# Keller Group plc
# Full year results 2019

3 March 2020

# 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



Keller's new VC-05 Vibrocat


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# Summary

| Revenue | Underlying operating profit* | Underlying operating margin* | Underlying EPS* | Order book | Dividend |
|---|---|---|---|---|---|
| £2,301m | £101.8m | 4.4% | 83.5p | £1bn | 40.0p |
| Up 3%<br>(Up 2% CC) | Up 5%<br>(Up 2% CC) | No change | Up 6%<br>(Up 2% CC) | No change | Up 11% |

- Results are in line with expectations following a strong second half as anticipated
- Revenue up 3%, with growth in North America and EMEA and favourable currency, offset by the planned reduction of activity in APAC
- Underlying operating profit of £101.8m, an increase of 5%, largely driven by the return to profit in APAC
- Net debt* reduced by 26% to £213.1m equating to net debt/EBITDA of 1.2x
- Good progress continues in safety; 21% improvement in overall Accident Frequency Rate
- Revised strategy announced in late 2019 will lead to a more focused and higher quality business
- Full year dividend of 40.0p per share including supplementary dividend of 2.3p per share, an increase of 11% year on year
- Outlook remains cautiously optimistic and another year of continued progress is expected, supported by a robust order book in excess of £1bn

CC = Constant currency *All on IAS 17 basis (on an IFRS 16 basis, underlying operating profit was £103.8m and underlying EPS was 81.3p)

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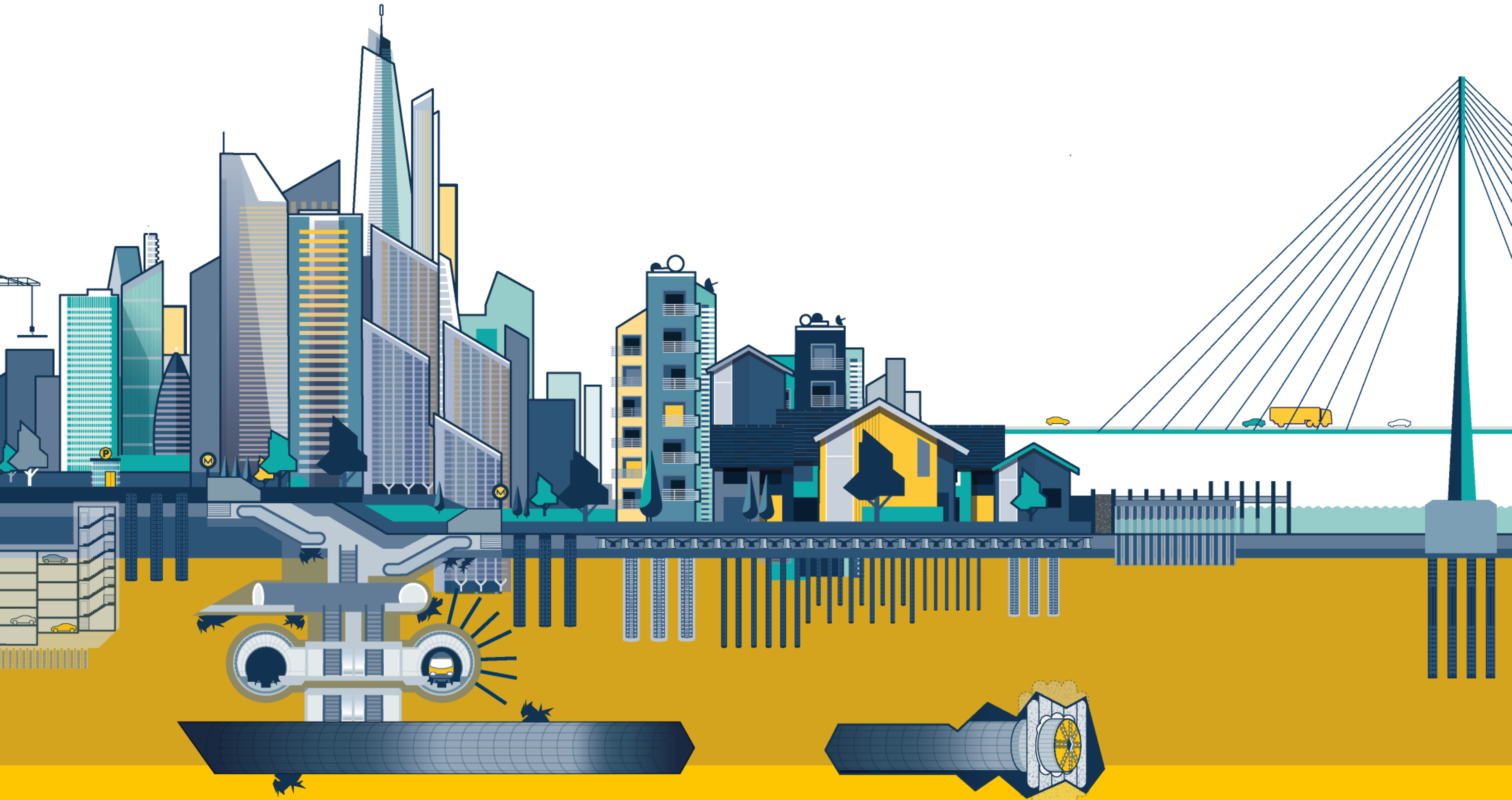
# Financial results



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# Summary income statement

| £m | 2019 Underlying IAS 17 basis | 2019 Effect of IFRS 16[1] | 2019 Underlying IFRS 16 basis | 2019 Non-underlying | 2019 Total IFRS 16 basis | 2018 Underlying IAS 17 basis | 2018 Non-underlying | 2018 Total IAS 17 basis |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **2,300.5** | **-** | **2,300.5** | **-** | **2,300.5** | 2,224.5 | - | 2,224.5 |
| Operating costs | **(2,199.4)** | **2.0** | **(2,197.4)** | **(28.7)** | **(2,226.1)** | (2,129.5) | (64.2) | (2,193.7) |
| Amortisation of acquired intangibles | **-** | **-** | **-** | **(4.3)** | **(4.3)** | - | (7.9) | (7.9) |
| Other operating income | **-** | **-** | **-** | **3.3** | **3.3** | - | 0.5 | 0.5 |
| Share of post-tax profits from JVs | **0.7** | **-** | **0.7** | **-** | **0.7** | 1.6 | - | 1.6 |
| **Operating profit** | **101.8** | **2.0** | **103.8** | **(29.7)** | **74.1** | 96.6 | (71.6) | 25.0 |
| Operating profit margin (%) | **4.4%** | **-** | **4.5%** | **-** | **3.2%** | 4.3% | - | 1.1% |
| Net finance costs | **(18.2)** | **(4.3)** | **(22.5)** | **-** | **(22.5)** | (16.1) | (0.5) | (16.6) |
| **Profit/(loss) before tax** | **83.6** | **(2.3)** | **81.3** | **(29.7)** | **51.6** | 80.5 | (72.1) | 8.4 |
| Taxation | **(23.1)** | **0.7** | **(22.4)** | **(7.5)** | **(29.9)** | (22.5) | 0.3 | (22.2) |
| Profit/(loss) for the period | **60.5** | **(1.6)** | **58.9** | **(37.2)** | **21.7** | 58.0 | (71.8) | (13.8) |
| Diluted earnings per share (p) | **83.5** | | **81.3** | | **29.7** | 79.1 | | (20.6) |
| Full year dividend per share (p) | **40.0** | | **40.0** | | **40.0** | | | 35.9 |

[1] The group adopted IFRS 16 on 1 January 2019

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# Summary income statement - Underlying

| £m | 2019 Underlying IAS 17 basis | Effect of IFRS 16[1] | Underlying IFRS 16 basis | Non-underlying | Total IFRS 16 basis |
|---|---|---|---|---|---|
| **Revenue** | 2,300.5 | - | 2,300.5 | - | 2,300.5 |
| Operating costs | (2,199.4) | 2.0 | (2,197.4) | (28.7) | (2,226.1) |
| Amortisation of acquired intangibles | - | - | - | (4.3) | (4.3) |
| Other operating income | - | - | - | 3.3 | 3.3 |
| Share of post-tax profits from JVs | 0.7 | - | 0.7 | - | 0.7 |
| **Operating profit** | 101.8 | 2.0 | 103.8 | (29.7) | 74.1 |
| Operating profit margin (%) | 4.4% | - | 4.5% | - | 3.2% |
| Net finance costs | (18.2) | (4.3) | (22.5) | - | (22.5) |
| **Profit/(loss) before tax** | 83.6 | (2.3) | 81.3 | (29.7) | 51.6 |
| Taxation | (23.1) | 0.7 | (22.4) | (7.5) | (29.9) |
| Profit/(loss) for the period | 60.5 | (1.6) | 58.9 | (37.2) | 21.7 |
| Diluted earnings per share (p) | 83.5 | | 81.3 | | 29.7 |
| Full year dividend per share (p) | 40.0 | | 40.0 | | 40.0 |

| **Revenue** | **£m** |
|---|---|
| Organic | +7 |
| Moretrench | +32 |
| **Constant currency** | **+39** |
| FX | +37 |
| Total | +76 |

| **Operating profit** | |
|---|---|
| Organic | -1% |
| Moretrench | +3% |
| **Constant currency** | **+2%** |
| FX | +3% |
| Total | +5% |

**Net financing costs**

Increase of £2.1m due to increases in the average level of borrowings, margin and base rates, compounded by FX headwinds

**Taxation**

Effective tax rate for 2019 and 2018 28%

| **Dividend** | |
|---|---|
| Board recommendation | 40.0p |
| Growth of | 11% |
| Earnings cover | 2.1x |

[1] The group adopted IFRS 16 on 1 January 2019

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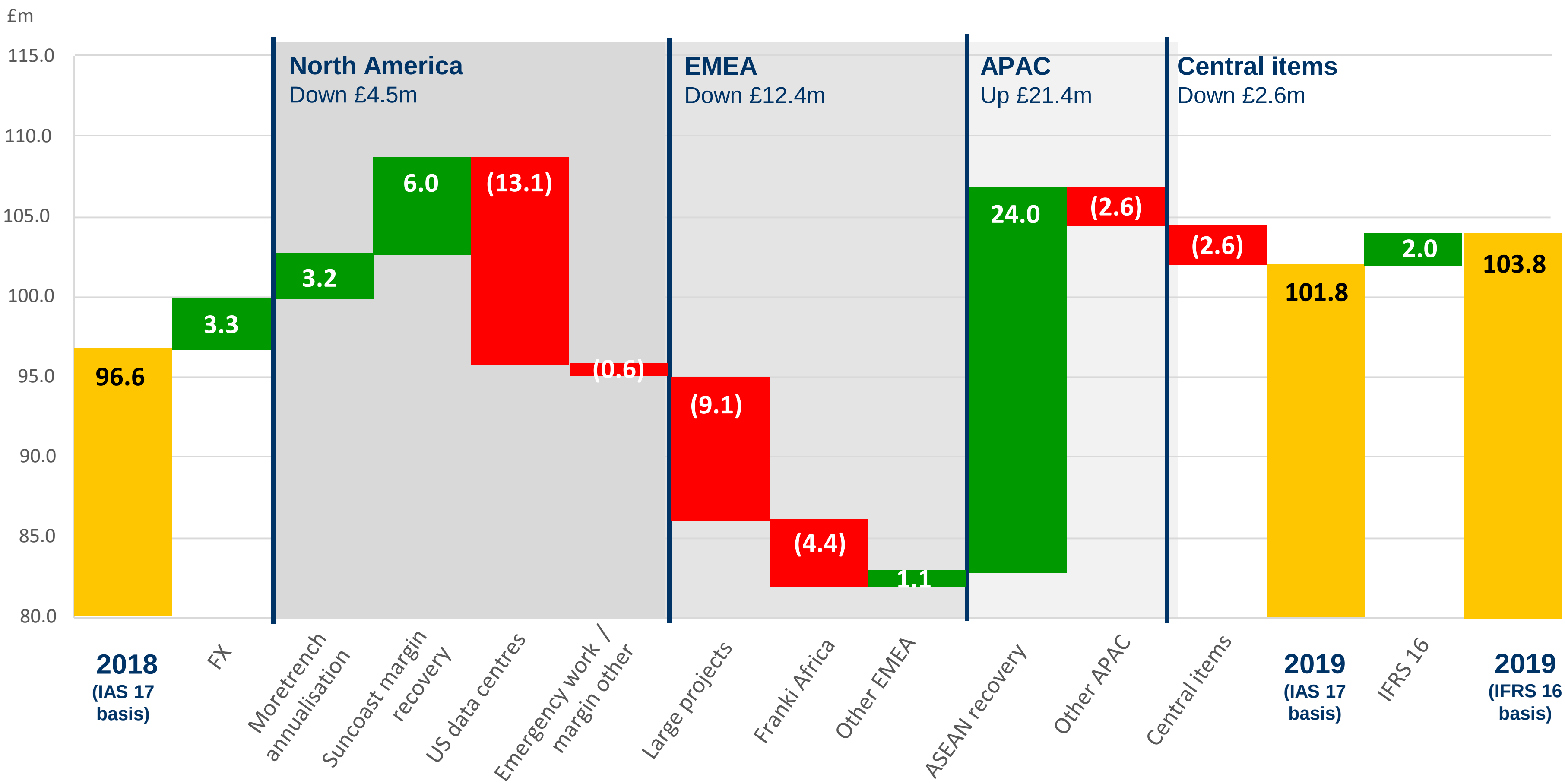
# Underlying operating profit bridge 2018 to 2019

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# Summary income statement – IFRS 16 impact

| £m | 2019 Underlying IAS 17 basis | Effect of IFRS 16[1] | Underlying IFRS 16 basis | Non-underlying | Total IFRS 16 basis |
|---|---|---|---|---|---|
| **Revenue** | 2,300.5 | - | 2,300.5 | - | 2,300.5 |
| Operating costs | (2,199.4) | 2.0 | (2,197.4) | (28.7) | (2,226.1) |
| Amortisation of acquired intangibles | - | - | - | (4.3) | (4.3) |
| Other operating income | - | - | - | 3.3 | 3.3 |
| Share of post-tax profits from JVs | 0.7 | - | 0.7 | - | 0.7 |
| **Operating profit** | 101.8 | 2.0 | 103.8 | (29.7) | 74.1 |
| Operating profit margin (%) | 4.4% | - | 4.5% | - | 3.2% |
| Net finance costs | (18.2) | (4.3) | (22.5) | - | (22.5) |
| **Profit/(loss) before tax** | 83.6 | (2.3) | 81.3 | (29.7) | 51.6 |
| Taxation | (23.1) | 0.7 | (22.4) | (7.5) | (29.9) |
| Profit/(loss) for the period | 60.5 | (1.6) | 58.9 | (37.2) | 21.7 |
| Diluted earnings per share (p) | 83.5 | | 81.3 | | 29.7 |
| Full year dividend per share (p) | 40.0 | | 40.0 | | 40.0 |

| **IFRS 16 Operating costs** | **£m** |
|---|---|
| Depreciation charge on right-of-use assets | (25.6) |
| Operating lease charge | 28.0 |
| Other | (0.4) |
| | 2.0 |

**Net finance costs**

Lease liability interest expense

**Taxation**

Effective tax rate 28%

| **Balance sheet** | **£m** |
|---|---|
| Opening balance take on at 1 Jan 2019: | |
| Right-of-use assets | 87.3 |
| Lease liabilities | (88.1) |
| Closing balance 2019: | |
| Right-of-use assets | 74.0 |
| Lease liabilities | (76.7) |

[1] The group adopted IFRS 16 on 1 January 2019

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# Summary income statement – Non-underlying

| £m | 2019 Underlying IAS 17 basis | Effect of IFRS 16[1] | Underlying IFRS 16 basis | Non-underlying | Total IFRS 16 basis |
|---|---|---|---|---|---|
| **Revenue** | **2,300.5** | **-** | **2,300.5** | **-** | **2,300.5** |
| Operating costs | **(2,199.4)** | **2.0** | **(2,197.4)** | **(28.7)** | **(2,226.1)** |
| Amortisation of acquired intangibles | **-** | **-** | **-** | **(4.3)** | **(4.3)** |
| Other operating income | **-** | **-** | **-** | **3.3** | **3.3** |
| Share of post-tax profits from JVs | **0.7** | **-** | **0.7** | **-** | **0.7** |
| **Operating profit** | **101.8** | **2.0** | **103.8** | **(29.7)** | **74.1** |
| Operating profit margin (%) | **4.4%** | **-** | **4.5%** | **-** | **3.2%** |
| Net finance costs | **(18.2)** | **(4.3)** | **(22.5)** | **-** | **(22.5)** |
| **Profit/(loss) before tax** | **83.6** | **(2.3)** | **81.3** | **(29.7)** | **51.6** |
| Taxation | **(23.1)** | **0.7** | **(22.4)** | **(7.5)** | **(29.9)** |
| Profit/(loss) for the period | **60.5** | **(1.6)** | **58.9** | **(37.2)** | **21.7** |
| Diluted earnings per share (p) | **83.5** | | **81.3** | | **29.7** |
| Full year dividend per share (p) | **40.0** | | **40.0** | | **40.0** |

| **Non-underlying operating costs** | **£m** |
|---|---|
| Waterway restructuring charge | (9.2) |
| ASEAN restructuring provision release | 4.3 |
| Other | (2.3) |
| **Net restructuring charge** | **(7.2)** |
| Goodwill impairment | (20.2) |
| Other | (1.3) |
| Total | (28.7) |

| **Amortisation of acquired intangibles** | **£m** |
|---|---|
| Moretrench | (2.3) |
| Austral | (1.6) |
| Sivenmark | (0.4) |
| Total | (4.3) |

| **Other operating income** | **£m** |
|---|---|
| Contract dispute settlement | 3.3 |

| **Taxation** | **£m** |
|---|---|
| Australian DTA allowance | (8.5) |
| Other | 1.0 |
| Total | (7.5) |

| **Statutory profit** | **£m** |
|---|---|
| Underlying profit (IAS 17 basis) | 60.5 |
| IFRS 16 impact | (1.6) |
| Non-underlying items | (37.2) |
| Statutory profit | 21.7 |

[1] The group adopted IFRS 16 on 1 January 2019

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# IAS 17 Cash flow

| £m | 2019 IAS 17 basis | 2018 |
|---|---|---|
| Underlying operating profit | **101.8** | 96.6 |
| Depreciation and amortisation | **69.0** | 70.9 |
| **Underlying EBITDA** | **170.8** | 167.5 |
| Non-cash items | **13.4** | 3.6 |
| Dividends from joint ventures | **1.1** | 0.9 |
| (Increase)/decrease in working capital | **(2.0)** | 1.5 |
| Outflows from provisions and retirement benefit liabilities | **(12.3)** | (10.1) |
| Net capital expenditure | **(52.0)** | (77.1) |
| Sale of other non-current assets | **4.6** | 3.5 |
| **Operating cash flow** | **123.6** | 89.8 |
| Adjusted operating cash flow to adjusted operating profit | **121%** | 93% |
| Net interest paid | **(17.2)** | (15.1) |
| Cash tax paid | **(12.3)** | (16.7) |
| **Free cash flow** | **94.1** | 58.0 |
| Dividends paid to shareholders | **(26.3)** | (26.3) |
| Acquisitions | **2.1** | (77.5) |
| Non-underlying items | **0.4** | (5.2) |
| Foreign exchange movements | **2.8** | (5.7) |
| **Movement in net debt** | **73.1** | (56.7) |
| **Opening net debt** | **(286.2)** | (229.5) |
| **Closing net debt - bank covenant definition** | **(213.1)** | (286.2) |
| Leverage ratio - bank covenant definition | 1.2x | 1.7x |

**Depreciation/Capex**

| | |
|---|---|
| Net capex/Depreciation | 75% |
| Gross capex/Depreciation | 91% |

| **Working capital** | **£m** |
|---|---|
| Volume | (39.0) |
| Performance | 53.6 |
| Reclassifications | (8.5) |
| FX | (8.1) |
| Working capital cash flow | (2.0) |

**Cash tax**

US tax repayments reduce cash tax payments

**Free cash flow**

Increase of 62% in free cash flow

Dividend 3.6x cash cover

| **Net debt – IFRS 16 basis** | **£m** |
|---|---|
| Covenant basis | 213.1 |
| IFRS 16 leases | 76.7 |
| Total | 289.8 |
| Leverage ratio | 1.5x |

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# IFRS 16 Balance sheet

| £m | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Intangibles | 124.7 | 153.4 |
| **Managed assets** | | |
| Tangible fixed assets | 460.6 | 422.0 |
| Debtors and inventory | 697.3 | 691.2 |
| Other non-current assets | 39.4 | 53.0 |
| **Total managed assets** | 1,197.3 | 1,166.2 |
| Trade payables, provisions, current tax & other | (634.7) | (606.9) |
| | 562.6 | 559.3 |
| **Funded by** | | |
| Net debt | 289.8 | 286.2 |
| Shareholders' funds | 397.5 | 426.5 |
| **Total** | 687.3 | 712.7 |

| Intangibles | £m |
|---|---|
| Opening | 153.4 |
| Additions | 0.7 |
| Impairment goodwill | (20.2) |
| Amortisation acquired | (4.3) |
| Amortisation other | (0.6) |
| FX | (4.3) |
| Closing | 124.7 |

| Tangible fixed assets | £m |
|---|---|
| Opening | 422.0 |
| Capex | 62.2 |
| Disposals/transfers | (13.1) |
| Depreciation | (68.4) |
| FX | (16.3) |
| Other | 0.4 |
| | 386.6 |
| Impact of IFRS 16 | 74.0 |
| | 460.6 |

| Net debt | £m |
|---|---|
| **Covenant basis** | **213.1** |
| IFRS 16 leases | 76.7 |
| Total | 289.8 |

The 2018 comparative balance sheet has been restated to reflect captive insurance liabilities of £18.8m

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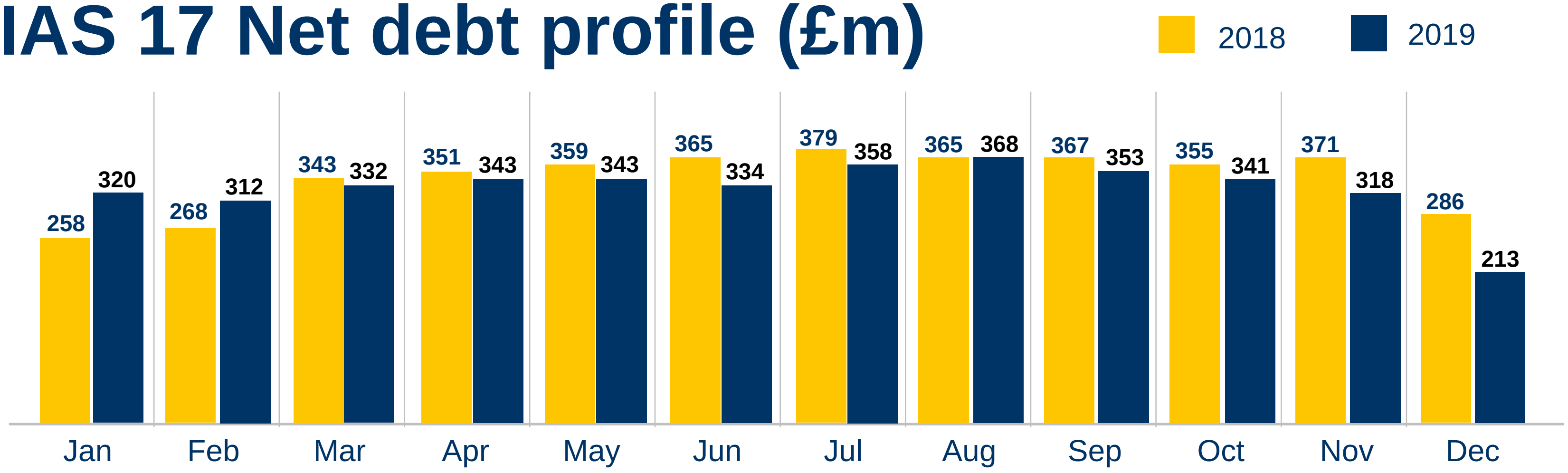
# IAS 17 Net debt profile (£m)




- Term debt and committed facilities comprise US$125m of US private placements maturing 2021 to 2024 and £375m multi-currency credit facility expiring 2024
- We are operating well within all covenant limits
  - Net debt to EBITDA ratio at year end was 1.2x, within target range of 1.0 to 1.5x
  - Covenants protected from the effect of IFRS 16
- At 31 December 2019 the group had undrawn borrowing facilities of £247.0m
- Year-end position includes c£40m timing benefit on working capital benefit - expected to partially reverse in 2020
- Average month end debt was £328m (2018 £339m) and minimum headroom on banking facility was £84.2m (cash balance at that time was £56.7m)
- Uncommitted borrowing facilities totalled £56.5m of which £14.5m was utilised
- No material discounting or factoring in place and low incidence of prepayments
- On a constant currency basis net debt decreased by 25% from 31 December 2019

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# Financial modelling considerations

| | 2019 experience | 2020 consideration |
|---|---|---|
| **Trading/profit** | | |
| **NA Suncoast margin** | Recovery of 2018 tariffs | Normalised - pending no new tariffs |
| **Large projects** | EMEA reduction | Cape Lambert in APAC |
| **APAC recovery** | Return to profit in H2 | Profitable in H1 and H2 |
| **Portfolio action** | ASEAN HF and Waterway | South America exit and Franki review |
| **Operating profit** | Progress | Continued progress |
| **Operating profit phasing** | Return to normal H2 bias | Same - pending macroeconomics |
| **Interest** | £23m inc IFRS 16 | Lower rate on lower net debt |
| **Tax rate** | 28% | 28% +/- 1% |
| **FX (USD/EUR/SGD)** | Average 1.28/1.14/1.74 | Budget 1.30/1.15/1.80 |
| **Cash/debt** | | |
| **Net capex** | £52m net of proceeds | Increasing but < depreciation |
| **Working capital** | £40m accelerated timing benefit | Partial reversal c£20m |
| **Tax cash** | Benefits from refund of USD5.3m | No equivalent refund |
| **Leverage (IAS 17)** | 1.2x | Lower end of 1.0x–1.5x range |

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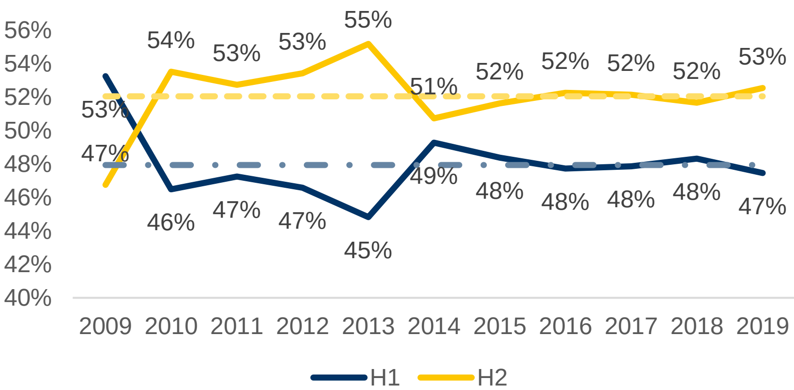
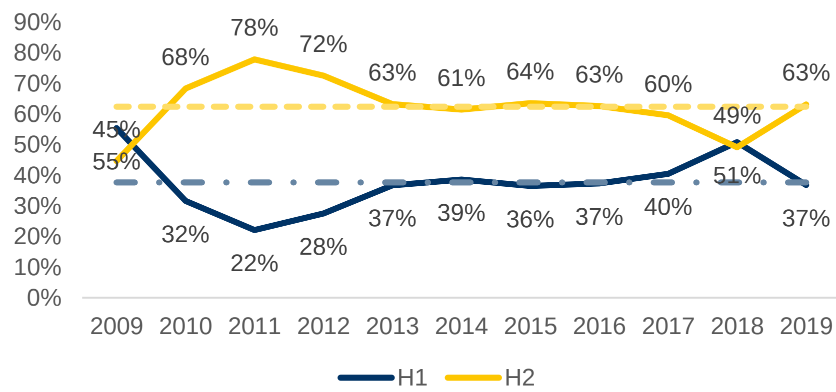
# Phasing H1 vs H2 – Historical patterns

Revenue split H1 vs H2




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

Operating profit split H1 vs H2




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

## 2018 H1 vs H2 weighting

**Unusual H1 bias a feature of**

- H1 benefitted from large projects in EMEA division
- H2 adversely impacted by the burden of ASEAN losses

## 2019 H1 vs H2 weighting

**Returned to historical norms**

- H1 adversely impacted by poor ground conditions in Northern Hemisphere
- H2 benefits from industry-wide practice of year end contract close outs

**2020 H1 vs H2 phasing expected to maintain normal H2 bias**

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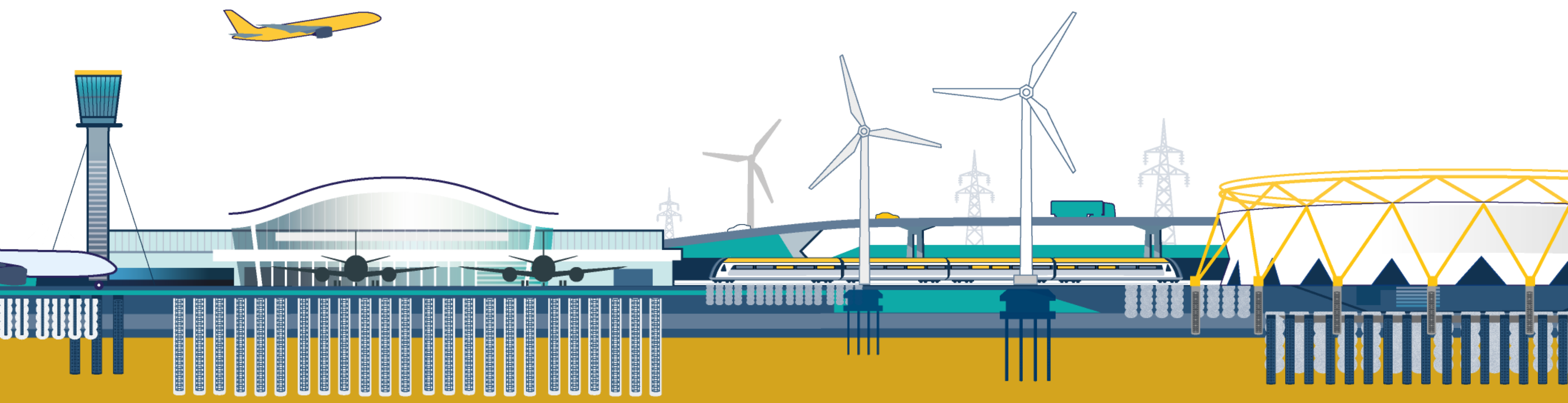
# Business update

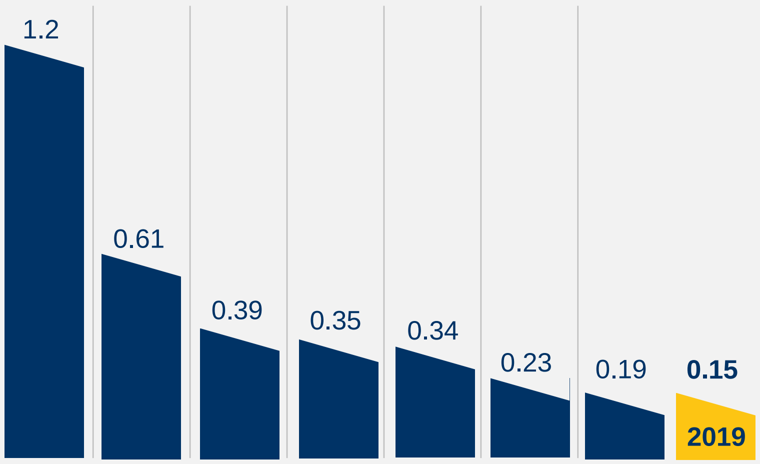


# Safety performance

- Fewer incidents and no fatalities
- 17 major injuries – an area of focus for 2020
- Continued to embed our working platform safety standard helping reduce rig overturns from eight to three
- Launched new incident management standard and system, reporting broader suite of leading and lagging measures including TRIR
- Implemented a number of precautionary measures to address COVID-19 risk
- Also reinvigorating our Think Safe programme and concentrating on job planning and control of our major risks - our Work Safe 6

THINK SAFE
WORK SAFE, GO HOME SAFE

**Accident Frequency Rate (AFR)**
Per 100,000 hours

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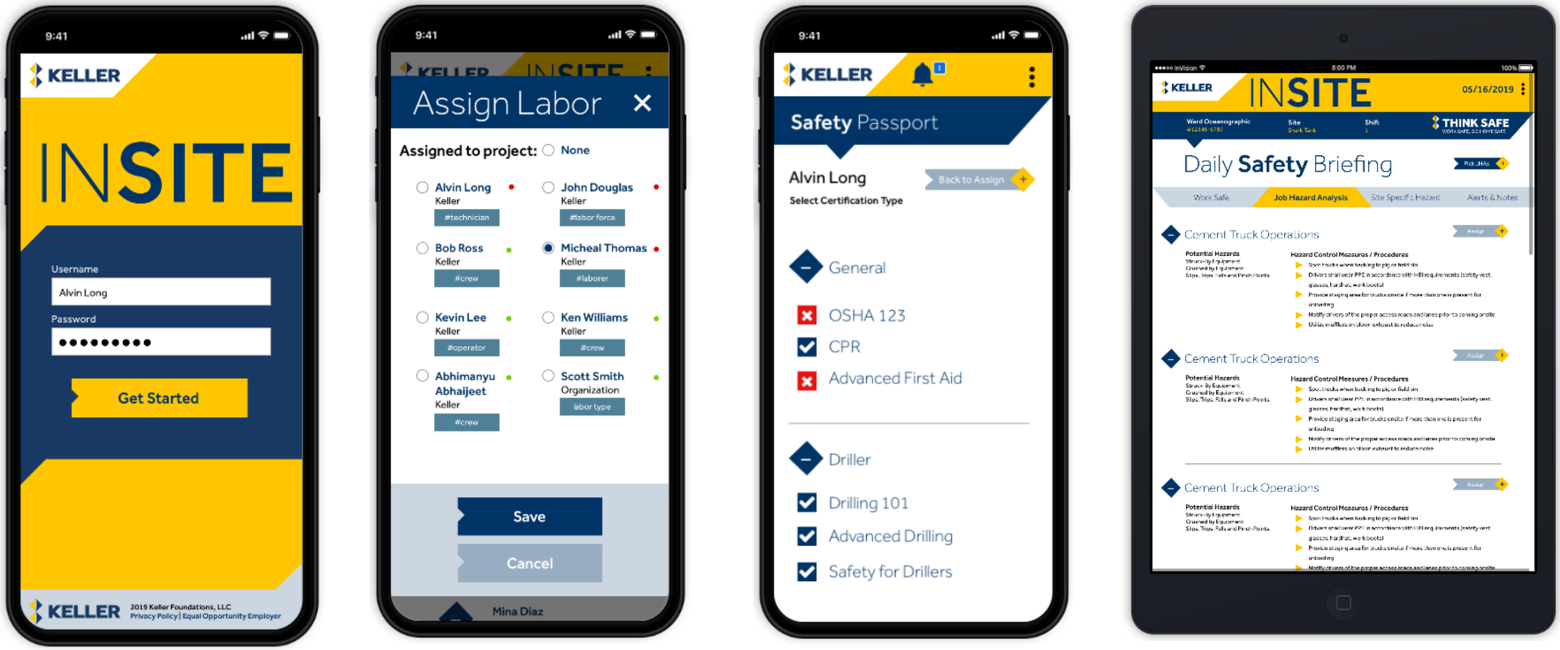
# Insite

## A new app to improve safety and make administration easier and quicker on site




**Piloting and aiming for 100% use in North America by July 2020**

# Environmental, social and governance

- We use the UN Sustainable Development Goals (SDGs) as a framework to guide our activities
- In 2019, we started working with the University of Surrey Centre of Environment and Sustainability to apply sustainability best practice across all of our business functions
- Still in early stages and an area of increasing development

## Environment

‘B’ rating for disclosure and management of our carbon footprint from CDP

Overall our environmental incidents fell by 10% in 2019, and the volume of spilled material fell significantly


## Social

New Workforce Engagement Committee formed in 2019 to ensure voice of the employee is considered in the boardroom

Our senior managers play key roles in the geotechnical construction industry’s associations, events and activities

## Governance

Our Code of Conduct sets out clear and common standards of behaviour, supported by Sustainability Policy and Statement on Modern Slavery and Human Trafficking

We provide security and awareness training and assessments to keep our employees informed and vigilant on cyber security

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# Healthy order book in excess of £1bn

## Geographic mix
(Full order book)

North America[1]

**£591m** +14%

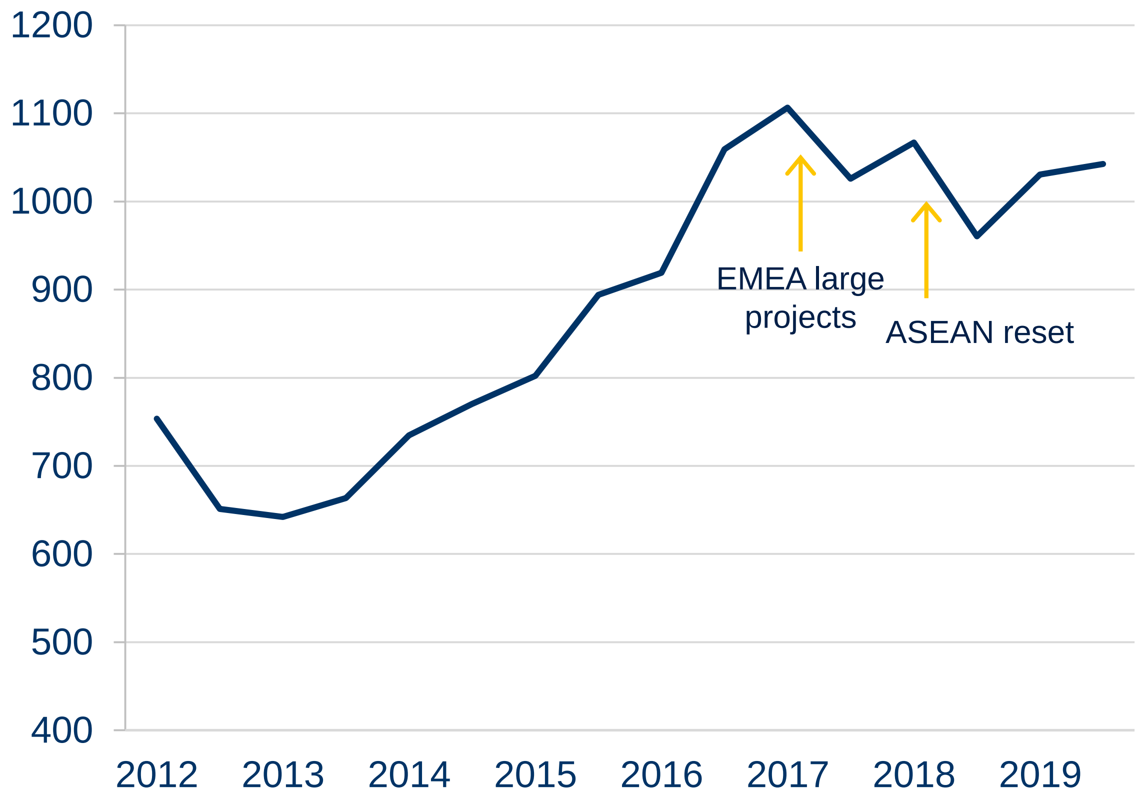
EMEA[1]

**£287m** +11%

APAC[1]

**£164m** +21%

## Order book (£m)




[1]Prepared on a constant currency basis

# North America
## Operating review

| £m | 2019[1] £m | 2018 £m | Constant currency |
|---|---|---|---|
| Revenue | 1,333.9 | 1,161.4 | 11% |
| Underlying operating profit | 77.3 | 78.6 | -6% |
| Underlying operating margin | 5.8% | 6.8% | n/a |
| Order book[2] | 590.9 | 541.6 | +14% |

[1]Prepared on an IAS 17 basis
[2]Comparative order book stated at constant currency

- Strong revenue growth in US foundation businesses driven by increases in Hayward Baker and HJ Foundation, offset by declines in Bencor and Case
- Scope adjustment on very large long term Bencor contract successfully resolved
- Reorganisation and rebranding of foundation businesses progressing well
- Canada performance adversely impacted by soft markets and some specific project issues
- Moretrench Industrial benefitted from highly profitable projects and now fully integrated
- Suncoast performed strongly with revenue up 16% and a significant increase in profit
- Lower volume of high margin data centre and emergency work
- **While cautious on macroeconomic environment, near term outlook is encouraging with strong order book and good momentum**

**Signature Bridge**
Miami, United States

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# North America reorganisation

**Reorganisation and rebranding of our foundation businesses in North America is progressing well**

**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**

- Implementation costs of around £3m will be absorbed by the division through 2019 and 2020
- Expect cost and efficiency benefits of £4.5m to £6.0m per annum
- Expect materially improved financial performance from increased market share by 2022


# EMEA
## Operating review

| £m | 2019[1] £m | 2018 £m | Constant currency |
|---|---|---|---|
| Revenue | **679.6** | 668.2 | 2% |
| Underlying operating profit | **28.1** | 39.7 | -31% |
| Underlying operating margin | **4.1%** | 5.9% | n/a |
| Order book[2] | **287.2** | 273.2 | 11% |

[1]Prepared on an IAS 17 basis
[2]Comparative order book stated at constant currency

- Conclusion of large, highly profitable contracts in 2018, and deterioration in Franki Africa, masked an improvement in the rest of the business
- Central Europe and South East Europe performed strongly
- Scandinavian region developing well, with major contract award in Norway
- North East Europe and Middle East finished the year with better momentum
- UK, representing <3% of group revenue adversely impacted by political uncertainty and Brexit
- South America planned withdrawal during 2020
- Franki Africa recorded a loss - strategic review to be completed in H1 2020
- Positive start to 2020, with a healthy order book and favourable market conditions in our core markets
- **Full year performance dependent on key project wins and execution, and favourable macroeconomic environment**

**Port Said Phase 2**
Egypt

# HS2
## Early works involvement

**S1 and S2**

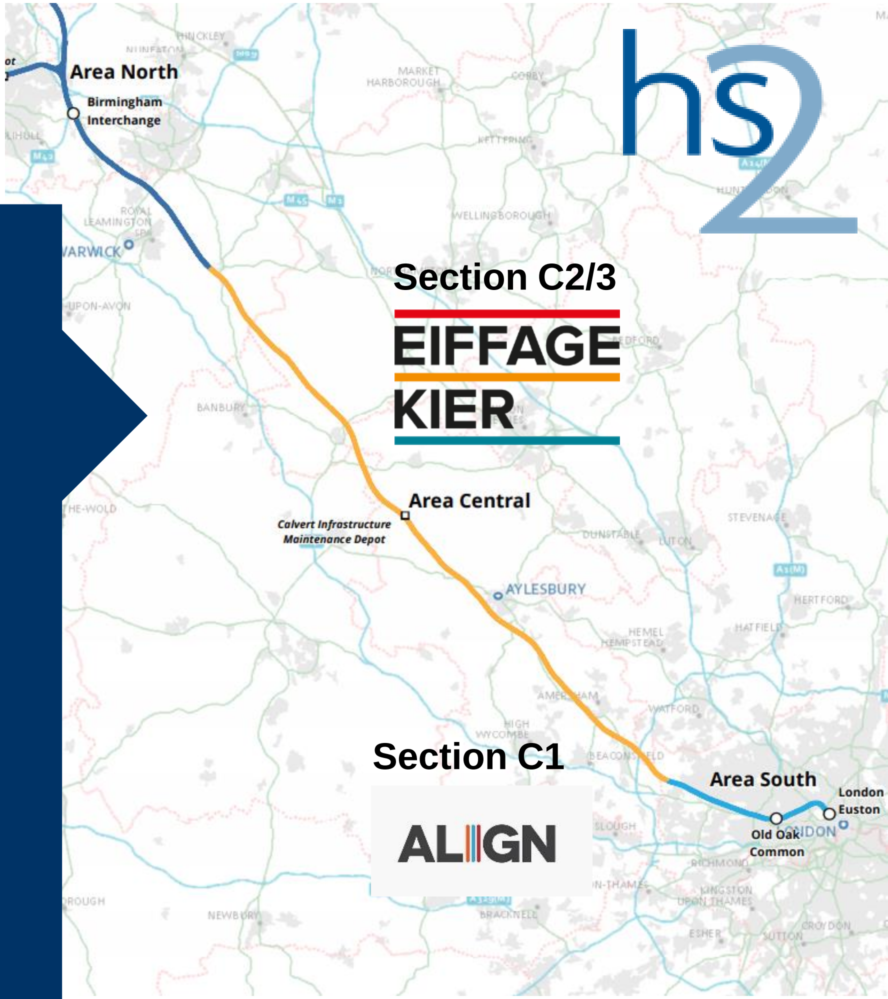
- Secured Instrumentation and monitoring package worth c£8m over five years

**C1**

- Early works contracts worth £10m in joint venture with VSL
- Negotiating main works currently

**C2/C3**

- Carrying out tests and trials worth £5m
- Hope to negotiate the main works in joint venture with Bauer

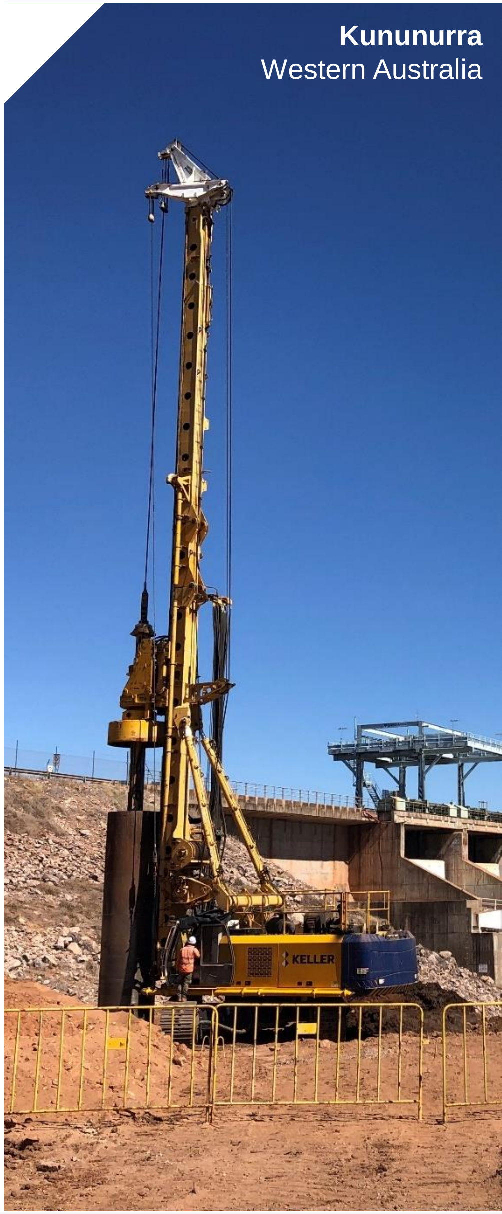


# Asia-Pacific
## Operating review

| £m | 2019[1] £m | 2018 £m | Constant currency |
|---|---|---|---|
| Revenue | **287.0** | 394.9 | -27% |
| Underlying operating profit | **2.8** | (18.0) | n/a |
| Underlying operating margin | **1.0%** | -4.6% | n/a |
| Order book[2] | **164.4** | 143.2 | 21% |

[1]Prepared on an IAS 17 basis
[2]Comparative order book stated at constant currency

- Restructuring successfully completed
  - ASEAN
  - Waterway
  - Divisional overheads reduction
  - Revenue decrease year on year
- Trading
  - ASEAN return to solid profit
  - Waterway ceased operations
  - India consolidated its recent rapid growth
  - Keller Australia improved performance following major restructuring of 2017/18
  - Austral, after a slow start, finished strongly with largest ever contract win for Cape Lambert Dolphin project
- **Well placed for 2020 with reinvigorated order book across all businesses**

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# Cape Lambert

Australia

**AUD$125m (c£70m) contract**

**Austral's largest ever contract**

- Construction of 18 new dolphin structures with heaviest lift of 125t, and 2.4km long approach jetty
- Started December 2019 and due for completion mid 2021
- Completed on 'live' iron ore loadout facility
- Investment of AUD$12m in new plant including new 500t self-elevating modular platform (SEMP)

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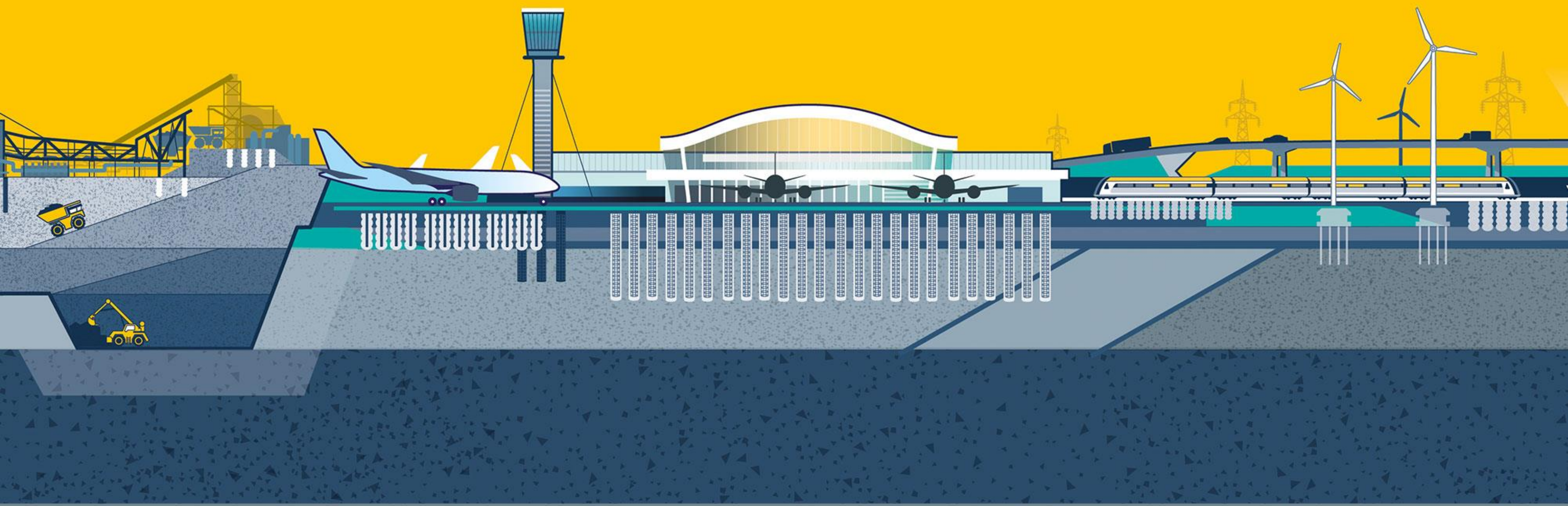

# Strategic development

# Vision to actions

Vision
Strategy
Objectives
Actions

# Our vision

To be the leading provider of specialist geotechnical solutions


# Our strategy

To be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating sustained value for our stakeholders

Local businesses will leverage the group's expertise and scale to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments


# Our objectives

| | | |
|---|---|---|
| **Balanced portfolio** | We select sustainable markets (geography, sector and products) in which to set up base businesses, and attractive projects | • A leading share in our chosen markets, profitable through the cycle<br>• Customer focus<br>• Sustained revenue stream |
| **Engineered solutions** | We offer the best solutions to our customers by providing alternatives and value engineering, and invest in innovation and digitisation | • Retained technical advantage<br>• Cost and therefore price leadership<br>• Access to complex high-value projects<br>• Influence in our sector |
| **Operational excellence** | We are the operational leader providing safe, efficient, on-time and high quality delivery and relentlessly strive to improve our operational capability | • Industry leading safety record<br>• Better execution and utilisation<br>• Cost and therefore price leadership<br>• Improved gross margins |
| **Expertise and scale** | We develop our people, processes and assets and leverage the global strength of our technical, operational, commercial and financial resources | • A healthy balance sheet<br>• Strong, highly utilised people and assets<br>• Knowledge sharing<br>• Strong management, governance and compliance |

# Actions


**Balanced portfolio**

- Dispose of our Brazilian business
- Exit Chile and Peru
- Complete strategic review of Franki Africa

**Engineered solutions**

- Accelerate innovation agenda
- Improve equipment utilisation

**Operational excellence**

- Improve project execution
- Improve operational efficiency
- Optimise overheads

**Expertise and scale**

- Enhance global governance regime
- Increase emphasis on performance management

# Outlook and summary

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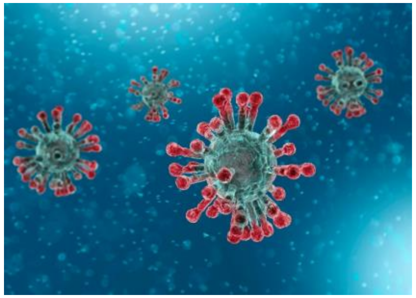
# COVID-19: potential considerations

**Direct impact**

- **Revenue:** Very diverse revenue stream in terms of geography, sector, customer, products etc and nothing in China
- **Raw materials:** Mainly locally sourced, generally commodity in nature
- **Direct workforce:** Dispersed, fit, flexible workforce
- **Equipment:** high level of substitution, good stock of spares, mainly US/European sourced
- **Operations:** The majority of our operations (80%+) are in medically advanced economies in 200+ geographical locations
- **Management:** Actively monitoring our response to events as they unfold (travel restrictions, reconfiguring meetings, self isolation, split teams/accommodation)
- **Financial:** Strong balance sheet, strong cash flows and positive working capital cycle offer good protection



**Direct impact expected to be limited**

**Indirect impact**

- Global macroeconomic effect
- Individual customer behaviours

**Indirect impact unknown**

# Outlook

### Backdrop

- Good start to the year
- Market fundamentals remain healthy
- Quality order book in excess of £1bn
- Indirect effects of COVID-19

### Drivers

- Margin improvement in North America
- Key contract wins in EMEA
- Sound execution in APAC

### Leads to expectations for full year

- Revenue broadly flat
- Increase in profit driven by margin improvement, usual H2 weighting
- Strong cash generation tempered by reversal of 2019 accelerated cash performance

# Summary

**2019**

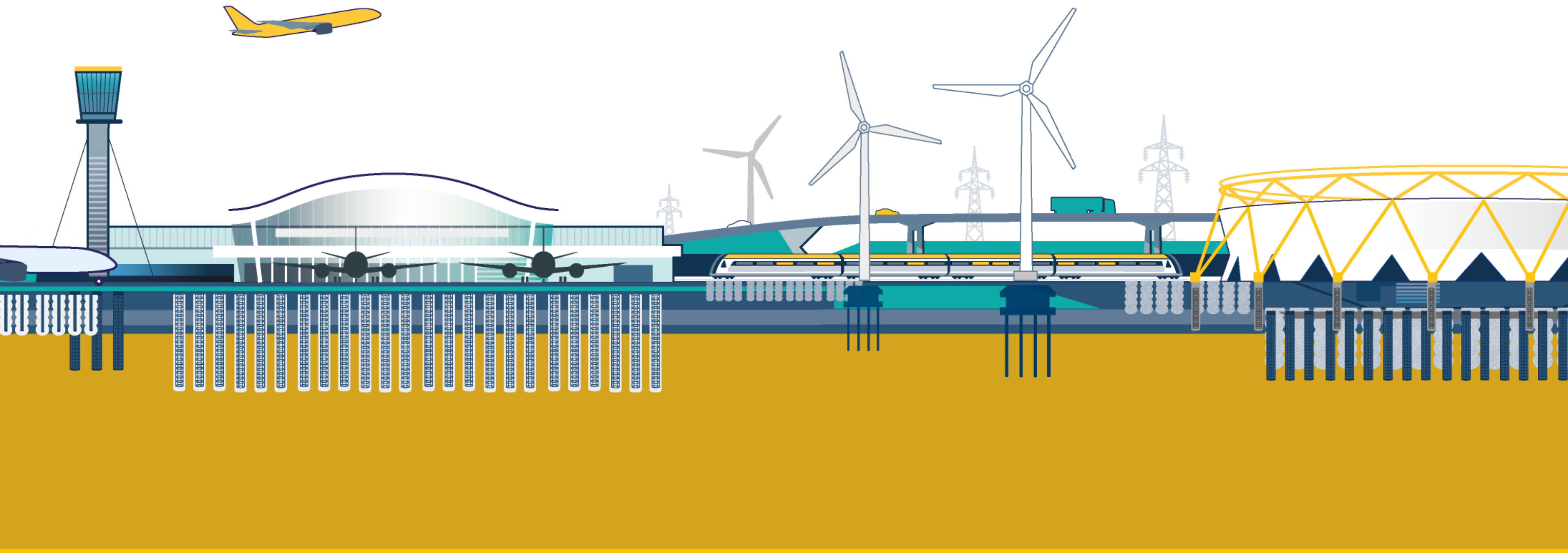
- Significant year of decisive progress
- Delivered on expectations
- Revised strategy

**2020**

- Cautiously optimistic
- Progressive implementation of the strategy
- Another year of continued progress

**Transitioning to become a more efficient, higher quality business**

# Questions and answers



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# Summary

**2019**

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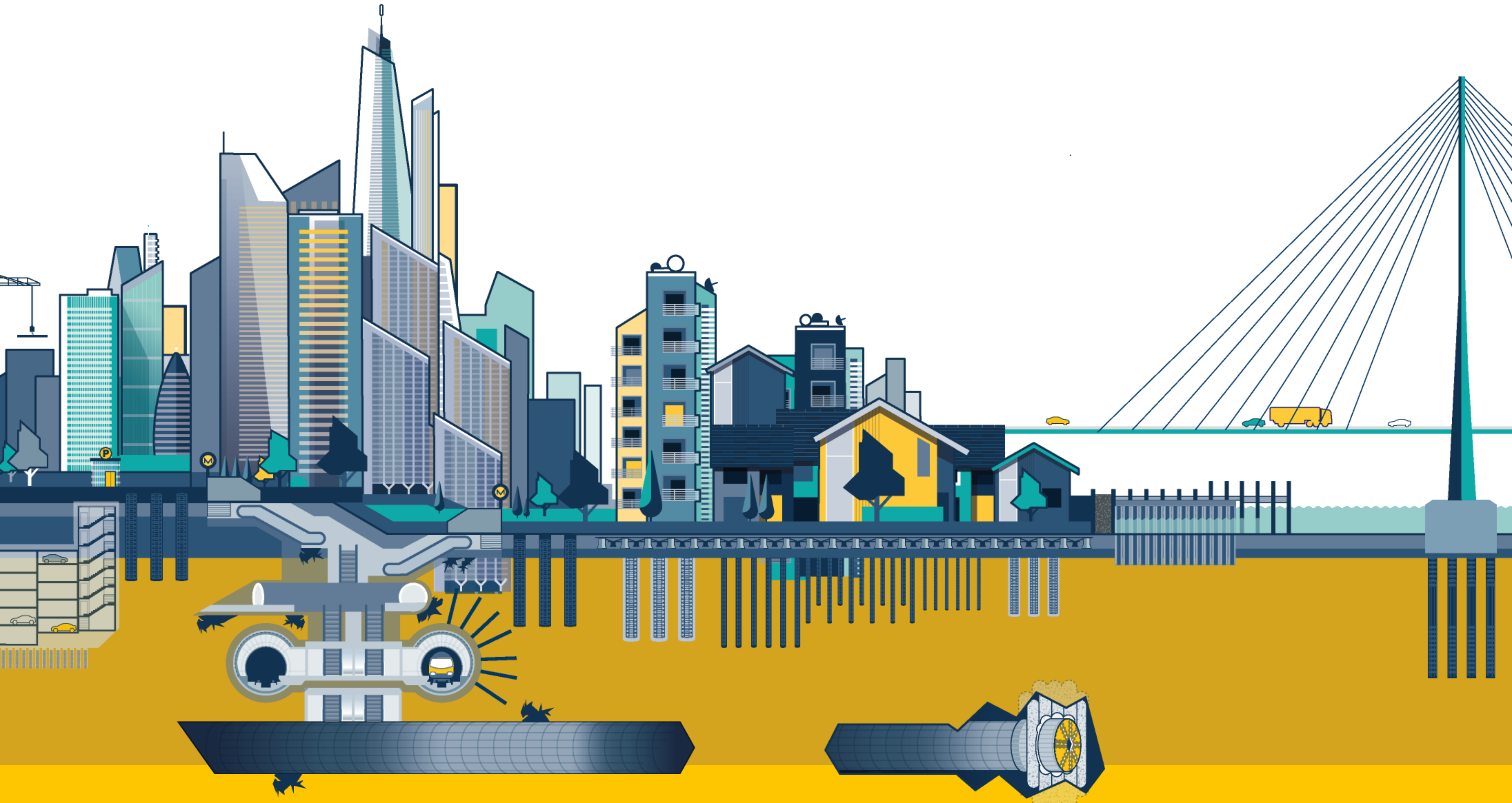
# Keller overview



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# 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

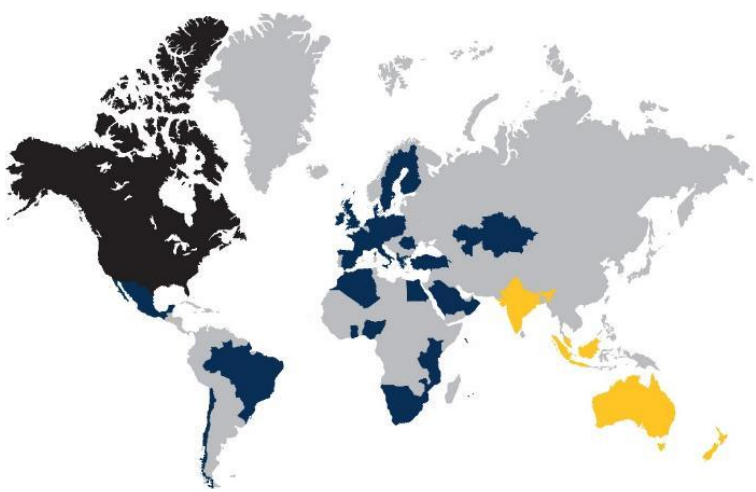
To be the world leader in geotechnical solutions

### Our values

Integrity

Collaboration

Excellence



**3** divisions

**23** business units

**190** branches

**2.3bn** revenue pa

**10,000** employees

**7,000** contracts pa

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# Keller investment case

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

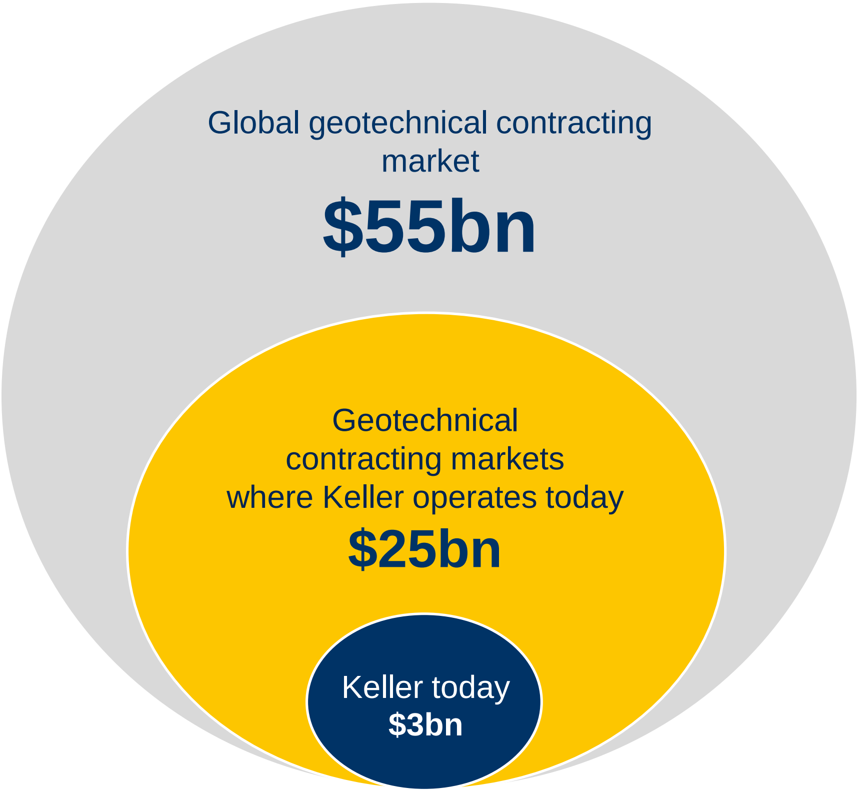
The specialist geotechnical contracting sub-sector has **higher margins** and favourable market trends

We are the **number one** geotechnical specialist contractor worldwide given our geographic presence and capabilities (broad product portfolio, 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




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

Sources: IHS Markit 2019, National statistics organisations. Keller accounts. Amounts are stated in US dollars.

# Specialist versus generalist business model

## Project lifespan

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### Ground engineering

- Early stage
- Lower cyclicality
- Specialist design capability
- A mix of contracts
- Higher margin
- Resource base

## General contractor

### General construction

- Longer, larger projects
- National focus
- Higher cyclicality
- Integration of multiple suppliers and subcontractors
- 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. Amounts are stated in US dollars.

# 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

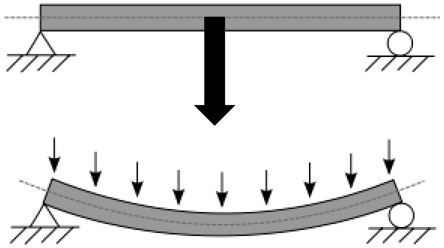
- Performance (allowable settlements)
- Schedule
- Cost

## Loading conditions

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

## Constraints

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



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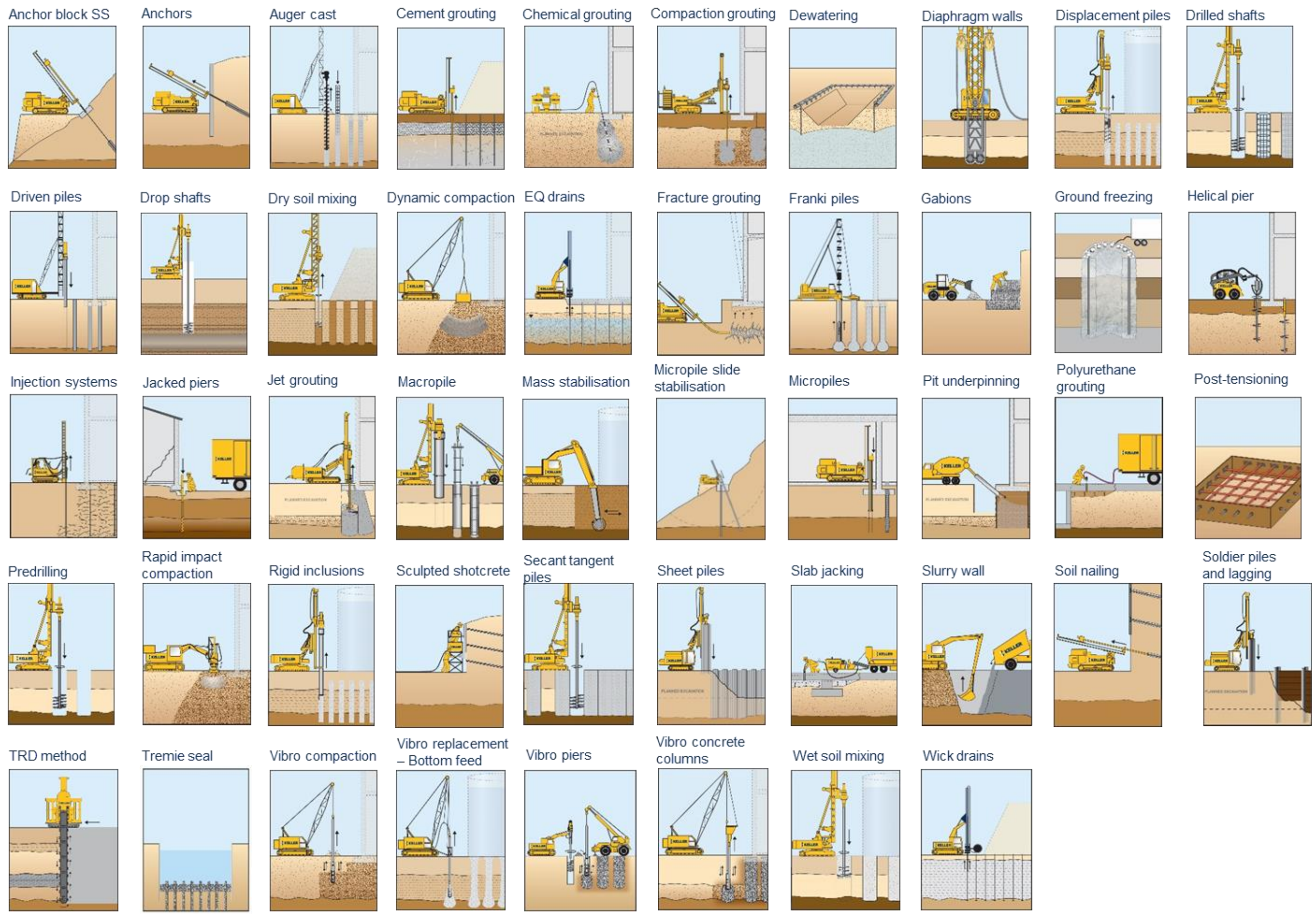
# Full product range

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

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# Value engineering

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

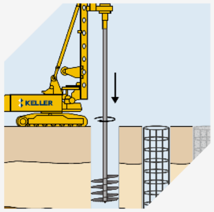
50% of our projects are ‘design and build’ where value engineering can **reduce cost by up to 40% and save time**

## Maiden Lane, New York

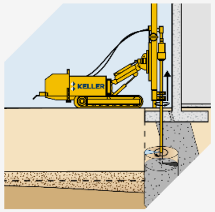
57-storey tower, lower Manhattan

Congested site where conventional solution unbuildable

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




Drilled shafts




Jet grouting

Amounts are stated in US dollars.

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# 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

### 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


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# 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

### Field Supervisor Academy

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

### Business Development Academy

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

# Medium term financial targets

## Revenue

- Maintain diversity of geographies, sectors and products

## Profitability

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

## Dividend

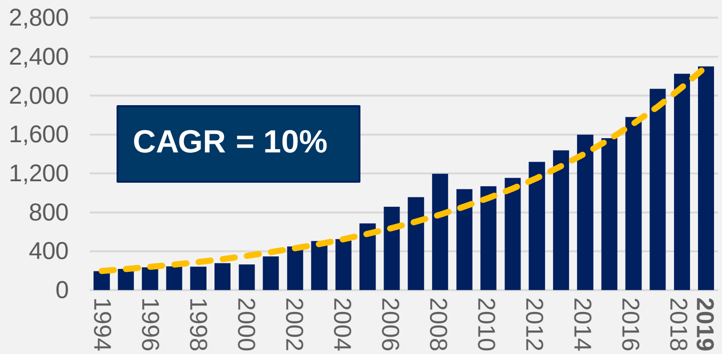
- Maintaining progressive growth through the cycle

## Gearing

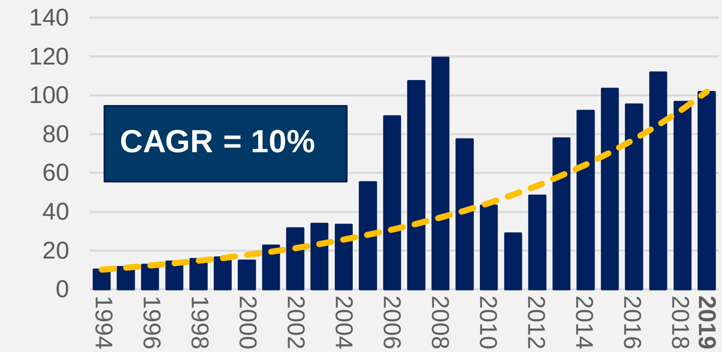
- Headline net debt between 1.0x and 1.5x EBITDA

# Financial performance since listing in 1994

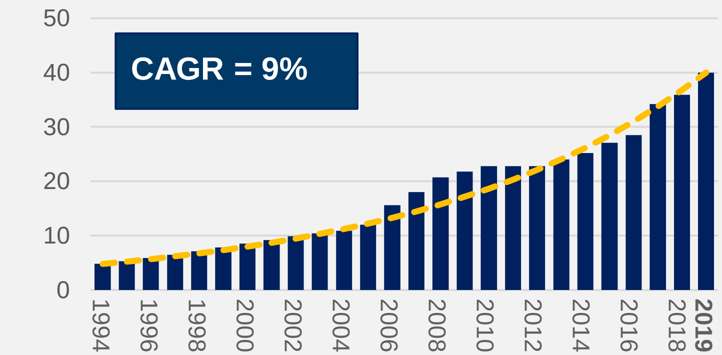
## Revenue (£m)



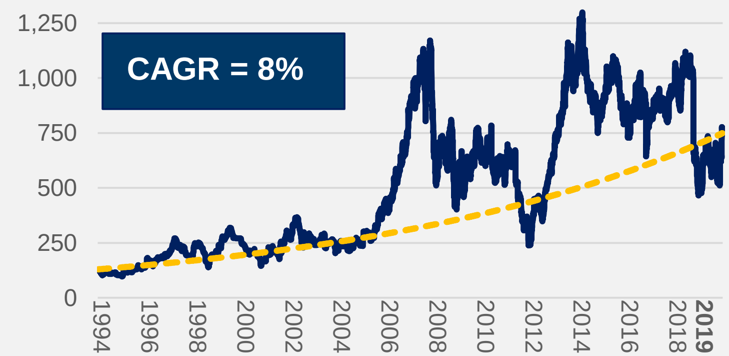

## Underlying operating profit (£m)




## Dividend per share (p)




## Share price (p)




**TSR of 11.0% CAGR vs. 7.3% FTSE All Share CAGR** (at 25 Feb 2020)

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# Keller fact sheet

- Established 1860, now number one geotechnical specialist contractor globally
- Revenue by division: 58% North America, 30% EMEA, 12% APAC (only <3% of business in UK)
- Revenue by sector: 33% Infrastructure/Public buildings, 21% Residential, 24% Power/Industrial, 20% Office/Commercial, Marine 2%
- Room to grow:
  - Global geotechnical contracting market - $55bn
  - Geotechnical contracting markets where Keller operates - $25bn (excludes China, Japan, Korea and Russia)
  - Keller today c$3bn – a 5% global market share and a 11% share of the markets in which we operate
- Operate in 40 countries, across six continents
- Three divisions, 23 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 24% 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 c24% 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, 27% Ground improvement, 10% Earth retention, 11% Grouting, 12% Post-tension systems, Marine 2%, 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 0.15
- Keller supports the UN Global Compact and aims to adhere to its 10 principles in the areas of anticorruption, environment, human rights and labour

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# Investor Relations contacts

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

+44 20 7616 7575
caroline.crampton@keller.com

**Victoria Huxster**
**Head of Investor Relations**

+44 20 7616 7575
victoria.huxster@keller.com

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