VAN ELLE
TOTAL FOUNDATION SOLUTIONS

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VAN ELLE HOLDINGS PLC
FULL YEAR RESULTS 30 APRIL 2023

MARK CUTLER | CHIEF EXECUTIVE OFFICER

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AGENDA

RESULTS OVERVIEW

FINANCIAL REVIEW

STRATEGY, CURRENT TRADING AND OUTLOOK

THE UK'S LARGEST GEOTECHNICAL ENGINEERING CONTRACTOR

RESULTS OVERVIEW

- Record revenues of £148.7m with growth of 19% on prior year (FY22: £124.9m)
- Improved PBT, margins and ROCE:
  - Profit before tax increased to £5.4m (FY22: £3.6m)
  - Operating profit margin increased to 3.9% (FY22: 3.5%)
  - Return on capital employed increased to 12.2% (FY22: 9.4%)
- Further strategic progress including:
  - Growing presence in UK energy transmission and distribution infrastructure market
  - Expansion of Housing sector foundation services
  - Diversification of Rail capability into Canada
- Successfully managed raw materials and wage inflation, and increased customer credit risk

RESULTS OVERVIEW

- Strong balance sheet:
  - Net funds position (excl. IFRS16 lease liabilities) at 30th April 2023 of £7.5m (30 April 2022: £5.9m)
  - £1.3m hire purchase debt remaining at 30 April 2023
  - Undrawn bank facility of up to £11m
- Increased capital investment of £6.2m, primarily on new rigs, upgrades and modernising the HGV fleet
- Order book of £30.8m at 30 April 2023 (30 April 2022: £39.0m)
  - Excludes framework agreements and preferred bidder positions with estimated annual revenues £30m-£40m (subject to timing and allocation of workload)
- Basic earnings per share increased by 159% to 4.4p (FY22: 1.7p)
- Final dividend of 0.8p per share recommended, to deliver full year dividends of 1.2p (FY22: 1.0p)

GROUP INCOME STATEMENT

	2023 £m	2022 £m
Revenue	**148.7**	124.9
Gross profit	**40.1**	34.1
	27.0%	*27.3%*
EBITDA	**12.0**	9.8
Operating profit	**5.9**	4.4
Finance costs	**(0.5)**	(0.8)
Profit before tax	**5.4**	3.6

	2023 p	2022 p
EPS	**4.4**	1.7

* Prior year earnings per share included a one-off deferred tax charge of £1.1m relating to the enacted change to the future corporation tax rate (19% to 25%). Excluding this impact, FY22 EPS would have been 2.7p.

- Total revenue up 19% on FY22
- Increased activity levels across all divisions
  - General Piling +41%
  - Specialist Piling & Rail +2%
  - Ground Engineering Services +18%
- Gross margin % stable but impacted by raw material and wage inflation
- Work mix also impact margins with resilient demand in the residential sector
- Inflationary pressures continued to impact overheads
- Improved operating profit, operating margin of 3.9% (FY22: 3.5%)
- Finance costs reduced with lower average debt
- Return on capital employed of 12.2% (FY22: 9.4%)

GENERAL PILING

	2023 £m	2022 £m
Revenue	**54.8**	39.0
Operating profit	**3.4**	1.8

- Robust performance in the residential and regional construction segments
- Strong revenue growth delivered in the infrastructure segment, with activity on two major energy contracts (total value of approximately £26m)
- Inflationary pressures have remained challenging but mitigated through contract pricing

SPECIALIST PILING & RAIL

	2023 £m	2022 £m
Revenue	**46.6**	45.8
Operating profit	**2.2**	3.0

- Specialist Piling:
  - High activity levels in H1
  - Impacted in H2 by Highways sector delays and cancellations
  - Medium term outlook remains very positive, including return of Highways opportunities and growing presence in energy network infrastructure
- Rail:
  - Improved performance throughout the year, despite some initial challenges due to rail strikes
  - Canadian subsidiary established to mitigate the impact of the cyclical nature of the UK’s rail sector

GROUND ENGINEERING SERVICES

	2023 £m	2022 £m
Revenue	**47.1**	40.0
Operating profit	**3.6**	2.1

- Housing:
  - Very high activity levels
  - Focus on operational efficiency delivered further improvements to contract margins
  - High demand in H2 in advance of the new Part L Building Regulation changes in June 2023, continued into Q1 FY2024
- Strata Geotechnics:
  - Good progress in Highways and Rail sectors

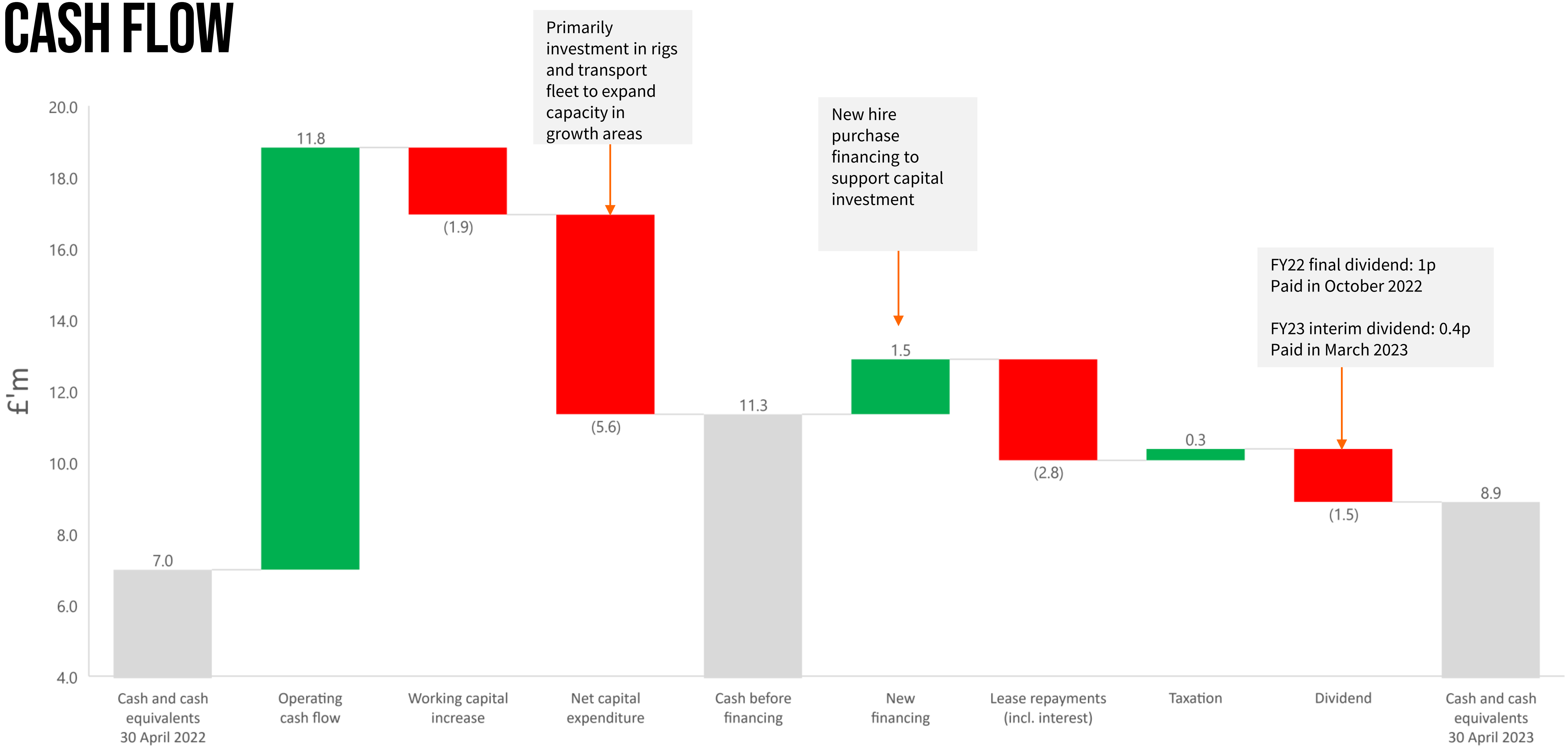
NET FUNDS

	2023 £m	2022 £m
Lease liabilities	(8.5)	(6.9)
Cash and cash equivalents	8.9	7.0
Net funds / (debt)	**0.4**	**0.1**
Net funds excl. IFRS 16 property and vehicle lease liabilities	**7.5**	**5.9**

Lease liabilities:	£m
Lease liabilities at 30 April 2022	6.9
Hire purchase principal debt repaid	(1.2)
IFRS 16 lease repayments	(1.2)
New hire purchase liabilities	1.5
New IFRS 16 vehicle lease liabilities	2.5
Lease liabilities at 30 April 2023	8.5

- Net funds increased during the year to £0.4m (2022: £0.1m)
- Increase in IFRS16 property and vehicle lease liabilities reflects the renewal of the Group's van fleet which commenced in previous years and is now substantially complete
- Remaining hire purchase debt of £1.3m, largely relates to two new hire purchase agreements taken out in H1 of the current year
- Healthy cash balance and significant liquidity headroom with an additional £11.0m of funding available under the Group's asset backed facility
- Group debt remains well within the strategic target leverage threshold of <1.5 times debt to EBITDA

CASH FLOW



£'m
20.0
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
7.0
11.8
(1.9)
(5.6)
11.3
1.5
(2.8)
0.3
(1.5)
8.9
Primarily investment in rigs and transport fleet to expand capacity in growth areas
New hire purchase financing to support capital investment
FY22 final dividend: 1p
Paid in October 2022
FY23 interim dividend: 0.4p
Paid in March 2023
Cash and cash equivalents 30 April 2022
Operating cash flow
Working capital increase
Net capital expenditure
Cash before financing
New financing
Lease repayments (incl. interest)
Taxation
Dividend
Cash and cash equivalents 30 April 2023

STRATEGIC PROGRESS - HIGHLIGHTS

Further strategic progress underpins future growth potential

- Strong focus and good progress on major project and framework opportunities
- Launch of Canadian rail subsidiary
- Increased focus on the UK energy market, with progress on winning and delivering high voltage infrastructure projects
- Launch of a new housing foundation solution: Smartdeck
- Further growth of the Group's ground improvement capability, reaching £10m revenues in FY2023
- Increased investment in rigs and the Group's HGV fleet
- Launch of the Group's leadership programme aimed at developing and retaining the next generation of leadership talent
- Expansion and refurbishment of the Kirkby and Pinxton sites to provide additional capacity

CURRENT TRADING AND OUTLOOK

- Activity levels in Q1 of FY2024 are strong
- Healthy pipeline of opportunities across all divisions, primarily due to key framework agreements
- Current market uncertainties in Housing and Highways expected to continue throughout FY2024, and potentially recover in FY2025
- All UK core markets support growth opportunities in the medium to long term
- Canadian rail opportunities are significant - further review of resource commitment and commercial strategy in Autumn 2023 after initial projects commenced
- The Board is confident of achieving its medium-term financial targets of 5-10% annual revenue growth, 6-7% EBIT margin and 15-20% ROCE

CONFIDENT IN ACHIEVING OUR MEDIUM-TERM FINANCIAL TARGETS

Key Sector Opportunities

- Rail – CP6 remains buoyant but dip expected ahead of CP7 frameworks currently being bid, offering wider opportunities. First Canadian projects commence H1 FY2024
- Highways – reduced and delayed spend in FY2023-24, expected to grow in FY2025 through smart motorway framework and preferred bidder on several major projects
- HS2 – no further significant involvement expected on phase 1. Partnerships in place for phase 2 and early frameworks being bid much earlier
- Housing – current dip expected until FY2025 then government initiatives to increase housebuilding volumes and 2025 Building Regs changes expected to support stronger activity levels, assisted by sustained general shift to MMC
- Energy – strong regulator and government drive for distribution and transmission infrastructure renewal and expansion, expected 5-7 year growth opportunities with key customer partners with existing track record
- Water – strong regular imperative to increase investment in water and waste water networks, well suited to MMC techniques with established, existing customers
- Logistics – continued growth in warehousing and data centres. Group proposition enhanced by now well-established ground improvement capability

Medium term financial targets

5-10%
ANNUAL REVENUE GROWTH

6-7%
OPERATING MARGIN

15-20%
ROCE

<1.5x
LEVERAGE

Enablers

STRENGTHENED MANAGEMENT TEAM, IMPROVED OPERATING MODEL → BREADTH OF SPECIALIST TECHNIQUES AND INVESTED RIG FLEET → DIVERSE END MARKETS AND STRATEGIC CUSTOMER BASE

CONFIDENT IN ACHIEVING OUR MEDIUM-TERM FINANCIAL TARGETS

Key Risks and Challenges

- High interest rates, high inflation and cost-of-living crisis contributing to greater market uncertainty, particularly in the housebuilding sector
- Resource retention – increased apprentices, management and leadership programmes continue into FY2024
- Growth in working capital while maintaining £6-£7m pa capex – £11m ABN facility available and undrawn
- Precast concrete and steel manufacturing capacity – expansion of facilities in Kirkby being progressed
- Customer credit risk – trade credit insurance now in place

Corporate Activity

- Additional bolt-on acquisitions to supplement organic growth and expand in-house capabilities and expertise
- Business efficiency projects – further significant scope to improve systems and processes and reduce operating costs

Medium term financial targets

5-10%
ANNUAL REVENUE GROWTH

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OPERATING MARGIN

15-20%
ROCE

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LEVERAGE

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STATISTICS

	2023	2022
Financial measures		
Revenue (£m)	**148.8**	**124.9**
Gross profit %	**27.0%**	**27.3%**
Operating profit margin	**3.9%**	**3.5%**
Overheads % (underlying)	**23.6%**	**24.1%**
Capital expenditure (£'m)	**8.7**	**4.9**
Order book (£'m)	**30.1**	**39.0**
Operational measures		
Number of rigs	**133**	**122**
Average rig utilisation %*	**61%**	**65%**
Average rig utilisation % (excl. Rail)*	**65%**	**71%**
Total contracts delivered	**1,022**	**1,085**
Enquiries	**4,047**	**4,576**
Employee measures		
RIDDOR accident frequency rate (AFR)	**0.19**	**0.28**
Average employees	**648**	**601**
Number of apprentices/trainees	**34**	**36**
Total training days delivered	**4,013**	**2,862**

Q&A


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