

Full year results

Van Elle Holdings plc | 30 April 2020



Agenda



1. Overview and COVID-19 impact
2. Financial review
3. Strategy and outlook



Overview and COVID-19 impact

Mark Cutler | Chief Executive Officer

Overview



- FY20 was significantly impacted by the challenging conditions in the wider construction market and by COVID-19, resulting in a 5% year-on-year revenue decrease with c. £10m revenue impact due to COVID-19
- Underlying operating loss of £0.3m (2019: profit of £5.2m)
- April share placing raised net proceeds of £6.3m
- Strengthened balance sheet and improved cash position at 30 April 2020 of £12.2m (30 April 2019: £8.0m)
- Net funds improved to £4.8m at 30 April 2020 (30 April 2019: net debt of £4.2m)*
- In light of the Group's performance and reflecting the importance of prudent cash management, the Board is not recommending a final dividend
- Board changes as previously notified including Frank Nelson appointed as new Chair from 31 August 2020

* excluding IFRS 16 property lease liabilities

COVID-19 impact



Employees

- Implemented procedures to protect employees and maintain their safety – no COVID cases reported
- Up to 50% of staff furloughed, currently 20% (mid-August)
- We have retained our skill base ready to respond to recovering demand



Site activity

- Revenues dropped to 20% in April, recovered to 70% in July
- Revised site working procedures in place
- Productivity not greatly impacted
- All sites now re-opened but some procurement delays, re-phasing and deferral of site starts



Financial

- Multiple cost reduction initiatives implemented
- Government support utilised
- Focus on cash management, with cash balance of £12.2m at 30 April 2020
- Successful share placing in April raised net proceeds of £6.3m
- Advanced stages new lending arrangements

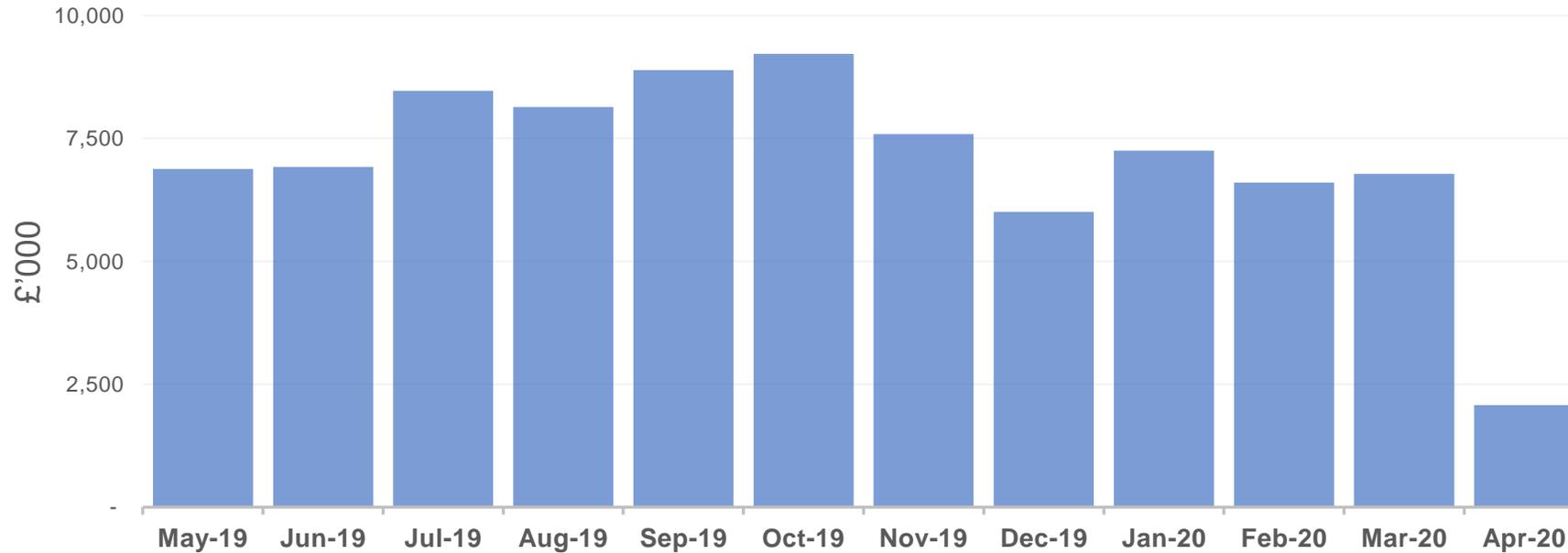


Recovery

- Activity levels improving slightly ahead of expectations
- Improving order levels, but exact trajectory of the wider industry recovery remains uncertain
- Strengthened balance sheet and improved cash position to support market recovery

Revenue analysis

FY2020 revenue phasing



Challenging market conditions and Brexit uncertainty →

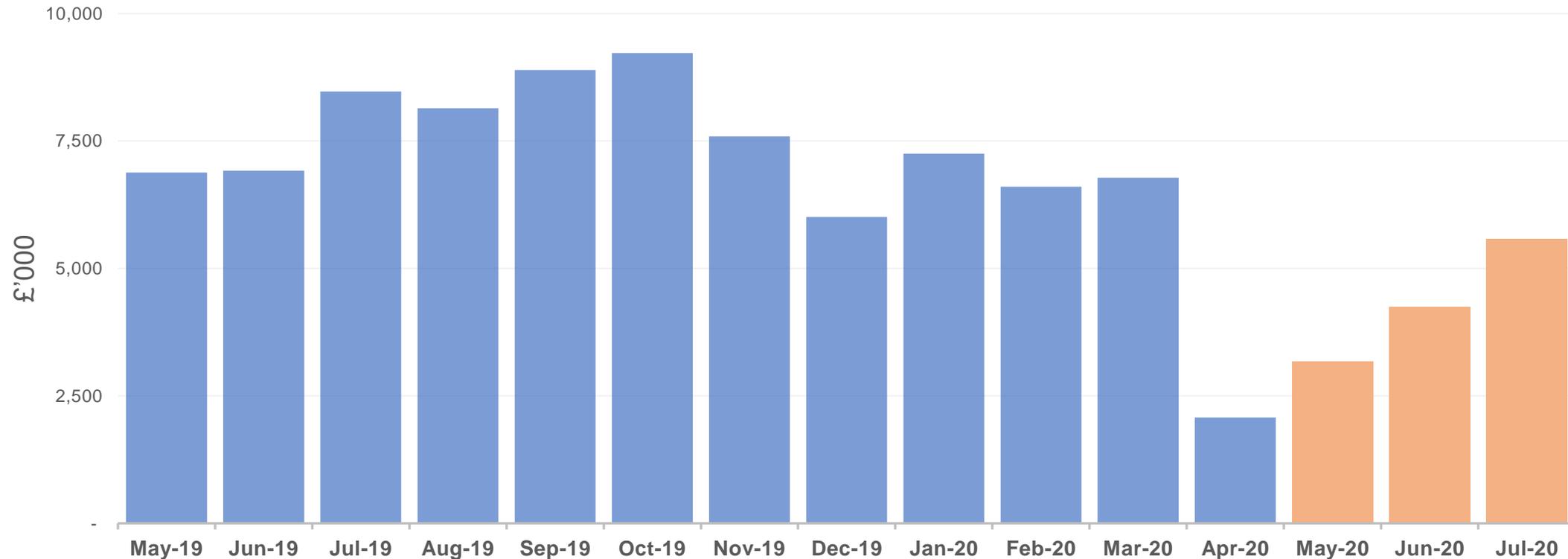
Improved activity levels in Q2 →

Seasonal impact and poor weather →

COVID-19 →

Revenue analysis

FY2020/21 revenue phasing



- Majority of customer sites closed in late March and throughout April
- Margins remained broadly stable, despite new site operating frameworks
- Enquiries and tender levels encouraging but future market outlook remains uncertain



Financial review

Graeme Campbell | Chief Financial Officer

Group income statement



| £'m | 2020 | 2019 |
|--|--------------|-------------|
| Revenue | 84.4 | 88.5 |
| Gross profit | 22.6 27% | 28.2 32% |
| Underlying operating (loss)/profit | (0.3) | 5.2 |
| Finance costs | (0.6) | (0.5) |
| Underlying (loss)/profit before tax | (0.9) | 4.7 |

- H1 revenue growth primarily due to growth in the housing sector
 - H2 revenue impacted by poor weather Jan-Feb and COVID-19 resulting in a full year revenue decrease of 5%
 - Gross profit decreased to 27% as a result of adverse activity mix and low margins on two challenging contracts in Q1
 - Lower revenues had a significant adverse impact on overhead recovery due to the COVID-19 impact in Q4, resulting in an underlying loss before tax of £0.9m
- Order book reviewed and stated on the basis of confirmed orders as £21.4m at 30 April 2020

Non-underlying items



| £'m | 2020 | 2019 |
|---|--------------|------------|
| Underlying operating (loss)/profit | (0.3) | 5.2 |
| Non-underlying items: | | |
| - Exceptional costs ¹ | (0.7) | (0.6) |
| - Impairment of property ² | (0.5) | - |
| - Impairment of goodwill ³ | (1.1) | - |
| - R&D expenditure credit ⁴ | 1.0 | - |
| - Share-based payments | (0.1) | (0.1) |
| Reported operating (loss)/profit | (1.6) | 4.6 |

1. Exceptional restructuring costs including redundancy costs;
2. Impairment of the Group's Pinxton site, which was vacated during the year (now held as an investment property);
3. Impairment of goodwill allocated to the General Piling division; and
4. Income in respect of a research and development tax credit claim relating to previous financial years (FY18 and FY19)

General Piling

| £'m | 2020 | 2019 |
|------------------------------------|-------|------|
| Revenue | 29.3 | 37.2 |
| Underlying operating (loss)/profit | (0.9) | 1.2 |

- Revenue contracted by 21% primarily due to wider market conditions as well as the significant impact of COVID-19
- Very low activity levels in Q1 and a negative product mix (including lower demand for rotary piling)
- Malcolm O'Sullivan, former managing director of Balfour Beatty Ground Engineering, was appointed as the divisional director in June 2019
- The division has strengthened its risk management, work winning, operational and commercial capabilities



Specialist Piling & Rail

| £'m | 2020 | 2019 |
|------------------------------------|------|------|
| Revenue | 25.4 | 28.6 |
| Underlying operating (loss)/profit | 0.3 | 2.7 |

- Strong performance in the highways sector with a presence on six smart motorway projects in the year, and several ongoing into 2021
- Subdued revenue in the Rail division due to delays to Network Rail's CP6 programme and the conclusion of major electrification works mid-2019
- Rail capacity maintained during the year to support expected future workload
- Leadership changed with Dave Warner now leading both business units



Ground Engineering Services

| £'m | 2020 | 2019 |
|------------------------------------|------|------|
| Revenue | 29.6 | 22.6 |
| Underlying operating (loss)/profit | 0.2 | 1.3 |

- Increased market share in the Housing division resulted in strong revenue growth but margins below expectations
- All housebuilding sites closed in the last 6 weeks of the year due to COVID-19 significantly impacting the full year result
- Strata awarded place on Highways England's four-year national ground investigation framework
- Centralisation of Housing operational structure implemented



Balance sheet



| £'m | 2020 | 2019 |
|--|--------------|-------|
| Fixed assets (including intangible assets) | 40.9 | 40.8 |
| Net working capital | 5.3 | 7.1 |
| Net funds/(debt) | 0.9 | (4.2) |
| Taxation and provisions | (1.8) | (1.5) |
| Net assets | 45.2 | 42.1 |

- Strengthened balance sheet and increased liquidity headroom
- Primarily due to share placing in April 2020 raising net proceeds of £6.3m
- Working capital decrease likely to unwind as activity levels recover

Net funds

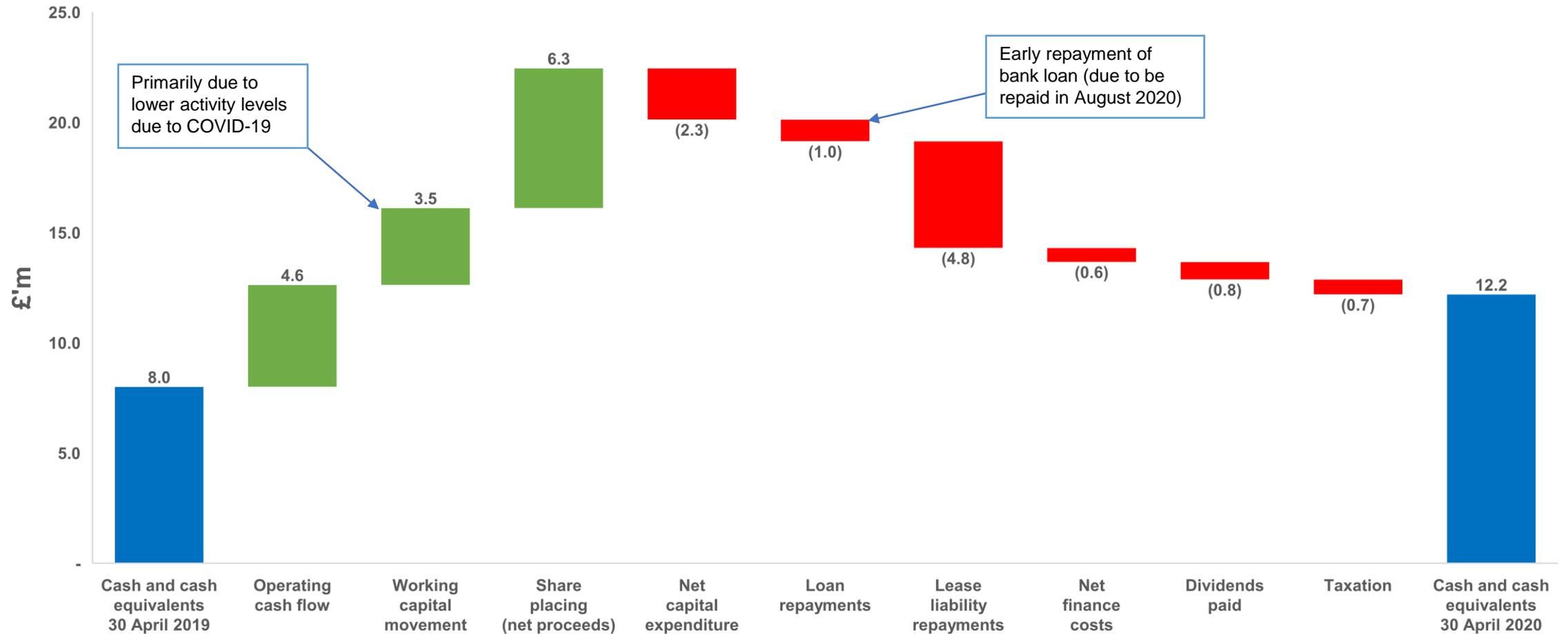
| £'m | 2020 | 2019 |
|---|---------------|--------|
| Bank loans | - | (1.0) |
| Other loans | - | (0.0) |
| Lease liabilities on adoption of IFRS 16 | (4.0) | - |
| Other lease liabilities | (7.4) | (11.2) |
| Total borrowings | (11.3) | (12.2) |
| Cash and cash equivalents | 12.2 | 8.0 |
| Net funds/(debt) | 0.9 | (4.2) |
| Net funds/(debt) excl. IFRS 16 lease liabilities | 4.8 | (4.2) |

- Bank loan repaid, removing facility covenant breach
- No facility covenants in place
- Significant reduction in hire purchase debt in the year
- Advanced stage discussions in relation to enhanced funding facilities

Cash flow



Cash and cash equivalents bridge





Strategy and outlook

Mark Cutler | Chief Executive Officer

Our vision:

To be the leading, most trusted provider of total foundation solutions

Our differentiators:

INTEGRATED CAPABILITY

We provide an end-to-end service, from initial ground investigation through to the largest types of foundation engineering

UK'S LARGEST RIG FLEET

We have 118 rigs in our fleet, with £52m capital investment in 2015-2020

DEDICATED TEAM

We deploy a directly employed workforce of more than 400 highly trained operatives

INNOVATIVE

We are constantly innovating and invest up to 10% of our expenditure into developing new techniques and applications

EXPERT

More than 20 geotechnical, ground improvement and piling techniques across the group

MARKET LEADING

We are one of the UK market leaders in the deployment of modular foundation systems to the housing sector

Our values:

Safety; Integrity; Teamwork; Excellence

Strategic actions are strengthening the business



1 Improving performance FY19-21

| | | |
|--|---|---|
| Simplified structure, strengthened leadership, employee engagement and development | Co-location completed, leadership team finalised, employee engagement improving | Improving engagement score |
| Enhanced operational performance and asset utilisation | Operational performance stable, rig utilisation will recover with growth | Target for 'Perfect Delivery' Gross margins Rig utilisation |
| Stronger commercial controls, clarity of compliance and governance | Commercial team in place, updated governance around key bids | Projects outside standard terms |
| Overhead efficiencies, cost reduction, debt reduction, COVID-19 mitigation | Cost reduction actions, COVID-19 cash preservation, debt reduction | Cost reduction KPIs Leverage < 1.5x |

2 Foundations for growth FY19-21

| | | |
|--|---|--|
| Develop market position in key sub-sectors – housing, highways, rail, industrial | Smartfoot national roll out, highways SMP, rail CP6 initiatives, warehouse track record | |
| Raise brand awareness, key customer development, improved bidding | Upgrade marketing materials & website, new BD team, key account strategy | Pipeline with key accounts |
| Innovation focus, diversify specialist services, selective capex investment | R&D expenditure circa 10% of cost base, Vibro, rail GI, CMC development | R&D expenditure New rig investment % ROCE |

3 Market leadership Medium term

| | |
|---|---|
| Trusted partnerships with key customers | Pipeline with key accounts Customer satisfaction average |
| The best people and assets | Improving engagement & attrition Apprentices & trainees Rig down time & utilisation |
| Operational excellence | Perfect delivery (zero harm, right first time, on time, on budget) |
| Medium term financial targets | 5-10% revenue growth 7-8% operating margin 15%-20% ROCE |

Well positioned in strong end markets



Revenue by sector

Residential

50%

Infrastructure

30%

Regional construction

20%

Diverse customer base



HS2



MORGAN SINDALL



Positive long term dynamics

- Structural housing shortage
- Social and affordable housing
- Residential for rent
- Off-site/modular solutions
- Standardised construction
- Major committed funding programmes
- HS2 direct and indirect impact
- Exportable niche specialisms e.g. Trackbed Stabilisation
- Increased investment in utilities, coastal & flooding projects
- Increased regional investment via established frameworks
- Logistics market growth
- Competitor drag to HS2
- Distressed regional competitors

Medium term financial targets

5-10%

Revenue growth

7-8%

Operating margin

15-20%

ROCE

<1.5x

Leverage

Enablers

Diverse sector coverage and strategic customer base

Breadth of specialist techniques and invested rig fleet

New management team, improving operating model

Current Trading and Outlook



- Majority of customer sites have safely re-opened and revenue has recovered to 70% of normal levels by end of Q1
- Exact trajectory of the wider industry recovery remains uncertain; excepting further disruption, likely return to full capacity by end of Q3
- Positive market developments on national infrastructure investment (e.g. HS2) and housing market recovery
- Strategic contract awards include first HS2 contract and national ground investigation framework for Highways England
- As a result of actions taken, the business is in a strong financial and operational position to fully benefit from improved market conditions as the industry recovers to normalised trading levels

A review of FY2020

May

- New Vibro capability launched
- Don Viaduct completed on the Highland Enhancement project
- New offices opened in Kirkby



June

- Ground Engineering award for VEMOG ground investigation road/rail rig
- Malcolm O'Sullivan joined to lead General Piling Division



July

- Investors in People Silver award
- M1 Smart Motorway contract award circa £6m for Costain Galliford Try JV
- 10 apprentices begin industry-first scheme in partnership with Sheffield College



August

- M27 Smart Motorway contract award circa £3m for BAM Morgan Sindall JV



September

- Completed the first ever Bentonite piling project at the A63 near Hull



October

- Final pile installed on Midland Mainline Electrification scheme after three years and circa 2000 foundations



A review of FY2020

November

- New lorry mounted rigs deployed on Smart Motorway projects
- Completion of major warehouse logistics project at Summit Park, Mansfield



December

- First company annual award event held at Pride Park, Derby
- Christmas rail works completed successfully on four major schemes across the UK network



January

- Strata complete largest ever ground investigation contract for Skanska
- National Apprenticeship Week – Van Elle commits to 5% of all staff under training programmes



February

- First overseas rail ground investigation scheme undertaken on Paris Metro
- Strata secure place Coal Authority ground investigation network
- Graeme Campbell joined as our new CFO



March

- Emergency works on rail network undertaken at Laverstock
- Completion of first modified Smartfoot foundation system for modular supplier, ILKE Homes, Bolton



April

- Strata secure places on Highways England national ground investigation framework
- First Vibro contract delivered for highways sector
- Largest ever Smartfoot installation at Bingley, Yorks.



Q&A



Statistics



| £'m | 2020 | 2019 |
|--------------------------------------|-----------|-----------|
| Financial measures | | |
| Revenue (£m) | 84.4 | 88.5 |
| Gross profit % | 27% | 32% |
| Overheads % (underlying) | 27% | 26% |
| Capital expenditure (£'m) | 3.8 | 3.6 |
| Operational measures | | |
| Number of rigs | 118 | 115 |
| Average rig utilisation % | 43% | 50% |
| Total contracts delivered | 930 | 1,210 |
| Enquiries | 5,123 | 4,675 |
| H&S and employee measures | | |
| RIDDOR AIR | 5.8 | 7.7 |
| Near miss reports | 1,062 | 1,008 |
| Average employees | 517 | 530 |
| Engagement survey response / score | 56% / 62% | 36% / 61% |
| Number of apprentices/trainees | 35 | 18 |
| Total training days delivered | 1,137 | 751 |

Disclaimer



This presentation has been prepared by or on behalf of Van Elle Holdings plc (“Van Elle”). The information set out in this presentation is not intended to form the basis of any contract. By attending (whether in person, by telephone or webcast) this presentation or by reading the presentation slides, you agree to the conditions set out below. This presentation (including any oral briefing and any question-and-answer session in connection with it) is for information only. The presentation is not intended to, and does not constitute, represent or form part of any offer, invitation, inducement or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction. It must not be acted on or relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which Van Elle’s securities have been previously bought or sold and the past yield on Van Elle’s securities, cannot be relied on as a guide to future performance. Nothing herein should be construed as financial, legal, tax, accounting, actuarial or other specialist advice. The release, presentation, publication or distribution of this presentation in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. It is your responsibility to satisfy yourself as to the full observance of any relevant laws and regulatory requirements. Any failure to comply with applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction. In addition, in the United Kingdom, this presentation is being made available only to persons who fall within the exemptions contained in Article 19 and Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”). This presentation is not intended to be available to, and must not be relied upon, by any other person. Nothing in this presentation constitutes investment advice and any recommendations that may be contained herein have not been based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient. None of Van Elle, its shareholders, subsidiaries, affiliates, associates, or their respective directors, officers, partners, employees, representatives and advisers (the “Relevant Parties”) makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation, or otherwise made available, nor as to the reasonableness of any assumption contained in such information, and any liability therefore (including in respect of direct, indirect, consequential loss or damage) is expressly disclaimed. No information contained herein or otherwise made available is, or shall be relied upon as, a promise, warranty or representation, whether as to the past or the future and no reliance, in whole or in part, should be placed on the fairness, accuracy, completeness or correctness of such information. Unless expressly stated otherwise, no statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that cash flow from operations, free cash flow, earnings or earnings per share for Van Elle for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings or earnings per share of Van Elle. Statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, any cost savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

By attending the presentation to which this document relates and/or by accepting this document you will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice. This presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of Van Elle. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Van Elle to market risks and statements expressing management’s expectations, beliefs, estimates, forecasts, projections and assumptions including as to future potential cost savings, synergies, earnings, cash flow, return on average capital employed, production and prospects. These forward-looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “objectives”, “outlook”, “probably”, “project”, “will”, “seek”, “target”, “risks”, “goals”, “should” and similar terms and phrases. There are a number of factors that could affect the future operations of Van Elle and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) changes in demand for Van Elle’s products; (b) currency fluctuations; (c) loss of market share and industry competition; (d) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; and (e) changes in trading conditions. All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as at the specified date of the relevant document within which the statement is contained. Van Elle does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this presentation. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this presentation may vary slightly from the actual arithmetic totals of such data.

