

A year of innovation and strength



John Foley
Chairman



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2018 – a summary

The first half of 2018 saw the Group successfully integrate the three acquisitions made in 2017 and deliver healthy levels of profitable growth within its new divisionalised structure.

The second half of 2018 saw the Group make two further acquisitions, raise fresh equity proceeds of £20m (before expenses) from a successful placing of 12,698,414 new ordinary shares at a price of 157.5 pence per ordinary share with institutional investors and continue to deliver further healthy levels of organic turnover and profit growth. As a result of all these factors, I am pleased to report that record levels of turnover, gross profit, adjusted EBITDA and adjusted earnings per share were achieved in the year ended 31 December 2018. Subsequent to the year end we purchased the entire issued share capital of Trinity Fire and Security Systems Limited and have recently announced the negotiation of £40m of committed banking facilities with HSBC UK Bank plc. The Group is very well placed to continue its 12 year history of delivering year on year profitable growth.

Acquisitions

Two acquisitions were completed in 2018.

The acquisition of the entire issued share capital of M&P Fire Protection Limited (“M&P”) was completed in July 2018 for a total consideration of up to a maximum of £3.5m, comprising an initial cash payment of £1.0m and deferred payments of up to £2.5m payable over five years subject to the business achieving stretching and escalating profit targets in each of those periods. M&P significantly enhances the scale and geographic coverage of the Group’s sprinkler and dry risers operations and has performed well since it joined the Group.

The acquisition of the entire issued share capital of Guardian Electrical Compliance Limited (“Guardian”) was completed in October 2018 for a total consideration of up to a maximum of £16.0m comprising an initial cash payment of £12.0m and deferred payments of up to £4.0m payable over three years, subject to the business achieving stretching profit targets. Guardian significantly increased our already strong presence in the electrical safety services market and possesses in “TraQ-It” a proprietary software platform which provides customer and staff with a unique, interactive online portal. “TraQ-it” will be combined with PTSG Clarity, the Group’s existing proprietary operating system, to strengthen the service offering to PTSG Group’s customers. Guardian has also performed strongly since joining PTSG.

The acquisition of the entire issued share capital of Trinity Fire and Security Systems Ltd. was completed in January 2019 for a total consideration up to a maximum of £15.8m, comprising an initial cash payment of £10.8m and deferred payments of up to £5.0m payable over two years. Trinity is seen by us as a transformational transaction since it greatly increases the size and offering of our Fire Solutions division, making it the largest division in the Group and enabling us to provide a full suite of fire protection services. Again, Trinity has performed encouragingly well since joining PTSG.

As is our policy with all deferred payments to which Premier Technical Services Group Plc is a party, such payments can be satisfied in cash or shares at our option.

Financial overview of results

Turnover increased by 31% to £69.1m (2017: £52.9m). Gross profit increased by 29% to £35.0m (2017: £27.1m). Adjusted EBITDA increased by 39% to £17.1m (2017: £12.3m). Underlying profit before taxation (before adjusting items of £10.5m) increased by 40% to £14.3m (2017: £10.2m, before adjusting items of £8.3m). Adjusting items were principally one-off and non-trading items including £1.5m of restructuring costs, £2.4m of share option costs and £5.8m of contingent consideration payment in relation to acquisitions. Adjusted earnings per share increased by 22% to 11.9p (2017: 9.7p). The Board has recommended a final dividend of 0.9p per share, which together with the interim dividend of 0.9p is a 13% increase on the dividends paid in respect of 2017. Net bank debt at 31 December 2018 was £11.9m (2017: £18.3m). Underlying trading cash conversion improved to 72% (2017: 65%), despite the working capital impact of underlying organic turnover growth during 2018 of 19%. 2018 saw applications and accrued income levels principally associated with the Group's installation activities reduce to £8.4m at 31 December 2018 (2017: £9.8m) despite the substantial increase in the Group's turnover. Debtor days on invoiced sales equated to 88 days at 31 December 2018 (2017: 97 days) and further improvements in the Group's working capital position have been targeted for 2019.

Operational highlights

Underlying organic turnover growth of 19% is regarded by the Board as healthy and the performances of our Fire Solutions and Electrical Services divisions were especially pleasing. Turnover from recurring compliance and maintenance activities increased to 51% of total Group turnover during 2018 (2017: 48%), with the associated gross profit of £22.8m amounting to 62% of total Group gross profit (2017: 58%), and we expect that the full year effect of the Trinity acquisition will naturally increase this percentage in 2019. Gross profit margins remained strong at 51%, showing continuing sustainability in all areas, which reflects the strength of the Group's established operating model. We pride ourselves on the fact that our operating model is best in class in the markets in which we operate; the contract renewal rates in our core maintenance divisions were at 88% in 2018 and once again we believe that this is an industry-leading contract renewal rate. The Group's major accounts sales team was grown in size in 2018 and had a successful year; the cross-selling of the Group's service offering to our large customer base continues to gather positive momentum and continues to provide further organic growth opportunities. The Chief Executive's Review provides further detail on the initiatives currently underway in the key areas of efficiency, innovation and scalability, which will continue to improve the range and quality of our multi-disciplinary service offerings.

Strategy and intent

We operate only in those areas where we believe that our established operating model can work effectively. We have grown both organically and as a result of completing 26 acquisitions since the Group's creation in 2007. Our turnover and underlying levels of EBITDA have more than trebled since our IPO in February 2015. The successful placing which raised £20 million of fresh equity proceeds in October 2018 together with the Group's strong underlying operational cash flow and newly announced expanded committed banking facilities provide us with plenty of headroom to continue to develop our established growth plans.

People

I would like to thank the 850 employees, based in 21 locations across the UK, for their continuing commitment. The Group continues to win awards for its performance at Institute of Workplace Facilities Management "IWFM" and Premises and Facilities Management "PFM" annual ceremonies because of their hard work.

Outlook

2019 has started well as we continue to deliver against our strategy to seek sector dominance in the markets we serve, which are underpinned by compliance demand. The Board is both confident and enthusiastic about the Group's prospects and performance.

John Foley
Chairman

26 March 2019

CORPORATE GOVERNANCE

Introduction

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.

[▶ Read more about our governance principles on page 38](#)

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 to 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.