

SureserveGroup



Interim results

to 31 March 2019

Transformed business positioned for growth

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Bob Holt OBE,
Executive Chairman



Michael McMahon,
Chief Operating Officer

Underlying revenue **+13% to £102.5m**

Underlying EBITA¹ **+17% to £3.1m**

Transformed business positioned for growth

- Focused business model: Compliance and Energy
- De-risked business with scope to drive further growth
- Strong regulatory drivers underpin demand
- Highly cash generative with low debt profile
- Solid framework for growth supported by £350.5m Order Book providing visibility of earnings
- Consolidation opportunities from fragmented market place
- Management targets future shareholder returns

THE BOARD BELIEVES THAT THE GROUP'S BUSINESS FUNDAMENTALS REMAIN STRONG

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

Key financial KPIs delivered

- Group revenue up 13% to £102.5m (H1 2018: £91.1m)
- Underlying EBITA up 17% to £3.1m (H1 2018: £2.7m)
- Profit on continuing operations of £1.1m reflect turnaround from H1 2018 of £0.5m loss
- Underlying cash conversion of 51% (H1 2018: 25%)
- Comfortable balance sheet with net debt of £12.9m (H1 2018: £14.2m)
- Order book of £350.5m with £54.5m of new wins in period as well as £1.2bn of frameworks

Strategic & commercial progress

- Repositioning of Group to focus on Compliance and Energy Services businesses bearing fruit with new contracts totalling £54.5m won: Welwyn & Hatfield Council, City of Lincoln Council and North Kesteven District Council and 2 year contract extension for Warmworks JV in Scotland
- Operationally exploited strength of Sureserve brands to capture new business
- Launched Sureserve Academy to provide skills training for employees and sourcing future workforce
- New appointment of Chief Financial Officer Peter Smith, formerly at MITIE

STRONG GROWTH FROM CORE BUSINESSES

No 1 in social housing Gas compliance

Strong local brand presence

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

Divisional highlights

Compliance

63% of Group revenues

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Interim results to 31 March 2019

Number 1 in social housing Gas compliance

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

- £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 contract with North Kesteven District Council
- £4.5m contract extension with L&Q
- New contracts with Red Kite, London Borough of Hammersmith and Fulham, Optivo, Moat Housing Association, Wandle

Fire services market growing

Compliance revenue **↑ 17.2%**

2019	£65.7m
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2018	£56.1m
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Underlying EBITA¹ **↑ 11.6%**

2019	£2.6m
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2018	£2.4m
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Underlying margin **↓ 0.2pts**

2019	4.0%
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2018	4.2%
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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

37% of Group revenues



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Interim results to 31 March 2019

Strong period for new wins:

- Flagship £50m two year contract extension of the Warmworks joint venture in with Scottish Government
- Octopus energy contract for smart metering delivery worth up to £9.4m over an initial 18 month term
- £1.9m contract extension with Glasgow City
- £1.7m EWI contract with Fife in Kirkcaldy
- £1.2m EWI contract with East Lothian Council
- East Dunbartonshire Council (0.3m)

Energy Services market buoyant

Energy Services revenue **↑ 3.9%**

2019	£38.0m
2018	£36.6m

Underlying EBITA¹ **↑ 18.6%**

2019	£1.9m
2018	£1.6m

Underlying margin **↑ 0.6pts**

2019	5.0%
2018	4.4%

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

Results summary

6 months to 31 March 2019	2019	2018	change
	£m	£m	%
Revenue	102.5	91.1	13
Underlying EBITA ¹	3.1	2.7	17
Exceptional and other items	–	(0.3)	
Amortisation of acquisition intangibles	(1.4)	(2.2)	
Operating profit	1.7	0.2	
Net interest payable	(0.6)	(0.7)	
Profit/(loss) on ordinary activities before tax	1.1	(0.5)	
Tax on profit/(loss) on ordinary activities	(0.2)	0.2	
Profit/(loss) on ordinary activities after tax	0.9	(0.3)	
Discontinued operations	–	(11.8)	
Underlying earnings/(loss) per share			
Basic	0.6p	(7.7)p	

- Revenue growth is driven by contracts secured and mobilised by Compliance and higher installs in the Everwarm business
- Operating profit driven by performance improvements in the period

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6 months to 31 March 2019	2019	2018	Change
Revenue	£m	£m	%
Compliance	65.7	56.1	17.2 ↑
Energy Services	38.0	36.6	3.9 ↑
Total divisional revenue	103.7	92.7	12.0
Inter segmental elimination	(1.2)	(1.6)	
Total revenue	102.5	91.1	12.5

- 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
- Central costs are those costs that are not allocated directly in support of a segment and comprise certain group service functions
- Inter-segment trading comprises services provided between group companies charged at prevailing market prices

6 months to 31 March 2019	2019	2018	Change
Underlying EBITA ¹	£m	£m	%
Compliance	2.6	2.4	11.6 ↑
Energy Services	1.9	1.6	18.6 ↑
Central	(1.4)	(1.3)	
Group underlying EBITA¹	3.1	2.7	17.0

Underlying EBITA ¹ margin	%	%
Compliance	4.0	4.2
Energy Services	5.0	4.4
Group underlying EBITA¹ margin	3.0	2.9

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

Exceptional items

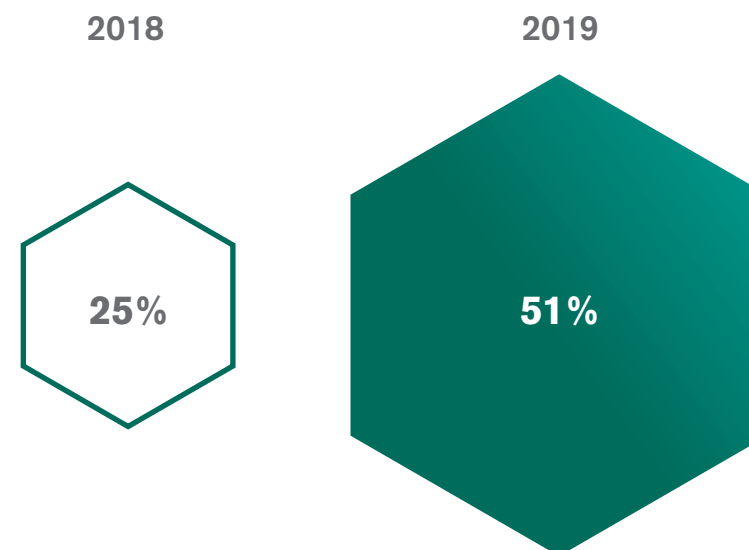
6 months to 31 March 2019	2019	2018
	£m	£m
Amortisation of acquisition intangibles	1.4	2.2
Exceptional costs	–	0.6
Exceptional income	–	(0.3)
Net exceptional items	1.4	2.5



6 months to 31 March 2019	2019	2018
	£m	£m
Operating profit	1.7	0.2
Depreciation and other items	1.8	2.8
Working capital	(5.3)	(13.9)
Cash used in operations	(1.8)	(10.9)
Exceptional cash costs	3.3	1.8
Impact of discontinued activities	–	9.8
Underlying cash generated by continuing operations	1.5	0.7
Underlying operating cash conversion ¹	51%	25%

Underlying operating cash conversion

↑ **104% to 51%**



- 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 FY18

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

6 months to 31 March 2019	2019	2018
	£m	£m
Goodwill and intangibles	47.0	49.5
Tangible and other	1.5	1.3
Fixed assets	48.5	50.8
Current assets	48.9	69.9
Net cash and equivalents	1.4	3.7
Current liabilities	(40.7)	(66.2)
Net current assets	9.6	7.4
Non-current liabilities	(3.9)	(2.3)
Debt	(14.2)	(17.8)
Net assets	40.0	38.1
Net current assets (excluding cash)	8.2	3.7
Net debt	12.9	14.2

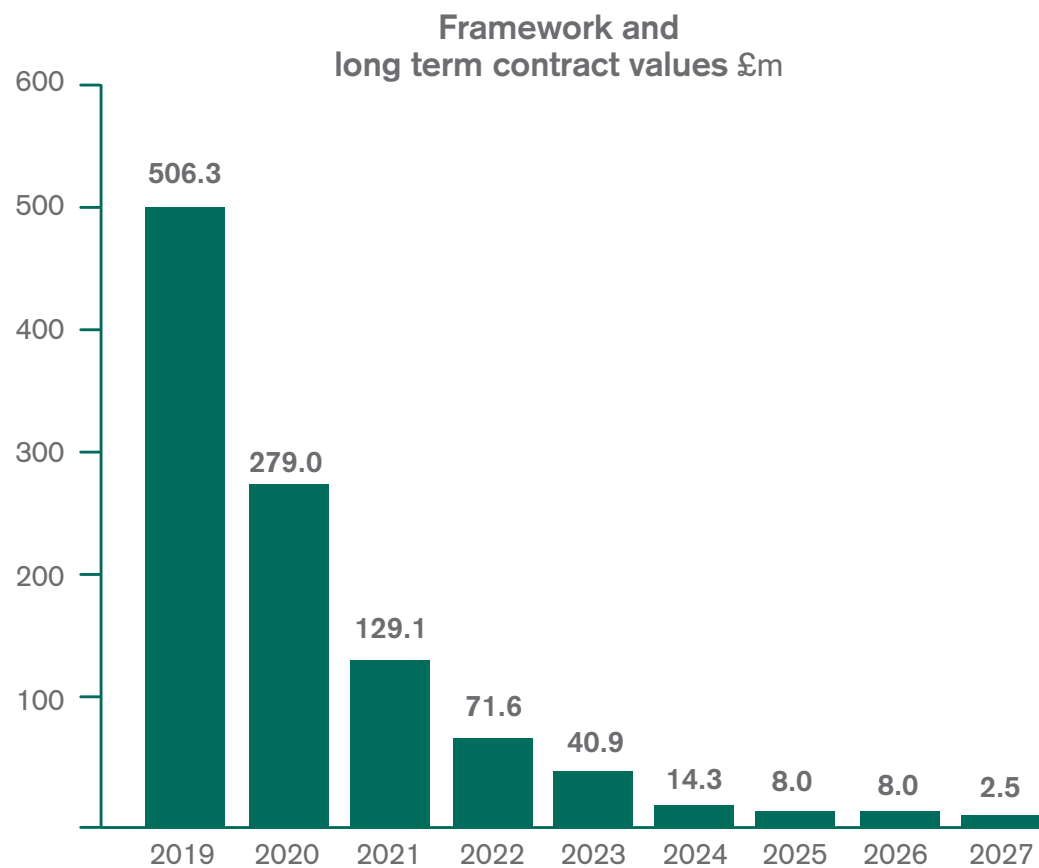
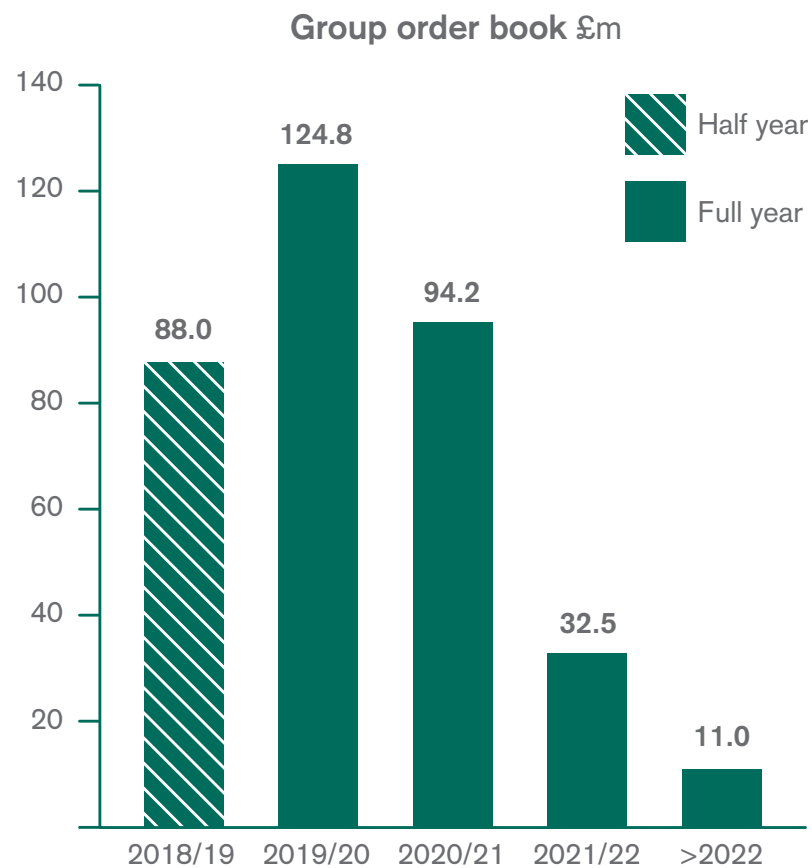
- £14.2m of the Group's revolving credit facility drawn at the period end; net debt £12.9m (2018: £14.2m)



Group order book **£350.5m**

Number of Frameworks **↑ 33 291**

Value of Frameworks **↑ 9% £1.2bn**



Our growth strategy

Group Compliance Energy services



Transformed business positioned for growth

- Successful transition of business into profitable, focused company with two core areas of expertise: Compliance and Energy Services
- Operational processes in place to support growth profile
- New contracts and £350.5m order book provides forward visibility of earnings
- Outlook in line with management expectations

THE BOARD BELIEVES THAT THE GROUP'S BUSINESS FUNDAMENTALS REMAIN STRONG

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