

Balfour Beatty

2024 full year results presentation

12 March 2025

Image:
Hinkley Point C, UK



Balfour Beatty

Leo Quinn

Group Chief Executive

Image:

Port Ann to Crossaig, UK



Strong Group performance

2024 delivered profitable growth

7% profit increase from earnings-based businesses

Increased net cash and strong order book growth

Outlook for profitable growth

£18.4 billion high-quality order book

Further growth in earnings-based businesses in 2025 and 2026

Consistent shareholder returns

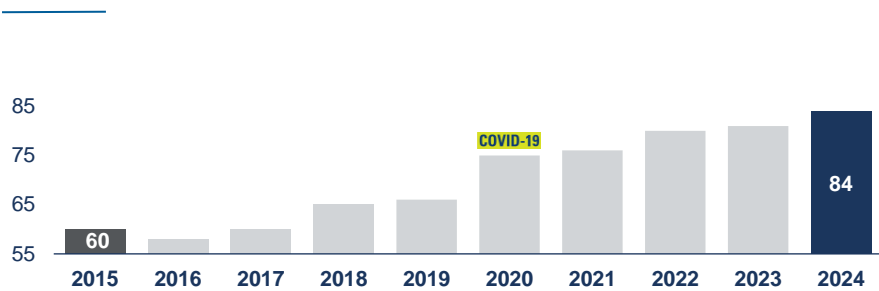
Increased dividend and fifth annual share buyback

Total shareholder returns of c. £188 million in 2025

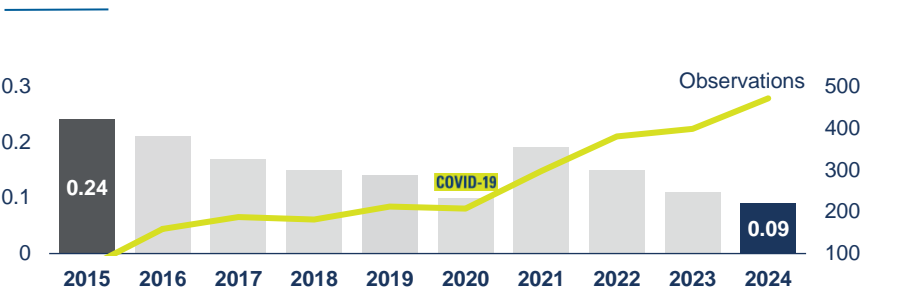
Sustained profitable growth and continued shareholder returns

Ten years of cultural transformation

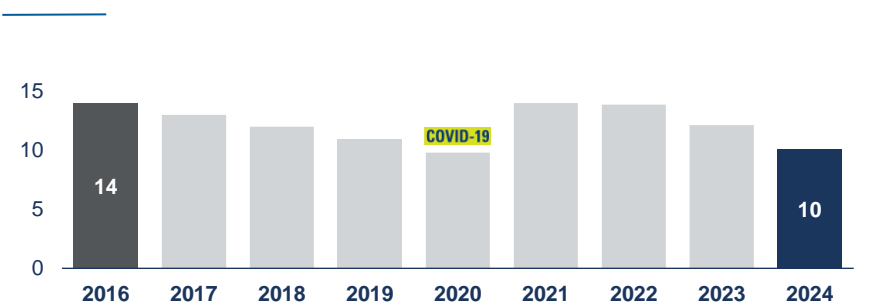
Group employee engagement score (%)



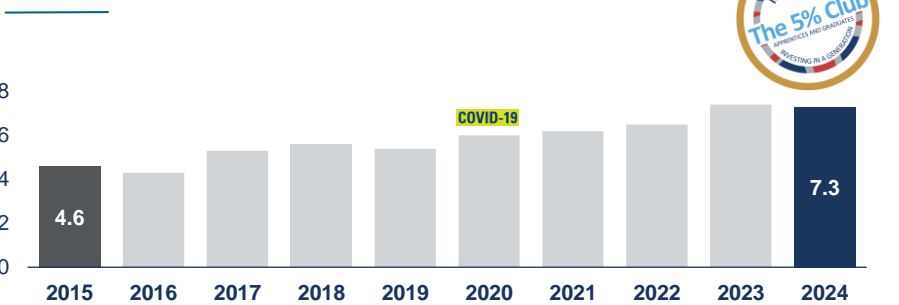
Group Lost Time Injury Rate & safety observations (000s)



UK voluntary attrition (%)



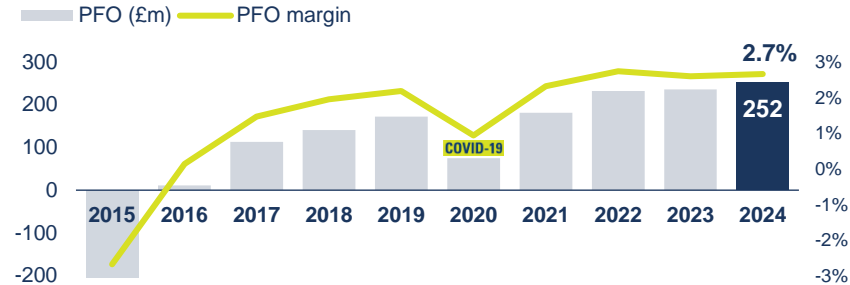
UK workforce in earn & learn positions (%)



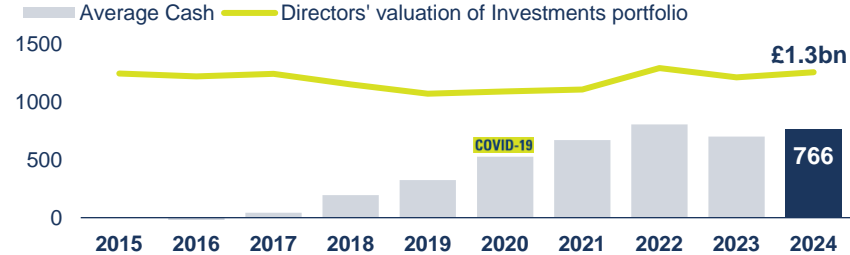
Strong culture underpinning confidence in future performance

Consistent performance

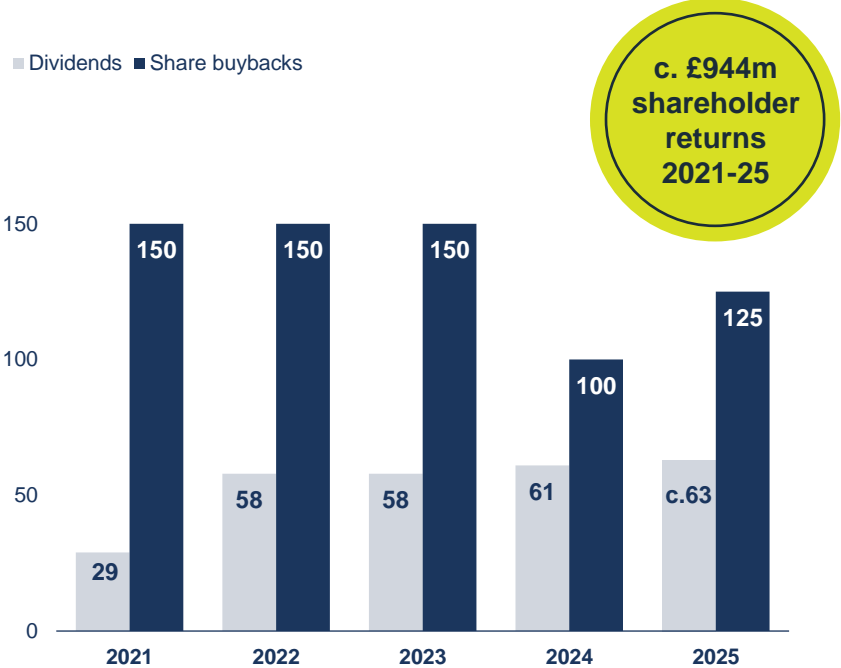
Earnings-based businesses PFO and margin



Average cash and Investments portfolio (£m)



Dividends and share buybacks (£m)



Track record giving confidence in further shareholder returns

Balfour Beatty

Phil Harrison

Chief Financial Officer

Image:
Del Mar Heights School, California, US



Headline numbers: Growth from earnings-based businesses

| £m (unless otherwise stated) | 2024 | 2023 | Variance |
|--|--------|-------|----------|
| Group revenue | 10,015 | 9,595 | 4% |
| Profit from earnings-based businesses* | 252 | 236 | 7% |
| Profit from operations* | 248 | 228 | 9% |
| Profit for the year* | 227 | 205 | 11% |
| Basic earnings per share* | 43.6p | 37.3p | 17% |
| Dividends per share | 12.5p | 11.5p | 9% |

| | 2024 | 2023 | |
|---|---------|---------|-----|
| Order book | £18.4bn | £16.5bn | 12% |
| Directors' valuation of Investments portfolio | £1.3bn | £1.2bn | 3% |
| Period end net cash [‡] | 943 | 842 | 12% |
| Average net cash [‡] | 766 | 700 | 9% |

* before non-underlying items

[‡] excluding Infrastructure Investments (non-recourse) net borrowings and lease liabilities

Profitable growth and strong order book

Construction Services: UK margin improvement

| £m | 2024 | | | 2023 | | |
|--------------|--------------|------------|-------------|--------------|------------|-------------|
| | Revenue | PFO* | PFO % | Revenue | PFO* | PFO % |
| UK | 3,011 | 81 | 2.7% | 3,027 | 69 | 2.3% |
| US | 3,638 | 40 | 1.1% | 3,697 | 51 | 1.4% |
| Gammon | 1,550 | 38 | 2.5% | 1,357 | 36 | 2.7% |
| Total | 8,199 | 159 | 1.9% | 8,081 | 156 | 1.9% |

* before non-underlying items

- > Strong growth in UK Construction profit, with further progress made on path to targeted 3% PFO margin
- > Solid US Buildings performance, with US Construction margin impacted by further delays at a small number of US Civils projects
- > Increased Gammon revenue, with major airport projects peaking in 2024

Continued PFO growth forecast in 2025

Support Services: Higher volumes driving PFO growth

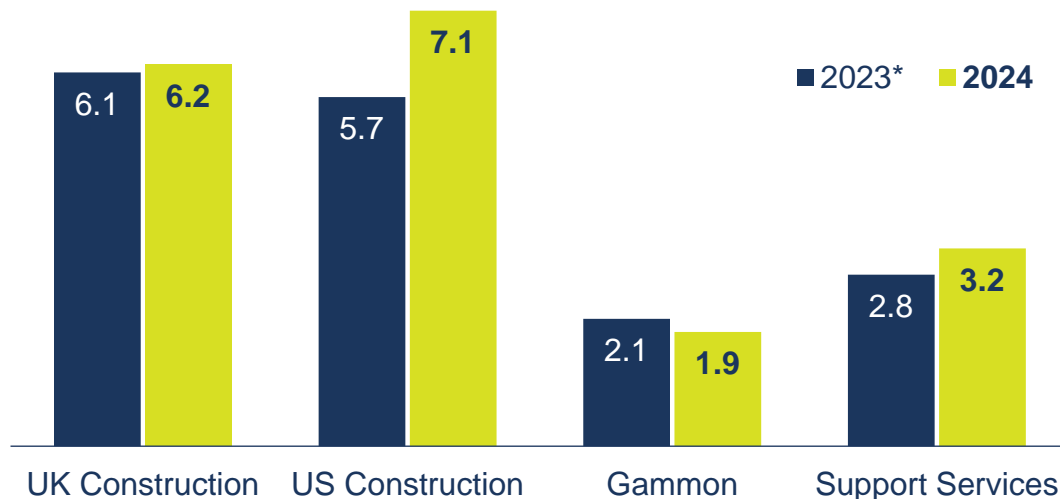
| £m | 2024 | 2023 |
|-------------------------------|--------------|-------|
| Revenue | | |
| Utilities | 385 | 326 |
| Transportation | 825 | 680 |
| Total | 1,210 | 1,006 |
| Profit from operations | 93 | 80 |
| PFO % | 7.7% | 8.0% |

- > Profitable recurring revenues underpinned by long-term frameworks
- > 20% revenue growth driven by:
 - Higher road maintenance volumes, with a first full year contribution from the major contracts that started in 2023
 - Increased Power T&D activity following new orders
- > 16% increase in profit driven by higher volumes

2025 PFO margin to remain towards top end of 6-8% targeted range

Higher order book driven by progress in growth markets

£18.4 billion order book



- > Small increase in UK Construction order book, with 79% of orders target cost or cost plus (2023: 82%)
- > Strong progress in US Construction, with order book growth in four of five Buildings divisions and in Civils
- > Reduction in Gammon order book due to progress at airport projects
- > Accelerating Power T&D orders driving Support Services growth
- > Improved coverage for coming year

* 2023 order book retranslated at closing 2024 exchange rate

Power T&D and US Buildings drives 12% order book growth

Infrastructure Investments: Disposal target exceeded

| £m | 2024 | 2023 |
|--|-----------|------|
| Pre-disposals operating (loss) / profit* | (8) | 5 |
| Gain on disposals | 43 | 26 |
| Investments (loss) / profit* | 35 | 31 |
| Subordinated debt interest receivable [^] | 29 | 25 |
| Infrastructure concessions' net interest | (10) | (9) |
| Investments pre-tax profit* | 54 | 47 |

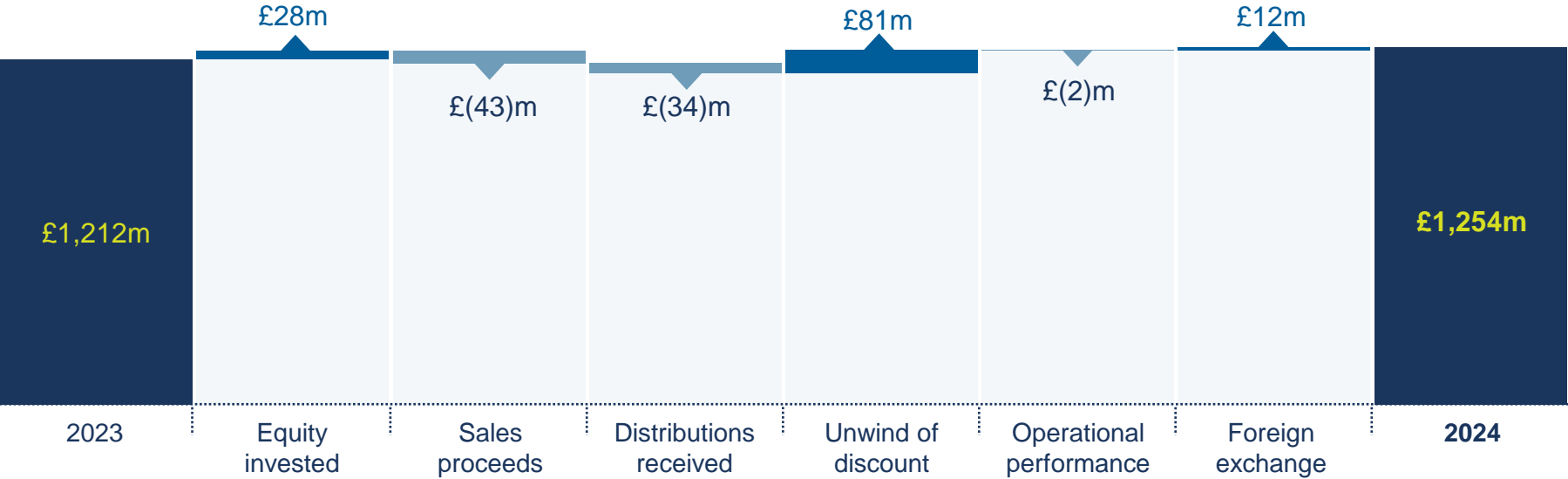
* before non-underlying items

[^] 2024 includes £14 million net impairment reversal of subordinated debt to joint ventures and associates and £2 million fair value loss on investment asset. 2023 includes £8 million net impairment to subordinated debt and accrued interest receivable from joint ventures and associates and £1 million fair value loss on investment asset

- > Pre-disposal loss due to:
 - Write-off of capitalised bidding costs on UK student accommodation project
 - Increased military housing costs relating to the independent compliance monitor's work
- > Increased gain on disposal following the majority sell down of the Group's interest in student housing facilities at the University of Texas at Dallas
- > Net interest up £3 million, with lower interest on subordinated debt, more than offset by an impairment write-back

c. 3 times cash return on 2024 disposal

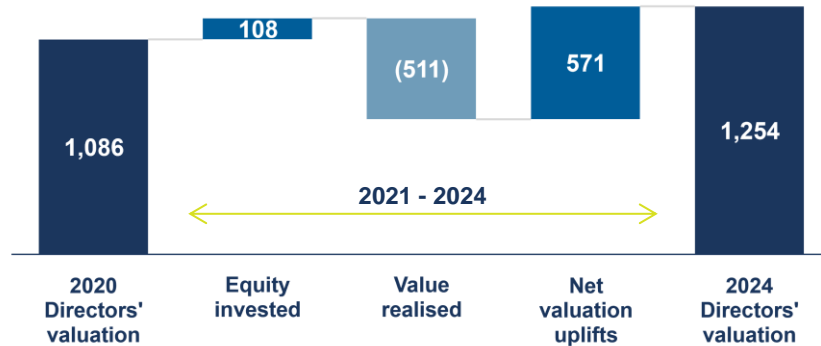
Directors' valuation of Investments portfolio



Directors' valuation increased 3%

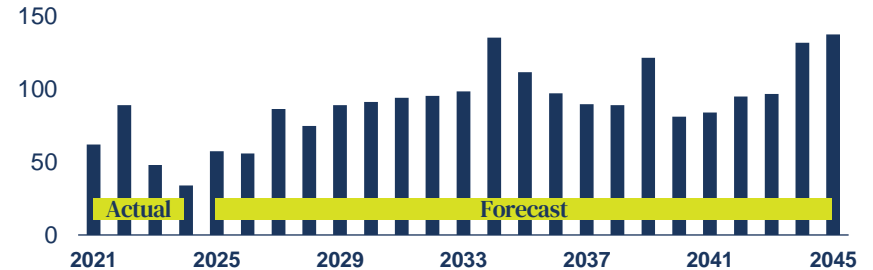
Infrastructure Investments: Continued cash returns

Investments portfolio performance: 2021 – 2024 (£m)



- > Long-term investment continues to deliver material returns, with average annual cash yield 2021 - 2024:
 - 5% prior to investment and disposals
 - 9% including investment and disposals
 - Returns impacted by military housing costs since 2023
- > Disciplined investment targeting at least two times return

Indicative cash yield prior to disposals: 2021 – 2045 (£m)



Focus areas and current activity

- > UK and US student accommodation: Sussex, Texas and William & Mary
- > US residential: Attractive regeneration opportunities
- > US P3: Financing part of LAX people mover project
- > US military housing: Redevelopment at three bases in 2025

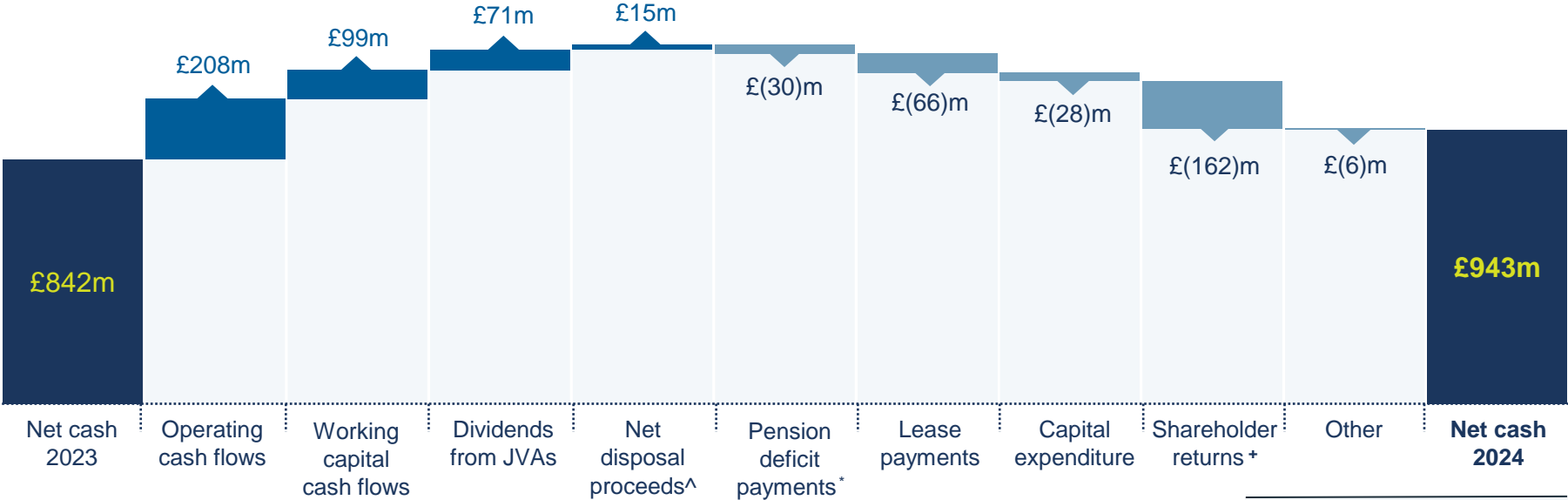
Investments' cash yield supporting ongoing shareholder returns

Non-underlying items

| £m | 2024 | 2023 |
|---|-------------|-------------|
| UK Building Safety Act provision | (83) | - |
| State Highway 161 legal provision | (52) | - |
| Insurance recovery on a development in London | 43 | (12) |
| Net release of warranty provisions relating to Rail Germany | 21 | - |
| Amortisation of acquired intangible assets | (4) | (5) |
| Pre-tax total | (75) | (17) |
| Tax credit | 26 | 6 |
| Net loss after tax | (49) | (11) |

Non-underlying charge in the year with further recoveries being pursued

Increased cash following working capital inflow



[^] includes £28 million of equity invested
^{*} includes £2 million of regular funding
⁺ includes £1 million of costs

2024 average net cash
 £766 million

Continued strong cash generation funding investment and shareholder returns

Consistent multi-year capital allocation framework



Continued investment in organic growth opportunities

£28 million invested:
Two new projects added to portfolio



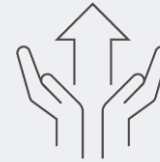
Active realisation of the Investments portfolio

£43 million gain:
US student accommodation disposal



Strong but efficient balance sheet

Strong average net cash position:
£766 million



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

9% increase to 12.5p full year dividend



Additional cash returns via share buybacks

£125 million share buyback underway

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

c. £188 million shareholder returns in 2025

2025 outlook

- > Continued profit growth from earnings-based businesses in 2025
- > Gain on Investments disposals expected in the range of £20 - 30 million
- > Net finance income of around £25 million
- > P&L tax charge forecast close to statutory rates (UK: 25%, US: 26%)
- > Average net cash around £800 million, with flat working capital
- > Capital expenditure of £35 – 40 million

Earnings-based businesses to deliver PFO growth in 2025

Balfour Beatty

Leo Quinn

Group Chief Executive

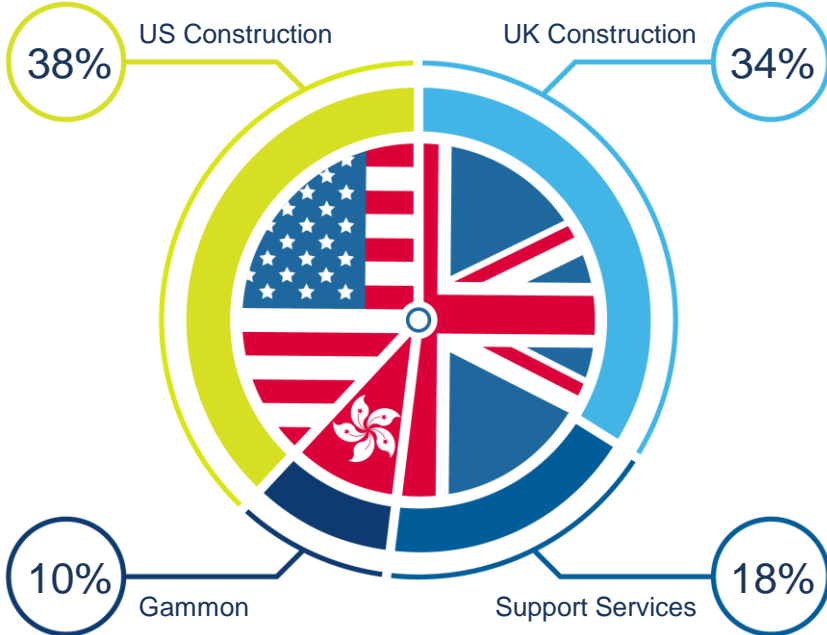
Image:

Cedar Hill Library, Texas, US



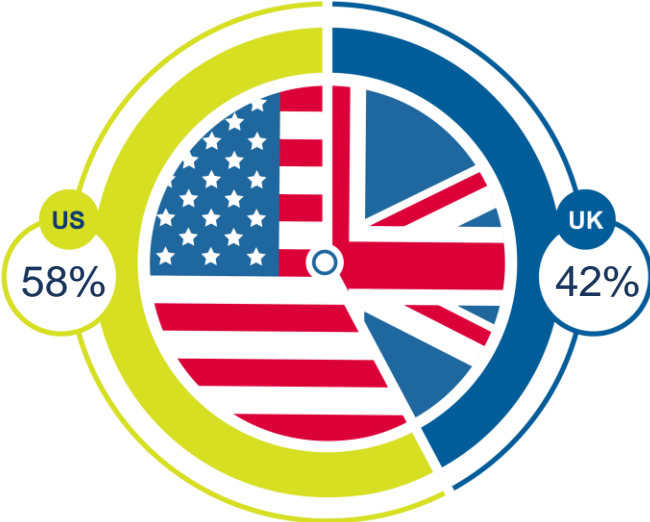
Geographically and operationally diversified Group

£18.4 billion order book



£1.3 billion* Investments portfolio

£1.1 billion net cash yield 2015-2024

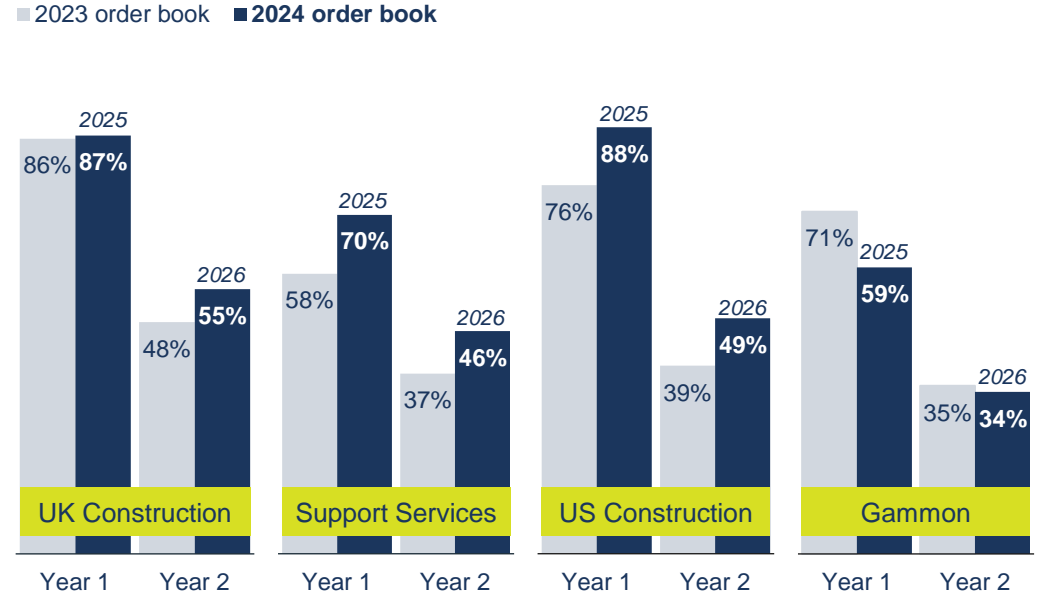


*Directors' valuation

Strong momentum with large and high-quality order book

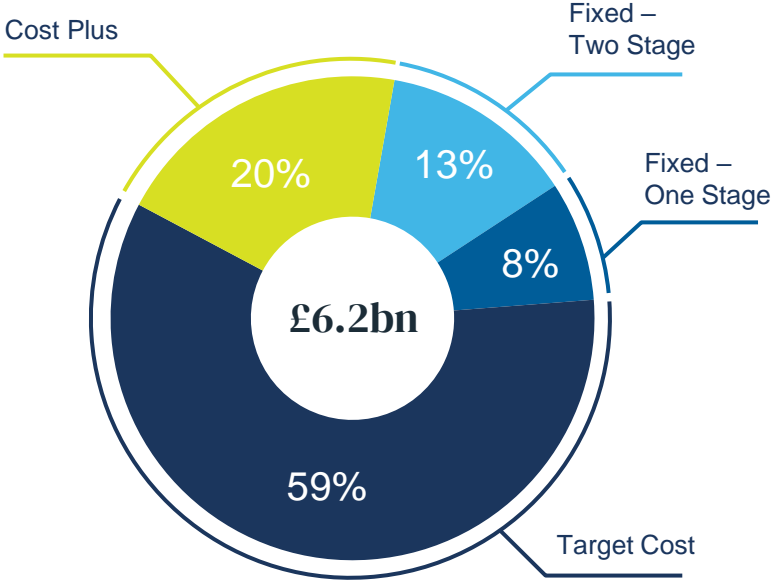
Positive 2025 and 2026 outlook

Improved order book coverage*



* Based on 2024 revenue

High quality UK Construction order book



2025 and 2026 returns underpinned by order book

Strategic growth markets

Growth markets

UK Energy



Power Transmission and Distribution

Power Generation



UK Defence & Security



UK Transport



US Buildings

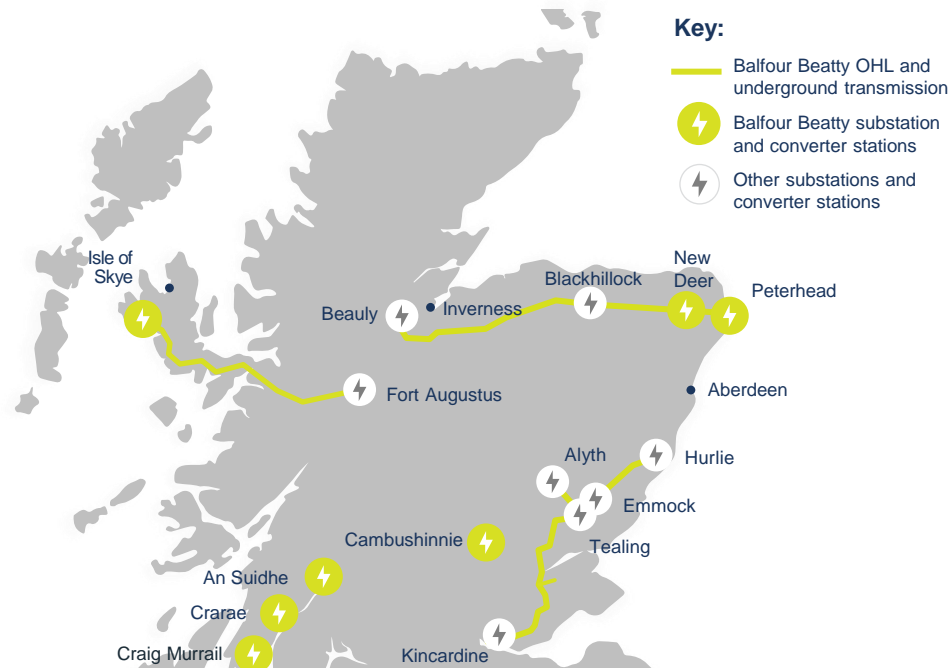
Growth drivers

- > Expansion underway: Revenue to double by 2027 (vs 2023), with opportunity to go further
- > Sizewell C and Carbon Capture projects to drive strong growth
- > Market opportunities to significantly grow revenues, with major projects being bid
- > Stable profit in short-term: medium-term growth through airports, roads & rail electrification
- > Targeting profitable managed growth with year-on-year revenue increases

Market momentum driving growth

UK power transmission & distribution

Early contractor work on c. £4bn Scotland opportunity



Market dynamics

- > Capacity: increased volumes resulting in demand outweighing supply
 - National Grid to build over five times more transmission lines by 2030 than in the last 30 years
- > Contracting: two-stage tenders providing assurance for customer and contractor
- > Investment: funding secured through customer bills

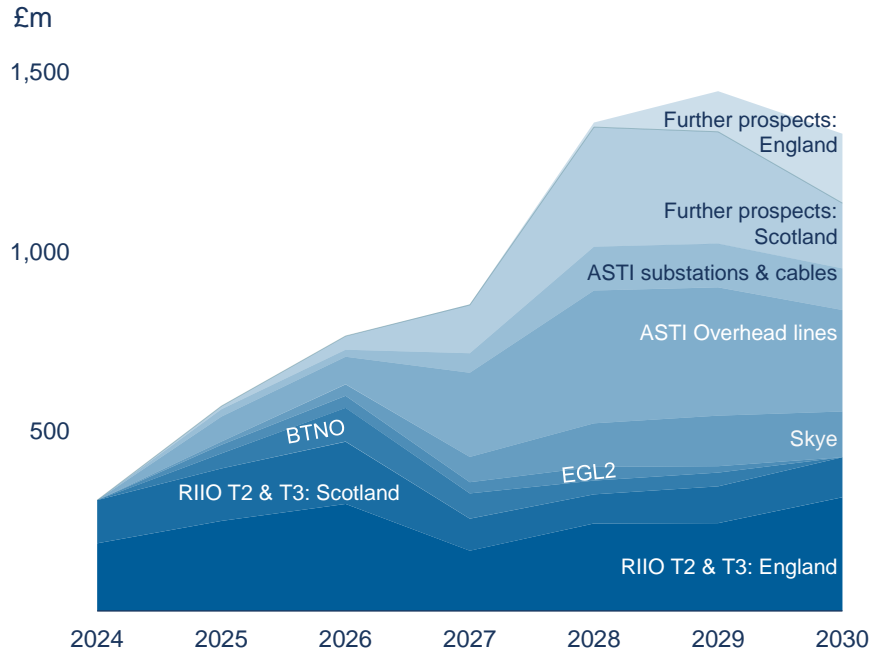
Our capabilities

- > End-to-end offering across UK Construction and Support Services, with largest power workforce in market
- > Market-leading pylon fabrication facilities

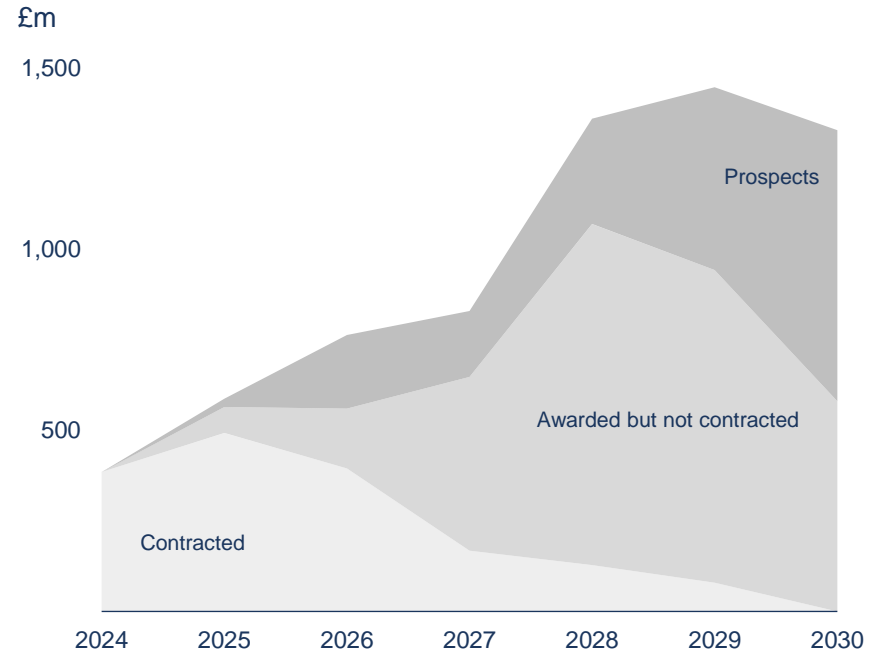
Uniquely positioned in growing market

Power transmission demand exceeding supply

Group opportunity by contract / framework



Group opportunity graded by certainty

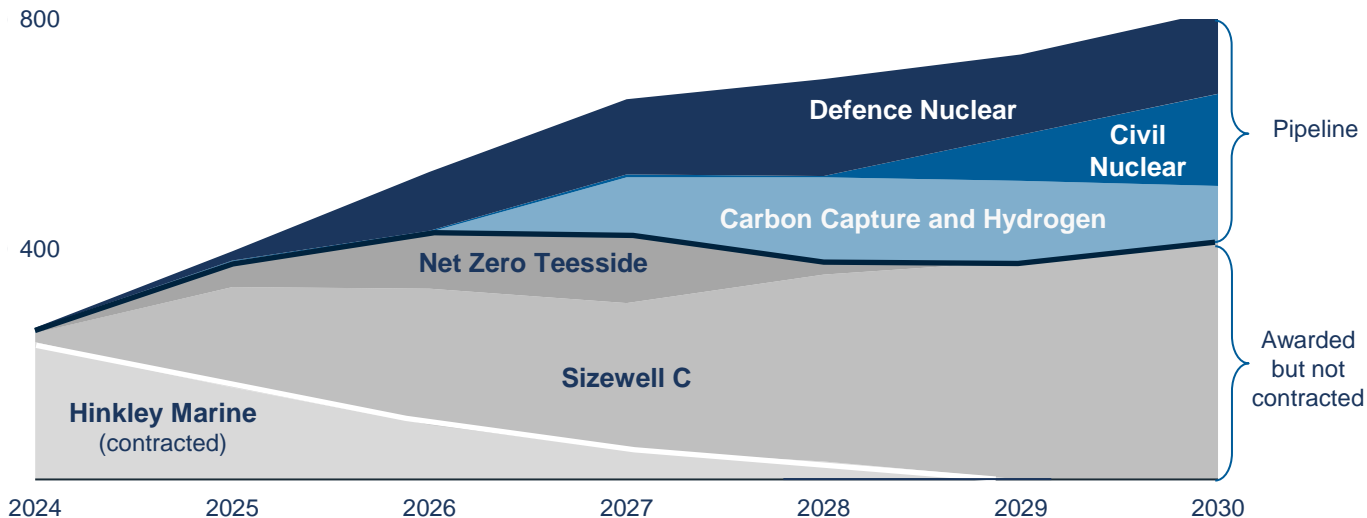


Scale of opportunity enables selective approach

UK power generation pipeline

Indicative shape of UK power generation pipeline to 2030 (£m)

- > Scale of Group's opportunity becoming clearer
- > Essential long-term upgrade to the UK's energy infrastructure is now well underway
- > Project specific timings remain uncertain



Group capabilities



Exciting growth potential in UK energy opportunities

UK defence and security infrastructure

Government commitment to increase defence spend

- > National defence spend rising to 2.5% of GDP by 2027; 3% in longer term
- > New infrastructure projects being procured by existing clients:
 - Defence Nuclear Enterprise: Rolls-Royce, AWE, Devonport
 - Defence Infrastructure Organisation (DIO)

UK defence proposition



End to end capabilities reducing complex interfaces



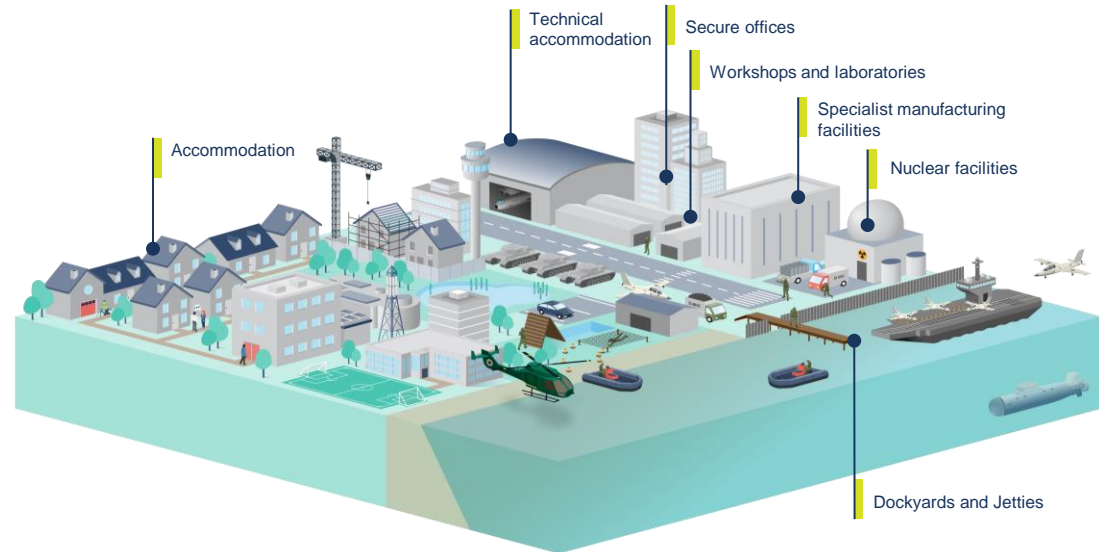
Adjacent to expertise in civil nuclear



Delivery in high security environments



Delivery partner in sector for c.20 years



Group capabilities and experience well matched to upcoming defence opportunities

UK Transport: Expert capabilities



Road

- > **Construction:**
 - Strong market position with National Highways: Major schemes in progress and Lower Thames Crossing to follow
- > **Maintenance:**
 - Growth in 2024 volumes with further Local Authority contracts targeted
 - Government funding: Increase announced for 2025



Rail

- > **Construction:**
 - Continued progress on HS2 Area North and Old Oak Common
 - Pursuing electrification opportunities: TransPennine Route, Midland Main Line
- > **Maintenance:**
 - UK's largest track renewals contractor, diversified across various frameworks
 - Network Rail's £45 billion CP7 maintenance programme underway



Aviation

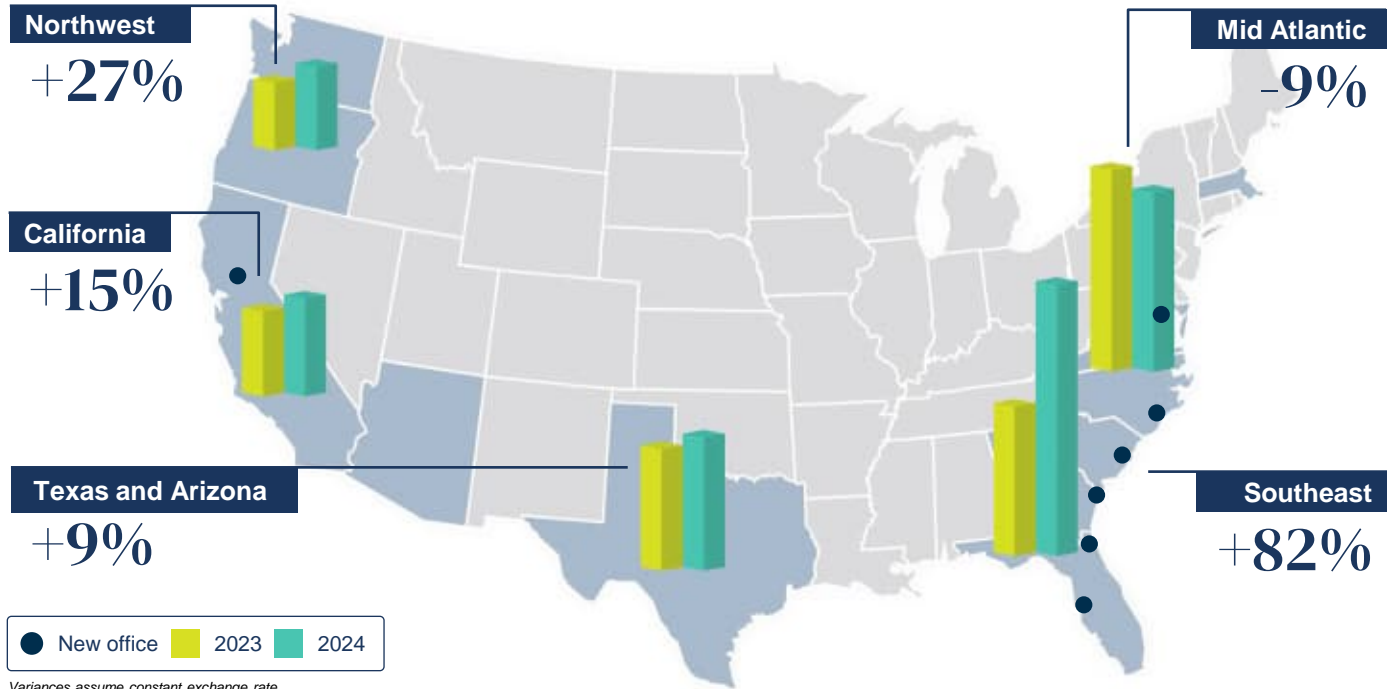
- > **New opportunities developing:**
 - Track record as major UK airport delivery partner
 - Government support for Gatwick and Heathrow expansions



Stable profit outlook; well positioned to capitalise on medium-term opportunities

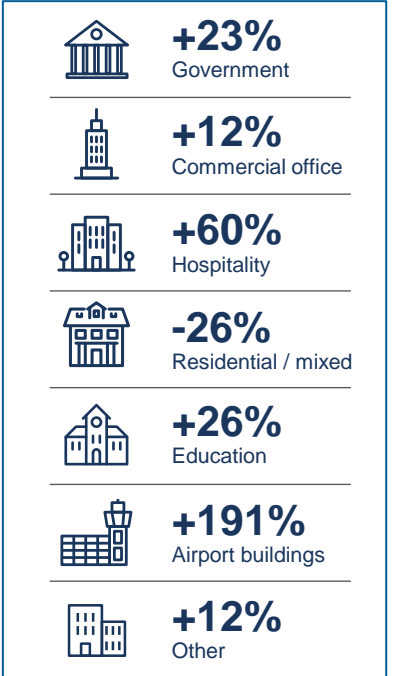
US Buildings: 24% order book increase in 2024

£5.4 billion order book: improved coverage for 2025 and 2026



Variations assume constant exchange rate

Order book by sector



Strong order book growth diversified across geographies and sectors

Gammon: Joint venture delivering major infrastructure



Hong Kong International airport

Progress update

Hong Kong

- > Government to stimulate economy with investment:
 - Developing the Northern Metropolis
 - Growing the rail network
- > Progress made in pursuit of public work:
 - New order for land development in Northern Metropolis
 - Preferred bidder for Hung Shiu Kiu Metro Station

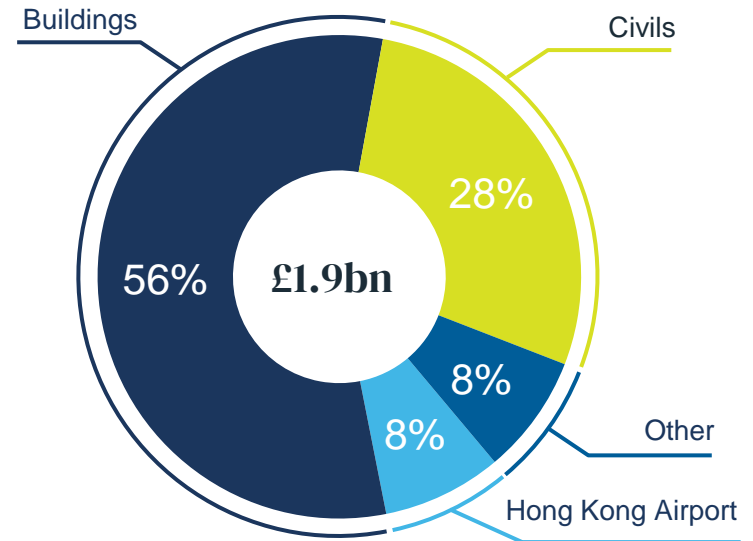
Singapore

- > Success in buoyant market:
 - Increased to 18% of Gammon order book
 - Recent wins include data centre and telecommunications facility



One Causeway Bay

Orders weighted toward buildings



Strong ongoing contribution from Gammon

Strong outlook

Further PFO growth in 2025 & 2026

High quality £18.4 billion order book providing good visibility

Earnings-based businesses PFO growth forecast for 2025 & 2026

Decade of infrastructure growth

Group capabilities aligned to growth markets

Market momentum supporting sustainable growth

Consistent shareholder returns

Multi-year capital allocation policy

c. £944 million shareholder returns 2021 - 2025

Strong order book and growth momentum driving future shareholder returns

Balfour Beatty

Q&A

Balfour Beatty

Appendix

Image:
Cyberport extension, Hong Kong



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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. These events and circumstances include changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates, future business combinations or disposals, and any epidemic, pandemic or disease outbreak. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Such forward looking statements should therefore be construed in the light of such factors. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

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Balfour Beatty investment proposition


1 High quality and de-risked portfolio

- > Diverse portfolio across UK, US & Hong Kong
- > £18.4 billion order book
- > Robust governance and disciplined bidding




2 Expert capability

- > Track record of complex infrastructure delivery
- > Unique end-to-end capabilities
- > Record employee engagement




3 Sustained growth drivers

- > Governments driving growth through infrastructure
- > Capabilities aligned to growth markets
- > UK demand outweighing supply




4 Responsible goals

- > Evolved sustainability strategy launched in 2024
- > Net zero carbon emissions targets verified by SBTi
- > Ambitious community targets

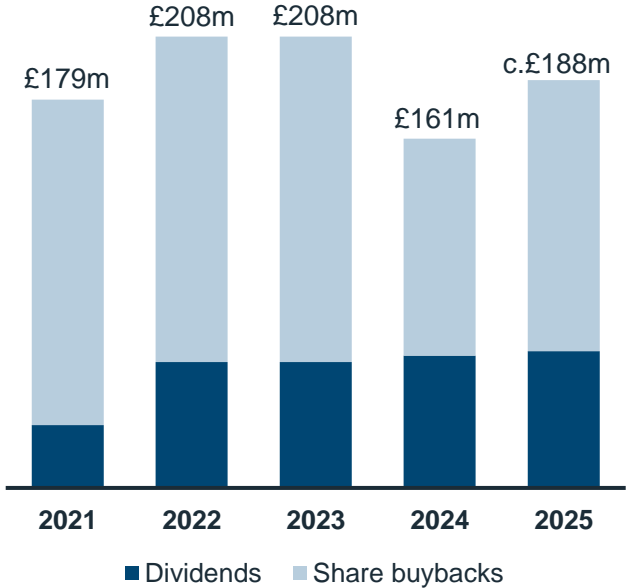


5 Financial strength

- > Strong cash generation
- > £1.25 billion Investments portfolio
- > Sector leading balance sheet



c. £944 million of shareholder returns 2021 – 2025



Attractive future shareholder returns underpinned by sustained growth opportunities and financial strength

Building New Futures Sustainability Strategy

Protecting and enhancing the environment



Climate change



Nature positive



Resource efficiency



13% reduction in Scope 1 & 2 carbon intensity through the electrification of fleet and utilising alternative fuels including hydrogen



Building the UK's first heathland bridge, providing a natural corridor for local wildlife over the M25



99% diversion of waste from landfill; pioneered reusable packaging - projected to prevent two tonnes of waste on Dunfermline Learning campus project

Leaving a positive social legacy



Supply chain integrity



Community engagement



Employee diversity, equity and inclusion



Over £1.85 billion spent with SMEs in the UK; 187 Supply Chain Modern Slavery Audits completed



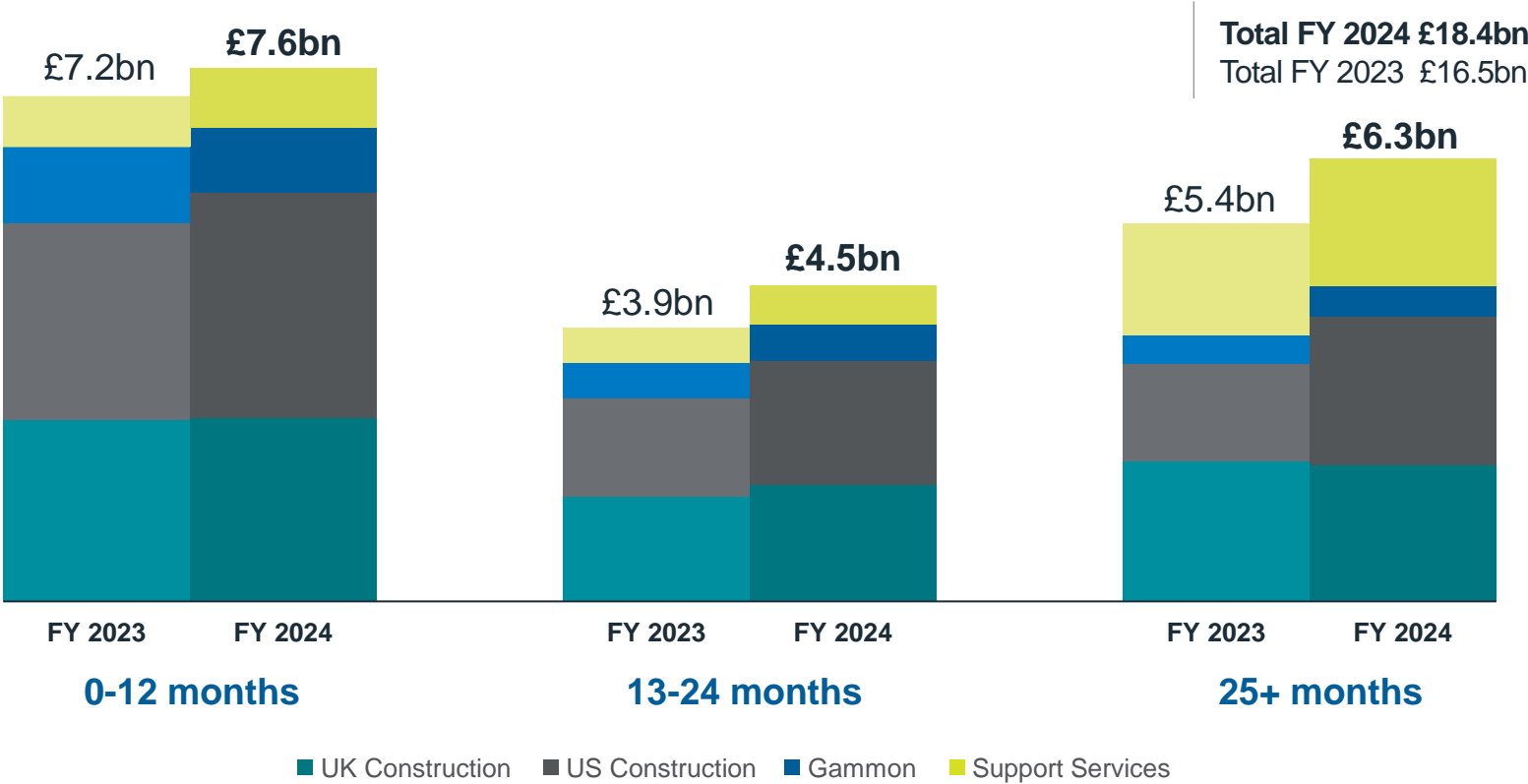
£990 million of social value generated in the UK in 2024; £3.46 billion of social value since 2021



"Right to Respect" rolled out across the UK and US to support inclusive culture

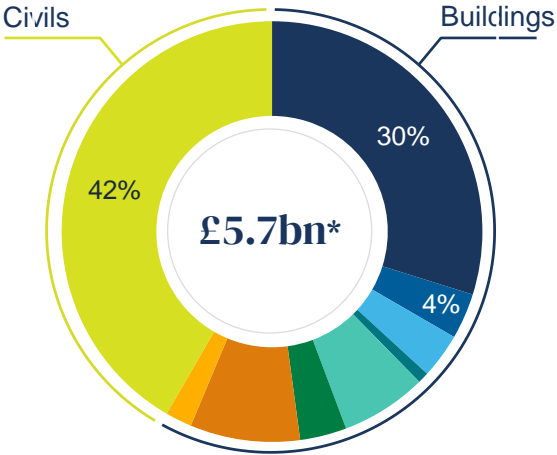
Evolved strategy supports sustainable business performance

Order book by phase

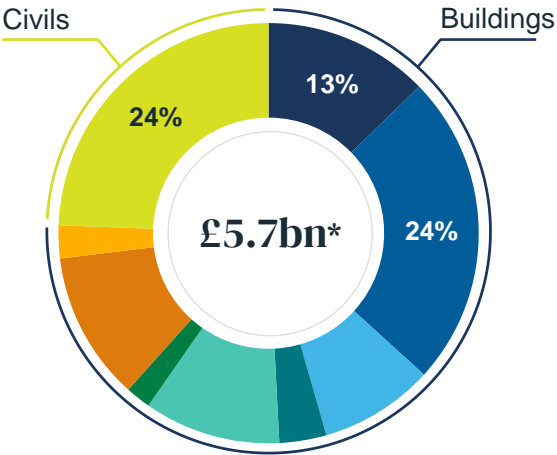


US order book split

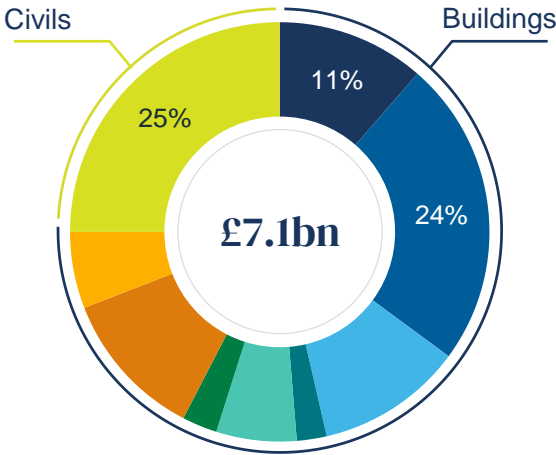
2020 order book



2023 order book



2024 order book



- Commercial office
- Government
- Hospitality
- Data centres
- Residential / mixed use
- Healthcare
- Education
- Airport buildings
- Civil infrastructure

* 2020 and 2023 order books retranslated at closing 2024 exchange rate

Underlying profit from operations

| £m | 2024* | 2023* |
|---|-------------|-------|
| UK Construction | 81 | 69 |
| US Construction | 40 | 51 |
| Gammon | 38 | 36 |
| Construction Services | 159 | 156 |
| Support Services | 93 | 80 |
| Earnings-based businesses | 252 | 236 |
| Infrastructure Investments | | |
| Pre-disposals operating (loss) / profit | (8) | 5 |
| Gain on disposals | 43 | 26 |
| Corporate activities | (39) | (39) |
| Total | 248 | 228 |

* before non-underlying items

Group balance sheet

| £m | 2024 | 2023 |
|--|--------------|--------------|
| Goodwill and intangible assets | 1,122 | 1,133 |
| Current working capital | (1,228) | (1,232) |
| Net cash (excluding infrastructure concessions) | 943 | 842 |
| Investments in joint ventures and associates | 385 | 389 |
| PPP financial assets | 21 | 24 |
| Infrastructure concessions – non-recourse net debt | (335) | (264) |
| Net retirement benefit assets | 2 | 69 |
| Net deferred tax assets | 47 | 28 |
| Other assets and liabilities | 173 | 219 |
| Net assets | 1,130 | 1,208 |

Cash flow

| £m | 2024 | 2023 |
|--|------------|-------|
| Operating cash flows before working capital movements and pension deficit payments | 208 | 258 |
| Working capital (outflow)/inflow | 99 | 63 |
| Pension deficit payments [‡] | (30) | (28) |
| Cash from operations | 277 | 293 |
| Dividends from joint ventures & associates [^] | 71 | 59 |
| Capital expenditure | (28) | (66) |
| Lease payments (inc. interest paid) | (66) | (63) |
| Share buybacks ⁺ | (101) | (151) |
| Dividends paid | (61) | (58) |
| Infrastructure Investments | | |
| Disposal proceeds | 43 | 61 |
| New investments | (28) | (31) |
| Other | (6) | (17) |
| Net cash movement | 101 | 27 |
| Opening net cash [*] | 842 | 815 |
| Closing net cash[*] | 943 | 842 |
| Average net cash[*] | 766 | 700 |

| £m | 2024 | 2023 |
|--|-----------|------|
| Working capital flows | | |
| Inventories | (34) | (11) |
| Net contract assets | 165 | (48) |
| Trade and other receivables | (225) | (73) |
| Trade and other payables | (6) | 177 |
| Provisions | 199 | 18 |
| Working capital outflow[^] | 99 | 63 |

[^] excluding impact of foreign exchange and disposals

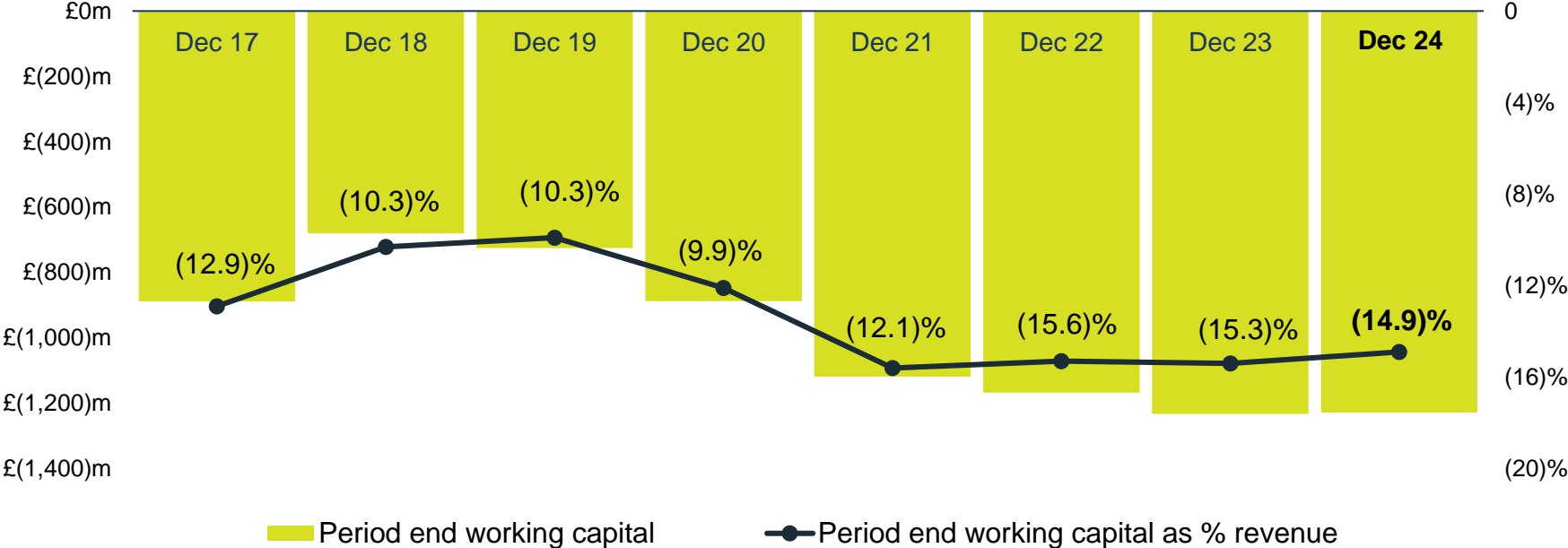
^{*} excluding Infrastructure Investments (non-recourse) net borrowings

[‡] includes £2 million (2023: £3 million) of regular funding

[^] 2023 excludes £1 million (2024: nil) dividends received in relation to Investments asset disposals within joint ventures and associates

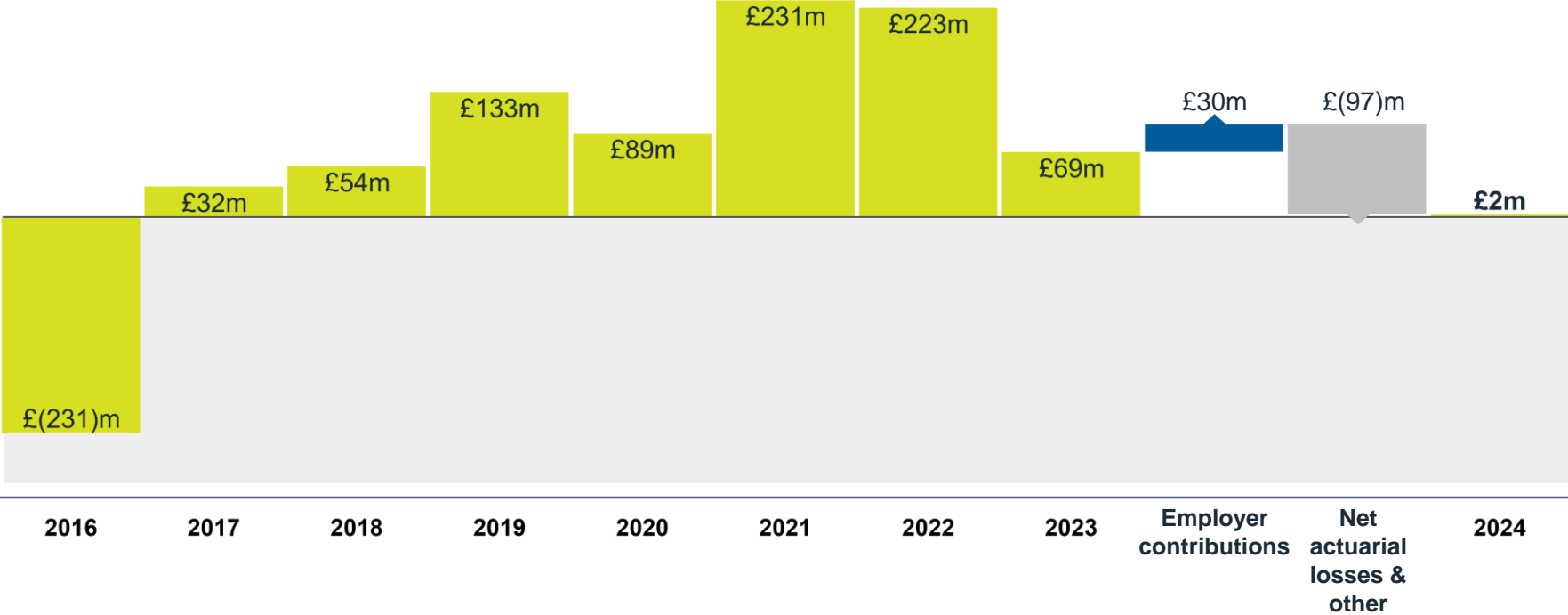
⁺ includes £1 million (2023: £1 million) of share buyback costs

Working capital – Group



Including non-underlying items

Pensions: balance sheet movement



Net finance income

£m

| | | 2024 | 2023 |
|--|------|-----------|-----------|
| Subordinated debt interest receivable | 17 | | |
| Interest on PPP financial assets | 2 | | |
| Interest on non-recourse borrowings | (12) | | |
| Fair value (loss)/gain on investment asset | (2) | 5 | 24 |
| Net finance income – pension schemes | | 4 | 12 |
| Other interest receivable | 42 | | |
| Other interest payable | (7) | 35 | 23 |
| US private placement | | (10) | (12) |
| Interest on lease liabilities | | (7) | (6) |
| Impairment reversal of loans relating to joint ventures and associates | | 14 | (8) |
| Net finance income | | 41 | 33 |

Borrowing repayment profile

