
2021 full year results presentation

10 March 2022

Image: Hinkley Point C, Somerset, UK



Balfour Beatty

Leo Quinn

Group Chief Executive

Image: Eleclink 1GW electricity interconnector, Channel Tunnel



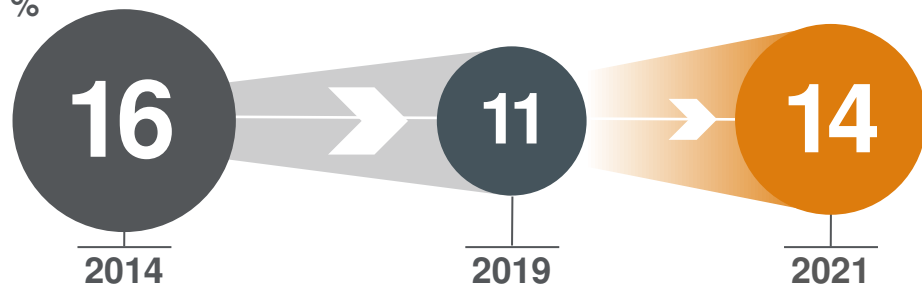
Building momentum

- ▶ 2021 results ahead of expectations
- ▶ Balfour Beatty transformed into resilient, diversified Group
- ▶ Higher quality order book provides clear visibility
- ▶ Expert capability matched to favourable infrastructure markets
- ▶ Attractive Infrastructure Investments portfolio and opportunities
- ▶ £150 million share buyback in 2022

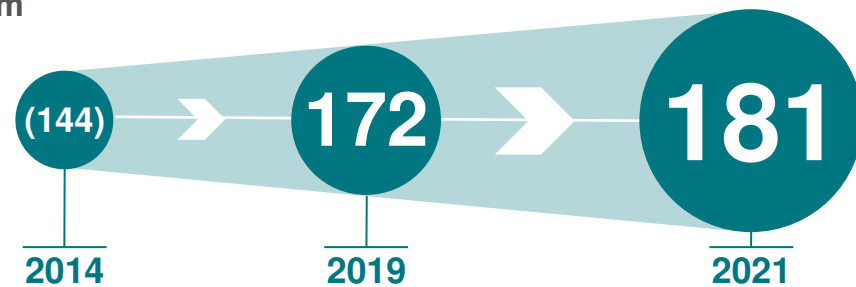
Confidence in delivering profitable managed growth

Build to Last transformation

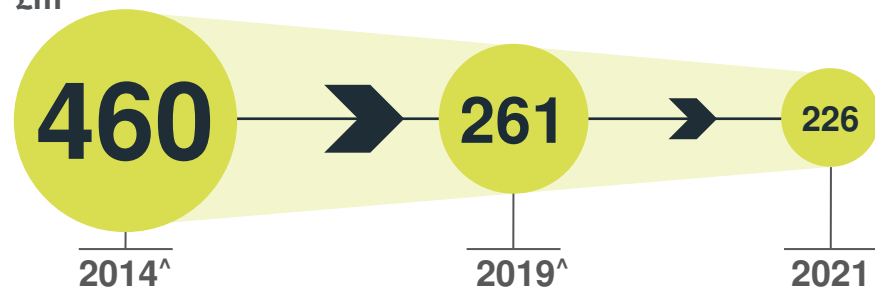
UK voluntary attrition: moving annual average %



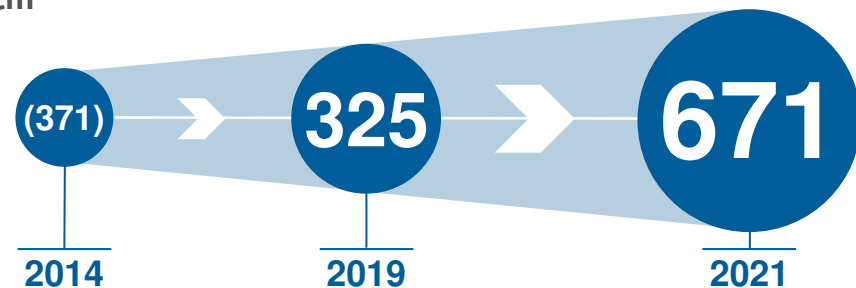
Earnings-based businesses profit/(loss) from operations* £m



Other net operating expenses* £m



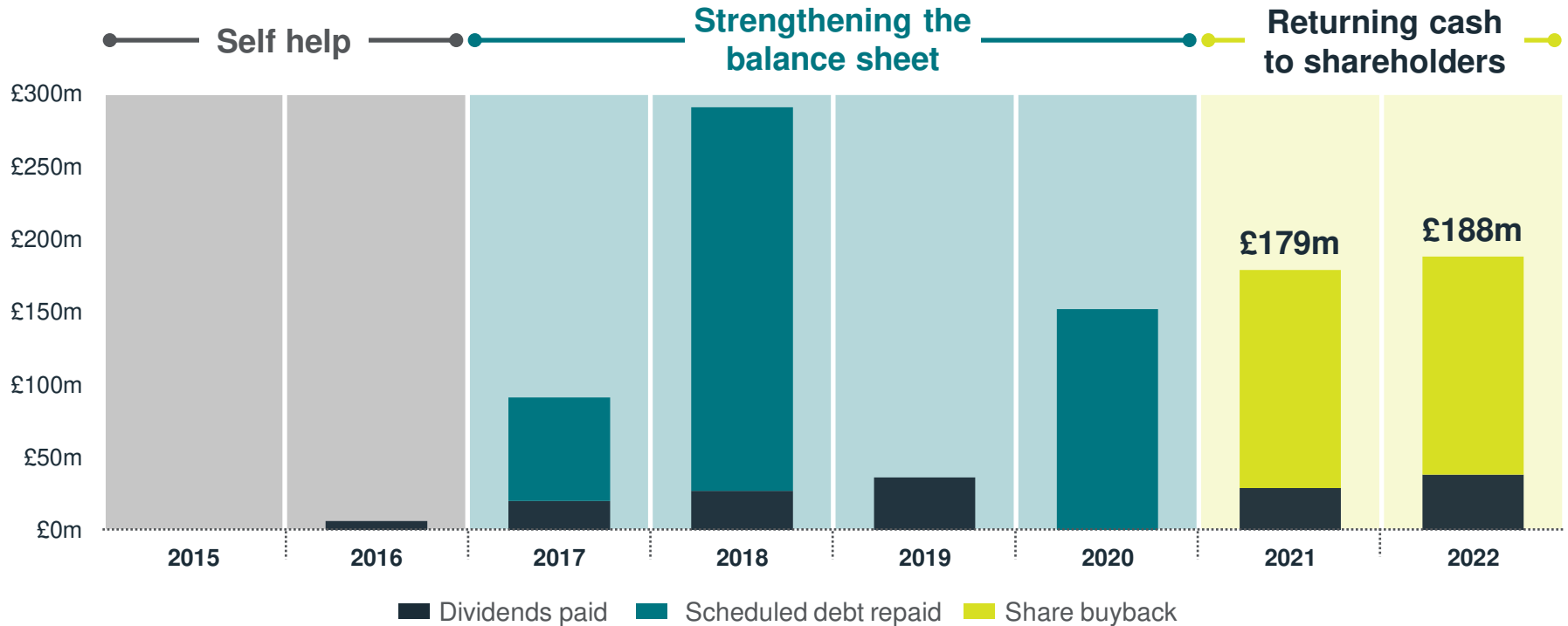
Average net cash/(debt) £m



* from continuing operations, before non-underlying items | [^] FY 2014 and FY 2019 other net operating expenses are calculated on a Constant Exchange Rate (CER) basis

Operational platform for sustainable future performance

Capital allocation pivot under Build to Last

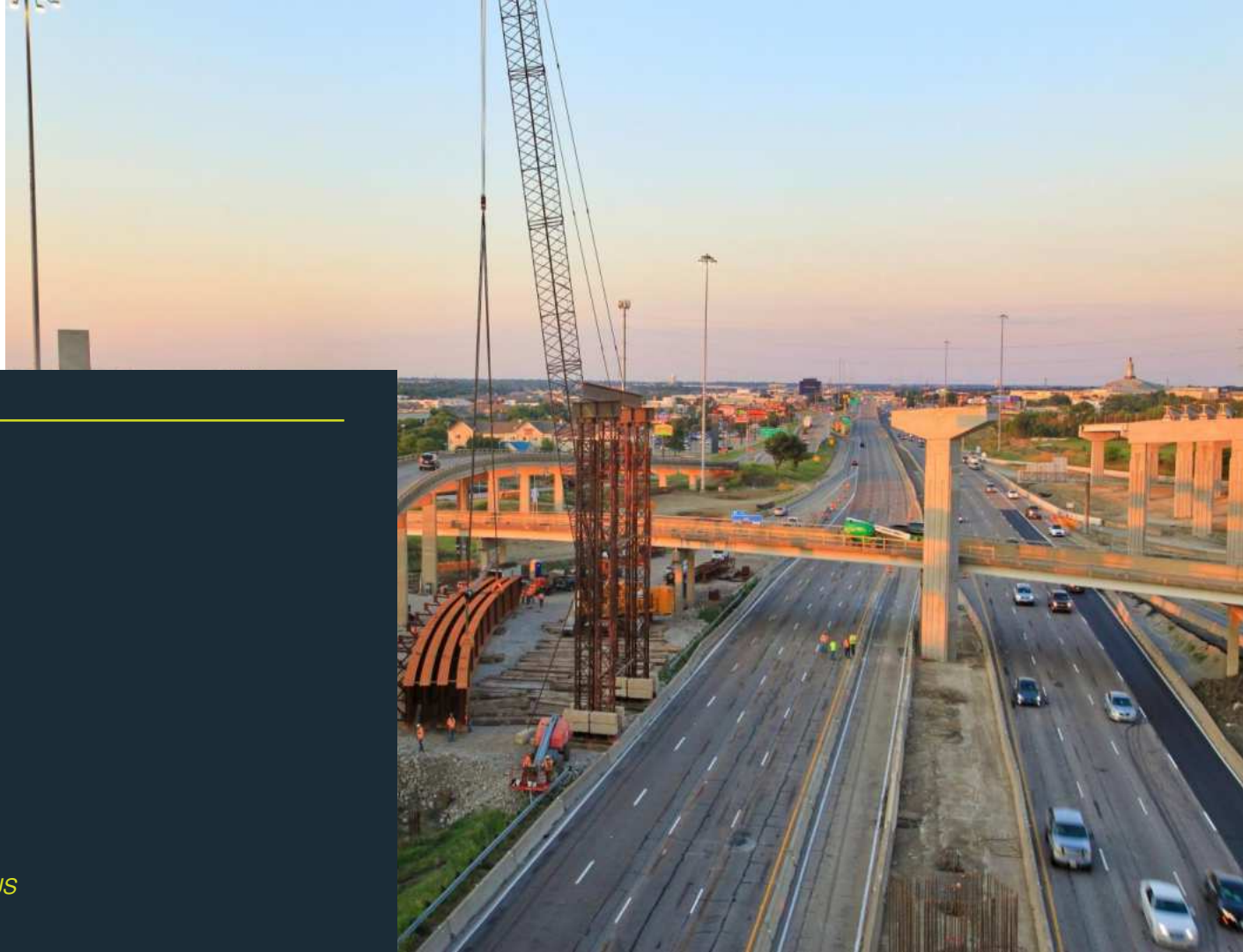


Significant returns for shareholders now and in the future

Phil Harrison

Chief Financial Officer

Image: Interstate 635 East, Texas, US



Headline numbers

£m (unless otherwise stated)

	2021	2020
Group revenue*	8,280	8,587
Profit from earnings-based businesses*	181	75
Profit from operations*	197	51
Profit for the year*	194	25
Basic earnings per share*	29.7p	3.7p
Dividends per share	9.0p	1.5p

	2021	2020
Order book	£16.1bn	£16.4bn
Directors' valuation of Investments portfolio	£1.1bn	£1.1bn
Period end net cash [‡]	790	581
Average net cash [‡]	671	527

* before non-underlying items

‡ excluding Infrastructure Investments (non-recourse) net borrowings

Financial results ahead of expectations

Construction Services

£m	2021*		2020*	
	Revenue	PFO	Revenue	PFO
UK	2,593	(2)	2,190	(26)
US	3,344	51	3,789	26
Gammon	809	30	985	29
Total	6,746	79	6,964	29

* before non-underlying items

- US Construction and Gammon recorded PFO in line with pre-pandemic levels
- UK Construction impacted by performance issues at three private sector property projects in central London
 - > One complete, two finish in 2022
- UK Construction returned to profit in second half with £21m at 1.6% PFO margin

UK Construction returned to profit in second half of year

Support Services

£m	2021	2020
Revenue		
Utilities	469	565
Transportation	597	502
Total	1,066	1,067
Profit from operations*	102	46

* before non-underlying items

- Profitable recurring revenues underpinned by long-term contracts
- Outperformance is a result of:
 - > improved portfolio performance
 - > exit from gas and water sector
 - > end of contract gains
- Upgraded PFO margin target from 3-5% to 6-8%; 2022 revenue c.£900m

Significant outperformance; upgraded margin target

Infrastructure Investments

£m	2021	2020
Pre-disposals operating profit*	14	8
Gain on disposals	35	-
Investments profit*	49	8
Sub-ordinated debt interest receivable [^]	18	15
Infrastructure concessions' net interest	(6)	(3)
Investments pre-tax profit*	61	20

* before non-underlying items

[^] includes £14m impairments relating to subordinated debt receivable from joint ventures and associates (2020: £10m) and £9m fair value gain on investment asset (2020: £nil)

- Re-commenced disposals from portfolio:
 - > bundle of UK PPP assets for £48m
 - > Canadian hospitals for £20m
 - > two US multifamily housing projects for £12m
- Four new assets:
 - > two student accommodation – one in UK and one in US
 - > two US multifamily housing

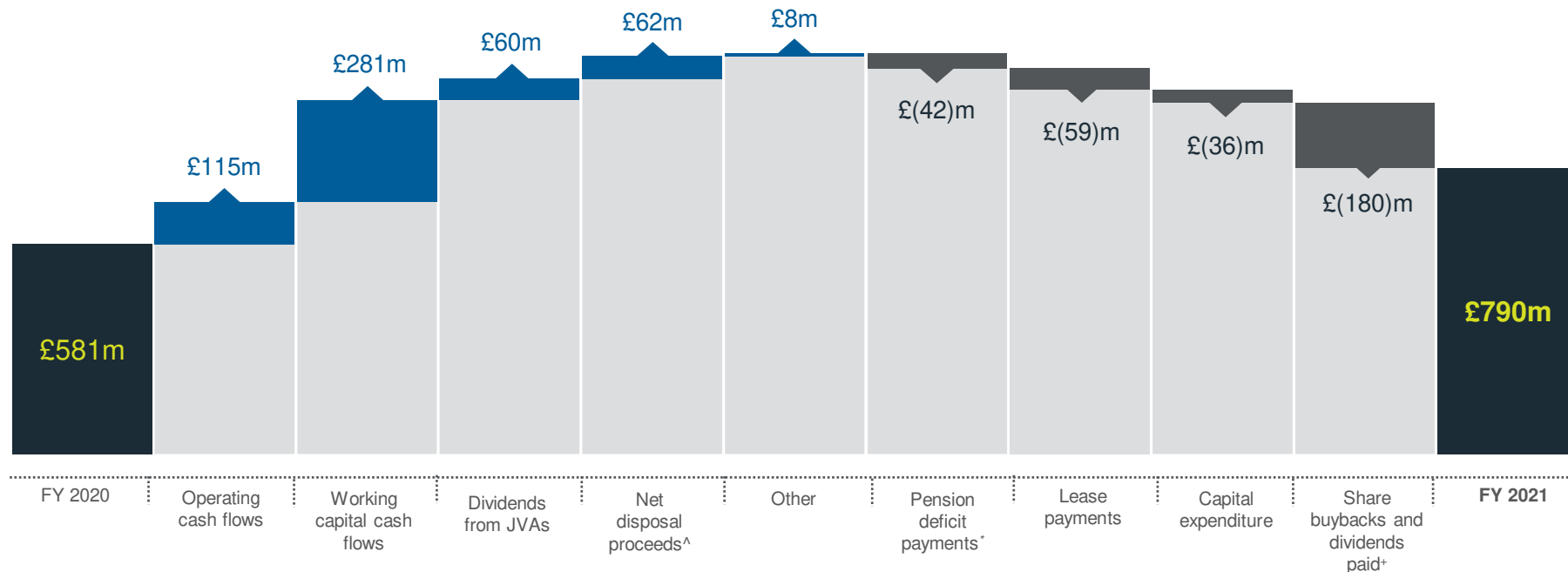
All disposals above Directors' valuation

Non-underlying items

£m	2021	2020
Impairment and amortisation		
Amortisation of acquired intangibles	(5)	(6)
Other		
Grant income (repaid)/received in relation to COVID-19 UK Job Retention Scheme	(19)	19
Military housing settlement charge following resolution with US Department of Justice	(41)	-
Provision recognised for rectification works to be carried out on a development in London	(42)	-
Other non-underlying items	7	(1)
Tax		
Recognition/(derecognition) of deferred tax assets in the UK	11	(10)
Impact of tax rate change on deferred tax assets previously recognised through non-underlying	18	4
Tax on US Department of Justice settlement charge	4	-
Tax on rectification works provision	8	-
Tax on other items above	4	(1)
Total non-underlying items	(55)	5

Net charge of £55 million after taxation

Cash flow



[^] includes £19m of equity invested

^{*} includes £3m of regular funding

⁺ includes £1m of costs

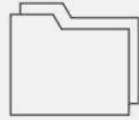
Consistent, strong cash performance

Capital allocation framework



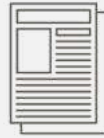
Continued investment in organic growth opportunities

Investments meet Group hurdle rates



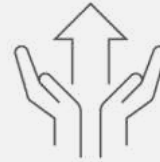
Active realisation of the Investments portfolio

Disposals timed to optimise value



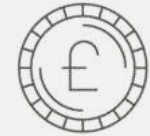
Strong but efficient balance sheet

Platform to make long-term decisions



Sustainable ordinary dividend (target 40% payout ratio[^])

Increasing earnings to drive dividend growth



Additional cash returns via share buybacks

Broadly based on surplus cash from Investments disposals and operating cash flows

[^] underlying profit after tax excluding gain on disposals of Investments assets

First year of multi-year framework complete

Shareholder returns

Profitable managed growth

2021 PFO from earnings-based businesses 5% higher than 2019

2022 continued profit growth in line with Board expectations

2023 and beyond; continued profitable managed growth and sustainable cash generation

Sustainable dividend

Target 40% ordinary dividend pay-out ratio[^]

2021 total dividend at 9.0 pence per share, equivalent to £57m

Sustainable dividend expected to grow with underlying profit

Multi-year share buyback programme

£150m share buyback completed in 2021

Announced further £150m share buyback for 2022

Confidence in delivering significant future shareholder returns

[^] underlying profit after tax excluding gain on disposals of Investments assets

£367 million of total shareholder returns announced since January 2021

Balfour Beatty

Leo Quinn

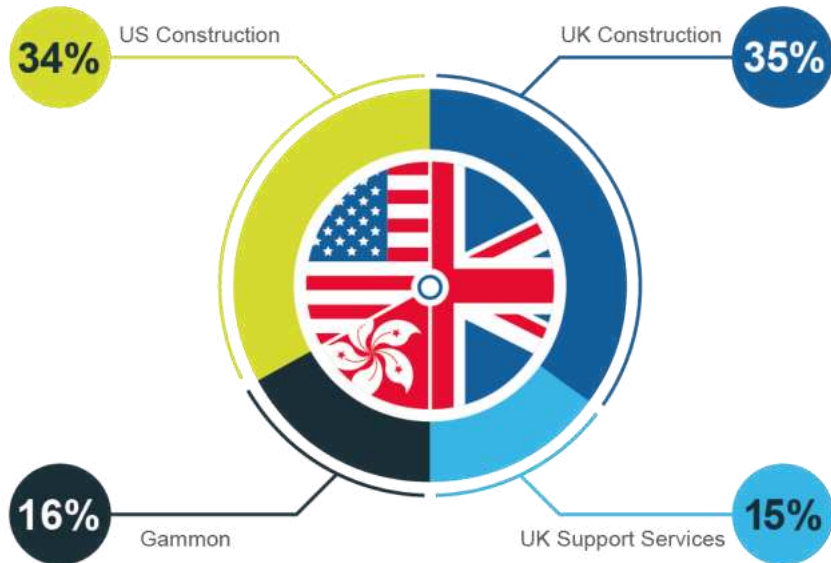
Group Chief Executive

Image: HS2 Long Itchington Wood Tunnel, Warwickshire, UK

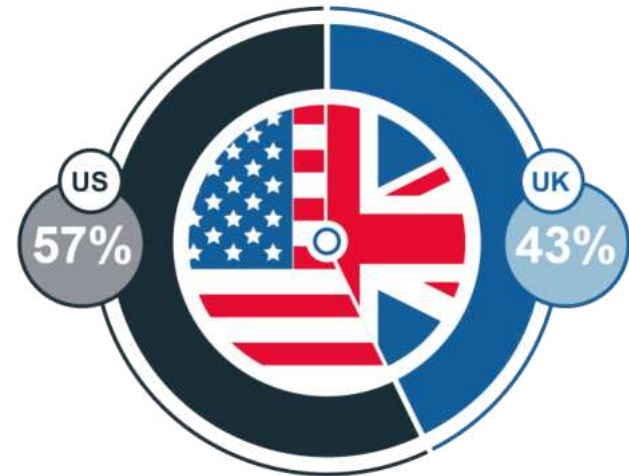


Geographically and operationally diversified portfolio

£16.1bn order book



£1.1bn* Investments portfolio

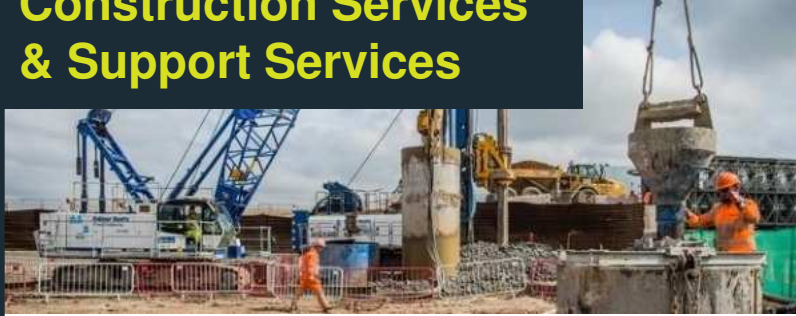


* Directors' valuation

Balfour Beatty transformed into resilient, diversified Group

Inflation

Construction Services & Support Services



Inflation management



- Contractual protection
- Early buyout to lock in costs
- Leveraging the Group's scale
- Responsible supply chain management

Infrastructure Investments



Inflation protection

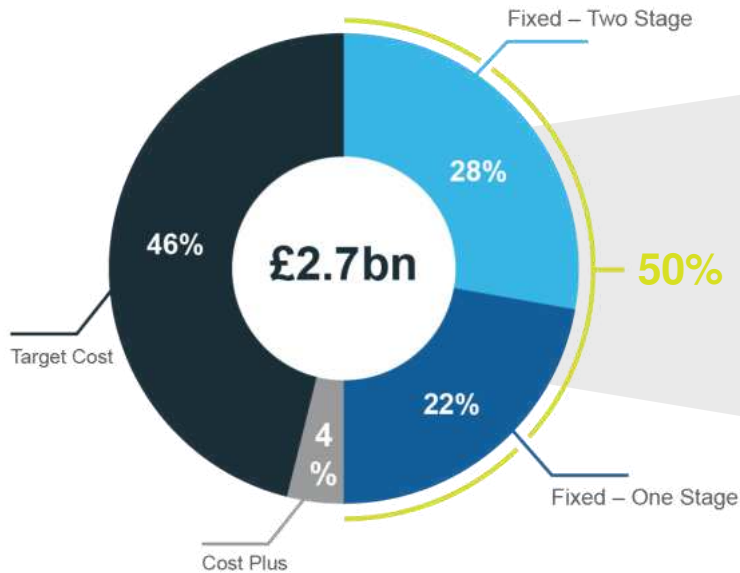


- In an inflationary market asset values increase
 - > UK portfolio positively correlated with inflation
 - > US portfolio positively correlated with inflation indirectly through the link to rental market

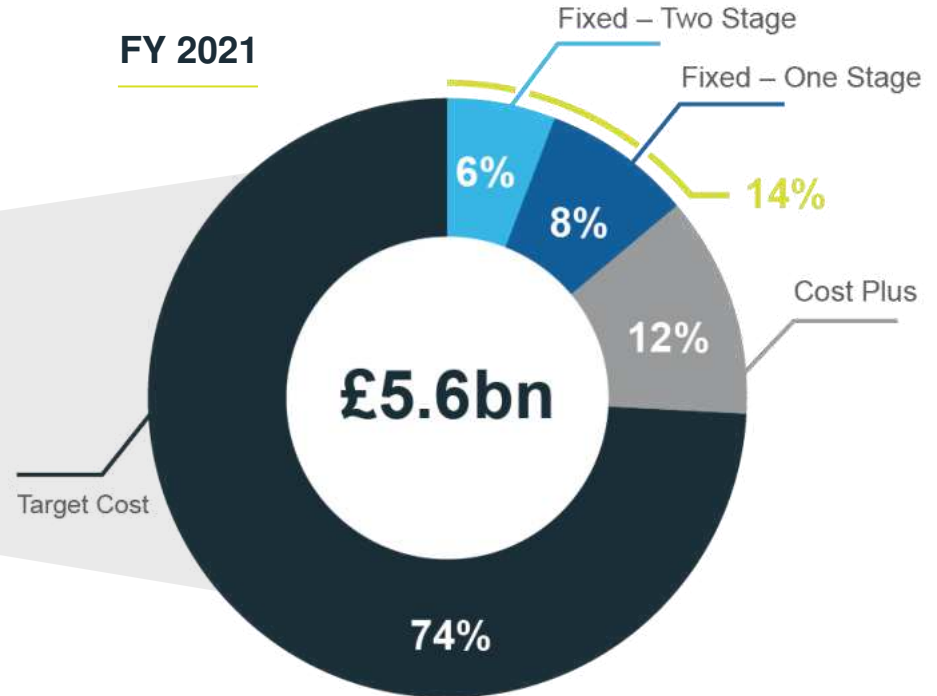
Actively managing inflation risk while infrastructure assets increase with inflation

UK Construction order book evolution

HY 2018



FY 2021



Driving more predictable outcomes

UK Construction

Major Projects



HS2 Area North, Old Oak Common



Hinkley Point C

Market drivers

- UK Government's £650bn National Infrastructure Strategy plus Net Zero Strategy
- Key growth markets: carbon capture; blue hydrogen; floating offshore wind; new build nuclear

Highways



M4 Junctions 3 - 12

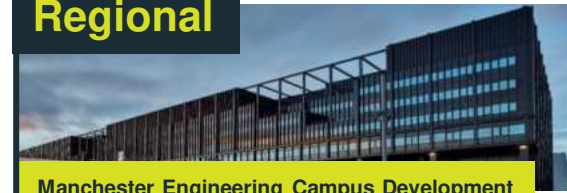


A63 Castle Street, Hull

Market drivers

- Second Road Investment Strategy (RIS2: 2020-2025) at £24bn post Smart Motorway Alliance (RIS1: £15bn)
- Key growth markets: strategic network improvements; safety enhancements; associated infrastructure

Regional



Manchester Engineering Campus Development



SCAPE Civils 2nd generation frameworks

Market drivers

- Multiple UK-wide framework opportunities including £4bn SCAPE Civils 3rd generation frameworks
- Key growth markets: defence; education; nuclear; flood defences

Repositioned towards infrastructure projects

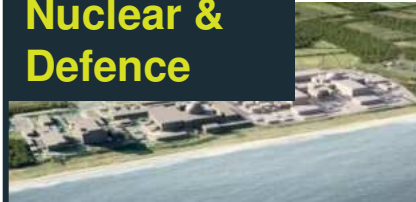
Future UK infrastructure pipeline

HS2



- c.£2bn over four rail track systems packages
- Phase 2a (West Midlands to Crewe) main civils work packages
- Phase 2b (Crewe to Manchester)

Nuclear & Defence



- Sizewell C c.£20bn 3.2 GW nuclear power station
- Multi-billion upgrade and modernisation programme of nuclear and defence facilities, docks and associated infrastructure

Decarbonisation



- Net Zero Teesside: Carbon capture, utilisation and storage
- Hydrogen to Humber: hydrogen production facility
- Balfour Beatty has agreement in place with Technip Energies in pursuit of these projects

Lower Thames Crossing



- £6.3bn National Highways road crossing
- Longest UK road tunnel at 4.25km
- 23km of new roads

End to end Group capability



Commercial & technical



Design & planning



Ground engineering



Civil & rail engineering



Mechanical & electrical



Power transmission & distribution

Leveraging Group-wide capabilities

Support Services: transformed portfolio

Power



£300m Hinkley Point C connection project



£85m Port Ann to Crossaig for SSEN

Market drivers

- RIIO-T2 (2021-2026): £40bn including £10bn available for green energy projects
- £3bn for renewable energy connections
- £10bn National Grid East Coast programme

Road maintenance



M25 30 year concession



Local authority reactive and capital works

Market drivers

- Additional £2.7bn in funding for road patching, increasing local council budgets by c.50% over four years
- Significant number of local authority contracts due to market

Rail maintenance



£220m London Underground track renewals



£1.5bn Central Rail Systems Alliance

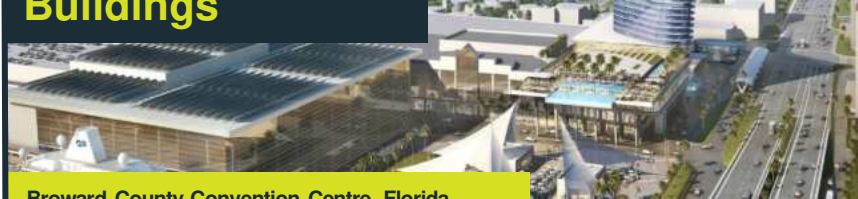
Market drivers

- £53bn Network Rail CP6 (2019-2024): including £10bn extra for maintenance and renewals
- Government Integrated Rail Plan: £96bn of investment in Midlands & the North

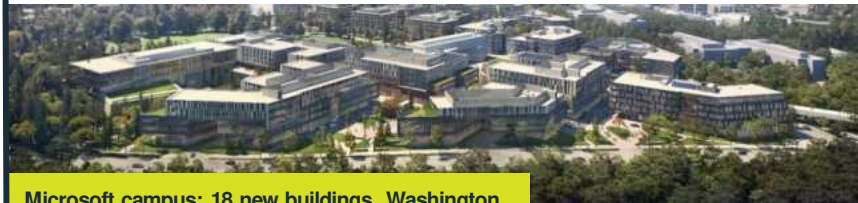
Target PFO margin upgraded to 6-8%; strong medium term growth prospects

US Construction

Buildings



Broward County Convention Centre, Florida



Microsoft campus: 18 new buildings, Washington

Market drivers

- Post-pandemic rebound in tendering activity
- “Southern Smile” geographic focus
- Increased Federal spending in Mid-Atlantic and California
- Growth in P3 social infrastructure and transport opportunities

Civils



Highways in Texas (IH-635), Carolinas & Georgia



Mass Transit Rail projects: Caltrain, California

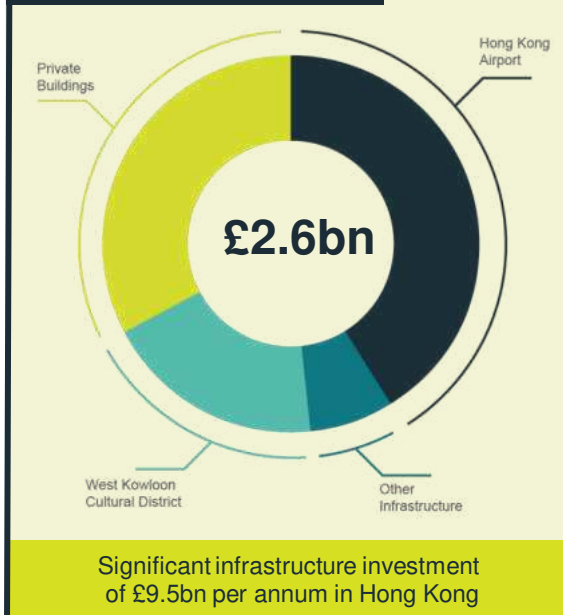
Market drivers

- US\$1.2tn bipartisan Infrastructure Investment and Jobs Act, which includes US\$634bn of funding for road and rail
- US\$77bn 2020 Unified Transportation Program from TxDOT
- US\$200bn+ of multi-state transportation bonds

Well positioned to capitalise on strong building and infrastructure pipelines

Gammon: 50:50 joint venture – new CEO

Strong order book*



Portfolio highlights



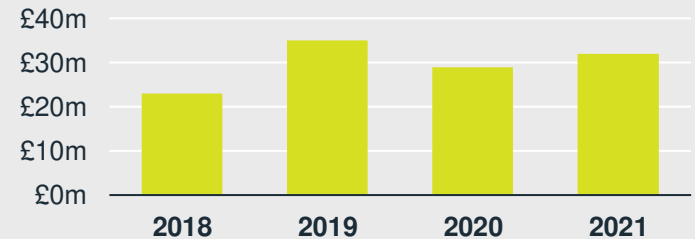
Vertically integrated capability



Main civils contract

- Plant
- Foundations
- Concrete
- Steel
- M&E
- Façade

Consistent dividend*

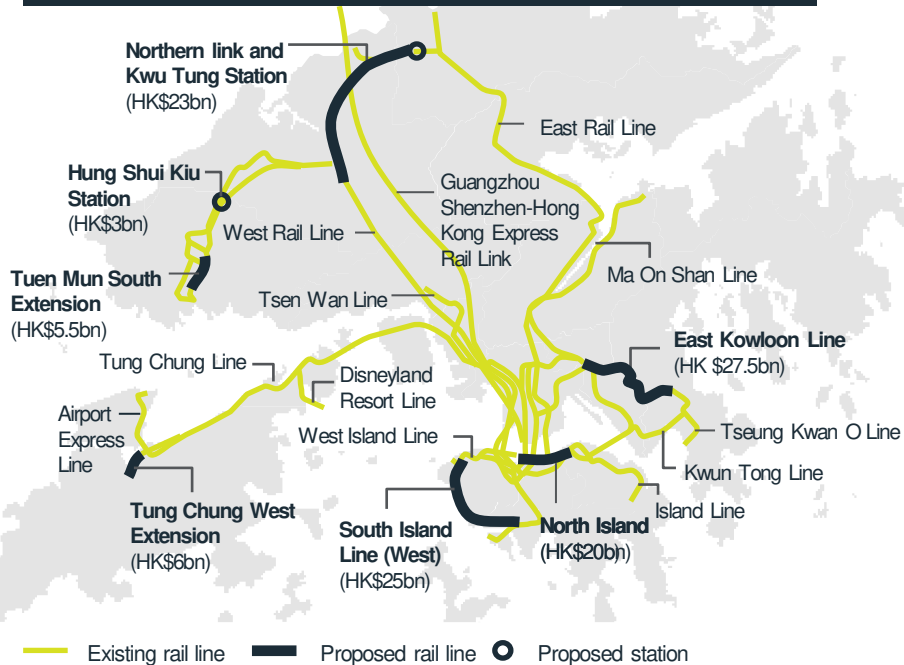


* Balfour Beatty share

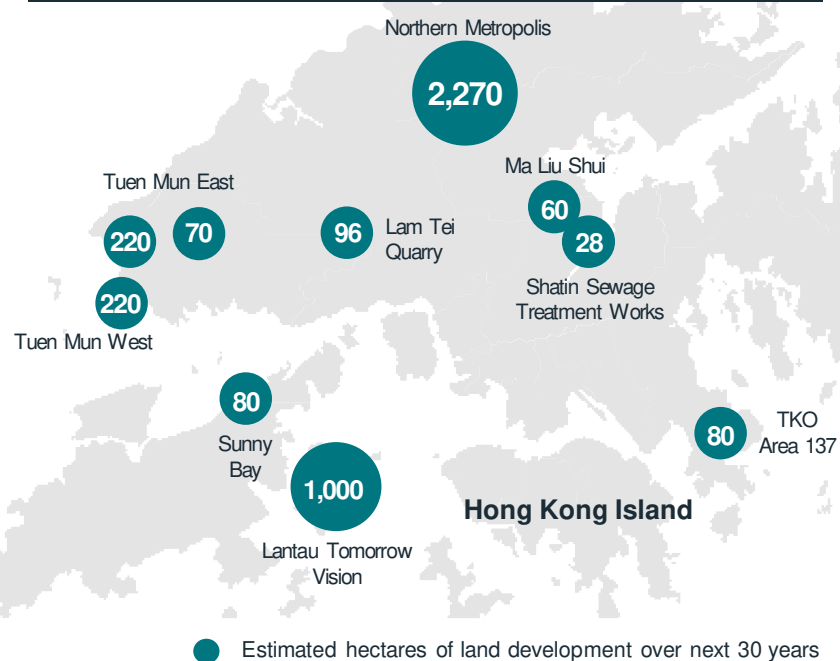
Strong order book and returns; vertically integrated capability

Hong Kong pipeline

Mass Transit Railway (MTR) network



Proposed land development



Source: HKSAR Policy Address 2021

Vibrant civil infrastructure and buildings market

Infrastructure Investments – new CEO

Strong competitive advantage



Growth markets



Student accommodation UK & US



P3 social and transport US

- High ROI for Group negative working capital
- Portfolio positively correlated with inflation
- Disposals underpin share buyback programme

Uniquely positioned to capitalise on emerging opportunities

Building New Futures



Environment



2040 Ambitions

Beyond Net Zero Carbon

2030 Targets

Achieve science-based carbon reduction target

2021 highlights

- Joined the United Nations 'Race to Zero' campaign
- Launched roadmap towards a zero carbon construction site at the Royal Botanic Garden Edinburgh, Scotland

Materials



2040 Ambitions

Generate Zero Waste

2030 Targets

40% reduction in waste generated*

2021 highlights

- Group: reduced total waste per million pound of revenue by 35%
- UK: over 99% of waste avoided from landfill
- HS2 – BBV diverting over 99% of construction waste from landfill

Communities



2040 Ambitions

Positively Impact More than 1 Million People

2030 Targets

£3bn social value generated

2021 highlights

- UK: over £700m social value generated
- UK: more than £1bn spent with SMEs
- 6.2% of UK workforce in emerging talent roles



*Total waste per million pound of revenue

Well positioned for green infrastructure growth

Strong outlook

- ▶ Well positioned for 2022 and beyond
- ▶ Balfour Beatty transformed into resilient, diversified Group
- ▶ Higher quality order book provides clear visibility
- ▶ Expert capability matched to favourable infrastructure markets
- ▶ Attractive Infrastructure Investments portfolio and opportunities
- ▶ £150 million share buyback in 2022

Confidence in significant future shareholder returns

Appendix

Image: Royal Holloway student accommodation, University of London, UK



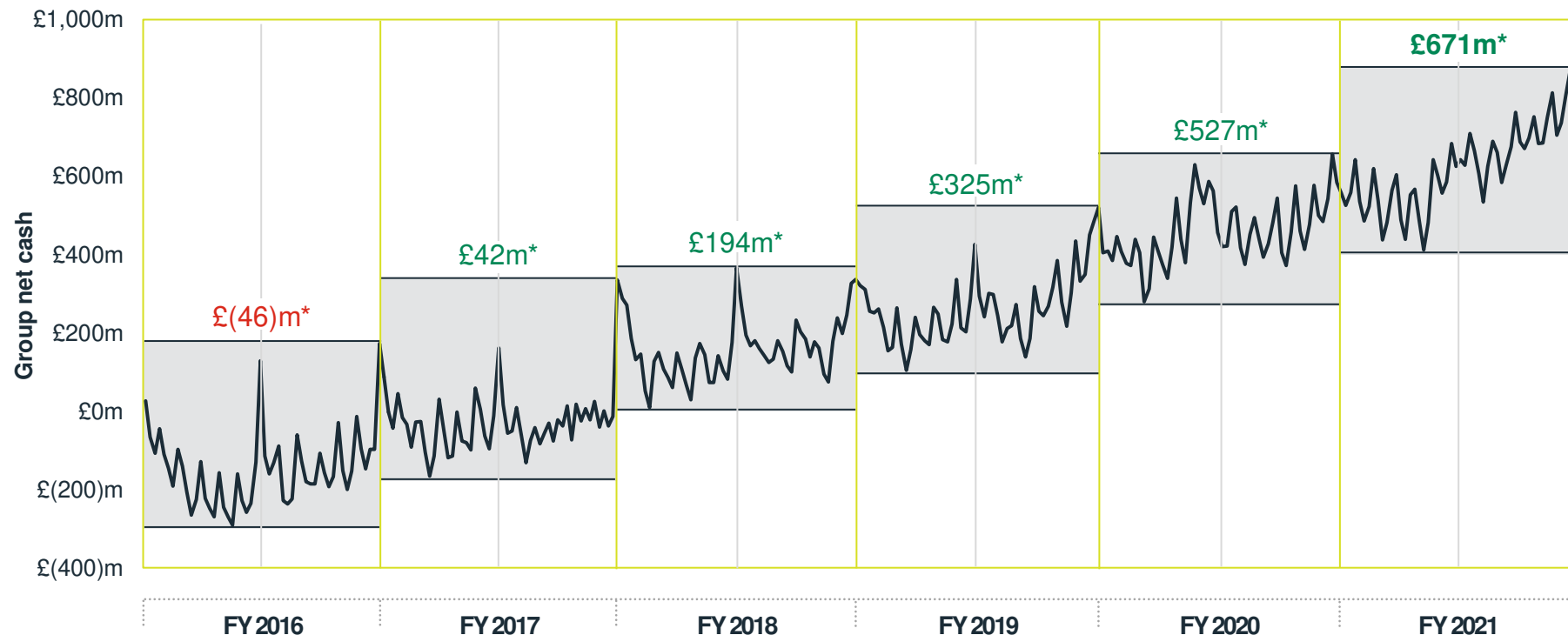
Forward-looking statements

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A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US government policies, spending and procurement methodologies, failure in Balfour Beatty's health, safety or environmental policies and the Principal Risks as set out in the Company's Annual Report and Accounts 2021.

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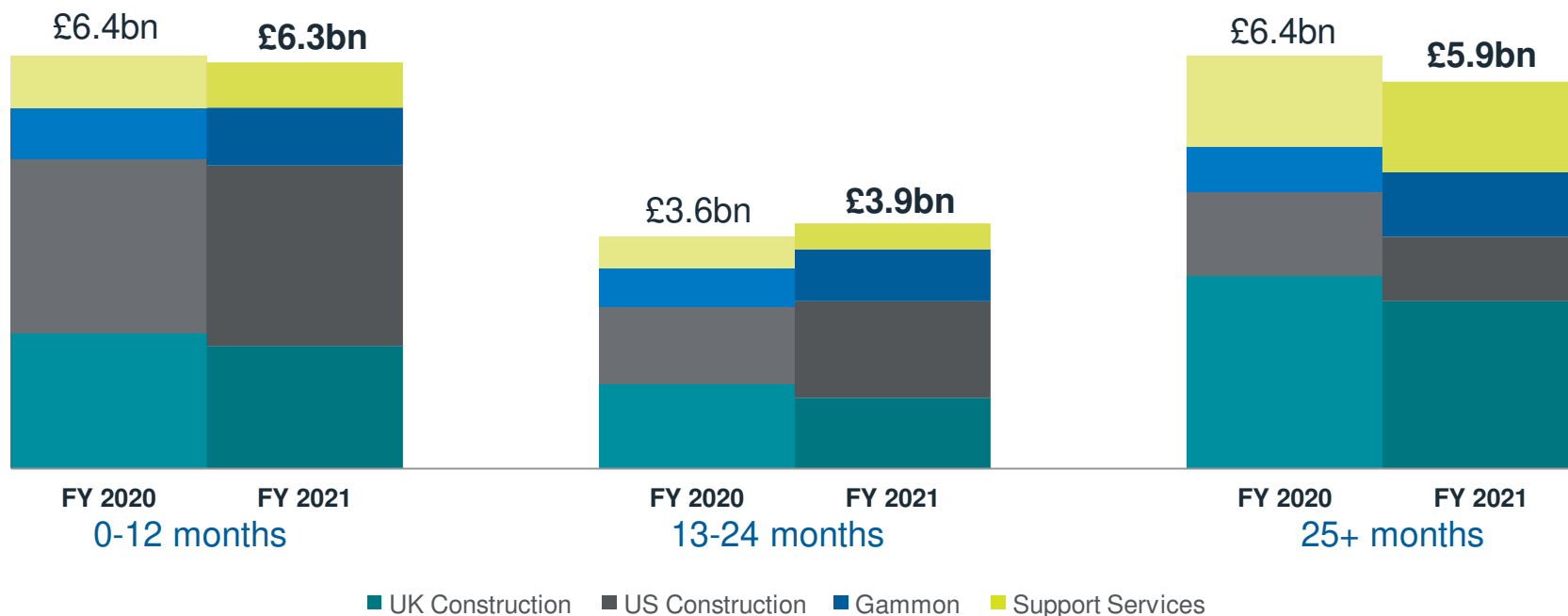
Group net cash



*Average monthly net cash

Order book by phase

Total 2021 £16.1bn
Total 2020 £16.4bn



Order book by customer

UK Construction



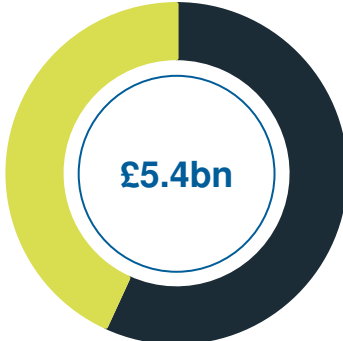
- Public & regulated (91%)
- Private sector

Support Services



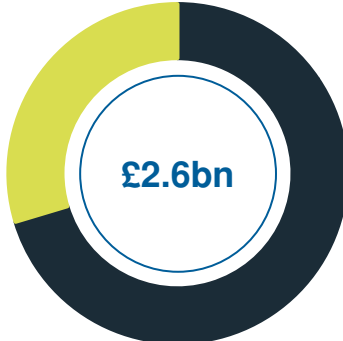
- Public & regulated (100%)
- Private sector

US Construction



- Public & regulated (57%)
- Private sector

Gammon



- Public & regulated (70%)
- Private sector

Underlying profit from operations

£m	2021*	2020*
UK Construction	(2)	(26)
US Construction	51	26
Gammon	30	29
Construction Services	79	29
Support Services	102	46
Earnings-based businesses	181	75
Infrastructure Investments		
Pre-disposals operating profit	14	8
Gain on disposals	35	-
Corporate activities	(33)	(32)
Total	197	51

* before non-underlying items

Group balance sheet

£m	FY 2021	FY 2020
Goodwill and intangible assets	1,113	1,123
Working capital	(1,118)	(887)
Net cash (excluding infrastructure concessions)	790	581
Investments in joint ventures and associates	503	554
PPP financial assets	30	155
Infrastructure concessions – non-recourse net debt	(243)	(317)
Net retirement benefit assets	231	89
Net lease liabilities	(4)	(4)
Net deferred tax assets/(liabilities)	5	(24)
Other assets and liabilities	69	75
Net assets	1,376	1,345

Cash flow

£m	2021	2020
Operating cash flows	115	127
Working capital inflow	281	167
Pension deficit payments [#]	(42)	(18)
Cash from operations	354	276
Dividends from joint ventures & associates	60 [^]	50
Capital expenditure	(36)	(34)
Lease payments (inc. interest paid)	(59)	(64)
Ordinary dividends paid	(29)	-
Buyback of ordinary shares	(151)	-
Redemption of preference shares	-	(112)
Infrastructure Investments		
Disposal proceeds	81	-
New investments	(19)	(46)
Other	8	(1)
Net cash movement	209	69
Opening net cash [*]	581	512
Closing net cash[*]	790	581
Average net cash[*]	671	527

^{*} excluding infrastructure investments (non-recourse) net borrowings

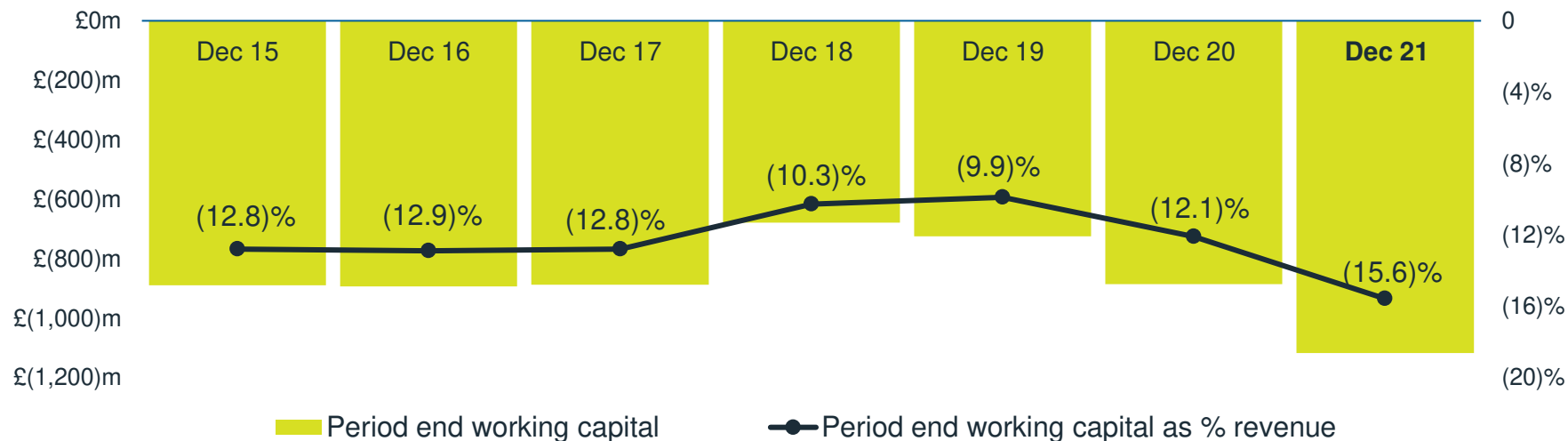
[#] includes £3 million (2020: £3 million) of regular funding

[^] excludes £8m dividends received in 2021 in relation to Investments disposals within joint ventures and associates

£m	2021	2020
Working capital flows[^]		
Inventories	11	(14)
Net contract assets	221	154
Trade and other receivables	(22)	42
Trade and other payables	43	(69)
Provisions	28	54
Working capital inflow[^]	281	167

[^] excluding impact of foreign exchange and disposals

Working capital – Group

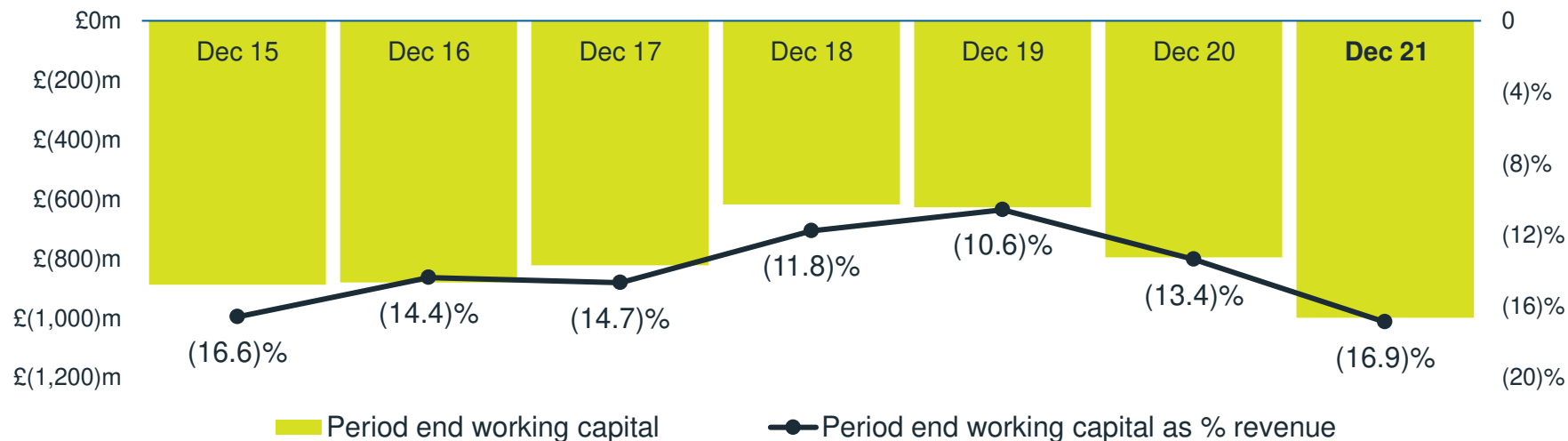


Debtor days*	27	34	28	33	29	26	26
Creditor days*	45	51	46	44	44	39	40

from continuing operations including non-underlying items

* debtor days include current trade receivables; creditor days include current trade and other payables, excluding accruals

Working capital – Construction Services



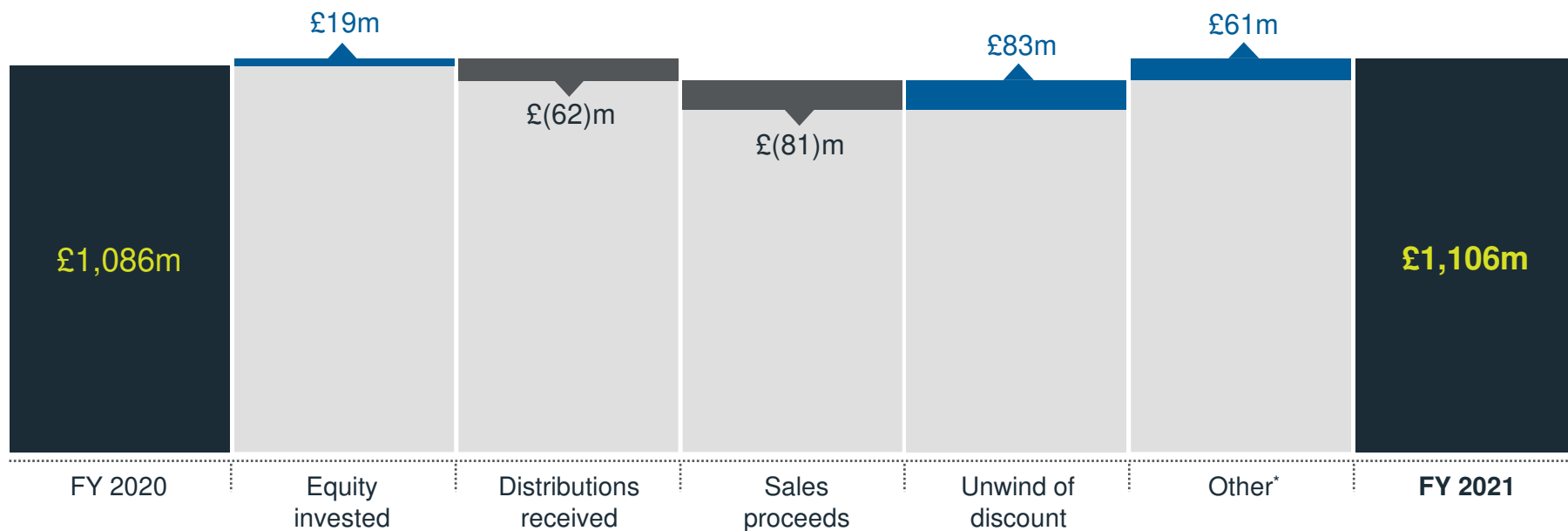
from continuing operations including non-underlying items

Net finance costs

£m

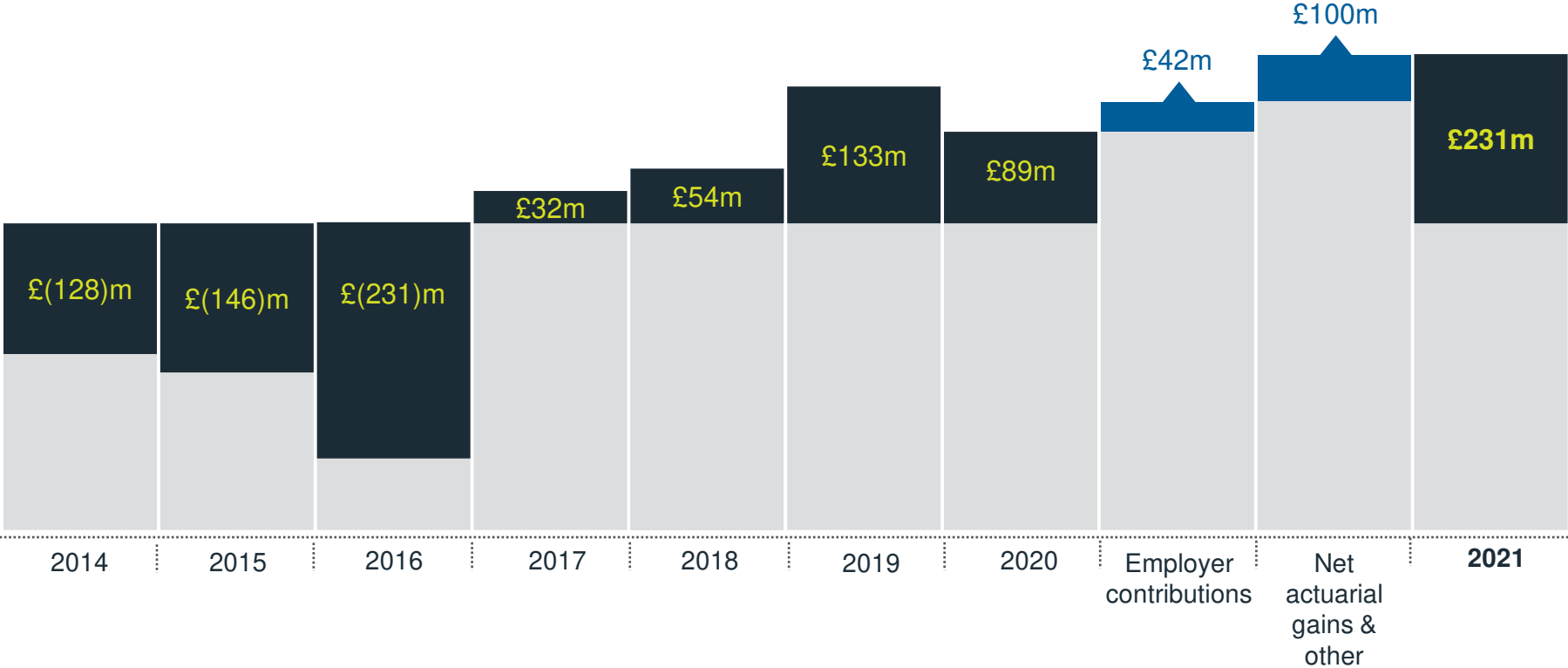
		2021	2020
Subordinated debt interest receivable	23		
Interest on PPP financial assets	5		
Interest on non-recourse borrowings	(11)	17	22
Net finance income – pension schemes		1	3
Other interest receivable	10		
Other interest payable	(8)	2	(5)
US private placement		(10)	(10)
Preference shares		-	(8)
Interest on lease liabilities		(6)	(6)
Impairment of loans and accrued interest relating to joint ventures and associates		(14)	(11)
Net finance costs		(10)	(15)

Directors' valuation of Investments portfolio

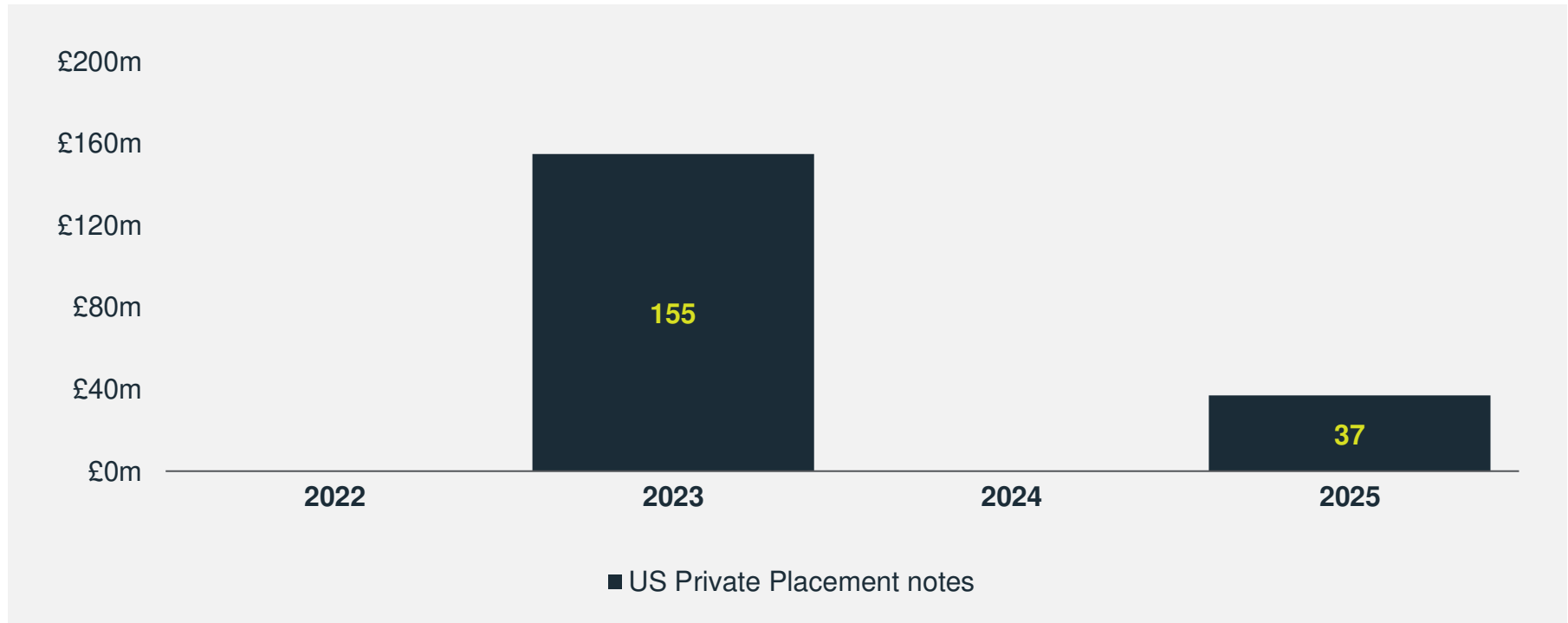


* other includes movements in operational performance £27m, gains on disposal £21m, foreign exchange £7m and new wins £6m

Pensions – balance sheet movement



Borrowing repayment profile



The Group has a £375m committed bank facility extending through to October 2024, which was undrawn at 31 December 2021