Results for the period ended 30 June 2016

Investor presentation

MEARS
Group PLC

Making People Smile

Agenda

- Highlights
- Financial review
- Housing - business update
- Care - business update
- Strategy and Outlook

H1 2016 key performance indicators

Revenue
+8.4%
£466.2m (2015: £430.0m)

Interim dividend
+6.5%
3.30p (2015: 3.10p)

Order book growth
+9%
£3.5bn (2015: £3.2bn)

Profit before tax*
-5.5%
£18.2m (2015: £19.2m)

EBITDA to cash conversion
91%
(2015: 92%)

2017 revenue visibility
85%
(2015: 85%)

Operating profit margin*
4.2%
(2015: 4.7%)

Net debt
£14.1m
(2015: £4.2m)

New orders secured
£424m
(2015: £220m)

Normalised diluted earnings per share**
-7.3%
13.55p (2015: 14.62p)

Average net debt
£75m
(2015: £69m)

Service excellence (Housing)
91%
(2015: 91%)

* Before amortisation of acquisition intangibles
** Before amortisation of acquisition intangibles and adjusted to reflect a full tax charge

Highlights

Solid financial performance

- Excellent organic revenue growth in Housing
- Strong order in-take providing excellent visibility of 2016 and 2017 revenues
- Margins in line with expectations, reflecting high number of mobilisations
- Strong working capital management through period of growth
- Dividend up 6%, reflecting Board's confidence

Strong service delivery in both sectors

- Housing - key to our success is our ability to develop and deliver innovative solutions for our customers. Customer service excellence maintained at record levels
- Care - market leading but some local challenges

Housing (84% of Group revenues)

- Successful period of new contract mobilisation
- Broader service offering enhancing our growth opportunities
- The increasingly innovative nature of our propositions has improved our competitive position

Care (16% of Group revenues)

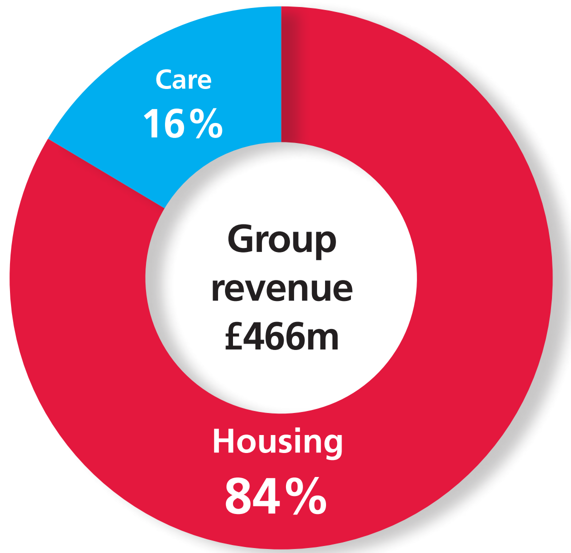
- Satisfactory conclusion to National Living Wage challenge
- Commenced exit from certain contracts and restructuring to focus on a reduced contract estate, delivering better operational and financial outputs

Financial highlights

Six months to June	2016	2015
Revenue	£466.2m	£430.0m
Profit before tax*	£18.2m	£19.2m
Operating profit margin*	4.2%	4.7%
Diluted earnings per share	9.97p	11.16p
Normalised diluted earnings per share**	13.55p	14.62p
Interim dividend per share	3.30p	3.10p
Cash conversion	91%	92%

* Before amortisation of acquisition intangibles
** Before amortisation of acquisition intangibles and adjusted to reflect a full tax charge

- Solid first half year
  - Housing performing strongly
  - Margins impacted by contract mobilisations
  - Care remains challenging
- Strong balance sheet
- Continuing good working capital management
- Increased dividend reflecting Board's confidence



Income statement

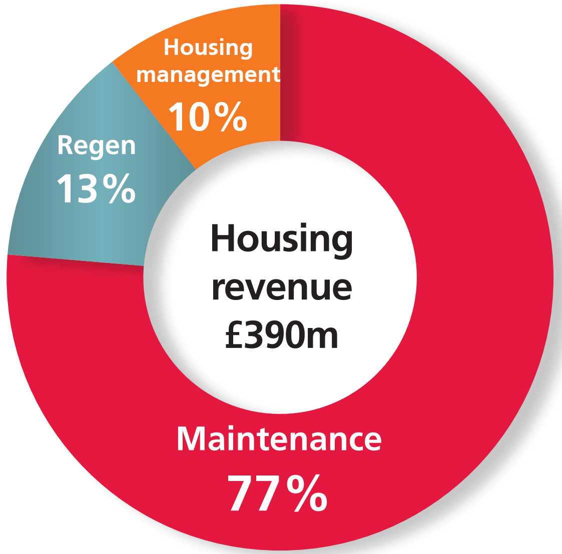
Six months to June	2016 (£m)	2015 (£m)	Change
Revenue	466.2	430.0	+8%
Operating profit	19.9	21.1	-6%
Long-term incentives	(0.5)	(0.7)	
Net finance expense	(1.2)	(1.2)	
Normalised profit before tax	18.2	19.2	-5%
Acquired intangible amortisation	(5.5)	(4.5)	
Profit before tax	12.7	14.7	
Average diluted number of shares	103.0m	102.7m	
Normalised diluted earnings per share *	13.55p	14.62p	-7%
Interim dividend per share	3.30p	3.10p	+6%

* Stated before amortisation of acquisition intangibles and adjusted to reflect a full tax charge

Housing performance

Six months to June	2016	2015	Change
Revenue (£m)	389.6	366.5	↑ 6%
Operating profit* (£m)	18.9	18.2	
Operating margin (%)	4.8%	5.0%	
Share of Group revenue	84%	85%	

*pre-amortisation and before long-term incentives



- Strong organic growth anticipated to further strengthen in second half
- Solid margin performance after expensing all mobilisation costs
- Broader service offering; shifting sales mix towards housing management and regeneration

	2016 £m	2015 £m
Maintenance	**299.4**	294.0
Regeneration	**49.2**	50.5
Housing management	**41.0**	22.0
Total Housing revenues	**389.6**	366.5

Housing - new mobilisations

First half-year	Number of new contracts	Relationship New client	Relationship Existing client
2008	2	2	0
2009	2	1	1
2010	5	1	4
2011	5	1	4
2012	7	7	0
2013	3	2	1
2014	0	0	0
2015	2	2	0
2016	9	7	2

- Milton Keynes
- Home Group
- Stroud
- Greenwich
- Key Worker
- Eastbourne
- Sanctuary
- Yorkshire Housing
- Leeds

- High number of new contracts successfully mobilised in H1 2016
- Significant skew of new awards to new customer relationships which are typically more challenging and require a higher initial investment
- The impact of the cost of new contract starts in H1 2016 compared to H1 2015 is to reduce profits by circa £2.0 million

Care performance

Six months to June	2016	2015	Change
Revenue (£m)	76.6	63.5	↑ 21%
Operating profit* (£m)	1.0	2.9	
Operating margin	1.3%	4.6%	
Share of Group revenue	16%	15%	

* pre-amortisation and before share based payments and long-term incentive plan

- Underlying organic revenues flat - increasing charge rates matched by reducing volumes
- Margins remain challenging but generally in line with expectations
  - Disparity between charge and pay rates
  - As anticipated, some remaining impact from CAH trading losses
- Introduction of National Living Wage has been margin-neutral

Cash performance

12 months rolling to June	2016(£m)	2015(£m)
Operating profit*	37.7	44.2
Depreciation and other amortisation	6.7	5.4
EBITDA	44.4	49.6
Cash inflow from operating activities	40.2	45.5
EBITDA to cash conversion	91%	92%
Net debt at 30 June	(14.1)	(4.2)
Average net debt	(75.0)	(69.0)

*Operating profit before amortisation of acquisition intangibles

- Continued strong working capital management
- Average debt £75m; range £65m to £90m
- Average net debt to underlying EBITDA of 1.7x
- Bank facility, £140m RCF to July 2020 representing significant headroom to fund growth strategy

Balance sheet

At June	2016 (£m)	2015 (£m)
Goodwill and acquisition intangibles	223.1	226.8
Property, plant and equipment	19.5	16.8
Working capital assets	167.4	168.0
Working capital liabilities	(182.9)	(179.9)
Net debt	(14.1)	(4.2)
Deferred consideration	(10.3)	(21.1)
Dividend	(8.1)	(7.3)
Pensions	4.0	6.8
Tax and deferred tax	(2.7)	(3.8)
Other net financing liabilities	(0.8)	(1.0)
Total equity	**195.1**	**202.1**

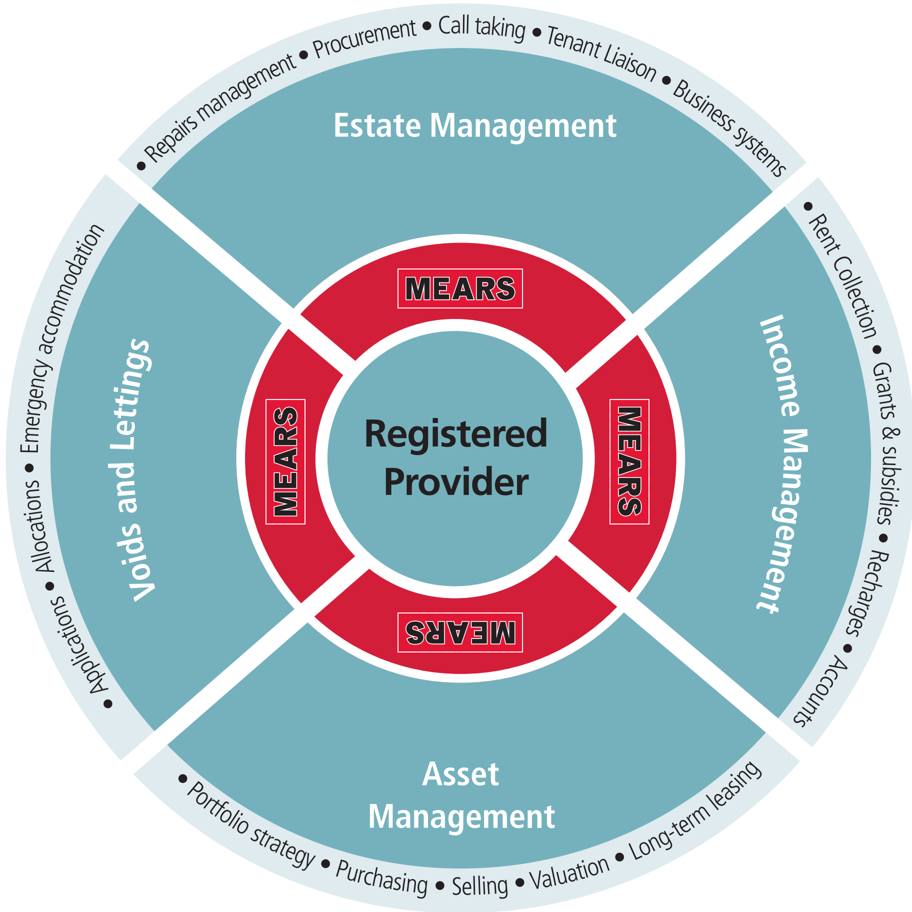
- Strong balance sheet
- Reduction in deferred consideration relates to Omega earn-out payments
- Post EU referendum volatility is likely to impact negatively on pension valuations

Guidance - 2016 and beyond

- Housing revenue growth of 5%-10% p.a. over medium term. Current year anticipated to be at top of this range
- Revenue visibility for 2017 currently at 85%; target 95% by December 2016
- Housing; maintain margins within 5.7% - 6.0% range
- Care; focused on quality of earnings, not revenues
- Care expected to be close to break-even for 2016 after contract exit and restructuring costs
- Care; longer-term margin aspiration remains >5%
- Maintain strong working capital management; EBITDA to cash conversion at >90%
- Comfortable with net debt to EBITDA of up to 2.0x but target bottom end of 1.0x - 2.0x range
- Maintain progressive dividend policy

Housing - business update

- Increasing blurring of the boundaries around social, affordable and private rented housing
  - Affordable housing - demand exceeding supply
  - Private rental market - increasing regulation will drive more opportunity
  - Increasing local authority responsibility of key worker housing and student accommodation



Housing - business update (continued)

- Successful period of new contract mobilisations; new contracts running ahead of plan
- Increasing competitive advantage for Mears
    - Development of new innovative models
    - Clients acknowledge our differentiated and broader offering
    - Capitalising on reduced competitor focus and weakness
    - Mears' size, network coverage and internally developed systems
    - Innovative nature of Housing Management propositions reduces competition
- Exciting pipeline of future bidding opportunities - increasingly 'innovation driven' rather than traditional competitive bid pipeline
- Mears team focussed upon further strengthening our market position

Care - business update

- Increasing demographic, budgetary and political drivers of change
- Driving operational and financial improvements; recruitment, retention, service delivery, compliance
- Encouraging evidence of new commissioning models
- Significant period of new contract mobilisations in second half of the year
- Commenced exit from certain contracts and restructuring to focus on a reduced contract estate, delivering better operational and financial outputs

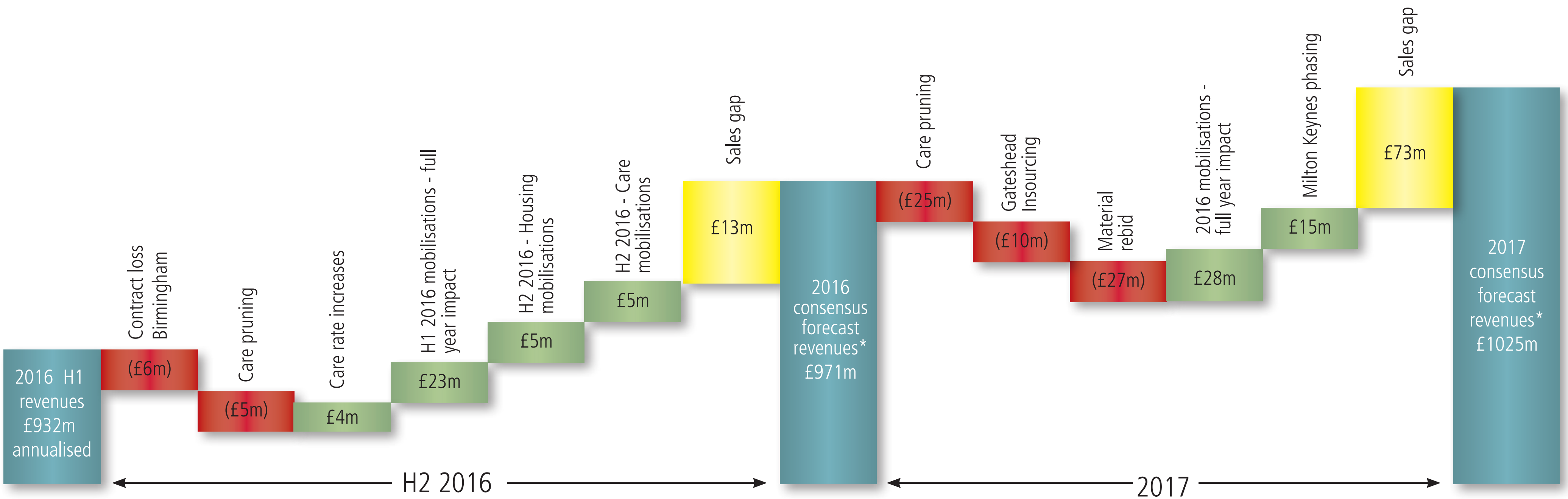
Region	Hours per week	Anticipated reduction
Scotland and NI	50,000	-
North	45,000	66%
Central	64,000	-
South	46,000	18%
Total	**205,000**	**19%**

- Exit from 15 contracts representing 20% of Care revenues
- Branch closures to be completed in the period to March 2017
- Key focus upon maintaining high levels of service delivery during transition phase
- Re-sizing of Care support functions
- All costs of change recognised in normal trading

Good visibility of future growth

2016 and 2017 revenue growth

- Order book £3.5 billion (2015: £3.2 billion)
- 2016 - revenue visibility of 98% of consensus forecasts*
- 2017 - revenue visibility of 85% of consensus forecasts*



*Bloomberg

Strategy and Outlook

- Significant opportunities in both markets
  - Immediate opportunities in Housing
  - Long-term outlook in Care
- Housing (84% of Group revenues)
  - Continue to deliver solid growth in housing maintenance through providing 'more of the same'
  - Extend further scale and scope of wider affordable housing offering, primarily through organic growth
  - Targeted acquisitions to develop breadth and depth of service
- Care (16% of Group revenues)
  - Repositioning our Care business - re-directing activities onto a portfolio of good quality contracts providing clear and sustainable margins
  - Continue to innovate and drive change in anticipation of a better funded and managed market
- Board expects underlying trading for the full year to remain on-track before the one-off costs associated with the pruning of our Care activities

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