Kier Group PLC

24 April 2013

Recommended acquisition of May Gurney Integrated Services plc
Key messages

- The Acquisition will significantly enhance Kier’s existing Services business
  - Substantial increase in scale, breadth of offering and geographic reach
  - Excellent access to Local Authorities for outsourcing and the ability to cross-sell a comprehensive set of capabilities
  - Improved and stronger offering to Regulated Services including water, rail and utilities

- Proposed recommended offer price of 315p per May Gurney share (265p in Kier shares, 50p in cash) and 5.6p dividend
  - Expected to be significantly value\(^1\) enhancing for the y/e 30 June 2014
  - Substantial anticipated pre-tax cost synergies of £20m p.a. by Dec 2015
  - Targeted to deliver 15% ROCE by Dec 2015

- Creates a combined Group with:
  - Total revenues of £2.8bn\(^2\)
  - Order book of £5.7bn\(^3\) with significant earnings visibility
  - Services revenues of over £1.0bn\(^2\)

1 Before amortisation of acquired intangibles, employment-related deferred consideration and integration costs
2 Based on Kier Full Year Results for the y/e 30 June 2012 and May Gurney Full Year Results for the y/e 31 March 2012
3 Based on Kier Half Year Results as at 31 December 2012 and May Gurney Half Year Results as at 30 September 2012, includes both secured and probable awards
Broader, well balanced Group

Revenue 2011/2012 £2,069m

Kier

- Property & Homes £241m 12%
- Construction £1,383m 67%
- Services £445m 21%

May Gurney

- Regulated sector £277m 40%
- Public sector £418m 60%

Combined

- Property & Homes £241m 9%
- Construction £1,383m 50%
- Services £1,140m 41%

Total Revenue 2011/2012 £2,764m

EBITA 2011/2012 £74m¹

Kier

- Property & Homes £22m 28%
- Construction £35m 46%
- Services £20m 26%

May Gurney

- Regulated sector £12m 41%
- Public sector £18m 59%

Combined

- Property & Homes £22m 20%
- Construction £35m 33%
- Services £50m 47%

Total EBITA 2011/2012 £105m²

EBITA 2011/2012 £30m

Source: Kier Full Year Results for the y/e 30 June 2012 and May Gurney Full Year Results for the y/e 31 March 2012

¹ Total includes corporate costs
² Total EBITA 2011/2012 £104.5m
Combined Group Services revenues

**Kier Services revenues (2011/2012)**

- Maintenance: £120m
- Environmental: £280m
- Total revenue: £445m

**Combined Services revenues (2011/2012)**

- Maintenance: £120m
- Highways: £180m
- Environmental: £97m
- Fleet: £180m
- FM: £147m
- Utilities: £97m
- Other Regulated: £256m
- Total revenue: £1.1bn

**Rationale**

- Broad capabilities across all service segments
- Excellent access to Local Authorities
- Immediate access to new work streams
- Strengthened environmental division
- Improved scale and efficiency

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1 Kier Full Year Results for the y/e 30 June 2012 and May Gurney Full Year Results for the y/e 31 March 2012
2 Excludes May Gurney discontinued Facility Services revenues and includes pro-forma Fleet revenues (based on £18m from the Half Year Results as at 30 September 2012)
Stronger and broader LA capability

<table>
<thead>
<tr>
<th>LA capability</th>
<th>Kier</th>
<th>May Gurney</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td>✓</td>
<td>✓</td>
<td>✓✓✓</td>
</tr>
<tr>
<td>Highways maintenance</td>
<td>-</td>
<td>✓</td>
<td>✓✓</td>
</tr>
<tr>
<td>Housing maintenance</td>
<td>✓✓</td>
<td>-</td>
<td>✓✓</td>
</tr>
<tr>
<td>FM services</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Fleet</td>
<td>✓</td>
<td>✓</td>
<td>✓✓✓</td>
</tr>
</tbody>
</table>

- Majority of combined Services revenues and order book is with LAs
- Increased scale enhances ability to win and deliver major schemes
Significant additional geographic coverage

- **Local Authority footprint**
  - Kier: 43 LAs
  - May Gurney: 30 LAs
  - The Enlarged Group would provide a service to 65 LAs and multiple services to 33 of them

- **Good cross selling opportunities**
  - 8 LAs >£30m worth of revenue per year

- **Market-leading urban street scene capability**

**Lincolnshire: £51m p.a.**
- Kier:
  - Social Housing Planned Maintenance
  - Affordable Housing – new build
- May Gurney:
  - Highways Maintenance
  - Street Lighting
  - Fleet Management

**Northamptonshire: £42m p.a.**
- Kier:
  - Waste Collection
  - Recycling
  - Grounds Maintenance
  - Street Cleansing
  - Social Housing Planned Maintenance
- May Gurney:
  - Highways Maintenance
  - Street Lighting
  - Design, Engineering and Management Consultancy

**East Sussex: £36m p.a.**
- Kier:
  - Waste Collection
  - Street Cleansing
  - Recycling
- May Gurney:
  - Highways Maintenance
  - Highways Improvements

**Surrey: £39m p.a.**
- Kier:
  - Bundled FM Services
  - Planned Property Repairs
  - Responsive Property Repairs
  - Planned and Responsive M&E Services
- May Gurney:
  - Highways Maintenance
  - Footpath and Cycleway Maintenance
  - Drainage Maintenance

Source: May Gurney
LA urban street scene capability

- Housing maintenance
- New build
- Planned upgrades
- Grounds maintenance

- Lighting
- Road maintenance
- Underground services
- Fleet management
- Recycling / AD
- Refuse collection
- Street cleaning

- Energy management
- FM
- New build
- Property asset management
- Regeneration
# Enhanced Regulated Services capability

## Regulated Services capability

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Kier</th>
<th>May Gurney</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>✓</td>
<td>✓</td>
<td>✓✓✓</td>
</tr>
<tr>
<td>Power &amp; Industrial</td>
<td>✓✓</td>
<td>-</td>
<td>✓✓</td>
</tr>
<tr>
<td>Rail</td>
<td>✓</td>
<td>✓</td>
<td>✓✓</td>
</tr>
<tr>
<td>Waterways</td>
<td>-</td>
<td>✓</td>
<td>✓✓</td>
</tr>
</tbody>
</table>

### Rail
- New build
- Signalling
- Station refurbishment
- Structures refurbishment

### Utilities
- Power - capex
- Gas
- Power - opex
- Telecoms
- Water - opex
- Water - capex
Combined order book

Total order book: £5.7bn

Based on Kier’s order book of £4.2bn as at 31 December 2012 and May Gurney’s order book of £1.5bn as at 30 September 2012, includes both secured and probable awards.
Combined Services order book longevity

- £3.6bn confirmed order book
- £2.5bn potential contract extensions

Source: Based on Kier Half Year Results as at 31 December 2012 and May Gurney Half Year Results as at 30 September 2012
Transaction terms

- Each May Gurney shareholder to receive:
  - For each May Gurney share: 265p in new Kier shares; and 50p in cash
  - May Gurney shareholders will also receive a 5.6p dividend

- The consideration under the terms of the Proposal (excluding the 5.6p dividend) represents a value of:
  - 315p per May Gurney share
    - premium of approximately 35%, to the current value of the Costain Proposal of 234p per May Gurney share (based on the Closing Price of 283p per Costain Share on 23 April 2013)

- Acquisition will include a mix and match facility
- Kier maintains a progressive dividend policy - shares will rank for any final dividend payable for the y/e 30 June 2013
- Aviva have provided an irrevocable undertaking to Kier in respect of 5.16% of May Gurney’s ISC
  - Other shareholder undertakings being sought
- Acquisition conditional on approval of both sets of shareholders
Cost Synergies

- Expect recurring pre-tax cost synergies of £20m p.a.

- Targeted synergy phasing:
  - £5m to be realised for the y/e June 2014
  - £15m to be realised for the y/e June 2015
  - £20m to be realised annually thereafter

- Total forecast synergy realisation and integration costs of £28m:
  - One-off exceptional costs of £20m
  - Capex costs of £8m relating to IT investment

1 These statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. For further detail please refer to Disclaimer
Integration plan

• Comprehensive integration plan
  • Clarity of acquisition structure and leadership
  • Key areas identified
  • Integration schedule designed to realise majority of synergies by June 2015
  • Anticipate net reduction of approx. 200 employees across the Enlarged Group

• The acquisition of May Gurney meets Kier’s internal acquisition criteria
  ➢ Expected to be significantly value enhancing for the y/e 30 June 2014
  ➢ Targeted to deliver 15% ROCE by Dec 2015

• Confident that the integration of the two businesses can be achieved without any significant underlying disruption of operations
  • Kier and May Gurney are a natural fit
Combined Group capital structure

• Banking facilities of £480m
  • Terms consistent with existing Kier facilities

• Kier net cash of £4m (incl. £8m finance leases) as at December 2012; May Gurney net debt of £77m (incl. £74m finance leases) as at September 2012

• Comfortable net debt position

• Integration and transaction costs of c.£42m

• Kier’s current bonding facilities sufficient for the enlarged Group at c.£400m

• Offer allows for the possibility of a significant purchase price accounting adjustment in relation to the fair value of the net assets acquired

• A robust capital structure underpinning future performance
# Lending Facilities

<table>
<thead>
<tr>
<th>Facility type</th>
<th>Kier (£m)</th>
<th>May Gurney (£m)</th>
<th>Status re May Gurney arrangements</th>
<th>Combined Group (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RCF</td>
<td>120</td>
<td>23</td>
<td>replace</td>
<td>120</td>
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<tr>
<td>Overdraft</td>
<td>20</td>
<td>25</td>
<td>broadly retain</td>
<td>40</td>
</tr>
<tr>
<td>FLS loan</td>
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<td></td>
<td>30</td>
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<td>USPP</td>
<td>63</td>
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<td></td>
<td>63</td>
</tr>
<tr>
<td>Leasing</td>
<td>15</td>
<td>92</td>
<td>retain</td>
<td>107</td>
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<tr>
<td><strong>New:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>RCF</td>
<td></td>
<td></td>
<td></td>
<td>70¹</td>
</tr>
<tr>
<td>Term loan</td>
<td></td>
<td></td>
<td></td>
<td>50¹</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>248</td>
<td>140</td>
<td></td>
<td>480</td>
</tr>
</tbody>
</table>

¹ To September 2016
Expected timetable

- Rule 2.7 announcement 24 April 2013
- Publication of Prospectus / Class 1 Circular (Kier) Early - Mid May 2013
- Publication of Scheme Document (May Gurney) Mid May 2013
- May Gurney Court and shareholder meetings Mid June 2013
- Kier shareholder meeting Mid June 2013
- Completion July 2013
Summary

- Creates one of the UK’s leading integrated services and construction Groups
- Significant increase in the scale of Kier’s Services business
- Excellent access to Local Authorities
- Substantial cost synergies anticipated to benefit both sets of shareholders
- Strong cultural alignment between the Groups

This new, broad, integrated business will enable us to define tomorrow’s environments for our customers
Recommended acquisition of May Gurney Integrated Services plc
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