Augean PLC

Specialist services focused on managing hazardous wastes

Interim results

Six months ended 30 June 2017

September 2017

Presented by:

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Agenda

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

Financial headlines

- 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

- **Appeal assessments** → No cash outflow → Every level possible
- **Stakeholder communication** → Shareholders / Bank → Customers/ suppliers / other
- **Business resilience** → Cost / capital saving → Group Optimisation

Holding our course

- **Growth in profit** → Growing profitable business → Improving margins
- **Growth in asset base** → Investments returning above WACC → Retained profit
- **Growth in returns** → Increasing trading cashflow → Appropriate funding model

Energy & Construction

- 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

Radioactive Waste Services

- 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 TWM

- 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

AIS East Kent

- 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

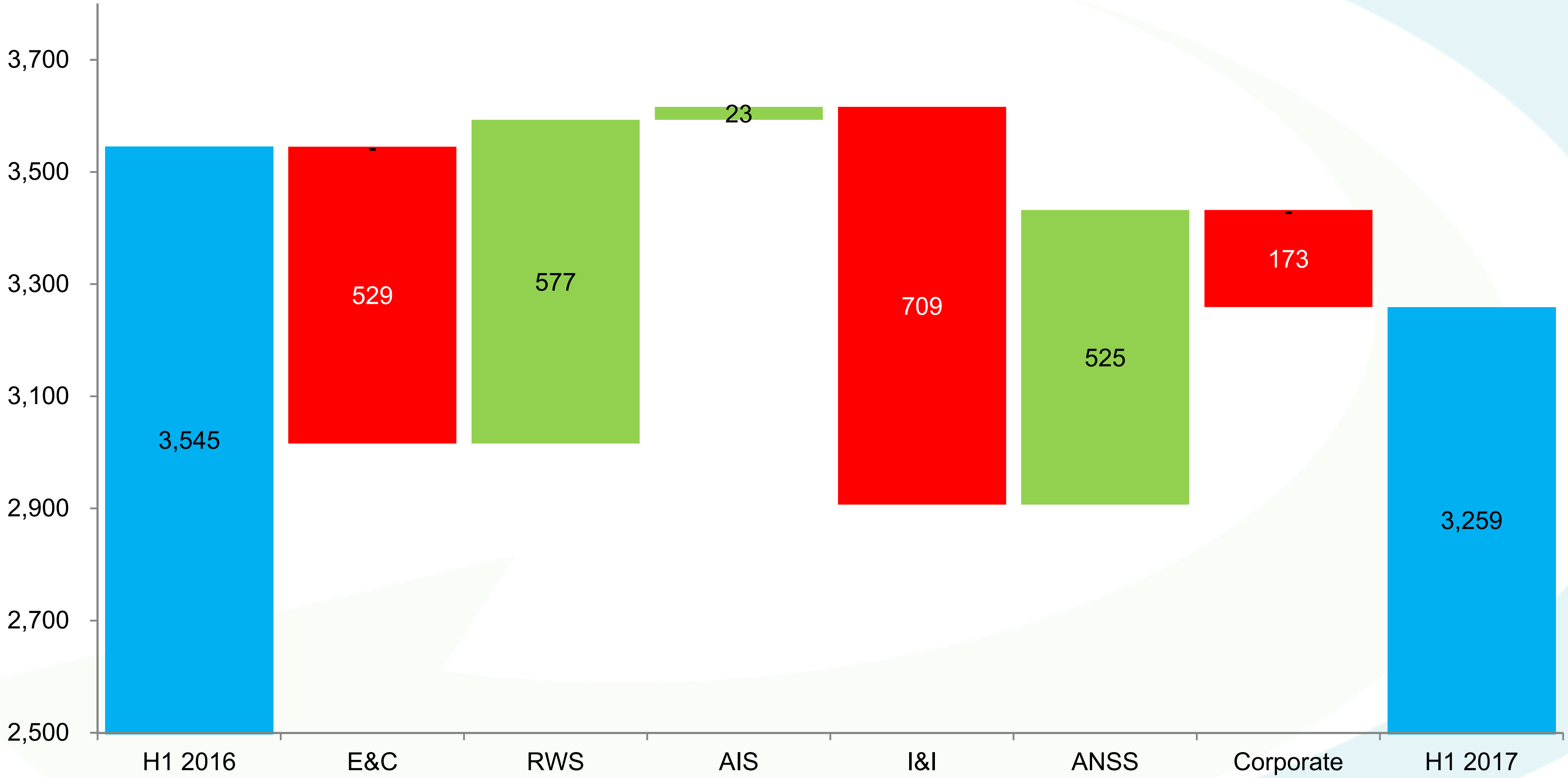
Augean North Sea Services (ANSS)

- 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

Income statement

	H1 2017 £m	H1 2016 £m	Change %
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

Operating cash flows

	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 £m	H1 2016 £m	Change £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)**	

Bank facilities

	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

Outlook

- 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

E&C	• 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
RWS	• Maintain market share of NDA/LLWR framework volumes
I&I	• Grow industrial services business, leveraging Group locations • Internalise IS waste arisings to achieve synergies
AIS	• 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
ANSS	• Continue diversification into production waste and industrial services • Position business to maximise future opportunities from North Sea decommissioning

Augean PLC

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Appendix 1: Revenue

£'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

Appendix 3: EBITDA

	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 £m	30/6/16 £m	Change £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