

SureserveGroup



Preliminary results

for the financial year ended 30 September 2019

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Underlying revenue **+11% to £212.1m**

Underlying EBITA¹ **+16% to £9.4m**

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
- Cash generative with low debt profile
- Solid framework for growth supported by £333.2m order book providing visibility of earnings
- Strong order book leads to ¾ of 2020, ½ of 2021 and ¼ of 2022 revenues already secured
- Fragmented market provides opportunities for both organic and acquired growth
- Management targets future shareholder returns
- Carbon neutral in each of last two years

¹ EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before Exceptional and Other Items

Group highlights

Key financial KPIs delivered

- Group revenue up 11% to £212.1m (2018: £190.8m)
- Underlying EBITA up 16% to £9.4m (2018: £8.0m)
- Profit before tax on continuing operations up 174% to £5.3m (2018: £1.9m)
- Operating cash conversion of 106% (2018: 60%)
- Dividend for the full year of 0.5 pence per share (2018: 0.25 pence per share)
- Much improved balance sheet with net debt of £7.4m (2018: £11.4m)
- Order book of £333.2m (2018: £385.0m)
- 96 frameworks worth a total of £592.7m (2018: 110 frameworks worth £637.7m)
- Earnings per Share (EPS) from continuing operations 2.7p (2018: 0.7p). EPS excluding amortisation of acquisition intangibles and share based payments 4.4p (2018: 3.0p)

Strategic & commercial progress

- Repositioning of Group to focus on Compliance and Energy Services divisions has delivered a strong period of contract wins. Total contract wins of 146 worth £147.3m
- Continued reputation for delivery of quality services and market-leading positions in the highly-regulated public sector gas maintenance and energy management sectors
- Launched Sureserve Academy to provide skills training for employees and sourcing future workforce
- New appointment of Chief Financial Officer Peter Smith, formerly at MITIE

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Divisional highlights

Compliance

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Preliminary results to 30 September 2019

Number 1 in social housing Gas compliance

Significant success across Compliance services with new wins and contract extensions:

- £16.0m 20 year domestic and commercial heating service and maintenance contract with Clarion Housing Group
- £10.0m Gas servicing contract with Thurrock Council
- £8.6m Gas service and repair contract with Poplar HARCA
- £7.5m Gas servicing contract with Welwyn & Hatfield Council
- £6.0m Gas maintenance contract with North Kesteven District Council
- £5.1m Gas servicing contract with Ipswich Borough Council
- New contracts with Red Kite, London Borough of Hammersmith and Fulham, Optivo, Moat Housing Association, Wandle, City West Homes, East Kent

Water services growing with increased margins

Compliance revenue **↑ 14.4%**

2019	£133.1m
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2018	£116.3m
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Underlying EBITA¹ **↑ 38.8%**

2019	£8.5m
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2018	£6.1m
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Underlying margin **↑ 1.2pts**

2019	6.4%
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2018	5.2%
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¹ EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before Exceptional and Other Items

Divisional highlights

Energy Services

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Preliminary results to 30 September 2019

Strong period for new wins:

- Flagship £50.0m two year contract extension of the Warmworks joint venture with Scottish Government
- iSupply contract which initial estimates suggest has a maximum potential value of £20.6m
- Octopus energy contract for smart metering delivery worth up to £9.4m over an initial 18 month term
- £3.6m of awards with City of Edinburgh Council for a range of insulation and other measures
- £2.1m Gas installation maintenance contract with Tollcross Housing
- £2.1m EWI, bathroom and shower works contract with East Lothian Council
- £1.9m contract extension with Glasgow City
- £1.8m contract for insulation measures with Waverley Housing
- £1.7m EWI contract with Fife in Kirkcaldy

Energy Services revenue **↑ 5.6%**

2019	£82.1m
2018	£77.7m

Underlying EBITA¹ **↑ 7.9%**

2019	£4.3m
2018	£4.0m

Underlying margin **↑ 0.1pts**

2019	5.3%
2018	5.2%

¹ EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before Exceptional and Other Items

Results summary

12 months to 30 September 2019	2019	2018	change
	£m	£m	%
Revenue	212.1	190.8	11.2
Underlying EBITA ¹	9.4	8.0	16.4
Exceptional and other items	(0.2)	(0.3)	
Amortisation of acquisition intangibles	(2.7)	(4.3)	
Operating profit	6.4	3.4	
Net interest payable	(1.1)	(1.5)	
Profit on ordinary activities before tax	5.3	1.9	
Tax on profit on ordinary activities	(1.1)	(0.8)	
Discontinued operations	0.8	(11.5)	
Profit/(loss) on ordinary activities after tax	5.0	(10.4)	
Underlying earnings per share			
Basic	2.7p	0.7p	

¹ EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before Exceptional and Other Items

Divisional analysis

12 months to 30 September 2019	2019	2018	Change
Revenue	£m	£m	%
Compliance	133.1	116.3	14.4 ↑
Energy Services	82.1	77.7	5.6 ↑
Total divisional revenue	215.2	194.0	10.9
Inter segmental elimination	(3.1)	(3.2)	
Total revenue	212.1	190.8	11.2

- Compliance continued to post strong organic growth, based on new contract wins
- Energy Services growth was driven by metering business, together with contract wins in energy efficiency

12 months to 30 September 2019	2019	2018	Change
Underlying EBITA ¹	£m	£m	%
Compliance	8.5	6.1	38.8 ↑
Energy Services	4.3	4.0	7.9 ↑
Central	(3.4)	(2.1)	
Group underlying EBITA¹	9.4	8.0	16.4

Underlying EBITA ¹ margin	%	%
Compliance	6.4	5.2
Energy Services	5.3	5.2
Group underlying EBITA¹ margin	4.4	4.2

¹ EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before Exceptional and Other Items

Exceptional items

12 months to 30 September 2019	2019	2018
	£m	£m
Amortisation of acquisition intangibles	(2.7)	(4.3)
Exceptional costs	(0.2)	(1.0)
Exceptional income	–	0.7
Net exceptional items	(2.9)	(4.6)



12 months to 30 September 2019	2019 £m	2018 £m
Operating profit/(loss)	6.4	3.4
Depreciation, amortisation and other items	4.3	(6.4)
Working capital	(5.2)	(2.7)
Cash used in operations	5.5	(5.7)
Exceptional cash costs	4.4	2.4
Impact of discontinued activities	–	8.1
Underlying cash generated by continuing operations	9.9	4.8
Underlying operating cash conversion ¹	106%	60%

Underlying operating cash conversion

↑ 76% to 106%

- Underlying operating cash conversion reflects operating cash, excluding the cash impact of Exceptional and Other Items, versus underlying EBITA
- Cash is seasonal, compounded by a strong end to FY19

¹ Underlying operating cash conversion is operating cash flow, plus the cash impact of Exceptional and Other Items, as a percentage of underlying EBITA

Statement of financial position

12 months to 30 September 2019	2019	2018
	£m	£m
Goodwill and intangibles	44.5	47.9
Tangible and other	2.6	2.3
Fixed assets	47.1	50.2
Current assets	45.1	47.6
Cash and cash equivalents	2.5	1.7
Current debt	–	(12.9)
Current liabilities	(37.4)	(44.5)
Net current assets	10.2	(8.1)
Non-current liabilities	(3.2)	(3.0)
Long term debt	(9.8)	–
Net assets	44.3	39.1

- £10.0m of the Group's revolving credit facility drawn at the period end; net debt £7.4m (2018: £11.4m)

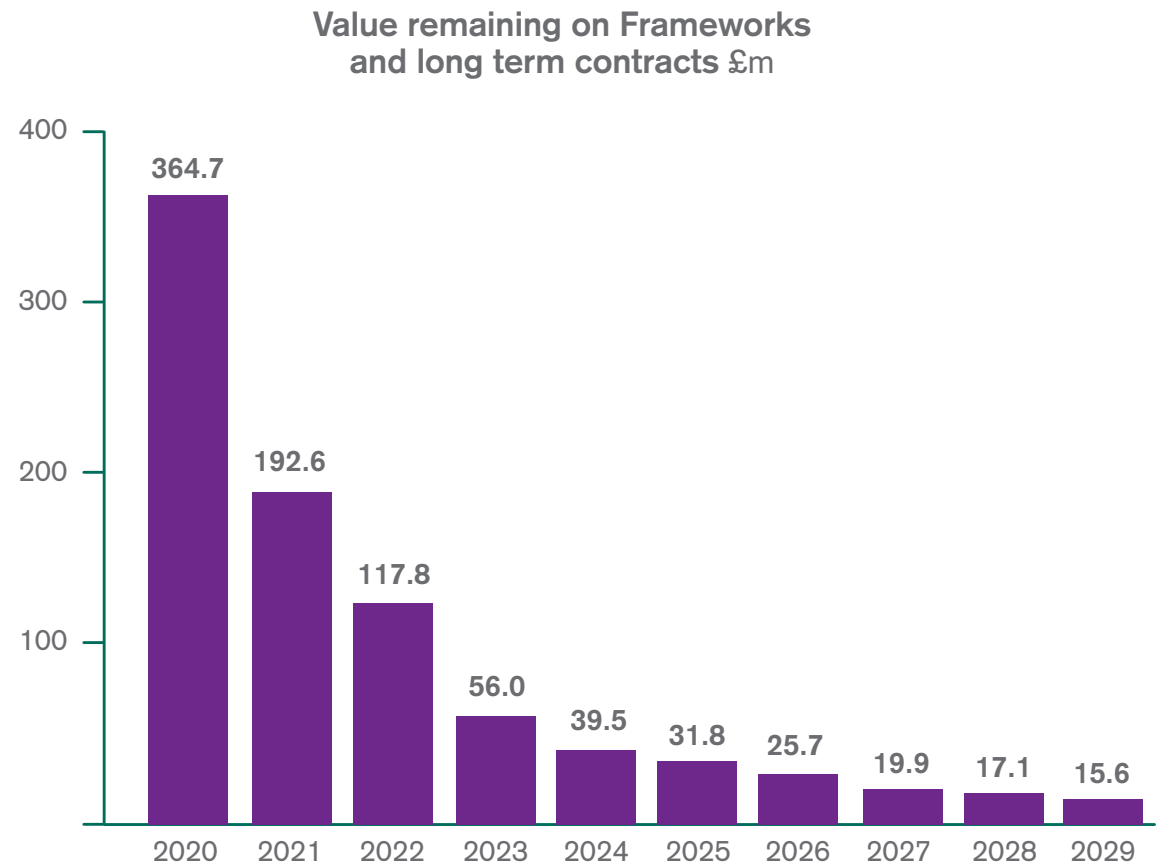
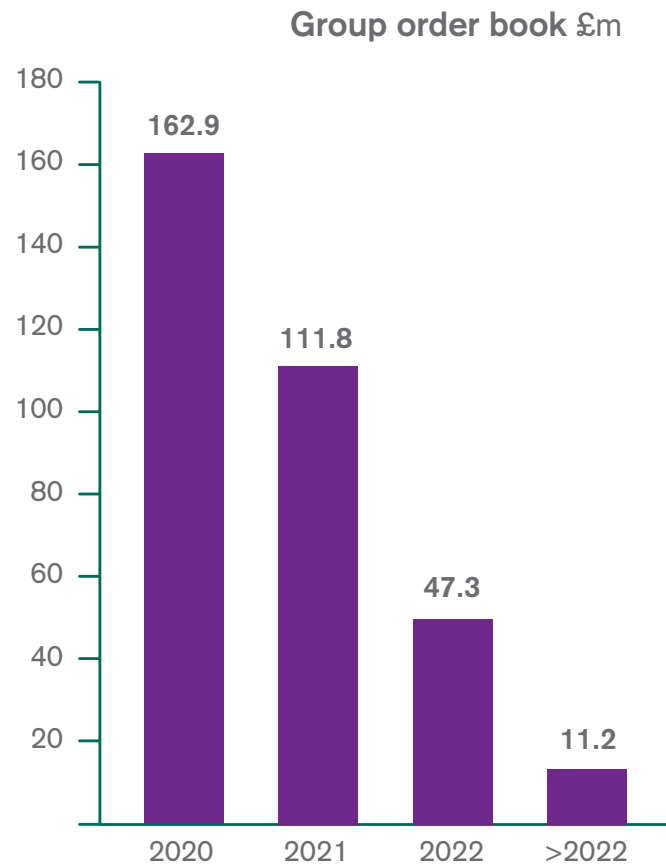


Order book: Strong visibility

Group order book **£333.2m**
(2018: £385.0m)

Number of Frameworks **96**

Value of Frameworks **£592.7m**



Transformed business positioned for growth

- Successful transition of business into profitable, focused company with two core areas of expertise: market-leading Compliance and Energy Services
- Operational processes and key personnel in place to support growth profile
- Achievement of delivering carbon neutral performance during 2019 for the second year running
- Strong cash generation supporting planned continued debt reduction
- New contracts and £333.2m order book provides visibility of forward earnings
- Performance ahead of management expectations
- Strong trading in the current financial year with circa 72% of future earnings covered in FY2020
- Well-placed for further organic growth in a fragmented and regional market

Board Members and Key Shareholders

Board Members

- Bob Holt OBE, Executive Chairman
- 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 | 19.23% |
| • Estate of Steve Rawlings | 10.95% |
| • Slater Investments | 10.06% |
| • Downing LLP | 5.74% |
| • Legal and General Investment Management Limited | 5.55% |
| • Michael McMahon | 3.59% |
| • Carol King | 3.36% |
| • Sean Birrane | 3.02% |

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