



2018 full year results presentation

13 March 2019

Caltrain project: US\$697 million contract for the electrification of the 52-mile rail corridor between San Francisco and San Jose

Balfour Beatty

Leo Quinn

Group Chief Executive



2018 Build to Last highlights

Delivered industry standard margins

Gross debt reduced by 40%; paid down convertible bonds

Order book up 11% to £12.6 billion

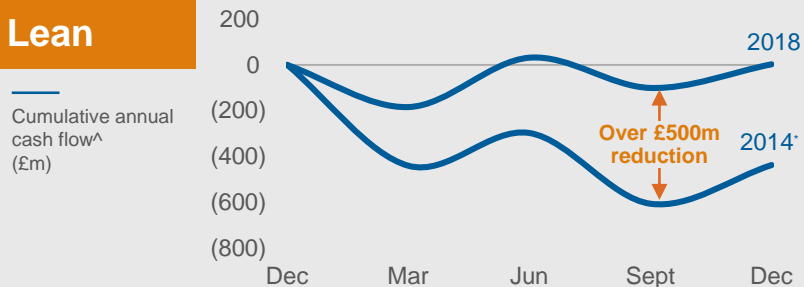
Construction Services profit from operations up 32%



Value being created through Build to Last

Build to Last goals

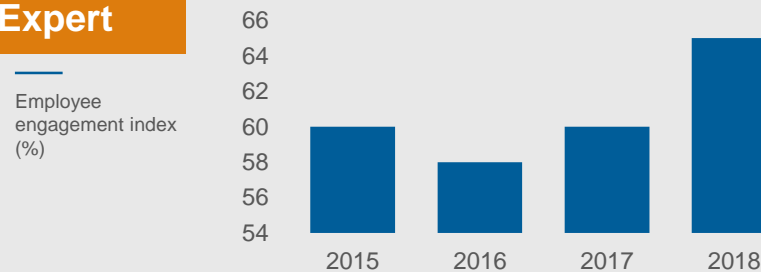
Lean



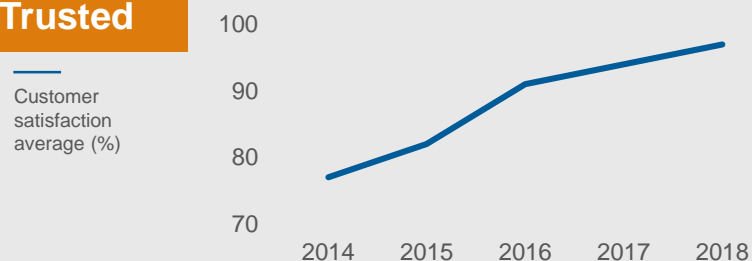
[^] includes other disposals

* adjusting for sale of Parsons Brinckerhoff. Includes all other disposals

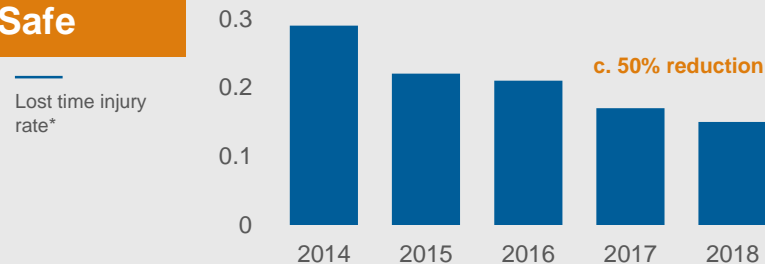
Expert



Trusted



Safe

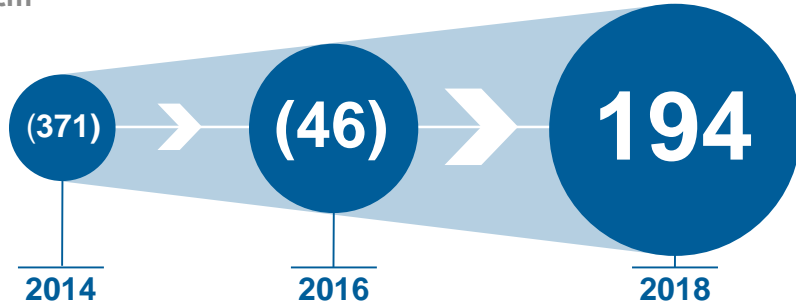


* excluding international joint ventures

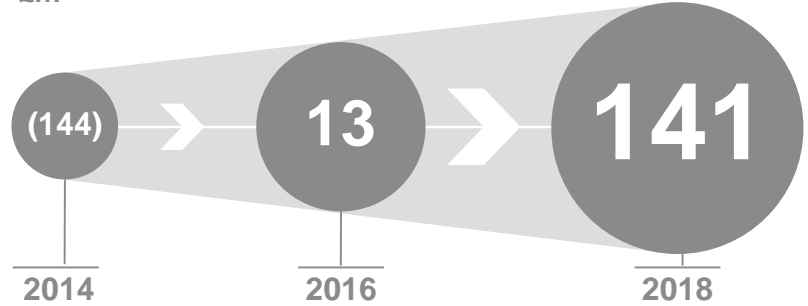
Delivering on all Build to Last goals

Wider benefits of Build to Last

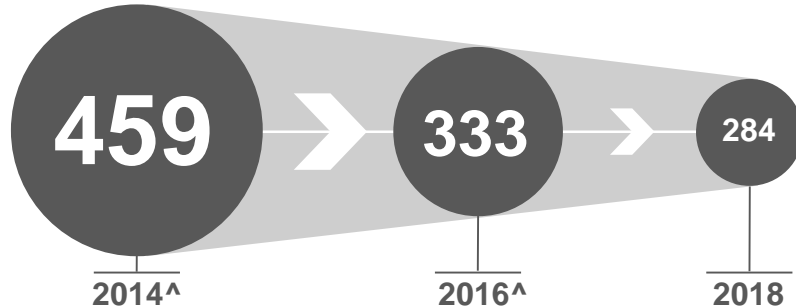
Average net cash/(debt)
£m



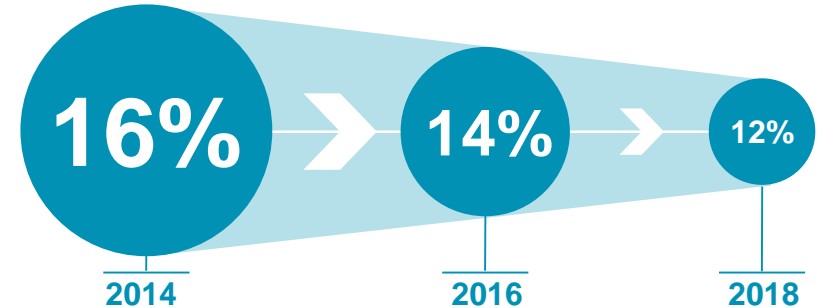
Earnings based businesses profit/(loss) from operations*
£m



Other net operating expenses*
£m



UK voluntary attrition: moving annual average
%



Well positioned to achieve market leading performance

* from continuing operations, before non-underlying
[^] 2014 and 2016 other net operating expenses recalculated on a Constant Exchange Rate (CER) basis

Phil Harrison

Chief Financial Officer



Headline numbers

£m (unless otherwise stated)	2018	2017
Revenue*	7,802	8,234
Profit from operations*	205	196
Pre-tax profit*	181	165
Profit for the year*	179	143
Basic earnings per share*	26.3p	20.9p
Dividends per share	4.8p	3.6p
Order book*	£12.6bn	£11.4bn
Directors' valuation of Investments portfolio	£1.15bn	£1.24bn
Year end net cash‡	337	335
Average net cash‡	194	42

* from continuing operations, before non-underlying items

‡ excluding infrastructure concessions (non-recourse) net debt

Results demonstrate value being created through Build to Last

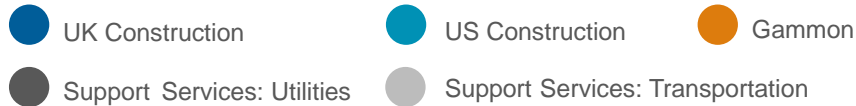
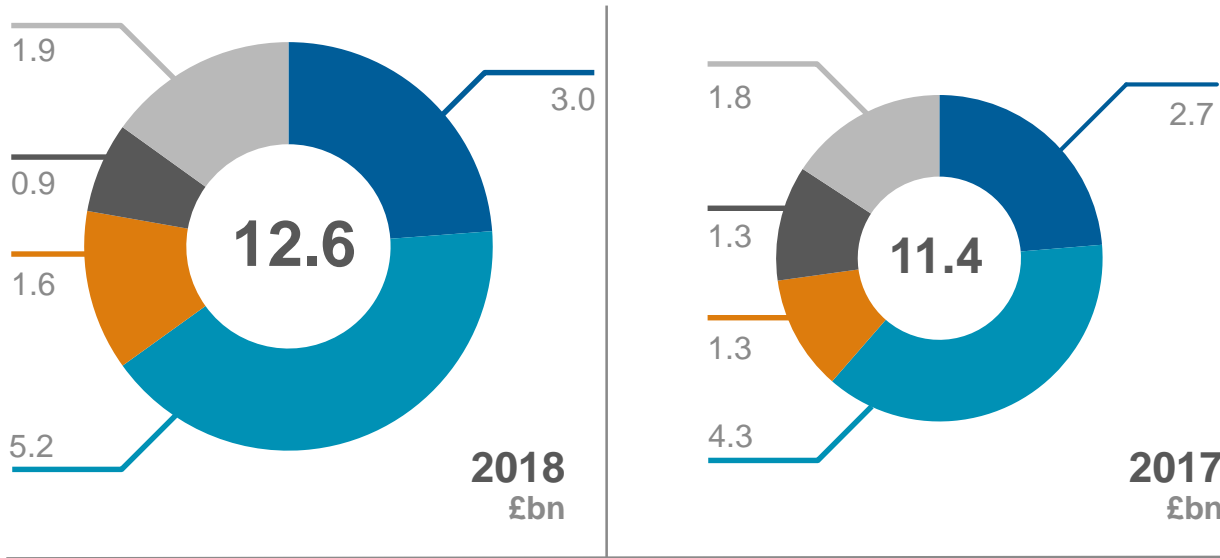
Underlying profit from operations

£m	2018*	2017*	Change
UK Construction	28	16	75%
US Construction	44	41	7%
Gammon	23	15	53%
Construction Services	95	72	32%
Support Services	46	41	12%
Earnings based businesses	141	113	25%
Infrastructure Investments	97	116	(16)%
Corporate activities	(33)	(33)	-
Total	205	196	5%

* from continuing operations, before non-underlying items

Continuing improvement in earnings based businesses

Order book



- Maintained Group's disciplined bidding strategy
- Increased bid margin thresholds, lower risk contract portfolio
- 11% increase (8% at CER) driven by US bookings
- £3.5bn* HS2 Lots N1 & N2 & Old Oak Common not included

* Lots N1 and N2 £2.5bn (50:50 joint venture) and Old Oak Common station £1.0bn (42% Balfour Beatty joint venture)

Higher quality order book up 11% at £12.6 billion

Construction Services

£m	H1 2018*			H2 2018*			FY 2018*			FY 2017*		
	Revenue	PFO	PFO%	Revenue	PFO	PFO%	Revenue	PFO	PFO%	Revenue	PFO	PFO%
UK	947	5	0.5%	953	23	2.4%	1,900	28	1.5%	1,998	16	0.8%
US	1,577	17	1.1%	1,752	27	1.5%	3,329	44	1.3%	3,634	41	1.1%
Gammon	451	10	2.2%	447	13	2.9%	898	23	2.6%	1,017	15	1.5%
Total	2,975	32		3,152	63		6,127	95		6,649	72	

* from continuing operations, before non-underlying items

- UK Construction and US Construction delivered industry standard margins in H2 2018
- Increased profit and margin percentage across all three chosen markets
- Revenue decreased 8% (CER 6%) following managed reduction in order book during 2017

Achieved industry standard margins in second half of 2018

Support Services

£m	H1 2018	H2 2018	FY 2018	FY 2017
Revenue				
Utilities	308	343	651	608
Transportation	235	218	453	453
Total	543	561	1,104	1,061
Profit from operations*	17	29	46	41
PFO margin*	3.1%	5.2%	4.2%	3.9%

* before non-underlying items

- H2 2018 PFO margin at 5.2%, above 3-5% industry standard margin range
- Power: continued restructure; focus on core markets
- Gas and Water: focus on AMP7 contract terms
- Highways: Area 10 contract complete; good local authorities opportunities
- Rail: London Underground contract re-awarded in 2019

Continuing margin improvement

Infrastructure Investments

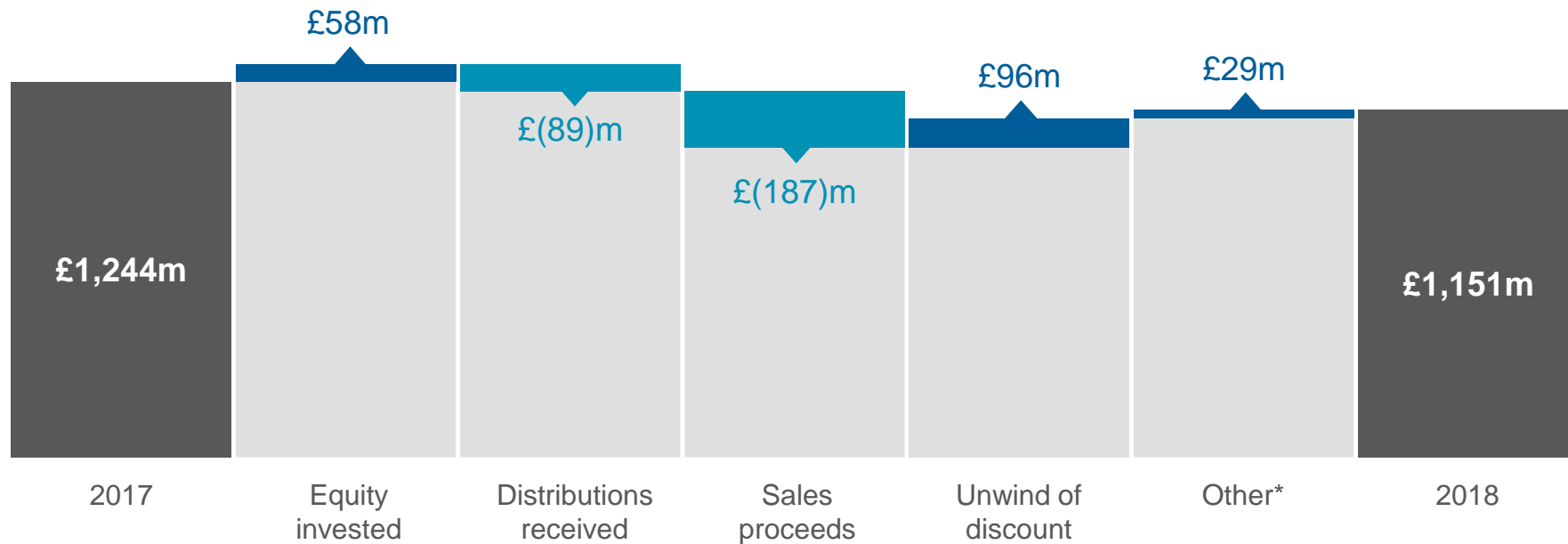
£m	2018	2017
Pre-disposals operating profit*	17	30
Profit on disposals*	80	86
Investments profit*	97	116
Subordinated debt interest receivable	21	26
Infrastructure concessions' net interest	(5)	(2)
Investments pre-tax profit*	113	140

* before non-underlying items

- Following significant disposals in 2017, operating profit decreased
- In 2017 sold 20% interest in M25; in 2018 sold additional 5%; Group retains 15% holding in the asset
- Other key 2018 disposals include Fife Hospital and student accommodation projects in UK and US
- Five new projects added to the portfolio in the year

Continuing to optimise value

Directors' valuation of Investments portfolio



* other includes foreign exchange £36m, movements in operational performance (£18m), new project wins £7m and gain on sales £4m

Directors' valuation remains broadly stable at £1.2bn

Cash flow

£m	2018	2017
Operating cash flows	124	39
Working capital (outflow)/inflow	(229)	27
Pension deficit payments	(27)	(25)
Cash (used in)/from operations	(132)	41
Infrastructure Investments		
Disposal proceeds	187	105
New investments	(58)	(35)
Other	5	51
Net cash movement	2	162
Opening net cash*	335	173
Closing net cash*	337	335
Average net cash*	194	42

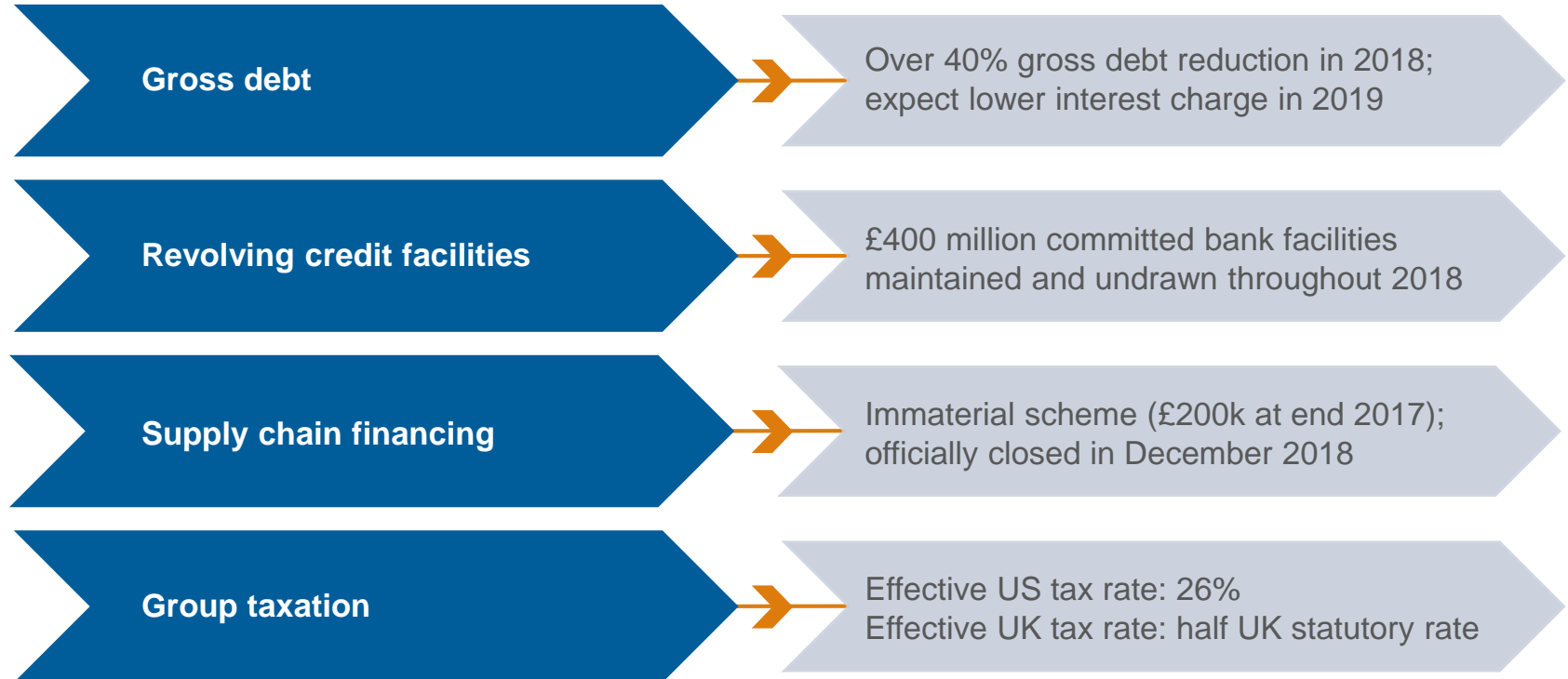
* excluding infrastructure concessions (non-recourse) net debt

£m	2018	2017
Working capital		
Inventories	(16)	(12)
Net contract assets	51	7
Trade & other payables	(196)	(92)
Trade & other receivables	12	95
Provisions	(80)	29
Working capital (outflow)/inflow	(229)	27

- Improved average net cash of £194m
- 2019 average net cash guidance £220m - £260m
- Working capital outflow due to AWPR, lower revenue in US and improved supply chain payment processes

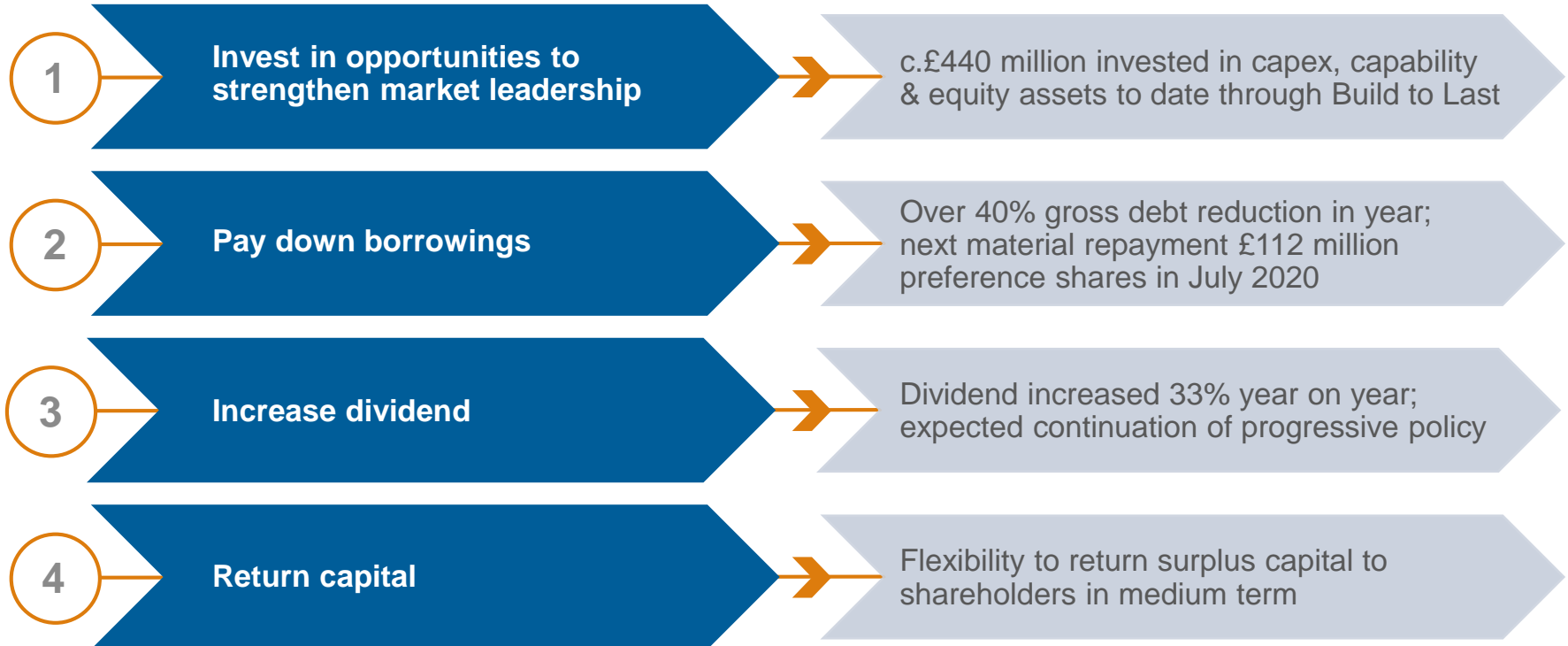
Improving average net cash provides balance sheet strength

Financing and tax



Balance sheet strength provides competitive advantage

Capital priorities



Focus on value creation

Leo Quinn

Group Chief Executive



Platform for profitable managed growth



Creating long term value

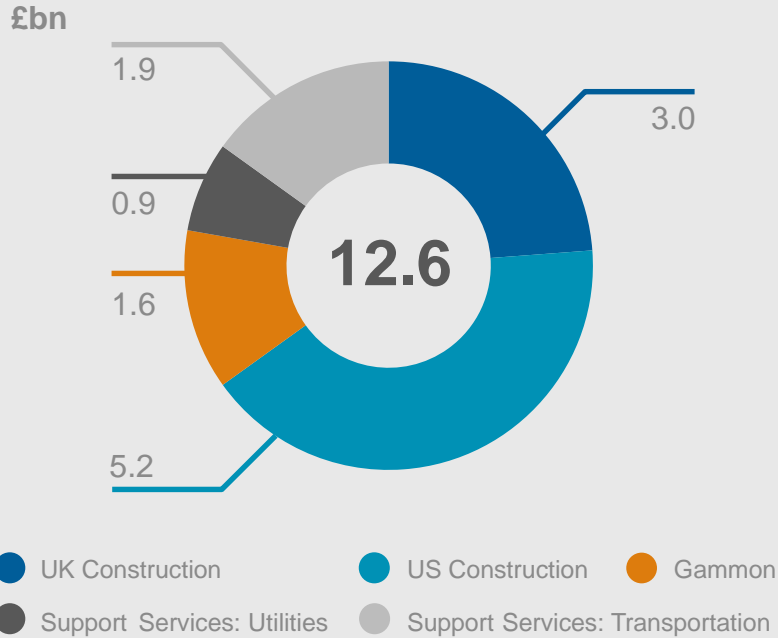
Strong chosen markets

Construction Services revenue by geography	US Positive infrastructure market	UK Positive infrastructure market	HK Positive infrastructure market
 <p>US 54%</p> <p>UK 31%</p> <p>HK 15%</p>	Fixing America's Surface Transportation (FAST) Act US\$305bn	HS2 £56bn	10 year hospital development plan HK\$200bn
	Nationwide transportation bonds > US\$200bn	Heathrow airport expansion £33bn	HK International airport third runway HK\$140bn
	California education bonds > US\$35bn	Highways England £32bn	MTR upgrade HK\$110bn
	Local infrastructure taxes LA 28 by 2028	Hinkley Point C £20bn	Central Kowloon Highway HK\$42bn

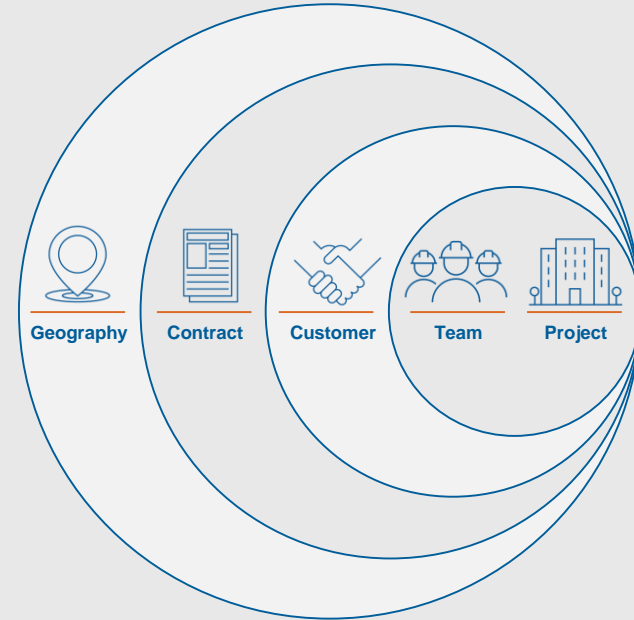
Large diversified markets

Managed growth

2018 order book



Circles of risk



Embedding a culture of active risk management

Market leading engineering expertise

Dorenell Wind Farm

Installed 148
composite poles



Eleclink

Two 50km cables
through Channel
Tunnel



Hinkley Point C

Marine tunnels,
M&E, cabling &
overhead lines



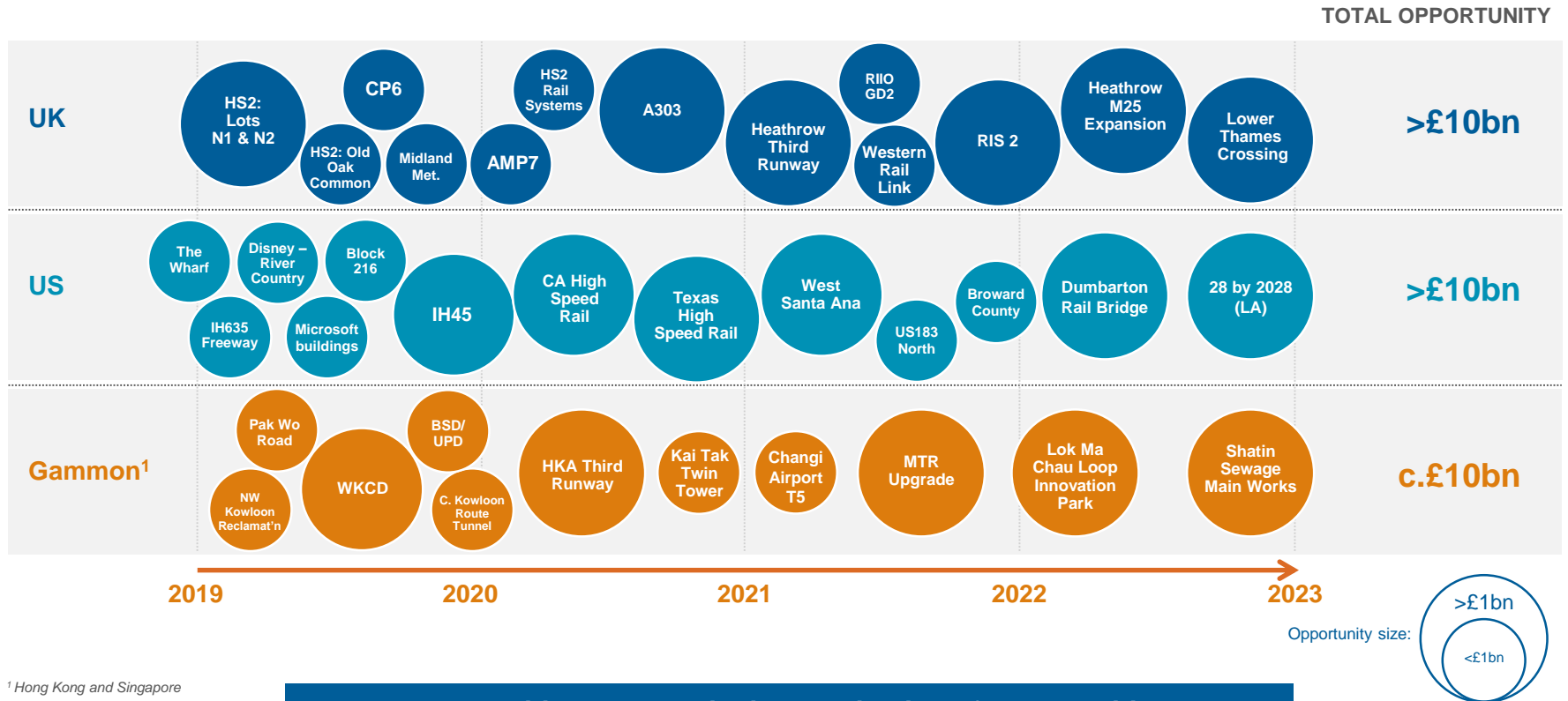
AWPR

58km dual
carriageway with
72 structures



Expertly positioned to lead the market

Strong market pipeline

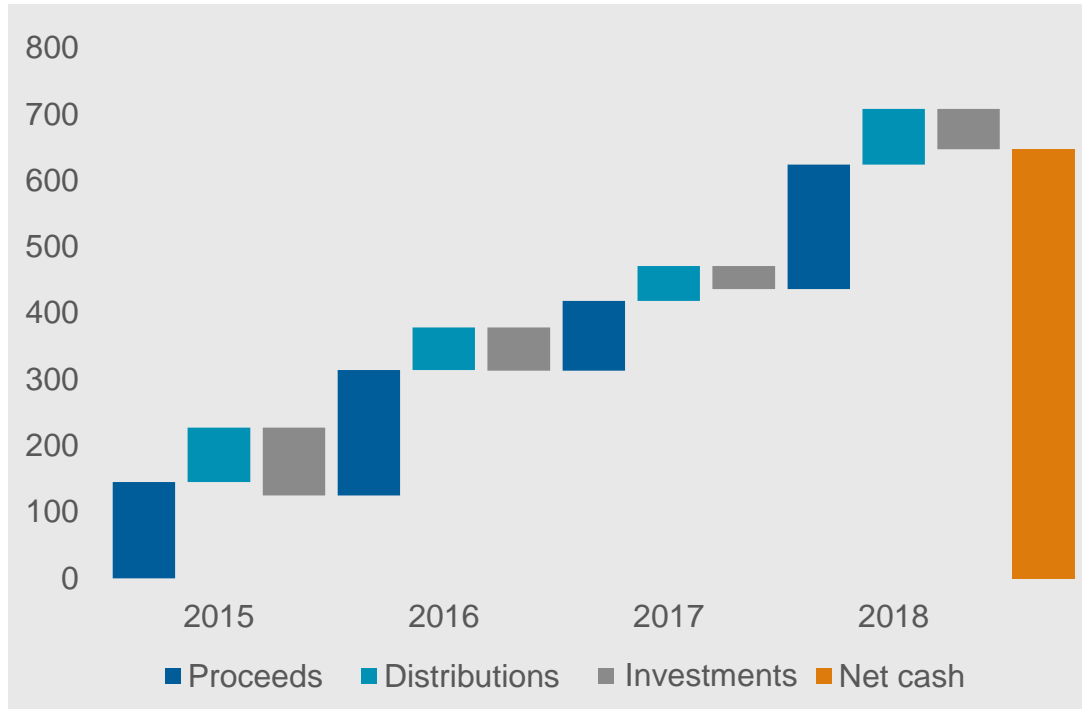


¹ Hong Kong and Singapore

Well positioned to capitalise on pipeline of opportunities

Actively managed Investments portfolio

Infrastructure Investments value crystallised (£m)



- Enhanced returns when Investments, Construction and Services deliver as one
- Access construction opportunities with an equity investment versus bidding to third parties
- Around £650m net cash distributions since 2015. Investments over £250m; distributions around £300m; and sales proceeds over £600m
- All disposals at, or above, Directors' valuation
- Continue to invest with focus towards US opportunities
 - US: PPP projects, multifamily and student accommodation
 - UK: Student accommodation

A continuing source of value creation

Infrastructure Investments – a transformed portfolio

Directors' valuation by geography



Directors' valuation by sector (£m)	2018	2014*
Roads	205	467
Healthcare	109	225
Other PFI	18	116
Non-PFI	159	135
UK total [^]	491	943
US military housing	532	322
North America other	128	15
US total [‡]	660	337
Total	1,151	1,280

Directors' valuation by phase (£m)	2018	2014*
Operations	1,003	1,128
Construction	130	137
Preferred bidder	18	15
Total	1,151	1,280

[^] UK includes Singapore and Ireland

[‡] US includes Canada

*excluding BBIP

Actively managed portfolio maximising shareholder value

Build to Last scalable platform

Common platforms and systems



Number of Group employees on R12/JD Edwards

2015

c.6,500

2018

c.13,000

Efficient back office



UK cost per payslip

2015

£6.21

2018

£2.26

Streamlined supply chain



UK supply chain partners

2015

c.37,000

2018

c.9,500

Leaned out support functions



Annual IT costs

2015

£78m

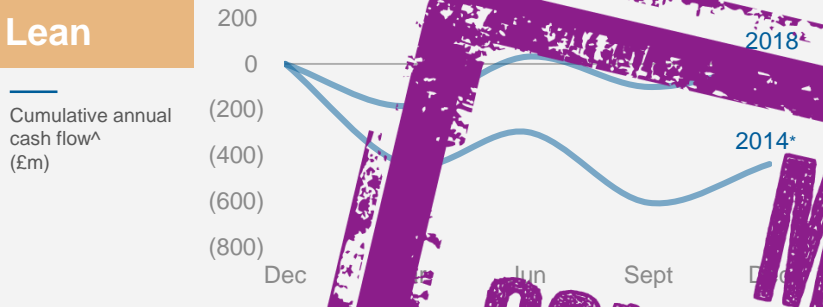
2018

£53m

A competitive platform for scalable growth

Continuous improvement

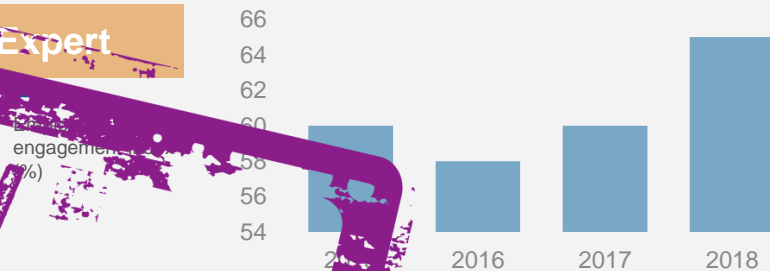
Lean



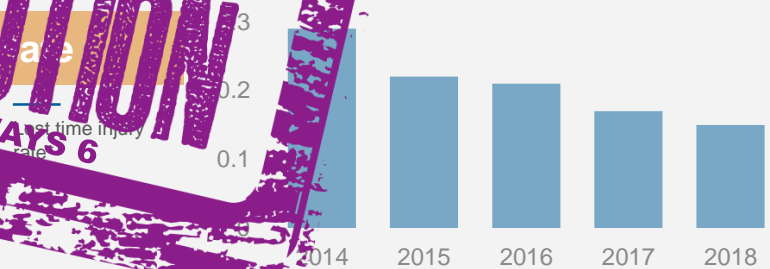
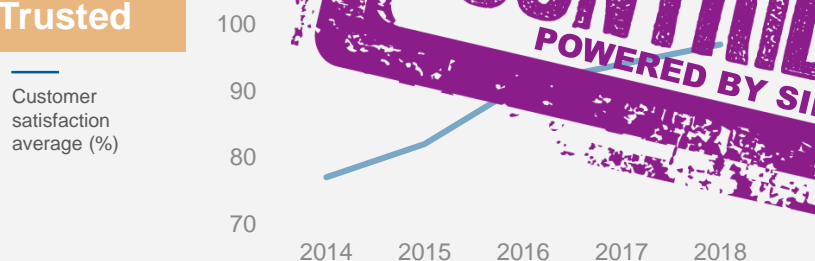
^ includes other disposals

* adjusting for sale of Parsons Brinckerhoff, including other disposals

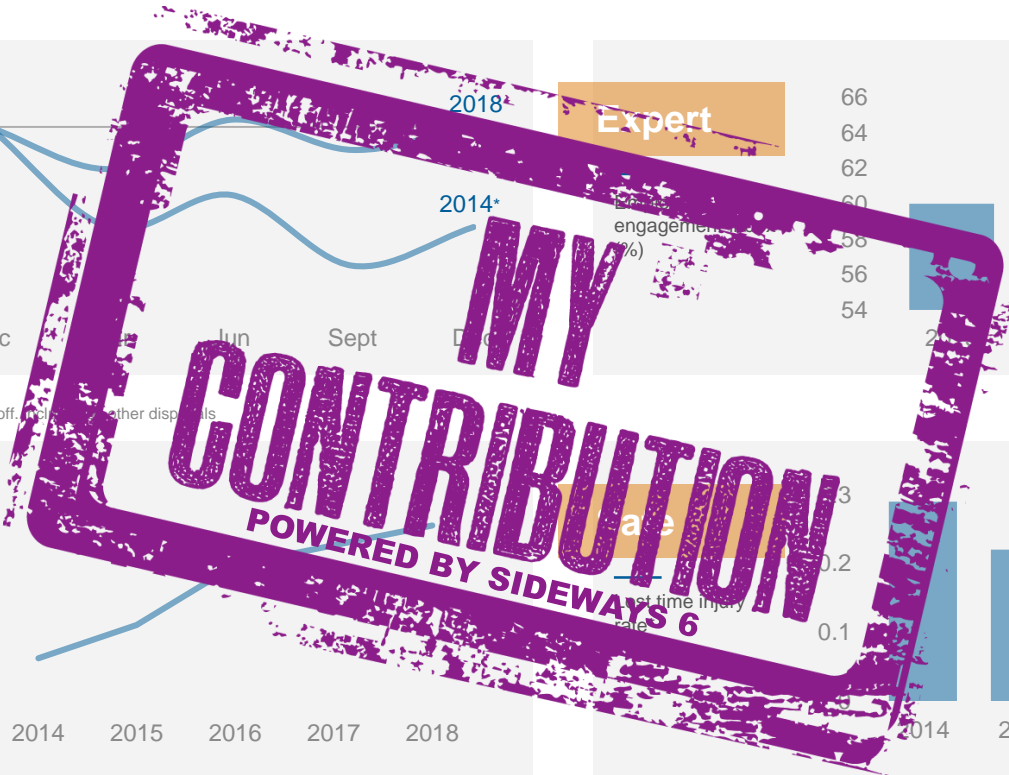
Expert



Trusted

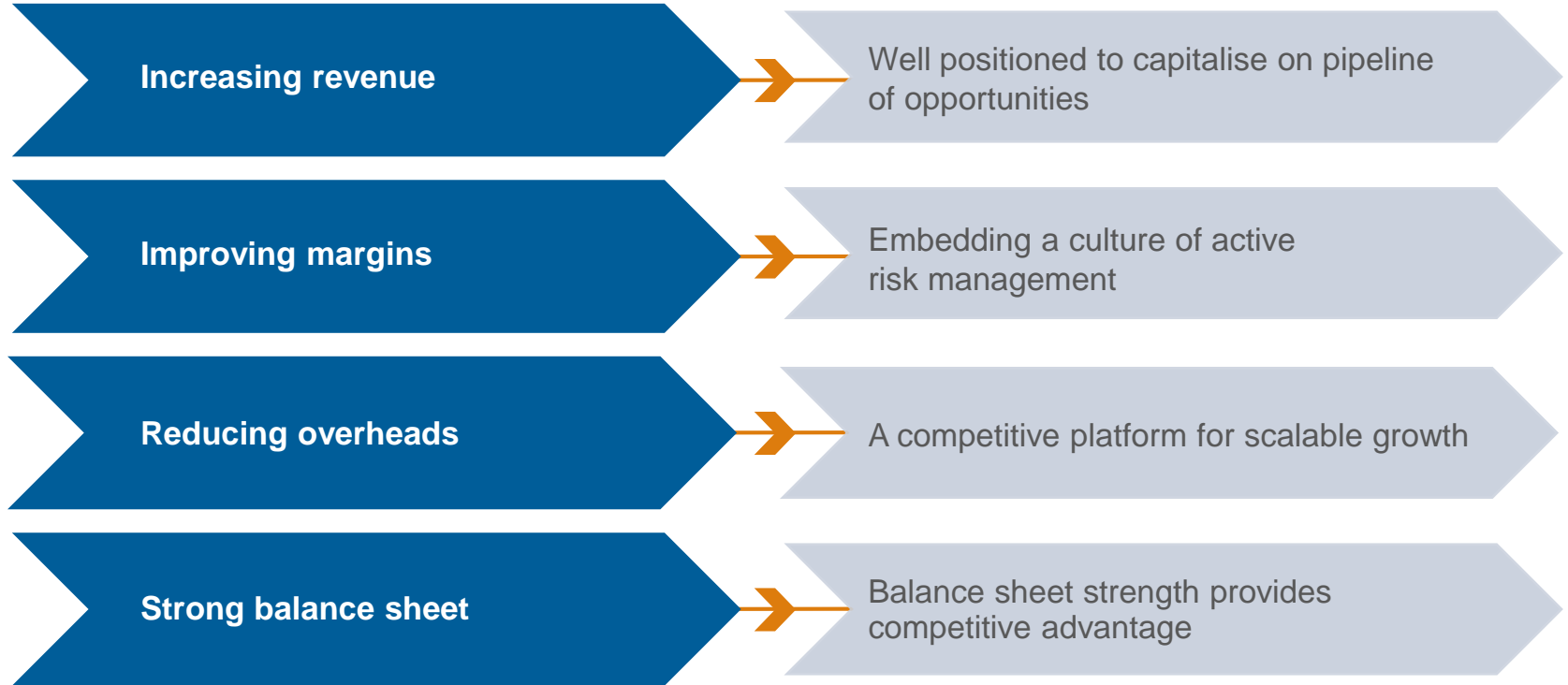


* excluding international joint ventures



My Contribution driving marginal gains

Profitable managed growth



Well positioned for profitable managed growth

Appendix

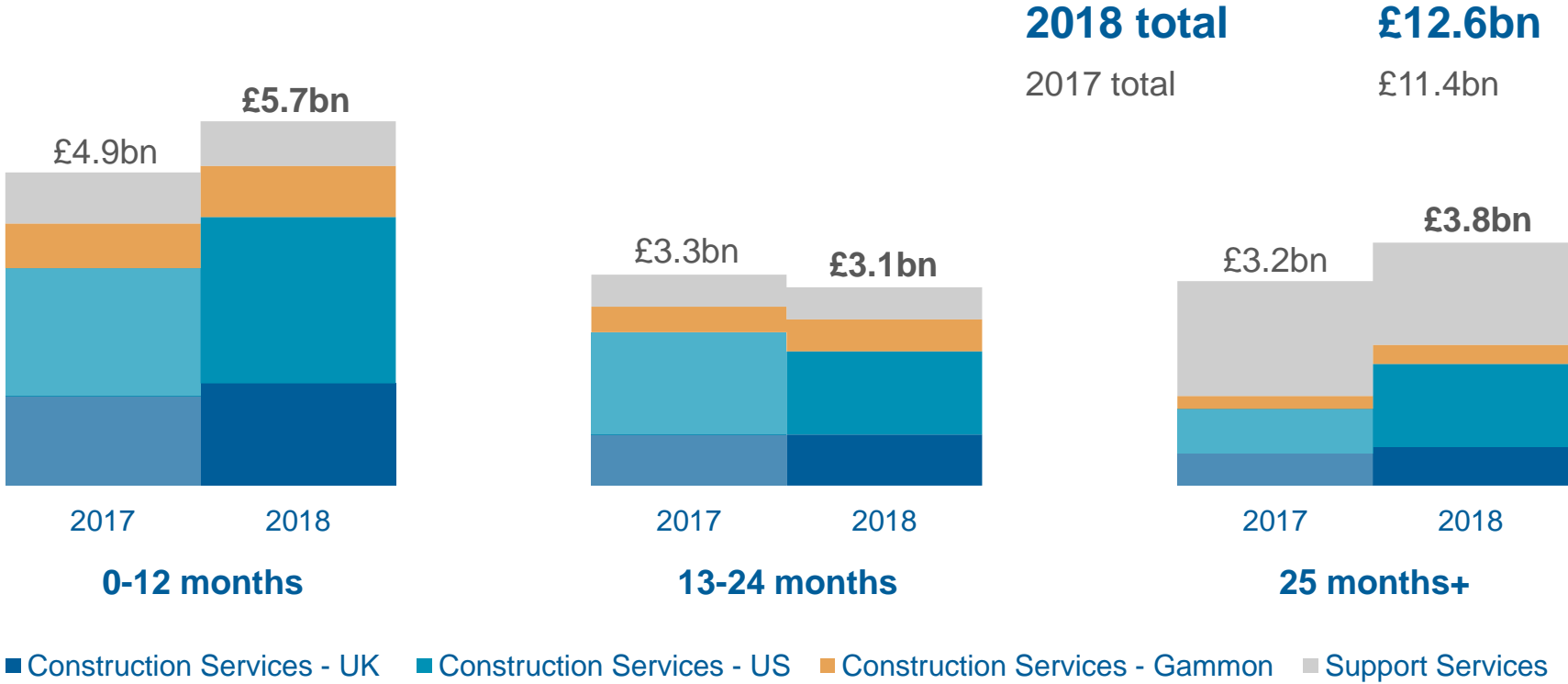
Forward-looking statements

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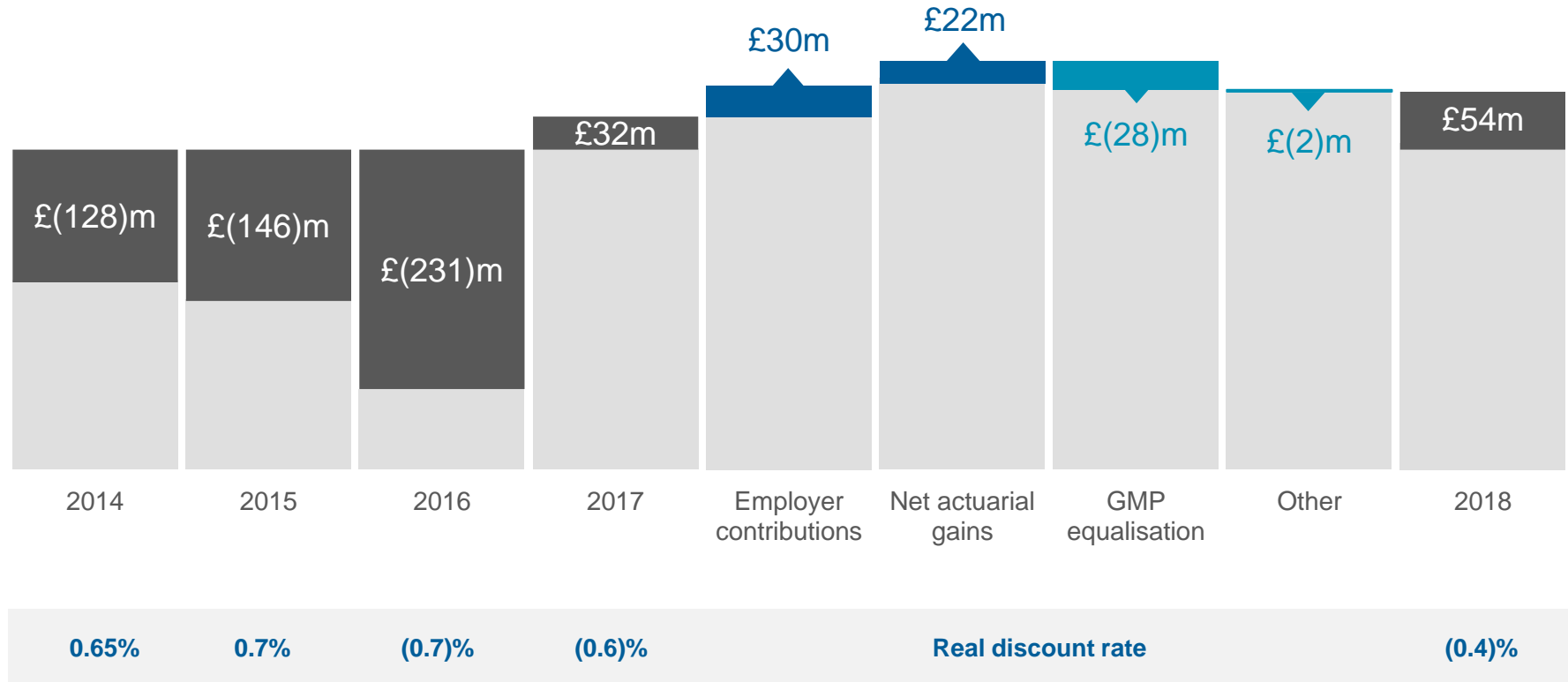
A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US government policies, spending and procurement methodologies, failure in Balfour Beatty's health, safety or environmental policies and those factors set out under Principal Risks on pages 58 to 66 of the Annual Report and Accounts 2018.

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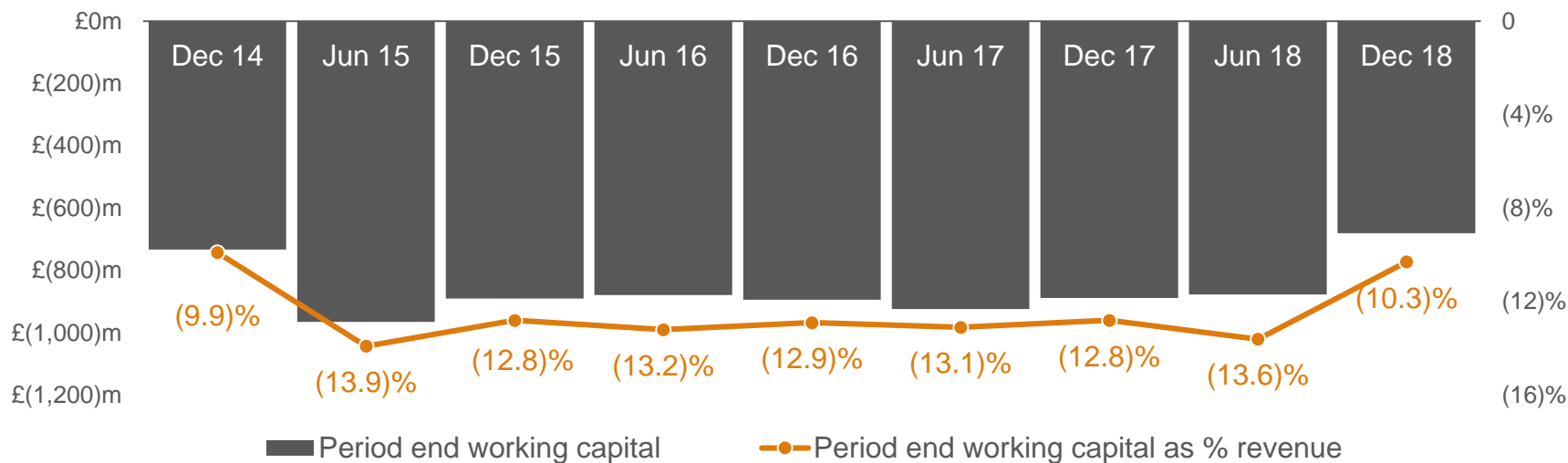
Order book position compared with prior year



Pensions – balance sheet movement



Working capital – Group

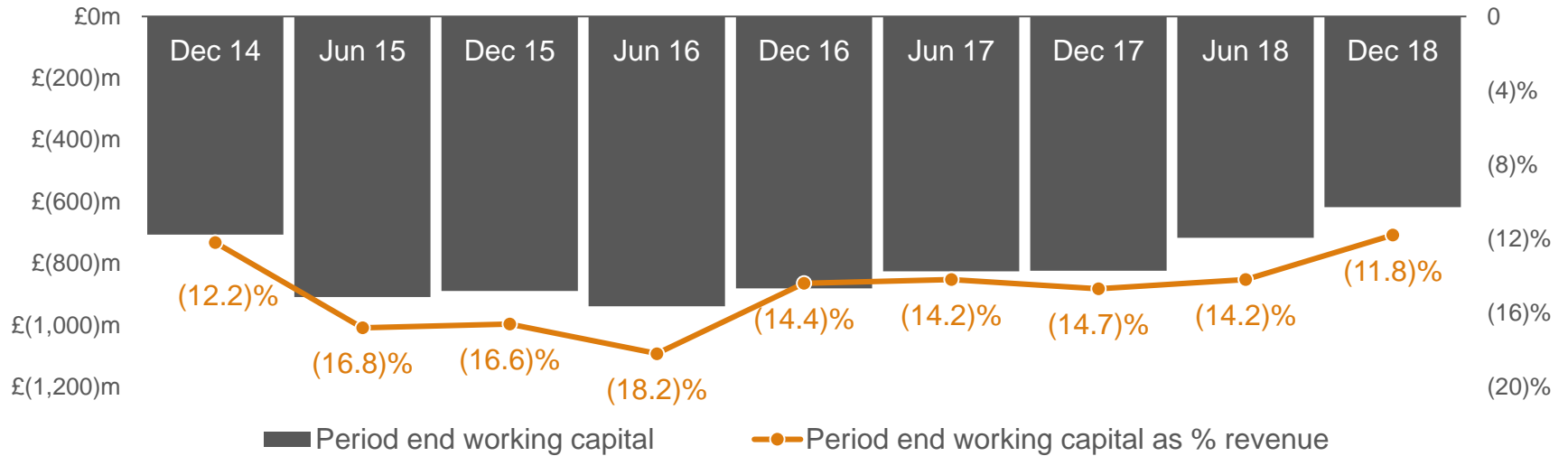


<i>Debtor days</i> ¹	29	28	27	30	34	37	28	37	33
<i>Creditor days</i> ¹	46	53	45	52	51	53	46	55	44

from continuing operations including non-underlying items

¹ 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 interest cost

£m		2018	2017
Subordinated debt interest receivable	21		
Interest on PPP financial assets	9		
Interest on non-recourse borrowings	(14)	16	24
Net finance income/(cost) – pension schemes		2	(6)
Other interest receivable	3		
Other interest payable	(9)	(6)	(9)
US private placement		(12)	(13)
Convertible bonds			
Finance cost	(4)		
Accretion	(5)	(9)	(12)
Preference shares			
Finance cost	(12)		
Accretion	(3)	(15)	(15)
Net interest cost		(24)	(31)

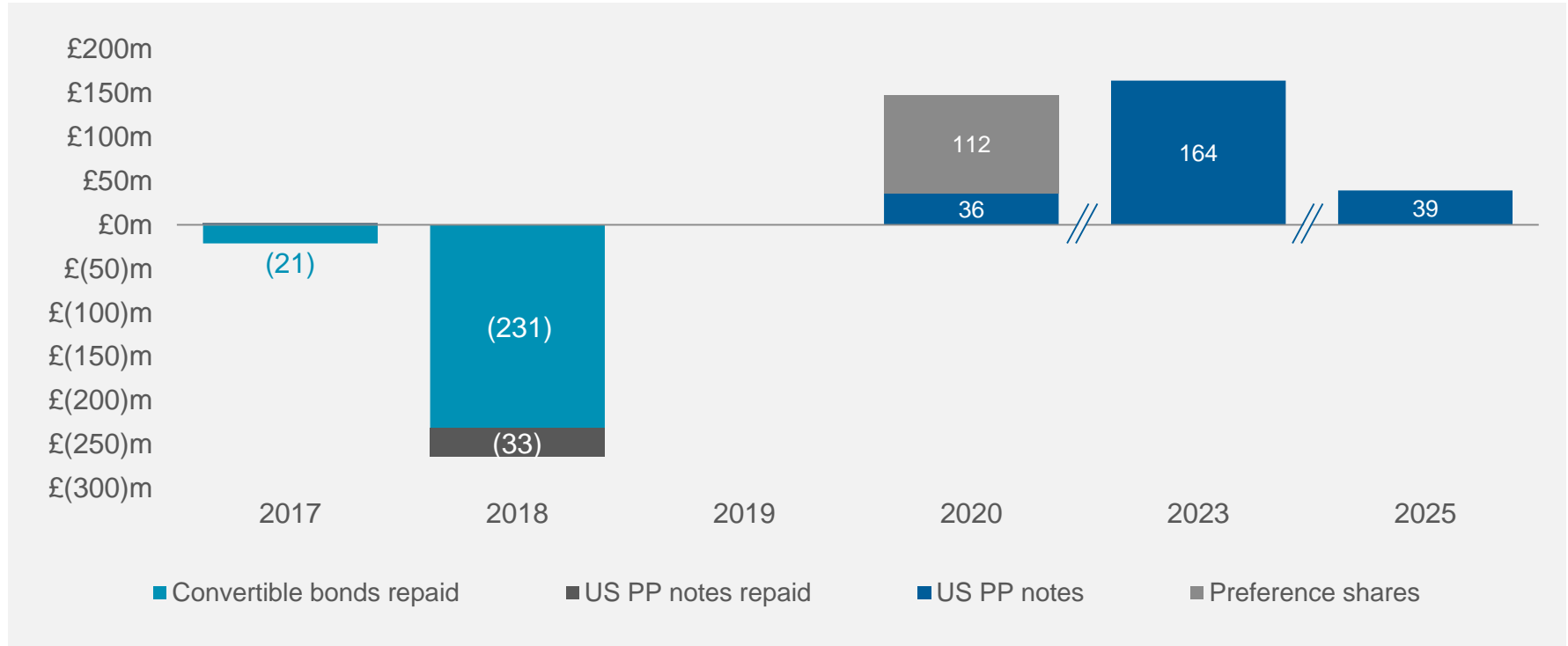
Non-underlying items

£m	2018	2017
Impairment and amortisation		
Amortisation of acquired intangibles	(8)	(9)
Restructuring and reorganisation		
Build to Last transformation costs	(11)	(12)
Disposals and other		
Additional loss on the AWPR contract as a result of Carillion filing for liquidation	(10)	(44)
Loss arising from recognition of GMP equalisation on pension schemes	(28)	-
Provision release relating to settlements of health and safety claims	13	-
Additional gain on disposal of Balfour Beatty Infrastructure Partners	3	-
(Loss)/gain on disposal of Heery International Inc.	(12)	18
Costs relating to the liquidation of the Malaysia joint venture	(5)	-
Loss on disposal of Blackpool Airport	-	(1)
Tax		
Recognition of GMP equalisation on the Group's pension schemes	5	-
Other	9	2
Non-underlying recognition of deferred tax assets in the UK	-	34
Reduced US Federal corporate income tax rate	-	32
Non-underlying items after tax	(44)	20
Non-underlying profit from discontinued operations	-	5
Total non-underlying items	(44)	25

Group balance sheet

£m	2018	2017
Goodwill and intangible assets	1,161	1,155
Working capital	(680)	(888)
Net cash (excluding infrastructure concessions)	337	335
Investments in joint ventures and associates	524	531
PPP financial assets	156	163
Infrastructure concessions – non-recourse net debt	(309)	(305)
Net retirement benefit assets	54	32
Other assets and liabilities	(2)	43
Net assets	1,241	1,066

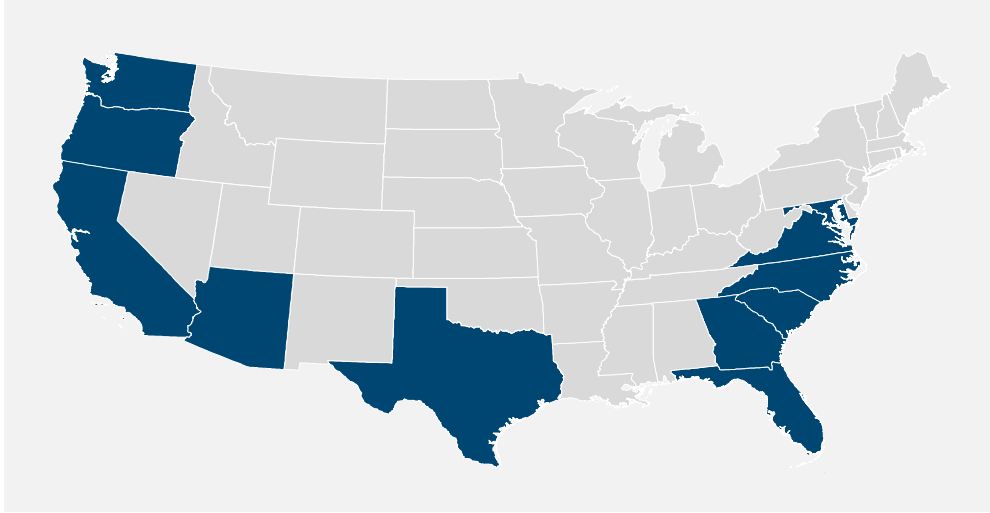
Borrowing repayment profile



The Group has committed revolving credit facilities of £400 million extending through to 2020
 At 31 December 2018 all of these facilities were undrawn

US Construction

Our Buildings presence



Our capabilities

Buildings



Commercial



Education



Hospitality



Residential



Healthcare

Civils



Roads



Rail



Water

Our markets Annual opportunity



Buildings*
\$188bn



Civils
\$75bn

Source: Dodge
* in states in which Balfour Beatty operates

Financial history

450%

Increase in revenue

45

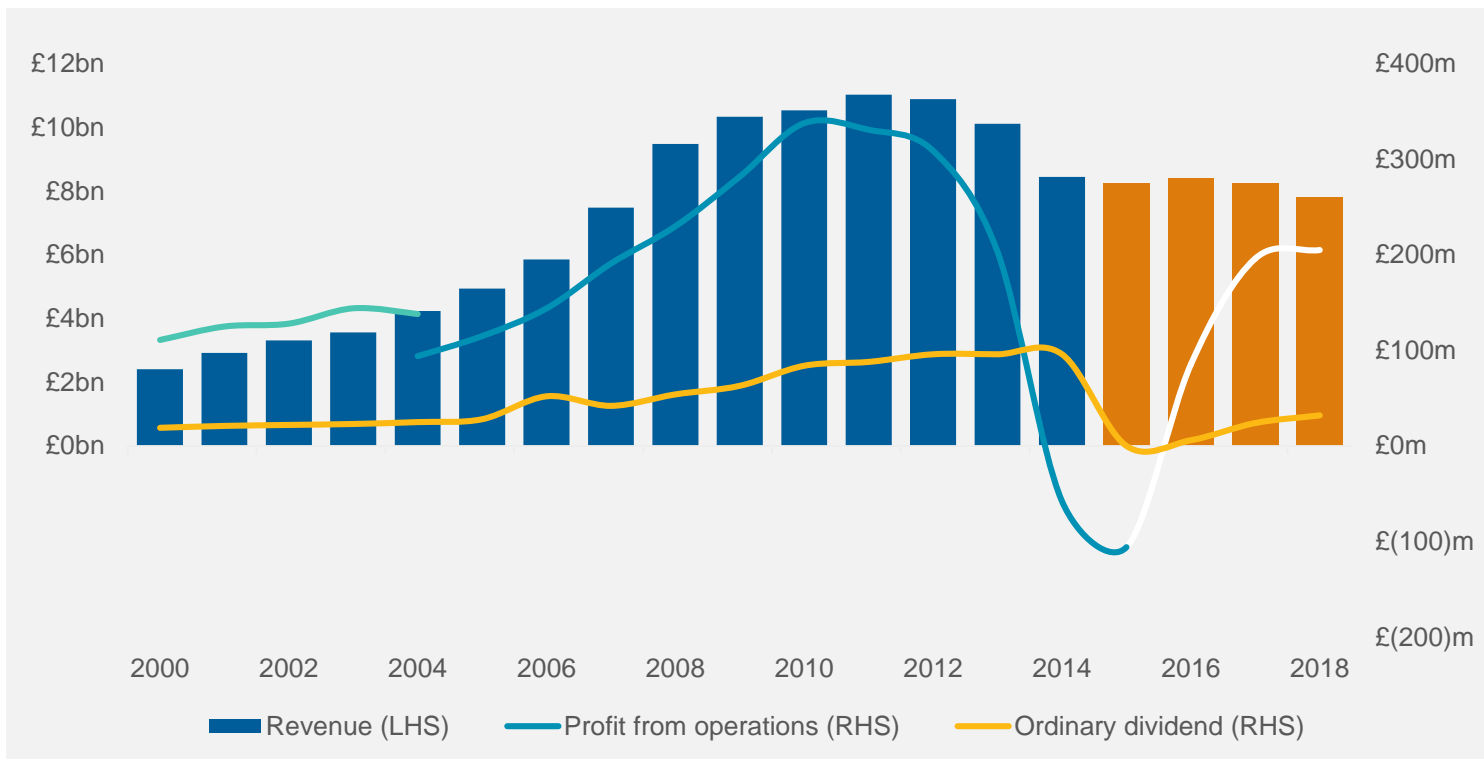
Acquisitions

£94m

Average ordinary dividend (2011-2014)

£16m

Average ordinary dividend (2015-2018)



Balfour Beatty