



Kier Group

Canaccord Genuity UK Housebuilding breakfast

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Market-leading positions

Strong long-term fundamentals

Property & Investment

Leading UK
infrastructure player

£1.5bn+

Leading
regional builder

£1.8bn+

Housing
(new build and
maintenance)

£600m+

Represents 90% of Group turnover

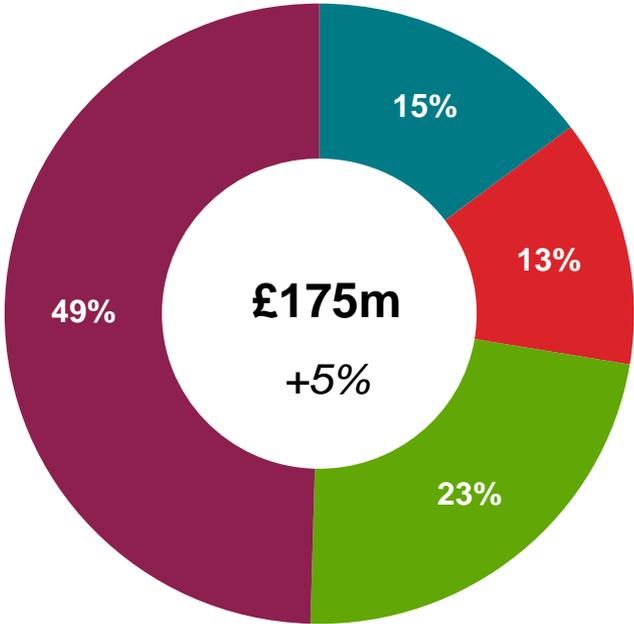
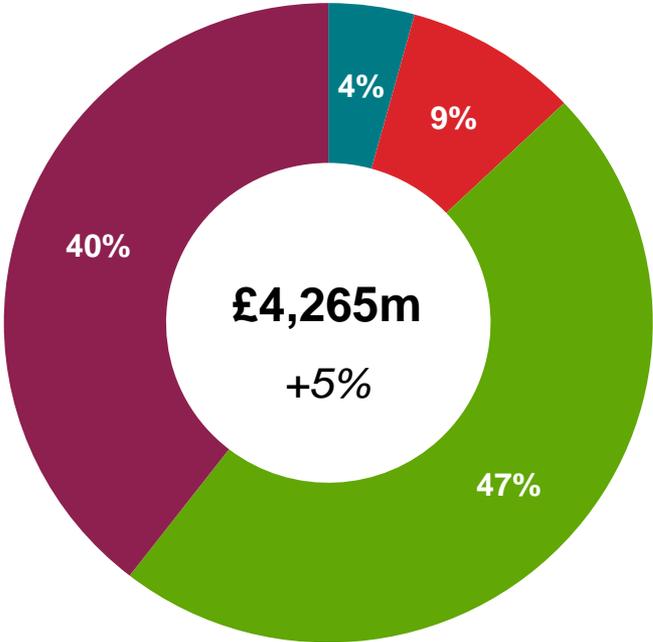
Invest, Build and Maintain all asset classes

Revenue and underlying operating profit – June 2017

Revenue¹

Underlying operating profit²

■ Property ■ Residential ■ Construction ■ Services



¹ Group and share of joint ventures from continuing operations.

² Arising on continuing operations, stated before non-underlying items, excluding corporate costs.

Housebuilding highlights

- Kier delivers all aspects of tenure
- Private sales and pricing remain strong
 - Private sales ASP c.£240,000
 - Selling 0.7 units per trading site per week
- Demand for mixed tenure housing continues
 - Assisted by Government initiatives and cross party support
- Secured a place on all 5 regional panels of the £8bn DPP3 framework
- £400m pipeline over the next 4 years

Kier's mixed tenure model

Mixed tenure

Blended business

- Open market sales
- Affordable housing
- Contracting

Financial targets

- Operating margin 10%
- ROCE >20%
- Double current volumes by 2020

Market position

- Significant HCA, Local authority and Housing Association relationships
- 4% market share

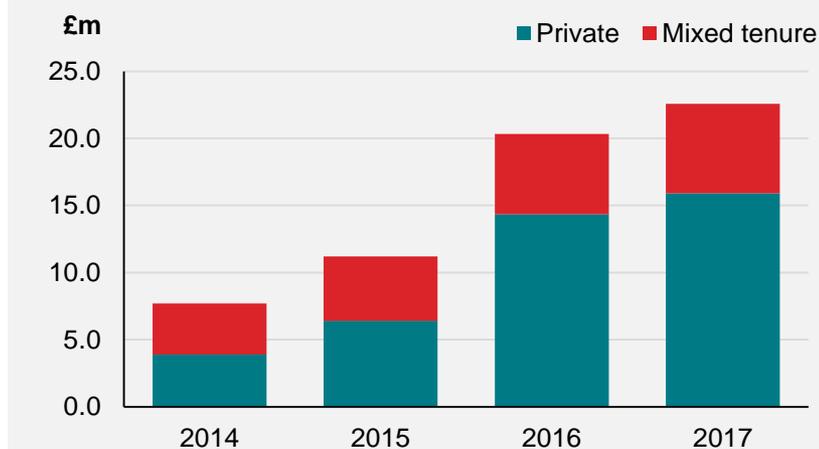


Significant scope for growth

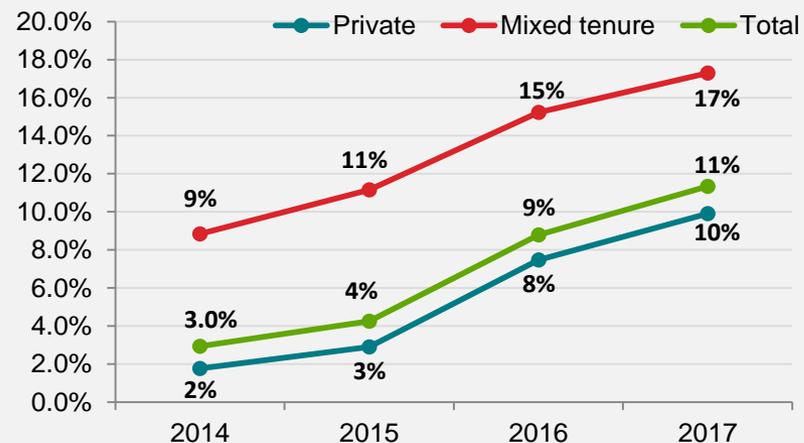
Residential performance

	Year ended 30 June		Change %
	2017 £m	2016 £m	
Revenue ¹	376	353	+6
Underlying operating profit ²	22.8	20.3	+12
Average capital ³			
Mixed tenure	39	39	-
Private including Cross Keys JV (Kier owned land)	160	192	-17
Total average capital	199	231	-14
Return on average capital (ROCE)	11%	9%	+2

Underlying operating profit



Return on average capital



¹ Group and share of joint ventures from continuing operations.

² Stated before non-underlying items. Reported Residential operating profit from continuing operations was £20.6m (2016: £19.5m).

³ Equates to average net debt.

Case studies: Silver Court, Brownhills, West Midlands

- Strong long-term relationships with Walsall MBD and Walsall Housing Group
- The 6th in a programme of schemes
- 3.5 ha site, brief to build 101 apartments in 2 blocks and 6 elderly care bungalows
- Masterplan to maximise private sales to deliver best value cross subsidy solution
- Land owned entirely by WHG, no value required for the land receipt
- <https://m.youtube.com/watch?v=Gr6QmGVxN1c>



Case studies: Silver Court, Brownhills, West Midlands

- Kier produced a masterplan for 157 new homes
 - 107 for Walsall Housing Group
 - 50 for open market sale
 - Surplus market sale proceeds cross subsidise the affordable housing
 - Monthly valuations for the balance of affordable housing cost
- Blended operating margin of 10%
- ROCE in excess of 20%
- Significant local employment program
 - Apprentices
 - Local supply chain targets



Case studies: Balaam Wood, Birmingham

- Partnership with Birmingham City Council
- Cleared sink estate in a socially-challenged environment
- Birmingham City Council required a masterplan to maximise affordable housing delivery with no capital outlay
- Utilised our core skills
 - Finding imaginative funding solutions
 - Regeneration and remediation
 - Selling homes in a socially-challenged environment
 - Understanding and working with the local community



Case studies: Balaam Wood, Birmingham

- Kier master-planned 400 new homes
 - 128 affordable homes to Birmingham City Council
 - 272 for open market sale by Kier
 - Affordable housing completely cross subsidised by private sale
- Scheme delivery over 6 years, 2 years early
- ROCE in excess of 20%
- Blended operating margin 9%
- Significant local employment programme
 - 50 new apprentices
 - Local supply chain targets
- Blueprint for further schemes



Residential outlook

- Shortage of housing in the UK
 - Affordable and private
- Well positioned
 - Modest value range
 - National coverage, outside London
 - Provision of new build and maintenance
- On track with Vision 2020 targets
 - >15% ROCE on £200m capital base following Cross Keys joint venture



V2020 progress

FY 14	FY 16	FY 17
£240m average capital	£231m average capital	£199m average capital
2% ROCE	9% ROCE	11% ROCE
		ON TRACK FOR V2020 TARGET

Modern Methods of Construction

Design / Offsite / Component Form

- Ability to leverage Kier Construction Capability
- BIM innovators with in-house IP
- Case studies of full offsite manufacture
 - MoD, Hotels, Steel Frame
- Manufacture for build
 - “Roof in a Day”



Labour availability and Demographics

Skills Gap / Brexit

- Shaping your World
 - <https://shapingyourworld.co.uk/>
- 180,000 Non-UK construction workers impacted by Brexit
- Fundamental Image Gap
 - 73% of Parents would not want their child in construction
 - 2/3 of teachers and career advisors perceive the industry negatively
- Kier has 2,000 roles within the business
- Site labour is 10-20% non UK (approaching 40% in London)



Strong platform for future growth

- Leading market positions in robust and growing sectors
 - >90% of Group revenue and profit
- Stronger, simplified and focused Group
 - Portfolio simplification substantially complete
 - Well managed balance sheet
 - Improved order book
- Clear strategy and direction
- Confident to deliver growth in 2018
- On course to deliver Vision 2020 strategic targets



Financial appendix

Group net debt

Strong operating cash conversion¹ of 113%

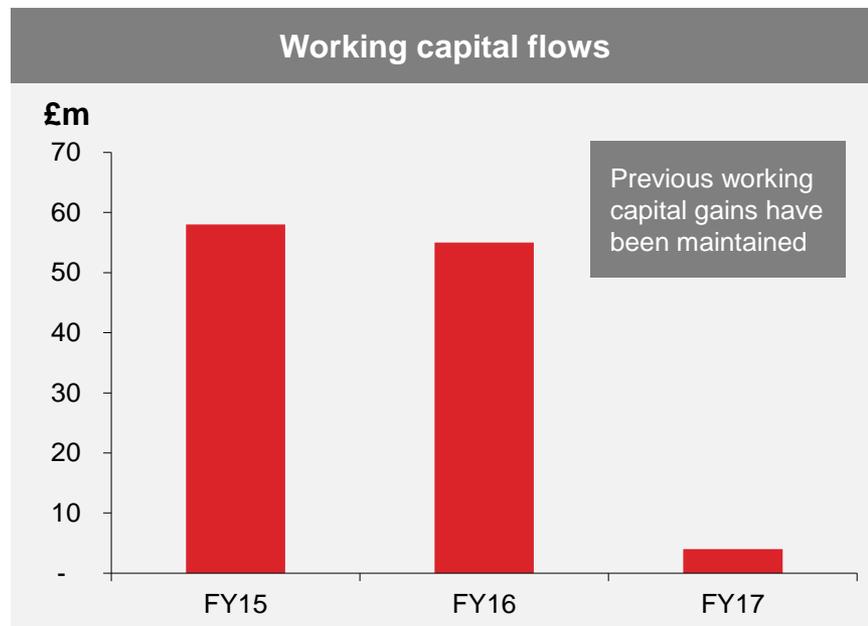


- Cash conversion consistently greater than 100% over the past five years
- McNicholas was acquired in July 2017 for £24m

¹ Cash conversion is calculated by dividing operating cashflows by underlying operating profit.

² Net debt is shown net of the impact of hedging instruments.

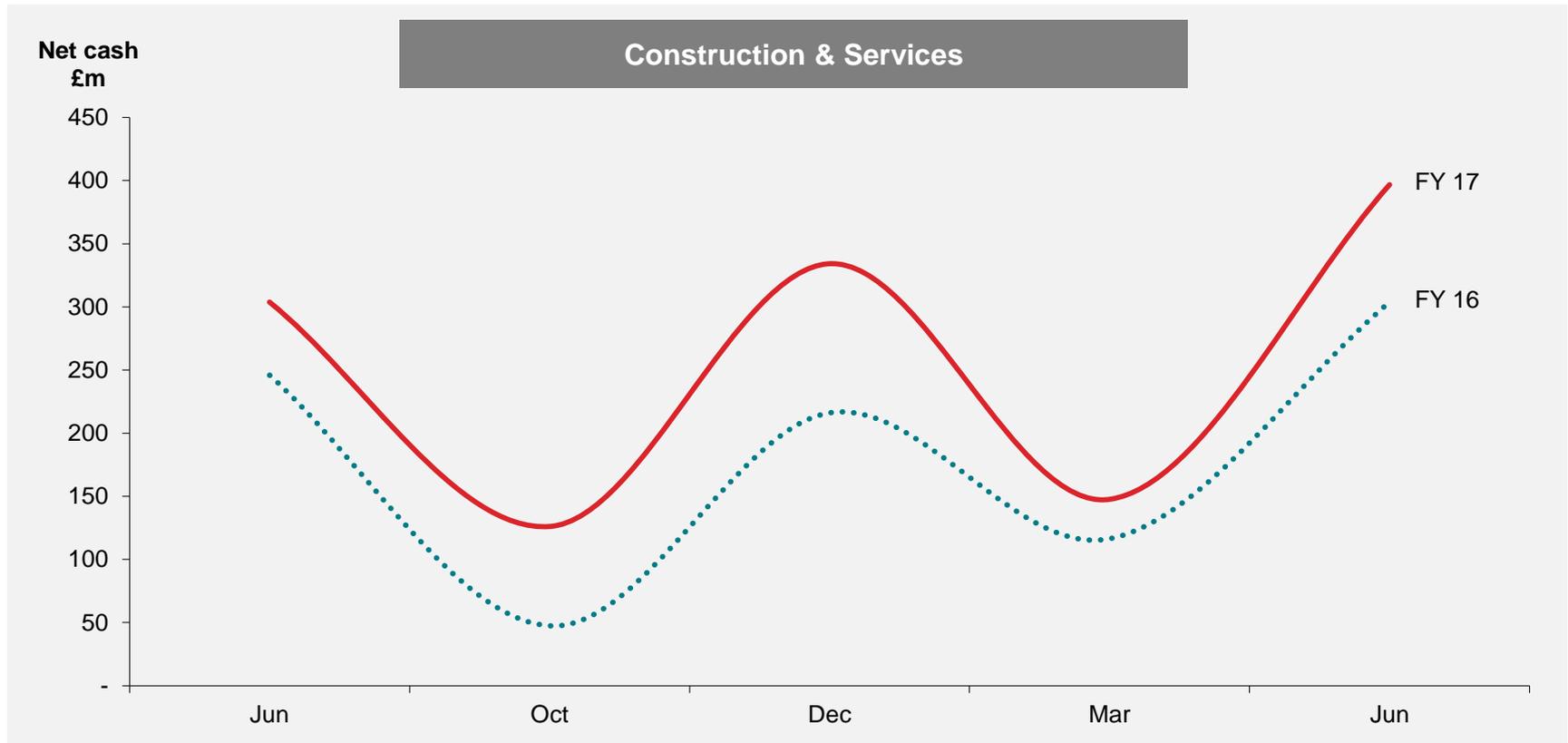
Stable working capital



	FY15	FY16	FY17
Debtor days	18	16	16
WIP days	55	50	44
Creditor days	(33)	(32)	(38)
Accrual days	(19)	(26)	(19)

- Working capital improvement over the last three years was driven by improved processes and systems
- Supply chain finance use is limited and stable
 - Working capital benefit £30m-£40m

Contracting cash balance



- Average net cash in Construction and Services increased by £60m to £200m

Well managed Group net debt

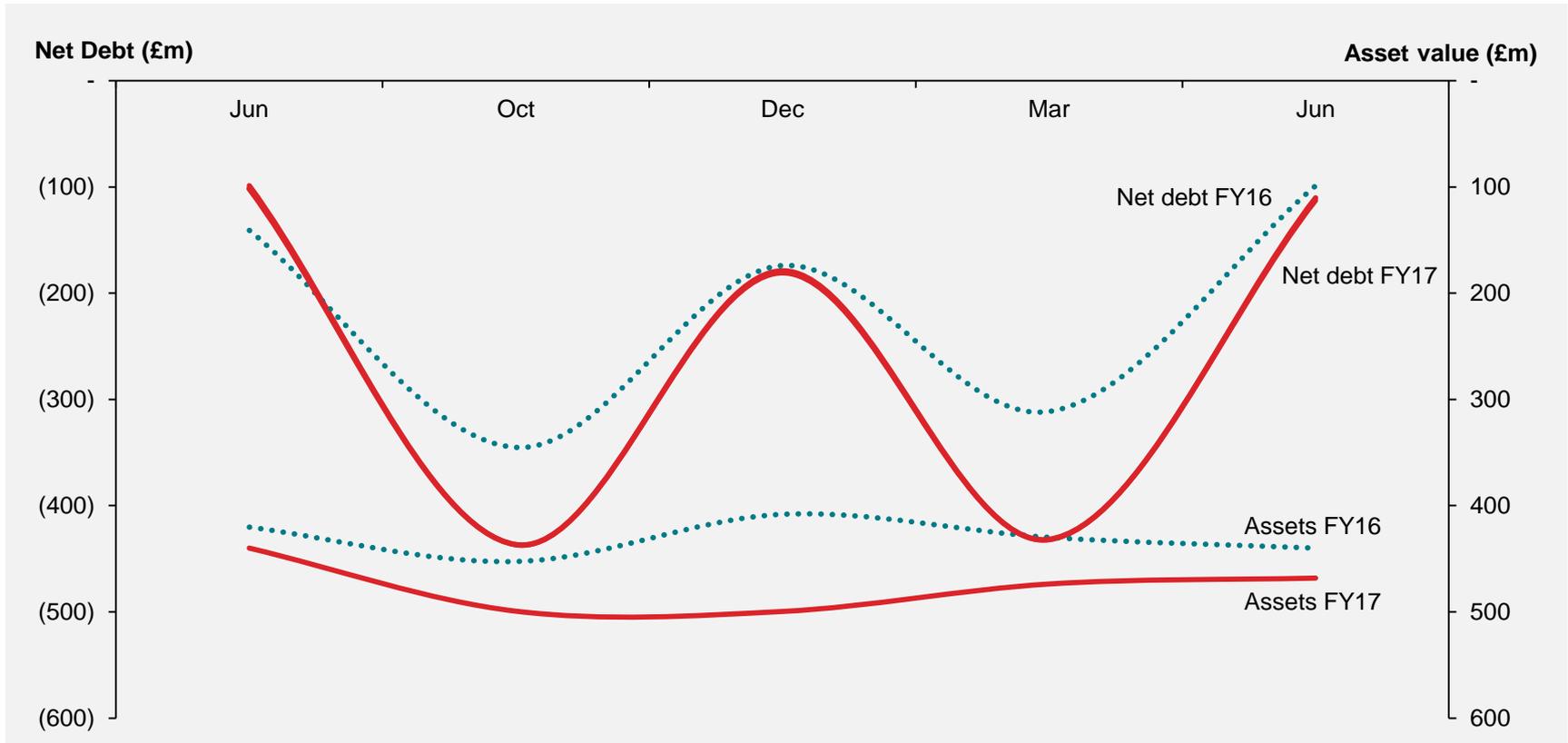
Discipline	2017	2016
Net debt : EBITDA ¹ <1x	0.7	0.7
Peak Group net debt: Property & Residential division asset cost <1x	0.9	0.8



- Cash is a key metric
- Vision 2020 target of net debt: EBITDA¹ <1x maintained at June 2017
- Net debt growth in line with EBITDA¹ growth, maintaining core discipline

¹ Arising on continuing operations. Stated before non-underlying items.

Asset backed Group net debt



- The quantum and timing of investments and disposals in Property and Residential increased average net debt from £280m to £320m



Other appendix

Safety, Health and Environment

Vision 2020 Targets

- Accident incidence rate of zero
- Best in sector safety performance
- Workforce health and wellbeing improved
- Minimise the impact of our activities on the environment
- All employees take ownership of safety, health and environmental issues

Current Progress

Leading indicators - examples	2017 target	Actual June 2017	Accident Incidence Rate – June 2017
Director/senior manager visible leadership visits	300 / month	635 ✓	<p>HSE Benchmark</p>
Front line management trained	83%	82% ✓	
Reduction in sickness absence referrals	119	129 ↔	
20% annual reduction – accident incidence rate	140	130 ↔	
20% annual reduction – all accident incidence rate (lost time)	558	492 ✓	

Portfolio simplification

	P & L £m				Cash £m			
	FY16	FY17	FY18	3 year total	FY16	FY17	FY18	3 year total
Closure of businesses								
Caribbean	(23)	(60)		(83)	(18)	(43)	(17)	(78)
Hong Kong		(26)		(26)		(11)	14	3
Sale of non-core operations								
Mouchel Consulting		40		40		59		59
Biogen	(5)	(8)		(13)		10		10
Other								
Cross Keys		(2)		(2)		64	1	65
HSE		(8)		(8)		(2)	(6)	(8)
Environmental	(36)	(11)		(47)	(9)	(7)	(7)	(23)
Other ¹	2			2	15	(3)		12
Total	(62)	(75)		(137)	(12)	67	(15)	40

¹ Principally relates to a pension curtailment gain and other M&A gains, losses and costs.

