

# MEARS GROUP PLC



## Preliminary Results

31 December 2004

Bob Holt

Chairman

Stuart Black

Chief Operating Officer

David Robertson

Finance Director

**MEARS**

# MEARS GROUP PLC

## Content

- Highlights
- Financial review
- Market opportunity, order book and contract awards
- Strategy
- Summary
- Appendix

# MEARS GROUP PLC



## Highlights of the Year

- £526m of new contracts won
- 41% organic growth in turnover
- 5% core margin in second half year
- Record order book of £815m
- Cash inflow of £0.9m
- Management team strengthened

# MEARS GROUP PLC



## Financial Highlights

- Turnover £173.7m UP 54.7%
- Profit pre goodwill £7,438k UP 41.9%
- Earnings per share\* 9.04p UP 39.7%
- Dividend 1.90p UP 40.7%

\* Full tax, pre goodwill

# MEARS GROUP PLC

## Segmental Analysis

£'000	Turnover		EBITA	
	2004	2003	2004	2003
Maintenance	162,770	99,574	7,048	4,627
Vehicle collection	10,915	12,697	458	534
	<u>173,685</u>	<u>112,271</u>	<u>7,506</u>	<u>5,161</u>

# MEARS GROUP PLC



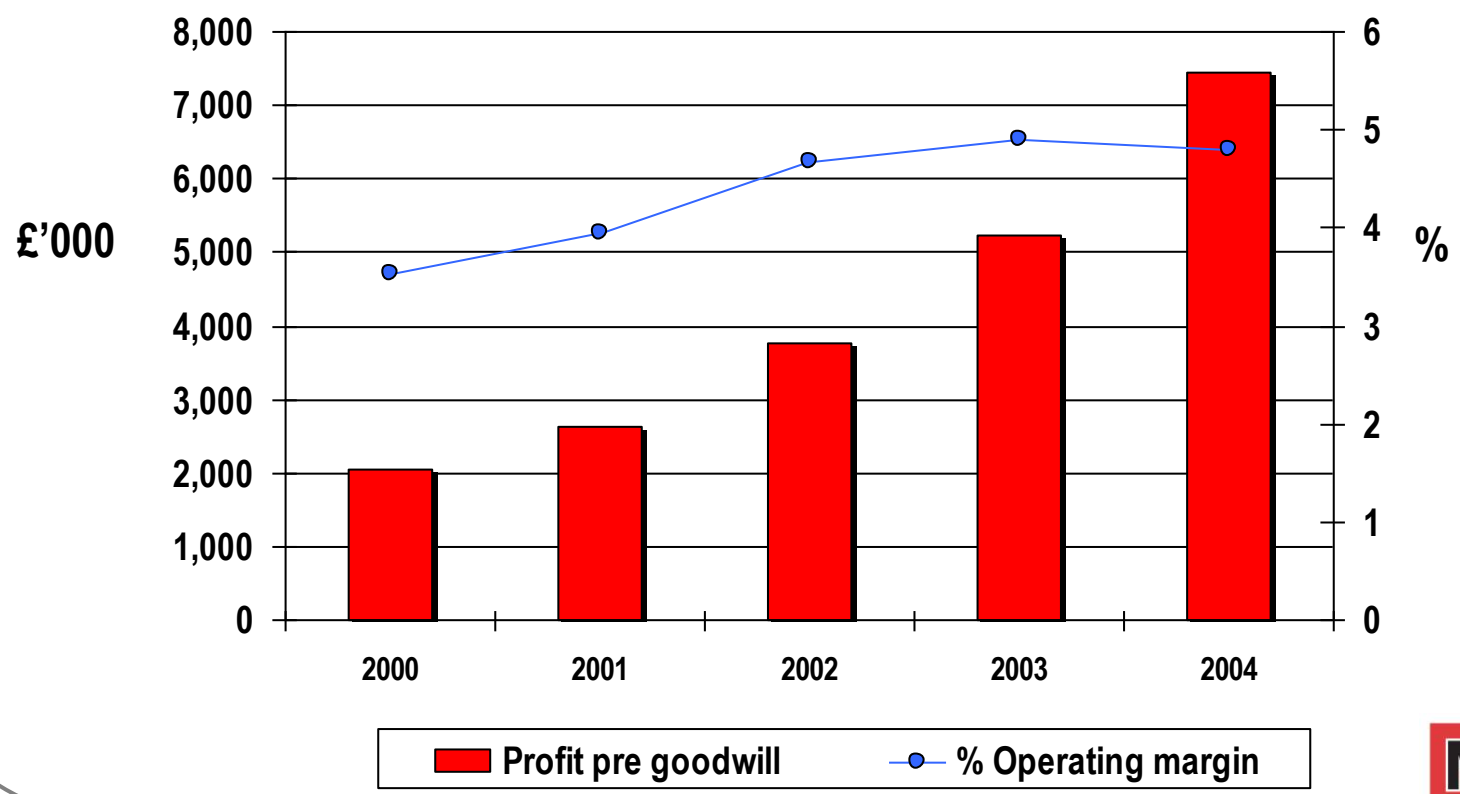
## Operating Margin Pre Goodwill

	H1 4.7% H2 5.0%	2004	2003
Maintenance		4.9%	5.0%
Scion		1.0%	0.5%
Vehicle collection		4.2%	4.2%
<b>Total</b>		<b>4.3%</b>	<b>4.6%</b>

# MEARS GROUP PLC



## Profit and Margin



# MEARS GROUP PLC



## Operating Cash Flow

	2004	2003
Operating profit	6,838	4,727
Depreciation & amortisation	1,779	1,161
Stocks / WIP	(2,043)	(1,069)
Debtors	(5,235)	(3,461)
Creditors	5,325	3,333
<b>Operating cash flow</b>	<b><u>6,661</u></b>	<b><u>4,691</u></b>

**78%** of EBITDA converted into op. cash flow

**97%** of op. profit converted into op. cash flow



# MEARS GROUP PLC

## Cash Flow

	2004	2003
Opening funds	1,901	5,566
Operating cash flow	6,661	4,691
Interest	(71)	81
Tax	(1,312)	(1,543)
Capital expenditure	(2,529)	(826)
Acquisitions	(1,088)	(5,388)
Dividends	(864)	(623)
Financing	120	(57)
<b>Net movement</b>	<u>917</u>	<u>(3,665)</u>
Closing funds	<u>2,818</u>	<u>1,901</u>

# MEARS GROUP PLC



## Balance Sheet

	2004	2003
Fixed assets :		
intangible	10,406	12,273
tangible	4,450	3,093
investments	48	107
	<u>14,904</u>	<u>15,473</u>
Stocks	4,628	2,487
Debtors	30,410	24,875
Cash	8,078	3,408
Current liabilities	<u>(38,624)</u>	<u>(28,600)</u>
Net current assets	<u>4,492</u>	<u>2,170</u>
Long term provisions	(2,960)	(5,351)
Net assets	<u>16,436</u>	<u>12,292</u>

# MEARS GROUP PLC



## Impact of IAS

- Goodwill not amortised but subject to impairment review
- Share-based incentives charged to P&L
- Dividends recognised when paid

# MEARS GROUP PLC



## Key Business Drivers

- Outsourcing of local government services
- Partnership ethos
- Size and duration of contract awards
- Personal social responsibility

# MEARS GROUP PLC



## Social Housing Market

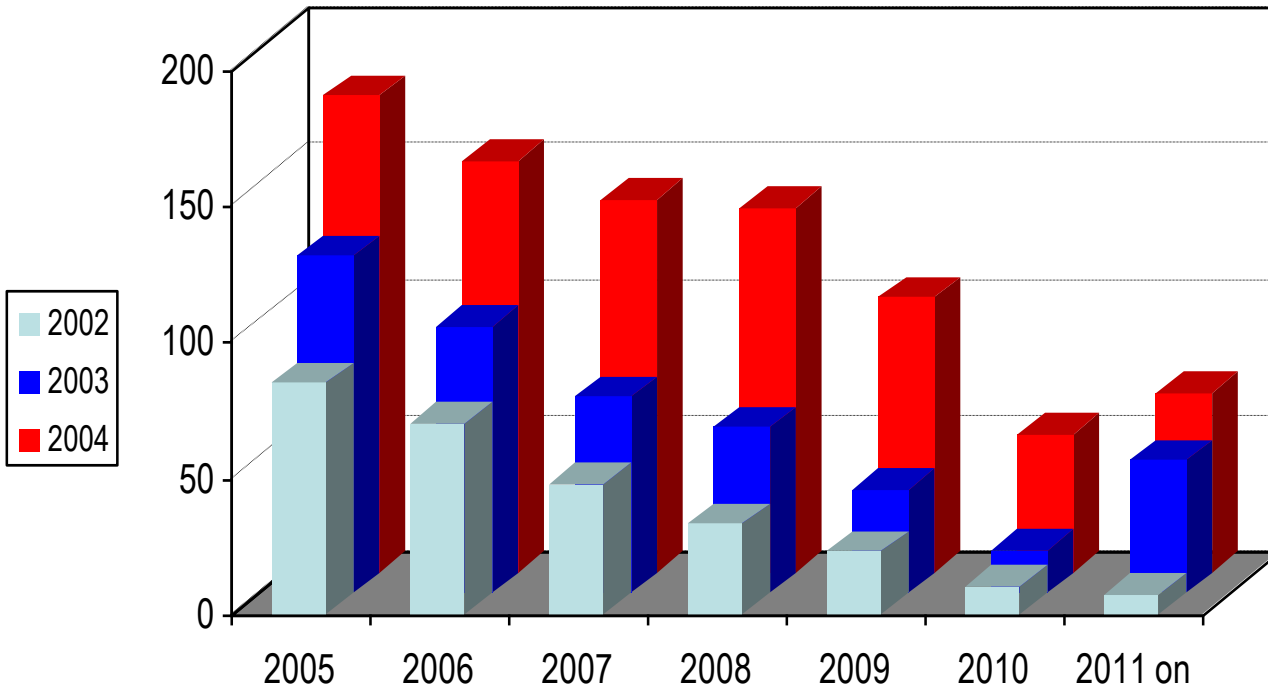
- Repairs & maintenance market sustainable at £5bn p.a.
- Top 10 providers deliver only 13% of market
- 1.8m houses still below Decent Homes Standard
- Decent Homes programme extending to 2015

# MEARS GROUP PLC

IMPROVING HOMES, IMPROVING NEIGHBOURHOODS, IMPROVING LIVES.



## Forward Order Book £815m



Consensus forecast

turnover secured

**2005** 81%

**2006** 60%

**2007** 48%



# MEARS GROUP PLC



## Major New Contract Awards in 2004

Sheffield	7 years	£200m
Newcastle	6 years	£60m
Peterborough	5 years	£25m
Carrick / N Cornwall	5 years	£18m
Hackney	5 years	£37m
Wolverhampton	5 Years	£23m
Ealing	5 Years	£27m

# MEARS GROUP PLC



## Strategy

- Reinforce market leadership position through
  - Order book growth
  - Service delivery innovation
  - Brand development
  - Commitment to the communities we serve
- Selective acquisitions to support geographic growth
- Continue to strengthen support infrastructure
- Build and develop senior management team



# MEARS GROUP PLC



## Summary 2004

- Profits, EPS and dividend all up 40%
- £526m order intake
- Record £815m order book

*“The strategy for further growth is clear and the spirit within the Group is better than ever.”*

# MEARS GROUP PLC



## Appendix

# MEARS GROUP PLC



## Turnover

	2004	2003
Original business	145,519	103,177
Acquisitions in 2003/04		
Scion	21,977	7,687
Powersave	3,487	858
Painting Companies	2,702	549
<b>Total</b>	<b>173,685</b>	<b>112,271</b>

Organic growth 41.0%

# MEARS GROUP PLC

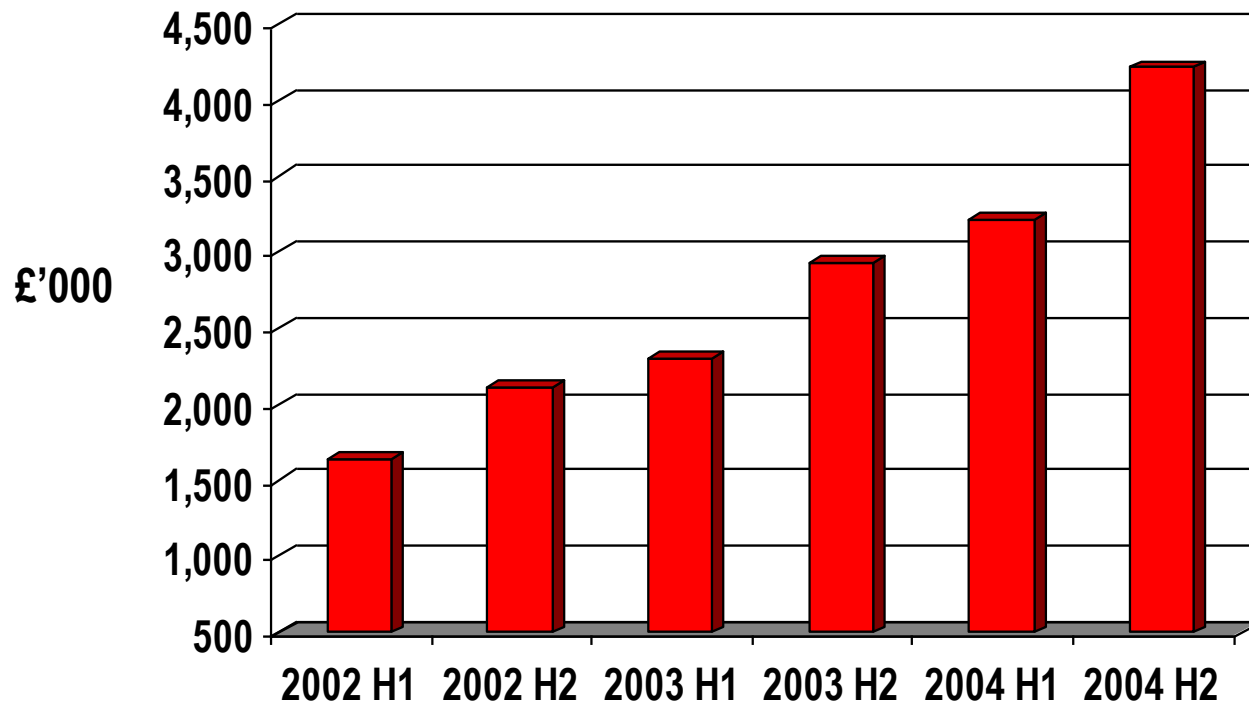


## Balance Sheet Key Movements (£m)

Acquisitions	1.2
Impact of 41% organic growth	5.4
Debtor ,creditor efficiency gains	(1.5)
Other	(1.0)
Increase in net assets	<u>4.1</u>

# MEARS GROUP PLC

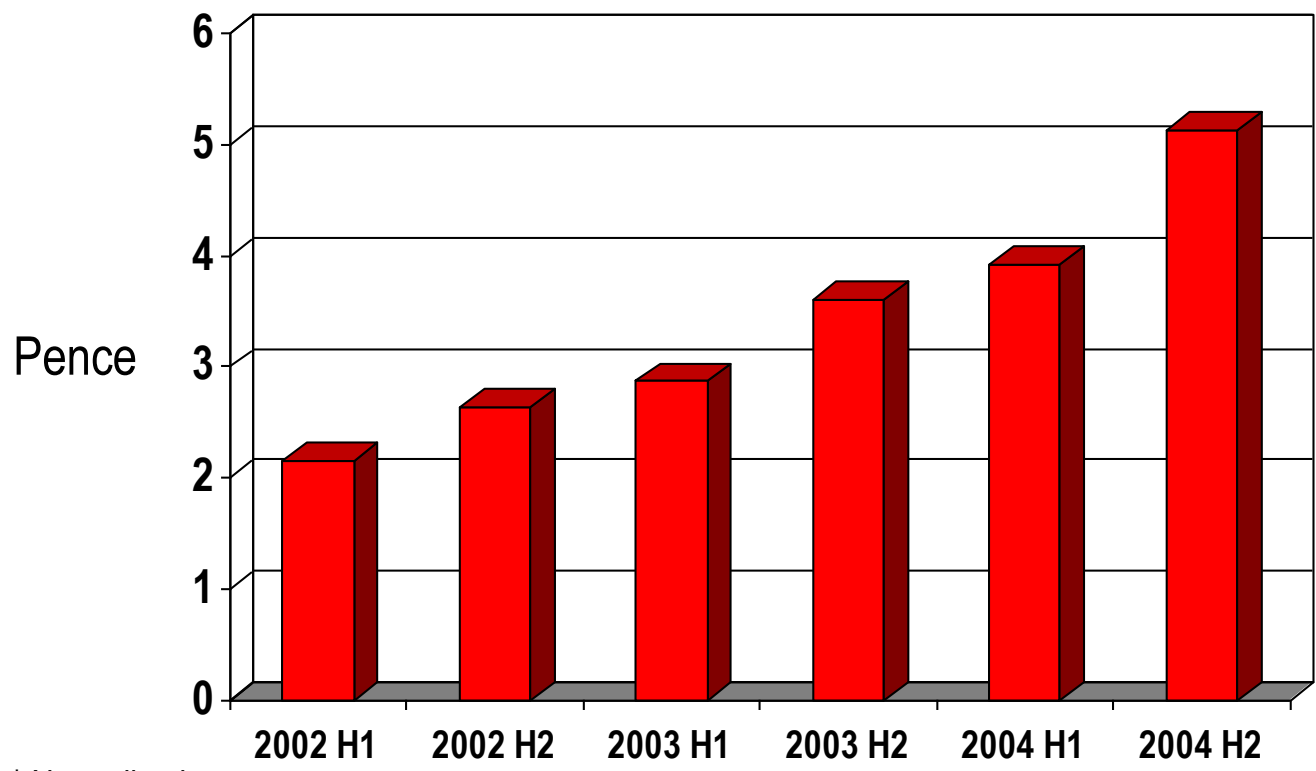
## Profit Pre Goodwill – Half Year Split



# MEARS GROUP PLC



## EPS Pre Goodwill\* - Half Year Split



\* Normalised