



# WYG plc HALF YEAR REPORT 2015

Paul Hamer, Chief Executive Officer  
Sean Cummins, Finance Director



# Who we are

*Harnessing our UK expertise and relationships to grow internationally*

## Front-End Consultancy

- Helping clients to optimise the use and value of their assets & implement change
- Strategic relationships based on delivering value to underpin higher margins
- Predominantly short term, recurring contracts with UK blue chip clients – both public and private sector



## International Development Specialist

- Market leader in EU
- Key supplier to UK Government Departments (MoD / FCO / DfID)
- Multi-year contracts and long-term framework agreements



# Strategic review - delivered

- Reaffirmed WYG's differentiated business model and strong growth opportunities
- Made considerable progress towards delivering our strategy of accelerating future growth, through organic investment and acquisition:
  - Secured new flexible £25m five year committed facility with HSBC
  - Acquired FMW Consultancy and North Associates, bolstering WYG's status as a top four planning consultancy
  - Identified a pipeline of acquisition opportunities
  - Two new non-executive directors; Jeremy Beeton and Neil Masom
  - Share based incentive schemes restructured and approved at AGM



# Highlights

***“Strong UK performance and international wins leave us well placed for the full year and beyond”***

- Revenue of £62.6m (H1 2014: £63.2m)\*
- Adjusted profit before tax\*\* up 13% to £2.2m (H1 2014: £1.9m) on stable revenues
- Unrestricted cash of £2.6m at 30 September 2015 after £2.5m acquisition costs
- Interim dividend of 0.5p (H1 2014: 0.3p)
- Order book up 18% to £123.4m at 30 September 2015 (31 March 2015: £105.0m)
  - UK up 15% to £60.9m (31 March 2015: £53.0m)
  - International up 20% to £62.5m (31 March 2015: £52.0m)

\* Including share of Joint Venture revenues

\*\* Before separately disclosed items

# Consolidated income statement

	6 months to Sept 2015 £m	6 months to Sept 2014 £m
<b>Revenue*</b>	<b>62.6</b>	<b>63.2</b>
<b>Operating profit**</b>	<b>2.2</b>	<b>2.1</b>
<b>Finance costs</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Profit before tax**</b>	<b>2.1</b>	<b>1.9</b>
<b>Tax credit</b>	<b>0.1</b>	<b>0.1</b>
<b>Profit after tax**</b>	<b>2.2</b>	<b>2.0</b>
<b>Adjusted diluted earnings per share**</b>	<b>3.3p</b>	<b>2.6p</b>
<b>Interim dividend per share</b>	<b>0.5p</b>	<b>0.3p</b>

- Revenue broadly in line with H1 2014 – impacted by delayed approval of the EU 7 year budget
- 8% increase in operating profit
- 13% increase in Profit before Tax
- Adjusted diluted EPS based on 70.7m shares
- Interim dividend increased by 67%

\* Including share of Joint Venture revenues

\*\* Before separately disclosed items

# Consolidated balance sheet

		30 Sep 2015 actual £m		30 Sep 2014 actual £m
Goodwill		14.5		13.5
Fixed assets		7.7		8.2
Debtors & WIP less FIA		37.6		37.8
Creditors		(30.0)		(37.3)
Legacy provisions		(7.5)		(10.4)
Net cash unrestricted	2.6		6.6	
Net cash restricted	0.9		1.8	
Total net cash		3.5		8.4
Shareholders' funds		25.8		20.2

- £2.9m decrease in legacy provisions, as exposure to vacant properties unwinds
- Reduction in creditors driven by TIP related issues, reduction in deferred acquisition costs, decrease in taxation balances and unwind of accruals on projects
- Cash impacted by investment in acquisitions, legacy cash costs and dividend and share related costs

# Consolidated cash flow statement

	12 months to September 2015	12 months to September 2014
	£m	£m
Operating profit (before separately disclosed items)	6.0	5.2
Depreciation and amortisation	1.7	1.8
Movement in working capital	(2.1)	(5.9)
	5.6	1.1
Interest and tax	(0.5)	(0.2)
Capex	(1.7)	(2.1)
Cash flow before legacy issues & acquisitions	3.4	(1.2)
Legacy cash costs	(2.5)	(2.8)
Pensions	(0.9)	(0.8)
Cash impact of separately disclosed items	0.8	-
Cash flow before acquisitions & dividends	0.8	(4.8)
Acquisitions and disposals (inc costs)	(2.5)	(2.1)
Dividends & share related transactions	(2.3)	1.0
Net unrestricted cash flow	(4.0)	(5.9)

- Cash generation before investments and legacy issues driven by:
  - Strong development in operating profit
  - Controlled investment in working capital
  - Capex in line with depreciation
  - Low levels of interest and tax
- Reducing legacy cash cost, benefitting from "one off" pension credit

# Guidance

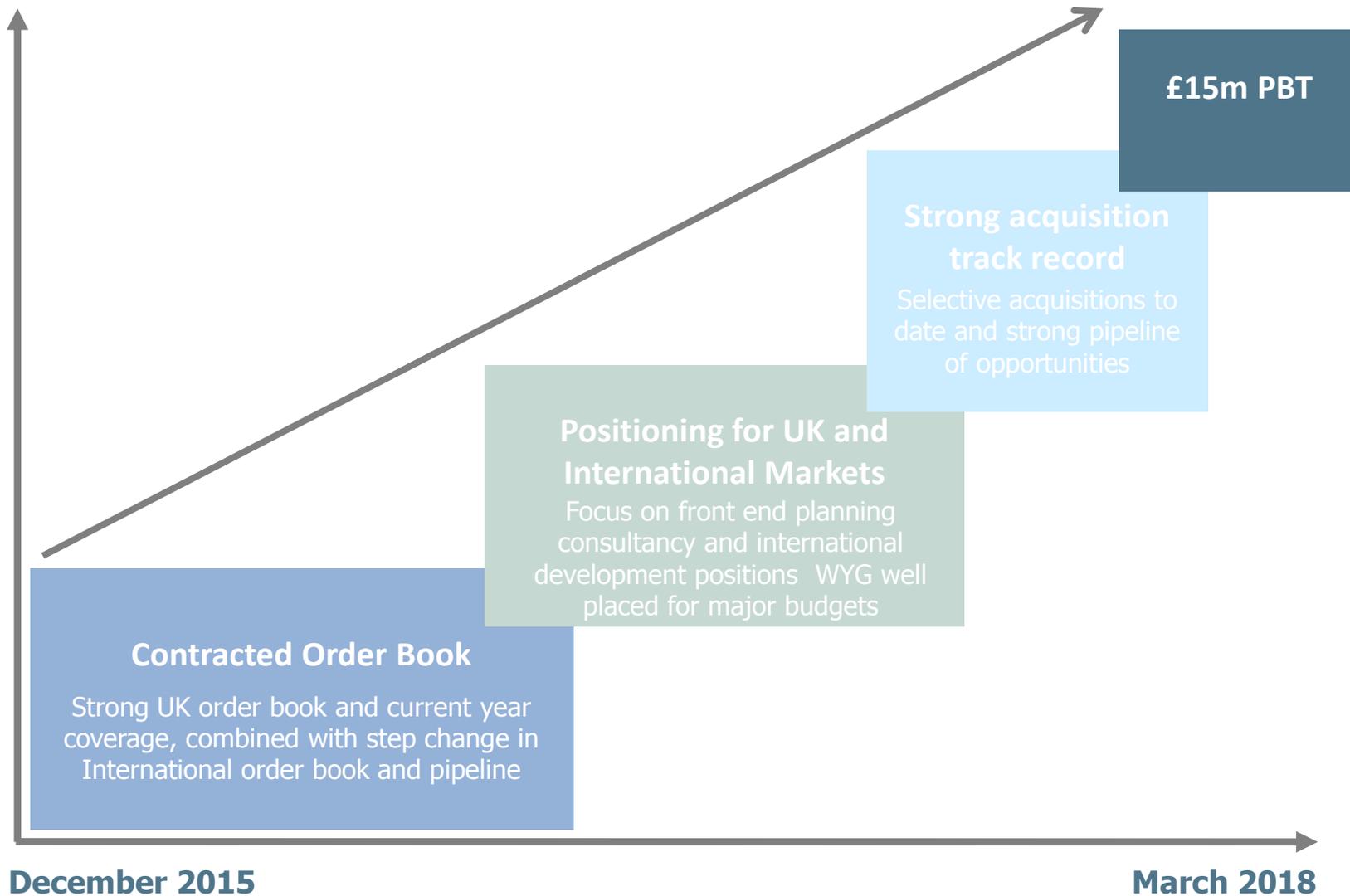
- **Revenue trend** – growth in revenues for FY16 and thereafter supported by strong order book
- **Gross margin** – continued focus on quality revenues; should improve margin by c.1-2%
- **Operating costs** – modest growth to support growth of business and investment in people
- **Interest costs** – modest increase expected as we utilise new facilities to support growth
- **Tax** – still settling down, but c.10% or less expected with ongoing benefit of UK tax losses
- **Capex** – similar level to previous year expected; we are reviewing IT system options which may impact FY17 spend
- **Debtor & WIP days (net of fees in advance)** – having reduced to 72 days at 31 March 2015, we are targeting further modest improvement
- **Legacy provisions** – continues to unwind in line with expectations
- **Cash flows** – expect to be more cash generative in H2 before any new acquisitions

# Regional highlights

£'m	6 months to 30 Sep 2015			6 months to 30 Sep 2014		
	Revenue	Operating Profit	Margin %	Revenue	Operating Profit	Margin %
<b>UK</b>	46.2	4.5	9.8	40.0	2.7	6.8
<b>EAA</b>	10.9	0.0	0.0	15.6	0.7	4.6
<b>MENA</b>	5.5	(0.2)	-	7.6	0.7	8.4
<b>Central overhead</b>	-	(2.1)		-	(2.0)	
<b>Total</b>	<b>62.6</b>	<b>2.2</b>	<b>3.6</b>	<b>63.2</b>	<b>2.1</b>	<b>3.3</b>

<b>UK</b>	<ul style="list-style-type: none"> <li>• Revenue growth of 15%; 66% increase in underlying operating profit</li> <li>• Strong growth across core sectors; particular momentum in transport and residential development</li> <li>• Alliance Planning and FMW Consultancy performing well</li> <li>• Established Asset Management discipline</li> </ul>
<b>EAA</b>	<ul style="list-style-type: none"> <li>• Broke even despite revenues held back by EU budget delays and investment in new clients &amp; Africa</li> <li>• Successfully delivering Western Balkans IPF; provides access to a range of local, EU and aid funders</li> <li>• Strong order book development; €32.4m of DfID, EuropeAid and World Bank projects won</li> </ul>
<b>MENA</b>	<ul style="list-style-type: none"> <li>• Ramp up in tender activities with €19.6m new contracts won since 1 April 2015</li> <li>• Cemented our leading position in water &amp; wastewater in Turkey with Kahramanmaras win</li> <li>• Awarded first project from the EU financed Transport Operational programme</li> <li>• Order book currently stands at €27.0m – almost three times the period last year</li> </ul>

# Accelerating momentum for growth



# Contracted order book

	For delivery in current year			For delivery beyond current year		
	30 Sep 2015 £'m	30 Sep 2014 £'m	% change	30 Sep 2015 £'m	30 Sep 2014 £'m	% change
<b>UK</b>	<b>29.1</b>	24.9	+17%	<b>31.8</b>	23.4	+36%
<b>EAA</b>	<b>11.9</b>	16.7	-29%	<b>31.1</b>	17.2	+81%
<b>MENA</b>	<b>5.1</b>	3.1	+65%	<b>14.4</b>	8.0	+80%
	<b>46.1</b>	<b>44.7</b>	<b>+3%</b>	<b>77.3</b>	<b>48.6</b>	<b>+59%</b>

**A strong underpin for growth**

# Buoyant UK markets

## UK market drivers

### Energy

- Need to replace 28% of UK electricity currently produced by coal-fired power stations to be shut by 2025
- 2020 15% renewable energy target

### Defence

- 2% of UK national income every year to 2020
- MoD land realisation

### Infrastructure / Transport

- UK Government pledge to spend £100bn on infrastructure in the next 5 years
- £90bn investment in Britain's Energy Coast

## Key recent achievements

- EDF / NuGen
- CMA – Sellafield
- National Grid
  
- 15 new project wins under DIO's Principal Support Provider framework
- MoD/FCO surveys
  
- HS2
- NI Education colleges
- North Associates

## The opportunity

- Major growth on new and expanding frameworks - £10m pa
- Britain's Energy Coast and Nuclear Power/ Decommissioning
- Northern Powerhouse – HS2 / Carbon Capture and Storage
- Growing Defence Portfolio – MoD/DE&S
- Intelligent Asset Management – largest team in UK supporting asset extension – up to £5m pa
- Niche front-end acquisitions – Planning, Transport, Urban Design

# Major International budgets

## Geo-political drivers

### EU

€960bn EU funding budget over 7 years (2014-2020)

### Migration

€3bn aid to Turkey and €1.8bn 'trust fund' pledged to tackle ME and African migrant crisis

### Fragile States

50% of DfID budget (0.7% of GDP) now focused on FCAS/stabilisation

### Sustainable economies

SUED - £100m  
IPF Programme – Western Balkans

### UK Spending Reviews

CSR

- UK
- International

SDSR

## Recent achievements

- €19.6m of new EU contracts won since April 2015
- Developed strong presence in Africa and strengthened DfID relationship through Delta acquisition
- Gained access to FCAS framework through Upper Quartile acquisition
- Successful delivery of the Western Balkans Infrastructure Project Facility programme

## The opportunity

- €15.3bn EU Enlargement Programme – market leader in every beneficiary country – €10m to €20m pa
- Turkey will triple in size and Poland could double next year
- Migrant support – Turkey, W Balkans and UK
- Niche acquisition to attain market-leading position in Infrastructure Development sector
- UK HMG – CSS Framework – the instrument for investing 50% of DfID budget in FCAS – secured a position on all 3 frameworks - £20m+ pa
- Wider support to HMG – Defence, Diplomacy and Security

# Supportive UK HMG spending reviews and Autumn Statement

- Key announcements in Comprehensive Spending Review and Strategic Defence & Security Review include:
  - 50% of DfID budget allocated to fragile states over next 5 years
  - CSSF to increase from £1.0bn to £1.3bn by 2019/20
  - Good Governance fund for Eastern Europe and Western Balkans doubled to £40m pa
  - Finance for climate resilience in developing countries to be increased by 50% to £5.8bn
  - MoD authorised to spend £178bn on new assets over next 10 years
  - MoD estate to be reduced by 30% to build 55,000 new homes
- WYG is 'pre-qualified' on key frameworks including FCAS, CSSF, Good Governance, PSP and ASP Supply Chain for DfID, FCO, World Bank and MoD among others

**“WYG ideally placed to win major new opportunities”**

# Strong acquisition track record

<p><b>North Associates</b> acquired October 2015</p> <ul style="list-style-type: none"> <li>£5.0m consideration</li> </ul>	<p>Y/E 31 July 2015:</p> <ul style="list-style-type: none"> <li>FY15 revenue £2.9m</li> <li>Operating profit £0.5m</li> </ul>	<ul style="list-style-type: none"> <li>Establishes Group's status as one of the largest property asset management and planning consultancy businesses in the UK</li> <li>Materially earnings enhancing</li> </ul>
<p><b>FMW Consultancy</b> acquired June 2015</p> <ul style="list-style-type: none"> <li>£1.4m consideration</li> </ul>	<p>Y/E 31 May 2015:</p> <ul style="list-style-type: none"> <li>FY15 revenue £1.6m</li> <li>Operating profit £0.3m</li> </ul>	<ul style="list-style-type: none"> <li>Cemented strong market position in transport and infrastructure planning</li> <li>Immediately earnings enhancing</li> <li>Focused on integrating</li> </ul>
<p><b>Alliance Planning</b> acquired Sept 2014</p> <ul style="list-style-type: none"> <li>£3.2m consideration</li> </ul>	<p>Contribution since acquisition:</p> <ul style="list-style-type: none"> <li>FY15 revenue £2.0m</li> <li>Operating profit of £0.4m</li> </ul>	<ul style="list-style-type: none"> <li>Created one of the largest planning businesses in the UK</li> <li>Performing ahead of expectations</li> <li>Earnings enhancing in year one</li> </ul>
<p><b>Delta Partnership</b> acquired March 2014</p> <ul style="list-style-type: none"> <li>£0.7m consideration</li> </ul>	<ul style="list-style-type: none"> <li>FY15 revenue £1.2m</li> </ul>	<ul style="list-style-type: none"> <li>Extended aid agency relationships and provided strong presence in Africa</li> <li>Allows greater access to international funders' investments in the region</li> </ul>
<p><b>Upper Quartile (75%)</b> acquired May 2013</p> <ul style="list-style-type: none"> <li>£1.1m consideration</li> </ul>	<ul style="list-style-type: none"> <li>FY15 revenue £4.8m</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened specialism in fragile states and stabilisation</li> <li>Secured several large contracts with DfID</li> </ul>

# Conclusion and outlook

- Strong order book gives confidence for the full year and beyond
- Accelerating growth in the out-years
- Further positive opportunities arising from UK government spending reviews
- Growth instruments:
  - Organic investment to position us to take advantage of buoyant UK markets and major international budgets
  - New flexible £25m five year committed bank facility with HSBC
  - Actively reviewing a number of acquisition opportunities

**“Aspiring to deliver up to £15m PBT by March 2018”**

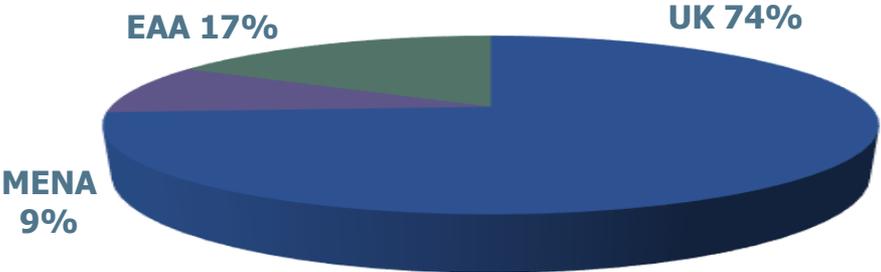


# Appendices

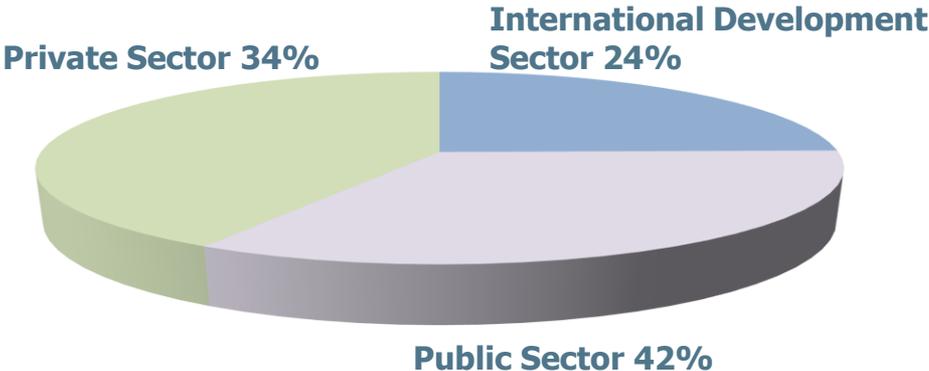


# Spread of the business

Turnover by region for the half year to 30 September 2015



Turnover by funding sector



## Seven core sectors

- Urban and Commercial Development
- Social Development and Infrastructure
- Defence and Justice
- Energy and Waste
- Transportation
- Environment
- Mining and Metals



# Shareholders

As at 25 November 2015

Shareholder	%	Cumulative %
Slater Investments	13.7	13.7
Hargreave Hale	11.9	25.6
Henderson Global Investors	11.1	36.7
Robert Keith	10.9	47.6
Franklin Templeton Fund Management	7.7	55.3
River and Mercantile Asset Management	6.5	61.7
Majedie Asset Management	6.4	68.1
Miton Asset Management	3.9	72.0
Fidelity Worldwide Investment	3.7	75.7
Henderson Volantis Capital	3.1	78.8
Others	21.2	100.0
	100.0	

# Management Incentive Schemes

- Transformation Incentive Plan (TIP)
  - 12.2m options surrendered equivalent to 17.9% of current ISC
  - 4.2m vested and unvested options outstanding – 6.1% of ISC
- New Short Term Incentive Plan (STIP) : cash and shares with PBT and cash conversion targets. No awards to date
- New Performance Share Plan (PSP) : 1.4m options with stretching EPS and TSR targets; to be assessed in June 2018
- New Restricted Shares Plan (RSP) : 1.2m options conditional on continued employment

**“Removing impediments to optimising shareholder value”**