

TOTAL FOUNDATION SOLUTIONS.

VAN ELLE HOLDINGS PLC

INTERIM RESULTS 31 OCTOBER 2020



INTERIM RESULTS AGENDA

OVERVIEW AND COVID-19 IMPACT

FINANCIAL REVIEW

STRATEGY AND OUTLOOK

**THE
UK'S LARGEST
GEOTECHNICAL
ENGINEERING
CONTRACTOR**

OVERVIEW AND COVID-19 IMPACT

MARK CUTLER | CHIEF EXECUTIVE OFFICER



TRADING ACTIVITY WAS SIGNIFICANTLY BELOW PRE-COVID LEVELS DURING THE FIRST QUARTER, WITH A GRADUAL RECOVERY IN CONTRACT ACTIVITY THROUGH THE REPORTING PERIOD



OVERVIEW

- Q1 FY21 was significantly impacted by the market downturn caused by COVID-19 restrictions
- H1 FY21 revenue decreased by 21% compared with H1 FY20
- Trading returned to pre-COVID-19 levels and the Group returned to profitability during the second quarter
- Gross margins have been adversely impacted by mix, but operational efficiencies have improved margins in some divisions
- Underlying operating loss of £0.4m (H1 FY20: profit of £1.5m).
- The Group maintained a strong financial position with cash of £9.8m at the end of the period (30 April 2020: £12.2m), supported by the capital raise in April 2020
- New asset-based lending facility secured in October 2020 of up to £11m, currently undrawn
- Net funds of £4.5m at 31 October 2020 (30 April 2020: £4.8m)*
- The Board is not recommending an interim dividend and will review the dividend policy when the current period of disruption has passed

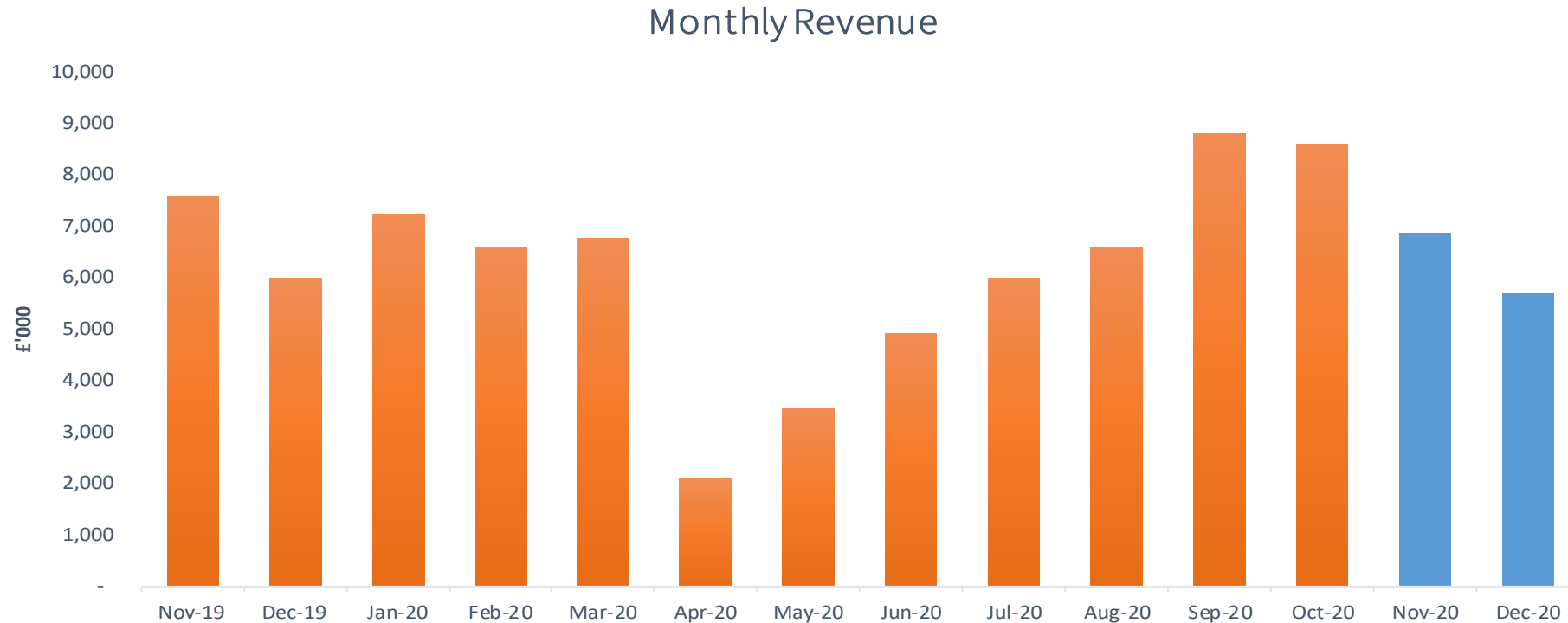
* Excluding IFRS 16 property lease liabilities



COVID-19 IMPACT

- Our primary focus has been on the health and wellbeing of all employees
- Operating procedures adopted in accordance with government advice and industry guidance have allowed contract works to be delivered safely and productively throughout
- At the peak of the first lockdown 50% of the workforce were furloughed and cost reduction measures implemented
- Cost reduction measures included temporary pay reductions and limits on capital investment
- The Group utilised the government's Job Retention Scheme and has claimed £1.3m in H1
- Steady recovery of activity during H1 resulted in the majority of employees returning to work
- Lockdowns in November 2020 and January 2021 have so far had limited operational impact, but have had some impact on customer's short-term decision making
- The Group maintained a strong balance sheet and cash balance with net funds of £4.5m at 31 October 2020 and an available facility of up to £11m

REVENUE ANALYSIS



- Majority of customer sites closed in late March and throughout April 2020
- Trading returned to pre-COVID-19 levels in September and October 2020
- November and December revenues impacted by volatility in General Piling and normal seasonal factors
- Despite COVID-19 over 2,300 enquiries (H1 FY2020; 2,786) and order book at 7 January is £23.6m (30 April 2020: £21.4m)

FINANCIAL REVIEW

GRAEME CAMPBELL | CHIEF FINANCIAL OFFICER



**“
STRENGTHENED BALANCE SHEET AND INCREASED LIQUIDITY HEADROOM FOLLOWING THE EQUITY FUNDRAISING IN APRIL 2020, THE NEW LENDING FACILITY IN OCTOBER 2020 AND CAREFUL CASH MANAGEMENT**

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GROUP INCOME STATEMENT

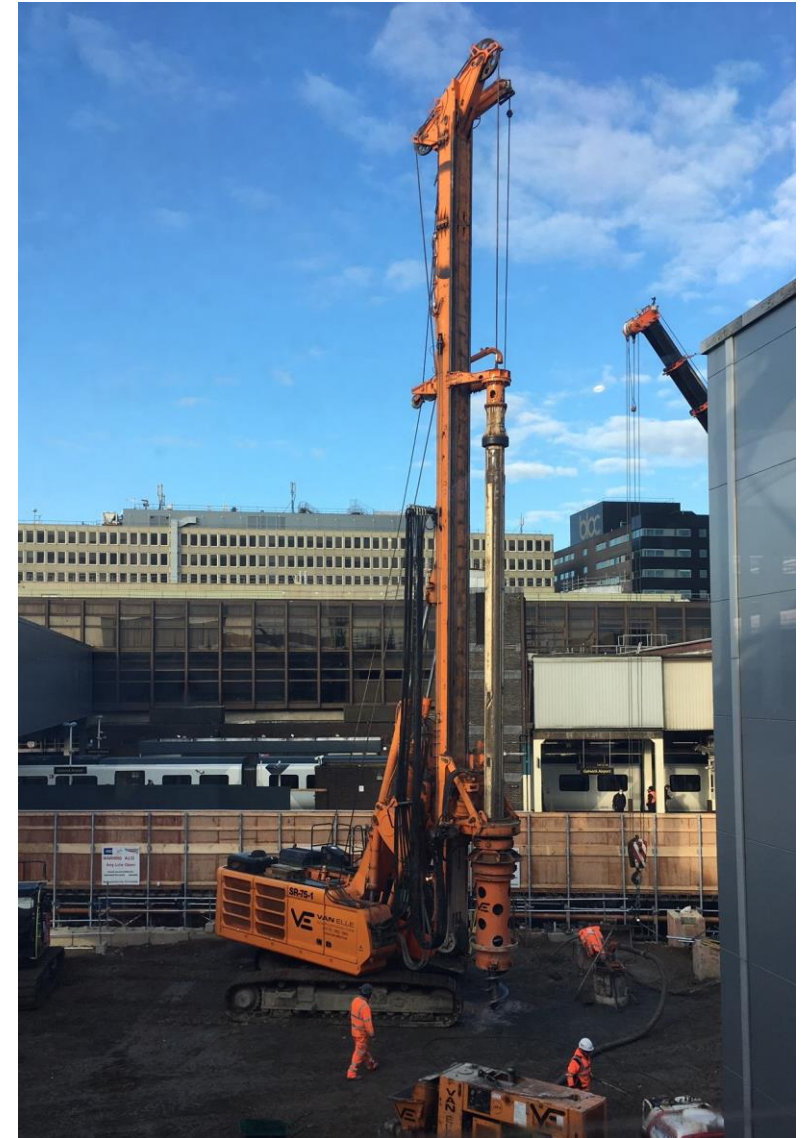
	H1 2021 £m	H1 2020 £m
Revenue	38.3	48.5
Gross profit	10.6	13.2
	27.6%	27.3%
Underlying operating (loss)/profit	(0.4)	1.5
Finance costs	(0.3)	(0.3)
Underlying (loss)/profit before tax	(0.7)	1.2

- Revenue decline of 21% as activity during the first quarter was heavily disrupted by COVID-19
 - Steady recovery to pre COVID-19 trading levels in September and October when the Group traded profitably
 - Gross margins have been maintained at FY20 levels despite COVID-19 impacts, due to operational efficiencies in Specialist Piling and Ground Engineering Services although offset by adverse activity mix
 - The Group reports no non-underlying items in the period
 - Lower revenues had a significant adverse impact on overhead recovery due to COVID-19, resulting in an underlying loss before tax of £0.4m
- Order book of £23.6m at 7 January (30 April 2020: £21.4m)

GENERAL PILING

	H1 2021 £m	H1 2020 £m
Revenue	13.8	17.7
Underlying operating profit	0.2	0.2

- Revenue contracted by 22% primarily due to the significant impact of COVID-19 in Q1
- Despite recovery to pre COVID-19 trading levels in Q2, market conditions remain highly competitive and volatile
- Key contracts secured and delivered in the period on distribution centres and rail stations
- Cost mitigation initiatives have offset the impact of lower activity levels
- The division continues to strengthen its risk management, work winning, operational and commercial capabilities



Gatwick Airport Station works for Costain

SPECIALIST PILING & RAIL

	H1 2021 £m	H1 2020 £m
Revenue	12.7	14.0
Underlying operating profit	0.8	0.4

- Specialist Piling had the strongest recovery since the first lockdown with revenue growth of 12% compared to the previous year
- Operational teams operating a full capacity for much of H1
- Strong contract performance in the highways sector and rail stations
- Invested in increased capability in sheet piling and drill and grout
- Subdued revenue in the Rail division due to delays to Network Rail's CP6 programme and the conclusion of major electrification works mid-2019
- David Buckley, former Director of Balfour Beatty's rail technology business Omnicom appointed new Rail Director in January 2021



Drill & Grout to mine-workings at M6 junction 10, Walsall

GROUND ENGINEERING SERVICES

	H1 2021 £m	H1 2020 £m
Revenue	11.7	16.9
Underlying operating (loss)/profit	(0.1)	0.8

- Revenue decreased by 30% due to the significant impact of the first COVID-19 lockdown on housebuilding activity with all sites closed in April
- Housing division revenues recovered to near pre-COVID levels by the end of the period
- Restructure within the housing division and operational efficiencies have improved gross margins
- Revenues in Strata stable despite some site closures in the first quarter
- Strata awarded place on Highways England's four-year national ground investigation framework



Smartfoot installation at Bingley, Yorkshire for McCarthy & Stone

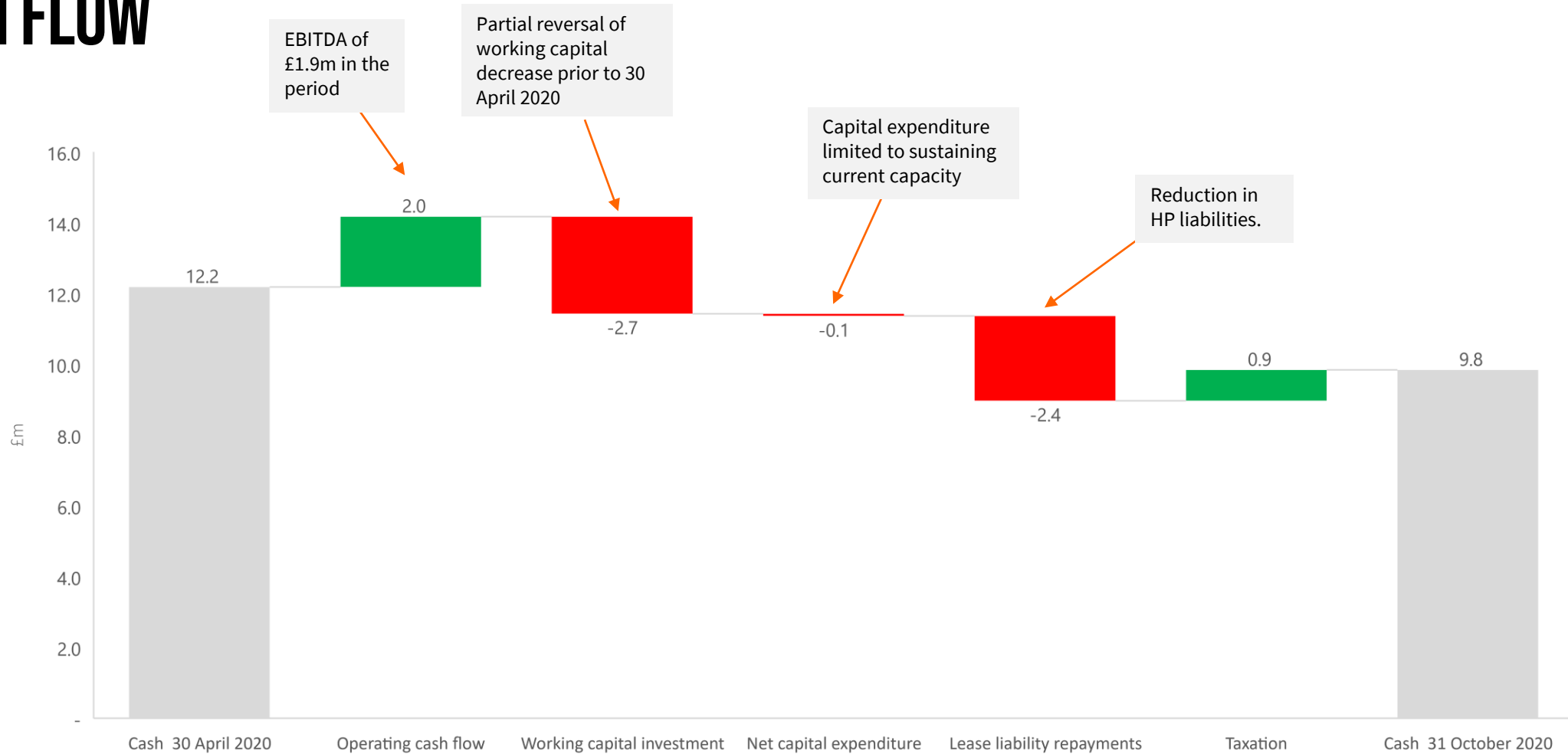
BALANCE SHEET & NET FUNDS

	H1 2021 £m	FY20 £m	H1 2020 £m
Fixed assets (including intangible assets)	38.6	40.9	44.8
Net working capital	7.3	5.3	9.0
Net funds/(debt)	0.6	0.9	(10.4)
Taxation and provisions	(1.8)	(1.8)	(1.3)
Net assets	44.7	45.2	42.1

	H1 2021 £m	FY20 £m	H2 2020 £m
Bank loans	—	—	(0.9)
Lease liabilities	(9.2)	(11.4)	(13.5)
Total borrowings	(9.2)	(11.4)	(14.4)
Cash and cash equivalents	9.8	12.2	3.9
Net funds/(debt)	0.6	0.9	(10.4)
Net funds/(debt) excl. IFRS 16 property lease liabilities	4.5	4.8	(6.4)

- Strengthened balance sheet and increased liquidity headroom due to share placing in April 2020 and new asset-backed lending facility of up to £11m
- Increase in working capital as a result of the partial reversal of working capital decrease prior to 30 April 2020
- Bank loan repaid in April 2020
- Significant reduction in hire purchase debt in the year with £5.3m outstanding at 31 October 2020

CASH FLOW



STRATEGY AND OUTLOOK

MARK CUTLER | CHIEF EXECUTIVE OFFICER



“ NOTWITHSTANDING THE IMPACT OF COVID-19 IN THE PERIOD, THE GROUP’S STRATEGY IS UNCHANGED AND ITS MARKETS CONTINUE TO OFFER CONSIDERABLE OPPORTUNITY



WELL POSITIONED IN STRONG END MARKETS

Revenue by sector

RESIDENTIAL

45%

Diverse customer base



Positive long term dynamics

- Structural housing shortage
- Social and affordable housing
- Residential for rent
- Off-site/modular solutions
- Standardised construction

Medium term financial targets

5-10%

REVENUE GROWTH

INFRASTRUCTURE

35%



- Major committed funding programmes
- HS2 direct and indirect impact
- Exportable niche specialisms e.g. Trackbed Stabilisation
- Increased investment in utilities, coastal & flooding projects

7-8%

OPERATING MARGIN

REGIONAL CONSTRUCTION

20%



- Increased regional investment via established frameworks
- Logistics market growth
- Competitor drag to HS2
- Distressed regional competitors

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

STRATEGIC ACTIONS ARE STRENGTHENING THE BUSINESS

1 IMPROVING PERFORMANCE FY19-21

Simplified structure, strengthened leadership, employee engagement and development

Enhanced operational performance, safety & quality and asset utilisation

Stronger commercial controls, clarity of compliance and governance/risk management

Overhead efficiencies, cost reduction, debt reduction, COVID-19 mitigation

2 FOUNDATIONS FOR GROWTH FY19-22

Strengthen balance sheet and reduce net debt

Develop market position in core markets – residential, infrastructure, construction

Raise brand awareness, key customer development, build long-term pipeline, improved bidding

Continue to focus on innovation, diversify specialist services, selective capex investment

3 MARKET LEADERSHIP

Develop trusted partnerships with key clients

Deploy the best people and assets

Deliver operational excellence

Achieve medium term financial targets

CURRENT TRADING AND OUTLOOK

- Revenues post period-end have been impacted as a result of Christmas closures and normal seasonal factors, however trading remains in line with Board expectations
- Assuming the continuation of construction activity throughout the ongoing COVID-19 pandemic, revenues are expected to broadly return to Q2 levels during the course of Q4 and momentum is expected to continue in to FY2022
- Considerable progress has been made in delivering the Group's strategy including transformed financial capacity, allowing the Group to continue to invest in strengthening its niche capabilities
- Ongoing priority being placed on national investment in the infrastructure and residential sectors
- The Board anticipates delivering an underlying result for the year slightly ahead of current market expectations

STATISTICS

	H1 2021	H1 2020	FY 2020
Financial measures			
Revenue (£m)	38.3	48.5	84.4
Gross profit %	27.6%	27.3%	26.8%
Overheads % (underlying)	28.9%	24.3%	28.5%
Capital expenditure (£'m)	0.3	1.8	3.8
Operational measures			
Number of rigs	115	117	118
Average rig utilisation %*	39%	48%	43%
Total contracts delivered	492	564	930
Enquiries	2,301	2,786	5,123
H&S and employee measures			
RIDDOR AIR	8.0	5.7	5.8
Near miss reports	635	536	1,062
Average employees	513	537	517
Engagement survey response / score	-	56%/62%	56%/62%
Number of apprentices/trainees	30	34	35
Total training days delivered	399	661	1,137

*Rig utilisation to be calculated on a net book value weighted average basis at the full year

Q&A



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