Kier Group

Results for the six months ended 31 December 2021

9 March 2022

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Results Summary

Andrew Davies, CEO

Group HY22 Highlights

Robust financial performance

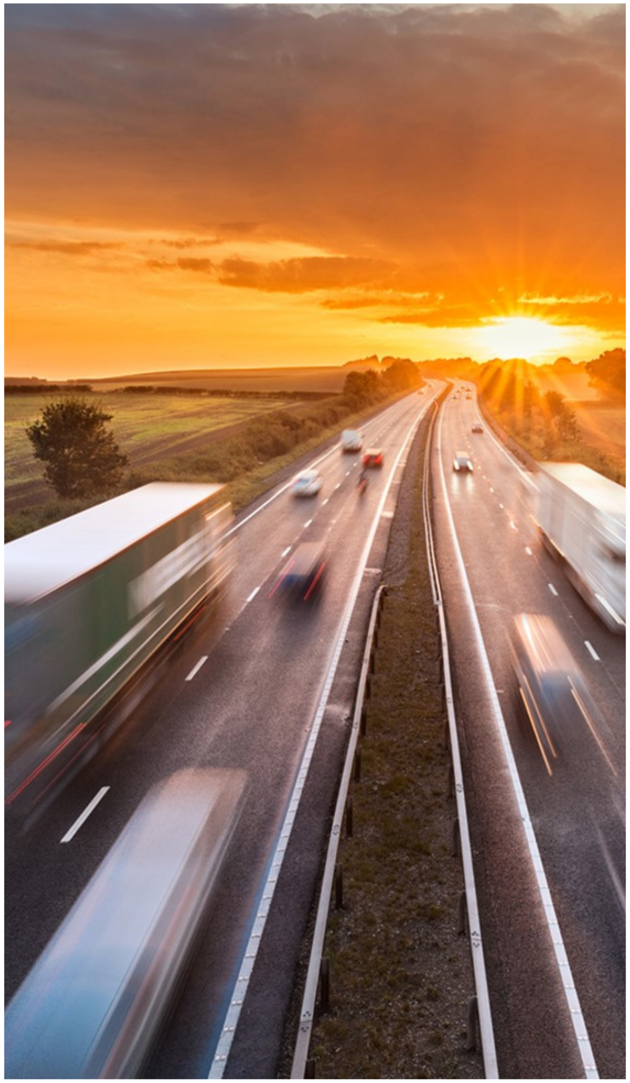
- Group revenue of £1.5bn (HY21: £1.6bn)
- Adjusted operating profit margin increased to 3.5%
- Adjusted basic EPS of 7.8p (HY21: 10.4p)
- Net debt £131m (HY21: £354m)
- Significant reduction in average month end net debt to £191m (HY21: £436m)

Strategic and operational highlights

- Strong performance despite inflationary pressure
- Positive momentum
  - Strong performance in Infrastructure Services and Property partially impacted by reduced volumes in Construction
- High quality order book of £8bn
  - Focused on winning work through long-standing client relationships and regional-based business model
- Disciplined investment in Property business in line with medium-term plan
- Continued commitment to Sustainability Framework and ESG targets

HY22 Results

Simon Kesterton, CFO



Income Statement

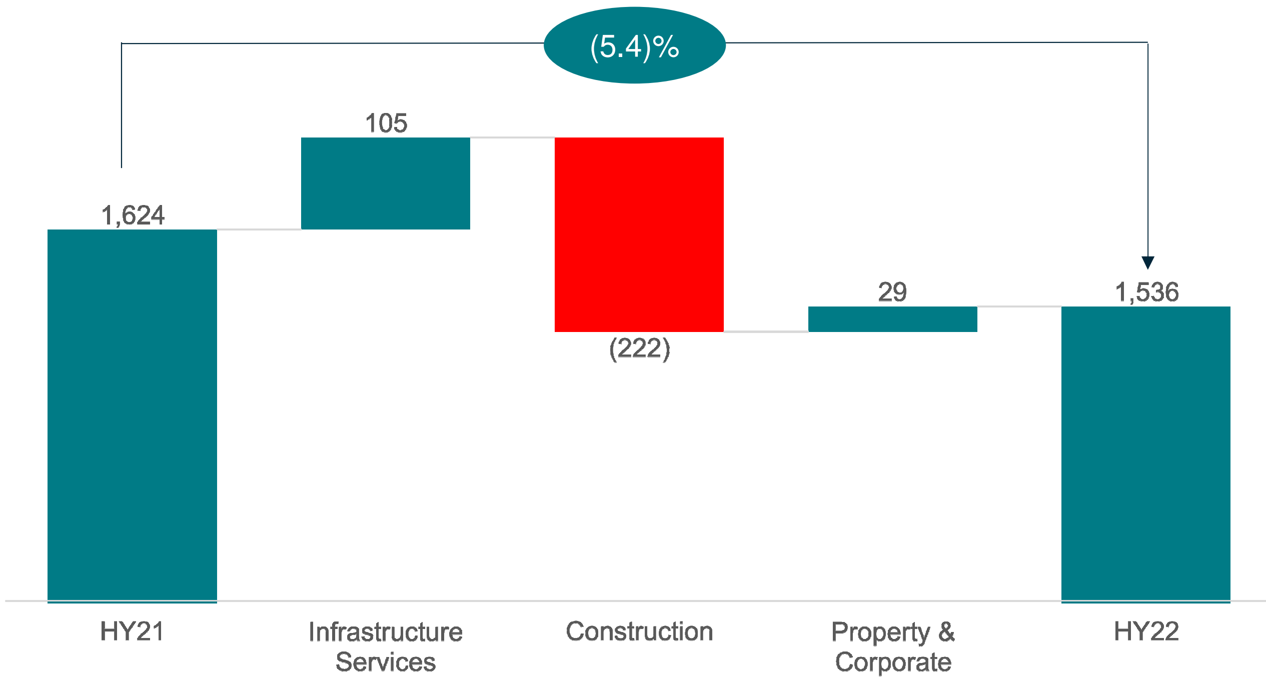
Medium-term plan margin target of 3.5% achieved despite volume declines

£'m	HY22	%	HY21	%	Δ	FY21	%
Revenue	1,536		1,624		(5.4)%	3,329	
Adjusted Operating Profit	54.2	*3.5*	47.6	*2.9*	13.9%	100.3	*3.0*
Net finance costs	(11.2)		(19.8)			(34.9)	
Adjusted Profit	43.0	*2.8*	27.8	*1.7*	54.7%	65.4	*2.0*
Adjusting items	(20.4)		(7.5)			(38.8)	
Amortisation	(9.9)		(11.3)			(21.0)	
Taxation	(2.7)		(1.9)			17.4	
Profit from continuing operations	10.0		7.1		40.8%	23.0	
Adjusted basic EPS	7.8p		10.4p		(25.0)%	25.0p	
Statutory EPS	2.2p		3.8p		(42.1)%	11.6p	
Net (debt) / cash	(131.3)		(353.5)			3.0	
Average month-end net debt	191		436			432	

- Anticipated revenue decline reflects procurement delays and project completions partially offset by ramp up of HS2
- Adjusted operating profit of £54m reflecting business mix
  - Medium-term plan margin target of 3.5% achieved
- Statutory profit of £10m
- Net debt of £131m reflects traditional seasonal working capital outflow and further reductions in KEPS
- Significant reduction in average month end net debt to £191m

Revenue Performance

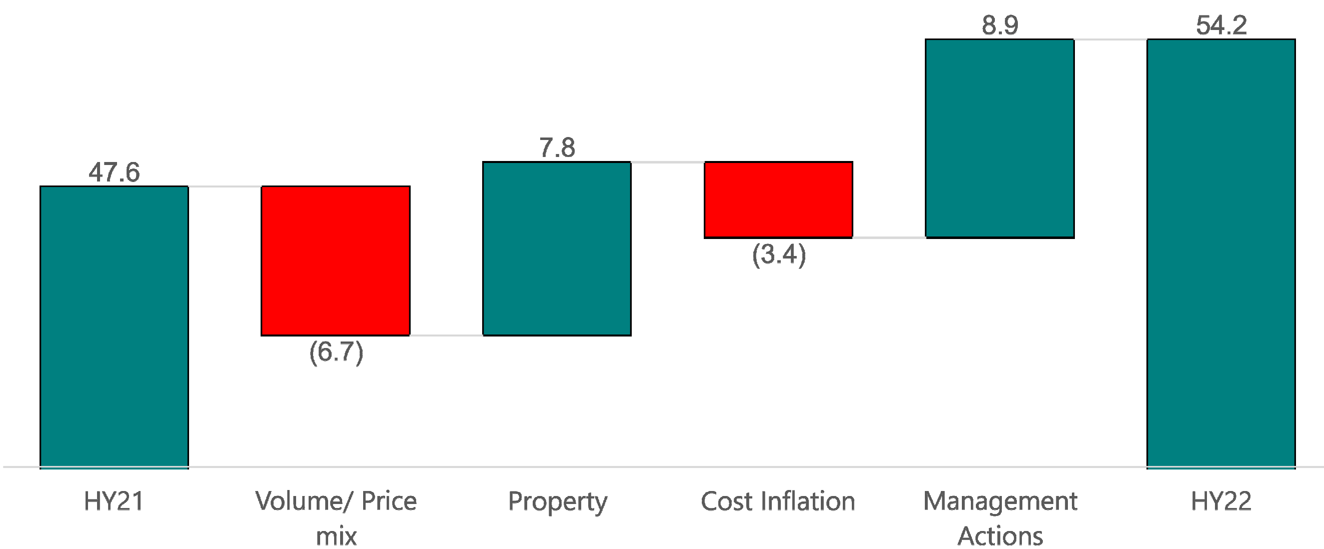
Revenue impacted by procurement delays and timing of project completions



- Revenue decline of 5.4% in HY22
  - Infrastructure Services– ramp up of capital works on HS2
  - Construction – anticipated lower volume from procurement delays and completion of HMP Five Wells prison
  - Property – industrial sector disposals completed in period

Adjusted Operating Profit

Margin increase underpinned by business mix and cost management



- Adjusted operating profit of £54m, 3.5% margin
- Increase against prior year:
  - Property disposals
  - Management actions
- Decrease against prior year:
  - Volume / price / mix
  - Cost inflation

Adjusting Items

Cash adjusting items largely relate to restructuring costs in Construction

£'m	HY22	HY21	FY21
Business divestment related expenditure	(0.3)	(0.8)	0.5
Restructuring and related charges	11.8	6.0	31.6
Amortisation	9.9	11.3	21.0
Other	7.5	2.3	3.5
Total adjusting items to operating profit	28.9	18.8	56.6
Finance costs	1.4	-	3.2
Total adjusting items to profit before tax	30.3	18.8	59.8
Cash cost	15.6	27.1	72.1

- Restructuring costs in Construction business and property related costs
- c. 60% of the total adjusting items related to non-cash accounting charges
- Other includes cladding claims and Pure recycling facility fire costs

Free Cash Flow

Free cash outflow due to seasonal unwind of working capital and reduction in KEPS

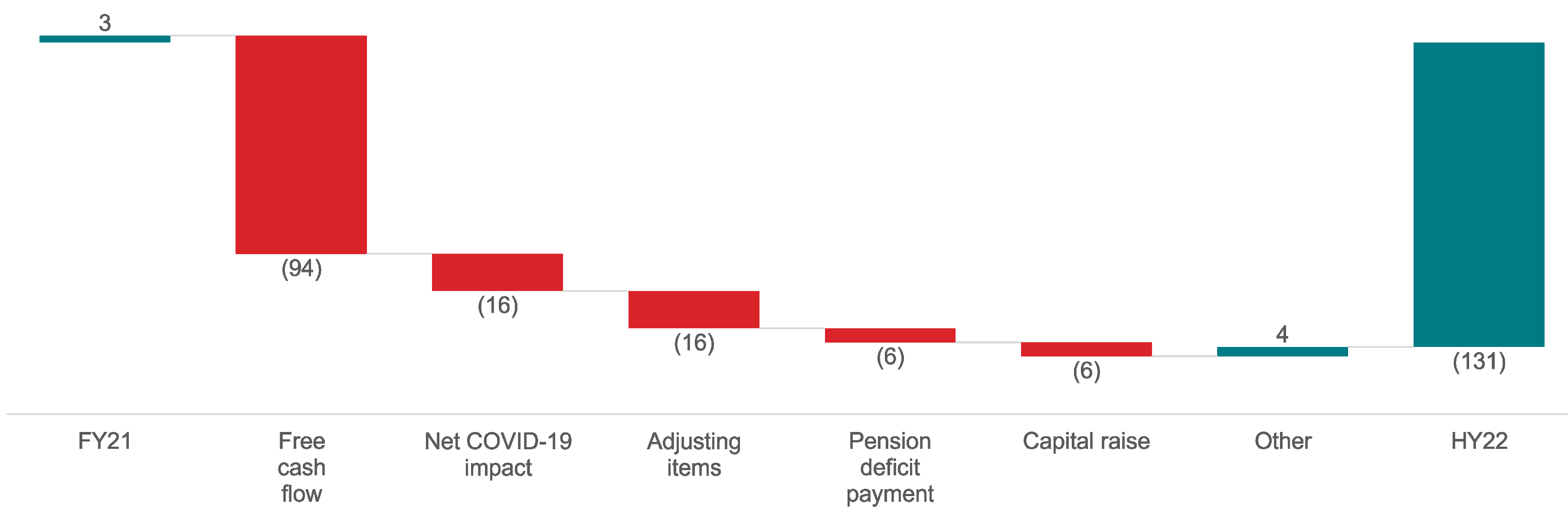
£'m	HY22	HY21	HY20
Adjusted EBITDA	76.8	71.7	73.0
Working capital	(143.0)	1.1	(84.8)
Net capex (Including IFRS16 leases)	(19.6)	(20.6)	(18.9)
JV dividends less profits	0.1	4.9	9.0
Other[(1)]	2.2	0.9	5.5
Operating Cash Flow	(83.5)	58.0	(16.2)
Net interest & tax	(10.1)	(10.3)	(14.0)
Free Cash Flow before COVID-19 impact	(93.6)	47.7	(30.2)
Adjusted conversion	(154)%	122%	(35%)
Net COVID-19 impact	(16.1)	(28.9)	-
Free Cash Flow	(109.7)	18.8	(30.2)

- Operating cash flow conversion in line with expectations
- Working capital:
  - Reverting to traditional seasonal outflow
  - c.£10m VAT payments on account
  - Further £10m reduction in KEPS to £69m
  - Maintaining supply chain payment days to 34 days on average
- COVID-19 impact
  - Repaid £16m of HMRC deferred taxes with £3m remaining

Notes:
(1) Other consists of share-based payments, profit on disposals of PPE and pension adjustments

Net Debt Movement

Net Debt impacted by typical first half working capital unwind. Reduction in non-trading cash items



Financing and Liquidity

Significant reduction in average net debt. Facilities maturing in January 2025

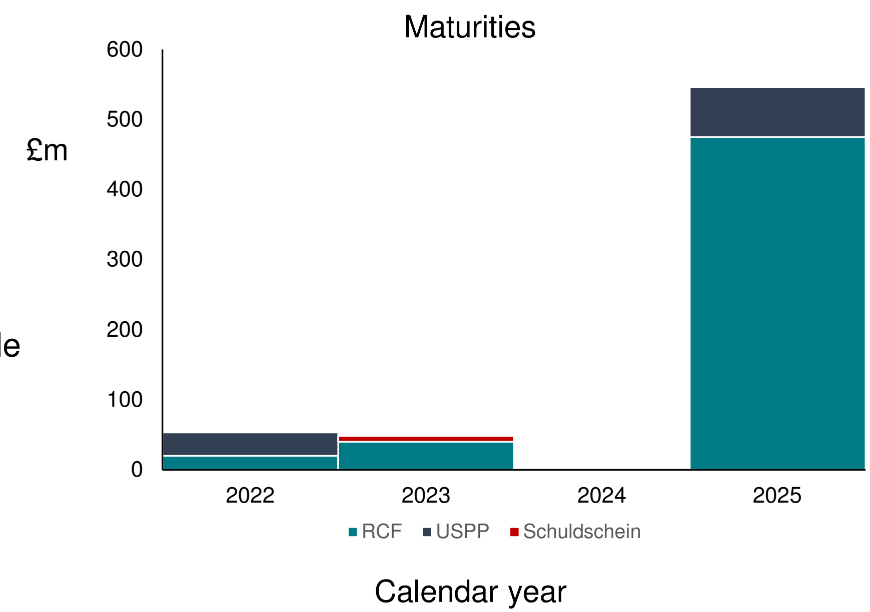
KPIs	Dec 2021
Net debt (£m)	131
Average month-end net debt (£m)	191

Average month-end net debt

- Significant reduction from £436m to £191m due to capital raise, sale of Kier Living and cash generation
- Partially impacted by KEPS reduction, repayment of HMRC Government support and payment of adjusting items

Facility extensions

- Facilities aligned to Medium-Term Value Plan. Maturing in January 2025
  - RCF of £475m
  - USPP Notes of £70m



High Quality Order Book

Order book underpinned by long-term framework positions

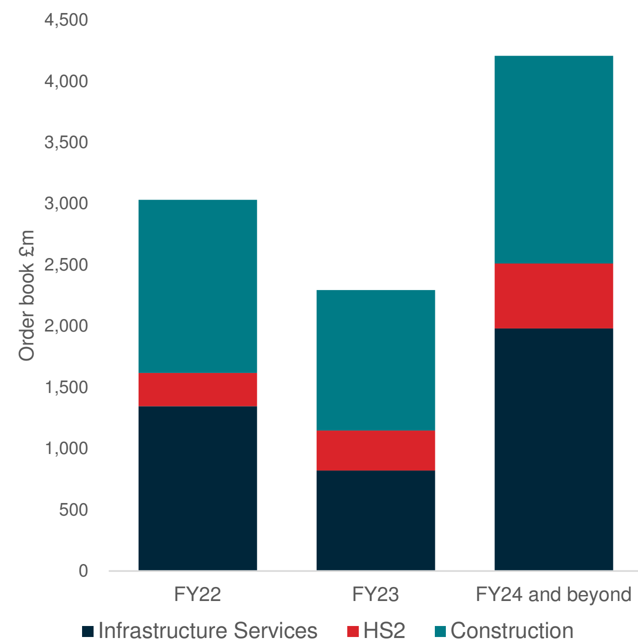
- Order book at £8.0bn (FY21: £7.7bn)
- 96% of FY22 revenue secured
- De-risked contracts:
  - c.55% of order book is under target cost or cost reimbursable contracts
  - Construction - regional build and strategic projects average order size is c.£12m
  - Underpinned by long-term framework positions

Order book

£8.0bn(1)

£3.4bn	£1.1bn	£3.5bn
Infrastructure Services	**HS2**	**Construction**

Secured revenue



Note: (1) Order book as at 31 December 2021 reflects secured and probable future contract revenue not currently recognised in the financial statements

Capital Allocation

Capital allocation to drive long-term shareholder returns

- Sources of cash - net cash generated from operations
- Uses of cash

Capex

- Disciplined and non-speculative investment to support business

Deleveraging

- Further deleveraging – operate with a strong, resilient and flexible balance sheet
- Targeting a sustainable net cash position in medium term

Dividends

- Targeting dividend cover of 3 x earnings through the cycle

M&A

- M&A opportunities – value accretive and in core markets. Potential to accelerate medium term plan

Operational update

Andrew Davies, CEO

Infrastructure Services

Revenue growth of 15.5%. Continue to win Highways work

£'m	HY22	HY21	Δ
Revenue	777	673	15.5%
Adjusted Operating Profit	32.9	27.3	20.5%
Operating margin	4.2%	4.1%	10bps
Order book (£bn)	4.5	4.4[(1)]	2.3%

Financial Performance

- Revenue growth of 15.5% driven largely by ramp up of capital works on HS2
- Adjusted Operating Profit margin benefits from HS2 volume increased offsetting Utilities contract mobilisation costs

Commercial & Operational Update

- Success in winning new Highways work – over £1bn worth in the period alone including:
  - A66 Northern-Trans-Pennine scheme
  - A417 Missing Link in the Cotswolds
  - M6 Lune Gorge Structures
- Infrastructure appointed by Network Rail to deliver the design and enabling works for the £65m Oxford railway station improvement project
- 98% revenue secured for FY22

Note: (1) As at 30 June 2021

Construction

Reduced volumes due to procurement delays and timing of project completions

£'m	HY22	HY21	Δ
Revenue	681	903	(24.6)%
Adjusted Operating Profit	26.3	33.6	(21.7)%
Operating margin	3.9%	3.7%	20 bps
Order book (£bn)	3.5	3.3[(1)]	6.1%

Financial Performance

- Revenue reflects procurement delays and the completion of HMP Five Wells prison
- Adjusted Operating Profit reduction as a result of lower volume

- Awarded in the period places on frameworks worth up to £11bn
- Significant awards:
  - Appointed as main contractor to phase 2 of the £107m digital campus in Gloucester
  - A place, in early 2022, on the Procure Partnerships North West framework worth up to £1.8bn.
- Kier Places - continues to benefit from increased work opportunities from existing customers
- 93% revenue secured for FY22

Note: (1) As at 30 June 2021

Property

Property delivering high returns with disciplined capital allocation

£'m	HY22	HY21	Δ
Revenue	76	46	65.2%
Adjusted Operating Profit	10.4	2.6	+300%
Operating margin	13.7%	5.7%	800bps
Capital employed	133	139	(6)
ROCE	15.0%	3.6%	

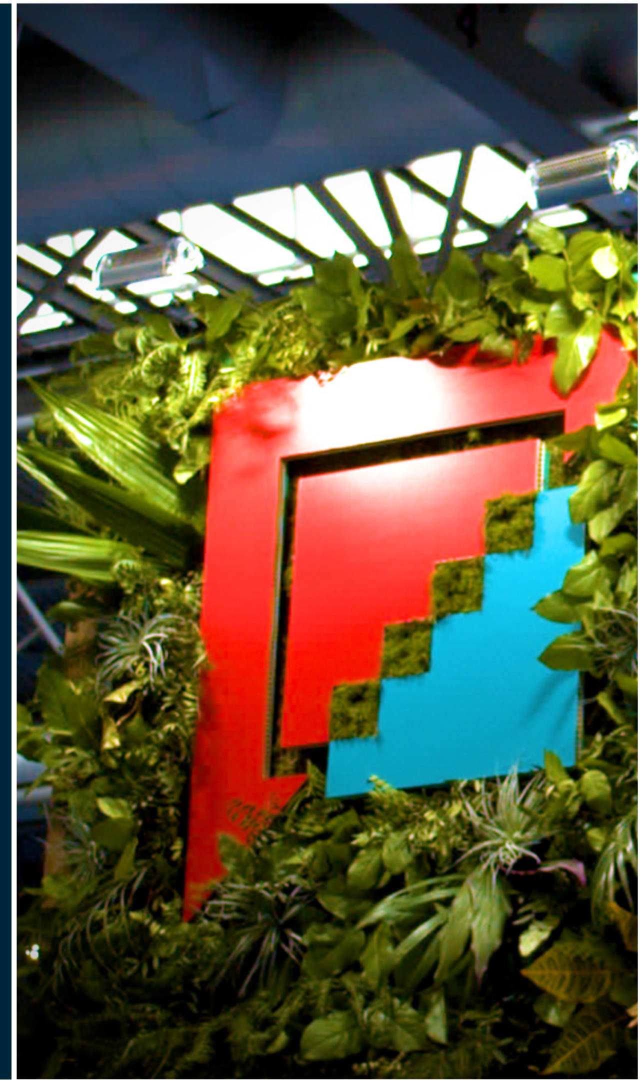
Financial Performance

- Investment driving returns – ROCE of 15%
- Industrial sector assets disposals driving revenue, margin and ROCE growth

- PGIM Real Estate Joint Venture – entered into partnership with PGIM to develop a portfolio of light industrial and logistics warehouses across the UK
  - The JV will run for 7 years
  - Develop sites under Kier's Logistics City and Trade City brands
  - Already secured are two Logistics City developments in Bognor Regis and Knowsley
- Completed the sale of Maidenhead and Gravesend Trade City sites

Sustainability

Andrew Davies, CEO



Sustainability Framework

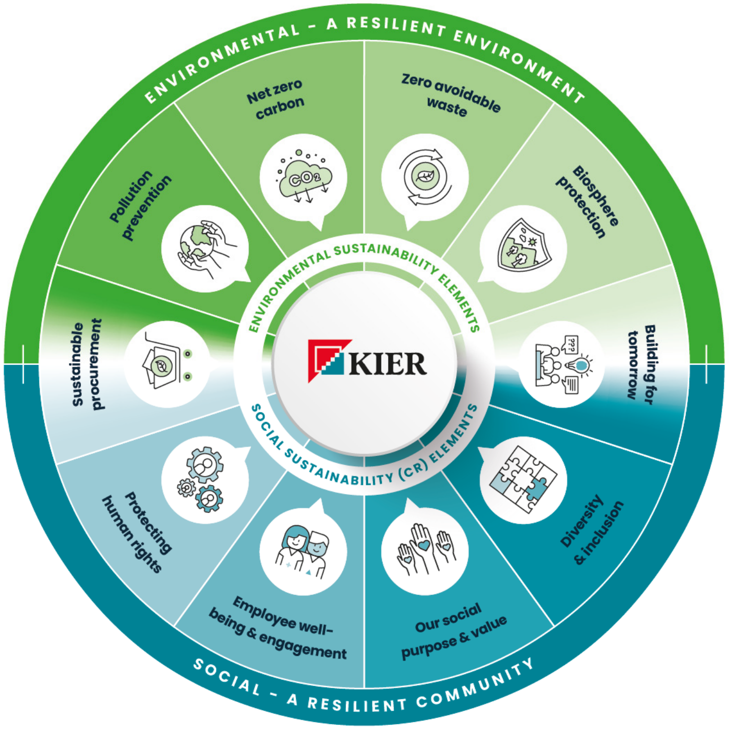
Building for a Sustainable World

Reminder of key focus areas:

1 **Resilient environment** – pollution prevention, sustainable procurement, net zero carbon, zero avoidable waste and biosphere protection

2 **Resilient community** – building for tomorrow, diversity and inclusion, our social value and purpose, employee wellbeing and retention and protecting human rights

3 **Resilient profits** – operating responsibility, governance, health and safety and risk mitigation



Environmental

Carbon intensity reduction through change in fuel usage

Fleet

- Trialling fleet from red diesel to an alternative fuel, Hydrotreated Vegetable Oil ("HVO")
  - High quality diesel fuel made from renewable and sustainable raw materials
- Potential to save site carbon emissions by up to 90% and nitrogen oxide emissions by up to 27% in comparison to red diesel

Social

Committed to addressing social issues and creating social value

Social Value Calculator – Thrive

- Moved to a new Social Value calculator, Thrive to measure social value impact
    - Use of 100 + social value metrics
    - Ability to track social value targets across bids and live projects which link to the social value model
- Enables Kier to quantify its positive contribution against other companies

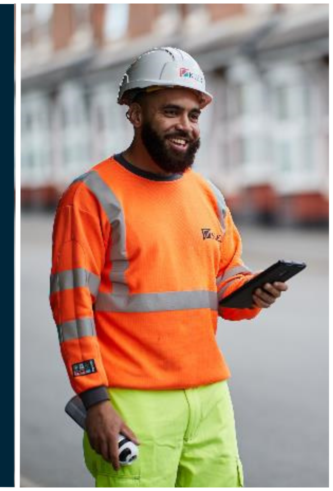
thrive social value

KIER

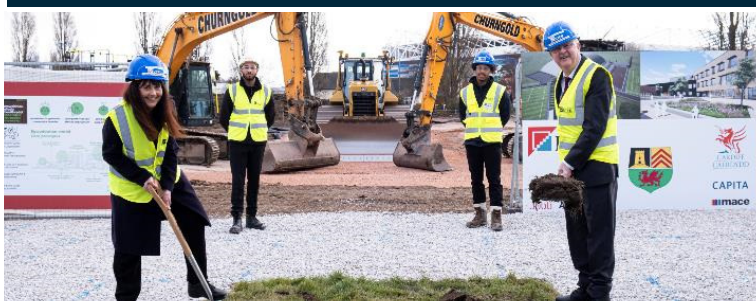
Summary and Outlook

1. Continue to deliver on strategic actions
2. Focused on winning profitable work. Strong order book
3. Current trading in line with expectations despite inflationary pressures. Current year outlook unchanged
4. On track to deliver medium-term targets

Capital Markets Event
25 May 2022

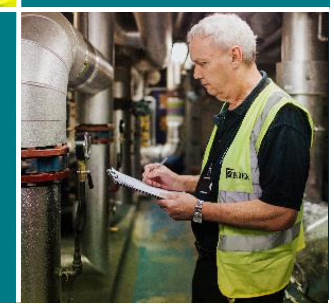


Building sustainable infrastructure which is vital to the UK



Attractive market positions

Value - accretive earnings-led business model



Q&A

Appendix

Investment Proposition

1. **Value accretive earnings-led business model.** Aligned to UK Government's investment priorities
2. **Attractive market positions** focused on UK infrastructure and construction markets
3. **Strong order book** underpinned by long-term contracts and framework agreements
4. **Experienced management team**. Proven track record of operational and financial delivery

KIER

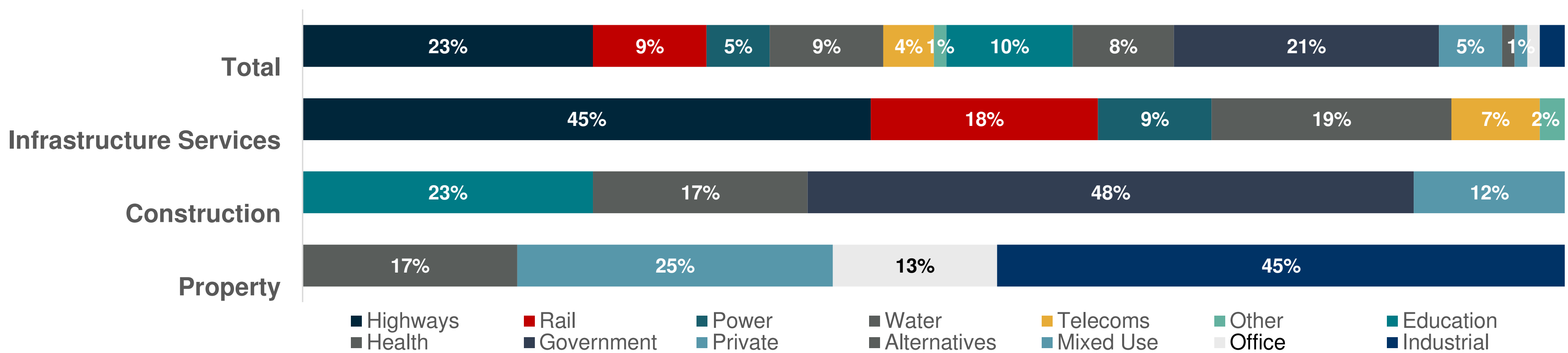
Pension

Significantly improved pension scheme

£'m	31 Dec 2021	31 Dec 2020	Δ
Group Pension Schemes			
Market value of assets	2,018.2	1,976.0	42.2
Present value of liabilities	(1,884.3)	(1,977.4)	93.1
Net pension asset / (liability)	**133.9**	**(1.4)**	**135.3**

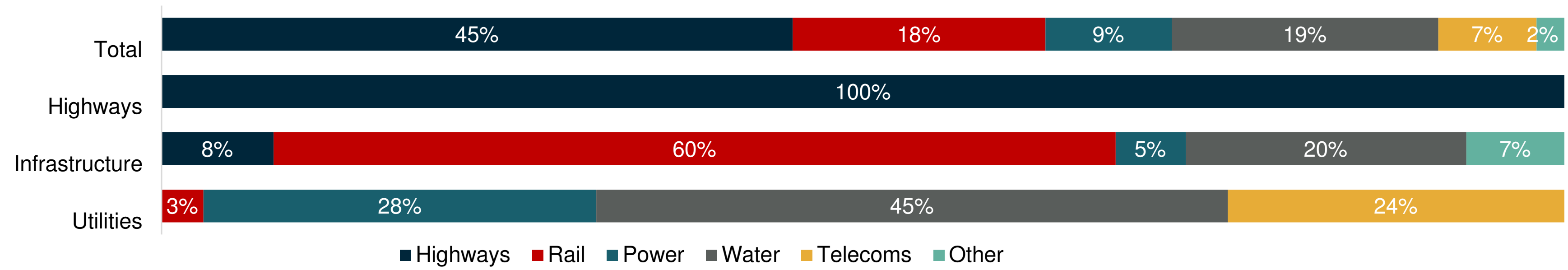
- As at 31 December 2021, Group's pension schemes' surplus was £133.9m (Dec 20: £1.4m deficit)
  - Improvement from asset performance, actuarial gains and group contributions

Group Revenue Analysis



Segmental Revenue Analysis

Infrastructure Services



Construction