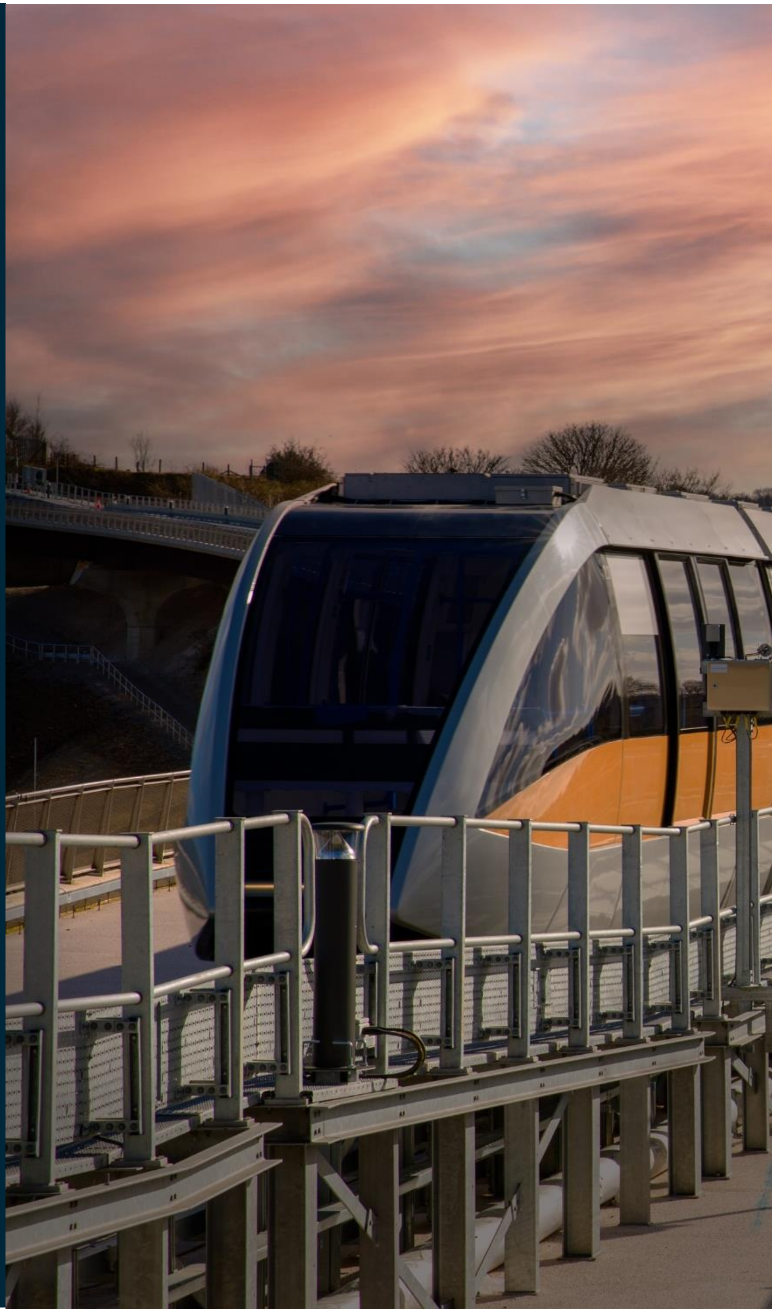
Kier Group plc

Results for the six months ended 31 December 2022

9 March 2023



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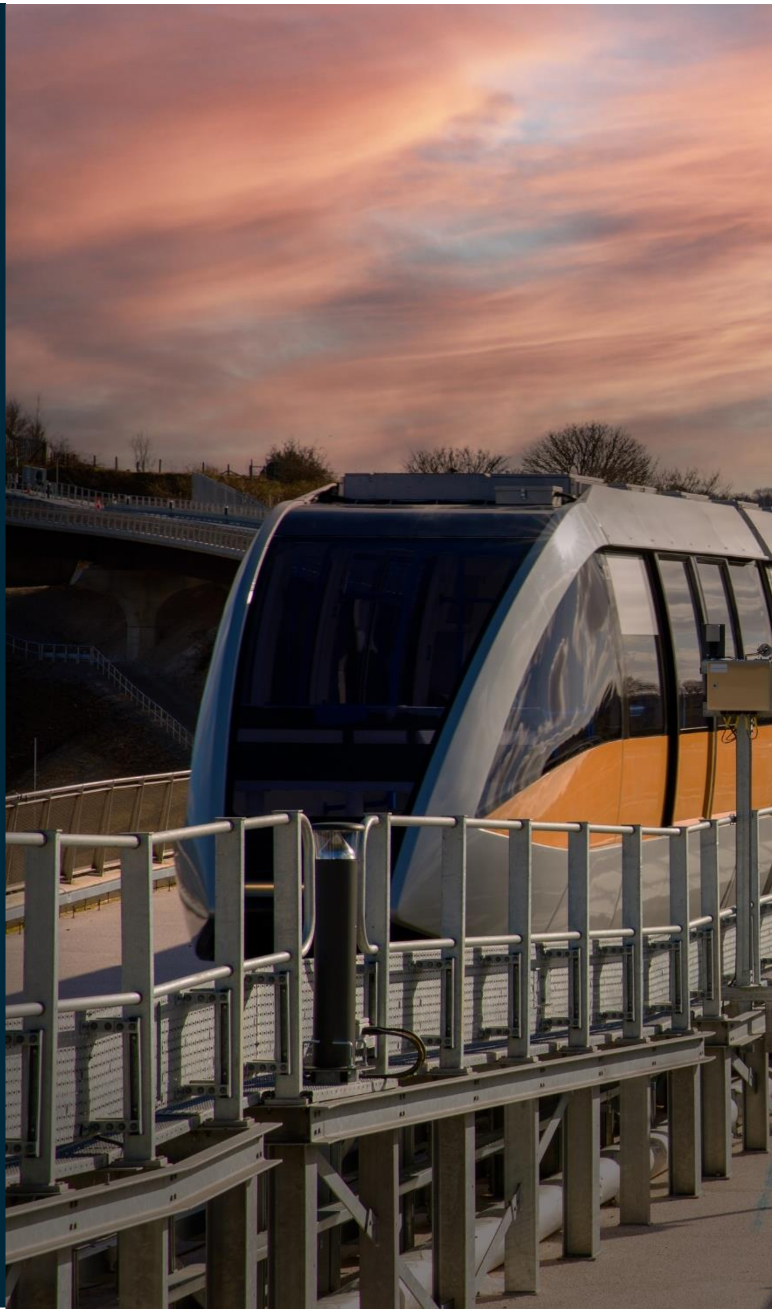
Results Summary

Andrew Davies, CEO

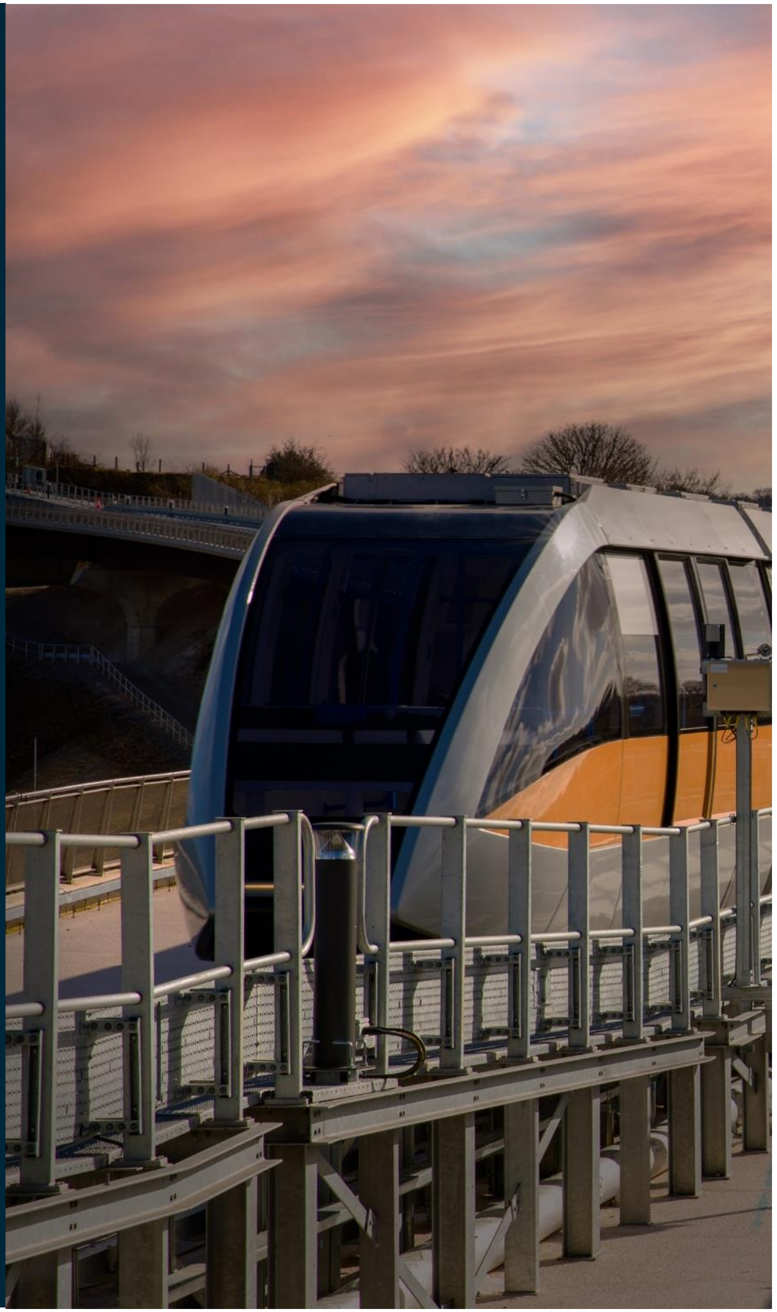


HY23 Highlights

- Strong financial performance despite ongoing inflationary pressures
  - Growth in Infrastructure Services and Construction
  - Adjusted operating profit increased 6% to £57m (HY22: £54m)
  - Margin improvement by 20 basis points to 3.7%; higher than medium-term target of c. 3.5%
  - Reported profit from operations increased 51% to £38m (HY22: £25m)
  - Net debt at 31 December 2022 of £(131)m: reflecting seasonal working capital unwind
  - Average month-end net debt of £(243)m from £(191)m: positive operating cash flow used to reduce debt-like items
- High quality order book, increased by 26% to £10.1bn (HY22: £8.0bn) providing high degree of visibility
  - 96% of expected FY23 revenue secured
- Continued commitment to Sustainability Framework and ESG targets
- Group remains confident in achieving its medium term value-creation plan targets

HY23 Results

Simon Kesterton, CFO



Financial Highlights

Ahead of medium-term plan margin target of 3.5%

£'m	HY23	%	HY22	%	Δ	FY22	%
Revenue	1,537		1,536		(0.0%)	3,257	
Adjusted Operating Profit	57.2	*3.7*	54.2	*3.5*	5.5%	120.5	*3.7*
Net finance costs	(11.4)		(11.2)		(1.8%)	(26.4)	
Adjusted Profit Before Tax	45.8	*3.0*	43.0	*2.8*	6.5%	94.1	*2.9*
Adjusting items	(10.6)		(20.4)		48.0%	(58.5)	
Amortisation	(9.8)		(9.9)		1.0%	(19.7)	
Profit before tax	25.4		12.7		100.0%	15.9	
Taxation	(5.0)		(2.7)		(85.2%)	(3.2)	
Profit from continuing operations	20.4		10.0		104.0%	12.7	
Adjusted basic EPS	8.5p		7.8p		9.0%	16.8p	
Statutory EPS	4.7p		2.2p		113.6%	2.9p	
Net cash / (debt)	(130.6)		(131.3)		0.5%	2.9	
Average month-end net debt	(243)		(191)		(27.2%)	(216)	

- Higher volumes in Infrastructure Services and Construction offset by reduced Property transactions
- Strong adjusted operating profit of £57m despite inflationary pressure
  - 20 bps ahead of medium-term plan margin target of 3.5%
- Retained profit after tax of £20m
- Net debt of £131m reflects seasonal working capital outflow and reduction in KEPS
- Increase in average month end net debt to £243m due to repayment of debt-like items

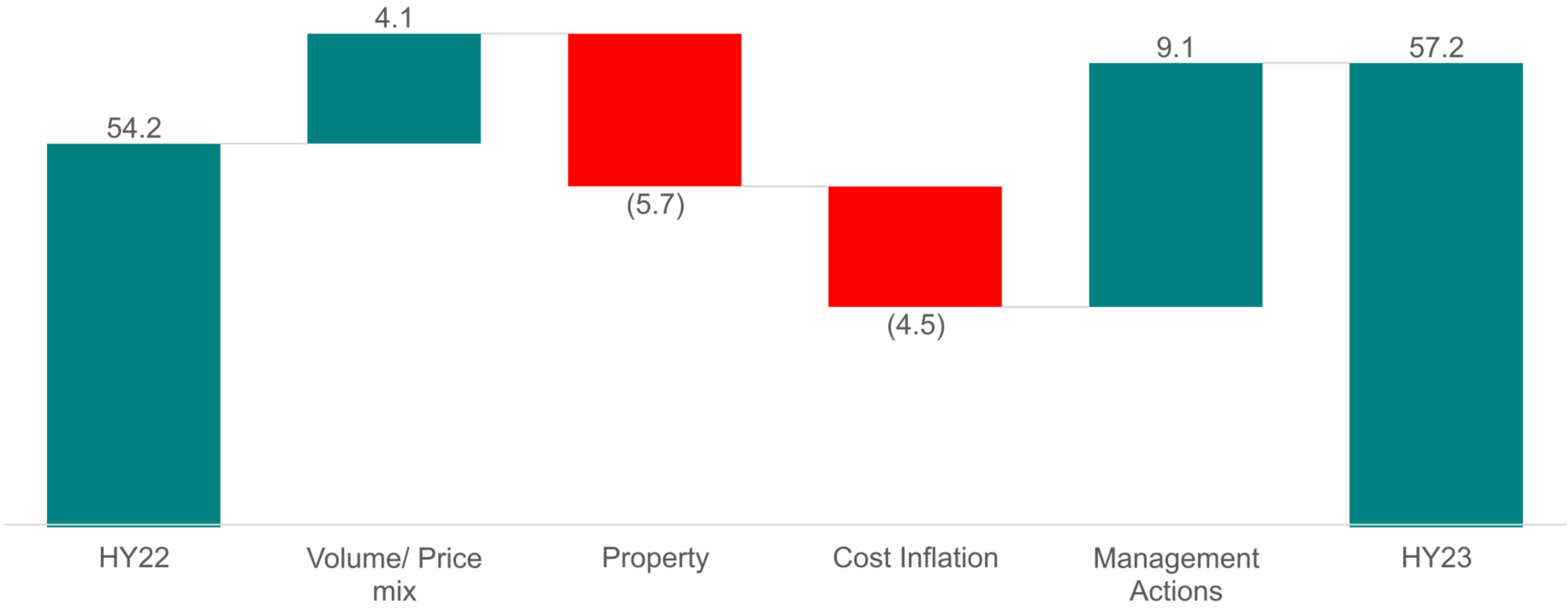
Revenue Performance

Higher activity in Infrastructure Services and Construction offset by reduced Property transactions

- Revenue in line with HY22
  - Infrastructure – ramp up of capital works on HS2
  - Construction – strong order book converting to revenue
  - Continued bidding discipline and risk management
  - Property – reduced transactions reflecting market conditions

Adjusted Operating Profit

Adjusted profit increase underpinned by business mix and cost management



- Adjusted operating profit of £57m, 3.7% margin
- Increase against prior year:
  - Volume / price / mix
  - Management actions
- Decrease against prior year:
  - Property transactions
  - Cost Inflation

Adjusting Items

Cash adjusting items largely relate to previous periods

£'m	HY23	HY22	FY22
Business divestment related expenditure	-	(0.3)	-
Restructuring and related charges	3.6	11.8	40.0
Amortisation	9.8	9.9	19.7
Other	5.5	7.5	15.7
Total adjusting items to operating profit	18.9	28.9	75.4
Finance costs	1.5	1.4	2.8
Total adjusting items to profit before tax	20.4	30.3	78.2
Cash cost	22.7	15.6	41.2

- Restructuring costs materially reduced
- Other includes £4m fire cladding costs
- Cash cost includes c.£15m relating to items accrued in previous periods

Free Cash Flow

Seasonal working capital unwind and KEPS fully paid

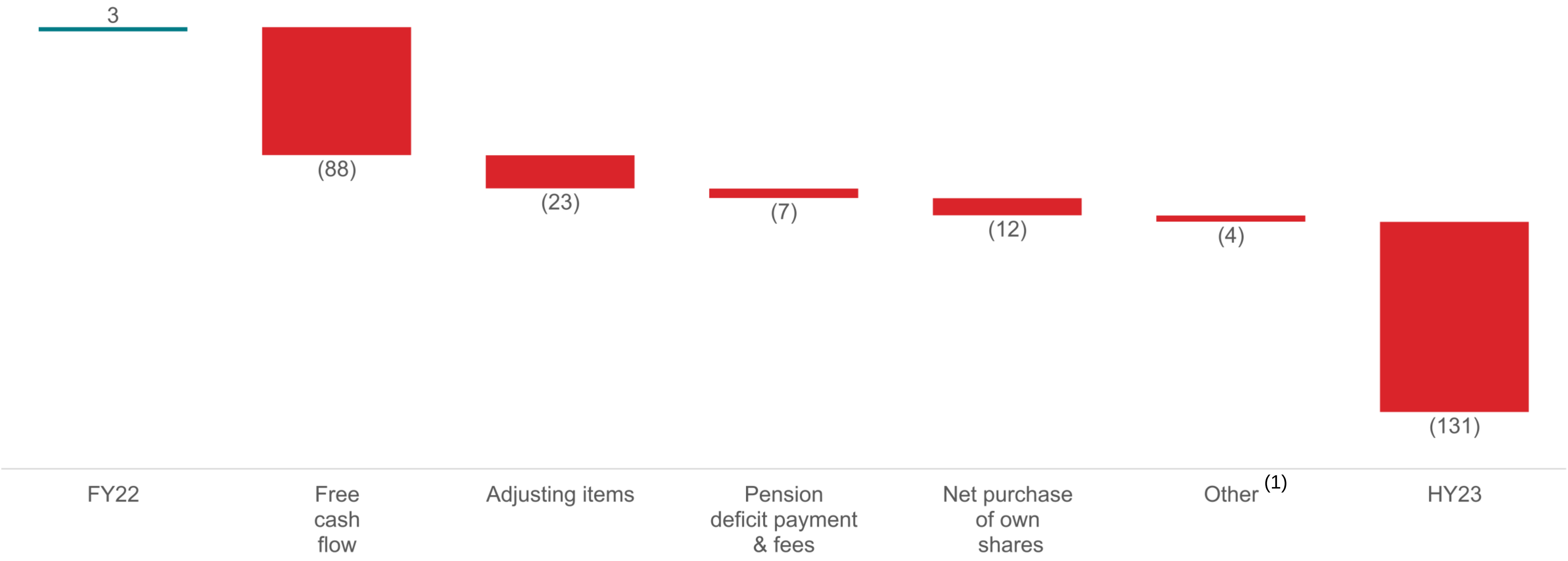
£'m	HY23	HY22	FY22
Adjusted EBITDA	90.9	76.8	165.4
Working capital	(78.7)	(133.2)	3.7
Net capex (Including IFRS16 leases)	(27.1)	(19.6)	(46.5)
JV dividends less profits	(2.2)	0.1	5.9
KEPS repayment	(49.8)	(9.8)	(29.3)
Other(1)	(2.9)	2.2	9.0
Operating free Cash Flow	(69.8)	(83.5)	108.2
Adjusted conversion	(122%)	(154%)	90%
Net interest & tax	(18.0)	(10.1)	(32.8)
Free Cash Flow before COVID-19 impact	(87.8)	(93.6)	75.4
Net COVID-19 impact	-	(16.1)	(20.8)
Free Cash Flow	(87.8)	(109.7)	54.6

- Free cash outflow reflecting seasonal working capital unwind
- KEPS reduced by £50m
  - Fully repaid KEPS facility in July 2022
  - Total KEPS reduced by £201m from HY19
- Working capital outflow lower than HY22
- Supplier payment days consistent with prior period at 34 days

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

Net Debt Movement

Net Debt impacted by seasonal first half working capital unwind

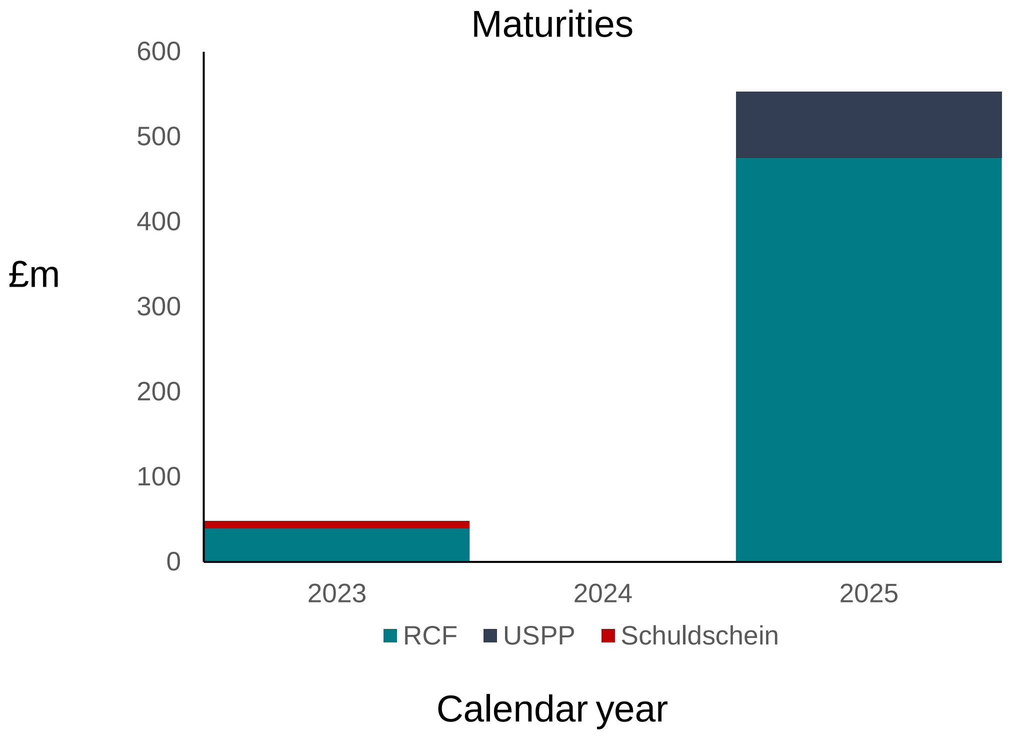


Note: (1) Other includes net JV investments and FX movements

Financing and Liquidity

Facilities maturing in January 2025

- Average month-end net debt of £243m
- Committed debt facilities of £601m
- £54m of RCF and USPP Notes repaid in December 2022 using operating cash flow
- Facilities maturing in H2 FY23
    - RCF £20m
    - Schuldschein Notes £8m
- Majority of facilities maturing in January 2025
    - RCF of £475m
    - USPP Notes of £75m



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High Quality Order Book

Significantly increased order book underpinned by long-term framework positions

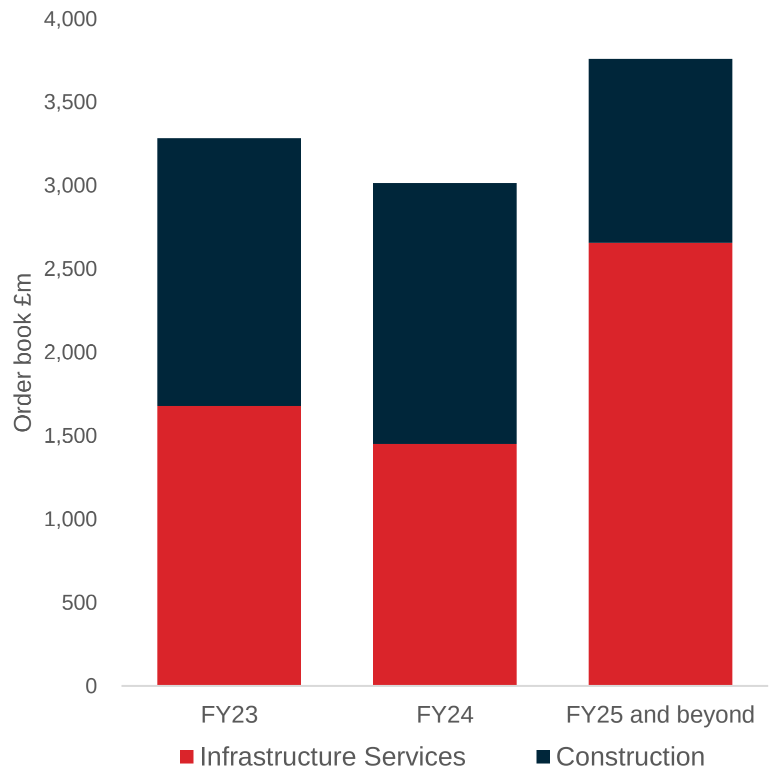
- Order book at £10.1bn (HY22: £8.0bn)
- 96% of FY23 revenue secured
- De-risked contracts:
  - c.60% of order book is under target cost or cost reimbursable contracts
  - Construction - regional build and strategic projects average order size is c.£14m
  - Underpinned by long-term framework positions

Orderbook

£10.1bn[(1)]

£5.8bn	**£4.3bn**
Infrastructure Services	**Construction**

Secured revenue



Note: (1) Order book as at 31 December 2022 reflects secured and probable future contract revenue not currently recognised in the financial statements

Capital Allocation

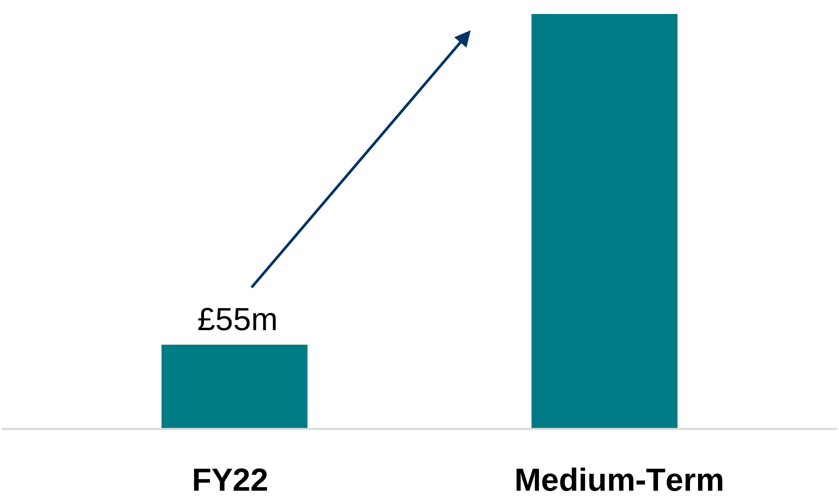
Capital allocation priorities aligned with strategic objectives

- Sources and uses of cash

Sources of Cash

- Free cash flow generation over medium-term

Cumulative Free Cash Flow £'m

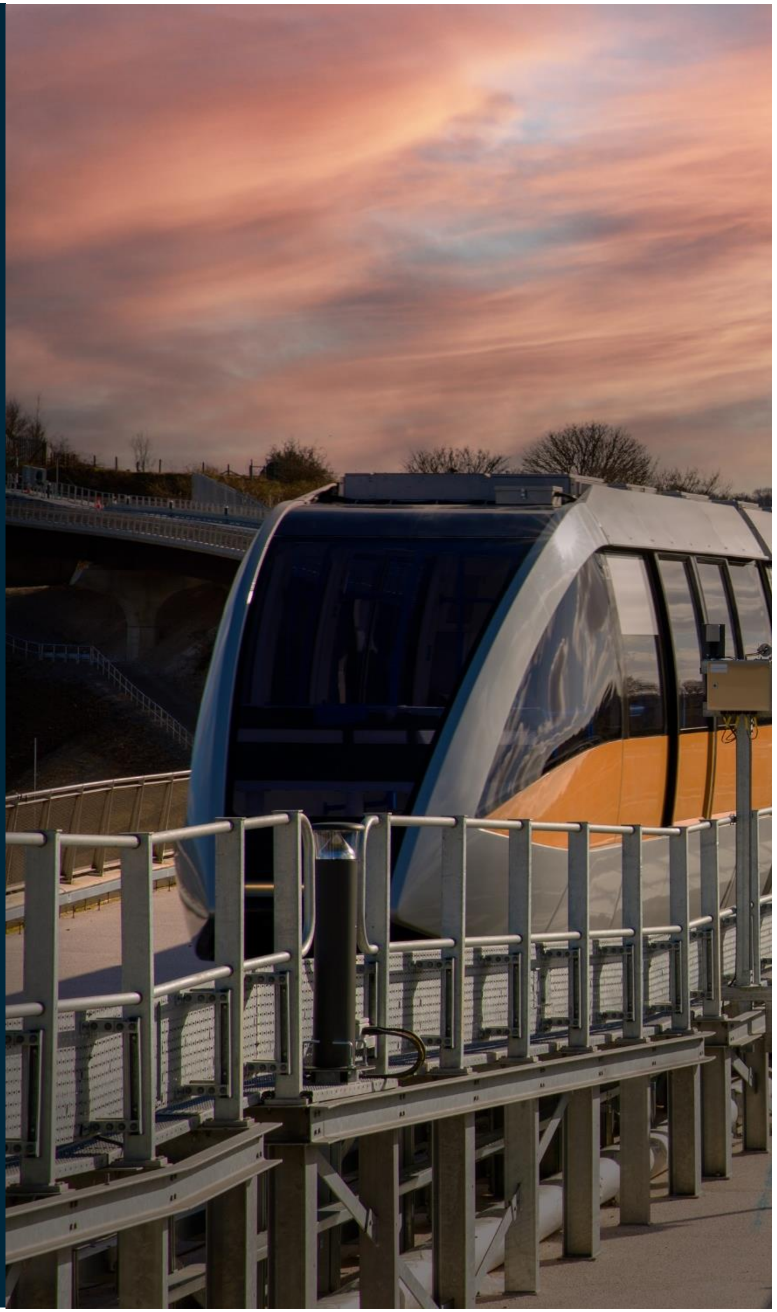


Uses of Cash

- **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

Operational Review

Andrew Davies, CEO



Infrastructure Services

Revenue growth of 5%. Significant order book increase of 29% to £5.8bn

£'m	HY23	HY22	Δ
Revenue	816	777	5.0%
Adjusted Operating Profit	33.8	32.9	2.7%
Operating margin	4.1%	4.2%	-10 bps
Order book (£bn)	5.8	4.5	28.9%

Commercial & Operational Update

- Significant order book increase of 29% to £5.8bn
- Utilities: reappointed to the £55m per annum, 3 year extension of the Network Service Alliance framework by South West Water and Bournemouth Water
- 97% revenue secured for FY23

Financial Performance

- Revenue growth of 5% driven largely by ramp up of capital works on HS2
- Adjusted operating profit benefits from HS2 volume increases partially offset by mobilisation costs in Utilities. Telecom ramp up costs impacting margin

Construction

Adjusted operating profit growth driven by revenue increase and previously re-aligned overheads

£'m	HY23	HY22	Δ
Revenue	709	681	4.1%
Adjusted Operating Profit	32.8	26.3	24.7%
Operating margin	4.6%	3.9%	70 bps
Order book (£bn)	4.3	3.5	22.9%

Financial Performance

- Revenue increase of 4% reflects ramp up of HMP Full Sutton prison and increased facilities management & housing maintenance work in Kier Places
- Adjusted operating profit increase due to re-alignment of overheads in prior year and higher revenue

Commercial & Operational Update

- Significant awards:
  - Two Kier joint ventures appointed to all six lots of the £10bn Offsite Construction Solutions framework
  - Re-appointed to the North West Construction Hub High Value Construction Framework
  - Kier Places – preferred bidder on a £75m housing maintenance contract for 10 years with RHP Group across its housing portfolio in Richmond, Hounslow, Kingston and Hillingdon
- 95% revenue secured for FY23

Property

Fewer property transactions in current market conditions

£'m	HY23	HY22	Δ
Revenue	11	76	(85.5%)
Adjusted Operating Profit	4.7	10.4	(54.8%)
Operating margin	43%	14%	2,900 bps
Capital employed	158	133	18.8%
ROCE	7%	15%	(800)bps

Financial Performance

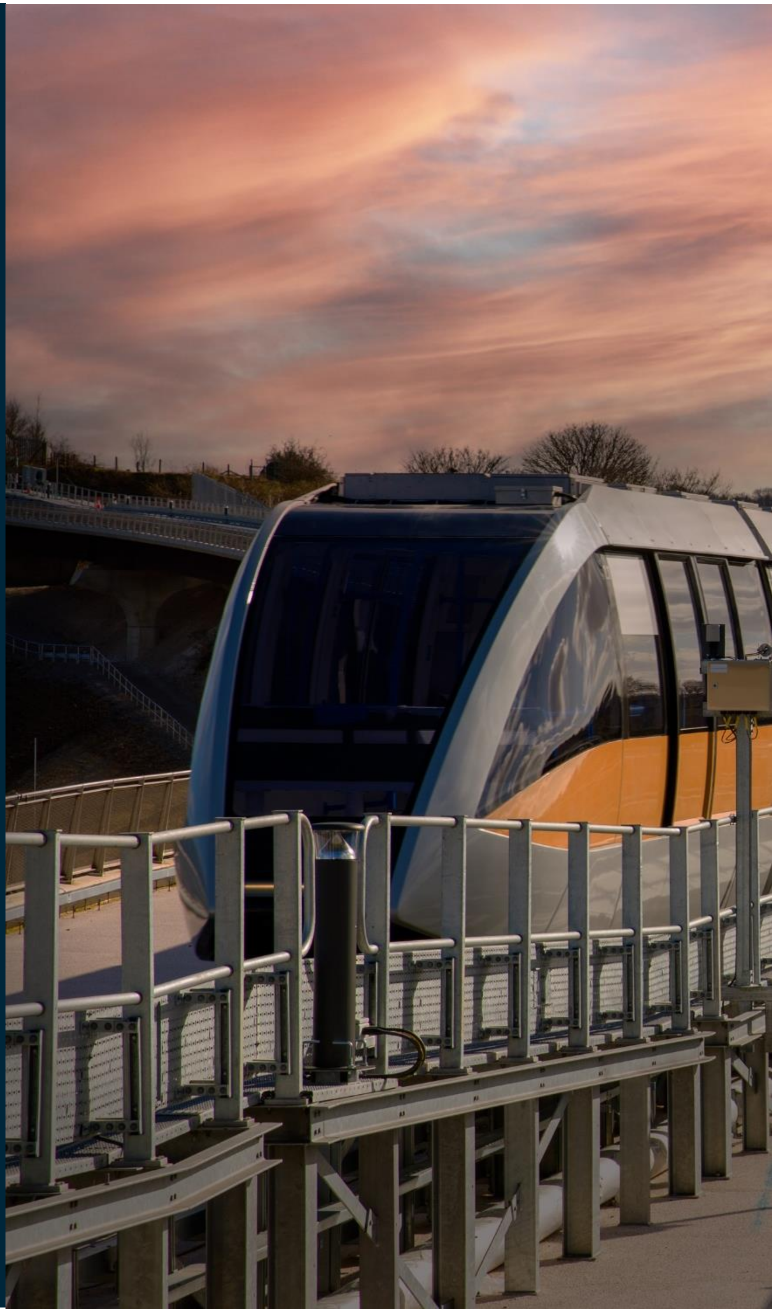
- Revenue and adjusted operating profit decreased due to lower transactions driven by market conditions
- Adjusted operating margin increased to 43% due to a revaluation gain on an investment property transaction

Commercial & Operational Update

- Andover development in Partnership with Test Valley Borough Council was fully let
- Solum Regeneration, the Kier joint venture with Network Rail, sold its final residential block at Twickenham Gateway development
- Targeting to increase capital deployed over time to c.£170m

Sustainability

Andrew Davies, CEO



Sustainability Framework

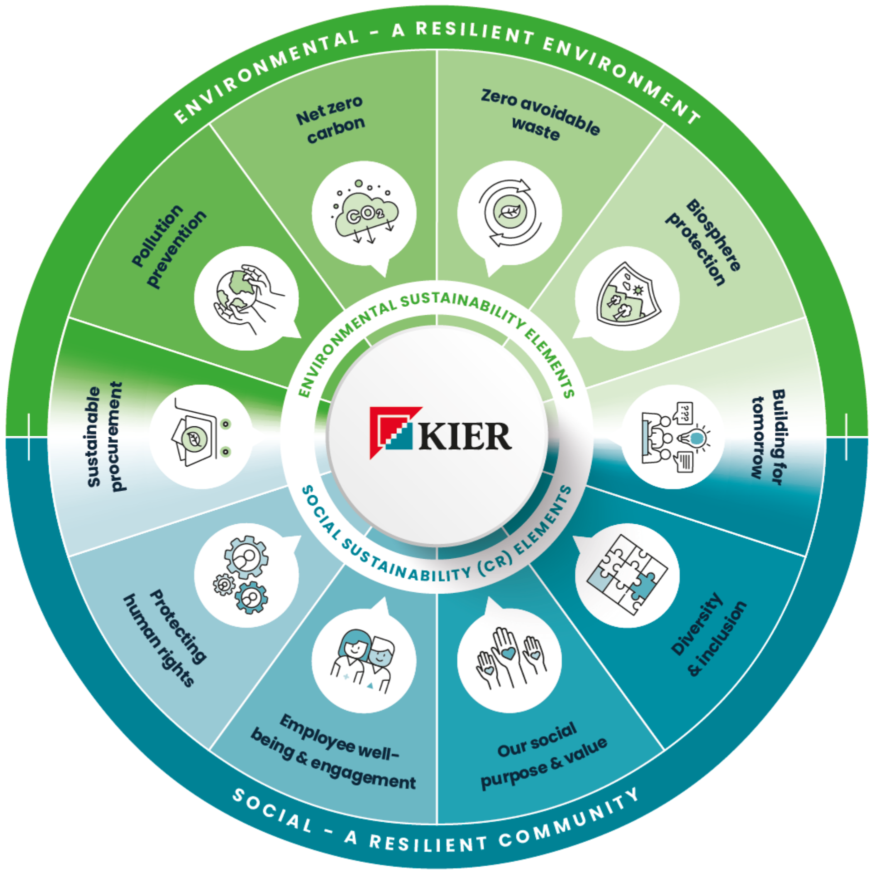
Building for a Sustainable World

Reminder of key focus areas:

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

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

3. **Governance** – operating responsibility, governance, health and safety and risk mitigation



Environmental

Carbon emissions reduction through use of battery storage units

Battery Storage Units

- Introduced use of battery storage units on certain Kier operational sites
- Reduces usage of fossil fuel powered temporary generators
- Potential to save significant site carbon emissions compared to generators
- Cost saving opportunity

Social

Committed to investing in training programmes and addressing industry skills shortage

Apprenticeships and Interns

- Apprenticeships – over 500 participants
- Formal training programmes – 7.5% of workforce
- Black interns scheme – committed to 10 internships for talented young black students
- Focused on upskilling employees and addressing industry skills shortage

#10000 BLACK INTERNS

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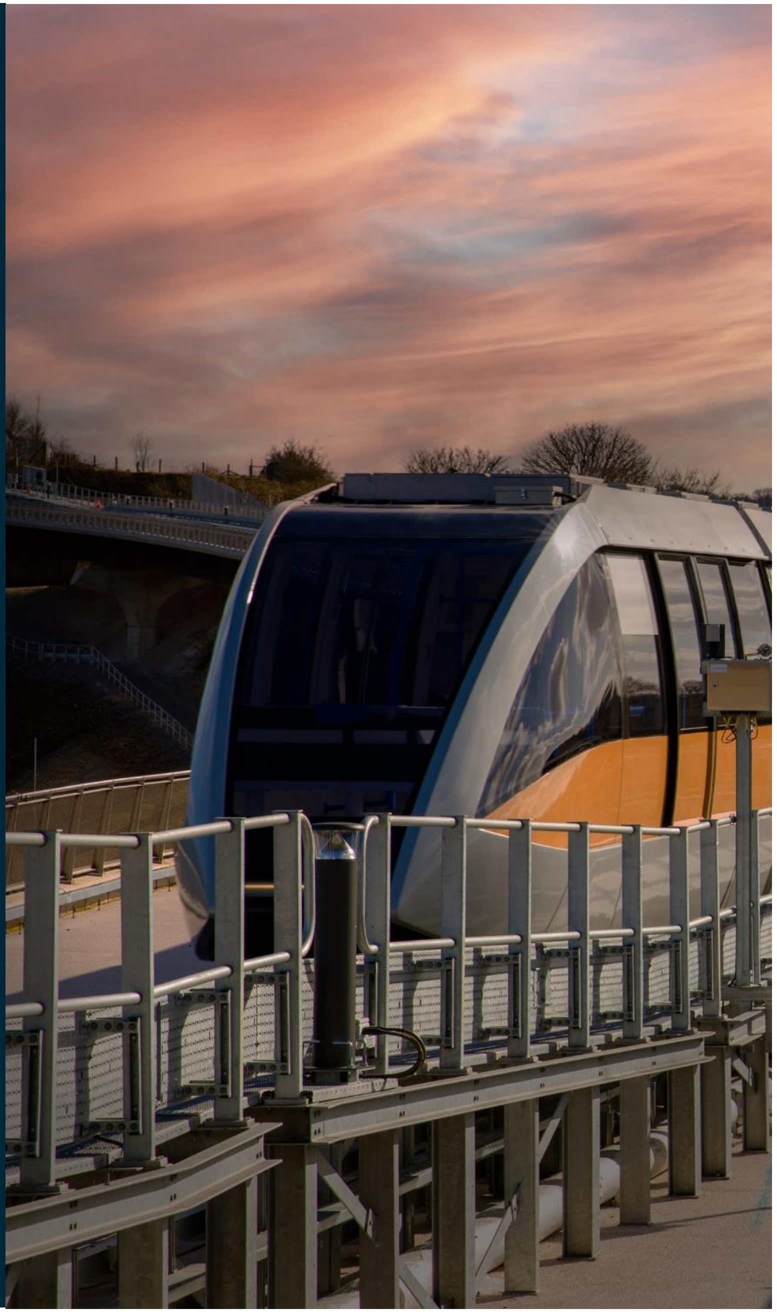
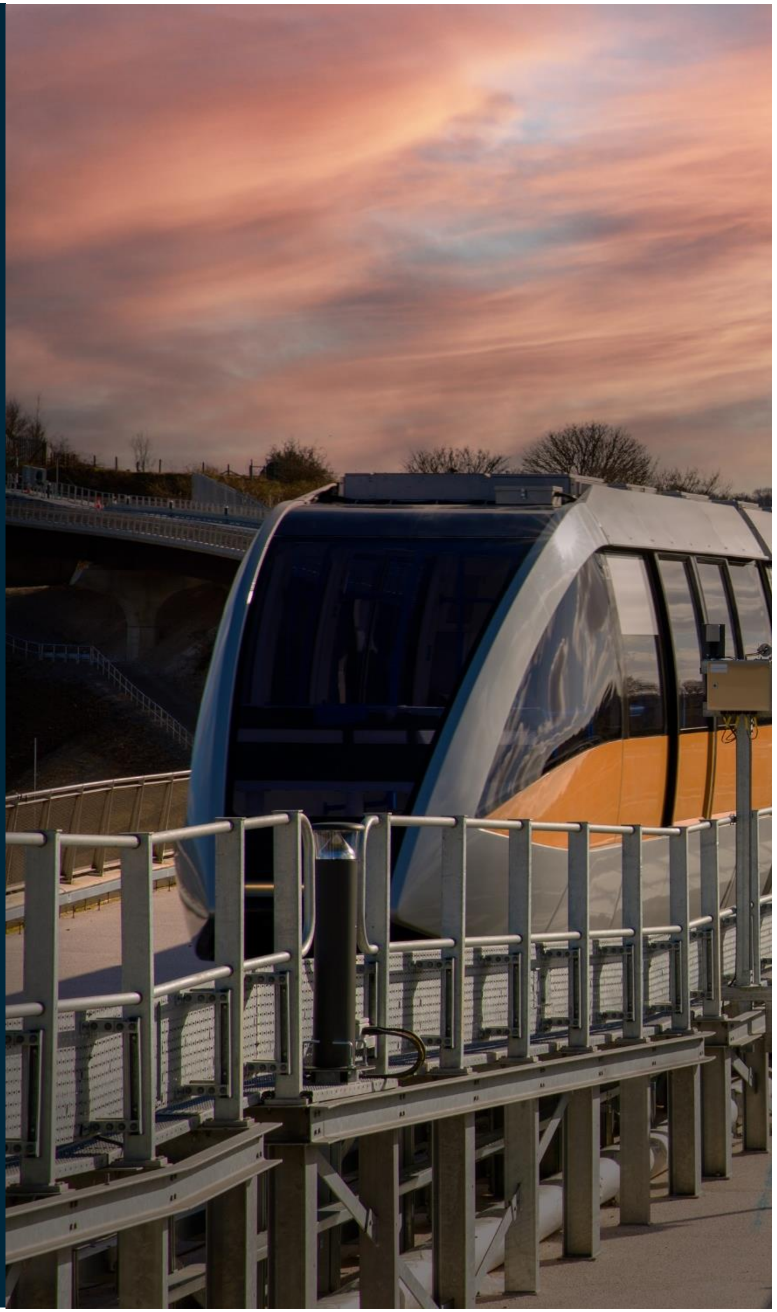
Summary and Outlook

1. Continued outperformance of medium-term margin target.
2. Focused on winning profitable work. Significantly increased order book of £10.1bn
3. Current trading in line with expectations despite continued inflationary pressures with FY23 outlook unchanged
4. Focused on delivery of a sustainable net cash position and sustainable dividend policy in line with medium-term value creation plan

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

Simple and focused operating units: Infrastructure Services, Construction and Property

Infrastructure Services

Infrastructure Projects

Delivery of high value infrastructure and civil engineering projects

Highways

Designs, constructs and maintains roads

Utilities

Repairs, maintains and support capital projects in the water, energy and telecoms 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 on growth

April 2019

New CEO,
Andrew Davies

Strategic Review

June 2019

Cost savings of c. £100m implemented

2019

March 2020

New senior management team in place

June 2020

Portfolio rationalisation and exiting loss making contracts

2020

May 2021

Refinancing package agreed

Sale of housebuilding business, Kier Living

June 2021

Equity raise

2021

2022

2023

✓ Turnaround Phase

- ✓ Strategic review
- ✓ Cost reduction

✓ Rationalisation

- ✓ Legacy issues addressed
- ✓ Operational turnaround complete
- ✓ De-risked the business and rationalised portfolio
- ✓ Appointment of leadership team

✓ Recapitalisation

- ✓ Sale of non-core business – Kier Living
- ✓ Capital raise
- ✓ Extension of debt to January 2025
- ✓ Focus on FCF generation

✓ Growth

- ✓ Medium-term plan
- ✓ Leveraging capabilities to drive disciplined growth
- ✓ Growing order book

Kier's Strategic Framework

Strategic priorities for FY22 onwards

PURPOSE
To **sustainably** deliver **infrastructure** which is vital to the UK

VISION
To be the UK's leading infrastructure services and construction company

GROUP STRATEGY

- Focus on government, regulated or blue-chip client base
- Operate in business to business markets
- Contracting through long-term frameworks

Strategic Actions

Disciplined Growth + Consistent Delivery + Generate Cash

Kier Proposition - key building blocks

- An integrator and strategic partner
- Breadth, depth and diversity of talent
- Supply chain partnerships
- Innovation and digitisation
- A culture of Performance Excellence
- Delivering sustainably

Our values

- Collaborative
- Trusted
- Focused

Medium-Term Value Creation Plan

Medium-term targets provide visibility over Group direction

Infrastructure Projects | Highways | Utilities | Construction | Property

- Annual **revenue c. £4.0 bn - £4.5 bn**
- Adjusted operating **margin c.3.5%**
- **Cashflow conversion** of operating profit **c.90%**
- Balance sheet: **sustainable net cash** position with capacity to invest
- 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

“Levelling up” agenda

- 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

Highways

- 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

Utilities

- 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

Rail and infrastructure

- £45- £52bn forecast cost ranges for HS2 Phases 1 and 2a
- £22bn available via Infrastructure Bank
- £20bn new nuclear build along with opportunities in new nuclear technologies
- £50bn committed for CP6
- £4.8bn cross-departmental "Levelling Up" Fund

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

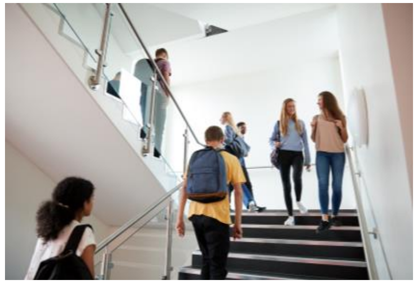
Note: (1) Anticipated private sector investment driven by the Government's Ten Point Plan for Green Industrial Revolution, Net Zero and Energy Strategy

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

Health

- £1.5bn additional funding for elective recovery, mental health and hospital upgrades
- £3.7bn committed for next four years of the New Hospitals Programme

Justice

- 20,000 new prison places required
- £4bn commitment over 4 years
- c.£200m 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

- “Levelling up” agenda – increased spending in deprived areas
- £600bn 5 year spending commitment

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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
- **37** regional framework positions
- Typical durations 4 to 5 years
- Total advertised OJEU value circa:

£14bn

Construction

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

£123bn

Note: Official Journal of the European Union ("OJEU") , values as at 30 June 2022

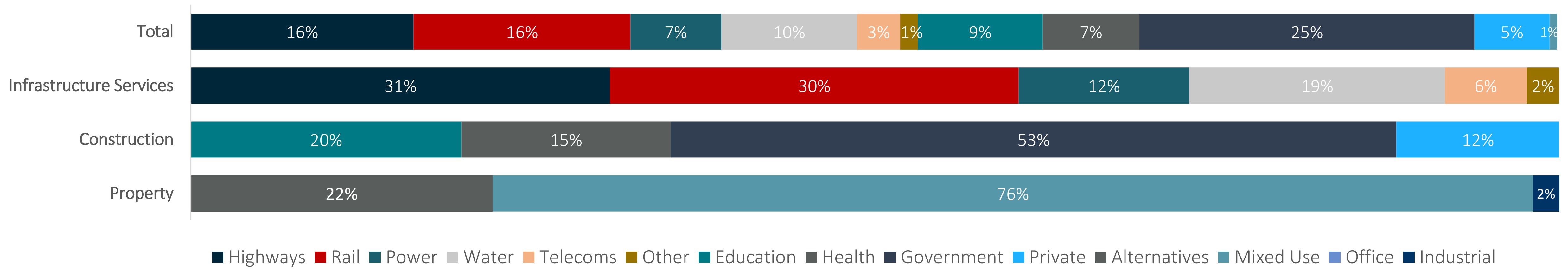
Pension

Net pension scheme asset of £91m

£'m	HY23	HY22	Δ
Group Pension Schemes			
Market value of assets	1,301.9	2,018.2	(716.3)
Present value of liabilities	(1,210.8)	(1,884.3)	673.5
Net pension asset	**91.1**	**133.9**	**(42.8)**

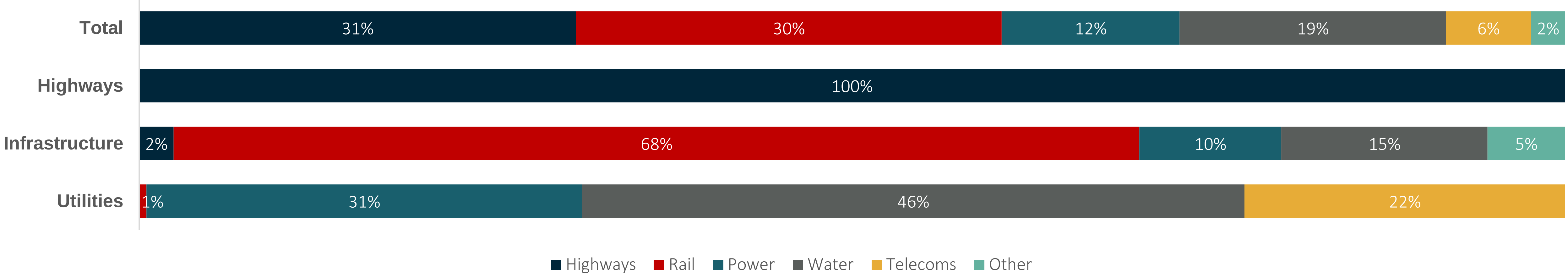
- As at 31 December 2022, Group's pension scheme asset was £91m
- Pension scheme asset impacted by market asset values and inflation rate

Group Revenue Analysis



Segmental Revenue Analysis

Infrastructure Services



Construction