

SureserveGroup



Preliminary results

for the financial year ended 30 September 2020

Introduction

Revenue¹ **-7.7% to £195.7m**

EBITA² **+11.2% to £10.4m**

Transformed business positioned for growth

- Focused business model: Compliance and Energy Services
- De-risked business with recurring contract revenues to drive further growth
- Strong regulatory drivers underpin demand
- Debt free on back of strong cash generation
- Solid framework for growth supported by £355.8m Order Book providing visibility of earnings
- Fragmented market provides opportunities for both organic and acquired growth
- Management targets future shareholder returns
- Carbon neutral in each of the last three years

¹ Covid effect of c.£22m revenue delay.

² EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles.

Preliminary results - Group highlights

Key financial KPIs delivered

- Group revenue down 7.7% to £195.7m (2019: £212.1m) following c.£22m Covid-19 impact
- EBITA¹ up 11.2% to £10.4m (2019: £9.4m)
- Profit before tax on continuing operations up 45.9% to £7.8m (2019: £5.3m)
- Operating cash conversion (pre-IFRS 16) of 126% (2019: 106%)
- Dividend for the full year of 1.0 pence per share (2019: 0.5 pence per share)
- Much improved balance sheet with net cash of £9.8m (pre-IFRS 16 and deferred VAT payments of £6.1m) (2019 net debt: £7.4m)
- Order Book of £355.8m (2019: £333.2m)
- Earnings per Share (EPS) from continuing operations up 48% to 4.0p (2019: 2.7p)

Strategic & commercial progress

- Group established as leading Compliance and Energy Services provider delivering a strong period of contract wins. Total of 128 contract wins in the year worth £202.8m
- Continued reputation for delivery of quality services and market-leading positions in the highly-regulated public sector gas testing and energy services sectors

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles.

Divisional highlights

Compliance

69.4% of Group revenues



Largest provider of public sector gas testing.

Despite pandemic, significant success across Compliance services with new wins:

- £14.0m Gas servicing, repairs and installations with Homes for Haringey
- £8.4m Gas boiler upgrades and electrical testing works with Hinckley and Bosworth Council
- £5.0m Gas electrical testing contract with Colchester Borough Council
- £4.9m Gas servicing and maintenance works with Southern Housing
- £4.0m Gas repair and testing contract with Stonewater
- £4.0m Sprinkler installation works with Newport City Homes
- New contracts with Ongo Homes, Harrogate Borough Council, Your Housing, Salvation Army Housing Association, Southend Borough Council, Clarion Housing, Newcastle City Council

Compliance revenue **↑ 3.1%**

2020	£137.2m
2019	£133.1m

EBITA¹ **↑ 39.5%**

2020	£11.8m
2019	£8.5m

EBITA margin **↑ 2.2ppts**

2020	8.6
2019	6.4

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles.

Divisional highlights

Energy Services

30.6% of Group revenues



Significant impacts from the Covid-19 lockdown in the second half.

Despite this, a number of new wins and contract extensions:

- Up to £10.7m EWI and air source heat pump installations with Argyll Community Housing Association
- £5.4m air source heat pump installation works for E.ON
- £4.2m air source heat pump installations with Falkirk Council
- £4.0m air source heat pump installations with Wise Group
- Up to £13.0m additional smart metering work with EDF

Significant number of enquiries relating to work delivered through the Green Homes Grant scheme.

Energy Services revenue **↓ 26.5%**

2020	£60.4m
2019	£82.1m

EBITA¹ **↓ 81.8%**

2020	£0.8m
2019	£4.3m

EBITA margin **↓ 4.0ppts**

2020	1.3
2019	5.3

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles.

Results summary

12 months to 30 September	2020	2019	change
	£m	£m	%
Revenue	195.7	212.1	(7.7)
EBITA ¹	10.4	9.4	11.2
Exceptional and other items	–	(0.2)	
Amortisation of acquisition intangibles	(1.6)	(2.7)	
Operating profit	8.8	6.4	
Net interest payable	(0.7)	(1.1)	
Interest on lease agreements	(0.3)	–	
Profit on ordinary activities before tax	7.8	5.3	
Tax on profit on ordinary activities	(1.5)	(1.2)	
Profit on ordinary activities after tax	6.3	4.2	
Discontinued operations	–	0.8	
Earnings per share²	4.0p	2.7p	

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles.

² Earnings per share (EPS) from continuing operations.

Divisional analysis

12 months to 30 September	2020	2019	Change
Revenue	£m	£m	%
Compliance	137.2	133.1	3.1 ↑
Energy Services	60.4	82.1	26.5 ↓
Total divisional revenue	197.5	215.2	8.2 ↓
Inter segmental elimination	(1.8)	(3.1)	
Total revenue	195.7	212.1	7.7 ↓

12 months to 30 September	2020	2019	Change
EBITA ¹	£m	£m	%
Compliance	11.8	8.5	39.5 ↑
Energy Services	0.8	4.3	81.8 ↓
Central	(2.2)	(3.4)	
Group EBITA¹	10.4	9.4	11.2 ↑

EBITA ¹ margin	%	%
Compliance	8.6	6.4
Energy Services	1.3	5.3
Group EBITA¹ margin	5.3	4.4

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles.

Cash flow

		Pre-IFRS 16	
12 months to 30 September	2020	2020	2019
	£m	£m	£m
Operating profit	8.8	8.6	6.4
Depreciation and other items	6.9	2.8	4.3
Working capital	8.2	8.2	(5.2)
Cash used in operations	23.9	19.6	5.5
Exceptional cash items	(6.7)	(6.7)	4.4
Adjusted cash generated by continuing operations	17.2	12.9	9.9
Operating cash conversion	165%	126%	106%

Statement of financial position

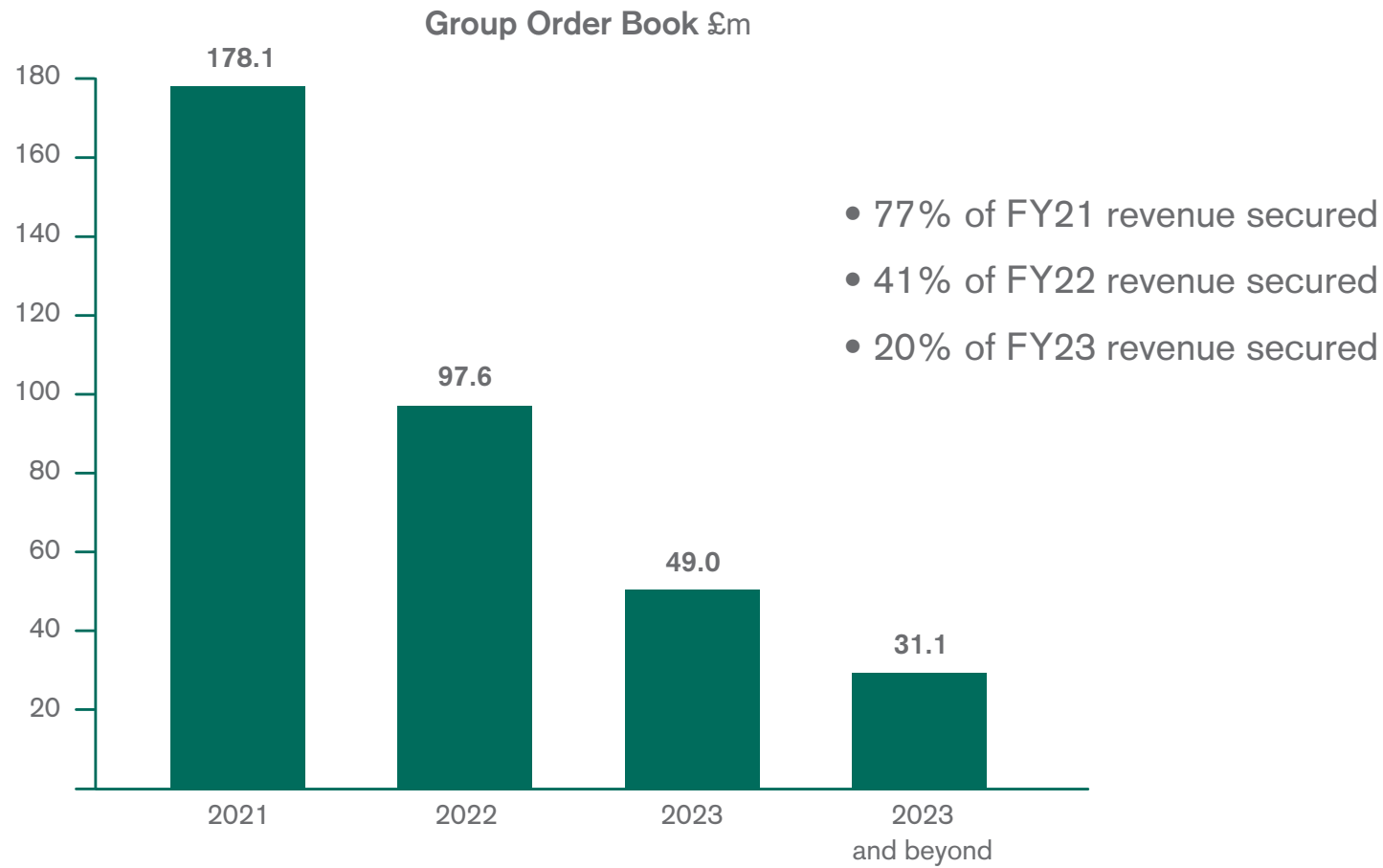
Balance at 30 September	2020	2019
	£m	£m
Goodwill and intangibles	43.1	44.5
Tangible and other	9.0	2.6
Non-current assets	52.1	47.1
Current assets	43.1	45.1
Net cash and equivalents	9.7	2.5
Current liabilities	(47.9)	(37.4)
Net current assets	4.9	10.2
Non-current liabilities	(6.9)	(3.2)
Debt	–	(9.8)
Net assets	50.1	44.3
Net current (liabilities)/assets (excluding cash and lease liabilities)	(1.6)	7.8
Net cash/(debt)	9.8	(7.4)

- £nil of the Group's revolving credit facility drawn at the period end
- Net cash of £9.8m (pre-IFRS 16 and deferred VAT payments of £6.1m) (2019 net debt: £7.4m)



Order Book

Group Order Book **£355.8m**
(2019: £333.2m)



Summary and outlook

Successful year of profitable growth

- The Group is a well established, profitable, focused company with two core areas of expertise: market-leading Compliance and Energy Services
- Senior team committed, rewarded and strengthened for market leading position
- Achieved carbon neutral performance for the third year running
- Debt free on back of strong cash generation
- New contract wins of £202.8m supported by £355.8m Order Book, providing visibility of forward earnings
- Strong performance in line with management expectations for FY20
- Solid start to the current financial year with 77% visibility for the year ended 30 September 2021
- Well-placed to be at the forefront of the energy transition in the UK

Appendix

Board members

- Bob Holt OBE, Chairman and Chief Executive
- Peter Smith, Chief Financial Officer
- Robert Legget, Senior Independent Director
- Derek Zissman, Non-Executive Director
- Christopher H.B. Mills, Non-Executive Director
- John Charlton, Group Company Secretary

Key Shareholders

- Harwood Capital LLP 19.18%
- Slater Investments 14.99%
- Estate of Steve Rawlings 10.91%
- Downing LLP 5.34%
- Chelverton Asset Management 4.86%
- Carol King 3.10%
- Sean Birrane 3.00%

Sureserve Group plc

Unit 1
Yardley Business Park
Luckyn Lane
Basildon
Essex SS14 3BZ

Tel: 020 3961 5210

www.sureservegroup.co.uk