MEARS

Mears Group PLC

Preliminary results for the full year ended 31 December 2025

MEARS

Lucas Critchley | CEO

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Key highlights

Excellent operational and financial performance
- Strong growth in traditional Maintenance-led activities
- Continued strengthening of operating margin
- 10% EPS growth, and further dividend progression

Growing Local Government work
- £1.2bn of new maintenance orders secured in last 12-months. High level of contract retention, augmented by a strategically important new contract win with Birmingham City Council
- Order book at an all time high, £4.0bn
- Rebalancing of Local Government and Central Government revenues

Strategic acquisition extending service capabilities
- Pennington Choices brings additional capability in a key strategic growth area
- Post year-end, disposal of FM business supports the delivery of focussed strategic plan.

Outlook and guidance
- Well-positioned. Increasing confidence reflected in underlying PBT upgrade on FY26
- Launch of new £20m share buyback programme reflecting Board confidence.

Maintenance growth
+12%
(2024: +2%)

Adjusted operating margin
5.7%
(2024: 5.6%)

Diluted EPS
53.9p
(2024: 48.9p)

Order book
4.0bn
(2024: £2.9bn)

Income statement

	2025	2024	Change %
	£m	£m	
Revenue	1,135.5	1,132.5	0%
Adjusted operating profit[1]	**64.8**	63.6	+2%
Adjusted operating margin %[1]	**5.7%**	5.6%	
Statutory profit before tax	**63.5**	64.1	-1%
Tax expense	**(17.5)**	(17.2)	+2%
Statutory profit after tax	**45.9**	46.9	-2%
Share count (weighted average) (m)	**85.8**	95.2	-10%
Diluted EPS (p)	**53.9**	48.9	+10%
Proposed dividend for year (p)	**17.5**	16.0	+9%

1. Operating profit is stated on a pre-IFRS 16 bases and includes share of profit of associate.

- Strong revenue and profit performance
- Diluted EPS up 10% to 53.9p, driven by a reducing share count
- Progressive dividend reflecting Board confidence

Segmental analysis

Increasing momentum in growing Maintenance-led activities

	2025	2024	Change
	£m	£m	
Revenue			
Maintenance-led	**620.4**	555.8	+12%
Management-led	**515.0**	576.7	-11%
	1,135.5	1,132.5	+0%

	2021	2022	2023	2024	2025	2026E
Maintenance revenues £m	572.4	535.3	543.3	555.8	620.4	
Change %		-6.5%	+1.5%	+2.3%	+11.6%	+5-9%

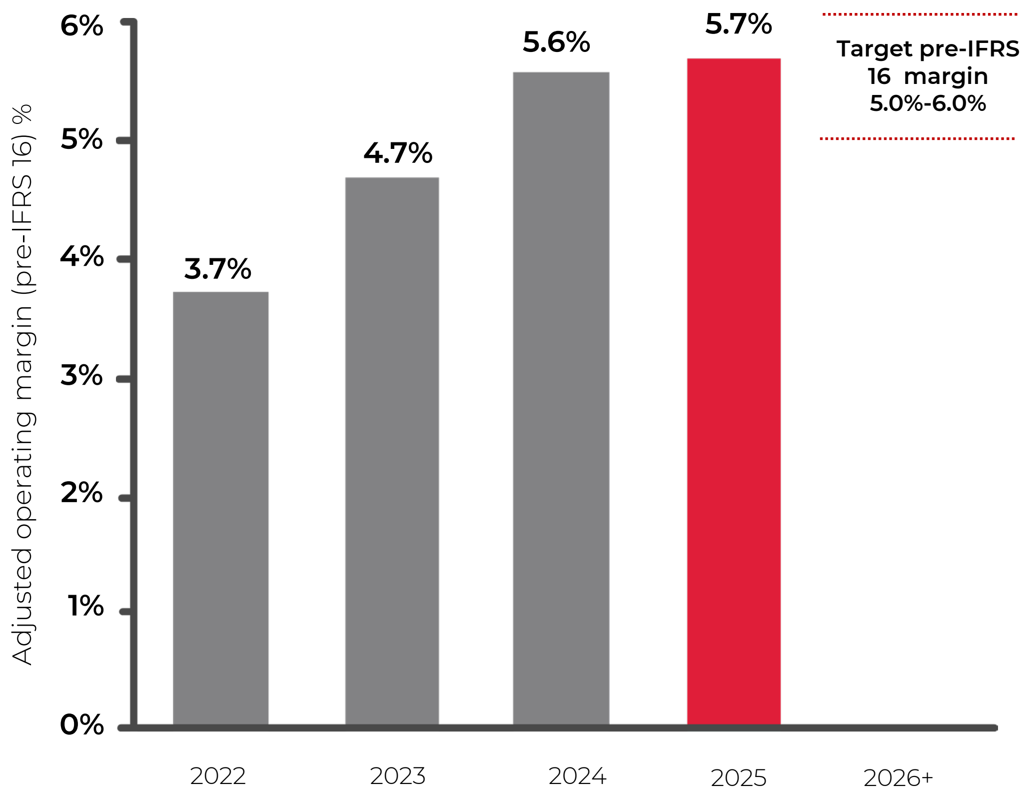
Maintenance-led

- Strong organic growth (+11%) augmented by Pennington acquisition (+1%)
- Near 100% retention on contracts re-bid
- Successful mobilisation of Moat interim contract
- Improved forward revenue visibility
- Increasing client spend from strong regulatory growth drivers

Management-led

- Continued normalisation of AASC revenues; reduction slower than anticipated
- Modest growth with MOD and MOJ

Strengthening operating margin



- Robust operational and commercial focus driving margin progression
- AASC revenue reduction creates modest margin headwind, but further efficiency opportunities exist across contract estate
- Additional revenue investment in people and technology in 2025
- Increasingly confident that the Group can maintain operating margin within the target range as business mix continues to evolve
- Target pre-IFRS 16 margin 5%-6%

Strong underlying cash performance

	2025	2024
	£m	£m
EBITDA	**157.4**	145.1
Working capital improvement	**6.7**	1.1
Unwind of contract related liabilities	**(35.8)**	-
Operating cash	**128.3**	146.2
Tax paid	**(15.7)**	(17.4)
PPE capex	**(3.6)**	(4.7)
Lease payments	**(83.7)**	(71.2)
Other income	**3.0**	4.2
Free cash flow	**28.3**	57.1
AASC property acquisitions	**(27.9)**	(10.1)
M&A	**(8.9)**	-
Shareholder returns	**(31.1)**	(64.7)
Change in net cash	**(39.6)**	(17.7)
Adjusted year-end net cash	**51.8**	91.4
Average daily net cash	**52.8**	59.6

- 82% EBITDA to Operating cash conversion (2024: 101%)
- Operating cash conversion, last 4-years, 104%

- Elevated level of contract related liabilities unwound during 2025; normalisation of £35.8m
- Property acquisitions of £27.9m (net of sale and leaseback) to support AASC contract
- £31.1m distributions to shareholders through ordinary dividends and share purchases

Balance Sheet

	2025	2024
	£m	£m
Goodwill and intangible assets	127.9	128.1
Property, plant and equipment (‘PPE’)	51.9	38.8
Right of use assets	289.3	272.2
Investments and loan notes	24.0	12.5
Pension net assets	24.1	23.2
Assets and liabilities held for sale	9.2	-
Trade receivables and inventories	154.4	134.4
Trade payables	(183.6)	(192.3)
Net cash	48.5	91.4
Lease liabilities	(318.7)	(297.5)
Net tax liability (including deferred tax)	(5.4)	(2.8)
Provisions	(16.8)	(20.6)
Total net assets	204.8	187.5

- Assets and liabilities held for sale reflect carrying value of assets attached to FM activities
- Reduced net cash reflects the working capital unwind on certain contractual mechanisms linked to payments on account and gainshares
- PPE includes £44.2m of residential properties supporting the delivery of the AASC contract

Capital allocation

	1 Target leverage	2 Organic growth	3 Strategic M&A	4 Ordinary dividend	5 Other returns
2025 update	Average daily adjusted net cash £53m (2024: £60m)	£3m maintenance capex £29m AASC property acquisitions net of sale and leaseback proceeds	Acquisition of Pennington Choices for £9.5m, a business delivering a range of Compliance activities	17.5p full year dividend for FY25 (2024: 16.0p)	£16m of buybacks (FY24: £40m)
Medium term guidance:	Maintaining a modest net cash position	Modest levels of working capital to support organic growth. No further property purchases anticipated on AASC	Highly selective. Primary focus is organic growth but will look to small-scale acquisitions to complement this strategy	Progressive ordinary dividends. Targeting dividend cover over medium term of 2x to 2.5x, cognisant of alternative distribution options	A further £20m buyback announced to launch in Q2 2026. Continue to keep returns of future surplus cash under review.

Guidance

	2025	2026 / Medium term
Maintenance-led revenue growth	**+12%**	+5.0%-9.0%
Management-led revenue	**-£62m**	Further reduction anticipated linked to AASC normalisation
Adjusted operating margin	**5.7%**	5.0%-6.0%
EBITDA to operating cash conversion	**82%**	95%-100%, absorbing the mobilisation of Birmingham City Council contract

- Increasing confidence in the growth momentum within Maintenance-led activities.
- The precise timing of the normalisation of AASC revenues remains uncertain
- Reduction in overhead recovery as AASC revenues normalise, mitigated by efficiency improvements

Local Government highlights

- Exceptional period of contract retentions and strong future pipeline gives confidence in future Maintenance revenue growth
- Two further contract retentions with **Leeds City Council** (£100m, 5 years), and **livin** (Sedgefield) (£210m, 10 years) announced today
- Regulation driving increased compliance spend and accelerating market growth. Mears broadening its compliance capabilities, increasing its addressable market
- **Birmingham City Council** contract award a strategic milestone (£450m, 10 years)
- Retention of flagship contracts with **Milton Keynes City Council** valued at up to £475m over 10 years, and **Cross Keys Homes,** (£250m, 10 years)

- **North Lanarkshire Council** contract performed well in FY25 and delivered anticipated revenue increase in year
- Interim contract with **Moat** has delivered excellent outputs. Long term strategic partnership nearing the end of its procurement process
- **Healthy pipeline** of well progressed opportunities gives optimism about further news flow through '26
- Acquisition of **Pennington Choices** (PCL), an important strategic addition designed to extend capabilities and accelerate the delivery of the strategic plan. The business has integrated into the Group well.
- Continued significant investment in IT development and business development resource.

Contract retentions give confidence in the Local Government growth plan

2024

North Lanarkshire
Annual Value: c.£100m
Term: 8 + 4 years
Relationship start: 2012
No. employees: 545

Retention 93%

2025

Medway
Annual value: £7m
Term: 5 years
Relationship start: 2009
No. employees: 43

Folkestone
Annual value: £4m
Term: 10 years
Relationship start: 2012
No. employees: 41

Thanet
Annual value: £7m
Term: 10 years
Relationship start: 1996
No. employees: 53

Dover
Annual value: £5m
Term: 5 years
Relationship start: 1994
No. employees: 72

Milton Keynes
Annual value: c.£46m
Term: 5 + 5 years
Relationship start: 2016
No. employees: 206

Retention 100%

2026

Cross Keys (Peterborough)
Annual value: £25m
Term: 10 years
Relationship start: 2006
No. employees: 138

Leeds
Annual value: £19m
Term: 5 + 5 years
Relationship start: 2004
No. employees: 197

Livin (Sedgefield)
Annual value: £21m
Term: 10 years
Relationship start: 2008
No. employees: 137

Moat (South-East)
Annual value: c.£25m
Term: 10 + 5 years
Relationship length: 2011
No. employees: 94

Thurrock
Annual value: £24m
Term: 5 + 5 years
Relationship start: 2012
No. employees: 71

Retention 88%*

2027

Orbit (South-East)
Annual value: c.£20m
Term: 5 + 2 years
Relationship length: 2018
No. employees: 334

Hammersmith & Fulham
Annual value: c.£5m
Term: tbc
Relationship start: 2018
No. employees: 33

Retention % tbc

2028

No re-bids

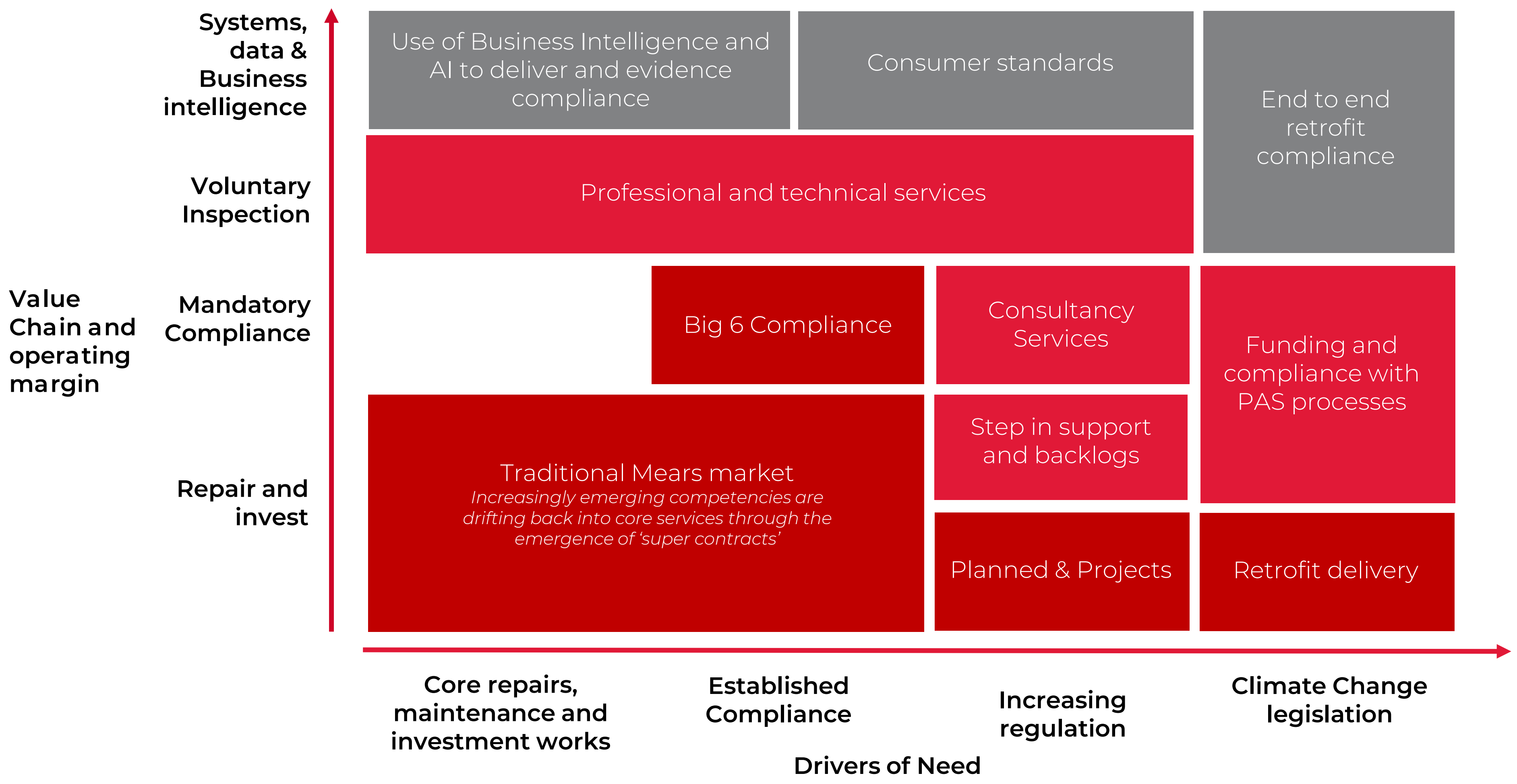
2029

No re-bids

- c.50% of Mears' traditional maintenance activities have been renewed in the last 24 months.
- Contract attrition risk has significantly reduced, and focus turns to the delivery of our Local Government growth plan, with increased confidence.

***2026**
Cross Keys, Leeds and Livin have all been secured. Thurrock (£24m) and Moat (£25m) are both active live bids and are excluded from the retention %. Eastbourne & Lewes is the single contract loss.

Further progress in building maintenance-led capabilities



Traditional core competencies

Developing core competencies

Future core competencies

Big 6 Compliance

- Fire safety
- Asbestos management
- Legionella
- Gas safety
- Electrical safety
- Lifts/LOLER (Lifting Operations and Lifting Equipment Regulations) compliance

Key:

FRA: Fire Risk Assessment

EPC: Environmental Performance Certificate

DMC: Damp, Mould and Condensation

PAS: Publicly available specification.

Central Government highlights

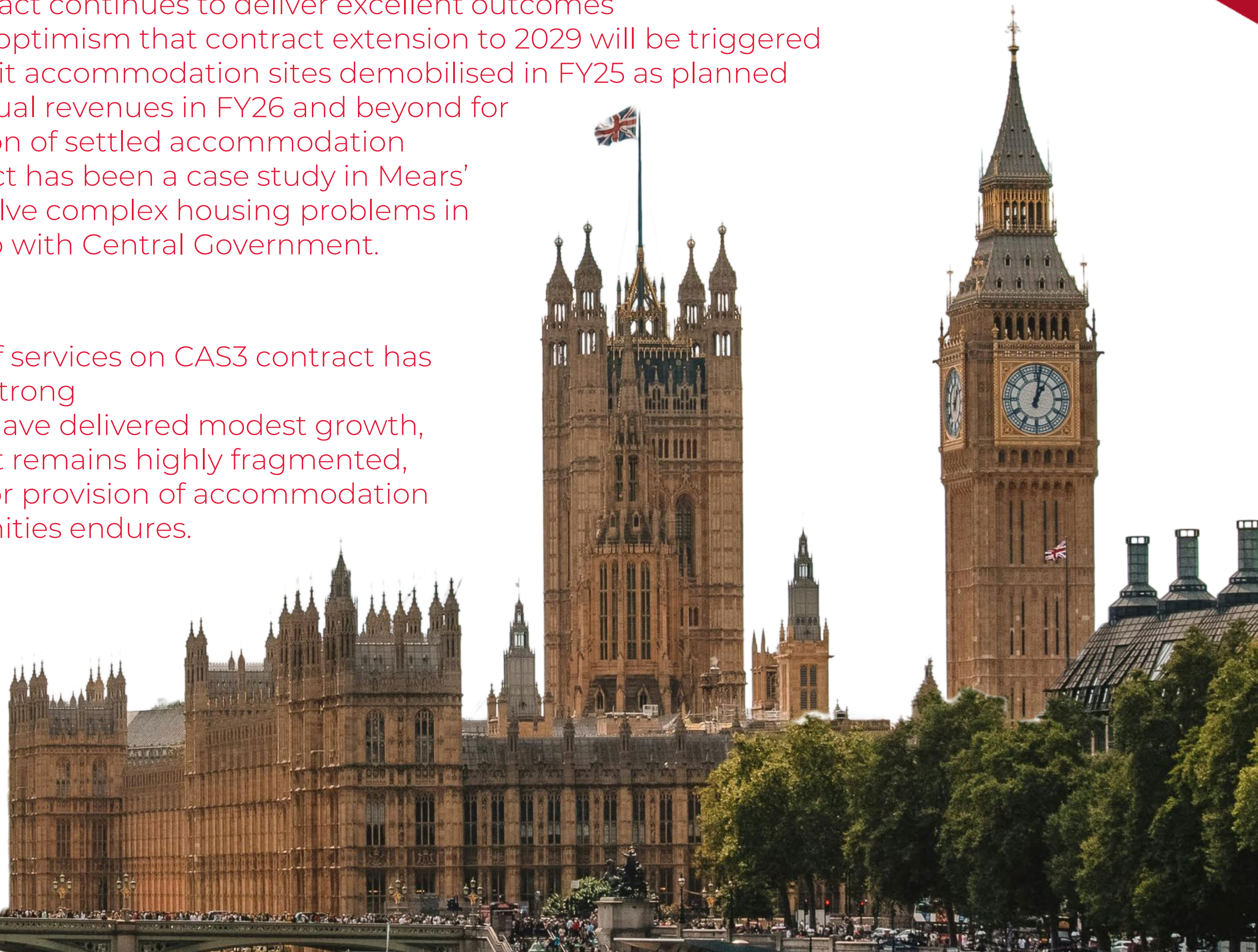
Continuing high levels of service being delivered, through a commitment to partnership, in some challenging environments.

Significant future opportunity.

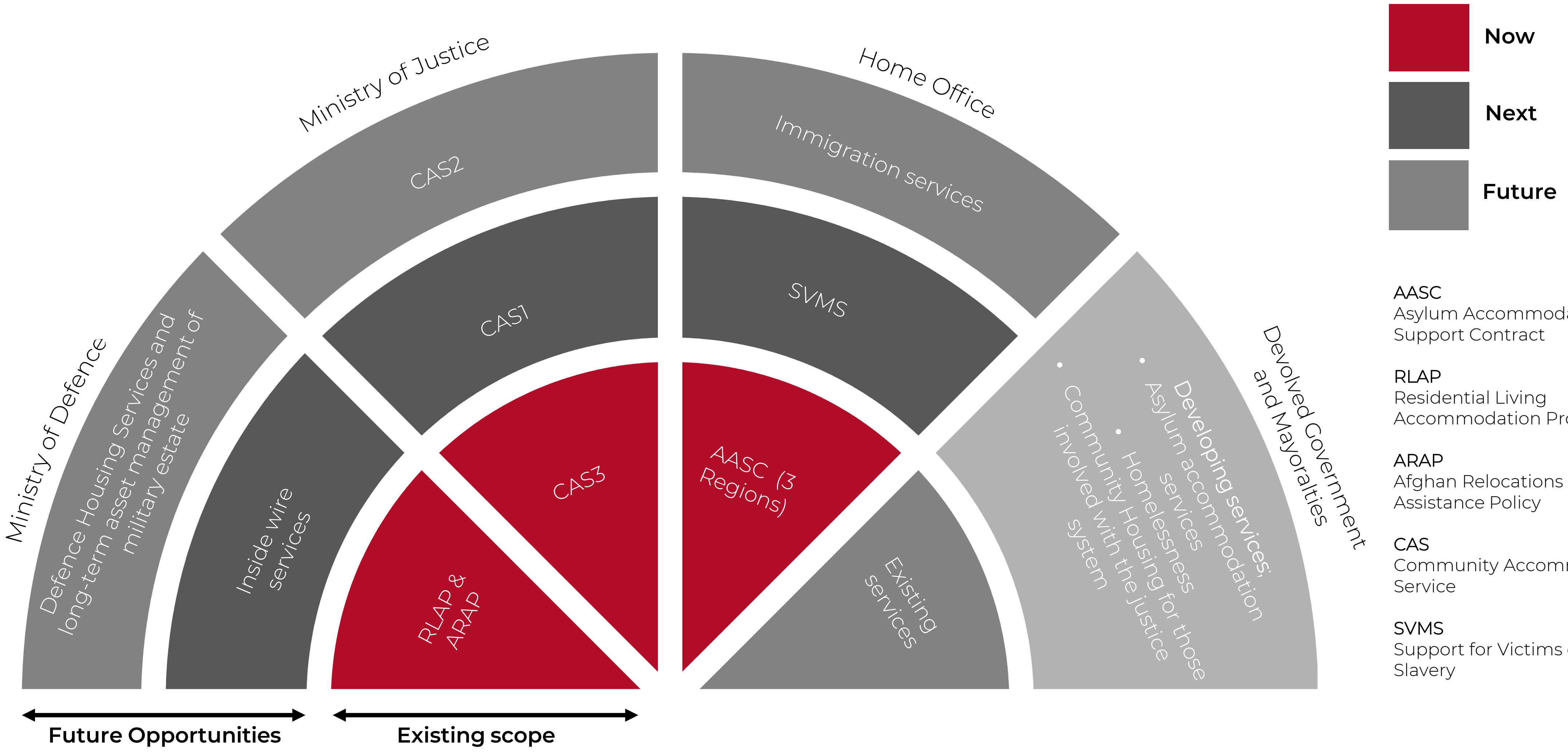
AASC
- Proactively working with Central Government to support the drive to reduce reliance on hotel accommodation
- The normalisation of revenues was seen through FY25, and is expected to continue, though the precise timing remains uncertain
- The Future Asylum Contract Transformation (FACT) market engagement continues with procurement expected through '26 and '27 in readiness for September '29 start
- Mears is well placed to play a part in the future provision.

RLAP and ARAP
- RLAP contract continues to deliver excellent outcomes
- Increasing optimism that contract extension to 2029 will be triggered
- ARAP transit accommodation sites demobilised in FY25 as planned
- Small residual revenues in FY26 and beyond for the provision of settled accommodation
- The contract has been a case study in Mears' ability to solve complex housing problems in partnership with Central Government.

MOJ
- Provision of services on CAS3 contract has remained strong
- Contracts have delivered modest growth, and market remains highly fragmented, but need for provision of accommodation in communities endures.



Continuing opportunities for growth as a housing specialist with Central Government



AASC
Asylum Accommodation and Support Contract

RLAP
Residential Living Accommodation Project

ARAP
Afghan Relocations and Assistance Policy

CAS
Community Accommodation Service

SVMS
Support for Victims of Modern Slavery

Current trading and outlook

Solid start to 2026 underpins full year confidence and underlying upgrade

- Strong contract retentions, underpinned by outstanding operational delivery, increases confidence in Maintenance-growth target; 5-9% p.a.
- The Board anticipates a continued revenue reduction within its Asylum Accommodation Services, as revenues normalise from the previously elevated levels, although the timing remains uncertain
- Confidence in maintaining adjusted pre-IFRS 16 operating margin within the range of 5-6%
- The disposal of non-core FM activities brings a further simplification to the Group, reinforcing the focus on delivering housing services. The Board anticipates that the profit reduction from the disposal of the FM activities will be fully offset in the current year by the performance of the Core business.
- The acquisition of Pennington a significant step forward in continuing to expand capability in a growing market
- Investment in business development and IT resource important to future growth plans
- Continued strong underlying cash generation, reflecting the quality of earnings.

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