

## *News Release*

9 December 2020

### **BALFOUR BEATTY TRADING UPDATE**

#### **TRADING IN LINE WITH EXPECTATIONS; COMMENCEMENT OF SHARE BUYBACK PROGRAMME**

Balfour Beatty, the international infrastructure group, today provides a trading update covering the period to 8 December 2020.

#### Operational update

Throughout the COVID-19 pandemic, Balfour Beatty has responded swiftly and decisively to the rapidly evolving situation, protecting the Group's expert capability and financial strength, whilst continuing to deliver for all stakeholders.

Today, all the Group's sites are open and operating safely in accordance with local regulations. The earnings-based businesses have recovered steadily throughout the second half of 2020 and it is expected that the Group will deliver results in line with the Board's expectations for the full year.

#### Group financial full year forecasts

- **Order book:** The year-end order book is expected to be around £17 billion, significantly higher than 2019 (£14.3 billion). The increase has been driven by the award of Notice to Proceed on HS2 in April. Despite delays caused by COVID-19, in the second half of the year the Group has continued to win material infrastructure projects across all its geographies. Key successes include over £1 billion (Balfour Beatty share) of work secured on the Three Runway project at Hong Kong Airport, Oak Hill Parkway in the US and the M25 and M3 Smart Motorway Alliance contracts in the UK.
- **Revenue:** Full year Group revenue is expected to be in line with the prior year (2019: £8.4 billion).
- **Profit:** Group profit from operations for the full year is forecast to be in line with the Board's expectations.

- **Cash:** Cash performance continues to be strong. Full year average monthly net cash is now forecast to be around £500 million, ahead of the previous guidance of £430 million to £460 million (2019: £325 million).
- **Balance Sheet:** In October, the Group successfully concluded the extension of its £375 million committed revolving credit facility, which now extends to October 2023. As at 8 December 2020, this facility is undrawn. Following the redemption of the Group's preference shares in July 2020 (£112 million), Balfour Beatty has no further debt repayments until 2023.

### Sustainability strategy

A market leader and member of FTSE4Good, Balfour Beatty has long been at the forefront of sustainability and is rated AA by MSCI ESG. The Group's cultural framework under Build to Last has been refreshed to include Sustainable as a core value, alongside Lean, Expert, Trusted and Safe.

As a key lever of economic growth, the construction and infrastructure industry will be central to a sustainable recovery. New, low carbon infrastructure (HS2, wind power, new nuclear, rail electrification, energy efficient buildings) will play a leading role in stimulating growth. From the \$2 trillion Green New Deal proposed by the US President-elect, to the Green Industrial Revolution launched by the UK Prime Minister, governments are investing in ensuring that economies come back stronger from COVID-19 without the increase in carbon emissions that accompanied the last financial recovery.

Balfour Beatty's sustainability strategy, Building New Futures, charts a course for 2040 ambitions to go beyond net zero carbon, generate zero waste and positively impact more than 1 million people.

For 2030, the Group has formally committed to setting a science-based target to reduce carbon emissions and is guiding to a 40% reduction in tonnes of waste generated per £1 million of revenue and £3 billion social value generated over the next decade. Full details can be found at:

<https://balfourbeatty.com/media/318683/balfour-beatty-building-new-futures-sustainability-strategy.pdf>

### Board succession

The current Chair, Philip Aiken AM, has declared his intention to step down from the Board of

Directors at the next Annual General Meeting in May 2021. The search for a replacement is in progress.

#### US military housing

Balfour Beatty's internal investigation is substantially complete, and all findings have been passed to the Department of Justice (DoJ). The Group's external counsel is engaging with the DoJ, with the intention of seeking resolution during the first half of 2021.

#### Capital allocation framework

Since the start of the Build to Last programme Balfour Beatty has transformed its operational and financial performance. It has focused its geographic and operational footprint while investing significantly in capability, innovation and standard systems and processes. This has created a scalable business model which together with the increasing order book gives the Board confidence that it will deliver profitable managed growth and cash generation on a sustainable basis.

The Group's average net cash is expected to be around £500 million in 2020 and the strong balance sheet is underpinned by the £1.1 billion Investments portfolio.

Given the resilience of the Group's performance throughout the year, despite the impact of COVID-19, the Board intends to pay a final dividend at the Group's full year results. In addition, as a first step in a programme of returning capital to shareholders, Balfour Beatty intends to commence an initial £50 million share buyback programme from January 2021.

Full details of the Group's capital allocation framework will be set out at Balfour Beatty's full year results on 10 March 2021. This will cover the Board's assessment of the optimal balance sheet structure for the Group, sustainable dividend policy and future capital return programme.

#### Outlook

Balfour Beatty continues to expect that the earnings-based businesses will report a more normalised operating profit in 2021, broadly in line with 2019. Additionally, as market conditions continue to strengthen, the Group expects to re-commence disposals from its Infrastructure Investments portfolio in 2021.

#### Quote

Leo Quinn, Balfour Beatty Group Chief Executive, said: “As the impact of COVID-19 reduces, we are seeing positive momentum across the business. Ours is an industry that underpins economies: going forward, it will help to drive recovery, including new jobs, new skills and a greener future.

“We look towards 2021 with a strong order book, a robust balance sheet and having maintained our expert capability. These attributes provide confidence that Balfour Beatty is well positioned to deliver value through profitable managed growth in both the medium and long term.”

**ENDS**

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**Notes to editors:**

- Balfour Beatty ([balfourbeatty.com](http://balfourbeatty.com)) is a leading international infrastructure group. With 26,000 employees, we provide innovative and efficient infrastructure that underpins our daily lives, supports communities and enables economic growth. We finance, develop, build and maintain complex infrastructure such as transportation, power and utility systems, social and commercial buildings.
- Our main geographies are the UK, US and Hong Kong. Over the last 110 years we have created iconic buildings and infrastructure all over the world including the London Olympics’ Aquatic Centre, Hong Kong’s first Zero Carbon building, the National Museum of the Marine Corps in the US and the Channel Tunnel Rail Link.