Delivering Sustainable Growth

Half year results to 31 December 2021

Proactive One2One Virtual Forum – 24 March 2022

GallifordTry

Highlights

Sustainable Growth Strategy progressing well

- Controlled growth in revenue and profit.
- Successful integration of nmcn water.
- Continued momentum across ESG.
- Strong balance sheet and consistently robust cash position.

Strong foundations; resilient operations

- Effectively managing inflation; targets unchanged.
- Collaborative client and supply chain relationships.

Strategic targets on track

- Improving profitability and margin.
- Well positioned in chosen markets; continued pipeline and strong order book.
- Increasing shareholder returns.

£7.1m

Profit before tax[1] up 73.2%
(HY21: £4.1m)

2.2%

Divisional operating margin up 0.6 ppt
(HY21: 1.6%)

2.2p

Interim dividend up 83.3%
(HY21: 1.2p)

[1] Pre-exceptional items.

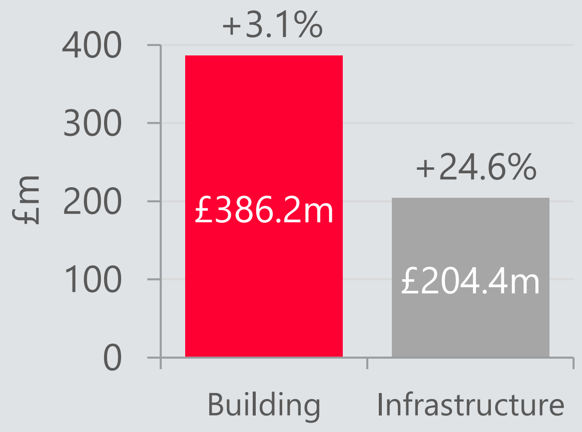
Strong operational performance

- Controlled revenue growth, including AMP7 progress.
- Improving contract performance and operating margin.
- Central costs remain in line with plan.
- Exceptional costs related to acquisition and cloud-based ERP system.
- Tax rate benefits from brought forward losses.

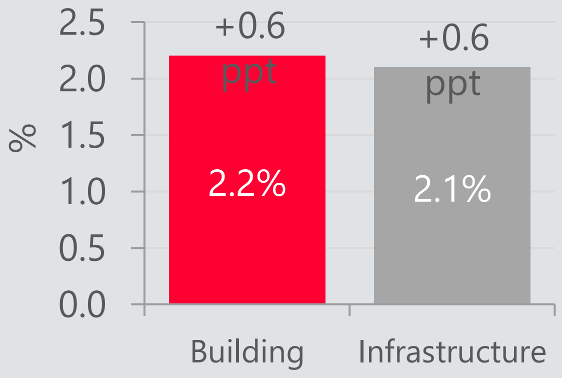
Continuing operations	HY22[1]	HY21	Var
Revenue	£594m	£542m	+9.6%
Operating profit[1] before amortisation	£6.9m	£3.9m	+76.9%
Profit before tax[1]	£7.1m	£4.1m	+73.2%
Earnings per share[1]	5.9p	3.4p	+73.5%

[1] Pre-exceptional items. Exceptional costs of £9.7m related to nmcn acquisition and ERP investment.

Revenue of £594m



Divisional operating margin 2.2%



Strong balance sheet

- Well-capitalised, with balance sheet strength driven by consistent net cash assets.
- Robust cash position and no interest rate risk.
  - Average month-end cash £180m.
  - No debt.
  - No pension liability.
- PPP portfolio valued at £48m.
  - Generated interest income of £2m.
- Increase in goodwill and intangibles due to nmcn acquisition.

Balance sheet £m	**31 Dec 2021**	**30 June 2021**
Intangible assets & goodwill	**94.0**	82.9
PPP & other investments	**48.3**	49.1
Other non-current assets	**39.8**	38.4
Working capital	**(252.1)**	(242.1)
IFRS 16 lease liabilities	**(21.9)**	(19.2)
Net cash	**211.1**	216.2
Other	**8.0**	8.8
Total net assets	**127.2**	**134.1**
Average month-end cash	**180.4**	164.0

>£100m
Minimum daily cash

98%
of invoices paid in 60 days, exceeding PPC requirement of 95%

25
average days to pay

Capital allocation

Prioritising a strong balance sheet

Supporting operational requirement

- Competitive advantage in chosen markets, providing confidence to clients and supply chain.
- Enables strategic and bolt-on opportunities to enhance capabilities.

Mitigating market risks

- Maintain cash reserves to mitigate any adverse market conditions.
- Support disciplined approach and focus on risk management throughout economic cycle.

Regular and sustainable returns

- Dividends will grow with earnings.
- Full year dividend policy improved to 2.0x cover.

Ongoing review of requirements

- Additional shareholder returns of excess cash, when appropriate.

Improved dividend policy

Paying sustainable shareholder returns

- Dividend policy driven by strong balance sheet, financial performance and outlook.
- Improved dividend cover policy to annual dividend covered 2.0x by earnings.
- Interim dividend declared 2.2p; 83% increase from HY21.

2.2p

Interim dividend up 83.3%
(HY21: 1.2p)

2.0x

Dividend cover policy
(HY21: 2.0 – 2.5x)

Sustainable Growth Strategy

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

- Health and safety
- Our people

Protect the environment and create greater social value for communities.

- Environment and climate change
- Communities

Progressive culture

Quality and innovation

Strategy

Deliver high-quality buildings and infrastructure in a socially responsible way and provide a sustainable return for our shareholders

Socially responsible delivery

Sustainable financial returns

Deliver excellence for our clients.

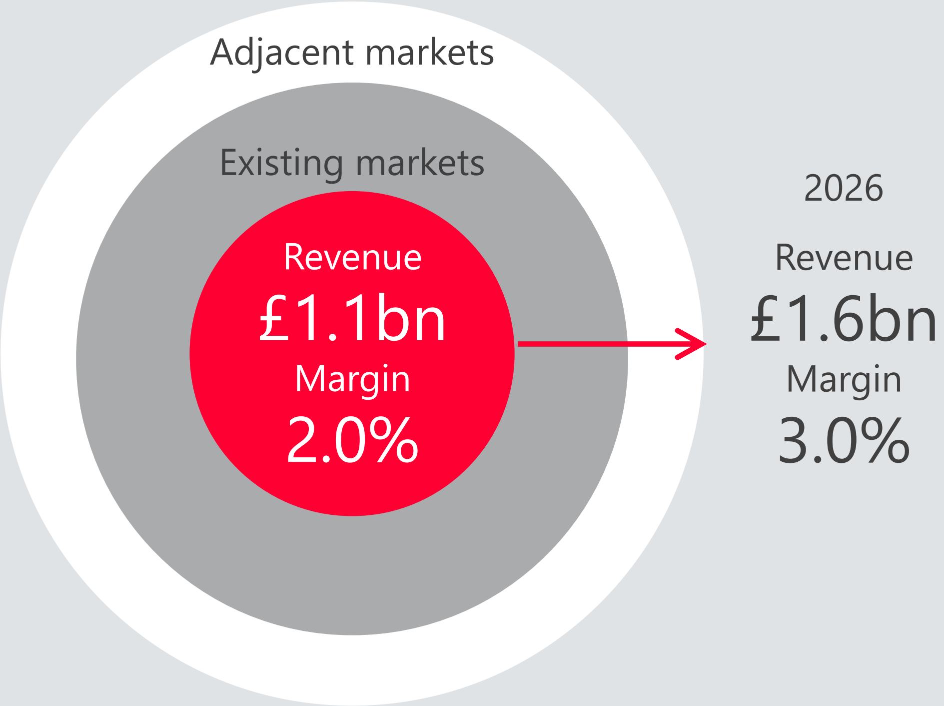
- Clients
- Supply chain

Earn a sustainable return on the value we deliver.

Delivering Sustainable Growth

- Disciplined growth in existing markets.
- Develop complementary adjacent market opportunities.
- Maintain focus on risk management and commercial discipline.

Sustainable revenue and margin growth



Delivering Sustainable Growth

nmcn acquisition – October 2021

Acquisition rationale

- Complementary geographic fit within existing Environment market.
- Additional capabilities in adjacent markets.
- Provides talent base to resource growth plans.

Integration process

- Balance sheet strength enabled quick action.
- Remobilisation and operational stability established.
- Restructure complete.
- Embedding the best business processes.

Growth opportunities

- Contribute to revenue growth and enhancing operating profit.
- Opportunity to share capabilities across whole Group.

Socially responsible

- Continuity of vital infrastructure projects across the UK for clients and the community.
- Safeguarded c900 jobs and provided secure future after period of instability.

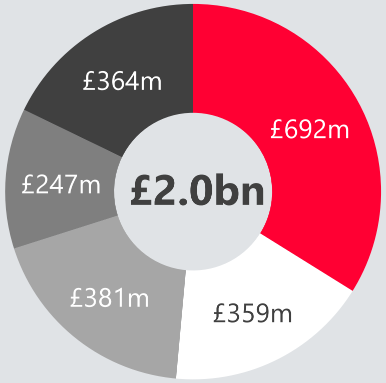
Drivers of market growth

- Investment in the UK's social and economic infrastructure
- Levelling up agenda
- Urgency of climate crisis
- Innovation and productivity

Examples of funding streams

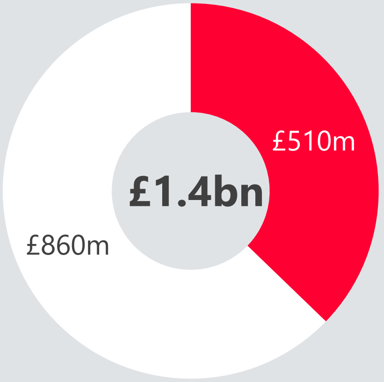
- New Hospitals Programme £3.7bn
- Road Investment Strategy 2 £27bn
- Department for Education Rebuilding Programme £4bn
- Transforming Cities Fund £1.3bn
- Learning Estate Investment Programme £2bn

Robust £3.4bn order book



Building order book

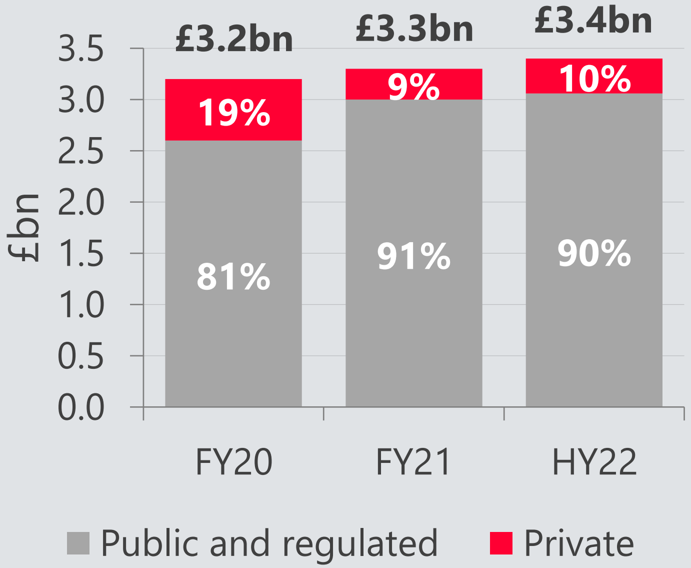
- Education
- Defence and custodial
- FM
- Health
- Commercial



Infrastructure order book

- Highways
- Environment

Order book by client type



95%
Work secured for FY22 (HY21: 96%).

87%
Work in frameworks (HY21: 87%).

<£20m
Median contract size in Building.

Focused risk management

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

Contract selection	Robust review and approval pre-contract to avoid onerous risks.	Board approval required for all bids over £25m or other risk factors.	Technical, commercial and financial parameters applied.
Commercial control and reporting	Project level controls and management oversight of project forecasts.	Monthly cross-disciplinary contract review meetings on all projects.	Standardised monitoring and reporting; commercial health checks.

Focused risk management

Effectively managing inflation; no overall impact on trading or targets

Strong financial position

- Strong cash position.
- Well-secured forward order book.
- Provides support for disciplined approach.

Bidding processes

- Appropriate risk allowances in all tenders.
- Contract terms to avoid onerous risks.
- Active supply chain engagement.

Project management

- Matrices of key material lead times.
- Advanced early planning for better visibility.
- Early procurement.

Disciplined culture

- Strong culture focused on risk management.
- Aligned management incentives across the Group.

Sustainable Growth Strategy

Accident Frequency Rate
0.07

Early careers as % of all staff
6.2%

98%
HY22 orders are electric/PHEV

Above average Considerate Constructors Scheme Score
41.1

Progressive culture

Quality and innovation

Strategy

Deliver high-quality buildings and infrastructure in a socially responsible way and provide a sustainable return for our shareholders

Socially responsible delivery

Sustainable financial returns

Repeat business
93%

Construction News Award for
Best Use of Tech

Interim dividend
2.2p

Resulting in sustainable financial performance

Objective	2026 target	Progress
Focus on bottom line margin growth.	**Divisional operating margin growth to 3.0%.**	**Margin increased to 2.2%.**
Disciplined contract selection and sustainable revenue growth.	**Revenue growth towards £1.6bn.**	**HY22 revenue up 10%.**
Maintain strong balance sheet.	**Operating cash generation.**	**Operating cash inflow £9m.**
Sustainable dividends.	**Dividend cover of 2.0-2.5x.**	**Interim dividend up 83%. Policy improved to 2.0x cover.**

Summary

Confident in our Sustainable Growth Strategy

- Strong foundations; resilient operations.
- Momentum with Sustainable Growth Strategy.
- Strong balance sheet and consistently robust cash position.
- Well positioned in chosen markets; continued pipeline and strong order book.
- Improving profitability, margin and shareholder returns.
- Dividend policy improved.
- On track for FY22 and strategy period.

Questions & answers

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