
2020 full year results presentation

10 March 2021

Image: Legacy Magnet Academy located in Tustin, California



Balfour Beatty

Leo Quinn

Group Chief Executive

Image: M4 motorway, UK



Strong outlook



Growing infrastructure markets

Global fiscal stimuli provide significant infrastructure investment

Leading positions in UK, US and Hong Kong

New sustainability strategy: beyond net zero carbon by 2040

Record order book

Record year end order book at £16.4bn

Lower risk profile with focus on public sector customers

Provides clear visibility for improving margins

Build to Last

Embedded culture of continuous improvement

Underpinned by expert capability and digital investment

Active management of £1.1bn Investments portfolio

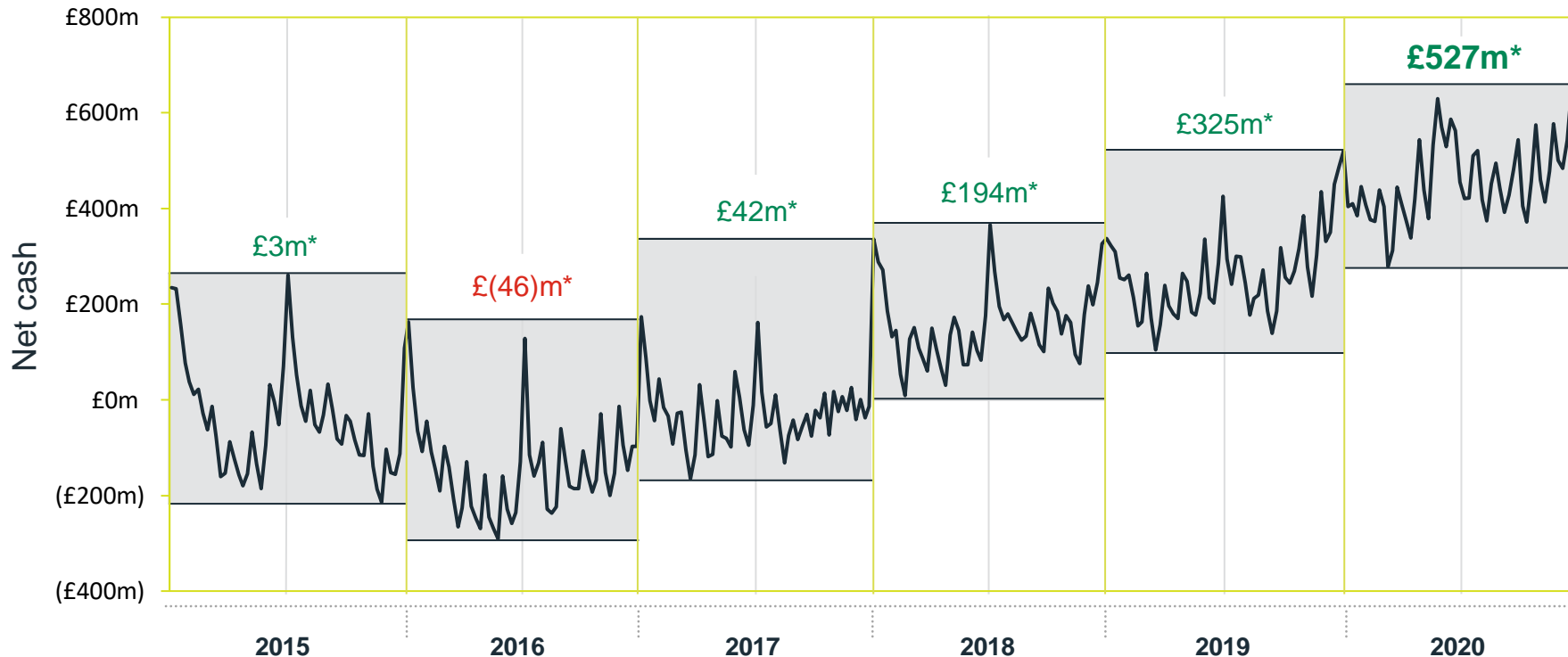
Positive market momentum

Increasing earnings to drive dividend growth

Disciplined execution

[Capacity for enhanced returns]

Group net cash



*Average monthly net cash

[£150 million share buyback programme in 2021]

Phil Harrison

Chief Financial Officer

Image: Ealing Common track renewals, UK



Headline numbers

£m (unless otherwise stated)

	2020	2019
Revenue*	8,587	8,405
Profit from operations*	51	221
Pre-tax profit*	36	200
Profit for the year*	25	186
Basic earnings per share*	3.7p	26.7p
Dividends per share	1.5p	2.1p

	2020	2019
Order book*	£16.4bn	£14.3bn
Directors' valuation of Investments portfolio	£1.09bn	£1.07bn
Year end net cash [‡]	581	512
Average net cash [‡]	527	325

* before non-underlying items

[‡] excluding infrastructure investments (non-recourse) net borrowings

[COVID-19: material impact on financial performance]

Construction Services

£m	2020*		2019*	
	Revenue	PFO	Revenue	PFO
UK	2,190	(26)	2,213	47
US	3,789	26	3,752	52
Gammon	985	29	893	26
Total	6,964	29	6,858	125

* before non-underlying items

- Resilient revenue performance following 2019 order book increase
- Material impact on profit primarily due to COVID-19
 - > UK Construction impacted by site closures, lower productivity, additional operating costs and contract re-assessments
 - £8 million profit in H2 adjusting for repayment of UK Job Retention Scheme
 - > US Construction impacted by site closures, slowdown in hospitality sector and contract re-assessments
 - > Revenue and PFO up 10% at Gammon; Hong Kong less impacted due to lessons learnt from SARS experience

[UK Construction returned to profit in the second half]

Support Services

£m	2020	2019
Revenue		
Utilities	565	551
Transportation	502	472
Total	1,067	1,023
Profit from operations*	46	47

* before non-underlying items

- Revenue and profit demonstrates strong resilience
 - > Contracts generally designated as critical infrastructure
 - > Acceleration of some road and rail projects, offset by economic uncertainty
- Focus on power, road and rail maintenance
- Exiting UK gas and water markets

[Delivery of critical infrastructure underpins resilient performance]

Infrastructure Investments

£m	2020	2019
Pre-disposals operating profit*	8	13
Gain on disposals*	–	69
Investments profit*	8	82
Subordinated debt interest receivable^	15	20
Infrastructure concessions' net interest	(3)	(4)
Investments pre-tax profit*	20	98

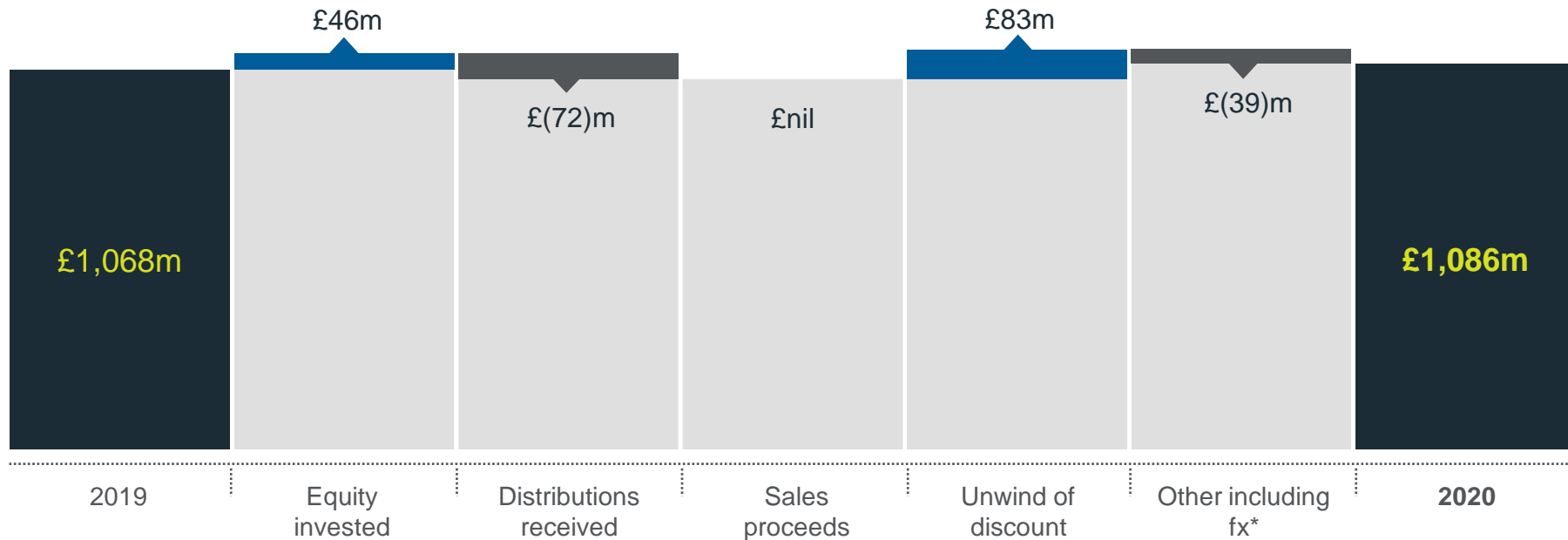
* before non-underlying items

^ includes £10m impairment to subordinated debt receivable in 2020

- Pre-disposals operating profit includes provision for an estimate of historical military housing incentive fees which the Group has not been able to fully verify
 - > Continue to seek resolution on US Department of Justice investigation
- No disposals given market uncertainty caused by COVID-19
- Demand for high-quality infrastructure assets expected to exceed supply
- New investment opportunities in student accommodation, US PPP and multifamily housing

[No disposals in 2020, recommence in 2021]

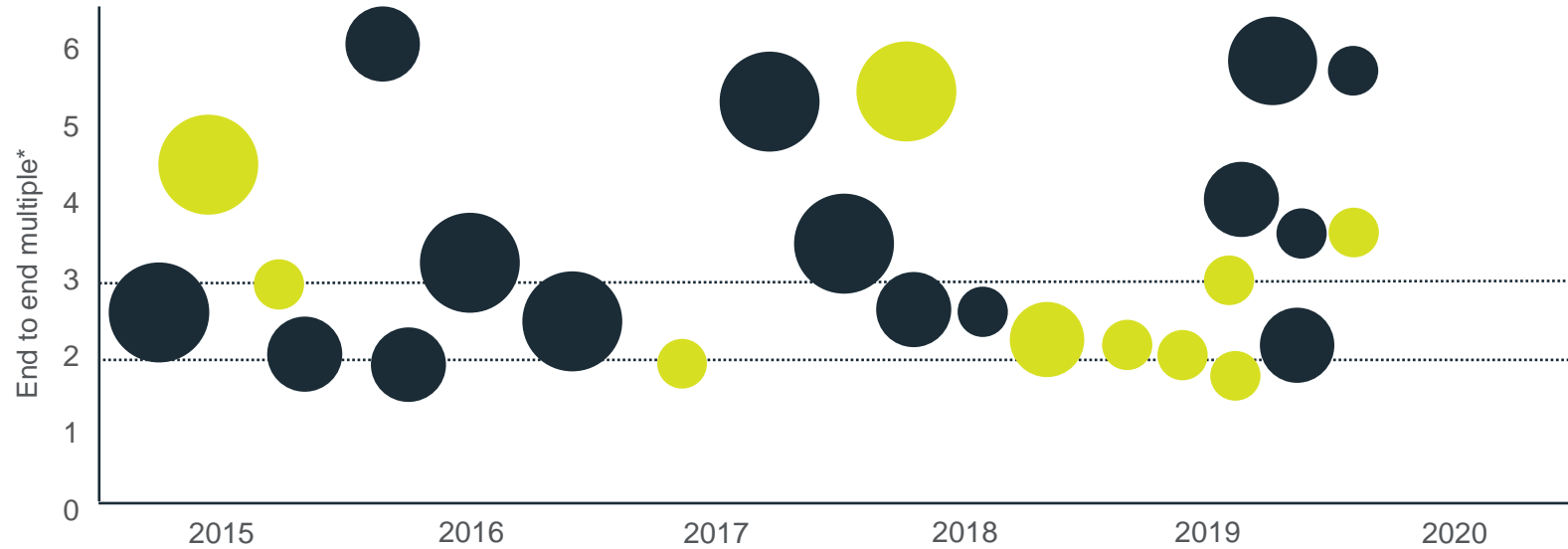
Directors' valuation of Investments portfolio



* other includes movements in operational performance £(20)m and foreign exchange £(19)m

[Directors' valuation stable at £1.1 billion]

Investments portfolio disposals



Directors' valuation at year end

2015: £1.2bn 2016: £1.2bn 2017: £1.2bn 2018: £1.2bn 2019: £1.1bn 2020: £1.1bn

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

Sale proceeds:

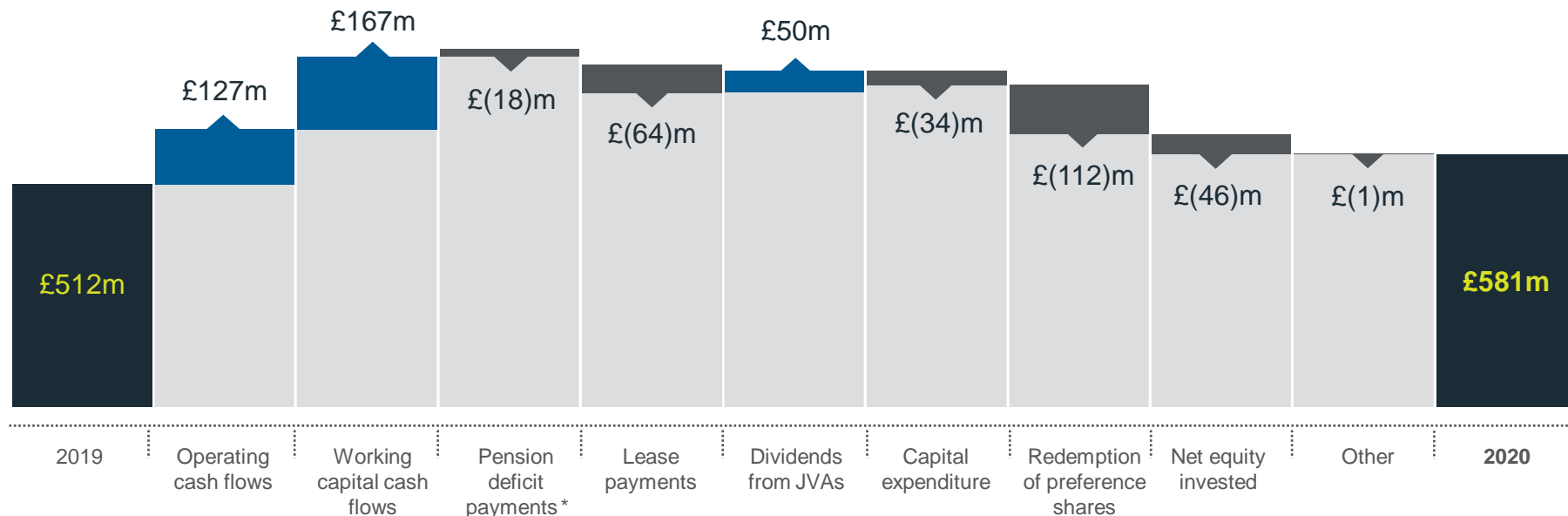
- £30m+
- £11-30m
- £0-10m

Above Directors' valuation

At Directors' valuation

[Strong track record of value creation: target 2x multiple, achieved 3x]

Cash flow waterfall



* includes £3m of regular funding

[Redeemed preference shares: no debt to repay until 2023]

Capital allocation framework



Continued investment in organic growth opportunities

Investments meet Group hurdle rates



Active realisation of the Investments portfolio

Disposals timed to optimise value



Strong but efficient balance sheet

Platform to make long-term decisions



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

Increasing earnings to drive dividend growth



Additional cash returns via share buybacks

Broadly based on surplus cash from Investments disposals and operating cash flows

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

[Capacity for enhanced returns]

2021 outlook

Earnings-based businesses

Quality and quantity of order book provides clear medium term visibility

2021 in line with 2019

Infrastructure Investments

£1.1 billion portfolio provides disposal opportunities

Recommence asset disposals in 2021

Balance sheet

Strength provides capacity for shareholder returns

£150 million share buyback programme in 2021

[**Strong outlook**]

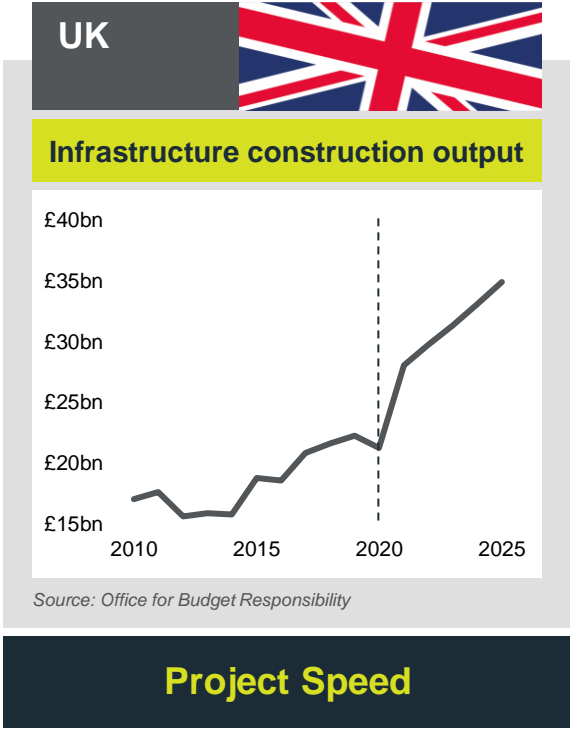
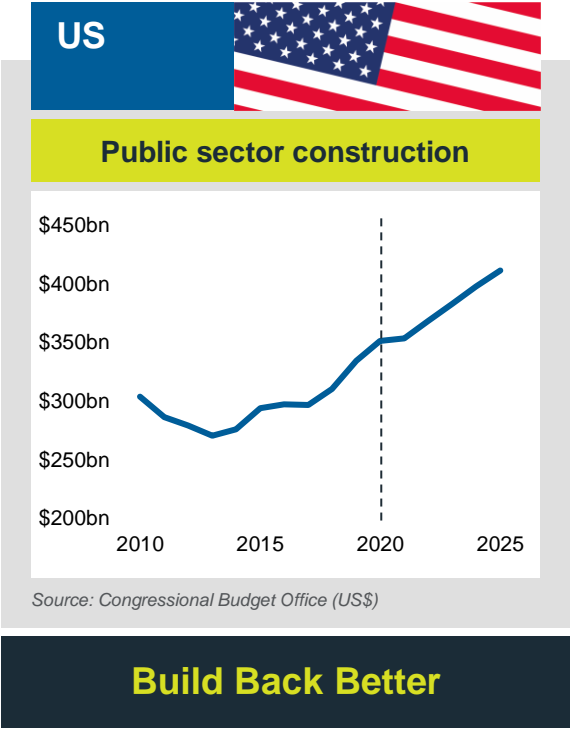
Leo Quinn

Group Chief Executive

Image: Park District located in Dallas, Texas



Global growth through fiscal stimuli



[Significant opportunities for growth]

Green infrastructure investment



Low carbon transport






Renewable energy



New nuclear

[Expert capability to deliver for a net zero world]

Sustainability strategy – Building New Futures

	 Environment	 Materials	 Communities
2040 Ambitions	Beyond Net Zero Carbon	Generate Zero Waste	Positively Impact More than 1 Million People
2030 Targets	Achieve science-based carbon reduction target	40% reduction in waste generated	£3bn social value generated

[**Bold targets and ambitions**]

Sustainability in action

Beyond Net Zero Carbon



Enertainer: battery storage system replacing on-site diesel generators in Hong Kong

85%

Reduction in carbon emissions compared to diesel generators

Generate Zero Waste



Slurry Treatment Plant: processing excavated material for reuse on HS2

250,000m³

Material recycled from HS2's Long Itchington Wood tunnel

Positively Impact More than 1 Million People



The King County Children & Family Justice Center: employment opportunities

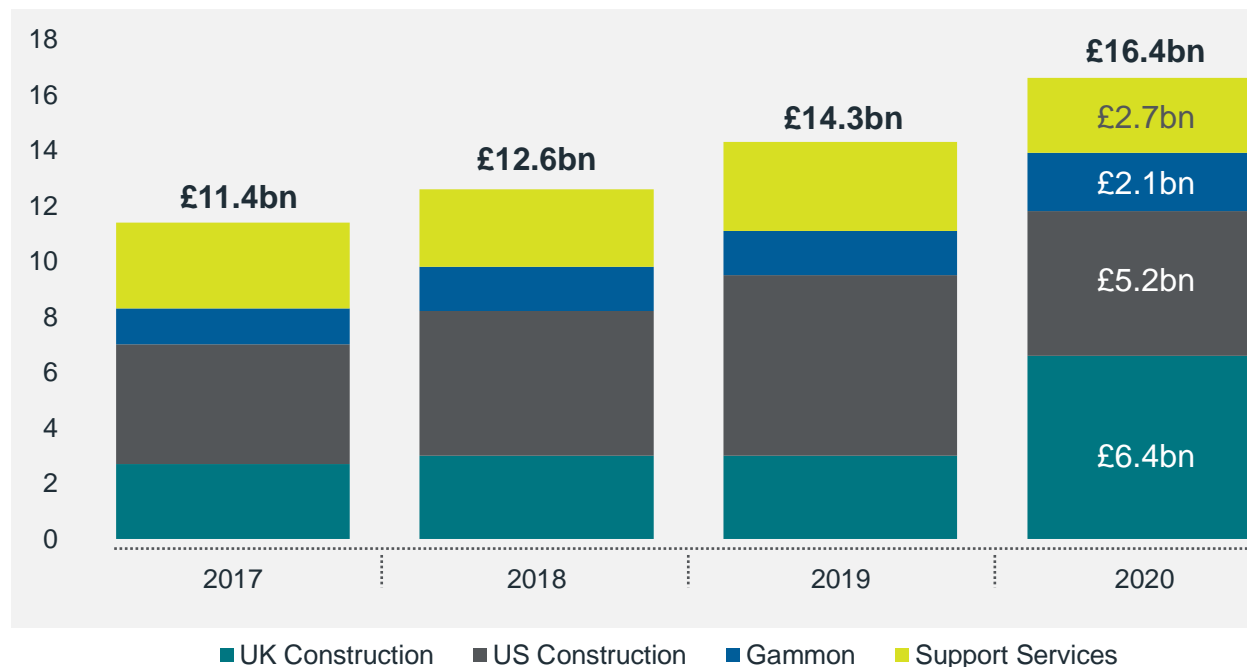
26%

Of project hours worked by apprentices



[Over 50% reduction in carbon intensity since 2010]

Record year end order book

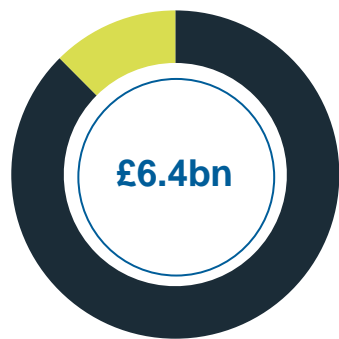


- Increased c. 45% over last three years
- UK Construction order book more than doubled in 2020
- Gammon won largest ever contract at Hong Kong Airport
- Exiting gas and water in UK; exiting US water
- Group continues to bid selectively

[Clear medium term visibility]

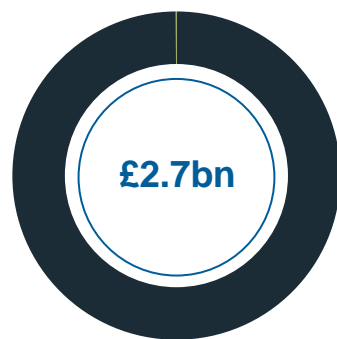
Order book by customer

UK Construction



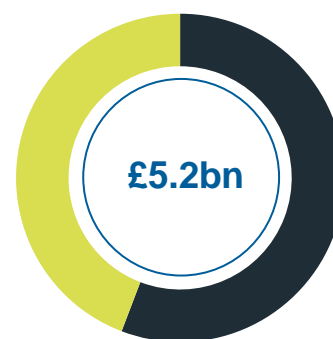
- Public & regulated (88%)
- Private sector

Support Services



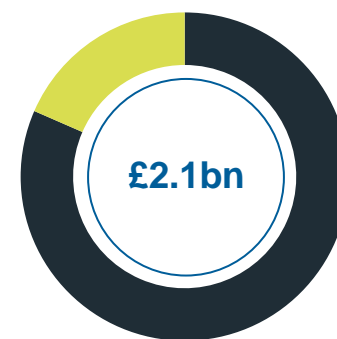
- Public & regulated (100%)
- Private sector

US Construction



- Public & regulated (56%)
- Private sector

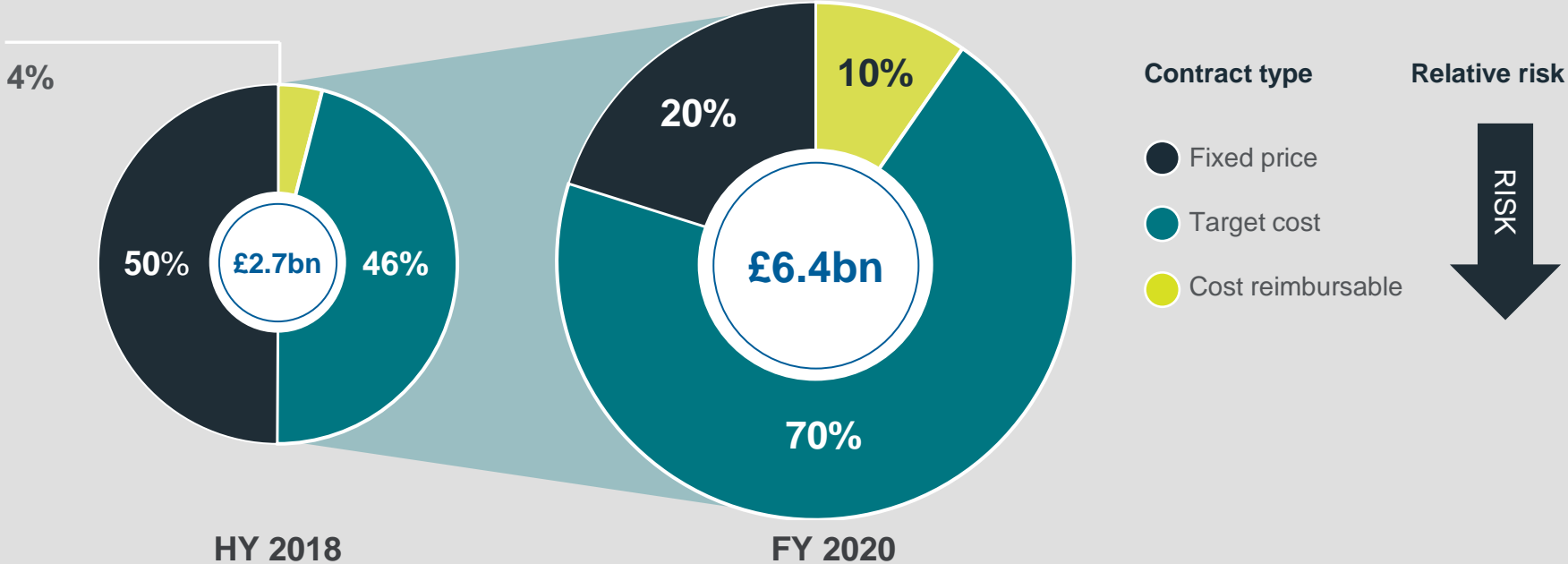
Gammon



- Public & regulated (82%)
- Private sector

[Public and regulated clients represent c. 80% of order book]

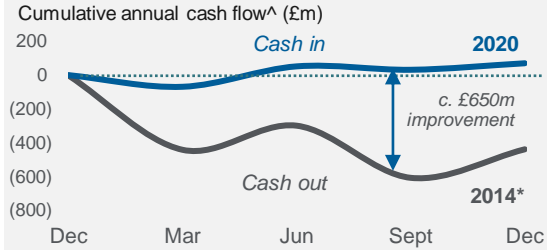
UK Construction order book



[Lower risk order book underpins future returns]

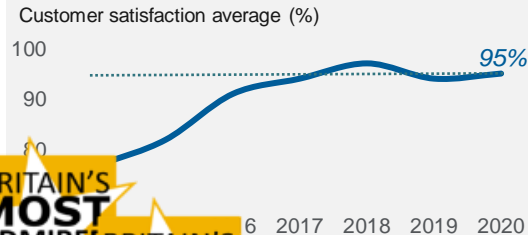
Build to Last platform

Lean



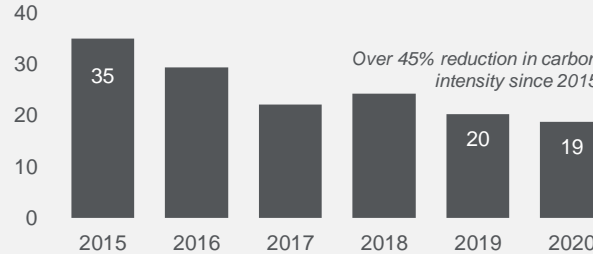
[^] includes other disposals
* adjusting for sale of Parsons Brinckerhoff. Includes all other disposals

Trusted

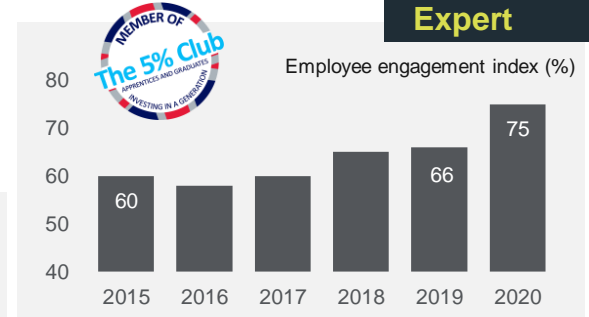


Sustainable

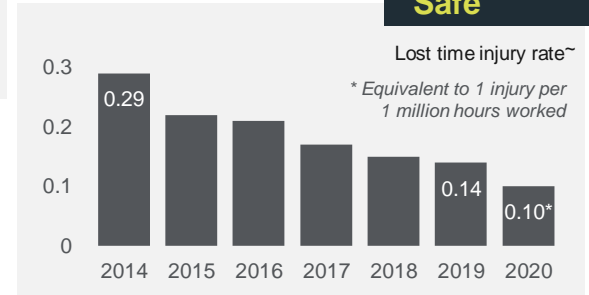
Tonnes of Scope 1 and 2 CO₂ emissions per £m revenue



Expert



Safe

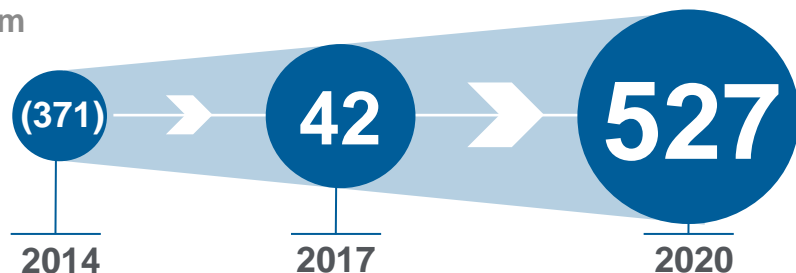


[~] excluding international joint ventures

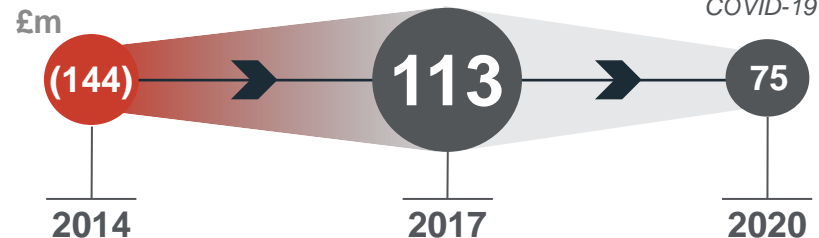
[Leading indicators of sustainable future performance]

Transformed operational capability

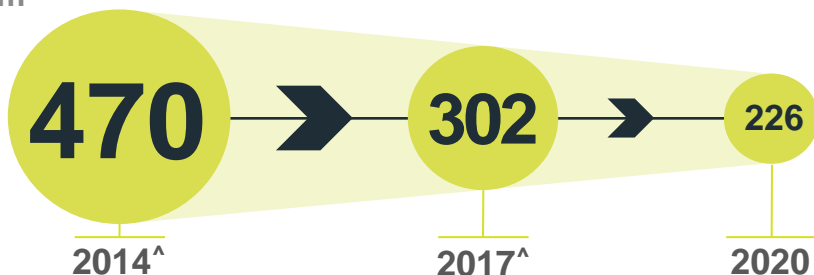
Average net cash/(debt)
£m



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

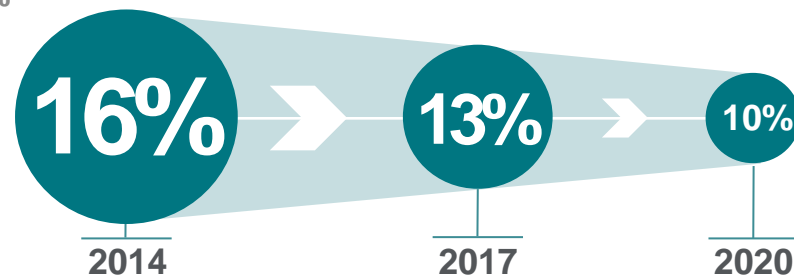


Other net operating expenses*
£m



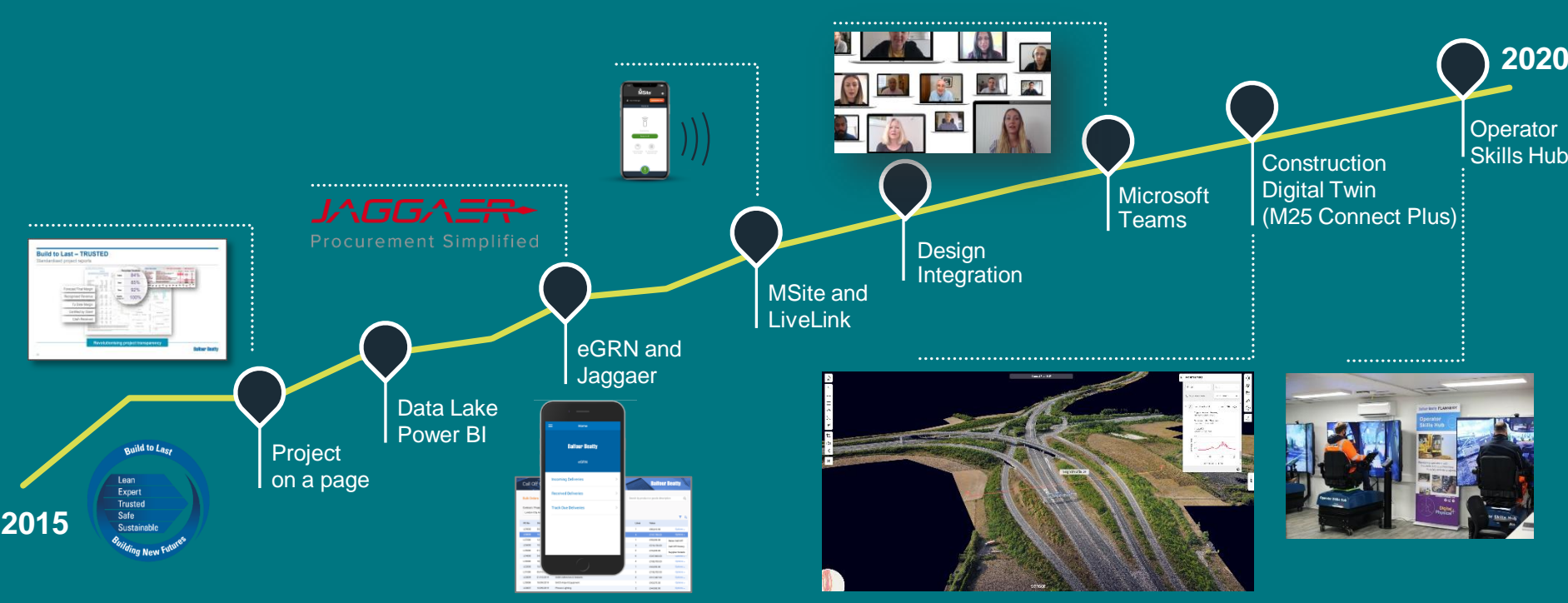
[^] 2014 and 2017 other net operating expenses are calculated on a Constant Exchange Rate (CER) basis
* from continuing operations, before non-underlying items

UK voluntary attrition: moving annual average
%



[Resilient platform for profitable managed growth]

Drive for digital productivity



[Continuous investment to improve returns]

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[Capacity for enhanced returns]

Appendix



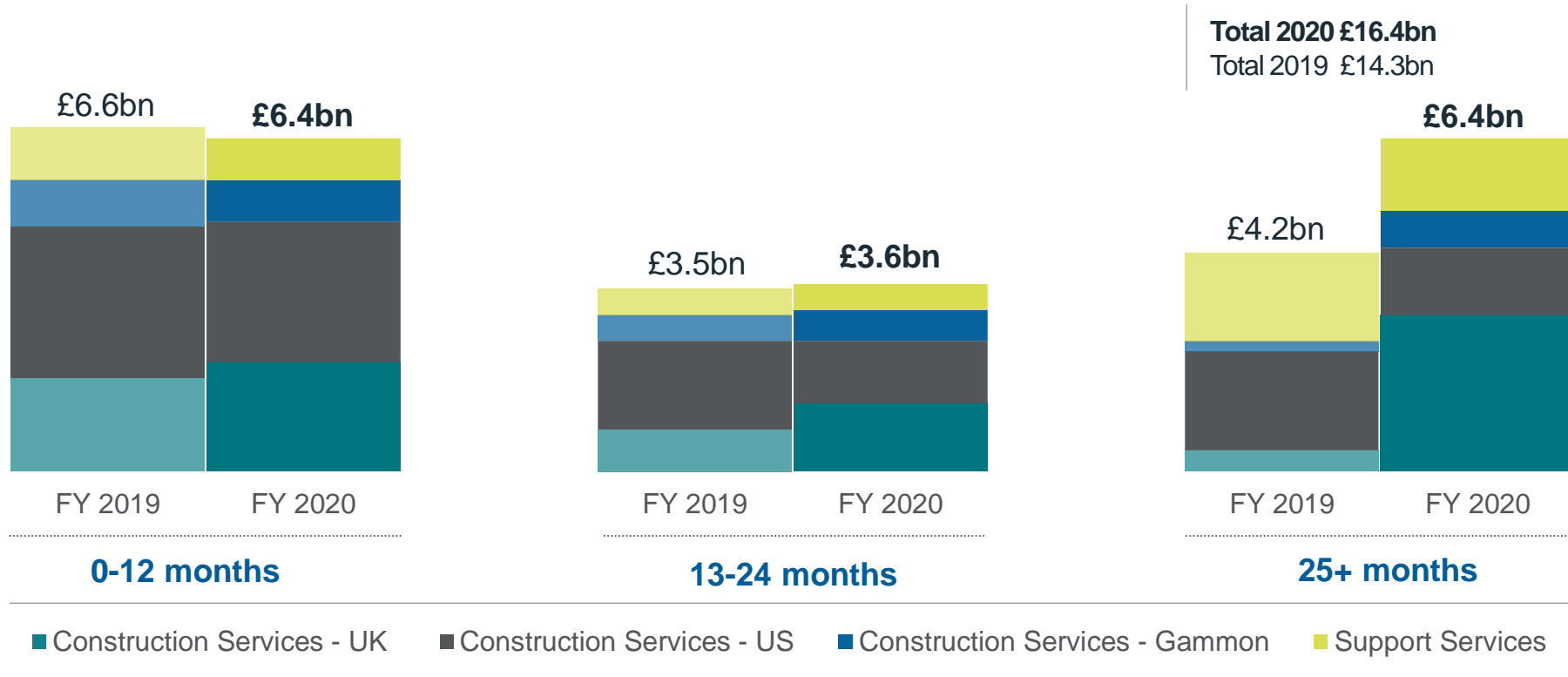
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Order book compared with 2019



Underlying profit from operations

£m	2020*	2019*
UK Construction	(26)	47
US Construction	26	52
Gammon	29	26
Construction Services	29	125
Support Services	46	47
Earnings-based businesses	75	172
Infrastructure Investments		
Pre-disposals operating profit	8	13
Gain on disposals	–	69
Corporate activities	(32)	(33)
Total	51	221

* before non-underlying items

Group balance sheet

£m	2020	2019
Goodwill and intangible assets	1,123	1,128
Working capital	(887)	(725)
Net cash (excluding infrastructure concessions)	581	512
Investments in joint ventures and associates	554	550
PPP financial assets	155	155
Infrastructure concessions – non-recourse net debt	(317)	(302)
Net retirement benefit assets	89	133
Net lease liabilities	(4)	(7)
Net deferred tax liabilities	(24)	(16)
Preference shares	–	(110)
Other assets and liabilities	75	59
Net assets	1,345	1,377

Cash flow

£m	2020	2019
Operating cash flows	127	213
Working capital inflow	167	32
Pension deficit payments [‡]	(18)	(33)
Cash from operations	276	212
Lease payments (inc. interest paid)	(64)	(51)
Dividends from joint ventures & associates [^]	50	54
Capital expenditure	(34)	(24)
Ordinary dividends	-	(36)
Redemption of preference shares	(112)	-
Infrastructure Investments		
Disposal proceeds	-	102
New investments	(46)	(64)
Other	(1)	(18)
Net cash movement	69	175
Opening net cash*	512	337
Closing net cash*	581	512
Average net cash*	527	325

* excluding infrastructure investments (non-recourse) net borrowings

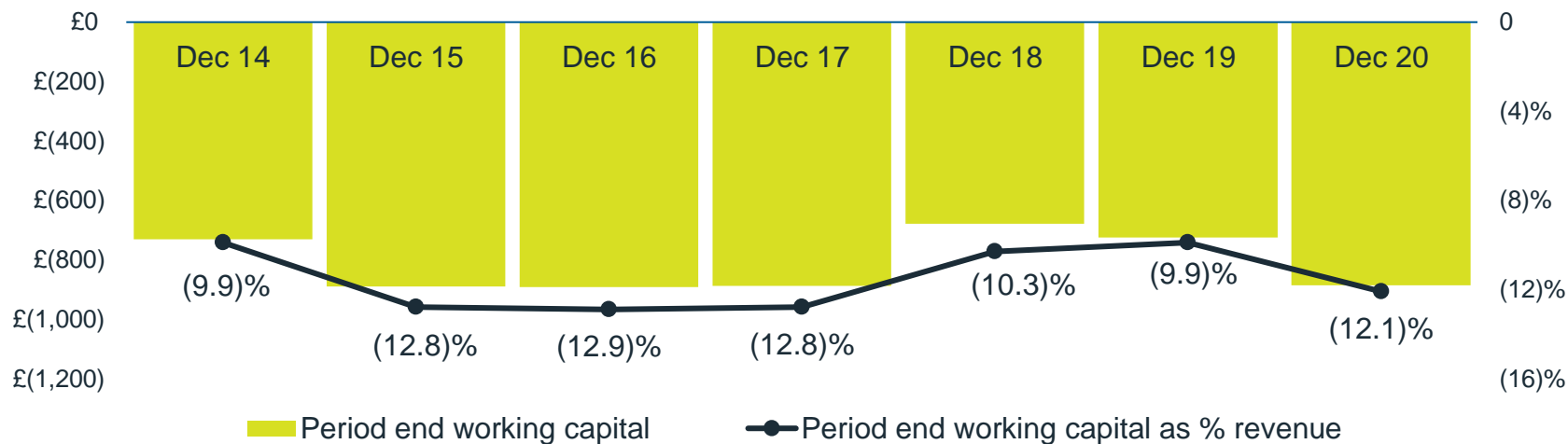
‡ includes £3 million (2019: £3 million) of regular funding

^ excludes £41m dividends received in 2019 in relation to Investments asset disposals within joint ventures and associates

£m	2020	2019
Working capital flows[^]		
Inventories	(14)	(18)
Net contract assets	154	(30)
Trade and other receivables	42	(56)
Trade and other payables	(69)	157
Provisions	54	(21)
Working capital inflow[^]	167	32

[^] excluding impact of foreign exchange and disposals

Working capital – Group

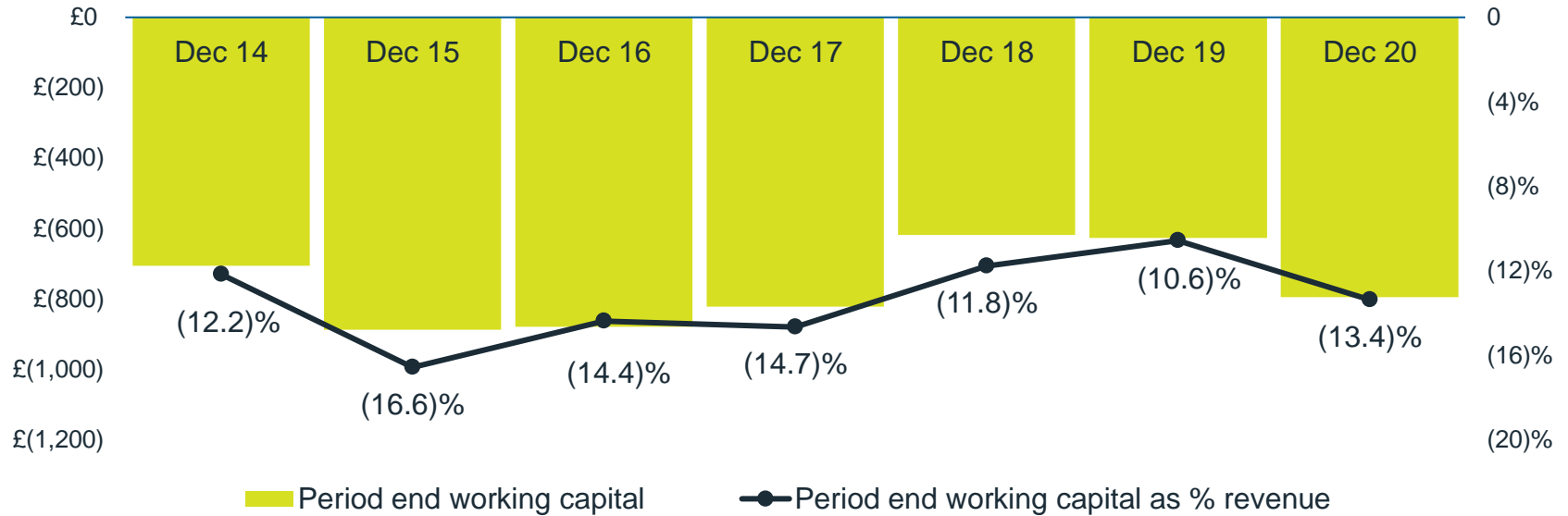


<i>Debtor days</i> *	29	27	34	28	33	29	26
<i>Creditor days</i> *	46	45	51	46	44	44	39

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



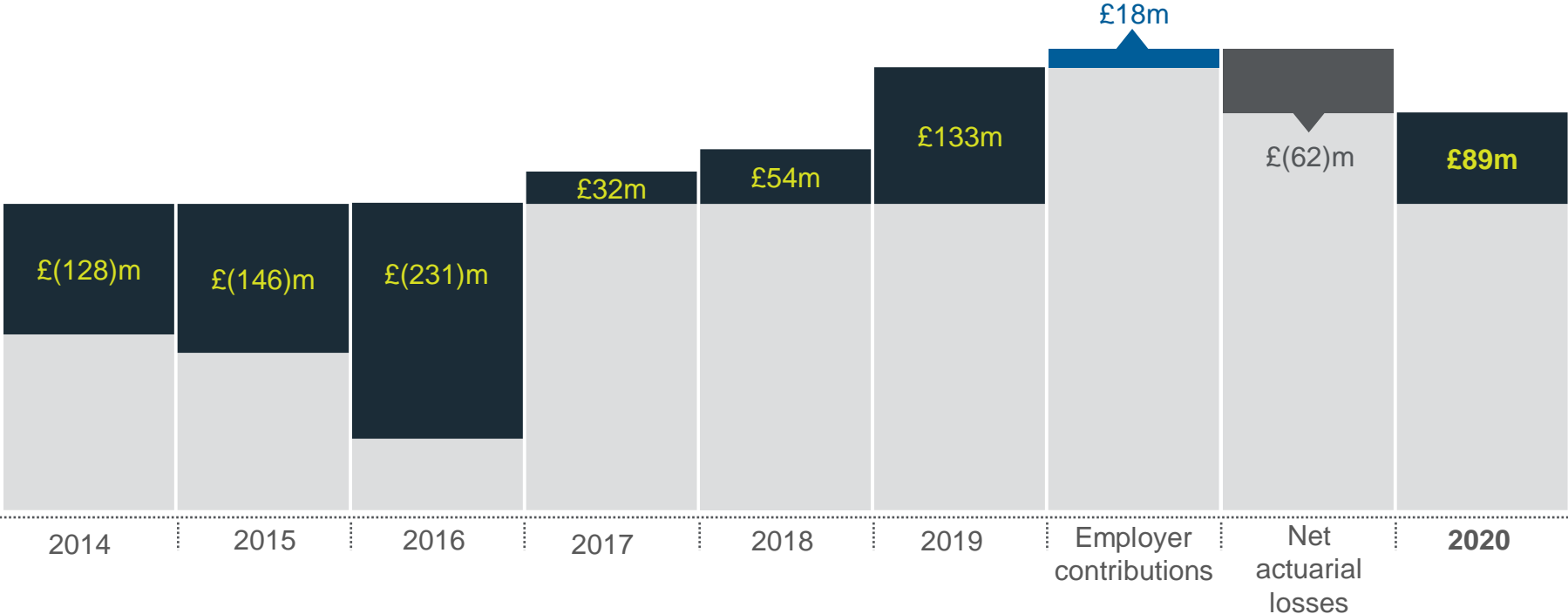
Non-underlying items

£m	2020	2019
Impairment and amortisation		
Amortisation of acquired intangibles	(6)	(6)
Other		
Grant income received in relation to UK Job Retention Scheme	19	–
Loss arising from the recognition of GMP equalisation on the Group's pension schemes	(3)	–
Release of provision held for blacklisting claims	2	–
Impairment of goodwill relating to Gas & Water	–	(58)
Provision release relating to settlements of health and safety claims	–	2
Tax		
Non-underlying (derecognition) / recognition of deferred tax assets in the UK	(6)	9
Tax on grant income received in relation to UK Job Retention Scheme	(4)	–
Tax on loss arising from the recognition of GMP equalisation on the Group's pension schemes	1	–
Tax on other items above	2	–
Total non-underlying items	5	(53)

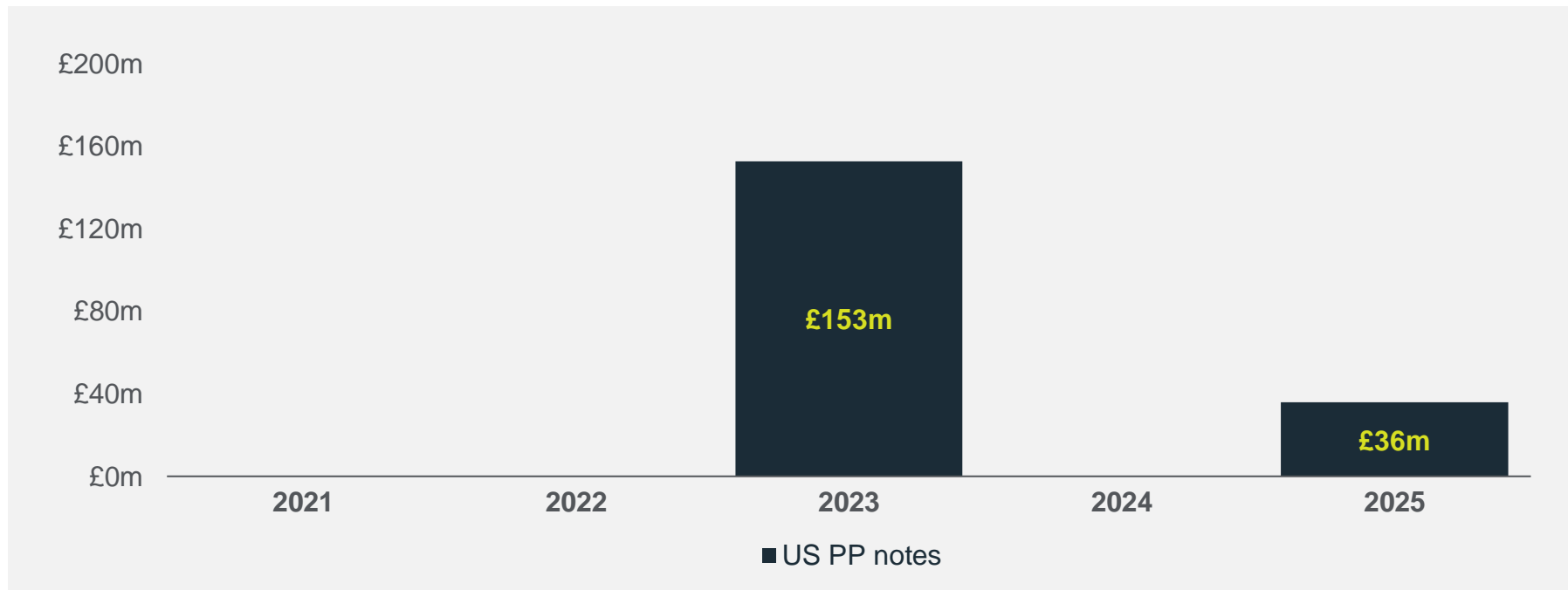
Net finance costs

£m		2020	2019
Subordinated debt interest receivable	15		
Interest on PPP financial assets	8		
Interest on non-recourse borrowings	(11)	22	16
Net finance income – pension schemes		3	2
Other interest receivable	2		
Other interest payable	(7)	(5)	(5)
US private placement		(10)	(12)
Preference shares			
Finance cost	(6)		
Accretion	(2)	(8)	(16)
Interest on lease liabilities		(6)	(6)
Impairment of loans to joint ventures and associates		(11)	–
Net finance costs		(15)	(21)

Pensions – balance sheet movement



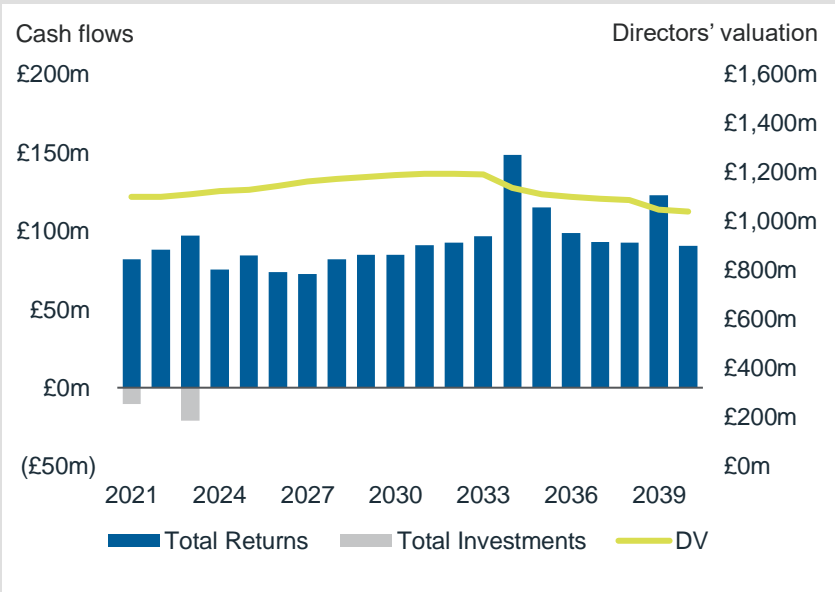
Borrowing repayment profile



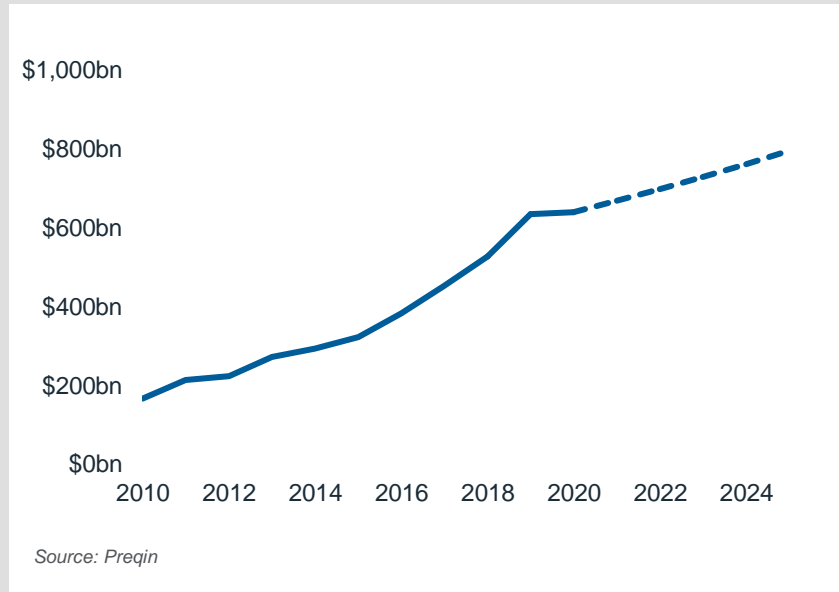
The Group has a £375m committed bank facility extending through to 2023, which was undrawn at 31 December 2020

Investments – steady cash in a low yield world

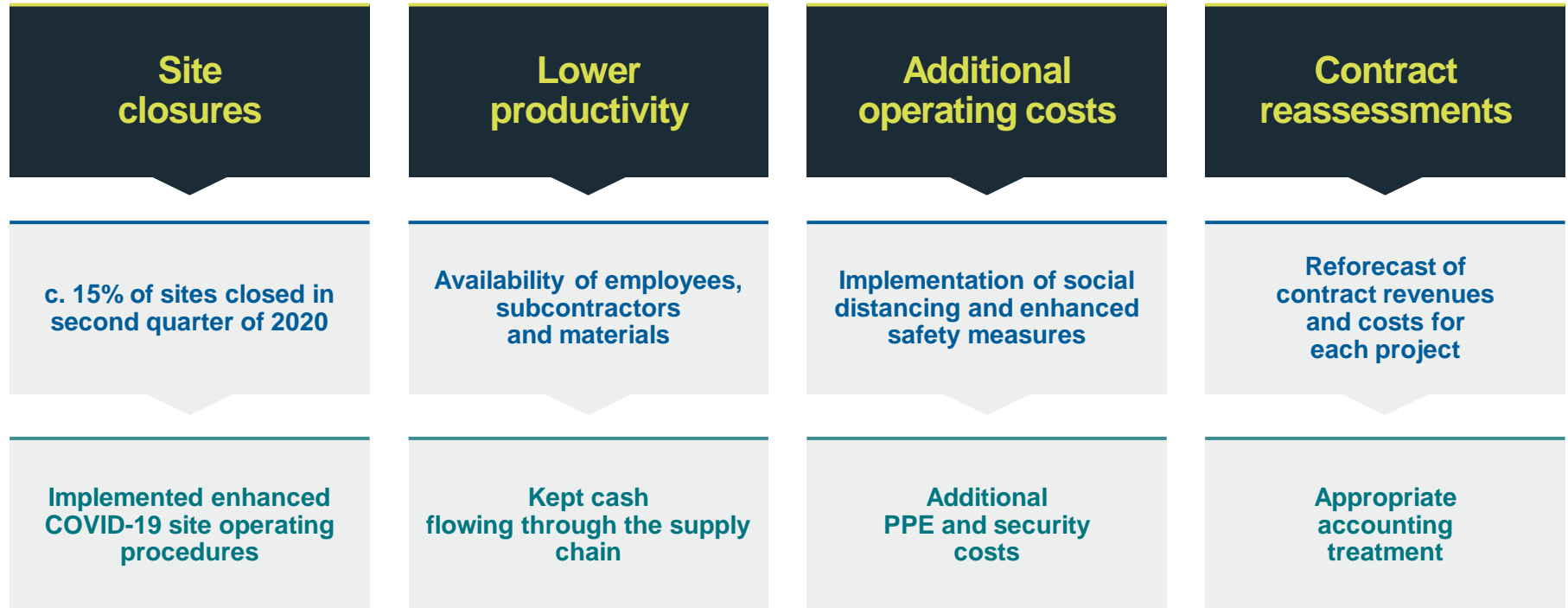
Investments portfolio cash flows (2021-2040)



Global Infrastructure AUM (2010-2025)



Financial impacts of COVID-19



Financial history

450%

Increase in revenue at peak

45

Acquisitions

£94m

Average ordinary dividend (2011-2014)

£15m

Average ordinary dividend (2015-2020)

