

Heijmans: annual results 2016, adjustment strategy and new financing agreements



23 February 2017
Board of directors Heijmans N.V.

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- Settlements at problem projects: resulting in high loss provisions
- Refinancing arranged, extended until 30 June 2019
- Tightened strategic focus: Heijmans to concentrate on Dutch market
- Proposed divestments on track, goal: to improve debt / ebitda ratio

Ton Hillen – chairman board of directors Heijmans N.V.

Key figures

x 1 € million

	H2 2016	H2 2015	2016	2015
Revenues	938	1.057	1.884	1.979
Underlying operating result **	-59	6	-66	-5
Operating result	-79	-13	-94	-29
Result after tax	-98	12	-110	-27
Earnings per share (in €)	-4,59	-0,56	-5,16	-1,32
Order book	1.863	1.669	1.863	1.669
Net debt	100	10	100	10
Number of FTE	6.241	6.582	6.241	6.582

* Unless otherwise noted, the key figures are shown for all operations. In the consolidated income statement (see attached sheets) the results of the continued and discontinued operations are shown separately.

** underlying operating result is the operating result corrected for operating result joint ventures, write down on property assets, restructuring costs and other extraordinary items.

Key figures

Underlying operating result x € 1 million	H2 2016	H1 2016	2016	2015
Property development	9	6	15	9
Residential	2	2	4	5
Non-residential	-15	0	-15	0
Infra	-63	-15	-78	-26
Netherlands	-67	-7	-74	-12
Belgium	3	4	7	8
Germany	10	3	13	7
Concern	-5	-7	-12	-8
Underlying operating result	-59	-7	-66	-5
Correction operating result joint ventures	6	-5	1	-9
Write down on property assets	-18	-1	-19	-12
Restructuring costs	-2	-2	-4	-3
Book loss sale Franki	-6	-	-6	-
Operating result	-79	-15	-94	-29

Highlights 2016

- Revenues 2016 € 1.9 billion (2015: € 2 billion), excl Belgium / Germany € 1.43 billion;
- Growth in the number of homes sold to 1,962 homes (2015: 1,791 homes);
- Significant impact project losses € 90 million, significant improvement risk profile;
- Underlying operating result 2016: -/- € 66 million (2015: -/- € 5 million);
- Net result 2016: -/- € 110 million (2015: -/- € 27 million);
- Strategy adjusted:
 - fully focused on Dutch market;
 - tightened focus on core competencies in property development, residential building, non-residential, infrastructure;
- Dutch order book at year-end 2016: € 1.9 billion (year-end 2015: € 1.7 billion);
- Financing amended and extended until 30 June 2019: phased reduction of credit facility to € 122 million;
- Solvency ratio appr. 18%, > 20% after proposed divestments.

Financial settlement and ringfencing of loss-making projects

- Total impact 2016 nearly € 90 mln;
- Infra: approx. € 75 mln;
- Non-Residential: approx. € 15 mln;

- Drachtsterweg Leeuwarden: new agreements Q2 2016, loss 2016: € 6 mln;
- Energiefabriek Tilburg: contract termination per 1-12-2016, loss 2016: € 23 mln;
- N23: new agreement, loss provision 2016: € 32 mln;
- Wilhelminasluis Zaandam: arbitration procedure started > provision 2016: € 8 mln;
- RIVM: new design, start construction, financial consequences being discussed > provision 2016: € 10 mln;
- Other: several minor losses concerning projects completed in 2016, approx. € 10 mln.

Financing

- Duration until 30 June 2019;
- Credit facility reduced in phases to € 122 mln (30 June 2019), in line with new scope;
- Divestment foreign companies: debt reduction;
- No covenant testing Q4 2016 and Q1 2017;
- Q2, Q3, Q4 2017: customised covenants, testing minimum levels EBITDA and solvency ratio:
 - phased minimum EBITDA rising to € 20 million in Q4 2017;
 - solvency ratio rising to at least 20% in Q4 2017;
- Per 2018 testing based on existing covenants;
- Continuity secured, important step towards recovery.

Strategic adjustment: 2017 - 2019

Focus, Discipline, Excellence

- Dutch core company, revenues approx. € 1,5 billion, with positive results
- Selective acquisition based on core competencies per segment
- Large/complex projects in partnerships
- Optimising cash management: from acquisition until completion
- Bringing cost structure in line with scope Heijmans Nederland, no large reorganisations anticipated
- Key objective 2017: debt reduction and recovery profitability

Order book

Order book (x € 1 million)	31-12-2016	30-6-2016	31-12-2015
Property development	311	275	284
Residential	327	277	286
Non-residential	758	825	517
Infra	730	787	834
Eliminations	-263	-216	-252
Netherlands	1.863	1.948	1.669
Belgium	259	251	270
Germany	183	178	155
Total order book	2.305	2.377	2.094

DEVELOPMENTS PER SECTOR

PROPERTY DEVELOPMENT

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	162	170	332	278
Underlying operating result	9	6	15	9
Underlying operating margin	5,6%	3,5%	4,5%	3,2%
Order book	311	275	311	284

- Turnover growth continues (almost 20%) with positive development operating result;
- Homes sold +10% to 1,962 with increasing average prices (+5% to € 243K);
- Growth primarily in investor segment, where prices are improving;
- Growth of order book, quality at target;
- Innercity transformations with combination of sales to investors and private individuals is a core competence > new projects in Spaarndammerbuurt A'dam, Katendrecht Rotterdam, Nieuw Kralingen Rotterdam and Kanaleneiland Utrecht;
- Project Wijnhaven The Hague (incl annex Leiden University) successfully completed;
- Invested capital in land positions decreasing, € 19 mln caused by impairments;
- Market conditions offering perspective to further decrease invested capital.

DEVELOPMENTS PER SECTOR

RESIDENTIAL

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	144	152	296	295
Underlying operating result	2	2	4	5
Underlying operating margin	1,4%	1,3%	1,4%	1,7%
Order book	327	277	327	286

- Turnover and result comparable with 2015;
- Pressure on capacity through strong demand for new houses: effect on availability suppliers as well as on procurement prices;
- Strategy: controlled growth and keeping execution capacity available for Property Development (60% of total turnover);
- Order book increased, commencement of a few large projects within Property Development;
- Focus on growth with standardised products (Huismerk, Wenswonen);
- December 2016: 100th Huismerk home completed (Nov'15: 500 / Oct'14: 250);
- Heijmans ONE: a.o. 45 sold to Alliantie and 30 to Wonen Limburg;
- Several new projects, including 74 homes in Spaarndammerbuurt (A'dam), 95 homes in Son en Breugel en 94 woningen in Pijnacker.

DEVELOPMENTS PER SECTOR

NON RESIDENTIAL

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	153	162	315	421
Underlying operating result	-15	0	-15	0
Underlying operating margin	-9,8%	0,0%	-4,8%	0,0%
Order book	758	825	758	517

- Turnover decreased as RIVM project delayed and selective tender procedures;
- Market conditions remain challenging: competition high and no volume growth;
- Result below par because of high loss provisions RIVM project;
- Growth in Services at decent margin development;
- Focussing on multi year maintenance contracts whether or not with design & build;
- Acquired maintenance contracts for Leiden University and European Patent Office;
- 2017 focus on good start up of RIVM and Amsterdam Court House projects, as well as next phase of Hart of South (Rotterdam);
- In Q4 SAP implemented.

DEVELOPMENTS PER SECTOR

INFRASTRUCTURE NETHERLANDS

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	292	329	621	690
Underlying operating result	-63	-15	-78	-26
Underlying operating margin	-21,6%	-4,6%	-12,6%	-3,8%
Order book	730	787	730	834

- Turnover decreased as a result of stagnation in and decommissioning of projects;
- Tender, risk and contract management procedures tightened;
- Adjustments in senior management;
- Strong negative operating result (-/- € 75 mln), fully impacted by problem projects;
- Majority of activities (regional infrastructure, asset management, and specialties) performing on par;
- Commencement of integrated projects A1/A27, Beatrix lock and RWZI on track;
- Order book growing following acquisition of Wintrack II (share 60%) and Zuidasdok (share 15%), not yet in 2016 order book;

DEVELOPMENTS PER SECTOR

BELGIUM

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	116	114	230	208
Underlying operating result	3	4	7	8
Underlying operating margin	2,6%	3,5%	3,0%	3,8%
Order book	259	251	259	270

- Continuing strong performance of Van den Berg, taking advantage of niche segmentation;
- Margin of Heijmans Construction (BE) and Heijmans Infrastructure (BE) positive, but at lower levels;
- Order book stable, market conditions remain challenging, especially on public authorities side;
- Successful completion of Elisabeth theater in Antwerp;
- On February 8, announcement of proposed sale of all Belgian operational activities to Besix;
- Sales price appr. € 40 mln, closing of transaction expected in Q2.

DEVELOPMENTS PER SECTOR

GERMANY

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	158	126	284	319
Underlying operating result	10	3	13	7
Underlying operating margin	6,3%	2,4%	4,6%	2,2%
Order book	183	178	183	155

- Strong result in 2016 within Oevermann (5% EBIT margin), especially in H2;
- Turnover and order book stable, more selective tender approach in improving market conditions;
- Sale of Oevermann currently investigated, strong revitalisation in recent years, but synergies with Heijmans Netherlands remain limited;
- Franki sale to PORR completed in January. Sales proceeds almost € 15 mln.

Outlook

- Extension of financing and ringfencing of loss making projects offers strong foundation for continuity;
- 2017 year of transition:
 - Shaping of proposed divestments;
 - Therewith: improving capital ratios;
 - Positioning of Dutch core company, with suitable cost base;
 - Above all: working towards recovery of profitability;
- Order book offering perspective.

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