A message from our Chairman

"We have a clear and distinct operating model which is both scalable and efficient across a broad range of services on a national scale."

John Foley
Chairman

2016 – A summary

I am pleased to report that PTSG achieved record levels of turnover, gross profit, adjusted EBITDA, underlying profit before taxation and adjusted earnings per share in 2016. Underlying organic revenue growth (adjusting for the impact of acquisitions) was a healthy 20% and this was the tenth consecutive year of double digit organic growth. We also continued with our acquisition strategy in July 2016, when the Group purchased the entire issued share capital of Dry Risers UK Limited and Dry Risers Maintenance Ltd in order to expand our service offering into the niche fire protection and suppression market. After the year end, we purchased the entire issued share capital of Nimbus Lightning Protection Ltd in January 2017 to further strengthen our service offering in an area of key importance for the Group.

Financial overview of results

Turnover increased by 52% to £39.2 million (2015: £25.8 million). Gross profit increased by 45% to £20.3 million (2015: £14.0 million). Adjusted EBITDA increased by 45% to £9.0 million (2015: £6.2 million) and underlying profit before taxation (before adjusting items of £4.8 million) increased by 49% to £7.5 million (£5.0 million). Adjusting items were one off or non trading items including £1.9 million of share option costs, £0.5m of intangible amortisation costs £1.9 million for contingent payments in relation to acquisitions and £0.5m restructuring costs. Adjusted earnings per share increased by 57% to 7.63 pence (2015: 4.87 pence).

The Board has recommended a final dividend of 0.7 pence per share which together with the interim dividend paid of 0.7 pence is a 40% increase on the dividends paid in respect of 2015. This will be paid to shareholders on the register on 30 June 2017 and the expected payment date is 21 July 2017.

Net debt at 31 December 2016 increased to £13.6 million (2015: £7.6 million) following payments of £2.7 million in relation to acquisition of businesses including payment of deferred consideration and necessary increases in working capital resulting from the substantial working capital increase associated with the Group's increased size and scale. The major covenant contained in the Group's RCF facility relating to quantum of borrowings is that total net debt should not exceed 2.25x adjusted EBITDA and the Group trades very comfortably within all its covenants.
As previously stated, the Board is comfortable with core borrowings of up to 1.75x adjusted EBITDA at this stage in the Group's development.

Operational highlights

The Board was pleased with both the 20% underlying organic revenue growth achieved in 2016 and the performance of Dry Riser acquisitions since July 2016. The range of niche specialist services that we are now able to offer customers is an important reason behind our success in both signing new and extending the scope of existing framework agreements with a number of important customers.

Our gross margin performance was in line with the Board's expectations. As stated in my FY 2015 report the major factor which impacts the Group's gross margin performance is the relative mix of installation sales (which carry higher material costs) to testing and repair sales. In 2016, installation sales amounted to £17.4 million (2015: £9.0 million). The gross margin on testing and repair sales in 2016 was 67% (2015: 66%). This continued level of good operational performance is testament to the strength of the Group's operating model which operates successfully across a range of niche specialist services.