



# Strong momentum Continuing growth

Half year results to 31 December 2023

6 March 2024



# Agenda

*Half year results to 31 December 2023*

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Highlights

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Financial review

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Operational progress

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Q&A

*Grantham Southern Relief Road*

Bill  
Hocking

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Chief Executive

# Delivering on our strategic plan

## A strong foundation

- Embedded culture of risk management.
- All businesses performing well; supported by our fourth acquisition in adjacent markets.
- Strong growth in revenue and profit, and a robust balance sheet.

## Confident outlook

- Excellent position in chosen sectors.
- High-quality order book beyond 2026 and long-term pipeline of opportunities.
- Confidence in FY24 performance.

**£819m**

Revenue  
(HY23: £679m)



**UP 21%**

**2.5%**

Divisional operating  
margin (HY23: 2.3%)



**UP  
0.2 PPT**

**£15.6m**

Profit before tax<sup>1</sup>  
(HY23: £11.7m)



**UP 33%**

**13.2p**

Earnings per share<sup>1</sup>  
(HY23: 8.8p)



**UP 50%**

**4.0p**

Interim dividend  
(HY23: 3.0p)



**UP 33%**

**£150m**

Average month-end cash  
(FY23: £135m)

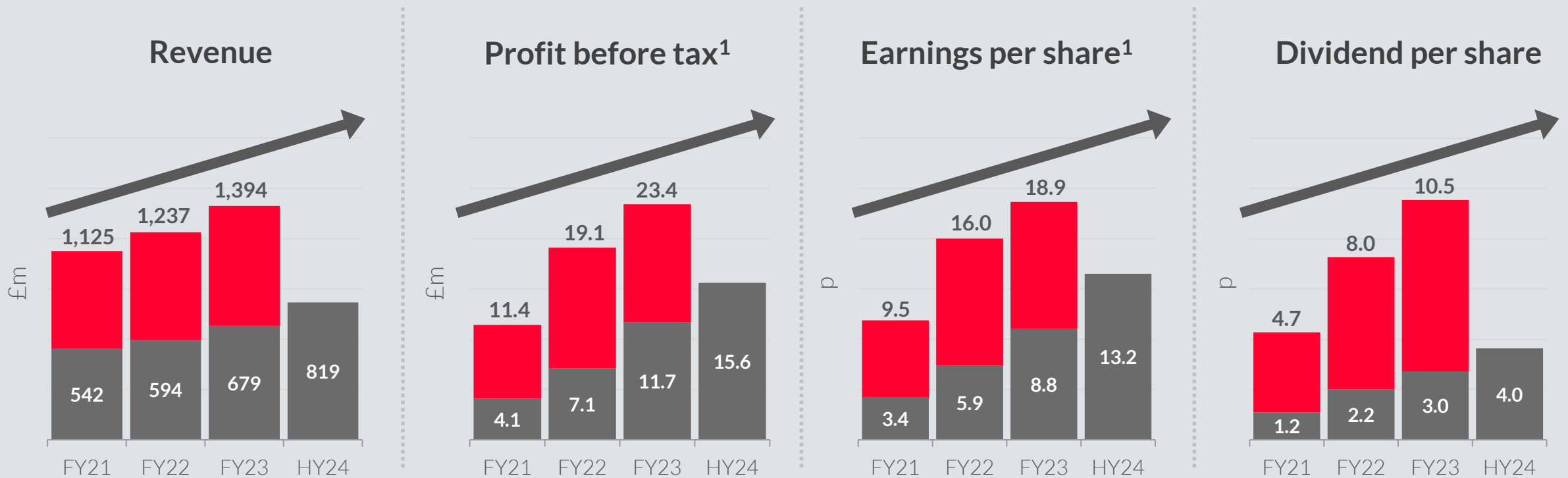


**UP 11%**

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

# Positive earnings momentum

Consistent and profitable growth



Key ■ Half year ■ Full year

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



# Financial review

*Greenhead College, Huddersfield*

Andrew  
Duxbury

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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.

Non-cyclical demand driven by ageing infrastructure, growing population and climate change.

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

Attract, retain and develop employees who share our vision, values and purpose.

Focus on quality and innovation, using digitalisation.

Embedded ESG strategy.

## Strong financial position

Track record of financial delivery.

Strong balance sheet; no debt or pension liabilities.

Margin growth.

Increasing shareholder returns.

# Strong performance

- Controlled revenue growth across both divisions.
- Improved operating margins in both divisions driving strong increase in profit.
- Exceptional costs of £2.6m related to digital investment; new systems are now live.
- Tax rate will normalise towards standard rate.
- EPS growth benefiting from the share buyback.

	HY24	HY23	Var
Revenue	<b>£819m</b>	£679m	+20.6%
Operating profit before amortisation <sup>1</sup> (£m)	<b>£14.1m</b>	£10.8m	+30.6%
Profit before tax <sup>1</sup> (£m)	<b>£15.6m</b>	£11.7m	+33.3%
Earnings per share <sup>1</sup> (p)	<b>13.2p</b>	8.8p	+50.0%

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

# Segmental analysis

- Revenue growth in each division.
  - Building benefiting from new contract awards through 2023.
  - Infrastructure growth driven by water sector.
  - Investments concluded first Private Rented Sector (PRS) development.
- Margin growth in Building and Infrastructure demonstrates high-quality contract delivery.
- Investments profit includes first PRS development; HY23 included one-off £3.6m JV disposal.
- Central costs reduced as anticipated.

£m	HY24	HY23	Var
<b>Revenue</b>	<b>819.1</b>	679.2	20.6%
Building	<b>446.0</b>	399.7	11.6%
Infrastructure	<b>362.0</b>	276.6	30.9%
Investments	<b>11.1</b>	2.9	282.8%

	HY24	HY23	Var
<b>Operating profit<sup>1</sup>(£m)</b>	<b>14.1</b>	10.8	+£3.3m
Building	<b>10.6</b>	9.3	+£1.3m
Infrastructure	<b>9.3</b>	6.5	+£2.8m
Investments	<b>0.3</b>	1.5	£(1.2)m
Central	<b>(6.1)</b>	(6.5)	£0.4m

	HY24	HY23	Var
<b>Operating margin (%)</b>			
Building	<b>2.4</b>	2.3	+0.1ppt
Infrastructure	<b>2.6</b>	2.3	+0.3ppt
Combined divisional	<b>2.5</b>	2.3	+0.2ppt

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



# Increasing operating profit



Stated before amortisation and exceptional items

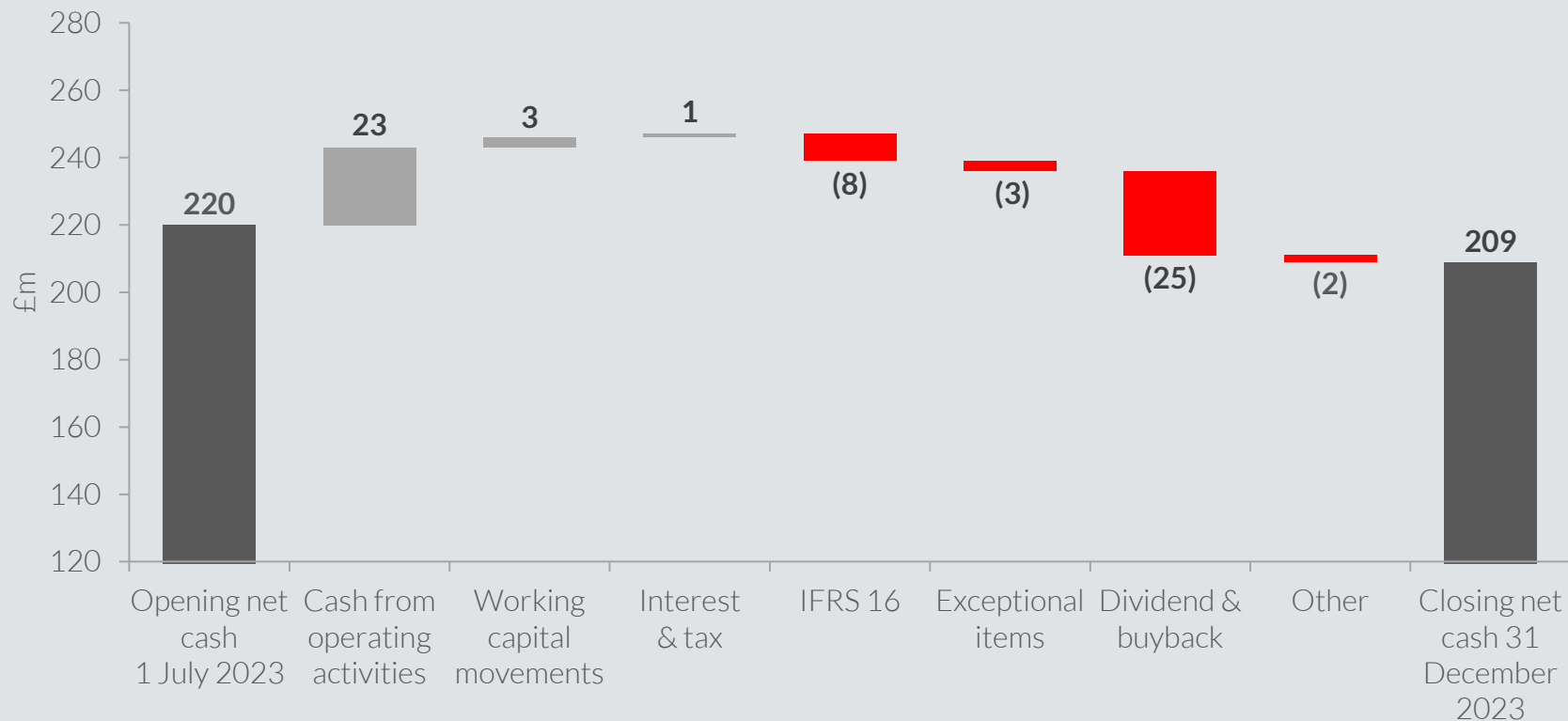
# Strong balance sheet

- Well-capitalised.
- Continued balance sheet strength driven by net cash and PPP assets.
- Robust cash position.
  - Average month-end cash of £150m.
  - No debt.
  - No pension liability.
  - Generating interest income.
- PPP portfolio valued at £43.5m.
  - Annuity income stream of c£4m per annum.

<b>Balance sheet £m</b>	<b>31 Dec 2023</b>	<b>30 June 2023</b>
Intangible assets & goodwill	<b>98.8</b>	98.3
PPP & other investments	<b>43.5</b>	44.6
Other non-current assets	<b>61.9</b>	61.3
Working capital	<b>(270.4)</b>	(268.5)
IFRS 16	<b>(42.7)</b>	(39.1)
Net cash	<b>209.2</b>	220.2
Other	<b>2.0</b>	1.8
<b>Total net assets</b>	<b>102.3</b>	118.6
<b>Average month-end cash</b>	<b>150</b>	135

# Robust cash performance

Average month-end cash £150m



**97%**

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

**24**

average days to pay

# How we allocate capital

Prioritising 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.
- Mitigates against any adverse market conditions.

Average month-end cash  
£150m

Net interest income £2.7m

## Reinvest in the business

- Enables strategic and bolt-on acquisitions to enhance capabilities.
- Accelerates adjacent market opportunities.
- Ability to invest in technology and training to drive quality and efficiency.

Four acquisitions since 2021

Significant digital upgrade

## Sustainable dividend policy

- Dividend will increase with earnings growth.
- Delivering sustainable returns to shareholders.

33% increase in interim dividend per share

Dividend cover policy set at 1.8x

## Return excess cash

- Consider cash requirements for future growth.
- Return excess cash to shareholders when appropriate.

£15m share buyback in 2023

12.0p special dividend in October 2023

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# Summary

- Excellent first half year, building on the robust foundations of the business.
- Interim dividend increased.
- Confident in FY24 outlook, supported by high-quality order book and strong balance sheet.
- Well-placed to continue to deliver sustainable growth.

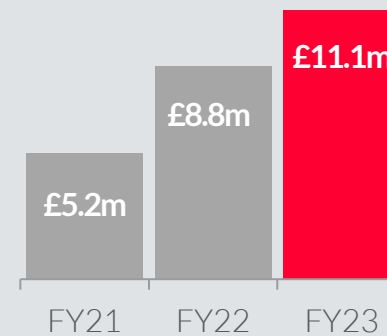
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**4.0p**

Interim dividend  
(HY23: 3.0p)



**UP 33%**



Ordinary dividends  
over three years

**£25.1m**  
**23.2p**

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**£27m**

Excess cash  
returned through  
buyback and special  
dividend since  
October 2022

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# Sustainable Growth



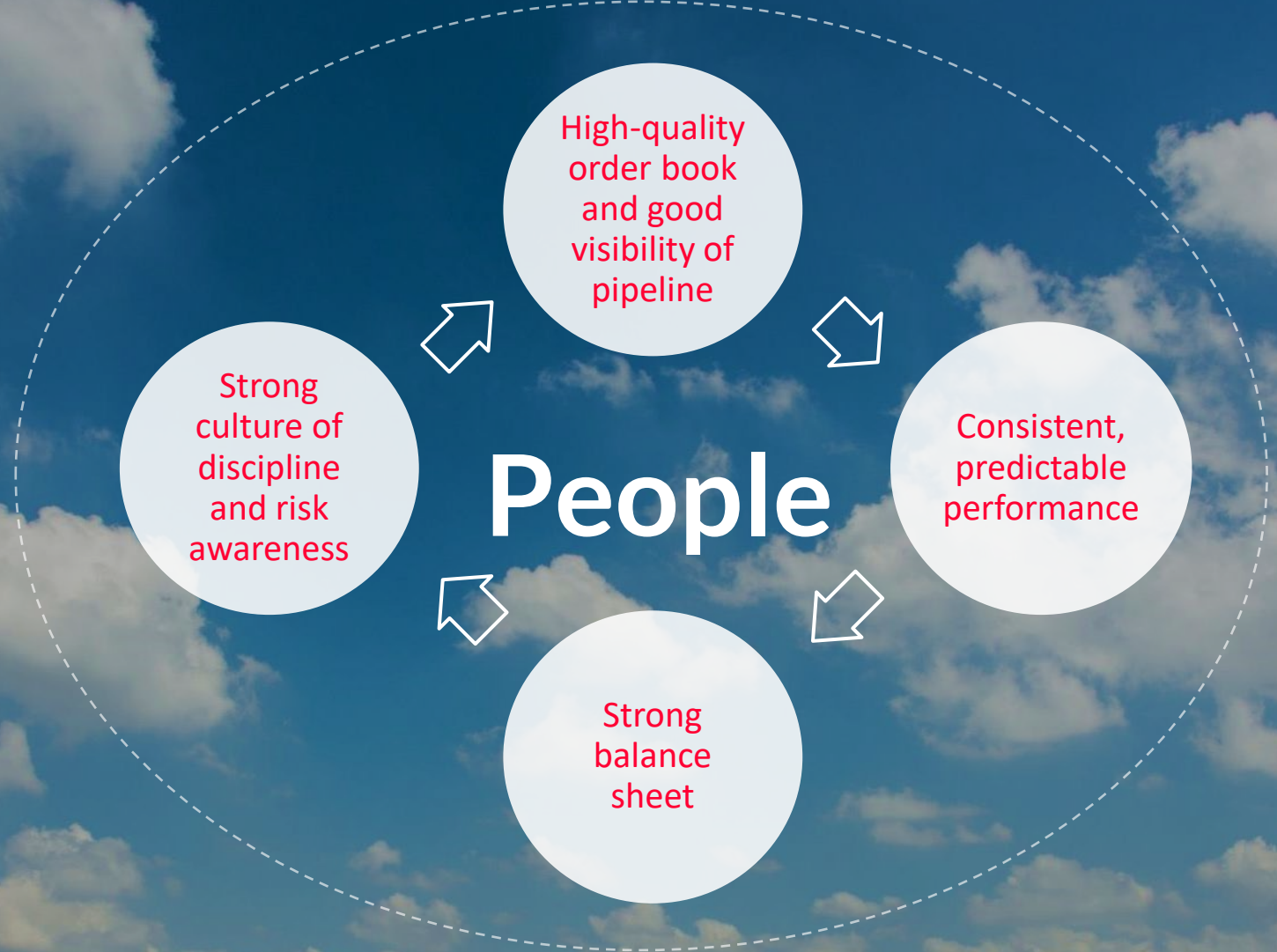
Secure outlook with high-quality and focused order book.

**Bill Hocking, Chief Executive**



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# Our engine for Sustainable Growth





## Growth via existing markets

Building.  
Highways.  
Environment (including Water).

## Growth via adjacent markets

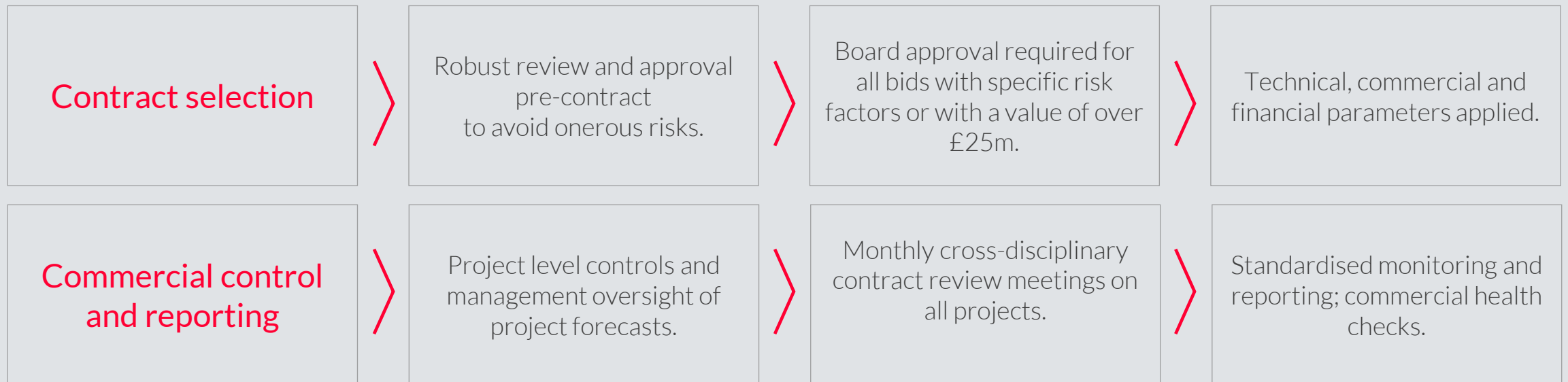
Private Rented Sector (PRS).  
Capital maintenance and asset optimisation  
within the existing Environment sector.  
Green retrofit.



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# Focused risk management

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



# Drivers of operational improvement

Embedded in our strategy

## Environment: carbon | biodiversity | resources

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

**89%** of our company car 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

**0.07** Accident Frequency Rate

**86%** Employee advocacy score

**No1** Graduate Employer in Construction/Civil Engineering

**£328m** Social and local economic value delivered

**24** days taken on average to pay suppliers

## Governance and reporting



\*Excluding acquisitions.



# Drivers of margin improvement

Robust risk management and selective approach to pursuing contracts.

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Increasing capabilities in higher-margin adjacent markets.

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Retain high-quality supply chain.

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Focus on quality, right first-time principles, reducing time and cost of rework.

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Digital tools and processes to drive quality, efficiency and carbon savings.

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Adopting Modern Methods of Construction.

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Underpinned by an excellent team of people.

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# Off-site manufacturing

An example from the Custodial sector

## Supporting our Sustainable Growth Strategy

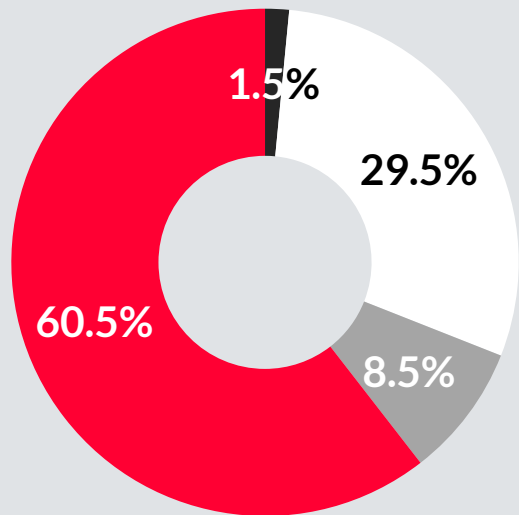
- Faster delivery.
- Increased programme certainty – eg weather, site conditions.
- Reduction in on-site labour.
- Reduction in health and safety risk.
- Better quality control and lower risk of defects/rework.
- Reduction in energy consumption, emissions and waste across transportation and construction.





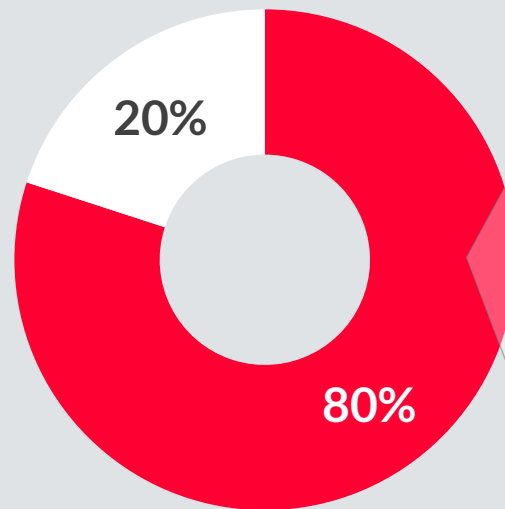
# Quality-based work-winning

## Order book procurement route



- Single-stage
- Two-stage
- Negotiated
- 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%



# Drivers of revenue growth

Ageing social and economic infrastructure.

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Growing population.

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Climate change.

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Leading position in frameworks and sectors.

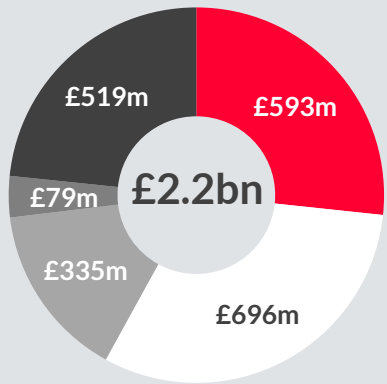
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Acquisitions.

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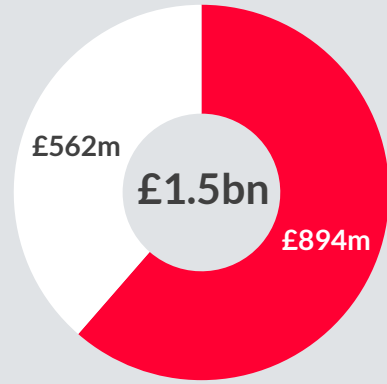
**Maturing procurement and sector attitudes**

# High-quality £3.7bn order book



Building order book

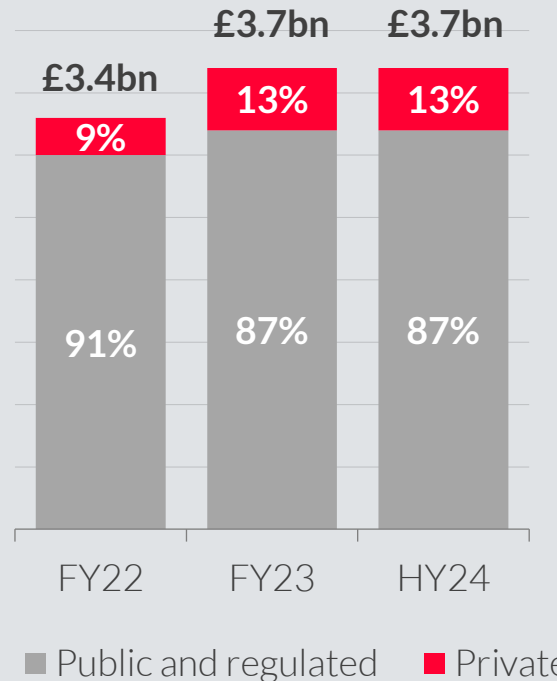
- Education
- Defence and custodial
- FM
- Health
- Commercial and other



Infrastructure order book

- Environment
- Highways

Order book by client type



**88%**

Repeat clients for HY24

**98%**

Work secured for FY24

**83%**

Work secured for FY25

**54%**

Work secured for FY26

**£380m**

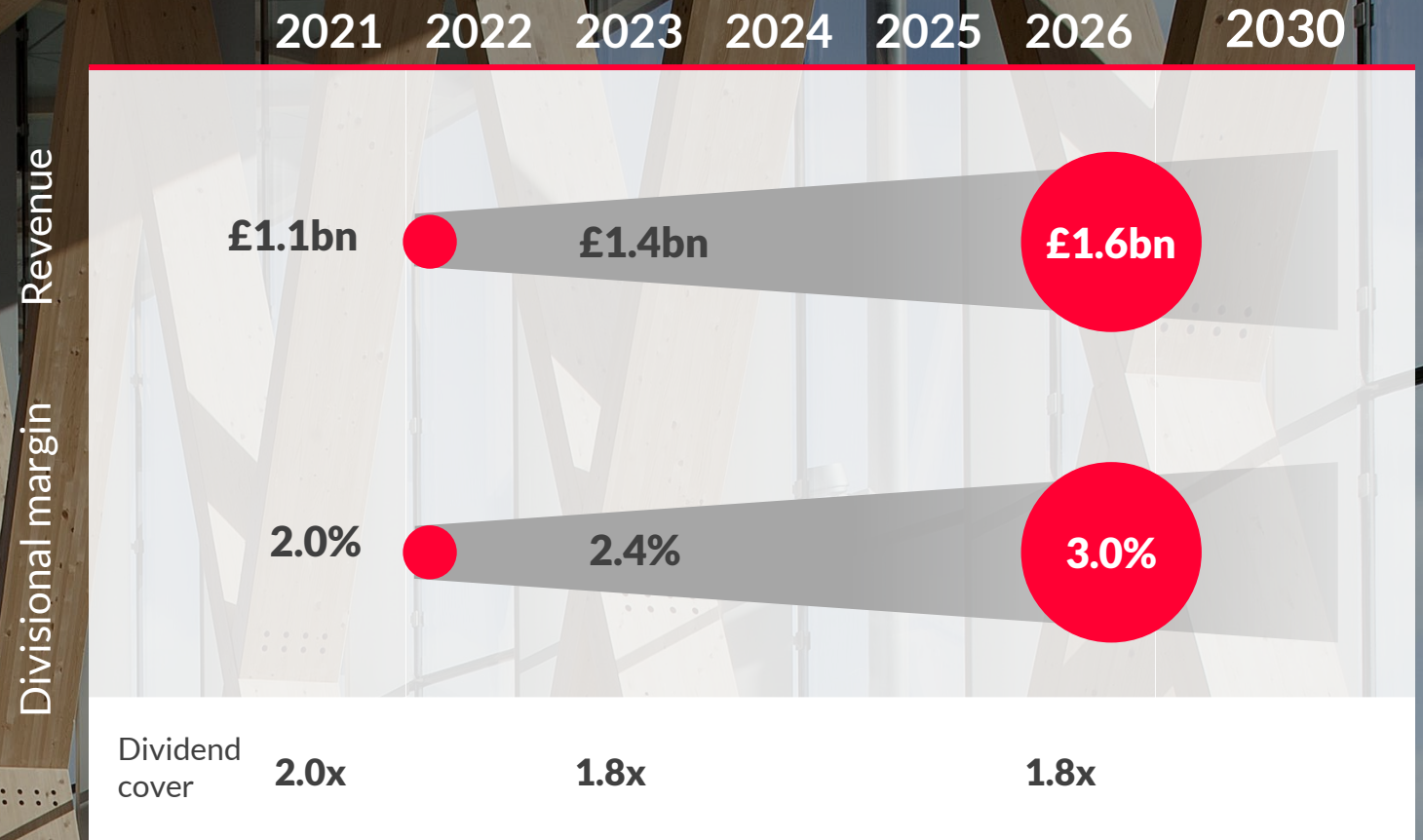
Specialist Services including FM



# Confident outlook

- Secure outlook with £3.7bn high-quality and focused order book.
- Excellent visibility over future revenue with 98% and 83% of projected FY24 and FY25 revenue secured.
- Successful Sustainable Growth Strategy.
- Capital Markets Event on 23 May 2024.

## Positive earnings momentum





# Questions

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**Bill Hocking**

Chief Executive

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**Andrew Duxbury**

Group Finance Director



# Appendices

1. A platform for sustainable growth

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2. Sustainable Growth Strategy

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3. Why we target frameworks

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4. Forward order book

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5. Contract types

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6. PPP Investments valuation

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# Appendices

## 1. A platform for sustainable growth



# Appendices

## 2. Sustainable Growth Strategy



### Growth via existing markets

Building.  
Highways.  
Environment (including Water).

### Growth via adjacent markets

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

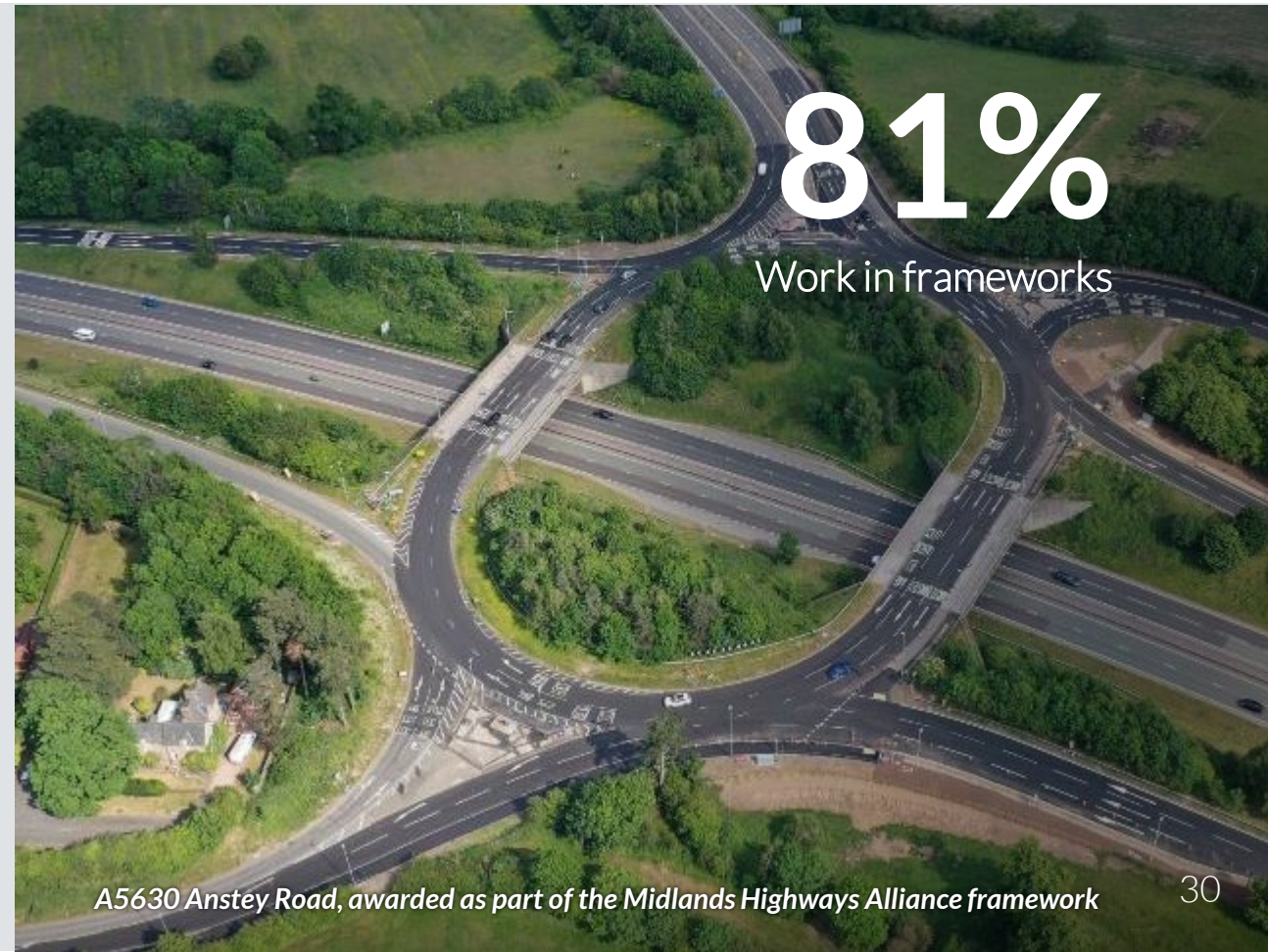
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# Appendices

## 3. 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.

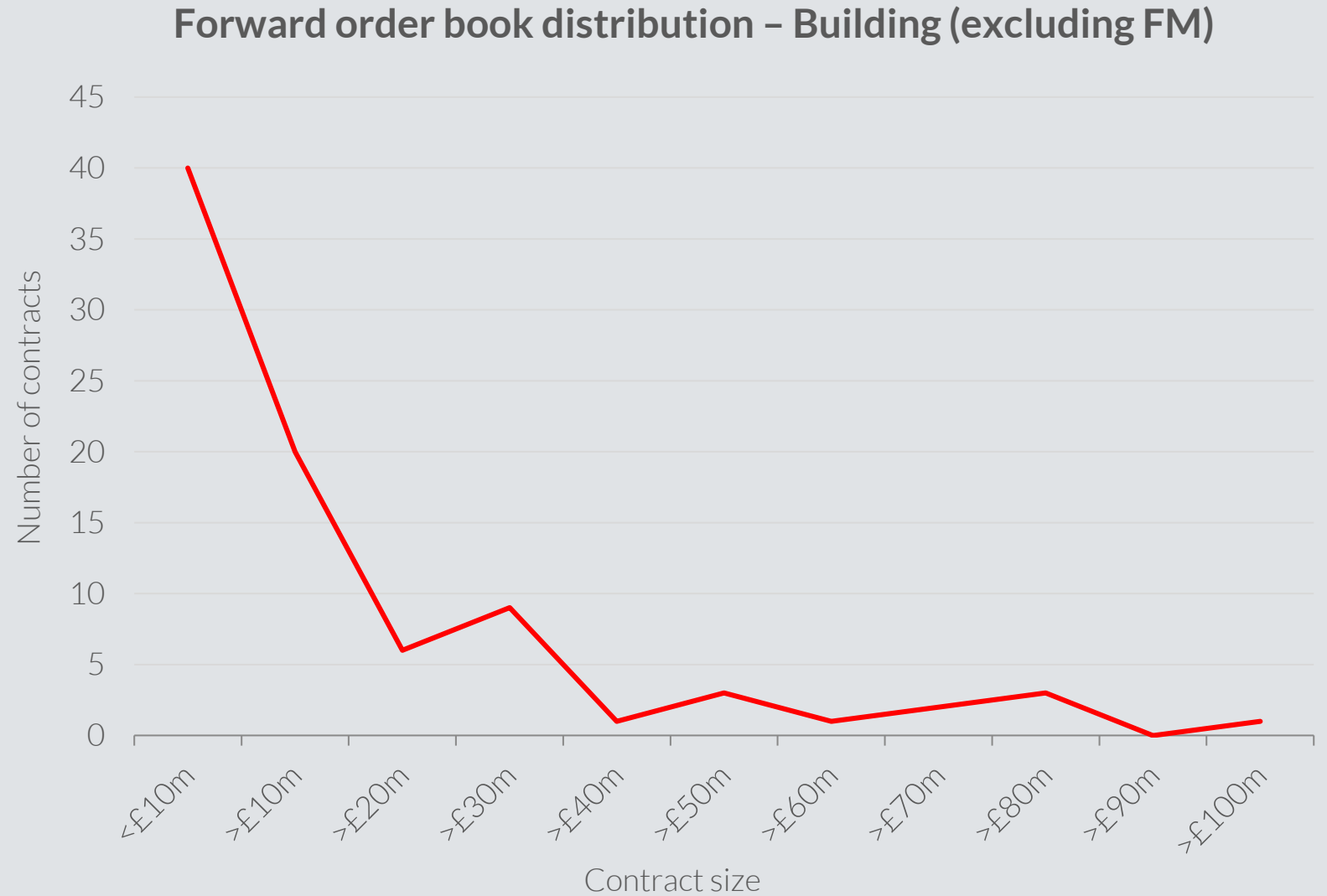


*A5630 Anstey Road, awarded as part of the Midlands Highways Alliance framework*

# Appendices

## 4. Forward order book

- <£20m average contract size.



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# Appendices

## 5. 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**

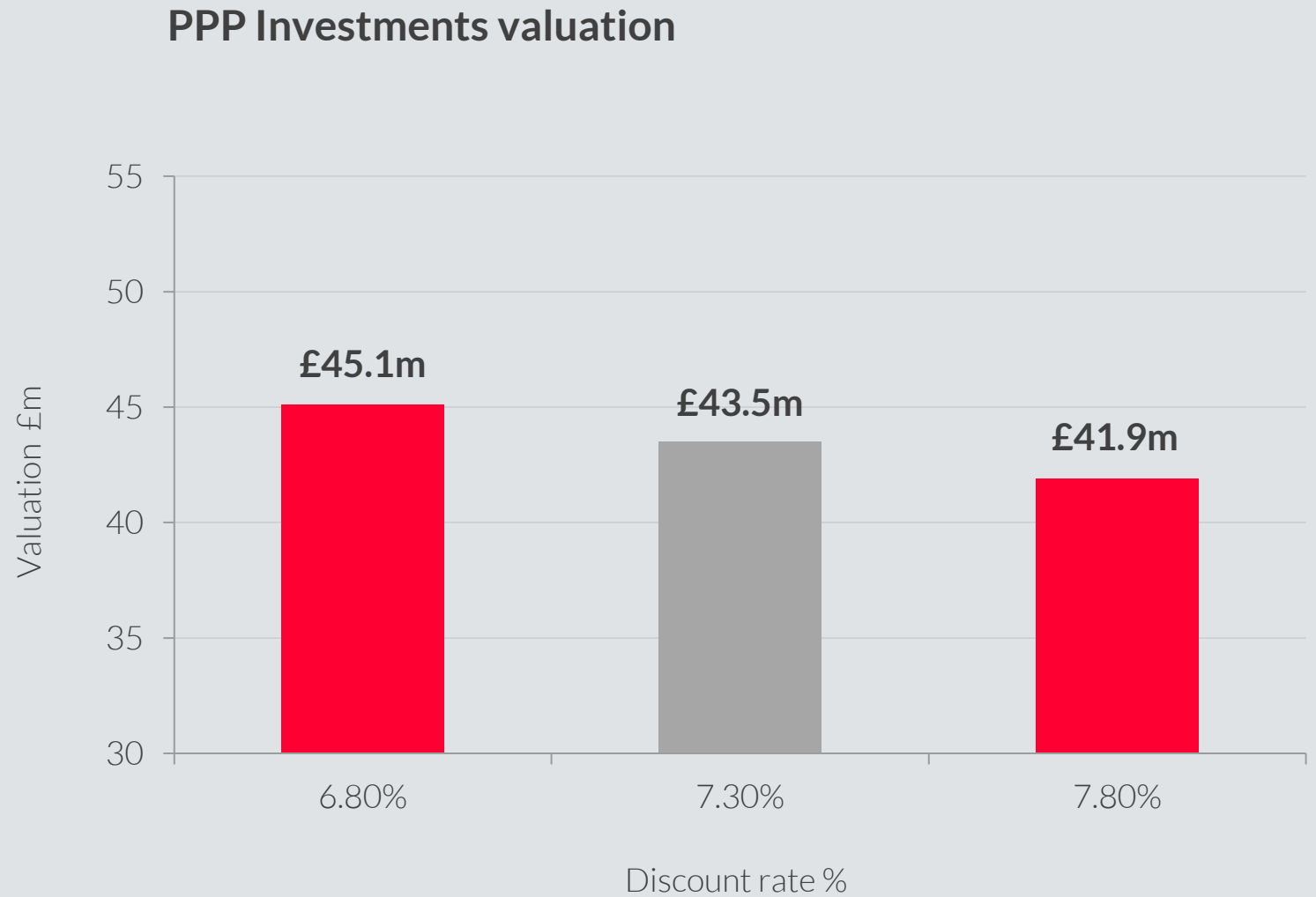
Where the final price and programme is negotiated on a sole basis following early involvement, resulting in a fixed-price for a defined scope at point of final contract award.

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# Appendices

## 6. PPP Investments valuation





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