

SureserveGroup



Interim results

for the six months ended 31 March 2020

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Key financial KPIs delivered

- Group revenue up 7% to 109.6m (H1 2019: £102.5m)
- EBITA¹ up 27% to 3.9m (H1 2019: £3.1m)
- EPS² up 117% to 1.3p (H1 2019: 0.6p)
- Cash conversion³ of 88% (H1 2019: 51%)
- Net debt⁴ of £3.5m (H1 2019: £12.9m)

Strategic & commercial progress

- Focused business model: Compliance and Energy Services
- Increasing margins across both divisions
- Strong regulatory drivers underpin demand
- Highly cash generative with low debt profile
- New contract wins totalling £124.0m, supported by £323.7m Order Book, providing strong visibility of future earnings
- Consolidation opportunities from fragmented market place
- Senior bid team strengthened to maximise opportunities
- Gas businesses continue to build market leading position

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles. EBITA excludes the profit from Discontinued Operations

² Earnings per Share (EPS) from continuing operations. EPS excludes the profit from Discontinued Operations

³ Operating cash conversion is calculated before the effect of IFRS16

⁴ Net debt is calculated before the effect of IFRS16

Divisional highlights
Compliance
66% of Group revenues

- Leading position in social housing Gas testing and compliance
- Significant success across Compliance services with new wins and contract extensions
- Increased operating margin reflecting sector leading services
- Electrical services start up
- All businesses operating ahead of internal forecasts
- Strengthening bidding resources

Compliance revenue	↑ 11.6%
2020	£73.4m
2019	£65.7m

Adjusted EBITA ¹	↑ 40.2%
2020	£3.7m
2019	£2.6m

Adjusted margin	↑ 1.0ppts
2020	5.0%
2019	4.0%

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles. EBITA excludes the profit from Discontinued Operations

Divisional highlights
Energy Services
34% of Group revenues

- Leading provider of Fuel Poverty management for Welsh and Scottish Governments
- Building an early pioneering service in battery storage for local authorities
- Significant contracts with Aberdeenshire and Scottish Power
- Largest Group customer operating in Energy Services division
- Margins increasing despite Covid-19 effect in March
- Strengthening bidding resources

Energy Services revenue **↓ 2.0%**

2020	£37.3m
2019	£38.0m

Adjusted EBITA¹ **↑ 1.6%**

2020	£1.9m
2019	£1.9m

Adjusted margin **↑ 0.2ppts**

2020	5.2%
2019	5.0%

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles. EBITA excludes the profit from Discontinued Operations

Results summary

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Interim results to 31 March 2020

6 months to 31 March	2020	2019	change
	£m	£m	%
Revenue	109.6	102.5	7
EBITA ¹	3.9	3.1	27
Amortisation of acquisition intangibles	(0.8)	(1.4)	
Operating profit	3.1	1.7	
Net interest payable	(0.5)	(0.6)	
Profit on ordinary activities before tax	2.6	1.1	
Tax on profit on ordinary activities	(0.5)	(0.2)	
Profit for the period ²	2.1	0.9	
Earnings per share ³	1.3p	0.6p	

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles. EBITA excludes the profit from Discontinued Operations.

² Profit for the period excludes the profit from Discontinued Operations.

³ Earnings per Share (EPS) from continuing operations. EPS excludes the profit from Discontinued Operations

Divisional analysis

6 months to 31 March	2020	2019	Change
Revenue	£m	£m	%
Compliance	73.4	65.7	11.6 ↑
Energy Services	37.3	38.0	(2.0) ↓
Total divisional revenue	110.6	103.7	
Inter segmental elimination	(1.1)	(1.2)	
Total revenue	109.6	102.5	7

6 months to 31 March	2020	2019	Change
EBITA ¹	£m	£m	%
Compliance	3.7	2.6	40.2 ↑
Energy Services	1.9	1.9	1.6 ↑
Central	(1.7)	(1.4)	
Group EBITA ¹	3.9	3.1	27

EBITA ¹ margin	%	%
Compliance	5.0	4.0
Energy Services	5.2	5.0
Group EBITA ¹ margin	3.6	3.0

¹ EBITA is defined as operating profit before exceptional items and amortisation of acquisition intangibles. EBITA excludes the profit from Discontinued Operations

Cash flow

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Interim results to 31 March 2020

6 months to 31 March	2020	2019
	£m	£m
Operating profit	3.1	1.7
Depreciation and other items	3.6	1.8
Working capital	(0.4)	(5.3)
Cash generated from / (used in) operations	6.3	(1.8)
Exceptional and other costs	(0.7)	3.3
Cash generated from continuing operations	5.6	1.5
Operating cash conversion (post IFRS16)	143%	N/A
Operating cash conversion (pre IFRS16)	88%	51%

Statement of financial position

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Interim results to 31 March 2020

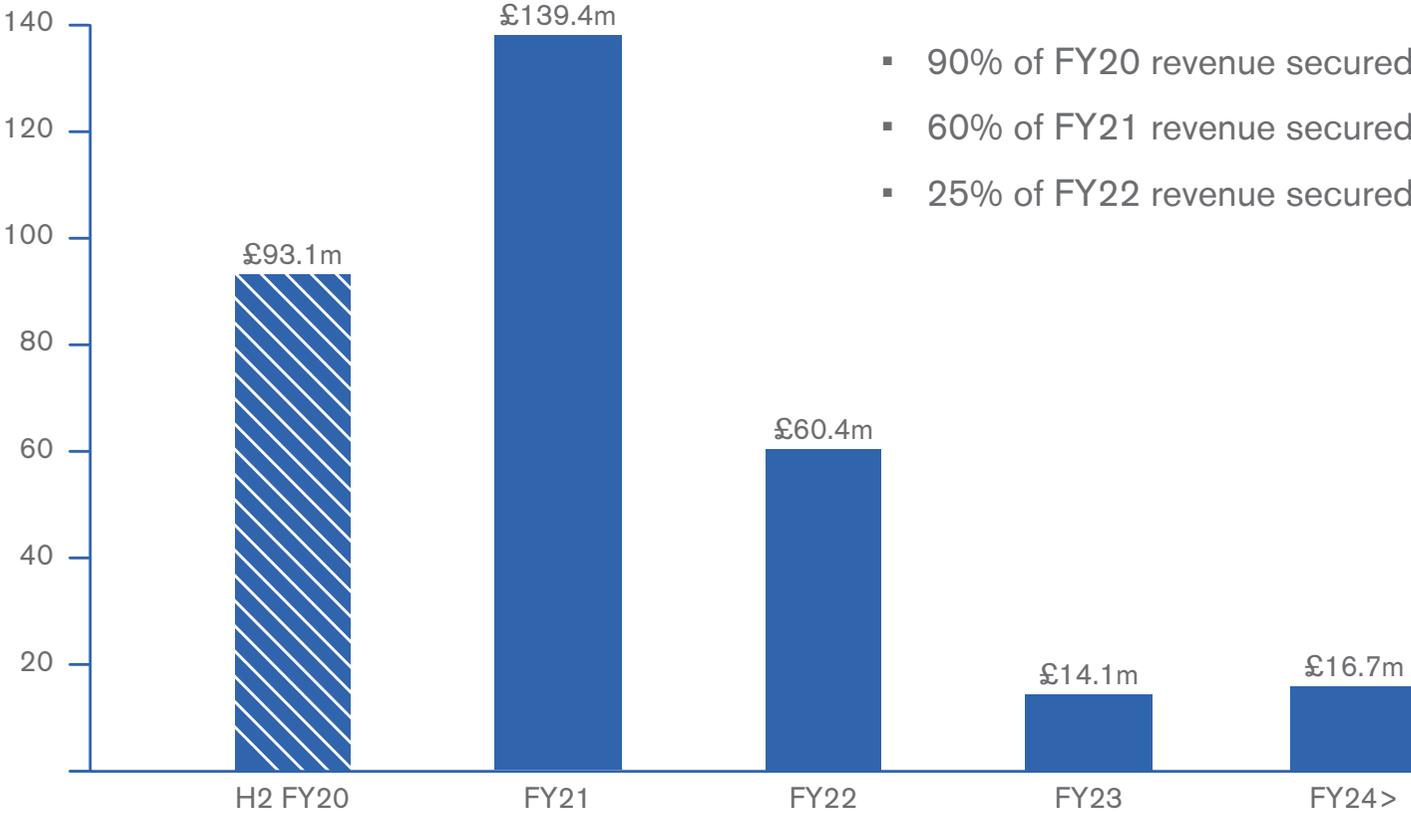
As at 31 March	2020	2019
	£m	£m
Goodwill and intangibles	43.8	46.1
Tangible and other	8.8	2.4
Fixed assets	52.6	48.5
Current assets	48.3	48.9
Net cash and equivalents	6.3	1.4
Current liabilities	(44.5)	(40.7)
Net current assets	10.1	9.6
Non-current liabilities	(6.4)	(3.8)
Debt	(9.8)	(14.2)
Net assets	46.5	40.1
Net debt ¹	(3.5)	(12.9)

- £9.8m of the Group's revolving credit facility drawn at the period end; net debt¹ £3.5m (2019: £12.9m)

¹ Net debt is calculated before the effect of IFRS16

Order book

Group order book **£323.7m**
(2019: £350.5m)



Building profitable market share

- Successful transition of business into profitable, focused company with two core areas of expertise: Compliance and Energy Services
- Senior team committed, rewarded and strengthened for market leading position
- New contract wins totalling £124.0m, supported by £323.7m Order Book, providing strong visibility of future earnings
- Highly successful cash management
- Excellent progress during Covid-19
- Outlook for H2 in line with historic trading

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% |

Sureserve Group plc
Unit 1
Yardley Business Park
Luckyn Lane
Basildon
Essex SS14 3BZ

Tel: 020 3961 5210

www.sureservegroup.co.uk