



# Delivering Sustainable Growth

Half year results to 31 December 2021

3 March 2022

**GallifordTry**





# Agenda

*Half year results to 31 December 2021*

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Highlights

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Financial review

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Strategic progress

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Q&A

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Lincoln Eastern Bypass

Bill  
Hocking

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Chief Executive

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# Highlights

## Sustainable Growth Strategy progressing well

- Controlled growth in revenue and profit.
- Successful integration of nmcn water.
- Continued momentum across ESG.
- Strong balance sheet and consistently robust cash position.

## Strong foundations; resilient operations

- Effectively managing inflation; targets unchanged.
- Collaborative client and supply chain relationships.

## Strategic targets on track

- Improving profitability and margin.
- Well positioned in chosen markets; continued pipeline and strong order book.
- Increasing shareholder returns.

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**£7.1m**

Profit before tax<sup>1</sup> up 73.2%  
(HY21: £4.1m)

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**2.2%**

Divisional operating margin up 0.6 ppt  
(HY21: 1.6%)

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**2.2p**

Interim dividend up 83.3%  
(HY21: 1.2p)

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<sup>1</sup> Pre-exceptional items.





# Financial review

Andrew  
Duxbury

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Finance Director

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# Delivering against financial targets

- Strong performance across the Group.
- Improving profitability.
- Good progress on divisional operating margin.
- Operating cash generation.
- Interim dividend increased 83%.

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**£594m**

Revenue up 9.6%  
(HY21: £542m)

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**2.2%**

Divisional operating margin up 0.6 ppt  
(HY21: 1.6%)

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**£7.1m**

Profit before tax<sup>1</sup> up 73.2%  
(HY21: £4.1m)

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**5.9p**

Earnings per share<sup>1</sup> up 73.5%  
(HY21: 3.4p)

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**£180m**

Average month-end cash  
(HY21: £158m)

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**2.2p**

Interim dividend up 83.3%  
(HY21: 1.2p)

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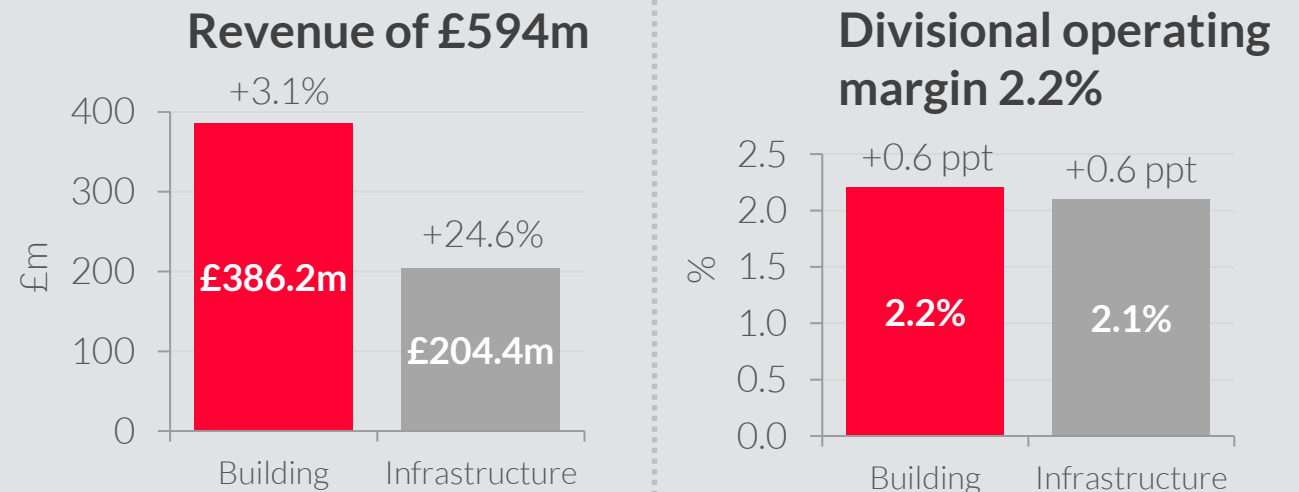
<sup>1</sup> Pre-exceptional items.

# Strong operational performance

- Controlled revenue growth, including AMP7 progress.
- Improving contract performance and operating margin.
- Central costs remain in line with plan.
- Exceptional costs related to acquisition and cloud-based ERP system.
- Tax rate benefits from brought forward losses.

Continuing operations	HY22 <sup>1</sup>	HY21	Var
Revenue	£594m	£542m	+9.6%
Operating profit <sup>1</sup> before amortisation	£6.9m	£3.9m	+76.9%
Profit before tax <sup>1</sup>	£7.1m	£4.1m	+73.2%
Earnings per share <sup>1</sup>	5.9p	3.4p	+73.5%

<sup>1</sup> Pre-exceptional items. Exceptional costs of £9.7m related to nmcn acquisition and ERP investment.



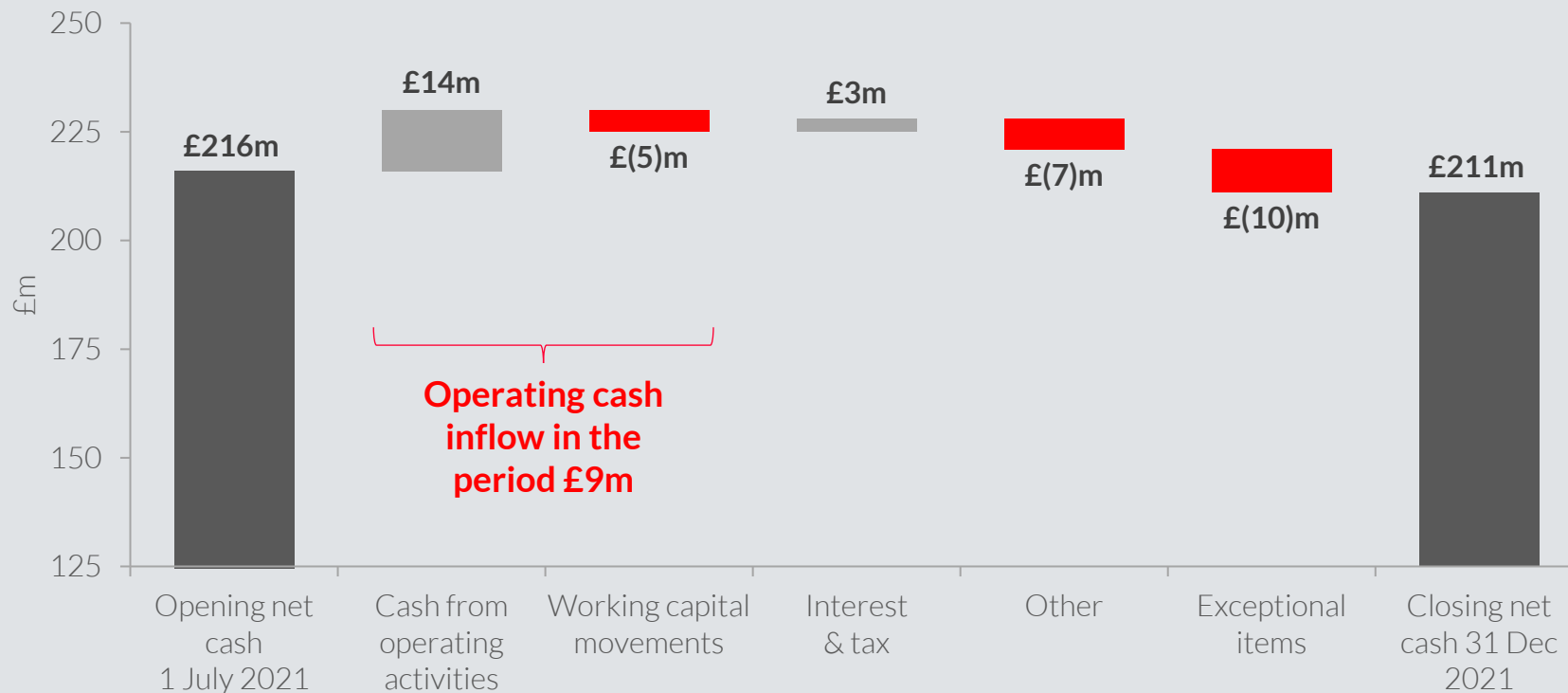
# Strong balance sheet

- Well-capitalised, with balance sheet strength driven by consistent net cash assets.
- Robust cash position and no interest rate risk.
  - Average month-end cash £180m.
  - No debt.
  - No pension liability.
- PPP portfolio valued at £48m.
  - Generated interest income of £2m.
- Increase in goodwill and intangibles due to nmcn acquisition.

Balance sheet £m	31 Dec 2021	30 June 2021
Intangible assets & goodwill	94.0	82.9
PPP & other investments	48.3	49.1
Other non-current assets	39.8	38.4
Working capital	(252.1)	(242.1)
IFRS 16 lease liabilities	(21.9)	(19.2)
Net cash	211.1	216.2
Other	8.0	8.8
<b>Total net assets</b>	<b>127.2</b>	<b>134.1</b>
Average month-end cash	180.4	164.0

# Cash generative

Average month-end cash £180m



>£100m

Minimum daily cash

98%

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

25

average days to pay



# Capital allocation

Prioritising a strong balance sheet



## 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.

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# Improved dividend policy

Paying sustainable shareholder returns

- Dividend policy driven by strong balance sheet, financial performance and outlook.
- Improved dividend cover policy to annual dividend covered 2.0x by earnings.
- Interim dividend declared 2.2p; 83% increase from HY21.

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**2.2p**

Interim dividend up 83.3%  
(HY21: 1.2p)

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**2.0x**

Dividend cover policy  
(HY21: 2.0 – 2.5x)

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# Strategic progress

Bill  
Hocking

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Chief Executive



# 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



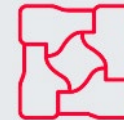
Communities



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

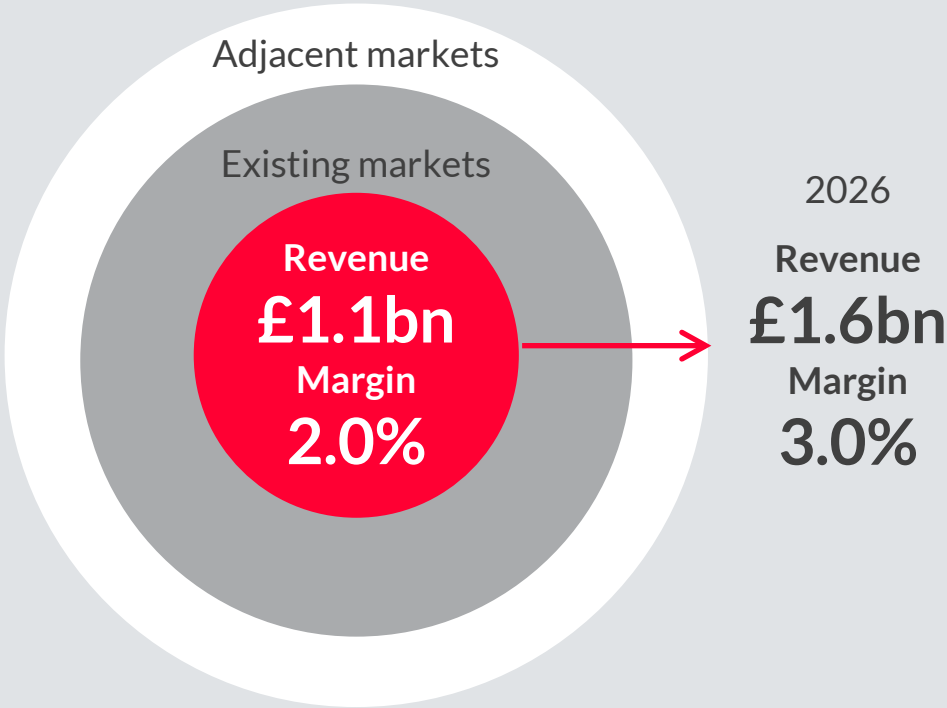
**Earn a sustainable return on the value we deliver.**

# 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



# Delivering Sustainable Growth

nmcn acquisition – October 2021



## Acquisition rationale

- Complementary geographic fit within existing Environment market.
- Additional capabilities in adjacent markets.
- Provides talent base to resource growth plans.



## Integration process

- Balance sheet strength enabled quick action.
- Remobilisation and operational stability established.
- Restructure complete.
- Embedding the best business processes.



## Growth opportunities

- Contribute to revenue growth and enhancing operating profit.
- Opportunity to share capabilities across whole Group.



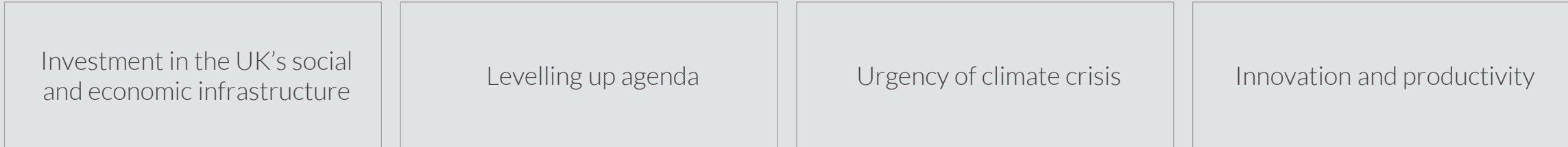
## Socially responsible

- Continuity of vital infrastructure projects across the UK for clients and the community.
- Safeguarded c900 jobs and provided secure future after period of instability.



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# Drivers of market growth

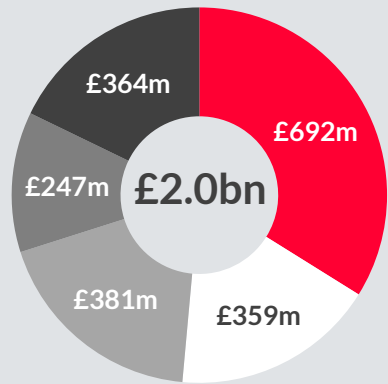


## Examples of funding streams

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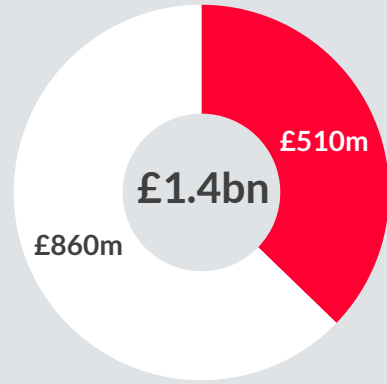


# Robust £3.4bn order book



## Building order book

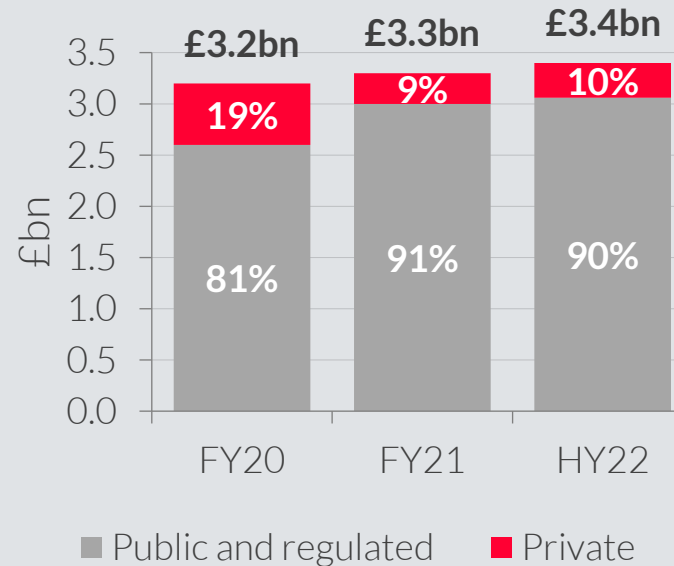
- Education
- Defence and custodial
- FM
- Health
- Commercial



## Infrastructure order book

- Highways
- Environment

## Order book by client type



**95%**

Work secured for FY22 (HY21: 96%).

**87%**

Work in frameworks (HY21: 87%).

**<£20m**

Median contract size in Building.

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# Focused risk management

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





# Focused risk management

Effectively managing inflation; no overall impact on trading or targets



## 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.

# Sustainable Growth Strategy

Accident Frequency Rate

**0.07**

Early careers as % of all staff

**6.2%**

**98%**

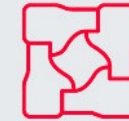
HY22 orders are electric/PHEV

Above average Considerate Constructors Scheme Score

**41.1**



Progressive culture



Quality and innovation



Socially responsible delivery



Sustainable financial returns

## Strategy

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

Repeat business

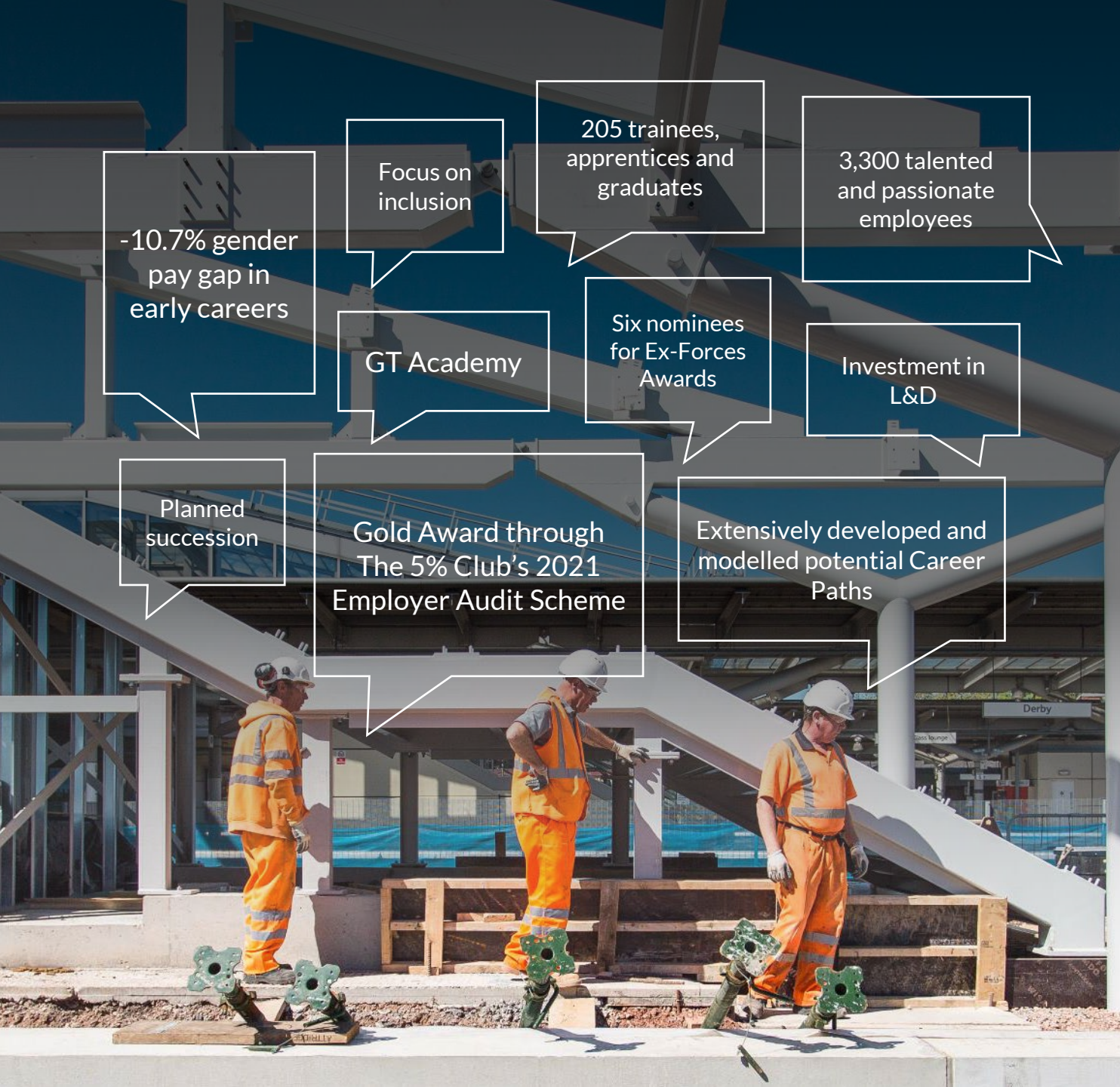
**93%**

Construction News Award for

**Best Use of Tech**

Interim dividend

**2.2p**



-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 L&D

Planned succession

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

Extensively developed and modelled potential Career Paths



# People-orientated, progressive culture

Strategy in action

## Engagement

**72%**

Employee engagement score (sector: 70%)

**85%**

Employee advocacy score (sector: 80%)

**94%**

Motivated by our vision



# Socially responsible delivery

Strategy in action

Developed carbon e-learning for all staff.

Adopted automated carbon calculator across the full project life cycle.

Appointed Low Carbon Manager.

Sharing resources with supply chain partners.

Business Champion of Construction Leadership Council's net zero carbon programme.

Established Carbon Reduction Process across all business units.



## Carbon reduction on site

- Converted piling rigs to use HVO (Hydrotreated Vegetable Oil).
  - Anticipate savings of up to 90% in carbon emissions; from 5.5T per £100,000 of turnover per year to 0.5T.
- More than 43% of fleet is now electric or plug-in hybrid (HY21: 35%).
  - Improved efficiency from 86g/km in 2020 to 67g/km in 2021; on track for 55g/km by the end of 2022.





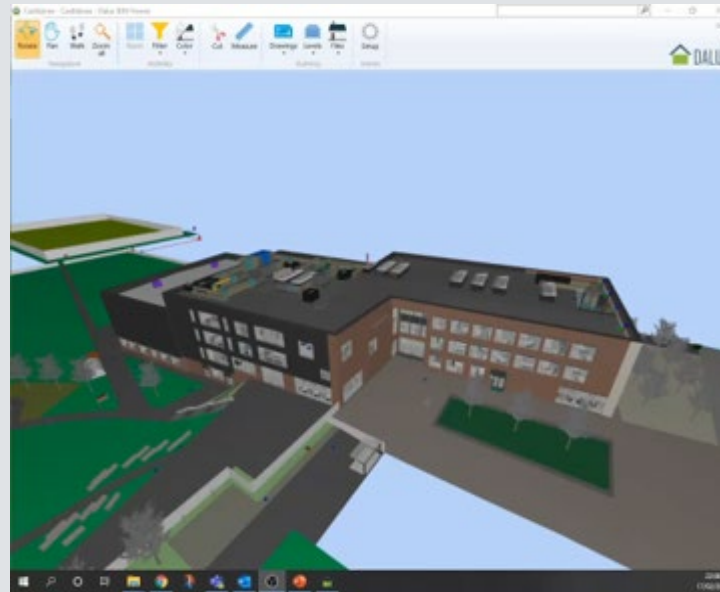
# Quality & Innovation

Strategy in action

We are using technology across the whole life cycle of our projects.

**Dalux BIM Viewer** is enhancing site collaboration and efficiency bringing 3D models to the core of our construction activities.

**Field View** ensures our teams are more productive by spending more time on site and less time completing administrative tasks in the office – saving time, reducing cost, managing health and safety, capturing quality assurance data and mitigating risk.



Dalux is easy to use and, with its intuitive interface, users do not need to be BIM experts to be part of the design process.



Field View is our cloud-based and offline mobile solution that has replaced pen and paper in the field for health and safety forms and permits, project delivery, quality assurance and handover.



# Resulting in sustainable financial performance

Objective	2026 target	Progress
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>

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# Summary

## Confident in our Sustainable Growth Strategy

- Strong foundations; resilient operations.
- Momentum with Sustainable Growth Strategy.
- Strong balance sheet and consistently robust cash position.
- Well positioned in chosen markets; continued pipeline and strong order book.
- Improving profitability, margin and shareholder returns.
- Dividend policy improved.
- On track for FY22 and strategy period.





# Questions & answers







# Appendices

1. Sustainable Growth Strategy

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2. Sustainability commitments

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3. Segmental analysis

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4. PPP Investments valuation

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5. Supply chain payment

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6. Forward order book

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7. Contract types

# Appendices

## 1. 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.



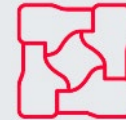
**Environment and climate change:** Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.



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



Progressive culture



Quality and innovation

### Strategy

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



Socially responsible delivery



Sustainable financial returns

### 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

## 2. Sustainability commitments

Strategic priorities	Sustainability pillars		2026 ambition
Progressive culture	 Health and safety	Accident Frequency Rate	No harm
		Lost Time Incident Rate	No harm
	 Our people	Early careers as a % of total employees	YoY increase
		Women as a % of total employees	YoY increase
Socially responsible delivery	 Environment and climate change	Employee advocacy	YoY increase
		Scope 1 and 2 carbon emissions (CO <sub>2</sub> e tonnes)	Net zero by 2030
		Scope 3 carbon emissions (CO <sub>2</sub> e tonnes)	Net zero by 2045
	 Communities	Waste intensity (tn/£100k revenue)	YoY reduction
		Social value as a % of turnover	YoY increase
		CCS performance	>38 and above industry ave
Quality and innovation	 Clients	% of repeat business in order book	>80%
		% of full year planned revenue secured at start of the financial year	>85%
	 Supply chain	% of business unit core trades spend with Aligned subcontractors	70%-80%
		Prompt payment – % of invoices paid within 60 days	>95%

# Appendices

## 3. Segmental analysis

£m	HY22	HY21	Var
<b>Revenue</b>	<b>594.0</b>	541.7	+9.7%
Building	<b>386.2</b>	374.5	+3.1%
Infrastructure	<b>204.4</b>	164.1	+24.6%
PPP Investments	<b>3.4</b>	3.1	+9.7%

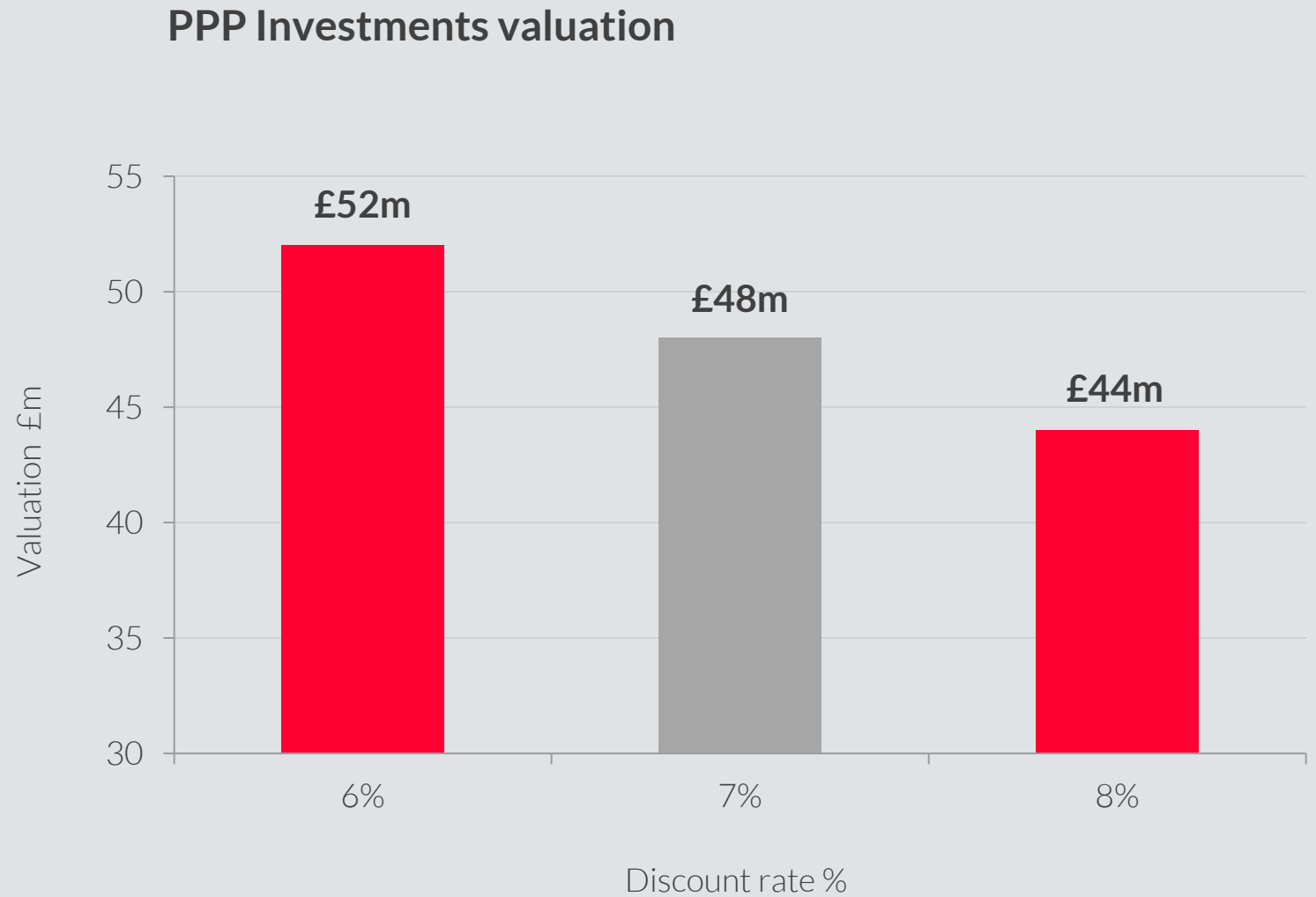
	HY22	HY21	Var
<b>Operating profit<sup>1</sup>(£m)</b>	<b>6.9</b>	3.9	+ 3.0m
Building	<b>8.4</b>	6.0	+ 2.4m
Infrastructure	<b>4.3</b>	2.4	+ 1.9m
PPP Investments	<b>(0.5)</b>	(0.7)	+ 0.2m
Central	<b>(5.3)</b>	(3.8)	-1.5m
<b>Operating margin (%)</b>			
Building	<b>2.2</b>	1.6	+ 0.6 ppt
Infrastructure	<b>2.1</b>	1.5	+ 0.6 ppt
Combined divisional	<b>2.2</b>	1.6	+ 0.6 ppt

<sup>1</sup> Excluding amortisation of intangibles. Pre-exceptional.



# Appendices

## 4. PPP Investments valuation



# Appendices

## 5. Supply chain payment

<b>6 months to 31 Dec 21</b>	<b>Average days to pay</b>	<b>Invoices paid to terms</b>	<b>Invoices paid in 60 days</b>
Galliford Try Construction Ltd	28	92%	98%
<i>Compared to 31 Dec 2020</i>	(13)	+5%	+6%
Galliford Try Infrastructure Ltd	21	94%	98%
<i>Compared to 31 Dec 2020</i>	(14)	+5%	+6%

# Appendices

## 6. Forward order book

- <£20m average contract size.

Forward order book distribution – Building (excluding FM)



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# Appendices

## 7. Contract types

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### **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.

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### **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.





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