



# Analysts Day

21 October 2004

**Balfour Beatty**



# Ian Rylatt

Managing Director, Balfour Beatty Capital Projects Ltd

**Balfour Beatty**

# Balfour Beatty's position in the market

19 concessions with construction and services  
value of £3.2bn

£178m of committed investment

Other contractors' investment typically  
of the order of £40-£90 million

# Balfour Beatty's PPP / PFI investments

Total investment £220m



*Preferred bidder in italics*

# Balfour Beatty's selection criteria

## Projects over £50m

- Best use of bidding and management resource
- Strength of balance sheet

## Smaller projects to utilise particular OpCo skills

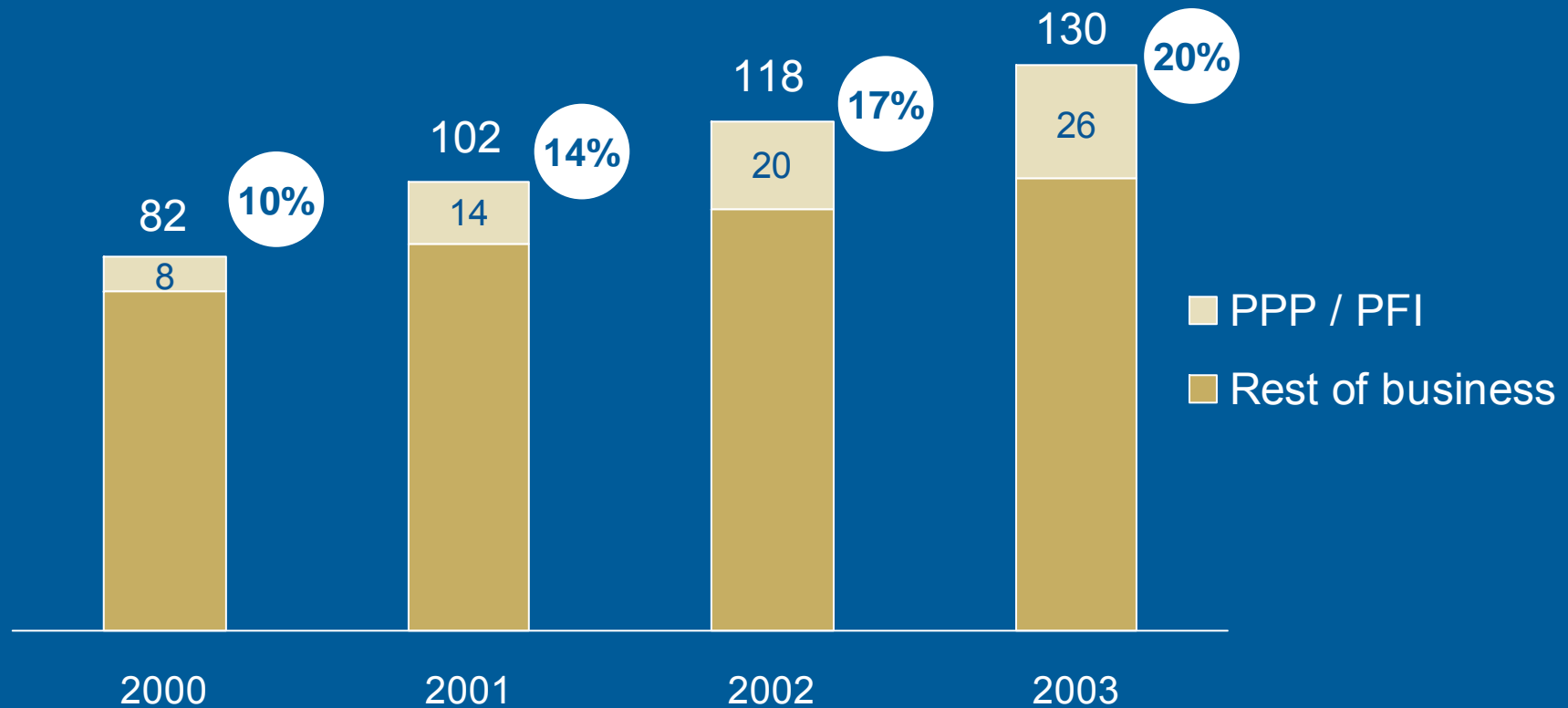
## Complex projects requiring sophisticated service delivery

## Attractive volumes of downstream work generated

## Satisfactory risk balance

# PPP/PFI contribution to Balfour Beatty

PPP / PFI investment profits as source of pre-tax profits (£m)\*

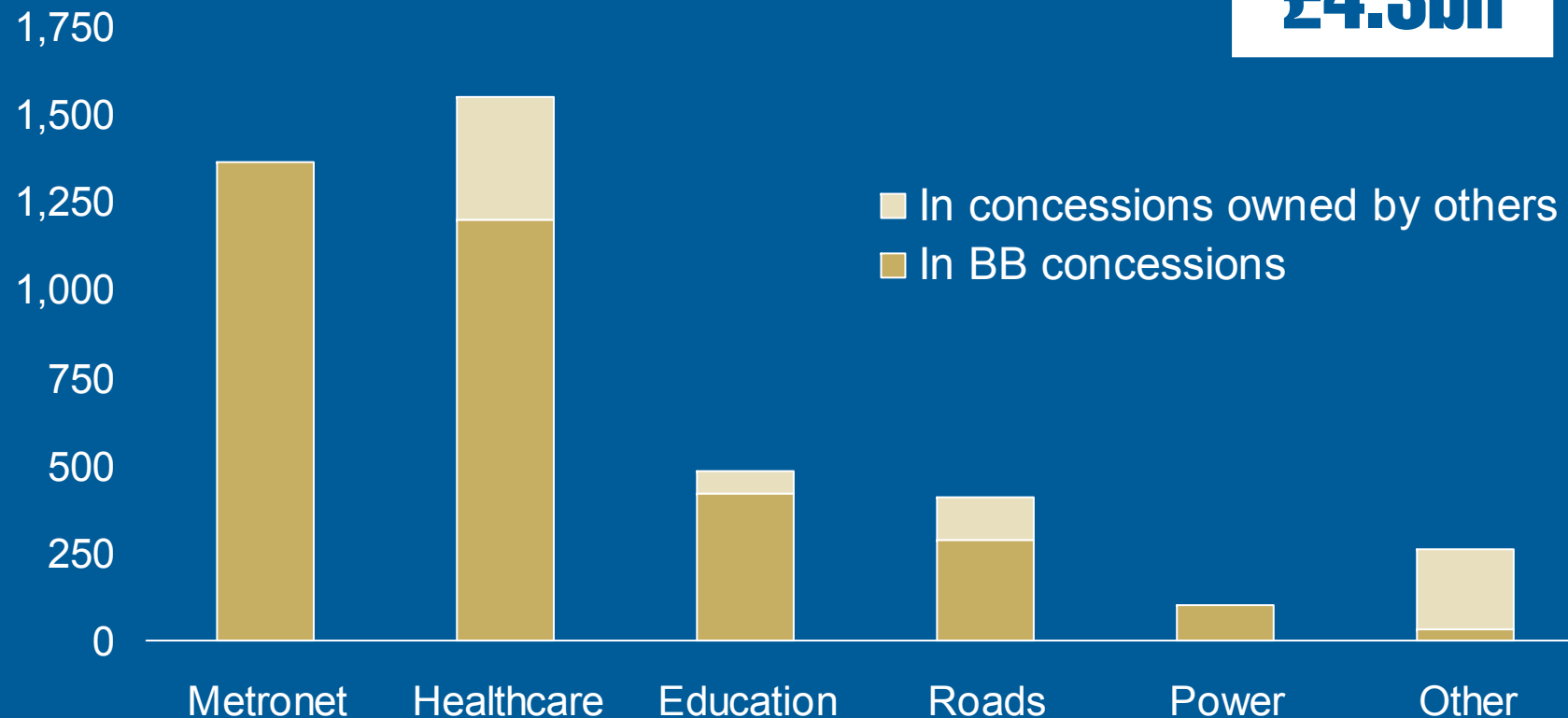


\* before exceptionals and goodwill amortisation

# PPP/PFI contribution to Balfour Beatty

As source of construction and services turnover (£m)

**£4.3bn**



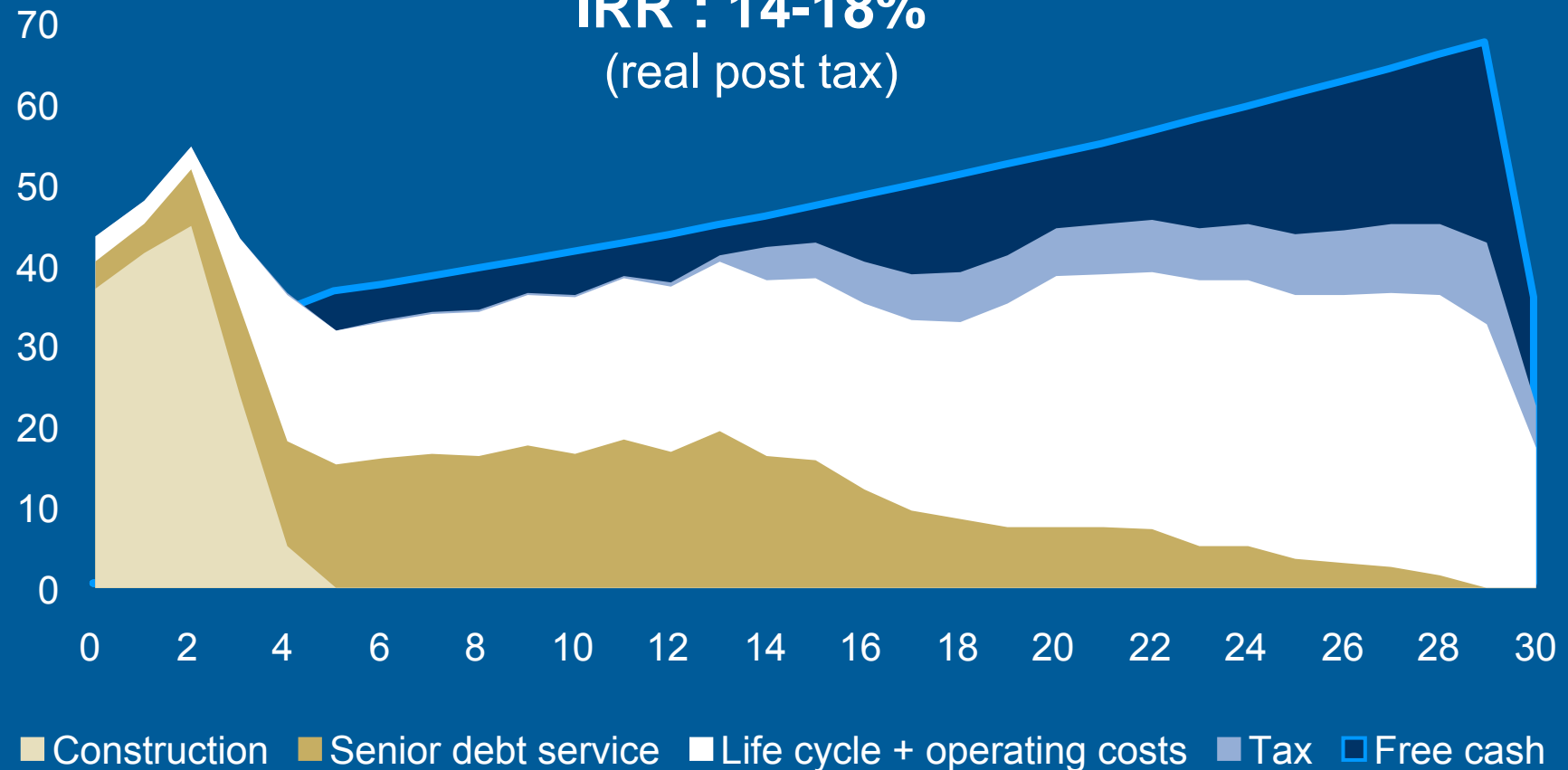
*Includes preferred bidder projects*

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# Generic £150m project cashflows

Yearly (£m nominal)

IRR : 14-18%  
(real post tax)





# Why is Balfour Beatty successful?

Selectivity and focus

Early entrant – high up the learning curve

125-strong team of experienced specialists

Multi-disciplinary skills offer a unique potential for integration

Group-wide risk identification & management system

Sophisticated approach to whole-life costing

# PPP / PFI going forward

Identified opportunities	£bn
• 25 hospitals	6.0
• 21 schools schemes	2.5
• Various roads / infrastructure	1.8
Total	<hr/> 10.3

# Summary

Successful and strong competitor in an attractive and growing market

Increasingly important part of Balfour Beatty business mix

Clear focus on target markets and projects

Excellent strategic fit with Balfour Beatty skills and range of operating capabilities

Increasingly profitable and cash-generative business for next 25-30 years

Working in partnership with UCLH  
Trust to create a London hospital  
for the 21<sup>st</sup> Century

# Mike Archbold

Director of Accommodation, Balfour Beatty Capital Projects Ltd

**Balfour Beatty**

# The PPP acute hospital market

Completed and operational	20
Currently in construction	11
In the bid process	11
In the pipeline	24
	<hr/>
Total	65

# Consort Healthcare track record

Project	% BB equity	Beds number	Capex £m	FM £m p.a.	FM services	Financial close	Status
<b>University Hospital of North Durham</b>	50	477	70	4.1	Full Hard & Soft	Feb 98	<i>Fully operational since August 2001</i>
<b>New Royal Infirmary of Edinburgh</b>	42.5	872	210	7.5	Full Hard & Soft	Aug 98	<i>Fully operational since April 2003</i>
<b>University College Hospital London*</b>	33.3	670	225	10	Full Hard & Soft **	July 00	<i>Under construction – Phase 1 completion April 2005 Interim services</i>
<b>Queens Park Hospital Blackburn</b>	50	650	97	2.1	Hard	July 03	<i>Under construction completion Jan 2006</i>
<b>University Hospital of Birmingham</b>	40	Acute 1249 Mental Health 190	522	7.5	Hard	Target March 05	<i>Preferred Bidder Advance Works start Oct 04</i>

\* SPV Health Management UCLH

\*\* FM Provider - Interserve

# Balfour Beatty's near term prospects

Scheme	Equity (£m)	Capital value (£m)	Likely service value (£m p.a.)
Pinderfields	18.5	323	14.5
Northern Batched	17.5	325	8.0
Mental Health Batched	8.0	140	1.2
Whipps Cross	17.5	330	4.5
<b>Total</b>	<b>61.5</b>	<b>1118</b>	<b>28.2</b>

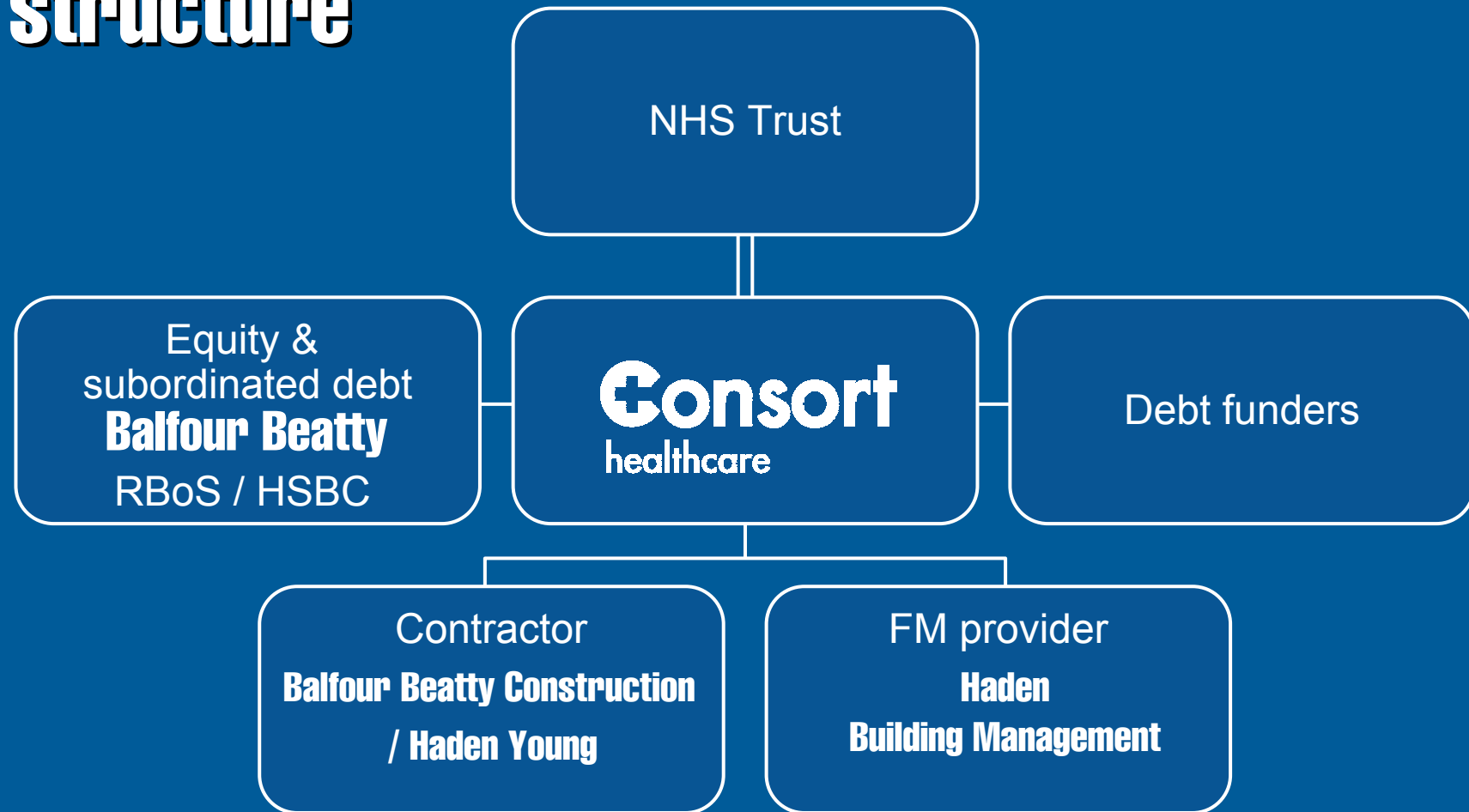


# Opportunities in the pipeline

24 major acute hospital projects due to come to market in next 18 months

Capital value of approximately £6.4bn

# Typical Consort Healthcare project structure



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University Hospital of North Durham

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## University Hospital of North Durham



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New Royal Infirmary of Edinburgh



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New Royal Infirmary of Edinburgh



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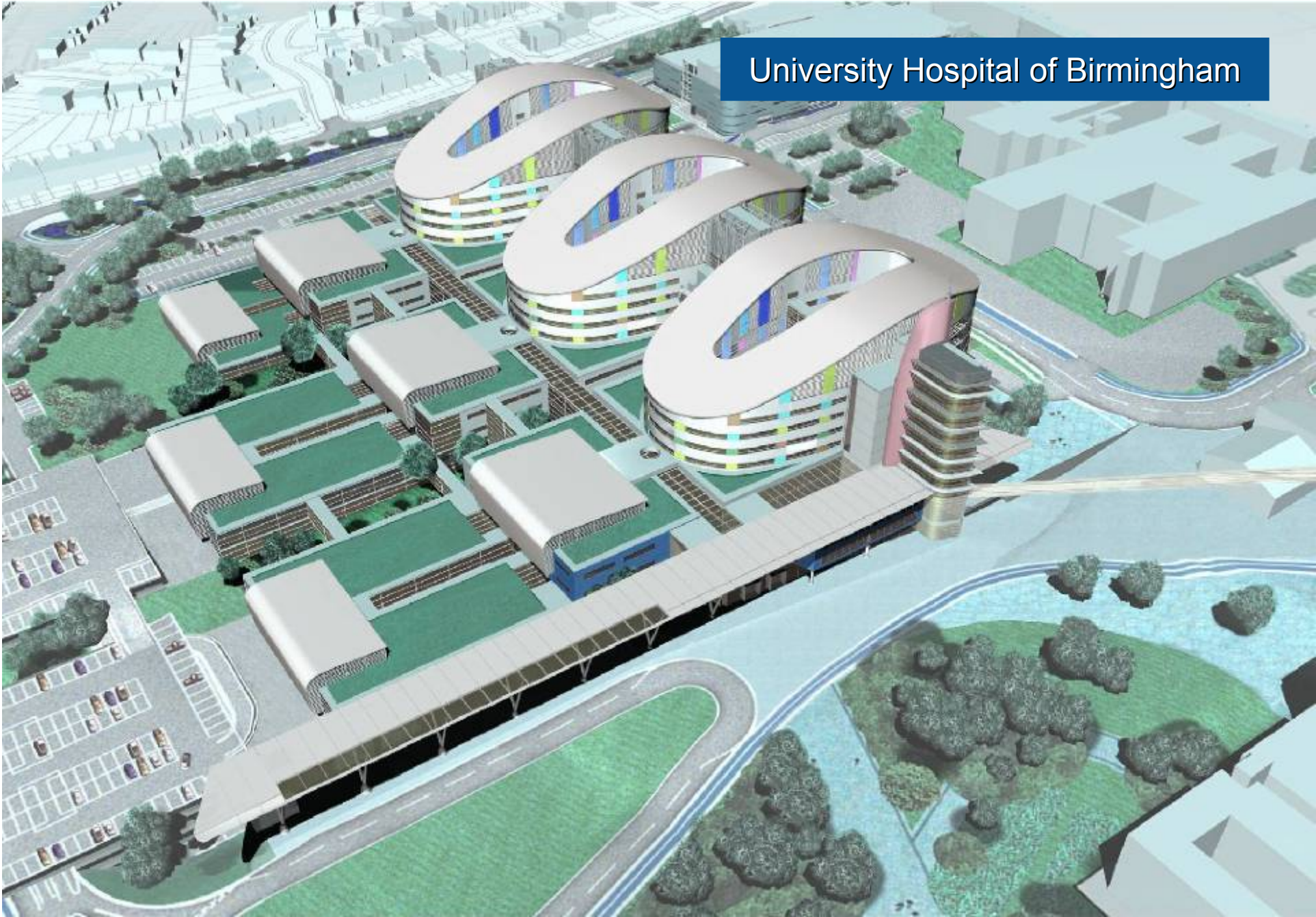
## Blackburn Hospital



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University Hospital of Birmingham



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# University Hospital of Birmingham



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University College London Hospital - June 2002



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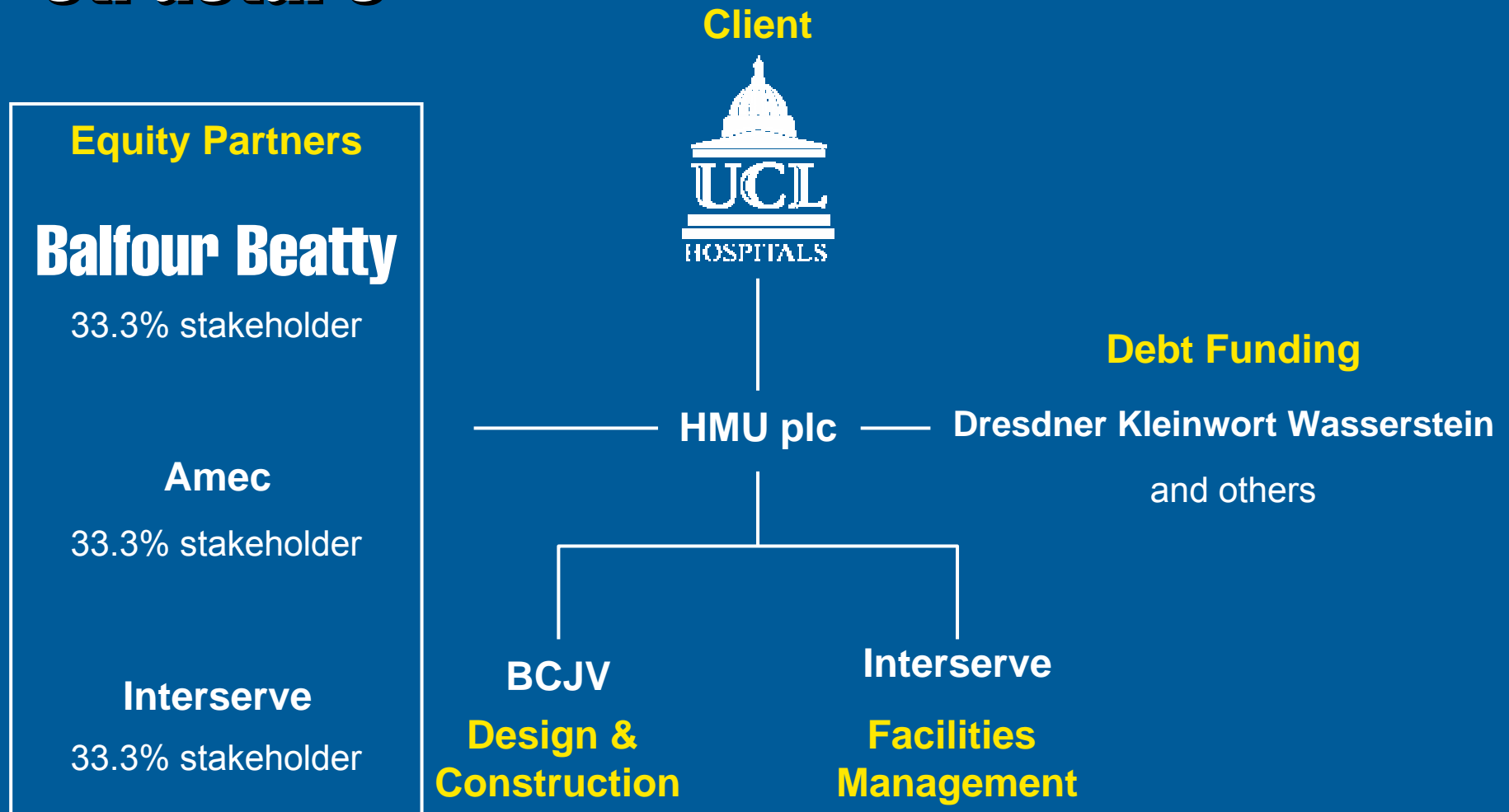


University College London Hospital



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# University College London Hospital structure



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# UCLH

Capital construction cost	Main	£185m
	EGA	£40m
Balfour Beatty investment (33% of sub-debt / equity)		£9m
Unitary fee		£32m / annum
Availability element		£22m / annum
Reverts to NHS		circa 40 years



# Andy Clarke

Site Director, BCJV

**Balfour Beatty**

# General description

2 Phases - 72,500 m<sup>2</sup> in total

## Phase 1 - Main Wing

- Tower
  - 2/3 Basements
  - 17 Upper floors
- Podium
  - 2/3 Basements
  - 4/5 Upper floors

Fixed construction cost - £185m

## Phase 2 - Elizabeth Garrett Anderson (EGA) Wing

- 2 Basements
- 5 Upper floors

Construction cost base - £40m

# **BCJV - principal objectives**

Exemplary safety performance

Minimal environmental impact

Stakeholder focused approach

Meeting project delivery obligations

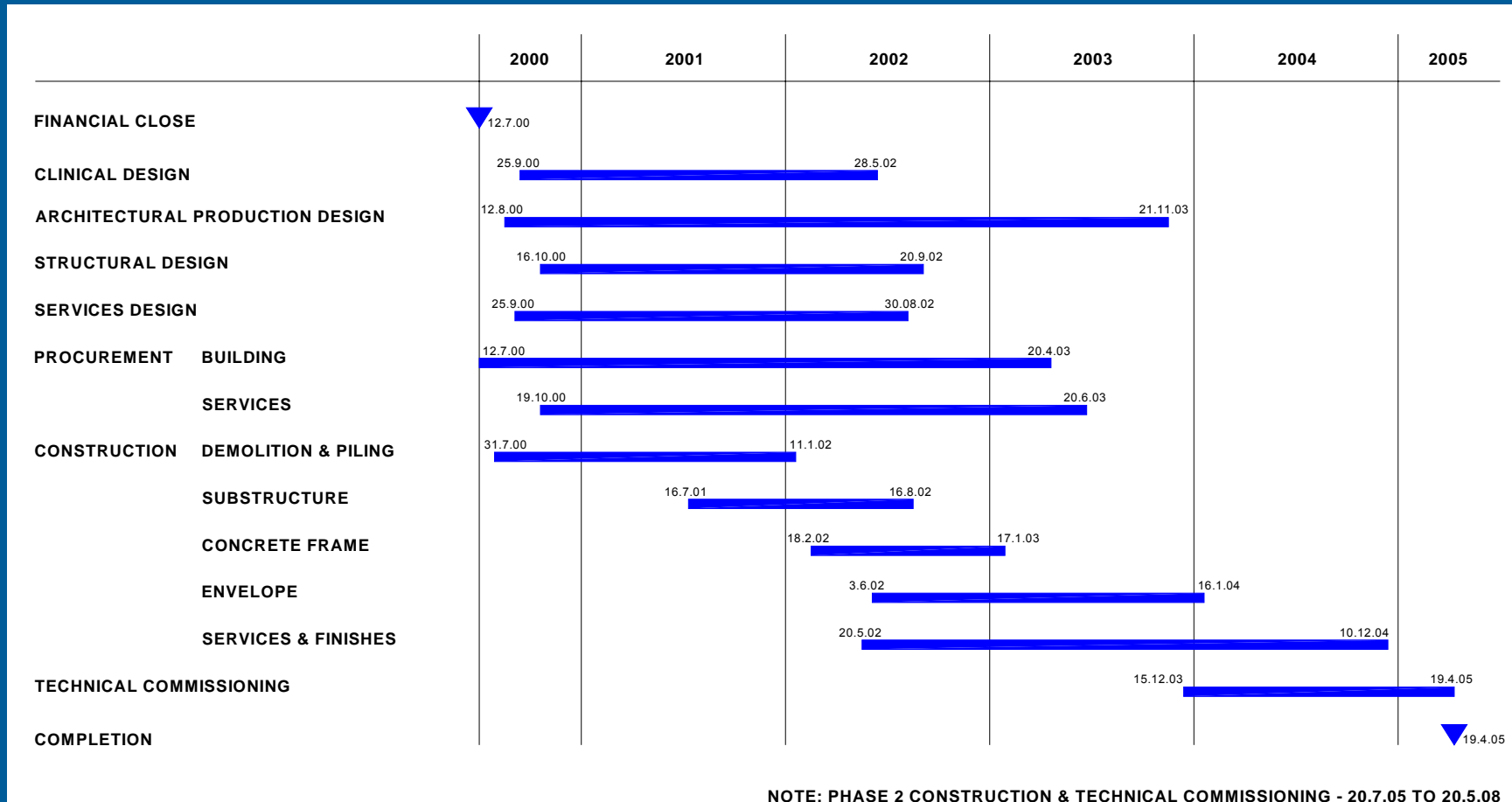
Acting with probity and accountability

Showing fairness and respect

Contributing to the local community



# Timing





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# Construction

## Vacate premises:

- progressive to November 27th 2000

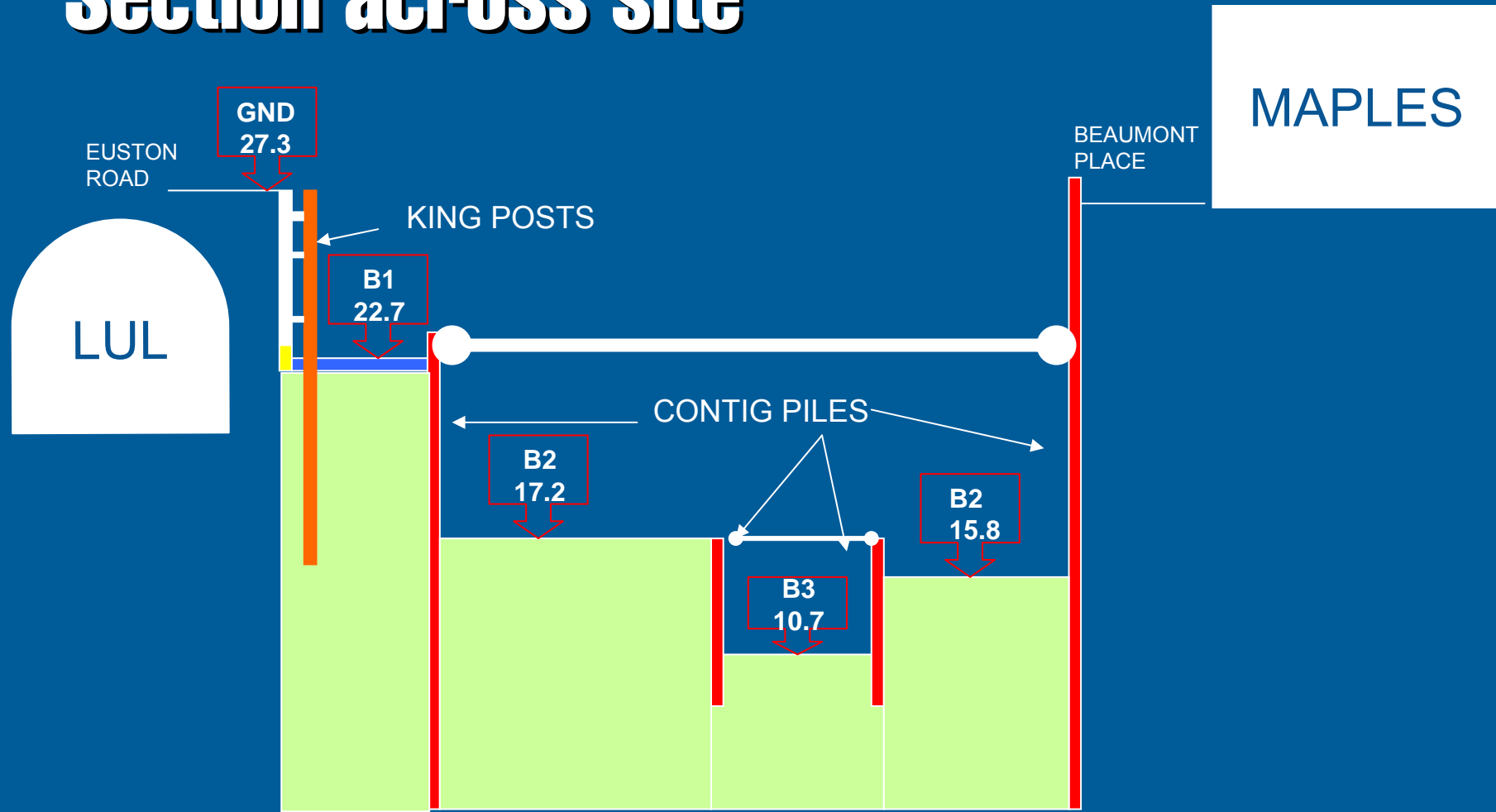
## Enabling works:

- services diversions
- traffic management
- securing the site
- condition surveys

## Demolition:

- 151 Gower Street
- Hobson House
- St. Martin's House

# Basement Construction Section across site







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# Making it work

- Air conditioning
- Heating
- Ventilation
- Mains and domestic water
- Drainage
- Medical gases
- Pneumatic tube
- Nurse call
- IM & T
- BMS
- Specialist medical equipment
- HV/LV electrical supplies
- Standby power generation
- Lighting
- Power
- Security
- Fire detection
- Sprinklers
- Risers



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# Co-ordination and Interface

Integration of: design / procurement /  
construction / completion

Clinical consultation / design

- ADB / Room Data Sheets
- 1:50 drawings, room elevations etc.

Production design

- Interface with ProjCo and FM provider
- Comments from Trust and the FM provider
- Specialist contractors' design
- Acoustic performance
- Radiation protection

# Co-ordination and Interface

Services / equipment / partitions co-ordination

Clinical sign off and compliance checks

Incorporating medical equipment provisions

Statutory and regulatory approvals

Building Manual



Early January 2001



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Early July 2001



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Early November 2001



**Balfour Beatty - The creation and care of essential assets**



Early November 2001



**Balfour Beatty - The creation and care of essential assets**



Early February 2002



**Balfour Beatty - The creation and care of essential assets**



Early June 2002



**Balfour Beatty - The creation and care of essential assets**





Early October 2002

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March 2003

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January 2004



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June 2004



**Balfour Beatty - The creation and care of essential assets**





June 2004

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# Ian Tyler

Chief Operating Officer, Balfour Beatty plc

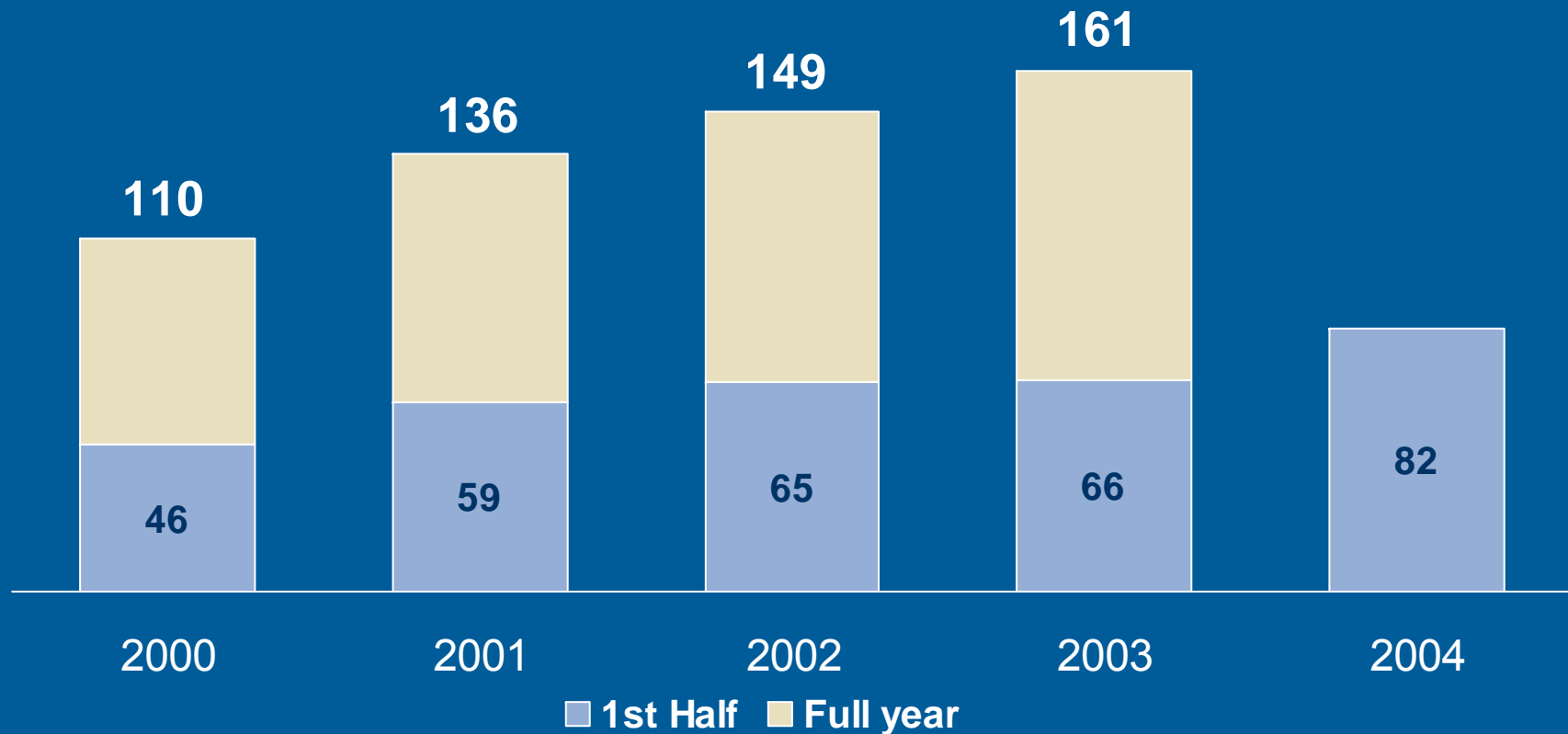
**Balfour Beatty**

Working in partnership with  
sophisticated customers to create  
first-class infrastructure



# Operating profit growth

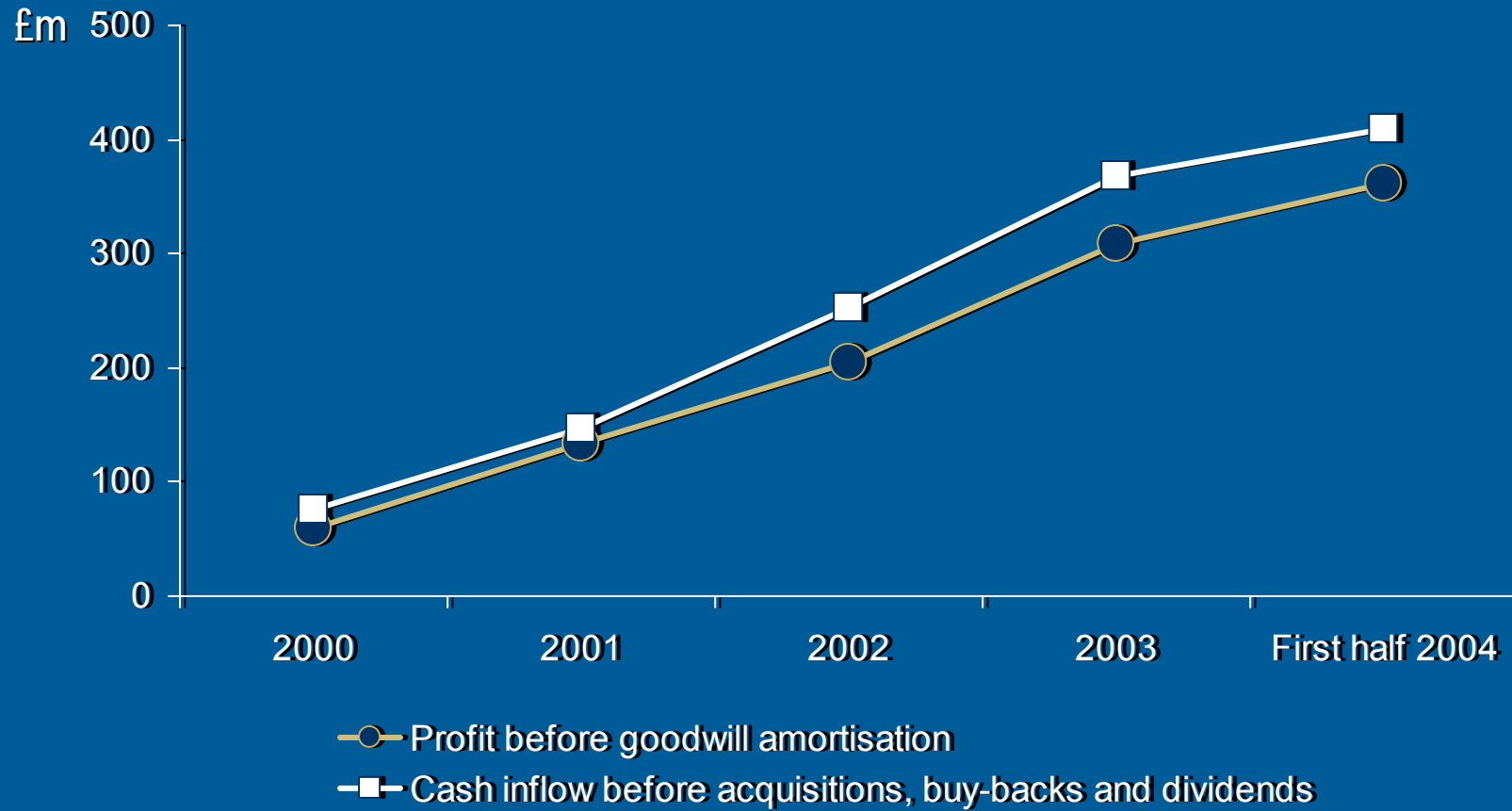
£m



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# Cash v profits

(cumulative since Jan 2000)



# Sale of Andover Controls

Change in market structure – future profits at risk

Significant supply side consolidation –  
a seller's market

Exceptional second-half profit of c.£120m

£226m cash available for investment



# Strategic priorities

Continue to strengthen our existing business

Grow where we are already established

Develop US presence

Consolidate our position in Asia-Pacific

Extend PPP portfolio

# Integration of Mansell

New MD appointed

Strong focus and clear strategy in growing markets

- Repair and maintenance
- Education
- Social housing

Large proportion of work in frameworks / partnerships

# Developments in UK Rail

## Maintenance successfully handed over

“The management and staff of Balfour Beatty have been very professional and without their help this major organisational change could not have happened as quickly or as smoothly as it has.”

*Network Rail Route Director for Anglia*

## Settlement of outstanding issues

Renewals share up to c.30% (£113m pa)

Metronet track renewals contract

# **Balfour Beatty in the US**

New management team in place

Heavy marine engineering business closed

Full integration of rail businesses

Profitable transport contracting businesses in California, Texas and Pennsylvania / Ohio

Heery a leader in its field



# European rail

Strong single discipline presence in several markets

Excellent relationships with network owners

Potential to develop each national presence

# Utilities

## Water / Gas

Integration of Kennedy and Kenton

AMP 4

NGT Alliances

} Trend towards overall project management

## Electricity

Renewable energy

Grid refurbishment

# Acquisition of 50% of Gammon

Market leader in Hong Kong

Strong presence in long-term growth market

Established businesses in China and Singapore

Conduit for transportable businesses



# Adding to the PPP portfolio

## Preferred bidder status

- £520m Birmingham Hospital
- £140m Lanarkshire Schools
- £123m Bassetlaw Schools

Equity involved will now exceed £200m

Currently bidding for 6 schemes

# Balfour Beatty's PPP / PFI investments

Total investment £220m



*Preferred bidder in italics*

# The future

Core market growth

Increasing profit / cash contribution  
from Investments

Focussed acquisition

**Reliable, responsible growth**