

Renew Holdings plc
Interim results six months ended 31 March 2022

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



Working together

Engineering Infrastructure
for a sustainable future

Resilience shines through

- Record half year results despite inflationary pressures
- Excellent contribution from Browne (acquired March 21)
- 14.6% EPS growth
- Order book of £771m (HY21: £750m)
- Interim dividend of 5.67p (HY21: 4.83p)
- Further reduced net debt to £1.2m (HY21: £16.9m)
- Strong operational performance
- Good momentum going into H2

Our engineering markets

Rail	Infrastructure	Energy	Environmental
Rail	Highways Wireless Telecoms	Nuclear Decommissioning Thermal power, networks and distribution	Water Specialist restoration and land remediation

Our subsidiaries

AMCO GIFFEN

CLARKE
telecom

seymour
civil engineering

LEWIS

SEL

QTS

BROWNE

VHE

Carnell

WALTER LILLY
1924

Our business

Our branded businesses

- Provide multidisciplinary, mission-critical engineering services nationwide through our directly employed workforce where we maintain and renew UK infrastructure
- Carry out High Quality Residential and science projects in London and the home counties

Rail



Infrastructure



Energy



Environmental



Specialist building



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 £650bn² 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
- Inflation protection

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

The UK Government committed to a record

£650bn²

investment in the UK's infrastructure from 2020-2025

Financial review



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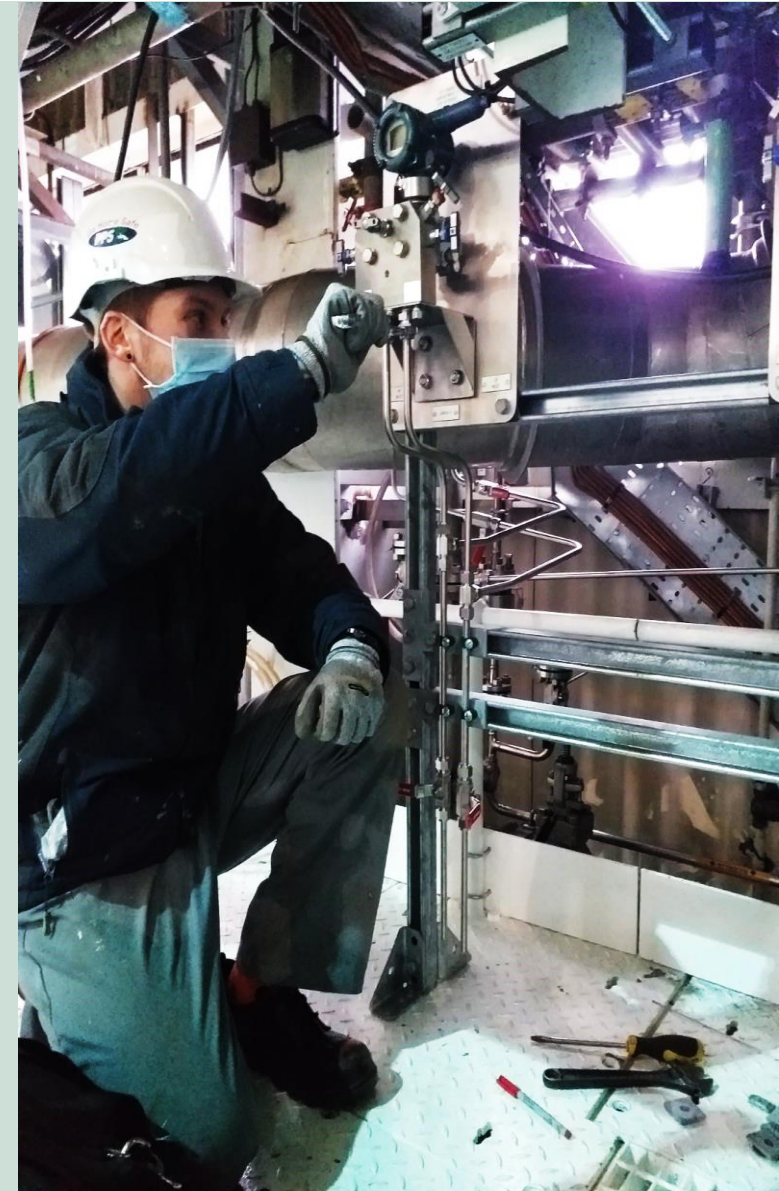
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Financial highlights

- **Group Revenue¹ of £414.3m (HY2021: £366.4m)**
 - *ES revenue¹ up 15% to £377.5m (HY2021: £327.5m)*
 - *SB revenue of £36.9m (HY2021: £38.9m)*
- **Adjusted operating profit¹ up 18% to £26.0m (HY2021: £22.0m)**
 - *Adjusted ES operating profit¹ up 17% to £26.6m (HY2021: £22.2m)*
 - *SB operating profit of £0.6m (HY2021: £0.8m)*
- **Adjusted operating profit margin¹ 6.3% (HY2021: 6.0%)**
- **Adjusted EPS¹ up 14.6% to 26.2p (HY2021: 22.9p)**
- **Interim dividend up 17% to 5.67p (HY2021: 4.83p)**
- **ROCE* of 30% & ROIC* of 29% - significantly ahead of WACC**

*Based on last 12 months of trading

For references see appendix



Adjusted EPS¹ track record



Financial highlights

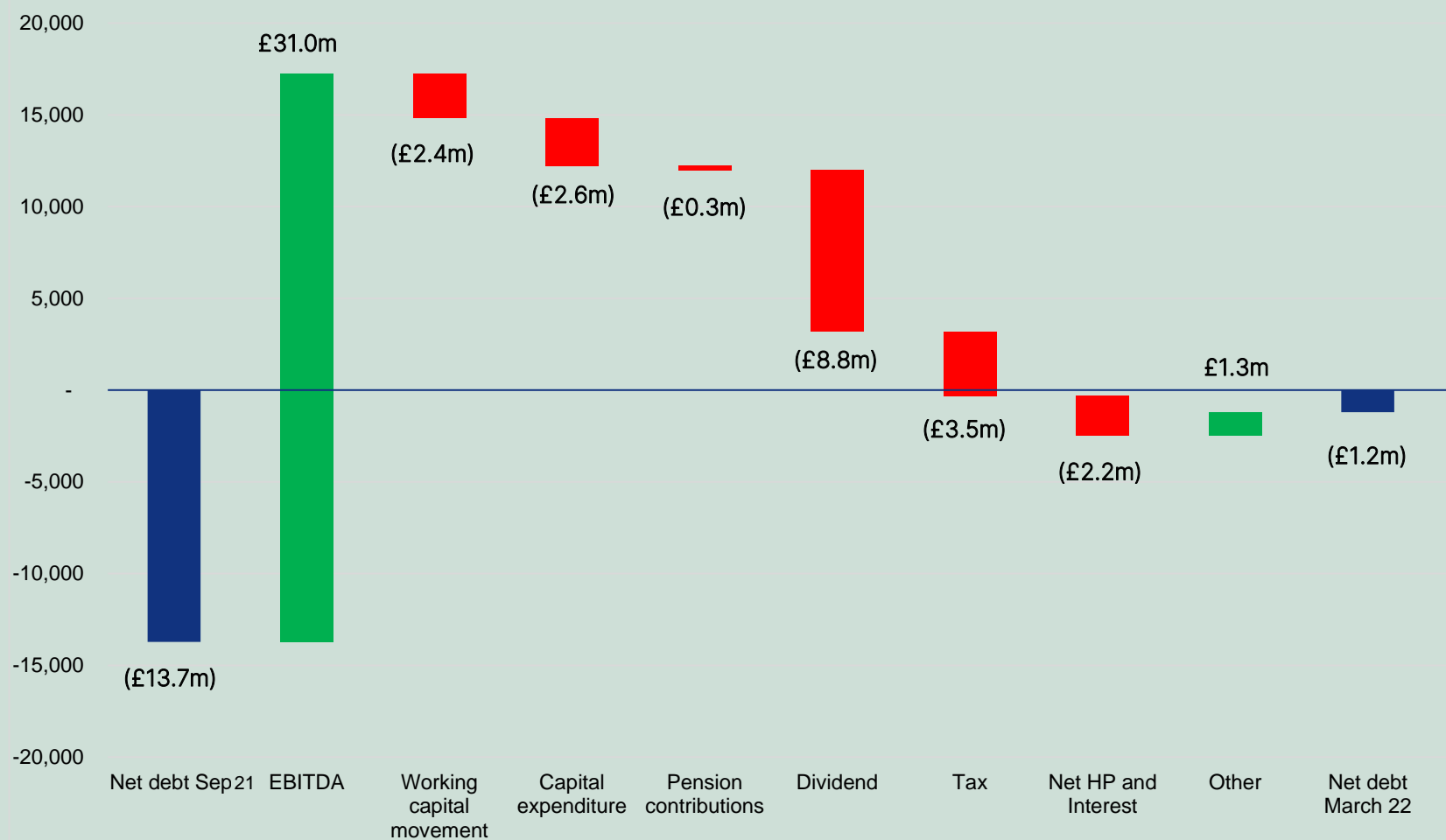
- **Net Debt £1.2m (Sep 21: £13.7m Mar: 21 £16.9m)**
- *Term loan to part-fund QTS fully repaid in the period*
- *Confident in full year cash forecasts*

- **Buy-in of Amco Pension Scheme Liabilities in April 2022**
- *Further significant de-risking of balance sheet*
- *No more monthly contributions*
- *Both pension schemes now fully bought-in*

- **Increased provision against discontinued, historic liabilities in Allenbuild**



Cash flow highlights



Operational review



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Rail



£53bn³

Investment in
Control Period 6

Our services

- Essential multidisciplinary engineering support providing maintenance and renewal services across the national rail network
- 24/7 emergency support provision

£18-26bn⁴

Estimated cost of
decarbonisation

Our opportunities

- Network Rail £53bn³ agreed spending plan for CP6 (2019-2024)
- Integration of HS2 with existing rail infrastructure
- £18bn to £26bn⁴ estimated cost of decarbonisation to 2040

Operational highlights

- Awarded a 2-year extension to our Civils and Buildings Asset Management Frameworks
- 2-year extensions to the Geotechnical Framework and the Renewals & General Enhancements Framework
- Good visibility going into first 2 years of CP7
- Awarded first Overhead Line Equipment renewals project on the East Coast Mainline
- Structure reconfiguration programmes in Scotland and on the Midland Main Line as preparatory work for electrification

Infrastructure



£24bn⁵

Road Investment Strategy 2
("RIS2")

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

£30bn⁶

Investment for gigabit-capable broadband speeds

Our opportunities

- Government committed to increased roads infrastructure expenditure, focus on maintenance and renewals
- £24bn⁵ of RIS2 funding
- £30bn⁶ Investment for gigabit-capable broadband speeds
- £5bn⁷ investment in 5G rollout

Operational highlights

- Awarded two lots on National Highways Technical Survey and Testing Framework
- Working across five lots on National Highways Scheme Delivery Framework - civil engineering, road restraint systems and drainage disciplines
- Appointed to Manchester Airports Group's £700m Civils Framework
- Awarded frameworks with new clients 3UK and Vodafone

For references see appendix

Energy



£3bn⁸

Nuclear Decommissioning Authority spend per annum

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 £124bn⁹
- £3bn⁸ NDA annual expenditure
- UK net-zero target

Operational highlights

- At Sellafield:
 - Well-positioned for Major Projects Programme
 - Collaborating with Programme and Project Partners (“PPP”)
 - Significant growth in demand for specialist manufacturing
- Appointed to £7m framework for LLW Repository
- Further developed relationships with Rolls Royce, Springfields and Dounreay
- Appointed to engineering services frameworks at AWE Aldermaston
- Growth in demand for our hydro tunnel maintenance services

For references see appendix

Environmental



£51bn¹⁰
Estimated spend in AMP7

£5.2bn¹¹
UK Government 6-year
flood defence investment

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

- £51bn¹⁰ estimated spend in AMP7
- £5.2bn¹¹ 6-year flood defence investment
- Long-term conservation works at the POW

Operational highlights

- Engaged across 11 UK water regions
- Browne fully integrated and performing ahead of management expectations
- Awarded a new Below Ground Asset Delivery Framework for Affinity Water
- Progressing well at the Palace of Westminster on the 5-year conservation framework
- Long-term opportunities with Environment Agency and Canal and River Trust

For references see appendix

Science and High Quality Residential



Our services

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

Our opportunities

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

Operational highlights

- Good progress on existing science schemes for Defra and the Medical Research Council
- Continued demand in the High Quality Residential sector
- Focus on contract selectivity and risk management

Our commitment to ESG

An aerial photograph of a dam structure with water cascading over it. The dam is made of concrete and has a walkway with railings. The surrounding area is lush with green trees and grass. The sky is a clear, light blue.

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for a sustainable future



A better, more sustainable future



Targets

24	working hours per employee assisting community projects in 2022
50	STEM events supported in 2022
50%	Customer survey response rate in 2022
85%	Revenue from repeat customers in 2022
80%	Low carbon commercial fleet by 2030
100%	of energy from 'green' tariffs by 2022
100%	of company car bands with electric/ hybrid option by 2022
70%	Employee survey response rate in 2022
1:50	Mental health first aiders in 2022
4.5	Training days per employee in 2022
95%	Eligible waste diverted from landfill by 2022
0	Accident Frequency Rate

Our progress*

Support local communities



- All subsidiaries actively undertaking community and school engagement programmes
- Focus on STEM engagement within our communities



Customer value



- Positive customer feedback following deployment of unique MegaVac
- Number of new framework appointments with long-standing clients



Climate action



- Rollout of Hydrotreated Vegetable Oil (HVO) solution across the Group
- Introduction of sustainable site setups
- Increase use of energy from “green” tariffs
- Improvements in electric and hybrid company car options



Engage our people



- Increased the number of trained mental health first aiders across the Group
- Rollout of relaunched graduate schemes
- Continued expansion of executive training programme



Operate responsibly



- Behavioural science initiatives to improve the Group’s Accident Frequency Rate
- Continue to work with mandatory waste brokers to reduce waste sent to landfill
- Launch of Group wide diversity forum



*Quantitative performance against targets will be set out at the full year.

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 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

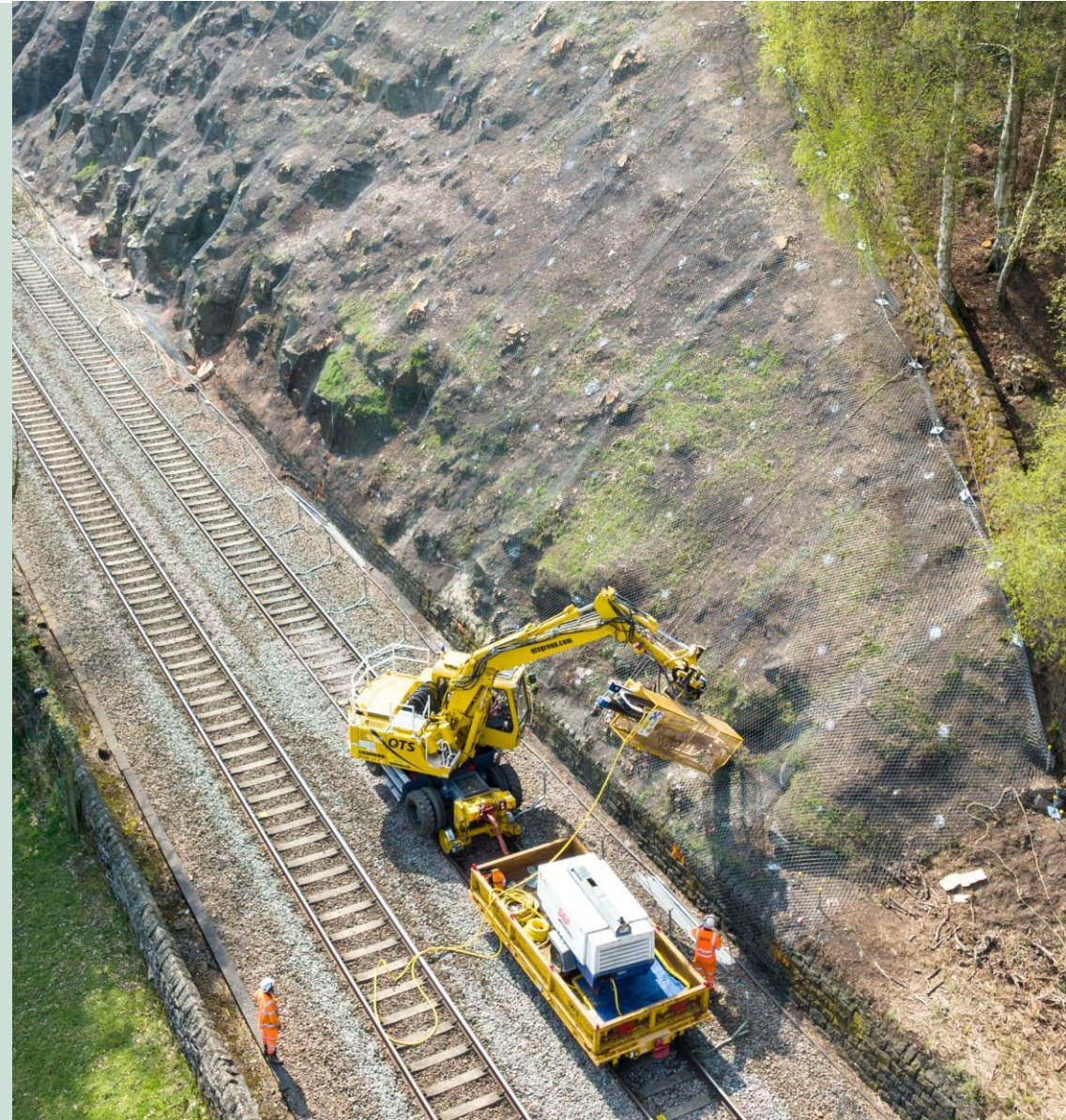
- Our purpose-led ESG approach enables us to add value to our customers through investment in innovation and technology, assisting in the delivery of the UK's net-zero carbon target by 2050.

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

- UK Government infrastructure investment and net zero plans underpin our long-term growth opportunities
- Growth prospects supported by our order book and extensive national framework positions
- Successfully managing the industry-wide challenges around inflation, material shortages and staff retention
- Trading has started well in the second half of the year and we remain confident of achieving our full year expectations



Appendix

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for a sustainable future



Income statement

6 months ended	31 Mar 2022 £m	31 Mar 2021 £m
Revenue	414.3	366.4
Operating profit*	26.0	22.0
Net finance costs	(0.3)	(0.4)
Profit before exceptional items and amortisation	25.7	21.6
Exceptional items and amortisation	(3.9)	(3.5)
Profit before taxation	21.8	18.1
Taxation	(4.2)	(3.1)
Profit after taxation	17.6	15.0
EPS*	26.2	22.9
Dividend per share	5.7p	4.8p

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

Exceptional items and amortisation

6 months ended	31 Mar 2022 £m	31 Mar 2021 £m
Amortisation	3.6	2.8
Aborted acquisition costs/acquisition cost re J Browne	0.3	0.7
Total	3.9	3.5

Balance sheet

6 months ended	31 Mar 2022 £m	31 Mar 2021 £m
Intangible assets	165.5	173.9
Property, plant and equipment	15.2	15.3
Right of use assets	16.0	17.9
Deferred tax (liability) (net)	(6.1)	(4.4)
	190.6	202.7
Current assets	177.0	155.3
Current liabilities	(215.3)	(210.7)
Net current liabilities	(38.3)	(55.4)
Net debt	(1.2)	(8.2)
Term loan	-	(8.7)
Long term liabilities	(17.6)	(19.3)
Net assets prior to pension schemes	133.5	111.1
Pension schemes (net)	0.5	0.6
Net assets	134.0	111.7

Cash flow statement

6 months ended	31 March 2022 £m	31 March 2021 £m
Opening cash balance at 1 October 2021	(9.4)	13.4
EBITDAE	31.0	26.8
Exceptional acquisition fees	-	(0.7)
Capital expenditure	(2.6)	(4.8)
Working capital movement	(2.4)	(0.1)
Pension scheme contributions	(0.3)	(0.3)
Dividends	(8.8)	(6.6)
Tax	(3.5)	(2.9)
Net HP and interest	(2.3)	(0.1)
Term loan repayment	(4.4)	(4.4)
Acquisition of JBC	-	(29.2)
New equity	1.5	0.7
Net closing debt balance at 31 March 2022	(1.2)	(8.2)
Term Loan at 31 March 2022	-	(8.7)
Net Debt at 31 March 2022	(1.2)	(16.9)

Engineering Services

6 months ended	31 Mar 2022 £m	31 Mar 2021 £m
Revenue	377.5	327.5
Operating profit*	26.6	22.2
Operating margin*	7.1%	6.8%
Order book	705	665

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

Specialist Building

6 months ended	31 Mar 2022 £m	31 Mar 2021 £m
Revenue	36.9	38.9
Operating profit	0.6	0.8
Operating margin	1.6%	2.1%
Order book	66	85

Acquisition criteria

- Supporting UK infrastructure assets
- Engineering services with an operational expenditure focus
- In market with high barrier to new entrants
- Long term relationships with clients preferably engaged via frameworks
- Cash generative working capital model
- Complimentary bolt on or standalone brand
- Strong incumbent management team
- Direct delivery model



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 2021 Annual Report & Accounts.
- 2 Infrastructure and Projects Authority, Analysis of the National Infrastructure and Construction Pipeline 2021, August 2021
- 3 Network Rail Delivery Plan, Control Period 6, High Level Summary, 26 March 2020
- 4 Network Rail Traction Decarbonisation Network Strategy, September 2020
- 5 HM Treasury, Autumn budget and spending review 2021, October 2021
- 6 Department for Digital, Culture, Media & Sport, Delivering a gigabit-capable UK: Gigabit Infrastructure Subsidy, 1 June 2021
- 7 Department for Digital, Culture, Media & Sport, Project Gigabit, Phase One Delivery Plan, 19 March 2021
- 8 Nuclear Decommissioning Authority, Draft Business Plan, 1 April 2021 to 31 March 2024, 7 December 2020
- 9 Nuclear Decommissioning Authority, Nuclear Provision: the cost of cleaning up Britain's historic nuclear sites, 4 July 2019
- 10 Ofwat PR19 final determinations, December 2019
- 11 HM Government, Flood and coastal erosion risk management, Policy Statement, July 2020

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