



Phil Brierley, Chief Executive
Chris Kelly, Group Finance Director
Wayne Pearson, Chief Operating Officer



Preliminary Results

for the year ended 30 September 2017

December 2017

Redhall Group plc

The top left corner of the slide features a graphic of the word "Redhall" in a stylized, metallic, 3D font. The letters are intertwined and have a blue-to-white gradient, giving them a sense of depth and movement. The background behind the text is a dark blue with a subtle, concentric circular pattern.

Agenda

- Full year overview
- Strategic update
- Trading update
- Financial review
- Outlook
- Questions
- Appendices
 - Redhall Group businesses
 - Major shareholders



FULL YEAR OVERVIEW

Highlights

- Adjusted operating profit £1.4 million (2016: £0.9 million); £3.6 million before deduction of central costs of £2.2 million (2016: £3.3 million)
- Overall net margin before central costs of 9.3% (2016: 7.5%)
- Delays on key contracts impacted year end outturn as announced on 4 October 2017
- Operating exceptional costs of £1.1 million (£0.7 million closure costs)
- Group turnover £38.9 million (2016: £43.8 million), showing underlying increase after adjusting for cessation of marine contract
- Net cash of £0.1 million (2016: net debt £8.2 million) following £9.5 million placing and £3.75 million debt conversion
- Investment of £1.2 million in new equipment, process improvement and 3D design
- Order book £32 million (December 2016: £27 million)
- Tender pipeline remains strong and includes large long-term frameworks
- The Board is pleased with the overall progress achieved in the year

Overview

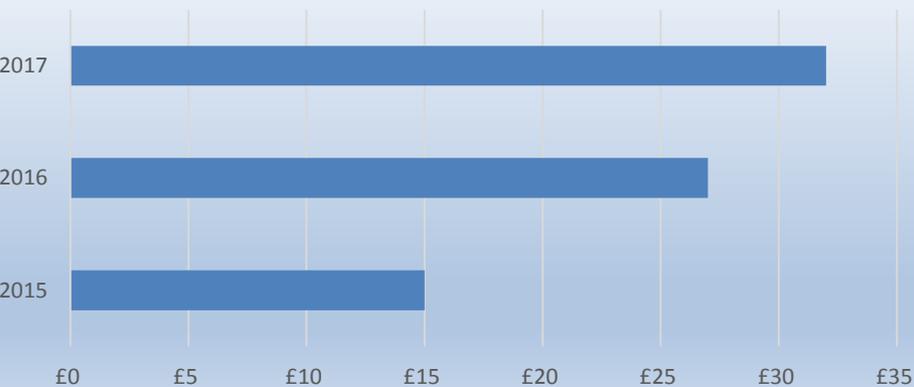
Adjusted Operating Profit



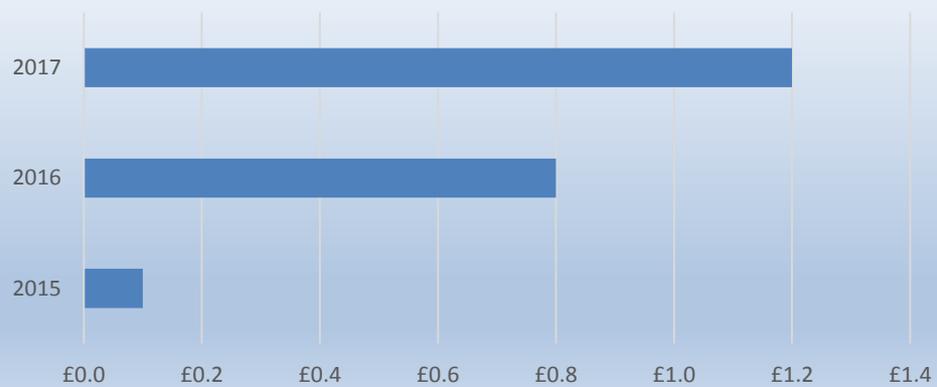
Exceptional Costs £'000



Forward Order Book £m



Capital Investment £m



- Tendered pipeline remains high and includes
 - Major glovebox joint-tender result awaited
 - Three further defence follow on contracts c£5 million
 - International tunnelling projects amounting to c£8 million
 - Several high value door and decommissioning tenders submitted
 - First oil and gas tenders for 3 years
- Tender activity remains high
- Order book and pipeline illustrate higher margin nature of work now undertaken by the Group



STRATEGIC UPDATE

Redhall Group Today

- A high integrity manufacturing and services business
- Businesses all serve complex and hazardous environments
- Operating in nuclear, oil & gas, telecoms and specialist infrastructure and food
- Strong blue-chip client base
- Management team has implemented agreed strategic turnaround plan
 - › First stage restructuring completed in 2015/16
 - › Second stage – platform established in 2016/17
 - › Third stage – growth and investment in key markets in 2017/18



Phil Brierley, CEO



Chris Kelly, Group FD



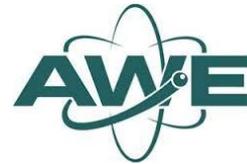
Wayne Pearson, COO

- Redhall Group is a market leading high integrity manufacturing and services business delivering into complex and hazardous environments
- Turnaround complete:
 - De-risked Group by exiting capital intensive, low margin contracting
 - Strengthened balance sheet and removed debt through disposal of Engineering Division, sale of assets, recovery of WIP on legacy projects and fundraising
 - Group’s activities refocused onto high integrity manufactured products and services
 - Group established in key growth markets
- Group focused on investment, improvement and growth
 - Process improvements
 - Productivity gains
 - Automation
- With the completion of the turnaround, Phil Brierley decided to step down as CEO on 31 March 2018 – remaining in an advisory role until end 2018
- Phil Brierley to be succeeded by Wayne Pearson (currently COO), an operationally focussed executive with manufacturing background
- Group enhancing its manufacturing and operational expertise in the leadership team

Recent developments

- High proportion of order book now derived from all three core nuclear markets – defence, decommissioning and new build
- Pipeline remains strong and heavily weighted to manufacturing as a result of strategic shift
- Orders in defence and decommissioning progressing
- Nuclear new build opportunities are increasing as Redhall focuses on cementing its position in the supply chain
- Group is bidding for infrastructure projects in the UK and internationally that build on expertise in Crossrail
- Higher capital spend programmes anticipated from food clients in 2018
- Long-term outlook for telecoms is encouraging as operators upgrade, replace and disentangle shared sites

A Selection of Our Current Blue Chip Client Base



Nuclear

Nuclear defence

- AWE capital projects
- Other opportunities

Nuclear decommissioning

- Sellafield/Magnox/DSRL
- New facilities

Nuclear new build

- Hinkley Point C
- Five possible future sites



Future UK nuclear new build and decommissioning represents a substantial long term opportunity

- Nuclear new build investment to meet UK power needs
 - Estimated spend of c£140 billion over 20 years (source: National Audit Office)
- Nuclear decommissioning investment to clean up UK (and others) legacy facilities
 - Estimated spend, a front end loaded c£161 billion over 100 years (source: NDA)
 - Sellafield spend currently c£2 billion p.a.
- A significant proportion of spend to be with UK companies
- Niche nature of work is reflected in higher achievable margin



TRADING UPDATE

Booth Industries

- Strong second half in 2017 financial year resulting in higher revenue and an increase in performance
- £1.0 million investment in R&D and equipment during the year – productivity benefits coming through
 - All core engineered doors migrated onto 3D CAD models
 - Laser cutter reduced lead times
- Delivery in the year dominated by manufacture of highly engineered doors for nuclear defence and Crossrail
- Significant bid pipeline also in engineered nuclear doors and tunnel doors

Jordan Manufacturing

- Delayed start on Hinkley Point C impacted the year
- Hinkley scope increasing – expected to be delivered in full before the end of 2018 financial year giving good visibility for the year
- Significant opportunities for further contracts on Hinkley – and long-term follow on nuclear new build sites
- Confirmed framework participant on Magnox and DSRL
- Substantial pipeline of quality tenders including high value framework bids in decommissioning
- Confident of a high conversion ratio of the tendered pipeline



Trading update



Photo credit: EDF Energy

Redhall Jex

- Strong performance in second half of 2017 likely to continue into 2018
- Business successfully delivered £4.7 million capital project for a major customer
- Since the year end we have consolidated the activities of Grimsby into Trafford Park, Manchester, making the operation more efficient
- All major customers have capital spend programmes for 2018

Redhall Networks

- Another strong year for networks business
- Robust performance driven by continued high volumes of new and upgrade works to cellular infrastructure
- Long-term outlook encouraging as operators install more technologies, split shared sites, upgrade and replace their existing sites

Continue to grow and deliver order book

- Order book progression – growth coming from high integrity manufacturing

	£'m	
	Total	Manufacturing
Dec-15	15	11
Jun-16	20	17
Dec-16	27	23
Jun-17	32	26
Dec-17	32	27

Orders on a like for like basis - excluding Marine

- Significant pipeline of bids awaiting response
- Opportunities identified for bids also increasing



FINANCIAL REVIEW

Income Statement

- Revenue growth of 4.4% on a like for like basis
- Adjusted operating profit of £1.4 million is in line with revised market expectations and ahead of last year

	2017 £'000	2016 £'000
Revenue	38,905	43,823
Adjusted operating profit before central costs	3,632	3,295
Central costs	(2,202)	(2,439)
Adjusted operating profit	1,430	856
Net finance charge	(857)	(857)
Adjusted profit/(loss) before tax*	573	(1)
Exceptional items	(1,084)	(397)
Amortisation of intangible assets	(287)	(323)
IFRS 2 (charge)/credit	(387)	(373)
Loss before tax	(1,185)	(1,094)
Tax on loss on ordinary activities	81	407
Loss for period – continuing businesses	(1,104)	(687)
Loss on discontinued activities	(265)	(983)
Group loss for the year	(1,369)	(1,670)

*Before exceptional items and amortisation of intangible assets.

Exceptional Items

- Exceptional items relate to
 - Continuing £1.1m
 - Restructuring costs £0.4m
 - Business closure £0.7m
 - Discontinued £0.3m
 - Major focus on completing contracts and collecting outstanding amounts
 - All contracts agreed and final estimates included

Continuing operations	2017 £'000	2016 £'000
Restructuring and other costs	427	397
Business closure	655	-
	1,084	397

Discontinued operations	2017 £'000	2016 £'000
Contract provisions, exit and other costs	265	940
	265	940

- No current tax payable due to losses carried forward
- Total deferred tax asset of £1.0 million (2016: £1.0 million)

	2017 £'000	2016 £'000
Charge for tax relating to prior year	131	107
Deferred tax credit	(212)	(514)
	(81)	(407)

Of which	2017 £'000	2016 £'000
Continuing businesses	(81)	(407)
Discontinued businesses	-	-

Cash Flow Statement

Group funding transformed

Significant headroom for investment and growth
Placing and debt conversion - £12.5 million (net)
Investment in working capital

Other

Sale of surplus property £0.3 million
Capex and product development £1.2 million

Cash outflow from operations £2.6 million
Interest paid £0.8 million

	2017 £'000	2016 £'000
Net cash from operating activities	(3,371)	(2,367)
Net cash from investing activities	(867)	(393)
Net cash from financing activities	5,587	3,094
Net cash flow	1,349	334
Opening net funds	1,021	687
Closing net funds	2,370	1,021
Borrowings	(2,235)	(9,269)
Net cash/(borrowings)	135	(8,248)

Borrowings and facilities

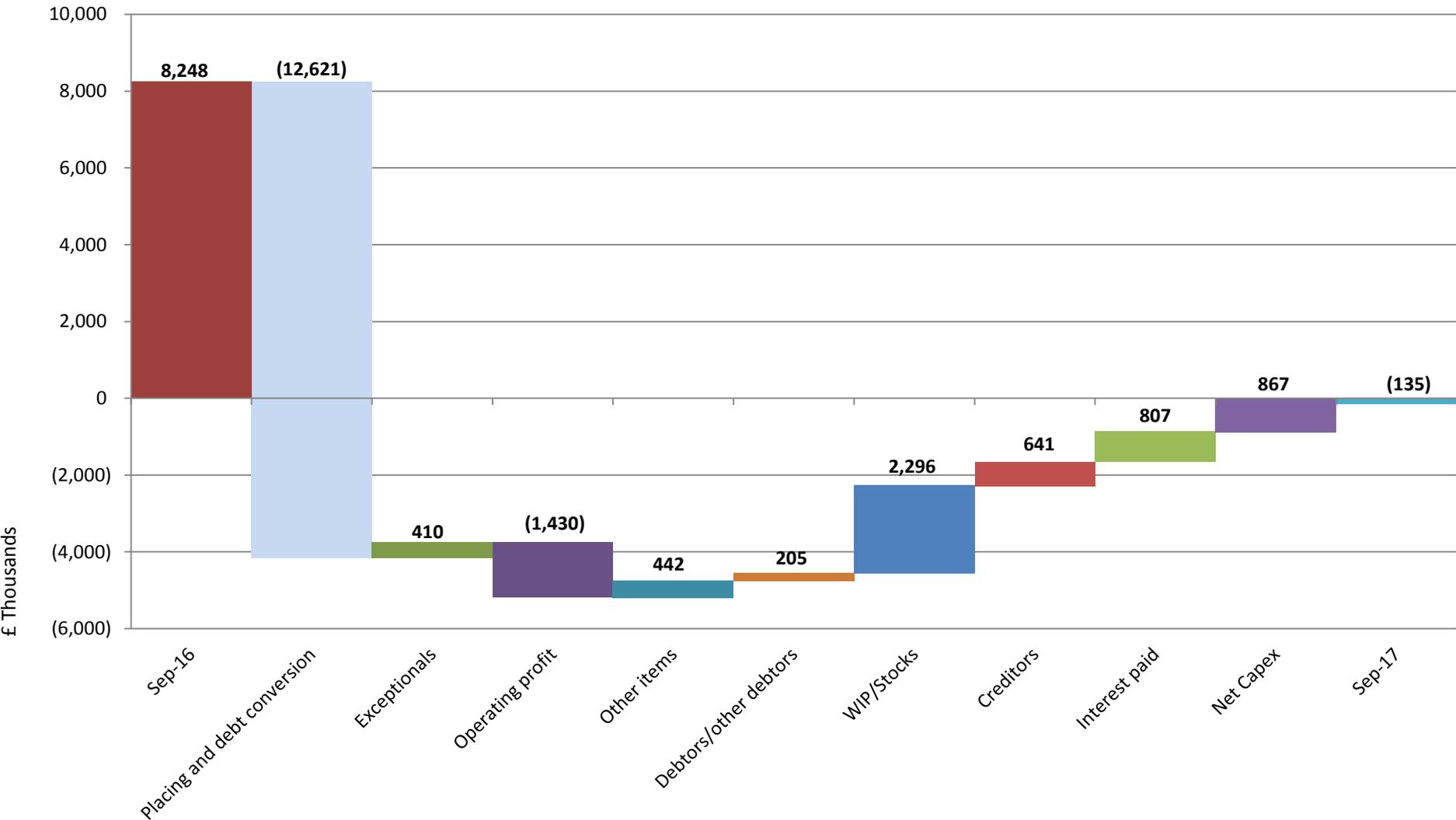
- Total bank facility at 30 September 2017

HSBC	£m
Overdraft	2.0
RCF	3.5
Accordion	2.5
	<u>8.0</u>
LOIM term loan	<u>1.7</u>
Total facilities	<u>9.7</u>

- Facilities secured until July 2021
- Margins – HSBC 3.5% and LOIM 4.25% above LIBOR

Total Borrowings	Current £'000	>1 Year £'000	Total
As at 30/09/17:			
Cash/(Overdraft)	2,173	-	2,173
Loans	-	(1,715)	(1,715)
Finance leases	(69)	(254)	(323)
	2,104	(1,969)	135
As at 30/09/16:	1,021	(9,269)	(8,248)

Debt Bridge



Balance Sheet

- Investment of £1.2 million in assets and product development
- Part funded by finance leases
- Goodwill has been tested for impairment and no adjustments have arisen
- Bank debt repaid and LOIM debt reduced leaving cash balance at year end
- Expected working capital increase and asset investment funded by placing

	2017 £'000	2016 £'000
Non-current assets	5,057	5,380
Goodwill	18,305	18,305
Non-cash current assets	14,404	12,088
Net assets held for sale	141	-
Non-cash current liabilities	(8,645)	(9,236)
Deferred tax	1,021	1,032
Pension scheme	(450)	(3,796)
Cash/borrowings	458	(8,248)
Finance leases	(323)	-
Net assets	29,968	15,525

Defined Benefit Pension Scheme

- Deficit under IAS 19 now £450,000
- Reduction driven by improvement in investment performance, interest rate expectations and mortality data
- Closed to future accrual on 30 June 2016
- Recovery payments:
 - £140k p.a. to 06/04/18
 - £305k p.a. until 2027

	2017 £'000	2016 £'000
Market value of scheme assets	22,899	22,457
Present value of retirement benefit obligations	(23,349)	(26,253)
Net deficit	(450)	(3,796)
Discount rate on scheme liabilities	2.8%	2.4%
Inflation assumption: RPI	3.1%	3.0%
CPI	2.0%	2.0%



OUTLOOK

- The Board is pleased with progress achieved in 2017
- Good quality order book to deliver
- Sizable pipeline of tendered opportunities including large frameworks and high confidence in conversion ratio
- High proportion of nuclear bids combined with complex infrastructure tenders that build on expertise gained in projects such as Crossrail
- Oil and gas market remains depressed but seeing the first signs of increased activity
- Telecom market place set to remain buoyant with roll outs, upgrades and disentanglement of providers on one site
- Redhall Jex customers returned to capital spend programmes
- To support growth the Group will invest heavily in product development, equipment and automation



APPENDICES

Strong brands with highly accredited products:

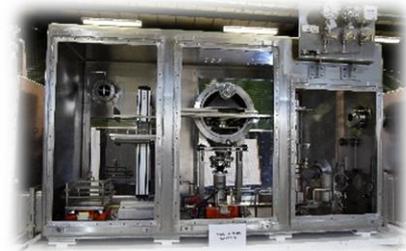
Booth industries

- Design, manufacture, project management and installation of:
 - › high integrity blast, fire, radiation shielding, acoustic and security doors
 - › fire and blast products including panels, decks and tunnels



Jordan manufacturing

- Manufacture of bespoke high integrity products including gloveboxes, nuclear civil and defence equipment
- Located in close proximity to Hinkley Point C



Redhall networks

- Provides cellular rigging installations to the mobile telecommunications market throughout England and Scotland



Redhall jex

- Provides design, manufacture, installation and relocation of process equipment to the food and pharmaceutical markets



Major shareholders

Shareholders	Shares 20 September 2017	%
1. Lombard Odier Asset Management (LOIM)	92,587,179	27.81
2. Downing LLP	75,100,000	22.56
3. Ruffer LLP	42,000,000	12.62
4. Canaccord Genuity Group Inc.	30,240,000	9.08
5. Others	92,973,505	27.93
Total	332,900,684	100.00

Note:

Lombard Odier Asset Management have options over 18.5 million shares. They can exercise options to increase their holding to 29.9%. Options issued to directors and senior employees amount to 28.64 million options.