



VAN ELLE
TOTAL FOUNDATION SOLUTIONS



INTERIM RESULTS FY2020
JANUARY 2020

- Challenging market backdrop – but benefit of self-help initiatives and revenue growth resulted in an improving performance over the half
- Revenue grew by 13.5% to £48.7m reflecting growth in the housing and highways markets, contrasted with subdued conditions in commercial and rail markets
- Underlying PBT reduced to £1.15m (H1 2019: £2.8m), reflecting a weak first quarter and adverse sales mix across the period
- Cash performance affected by a small number of long running final accounts, net debt at period-end manageable at £6.4m* (H1 2019: £5.6m)
- In light of the lower profitability in the first half, the Board has elected to pay a reduced interim dividend of 0.2 pence (H1 2019: 1.0 pence)

* On like-for-like basis prior to IFRS16 adjustment

- Revenue increase driven primarily by growth in housing, benefiting from strategic customer engagement
- Network Rail CP6 delays contributed to much lower activity levels in the higher-margin rail sector
- Partially offset by highways smart motorways projects mobilised from Q2
- Regional construction markets remain challenging and highly competitive, limiting growth and work mix in General Piling
- Orderbook stable at circa £32m at period end
- Step-up in investment in new product and service development aimed at increasing resilience and exploiting future market opportunities

- Progress against transformation programme remains on track, with phase 1 now substantially complete:
 - Simplified divisional structure implemented with each under new, strengthened leadership;
 - All operations now based at a single site in Kirkby in Ashfield;
 - Positive developments with strategic customer engagement and development of bid pipelines;
 - Operational performance stabilised, with a continued focus on margin improvement;
 - Strengthened divisional commercial teams;
 - Ongoing investment in the development of new products and services to diversify capabilities.

Summary Income Statement

Six months ended 31 October £'m	H1 FY20	H1 FY19
Revenue £m	48.5	42.9
Cost of Sales	(35.3)	(28.8)
Gross profit	13.2	14.1
<i>Gross margin</i>	27%	33%
Overheads	(12.0)	(11.5)
Underlying operating profit	1.4	3.0
<i>Underlying operating margin</i>	2.9%	7.0%
Exceptional items	(0.2)	(0.4)
Operating profit	1.2	2.6
Finance costs	(0.3)	(0.3)
Underlying profit before tax	1.1	2.7
Tax	(0.2)	(0.4)
Profit after tax	0.7	1.9
Cash conversion	42%	100%
Underlying EPS (p)	0.9	2.4

Commentary

- VE** Group revenues increased 13% driven by housing sector growth
- VE** Gross margin has decreased to 27% as a result of a subdued Q1 and adverse activity mix
- VE** Underlying operating margin reduced to 2.9% as a result of the reduced gross margin, offset partially by the benefit of cost saving initiatives
- VE** Exceptional costs of £0.2m comprise restructuring costs (£0.1m) and share based payments provision (£0.1m)

Summary Cash flow statement

Six months ended 31 October £'m	H1 FY20	H1 FY19
Operating profit	1.2	2.6
Depreciation & amortisation	2.2	2.1
EBITDA	3.4	4.7
Movement in working capital	(2.0)	(0.0)
Interest, tax and other	(0.6)	(1.0)
Operating cash flow	0.8	3.7
Sale of PPE	0.4	0.3
Capex	(1.8)	(0.7)
Payments to lease creditors	(2.5)	(2.9)
Movement in borrowings	(0.1)	(0.1)
Proceeds from share issue	-	-
Dividends	(0.8)	(1.8)
Net cash flow	(4.0)	(1.5)

Commentary

VE Operating cash flow at £0.8m down £2.9m as a result of reduced profitability and growth in debtors

VE Net debt increased to £10.4m compared to £5.6m FY19 after IFRS 16 adjustment, driven by reduced cash conversion/increased debtors

As at 31 October £'m	H1 FY20	H1 FY19	FY19
Cash	3.9	9.4	7.9
Loans & Borrowings	(14.3)	(15.0)	(12.1)
Net debt	(10.4)	(5.6)	(4.2)

General Piling

Revenue	£17.7m (H1 2019: £18.5m)
Operating profit	£0.22m (H1 2019; £0.47m)

- New leadership in place since June 2019, with operational performance stabilised
- Performance impacted by low activity levels in Q1 and a negative product mix – high levels of CFA and driven work with reduced demand for rotary piling
- In addition, suffered a profit drag from single challenging contract in Q1 - now complete and claims being pursued by the Company
- Highly competitive market but increased activity levels and good operational performance, resulted in stronger trading in Q2

Specialist Piling

Revenue	£14.0m (H1 2019: £14.5m)
Operating profit	£0.30m (H1 2019: £1.93m)

- Leadership changes implemented in both units
- Significant revenue growth in highways, despite customer delays in Q1, with successful mobilisation of several smart motorways contracts
- Delayed start to CP6 contributed to very weak rail market in H1 – expected to start to improve in H2
- Actions taken to diversify rail offer and maximise utilisation – including sheet piling, highways, Ireland and plant hire
- Some rail restructuring and redundancy unavoidable although competitive position strengthened
- Former Ground Stabilisation division integrated and selective approach in place

Ground Engineering Services

Revenue	£16.9m (H1 2019: £9.9m)
Operating profit	£0.80m (H1 2019: £0.65m)

- Strong revenue growth in Housing division, driven by national agreements and differentiated range of solutions
- Rigs redeployed to Housing division to maximise utilisation
- Targeted investment in development of Vibro capability and alternative Smartfoot applications
- Three rigs acquired, all in this segment in H1 – one new; two second-hand
- Management changes and process improvements in Housing division expected to support margin improvement in H2
- Strata involved strategically at early stages of key highways and rail programmes, seeing significant framework bid opportunities

Delivery of phases 1 and 2 of transition plan

Improving performance

Simplified structure, strengthened leadership, co-location on single site, employee engagement and development

Enhanced operational performance and asset utilisation

Stronger commercial controls, clarity of compliance and governance

Overhead efficiencies, cost reduction, debt reduction

Foundations for growth

Early focus on growth sub-sectors – housing, highways, rail, industrial

Raise brand awareness, key customer development

Improved bidding, earlier involvement

More resilient and predictable work mix

Continue innovating and diversifying services, selective capex investment

Positive medium term outlook in key segments

Residential

Market Update

- Strong open-market housebuilder activity levels
- Social and affordable housing expected to grow
- Growing market demand for off-site/modular solutions
- Related market demand in low rise modular/standardised construction (eg schools)

Infrastructure

Market Update

- Highways - strong pipeline in Highways England RIP/SMA and Local Authority projects
- Rail – growth opportunities in CP6 and major programmes
- Overseas interest in specialist rail techniques
- Potential HS2 start in 2020
- Increased investment in energy & power; water, coastal & flooding

Regional Construction

Market Update

- Slow London market but not over exposed
- Highly competitive
- Developer activity expected to ease post-election
- Sheds market continues to grow
- Steady workload from regional construction frameworks
- HS2 will divert significant resource from major rivals

Strategic actions in key segments

Residential

Strategy Actions

- National frameworks and repeat customers
- Development of Smartfoot design - wider market opportunities
- Alignment of internal assets (eg driven & small CFA)
- Diversification of integrated offer (eg Vibro)
- Regional BD expansion (SE & SW)
- Operational excellence & productivity improvement

Infrastructure

Strategy Actions

- Development of customer key accounts
- Target smart motorways market leadership & SMA
- Integrated divisional offer Specialist/Rail/Piling
- Early GI involvement via Strata incl rail specialism
- New specialist product & capability development
- HS2 market position
- Power & flooding case studies
- Irish Rail TBS start in 2020

Regional Construction

Strategy Actions

- Development of Customer key accounts
- Integrated offer Housing/Specialist/Piling
- Further develop London and deep foundation capabilities
- Develop major shed case studies

- Transition plan remains ongoing – transitioning to phase two following phase one stabilisation
- First half FY2020 saw continued market pressures, but signs of growth and improving performance in Q2 expected to continue towards year end
- Further leadership changes bedding-in
- New CFO, Graeme Campbell, joins from Severfield plc on 17 February 2020
- Priority focus on cash generation and margin improvement
- Alongside ongoing strategic initiatives, some modest market improvement is expected in H2 and the Group is well positioned to benefit from growing confidence and investment in the sector
- Full year result expected to be within the range of market forecasts
- Medium term outlook remains positive with growth and margin enhancement opportunities in all segments, built on:
 - Leading position in recovering markets
 - Expected benefits from investment in new products and services
 - Enhanced operational and commercial performance

Appendix

Employee engagement

People Awards



Rail Division for Midland Mainline (MML)
Electrification for SPL Powerlines
and Ravens Rock for QTS Group

Perfect Delivery

The perfect delivery model looks at four areas of performance assessment relating to the overall project success, providing an aggregated measure of how well we are performing for our customers. The following projects were recognised for achieving the Perfect Delivery standard, and organised in an internal divisional list.

ZERO HARM	ZERO DEFECTS
EFFICIENT	RECOMMENDED

Housing

- Dorchester Avenue for Bellway Homes
- Bullers Wood, Bromley for Kier
- Sutterton for Appleton Construction

General Piling

- Harwich for RGB Group
- Summit Park, Mansfield for Bowmer & Kirkland
- Station Approach, Hereford for Engie

Specialist Piling

- Daventry Town Centre for Willmott Dixon
- Luton Airport for Amco Giffen
- Manchester Civic Quarter for Vital Energi

Best Supplier

Total Construction Supplies

Total Construction Supplies provide reinforcement solutions, consistently providing a bespoke, personable and expert service, ensuring our jobs are achieved on time and to the highest quality standards.

Team Awards

Special recognition for the progress they have made in their delivery performance.

STRATA Geotechnical

- A428 for Skanska
- M27 for Bam/M



Best Efficiency Initiative STRATA App (for Skanska on the A428)

Special Commendation go to:
The Training & Assessment Centre for the delivery cost savings from in house training



Collaboration Award DON Viaduct Rail and Specialist Piling



Special Commendations go to:

- M5 SMART Motorway Bid – Specialist Piling & Rail
- HR and Training – for developing the training matrix

Team of the Year – Housing

Special Commendations go to:

- Purchasing
- IT

Best Project— M1 SMART Motorways J13-16

Special Commendations go to:
Midland Mainline London to Corby – Rail

Individual Awards

Apprentice of the Year

Olivia Bestwick

Special Commendations go to:

- Conor White
- Aaron Spencer-Roper
- Alex Harvey

Olivia is extremely helpful, competent and a true custodian of the Van Elle values.



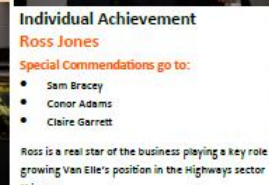
Individual Achievement

Ross Jones

Special Commendations go to:

- Sam Bracey
- Conor Adams
- Claire Garrett

Ross is a real star of the business playing a key role in growing Van Elle's position in the highways sector this year.



Unsung Hero(s)

Neil Murfin & Annette Sharpe

Special Commendations go to:

- Ian Waldron
- Lavinia Opreescu-Filip

Two worthy recipients who are fundamental to the business, we are lucky to have them on our team.



Special Recognition

Helen Lees

Special Commendations go to:

- Angela Blakesley
- Sam Bracey
- Matt Phillips & Ross Jones

Helen is renowned for being the financial 'glue' that links our teams together providing help and support where needed.



Technical Innovation—A63 Team for the Casing Recovery Tool

Special Commendation go to:
VE-MDG road/rail ground investigation rig developed by Strata and Rail



Employee engagement initiatives included our inaugural annual awards at Pride Park in December 2019



The Rail team completed their final pile installation on the 3-year midland mainline programme; winning excellent customer feedback, positioning well for future electrification schemes



Both lorry-mounted rotary rigs were mobilised on the M1 in the period – key assets for our smart motorway strategy



Development of our new Vibro capability was a key investment in the period – including four self-built rigs and two 2nd hand rigs



Focusing on greater commercialisation of the Training Centre and developing future talent from within, nine Van Elle apprentices commenced a UK-first piling rig attendant trailblazer programme



Corsham Street, London, completed in the period, was a strong case study in complex deep basement piling using rotary rigs, completed in the period



Delivery of a major distribution facility in Mansfield in the period was a good example of progress in the industrial sub-sector

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