

# Sustainable Growth

Half year results to 31 December 2024

5 March 2025

# Agenda

*Half year results to 31 December 2024*

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Highlights

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Strategy to 2030

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Financial review

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Sustainable Growth

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Q&A



# Bill Hocking

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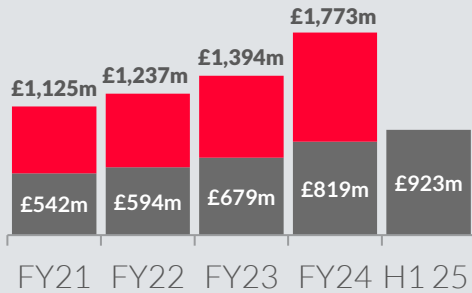
Chief Executive

# Continuing strong performance

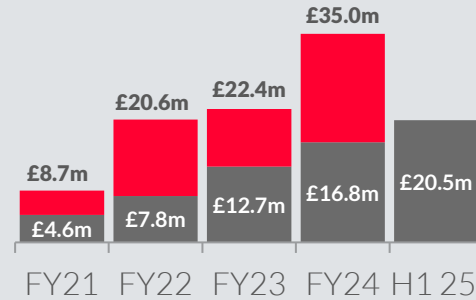
Strong half year; improved FY guidance



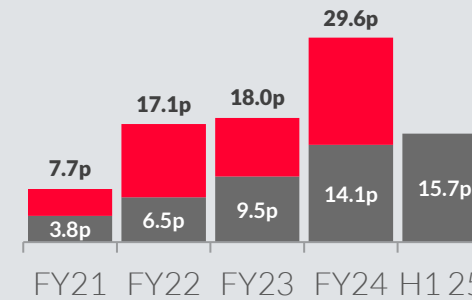
## Revenue up 13%



## Adjusted PBT<sup>1</sup> up 22%



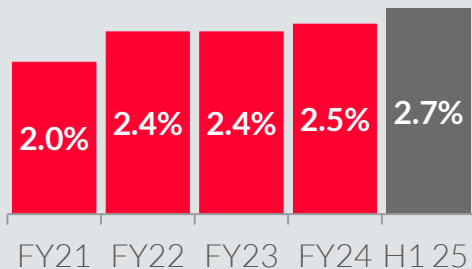
## Adjusted EPS<sup>1</sup> up 11%



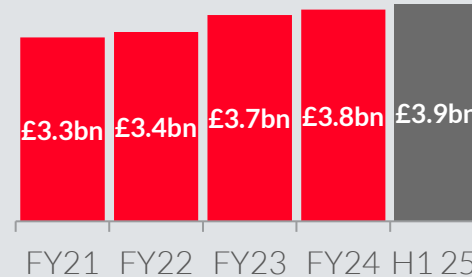
**£176m**

Last 12-month average month-end cash (FY24: £155m)

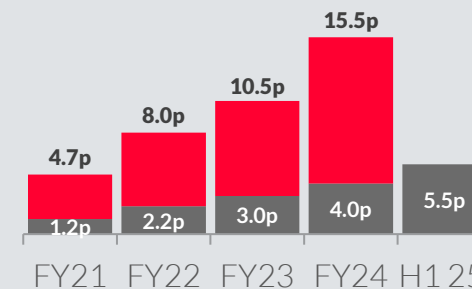
## Div adjusted operating margin up 24bps



## Order book up £0.1bn



## DPS up 38%



**92%**

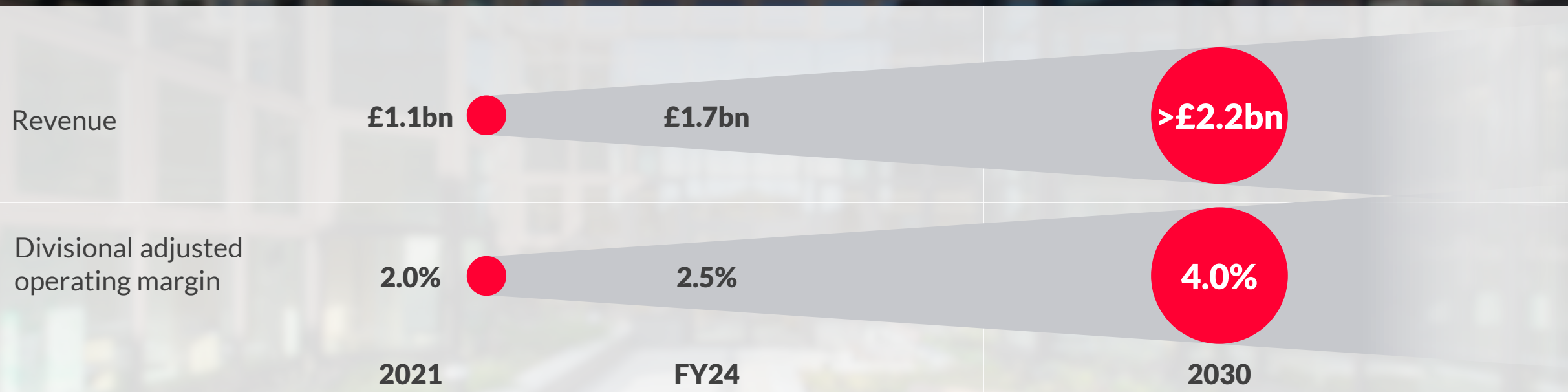
Repeat clients (H1 24: 88%)

■ H1 ■ FY

<sup>1</sup>See Appendix 9/slide 35 for explanation of changes to Adjusted Performance Measures.

# Strategy to 2030

Grow revenue and margin in our three core businesses	Grow our specialist businesses in higher margin, adjacent markets	Re-enter the Affordable Homes market	Leverage our geographical and client footprint across the UK	Continue to generate growing shareholder returns
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# Drivers of revenue growth

## Ageing social and economic infrastructure

- Government's growth agenda aligns to our chosen sectors; recognising investment in construction is needed for a modern economy to thrive.
- Ageing assets are in need of replacing, upgrading or frequent maintenance.
- Reforms underway to speed up planning.
- Investment in digitalisation, R&D and innovation to boost UK's productivity.

## Population growth

- Ageing and growing population places increased demand on the built environment and UK's infrastructure.
- Significant demand for new affordable homes.

## Climate change

- UK's net zero targets.
- Client carbon/net zero requirements are key to work-winning.
- Resilience of buildings and infrastructure.

## Leading position in frameworks and sectors

92% repeat clients and 84% of work in frameworks.

## Expansion into adjacent markets

PRS, capital maintenance and asset optimisation, green retrofit, affordable homes, Specialist Services.

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# Drivers of margin growth


**Maturing client  
procurement and  
sector attitudes**



**Quality right first-  
time; reducing time  
and cost of rework**



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



**Increasing  
capabilities in  
higher-margin  
adjacent markets**

**Robust risk  
management;  
selective approach  
to contracts**



**Modern Methods  
of Construction**



**High-quality  
supply chain**



**Overhead leverage**

# Financial review

# Kris Hampson

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Chief Financial Officer

# Strong performance

- Another period of consistent, sequential and profitable growth.
- Strong YoY increases in revenue, profit before tax, and divisional adjusted operating margin up 24bps to 2.7%.
- Interim dividend of 5.5p per share, up 38% from prior year.

	H1 25	H1 24	Var
Revenue (£m)	<b>£923m</b>	£819m	+12.7%
Adjusted operating profit (£m)	<b>£17.7m</b>	£14.1m	+25.5%
Adjusted profit before tax <sup>1</sup> (£m)	<b>£20.5m</b>	£16.8m	+22.0%
Adjusted effective tax rate (%)	<b>22.9%</b>	15.2%	+764bps
Adjusted basic earnings per share <sup>1</sup> (p)	<b>15.7p</b>	14.1p	+11.3%
Dividend per share (p)	<b>5.5p</b>	4.0p	+37.5%

<sup>1</sup> See Appendix 9 for comparison of impact of changes made to these APMs.

## Adjusted Performance Measures (APMs)

Pre-exceptional measures are now referred to as 'adjusted'. The definition of adjusted PBT and adjusted EPS measures have been changed to exclude amortisation of acquired intangible assets to better reflect the business's underlying and ongoing performance (see Appendix 9; slide 35). These changes are in line with standard practice across the sector. All other APMs remain unchanged.



# Segmental analysis

- Building – continues to perform well as a major business, complemented by our FM operations.
- Infrastructure - revenue growth has taken advantage of our strong position in water, and AMP7 spending.
- Investments generated interest income in the period of £1.8m.
- Divisional adjusted operating margin up to 2.7%.

	H1 25	H1 24 <sup>1</sup>	Var
<b>Revenue (£m)</b>	<b>923.2</b>	819.1	+12.7%
Building	<b>467.3</b>	446.0	+4.8%
Infrastructure	<b>451.7</b>	362.0	+24.8%
Investments	<b>4.2</b>	11.1	(62.2)%

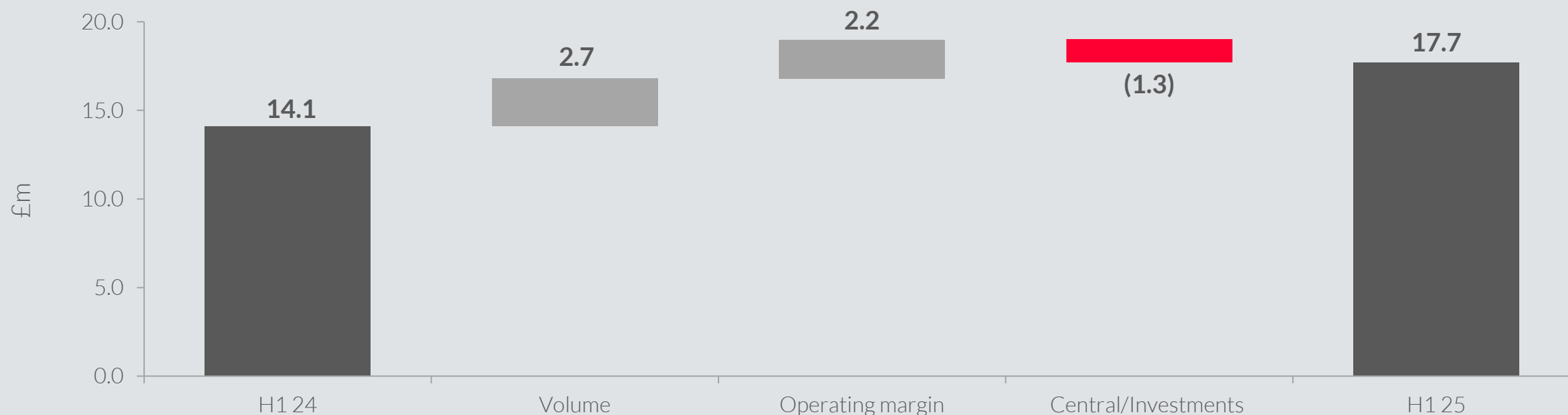
	H1 25	H1 24 <sup>1</sup>	Var
<b>Adjusted operating profit/ (loss) (£m)</b>	<b>17.7</b>	14.1	+25.5%
Building	<b>12.5</b>	10.6	+17.9%
Infrastructure	<b>12.3</b>	9.3	+32.3%
Investments	<b>(0.1)</b>	0.3	£(0.4)m
Central	<b>(7.0)</b>	(6.1)	£(0.9)m

	H1 25	H1 24 <sup>1</sup>	Var
<b>Adjusted operating margin (%)</b>			
Building	<b>2.7</b>	2.4	+29bps
Infrastructure	<b>2.7</b>	2.6	+15bps
Divisional adjusted operating margin	<b>2.7</b>	2.5	+24bps

<sup>1</sup> Stated before exceptional items of £2.6m in H1 24 related to digital ERP investment.

# Increasing adjusted operating profit

Adjusted operating profit bridge



Div adjust  
op profit

2.5%

2.7%

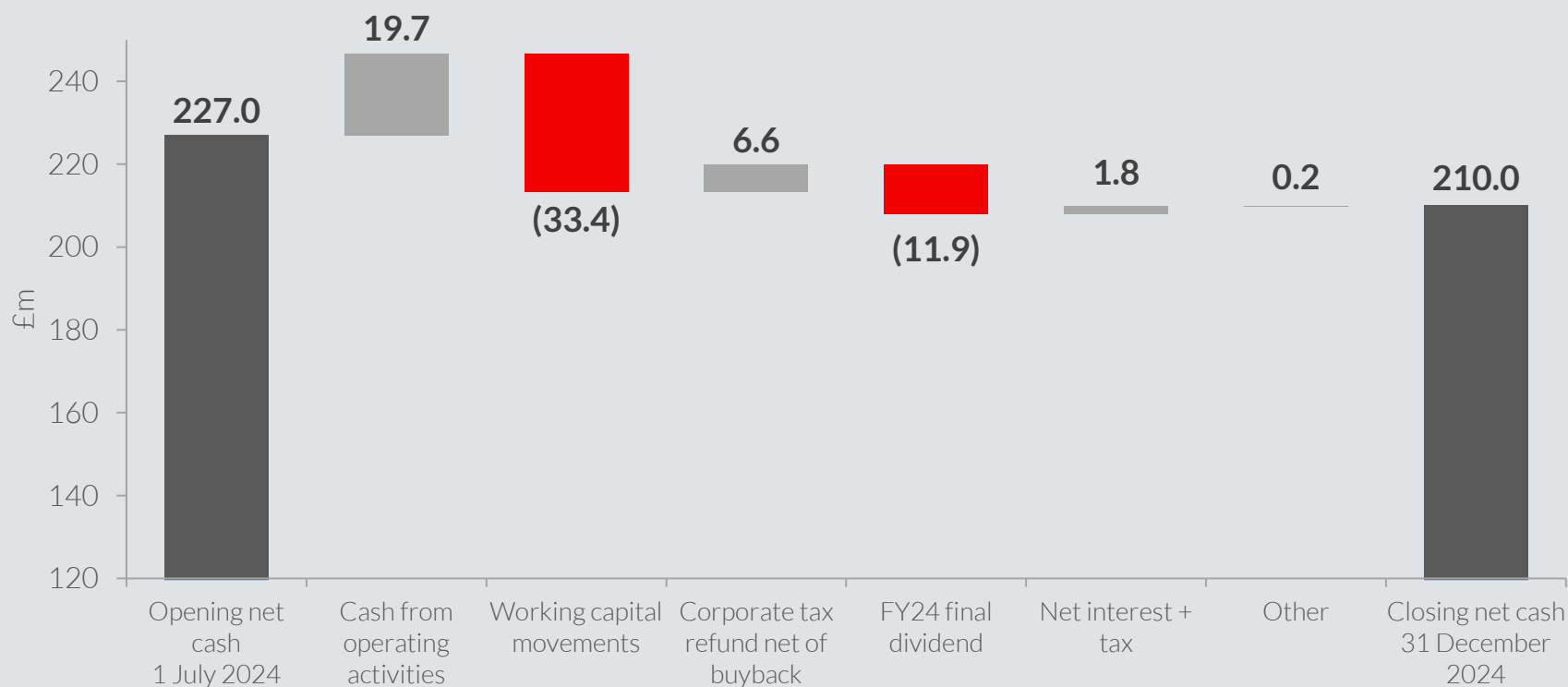
# Strong balance sheet

- Continuing strong balance sheet with period-end cash of £210.0m.
- Robust cash position.
  - Average month-end cash of £176m.
  - No drawn bank debt.
  - No pension liability.
- PPP assets of £40.2m.
  - Annuity income stream of £3.6m.
- £25m unsecured Revolving Credit Facility on attractive terms with leading high street lenders, enhancing agility and resilience.

Balance sheet £m	31 Dec 2024	30 June 2024
Intangible assets & goodwill	<b>97.4</b>	97.9
PPP & other investments	<b>40.2</b>	41.8
Other non-current assets	<b>69.6</b>	71.7
Working capital	<b>(243.1)</b>	(274.6)
IFRS 16	<b>(54.5)</b>	(53.0)
Net cash	<b>210.0</b>	227.0
Other	<b>2.2</b>	11.6
<b>Total net assets</b>	<b>121.8</b>	122.4
Average month-end cash	<b>176.4</b>	154.8

# Robust cash performance

Average month-end cash £176m



**97%**

of invoices paid in 60 days, exceeding Prompt Payment Code requirement of 95% and average days to pay is 26.

**99%**

Cash conversion from PBT to cash from operating activities funding typical H1 working capital outflow.

# Capital allocation model

## Investing for growth

### Reinvest in the business

- Ability to invest in technology and training to drive quality and efficiency.
- Accelerates adjacent market opportunities.
- Enables strategic and bolt-on acquisitions to enhance capabilities.
- > **Investment in cloud-based ERP system.**
- > **Four acquisitions since 2021.**

## Shareholder returns

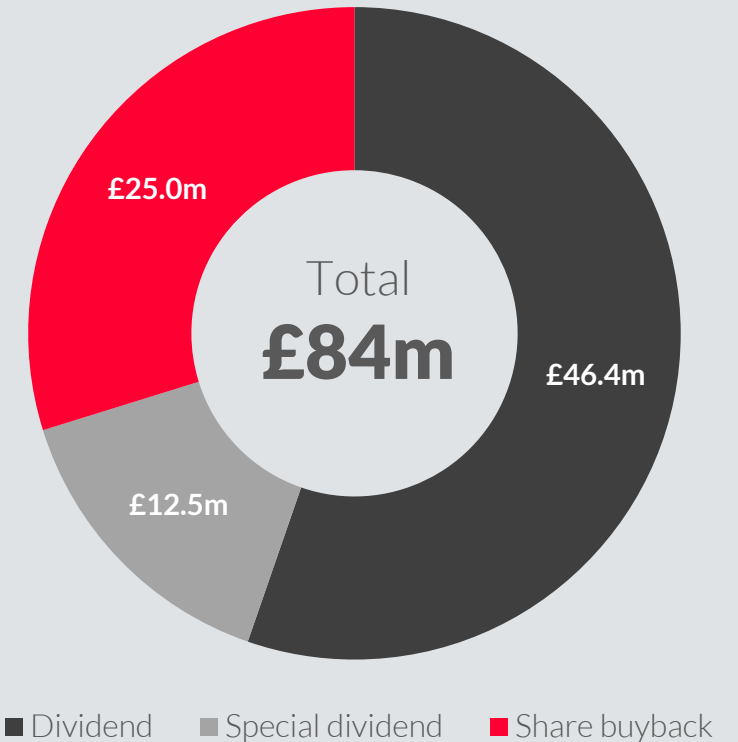
### Sustainable Ordinary Dividend

- Dividend will increase with earnings growth.
- Delivering sustainable returns to shareholders.
- > **Adjusted EPS cover at 1.8x DPS. Dividend includes PPP income + c50% of PBT.**

### Return Excess Cash

- Consider cash requirements for future growth.
- Return excess cash to shareholders when appropriate.
- > **Two SBBs and one special dividend since 2022 = £37.5m.**

## Returns to shareholders FY21 - H1 25



## Strong balance sheet to support operations

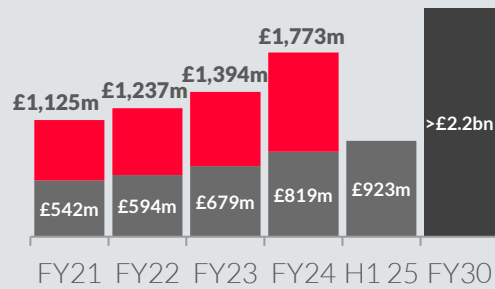
Gives confidence to clients and supply chain.  
Supports disciplined approach to project selection.

# Confident outlook

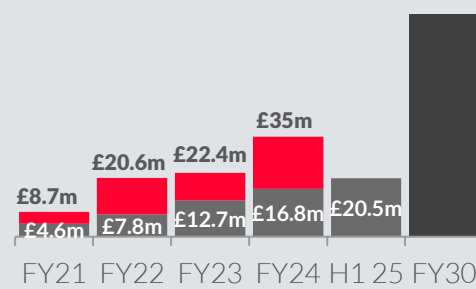
Strong start to Sustainable Growth Strategy to 2030



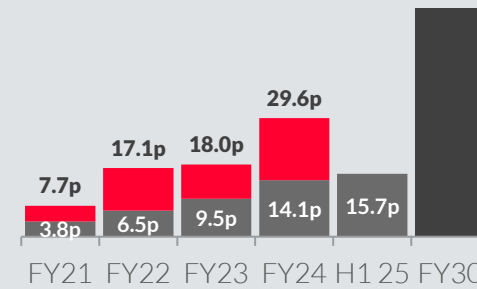
Revenue up 13%



Adjusted PBT up 22%



Adjusted EPS up 11%

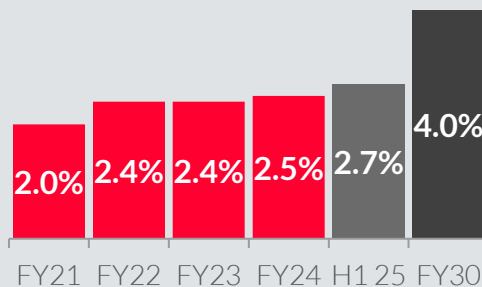


**TSR 247%**

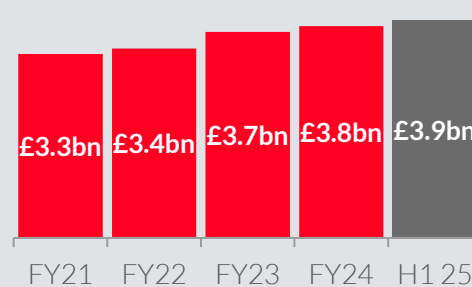
1 Jul 2021 to 31 Dec 2024

- Further year of predictable, sequential growth.
- Continuing strong performance and increased confidence.
- Increased guidance above market expectations for FY25.

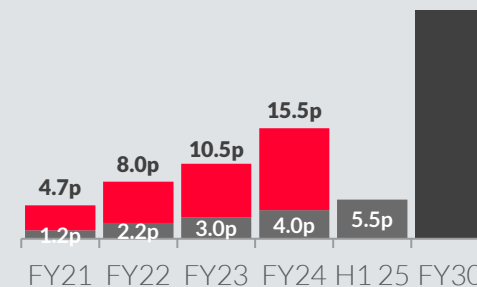
Div adjusted operating margin up 24 bps



Order book up £0.1bn



DPS up 38%



■ H1 ■ FY ■ 2030 strategic growth targets (indicative)

# Sustainable Growth

# Bill Hocking

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Chief Executive

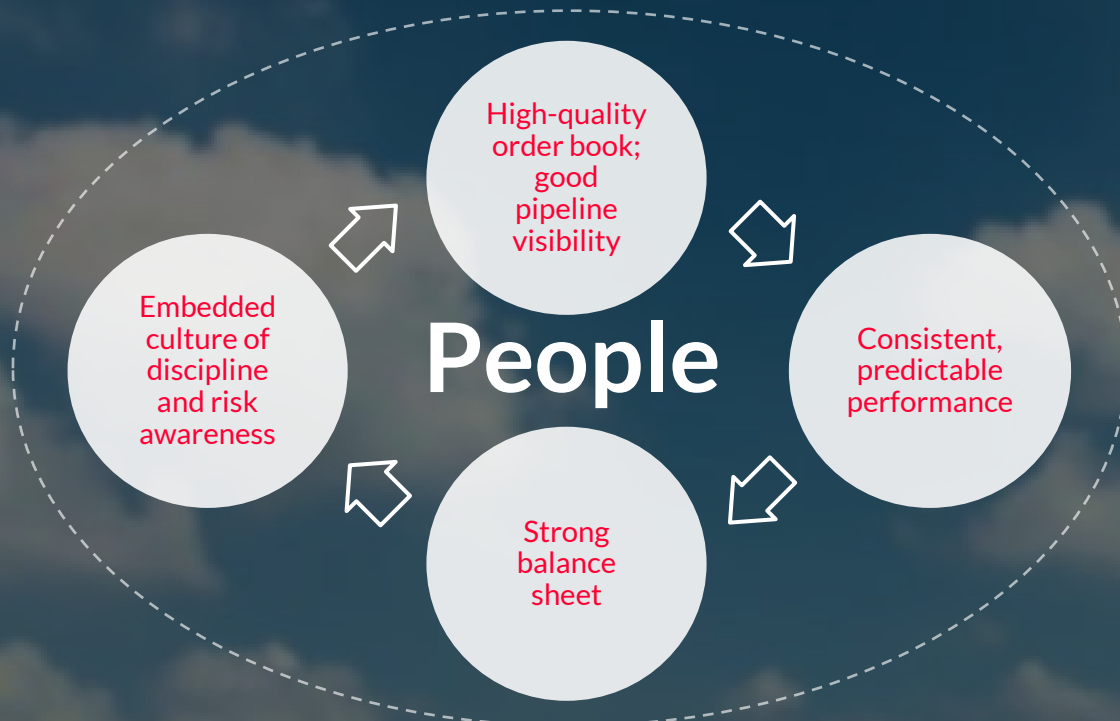
# Modern Methods of Construction





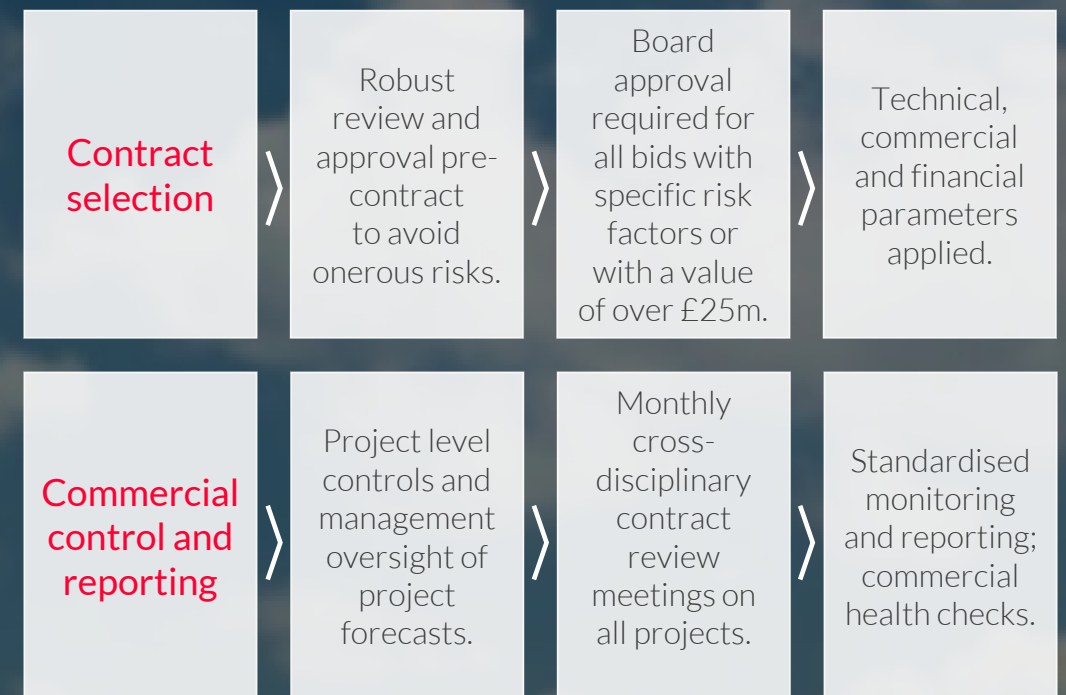
# Our engine for Sustainable Growth

An embedded culture of discipline and risk awareness that drives a high-quality order book and selective bidding.



# Focused risk management

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





### Growth via core markets

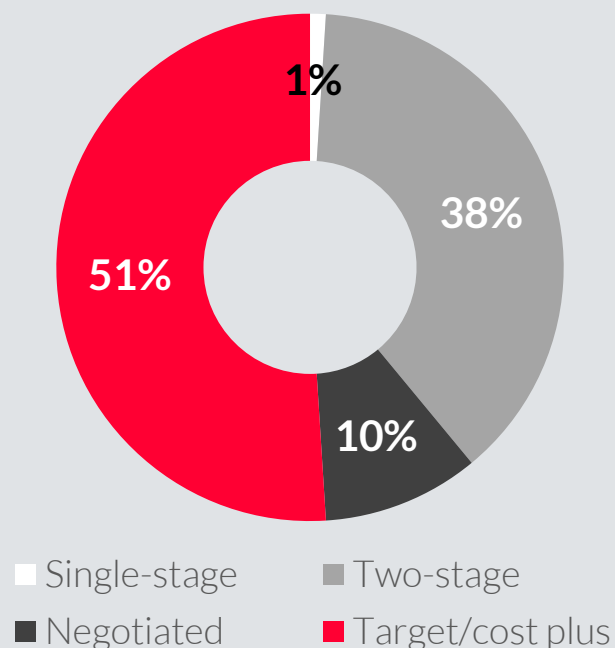
Building  
Highways  
Environment

### Growth via adjacent markets

Private Rented Sector | Capital maintenance and asset optimisation | Green retrofit | Affordable homes | Specialist Services

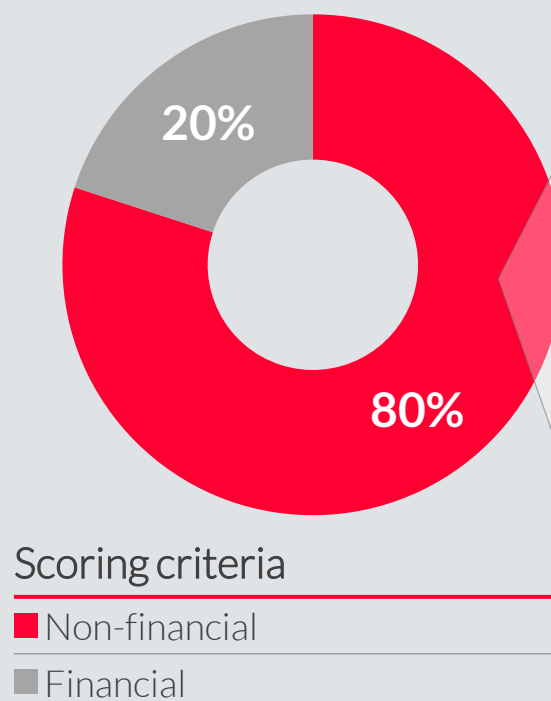
# Winning work based on quality over cost

## Order book procurement route



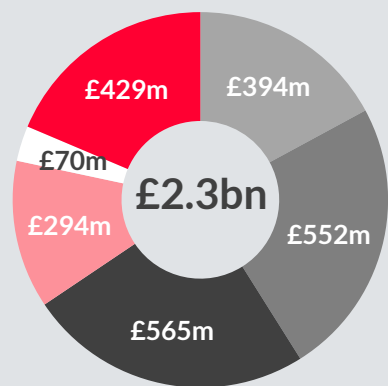
**99%** of our order book is procured via some form of negotiation.

## Example of scoring criteria



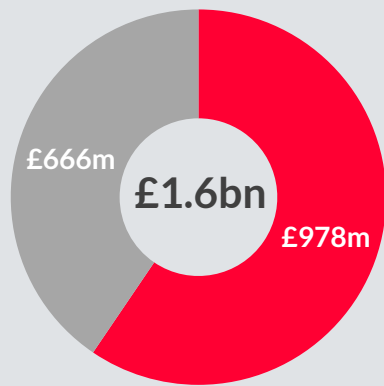
Management	<b>20%</b>
Project delivery	<b>19%</b>
SHEQ	<b>15%</b>
Sustainability and carbon	<b>8%</b>
Social value	<b>10%</b>
Contract management	<b>8%</b>

# High-quality £3.9bn order book



Building order book

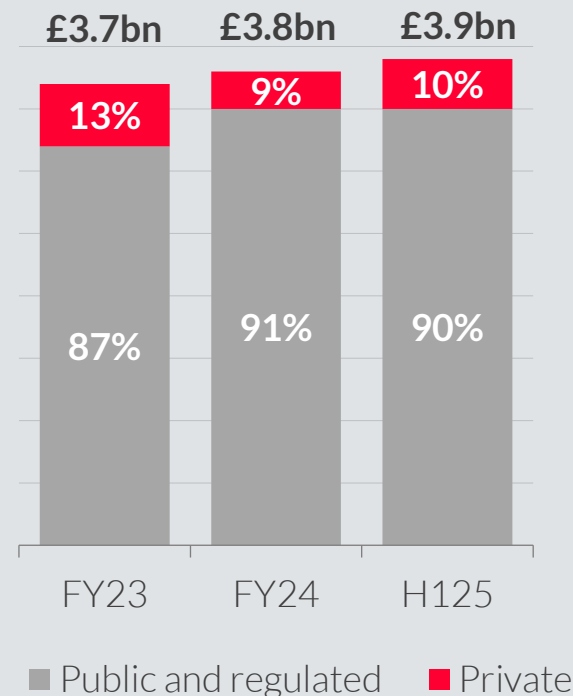
- Custodial
- Defence
- Education
- FM
- Health
- Commercial and other



Infrastructure order book

- Environment
- Highways

Order book by client type



**98%**

Work secured for FY25

**81%**

Work secured for FY26

**92%**

Repeat clients for H1 25

# Recent successes



## Building

**£63m** Single Living Accommodation contract for DIO at RAF Digby.

**£44m** fire safety improvement programme for MOJ at HMP Wakefield.

**£53m** mixed-use commercial development at 30-33 Sloane Street for the Cadogan Estate.

**£34m** storage warehouse for Big Yellow Self Storage in Wapping, East London.



## Infrastructure

**£89m** contract to construct the South Aylesbury Link Road for Buckinghamshire Council.

**£23m** Haslemere STW and **£19m** Shamley Green STW for Thames Water.

**£27m** Peel Common project and **£32m** Budd Farm project for Southern Water.

**£16m** Ilkeston Sewer Strategy for Severn Trent Water.



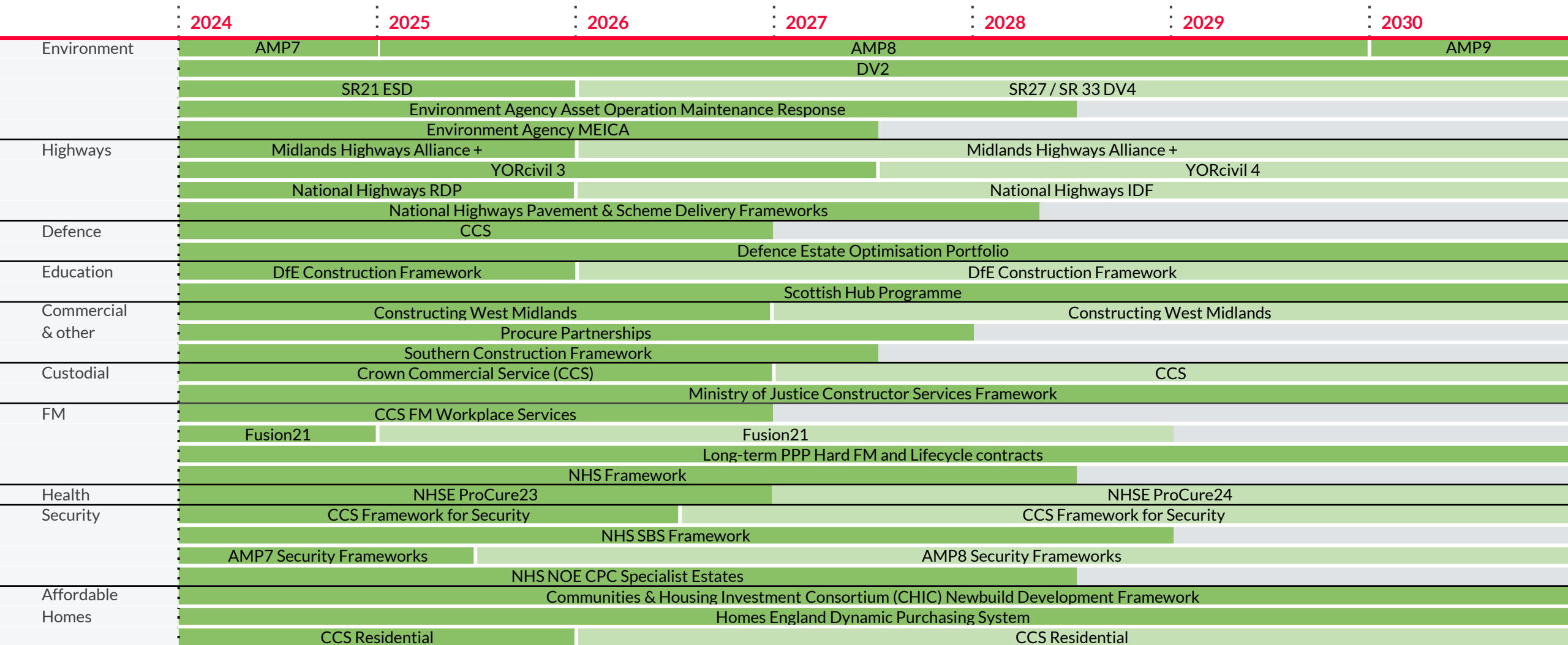
## Specialist Services

Pagabo Small Works Dynamic Purchasing System (DPS) Framework.

**£814m** Pagabo Total Facilities Management Framework.

**£835m** NHS North of England Commercial Procurement Collaborative (NOE CPC) Specialist Estates Engineering & Maintenance Services (Hard FM) Framework.

# Frameworks provide long-term visibility

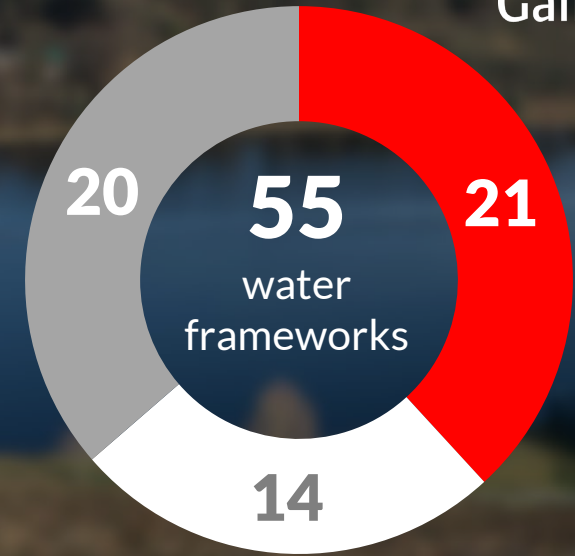


# Leading provider in water



**17**

average number of consecutive years working with each client to date.



■ Design & Build ■ Capital Maintenance ■ Water Technologies

**19**

AMP7 and SR21 frameworks

**36**

AMP8 and EA frameworks

We are working with all of the UK's major water and sewerage companies.

# Summary

- Excellent start to strategy period underpinned by track record of operational delivery, focused risk management, committed people and established relationships with our supply chain and clients.
- High-quality order book with excellent visibility of future opportunities and revenue.
- Expect to deliver another year of increased revenue and profit, above the top end of current market expectations.
- Continue to provide long-term sustainable value for our stakeholders.

## A compelling investment



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

Retain, gain 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 bank debt or pension liabilities.

Margin growth.

Increasing shareholder returns.



# Questions

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**Bill Hocking**

Chief Executive

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**Kris Hampson**

Chief Financial Officer



# Appendices

1. Sustainable Growth Strategy

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2. Our sustainability commitments

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3. A destination employer

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4. Why we target frameworks

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5. Forward order book

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6. Contract types

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7. PPP Investments valuation

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8. Our approach to M&A

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9. Impact of changes in Adjusted Performance Measures

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# Appendices

## 1. Sustainable Growth Strategy

### A people-orientated, progressive culture driven by our values.



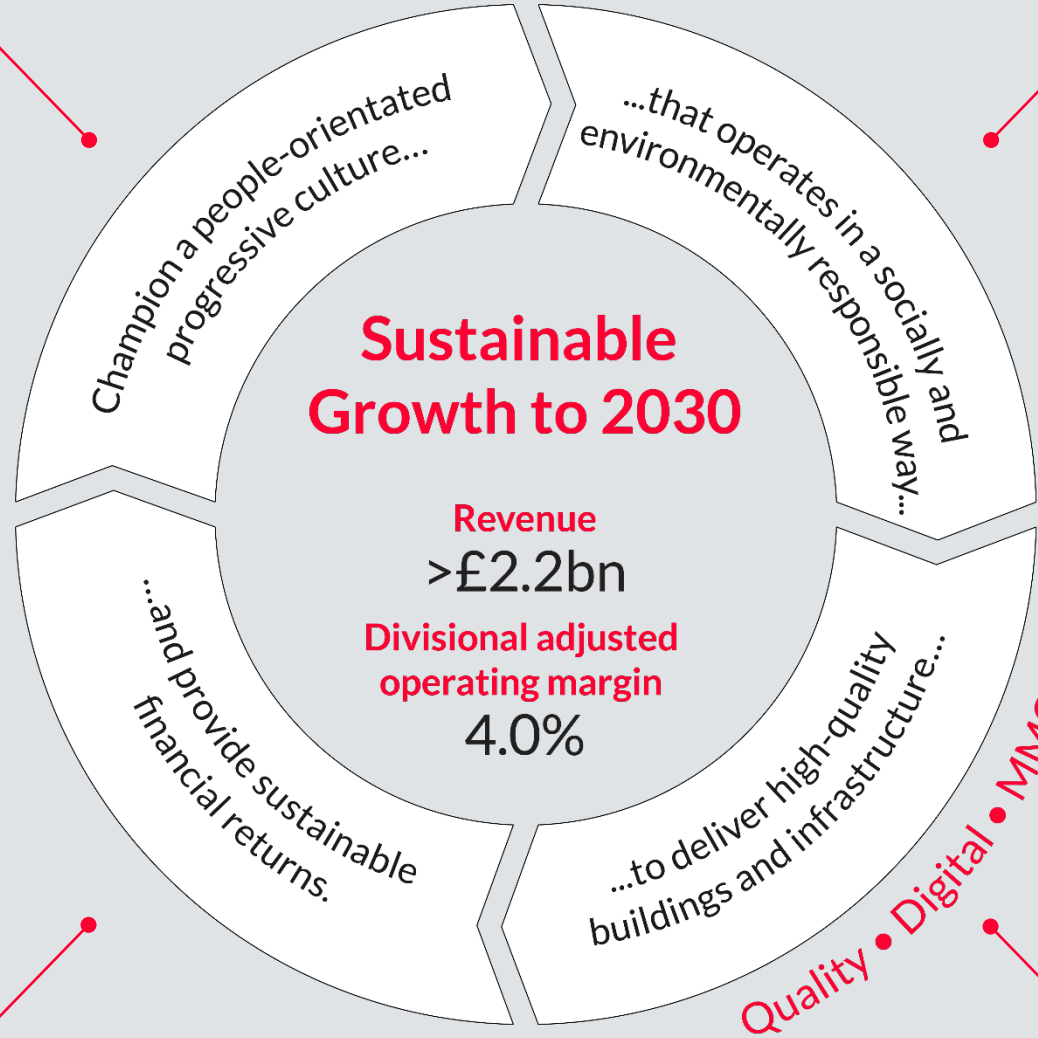
**Health and safety:** Prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.



**Our people:** Creating an inclusive environment and progressive culture that enables all individuals to reach their potential.

### Earn a sustainable return on the value we deliver.

- Taking a disciplined approach to selecting the work we take on and carefully managing risk at every stage of the project.
- Delivering strong, predictable cash flows and margin improvement.
- Generating increasing shareholder returns.



### Deliver excellence for our clients.



**Clients:** Delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.

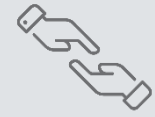


**Supply chain:** Aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.

### Protect the environment and create greater social value for communities.



**Environment and climate change:** Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.



**Communities:** Making a positive impact in communities where we operate by delivering greater social value and improving lives.

# Appendices

## 2. Our sustainability commitments

Strategic priorities	Sustainability pillars		FY23	FY24	Ambition
Progressive culture	Health and safety	Lost Time Frequency Rate	0.20	0.14	No harm
		Accident Frequency Rate	0.09	0.04	No harm
	Our people	Early careers <sup>1</sup> as a % of total employees	10.0%	10.2%	>9.0%
		Women as a % of total employees	21.6%	22.5%	YoY increase
		Employee advocacy	86%	87%	>80%
Socially responsible delivery	Environment and climate change	Scope 1 and 2 carbon emissions market-based(CO <sub>2</sub> e tonnes)	10,751	10,486	Net zero by 2030
		Scope 3 carbon emissions (CO <sub>2</sub> e tonnes) - estimated	477,000	Not reported <sup>2</sup>	Net zero by 2045
		Waste intensity (tonnes/£100K revenue)	21.8	17.7	YoY reduction
	Communities	% of completed projects delivering >25% of Social and Local Economic Value as % of contract value	94%	79%	60%
		CCS performance	43.4	42.9	>39 and above industry ave
Quality and innovation	Clients	% of repeat business in order book	87%	92%	>80%
		% of full year planned revenue secured at start of the financial year	92%	92%	>85%
	Supply chain	% of Business Unit core trades spend with Aligned subcontractors	58%	61%	70%-80%
		Prompt payment – % of invoices paid within 60 days	98%	96%	>95%



<sup>1</sup>We have revised the methodology used to calculate our early careers numbers to align to the methodology used by The 5% Club as at 31 July for the respective year. This now includes sponsored students on work placements as well as graduates, apprentices and trainees.

<sup>2</sup>Following our initial full Scope 3 footprinting exercise, we are now focusing on developing a quantity-based approach to estimating emissions and have therefore ceased reporting of estimated full Scope 3 emissions using the spend based methodology.

# Appendices

## 3. A destination employer (FY24)

4,200

Employees in our business

87%

Employee advocacy score

352

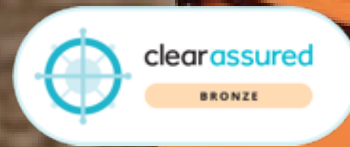
Promotions

No1

Construction & civil engineering employer for apprentices and No2 for graduates

11.4%

Churn



# Appendices

## 4. 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.

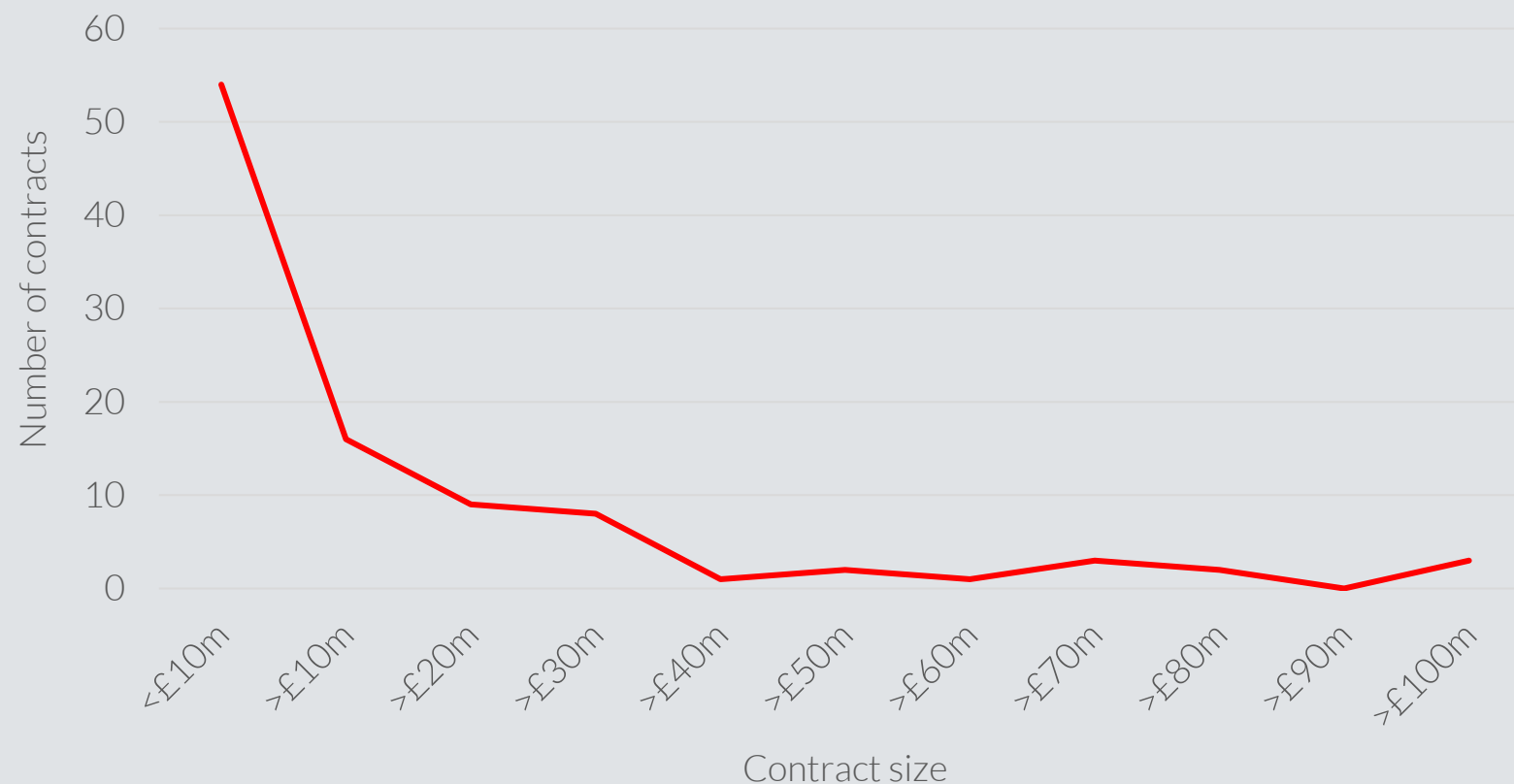


# Appendices

## 5. Forward order book

- <£20m average contract size.

Forward order book distribution – Building (excluding FM)



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# Appendices

## 6. 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.

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### **Two-stage tendering**

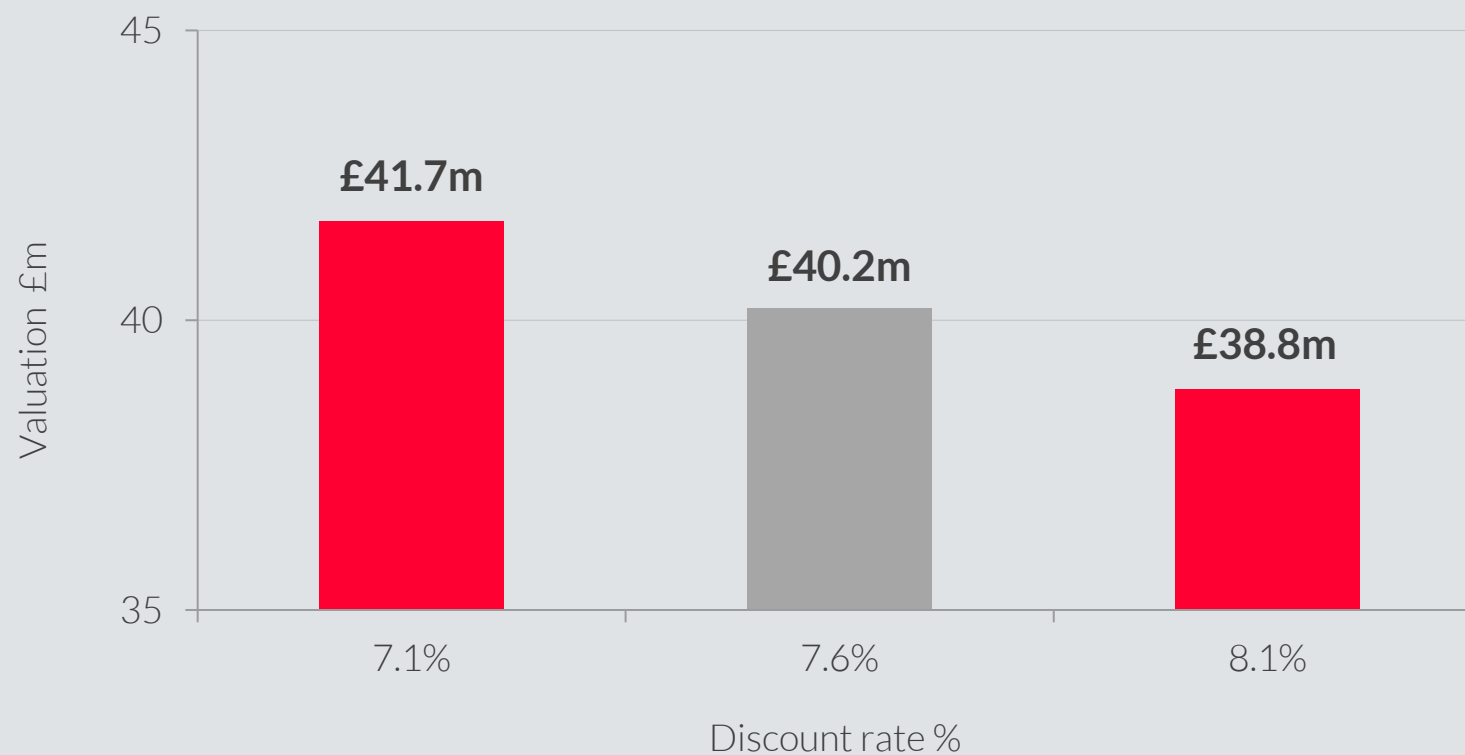
An initial information stage facilitates early collaboration between client and contractor, helping to ensure design, cost certainty and project timescales. This initial phase allows us to submit details under a pre-construction agreement and includes aspects regarding project preliminaries, method statements, design, overheads and profit. The second stage of the process is a package pricing exercise, using the criteria agreed in the first stage, and where the contract is negotiated by us, subject to the approval of the design team.



# Appendices

## 7. PPP Investments valuation

PPP Investments valuation




# Appendices


## 8. Our approach to M&A

Our 2030 strategic targets do not assume any further acquisitions, however our capital allocation framework allows for investment in M&A given the following criteria are met.


### Strategic criteria


 Existing or adjacent sectors


 Complementary expertise/geographies to existing operations

 Strong cultural fit (risk and people)

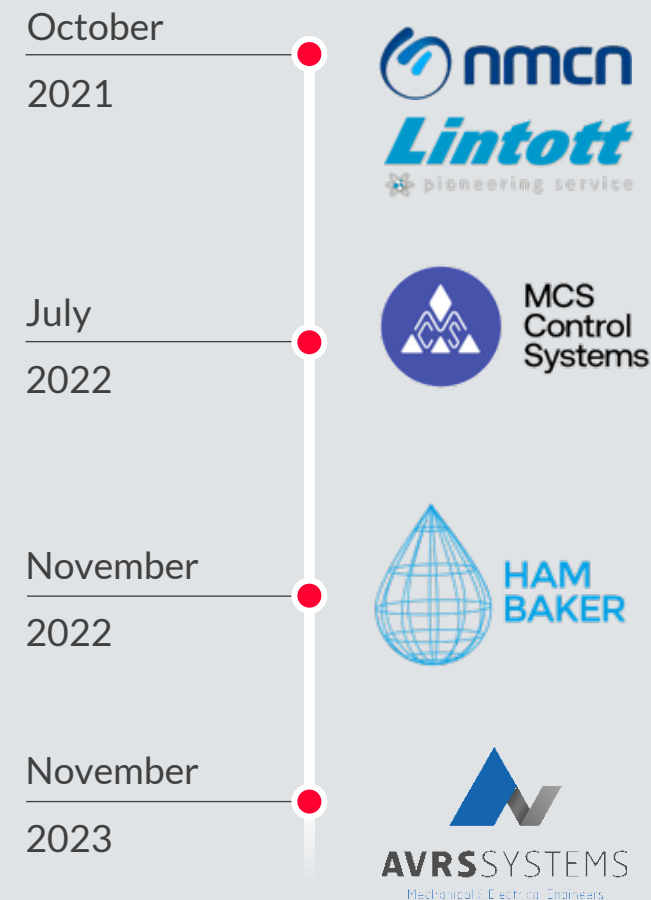
### Financial criteria

 Returns exceed cost of capital hurdles

 Contractual liabilities and order book quality

 Higher margin growth opportunities

### Acquisition history

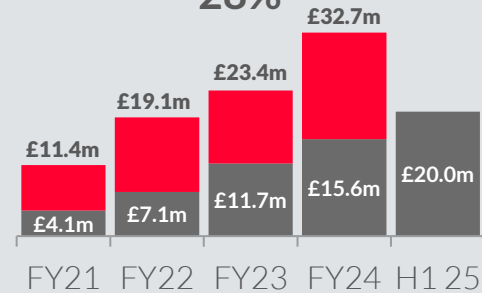


# Appendices

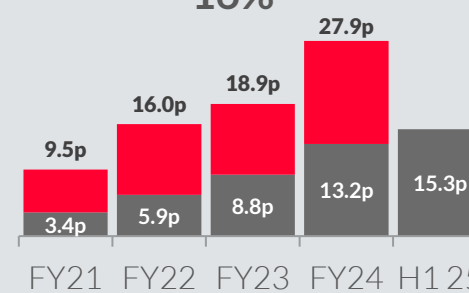
## 9. Impact of changes in Adjusted Performance Measures

### Pre definition change

Pre-exceptional PBT up 28%



Pre-exceptional EPS up 16%



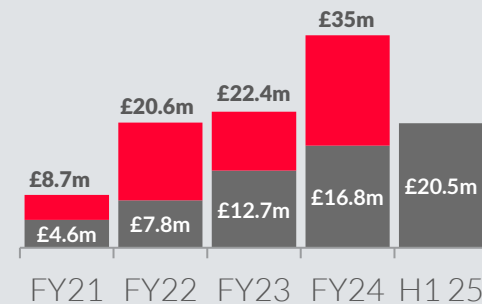
### Adjusted profit before tax

This measure has been changed to exclude amortisation of acquired intangible assets with the following impacts for H125 and FY24:

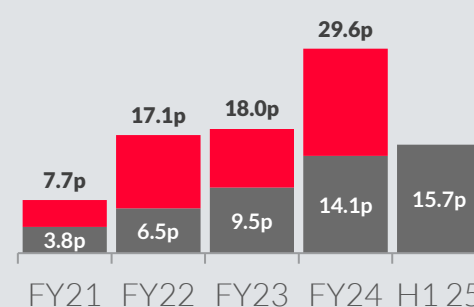
- H1 25: £0.5m improvement as a result of adjusted metric.
- FY24: £2.3m improvement in prior year as a result of adjusted metric.

### Post definition change

Adjusted PBT up 22%



Adjusted EPS up 11%



### Adjusted earnings per share

This measure has been changed to exclude amortisation of acquired intangible assets.

- H1 25: 0.4p improvement as a result of adjusted metric.
- FY24: 1.7p improvement in prior year as a result of adjusted metric.

■ H1 ■ FY

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# Disclaimer

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