

# 2015 half year results



Royal BAM Group nv



Amsterdam, 20 August 2015

# BAM confirms outlook full year 2015



Back in Shape on track; delivering savings and working capital improvements



Construction and M&E services: ongoing pressure in Dutch non-residential



Civil engineering: positive result mainly driven by BAM International, the Netherlands and Ireland



Property: Dutch residential market follows twin track; Dutch non-residential market remains weak



PPP: solid performance and healthy bid pipeline



Order book: growth from new order intake and stronger pound; quality improving



Net cash position: strong year on year improvement driven by Back in Shape

## Revenue and adjusted results per sector

<i>(in € million)</i>	1H15		1H14	
	Revenue	Result	Revenue	Result*
Construction and M&E services	<b>1,574</b>	<b>-9.5</b>	1,355	-1.5
Civil engineering	<b>1,905</b>	<b>22.9</b>	1,862	-19.8
Property	<b>161</b>	<b>3.7</b>	245	14.5
PPP	<b>93</b>	<b>6.4</b>	130	13.7
Eliminations and other	<b>-218</b>	<b>0.7</b>	-210	1.5
<b>Total sectors</b>	<b>3,515</b>	<b>24.2</b>	<b>3,382</b>	<b>8.4</b>

\* Re-stated for restructuring charges

# Construction and M&E services

## Market

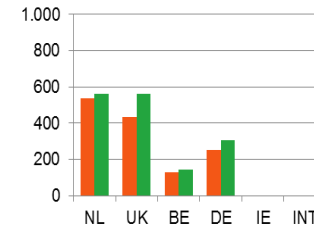
- Recovery UK non-residential markets ongoing; NL cautious growth in residential, non residential still difficult; BE and DE unchanged.

## Business

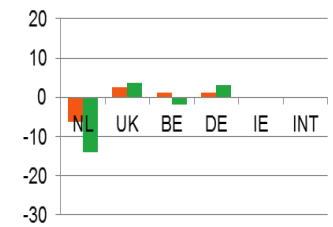
- Revenue: all countries up; UK helped by FX; DE higher due to strong order intake 2014.
- Result: negative results on older orders (non residential construction) and under recovery overhead NL and BE.
- Order book: total up by 5% wholly due to UK (new orders and FX); other countries down to progress large orders and more selective tendering.
- TWC efficiency: continued improvement to 8.7% 1H15.

(in € million)

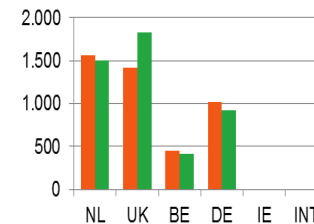
### Revenue



### Result



### Order book



### TWC efficiency



■ 1H14 ■ 1H15

# Civil engineering

## Market

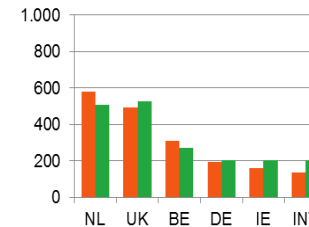
- Recovery IE and UK markets ongoing; NL cautious improvement; DE unchanged stable and BE lower government spending; INT strong opportunities.

## Business

- Revenue: grew 2% driven by INT and IE; NL lower due to low order intake in 2014; BE lower due to order phasing.
- Result: positive result driven by INT, NL and IE. Challenges on working through older orders and recovering overheads on lower volumes.
- Order book: grew 9% to €5.6bn due to wins of several larger projects IE and NL. UK flat despite positive FX due to more selective tendering.
- TWC efficiency: picking up to 5.4% end June 2015.

(in € million)

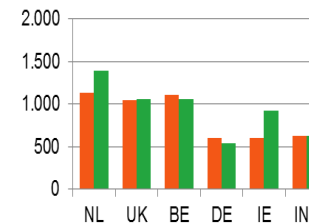
### Revenue



### Result



### Order book



### TWC efficiency



■ 1H14 ■ 1H15



# Property

## Market

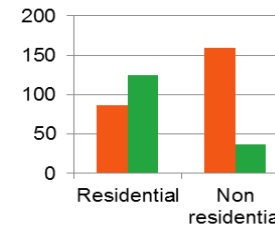
- Twin track development NL residential market.
- Non-residential property UK picking up; BE stable and NL unchanged weak.

## Business

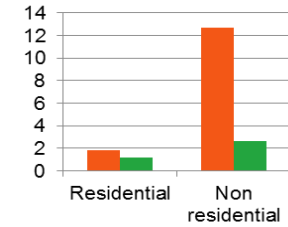
- Revenue: residential higher reflecting house sales; non-residential lower due lower divestments.
- Result: residential thin margins; non-residential reflecting low divestments.
- Homes sold NL: 17% up to 1,098; sales to private buyers increased from 58% to 85%.
- Net investment: higher due to re-classification of a completed Dutch non residential project from work in progress.

(in € million)

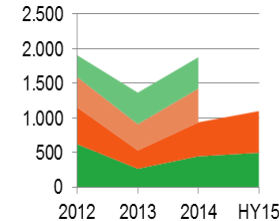
### Revenue



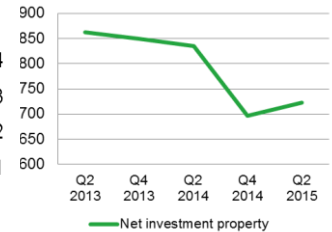
### Result



### Homes sold NL



### Net investment



■ 1H14 ■ 1H15

# PPP



## Market

- Good opportunities in all home markets.

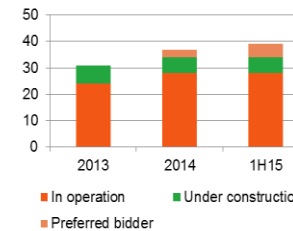


## Business

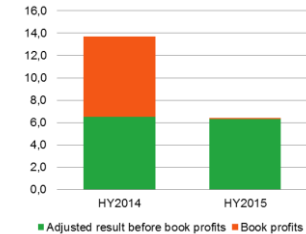
- Portfolio: grew due to 2 project wins in Ireland (hit rate 50%).
- Result: book profit lower reflecting only 1 transfer (1H14: 5) to the JV.
- Revenue: €0.3 bn construction revenue secured for operational sectors and on top of this about €80m recurring maintenance revenue per year.
- Investment: committed equity increased due to two project wins.

(in € million)

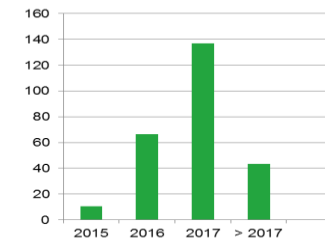
### Portfolio *(number)*



### Result

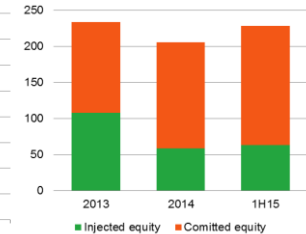


### Revenue



In 2015 secured construction revenue for operational sectors

### Investment



# Income statement

<i>(in € million, unless stated otherwise)</i>	<b>1H15</b>	<b>Margin</b>	<b>1H14*</b>	<b>Margin</b>
Total sectors	<b>24.2</b>	<b>0.7%</b>	8.4	0.2%
Group overhead	<b>-3.1</b>		-1.7	
Group interest charge	<b>-1.5</b>		-2.1	
Adjusted result before tax	<b>19.6</b>	<b>0.6%</b>	4.6	0.1%
Restructuring	<b>-13.1</b>		-4.5	
Impairment property	<b>-2.5</b>		-1.7	
Income tax	<b>0.7</b>		-4.6	
Non-controlling interest	<b>-</b>		-0.4	
Net result	<b>4.7</b>	<b>0,1%</b>	-6.6	<i>Neg.</i>



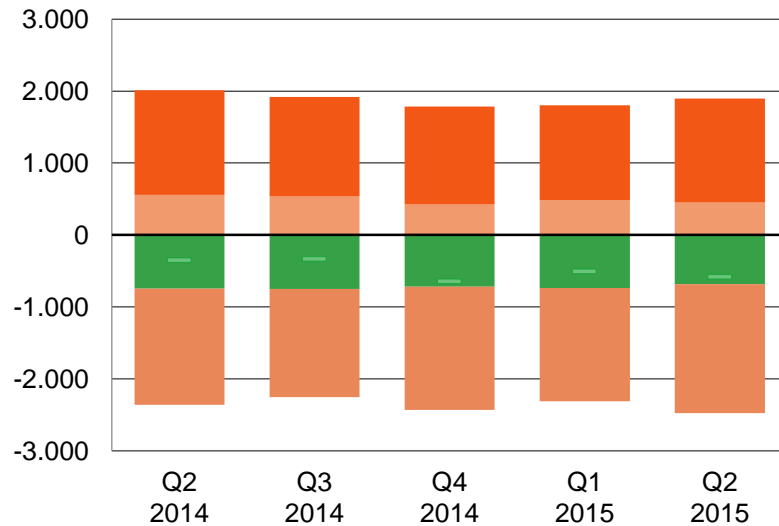
## Cash flow analysis

<i>(in € million)</i>	1H15	1H14	FY14
Net cash result	-	-23	11
Investments TFA	<b>-22</b>	-25	-42
Δ Trade working capital	<b>-96</b>	-296	-15
Net Investment Property	<b>17</b>	19	83
Net investment PPP	<b>-9</b>	37	68
Δ Other working capital	<b>-63</b>	-84	15
<b>Business cash flow</b>	<b>-173</b>	<b>-372</b>	<b>120</b>
Dividend	-	-7	-7
Pensions (additional)	<b>-14</b>	-14	-24
Δ Group loans	-	146	-40
Others	<b>21</b>	13	27
<b>Δ Cash position</b>	<b>-166</b>	<b>-234</b>	<b>76</b>

- Business cash flow significantly improved in 1H15 compared to 1H14 due to Back in Shape working capital programme.
- Cash from trade working capital improved by €185m since June 2014.
- Cash flow PPP lower due to lower divestments in 1H15 and changes in funding of joint ventures.
- Group loan (revolving credit facility) not used as at 30 June 2015.

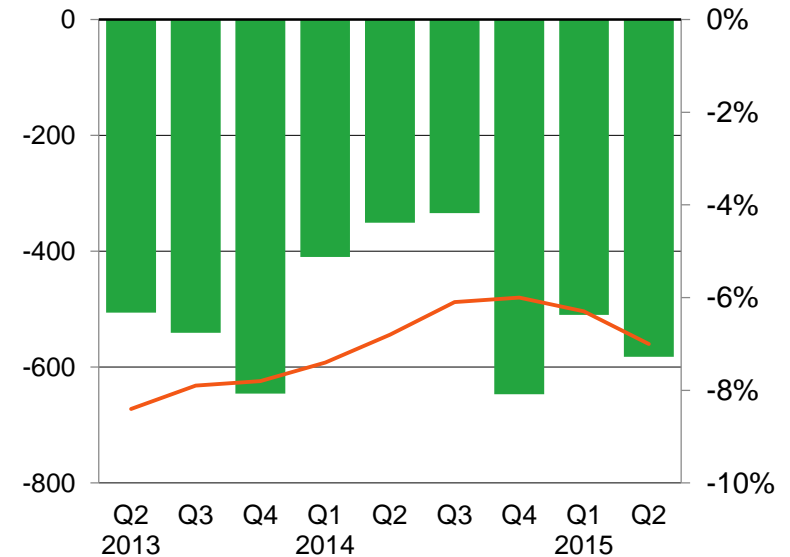
# Trade working capital

**Trade working capital**  
(in € million)



- Work-in-progress credit
- Work-in-progress debit
- Trade and other receivables
- Trade and other payables
- Trade working capital

**Trade working capital**  
(in € million and TWC as %)



- Trade working capital Q-end
- Average TWC as % of 4-Q rolling revenue

## Key figures: balance sheet

<i>(in € million, unless stated otherwise)</i>	1H15	FY14	1H14
Cash position	458	624	318
Interest-bearing debt	756	664	886
Net debt position	298	40	568
Recourse net cash(debt) position	161	336	-161
Balance sheet total	4,911	4,956	5,047
Shareholders' equity	901	827	930
Capital base	1,025	952	1,054
Capital ratio	20.9%	19.2%	20.9%
Fixed assets	1,566	1,469	1,515
Net operating capital (excl. cash and current loans)	-24	-223	312

- Improvement year on year recourse net cash position €322 million due to Back in Shape programme.
- Interest bearing debt higher due to progress on construction PPP projects.
- Shareholders equity increased due stronger pound sterling and actuarial gains on pensions.

# Update on Back in Shape programme

## Cost reduction

- €25m benefit included in 1H15 result
- Expect to achieve target run rate cost saving of > €100m by end 2015
- Costs of €13m in 1H15; cumulative costs €66m; cash out of €28m in 1H15

## Projects in control

- Backlog older orders reduced to €2.1bn (1H14: €4bn)
- New procedures delivering further quality improvement for new tenders

## Working capital reduction

- Recourse net cash position improved by €322m since start of programme
- Cash flow from TWC improved by €185m since 1H14; expect to exceed €300m target by end 2015

## Divestments

- Bolt-offs of non-core activities in 1H15 in the Netherlands

## Order book

	1H15	FY14	Δ
Construction and M&E services	4,674	4,424	+6%
Civil engineering	5,611	5,129	+9%
Property	880	859	+2%
PPP	642	548	+17%
Eliminations and other	-707	-660	
<b>Total sectors</b>	<b>11,100</b>	<b>10,300</b>	<b>+8%</b>

- Quality order book improving due to Back in Shape projects in control programme.
- Positive movement order book €0.4 bn due to stronger pound sterling.
- Strong order intake in Ireland and civil engineering NL.
- PPP higher as result of another two project wins.

# Outlook

BAM is on course to deliver cost savings of at least €100 million (annual run rate) and a reduction in trade working capital of at least €300 million by year-end 2015. There will be a restructuring charge for Back in Shape of approximately €30 million in 2015. BAM expects the total Group adjusted result before tax for the year 2015 to be higher than the level of 2014 (€62.2 million), with a larger contribution coming from the operational sectors.



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Property: Dutch residential market follows twin track; Dutch non-residential market remains weak



PPP: solid performance and healthy bid pipeline



Order book: growth from new order intake and stronger pound; quality improving



Net cash position: strong year on year improvement driven by Back in Shape



# Annexes

**Property Netherlands**

**Property investments**

**PPP investments**

**Revenue and results Q2**

**Net debt analysis**

**Covenants**

**Back in Shape**

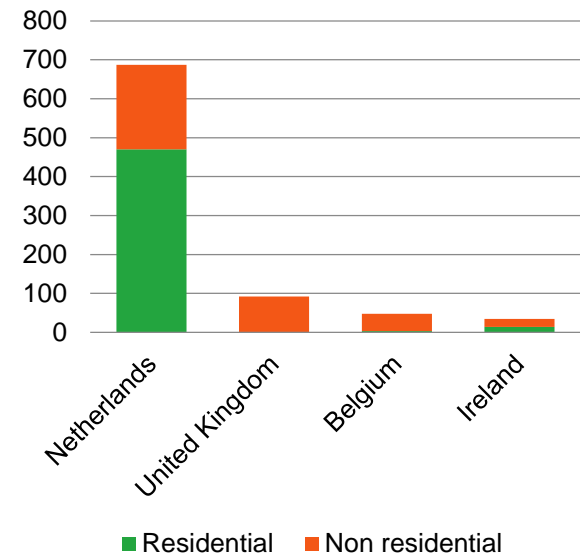
# Property Netherlands

	1H15	2014
Number of homes sold from own development:		
Q1	496	444
Q2	602	492
Q3		488
Q4		453
<b>Total</b>	<b>1,098</b>	<b>1,877</b>
Stock of unsold and unlet premises :	<b>1H15</b>	<b>FY14</b>
- homes under construction (number)	106	132
- homes finished (number)	74	87
- commercial property (m2)	18,000	14,500

# Property investments

<i>(in € million, unless stated otherwise)</i>	Q2 2015	Q4 2014
Land and building rights	<b>440</b>	420
Property development	<b>422</b>	403
<b>Total investments (a)</b>	<b>862</b>	823
Non-recourse loans	<b>151</b>	147
Recourse loans	<b>81</b>	71
<b>Total loans (b)</b>	<b>232</b>	218
Property associates/JV (c)	<b>93</b>	92
<b>Net investments (a)–(b)+(c)</b>	<b>723</b>	697

**Total investments (1HY15)**  
*(in € million)*



# PPP investments

<i>(in € million, unless stated otherwise)</i>	Q2 2015	Q4 2014
PPP assets (intangibles, receivables)	<b>387</b>	318
Non-recourse PPP loans	<b>-280</b>	-206
Recourse PPP loans (equity bridges)	<b>-66</b>	-63
PPP associates/JV/other	<b>22</b>	10
Investment equity <sup>1)</sup>	<b>63</b>	59
Committed equity <sup>2)</sup>	<b>166</b>	147
Total invested & committed equity	<b>229</b>	206
NPV Total invested & committed equity (A)	<b>140</b>	144
NPV Future equity cash inflows (B)	<b>219</b>	222
Estimated unrealised value (B) – (A)	<b>79</b>	78

## Revenue and adjusted results Q2

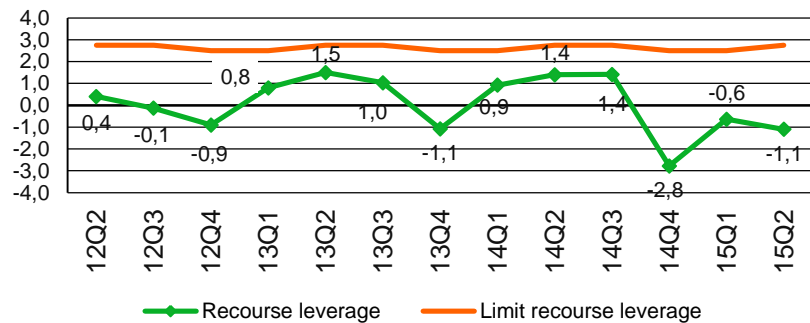
<i>(in € million)</i>	Q2 2015		Q2 2014	
	Revenue	Result	Revenue	Result*
Construction and M&E services	<b>870</b>	<b>-0,7</b>	732	6.1
Civil engineering	<b>983</b>	<b>28,5</b>	1,019	-20.0
Property	<b>91</b>	<b>2.9</b>	127	3.8
PPP	<b>52</b>	<b>4.3</b>	50	7.9
Eliminations and other	<b>-119</b>	<b>0.7</b>	-117	1.5
<b>Total sectors</b>	<b>1,877</b>	<b>35.7</b>	1,811	-0.7

\* Re-stated for restructuring charges

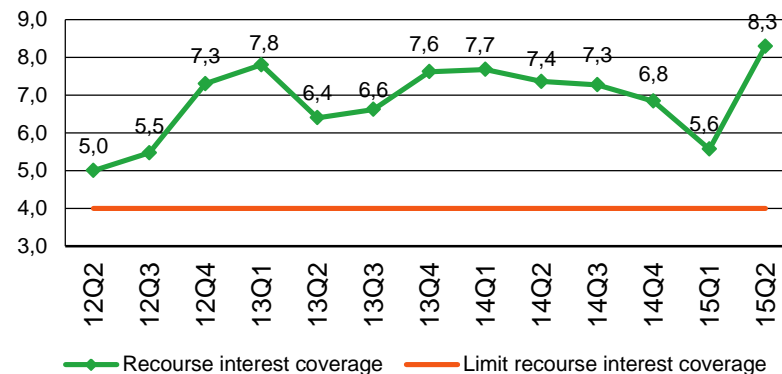
## Net debt analysis

<i>(in € million, unless stated otherwise)</i>	Q2 2015	Q2 2014
Non recourse PPP loans	280	229
Non recourse project financing	179	178
Other project financing	147	130
<b>Total 'project related'</b>	<b>606</b>	<b>537</b>
Subordinated loan	125	124
Financial lease liabilities	18	39
Bank overdrafts and other loans	7	186
<b>Total interest-bearing debts</b>	<b>756</b>	<b>886</b>
Less: cash	458	318
<b>Net debt position</b>	<b>298</b>	<b>568</b>
<b>Recourse net cash position (- debt)</b>	<b>161</b>	<b>-161</b>

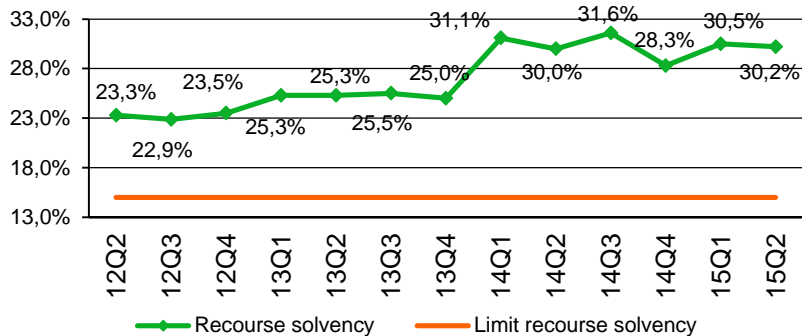
### Recourse leverage ratio



### Recourse interest coverage ratio



### Recourse solvency ratio





## Contact details

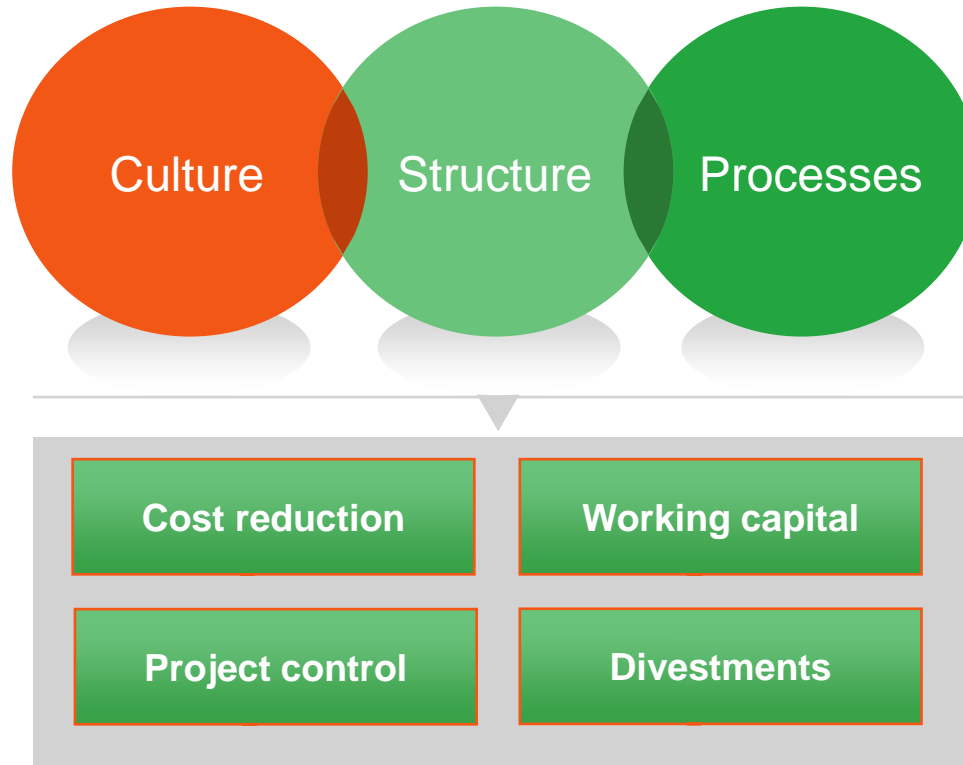
### BAM Investor Relations



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# 'Back in Shape' programme



# Cost reduction

## (in € million) Overhead



## Simplification



## FTE reduction



# Project control

Stage gate



Peer review

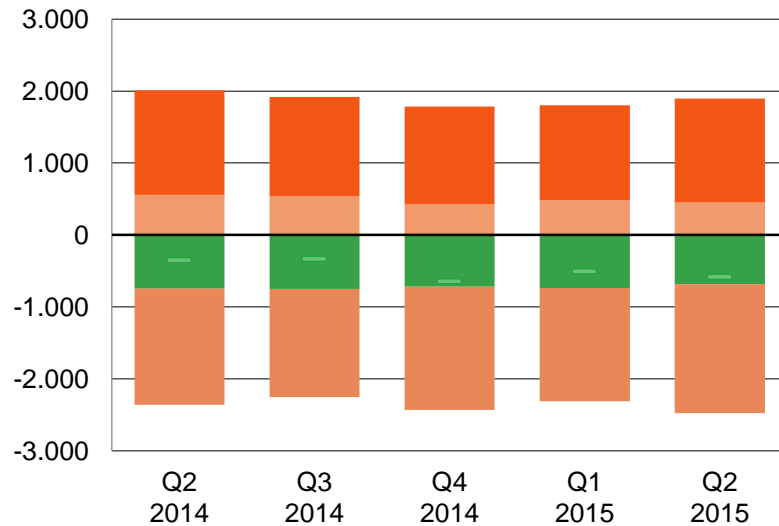


Operational audit



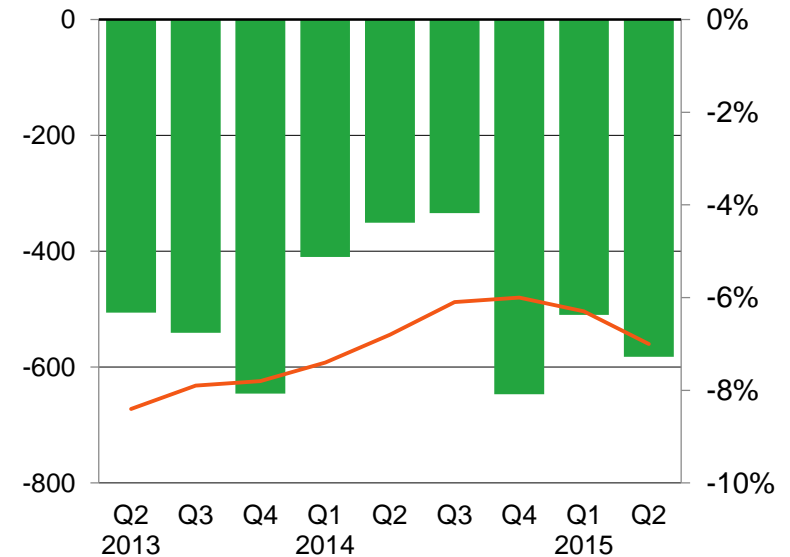
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**Trade working capital**  
(in € million)



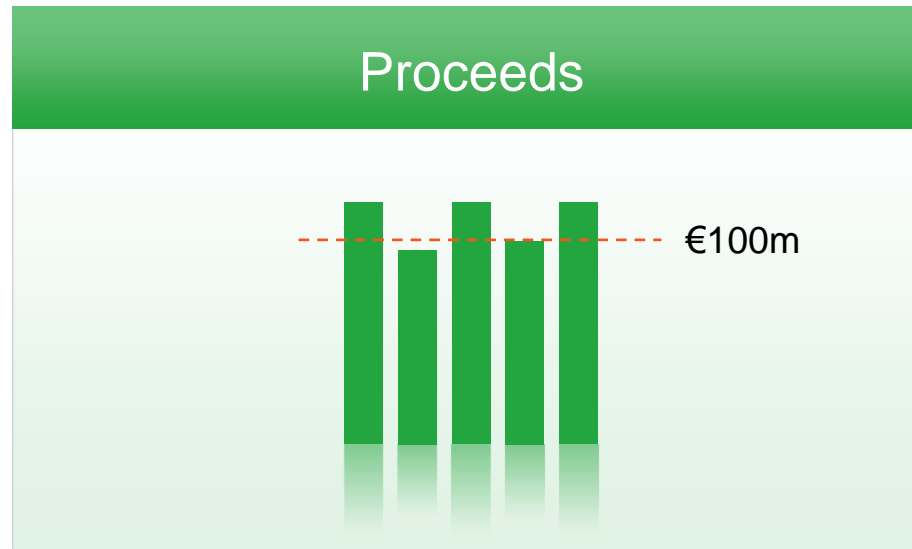
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(in € million and TWC as %)



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- Average TWC as % of 4-Q rolling revenue

# Divestments



## Back in shape timing, costs and benefits

<i>(in € million)</i>	Actual H2 2014	H1 2015	H2 2015	Beyond 2015
Cost reduction				
P&L restructuring cost	€53m	€13m	~ €15m	
Cash costs	€9m	€28m		~ €45m
Cost saving	€8m	€25m		> €100m
Project margins				Towards 2-4%
Working capital reduction				> €300m
Divestments	€170m		> €100m	> €100m