

Renew Holdings plc
Interim results six months ended 31 March 2021

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



Engineering Infrastructure

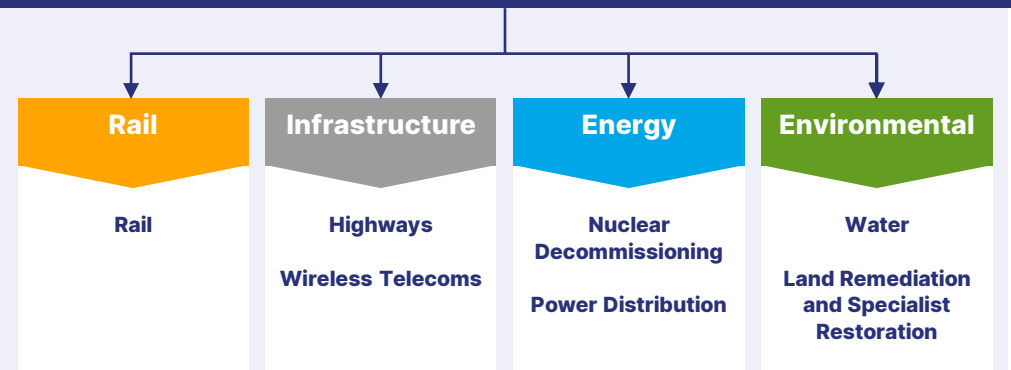
for a sustainable future



Interim results

- Record half year results
- No impact on trading as a result of Covid-19 restrictions
- Acquisition of J Browne
- Organic growth of 12%
- Order book of £750m (HY20: £690m)
- Interim dividend 4.83p (HY20: 0.0p, HY19: 3.83p)
- Strong start to H2

Our engineering markets



Our subsidiaries



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 £640bn² 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
- Capital-light, opex-led maintenance and renewals model

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

Committed to adding value through innovation

- Investing in innovation to deliver superior and more sustainable customer service solutions

Financial review



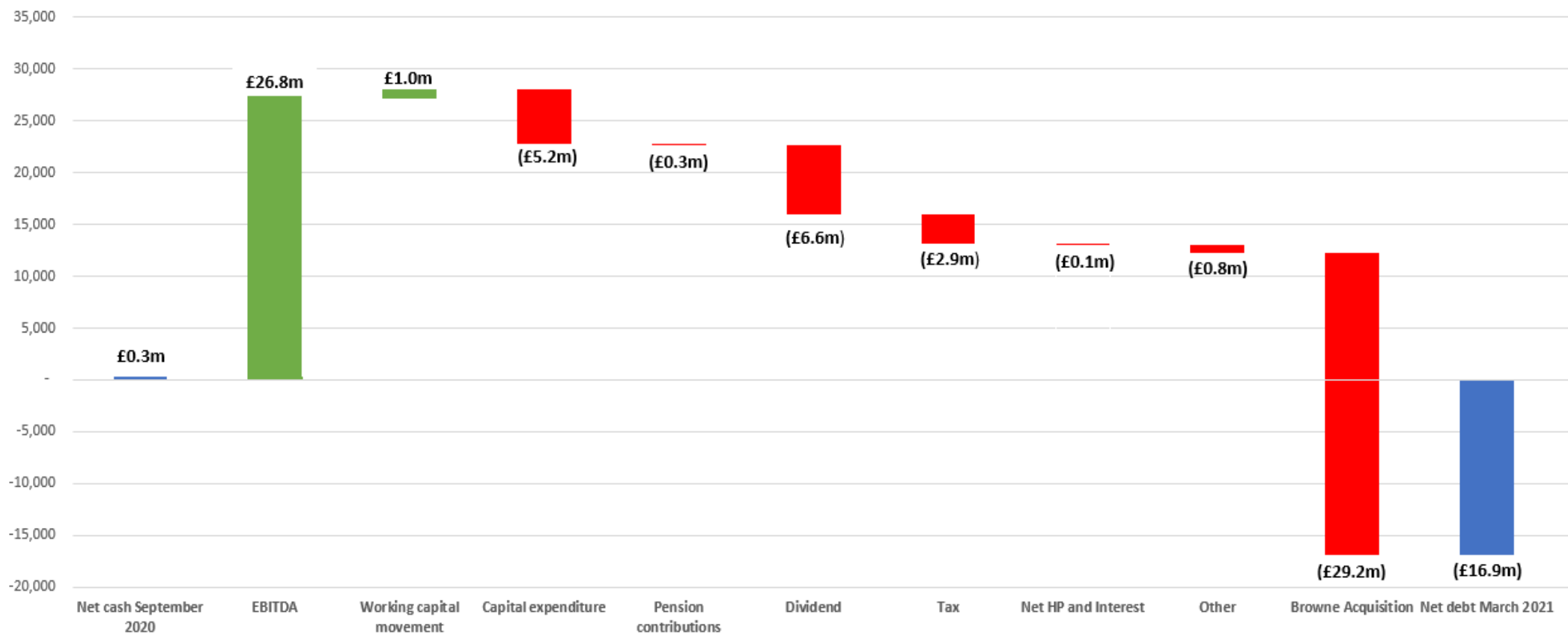
Financial highlights

- **Group Revenue¹ of £366.4m (HY2020: £313.6m)**
 - *ES revenue¹ up 12% to £327.5m (HY2020: £293.1m)*
 - *SB revenue up to £38.9m (HY2020: £20.5m)*
- **Adjusted operating profit¹ up 11% to £22.0m (HY2020: £19.9m)**
 - *Adjusted ES operating profit¹ up 8% to £22.2m (HY2020: £20.5m)*
 - *SB operating profit up to £0.8m (HY2020: £0.4m)*
- **Adjusted operating profit margin¹ 6.0% (HY2020: 6.4%)**
 - *Adjusted ES operating profit margin¹ 6.8% (HY2020: 7.0%)*
 - *SB operating profit margin 2.1% (HY2020: 2.0%)*
 - *We expect margins to increase in H2*
- **Adjusted EPS¹ up 14.0% to 22.9p (HY2020: 20.1p)**



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 30 of the 2020 Annual Report & Accounts.

Cash flow highlights



Operational review



Keeping the nation on the move



Rail

£53bn³

Investment in Control Period 6

Our services

- Essential multidisciplinary engineering support providing maintenance and renewal services across the national rail network

Our opportunities

- 25% increase in spending on operations, maintenance, support & renewals in CP6 compared to CP5⁴
- Increased investment in network resilience following flooding events
- Decarbonisation agenda (electrification)

- Over 50 CP6 maintenance and renewals frameworks across all disciplines
- Secured new 5-year positions on the Southern Buildings and Civils Framework and the Structures Integrity Framework in the South
- Significant 24/7 emergency support
- Further fleet investment - innovative solutions for geotechnical & earthworks, tunnels, devegetation and drainage

Working together to meet national needs



Infrastructure

£27.4bn⁵

Road Investment Strategy 2 ("RIS2")

£5bn²

Estimated 5G investment

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
- £27.4bn⁵ of RIS2 funding
- Long-term 4G/5G investment programmes
- £0.5bn⁶ investment in Shared Rural Network programme

Highways

- Existing frameworks in Highways England areas extended
- Bidding for maximum lots on Highways England's new Scheme Delivery Framework

Wireless Telecoms

- Work on the 5G roll-out programme starting to accelerate following Covid-19 delays
- Commenced work on the Shared Rural Network and the programme to remove Huawei 5G equipment
- Secured new framework for Cornerstone to deliver 5G rollout for TEF and Vodafone

High hazard risk reduction



Image courtesy of Sellafield

Energy

£3bn⁷

p.a. Nuclear Decommissioning Authority spend

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 to 2050

• At Sellafield:

- A principal ME&I services contractor with long-term frameworks
- Work continues to gain momentum, expect to be fully operational in H2
- Strongly positioned for future opportunities on the major projects programme

- Fully operational at Springfields

- Continue to develop our relationship with Hinkley Point "C"

Maintaining complex water infrastructure



Environmental

£51bn⁹

Committed by Ofwat in AMP7 (2020-2025)

Our services

- Maintaining and renewing clean and wastewater networks and waterway assets
- Flood risk management
- 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 increasing environmental regulations

- Existing water customers include Welsh Water, Wessex Water, Bristol Water and Yorkshire Water
- Secured new 4-year Water & Wastewater Networks framework for Northumbrian Water
- Acquisition of J Browne brings our first direct frameworks with Thames Water, Southern Water, South East Water & Affinity Water
- Awarded new framework with Scottish Canals
- Continue to support key environmental programmes with Environment Agency and Canal and River Trust



High Quality Residential and Science

Our services

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

Our opportunities

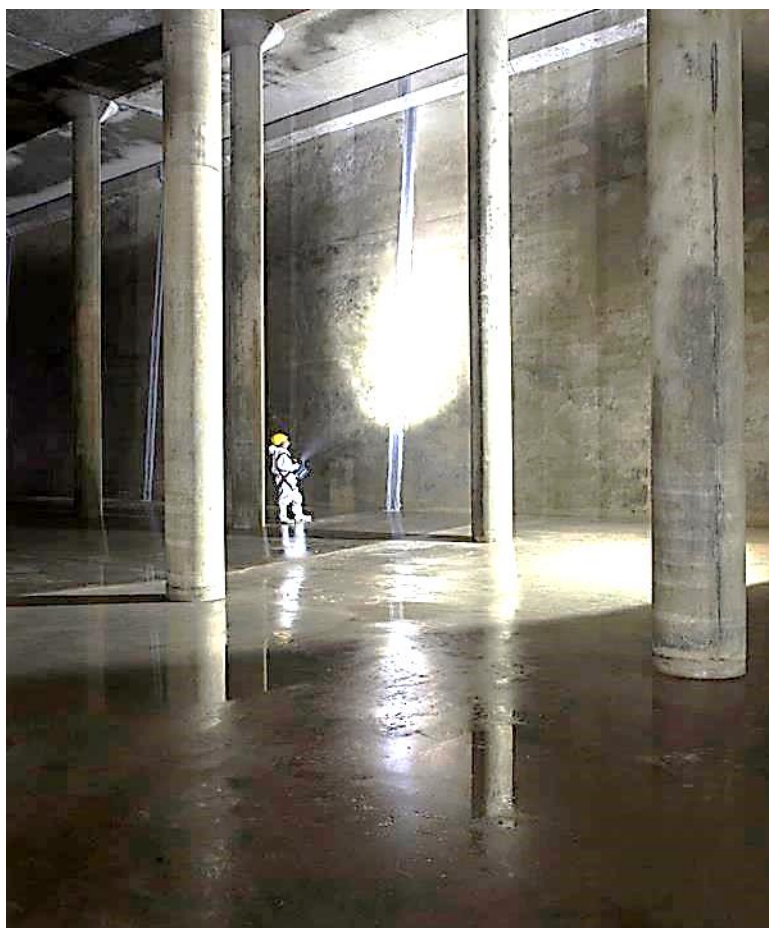
- Increased government investment in research facilities
- Opportunities in High Quality Residential in London and the Home Counties

- Focus on contract selectivity and risk management
- Good progress on critical science schemes for Defra and the MRC
- Continue to work on a number of High Quality Residential schemes

Browne



Overview



Business

- Browne is a water focused engineering services business
- Delivering multi-disciplinary infrastructure services through a number of longstanding framework agreements
- Operating throughout the South of England for Thames Water, Southern Water, Affinity Water and South East Water

Financials

- Year ended 31 March 2020, profit before tax of £5.5m, turnover of £79.2m (including share of joint ventures)
- Year ended 31 March 2021, expected turnover of £63.3m due to the transition from AMP6 to AMP7
- Trading has now increased back to historic run-rate levels as activity has normalised in AMP7
- Acquisition funded from existing cash resources and facilities

BROWNE

Key attractions

- **Excellent strategic fit**
 - Experienced management team
 - Operating in regulated markets with high barriers to entry
 - Focused on direct delivery, non-discretionary renewals and maintenance
- **Expands geographical coverage of our water activities**
 - 4 new water customers
- **Immediately earnings enhancing**
 - High single digit earnings accretion on a full year basis

Services



Waste water

Maintenance and repair of the waste water infrastructure, deployment of complex civil engineering solutions



Clean water

Network design and mains laying through to pressure management schemes and private network installation



Infrastructure

Major capital delivery projects in the clean water and waste water fields for utilities and large businesses



Non-infrastructure

MEICA design and build, pumping station construction and maintenance, UV disinfection, network repairs and SEMD works



Developer services

End-to-end service delivering timely water/utility connections and solutions for developers

Our commitment to ESG

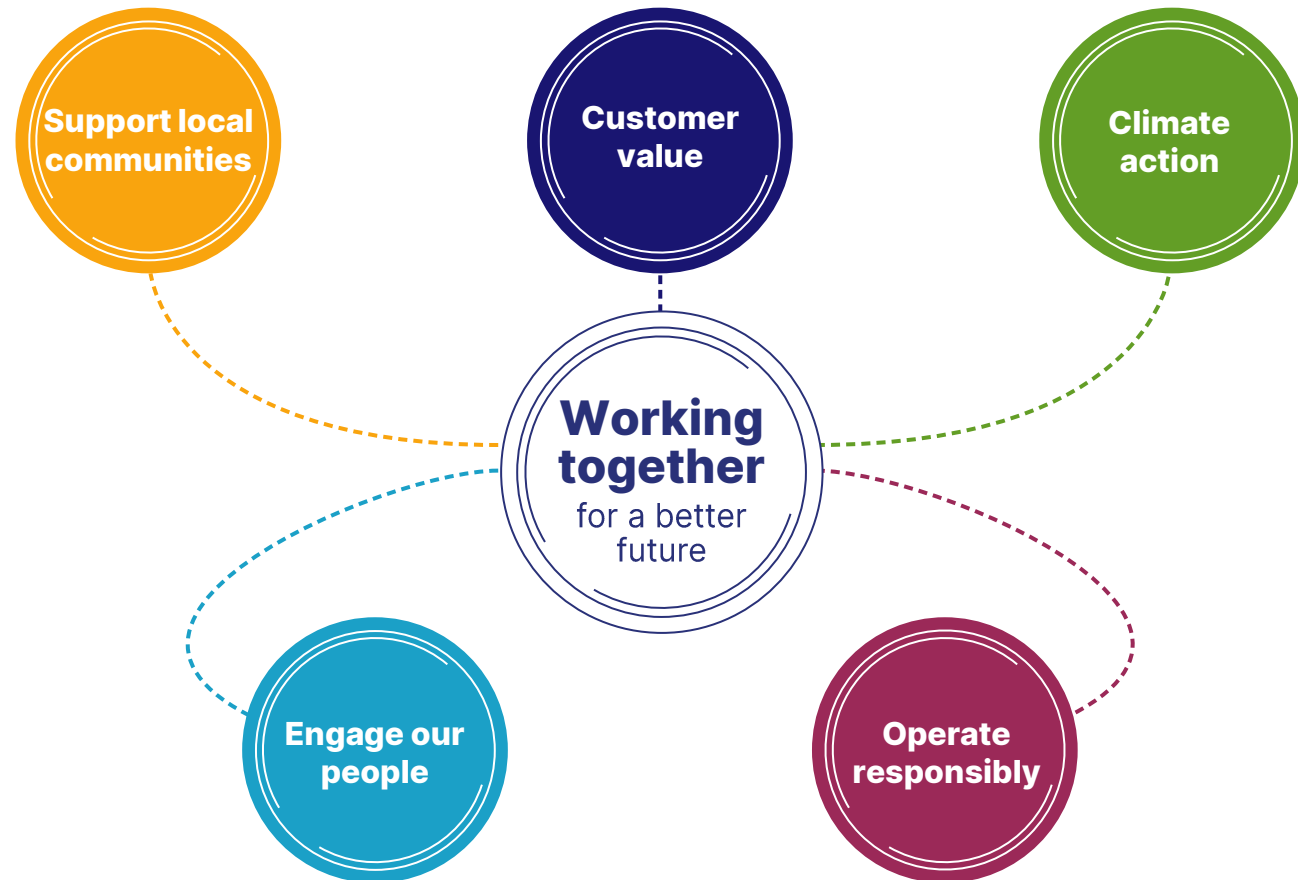




A better, more sustainable future

Our purpose led approach

- We continue to develop our sustainability strategy which is now reported in five key areas, and which includes continuously measured targets
- We continue to add value to our customers through our sustainable innovation, supporting the delivery of the UK's net-zero carbon target by 2050
- Year ending 2020 represented our first year of reporting under the Streamlined Energy and Carbon Reporting regulations



Our commitments



- **Customer engagement**
 - Continue to improve our customer survey response rate
 - Increase revenue from repeat customers
 - Help our customers meet their regulatory obligations
 - Add value through innovation

Our targets

50%

Customer survey response rate in 2021

85%

Revenue from repeat customers in 2021



- **Carbon emissions**
 - Increasing use of energy from 'green' tariffs
 - Improvements in electric and hybrid company car options
 - Moving our commercial fleet to low carbon
- **Waste**
 - Diversion of waste from landfill
 - Mandatory use of waste broker

100%

of energy from 'green' tariffs by 2022

100%

of company car bands with electric/ hybrid option by 2022

80%

Low carbon commercial fleet by 2030

Our commitments



- **Health & Safety**
 - Reduce our Accident Frequency Rate
- **Materials and Waste**
 - Reduce the amount of waste sent to landfill
- **Equality, Diversity and Inclusion**
 - Improve our gender pay gap



- **Employee engagement**
 - Improve the rate of response to our employee surveys
- **Employee wellbeing**
 - Increase the number of mental health first aiders
- **Training and development**
 - Continuous focus on employee development

Our targets

0

Accident Frequency Rate

95%

Eligible waste diverted from landfill by 2022

70%

Employee survey response rate in 2021

1:50

Mental health first aiders in 2021

4.5

Number of training days per employee in 2021

Our commitments



- Charitable giving
 - Commitment to community projects
- Future skills
 - Focus on STEM engagement within our communities

Our targets

24
working hours per
employee assisting
community projects in 2021

50
STEM events
supported in 2021

Community action

Our team working in Slochd, Scotland carried out volunteer work at Badenoch Respite Centre helping to create a new garden. The team provided timber and labour creating an area for residents and visitors to enjoy.

In the Northeast we assisted Cleveland Police with the donation of a number of large concrete manhole rings that will be used to combat illegal trespassing and prevent anti social behaviour.



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.

High-quality value-accretive compounder

- 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.

Exposure 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.
- In March 2020, the UK Government committed to a record £640bn² investment in the UK's infrastructure from 2020-2025.

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

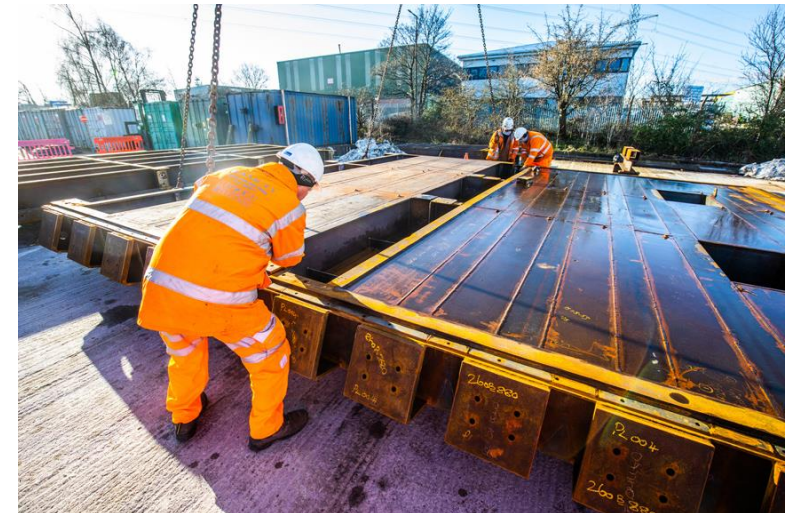
- Our purpose-led ESG approach enables us to add value to our customers through investment in innovation and technology, assisting in the delivery of the UK's net-zero carbon target by 2050.

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 - The Growth Opportunity Ahead

- Trading has started strongly in H2, underpinned by a record order book
- The acquisition of Browne further increases our exposure to the water market
- *attractive long-term growth profile and highly visible pipelines*
- Continued focus on organic and acquisitive growth opportunities in chosen markets
- Strongly positioned to take advantage of the compelling infrastructure-led growth opportunities that will play a key role in the UK's economic recovery



Appendix



Income statement

6 months ended	31 Mar 2021 £m	31 Mar 2020 £m
Revenue	366.4	313.6
Operating profit*	22.0	19.9
Net finance costs	(0.4)	(0.8)
Profit before exceptional items and amortisation	21.5	19.1
Exceptional items and amortisation	(3.5)	(3.9)
Profit before taxation	18.1	15.2
Taxation	(3.0)	(3.3)
Profit after taxation	15.0	11.9
EPS*	22.9p	20.1p
Dividend per share	4.83p	0p

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

Exceptional items and amortisation

6 months ended	31 Mar 2021 £m	31 Mar 2020 £m
Amortisation	2.8	2.1
Acquisition costs	0.7	1.8
Total	3.5	3.9

Balance sheet

6 months ended	31 Mar 2021 £m	31 Mar 2020 £m
Intangible assets	173.9	151.5
Property, plant & equipment	15.3	22.2
Right of use assets	17.9	10.2
Deferred tax (liability) (net)	(4.4)	(3.5)
	202.7	180.4
Current assets	155.3	115.2
Current liabilities	(210.7)	(167.5)
Net current assets	(55.4)	(52.3)
Net (debt)/cash	(8.2)	1.4
Term loan	(8.7)	(17.5)
Long-term liabilities	(19.3)	(16.5)
Net assets prior to pension schemes	111.1	95.5
Pension schemes (net)	0.6	18.2
Net assets	111.7	113.7

Cash flow statement

6 months ended	2021 £m
Opening cash balance at 1 October 2020	13.4
EBITDAE	26.8
Exceptional acquisition fees	(0.7)
Capital expenditure	(4.8)
Working capital movement	(0.1)
Pension scheme contributions	(0.3)
Dividends	(6.6)
Tax	(2.9)
Net HP and interest	(0.1)
Term loan repayment	(4.4)
Acquisition of J Browne	(29.2)
New equity	0.7
Net closing debt balance at 31 March 2021	(8.2)
Term loan at 31 March 2021	(8.7)
Net debt at 31 March 2021	(16.9)

Engineering Services

6 months ended

	31 Mar 2021 £m	31 Mar 2020 £m
Revenue	327.5	293.1
Operating profit*	22.2	20.5
Operating margin*	6.8%	7.0%
Order book	665	591

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

Specialist Building

6 months ended

	31 Mar 2021 £m	31 Mar 2020 £m
Revenue	38.9	20.5
Operating profit	0.8	0.4
Operating margin	2.1%	2.0%
Order book	85	99

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 30 of the 2020 Annual Report & Accounts.
- 2 HM Treasury Budget 2020 12 March 2020
- 3 Network Rail Delivery Plan Control Period 6 High Level Summary 26 March 2020
- 4 Network Rail Strategic Business Plan – Summary 9 February 2018
- 5 Department for Transport Road Investment Strategy 2: 2020-2025 March 2020
- 6 UK Government press release ‘Shared Rural Network £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 Ofwat PR19 final determinations December 2019

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