

# Self help delivering results



## Speedy Hire Plc Interim Results

For the 6 months ended 30 September 2011





# **Ishbel Macpherson**

## *Chairman*

# Summary



- Significant improvement in profitability vs prior year
  - Continuing EBITDA (pre-exceptional) increased by 29.2%
- Successfully disposed of the accommodation operation, removing loss maker and reducing net debt
- Completed the refinancing of the debt facilities, providing sustainable funding and increasing flexibility
- Progress continues into H2 and the Board is confident of meeting its expectations



**Lynn Krige**  
*Group Finance Director*

# Financial highlights



	6 months to September 2011 £m	6 months to September 2010 £m
Revenue	161.8	177.3
EBITDA*	29.8	24.9
<i>EBITDA %</i>	18%	14%
EBIT*	8.4	(4.6)
PBT*	4.8	(9.9)
Adjusted earnings/(loss) per share*	0.9p	(1.9p)
DPS (UK GAAP)	0.2p	0.2p
Operating cash flow (before net hire fleet capex)	29.8	17.5
Free cash flow **	37.4	(2.7)
Net debt	77.0	123.0
Net debt / EBITDA*	1.1x	2.1x

\*pre amortisation and exceptional costs

\*\*pre dividends and financing

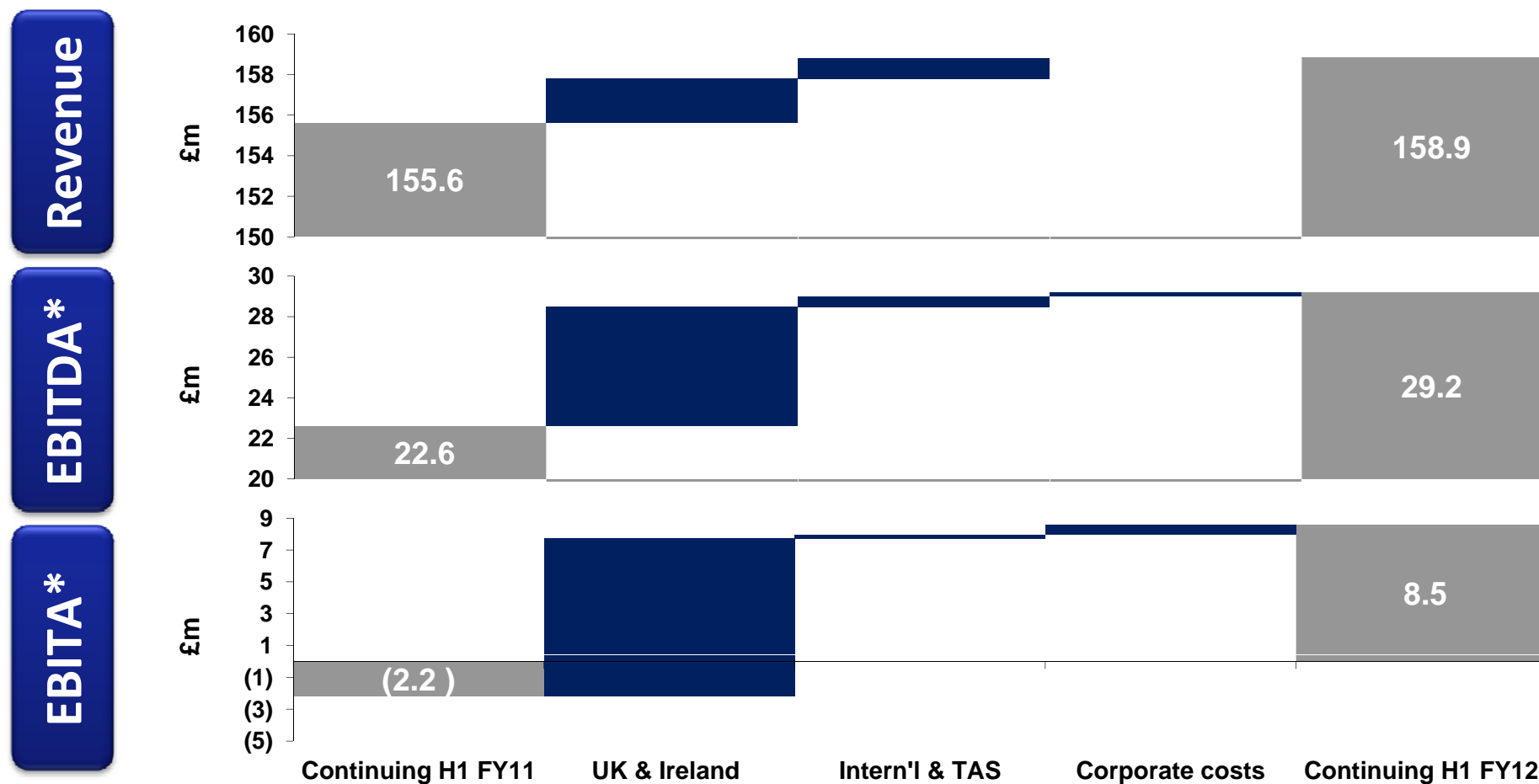
# Continuing\* trading financial highlights



	6 months to September 2011 £m	6 months to September 2010 £m	Change £m	Change
Continuing* revenue	<b>158.9</b>	155.6	3.3	2.1%
Continuing* EBITDA (pre exceptional costs)	<b>29.2</b>	22.6	6.6	29.2%
<i>EBITDA %</i>	<b>18.4%</b>	14.5%	3.9bps	
Continuing* EBITA (pre exceptional costs)	<b>8.5</b>	(2.2)	10.7	n/a
<i>EBITA %</i>	<b>5.3%</b>	(1.4%)	6.7bps	

\*continuing data excludes the disposed accommodation operations and the expired Network Rail contract

# Continuing P&L bridge



\* pre exceptional costs

UK & Ireland driving profit improvement

# UK & Ireland



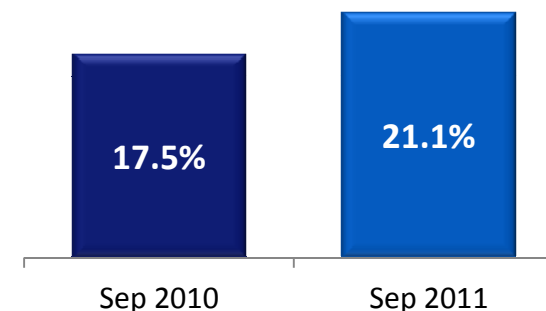
	6 months to September 2011 £m	6 months to September 2010 £m	Change
Revenue	156.2	172.8	(9.6%)
Continuing* revenue	153.3	151.1	1.5%
EBITDA **	33.0	28.8	14.6%
Continuing* EBITDA **	32.4	26.5	22.2%
	21.1%	17.5%	
EBITA**	13.7	1.5	815.0%
Continuing* EBITA**	13.8	3.9	254.5%
	9.0%	2.6%	

\* continuing data excludes the disposed accommodation operations and the expired Network Rail contract

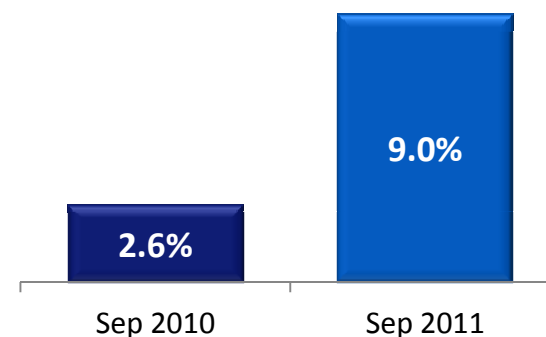
\*\* pre exceptional costs

- Disposed of loss making accommodation operation
- Focus on improving hire rates, not growing low margin revenue
- Sustainable operational efficiencies leading to improved profitability

Continuing\* EBITDA\*\* margin



Continuing\* EBITA\*\* margin



Pricing improvement and efficiencies delivering improved margins



# International and Training & Advisory Services



International Asset Services	6 months to September 2011 £m	6 months to September 2010 £m	Change
Revenue	4.8	3.7	29.3%
EBITDA	0.6	(0.3)	n/a
EBITA	(0.8)	(1.4)	n/a

- Ongoing progress from
  - Increasing revenues
  - Reducing losses
- Recent contract wins will continue to support revenue growth in H2

Training & Advisory Services	6 months to September 2011 £m	6 months to September 2010 £m	Change
Revenue	0.8	0.8	(5.5%)
EBITDA*	(0.8)	(0.4)	n/a
EBITA*	(0.8)	(0.4)	n/a

\* including closure costs

- Advisory Services has underperformed and has been closed
- Training is performing satisfactorily and has transferred to UK Asset Services where it will benefit from alignment with the hire operations

# Strong financial position



	September 2011 £m	September 2010 £m	March 2011 £m
Property, plant & equipment	<b>223.8</b>	270.3	219.9
Net debt	<b>77.0</b>	123.0	113.9
Net debt : EBITDA*	<b>1.1x</b>	2.1x	1.8x
Shareholder funds	<b>227.8</b>	236.3	229.4
Return on capital employed	<b>6.4%</b>	(0.1%)	2.3%
Net asset value per share	<b>44p</b>	46p	44p
Gearing	<b>33.8%</b>	52.1%	49.7%

\*pre exceptional costs

- Continued increase in balance sheet strength
- Net debt reducing, whilst increasing investment in hire fleet

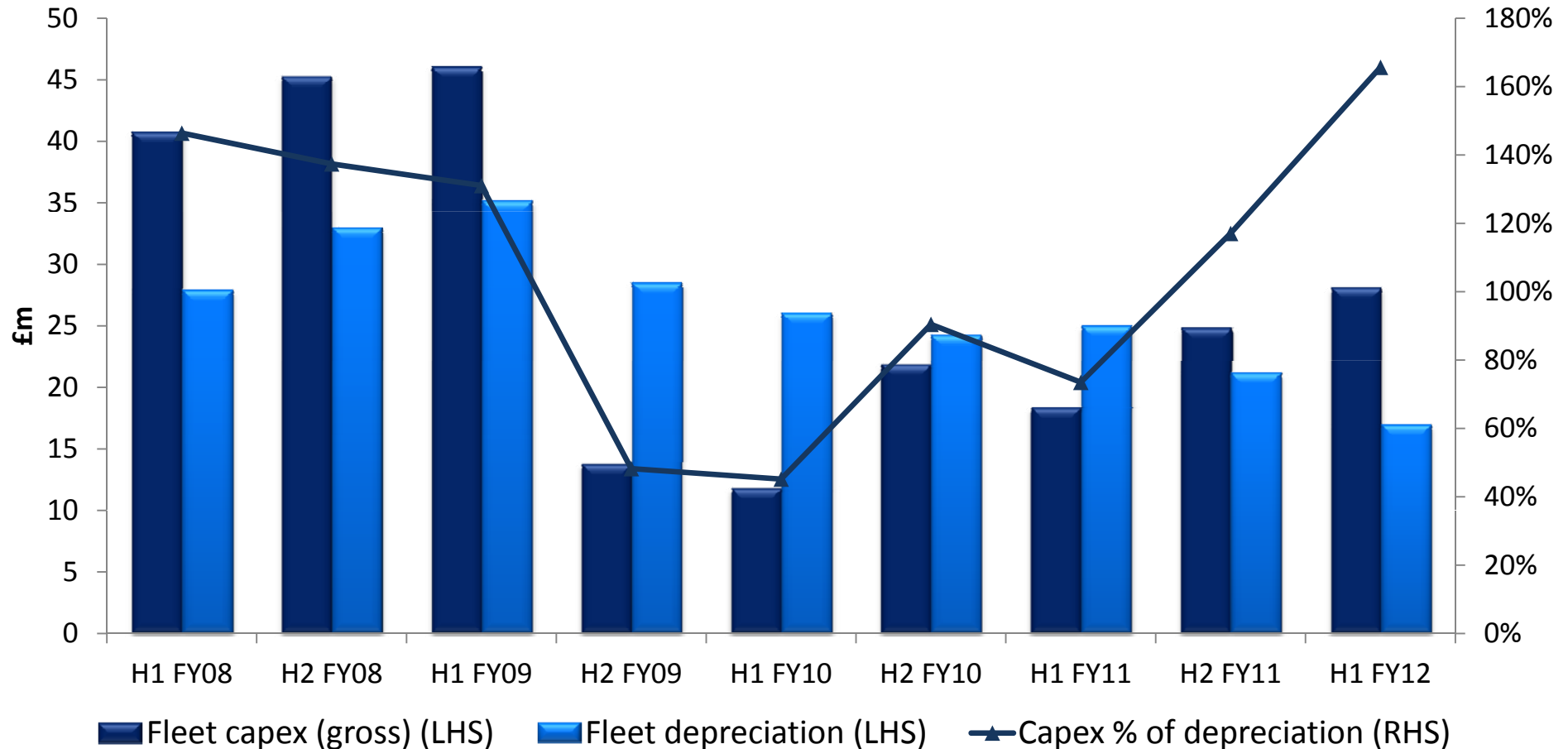
# Strong cash generation supports fleet investment



	6 months to September 2011 £m	6 months to September 2010 £m
<b>Cash generated from operations</b>	<b>29.8</b>	17.5
Purchase of hire equipment	(26.7)	(18.3)
Proceeds from sale of hire equipment	6.9	6.5
Net investment in non-fleet assets	(2.5)	(1.4)
Interest, tax, dividends and other	(4.0)	(8.0)
<b>Net cash flow from operating activities</b>	<b>3.5</b>	(3.7)
Proceeds from accommodation disposal	33.4	-
<b>Reduction in net debt</b>	<b>36.9</b>	(3.7)
Opening net debt	(113.9)	(119.3)
<b>Closing net debt</b>	<b>(77.0)</b>	(123.0)

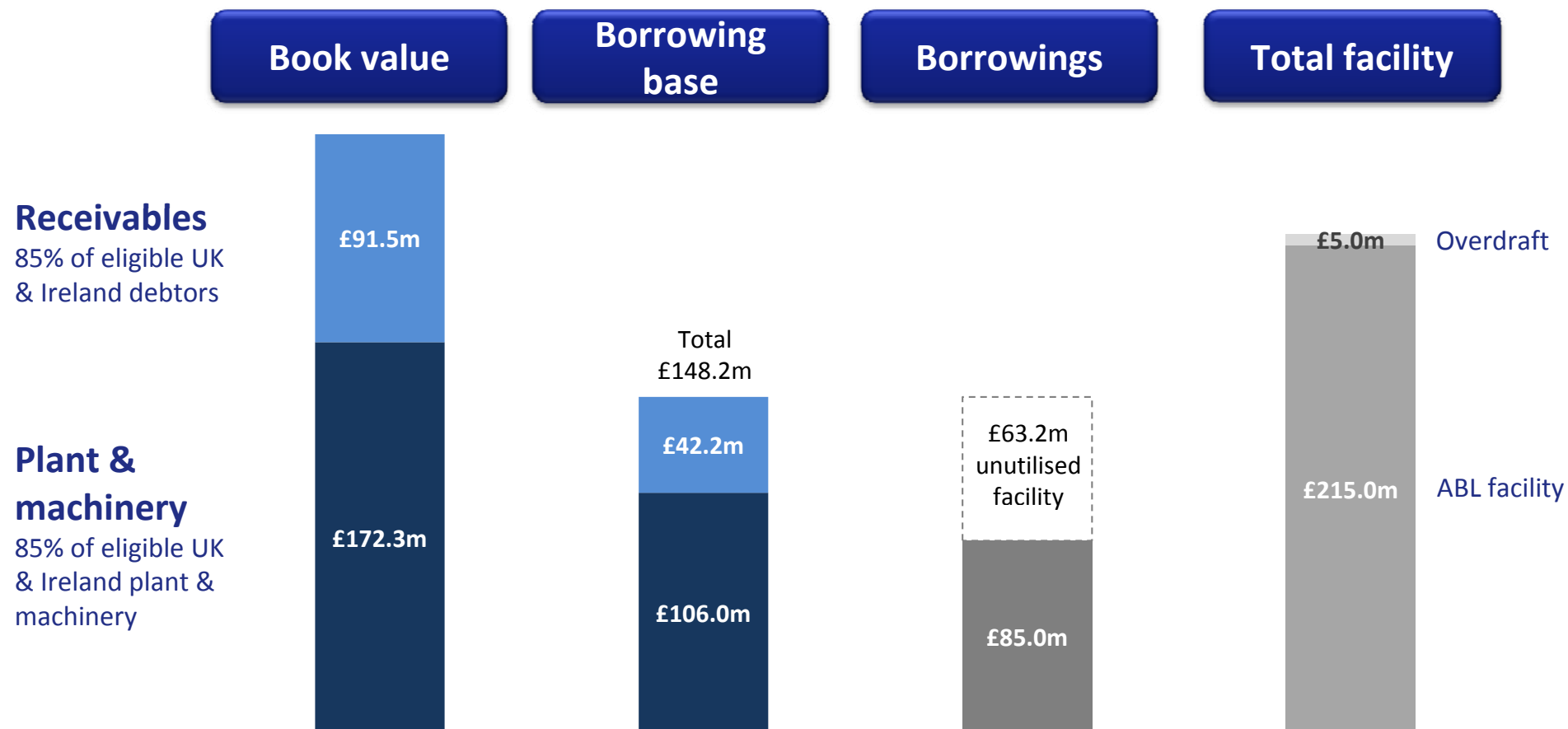
- Improvement in operational cash generation – up 70% on prior year
- Increased investment in hire fleet – up 46% on prior year
- Continued reduction in net debt – net debt: EBITDA at 30 September of 1.1x

# Hire fleet investment



Significant investment in capex funded from operating cash flows

# Debt structure & headroom



Funding secure – underpins capacity to invest in hire fleet

# ABL – supports growth

## Worked example



### Book value

- Invest £20m in UK hire fleet
- Growth in revenue results in increase in UK debtors of £4m

### Borrowing base

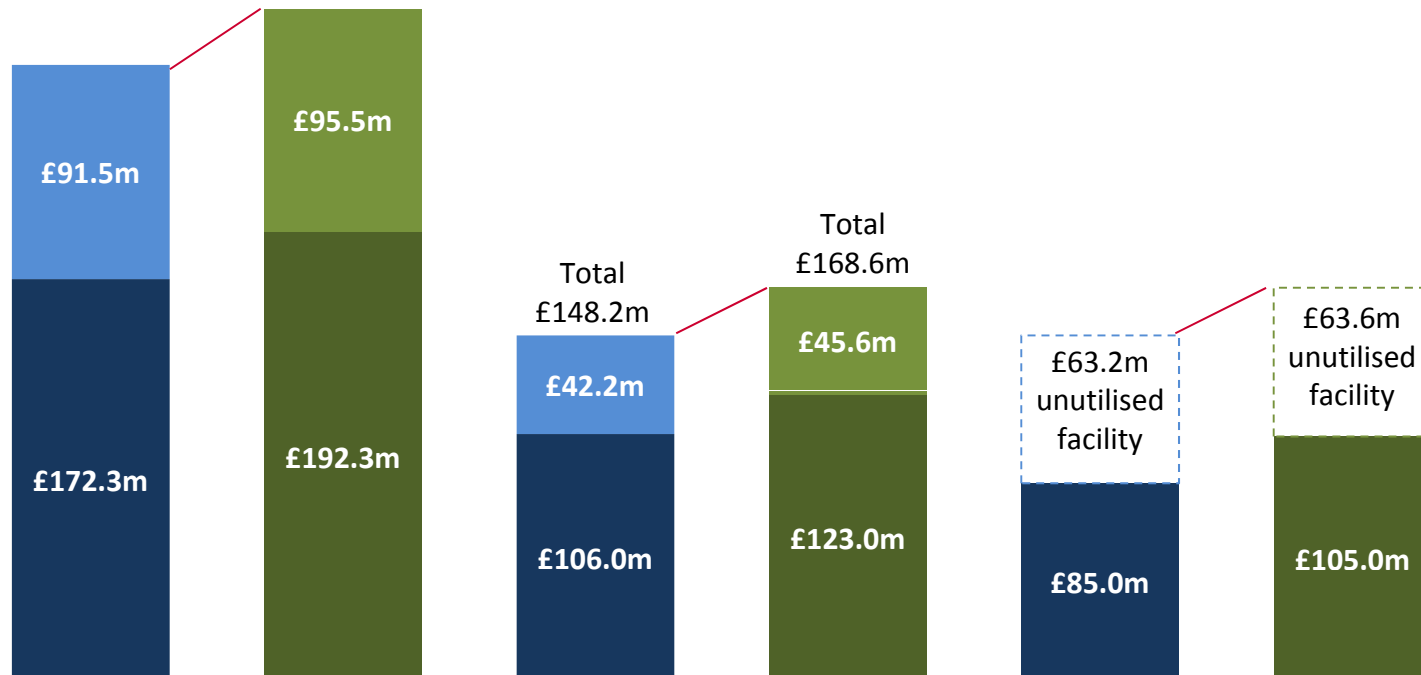
- Borrowing base increases
  - 85% of additional fleet
  - 85% of additional debtors

### Borrowings

- Upon payment of capex creditor, borrowings increase by £20m
- Unutilised facility almost unchanged

### Receivables

### Plant & machinery



# Summary



- Strong cash generation
- Return to profitability
- Balance sheet provides platform for future growth



**Steve Corcoran**  
*Chief Executive*



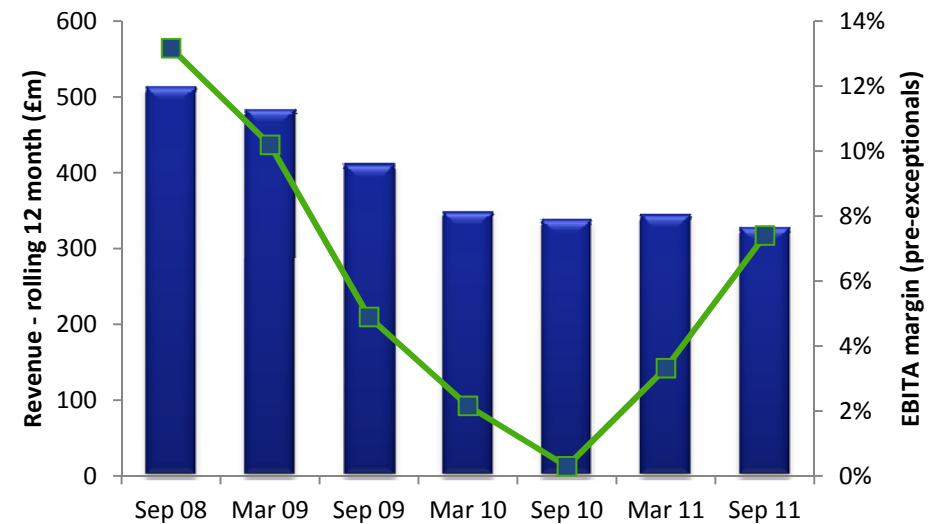
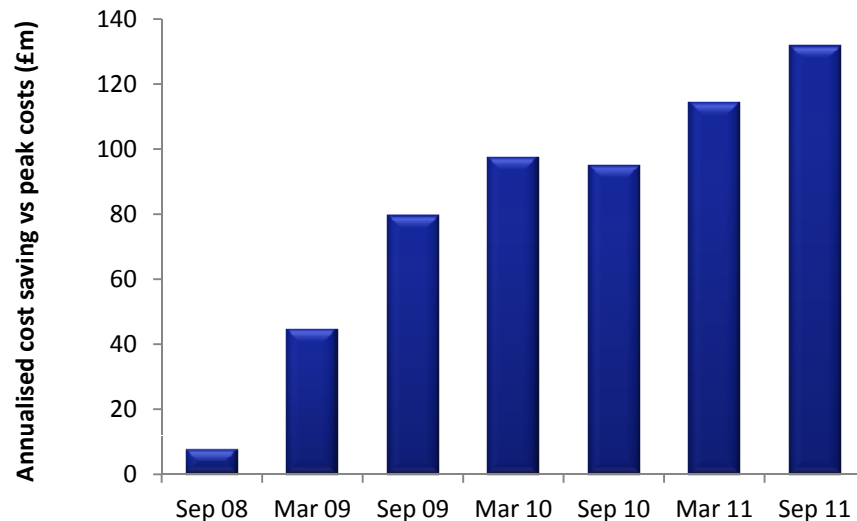
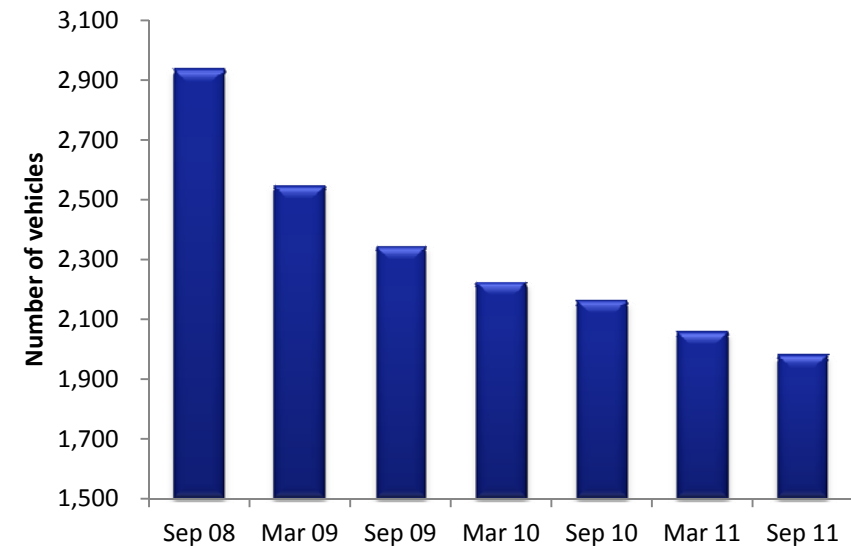
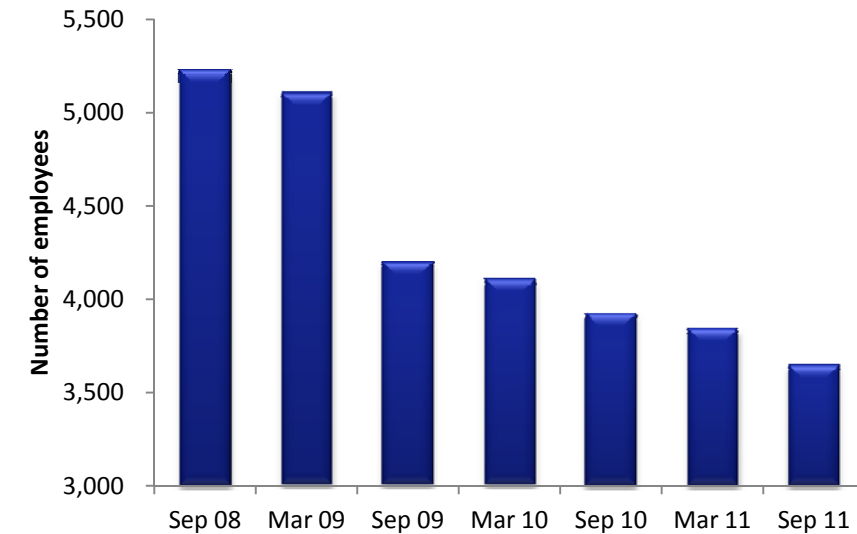
# Self help delivering results



- Reduced Costs
- Improved Efficiency
- Identified Opportunities
- Innovated Products and Services
- *Measure, Measure, Measure!*

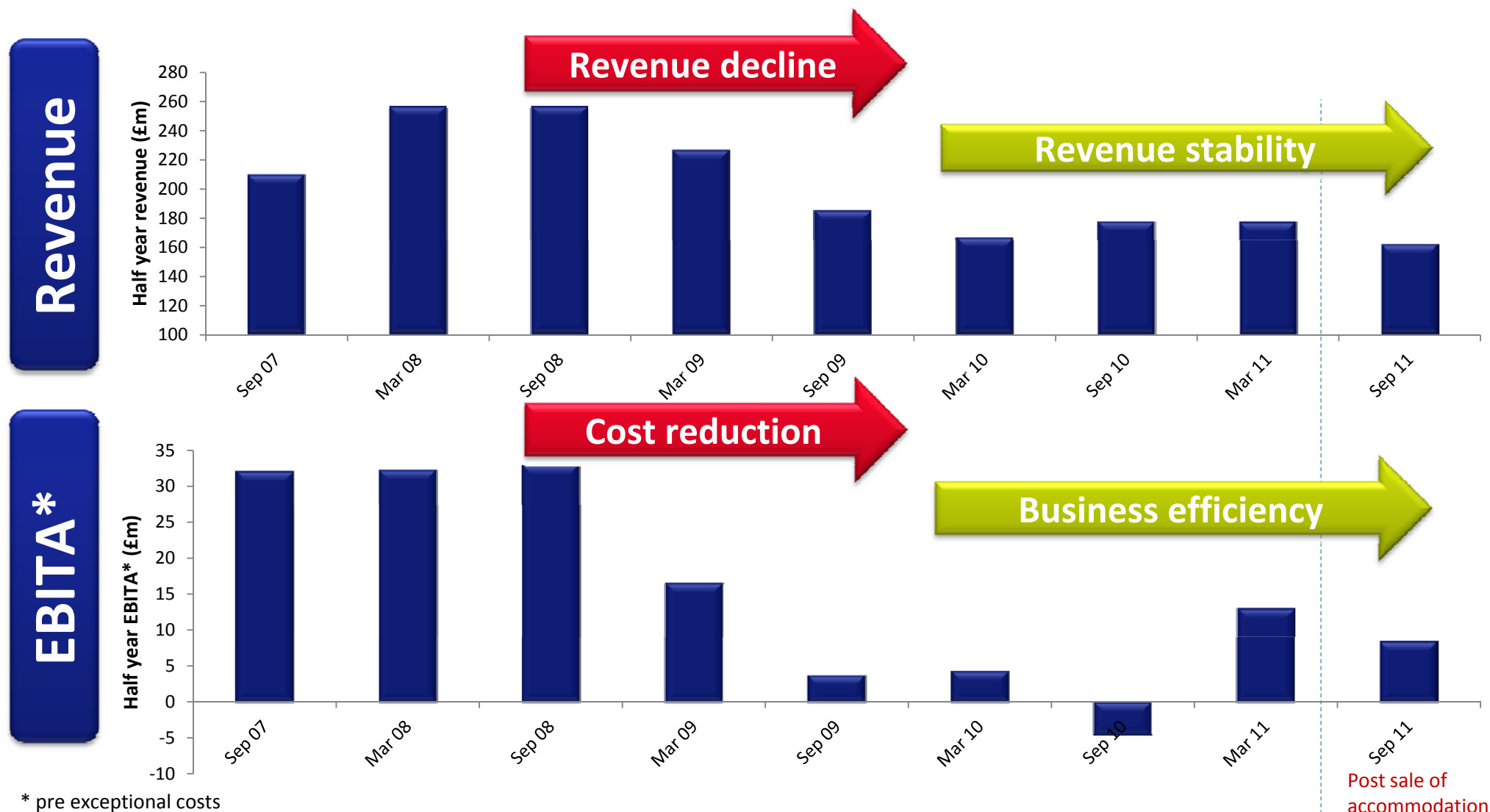


# Cost reduction



All data for Group excluding International and Training & Advisory Services

# Delivering through reduced costs & efficiencies



Operational gearing will drive benefits from efficiencies

# Improved efficiency & customer satisfaction



## Operations

Revenue Per Man	+ 4%
Per Van	+ 1%
Per Site	+ 7%

**EBITA margin 9%**

## Assets

Hire Rate	+ 8%
Utilisation	+ 6%
Yield	+ 7%

**ROCE 6%**

## Processes

Credit Notes	+ 11%
Queries	- 15 %
Working Capital	- £5.7m

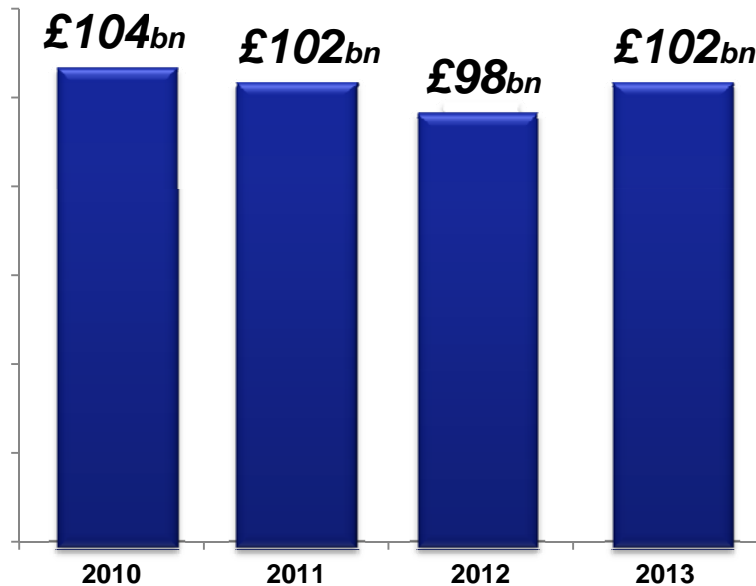
**Operating Cashflow + 70%**

## Customer Service

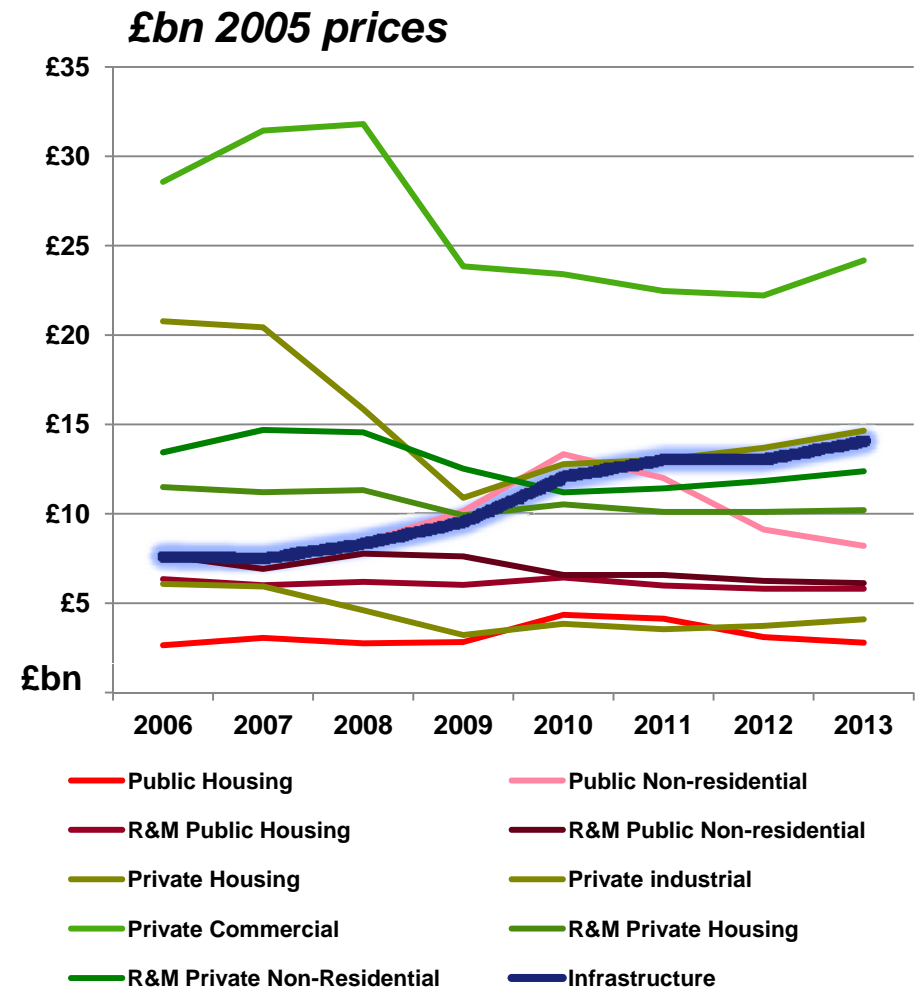
Equipment reliability	94%
On time / In full	94%
Availability	64%

**Recommendation Score 93%**

# Construction market

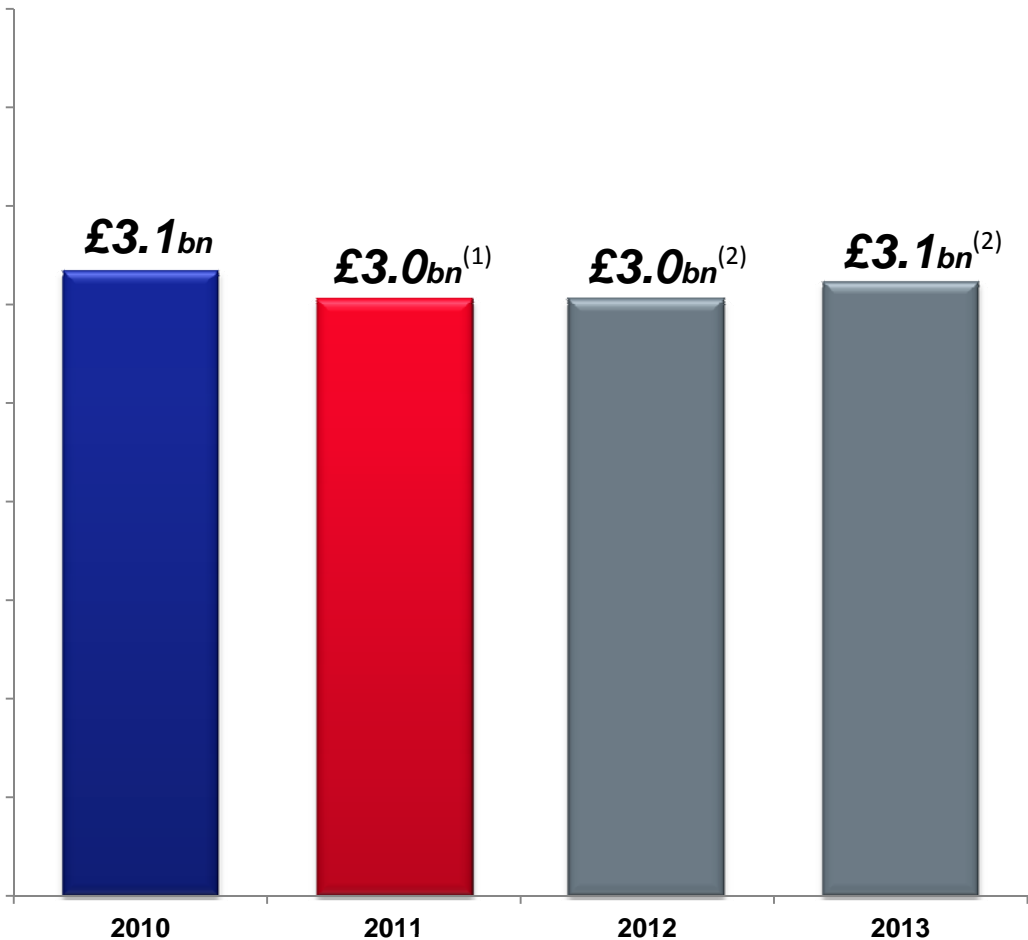


- Remains a large industry, 7.5% GDP
- Infrastructure remains strong
- Overall market continues to decline through 2012
- Market recovery forecast from 2013
- Speedy is sector agnostic, service the whole market

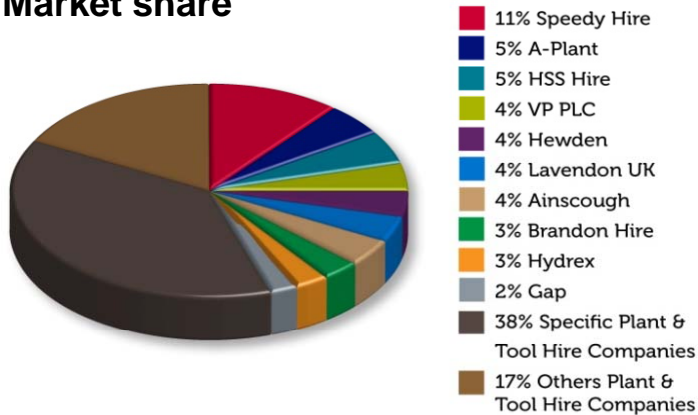


**Winning in infrastructure, sector agnostic, active everywhere**

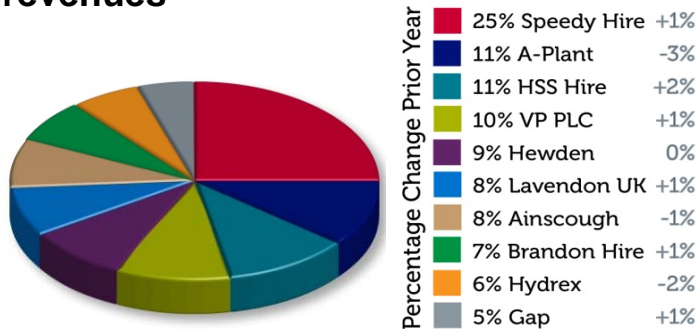
# Hire industry – stable & still a large market



FY10-  
Market share



% share of Top 10  
revenues



Source: ERA Rental %, Company listings from Catherine Stratton PIR, Revenue from Companies House 2010 (1) Estimate (2) Forecast

# Opportunities, focus on the right markets



## Water

- AMP5 - £22bn over 2010-15 (non-capital)<sup>(2)</sup>
- £12bn capital expenditure<sup>(4)</sup>
- AMP6 already in planning



## Waste

- £10bn landfill reduction programmes<sup>(2)</sup>
- £1.4bn waste construction<sup>(1)</sup>



## Energy

- £80-95bn renewable investment to 2020<sup>(1)</sup>
- £15-25bn nuclear new build programme<sup>(1)</sup>
- £73bn nuclear decommissioning program<sup>(1)</sup>
- £22bn energy transmission & distribution<sup>(5)</sup>



## Transport

- £63bn investment to 2015<sup>(1)</sup>
- £16bn alone in road projects to 2015<sup>(3)</sup>
- £1.1bn rail project starts in 2011<sup>(3)</sup>

- Does not take account of private investment in:

- Ports
- Docks
- Airports

- UKI plan £200bn investment over next five years

- £15-20bn per annum industry

- Domain of the major contractors

Source: Infrastructure UK 2011

# Delivering on opportunities, Speedy success



## Water

**Client:** *Thames Water – 5 yr AMP5 agreement; Welsh Water 3+2yr AMP5 agreement*  
**Contractors:** *Costain, GCA, Galliford Try, KMI, Morgan Sindall, MVB (Lea Tunnel)*



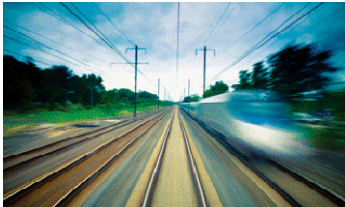
## Waste

**Client:** *Greater Manchester Waste, Enviropark Waste, Sita UK, London First Biomass*  
**Contractors:** *Balfour Beatty, BAM, Costain, Hinkcroft, Kier, Powerday*



## Energy

**Client:** *London Array, Exxon, Sheringham Shoal, EdF, Gdf Suez, Ineos, Murco*  
**Contractors:** *Amec, BAM, BBUS, Carillion, Kier, Lucite, Morgan Sindall, Trant, Volker*



## Transport

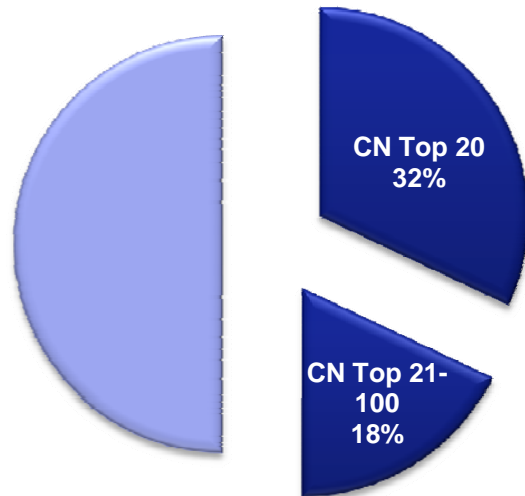
**Client:** *Crossrail, London Underground, BAA, Network Rail, Highways Agency, Peel Ports*  
**Contractors:** *Balfour Beatty, BAM, Carillion, Costain, Kier, May Gurney, Tubelines*



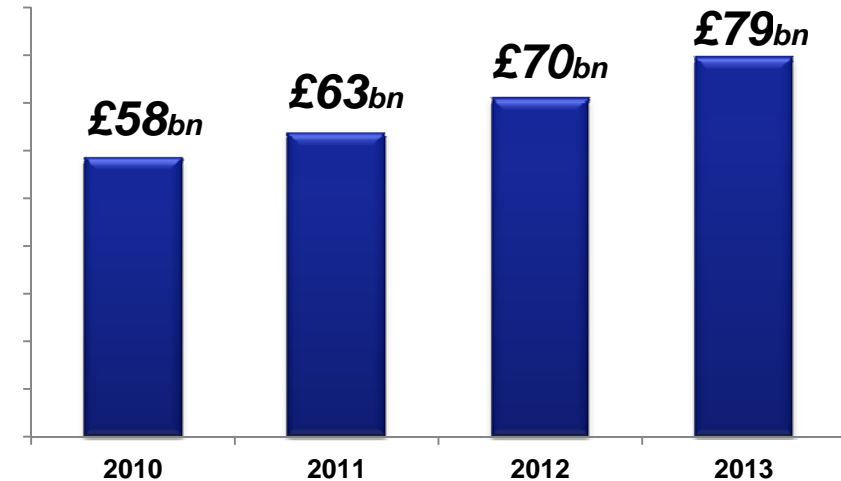
# Focus on the right customers



*Market Share of Top 100 Construction Firms*



*Forecast Growth of Top 100 Construction Firms*



- The Construction News (CN) Top 100 accounts for approx 50% of the market (£58bn)
- Projected to grow faster than the market
- Aligned to growth areas of sustainable spend (water, waste, energy & transport)
- Lower debt risk
- Outsourcing of owned plant offers significant opportunities

**Majors focus justified, CN Top100 will outperform the market**

# Innovation – Driving rates & reducing customer costs



## VB-9

- £160 p/w more to hire
- 40% reduction in fuels costs overall
- £176 savings to the customer



Running Costs	Traditional Light Tower (VT1)	VT1-Eco	VB-9
<i>Example rate per month</i>	£320	£400	£480
<i>Running cost per month (30 Days)</i>	£462	£322	£126
<i>Customer savings per month</i>		£60	£176

Increase hire rate, reduce customer cost

## Bespoke Reporting



- Hire % / Total %
- By product
- By region
- By project
- Invoice queries

## E-Trading

- Automated off hire requests
- View and query invoices
- Contract and Asset level Live Hire reports including “expected off hire date”

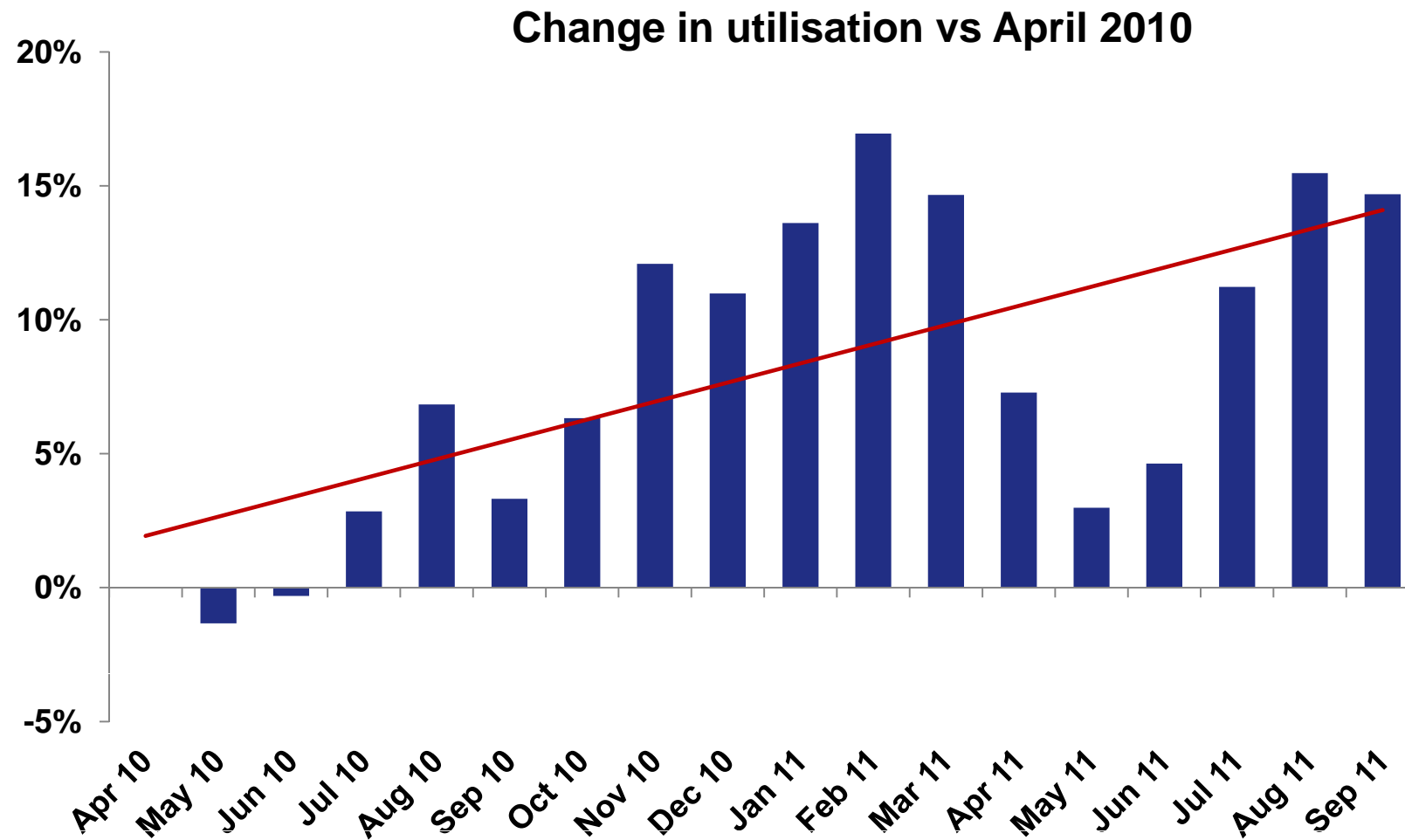


## NEW PDA's

- Handheld with GPS and camera
  - £1.7m investment
  - Proof of delivery
  - Damage photography
- Real time internet reporting

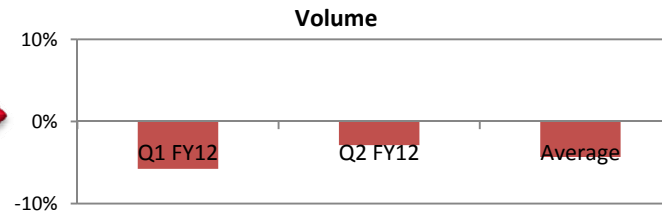
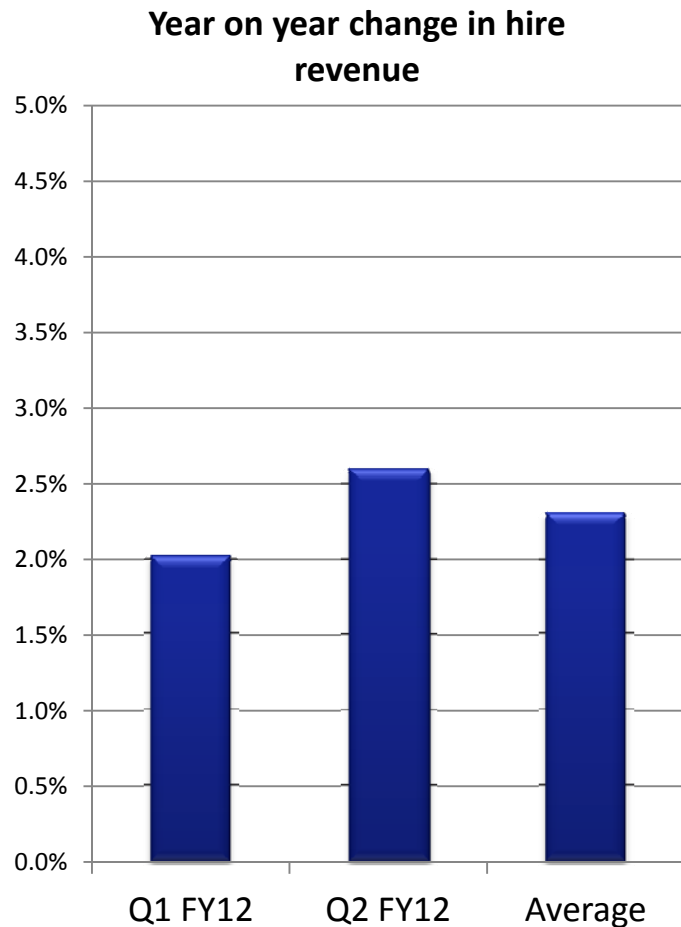
Reduce queries 15%

# Driving asset utilisation

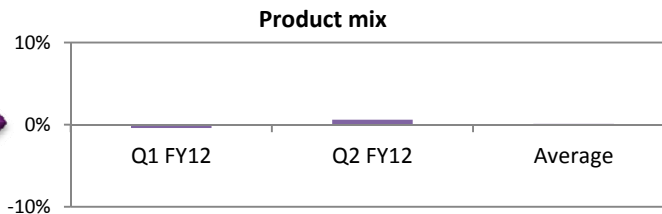


Utilisation up 15 consecutive months on April 2010

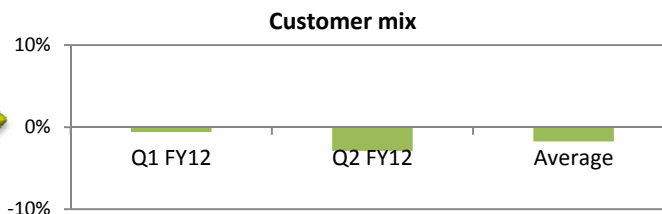
# Yield management (YoY change UK)



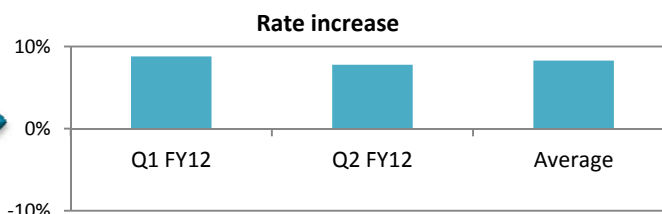
Volumes down with focus on quality revenue



Minimal changes in product mix



Swing towards larger national customers



Rate increases continue to hold

Note:

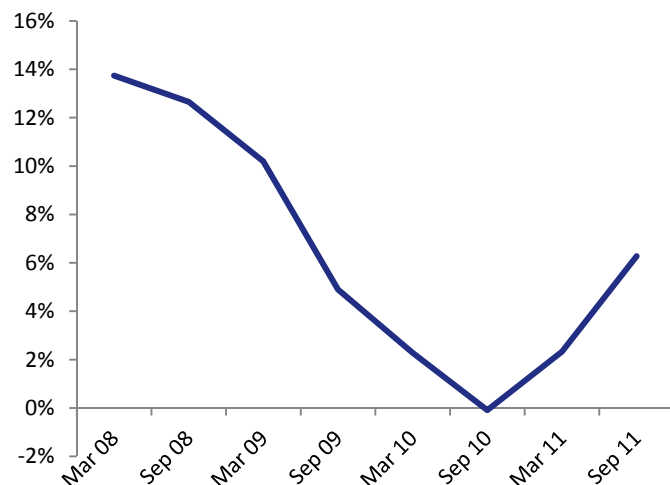
- UK Asset Services – hire & managed services revenue
- Based on underlying contract data before credits and remissions

Understand the drivers to focus on the right measures

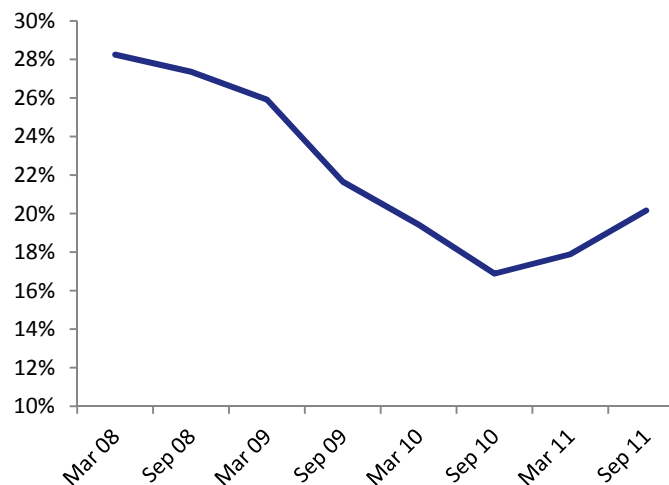
# Self help - measured results



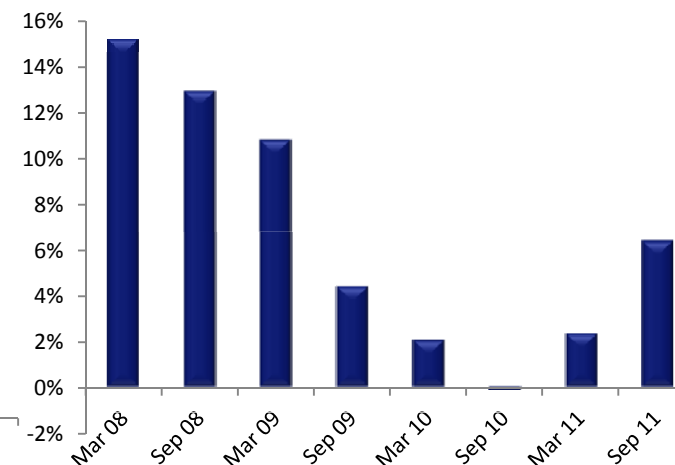
Rolling 12 month EBITA\* margin



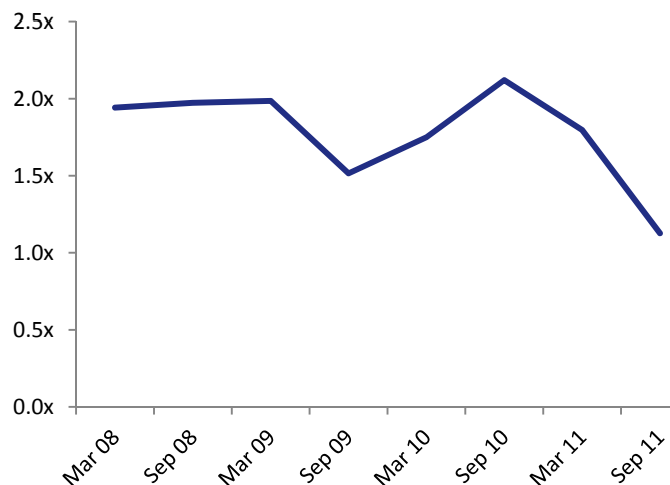
Rolling 12 month EBITDA\* margin



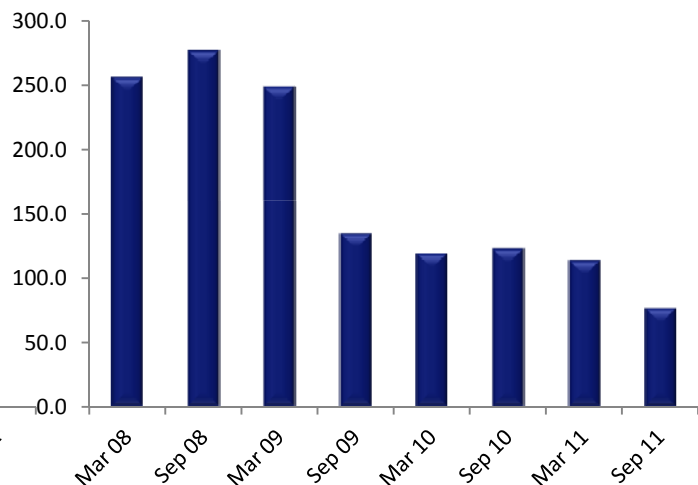
ROCE\* (rolling 12 month)



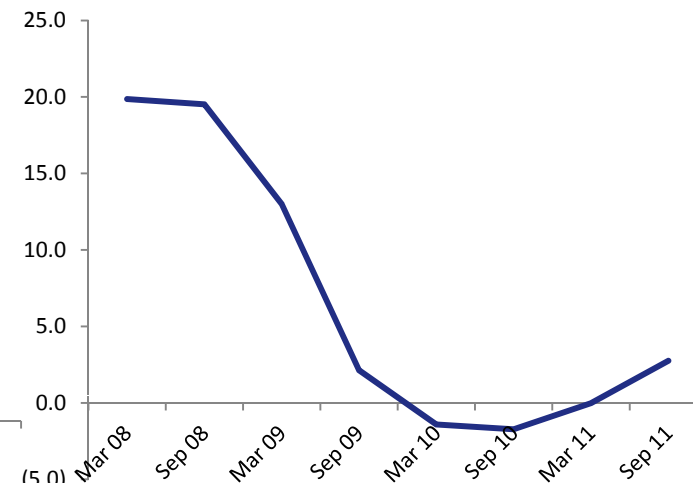
Net debt : EBITDA\* (rolling 12 month)



Net debt (£m)



Earnings Per Share\* (pps)



\*pre amortisation and exceptional costs

# Opportunities and challenges



## Opportunities

## Challenges

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Water, waste, energy and transport  
sectors

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Wider construction market

Continued self help  
Asset efficiency & IT benefits  
Property network  
Yield focus

Cost pressures  
People costs – salary rises & pension costs  
Business rates  
Fuel & raw material costs

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Revised bank facility  
Flexibility & margin

Arrangement fees not exceptional

# Conclusion



- Speedy moving back into profit; market share remains strong
- We are well placed to face the market challenges
- Ongoing commitment to improve margins and returns
- Focus on customers, markets and innovation
- Well positioned to maintain progress and benefit from eventual market recovery

Self help measures continuing to drive recovery



# Appendix



# Reconciliation of Continuing Trading



Speedy Hire plc	6 months to September 2011 £m	Dis- continued adj £m	Continuing* £m	6 months to September 2010 £m	Dis- continued adj £m	Continuing* £m
Revenue	161.8	(2.9)	158.9	177.3	(21.7)	155.6
EBITDA**	29.8 18.4%	(0.6)	29.2 18.4%	24.9 14.0%	(2.3)	22.6 14.5%
EBITA**	8.4 5.2%	0.1	8.5 5.3%	(4.6) (2.6%)	2.4	(2.2) (1.4%)

UK & Ireland	6 months to September 2011 £m	Dis- continued adj £m	Continuing* £m	6 months to September 2010 £m	Dis- continued adj £m	Continuing* £m
Revenue	156.2	(2.9)	153.3	172.8	(21.7)	151.1
EBITDA**	33.0 21.1%	(0.6)	32.4 21.1%	28.8 16.7%	(2.3)	26.5 17.5%
EBITA**	13.7 8.8%	0.1	13.8 9.0%	1.5 0.9%	2.4	3.9 2.6%

\*continuing data excludes the disposed accommodation operations and the expired Network Rail contract

\*\*pre exceptional costs

# Segmental analysis



	6 months to September 2011 £m	6 months to September 2010 £m	Change £m	12 months to March 2011 £m
<b>Revenue</b>				
UK & Ireland Asset Services	156.2	172.8	(16.6)	343.5
International Asset Services	4.8	3.7	1.1	8.4
Training & Advisory Services	0.8	0.8	(0.0)	2.3
	<b>161.8</b>	<b>177.3</b>	<b>(15.5)</b>	<b>354.2</b>
<b>EBITDA*</b>				
UK & Ireland Asset Services	33.0	28.8	4.2	69.8
International Asset Services	0.6	(0.3)	0.9	0.4
Training & Advisory Services	(0.8)	(0.4)	(0.4)	(1.2)
Central	(3.0)	(3.2)	0.2	(5.6)
	<b>29.8</b>	<b>24.9</b>	<b>4.9</b>	<b>63.4</b>
<b>Operating profit*</b>				
UK & Ireland Asset Services	13.7	1.5	12.2	18.9
International Asset Services	(0.8)	(1.4)	0.6	(1.9)
Training & Advisory Services	(0.8)	(0.4)	(0.4)	(1.2)
Central	(3.7)	(4.3)	0.6	(7.5)
	<b>8.4</b>	<b>(4.6)</b>	<b>13.0</b>	<b>8.3</b>

\*pre amortisation and exceptional costs

# Exceptional items



	6 months to September 2011 £m	6 months to September 2010 £m	12 months to March 2011 £m
Restructuring / integration costs:			
- Onerous lease provision and associated costs	-	-	2.6
- Redundancy	-	0.6	2.9
- Sale of accommodation hire assets	2.9	-	-
Write down of accommodation assets	-	-	13.8
Financial expense	2.2	0.5	1.5
	5.1	1.1	20.8
Taxation	(1.2)	(0.3)	(5.6)
	3.9	0.8	15.2

Pre tax cash cost of exceptionals in the period is £0.8m

# Property, plant and equipment



	September 2011 £m	September 2010 £m	March 2011 £m
UK hire equipment	172.7	218.9	167.6
Ireland hire equipment	4.6	4.8	4.1
International hire equipment	14.2	11.0	14.0
Land & buildings	11.1	12.0	11.4
Fixtures & fittings	21.2	23.6	22.8
	223.8	270.3	219.9

- Investing in the hire fleet to support revenue and to maintain quality
  - Original cost of hire fleet up 0.6% since 30 March 2011
  - Net book value of hire fleet up 3.1% since 30 March 2011

# Covenants

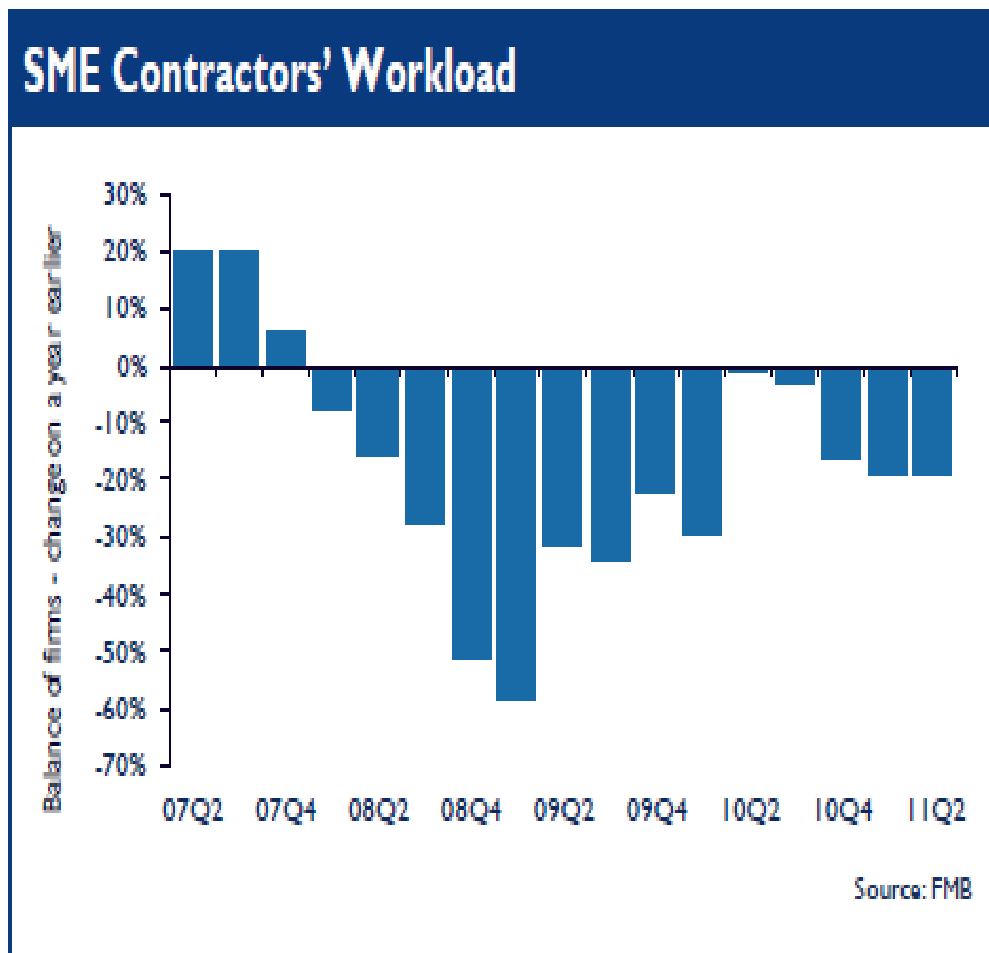


	Covenant threshold	Position at 30 Sept 2011	Methodology
<b>Leverage</b>	Not greater than 2.25x	1.1x	Total Net Debt to EBITDA*
<b>Fixed Charge Cover</b>	Not less than 2.1x	2.9x	EBITDAR* to Rent Adjusted Finance Charges ("RAFR") Where: EBITDAR* is EBITDA* before operating lease charges RAFR is net finance charges plus operating lease charges
<b>Debt Service Cover</b>	If Availability is less than £22m, not less than 1.0x	Not relevant	Capex Adjusted EBITDA* to Debt Service Where: Capex Adjusted EBITDA* is EBITDA* less net capital expenditure less dividends Debt Service is net finance charges plus scheduled debt repayments

# SME contractors facing difficult times



SME workload declined for the 14th consecutive quarter...



➤ **THE SME construction sector has now experienced three consecutive years of declining conditions and is heading into a double dip recession as the economy falters.**

*Source: Federation of Master Builders (FMB)*

➤ **One in six construction companies with an annual turnover of £5 million to £25 million will struggle in the repayment of any short- to medium-term debt liabilities.**

*Source: Baker Tilly*

➤ **Over a quarter of businesses in the industry have seen a 20% downturn**

*Source: Baker Tilly*

➤ **Almost one in three SMEs in the construction sector have seen a 50% decline in their profit before tax.**

*Source: Baker Tilly*