



Interim results

Six months ended 30 June 2017

September 2017

Presented by:

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- Financial headlines
- Key messages
- Business unit performance
- Financial performance
- Outlook

- Revenue increased by 14.4% to £42.1m (2016: 36.8m)
- Adjusted operating profit of £3.3m – decrease of 8%
- Adjusted profit before tax of £2.9m – decrease of 7%
- Net operating cash flows of £3.9m – decrease of 9.9%
- Adjusted EBITDA decreased by 16.9% to £5.6m
- Adjusted basic earnings per share decreased by 7.4% to 2.24p
- Full year results expected to be broadly in line with market expectations

Comparative H1 2016 unless stated

Key messages – Trading

- Continued strong growth from Energy & Construction driven by 18% increase in profitable APCR volumes
 - Overall volumes decreased 24% due to shortfall in most waste types apart from APCR
- Loss in the Industry & Infrastructure business due to losses on a legacy Colt contract of £0.5m which means the earnout on the Colt acquisition is unlikely to need to be paid.
- Continued strategic traction at Augean Integrated Services
 - Further term contracts secured, with sales growth of 48% from H1 2016
 - East Kent High Temperature Incinerator profitable by half year
- ANSS continued diversification of revenue streams delivering profitable growth
- Two significant contract awards for Radioactive Waste Services with total potential revenue of around £4m over the next 24 months

Key messages – Cost reduction

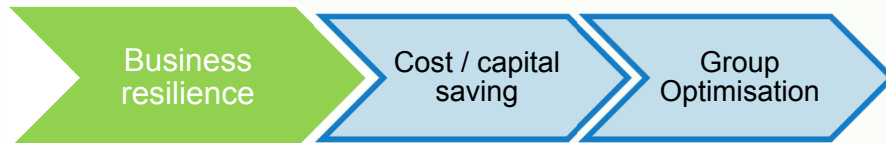
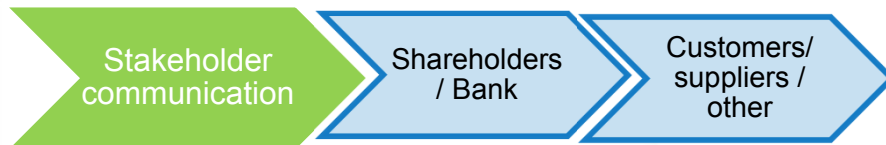
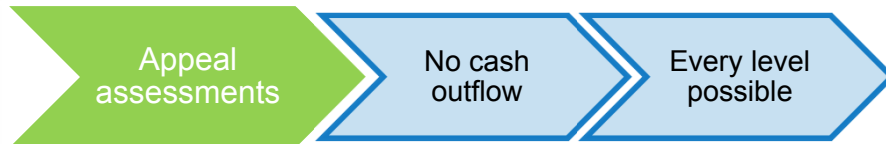
- Cost reduction programme commenced in H1 2017
- No impact on H1 2017
- Annual savings of £2.0m expected from August 2017 to offset cost base growth in 2016
- £0.7m off exceptional restructure cost incurred in 2017 as previously advised

Key messages – Landfill tax update

- £2.1m assessment for Augean South for the quarter June to August 2013:
 - Basis of assessment is not clear
- We have taken specialist legal and tax advice over several years, consistent with the law and official guidance at the time, and are confident in our position based on this advice
- Possibility of further assessment for Augean North before the end of the month
- Possibility of further assessments for Augean South
- Appeal including to HMRC itself (45 days), Tax Dispute Resolution Board (TDRB) and Alternate Resolution Board (ARB)
- Support of the Group bankers - HSBC

Our strategy

Response to LFT assessment



Holding our course



- Revenue decreased 1.5% to £12.4m
- Operating profit decreased 12% to £3.7m
- 18% APCR volume growth compared to H1 2016 under framework contracts with typical term of 3-5 years
- 32% reduction in other wastes due to construction soil and dredging market conditions
- Further key APCR contract wins in H2 2017 representing 8,000+ tonnes pa (c.5% growth on top of market growth)
- Strengthened commercial team
- Uncertain environment caused by the HMRC assessment is unhelpful

- Significant increase in operating profit in H1 2016 to £0.5m from £(0.1)m loss.
- Volumes received 2,020 tonnes (H1 867 tonne) an increase of 132%
- Driven by the expected increase in rate of NDA spending on removing Low Level Waste (LLW)

Year	Tonnes
2014/5	4,314
2015/6	5,767
2016/7	3,582
2017/8	7,458

Actual/expected volumes on VLLW framework. Source LLWR Ltd – September 2017

- Two contract awards, totalling c. £4m over two years.
- Further growth of NORM expected from North Sea decommissioning

Industry & Infrastructure

- Revenue growth of 23% to £11.1m including a full half impact from Colt in H1 2017.
- Operating loss increase to £0.5m (2016 £0.3m loss after exceptionals)
- Losses caused by a single contract bid pre-acquisition in Colt – the resolution of this now not expected until early 2018 although this contract is no longer loss-making
- Expect Colt to return to profitability in 2018
- Earnout on the Colt acquisition is unlikely to need to be paid
- Robust performance across other Business Unit sites

AIS East Kent

- 48% Growth in revenue from H1 2016 to £3.6m
 - Operating loss of £0.1m in line with H1 2016.
 - Continuing to invest in the commercial expertise and IT capabilities required for accelerated growth
 - Further term-contract wins during 2017 underpinning growth
 - Strong pipeline
- Operating loss of £0.1m vs £0.2m loss in 2016
 - Profitable monthly run rate achieved in Q2
 - Strategic case for ownership remains due to niche service offering
 - Commercial model under review and strategic options available

Augean North Sea Services (ANSS)

- Improved performance compared with H1 2016 - operating profit of £0.3m compared with £1.4m loss (£0.2m loss before exceptional)
- Rig incumbency share maintained in line with drilling market conditions
- Successful diversification - 58% of revenue generated from non-drilling waste management activities
- Further growth coming from
 - New contract wins
 - Broadening of scope with existing customers
 - Port of Dundee and decommissioning opportunities onshore
 - Offshore decommissioning services supporting Plug & Abandonment

	H1 2017	H1 2016	Change
	£m	£m	%
Excluding exceptional items			
Revenue	42.1	36.8	14%
Operating expenses	(38.8)	(33.3)	(17)%
Operating profit	3.3	3.5	(6)%
Finance charges	(0.4)	(0.5)	20%
Profit before tax	2.9	3.1	(7)%
Exceptional items	-	(1.7)	100%
PBT including exceptional items	2.9	1.4	111%

2016 H1 operating profit



Operating profit in £'000 and excluding exceptional items

	H1 2017 £'m	H1 2016 £'m	Change %
EBITDA (continuing and before exceptional items)	5.6	6.7	(16)%
Net working capital	(0.8)	(0.4)	
Interest, taxation and other	(0.9)	(1.0)	
Net operating cash flows (before exceptional items)	3.9	5.3	(26)%
Exceptional operating cash flows	-	(0.9)	
Net operating cash flows	3.9	4.3	(10)%

Total cash flows and net debt

	H1 2017	H1 2016	Change
	£m	£m	£m
Net operating cash flows	3.9	4.3	(0.5)
Maintenance capital expenditure	(1.5)	(1.4)	(0.1)
Post-maintenance free cash flow	2.4	3.0	(0.6)
Development capital expenditure	(3.2)	(2.2)	(1.0)
Acquisitions	-	(8.9)	8.9
Free cash flow	(0.8)	(8.1)	7.3
Dividends paid	(1.0)	(0.7)	(0.3)
Equity receipts	-	-	-
Net cash flow	(1.8)	(8.8)	7.0
Closing net debt	(12.5)	(12.9)	

	H1 2017	H1 2016
Closing net debt	£12.5m	£12.9m
Closing headroom (not including £10m M&A accordion)	£7.3m	£7.1m
Gearing (net debt/equity)	22%	23%
Net debt/EBITDA (covenant < 2.5x)	1.0x	1.1x

Excluding exceptional items

- The Group will continue to challenge the recent HMRC assessment
- Expect to deliver full year financial results broadly in line with market expectation
- Uncertain environment caused by the assessment is unhelpful.

How we deliver growth

<p>E&C</p>	<ul style="list-style-type: none"> • Maintain share of high-margin contracted APCR market which has 9% CAGR to 2022 • Remain competitive in cyclical construction market • Invest in Best Available Techniques to produce the best environment solutions for our customers and attractive returns on investment
<p>RWS</p>	<ul style="list-style-type: none"> • Maintain market share of NDA/LLWR framework volumes
<p>I&I</p>	<ul style="list-style-type: none"> • Grow industrial services business, leveraging Group locations • Internalise IS waste arisings to achieve synergies
<p> AIS</p>	<ul style="list-style-type: none"> • Accelerate growth in contracted Total Waste Management revenues • East Kent HTI to break-even and facilitate new TWM contract wins due to the unique nature of the service offering
<p>ANSS</p>	<ul style="list-style-type: none"> • Continue diversification into production waste and industrial services • Position business to maximise future opportunities from North Sea decommissioning



**Specialist services focused on
managing hazardous wastes**

£'000	Revenue H1 2017	Revenue H1 2016
Energy & Construction	12,440	12,658
Radioactive Waste Services	1,191	571
Industry & Infrastructure	11,133	9,065
Augean Integrated Services	4,896	3,695
Augean North Sea Services	8,006	5,995
	37,666	31,984
Landfill tax	4,442	4,826
	42,108	36,810

Appendix 2: Operating profit

	EBIT H1 2017 £'000	EBIT H1 2016 £'000	EBIT Margin H1 2017	EBIT Margin H1 2016
Energy & Construction	3,733	4,251	30%	34%
Radioactive Waste Services	507	(78)	43%	(14)%
Industry & Infrastructure	(536)	(382)	(11)%	(10)%
Augean Integrated Services	(188)	(219)	(2)%	(2)%
Augean North Sea Services	283	(1,382)	4%	(23)%
Business units total	3,799	2,190		
Central	(540)	(367)		
	3,259	1,823	8%	5%

Including exceptional items

	EBITDA H1 2017 £'000	EBITDA H1 2016 £'000	EBITDA Margin H1 2017	EBITDA Margin H1 2016
Energy & Construction	5,054	6,380	41%	50%
Radioactive Waste Services	530	(61)	45%	(11)%
Industry & Infrastructure	(88)	(28)	(2)%	(1)%
Augean Integrated Services	(115)	42	(1)%	0%
Augean North Sea Services	725	(991)	9%	(17)%
Business units total	6,106	5,342		
Central	(540)	(367)		
	5,566	4,975	13%	14%

Including exceptional items

Appendix 4: Capital expenditure

£'m	H1 2017 Maint	H1 2017 Develop	H1 2017 TOTAL
Energy & Construction	1.0	1.4	2.4
Radioactive Waste Services	-	-	-
Industry & Infrastructure	0.7	0.1	0.8
Augean Integrated Services	0.4	0.3	0.7
Augean North Sea Services	0.1	0.5	0.6
Other/corporate	-	0.2	0.2
Total	2.2	2.5	4.7

Appendix 5: Balance sheet

	30/6/17	30/6/16	Change
	£m	£m	£m
Goodwill and intangible assets	26.1	23.9	(0.1)
PPE and other non-current assets	48.1	47.1	1.3
Total non-current assets	74.2	73.0	1.2
Net current assets (excluding cash and debt)	1.9	1.5	0.4
Restoration and capping provisions	(7.4)	(6.6)	(0.8)
Capital employed	68.7	67.9	0.8
Net debt	(12.5)	(12.9)	0.4
Net assets	56.2	55.0	1.2
Gearing	22%	23%	(1)%
Net debt/EBITDA	1.0x	1.1x	(0.1)x