

Keller Group plc Half year results 2017

31 July 2017



Road traffic accident

South Africa

- 4 July 2017
- Truck collided with two buses carrying Franki Africa employees to the Nkomati Mine project
- 18 people died and 15 were injured
- Tragic day for everyone in Franki Africa and across the Keller Group
- Our deepest sympathies go out to the families, friends and colleagues of those involved



Agenda

- Summary
- Financial results
- Business update
- Outlook
- Questions and answers



Summary

- Good progress overall
- Record first half revenue and strong profit growth:
 - Strong growth in EMEA
 - Improved performance in APAC
 - Lower revenue and profit in North America
- Exceptional profit of £21m mainly from Avonmouth sale and insurance proceeds
- Record order book of £1.1 billion
- Progressing well against strategic objectives



Results summary

Revenue

£991m

↑ 17%
H1 2016: £849.7m

Operating margin

4.4%

↑
H1 2016: 4.2%

Earnings per share

35.0p

↑ 28%
H1 2016: 27.4p

Operating profit

£44.0m

↑ 24%
H1 2016: £35.6m

Order book

£1.1bn

↑ 20% YOY

Dividend

9.7p

↑
H1 2016: 9.25p



Financial results

St Kanzian
South East Europe



Group income statement*

£m	H1 2017	H1 2016	% Change
Revenue	991.1	849.7	+17%
EBITDA	78.1	66.5	+17%
Operating profit	44.0	35.6	+24%
Net finance cost	(4.7)	(5.4)	+13%
Profit before tax	39.3	30.2	+30%
Tax	(13.4)	(10.2)	-31%
Profit after tax	25.9	20.0	+30%
EBITDA %	7.9%	7.8%	+10 bps
Operating profit %	4.4%	4.2%	+20 bps

Record revenue
4% up on a constant
currency basis

Strong performance from EMEA
APAC loss reduced
**NA impacted by regional
slowdowns**

Effective tax rate 34%
(FY2016: 35%)

* Before non-underlying items

Group income statement* (continued)

£m	H1 2017	H1 2016	% Change
Profit after tax*	25.9	20.0	+30%
Non-underlying items			
Amortisation of acquired intangibles	(4.5)	(5.0)	
Exceptional Avonmouth credit	21.0	1.1	
Other	(0.6)	(1.3)	
	15.9	(5.2)	
Tax on non-underlying items	(0.1)	1.2	
Non-controlling interests	(0.7)	(0.3)	
Attributable to shareholders	41.0	15.7	+161%
Earnings per share*	35.0p	27.4p	+28%
Dividend per share	9.7p	9.25p	+5%

Non-underlying profits mainly relate to Avonmouth

Dividend up 5%
3.6x covered by underlying earnings

* Before non-underlying items

Operating profit and margin*

£m	H1 2017			H1 2016		
	Revenue	OP	Margin	Revenue	OP	Margin
North America	474.5	28.6	6.0%	464.8	33.6	7.2%
EMEA	346.4	20.0	5.8%	261.7	13.6	5.2%
APAC	170.2	(3.8)	-2.2%	123.2	(9.6)	-7.8%
	991.1	44.8	4.5%	849.7	37.6	4.4%
Central costs	-	(0.8)		-	(2.0)	
	991.1	44.0	4.4%	849.7	35.6	4.2%

Constant currency revenues up 4%:

North America -10%
EMEA +20%
APAC +21%

Healthy contract margins in North America

Good revenue and profit growth at EMEA

Helped by Caspian project

APAC loss more than halved

Markets remain challenging

* Before non-underlying items

North America

Summary

- Overall US market remains solid, but with regional and sectoral variations
 - Residential strong, infrastructure spend down, commercial mixed
- Keller revenue and profit down
 - Contract margins remain healthy
- Hayward Baker and Suncoast had a good first half
- Case and HJ impacted by slowdown in their core geographic markets
- Canadian market remains difficult
- US order book up 8%
- Expect return to YOY revenue growth in H2



EMEA

Summary

- Strong growth in both revenue and profit
- Largest European businesses all had a good first half
 - Germany, UK, Poland, Austria
- Significant growth in Middle East
- Africa and Brazil remain challenging
- Order book up more than 30%
- Excellent execution on major Caspian region project
 - Will be substantially complete by year end



Asia-Pacific Summary

- Actions taken over 18 months have reduced cost base significantly and positioned us well for market recovery
- H1 loss much reduced, but pricing remains difficult in Australia and Singapore
- Strong revenue growth in Australia
 - Not yet seen improved pricing environment
- Further restructuring in ASEAN
- Good H1 in India, with some promising project wins
- Order book up around 30%



Group balance sheet

£m	H1 2017	H1 2016
Goodwill/intangibles	178.5	181.5
Property, plant & equipment	398.7	383.7
Other non-current assets	29.8	32.0
	607.0	597.2
Inventories	69.5	56.3
Receivables	598.9	534.6
Payables	(436.8)	(423.9)
Working capital	231.6	167.0
Capital employed	838.6	764.2
Non-current assets held for sale	-	48.0
Other liabilities/provisions	(52.1)	(57.8)
Retirement benefits	(29.7)	(30.5)
Tax	(13.4)	(7.4)
Net debt	(297.3)	(339.7)
Net assets	446.1	376.8

Net capital expenditure of £31.5m

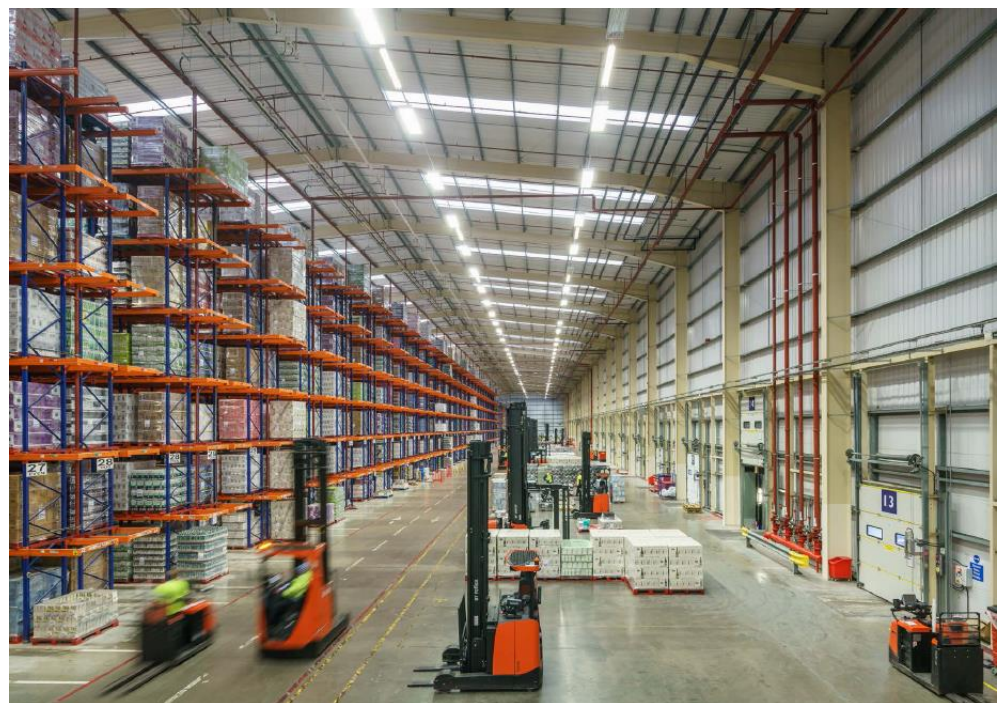
Receivables increase reflects growth and currency

Net debt 1.7x EBITDA
1.9x on a covenant basis

UK warehousing facility update

- Sold freehold warehousing facility at Avonmouth for £62m
 - £8m profit on sale
- Further £12m of insurance proceeds received
- Net loss reduced to £18.7m
 - Net cash cost £14.3m

	£m
Original 2014 provision	54.0
2016 and 2017 credits:	
Property value	(14.0)
Insurance proceeds	(17.6)
Other	(3.7)
Net cost	18.7



Group cash flow statement

£m	H1 2017	H1 2016
Cash from operations before non-underlying items	(3.7)	41.9
Cash inflows from non-underlying items	8.3	(2.1)
Cash from operations	4.6	39.8
Capex – net	(31.5)	(30.8)
Interest	(5.9)	(5.1)
Tax	(8.7)	(11.0)
Acquisitions	(3.0)	(74.2)
Disposals	62.0	-
Dividends	(13.8)	(13.7)
Net cash flow	3.7	(95.0)
Opening net debt	(305.6)	(183.0)
Opening 2006 swap liability	-	(24.6)
Exchange movements	4.6	(37.1)
Closing net debt	(297.3)	(339.7)

Full year capex expected to be circa £75m

£62m disposal is Avonmouth

2017 acquisitions:
GEO-instruments for cash consideration of £2.5m (\$3.1m)



Business update



Strategic progress

- Strategy framework rolled out to all business units
- Functional and global product teams active and implementing improvements
- Organic growth levers beginning to show results
- Acquisition pipeline showing promise
- On track to achieve £50m gross benefits by 2020

More at Capital Markets Day in September

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

Portfolio management

Restructuring

- Canada – further cost reductions and administration moved to Toronto
- ASEAN – further cost reductions and a more integrated regional business
- Strengthened Hayward Baker on West Coast, US
- New branches in Germany and US

Acquisitions

- GEO-Instruments, North America
- Sotkamon, Finland

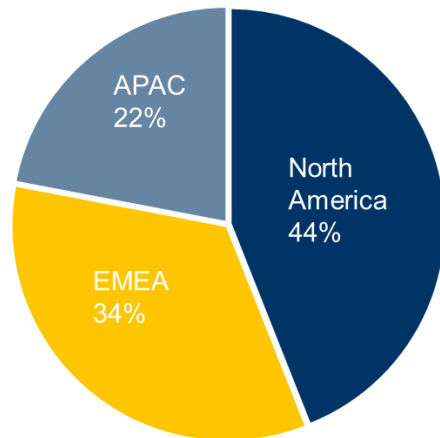


Order book at all time high

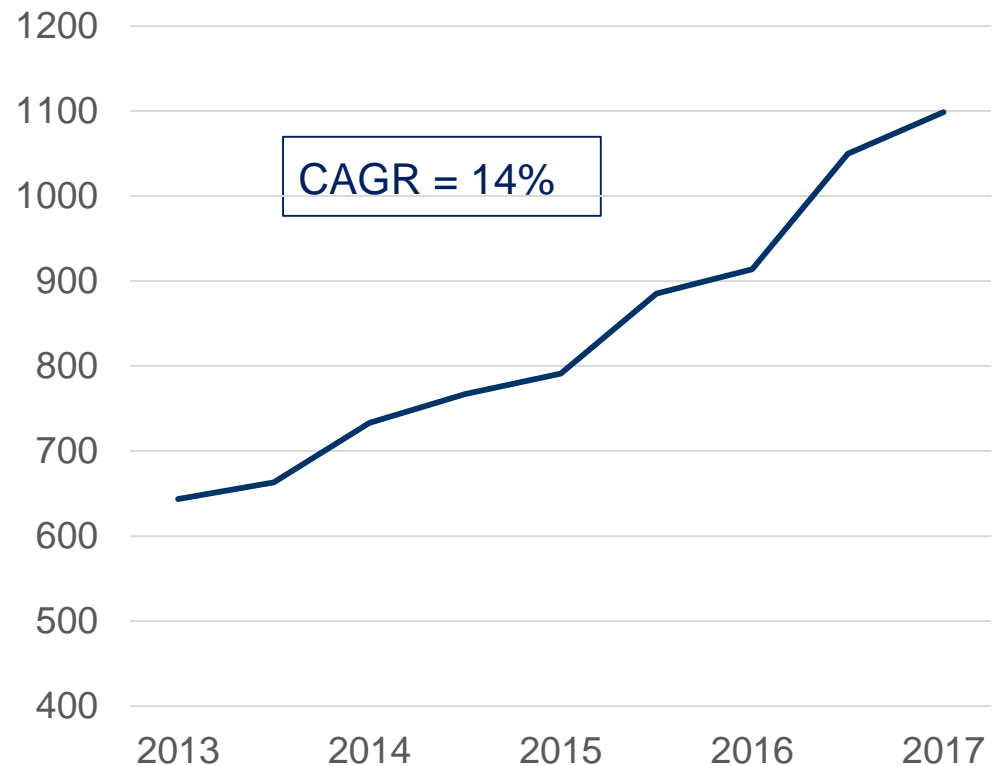
+20% above last year

- Total order book now more than £1.1 billion
- Broad based
 - Geographical spread
 - No new ultra-large projects

Order book split



Order book (£m constant currency)

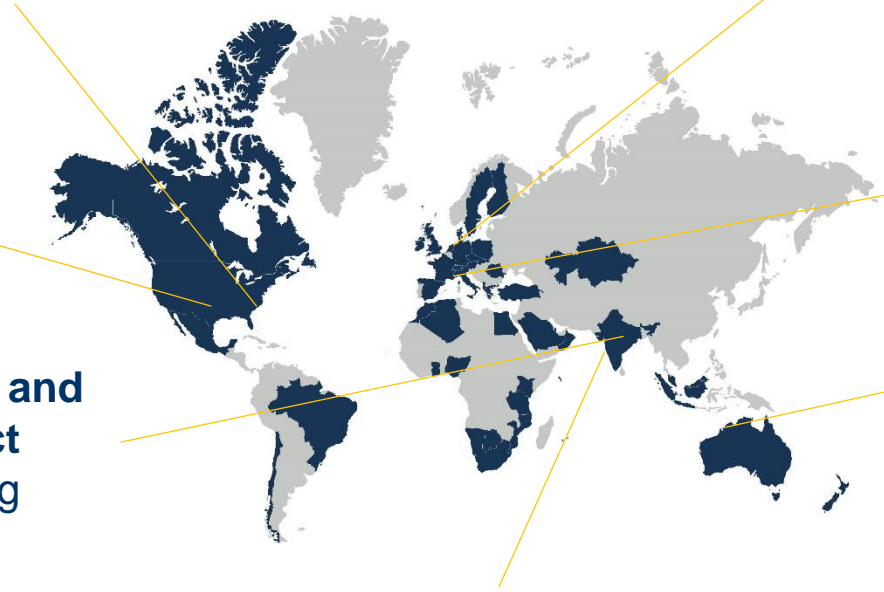


Notable new contract wins

Columbia-Manhattanville
New York, Micropiles/Anchors

**White River
Bridge
Replacement**
Arkansas, Bored
piles

**Polavaram dam and
irrigation project**
India, Jet grouting



**Racibórz Dolny flood
reservoir**
Poland, Vibro

Brenner Base Tunnel
The Alps, Jet grouting,

Koolan Island
Australia, D-wall

**Navi Mumbai
International Airport**
India, Vibro

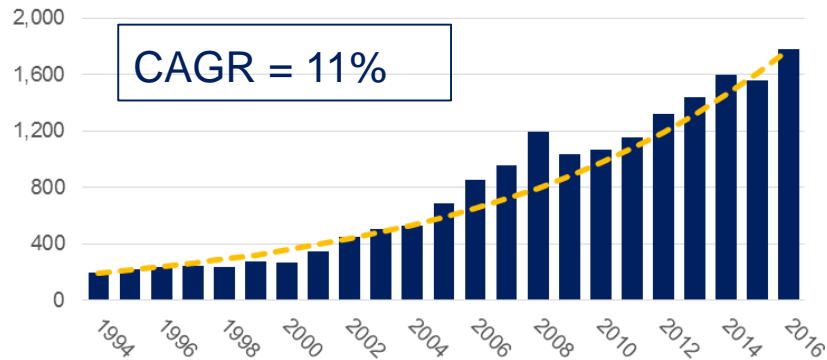
Outlook

- Our US and main European markets are robust
- Market conditions elsewhere remain mixed
- Constant currency order book up 20%
- North America and EMEA expected to have a good second half
- 2017 full year results in line with expectations

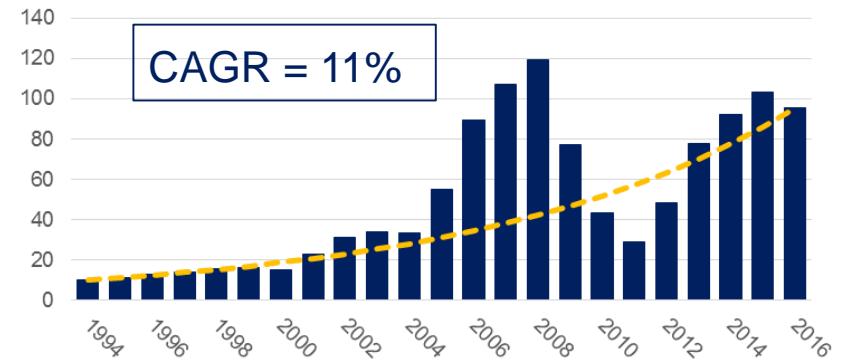


Financial performance since listing in 1994

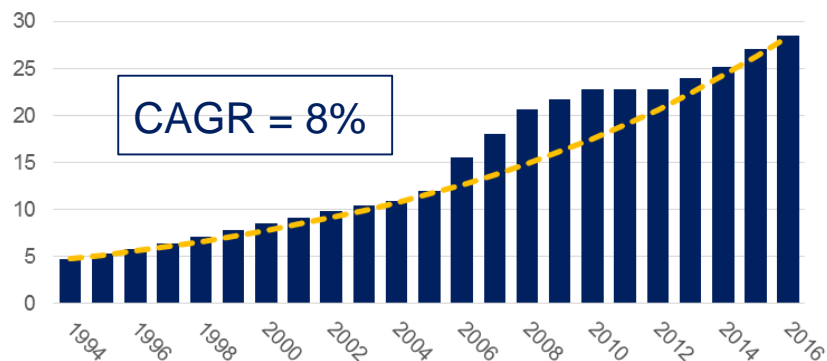
Revenue (£m)



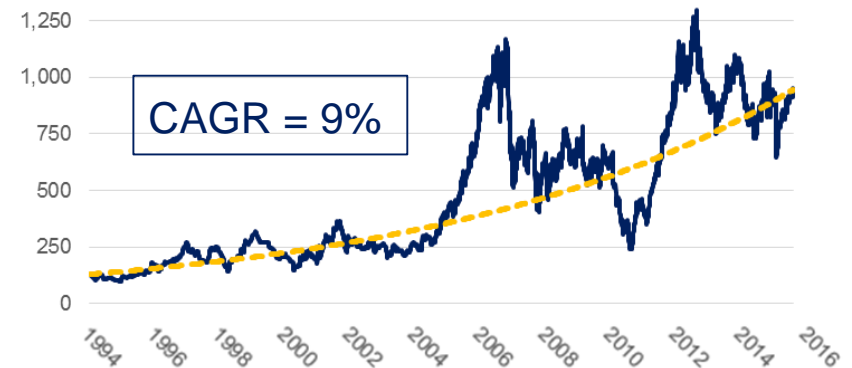
Operating profit (£m)



Dividend per share (pence)



Share price (pence)



Capital Markets Day

- Monday 18 September 2017
- 2pm followed by drinks
- Westminster, Central London
- Will include presentations by divisional presidents and Group Director, Engineering and Operations



Q&A

Questions and answers

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.

All written or verbal forward looking statements, made in this document or made subsequently, which are attributable to Keller or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Keller does not intend to update these forward looking statements.

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Appendices



Keller at a glance

Every day, people around the world live, work and play on ground prepared by Keller, the world's largest geotechnical solutions specialist

established
1860

To be the world leader in geotechnical solutions

OUR VISION

10,000
employees

To help create infrastructure that improves the world's communities

OUR PURPOSE

20
acquisitions since 2000

40+
countries across
6
continents



21 Business units

North America

- Bencor
- Case Foundation
- Hayward Baker
- HJ Foundation
- Keller Canada
- McKinney Drilling
- Suncoast

Europe, Middle East and Africa (EMEA)

- Central Europe
- North-East Europe
- North-West Europe
- South-East Europe
- Franki
- French speaking territories
- Middle East
- Iberia and Latin America
- Brazil

Asia-Pacific (APAC)

- ASEAN
- India
- Keller Australia
- Waterway Constructions
- Austral

6,000
contracts executed a year

Project value typically
25k to £10m

We have the people, expertise, experience and financial stability to respond quickly and see projects through safely and successfully

What we do

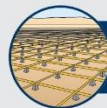
Provide solutions to a wide range of geotechnical challenges across the entire construction spectrum



GROUND IMPROVEMENT



HEAVY FOUNDATIONS



POST-TENSION SYSTEMS



GROUTING



EARTH RETENTION



INSTRUMENTATION AND MONITORING



- 54% North America
- 31% EMEA
- 15% APAC



- 36% Infrastructure/Public buildings
- 22% Power/Industrial
- 19% Office/Commercial
- 23% Residential

Room to grow

Global ground engineering market

\$50bn

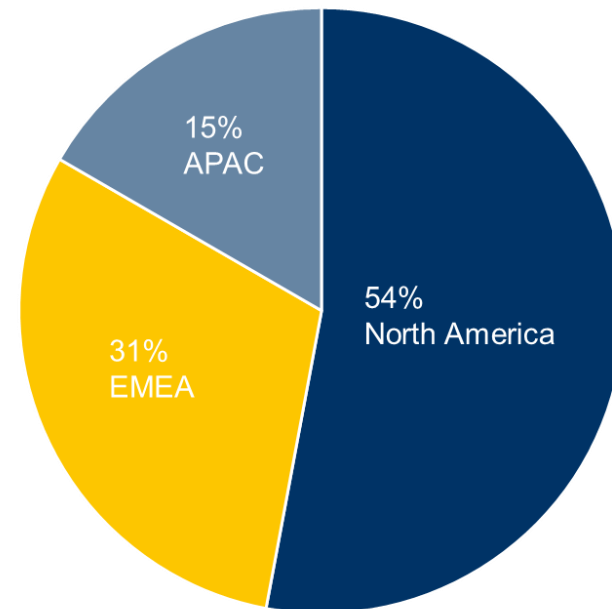
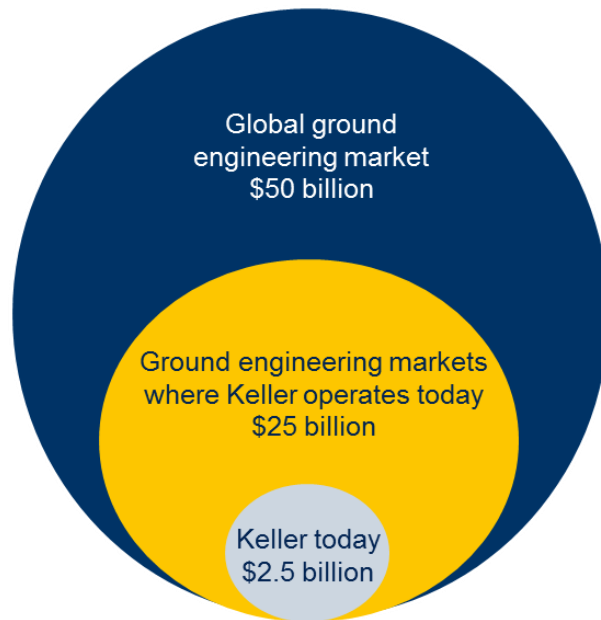
Ground engineering markets where Keller operates today

\$25bn

Keller today

\$2.5bn

Well positioned to access global growth opportunities



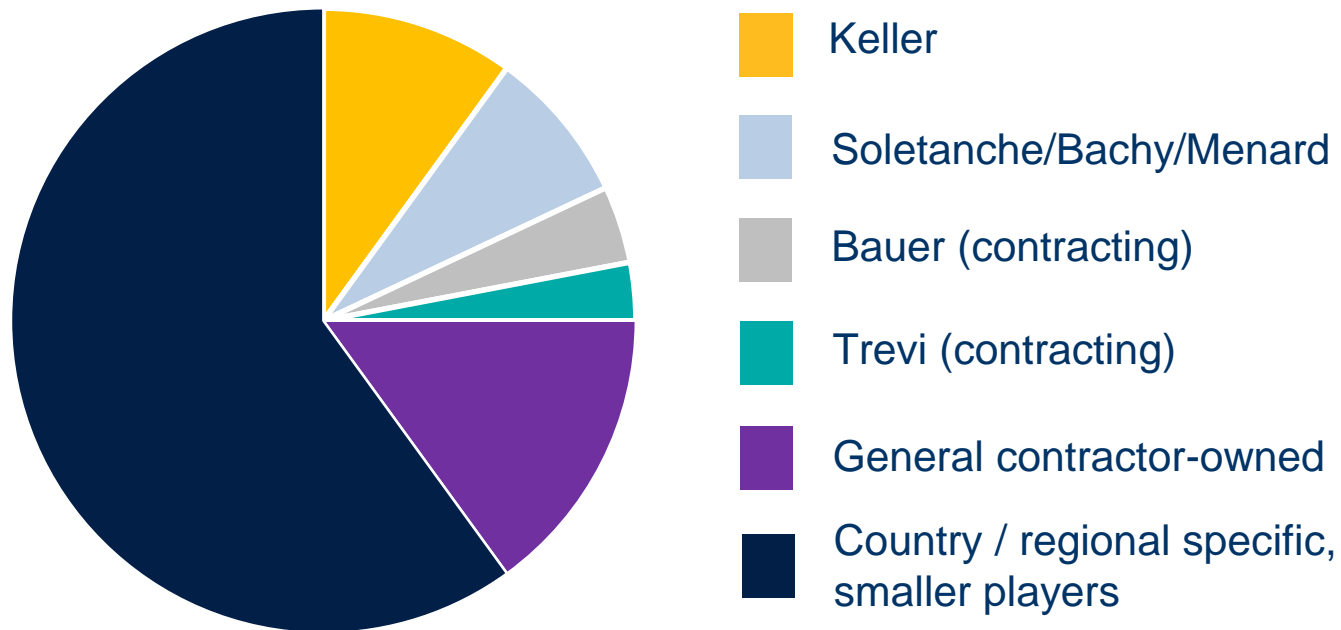
- Keller has roughly a 10% share of the markets where we operate today
- Clear market leader in North America, Australia and Sub-Saharan Africa
- Prime positions in most established European markets
- Strong profile in many developing markets

Positive industry trends

- 1 Urbanisation and more large-scale development projects**
 - Le Grand Paris
 - Kuala Lumpur metro
- 2 Increasing land shortage, driving a need to use more brownfield and marginal land**
 - Changi Airport, Singapore
 - Barangaroo, Sydney
- 3 Infrastructure renewal and expansion eg road, rail, power**
 - East Branch Dam, US
 - HS2, UK
- 4 Increasing demand from customers for complete solutions rather than just products**
 - Berlin Schultheiss-Quartier
 - Miami Auberge
- 5 Increasing technical complexity**
 - Toronto subway station
 - Investment in digital capability

Well placed versus the competition

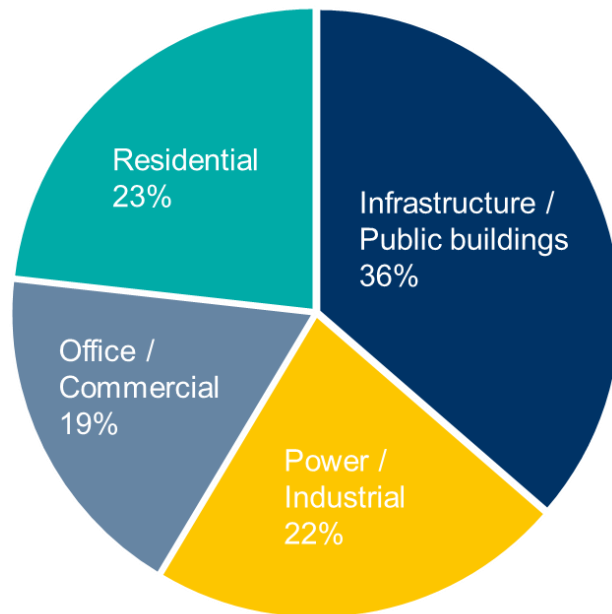
As industry consolidates, we are well-placed to gain market share



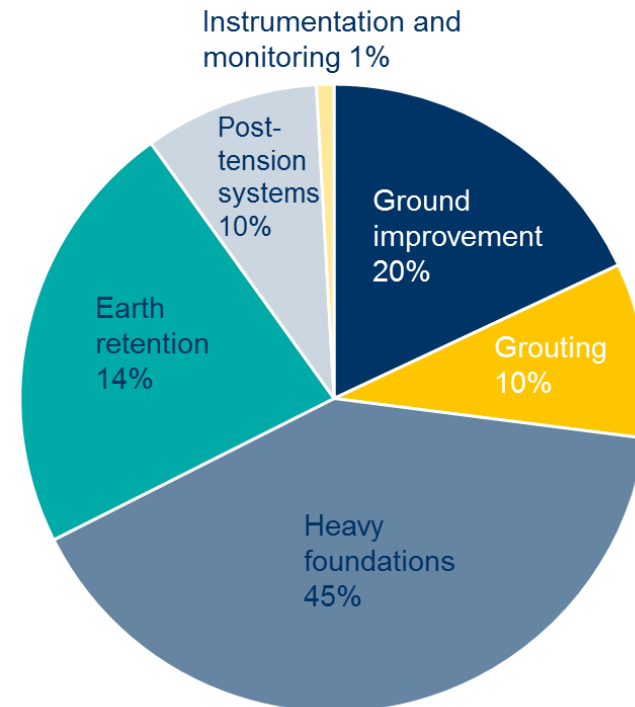
Approximate market share
(Where we operate today)

Resilience through diversity

Revenue – by market 2016



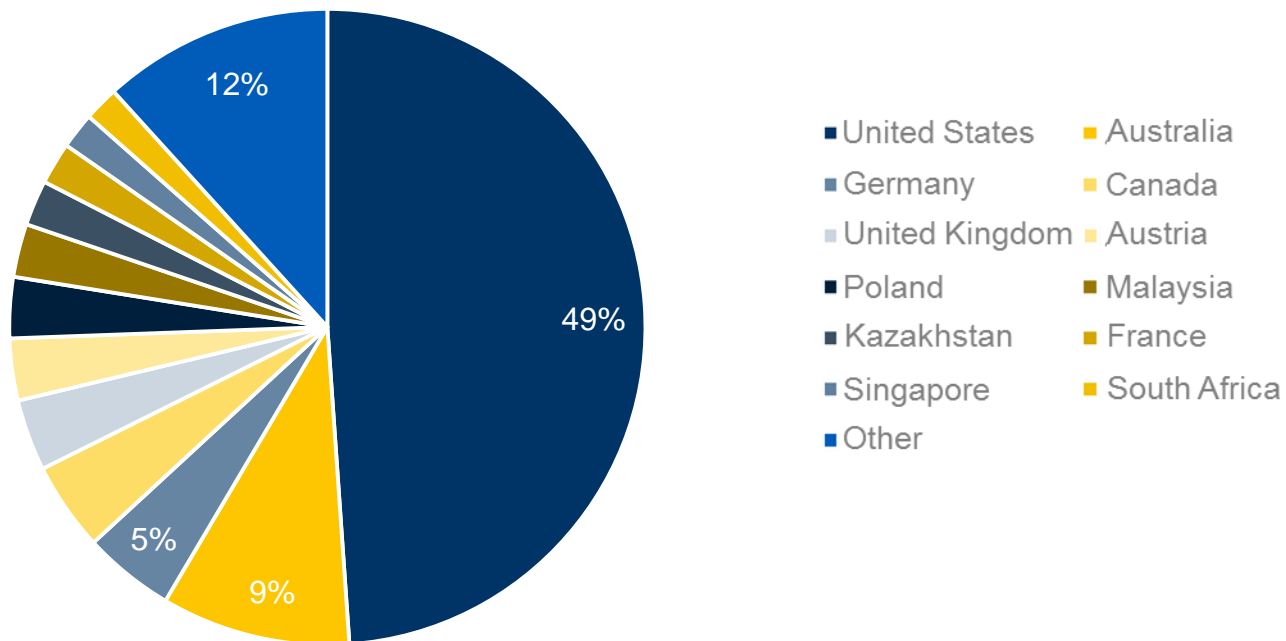
Revenue – by product 2016









Group country split

2016 Revenue by country

Total revenue £1,780m



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	

Geographical market approach

Base		Selectively grow	Non-active
<ul style="list-style-type: none"> • US • Northern Europe • Australia • Canada • Middle East 	<ul style="list-style-type: none"> • India • Malaysia • South Africa • Brazil • Singapore 	<ul style="list-style-type: none"> • Latin America • Other Africa • Indonesia • Southern Europe • Other ASEAN 	<ul style="list-style-type: none"> • China • Japan • Korea • Russia

Two routes to high margin



HJ Foundation

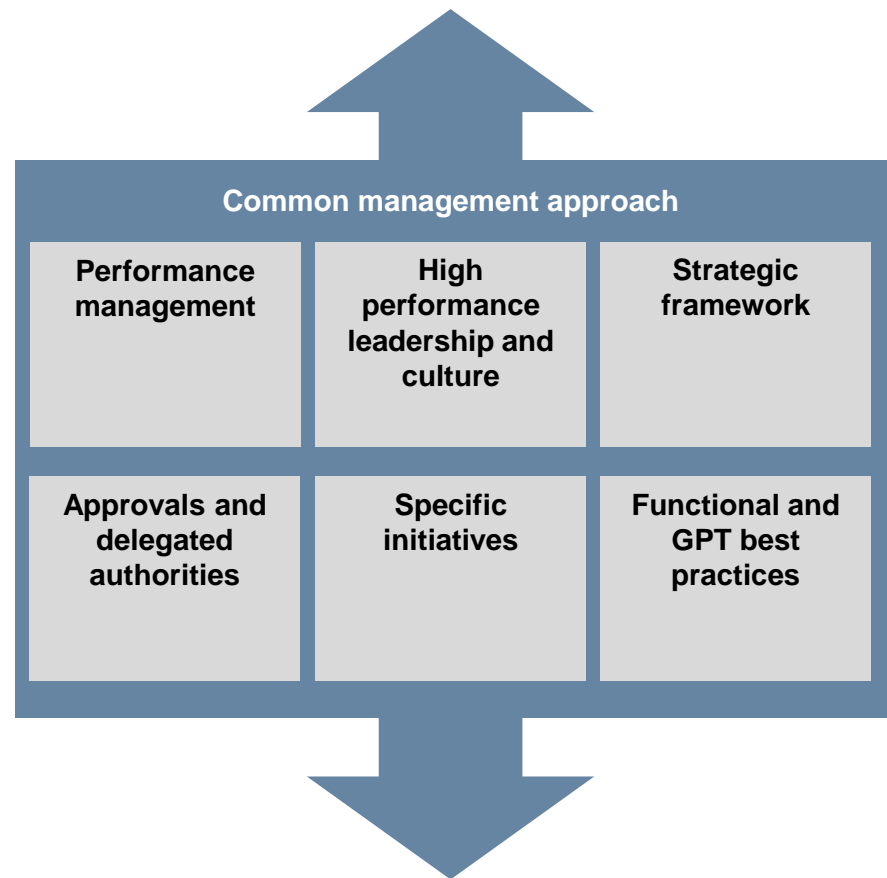
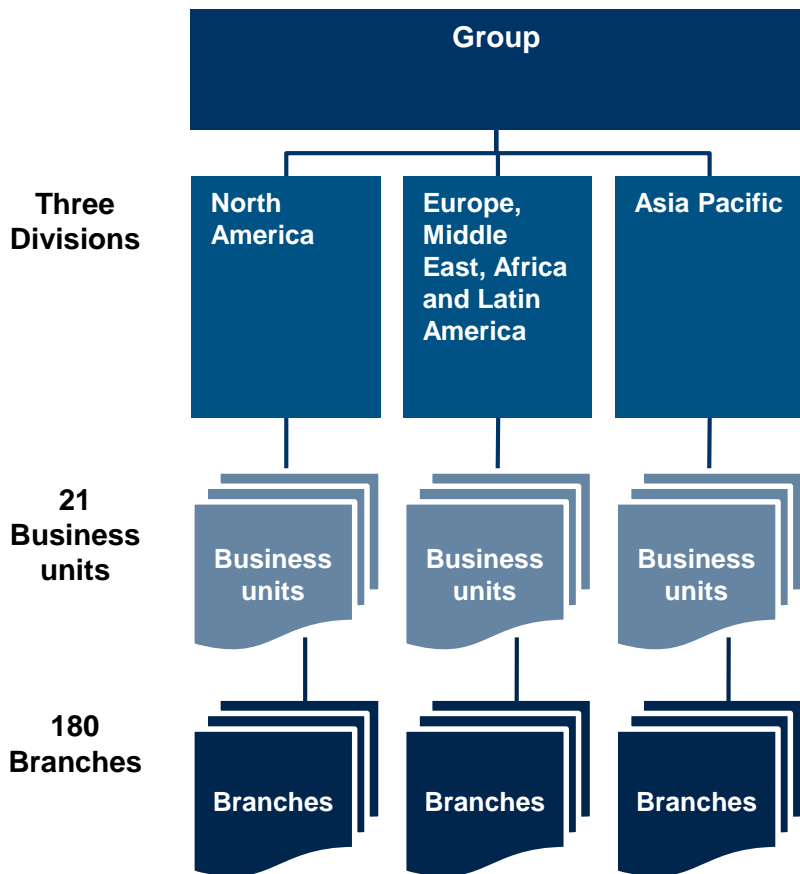
- Mainly 'construct only'
- Few products
- Strong market presence
- Highly efficient



North East Europe (Poland)

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

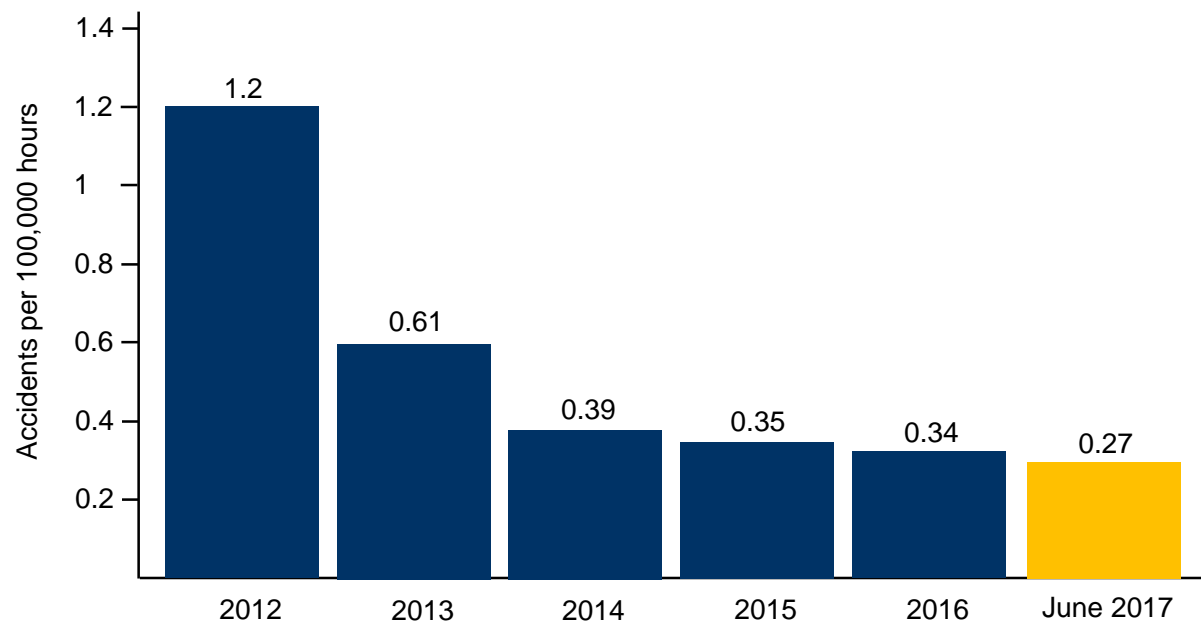
How we manage the group



Safety performance

- Accident Frequency Rate at all time low
- Since introduction in 2013, our Think Safe programme has helped to reduce accidents in our business by around 77%
- Out of more than 3,000 contractors worldwide, Austral Construction won Rio Tinto's Chief Executive's Safety Award for Best Contractor

Accelerated Frequency Rate (AFR)



Road traffic accident in South Africa on 4 July 2017 not included

A stronger, more unified Keller brand

Customer, Scale

Keller has evolved its corporate identity to emphasise all its companies are connected and ensure brand recognition worldwide

Strategy in action



**INTRODUCING
THE CONNECTED COMPANIES
OF KELLER**

KELLER'S CONNECTED COMPANIES IN NORTH AMERICA

- ANDERSON DRILLING A KELLER COMPANY
- BENCOR A KELLER COMPANY
- CASE ATLANTIC A KELLER COMPANY
- CASE FOUNDATION A KELLER COMPANY
- CYNTech A KELLER COMPANY
- GEO FOUNDATIONS A KELLER COMPANY
- HAYWARD BAKER A KELLER COMPANY
- HJ FOUNDATION A KELLER COMPANY
- KELLER CANADA
- MCKINNEY DRILLING A KELLER COMPANY
- SEABOARD FOUNDATIONS A KELLER COMPANY
- SUNCOAST POST-TENSION A KELLER COMPANY

THE STRONGEST LOCAL CONSTRUCTION PROJECTS ARE BUILT ON A FOUNDATION OF CONNECTED GLOBAL EXPERIENCE. DISCOVER THE CONNECTED COMPANIES OF KELLER FOR YOURSELF. KELLERFOUNDATIONS.COM

KELLER global strength and local focus

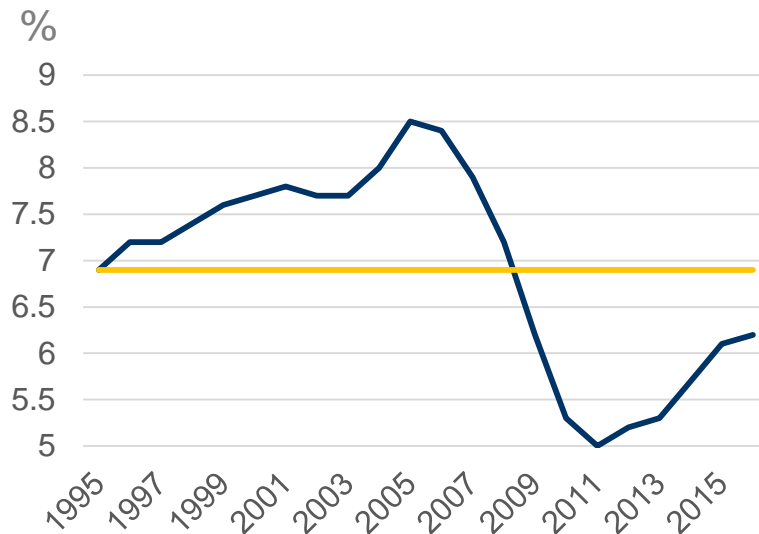
CONTACT US TODAY ABOUT YOUR NEXT PROJECT T: 410-551-1938

DESIGN-BUILD | DEEP FOUNDATION SUPPORT | EARTH RETENTION & SHORING | FOUNDATION REPAIR & UNDERPINNING
GROUND MODIFICATION | GROUND WATER CONTROL | LIQUEFACTION MITIGATION | POST-TENSIONING

We expect US to remain a strong market

US Construction spend as % GDP

Source: IHS global insight and World Bank

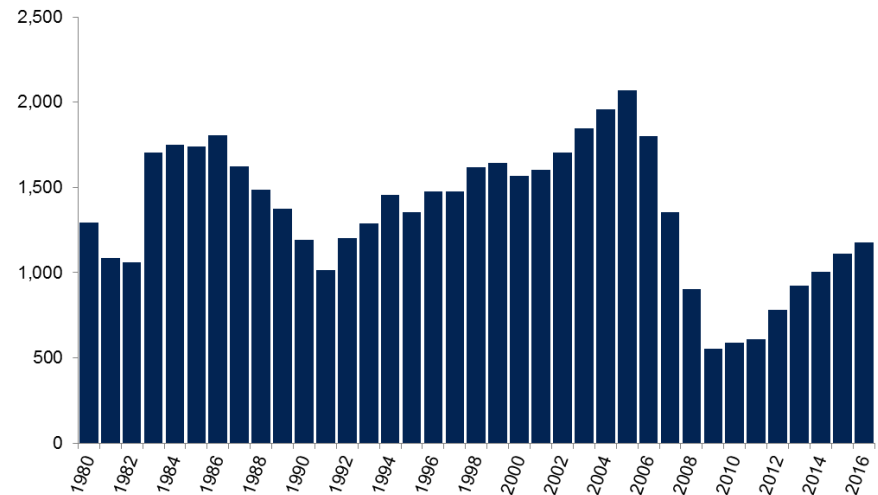


Market still below long-term average, forecast to continue to grow steadily

US public sector infrastructure spend down 5% May year-to-date versus 2016

US Housing Starts (000s)

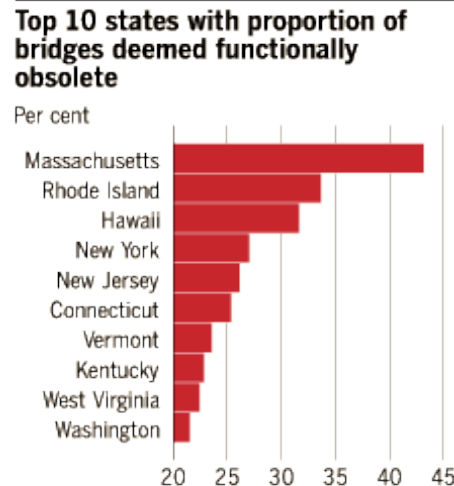
Source: US Census Bureau Housing Starts



US housing starts continue to increase, up 6% in the year and still well below the long term norm

US infrastructure opportunities

- Keller US revenue from infrastructure around £300m in 2016
- Current work includes bridges, combined sewer outflow (Case) and East Branch Dam (Bencor)
- Keller well placed to support infrastructure spending acceleration
- Oroville dam issues illustrate national challenge
- Emerging political consensus for significant investment



Source: ASCE



California Department of Water Resources via Reuters

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