

Lakehouse plc



# Preliminary results

for the financial year ended 30 September 2017

02	Presentation Team
03	Group Overview
06	Divisional highlights
10	Results summary
16	Order book and Pipeline
17	Lakehouse growth drivers
18	Summary and outlook



**Bob Holt OBE,**  
Executive Chairman



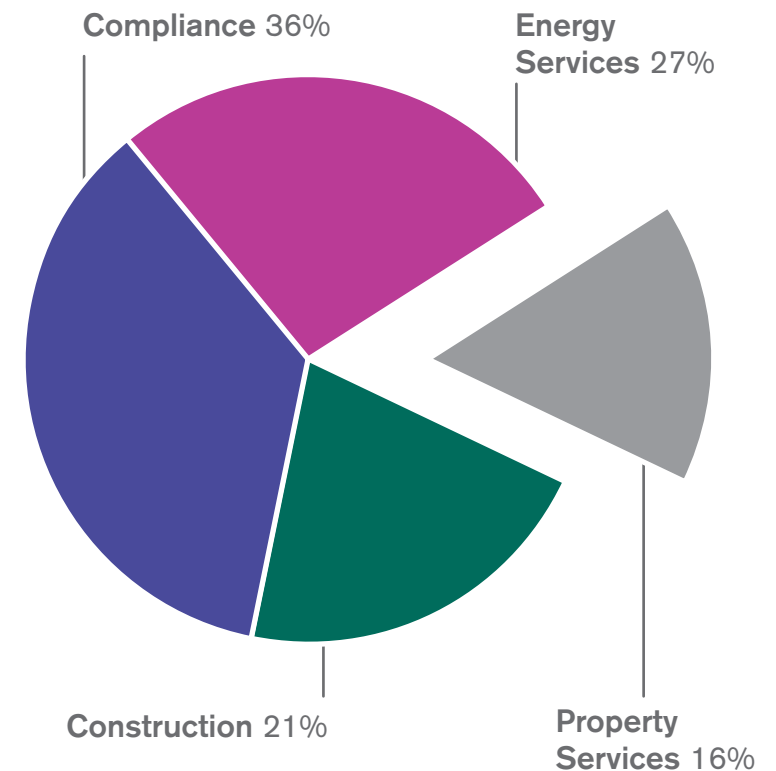
**Michael McMahon,**  
Chief Operating Officer



**Jeremy Simpson,**  
Chief Financial Officer

- Strong performance with underlying EBITA of £9.5m (£7.3m continuing operations, £2.2m Orchard Energy)
- Core businesses: Compliance, Energy Services & Construction delivered 21% in revenue growth and 15.8% increase in EBITA
- Group key KPI delivered:
  - £580m of new business wins
  - Value of frameworks up 22% from £1.6bn to £1.9bn
  - Order Book up 19% from £532m to £631m

### Breakdown of revenue



NATIONAL AND INTEGRATED SERVICES

**2,300** Number of employees

**29** Number of offices

- Turnaround achieved in Property Services division reflecting wholesale review of operational performance undertaken
- Non-core activities divested: sale of Orchard Energy for £12.4m
- Growth strategy identified: core businesses market leadership providing predictable revenue streams driven by growth in regulatory compliance obligations
- Balance sheet strengthened
  - Reduction in net debt to £1.3m ahead of expectations
  - Strong cash generation of 169%
- Full year dividend of 0.5p

Overview of underlying Group profitability	2017	2016
	£m	£m
Underlying EBITA: excluding Property Services	9.0	7.7
Underlying EBITA: Property Services	(1.7)	0.8
Group Underlying EBITA	7.3	8.5
Underlying EBITA: Discontinued activities (Orchard)	2.2	2.4
Underlying EBITA from continuing and discontinued activities	9.5	10.9

### NATIONAL AND INTEGRATED SERVICES

**2,300** Number of employees

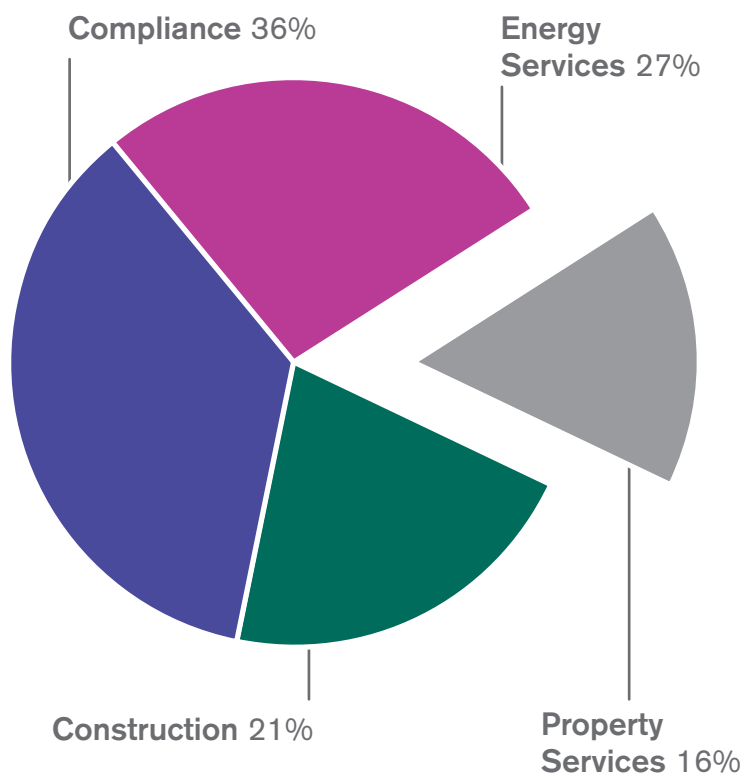
**29** Number of offices

# Group overview

Key highlights: Financial

Lakehouse plc | 05  
Preliminary results to 30 September 2017

## Breakdown of revenue



### Group

Underlying revenue **↓ 3.0%**

2017 **£290.3m**

2016 **£299.1m**

Underlying Group EBITA<sup>1</sup> **↓ 14.2%**

2017 **£7.3m**

2016 **£8.5m**

Order book **£631m ↑ 19%**

Value of Frameworks **£1.9bn ↑ 22%**

New wins **£580m**

### Group ex Property Services

Revenue Core **↑ 21.0%**

2017 **£243.3m**

2016 **£201.0m**

Underlying EBITA<sup>1</sup> Core **↑ 15.8%**

2017 **£9.0m**

2016 **£7.8m**

Order book **£528m ↑ 33%**

Value of Frameworks **£1.5bn ↑ 22%**

**STRONG GROWTH FROM CORE BUSINESSES**

No 1 in social housing Gas compliance

Strong brand presence

<sup>1</sup> EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before Exceptional and Other Items  
All figures above exclude Orchard Energy

## Divisional highlights

### Compliance

Lakehouse plc | 06  
Preliminary results to 30 September 2017

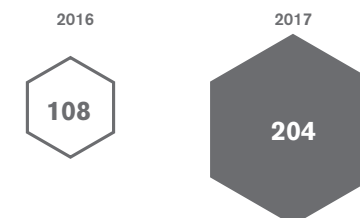
Significant success across Compliance services with new wins:

- £27m lift service programme with City of Westminster
- New contracts with Ealing, Haringey, Procurement for All, Fusion21, Shepherds Bush HA, Paragon HA, Coventry, Hammersmith and Fulham, Brent, Hyde HA and Newham
- A national programme with the Guinness Trust and multi-million pound Gas wins with Places for People, Central Bedfordshire, Corby, Moat Housing and Southern Housing

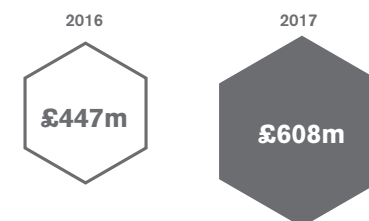
Focus on operational efficiency delivered stronger performance and margins

**Future strategy: service/geographic expansion and a common operating systems platform**

Number of frameworks **↑ 96**



Value of frameworks **↑ 36%**



Compliance revenue **↑ 14.6%**

2017	£104.3m
2016	£91.0m

Underlying EBITA<sup>1</sup> **↑ 29.5%**

2017	£8.0m
2016	£6.2m

Underlying margin **↑ 90ppt**

2017	7.7%
2016	6.8%

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



## Divisional highlights

### Energy Services

Lakehouse plc | 07  
Preliminary results to 30 September 2017

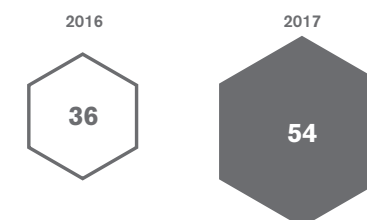


#### Strong period for new wins:

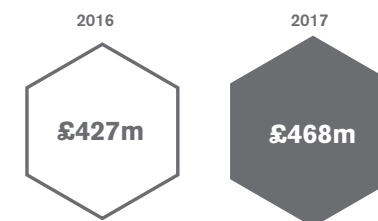
- Flagship £44m Aberdeenshire HIP framework, first placed on 28/32 areas in Scotland Excel, together with a series of local energy efficiency wins in Scotland
- Scottish Government HEEPS programme had a very strong half, reflecting significant demand in period
- Short term competitive landscape impacts margins but long-term fundamentals strong
- Smart metering mobilising well, with £1.3m cost of investment broadly in line with expectations
- FY18 a key year in achieving profitability, including a new meter standard being enforced

**Future focus on expanding geographical coverage of energy efficiency, capitalising on our market position in metering and harnessing new technologies**

#### Number of frameworks **↑ 18**



#### Value of frameworks **↑ 9%**



#### Energy Services revenue **↑ 30%**

2017	£79.0m
2016	£60.8m

#### Underlying EBITA<sup>1</sup> **↓ 29%**

2017	£4.0m	Excluding impact of metering £5.3m
2016	£5.7m	

#### Underlying margin **↓ 420ppt**

2017	5.1%	Excluding impact of metering 7.1%
2016	9.3%	

<sup>1</sup> EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before Exceptional and Other Items  
All figures above exclude Orchard Energy



## Divisional highlights

### Construction

Lakehouse plc | 08

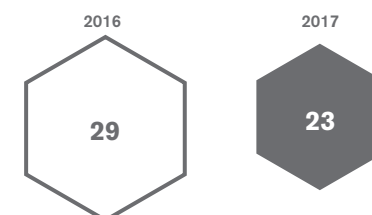
Preliminary results to 30 September 2017

Good return to revenue growth on back of roll out of delayed FY16 programmes

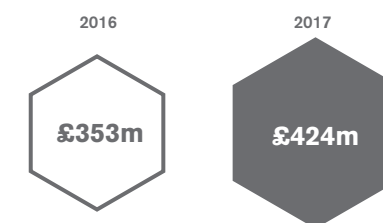
- Margins lower, reflecting increasingly contractual stance taken by clients
- Demise of Carillion adds uncertainty to the sector
- Pipeline remains strong: contracts won in the £2m to £8m range in the year and frameworks up by 20%, enhancing our source of future work
- Investigating new technology to improve building performance

**Future will focus on operational efficiency**

Number of frameworks **↓ 6**



Value of frameworks **↑ 20%**



Construction revenue **↑ 19%**

2017	£61.8m
2016	£52.1m

Underlying EBITA<sup>1</sup> **↓ 45%**

2017	£2.0m
2016	£3.6m

Underlying margin **↓ 370ppt**

2017	3.2%
2016	6.9%

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

## Divisional highlights

### Property Services

Lakehouse plc | 09

Preliminary results to 30 September 2017

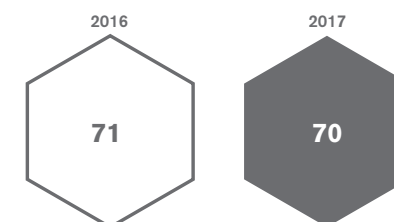
#### Lakehouse Property Services

- Lakehouse Property Services now stabilised
- FY17 focus on reducing risk and closing out legacy contracts
- Strictly managed resumption of bidding during H2

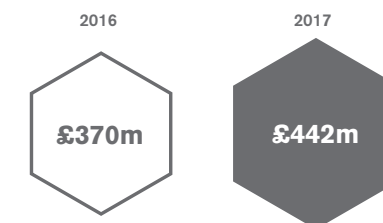
#### Foster

- Strong regional name
- Norwich planned works exited due to inconsistent work load
- Cost base downsized during year
- Broadening base of activities to return to “all purpose” offering in East Anglia, encompassing planned and reactive maintenance, small projects works and construction

Number of frameworks **↓ 1**



Value of frameworks **↑ 19%**



Property Services revenue **↓ 52%**

2017	£47.0m
2016	£98.1m

Underlying EBITA<sup>1</sup> **↓**

2017	£(1.7)m
2016	£0.8m

Underlying margin **↓**

2017	(3.5)%
2016	0.8%

<sup>1</sup> 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	2017 £m	2016 £m	change %
Revenue	290.3	299.1	(3.0)
Underlying EBITA <sup>1</sup>	7.3	8.5	(14.2)
Exceptional and other items	2.1	(12.2)	
Impairment	–	(19.2)	
Amortisation of acquisition intangibles	(10.5)	(11.2)	
<b>Operating profit/(loss)</b>	<b>(1.1)</b>	<b>(34.1)</b>	
Net interest payable	(2.0)	(1.6)	
<b>Profit/(loss) on ordinary activities before tax</b>	<b>(3.1)</b>	<b>(35.7)</b>	
Tax on profit on ordinary activities	1.4	4.5	
Discontinued operations	1.7	1.9	
<b>Profit/(loss) on ordinary activities after tax</b>	<b>0.0</b>	<b>(29.3)</b>	
Underlying EBITA <sup>1</sup> excluding Property Services	9.0	7.8	15.8
Underlying earnings per share			
Basic	3.7p	5.2p	

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

## Divisional analysis

### Revenues

12 months to 30 September	2017	2016	Change
Revenue	£m	£m	%
Compliance	104.3	91.0	14.6 ↑
Energy Services	79.0	60.8	29.9 ↑
Property Services	47.0	98.1	(52.1) ↓
Construction	61.8	52.1	18.7 ↑
<b>Total divisional revenue</b>	<b>292.1</b>	<b>302.0</b>	<b>(3.3)</b>
Inter segmental elimination	(1.8)	(2.9)	
<b>Total revenue</b>	<b>290.3</b>	<b>299.1</b>	<b>(3.0)</b>
Mobilisation of contracts		2.8	
Businesses being exited	9.2	25.3	
<b>Total statutory revenue</b>	<b>299.5</b>	<b>327.2</b>	
Discontinued: Orchard Energy	6.1	6.6	

- 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
- Property Services stabilised by year end, as final roofing contracts were executed and risk/reward assessment being made on all new contracts and clients
- Construction growth reflected catch up from prior year – focus is stable management, rather than outright growth; Carillion demise adds sector uncertainty

## Divisional analysis

### Underlying EBITA<sup>1</sup>

12 months to 30 September	2017	2016	Change
Underlying EBITA <sup>1</sup>	£m	£m	%
Compliance	8.0	6.2	29.5 ↑
Energy Services*	4.0	5.7	(29.0) ↓
Property Services	(1.7)	0.8	– ↓
Construction	2.0	3.6	(44.9) ↓
Central	(5.0)	(7.8)	34.7 ↑
<b>Group underlying EBITA<sup>1</sup></b>	<b>7.3</b>	<b>8.5</b>	<b>(14.2)</b>
Other items:			
Metering mobilisation	–	(2.5)	
Businesses being exited	(1.9)	(6.6)	
Discontinued: Orchard Energy	2.2	2.4	

- Compliance showed strong growth, boosted by contract wins and procurement
- Energy Services reflects £1.3m metering losses slightly above expectations and now reported through underlying trading. Energy efficiency performed well, but margin pressures continue.
- Property Services improved during H2 as we stabilised operations; we are targetting the business to break even in FY18
- Construction margins reflected a tougher contractual stance taken by clients

Underlying EBITA <sup>1</sup> margin	%	%
Compliance	7.7	6.8
Energy Services	5.1	9.3
Property Services	(3.5)	0.8
Construction	3.2	6.9
Central	(1.7)	(2.1)
<b>Group underlying EBITA<sup>1</sup> margin</b>	<b>2.5</b>	<b>2.9</b>
Excluding Property Services	3.7	3.9

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

\* Includes £1.3m smart metering mobilisation in FY17

## Exceptional items

12 months to 30 September	2017 £m	2016 £m
Acquisition costs	–	0.6
Final account provisions	0.9	–
Impairment of receivables	(0.5)	2.6
Restructuring and EGMs	2.6	2.5
<b>Exceptional costs</b>	<b>3.0</b>	<b>5.7</b>
Release of deferred consideration	(1.6)	(2.6)
Profit on sale of Orchard Energy	(5.4)	–
Net exceptional items	(4.0)	3.1

- Contract losses on businesses being exited were £1.9m (2016: £6.6m)
- Exceptional costs reflected clean-up of operations and review of legacy contracts as part of the operational improvement programme, together with the costs of AIM, managing media and investigating strategic options for the Group.



12 months to 30 September	2017 £m	2016 £m
Operating profit/(loss)	(1.1)	(34.0)
Depreciation and other items	7.1	32.2
Working capital	7.4	(1.2)
<b>Cash used in operations</b>	<b>13.4</b>	<b>(3.0)</b>
Interest paid (net)	(1.4)	(0.8)
Taxation	0.6	(0.2)
<b>Net cash used in operations</b>	<b>12.6</b>	<b>(4.0)</b>
Sale/(purchase) of operations	9.5	(17.7)
Purchase of operating assets	(1.2)	(1.2)
<b>Net cash used from investing activities</b>	<b>8.3</b>	<b>(18.9)</b>
Dividends paid	(0.8)	(4.6)
Proceeds from/(repayment of) revolving credit facility/bank borrowings	6.1	20.5
<b>Net cash generated from financing activities</b>	<b>5.3</b>	<b>15.9</b>
<b>Net increase/(decrease) in cash</b>	<b>26.2</b>	<b>(7.0)</b>
Cash generated from operations	13.4	(3.0)
Exceptional cash costs	1.9	16.2
Cash from discontinued activities	(2.8)	(2.4)
Underlying operating cash	12.4	10.9
Underlying operating cash conversion <sup>1</sup>	169%	127%

- Underlying operating cash conversion reflects operating cash, plus the cash impact of Exceptional and Other Items, versus underlying EBITA
- Working capital reflects a £1.6m reduction in “unbilleds” in our packaged subcontractor model, and a wider £5.8m of improvements
- Net sale of operations reflects the Orchard consideration, net of deferred consideration payments, predominantly the early settlement of Orchard (pre-sale) and sums due on Allied and H2O

<sup>1</sup> 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	2017 £m	2016 £m
Goodwill and intangibles	51.4	69.3
Tangible and other	5.6	4.9
<b>Fixed assets</b>	<b>57.0</b>	<b>74.2</b>
Current assets	70.4	75.4
Net cash and equivalents	25.9	(0.3)
Current liabilities	(71.8)	(68.4)
<b>Net current assets/(liabilities)</b>	<b>24.5</b>	<b>6.7</b>
Non-current liabilities	(4.1)	(9.2)
Debt	(27.2)	(20.7)
<b>Net assets</b>	<b>50.2</b>	<b>51.0</b>
Net current assets/(liabilities) (excluding cash)	(1.4)	7.0
Net debt	(1.3)	(20.6)

- Goodwill and intangibles reflect £10.5m amortisation charge, together with £7.8m on sale of Orchard
- £27.5m of the Group's revolving credit facility drawn at the period end; net debt £1.3m (2016: £20.6m)
- £17.0m drawn at 23 January 2018
- RCF agreed reduction from £35m to £25m after Orchard sale; £5.0m overdraft remains
- Outstanding deferred consideration £1.9m at period end (2016: £5.9m); £1.3m paid since

# Order book and pipeline

Group order book **£631m +19%**

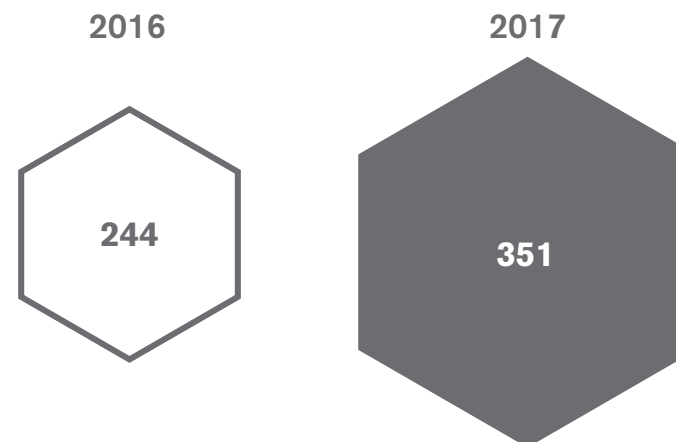
Compliance	↑ £33m
Energy Services	↑ £143m
Property Services	↓ £(33)m
Construction	↓ £(44)m
(2016 £532m)	

Value of frameworks **£1.9bn**

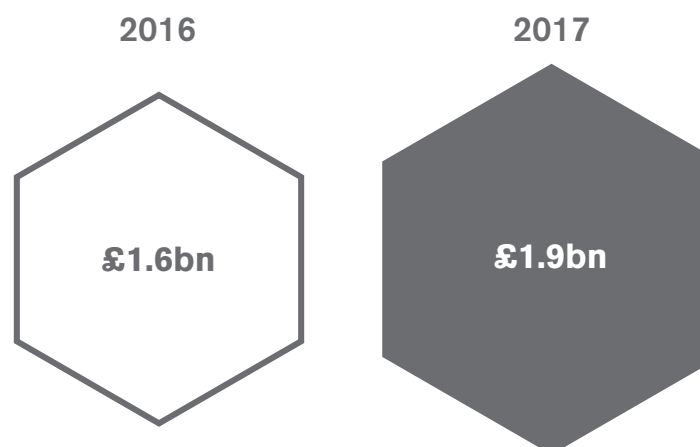
Compliance	↑ +36%
Energy Services	↑ +9%
Property Services	↑ +19%
Construction	↑ +20%
(2016 £1.6bn)	

Group pipeline **£3.7bn**  
(2016 £3.2bn)

Number of frameworks **↑107**



Value of frameworks **↑ 22%**





## Compliance regulation

- Increased UK regulation and legislation in social housing
- Lakehouse currently has a strong market position in Compliance and Energy Services
- Significant market opportunity for growth in adjacent services and geographic markets



## Social housing crisis

- 300,000 shortfall in social housing – creative solutions required to maximise current properties
- Current pricing pressures leading to long term opportunities and demand for our compliance services



## Environmental targets

- Energy providers are obliged under the Government's Energy Company Obligation policy to fund energy efficiency measures – expected to run to 2022
- £11bn smart meter roll out programme
- Scottish Government's flagship Home Energy Efficiency Programme for Scotland



## Demands on education

- 730,000 school places required by 2020 – equivalent to 2,000 new schools
- Our core markets of London, the East and South East make up half of the required places

- Business platform established to exploit strong market dynamics, driven by increased regulatory compliance obligations
- Strong order book and frameworks provide visibility of revenues
- Carillion demise adds uncertainty to the Construction sector
- Settled experienced management team
- Turnaround achieved with legacy contracts closing
- Commitment to a dividend
- Confident in the Group's future prospects

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

**Lakehouse plc**

1 King George Close  
Romford  
Essex  
RM7 7LS

Tel: 01708 758 800

**[www.lakehouse.co.uk](http://www.lakehouse.co.uk)**