

Chairman's statement

Matthew Lester
Chairman



“ The Board believes that our leaders and all of our people have achieved an exemplary turnaround of Kier and the medium-term value creation plan is substantially delivered.”

Introduction

I am pleased to report that Kier has continued to build on the strong foundations which underpin the delivery of the medium-term value creation plan ('MTVCP'). The financial performance of the Group has been very strong. Disciplined contract selection, consistent operational delivery and good cash generation mean that the business has resumed paying dividends, a key component of the MTVCP. Whilst not an objective, it was pleasing to see our return to the FTSE 250.

The Board's objectives cover delivery of the Group's strategy, ensuring it continues to understand the competitive business environment, development of our people, ESG and culture. Our work on these objectives is explained further below.

Financial performance

The Board has continued its focus on delivering our MTVCP which was launched in 2021. The strong FY24 performance means we have substantially delivered on the MTVCP.

This year, our revenue is up 17% to £4bn, adjusted operating profit margin at 3.8%, ahead of the medium-term target of 3.5%, average month-end net debt is down 50% to £116m and an interim dividend of 1.67p was paid on 31 May 2024. A final dividend of 3.48p has been proposed for approval by shareholders at our AGM. When combined

with the interim dividend, this represents a total dividend of 5.15p declared for FY24.

The order book has increased to £10.8bn, a 7% increase compared to the prior year. The Group continues to win new, high-quality and profitable work in our core markets. This gives the Board confidence in the longer-term prospects of the Group.

We continue to believe that having the ability to invest in an integrated property business, focused on areas where other parts of Kier have expertise, is an attractive component of Kier's strategy. Accordingly, the Board approved an increase in the maximum capital to be allocated to the Property business.

It is rewarding to see the significant reduction in average net debt. The business will continue to de-lever as part of the MTVCP. This progress has enabled the business to restructure its debt facilities in a secure manner for the longer term.

Strategy

The Board has started work on our strategy beyond the MTVCP. We aim to ensure we promote the long-term sustainable success of Kier, and to generate value for shareholders by meeting stakeholder needs. This culminated in our Board strategy day, where the Board considered the structural drivers, client and market trends, the macro and political environment and Kier's competitive advantage and market share, and the key growth markets and sectors.

We particularly focused on the opportunities in the Property business, which we expect to be a material contributor to profits in the future.

With a business that is financially stronger, Kier is well-placed to deliver a longer-term sustainable growth plan. These longer-term targets have similar elements of revenue growth, adjusted operating profit margin, cash conversion of operating profit and sustainable dividend policy, plus a new target to invest any surplus cash. Details of these longer-term targets are set out in the Chief Executive's review on page 10.

The Board has benefited from the introduction of a balanced scorecard to monitor the holistic performance of the Group. This ensures we focus on continuous improvement from the foundations of Kier's turnaround.

Culture

Management has continued to focus on ensuring our culture underpins the alignment of the Group's purpose, values and strategy. The Board is highly supportive of the continued high levels of investment in the culture programme. More details of this are in the Built by Brilliant People™ report on page 48.

One of the most important functions of an independent board is to monitor the culture of a company. The Board received feedback from key stakeholders such as customers, joint-venture partners and UK Government, as well as employee feedback through employee surveys and site engagement visits, to make a direct assessment of how our cultural objectives are being met.

The Board considered various metrics, plus a range of initiatives, and concluded that the culture at Kier was supportive of our strategy and values and an enabler of sustainable performance. More information on how we monitor culture and the Board's programme of engagement with employees, including

a summary schedule of discussion topics, key points, the improvement areas identified and actions taken, is set out in the Corporate governance report on pages 96 and 97.

Our people

The Board would like to thank our people for their commitment and contribution to deliver another year of strong performance. I have ensured that we have passed on the Board's appreciation for the commitment and delivery of all of our colleagues whenever I have had the opportunity to meet them. In order to ensure this appreciation is not just words, we spend significant time looking at our people agenda, which includes our development and training programmes, reward and benefits offerings and our diversity and inclusion initiatives, to ensure we have the skills, capabilities and resources to deliver longer-term sustainable growth.

Safety is our licence to operate and we want to send our people home safely every day. As our Accident Incident Rate has increased by 76% (from 88 to 155) compared to the prior year, the Board through the ESG Committee has considered reports from management on the reasons for this increase. The Board will monitor the actions each division is taking to drive improved safety performance as a priority. Despite the FY24 position, given our high standards, we retain a strong safety record and continue to outperform historic industry league tables. Further information on the actions is set out in the Built by Brilliant People™ report on page 50.

Environmental, Social and Governance ('ESG')

ESG is fundamental to Kier's ability to win work and secure positions on long-term UK Government frameworks, as UK Government

contracts above £5m per annum require net zero carbon and social value commitments. We continue to support our clients in their decarbonisation and social value agendas and examples of our work on this are showcased in this Annual Report.

The ESG Committee has approved a number of milestone plans with key activities and timelines to reach our targets under the various pillars of our sustainability framework, Building for a Sustainable World, which was approved last year. It will continue to review our progress against environmental and social targets; and monitor customer and key stakeholder feedback, developments and trends to ensure sustainable growth for Kier. We continue to make good progress against our carbon reduction targets.

Further information on our work in ESG is set out in the Building for a Sustainable World report on pages 38 to 47 and in the ESG Committee report on pages 107 to 108.

Our Board

We welcomed Mohammed Saddiq as a Non-Executive Director on 1 January 2024. Mohammed has brought valuable in-depth knowledge and experience in operational delivery, engineering and infrastructure services to the Board.

Justin Atkinson, our Senior Independent Director, will be retiring from the Board on 30 September 2024 as he will be reaching his ninth year as a Director. I am pleased to announce the appointment of Chris Browne OBE to succeed Justin as Senior Independent Director from 1 October 2024. As an experienced non-executive director, she is well-equipped to take on the additional responsibilities of the Senior Independent

Director role in the next phase of Kier's growth. I would like to thank Justin for his significant contribution to Kier, especially on our successful turnaround, and on behalf of the Board, I wish him well for the future.

Upon Justin's retirement, Stuart Togwell, Group Managing Director Construction, will be joining the Board as an Executive Director with effect from 1 October 2024. The Board believes that we need to replace the construction industry expertise Justin brought and Stuart's significant strategic and operational delivery experience in the construction sector will be beneficial. Further, Stuart has insights into UK government as it plans future infrastructure investment. We believe having this direct insight available to us will enhance our understanding of their priorities and our strategic decision making.

I am also grateful to the Board Committee chairs for their work and expertise. A new Directors' Remuneration Policy was crafted and approved, we have milestone plans for the environmental and social initiatives and our risk management continuously improves.

Looking forward

The Board believes that our leaders and all of our people have achieved an exemplary turnaround of Kier and the MTVCP is substantially delivered. We have set out what shareholders can expect Kier to deliver in future, through the cycle. By focusing on all stakeholder needs, Kier will remain based on the sound, sustainable foundations which are now in place and which we will continuously improve.

Matthew Lester Chairman