Renew Holdings plc
Preliminary results for the year ended 30 September 2022

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

Record results

- Another record performance reflecting our resilience
- Strong cash flow and continued EPS[1] growth
- Final dividend of 11.33p (2021: 11.17p)
- Post period end acquisition of Enisca

Adjusted operating margin[1]

6.9%

Engineering Services order book[1]

£717m

Our engineering markets

Rail	Infrastructure	Energy	Environmental
National Rail network	Highways Wireless Telecoms	Nuclear Decommissioning Thermal power, renewables, networks and distribution	Water Specialist restoration Land remediation

Our subsidiaries

AMCO·GIFFEN, Clarke telecom, seymour civil engineering, envolve Infrastructure, SEL, QTS, BROWNE, VHE, Carnell, enisca, WALTERLILLY 1924

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.

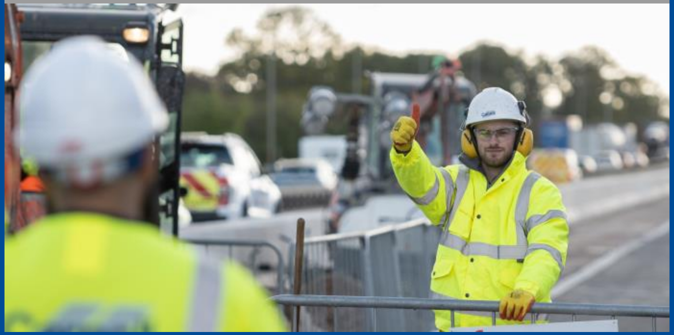
Our business

Our branded businesses

- Provide multidisciplinary, mission-critical engineering services nationwide through our directly employed workforce where we maintain and renew critical UK infrastructure
- Carry out High Quality Residential, Landmark 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 is committed to a record £600bn[2] investment in infrastructure over the next 5 years as confirmed in the Autumn Statement

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
- Commercial terms within our contracts protect against inflation

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 Government **committed to a record**

£600bn[2]

investment in the UK's infrastructure over the next 5 years

Financial review

Highlights

Group revenue[1]

£849m

2022	849
2021	791
2020	620
2019	601
2018	541

Adjusted operating profit[1]

£58.8m

2022	58.8
2021	51.2
2020	39.6
2019	38.3
2018	31.1

Adjusted EPS[1]

59.5p

2022	59.5
2021	50.5
2020	41.2
2019	40.4
2018	35.5

Adjusted operating margin[1]

6.9%

2022	6.9
2021	6.5
2020	6.4
2019	6.4
2018	5.7

Full year dividend

17.00p

2022	17.00
2021	16.00
2020	8.33
2019	11.50
2018	10.00

Engineering Services order book[1]

£717m

2022	717
2021	679
2020	603
2019	542
2018	510

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.

For references see appendix

Income statement

Record year underpinned by resilience and reliability

	FY22 £m	FY21 £m
Revenue[1]	849.0	791.0
Operating profit[1]	58.8	51.2
Net finance costs	(0.6)	(0.4)
Profit before exceptional items and amortisation[1]	**58.2**	**50.8**
Exceptional items and amortisation	(8.8)	(10.1)
Profit before taxation	**49.4**	**40.7**
Taxation	(9.5)	(8.6)
Profit after taxation	**39.9**	**32.1**
EPS[1]	59.5p	50.5p

- Revenue increased by 7% to £849m (2021: £791m)
- Operating profit increased by 15% to £58.8m (2021: £51.2m)
- Adjusted operating profit margin increased to 6.9% (2021: 6.5%) as a consequence of work mix and maturity in control cycles
- EPS increased by 18% to 59.5p (2021: 50.5p)

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ROCE & ROIC

ROCE*

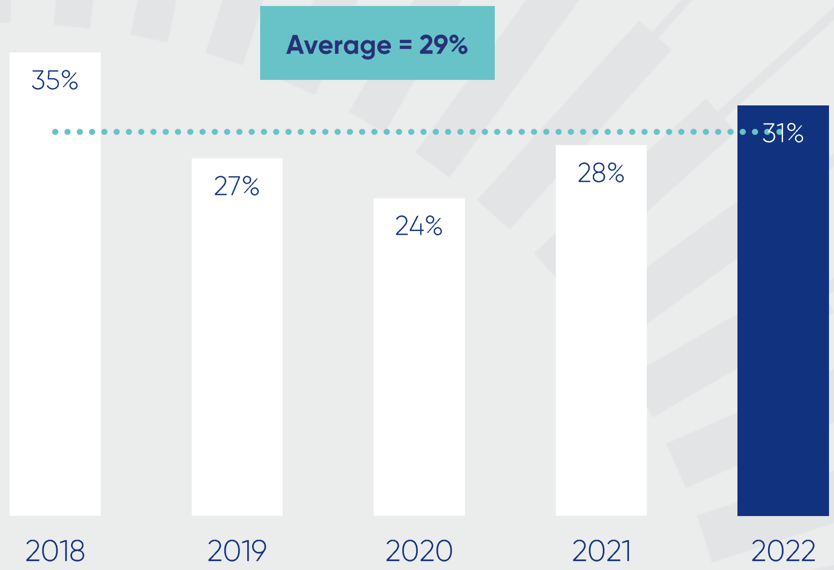
31%

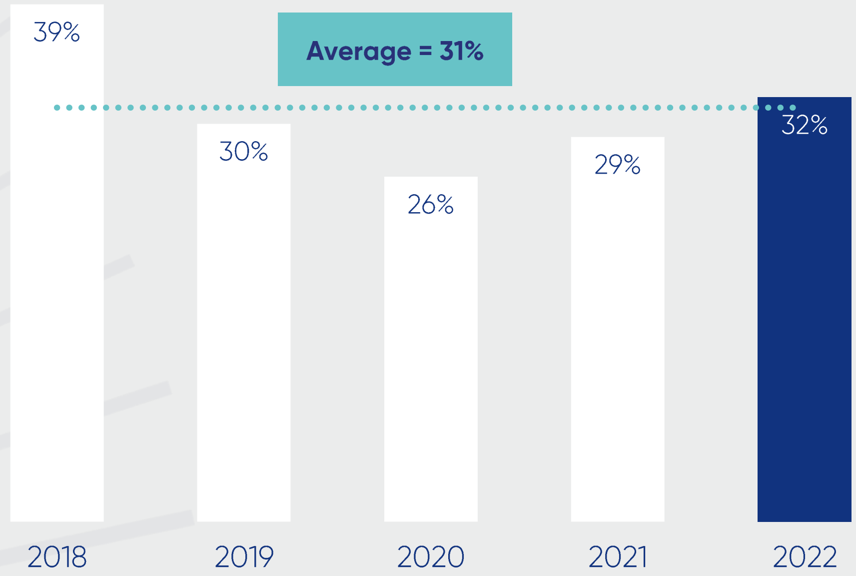
2021: 28%

ROIC*

32%

2021: 29%





*ROCE = Adjusted EBIT over average capital employed

*ROIC = Adjusted EBIT over average invested capital

Balance sheet

Strong balance sheet ready to support future growth

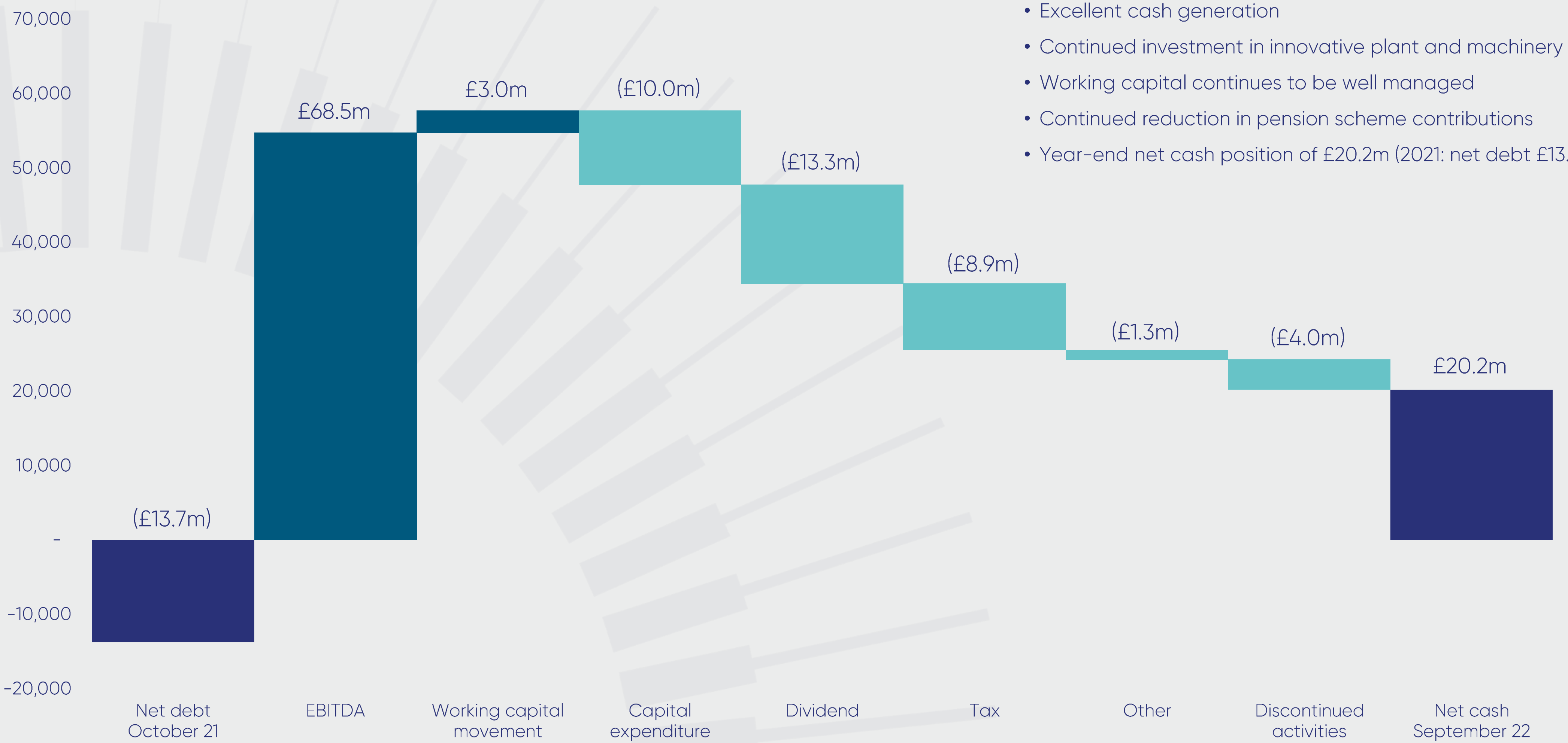
For the year ended 30 September	FY22 £m	FY21 £m
Intangible assets	160.8	168.9
Property, plant and equipment	17.8	16.3
Right of use assets	15.5	17.2
Investment in joint ventures	5.5	5.7
Deferred tax (liability) (net)	(4.1)	(5.6)
	195.5	**202.5**
Current assets	168.5	162.1
Current liabilities	(213.3)	(207.7)
Net current liabilities	**(44.8)**	**(45.6)**
Cash	20.2	(9.4)
Term loan	-	(4.3)
Long-term liabilities	(22.9)	(18.8)
Net assets prior to pension schemes	**148.0**	**124.4**
Pension schemes (net)	0.7	0.4
Net assets	**148.7**	**124.8**

- Pre IFRS16 net cash £20.2m (2021: net debt £13.7m)
  - Term loan to part fund QTS fully repaid in the year
- Buy-in of Amco pension scheme liabilities in April 2022
  - Further significant de-risking of balance sheet
- Increased provision against discontinued, historic liabilities in Allenbuild
- New £80m RCF secured until November 2026 providing significant acquisition firepower

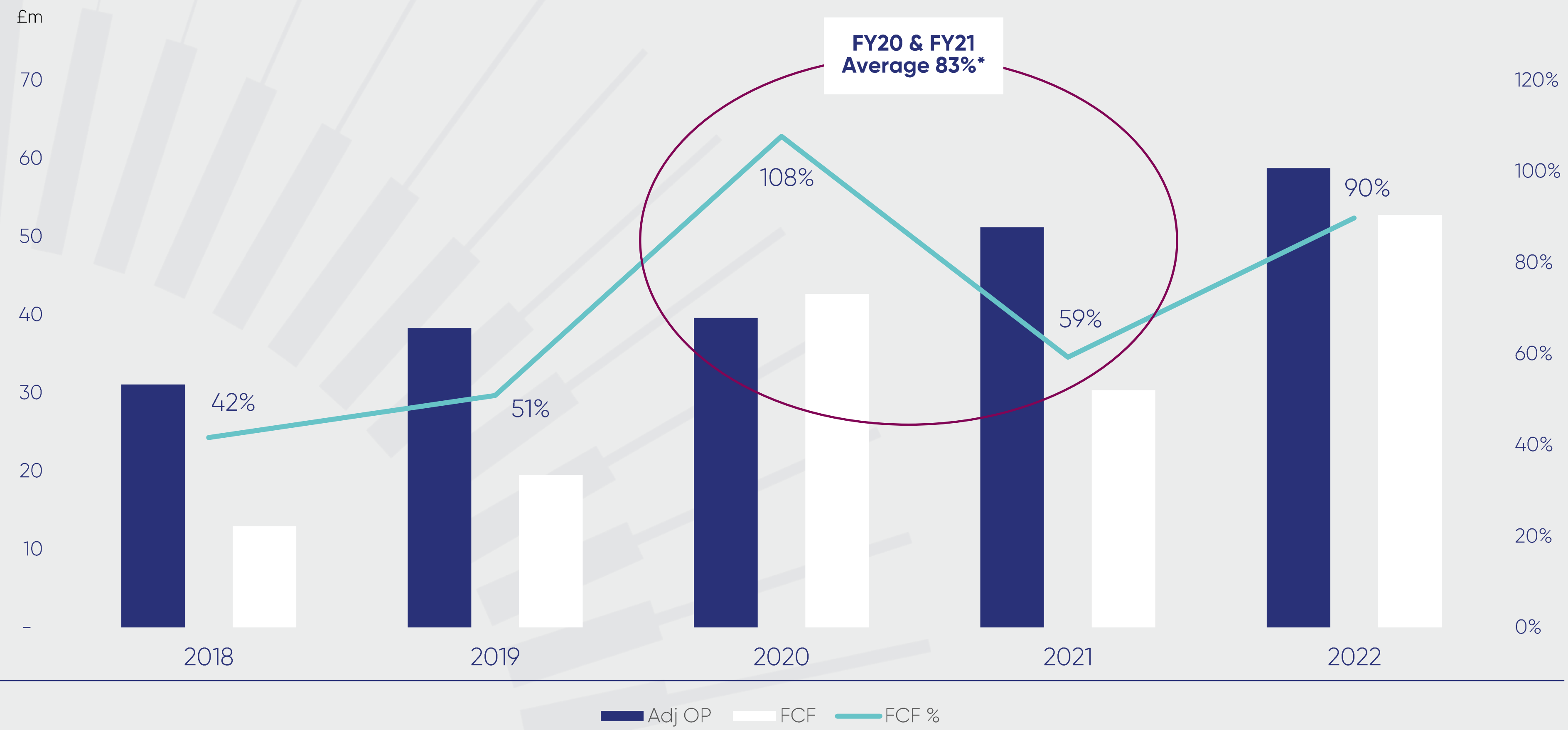
Cash flow bridge

Strong cash generation supporting growth strategy

- Excellent cash generation
- Continued investment in innovative plant and machinery
- Working capital continues to be well managed
- Continued reduction in pension scheme contributions
- Year-end net cash position of £20.2m (2021: net debt £13.7m)



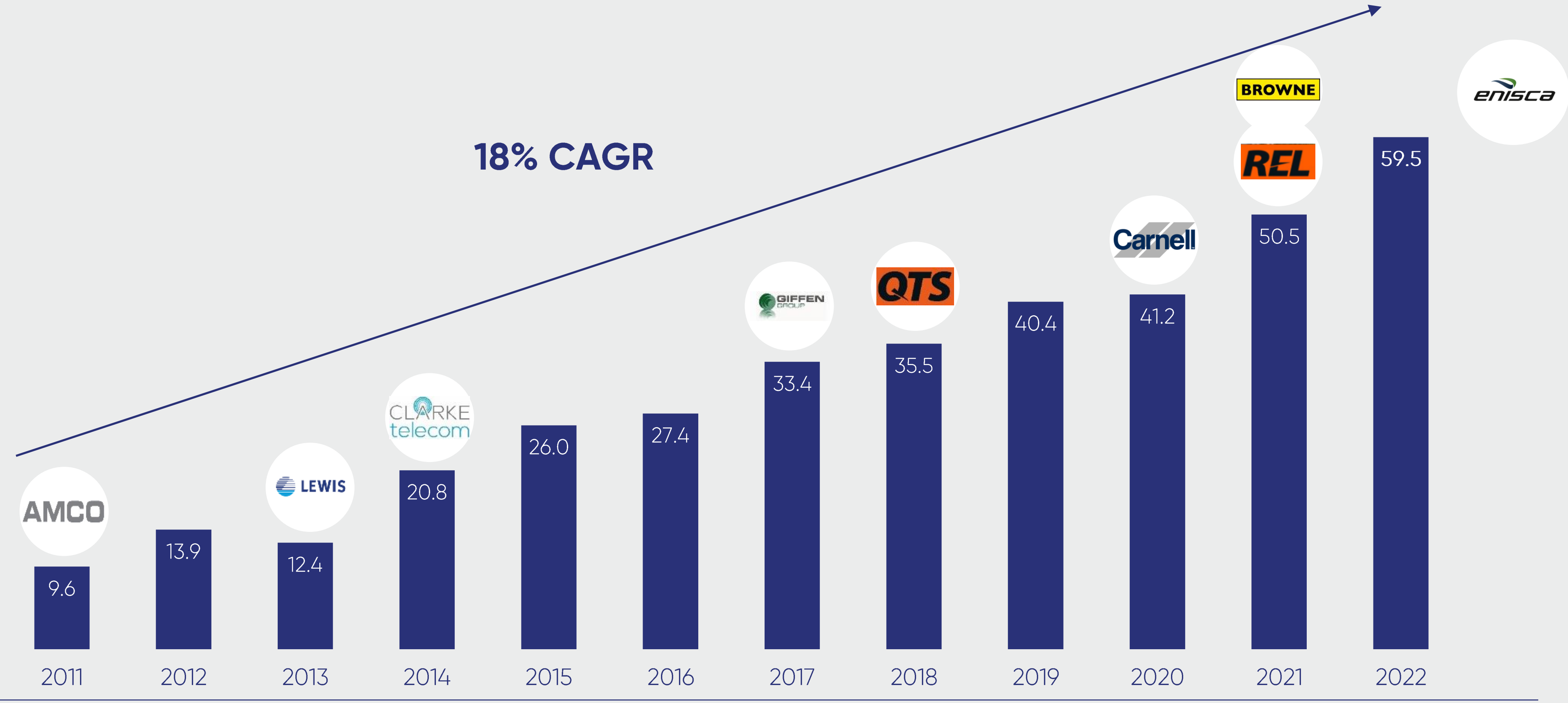
Free cash flow conversion



*FY20 and FY21 FCF impacted by Covid-19 VAT deferral and repayment.

EBITDA (inc. lease depreciation) – Working capital – Provisions – net capex (inc. lease principal payments) - pension – cash exceptional charges – cash interest – cash tax

Adjusted EPS[1] track record



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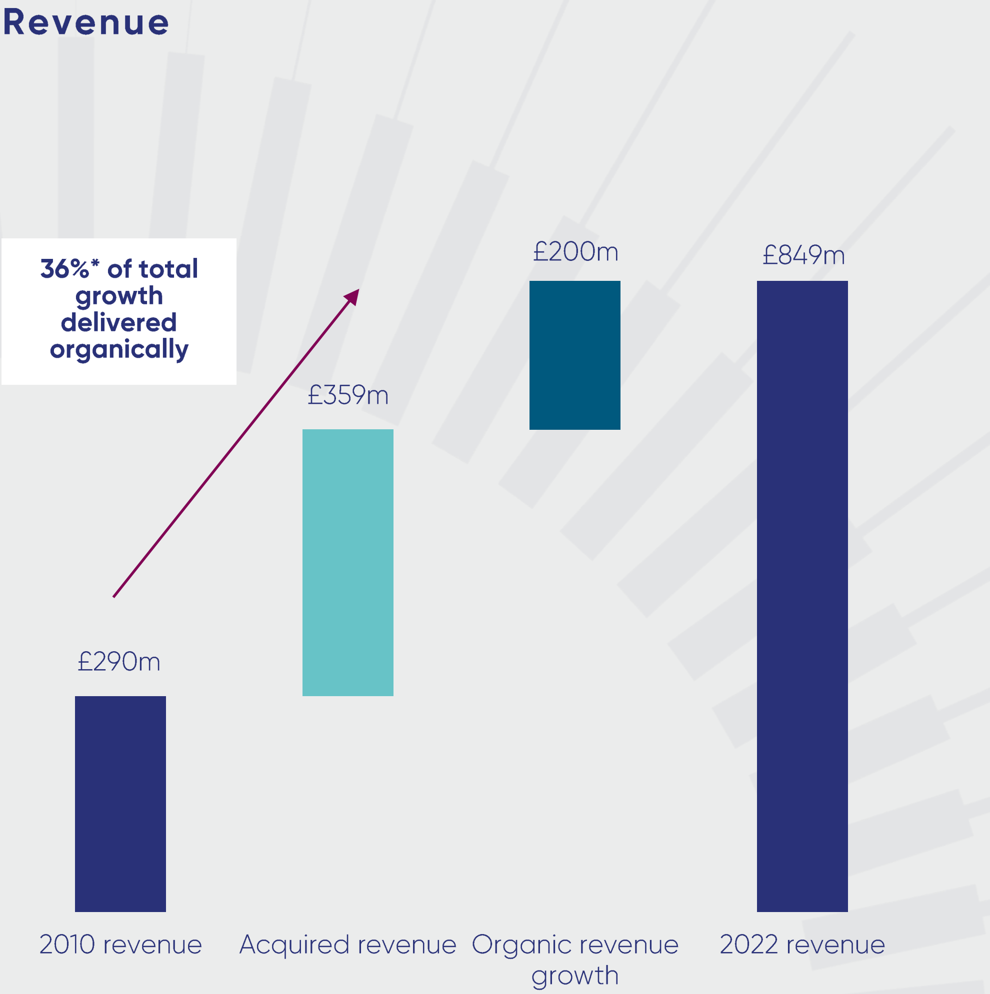
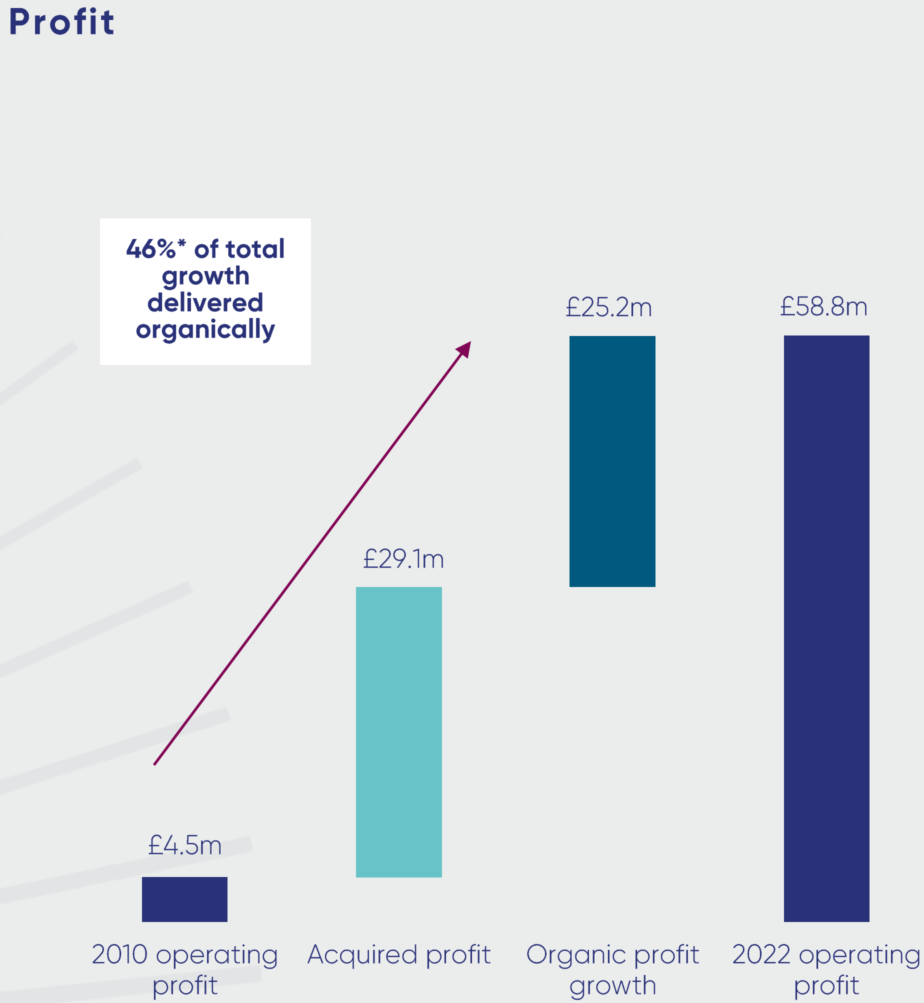
Strong track record of compounding growth

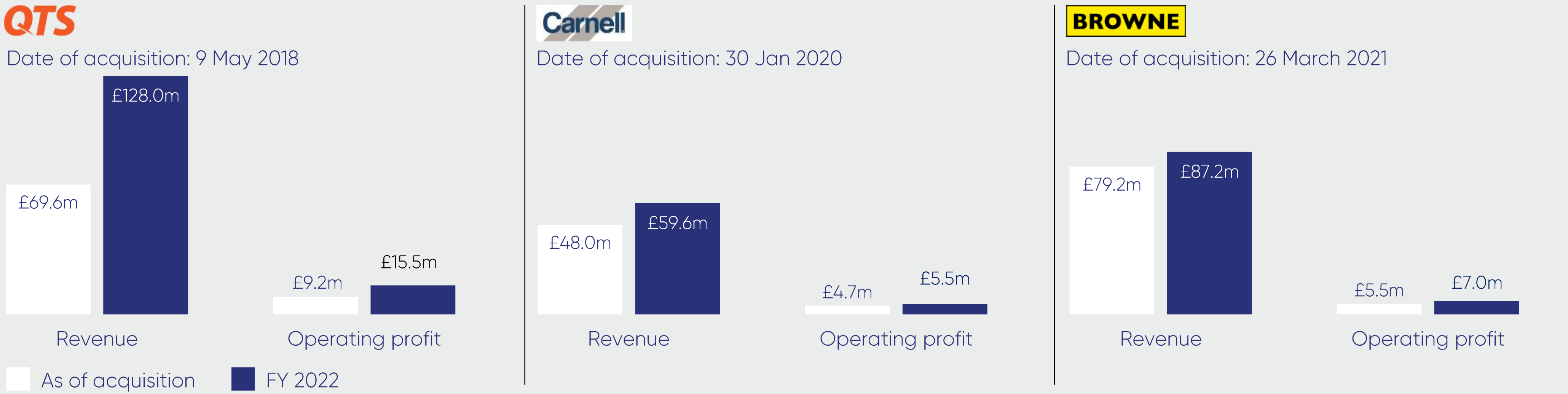




*All growth from acquisitions that occurs after the date of the acquisition is treated as organic

Acquisitions

Supporting the organic growth opportunity



Existing sectors

Rail
Improve offering ahead of CP7 and support decarbonisation

Energy
Support growth in New Nuclear and PPP programme

Environmental
Increase water offering ahead of AMP8 and consider opportunities in the flood and coastal infrastructure market

Infrastructure
Widen scope of services within highways and telecoms

New sectors

Electricity Transmission and Distribution
Working directly for Distribution Network Operators and Transmission Operators

Target attributes

- Supporting UK infrastructure assets
- Engineering services with an opex focus and potential capex budgets
- Market areas with high barriers to new entrants
- Inflation resilient business
- Long-term relationships with clients preferably engaged via frameworks
- Cash generative working capital model
- Complementary bolt on or standalone brand
- Sustainable EBIT up to £50m
- Operating margin >5% or with growth potential to this level and beyond
- Preferably a strong incumbent management team
- Preferably a direct delivery model
- Preferably direct principal client relationships

Operational review

Rail

Delivering a railway for the future

£53bn[3]
Investment in Control Period 6

£18-26bn[4]
Estimated cost of decarbonisation

Our services

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

Our opportunities

- Network Rail £53bn[3] agreed spending plan for CP6 (2019-2024)
- Integration of HS2 with existing rail infrastructure
- £18bn to £26bn[4] estimated cost of decarbonisation to 2040

Operational highlights

- New and extended frameworks
  - Network Rail – Southern, Scotland, Fencing and devegetation
  - Transport for Wales
  - Transpennine upgrade
- Electrification gaining momentum through intra-Group collaboration
- Industry leading innovative plant solutions
- Good visibility going into first 2 years of CP7

For references see appendix

Infrastructure

Working together to meet national needs

£24bn[5]
Road Investment Strategy 2 ("RIS2")

£30bn[6]
Investment for gigabit-capable broadband speeds

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

Our opportunities

- Government committed to increased roads infrastructure expenditure, focus on maintenance and renewals
- £24bn[5] of RIS2 funding
- £30bn[6] investment for gigabit-capable broadband speeds
- £5bn investment in 5G rollout

Operational highlights

Highways
- Continue to work across five framework SDF Lots for National Highways
- Collaboration between AmcoGiffen and Carnell (AGC)
- Second largest national provider of road restraint systems

Telecoms
- Improving momentum across 3UK's cell site densification programme
- Customer base now includes VM02, MBNL, EE and BT

Aviation
- Growth in opportunities linked to improved sector confidence

For references see appendix

Engineering services

Energy

High hazard risk reduction

£3bn[7]

Nuclear Decommissioning Authority spend per annum

£7bn

20-year commitment to PPP* at Sellafield

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 £124bn[8]
- £3bn[7] NDA annual expenditure
- UK net-zero target
- New nuclear – British Energy Security Strategy
- £950m[9] Rapid Charging Fund to support high powered charge points rollout

Operational highlights

Nuclear

- At Sellafield:
  - Collaborating and work secured with Programme and Project Partners
  - Significant growth in demand for specialist manufacturing
  - Secured a number of decommissioning and decontamination contracts
- Expanding our nuclear customer base
  - Aldermaston, Hinkley Point "C", Springfields, Dounreay and LLW

EV Infrastructure

- Momentum improving in EV infrastructure services market

For references see appendix

*Programme and Project Partners

Environmental

Maintaining complex water infrastructure

£51bn[10]
Estimated spend in AMP7

£5.2bn[11]
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

- £51bn[10] estimated spend in AMP7
- £5.2bn[11] 6-year flood defence investment
- Long-term conservation works at the Palace of Westminster

Operational highlights

Water

- Growth in customer base now operating across 13 UK water regions
- Browne fully integrated and performing ahead of expectations
- Numerous awards including a DCWW Major Civils 8-year framework
- Acquisition of Enisca* broadens customer base and service offering

Flood and coastal defence

- Successfully growing our national framework portfolio

Specialist restoration

- New 5-year conservation framework at POW

For references see appendix
* Post period end

Enisca acquisition

FY23F Revenue*	FY23F OP*	FY23F OP%*
£30m	£2.1m	7.0%

Highlights

- Further expansion in the water market
- Acquired for £15.6m (7.4x EBIT*)
- A multidisciplinary MEICA** specialist
- Excellent strategic fit, adding new capabilities ahead of AMP8
- Frameworks with Southern Water, South East Water, Affinity Water, Yorkshire Water, Irish Water, Northern Ireland Water, Anglian Water and Northumbrian Water
- Long-standing relationship through JV with J Browne since 2015

Specialist services

– MEICA process, design & construction
– Water & wastewater collection, treatment & supply
– Design and manufacture of LV switchboards and motor control centers
– Turnkey mechanical & electrical installation
– Process automation including systems integration & commissioning

*Renew management forecasts for 12 month period to September 2023
** Mechanical, Electrical, Instrumentation, Control and Automation

Specialist building

High Quality Residential, Landmark and Science

Our services

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

Our opportunities

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

Operational highlights

- Completion of major science scheme for Medical Research Council
- Appointed by Imperial College London (DOID refurbishment)
- Awarded several Landmark schemes
- Continued demand in the High Quality Residential sector
- Focus on contract selectivity and risk management

Our commitment to ESG

The Renew Resilience Plan

Create long-standing stakeholder value

To achieve our purpose to

- Take climate action
- Operate responsibly
- Build social value
- Empower our people

Made possible through

Unique collaboration

Our commitments

Take climate action

- Increase use of energy from "green" tariffs
- Improvements in electric and hybrid company car options
- Move our commercial fleet to low carbon

Our targets

80% of our commercial fleet will be low carbon by 2030

2022	4%
2021	1%

100% of energy we use will be derived from 'green' energy tariffs

2022	41%
2021	33%

100% of company car bands will have an electric or hybrid option

2022	100%
2021	100%

Operate responsibly

- Reduce our Lost Time Incident Frequency Rate (LTIFR)
- Reduce the amount of waste sent to landfill
- Mandatory waste broker
- Improve our gender pay gap

Our targets

95% of eligible waste diverted from landfill by 2022

2022	99%
2021	88%

0 Lost Time Incident Frequency Rate ("LTIFR")

2022	0.23
2021	0.41

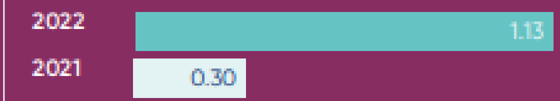
Our commitments

Build social value

- Commitment to community projects
- Focus on STEM engagement within our communities

Our targets

1 working day per employee assisting community projects (Hours)



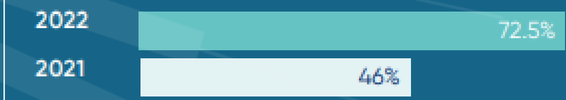
50 STEM events supported

Empower our people

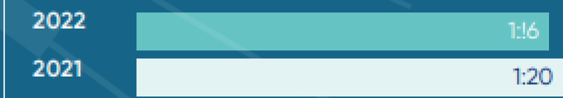
- Improve the rate of response to our employee surveys
- Increase the number of mental health first aiders
- Continuous focus on employee development

Our targets

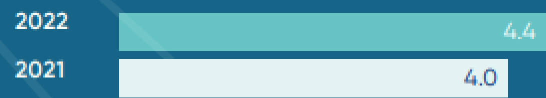
70% employee survey response rate



1:20 mental health first aiders



4.5 training days per employee



Our investment case

Differentiated low-risk, resilient 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, coupled 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

- Committed infrastructure investment, as confirmed in the Autumn Statement
- Well positioned to capitalise on compelling growth opportunities
- Continued focus on long-term, non-discretionary spending programmes
- Acquisitive growth opportunities in existing and complementary markets supported by a strong balance sheet
- Ideally poised to benefit from green infrastructure investment
- A strong order book and positive momentum going into 2023

Appendix

Segmental analysis

Engineering Services

For the year ended 30 September	2022 £m	2021 £m
Revenue	778.9	706.7
Operating profit*	59.1	51.5
Operating margin*	7.6%	7.3%
Order book	717	679

* Stated prior to amortisation and exceptional items.

Specialist Building

For the year ended 30 September	2022 £m	2021 £m
Revenue	70.1	84.4
Operating profit	1.7	1.6
Operating margin	2.4%	1.9%
Order book	58	70

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 the Appendix

2 HM Treasury, Autumn budget and spending review 2022 - October 2022

3 Network Rail Delivery Plan, Control Period 6, High Level Summary, 26 March 2020

4 Network Rail, Traction Decarbonisation Network Strategy – 31 July 2020

5 UK Government Department for Transport, Planning ahead for the Strategic Road Network - December 2021

6 UK Government Department for Digital, Culture, Media & Sport, Future Telecoms Infrastructure Review - 23 July 2018

7 Nuclear Decommissioning Authority, Draft Business Plan 1 April 2021 to 31 March 2024 – 7 December 2020

8 Nuclear Decommissioning Authority, Nuclear Provision: the cost of cleaning up Britain's historic nuclear sites, 4 July 2019

9 Taking Charge: the electric vehicle infrastructure strategy – March 2022

10 Ofwat PR19 final determinations, December 2019

11 UK Government Department for Environment, Food and Rural Affairs, Flood and coastal erosion risk management – 29 July 2021

Alternative performance measures (“APMs”)

Renew uses a variety of alternative performance measures (‘APM’) which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The Directors use a combination of APMs and IFRS measures when reviewing the performance, position and cash of the Group. The Directors believe that APMs provide a better understanding of the underlying trading performance of the business because they remove the impact of non-trading related accounting adjustments. Furthermore, they believe that the Group's shareholders use these APMs when assessing the performance of the Group and it is therefore appropriate to give them prominence in the Annual Report and Accounts. The APMs used by the Group are defined below:

Net Cash/(Debt) - This is the cash and cash equivalents less bank debt. This measure is visible in Note 32 in the Annual Report & Accounts. The Directors consider this to be a good indicator of the financing position of the Group.

Adjusted operating profit (£58.773m) and adjusted profit before tax (£58.249m) - 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 (£49.979m) and profit before tax (£49.455m).

Adjusted operating margin (6.9%) - This is calculated by dividing operating profit before exceptional items and amortisation of intangible assets (£58.773m) by group revenue including share of joint venture (£849.048m) 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 (6.1%) which is calculated by dividing operating profit (£49.979m) from group revenue from continuing activities (£816.276m).

Adjusted earnings per share (59.52p) - 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 (£849.048m) - 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 (£778.917m) - This measure is visible in Note 2 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 (£59.123m) - This measure is visible in Note 2 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 (£50.747m) which is also visible in Note 2.

Adjusted Engineering Services operating profit margin (7.6%) - This is calculated in the same way as adjusted operating profit margin but based on the adjusted Engineering Services operating profit (£59.123m) and the Engineering Services revenue (£778.917m) figures as set out above. The equivalent GAAP measure is engineering services operating profit margin (6.8%) which is calculated by dividing engineering services operating profit (£50.747m) from engineering services revenue excluding share of joint venture (£746.145m).