

## **2016 Preliminary Results**

John Morgan, Chief Executive:

Well we're very excited. We've had a very good year this year both in terms of profits and operational improvements to the businesses. Clearly very pleased with the profits, the cash, the increase in the order book and the quality of the order book, and indeed the increase in dividends.

We have a very clear strategy, we're in the places we want to be in and we want to make more money out of what we've got by making those businesses even better.

## **Financial highlights**

Steve Crummett, Finance Director:

We're very pleased to announce these strong results this morning. Just taking some of the Group highlights; firstly profit before tax is up 32% to £45.3 million. Earnings per share has also grown, that's up 34%. I'm very excited about the cash performance, the year-end net cash was £209 million and the average daily net cash for the year was £25 million - a significant improvement on prior year.

We've had a good year of work-winning. The order book is up 29% to £3.6 billion and the regeneration and development pipeline has grown 2%; so strong in our markets winning work.

On the dividend, we're pleased to be able to increase the dividend by 21% to £0.35p per share. So all round from a Group perspective a very strong performance.

Now each division has played its part in that result. Construction and Infrastructure has shown a continued improvement in its margin; up to 0.7% for the year delivering a profit of £8.9 million. Now that's an improvement on prior years, but there is still more to come from Construction and Infrastructure.

Fit Out has had an excellent year. Its margin has improved again to 4.3% and delivered profits of £27.5 million. It's a strong position in its market and we expect continued good performance from Fit Out. Its order book has grown significantly and we enter 2017 with £410 million in the order

book secured for this year; so we're very excited about another strong performance from that division.

Property Services has delivered its first full year profit of £0.7 million for the year, compared to a loss of £1 million last year, so we're on with the turnaround and we're winning some good work in the marketplace and therefore we expect to show improved margin and profit performance in this 2017 and beyond.

Partnership Housing has increased its profits by 40% to £13.4 million. Urban Regeneration has also increased its profits to £13.4 million, delivering a return on capital employed of 15%. So in that regeneration arena both businesses delivering some good strong performances.

And then Investments, which is a division which provides high quality construction and regeneration for the rest of the Group produced a loss of £2 million in line with its strategic plans.

All that adds up then to a very strong good growth performance from the Group.

## **Strategic positioning**

John Morgan:

We've made a lot of changes over the last few years. We haven't gone to the quick fixes, we've actually made tough decisions for the long-term, including investing in regeneration through the downturn. We've now got a situation where we've got an increased high quality order book, a great team of people - a lot of those people have been in place between two and four years. We're also in a situation where we are very, very strong in the markets that are poised for growth i.e., Urban Regeneration, Infrastructure and Partnership Housing. So we feel we're well aligned to the growth markets.

Steve Crummett:

On the housing side, partnership housing, looking at the macro picture, the housing shortages which are well publicised in the UK; we're really well positioned to deliver. We've got a strong track record in these markets of delivery, working with local authorities, working with housing associations and we see this as a real key driver of the Group growth going forward.

John Morgan:

And we have a tremendously strong Fit Out business and other businesses in real growth areas of the market.

Steve Crummett:

And particularly on the Infrastructure side, we've been very successful in winning positions on some high profile and real, good quality work going forward; such as the enabling works on HS2. And then on the Urban Regeneration side we've got a very strong pipeline which gives us great

visibility for the next four or five years at least in helping developing communities regenerate with mixed use opportunities.

John Morgan:

I think what a lot of people don't understand is, one of the real barriers in urban regeneration is that it often takes us 10 years from winning a development agreement to actually getting on site. So huge barriers to entry: its's time and expertise and track record.

## **Outlook**

Steve Crummett:

We see the strength of our balance sheet as a key differentiator for us, particularly it gives us the flexibility to react to opportunities in our markets, particularly regeneration as they may arise in the future.

We've got year end net cash of £209 million; we've got a small pension surplus of £2.6 million and we've cleared up our legacy construction contracts. So looking ahead to 2017 we're looking with real confidence. With the opportunities we see in the market for partnership housing, continued margin improvement in construction and infrastructure, together with the size of the order book that we have in Fit Out, all these brought together mean that we've got confidence in delivering a result slightly ahead of our previous expectations for 2017.

John Morgan:

We're very excited going forward for the medium term. We have a great team of people, we've made huge changes to all of our businesses. We are looking to grow our businesses organically; many of our businesses are aligned to real growth markets; partnership housing, infrastructure, regeneration. We have a great fit-out business, we have a really strong balance sheet which actually gives us options. We aim to have our eyes firmly on the road ahead It's organic growth to make more money out of what we've got.

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