



**KELLER**

**Keller Group plc  
Full Year Results 2014**

2 March 2015

# 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

### **Record revenue and increased margin**

- improving conditions in the US
- benefits of business improvement initiatives
- strong performance on major contracts

### **Another excellent cash performance**

- continued focus on converting profits into cash

### **Strong balance sheet**

- refinanced during 2014
- scope for significant investment

### **Good order book bodes well for 2015**

## Financial Highlights\*

Record revenue

**£1,599.7m**

(2013: £1,438.2m), up 11%

Operating margin raised to

**5.8%**

(2013: 5.4%)

Earnings per share

**75.3p**

(2013: 73.0p)

Cash from operations

**117%**

Of EBITDA (2013: 106%)

Year end net debt

**£102.2m**

(2013: £143.7m)

Total dividend increased to

**25.2p**

(2013: 24.0p)

# Group Income Statement\*

| £m                 | 2014    | 2013    | %<br>Change |
|--------------------|---------|---------|-------------|
| Revenue            | 1,599.7 | 1,438.2 | +11%        |
| EBITDA             | 141.9   | 124.2   | +14%        |
| Operating profit   | 92.0    | 77.8    | +18%        |
| Net finance cost   | (6.9)   | (3.7)   |             |
| Profit before tax  | 85.1    | 74.1    | +15%        |
| Tax                | (29.7)  | (23.8)  |             |
| Profit after tax   | 55.4    | 50.3    | +10%        |
| EBITDA %           | 8.9%    | 8.6%    | +30bps      |
| Operating profit % | 5.8%    | 5.4%    | +40bps      |

**Revenue up 20% on a constant currency basis**

- up 12% excluding acquisitions

**Average exchange rates:**

- US\$1.65 (2013: US\$1.56)
- C\$1.82 (2013: C\$1.61)
- €1.24 (2013: €1.18)
- S\$2.09 (2013: S\$1.96)
- A\$1.83 (2013: A\$1.62)

**Effective tax rate 34.9%**

(2013: 32.1%)

\*before exceptional items

## Group Income Statement (continued)

| £m                           | 2014   | 2013   | %<br>Change |
|------------------------------|--------|--------|-------------|
| Profit after tax*            | 55.4   | 50.3   | +10%        |
| Exceptional items            | (56.9) | (22.1) |             |
| Tax on exceptional items     | 0.3    | 1.9    |             |
| Non-controlling interests    | (1.8)  | (0.8)  |             |
| Attributable to shareholders | (3.0)  | 29.3   | -110%       |
| Earnings per share*          | 75.3p  | 73.0p  | +3%         |
| Dividend per share           | 25.2p  | 24.0p  | +5%         |

### Exceptional items mainly:

- £54.0m settlement of contract dispute
- £6.6m amortisation of acquired intangibles
- £(4.7)m change in estimated contingent consideration

### EPS growth impacted by:

- higher tax rate
- £1.0m increase in minority charge
- more shares in issue

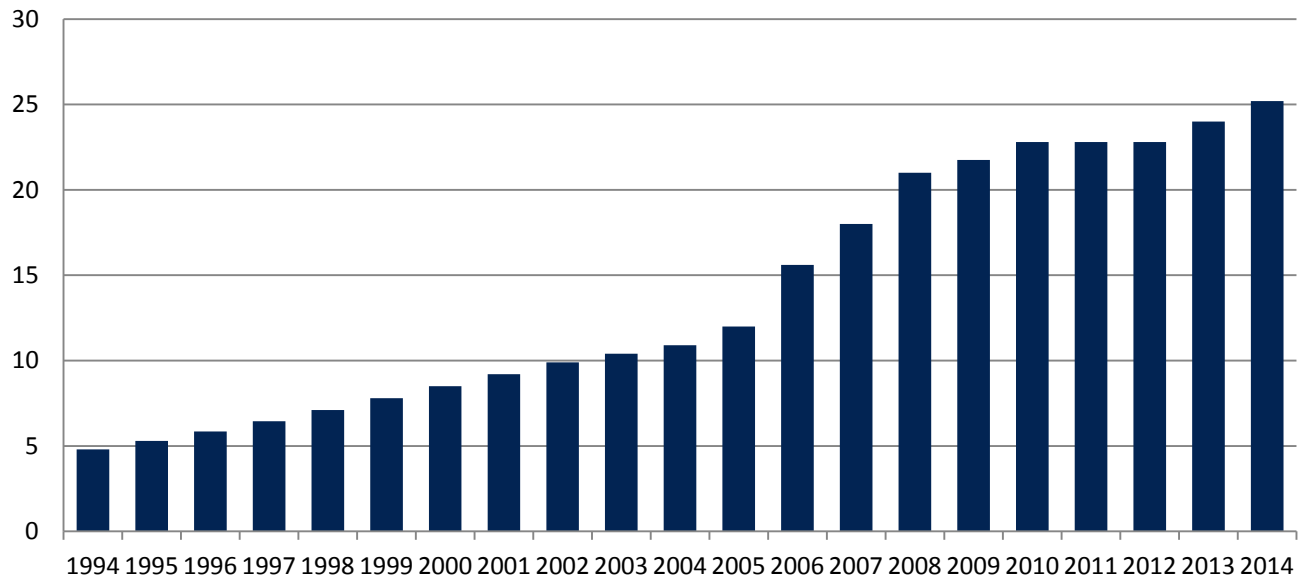
### Total dividend of 25.2p

- up 5%
- dividend cover\* of 3.0x (2013: 3.0x)

\*before exceptional items

# Dividend History

## Dividend per share (pence)



**Final dividend of 25.2p**  
– up 5%

**Dividend increased or  
maintained every year  
since 1994 flotation**

**Dividend policy of  
sustainable growth**

## Operating Profit & Margin\*

| £m            | 2014           |             |             | 2013    |           |        |
|---------------|----------------|-------------|-------------|---------|-----------|--------|
|               | Revenue        | Op Profit   | Margin      | Revenue | Op Profit | Margin |
| North America | 775.6          | 59.9        | 7.7%        | 699.4   | 51.6      | 7.4%   |
| EMEA          | 451.5          | 12.9        | 2.9%        | 399.2   | 6.8       | 1.7%   |
| Asia          | 111.3          | 8.3         | 7.5%        | 96.2    | 9.0       | 9.4%   |
| Australia     | 261.3          | 15.7        | 6.0%        | 243.4   | 15.6      | 6.4%   |
|               | <b>1,599.7</b> | <b>96.8</b> | <b>6.1%</b> | 1,438.2 | 83.0      | 5.8%   |
| Central costs | -              | (4.8)       |             | -       | (5.2)     |        |
|               | <b>1,599.7</b> | <b>92.0</b> | <b>5.8%</b> | 1,438.2 | 77.8      | 5.4%   |

### Constant currency revenues up 20%:

- N America +18%
- EMEA +19%
- Asia +23%
- Australia +21%

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

Asian and Australian margin comparisons impacted by major projects

\*before exceptional items

# Group Balance Sheet

| £m                           | 2014         | 2013         |
|------------------------------|--------------|--------------|
| Goodwill/intangibles         | 183.5        | 187.9        |
| Property, plant & equipment  | 295.6        | 281.9        |
| Other non-current assets     | 19.9         | 14.9         |
|                              | <b>499.0</b> | <b>484.7</b> |
| Inventories                  | 48.6         | 62.0         |
| Receivables                  | 408.7        | 414.5        |
| Payables                     | (353.2)      | (352.4)      |
| Working capital              | <b>104.1</b> | <b>124.1</b> |
| Capital employed             | <b>603.1</b> | <b>608.8</b> |
| Other liabilities/provisions | (109.6)      | (52.0)       |
| Retirement benefits          | (25.4)       | (23.1)       |
| Tax                          | (19.6)       | (17.4)       |
| Net debt                     | (102.2)      | (143.7)      |
| Net assets                   | <b>346.3</b> | <b>372.6</b> |

**Year end exchange rates:**

- US\$1.55 (2013: US\$1.65)
- C\$1.81 (2013: C\$1.76)
- €1.28 (2013: €1.20)
- S\$2.05 (2013: S\$2.09)
- A\$1.90 (2013: A\$1.86)

**Excellent working capital performance**

**Provisions includes £54m for settlement of contract dispute**

**Debt refinanced in H2**

- new £250m five year bank facility
- new US\$125m US private placement

# Group Cash Flow Statement

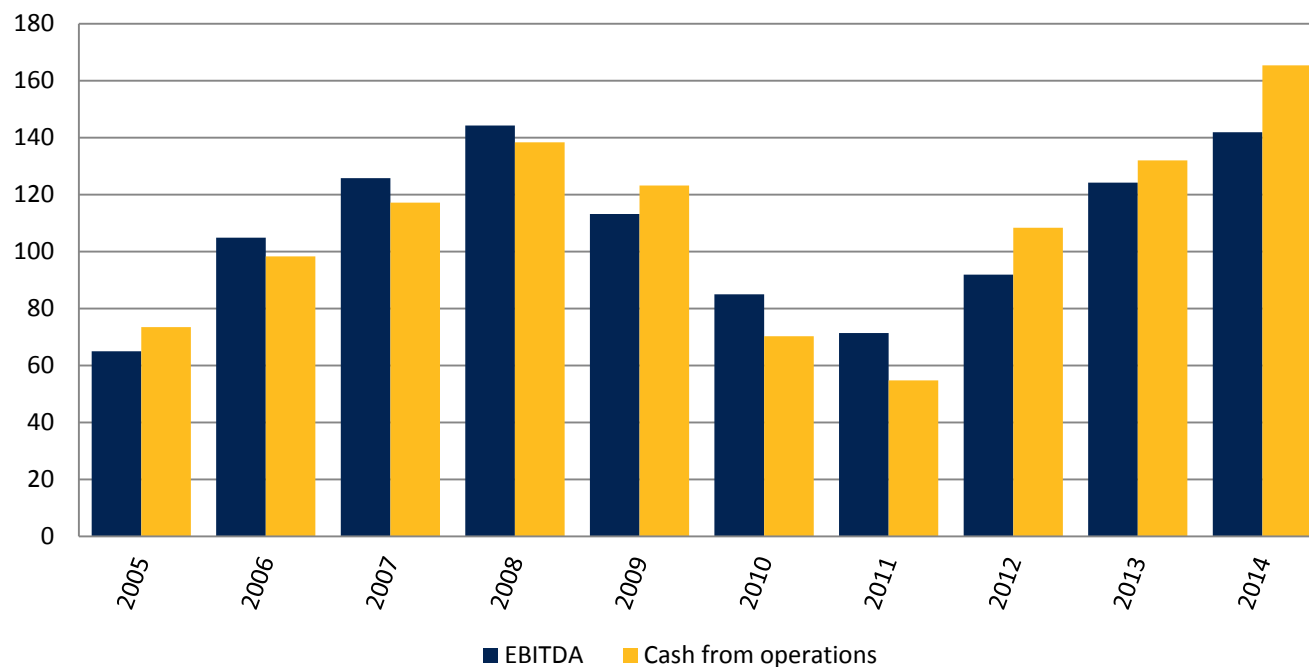
| £m                             | 2014    | 2013    |
|--------------------------------|---------|---------|
| Cash generated from operations | 165.4   | 132.0   |
| Capex – net                    | (61.0)  | (42.6)  |
| Interest                       | (9.6)   | (5.0)   |
| Tax                            | (28.4)  | (21.5)  |
| Free cash flow                 | 66.4    | 62.9    |
| Acquisitions                   | (5.0)   | (200.4) |
| Dividends                      | (18.0)  | (15.6)  |
| Other                          | -       | 57.6    |
| Net cash flow                  | 43.4    | (95.5)  |
| Opening net debt               | (143.7) | (51.2)  |
| Exchange movements             | (1.9)   | 3.0     |
| Closing net debt               | (102.2) | (143.7) |

**Cash from operations**  
**117% of EBITDA**  
**(2013: 106%)**

**2014 acquisitions:**  
 – £3.3m Ansah  
 – £2.8m Brazil minority

**Other in 2013 represents net**  
**proceeds of share placing**

# Cash Flow History



**10-year cash conversion rate of 101%**

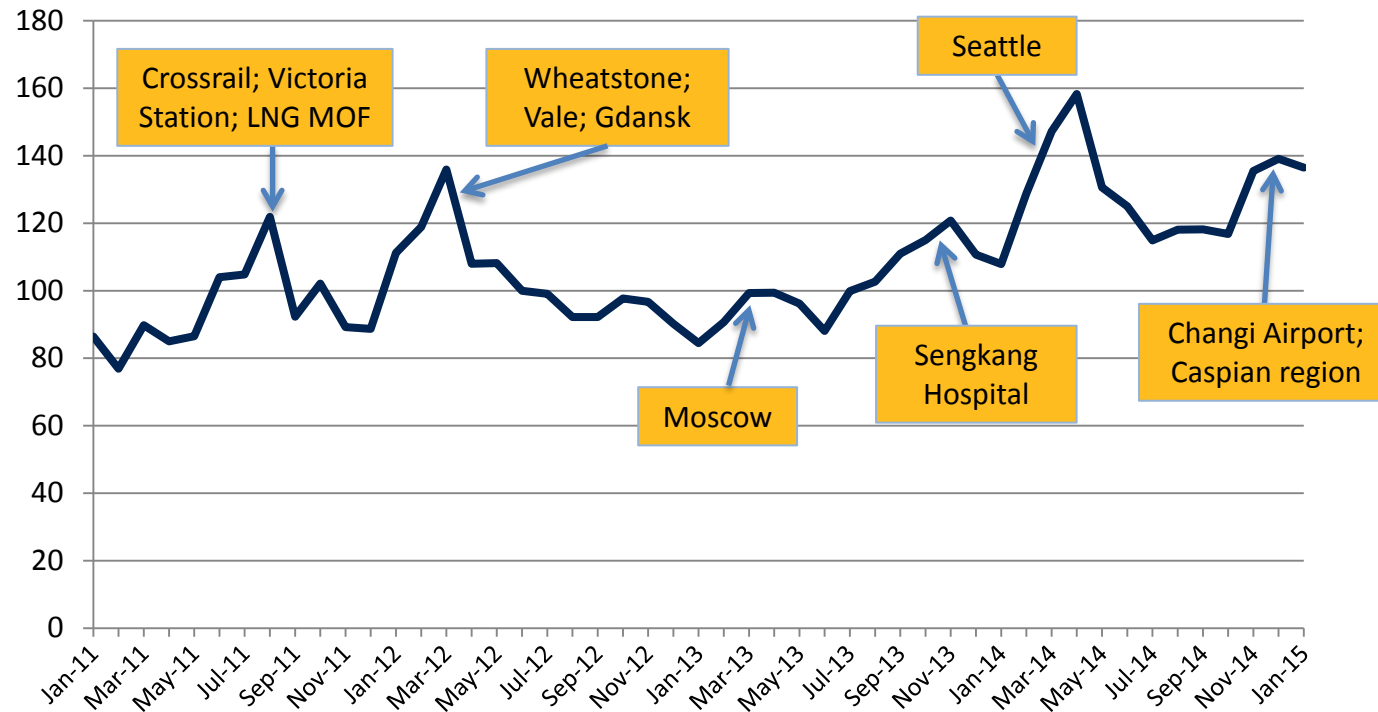
**10-year aggregate EBITDA of £1,067.6m**

**10-year aggregate cash from operations of £1,081.5m**

# Group Contract Awards

## Monthly orders (£m)

(rolling 3 month average at constant currency\*)



**Order intake at a healthy level**

**Order book for next 12 months 8% up on 2014**

**February 2015: €31m Koralm railway line award in Austria**

\*at 2014 average exchange rates

## 2015 Guidance

### **2015 expected to be another year of progress**

- all divisions except Australia should increase revenue and profit

### **Short term impact of oil price decline will be minimal**

- forecast direct oil and gas work well under 10% of revenue
- resources work included in 2015 budgets for Canada or Australia not material
- no signs yet of orders slowing in the Middle East

### **Positive £2m impact from foreign exchange, assuming current rates**

### **Usual seasonal profit bias towards H2**

### **Expected effective tax rate of 35%**

### **Capex to be around £65m**

# Strategy

## **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 regions
- new technologies and methods, acquired or developed
- transfer of technologies and methods within our current regions
- design and build capability and offering alternative solutions
- continuous improvement to maintain our competitive edge

## **Business Improvement Initiatives**

### **Another record revenue and profit from large contracts (>£5m)**

- recent awards in Austria, Singapore and Caspian Region

### **Continued focus on risk management**

- improving trend in contract performance

### **Improving equipment management**

- transferring, investing, utilising, scrapping

### **Transferring and acquiring technologies**

- geotechnical products into Africa
- driven piling in Asia

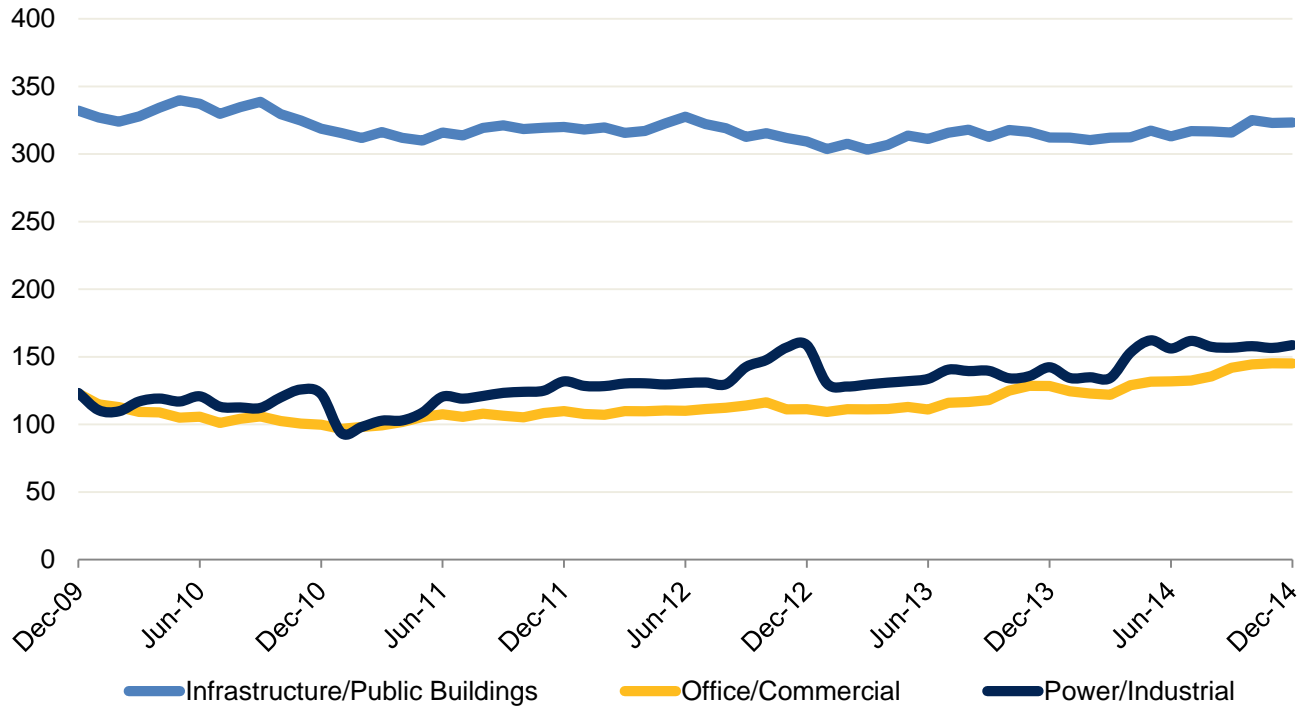
### **Relentless effort to reduce work related safety incidents**

# US Non-residential Construction Market



## US Construction Put-in-Place (\$bn)

Source: US Census Bureau, February 2015



**Total US non-residential market up 7% in 2014 (down 1% in 2013)**

- private up 11%,
- public up 2%

**Infrastructure/Public Buildings up 1%**

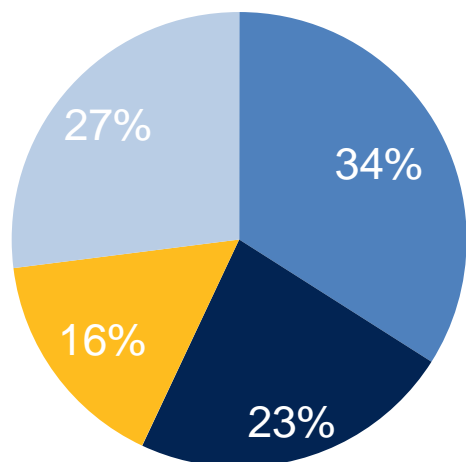
**Office/Commercial up 14%**

**Power/Industrial up 13%**

# North America Revenue by End Market

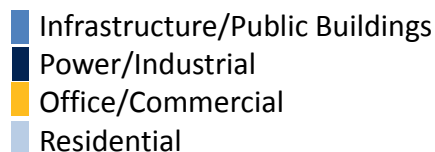
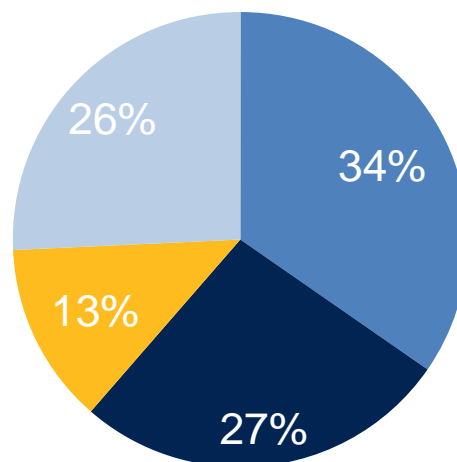
## 2014 Revenue by End Market

Total revenue \$1,280m



## 2013 Revenue by End Market

Total revenue \$1,091m



### Infrastructure/Public Buildings less dominant

– down from 50% in 2010

### Power/Industrial reduced

- mainly due to power
- Canada subdued

### In US\$ terms:

- Office/Commercial up 42%
- Power/Industrial flat

# North America

## US Foundations

**Strong H2 as construction activity continues to improve**  
- operating margin of 9%

**Increasing number of large contracts**

- 1635 project Dallas, Oceana Bal Harbour Miami, Elliot Bay Seattle

**Supplements broad range of small to medium sized contracts across products and geographies**

**Improved cooperation between companies and across regions to give competitive advantage**



# North America

## Case Study

Case Foundation Company

Replacement of 21 mile portion of track running between Washington DC and Boston MA with a constant tension catenary system allowing trains to reach speeds of up to 160 mph

Constant tension achieved by installing a system of balancing weights and pulleys at specific catenary poles along the track, on drilled shafts.

Installation of 1,100 drilled shafts, with up to 5 foot diameters, with depths to 34 feet.

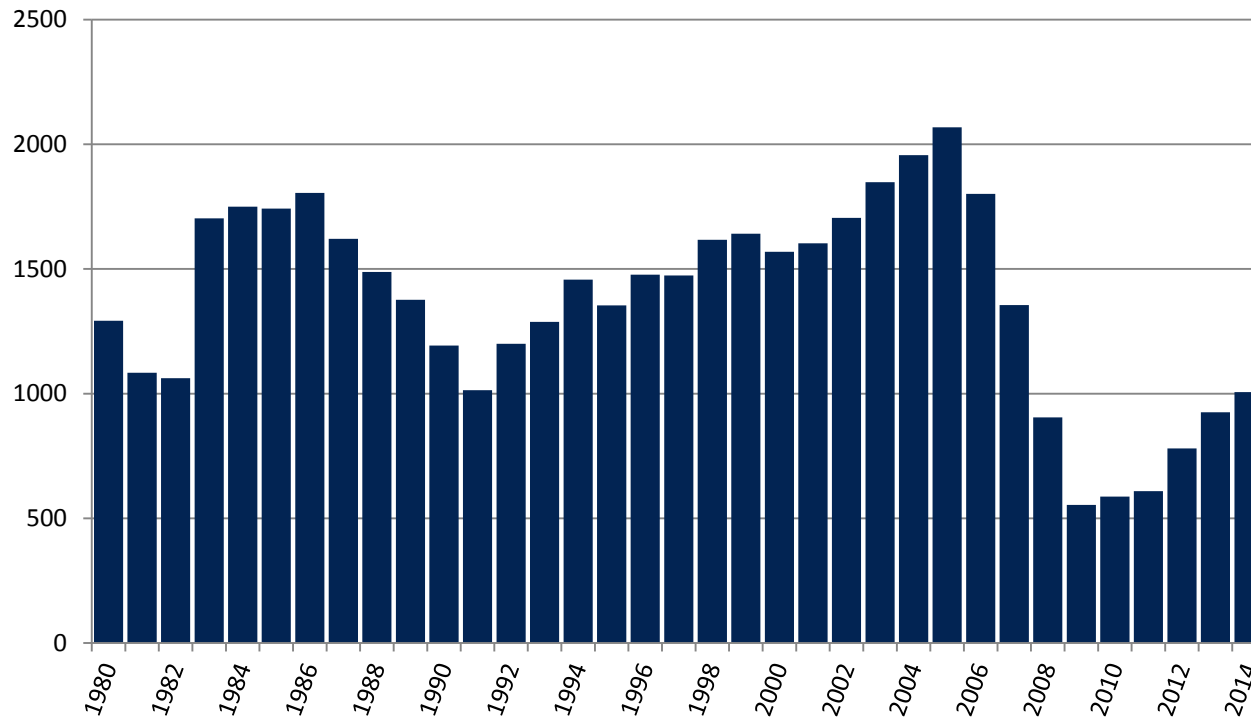
Majority of work performed at night with over 2/3rds of shafts accessible only from the live tracks



# North America - Suncoast

## US Housing Starts (000s)

Source: US Census Bureau Housing Starts



### US housing starts continue to increase

- up 9% in the year, driven by multi-family units
- still well below the long term norm

### Suncoast continuing to improve

- revenue up 15% (2013:19%)
- operating margin broadly flat at 5.0%

# North America

## Canada

**Western Canadian energy markets remain stagnant**

**Demand steady in the commercial and infrastructure markets**

**Successful merger of Toronto-based Geo-Foundations into the larger Keller Canada**

- improved transfer of technology expected
- costs reduced
- results improved in H2 after difficult H1

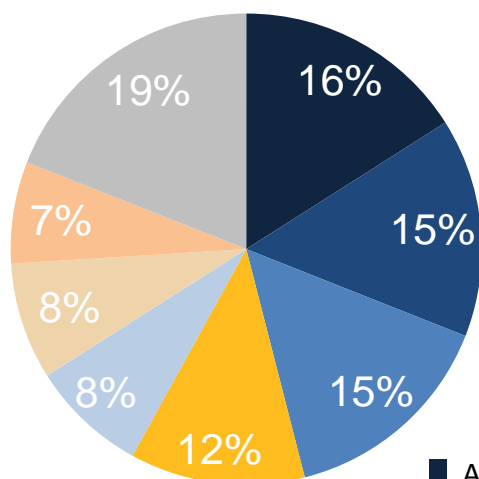
**Revenue of C\$190m with an operating margin of 5%**



# EMEA Regional Split

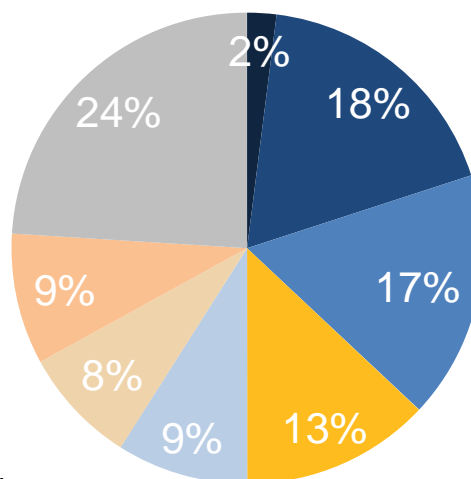
## 2014 Revenue by Region

Total revenue €560m



## 2013 Revenue by Region

Total revenue €471m



- Africa
- UK
- Germany
- Poland
- Middle East
- Austria
- France
- Other

**Acquisition of Franki Africa in November 2013**

**Middle East showing signs of improvement**

**Other includes Scandinavia (4%), Iberia (3%), Latam (3%)**

**Southern European markets remain depressed**

**Equipment redeployed to more active markets**

# EMEA

## Highlights

Focus on cost control, risk management and careful contract selection

Good results from Poland, Germany and Austria

Progress made in the large projects initiative

Increased revenue and profit from the Middle East

Successful integration of Franki Africa

Careful expansion of sales network in key Latin American markets



# EMEA

## Case Study

Keller UK/Getec

New £16bn railway running from the west to the east of London and crossing central London below ground at depths of up to 36 metres

The Crossrail projects, performed over the past five years, totalled £55m, using ten different technologies

Keller combined its experience in Europe to deliver the most modern methods and engineering, sourcing plant and qualified personnel

Developed software and instrumentation techniques in response to the job's demands for which we won several awards

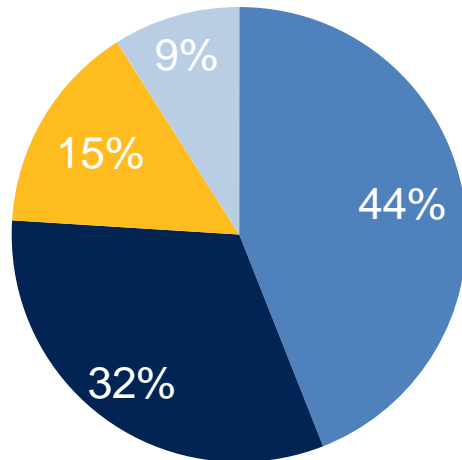
Good reference for forthcoming infrastructure projects such as HS2



# Asia Regional Split

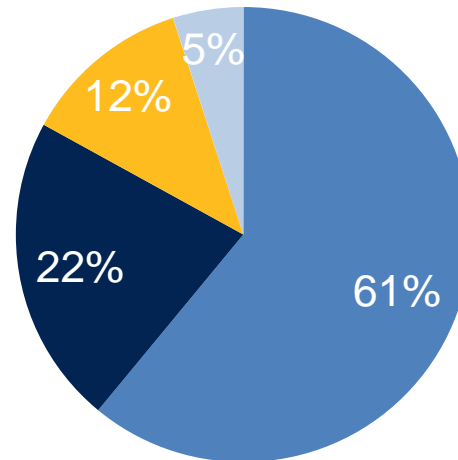
## 2014 Revenue by Country

Total revenue S\$233m



## 2013 Revenue by Country

Total revenue S\$188m



**Singapore market quieter during 2014**

**Increase in Malaysia**  
– Strong market

**Other represents projects in Hong Kong, Vietnam and Indonesia**

# Asia Highlights

## Malaysia had another excellent year

- further expansion of piling business
- presence in Johor to benefit from industrial and commercial investment
- AnsaH improves access to large foundation solution packages

## Singapore had a quieter year

- Sengkang hospital project completed ahead of schedule
- Changi Airport expansion contract announced in January 2015

## Major design and build LNG related projects completed in India



# Asia

## Case study

Keller India

Around 1,500 bored piles and 1,300 columns were fitted to support two large LNG tanks, each measuring 85m in diameter

Stringent testing of performance

Set up concrete batching plant and warehouse to store cement supplies

600 employees and a modern fleet of hydraulic piling rigs were mobilised to meet the demanding schedule



# Australia Highlights

## Wheatstone project almost complete

- Group's largest ever contract

## Waterway had a successful year

- Brisbane wharf upgrade programme, Sydney Overseas passenger terminal

## Subdued market conditions

- difficult H1 expected

## Management implementing cost saving and efficiency initiatives



# Australia

## Case study

Keller Australia

Procured, installed and tested c. 25,000 driven piles of 18 metres in length – 98% complete

A significant opportunity to demonstrate the Group's ability to deliver a very complex project using global best practise to meet exacting engineering and design standards

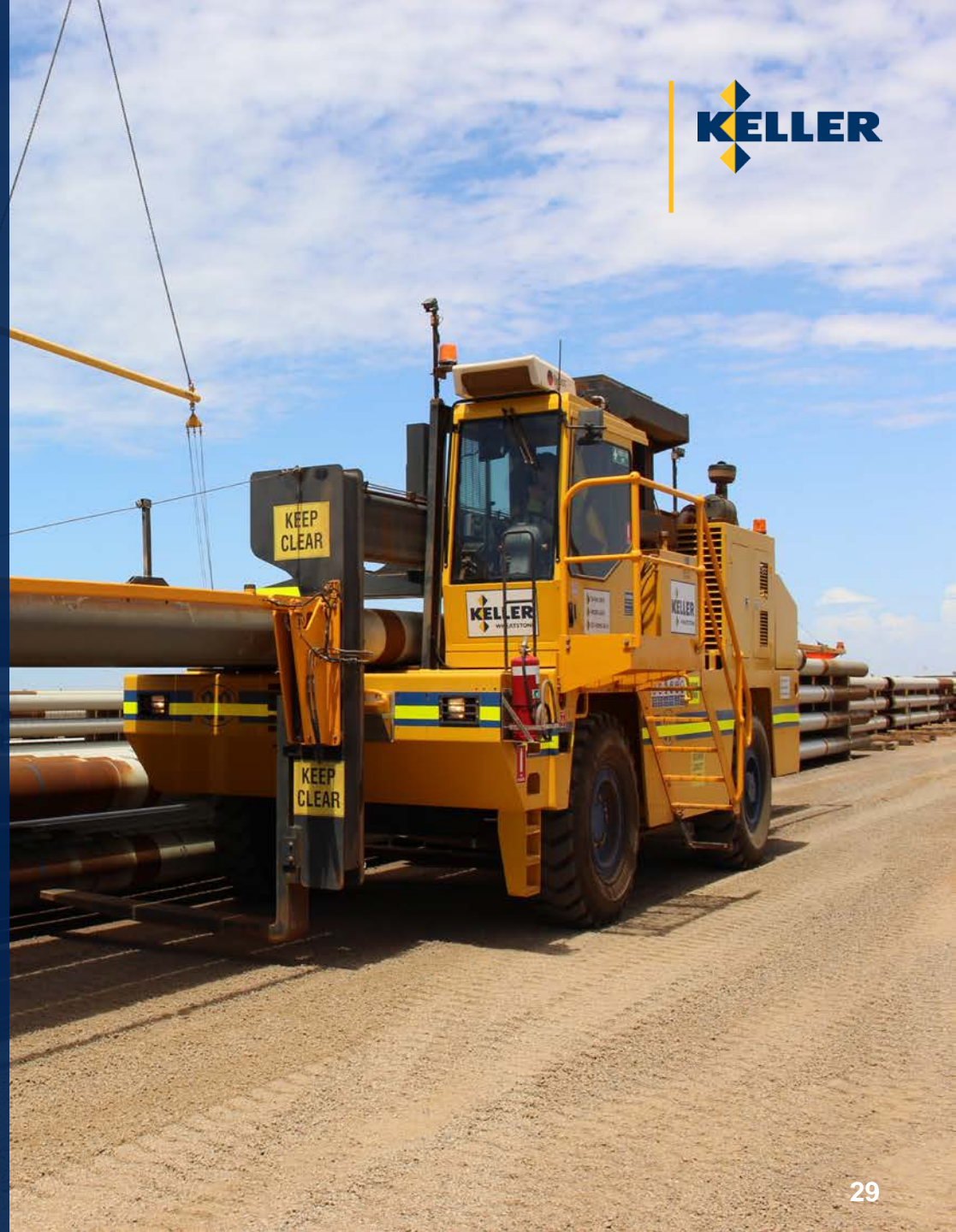
Achieved over 300,000 project hours with no LTIs

“Bechtel Model Safety and Behaviour Award”

“Chevron Project Director's Award”

“Safety Subcontractor of the Year ”

Excellent global reference point for similar large contracts – Caspian region



## Outlook

### **Global markets remain mixed:**

- North America: continuing broadly based, steady improvement in the US, Canada subdued
- Europe: no material changes in challenging market conditions
- subdued market conditions in Australia
- good opportunities in Africa and Asia

### **Contract awards remain at a healthy level**

**Like for like order book 8% up on last year**

**The Group is set for another year of good progress**



**KELLER**

**Keller Group plc  
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 40 countries**

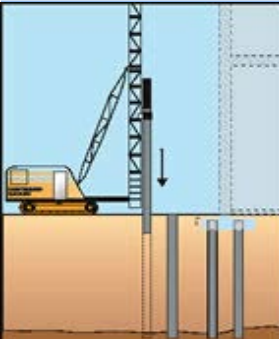
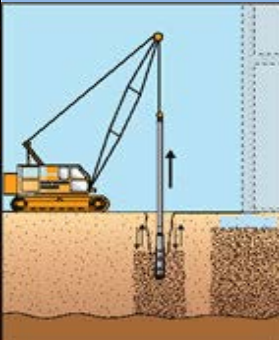
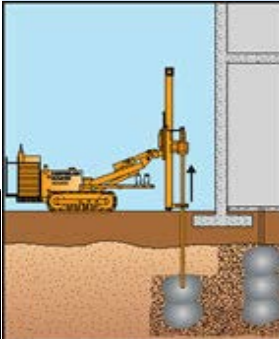
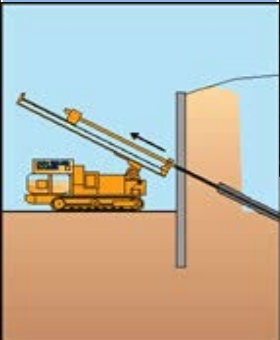

- clear market leader in North America, Australia and Southern Africa
- prime positions in most established European markets
- strong profile in many other developing markets

## **Generally work as a subcontractor for main contractors**

## **Typical contracts are**

- short duration and less than £500k
- across the construction spectrum

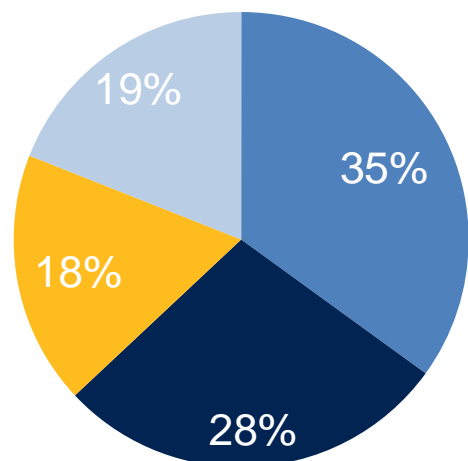
# Ground Engineering Worldwide

| Piling  | Ground improvement   | Specialty grouting   | Anchors, nails, minipiles   | Post-tension concrete  |
|---|--|--|---|--|
| 51%   | 20%  | 10%  | 10%   | 9%   |
| Foundation support<br>Earth retention   | Foundation support<br>Seismic risk protection                                      | Control of building settlement<br>Ground water control                             | Excavation support<br>Slope protection<br>Underpinning                              | Slab-on-grade foundations<br>High-rise structures                                    |
|  |  |  |  |  |

# Group Revenue by End Market

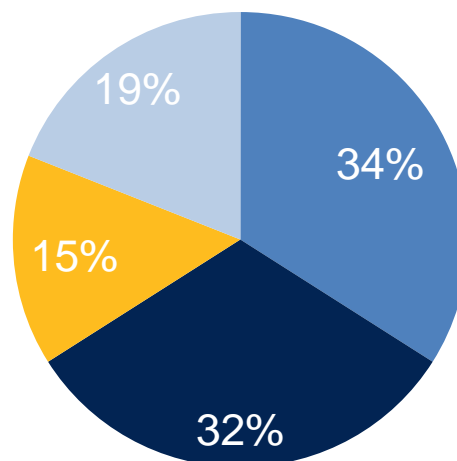
## 2014 Revenue by End Market

Total revenue £1,600m



## 2013 Revenue by End Market

Total revenue £1,438m



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

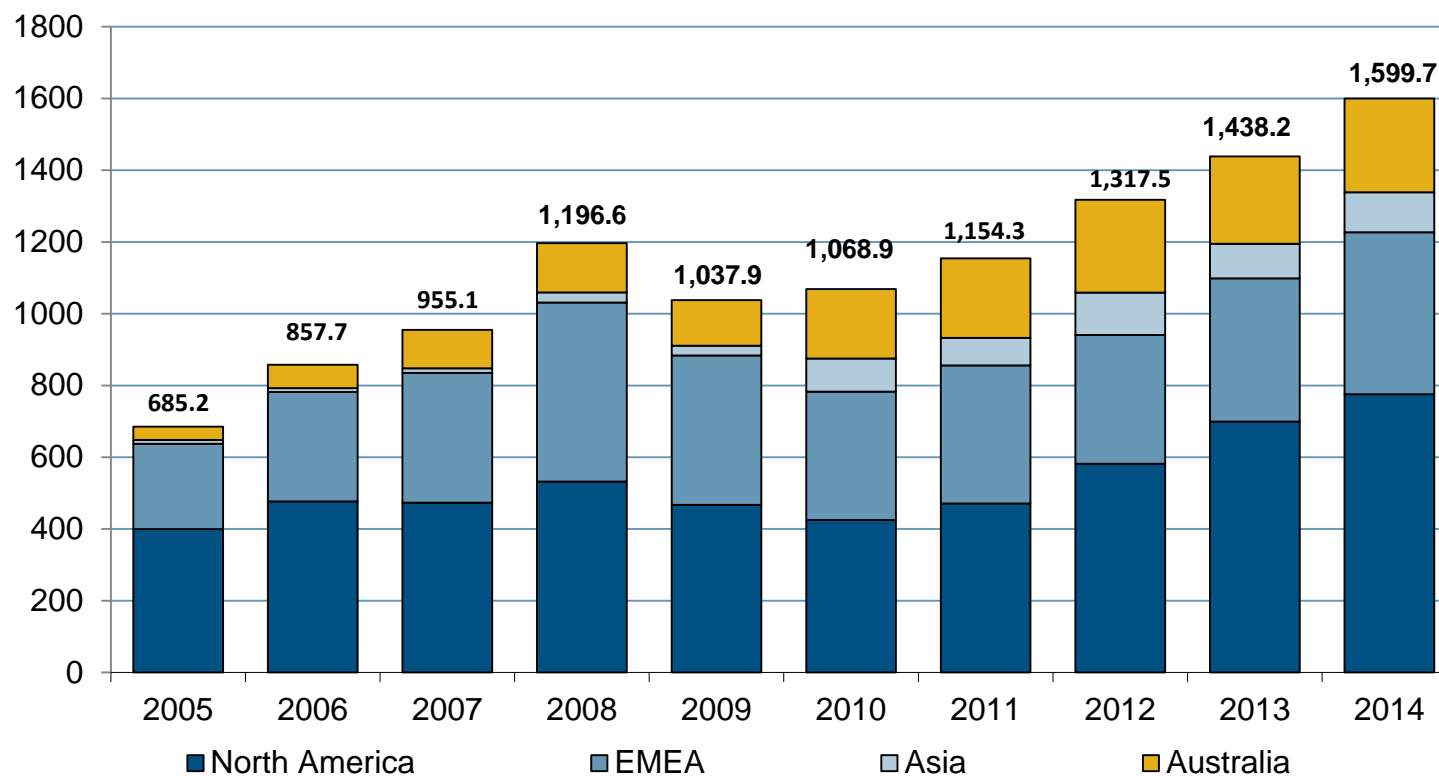
**Keller operates across all sectors of the construction industry**

**Infrastructure/Public Buildings remains the largest sector**

**Power/Industrial more important across the Group than historically**

# Ten Year Track Record

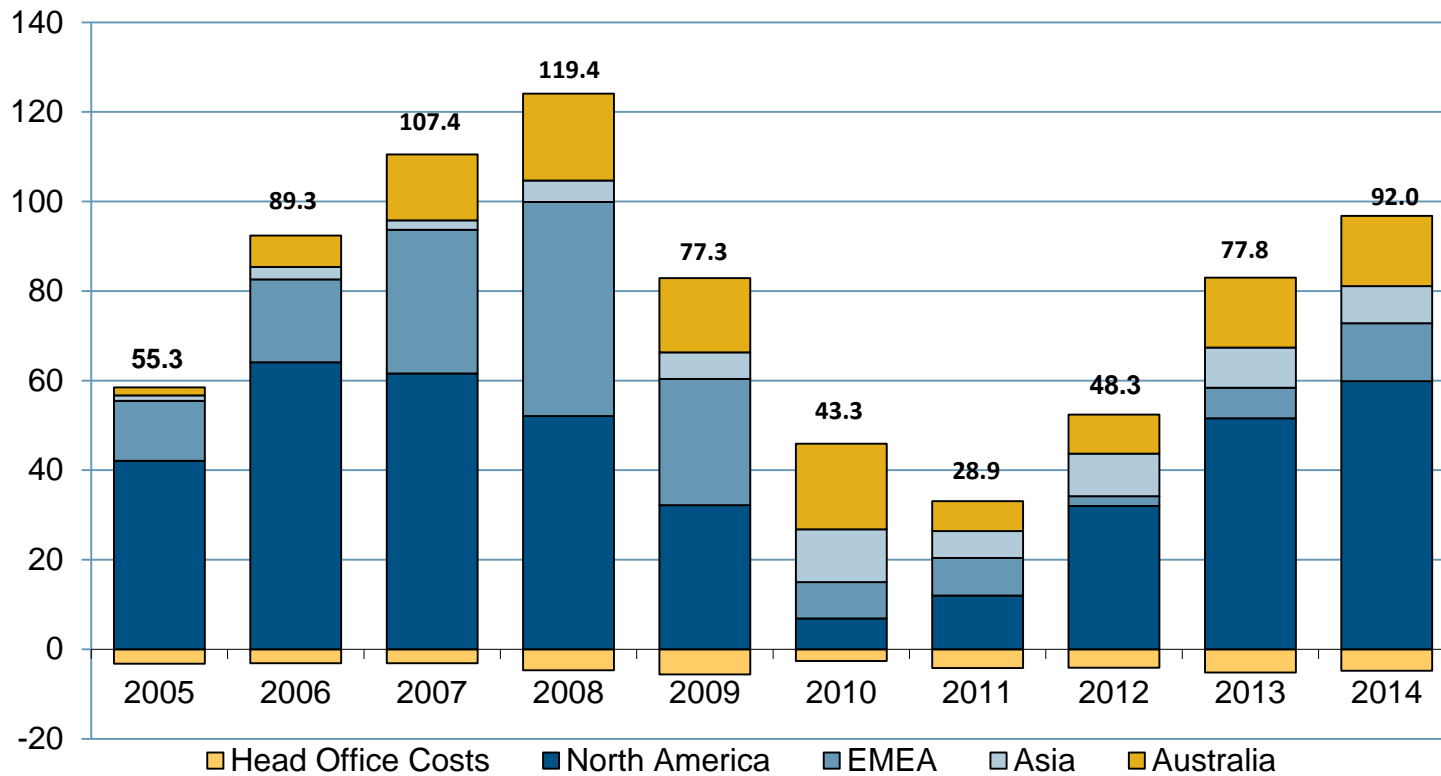
**Revenue 2005 - 2014**  
(Continuing Operations)



# Ten Year Track Record

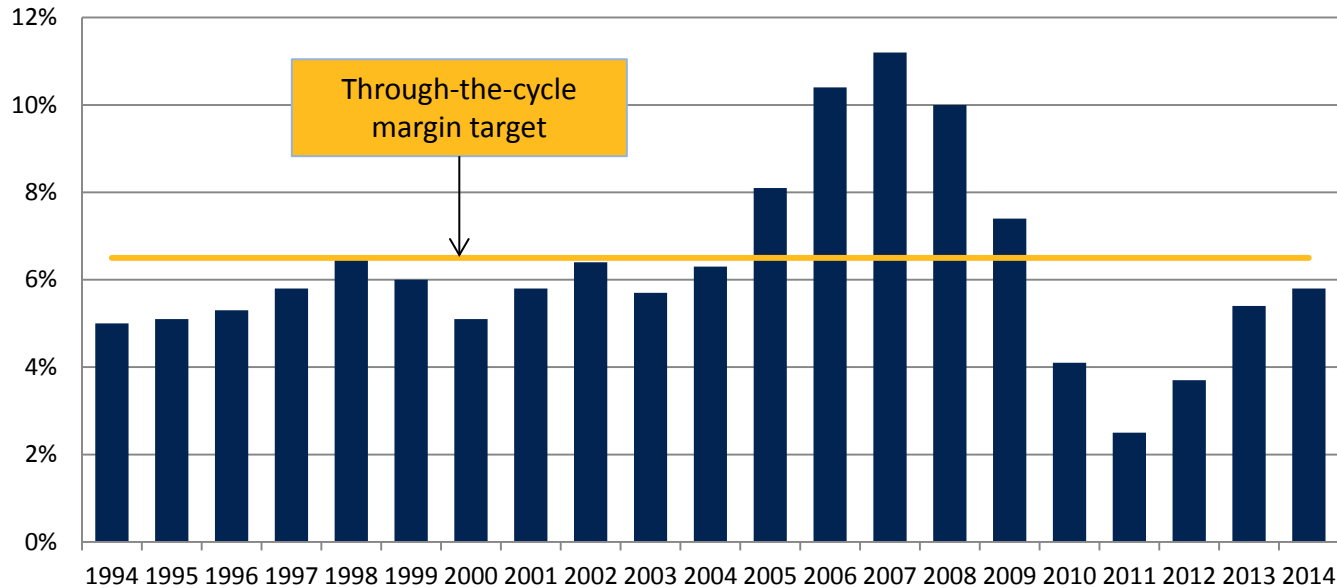
## Operating Profit 2005 - 2014

(from continuing operations and before exceptional items)



# Operating Margin Trend

## Operating margin\*



**Operating margin recovering from historic low**

**Peak and trough margins unlikely to repeat**

\*before exceptional items

## Group Financing Position

### **£374m of committed facilities, mainly:**

- £250m bank facility expiring September 2019
- US\$40m private placement, repayable August 2018
- US\$50m private placement, repayable October 2021
- US\$75m private placement, repayable December 2024

### **Comfortably within all financial covenants**

### **A further £27m of uncommitted facilities**

#### **Key Financial Covenants**

| <b>Test</b>                | <b>Status*</b> |
|----------------------------|----------------|
| Net debt < 3x EBITDA       | 1.0x           |
| EBITDA interest cover > 4x | 20.1x          |
| Net assets > £200m         | 342.7          |

*\*Calculated on a covenant basis*

# History of Keller

| 2002                   | 2006   | 2007                           | 2009                                 | 2010   | 2013  | NOW   |
|------------------------|--|--------------------------------|--------------------------------------|--|---|---|
| Acquired McKinney (US) | Acquired Piling Contractors (Australia)                | Acquired HJ Foundation (US)    | Acquired Resource Piling (Singapore) | Acquired Waterway Constructions (Australia)                              | Acquired Geo-Foundations (Canada)<br><br>Acquired Keller Canada (Canada)<br><br>Acquired Franki Africa (South Africa) | c.9,000 employees<br><br>Offices in >40 countries<br><br>Revenue £1.6bn |
| 2001                   | 1994   | 1990                           | 1984                                 | 1974   | 1960's  | 1958  |
| Acquired Suncoast (US) | Acquired Case (US)<br><br>IPO on London Stock Exchange | Management buyout from GKN plc | Acquired Hayward Baker (US)          | Acquired <b>Johann Keller</b> in Germany marking international expansion | Expansion into a UK national piling & ground improvement company  | Est. 1958 Ground test services  |
|                        |  |                                |                                      |  |   | <b>1860</b>   |

Only larger and most recent acquisitions shown

