

Momentum and growth

“Our areas of operation are those niche specialist service areas where our established operating model can deliver both high margins and industry leading contract renewal rates to a satisfied customer base.”

John Foley
Chairman



2017 Key events

Divisional reorganisation in response to our customer needs and industry demands.

Acquisition of BEST enabling market sector dominance in the lightning protection market.

£15m equity placing to fund the acquisition of BEST.

Acquisition of UK Sprinklers enabling PTSG to offer a full service in its Fire Solutions Division.

Integration of Nimbus Lightning Protection has been fully completed with a good contribution to growth.

2017 – a summary

2017 was a busy and exciting year for PTSG. I am pleased to report that record levels of turnover, gross profit, adjusted EBITDA and adjusted earnings per share were achieved. The Group extended the scale and range of its service offerings through both further organic growth and by three carefully selected acquisitions, including the largest acquisition made since the Group's IPO in February 2015. In addition the Group refreshed its strategy and reorganised its divisional structure so that we can continue to grow and maximise future value.

Acquisitions

Three acquisitions were completed in 2017.

We purchased the entire issued share capital of Nimbus Lightning Protection Limited in January 2017 for a total consideration of £1.0m which was paid in cash on completion. The acquisition of Brook Edgley (Industrial Chimneys) Ltd (“BEST”) was concluded in July 2017 for an initial cash consideration of £14m which was entirely funded from a successful placing of 12.5m new ordinary shares with institutional investors; £6m of deferred consideration is also payable over 3 years with two-thirds of the payments payable in cash or shares at the Group's discretion. UK Sprinklers Limited was acquired in September 2017 for a total consideration of £2.5m comprising an initial cash payment of £1.3m, two fixed deferred cash payments of £0.1m on the first and second anniversary of completion and a contingent payment of up to £1.0m payable over a three year period dependent on performance and payable in cash or shares at the Group's discretion.

The acquisitions of Nimbus and BEST have confirmed our position as market leader in the UK Lightning Protection sector. BEST's Steeplejack activities have strengthened the activities within our new Building Access Specialists division and the addition of UK Sprinklers has expanded our service offering in our new Fire Solutions division.

These acquisitions were made to achieve our objective of sector dominance in our chosen areas of operation, which are those niche specialist service areas where our established operating model can deliver both high margins and industry leading contract renewal rates to a satisfied customer base.

Financial overview of results

Turnover increased by 35% to £52.9m (2016: £39.2m). Gross profit increased by 33% to £27.1m (2016: £20.3m). Adjusted EBITDA increased by 37% to £12.3m (2016: £9.0m) and underlying profit before taxation (before adjusting items of £8.4m) increased by 36% to £10.2m (2016: £7.5m). Adjusting items were principally one off or non trading items including £1.4m of restructuring costs, £3.0m of share option costs and £3.5m of contingent payments in relation to acquisitions. The high level of adjusting items reflects share based remuneration made prior to IPO which are due to reduce in scale in future years, the effect of earn out payments to continuing employees which are treated as remuneration (rather than capital payments) under IFRS 3 and the effects of necessary restructuring arising in particular from the BEST acquisition. The contingent amounts payable are high due to the inclusion of £2m in respect of BEST, although the £6m deferred consideration is paid over three years, under IFRS 3, this has to be recognised over 18 months.

The Board has recommended a final dividend of 0.8 pence per share which together with the interim dividend paid of 0.8 pence is a 14% increase on the dividends paid in respect of 2016. This will be paid to shareholders of the register on 29 June 2018 and the expected payment date is 20 July 2018.

Net debt at 31 December 2017 increased to £18.3m (2016: £13.6m) following payments of £2.3m of cash in relation to acquisition of businesses. The Group's working capital position has necessarily increased due to the very substantial increased scale of the Group's activities at the period end.



On behalf of the Board,
I would like to thank all of our employees for their hard work and commitment to ensure that we remain the service provider of choice for our customers.

The Group's exit turnover run rate was 46% higher than its run rate at the end of 2016. The Group trades very comfortably within its covenants on its established committed medium term facilities with HSBC. The Board remains comfortable with core borrowings of up to 1.75 x adjusted EBITDA at this stage in the Group's development. At 31 December 2017 core borrowings were 1.49x adjusted EBITDA compared to a bank covenant of 2.25x.

Operational highlights

The Group's underlying organic revenue growth rate was a healthy 11% and the Board was pleased with the performance of all three acquired businesses within PTSG. The successful implementation of a new Divisional structure which is explained in the Chief Executive's Review has involved a great deal of thought and hard work by the Group's senior management team and the reaction of our customers to our new approach has been very encouraging.

The Chief Executive's review provides further detail about operational performance but our focus on compliance to a demanding set of safety standards remains foremost in our thoughts and actions. The Board is pleased to report that contract renewal rates in our core maintenance divisions was at 88% during 2017; we believe this is an industry leading contract renewal rate. Gross margins were steady at 51.2% (2016: 51.9%) which provides further proof of margin sustainability as turnover increases.

The new divisional structure was introduced together with the introduction of a national major accounts sales team which identifies and secures multi disciplinary contract opportunities. This team will assist all divisions within the Group to secure organic growth opportunities where a Group approach is beneficial.

Strategy

PTSG was incorporated in November 2006 has now completed 23 acquisitions since inception and more than doubled its turnover and profits since the IPO and admission to AIM in 2015. The Group currently has 16 offices and more than 600 employees and its new divisional structure provides a balanced offering of niche specialist services to customers in the facilities management, construction and property sectors.

The operating model which has worked so well from the start of PTSG in its Access and Safety division can now be seen to work just as effectively in our Electrical Services division where our position as market leader in the Lightning Protection sector has been achieved since our first entrance to this area in December 2010. Our entry to the Fire Services market did not start until 2016 but the similarities in methods of operation with a strict adherence to safety standards are proving to be core values.

We continue to see exciting opportunities for both organic and acquisitive growth for all four divisions. Senior management is focused on achieving both increased operating profitability and cash conversion targets to fund already identified acquisition opportunities.

People

I would like to thank all our employees for their continuing commitment, enthusiasm and hard work.

Outlook

2018 has started well with continuing sales growth and healthy order books. The Board remains confident that the Group's positive revenue and profit momentum will continue in 2018.

John Foley
Chairman

21 March 2018

Introduction to corporate governance

The PTSG Board is responsible for the direction and oversight of Premier Technical Services Group PLC on behalf of the shareholders and is accountable to them, as owners, for all aspects of the organisation's business. The Board recognises that good governance involves the clarity of roles and responsibilities, and the proper utilisation of distinct skills and processes.



Our governance principles

The Board has developed and approved a set of important governance principles which set out how it will conduct its business and what people associated with the company can expect from it.

The governance principles are designed to enable the board and PTSG's leadership team continue to operate within a clear framework. The principles describe the Board's relationship with shareholders and executive management, the conduct of Board affairs and the tasks and requirements for Board committees.

They outline the Board's focus on activities that enable it to promote shareholders' interests, including the active consideration of strategy, the monitoring of executive action and ongoing board and executive management succession.

The Board has developed these governance principles to help it fulfil its responsibilities and regularly keeps its work and performance under review.