Records

Datashred

Digital

Relocation

Technology

Strong. Growth.

2018 Full Year Results

Restore plc

Highlights

£195.5m +14%
REVENUE (£'M)

£37.5m +20%
ADJUSTED PROFIT BEFORE TAX* (£'M)

25.2p +12%
ADJUSTED BASIC EARNINGS PER SHARE** (P)

6.0p +20%
DIVIDEND PER SHARE (P)

Financial highlights

- Group revenue up 14% to £195.5m
- Group adjusted profit before tax up 20% to £37.5m
- Adjusted operating margins up to 21.1% from 19.7%
- Adjusted basic earnings per share up 12% to 25.2p
- Total dividend up 20% to 6.0p per share

Operational highlights

- Acquisition of TNT Business Solutions
- 3% organic growth in core Restore Records Management revenues despite high box destruction volumes
- Restore Records Management capacity utilisation at optimal levels
- Major investment in 4 new premises
- 8 incremental acquisitions
- Sale of ITP printer cartridge business

*Before exceptional items, amortisation of intangible assets and share-based payments charge.

**Calculated based on adjusted profit before tax, the weighted average shares in issue and a standard tax charge.

Financial Review

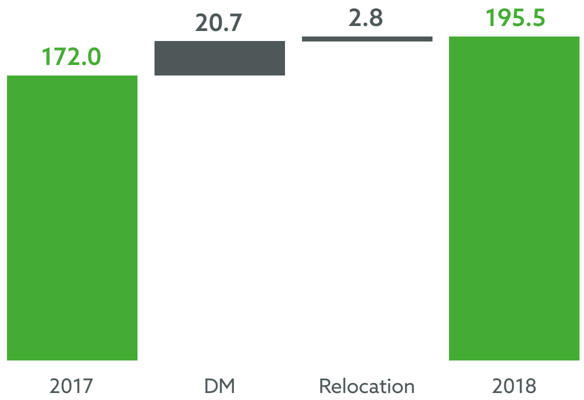
Consolidated Income Statement (Adjusted)

	2018	2017	Change
Revenue (£'m)	**195.5**	172.0	+14%
Adjusted operating profit (£'m)	**41.3**	33.8	+22%
Finance costs (£'m)	**(3.8)**	(2.5)	+52%
Adjusted PBT (£'m)	**37.5**	31.3	+20%
Standard tax charge	**19%**	19.25%	
Adjusted profit for period (£'m)	**30.4**	25.3	+20%
Average number of shares (m)	**120.4**	112.6	+7%
Adjusted EPS (p)	**25.2**	22.5	+12%

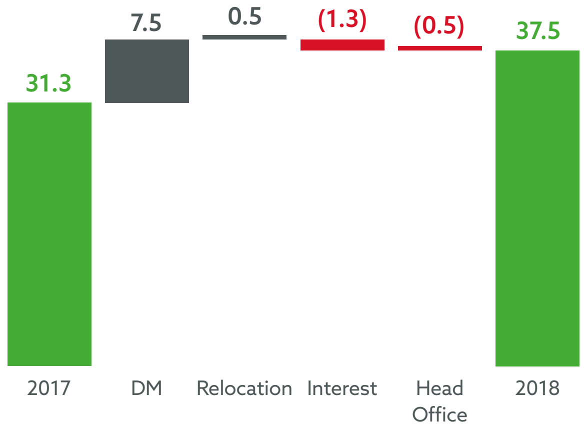
* before discontinued operations, exceptional items, amortisation of intangible assets and share based payments charge.

- Revenue growth driven by:
  - Acquisitions – primarily TNT BS
  - Organic growth
- Adjusted operating margins improved by 140 bps to 21.1%
- Adjusted profit before tax £37.5m, an increase of 20%
- Adjusted EPS increased 12% reflecting increased average number of shares in issue

Revenue (£'m)



Adjusted PBT (£'m)

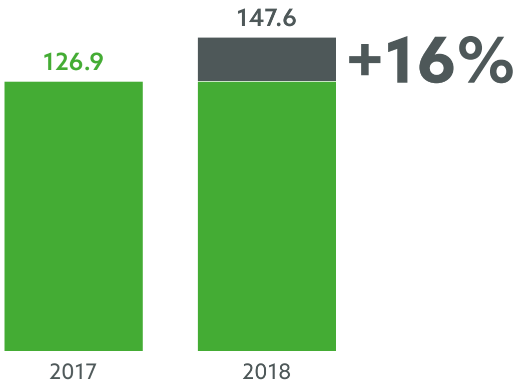


Document Management

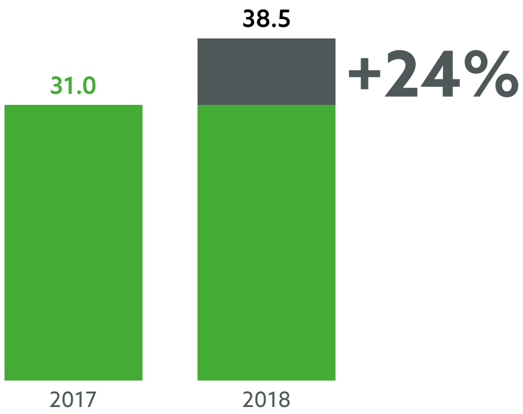
	2018	2017	YOY change
Revenue (£'m)	**147.6**	126.9	+16%
Operating profit (£'m)	**38.5**	31.0	+24%
Operating margin	**26.1%**	24.4%	+170bps

- Revenue by business stream:
  - Restore Records Management £86.5m (2017: £68.9m)
  - Restore Datashred £41.8m (2017: £39.4m)
  - Restore Digital £19.3m (2017: £18.6m)
- Restore Records Management organic revenue growth 3% despite higher destructions and delays to box intake on some large contracts
- Operating margin improvement to 26.1% reflects:
  - Strong performance by core records management business
  - Impact of two freehold sites acquired with TNT BS
  - Improved margins in Restore Digital
  - Weaker margins in Restore Datashred driven lower than expected revenues combined with high operational gearing.

Revenue (£'m)



Operating profit (£'m)

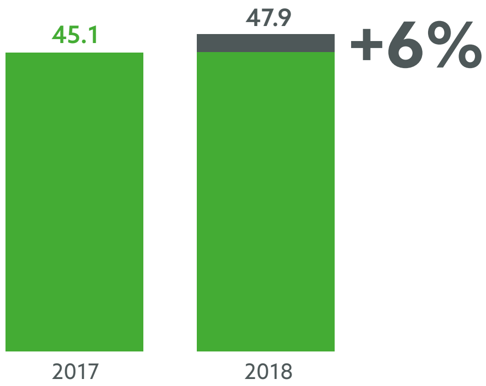


Relocation

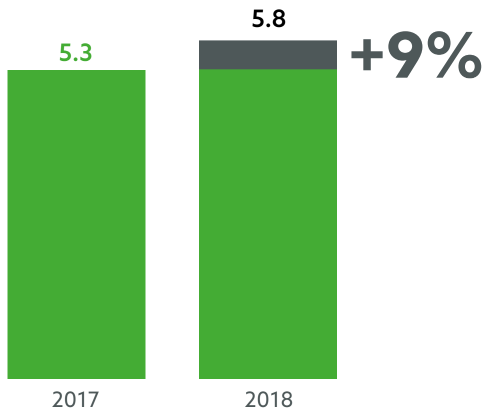
	2018	2017	YOY change
Revenue (£'m)	47.9	45.1	+6%
Operating profit (£'m)	5.8	5.3	+9%
Operating margin	12.1%	11.8%	+30bps

- Revenue by business stream:
  - Restore Harrow Green £37.6m (2017: £35.5m)
  - Restore Technology £10.3m (2017: £9.6m)
- Printer Cartridge Recycling disposal completed in February 2019 and has been treated as a discontinued operation
- Margin performance reflects:
  - Strong performance by Restore Harrow Green – particularly in H1
  - Softening of margins on Restore Technology following a particularly strong 2017

Revenue (£'m)



Operating profit (£'m)



Exceptional Costs

	2018 £'m	2017 £'m
Acquisition related restructuring costs	4.6	7.2
Transaction costs	2.4	0.5
Other exceptional costs	1.5	7.8
Total exceptional costs	8.5	15.5

- Majority of restructuring costs relate to TNT BS acquisition. Much of this was delayed to the second half due to the CMA enquiry which concluded in August 2018
- Transaction costs include £1m of stamp duty payable on the freehold assets of TNT BS
- Smaller acquisitions make up the remainder of restructuring and transaction costs
- Other exceptional costs include a non cash £0.7m cost related to the write down of assets following the exit of the Motherwell site.

Cash Flow

	2018 £'m	2017 £'m
Adjusted EBITDA	**48.2**	39.8
Exceptional costs (excluding non-cash EIP credit)	**(8.5)**	(16.2)
Adjusted EBITDA after exceptionals	**39.7**	23.6
Working capital	**(7.1)**	(7.9)
Disposal of assets	**(0.2)**	-
Net cash from operations	**32.4**	15.7
Capex	**(10.1)**	(5.3)
Interest	**(3.6)**	(2.2)
Tax	**(3.2)**	(2.5)
Acquisitions	**(92.5)**	(7.1)
Disposal proceeds	**0.9**	0.1
Placing proceeds	**50.0**	-
Other (inc dividend)	**(7.0)**	(4.6)
Net cash flow	**(33.1)**	(5.9)
Opening net debt	**78.2**	72.3
Closing net debt	**111.3**	78.2

- Net cash from operations increased 106% on prior year
- Working capital outflow includes:
  - The expected post completion working capital required for TNT BS - £2.4m
  - Growth related working capital - £1.1m
  - Long term provision movements - £1.1m
  - Timing differences on accruals - £1.5m
- Acquisitions largely reflect TNT BS but include smaller bolt-ons
- TNT BS partially funded through equity placing of £50m.

Historic Cash Conversion

	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	Total £'m
Adjusted EBITDA	12.1	14.8	20.4	29.3	39.8	**48.2**	164.6
Reported net cash from operations	10.2	5.6	11.0	18.2	15.7	**32.4**	
Exceptional costs	3.4	3.1	6.4	10.3	15.5	**8.5**	
Acquisition related working capital		3.7	3.1	6.8	2.1	**2.4**	
Adjusted operating cash flow	13.6	12.4	20.5	35.3	33.3	**43.3**	158.1
Underlying cash conversion	112%	84%	100%	120%	84%	**90%**	96%

- The strategic growth of the Group has historically been driven largely by acquisition. The cost of these investments is seen as:
  - Consideration paid
  - The cost of restructuring the acquired entities
  - Working capital required post completion (often defined by the transaction structure)
- These items are all factored in when settling on the price to be paid for the acquisition
- Once these items have been removed the cash conversion of the Group averages 96%.

Balance Sheet and Debt Facilities

	2018 £'m		2017 £'m	
Non-current assets		**335.5**		243.9
Trade and other current assets	**49.8**		45.4	
Cash and cash equivalents	**11.7**		10.7	
Current Assets		**61.5**		56.1
Trade and other current liabilities	**(36.8)**		(36.0)	
Financial liabilities – borrowings	**(0.8)**		(9.4)	
Current liabilities		**(37.6)**		(45.4)
Financial liabilities – borrowings	**(122.2)**		(79.5)	
Deferred tax and provisions	**(22.8)**		(19.2)	
Non-current liabilities		**(145.0)**		(98.7)
Assets held for sale		**1.6**		
Net assets		**216.0**		155.9
Shareholders equity		**216.0**		155.9

- Two new lenders added to banking syndicate as part of TNT BS acquisition bringing total to four
- Banking facilities restructured and converted to single £160m RCF
- Facility agreement includes scope to add a further £30m (uncommitted funds)
- New facilities adequate to support continued bolt on acquisitions and expire in Q4 2022.

IFRS 16

- The Group will be adopting IRFS 16 'Leases' from 1st January 2019
- Lease payments which are currently treated as opex in the income statement will be replaced by assets and liabilities/debt on the statement of financial position which will generate interest and depreciation charges in the income statement
- Due to the significant property portfolio of the Group the standard will have a material impact on the appearance of the financial statements, but no cash impact
- Debt covenants will be unaffected
- Indicatively the likely changes can be summarised as follows:
  - Net debt will increase by £130 - £155 million primarily reflecting the sizeable leasehold property portfolio of the Group
  - EBITDA will increase by £18 – £21 million reflecting the reclassification of rental payments to interest and depreciation charges
- Pro-forma lease adjusted leverage of the Group will optically increase by 1.2-1.7x adjusted EBITDA
- In addition the increase in the non-cash interest charges resulting from the application of IFRS 16 is expected to reduce the Group adjusted profit before tax by up to 5%.

Financial Summary

- Ninth consecutive year of double digit EPS growth
- TNT BS acquisition performing in line with expectations
- Operating margins improving to 21.1%
- Significant step forward in operating cash flow
- Leverage slightly over 2x pro forma EBITDA, bank facilities restructured
- Total dividend up 20% to 6p.

Operational Review

Strong.

Restore plc

Predictable Recurring Revenues

- Restore Records Management is c. 70% of Group Operating Profit

Attractive Operating Margins

- 21.1% up from 19.7%

Strong Market Positions

- No. 1 or No. 2 in 4 of 5 core activities

Market Knowledge

- Focus on UK offices

Well-invested

- Market-leading operating sites

Cash-generative

- Restore Records Management has very low maintenance capex

Growth.

Significant historic growth

- CAGR revenue growth of 28% since 2011
- CAGR eps growth of 29% since 2011
- Dividend increased from 1.0p in 2011 to 6.0p in 2018

Acquisition-driven growth underpinned by organic growth

- 4.5% organic growth over last 5 years

Scope to continue consolidation of existing markets

- Restore Datashred, Restore Digital and Restore Technology all operating in fragmented markets

Operating sites capable of increased throughput

Scale of Group facilitates more business

- Cross-selling opportunities enhanced
- Drive additional activities through established channels to market

Restore Records Management

- 3% organic revenue growth despite flat volumes in GDPR year
- Increased operating margins
- Optimal capacity utilisation
- Steady improvement in property portfolio
- TNT BS acquisition contributing strongly
- Specialist public sector team in place

Records

Restore Records Management

Continued

- 70% of Group operating profit at current runrates
- 20 million stored boxes underpins Group profits
- Strong cash-flow as low maintenance capex
- Holding documents is powerful springboard for document management activities
- Still scope for growth in unvended public sector
- "An economic moat"

Records

Restore Datashred

- Positive organic growth with increase in gross profit
- Lower year-on-year operating profit as significant increase in overheads, reflecting cost of decentralised infrastructure
- Business model, operating systems and management information systems now settled and headcount decreasing
- Investment in new sites in London and Scotland
- Bolt-on acquisition of Safe-Shred, now moved to Manchester
- Increased awareness amongst SMEs of need to shred securely
- Operating margins don't reflect strength of market position yet
- Market remains fragmented

Datashred

Restore Digital

- Growth attributable to acquisitions
- Increase in operating margins
- 4 acquisitions made in the year
- Successful integration of loss-making TNT scanning business
- Working increasingly closely with Restore Records Management especially on public sector
- Sales pipeline improving

Digital

Restore Harrow Green

- Another year of increase in revenues and profits
- Market-leading operating margins
- New East London storage facility incorporating storage from recent acquisition
- High-quality customer base with long-term relationships
- Pre-eminent market leader

Relocation

Restore Technology

- Increasingly important Group activity with high growth expected to continue
- Immature, unstructured and growing market
- Major investment in new flagship facility in Bedford
- Now includes IT relocation activities
- Recent acquisitions bring WEEE capability
- Significant scope for consolidation of UK IT recycling market
- Now minority shareholder in toner cartridge recycling business

Technology

Restore as a Group

- One brand
- One well-established CRM system across the Group
- Comprehensive database of UK offices
- Additional new revenues from cross-selling being achieved
- More services increases stickiness
- Highly complementary activities, eg. Restore Records Management and Restore Digital
- Close customer relationships help us to adapt to changing customer needs
- B2B services are all about channel to market

2018 Acquisitions

Scanning Direct
- January 2018

Papershrink
- January 2018

TNT Business Solutions
- May 2018

ORS Ltd
- June 2018

Spinnaker Waste Management Ltd
- August 2018

Function Business Relocation Ltd
- October 2018

Safe-Shred UK Ltd
- October 2018

Green Magnet
- October 2018

Document Capture Co
- October 2018

£4.5 million

TOTAL CONSIDERATION (EXC TNT BS)

TNT Business Solutions Integration

- Integration complete bar certain IT platforms
- Limited change at 2 major public sector sites
- Main London site integrated into Restore RM
- 1 smaller site exited, other smaller site to be exited later this year
- Loss-making scanning business predominantly integrated into Restore Digital
- Generating business for other Restore divisions, eg. Restore Datashred
- Trading well with significant project opportunities
- New dedicated public sector RM sales team created

Summary and Outlook

- Another strong performance in 2018
- Restore Records Management continues to deliver growth, cash and improving operating margins
- TNT proving to be an excellent acquisition
- Restore Harrow Green established as regular, strong performer
- Restore Datashred and Restore Digital – work to be done but well-positioned
- Restore Technology in exciting growth phase
- Strong platform for continued growth, both organically and through acquisition

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