

## *News Release*

1 June 2020

### **COVID-19 trading update and re-scheduling of AGM**

Balfour Beatty today provides an update on current trading, following the Group's previous statement on 27 March 2020.

#### **Health and Safety**

The primary focus for Balfour Beatty will always be the health, safety and wellbeing of the Group's employees, customers, partners and the general public.

In May, 83% of Balfour Beatty's UK and US construction sites were operational, while the Group adhered to all regulation and government guidance across each of its markets. In the UK, the Group is implementing Balfour Beatty's COVID-19 Site Operating Procedures which are fully aligned to the latest UK Government guidance. In the US, the Group is adhering to regulations on a state by state basis, whilst in Hong Kong operations are following all local government guidance.

#### **Liquidity**

Balfour Beatty continues to benefit from the strong financial position that it has built up over the last five years.

As at 27 May 2020, the Group had £452 million of net cash and £375 million of undrawn facilities. The average net cash for the first four months of the year was £464 million (2019: £325 million). Cash discipline remains the Group's principal financial priority at this time.

#### **Order book**

The Group's order book as at 30 April 2020 was £17.4 billion (2019: £14.3 billion), over 20% higher than the prior year end position.

This increase is due to the addition of over £3 billion of HS2 contracts following Notice to Proceed in April. Balfour Beatty, in joint venture with VINCI, will deliver Lots N1 and N2 south of Birmingham – comprising extensive earthworks, ground engineering, viaducts and tunnels along a 90 kilometre stretch – and the London hub station at Old Oak Common. Also in April, Highways England named Balfour Beatty as a contractor partner to deliver the future smart motorway programme (southern area) via a ten year framework.

In the current uncertainty, the approval of HS2 provides critical visibility and impetus not only for Balfour Beatty but also for the UK construction industry and its supply chain partners. In combination with increased funding for road and other rail programmes, the UK government's decision on HS2 demonstrates its commitment to stimulate economic recovery.

In the US, Balfour Beatty was awarded c.\$450 million of additional work on two significant ongoing projects in March: an office campus redevelopment in Seattle, Washington and the Broward County Convention Center extension in Fort Lauderdale, Florida.

In May, Gammon, the Group's 50:50 joint venture based in Hong Kong, was awarded a HK\$7.2 billion (c. £760 million) contract to deliver tunnels and associated works for an automatic people mover and baggage handling system at Hong Kong International Airport.

### **Operational update**

Balfour Beatty had a strong first quarter of the financial year, building on the positive momentum from 2019. Thereafter the impact of COVID-19 and the resulting lockdown have had a material impact on financial performance across all divisions.

Nonetheless, the Group has achieved important successes through the determination and dedication of its people. Acting as principal contractor, Balfour Beatty converted Glasgow's Scottish Events Campus (SEC) into the NHS Louisa Jordan hospital providing 1,300 beds for patients requiring treatment for COVID-19. In Pennsylvania, the Pavilion at Penn Medicine project opened 120 patient rooms 15 months ahead of the facility's planned opening, with Balfour Beatty employees working around the clock for 17 days to deliver 122,000 square feet of space in the emergency department.

In **Construction**, the majority of Balfour Beatty's projects have remained operational throughout the period with the trend now improving week to week. In April, 78% of the Group's sites, across the UK and US, were open. In May, whilst 83% of sites were open and 17% were closed, of those open 17% experienced significant disruption due to the availability of employees, subcontractors or materials.

The most affected areas in the UK have been Scotland, where the devolved Government administration required the closure of all non-essential construction works, and London where public transport availability has been a significant challenge. In the US, the most affected areas have been Washington State and Florida. In Hong Kong, there were minimal site closures and the business has largely returned to normal, albeit operating below optimum productivity.

In **Support Services**, many of the Group's employees were designated as key workers. Whilst still somewhat negatively affected by COVID-19, Support Services has shown good resilience with limited closures, and in some circumstances an opportunity to accelerate maintenance works on road, rail and power assets.

In **Infrastructure Investments**, operations in the UK have continued as normal supported by the Government advice that PFI contractors should consider themselves to be part of the public sector response to COVID-19. In the US, Balfour Beatty Communities continues to work with its partners to support military families. Employees are working to social distancing rules, as agreed with the military, which restricts access to properties and thus maintenance activity.

Given current market uncertainty, and the strong liquidity position of the Group, in the first five months of the year, the Group has not disposed of any material Infrastructure Investment assets. In line with its strategy to maximise shareholders' returns the Board will only resume disposals when market conditions, which are expected to be favourable in the medium term, return to more normal levels.

### **Revised AGM date, cancellation of dividend and intention to redeem preference shares**

On 27 March 2020, Balfour Beatty announced the postponement of its Annual General Meeting (AGM) given the uncertainty arising from COVID-19 and the limitations on gatherings of people. The Group also stated that the Board would keep the appropriateness of paying the final dividend for 2019 under review until the rescheduled AGM, with a final decision dependant on the prevailing circumstances at the time.

The re-scheduled date of the AGM is 25 June 2020 at 12:00 noon to be held at Balfour Beatty's offices located at The Curve, Axis Park, Hurricane Way, Slough, SL3 8GA. The Board has been required to put in place alternative arrangements for the AGM to comply with the restrictions on public gatherings.

As a result, the AGM will be a closed meeting, whilst satisfying the minimum quorum of shareholders as stated in the Group's articles of association.

The Board welcomes engagement with the Company's shareholders and, as they will not be permitted to attend in person, shareholders are encouraged to vote in advance by proxy and also to submit any questions on the business of the meeting. Provision will be made for questions to be received from shareholders from today until 10:00 on 25 June 2020 by email to [shareholderquestions@balfourbeatty.com](mailto:shareholderquestions@balfourbeatty.com).

In line with the current environment, the Board has prudently decided to cancel the final dividend for 2019. However, Balfour Beatty will shortly be giving notice to preference shareholders of its intention to redeem in full the £112 million of preference shares that fall due on 1 July 2020.

As stated in Balfour Beatty's 2019 full year results announced on 11 March 2020, the Board will continue to review the Group's capital structure and the potential for further distributions to shareholders, as and when the impacts of COVID-19 on the Group are clearer.

### **Outlook**

On 27 March 2020, the Board announced that it was suspending all forward guidance until such time as the overall impact of COVID-19 became clearer. At this time, therefore, the Group remains unable, as yet, to reinstate financial guidance.

The key driver of performance for the rest of the year will be improving current productivity, which will depend on the availability of employees, subcontractors and materials, whilst maintaining social distancing rules and ensuring satisfactory contractual resolution on projects impacted by COVID-19.

Whilst working in the 'new normal' will present challenges, it will also offer opportunities for innovation and efficiencies. Last month, the Group established a New Normal Taskforce that has generated over 450 ideas from across the business through an employee engagement campaign. These ideas are being taken forward for implementation under four strategic themes (working environment, new markets and capability, digital enhancement and rapid return to work) and will be incorporated to deliver operational and financial efficiencies.

Despite the difficulties faced at this time, Balfour Beatty continues to demonstrate to its employees, customers and supply chain partners that the Group is well positioned financially, operationally and culturally to weather the complex and evolving situation and deliver on its market leading strengths.

### **Leo Quinn, Group Chief Executive, said:**

"These remain challenging and uncertain times. Our priority will always be the safety and health of all our employees, customers, partners and the public.

"Build to Last has made Balfour Beatty a resilient organisation with a high-quality order book and a strong balance sheet. As we navigate the Group through this exceptional year, we will maintain our focus on the longer term to ensure we are ready to capitalise fully on the significant opportunities in our chosen markets."

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Notes to editors:

- Balfour Beatty (balfourbeatty.com) is a leading international infrastructure group. With 26,000 employees, we provide innovative and efficient infrastructure that underpins our daily lives, supports communities and enables economic growth. We finance, develop, build and maintain complex infrastructure such as transportation, power and utility systems, social and commercial buildings.
- Our main geographies are the UK, US and Hong Kong. Over the last 110 years we have created iconic buildings and infrastructure all over the world including the London Olympics' Aquatic Centre, Hong Kong's first Zero Carbon building, the National Museum of the Marine Corps in the US and the Channel Tunnel Rail Link.