



KELLER

Keller Group Plc
Full Year Results 2015
29 February 2016

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.

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Agenda

- **Highlights**
- **Financial results**
- **Strategy**
- **Outlook**
- **Questions and answers**

A large yellow diamond shape is centered in the lower half of the page. Inside this diamond, the KELLER logo is repeated, consisting of the stylized diamond icon and the word "KELLER" in blue.

Highlights

Highlights*

Revenue of

£1,562.4m

(2014: £1,599.7m)

Order book

Up 15% YOY

Operating margin raised to

6.6%

(2014: 5.8%)

ROCE

20.5%

(2014: 18.3%)

Earnings per share

86.4p

(2014: 75.3p), up 15%

Total dividend increased to

27.1p

(2014: 25.2p)

2016 outlook in line with expectations

A large, stylized graphic of the KELLER logo is centered on the page. It consists of a large yellow diamond shape containing the word "KELLER" in blue, bold, sans-serif font. The diamond is surrounded by a complex pattern of smaller yellow and blue triangles, creating a mosaic effect.

Financial results

Group Income Statement*

£m	2015	2014	% Change
Revenue	1,562.4	1,599.7	-2%
EBITDA	155.5	141.9	+10%
Operating profit	103.4	92.0	+12%
Net finance cost	(7.7)	(6.9)	
Profit before tax	95.7	85.1	+12%
Tax	(33.0)	(29.7)	
Profit after tax	62.7	55.4	+13%
EBITDA %	10.0%	8.9%	+1.1bps
Operating profit %	6.6%	5.8%	+0.8bps

Revenue reduction reflects completion of Wheatstone
– Minimal currency impact

Increased profitability driven by North America and EMEA

Effective tax rate 34.5%
(2014: 34.9%)
– Expected 2016 rate 34%

* Before exceptional items

Group Income Statement (continued)

£m	2015	2014	% Change
Profit after tax*	62.7	55.4	+13%
Exceptional items	(39.4)	(56.9)	
Tax on exceptional items	3.0	0.3	
Non-controlling interests	(0.8)	(1.8)	
Attributable to shareholders	25.5	(3.0)	
Earnings per share*	86.4p	75.3p	+15%
Dividend per share	27.1p	25.2p	+7.5%

2015 exceptional items mainly:

- £31.2m goodwill impairment relating to Keller Canada
- £7.3m amortisation of acquired intangibles

2014 exceptional items mainly:

- £54.0m contract dispute
- £6.6m amortisation of acquired intangibles
- £(4.7)m contingent consideration, mainly release of Keller Canada

Total dividend of 27.1p

- Up 7.5%
- Dividend cover* of 3.2x (2014: 3.0x)

* Before exceptional items

Operating Profit and Margin*

£m	2015			2014		
	Revenue	Op Profit	Margin	Revenue	Op Profit	Margin
North America	851.2	76.4	9.0%	775.6	59.9	7.7%
EMEA	441.5	21.3	4.8%	451.5	12.9	2.9%
Asia	108.2	4.5	4.2%	111.3	8.3	7.5%
Australia	161.5	7.2	4.5%	261.3	15.7	6.0%
	1,562.4	109.4	7.0%	1,599.7	96.8	6.1%
Central costs	-	(6.0)		-	(4.8)	
	1,562.4	103.4	6.6%	1,599.7	92.0	5.8%

Constant currency revenues down 2%:

- North America +3%
- EMEA +5%
- Asia +2%
- Australia -31%

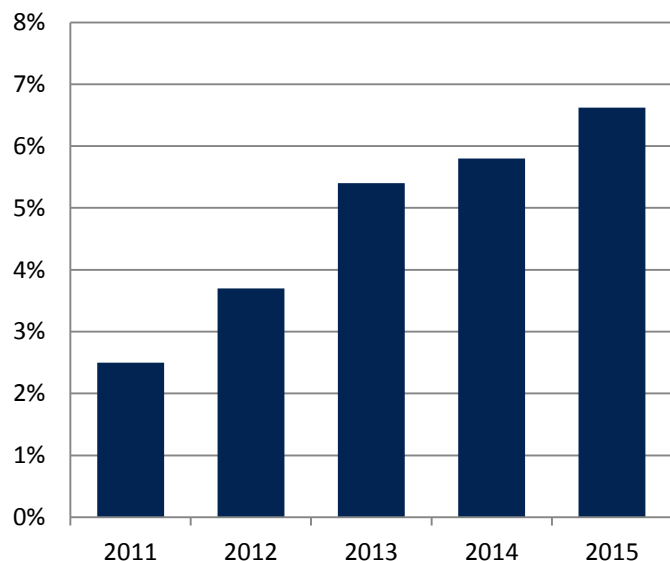
Constant currency operating profit up 8%

2015 margin progression helped by favourable contract settlements

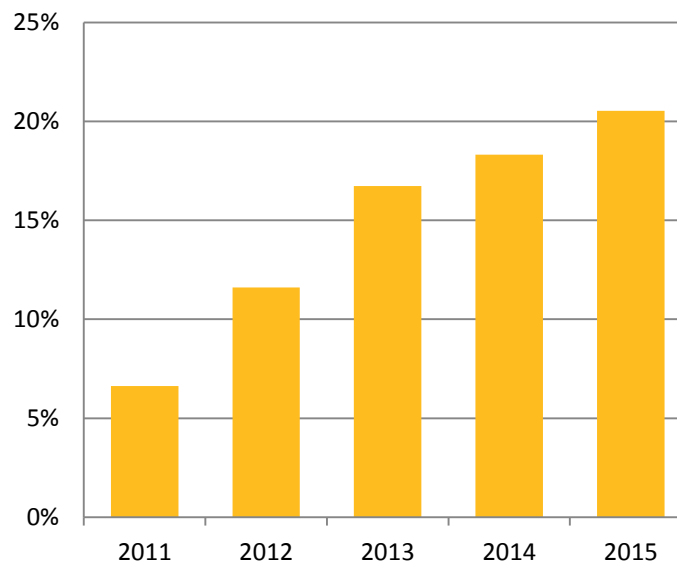
* Before exceptional items

Operating margin and ROCE progression*

Operating margin



ROCE



ROCE and operating margin recovering from historic lows

Above the 6.5% through-the-cycle operating margin target for the first time since 2009

2015 ROCE of 20.5% (2014: 18.3%) compares to a pre-tax WACC of around 10%

Capital employed is net assets, plus net debt and pension liabilities

* Before exceptional items

North America Highlights

- Excellent results in US, helped by a steadily improving market
 - Strong performances from all businesses
- Bencor bedding in well
 - Main work now started on US\$135m East Branch Dam project
- Canada continues to be challenging
 - Restructuring has reduced overhead costs by C\$6m
 - Order book boosted by C\$43m Toronto subway job won in January
- Divisional order book up; tendering levels remain healthy
- Expect steady improvement in US construction market to continue



EMEA

Highlights

- Improved performance from largest European businesses
 - Germany, UK, Poland and Austria
- Southern European markets still difficult
- Major Caspian region project going well
 - Received notices to proceed for US\$64m
- Middle East steady
- Another good year from Franki Africa
- Markets remain mixed, but order book up significantly on 2014



Asia Highlights

- Reduction in profits due to disappointing H1
 - H2 in line with 2014
- Malaysia and Singapore impacted by market downturn
 - Commercial construction down; also oil and gas projects
 - Won nearly US\$50m of work on RAPID petrochemical complex, half for 2016
- Won first major project in Indonesia - US\$25m
- Good result in India
- Strong order book underpinned by major projects



Australia Highlights

- Good performance from near-shore marine businesses
 - Austral integration on plan
- Foundation contracting businesses struggled in very difficult market conditions
 - Result boosted by good final settlement on *Wheatstone*
- Three piling companies merged into one
 - Together with earlier measures, annualised cost savings of A\$7m
- No significant improvement in market conditions
 - Keller outlook helped by increased orders in recent months
 - Order book now up 20% on prior year



Group Balance Sheet

£m	2015	2014
Goodwill/intangibles	160.1	183.5
Property, plant & equipment	331.8	295.6
Other non-current assets	22.9	19.9
	514.8	499.0
Inventories	47.3	48.6
Receivables	423.2	408.7
Payables	(373.4)	(353.2)
Working capital	97.1	104.1
Capital employed	611.9	603.1
Other liabilities/provisions	(64.4)	(109.6)
Retirement benefits	(23.1)	(25.4)
Tax	(7.4)	(19.6)
Net debt	(183.0)	(102.2)
Net assets	334.0	346.3

Year end exchange rates:

- US\$1.48 (2014: US\$1.55)
- C\$2.05 (2014: C\$1.81)
- €1.36 (2014: €1.28)
- S\$2.09 (2014: S\$2.05)
- A\$2.03 (2014: A\$1.90)

2015 Goodwill/intangibles after £31.2m impairment of Keller Canada

Working capital reduction despite acquisitions

Net debt 1.2x EBITDA

- 1.5x on a covenant basis

Group Cash Flow Statement

£m	2015	2014
Cash from operations before exceptional items	142.3	165.4
Cash flows from exceptional items	(27.5)	-
Cash from operations	114.8	165.4
Capex – net	(69.9)	(61.0)
Interest	(6.1)	(9.6)
Tax	(44.3)	(28.4)
Acquisitions	(52.5)	(5.0)
Dividends	(19.1)	(18.0)
Net cash flow	(77.1)	43.4
Opening net debt	(102.2)	(143.7)
Exchange movements	(3.7)	(1.9)
Closing net debt	(183.0)	(102.2)

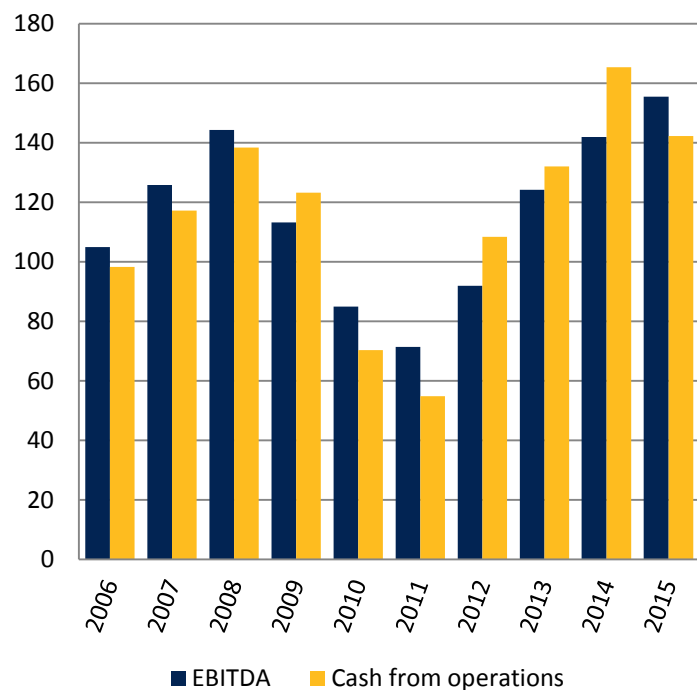
Cash from operations before exceptional items
92% of EBITDA
(2014: 117%)

Cash flows from exceptional items relate to 2014 contract provision

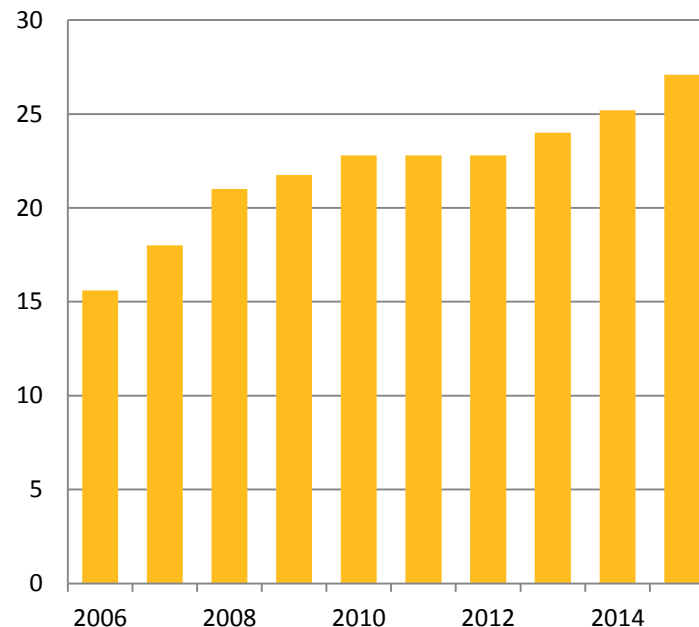
2015 acquisitions:
– £29.0m Bencor
– £19.9m Austral

Cash generation and dividend payments

Cash from operations*



Dividend per share



10-year cash conversion rate of 99%

10-year EBITDA of £1,158.1m

10-year cash from operations of £1,150.3m

Dividend increased or maintained every year since 1994 flotation

* Before exceptional items

Capital allocation priorities

1. **Profitable organic growth opportunities**
2. **Bolt-on acquisitions meeting Keller's investment criteria**
3. **Ordinary dividends**
 - At a level allowing dividend growth through the cycle
4. **Deploying funds for the benefit of shareholders**
 - Only where the balance sheet allows
 - Unlikely to be considered if could take net debt to $> 1.5x$ EBITDA
 - After taking account of other investment opportunities/cash requirements

Leverage typically to be maintained at between 1.0x and 2.0x EBITDA

Any short term return of capital likely to be share buy-back

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Strategy

The ground engineering industry

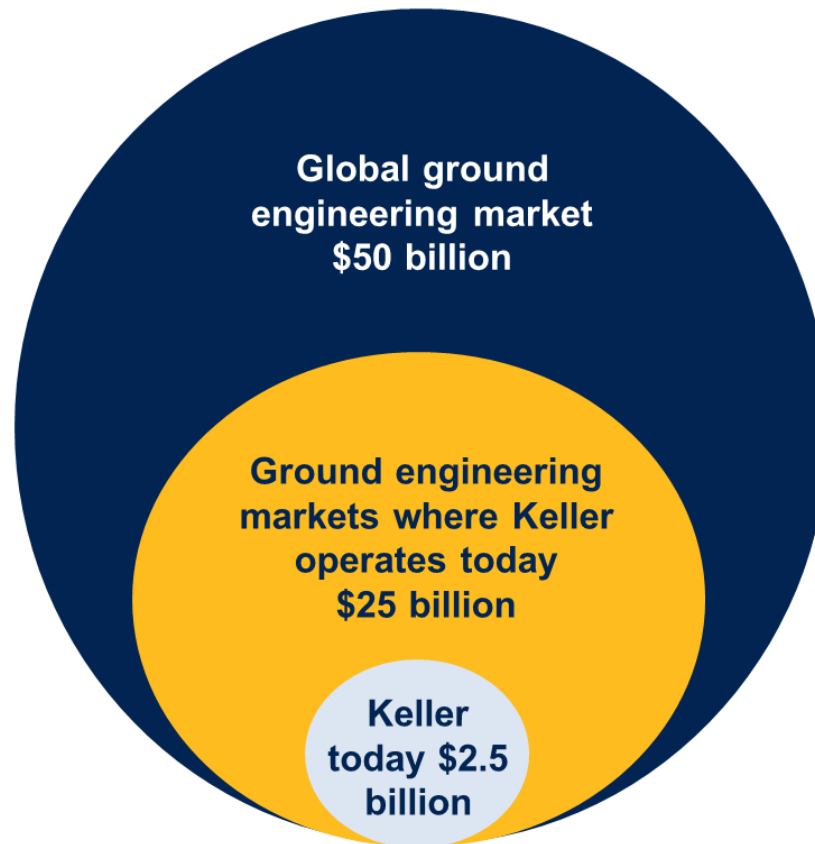
- **\$50 billion global market**
- **Wide variety of projects**
- **Diverse customer base**
- **Fragmented competition**



Industry trends play to our strengths

- 1** Urbanisation and more large-scale development projects
- 2** Increasing land shortage, driving a need to use more brownfield and marginal land
- 3** Infrastructure renewal and expansion
e.g. road, rail, power
- 4** Increasing demand from customers for complete solutions rather than just products
- 5** Increasing technical complexity

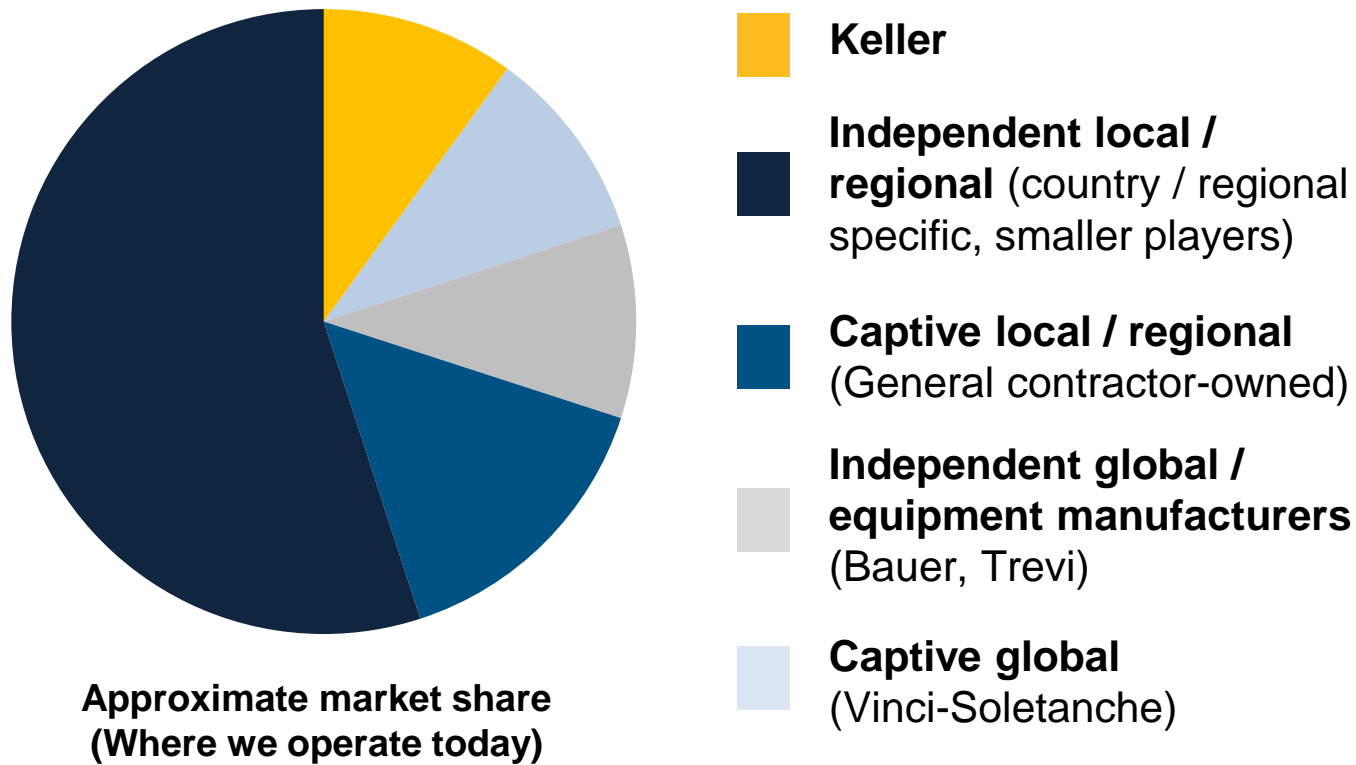
A strong position but plenty of room to grow



Keller has a 5% global market share and a 10% share of the markets where we operate today

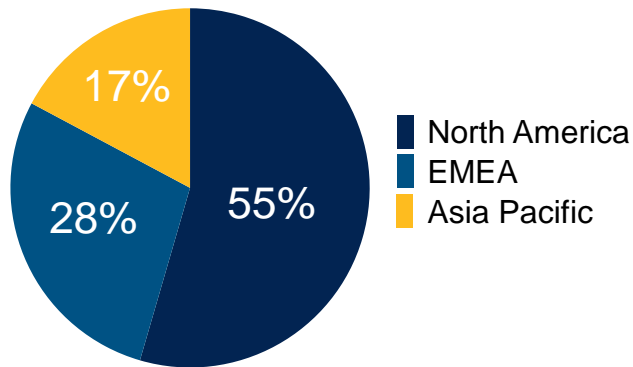
Keller is well placed versus the competition

As industry consolidates, we are well-placed to gain market share

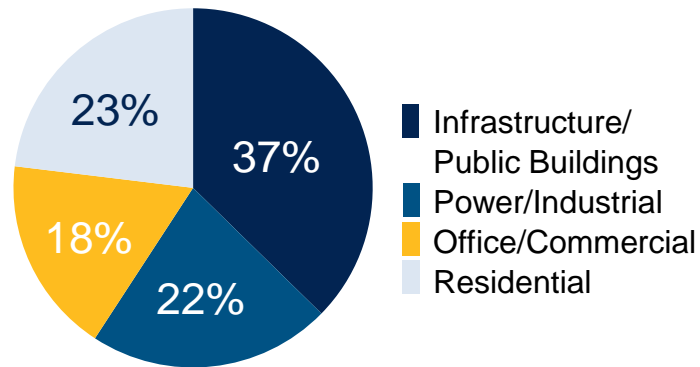


Keller's balanced geographic and customer portfolio

Geographic revenues



Customer segment revenues



- Good access to all markets
- No overweight exposure to one customer segment (e.g. oil and gas is around 6% of our revenue)

Keller vision

**Our goal is to
be the world
leader in
geotechnical
solutions**



Keller Strategy – five levers

Strategy

Growing our product range and entering new markets, organically and by acquisition

Building strong, customer-focused businesses

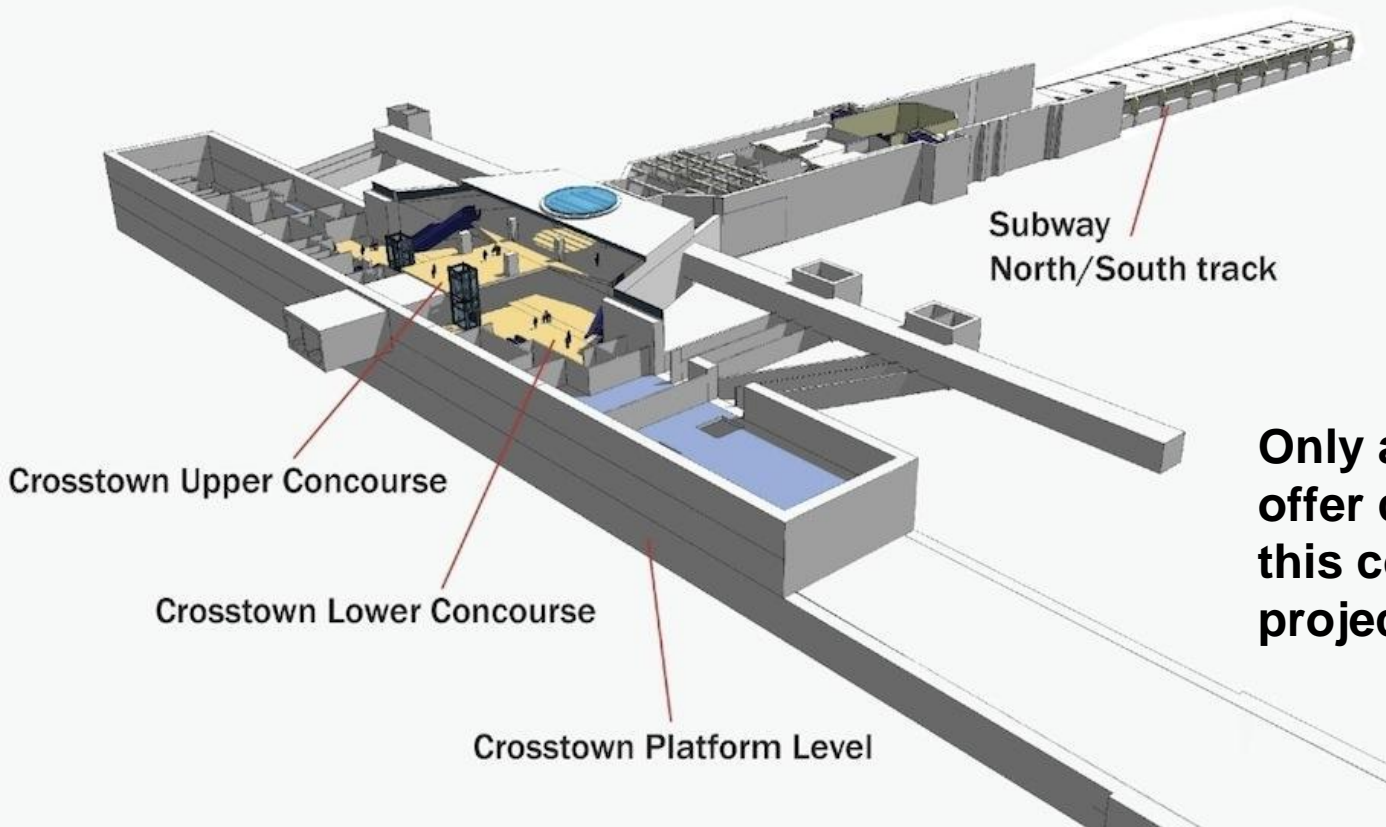
Leveraging the scale and expertise of the Group

Enhancing our engineering and operational capabilities

Investing in our people

A recent win highlights our organic growth potential

Yonge-Eglinton station, Toronto



Only a combined Keller offer could have secured this complex C\$43m project

Acquisitions: we aim to continue the momentum from 2015



- £40m to £60m revenue per annum
 - Expanded our product offering to include diaphragm wall technology, used in major infrastructure projects
 - Strengthens Keller's ability to offer complete solutions
- £37m revenue in 2014
 - Near-shore marine work, consolidating our market position in Australia

Geographical market approach

Grow	Rebase and recover	Selectively grow	Non-active
<ul style="list-style-type: none">• US• Northern Europe• Middle East• Malaysia• Singapore	<ul style="list-style-type: none">• Australia• Canada• Southern Europe	<ul style="list-style-type: none">• India• Latin America• Africa• Indonesia	<ul style="list-style-type: none">• China• Japan• Korea• Russia

Keller Strategy – five levers

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Growing our product range and entering new markets, organically and by acquisition

Building strong, customer-focused businesses

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Strong, customer-focused businesses

- **Business units with distinct market approaches**
- **Profit and Loss units with full operational capabilities**
- **Typical revenue is £40m to £100m**
- **Management framework via Group and Divisions**

North America	Europe, Middle East and Africa	Asia Pacific
Bencor Case Foundation Hayward Baker HJ Foundation Keller Canada McKinney Drilling Suncoast	Central Europe North East Europe North West Europe South East Europe Franki Africa French Speaking Territories Middle East Iberia and Latin America Brazil	ASEAN India Keller Foundations (Aus) KGE (Aus) Waterway Constructions Austral

Two routes to high margin



HJ Foundation

- Mainly 'construct only'
- Few products
- Strong market presence
- Highly efficient



North East Europe (Poland)

- 'Design and construct'
- Multiple products
- Strong design capability
- Good market share

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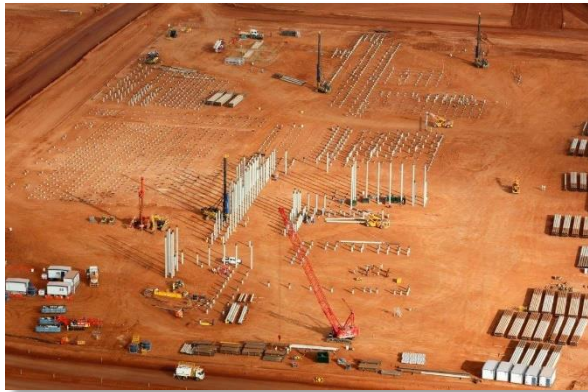
Leveraging the scale and expertise of the Group

Enhancing our engineering and operational capabilities

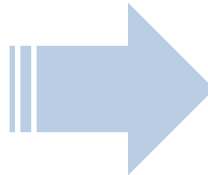
Investing in our people

Opportunity creation

Wheatstone



Caspian region



- **Global presence allows us to follow the customer**
- **Expansion of our major project capability**
- **Creation of stronger linkages between business units that serve common customers**

Leveraging ‘economies of scale’ and ‘economies of skill’

‘Economies of skill’

- Specialist skills e.g. legal and contracting
- IT systems
- Strategic insight

Business Development / Marketing	Health, Safety, Environment and Quality (HSEQ)
Communications	IT
Engineering and Operations	Legal
Finance	Procurement
Human Resources	Strategy

‘Economies of scale’

- Shared back office processing
- Procurement

Keller Strategy – five levers

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Enhancing our engineering and operational capabilities

Investing in our people

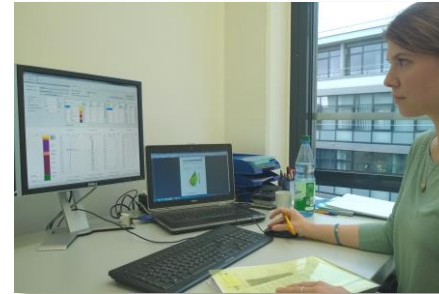
Enhancing our engineering and operational capabilities

Core strengths

- Designing optimised solutions
– around 45% of revenue
- Leading product portfolio and ongoing evolution
- Ongoing learning from project execution

Expanding capabilities

- KGS Renchen and equipment investment
- Lean and quality techniques
- Global product teams



Global product teams

	Vibro	Deep mixing dry, wet, mass	Rigid inclusion	Driven piles	Auger cast pile
Lead region	EMEA	NA	EMEA	APAC	NA

	Bored piles	Diaphragm wall	Grouting	Jet grouting	Micro piles / anchors
Lead region	NA	NA	EMEA	NA	EMEA

- **The teams are responsible for continuously improving all aspects of product performance and ensuring we continue to be market leaders**

Differentiation through equipment

- Keller manufactures sophisticated, specialist equipment for our use only
- Automated operation, data acquisition and diagnostics
- Innovation for higher quality, productivity and safety



Keller Strategy – five levers

Strategy

Growing our product range and entering new markets, organically and by acquisition

Building strong, customer-focused businesses

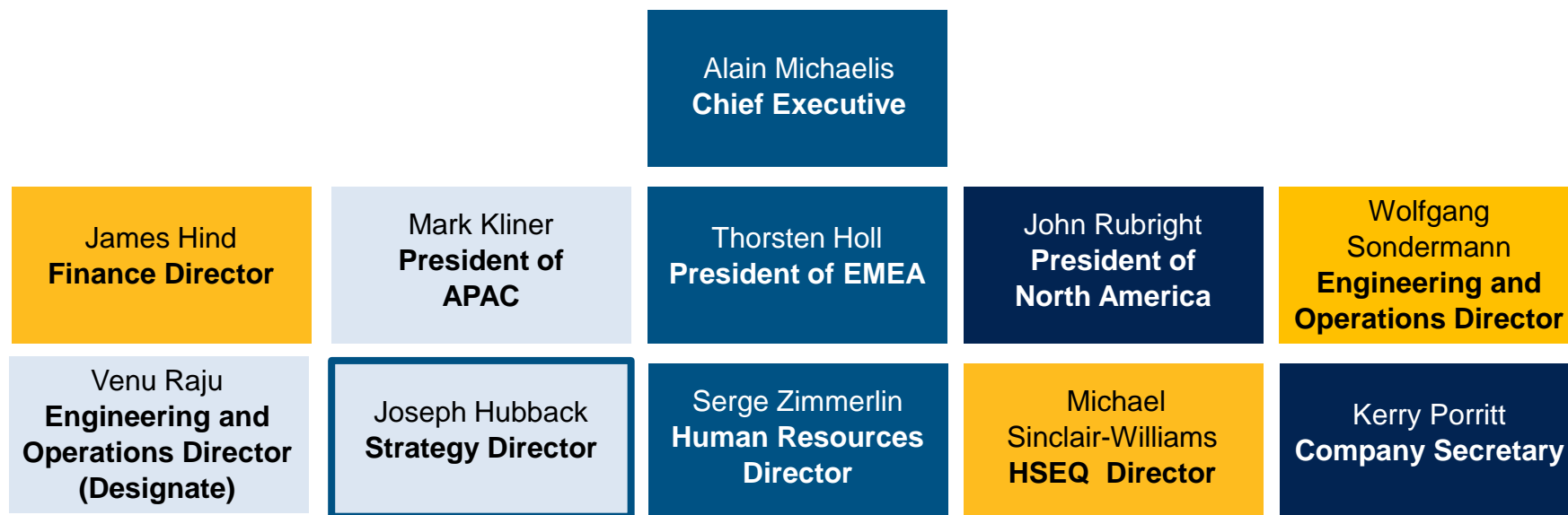
Leveraging the scale and expertise of the Group

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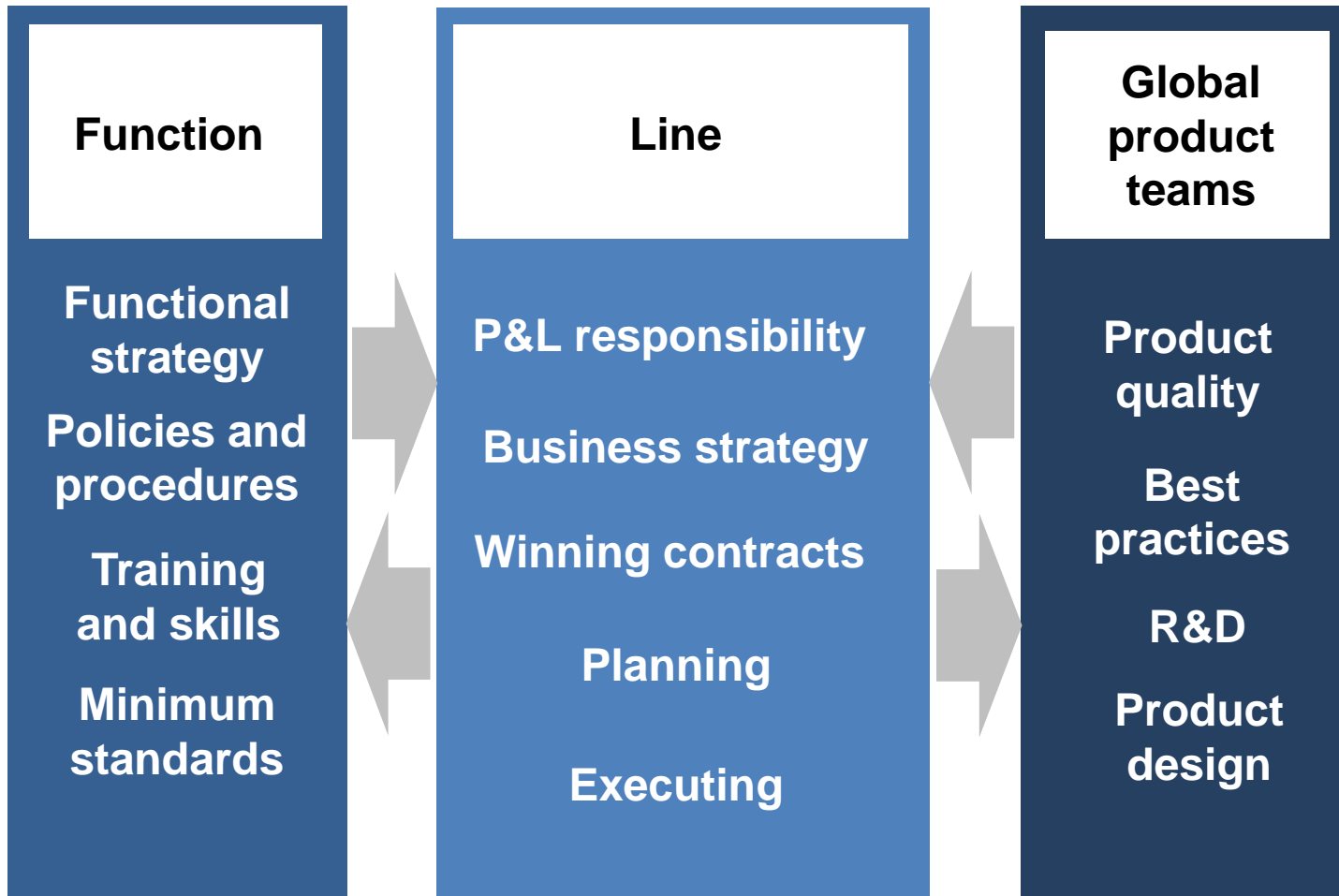
A stronger leadership team

Executive team



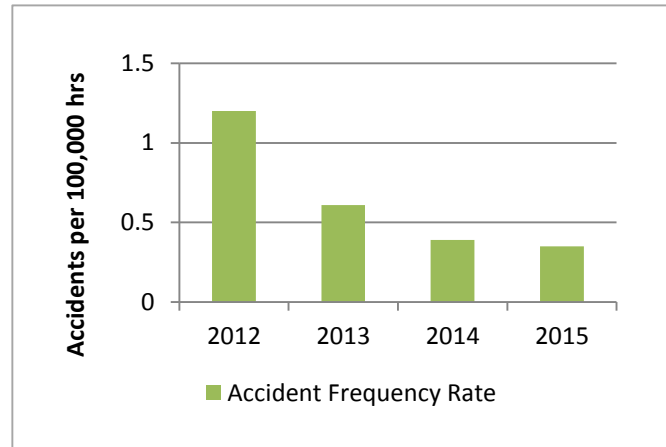
New appointments
 New roles introduced
 Expanded roles
 No change

A clear organisational model



Investing in our people

- **Creation of a safe and healthy work environment**
- **Training and skills**
- **Building a more 'connected' Keller**



Keller vision and strategy

Vision

Our goal is to be the world leader in geotechnical solutions

Strategy

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Outlook

Outlook

- **Markets**
 - **US outlook remains positive**
 - **No major changes elsewhere**
- **Tender activity remains healthy**
- **Order book up around 15%**
- **2016 due to be another year of progress**

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Questions?



KELLER

Keller Group plc Appendix

Introduction to Keller

The world's largest independent ground engineering contractor

- Ground engineering is a 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

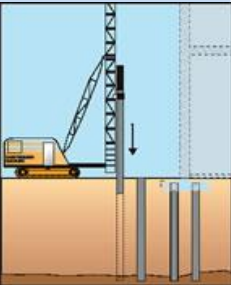
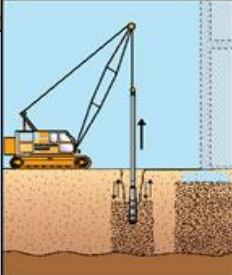
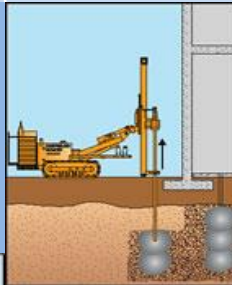
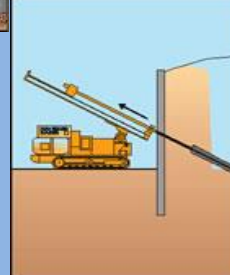
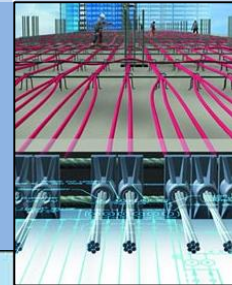
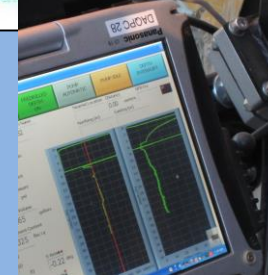
Unrivalled geographic coverage, working in more than 40 countries

- 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 £250k across the construction spectrum

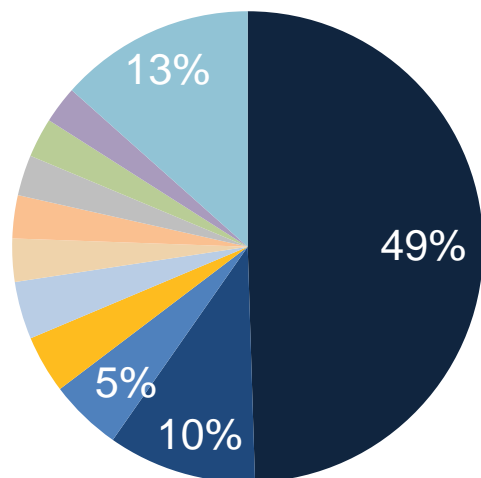
Ground engineering worldwide

Piling	Ground improvement	Specialty grouting	Anchors, nails, minipiles	Post-tension concrete	Instrumentation and monitoring
50%	20%	10%	10%	9%	1%
Foundation support Earth retention	Foundation support Ground stabilisation	Control of building settlement Ground water control	Excavation support Slope protection Underpinning	Slab-on-grade foundations High-rise structures	Data capture of structures and project attributes
					

Group country split

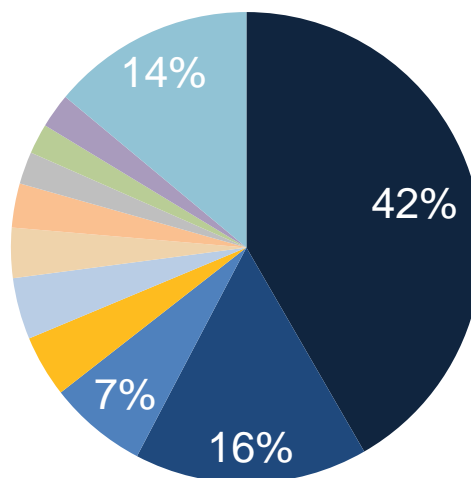
2015 Revenue by country

Total revenue £1,562m



2014 Revenue by country

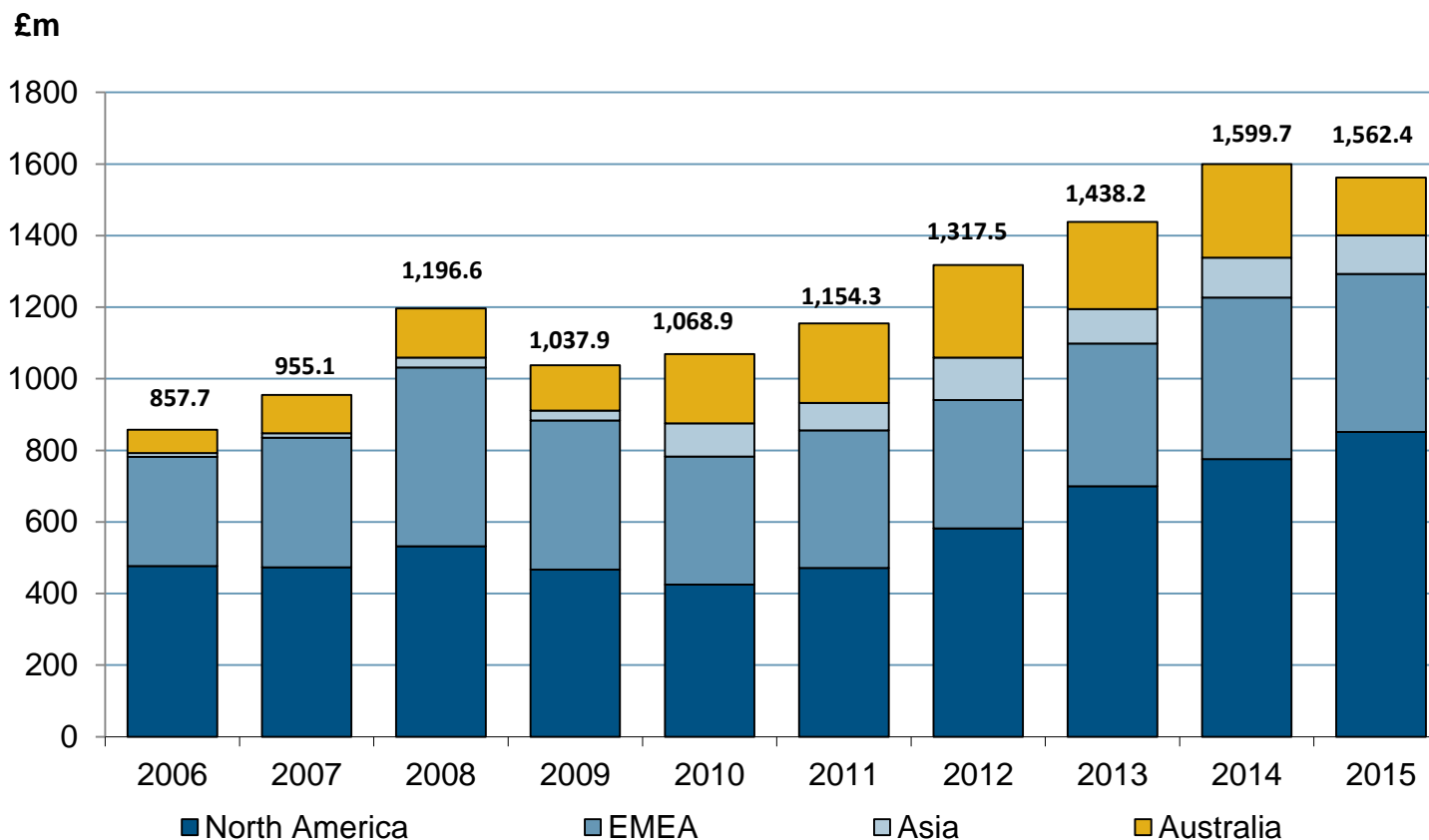
Total revenue £1,600m



- United States ■ Australia ■ Canada
- Germany ■ United Kingdom ■ Poland
- Singapore ■ Malaysia ■ South Africa
- Austria ■ Other

Ten year track record

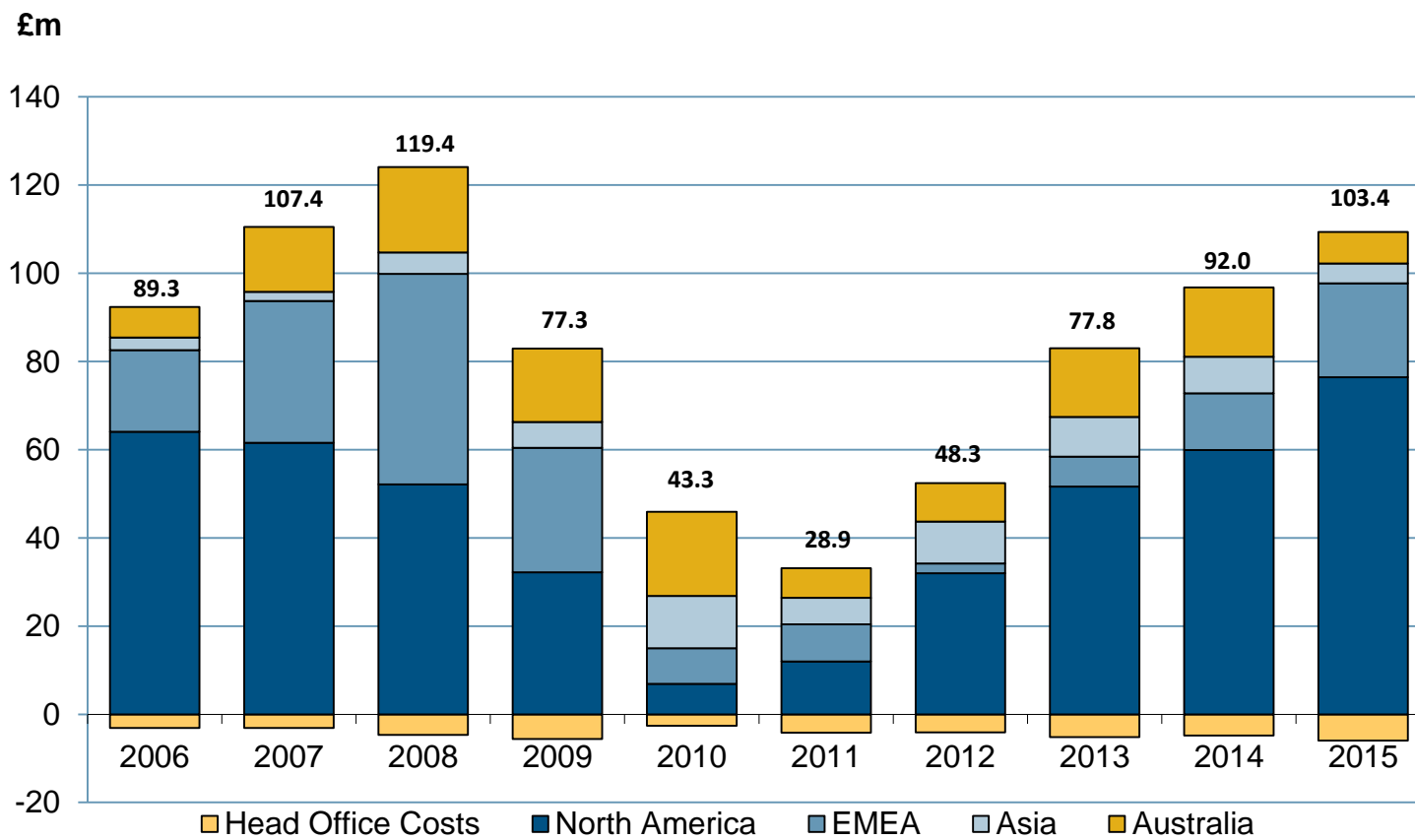
Revenue 2006 - 2015 (Continuing Operations)



Ten year track record

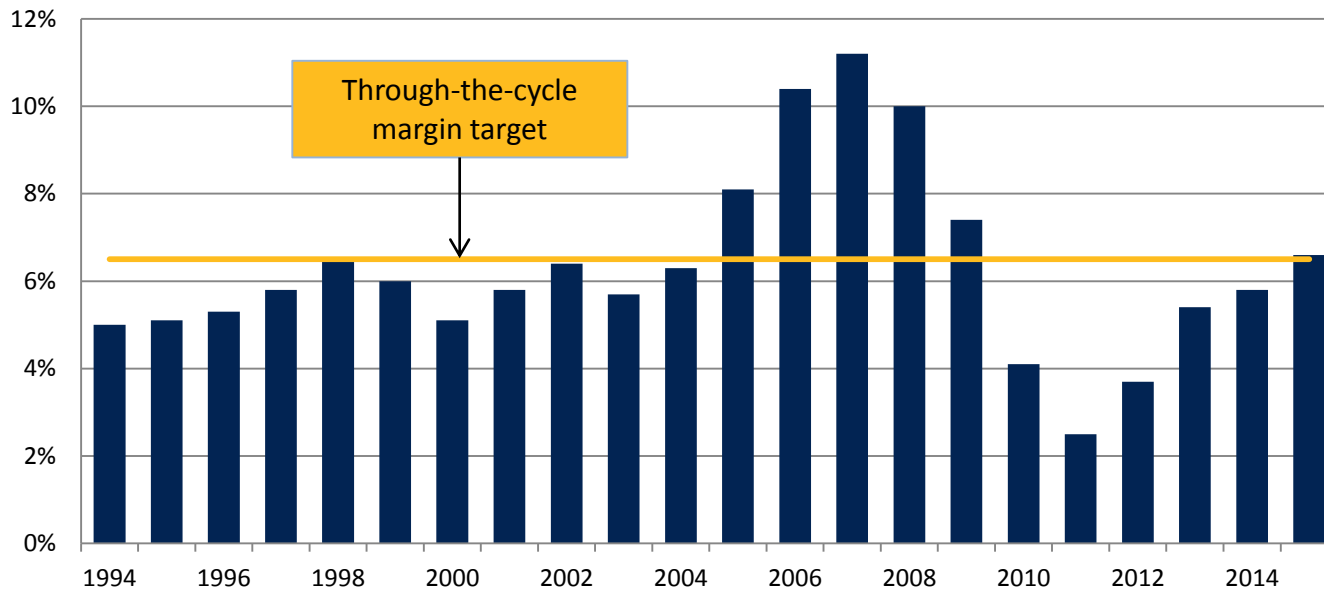
Operating Profit 2006 - 2015

(from continuing operations and before exceptional items)



Operating Margin trend

Operating margin*



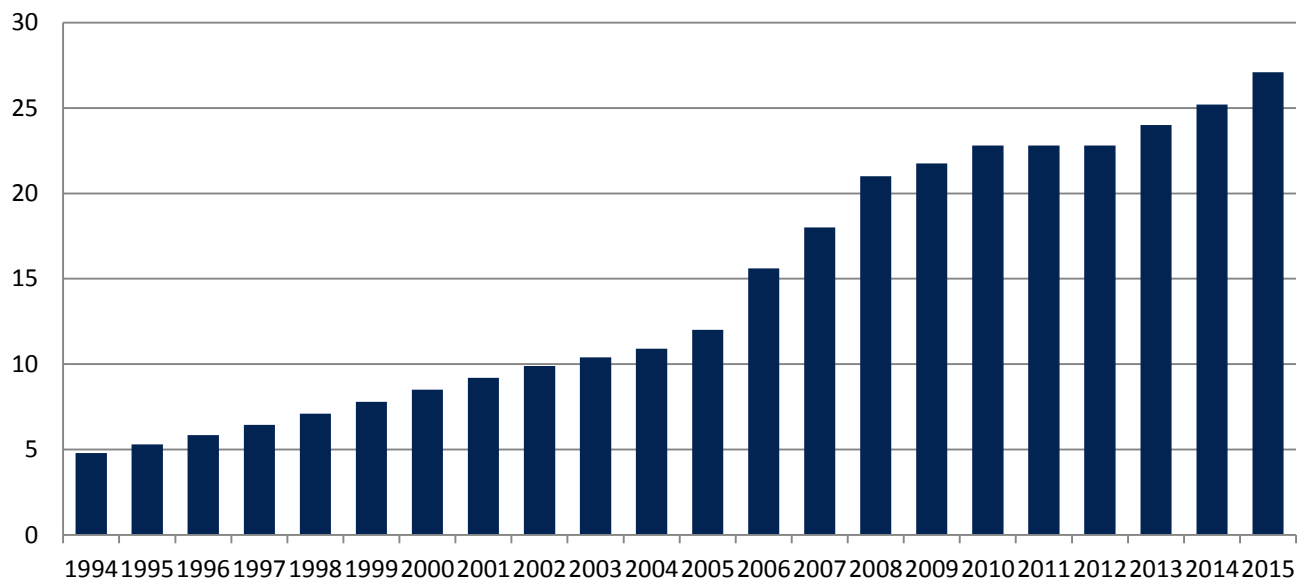
Operating margin recovering from historic low

Peak and trough margins unlikely to repeat

* Before exceptional items

Dividend history

Dividend per share (pence)



Final dividend of 27.1p
– Up 7.5%

Dividend increased or maintained every year since 1994 flotation

Dividend policy of sustainable growth

Group financing position

£391m 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 £26m of uncommitted facilities

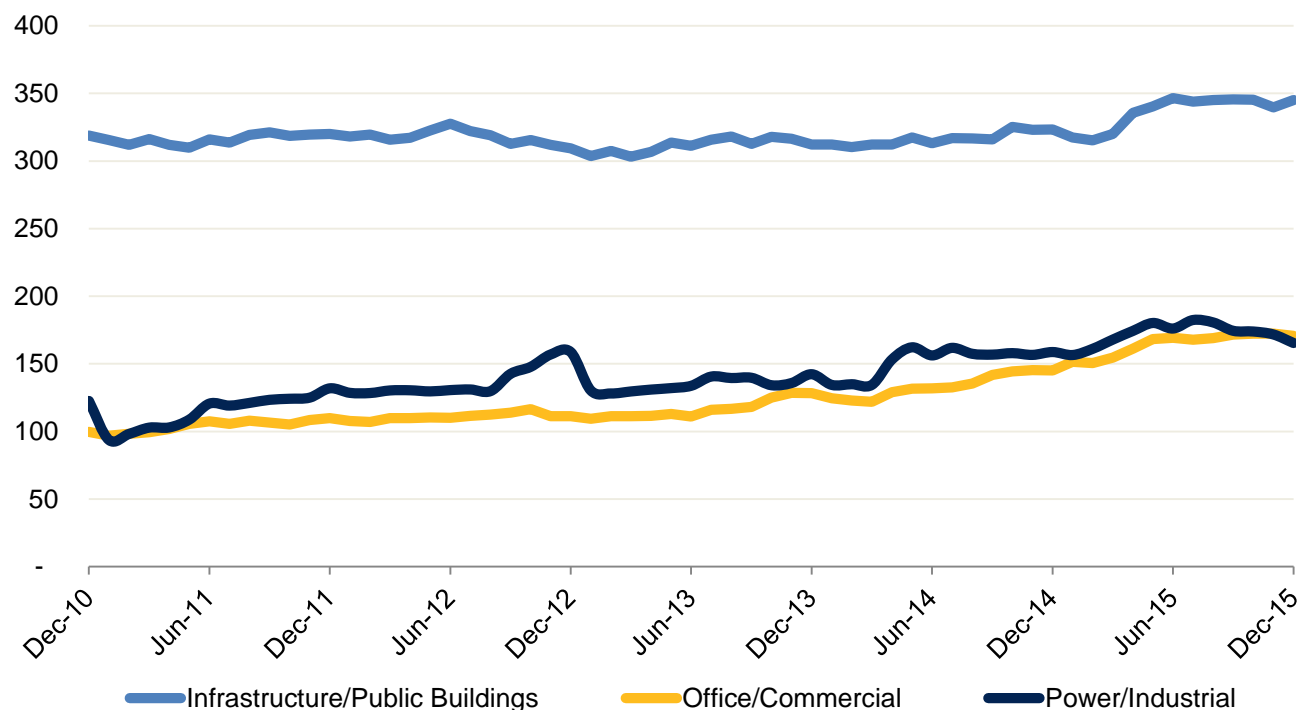
Key Financial Covenants

Test	Status*
Net debt < 3x EBITDA	1.5x
EBITDA interest cover > 4x	22.2x
Net assets > £200m	330.5

*Calculated on a covenant basis

US non-residential construction market

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



Total US non-residential market up 9% in 2015 (up 7% in 2014)
 – Private up 12%,
 – Public up 5%

Infrastructure/Public Buildings up 6%
Office/Commercial up 17%
Power/Industrial up 7%

Source: US Census Bureau, February 2016