1)
Pension scheme contributions	(2.3)
Dividends	(3.8)
Interest and taxation	(0.9)
Closing cash balance at 31 March 2018	(2.5)
Net cash at 31 March 2018	(2.5)
Net cash at 31 March 2017	(3.5)

Our business

Through our branded businesses we:

- Provide multidisciplinary engineering services nationwide through our directly employed workforce where we maintain & develop UK infrastructure in the Energy, Environmental and Infrastructure markets.
- Carry out High Quality Residential projects in London and the home counties specialising in major structural engineering works

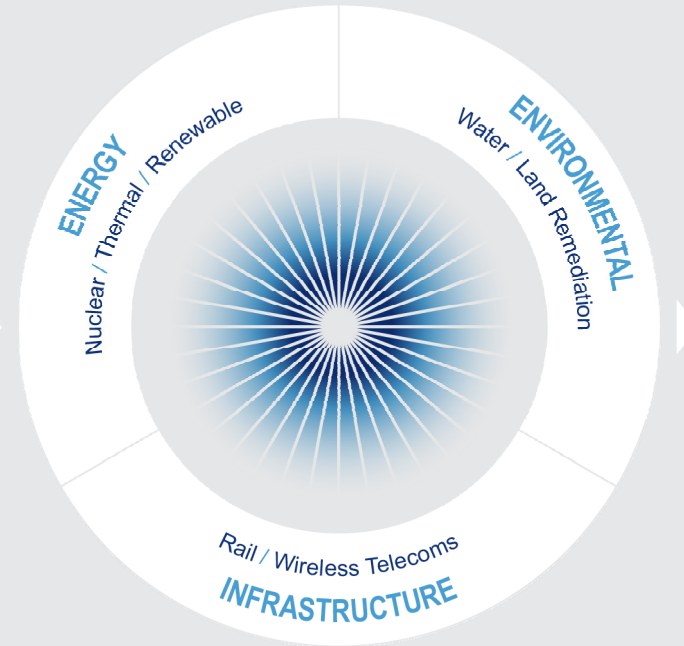
Engineering Services

MARKETS

- Critical UK infrastructure
- Essential maintenance and renewals to support operational assets
- Non-discretionary spending through clients' operating budgets
- High barriers to entry

STRENGTHS

- Directly employed, highly skilled workforce
- Experienced teams, local delivery
- Long-term relationships
- Responsive service



SUBSIDIARY BUSINESSES



AMCO-GIFFEN





OPERATIONAL REVIEW

Engineering Services

6 months ended

	31 Mar 18 £m	31 Mar 17 (restated**) £m
Revenue	221.8	226.6
Operating profit*	12.9	12.7
Operating margin*	5.8%	5.6%
Order book	472	435

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

** Comparatives restated for the reclassification of Forefront as a discontinued business

Engineering Services

ENERGY

OUR SERVICES

- Multidisciplinary engineering support to nuclear facilities
- Engineering maintenance to fossil and renewable facilities

OUR OPPORTUNITIES

- UK nuclear decommissioning provision current estimate £119bn over 120 years¹
- £3bn per annum nuclear decommissioning programme¹
- New nuclear power essential to UK's energy future²

OUR CLIENTS



Source 1. Nuclear Decommissioning Authority, Nuclear Provision: the cost of cleaning up Britain's historic nuclear sites (July 2017)
2. HM Government Industrial strategy: government and industry in partnership The UK's Nuclear Future (2013)

Renew Holdings plc Interim results for the half year ended 31 March 2018

Energy

- Engineering support to asset in the nuclear, thermal and renewable energy markets
- At Sellafield, which commands around 73% of the Nuclear Decommissioning Authorities £3bn annual expenditure, we:
 - remain the largest mechanical and electrical contractor
 - are positioned on key decommissioning frameworks
 - work on the 10 year Decommissioning Delivery Partnership
 - are positioned for opportunities in future major projects
- New area of work at BAE Systems in Barrow, supporting the Astute Class nuclear submarine programme
- Long-term presence at 5 of the UK's thermal power stations



Image courtesy of the NDA

Engineering Services

ENVIRONMENTAL

OUR SERVICES

- Maintaining and renewing both clean and wastewater networks
- Emergency reactive works including flood risk management programmes
- Maintaining waterway assets
- Solutions to remediate contaminated land

OUR OPPORTUNITIES

- Major investment programme in AMP6 for Northumbrian Water, Wessex Water and Welsh Water¹
- £2.3bn Defra spending plans on coastal and river flood risk management to 2021²
- In England and Wales approximately 300,000 hectares of land potentially affected by historical contamination³

OUR CLIENTS



Source

1. Renew estimates from water company business plans
2. Department for Environment Food and Rural Affairs, Reducing the risks of flooding and coastal erosion: An investment plan (December 2014)
3. Environment Agency, reporting the evidence. Dealing with contaminated land in England and Wales (January 2009)

Environmental

- Activity in the current AMP6 investment period:
 - AMP6 Civils and EMI Capital Delivery Partners Framework for Wessex Water
 - Major Civils Framework and Capital Delivery Alliance Civils contracts for Welsh Water
 - Work on the 7 year Pressurised Pipelines Framework (including Emergency Reactive framework) for Welsh Water advertised at £329m
 - *Our direct resources provided urgent engineering support on an extensive leakage programme following major network disruption from severe weather*
- Secured a position on all three regions of the Environment Agency's 5 year Flood and Coastal Risk Management Framework as well as operating as sole provider on the Northern MEICA Frameworks
- Operating on the Canal and River Trust's MEICA framework across England and Wales
- Work continues at the Palace of Westminster on Courtyard Conservation and Cast Iron Roof Restoration Frameworks



Engineering Services

INFRASTRUCTURE

OUR SERVICES

- Multidisciplinary engineering support providing renewal and maintenance of Network Rail assets
- Mechanical, electrical and power services provider to the rail industry
- Multidisciplinary services to the wireless network infrastructure market

OUR OPPORTUNITIES

- £41bn Network Rail spending plans agreed until March 2019 (CP5)¹
- £48bn funding for CP6 (2019-2024)²
- Investment in maintaining and renewing London Underground's assets³
- Continued opportunities in 3/4/5G⁴

OUR CLIENTS



- Source**
1. Network Rail Report from Sir Peter Hendy to the Secretary of State for Transport on the replanning of Network Rail's Investment Programme November 2015
 2. Railways Act 2005 Statement of Funds Available October 2017
 3. <https://tfl.gov.uk/campaign/tube-improvements/what-we-are-doing/improving-the-trains>
 4. Department for Digital, Culture, Media & Sport: The digital communications infrastructure strategy 18 March 2015

Infrastructure

- Working for Network Rail we:
 - Renewed our existing frameworks and secured additional positions on the 5-year Civils and Buildings Asset Management Frameworks
 - Operate as sole provider on 7 CP5 Infrastructure Projects frameworks
 - Provided a 24/7 emergency reactive service across the rail network
- *Significant events at Loch Eilt and Springs Tunnel*
- Amco Giffen collaboration awarded significant refurbishment projects at Upminster and Ealing Common Depots for London Underground
- Amco Giffen appointed as a Strategic Partner by SPL Powerlines UK Limited on the Midland Mainline Electrification Programme following their acquisition of the Carillion share in the CPL Joint Venture.
- In wireless telecoms work continued on the 3G & 4G roll out programmes



QTS overview

A market and a business that we know well

BUSINESS

- Specialist engineering to the rail network
- Based in Scotland with 8 operational bases across the UK
- Established in 1992
- Direct delivery model

FINANCIALS

- FY18E* revenue £70m, FY18E adj. operating profit £9.2m
- Strong cash generation
- Higher operating profit margin than existing Renew Group
- Good revenue visibility

KEY ATTRactions

- Providing services to the rail market, where non-discretionary spending is driven by regulation
- Long-standing relationship with Network Rail
- Well positioned for Control Period 6, where spending will focus on renewal and maintenance
- In markets with high barriers to entry
- Experienced and strong management team to be retained
- A leader in the deployment of specialist Road Rail Vehicle plant fleet

QTS revenue £m

£70.0m

FY18E*	69.6
FY17A	71.9
FY16A	70.9
FY15A	70.6

Operating profit £m

£9.2m

FY18E*	9.2
FY17A	8.9
FY16A	5.4
FY15A	6.1

QTS locations



* Renew estimates based on 10 months' actual and 2 months' forecast for the YE 31 March 2018, extracted from vendor due diligence report and based on unaudited management accounts prepared by QTS management and QTS management forecasts incorporating conservative adjustments for integration into Renew model.

QTS capabilities

Complementary service offering to Rail sector



Civil asset management

- Civil maintenance (minor works) contracts for Network Rail since 2013
- Operating in Scotland, London North Eastern and East Midlands, London North Western, Anglia, Western and Wales



Geotechnical and earthworks

- Specialist in earthworks and geotechnical works with specialised plant, equipment and training
- Specialises in complex projects with difficult site conditions and constraints
- Preferred geotechnical delivery contractor for Network Rail infrastructure projects in Scotland



Fencing

- A leading fencing contractor to Network Rail and recently renewed its national framework contract
- Use of new fencing product and improved installation methodology to significantly reduce time and cost



Devegetation

- Purpose-built machinery allowing work to be performed quicker and more effectively
- Currently on 10 of the 12 area lots on Network Rail's National Vegetation Framework, which runs to 2021



Drainage, plant hire and training

- National RRV plant hire contract for Network Rail
- Specialist machinery, bespoke equipment and "first-of-type" RRVs
- Currently on all area lots Network Rail national drainage framework - inspection and clearance
- Rail accredited training centre



Renew's capabilities

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering services
- Plant, power and signalling renewals
- 24/7 emergency provision
- Asset renewal and refurbishment
- Tunnel and shaft refurbishment
- Moving structures
- In-house design capability

Specialist Building

6 months ended

	31 Mar 18 £m	31 Mar 17 (restated*) £m
Revenue	40.5	53.5
Operating profit	0.9	1.2
Operating margin	2.2%	2.2%
Order book	68	82



- Focus on high quality residential market in London and the home counties
- Specialism in major structural engineering works
- Strategy remains to deliver stable earnings through contract selectivity and risk management

Our strategic priorities

ESTABLISHED AND PROVEN STRATEGY



To be a key provider of engineering services in our target markets



Focus on asset support, maintenance and renewals programmes with non-discretionary funding



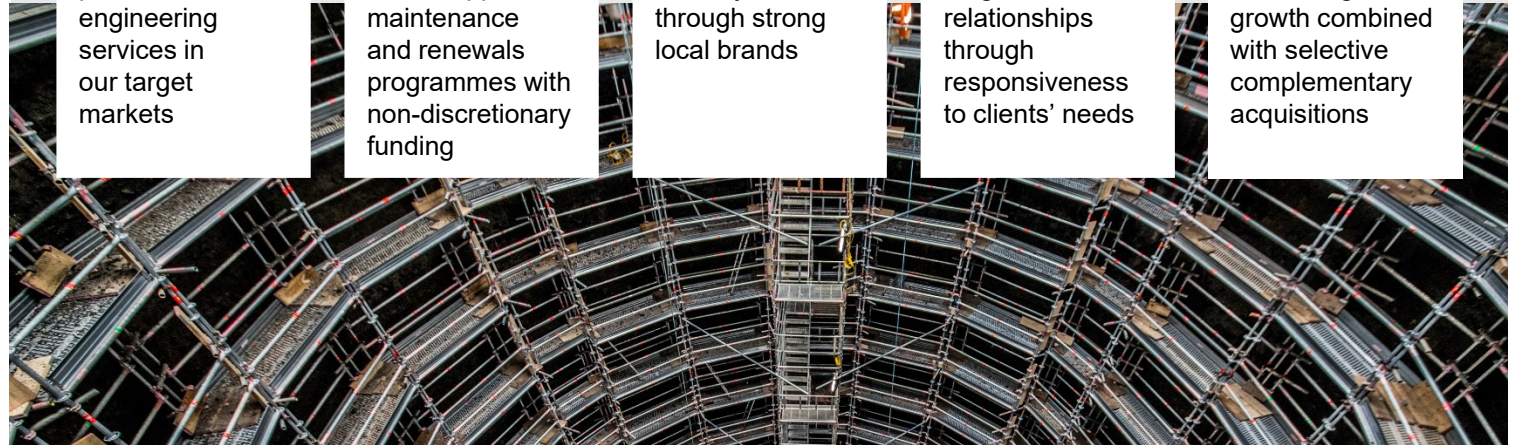
Expand our direct delivery model through strong local brands



Establish long-term relationships through responsiveness to clients' needs



Continue to deliver organic growth combined with selective complementary acquisitions



OUTLOOK

- Strategy proven and established
- Engineering support services for UK infrastructure remains our focus
- Well positioned in regulated markets, with long-term non-discretionary spending programmes
- Board confident of delivering full year results in line with market expectations

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