

Lakehouse plc



Interim results

to 31 March 2016

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- **New appointments to the Board 18 April 2016**

- Ric Piper, Non-Executive Chairman and Nomination Committee Chairman
- Robert Legget, Senior Independent Director
- Steve Rawlings, Non-Executive Director



- **Continuing Board**

- Jeremy Simpson, Chief Financial Officer
- Michael McMahon, Executive Director
- Jill Ainscough, Non-Executive Director and Remuneration Committee Chair
- Johnathan Ford, Non-Executive Director and Audit Committee Chairman



- We have begun the process of recruiting a new Chief Executive Officer
- MDs of our four divisions have combined length of service at Lakehouse of 27 years

Group overview

Key highlights

Group revenue **↑ 4%**

2016	£167.8m
2016 like for like	£130.1m ↓ 17%
2015	£161.3m

Underlying operating cash performance **(170%) conversion**

2016	(£11.4m)
2015	£11.3m

Underlying EBITA* **↓ 42%**

2016	£5.1m
2016 like for like	£1.7m ↓ 80%
2015	£8.9m

Net (debt) / cash

2016 March	£(22.6)m
2015 Sep	£6.6m
2015 March	£21.1m

Group order book **↑ 13%**

2016	£636m
2015	£563m

Group pipeline **↑ 26%**

2016	£3.4bn
2015	£2.7bn

Underlying earnings per share **2.4p**

Interim dividend proposed **1.0p**

- Group revenue increased to £167.8m
- Underlying EBITA* decreased to £5.1m
- EBITA margin of 3.1%, down 240bps
- Underlying profit before tax** decreased to £4.7m
- High bidding success rate: contract wins of £441m in the period
- Order book of £636m and sales pipeline of £3.4bn

Trading in the period

- Market headwinds impacted Regeneration and Energy Services
- Performance challenges in Regeneration
- Project timing in Compliance and Construction

* EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before exceptional and other items

** Other underlying numbers are stated before exceptional and other items

- Acquisitions have brought an expanded geographic platform and service offering
- Now focused on organic growth: expansion of geographic reach; cross-selling of services; expanding adjacent services



- Established territory
- Target organic growth areas
- Major offices
- Satellite offices

Client	Lead business	Domestic Gas	Commercial Gas	Electrical	Fire	Planned fabric	Kitchens & Bathrooms	Energy	Smart metering	Sub meter	Energy efficiency	Water	Responsive repairs	Education (Academy)	Voids	Lifts
Client A: Housing Association	Regeneration															
Client B: Housing Association	Regeneration															
Client C: Local Authority	Compliance															
Client D: Housing Association	Compliance															
Client E: Local Authority	Compliance															
Client F: Housing Association	Compliance															
Client G: Local Authority	Compliance															
Client H: Housing Association	Compliance															
Client I: Charity	Compliance															
Client J: Property & Development	Compliance															
Client K: Local Authority	Energy Services															
Client L: Local Authority	Energy Services															
Client M: Property & Development	Energy Services															
Client N: Utility	Energy Services															
Client O: Local Authority	Construction															

- Current
- Current Framework
- Target
- Current (developed in period)
- Current Framework (developed in period)

Group order book **£636m**

Compliance	↑	210%
Energy Services	↓	14%
Regeneration	↓	23%
Construction	↑	21%

(March 15 £563m)

Value of frameworks **£1.58bn**

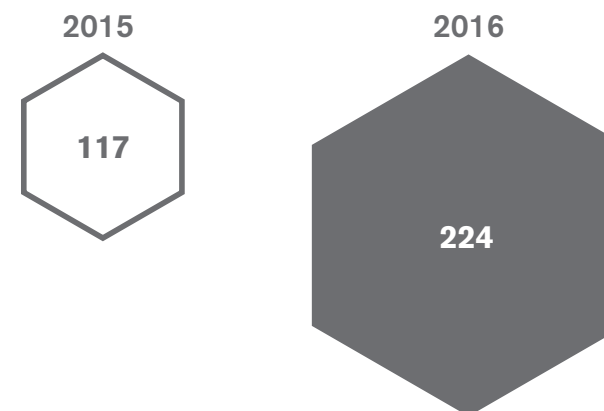
Compliance	↑	328%
Energy Services	↑	1136%
Regeneration	↑	10%
Construction	↑	19%

(March 15 £917m)

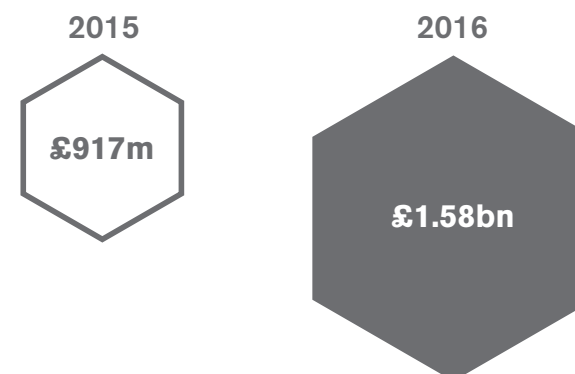
Group pipeline **£3.4bn**

(March 15 £2.7bn)

Number of frameworks **↑ 107**



Value of frameworks **↑ 72%**



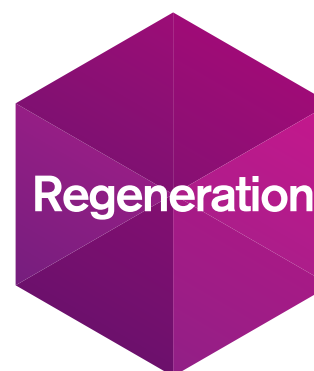
All divisions have increased 'Value of frameworks' in the period

Continuing to win new work

Bidding successes since the period end

Division	Client	Services	Contract	Value
Compliance	Re:allies	Gas servicing and maintenance	Framework	£5m
Compliance	Procurement for Housing	Heating service repair and maintenance	Framework	£10m
Energy Services	Fife Council	Supply and installation of EWI	Contract	£3.6m
Energy Services	Islington Council	High rise EWI	Contract	£3.7m
Regeneration	Cambridgeshire CC	External decorations and roof renewal	Contract	£2.4m
Regeneration	Surrey CC	Flat and pitched roof replacement	Contract	£0.7m
Construction	London Borough of Brent	Primary School Extension	Contract	£10m
Construction	People for Places	Development	Framework	£3.4m

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.



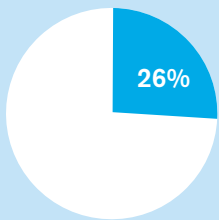
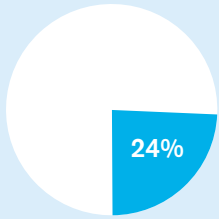
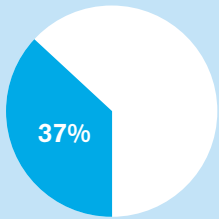
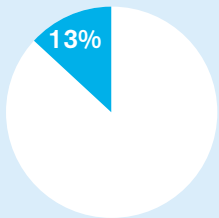
REVENUE <small>Six months ended 31 March 2016</small>	£43.2m / 26%	£41.0m / 24%	£63.2m / 37%	£21.7m / 13%
SERVICES	Gas / Fire & Electric / Water & Air / Lifts Servicing Maintenance Installations	Energy efficient measures Renewable technologies Funding Metering Energy management	Planned maintenance Responsive 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 (84% in H1) Public buildings

EXTENSIVE AND INTEGRATED SERVICES

2400 Number of employees

35 Number of offices

Key business drivers by division

Division	% revenue for the period	Key business drivers
Compliance		<ul style="list-style-type: none"> ▪ Regulatory requirements ▪ Mix of work (service, maintenance, project) ▪ Seasonal influences in gas and lift markets ▪ Reliability and performance of service ▪ Productivity and manpower efficiency
Energy Services		<ul style="list-style-type: none"> ▪ Fuel poverty ▪ Understanding subsidy regime ▪ Compliance with claims submission process ▪ Scheduling of manpower, especially smart metering ▪ Responsiveness to market changes / opportunities ▪ Client service
Regeneration		<ul style="list-style-type: none"> ▪ Client budgets ▪ Framework awards ▪ Numerical position on framework ▪ Contract settlements and claims ▪ Mix of work (internals vs externals) ▪ Delivery method (direct vs subcontract) ▪ Range of specialist services ▪ Operational grip
Construction		<ul style="list-style-type: none"> ▪ Ability to be selective in taking work ▪ Long term frameworks ▪ Service and delivery quality (via supply chain) ▪ Control over project management

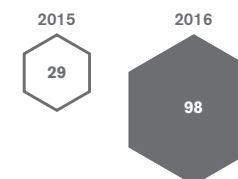
Compliance

- Revenue growth reflects Aaron and Precision part year contributions and growth in Sure
- Like for Like** revenues £3.2m (16%) lower predominantly due to timing of project work in Fire business
- Division is highly seasonal - significant proportion of annual profit expected in H2
- Cross-selling successes delivered
- 25 contract wins in the period (Brighton and Hove, Swindon)
- 12 framework wins in the period (South East Consortium, Salvation Army Housing)
- Acquisition of Aaron (gas) and Precision (lifts) completed in the period and integration on track

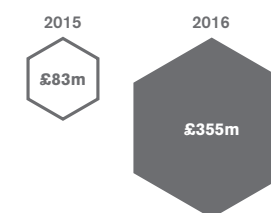
Looking ahead

- Critical mass achieved, benchmarking performance and creating nationwide opportunities

Number of frameworks **↑ 69**

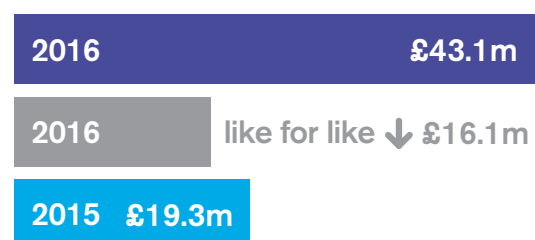


Value of frameworks **↑ 328%**



Significant increase in value of frameworks due to new wins and acquisitions

Compliance revenue **↑ 123%**



Underlying EBITA* **↓ 7%**



Underlying margin **↓ 820bps**



* EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before exceptional and other items

** "Like for Like" excludes the effect of acquisitions and the exit of our social housing development business

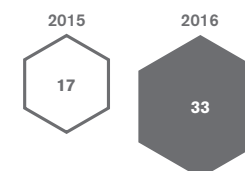
Energy Services

- Revenue growth reflects organic growth in Everwarm and the acquisitions of Providor and Orchard
- Margin pressures in insulation due to market uncertainty prior to new Energy Company Obligation
- Lower carbon prices impacted margins in H1 (£2m); full year on year impact circa £3m
- 38 contract wins in the period (Paragon, Falkirk Council)
- 20 framework wins in the period (London Housing Consortium, Scottish Government)
- Providor and Orchard integration continuing and targeting cross-selling
- In discussion with a number of energy utilities regarding the roll-out of domestic smart meters

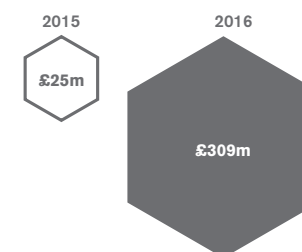
Looking ahead

- Opportunities from new ECO and water deregulation (2017), utility services, full mobilisation of Warmworks and smart metering

Number of frameworks **↑ 16**



Value of frameworks **↑ 1136%**



Significant increase in value of frameworks largely due to Home Energy Efficiency Programmes for Scotland (HEEPS)

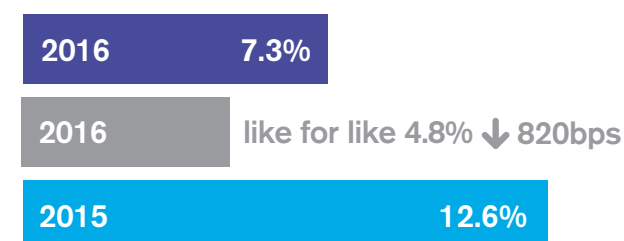
Energy Services revenue **↑ 51%**



Underlying EBITA* **↓ 12%**



Underlying margin **↓ 530bps**



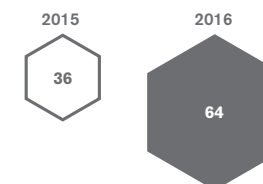
Regeneration

- Cessation of Hackney contract (September 2015) had £9m year on year impact on revenue as expected
- 32 contract wins in the period (Ealing, Wandsworth Council)
- 20 framework wins in the period (Efficiency East Midlands, Fusion21)
- Current procurement trend means more frameworks and increased competition through mini tenders
- Reduction in client planned maintenance budgets having significant effect
- Push into Externals led to performance issues – £2m writedown at half year contract review

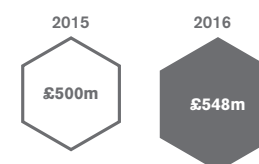
Looking ahead

- Initial focus of “self help” operational improvement programme to improve efficiency and effectiveness of operations
- Bringing South and Central under single MD
- Senior management focus on legacy contract settlements

Number of frameworks **↑ 28**



Value of frameworks **↑ 10%**



Regeneration revenue **↓ 20%**

2016	£63.2m
2015	£79.3m

Underlying EBITA* **↓ 57%**

2016	£1.9m
2015	£4.4m

Underlying margin **↓ 260bps**

2016	3.0%
2015	5.6%

* EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before exceptional and other items

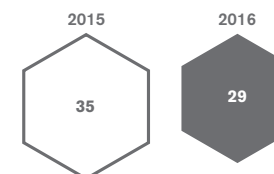
Construction

- Revenue reflects closure of social housing development business (£4m year on year) and timing of projects
- Typical project range is £1m to £5m education projects with the “sweet spot” at £2m
- Changing procurement landscape – two stage procurement trend increases mobilisation times and project start risks
- Eight contract wins in the period (ACS Hillingdon International School, Brunel University)
- Two framework wins in the period (Essex and Kent)

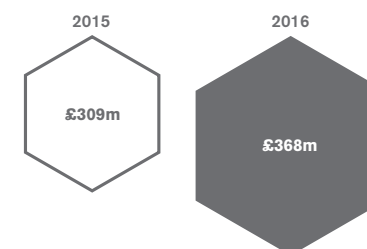
Looking ahead

- Significant pipeline of education opportunities as a result of the need for pupil places – provides revenue predictability
- Wider strategic opportunity in other public buildings

Number of frameworks ↓ 6



Value of frameworks ↑ 19%



Construction underlying revenue ↓ 41%

2016	£21.7m
2015	£36.7m

Like for Like ↓ 34%

Underlying EBITA* ↓ 45%

2016	£1.0m
2015	£1.9m

Like for Like ↓ 50%

Underlying margin ↓ 40bps

2016	4.7%
2015	5.1%

Like for Like ↓ 110bps

Six months to 31 March	2016 £m	2015 £m	change %
Revenue	167.8	161.3	4
Underlying EBITA*	5.1	8.9	(42)
Exceptional and other items	(0.6)	(3.9)	
Amortisation of acquisition intangibles	(5.5)	(2.9)	
Operating profit	(1.0)	2.1	
Net interest payable**	(0.8)	(0.9)	
Profit/loss on ordinary activities before tax	(1.8)	1.2	
Tax on profit on ordinary activities	0.3	(0.5)	
Profit/loss on ordinary activities after tax	(1.5)	0.7	
Underlying profit before tax	4.7	8.6	(45)
Underlying earnings per share			
Basic	2.4p	7.4p	
Diluted	2.4p	5.9p	

* EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before exceptional and other items

** Net interest payable includes a £0.4m accounting adjustment for unwinding the discount on deferred acquisition consideration and £0.4m of accelerated amortisation of financing costs

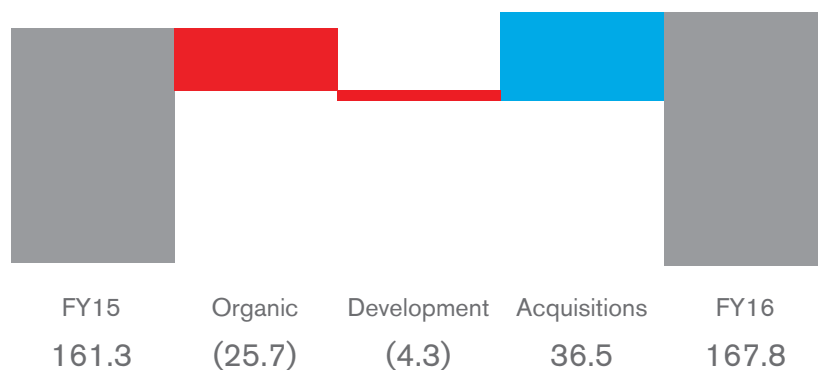
Divisional analysis

Revenues

Six months to 31 March	2016	2015	Change
Revenue	£m	£m	%
Compliance	43.2	19.3	123
Energy Services	41.0	27.2	51
Regeneration	63.2	79.3	(20)
Construction	21.7	36.7	(41)
Total divisional revenue	169.1	162.5	4
Interdivisional elimination	(1.3)	(1.2)	
Revenue	167.8	161.3	4

Like for Like*		
2016	2015	Change
£m	£m	%
16.1	19.3	(16)
31.4	27.1	16
63.2	79.3	(20)
20.7	31.4	(34)
131.4	157.1	(16)
(1.3)	(1.3)	
130.1	155.8	(17)

Group underlying revenue (£m)



* "Like for Like" excludes the effect of acquisitions and the exit of our social housing development business

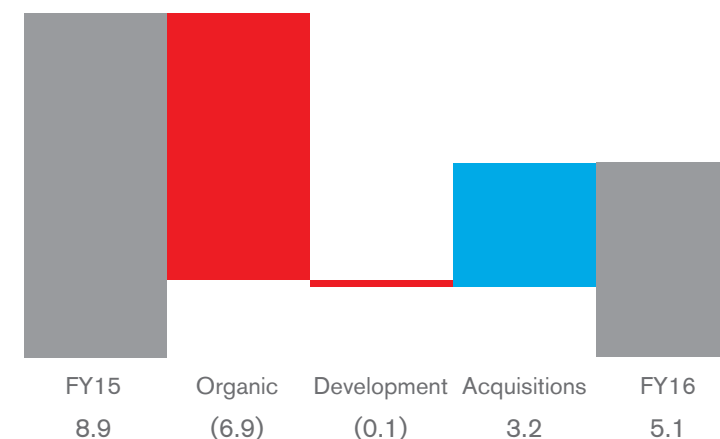
Divisional analysis

Underlying EBITA*

Six months to 31 March	2016	2015	Change	Like for Like**		
Underlying EBITA*	£m	£m	%	2016	2015	Change
				£m	£m	%
Compliance	2.6	2.8	(6)	1.0	2.8	(65)
Energy Services	3.0	3.4	(12)	1.5	3.5	(57)
Regeneration	1.9	4.4	(58)	1.9	4.4	(58)
Construction	1.0	1.9	(45)	0.7	1.4	(50)
Central	(3.4)	(3.6)	(5)	(3.4)	(3.5)	(5)
Group underlying EBITA*	5.1	8.9	(42)	1.7	8.6	(80)

Underlying EBITA* margin			Like for Like**	
Compliance	6.0%	14.2%	6.0%	14.2%
Energy Services	7.3%	12.6%	4.8%	13.0%
Regeneration	3.0%	5.6%	3.0%	5.6%
Construction	4.7%	5.1%	3.4%	4.5%
Central	(2.0)%	(2.1)%	(2.5)%	(2.2)%
Group underlying EBITA* margin	3.1%	5.5%	1.3%	5.5%

Group underlying EBITA* (£m)



* EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before exceptional and other items

** "Like for Like" excludes the effect of acquisitions and the exit of our social housing development business

Non-trading and exceptional costs

Six months to 31 March	H1 2016 £m	H1 2015 £m	Full year 2015 £m
Contract losses on businesses being exited			
Exceptional items:			2.5
Acquisition costs	0.6	0.3	0.8
Contract costs			2.9
Restructuring			0.8
IPO costs	-	3.6	4.1
	0.6	3.9	8.6
Amortisation of acquisition intangible assets	5.5	2.9	6.5
	6.1	6.8	17.6
Accelerated amortisation of financing costs	-	0.4	0.4
Unwinding discount of deferred consideration	0.4	0.2	0.4
Loss before tax impact of exceptional or other items	6.5	7.4	18.4

- Acquisition costs related to Aaron Heating Services and Precision Lifts

Six months to 31 March	H1 2016 £m	H1 2015 £m	Full year 2015 £m
Operating profit	(1.0)	2.1	4.6
Depreciation and non-cash items	6.5	3.7	8.6
Working capital	(16.9)	5.5	5.9
Cash generated from operations	(11.4)	11.3	19.1
Interest paid (net)	(0.3)	(0.3)	(0.5)
Taxation	1.2	(1.6)	(1.9)
Net cash generated from operating activities	(10.5)	9.4	16.7
Purchase of operations	(15.0)	(9.3)	(29.7)
Purchase of operating assets	(0.6)	(1.0)	(1.3)
Net cash used from investing activities	(15.6)	(10.3)	(31.0)
Dividends paid	(3.0)	0.0	0.0
Proceeds from issue of new shares	0.0	29.6	29.6
Proceeds from / (repayment of) revolving credit facility / bank borrowings	24.6	(12.2)	(12.6)
Net cash generated from financing activities	21.6	17.4	17.0
Net increase / (decrease) in cash	(4.5)	16.5	2.7
Cash generated from operations	(11.4)	11.3	19.1
Exceptional cash costs	2.7	2.7	6.5
Underlying operating cash	(8.7)	14.0	25.6
Underlying operating cash conversion*	(170%)	157%	115%
Opening net cash / (debt)	6.6	(7.2)	(7.2)
Closing net cash / (debt)	(22.6)	21.1	6.6

- Underlying operating cash conversion reflects operating cash, plus exceptional cash costs, versus adjusted EBITA
- Working capital reflects £13.8m reduction in negative work in progress on packaged subcontractor model due to decline in Regeneration (South) revenues and project timing in Construction
- Exceptional cash costs of £2.7m due to acquisitions and accrued/provided for exceptional items from prior year represent the balance

* Underlying operating cash conversion is operating cash flow, plus exceptional and other items, as a percentage of underlying EBITA

Statement of financial position

Six months to 31 March	H1 2016 £m	H1 2015 £m	Full year 2015 £m
Goodwill and intangibles	93.1	62.6	83.5
Tangible and other	4.1	5.0	4.2
Fixed assets	97.2	67.6	87.7
Current assets	94.2	79.4	85.9
Cash	2.1	20.6	6.5
Current liabilities	(76.8)	(76.0)	(84.2)
Net current assets/(liabilities)	19.5	24.0	8.2
Non-current liabilities	(11.1)	(8.1)	(10.1)
Debt	(24.7)	–	(0.3)
Net assets	80.9	83.5	85.5
Net (debt) / cash	(22.6)	21.1	6.6
Work in progress (packaged subcontractors)	(4.2)	(14.5)	(18.0)

- £25m of the Group's £45m revolving credit facility drawn at the period end
- Net debt of £22.6m reflects £15.6m spent on acquisitions in H2 of FY15 and £20.9m in H1 FY16

Deferred consideration due at period end	FY16 £m	FY17 £m	FY18 £m	FY19 £m	Total £m
Allied Protection		0.3			0.3
H2O Nationwide*		0.4	1.6		2.0
Providor*	1.5				1.5
Orchard Energy			1.7		1.7
Sure Maintenance*		0.5			0.5
Aaron Services	1.2		0.9		2.1
Precision Lifts				1.4	1.4
	2.7	1.2	4.2	1.4	9.5

* Subject to recalculation



ORGANIC GROWTH

- Improving operational performance
- Cross-selling to existing customers
- Market share growth
- Geographic spread: National
- Public and commercial buildings

- Cross-selling to existing customers
- Geographic spread: National
- Building services engineering
- Smart metering
- Utility services
- Site engineering works
- Technical compliance

- Market share growth
- Geographic spread: North / Scotland and Central
- Self-delivery
- Market specialisms

- Education frameworks
- 'Pupil Places'
- Geographic spread: Central
- Increased focus on Public Buildings

CORPORATE DEVELOPMENT

Regional "tuck-in"

Building energy management systems

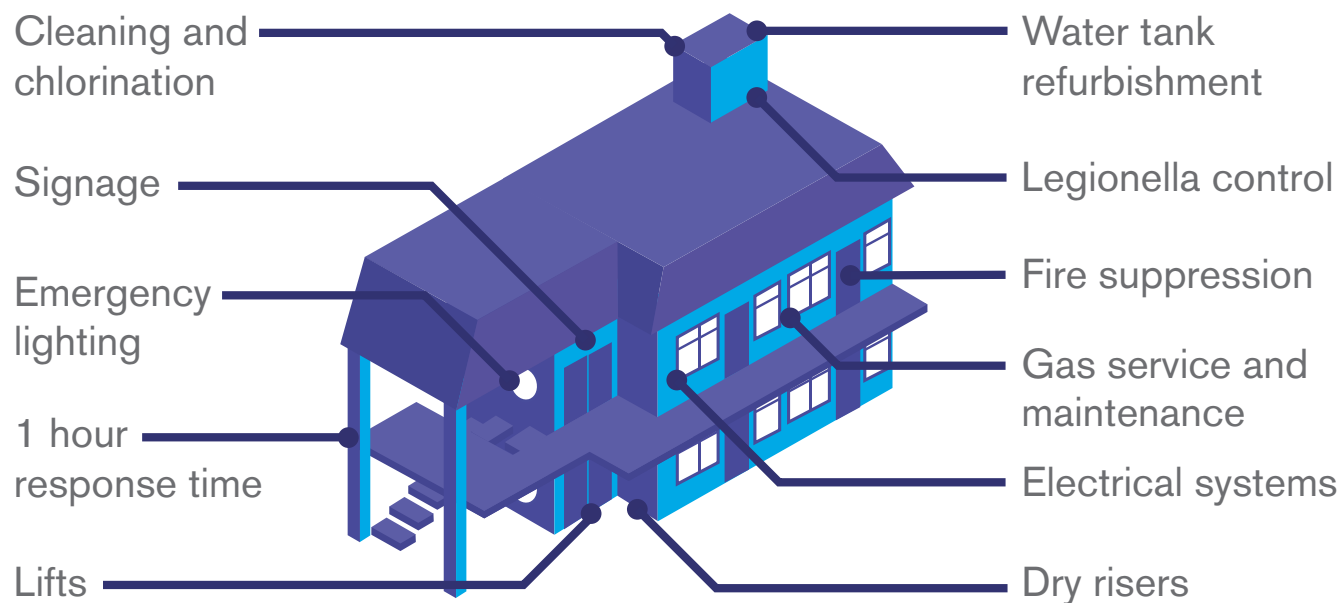
Responsive maintenance

EXTENSIVE AND INTEGRATED SERVICES

- First half of the current financial year was very challenging
- High bidding success rate led to contract wins valued at £441m in the period
- Forward visibility of revenues evidenced by our order book of £636m
- Balance sheet remains robust
- Interim dividend of 1.0p per share reflecting the Board's confidence in the Group's underlying performance
- "Self help" operational improvement programme initiated and focused on Regeneration
- Board restructured – focused on improving performance and increasing shareholder value

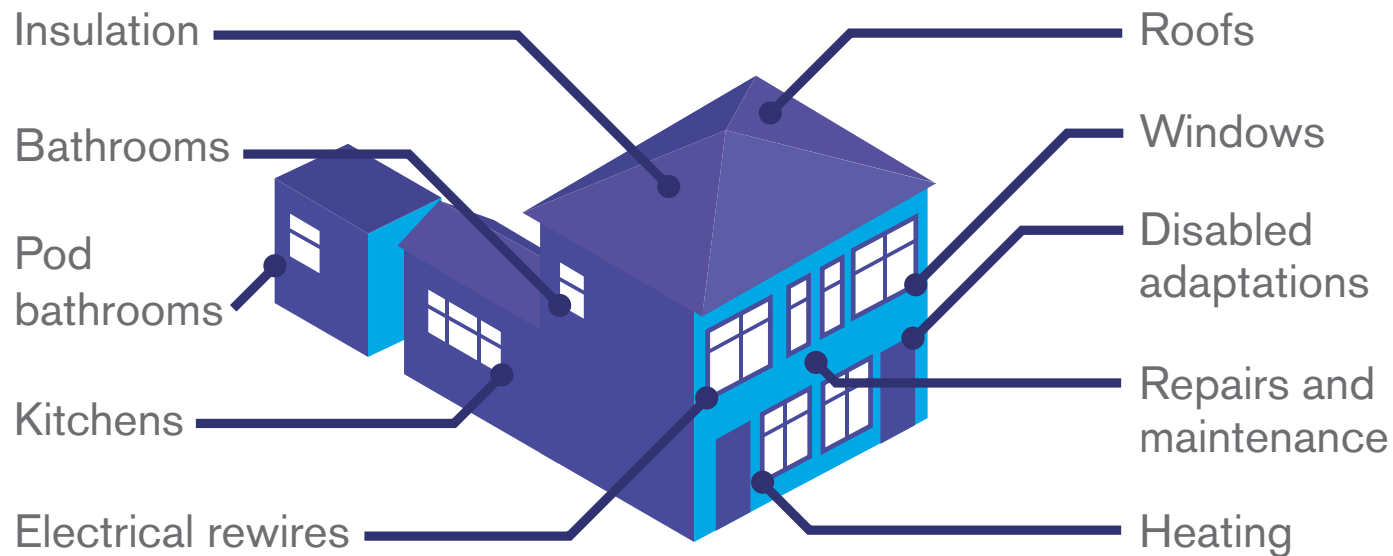
The Board believes that the Group's business fundamentals remain strong

APPENDIX





Appendix C: Regeneration





Appendix E: M&A track record: base created for organic growth

K&T Heating

Part of the Lakehouse Group

Allied Protection

Part of the Lakehouse Group

Foster

Part of the Lakehouse Group

Everwarm

Part of the Lakehouse Group

H2O Nationwide

Part of the Lakehouse Group

Provider

Part of the Lakehouse Group

Orchard Energy

Part of the Lakehouse Group

Sure Maintenance

Part of the Lakehouse Group

Aaron Services

Part of the Lakehouse Group

Precision Lifts

Part of the Lakehouse Group

Business	Division	Acquired	Pre-acquisition turnover
K&T Heating	Compliance	October 2011	£9.4m
Allied Protection	Compliance	November 2012	£5.6m
Foster Property Maintenance	Regeneration	October 2013	£35.1m
Everwarm	Energy Services	April 2014	£46.4m
H2O Nationwide	Compliance	October 2014	£3.4m
Provider	Energy Services	May 2015	£9.0m
Orchard Energy	Energy Services	July 2015	£5.0m
Sure Maintenance	Compliance	September 2015	£23.2m
Aaron Services	Compliance	November 2015	£26.3m
Precision Lifts	Compliance	December 2015	£11.6m

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No statement in this presentation is intended as a profit forecast or profit estimate.

Numbers have been rounded in order for presentation tables to cast financially.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

Lakehouse plc

1 King George Close
Romford
Essex
RM7 7LS

Tel: 01708 758 800

www.lakehouse.co.uk