



**Kier Group plc**  
**Property Capital Markets Day**  
**29 June 2017**



# Disclaimer

---

No representation or warranty, expressed or implied, is made or given by or on behalf of Kier Group plc (the “Company”) and, together with its subsidiaries and subsidiary undertakings, the "Group" or any of its directors or any other person as to the accuracy, completeness or fairness of the information contained in this presentation and no responsibility or liability is accepted for any such information. This presentation does not constitute an offer of securities by the Company and no investment decision or transaction in the securities of the Company should be made on the basis of the information contained in this presentation.

Not all of the information in this presentation has been audited. Further, this presentation includes or implies statements or information that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may use forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should". By their nature, forward-looking statements involve risks and uncertainties and recipients are cautioned that any such forward-looking statements are not guarantees of future performance. The Company's or the Group's actual results and performance may differ materially from the impression created by the forward-looking statements or any other information in this presentation.

The Company undertakes no obligation to update or revise any information contained in this presentation, except as may be required by applicable law or regulation. Nothing in this presentation is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or the Group whether in the current or any future financial year.

This presentation and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.



**Haydn Mursell**  
Chief Executive



# Today's schedule

		Activity	Presenter
11:00	Presentation	Group update	Haydn Mursell, CEO
		Assets and Investment	Nigel Turner, Executive Director, Development, Property, Business Services
		Property	Leigh Thomas, Managing Director, Property
		Guest speaker	Manny Lewis, Managing Director, Watford Borough Council
		Property case studies	Pip Prongué, Managing Director, Property - South
		Site visit housekeeping	Pip Prongué and site team
12:45	Lunch		
14:00	Site visit	Reading Gateway mixed-use development	Kier Property and Construction teams
15:30	Return to Reading train station / Madejski stadium		

# Kier presenters & guest speaker

---



**Haydn Mursell**  
Chief Executive



**Nigel Turner**  
Executive  
Director  
Development,  
Property,  
Business Services



**Leigh Thomas**  
Managing  
Director  
Property



**Manny Lewis**  
Managing  
Director  
Watford  
Borough  
Council



**Pip Prongué**  
Managing  
Director  
Property,  
South

# Trading update

---

## Full-year underlying profit in line with expectations

- Core operations trading in line with expectations
  - Net debt anticipated to be c£150m, at the lower-end of market forecasts
  - Experiencing good organic growth and improved margins
- Portfolio simplification
  - Two-year simplification programme nearing conclusion
  - Funds generated for reinvestment
- Improving order books and pipelines
  - Order books approximately £9bn
  - 85% secured in Construction & Services for 2018
- Strong foundation to deliver growth in 2018

# 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**

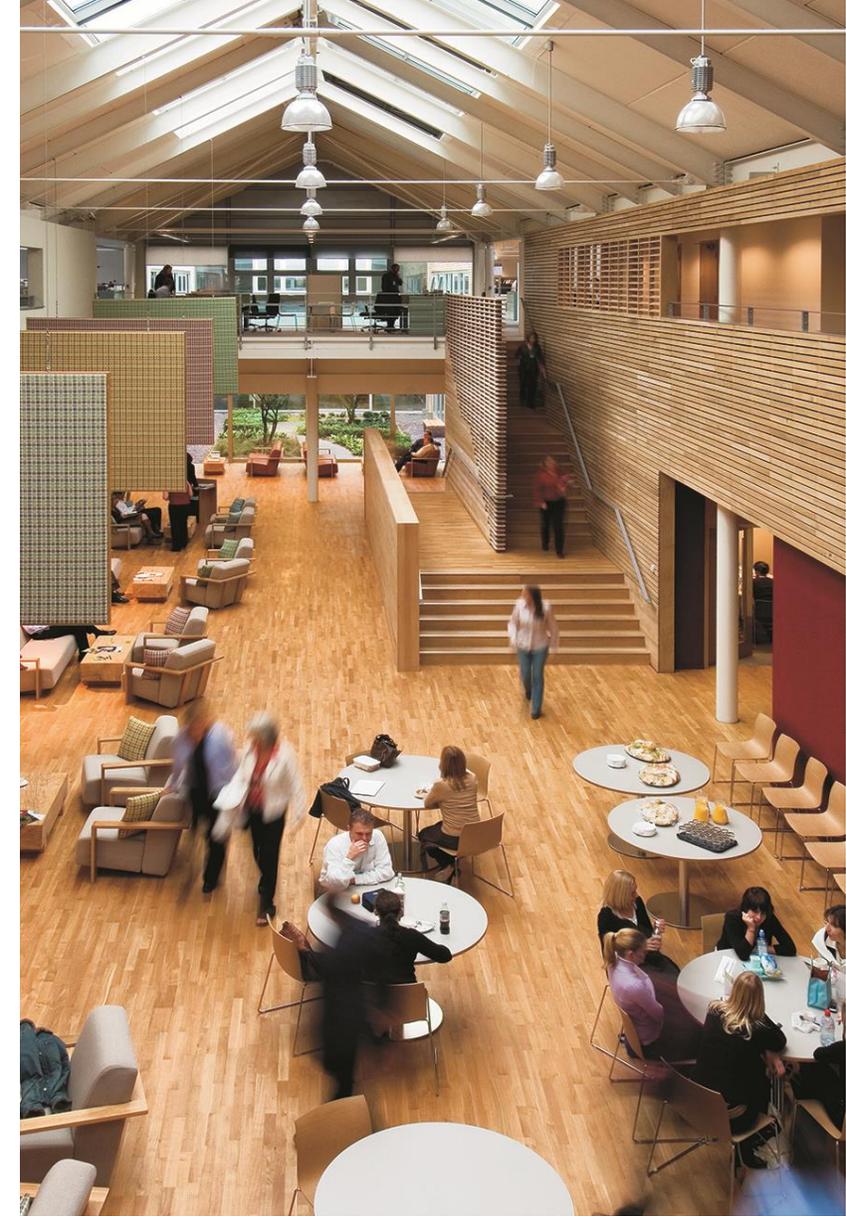


# The Property Division

- The integrated benefit
  - Strengthens relationships with local authorities
  - > £100m cross-divisional revenue p.a. generated for the group
- Recipient of free cash flow
  - Discretionary investment
- Value generation
  - In excess of 15%
- Risk managed
  - Predominantly non-speculative approach

	FY14	FY17	FY20
Average capital	£70m	c£120m	£200m
ROCE	>15%	>20%	>15%

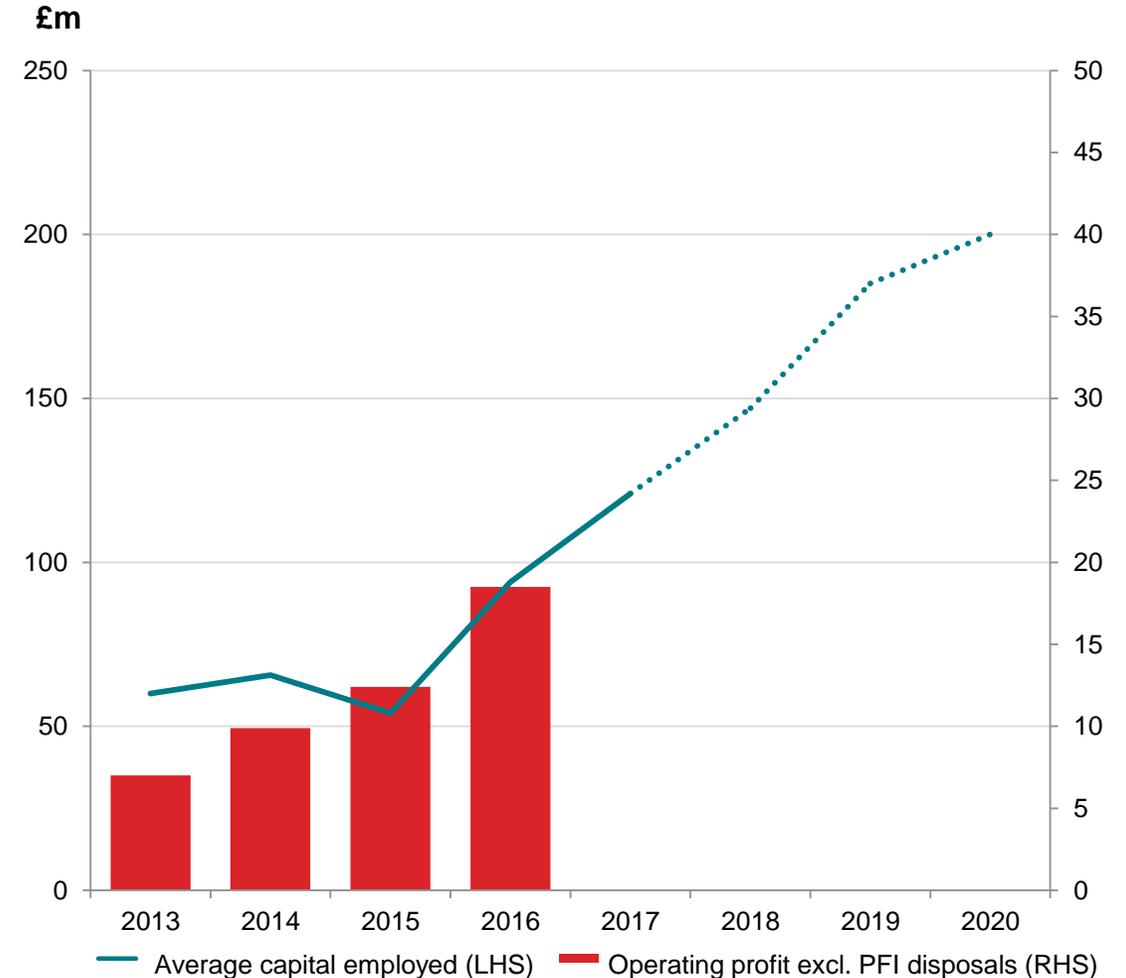
ON TRACK



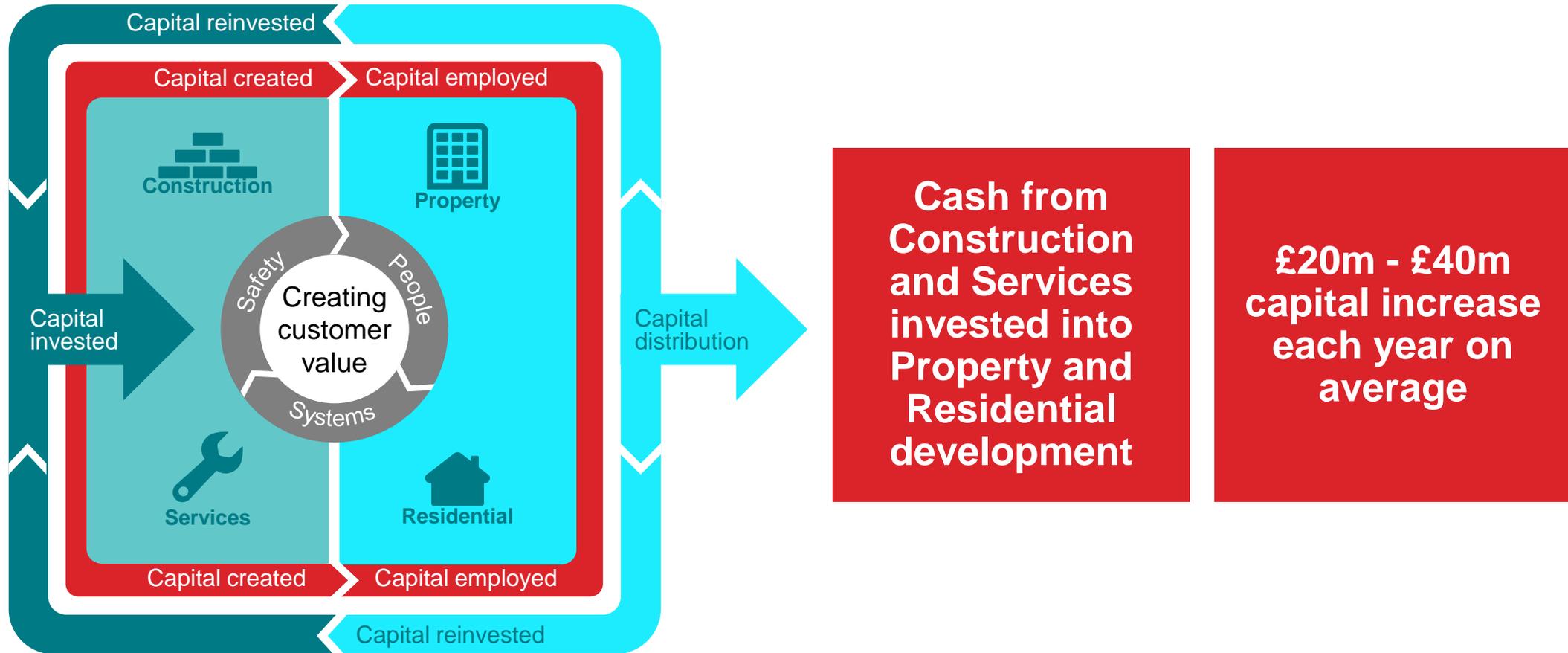
**Nigel Turner**  
Executive Director  
Development, Property, Business Services

# Property division overview

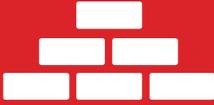
- Occupier-led UK developer
- Focused in areas of strong demand / low supply
- 10 year visibility on pipeline
- Over 50 live schemes
  - Development activity in all sectors: logistics, regional city offices, retail and leisure, mixed-use and student accommodation
- Target £200m capital employed by 2020
- Average scheme value c£50m



# Capital recycling



# The Kier offer

 <b>Building</b>	 <b>Infrastructure</b>	 <b>Residential</b>	
Property and Investment	Property and Investment	Mixed Tenure and Kier Living	<b>Invest</b>
Regional Building	Infrastructure	Kier Living	<b>Build</b>
Workplace Services	Highways, Utilities	Housing Maintenance	<b>Maintain</b>

**£320m of cross-sell revenue over last 3 years**

# Breadth of capability

Balance sheet  
is a key  
differentiator

An enabler to  
wider Group  
involvement

## Logistics



## Offices



## Hotels



Capability to invest, build and  
maintain is unique

## Student Accommodation



## Mixed-use



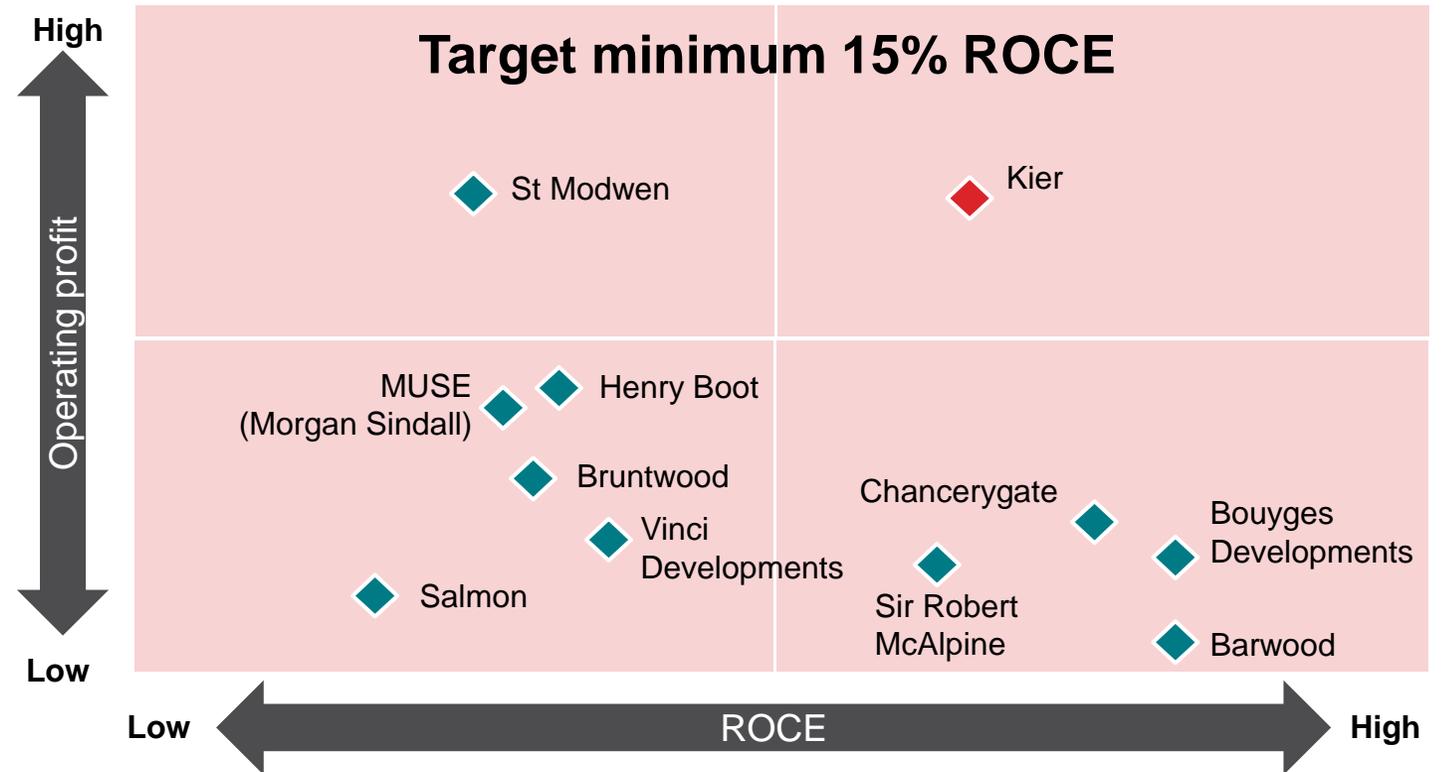
## Retail & Leisure



# Strong market position

## Top 3 developer in UK commercial occupier market

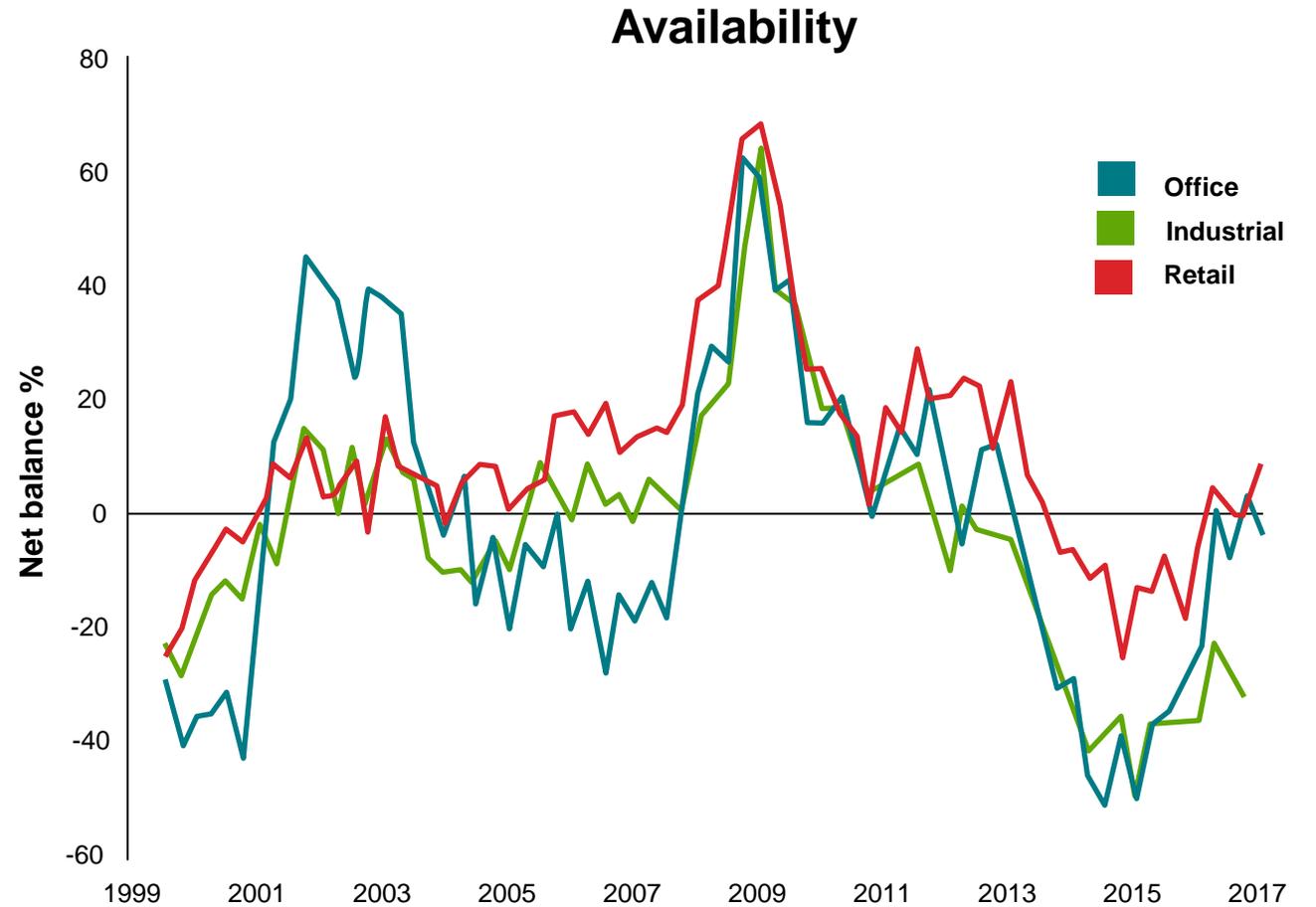
- Regional capability
- National coverage
- 3 year average ROCE in excess of 20%
- £1.4bn net GDV pipeline



# Supply opportunities

Supply remains below long term trend levels

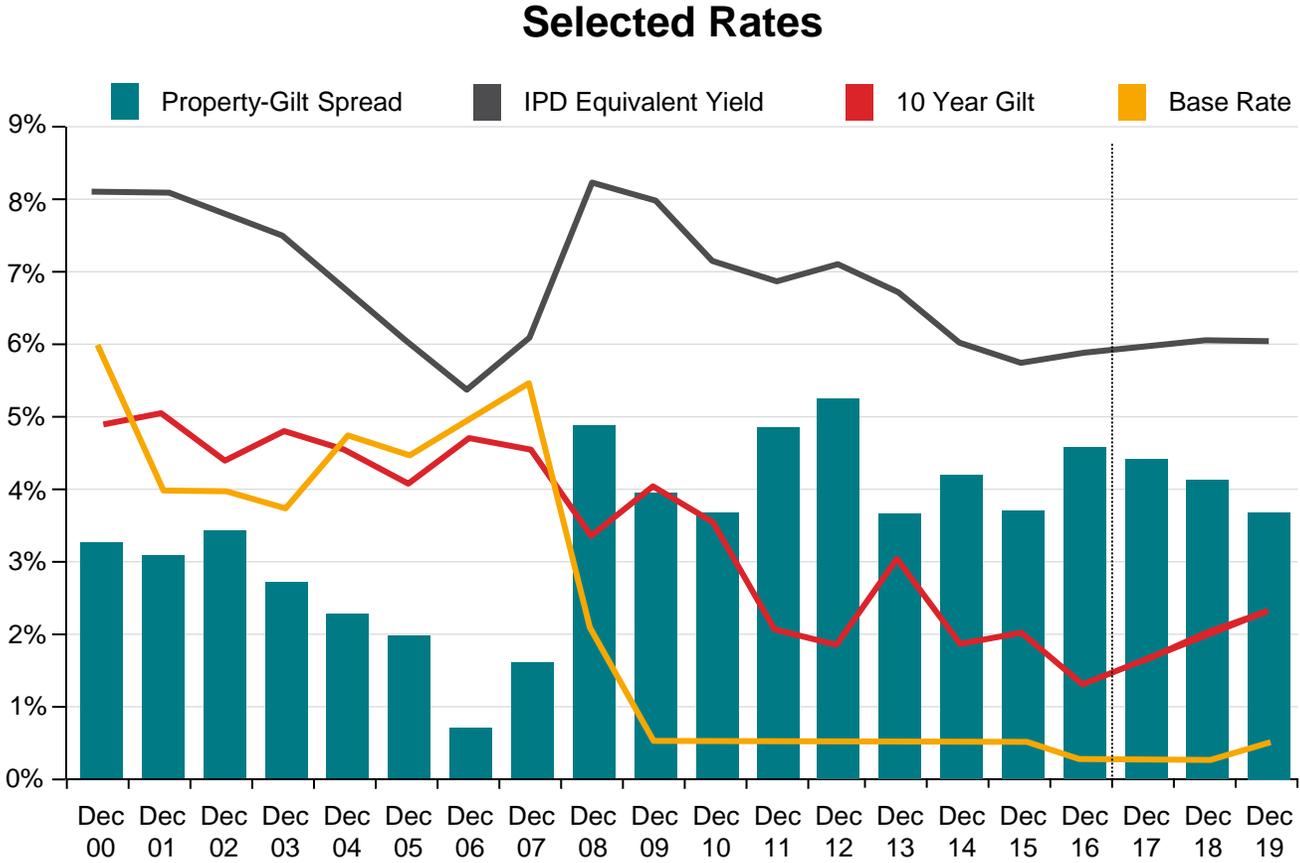
Local networks identify market opportunities



# Attractive investment class

Property yields vs 10 year Gilt spread remains significant

Suggests property yields will remain attractive in the medium term

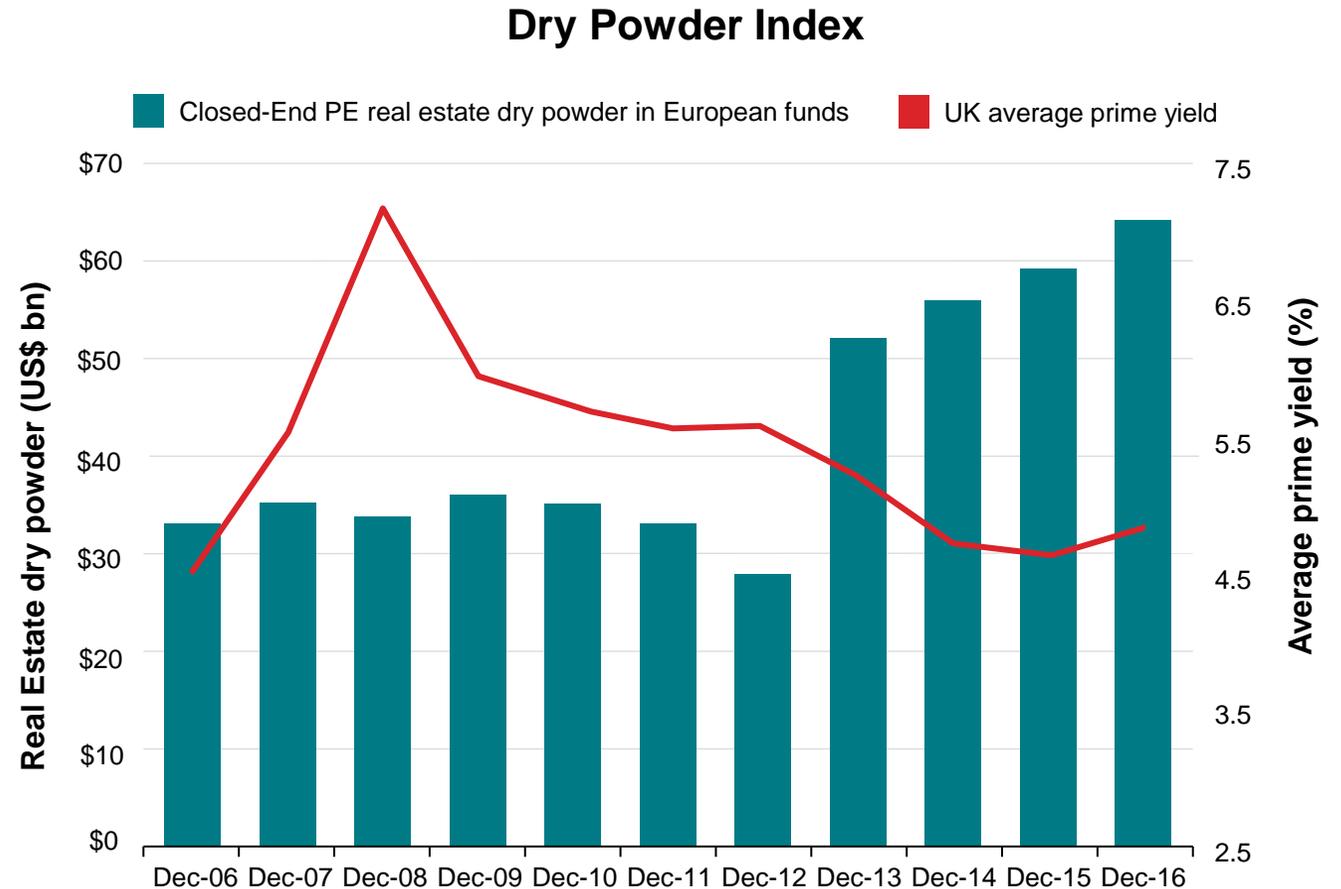


# Supply and demand drive investment returns

**Total UK investment volume up 9% yoy to £13bn**

*Source: JLL 2017*

**Weight of money / value of Sterling driving average price yields**



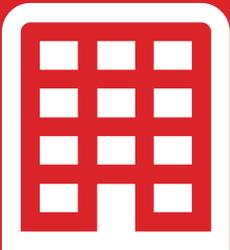
# Corporate Responsibility focus

People and communities	Environment	Marketplace	Governance
AIR 141	30 by 30	Customer satisfaction 93%	BITC Index 91%
Employee engagement 60%	All Environment Incidence Rate	Group's wider offer 30%	Code of Conduct
Retention at 87%	Innovation	Supply Chain Sustainability School	Leadership Group

**We operate in accordance with Group governance principals**

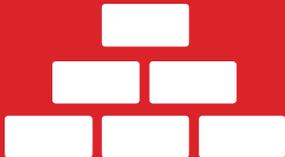
# An enabler for Kier Group offering

**Invest**



**Property**

**Build**



**Construction**

**Maintain**



**Services**

**Strong market fundamentals**

**Minimum 15% ROCE**

**Further capital investment**

**A visible pipeline**



**Leigh Thomas**  
Managing Director, Property



# The Kier Property team

---



**Leigh Thomas**  
Managing Director



**Lee Howard**  
Finance Director



**Kevin Dixon**  
Managing Director,  
Joint Ventures



**Tom Gilman**  
Managing Director, North



**Pip Prongué**  
Managing Director, South

# Top 3 regional developer

---

## Market position

- Top 3 in our selected markets
- National coverage – local operator

## Consistent financial delivery

- Strong consistent returns – 3 year average ROCE in excess of 20%
- A predominantly non-speculative developer

## Group wide offer

- Key driver of Group wide offer
- £320m over 3 years cross sold revenue to Group

## Partnerships

- Client satisfaction score of 90%+
- Collaboration and partnership central to delivery - Private and Public sectors

# National coverage, local operator

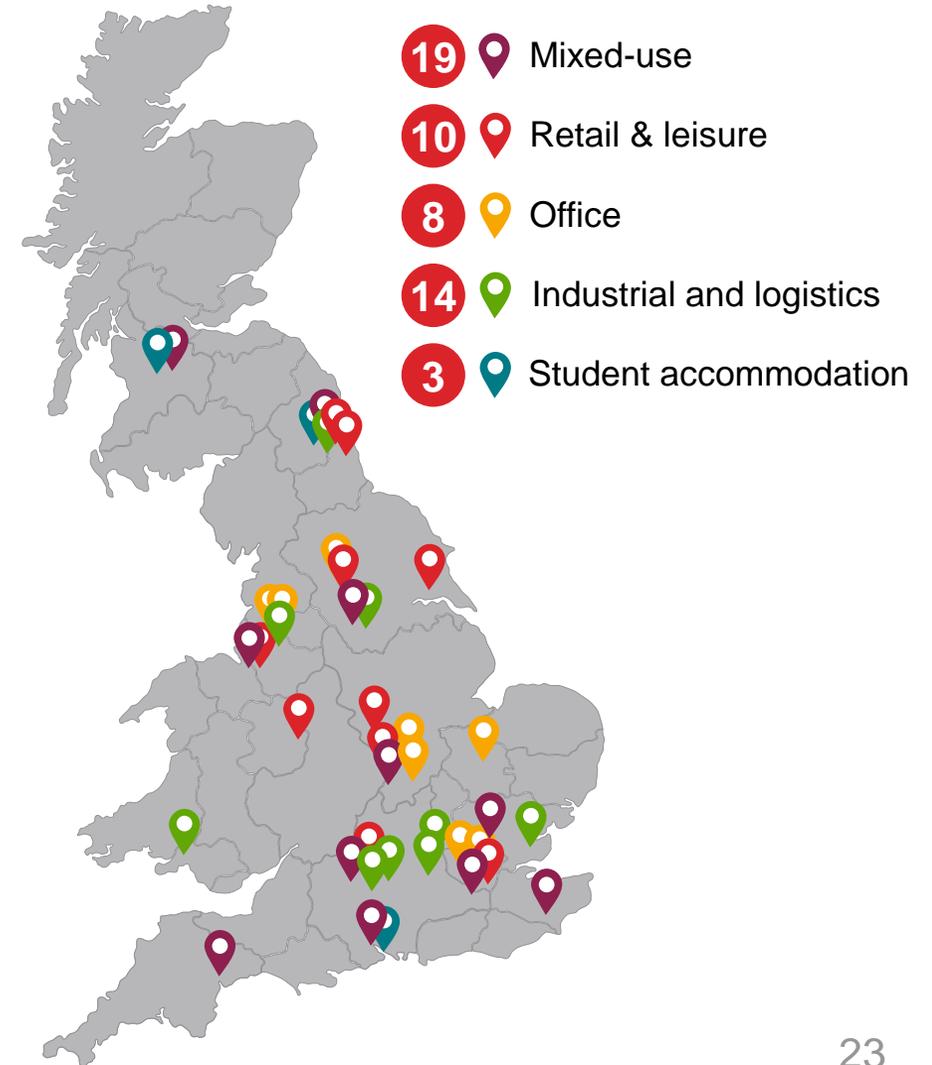
## Property presence

Driving strong local knowledge



## Current projects

54 current developments nationally





Last mile logistics



Office



Hotels



Multi-let light industrial



Mixed-use



Retail & leisure



Student accommodation

# Repeat business

## Industrial / logistics



## Retail / leisure



## JVs



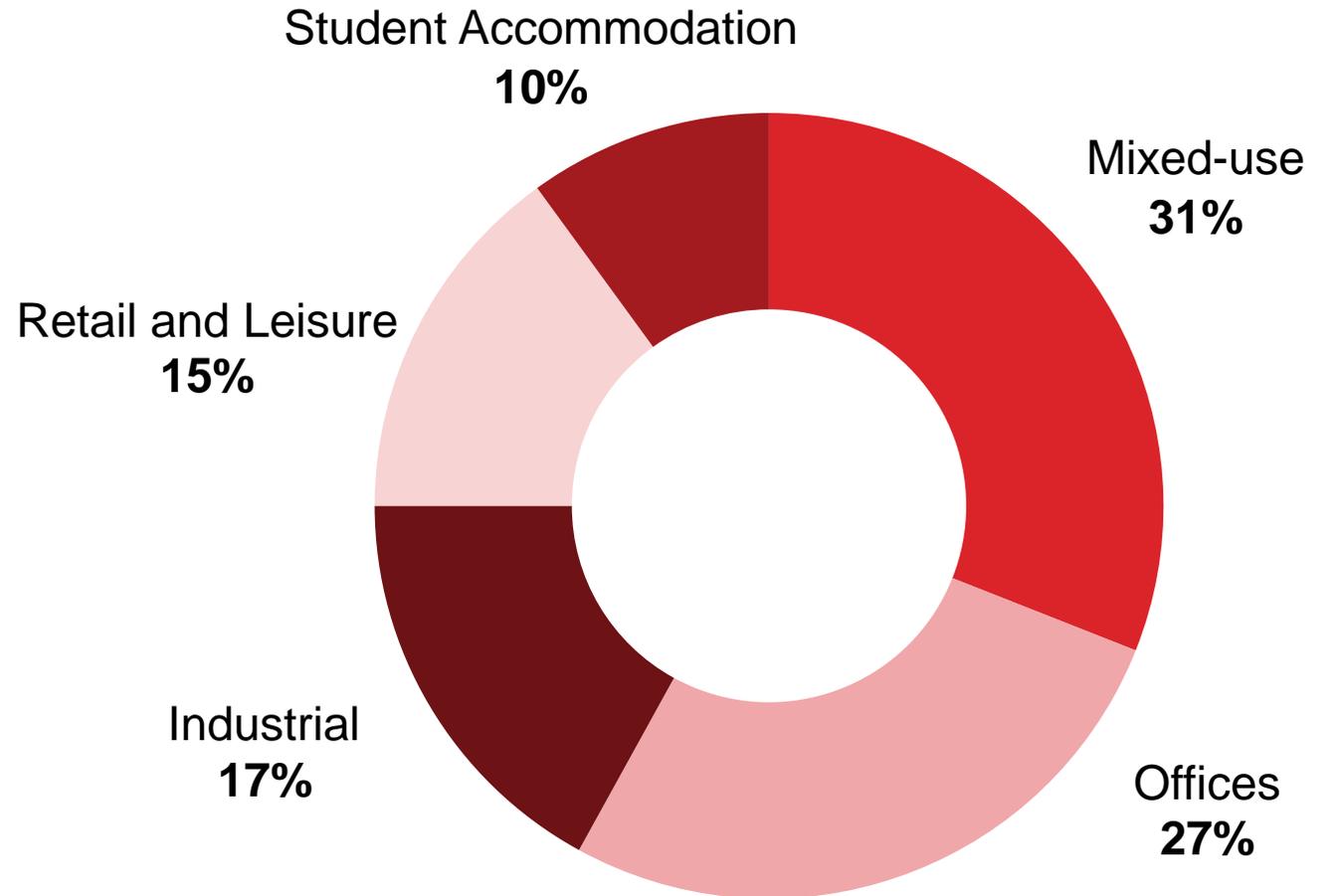
## Office



# A flexible investment strategy

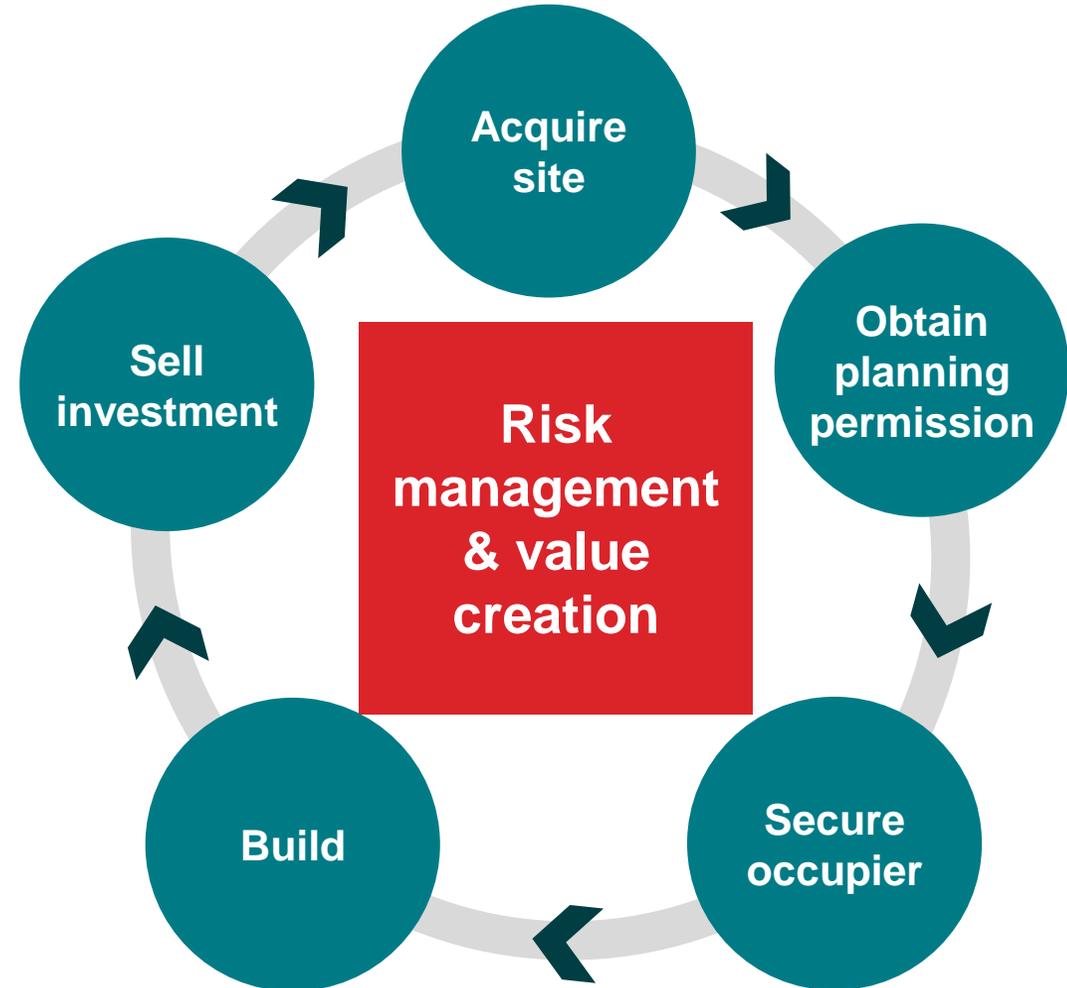
---

- Average capital employed - £120m in 2017
- Sector agnostic
- Occupier-led
- Regionally focused



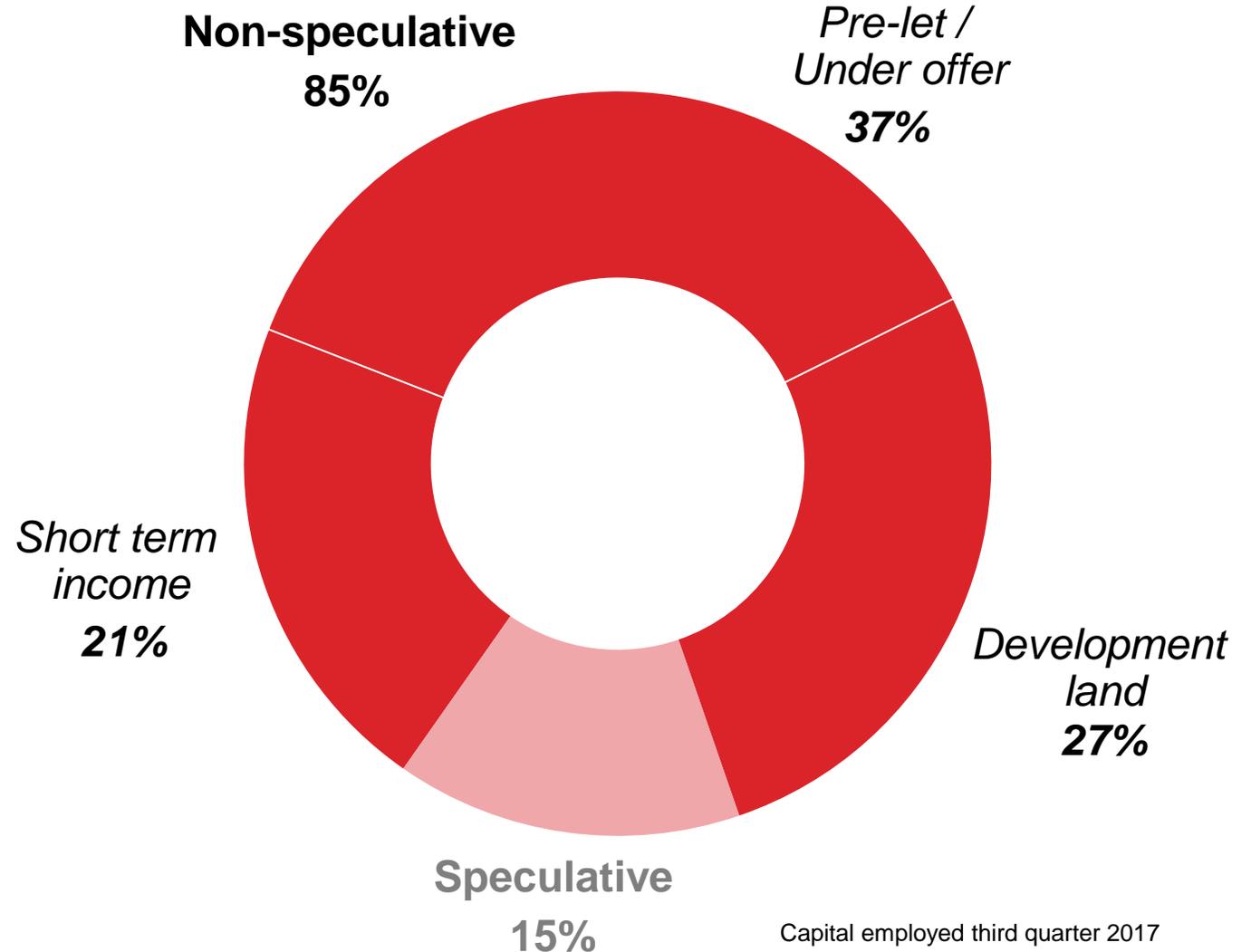
# Kier Property value creation model

- Stages can occur in any order
- Pre-let allows early sale
- Efficient use of Kier capital
- Purchaser funds construction
- £200m of Kier capital can deliver £1.4bn GDV pipeline



# Predominantly non-speculative approach

- 58% of capital investment on land either under offer, pre-let or with income
- WAULT\* on income is over 3 years with 10%+ income returns
- Land held as trading stock – no requirement to value on a mark to market basis
- Speculative development limited to under 20%

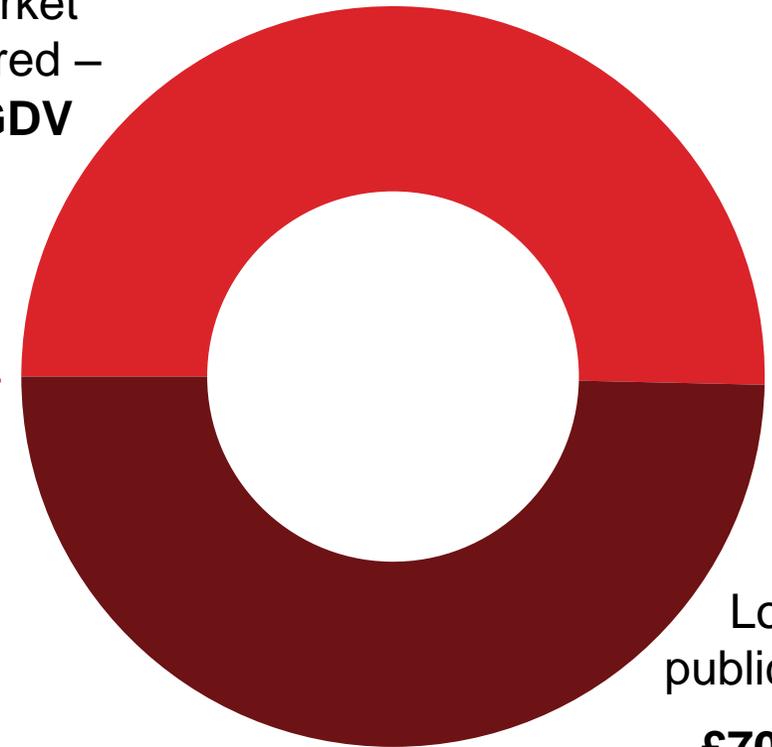


# Secure ten year pipeline

## Net Pipeline £1.4bn GDV

- 60+ sites / phases of development
  - Over 20% benefits from short-term income – improved ROCE
- 
- 25+ sites / phases of development
  - £700m GDV on land with deferred cash terms - improved ROCE
  - Insulated from market movement

Open market  
sites acquired –  
**£710m GDV**



Long-term  
public sector JVs  
**£700m GDV**

# Guaranteed minimum margin

**Development Agreements  
ordinarily reflect priority  
distribution of receipts**

Development costs



Agreed overhead and profit to Kier

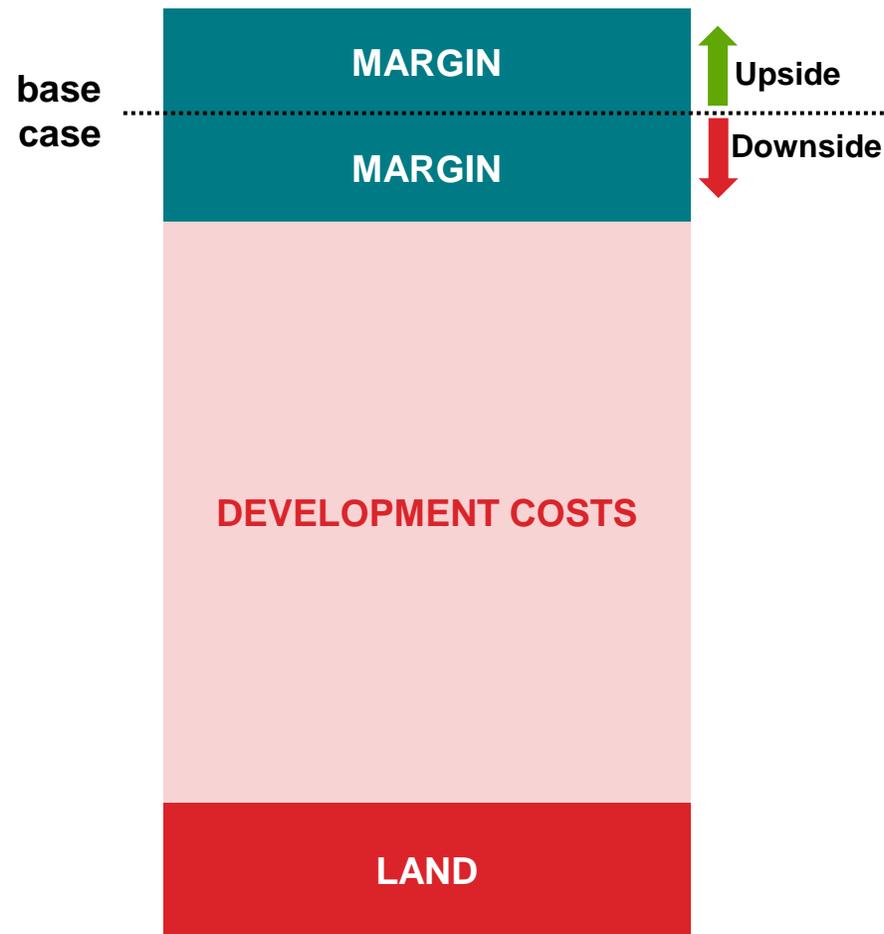


Land value



Overage agreement / Profit share  
above base

**Traditional model**



**Kier model**

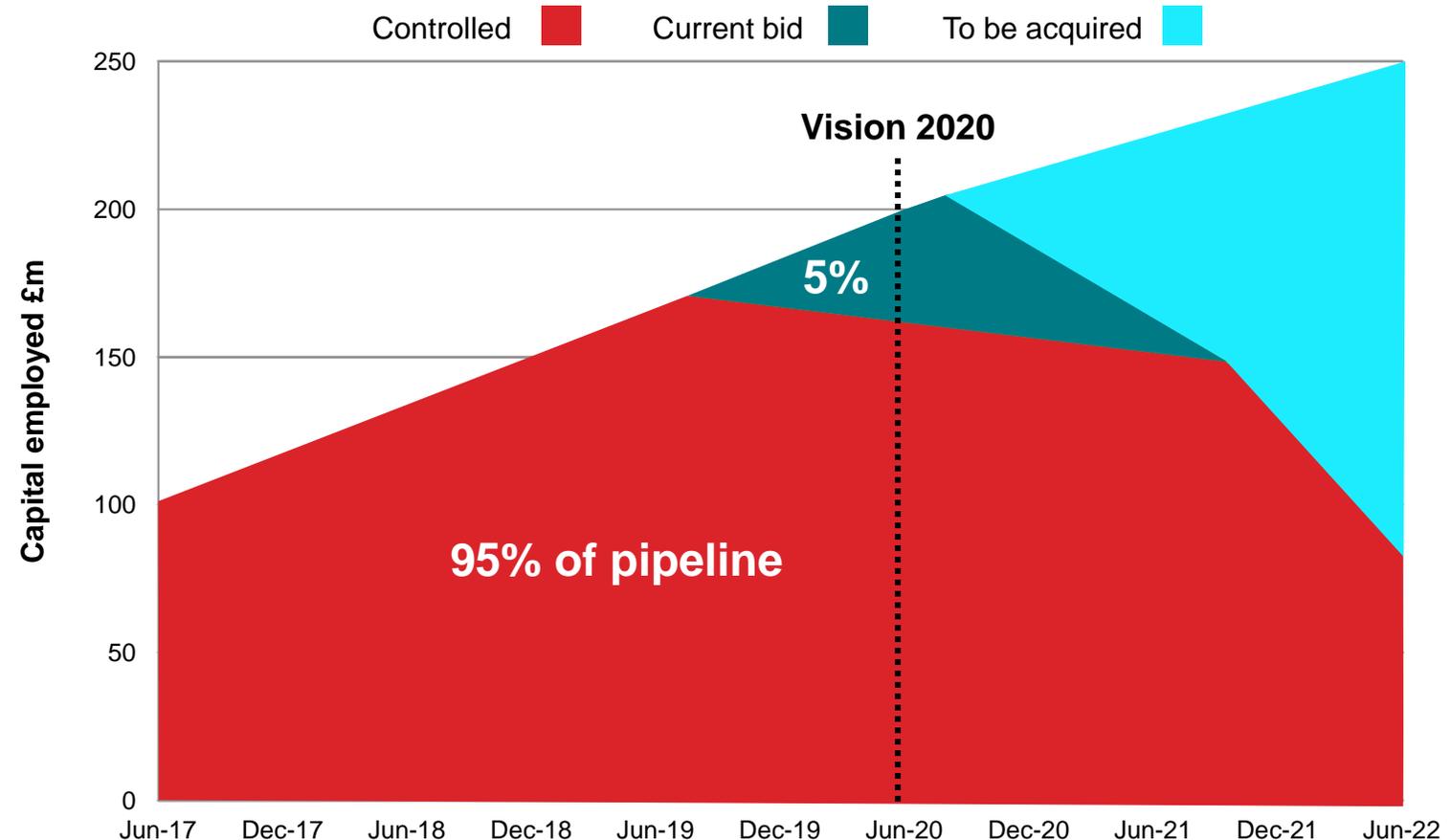


Public sector JV model

# Capital employed

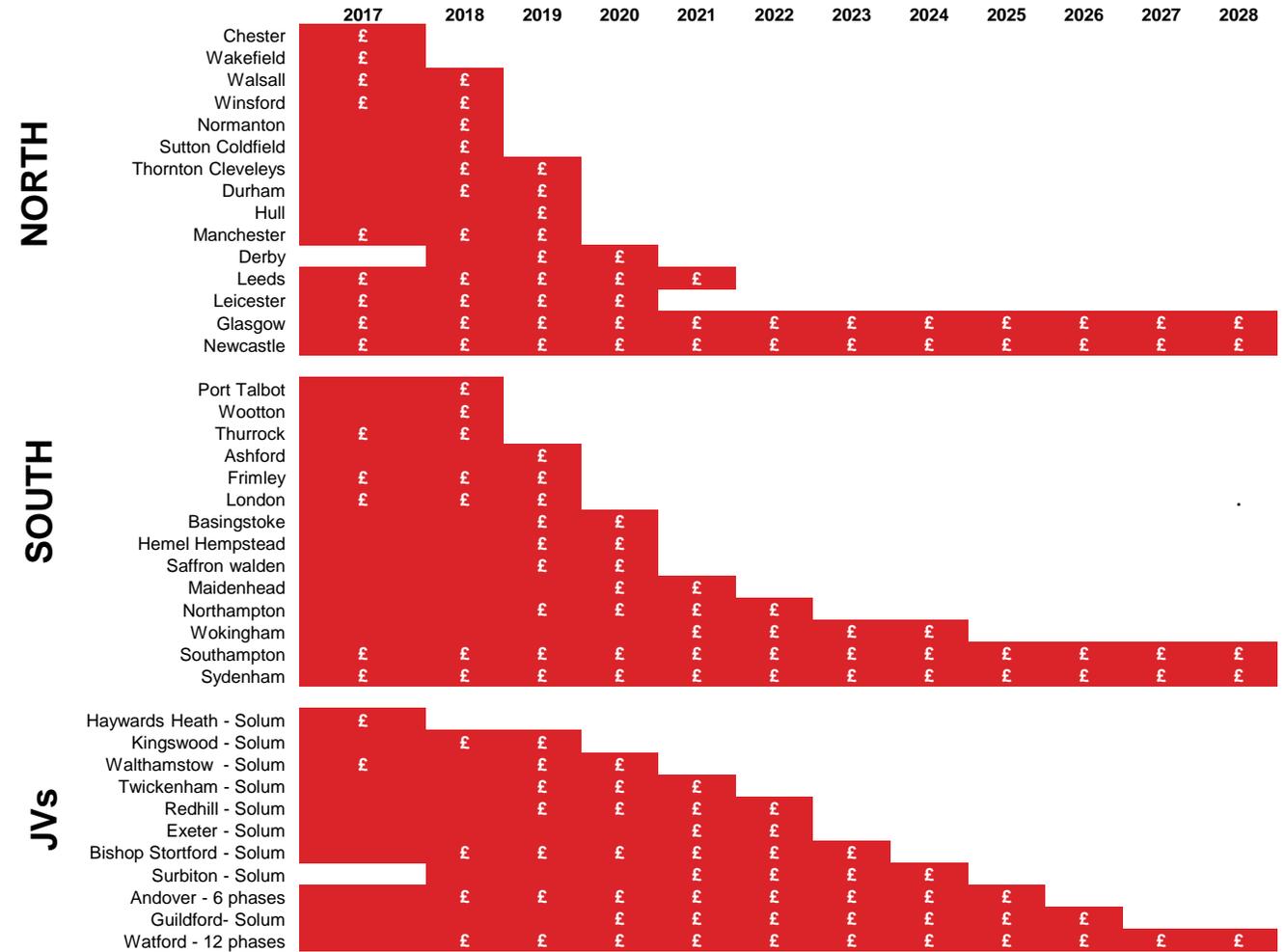
## 95% of Vision 2020 target controlled

- Net pipeline £1.4bn GDV
- 10 years controlled supply
- 95% secure against Vision 2020 investment
- £180m of additional GDV being in tender



# Pipeline visibility

- £1.4bn GDV
- Over 85+ sites
- 40 locations UK wide
- 20-25 disposals per annum
- Limited London exposure
- Profit crystallised upon disposal
- Capital recycled for future investment



# Conclusion

---

## Top 3 regional developer

**Well managed,  
risk controlled  
investment  
strategy**

**Controlled, ten  
year diverse  
pipeline**

**Robust  
operational  
profit & ROCE**

**Key contributor to Group profits**



**Manny Lewis**  
Managing Director  
Watford Borough Council

# Local Government context

- Current political climate and impact on Watford
- Central Government – v – Local Government
- Attitude towards private sector partnerships
- Commercial councils encouraging growth
- Public & private sectors working together



# What is Watford LABV?

## 1. Kier / Watford Borough Council

- A 65 acre brownfield site in West Watford with a GDV of £450m

## 2. 12 phases of mixed-use development delivering

- Key Infrastructure
- Over 750 residential units
- 300,000 sq ft of commercial development
- 73,000 sq ft retail

## 3. Key Stakeholders

- West Hertfordshire Health Trust / NHS
- Watford Football Club
- Network Rail, TfL and LUL
- Hertfordshire County Council
- Local Enterprise Partnership



# Riverwell – the Vision

**To deliver a flexible, sustainable and market facing masterplan providing;**

- Transformation of a brownfield site
- High quality homes, creating a new integrated community
- Employment opportunities and regeneration within West Watford
- Enhanced hospital patient, staff and visitor experience through:
  - Improving accessibility to green open space and the river
  - Upgrading car parking facilities
  - Delivering new access roads and infrastructure
  - Providing expansion zones for a renewed hospital

# Watford Riverwell Master Plan



# Why a Public/Private Partnership?

## Public Sector Drivers

- Brownfield redundant land
  - Land value & revenue generating developments
  - Commercial realism
- Inputs required:
  - Private sector cash
  - Private sector resources & expertise
- Private sector expertise and finance
- Realisation of land value, profit & revenue streams to enable reinvestment and support Council balance sheet

# Why a Public/Private Partnership?

## Private Sector Drivers

- Access to 20 years of projects/development opportunities
- Long term pipeline visibility – helping to develop a balanced portfolio
- Land as equity not paid for upfront preserve IRRs
- Further development and services opportunities beyond the core project

# Watford Riverwell Vision



# Added value

## **Local Employment:**

16,335 person days of local employment utilised in the delivery of the highway infrastructure project alone

## **£31k of support:**

- Princes Trust 'Get into Construction' programme - 8 young people (NEET\*)
- Dragons Apprentice scheme (schools)
- YMCA support (staff volunteering hours)

## **LEP & NHS Central Government Grant**

- Over £15m of interest free loans and government grants to deliver road

**Skills and Training:** 88 days of skills training provided

**Land Value:** Increased land value of zones served by infrastructure

**Hospital Journey Times:** Improved journey times for patients, staff, visitors

# Inclusive Communities

Homes that attract a wide range of ages and build diversity



Sustainable transport and connectivity



High quality open space attractive to all



Creation of Community Trusts to maintain and develop communities



# Health and Wellbeing

Streets for people



Open spaces within the community for all to enjoy



Ecological benefits



# Public/Private Working Together

## What are the basic ingredients?

- Communication and mutual trust
- Alignment of objectives
- Director/Executive/Mayoral buy-in to the partnership
- Decision making processes and timescales
- Realistic resource allocation
- Realistic programme expectations
- Joint Stakeholder Management
- Flexibility to manage scheme change

# Public/Private Working Together

## Unintended benefits

- Improved commercial nous
- Improved commercial confidence
  - Property investment board
  - JV Housing company established
  - Trading company established
- Improved programme management



# WATFORD RIVERWELL

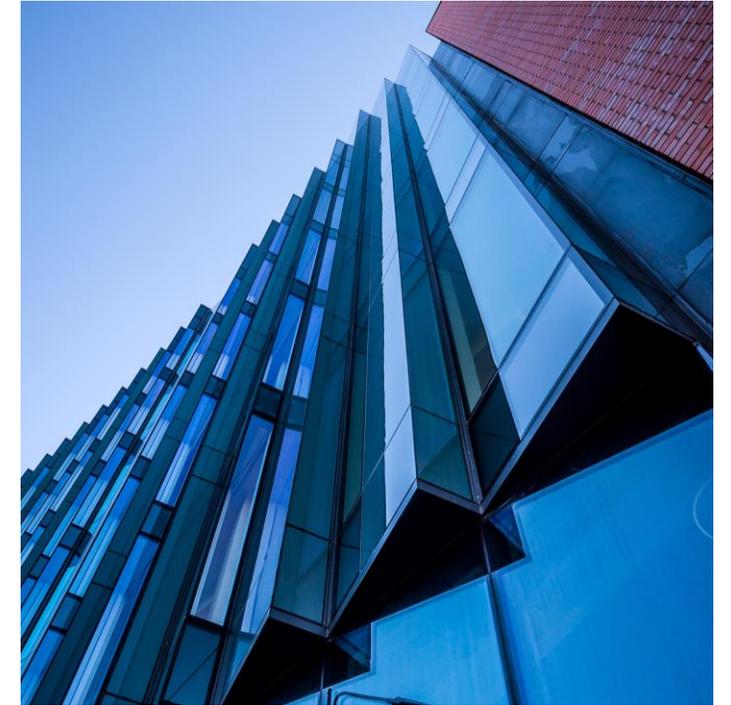
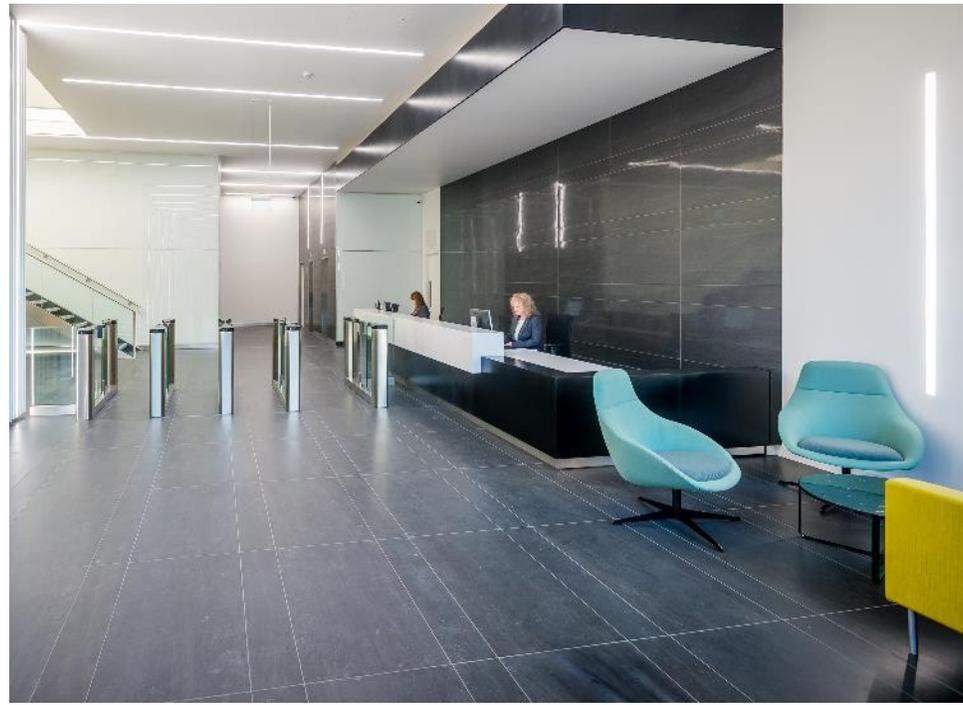


**Pip Prongué**  
Managing Director  
Property, South



# Leeds, 3 Sovereign Square

Capital employed £4m • Kier Construction value £18m • >20% ROCE



Urban regeneration • JV formed • Pre-let office

# Glasgow, Student Accommodation

264 beds • 100% occupancy by 2nd year • Capital employed £6m



Kier Construction value £10m • Development JV

# Thurrock, Logistics City & Trade City

Proprietary brand • Capital employed £8m • JV formed



250,000 ft<sup>2</sup> developed • 50% pre-let by sale • ROCE >20%

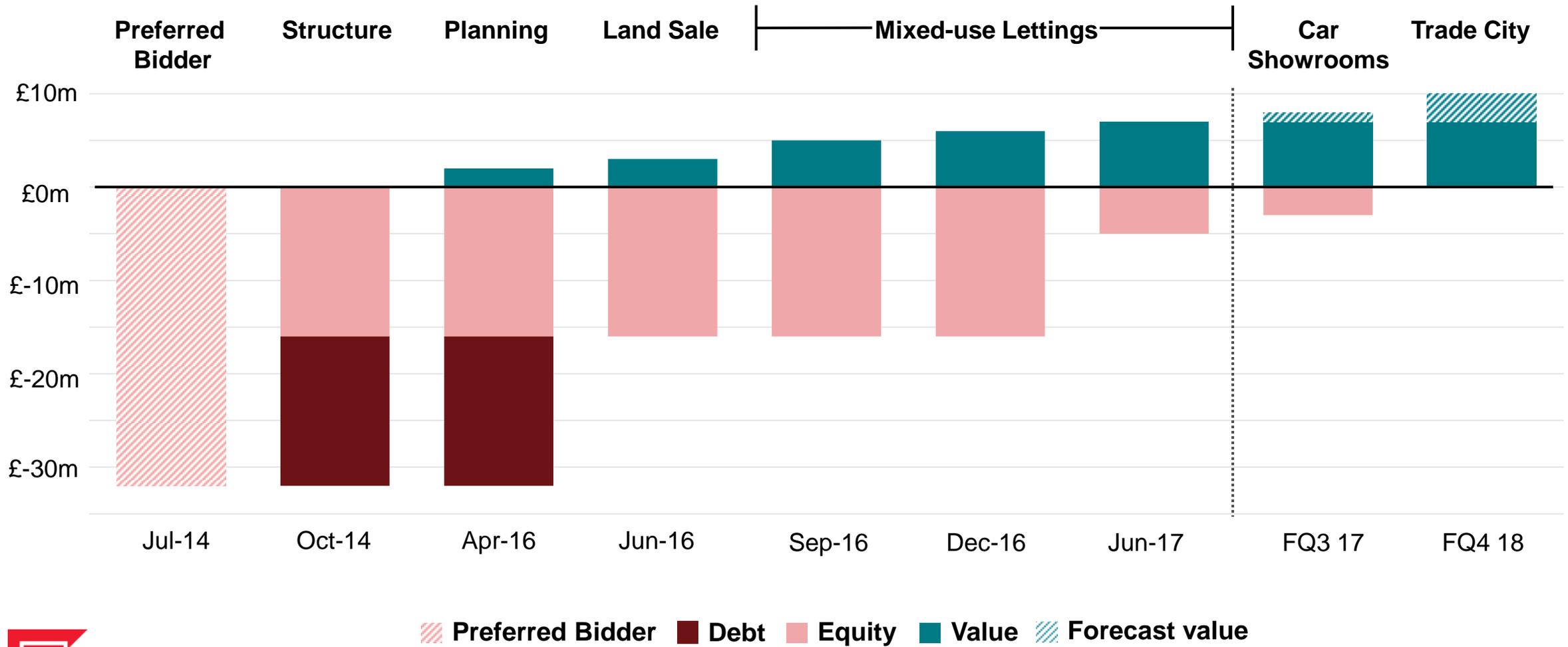
# Reading Gateway

Land led • JV formed • Pre-lets secured



Capital employed £16m • Kier Construction value £26m • ROCE > 15%

# Reading Gateway value creation



# Reading Gateway plans



# Kier Property enhances Group value

---

**Enabler of the  
Group wide offer**

**Low risk  
approach**

**Consistent  
returns > 20%**

**Kier Property on track to meet Vision 2020 targets**

