

Sustainable Growth

Full year results to 30 June 2023

20 September 2023

GallifordTry



A flagship carbon neutral R&D facility for the National Manufacturing Institute Scotland

Agenda

Full year results to 30 June 2023

Highlights

Financial review

Sustainable Growth

Q&A

Best Graduate Employer in Construction/Civil Engineering 2023

Bill
Hocking

Chief Executive

Strong performance; confident outlook

Strong progress across Sustainable Growth Strategy

- Strong performance across all operations despite backdrop of macroeconomic challenges during the year.
- Acquisitions provide enhanced growth opportunities.
- Increased revenue and profit before tax.

Excellent pipeline; positioned for growth beyond 2026

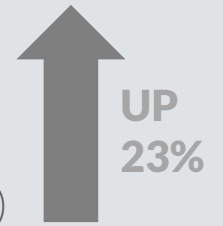
- Strong order book position; high-quality pipeline with visibility beyond next election.
- Consistent, non-cyclical demand in existing and adjacent markets. Excellent client and supply chain relationships.

Delivering increasing shareholder returns

- Improved cover driven by balance sheet strength; excellent cash position and annuity PPP income.

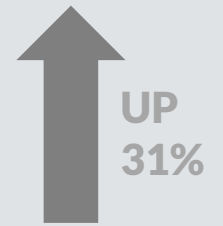
£23.4m

Pre-exceptional profit
before tax¹ (FY22: £19.1m)



10.5p

Dividend per share
(FY22: 8.0p)



£3.7bn

Order book
(FY22: £3.4bn)



¹ Pre-exceptional items and FY23 stated before one-off contract settlement of £2.8m announced on 8 June 2023.



Financial review

"This is a great example of how a large-scale construction project should work and the outcome is absolutely tremendous."

*Lawrence Fitzpatrick,
Council Leader, West Lothian Council*

Winchburgh Schools Campus

Andrew
Duxbury

Group Finance Director

A compelling investment case

High-quality business operating in robust markets generating growing returns

Robust market opportunity

- Excellent position in chosen sectors.
- Demand driven by climate change, growing population, ageing infrastructure.
- Strategy for growth in adjacent markets with higher margins.
- Increasing barriers to entry.

Rigorous risk management

- Embedded culture of assessing and managing risk.
- Rigorous contract selection and delivery.
- High-quality, well bid order book; robust pipeline.
- Broad, risk managed portfolio.

A progressive culture

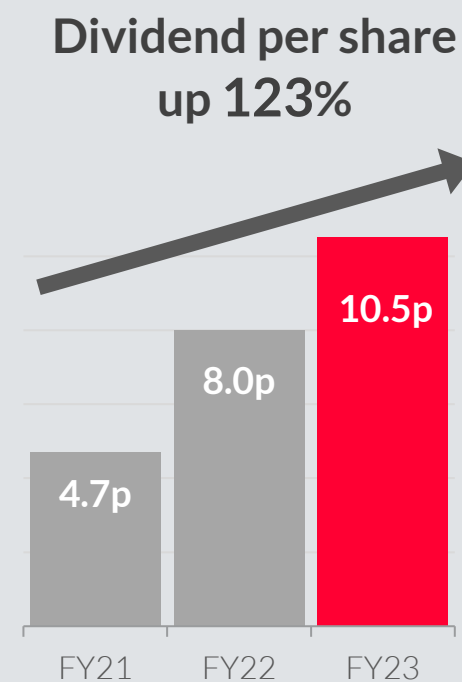
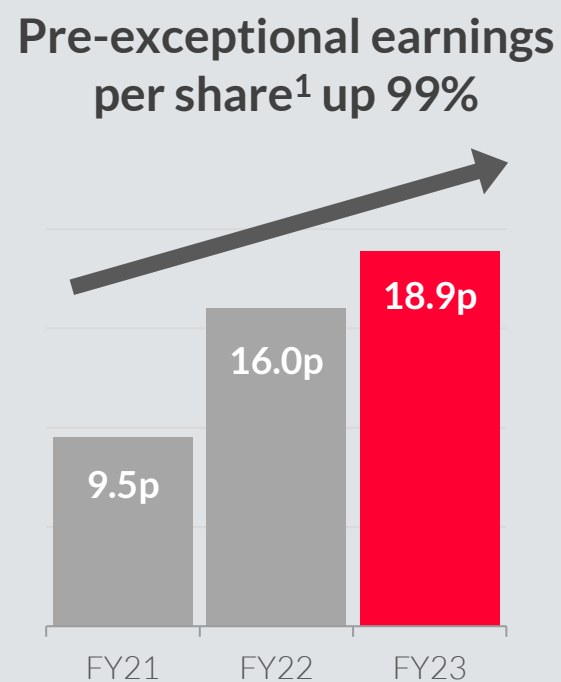
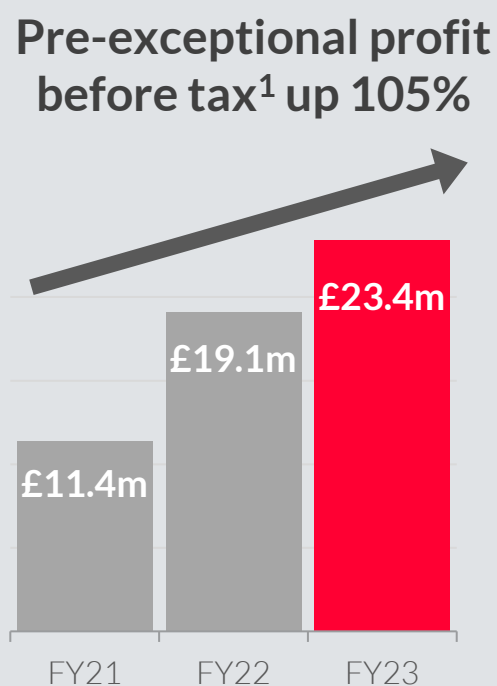
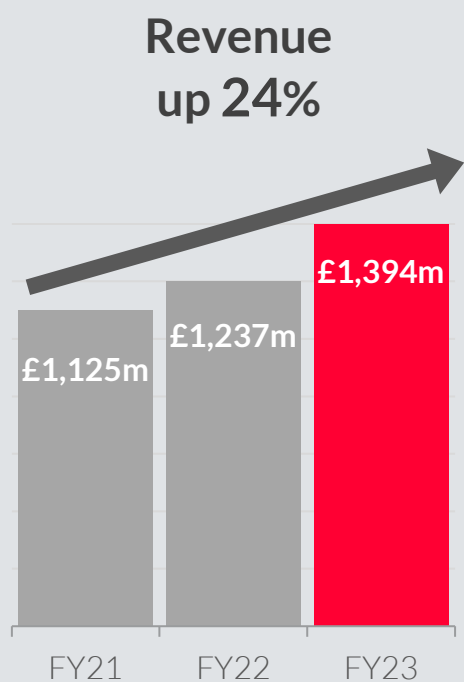
- People-orientated business – attract, retain and develop employees who share our vision, values and purpose.
- Focus on quality and innovation, using digitalisation.
- Embedded ESG metrics.

Strong financial position

- Track record of financial delivery.
- Strong balance sheet; no debt or pension liabilities.
- Margin growth target.
- Increasing shareholder returns.

Positive earnings momentum

Consistent and profitable growth since 2020 demerger



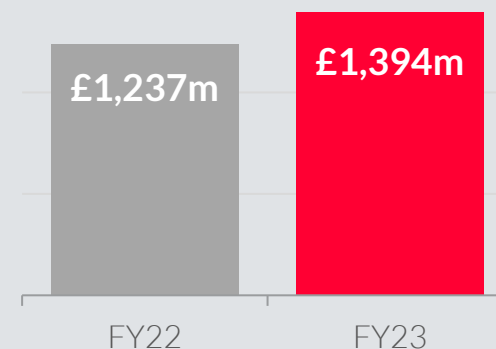
¹ Pre-exceptional items and FY23 stated before one-off contract settlement of £2.8m announced on 8 June 2023.

Strong operational performance

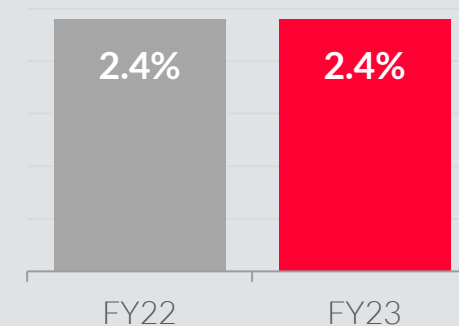
- Controlled revenue growth ahead of strategic target.
- Robust operating margin demonstrating quality of portfolio.
- Successful conclusion of final legacy contract dispute resulting in £26m cash receipt.
- Profit before tax includes £3.6m disposal of joint venture investment and higher interest income.

	FY23	FY22	Var
Revenue (£m)	1,393.7	1,237.2	+12.6%
Pre-exceptional operating profit before amortisation ¹ (£m)	21.9	18.5	+18.4%
Pre-exceptional profit before tax ¹ (£m)	23.4	19.1	+22.5%
Pre-exceptional earnings per share ¹ (p)	18.9	16.0	+18.1%

Revenue of £1.4bn up 12.6%



Divisional operating margin of 2.4%



¹ Pre-exceptional items and FY23 stated before one-off contract settlement announced on 8 June 2023.

Segmental analysis

- Revenue growth across all business segments.
 - Building - new contract starts now normalising.
 - Infrastructure revenue growth of 34% driven by water sector.
- Robust margins in both Building and Infrastructure; margin includes one-off cost of living payment and acquisitions.
- Central increase includes one-off items.
- Exceptional items: £10.5m investment related to new cloud-based systems; now live.

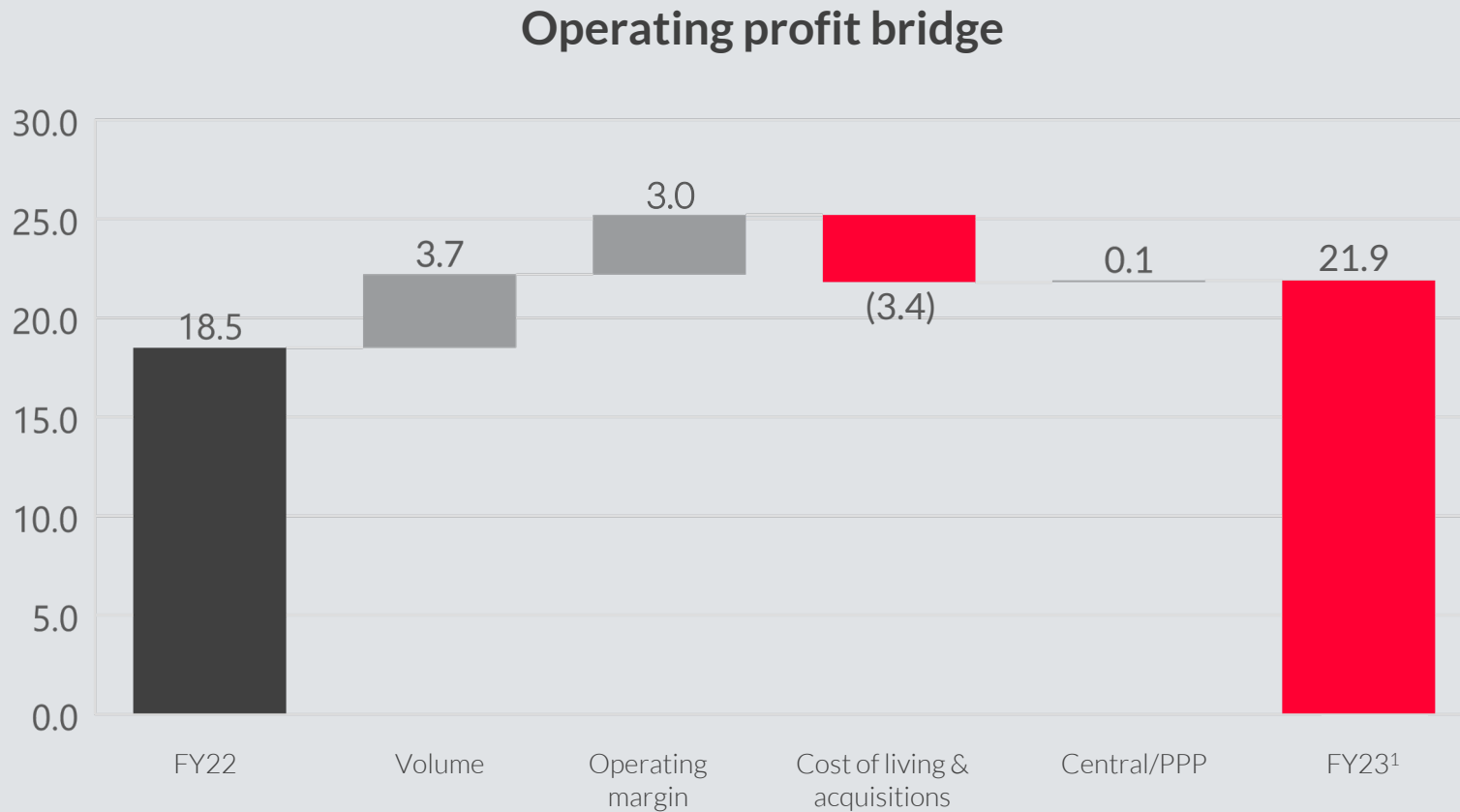
	FY23	FY22	Var
Revenue (£m)	1,393.7	1,237.2	+12.6%
Building	797.1	789.1	+1.0%
Infrastructure	590.8	441.9	+33.7%
PPP Investments	5.8	6.2	(6.5)%

	FY23 ¹	FY22	Var
Operating profit/(loss)¹ (£m)	21.9	18.5	+£3.4m
Building	18.5	18.9	£(0.4)m
Infrastructure	14.5	10.8	+£3.7m
PPP Investments	1.4	(0.9)	£2.3m
Central	(12.5)	(10.3)	£(2.2)m

	FY23 ¹	FY22	Var
Operating margin (%)			
Building	2.3	2.4	(0.1)ppt
Infrastructure ¹	2.5	2.4	+0.1ppt
Combined divisional ¹	2.4	2.4	No change

¹ Operating profit before amortisation and exceptional items; FY23 also excludes one-off contract settlement announced on 8 June 2023.

Increasing operating profit



- Margin improvement, before cost of living payment and acquisitions, provides confidence for the future.
- Reflection of quality in order book.
- Focus on efficient contract delivery.

¹ Pre-exceptional items and FY23 stated before one-off contract settlement announced on 8 June 2023.

Managing the macroeconomic environment

Theme	Our approach	Outcomes
 Inflationary pressures	Strong client relationships and effective risk management; pricing-in inflation.	→ Margin 2.4%. → Prompt payment 98%. → Early careers population 6.3%. → Order book £3.7bn.
 Supply chain failure	Robust partner selection and enhanced due diligence; understanding their challenges and drivers and providing an appropriate level of support.	
 Materials availability	Early planning and procurement; maintain matrices of key materials; healthy cash position enables us to buy ahead of time.	
 Skills shortage	Investment in careers programme and expanding talent pools.	
 Macroeconomic uncertainty	Selective about markets, public sector focus, targeting frameworks, strong visible and non-cyclical pipeline leading to a high-quality order book.	

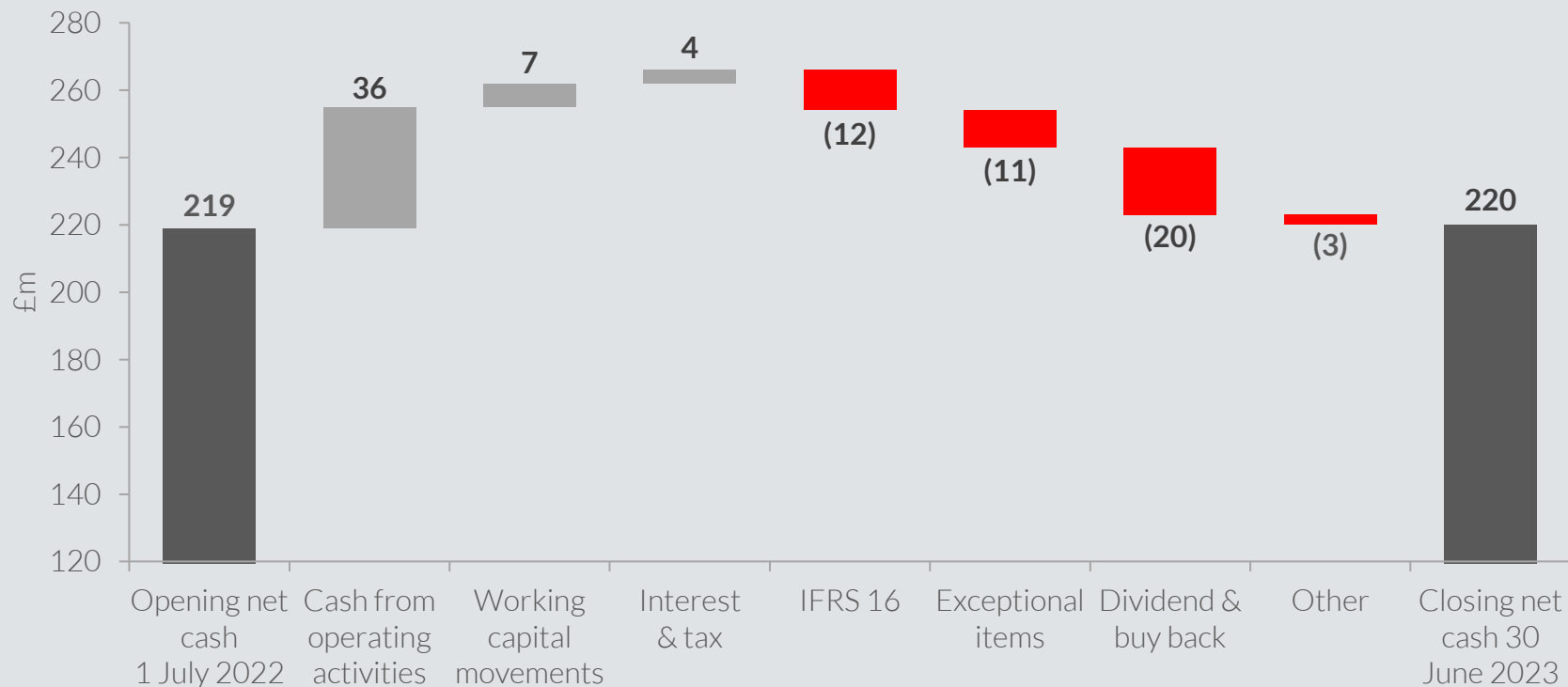
Strong balance sheet

- Well-capitalised.
- Continued balance sheet strength driven by net cash and PPP assets.
- Robust cash position.
 - Average month-end cash of £135m.
 - No debt.
 - No pension liability.
- PPP portfolio valued at £44.6m.
 - Annuity income stream of £3.9m.

Balance sheet £m	30 June 2023	30 June 2022
Intangible assets & goodwill	98.3	97.0
PPP & other investments	44.6	47.5
Other non-current assets	61.3	45.9
Working capital	(268.5)	(255.5)
IFRS 16	(39.1)	(24.8)
Net cash	220.2	218.9
Other	1.8	3.1
Total net assets	118.6	132.1
Average month-end cash	135	174

Robust cash performance

Average month-end cash £135m



98%

of invoices paid in 60 days, exceeding PPC requirement of 95%

26

average days to pay

88%

of invoices from suppliers with less than 50 employees paid in 30 days

Prioritising capital allocation

A strong balance sheet

Strong balance sheet to support operations

- Competitive advantage.
- Gives confidence to clients and supply chain.
- Supports disciplined approach to project selection.
- Mitigation of any adverse market conditions.

Average month-end cash £135m

Invest in the business

- Enables strategic and bolt-on acquisitions to enhance capabilities.
- Accelerates adjacent market opportunities.
- Investment in digital capabilities.

MCS and Ham Baker acquisitions.

Sustainable shareholder returns

- Dividends will grow with earnings.
- Improved full year dividend policy set at 1.8x cover.

**FY EPS up 18%¹
FY DPS up 31%**

Return excess cash

- Additional shareholder returns of excess cash, when appropriate.

**£15m share buyback
12.0p special dividend**

¹ Pre-exceptional items and FY23 stated before one-off contract settlement announced on 8 June 2023.

FY24 outlook

- Confidence in FY24 outlook, supported by strong balance sheet, quality order book and robust performance.
- Pre-exceptional profit expected to be at the upper end of estimates¹.
- Average cash similar to FY23.



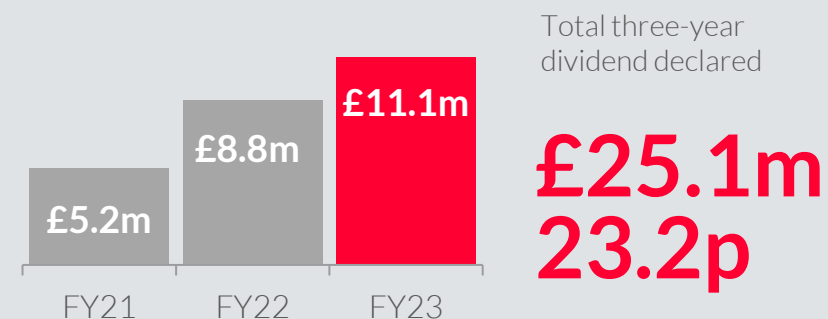
¹ Current range of analysts' estimates for pre-exceptional PBT for FY24 is £24.0m to £28.0m based on forecasts at 13 September 2023.

Delivering shareholder value

Increasing returns with improved performance

- Special dividend declared while retaining funds for growth.
- Buyback will provide long-term increase to earnings per share and dividend per share.
- Improved dividend policy demonstrates strong operational performance and value in PPP portfolio.
- 10.5p full year dividend declared.
- 31% increase in FY23 dividend with further expected growth as we deliver our strategic targets.

Since 2020 demerger



£15m Share buyback

12.0p Special dividend



Sustainable Growth

Bill
Hocking

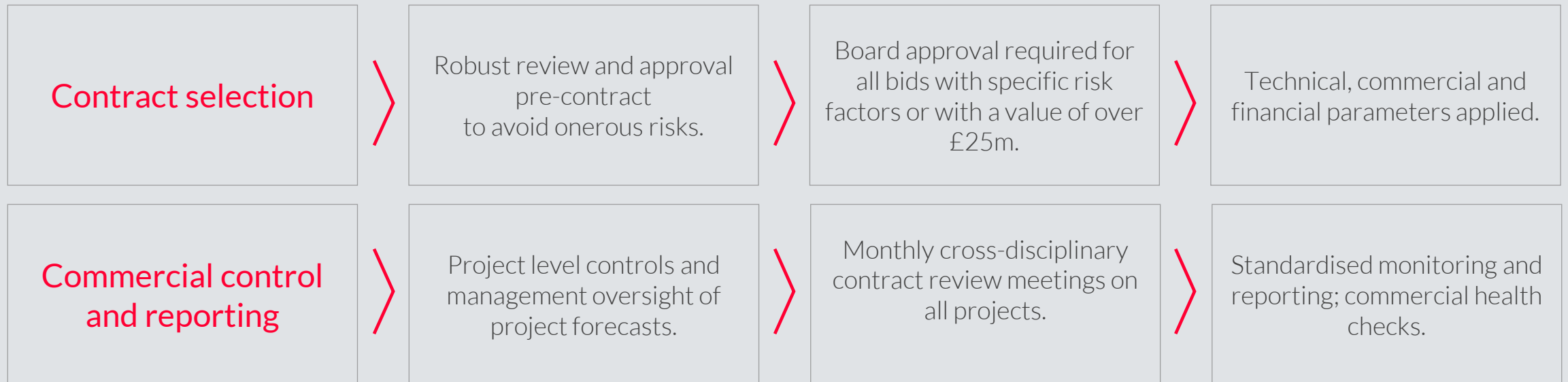
Chief Executive

Engine for Sustainable Growth



Focused risk management

Assessing and managing risks and uncertainties is the central element of our process and business strategy





Growth via existing markets

Building.
Highways.
Environment.

Growth via adjacent markets

Private Rented Sector (PRS).
Capital maintenance and asset optimisation
within the existing Environment sector.
Green retrofit.

ESG

Supporting our growth strategy

Environment: carbon | biodiversity | resources

69% reduction in Scope 1 and 2 carbon emissions since 2012*

79% of our fleet is electric/plug-in hybrid

94.5% Waste diverted from landfill

2030 Net zero by 2030 within our operations and by 2045 across all operations

Social: No harm | Talent | Community

0.09 Accident Frequency Rate

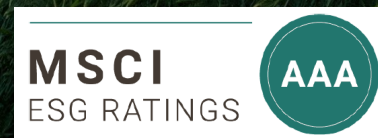
86% Employee advocacy score

No1 Graduate Employer in Construction/Civil Engineering

£328m Social and local economic value delivered

26 days taken on average to pay suppliers

Governance and reporting

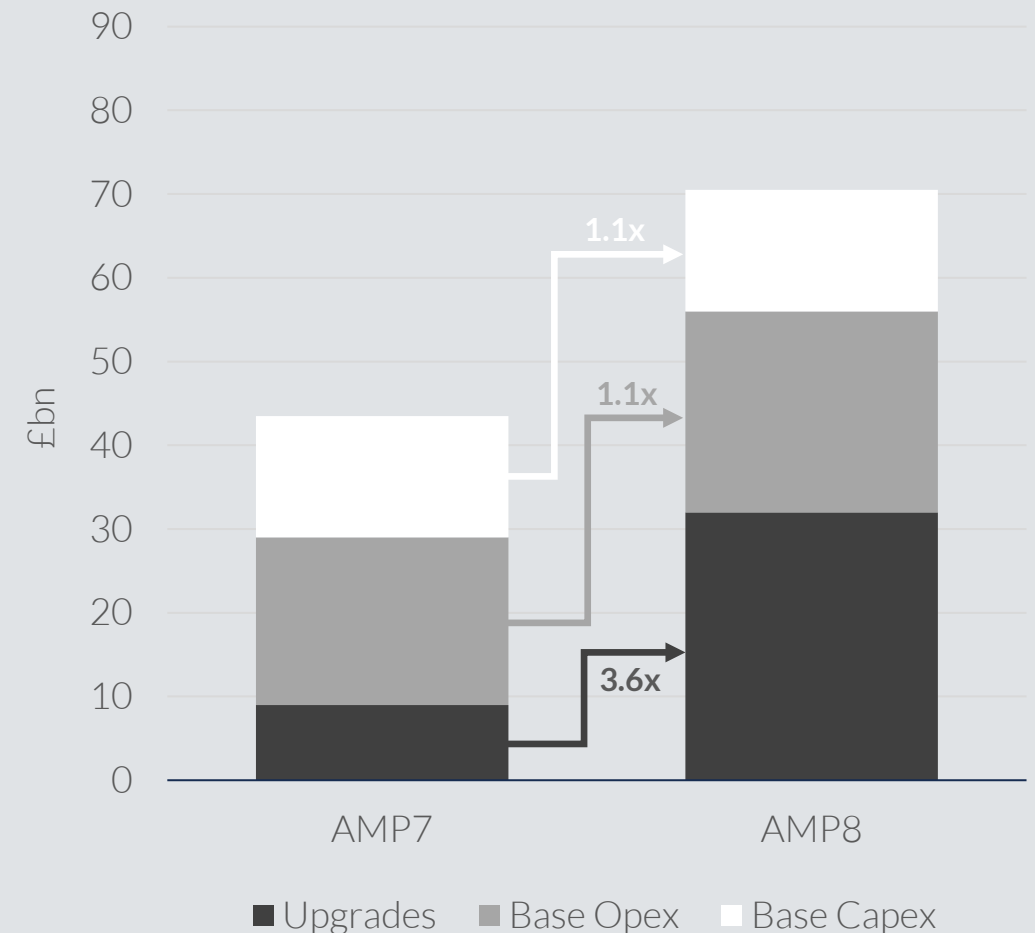


*Excluding acquisitions.

Water sector investment

- Significant increase in investment across AMP8.
- Well positioned and working for all of the major regulated water and sewage companies in England, Wales and Scotland, across design and build and capital maintenance activities.
- Acquisitions bring complementary capabilities that give a further advantage for AMP8, in particular addressing storm overflow challenges.

AMP8 forecast¹



¹ Galliford Try estimates based on predicted water company PR24 business plans and Ofwat data.

Water technologies

Case study

- New partnership that will help UK water sector.
- Galliford Try expertise in the design, build and operation of water and wastewater assets.
- Siemens' technical expertise and digital tools, hardware and software in water and wastewater.
- The new offering will:
 - Speed up project delivery significantly.
 - Optimise new and existing infrastructure assets across their lifecycle.
 - Focus on reducing pollution, operational costs, and achieving net zero.



Strong market outlook

Maturing procurement and sector attitudes

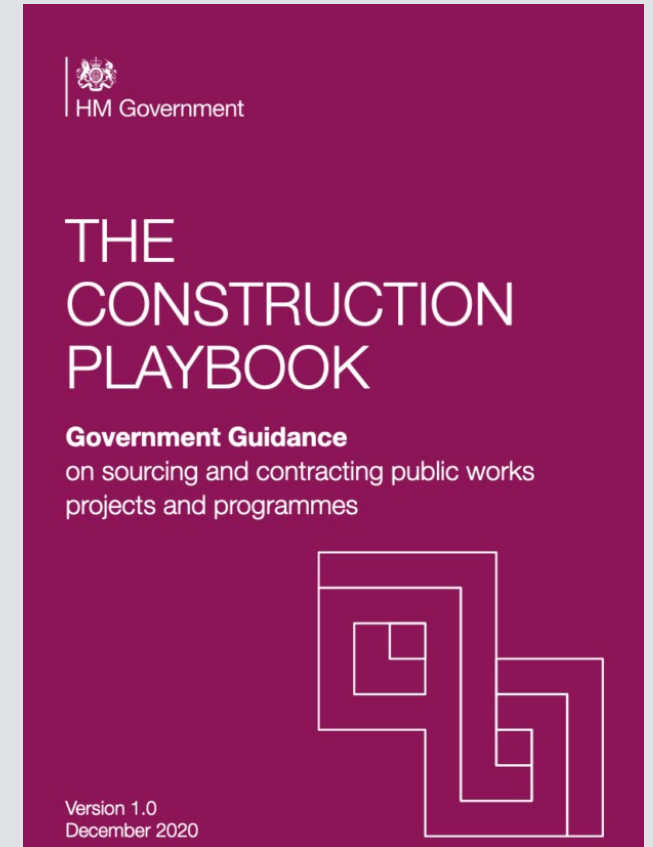
- Shift in value – quality-based procurement.
- More equitable risk management to underpin the general financial health of the sector.
- Incentivisation – contract mechanisms or by long-term collaborative arrangements.
- Closer collaboration of project stakeholders.
- Greater awareness of under-priced tendering.

Supply chain resilience

- Benefits of engagement and emphasis on protecting supply chain payment.

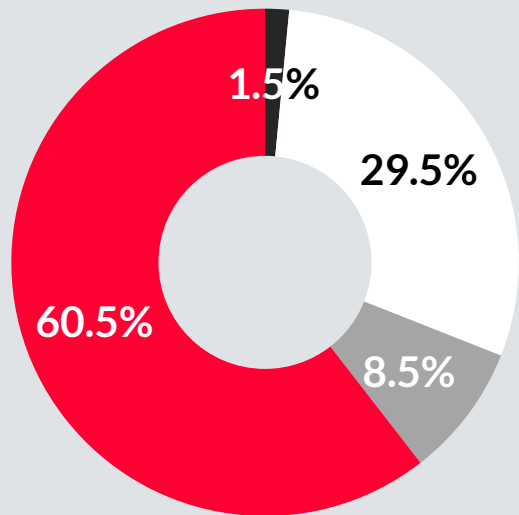
Market opportunity

- Investment in the UK's social and economic infrastructure and core sectors are providing opportunities to grow.
- Significant opportunity for decarbonisation – making public infrastructure more resilient to the changing climate and client net zero client ambitions.
- Investment in digitalisation and innovation supports the UK's productivity.



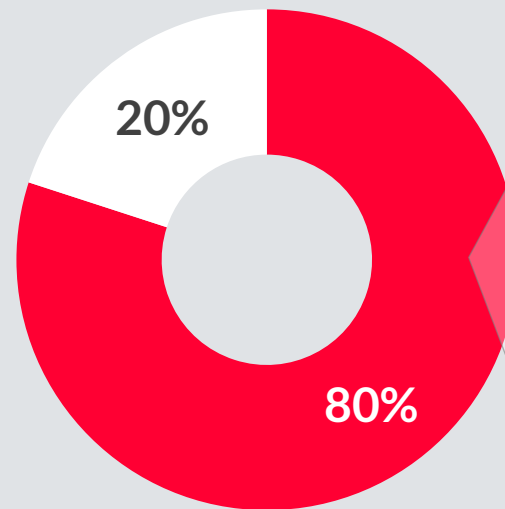
Quality-based work-winning

Order book procurement route



- Single-stage
- Negotiated
- Two-stage
- Target/cost plus

Indicative scoring criteria

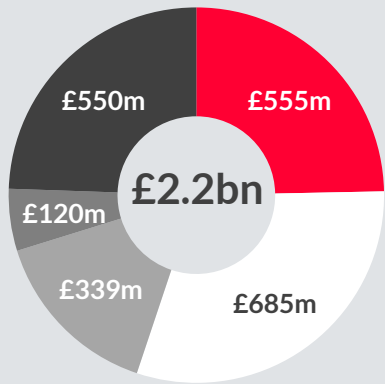


Scoring criteria

- Non-financial
- Financial

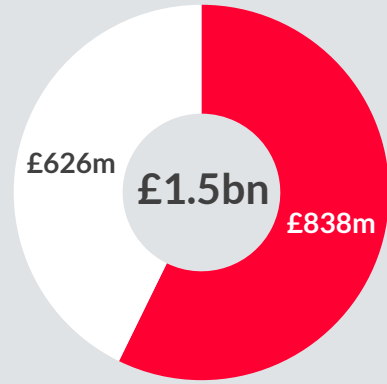
Management	20%
Project delivery	19%
Health, Safety and Environment	6%
Quality	9%
Sustainability and carbon	8%
Social value	8%
Contract management	10%

High-quality £3.7bn order book



Building order book

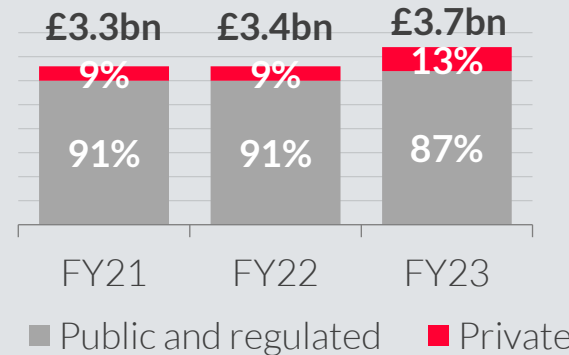
- Education
- Defence and custodial
- FM
- Health
- Commercial and other



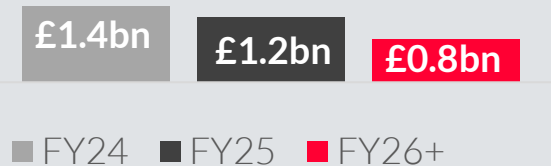
Infrastructure order book

- Environment
- Highways

Order book by client type



Order book by FY (exc FM)



87%

Repeat clients for FY23 (FY22: 94%).

92%

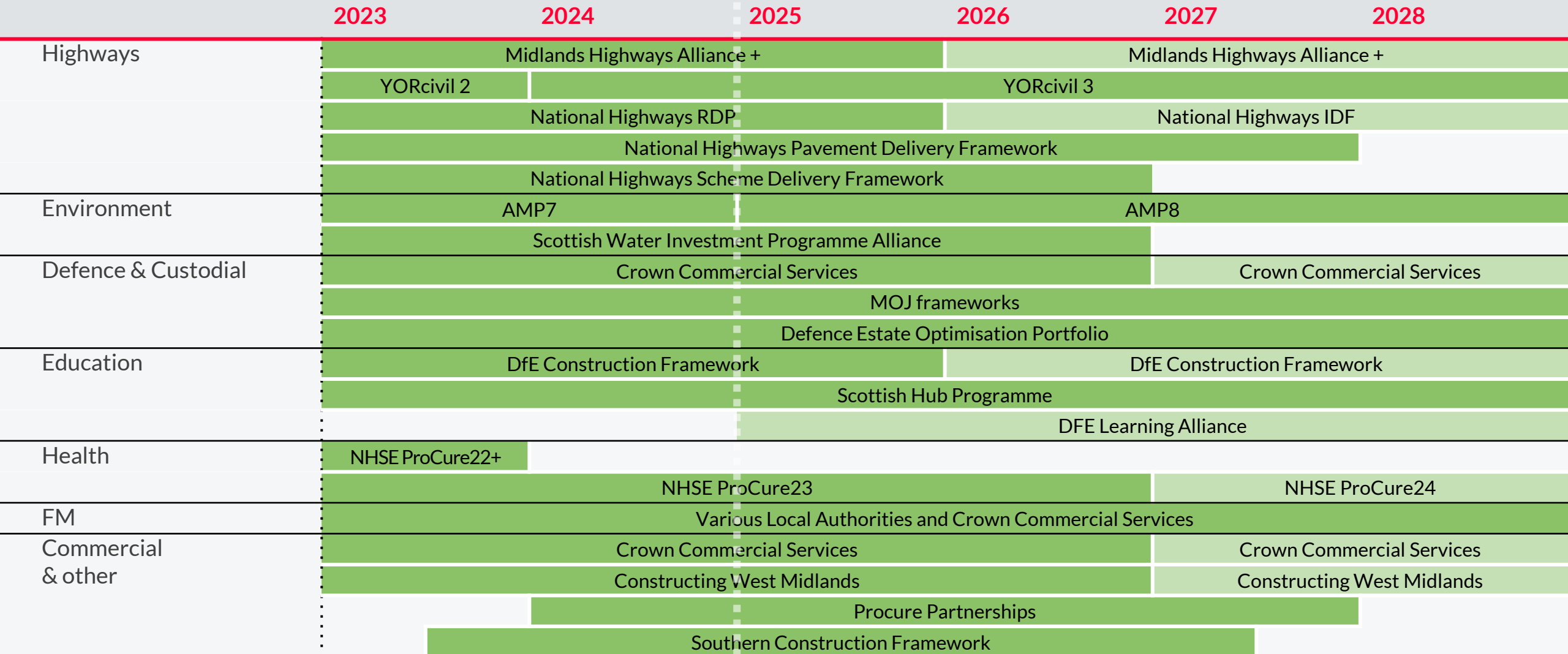
Work secured for FY24 (For FY23: 90%).

<£20m

Median contract size in Building.

Frameworks provide opportunity beyond 2026

Good forward visibility



General election

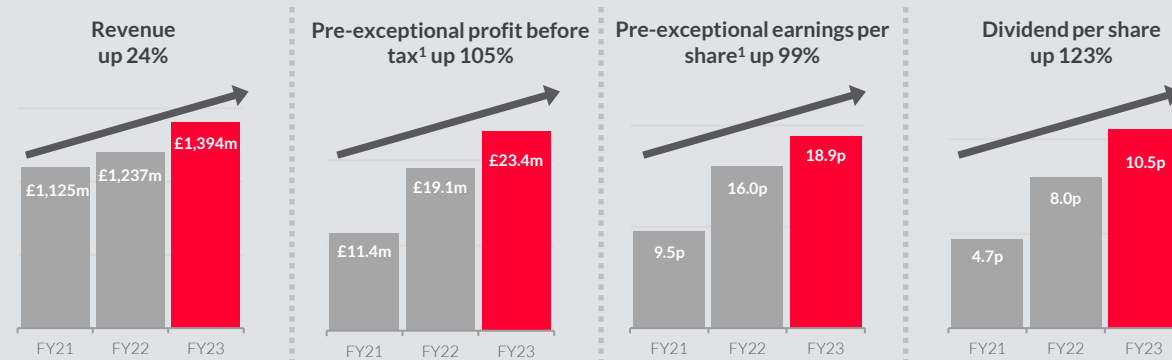
Summary

Sustainable Growth Strategy progressing well

- Progress in the year underpinned by our focus on fundamentals of disciplined approach, high-quality team, collaborative client and supply chain relationships and good market position.
- Continued earnings momentum, delivering shareholder value through growth in the business, improved dividend policy and EPS enhancing buyback.
- Improved outlook with increased confidence in FY24 outlook, and great visibility to 2026 and beyond.

Positive earnings momentum

Consistent and profitable growth since 2020 demerger



¹ Pre-exceptional items and FY23 stated before one-off contract settlement of £2.8m announced on 8 June 2023.

Questions & answers



Bill
Hocking

Chief Executive

Andrew
Duxbury

Group Finance Director



Appendices

1. A platform for sustainable growth

2. Sustainable Growth Strategy

3. Our sustainability commitments

4. Why we target frameworks

5. Forward order book

6. Contract types

7. PPP Investments valuation

Appendices

1. A platform for sustainable growth



Appendices

2. Sustainable Growth Strategy

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



Health and safety: Prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.

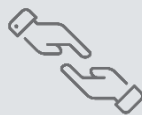


Our people: Creating an inclusive environment and progressive culture that enables all individuals to reach their potential.

Protect the environment and create greater social value for communities.



Environment and climate change: Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.



Communities: Making a positive impact in communities where we operate by delivering greater social value and improving lives.



Deliver excellence for our clients.



Clients: Delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.









Supply chain: Aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.

Earn a sustainable return on the value we deliver.

- Taking a disciplined approach to selecting the work we take on and carefully managing risk at every stage of the project.
- Delivering strong, predictable cash flows and margin improvement.
- Generating increasing shareholder returns.

Appendices

3. Our sustainability commitments

Strategic priorities	Sustainability pillars		FY22	FY23	Ambition
Progressive culture	 Health and safety	Lost Time Frequency Rate	0.26	0.20	No harm
		Accident Frequency Rate	0.06	0.09	No harm
	 Our people	Early careers as a % of total employees	6.1%	6.3%	>8%
		Women as a % of total employees	21.2%	21.6%	YoY increase
		Employee advocacy	85%	86%	>80%
Socially responsible delivery	 Environment and climate change	Scope 1 and 2 carbon emissions (CO ₂ e tonnes)	10,795	11,822	Net zero by 2030
		Scope 3 carbon emissions (CO ₂ e tonnes)	487,220	477,042	Net zero by 2045
		Waste intensity (tonnes/£100K revenue)	21.0	21.8	YoY reduction
	 Communities	% of completed projects delivering >25% of Social and Local Economic Value as % of contract value	50%	94%	60%
		CCS performance	41.8 (industry ave 39.0)	43.4	>39 and above industry ave
Quality and innovation	 Clients	% of repeat business in order book	94%	87%	>80%
		% of full year planned revenue secured at start of the financial year	90%	92%	>85%
	 Supply chain	% of Business Unit core trades spend with Aligned subcontractors	60%	58%	70%-80%
		Prompt payment – % of invoices paid within 60 days	98%	98%	>95%

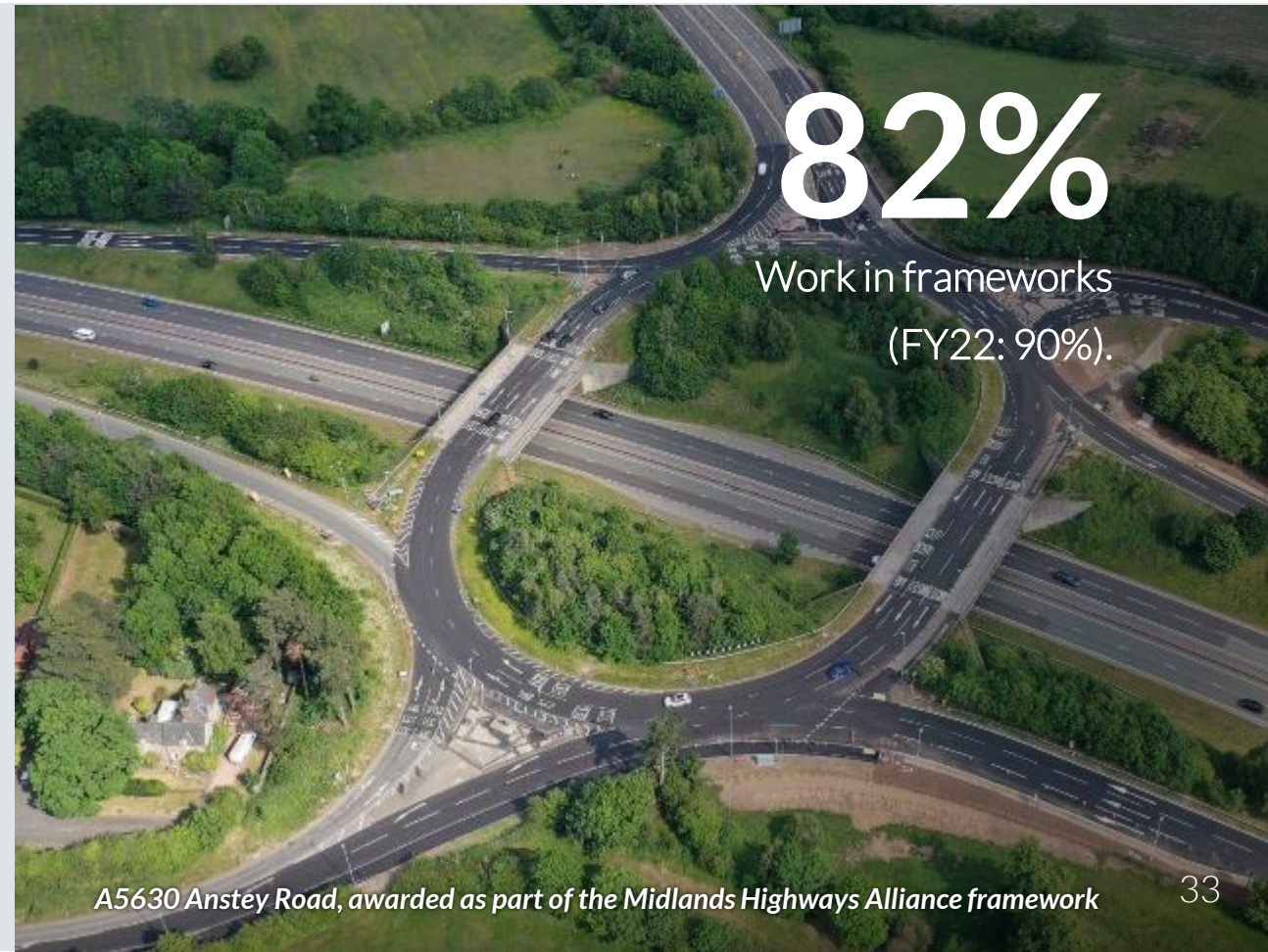


Appendices

4. Why we target frameworks

Improved risk and favourable outcomes

- 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.

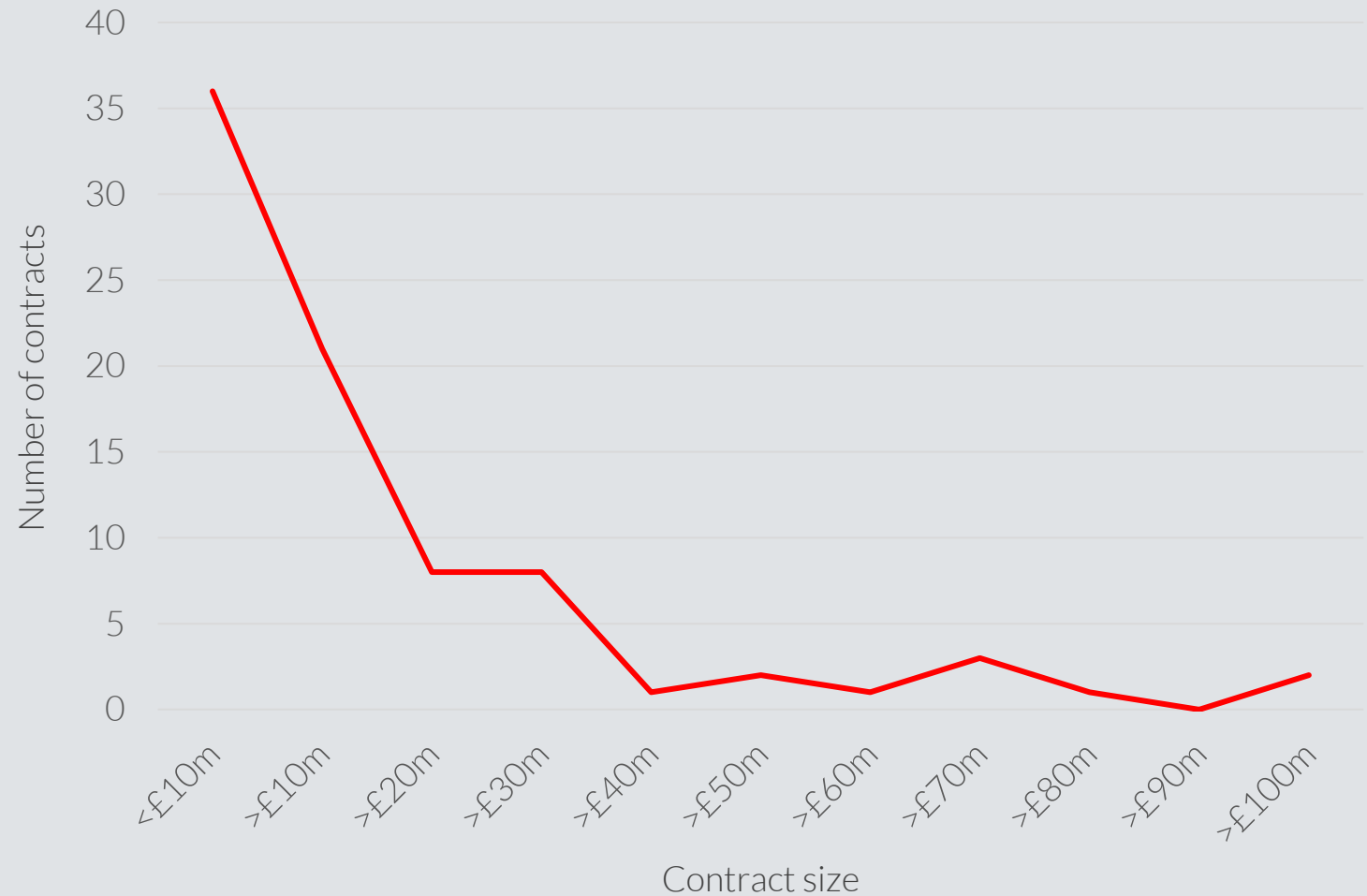


Appendices

5. Forward order book

- <£20m average contract size.

Forward order book distribution – Building (excluding FM)



Appendices

6. Contract types

Target cost/cost reimbursable

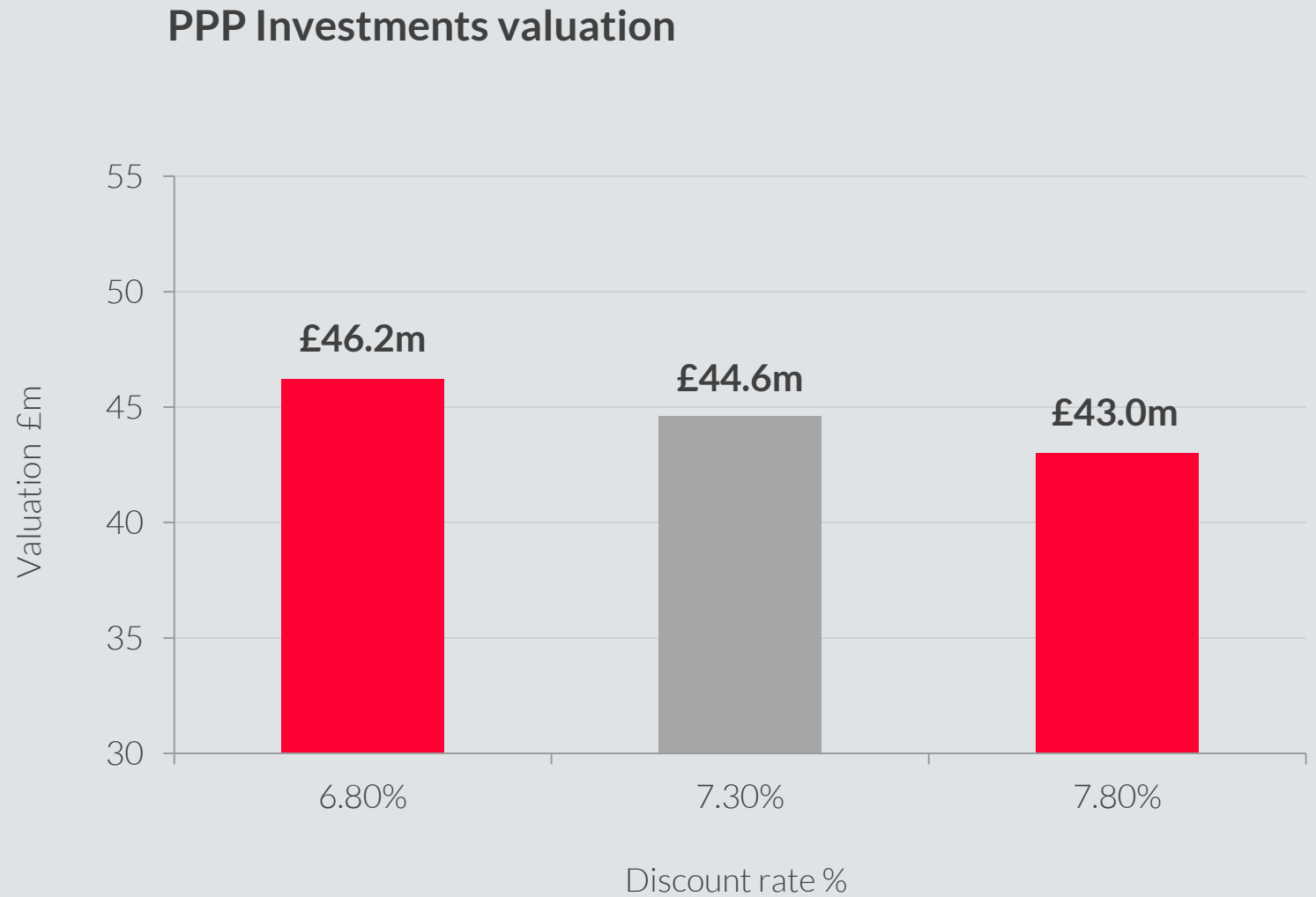
Where an overall target contract value is agreed with the client, including margin, risk and inflation contingencies, and the actual cost of the work plus agreed fee is paid by the client. Any cost savings or overspends against the target are shared between the client and contractor.

Fixed-price

Where the final price and programme is negotiated on a sole basis following early involvement, resulting in a fixed-price for a defined scope at point of final contract award.

Appendices

7. PPP Investments valuation





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