

18 July 2024

Kier Group plc

Full Year 2024 Trading Update

Kier Group plc ("Kier" or "the Group"), a leading infrastructure services, construction and property group issues a trading update for the year ended 30 June 2024, ahead of publishing Full Year 2024 ("FY24") results on 12 September 2024.

Highlights

- Revenue and profit expected to be in line with market expectations
- High quality year-end order book of c.£10.8bn
 - c.85% of revenue for FY25 already secured
- Free cash flow outperformed FY23
- Net cash position at year-end of c.£165m, more than double the prior year-end (FY23: £64m)
- Average month-end net debt halved to c.£(115)m (FY23: £(232)m)
- Resumption of dividends with first interim distribution paid in May 2024
- Refinancing complete with maturity profile out to 2029

Trading

The Group's full year FY24 results are anticipated to be above the prior year and in line with market expectations, reflecting a strong operational performance.

Order book

The Group's chosen core markets remain attractive with future growth opportunities underpinned through the UK Government's investment commitments to improving UK infrastructure and regulated UK assets. Kier is a "strategic supplier" to the UK Government and c.90% of our contracts are with the public sector and with regulated companies.

Our core businesses are well-placed to benefit from investment in UK infrastructure, particularly in water, affordable homes and public housing maintenance.

The order book growth continues to reflect the momentum of the Group, and as at 30 June 2024 was c.£10.8bn, representing a c.7% increase over the prior year (30 June 2023: £10.1bn). Given the order book strength and Kier's framework positioning, approximately 85% of Group revenue for FY25 is already secured which provides us with a high degree of certainty.

During the year, Kier won new, high quality and profitable work in our markets reflecting the bidding discipline and risk management embedded in the business. The Group had a strong end to the year, securing awards including:

- Infrastructure Services:
 - Selected to work alongside United Utilities to help deliver their proposed £3bn Asset Management Period 8 ("AMP8") Framework for 5 years. The framework is expected to deliver c.£100m per annum of design, engineering, project management and construction services for water and wastewater infrastructure
 - Appointed to Network Rail's North West & Central Region Control Period 7 ("CP7") Framework for 5 years. The works covered by the framework include civil engineering and building works to existing and new stations, depots, platforms and other buildings

- Construction:
 - HMP Channings Wood – a design and build houseblock project at a Category C prison near Denbury worth over £200m
 - Awarded three education projects worth a total of c.£110m and two healthcare projects worth c.£40m.

Balance sheet

The Group has generated substantial operating free cash flow for the year ended 30 June 2024. Accordingly, we anticipate reporting a net cash position of c.£165m at the year-end, more than double the £64m reported for the prior year end.

The year-end cash position was partly driven by a seasonal inflow of working capital, particularly in the Construction division.

The average month-end net debt position is also anticipated to be better than market expectations at c.£(115)m (FY23: £(232)m). The increased volume of activity across the Group translated to strong cash generation.

In February 2024, the Group completed a refinancing of its principal debt facilities. This included the issuance of 5 Year £250m Senior Notes, maturing February 2029 and an extension of its Revolving Credit Facility, with a committed facility of £150m to March 2027.

With £400m of facilities, the Group has secured significant funding to support its medium-term value creation plan.

Medium-Term Value Creation Plan

The Group has been focused on delivering its medium-term targets:

Revenue:	£4.0bn - £4.5bn
Adjusted operating profit margin:	c. 3.5%
Cash conversion of operating profit:	c. 90%
Balance sheet:	Sustainable net cash position with capacity to invest
Dividend:	Sustainable dividend policy: c.3 x cover through the cycle

The Group expects to deliver a strong set of results for the year ended 30 June 2024 against these targets.

The material deleveraging is a clear demonstration of the Group's commitment to our medium-term value creation plan launched three years ago and we resumed dividend payments during the year.

The Group's evolved long-term growth strategy to FY30 will be provided in our FY24 results announcement on 12 September 2024.

Andrew Davies, Chief Executive of Kier, commented:

“The Group has had a strong year with volume and profit growth, increased orders and material deleveraging. We have enhanced our resilience and strengthened our financial position in line with the objectives set out in our medium-term value creation plan. Our order book remains strong and provides us with multi-year revenue visibility. The Group is well positioned to continue benefiting from UK Government and regulated sector infrastructure spending commitments and these strong structural drivers will allow us to further generate shareholder returns.”

- ENDS -

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About Kier Group plc

Kier is a leading UK infrastructure services, construction and property group. We provide specialist design and build capabilities and the knowledge, skills and intellectual capital of our people to ensure we are able to project manage and integrate all aspects of a project.

This announcement does not constitute an offer of securities by Kier Group plc (the "Company"). Nothing in this announcement 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 any of its subsidiaries (together, the "Group") whether in the current or any future financial year. This announcement may include statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's or the Group's ability to control or predict. Forward-looking statements are not guarantees of future performance. You are advised to read the section headed "Principal risks and uncertainties" in the Company's Annual Report and Accounts for the year ended 30 June 2023 for a further discussion of the factors that could affect the Company's or the Group's future performance and the industry in which it operates. Other than in accordance with its legal or regulatory obligations, the Company does not accept any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.