

New opportunities

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Paul Teasdale

Chief Executive



2017 Operational highlights

88%

Contract renewal rate of 88%

No.1

Sector dominance of lightning protection market

35%

Revenue growth for 2017

20%

Consistent adjusted operating margin

I feel incredibly proud to be the Chief Executive of PTSG, a very special organisation which exists to help our customers to operate in a safe, efficient and compliant manner. We are financially strong and have a trusted brand, committed people, and market-leading positions which we continue to grow. We are, however, not complacent and work hard to make sure that we continue to look firmly forward at those things that will make the biggest difference to the people we serve.

2018 takes PTSG into its second decade of business. The company is now in a stronger position than at any other time in its history. This is clearly illustrated by our turnover of £53m in the last year alone, with a further 200+ industry experts employed to service our rapidly growing customer base.

Now is an appropriate time to reflect on what has brought us to this point and how we will continue to achieve year on year growth and profitability as we cement our name as the UK's leading provider of niche specialist services to the support services, building owners and the construction industries. Anyone who enters into a contract with PTSG finds that we offer unbeatable customer service. Our combination of value for money and uncompromising adherence to quality and safety standards and procedures, coupled with our rapid response to any location in the UK, has secured a contract retention rate of more than 88%.

Something else that gives us a genuine edge on our competitors is the ability to cross-sell our niche specialist services, maximising value for our customers and profit for ourselves. As our business and reputation continue to grow, we are starting to see more opportunities overseas. We have successfully completed lightning protection projects at numerous locations in the Middle East, including at Doha International Airport, and St Bernard's Hospital in Gibraltar.

We are completely focused on improving and extending our services for our 17,000 customers. To equip PTSG for the next phase of our ongoing growth, we have refreshed our strategy and continue to put customers first in all that we do. With the further development of Clarity, our proprietary software system designed to significantly improve the way we do business, we are now at the forefront of today's digital age. All of which is making a huge difference to our stakeholders and customers.

Acquisitions adding value

In July 2016 we acquired UK Dry Risers Ltd. and UK Dry Risers Maintenance Ltd, recognising their valuable offering to the industry and also their worth to us as a business. We were subsequently able to develop that area of PTSG into a fully comprehensive Fire Solutions division. This has since been consolidated with the acquisition of UK Sprinklers Ltd. (UKS) in September 2017. Based in Bury, UKS is a specialist in the installation and maintenance of sprinkler systems. All of these businesses have seen tremendous growth since being integrated into PTSG, with UK Dry Risers Maintenance Ltd. growing by 37% in the six months following acquisition.

After acquiring Nottingham-based Nimbus Lightning Protection Ltd. at the start of 2017 and Brooke Edgley (BEST), a lightning protection and steeplejack company based in Manchester, we are now the UK's leading provider of lightning protection services and products, with centres of operation throughout the UK.

Established in 1957, BEST was a privately-owned market leading company in lightning protection, specialist earthing, surge protection and steeplejack services.

BEST is a national provider with four office locations in Manchester, Kidderminster, Chelmsford and Wishaw, Scotland with c.160 engineers and staff. It has well established and good relationships with Blue Chip clients including Balfour Beatty, Engie, Jaguar Landrover, Tesco, John Laing and Interserve and over 2,200 other customers.

It is a highly cash generative business, achieving 104% cash conversion in 2016 and has maintained attractive EBIT margins of c.20%, in line with the PTSG group average.

BEST has now been integrated into PTSG's Electrical Services Division, and its previous owners as well as other members of the management team remain in place. We are in the process of making what was a very good business, a great business.



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The phases of PTSG’s transformation

A clear direction forward



PTSG’s central aim is to be the leading provider of niche specialist services to the support services and construction markets. While our ambitions have remained the same for over ten years, we have continuously striven to innovate in order to stay at the head of the industry, including a reorganisation during the last year.

An increasing number of people choose to invest in PTSG due to its capability of making the right choices. During 2017 our reorganisation created two new discrete divisions which are already in great demand. Our growth is secured for the foreseeable future as a result, rewarding our stakeholders’ faith in us.

Organic growth and strategic acquisitions remain central to our plans for further growth. We continue to look for ways to expand our share of the markets in which we operate, as well as diversifying into new areas.

We will continue on our successful journey of delivering innovative and value-adding acquisitions, driving strong organic growth and exploring opportunities to undertake work outside the UK – ingredients that have helped us to dominate across the sectors in which we operate.

It is clear that carefully targeted acquisitions have proven key to our exponential growth over the past ten-plus years. Working in tandem with the strong organic growth that we continue to experience as a result of our high-value service and repeat business, we have created a robust business model and a powerful formula that pays rewards to our investors.

Reorganisation for further growth

The industry took a new direction in 2017, with a renewed requirement for steadfast compliance to UK safety regulations in all areas, with a specific focus on fire services. Whilst already in a very strong position we have grasped the forces driving the change and our fire solutions business is flourishing as a result.

Events in 2017 reminded everyone in the industry of the need for an unwavering commitment to safety, upholding British Safety Standards to the letter. PTSG has always made this a priority, and our record of setting new standards for safety

has brought us a great amount of positive interest from a governance and compliance perspective – yet again in 2017 we were asked to provide national guidance and advice to the wider support services and construction sectors on behalf of leading health and safety professionals and industry media/commentators. We were also awarded a Gold Medal by The Royal Society for the Prevention of Accidents for our ongoing commitment and track record in this important area of our work.

Fire safety must be the foundation upon which all buildings are constructed, with rigorous regular testing and maintenance. It is now integrated as one of our biggest growth areas having seen an unprecedented demand for wet and dry riser and sprinkler services over the past few months.

By continuing to keep quality and safety clearly aligned, we will safeguard the users of the buildings we work on and in doing so, substantially expand our business.

Our divisional structure

The demands of the industry have, over the last year, helped us to shape a stronger, more sustainable business that will enable even greater growth. We now offer the following four discrete but complementary business divisions:

- Access & Safety
- Electrical Services
- Building Access Specialists
- Fire Solutions

This new and clearer structure allows us to provide a comprehensive, multi-disciplinary service, driving the value we offer and giving our clients a measurable commercial advantage.

Priorities to address

In 2018 it is our priority to set an example to the industry for safety. In doing so, our reputation will be further strengthened in this area, sending out a positive message for the high-risk sectors in which we operate. As a consequence, a growing number of people will continue to choose us for their specialist services, building and construction requirements, which is great for us and our stakeholders.

Strategic growth

Our simple but highly effective strategy – borne out by ten years of continuous growth – can be summarised as follows:

- **Efficiency.** In 2017 we have shown that we are agile enough to reorganise in accordance with client requirements and industry legislation, and profitability has already improved in the short-time since we rolled out our four new divisions.
- **Scalability.** Acquisition is fundamental to our strategy for growth and we have a proven ability to integrate different kinds of businesses into our Group, maintaining their momentum while they adopt our practices. This, alongside strong organic growth is a formula for success.
- **Innovation.** We have never been satisfied with standing still and have always looked to innovate to stay ahead of the competition. This is best illustrated by the introduction of PTSG Clarity, our PDA-based software programme that is streamlining and transforming how we work.

£52.9m

Revenue increased by 35%

£10.6m

Adjusted operating profit up by 35%

1.6p

Dividend per ordinary share up by 14%

Cross-selling

The great diversity of market sectors in which we operate coupled with our geographical coverage (with 16 UK office locations) means we are able to effectively cross-sell our services on a lot of the projects on which we work. This saves clients the time and effort of having to find multiple service providers to meet their varied requirements, and the costs incurred. We recognise that we must continue to be as proactive as possible, maximising profitability – and returns for our shareholders.

Evolving market

The support services, building and construction markets are changing rapidly, as a result of recent events which have had a seismic effect on attitudes to institutional safety. As an agile company, we have adapted and reorganised to answer the industry imperative for adherence to standards. As the only company with a dedicated Health, Safety and Environment department, we have been swift in our response, and our new Fire Solutions division is already extremely successful. We will continue to build on that.

Operational efficiency

This encompasses all the things which help us to drive profitability: developing talent and retaining our workforce; maximising cross-selling opportunities; and continuing to innovate and look for ways to serve our customers even better. By striving to get these things right, we will continue to experience profit and growth.

Divisional results

Each of our divisions has contributed to the exceptional performance of PTSG in 2017, thanks to our unique operating model and our teams of highly trained experts.

Access & 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 £20.2m in 2017 (2016: £18.9m) – a 38% contribution to the turnover of the Group. Adjusted operating profits increased to £3.2m from £3.1m in 2016 with growth across all segments.

Electrical Services

Lightning Protection, Fixed Wire and PAT Testing, (design, install and maintenance). We achieved a turnover of £20.2m in 2017 (2016: £12.1m) – a 38% contribution to the turnover of the Group. Adjusted operating profits increased from £2.9m in 2016 to £4.7m. We saw good growth across all services and the acquisitions made in 2016 and 2017 showed good progress.

Building Access Specialists

Steeplejack Services, High Level Installations, High Level Remedials, High Level Cleaning. Our products and services enable safe, efficient access to any part of any building. Our team members are experts at working at height and performing a high quality service even in the most inaccessible locations. We employ some of the UK's most talented and safety conscious working at height specialists in the UK. In 2017 we achieved a turnover of £5.4m (2016: £5.8m) – a 10% contribution to the turnover of the Group. Adjusted operating profit was £1.2m (2016: £1.3m).

Fire Solutions

Wet and Dry Risers, Sprinkler Systems, Fire Alarms, Emergency Lighting, Fire Extinguishers (design, install and maintenance). We now offer one of the UK's most comprehensive fire solutions services delivering high quality, safety systems in both residential and commercial settings. Turnover increased from £2.4m in 2016 to £7.1m in 2017 representing 14% of turnover. Adjusted operating profits increased from £0.5m in 2016 to £1.6m in 2017.

Our People

We now have a team of more than 641 talented industry operatives, many of whom have joined us over the last year as a result of our acquisitions and organic growth. It has always been our policy to nurture talent, providing the training and professional development opportunities to make the most of their potential. It is our people who make us what we are.

Our newly formed national business development team is fast becoming one of our many success stories and a prime example of how talent, hard work and ambition have helped us to achieve great success and rapid growth. We have devoted five pages within this annual report to profiling our people.

We gladly place responsibility on the teams' shoulders for creating and implementing a cohesive sales and marketing plan for the business which is aligned to PTSG's business plan. They will build long-term, profitable client relationships with allocated accounts that enable account revenue growth and retention. They will steer and proactively contribute to sales strategy meetings, and is a visible sales team within PTSG – being fully engaged with the national and service area sales channel and a pre-agreed activity calendar.

People-focused, business-minded and constantly looking for ways to improve upon what we do, our people epitomise the PTSG way.

Looking forward to continuing a profitable future

Our reorganisation is complete and we are already building on our previous offering to the support services and construction sectors, with four distinct but complementary divisions. Our original principle was to be the complete provider of engineered solutions recognised as the standard against which all other companies are measured; this remains true more than ten years on, but that provision is now larger and benefits even more customers.

Our divisional results show that we continue to improve upon our performance every year, and in the area of fire solutions, we are experiencing astonishing demand for our services. As ever, people choose PTSG for our incredible customer service and bundled services delivery. However, our ongoing focus on compliance, taking infinite care to safeguard everyone who comes into contact with the buildings we work on, has moved PTSG to the next level.

Our service and performance are given extra weight by our 133 accreditations, including ISO 9001, OHSAS 18001 and ISO 14001, as well as the industry awards we were proud to receive this year – and every year since we began operating in 2007.

Now, more than ever before, the support services and construction industries needs financially robust and reliable service providers that can guarantee a quality end product, provide a rapid response to every call, wherever the location, and are a pleasure to work with – with strong relationships with key industry names. PTSG has proven time and time again it can do all of this for less. We are more cost effective than our competitors, while retaining a good margin. That's a winning formula for our customers and shareholders alike.



We now look ahead to 2018 with great anticipation, and the opportunity to serve a greater diversity of customers.

Paul Teasdale
Chief Executive

21 March 2018

