



Kier Group plc

Results for the year ended 30 June 2023

14 September 2023



Disclaimer

No representation or warranty, express or implied, is made or given by or on behalf of Kier Group plc (the “Company” and, together with its subsidiaries and subsidiary undertakings, the “Group”) or any of its directors or any other person as to the accuracy, completeness or fairness of the information contained in this presentation and no responsibility or liability is accepted for any such information. This presentation does not constitute an offer of securities by the Company and no investment decision or transaction in the securities of the Company should be made on the basis of the information contained in this presentation.

This presentation contains certain information which the Company’s management believes is required to understand the performance of the Group. However, not all of the information in this presentation has been audited. Further, this presentation includes or implies statements or information that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may use forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should”. By their nature, forward-looking statements involve risks and uncertainties and recipients are cautioned that any such forward-looking statements are not guarantees of future performance. The Company’s or the Group’s actual results and performance may differ materially from the impression created by the forward-looking statements or any other information in this presentation.

The Company undertakes no obligation to update or revise any information contained in this presentation, except as may be required by applicable law and regulation. Nothing in this presentation is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or the Group whether in the current or any future financial year.

This presentation and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

Certain information in this presentation has been extracted from the announcement of FY23 full year results made by the Company on 14 September 2023 and this presentation is not a substitute for reading that announcement in full.



Results Summary

Andrew Davies, CEO



FY23 Highlights

- **Strong financial performance despite ongoing inflationary pressures**
 - Revenue growth of 5% driven by strong operational performance
 - Adjusted operating profit increased 9% to £132m (FY22: £121m)
 - Adjusted operating margin at 3.9%, ahead of the medium-term target of c. 3.5%
 - Free Cash Flow of £132m, driven by operating cash conversion of 130% following a strong Q4 performance
 - Net cash of £64m, significantly higher than prior year end (FY22: £3m), and achieved after fully repaying £50m KEPS
 - Strong cash generation and repayment of debt-like items. Average month-end net debt at £(232)m
 - Intention to resume dividend payments in FY24, commencing with an interim dividend
 - High quality order book, increased 3% to £10.1bn (FY22: £9.8bn) providing significant visibility over FY24
 - Bolt-on acquisition of rail assets announced post year end
 - Pension scheme triennial valuation agreed resulting in materially decreased deficit payments
 - Updated sustainability framework reinforces commitment to ESG targets

Medium-Term Value Creation Plan Update

On track to achieve medium-term value creation plan targets

	Medium-term value creation plan expectations	FY23	Delivered
Revenue	Revenue c.£4.0bn - £4.5 bn	£3.4bn	On track
Adjusted EBIT margin	Adjusted operating margin c.3.5%	3.9%	✓
Cashflow conversion	Cashflow conversion of operating profit c.90% ⁽¹⁾	130% ⁽¹⁾	✓
Average month-end net cash	Sustainable net cash position with capacity to invest	£(232)m	On track
Dividend policy	Sustainable dividend policy: c.3x earnings cover through the cycle	Intention announced	



FY23 Results

Simon Kesterton, CFO



Financial Highlights

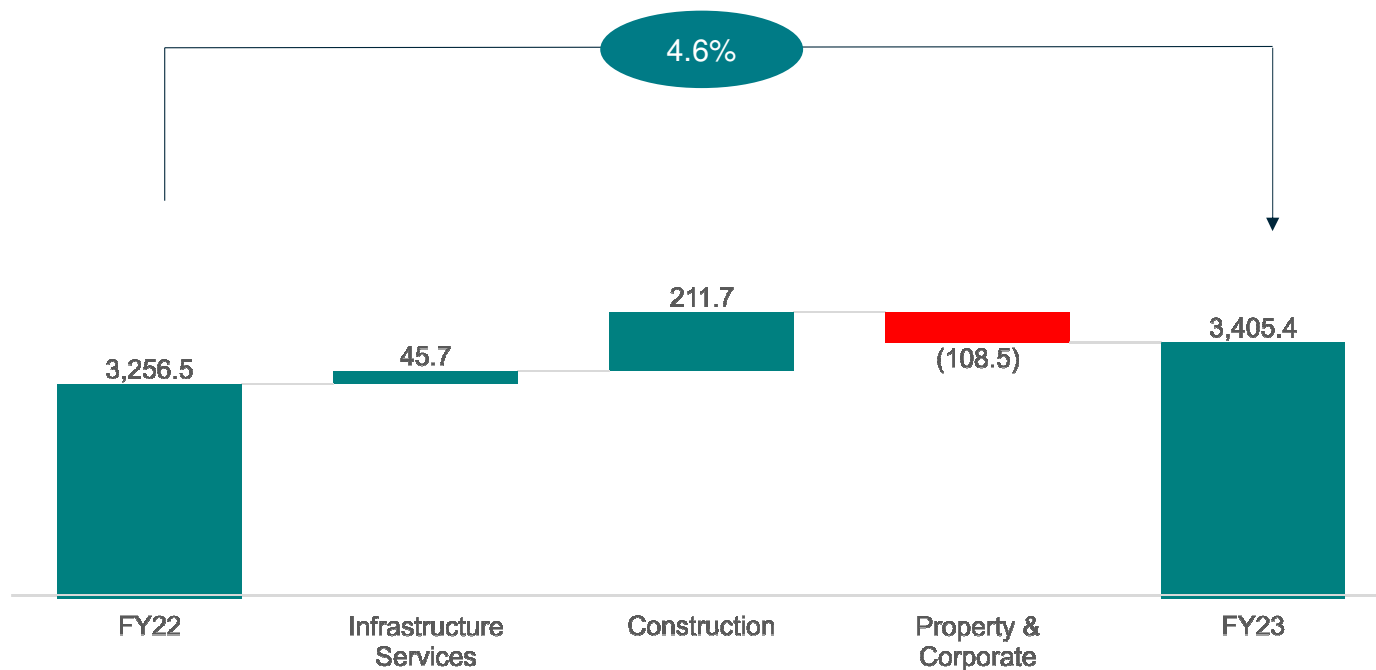
Significant free cash flow generation of £132m

£'m	FY23	%	FY22	%	Δ
Revenue	3,405.4		3,256.5		4.6%
Adjusted Operating Profit	131.5	3.9	120.5	3.7	9.1%
Net finance costs	(26.7)		(26.4)		(1.1%)
Adjusted Profit before tax	104.8	3.1	94.1	2.9	11.4%
Adjusting items	(33.7)		(58.5)		42.4%
Amortisation	(19.2)		(19.7)		2.5%
Profit before tax	51.9		15.9		226.4%
Taxation	(10.9)		(3.2)		(240.6%)
Profit from continuing operations	41.0		12.7		222.8%
Adjusted basic EPS	19.2p		16.8p		14.3%
Statutory EPS	9.5p		2.9p		227.6%
Free cash flow	132.3		54.6		142.3%
Net cash / (debt)	64.1		2.9		2,110.3%
Average month-end net debt	(232.1)		(216.1)		(7.4%)

- Higher volumes in Infrastructure Services and Construction more than offset by expected reduced Property transactions
- Strong adjusted operating profit of £132m despite inflationary pressure
 - 3.9% adjusted operating profit margin and ahead of target
- Increased profit after tax to £41m
- Free cash flow of £132m driven by underlying operational performance and working capital inflow
- Repayment of debt-like items. Average month-end net debt of £232m

Revenue Performance

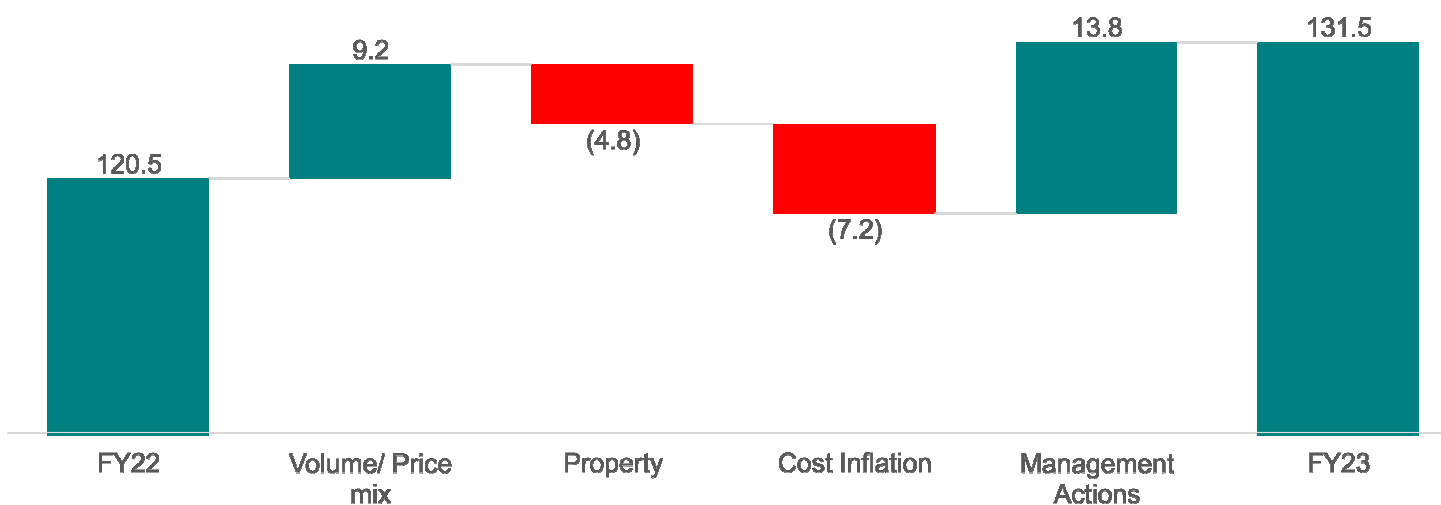
Higher volumes in Infrastructure Services and Construction more than offset by Property



- Revenue increase of 4.6% in FY23
- Infrastructure – ramp up of capital works on HS2
- Construction – strong order book converting to revenue
- Continued bidding discipline and risk management
- Property – expected reduced transactions reflecting market conditions

Adjusted Operating Profit

Margin increase underpinned by business mix and cost management



- Adjusted operating profit of £132m, 3.9% margin
- Increase against prior year:
 - Volume / price / mix
 - Management actions
- Decrease against prior year:
 - Property activity
 - Cost Inflation

Adjusting Items

Restructuring costs materially reduced

£'m	FY23	FY22
Restructuring and related charges	13.0	40.0
Amortisation	19.2	19.7
Other	17.8	15.7
Total adjusting items to operating profit	50.0	75.4
Finance costs	2.9	2.8
Total adjusting items to profit before tax	52.9	78.2
Cash cost	27.0	41.2

- Restructuring costs materially reduced and no further charges expected
- Amortisation - £19m of non-cash accounting charges
- Other- £13m related to fire compliance and £5m for insurance-related matters
- Cash cost includes c.£13m relating to items accrued in previous periods

Free Cash Flow

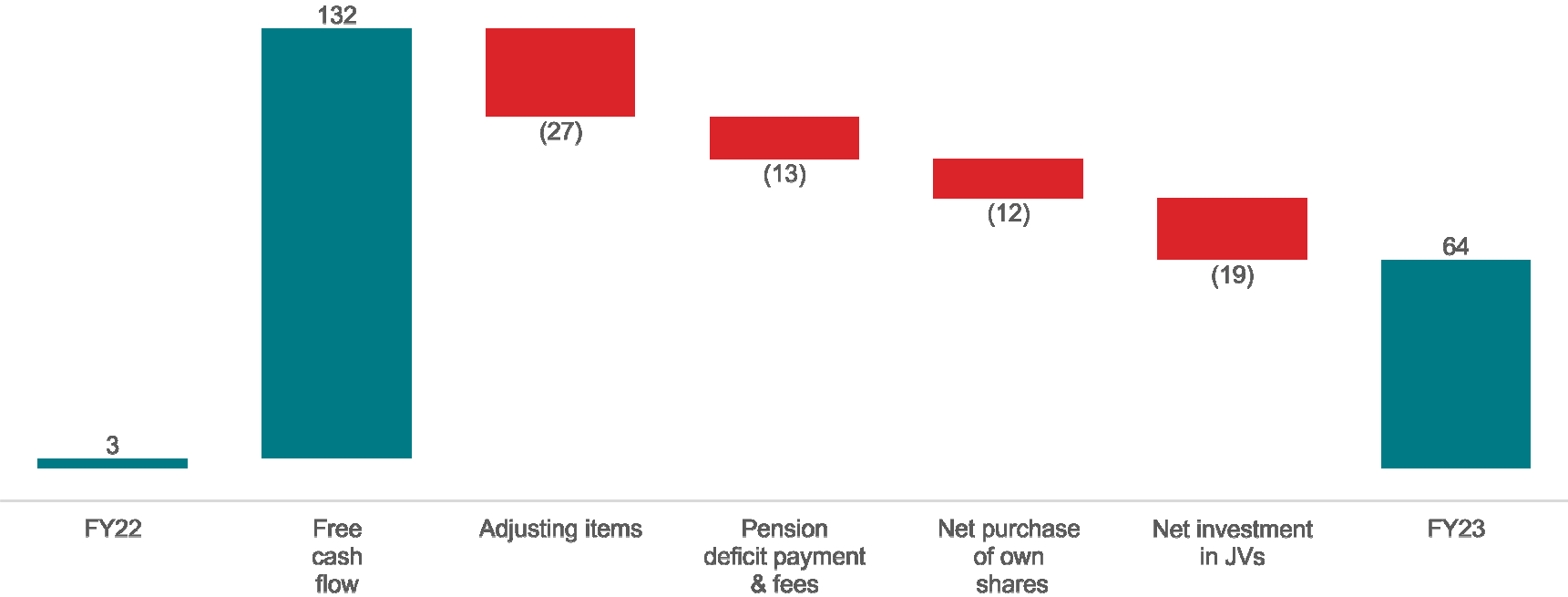
Strong free cash flow generation with positive working capital inflow and reduction in KEPS

£'m	FY23	FY22
Adjusted EBITDA	196.0	165.4
Working capital	80.3	3.7
Net capex (Including IFRS16 leases)	(51.4)	(46.5)
JV dividends less profits	0.7	5.9
KEPS repayment	(49.8)	(29.3)
Other ¹	(5.2)	9.0
Operating Free Cash Flow	170.6	108.2
Adjusted conversion	130%	90%
Net interest & tax	(38.3)	(32.8)
Free Cash Flow before COVID-19 impact	132.3	75.4
Net COVID-19 impact	-	(20.8)
Free Cash Flow	132.3	54.6

- Adjusted operating cash flow conversion of 130%
- Working capital inflow of £80m driven by Construction volumes in Q4
- Supplier payment days broadly consistent with prior year at 34 days
- Fully repaid £50m KEPS facility in July 2022

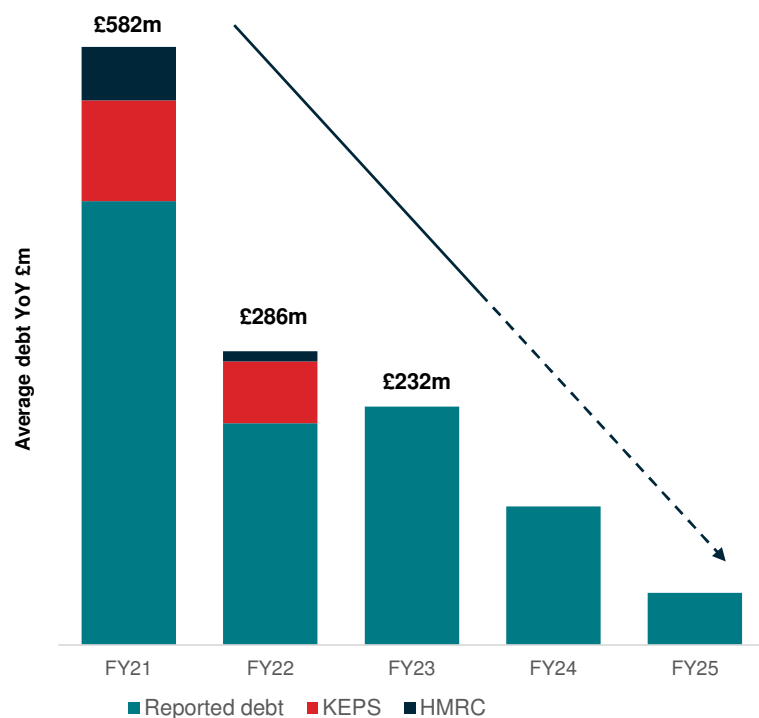
Net Cash Movement

Significant free cash flow generation of £132m and year-end net cash position of £64m



Average Month-End Net Debt

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

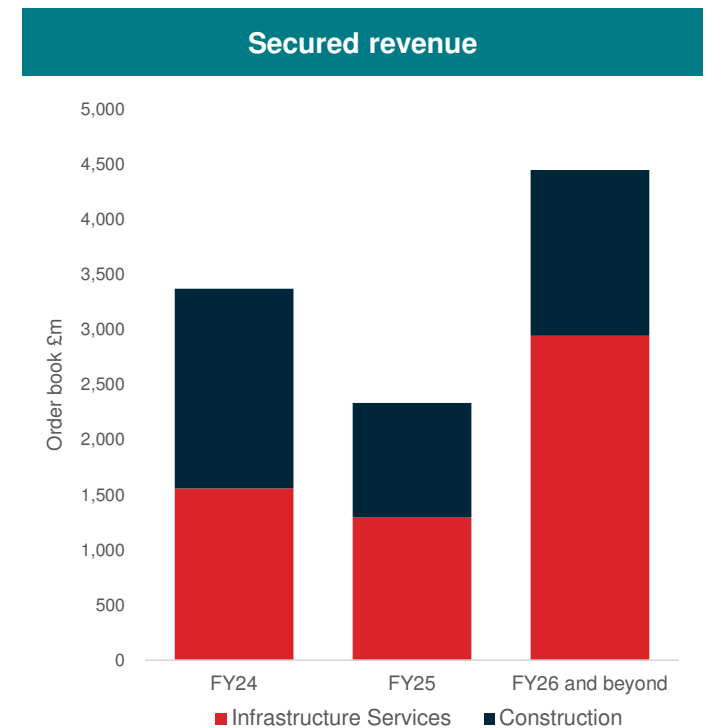
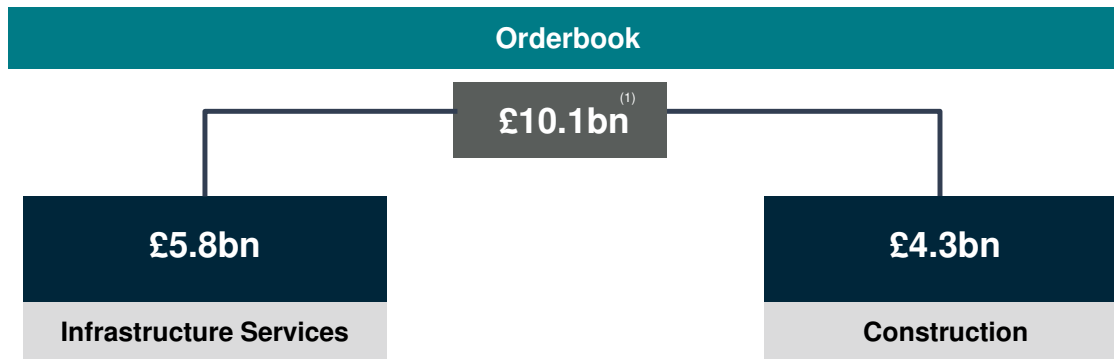


- FY23 – expected increase due to the repayment of debt and debt-like items such as KEPS and HMRC Covid-19 deferred taxes
 - Average month-end net debt of £(232)m
- FY24 – expected improvement with free cash flow generation
 - Order book converting to revenue
 - Working capital inflow
 - Reduced adjusting items
- Financing
 - Committed debt facilities of £570m
 - Majority of facilities maturing in January 2025

High Quality Order Book

Order book of £10.1bn underpinned by long-term framework positions

- Order book at £10.1bn (FY22: £9.8bn)
- 85% of FY24 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.£16m



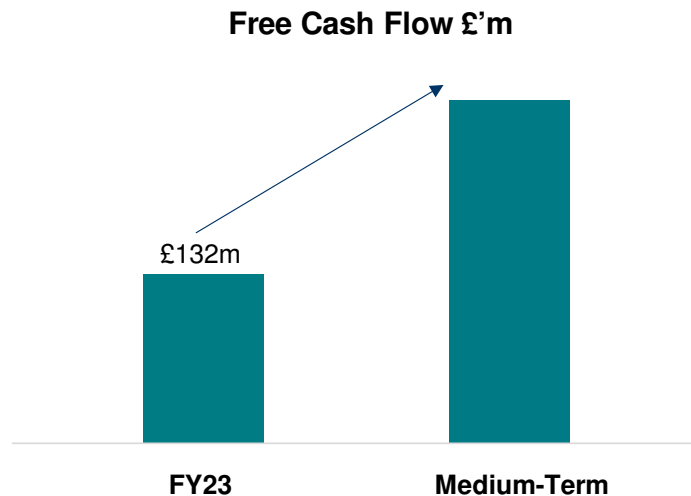
Capital Allocation

Capital allocation priorities aligned with strategic objectives

- Sources and uses of cash

Sources of Cash

- Free cash flow generation over medium-term



Uses of Cash

- **Capex** - investment to support business
- **Property** - disciplined investment in Property business
- **Deleverage** - further deleveraging in order to operate with a strong, resilient and flexible balance sheet
 - Targeting a sustainable net cash position in medium term
- **Dividend** - targeting dividend cover of 3 x earnings through the cycle
- **M&A** - value accretive and in core markets. Potential to accelerate medium-term plan

Pension

Net pension scheme asset of £105m

£'m	FY23	FY22	Δ
Group Pension Schemes			
Market value of assets	1,247.7	1,557.0	(309.3)
Present value of liabilities	(1,143.2)	(1,362.3)	219.1
Net pension asset	104.5	194.7	(90.2)

Deficit payment schedule

Year	FY23	FY24	FY25	FY26	FY27	FY28	FY29 & beyond
Old schedule	£10m	£10m	£10m	£9m	£9m	£9m	£11m
New schedule	£10m	£9m	£8m	£5m	£4m	£1m	-

- As at 30 June 2023, Group's pension scheme asset was £105m
- Triennial valuation for funding the defined benefit schemes agreed.
- 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

Dividend

Intention to recommence dividend given progress against medium-term value creation plan

- Intention to commence dividends
- Near-term pathway to operating with an average month end net cash position
- Significant improvement in balance sheet net cash
- Over time, progress to deliver a dividend, covered 3x by earnings
- Payment ratio: one third interim dividend and two third final dividend
- First dividend is expected to be announced alongside interim results



Operational Update

Andrew Davies, CEO



Infrastructure Services

Adjusted operating profit growth of 14% to £80m

£'m	FY23	FY22	Δ
Revenue	1,712	1,667	2.7%
Adjusted Operating Profit	79.8	70.0	14.0%
Operating margin	4.7%	4.2%	50 bps
Order book (£bn)	5.8	5.6	3.6%

Financial Performance

- Revenue growth of 2.7% driven largely by ramp up of capital works on HS2
- Adjusted operating profit benefits from HS2 volume increases, offset by slower than anticipated roll out in telecoms sector

Commercial & Operational Update

- Order book increase of 4% to £5.8bn
- Transportation: appointed by National Highways to carry out maintenance on 8 viaducts at Lune Gorge, spanning the M6
- Natural Resources, Nuclear & Networks: reappointed to the £55m per annum, 3 year extension of the Network Service Alliance framework by South West Water and Bournemouth Water
- 76% revenue secured for FY24

Rail Assets Acquisition

Bolt-on acquisition of rail assets completed post year end

- Completed post year end, 4 September 2023
- Acquired substantially all the rail assets of Buckingham Group and the HS2 contract supplying Kier's HS2 joint venture, EKFB
- Cash consideration of up to £9.6m
- Value accretive acquisition in core market
 - Excellent cultural fit and accelerates Kier's broader rail strategy
- Given modest size, no material impact on forecasts for FY24
- FY25 revenue of £50-£75m expected
- Integration currently in progress

Construction

Adjusted operating profit growth driven by higher volumes and impact of prior year restructuring

£'m	FY23	FY22	Δ
Revenue	1,653	1,441	14.7%
Adjusted Operating Profit	69.5	60.8	14.3%
Operating margin	4.2%	4.2%	- bps
Order book (£bn)	4.3	4.2	2.4%

Financial Performance

- Revenue increase of 15% reflects ramp up of HMP Millsike prison and increased facilities management & housing maintenance work in Kier Places
- Adjusted operating profit increased with higher volumes and the impact of the prior year's restructuring

Commercial & Operational Update

- Significant awards:
 - Appointed to the £5.1bn Strategic Alliance Contract Framework in relation to the Defence Estate Optimisation ("DEO") Portfolio by the Ministry of Defence.
 - Re-appointed to the £4.5bn Southern Construction Framework
 - Kier Places appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate
- 95% revenue secured for FY24

Property

Fewer property transactions in current market conditions

£'m	FY23	FY22	Δ
Revenue	38	144	(73.9%)
Adjusted Operating Profit	12.8	17.6	(27.3%)
Operating margin	34.0%	12.2%	2,180bps
Capital employed – equity only	150	122	23%
ROCE – new	9.4%	13.7%	(430)bps
Capital employed	175	122	43.4%
ROCE	8.6%	13.7%	(510)bps

Financial Performance

- Revenue and adjusted operating profit decreased due to lower transactions driven by market conditions
- Adjusted operating margin increased to 34% due to a revaluation gain on two investment property transactions

Commercial & Operational Update

- Commenced redevelopment work at 19 Cornwall Street Birmingham to transform it into an office operating at net zero carbon
- Entered a Joint Venture partnership with Countryside to deliver a housing development in South Wokingham
- Obtained planning consent for a windfarm to be developed on the former Greenburn Mine site
- In the process of reviewing the upper end of the capital range which is currently £170m



Sustainability

Andrew Davies, CEO



New Sustainability Framework

Building for a Sustainable World

Key focus areas:

- 1

➤

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

- 2

➤

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

- 3

➤

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

Progress made on carbon, waste and water reduction in FY23



- ✓ **Carbon** – reduction in scope 1 & 2 carbon 19% in 2023
 - ✓ reduction in scope 3 carbon by 7% in 2023



- ✓ **Waste** – 33% year over year reduction in the volume of non-hazardous construction waste from FY22 to FY23
 - Construction waste diverted from landfill – 92% of total FY23 waste



- ✓ **Biosphere protection**
 - **Water** – 8% year over year reduction in cost of water as a percentage of operational spend

Social

Progress made on social commitments in FY23



Safety

- ✓ **Safety** – 12-month AIR 88 a decrease of 23% on FY22
- ✓ 12-month AAIR 320, inline with FY22



Apprenticeships

- ✓ **Apprenticeships** – 646 apprentices participants, 6% of workforce
- ✓ **Graduates** – intake comprising 43% women



SME Spend

- ✓ **Small and Medium Enterprise (“SME”) spend** – 69% of subcontractor spending with SMEs



Supply Payment Days

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

Summary and Outlook

- 1 Outperformed medium-term margin target
- 2 Order book of £10.1bn providing multi-year revenue visibility
- 3 FY24 started well and trading in line with expectations. Current year outlook unchanged
- 4 Near-term pathway to sustainable average month-end net cash position; commencement of dividend alongside interim results



Q&A



Appendix



Key Investment Proposition

Creating value for the medium-term



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

Re-aligned Infrastructure Services segment. Well placed to support clients in key markets

Infrastructure Services*



Transportation

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



Natural Resources, Nuclear and Networks

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

Construction



Construction

Regional Build

UK national builder weighted towards education, health, justice and defence

Kier Places

Facilities management and housing maintenance services

Property

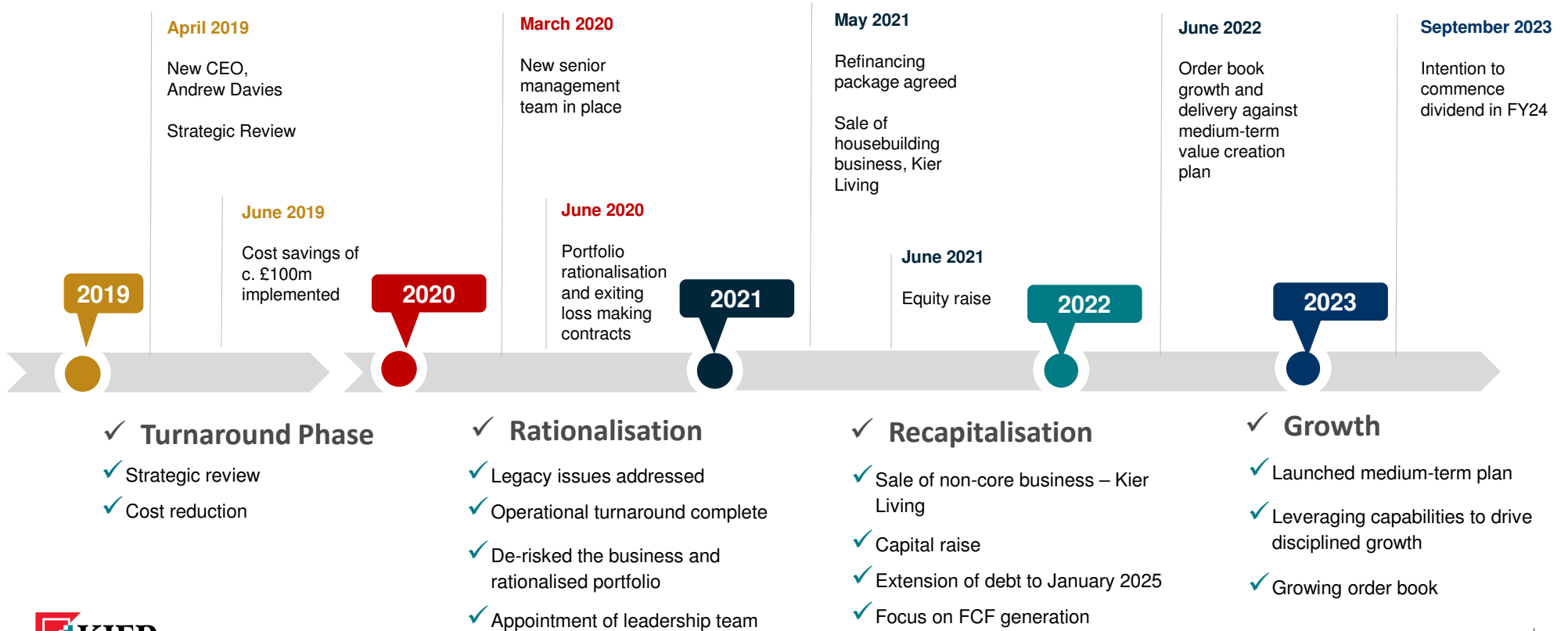


Urban Regeneration and Property Development

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

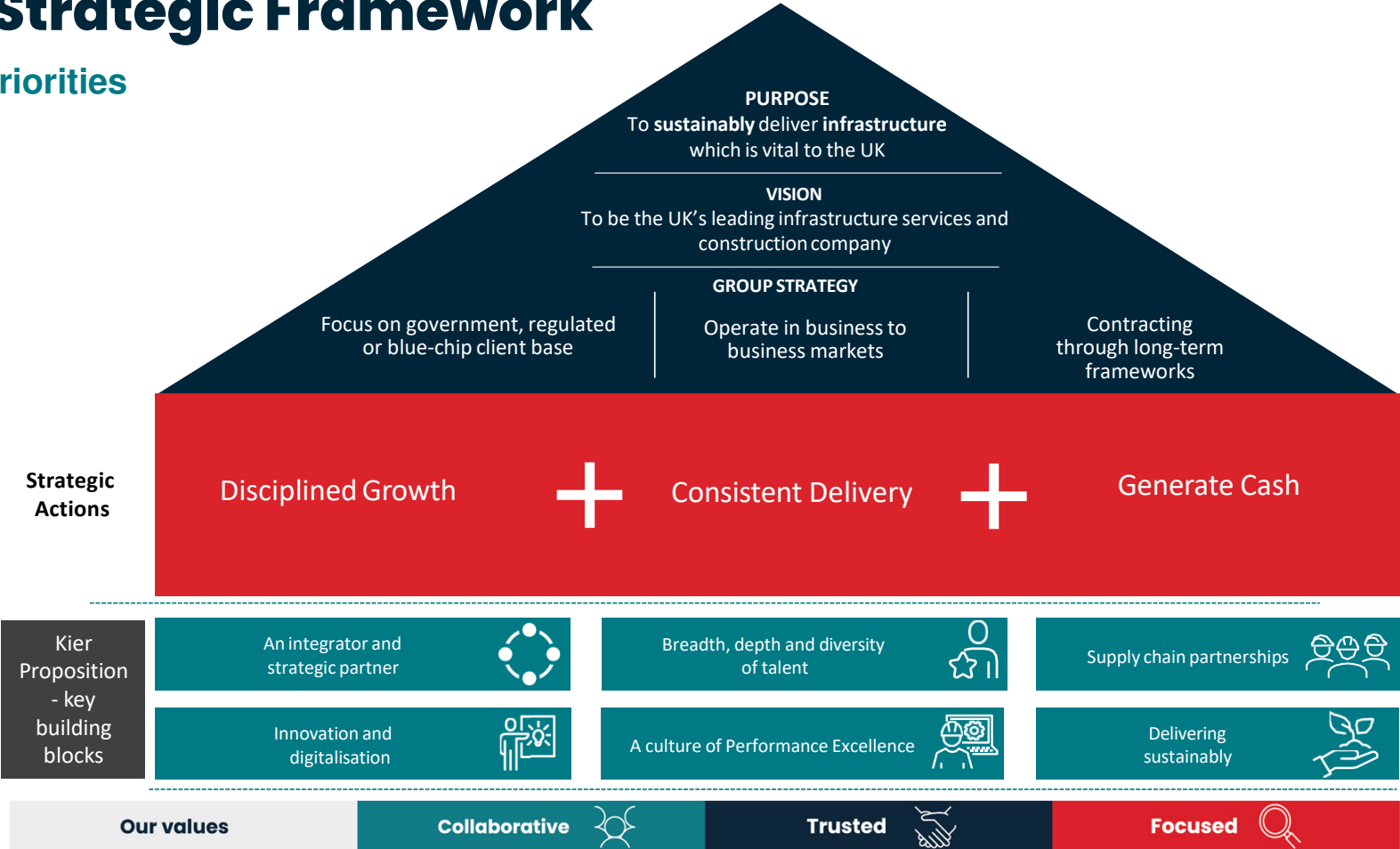
Transformation Journey

Rationalised and recapitalised. Focused delivery of medium-term value creation plan



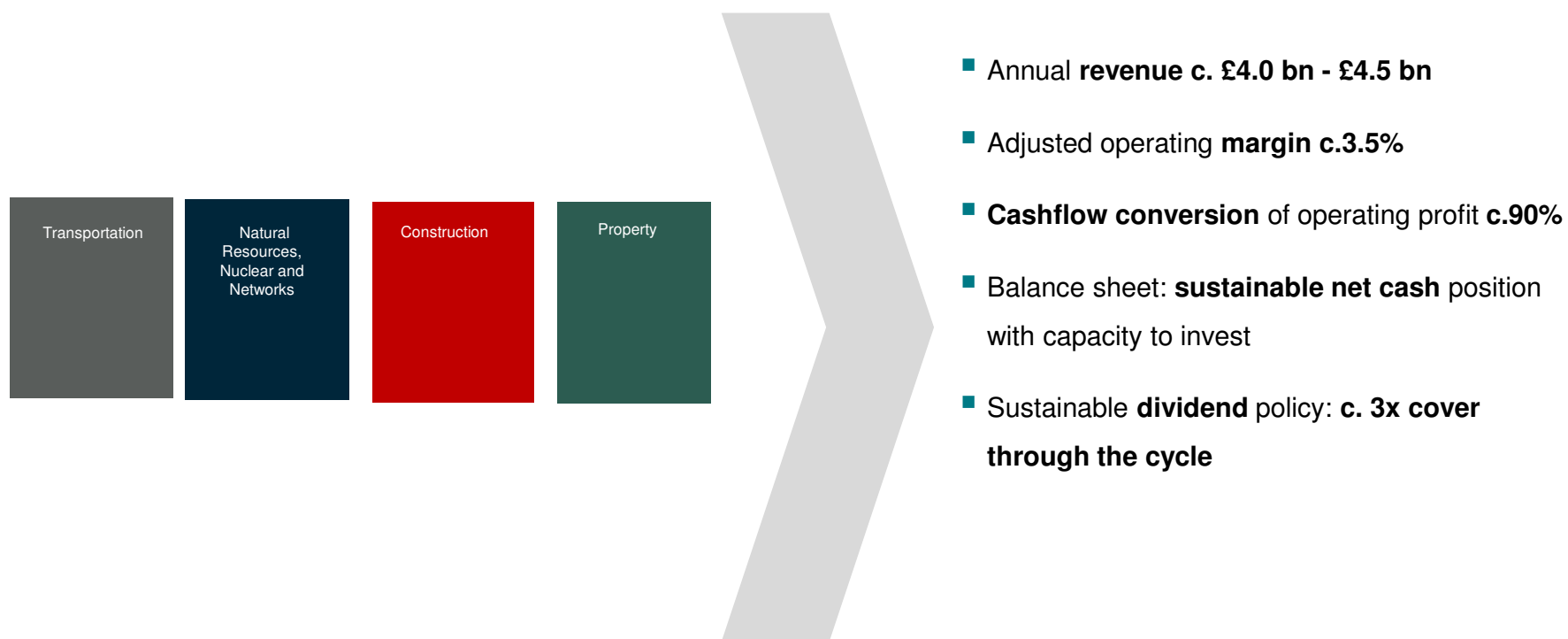
Kier's Strategic Framework

Strategic priorities



Medium-Term Value Creation Plan

Medium-term targets provide visibility over Group direction



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

UK National Infrastructure Strategy – commitment to spend £600bn over next 5 years

Infrastructure Services

Transportation



- Road investment Strategy 2: £27bn investment in England's strategic roads - 2020-2025, a 60% increase on Roads Investment Strategy 1 from 2015-2020)
- Project Speed and the new Acceleration Unit launched by DfT in August 2020
- £45bn committed over 5 years for CP7 rail network

Natural Resources, Nuclear & Networks



- Water England/Wales AMP7 £51bn by 2025. NI Water £4bn for 2021 – 2027
- Energy - GB - RIIO-ED2 £22.2bn by 2028 and NI - RP 6 £657m by 2024
- RIIO-GD £30bn by 2026 and NI – GD23 £186m by 2028
- Telecoms – Fibre/5G by 2027, £30bn investment by private and public sectors
- £20bn new nuclear build along with opportunities in new nuclear technologies

Net Zero infrastructure



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

UK Government Spending Commitments continued

UK Government spending focused on schools, hospitals, prisons and defence

Construction

Education



- 500 DfE school replacement project over 10 years
- > 200 further free school projects approved for DfE capital funding

Healthcare



- £3.7bn committed until 2024-25 under the New Hospitals Programme
- Up to £18.5bn indicative capital funding to 2030-31 also under New Hospitals Programme

Custodial



- 20,000 new prison places required
- £4bn commitment over 4 years
- c.£250m per annum of estate maintenance

Defence



- £4.3bn Defence Estate Optimisation Programme
- £1.5bn Facilities Management opportunities across the MoD Estate
- £650m future capital investment across US Visiting Forces estate in UK

Property

Urban Regeneration



- Geographic redistribution agenda – increased spending in deprived areas
- £600bn 5 year spending commitment

Frameworks – Route to Market

Maintaining and growing central and local framework positions

- Awarded places on long-term frameworks and contracts worth up to **£137bn** (total OJEU values)
- Driving **long-term revenue streams**, barriers to entry and strengthened customer relationships, underpinning strong order book

Infrastructure Services

- **5** national framework positions
- **40** regional framework positions
- Typical durations 5 to 10 years
- Highways Frameworks and contracts secured up to 11 years
- Total advertised OJEU value circa:

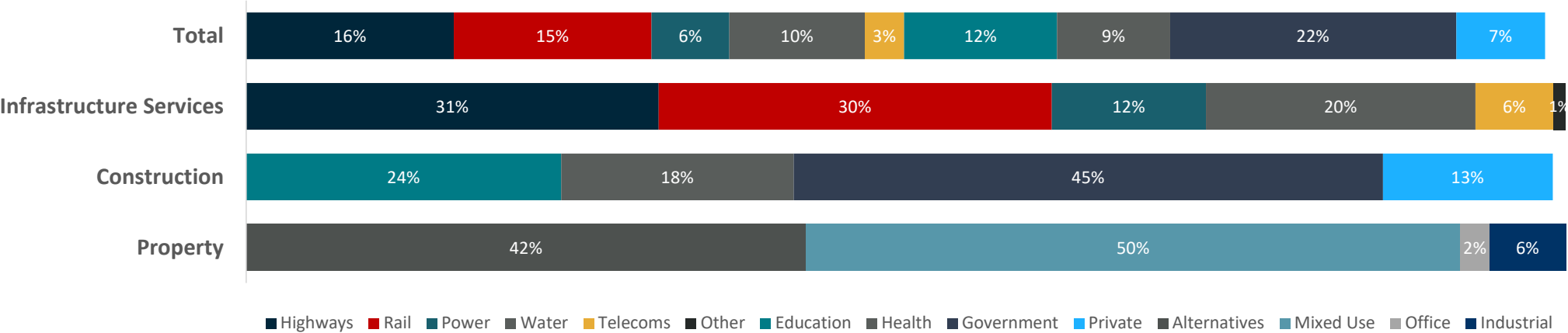
£14bn

Construction

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

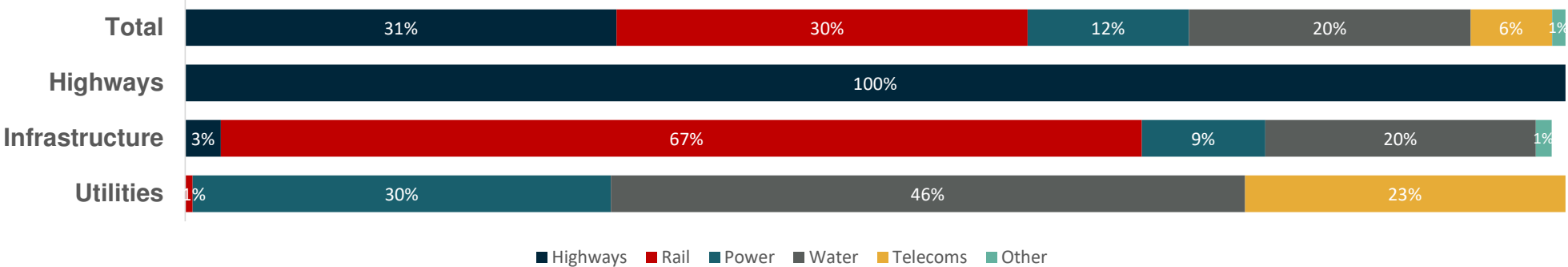
£123bn

Group Revenue Analysis



Segmental Revenue Analysis

Infrastructure Services



Construction

