



# Keller Group plc Half year results 2019

29 July 2019



# 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.

For a more detailed description of these risks, uncertainties and other factors, please see the Risk Management approach and Principal Risks section of the Strategic Report.

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# Agenda

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01 Summary

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02 Financial results

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03 Business update

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04 Outlook

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05 Questions and answers



# Summary

Revenue	Underlying operating profit	Underlying operating margin	Underlying EPS	Order book	Dividend
<b>£1,092m</b>	<b>£37.5m</b>	<b>3.4%</b>	<b>28.5p</b>	<b>£1bn</b>	<b>12.6p</b>
Up 2% (Down 2% CC)	Down 24% (Down 29% CC)	Down 1.2%	Down 30% (Down 36% CC)	No change	Up 5%

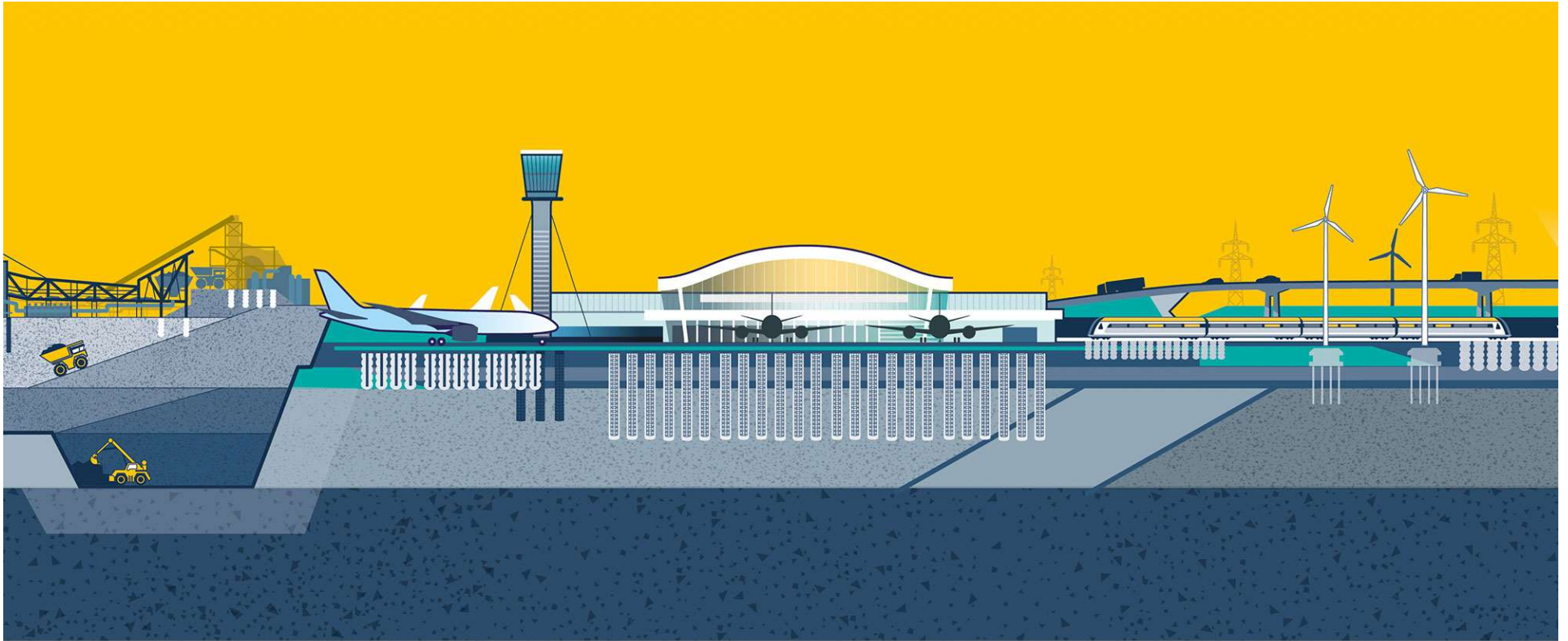
- First half results in line with expectations driven by an increased momentum in the second quarter offsetting a weak start to the year
- Year-on-year profit decrease primarily driven by completion of two large EMEA projects in 2018
- Net debt decreased year-on-year by £33.5m to £333.5m - represents 2.1x net debt/EBITDA (on a covenant and IAS 17 basis)
- Restructuring programme started in 2018 has progressed well
- Reorganisation of North American business, effective January 2020, expected to drive material revenue growth in the medium term
- Full year expectations unchanged with stronger second half anticipated

CC = Constant currency

# Summary of management actions

Area	Issue / opportunity	Actions
ASEAN	<ul style="list-style-type: none"><li>• Tough markets and poor project performance – significant loss in 2018</li></ul>	<ul style="list-style-type: none"><li>• New business unit leadership</li><li>• Comprehensive restructuring</li><li>• Exit of product lines (heavy foundations)</li><li>• A focus on ground improvement</li><li>• Returned to profit in H1</li></ul>
Waterway	<ul style="list-style-type: none"><li>• Difficult market conditions and poor project performance</li><li>• No material improvement in quality of contract awards</li></ul>	<ul style="list-style-type: none"><li>• Waterway restructuring extended and business will cease operations from October 2019</li></ul>

Area	Issue / opportunity	Actions
Brazil Franki Africa	<ul style="list-style-type: none"> <li>• Still tough markets</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity reduction in 2018</li> <li>• Further cost actions potentially required in H2 2019</li> </ul>
Suncoast	<ul style="list-style-type: none"> <li>• Steel cost increases and margin compression in 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing increases now passed through and margin restored</li> </ul>
Large project pipeline	<ul style="list-style-type: none"> <li>• Successful completion of two large EMEA projects in 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Steady underlying improvement in EMEA core business</li> <li>• Active engagement globally on prospects in 2020+</li> </ul>
North American foundation businesses	<ul style="list-style-type: none"> <li>• Potential to combine capabilities, strengthen market position and provide platform for further growth</li> </ul>	<ul style="list-style-type: none"> <li>• Reorganising foundation businesses to operate as one Keller in each local market, offering all products and services, effective January 2020</li> </ul>



# Financial results

# Summary income statement

£m	H1 2019 <sup>2</sup>					H1 2018		
	Underlying (IAS 17 basis)	Effect of IFRS 16 <sup>1</sup>	Underlying (IFRS 16 basis)	Non- underlying	Total (IFRS 16 basis)	Underlying (IAS 17 basis)	Non- underlying	Total (IAS 17 basis)
<b>Revenue</b>	<b>1,091.7</b>	-	<b>1,091.7</b>	-	<b>1,091.7</b>	1,075.1	-	1,075.1
Operating costs	<b>(1,054.3)</b>	<b>0.8</b>	<b>(1,053.5)</b>	<b>(7.4)</b>	<b>(1,060.9)</b>	(1,026.0)	(0.5)	(1,026.5)
Amortisation of acquired intangibles	-	-	-	<b>(1.7)</b>	<b>(1.7)</b>	-	(5.8)	(5.8)
Other operating income	-	-	-	<b>3.3</b>	<b>3.3</b>	-	-	-
Share of post-tax profits from JVs	<b>0.1</b>	-	<b>0.1</b>	-	<b>0.1</b>	-	-	-
<b>Operating profit</b>	<b>37.5</b>	<b>0.8</b>	<b>38.3</b>	<b>(5.8)</b>	<b>32.5</b>	49.1	(6.3)	42.8
Operating profit margin (%)	<b>3.4%</b>	-	<b>3.5%</b>	-	<b>3.0%</b>	4.6%	-	4.0%
Net finance costs	<b>(8.6)</b>	<b>(2.2)</b>	<b>(10.8)</b>	-	<b>(10.8)</b>	(6.9)	-	(6.9)
<b>Profit/(loss) before tax</b>	<b>28.9</b>	<b>(1.4)</b>	<b>27.5</b>	<b>(5.8)</b>	<b>21.7</b>	42.2	(6.3)	35.9
Taxation	<b>(8.1)</b>	<b>0.4</b>	<b>(7.7)</b>	<b>(10.2)</b>	<b>(17.9)</b>	(11.8)	1.2	(10.6)
Profit/(loss) for the period	<b>20.8</b>	<b>(1.0)</b>	<b>19.8</b>	<b>(16.0)</b>	<b>3.8</b>	30.4	(5.1)	25.3
Diluted earnings per share (p)	<b>28.5</b>		<b>27.1</b>		<b>4.8</b>	40.7		33.7
Interim dividend per share (p)					<b>12.6</b>			12.0

<sup>1</sup> The group adopted IFRS 16 on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. As such, comparative information has not been restated.

<sup>2</sup> For the first time, the half year results have been subject to review by the group's external auditors

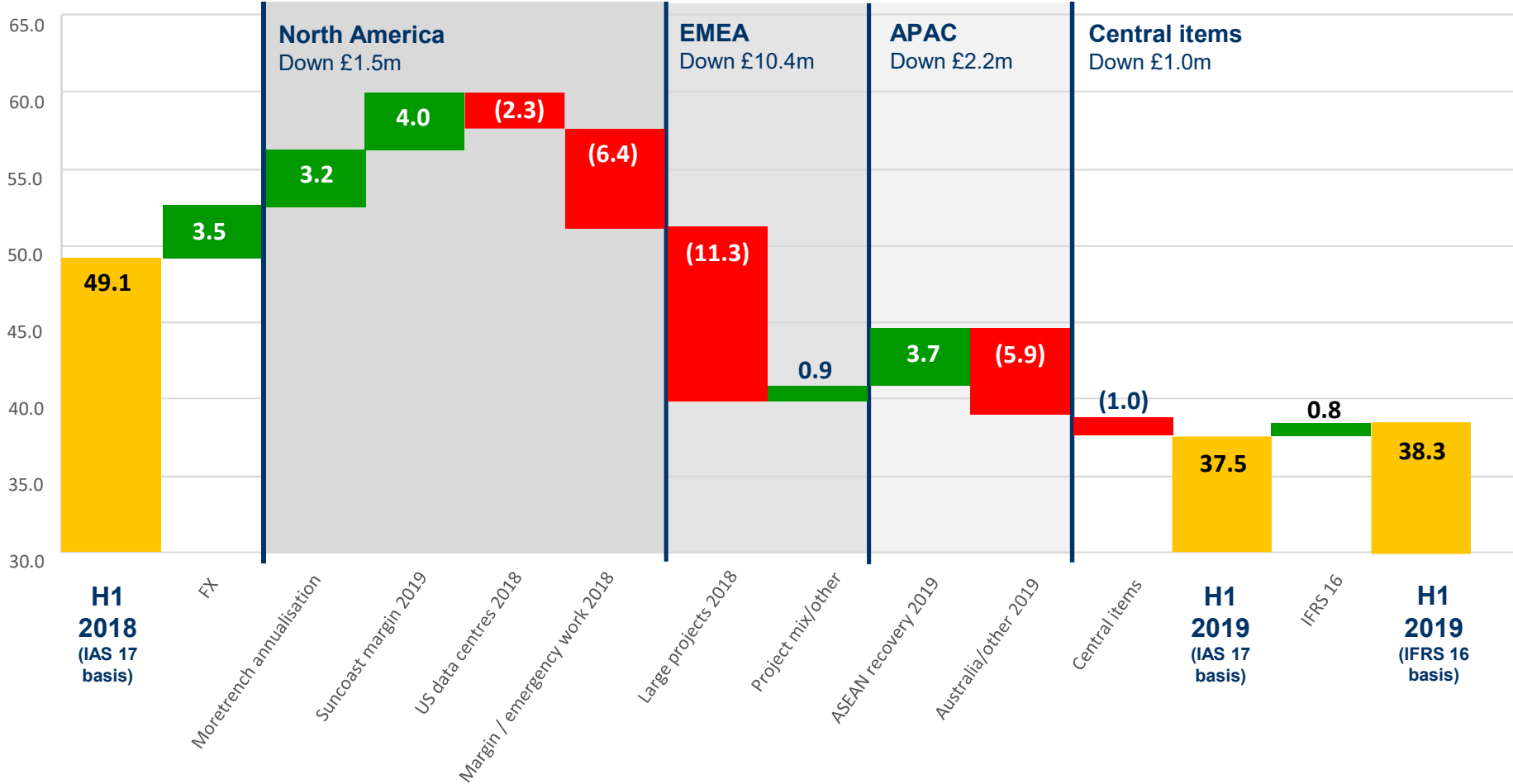
# Summary income statement - Underlying

£m	H1 2019 <sup>2</sup>						
	Underlying (IAS 17 basis)	Effect of IFRS 16 <sup>1</sup>	Underlying (IFRS 16 basis)	Non- underlying	Total (IFRS 16 basis)		
<b>Revenue</b>	<b>1,091.7</b>	-	<b>1,091.7</b>	-	<b>1,091.7</b>	<b>Revenue</b>	
Operating costs	(1,054.3)	0.8	(1,053.5)	(7.4)	(1,060.9)	Organic	-5%
Amortisation of acquired intangibles	-	-	-	(1.7)	(1.7)	Moretrench	+3%
Other operating income	-	-	-	3.3	3.3	<b>Constant currency</b>	<b>-2%</b>
Share of post-tax profits from JVs	0.1	-	0.1	-	0.1	FX	+4%
<b>Operating profit</b>	<b>37.5</b>	<b>0.8</b>	<b>38.3</b>	<b>(5.8)</b>	<b>32.5</b>	Total	<b>+2%</b>
Operating profit margin (%)	3.4%	-	3.5%	-	3.0%	<b>Operating profit</b>	
Net finance costs	(8.6)	(2.2)	(10.8)	-	(10.8)	Organic	-36%
<b>Profit/(loss) before tax</b>	<b>28.9</b>	<b>(1.4)</b>	<b>27.5</b>	<b>(5.8)</b>	<b>21.7</b>	Moretrench	+7%
Taxation	(8.1)	0.4	(7.7)	(10.2)	(17.9)	<b>Constant currency</b>	<b>-29%</b>
Profit/(loss) for the period	20.8	(1.0)	19.8	(16.0)	3.8	FX	+5%
Diluted earnings per share(p)	28.5		27.1		4.8	Total	-24%
Full year dividend per share(p)					12.6	<b>Net financing costs</b>	
						Increase of £1.7m due to increases in the average level of borrowings, margin and base rates, compounded by FX headwinds.	
						<b>Taxation</b>	
						Effective tax rate for 2019 & 2018 28%	
						<b>Dividend</b>	
						Board recommendation	12.6p
						Growth of	5%
						Earnings cover	2.3x

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# Underlying operating profit bridge H1 2018 to H1 2019



# Summary income statement – IFRS 16

£m	H1 2019 <sup>2</sup>				
	Underlying (IAS 17 basis)	Effect of IFRS 16 <sup>1</sup>	Underlying (IFRS 16 basis)	Non- underlying	Total (IFRS 16 basis)
<b>Revenue</b>	<b>1,091.7</b>	-	<b>1,091.7</b>	-	<b>1,091.7</b>
Operating costs	(1,054.3)	0.8	(1,053.5)	(7.4)	(1,060.9)
Amortisation of acquired intangibles	-	-	-	(1.7)	(1.7)
Other operating income	-	-	-	3.3	3.3
Share of post-tax profits from JVs	0.1	-	0.1	-	0.1
<b>Operating profit</b>	<b>37.5</b>	<b>0.8</b>	<b>38.3</b>	<b>(5.8)</b>	<b>32.5</b>
Operating profit margin (%)	3.4%	-	3.5%	-	3.0%
Net finance costs	(8.6)	(2.2)	(10.8)	-	(10.8)
<b>Profit/(loss) before tax</b>	<b>28.9</b>	<b>(1.4)</b>	<b>27.5</b>	<b>(5.8)</b>	<b>21.7</b>
Taxation	(8.1)	0.4	(7.7)	(10.2)	(17.9)
Profit/(loss) for the period	20.8	(1.0)	19.8	(16.0)	3.8
Diluted earnings per share (p)	28.5		27.1		4.8
Full year dividend per share (p)					12.6

IFRS 16 Operating costs	
Depreciation charge on right-of-use assets	(11.9)
Operating lease expense	12.7
	<u>0.8</u>

Net finance costs	
Lease liability interest expense	

Taxation	
Effective tax rate 28%	

Balance sheet	
Opening balance take on:	
Right-of-use assets	86.3
Lease liabilities	(87.1)
Closing balance H1 2019:	
Right-of-use assets	84.4
Lease liabilities	(87.6)

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# Summary income statement – Non underlying

£m	H1 2019 <sup>2</sup>						
	Underlying (IAS 17 basis)	Effect of IFRS 16 <sup>1</sup>	Underlying (IFRS 16 basis)	Non- underlying	Total (IFRS 16 basis)		
<b>Revenue</b>	<b>1,091.7</b>	-	<b>1,091.7</b>	-	<b>1,091.7</b>	<b>Non underlying operating costs</b>	
Operating costs	(1,054.3)	0.8	(1,053.5)	(7.4)	(1,060.9)	Waterway restructuring charge	(11.0)
Amortisation of acquired intangibles	-	-	-	(1.7)	(1.7)	ASEAN restructuring provision release	4.9
Other operating income	-	-	-	3.3	3.3	Other	(0.8)
Share of post-tax profits from JVs	0.1	-	0.1	-	0.1	Net restructuring charge	(6.9)
<b>Operating profit</b>	<b>37.5</b>	<b>0.8</b>	<b>38.3</b>	<b>(5.8)</b>	<b>32.5</b>	Acquisition costs	(0.5)
Operating profit margin (%)	3.4%	-	3.5%	-	3.0%	Total	(7.4)
Net finance costs	(8.6)	(2.2)	(10.8)	-	(10.8)	<b>Amortisation of acquired intangibles</b>	
<b>Profit/(loss) before tax</b>	<b>28.9</b>	<b>(1.4)</b>	<b>27.5</b>	<b>(5.8)</b>	<b>21.7</b>	Moretrench	(0.7)
Taxation	(8.1)	0.4	(7.7)	(10.2)	(17.9)	Austral	(0.8)
Profit/(loss) for the period	20.8	(1.0)	19.8	(16.0)	3.8	Sivenmark	(0.2)
Diluted earnings per share (p)	28.5		27.1		4.8	Total	(1.7)
Full year dividend per share (p)					12.6	<b>Other operating income</b>	
						Proceeds from contract dispute settlement	3.3
						<b>Statutory profit</b>	
						Underlying profit (IAS 17 basis)	20.8
						IFRS 16 impact	(1.0)
						Non-underlying items	(16.0)
						Statutory profit	3.8

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# Cash flow

£m	H1 2019 (IAS 17 basis)	H1 2018	
Underlying operating profit	37.5	49.1	
Depreciation and amortisation	34.7	34.4	<b>Depreciation/Capex</b> Capex/Depreciation 73% Fleet renewal programme complete
<b>Underlying EBITDA</b>	<b>72.2</b>	83.5	
Non-cash items	0.6	1.3	
Share of post-tax results of joint ventures	(0.1)	-	
(Increase)/decrease in working capital	(66.3)	(73.1)	<b>Working capital</b> <b>Compared to H2 2018</b> Volume 11 Performance (77) Working capital cash flow (66)
Outflows from provisions and retirement benefit liabilities	(3.3)	(4.3)	
Net capital expenditure	(25.3)	(38.9)	<b>Compared to H1 2018</b> Volume (4) Performance 5 Movement in working capital 1
Sale of other non-current assets	1.5	3.3	
<b>Operating cash flow</b>	<b>(20.7)</b>	(28.2)	
Adjusted operating cash flow to adjusted operating profit	(55)%	(57)%	
Net interest paid	(8.7)	(6.7)	
Cash tax paid	(3.5)	(9.2)	<b>Cash tax</b> Reduction in tax cash due to Caspian tax payment in H1 2018 and US tax refund in H1 2019
<b>Free cash flow</b>	<b>(32.9)</b>	(44.1)	
Dividends paid to shareholders	(17.2)	(17.6)	
Acquisitions	-	(62.3)	
Non-underlying items	8.9	(0.5)	
Foreign exchange movements	(6.1)	(13.0)	
<b>Movement in net debt</b>	<b>(47.3)</b>	(137.5)	<b>Free cash flow</b> Seasonal outflow improved on prior year despite lower operating profit
<b>Opening net debt</b>	<b>(286.2)</b>	(229.5)	
<b>Closing net debt - bank covenant definition</b>	<b>(333.5)</b>	(367.0)	
Leverage ratio - bank covenant definition	2.1x	2.1x	
<b>Closing net debt - IFRS16 basis</b>	<b>(419.6)</b>	(367.0)	
Leverage ratio - IFRS 16	2.5x	-	

# Balance sheet – IFRS 16 impact

£m	H1 2019	FY 2018 (Audited)	H1 2018
Intangibles	153.3	153.4	187.6
<b>Managed assets</b>			
Tangible fixed assets	<b>488.0</b>	422.0	429.4
Debtors and inventory	759.6	691.2	771.8
Other non-current assets	44.3	53.0	60.3
<b>Total managed assets</b>	<b>1,291.9</b>	1,166.2	1,261.5
Trade payables, provisions, tax and other	(591.7)	(588.1)	(598.7)
	<b>853.5</b>	731.5	850.4
<b>Funded by:</b>			
Net debt	<b>419.6</b>	286.2	367.0
Shareholders' funds	433.9	445.3	483.4
<b>Total</b>	<b>853.5</b>	731.5	850.4

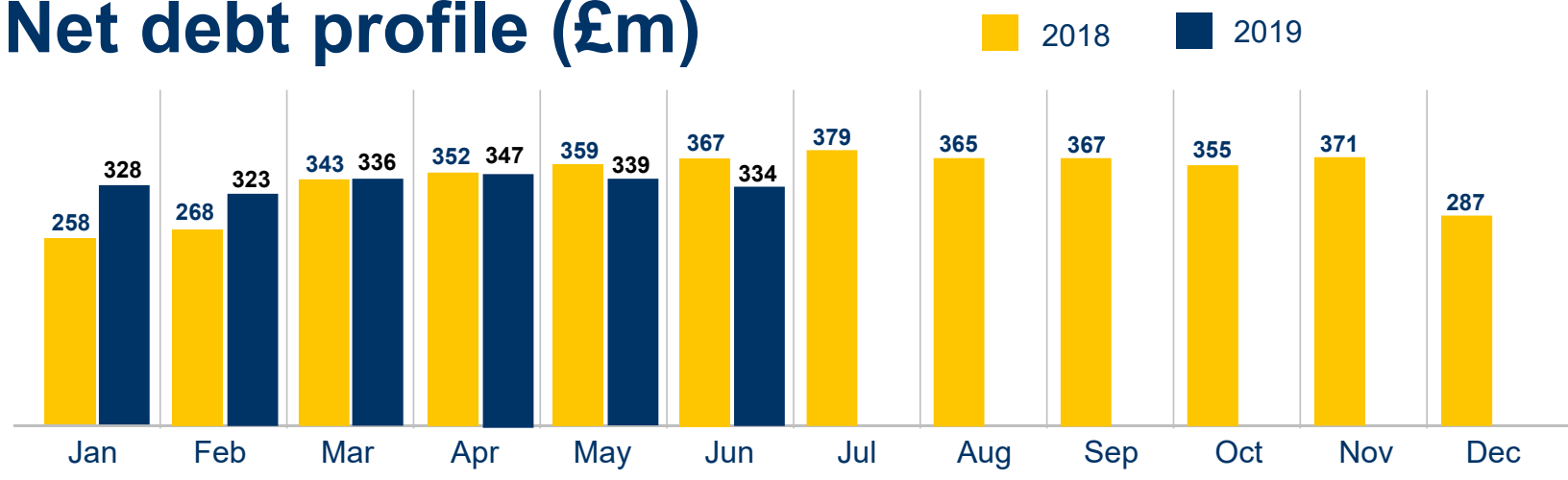
  

<b>Tangible fixed assets</b>	
Opening	422.0
Right-of-use assets	84.4
Capex	26.8
Disposals/transfers	(1.0)
Depreciation	(34.4)
Impairment	(6.9)
Other/FX	(2.9)
Closing	<u>488.0</u>

<b>Net debt</b>	
Net debt (IAS 17 basis)	333.5
Lease liabilities	<u>86.1</u>
Total net debt	<u>419.6</u>

# Net debt profile (£m)



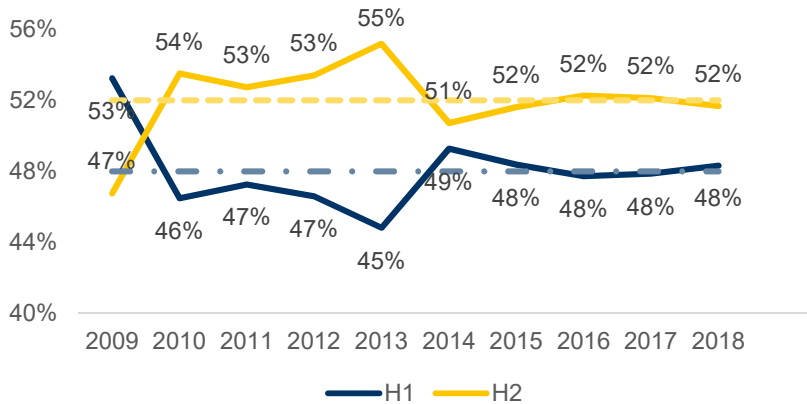
- Term debt and committed facilities comprise \$125m of US private placements maturing 2021 to 2024 and £375m multi-currency credit facility expiring 2023
- Group is operating well within all covenant limits
  - Net debt to EBITDA ratio at year end was 2.1x, well within limit of 3.0x
  - Recognising equity capital market sentiment to UK construction market, Board reduced leverage guidance from 1.5x-2.0x to 1.0x-1.5x
  - Covenants protected from effect of IFRS 16 ‘Leases’
- At 30 June, the group had undrawn borrowing facilities of £175.5m
- Average month end debt was £334.3m and minimum headroom on banking facility was £95.7m (cash balance at that time was £64.0m)
- Uncommitted borrowing facilities totalled £61.1m of which £9.1m was utilised
- No material discounting or factoring in place and low incidence of prepayments
- On a constant currency basis net debt decreased by 11% from 30 June 2018

# Financial modelling considerations

	2018	2019	Status
<b>Trading/profit</b>			
<b>NA Moretrench acquisition</b>	£9.2m	Small annualisation effect	✓ Annualisation = £3.2m
<b>NA Suncoast pricing</b>	£(7.1)m YoY	Substantial recovery expected	✓ H1 = £4.0m
<b>EMEA large projects</b>	£(29.1)m YoY	£(16.0)m YoY	✓ H1 = (£11.3)m
<b>APAC recovery</b>	£(18.0)m loss	Return to profit H2	✓ Unchanged
<b>Operating profit</b>	Reduction	Recovery	✓ Unchanged
<b>Operating profit phasing</b>	H1 bias	Normal H2 bias	✓ Unchanged
<b>Interest</b>	£(16.1)m	US rates up, debt down	✓ Unchanged
<b>Tax rate</b>	28%	28% +/- 1%	✓ Some upward pressure
<b>Cash/debt</b>			
<b>Net capex</b>	£77.1m	< Depreciation	✓ Unchanged
<b>Working capital</b>	Flat despite growth	= Flat	✓ Unchanged
<b>Acquisitions</b>	Moretrench	No material acquisitions	✓ Unchanged
<b>Leverage guidance</b>	1.5-2.0x	1.0-1.5x	✓ Unchanged

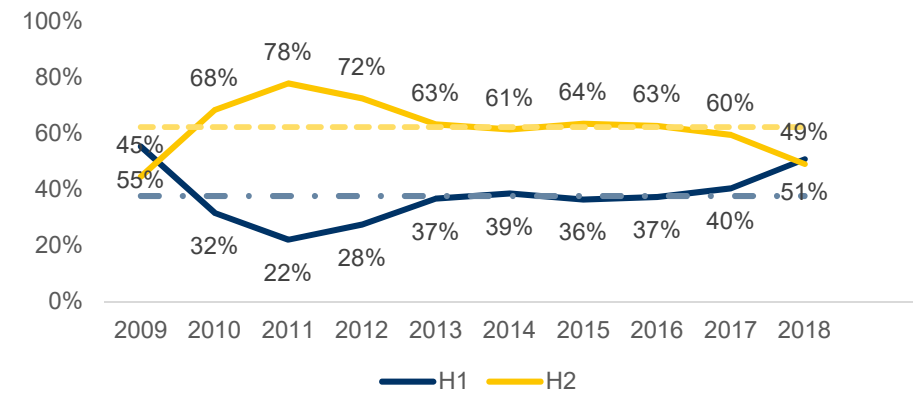
# Phasing H1 vs H2 – Historical patterns

Revenue split H1 vs H2



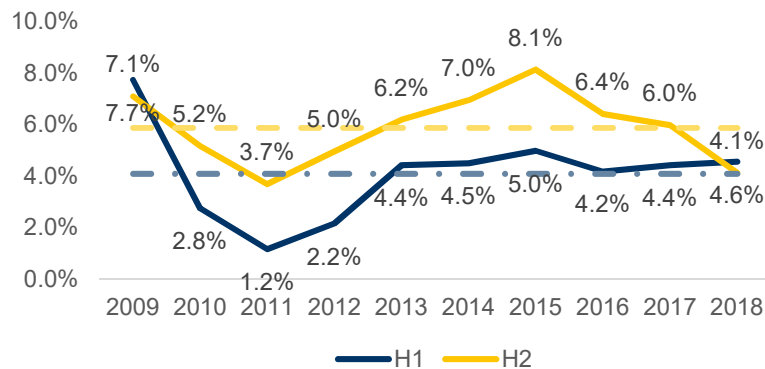
**H1 average: 48%    H2 average: 52%**

Operating profit split H1 vs H2



**H1 average: 38%    H2 average: 62%**

Operating profit margin %

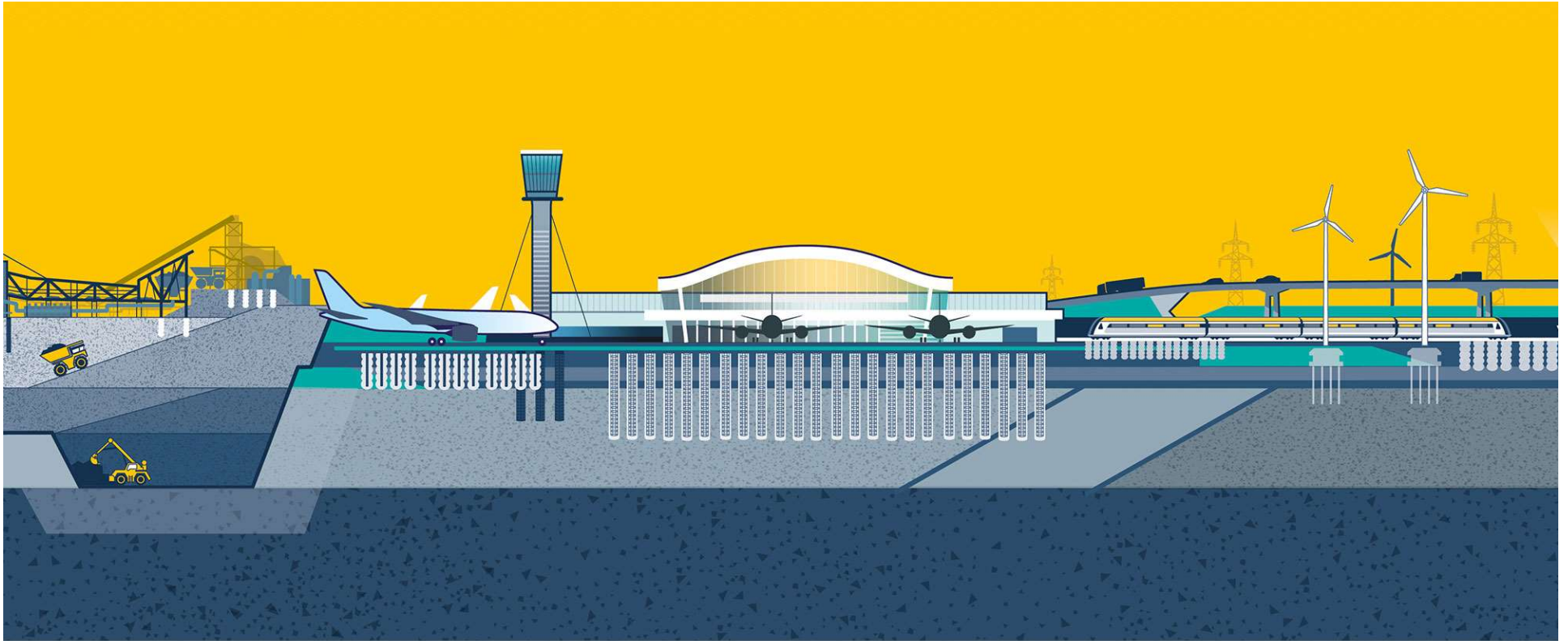


**H1 average: 4.1%    H2 average: 5.9%**

### Drivers of H2 performance

- Strong order book
- Sustain strong momentum of Q2 performance in North America
- Specific contract wins in Australia
- Continued success in implementing restructuring programme

The phasing in 2018 is materially impacted by the benefit of EMEA projects in H1 and the burden of the restructuring in APAC in H2



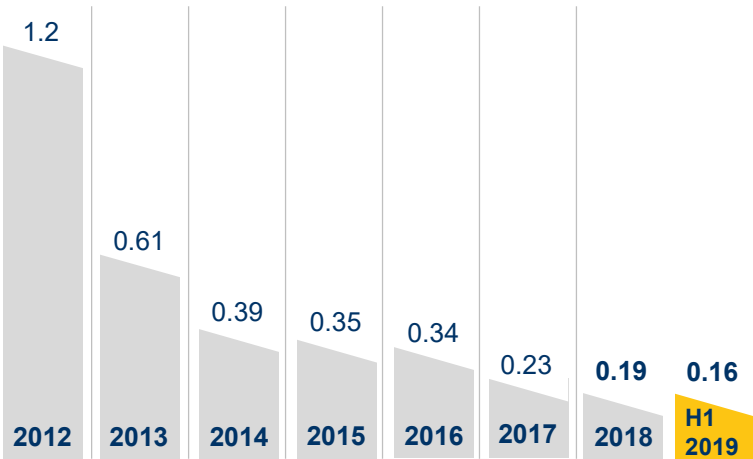
# Business update

# Safety performance

- Accident Frequency Rate is 30% lower than a year ago and 70% lower than five years ago
- 0.16 compared to US industry norm of 0.6\*
- 50% reduction in working platform incidents in 2019 as we embed a new global standard

## Accident Frequency Rate (AFR)

Per 100,000 hours



\*US Bureau of Labor Statistics

# Healthy order book in excess of £1bn

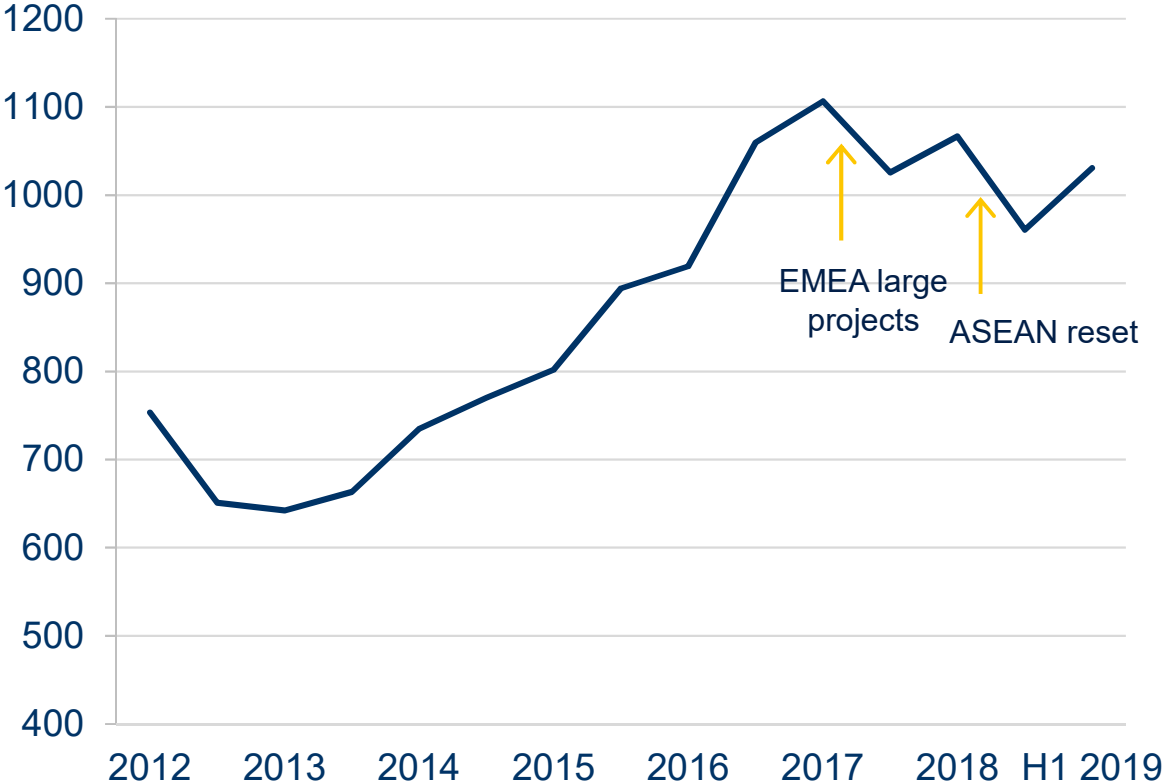
## Geographic mix (Full order book)

North America  
**£607m +8%**

EMEA  
**£267m +3 %**

APAC  
**£156m -36%**

## Order book (£m)



# Building on our excellent customer reputation

- 1 Complex hill stabilisation, Wyoming, US**  
Removal of 40,000 yards of earth and construction of horizontal drains to prevent landslides bordering a local school.
- 2 Washington DC Wharf redevelopment, US**  
Jet grouting; displacement, soldier and sheet piles; rigid inclusions and dewatering by Hayward Baker, Case and Moretrench.
- 3 Hafenparkquartier, Frankfurt, Germany**  
Excavation of a 15,000m<sup>2</sup> construction pit in an area subject to heavy bombardment during WWII – an unexploded bomb led to evacuation of everyone within the area.
- 4 East Port Said development Phase 2, Egypt**  
Another 27,500km of prefabricated vertical drains to the 82,500km already installed which together would run 2.7 times around the world.
- 5 NESTE expansion project, Singapore**  
Following successful work by Keller in 2008, foundations for further plant expansion with 150 people on site at the peak of the work.
- 6 West Gate Tunnel, Melbourne, Australia**  
Piling works for 6km eight-lane elevated roadway including 3,500 precast piles.



**7,000 projects**  
per year

**Average size**  
**£325k**

# North America

## Operating review

£m	H1 2019 £m	H1 2018 £m	Constant currency
Revenue	<b>611.0</b>	<b>534.3</b>	7%
Underlying operating profit	<b>32.4</b>	<b>31.7</b>	-4%
Underlying operating margin	<b>5.3%</b>	<b>5.9%</b>	n/a
Order book*	<b>607.1</b>	<b>564.1</b>	8%

\* Comparative order book stated at constant currency

- Increased revenue driven by Moretrench acquisition
- Margin decline driven by adverse weather, related inefficiencies, non-recurring emergency recovery and data centre work
- Foundation businesses had a disappointing first half, particularly in the first quarter
- Moretrench acquisition continues to perform well
- Margin improvement at Suncoast with customer pricing recovering adverse material cost inflation in 2018
- Marginal improvement in Canada but still not at full potential
- US construction market remains stable
- Strong order book +8% YoY



**Aston Martin Residences**  
Miami, United States

# North American reorganisation

- Integrating all foundation businesses into one unified company, and rebranding to Keller
- Seven geographically based business units plus specialty services
- Suncoast and Moretrench Industrial will stay as separate businesses and retain their brands
- Effective 1 January, 2020 – announced well in advance to ensure smooth transition

## Benefits

- Easier for customers to work with us with one company in each local market offering all products and services
- More standardised and efficient organisation

## Financial benefit / cost

- Project cost between £2.5 and £4.0m through 2019 and 2020
- Medium term cost and efficiency benefit between £4.5 and £6.0m and strengthening of market share
- We expect material revenue growth in the medium term



# EMEA

## Operating review

£m	H1 2019 £m	H1 2018 £m	Constant currency
Revenue	<b>342.4</b>	324.7	5%
Underlying operating profit	<b>10.6</b>	19.7	-50%
Underlying operating margin	<b>3.1%</b>	6.1%	n/a
Order book*	<b>267.3</b>	258.3	3%

\* Comparative order book stated at constant currency

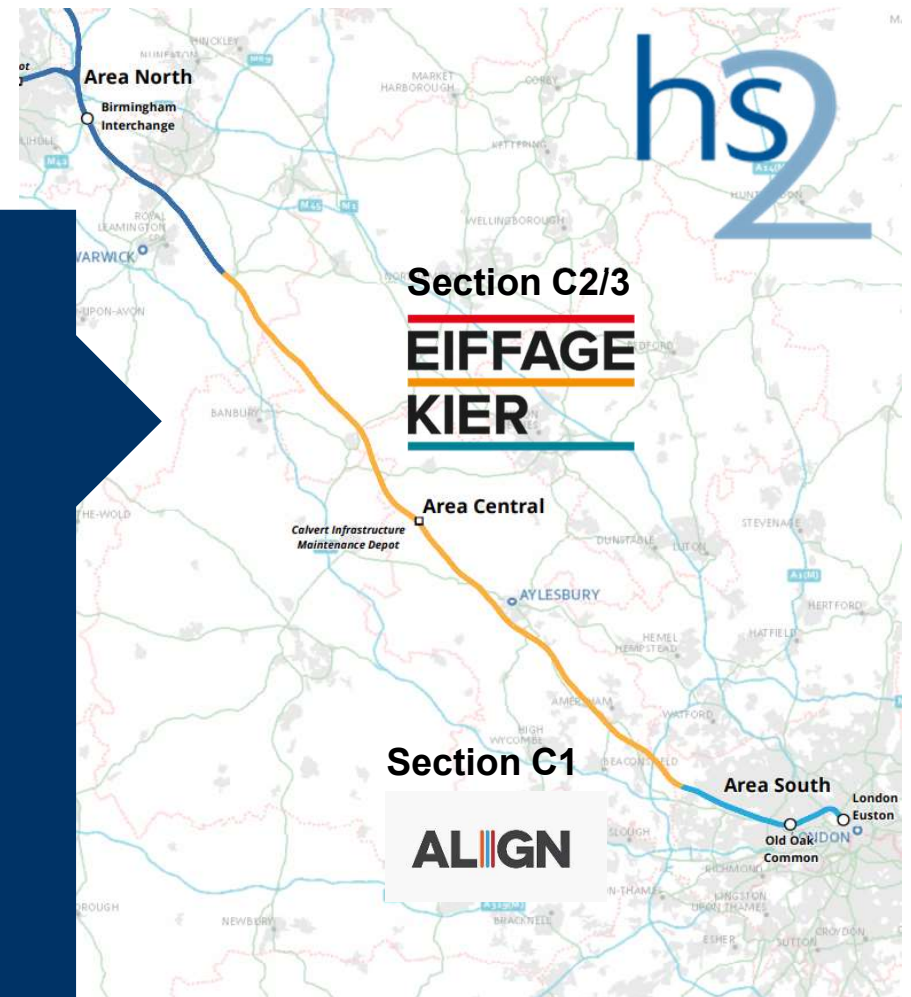
- Increased revenue
- Decline in profitability due to non-repeat of two highly profitable projects in first half of 2018
  - Excluding these, revenue was up 11% and profit up 4% on constant currency basis
- South East Europe continues to perform strongly
- Germany also busy through 2019
- Despite tough market backdrop, UK performing reasonably well
- Poland and Middle East quiet
- South Africa and Brazil continue to face tough market conditions



# HS2

## Early works involvement

- Engaged with Professional Services Agreements on the Central Sections (C1 and C2/3)
- Awarded advance trials on C1 for ALIGN
- Tendering for main works
  - C1 JV with Intrafor
  - C2/3 JV with Bauer
  - South and Central instrumentation and monitoring JVs
- HS2 scheme value £1bn+ over three years for UK geotechnical contracting industry
- No significant revenue in our current order book but upside potential for 2020



# APAC

## Operating review

£m	H1 2019 £m	H1 2018 £m	Constant currency
Revenue	<b>138.3</b>	216.1	-35%
Underlying operating profit	<b>(2.6)</b>	(0.4)	n/a
Underlying operating margin	<b>-1.9%</b>	-0.2%	n/a
Order book*	<b>156.4</b>	243.9	-36%

\* Comparative order book stated at constant currency

- Revenue decline reflecting market softness in Australia and our actions to reduce capacity
- Good performance by ASEAN
- Weak first half in Australia due to delays in mining projects, federal election impacting contract awards and no improvement in Waterway order book
- Tendering activity in Australia stronger and second half expected to return to more normal levels
- Confident APAC will return to profitability in the second half



Sun Metals Corporation  
zinc refinery  
Queensland, Australia

# Progress in ASEAN

- 2018 decision to exit Heavy Foundations (bored piling, driven piling and diaphragm walls) in Singapore and Malaysia
- Successful execution of this managed exit is nearing completion



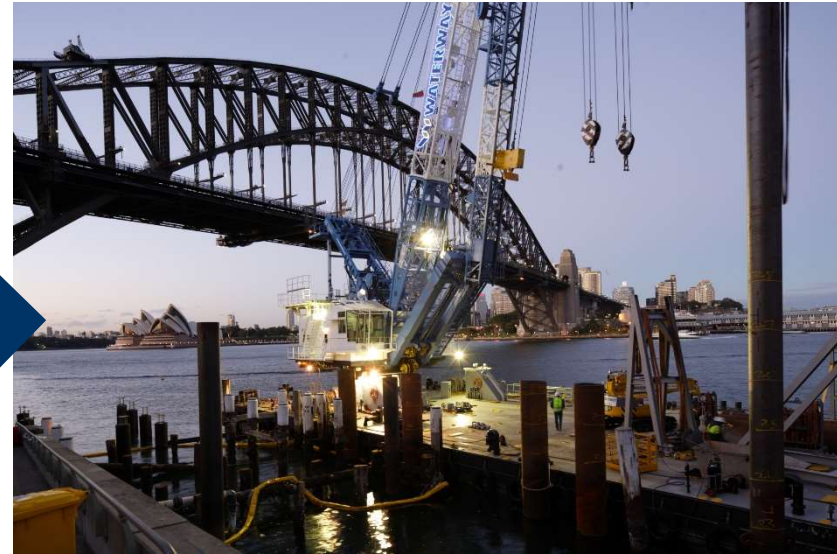
Business returned to profit in first half

Effective restructuring has resulted in lower than expected costs

A number of high quality contract wins totalling more than £40m

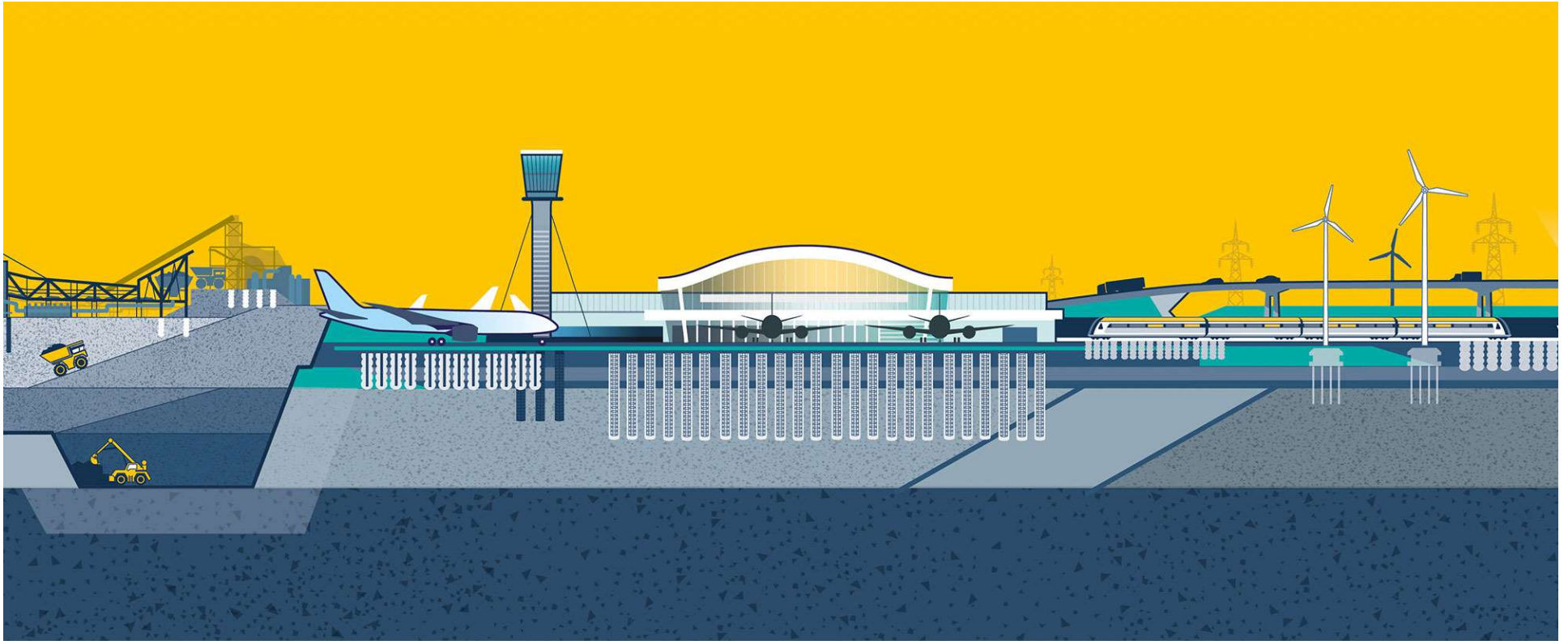
# Waterway to cease operations

- Many years of delivering important high-quality marine infrastructure along the east coast of Australia
- Marine market dynamics have changed significantly in recent years
- Despite best efforts to trade through the challenges, not able to achieve success
- With no material improvement in award of quality contracts have taken decision to cease operations from October 2019



H1 loss of £4m

Restructuring charge of £11m: largely non-cash

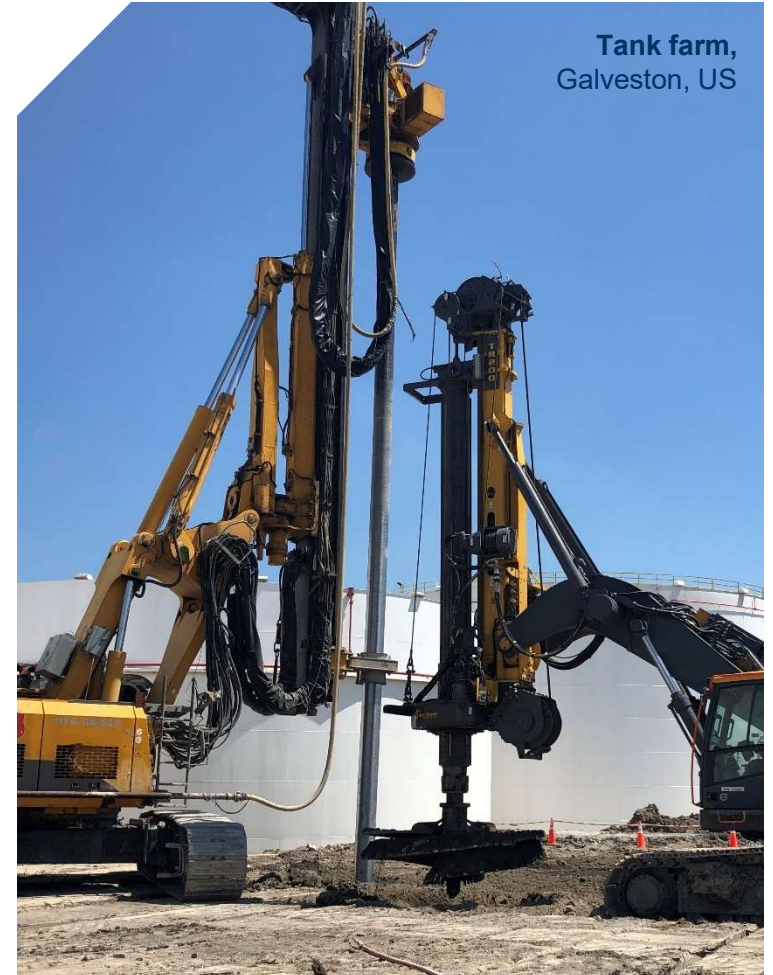


# Outlook

# Strategic priorities for 2019

## What we said in March still stands:

- Continue connecting and professionalising the group
- Deliver group-wide business improvement projects
- Continue to focus on under-performing areas of portfolio
- Strengthen risk management and improve project management rigour
- Operational cash focus and capex restraint
- No material acquisitions in 2019



# Outlook

## We reiterate full year guidance

- Market fundamentals remain healthy
- Quality order book in excess of £1bn

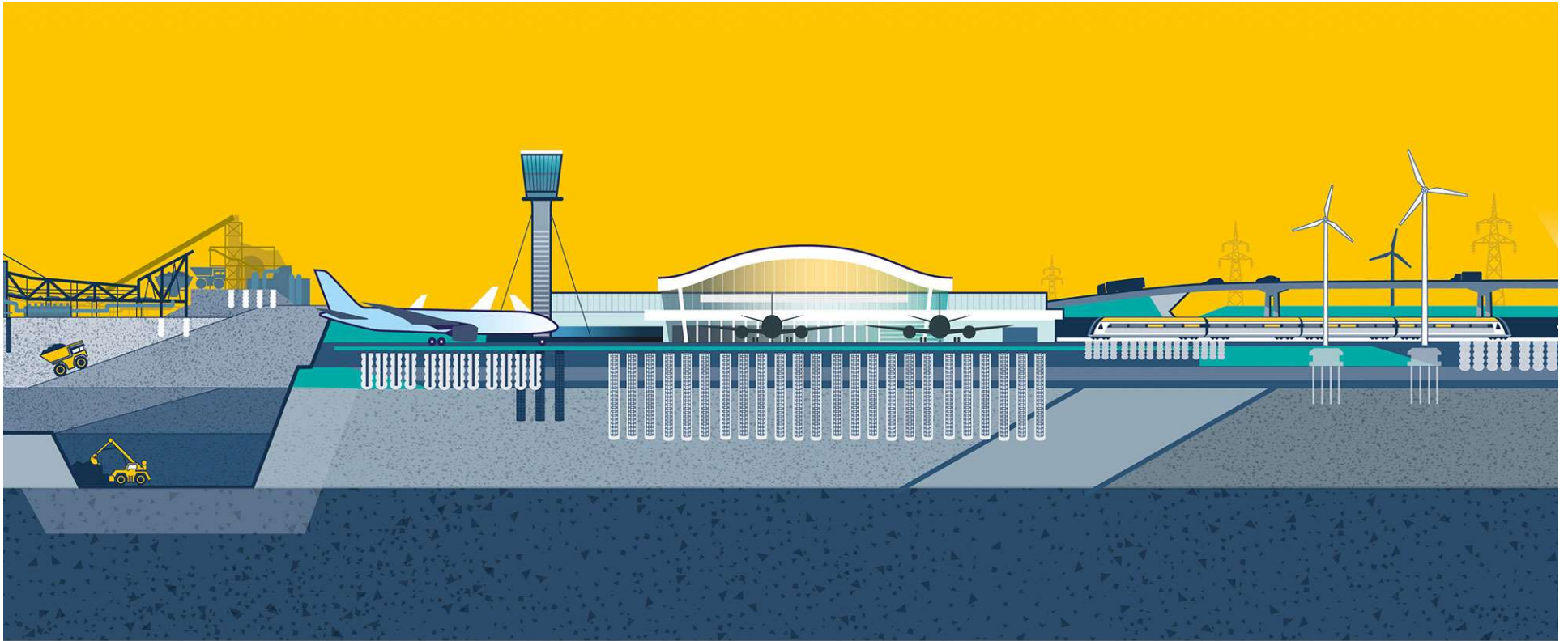
## Drivers

- Maintaining Q2 momentum in North America
- Specific project wins in Australia
- Continuing to deliver on restructuring programme

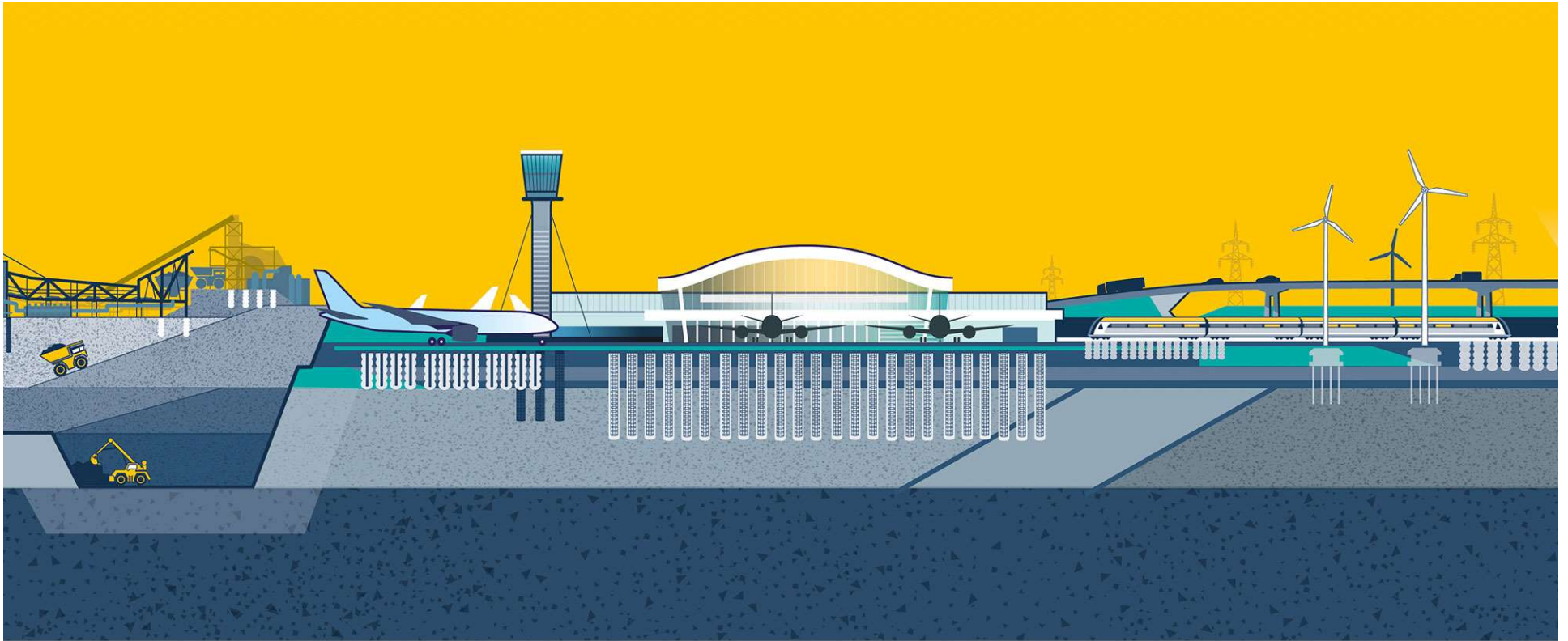
## Leads to expectations for the full year

- Revenue broadly flat
- Increase in profit driven by margin improvement
- Strong cash generation
- Net debt/EBITDA (IAS 17 basis) to reduce to 1.0-1.5x





# Questions and answers



# Keller overview

# Keller today

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

Our purpose	Our vision	Our values
To help create infrastructure that improves the world's communities	To be the world leader in geotechnical solutions	Integrity Collaboration Excellence



**3** divisions

**22** business units

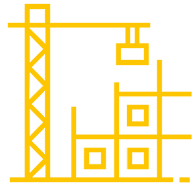
 **190** branches

 **2.2bn** revenue pa

 **10,000** employees

 **7,000** 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

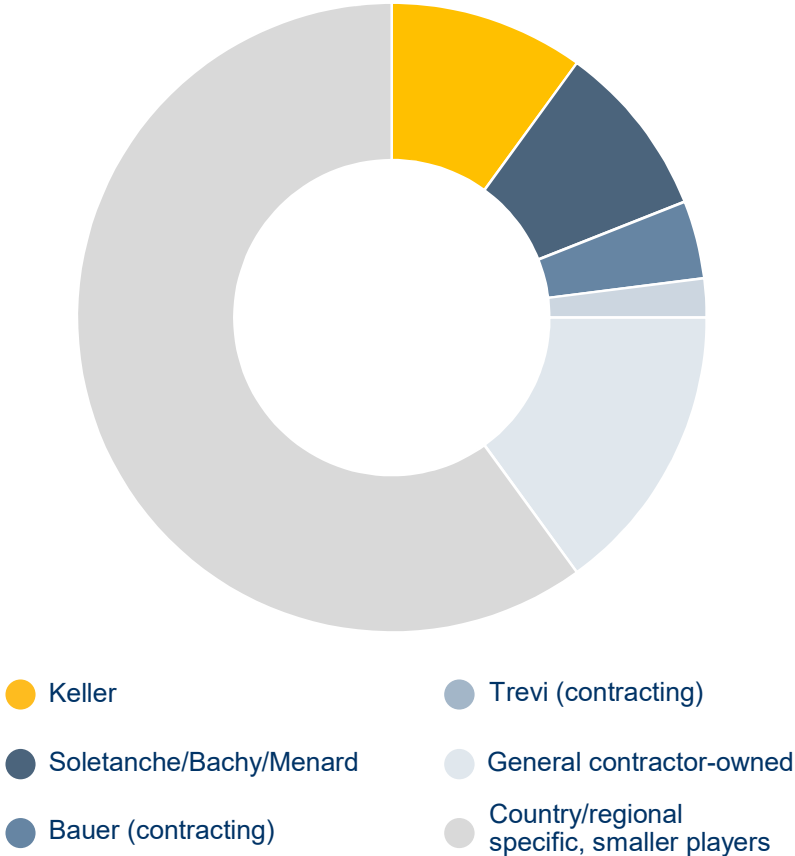


**Non-addressable market mainly China, Korea, Japan and Russia**

Source: IHS Global Insight, Keller 2018 data  
\* 1 USD = 0.78 GBP as of 31 Dec 2018



## Share of addressable market



# Specialist versus generalist business model

## Project lifespan



### Ground engineering

- Early stage, short contracts
- Specialist design capability
- Low complexity of supply chain
- Lower cyclicity through global geographic and sector diversity
- Directly owned plant and equipment
- Positive working capital

### General contractor

#### General construction

- Longer, larger projects
- Some design and build
- Integration of multiple suppliers and subcontractors
- Generally national players
- Low asset base
- Low to negative working capital

# Market demand trends play to our strengths

**01** Urbanisation and more large-scale development projects

More than half the world's population lives in cities, and 65m people will be added to the urban population every year

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

More than 450,000 brownfields in the US alone

**03** Infrastructure renewal and expansion eg road, rail, power

World will need to spend \$57 trillion on infrastructure by 2030 to keep up with global GDP growth

**04** Increasing demand from customers for complete solutions not just products

More demand for early involvement, partnership and collaboration throughout the construction supply chain

**05** Increasing technical complexity

Rising number of governments and clients are mandating the use of BIM for their projects

Sources: OECD - Regions and Cities at a Glance 2018; US Environmental Protection Agency 2018; The McKinsey Global Institute 2018

# North American markets stable

No sign of a downturn in US market with confidence remaining strong

Increasingly difficult to hire skilled employees

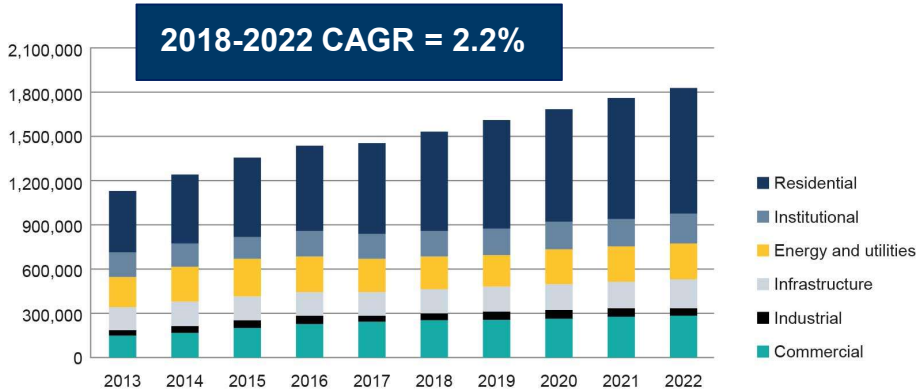
Residential construction down year on year but highly regional, with Texas and Florida remaining buoyant

Good opportunities in industrial sector

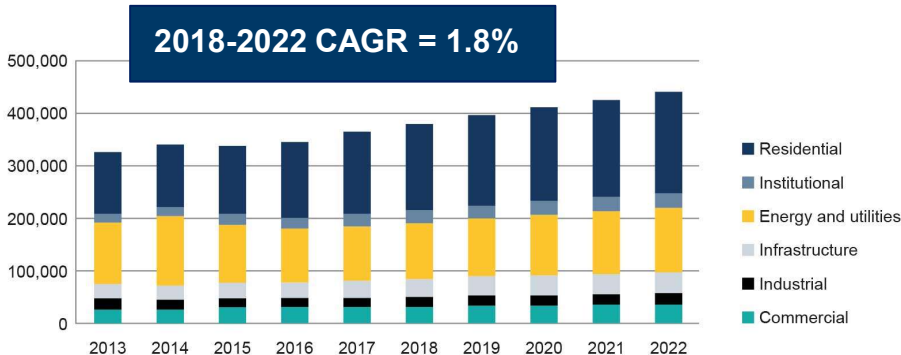
Infrastructure generally strong with a number of large road and rail projects

Canada remains regionally more mixed

US construction output value (US\$ million)



Canadian construction output value (CA\$ million)



Source: Dodge Q2 2019, Global Insight Oct 2018

# Growth in other main markets

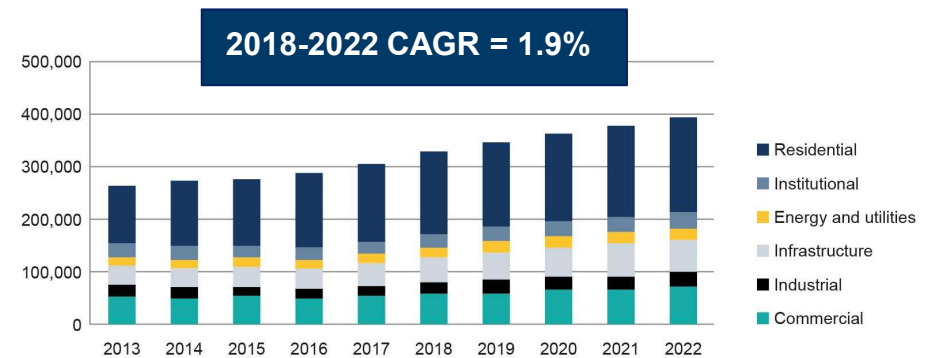
## German market

- Steady market with growth of 1-2% per annum
- Still strong internal demand
- Good opportunities in general market and larger infrastructure projects

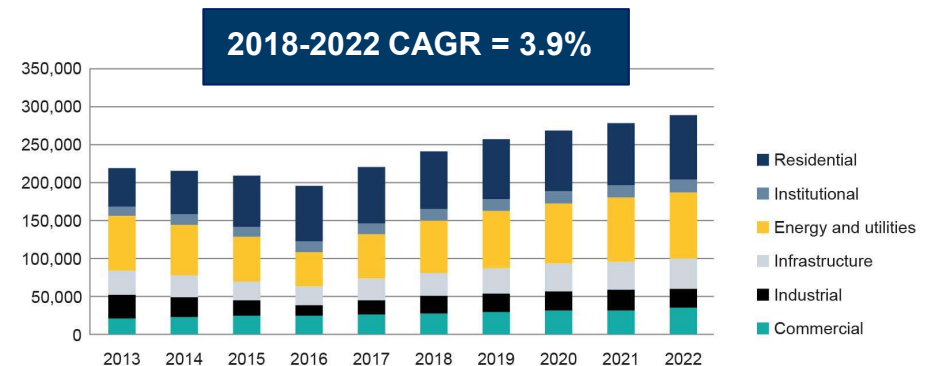
## Australian market

- Mining activity returning as iron ore prices healthy (in maintenance spending)
- East Coast infrastructure projects still in planning
- Defence infrastructure spending increasing (marine naval facilities)

German construction output value (€ million)



Australian construction output value (AUD million)



Source: Global Insight 2018, data measured at year end

# 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)



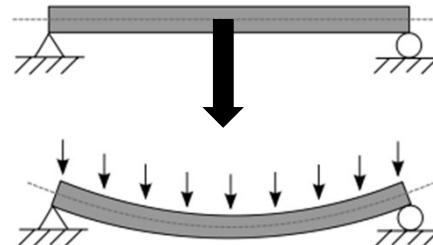
## Requirements

- Performance (allowable settlements)
- Schedule
- Cost



## Loading conditions

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



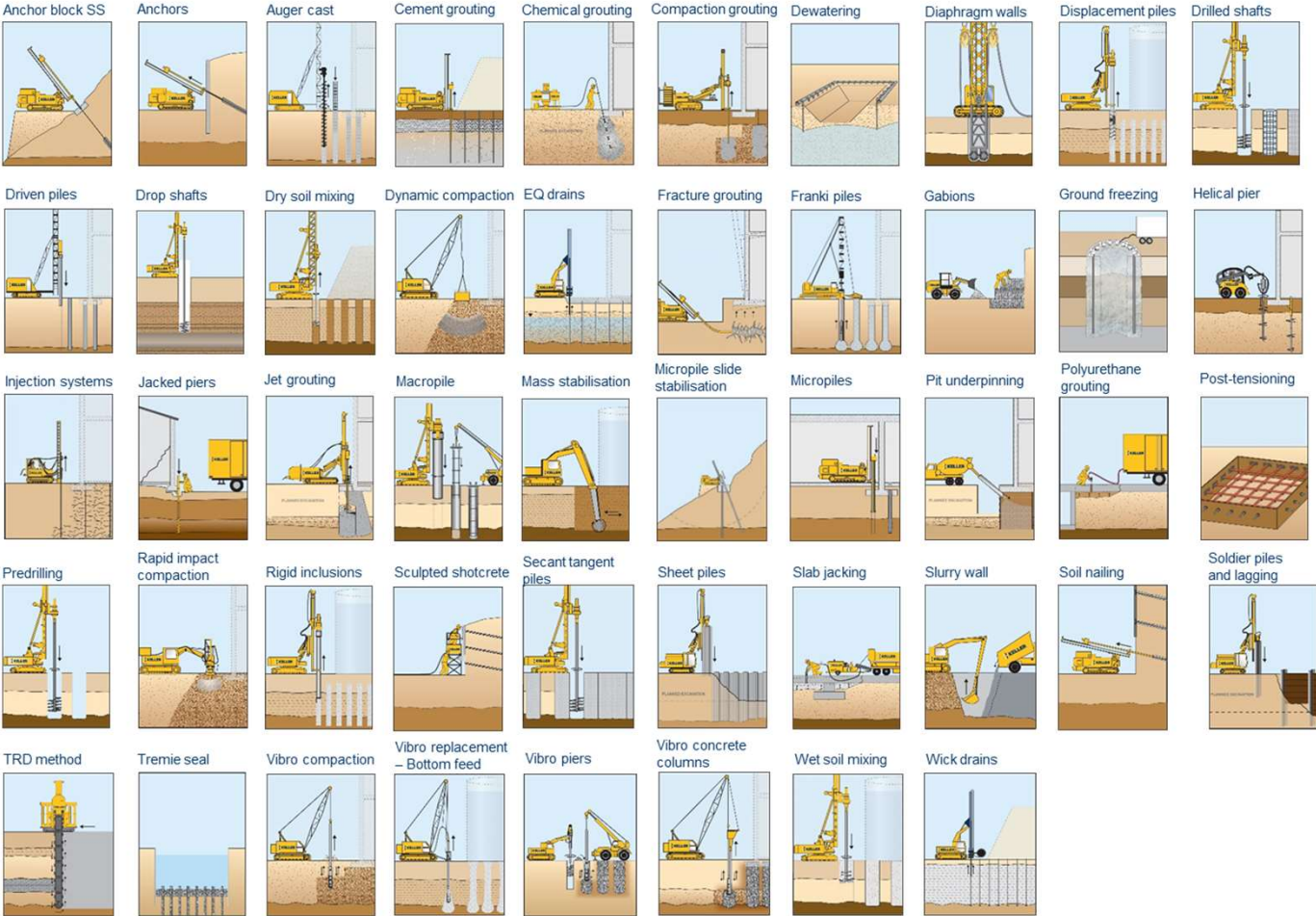
## Constraints

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



# Full product range

Right combination of products leads to **optimal solutions** for the soil conditions and structure type



# Value engineering

Employ around **1,500 geotechnical engineers worldwide**; over 200 focused purely on design

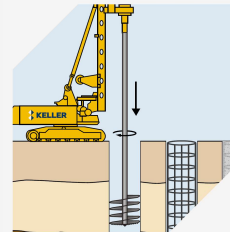
50% of our projects are 'design and build' where value engineering can **reduce cost by up to 40% and save time**

## Maiden Lane, New York

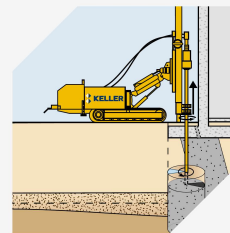
57-storey tower, lower Manhattan

Congested site where conventional solution unbuildable

Keller provided solution using jet grouting which saved \$5m (31%) and three months



Drilled shafts



Jet grouting



# The equipment advantage

## Large fleet and design and manufacture capability

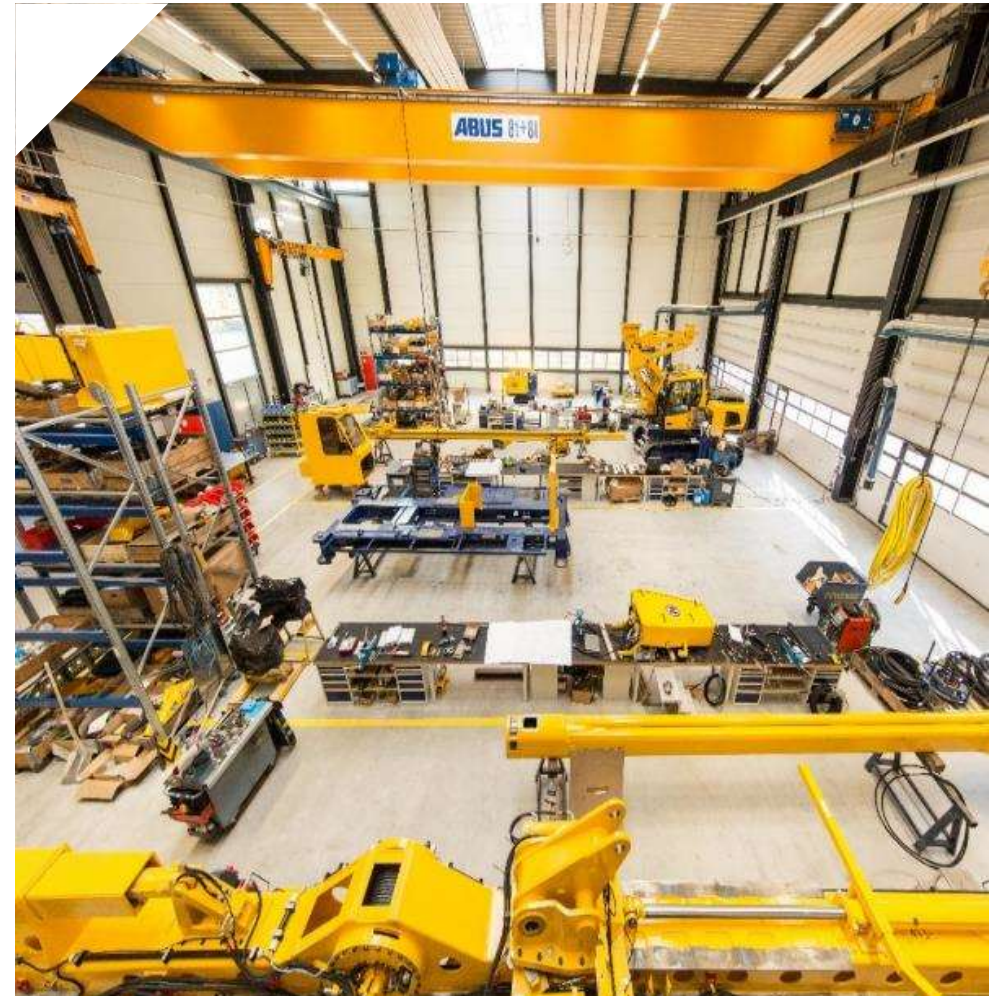
### Keller total fleet

- Total equipment fleet is **1,300 rigs**
  - The largest equipment fleet in the world

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### 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



# The people advantage

Enabling high performance by investing in our people

## Project Manager Academy

- 150 project managers trained globally
  - Significant improvement in gross margin already being evidenced

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## Field Supervisor Academy

- 120 supervisors have attended
  - Improving both performance and retention of key population

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## Business Development Academy

- 170 leaders have attended global sales training across NA and APAC
  - EMEA implementing from 2020



# Medium term financial targets

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## Revenue

- Organic growth ahead of market
  - 2012-2017: Keller 4.9%
  - Relevant construction markets 1.3%

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## Dividend

- Continued progressive growth through the cycle (rebased upwards in 2017)

---

## Profitability

- ROCE in excess of 20%
  - Last five years: 13-20.5%

---

## Gearing

- Headline net debt between 1.0x and 1.5x EBITDA

# Capital allocation priorities

01

**Profitable organic growth opportunities**

02 (on hold in 2019)

**Bolt-on acquisitions meeting Keller's investment criteria**

03

**Ordinary dividends**

At a level allowing dividend growth through the cycle

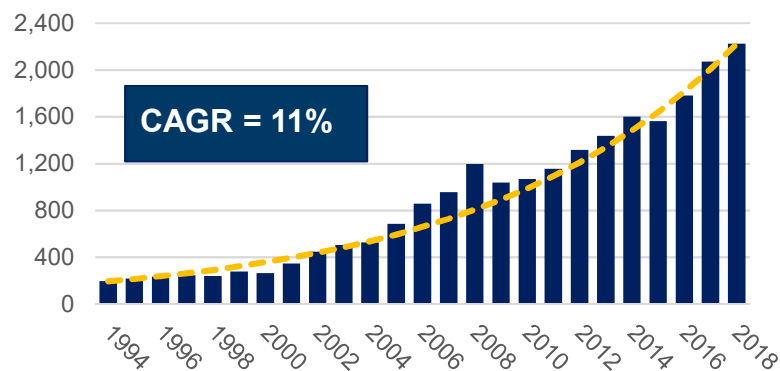
## 04 Return capital to shareholders

- 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

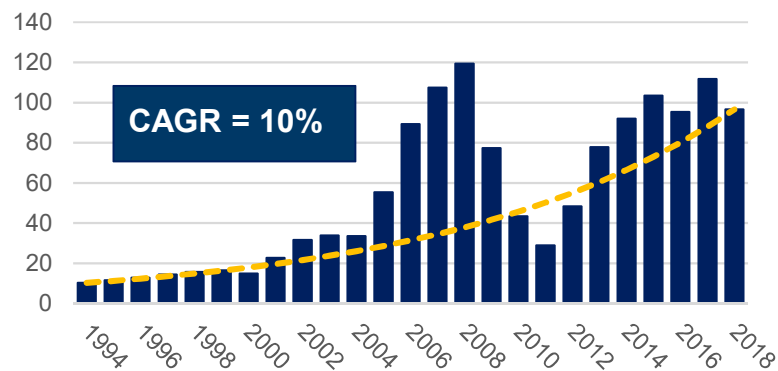


# Financial performance since listing in 1994

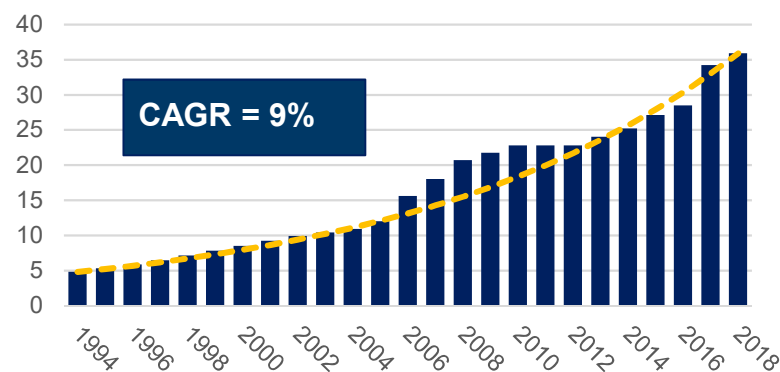
Revenue (£m)



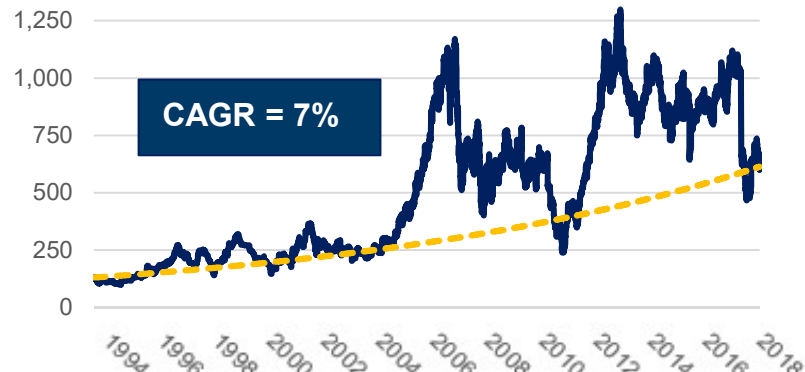
Underlying operating profit (£m)



Dividend per share (pence)



Share price (pence)



**TSR of 9.6% CAGR vs 7.0% FTSE-all-share CAGR\***

\* As at 9/07/19

# Strategic progress

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

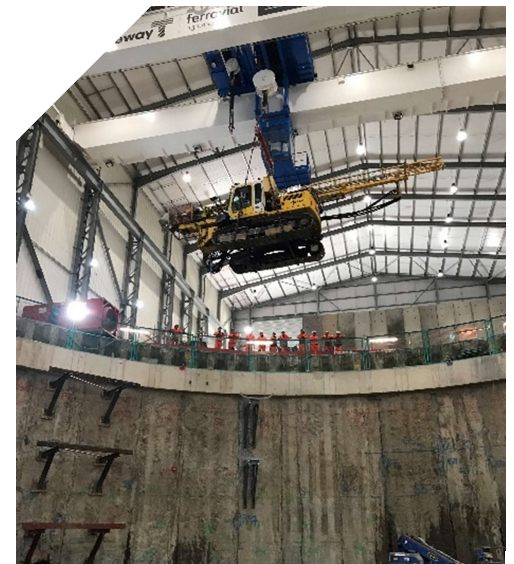
- More trench integration continues to contribute positively
- Global product teams proactive on knowledge and technology transfer

**Building strong, customer-focussed businesses**

- Reorganisation of foundation businesses in North America
- Global instrumentation and monitoring businesses re-branded as GEO-Instruments
- Restructuring in ASEAN, Brazil and South Africa
- Rollout of Winning Business workshops
- Rollout of common internet site platform, look and feel

**Leveraging the scale and expertise of the group**

- Good functional momentum adding value especially on Procurement and IT
- Common operating system for group wide policies, standards and procedures
- Continued progress with BIP\$ across all divisions



# Strategic progress

## Enhancing our engineering and operational capabilities

- Clear product strategies developed
- Equipment innovation
- Investment in Lean leadership and 5S to reduce variation and waste
- New digital app to simplify site administration will launch by end 2019
- Keller Data Acquisition programme to make project performance data accessible globally in real-time



## Investing in our people

- Continuous year-on-year improvement in Accident Frequency Rate
- Bolstered leadership at Board, Executive Committee, group and business unit levels
- Improved governance regime
- Tangible financial results being evidenced from Project Manager Academy and Field Leadership training



# Keller fact sheet

- Established 1860, now number 1 geotechnical specialist contractor globally
- Revenue by division: 56% North America, 31% EMEA, 13% APAC (only c3% of business in UK)
- Revenue by sector: 33% Infrastructure/Public buildings, 23% Residential, 23% Power/Industrial, 17% Office/Commercial, Marine 4%
- Room to grow:
  - Global geotechnical contracting market - \$54bn
  - Geotechnical contracting markets where Keller operates - \$26bn (excludes China, Japan, Korea and Russia)
  - Keller today c\$2.85bn – 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 10,000 employees, of which around 1,500 are geotechnical engineers, >200 focused purely on design
- 1,300 rigs globally
- About 20% of our capex is spent on our own equipment, mainly vibro and jet grouting
- On average we work on c7,000 contracts per year
- About 50% of our contracts are design and build, 50% are build only
- Contracts over £5m revenue make up around 2% of the number of contracts, but account for c25% 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: 37% Heavy foundations, 23% Ground improvement, 18% Earth retention, 12% Grouting, 9% 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 <0.16 (versus US industry norm c0.6)
- 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



**Caroline Crampton**  
**Interim Head of Investor Relations**

+44 20 7616 7575  
[caroline.crampton@keller.com](mailto:caroline.crampton@keller.com)