

TOTAL FOUNDATION SOLUTIONS.

VAN ELLE HOLDINGS PLC

FULL YEAR RESULTS 30 APRIL 2021



AGENDA

RESULTS OVERVIEW

FINANCIAL REVIEW

STRATEGY AND OUTLOOK

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

RESULTS OVERVIEW

- Resilient trading performance with revenues flat compared to FY20 (£84.4m)
- COVID impact, market volatility and seasonal factors impacted Q1-Q3
- Market recovery towards the end of Q4 saw trading returning to pre-pandemic levels
- All divisions, except Rail, operating at near capacity by the end of the financial year
- Operational performance and rail market outlook improving
- Underlying operating loss of £0.6m (FY20: £0.3m)
- Strengthened balance sheet with reduced hire purchase debt and undrawn debt facility of up to £11m
- Cash as at 30 April 2021 of £8.5m
- Acquisition of ScrewFast on 1 April expands the Specialist Piling and modular foundations capability
- No final dividend proposed
- The Board expects to reinstate an appropriate dividend during the course of FY22

GROUP INCOME STATEMENT

| | 2021 £m | 2020 £m |
|-----------------------------------|--------------|------------|
| Revenue | 84.4 | 84.4 |
| Gross profit | 22.0 | 22.6 |
| | 26.1% | 26.7% |
| Underlying operating loss | (0.6) | (0.3) |
| Finance costs | (0.6) | (0.6) |
| Underlying loss before tax | (1.2) | (0.9) |

- Revenue flat compared to FY20, despite significant impact of COVID-19
- Strong market recovery in Q4 with all divisions, except Rail, operating a near-capacity by the year-end
- Gross margin impacted by adverse activity mix and disruption caused by COVID-19 site procedures
- Reduced non-underlying items of £0.3m (FY20: £1.3m) relate to share-based payments and acquisition costs for ScrewFast
- Increased order book at 9 August of £34.7m (1 June 2021: £26.4m)

NON-UNDERLYING ITEMS

| | 2021 £m | 2020 £m |
|----------------------------------|--------------|------------|
| Underlying operating loss | (0.6) | (0.3) |
| Non-underlying items: | | |
| Share-based payments | (0.2) | (0.1) |
| Acquisition costs for ScrewFast | (0.1) | - |
| Other prior year items | - | (1.2) |
| Reported operating loss | (0.8) | (1.6) |

Note: Prior year non-underlying items included restructuring costs, property and goodwill impairment, and income from R&D tax credit claims from previous financial years

GENERAL PILING

| | 2021 £m | 2020 £m |
|---|-------------|------------|
| Revenue | 27.3 | 29.3 |
| Underlying operating profit/(loss) | 0.3 | (0.9) |

- Revenue contracted by 7%, suffering from market uncertainty and the significant impact of COVID-19
- Lower utilisation of large diameter rotary and CFA piling rigs which are higher margin techniques
- More buoyant activity in distribution centres and rail stations
- The division continues to strengthen its operational and commercial capabilities



SPECIALIST PILING & RAIL

| | 2021 £m | 2020 £m |
|---|-------------|------------|
| Revenue | 29.3 | 25.4 |
| Underlying operating profit/(loss) | 1.0 | 0.3 |

- 15% revenue growth, despite subdued on-track Rail activity
- Strong performance in the infrastructure sector including a presence on five Smart Motorway projects and several rail station enhancements
- Strong demand from drilling and grouting (ground stabilisation) activity in residential sector
- Subdued on-track Rail revenues as a result of delayed CP6 workstreams, but retained full skill set for future works and further action taken to diversify offering
- Acquisition of ScrewFast complements the division with aligned capabilities



GROUND ENGINEERING SERVICES

| | 2021 £m | 2020 £m |
|---|-------------|------------|
| Revenue | 27.6 | 29.6 |
| Underlying operating profit/(loss) | 0.2 | 0.2 |

- Revenue decreased by 7% due to the significant impact of the first COVID-19 lockdown on housebuilding activity with all sites closed in Q1
- Strong recovery of Housing revenues as construction activity continued with Q4 activity higher than pre-pandemic levels
- Operational efficiencies improving within Housing contract delivery resulting in higher gross margin
- 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



BALANCE SHEET

| | 2021 £m | 2020 £m |
|--|-------------|-------------|
| Fixed assets (including intangible assets) | 42.8 | 40.9 |
| Net working capital | 6.9 | 3.7 |
| Assets held for sale | - | 0.7 |
| Net (debt)/funds | (1.7) | 0.9 |
| Deferred consideration | (1.5) | - |
| Taxation and provisions | (2.5) | (1.0) |
| Net assets | 44.0 | 45.2 |

Note: Net working capital and taxation and provisions are stated net of claim liabilities and associated insurance assets

- Fixed assets increase includes £2.4m goodwill on acquisition of ScrewFast
- Working capital increase primarily due to the unwind of working capital decrease in April 2020
- Assets held for sale movement reflects the sale of the Group's property in Dereham
- Deferred consideration represents estimated future amounts payable for ScrewFast

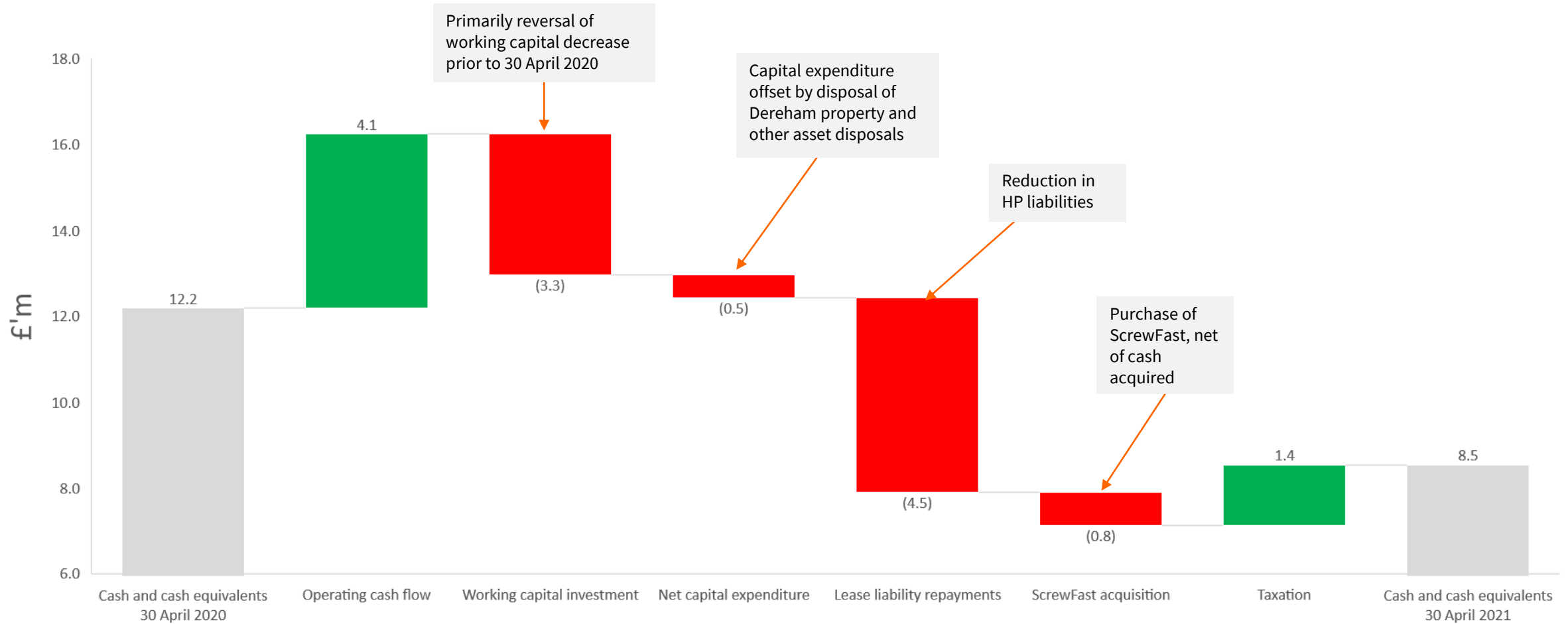
NET FUNDS

| | 2021 £m | 2020 £m |
|---|--------------|------------|
| Bank loans | (0.8) | - |
| Lease liabilities | (9.4) | (11.3) |
| Total borrowings | (10.2) | (11.3) |
| Cash and cash equivalents | 8.5 | 12.2 |
| Net (debt)/funds | (1.7) | 0.9 |
| Net funds excl. IFRS 16 property and vehicle lease liabilities | 3.7 | 4.8 |

| Lease liabilities: | £m |
|--|-------|
| Lease liabilities at 30 April 2020 | 11.3 |
| Hire purchase debt repaid | (3.9) |
| Hire purchase debt (ScrewFast acquisition) | 0.5 |
| New IFRS 16 vehicle lease liabilities | 1.5 |
| Lease liabilities at 30 April 2021 | 9.4 |

- Bank loans of £0.8m introduced on acquisition of ScrewFast
- £3.9m reduction in hire purchase debt against Van Elle fleet, increased by £0.5m on acquisition of ScrewFast
- Total hire purchase debt remaining of £4.0m; plus IFRS 16 lease liabilities of £5.4m

CASH FLOW





STRATEGIC PROGRESS

- Appointment of Group Commercial Director has strengthened governance and risk management
- Rail divisional director appointed in anticipation of increased customer activity and future workload
- Reviewed investment in the rig fleet to ensure that capability is strengthened in high-demand sectors and under-utilised rigs are disposed of
- Cost reduction through further rationalisation of the Group's property footprint - freehold property in Norfolk was sold during the fourth quarter
- Annual employee engagement survey reported increased scores across several indicators and is used to drive development and engagement actions across the Group
- Continued reduction of hire purchase debt, with all FY21 capital expenditure and ScrewFast acquisition funded from cash reserves
- Acquisition of ScrewFast in April 2021 broadens our market position in the highways, power and rail sectors and further diversifies the Group's Specialist Piling and modular foundation services

CURRENT TRADING AND OUTLOOK

- Positive start to FY22 with strong first quarter trading
- Increased tendering opportunities and greater pipeline visibility for the Rail division, which supports an encouraging mid-term outlook
- Some supply chain challenges with cement, concrete, and steel pricing and availability
- Short term employee availability impacts from NHS test and trace app due to self-isolations
- The integration of ScrewFast into the Group is progressing well
- Order book at 9 August increased to £34.7m (1 June 2021: £26.4m)
- Assuming supply chain and labour challenges do not materially worsen, the Board anticipates delivering a result in line with market expectations in FY22
- Good progress is being made in order to achieve the medium-term financial targets

FY21 REVIEW



MAY

- Our largest ever single Smartfoot installation in Bingley, Yorkshire, for a McCarthy and Stone retirement home development
- Upgrade works on the M6 Junction 10 for Highways England



JUNE

- Rotary piling in construction of the A4440 Worcester Southern Link Road improvement scheme
- International Women in Engineering Day celebrated



JULY

- Piling commences at Bristol Temple Meads station
- Strata start work on the M42 Junction 6 improvement scheme



AUGUST

- Rail and Strata started on the Midland Main Line electrification project between Kettering and Market Harborough
- Vibro piling undertaken on the Sunderland Strategic Transport Corridor
- Brandon Ferreira appointed as Business Development Director

FY21 REVIEW



SEPTEMBER

- Our first rigid inclusion project at the former Grangemouth Refinery regeneration scheme
- Specialist Piling, Rail and Strata divisions shortlisted for a trio of Ground Engineering Awards
- Frank Nelson appointed as Non-Executive Chair



OCTOBER

- 12,000 linear metres of Smartfoot ground beams installed in Liverpool for David Wilson Homes and Barrett Homes
- First vibro contract on HS2 commences



NOVEMBER

- First Coal Authority ground investigation framework project for Strata near Stonehenge
- Gavin Savage was appointed as Regional Manager for Scotland



DECEMBER

- Second annual People Awards; the overall winner being the M27 Smart Motorway team
- Strata awarded its first contract on the Highways England GI Framework

FY21 REVIEW



JANUARY

- Rail and Strata responded to emergency works at Newington, Kent, for Network Rail
- Works began beneath Grade II listed railway arches for the mixed residential and commercial Viadux project, Manchester
- David Buckley joins as Rail Director and Andy Appleton as Sheet Piling Director



FEBRUARY

- The Rail division completes its first HS2 interface scheme at Curdworth, Warwickshire
- Our 30 apprentices and trainees celebrated during National Apprentice Week
- Andy Riggott joined the Company as Commercial Director



MARCH

- Deepest CFA piles in Canary Wharf's 30-year history installed on
- Four new rigs, including the UK's first Comacchio 450 Rotary Sonic drilling rig, joined the fleet
- Maintained Investors in People Silver accreditation



APRIL

- Acquisition of ScrewFast Foundations announced
- Completion of the M27 SMP project for BAM Nuttall and Morgan Sindall joint venture
- First in a series of decarbonisation projects to electrify Scottish rail lines begins at Carstairs

STATISTICS

| | 2021 | 2020 | 2019 |
|---|---------|---------|---------|
| Financial measures | | | |
| Revenue (£m) | 84.4 | 84.4 | 88.5 |
| Gross profit % | 26.1% | 26.8% | 31.8% |
| Overheads % (underlying) | 27.4% | 28.5% | 25.9% |
| Capital expenditure (£'m) | 2.1 | 2.4 | 2.4 |
| Operational measures | | | |
| Number of rigs | 115 | 118 | 115 |
| Average rig utilisation %* | 51% | 43% | 43% |
| Average rig utilisation % (excl. Rail)* | 58% | 49% | 49% |
| Total contracts delivered | 1,020 | 930 | 1,210 |
| Enquiries | 4,702 | 5,123 | 4,675 |
| Employee measures | | | |
| Hazard / near miss reports | 1,718 | 1,062 | 1,008 |
| Average employees | 517 | 517 | 530 |
| Engagement survey response / score | 52%/73% | 56%/62% | 36%/61% |
| Number of apprentices/trainees | 30 | 35 | 18 |
| Total training days delivered | 1,398 | 1,137 | 751 |

*Rig utilisation calculated on a net book value weighted average basis

Q&A



WELL POSITIONED IN STRONG END MARKETS

Revenue by sector

RESIDENTIAL

44%

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

34%



- 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

22%



- 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 FY24-25

Develop trusted partnerships with key clients

Deploy the best people and assets

Deliver operational excellence

Achieve medium term financial targets

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