

News Release

08 December 2022

BALFOUR BEATTY 2022 TRADING UPDATE

Continued strong operational performance

Balfour Beatty, the international infrastructure group, today provides a trading update covering the period to 8 December 2022.

Financial Update

- **Order Book:** The year-end order book is expected to be around 5% ahead of the prior year (FY2021 £16.1 billion), largely due to favourable foreign exchange movements. The Group continues to de-risk the order book across its portfolio by focusing on projects with the appropriate terms and conditions.
- **Revenue:** Full year revenue is expected to be about 5% ahead of prior year (FY2021: £8.3 billion), also largely driven by foreign exchange.
- **Profit from operations:** Full year underlying PFO from earnings-based businesses is expected to be in line with guidance at the half year.
- **Profit for the year:** Now expected to be ahead of market expectations due to positive net interest income and the recognition of deferred tax assets significantly reducing the 2022 tax charge.
- **Cash:** Cash performance continues to be strong. Full year average monthly net cash now forecast to be around £800 million, ahead of the previous guidance of £740-£780 million.

Operational Update

Construction Services: In the UK, Balfour Beatty has been appointed as the sole contractor to both of the SCAPE Civil Engineering frameworks, covering England, Wales and Northern Ireland, and covering the entirety of Scotland. The frameworks are worth up to £3.25 billion and £750 million, respectively, covering a period of four years, with an option for a two-year extension.

US Construction has continued winning work across all chosen geographies, with notable 2022 orders including a \$700 million federal building in Maryland, a \$400 million convention centre in Florida, a \$300 million multi-use development project in Texas and \$300 million of data centres in Oregon.

In Hong Kong, Gammon is holding a record order book and has a healthy pipeline of future opportunities. It recently secured a HKD2.6bn building contract.

Support Services: Following the Group's success in being selected for the eight-year £176 million Buckinghamshire highways maintenance contract, the Group was also awarded a new seven-year contract, worth £297 million, by East Sussex County Council for the maintenance of highways assets and the delivery of infrastructure services across the county.

Infrastructure investments: Balfour Beatty has disposed of five assets in the year for around £90 million consideration and £65 million profit on disposal, while investing around £30 million in new projects. The Group is currently preferred bidder on two projects in the UK and one project in the US, all of which are student accommodation projects.

Capital allocation framework

Balfour Beatty continues to deliver attractive total cash returns to shareholders while maintaining an appropriate balance between investment in the business, and a strong capital position. Once the 2022 share buyback programme completes this month, over £385 million will have been distributed to shareholders through share buybacks and dividends since the start of 2021. This includes over £200 million in 2022 and total cash returns are expected to be broadly similar in 2023. From January, the Group intends to buy back further shares ahead of confirming the full 2023 share buyback at the Group's full year results in March.

Interest and Tax

The Group expects net interest income for the 2022 full year, largely due to the Group benefitting from higher interest rates. This is expected to continue in 2023.

In addition, given the Group's profitable outlook, further deferred tax assets relating to UK tax losses from prior periods are expected to be recognised in the second half of 2022, resulting in only a small 2022 tax charge.

Going forwards, however, the effective tax rates in each of the three geographies are expected to be close to statutory rates, albeit with cash tax payments in the UK remaining below statutory levels in the medium term as losses are utilised.

Quote

Leo Quinn, Balfour Beatty Group Chief Executive, said: "We continue to expect a strong full year operational and financial performance. Looking to 2023 and beyond, our improved, de-risked and diversified order book gives us confidence that we will continue to make progress in delivering profitable managed growth."

ENDS

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Notes to editors:

- [Balfour Beatty](#) is a leading international infrastructure group with 24,500 employees driving the delivery of powerful new solutions, shaping thinking, creating skylines and inspiring a new generation of talent to be the change-makers of tomorrow.
- We finance, develop, build, maintain and operate the increasingly complex and critical infrastructure that supports national economies and deliver projects at the heart of local communities.
- Over the last 113 years we have created iconic buildings and infrastructure all over the world including: the £1.5 billion A14 improvement scheme - Britain's biggest road project; Hong Kong's HK\$5.5 billion world-class harbour theatre project for the West Kowloon Cultural District Authority; and the 12.5 mile \$429 million North Metro Commuter Rail line in Colorado, US.