

# Keller Group plc

## Keller in the Middle East

### Wolfgang Sondermann



# Agenda

- Introduction
- Keller presence in the Middle East
- Performance trend
- Looking ahead
- Summary

# Introduction

- Total Middle East construction market over \$200bn in 2006\*
  - Gulf Cooperation Council (GCC) countries comprised \$143bn\*
  - GCC construction market projected to grow at 10% a year to 2011\*
    - 8% a year from 2011-2016\*
- Keller present in region for many years
  - market leader in ground improvement, growing piling presence
  - long established businesses in Saudi Arabia, UAE and Bahrain
    - managed as a region
  - also work in Qatar, Oman and Kuwait
  - small business in Egypt
- Keller 2007 sales around €50m at excellent margins
  - trebled since 2004

\* Source: Global Insight



# Keller presence in the region



- Focussed on Gulf Cooperation Council (GCC) countries

# Our main markets

## Established Businesses

### Kingdom of Saudi Arabia (Saudi)

Population 28m  
2006 construction market\* US\$79bn  
Growth to 2011\* 8% per annum

### United Arab Emirates (UAE)

Population 5m  
2006 construction market\* US\$42bn  
Growth to 2011\* 11% per annum

### Kingdom of Bahrain (Bahrain)

Population 1m  
2006 construction market\* US\$3bn  
Growth to 2011\* 10% per annum

## Markets for Individual Contracts

### Sultanate of Qatar (Qatar)

Population 1m  
2006 construction market\* US\$7bn  
Growth to 2011\* 8% per annum

### Sultanate of Oman (Oman)

Population 3m  
2006 construction market\* US\$3bn  
Growth to 2011\* 7% per annum

### State of Kuwait (Kuwait)

Population 3m  
2006 construction market\* US\$9bn  
Growth to 2011\* 10% per annum

\* Source: Global Insight



# Key characteristics - Saudi

- Construction industry booming with massive investment in large scale industrial, commercial and residential projects
- Piling revenue growing very fast
  - 70% of 2007 total vs 40% in earlier years
- Piling competition diverse and growing
  - includes Bauer, Korean companies, Saudi businesses, other foreign-owned players
  - to date, Keller predominantly on east coast
- Keller the clear market leader in ground improvement

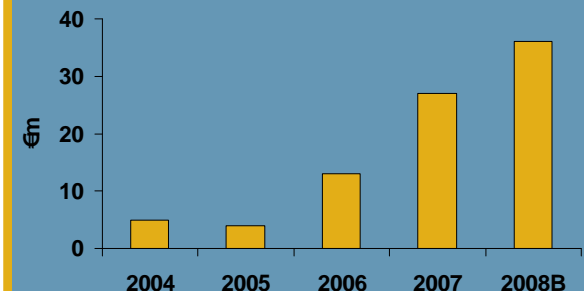
## Keller Saudi Arabia

Ownership: 65%

Employees: 61

Products: Piling, Ground improvement

Revenue Progression



# Recent major projects - Saudi

**Saudi Kayan, Saudi Arabia (2007- 08)**

**CIP Bored Piles – 7 new piling rigs**



- Progress to date: 15,000 piles, 278k linear m of ground improvement

# Key characteristics - UAE

- Dubai was the first to announce ambitious development plans in 2002
  - other Emirates have since followed
- Man-made islands and other mega projects still offer a huge volume of work
- Keller is market leader in ground improvement
  - main competitors Soletanche, Bauer, APCC, ECO soil
  - new S700 vibrator gives us a clear cost advantage
- Investing in rigs to grow a piling business
  - market fragmented with > 50 players
  - largest are Trevi, Bauer and ME Foundations

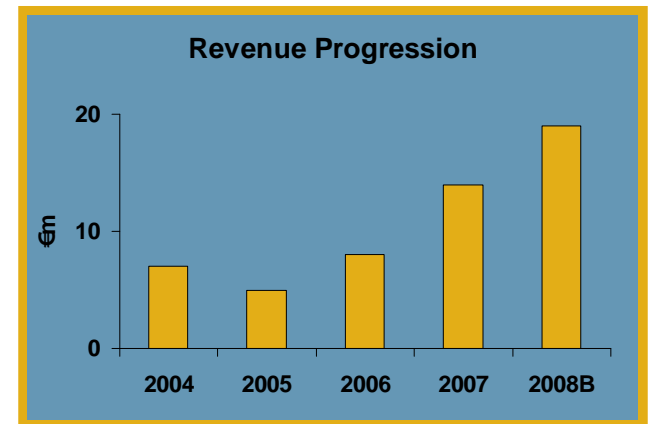


## Keller UAE

Ownership: 100%

Employees: 74

Products: Ground improvement



# Recent major projects - UAE

**Palm Deira, Dubai, UAE (2007-2008)**

**Vibro Compaction with S-700 vibrators**



**Al Raha Beach, Abu Dhabi, UAE (2007-2008)**

**Onshore Vibro Compaction & Offshore Vibro Replacement**



# Key characteristics - Bahrain

- Bahrain has ambitious development plans
- Keller is a clear market leader, with large market share
  - dominates ground improvement market
  - Keller and local player BFCC each have about 40% of piling market
- New competitors trying to enter Bahrain

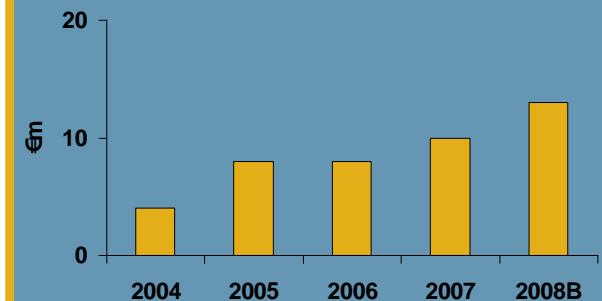
## Keller Bahrain

Ownership: 100%

Employees: 56

Products: Piling, Ground improvement

Revenue Progression



# Recent major projects - Bahrain

**Durrat Al Bahrain, Bahrain, (2006-07)**

**CIP Bored Piles for 13 bridges**



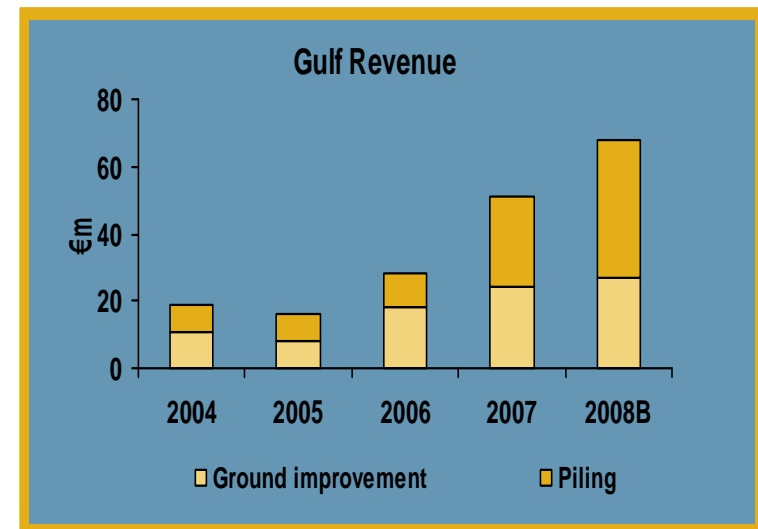
**Al-Salaam Resort, Bahrain (2007-08)**

**Piling for beach resort and spa**



# Summary performance trend

- 2008 budget revenue over 3x 2004 revenue
  - supported by capex
- Piling increased from 25% of total in 2004 to about 60% in 2008
  - piling rigs in Gulf region increased from 5 to 18
- Reduced dependency on hired equipment has had a positive impact on gross margins
- Resources are shared across the Gulf region, reducing the investment risk
- All business units still working at full capacity



# Looking ahead

- Strong market growth across the Gulf
  - supported by numerous new mega projects, not just in Dubai
- Keys to securing further growth in the Gulf are:
  - continue to upgrade and expand equipment fleet
  - obtaining sufficient suitably qualified additional people
  - continuing to set Keller apart through efficiency, reliability, quality and safety
- Key risk is political
- Key challenges are:
  - availability of people and materials
  - cost inflation
- Opportunities elsewhere in the Middle East

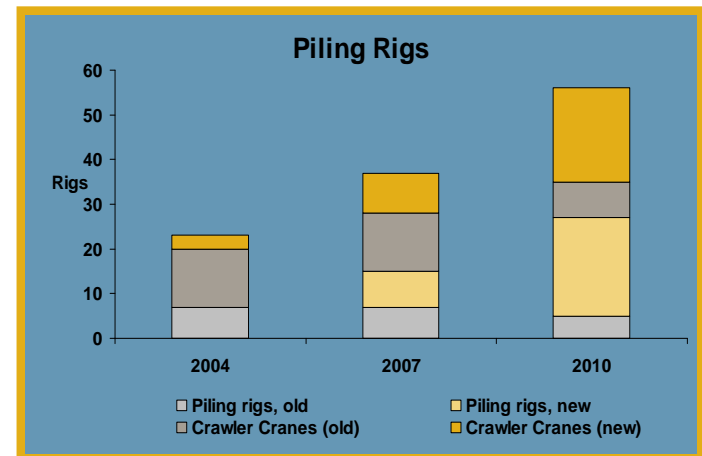
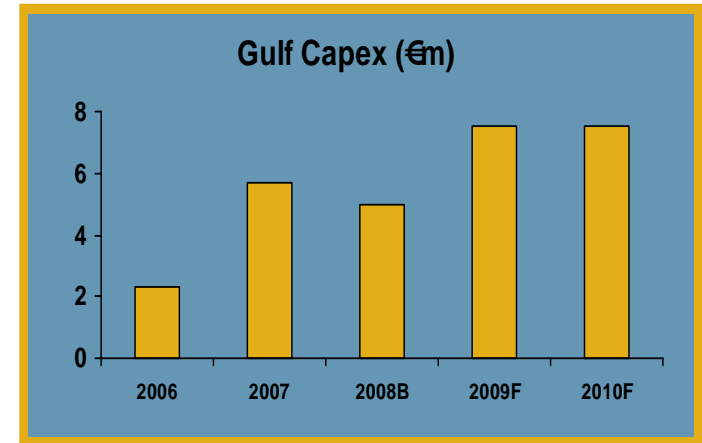


# Market development – mega projects

Area	Project	Facility	Total project budget	Expected start date
Saudi, Ras Az Zawr	Ma'aden Development	Port, Desalination, Petrochemical	€4bn	2008
Saudi, Jubail	INEOS ENTERPRISE AND DELTA OIL COMPANY	Olefins Complex	€20bn	2009
Saudi, Jubail	SAUDI ARAMCO Export Refinery	Refinery	€5bn	2010
UAE, Dubai	Palm Deira	Tourism, housing, infrastructure	Unknown (>€100bn)	Ongoing since 2006
UAE, Dubai	Dubai Waterfront	Infrastructure, housing	unknown	2008
UAE, Abu Dhabi	Yas Island	Tourism, housing	€25bn	2009
UAE, Abu Dhabi	Al-Raha Beach Development	Tourism, housing, infrastructure	€9bn	Ongoing since 2007
Bahrain, Manama	Bahrain Financial Harbour	Commercial	€1bn	Ongoing since 2006

# Investing for further growth in the Gulf

- Total capex of €25m planned over four years
- Expansion of piling fleet, especially in Saudi and UAE
- Improve crawler crane fleet for both piling and ground improvement
  - increase number of rigs
  - exchange old for new
- Optimise utilisation and efficiency of all equipment
- Match increase in equipment with additional trained staff



# Securing further growth elsewhere

- Egypt - the region's 4<sup>th</sup> principal market for Keller
  - scope to develop current limited product offering
  - requires investment in equipment and people, including management
  - target increased market share in bored piling, in which competition is limited
- Move to new countries/regions in the Middle East
  - observe and monitor developments in adjacent countries
  - evaluate opportunities
  - 'follow' international clients for selected major projects
  - initially deploy equipment and manpower from existing branches

# Summary

- Middle Eastern construction boom set to continue
- Keller well set to benefit
  - established, growing businesses in the Gulf area with strong margins
    - market leader in ground improvement
    - investing in piling capacity
  - medium term opportunities in neighbouring countries
- Targeting sales of €150m in Middle East by 2011