

Keller Group

Half Year Results

1 August 2016



Valdez, Alaska

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**
- **H1 Financial results**
- **Market environment**
- **Progress update**
- **Outlook**
- **Questions and answers**

Highlights

- **Continued strong evolution in North America and EMEA**
- **Difficult first half in Asia Pacific**
- **Medium term objectives of the Group progressing well**
- **Order book growth +10% year-on-year; increase broadly balanced**
- **Outlook for full year 2016 at lower end of expectations**

Financial results



Projects contributing to half-year growth

**Caspian
Region
Refinery**



**Houston
Loop
Oil tanks**



**Changi
Airport**



**San
Francisco
Light rail**



Group income statement*

£m	H1 2016	H1 2015	% Change
Revenue	849.7	755.8	+12%
EBITDA	66.5	62.8	+6%
Operating profit	35.6	37.7	-6%
Net finance cost	(5.4)	(3.1)	
Profit before tax	30.2	34.6	-13%
Tax	(10.2)	(12.1)	
Profit after tax	20.0	22.5	-11%
EBITDA %	7.8%	8.3%	-0.5bps
Operating profit %	4.2%	5.0%	-0.8bps

Record H1 revenue
- 9% up on a constant
currency basis

**Strong performances from
North America and EMEA**
- Offset by APAC loss

**Effective tax rate 34% (FY
2015: 34.5%)**
- Expected FY 2016 rate

* Before exceptional items

Group income statement (continued)

£m	H1 2016	H1 2015	% Change
Profit after tax*	20.0	22.5	-11%
Exceptional items	(5.2)	(3.0)	
Tax on exceptional items	1.2	0.7	
Non-controlling interests	(0.3)	(0.2)	
Attributable to shareholders	15.7	20.0	
Earnings per share*	27.4p	31.1p	-12%
Dividend per share	9.25p	8.8p	+5%

H1 2016 and 2015 exceptional items mainly amortisation of acquired intangibles

Interim dividend of 9.25p
– Up 5%

* Before exceptional items

Operating profit and margin*

£m	H1 2016			H1 2015		
	Revenue	Op profit	Margin	Revenue	Op profit	Margin
North America	464.8	33.6	7.2%	415.8	28.4	6.8%
EMEA	261.7	13.6	5.2%	210.3	7.0	3.3%
APAC	123.2	(9.6)	-7.8%	129.7	4.8	3.7%
	849.7	37.6	4.4%	755.8	40.2	5.3%
Central costs	-	(2.0)		-	(2.5)	
	849.7	35.6	4.2%	755.8	37.7	5.0%

Constant currency revenues up 9%:

- North America +6%
- EMEA +23%
- APAC -4%

Strong performances and improved margins at North America and EMEA

APAC deterioration mainly due to:

- Non-recurrence of 2015 Wheatstone profit
- Delayed projects
- Challenging markets

* Before exceptional items

North America

Summary

- Another excellent result in US, helped by a steadily growing market
- Good H1 at Hayward Baker, Case and HJ
- Bencor acquisition performing well
- Outstanding performance from Suncoast
 - Benefitting from continuing increase in single family home starts
- Canada continues to be challenging
 - Start of C\$43m Toronto subway job delayed
 - Annualized overheads reduced by C\$6m
- Divisional order book about 10% up
 - Tendering levels remain healthy



EMEA Summary

- EMEA result improved substantially
 - Revenue up over 20%, profit doubled
- Largest European businesses all had a good first half
 - Germany, UK, Poland and Austria
- Major Caspian project going well
 - Now received notices to proceed for US\$80m
- Markets outside Europe more challenging
 - Some good H2 prospects in the Middle East
- Order book up around 10% on 2015



Asia-Pacific Summary

- Markets generally very challenging
- Results also impacted by project delays and non-recurrence of Wheatstone
- APAC merger proceeding to plan
 - Capability in Asia upgraded
 - Costs reduced in Australia
 - Increased collaboration
- Australia
 - Like-for-like revenue down nearly 30%
 - Planned A\$7m of overhead savings realised through merger of three piling companies
- Asia
 - Singapore piling market particularly difficult; Resource Piling being restructured under new management
 - Changi airport job going well
 - Good project prospects
- Expect to return to profitability in H2

Stingray Creek, Australia



Group balance sheet

£m	H1 2016	H1 2015
Goodwill/intangibles	181.5	172.0
Property, plant & equipment	383.7	286.0
Other non-current assets	32.0	21.3
	597.2	479.3
Inventories	56.3	50.8
Receivables	534.6	445.2
Payables	(423.9)	(371.7)
Working capital	167.0	124.3
Capital employed	764.2	603.6
Non-current assets held for sale	48.0	-
Other liabilities/provisions	(57.8)	(60.3)
Retirement benefits	(30.5)	(23.0)
Tax	(7.4)	(13.7)
Net debt	(339.7)	(171.5)
Net assets	376.8	335.1

Period end exchange rates:

- US\$1.34 (H1 2015: US\$1.57)
- C\$1.73 (H1 2015: C\$1.94)
- €1.21 (H1 2015: €1.42)
- S\$1.80 (H1 2015: S\$2.12)
- A\$1.80 (H1 2015: A\$2.05)

Non-current assets held for sale is the UK warehousing facility purchased in May

Net debt 2.1x EBITDA

- 2.3x on a covenant basis

Group cash flow statement

£m	H1 2016	H1 2015
Cash from operations before exceptional items	41.9	18.6
Cash flows from exceptional items	(2.1)	(25.0)
Cash from operations	39.8	(6.4)
Capex – net	(30.8)	(31.0)
Interest	(5.1)	(3.1)
Tax	(11.0)	(17.0)
Acquisitions	(74.2)	(2.7)
Dividends	(13.7)	(12.6)
Net cash flow	(95.0)	(72.8)
Opening net debt	(183.0)	(102.2)
Opening swap liability	(24.6)	-
Exchange movements	(37.1)	3.5
Closing net debt	(339.7)	(171.5)

Cash from operations before exceptional items 63% of EBITDA (H1 2015: 30%)

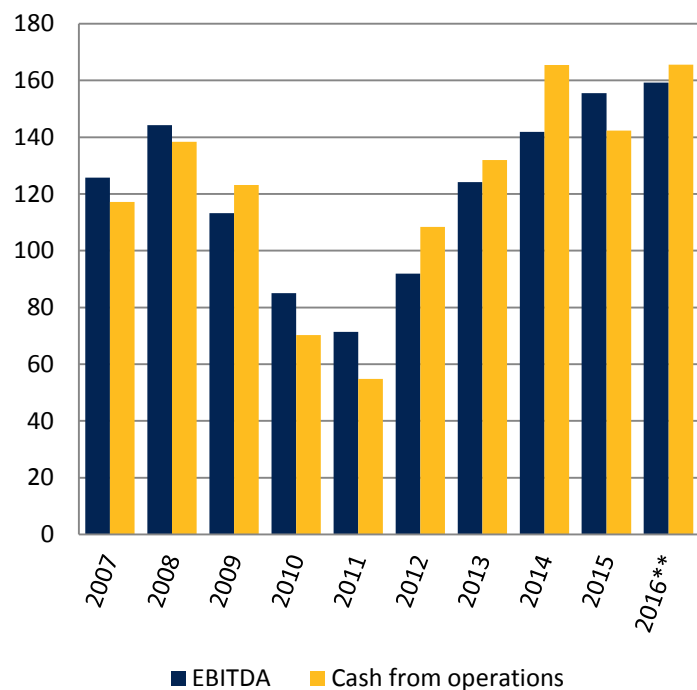
2016 and 2015 cash flows from exceptional items relate to settlement of historic contract dispute

2016 acquisitions:

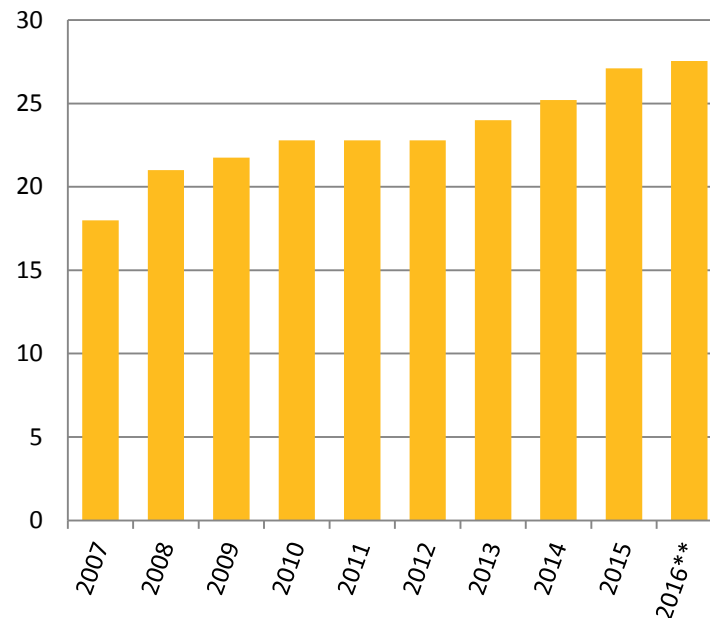
- Warehousing facility in Avonmouth
- Tecnogeo (Brazil)
- Smithbridge (Aus)

Cash generation and dividend payments

Cash from operations*



Dividend per share



10-year cash conversion rate of 100%

10-year EBITDA of £1,212m

10-year cash from operations of £1,218m

Dividend increased or maintained every year since 1994 flotation

* Before exceptional items

** 2016 figures based on 12 month period ended 30 June 2016

Impact of BREXIT

- UK operations likely to be impacted in Q4
 - Less than 4% of Group revenues
- Main impact is weakening of sterling as most earnings and debt are in foreign currencies
 - Primarily US dollar
- 5% movement in full year average exchange rate amounts to:
 - £5m change in full year profit
 - £12m change in Group net debt

Market environment



Market trends play to our strengths

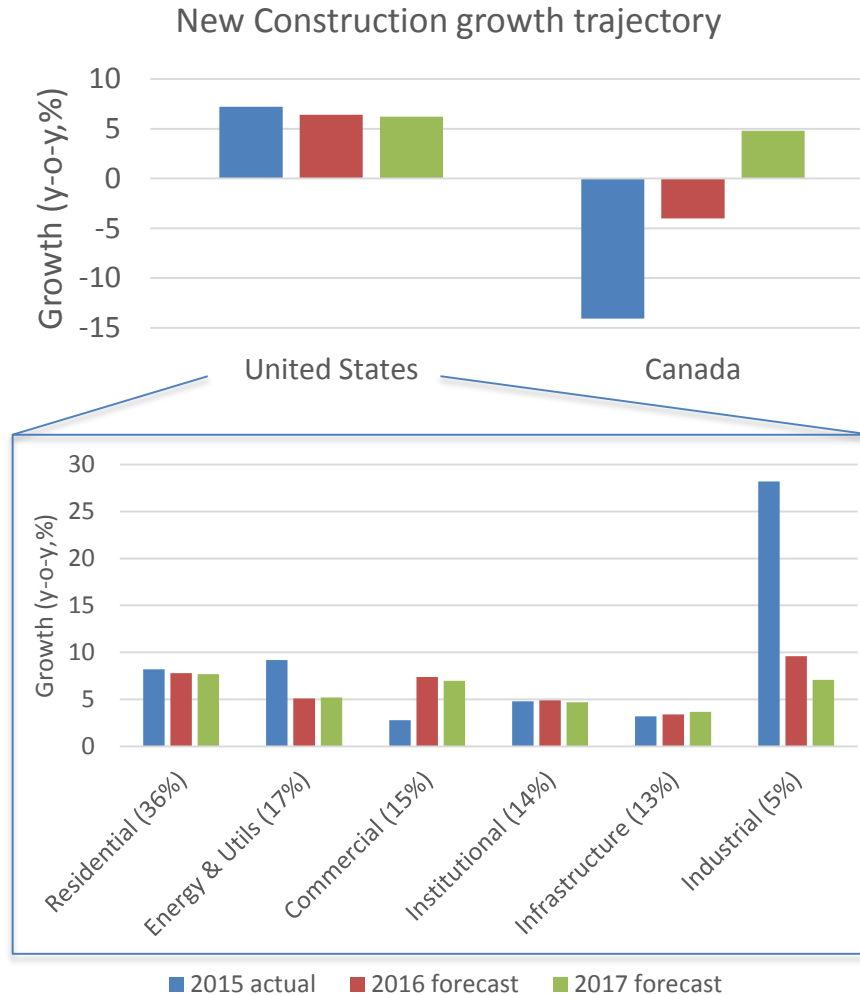
- 1 Urbanisation and more large-scale development projects**
200k people added daily to urban areas
- 2 Increasing land shortage, driving a need to use more brownfield and marginal land**
London redevelopment - Gateway, Docklands
- 3 Infrastructure renewal and expansion e.g. road, rail, power**
1 in 3 German railway bridges are more than 100 years old
- 4 Increasing demand from customers for complete solutions rather than just products**
>1000 station boxes to be built over the next 10 years
- 5 Increasing technical complexity**
US digital monitoring activity growing >50%

North American markets

US: continued growth but a slight reduction in momentum in the short-term:

- Keller tender activity up (up more than 10%) and conditions still strong
- Dodge and IHS predicting continued total construction growth this year

Canada: moving in the right direction, however, still a shrinking market for new construction

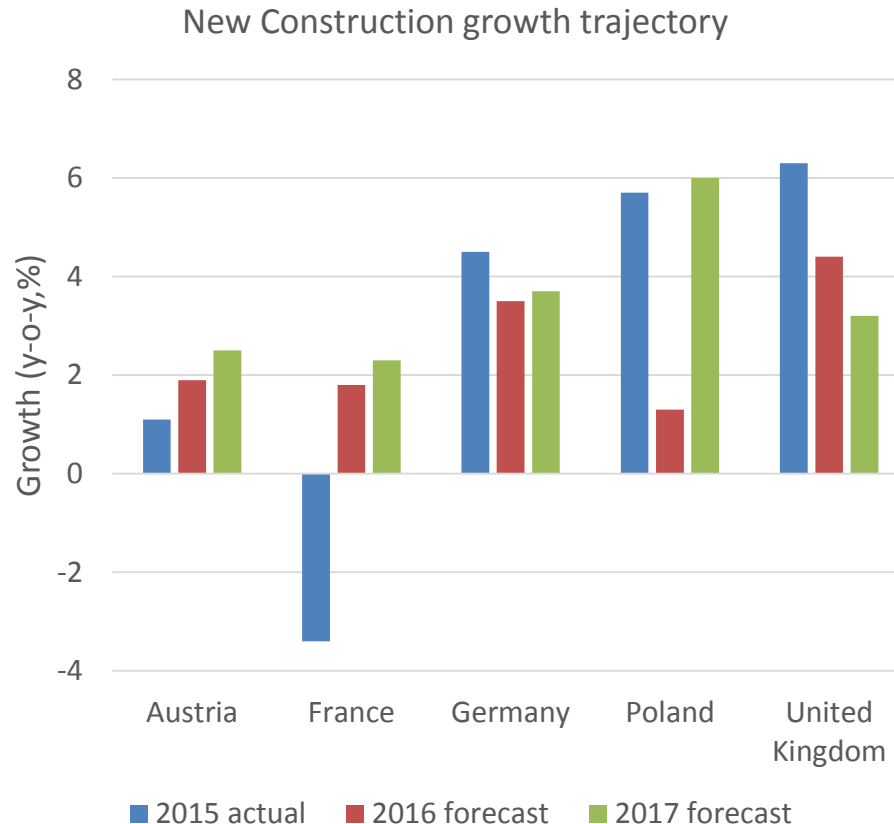


EMEA markets



Good growth, but some uncertainty remains:

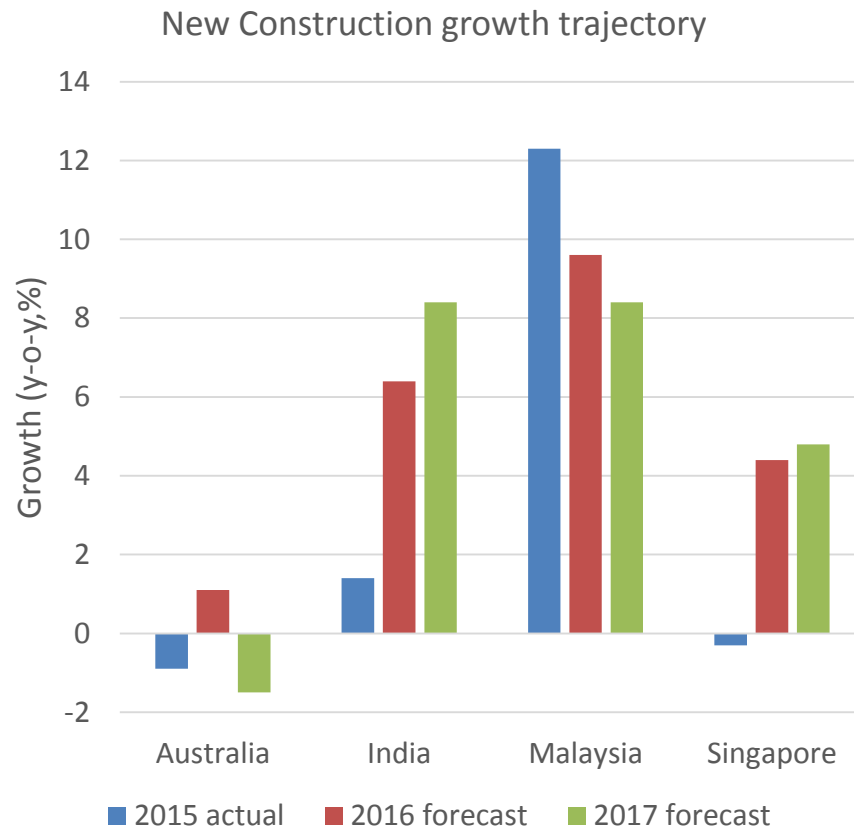
- European markets are performing well
- Markets outside Europe are more variable but provide good growth opportunities
- Some Brexit and political uncertainty



Asia Pacific markets

Challenging circumstances remain but we are optimistic for the medium / long term:

- Australia rebalancing after resources boom
- Indian market shows good demand as investment plans are realised and the economy grows
- ASEAN markets mixed: Malaysia shows good growth, Singapore is weaker and highly competitive



Progress update



Keller vision and strategy

Vision	To be the world leader in geotechnical solutions
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

Order book growth +10%

Some recent wins

- Bulk liquids berth, Mayfield 7, Australia - £20m
- Barangaroo, Sydney - £14m
- South Hartford Tunnel, US - £12m
- Bahrain Airport modernisation - £11m
- Follobanen high speed railway, Norway - £10m
- Kochi India Oil Project - £6m



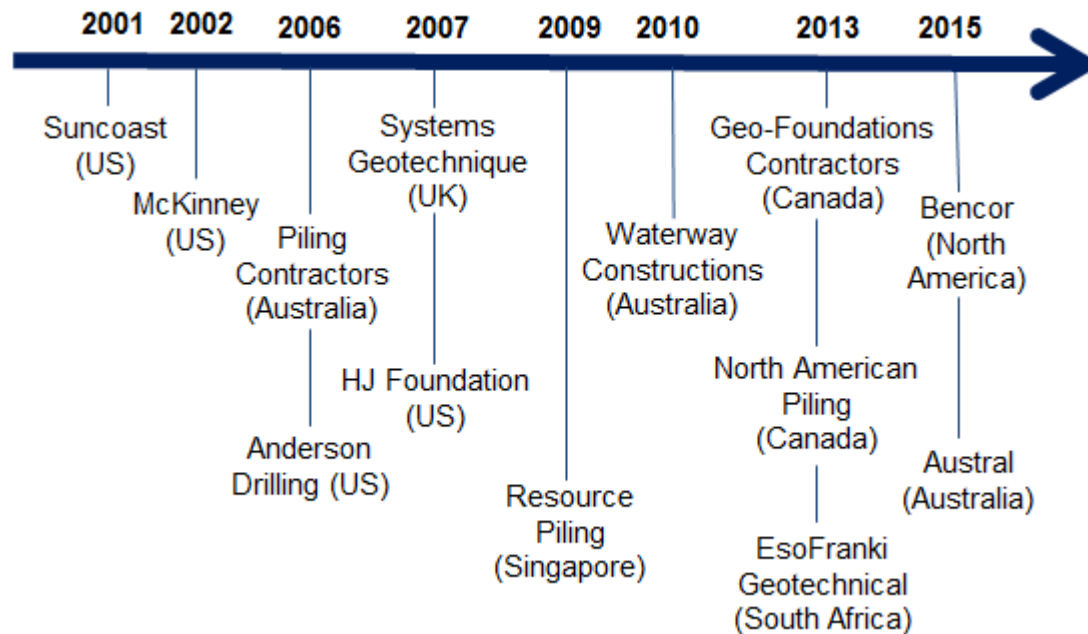
Tender activity for major projects

- Infrastructure projects in US, Middle East and Asia
- Airport projects in Asia and Latin America
- Oil, gas and resources
- Urbanisation in Middle East



Acquisition history

- More than 20 acquisitions since 2000
- Cash returns more than £100m in excess of WACC*
- Average ROCE of acquisitions around 24%, with only five below 20%



* Including Keller Canada, excluding Canada cash return is more than £200m in excess of WACC

2016 acquisitions



March Acquisition of Tecnogeo Group, a leading geotechnical company in Brazil

Paid £12m (plus possible earn out)



April Acquisition of Smithbridge's Australian marine and bridge assets

£2m asset purchase



Further potential in second half

Strong customer-focused business units

Progress

- Global Business Development and Marketing team established
- Multi-BU tendering activity increasing
- Keller brand leverage
- Customer engagement strengthening

"...other competitors do not have the same knowledge base related to execution, design and quality control as Keller..."

Project Superintendent, Industrial Client, NA

"Excellent delivery of project in limited time, from procurement of materials to installation"

Commercial Lead, Manufacturing Client, APAC

"Having used Keller for many years, we like the fact they have a wide range of solutions...a real benefit when determining the most cost effective [option]"

Commercial Director, Residential Developer, EMEA

Leveraging group scale

Procurement

- More than 30 new regional supplier pricing programmes
- Global equipment deals improved
- £4m savings negotiated to date



Information technology

- Integrating our IT approaches globally
- Global supplier agreements



Engineering and operational capability

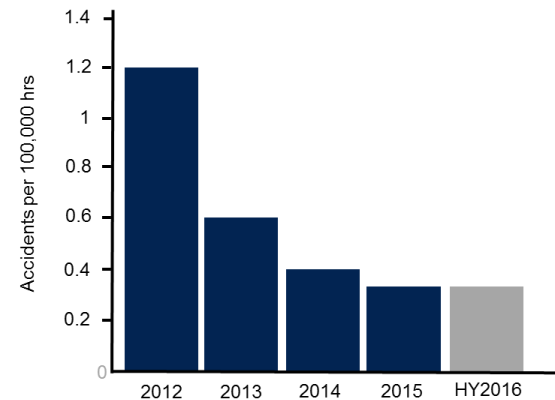
- Global product teams:
 - Product transfers
 - Next generation jet grouting and vibro
 - Innovation in design methods
- Data acquisition and monitoring
- Equipment and yard efficiencies



Investing in our people

- Project Manager Academy: designed to upskill and standardise capabilities throughout Keller
- Health, safety and environment focus: continued investment in workplace safety (5S pilots) and sustainability
- Communications investments creating stronger connections between teams

Accident Frequency Rate



Investing in our people



Outlook



Outlook

- Our US and main European markets are healthy
- Market conditions elsewhere remain mixed
- Group order book up 10%, increase spread across all divisions
- North America and EMEA are expected to have a strong year
- APAC will return to profitability in the second half
- Full year Group results at lower end of expectations

Questions and answers



Appendices



Introduction to Keller

The world's largest geotechnical 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


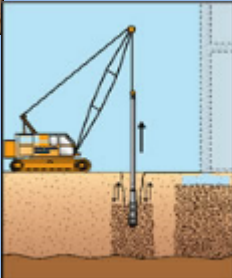

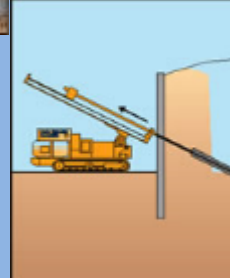
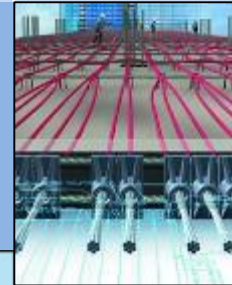

Unrivalled geographic coverage, working in more than 40 countries

- 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

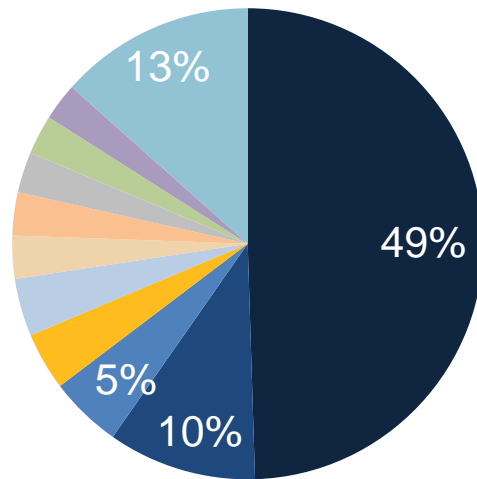
Ground engineering worldwide

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

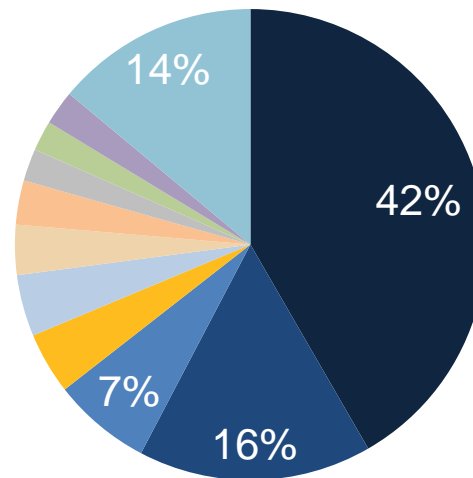
2015 Revenue by country

Total revenue £1,562m



2014 Revenue by country

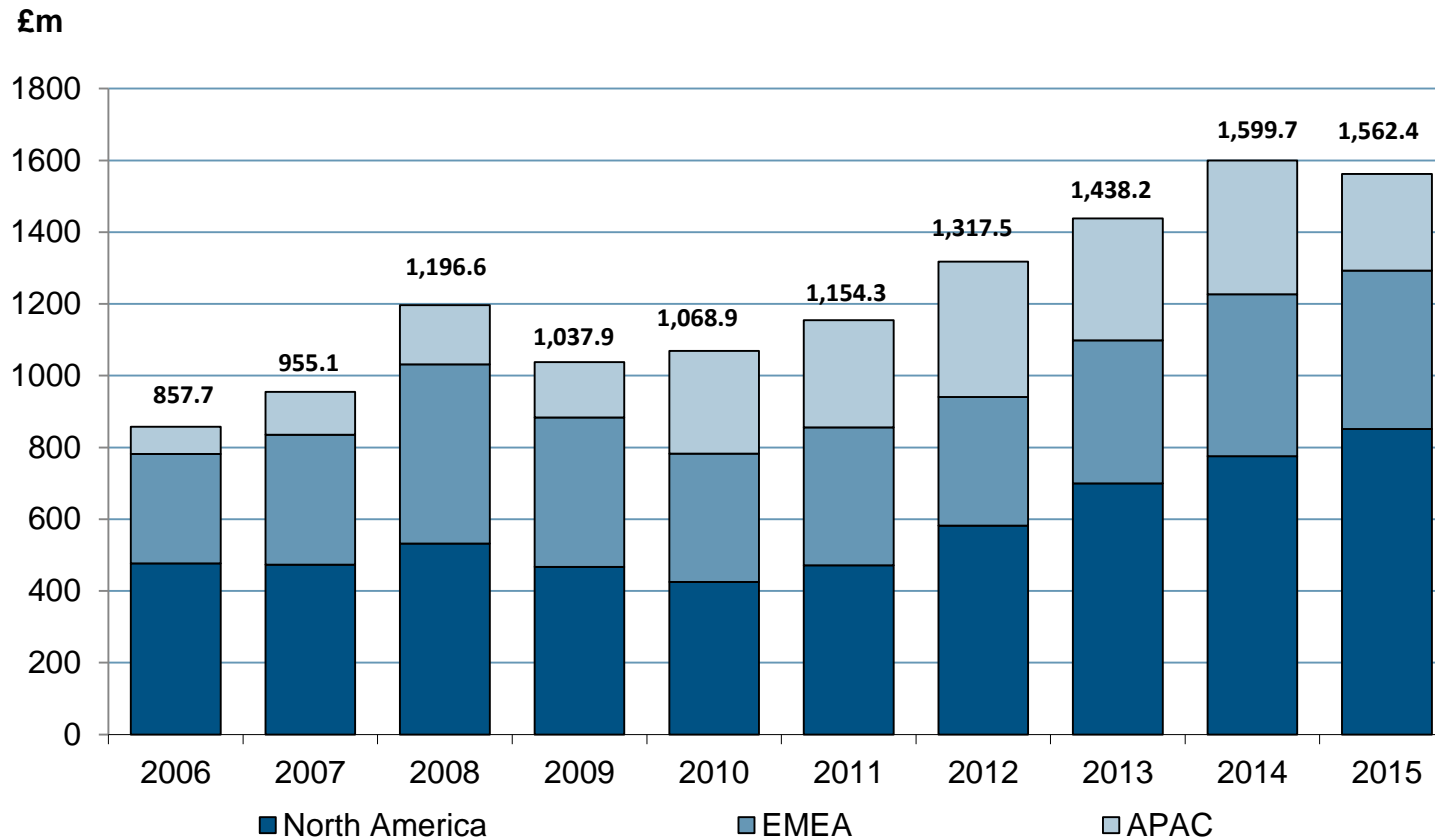
Total revenue £1,600m



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

Ten year track record

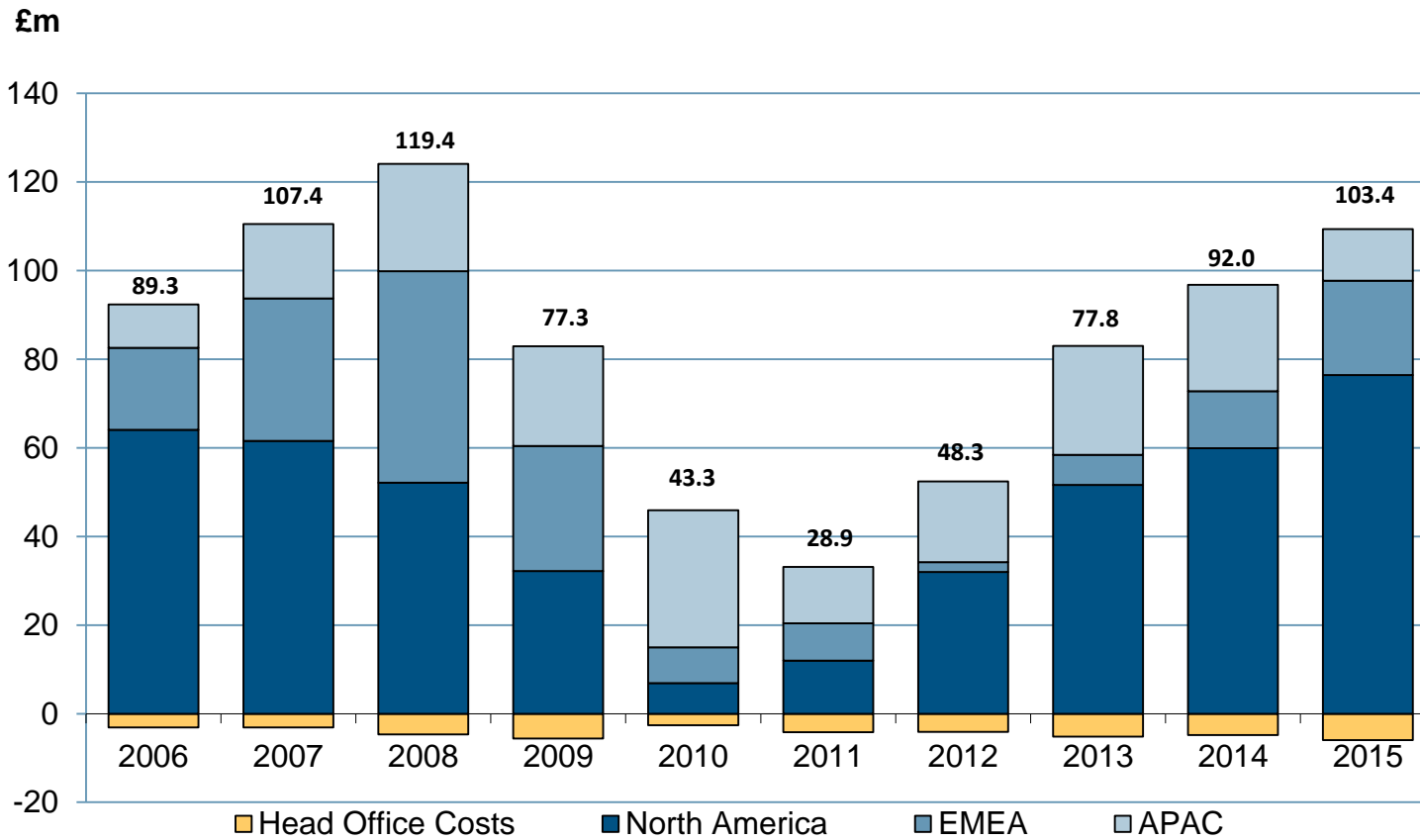
Revenue 2006 - 2015
(Continuing operations)



Ten year track record

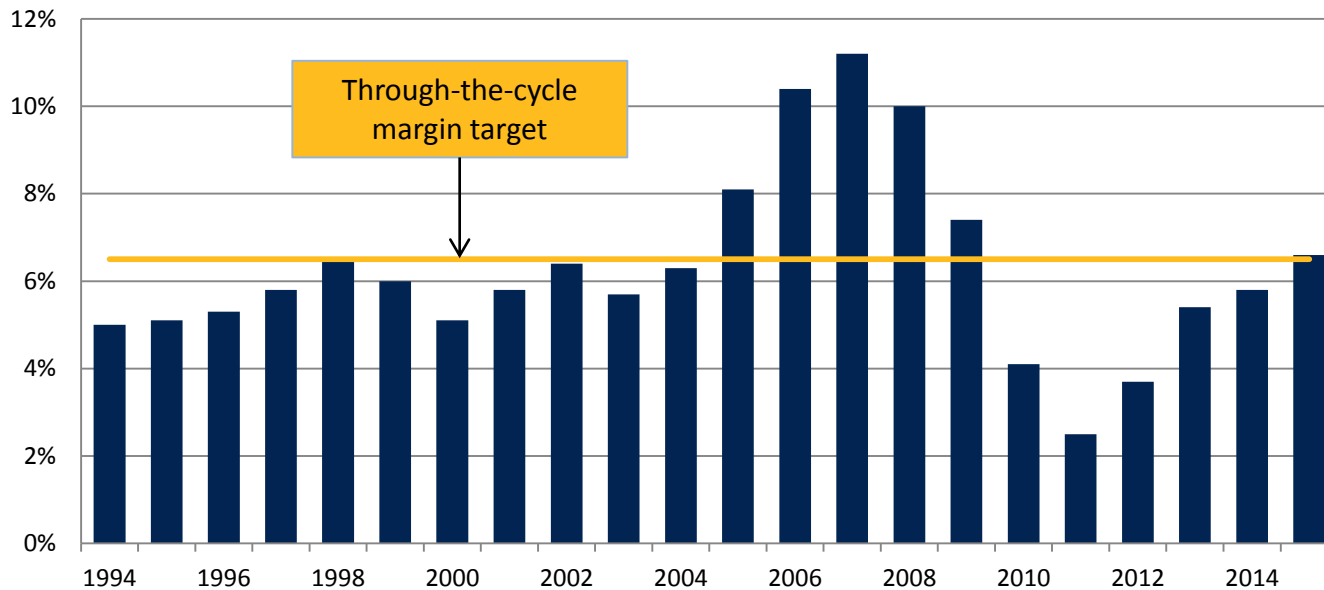
Operating Profit 2006 - 2015

(From continuing operations and before exceptional items)



Operating margin trend

Operating margin*



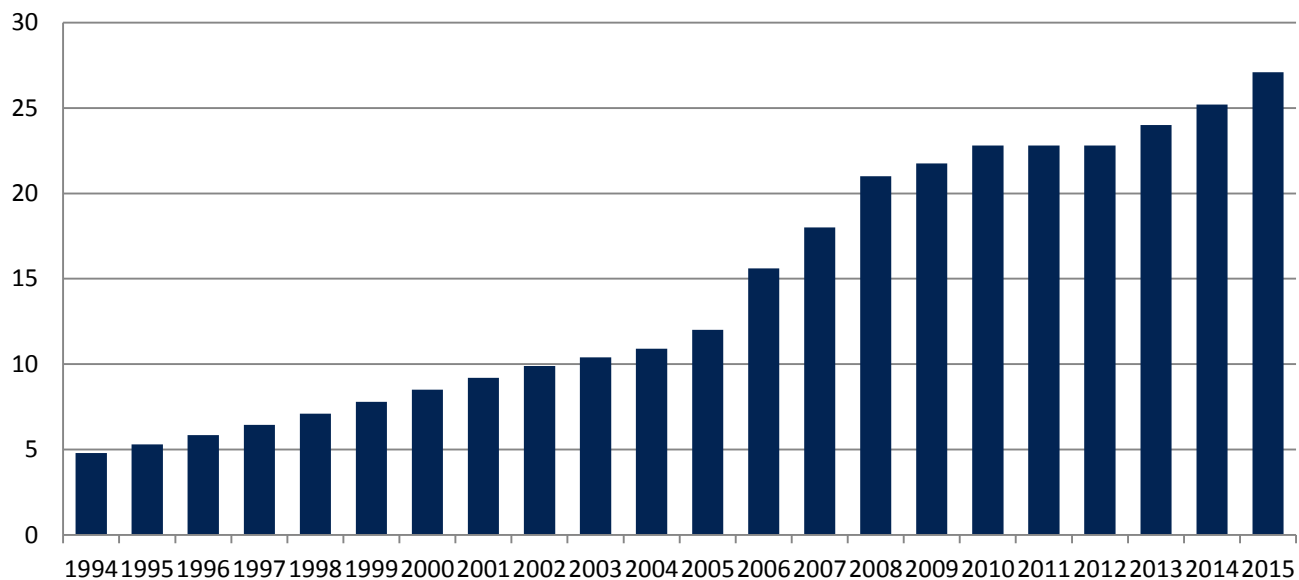
Operating margin recovering from historic low

Peak and trough margins unlikely to repeat

* Before exceptional items

Dividend history

Dividend per share (pence)

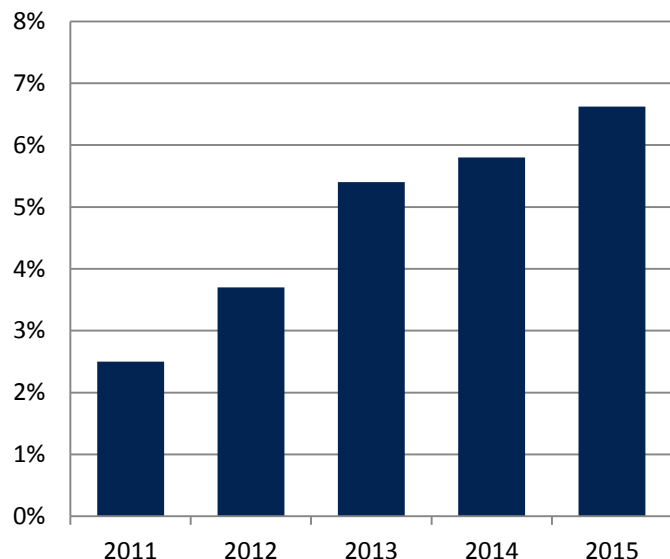


Dividend increased or maintained every year since 1994 flotation

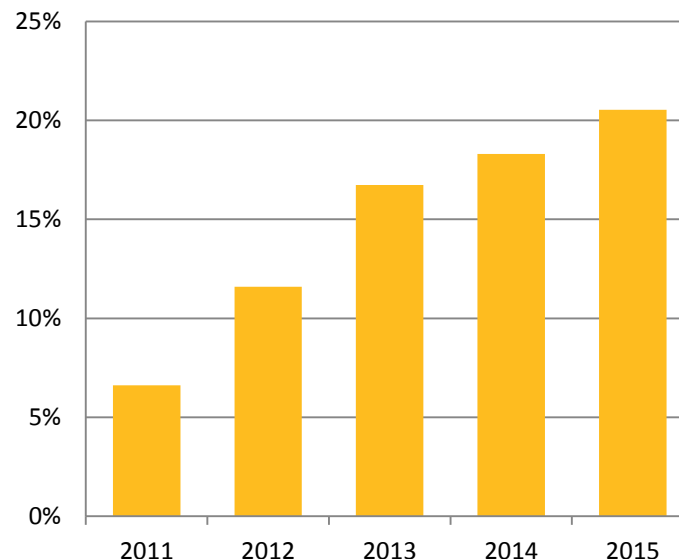
Dividend policy of sustainable growth

2015 Operating margin* and ROCE** progression

Operating margin



ROCE



ROCE and operating margin recovering from historic low

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%

*before exceptional items

**operating profit before exceptional items/average capital employed.

Group financing position

£495m 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 £31.3m of uncommitted facilities

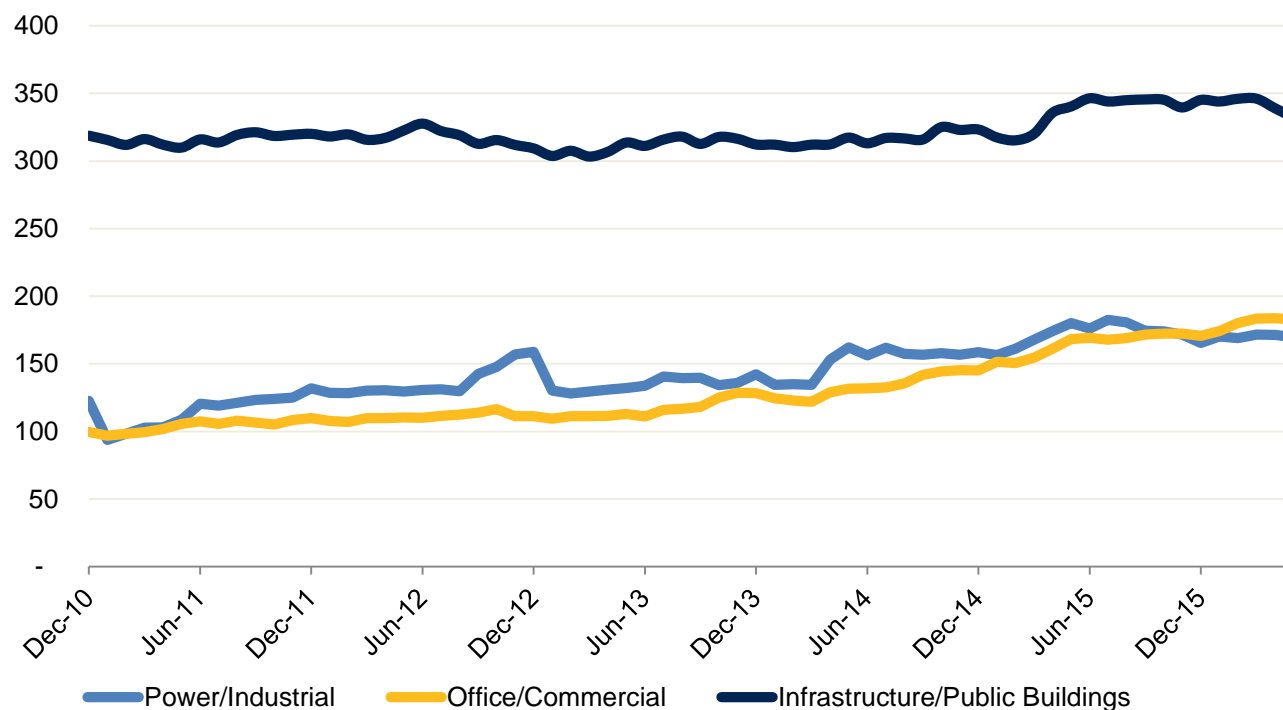
Key Financial Covenants

Test	Status*
Net debt < 3x EBITDA	2.3x
EBITDA interest cover > 4x	17.8x
Net assets > £200m	373.2

*Calculated on a covenant basis

US non-residential construction market

US Construction put-in-place (\$bn)



US non-residential market up 7% in 2016

- Private up 9%
- Public up 4%

Infrastructure/Public Buildings up 4%

Office/Commercial up 17%

Power/Industrial up 3%