Lakehouse plc

Preliminary results

for the financial year ended 30 September 2016

Contents

03 Presentation team

04 Key highlights

05 Group overview

06 Results summary

12 Order book and pipeline

13 The future

14 Summary and outlook

Presentation team

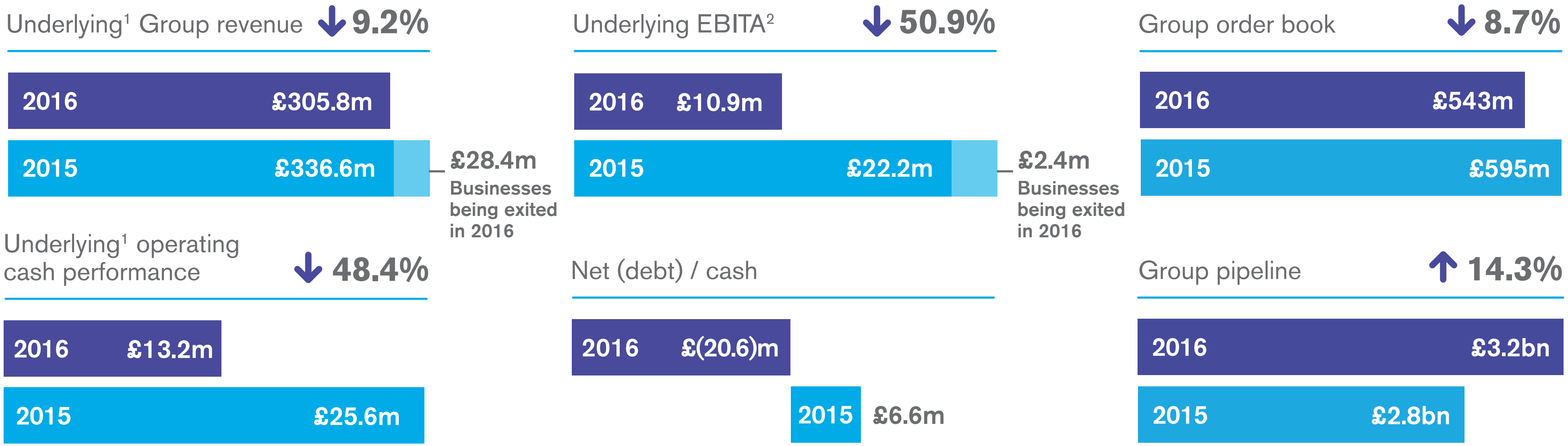
Bob Holt OBE,
Executive Chairman

Jeremy Simpson,
Chief Financial Officer

Michael McMahon,
Executive Director

Group overview

Key highlights



Underlying earnings per share **5.2p**

Final dividend proposed **0.5p**

- Underlying[1] Group revenue £305.8m
- Underlying EBITA[2] £10.9m
- Underlying[1] EBITA margin of 3.6%
- Underlying[1] PBT of £9.9m
- Exceptional and Other Items of £12.2m, together with impairment of £19.2m and amortisation of £11.2m
- Order book of £543m and sales pipeline of £3.2bn
- High bidding success rate in Q4 provides momentum for FY17

Trading in the period

- Review of strategy and operations complete
- Compliance, Energy Services and Construction well established, excellent businesses with a clear vision
- New management in Property Services and problem externals departments closed
- Some project timing in Compliance and Construction
- Pricing stabilised in Energy Services; focus on mobilising smart metering

[1] Underlying numbers are stated before Exceptional and Other Items

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

Lakehouse is an asset and energy support services group, focused on customers and their communities. We make a difference to people's lives by constructing, improving, maintaining and providing services to homes, schools, public and commercial buildings.

	Compliance	Energy Services	Property Services	Construction
REVENUE Year ended 30 September 2016	£91.0m / 29%	£67.4m / 22%	£98.1m / 32%	£52.1m / 17%
SERVICES	Gas / Fire & Electric / Water & Air / Lifts Servicing Maintenance Installations	Energy efficient measures Funding / Fuel poverty management Metering Energy management Energy advisory	Planned maintenance Responsive repair / maintenance Estate regeneration	Construction Refurbishment
MARKETS	Social housing Public buildings Industrial and commercial	Private and social housing Public buildings Industrial and commercial	Social housing	Education Public buildings

EXTENSIVE AND INTEGRATED SERVICES

2,250 Number of employees

33 Number of offices

Results summary

12 months to 30 September	2016 £m	2015 £m	change %
Underlying[1] Revenue	305.8	336.6	(9.2)
Underlying EBITA[2]	10.9	22.2	(50.9)
Exceptional and other items	(12.2)	(11.1)	
Impairment	(19.2)	—	
Amortisation of acquisition intangibles	(11.2)	(6.5)	
Operating profit/(loss)	(31.7)	4.6	
Net interest payable	(1.6)	(1.4)	
Profit/(loss) on ordinary activities before tax	**(33.3)**	**3.2**	
Tax on profit on ordinary activities	4.0	(0.8)	
Profit/(loss) on ordinary activities after tax	(29.3)	2.4	
Underlying profit before tax	9.9	**21.6**	**(54.2)**
Underlying earnings per share			
Basic	**5.2p**	**13.7p**	
Diluted	5.1p	12.3p	

[1] Underlying numbers are stated before Exceptional and Other Items

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

Divisional analysis
Revenues

Year to 30 September Revenue	2016 £m	2015 £m	Change %
Compliance	91.0	36.6	148.5
Energy Services	67.4	68.0	(0.9)
Property Services	98.1	161.7	(39.3)
Construction	52.1	73.4	(29.1)
Total divisional revenue	**308.6**	**339.7**	**(9.2)**
Interdivisional elimination	**(2.8)**	(3.1)	
Underlying[1] revenue	**305.8**	**336.6**	**(9.2)**
Businesses being exited	**28.0**	3.6	
Statutory revenue	**333.8**	**340.2**	**(1.9)**

Group underlying revenue (£m)

FY15	Organic	Businesses being exited	Metering	Acquisitions	FY16
336.6	(59.6)	(28.4)	(2.8)	60.0	305.8

- Compliance reflects £56.1m of acquisitions; underlying business strong but poor year in Allied (project work)
- Energy Services performed well against a backdrop of lower energy subsidies (£3m) and exit of Energy South (£7.3m revenues in FY15)
- Property Services performed poorly against a backdrop of lower client budgets:
  - Exit from Roofing accounted for £21.1m of revenue reduction year on year
- Construction frustrated by two stage procurement, with an average six month delay on 17 contracts
- Businesses being exited reflects directly delivered externals work in Property Services (2015: our Development business)

[1] Underlying numbers are stated before Exceptional and Other Items

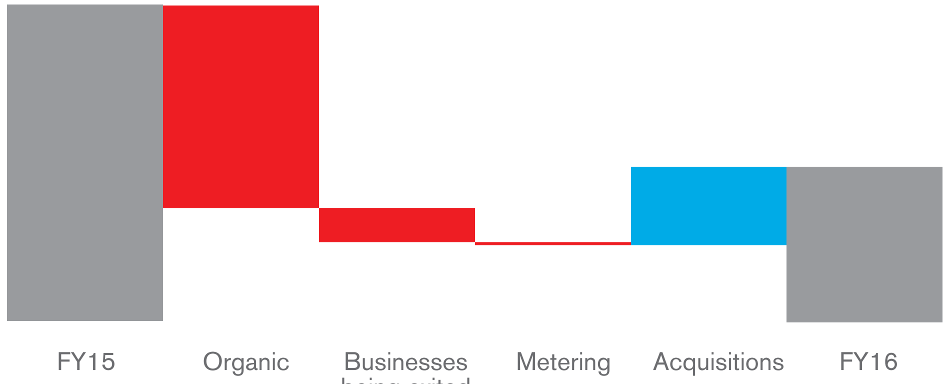
Divisional analysis

Underlying EBITA[1]

Year to 30 September	2016	2015	Change
Underlying EBITA[1]	**£m**	**£m**	**%**
Compliance	6.2	4.5	36.8
Energy Services	8.0	9.6	(16.1)
Property Services	0.8	10.5	(92.6)
Construction	3.6	4.8	(25.5)
Central	(7.7)	(7.2)	6.5
Group underlying EBITA[1]	**10.9**	**22.2**	**(50.9)**

Underlying EBITA[1] margin			Direction in future
Compliance	6.8%	12.3%	↑
Energy Services	11.9%	14.1%	↔
Property Services	0.8%	6.5%	↔
Construction	6.9%	6.6%	↔
Central	(2.5)%	(2.1)%	
Group underlying EBITA[1] margin	**3.6%**	**6.6%**	↑

Group underlying EBITA[1] (£m)



FY15	Organic	Businesses being exited	Metering	Acquisitions	FY16
22.2	(14.2)	(2.4)	(0.2)	5.5	10.9

- Compliance EBITA reflects mix brought by acquisitions, offset by poor Allied performance — future improvements driven through procurement, operational efficiency and mix
- Energy Services reflects £3m impact of lower carbon pricing, now stabilised
- Property Services reflects poor performance and year end contract reviews
- Construction remained strong, demonstrating underlying resilience

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

Non-trading and exceptional costs

Year to 30 September	2016 £m	2015 £m
Contract losses on businesses being exited	6.6	2.5
Smart metering mobilisation costs	2.5	—
	9.1	**2.5**
Exceptional items:		
Acquisition costs	0.6	0.8
Contract costs	–	2.9
Impairment of receivables	2.6	–
Release of deferred consideration	(2.6)	–
Restructuring and EGMs	2.5	0.8
IPO costs	—	4.1
	3.1	**8.6**
Impairment of goodwill and intangible assets acquired	19.2	–
Amortisation of acquisition intangible assets	11.2	6.5
	42.6	**17.6**
Unamortised financing costs included in finance expense	–	0.4
Unwinding of discount of deferred consideration	0.6	0.4
Loss before taxation	**43.2**	**18.4**

- Contract losses on businesses being exited represent losses on our direct delivered externals departments within Property Services
- Smart metering mobilisation costs relate to costs of training engineers in Providor, together with mobilisation complexities in planning work, documenting installations, inventory management and systems development
- Acquisition costs related to Aaron Heating Services and Precision Lift Services
- Impairment of receivables relate to two specific contracts that we continue to pursue
- Restructuring and EGMs reflect redundancies, departure of former directors and legal costs
- Release of deferred consideration relates to the renegotiation of sums due to former owners of H2O Nationwide and no further sums being due to the former owners of Providor and Sure Maintenance
- Impairment relates to write-off of Foster goodwill and technical adjustments in Providor

Cash flow

Year to 30 September	2016	2015
	£m	£m
Operating profit	(31.7)	4.6
Depreciation and other items	29.9	7.6
Working capital	(1.2)	6.9
Cash generated from operations	(3.0)	19.1
Interest paid (net)	(0.8)	(0.5)
Taxation	(0.2)	(1.9)
Net cash generated from operating activities	**(4.0)**	**16.7**
Purchase of operations	(17.7)	(29.7)
Purchase of operating assets	(1.2)	(1.3)
Net cash used from investing activities	**(18.9)**	**(31.0)**
Dividends paid	(4.6)	—
Proceeds from issue of new shares	—	31.0
Proceeds from / (repayment of) revolving credit facility / bank borrowings	20.5	(14.0)
Net cash generated from financing activities	15.9	17.0
Net increase / (decrease) in cash	**(7.0)**	**2.7**
Cash generated from operations	(3.0)	19.1
Exceptional cash costs	16.2	6.5
Underlying operating cash	13.2	25.6
Underlying operating cash conversion[1]	121%	115%

- Underlying operating cash conversion reflects operating cash, plus the cash impact of Exceptional and Other Items, versus underlying EBITA
- Working capital reflects predominantly a £6.0m reduction in negative work in progress on our packaged subcontractor model, due to decline in Property Services revenues and project timing in Construction
- Exceptional cash costs of £16.2m reflect prior year items (£2.9m), businesses being exited (£7.5m), metering (£3.8m) and other items (£2.0m)

* 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

Year to 30 September	2016 £m	2015 £m
Goodwill and intangibles	69.3	83.5
Tangible and other	4.7	4.2
Fixed assets	**74.0**	**87.7**
Current assets	75.7	85.9
Cash	(0.3)	6.5
Current liabilities	(68.4)	(84.2)
Net current assets/(liabilities)	**7.0**	**8.2**
Non-current liabilities	(9.7)	(10.1)
Debt	(20.3)	(0.3)
Net assets	**51.0**	**85.5**
Net current assets (excluding cash)	7.3	1.7
Net negative work in progress (packaged subcontractors)	(12.0)	(18.0)
Net cash/(debt)	(20.6)	6.6

- Goodwill and intangibles reflect £11.2m amortisation, £19.2m impairment, offset by £15m of acquired items
- £21m of the Group's revolving credit facility drawn at the period end; net debt £20.6m (2015: cash of £6.6m)
- £28m drawn as at today
- Acquisitions accounted for £17.7m, Manor Road land £1.1m and dividends £4.6m
- RCF revised downwards from £45m to £35m after year end
- New covenants put in place to reflect revised earnings expectations, at a higher rate of interest

Order book and pipeline

Group order book		£543m
Compliance	↑	65%
Energy Services	↓	30%
Property Services	↓	27%
Construction	↓	11%

(2015 £595m)

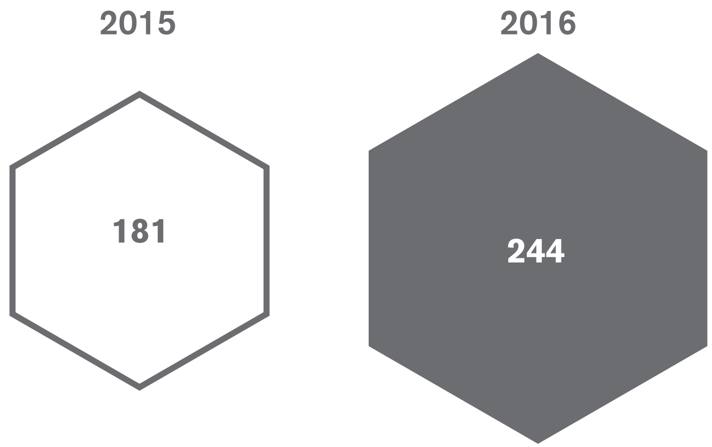
Value of frameworks		£1.6bn
Compliance	↑	405%
Energy Services	↑	45%
Property Services	↓	31%
Construction	↓	16%

(2015 £1.3bn)

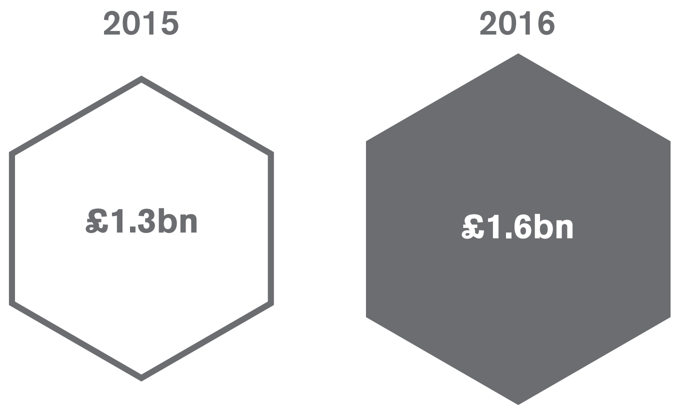
Group pipeline £3.2bn

(2015 £2.8bn)

Number of frameworks ↑ 63



Value of frameworks ↑ 19%



The future

Opportunities for growth

	Compliance	Energy Services	Property Services	Construction
ORGANIC GROWTH	▪ Secure long term contracts with public sector clients ▪ Geographic expansion – for Gas businesses in adjacent territories and other Compliance through our established national network ▪ Expand core services among existing clients into related areas where we have expertise ▪ Cross-sell into other Group customers	▪ Geographical expansion into new areas, backed by a strong track record ▪ Capitalise on success of HEEPS to expand similar services elsewhere ▪ Opportunities from transition to the new Energy Company Obligation regime in 2018-2022 ▪ Longer term move into at an asset compliance and ownership model, especially in metering	▪ Focus on operational performance ▪ Bid only on a selective basis and only with a core group of customers ▪ Rigorous focus on risk vs return ▪ Cost management and operating efficiencies to improve margins	▪ The Education market provides considerable opportunity - we work predominantly with primary schools, so there is natural growth into Secondary and Higher education ▪ Wider public buildings, such as defence and fire establishments ▪ Growth west and north into adjacent geographic territories
CORPORATE DEVELOPMENT	Regional 'bolt-on's	Energy advisory Building energy management systems	Not a current priority	Not a current priority

EXTENSIVE AND INTEGRATED SERVICES

Summary and outlook

- Period of intensive restructuring complete
- Solid core business with established market positions and customer relationships
- Strong cash generation
- Forward visibility: 87% of forecast revenues
- Final dividend of 0.5p per share, reflecting the Board's confidence in the Group's underlying performance
- Group positioned for turnaround scenario

The Board believes that the Group's business fundamentals remain strong

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