

## Chief Executive's review

**Andrew Davies**  
Chief Executive



“ The strong results for FY24 are testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in line with our medium-term value creation plan.”

### Introduction

The Group delivered a strong set of results for the 12 months ended 30 June 2024 with significant growth in revenue and operating profitability. The material deleveraging is the result of the Group's focus on operational excellence and cash management. A clear demonstration of the commitment to our medium-term value creation plan launched three years ago.

Accordingly, on 7 March 2024, we announced the resumption of dividend distributions with an interim dividend payment with clear line-of-sight to a sustainable average month-end net cash position, alongside an appropriate longer-term debt structure.

On 15 February 2024, we completed a successful £250m Senior Notes issue and extended the existing £261m Revolving Credit Facility ('RCF'), thereby securing a long-term debt structure for the Group. Given the considerable progress Kier has made and the Board's ongoing confidence in the Group's future prospects, a final dividend of 3.48p per share has been proposed – giving a total of 5.15p for FY24.

The success for future years is underpinned by the year-end order book growing to £10.8bn in FY24, an increase of 7% against the prior year, resulting from a large number of contract wins across Infrastructure Services and Construction, providing multi-year revenue visibility. The new wins consist of high quality and profitable work in our markets reflecting the bidding discipline and risk management embedded in the business.

Benefiting from the order book strength and Kier's framework positioning, c.90% of Group revenue for FY25 is already secured which provides the Board with a high degree of confidence in our outlook.

### New long-term sustainable growth plan

Since the medium-term value creation plan was announced in June 2021, the Group has made significant progress against these financial targets with operating free cash flow conversion and profit margins met consistently over recent reporting periods. During that time, the Group has significantly de-risked, having deleveraged the business markedly, enabling the Group to commence incremental returns to shareholders.

## Key investment proposition



Places on frameworks

£144bn  
Advertised Value

### Value accretive earnings-led business model

- Aligned to the UK Government's infrastructure investment priorities which are critical to the future economic growth of the UK
- Integrator with design, project management, engineering, logistics, supply chain management and ongoing maintenance capabilities

### Attractive market positions

- Attractive market positions in growing markets
- Focused on UK markets in Infrastructure Services, Construction and Property
- Delivery capability at both national and regional levels in the UK
- Property development capability

### Strong order book underpinned by frameworks

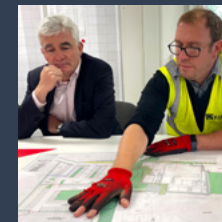
- Established position in core markets underpinned by long-term contracts and framework agreements
- Order book of £10.8bn
- We have places on agreements with an advertised value of up to £144bn across all of our core markets covering both national and regional geographies and market sectors
- Contracts across a number of sectors including healthcare, education, justice and borders, rail, water, nuclear defence, and private
- Contracting with the UK Government, regulated and blue-chip clients
- Long-standing customers and supply chain relationships

### Management team with expertise and track record of delivery

- Proven track record of operational and financial delivery
- Successfully executed an ambitious self-help programme and right-sized the business
- Operating framework embedded in organisation to manage risk
- Commercial and financial discipline in quoting new contracts and capital allocation
- Continuing focus on sustainable growth, business improvement and managing costs

Order book

£10.8bn



For more information please visit:  
[www.kier.co.uk/investors](http://www.kier.co.uk/investors)

## Executive Committee

### Executive Board members

**Andrew Davies**  
Chief Executive



**Simon Kesterton**  
Chief Financial Officer



### Corporate functions

**Alpna Amar**  
Corporate  
Development  
Director



**Louisa Finlay**  
Chief People Officer



**Sophie Timms**  
Corporate  
Affairs Director



### Group Managing Directors

**Andrew Bradshaw**  
Group Managing  
Director, Natural  
Resources,  
Nuclear  
& Networks



**Leigh Thomas**  
Group Managing  
Director, Property



**Joe Incutti**  
Group Managing  
Director,  
Transportation



**Stuart Togwell**  
Group  
Managing  
Director,  
Construction



Note: Stuart Togwell, Group Managing Director Construction, will be joining the Board as an Executive Director with effect from 1 October 2024.



For more information on our Executive Committee, please refer to: [www.kier.co.uk](http://www.kier.co.uk)

The direction of travel is expected to be maintained with the recently secured long-term funding alongside our cash generative business model. We believe this will comfortably support our organic growth including further increases to Property investment and value accretive acquisitions. We are now in a position where we have capital allocation options to drive shareholder value over the long term.

Accordingly, the Group has evolved its targets.

- **Revenue:** GDP + growth through the cycle
- **Adjusted operating profit margin:** 3.5%+
- **Cash conversion of operating profit:** c.90%
- **Balance sheet:** Average month-end net cash with investment of surplus cash
- **Dividend:** Sustainable dividend policy: c.3 x earnings cover through the cycle

### Strategy

The Group's strategy continues to be focused on:

- UK Government, regulated industries and blue-chip customers
- Operating in the business-to-business market
- Contracting through long-term frameworks.

Our core businesses are well-placed to benefit from UK Government and regulated industry spending commitments to invest in UK infrastructure.

We believe UK infrastructure spending commitments are driven by structural demand which have a positive influence on Kier's chosen markets. Population growth, transportation pressures, aged infrastructure, energy security and climate change are substantial and largely non-discretionary.

Given that public funding may be insufficient to maintain public assets, customer behaviours are shifting further towards long-term partnerships. These continue to favour Kier, given our scale, integrated design and project management capability, track record of delivery and Environment, Social and Governance ('ESG') credentials.

These positive structural demand trends and customer behaviours are expected to expand our addressable market opportunities, particularly in water, environment, energy and affordable housing as well as increased demand in our Property business. In particular, the Group has been awarded a number of framework places as part of the significant investment across the AMP8 water cycle. Kier is well positioned with all the major water companies to support them with their water infrastructure upgrade and maintenance work.

### Customers and winning new work

The Group's core markets have remained favourable. We continue to be a 'strategic supplier' to the UK Government, with c.90% of our revenue generated from public sector and regulated companies. Our contract awards reflect our long-standing client relationships and regionally based UK operations.

Highlights in the year:

#### Infrastructure Services:

- Birmingham – appointed on a two-year interim extension to deliver maintenance and repair services across Birmingham's extensive road network
- 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 the £2.8bn five-year Mechanical, Electrical, Instrumentation, Control and Automation ('MEICA') framework. An alliance to deliver their water infrastructure plan for 2025–2030
- Anglian Water – appointed on an extension for the next five years of the Integrated Maintenance, Repair and Developer Services ('IMRDS') alliance to provide vital repair services and infrastructure improvements across East Anglia

### Construction:

- 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 and Borders – awarded HMP Channings Wood and HMP Bullingdon design and build houseblock projects, together worth over £300m
- Other – appointed by Essex County Council to Lot 3 of a four-year £400m framework to provide design and construction services to public sector projects
- 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

### Financial summary

Kier's revenue of £4.0bn (FY23: £3.4bn) reflects growth across Infrastructure Services and Construction. The Group's FY24 results reflect a strong operational and financial performance.

Our order book has continued to grow and increased 7% year over year to £10.8bn. Approximately 60% of our order book is under target cost or cost reimbursable contracts. The remainder of the order book is on fixed priced contracts where the risk is negotiated and managed with our customers and supply chain partners.

With over 400 live projects at any given time, we are also regularly delivering on existing contracts and pricing new contracts which mitigates against cost pressures. In addition, we have an average order size of c.£20m in our Construction business which given its modest size, limits our risk exposure in the event a project does not go to plan.

The Group delivered adjusted operating profit of £150.2m which represents a 14% increase on the prior year (FY23: £131.5m) driven predominantly by profitable growth in Infrastructure Services.

Group adjusted operating profit margin decreased by 10 basis points to 3.8% (FY23: 3.9%) due to the timing and mix of projects. The margin remains above the Group's medium-term plan target and is industry leading. Profit for the year from continuing operations increased 25% to £51.3m (FY23: £41.0m) with lower adjusting items, partially offset by an increase in interest costs and taxation.

Adjusted earnings per share ('EPS') increased 7% to 20.6p (FY23: 19.2p) and reported EPS increased 24% to 11.8p (FY23: 9.5p).

The Group generated £185.9m of free cash flow in FY24 (FY23: £132.3m), with the increase attributable to the Group's revenue growth converted to increased profit and excellent cash conversion. The incremental cash has allowed the Group to invest further in the Property business, which is currently seeing a number of exciting opportunities. In addition, the Group experienced a seasonal working capital inflow of £68.4m, predominantly driven by Construction.

The Group's net cash position at 30 June 2024 was £167.2m (FY23: £64.1m) with supplier payment days remaining consistent with the prior year as the strong volume growth translated to increased cash receipts.

Average month-end net debt for the year ended 30 June 2024 was £(116.1)m (FY23: £(232.1)m). As noted above the increased activity seen across the Group which started in Q4 FY23 has translated into cash generation and lower net debt as well as allowing us to deploy cash to our Property business, acquire certain assets of Buckingham Group and paying pension deficit obligations.

In February 2024, we announced the completion of our £250m 5 year Senior Notes. The proceeds were used to further reduce our USPP ('US Private Placement') Notes by £37m and lower the RCF to £261m. These revised long-term debt facilities completed the last stage of the Group's recapitalisation and provides us with both flexibility and optionality whilst we continue to deleverage.

“ The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining our strong cash generation.”



### Capital allocation

In addition to the long-term sustainable growth plan, the Group has clear capital allocation priorities, which remain largely unchanged. The Group maintains a disciplined approach to capital and continuously reviews capital allocation priorities with the aim of maximising shareholder returns. The Group's capital allocation is underpinned by its commitment to maintain a strong balance sheet. The capital priorities are:

- **Capex** – investment to support its businesses
- **Deleveraging** – further deleveraging. Targeting an average month-end net cash position with investment of any surplus cash
- **Dividend** – targeting a dividend cover of around 3 x earnings through the cycle
- **Property** – disciplined non-speculative investment in the Property segment. ROCE target of 15%
- **Mergers and acquisitions** – the Group will consider value accretive acquisitions in core markets

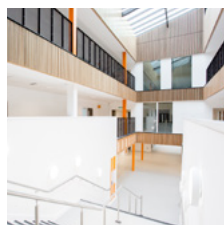
Read more in our Operational review on pages 22–29

## Dividend

The importance of dividends to the Group's shareholders has always been recognised by the Board and was an important facet of the medium-term value creation plan launched during FY21. Our stated aim is to deliver a dividend, covered c.3x by adjusted earnings over the cycle and in a payment ratio of approximately one-third interim dividend and two-thirds final dividend.

The Group has continued to deliver strong operating and financial performance resulting in material deleveraging during the period. This significant improvement, combined with the strength of the order book and future prospects of the Group have resulted in the Board proposing a final dividend of 3.48p per share. When combined with the interim dividend of 1.67p, the total dividend of 5.15p in FY24 represents an earnings cover of 4x as we progressively move to our target of 3x cover.

The final dividend will be paid on 29 November 2024 to shareholders on the register at close of business on 25 October 2024. The shares will be marked ex-dividend on 24 October 2024. Kier has a Dividend Reinvestment Plan ('DRIP'), which allows shareholders to reinvest their cash dividends in our shares. The final election date for the DRIP is 8 November 2024.



## Property

Kier's Property business invests in and develops sites across the UK, largely through joint ventures where it partners with local authorities, as well as blue-chip and regulated businesses. The business typically delivers mixed-use commercial and residential developments and specialises in urban regeneration, last mile logistics, modern sustainable office developments and affordable housing.

The Property division targets a return on capital employed of 15%. A component of the cash generated by our Construction and Infrastructure Services segments is invested in long-term property developments. It also recycles cash generated from completed property transactions as a further source of capital.

With the new Government's focus on the delivery of affordable housing combined with the cyclical recovery in the property market, the Group is currently seeing many attractive investment opportunities in Property. Accordingly, during FY24, the Board reviewed the capital employed in Property and increased the range to between £160m and £225m (previously £140m to £170m).

## Acquisition

On 4 September 2023, Kier agreed to acquire substantially all of the rail assets of Buckingham Group Contracting Limited ('in Administration') and their HS2 contract supplying Kier's HS2 joint venture, Eiffage Kier Ferroviario BAM ('EKFB'), for a total cash consideration of £9.4m.

The Group has previously stated it would consider value accretive acquisitions in core markets where there is potential to accelerate the medium-term value creation plan. This is an excellent example of an acquisition which provides a cultural fit as well as accelerating Kier's broader rail strategy. The rail assets consisted of design, build and project integration contracts for a range of customers including Network Rail.

As part of the acquisition, Kier achieved positions on various frameworks and projects including, the Control Period 6 ('CP6') North West & Central framework for Network Rail, Transport for Greater Manchester ('TfGM') framework, Transport for Wales ('TfW') framework, West Midlands Combined Authority: Willenhall & Darlaston Project, East Midlands Railway: Etches Park Project and Nexus' Whitley Bay Project.

The acquisition has been successfully integrated into the Group's Transportation business and is performing ahead of our initial expectations.

## Performance Excellence

Through our Performance Excellence programme, which was introduced in 2020, Kier has embedded a strong operational and financial risk management framework across the Group. It is essential to, and embedded into, Kier's contract selection and delivery processes.

See our Financial review on pages 77-82

The Group's focus for FY24 was Digital and Simplification as we continuously improve the operational performance of the business.

The key tenets were as follows:

- Site set-up – standardisation of site offices and enhancing site connectivity
- Health, safety and wellbeing – simplifying health and safety, data and sharing best practice
- Quality assurance – improving capability and digital tools
- Functions – simplifying processes and enhancing current systems

### Supply chain partners

We continue to focus on maintaining and growing relationships with our key stakeholders, including our supply chain. Many of our suppliers are long-term partners of the Group and we value their contribution.

We were pleased to report that, in our latest Duty to Report on Payment Practices and Reporting submission, covering the period from 1 January 2024 to 30 June 2024, the Group's aggregate average payment days was 34 days (H1: 33 days) and the percentage of payments made to suppliers within 60 days was 86% (H1: 88%).

We are committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this. We are fully committed to complying with the 30-day payment requirements for small and medium sized firms.

### Environmental, Social and Governance ('ESG')

Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. To achieve this, we are focused on growth that supports a just transition towards a greener, fairer, resilient and inclusive economy. As a 'strategic supplier' to the UK Government, Environmental, Social, Governance ('ESG') is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts with a value of or above £5m per annum require net zero carbon and social value commitments.

### Building for a Sustainable World

Last year, we launched our refreshed sustainability framework, 'Building for a Sustainable World'. It covers sustainability from both an environmental and social perspective and focuses on three pillars: Our People, Our Places and Our Planet, alongside relevant metrics to report progress. Our actions during FY24 have been on establishing strong foundations: developing and embedding milestone plans to govern our actions and deliver against each framework topic and pillar.

We believe that to be a responsible business and to play a leading role in our industry, we must address both the impact of climate change and leave a positive lasting legacy in the communities in which we operate.

### Health, Safety and Wellbeing

The Group's 12-month rolling Accident Incident Rate ('AIR') in FY24 of 155 represents an increase of 76% compared to the prior year (FY23: 88).

The Group's 12-month rolling All Accident Incident Rate ('AAIR') in FY24 of 363 increased by 13.5% from the FY23 result of 320.

These FY24 figures are an increase on the high performing benchmark that we achieved last year. We are disappointed with these trends given our high standards, but we continue to outperform historic industry league tables. Safety remains our licence to operate. During FY24, we rolled out our culture programme, which complements safety-specific behavioural training across our projects. These programmes have been designed to bring positive health, safety and wellbeing approaches into our operations, and apply to all personnel, including our supply chain. They sit alongside our existing policies and procedures.

### Environment

#### Net Zero Carbon Targets

In FY24, c.4% of Kier's carbon emissions came directly from our operations (Scope 1 & 2), such as the fuel in our fleet and energy consumed in the offices and depots that we operate. Scope 3 predominantly relates to the emissions from the materials we buy and the supply chain partners we rely on to deliver our projects. Scope 3 makes up the remaining c.96% of the emissions.

We have prepared a milestone plan to become net zero carbon for Scope 1 & 2 by 2039. We achieved a 9% year-on-year reduction in Scope 1 & 2 carbon emissions in FY24. For value chain emissions (Scope 3), we are aiming for net zero carbon by 2045. We are working with our supply chain to target our most carbon intensive materials and activities. This is our third year of reporting on our Scope 3 emissions as we continue to improve the process.

### Accreditations

In FY24, we received external verification of our approach to delivering our net zero ambitions:

- The Science Based Target initiative confirmed that our targets are aligned to limiting global warming to 1.5°C and Net Zero
- PAS 2080 accreditation shows that our processes are contributing to reducing lifecycle carbon emissions from our customers' buildings and infrastructure projects
- The British Standards Institute ('BSI') provided ISO14064-1 standards assurance of our FY23 and FY24 carbon footprint

As well as reducing our own carbon footprint, Kier continues to work with its clients to design out carbon from UK infrastructure projects, and with our supply chain to reduce their carbon emissions.

In February 2024, Kier was provided the London Stock Exchange Green Economy Mark demonstrating that 69% of our FY24 revenue was derived from green products and services.

### Social

Delivering a legacy of social value continues to be a key priority for our customers and for Kier. This year we delivered £583m<sup>1</sup> of added social value through our workforce, supply chain and positive impact in our local communities.

1. We now measure our added social value, which excludes the economic value gained from subcontracted spend if not with an SME or VCSE.

See our ESG Report on pages 36–64

### Emerging Talent

We continue to offer apprenticeships as a key means of upskilling employees and bringing in diverse emerging talent to reduce the industry skills gap.

Kier is a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce.

In FY24, we had over 660 apprentices participating in programmes, representing c.6.5% of our workforce and we welcomed c.60 future graduates on work experience placements and c.100 graduates onto our graduate programme, c.36% of which comprised women.

We contribute to a variety of educational engagement activities, including playing a leading role in Open Doors Week to introduce students and the general public to the construction industry.

### Making Ground programme

As part of our drive to recruit diverse talent, Kier operates a prison engagement and employment programme, Making Ground. We have provided employability training to over 35 candidates in custody, offered 41 prison leavers employment and over 25 Released on Temporary Licence ('ROTL') opportunities to people in custody within our business or with our supply chain in FY24.

Kier also remains committed to offering employment opportunities to those who have served in our armed forces and has offered employment to 67 veterans and 11 reservists during the year.

**“ Kier is also a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce.”**

### Governance

Governance is a core component of the Group's approach to operations. Governance is delivered within Kier's Operating Framework. The laws, policies and procedures underpinning the Operating Framework are regularly reviewed and updates implemented as necessary. Within the Operating Framework is Kier's Code of Conduct which sets the corporate compliance agenda.

Integral to this is our management of risk. We ensure that risk management is adopted at every stage of the project lifecycle to ensure that the delivery of the Group's order backlog remains profitable and cash generative in line with our long-term sustainable growth plan.

### Built by Brilliant People™

Kier is Built by Brilliant People™. We have therefore invested in the rewards and benefits that we offer to them and their families. We are a proud Real Living Wage employer, and c.1,000 employees received a Real Living Wage increase of, on average, 7.3% in January 2024. All our employees receive life assurance and access to a range of wellbeing support including a virtual GP, confidential advice and counselling services.

Focus has also been made on wellbeing including such initiatives as Your Voice, a survey which enables employee engagement. This is an important measure to ensure our approach to employees is successful. The current surveys show a 67% employee engagement score for FY24, an increase from the previous year (FY23: 65%).

Our approach to sustainability safeguards our business and builds a resilient environment, community and profits over the long term.

### Summary and outlook

The past three years have seen the Group achieve significant operational and financial progress. The strong results for FY24 are testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in-line with our medium-term value creation plan. Our order book remains strong and growing at £10.8bn and provides us with good multi-year revenue visibility. The contracts within our order book reflect the bidding discipline and risk management now embedded in the business.

We are also pleased to report that the Group significantly reduced its average month-end net debt position as well as improved its year-end net cash position. We are confident we can sustain this momentum going forward.

The Group has started the financial year well and is trading in-line with the Board's expectations. The Group is well-positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining the strong cash generation evidenced especially over the last two years allowing us to significantly deleverage, increase dividends to shareholders and deliver the evolved long-term sustainable growth plan which will benefit all stakeholders.

**Andrew Davies**  
Chief Executive

 See our ESG report on pages 36–64