

Lakehouse plc



Interim results

to 31 March 2017

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Presentation team



Bob Holt OBE,
Executive Chairman



Michael McMahon,
Chief Operating Officer



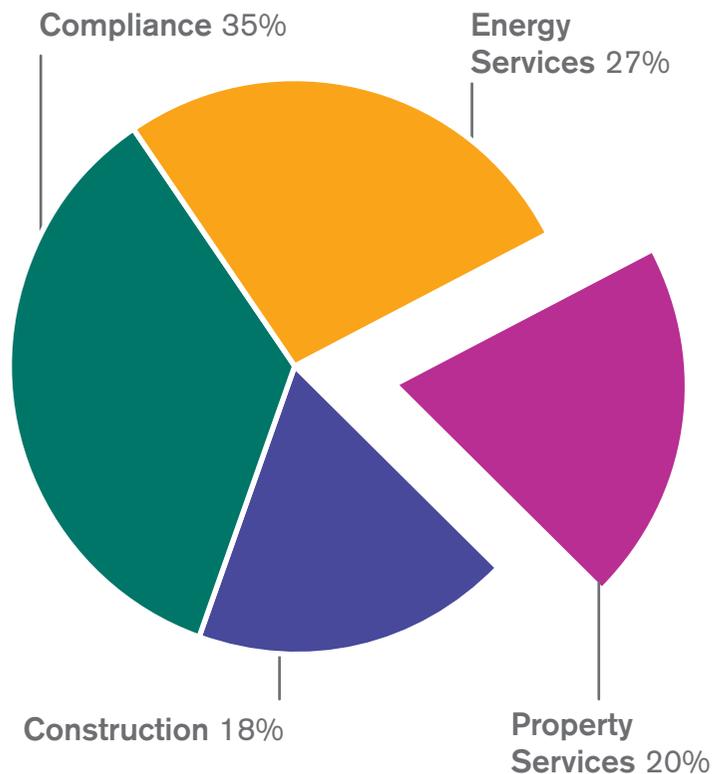
Jeremy Simpson,
Chief Financial Officer

Group overview

Key highlights

'I'm delighted with the progress in the first half of the year, with a positive outlook for the year as a whole.'

Bob Holt, Executive Chairman



Group

Group revenue **↓ 11%**

2017 **£149.8m**

2016 **£167.8m**

Underlying Group EBITA¹ **↓ 49%**

2017 **£2.6m**

2016 **£5.1m**

Orderbook **£580m** **↓ 9%**

Value of Frameworks **£1.7bn** **↑ 6%**

New wins **£267m**

Core

Revenue Core **↑ 14%**

2017 **£119.0m**

2016 **£104.6m**

Underlying EBITA¹ Core **↑ 13%**

2017 **£3.7m**

2016 **£3.3m**

Orderbook **£475m** **↑ 4%**

Value of Frameworks **£1.2bn** **↑ 16%**

EXTENSIVE AND INTEGRATED SERVICES

2,200 Number of employees

32 Number of offices

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

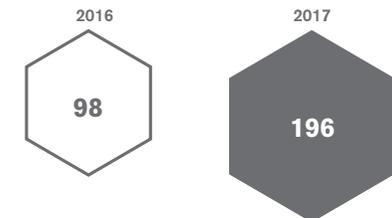
Divisional highlights

Compliance

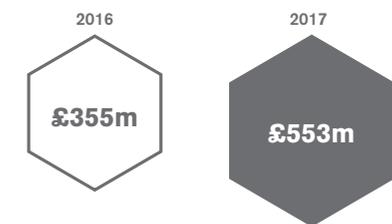


- Very strong performance for new wins in the period including £7m commercial gas programme with L&Q, £2m gas contract with Derbyshire County Council and £650k Legionella framework with Procurement for All
- Continued since period end, including potentially transformational national contract with Guinness Trust
- Division is highly seasonal – significant proportion of annual profit expected in H2, with consequential margin uptick
- Well established divisional board focused on collaboration to drive organic growth, nationwide

Number of frameworks **↑ 98**



Value of frameworks **↑ 56%**



Compliance revenue **↑ 20%**

2017	£51.8m
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2016	£43.2m
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Underlying EBITA¹ **↑ 10%**

2017	£2.9m
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2016	£2.6m
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Underlying margin **↓ 50pts**

2017	5.5%
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2016	6.0%
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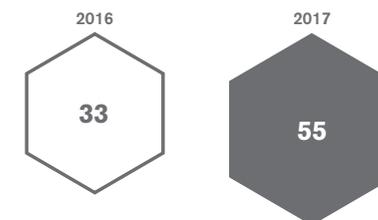
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Divisional highlights

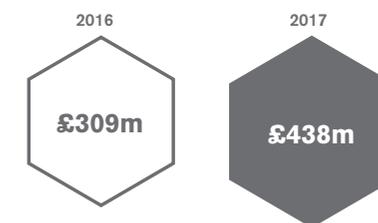
Energy Services

- Strong period for new wins, including £39m West Midlands contract with Scottish Power
- Carbon prices stabilised in period
- Scottish Government HEEPS programme had a very strong half, reflecting significant demand – run rates may slow with available budget
- Smart metering mobilising well, with £1.1m loss in line with expectations: this is a very complex market where we are one of a handful of suppliers with necessary national capability
- Energy brokerage remains a good market with strong growth fundamentals – significant opportunities require focus and modest investment
- Charts below highlight underlying growth was strong

Number of frameworks **↑ 22**



Value of frameworks **↑ 42%**

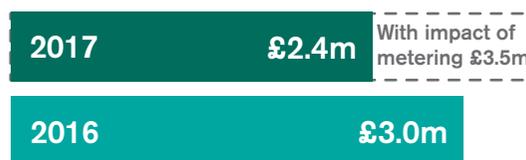


Energy Services revenue **↓ 2%**

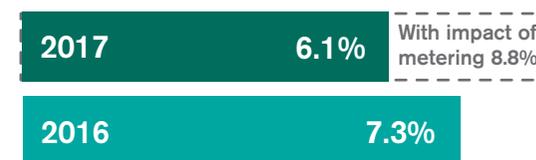


Excluding "Externals" £38.4m

Underlying EBITA¹ **↓ 19%**



Underlying margin **↓ 120pts**



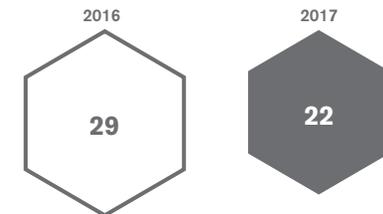
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Divisional highlights

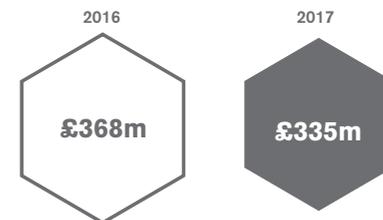
Construction

- Pleasing growth in period, notwithstanding continued two stage procurement delays
- Strong performance in new wins, including a £6.1m contract with Uxendon Manor Primary School and a £2.7m contract for Harris Academy
- Pipeline remains strong, as we focus strategically
- Typical project range now £4m to £5m, reflecting moving trend towards secondary schools

Number of frameworks **↓ 7**



Value of frameworks **↓ 9%**



Construction revenue **↑ 28%**

2017	£27.6m
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2016	£21.7m
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Underlying EBITA¹ **↑ 14%**

2017	£1.2m
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2016	£1.0m
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Underlying margin **↓ 50pts**

2017	4.2%
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2016	4.7%
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¹ 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 Property Services

- Lakehouse Property Services remains in turnaround
- Focus in period in reducing risk and closing out legacy contracts
- Process expected to complete in H2, with final account settlement an ongoing key focus
- Moratorium on bidding during H1 reflected in reduced order book

Foster

- A good business but market in East Anglia remains difficult, with inconsistent work volumes
- Focus on operational efficiencies and reviewing model (a mix of white and blue collar)

Property Services revenue **↓ 51%**

2017	£30.7m
2016	£63.2m

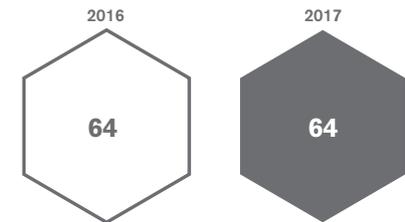
Underlying EBITA¹ **↓**

2017	£(1.1)m
2016	£1.9m

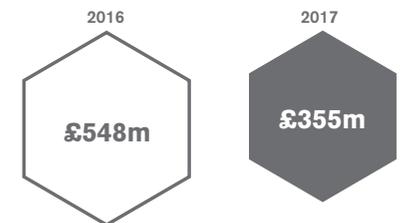
Underlying margin **↓ 650pts**

2017	(3.5)%
2016	3.0%

Number of frameworks **—**



Value of frameworks **↓ 35%**



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

Results summary

Six months to 31 March	2017	2016	change
	£m	£m	%
Revenue	149.8	167.8	(11)
Underlying EBITA ¹	2.6	5.1	(49)
Exceptional and other items	(0.2)	(0.6)	
Amortisation of acquisition intangibles	(5.2)	(5.5)	
Operating loss	(2.8)	(1.0)	
Net interest payable	(0.8)	(0.8)	
Loss on ordinary activities before tax	(3.6)	(1.8)	
Tax on profit on ordinary activities	0.5	0.3	
Loss on ordinary activities after tax	(3.1)	(1.5)	
Underlying EBITA¹ excluding Property Services	3.7	3.3	13
Underlying earnings per share			
Basic	0.9p	2.4p	

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

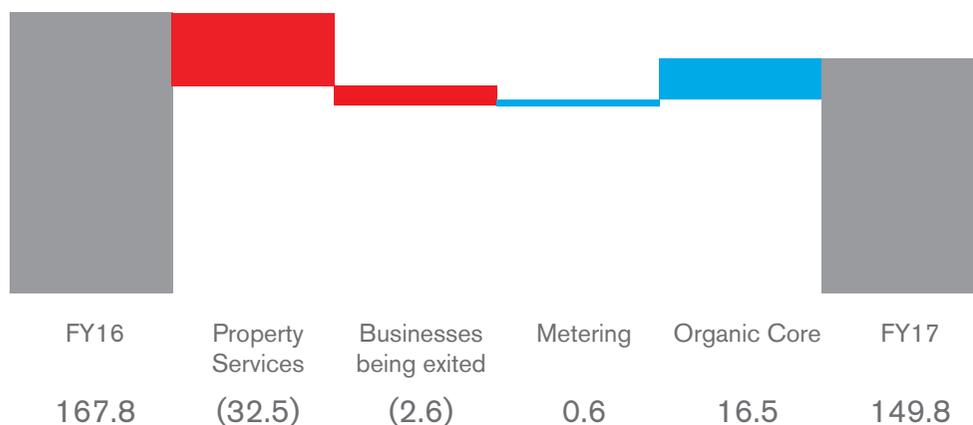
Divisional analysis

Revenues

Six months to 31 March	2017	2016	Change
Revenue	£m	£m	%
Compliance	51.8	43.2	20
Energy Services	40.3	41.0	(2)
Property Services	30.7	63.2	(51)
Construction	27.6	21.7	28
Total divisional revenue	150.4	169.1	(11)
Inter segment elimination	(0.6)	(1.3)	
Total revenue	149.8	167.8	(11)

- Compliance showing strong organic growth, based on new contract wins; acquisitions contributed £4.8m in revenues
- Energy Services up 5% excluding closed externals business, slightly ahead of management expectations
- Lakehouse Property Services remains in turnaround and lower revenues reflect a revised approach to risk
- Foster (Property Services) had a quiet H1 due to inconsistent work volumes; anticipate H2 improvement
- Construction showed strong H1 vs H1 growth, albeit continues to be frustrated by two stage procurement

Group revenue (£m)

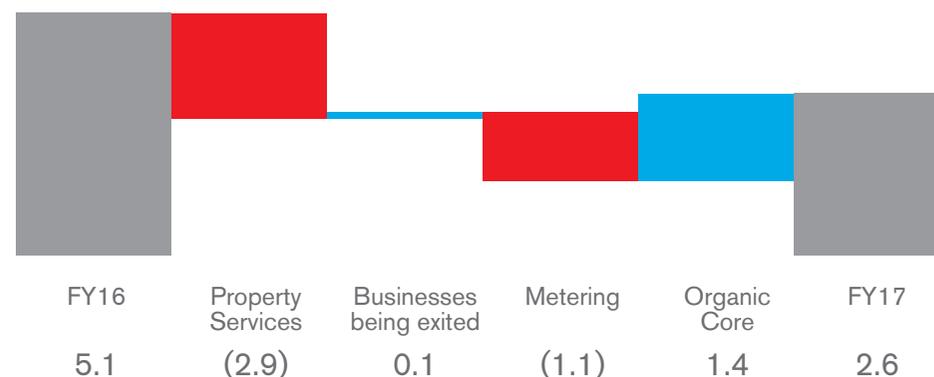


Divisional analysis

Underlying EBITA¹

Six months to 31 March	2017	2016	Change
Underlying EBITA¹	£m	£m	%
Compliance	2.9	2.6	10
Energy Services	2.4	3.0	(19)
Property Services	(1.1)	1.9	(157)
Construction	1.2	1.0	14
Central	(2.8)	(3.4)	17
Group underlying EBITA¹	2.6	5.1	(49)

Group underlying EBITA¹ (£m)



Underlying EBITA ¹ margin	%	%
Compliance	5.5	6.0
Energy Services	6.1	7.3
Property Services	(3.5)	3.0
Construction	4.2	4.7
Central	(1.9)	(2.0)
Group underlying EBITA¹ margin	1.7	3.1
Excluding Property Services	3.1	3.1

- Compliance is a seasonal business so margin a reflection of mix; full year remains on track
- Energy Services reflects £1.1m metering losses in line with expectations
- Lakehouse Property Services remains in turnaround; Foster impacted by inconsistent volumes from certain key clients in H1
- Construction remained strong, notwithstanding ongoing delays

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

Six months to 31 March	2017	2016
	£m	£m
Operating profit	(2.8)	(1.0)
Depreciation and other items	6.1	6.5
Working capital	(4.4)	(16.9)
Cash used in operations	(1.1)	(11.4)
Interest paid (net)	(0.5)	(0.3)
Taxation	1.3	1.2
Net cash used in operations	(0.3)	(10.5)
Purchase of operations	(2.6)	(15.0)
Purchase of operating assets	(0.6)	(0.6)
Net cash used from investing activities	(3.2)	(15.6)
Dividends paid	—	(3.0)
Proceeds from / (repayment of) revolving credit facility / bank borrowings	3.9	24.6
Net cash generated from financing activities	3.9	21.6
Net increase / (decrease) in cash	0.4	(4.5)
Cash generated from operations	(1.1)	(11.4)
Exceptional cash costs	0.8	2.7
Underlying operating cash	(0.3)	(8.7)
Underlying operating cash conversion ¹	(12)%	(170)%

- Underlying operating cash conversion reflects operating cash, plus the cash impact of Exceptional and Other Items, versus underlying EBITA
- Working capital reflects a £8.0m reduction in negative work in progress on our packaged subcontractor model since year end, due to decline in Property Services revenues and project timing in Construction
- Purchase of operations reflects deferred consideration payments, predominantly the early settlement of Orchard
- Exceptional cash costs of £0.8m reflect prior year items, predominantly contract and redundancy costs

¹ 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

Six months to 31 March	31 March 2017	31 March 2016	30 September 2016
	£m	£m	£m
Goodwill and intangibles	64.3	93.1	69.3
Tangible and other	5.8	4.1	4.7
Fixed assets	70.1	97.2	74.0
Current assets	80.2	94.2	75.7
Net cash and equivalents	0.1	2.1	(0.3)
Current liabilities	(71.2)	(76.8)	(68.4)
Net current assets	9.1	19.5	7.0
Non-current liabilities	(6.5)	(11.1)	(9.7)
Debt	(24.8)	(24.7)	(20.3)
Net assets	47.9	80.9	51.0
Net current assets (excluding cash)	9.0	17.4	7.3
Net negative work in progress (packaged subcontractors)	(4.0)	(4.2)	(12.0)
Net debt	(24.7)	(22.6)	(20.6)

- Goodwill and intangibles reflect £5.2m amortisation charge
- £25m of the Group's revolving credit facility drawn at the period end; net debt £24.7m (2016: £22.6m)
- RCF agreed reduction from £40m to £35m after period end
- Outstanding deferred consideration £2.5m at period end (2016: £9.5m)

Order book and pipeline

Group order book **£580m**

Compliance **£188m**

Energy Services **£193m**

Property Services **£105m**

Construction **£94m**

(March 2016 £636m)

Value of frameworks **£1.68bn**

Compliance **£0.55bn**

Energy Services **£0.44bn**

Property Services **£0.36bn**

Construction **£0.33bn**

(March 2016 £1.58bn)

Group pipeline **£2.5bn**

(March 2016 £3.4bn)

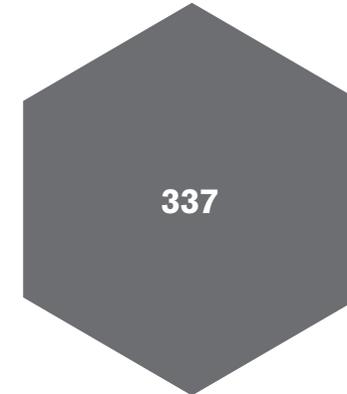
Number of frameworks

↑113

2016



2017



Value of frameworks

↑ 6%

2016



2017



The future

Opportunities for growth



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 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
Sprinkler installation

Energy advisory
Building energy management systems

Not a current priority

Not a current priority

EXTENSIVE AND INTEGRATED SERVICES

- Strong performance from core disciplines
- Significant growth in new orders
- Settled experienced management team
- Old legacy contracts closing
- Trading for the full year remains in line with management expectations

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

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