

# Keller Group plc

## Full Year Results 2013

March 2014



# Cautionary Statements

This document contains certain 'forward looking statements' with respect to Keller's financial condition, results of operations and business and certain of Keller's plans and objectives with respect to these items.

Forward looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

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# Highlights

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- Strong results reflect:
  - continuing business improvements
  - excellent performance on several major projects
  - improving conditions in certain markets, notably in the US
- Strong cash generation resulting from:
  - improved profitability
  - relentless focus on maximising cash generation
- Strategic acquisitions completed in the year
  - securing market-leading positions in target markets offering attractive, long-term growth opportunities
  - integration progressing well

# Financial Highlights\*

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- Record revenue of £1,438.2m (2012: £1,317.5m), up 9%
- Operating margin raised to 5.4% (2012: 3.7%)
  - increases in all four divisions
- Earnings per share of 73.0p (2012: 45.9p)
- Strong cash generation
  - cash from operations represents 106% of EBITDA (2012: 118%)
- Year-end net debt of £143.7m (2012: £51.2m)
- Total dividend increased to 24.0p (2012: 22.8p)



\*before exceptional items

# Group Income Statement\*

£m	2013	2012	% change
Revenue	1,438.2	1,317.5	+9%
EBITDA	124.2	91.9	+35%
Operating profit	77.8	48.3	+61%
Net finance costs	(3.7)	(4.8)	
Profit before tax	74.1	43.5	+70%
Tax	(23.8)	(13.5)	
Profit after tax	50.3	30.0	+68%
EBITDA %	8.6%	7.0%	+1.6%
Operating profit %	5.4%	3.7%	+1.7%

Revenue up 8% on a constant currency basis  
- up 2% excluding acquisitions

Excellent performance on major projects

Average exchange rates:  
- US\$1.56 (2012: US\$1.58)  
- C\$1.61 (2012: C\$1.58)  
- €1.18 (2012: €1.23)  
- S\$1.96 (2012: S\$1.98)  
- A\$1.62 (2012: A\$1.53)

Effective tax rate 32%  
(2012: 31%)



\*before exceptional items

# Group Income Statement (continued)

£m	2013	2012	% change
Profit after tax*	50.3	30.0	+68%
Exceptional items	(22.1)	-	
Tax on exceptional items	1.9	-	
Non-controlling interests	(0.8)	(0.5)	
Attributable to shareholders	29.3	29.5	
Earnings per share*	73.0p	45.9p	+59%
Dividend per share	24.0p	22.8p	+5%

Exceptional items all non-trading and relating to acquisitions:

- £6.7m amortisation of acquired intangible assets
- £5.9m acquisition costs
- £6.0m contingent consideration
- £3.1m goodwill impairments
- £0.4m exceptional finance costs

Final dividend of 16.0p

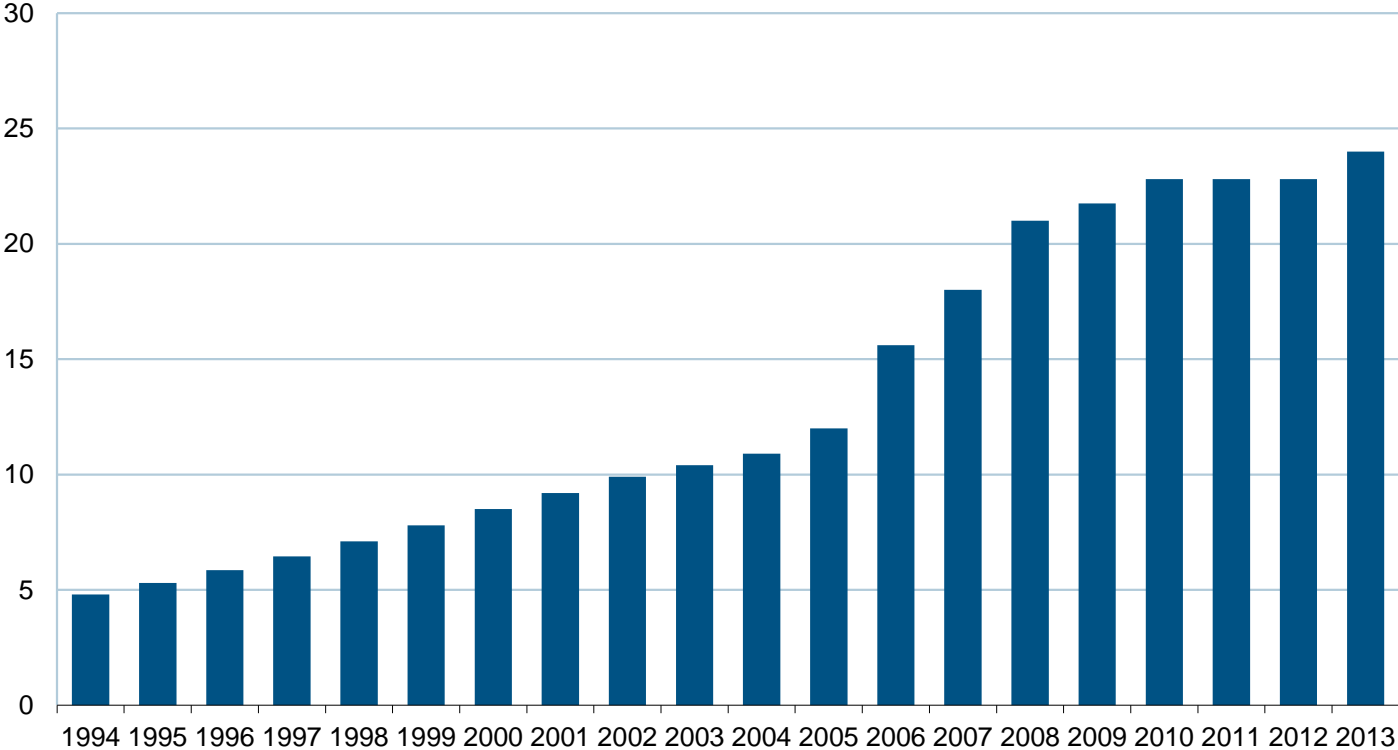
- up 5%
- dividend cover of 3.0x (2012: 2.0x)

\*before exceptional items



# Dividend History

Dividend per share (pence)



Dividend increased or maintained every year since 1994 flotation

Dividend policy of sustainable growth



# Operating Profit & Margin\*

	2013			2012		
£m	Revenue	Op Profit	Margin	Revenue	Op Profit	Margin
N America	699.4	51.6	7.4%	581.9	32.0	5.5%
EMEA	399.2	6.8	1.7%	358.6	2.2	0.6%
Asia	96.2	9.0	9.4%	118.6	9.5	8.0%
Australia	243.4	15.6	6.4%	258.4	8.7	3.4%
	<b>1,438.2</b>	<b>83.0</b>	<b>5.8%</b>	1,317.5	52.4	4.0%
Central costs	-	(5.2)		-	(4.1)	
	<b>1,438.2</b>	<b>77.8</b>	<b>5.4%</b>	1,317.5	48.3	3.7%

Constant currency revenues up 8%

- N America +19%
- EMEA +7%
- Asia -20%
- Australia +0%

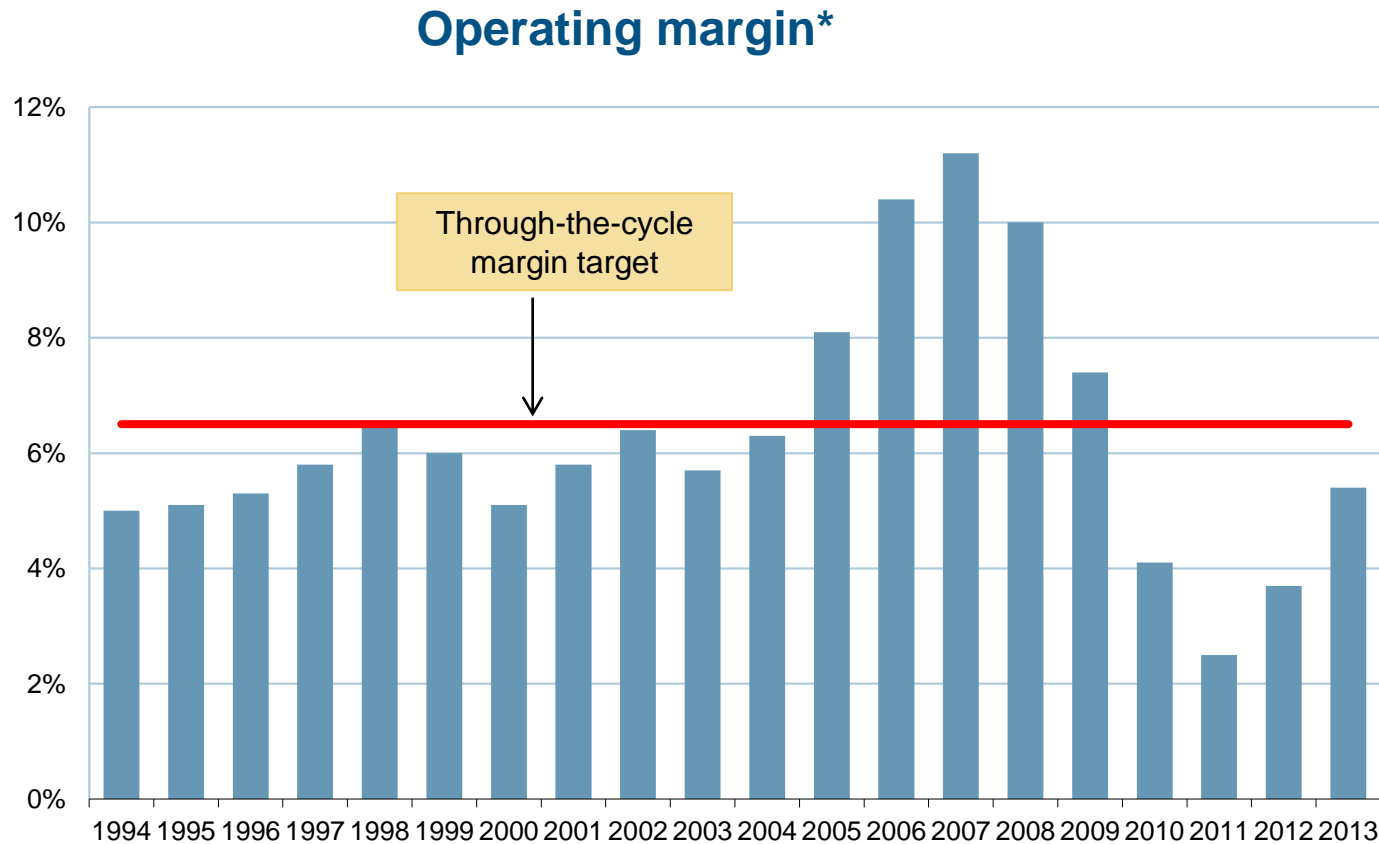
All divisions improved operating margins

Good progress towards 6.5% through-the-cycle margin target



\*before exceptional items

# Operating Margin Trend



Operating margin recovering from historic low

Peak and trough margins unlikely to repeat



\* from continuing operations and before exceptional items

# Group Balance Sheet

£m	2013	2012
Goodwill/intangibles	187.9	97.2
Property, plant & equipment	281.9	248.5
Other non-current assets	14.9	14.9
	<b>484.7</b>	<b>360.6</b>
Inventories	62.0	41.3
Receivables	414.5	347.1
Payables	(352.4)	(290.8)
Working capital	<b>124.1</b>	<b>97.6</b>
Capital employed	<b>608.8</b>	<b>458.2</b>
Other liabilities/provisions	(52.0)	(39.6)
Retirement benefits	(23.1)	(18.2)
Tax	(17.4)	(13.5)
Net debt	(143.7)	(51.2)
Net assets	<b>372.6</b>	<b>335.7</b>

Comparisons impacted by acquisitions and year-end exchange rates:

- US\$1.65 (2012: US\$1.62)
- C\$1.76 (2012: C\$1.60)
- €1.20 (2012: €1.22)
- S\$2.09 (2012: S\$1.98)
- A\$1.86 (2012: A\$1.56)

Working capital increase all due to acquisitions



# Group Cash Flow Statement

£m	2013	2012
Cash generated from operations	132.0	108.4
Capex – net	(42.6)	(32.7)
Interest	(5.0)	(4.1)
Tax	(21.5)	(10.7)
<b>Free cash flow</b>	<b>62.9</b>	<b>60.9</b>
Acquisitions	(200.4)	-
Dividends	(15.6)	(15.4)
Other	57.6	1.7
<b>Net cash flow</b>	<b>(95.5)</b>	<b>47.2</b>
Opening net debt	(51.2)	(102.5)
Exchange movements	3.1	4.1
<b>Closing net debt</b>	<b>(143.6)</b>	<b>(51.2)</b>

Cash from operations  
106% of EBITDA  
(2012: 118%)

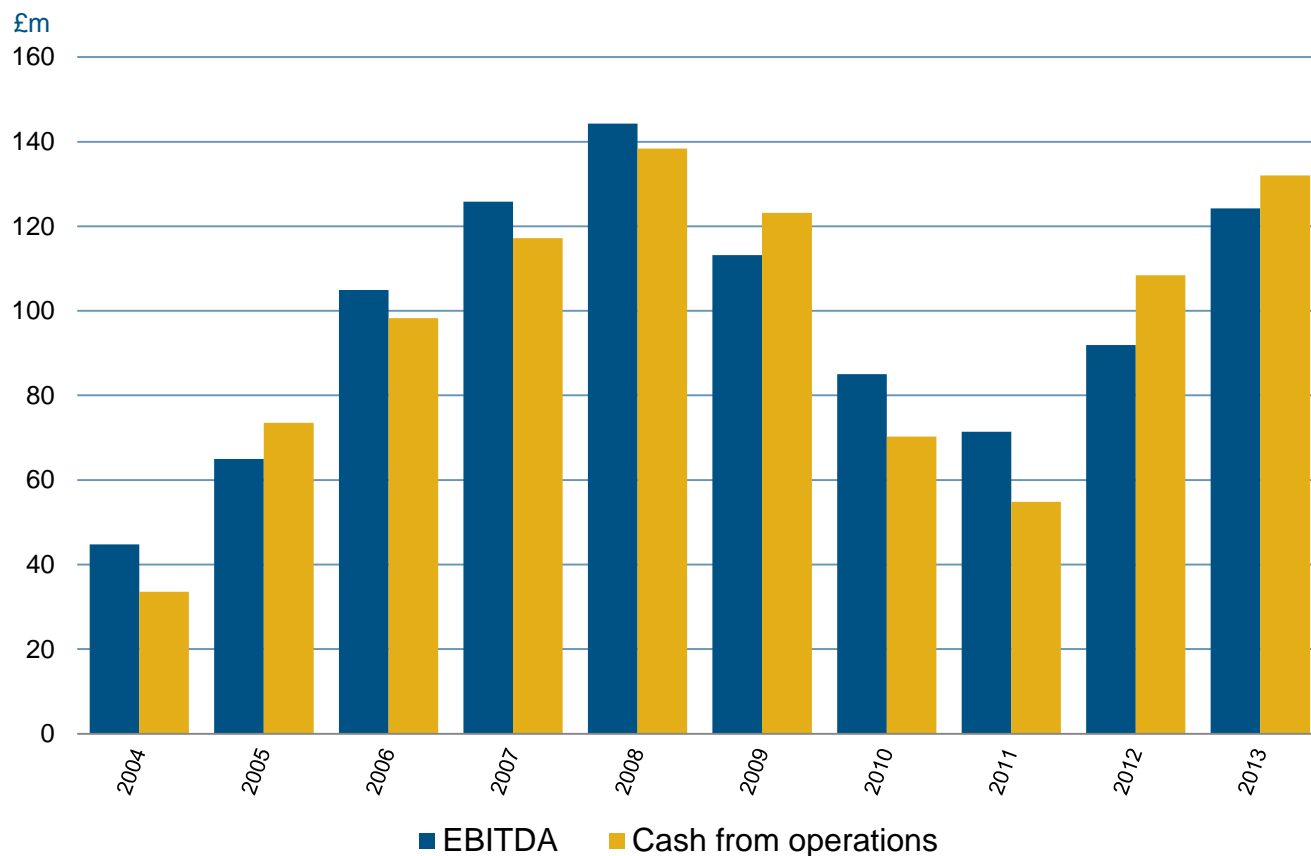
#### Acquisitions:

- Keller Canada (£151.2m)
- Franki Africa (£31.3m)
- Geo-Foundations (£6.0m)
- 49% minority in Spain
- Waterways contingent consideration

Other represents net  
proceeds of 9.9%  
share placing



# Cash Flow History

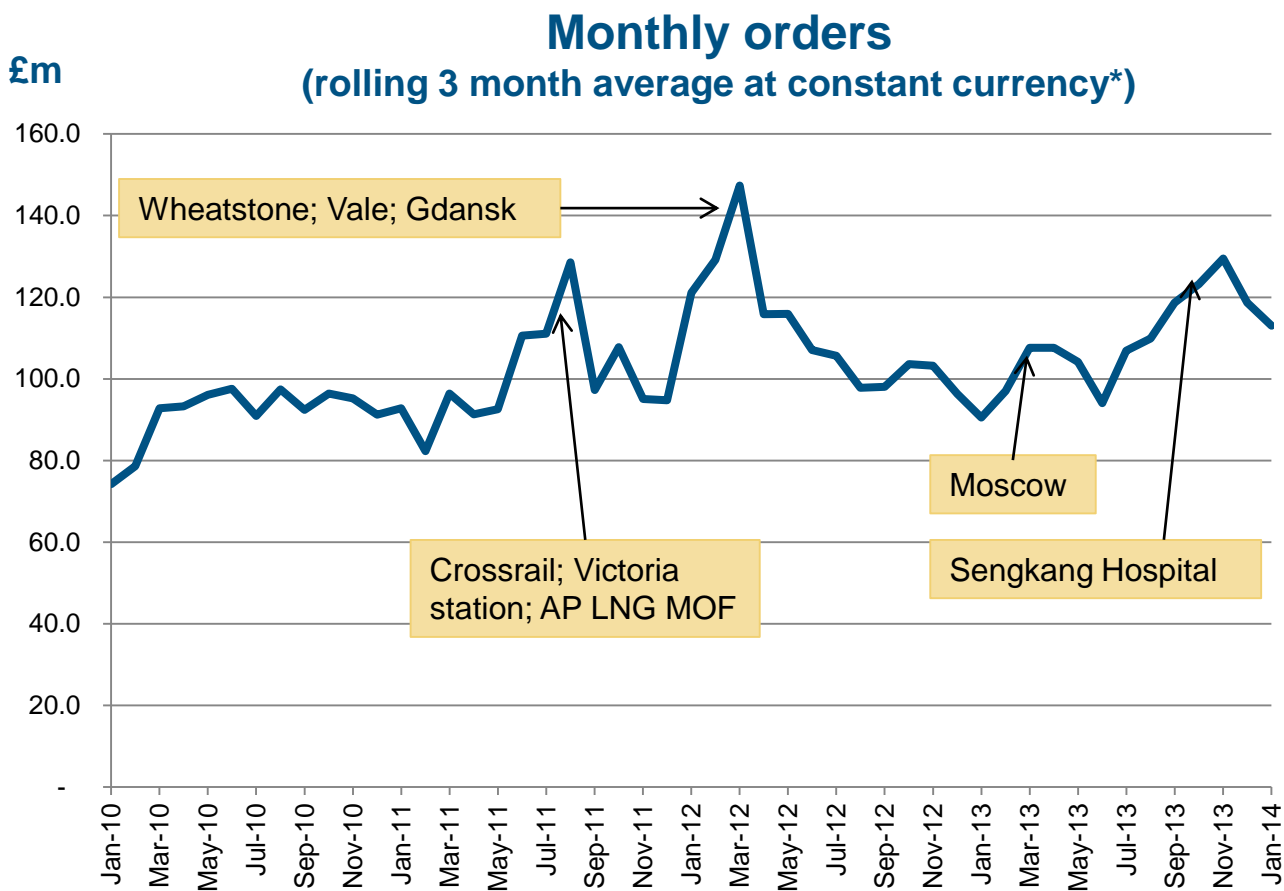


10-year cash conversion rate of 98%

10-year aggregate EBITDA of £970.5m

10-year aggregate cash from operations of £949.7m

# Group Contract Awards



Order intake at a healthy level

Order book for next 12 months 6% ahead of 2013

February 2014: US\$41m award for Elliott Bay sea wall, Seattle



\*at 2013 average exchange rates

# 2014 Guidance

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- Contributions from 2013 acquisitions forecast to be in line with expectations
- Profits from major projects will not repeat at the same level in 2014
- Adverse £7m impact from foreign exchange, assuming current rates
- Usual seasonal H2 bias
- Expected effective tax rate of 32%
- Capex to be around £60m

# Strategy

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- Our Objective

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

- Our Execution

- expansion into new higher growth geographic regions
- development of new technologies and techniques
- transfer of technologies and techniques within our current geographic regions
- offering design and build capability and alternative solutions
- continuous improvement to maintain our competitive edge

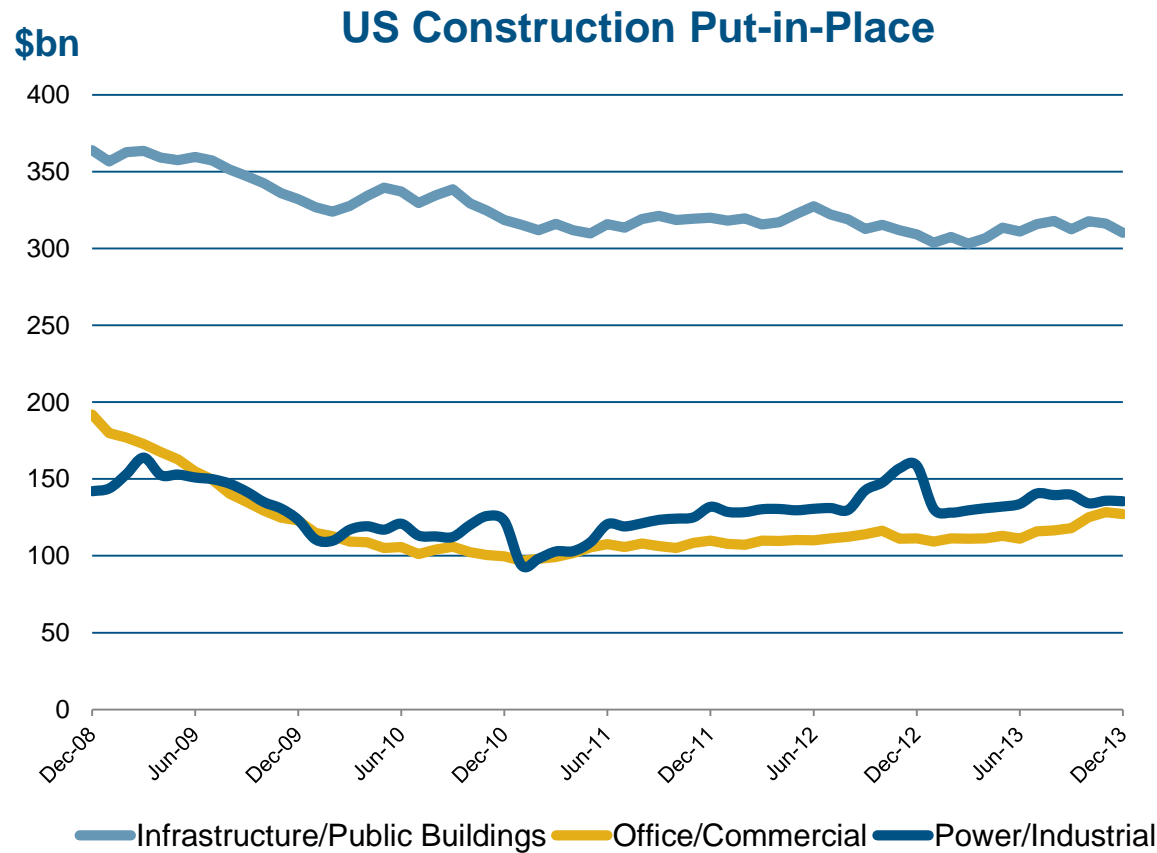


# Continuous Business Improvement

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- Business improvement initiatives now embedded
- Record revenue and profit from large projects (>£5m)
- Enhanced focus on risk management
  - further margin improvement
- More examples of technology transfer
  - wick drains and controlled stiffness columns to Australia
  - GETEC monitoring system to US and Asia
- Better equipment management
  - helps to optimise utilisation and capex
- Increased proactivity in safety management

# US Non-residential Construction Market



Total US non-residential market down 1% in 2013 (up 6% in 2012)

- private flat, public down 3%

Infrastructure/Public Buildings remains flat

Office/Commercial up 14%  
- privately funded segment up 21%

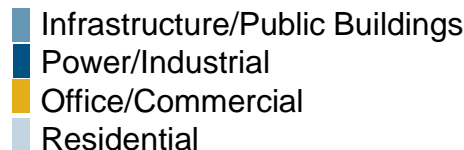
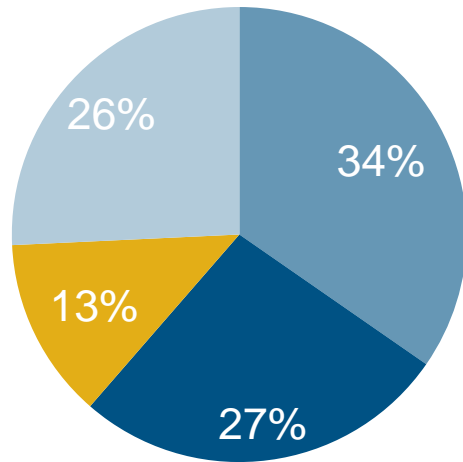
Power/Industrial down 15%  
- driven mainly by Power



# North America Revenue by End Market

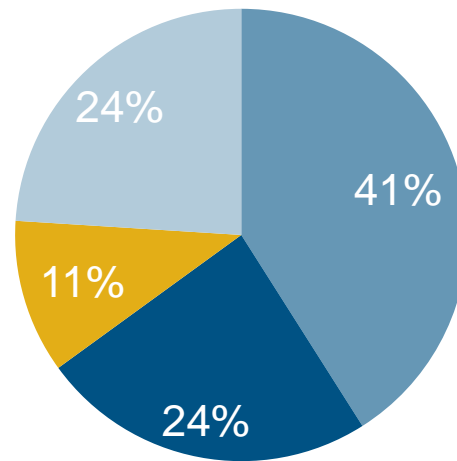
## 2013 Revenue by End Market

Total revenue \$1,091m



## 2012 Revenue by End Market

Total revenue \$919m



Infrastructure/Public Buildings less dominant

- down from 50% in 2010

Power/Industrial robust

- Power represents more than half
- increase due to Keller Canada

In US\$ terms:

- Office/Commercial up 40%
- Residential up 25%

# North America - Foundations

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Revenue up 19%

- like-for-like up 6%

Margin improved to 7.9% (2012: 5.9%)

- business improvements
- impact of Keller Canada
- improved market conditions

All four US businesses ahead of 2012

Important contribution from transmission-line projects

- will not repeat to the same extent

Recent success in winning major projects

# North America - Keller Canada



Piling, transmission lines

Western Alberta

Leading foundations contractor in western Canada, acquired in July for £151.2m

- complements Jan 2013 Geo-Foundations acquisition

Provides strategic opportunity to

- increase exposure to NA energy/resources segment (including Alberta oil sands)
- develop broader customer relationships
- expand Keller's presence in the under-developed geotechnical segment

Secures a leading position in a major target market

Integration progressing well; technology transfer opportunities underway

# North America Case Study



Piling, commercial/residential development

New York, NY

Hudson Yards, New York

- set to become Manhattan's largest commercial development

Case/Hayward Baker installed piled foundations for Tower C

- first building to be constructed

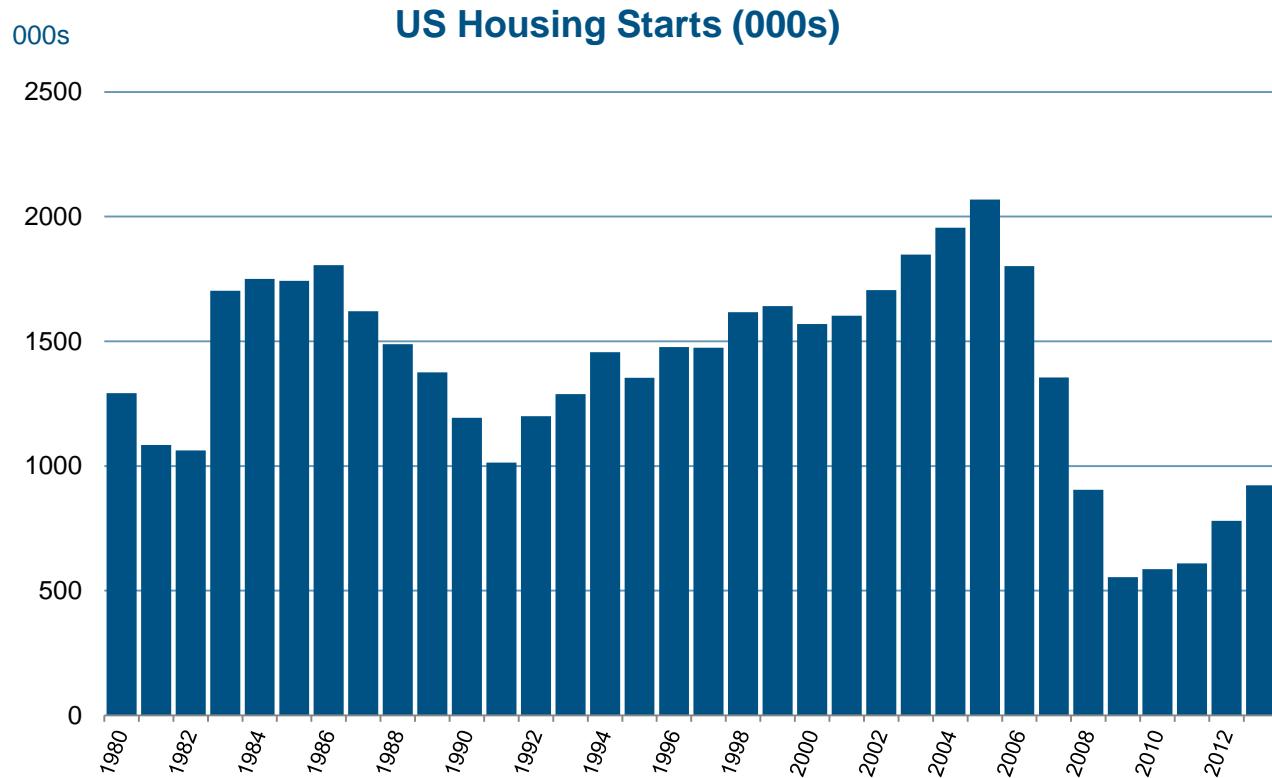
Contract value £5.7m

On site November 2012 to July 2013

Challenges:

- NYC construction – permits, unions
- limited access
- difficult ground conditions

# North America - Suncoast



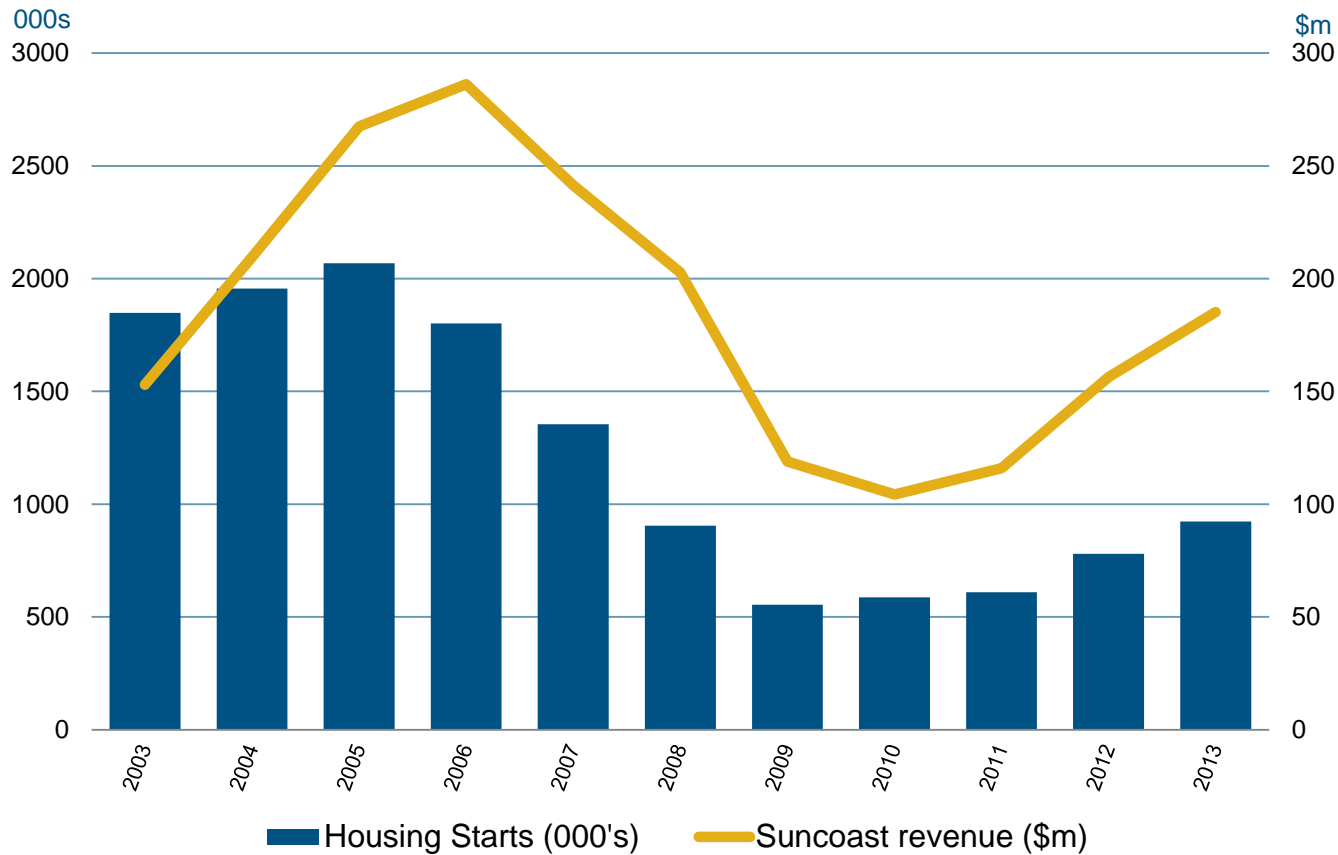
US housing starts continue to improve

- up 17% in the year
- still well below long-term norm



Source: US Census Bureau Housing Starts

# North America - Suncoast



Suncoast continuing to improve

- revenue up 19%
- operating margin 5.0% (2012: 3.6%)

Strengthening high-rise market

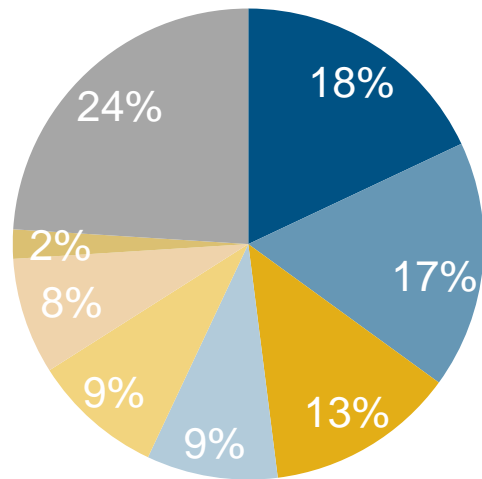
Miami high-rise fabrication facility re-started in H2



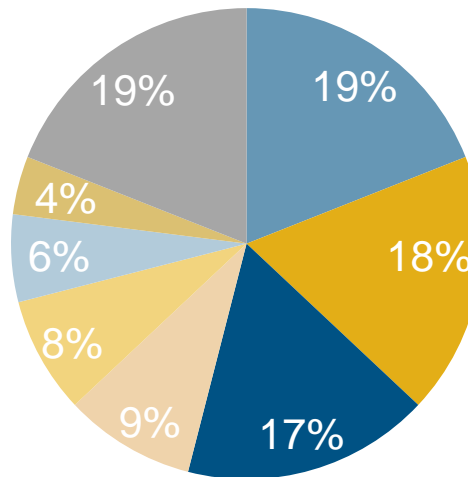
Source: US Census Bureau Housing Starts / Keller

# EMEA Regional Split\*

**2013 Revenue by Region**  
Total revenue €471m



**2012 Revenue by Region**  
Total revenue €441m



Half of revenue from UK, Germany and Poland

Southern European markets remain depressed  
- France/Spain now around one third of peak

Middle East showing signs of improvement

Equipment redeployed to more active markets

# EMEA Highlights



Piling, port development  
Rio de Janeiro, Brazil

Operating profit improving, but markets remain challenging

Cost reductions and business improvements

Good contributions from Germany and UK

Good progress on major infrastructure projects

- Gdansk Tunnel
- Victoria Station
- Crossrail

Competition remains intense in Middle East

Brazil business continues to develop

# EMEA - Franki Africa



Piling, coastline remediation

Ada, Ghana

Largest ground engineering business in South Africa, acquired in November for £31.3m

Provides design and build services to the mining, civil engineering and construction industries

Around 50% of revenue in recent years from other Sub-Saharan African countries  
- access to markets offering good growth

Strong synergies with other parts of EMEA  
- collaboration opportunities on complex projects requiring multi-product solutions

# EMEA Case Study



Soil anchors, highway repairs  
A23 Bypass, Vienna

Emergency repair works: A23 Vienna bypass – Austria's busiest road

Contract value: €1.6m

Retaining walls up to 40 years old  
- unsuitable for today's high traffic volume

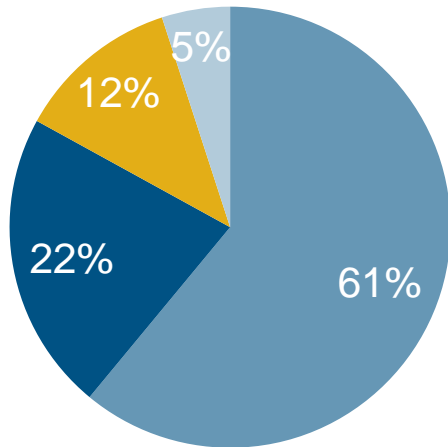
Our work - to secure the retaining walls by anchoring

Challenging logistics with works executed 10pm to 5am to maintain traffic flows

# Asia Regional Split

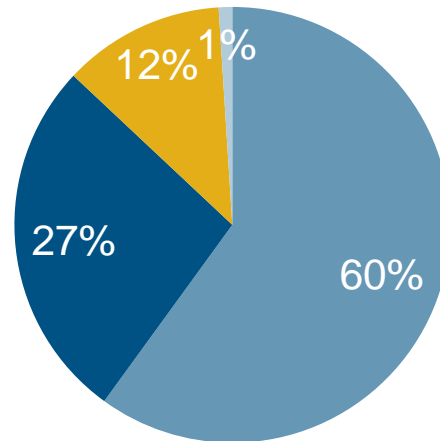
## 2013 Revenue by Country

Total revenue S\$188m



## 2012 Revenue by Country

Total revenue S\$235m



■ Singapore  
■ Malaysia  
■ India  
■ Other

Malaysia share down to 22% (2012: 27%) due to completion of major contract for Vale

- market remains buoyant

Increase in Other reflects projects in Hong Kong and Indonesia

# Asia Highlights



Load testing, mixed-use development  
Kuala Lumpur, Malaysia

Strong performance on several contracts helped to raise margin on reduced revenue

Another good result from Malaysia  
- piling now well established

Singapore recorded a strong year

Largest ground improvement contract to date in Indonesia, largely complete at 31/12

Trading conditions in India remain challenging

# Australia Highlights



Piling, on-shore LNG processing plant

Darwin, NT

Significant increase in operating profit on flat A\$ revenue

- continued strengthening of risk management
- better contract selection
- very strong performance on major projects

APLNG MOF project underpinned H1 result

Good contributions in H2 from several large, ongoing contracts:

- Ichthys LNG project, Darwin
- Perth Stadium
- Wheatstone on-shore piling for LNG plant

# Australia - Wheatstone



Piling, on-shore LNG processing plant

Wheatstone, WA

On-shore piling supply and installation  
- now increased to A\$220m

Repetitive piling process, but with  
challenging logistics  
- major steel tube supply from Korea  
- remote site with difficult climatic conditions

40% complete at year end, with key  
project targets achieved  
- safety, hours worked, production targets

High customer evaluation ratings

Strong reference project for LNG-related  
opportunities around the world

# Outlook

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- Global markets remain mixed
    - North America: continued gradual improvement
    - Europe: recovery patchy and fragile
    - continued uncertainty in Australia
    - good opportunities in Africa and Asia
  - Contract awards remain at a healthy level
    - like-for-like order book, for work to be executed in the following year, 6% ahead
  - 2014 expected to be another year of progress
  - Well positioned to take full advantage of future opportunities
-

# Highlights

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- Strong results reflect:
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  - excellent performance on several major projects
  - improving conditions in certain markets, notably in the US
- Strong cash generation resulting from:
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# Appendix



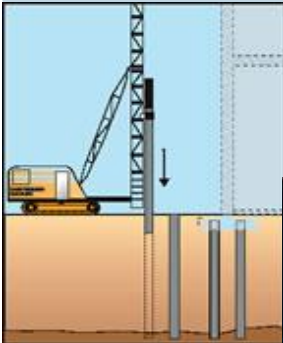
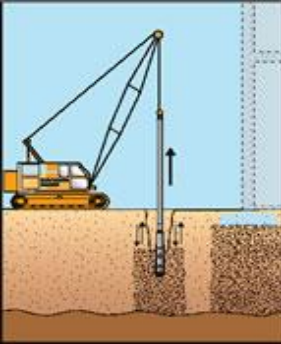
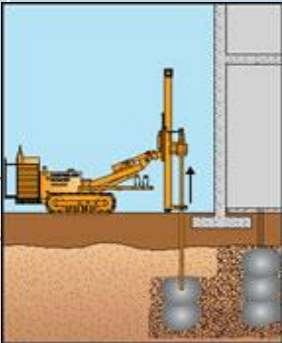
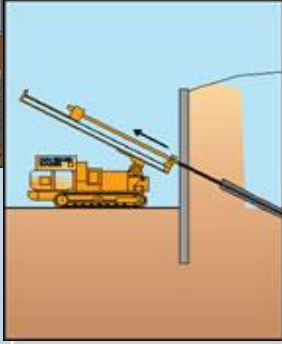
# Introduction to Keller

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- **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 40 countries**
  - clear market leader in North America, Australia and Southern Africa
  - prime positions in most established European markets
  - strong profile in many other developing markets
- **Generally work as a subcontractor for main contractors**
- **Typical contracts are**
  - short duration and less than £500k
  - across the construction spectrum

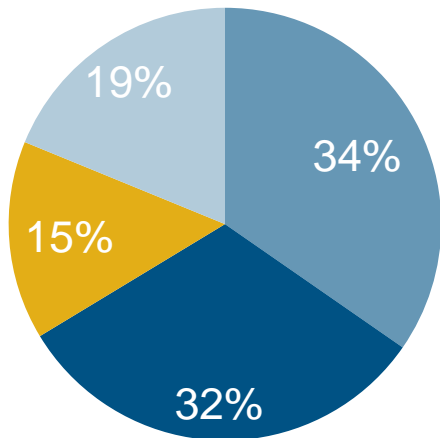


# Ground Engineering Worldwide

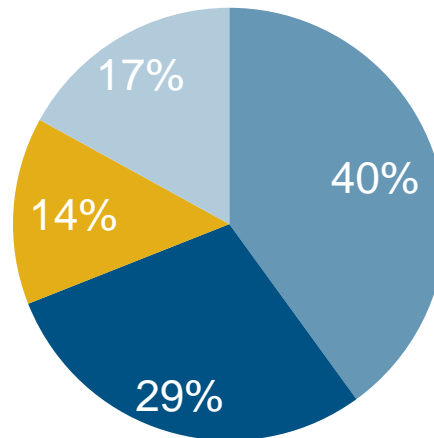
Activities	Piling	Ground improvement	Specialty grouting	Anchors, nails, minipiles	Post-tension concrete
% of 2014 revenue	XX%	XX%	XX%	XX%	XX%
Applications	Foundation support Earth retention	Foundation support Seismic risk protection	Control of building settlement Ground water control	Excavation support Slope protection Underpinning	Slab-on-grade foundations High-rise structures
					

# Group Revenue by End Market

**2013 Revenue by End Market**  
Total revenue £1,438m



**2012 Revenue by End Market**  
Total revenue £1,318m



■ Infrastructure/Public Buildings  
■ Power/Industrial  
■ Office/Commercial  
■ Residential

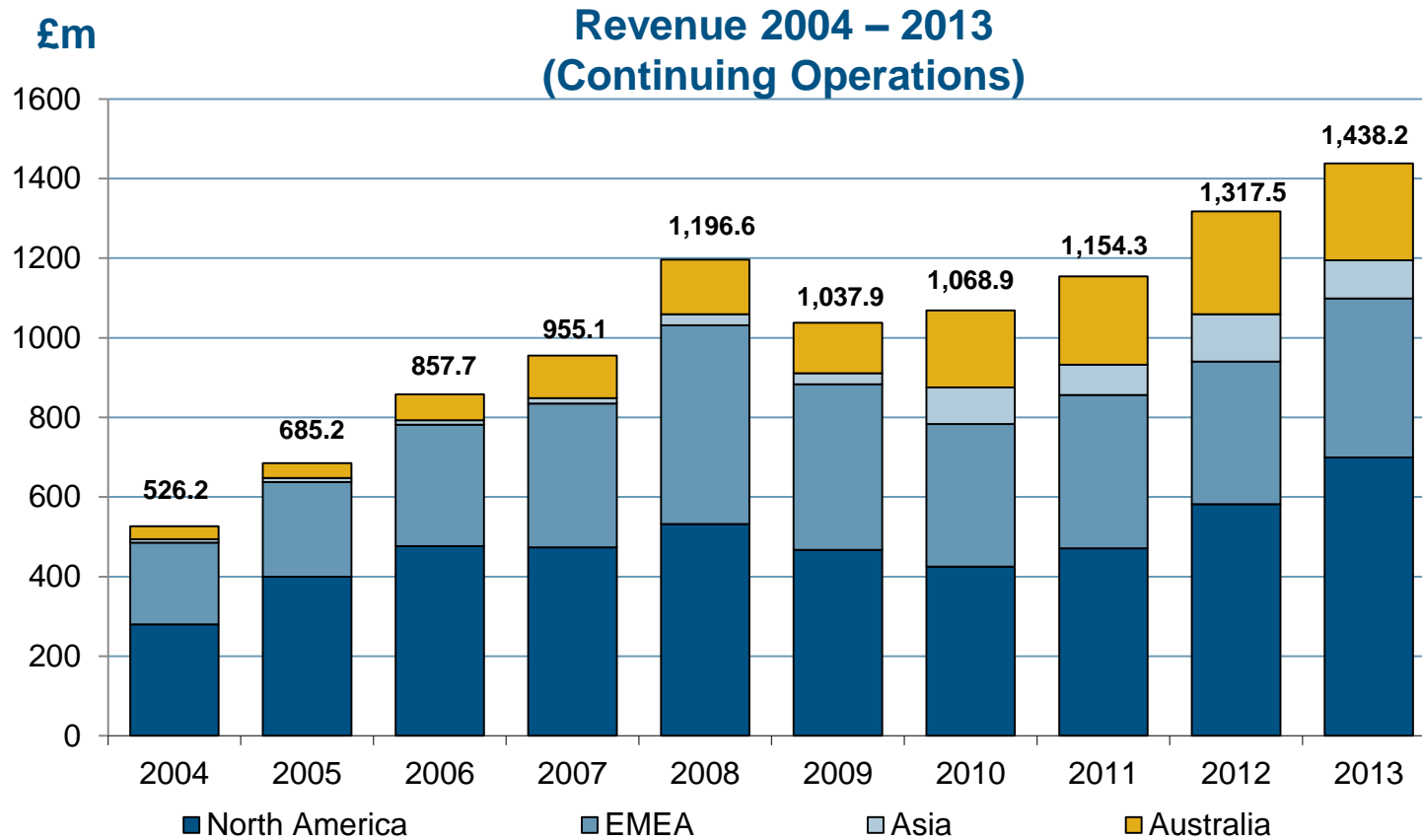
Keller operates across all sectors of the construction industry

Infrastructure/Public Buildings remains the largest sector

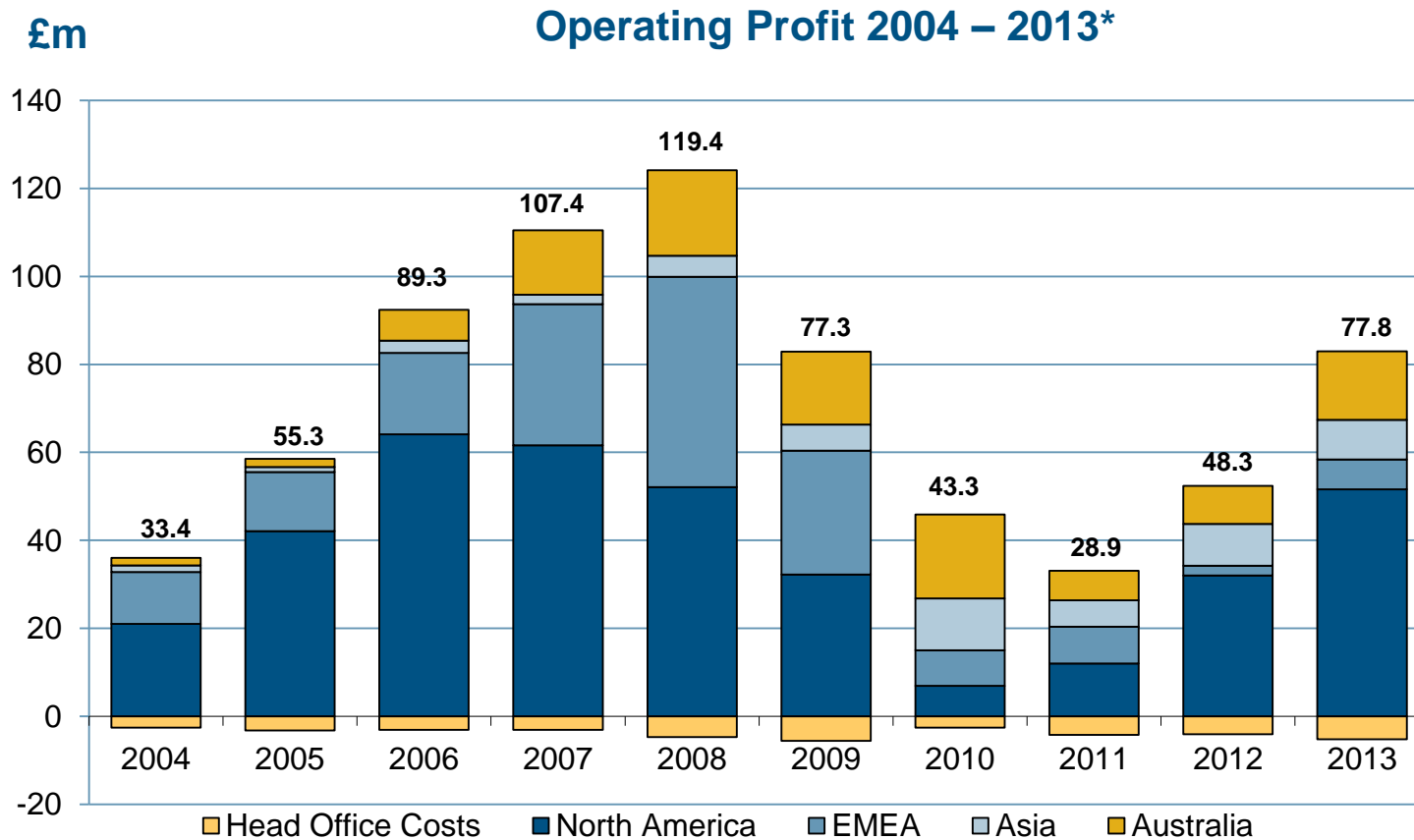
- further decrease due to government spend on public buildings

Continued increase in importance of Power/Industrial across the Group

# Ten Year Track Record



# Ten Year Track Record



\* from continuing operations and before exceptional items

# Group Financing Position

- £344m of committed facilities, mainly:
  - £170m bank facility expiring April 2015
  - US\$150m bank facility expiring July 2017
  - US\$70m private placement, payable October 2014
  - US\$40m private placement, payable August 2018
- Comfortably within all financial covenants
- A further £54m of uncommitted facilities

## Key Financial Covenants

<i>Test</i>	<i>Status*</i>
Net debt < 3x EBITDA	1.3x
EBITDA interest cover > 4x	24.7x
Net assets > £200m	£367.8m

\* Calculated on a covenant basis

# History of Keller

