

## Chief Executive's review



"We occupy a leading position in the UK marketplace delivering sustainable value for both customers and shareholders."

**Paul Teasdale**  
Chief Executive

### Highlights

52%

Revenue growth

45%

Gross profit growth in 2016

49%

Adjusted operating profit growth in 2016\*

\* before adjusting items of £4.7m (see note 6 of the financial statements).

### Overview

2016 saw Premier Technical Services Group PLC (PTSG) perform exceptionally well across our divisions, once again delivering well above and beyond expectations. We achieved a number of the strategic priorities we identified at the start of the year, resulting in an even more comprehensive service offering, supported by the technology to deliver a measurably improved service for our customers. This has seen our underlying profits before tax move ahead apace, whilst delivering a strong return for our investors. We have also identified areas within our business for improvement, and we look forward to setting out new objectives to enable us to continue growing at a sustainable rate.

2016 saw the beginning of our tenth anniversary year and we celebrate a decade in business in February 2017. From a standing start in 2007, we have achieved sustained growth in every year of operation. We have combined an ambitious strategy of organic growth with business acquisition, forging a business model which has yielded impressive and continued growth and profitability.

Once again in 2016, the Group achieved double-digit growth, with a revenue increase of 52% to £39.2m, delivering a pre-tax operating profit (before adjusting items) of £7.9m. This builds on the previous year, which saw our turnover increase to £25.8m. These figures underline the effectiveness and sustainability of our business model, with significant further organic and acquisitive growth expected in the year ahead.

PTSG is the only PLC to operate within many of its niche markets. We know from considerable experience that the industry's larger contractors prefer to trade with a PLC, and this has helped to strengthen our position in the marketplace and will also be a key growth factor going forward. Our aim is threefold: to continue to deliver outstanding service to our growing customer base; to make PTSG the best place to work so that we are always the best place to do business with, and to deliver continued shareholder value. This is what my leadership team and I obsess on day in, day out.

### Evolving and improving

The facilities management industry is highly competitive, and it is through striving to deliver the best possible service for our customers that we have grown to occupy a leading position in the UK market place. In order to continue delivering sustainable value for both our customers and shareholders, we regularly review the performance of our four divisions to identify areas for improvement.

Our contract renewal rate remains in excess of 80 per cent, and while pleasing and significantly better than other organisations in our sector, this remains an area for us to improve upon. We are working hard to try and understand, outside project completions and close outs, why some of our customers decide not to renew their working relationship with us upon completion of ongoing contracts. It is a relatively small number, but nevertheless it is important to us.

2016 saw our continued investment in, and development and implementation of, Clarity, our proprietary software, and the first administrative system of its kind to be completely non-manual. It is already enabling us to serve our customers far better, with work tracked in real time and documents created or retrieved instantly and remotely. We will continue to look for other ways in which technology can be used to our customers' – and our own teams' – advantage.

## Priorities to address

In 2017 our priorities are to continue to deliver safely and deliver well so that we continue to grow and deliver a strong return on investment for our shareholders. This will be made possible through our strategy and business model as seen on pages 06 to 09.

### GROWTH

We are pleased to be judged on our ability to achieve sustained growth – something we have done every year over our ten-year history.

- Revenue: £39.2m
- Adjusted operating profit: £7.9m
- Dividend per ordinary share: 1.4p

### SAFETY, SERVICE AND COST-EFFECTIVENESS

The very cornerstones of our business, by getting these three areas right we can be sure to achieve high levels of customer satisfaction – and increase our contract renewal rate further still.

- PTSG remains the only company of its kind to employ a dedicated, full-time Safety, Health, Quality and Environment team who obsess on keeping our people, our supply chain partners and our customers safe.
- Our high contract renewal rate speaks of the satisfaction among our customers with the service we deliver.
- Our bundled service provision saves clients the time, effort and cost of looking for multiple companies to provide the services PTSG delivers ‘under one roof’.

### MARKET LEADER

We have reached a position in the market place where we are widely known and respected in the niche sectors in which we operate as *the* safe pair of hands.

- We have won numerous awards which recognise our success across our market sectors, as well as our commitment to safety – with five consecutive RoSPA Gold Awards – a unique achievement in our sector.
- We have ongoing collaborative relationships with a number of first-tier contractors, many of which prefer to work with PTSG as a PLC.
- We are the only PLC in many of the markets in which we operate, making us a preferred choice for several of the larger contractors.

Value for money is also crucially important to customer satisfaction. Our business model ensures PTSG can provide customers with a competitive pricing structure, as we aim to be the niche specialist services provider offering the best value in the UK. This in turn results in repeat purchase and higher profits due to the quantum of work we are commissioned to undertake and the economies of scale in our unique delivery system.

Of course, it is the nature of any business that some contracts are short-term. However, something that differentiates PTSG from our competitors is our bundled service provision. We entered the marketplace having identified the need for one organisation to provide multiple niche specialist services under one roof. Since then, we have fully committed to our aim of offering the full range of high-quality engineered products and services required by customers and contractors.

We have gained a strong reputation throughout the industry for being able to meet all our customers’ needs. As working at height specialists, we manage the full range of cradle and fall arrest services – from design to installation and maintenance; our electrical services encompass everything from lightning protection systems to dry risers; our high-level cleaning service extends to all areas of a building, using techniques such as pressure cleaning and even specialist painting and window replacement, as required.

Finally – and importantly – we also provide training for organisations. By offering our customers everything ‘under one roof’, we save them the time, effort and cost of procuring these services separately.



## Chief Executive's review continued

### REMARKABLE ACCREDITATIONS

The health and safety culture and training of our staff and our high-quality customer service is tantamount to our business being the success it is today.

We have worked hard to gain and maintain a reputation and have received more than 100 accreditations across the Group including the ROSPA Gold Award, RISQS, ATLAS, SAEMA and Investors in People.

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Accreditations received across the Group



### Acquisitions

Although organic growth continues to be the cornerstone of our success, our business acquisition strategy has been fundamental in securing our position as the complete niche specialist service provider.

Our first acquisition was of an access and safety company, National Cradle Maintenance Limited, in 2007, which was funded by £0.9m of equity from the founders. Since then, and up to the end of 2016, we have made 20 carefully targeted and self-funded acquisitions, which have resulted in our comprehensive service offering across our market sectors. We will continue to identify further opportunities to fill potential gaps in our service provision.

The businesses we have acquired have enabled us to increase our leadership capacity in several areas of the business as well as strengthening our management and skilled workforce, our production capacity and complementary or proprietary products or services. They have also been a way to expand the company geographically as well as managing business risk through market and customer diversification.

Whilst we have expanded through acquisition, subsequent organic growth has accounted for more than half of the increase in total revenues since 2007. Bundled service provision represents the other key factor in our growth going forward.

The acquisition of the Dry Risers business in July 2016 provided a new service offering for our clients and is showing good growth following its integration into the Group.

### Industry sponsorship

Late in 2016, we were pleased to announce our support of the Stoddart Review, a new report into the benefits the facilities management (FM) industry holds for UK businesses. The report revealed that smarter use of Britain's office space could improve productivity by between 1 per cent and 3.5 per cent, and deliver a boost of up to £70bn to the economy. Such findings help to raise awareness amongst senior executives across the UK about the role of FM in workplace productivity – and we are delighted to be part of that.

Support elsewhere in the industry, such as our sponsorship of the ATLAS, PFM and BIFM awards, make a valuable contribution to the sustainability of the industry; and PTSG becomes an integral part of the facilities management supply chain network in the process.

### Divisional results

Each of our divisions has contributed to the exceptional performance of PTSG in 2016, thanks to our teams of highly trained experts.

### Access and Safety

Safety Testing and Installation, Cradle Maintenance and Installation. As the UK's leading supplier of fall arrest systems and safety testing services, we achieved a turnover of £18.9m in 2016 (2015: £12.0m) – a 48% contribution to the turnover of the Group. Adjusted operating profits increased to £3.1m from £2.0m in 2016 with growth across all segments.

### Electrical Services

Lightning Protection, Fixed Wire and PAT Testing, Dry Risers, Fire Alarms and Extinguishers and Steeplejack Services. We achieved a turnover of £17.6m in 2016 (2015: £10.4m) – a 45% contribution to the turnover of the Group. Adjusted operating profits increased from £2.5m in 2015 to £4.0m. We saw good growth across all services and the acquisitions made in 2015 showed good progress.

### High Level Cleaning

High Level Window Cleaning, Gutter Cleaning, Building Cleaning and Pressure Cleaning. Our team members are experts at working at height and performing a high-quality service even in the most inaccessible locations. In 2016 we achieved a turnover of £2.7m (2015: £3.4m) – a 7% contribution to the turnover of the Group. The decline was a result of one off technical work undertaken in 2015 but not repeated in 2016. Adjusted operating profits rose from £0.7m in 2015 to £0.8m in 2016.

### Training Solutions

Training, Consultancy and Insurance Inspections. As well as training our own people – the best in the business – we work closely with our clients to ensure the safety of their staff through our bespoke training programmes.

### Looking ahead

PTSG is a more capable and better equipped niche services provider than at any time in the Company's ten year history. In the coming year, we will continue to focus on delivering a high-quality service to our customers, while looking for further ways to augment our offering.

On 1 September 2016, PTSG appointed Numis Securities Limited (Numis) as our nominated adviser and broker. Numis is one of the UK's most respected institutional stockbrokers and corporate advisors, recognised as being one of the leading providers of capital for UK listed companies.

Finally, I would like to thank all our people for their hard work and commitment. I am continually impressed by the quality of service our teams deliver, always with safety in mind. This gives me great pride as we aim to set the standard other service providers strive for.

**Paul Teasdale**  
Chief Executive

28 March 2017