

The background image shows the interior of a large tunnel under construction. Two workers in bright orange high-visibility safety suits and hard hats are standing in the center, looking upwards. The tunnel is filled with complex machinery, including large pipes, cables, and structural supports. The lighting is somewhat dim, with some bright spots from work lights.

Balfour Beatty

2022 half year results presentation

17 August 2022

Image: HS2 Long Itchington Wood Tunnel, Warwickshire, UK

Balfour Beatty

Leo Quinn

Group Chief Executive

Image: Hinkley Point C, Somerset, UK



Strengthened Group

- ▶ Strong financial performance with increase in underlying profit from operations
- ▶ High quality, de-risked order book at £17.7 billion provides clear visibility of future returns
- ▶ Unique Group capability aligned to decade of infrastructure growth
- ▶ Attractive Investments portfolio and strong pipeline
- ▶ £227 million distributed to shareholders since the start of 2021

Upgrading full year expectations

Strong operational performance

Construction Services



Fort Meade, US

US Construction secured over \$1 billion of Federal orders

UK Construction to return to 2-3% industry standard margin target range for full year

Support Services



London Underground

Continued strong performance in road, rail and power

Support Services outturn now expected at top of 6-8% margin target range

Infrastructure Investments



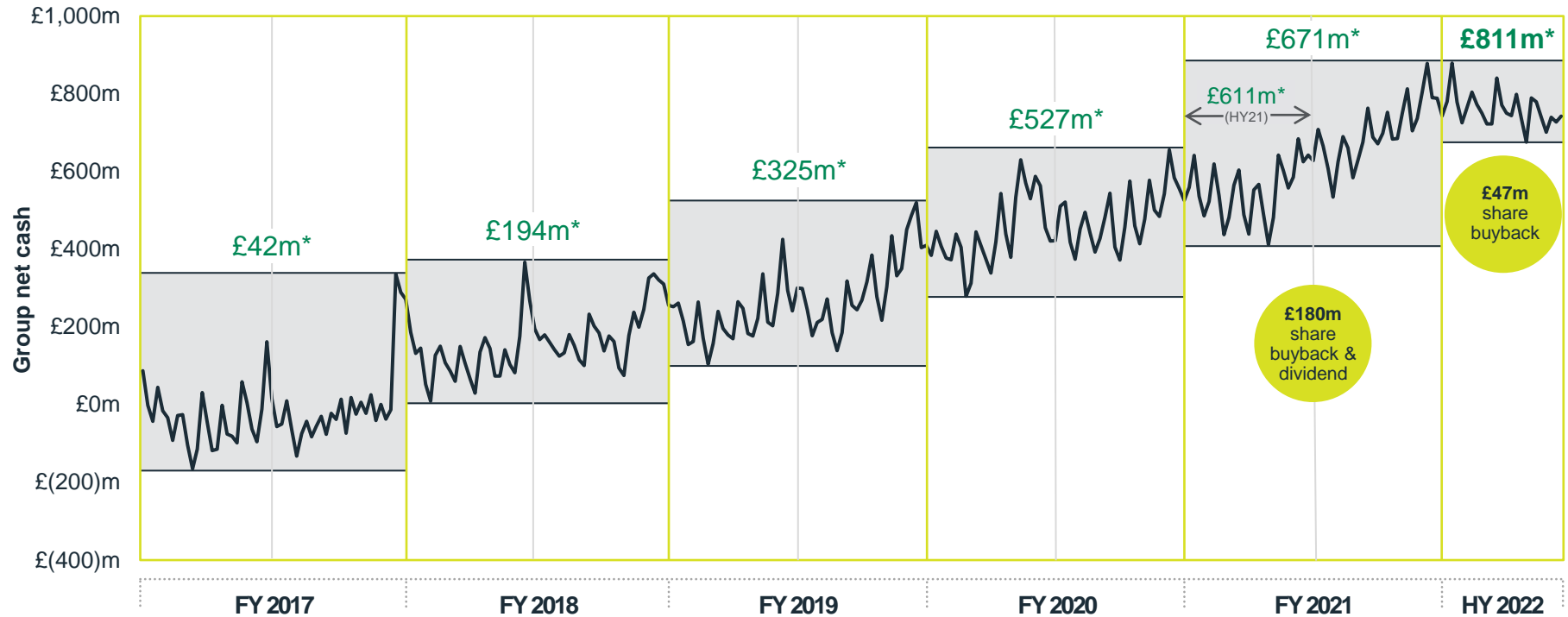
Purdue University, US

Directors' valuation increased to £1.3 billion; significant growth potential in US infrastructure

Track record of divestment above Directors' valuation and strong pipeline

All business units performing strongly

Group net cash



* average monthly net cash

Strong cash performance underpins future returns

Balfour Beatty



Phil Harrison

Chief Financial Officer

Image: Harkers Island Bridge Replacement, North Carolina, US

Headline numbers

£m (unless otherwise stated)	HY2022	HY2021	Variance
Group revenue*	4,147	4,154	-
Profit from earnings-based businesses*	85	60	42%
Profit from operations*	85	60	42%
Profit for the period*	80	51	57%
Basic earnings per share*	12.9p	7.7p	68%
Dividends per share	3.5p	3.0p	17%

	HY2022	FY2021	
Order book	£17.7bn	£16.1bn	10%
Directors' valuation of Investments portfolio	£1.3bn	£1.1bn	17%
Period end net cash [‡]	742	790	(6)%
Average net cash [‡]	811	671	21%

* before non-underlying items

‡ excluding Infrastructure Investments (non-recourse) net borrowings

Strong financial performance

Construction Services

£m	HY2022*			HY2021*		
	Revenue	PFO	PFO %	Revenue	PFO	PFO %
UK	1,237	18	1.5%	1,262	(23)	(1.8)%
US	1,766	21	1.2%	1,697	20	1.2%
Gammon	411	10	2.4%	377	9	2.4%
Total	3,414	49	1.4%	3,336	6	0.2%

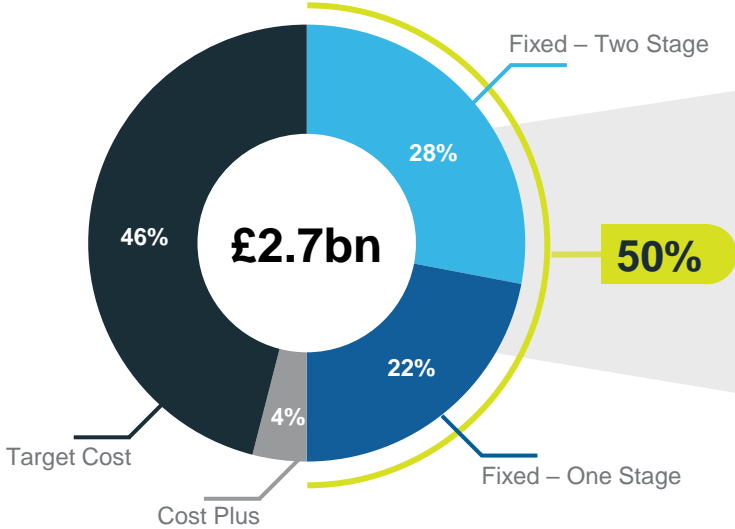
* before non-underlying items

- UK Construction profitability at 1.5%; 2-3% industry standard margin for full year
- US and Gammon slightly ahead of the prior year
- £15.3 billion order book increased 13% in the period (FY21: £13.6 billion)

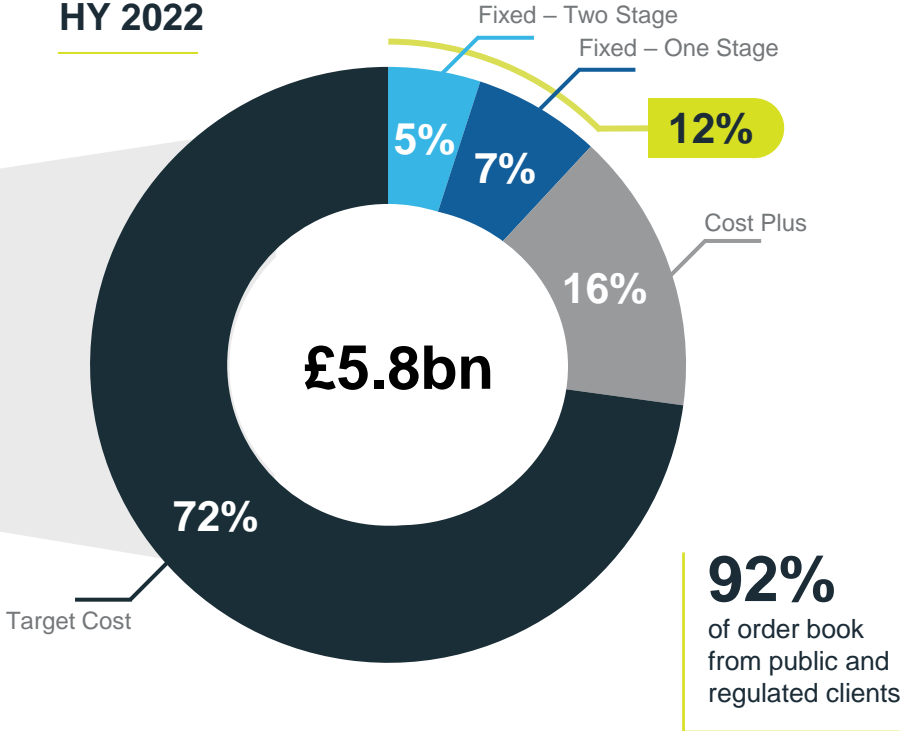
2-3% UK margin for full year

UK Construction order book evolution

HY 2018



HY 2022



Larger, lower risk, higher quality order book

Support Services

£m	HY2022	HY2021
Revenue		
Utilities	187	258
Transportation	312	297
Total	499	555
Profit from operations*	36	54
Adjusted PFO %	7.2%	9.7%

* before non-underlying items

- Profitable recurring revenues underpinned by long term frameworks
- Targeting industry standard margin of 6-8% (HY22: 7.2%)
- Underlying PFO £2 million higher than prior period when adjusted for approximately £20 million of one-off items in the first half of 2021

Upgraded to top end of 6-8% margin for full year

Infrastructure Investments

£m	HY2022	HY2021
Pre-disposals operating profit*	10	8
Gain on disposals	7	7
Investments profit*	17	15
Sub-ordinated debt interest receivable^	10	8
Infrastructure concessions' net interest	(3)	(3)
Investments pre-tax profit*	24	20

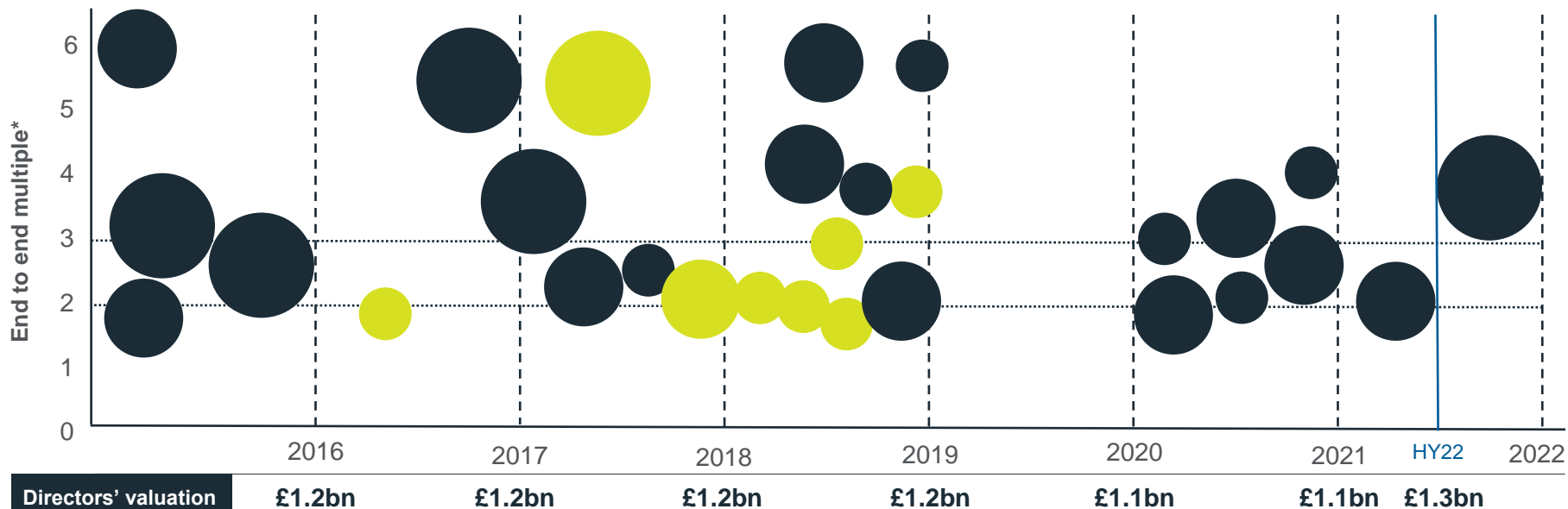
* before non-underlying items

^ includes £7m (HY2021: £9m) impairment to subordinated debt receivable from joint ventures and associates and £5m fair value gain on investment asset (HY21: £5m)

- PFO increased due to higher returns on projects as income increases with inflation
- Invested £17 million in new and existing projects including a multifamily housing project in San Antonio, Texas
- Continued to divest above Directors' valuation including multifamily housing project in Houston, Texas
- Completed sale of 67% stake in the Purdue University project in August. Profit on disposal of \$47 million with transaction at 3x book value

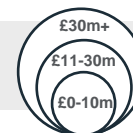
Assets sold above Directors' valuation

Track record of disposals above Directors' valuation



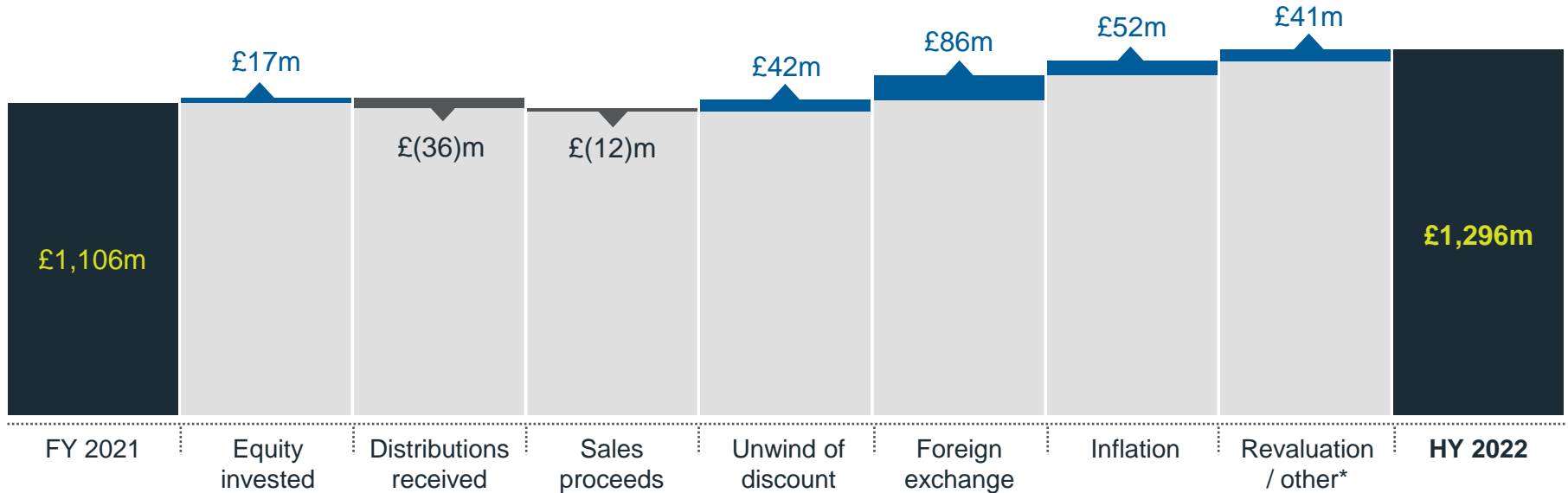
* calculated as the sales proceeds plus distributions received over time divided by the original equity investment

Sale proceeds:



Maximising value for shareholders in line with strategy

Directors' valuation of Investments portfolio



* revaluation / other includes the revaluation of the Purdue University project and movements in operational performance

Directors' valuation increased to £1.3 billion

Inflation

Infrastructure Investments

Inflation protection



- In an inflationary market asset values increase
 - > UK portfolio positively correlated with inflation
 - > US portfolio positively correlated with inflation indirectly through the link to rental market

Construction Services & Support Services

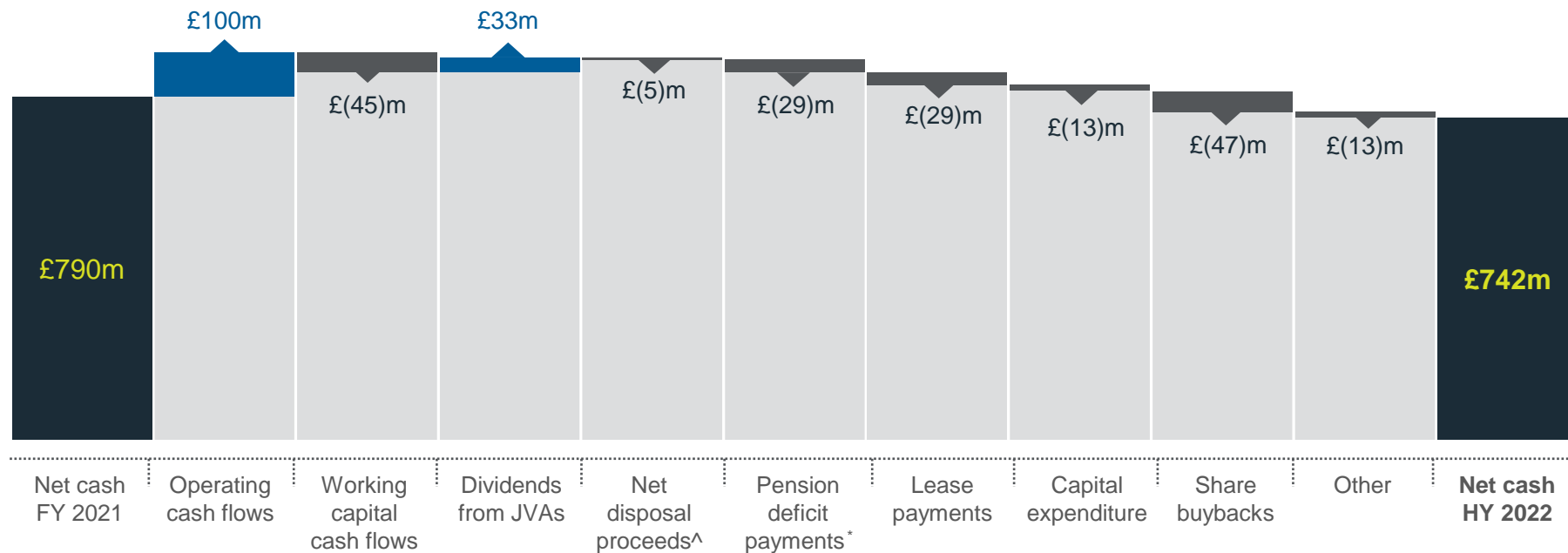
Inflation management



- Contractual protection
- Early buyout to lock in costs
- Leveraging the Group's scale
- Responsible supply chain management

Mitigating inflation risk while infrastructure assets increase with inflation

Cash flow



[^] includes £17m of equity invested

^{*} includes £1m of regular funding

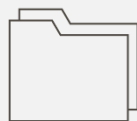
Consistent, strong cash performance

Capital allocation framework



Continued investment in organic growth opportunities

Significant opportunities in US P3 and student accommodation



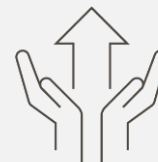
Active realisation of the Investments portfolio

Transaction of Purdue University project at 3x book value



Strong but efficient balance sheet

US private placement notes refinanced; debt maturity extended



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

17% increase to recommended half year dividend



Additional cash returns via share buybacks

2022 £150 million share buyback on track

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

Continuation of multi-year framework

Full year guidance

- ▶ UK Construction within 2-3% industry standard margin target range
- ▶ US Construction and Gammon expectations remain unchanged
- ▶ Support Services upgraded to top end of 6-8% industry standard margin target range
- ▶ Full year profit on Investments' disposals in range of £55 - £65 million
- ▶ 2022 £150 million share buyback on track
- ▶ Full year average net cash in range of £740 - £780 million

Upgrade to full year profit

Balfour Beatty

Leo Quinn

Group Chief Executive

Image: Hinkley Point C Connection Project, UK



Highly differentiated infrastructure capability

Hong Kong Airport



Hinkley Point C, UK



Green Line Extension, Boston, US

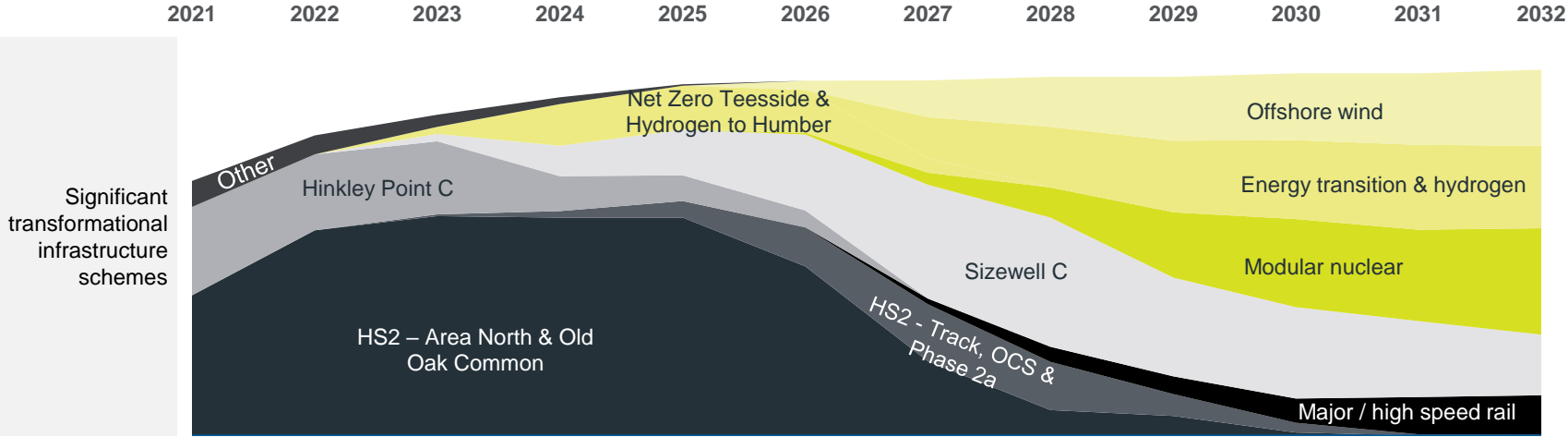


HS2, UK



Portfolio aligned to large infrastructure markets

Strong UK infrastructure market



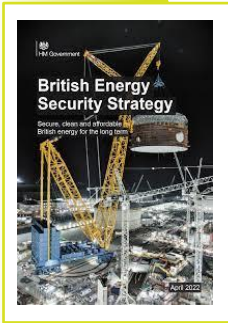
Steady and sustainable growth	Rail	CP6	CP7	CP8
	Highways	RIS2 / RIS3 (Smart motorways, Regional Development Programme, Lower Thames Crossing) M25 CPS and other DBFO's; Local Authority outsourcing contracts		
	Power T&D	RIO1	RIO2	RIO3
	Regional	National Infrastructure and Construction Pipeline, Defence, Public body frameworks, Levelling Up Agenda		

A decade of critical national infrastructure growth

UK Energy Security & Net Zero



Existing projects



ElecLink

1000MW HVDC electrical interconnector between the UK and France



Hinkley Point C

Tunnelling and marine package and overhead line contract for new nuclear power station



Littlebrook substation

Construction of a new 400kV substation enabling low carbon and renewable energy

Future pipeline



Net Zero Teesside

Decarbonising operations through deployment of carbon capture utilisation and storage



Sizewell C

Providing reliable, low-carbon electricity to help Britain achieve Net Zero

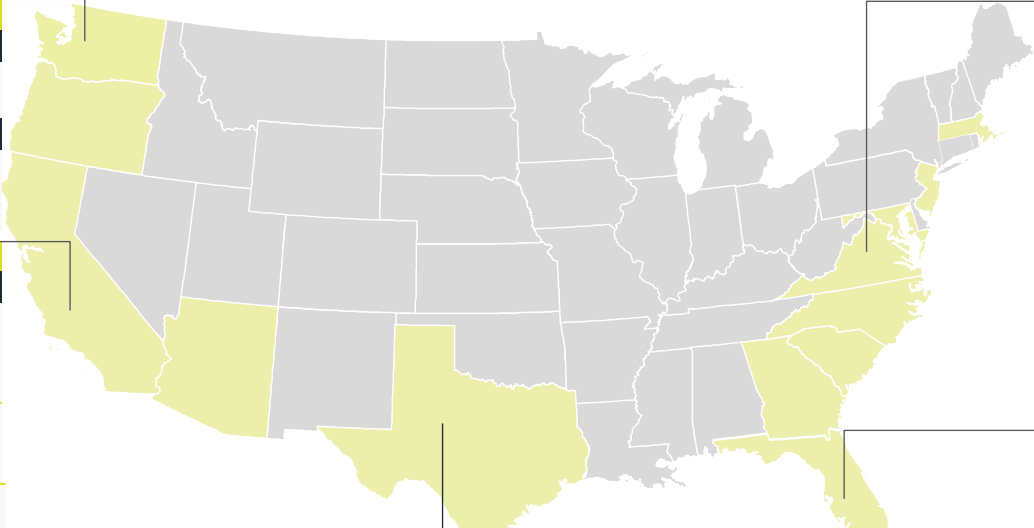


Offshore wind connection and base construction

Largest source of renewable electricity in the UK; contributing 24.8% in 2020

End to end unique Group capability - key differentiator

US Construction



Washington / Oregon

Existing project

Springs at Waterfront - \$158m
Assisted living facility

Pipeline

\$2.4bn
including office, healthcare and mission critical sectors

California

Existing projects

Seven contracts - \$235m
Constructing essential K-12, correction / justice and federal projects

Los Angeles (LAX) International Airport - \$485m
Construction of automated people mover

Caltrain - \$1.1bn
52-miles of electrification from San Francisco to San Jose

Pipeline

\$2.4bn
including K-12, higher education, Federal, civic and P3 sectors

Texas / Arizona

Existing projects

Private developer mixed-use building - \$400m
Premier development located in Dallas

Oak Hill Parkway - \$299m
Widening of highway

I-635 East - \$777m
Upgrade of interstate highway

Pipeline

\$7.5bn
including office, healthcare, education, highways and mixed-use sectors

Mid Atlantic

Existing project

East Campus Building #4 - \$698m
Federal sector - US Army

Pipeline

\$3.7bn
including Federal and aviation sectors

Nationwide

Pipeline

\$2bn
of nationwide rail projects

Southeast

Existing project

Hospitality client - \$262m
Hospitality and entertainment sector

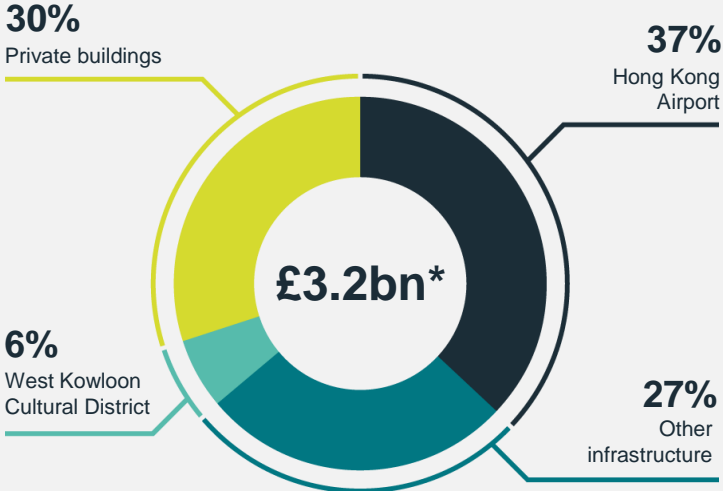
Pipeline

\$10.1bn
including aviation, highways, private developer and hospitality sectors and special project work

Robust future pipeline; increasing Federal orders

Gammon

Order book



c.11% increase in infrastructure spend in Hong Kong in 2022 - HK\$85 billion (£9 billion)

* Balfour Beatty share

Future pipeline


HK\$100 billion
Northern Metropolis




HK\$92 billion
MTR extension projects



HK\$300 billion
2nd Hospital ten year development plan






316,000
Public housing units in the coming decade



Moving forward with a strong order book

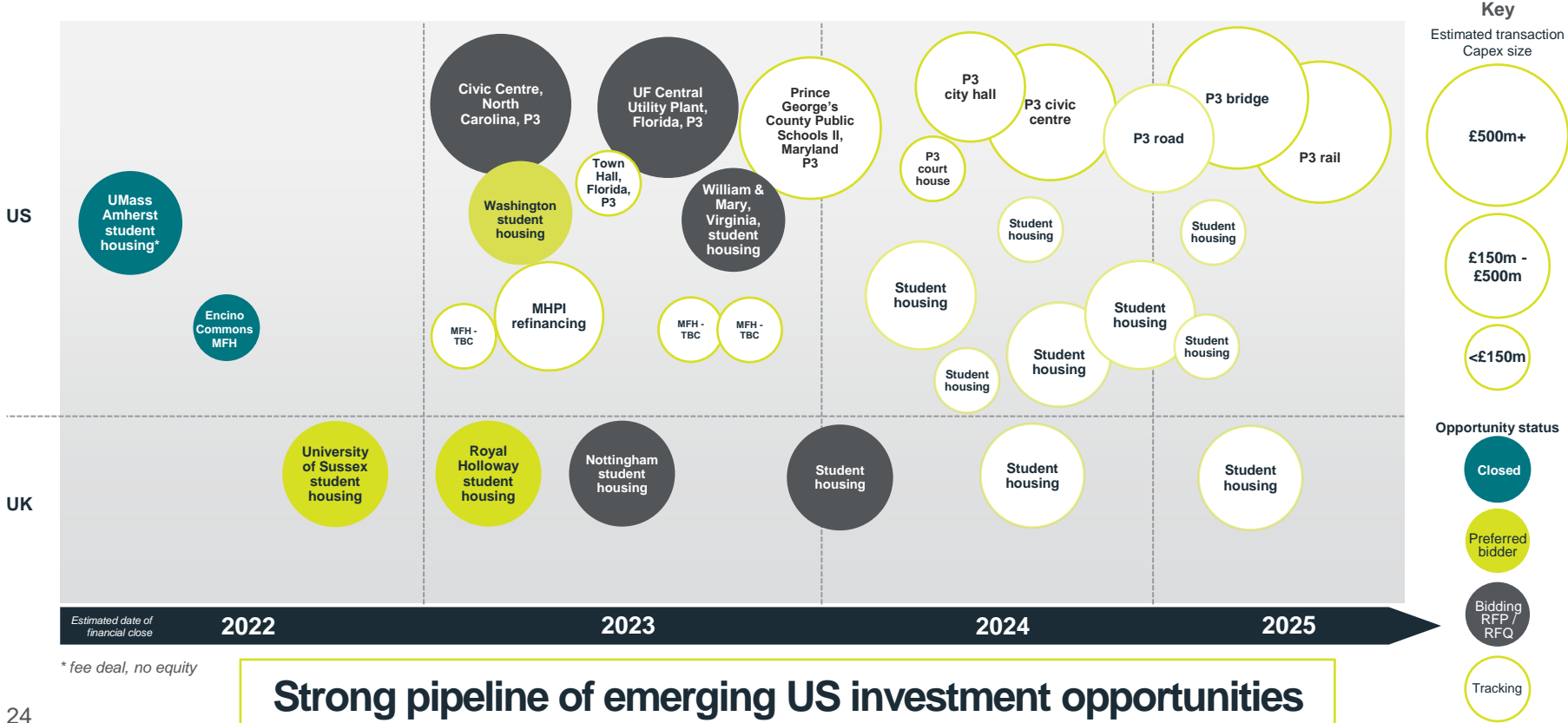
Support Services

	Contracts	Pipeline
Rail maintenance	 <p>Central Rail Systems Alliance £1.5 billion* for the delivery of track renewals for Network Rail</p>	<ul style="list-style-type: none"> • CP7 (2024-2029): £40 billion for track, signalling and electrification • £96 billion Integrated Rail Plan for the North and Midlands • Significant pipeline of electrification projects to decarbonise the railway
Road maintenance	 <p>Buckinghamshire highways maintenance £176 million contract for the maintenance of highways assets for Buckinghamshire Council</p>	<ul style="list-style-type: none"> • Local authority outsourcing contracts including reactive and capital works • Regional Technology Maintenance Contracts including signage, CCTV cameras and traffic data
Power	 <p>Inveraray to Crossaig £70 million contract to design and construct 37km, 275kV double circuit overhead line on behalf of SSEN Transmission</p>	<ul style="list-style-type: none"> • RIIO-T2 (2021-2026): £30 billion in energy networks • Further £10 billion on green energy projects • £3 billion for renewable energy connections • £10 billion National Grid East Coast programme

* Balfour Beatty share 80%

Upgraded to top end of 6-8% margin for full year

Infrastructure Investments pipeline



* fee deal, no equity

Strong pipeline of emerging US investment opportunities

Building New Futures



Environment



2040 Ambitions	Beyond Net Zero Carbon
2030 Targets	Achieve science-based carbon reduction target

Materials



2040 Ambitions	Generate Zero Waste
2030 Targets	40% reduction in waste generated*

Communities



2040 Ambitions	Positively Impact More than 1 Million People
2030 Targets	£3 billion social value generated

Progress

- Preparing waterfalls to achieve Science Based Targets 2030
- Designing for sustainability
- Recycling water and optimising mass haul
- Dedicated carbon and energy teams



HS2 groundworks

* total waste per million pound of revenue

Science based carbon reduction commitment made for 1.5°C reduction pathway

Strong outlook

- ▶ Upgrade to full year profit underpinned by strong first half financial performance
- ▶ Unique Group capability aligned to decade of infrastructure growth
- ▶ High quality, de-risked order book
- ▶ Attractive Investments portfolio and strong pipeline
- ▶ Multi-year capital allocation framework

Confidence in significant future shareholder returns

Appendix

Image: The Eastern, North Carolina, US



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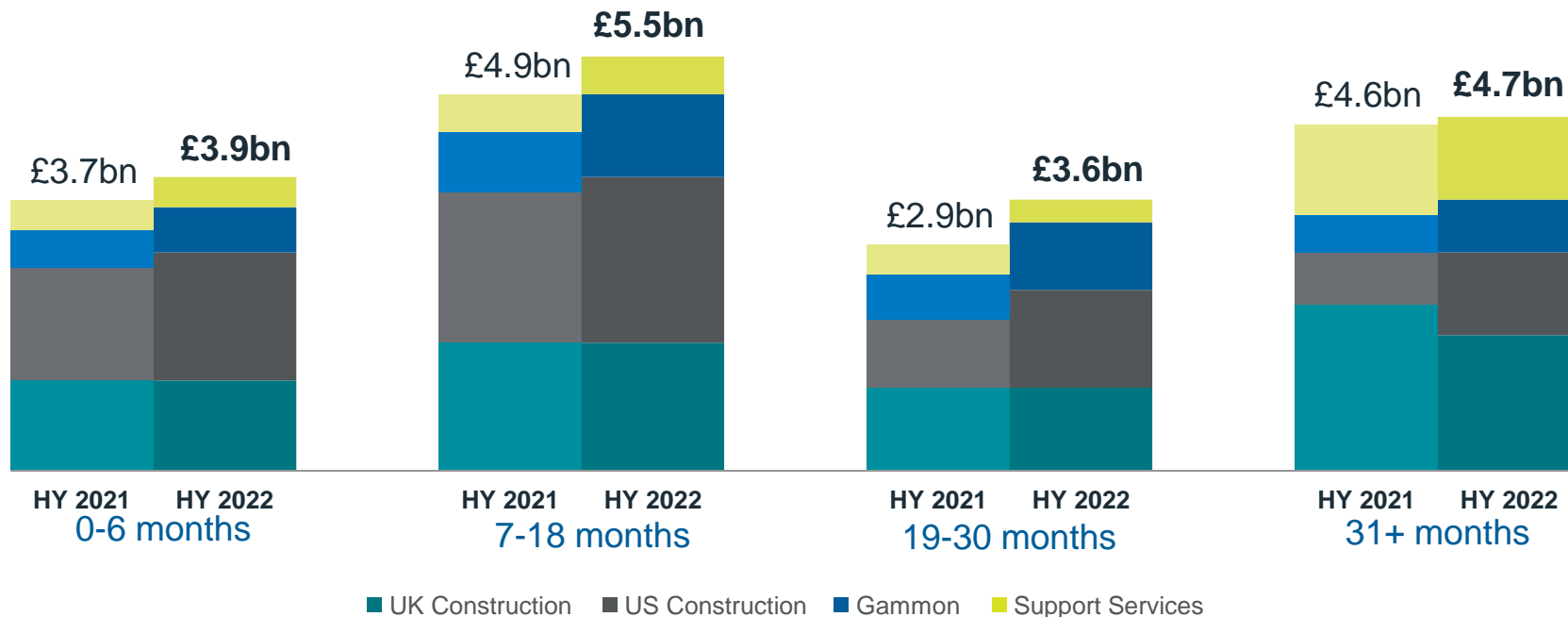
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Order book by phase

Total HY 2022 £17.7bn
Total HY 2021 £16.1bn



Underlying profit from operations

£m	HY 2022*	HY 2021*
UK Construction	18	(23)
US Construction	21	20
Gammon	10	9
Construction Services	49	6
Support Services	36	54
Earnings-based businesses	85	60
Infrastructure Investments		
Pre-disposals operating profit	10	8
Gain on disposals	7	7
Corporate activities	(17)	(15)
Total	85	60

* before non-underlying items

Group balance sheet

£m

	HY 2022	HY 2021
Goodwill and intangible assets	1,175	1,109
Current working capital	(1,136)	(1,023)
Net cash (excluding infrastructure concessions)	742	625
Investments in joint ventures and associates	493	541
PPP financial assets	28	149
Infrastructure concessions – non-recourse net debt	(242)	(318)
Net retirement benefit assets	361	166
Net lease liabilities	(5)	(5)
Net deferred tax assets/(liabilities)	(12)	(18)
Other assets and liabilities	50	94
Net assets	1,454	1,320

Cash flow

£m	HY 2022	HY 2021
Operating cash flows	100	64
Working capital (outflow)/inflow	(45)	123
Pension deficit payments [‡]	(29)	(29)
Cash from operations	26	158
Dividends from joint ventures & associates	33 [^]	12
Capital expenditure	(13)	(16)
Lease payments (inc. interest paid)	(29)	(32)
Buyback of ordinary shares	(47)	(97)
Infrastructure Investments		
Disposal proceeds	12	20
New investments	(17)	(8)
Other	(13)	7
Net cash movement	(48)	44
Opening net cash [*]	790	581
Closing net cash[*]	742	625
Average net cash[*]	811	611

^{*} excluding infrastructure investments (non-recourse) net borrowings

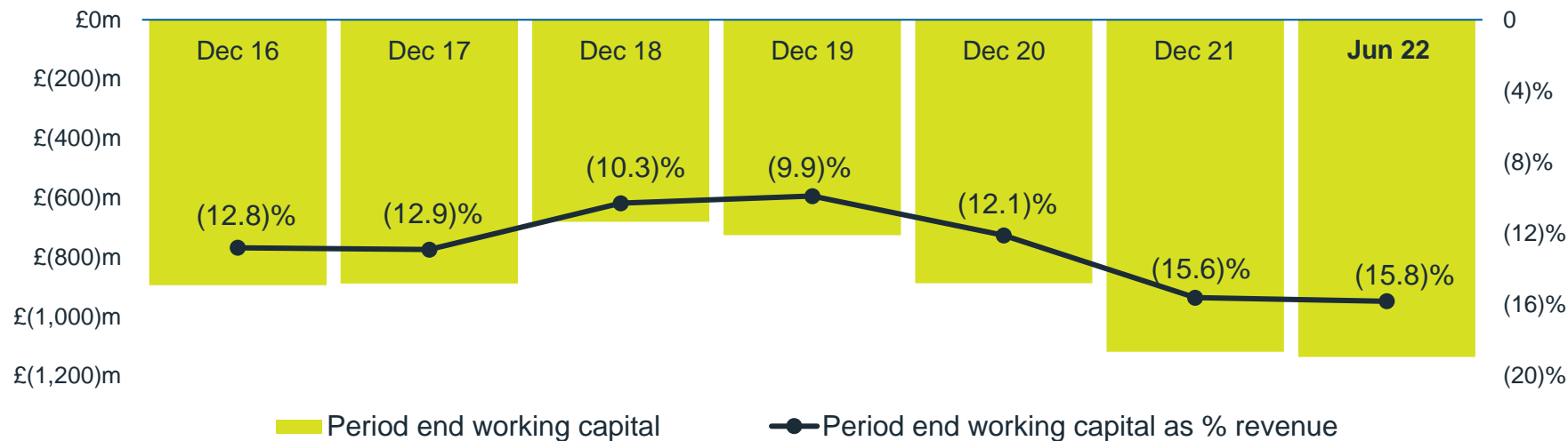
[‡] includes £1 million (2020: £3 million) of regular funding

[^] excludes £5m dividends received in 2022 in relation to Investments disposals within joint ventures and associates

£m	HY 2022	HY 2021
Working capital flows[^]		
Inventories	(5)	11
Net contract assets	(4)	113
Trade and other receivables	32	6
Trade and other payables	(73)	(5)
Provisions	5	(2)
Working capital (outflow)/inflow[^]	(45)	123

[^] excluding impact of foreign exchange and disposals

Working capital – Group

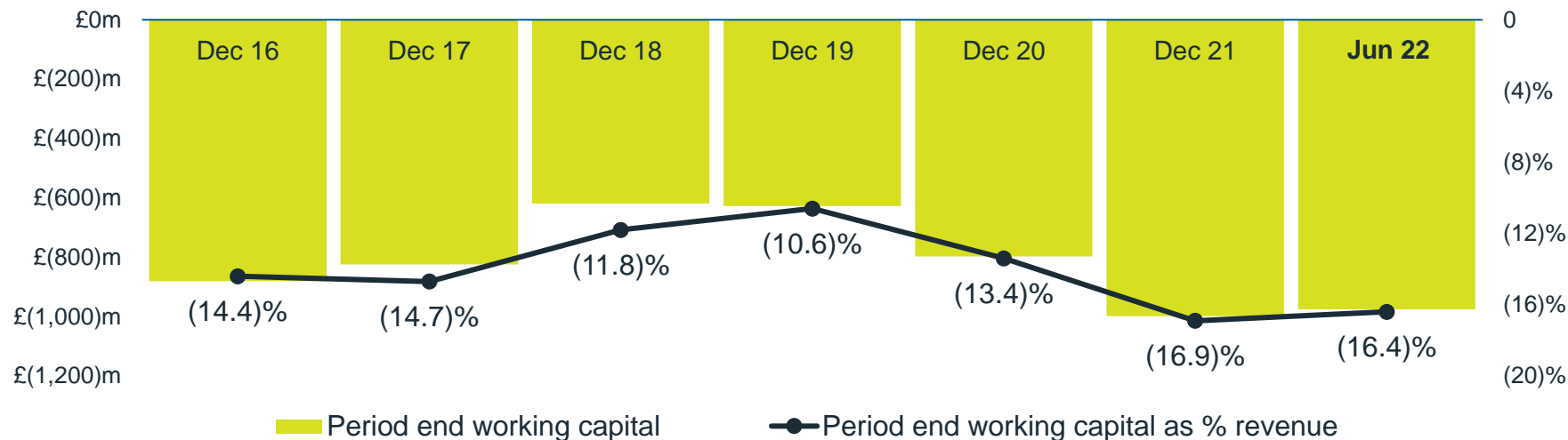


Debtor days*	34	28	33	29	26	26	28
Creditor days*	51	46	44	44	39	40	42

from continuing operations including non-underlying items

* debtor days include current trade receivables; creditor days include current trade and other payables, excluding accruals

Working capital – Construction Services

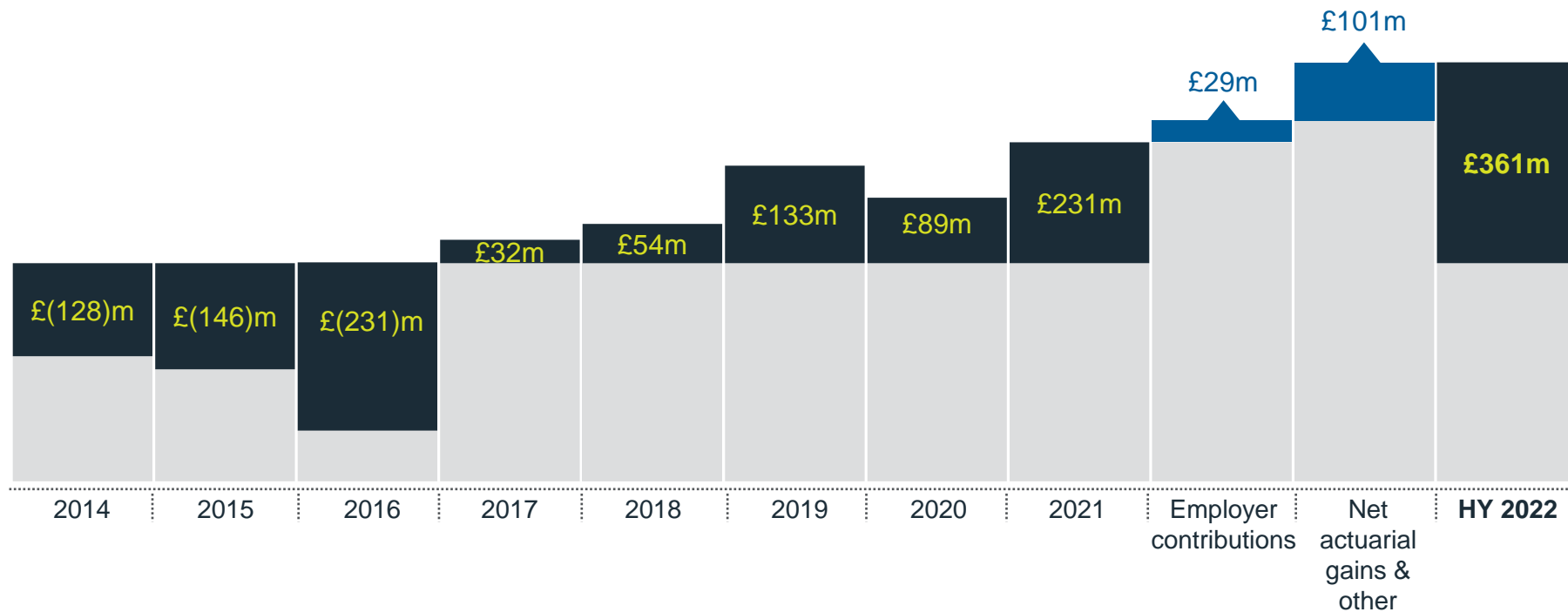


from continuing operations including non-underlying items

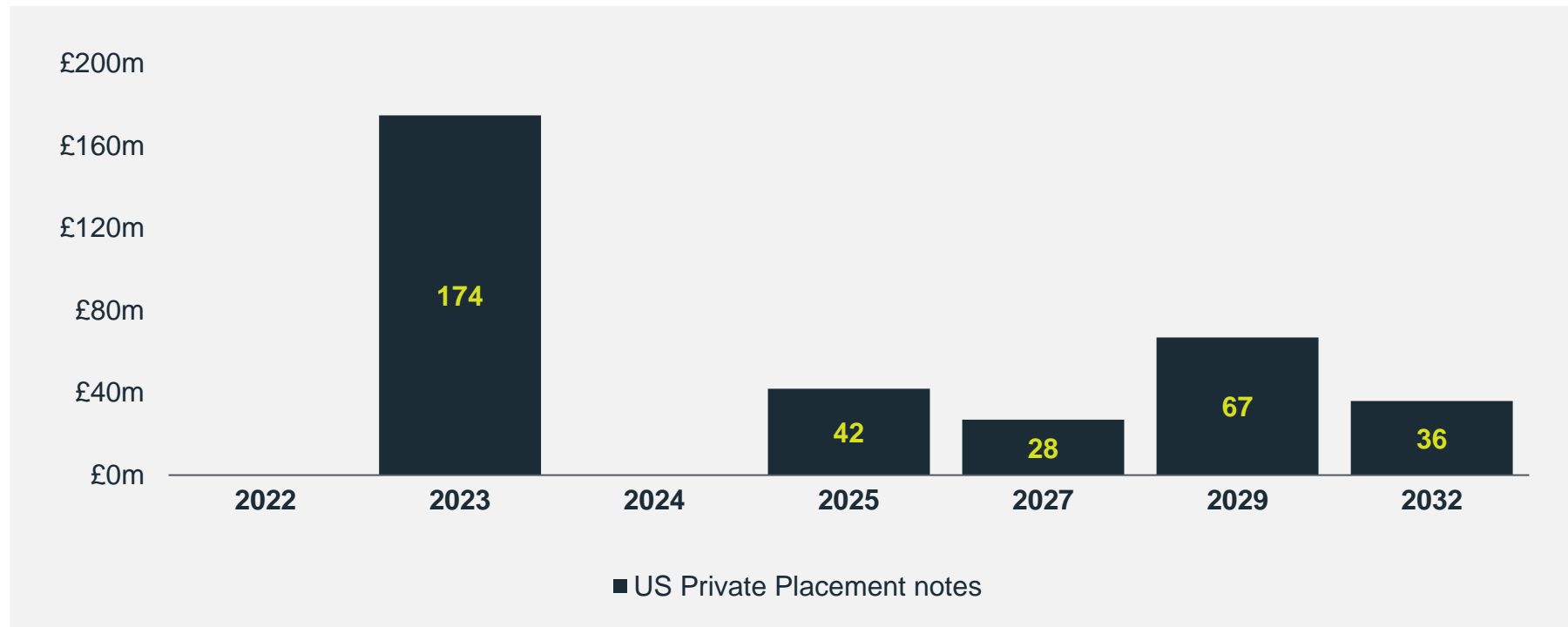
Net finance costs

£m		HY 2022	HY 2021
Subordinated debt interest receivable	12		
Interest on PPP financial assets	1		
Interest on non-recourse borrowings	1	14	9
Net finance income – pension schemes		2	1
Other interest receivable	5		
Other interest payable	(5)	–	2
US private placement		(6)	(5)
Interest on lease liabilities		(2)	(3)
Impairment of loans and accrued interest relating to joint ventures and associates		(7)	(9)
Net finance income/(costs)		1	(5)

Pensions – balance sheet movement



Borrowing repayment profile



The Group has a £375m committed bank facility extending through to October 2024, which was undrawn at 1 July 2022