

LEADERS IN SOCIAL HOUSING

**MEARS**



# MEARS GROUP PLC

Full Year Results

31 December 2003

**Bob Holt**

**Chairman**

**David Robertson**

**Finance Director**



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## Highlights of the year

**Strong performance with increased margin**

**Increased visibility of earnings**

**Record order book**

**Record pipeline**

**Acquisitions integrated**



## 5 year compound growth

**Profit pre goodwill** 44%

**EPS** 32%

**Dividend** 28%



## Financial highlights

<b>Turnover</b>	<b>£112.3m</b>	<b>UP 42.4%</b>
<b>Profit pre goodwill</b>	<b>£5,238k</b>	<b>UP 39.2%</b>
<b>Earnings per share</b>	<b>6.47p</b>	<b>UP 35.1%</b>
<b>Dividend</b>	<b>1.35p</b>	<b>UP 35.0%</b>
<b>Order book</b>	<b>£550m</b>	<b>UP £250m</b>





## Segmental analysis

£'000	Turnover		EBITA	
	2003	2002	2003	2002
Maintenance	<b>99,574</b>	62,916	<b>4,626</b>	2,536
Vehicle collection	<b>12,697</b>	15,918	<b>534</b>	1,142
	<b><u>112,271</u></b>	<u>78,834</u>	<b><u>5,160</u></b>	<u>3,678</u>
Public sector element	<b>65%</b>	49%		



## Turnover movement

	£'000	
Original business	103,177	up 30.9%
Acquisitions		
Scion	7,687	
Powersave	858	
Painting Companies	<u>549</u>	
Total	<u>112,271</u>	up 42.4%



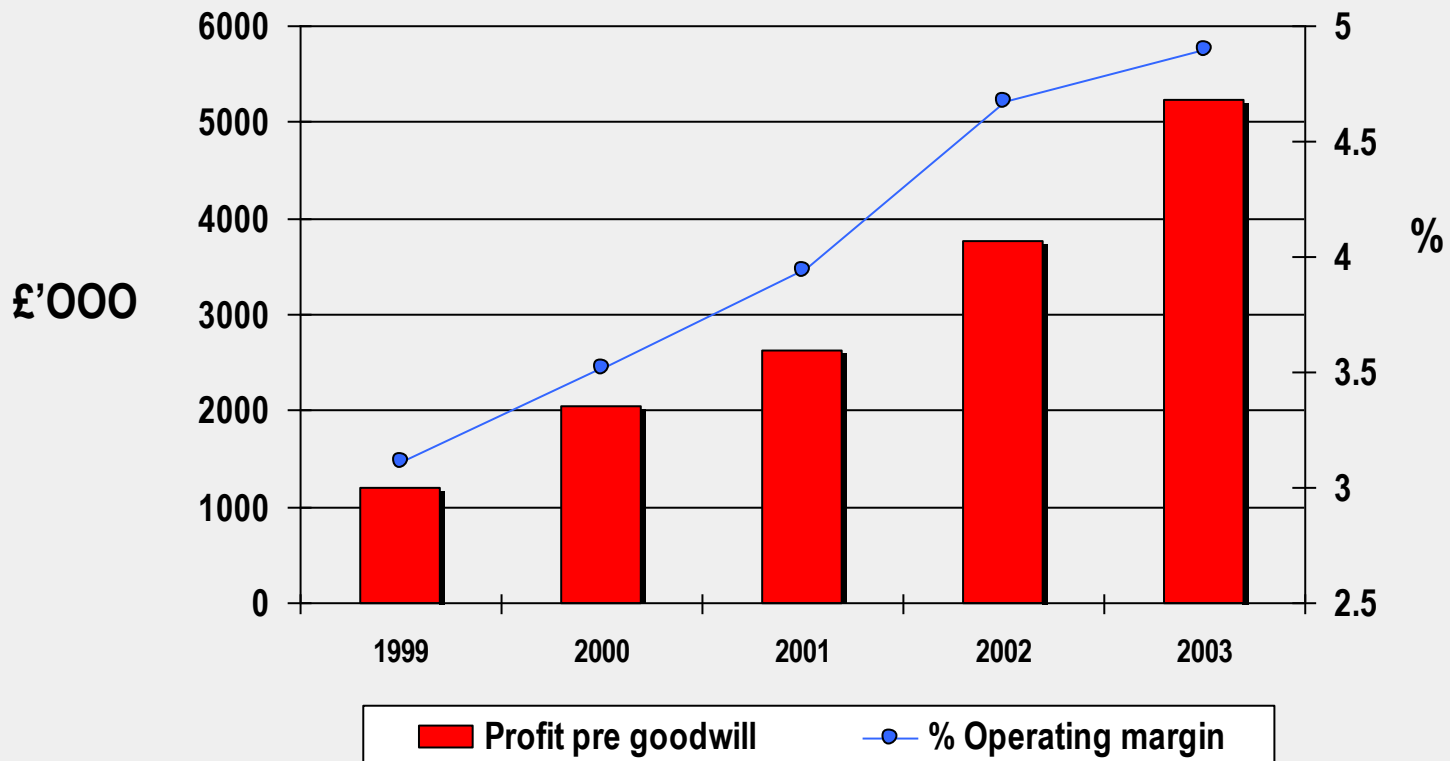
## Operating margin pre goodwill

	2003	2002
<b>Maintenance</b>	<b>5.00%</b>	<b>4.22%</b>
<b>Scion</b>	<b>0.48%</b>	
<b>Vehicle collection</b>	<b>4.21%</b>	<b>6.41%</b>
<b>Total</b>	<b>4.60%</b>	<b>4.67%</b>



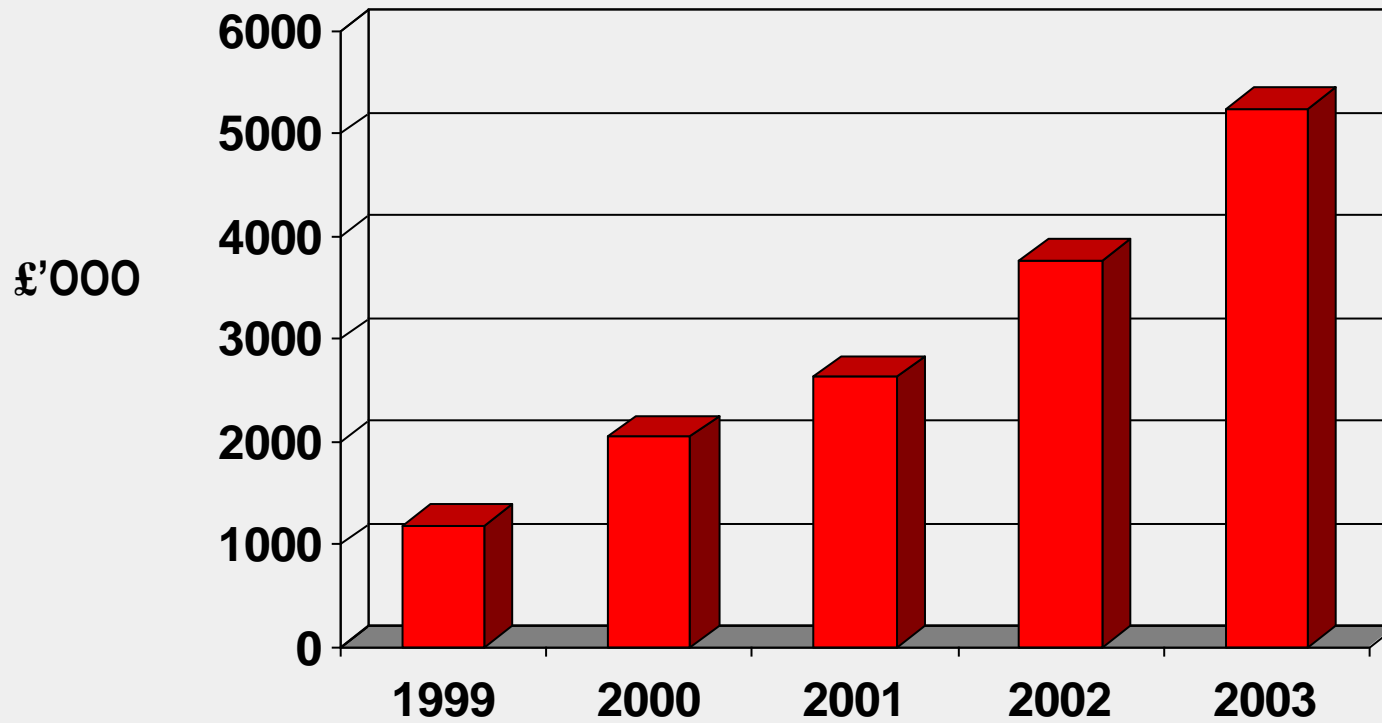


## Profit and margin





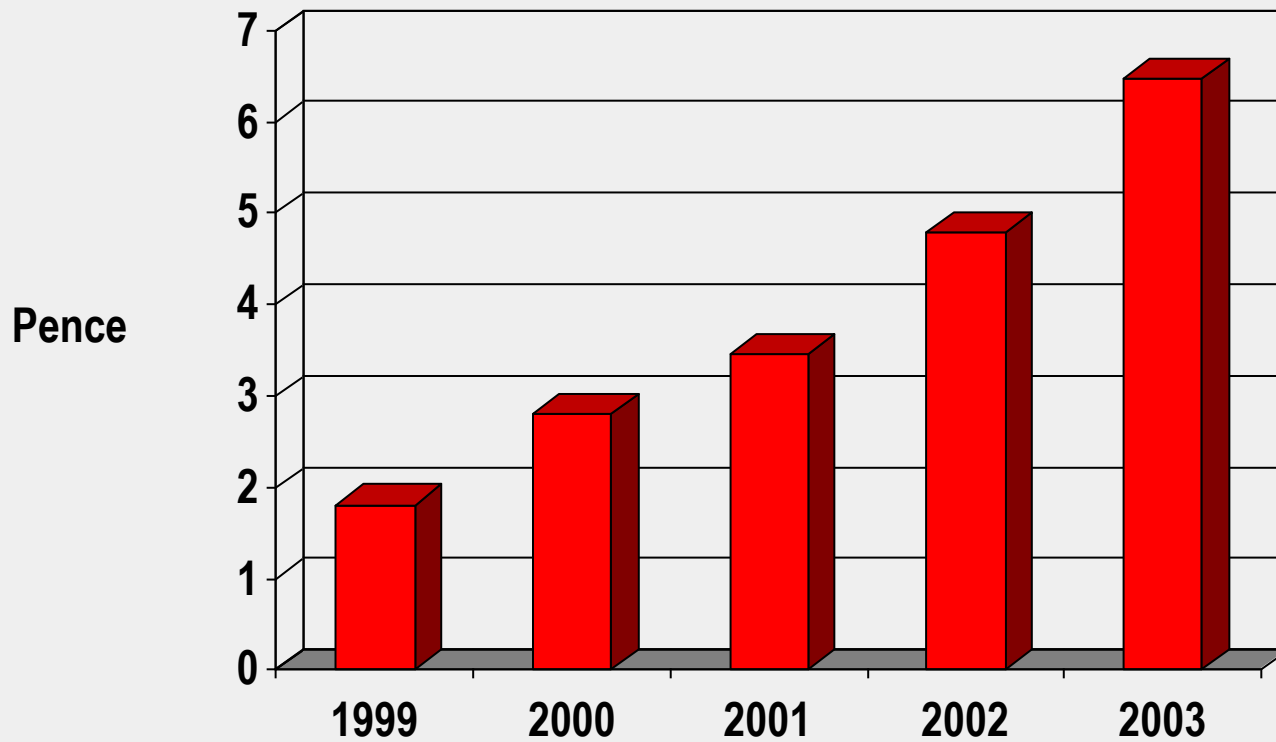
**Profit pre goodwill UP 39%**



# LEADERS IN SOCIAL HOUSING



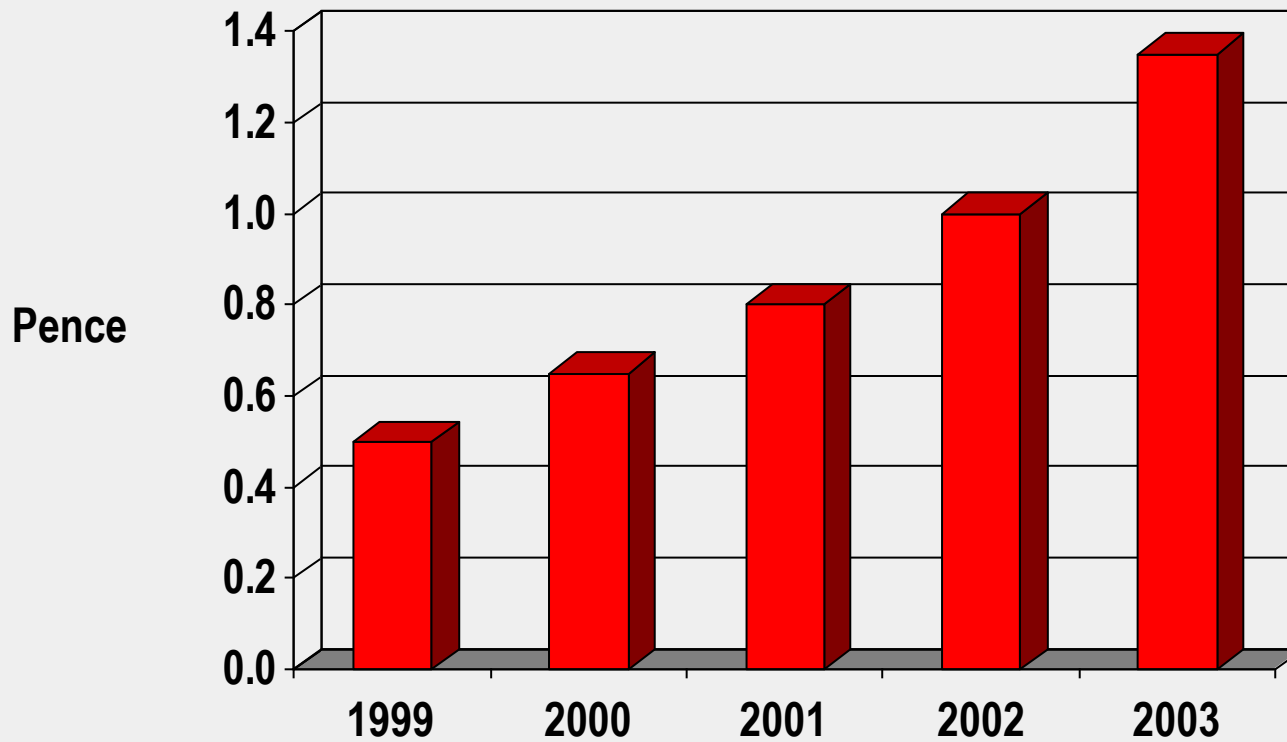
**EPS pre goodwill UP 35%**



# LEADERS IN SOCIAL HOUSING

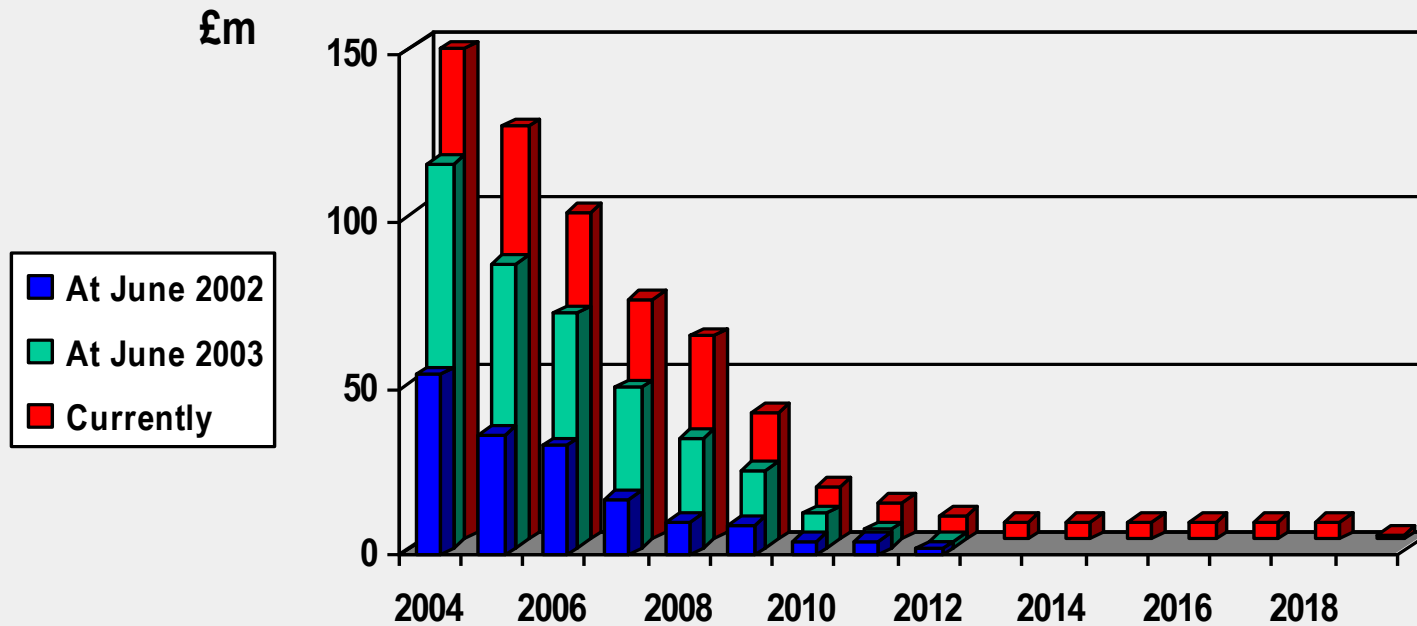


**Dividend UP 35%**





## Forward order book £550m







## Recent contract awards/extensions

New Islington & Hackney HA	5 years	£7.5m p.a.
Barnsley Council	2 years	£7.5m p.a.
LB Ealing	5 years	£5.4m p.a.
Leeds NE Homes	5 years	£3m p.a.
Crawley BC	5 years	£2m p.a.
Wigan & Leigh Housing	15 years	£4.5m p.a.
<b>Total</b>		<b>£172.0m</b>



## **Bidding Pipeline    £ 500 million**

**Scotland                      £50m**

**North                            £180m**

**Midlands                      £126m**

**South                            £144m**



## Strategy

**Consolidate our leadership position in Social Housing**

**Expand range of services offered**

**Continue to build management team**



## 2003 summary

- **Record profits ,EPS and margin**
- **£550 million order book**
- **Pipeline of £500 million**



## Appendix





## Balance Sheet

		2003	2002
<b>Fixed assets:</b>	<b>intangible</b>	<b>12,273</b>	<b>5,433</b>
	<b>tangible</b>	<b>3,093</b>	<b>1,641</b>
	<b>investments</b>	<b>107</b>	<b>99</b>
		<u><b>15,473</b></u>	<u><b>7,173</b></u>
<b>Stocks</b>		<b>2,487</b>	<b>1,266</b>
<b>Debtors</b>		<b>24,875</b>	<b>15,920</b>
<b>Cash</b>		<b>3,408</b>	<b>5,566</b>
<b>Current liabilities</b>		<u><b>(28,600)</b></u>	<u><b>(18,129)</b></u>
<b>Working capital</b>		<u><b>2,170</b></u>	<u><b>4,623</b></u>
<b>Long term provisions</b>		<u><b>(5,351)</b></u>	<u><b>(2,260)</b></u>
<b>Net Assets</b>		<u><b>12,292</b></u>	<u><b>9,536</b></u>



## Balance Sheet key movements £m

<b>Acquisitions-goodwill</b>	<b>7.3</b>
<b>tangible assets</b>	<b>1.3</b>
<b>working capital</b>	<b>(3.1)</b>
<b>deferred considerations</b>	<b>(3.5)</b>
	<b>2.0</b>
<b>Impact of 30.9% organic growth</b>	<b>4.0</b>
<b>Debtor ,creditor efficiency gains</b>	<b>(3.8)</b>
<b>Other</b>	<b>0.6</b>
<b>Increase in net assets</b>	<b>2.8</b>

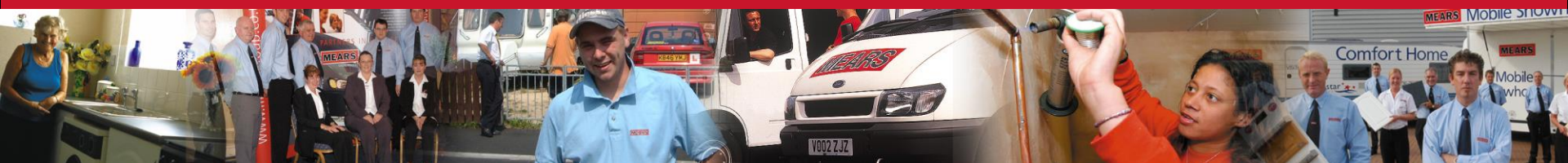


## Operating Cash Flow

	2003	2002
Operating profit	4,727	3,512
Depreciation & amortisation	1,159	616
Stocks / WIP	(1,069)	(29)
Debtors	(3,461)	575
Creditors	<u>3,335</u>	<u>69</u>
Operating cash flow	<u>4,691</u>	<u>4,743</u>

**80% of EBITDA converted into operating cash flow**

**99% of operating profit converted into cash**

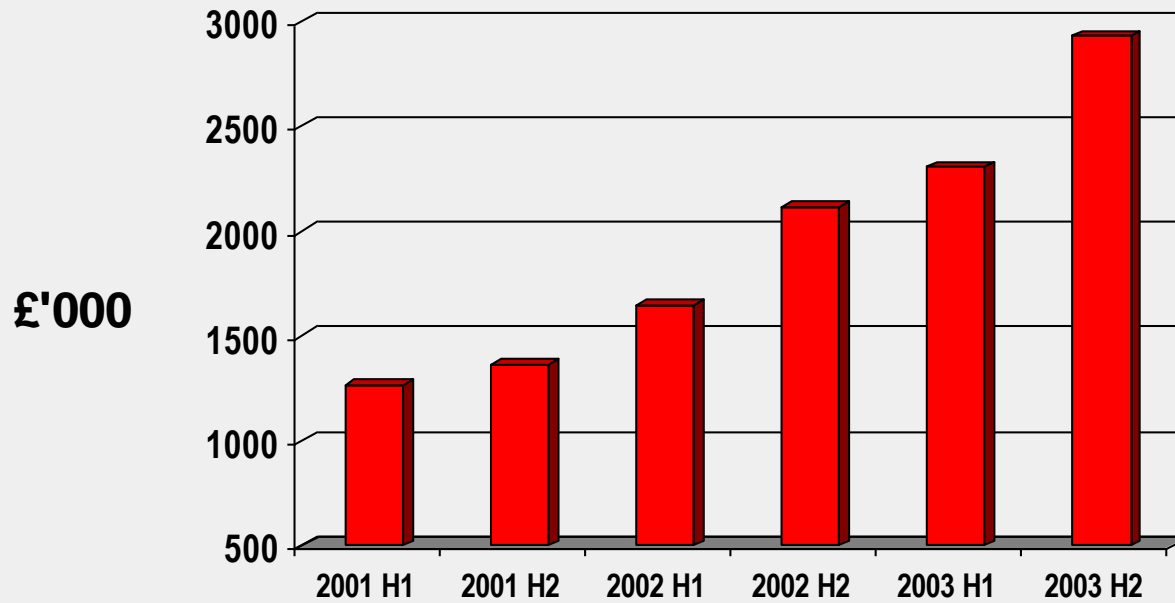


## Cash flow

		2003	2002
Opening funds		5,566	2,613
Operating cash flow	4,691	4,743	
Interest	81	83	
Tax	(1,543)	(538)	
Capital expenditure	(826)	(750)	
Acquisitions	(5,388)	(358)	
Dividends	(623)	(479)	
Financing	(57)	252	
Net movement		<u>(3,665)</u>	<u>2,953</u>
Closing Funds		<u>1,901</u>	<u>5,566</u>



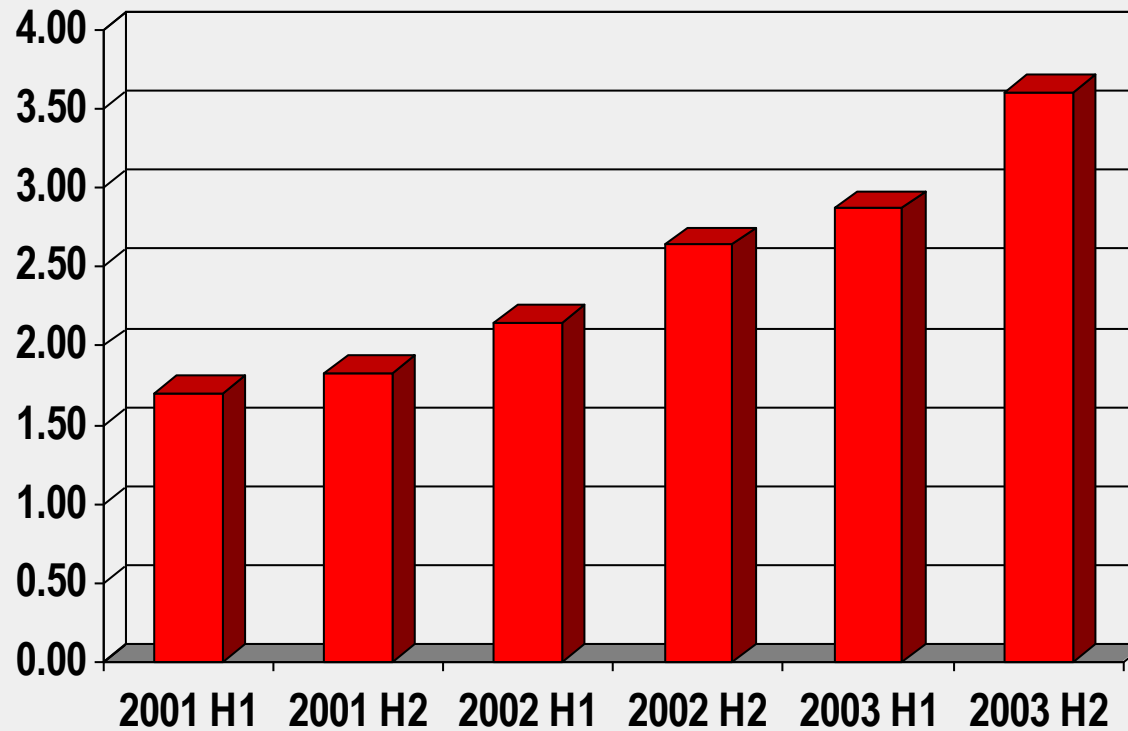
## Profit pre goodwill - half year split







## EPS pre goodwill - half year split





## Shareholders

- |                       |       |
|-----------------------|-------|
| • Board and employees | 20.0% |
| • Unicorn             | 12.5% |
| • Newton              | 7.2%  |
| • Fidelity            | 4.3%  |
| • Close               | 4.1%  |
| • Rathbone            | 4.1%  |
| • Gartmore            | 4.1%  |
| • Standard Life       | 3.6%  |
| • Glasgow Inv.Mgrs    | 3.2%  |