

Specialist services focused on
managing hazardous wastes



Interim results

Six months ended 30 June 2018

September 2018

Presented by:

Jim Meredith, Executive Chairman
Mark Fryer, Group Finance Director

- Total revenue increased by 6% to £32.9m (2017: £30.9m)
- Adjusted profit before taxation increased 36% to £4.5m (2017: £3.3m)
- Adjusted EBITDA increased by 43% to £8.0m (2017: £5.6m)
- Net operating cash flows inflow increased to £8.1m from £0.8m outflow
- Net debt improved to £2.7m (at 31 December 2017: £10.8m)
- Adjusted basic earnings per share increased by 21% to 3.18 pence (2017: 2.62p)
- Expect to deliver full year financial results that exceed current market expectation

* From continuing operations and excluding exceptional items

Operational Highlights

- Good progress on business optimisation programme including cost saving, coherent incentivisation of sales, operations and staff to enhance shareholder value
- Double digit growth from residues from Energy from Waste (EfW) plants despite customers having a disproportionate amount of “downtime”
- Strong growth in framework radioactive waste with revenues up around one third
- Recovery in the market position for soils with the appointment of a reinstated focused team toward the end of H1 - however volumes down by around a third in H1
- Further investment in soil wash plant to extend soil market opportunity

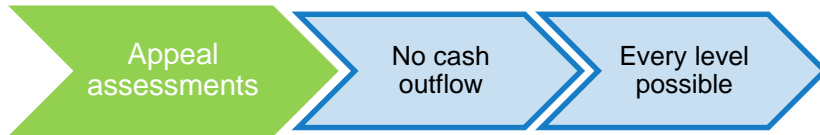
- Increased overall profit at all sites except East Kent
- Continued further diversification in North Sea into industrial services and waste management with reduced drilling volumes has resulted in profit more than doubling
- Strong pipeline of new EfW residue contracts which are expected to enter operation in 2019

Business Optimisation

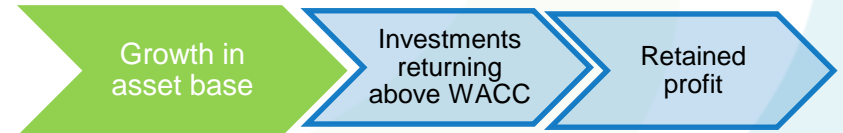
- New leadership Group and revised organisation along sites not business units
- Self help programme of short interval control including weekly review, weekly forecasts and daily cash reporting. Focus on customer profitability and price optimisation
- Cost savings with an annual impact of in excess of £4m achieved involving a headcount reduction of more than 25%
- Disposal of Integrated Services in April for £4.0m with a profit of £1.2m and reduction in complexity and working capital
- Disposal of Colt for £1.0m in June following a first half loss of £1.2m (half oil tank cleaning losses and half trading)
- East Kent still loss making in H1 - £0.2m loss (but action taken to increase prices in August and revised trading arrangements)

- 9 quarterly assessments received at a value of £14.8m with further assessments expected
- No further update on the pre-assessment notification and anticipated reduction in received assessments (total liability £45.1m) announced in April
- Positive discussions are continuing and we hope to know HMRC's final position in the coming months. If necessary we can consider appeals and potential to litigate.
- 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

Response to LFT assessment



Grow the business



	H1 2018	H1 2017	Change
	£m	£m	%
Excluding exceptional items			
Revenue	32.9	30.9	6%
Operating expenses	(28.0)	(27.2)	(3)%
Operating profit	4.9	3.7	32%
Finance charges	(0.4)	(0.4)	
Profit before tax	4.5	3.3	36%
Exceptional items	1.4	-	
PBT including exceptional items	5.9	3.3	79%

Excluding discontinued operations and landfill tax

	H1 2018	H1 2017	Change
	£m	£m	£m
EBITDA (continuing and before exceptional items)	8.0	5.8	2.2
Net working capital	-	(0.8)	0.8
Interest, taxation and other	(1.1)	(0.9)	(0.2)
Net operating cash flows	6.9	4.1	2.8
Maintenance capital expenditure	(1.4)	(2.2)	0.8
Post-maintenance free cash flow	5.5	1.9	3.6
Development capital expenditure	(0.4)	(2.5)	2.2
Free cash flow	5.1	(0.6)	5.8
Dividends paid	-	(1.0)	1.0
Net cash flow from continuing operations	5.1	(1.6)	6.8
Sale of business and assets	5.0	-	5.0
Cash flows from discontinued and exceptional items	(2.0)	(0.2)	(1.8)
Net cash flows	8.1	(1.8)	9.9

	30/6/18	30/6/17	Change
	£m	£m	£m
Goodwill and intangible assets	19.9	26.1	(6.2)
PPE and other non-current assets	45.9	47.1	(1.2)
Total non-current assets	65.8	73.2	(7.4)
Net current assets (excluding cash and debt)	0.1	1.4	(1.3)
Restoration and capping provisions	(9.5)	(7.6)	(1.9)
Capital employed	56.4	67.0	(10.6)
Net debt	(2.7)	(10.8)	8.1
Net assets	53.7	56.2	(2.5)
Gearing	5%	16%	
Net debt/EBITDA	0.2x	1.0x	

	H1 2018	H1 2017
Closing net debt	£2.7m	£10.8m
Closing headroom (not including £10m M&A accordion)	£17.3m	£9.2m
Gearing (net debt/equity)	5%	16%
Net debt/EBITDA (covenant < 2.5x)	0.2x	1.0x

Excluding exceptional items

- Continue to challenge HMRC assessment
- Continue the business optimisation programme and not allow cost creep
- Maximise the opportunity in the core key growth markets of Energy from Waste, Treatment, Nuclear Decommissioning and the North Sea. In particular, maximise the opportunity from the EfW pipeline
- Expect to deliver full year financial results that exceed current market expectation
- Be debt free by year end, subject to no change in the current HMRC position