

## News Release

12 December 2019

### BALFOUR BEATTY TRADING UPDATE – DELIVERING PROFITABLE MANAGED GROWTH

Balfour Beatty, the international infrastructure group, provides a trading update covering the period to 11 December 2019.

#### GROUP

The Group is on track to deliver another year of profitable managed growth.

- **Order book:** The year end order book is expected to be in excess of £14 billion, significantly higher than 2018 (£12.6 billion). The order book does not include work won on the HS2 civils or station contracts, which will only be included when the full project is given notice to proceed.
- **Revenue:** Full year Group revenue is expected to be approximately 5% higher than prior year (2018: £7.8 billion).
- **Profit:** Group profit from operations for the full year is slightly ahead of the Board's expectations, following additional Infrastructure Investment disposals in the second half of the year, and is broadly in line with prior year (2018: £205 million). All earnings based businesses (UK Construction, US Construction and Support Services) are expected to achieve industry standard margins for the full year 2019.
- **Cash:** 2019 average monthly net cash is now forecast to be around £310 million, ahead of the previous £280 million to £300 million guidance (2018: £194 million).
- **Balance Sheet:** In October, the Group successfully concluded the refinancing of its core revolving credit facility, entering into a £375 million agreement that extends to October 2022. The previous facility expired in December 2020. The terms of the new facility are substantially unchanged. As at 11 December, this facility was undrawn.

## CONSTRUCTION SERVICES

UK Construction continues to make good progress and is expected to achieve industry standard margins in the range of 2-3% for the full year in 2019.

The Aberdeen Western Peripheral Route (AWPR) project achieved operational completion in February 2019. The construction joint venture is continuing to seek a commercial settlement with the client in relation to associated claims. In the meantime, action is being taken to preserve its legal rights.

In US Construction, profit from operations is forecast to increase, showing some improvement within the industry standard target range of 1-2%. The rate of progress achieved by the Buildings business has been partially offset by the Civils business.

Gammon, the Group's 50:50 Hong Kong joint venture, is expected to deliver a strong performance with increased profit from operations for the full year (2018: £23 million). Operations have not been negatively affected by the civil unrest in Hong Kong.

## SUPPORT SERVICES

As previously guided, the full year profit from operations is expected to be broadly in line with prior year (2018: £46 million), with the margin showing further improvement within the 3-5% industry standard target range. Strong performance in Transportation has been offset by Utilities, which, as expected, will earn lower revenues than the prior year.

## INFRASTRUCTURE INVESTMENTS

The Infrastructure Investments portfolio continues to deliver a strong performance, selectively investing around £60 million in six projects across the US and UK during the year. In line with its strategy of maximising value, the Group has disposed of the following assets in the second half of 2019: its 50% stake in the North Island Hospitals Project in Vancouver Island, Canada; its 50% interest in the ITE College West PPP project in Singapore; its 100% interest in the University of Iowa Phase Two student accommodation project in the US; and its 15% stake in the Evergreen multi-family housing project in the US.

All four assets were disposed of at, or above, the Directors' valuation. The full year gain on disposal of interests in Infrastructure Investments is now expected to be around £50 million (2018: £80

million).

#### **MILITARY HOUSING**

Balfour Beatty Communities (BBC) has retained Hunton Andrews Kurth LLP to investigate allegations related to falsification of records, and they subsequently appointed a leading forensic audit firm to conduct an extensive review of works orders across all 21 US Air Force bases managed by BBC. The Group does not condone the falsification of records and takes the allegations made in the media extremely seriously. BBC continues to work with the appropriate authorities and military services to ensure a complete and thorough investigation.

#### **MARKETS**

The Group has a diverse portfolio operating across three geographies, UK, US and Hong Kong and three core sectors, Construction Services, Support Services and Infrastructure Investments. Despite short term political uncertainties, the long term trading environment for Balfour Beatty's Construction Services and Support Services markets and capabilities remains favourable, and the Infrastructure Investments market allows the Group to maximise value as and when opportunities arise.

#### **QUOTE**

Leo Quinn, Balfour Beatty Group Chief Executive, said: "We expect to deliver another year of profitable managed growth in 2019. The growing order book and strong balance sheet demonstrate our progress in positioning the Group well to deliver increased value to shareholders."

The Group's full year results will be published on 11 March 2020.

**ENDS**

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**Notes to editors:**

- Balfour Beatty ([www.balfourbeatty.com](http://www.balfourbeatty.com)) is a leading international infrastructure group. With 26,000 employees, we provide innovative and efficient infrastructure that underpins our daily lives, supports communities and enables economic growth. We finance, develop, build and maintain complex infrastructure such as transportation, power and utility systems, social and commercial buildings.
- Our main geographies are the UK, US and Hong Kong. Over the last 100 years we have created iconic buildings and infrastructure all over the world including the London Olympics' Aquatic Centre, Hong Kong's first Zero Carbon building, the National Museum of the Marine Corps in the US and the Channel Tunnel Rail Link.
- Lloyds, HSBC and China Construction Bank acted as mandated lead arrangers for the Group's new £375 million revolving credit facility. They were joined by Bank of America, Royal Bank of Canada, MUFG Bank, First Abu Dhabi Bank, Canadian Imperial Bank of Commerce, Fifth Third Bank and Credit Agricole Corporate and Investment Bank. Lloyds Bank acted as facility agent.