Lakehouse plc

Interim results

to 31 March 2018

Contents

Presentation team

Bob Holt OBE,
Executive Chairman

Michael McMahon,
Chief Operating Officer

Jeremy Simpson,
Chief Financial Officer

Introduction

Revenue	**+3% to £91.1m**
EBITA	**+65% to £2.7m**

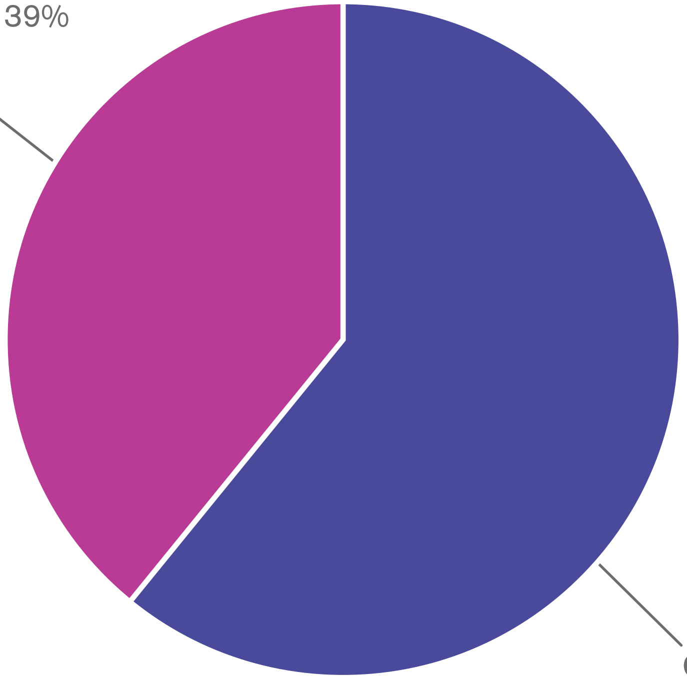
- Continued strong performance from Compliance and Energy Services
- Exit from Property Services and Construction: heads of agreement signed
- Construction and contracting sectors have deteriorated in past six months
- Continuing operations focused on more predictable activities, driven by legislation and providing profitable and cash generative revenue streams
- Arbed 3 win with Welsh Government caps another period of strong bid success
- Refocusing of the Group likely to involve a rebranding programme

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

Group overview

Key highlights: Financial (continuing operations)

Breakdown of revenue



Group

Revenue	↑ 3.0%
2018	£91.1m
2017	£88.0m

Underlying Group EBITA[1]	↑ 65%
2018	£2.7m
2017	£1.6m

Order book	£396m	↑ 7%
Value of Frameworks	£1.1bn	↑ 7%
New wins*	£100m	

* excluding Arbed 3

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

Significant success across Compliance services with new wins:

- £9m (3 yr) Gas contract with London Borough of Havering
- £8.4m (10 yr) Lift contract with Royal Borough of Greenwich
- £4.3m (5 yr) Gas contract with Guildford Borough Council
- Fire remediation frameworks with Paragon HA and the South East Consortium
- Margins reflect costs of mobilising a major national contract during H1
- Demand for fire works inconsistent post-Grenfell, but long term fundamentals look positive
- Acquisition of Just Energy Solutions a low cost route into private sector Gas and renewables

Compliance revenue	↑ 8%
2018	**£56.1m**
2017	**£51.8m**

Underlying EBITA[1]	↓ (17)%
2018	**£2.4m**
2017	**£2.9m**

Underlying margin	↓ -130ppt
2018	**4.2%**
2017	**5.5%**

[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

- Flagship £55m Arbed 3 fuel poverty programme with Welsh Government an important strategic win
- Performance continues to improve with a pleasing upturn in profitability in period
- Revenues reflect a quiet period for EWI, weather related – volumes expected to return in H2
- Metering remains reliant on timing of Government's smart meter roll-out – subject to continued delays
- Good period for new wins, including Renfrewshire (£10m), Glasgow (£2.3m) and Fife (£6m) means we go into H2 with a very full order book

Energy Services revenue	↓(1)%
2018	£36.6m
2017	£36.9m

Underlying EBITA[1]	↑27%
2018	£1.6m
2017	£1.3m

Underlying margin	↑100ppt
2018	4.4%
2017	3.4%

[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 2018	2018	2017
Continuing operations	**£m**	**£m**
Revenue	91.1	88.0
Underlying EBITA[1]	2.7	1.6
Exceptional and other items	(0.2)	0.6
Amortisation of acquisition intangibles	(2.2)	(5.3)
Operating profit/(loss)	**0.2**	**(3.1)**
Net interest payable	(0.7)	(0.8)
(Loss) on ordinary activities before tax	**(0.5)**	**(3.9)**
Tax on loss on ordinary activities	0.2	0.6
(Loss) on ordinary activities after tax	**(0.3)**	**(3.3)**
Discontinued operations	(11.8)	0.2
Loss per share from continuing operations	(0.2)p	(2.1)p

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

Divisional analysis

6 months to 31 March 2018	2018	2017	Change
Revenue	**£m**	£m	%
Compliance	56.1	51.8	8 ↑
Energy Services	36.6	36.9	(1) ↓
Total divisional revenue	**92.7**	**88.7**	**4** ↑
Inter segmental elimination	(1.6)	(0.7)	
Total revenue	**91.1**	**88.0**	**3** ↑

6 months to 31 March 2018	2018	2017	Change
Underlying EBITA[1]	**£m**	£m	%
Compliance	2.4	2.9	(17) ↓
Energy Services	1.6	1.3	27 ↑
Central	(1.3)	(2.5)	48 ↑
Group underlying EBITA[1]	**2.7**	**1.6**	**65** ↑

Underlying EBITA[1] margin	**%**	%
Compliance	4.2	5.5
Energy Services	4.4	3.4
Central	(1.4)	(2.8)
Group underlying EBITA[1] margin	**2.9**	**1.8**

- Compliance continued to show strong organic growth, based on new contract wins
  - Margins reflect mobilisation of a major national contract, which were 100% expensed
- Energy Services growth was driven by metering business, offsetting a quiet (weather related) half for EWI
  - Profitability underpinned by improvement in metering – further progression will be linked to smart meter programme timing
- Central costs halved as we made savings and empowered businesses locally

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

Cash flow

6 months to 31 March 2018	2018 Continuing operations £m	2017 Statutory total £m
Operating profit/(loss)	0.2	(3.1)
Depreciation and other items	2.8	6.1
Working capital	(13.9)	(4.1)
Cash used in operations	**(10.9)**	**(1.1)**
Exceptional cash costs	1.8	0.8
Impact of discontinued activities	9.8	3.8
Underlying cash generated by continuing operations	**0.7**	**3.5**
Underlying operating cash conversion[1]	25%	220%

- Underlying operating cash conversion reflects operating cash from continuing operations, plus the cash impact of exceptional and other items, versus underlying EBITA from continuing operations
- Working capital reflects a challenging construction market, with discontinued activities consuming £9.8m
- Cash is seasonal, compounded by strong end to FY17

[1] Underlying operating cash conversion is operating cash flow from continuing operations, plus the cash impact of exceptional and other items, as a percentage of underlying EBITA from continuing operations

Statement of financial position

6 months to 31 March 2018	2018 Continuing operations £m	2017 Statutory total £m
Goodwill and intangibles	49.3	64.3
Tangible and other	1.5	6.7
Fixed assets	**50.8**	**71.0**
Current assets	69.8	79.3
Net cash and equivalents	3.6	0.1
Current liabilities	(66.1)	(71.2)
Net current assets	**7.3**	**8.2**
Non-current liabilities	(2.2)	(6.5)
Debt	(17.8)	(24.8)
Net assets	**38.1**	**47.9**
Net current assets (excluding cash)	3.7	8.1
Net debt	14.2	24.7

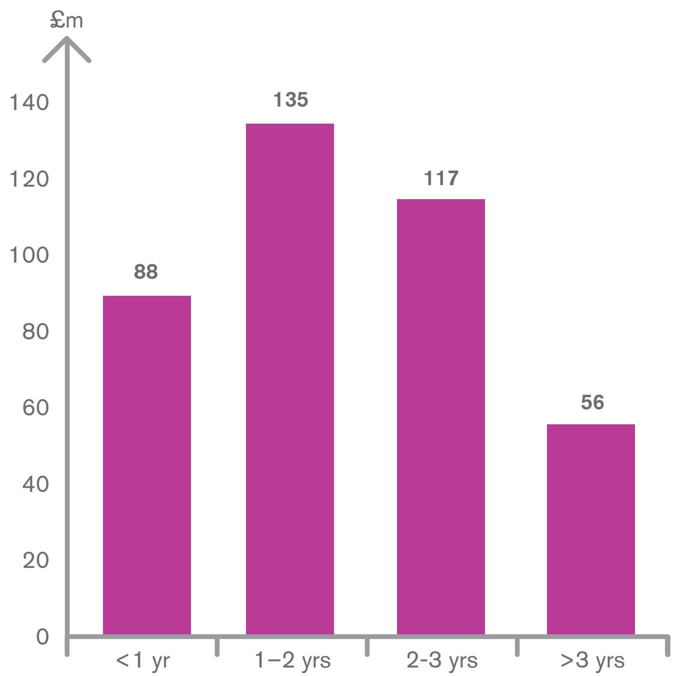
- Goodwill and intangibles reflect £2.2m amortisation charge, together with sale of Orchard
- £18m of the Group's £25m revolving credit facility drawn at the period end; net debt £14.2m (2017: £24.8m)
- Currently negotiating a new RCF – no issues thus far
- Outstanding deferred consideration £0.6m at period end (2017: £2.5m)

Order book and pipeline

Group order book **£396m +7%**

Value of frameworks **£1.1bn +7%**

Order book profile



Number of frameworks ↑ **7**

2017	2018
251	258

Value of frameworks ↑ **7%**

2017	2018
£1.0bn	£1.1bn

Lakehouse growth drivers

Delivery on strategy during H1:	Compliance	Energy Services	Group
Operational excellence	**Ongoing:** Common operating platform	**Ongoing:** Metering subject to market delays	
Geographic expansion	✓ **New wins**	✓ **Arbed win takes us into Wales**	
Service breadth	✓ **JES acquisition expands private sector:** reviewing sprinkler opportunities	**Ongoing:** Review business model for opportunities such as meter ownership	
Focused divisions			✓ **Exit from Property Services and Construction**
Working together	**Ongoing:** Review structure and Group model for continuing operations		

Summary and outlook

- Exit from Construction and Property Services a positive step, marking a new chapter for the Group
- Compliance and Energy Services are sector specialists operating in markets driven by legislation, with more predictable, profitable and cash generative revenue streams
- A simpler Group will allow us to focus on improving performance, including a new operating platform
- Another good period for new wins, with Arbed 3 secured post period end
- Group now well poised for growth
- Trading for the full year remains in line with management expectations

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