



2020 half year results presentation

12 August 2020

Balfour Beatty





Balfour Beatty

Leo Quinn

Group Chief Executive



Balfour Beatty's four aims



1 Keep people safe



2 Maintain critical national infrastructure – open and operational



3 Keep cash flowing through the supply chain



4 Supporting employees – whether on-site, working remotely or furloughed

[Supporting all stakeholders: driving profitable managed growth]

Maintained expert capability

Build to Last disciplines delivered for customers, supply chain partners and employees

Strong balance sheet

Investments portfolio at £1.1bn; average net cash > £500m; redeemed £112m of preference shares in July



Record order book at £17.5bn

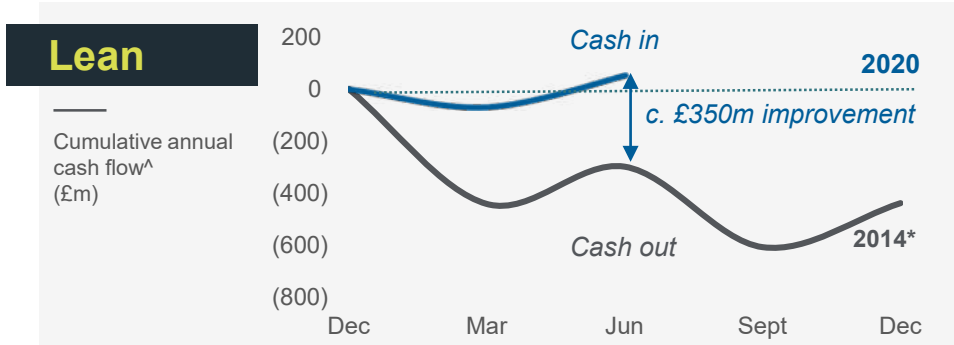
> 20% increase following HS2 approval; now at over two years of revenue; Group continues to bid selectively

Positive infrastructure markets

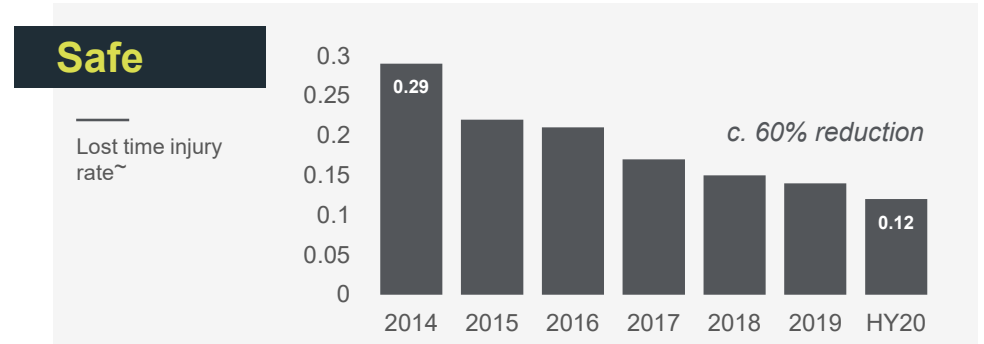
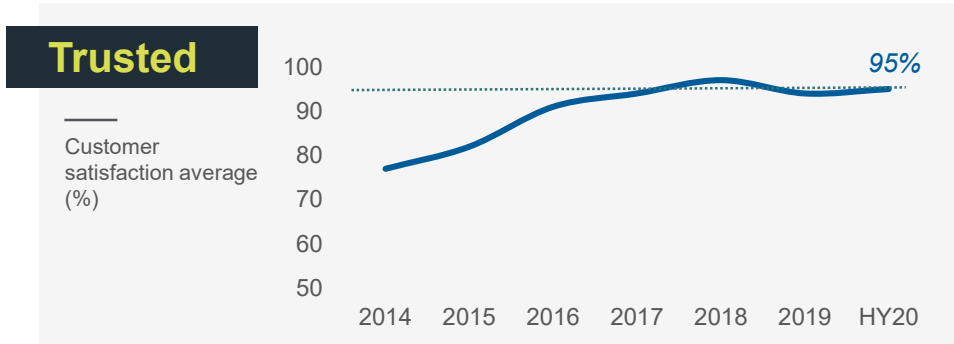
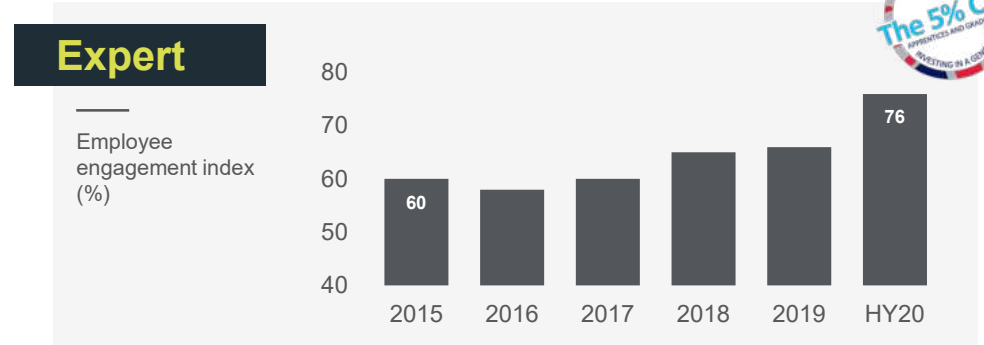
Fiscal stimulus in UK, US and HK; transition to lower risk contracts

[Protected the Group's strengths]

Build to Last leading indicators



[^] includes other disposals
* adjusting for sale of Parsons Brinckerhoff. Includes all other disposals

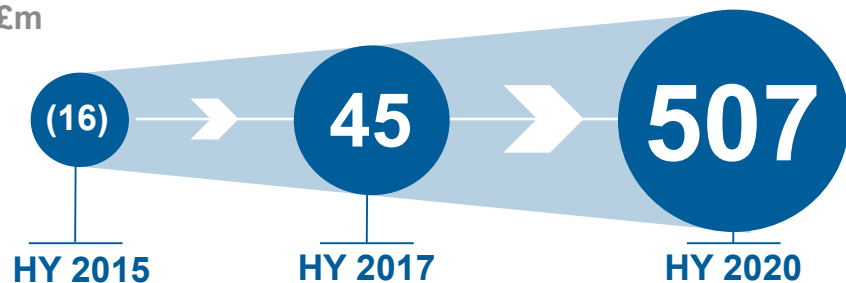


[~] excluding international joint ventures

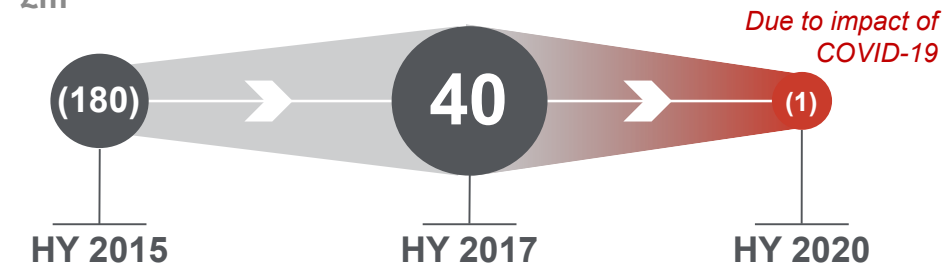
[Well positioned financially, operationally and culturally]

Build to Last delivering

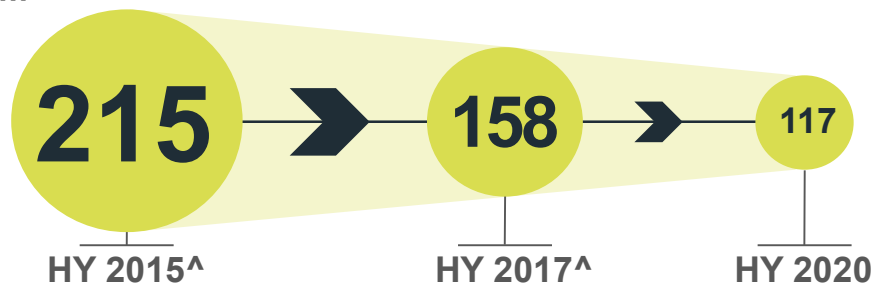
Average net cash/(debt)
£m



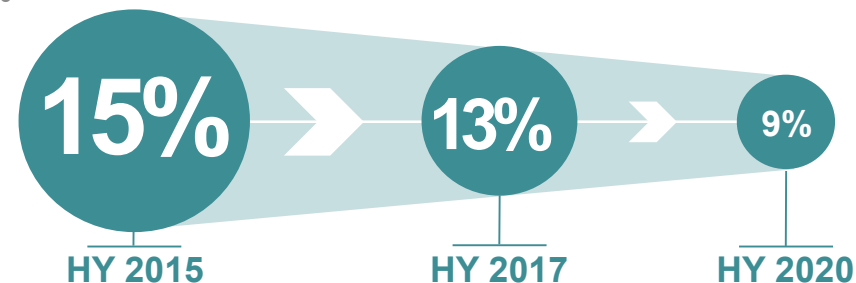
Earnings-based businesses profit/(loss) from operations*
£m



Other net operating expenses*
£m



UK voluntary attrition: moving annual average
%



* from continuing operations, before non-underlying items

^ 2015 and 2017 other net operating expenses are calculated on a Constant Exchange Rate (CER) basis

[Strong foundation for future profitable growth]



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Phil Harrison

Chief Financial Officer



Headline numbers

£m (unless otherwise stated)	HY 2020	HY 2019
Revenue*	4,115	3,881
(Loss) / profit from operations*	(14)	72
Pre-tax (loss) / profit*	(24)	64
(Loss) / profit for the period*	(18)	54
Basic (loss) / earnings per share*	(2.5)p	7.6p
Dividends per share	–	2.1p

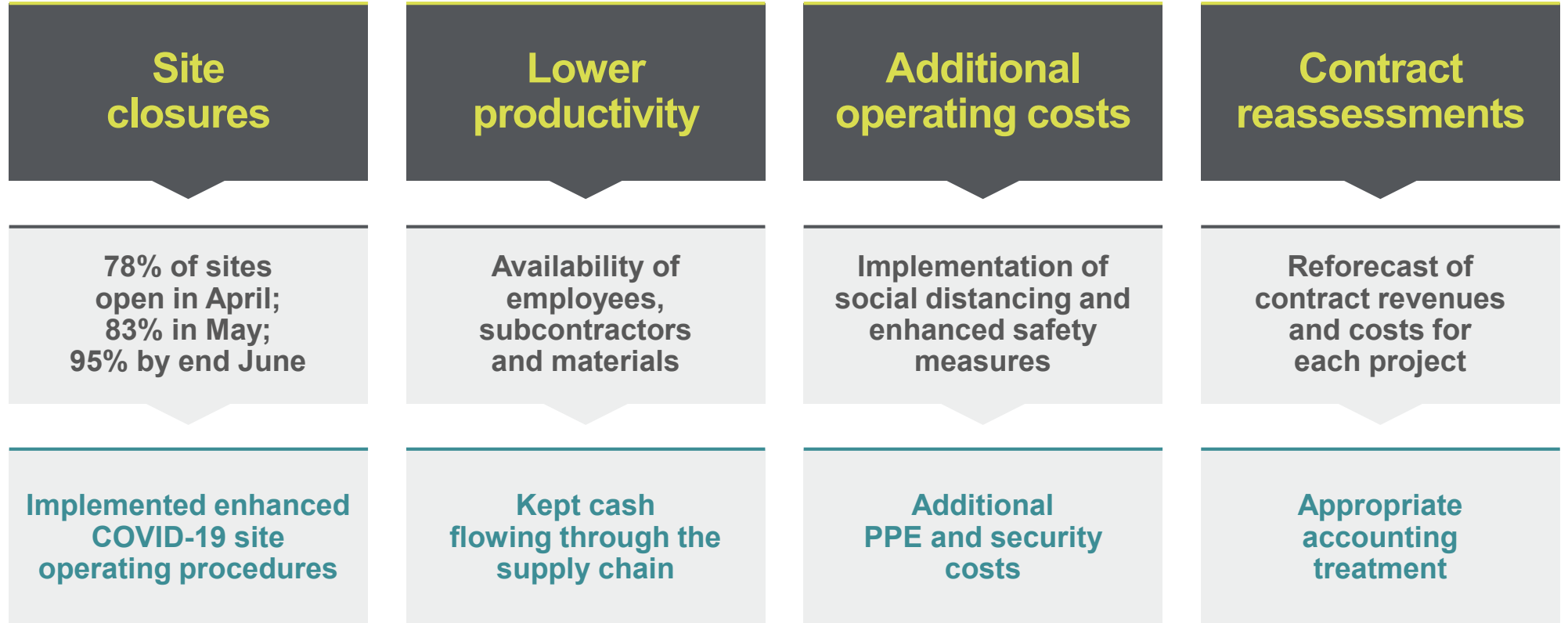
	HY 2020	FY 2019
Order book*	£17.5bn	£14.3bn
Directors' valuation of Investments portfolio	£1.13bn	£1.07bn
Period end net cash [‡]	563	512
Average net cash [‡]	507	325

* before non-underlying items

‡ excluding infrastructure investments (non-recourse) net borrowings

[Record order book and average net cash under Build to Last]

Financial impacts of COVID-19



[Primary and subsequent financial impacts]

£m	HY 2020*		HY 2019*	
	Revenue	PFO	Revenue	PFO
UK	986	(23)	1,014	17
US	1,911	6	1,727	19
Gammon	468	6	380	9
Total	3,365	(11)	3,121	45

* before non-underlying items

- Resilient revenue performance, particularly in US Construction following 2019 order book increase
- Material impact on profit as a result of disruptions caused by COVID-19
 - > UK Construction impacted by shutdowns in Scotland, lower productivity in London and aviation projects put on hold
 - > US Construction impacted by shutdowns in Washington State, impact on hospitality projects in Florida and a number of civil infrastructure projects
 - > At Gammon minimal site closures but business operated below optimum productivity

[**Material impact on profit due to COVID-19**]

Support Services

£m	HY 2020	HY 2019
Revenue		
Utilities	258	276
Transportation	218	227
Total	476	503
Profit from operations*	10	18

* before non-underlying items

- Many employees designated as key workers
- Accelerated some road and rail projects, more than offset by COVID-19 disruption
- Focus on power, road and rail maintenance
- Exiting UK gas and water markets

[Business has shown good resilience]

Infrastructure Investments

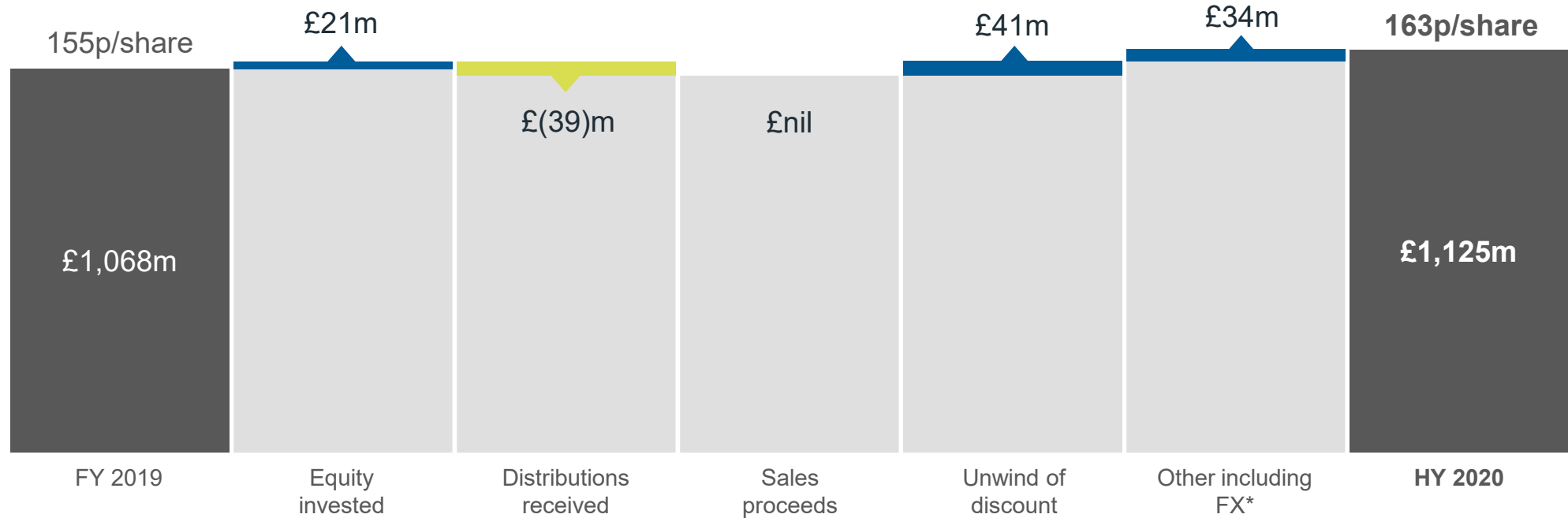
£m	HY 2020	HY 2019
Pre-disposals operating profit*	3	9
Profit on disposals*	–	16
Investments profit*	3	25
Subordinated debt interest receivable	9	13
Infrastructure concessions' net interest	(2)	(3)
Investments pre-tax profit*	10	35

* before non-underlying items

- Reduction in pre-disposals operating profit following prior year disposals and higher legal costs
- Given market uncertainty, no disposals in first half
- Medium term demand for high quality infrastructure assets expected to exceed supply
- Department of Justice investigation into Military Housing allegations continues; no further update at this time

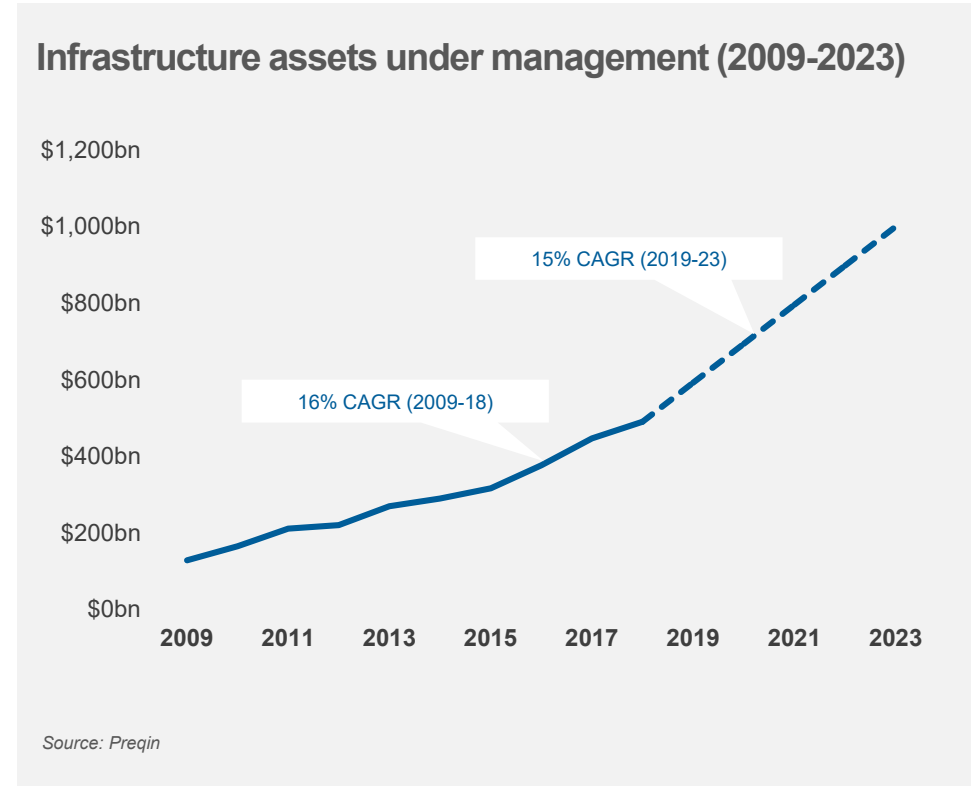
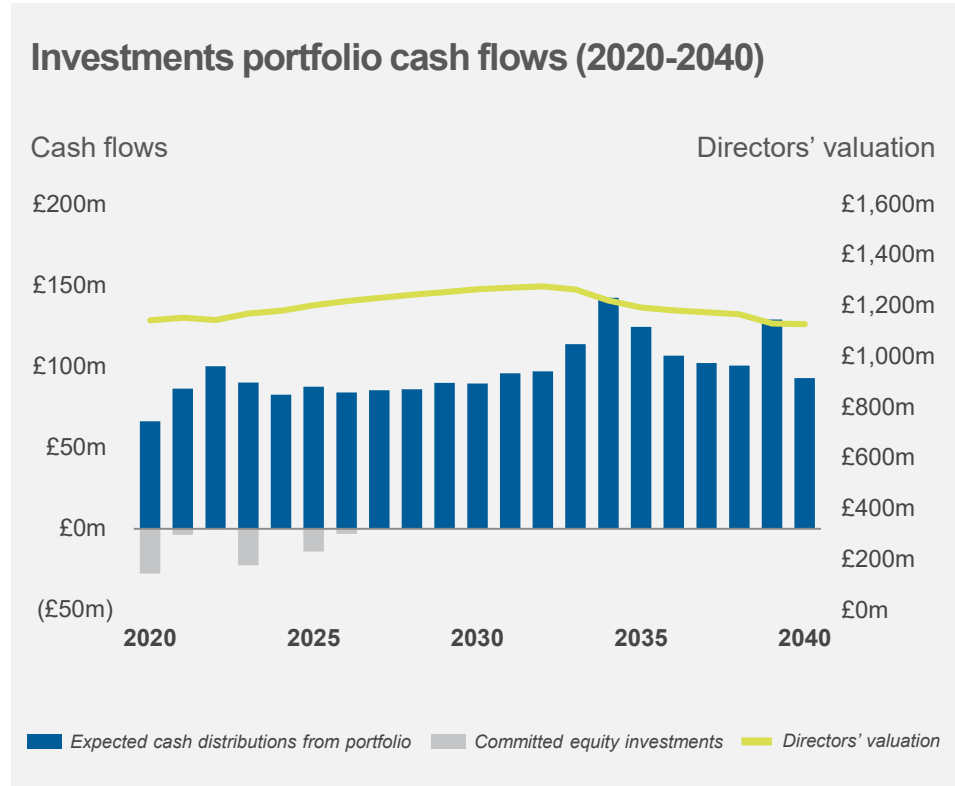
[**Absence of disposals in the first half given market uncertainty**]

Directors' valuation of Investments portfolio



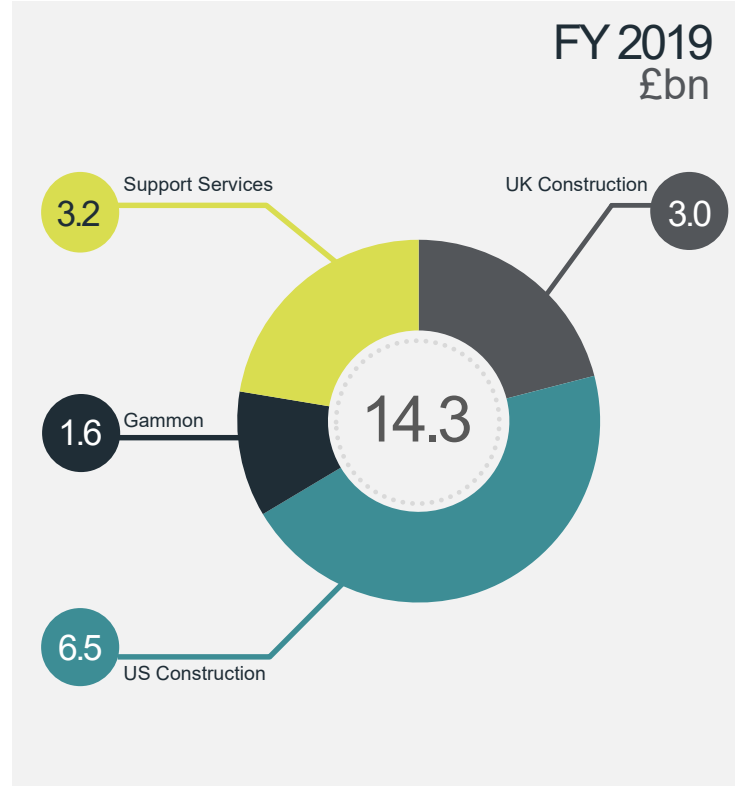
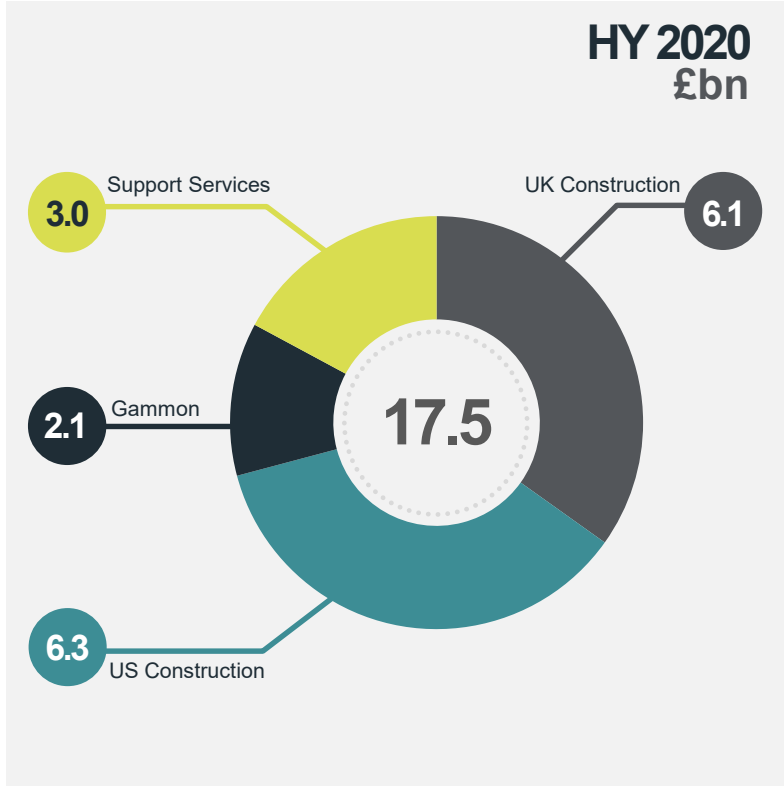
* other includes movements in £(6)m operational performance and £40m foreign exchange movement

[Directors' valuation maintained at £1.1 billion]



[Demand for infrastructure assets continues to grow]

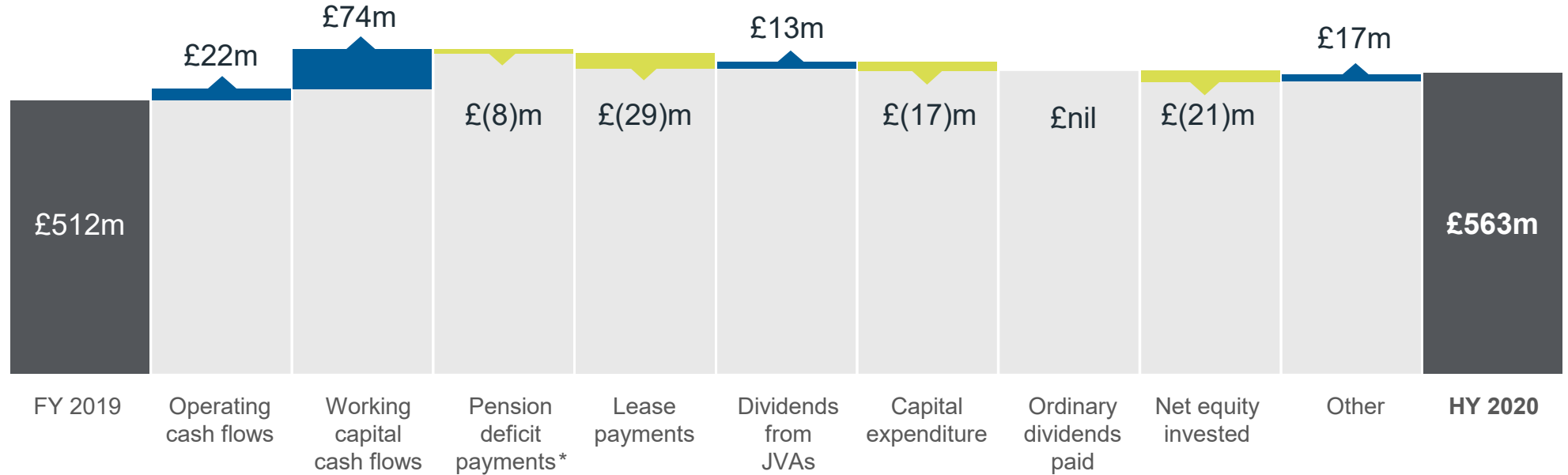
Order book



- Group order book increased >20%, following Notice to Proceed on HS2
- Order book now stands at over two years of revenue
- UK Construction order book doubled to £6.1 billion
- Group continues to bid selectively

[Record order book provides confidence in outlook]

Cash flow waterfall



* includes £2m of regular funding

[Positive operating cash flow and working capital drive increase in net cash]

2020

PFO from earnings-based businesses



Steady recovery through the second half of the year

Infrastructure Investments



No material disposals in the second half of the year

Average net cash



£430 to £460 million for the full year

Dividend



Re-instate as soon as is appropriate

2021

PFO from earnings-based businesses



Broadly in line with 2019

Infrastructure Investments



Recommence material disposals from portfolio

Capital structure



Potential for further distributions to shareholders

[Return to profitable managed growth and delivering ongoing value to shareholders]



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Leo Quinn

Group Chief Executive



Leading the conversation

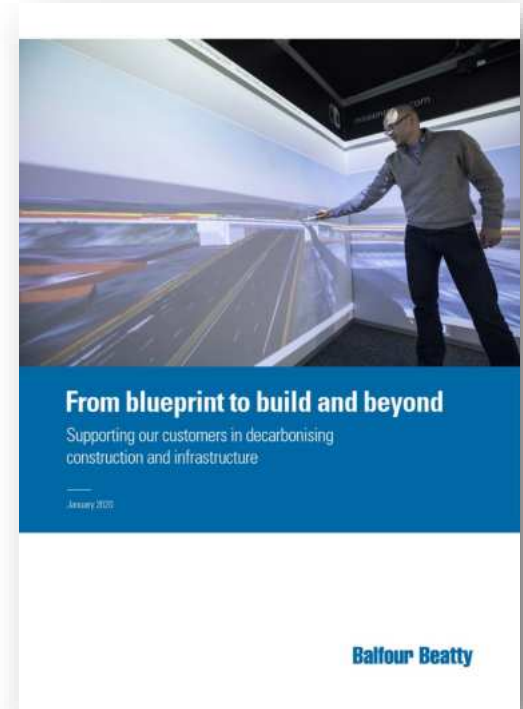
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Diversity & inclusion



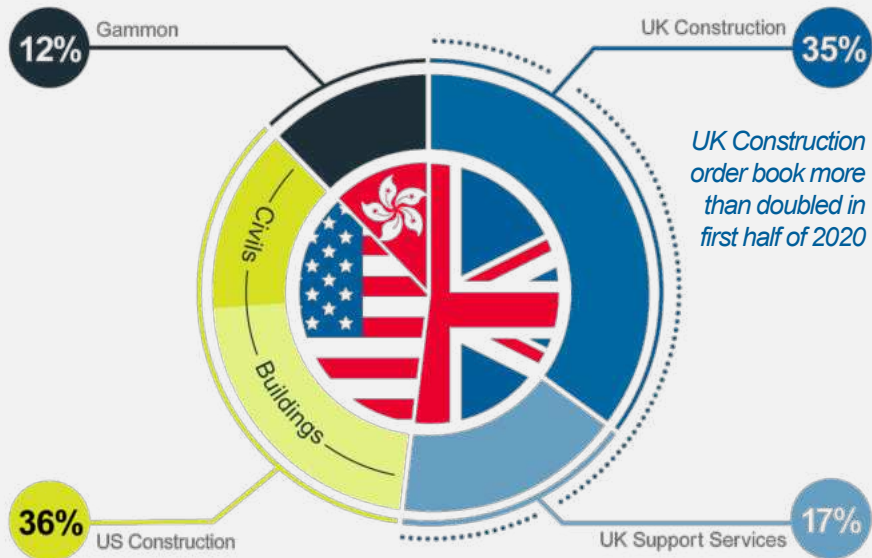
Capitalising on change



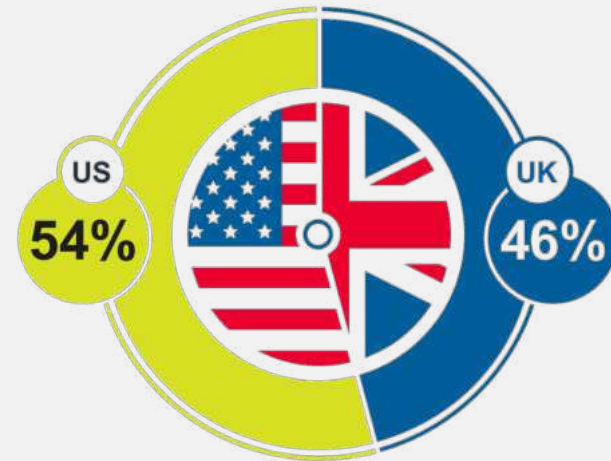
Sustainability

[The right response from the industry]

£17.5bn order book



£1.1bn* Investments portfolio



* Directors' valuation

[Resilient portfolio with geographical and operational diversification]

Pivoting towards large Government backed infrastructure

Group order book at HY 2020

UK Construction



- Private sector
- Public & Regulated (89%)

UK Support Services



- Private sector
- Public & Regulated (100%)

US Construction



- Private sector
- Public & Regulated (54%)

Gammon

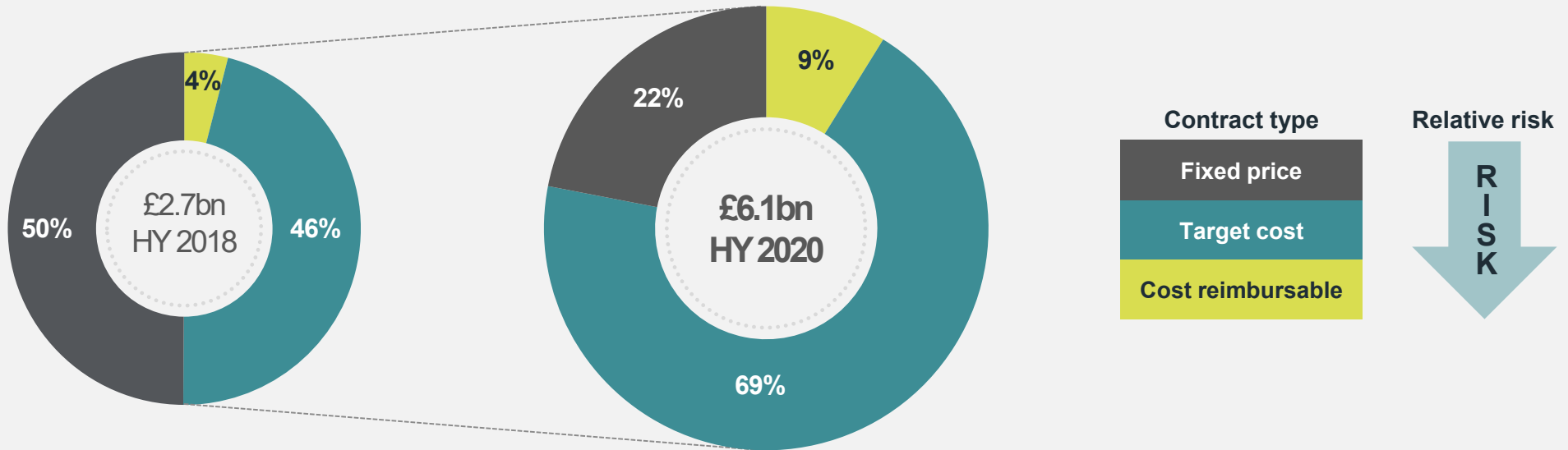


- Private sector
- Public & Regulated (68%)

[Public sector and regulated customers represent over 75% of Group order book]

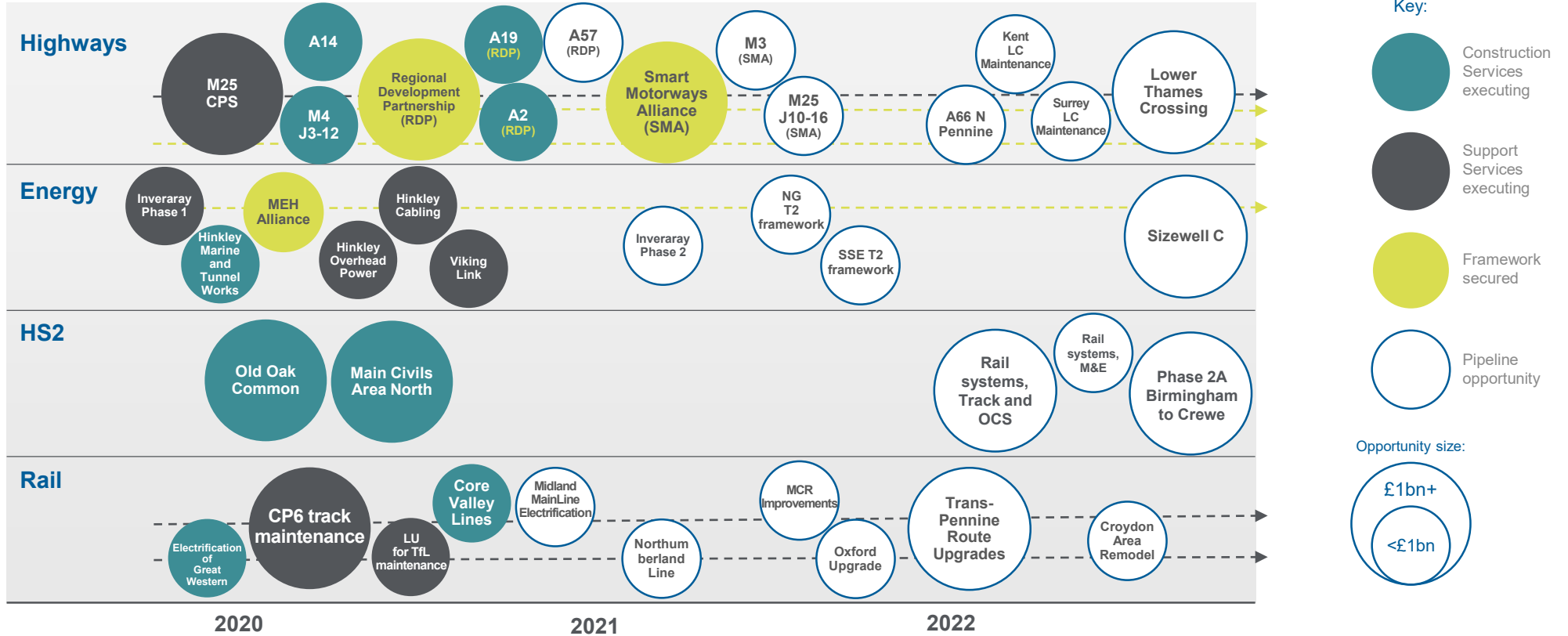
Transition of contractual risk

UK Construction order book



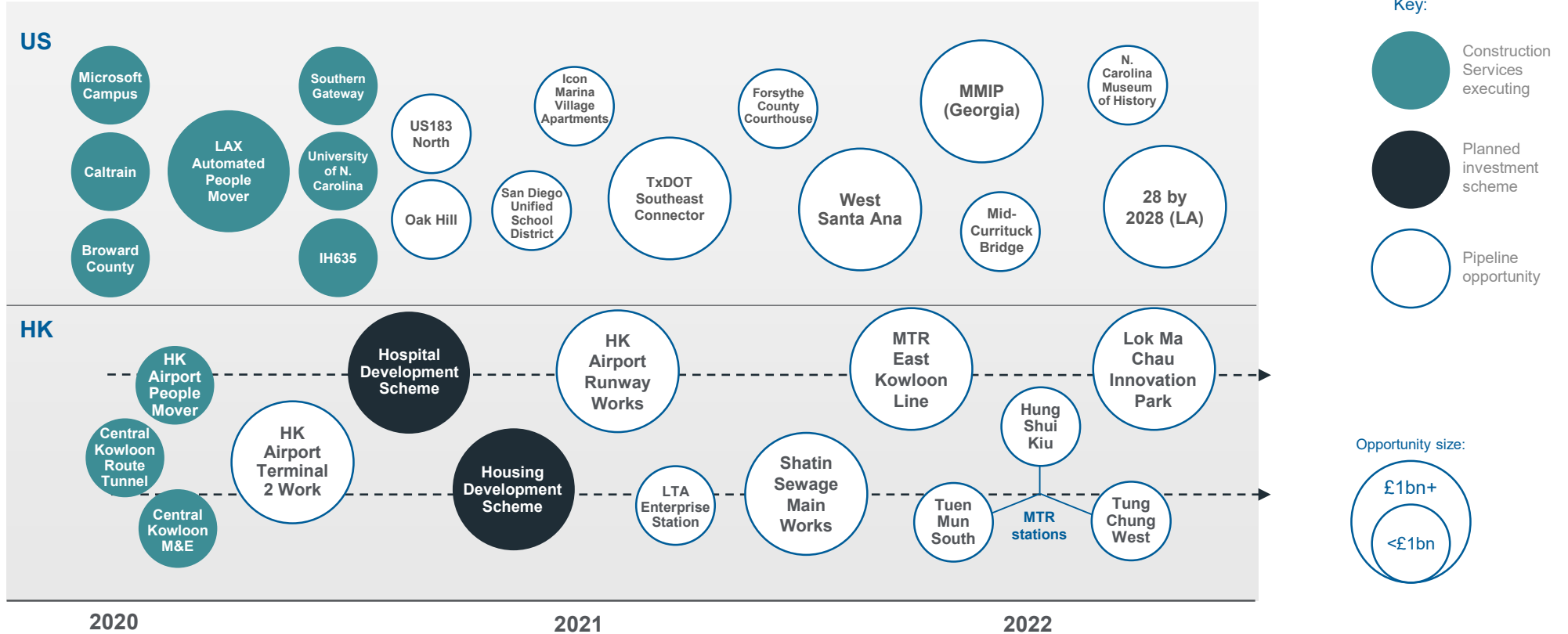
[Over 75% of UK Construction order book now target cost or cost reimbursable contract]

UK infrastructure pipeline



[UK infrastructure growth underpinned by £640bn National Infrastructure Strategy]

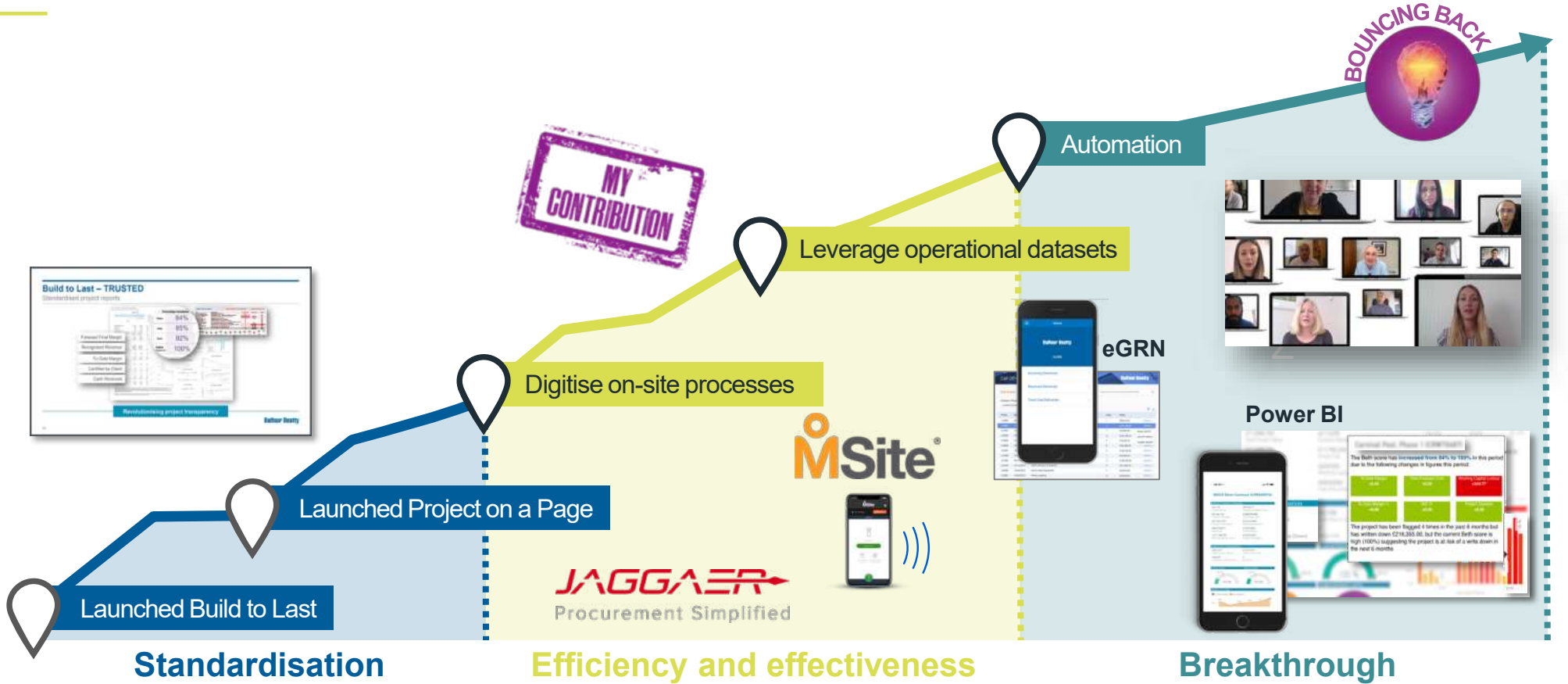
US and Hong Kong pipeline



[Infrastructure provides fiscal stimulus for economies]

Creating a digital future

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[Building from a scalable foundation]

Maintained expert capability

Build to Last disciplines delivered for customers, supply chain partners and employees

Strong balance sheet

Investments portfolio at £1.1bn; average net cash > £500m; redeemed £112m of preference shares in July



Record order book at £17.5bn

> 20% increase following HS2 approval; now at over two years of revenue; Group continues to bid selectively

Positive infrastructure markets

Fiscal stimulus in UK, US and HK; transition to lower risk contracts

[Return to profitable managed growth in 2021]



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Appendix



Forward-looking statements

This presentation may include certain forward-looking statements, beliefs or opinions, including statements with respect to Balfour Beatty's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by Balfour Beatty in good faith based on the information available to it at the date of the 2020 half year results announcement and reflect the beliefs and expectations of Balfour Beatty. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

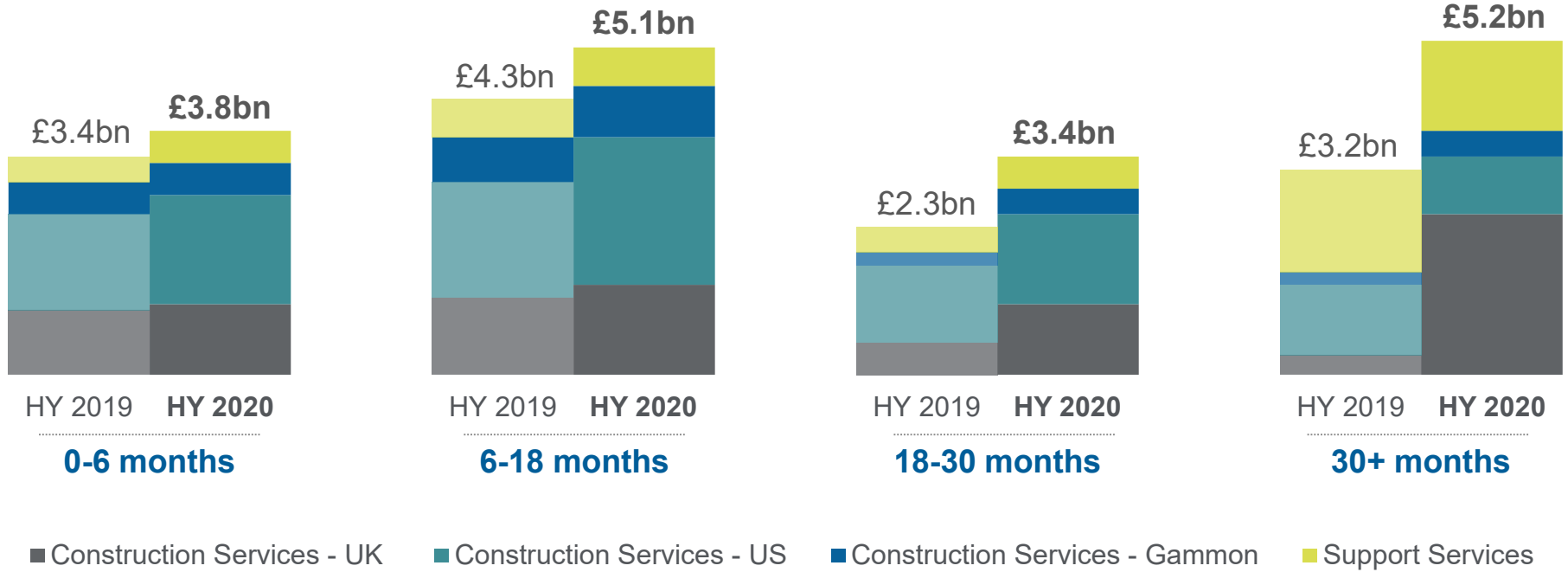
A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US government policies, spending and procurement methodologies, failure in Balfour Beatty's health, safety or environmental policies and those factors set out under Principal Risks on pages 77 to 84 of the Annual Report and Accounts 2019.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved, and projections are not guarantees of future performance. Forward-looking statements speak only as at the date of the 2020 half year results announcement and Balfour Beatty and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation. No statement in this presentation is intended to be, or intended to be construed as, a profit forecast or profit estimate or to be interpreted to mean that Balfour Beatty plc's earnings per share for the current or future financial years will necessarily match or exceed the historical earnings per share for Balfour Beatty plc. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

Order book compared with HY 2019

Total at HY 2020 £17.5bn

Total at HY 2019 £13.2bn



Underlying (loss) / profit from operations

£m	HY 2020*	HY 2019*
UK Construction	(23)	17
US Construction	6	19
Gammon	6	9
Construction Services	(11)	45
Support Services	10	18
Earnings-based businesses	(1)	63
Infrastructure Investments		
Pre-disposals operating profit	3	9
Profit on disposals	–	16
Corporate activities	(16)	(16)
Total	(14)	72

* before non-underlying items

Group balance sheet

£m	HY 2020	FY 2019	HY 2019
Goodwill and intangible assets	1,184	1,128	1,178
Working capital	(833)	(725)	(728)
Net cash (excluding infrastructure concessions)	563	512	425
Investments in joint ventures and associates	605	550	519
PPP financial assets	159	155	156
Infrastructure concessions – non-recourse net debt	(314)	(302)	(330)
Net retirement benefit assets	326	133	22
Net lease liabilities	(7)	(7)	(7)
Net deferred tax liabilities	(15)	(16)	(19)
Other assets and liabilities	(57)	(51)	17
Net assets	1,611	1,377	1,233

Cash flow

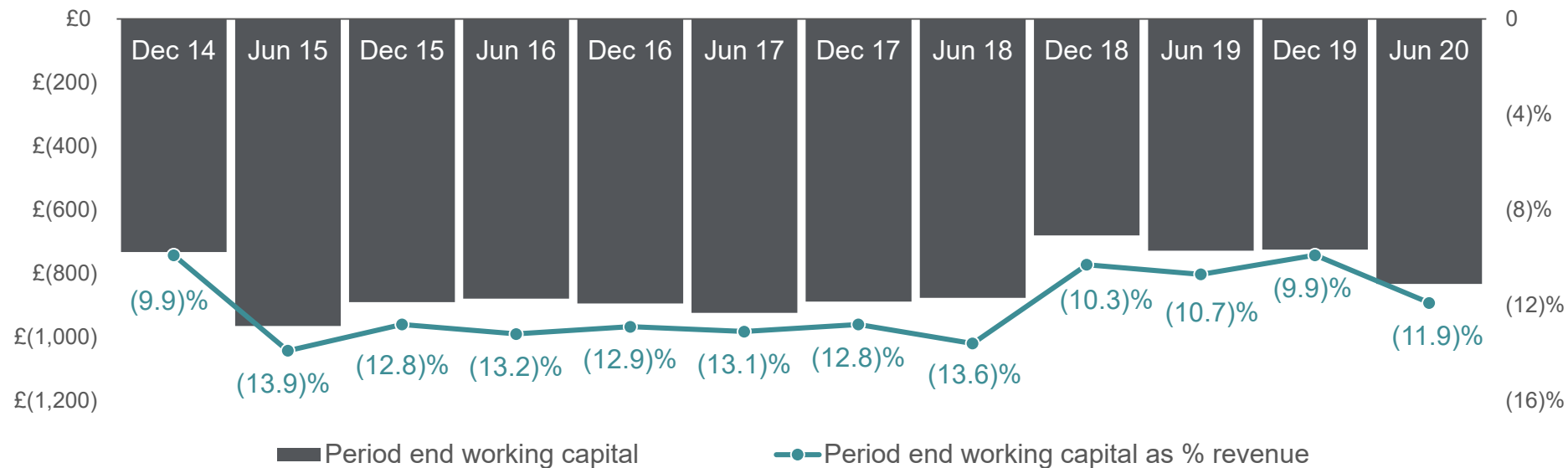
£m	HY 2020	HY 2019
Operating cash flows	22	94
Working capital inflow	74	11
Pension deficit payments [‡]	(8)	(16)
Cash from / (used in) operations	88	89
Lease payments (inc. interest paid)	(29)	(24)
Dividends from joint ventures & associates	13	30
Capital expenditure	(17)	(13)
Infrastructure Investments		
Disposal proceeds	–	26
New investments	(21)	(11)
Other	17	(9)
Net cash movement	51	88
Opening net cash*	512	337
Closing net cash*	563	425
Average net cash*	507	290

* excluding infrastructure investments (non-recourse) net borrowings
 ‡ includes £2 million (2019: £1 million) of regular funding

£m	HY 2020	HY 2019
Working capital flows[^]		
Inventories	(1)	(10)
Net contract assets	101	(36)
Trade and other payables	6	98
Trade and other receivables	(53)	(37)
Provisions	21	(4)
Working capital inflow[^]	74	11

[^] excluding impact of foreign exchange and disposals

Working capital – Group

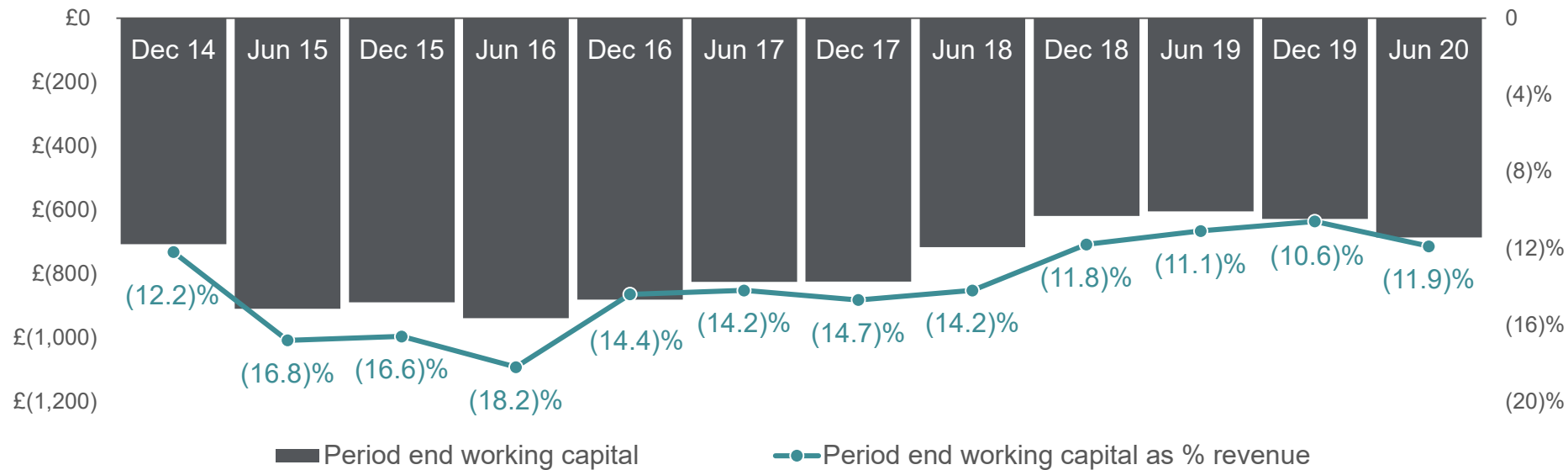


<i>Debtor days</i> *	29	28	27	30	34	37	28	37	33	34	29	34
<i>Creditor days</i> *	46	53	45	52	51	53	46	55	44	49	44	48

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

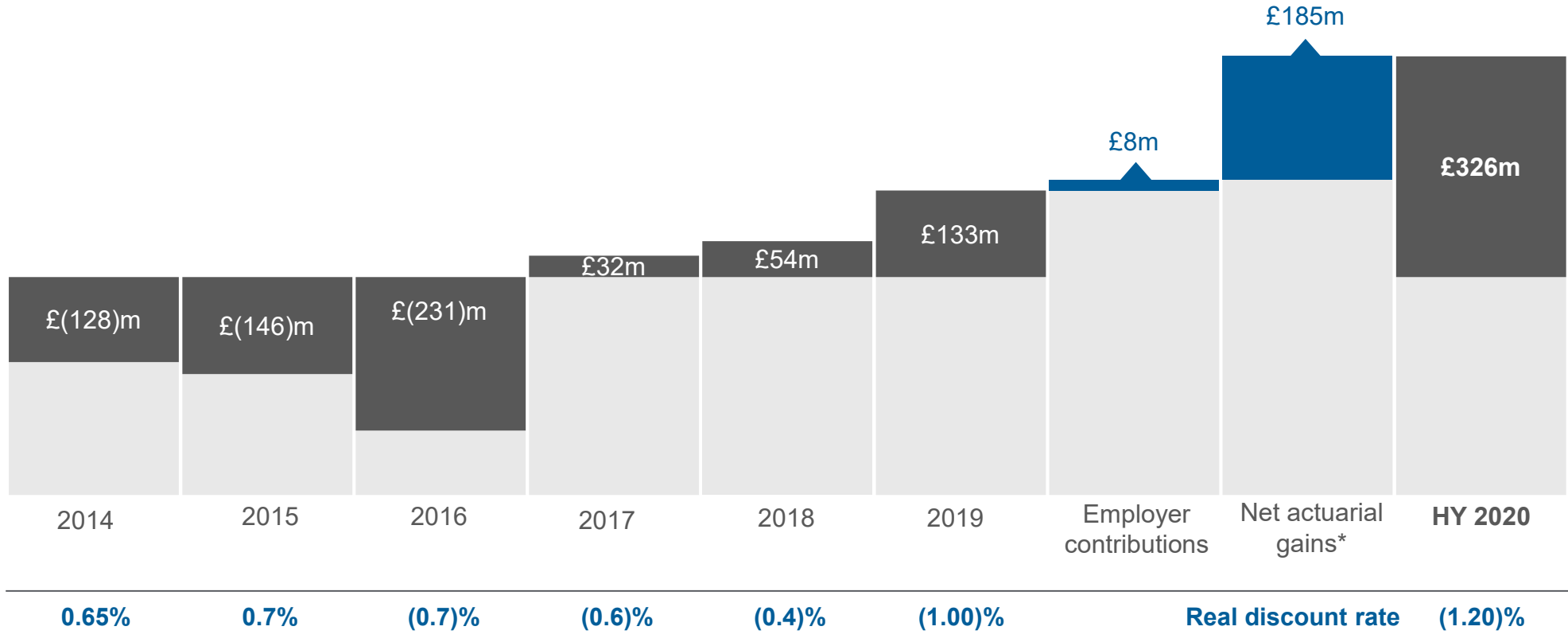
Non-underlying items

£m	HY 2020	HY 2019
Impairment and amortisation		
Amortisation of acquired intangibles	(2)	(3)
Other		
Provision release relating to settlements of health and safety claims	–	2
Tax		
Non-underlying recognition of deferred tax assets in the UK	36	(6)
Impact of tax rate change on deferred tax assets previously recognised through non-underlying items	3	–
Other	1	1
Total non-underlying items	38	(6)

Net finance costs

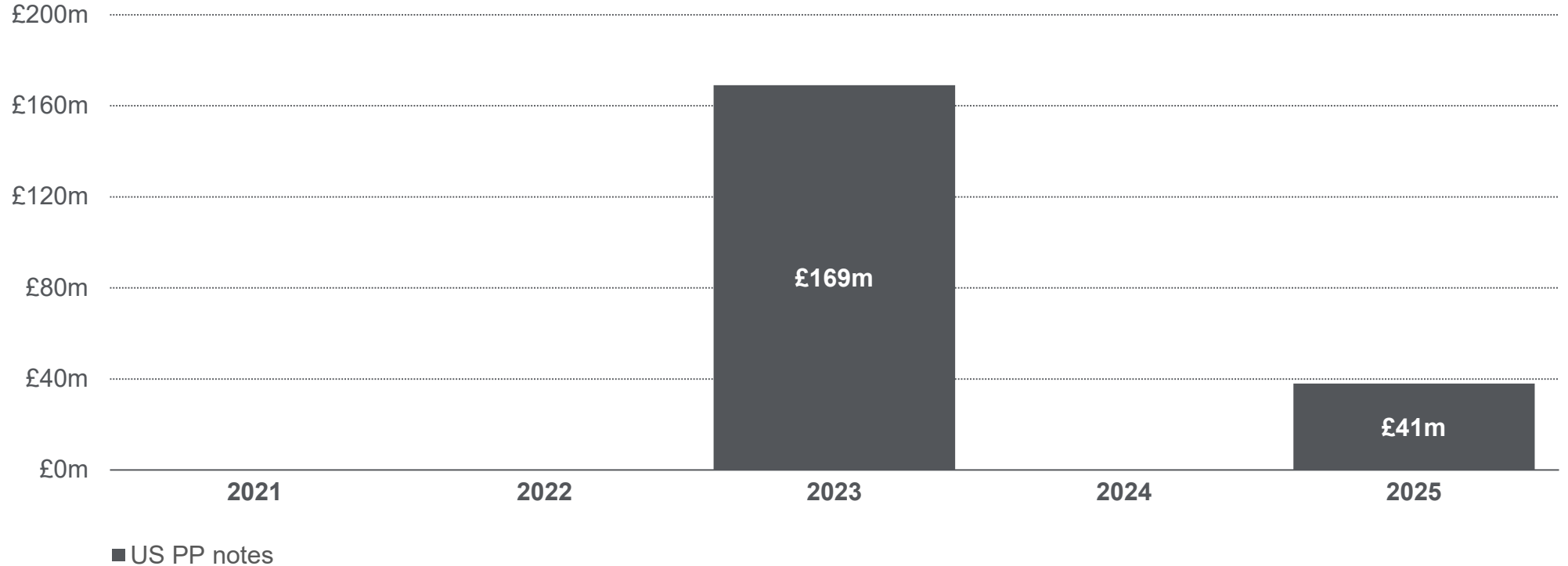
£m		HY 2020	HY 2019
Subordinated debt interest receivable	9		
Interest on PPP financial assets	4		
Interest on non-recourse borrowings	(6)	7	10
Net finance income – pension schemes		1	1
Other interest receivable	2		
Other interest payable	(3)	(1)	(2)
US private placement		(6)	(6)
Preference shares			
Finance cost	(6)		
Accretion	(2)	(8)	(8)
Interest on lease liabilities		(3)	(3)
Net finance costs		(10)	(8)

Pensions – balance sheet movement



* includes other movements £(1)m

Borrowing repayment profile



The Group has a £375 million committed revolving credit facility extending through to 2022, which was undrawn at 26 June 2020

Financial history

450%

Increase in revenue at peak

45

Acquisitions

£94m

Average ordinary dividend (2011-2014)

£18m

Average ordinary dividend (2015-2019)

