



Kier Group

Preliminary results for the year ended 30 June 2014

18 September 2014

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Haydn Mursell

Chief Executive

Agenda

- **Highlights of the period**
- **Financials**
- **Operational update**
- **Group outlook**

Highlights

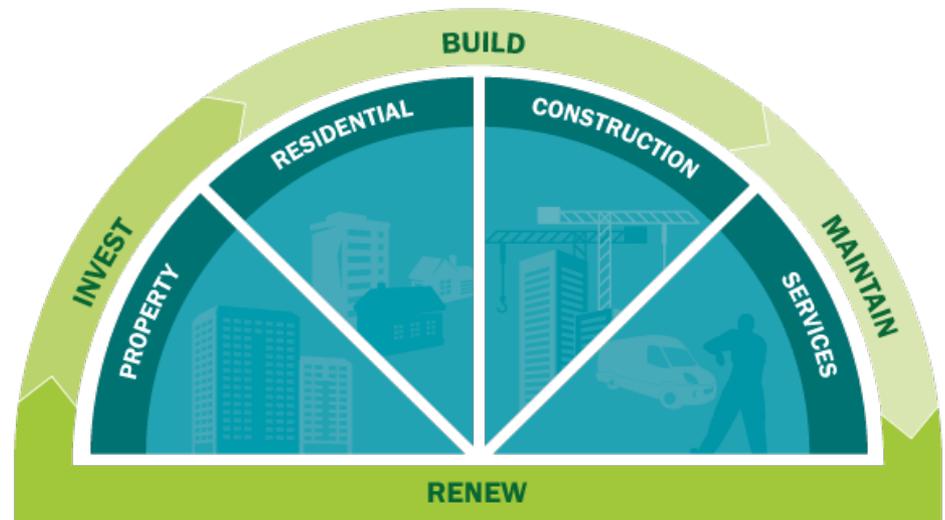
- **Strong set of results in-line with expectations**
 - Group revenues £3.0bn, up 51%
 - Group underlying operating profit* of £88m, up 59%
 - Robust divisional operating margins
 - Resilient cash performance with net debt of £123m
- **Earnings per share* up 2% to 107.7p**
 - After issue of 14.7m shares to acquire May Gurney
- **Successful integration of May Gurney**
 - Generating additional and larger contract awards
 - Synergy realisation on track
- **Encouraging level of new opportunities**
 - Construction and Services order books of £6.2bn up 47%
 - More than 90% of Construction and Services revenue secured for FY15
- **Full year dividend increased to 72.0p up 6%**

*Underlying operating profits and margins, pre-tax profits and EPS are stated before exceptional items totalling £42.2m (2013: £17.0m), amortisation of intangible assets relating to contract rights of £10.8m (2013: £3.4m) and unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition of £5.3m (2013: £1.3m). Reported operating profit was £35.0m (2013: £35.1m), reported pre-tax profit was £14.8m (2013: £25.9m) and reported EPS was 18.4p (2013: 62.6p). 2013 results have been restated to reflect this presentation and the adoption of the amendment to IAS 19.

Next stage

To achieve Vision 2020 we are focused on six strategic priorities:

- Operate a safe and sustainable business - always;
- Achieve top quartile performance and efficiency;
- Accelerate growth to be a top three player in our chosen markets;
- Provide sector leading customer experience,
- Attract and retain highly motivated, high performing teams; and
- Ensure we develop world class technology and back-office systems





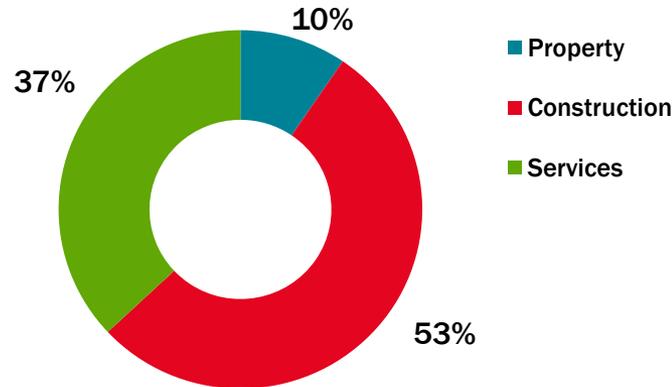
Financial update

Dave Benson, Acting Finance Director

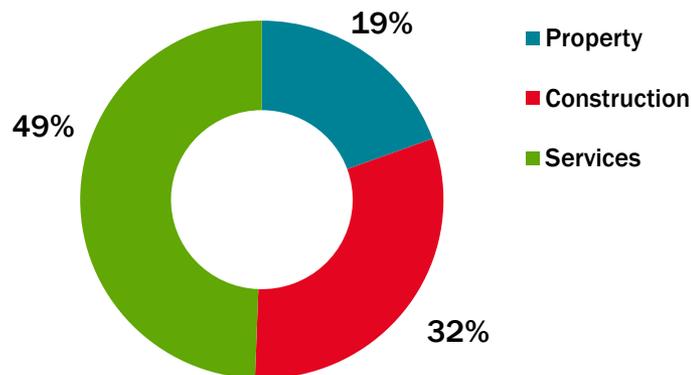
Overview: revenue and operating profit

June 2014

Revenue £2,985m +51%

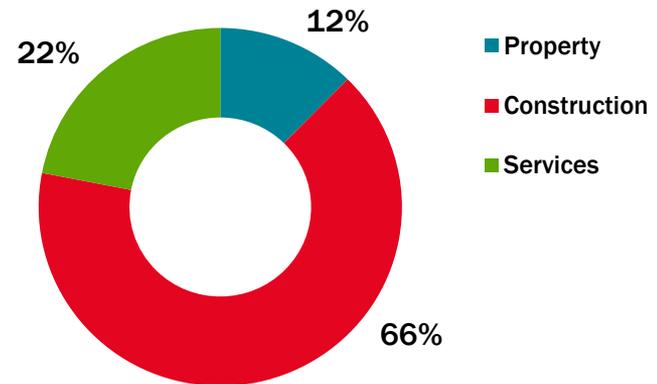


Operating profit £107.9m* +54%

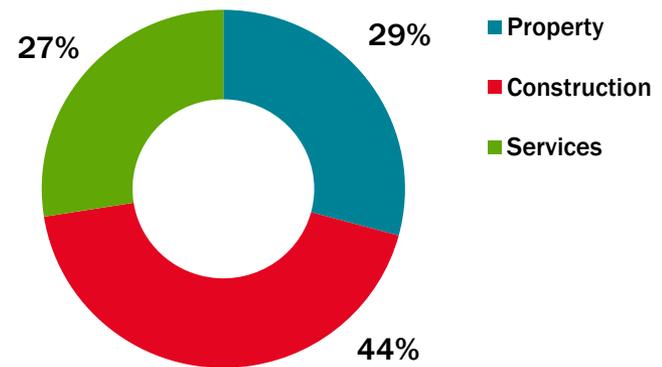


June 2013

Revenue £1,983m



Operating profit £70.2m*



* Excluding corporate costs, one-off costs related to restructuring, acquisitions and business closures and amortisation of contract right costs held as intangibles on the balance sheet.

Income statement

		Year ended 30 June		Change
		2014*	2013*	
		£m	£m	%
Operating profit:	Group	80.3	44.8	+79
	Joint ventures (JVs)	1.6	0.9	+78
	Profit on disposal of PFI investments	6.1	9.8	-38
Total operating profit		88.0	55.5	+59
	Net finance cost	(14.9)	(7.9)	
Profit before tax		73.1	47.6	+54
	Underlying earnings per share	107.7p	105.6p	+2
	Dividend per share	72.0 p	68.0p	+6

*Excluding one-off costs related to restructuring, acquisitions and business closures, amortisation of contract right costs held as intangibles on the balance sheet and unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition. Prior year comparatives have been re-presented to reflect this presentation and for the adoption of the amendment to IAS 19.

Operating profit

Performance by division	Year ended 30 June		Change
	2014* £m	2013* £m	%
Property	21.0	20.5	+2
Construction	33.6	30.4	+11
Services	53.3	19.3	+176
Corporate	(19.9)	(14.7)	-35
Total operating profit	88.0	55.5	+59
Net finance cost	(14.9)	(7.9)	
Profit before tax	73.1	47.6	+54

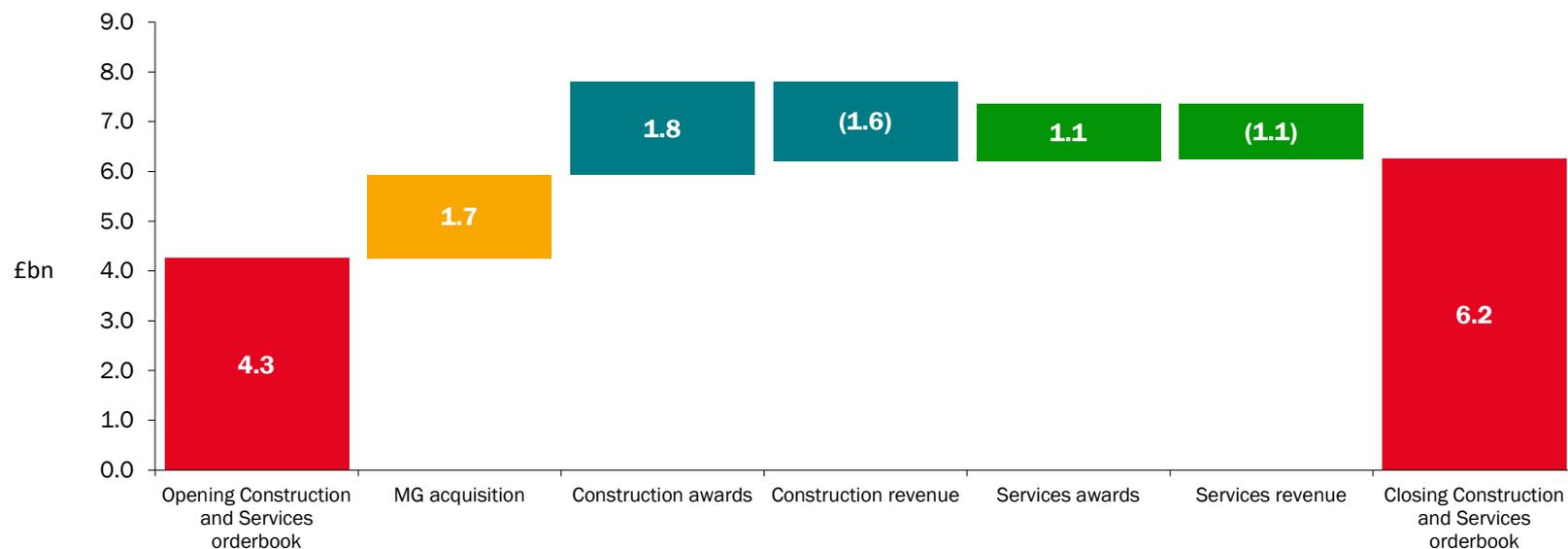
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Exceptional items

	Year ended 30 June	
	2014 £m	2013 £m
Costs relating to the acquisition of May Gurney	(8.1)	(1.8)
Business restructuring and transformation relating to the acquisition of May Gurney	(29.6)	-
Construction workers' compensation scheme and related costs	(4.5)	-
Business restructuring	-	(10.1)
Provision for loss on disposal of tower crane and other discontinued businesses	-	(3.2)
Closure and discontinuation of scaffolding and related businesses	-	(1.9)
Total exceptional items	(42.2)	(17.0)
Tax on exceptional items	6.4	3.7
Exceptional items after tax	(35.8)	(13.3)

Order book

	At 30 June	At 30 June	Change
	2014 £bn	2013 £bn	%
Construction	2.5	2.3	+12
Services	3.7	2.0	+85
Total	6.2	4.3	+47



*Excluding one-off costs related to restructuring, acquisitions and business closures, amortisation of contract right costs held as intangibles on the balance sheet and unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition. Prior year comparatives have been re-presented to reflect this presentation and for the adoption of the amendment to IAS 19.

Balance sheet summary

	At 30 June 2014	At 30 June 2013	Change
	£m	£m	£m
Intangible assets	324	30	+294
Property, plant and equipment	192	109	+83
Investment in JVs	41	30	+11
Residential land and work in progress	334	324	+10
Other working capital	(320)	(364)	+44
Cash	112	152	-40
Borrowings	(235)	(92)	-143
Pensions (net of deferred tax)	(48)	(38)	-10
Finance lease obligations	(87)	(14)	-73
Tax and deferred tax	(3)	21	-24
Net assets	310	158	+152

Group net debt



- £40m capex, in line with depreciation
- £30m investment in mixed tenure housing
- £16m investment in property development and PFI
- £14m private housing land

*Excludes finance lease obligations

Pensions

	At 30 June 2014	At 30 June 2013	Change
	£m	£m	£m
Kier Group Pension Scheme:			
Market value of assets	837	784	+53
Present value of liabilities	(900)	(832)	-68
Deficit in the scheme	(63)	(48)	-15
Deferred tax	13	11	+2
Net pension liability	(50)	(37)	-13
Net effect of Sheffield Pension Scheme	-	(1)	+1
Net effect of May Gurney and Translinc Schemes	2	-	+2
Total net pension liability	(48)	(38)	-10
Key assumptions:			
Discount rate	4.4%	4.7%	
Inflation rate – RPI	3.4%	3.5%	
Inflation rate – CPI	2.4%	2.5%	

May Gurney update

- **Cost savings**
 - £5m cost savings delivered in FY14 as anticipated
 - On track to deliver £15m in FY15 with 15% ROCE achieved in FY16
- **Integration costs of £29m in FY14 broadly in line with expectations**
- **Fair value exercise completed**
 - Provision¹ of £73m recorded
 - Slight increase since December 2013 reflecting completion of further contract and balance sheet reviews

¹ Before taxation.

Financial summary

- In line with expectations
- May Gurney delivering as anticipated
- Order book improving; secured positions ahead of prior year
- Strong financial position
- Progressive dividend up 6%



Operational update

Haydn Mursell, Chief Executive

Property

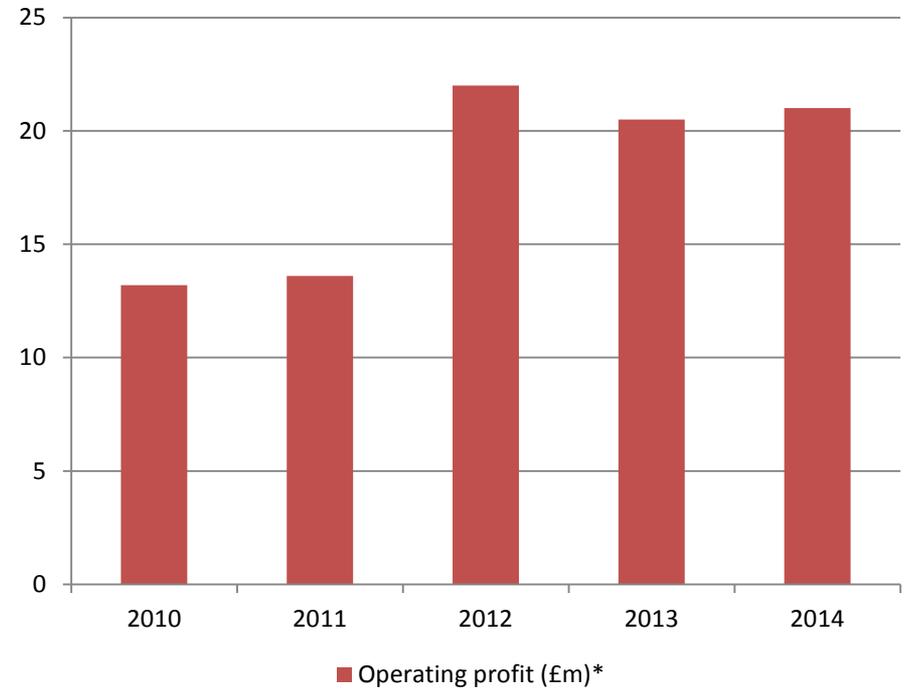
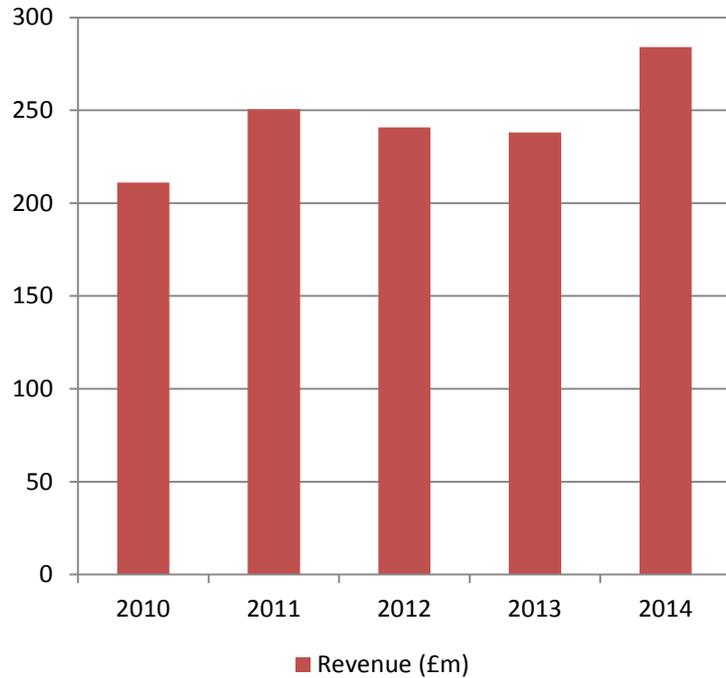
Property - Performance

	Year ended 30 June		
	2014 £m	2013 £m	Change %
Revenue			
Development	86	94	-9%
Structured finance and PFI	16	4	+275%
Homes	182	140	+30%
Total	284	238	+19%
Operating profit*			
Developments	11.2	9.4	+19%
Structured finance and PFI	4.8	6.8	-29%
Homes	5.0	4.3	+16%
Total	21.0	20.5	+2%
Average capital†			
Developments	(70)	(58)	
Structured finance and PFI	9	1	
Homes (land bank: 3,672 units)	(233)	(247)	

*Excluding one-off costs related to restructuring, acquisitions and business closures and amortisation of contract right costs held as intangibles on the balance sheet.

†Equates to average net debt

Property - Performance



* Excluding one-off costs related to restructuring, acquisitions and business closures and amortisation of contract right costs held as intangibles on the balance sheet.

Property - Developments

- Strong contribution of £11m on the back of increased capital investment of £70m
- 15% return on capital achieved on eight completed development schemes
- Three forward funded deals completed
- Maintain predominantly non-speculative approach
- Pipeline of >£1bn with significant further opportunities



Property - Structured finance & PFI

- Continue with recycling of assets as they become available for sale
- Sold two mature PFI investments generating £16m
- Eight PFI projects in the portfolio
- Portfolio value maintained at £34m (7.5% discount rate valuation)
- New opportunities
 - Care homes
 - Student accommodation



Residential

■ Homes

- Completed 601 units
- 0.7 unit sales per week per trading site
- Land purchases of £14m, land bank reduced to 3,672 units (June 2013: 4,005)
- >40% of FY15 forecast secured

■ Partnership housing

- Increased activity in affordable and mixed tenure housing
- 461 units completed
- >£20m capital invested, significant % increase from 2013
- Forward order book of £400m representing 3,400 plots



Manor Kingsway, Derby

Property Outlook

■ **Developments**

- Group's free cash flow re-invested: capital investment will increase towards £200m by 2020
- Maintenance of existing risk-managed approach; targeting a minimum of 15% return
- Improved lending and occupier requirements

■ **Structured Finance & PFI**

- Potential new sectors including care homes and student accommodation

■ **Residential**

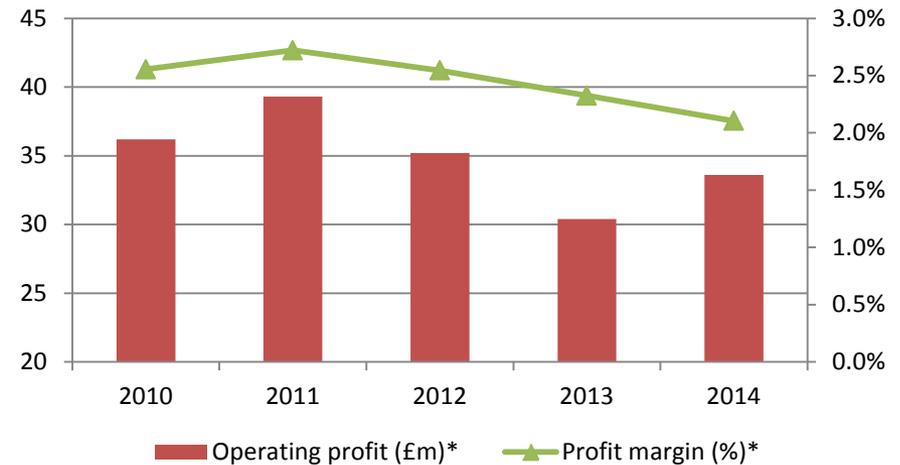
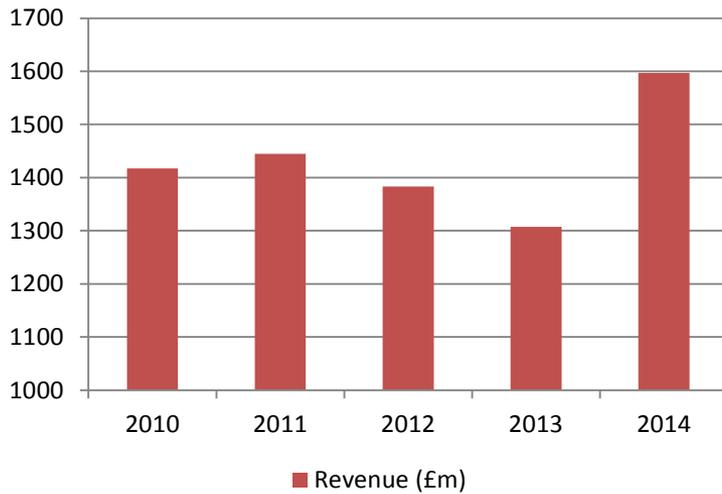
- New division established – from 1 July 2014 (Homes, Partnership housing, low/mid rise residential contracting)
- Increased focus on mixed tenure and affordable housing
 - Less capital intensive hence improved return on capital
 - Good flow of opportunities from HCA, LAs and HAs
 - Return on capital employed >15% on total capital base (c£250m) by 2020

■ **Critical skillsets for our integrated offering**

Construction

Construction - Performance

	Year ended 30 June		
	2014 £m	2013 £m	Change %
Revenue	1,597	1,307	+22
Operating profit*	33.6	30.4	+11
Operating margin*	2.1%	2.3%	
Order book (secure and probable)	2.5bn	2.3bn	+12
Cash	274	319	



*Excluding one-off costs related to restructuring, acquisitions and business closures and amortisation of contract right costs held as intangibles on the balance sheet.

Construction

Sector	Revenue		
	June 2013	June 2014	Future trend
Education	31%	24%	↔
Living / Residential	11%	12%	↗
Health	10%	8%	↔
Transportation	10%	12%	↗
Commercial and mixed use	9%	10%	↗
Power, industrial, utilities and waste (inc nuclear)	9%	14%	↗
International	7%	10%	↗
Defence	2%	1%	↗
Other (inc blue light/hotel/leisure/retail)	11%	9%	

Construction - UK Building

- **Education**

- Strong contribution, framework focused
- EFA framework position

- **Defence**

- Sector penetration
- £121m award of RAF Lyneham contract
- Place on MOD National Capital Works frameworks

- **Health**

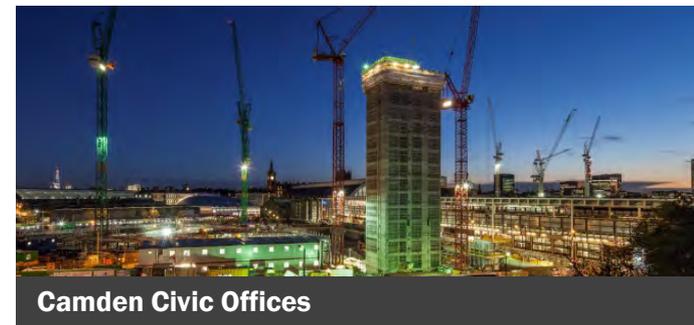
- Preferred bidder on fifteen P21+ frameworks

- **Commercial / Mixed Use**

- Completion of £38m Camden Council offices at King's Cross as part of regeneration

- **Other**

- Award of £45m construction of Cheltenham grandstand



Construction - Infrastructure

- **Enhanced capability providing access to larger market**
 - Revenue c£400m
- **Transport**
 - Financial close of £450m Mersey Gateway
 - Focus of Government investment
 - Place on major rail frameworks
 - Network Rail Western & Wales, national level crossing and type C signal frameworks
 - Crossrail progressing well
- **Power**
 - One of the UK's largest builders of gas-fired power stations
 - New nuclear opportunities
- **Water/Wastewater**
 - £180m Deephams ST works upgrade
- **Good revenue visibility**



Chelsea Bridge



Sellafield



Deephams

Construction - International

- Revenue >£150m with strong pipeline c£250m
 - Growth potential in Middle East
- £43m Park Hyatt Hotel, St Kitts
- £47m Dubai Parks infrastructure project
- £26m Dubai University
- Post year end awards of c£120m in Abu Dhabi
 - A prestigious hotel and spa in Abu Dhabi
 - Data centre for UAE bank



St Kitts



Dubai University

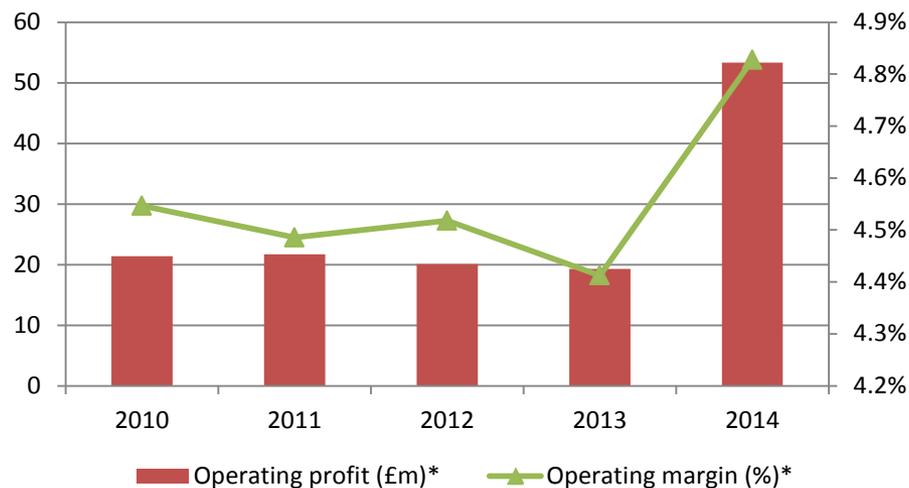
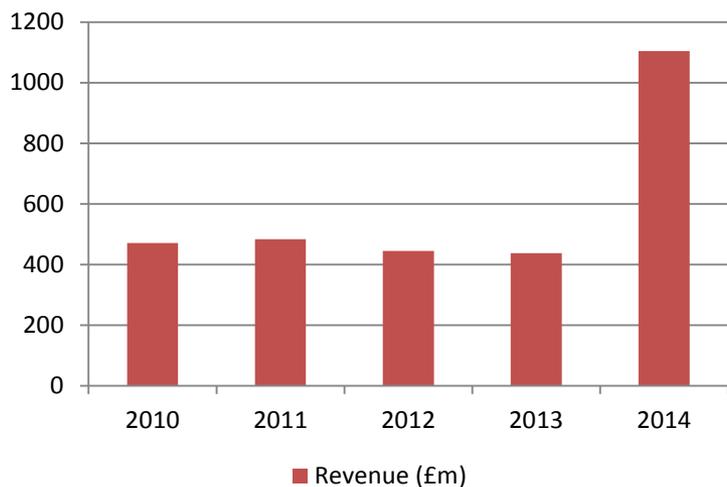
Construction - Outlook

- **Order book of £2.5bn with more than 90% secured for FY15**
 - Ahead of prior year on increasing volumes
- **UK market growth of 5% per annum**
 - Unrivalled regional coverage
 - Continued strong risk management
 - Increased sector penetration
 - Government focus on infrastructure
- **International growth potential**
- **Blended margin of 2.5% by 2020**

Services

Services - Performance

	Year ended 30 June		
	2014 £m	2013 £m	Change %
Revenue	1,104	437	+153
Operating profit*	53.3	19.3	+176
Operating margin*	4.8%	4.4%	
Order book (secure and probable)	3.7bn	2.0bn	+85
Cash	13	30	



*Excluding one-off costs related to restructuring, acquisitions and business closures and amortisation of contract right costs held as intangibles on the balance sheet.

Services sector breakdown

Sector	Revenue	
	June 2014	Future trend
Highways	25%	
Housing maintenance - public	21%	
Housing maintenance - private	5%	
Utilities and other regulated	22%	
Environmental	12%	
Facilities Management (FM)	12%	
Fleet & Passenger Services (FPS)	3%	

Services - Housing Maintenance & FM

Housing

- Three-year £110m housing maintenance contract with Sheffield City Council
- Ten-year £50m contract with Grainger
- Four-year £140m contract with Genesis HA
- Further housing maintenance awards with Metropolitan and Four Housing Group

FM

- Considerable number of new contracts including Epsom and Ewell, Welsh Government, Solent NHS, QinetiQ, Kent County Council and Camden County Council



Housing maintenance - Harlow



Housing maintenance - Sheffield



FM - Epsom and Ewell

Services - Utilities and Highways Maintenance

Utilities

- AMP6 success
- Three five-year Anglian water contracts totalling £250m
- Five-year £24m contract with Bournemouth Water
- Preferred bidder for two-year £7m pa contract with Severn Trent
- Seven-year £107m contract with Western Power Distribution

Highways

- Mobilisation of £200m maintenance contract with Suffolk County Council
- Expansion of current Surrey County Council contract to include five-year £100m asset investment programme
- £35m one year extension to Lincolnshire County Council contract
- Highways Agency opportunities targeted
- 2013 Autumn Statement - additional highways spend of £976m pa from 2015/16 to 2020/21



Anglian Water



Western Power Distribution



Northampton highways

Services - May Gurney

- **Successful integration**
 - Substantially complete
 - Cost savings on track
 - £20m by 2016
 - Customers retained
 - Additional and larger contracts secured
 - Integrated offering
 - AMP success >£130m pa awarded
 - Greater Western Power Distribution awards
 - Increased rail penetration



Surrey highways

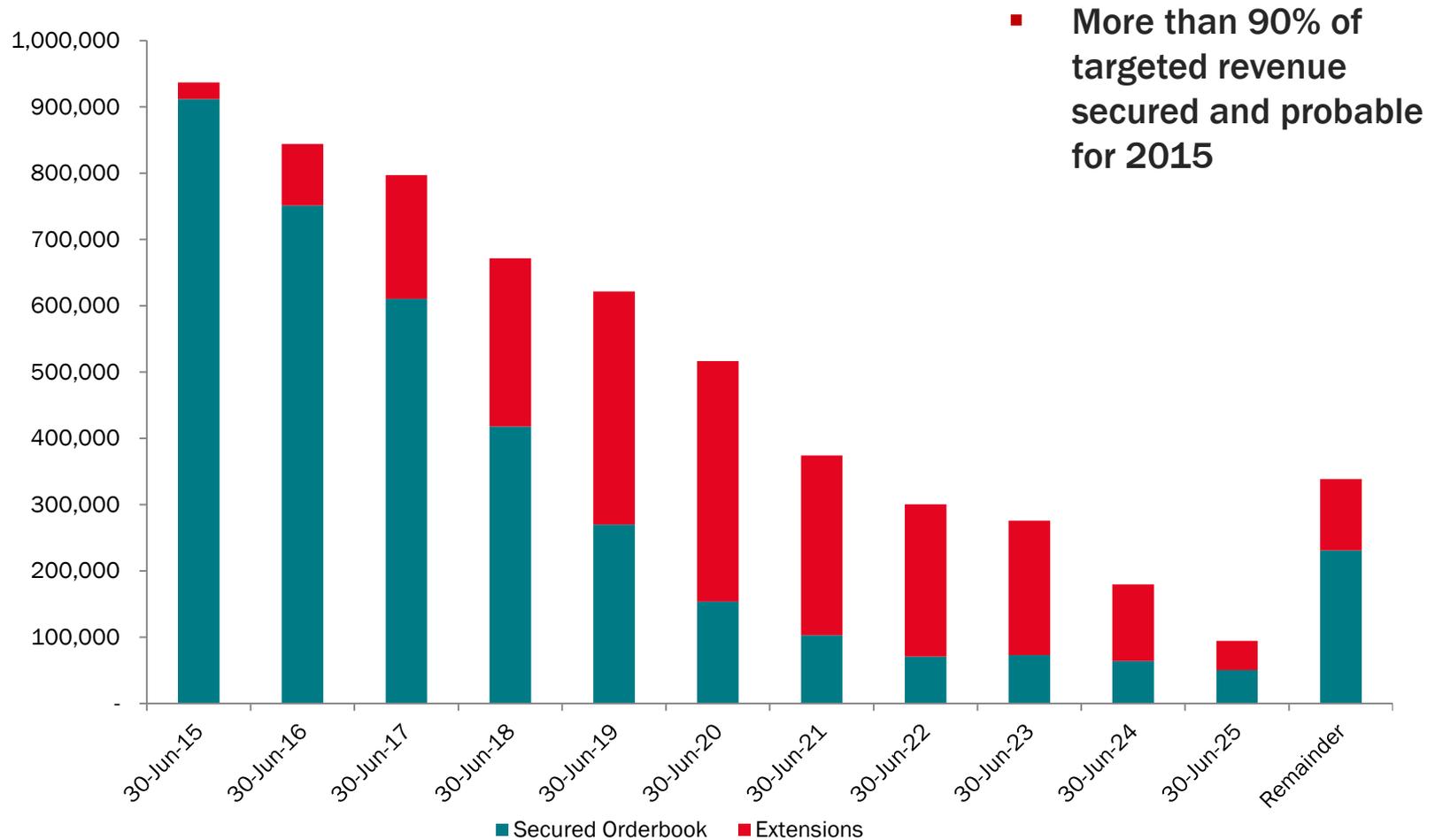


Western Power Distribution



Rail

Services order book longevity



Services - Outlook

- **Post year end contract awards**
 - Five-year £25m pa Canal & River Trust NECC contract
 - Five-year £20m pa contract with Bristol Water
- **Government investment in utilities and highways**
- **Fiscal pressure likely to remain for our public sector clients**
 - Outsourcing opportunities
- **Focus on our integrated offering**
 - Unrivalled breadth and scale of services
 - Maintain >5% operating margin to 2020

Group outlook

- **Robust operating performance**
- **May Gurney integrated and providing increased opportunities**
 - Cost synergies on track
- **Well positioned with strong order books**
 - Investment in strong platform ongoing
- **Economic recovery fragile but hardening positively**
 - Volumes and quality improving albeit inflationary pressures
- **Confidence highlighted by a 6% increase in dividend**



Q&A



Appendices

Our new reporting segments from 1 July 2014

**FY2014
Revenue**

£0.3bn

Property

£1.6bn

Construction

£1.1bn

Services



**FY2014
Revenue**

£0.1bn

Property

£0.2bn

Residential

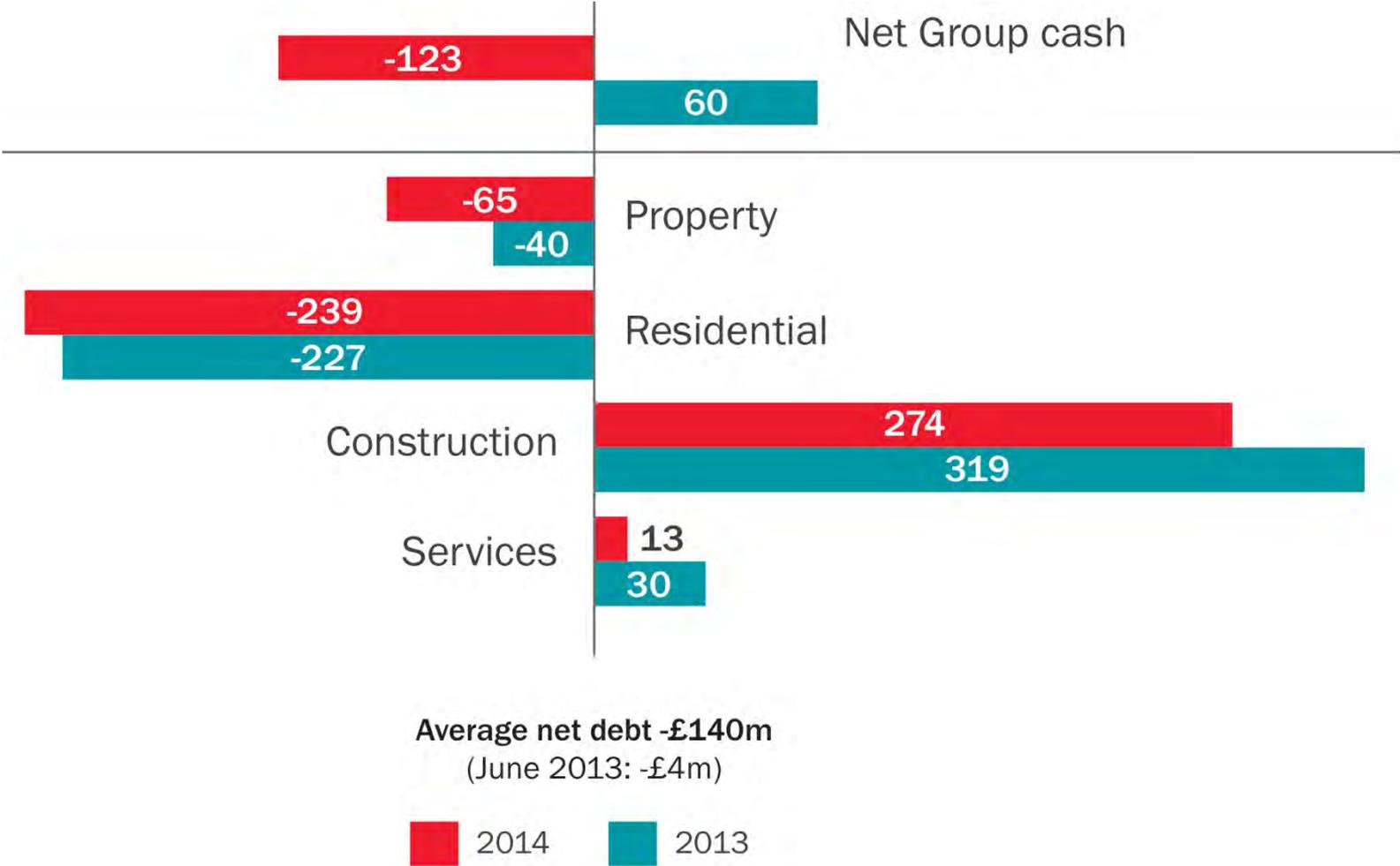
£1.6bn

Construction

£1.1bn

Services

Net cash/debt by division



Financing facilities

	2014	2013
Facility type	£m	£m
US Private Placement	63	63
Term loans	80	30
Revolving credit facility	190	120
Overdraft	45	20
Total	378	233

Property: PFI portfolio

	Project	Status	Capital value £m	Kier equity/loan stock £m	Equity %
Local authority	Oldham Library	Operational	14	1.0	50.0
	Woking housing	In construction	31	2.0	50.0
Student accommodation	Salford University	In construction	64	2.1	25.0
Education	East Ayrshire Schools	Preferred Bidder	34	1.0	24.0
	North Ayrshire Schools	Preferred Bidder	32	1.0	24.0
Blue light	Police Investigation Centres	Operational	60	8.0	42.5
	London fire stations	In construction	44	2.1	50.0
	Stoke and Staffordshire Fire Stations	In construction	29	2.3	80.0
Committed Investment				£19.5m	

Jade: Kier Construction and Services **Red:** Kier Construction **Black:** Investment only

Of the £19.5m committed, £11.1m has been invested to date

Directors' valuation at 7.5% - £34.1m

Current services bid pipeline

Customer	Sector	Annual Value (£m)	Duration (years)	Potential Gross (£m)	Start date
Severn Trent Water	Utilities	45	5	225	2014
South West Water- DG3	Utilities	28	5 (max)	140	2015
Thames Water Infrastructure Alliance	Utilities	30	2+3+5+5	450	2015
Birmingham City Council	Housing maintenance	25	4	100	2015
Living Housing	Housing maintenance	13.7	10	137	2015
Highways Agency (Area 7)	Highways	50	5+	250	2016
Lincolnshire County Council	Highways	50	5	250	2016
Northamptonshire County Council	Highways	32.5	4	130	2016
Buckinghamshire County Council	Highways	45	5+	225	2017
Cambridgeshire County Council	Highways	30	5	150	2017
Devon CC and Somerset CC (joint)	Highways	60	5+	300	2017
Hampshire County Council	Highways	33	7	231	2017
Surrey County Council	Highways	42	4	168	2017
JLL (3 contracts)	FM	20	5	100	2015

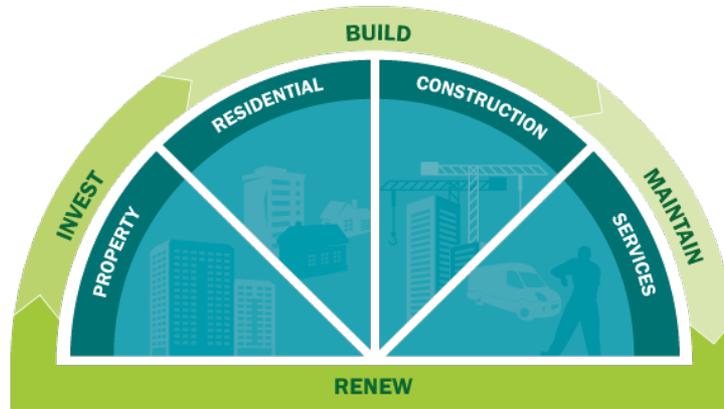
The integrated offering: North Tyneside

2013: Kier builds first LA-owned housing for 25 years

2014: Discussions re building 300 homes



2013: Kier awarded £100m Swan Hunter regeneration



2010 – 14: Kier:

- Completes library refurbishment
- Builds Wallsend Park
- Builds primary school



2009: Kier awarded 10 + 5 year contract to manage housing & public building maintenance

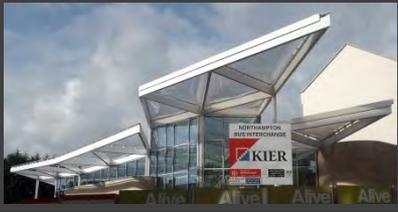


North Tyneside Council

The integrated offering: Northamptonshire CC

2012: Local transport interchange

Construction of the new £7m bus interchange in Northampton located on the site of the old fish market



2014: St Johns Hall Student Residence

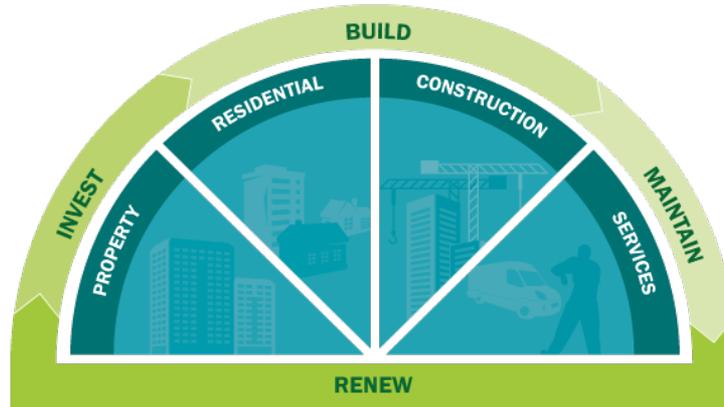
458 bedroom development which was completed in January 2014



2008: MGWSP JV awarded 8 year contract to manage and maintain county highways



2014: Development pre-let for Northampton BC with other opportunities in the pipeline including retail scheme on remediated land



2013: Project Saint

Outsourced fleet and passenger services

2014: Strategic Alliance discussions ongoing



The integrated offering: Rail

2008: Solum Joint Venture – Tendered mixed use JV with Network Rail to optimise regeneration of rail land



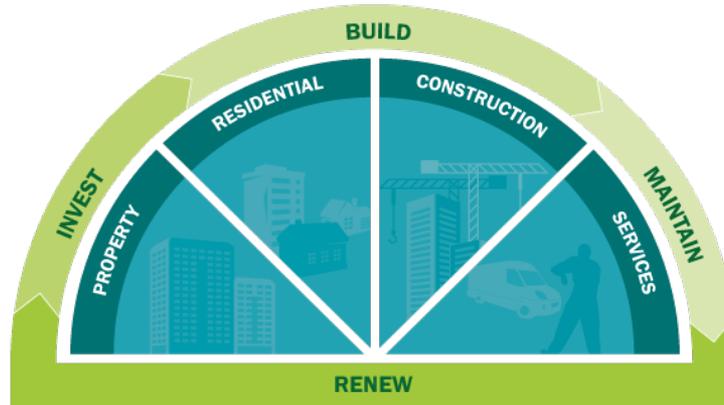
Kings Cross/Argent development: Generating further £100m new opportunities for 2015



Crossrail:
BAM Ferrovial Kier JV delivering £1.2bn works



2014: Increasing market presence culminating in recent award on Western & Wales framework



Network Rail – Bridges



