

2018 half-year results presentation

15 August 2018

Balfour Beatty

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Leo Quinn
Group Chief Executive



Balfour Beatty highlights

Order book up 11%
to **£12.6bn**

UK Construction margin
2.1%
excluding AWPR



Average net cash
£161m

Dividend increase
33%

On track for industry standard margins in the second half of 2018

Phil Harrison
Chief Financial Officer



Headline numbers

	HY 2018	HY 2017
Revenue*	£3,836m	£4,191m
Profit from operations*	£66m	£39m
Pre-tax profit*	£56m	£22m
Profit for the period*	£52m	£23m
Total underlying EPS*	7.5p	3.2p
Dividends per share	1.6p	1.2p
	HY 2018	FY 2017
Order book*	£12.6bn	£11.4bn
Directors' valuation	£1,185m	£1,244m
Year end net cash [‡]	£366m	£335m
Average net cash [‡]	£161m	£42m

* from continuing operations, before non-underlying items
[‡] excluding infrastructure concessions (non-recourse) net debt

Results demonstrate continued delivery of Build to Last transformation

Underlying profit from operations

£m	HY 2018*	HY 2017*
US Construction	17	17
UK Construction	5	2
Gammon	10	5
Construction Services	32	24
Support Services	17	16
Infrastructure Investments	33	15
Corporate activities	(16)	(16)
Total	66	39

* from continuing operations, before non-underlying items

Improving financial performance across all segments

Order book

£bn	HY 2018	FY 2017	HY 2017
Construction Services			
US	5.4	4.3	4.7
UK	2.7	2.7	2.2
Gammon	1.4	1.3	1.2
	9.5	8.3	8.1
Support Services			
Utilities	1.2	1.3	1.5
Transportation	1.9	1.8	1.8
	3.1	3.1	3.3
Total	12.6	11.4	11.4

£bn	HY 2018	HY 2017
0-6 months	3.5	3.7
6-18 months	4.2	3.5
18-30 months	2.5	2.1
30 months+	2.4	2.1
Total	12.6	11.4

Performance

- 11% increase (10% at CER) driven by US bookings
- No change to the Group's disciplined bidding strategy
- Increased bid margin thresholds, lower risk contract portfolio
- £2.5bn HS2 Lots N1 and N2 (50:50 JV) not included

Higher quality order book increased to £12.6bn

Construction Services

£m	HY 2018*			HY 2017*		
	Revenue	PFO	PFO %	Revenue	PFO	PFO %
US	1,577	17	1.1%	1,952	17	0.9%
UK	947	5	0.5%	975	2	0.2%
Gammon	451	10	2.2%	481	5	1.0%
Total	2,975	32		3,408	24	

* from continuing operations, before non-underlying items

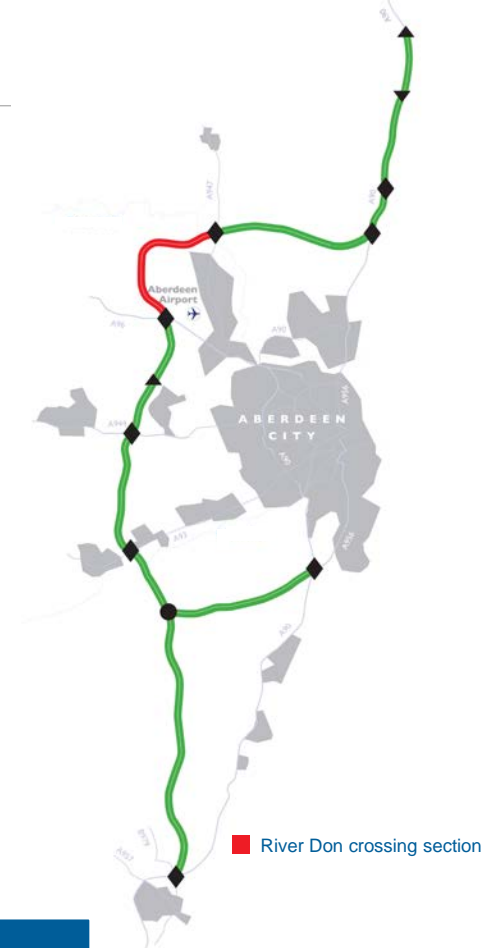
Performance

- All geographies capable of delivering industry standard margins
- 13% lower revenue (7% at CER) driven by lower prior year order book
- H2 2018 revenue forecast to be in line with H1 2018 revenue
- US Construction PFO margin 1.1% within industry standard margin range
- Gammon PFO doubled to £10 million

UK Construction PFO margin 2.1% excluding AWPR

Aberdeen Western Peripheral Route (AWPR)

- Road partially opened to the public
- Final structure, Don Crossing, expected to complete in autumn 2018
- Balfour Beatty 2018 expected cash outflow now £135m
- Underlying charge in the period of £15m, non-underlying charge £8m
- Working with Transport Scotland to resolve outstanding commercial issues



Project demobilisation underway

Support Services

£m	HY 2018*	HY 2017*
Revenue		
Utilities	308	299
Transportation	235	220
Total	543	519
Profit from operations	17	16
PFO margin	3.1%	3.1%

* from continuing operations, before non-underlying items

Performance

- 5% higher revenue
- PFO and margin percentage stable
- Power: continued restructure and cost removal
- Gas and Water: focus on AMP7 contract terms
- Highways: stable markets working for local authorities
- Rail: contract wins, LU contract re-tender in H2 2018

PFO margin target range continues to be achieved

Infrastructure Investments

£m	HY 2018	HY 2017
Pre-disposals operating profit*	11	15
Profit on disposals	22	-
Investments underlying operating profit*	33	15
Subordinated debt interest receivable	13	12
Infrastructure concessions' net interest	(3)	(1)
Investments pre-tax result*	43	26

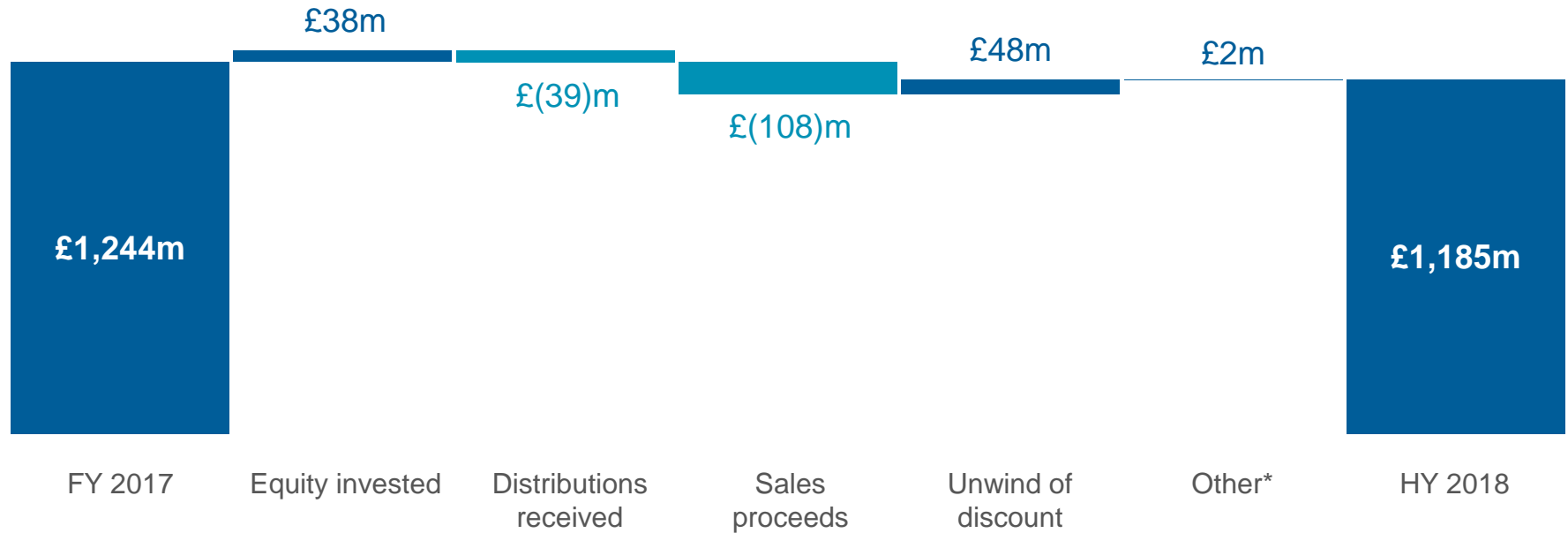
* from continuing operations, before non-underlying items

Performance

- Increased profit driven by gain on partial disposal of Connect Plus M25
 - 2018 profit and cash: 5% sale for £22m profit on disposal, £42m cash proceeds
 - 2017 profit, 2018 cash: 7.5% sale for £32m profit on disposal, £62m cash proceeds
 - Group retains 15% interest in Connect Plus M25 asset
- Expect further sales from portfolio in second half of 2018

Continuing to optimise value from the portfolio

Directors' valuation of Investments portfolio



* Other includes movements in operational performance and foreign exchange

Directors' valuation remains stable at £1.2bn

Half-year cash flow

£m	HY 2018	HY 2017
Operating cash flows	44	26
Working capital outflow	(66)	(9)
Pension deficit payments	(14)	(10)
Cash (used in)/generated from operations	(36)	7
Infrastructure Investments		
Disposal proceeds	108	2
New investments	(38)	(24)
Other	(3)	3
Cash inflow/(outflow)	31	(12)
Opening net cash*	335	173
Closing net cash*	366	161

* excluding infrastructure concessions (non-recourse) net debt

£m	HY 2018	HY 2017
Working capital		
Inventories	-	(1)
Net contract balances	-	(9)
Trade & other payables	52	49
Trade & other receivables	(63)	(55)
Provisions	(55)	7
Working capital outflow	(66)	(9)

Performance

- Working capital provisions impacted by AWPR cash outflows
- Average net cash £161m (2017: £45m)
- 2018 average net cash guidance increased to £140m - £170m

Substantial improvement in average net cash

Group balance sheet

£m	HY 2018	FY 2017	HY 2017
Goodwill and intangible assets	1,191	1,155	1,178
Working capital	(877)	(888)	(924)
Net cash (excluding infrastructure concessions)	366	335	161
Investments in joint ventures and associates	522	531	630
PPP financial assets	159	163	159
Infrastructure concessions – non-recourse net debt	(329)	(305)	(292)
Net retirement benefit assets/(liabilities)	184	32	(208)
Other assets and liabilities	24	33	56
Total equity	1,240	1,056	760

One of the strongest balance sheets in the sector

Build to Last outlook



Phase One (2015-16)

- Targets achieved: solid foundations for sustainable, profitable growth

Phase Two (2017-18)

- Earnings-based businesses: reach industry standard margins
 - UK Construction: 2%-3%
 - US Construction: 1%-2%
 - Support Services: 3%-5%
- Asset-based business: portfolio managed to maximise value

Phase Three (2019+)

- Market-leading strengths and performance

On track for industry standard margins in the second half of 2018

Leo Quinn
Group Chief Executive



Build to Last



Foundation which underpins future profitable growth

De-risking Balfour Beatty to improve returns



GEOGRAPHIC

Simplified and refocused on growing markets in UK & Ireland, US and Far East

Exited construction in Middle East, Indonesia, Australia, Malaysia and Canada



COMMERCIAL

Selective bidding for contracts best aligned with Group's infrastructure capabilities

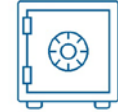
Higher quality, lower risk order book on more favourable commercial terms



OPERATIONAL

Upgraded leadership and governance

Short interval control via Gated Lifecycle, Digital Briefcase and Project on a Page



FINANCIAL

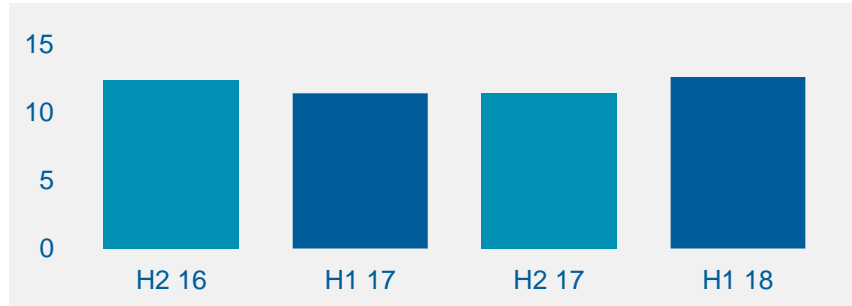
Strong balance sheet; running business with average net cash

Since late 2017, repaid £32m of US PP and £39m of convertible bonds

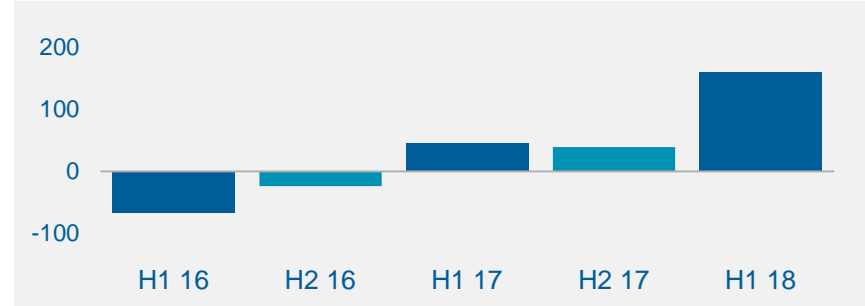
Framework that sustains profitable growth

Benefits of Build to Last

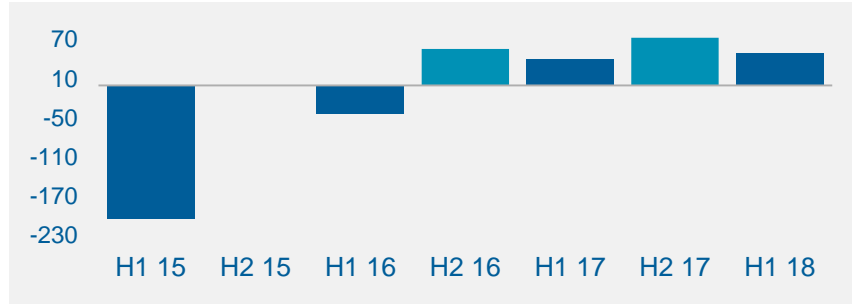
Order book (£bn)



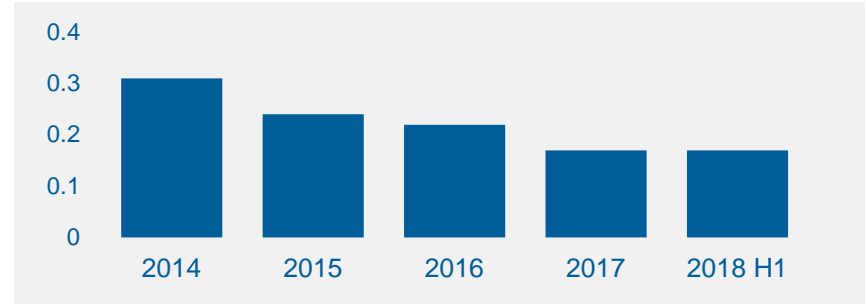
Group six month average net cash (£m)



Earnings based businesses PFO (£m)



Safe: Lost Time Injury Rate[^]



[^] excluding international joint ventures

Clear evidence of transformation

Key infrastructure projects

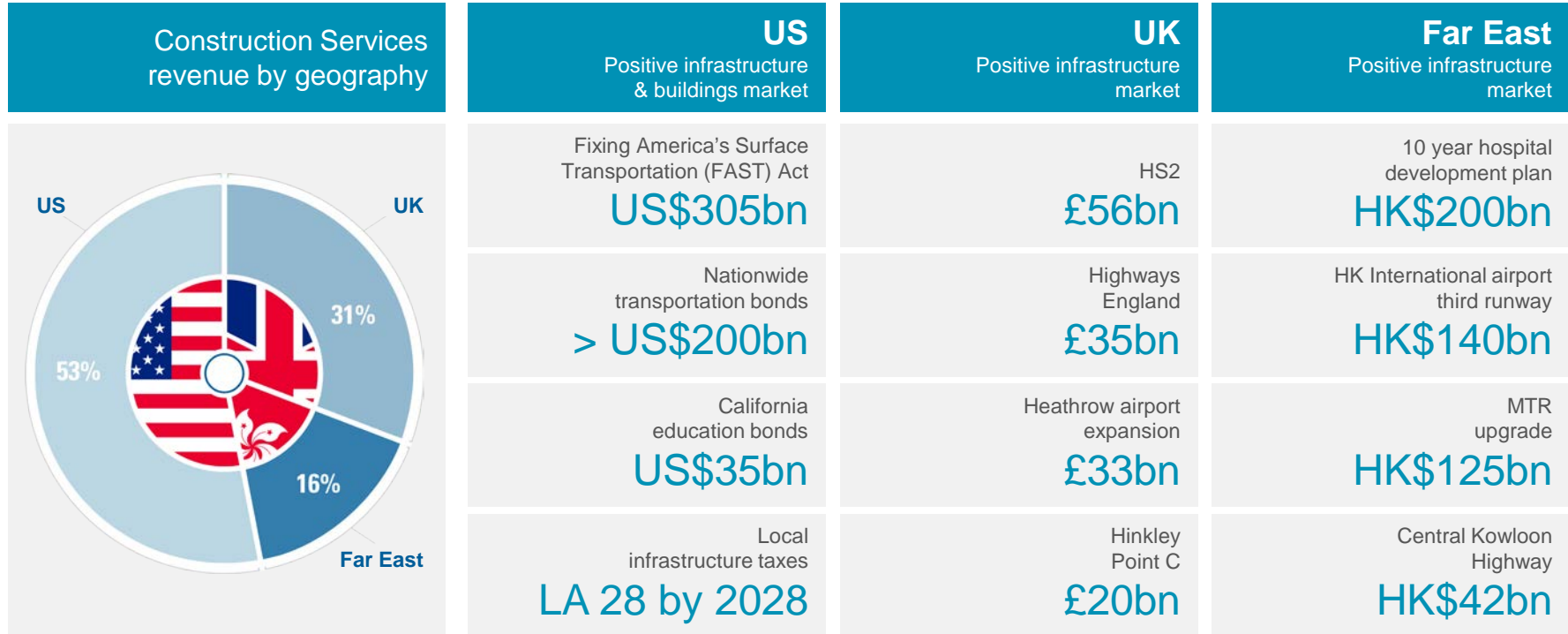
Project	Value*		2018	2019	2020	2021	2022	2023	2024	2025	
Caltrain	\$697m	US	█								
Southern Gateway	\$625m	US	█								
Green Line	\$1.08bn	US	█								
LAX	\$1.95bn	US	█								
HS2	£2.5bn	UK	█								
A14	£1.5bn [^]	UK	█								
M4/M5/M6 Smart Motorways	£600m	UK	█								
Hinkley Point C	Undisclosed	UK	█								
Thames Tideway	£416m	UK	█								
Central Kowloon Highway	HK\$6.2bn	HK	█								

* Total value to Balfour Beatty or in Balfour Beatty joint venture

[^] value of total project

High quality, robust order book

Positive infrastructure markets

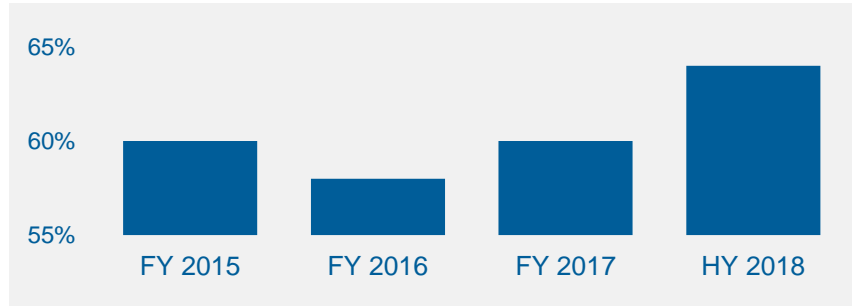


Bidding selectively in growing infrastructure markets

Expert capabilities

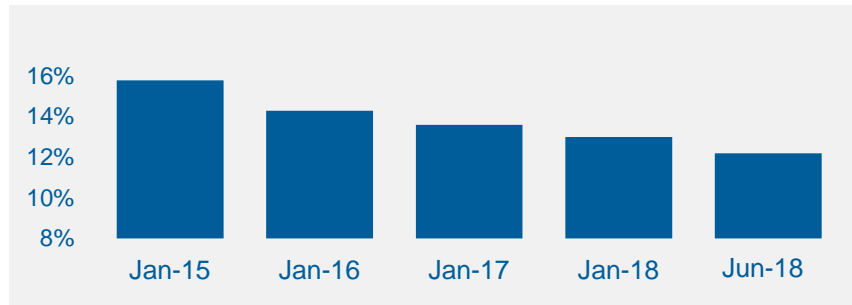


Expert: Employee engagement rate



Expert: UK voluntary attrition

(moving annual average)

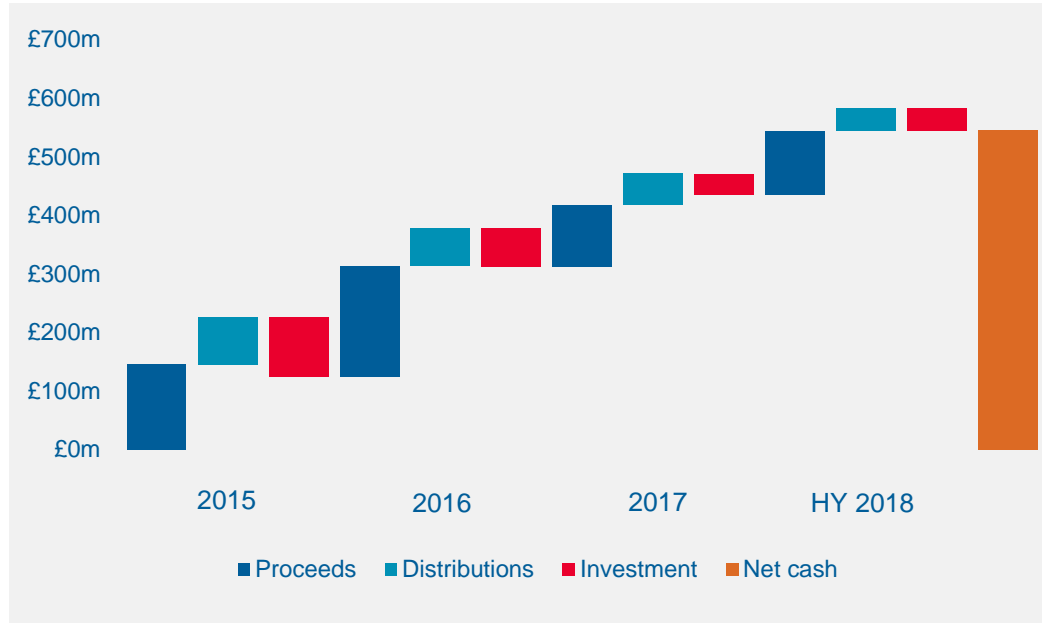


- Creating a great place to work
- Recruit, train, retain highest calibre workforce
- Investing in capabilities
 - Digitising construction
 - Site of the future
 - 25 by 2025
- Employee Value Proposition underway

Securing the workforce of the future

Infrastructure Investments model

Infrastructure Investments value crystallised

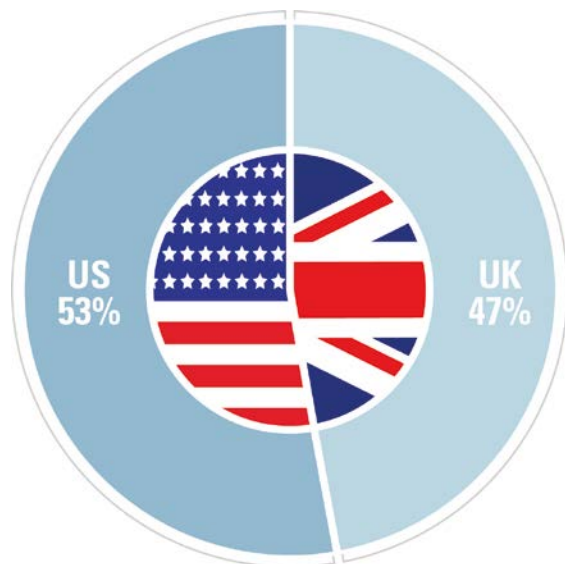


- Over £500m net cash distribution since 2015
- Cycle mature assets to maximise value
- DV remains stable at £1.2bn
- Continue to invest with focus towards US opportunities
 - US: PPP projects, military and student accommodation
 - UK: Student accommodation, transmission
- Enhanced returns when Investments, Construction and Services deliver as one

A continuing source of value and opportunity

Infrastructure Investments portfolio by sector

Directors' valuation
by geography



Directors' valuation by sector (£m)	HY 2018	FY 2017
Roads	210	290
Healthcare	144	136
Student accommodation	66	64
Other	136	146
UK total[^]	556	636
US military housing	512	497
Student accommodation	49	49
US other	68	62
North America total	629	608
Total	1,185	1,244

Directors' valuation by phase (£m)	HY 2018	FY 2017
Operations	1,018	1,089
Construction	159	130
Preferred bidder	8	25
Total	1,185	1,244

[^] UK includes Singapore and Ireland

Actively managed portfolio maximising shareholder value

Balfour Beatty today

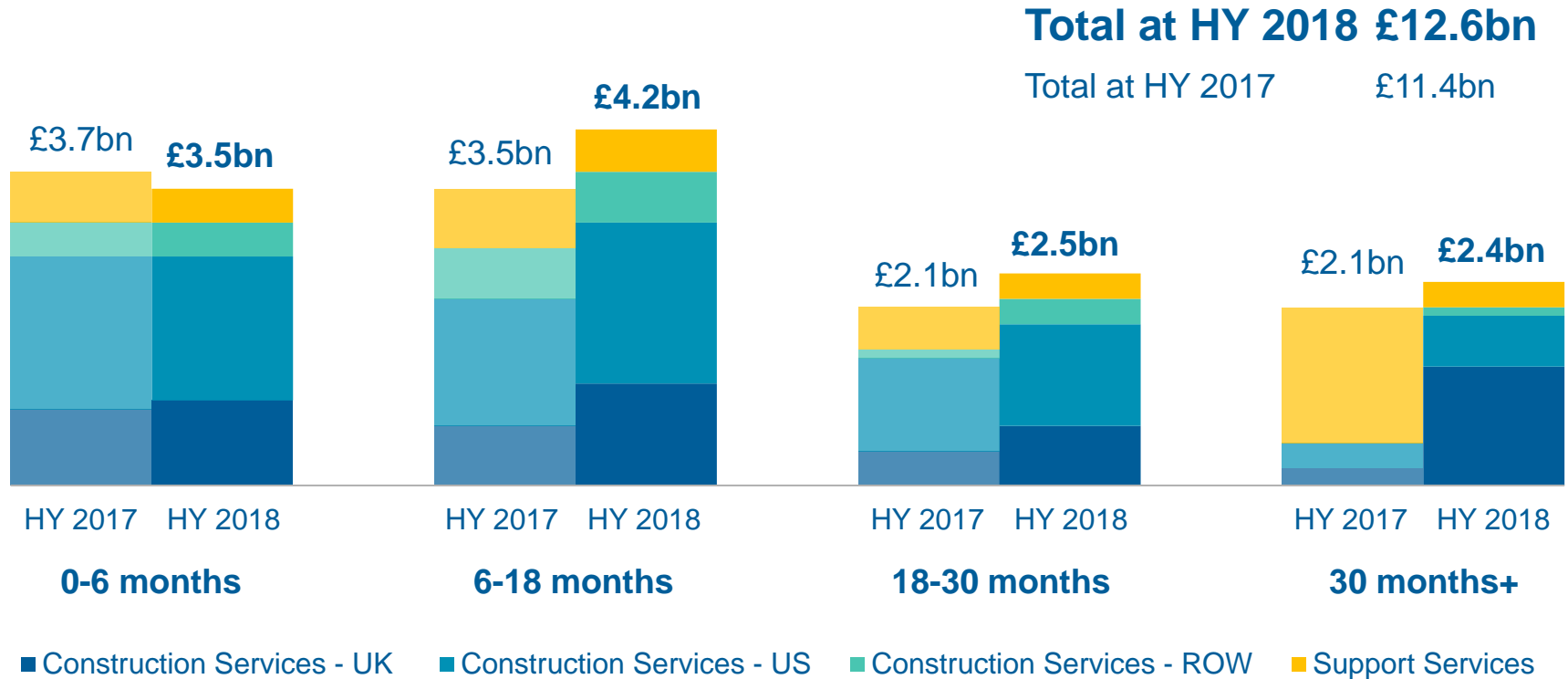


Industry leading brand

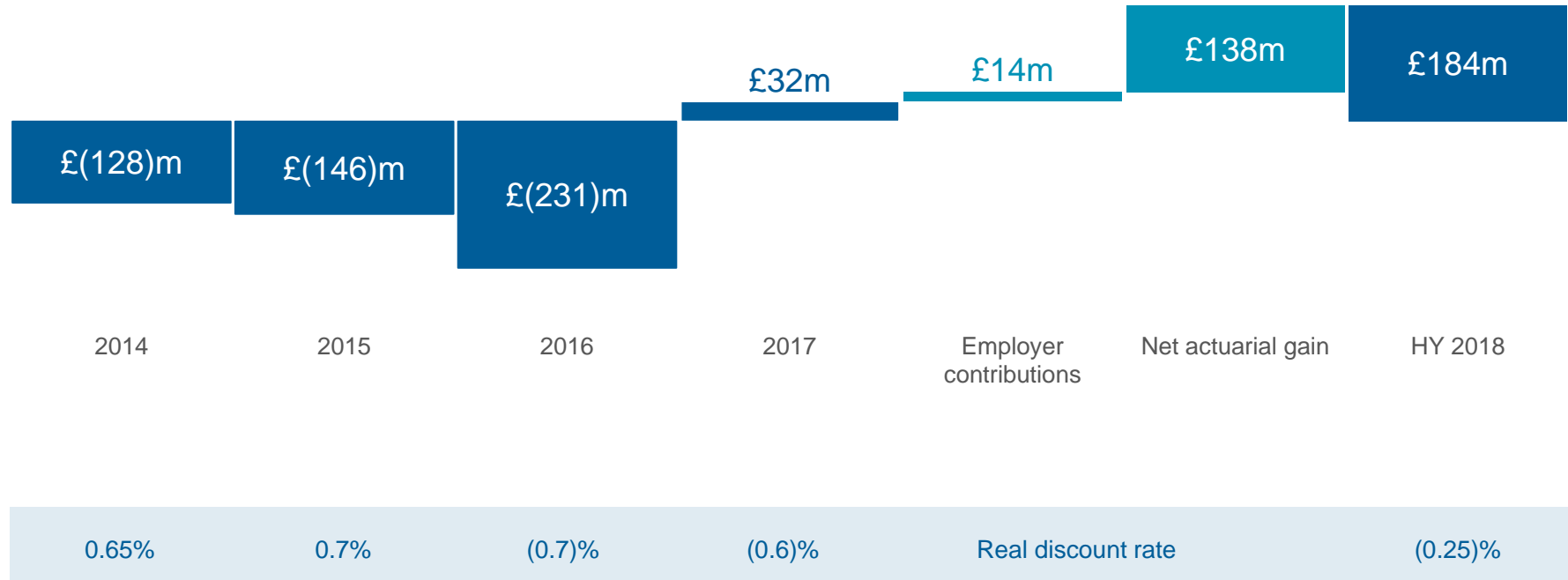
Market leader positioned to deliver market leading performance

Appendix

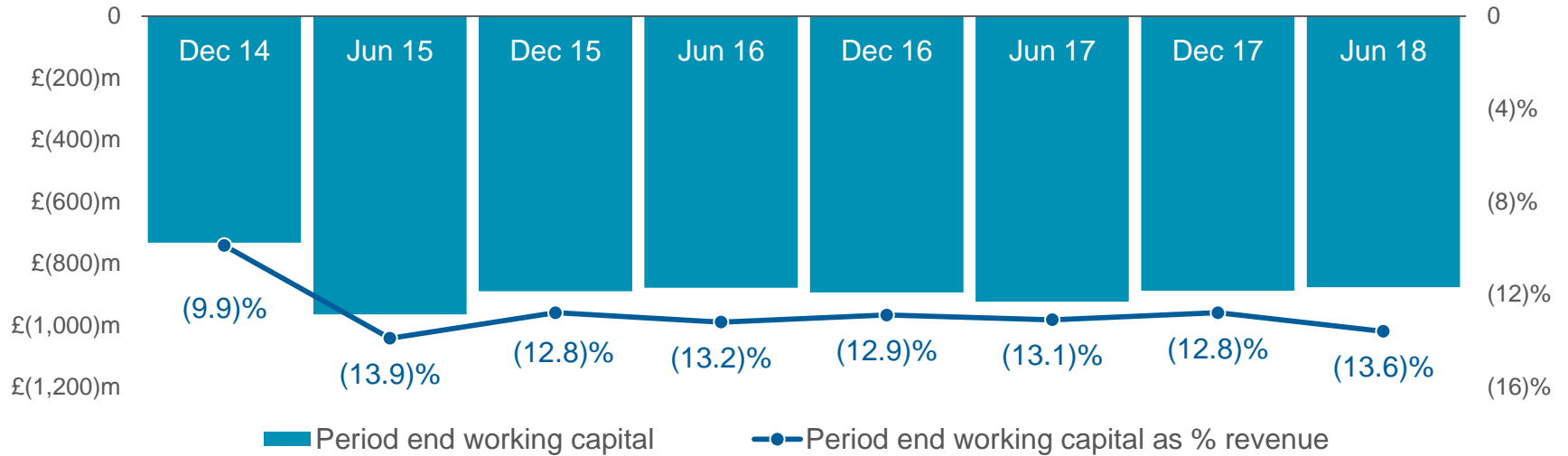
Order book position compared with prior year



Pensions – balance sheet movement



Working capital – Group

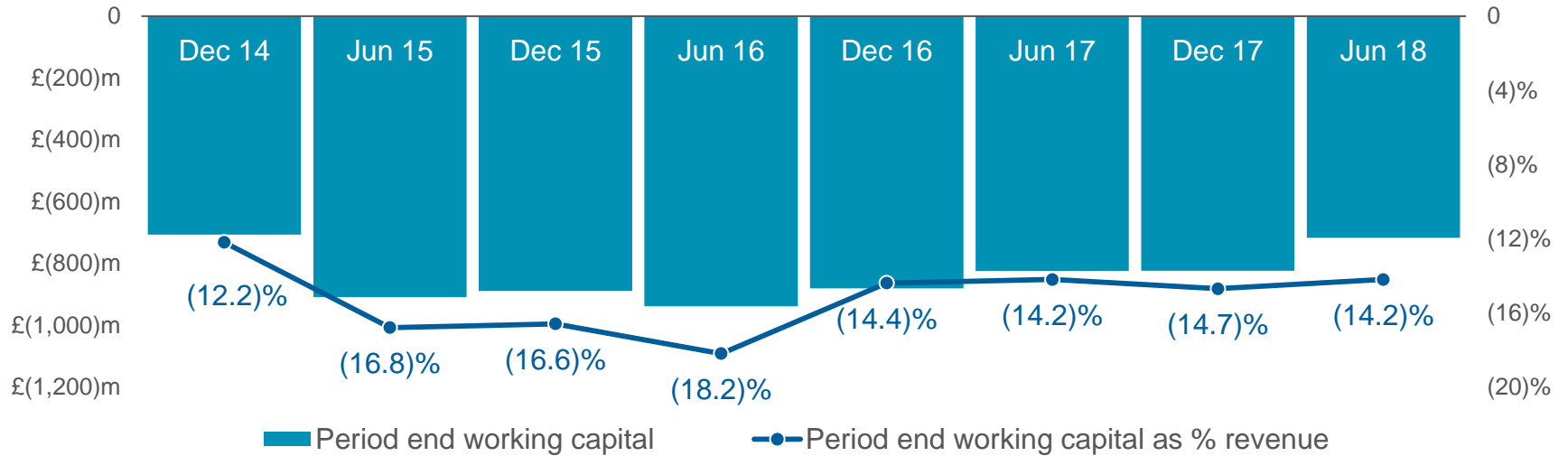


<i>Debtor days</i> ¹	29	28	27	30	34	37	28	37
<i>Creditor days</i> ¹	46	53	45	52	51	53	46	55

from continuing operations including non-underlying items

¹Debtor days include Current trade receivables. Creditor days include Current trade and other payables, excluding accruals

Working capital – Construction Services



from continuing operations including non-underlying

Net interest cost

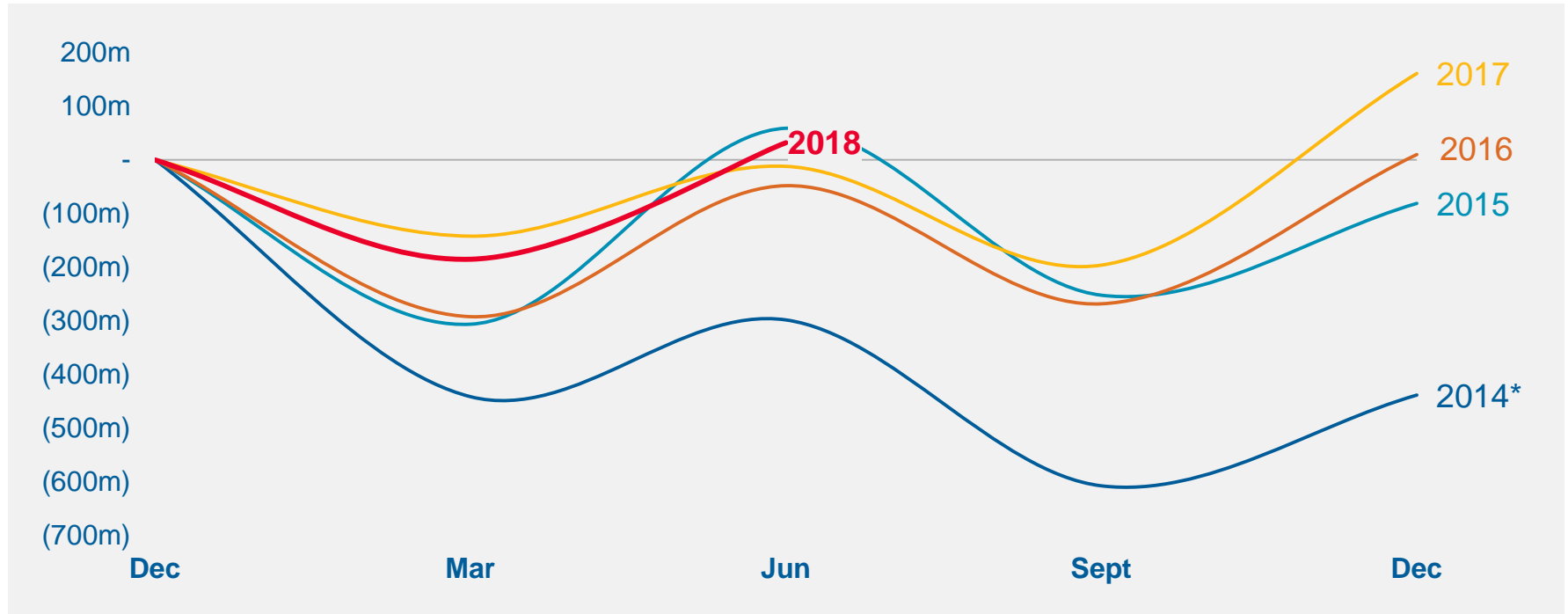
£m		HY 2018	HY 2017
Subordinated debt interest receivable	13		
Interest on PPP financial assets	4		
Interest on non-recourse borrowings	(7)	10	11
Net finance income/(cost) – pension schemes		1	(3)
Other interest receivable	2		
Other interest payable	(6)		
FX losses on US deposits	-	(4)	(6)
US private placement		(6)	(7)
Convertible bonds			
- finance cost	(2)		
- accretion	(2)	(4)	(5)
Preference shares			
- finance cost	(6)		
- accretion	(1)	(7)	(7)
Net interest cost		(10)	(17)

Non-underlying items

£m	HY 2018	HY 2017
Trading		
- Rail Germany	1	-
Impairment and amortisation		
- Amortisation of acquired intangibles	(4)	(5)
Restructuring and reorganisation		
- Build to Last transformation costs	(5)	(5)
Other		
- Additional loss on the AWPR contract as a result of Carillion's liquidation	(8)	-
- Provision release relating to settlements of health and safety claims	7	-
- Additional gain on disposal of Balfour Beatty Infrastructure Partners	3	-
Tax		
- Non-underlying recognition of deferred tax assets in the UK	20	-
- Other	3	2
Non-underlying items	17	(8)

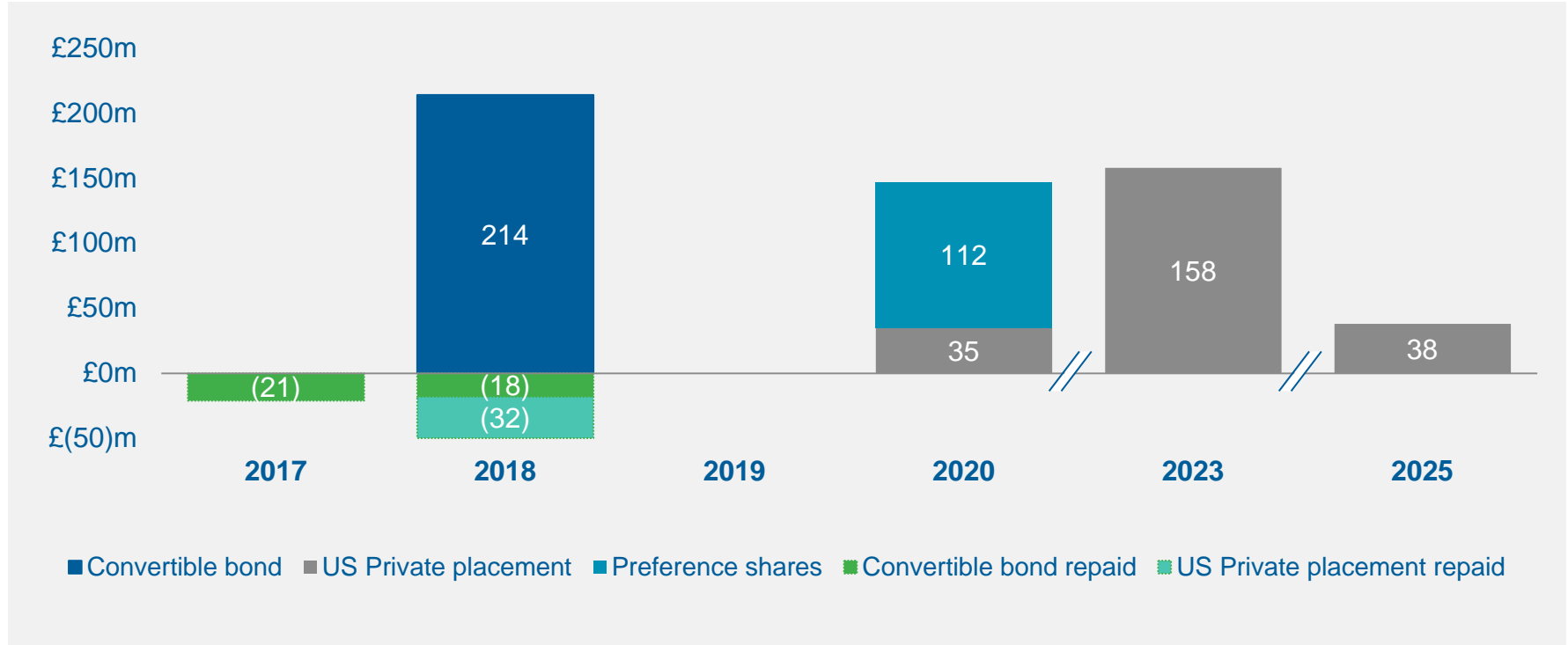
Build to Last – LEAN

Cumulative annual cash flow (£m)



* Adjusting for the sale of Parsons Brinckerhoff
Includes all other disposals

Debt repayment profile



The Group has a committed revolving credit facility of £400 million extending through to 2020. At 29 June 2018 all of this facility was undrawn

Balfour Beatty: leading the conversation



25% by 2025

Streamlined construction:
Seven steps to offsite and modular building

August 2018

Balfour Beatty



Customer driven

Delivering roads for the future

August 2018

Balfour Beatty



Ahead of the curve

Innovation and productivity in construction

July 2018

Local Government

Balfour Beatty



Defence construction

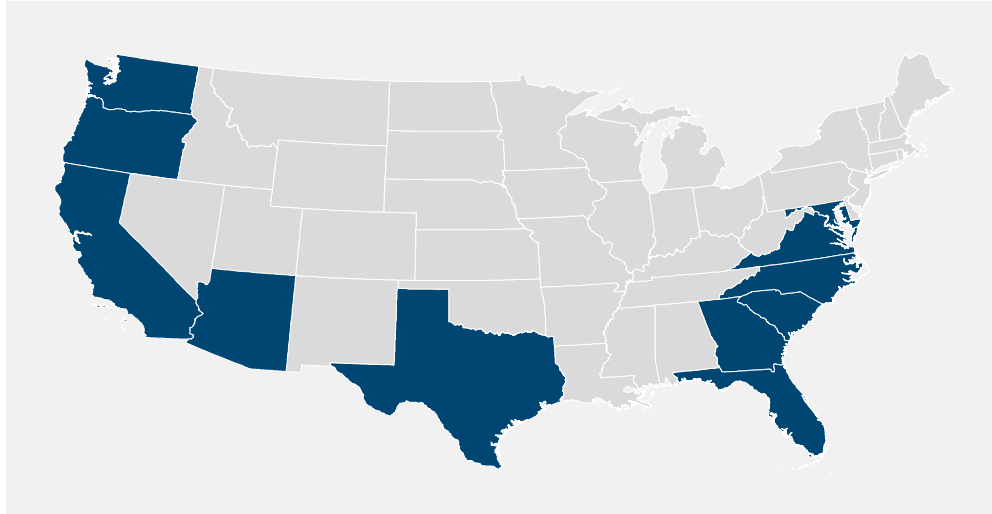
Keeping vital capability intact

July 2018

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US Construction

Our Buildings presence



Our capabilities

Buildings



Commercial



Education



Hospitality



Residential



Healthcare

Civils



Roads



Rail



Water

Our markets 2018 opportunities



Buildings*
\$365bn



Civils
\$86bn

Sources: Dodge

*In states in which Balfour Beatty operates

Financial history

450%

Increase in revenue

45

Acquisitions

£94m

Average ordinary dividend (2011-2014)

£10m

Average ordinary dividend (2015-2017)

