

River Landing
Miami, USA



Keller Group plc Half year results 2018

30 July 2018



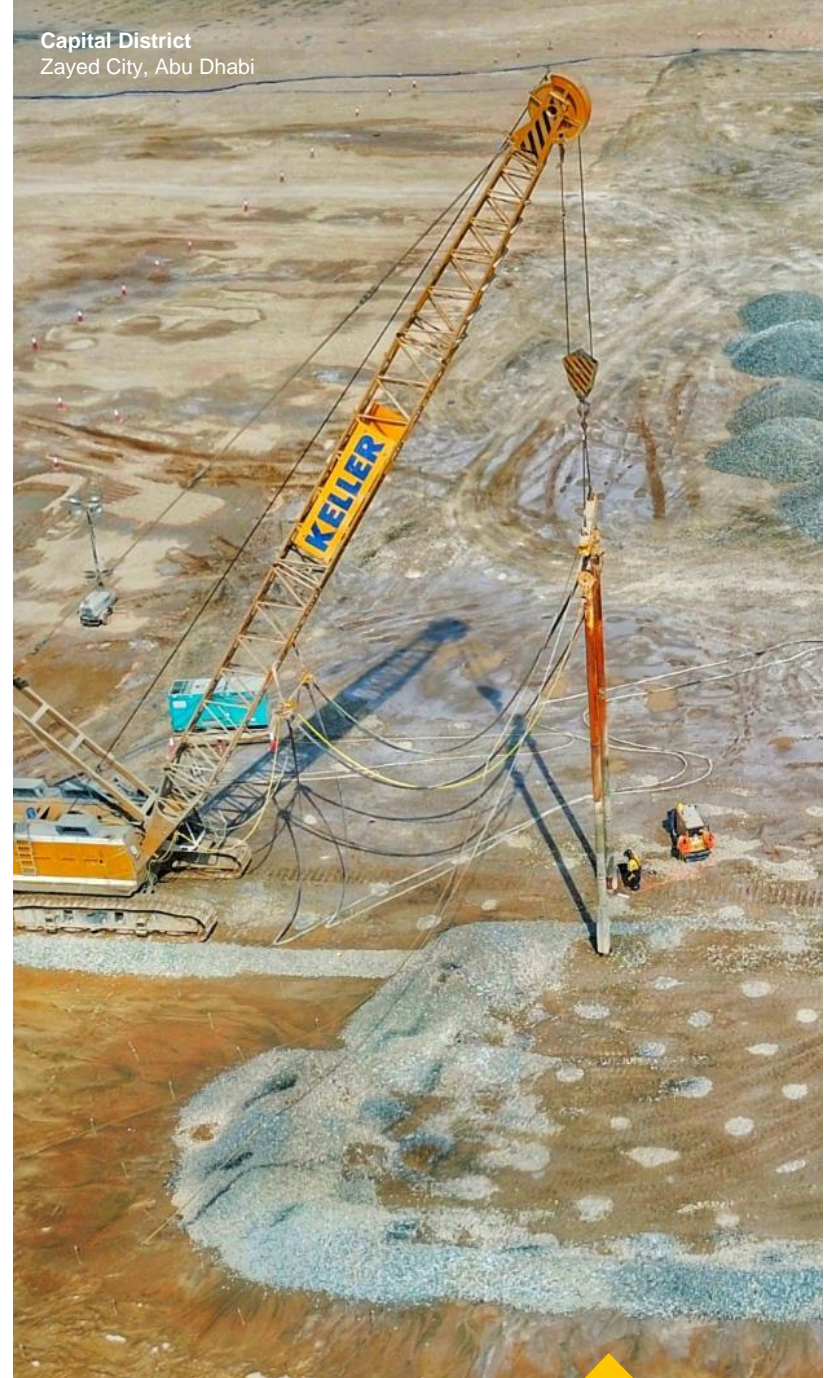
Agenda

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



Summary

- Record first half revenue and strong profit growth:
 - Strong revenue and profit growth in North America
 - Good underlying performance in EMEA
 - APAC losses much reduced - profitable Q2
- Healthy order book of £1.0bn
- Progressing well against strategic objectives



Results summary*

Revenue

£1,075m

↑ 8% (15% cc)
H1 2017: £991m

Operating profit

£49.1m

↑ 12% (22% cc)
H1 2017: £44.0m

Operating margin

4.6%

↑ 0.2%
H1 2017: 4.4%

Earnings per share

41.0p

↑ 17% (29% cc)
H1 2017: 35.0p

Order book

£1.0bn

↓ 3% YOY

Dividend

12.0p

↑ 24%
H1 2017: 9.7p

Group income statement*

£m	H1 2018	H1 2017	% Change
Revenue	1,075.1	991.1	+8%
EBITDA	83.5	78.1	+7%
Operating profit	49.1	44.0	+12%
Net finance cost	(6.9)	(4.7)	-47%
Profit before tax	42.2	39.3	+7%
Tax	(11.8)	(13.4)	+12%
Profit after tax	30.4	25.9	+17%
EBITDA %	7.8%	7.9%	-10bps
Operating profit %	4.6%	4.4%	+20bps

Record revenue

15% up on a constant
currency basis
13% up ex acquisitions

Strong performance from NA

EMEA broadly flat

APAC loss much reduced

Effective tax rate 28%

(H1 2017: 34%)

* Before non-underlying items

Group income statement (continued)

£m	H1 2018	H1 2017	% Change
Profit after tax*	30.4	25.9	+17%
Non-underlying items			
Amortisation of acquired intangibles	(5.8)	(4.5)	
Exceptional Avonmouth credit	-	21.0	
Other	(0.5)	(0.6)	
	(6.3)	15.9	
Tax on non-underlying items	1.2	(0.1)	
Non-controlling interests	(0.9)	(0.7)	
Attributable to shareholders	24.4	41.0	
Earnings per share*	41.0p	35.0p	+17%
Dividend per share	12.0p	9.7p	+24%

Interim dividend up 24%
Following upward
rebasings of 2017 final
dividend

**Total 2018 dividend
expected to be up 5%**

* Before non-underlying items

Divisional summary*

£m	H1 2018			H1 2017		
	Revenue	OP	Margin	Revenue	OP	Margin
North America	534.3	31.7	5.9%	474.5	28.6	6.0%
EMEA	324.7	19.7	6.1%	346.4	20.0	5.8%
APAC	216.1	(0.4)	-0.2%	170.2	(3.8)	-2.2%
	1,075.1	51.0	4.7%	991.1	44.8	4.5%
Central costs	-	(1.9)		-	(0.8)	
	1,075.1	49.1	4.6%	991.1	44.0	4.4%

Constant currency revenues up 15%:
 North America +23%
 EMEA -4%
 APAC +34%

Constant currency operating profit up 22%:
 North America +21%
 EMEA +5%
 APAC n/a

* Before non-underlying items

Group balance sheet

£m	H1 2018	H1 2017
Goodwill/intangibles	187.6	178.5
Property, plant & equipment	429.4	398.7
Other non-current assets	23.9	29.8
	640.9	607.0
Inventories	76.9	69.5
Receivables	694.9	598.9
Payables	(485.1)	(436.8)
Working capital	286.7	231.6
Capital employed	927.6	838.6
Other liabilities/provisions	(42.9)	(52.1)
Retirement benefits	(24.7)	(29.7)
Tax	(9.6)	(13.4)
Net debt	(367.0)	(297.3)
Net assets	483.4	446.1

**Net capital expenditure
of £38.9m**

**Receivables increase reflects
strong growth, acquisitions
and currency**

Net debt 1.9x EBITDA
2.1x on a covenant basis

Group cash flow statement

£m	H1 2018	H1 2017
Cash from operations before non-underlying items	7.4	(3.7)
Cash flows from non-underlying items	(0.5)	8.3
Cash from operations	6.9	4.6
Capex – net	(38.9)	(31.5)
Interest	(6.7)	(5.9)
Tax	(9.2)	(8.7)
Acquisitions*	(71.4)	(3.0)
Disposals	3.3	62.0
Dividends	(17.6)	(13.8)
Net cash flow	(133.6)	3.7
Opening net debt	(229.5)	(305.6)
Exchange movements	(3.9)	4.6
Closing net debt	(367.0)	(297.3)

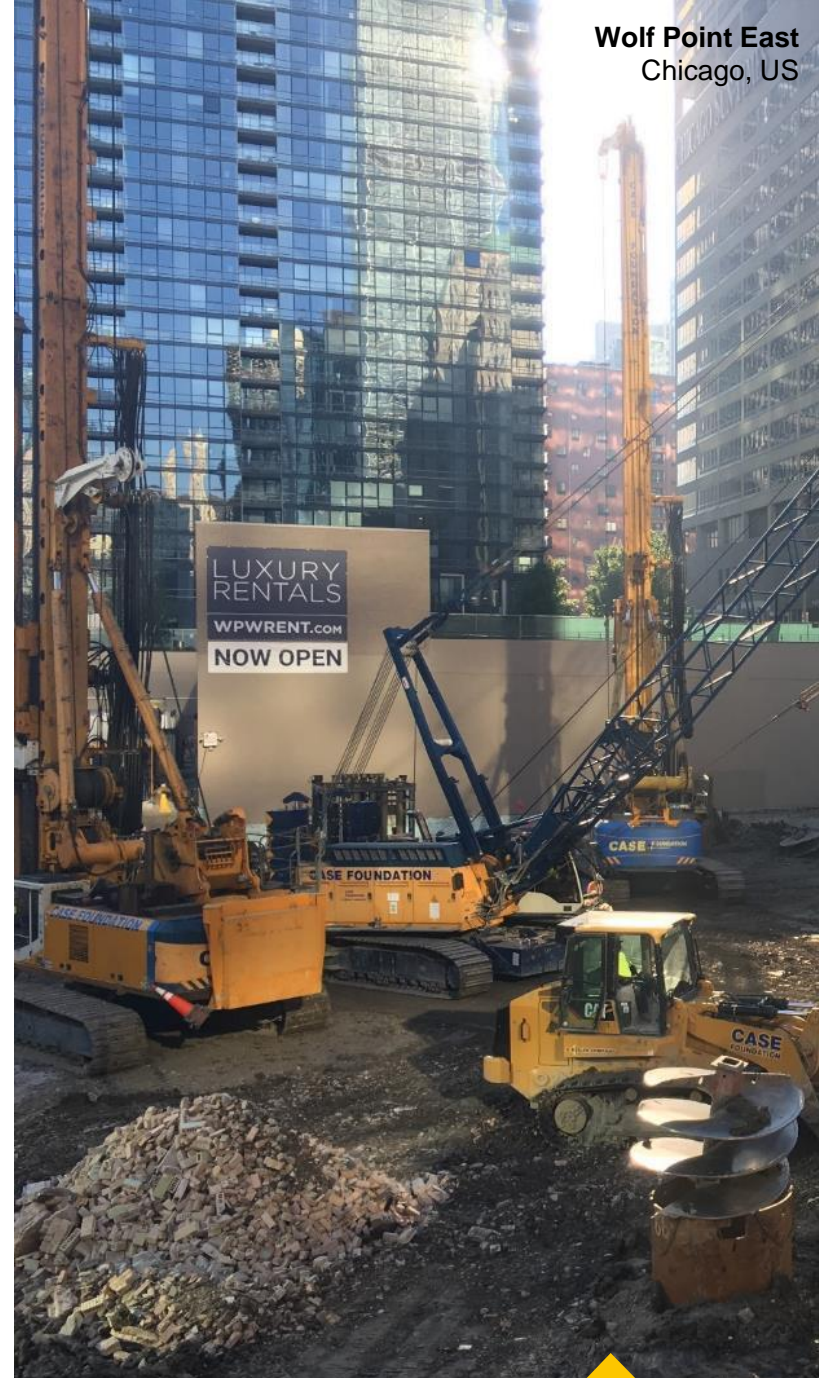
**Full year capex
expected to be circa
£85m**

2018 acquisitions:
Moretrench for £65.5m
Sivenmark for £2.5m

* Including net debt acquired

North America Summary

- Overall market remains solid
- Strong revenue and profit growth
 - Despite poor winter
 - Contract margins remain healthy
- All US foundation businesses had a good first half
 - Case recovered from difficult 2017
 - HJ Foundation performed well in Miami
 - East Branch Dam going to plan
- Moretrench integration proceeding well
- Suncoast challenged by rising steel prices
- Canada market continues to recover



Moretrench acquisition

- Acquired Moretrench on 29 March 2018
- Renowned US geotechnical contractor operating mostly along east coast
- Cash consideration of US\$90m
- 500 employees
- Targeted cost reductions are on plan
- Access to specialised dewatering, ground freezing, and ash pond remediation services

Year ended 31 Dec 2017

Revenue	US\$168m
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Operating profit	US\$11m*
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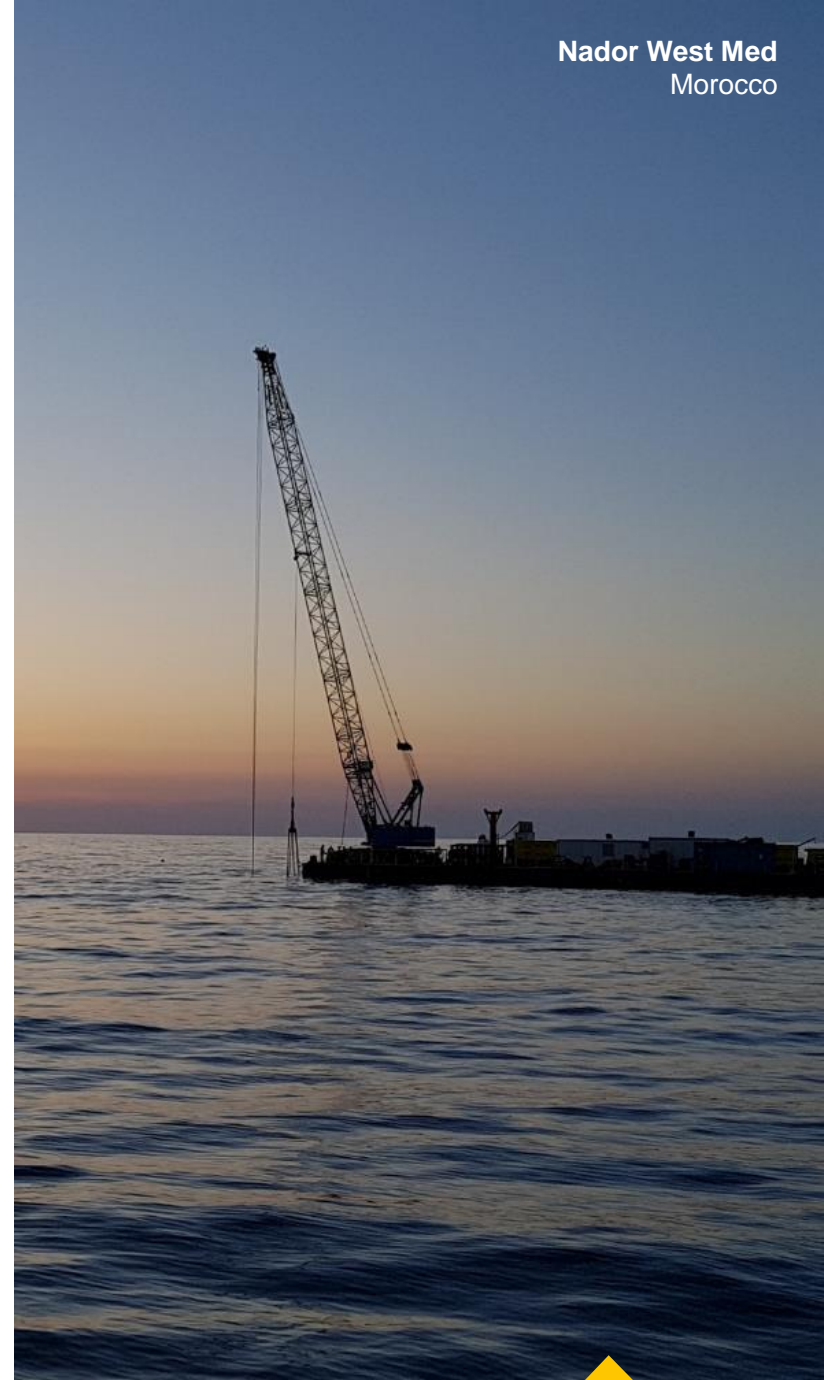
EBITDA	US\$16m*
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* excluding US\$2.8m of charges relating directly to Employee Share Ownership Plan and transaction

EMEA

Summary

- Revenue slightly down reflecting completion of major projects
- Flat operating profit includes £6m benefit from resolution of open commercial items on major projects
- Good performance from Continental Europe, despite harsh winter
- Quiet H1 for UK
 - Targeting significant HS2 work
- Middle East slower in H1
- Conditions in Africa and Brazil remain challenging



APAC Summary

- Very strong revenue growth
 - Both Asia and Australia
- Broadly break even result – profitable Q2
- Excellent performance by Austral and India
- ASEAN and Keller Australia improving
- Waterway challenged by low volumes and project performance
- Significant leadership changes
- Confident that APAC will be profitable in the full year



Notable projects

1

Data Centre, Tennessee
Three Keller companies in partnership

2

Estates at Aqualina, US
World record 183 feet deep CFA

3

Mostaganem, Algeria
260,000m of stone columns and 47,500m of bored piles

4

Årstafältet, Sweden
Contract with new acquisition, Sivenmark

5

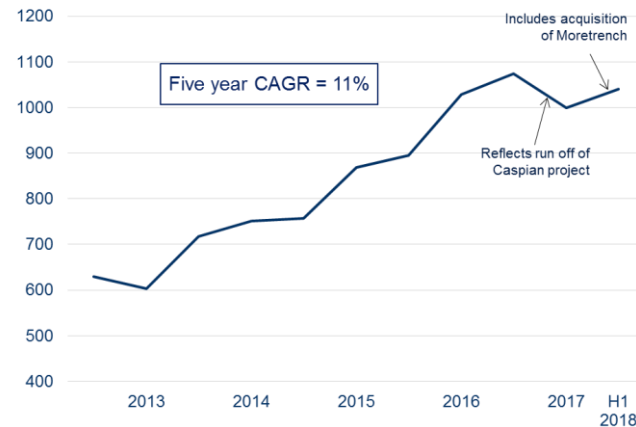
Polavaram Dam
India's first jet grouting project complete

6

Melbourne rail projects
Level crossing improvement programme worth A\$25m to date



Order book (£m constant currency)



Melbourne's Metro Tunnel Project

- New twin 9-km tunnels and five new underground stations
- 50:50 joint venture (KIJV) with Intrafor, part of Bouygues Construction
- A\$200m (£113m) contract
- To construct the substructure retention walls and foundation piling for five stations
- Most work complete mid-2019 with some continuing through to 2020



**KELLER
INTRAFOR**
JOINT VENTURE



Organisational changes

Group

- Chris Girling, Non-executive Director and Chairman of Audit Committee, to retire after 2019 AGM
- Paula Bell joins as a Non-executive Director in September - will become Audit Committee Chairman in January 2019
- Baroness Kate Rock joins as Non-executive Director in September
- Michael Speakman will be appointed Chief Financial Officer in August
- John Raine joined Keller as Group HSEQ Director in July
- Gerrit Heinrichs joined as Group Lean Director in March

North America

- James Hind will succeed John Rubright as Divisional President, North America in August
- Eric Drooff, currently President of Hayward Baker will, in addition, assume the new role of Chief Operating Officer, North America in August

APAC

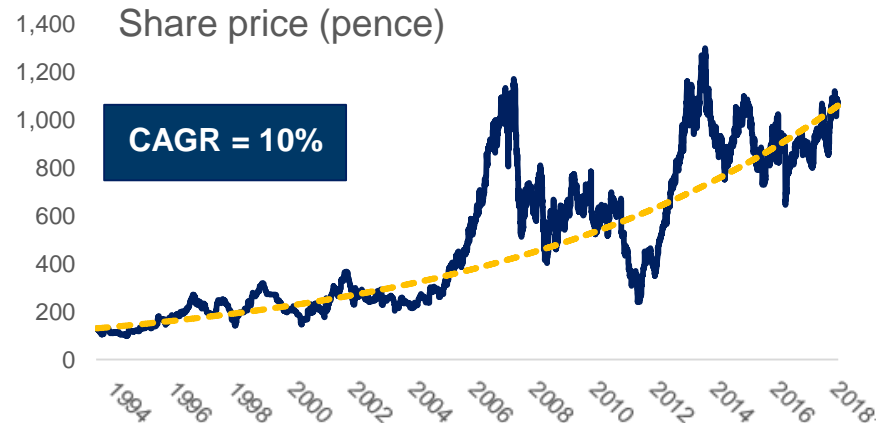
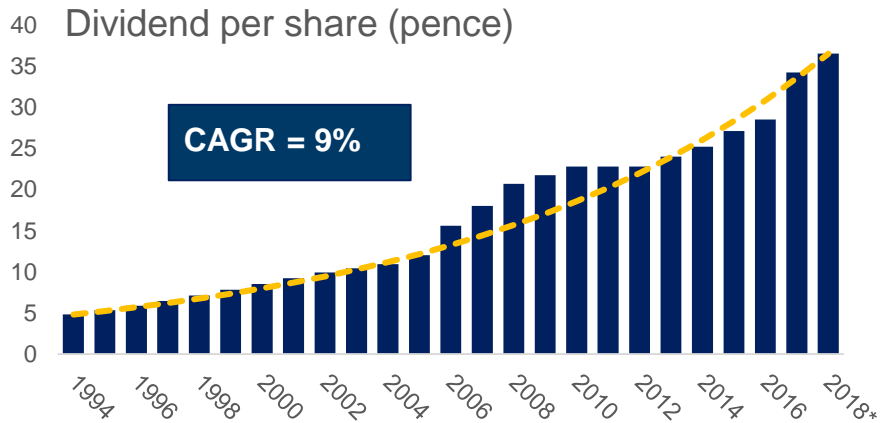
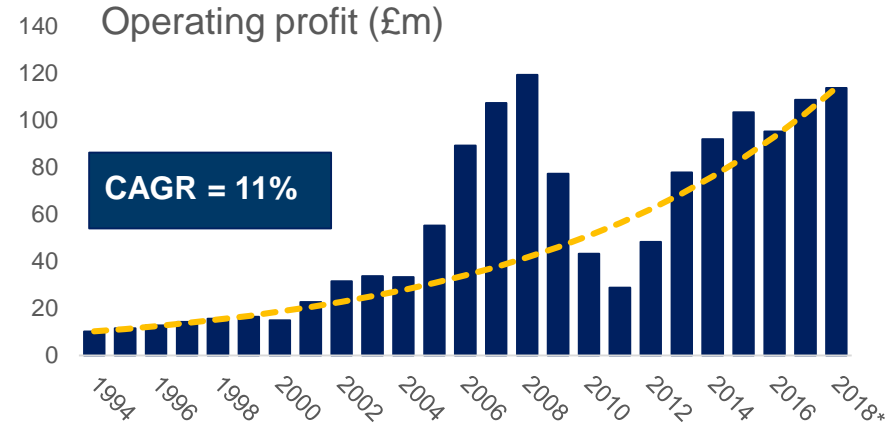
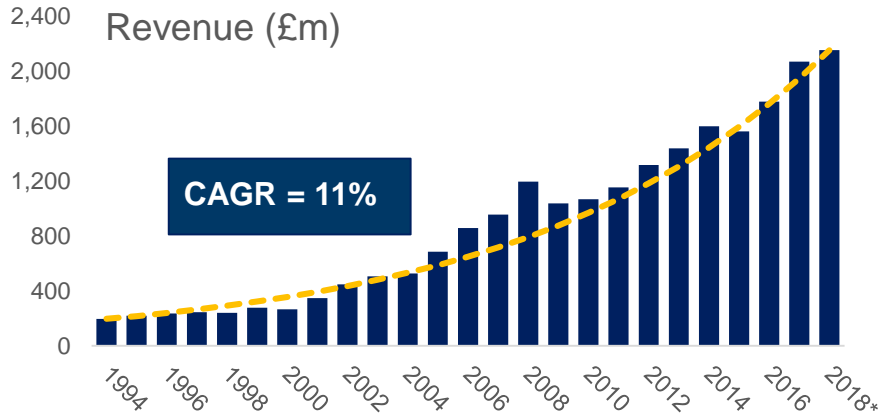
- Peter Wyton joined as Divisional President, APAC in April

Outlook

- Most of our markets remain robust
- Well positioned to take advantage of global industry trends
- North America well set for H2
- As expected, EMEA's H2 revenue and profit will be down in 2018
- APAC expected to report a full year profit
- Business improvement projects on track
- Full year results expected to be in line with expectations



Financial performance since listing in 1994



TSR of 12% CAGR vs 7% FTSE-all-share CAGR

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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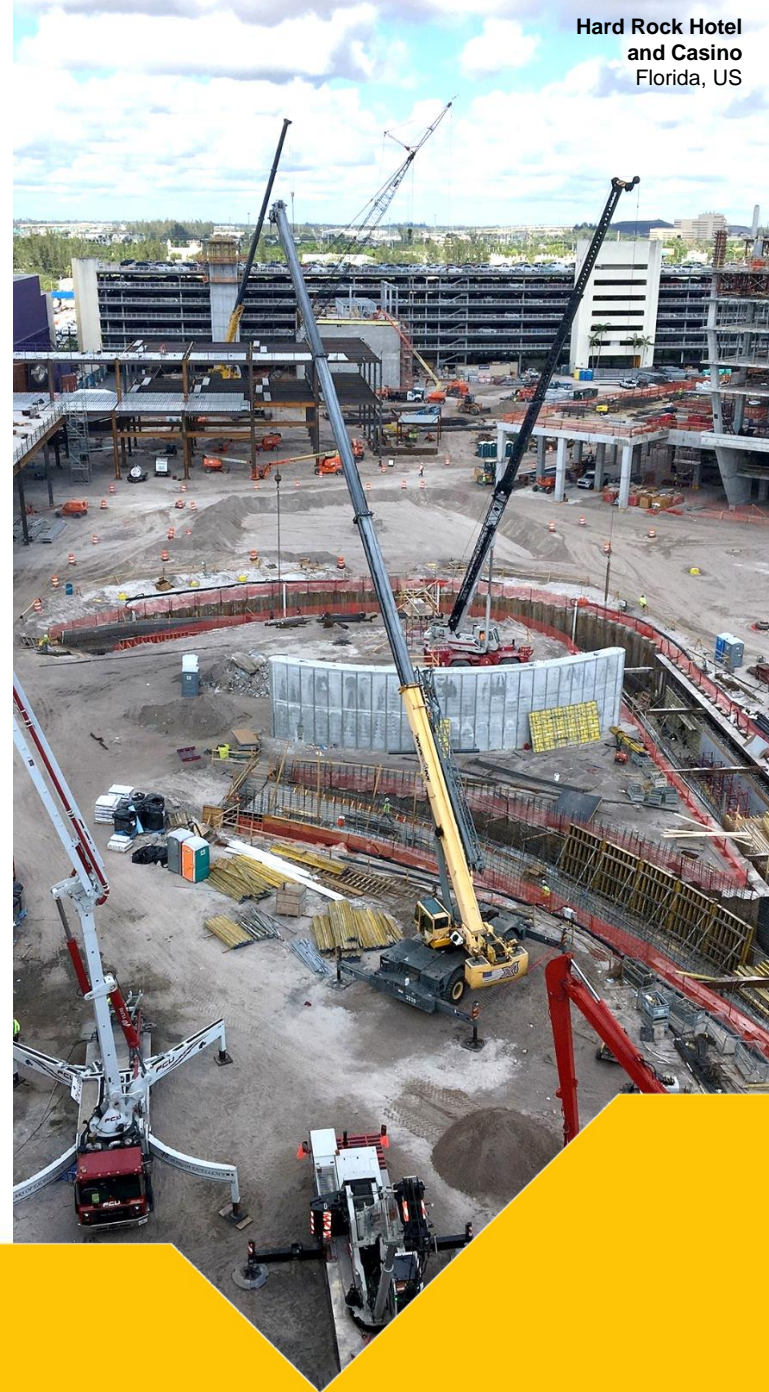
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Keller overview

Hard Rock Hotel
and Casino
Florida, US



Keller today

Every day millions of people around the world live, work and play on ground prepared by Keller

Our purpose

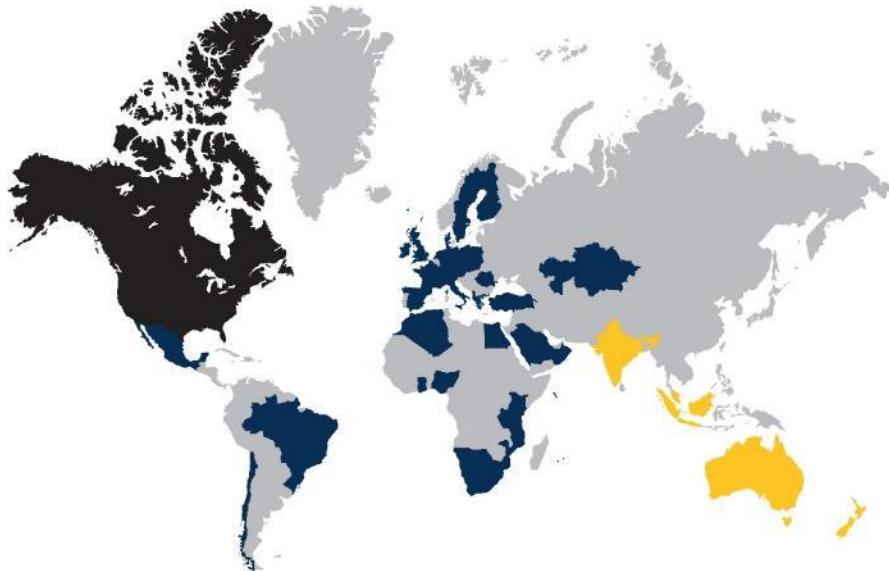
To help create infrastructure that improves the world's communities

Our vision

To be the world's leading geotechnical contractor

Our values

- Integrity
- Collaboration
- Excellence



Three divisions

22 business units

190
branches



2.1bn
revenue



11,000
employees



6,300
contracts pa



Keller investment case



We operate in the **large and growing** global construction and infrastructure market



The specialist geotechnical contracting sub-sector has **higher margins** and favourable market trends



We are the **number 1 business** worldwide given our size, profitability and capabilities (wide product portfolio, branch network, equipment fleet, technical leadership and operational track record)



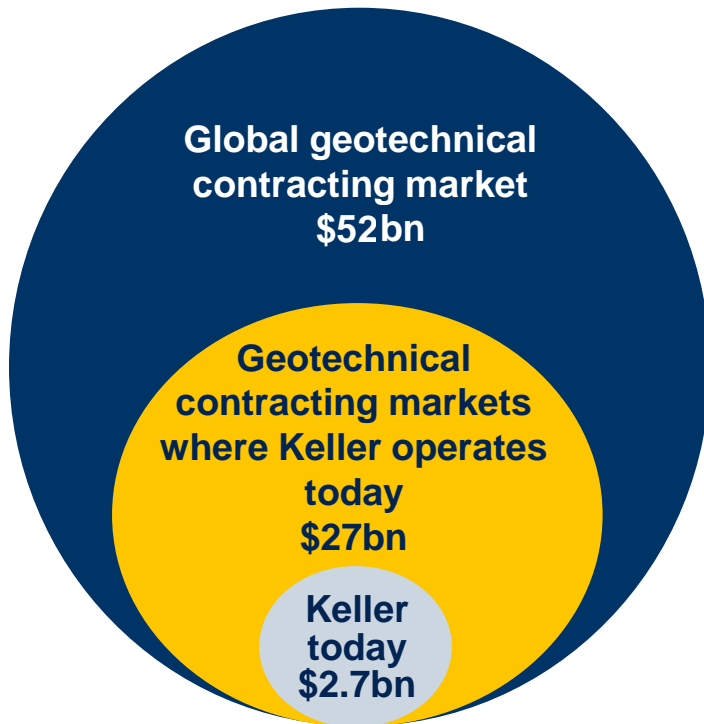
We still have **many areas for improvement** and a strategy to deliver the benefits



We have a stable business model with a long-term track record of **growth and value creation**

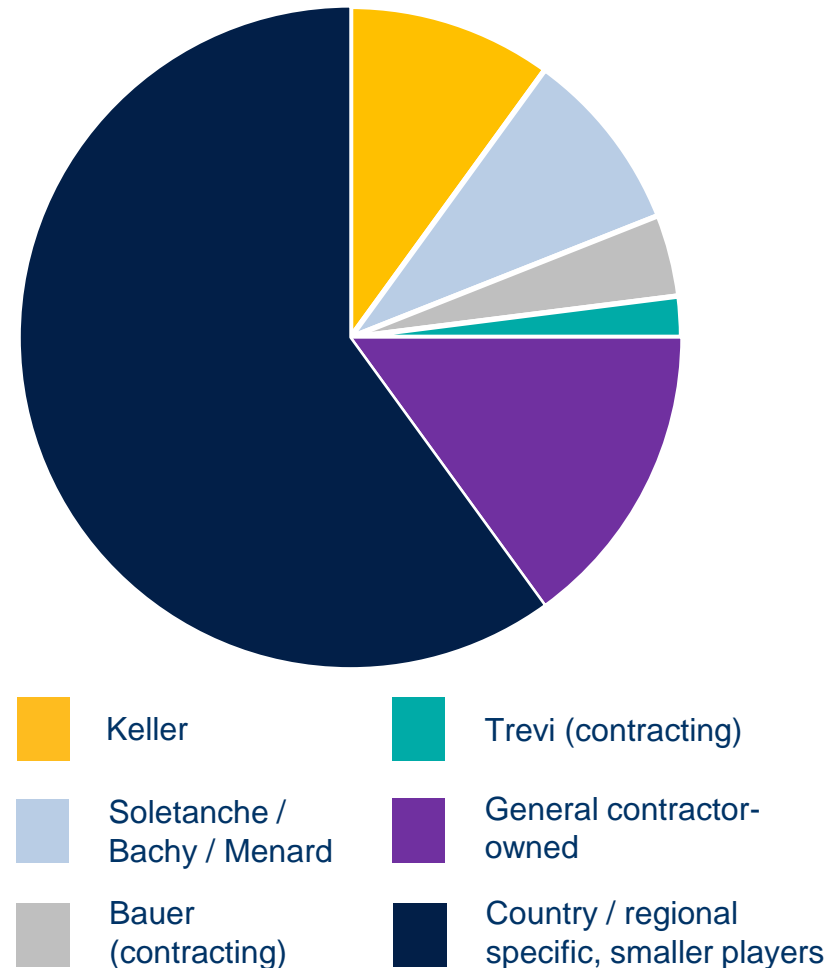
Geotechnical market size and share

Market size



Non-addressable market
mainly China, Korea, Japan
and Russia

Share of addressable market



Market demand trends play to our strengths

1 Urbanisation and more large-scale development projects

200,000 people are added daily to urban areas

2 Increasing land shortage, driving a need to use more brownfield and marginal land

Most inner city sites are 2nd or 3rd generation

3 Infrastructure renewal and expansion eg road, rail, power

1 in 3 German railway bridges are more than 100 years old

4 Increasing demand from customers for complete solutions not just products

More than 1,000 metro stations will be built over the next 10 years

5 Increasing technical complexity

Geotechnical instrumentation and monitoring market growing >10%pa

Sources: WEF Shaping the Future of Construction, May 2016. Research and Markets

Factors to consider in geotechnical engineering

Site conditions

- Sand, silt, clay, rock, organic
- Loose, soft, stiff, hard, porous
- Deep, shallow, cavities
- Water levels (high, low)



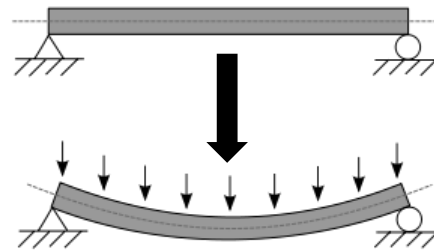
Requirements

- Performance (allowable settlements)
- Schedule
- Cost



Loading conditions

- Spread, low intensity
- Slender, high intensity, sensitive
- Seismic loading and liquefaction
- Dynamic, wind



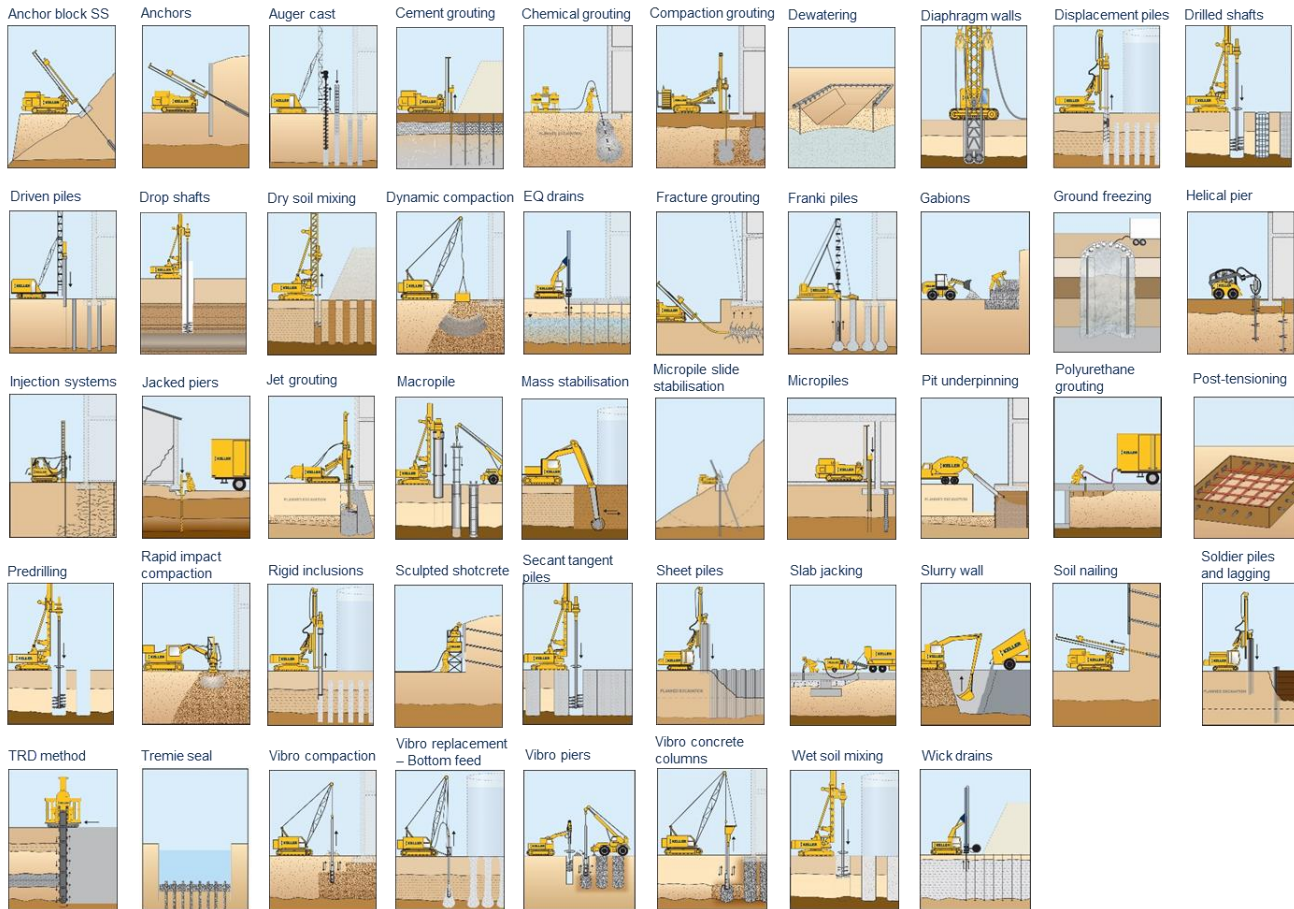
Constraints

- Neighbouring buildings
- Noise, vibration
- Utilities, other underground structures



Full product range

- Allows us to make the right choice for the given soil and structure type
- Right combination of products leads to optimal solutions



Value engineering

- Employ around 1,500 geotechnical engineers worldwide; over 200 focused purely on design
- 50% of our projects are 'design and build' where value engineering can reduce cost by up to 40% and save time

Maiden Lane, New York

- 57-storey tower, lower Manhattan
- Congested site where conventional solution unbuildable
- Keller provided solution using jet grouting which saved \$5m (31%) and three months



The equipment advantage

Large fleet and design and manufacture capability

Keller total fleet

- Total equipment fleet is 1,300 rigs
 - The largest equipment fleet in the world with net book value of £350m

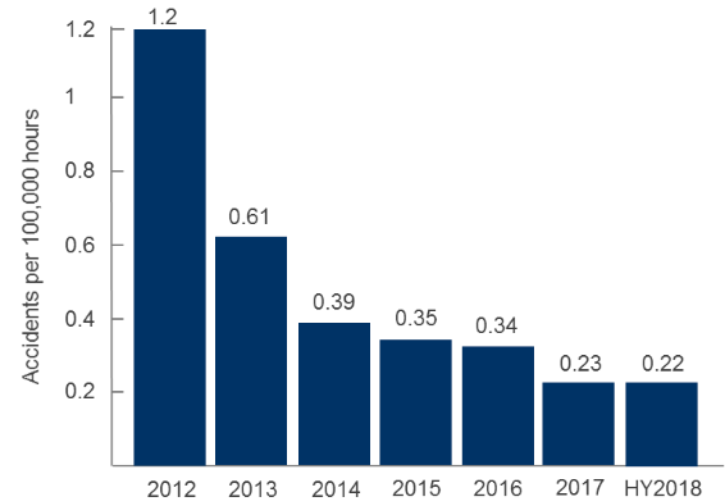
Keller manufactured fleet

- We manufacture specialist equipment in Germany
- Available only to Keller
- 20% of our projects are executed using Keller equipment generating a revenue over £300m









Sustainability at Keller

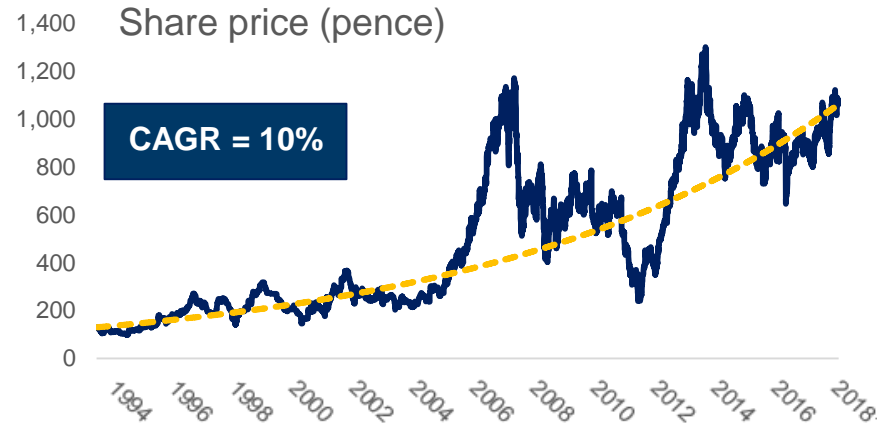
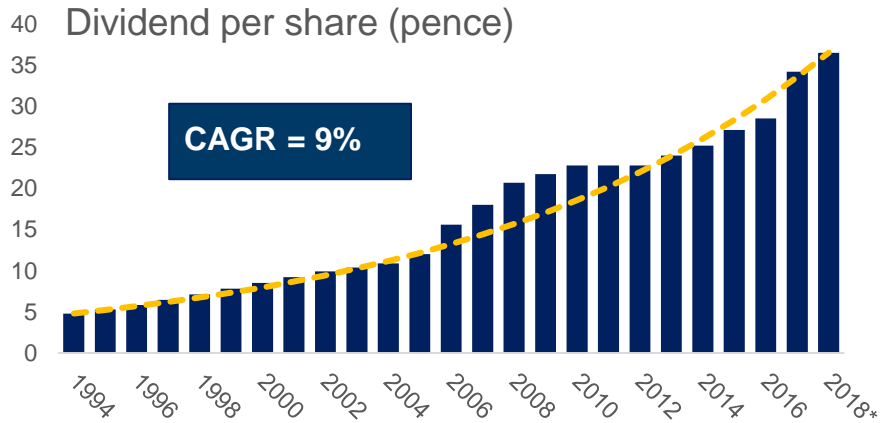
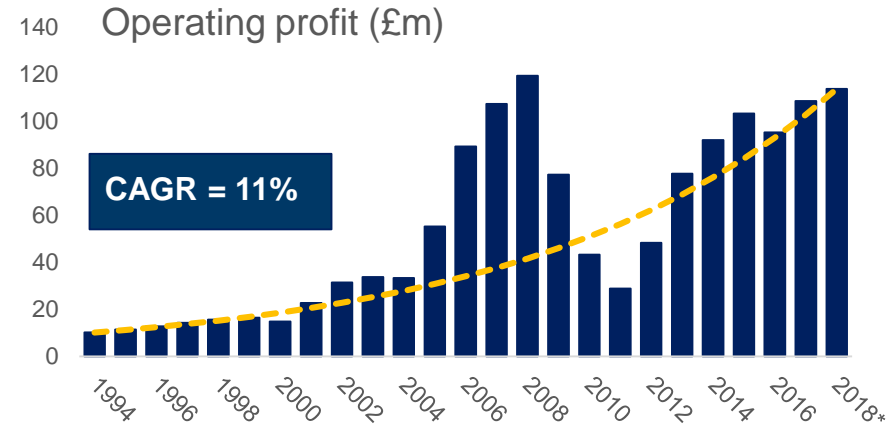
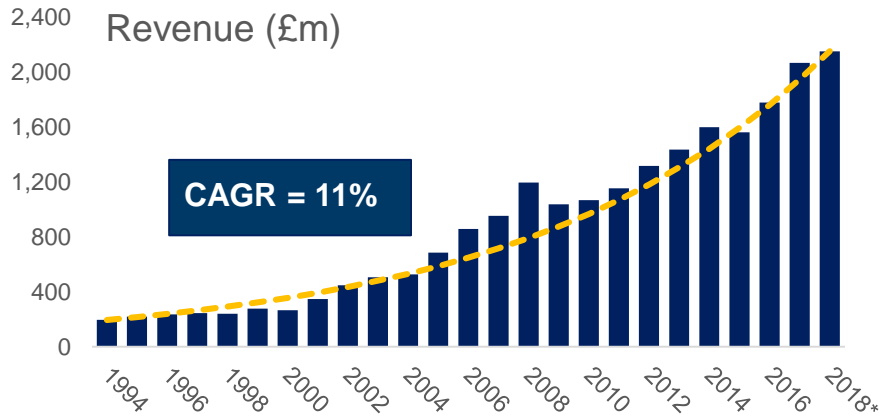
- **Health and safety:** AFR <0.25 (vs. industry average c0.8)
- **Climate change:** Carbon Disclosure Project rating A-
- **Sustainable solutions:** Low carbon products eg stone columns and sand compaction, and offer to offset embedded carbon
- **Quality education:** Safety, technical and competency-based training, graduate and leadership programmes
- **Gender equality:** Reviewed workforce make-up, updated diversity and inclusiveness policies and developing plan for delivery
- **Decent work and economic growth:** Employ around 11,000 people worldwide



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	

Financial performance since listing in 1994



TSR of 12% CAGR vs 7% FTSE-all-share CAGR

Through the cycle financial targets

- **Revenue**
 - Organic growth ahead of market
 - Last five years: Keller 4.9%; relevant construction markets 1.3%
 - Double digit CAGR including acquisitions
 - Continuation of long term trend
- **Profitability**
 - ROCE in excess of 20%
 - £50m of gross benefits from improvement initiatives by 2020
 - Half to drop through to incremental profit
- **Dividend**
 - Continued growth through the cycle (rebased upwards in 2017)
- **Gearing**
 - Headline net debt typically between 1.5x and 2.0x EBITDA

Capital allocation priorities

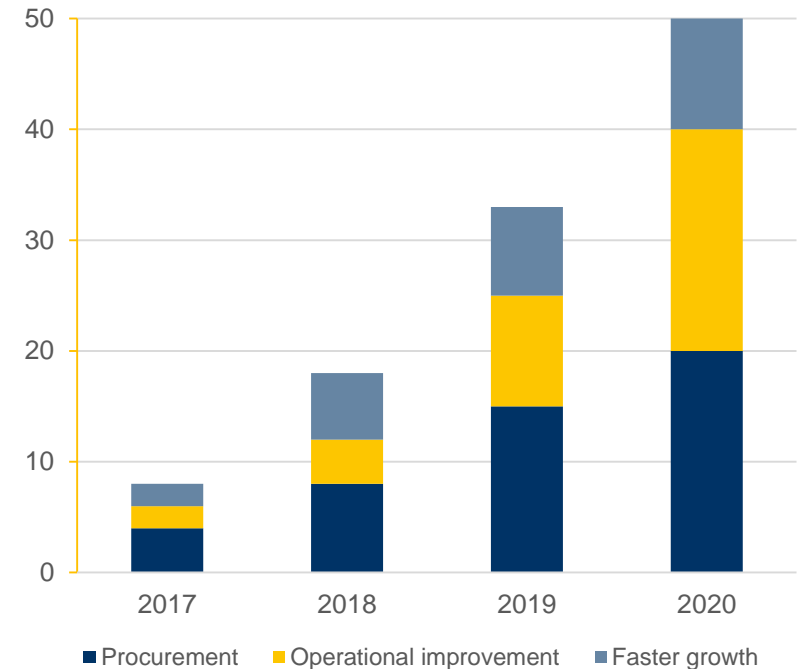
1. Profitable organic growth opportunities
2. Bolt-on acquisitions meeting Keller's investment criteria
3. Ordinary dividends
 - At a level allowing dividend growth through the cycle
4. Return capital to shareholders
 - Only where the balance sheet allows
 - Unlikely to be considered if could take net debt to $>1.5x$ EBITDA
 - After taking account of other investment opportunities/cash requirements
 - Any short term return of capital likely to be share buy-back



Targeted £50m gross benefits

- Targeting £50m of annualised gross benefits by 2020
 - Half to be incremental profit; half invested to enhance competitive positioning
- Benefits expected to accumulate over time
 - Many are slow burn
 - Upfront investment required
- Internal quarterly monitoring system established
- Will publicly report annually on progress

Indicative realisation of £50m of gross benefits



Cost and efficiency

Where will they come from?

	Cost*		Procurement	Operational improvement
	£m	%		
Materials	650	34%	<ul style="list-style-type: none"> • Volume rebates • Quality/reliability • Major projects 	<ul style="list-style-type: none"> • Less waste • Innovation
Site employees	400	21%	<ul style="list-style-type: none"> • Agency labour 	<ul style="list-style-type: none"> • Higher productivity • Less waste • Better quality work
Equipment	300	16%	<ul style="list-style-type: none"> • Capital purchases • Equipment rental • Spares/tooling 	<ul style="list-style-type: none"> • Productivity • Utilisation • Digitisation
Other site costs	300	16%	<ul style="list-style-type: none"> • Subcontractors • Transport / fuel • Accommodation 	<ul style="list-style-type: none"> • Improved efficiency
Overheads	250	13%	<ul style="list-style-type: none"> • Travel • Insurance • Property costs 	<ul style="list-style-type: none"> • Process efficiency • Shared services

* Indicative

Keller fact sheet

- Established 1860, now number 1 geotechnical contractor globally
- Revenue by division (FY17): 47% North America, 35% EMEA, 18% APAC (only c3% of business in UK)
- Revenue by sector (FY17): 35% Infrastructure/Public buildings, 24% Residential, 23% Power/Industrial, 18% Office/Commercial
- Room to grow:
 - Global geotechnical contracting market - \$52bn
 - Geotechnical contracting markets where Keller operates - \$27bn (excludes China, Japan, Korea and Russia)
 - Keller today c\$2.7bn – a 5% global market share and a 10% share of the markets in which we operate
- Operate in 40 countries, across six continents
- Three divisions, 22 business units, 190 branches
- About 11,000 employees, of which around 1,500 are geotechnical engineers, >200 focused purely on design
- 1,300 rigs globally, net book value c£350m (FY17)
- About 20% of our capex is spent on our own equipment, mainly vibro and jet grouting
- On average we work on c6,300 contracts per year
- About 50% of our contracts are design and build, 50% are build only
- Contracts over £5m revenue make up under 1% of the number of contracts, but account for c20% of total revenue
- Typical contract value range £25k to £10m
- On average c25 sites mobilised every day, across the world
- We typically spend a few weeks on site (smaller projects) with up to two years for large projects
- We have over 50 techniques or products, with 10 major product groups
- Product split (FY17): 41% Heavy foundations, 24% Ground improvement, 14% Earth retention, 10% Grouting, 10% Post-tension systems, 1% Instrumentation and monitoring
- Industry trends are favourable to Keller: Urbanisation/large scale development, Brownfield/marginal land, Infrastructure renewal, Complete Solutions, Technical complexity
- We are the leading consolidator in the industry - over 20 acquisitions since 2000
- Strong safety focus, AFR <0.25 (vs. industry average c0.8)
- Keller supports the UN Global Compact and aims to adhere to its 10 principles in the areas of anticorruption, environment, human rights and labour

Investor Relations contact



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Victoria Huxster joined Keller in August 2017 and brings 15 years' of stock market experience – she started her career in Equity Sales at Cazenove and subsequently joined Liberum Capital at its inception. She spent two years at financial PR firm Tulchan advising a broad range of listed UK companies, before moving in house to be Head of Investor Relations at Jimmy Choo PLC.