

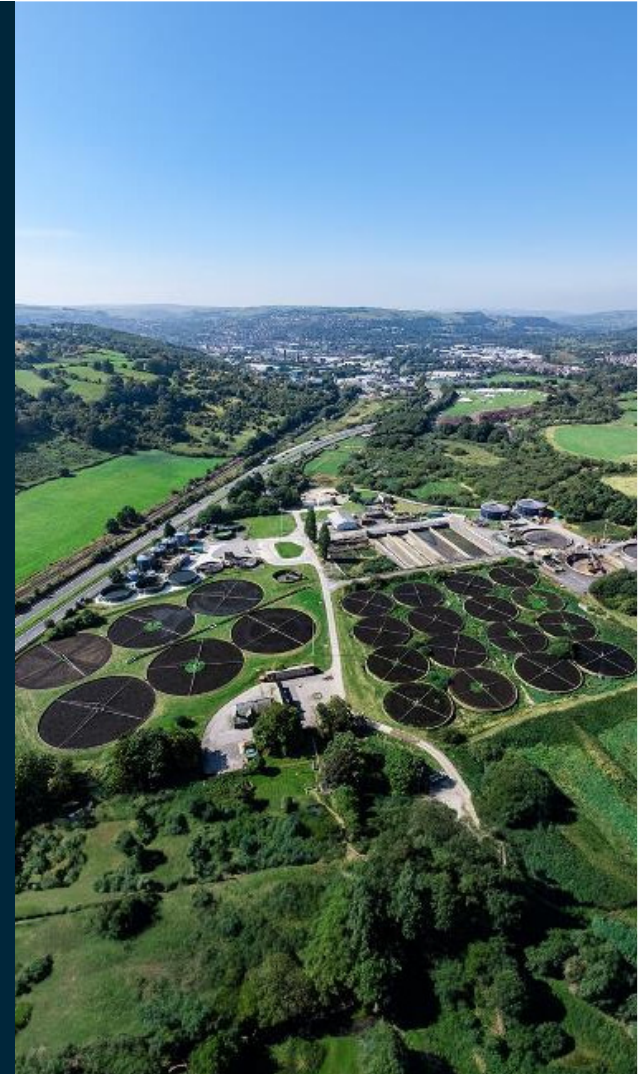


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# Kier Group plc

Results for the year ended 30 June 2024

12 September 2024



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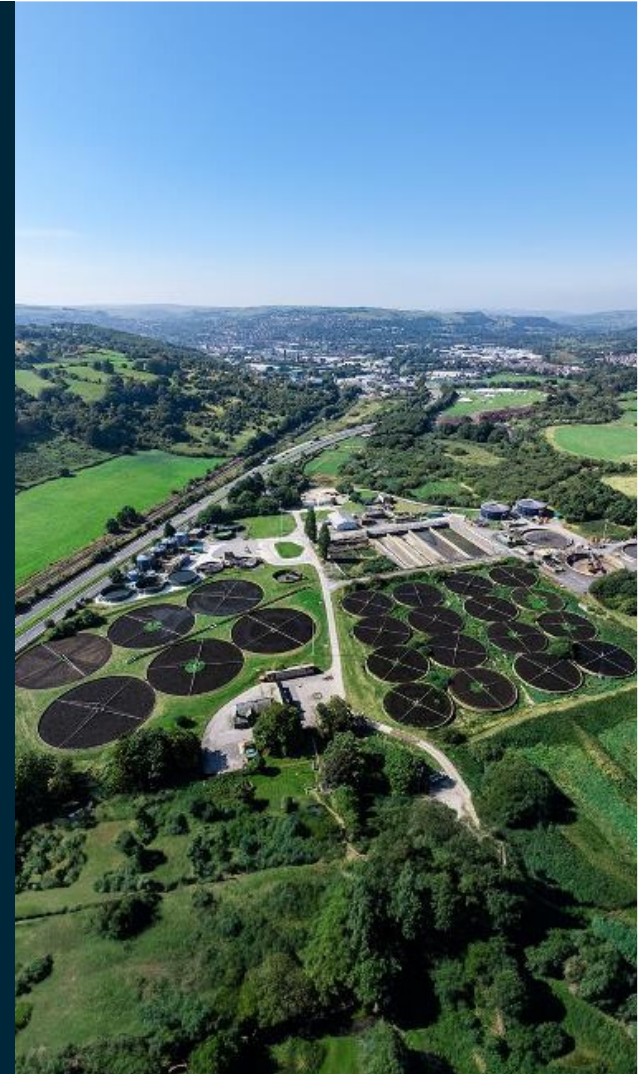
Certain information in this presentation has been extracted from the announcement of FY24 full year results made by the Company on 12 September 2024 and this presentation is not a substitute for reading that announcement in full.



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# Results Summary

Andrew Davies, CEO



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## FY24 Highlights

- Significant operational and financial progress over the last three years
- Revenue growth and improved profitability driving material deleveraging
- High quality order book, increased 7% to £10.8bn (FY23: £10.1bn) providing significant visibility over FY25 and beyond
- Successful acquisition of Buckingham Group's rail assets
- Refinanced the Group
- Proposed final dividend of 3.48p per share, together with an interim dividend of 1.67p, giving a total of 5.15p for FY24
- New long-term sustainable growth plan announced following the successful delivery of the FY21 medium-term value creation plan

# Medium-Term Plan Update

## Evolution of medium-term plan into long term sustainable growth plan

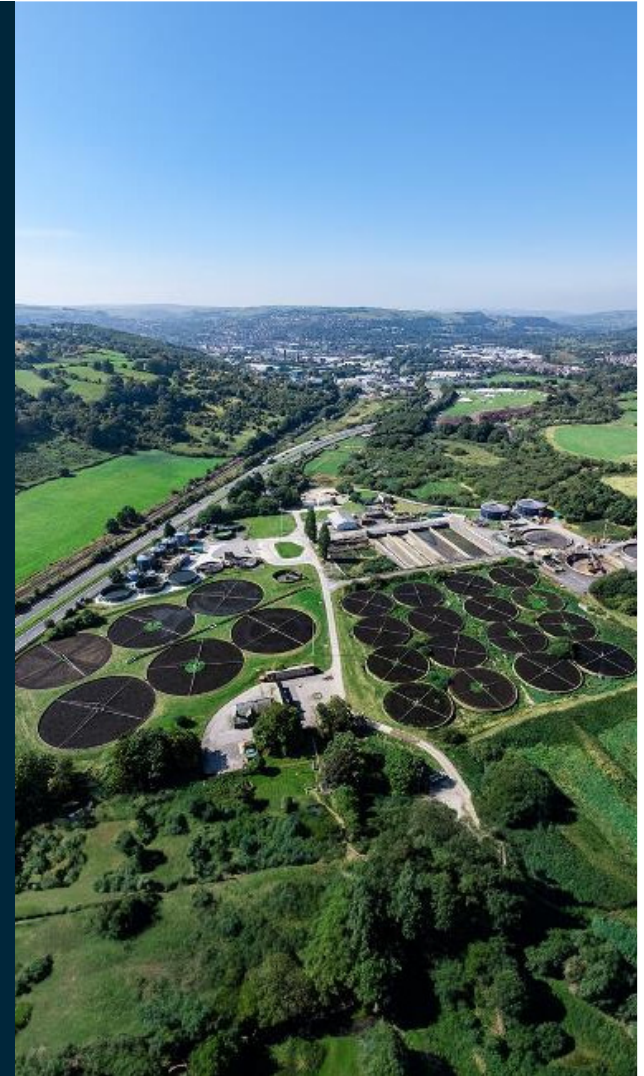
	Medium-term value creation plan expectations	FY24	Delivered	Long-term sustainable growth plan
Revenue	Revenue c.£4.0bn - £4.5 bn	£4bn	✓	Revenue GDP+ growth through the cycle
Adjusted EBIT margin	Adjusted operating margin c.3.5%	3.8%	✓	Adjusted operating margin above 3.5%
Cashflow conversion	Cashflow conversion of operating profit c.90% <sup>(1)</sup>	145% <sup>(1)</sup>	✓	Cashflow conversion of operating profit c.90% <sup>(1)</sup>
Balance sheet strategy	Sustainable average net cash position with capacity to invest	£(116)m	On track	Average net cash position with investment of surplus cash
Dividend policy	Sustainable dividend policy: c.3x earnings cover through the cycle	4x	On track	Sustainable dividend policy: at least 3x earnings cover through the cycle



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# FY24 Results

Simon Kesterton, CFO





# Financial Highlights

Strong increase in revenue growth of 17%; achievement of £4bn medium term revenue target

£'m	FY24	%	FY23	%	Δ
Revenue	3,969.4		3,405.4		16.6%
Adjusted Operating Profit	150.2	3.8	131.5	3.9	14.2%
Net finance costs	(32.1)		(26.7)		20.2%
Adjusted Profit before tax	118.1		104.8		12.7%
Adjusting items	(26.8)		(33.7)		(20.5%)
Amortisation	(23.2)		(19.2)		20.8%
Profit before tax	68.1		51.9		31.2%
Taxation	(16.8)		(10.9)		54.1%
Profit from continuing operations	51.3		41.0		25.1%
Adjusted basic EPS (p)	20.6		19.2		7.3%
Statutory EPS (p)	11.8		9.5		24.1%
Free cash flow	185.9		132.3		40.5%
Net cash / (debt)	167.2		64.1		160.8%
Average month-end net debt	(116.1)		(232.1)		(50.0%)

- Significant volume growth across the Group
- Strong adjusted operating profit of £150.2m (3.8% margin)
- Reduced debt offset by increased interest rates and derivatives
- 31% increased profit before tax despite increased amortisation
- Taxation increase reflects UK Corporation Tax rate change
- Net cash more than doubled to £167.2m
- Average month-end net debt halved to £116m - conversion of profits, working capital benefit of revenue growth net of property capital investment

# Revenue Performance

Significant growth in Infrastructure Services and Construction

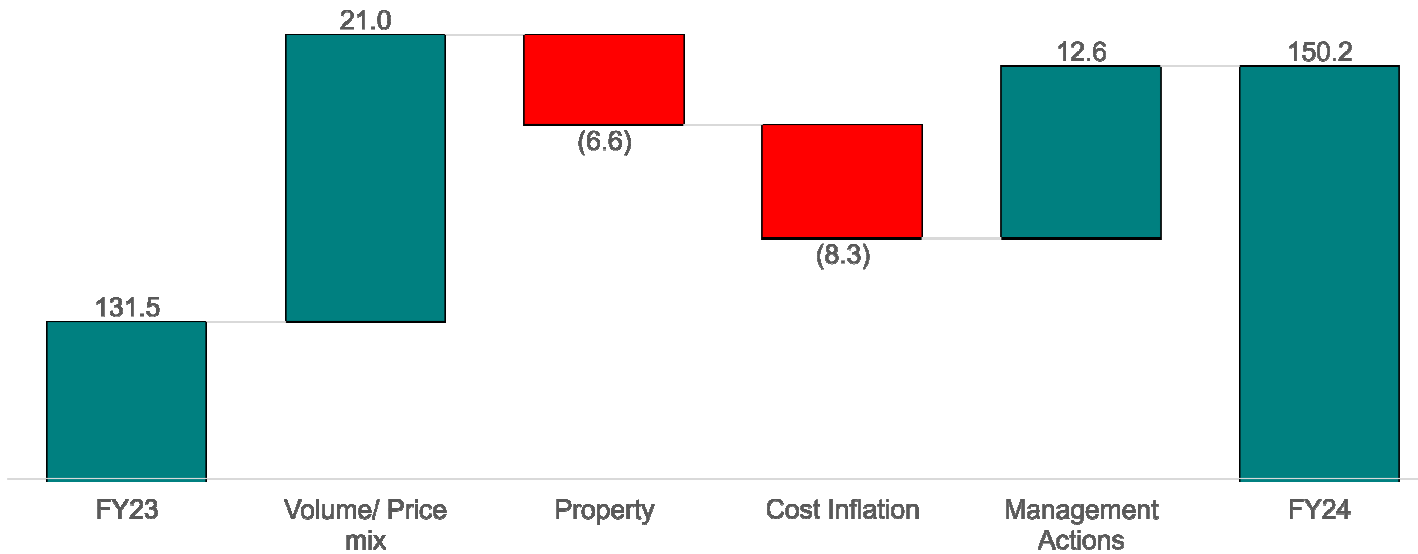


- Revenue increase of 17% in FY24
- Infrastructure – benefiting from HS2 volumes and Buckingham rail acquisition
- Construction – strong order book converting to revenue
- Continued bidding discipline and risk management



# Adjusted Operating Profit

Profit increasing on growing volumes



- Adjusted operating profit of £150.2m, 3.8% margin
- AOP benefits from:
  - Increased volumes
  - Management actions
- Offset by:
  - Cost Inflation
  - Property

# Adjusting Items (excl. amortisation)

## Restructuring activities complete

£'m	FY24	FY23
Fire / cladding costs	15.0	12.6
Property-related items	7.2	(1.1)
Recycle of foreign exchange	(5.9)	-
Refinancing fees	4.5	-
Insurance-related items	-	5.3
Redundancy and other people-related costs	-	4.8
Professional fees and other non-people initiatives	-	4.9
Other	3.1	4.3
<b>Total adjusting items to continuing operating profit</b>	<b>23.9</b>	<b>30.8</b>
Finance costs	2.9	2.9
<b>Total adjusting items to continuing profit before tax</b>	<b>26.8</b>	<b>33.7</b>
<b>Cash cost</b>	<b>36.7</b>	<b>27.0</b>

## Adjusting items

- Fire and cladding compliance costs of £15m relate to updated regulations on legacy projects
- Cash cost includes c.£10m relating to items accrued in previous periods

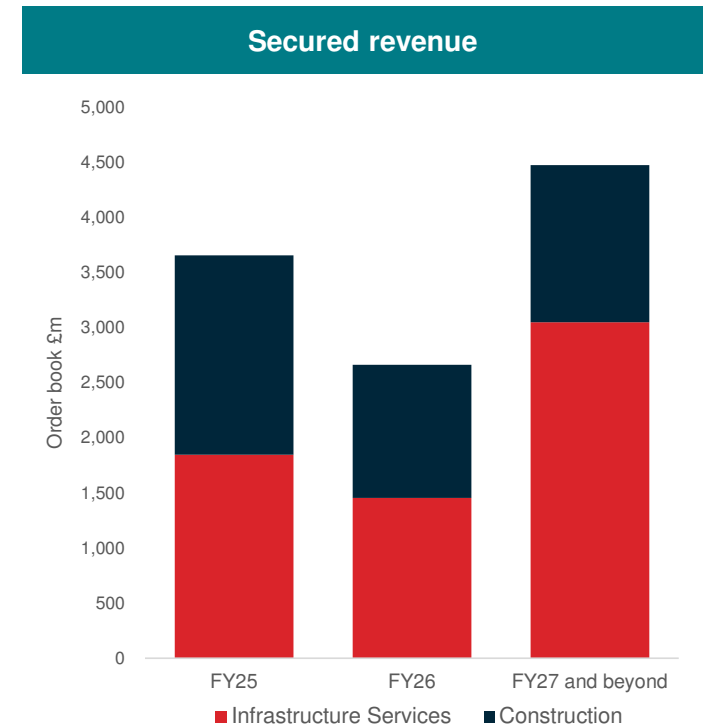
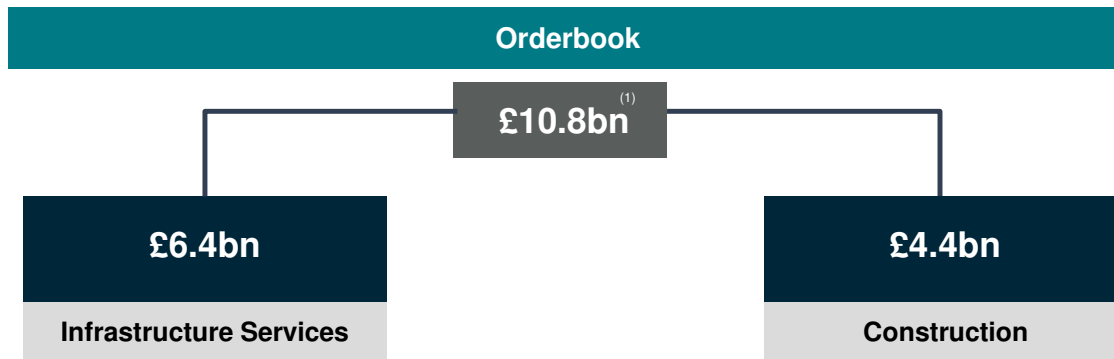
## Discontinued operations

- Additional provision of £8.3m relating to the disposal of Kier Living

# High Quality Order Book

## Order book of £10.8bn underpinned by long-term framework positions

- Order book at £10.8bn (FY23: £10.1bn)
- c.90% of FY25 revenue secured
- De-risked contracts:
  - c.60% of order book is under target cost or cost reimbursable contracts
  - Construction - regional build and strategic projects average order size is c.£20m



# Free Cash Flow

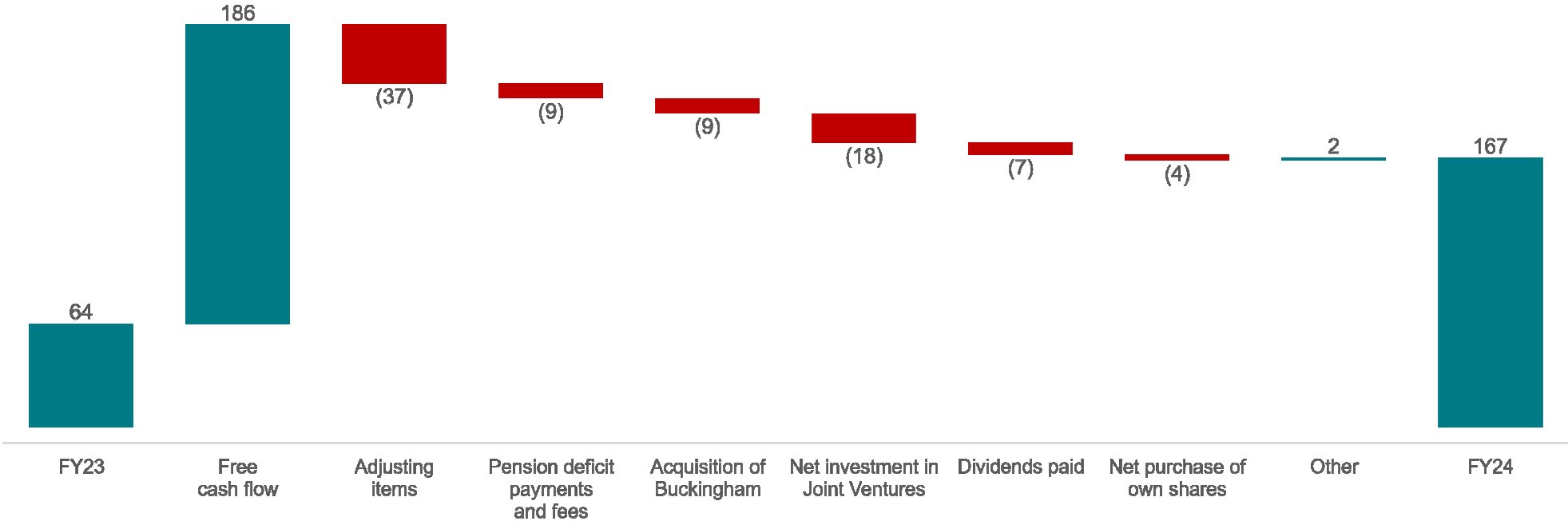
## Strong free cash flow generation with positive working capital inflow

£'m	FY24	FY23
Adjusted EBITDA	208.1	196.0
Working capital inflow	68.4	80.3
Net capital expenditure including finance lease capital payments	(57.3)	(51.4)
Joint Venture dividends less profits	0.7	0.7
Repayment of KEPS	-	(49.8)
Other free cash flow items	(2.8)	(5.2)
<b>Operating Free Cash Flow</b>	<b>217.1</b>	<b>170.6</b>
Adjusted conversion	145%	130%
Net interest & tax	(31.2)	(38.3)
<b>Free Cash Flow</b>	<b>185.9</b>	<b>132.3</b>

- Adjusted operating cash flow conversion of 145%
- Working capital inflow of £68m driven by Construction volumes in Q4
- Supplier payment days broadly consistent with prior year at 34 days
- FY24 interest paid benefits from bond interest timing

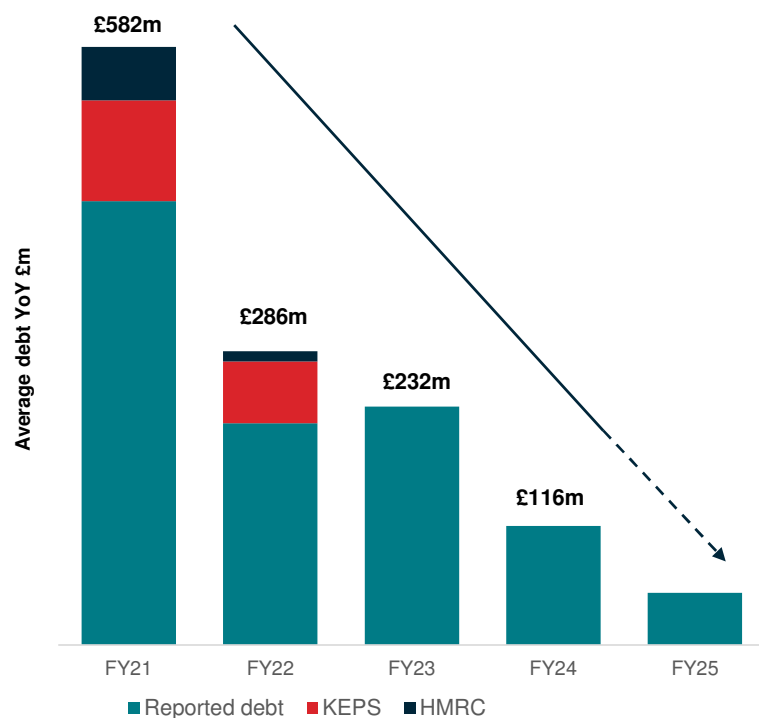
# Net Cash Movement

Significant free cash flow generation of £186m and year-end net cash position of £167m



# Average Month-End Net Debt

Near-term pathway to sustainable average month-end net cash position

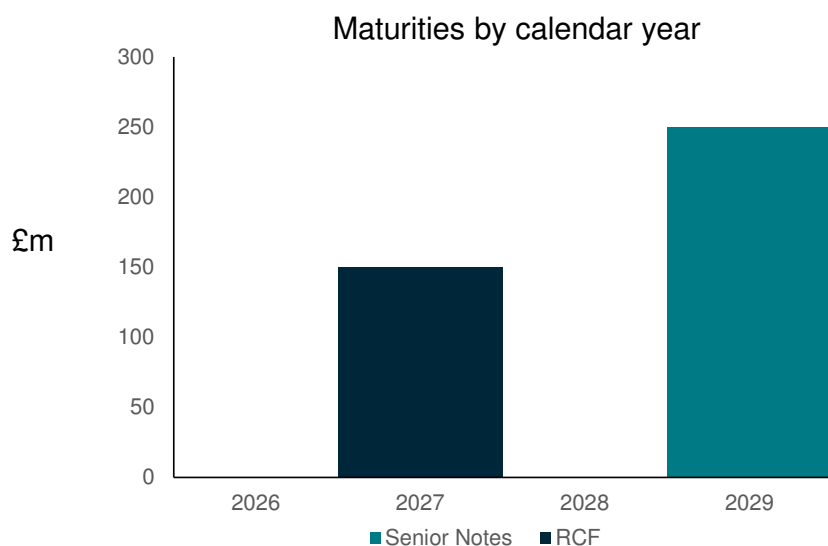


- FY21 to FY24 significant reduction in average month-end net debt
- FY24 average month-end net debt materially reduced to £116m
- FY25 – expected improvement with free cash flow generation
  - Order book converting to revenue
  - Working capital inflow
  - Reduced adjusting items
- Post FY25 – average net cash with investment of surplus cash

# Financing and Liquidity

## Long-term debt facilities: RCF to March 2027 and Senior Notes maturing February 2029

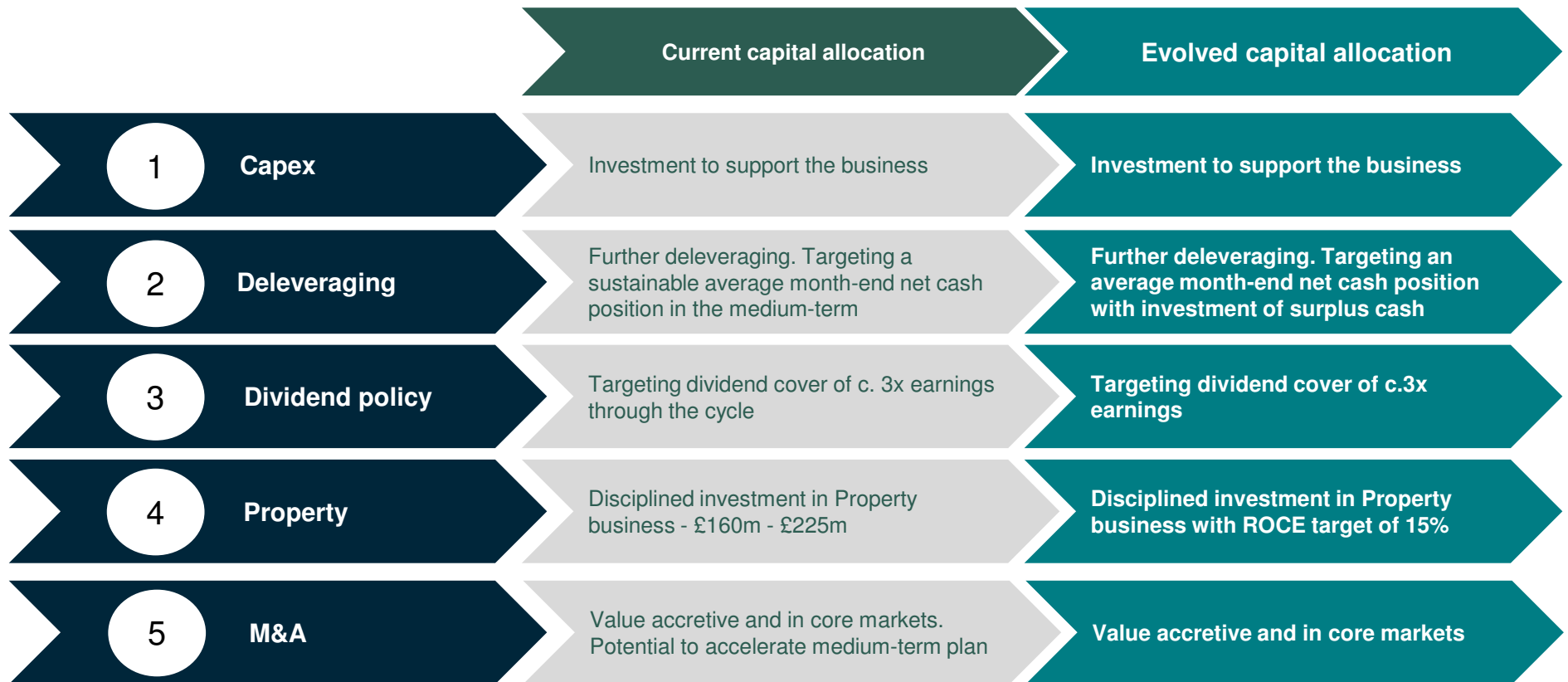
- Committed debt facilities at 30 June 2024 of c.£548m
- Refinancing completed in February 2024
- Debt structure in place:
  - £250m Senior Loan Notes due February 2029
  - £261m RCF extension: £150m from January 2025 to March 2027
  - £37m USPP Notes due January 2025
- £400m of facilities post January 2025 to support long term sustainable growth plan





# Capital Allocation

Delivering enhanced shareholder returns with organic growth, property investment and acquisitions



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# Dividend

## Material deleveraging allows the declaration of a proposed 3.48p final dividend

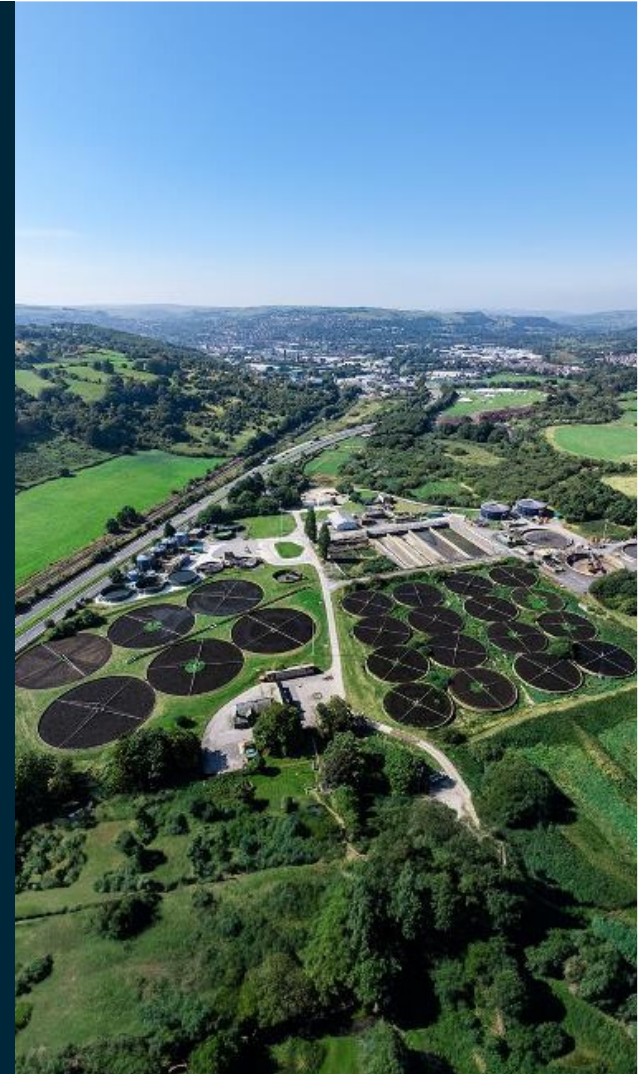
- Significant improvement in balance sheet net cash
- Continued growth in the order book and future business prospects
- Declared dividend represents a dividend cover of 4x as we progressively move to the medium-term target
- Over time, progress to deliver a dividend cover of c. 3x earnings in FY25
- Payment ratio: approximately one third interim dividend and two thirds final dividend
- Proposed final dividend of 3.48p per share will be paid 29 November 2024 to those on the register on 25 October 2024



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# Operational Update

Andrew Davies, CEO



# Infrastructure Services

Adjusted operating profit growth of 41% to £112m

£'m	FY24	FY23	Δ
Revenue	1,988	1,712	16.1%
Adjusted Operating Profit	112.3	79.8	40.8%
Operating margin	5.6%	4.7%	90bps
Order book (£bn)	6.4	5.8	10.3%

## Financial Performance

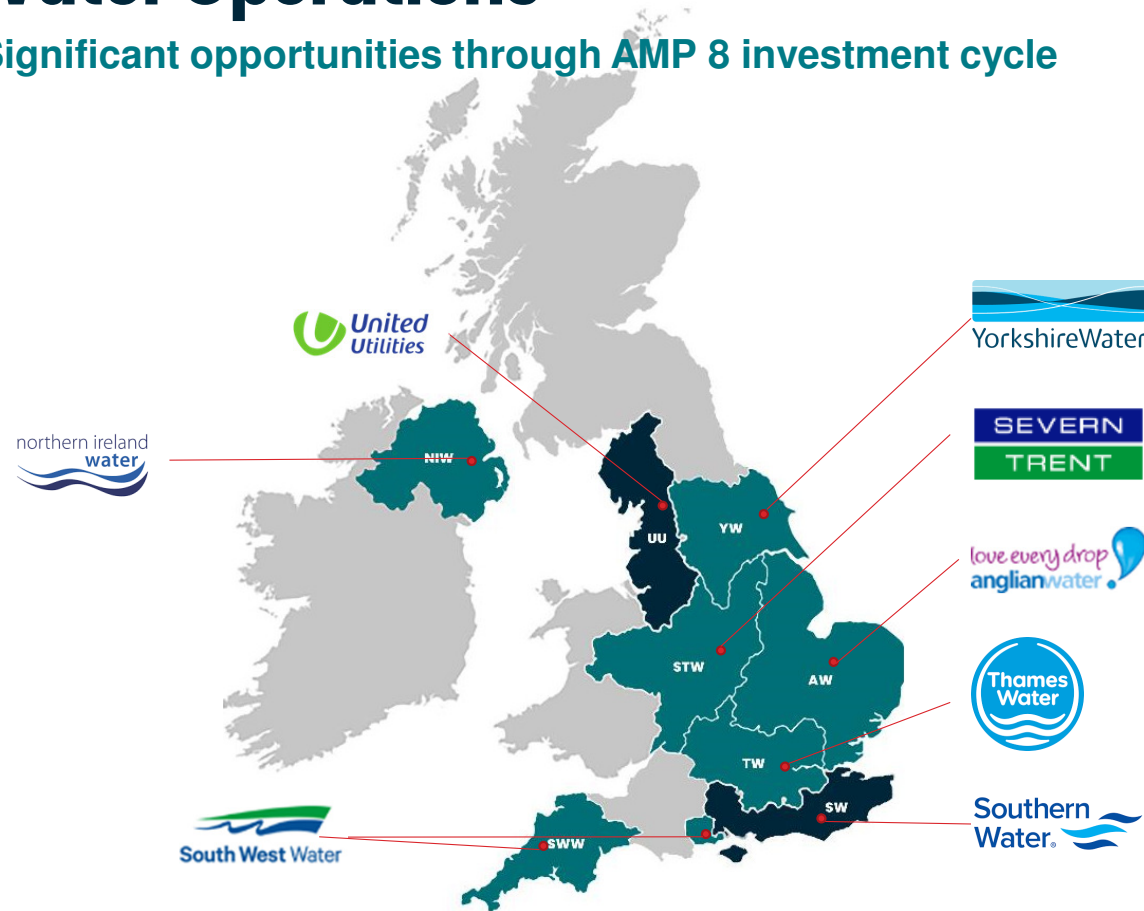
- Revenue growth of 16% includes additional HS2 activity and acquisition of Buckingham Rail contracts
- Adjusted operating profit benefits from volume growth and Buckingham acquisition

## Commercial & Operational Update

- Order book increase of 10.3% to £6.4bn, significant awards:
- Transportation– appointed on a two-year interim extension to deliver maintenance and repair services across Birmingham’s extensive road network
- NRNN
  - United Utilities - five-year framework to deliver £100m per annum of design, engineering, project management and construction services for water and waste water infrastructure
  - Southern Water- appointed to the £3.1bn seven-year Strategic Development Partnership framework to increase capacity at water supply and waste water treatment sites
  - South West Water appointed to their £2.8bn five-year Mechanical, Electrical, Instrumentation, Control and Automation ('MEICA') framework. An alliance to deliver their water infrastructure plan for 2025-2030
- 86% revenue secured for FY25

# Water Operations

## Significant opportunities through AMP 8 investment cycle



- AMP 8 investment cycle currently under way; draft determination of £88bn
- Capital delivery programme driven by ageing asset base, environmental regulations and extending asset life
- One of the largest Tier 1 players in UK water sector
- Awarded places on 14 Frameworks supporting 8 customers
- Water companies engaging with Tier 1 contractors for long term support to deliver upgrade and maintenance programmes
- Additional opportunities with natural water management

# Construction

## Revenue growth of 17% with order book conversion

£'m	FY24	FY23	Δ
Revenue	1,908	1,653	15.4%
Adjusted Operating Profit	69.2	69.5	(0.3)%
Operating margin	3.6%	4.2%	(60)bps
Order book (£bn)	4.4	4.3	2.3%

### Financial Performance

- Strong growth due to increased volume in our regional build business
- Reduction in margin driven by mix and increased overheads for site starts as anticipated

### Commercial & Operational Update

- Significant awards:
- Defence – appointed by the Defence Infrastructure Organisation ('DIO') on a six-year alliance to create 16,000 bed spaces for the Armed Forces in single-living accommodation
- Education – awarded four projects worth over £130m
- Healthcare – awarded three projects worth over £55m including Cheshire Surgical Centre and Princess Royal University Hospital Endoscopy Unit
- Justice & Borders – awarded HMP Channings Wood, HMP Bullingdon and HMP Elmley design and build houseblock projects, together worth over £400m
- Kier Places - appointed by Heathrow Airport to deliver its Quieter Neighbour Support Scheme, a major programme of works over the next eight years to reduce the impact of aircraft noise on homes, businesses and community buildings around the airport
- 97% revenue secured for FY25

# Property

Results impacted by difficult market conditions; significant opportunities for future growth available

£'m	FY24	FY23	Δ
Revenue	71	38	89.0%
Adjusted Operating Profit	6.2	12.8	(51.8)%
Operating margin	8.7%	34.2%	(2,550)bps
Capital employed	166	150	10.6%
ROCE	3.9%	9.4%	(550)bps

## Commercial & Operational Update

- Activity:
  - Disposed of a 423 bed student accommodation asset in Southampton to Greystar
- Currently targeting capital employed of up to £225m with a ROCE of c.15%

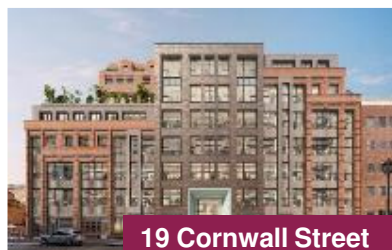
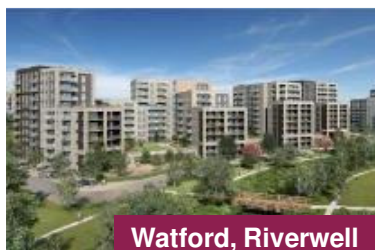
## Financial Performance

- Adjusted operating profit and margin decreased YoY due to fewer transactions net of fair value adjustments driven by market conditions
- Capital employed currently at £166m



# Property – Overview

Mixed-use commercial and residential property development delivered through joint ventures



- Access to **£1.5bn** of Gross Development Value (“GDV”)
- Pipeline of c.4,500 residential units
- **FY24 - £166m** of capital investment
- Currently targeting capital employed of £160m - £225m with ROCE of c.15%

# Property – Value Creation Model

Unlocking UK Public land and investing through public and private partnerships



## Acquire / control land

- **Source** suitable land to bring to partnerships or to bring directly into Kier
- Viability testing through Kier Investment Committee
- “Asset light”



## Obtain planning permission

- **Secure planning** and invest in site infrastructure
- **Group wide interface with Local Authorities** to help with planning
- Investment in WIP



## Build

- **Build and manage development** – typically mixed commercial and residential
- **Fee income**



## Secure owner / occupier

- **Secure occupier**
- Established relationships with occupiers delivering **repeat business**
- **Pre-letting** in certain cases to forward fund and de-risk investment



## Sell investment

- **Handover** to client
- Remaining **profit and cash** on completion
- **ROCE c.15%**

Typical Timing of investment

0 to 3 years

# Property – Group Synergies and Key Relationships

Group synergies and established relationships provide a competitive advantage

Group synergies
Group Business Model
Commercial
Client
Operational
Economic
ESG
PFI

Relationships

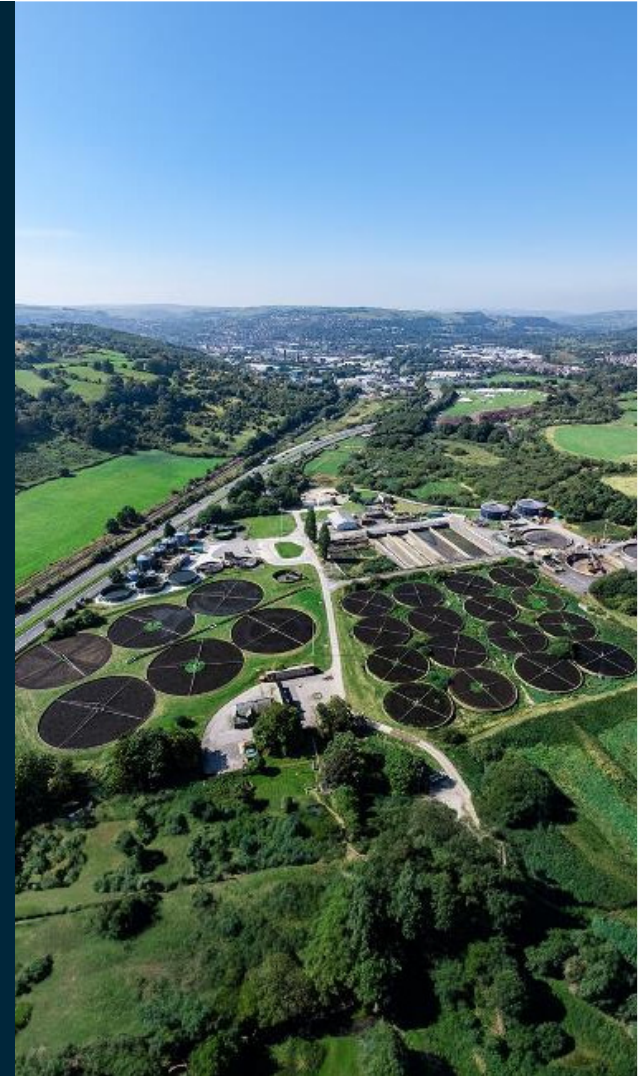
- Established relationships with land owners and Local Authorities
  - Key for sourcing projects
  - Generate repeat business
- Collaboration and partnership key to delivery in the public sector
- Commercial and operational synergies with Group businesses given public sector partnership approach
- Competitive advantage achieved through close relationships



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# Sustainability

Andrew Davies, CEO



# Sustainability Framework

## Building for a Sustainable World

### Key focus areas:



**Our People** – we will build a workforce with the necessary skills and capabilities whilst ensuring fair and equal treatment for our entire workforce



**Our Places** – we aim to leave a positive legacy in the communities we work in and help to tackle inequality through tools and opportunities



**Our Planet** – action to reduce carbon, building resilience to climate-change related events, value nature through protecting biodiversity and move to resource efficient construction



# Environmental

Further progress made on carbon and waste reduction during FY24



Carbon

- **Carbon** – reduction in scope 1 & 2 carbon 9% in 2024
  - reduction in scope 3 carbon by 13% in 2024. Continuing to improve process



Waste

- **Waste** – 2% year over year reduction in the volume of waste from FY23 to FY24
  - Construction waste diverted from landfill – 93% of total FY24 waste



# Social

## Progress made on social commitments in FY24



Safety

- **Safety** – 12-month AIR 155 an increase of 76% on FY23
- 12-month AAIR 363, increased 13.5% from FY23



Apprenticeships

- **Apprenticeships** – 666 apprentice participants, 6.5% of workforce
- **Graduates** – intake comprising 36% women



SME Spend

- **Small and Medium Enterprise (“SME”) spend** – 60.6% of subcontractor spending with SMEs



Supply Payment Days

- **Supplier payments days** – payment days of 34 days
- Adherence to prompt payment code



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## Summary and Outlook

1

Outperformed medium-term margin target

2

Order book of £10.8bn providing multi-year revenue visibility

3

FY25 started well and trading in line with expectations.

4

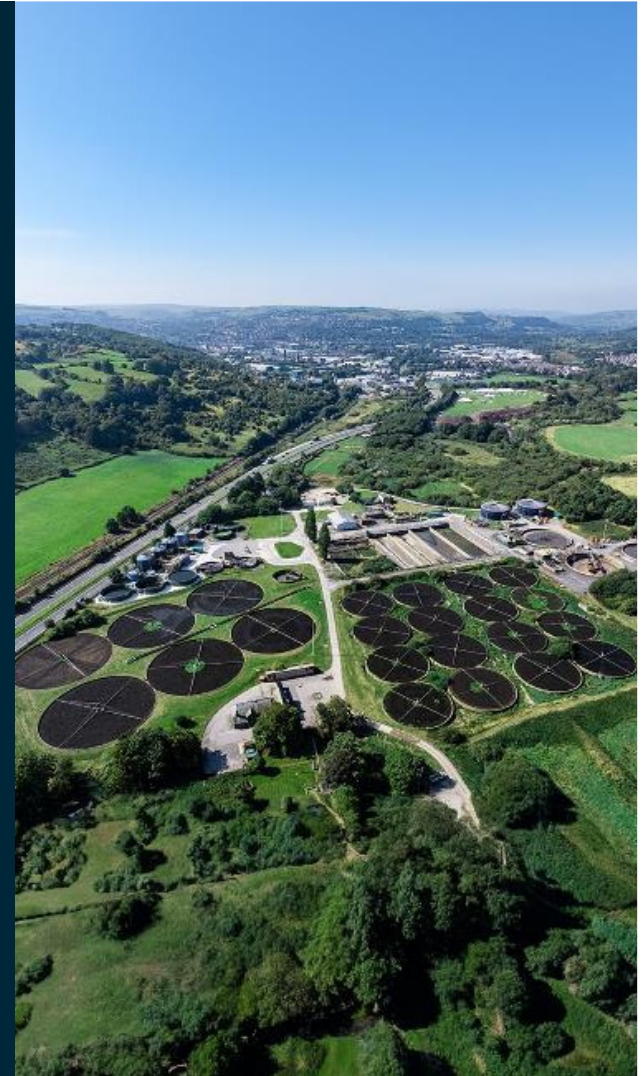
Focused on delivering the long term sustainable growth plan

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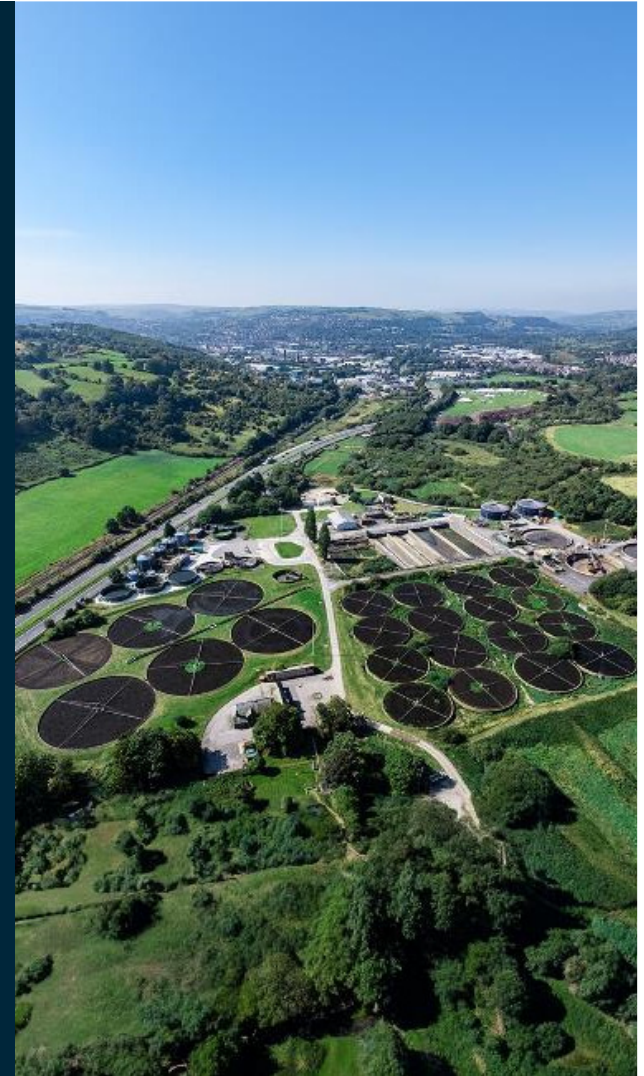
# Q&A





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# Appendix



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# Key Investment Proposition

Creating value for the long-term sustainable growth plan



**Value accretive earnings-led business model.** Aligned to UK Government's investment priorities



**Attractive market positions** focused on UK infrastructure and construction markets



**Strong order book** underpinned by long-term contracts and framework agreements



**Experienced management team.** Proven track record of operational and financial delivery

# Our businesses

Client aligned Kier businesses focussed on core markets and clients

## Infrastructure Services\*



### Transportation

Design, engineering, delivery and maintenance of transportation projects in the land, sea and air sectors



### Natural Resources, Nuclear & Networks

Design, engineering, delivery and maintenance of projects in the nuclear, water, and energy sectors

## Construction



### Construction

#### Regional Build

UK national builder weighted towards education, healthcare, justice & borders and defence

#### Kier Places

Work place solutions, residential solutions and building solutions

## Property



### Urban Regeneration and Property Development

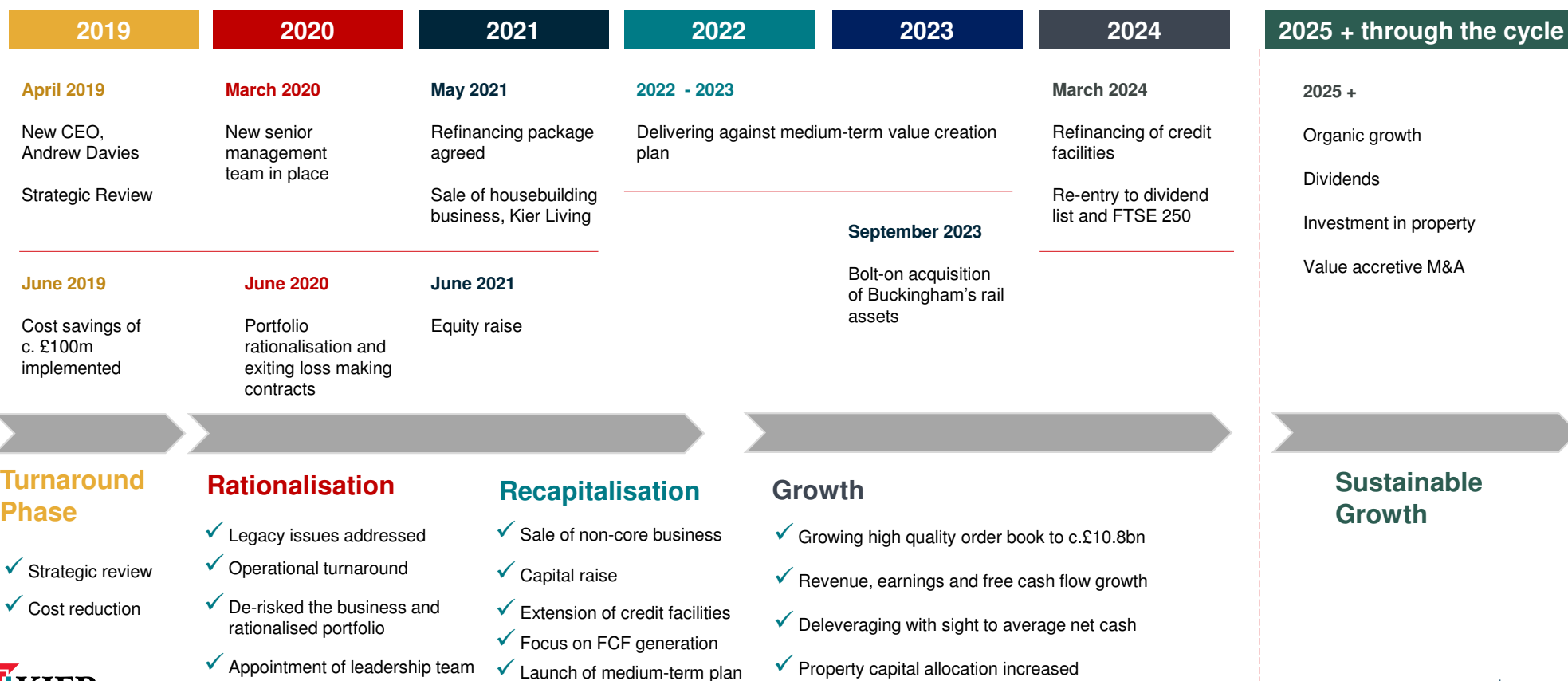
Mixed-used commercial and residential development business delivered through joint venture partnerships



\* Note: Re-alignment effective from 1 July 2023

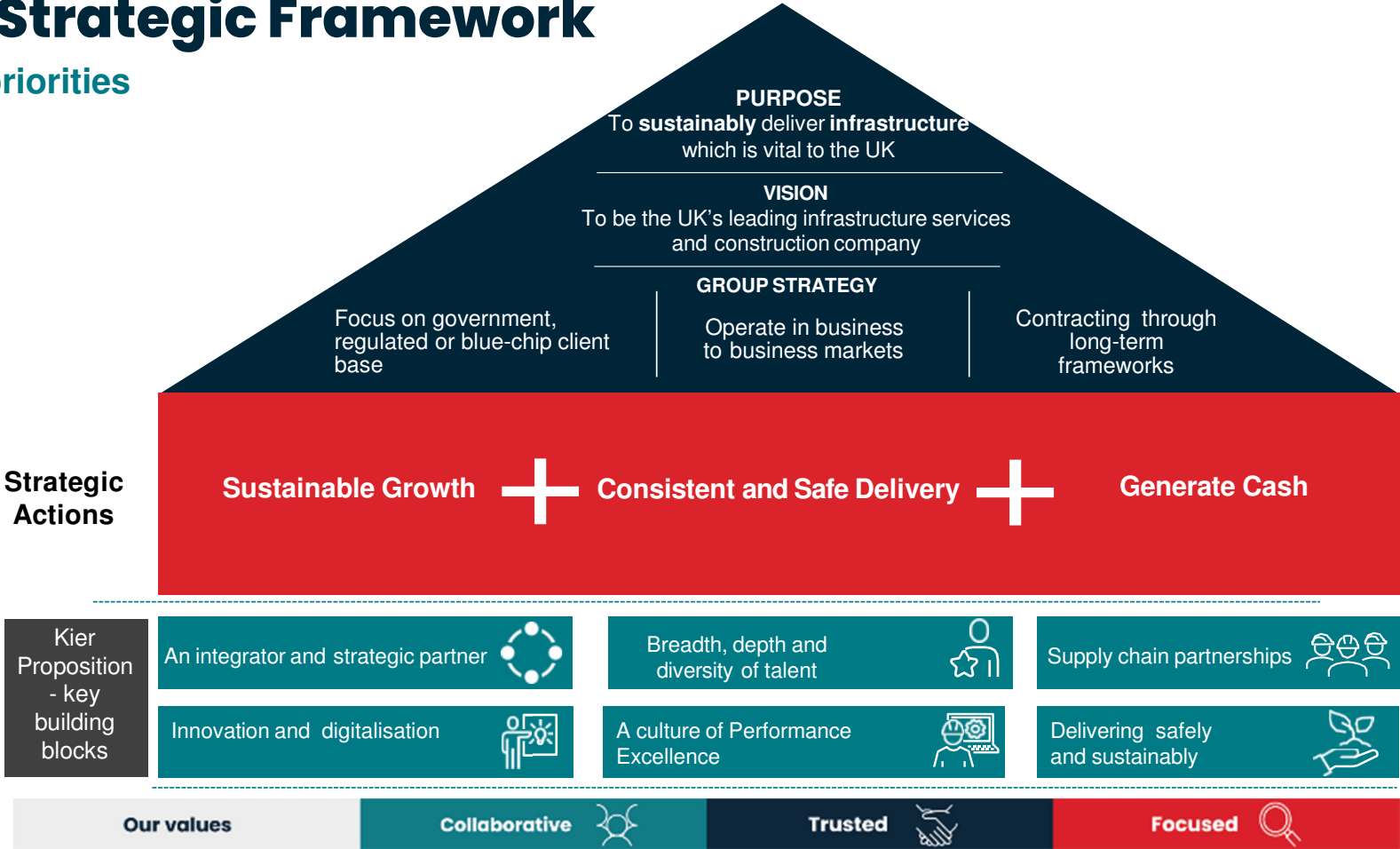
# Kier's Journey

Rationalised, recapitalised and growing business. Focused on accelerating growth and returns



# Kier's Strategic Framework

## Strategic priorities

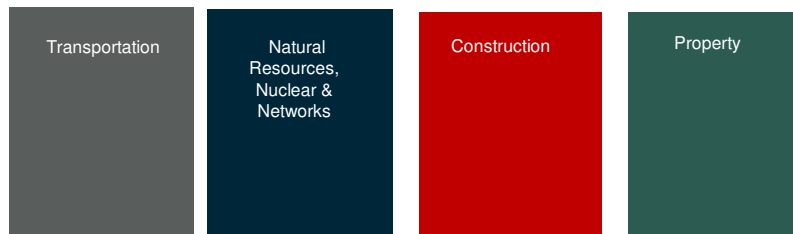




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# Long-Term Sustainable Growth Plan

Long-term targets to drive shareholder value



- **Revenue - GDP +** through the cycle
- Adjusted operating **margin 3.5% +**
- **Cashflow conversion** of operating profit **c.90%**
- Balance sheet: **average net cash** position with investment of surplus cash
- Sustainable **dividend** policy: **c.3x cover through the cycle**

# Market Drivers

## Positive market environment underpinning UK Government spending commitments



### Population growth

- Population expansion with people living longer, net immigration and mini baby boom
- Pressure on health, social and housing driving change



### Economic growth

- UK economic growth expected to slow given rising cost of living
- Construction industry historically used to stimulate economy



### Congested transport

- Congested roads, rails and airports given population growth and increased travel



### Addressing geographic imbalance

- Increased spending in previously deprived areas to narrow the UK's regional inequality



### Climate change

- Energy supply shortage and rising demand driving investment
- UK's Government's commitment to net zero carbon

# UK Government Spending Commitments

## 10 year UK national infrastructure spending commitments

### Infrastructure Services

#### Transportation



- Road Investment Strategy 2: £27bn investment in England's strategic roads - 2020-2025
- Local Authorities: £8.3bn fund for potholes and other highways maintenance
- £44bn committed over 5 years for CP7 rail network

#### Natural Resources, Nuclear & Networks



- Water England/Wales AMP8 £88bn by 2030 draft determination. NI Water £4bn to 2027
- Energy distribution - £30bn investment by 2026 and £186m in NI by 2028
- Great British Energy: £8.3bn
- Flood defences: £1.3bn for 34 flood defence projects

#### Net Zero infrastructure



- UK leading net-zero pledge
- Ten point plan for a green industrial revolution
- £100bn investment in UK energy security by 2030<sup>(1)</sup>
- Greener buildings, public transport and carbon capture

# UK Government Spending Commitments continued

Kier's core competencies aligned with UK infrastructure needs

## Construction

## Property

### Education



- 500 DfE school replacement project over 10 years, incl. 100+ of RAAC schemes to 2030

### Healthcare



- Spending to address backlog of underinvestment in hospitals

### Justice & Borders



- 14,000 new prison places required
- £4bn commitment over 4 years
- c.£250m per annum of maintenance work required to MoJ's estate

### Defence



- £5.1bn Defence Estate Optimisation Programme
- £1.2bn alliance to provide Single Living Accommodation for members of the armed forces
- £1.1bn future capital investment across US Visiting Forces estate in UK

### Kier Places



- Retrofitting and maintenance of public housing particularly in high density urban areas

### Urban Regeneration



- Geographic redistribution agenda – increased spending in deprived areas

# Frameworks – Route to Market

## Maintaining and growing central and local framework positions

- Awarded places on long-term frameworks and contracts worth up to **£144bn** (total advertised values)
- Driving **long-term revenue streams**, barriers to entry and strengthened customer relationships, underpinning strong order book

### Infrastructure Services

- **6** national framework positions
- **33** regional framework positions
- Typical durations 5 to 10 years
  
- Total advertised value circa:

**£17bn**

### Construction

- **22** national framework positions
- **34** regional framework positions
- Typical framework duration 4 years; average of **2** years remaining
- Total advertised value circa:

**£127bn**

# Pension

## Net pension scheme asset of £81m

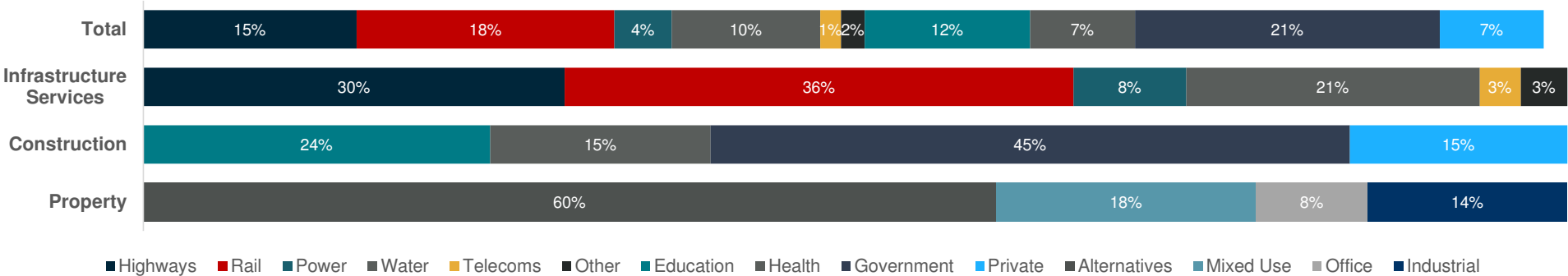
£'m	Jun 24	Jun 23	Δ
<b>Group Pension Schemes</b>			
Market value of assets	1,218.6	1,247.7	(29.1)
Present value of liabilities	(1,138.1)	(1,143.2)	5.1
<b>Net pension asset</b>	<b>80.5</b>	<b>104.5</b>	<b>(24.0)</b>
<b>Assumptions</b>			
Discount rate %	5.15	5.30	(0.15)
Inflation rate (Retail Price Index) %	3.20	3.20	-
Inflation rate (Consumer Price Index) %	2.40 - 2.85	2.30 - 2.75	0.1 - 0.1

### Deficit payment schedule

Year	FY24	FY25	FY26	FY27	FY28	FY29 & beyond
Old schedule	£10m	£10m	£9m	£9m	£9m	£11m
New schedule	£9m	£7m	£5m	£4m	£1m	-

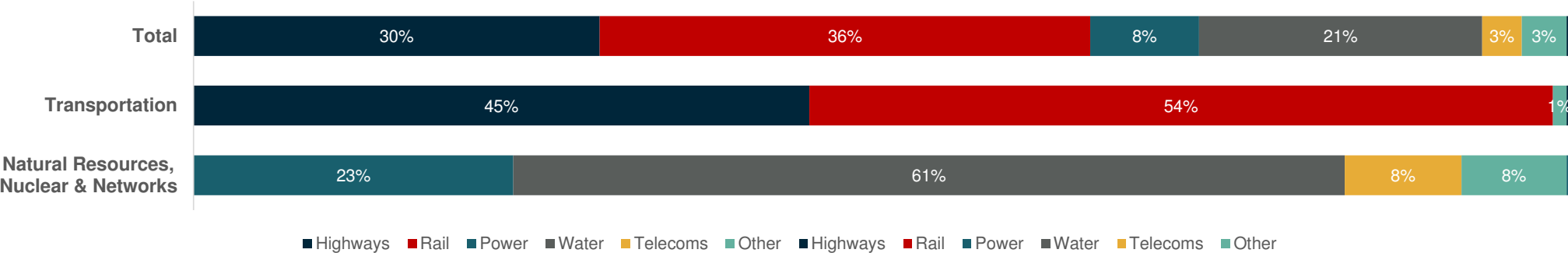
- As at 30 June 2024, Group's pension scheme asset was £81m
- Triennial valuation for funding the defined benefit schemes agreed in FY23
- Given improved pension covenant and payments under the existing schedule of contributions, schemes in a significantly improved position
- Reduced deficit contributions to be made over the coming years concluding in FY28

# Group Revenue Analysis



# Segmental Revenue Analysis

## Infrastructure Services



## Construction

