

Strong financial growth

“In 2017, we generated revenue of £52.9m (2016: £39.2m), an increase of 35%.”

Mark Watford
Finance Director



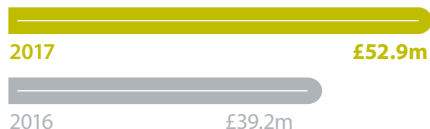
Key performance indicators

There are many financial and operating performance indicators regularly monitored by the Group; the primary financial performance indicators are:

Revenue (£)

£52.9m

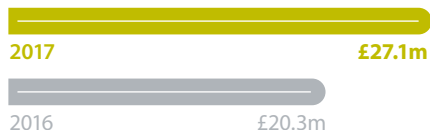
↑35%



Gross profit (£)

£27.1m

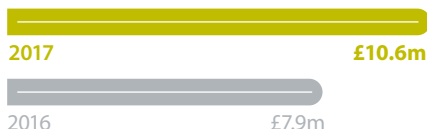
↑33%



Operating profit before adjusting items*

£10.6m

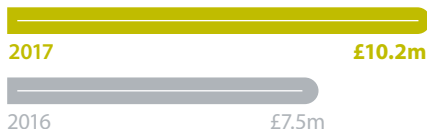
↑35%



Profit before tax before adjusting items*

£10.2m

↑36%



Adjusted earnings per share

9.73p

↑28%



Summary

2017 was another significant year for PTSG with continued substantial earnings and revenue growth. The acquisition of Nimbus and BEST extended our market dominance in our Electrical Services Division and the acquisition of UK Sprinklers Ltd enhances our offering in the Fire Solutions division. To provide additional financial flexibility we increased the Revolving Credit Facility to £12m and our overdraft to £8m.

Another year of strong earnings and revenue growth

Revenue grew by 35% in 2017 to £52.9m (2016: £39.2m) with 24% from the acquisitions and 11% from pure organic growth. Access and Safety returned another strong performance, with continued growth in revenue and adjusted operating profits. Electrical Services continued to grow well, aided by the acquisitions made in the year, with 14% pure organic growth. Building Access Specialists declined by 6%, but is well positioned for the future. Fire Solutions performed strongly with substantial increases in both revenue and profits. We expect to see the full benefit, from Sprinklers being added to this division's offering, in 2018.

Gross profit increased by 33% to £27.1m (2016: £20.3). The major factor affecting the Group's gross margin performance is the relative mix between installation sales (which have substantially higher material costs) to testing and repair sales. Installation sales were very strong in 2017, especially in Cradle installations, causing the gross margin to fall slightly to 51.2% (2016: 51.9%).

Operating profit before adjusting items grew by 35% to £10.6m (2016: £7.9m). The adjusted operating profit margin was consistent at 20.1% (2016: 20.1%) with overhead leverage and strong cost control mitigating the slight gross margin reduction. The statutory operating profit was £2.4m (2016: £3.1m).

*before adjusting items of £8.3m (2016: £4.7m) resulting in a statutory operating profit of £2.4m (2016: £3.1m), profit before tax of £1.8m (2016: £2.6m) and EPS of 1.37p (2016: 2.61p).

Profit before tax was £1.8m (2016: £2.6m) and is stated after £8.4m (2016: £4.8m) of adjusting items. Adjusting items are either non-recurring or non-trading in nature and comprised £3.0m (2016: £1.9m) in relation to share option costs granted to Directors and employees, contingent payments of £3.6m (2016: £1.9m) associated with acquisitions in accordance with IFRS 3, of which £2.0m related to the acquisition of BEST, amortisation of acquired intangible assets of £0.4m (2016: £0.5m) and restructuring costs of £1.4m (2016: £0.5m). The interest charge and other financing costs were £0.6m (2016: £0.5m). This increase was due to planned increased borrowing levels principally as a result of the cash payments for acquisitions and an increase in finance lease charges in relation to the Group's larger vehicle fleet.

Adjusted earnings per share increased by 28% to 9.73p (2016: 7.63p). £1.5m of dividends were paid during the year and the Board is proposing a final dividend of 0.8p per share. This represents a 14% increase on the 2016 dividends and is in line with our progressive dividend policy. Statutory earnings per share was 1.37p (2016: 2.61p).

Net debt

Net debt at 31 December 2017 was £18.3m (2016: £13.6m). The increase in the reported number followed £4.4m of acquisition related costs, £0.7m property mortgage inherited as part of the BEST acquisition and an increase in working capital due to the substantial increase in the size of the Group. As anticipated the year end figure was negatively impacted by very high installations in the fourth quarter. We have already seen a substantial correction in 2018 and expect to continue making further improvements to net debt and free cash flow throughout the year. Our banking facilities provide the flexibility to manage this volatility.

Trade and other receivables increased by £11.3m to £30.4m with the three acquisitions adding £4.8m. Year end receivables were elevated due to the strong Q4 trading performance. The Carillion liquidation and their outstanding net debt of £0.3m has been fully provided for in the 2017 balance sheet.

We have a long term relationship with our bankers, HSBC, having been a customer for over ten years which enables us to develop our facilities in line with our increasing profitability. The Revolving Credit Facility, taken out in 2015, was increased to £12m during the year to give us additional flexibility for the future, the terms and interest rates remaining unchanged. We continue to trade well within our banking covenants with head room remaining for future growth.

Acquisitions

We acquired two lightning protection businesses in 2017, Nimbus and BEST, for a total consideration of £21m, £6m of which was deferred and is contingent on the continued employment of the vendors for a minimum 18 month period. We also acquired UK Sprinklers Ltd in September for a total consideration of £2.5m, £1.2m of which was deferred and is contingent on the continued employment of the vendors and the achievement of stretching milestone targets.

These acquisitions were funded in accordance with our financial strategy with the Nimbus and Sprinklers acquisitions being funded from our own resources, where as the sizeable acquisition, BEST, was funded by a placing of 12.5m shares at a purchase price of £1.20.

These acquisitions had a significant impact on the closing balance sheet adding £13.8m to goodwill, £1.1m to fixed assets, £1.0m to net current assets and £0.7m to debt.

Outlook

We believe that 2018 will be another year of earnings and revenue growth. We are a well financed group and expect to make improvements to operating cash flow and net debt throughout the year. We believe that the Group remains well placed to deliver on our strategic priorities.

Mark Watford

Finance Director

21 March 2018