WYG plc
Half Year Report 2017

creative minds safe hands

Who we are

Consultancy Services

Creating value from and managing strategic assets by engaging with clients in the early stages of a project, and often continuing to advise them throughout its lifecycle. Includes Strategic Advisory business

International Development

Undertaking complex long term international development projects that make a positive impact on infrastructure, socio-economic growth and the environment

Create value, protect value, manage risk

Targeting increased revenue and higher value work in strategic growth areas

- **Defence**
- **Retail**
- **Higher Education**
- **London**
- **Energy**
- **Infrastructure**
- **Residential**
- **Sustainability**
- **Digital**

Key points

Group Revenue *
£76.2m
2016: £73.5m

Profit before tax**
£1.0m
2016: £2.8m

Order book
£170.0m
March 2017 £145.0m

Interim dividend
0.6p
2016: 0.6p

Renewed and extended bank facility with HSBC

Strategic wins in CS albeit ramp up slower than expected

Improved performance in IDB

Established in Netherlands with assets and references; eligible to bid, win and deliver EU work

* Including revenue from Joint Ventures
** Before separately disclosed items

Consolidated income statement

	6 months to Sept 2017 £m	6 months to Sept 2016 £m
Revenue*	76.2	73.5
Operating profit**	1.0	2.8
Finance costs	(0.3)	(0.2)
Profit before tax**	0.7	2.6
Tax	-	-
Profit after tax**	0.7	2.6
Adjusted diluted earnings per share**	1.0p	3.5p
Interim dividend per share	0.6p	0.6p

- Revenue ahead of H1 2016 – strong growth in IDB
- Operating profit impacted by issues in the UK, notably
  - Lower volumes on frameworks
  - Turnover in headcount in Planning
  - Small number of problem projects in Engineering
  - Underperformance of Real Estate business, acquired in 2015
- £2.5m increase in provision for legacy PII claims in discontinued businesses reflected in £2.8m loss before tax (H1 2016: £0.8m profit)
- Adjusted EPS based on 74m shares
- Interim Dividend maintained at 0.6p.

* Including revenue from Joint Ventures
** Before separately disclosed items

Consolidated balance sheet

	30 Sep 2017 £m	30 Sep 2016 £m
Goodwill	18.2	18.2
Fixed assets	10.2	11.8
Debtors & WIP less FIA	52.6	47.3
Creditors	(35.7)	(35.3)
Legacy provisions (inc. Pensions)	(7.1)	(7.4)
Total net cash	(10.1)	(4.9)
Shareholders' funds	28.1	29.7

- Increase in working capital driven by growth in Turkish balances with contracts near completion as current funding cycle ends
- c.€14m of receipts expected from Turkey in Q3
- £2.5m increase in PII Provision offset by vacant property and pension liability reductions

Consolidated cash flow statement

	12 months to September 2017 £m	12 months to September 2016 £m	Change £m
Operating profit (before separately disclosed items)	7.0	7.8	
Depreciation and amortisation	1.7	2.0	
Movement in working capital	(3.6)	(2.2)	
Operating Cash flow	5.1	7.6	(2.5)
Interest and tax	(1.1)	(1.0)	
Capex	(1.8)	(2.6)	
Cash flow before legacy issues & acquisitions	2.2	4.0	(1.8)
Legacy cash costs	(3.1)	(2.9)	
Cash impact of separately disclosed items	(2.5)	(1.7)	
Cash flow before acquisitions & dividends	(3.4)	(0.6)	(2.8)
Acquisitions and disposals	(1.5)	(6.2)	
Dividends & share related transactions	(0.5)	(1.5)	
Net cash flow	(5.4)	(8.3)	2.9

- Reduction in operating cashflows driven by
  - Lower operating profit
  - Increase in Turkish working capital
- Low levels of interest and tax
- Increased legacy and separately disclosed cashflows reflect restructuring actions and closeout of PII claims
- Reduced spend on acquisitions results in improved net cashflow

Guidance

Operating margin	Operational gearing and mix, with focus on quality revenues should improve underlying margins by c.1-2% for full year
Cash flows	Focus on cash expected to result in c.£6.0-7.0m net debt by year end, driven by unwind of Turkish working capital and normal seasonal improvement in UK
Debtor & WIP days	Increased to 108 days at September 2017; expected to reduce to c.80 days by March when Turkish payments received
Capex	Similar level to H1 expected as we continue to invest in our infrastructure of office accommodation and IT for efficiency and future growth
Interest costs	Some increase on FY17 due to increased utilisation of facility
Tax	Blended rate of c.10% expected with ongoing benefit of UK tax losses
Separately disclosed items	Much reduced levels of separately disclosed items in H2
Deferred consideration	Total deferred consideration on acquisitions expected to be less than £0.5m for FY18

Contracted order book summary

	For delivery in current year		Beyond current year	
£'m	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
CS	36	35	60	45
IDB	17	25	57	58
Total	53	60	117	103

Solid order book for remainder of the year – good forward visibility

Consultancy Services

£'m	2017	2016
Revenue	56.9	57.3
Operating profit*	1.6	4.1
Operating margin*	**2.9%**	**7.1%**

Defence Infrastructure Organisation

Award winning design for new road/rail munitions transfer point at Glen Douglas

- 75% of Group revenue
- Continuing to invest in people, technology and infrastructure
- Strategic Advisory secured Delivery Partner roles expanding our DIO PSP contract into the Regional Commissioning Model and achieved success with PSP Overseas Framework
- Deferrals and delays on major new contracts, led to weaker than anticipated profit performance
- Loss of certain key projects impacting on business
- Impact of competition for senior talent in Planning and Transport Planning
- Real estate consultancy acquired in October 2015 severely impacted by developments in Cumbria
- Review of certain engineering projects leading to reduction in profitability in H2

* Before separately disclosed items

International Development

£'m	2017	2016
Revenue**	19.3	16.1
Operating profit*	1.3	0.9
Operating margin*	**6.5%**	**5.5%**

Technical assistance to connectivity in the Western Balkans: improving cooperation and economic stability in the region

- 25% of Group Revenue
- Improved performance driven largely by major projects in Africa and increased activity in Turkey
- Established new international holding company in Netherlands
  - Achieved by merger under EU Regulations
  - Ensures WYG remains eligible to bid, win and deliver work funded from EU Budget and Development Fund
- Expanded our work with UK HMG in Africa and Asia
  - DFID – CRIDF 2
  - FCO – now ramping up and will deliver strong H2 (Prosperity Fund, PSP Overseas and Embassy refurbishments)

* Before separately disclosed items
** Including share of Joint Venture revenues

Current Risks and Opportunities

UK commitment to aid spending	All parties committed to spending 0.7% of GDP on aid Broadening agenda for Aid for Trade	Recent scrutiny of DFID consultants' roles/wider FCO involvement creating significant opportunities for WYG
Brexit	Positive backdrop since the vote; no material impact on financial performance but continuing to keep under review	Local offices continue to win work within major EU funds New operating company established in Netherlands
Turkey's future	Turkey critical to East/West relations Critical player in migration	Using our success in Turkey as a launch pad for building a broader and sustainable MENA business. Won first project under IPA II – good visibility of future work
Consultancy Services - Volume - Planning - Problem projects - Poland	Largely addressed through self help measures	- Recruitment & engagement - Project Management training - New leadership - Review of cost base

Key areas of focus

- Employee Engagement
  - Employee Forum
  - Employee Survey

Improving agility

- Standardisation of business processes
- Digitisation
- Efficiency improvements in office portfolio

Improving resilience
&
Maximising efficiency

Creating a solid foundation for future growth

Summary

- Disappointing performance but anticipate a stronger second half
- Strengthened operational management team to drive opportunities from new, more agile structure
- Deepening relationships with key clients
- Driving efficiencies and focussed on matching resource to opportunities
- Pursuing strong growth drivers

A fundamentally good business and we are taking the correct steps to return it to a growth trajectory

Appendices

Shareholders
as at 30 September 2017

	%	Cumulative %
Slater Investments	13.1	13.1
Hargreave Hale	11.2	24.3
Robert Keith	10.1	34.4
Franklin Templeton Fund Management	9.3	43.7
Miton Asset Management	6.9	50.6
Janus Henderson Investors	6.6	57.2
Axa Framlington Investment Managers	6.4	63.5
River & Mercantile Asset Management	6.2	69.8
Majedie Asset Management	5.0	74.7
Artemis Investment Management	3.6	78.3
Lombard Odier CfD Holding	3.0	81.4
Others	18.6	100

The team

Douglas McCormick, Chief Executive Officer

Appointed Chief Executive in June 2017

Previously CEO of Sweett Group plc and prior to that Group Managing Director of Atkins Rail in the UK.

Douglas who is a fellow of RICS and a non-executive director of the Institute for Collaborative Working, has more than 30 years' experience working in the construction industry and has held senior executive management positions working both in the UK and internationally.

Iain Clarkson, Chief Financial Officer

Joined WYG in June 2016

Formerly Finance Director of AMEC Foster Wheeler's Clean Energy Europe business.

25 years' experience of financial and commercial management, primarily in the energy sector.

The team

JC Townend, Managing Director – Consultancy Services

JC Townend joined WYG in November 2016. She has more than 25 years of international experience in growing and leading consulting businesses where she has provided strategy, technical expertise and large-scale implementation in a wide range of sectors, including energy, infrastructure, environment, health, and social policy. Before joining WYG, JC led two of the five major groups of ICF (NASDAQ: ICFI), a $1.1 billion, Washington DC-headquartered consultancy.

Clive Anderson, Managing Director – Strategic Advisory

Clive has over 20 years' service with WYG. He is a highly regarded professional with a track record of delivering high quality consultancy services within a wide range of market sectors covering Defence, Criminal Justice System, Education, Healthcare, Residential and Commercial Development. He has extensive experience working for clients providing drive and assistance in the implementation of capital programmes.

Jesper Damgaard, Managing Director – International Development

Jesper joined the business in February 2017. A Danish national currently residing in London Jesper brings a wealth of international and consulting experience having held senior positions in organisations such as Louis Berger International, COWI, SMEC and WorleyParsons. He has over 20 years experience across many of our key sectors and has worked across Europe, UAE, Middle East and Asia Pacific. He is also a Fellow of the Institution of Civil Engineers.