

Welcome to Kier Group's Preliminary 2013 results





Highlights

Resilient performance

- Underlying profit before tax* £63m
- Strong net cash position
 - £60m after investing approximately £77m
- Dividend increased to 68p
- Order book of £5.9bn (incl. May Gurney)
- Improved efficiency through restructuring and cost control

Acquisition of May Gurney

- Customer response is favourable
- Integration progressing well and synergies on track

Key achievements

Construction

Revenue £1,308m

Order book £2.2bn
- 100% secured for 2014

Awards

- Education £300m
- Broadmoor hospital £115m
- P21+ £150m
- King's Cross £90m
- Kier Living £150m
- Hotels in Haiti & Middle East £54m
- Mersey Gateway JV £450m (PB in July)

Services

Revenue £437m

Order book £3.7bn
(incl. May Gurney) - 95% secured for 2014

Potential extensions £1.7bn
(incl. May Gurney)

Awards

Housing maintenance

- Public Sector £115m
- Private Sector £100m

Environmental

- East Sussex £120m

Facilities Management

- Welsh Assembly £20m
- Fire brigades £34m

**Acquisition of May Gurney
July 2013**

Property

Revenue £238m

Development & mixed-tenure housing pipeline £1.5bn

Awards

- Financial close on £240m Watford Health Campus
- Financial close on 3 PFIs (c£150m)
- Disposed of 4 PFIs (c£80m)
- Mixed tenure housing order book £400m
- £100m regeneration Swan Hunter, North Tyneside

Haydn Mursell

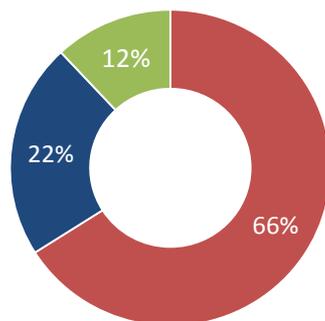
Group Finance Director

Overview: revenue & profit

June 2013

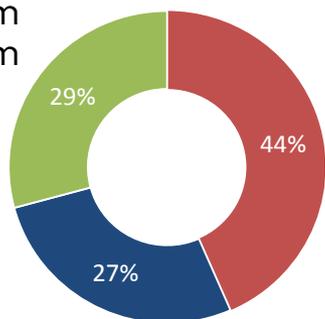
Revenue £1,983m -4%

● Construction	£1,308m
● Services	£437m
● Property	£238m



Operating profit* £70.2m -9%

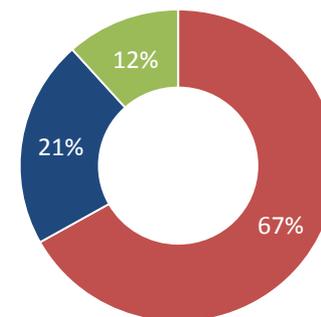
● Construction	£30.4m
● Services	£19.3m
● Property	£20.5m



June 2012

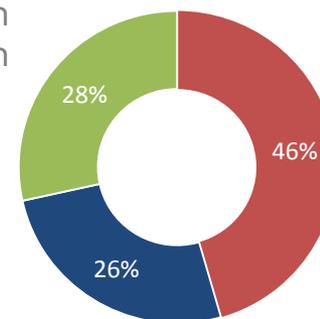
Revenue £2,069m

● Construction	£1,383m
● Services	£445m
● Property	£241m



Operating profit* £77.3m

● Construction	£35.2m
● Services	£20.1m
● Property	£22.0m



Income statement

		Year to 30 June		Change
		2013 £m	2012 £m	%
Operating profit:	Group	59.0	66.4	
	Joint ventures (JVs)	0.9	1.3	
	Profit on disposal of PFI investments	9.8	6.7	
Total operating profit *		69.7	74.4	-6
Net finance cost		(6.3)	(4.4)	
Profit before tax *		63.4	70.0	-9
Amortisation of intangible assets relating to contract rights		(3.4)	(3.4)	
Exceptional items		(17.0)	(3.6)	
Profit before tax		43.0	63.0	-32
Taxation		(4.4)	(7.7)	
Minority interest		(1.0)	(1.1)	
Profit after tax attributable to equity holders		37.6	54.2	-31

* Before exceptional items and amortisation of intangible assets relating to contract rights



Operating profit

Performance by division	Year to 30 June		Change
	2013 £m	2012 £m	%
Construction	30.4	35.2	-14
Services	19.3	20.1	-4
Property	16.2	18.7	-13
Homes	4.3	3.3	+30
Corporate	(0.5)	(2.9)	+83
Total operating profit *	69.7	74.4	-6
Net finance cost	(6.3)	(4.4)	
Pre-tax profit *	63.4	70.0	-9

* Before exceptional items and amortisation of intangible assets relating to contract rights



Exceptional items

	Year to 30 June	
	2013 £m	2012 £m
Closure and discontinuation of scaffolding and related businesses	(1.9)	-
Restructuring programme	(10.1)	-
Loss on disposal of the tower crane and other discontinued businesses	(3.2)	-
Costs relating to the acquisition of May Gurney Integrated Services plc	(1.8)	-
Disposal of the majority of the plant business & related costs	-	(3.2)
Acquisition of 50% of Biogen (UK) Limited	-	(0.4)
Total exceptional items	(17.0)	(3.6)
Tax on exceptional items	3.7	0.8
Exceptional items after tax	(13.3)	(2.8)



Earnings per share and dividend

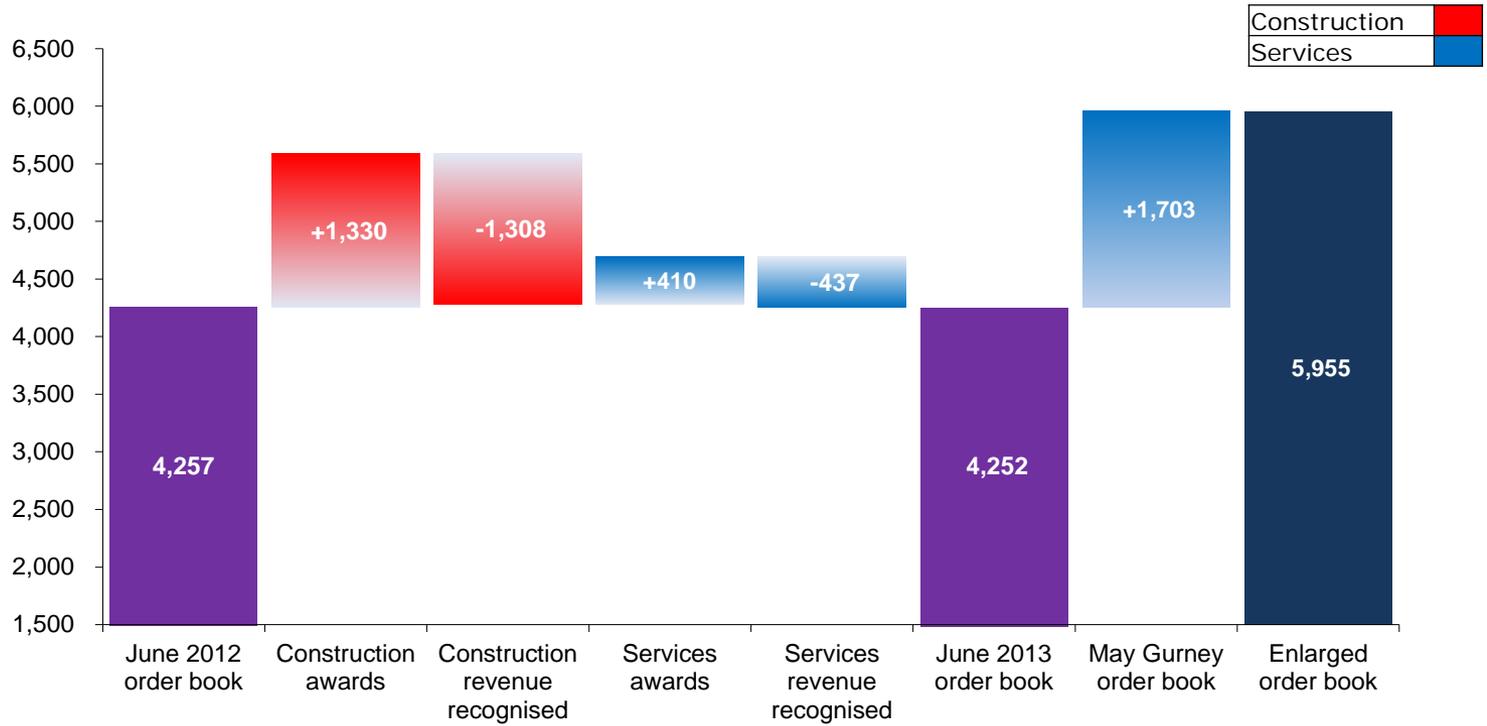
	Year to 30 June		Change
	2013	2012	%
Weighted average number of shares (m)	39.3	38.0	
Underlying earnings per share*	136.2p	156.8p	-13
Basic earnings per share	95.8p	142.6p	
Dividend per share	68.0p	66.0p	+3

* Before exceptional items and amortisation of intangible assets relating to contract rights



Order books

	At 30 June		Change
	2013 £m	2012 £m	%
Construction	2,229	2,207	+1
Services	2,023	2,050	-1
Total	4,252	4,257	-

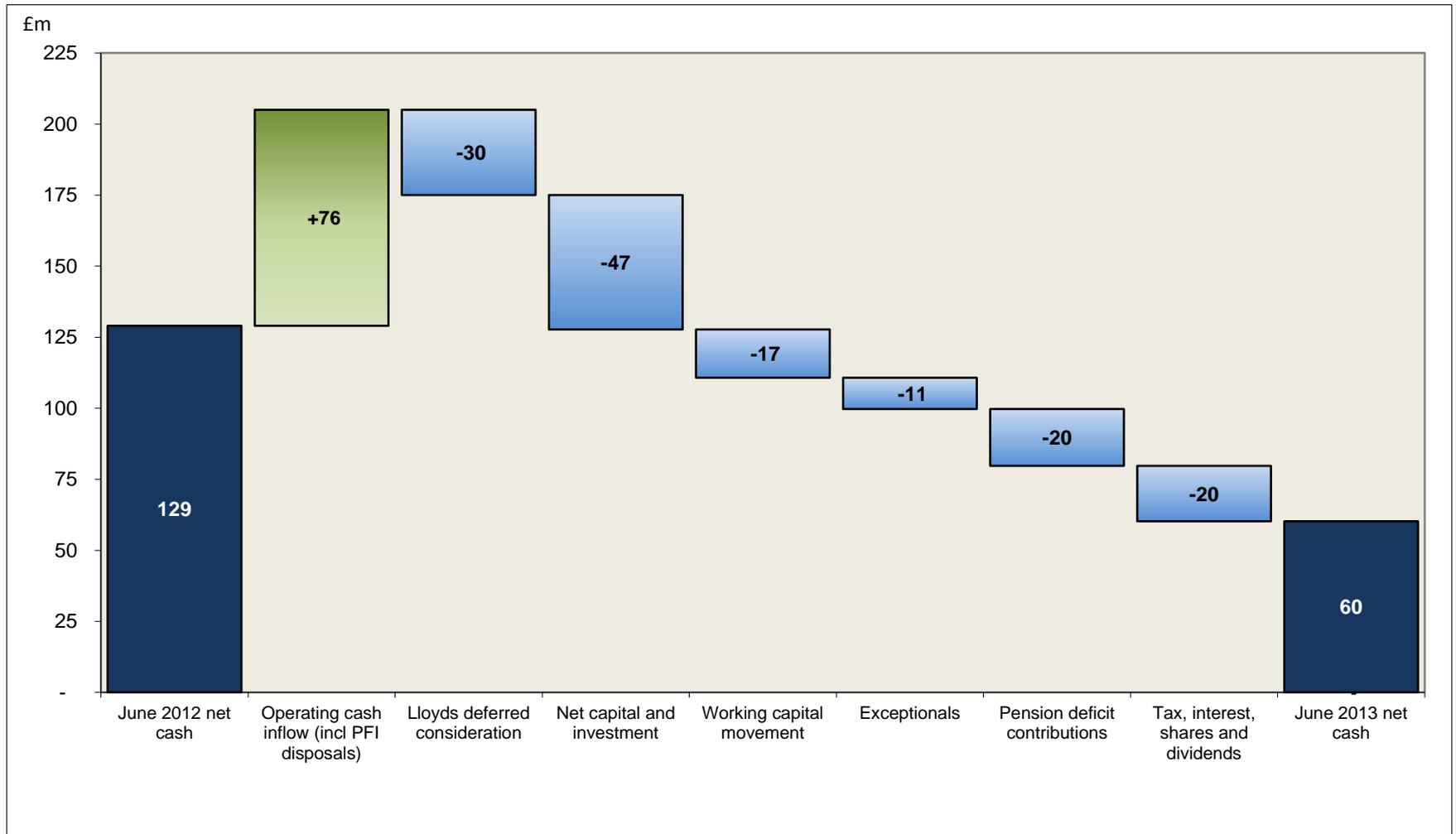




Balance sheet summary

	At 30 June		Change
	2013 £m	2012 £m	£m
Intangible assets	30	29	+1
Property, plant and equipment	109	103	+6
Investment in JVs	30	8	+22
Inventories	399	395	+4
Other working capital	(382)	(431)	+49
Cash	152	159	-7
Borrowings	(92)	(30)	-62
Provisions	(57)	(50)	-7
Pensions (net of deferred tax)	(38)	(44)	+6
Finance lease obligations	(14)	(9)	-5
Tax and deferred tax	21	24	-3
Net assets	158	154	-4

Group net cash bridge





Pensions

	At 30 June		Change
	2013 £m	2012 £m	£m
Kier Group Pension Scheme:			
Market value of assets	784	722	+62
Present value of liabilities	(832)	(781)	-51
Deficit in the scheme	(48)	(59)	+11
Deferred tax	11	14	-3
Net pension liability	(37)	(45)	+8
Net effect of Sheffield Pension Scheme	(1)	1	-2
Total net pension liability	(38)	(44)	+6
Key assumptions:			
Discount rate	4.7%	4.7%	
Inflation rate – RPI	3.5%	3.0%	
Inflation rate – CPI	2.5%	2.0%	

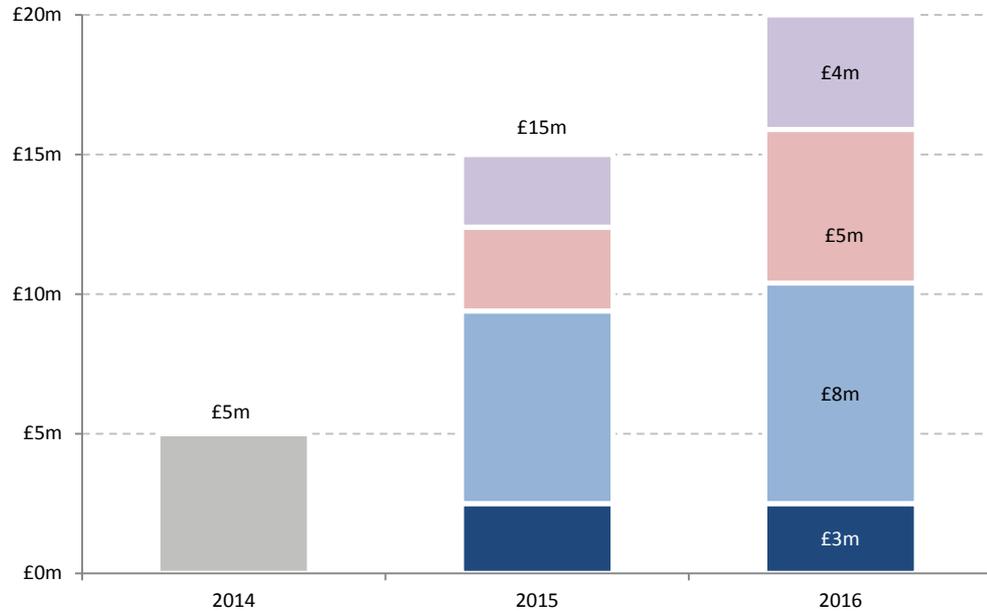


Acquisition of May Gurney - post balance sheet highlights

- £223m consideration
 - 14.7m new shares issued, equates to approx £184m new share capital
 - 50p per share in cash, equates to approx £35m, serviced by a new £50m 4-year term loan
- Manageable net debt position
- Increased banking facilities of £480m
 - £142m of drawn debt
 - £230m of debt facilities
 - £108m of finance lease facilities
 - Terms consistent with existing Kier facilities
- Existing bonding facilities of c£440m are sufficient
- Comprehensive fair value review being undertaken
 - Full update in February 2014

Update on cost synergies

- Dedicated teams
 - Focussed approach with specific work streams
 - Progressing in line with plan
- On track to deliver £5m in 2014
- Potential to deliver >£15m p.a. in 2015
 - Full update in February 2014
- One-off exceptional integration costs of £20m
 - The majority of these will be incurred during 2014
- Integration capital expenditure, mainly IT related
 - £8m estimate will be sufficient



Paul Sheffield

Chief Executive

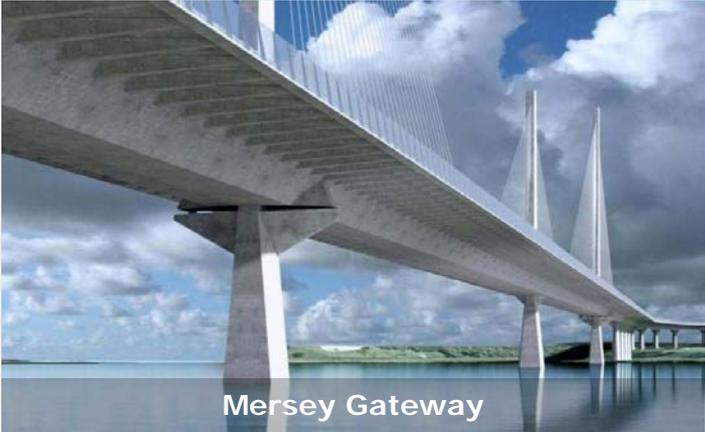
Construction



Maggotty Hydro Scheme, Jamaica



Southend Pier



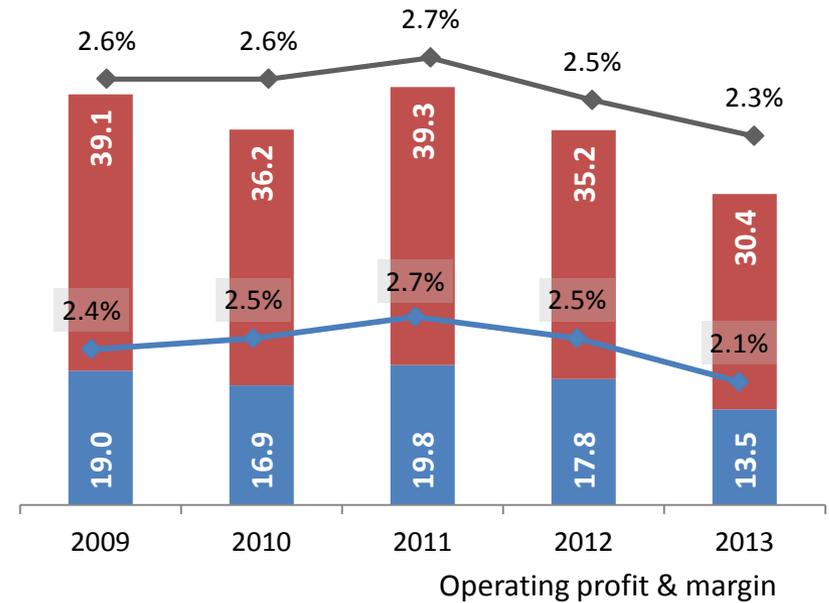
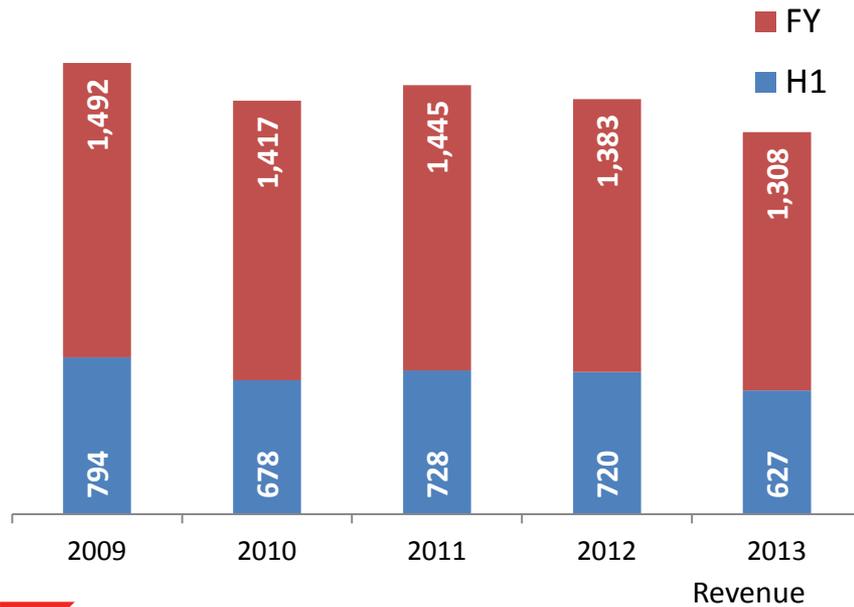
Mersey Gateway



London St. Saviours school

Construction

	Year to 30 June		
	2013 £m	2012 £m	Change %
Revenue	1,308	1,383	-5
Operating profit *	30.4	35.2	-14
Operating margin *	2.3%	2.5%	
Order book (secure and probable)	2,229	2,207	+1
Cash	320	361	-11

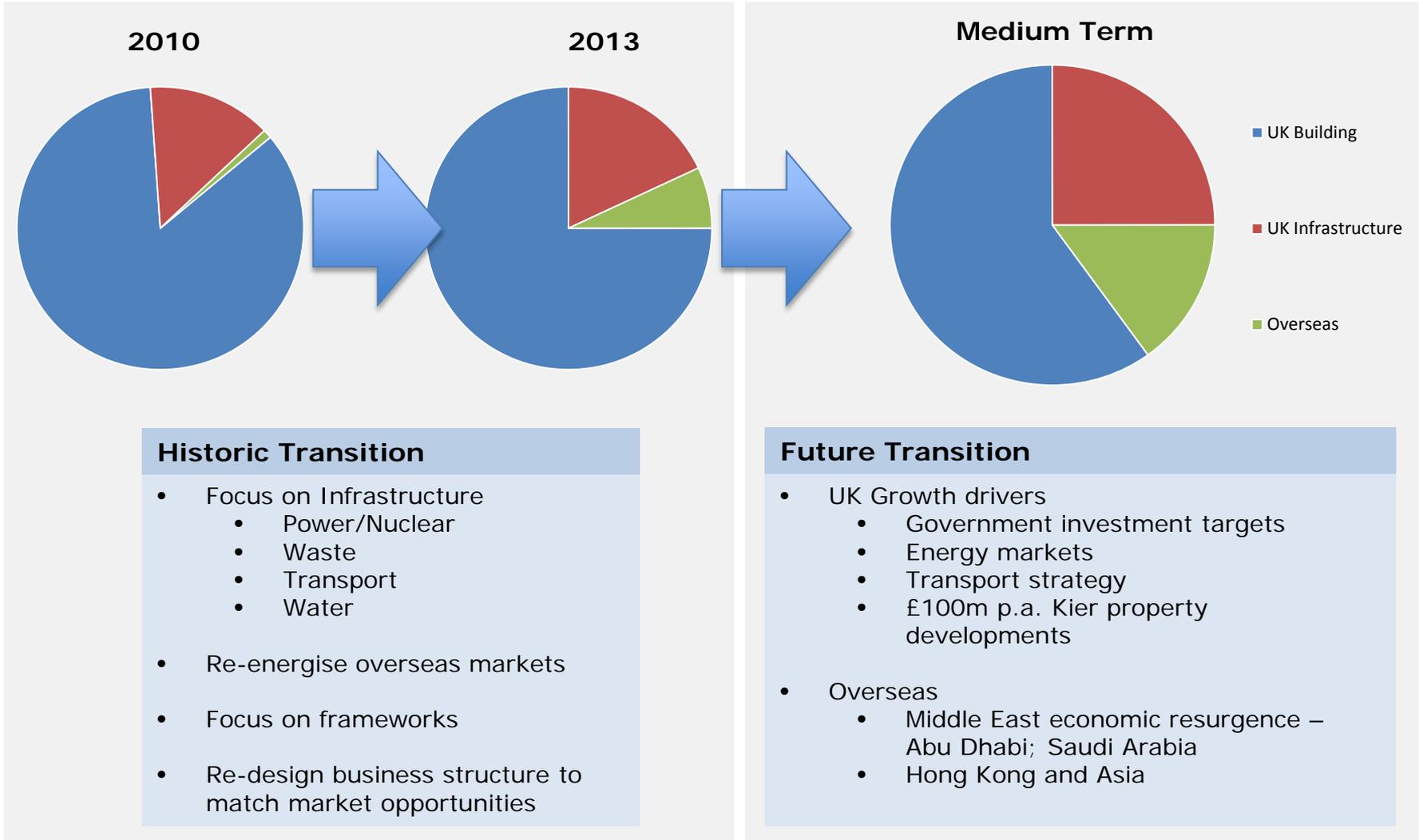




Construction

Sector	Revenue		Expectation June 2014	Future trend
	Year to June 2012	Year to June 2013		
Education	37%	31%	23%	↔
Living	7%	11%	14%	↗
Health	6%	10%	10%	↔
Transportation	6%	10%	10%	↔
Commercial and mixed use	11%	9%	11%	↗
Power, industrial, utilities and waste (incl. nuclear)	7%	9%	11%	↗
Overseas	5%	7%	9%	↗
Retail	6%	3%	1%	↔
Hotel and leisure	5%	2%	2%	↗
Custodial / Blue light / Emergency services	6%	2%	2%	↔
Other	4%	6%	7%	

Construction strategy (by revenue)



Construction: UK Building



- Education: £300m awards mainly through academies framework
- P21+ and Healthcare: £265m
- Living: £150m+ secured
- £130m+ of commercial developments, including Argent £90m
- 100% of 2014 revenue secured
 - More than 10% ahead of last year

Construction: UK Infrastructure



- Crossrail >£800m of work underway
- Nuclear: £80m Urenco
- Waste-to-Energy: £90m Wakefield/Plymouth
- Mersey Gateway JV: £450m
- Increased presence in Rail with May Gurney
- Strong pipeline (£2.5bn) of tender opportunities being bid

Construction: Overseas



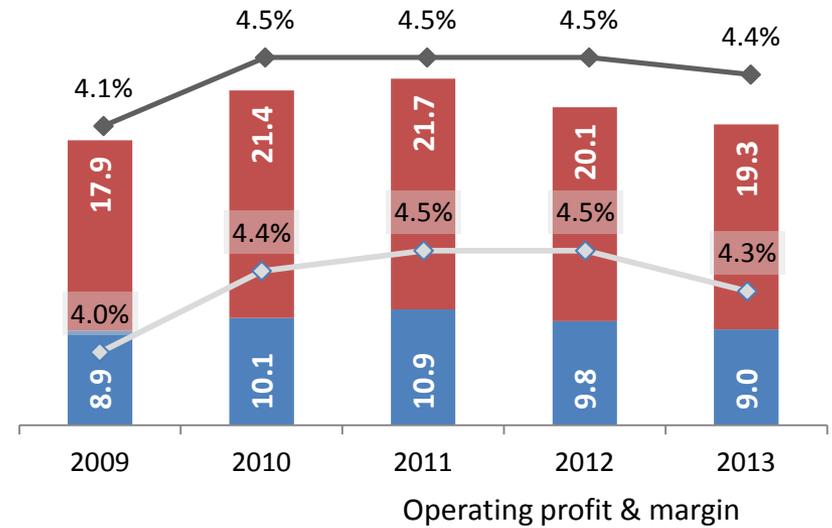
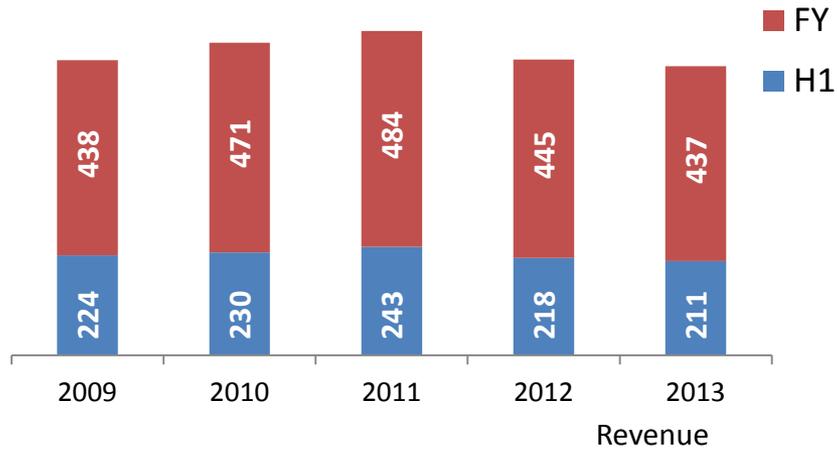
- £40m hotel and commercial in Haiti, Caribbean
- £32m negotiated hotel in Middle East
- Government facility, Abu Dhabi, £48m
- Seeking opportunities for expansion in adjacent geographies in Asia, the Middle East and the Caribbean
- On target to achieve c£150m revenue by June 2014

Services



Services

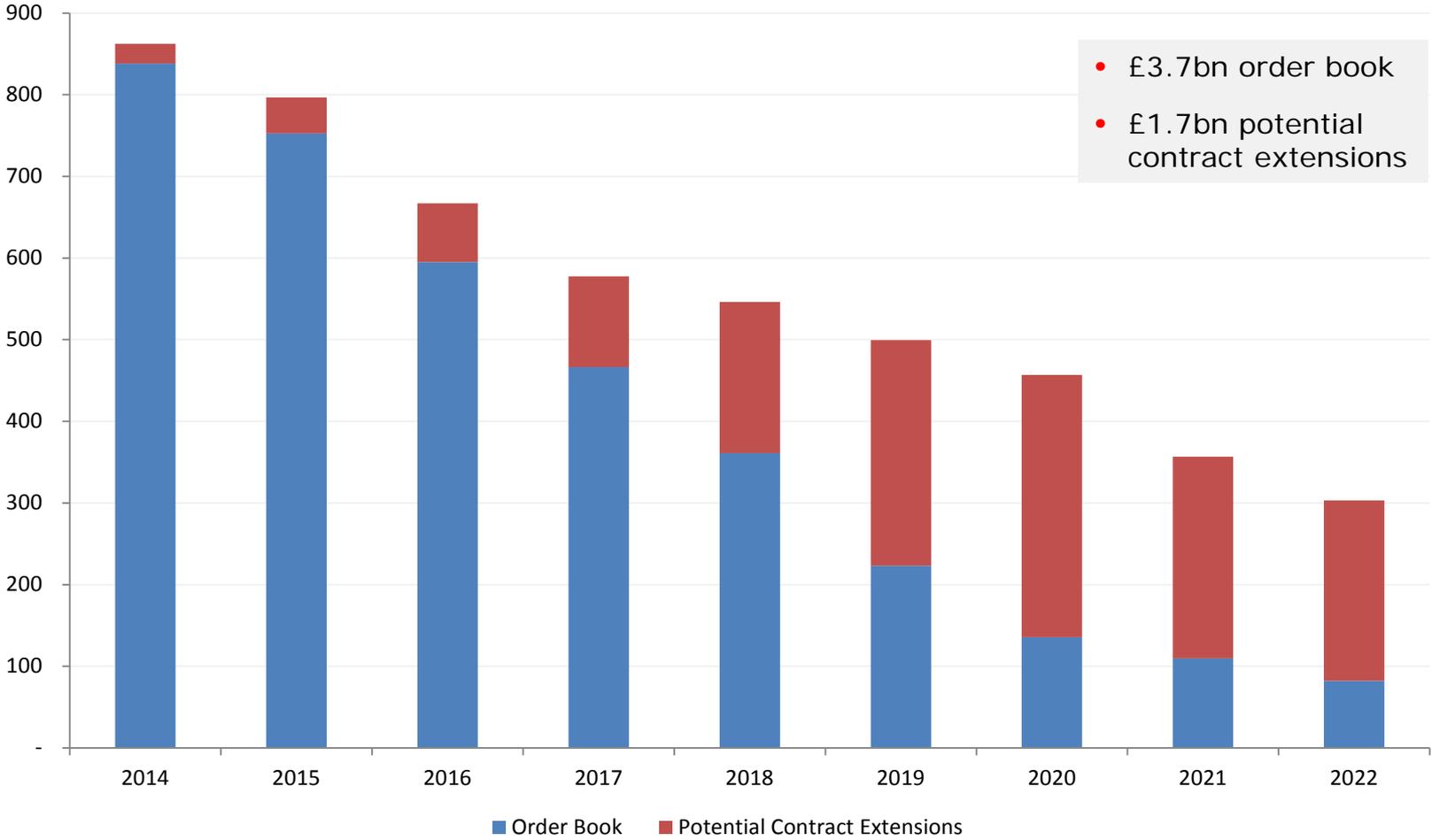
	Year to 30 June		
	2013 £m	2012 £m	Change %
Revenue	437	445	-2
Operating profit *	19.3	20.1	-4
Operating margin *	4.4%	4.5%	
Order book (secure and probable) excluding May Gurney	2,023	2,050	-1
Cash	30	19	+57



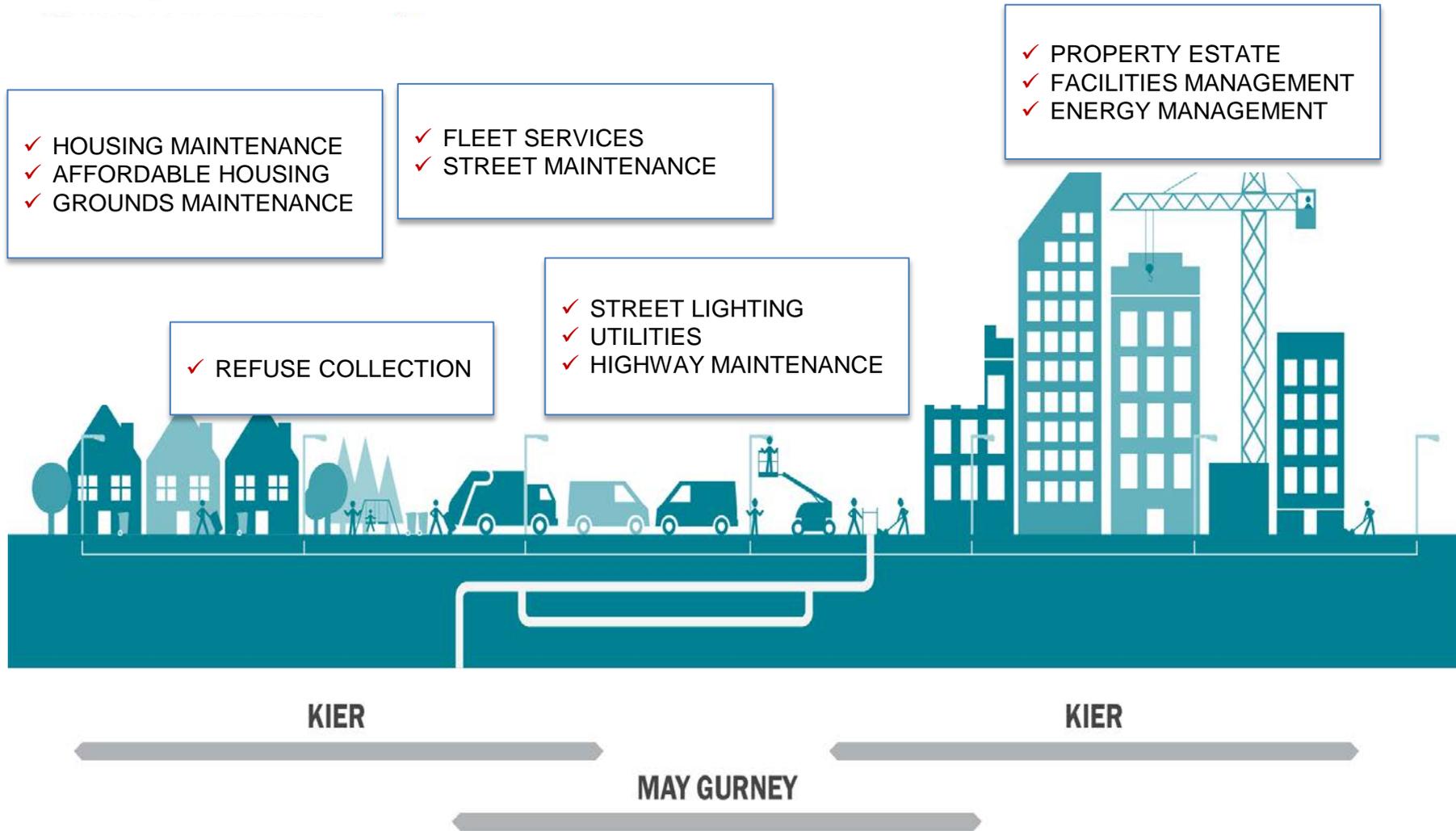
Services

Sector	Revenue	
	Expectation June 2014	Future trend
Highways	24%	
Housing maintenance - public	21%	
Housing maintenance - private	5%	
Utilities and other regulated	21%	
Environmental	13%	
Facilities Management (FM)	11%	
Fleet & Passenger Services (FPS)	5%	

Combined Services order book longevity



Stronger and broader LA markets



May Gurney integration update

- Customer feedback is positive: no loss of contracts since acquisition
- Combined capabilities creating opportunities
 - already bidding together on >£500m of new work
- Key members of MG leadership have senior roles in ongoing business
- Consistent risk management and approval processes embedded
- Synergies of £5m in 2014 are on track

Property



Sydenham



Watford health centre campus



Hemel Hempstead Travelodge



Dagenham fire station



Property

	Year to 30 June		
	2013 £m	2012 £m	Change %
Revenue			
Property and PFI	98	92	+7
Homes	140	149	-6
Operating profit			
Property and PFI	16.2	18.7	-13
Homes	4.3	3.3	+30
Net operating assets			
Property and PFI	92	42	+119
Homes (land bank: 4,005 units)	253	288	-12

- 15% return on capital achieved in property development
- Continued investment in the pipeline
- c£1.5bn combined pipeline
 - Property development c£1.1bn
 - Mixed tenure housing c£400m

Property: Development



- Pipeline increased to £1.1bn+
- Return on capital of 15% targeted
- >15 schemes completed per annum
- Non-speculative strategy maintained
- Market sentiment improving
- £100m investment will be achieved during 2014

Property: Housing and PFI



Beasley Place, Chesterton

Mixed tenure

- Delivered 376 homes
- Strong order book of c.£400m

Private

- Land bank at June 2013 of 4,005 plots (2012: 4,180 plots)
- New housing land £17m; deferred land receipts £10m
- Stable private home sales, 556 completions
- Reduced debt of £226m (2012: £242m)

PFI

- 4 disposals at 7% post-tax discount rate: value c£80m
- Financial close on London and Staffs Fire Services & preferred bidder on Woking Housing: total value c£150m
- Portfolio of 8 projects
- Valuation: £35m at 7.5% discount rate (2012: £34m)

Outlook

- Strong Construction and Services order books of £5.9bn
 - FY2014 secured positions in line or ahead of last year
- Significant contribution from Property with £1.5bn pipeline
 - 15% return on capital achieved in property development
- Strengthened capital structure over the medium term
- May Gurney integration progressing well
 - Cost synergies are on track
- After 5 years of recessionary pressure
 - positive signs of improvement in all our businesses
 - a strong platform and a scale to pursue growth in our chosen markets

Appendices



Southend Pier



Whitburn leisure centre, Scotland



Central Mansfield bus station



Wolsey Place shopping centre

Admiralty Station, Hong Kong



Southend Pier



Academies



Services: current bid pipeline

Customer		Annual value £m	Duration (years)	Potential Gross £m	Start Date
Ministry of Defence	Housing Maint	60	5+5	600	2014
Staffordshire CC	Highways	78	5 ⁽¹⁾	390	2014
East Sussex CC (rebid)	Highways	33	10	330	2015
Anglian Water ⁽²⁾	Utilities	30	5+5	300	2014
United Utilities	Utilities	25	12	300	2014
Hampshire CC	Highways	33	7	231	2016
Severn Trent Water ⁽³⁾	Utilities	45	5	225	2014
Devon CC	Highways	30	7	210	2015
Dacorum Borough Council	Housing Maint	20	5+5	200	2014
Dwr Cymru / Welsh Water	Utilities	26	5+2	182	2015
Leicestershire CC	Highways	25	7	175	2014
Sheffield Council	Housing Maint	34	3+2	170	2014
Cambridgeshire CC	Highways	30	5	150	2016

Post acquisition geographic coverage

- Local Authority footprint
 - Kier: 43 LAs
 - May Gurney: 30 LAs
 - The Enlarged Group would provide a service to 65 LAs and multiple services to 33 of them
- Good cross selling opportunities
 - 8 LAs >£30m worth of revenue per year
- Market-leading urban street scene capability



Surrey: £39m p.a.

Kier:

- Bundled FM Services
- Planned Property Repairs
- Responsive Property Repairs
- Planned and Responsive M&E Services

May Gurney:

- Highways Maintenance
- Footpath and Cycleway Maintenance
- Drainage Maintenance

Northamptonshire: £42m p.a.

Kier:

- Waste Collection
- Recycling
- Grounds Maintenance
- Street Cleansing
- Social Housing Planned Maintenance

May Gurney:

- Highways Maintenance
- FPS
- Street Lighting
- Design, Engineering and Management Consultancy

Lincolnshire: £51m p.a.

Kier:

- Social Housing Planned Maintenance
- Affordable Housing – new build

May Gurney:

- Highways Maintenance
- Street Lighting
- Fleet Management

East Sussex: £36m p.a.

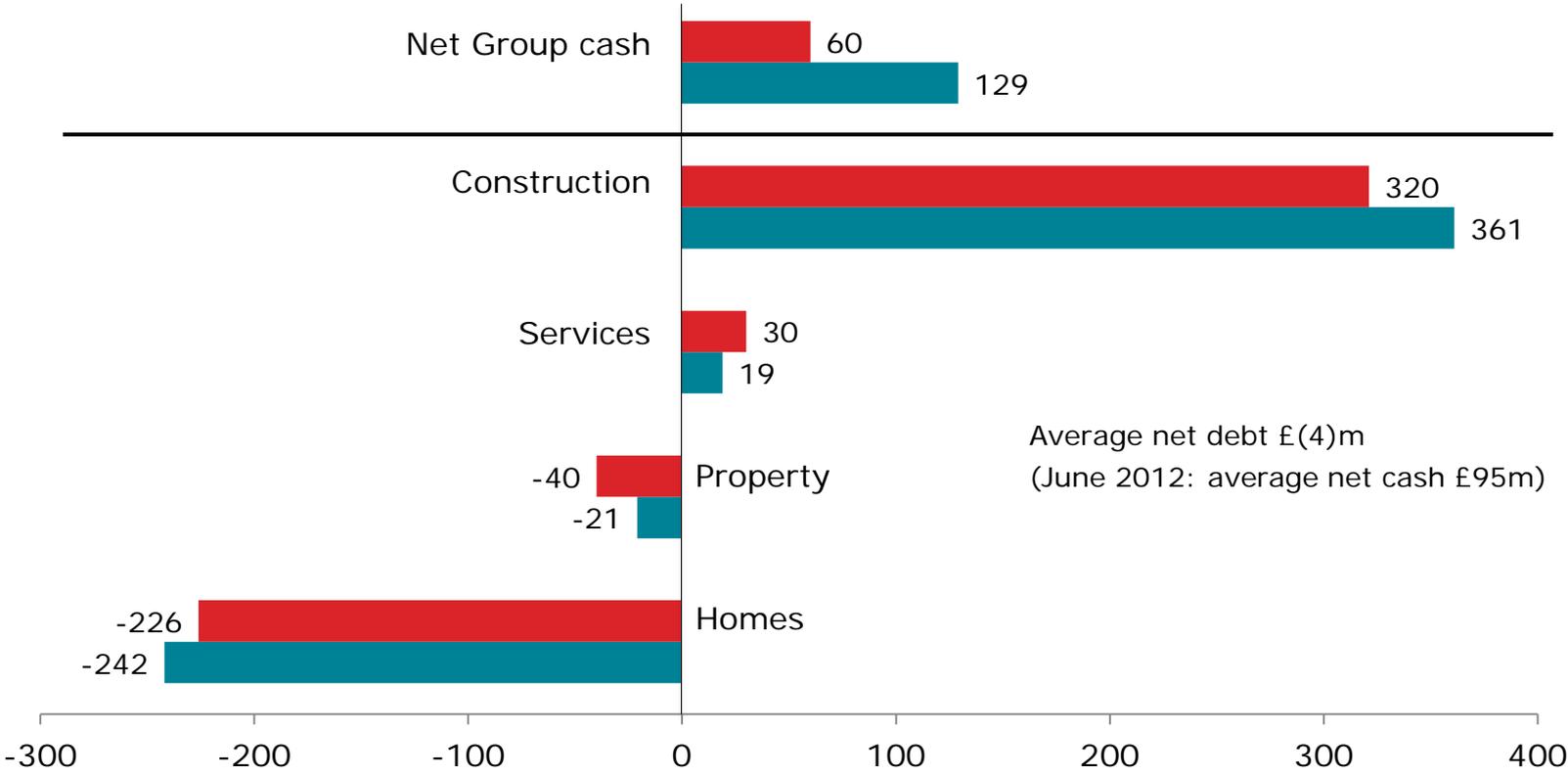
Kier:

- Waste Collection
- Street Cleansing
- Recycling

May Gurney:

- Highways Maintenance
- Highways Improvements

Net cash by division



■ June 2013
■ June 2012

Post acquisition facilities

Facility type	Kier (£m)	May Gurney (£m)	Status re May Gurney arrangements	Combined Group (£m)
Existing:				
RCF	120	23	cancelled	120
Overdraft	20	25	retained £20m	40
FLS loan	30			30
USPP	62			62
Leasing	15	93	retained	108
New:				
RCF				70
Term loan				50
Total	247	141		480

Property: PFI portfolio

Sector	Project	Status	Capital value £m	Kier equity/loan stock £m	Equity %
Local authority	Oldham Library	Operational	14	1.0	50.0
	Woking housing	Preferred bidder	31	2.0	50.0
Student accommodation	Salford university	Preferred bidder	64	2.0	25.0
Education	Kent BSF PFI 1	Operational	69	7.8	80.0
Blue light	North Kent Police HQ	Operational	25	1.7	50.0
	Police Investigation Centres	Operational	60	3.4	42.5
	London fire stations	In construction	44	2.2	50.0
	Stoke and Staffordshire Fire Stations	In construction	29	2.3	80.0
Investment				£22.4m	

Green: Kier Construction and Services **Red:** Kier Construction contractor

Of the £22.4m committed, £14.9m has been invested to date
Directors' valuation at 7.5% - £35m (including preferred bidder projects)