

# Salmon – Equity Process Considerations

August 2017

# Investor Feedback

## Key Themes

- Feedback has focused on the themes listed opposite – the provision, ongoing strategic review and the balance sheet situation
- Investors are seeking reassurance around the underlying performance of the business, including confirmation there will be no further “bad news” to come out of the strategic review
  - Most investors recognise that they will have to wait for an update with the interim results in September for this reassurance
- A number of non-holders are following developments and are keen to engage once there is more clarity around strategy and the business plan going forwards

### Contracts Provision

- Surprised by the size of the provision
- Many have questioned the timing of the provision. Surely management had known these contracts had been problematic for a while?
- Unrealistic to believe the problems as solely confined to the construction contracts; expectation of further problematic contracts, probably in the Support Services business

### Strategy / Strategic Review

- What is the scope of the strategic review?
- Where is the value in the business? What areas / geographies are core?
- What are the true underlying earnings in the Support Services business?
- What further contract review is being done and by whom? What is the anticipated timing of this?
- Is a September end date realistic for conclusion?

### Customers

- How have customers reacted to the news?
- Have any contracts been pulled or threatened?
- Have credit terms been tightened?
- Does it prevent the company winning further work?
- Got to get receivables down through cash collection from customers

### Financials / Capital Structure

- How should we think about leverage in the business? What is the actual net debt number we should use? How much leverage can the business sustain?
- Is there a liquidity issue? What is the working capital ex Construction?
- Need to be able to demonstrate the underlying cash flow of the business
- Need to understand full sources and use before putting in fresh equity, including the pension position

### Management

- Desire to understand what further management change will be effected and when
  - Questions regarding ongoing composition of the executive team
- Although well-regarded, supporting the strategy of an interim CEO is challenging
  - Expectation of further changes to the strategy when permanent CEO is appointed

### Strategic options

- Is there sufficient equity value in the business to support an equity raise?
- A debt for equity swap has been mentioned; is this likely?
- Recognise there is limited scope of potential buyers of the business as a whole