VAN ELLE
TOTAL FOUNDATION SOLUTIONS

PRELIMINARY RESULTS FY19
JULY 2019

Summary

Results for the year ended 30 April 2019

- Transitional year for the Group
- Sales and profitability impacted by end-market volatility and project slippages
- Expect market headwinds to continue through FY20
- Progress in delivering the strategy through parallel transition plan:
  - ✓ Performance improvement initiatives
  - ✓ Work winning and customer focus resulting in improved orderbook
- Confident medium term outlook:
  - ✓ Market leading business
  - ✓ Robust financial position
- Proposed final dividend of 1p per share

Financial Review

Paul Pearson, CFO

Summary Financial results for the period

Income statement for the year ended 30 April 2019

Year ended 30 April £'m	FY2019	FY2018	Movement
Revenue	**88.5**	**103.9**	(14.8%)
Cost of Goods	(60.3)	(69.5)	(13.2%)
Gross profit	28.2	**34.4**	(18.0%)
Gross margin	*31.9%*	*33.1%*	*(1.2 ppt)*
Overheads	23.0	23.3	(1.3%)
Underlying operating profit	**5.2**	**11.1**	(53.2%)
Underlying operating margin	*5.9%*	*10.7%*	*(4.8 ppt)*
Exceptional items	(0.7)	(1.4)	(51.3%)
Operating profit	**4.5**	**9.7**	(53.4%)
Finance costs	(0.5)	(0.5)	(0.0%)
Profit before tax	**4.0**	**9.2**	(56.3%)
Tax	(0.8)	(1.8)	(55.6%)
Profit after tax	3.2	7.3	(55.9%)
EPS (p)	4.0	9.2	(56.5%)
Underlying EPS (p)	**4.7**	**10.6**	(55.7%)
DPS (p)	2.0	3.7	(45.9%)

Commentary

Group revenues decreased by 14.8% due to subdued market conditions

Gross margin was impacted by previously reported operational weaknesses and fell by 1.2% to 31.9%

The combination of revenue and gross margin reductions and lower leveraging of overheads resulted in an underlying operating profit of £5.2m

Underlying operating margin reduced to 5.9%

Year-end adjustments of £0.5m

Exceptional costs of £0.7m comprise £0.5m on restructuring, £0.1m settlement for non-compliant P&M; and £0.1m share based payments provision

Financial results for the period

Divisional performance for the year ended 30 April 2019

Year ended 30 April £'m	FY2019	FY2018	Movement
Revenue	**88.5**	**103.9**	(14.8%)
General Piling	37.2	44.1	(15.6%)
Specialist Piling	28.6	38.2	(25.1%)
Ground Engineering Services	22.6	21.6	4.6%
Gross margin	*31.9%*	*33.1%*	*(1.2 ppt)*
General Piling	*27.0%*	*33.3%*	*(6.3 ppt)*
Specialist Piling	*40.5%*	*33.7%*	*6.8 ppt*
Ground Engineering Services	*28.9%*	*31.7%*	*(2.8 ppt)*
Underlying EBIT	**5.2**	**11.1**	(53.2%)
General Piling	1.2	5.4	(76.9%)
Specialist Piling	2.7	3.6	(25.3%)
Ground Engineering Services	1.3	2.1	(38.3%)

Commentary

General Piling

Reduced revenue as a result of challenging market conditions

Low utilisation of large diameter rigs and Q3 operational weaknesses impacted gross margins- overall operating profit falling to £1.2m, from £5.4m

Specialist Piling

Revenue declined as a result of challenging market conditions

Rail gross margins improved due to strong contract completions in H1

Ground Engineering Services

Revenues increased due to demand for integrated piling and Smartfoot foundation sales to housebuilders

Gross margin reduced by 2.8% to 28.9% due to temporary resource pressures and early stage operational maturity

Financial results for the period

Cash flow statement for the year ended 30 April 2019

Year ended 30 April £'m	FY2019	FY2018
Operating profit	**4.6**	**9.7**
Depreciation & amortisation	4.5	5.7
EBITDA	**9.1**	**15.4**
Movement in working capital	0.5	(2.1)
Interest, tax and other	(1.9)	(2.3)
Operating cash flow	**7.7**	**11.0**
Sale of PPE	0.3	0.3
Maintenance capex	-	(0.7)
Free cash flow	**8.0**	**10.6**
Growth capex	(2.5)	(4.4)
Movement in finance leases	(5.6)	(5.5)
Movement in borrowings	(0.2)	(0.2)
Proceeds from share issue		-
Dividends	(2.6)	(2.5)
Net cash flow	**(2.9)**	**(2.0)**

Commentary

Operating cash conversion of 106.3% in the year (2018: 85.9%)

Operating cash flow down £3.3m (30.0%) as a result of reduced profitability but with focussed working capital management delivering a positive movement

Growth capex (net of financing) of £2.5m in line with strategic decision to reduce rig investment programme in FY19, with only one new rig added to the fleet

Net debt reduced by £1.7m down to £4.2m

Net debt £'m	FY2019	FY2018
Cash	8.0	10.9
Borrowings	(1.0)	(1.2)
Hire purchase	(11.2)	(15.6)
Net debt	**(4.2)**	**(5.9)**

Operational & Strategic Review

Mark Cutler, CEO

Business Review and Performance Stabilisation

Progress within the year:

1. Significantly strengthened leadership team
2. Business streamlining and simplification; eight divisions down to five
3. Annualised cost savings of c£1.0m
4. Operational weaknesses being addressed by ‘back to basics’ improvement programme – project level gross margins improving
5. Improving bidding approach evidenced by strong strategic contract win momentum
6. Key wins provide longer-term, more resilient and predictable work mix, including; Smart Motorways, Highland electrification programme and Housing frameworks
7. Integration of offices to single co-located site in Kirkby and significant employee engagement activity
8. Strengthened commercial teams and improved processes

Operational Review - General Piling

- 15% drop in revenues
- Larger CFA and rotary projects impacted by market uncertainties and increased competition and fewer, large multi-storey housing projects
- Operational performance weaknesses being addressed by back to basics approach, being rolled out group-wide
- Industry leading director Malcolm O'Sullivan now in place, supported by Peter Handley
- Technical reputation being enhanced
- Several central London exemplar projects completed
- Driven piling rigs transferred to the Housing division where we see sustainable growth

Operational Review - Specialist Piling

- Project delays experienced throughout the year. Overall revenues down by 25%
- Former Ground Stabilisation activity (previously c£7m pa revenues) under strategic review
- Ongoing restructuring to support cost efficiencies and operational performance improvements
- Rail seeing a dip ahead of CP6 but better positioned with customer base than start FY19 after solid year of delivery
- Excellent progress on Smart Motorways portfolio
- Strong commercial managers appointed in both divisions
- Demise of Aspin demonstrates market pressures but presents opportunity
- Four further trial projects undertaken for track bed stabilisation – expect to expand further in FY20

Operational Review - Ground Engineering Services

- Revenues up 5%
- Strong demand for integrated piling and Smartfoot solutions to Housing sector – activities integrated under single leadership structure and assets diverted from General Piling
- Good progress on regional penetration with national housebuilders supported by five national heads of terms
- Team being strengthened by internal re-deployment to ensure best practice and margin improvement
- New products developed and launched (Vibro stone columns, Vemog)
- Production facilities fully utilised by year end
- Strata revenues subdued due to General Piling dip (testing activities) but GI anticipated to grow in FY20
- Operational gross margins in Housing expected to improve in FY20

Parallel Strategy

Twin approach, FY19 & FY20 - addressing performance issues and re-focus on enablers for growth

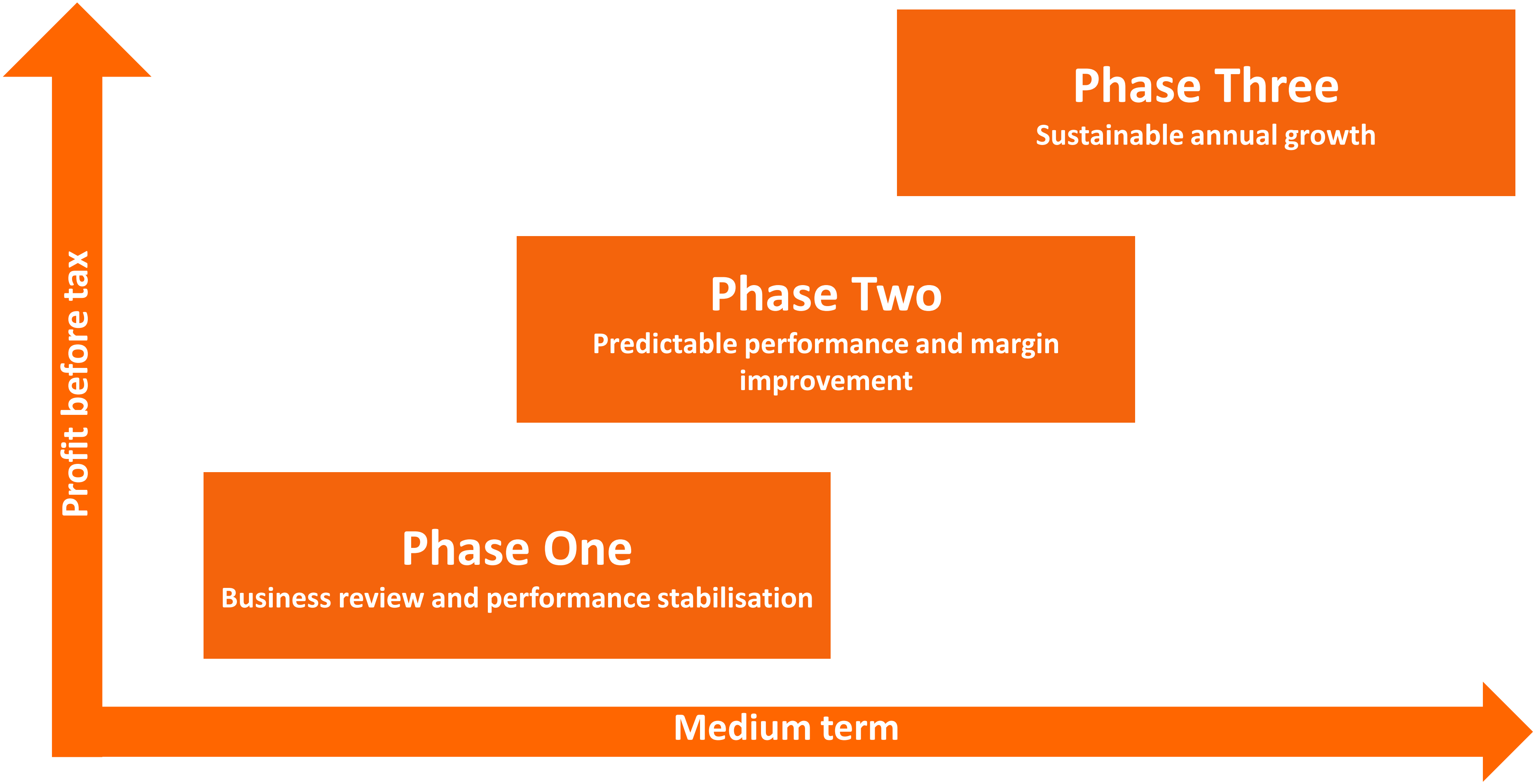
Improving performance

1. Simplified structure, strengthened leadership, maturing culture
2. Enhanced operational performance, deeper commercial capability, strengthened compliance and governance
3. Improved asset utilisation from inter-divisional collaboration
4. Reduced cost base and targeted business improvement activities

Foundations for growth

1. Focus on core growth sectors and UK regional penetration
2. Strategic customer development
3. Early involvement and improved bidding performance
4. More resilient and predictable work mix
5. Continue innovating and diversifying, selective capex investment

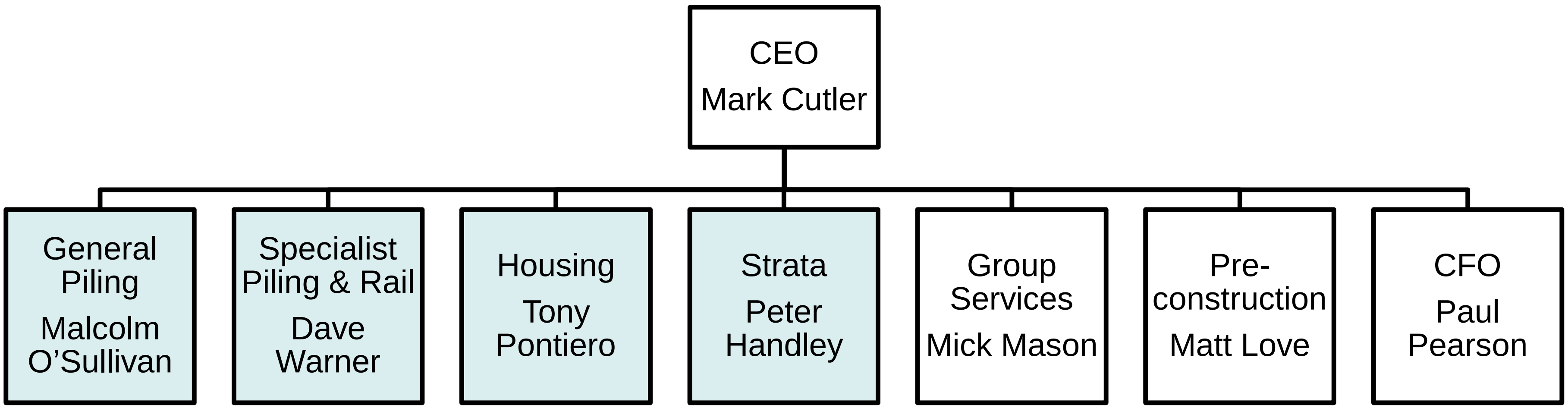
Three-phase implementation programme



Phase 1 continues through FY20

Medium term target; double-digit operating margins and ROCE >25%

Upgraded Leadership Team

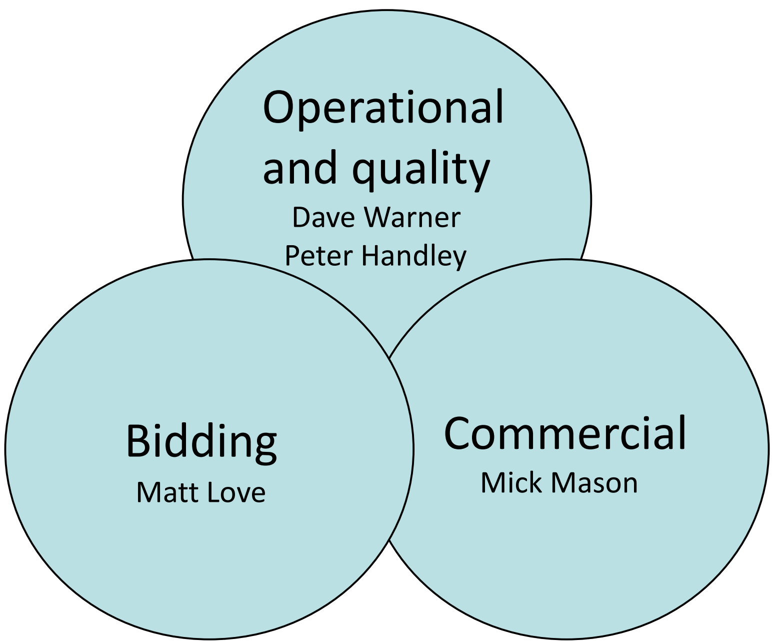


- Blending sector leading external appointments with long serving incumbents
- Upgraded divisional leadership

Improving Operational Performance

Internal Training Programmes

Back to basics & lessons learned



Perfect Delivery Performance Model

Targeting excellence on every project

ZERO HARM 1. Zero health, safety or environmental incidents 2. >90% HSEQ audit score	**ZERO DEFECTS** 1. Zero defects at completion 2. All project records in place
EFFICIENT 1. Tender handover done 2. Completed on time and on budget	**RECOMMENDED** 1. Score >8 in customer survey 2. Post project review done

People & culture

Upgrading leadership
- Peter Handley – returned to Van Elle
- Malcolm O'Sullivan – former BBGE MD

Retention strategies
- Re-vamped appraisal process
- Annual employee survey
- Succession planning commenced

10	Apprentices under training
45	Avge headcount reduction FY18-FY19

Employee engagement
- Monthly Town Hall briefings, quarterly newsletter
- New corporate induction
- 'Lunch & Learn' programme introduced
- New HRM appointed

Teamworking culture
- Fully inclusive bonus scheme
- Co-location on single site in Kirkby

Training
- UK first piling operative apprentice provider

Strategic review undertaken – targeting three core growth sectors, underpinned by closer customer relationships

	Housing	Infrastructure	Commercial & Industrial
Market drivers	• Housebuilders seeking faster and increasingly modular solutions • Government stimuli – H2B • Brownfield and infrastructure intensive sites	• Cross party support for infrastructure investment • Increasing essential maintenance requirements	• Regional investment key conurbations • London slowing but huge market • Growing investment in distribution & logistics
Target segments	• Private and social/affordable housebuilders • Retirement living • Modular investors • Regional penetration	• Network Rail CP6 • Highways England RTM & SMA • HS2 • Regional transport • Utilities, aviation, flood/coastal	• Regional growth – London, north west, Birmingham • Logistics & sheds
Our opportunity	• Market share – currently securing orders from only 15% of top 20 housebuilder regional offices • Negotiate national frameworks • Broaden integrated offering e.g. Vibro	• Consolidate market leading position in Smart Motorways • Accelerate dominant position in Rail post demise of Aspin • Further diversify Rail offering (GI, associated civils, TBS) • HS2 packages and wider market impact • Focused BD effort in utilities and flood defence	• Build strong London presence • Closer 3rd party design partnerships • Broaden offering to logistics sector e.g. Vibro

Top 15 Strategic Customer Development

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Housing	Infrastructure	Commercial & Industrial	Consultants
Barratt	Balfour Beatty	Careys	Motts
Persimmon	Bam Nuttall	Buckingham	AECOM
Taylor Wimpey	Story	Wates	Arup
Bellway	Amey	SRM	Atkins/CH2M
Redrow	Siemens/SPL	Kier	WSP
Robertson	Volker	Brookfield	Jacobs
Berkeley	Skanska	Robertson	Arcadis
Cala	Costain	Mace	Amey
Strata	Morgan Sindall	Morgan Sindall	WYG
Countryside	Mace	Clugston	Ramboll
Engie	Kier	Erith	RPS
Keepmoat	SRM	Bam Construction	SYSTRA
Lovell	VINCI	B&K	Tony Gee
Bovis	Galliford Try	Winvic	Byland
McCarthy & Stone	McL & Harvey	Interserve	A-squared

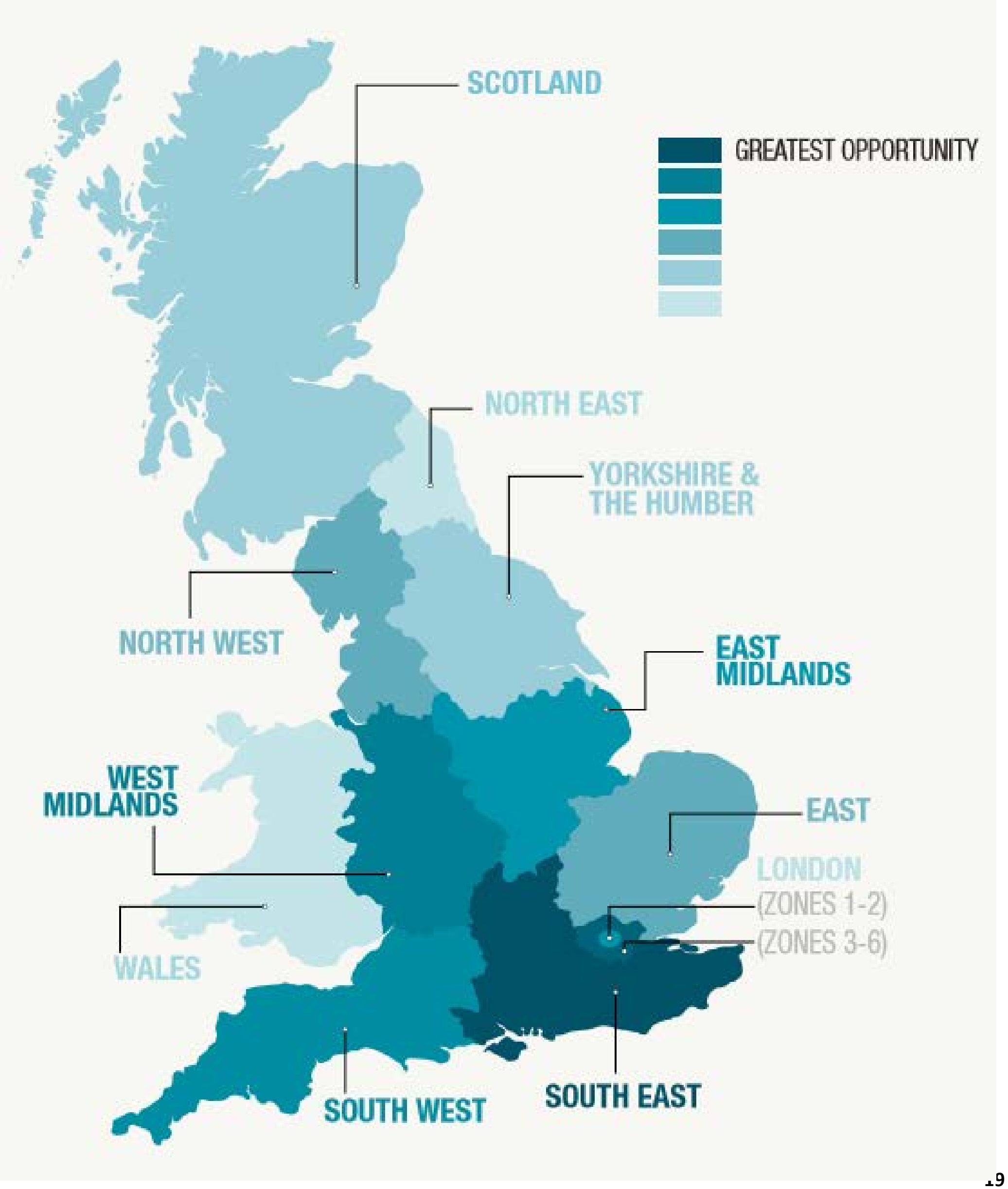
Housing sector progress

In FY19:

- Heads of Terms or generic rates agreed with eight national housebuilders (increased from three)

Over the last 6 months:

- 168 client BD meetings
- Orders from 16 new regional offices



Case study - Smart Motorways strategic progress

Recent and current schemes:

Scheme	Customer	Est £m	Status
M1 jct 23-25	Costain/Galliford JV	3.0	Delivered FY18
M23 jct 8-10	Kier	1.5	Complete FY20
M20 jct 3-5	Kier	0.2	Complete FY20
M4 jct 3-12	BB/Vinci JV	3.0	On site started Q1
M6 jct 13-15	Kier	1.5	On site started Q1
M1 jct 13-16	Costain/Galliford JV	6.3	Commence Aug 19
M27 jct 4-11	Bam/Morgan Sindall JV	2.6	Commence Aug 19

Medium term bid pipeline of circa £120m

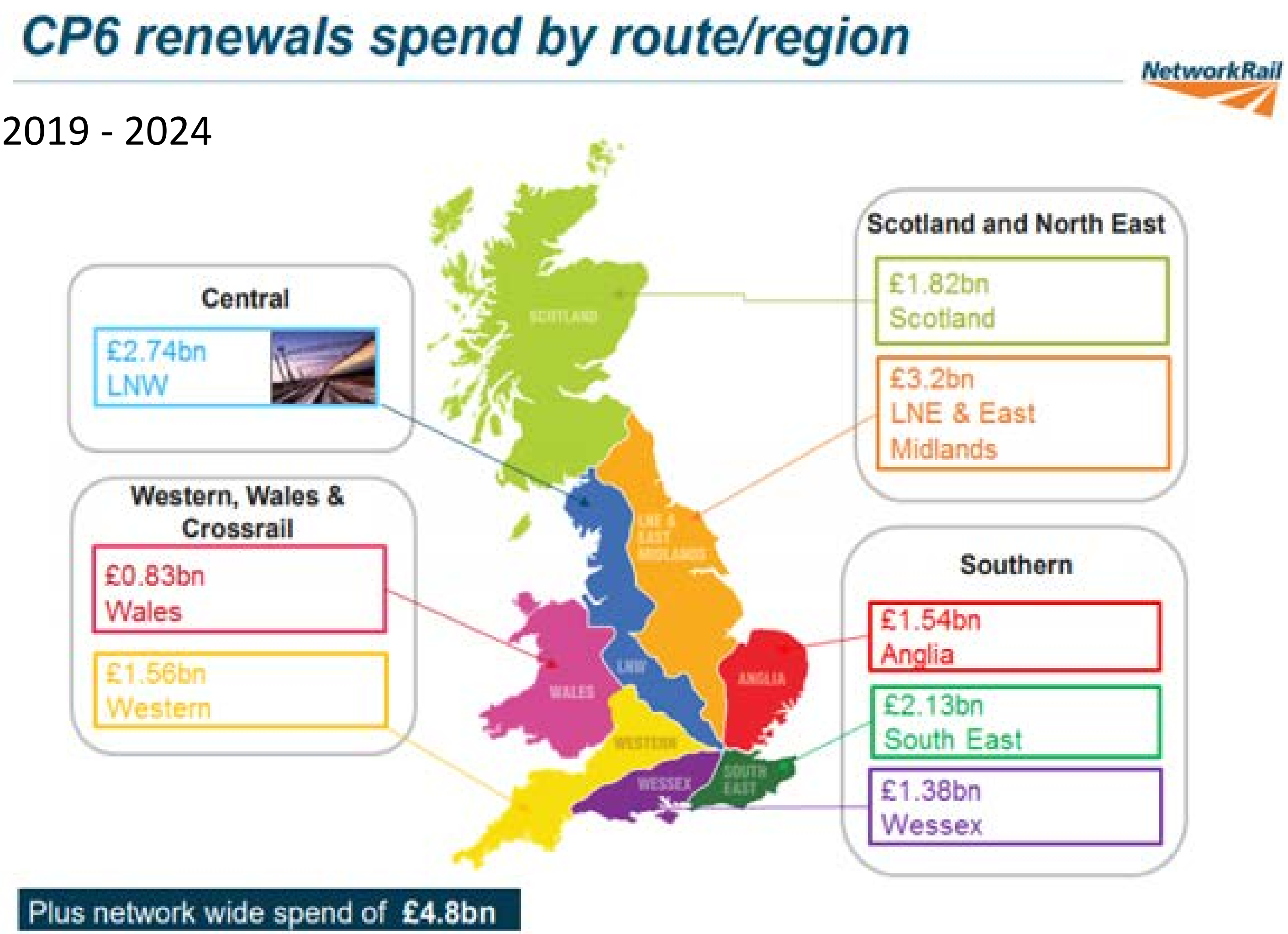
Costain Galliford Try
Smart Motorways Joint Venture

Balfour Beatty VINCI

KIER

£20bn spend in Network Rail CP6 - devolved to routes, greater focus on renewals, track record with all tier 1 winners

2019 - 2024



Summary & Outlook

- Disappointing performance in FY19 but a transitional year for the Group
- Clear three phase strategy in place to deliver:
  - Improved operational performance
  - A platform for sustainable, long term growth
- Several key initiatives implemented in FY19 as part of phase 1; initial benefits being seen and further self-help initiatives to be implemented in FY20
- Improved commercial focus and strategic engagement gaining traction with encouraging momentum on customer development and order book improvement
- Market uncertainty expected to continue into FY20 but medium term prospects underpinned by strategy delivery and leading market position
- The Group retains a solid financial position alongside a market leading position, enabling it to continue to pursue strategic objectives