



# Drivers of Sustainable Growth

Business Briefing  
10 May 2022





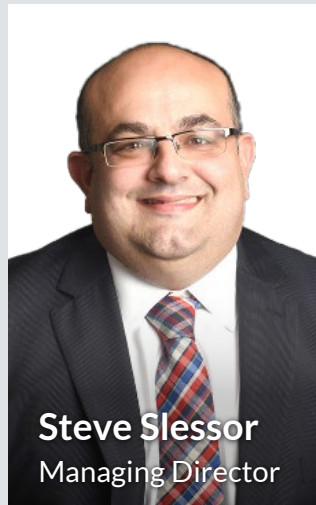
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# Today's speakers & agenda

## Introduction



## Environment



## Financial strength



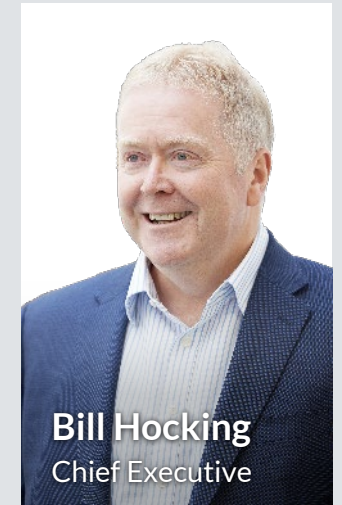
## Sectors



## Carbon



## Summary & Q&As



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# A platform for sustainable growth





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# An engine for growth







-10.7% gender pay gap in early careers

Focus on inclusion

205 trainees, apprentices and graduates

3,300 talented and passionate employees

GT Academy

Six nominees for Ex-Forces Awards

Investment in learning and development

Planned succession

Gold Award through The 5% Club's 2021 Employer Audit Scheme

Extensively developed and modelled potential Career Paths



# People-orientated, progressive culture

**85%**

Employee advocacy score (sector: 80%).

**72%**

Employee engagement score (sector: 70%).

**94%**

Motivated by our vision.

# Sustainable Growth Strategy

**A people-orientated, progressive culture driven by our values.**



Health and safety



Our people

**Protect the environment and create greater social value for communities.**



Environment and climate change



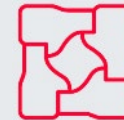
Communities



Progressive culture



Socially responsible delivery



Quality and innovation



Sustainable financial returns

## Strategy

Deliver high-quality buildings and infrastructure in a socially responsible way and provide a sustainable return for our shareholders

**Deliver excellence for our clients.**



Clients



Supply chain

**Earn a sustainable return on the value we deliver.**

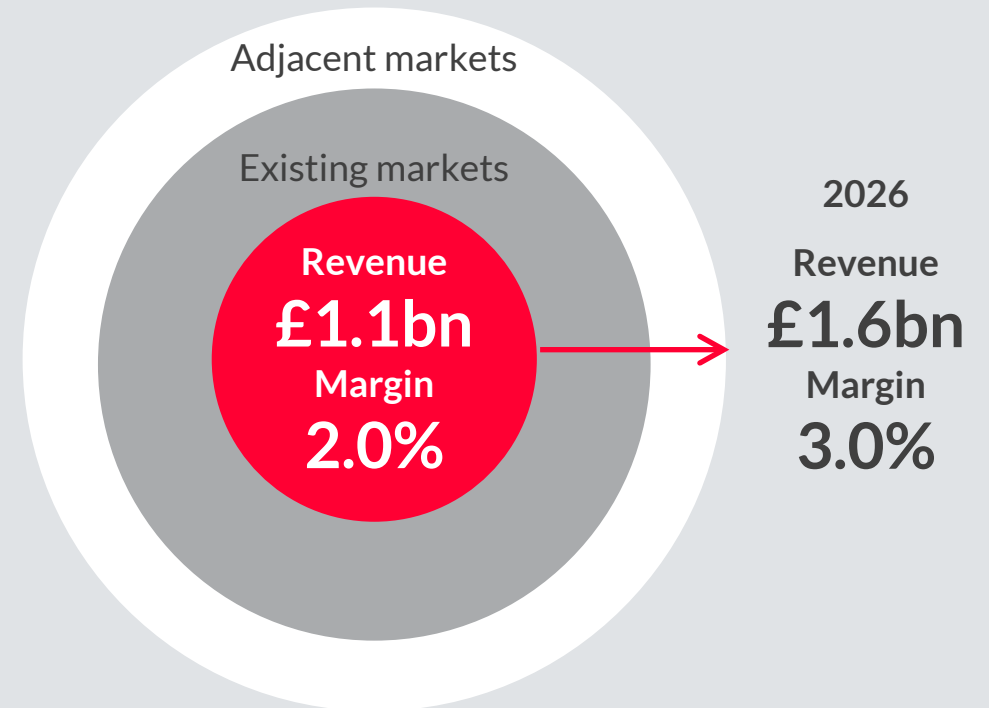


# Delivering Sustainable Growth



- Disciplined growth in existing markets.
- Develop complementary adjacent market opportunities.
- Maintain focus on risk management and commercial discipline.

## Sustainable revenue and margin growth



# Our key business divisions

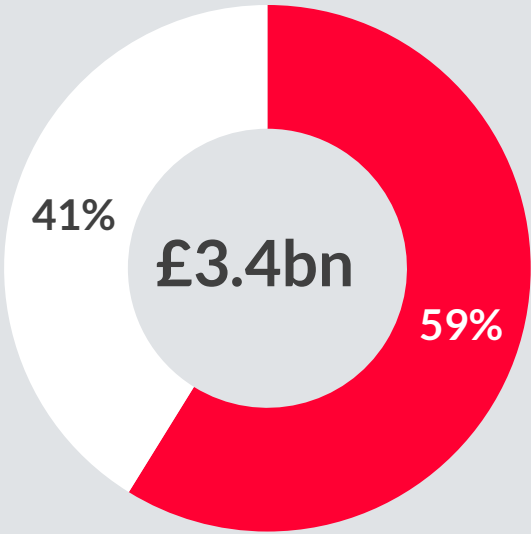


## Revenue

■ Building

■ Infrastructure

At 30 June 2021



## Order book

■ Building

■ Infrastructure

At 31 December 2021





Uttlesford Bridge



# Steve Slessor

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Managing Director  
of Environment

# Drivers of market growth

## Market drivers

Ageing asset base	<ul style="list-style-type: none"><li>▪ Ageing asset base means infrastructure is in need of replacing or that maintenance/refurbishment must be carried out more frequently.</li></ul>
Carbon reduction	<ul style="list-style-type: none"><li>▪ Increasingly stringent environmental regulations.</li><li>▪ Clients are looking to meet their own carbon objectives and reduce embodied carbon.</li><li>▪ Low carbon is recognised as a driver of cost reduction over the lifecycle of a project.</li></ul>
Consumer cost of living	<ul style="list-style-type: none"><li>▪ Increasing regulatory focus on asset optimisation to extend the operational lifespan of existing facilities.</li></ul>
Operation & maintenance	<ul style="list-style-type: none"><li>▪ Full-service offering (design, build, operation and maintenance) sought by clients.</li><li>▪ Digitalisation of asset base recognised as a means to manage and optimise performance.</li></ul>

## Investment

**£4bn pa**

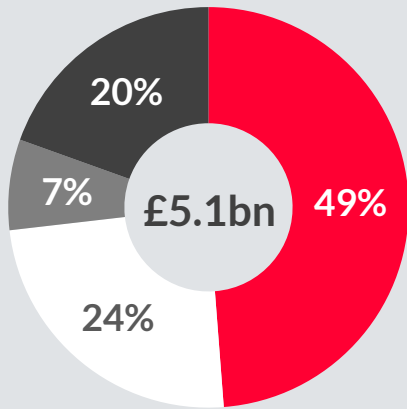
**£1bn pa**

Across Capital Maintenance



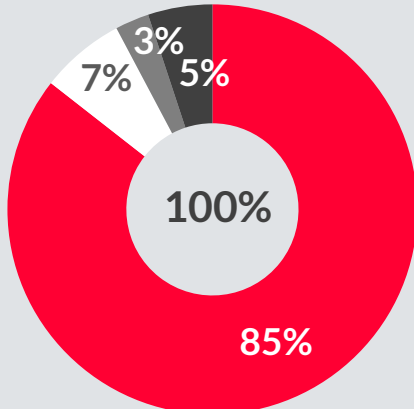
# Sustainable growth opportunities

Existing and adjacent markets



Water sector spend per annum (available to contractors)

- Design & Build Programmes
- Capital Maintenance
- Design & Technical Services
- Off-site Build/Design for Manufacture and Assembly



Galliford Try water revenue by capability – 2021

- Design & Build Programmes
- Capital Maintenance
- Design & Technical Services
- Off-site Build/Design for Manufacture and Assembly

## Galliford Try growth potential



- Design & Build Programmes
- Capital Maintenance
- Design & Technical Services
- Off-site Build/DfMA

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# Existing markets

## Design and build

- Established position as a key partner of clients in the Environment sector.
- Partnering with many of the leading regulated companies to assist with their long-term asset management plans.
- Operating within 5+ year frameworks in AMP7 and SR21.
- 85% of existing business is in design and build.



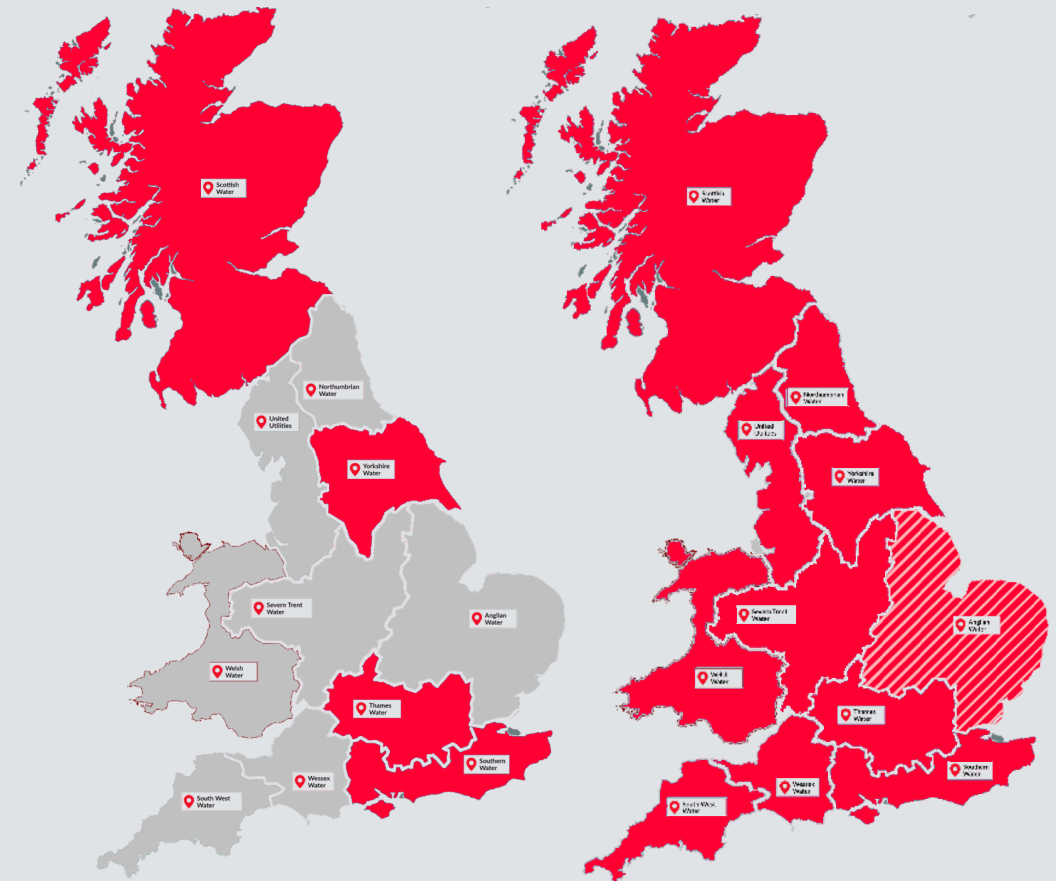




# A unique position

- nmcn water acquisition (including Lintott):
  - Increased our geographic coverage through established frameworks.
  - Enhanced our capabilities in maintenance and asset optimisation.
  - Now operating as a single integrated business.
- We are now one of the biggest players in the sector.
- We are uniquely positioned to help our clients meet their challenges which underpins our margin growth:
  - Delivering the UK's water needs.
  - Improved resilience of their assets.
  - Increased efficiency and optimisation of their assets.
  - Achieving their net zero carbon targets.

## Our Environment business



Pre-acquisition  
client base

Post-acquisition  
client base

Key: ■ AMP7 D&B frameworks ▨ Capital maintenance only



# Margin enhancing capabilities



## Engineering services

- Optimise delivery of high margin consultancy resources.

*Links to ageing asset base, carbon, operation and maintenance*

Existing markets



## Off-site solutions

- Grow in-house fabrications by leveraging existing frameworks.
- Embed off-site solutions across D&B frameworks.
- Utilise Lintott products as standard across all clients.

*Links to carbon and cost*

Existing markets



## Capital maintenance

- Organic growth from existing frameworks and opportunity for new frameworks.
- Bolt-on acquisition opportunities.

*Links to ageing asset base*

Adjacent markets



## Asset optimisation

- Development of Lintott products and services.
- Develop other partnerships and upskill existing teams.

*Links to ageing asset base, carbon, cost, operation and maintenance*

Adjacent markets





# Financial strength



Dandarā PRS scheme, Birmingham

Andrew  
Duxbury

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Finance Director

# Balance sheet and capital allocation

- Strong balance sheet important to customers and supply chain.
  - Average month-end cash £180m.
  - Minimum daily cash >£100m.
  - PPP assets £48m.
- No debt or pension liability.



Supporting operational requirement

- Competitive advantage in chosen markets, providing confidence to clients and supply chain.
- Enables strategic and bolt-on opportunities to enhance capabilities.



Mitigating market risks

- Maintain cash reserves to mitigate any adverse market conditions.
- Support disciplined approach and focus on risk management throughout economic cycle.



Regular and sustainable returns

- Dividends will grow with earnings.
- Full year dividend policy improved to 2.0x cover.



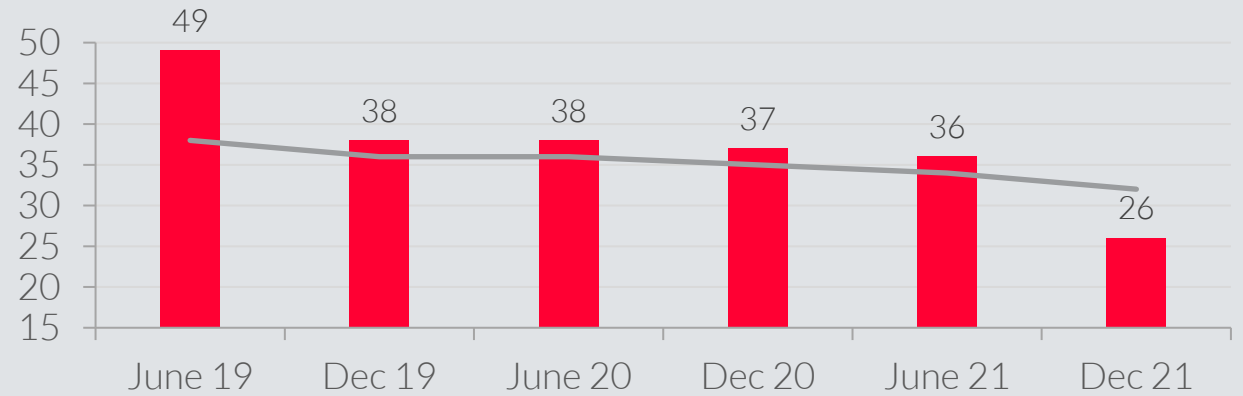
Ongoing review of requirements

- Additional shareholder returns of excess cash, when appropriate.

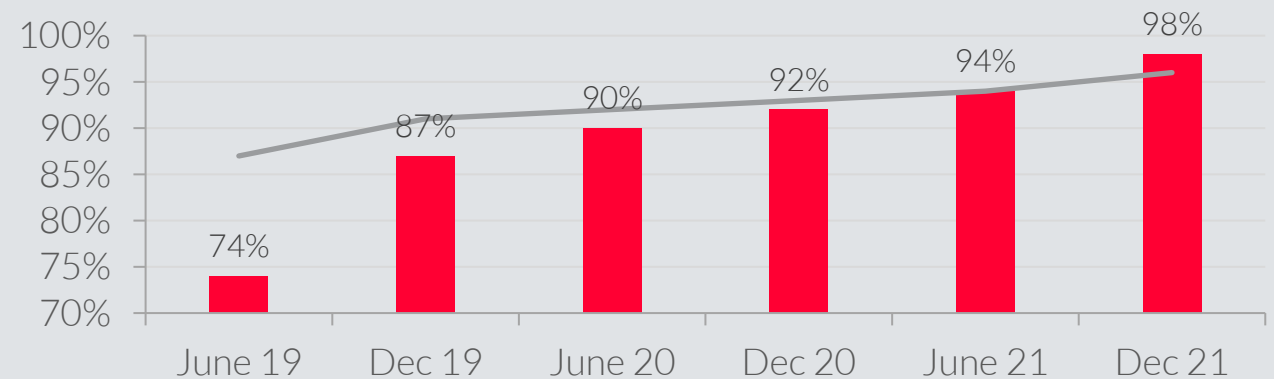
# Progress on prompt payment

- Commitment to prompt payment.
- Performance improved ahead of industry average.

### Average days to pay



### Invoices paid within 60 days



■ Galliford Try — Industry average (Build UK)



# Advantage through Alignment

## Strategic areas of focus



Long-term relationships and greater levels of collaboration



Early engagement



Training and support



Better communication



Payment transparency



- Improved outcomes for supply chain and Galliford Try.
- Opportunity to certify relationship to ISO 44001.
- Targeting 70%-80% core trade spend with Aligned subcontractors.

# Managing inflation



## Strong financial position

- Strong cash position.
- Well-secured forward order book.
- Provides support for disciplined approach.



## Bidding processes

- Appropriate risk allowances in all tenders.
- Contract terms to avoid onerous risks.
- Active supply chain engagement.



## Project management

- Matrices of key material lead times.
- Advanced early planning for better visibility.
- Early procurement.



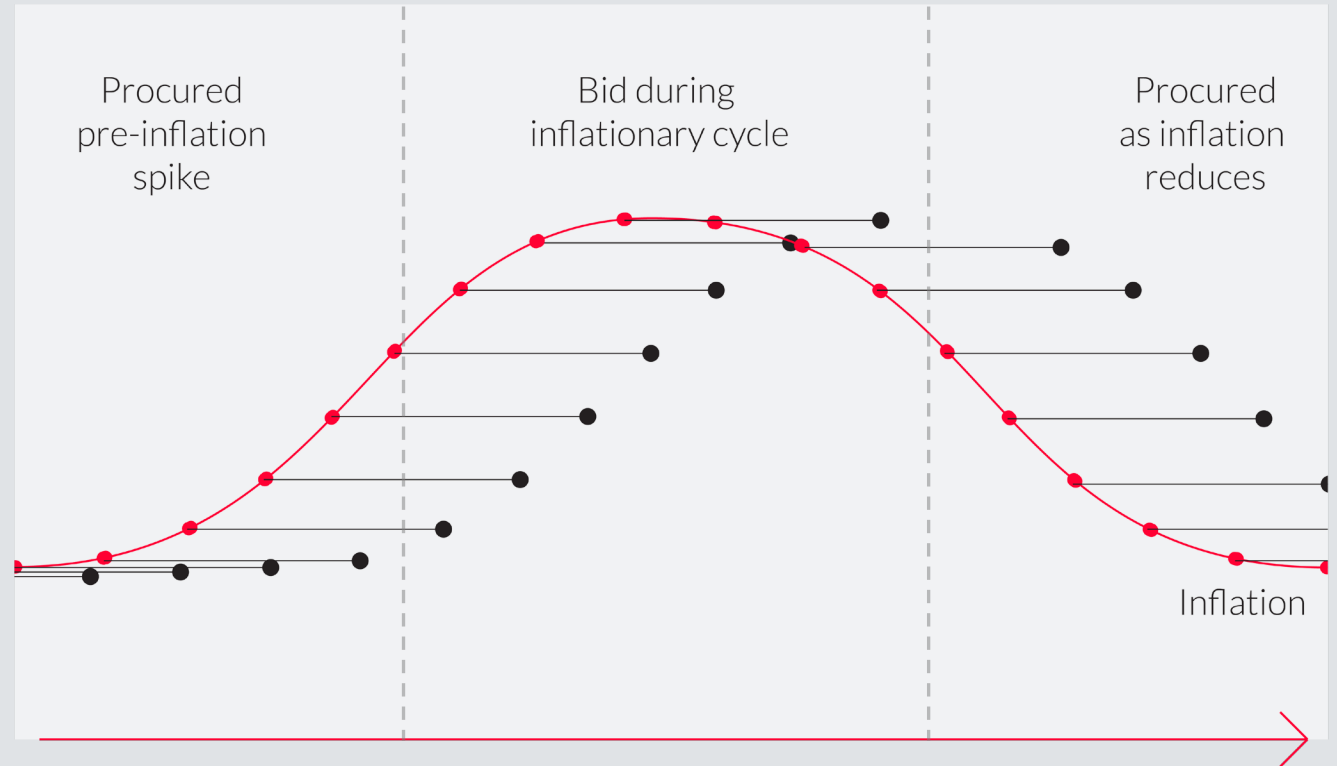
## Disciplined culture

- Strong culture focused on risk management.
- Aligned management incentives across the Group.

# Managing inflation

- Portfolio effect across multiple projects and supplier packages mitigates impact of inflation.
- Focus on early procurement.
- Risk further mitigated through contractual terms and inflation allowances.

## Portfolio effect mitigates inflation risk





# Our sectors



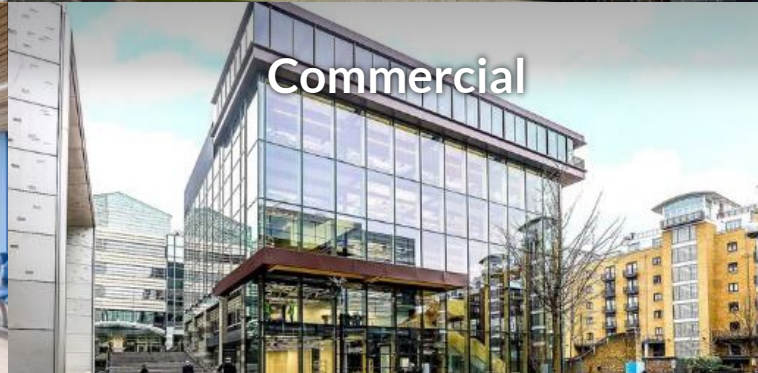
Ian  
Jubb

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Managing Director  
of Building



# Our sectors



# Drivers of market growth

Investment in the UK's social and economic infrastructure

Levelling Up agenda

Urgency of climate crisis

Innovation and productivity

## Examples of funding streams

New Hospitals Programme  
£3.7bn

Various prison transformation programmes  
£3.0bn

Defence Estate Optimisation  
£3.9bn

Department for Education Rebuilding Programme  
£3.8bn

Road Investment Strategy 2  
£27bn

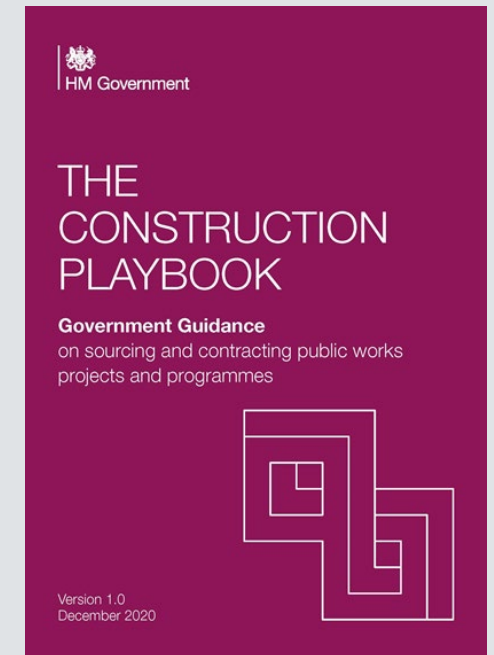


# Government procurement aims

Greener, better, faster delivery

## Construction Playbook

- Favours long-term contracting across portfolios.
- Drives innovation and the adoption of Modern Methods of Construction (MMC).
- Push for standardised designs, components, and interfaces.
- Creates sustainable, effective, win-win arrangements that incentivise better outcomes, equitable risk management and underpin the general financial health of the sector.
- Aims to increase the speed of end-to-end project and programme delivery.
- Sets clear and appropriate outcome-based specifications.
- Gold Standards support Construction Playbook implementation across frameworks.



# Delivering through frameworks

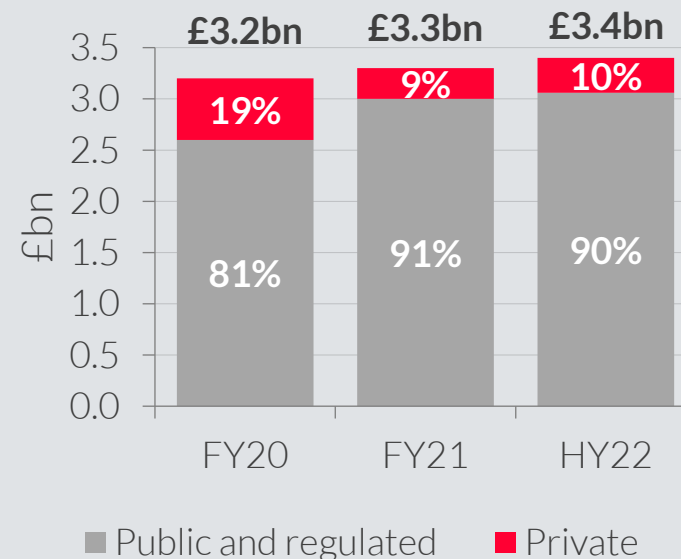
## Improved risk allocation:

- Established and well-understood terms and conditions.
- Long-term client relationships.
- Predictable behaviours.
- Certainty in tendering and typically reduced cost of tenders.

## Frameworks allow strategic planning:

- Long-term visibility.
- Continuous improvement.
- Enhanced project outcomes.

## Order book by client type



**87%**

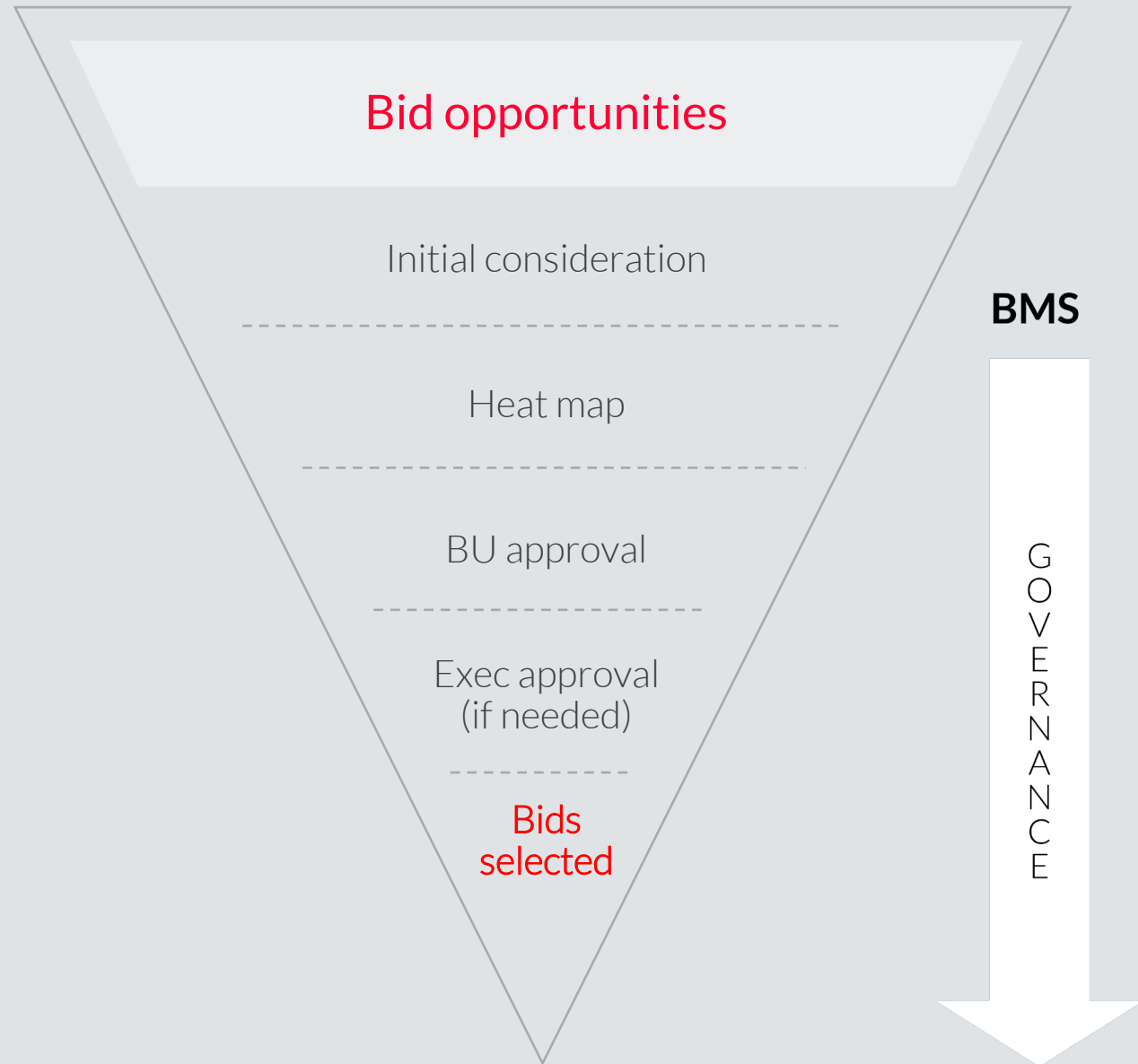
Work in frameworks  
(HY21: 87%).

**<£20m**

Median contract size in  
Building.

# Disciplined contract selection

Assessing and managing risks and uncertainties is the central element of our process and key to delivering sustainable growth.

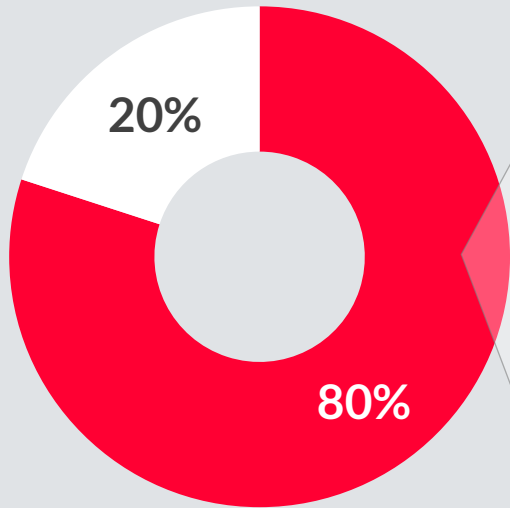




# Quality based tendering

What our clients look for

Indicative scoring criteria



Scoring criteria

- Non-financial
- Financial

Management	24%
Project Delivery	20%
Health, Safety and Environment	6%
Quality	6%
Sustainability and Carbon	6%
Social Value	8%
Contract Management	10%



*People-orientated,  
progressive culture*



*Quality  
and innovation*



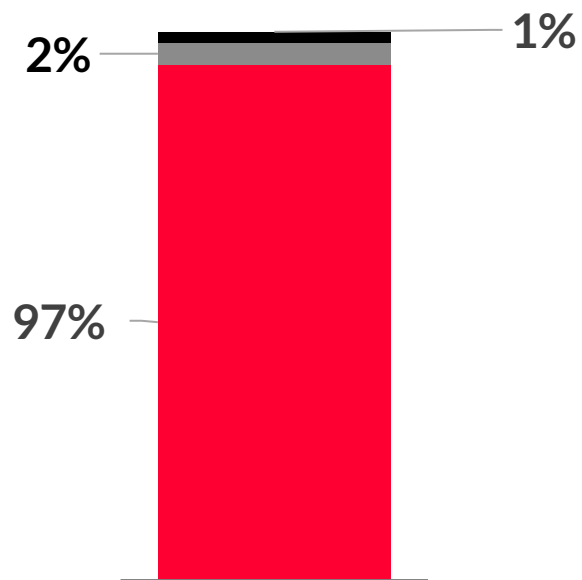
*Socially responsible  
delivery*



*Sustainable financial  
returns*

# Margin drivers

Existing markets



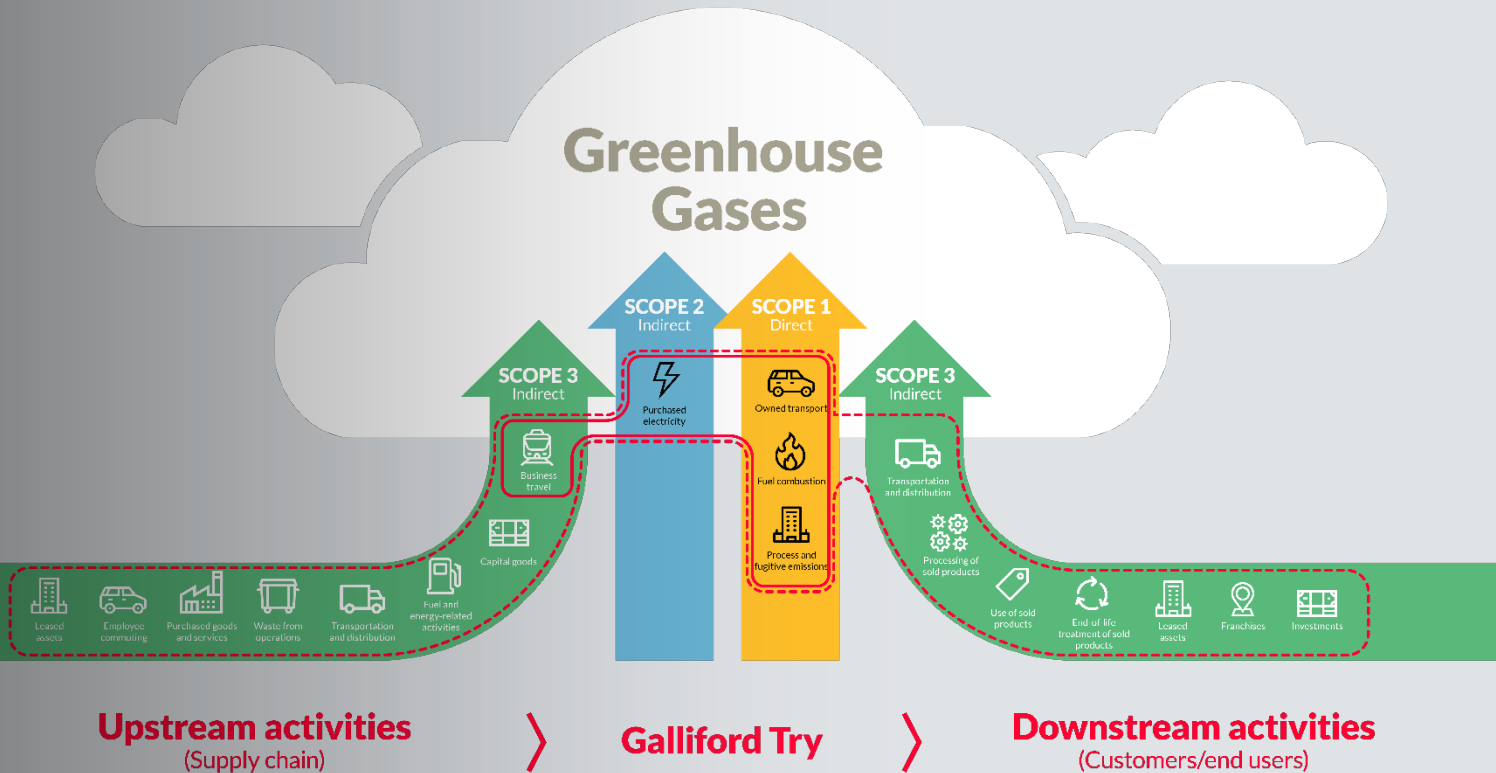
## What will we do differently to grow margin?

- Drive down waste.
  - Process inefficiency: waste design, resource, materials, get it right first time.
- Digital investment to drive efficiency.
- Use of Modern Methods of Construction.
- Investment in our teams.
- Engagement with our supply chain.
- Maintain a high-quality pipeline.



# Carbon

## Greenhouse Gases








# Poppy Parsons

Low Carbon Lead

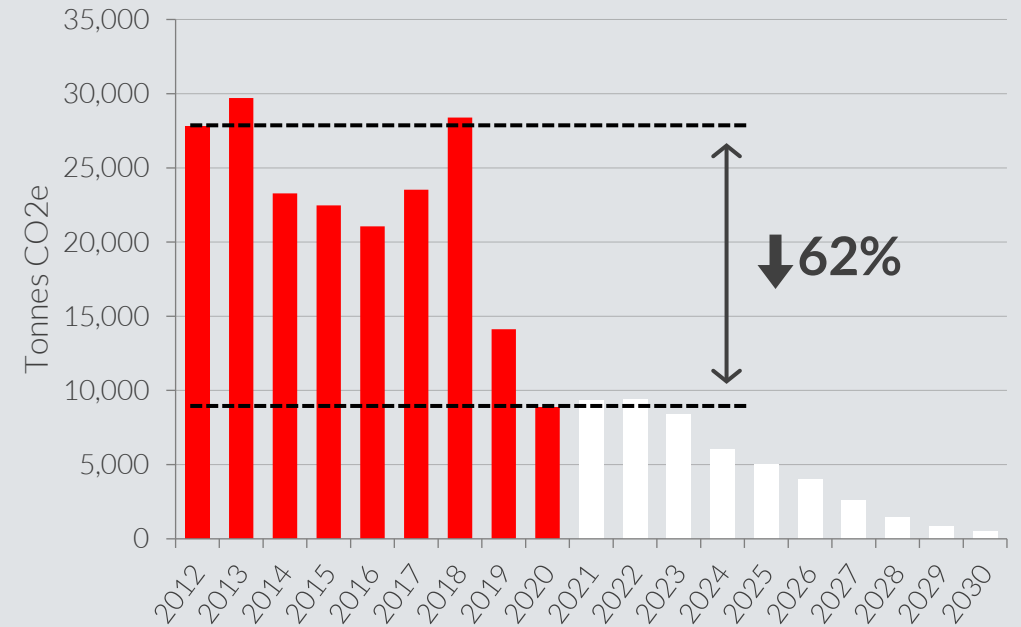


# Our Journey to Net Zero

-  43% electric/PH vehicles.
-  Renewable energy for offices.
-  Electric/alternatively fuelled plant.
-  Earlier grid connections.
-  Agile working.

'Climate Leader' in the Financial Times Statista list.

## Carbon dioxide equivalent emissions (Scope 1 and Scope 2)



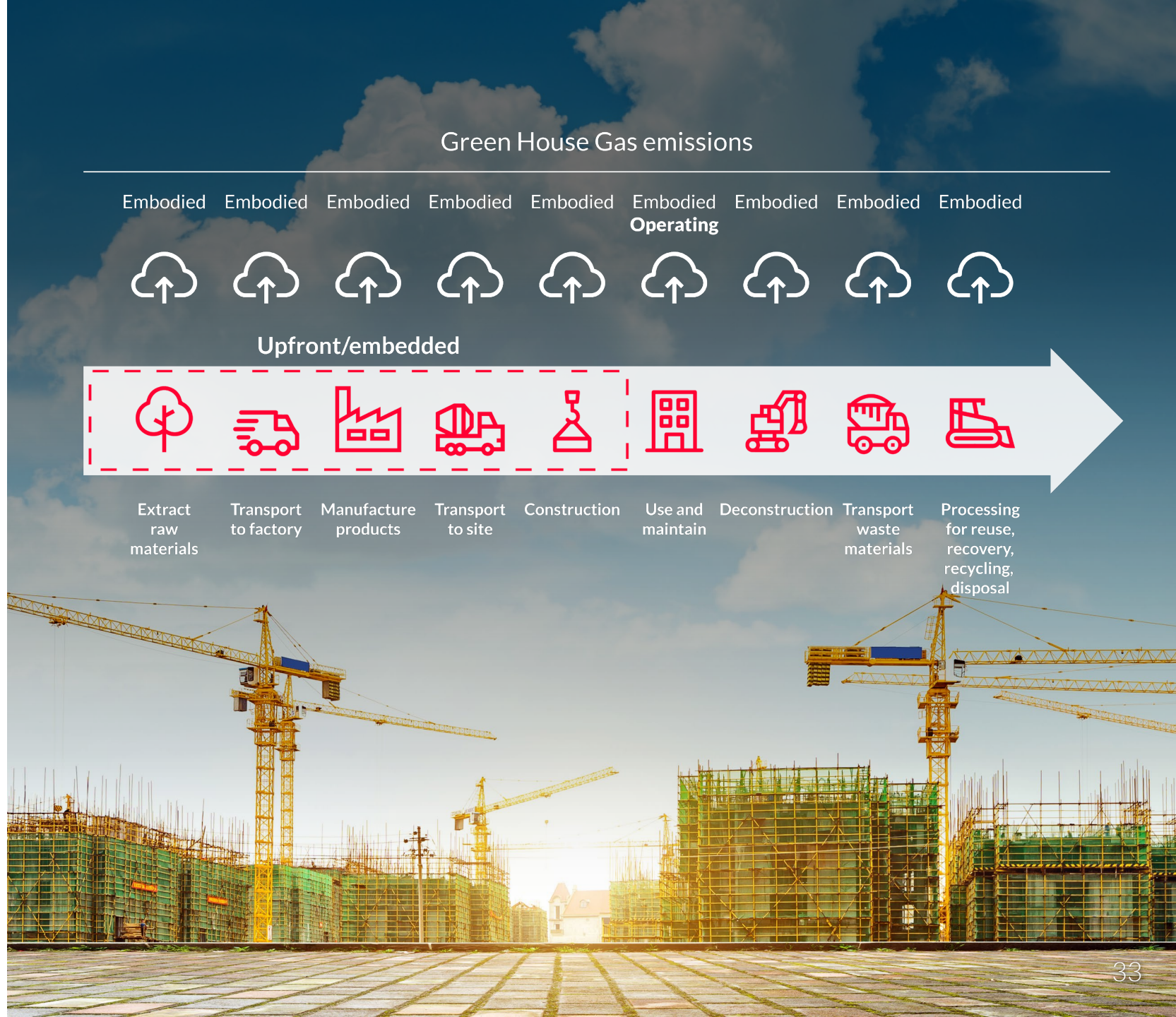
### Net zero across:

- Own operations by 2030.
- All activities by 2045.

# Low carbon

A driver for winning work

- Increasingly becoming a requirement for framework appointments – our investment is a key driver of business growth.
- Clients increasingly focused on net zero carbon in-use and also whole-life carbon.
- Life-cycle budgets can capture cost savings generated from operational efficiency; pay-back periods reducing as energy prices increase.



# Our client's Journey to Net Zero



## SEND school

Enhanced building fabric, renewable energy (PVs), air source heat pumps, enhanced green landscape.



## Secondary College

NetZero in Operation, enhanced building fabric, biosolar roof (inc. PVs), air source heat pumps, single-sided ventilation.



## Optimum Schools Zero

NetZero in Operation, enhanced building fabric, biosolar roof (inc. PVs), air source heat pumps, cross ventilation.



## Infant School

NetZero in Operation, enhanced building fabric, biosolar roof (inc. PVs), air source heat pumps, cross ventilation.



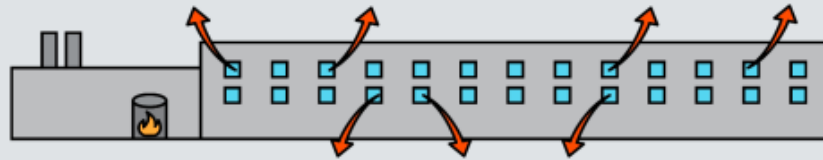
## Gen Zero

Ultra low carbon, common components Retrofit solutions.

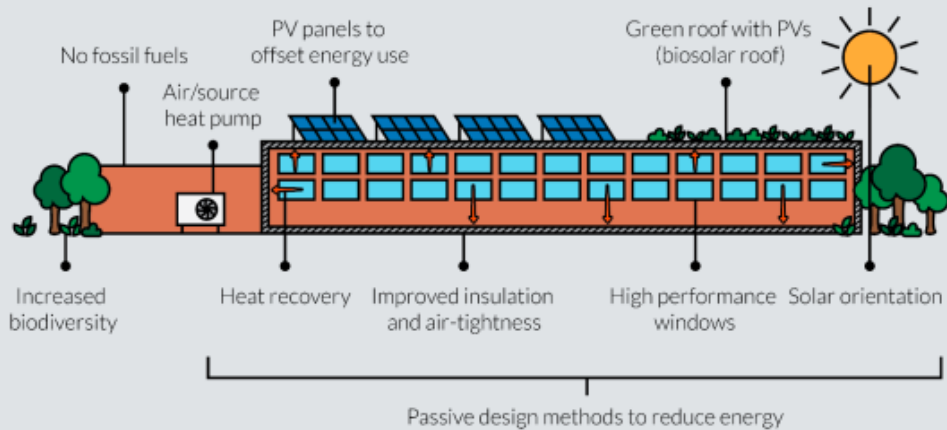


# Designing for low carbon

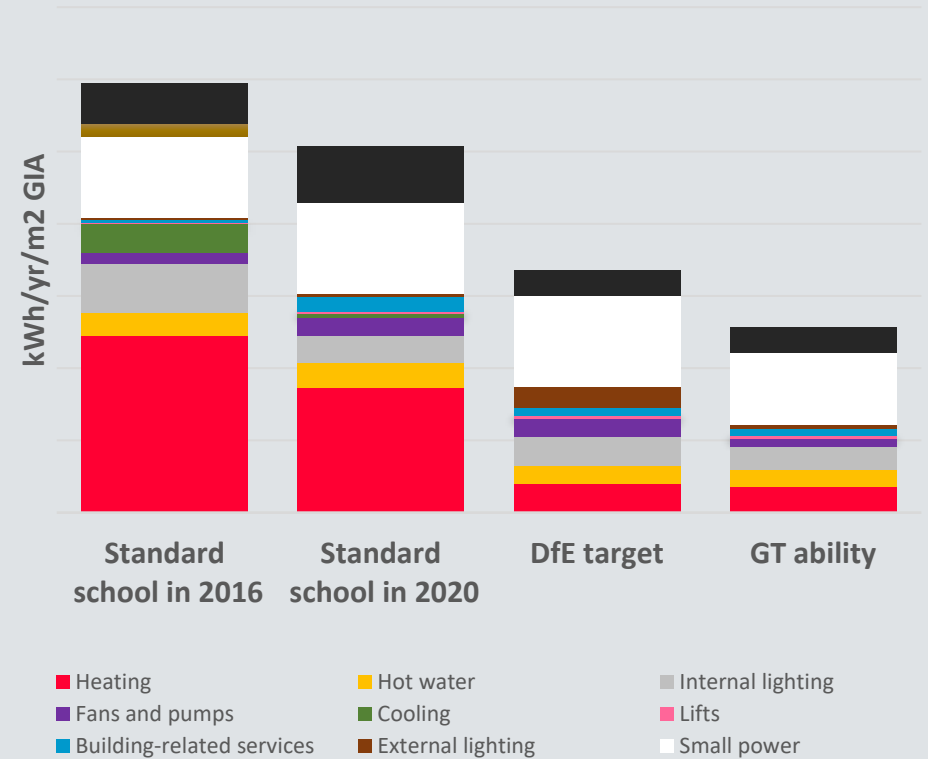
Traditional build



Net zero carbon



Energy Use Intensity Breakdown



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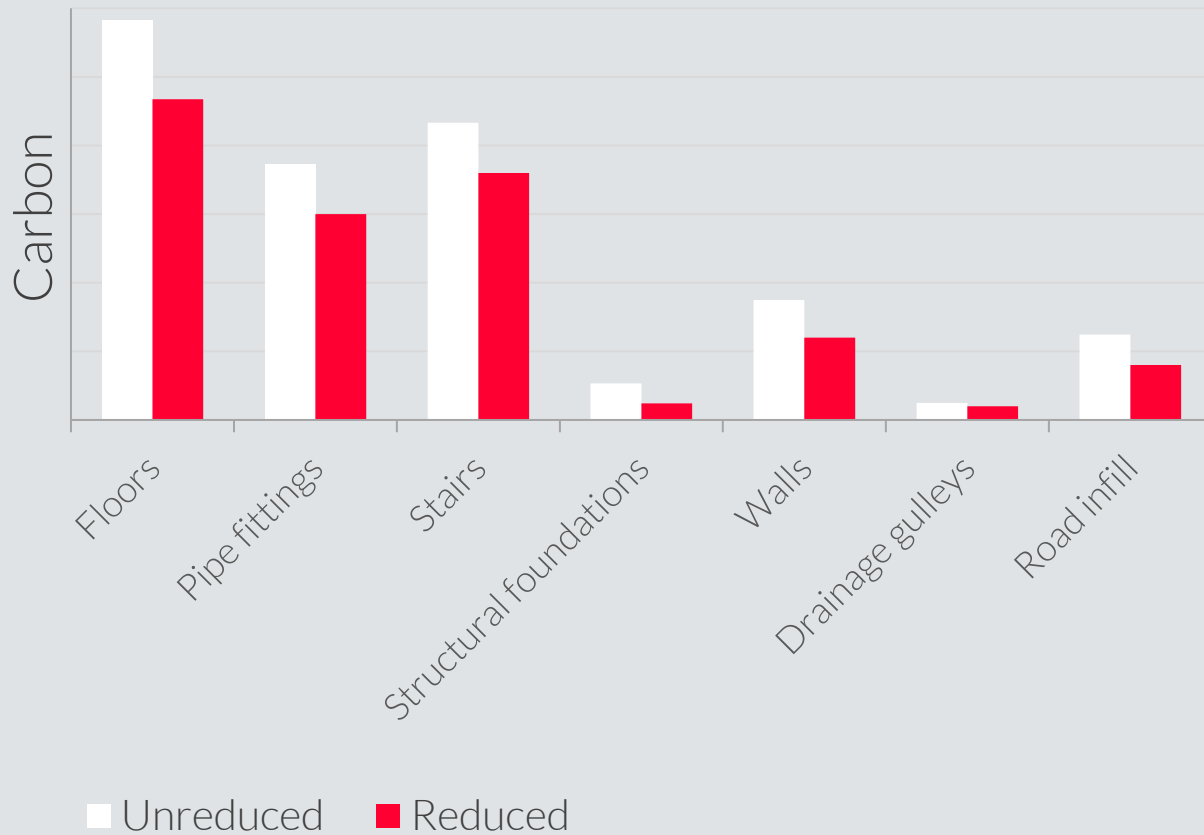
# Delivering low carbon

## Blackridge Early Years Centre

- First early years learning building in Scotland to be built to Passivhaus Certification standards.
- Nursery was developed alongside another early years centre, spatially identical but built traditionally.
- Direct comparison on process, construction method, programme, capital and operational costs; coupled with enhanced data logging when now in use.
- Successfully proved the concept as part of a pilot scheme with West Lothian Council and Hub South East Scotland and won further contracts.



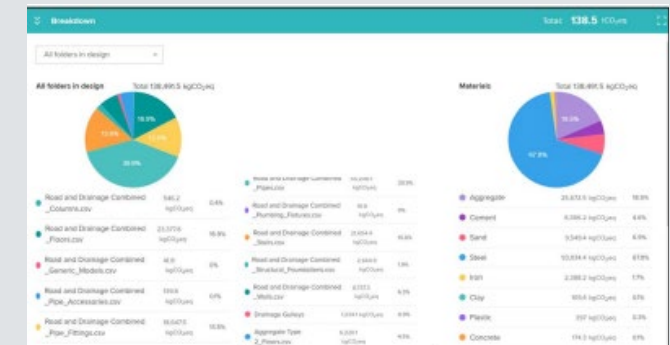
# Digital tools to manage carbon in design and build



## Unreduced



## Reduced

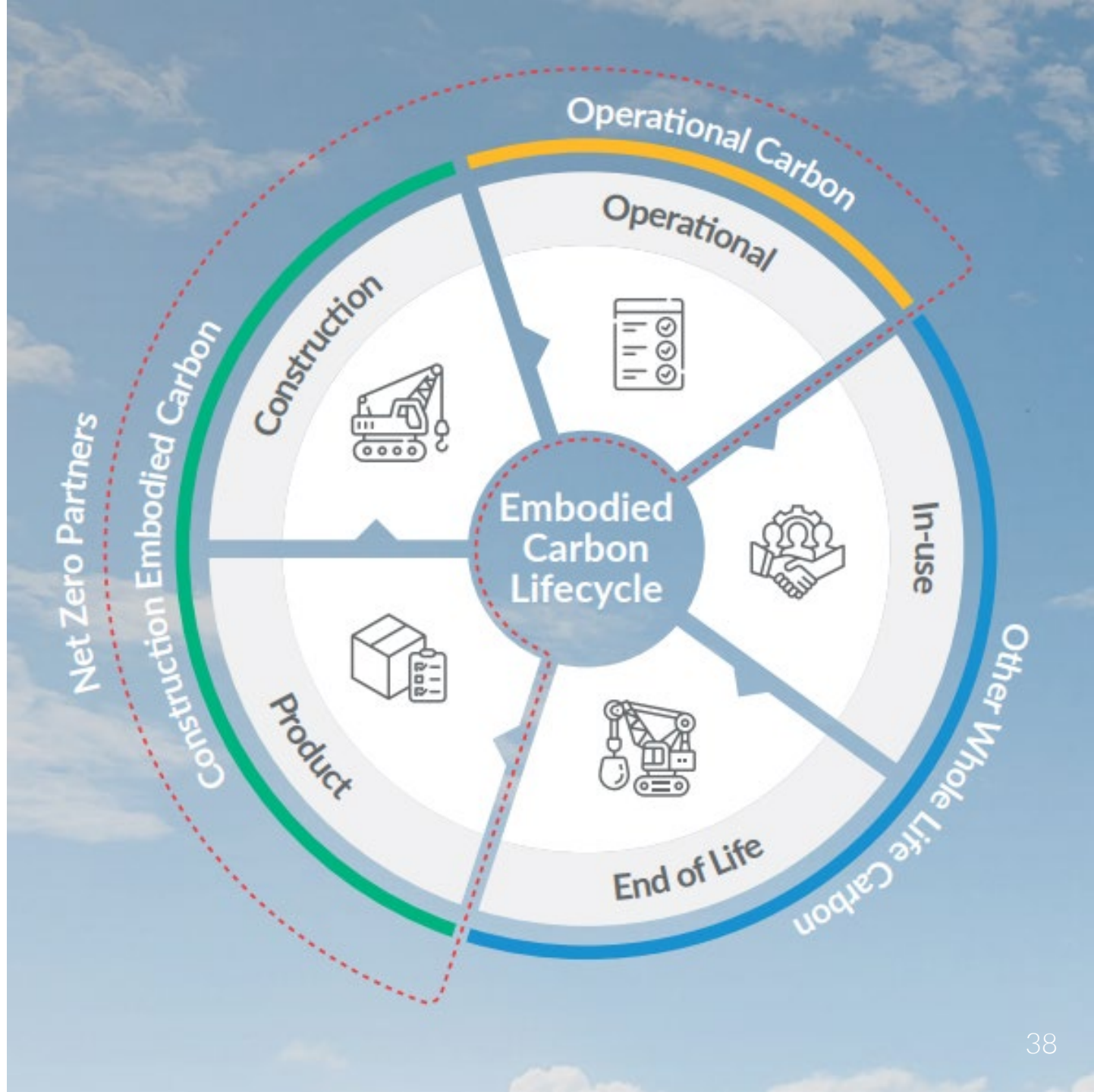




# Net Zero Partners

## Aligned supply chain

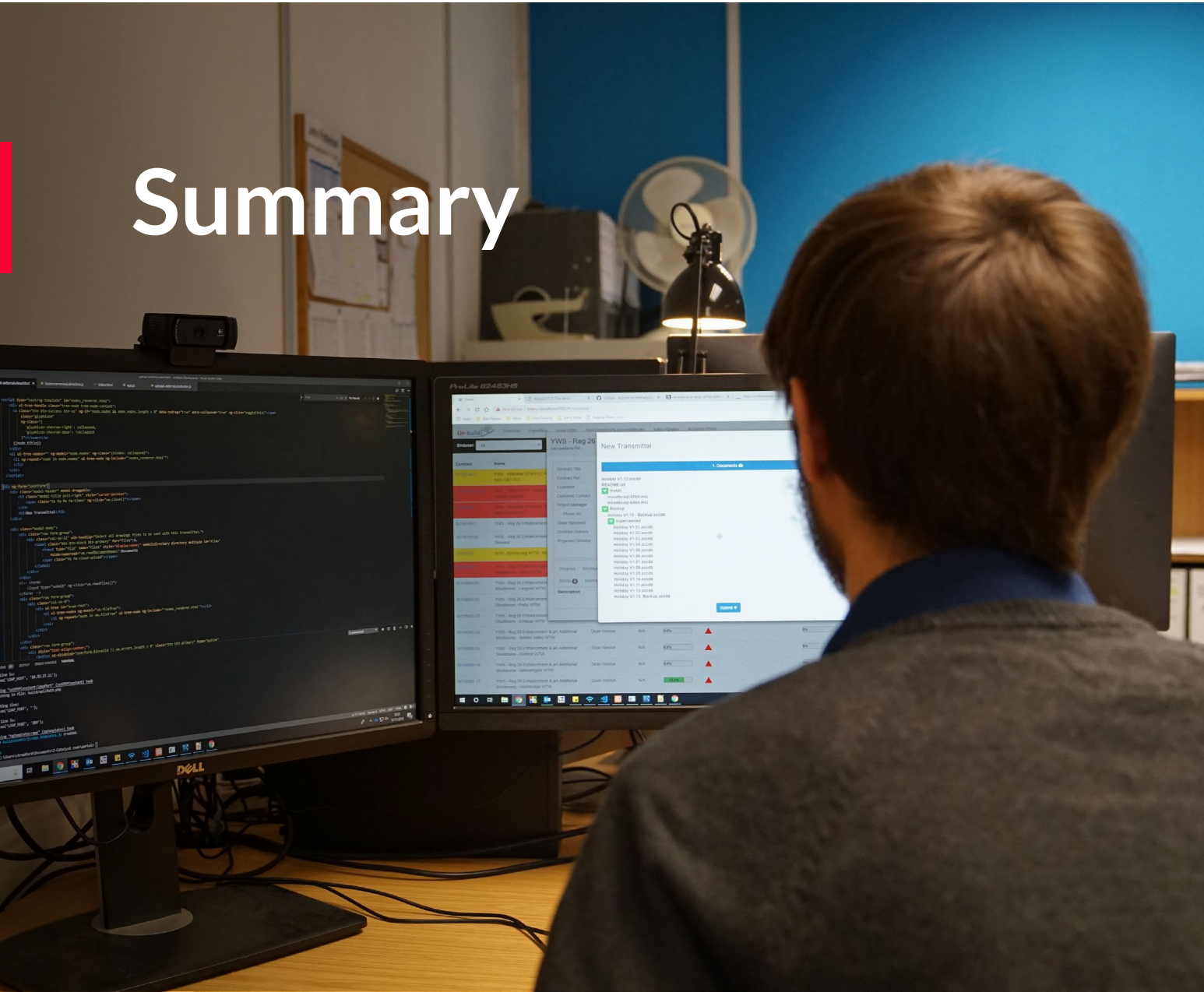
- Collective effort to move our clients to net zero.
- Net Zero Partners supports the upskilling of our Aligned supply chain.
- Also allows us to learn from them.
- Launched across our Scottish brand (Morrison Construction) and being rolled out Group-wide.







# Summary



Bill  
Hocking

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Chief Executive

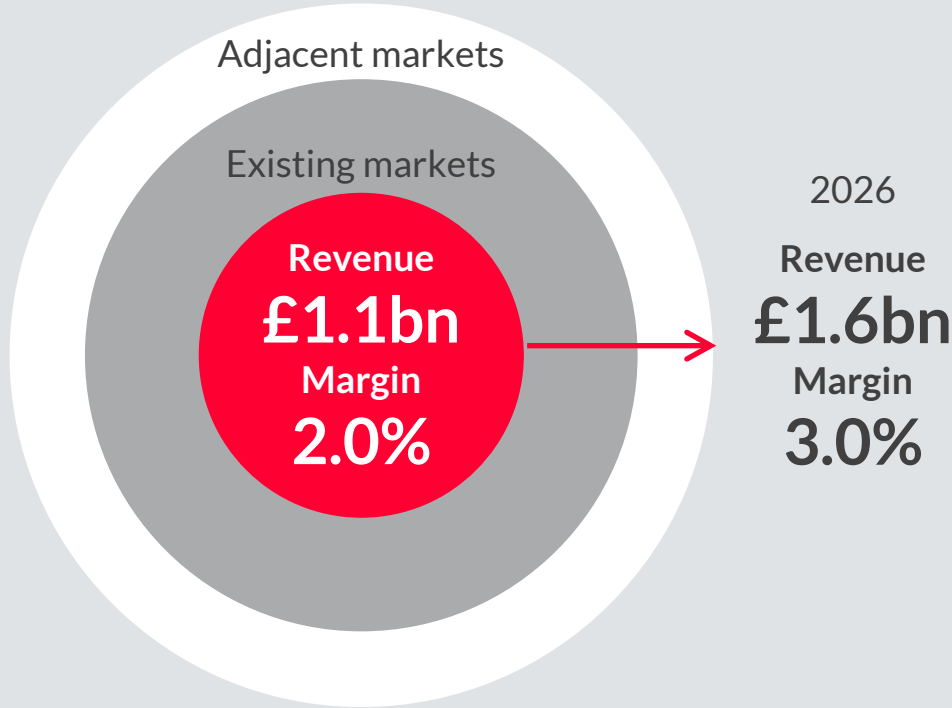


# Delivering Sustainable Growth



- Disciplined growth in existing markets.
- Develop complementary adjacent market opportunities.
- Maintain focus on risk management and commercial discipline.

## Sustainable revenue and margin growth





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# Summary



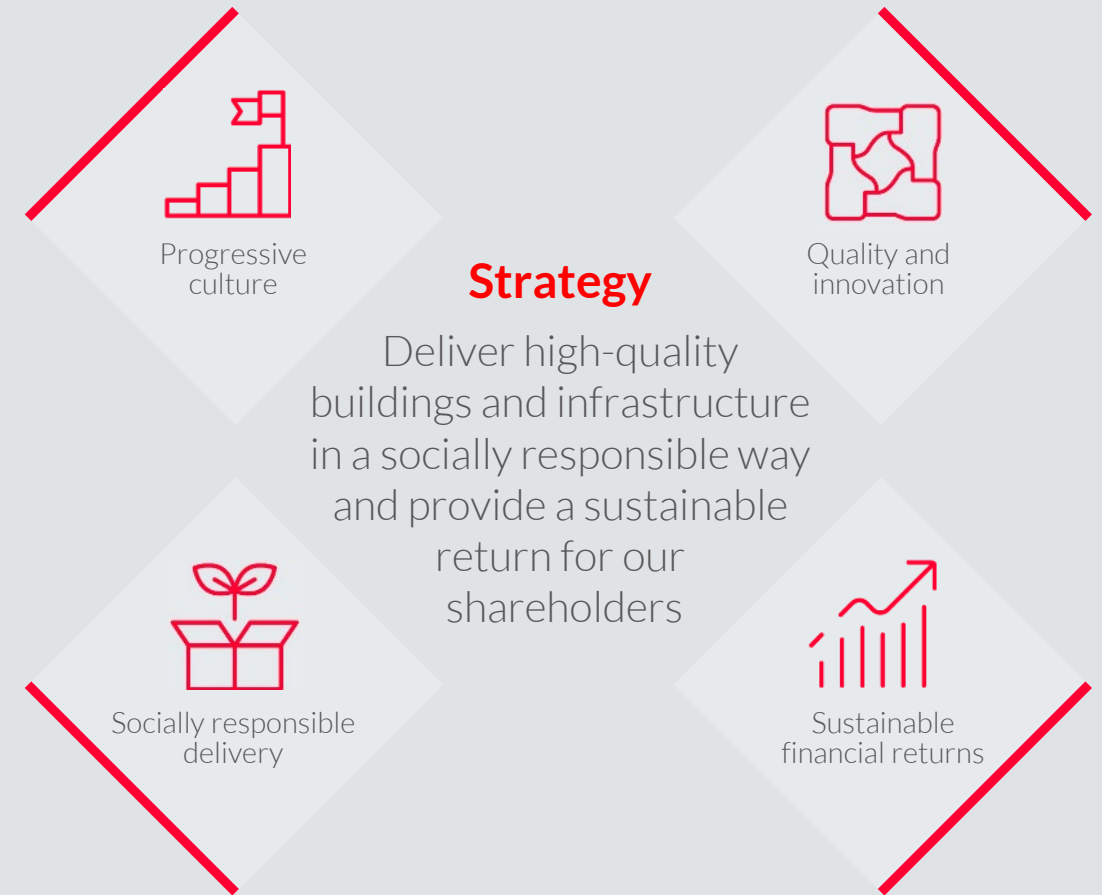
# Sustainable financial performance

Objective	2026 target	Progress at HY22
Focus on bottom line margin growth.	<b>Divisional operating margin growth to 3.0%.</b>	<b>Margin increased to 2.2%.</b>
Disciplined contract selection and sustainable revenue growth.	<b>Revenue growth towards £1.6bn.</b>	<b>HY22 revenue up 10%.</b>
Maintain strong balance sheet.	<b>Operating cash generation.</b>	<b>Operating cash inflow £9m.</b>
Sustainable dividends.	<b>Dividend cover of 2.0-2.5x.</b>	<b>Interim dividend up 83%. Policy improved to 2.0x cover.</b>

# Summary

## Sustainable Growth Strategy on track

- Market conditions that support growth.
- Investment in excellent people.
- Business culture and process that will deliver controlled profitable growth.
- Strong financial position that supports our operations.
- Sustainable and growing dividends, covered twice by earnings.
- Confident in delivering 2026 targets.





# Questions & answers



# Galliford Try attendees



**Peter Ventress**  
Chair



**Bill Hocking**  
Chief Executive



**Andrew Duxbury**  
Finance Director



**Kevin Corbett**  
General Counsel  
& CoSec



**Ian Jubb**  
Building MD



**Vikki Skene**  
HR Director



**Mark Baxter**  
Investments, FM and  
Specialist Services MD



**Steve Slessor**  
Environment MD



**David Lowery**  
Highways MD



**Poppy Parsons**  
Low Carbon Lead



**Guy Cotton**  
Pre-Construction  
Director



**Claire Jackson**  
Education Director



**Mark Shadrack**  
Environment  
Operations Director



**Babita Pawar**  
Communications  
Director

Key: Executive Board