

Engineering Infrastructure for the future



Renew Holdings plc
Preliminary results for the year ended 30 September 2019

Paul Scott Chief Executive Officer
Sean Wyndham-Quin Chief Financial Officer





Record results

- 8.4% organic revenue growth in Engineering Services
- Strong contribution from QTS with synergies emerging
- Operating profit margin¹ of 6.4% (2018: 5.7%)
- Significant frameworks secured in Engineering Services
- Engineering Services order book¹ of £542m (2018: £510m)
- Full year dividend up 15% to 11.5p (2018: 10.0p)

Operating profit margin¹

6.4%



Engineering Services
order book¹

£542m



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



Infrastructure



Environmental



HQR & Science



Energy

- Our branded businesses provide multidisciplinary engineering services nationwide through our directly employed workforce where we maintain and renew UK infrastructure

- We carry out high quality residential and science projects in London and the home counties specialising in major structural engineering works

Our core values





What makes us different

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





Image courtesy of Sellafield

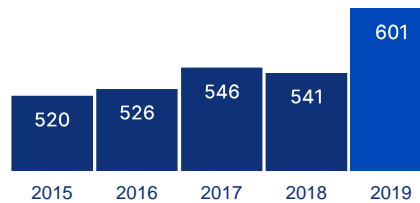
Financial review



Financial highlights

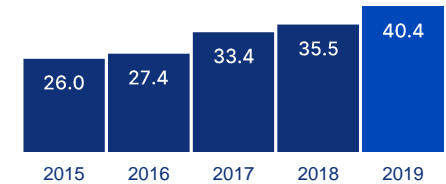
Group revenue¹ £m

£600.6m



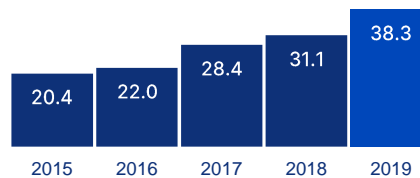
Adjusted EPS¹ p

40.43p



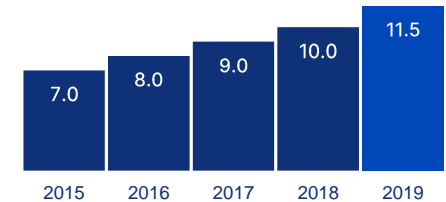
Adjusted operating profit¹ £m

£38.3m



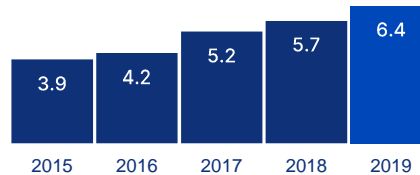
Dividend p

11.5p



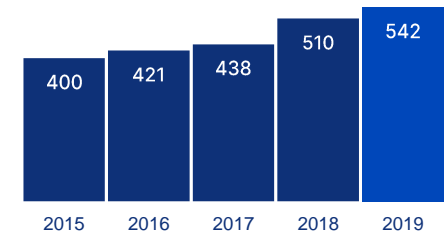
Adjusted operating margin¹ %

6.4%



Engineering Services order book¹ £m

£542m



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.



Income statement highlights

- **Group Revenue¹ up 11% to £600.6m (2018: £541.5m)**

- *ES revenue¹ up 21% to £564.5m (2018: £467.3m)*
- *SB revenue down 51% to £36.1m (2018: £74.2m)*

- **Adjusted operating profit¹ up 23% to £38.3m (2018: £31.1m)**

- *Adjusted ES operating profit¹ up 21% to £39.4m (2018: £32.5m)*
- *SB operating profit up 54% to £0.9m (2018: £0.6m)*

- **Adjusted operating profit margin¹ 6.4% (2018: 5.7%)**

- *Adjusted ES operating profit margin¹ 7.0% (2018: 7.0%)*
- *SB operating profit margin 2.4% (2018: 0.8%)*

- **Adjusted EPS¹ up 14% to 40.4p (2018: 35.5p)**

Adjusted operating profit¹

23%



Adjusted EPS¹

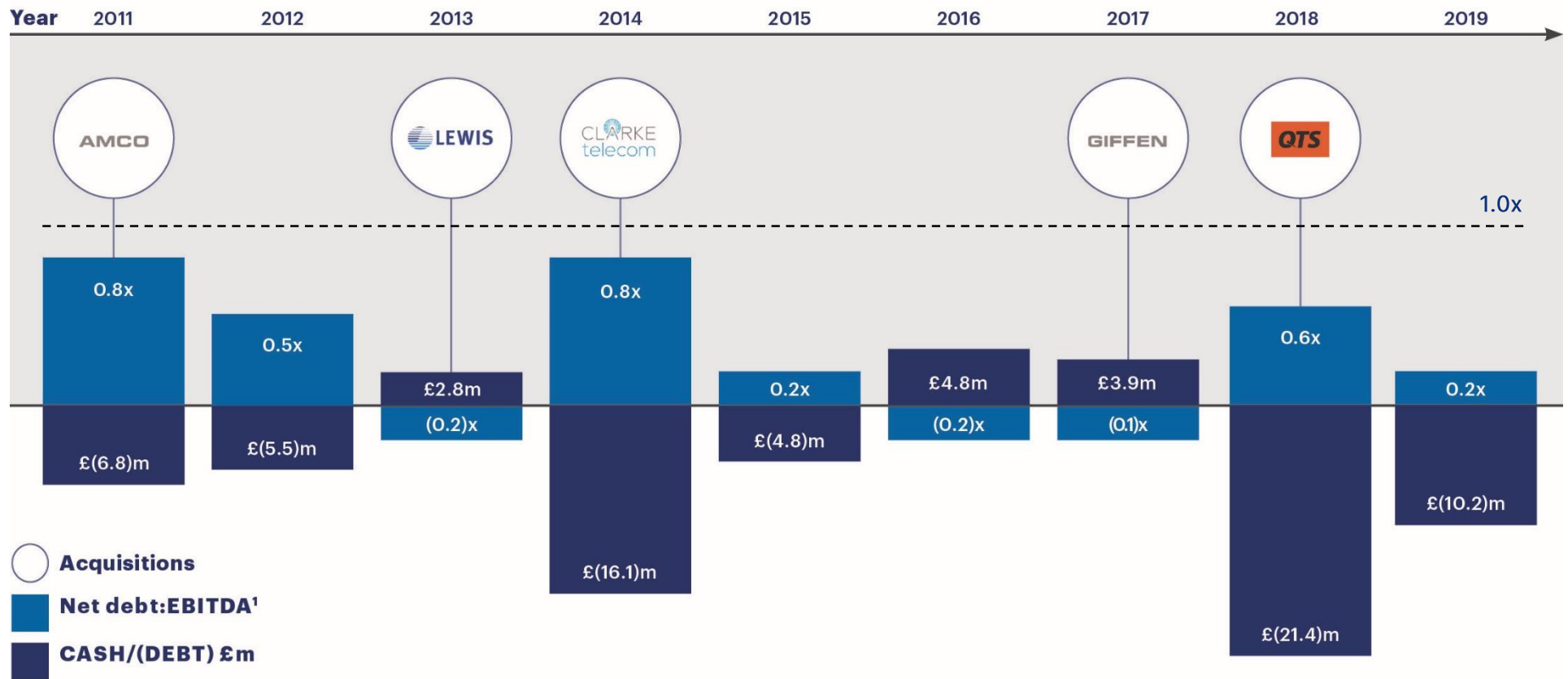
14%



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.



Net debt



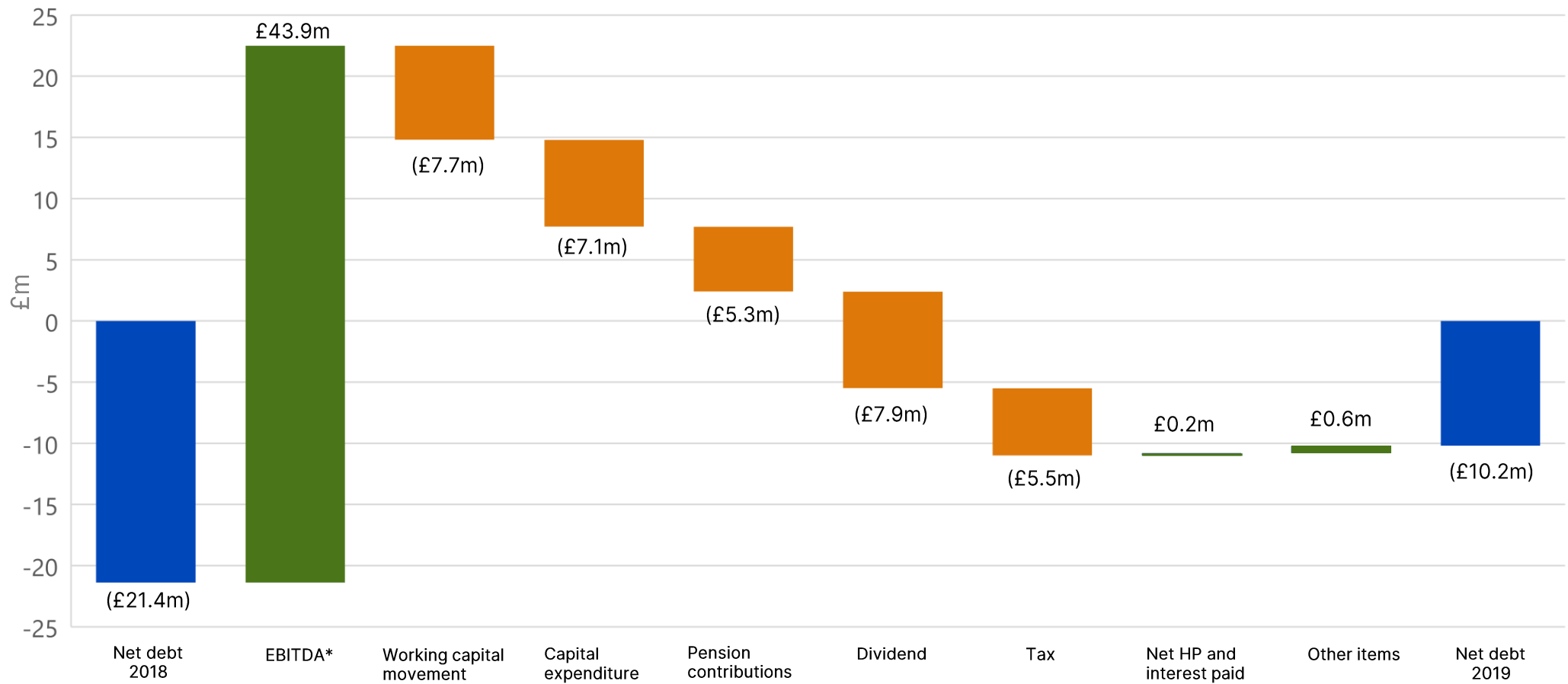
¹ Renew uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in the appendix.



Capital allocation policy

- 1** To maintain sufficient financial headroom to comfortably manage temporary variations in working capital and to provide headroom against known risks and contingencies.
- 2** To maintain a conservative approach to leverage by seeking to pay down debt quickly post-acquisitions and by ensuring that our net debt:EBITDA multiple remains at an appropriate level.
- 3** To appropriately invest in the business to deliver organic growth.
- 4** To continue to pursue a progressive dividend policy whilst maintaining an appropriate level of dividend cover.
- 5** To build a net cash balance to enable us to quickly respond to acquisition opportunities that are consistent with our stated strategy and which are earnings enhancing.

Cash flow highlights



* Excluding the impact of non-cash exceptional items

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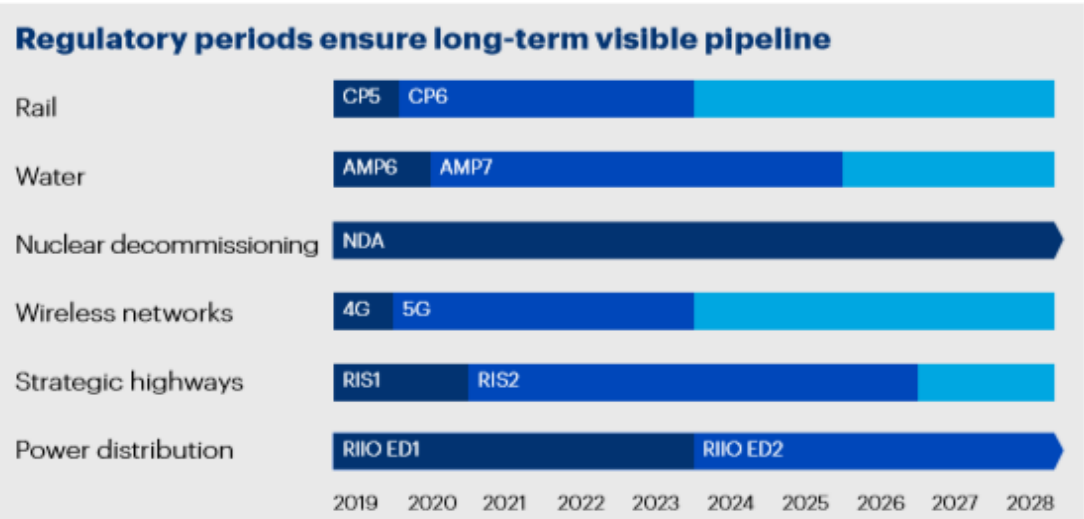


Operational review



Strength in regulated markets

Our target UK infrastructure markets are robust and sustainable with continued growth, backed by strong government support and committed long-term investment.



Investment in infrastructure²

£600bn

2018-2028

Revenue underpinned by long-term frameworks





Infrastructure

CP6 spending plan³

£48bn

Increase in spending on operations, maintenance, support and renewals compared to CP5³

25%

Our opportunities

- Network Rail £48bn agreed spending plan for CP6 (2019–2024)³
- Maintaining and renewing assets for Train Operating Companies and London Underground
- HS2 Integration with existing rail infrastructure
- Long-term 4G/5G investment programmes

Our services

- Multidisciplinary engineering support providing maintenance and renewal services across the national rail network
- 24/7 emergency support provision
- Multidisciplinary engineering services to the wireless network infrastructure market



- **Network Rail maintenance**
 - National six year civils asset management frameworks
- **Network Rail renewals**
 - Secured key CP6 frameworks
 - New CP6 framework in Wales and Western
- **Developing a wider rail customer base**
 - London Underground, Abellio, ScotRail, Merseyrail, Transport for Wales, Siemens, Northern Railway
- **Wireless Telecoms**
 - Growing momentum in 5G



Energy

UK nuclear decommissioning provision⁴

£124bn

Our opportunities

- UK nuclear decommissioning provision current estimate £124bn⁴
- £3bn per annum nuclear decommissioning programme⁴
- Low carbon generation essential to the UK's energy future

Our services

- Multidisciplinary engineering support to nuclear facilities
- Decommissioning, asset care, maintenance, new build support and specialist manufacturing
- Engineering maintenance to thermal and renewable facilities



- **At Sellafield**
 - Largest employer of M,E&I trades
 - Decommissioning Delivery Partnership framework extended to 2026
 - Strongly positioned for future long-term major opportunities at this highly complex site
- Operational at Springfields, Sizewell 'B', Hinkley Point 'C', BAE Systems and in the Magnox programme
- Appointed to a new seven year decommissioning services framework for Dounreay Site Restoration Ltd
- Long-term maintenance at thermal power stations including a four year framework at Drax



Environmental

Estimated AMP7 spend⁵

£50bn

Our opportunities

- Long-term opportunities through AMP7
- Investment on flood and coastal defences
- Demand for land and environmental regulations
- Long-term conservation works at Palace of Westminster

Our services

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



- **Water**
 - Welsh Water – AMP7 position secured
 - Wessex Water - well positioned for new control period
 - AMP7 positions secured with new clients Bristol Water & Yorkshire Water
- **Environment Agency**
 - Flood and Coastal Risk Management, South East, Central and South West frameworks
 - Extension to the Northern MEICA framework
- **Land Remediation**
 - New schemes secured with repeat customers
- **Specialist Restoration**
 - We continue to strengthen our position at the Palace of Westminster



High quality residential and science



- Continued focus on contract selectivity and risk management
- New science frameworks secured
- Significant science contract award post period end



Investment opportunity

Proven record of earnings growth



Excellent growth prospects

Differentiated business model



Conservative approach to leverage

Established market positions



Strong cash generation

Visibility of revenue



High operating profit margin



Outlook

Growth opportunities

- UK infrastructure investment expected to grow
- Increasing focus on renewals and maintenance
- Strengthened position in existing markets
- Opportunities in new regulated markets
- Well positioned for future growth
- Good momentum going into 2020



Appendix

APPENDIX



Income statement

For the year ended 30 September	2019 £m	2018 £m
Revenue	600.6	541.5
Operating profit*	38.3	31.1
Net finance costs	(0.5)	(0.8)
Amortisation and exceptional items	(10.8)	(15.6)
Profit before taxation	27.0	14.7
Taxation	(4.7)	(5.5)
Profit after taxation	22.3	9.2
EPS*	40.4p	35.5p
Dividend per share	11.5p	10.0p

* Stated prior to amortisation and exceptional items



Amortisation and exceptional items

For the year ended 30 September	2019 £m	2018 £m
Amortisation	6.5	4.2
DB schemes guaranteed minimum pension equalisation	4.3	-
Acquisition cost re QTS	-	1.5
Impairment of goodwill	-	6.9
Loss on disposal of subsidiary undertaking	-	3.0
Total	10.8	15.6



Balance sheet

As at 30 September	2019 £m	2018 £m
Intangible assets	114.7	121.3
Property, plant & equipment	20.9	19.7
Deferred tax (liability) (net)	(0.2)	(1.2)
	135.4	139.8
Current assets	122.9	132.7
Current liabilities	(166.2)	(182.2)
Net current assets	(43.3)	(49.5)
Cash	11.7	9.2
Term loan	(21.9)	(30.6)
Long term liabilities	(6.2)	(6.7)
Net assets prior to pension schemes	75.7	62.2
Pension schemes (net)	16.6	13.3
Net assets	92.3	75.5



Cash flow statement

For the year ended 30 September	2019 £m
Opening cash balance at 30 September 2018	9.2
EBITDA	43.9
Capital expenditure	(7.1)
Working capital movement	(7.7)
Pension scheme contributions	(5.3)
Dividends	(7.9)
Tax	(5.5)
Net HP and interest	0.2
Other	0.6
Term loan repayment	(8.7)
Closing cash balance at 30 September 2019	11.7
Term loan at 30 September 2019	(21.9)
Net debt at 30 September 2019	(10.2)

APPENDIX



Engineering Services

For the year ended 30 September	2019 £m	2018 £m
Revenue	564.5	467.3
Operating profit*	39.4	32.5
Operating margin*	7.0%	7.0%
Order book	542	511

* Stated prior to amortisation and exceptional items

Specialist Building

For the year ended 30 September	2019 £m	2018 £m
Revenue	36.1	74.2
Operating profit	0.9	0.6
Operating margin	2.5%	0.8%
Order book	37	48



Alternative Performance Measures

Net Cash/(Debt) - This is the cash and cash equivalents less bank debt. This measure is visible in Note 31 in the Annual Report & Accounts. The Directors consider this to be a good indicator of the financing position of the Group.

Adjusted operating profit (£38.329m) and adjusted profit before tax (£37.750m) - 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 (£27.541m) and profit before tax (£26.962m).

Adjusted operating margin (6.4%) - This is calculated by dividing operating profit before exceptional items and amortisation of intangible assets (£38.329m) by group revenue including share of joint venture (£600.631m) 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 (4.6%) which is calculated by dividing operating profit (£27.541m) from group revenue including share of joint venture (£600.631m).

Adjusted earnings per share (40.43p) - This measure is reconciled to the earnings per share calculation based on earnings before exceptional items and amortisation in Note 9 in the Annual Report & Accounts. 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 (£600.631m) - 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 (£564.478m) - This measure is visible in Note 2 part (a) in the Annual Report & Accounts 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 (£39.410m) - This measure is visible in Note 2 part (a) in the Annual Report & Accounts 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 (£32.622m) which is also visible in Note 2 part (a) in the Annual Report & Accounts.

Adjusted Engineering Services operating profit margin (7.0%) - This is calculated in the same way as adjusted operating profit margin but based on the adjusted Engineering Services operating profit (£39.410m) and the Engineering Services revenue (£564.478) 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 (£32.622m) from engineering services revenue including share of joint venture (£564.478m).

Organic growth (8.4%) - This has been calculated by taking the Engineering Services revenue growth year on year excluding the impact of any acquisitions.



References

- 2 Infrastructure and Projects Authority, Analysis of the National Infrastructure and Construction Pipeline 26 November 2018
- 3 Network Rail Strategic Business Plan – Summary 9 February 2018
- 4 NDA Business Plan 1 April 2019 to 31 March 2022 (March 2019)
<https://www.gov.uk/government/publications/nuclear-provision-explaining-the-cost-of-cleaning-up-britains-nuclear-legacy/nuclear-provision-explaining-the-cost-of-cleaning-up-britains-nuclear-legacy>
- 5 Water UK, A Manifesto for Water, Summary of the Water Industry's Plans in England 2020-25 3 (September 2018)



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