

**Altrad Group**  
**1 August 2018**  
Coverage Report

*Q3 Trading Update*

*Prepared by Buchanan*

Source: [Upstream International](#)

Date: 1 August 2018

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## Altrad boosts profit, reveals Gorgon LNG deal

French services player set for record-breaking year, with oil and gas players increasing capex in new projects

[Eoin O'Kinneide](#)

1 Aug 2018 09:04 GMT *Updated 1 Aug 2018 09:05 GMT*

French services player Altrad is aiming for record full-year results after posting better-than-expected revenues in the first nine months of the year.

The Montpellier-based company, which last year bought UK services player Cape, is also taking aim at the liquefied natural gas sector, which is seeing a surge in activity.

Revenues for the nine months to the end of June were €2.58 billion (\$3.01 billion), more than 7% ahead of expectations.

Earnings before interest, tax, depreciation and amortisation were €323 million, with the total contract backlog at the end of the nine-month period put at €2.7 billion - €445 million of which is for delivery this year.

Altrad said that it secured a €46 million contract in the period from Chevron at the US supermajor's Gorgon LNG development in Western Australia and a deal worth more than €28 million a year from shale and chemicals player Ineos at its Grangemouth facility in the UK.

UK supermajor BP also renewed an offshore maintenance contract in Azerbaijan for the Socar-Cape joint venture.

With Cape now fully integrated after the **\$430 million acquisition** last year, oil and gas is the largest sector in terms of revenue for Altrad, with 80% of group turnover coming from industrial services and the remainder from equipment.

"As this (oil and gas) sector continues to benefit from improved sentiment as a consequence of the stability of the oil price above \$70 per barrel, there is renewed vigour to current and future capex and opex throughout the industry," Altrad said.

"Whilst the industry continues to ensure capital discipline as it emerges from a prolonged downturn, there are clear signs of increased capital expenditure in new projects, as the industry seeks to boost the supply required to meet the demand that is forecast to grow at around 1.3% per annum up until 2040.

"Shell recently signaled significant investment will be required in additional global LNG capacity over the coming decade, representing an opportunity for Altrad given its specialist expertise in LNG projects."

In Australia, where most of the LNG megaprojects are now online or nearing completion, the focus for Altrad will switch to maintenance activities.

Source: Energy Voice

Date: 1 August 2018

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## Altrad taking huge strides in wake of Cape deal

Written by [Mark Lammey](#) - 01/08/2018

Altrad said it had taken a huge “stride” towards becoming a world leader in industrial services thanks to its acquisition of Middlesex-based Cape.

The French construction group said the integration of Cape was essentially complete and that it was making progress on synergies.

Montpellier-based Altrad – founded and led by billionaire Mohed Altrad – bought Cape last year in a £332million deal. The transaction gave it a strong presence in north-east Scotland.

Altrad’s biggest revenue stream comes from the oil and gas sector.

The company believes higher crude prices have given the industry “renewed vigour” and said it expects spending on new projects to rise.

Highlights for the period include the award of a £40.9m contract from Chevron for work on the Gorgon LNG project off Australia.

Altrad is confident that its expertise in LNG projects puts it in a good position to benefit from an expected increase in demand for natural gas.

The firm is also targeting opportunities presented by new nuclear power generation projects in the UK.

But Altrad warned that Brexit uncertainty had hampered UK hire and sales activities.

It also won a £25m deal maintenance deal at Ineos’s Grangemouth refinery.

Revenues for the nine months to May 31 totalled £2.29 billion, 7.1% ahead of expectation, while earnings climbed 12.5% to £287m.

Altrad chief executive Louis Huetz said: “The group continues to perform well and has delivered a performance in the first nine months of the year that is ahead of our expectations.

“The core focus throughout the year has been the continued integration of the Cape business and benefitting from the cost synergies and growth opportunities brought with that acquisition.

“As operational excellence forms a key pillar of our strategy, we are pleased with the positive feedback we have had from our clients regarding the benefits of our expanded service offering and international footprint, and this has been reinforced with material contract wins and renewals.

“The market conditions and demand for our services across our diverse markets are supportive, particularly so in oil and gas which is now our largest market.

“We are optimistic that with both the near-term and longer-term outlooks for the group looking largely positive, we expect to deliver organic growth whilst also considering acquisition opportunities in line with our growth strategy”.

Source: OilVoice

Date: 1 August 2018

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## Altrad Group Q3 Trading Update

Posted by [OilVoice Press - OilVoice](#)

01-Aug-2018

Altrad Group, a global leader in industrial maintenance services across multiple sectors, is pleased to provide the following corporate and operational update for the first nine months of the fiscal year ended 31 May 2018.

### HIGHLIGHTS

- Revenue ahead of expectation (+7.1%) at €2,579 million year to date
- Strong profitability with EBITDA of €323 million and EBITDA margin of 12.5%
- Total backlog for our Services business of €2,701 million providing good visibility on future revenue
- Material contract awards with blue-chip customer base including Chevron, INEOS and EDF
- Positive outlook supported by growth drivers for Altrad's core sectors and markets

Commenting on the Results, CEO Louis Huetz said:

*“The Group continues to perform well and has delivered a performance in the first nine months of the year that is ahead of our expectations. The core focus throughout the year has been the continued integration of the Cape business and benefitting from the cost synergies and growth opportunities brought with that acquisition. As Operational Excellence forms a key pillar of our strategy, we are pleased with the positive feedback we have had from our clients regarding the benefits of our expanded service offering and international footprint, and this has been reinforced with material contract wins and renewals. The market conditions and demand for our services across our diverse markets are supportive, particularly so in oil and gas which is now our largest market. We are optimistic that with both the near-term and longer-term outlooks for the Group looking largely positive, we expect to deliver organic growth whilst also considering acquisition opportunities in line with our growth strategy”.*

### OVERVIEW

Altrad has delivered a strong operational and financial performance in the first nine months of the fiscal year, demonstrating the benefits of the Group's strategy to expand by acquisition in recent years.

The integration of Cape, acquired in October 2017, continues to progress in line with expectations and represents a successful stride towards its strategy of building an international leader in industrial services. The successful acquisition and integration of Cape has enabled Altrad to reinforce market leading positions in key geographies and widen the range of services that the company provides to its global blue-chip client base.

Since the HY Results issued on 28 February, Altrad's focus has been on the continued integration of Cape and leveraging the cost synergies associated with the acquisition of that business, and indeed the

acquisitions that preceded it. Positive progress has been achieved in both of these areas, with the central restructuring now essentially complete.

With the Cape business now integrated, a more detailed integration plan has commenced between Cape and other industrial services activities within the Group, with a view to benefitting from cross-selling opportunities.

Whilst acquisitive growth remains a core part of Altrad's strategy going forward, the transformative acquisition of Cape provided the platform to become the global industrial services leader that it is today. Altrad has successfully shifted its focus towards Services, with over 80% of group turnover now consistently derived from this division, with the remainder coming from the Equipment business that continues to perform solidly. Altrad's strategic focus towards Services was born from the long-term growth drivers and underlying demand for these services, as well as the visibility and lower-risk nature of sales associated with maintenance operations within Services.

The core benefit of the Cape acquisition has been the diversification of the Group's sectors and markets. Over one third of Altrad's activity now takes place outside of Europe, giving the Group exposure to both mature and emerging markets. Altrad also benefits from a balanced sales mix between Oil and Gas, Power, Process Industries and Construction, providing protection from any downturns that may occur in each sector.

#### FINANCIALS

Revenue for the year to date has been strong and marginally ahead of expectation, at €2.6 billion for the 9 months ended 31 May. Of note, over 70% of the Services revenue, which represents 82% of the Group revenue, is a recurring revenue profile from multi-year maintenance contracts.

The Group has achieved a solid level of profitability, with EBITDA margin of 12.5%, trending positively from 12% figure provided in the Half Yearly Results. EBITDA for the nine-month period is also marginally ahead of expectation at €323m.

At the end of May, Altrad's Order Book stood at €2.7 billion, of which €445 million is for delivery in the current year.

Net debt at period end was €987 million, a marginal improvement versus expectation and within Altrad's preferred gearing ratio of 2x EBITDA over a 12-month rolling period.

#### MARKET CONDITIONS

Oil and Gas now represents the largest sector for Altrad in terms of revenue. As this sector continues to benefit from improved sentiment as a consequence of the stability of the oil price above \$70 per barrel, there is renewed vigour to current and future capex and opex throughout the industry. Whilst the industry continues to ensure capital discipline as it emerges from a prolonged downturn, there are clear signs of increased capital expenditure in new projects, as the industry seeks to boost the supply required to meet the demand that is forecast to grow at around 1.3% per annum up until 2040. Shell recently signalled significant investment will be required in additional global LNG capacity over the coming decade, representing an opportunity for Altrad given its specialist expertise in LNG projects.

Altrad continues to assess the opportunities presented by new nuclear power generation projects in UK, and remains well placed given the Company's market leadership in this sector and strong working relationship with EDF. As well as new build opportunities, Altrad expects to see continued investment

# Thank you

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