



# 2016 Interim Results Presentation



4 August 2016

## Headlines

- Group trading significantly impacted by continuation of severe O&G downturn.
- Energy and parts of other segments affected in terms of fees and margins.
- non O&G businesses generally performed well.
- investment in project management capability proving successful.
- strong operating cash flow.
- leverage 2.2; interest cover 10x; leverage to fall by YE.
- interim dividend held at 2015 level.
- weak £ helps consolidation, overall Brexit effects unknown.
- more cautious approach to acquisitions until future clearer.

## Results

|                                   | <b>2016<br/>H1</b> | 2015<br>H1 | 2015<br>H1<br>(cc) <sup>(1)</sup> |
|-----------------------------------|--------------------|------------|-----------------------------------|
| Revenue (£m)                      | <b>291.4</b>       | 284.1      | 292.2                             |
| Fee income (£m)                   | <b>260.8</b>       | 253.4      | 260.6                             |
| Operating profit pre A (£m)       | <b>22.7</b>        | 31.4       | 32.6                              |
| Operating profit margin pre A (%) | <b>8.7</b>         | 12.4       | 12.5                              |
| PBTA (£m)                         | <b>20.2</b>        | 28.8       | 29.9                              |
| Tax rate on PBTA (%)              | <b>29.5</b>        | 27.4       | 27.4                              |
| Basic earnings per share (p)      | <b>6.44</b>        | 9.50       | 9.89                              |
| Dividend per share (p)            | <b>4.66</b>        | 4.66       | 4.66                              |

<sup>1</sup> 2015 results restated at 2016 currency rates.

## Segment profit

| (£m)                         | 2016<br>H1   |      | 2015<br>H1  | 2015<br>H1<br>(cc) <sup>(1)</sup> |      |
|------------------------------|--------------|------|-------------|-----------------------------------|------|
| BNE: Europe                  | <b>16.4</b>  | 63%  | 14.3        | 14.6                              | 40%  |
| : North America              | <b>4.6</b>   | 18%  | 5.3         | 5.8                               | 16%  |
| Energy                       | <b>(1.4)</b> | (6%) | 9.6         | 9.9                               | 27%  |
| Australia Asia Pacific (AAP) | <b>6.3</b>   | 24%  | 5.8         | 6.0                               | 17%  |
| <b>Total</b>                 | <b>25.8</b>  | 100% | <b>35.0</b> | <b>36.2</b>                       | 100% |

<sup>(1)</sup> 2015 results restated at 2016 currency rates.

## BNE: Europe

|                                    | 2016<br>H1   | 2015<br>H1 | 2015<br>H1<br>(cc) <sup>(1)</sup> |      |
|------------------------------------|--------------|------------|-----------------------------------|------|
| Fee income (£m)                    | <b>131.2</b> | 106.1      | 108.2                             | +21% |
| Segment profit (£m) <sup>(2)</sup> | <b>16.4</b>  | 14.3       | 14.6                              | +12% |
| Margin (%)                         | <b>12.5</b>  | 13.4       | 13.5                              | -1.0 |

(1) 2015 results restated at 2016 currency rates.

(2) after reorganisation costs of £0.4m (2015: £0.1m).

## BNE Europe: half on half progression

| £m                   | 2015  |       | 2016         |
|----------------------|-------|-------|--------------|
|                      | H1    | H2    | H1           |
| Underlying profit    | 14.3  | 16.5  | <b>16.8</b>  |
| Reorganisation costs | (0.1) | (0.5) | <b>(0.4)</b> |
| Segment profit       | 14.3  | 16.1  | <b>16.4</b>  |
|                      |       | +13%  | +2%          |

## **BNE: Europe – another good performance**

- P&D and Water businesses in UK again performed well.
- only significant exposure to O&G is in Norway; Metier acquisition helped boost non-O&G activity, but still a drag.
- other businesses generally dealt well with need to manage tight budgets.
- currently expect further growth in H2 2016; benefit from weak £; too soon to forecast overall effect of Brexit.

## BNE: North America

|                                    | 2016<br>H1  | 2015<br>H1 | 2015<br>H1<br>(cc) <sup>(1)</sup> |      |
|------------------------------------|-------------|------------|-----------------------------------|------|
| Fee income (£m)                    | <b>32.0</b> | 28.6       | 30.5                              | +5%  |
| Segment profit (£m) <sup>(2)</sup> | <b>4.6</b>  | 5.3        | 5.8                               | -20% |
| Margin (%)                         | <b>14.4</b> | 18.7       | 18.9                              | -4.5 |

(1) 2015 results restated at 2016 currency rates.

(2) after reorganisation costs of £0.2m (2015: £0.1m).



## BNE: North America: half on half progression

| £m                   | 2015  |       | 2016         |
|----------------------|-------|-------|--------------|
|                      | H1    | H2    | H1           |
| Underlying profit    | 5.4   | 5.3   | <b>4.8</b>   |
| Reorganisation costs | (0.1) | (0.1) | <b>(0.2)</b> |
| Segment profit       | 5.3   | 5.2   | <b>4.6</b>   |
|                      |       | -2%   | -12%         |

## **BNE: N.America – significant market opportunity; O&G major drag**

- significantly affected by O&G slowdown in legacy businesses.
- new non-oil gas businesses performed well with supportive markets.
- traditional environmental businesses Iris and GaiaTech working well together.
- large non O&G market remains attractive.
- most likely outcome for FY16 is modest decline in contribution.

## Energy

|                                    | 2016<br>H1   | 2015<br>H1 | 2015<br>H1<br>(cc) <sup>(1)</sup> |       |
|------------------------------------|--------------|------------|-----------------------------------|-------|
| Fee income (£m)                    | <b>35.3</b>  | 67.3       | 69.0                              | -49%  |
| Segment profit (£m) <sup>(2)</sup> | <b>(1.4)</b> | 9.6        | 9.9                               | -115% |
| Margin (%)                         | <b>(4.1)</b> | 14.3       | 14.3                              | -18.4 |

<sup>(1)</sup> 2015 results restated at 2016 currency rates.

<sup>(2)</sup> after reorganisation costs of £2.4m (2015: £0.4m).

## Energy: half on half progression

| £m                   | 2015  |       | 2016         |
|----------------------|-------|-------|--------------|
|                      | H1    | H2    | H1           |
| Underlying profit    | 10.0  | 1.8   | <b>0.9</b>   |
| Reorganisation costs | (0.4) | (0.5) | <b>(2.4)</b> |
| Segment profit       | 9.6   | 1.3   | <b>(1.4)</b> |
|                      |       | -87%  | -214%        |

## Energy: significant market downturn

- collapse in oil price in January was followed by further significant cut back in E&P budgets of O&G companies globally; possibly “worst ever downturn” in the sector.
- responded with further 25% headcount reduction and consolidation of offices.
- market showing some signs of stabilising.
- self help should improve performance in H2, with the expectation of return to profit.

## Australia Asia Pacific

|                                    | 2016<br>H1  | 2015<br>H1 | 2015<br>H1<br>(cc) <sup>(1)</sup> |      |
|------------------------------------|-------------|------------|-----------------------------------|------|
| Fee income (£m)                    | <b>63.2</b> | 52.3       | 53.8                              | +17% |
| Segment profit (£m) <sup>(2)</sup> | <b>6.3</b>  | 5.8        | 6.0                               | +5%  |
| Margin (%)                         | <b>10.0</b> | 11.0       | 11.1                              | -1.1 |

(1) 2015 results restated at 2016 currency rates.

(2) after reorganisation costs of £1.0m (2015: £0.3m).

## AAP: half on half progression

| £m                   | 2015  |       | 2016         |
|----------------------|-------|-------|--------------|
|                      | H1    | H2    | H1           |
| Underlying profit    | 6.1   | 6.5   | <b>7.3</b>   |
| Reorganisation costs | (0.3) | (0.1) | <b>(1.0)</b> |
| Segment profit       | 5.8   | 6.4   | <b>6.3</b>   |
|                      |       | +11%  | -1%          |

## AAP: repositioning working well

- continuing decline in oil and gas and resources has resulted in further significant shrinkage of our West Coast business; will continue to be a drag on performance in H2.
- significant reorganisation cost vacating large Perth office; will reverse with lower rent.
- investment in project management capability proving successful; has enabled shift out of resources into infrastructure markets and from West to East Coast.
- anticipate growth in the FY.



## Headcount

|                    | <u>31/12/14</u> | <u>31/12/15</u>            | <u>30/6/16</u> | <u>2016</u><br><u>Change</u> | <u>2016</u><br><u>Acquisitions</u> | <u>2016 Change</u><br><u>Ex Acquisitions</u> |            |
|--------------------|-----------------|----------------------------|----------------|------------------------------|------------------------------------|--|------------|
| BNE: Europe        | 2,793           | 3,193<br>+14%              | 3,370          | 177                          | 130                                | 47   | +1%        |
| : North<br>America | 382             | 455<br>+19%                | 428            | (27)                         | -                                  | (27)   | -6%        |
| Energy             | 565             | 457<br>-19%                | 342            | (115)                        | -                                  | (115)  | -25%       |
| AAP                | 939             | 1,008<br>+7%               | 974            | (34)                         | -                                  | (34)   | -3%        |
| Group              | 115             | 118<br>+3%                 | 119            | 1                            | -                                  | 1  | +1%        |
| <b>Total</b>       | <b>4,794</b>    | <b>5,231</b><br><b>+9%</b> | <b>5,233</b>   | <b>2</b>                     | <b>130</b>                         | <b>(128)</b>                                 | <b>-2%</b> |

## Conversion of profit into cash

| £m                                       | 2016<br>H1   | 2015<br>H1 |
|--|--------------|------------|
| PBTA                                     | <b>20.2</b>  | 28.8       |
| Adjust for:                              |              |            |
| Depreciation                             | <b>4.1</b>   | 4.1        |
| Interest                                 | <b>2.5</b>   | 2.7        |
| Share scheme costs                       | <b>1.1</b>   | 1.0        |
| Transaction advisory costs               | <b>(0.2)</b> | (0.6)      |
| Other                                    | <b>0.3</b>   | -          |
| EBITDAS                                  | <b>28.0</b>  | 36.0       |
| Working capital                          | <b>0.3</b>   | 11.8       |
| Cash from operations                     | <b>28.3</b>  | 47.8       |
| Conversion of profit into operating cash | <b>101%</b>  | 133%       |

## Free cash flow + net debt

| £m                        | 2016<br>H1    | 2015<br>H1 |
|---------------------------|---------------|------------|
| Cash from operations      | <b>28.3</b>   | 47.8       |
| Interest                  | <b>(2.0)</b>  | (2.2)      |
| Tax                       | <b>(8.1)</b>  | (4.9)      |
| Capex (net)               | <b>(3.5)</b>  | (3.1)      |
| Free cash flow            | <b>14.7</b>   | 37.6       |
| Initial consideration     | <b>(6.6)</b>  | (25.5)     |
| Deferred consideration    | <b>(7.8)</b>  | (3.6)      |
| Dividends                 | <b>(11.3)</b> | (9.7)      |
| Other                     | -             | (0.1)      |
| Cash flow                 | <b>(11.0)</b> | (1.3)      |
| Net bank borrowings b/fwd | <b>(78.8)</b> | (73.2)     |
| Cash flow                 | <b>(11.0)</b> | (1.3)      |
| Acquisition cash/(debt)   | <b>(4.8)</b>  | 2.2        |
| Fair value adjustment     | <b>1.1</b>    | -          |
| Foreign exchange          | <b>(1.5)</b>  | (0.4)      |
| Net bank borrowings c/fwd | <b>(95.0)</b> | (72.7)     |

## Deferred consideration (DC)

| £m           | 2016 | 2017 | 2018 | Total |
|--------------|------|------|------|-------|
| DC @ 30/6/16 | 15.0 | 12.5 | 1.4  | 28.9  |

## Bank facilities

### Lloyds + HSBC RCF

- £150m committed until July 2020;
- Additional £50m accordion.

### Pricoa

- \$150m US private placement;
- initial notes £30.0m and \$34.1m issued in September 2014; 7 year term, 4% coupon;
- balance of facility \$76m (£57m) is available but uncommitted.

### Covenants at 30/6/16

- total net debt/EBITDA 2.2x (maximum 3.0x);
- interest cover 10x (minimum 4x).

## Dividend

- as a result of the impact of the slowdown in the O&G sector on Group results and Brexit uncertainty the Board has decided to hold this year's interim dividend at the 2015 level (i.e. 4.66p).
- the final dividend will be decided after the Board reviews the 2016 FY outcome and Group targets for 2017.

## Excellent Long Term Shareholder Returns

- including IPO proceeds in 1987 we have raised only £60m from shareholders.
- since IPO we have distributed over £145m in dividends.
- last fund raising 2001: £40m; since paid over £140m in dividends.

## Strategy and Segmentation

- 2013: Energy AAP was merged with BNE:AAP to form one multi-disciplinary business.
- proved successful in counterbalancing decline in Australia resources markets; reinforced by investment in project management expertise.
- in response to O&G downturn we are going to create multi-disciplinary businesses in Europe and N.America by merging BNE with Energy in each region; effective 1/1/17.
- Board more cautious about acquisition investment until future becomes clearer.



## H2 prospects

- weak sterling helpful on consolidation.
- Energy will benefit from reduced cost base and probably from reduced reorganisation costs; market showing some signs of stabilising.
- other segments in aggregate likely to grow.
- Group likely to increase profit over H1, subject to unknown overall Brexit impact.

## Forward looking statements

This presentation contains certain forward looking statements with respect to the financial condition, results of operations and businesses of RPS Group plc. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The continuing uncertainty in the global economic outlook inevitably increases the risks to which the Group is exposed and the recent referendum vote in UK creates another source of potentially significant risk. Nothing in this presentation should be construed as a profit forecast.