

# Keller Group plc

## Full Year Results 2011

February 2012



# Overview

---

- 2011 results in line with previous guidance, in a challenging year
- Year-end net debt better than expected at £102.5m (1.4x EBITDA)
- Recent major project awards, including:
  - £120m Wheatstone contract awarded in Australia, starting late 2012
  - £30m Vale contract awarded in Malaysia, starting March 2012
- All-time high order book up 40% on last year
  - up 10% excluding 2013/14 work
- Business improvement initiatives in progress



# Group Income Statement

£m	2011	2010*	% change
Revenue	1,154.3	1,068.9	+8%
EBITDA	71.4	85.0	-16%
Operating profit	28.9	43.3	-33%
Net finance costs	(7.0)	(3.7)	
Profit before tax	21.9	39.6	-45%
Tax	(5.5)	(11.0)	
Profit after tax*	16.4	28.6	-43%

Revenue up 7% on a constant currency basis

- up 6% ex acquisitions

Average exchange rates

- US\$1.60 (2010: \$1.55)

- €1.15 (2010: €1.17)

- A\$1.55 (2010: A\$1.68)

Higher finance costs reflect

- 2010 refinancing

- higher non-cash charges

Effective tax rate 25% (2010: 28%)

- 28% expected in 2012

\*2010 before goodwill impairment



# Group Income Statement (continued)

£m	2011	2010	% change
Profit after tax	16.4	28.6	-43%
Goodwill impairment (post tax)	-	(17.1)	
	16.4	11.5	
Minority interests	(0.5)	(0.3)	
Attributable to shareholders	15.9	11.2	
Earnings per share before goodwill impairment	24.8p	44.0p	-44%
Earnings per share	24.8p	17.3p	+43%
Dividends per share	22.8p	22.8p	

2010 goodwill impairment relates to Suncoast and Keller-Terra  
- £21.8m before tax

Unchanged dividend  
- 1.1x covered by underlying earnings (2010: 1.9x)



# Operating Profit & Margin – old divisional structure

	2011			2010*		
£m	Revenue	Op Profit	Margin	Revenue	Op Profit	Margin
UK	53.6	(3.7)	(6.9%)	49.6	(2.5)	(5.0%)
US	471.1	12.0	2.5%	425.2	6.9	1.6%
CEMEA	407.9	18.1	4.4%	400.3	22.4	5.6%
Australia	221.7	6.7	3.0%	193.8	19.1	9.9%
	<b>1,154.3</b>	<b>33.1</b>	<b>2.9%</b>	1,068.9	45.9	4.3%
Central costs	-	(4.2)		-	(2.6)	
	<b>1,154.3</b>	<b>28.9</b>	<b>2.5%</b>	<b>1,068.9</b>	<b>43.3</b>	<b>4.1%</b>

Constant currency revenues up 7%

- UK +8%
- US +14%
- CEMEA +0%
- Australia +5%

\*2010 before goodwill impairment



# Operating Profit & Margin – new divisional structure

	2011			2010*		
£m	Revenue	Op Profit	Margin	Revenue	Op Profit	Margin
N America	471.1	12.0	2.5%	425.2	6.9	1.6%
EMEA	384.8	8.4	2.2%	357.8	8.1	2.3%
Asia	76.7	6.0	7.8%	92.1	11.8	12.8%
Australia	221.7	6.7	3.0%	193.8	19.1	9.9%
	<b>1,154.3</b>	<b>33.1</b>	<b>2.9%</b>	1,068.9	45.9	4.3%
Central costs	-	(4.2)		-	(2.6)	
	<b>1,154.3</b>	<b>28.9</b>	<b>2.5%</b>	<b>1,068.9</b>	<b>43.3</b>	<b>4.1%</b>

Suncoast broke even in 2011

EMEA result

- excellent in Poland
- eastern Europe difficult
- Middle East very quiet

Australia impacted by Q1 floods and loss at Piling Contractors

\*2010 before goodwill impairment



# Group Balance Sheet

£m	2011	2010
Goodwill/intangibles	100.6	106.8
Property, plant & equipment	266.1	275.0
Other non-current assets	15.8	16.1
	<b>382.5</b>	<b>397.9</b>
Inventories	37.3	32.9
Receivables	334.7	334.6
Payables	(252.2)	(260.8)
Working capital	<b>119.8</b>	<b>106.7</b>
Capital employed	<b>502.3</b>	<b>504.6</b>
Other liabilities/provisions	(43.2)	(50.4)
Retirement benefits	(17.7)	(20.1)
Tax	(12.1)	(9.3)
Net debt	(102.5)	(94.0)
Net assets	<b>326.8</b>	<b>330.8</b>

Year-end exchange rates very similar  
 – US\$1.55 (2010: \$1.55)  
 – €1.19 (2010: €1.17)  
 – A\$1.52 (2010: A\$1.52)

Gearing of 31%  
 (2010: 28%)



# Group Cash Flow Statement

£m	2011	2010
Cash generated from operations	54.8	70.3
Capex – net	(37.4)	(28.6)
Interest	(5.1)	(4.0)
Tax	(3.8)	(10.2)
Free cash flow	8.5	27.5
Acquisitions	(0.2)	(23.4)
Dividends	(15.8)	(14.9)
Other	-	(0.1)
Net cash flow	(7.5)	(10.9)
Opening net debt	(94.0)	(78.8)
Exchange movements	(1.0)	(4.3)
Closing net debt	(102.5)	(94.0)

Cash from operations  
77% of EBITDA  
(2010: 83%)

Capex below  
depreciation

2010 acquisitions  
spend Waterway and  
Nilex

Dividends includes  
payments to  
minorities



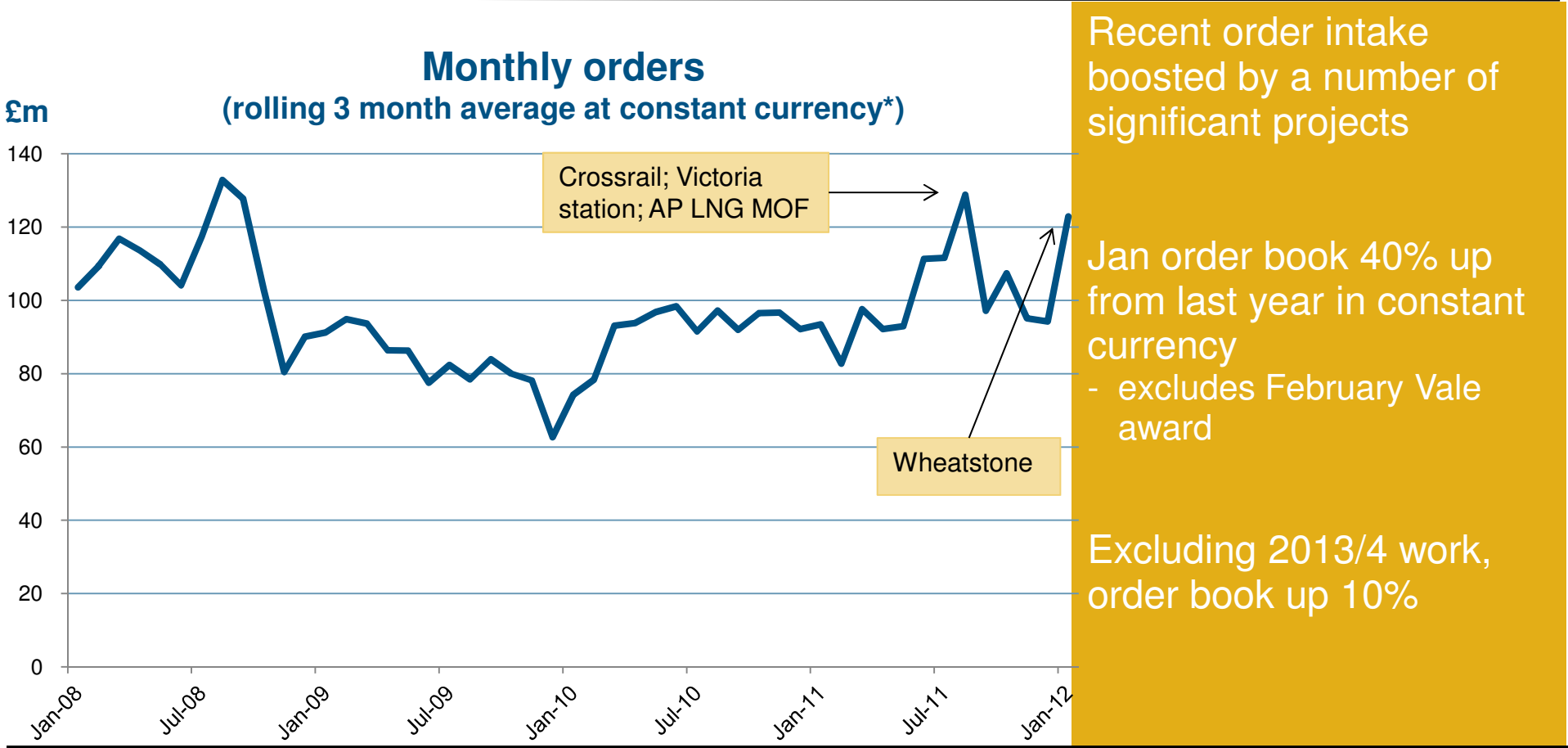
# Group Financing Position

- £230m of committed facilities, mainly:
  - £170m bank facility expiring April 2015
  - US\$70m private placement, payable October 2014
- Comfortably within all financial covenants
- A further £82m of uncommitted facilities

Key Financial Covenants	
<i>Test</i>	<i>Status*</i>
Net debt < 3x EBITDA	1.8x
EBITDA interest cover > 4x	15x
Net assets > £200m	£327m
<i>* Calculated on a covenant basis</i>	



# Group Order Intake



Recent order intake boosted by a number of significant projects

Jan order book 40% up from last year in constant currency  
- excludes February Vale award

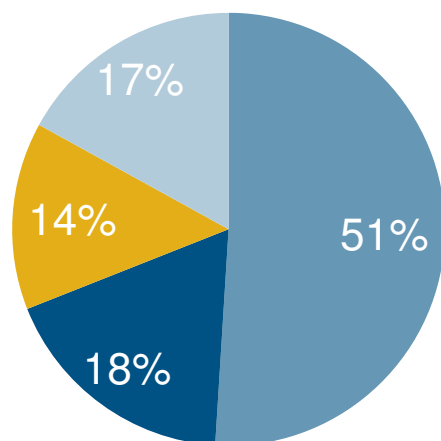
Excluding 2013/4 work, order book up 10%



\*at 2011 average exchange rates

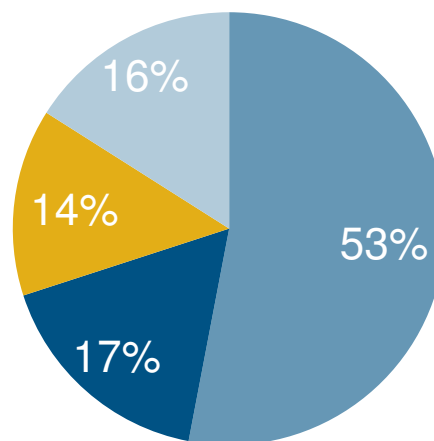
# Group Analysis of Revenue

**2011 Revenue by End Market**  
Total revenue £1,154m



- Infrastructure/Public Buildings
- Power/Industrial/Manufacturing
- Office/Commercial
- Residential

**2010 Revenue by End Market**  
Total revenue £1,069m



- Infrastructure/Public Buildings
- Power/Industrial/Manufacturing
- Office/Commercial
- Residential

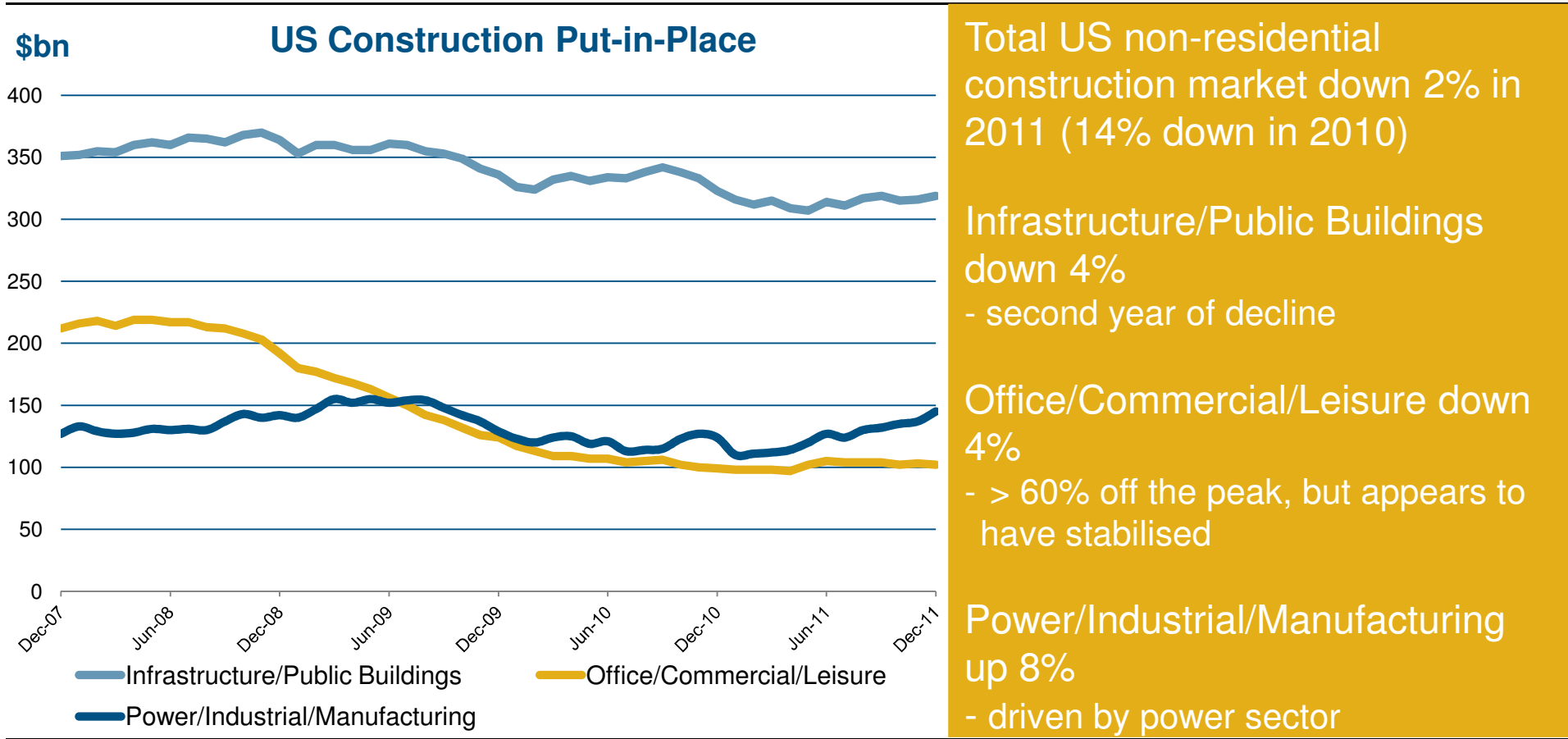
Keller operates across all sectors of the construction industry

Infrastructure/Public Buildings by far the largest sector in all four divisions

Split broadly consistent year on year

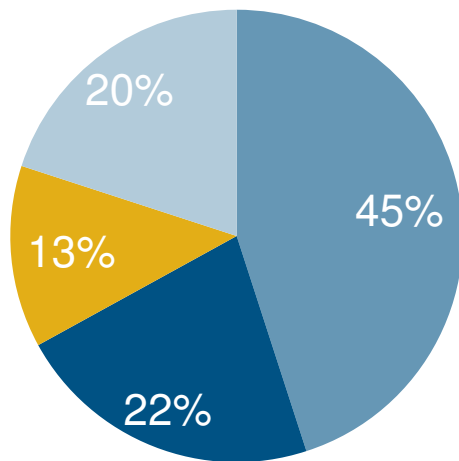


# US Non-residential Construction Market



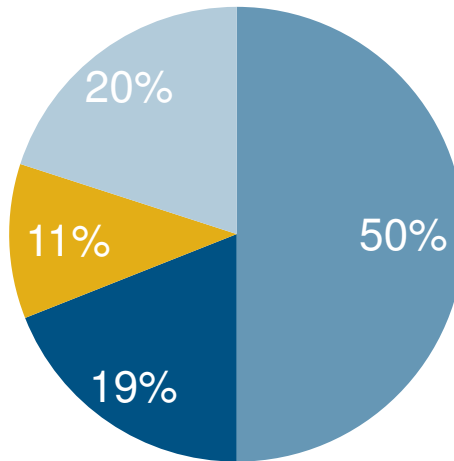
# North America Analysis of Revenue

**2011 Revenue by End Market**  
Total revenue \$754m



- Infrastructure/Public Buildings
- Power/Industrial/Manufacturing
- Office/Commercial
- Residential

**2010 Revenue by End Market**  
Total revenue \$659m



- Infrastructure/Public Buildings
- Power/Industrial/Manufacturing
- Office/Commercial
- Residential

Infrastructure/Public Buildings remains the largest sector

Year on year changes reflect movements in the overall US construction market

Significant mix change in recent years

- Commercial/Residential together used to represent > 50%



# North America Foundations



Piling

Oil refinery, Indiana

## Double digit revenue growth

- foundation market earlier cycle than total construction market

## Margins remain under pressure

- some small signs of over capacity reducing

## Good performance from Hayward Baker

- national footprint gives supportive regional balance

## Actions taken to improve performance

- Anderson business merged into Western Region of Hayward Baker
- management change at Southern Region of McKinney

## Post year end implementation of ERP system in Case



# North America Case Studies



Piling

Three Nations Bridge, Ontario

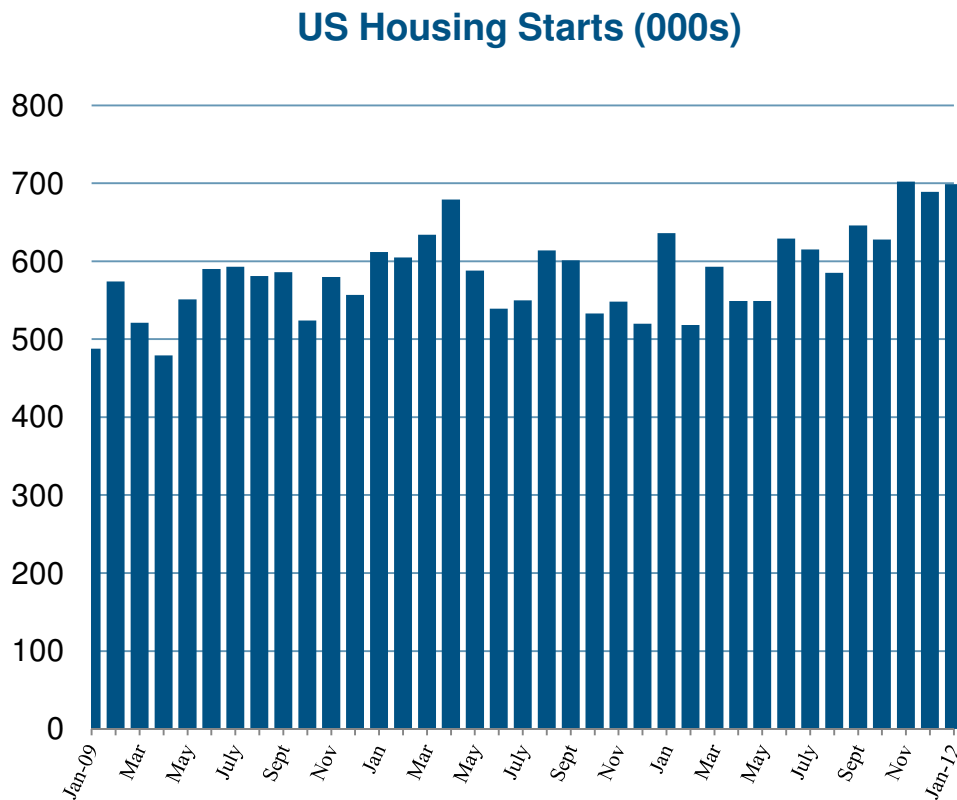


Ground improvement

Fuel storage tanks, California



# North America Suncoast



US housing starts have stabilised

- 500k – 600k range for 30 months
- April 2010 peak due to first-time buyer tax credit
- slight uptick in last quarter

Overhang of foreclosed properties remains an issue

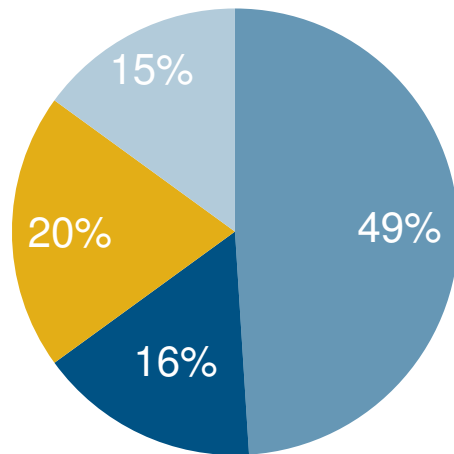
Suncoast broke even in 2011 after significant loss in 2010



Source: US Census Bureau Housing Starts

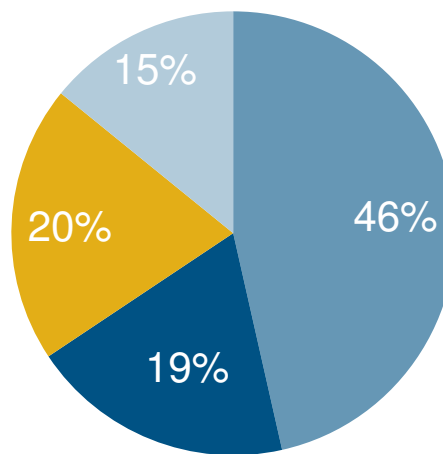
# EMEA<sup>1</sup> Analysis of Revenue

**2011 Revenue by End Market**  
Total revenue €443m



- Infrastructure/Public Buildings
- Power/Industrial/Manufacturing
- Office/Commercial
- Residential

**2010 Revenue by End Market**  
Total revenue €419m



- Infrastructure/Public Buildings
- Power/Industrial/Manufacturing
- Office/Commercial
- Residential

No major movements in revenue from end markets

Infrastructure/Public Building proportion remains high

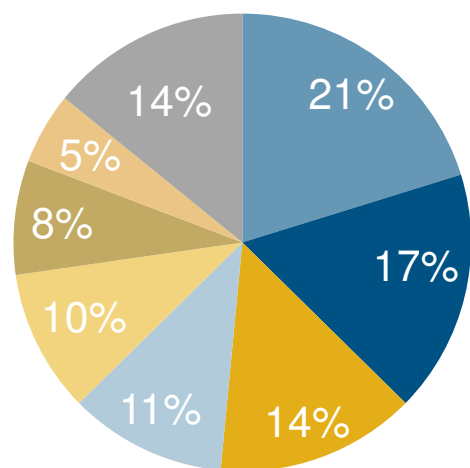
Residential traditionally the smallest sector



<sup>1</sup>EMEA = Europe, Middle East & Africa

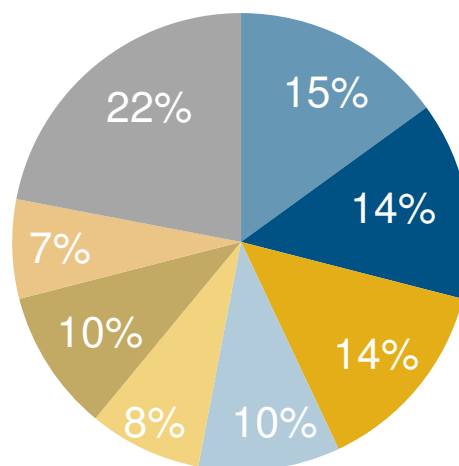
# EMEA<sup>1</sup> Regional Split

**2011 Revenue by Region**  
Total revenue €443m



■ Poland	■ Germany
■ UK	■ Austria
■ France	■ Spain
■ Middle East	■ Other

**2010 Revenue by Region**  
Total revenue €419m



■ Poland	■ Germany
■ UK	■ Austria
■ France	■ Spain
■ Middle East	■ Other

Another strong year in Poland  
- signs of market cooling

Good performance from  
Germany

Further cost cutting in UK,  
France and Spain

Work progressing at Victoria  
Station and Crossrail

Middle East had a  
disappointing year

Further progress in Brazil



<sup>1</sup>EMEA = Europe, Middle East & Africa

# EMEA Case Studies



Excavation pit  
State Opera House, Berlin



Minipiles  
Lord Hill's Bridge, London



# Asia Highlights



Ground improvement

Power plant, Singapore

Strong performance from ground improvement in Singapore

Difficult year for Resource Piling with tight pricing

- order book and market activity now up

Small but profitable contribution from Vietnam

Recent award of circa £30m foundation contract for iron ore facility

- repeat client, design and construct

Delays on two significant projects in India - now underway

- underlying profitability still good



# Australia Highlights



Dynamic replacement & soil mixing

Newcastle, NSW

The “two speed” economy continues  
- resource and related sectors remain very strong  
- commercial and infrastructure markets are much weaker

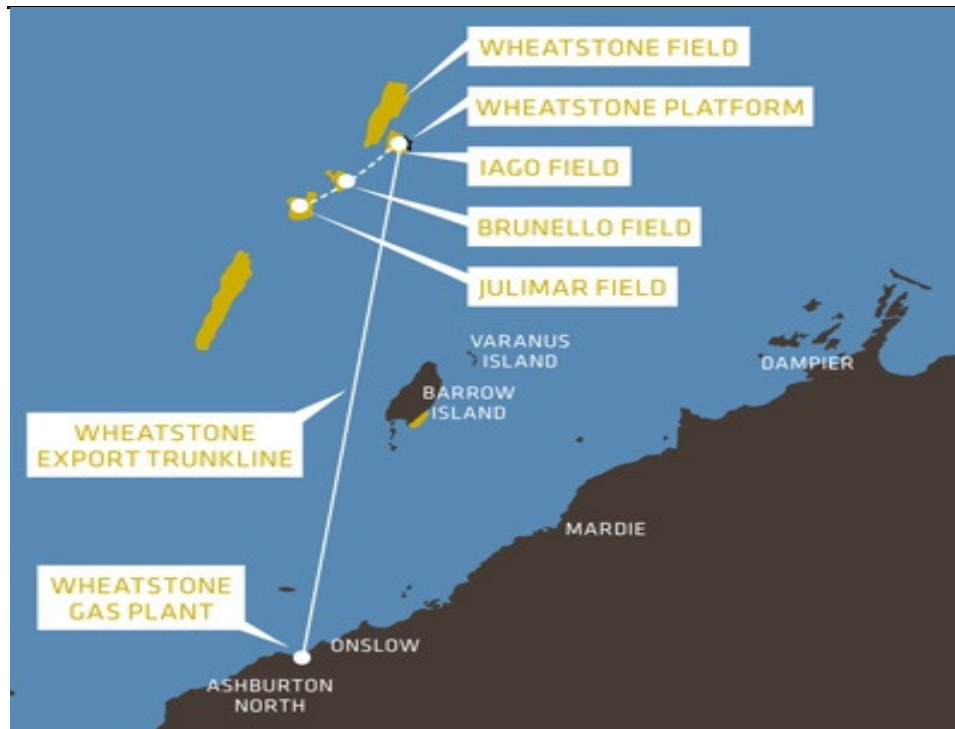
Q1 adversely impacted by flooding in Queensland

Disappointing year for Piling Contractors  
- action taken to refocus business and cut A\$4m of costs  
- benefits now being seen in improved results

Other Australian businesses performed better

Keller Australia now has record work in hand, boosted by LNG projects

# Australia – Wheatstone



Location of Wheatstone project

Contract value in excess of A\$180m  
- Keller Australia has good track record on complex projects

Remote location at Onslow, Western Australia

Scope of work 20,000 driven piles for the main onshore facilities

Work requires the collective resources of Keller Australia

Preparatory work underway with production late 2012 to early 2014

# Review of Strategy

---

- Fundamental review following unprecedented changes in our markets
  - After significant cost reductions, still a need to improve performance
  - Externally-facilitated review initiated Q2, completed Q4
  - Global exercise involving many senior managers from all divisions
  - Reaffirmed the Group's existing strategy and strengths
  - Identified a number of business improvement initiatives
- 



# Strategy and Strengths

---

## Review reaffirmed the Group's existing strategy

- To extend our global leadership in specialist ground engineering

## Strengths of the Group

- Market positioning
    - global footprint
    - clear market leader in US, Australia and Poland
    - growing in developing markets
  - Technical leader and excellence in design
    - widest range of techniques
    - leading positions in ground improvement and grouting
  - Well-balanced business
    - strong local presence
    - most contracts short duration and sub £500k; major project capability
    - across the construction spectrum
  - Good track record of acquisitions
- 



# Business Improvement Initiatives

---

## Group wide initiatives

- Increase revenue and profit from large projects
  - growing market segment
  - leverage experience and knowledge in the Group
  - further develop large project expertise and global client management
- Reinforce risk management
  - new central, independent technical team
  - global roll-out of refreshed risk management procedures
- Accelerate technology transfer through more proactive management
- New role of Director Technology & Best Practice

## Regional initiatives, e.g:

- Sector focus on US transmission lines; expansion in Brazil, Canada, India
- 



# Case Study – Vale Project

---

- £30m contract in Malaysia awarded in February
  - Ground improvement market leader in Malaysia
  - Global capabilities exploited
    - technical support from Europe
    - operational input from Australia
    - equipment transfers from Europe /Middle East
  - Re-design capability and range of techniques a competitive advantage
  - Repeat client from Brazil, demonstrates benefits of global footprint
- 



# Outlook

---

- Recent data indicate that US construction markets may be turning the corner
- European construction markets will remain very difficult
  - significant economic uncertainty
  - slow start to the year
- Asia and Australian businesses well positioned for a better year
- January order book up 40% on previous year
  - up 10% ex 2013/14 work
- Overall, 2012 expected to be a year of progress

# Appendix



# Introduction to Keller

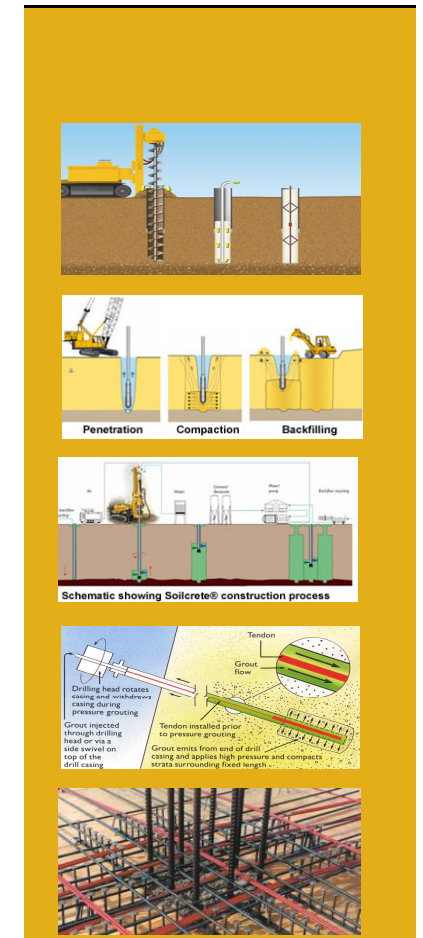
---

- **The world's largest independent ground engineering contractor**
  - ground engineering is a small, niche sub-sector of construction
  - growing faster than construction, reflecting:
    - more pressure to build on brownfield and marginal land
    - more ambitious development and infrastructure projects
- **Unrivalled geographic coverage, working in over 30 countries**
  - clear market leader in US, Australia and Poland
  - well established businesses in most West European countries
  - growing in developing markets
- **Generally work as a subcontractor for main contractors**
- **Typical contracts are**
  - short duration and less than £500k
  - across the construction spectrum

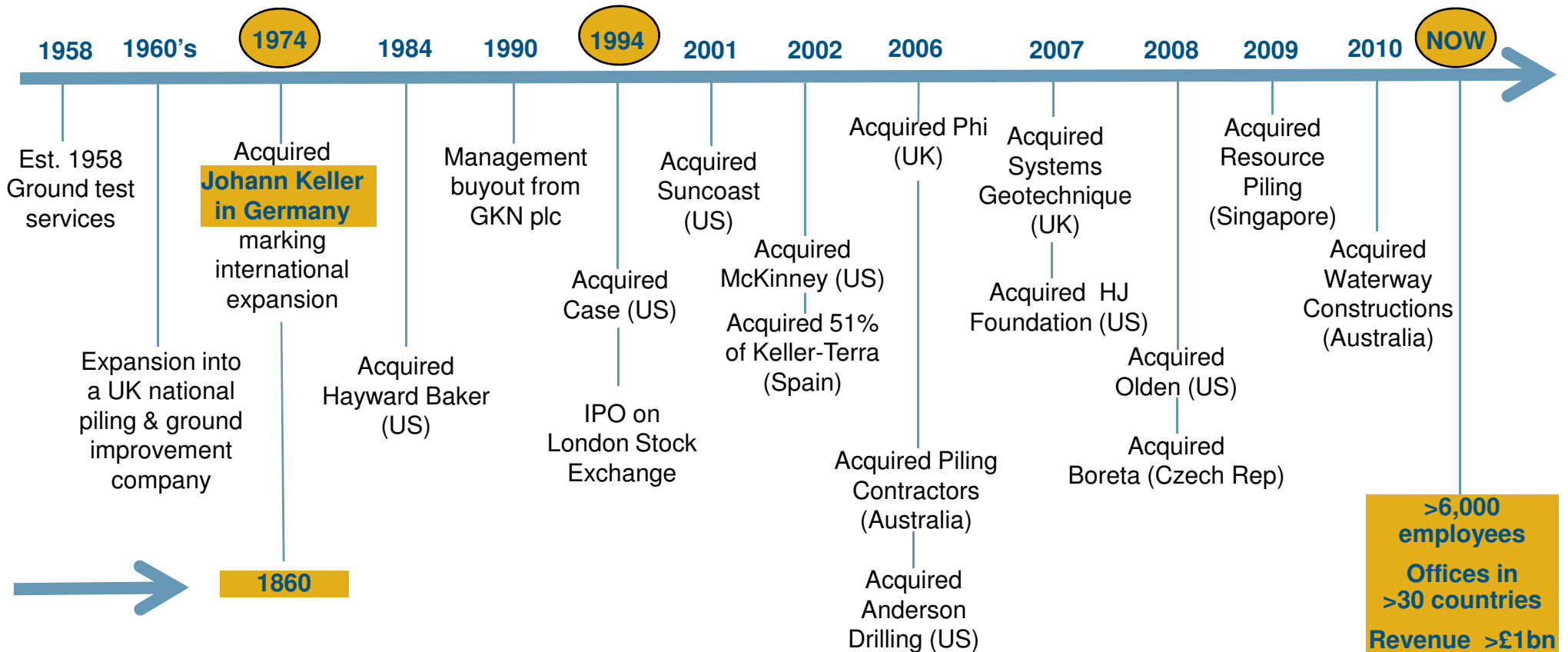


# Ground Engineering Worldwide

Activities	% of 2011 revenue	Regions of use	Applications
<b>Piling</b>	38%	NA/UK Eastern Europe Middle East Asia & Australia	Foundation support Earth retention
<b>Ground improvement</b>	26%	North America EMEA Asia Australia	Foundation support Seismic risk protection
<b>Speciality Grouting</b>	15%	North America Europe Asia Australia	Control of building settlement Groundwater control
<b>Anchors, Nails, Minipiles</b>	15%	North America Europe Asia	Excavation support Slope protection Underpinning
<b>Post-tension concrete</b>	6%	North America	Slab-on-grade foundations High rise structures



# History of Keller



# Strategy

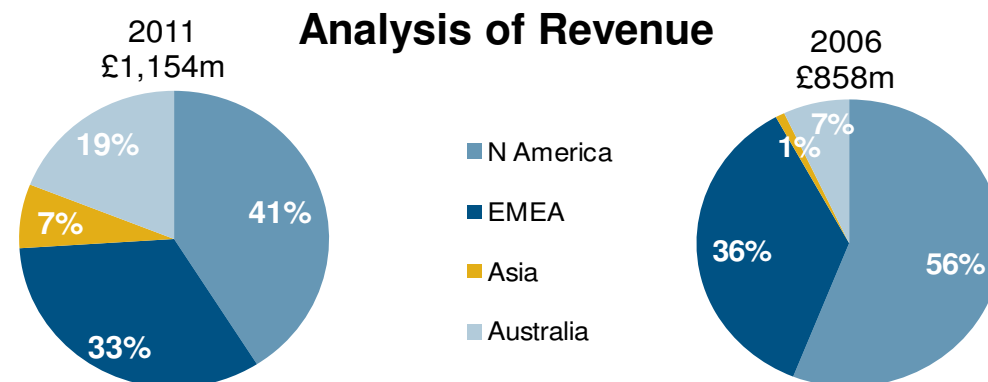
---

- Our Objective

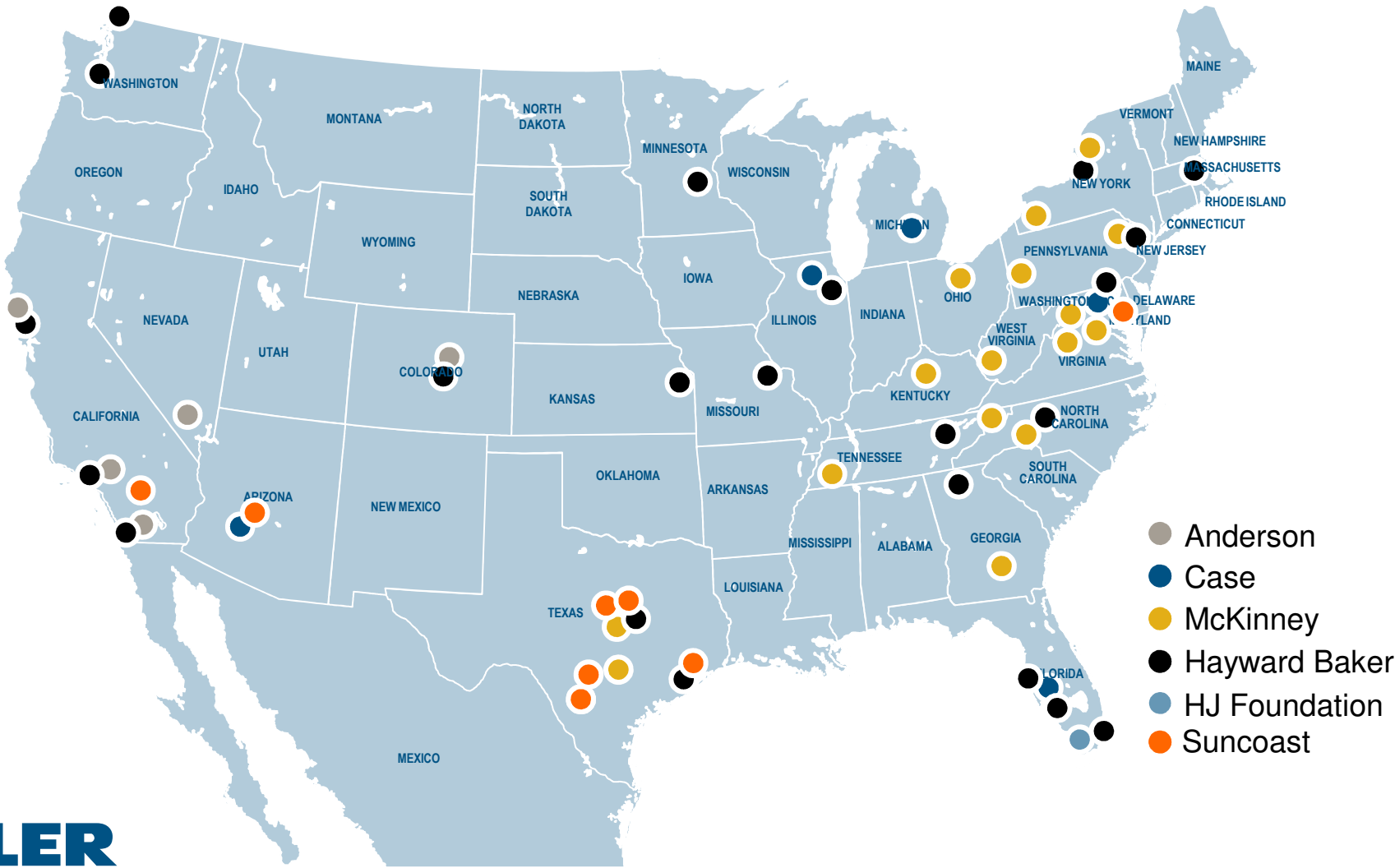
- to extend our global leadership in specialist ground engineering through:
  - organic growth, particularly in developing markets
  - targeted acquisitions

- Our Execution

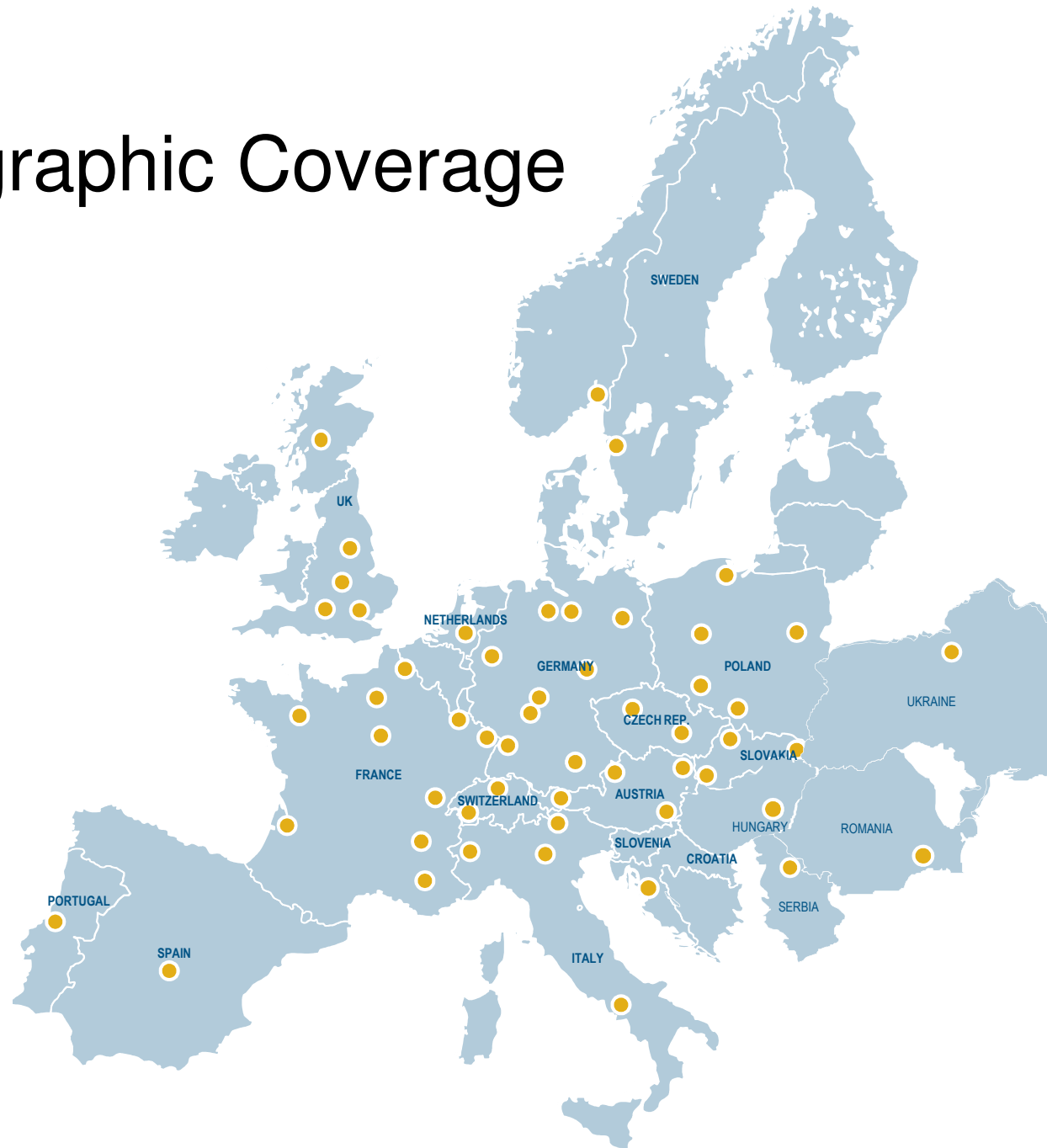
- transfer of technologies and techniques within our current geographic regions
- offering design and build capability and alternative solutions
- expansion into new higher growth geographic regions
- acquisition and development of new technologies and techniques



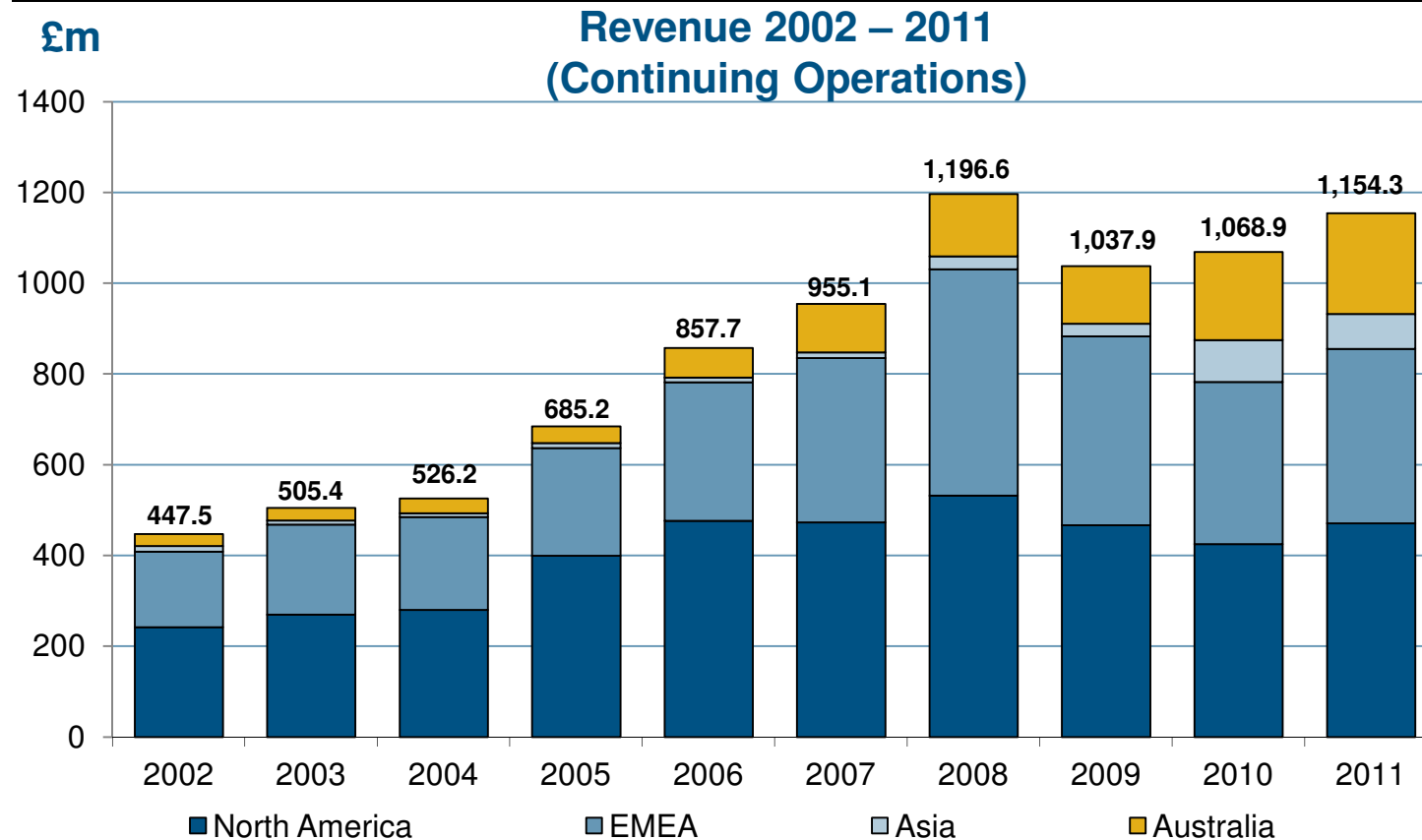
# US Geographic Coverage



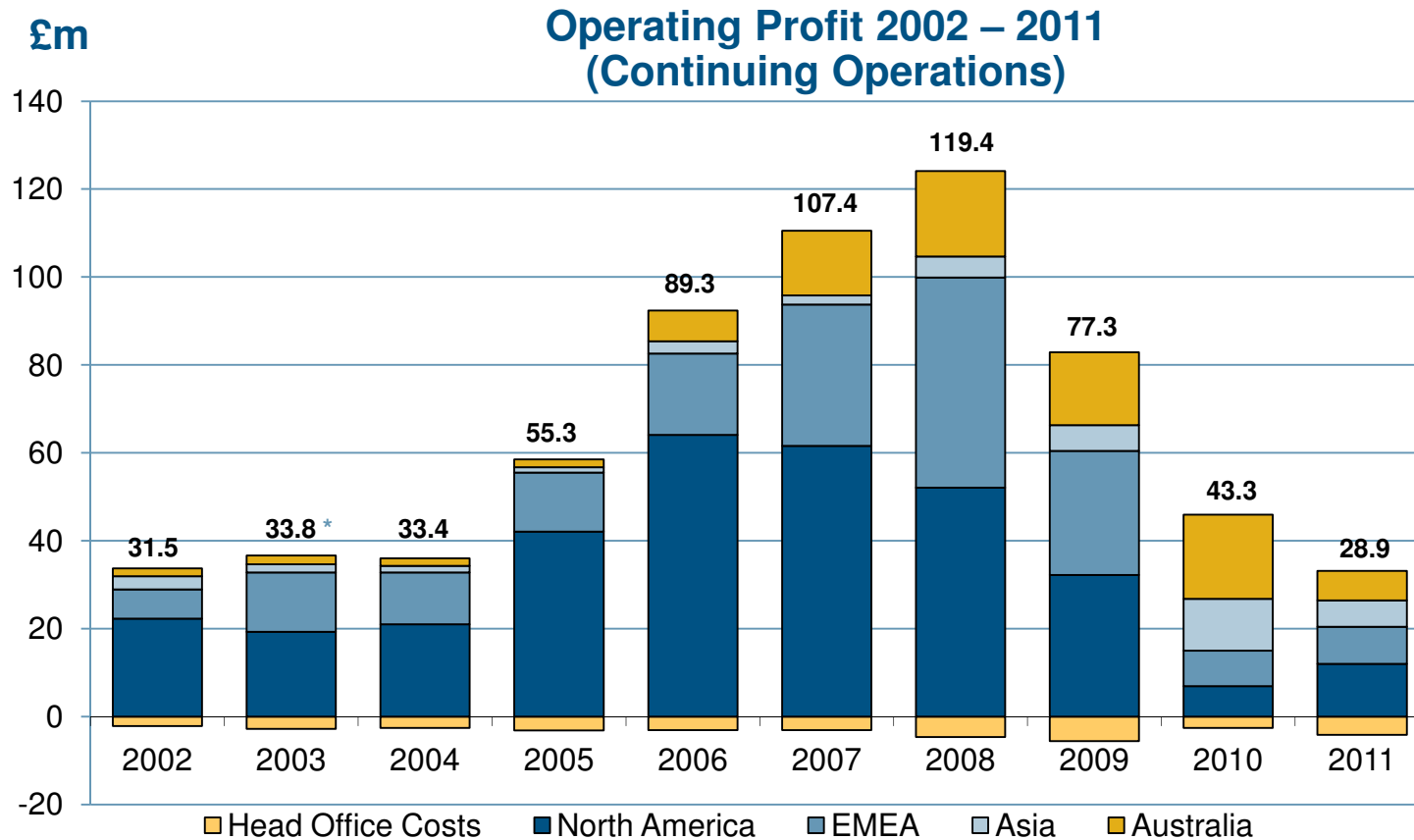
# Europe Geographic Coverage



# Ten Year Track Record

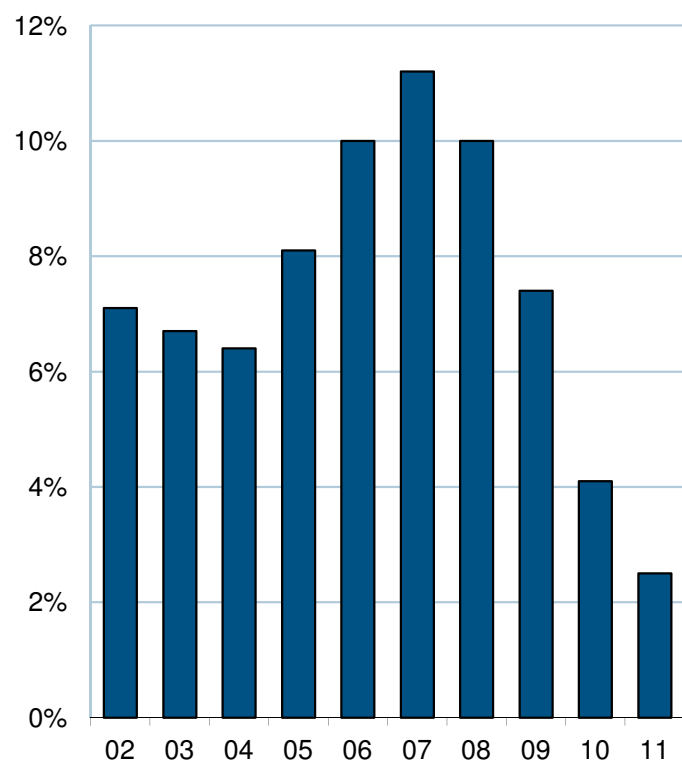


# Ten Year Track Record

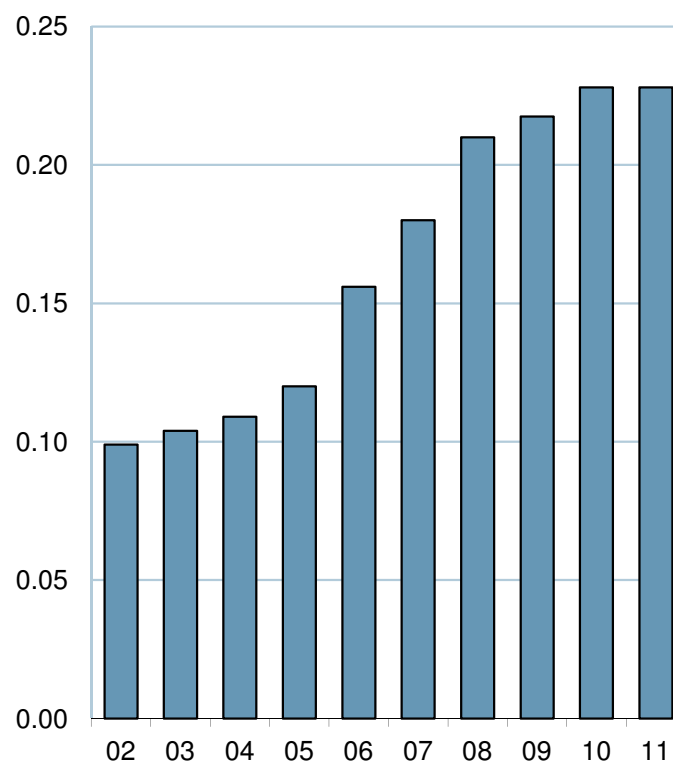


# Financial Performance

## Operating margin\*



## Dividend per share (pence)



Operating margin at historic low

Dividend increased every year since 1994 flotation until 2011



\*from continuing operations

