

Balfour Beatty

2025 Full Year Results Presentation

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Philip Hoare

Group Chief Executive

Good morning, everyone. Welcome to those of you that have joined us here in the room at Deutsche Numis, and hello to everyone online. My name is Philip Hoare, Group Chief Executive of Balfour Beatty, and over the course of the next hour or so, Phil Harrison and I will talk you through our great 2025 performance.

But first, what a way to start. That video for me, that film, epitomises everything that is great about Balfour Beatty. The complex projects that we work on around the world, the depth of our end-to-end capability, the great customer relationships that we enjoy. And when you hear the stories from Richard, Amber, and Wayne, what a fantastic legacy that they are working on. You can see, can't you, the pride that comes from them. And so this is a great organisation, poised for the future, and I look forward to telling you more about that.

But before I do, I just want to say a huge thank you to all the staff and employees of Balfour Beatty. It's you that makes this happen. It's you that delivers the great results that we're going to be talking about today. And it's you that will take this organisation into the future. So thank you. We really appreciate everything that you do for this company.

Now, let me talk to you about the highlights of the great results. I think, for me, this is really captured in three things. Firstly, we're improving across every single part of our organisation. Secondly, we've got great momentum into the future. And thirdly, you know my first six months in Balfour Beatty, what I see is a great platform for future growth, and I have great confidence in the future.

So let's turn to those results. We delivered against our full-year expectations across all key financial metrics. And what that did was allowed us to improve earnings per share by 9% from 2024 into 2025. Our order book stands at a record high £23 billion. And it's not just the size and scale of that order book; it's the great quality work that we see within it and the resilience that that brings to our business. And of course, when you take everything together and look at our overall capital allocation strategy, we're really pleased to announce this morning a £200 million share buyback in a returning value to our shareholders. So a great position. And of course, Phil will take you through the detail of that in just a moment.

But let me introduce you to something new. So over the course of the last six months, I've had a fantastic opportunity to work across the length and breadth of this organisation, from the northwest of the United States through the UK into our business with Gammon in Hong Kong. And what I've learned from that is incredible, you know those deep customer relationships that we enjoy, the fabulous talent and end-to-end expertise that we have across the business. But what I've really seen and able to triangulate from my own experience is some real opportunities to improve this business.

So let me introduce you to the next chapter of growth, the next chapter of profitable growth for Balfour Beatty through three words, Evolve, Energise, and Explore. Evolve is all about how we're going to strengthen the core of our business. And this is in meaningful, tangible ways. Firstly, through a group-wide margin improvement program, driven by data that will allow us to systematically move margins forward. The second is by a relentless focus on operational

excellence, making sure that every project we deliver, large or small, is delivered to the best of our ability and in line with our expectations. And finally, of course, it's about investing in our people. People are the lifeblood of this company, and our ability to continue to invest in people and create great careers is going to propel this business into the future.

The second pillar is all about energise. So this is about accelerating profitable growth. Now, this is about doing this in a disciplined and focused way. You know, remembering the stable platform and great governance that we have across this whole organisation, but really taking advantage of markets where we have that capability and where we have good customer relationships. So for me, this is about expanding and accelerating growth in the US market, and I'll come on to talk more about that in a moment. It's about leveraging the high-growth opportunities that we see in UK energy and defence. And it's fundamentally about getting closer, deeper customer relationships and extending the range of capabilities that we sell to those customers, as well as bringing new capability to those organisations.

And then finally, you know, explore. Explore is all about shaping what's next. It's about being agile and dynamic for the future. It's about being responsive to changes in the markets that we have, but it's also about thinking ahead and exploring adjacencies where we can propel growth into the future. And finally, it's about making some really disciplined investment choices in terms of what we look at, whether that be on technology or on other things as we move forward. So Evolve, Energise, and Explore the next chapter of profitable growth for Balfour Beatty. And I look forward to coming back later in the year and telling you more about that.

But for now, let me hand you to Phil, who'll take us through the detail of the numbers.

Phil Harrison

Chief Financial Officer

Thanks, Philip. And good morning, everyone. I'm very pleased to present these results today. 2025 has been another strong year for Balfour Beatty. We delivered against the targets we set out a year ago, and as we look ahead, there is real momentum in the business. We are confident in delivering further margin growth and long-term value for our shareholders.

Let's kick off things with the numbers. Revenue increased by 8% to 10.8 billion. This was driven primarily by growth in US buildings and power transmission in the UK. Profit from our earnings-based businesses increased by 16%. Strong growth in UK construction and support services more than offset the write down in US civils, which we disclosed at half year.

In infrastructure investments, disposals were a highlight. We generated proceeds of 120 million and gains of 36 million. That said, higher military housing costs pushed up the division's pre-disposal operating loss. This offset most of the improvement from our earnings-based businesses, limiting group PFO growth to 2%.

We remain fully focused on completing the work needed to conclude the monitorship by the 6th of June this year. If all goes to plan, we expect investment returns to return to a more normalised level of profit in the second half and for the full year in 2027.

Profit for the period climbed by 5% to 239 million. Together with our ongoing share buyback, this drove a 9% increase in earnings per share to 47.6 pence. Our order book is looking very healthy, up by 23% to 22.7 billion. The director's valuation of the infrastructure portfolio reduced by 15% to 1.1 billion, mostly driven by our disposal program. Average net cash increased to 1.2 billion, thanks to a big working capital inflow.

With this strong performance, the board is announcing a final dividend of 9.8 pence, bringing the total for the year to 14 pence. That's a 12% increase, marking another year of double-digit growth. We're also committing to 200 million in share buybacks for 2026.

Let's turn to construction services. Overall, PFO grew by 8%. UK construction had an excellent year. If we leave out insurance recoveries, profits were up by 22%, and we surpassed our long-standing 3% margin target a year earlier than planned. This was down to better operational performance and a lower risk contract mix. We also received an 11 million insurance recovery in the first half of the year, tied to an ongoing project.

Looking forward, we see further scope for improvement. We expect UK construction margins in '26 to go beyond the 3.2% achieved in '25. In US construction, PFO was 25 million. Strong growth and operational delivery in buildings was offset by cost overruns and schedule delays on the Texas highways project. The second half was much better. Buildings continued to grow, Civils stabilised, and we beat our August forecast.

For '26, we're expecting more revenue growth from buildings and for the delayed Texas project to complete this year. PFO will start to recover towards historic levels in '26, with further progression in '27.

At Gammon, revenue was 30% lower, reflecting less activity at Hong Kong Airport, as our two major projects moved towards completion. PFO only reduced by 2 million, as improved margins and operational performance largely made-up for lower volumes. For '26, we think Gammon's PFO will be broadly in line with '25.

Moving on to support services, which shows the group's broader growth themes. In energy, power transmission growth is strong, and we've got excellent long-term visibility. In transport, our road and rail businesses are aiming for medium-term growth but will likely stay broadly flat in the short term. In '25, revenue increased by 18%. Power revenue has nearly doubled over two years, beating our original plan. Operational delivery across the division was strong, with PFO up 31% to 122 million and margins at 8.5%, pleasingly above our target range.

In '26, we see more revenue growth coming from power, and we're focused on keeping PFO margins above 8%. Many of the power projects driving this growth are still in their early stages and will move into main construction over the next 12 to 18 months. This portfolio gives us a genuine opportunity to further improve margins throughout the rest of the decade. Operational excellence remains our critical focus to deliver this margin improvement.

Now let's look at the order book. Our high-quality order book rose by 23% to 22.7 billion with growth across all four divisions. UK construction jumped by 44%, thanks to Sizewell C and Net Zero Teesside orders. Our disciplined contracting approach is key, with 88% of UK construction orders on target cost- or cost-plus terms. In the US, the order book rose by 18% in dollar terms,

with growth in both buildings and civils. Gammon benefited from robust orders in civil and buildings projects, especially in the Hong Kong's northern metropolis, a key growth area for the business. Support services went up by 25%, driven by rail and power. And beyond the order book, we've got a deep pipeline of selected work yet to contract including Rolls-Royce and more power schemes. We expect these to move into delivery phases within the next year.

Moving over to our infrastructure investments business. In investments, the loss before disposals was greater than we expected, mainly because of higher monitoring and legal costs in military housing. As we've mentioned before, we agreed with the Department of Justice to extend the monitorship to the 6th of June this year, and that's still our target. If we hit it, we expect PFO in '26 before disposals to be a small loss, returning to more normal profits in '27.

The business took advantage of a favourable market, making strong disposals in 2025. We sold 12 assets for 120 million, resulting in gains of 36 million, above our guidance, and helping us to commit to a strong buyback in '26. Each deal achieved a two to two and a half times cash multiple and was at or above director's valuation.

Looking ahead, we expect disposal gains of 5 to 15 million in '26, reflecting last year's elevated activity and the maturity cycle of our assets. We'll stay disciplined in both valuation and disposal timing, aiming to maximise value. Net interest income was 8 million lower year on year, as a one-off impermanent write-back in '24 didn't repeat.

On the next slide, we can take a look at the portfolio valuation. The director's valuation dropped by 15% to 1.1 billion, mainly driven by three factors. First, the disposal of 12 assets for 120 million. Second, higher discount rates in H1, reflecting long-term interest rate changes, which reduced value by 62 million. And finally, strengthening against the US, or sterling strengthening against the US, reducing value by 53 million.

Returns from equity invested remain strong. During the year, we acquired two US multifamily housing assets and continue to see a range of investment opportunities across our markets. For instance, at the start of this year, we completed the refinancing of Fort Carson Army Housing. The Army extended our concession by 25 years, giving the project another 48 years to run. This raised 444 million to redevelop 750 houses, which our US businesses will deliver. With our continued confidence in these and other investment opportunities, we expect equity investment in the portfolio to rise towards 50 million in '26.

Now on to cash. Our cash performance this year was exceptionally strong, with average net cash up by nearly 60%, thanks to superb work from all the teams. Operating cash flow was nearly 300 million, and working capital increased by 400 million, driven by revenue growth in US construction and power. And of course, rigorous cash management. Our working capital ended up at 17% of revenue this year, and we expect it to remain pretty steady as we head into '26. Looking a bit further ahead, we think it'll sit somewhere between 15 and 18% in the medium term.

CapEx went up by 21 million, reflecting equipment purchase in Texas roads and the expanding UK power business. On pensions, we've just concluded our triennial negotiation with the trustees. We're all very pleased with the outcome which includes a one-off 30 million payment this year. This puts the scheme on a strong, sustainable footing, and we don't expect any more deficit contributions going forward. We've also agreed that once the defined benefits section moves into

surplus, the excess may be used to meet defined contribution obligations. This could mean a net annual operating cash inflow of around 10 million from '27, compared to the 24 million deficit outflow seen in recent years. And finally, we believe our strong record of cash management will carry on, with average net cash in '26 expected to be between 1.3 and 1.5 billion.

Moving to our long-term capital allocation framework. This remains unchanged. We invested 77 million in the business, including two new investment assets, as we keep investing in projects that we believe meet our ambitious return targets. We received 120 million in disposal proceeds and delivered strong cash performance. The board is recommending a 12% dividend increase to 14 pence. And we're upping this year's share buyback to 200 million.

As many of you know, I'll be leaving the business later in the year, after a decade as CFO. I thought it'd be a good chance to reflect on the financial progress I'm most proud of. Looking at the P&L. We can see the progression of EPS, not only the improvement in results, but also the consistency and reliability in the post-COVID period. This is partly thanks to the fundamental changes we made to our governance and risk processes, which have strengthened the group's risk profile, and equally to the strong performance of our teams. The group is well positioned to deliver further growth supported by our 23 billion order book, which has doubled over the last 10 years, and the additional pipeline we've discussed.

Our investments business has also been a key part of the group's success over the past decade. We've invested 400 million and realised 1.6 billion of value, while keeping the valuation nearly flat. We aim to carry on with this model of value creation while optimising our strong portfolio. So what does all this mean for shareholders? The group's strong cash generation and transformed balance sheet have enabled us to commit over 1.2 billion to dividends and share buybacks, reducing the share count by around 30%. This approach, which prioritises investments in the business before distributing surplus cash to shareholders, remains unchanged. With the growth we're forecasting, I expect to see significant shareholder returns continue well beyond '26.

Let's wrap up with the outlook for '26. After strong growth in '25, we're expecting solid PFO increases next year, mainly thanks to improved margins in UK and US construction and higher support services revenue, which should drive high single-digit growth. In investments, we expect a small underlying loss in '26 aligned with planned completion of the monitorship in June. Disposal gains should land between 5 and 15 million. Net finance income is forecast at 28 to 32 million, and the effective tax rate should be close to statutory levels. And as I mentioned, average net cash is expected to be between 1.3 and 1.5 billion.

In summary, the group heads into '26 with considerable strength. Our financial position is solid, and the strategic investments made in previous years have set the stage for future growth. The momentum in earnings is expected to carry on beyond '26, giving us confidence in continued progress over the medium term.

And with that, I'll hand you back to Philip.

Philip Hoare

Group Chief Executive

Thank you, Phil. I'd just like to take a moment, actually, to publicly acknowledge the great job that Phil has done for this company over the course of the last 10 years. Now, I think you could see that track record, that visible track record of success. And Phil, we really thank you for everything that you've done for the business. Thank you.

So look, this has created a really strong and diversified group. We have a really stable platform to continue the growth momentum that Phil just talked about. When you look at the order book strength and look at its distribution across our focused geographies that we operate in, when you look at the strength and the underpin of the great infrastructure investment business that we have at £1.1 billion. And then when you look at the real momentum that exists in the core markets that we operate in, from UK transport, defence, energy, and US buildings, I think we are well-poised to move into the future.

What's really key for me, though, and I've seen as I've travelled across our business, is that that deep end-to-end expertise, I think, is a real differentiator for Balfour Beatty. Our ability to work across the whole lifecycle of a project, from sitting down with our customers at inception and thinking about how a project will be delivered, all the way through construction and then into operations and maintenance, underpinned by our ability to raise project finance and to be part of that overall story, I think is an incredible differentiator for our business and places us uniquely to capture some of the opportunities that will be there in the future.

So let's move on to talk about that. So firstly, let me start with the US. The US represents a significant growth opportunity for Balfour Beatty. When you look at our performance in the previous year, you know, our revenue's up by 28%, our order book up by 18%. And that has come from a clear, disciplined approach to how we win work in that market.

Two key areas of that for me. The first one is all about how we land and expand in geographies where we're already strong. So take, for example, our business in Florida. We're really strong in Orlando. We've moved some of those operations into Tampa, an adjacent city where actually the demand for the expertise that we have is high. And that allows us to safely, and in a disciplined way, continue to grow our business. And that happens in each of the states that we operate within.

I think there's also a really significant opportunity to continue to leverage really strong customer relationships. So where we might operate with a customer in one part of the US that has a national footprint, how do we work to expand across the rest of the country? And I think we've seen some great evidence of that.

We're also seeing some really big opportunities in some fast-growing markets. So let me give a bit more colour to that. The first of those is the rising demand for data centre expertise. When you look at the map on the slide there, you can see the states that we're strong in, where we've got deep-seated capability, coloured as they are on the chart. But you can also see the massive expansion, £250 billion market over the course of the next five years. And you can see where that investment is happening on the states marked with a star.

Now, we have a 20-year-plus track record of delivering in data centres focused around the shell and core of those buildings. The opportunity to expand from the strong footprint that we have in Washington state and in Oregon, we've recently won a new project in Virginia, and there are opportunities emerging across Texas, Georgia, Pennsylvania, all areas where we have real strength as a business. So this is an example of where we can take those customer relationships, those deep relationships that we've built over many years, and move that around the US to drive growth. And I think this is a really significant opportunity for Balfour Beatty moving into the future.

It's actually similar when I look at the aviation market. So again, when you look at the investment in aviation over the next five years, around about \$140 billion. you can see where that investment is happening and where we are aligned to capitalise on that. We've got an incredibly strong track record of delivering airports in our US business already. But actually, this is one skill and capability that really does travel. And so our expertise of working on airports in the UK, as well as delivering in Hong Kong, we're able to take that capability, move that around the world, and help us deliver more strongly. It creates a fantastic CV, or as we'd say in the US, a resume, in terms of how we grow that business into the future. So a great opportunity for us.

Turning now to the UK. The UK markets, you know, we are laser-focused in terms of where we operate. UK energy, UK defence, UK transportation. And you can see from those numbers on the slides just how big those market opportunities are. 70 billion in energy, 15 billion in defence, and 85 billion in transport over the course of the next five years. And it's not just about the future opportunity, is it? It's very much about what we're winning and delivering here and now. And this year we made significant additions to our order book through the likes of the Maine Civil Works Alliance at Sizewell, adding £3 billion to our order book moving forward, to the relationships that we're developing with Rolls-Royce, winning our second project, which will appear in our order book soon.

And then finally in transport, again, winning across the rail environment and in roads and being close to our customers has enabled us to extend the long-term relationship that we already have with Warwickshire County Council into the future. Some great wins that underpin the strength of the business moving forward.

But one of the things I absolutely love about this visibility and commitment to investment is that it allows us to do what we really want to do, which is about investing in skills for the future. And you can see from the numbers on the slide that 9% of our workforce are in earn-as-you-learn positions. And that's all about creating new job opportunities, creating skills for the future, and leaving a legacy as Balfour Beatty as this country moves forward. So a fantastic platform for us to continue to grow in.

So turning now to some details on those markets, let's start with UK power transmission. This is a great opportunity for us moving into the future, as well as a core part of our order book today. £600 million delivered in 2025, £1.6 billion in our order book, and a strong, clear pipeline that will move into construction of between £6 and £8 billion into the future.

When you look at the graph on this slide, it's incredible, isn't it? The UK's demand for safe, clean, secure energy is high. And you can see how the power transmission need is reflected in the

growth that you'll see over the course of those five years. We already enjoy a 25% market share in this space. And you can see that growth opportunity moving forward.

One of the things that's critical about this is Balfour Beatty's differentiated position in this market. You know, we've invested in the skills and capabilities needed on that end-to-end approach. In this case, from design through into manufacture, as you saw on our video earlier, all the way through to construction and sitting alongside our clients step by step as we deliver those programs of work with them. So a great opportunity moving forward for our business.

Secondly, let's turn to power generation. So this is a story of long-term secured workload. We are a trusted delivery partner in this space. And you can see how we've taken our long presence at Hinckley, supporting our clients to deliver the first nuclear power station in a generation, how we've taken that experience and knowledge and are beginning to apply that as we start works at Sizewell C. That's a great story. It's also great momentum as we move this business into the future.

And as I look forward, opportunities around Net Zero, we're currently delivering the world's first carbon capture gas turbine plant at Net Zero Teesside, working very closely with our customers to do that. We see a number of other opportunities in the pipeline. And with the government's commitment to quadruple UK nuclear capacity by 2050, I think, again, we are really well placed to work with our customers to deliver that vision. So UK power generation, really solid order book moving forward, but also plenty of opportunity into the future.

Turning now to defence, we are well positioned in a complex market. This is about delivering infrastructure in defence, and there are high barriers to entry which we meet the requirements of. So as well as a strong pipeline into the future and a good order book through some deep customer relationships, we see significant opportunity where we are well differentiated. We are clearly a UK-domiciled company, and so our ability to work in this space is higher than perhaps some of our international competition. We've invested heavily in the skills and capability needed to be able to deliver this type of complex infrastructure. And in addition to that, we've made a number of investments to ensure that our platforms are secure and safe. So a growing market with high barriers to entry, which we are well-placed to grow into the future.

Turning now to UK transport, transport remains an attractive and resilient market with significant size as we move into the future. This is an area of business I know well, it's a market that I grew up in and so I'm passionate about our ability as Balfour Beatty to be able to support this market as it pivots and changes over time. But we have a really strong, stable platform to continue to deliver against, a strong order book, and we see opportunities into the future.

In particular, we were very pleased about the government's announcements on their commitment to Lower Thames Crossing and the opportunity to bring private finance to support the delivery of that project. And in the future, as roads pivots away from capital investment to infrastructure maintenance, we're again well placed with the great capability that we have within the organisation.

On major projects that we're delivering across rail, we are well placed to continue to work closely with our clients to deliver on their key milestones. And we look forward to continuing that success

as we move forward into the future. So attractive and resilient market where we are well placed to continue to operate.

Let me turn now to Gammon, our joint venture in Hong Kong. We have a strong reputation and are renowned for high-quality delivery. And actually, when I visited our business there last November, one of the things I was really struck by was the strength of the relationships we have with our customers. In fact, one of our customers said to me, you know, people like to live and work in Gammon-built buildings because of their renowned high-quality delivery. And that's a fantastic accolade, isn't it, to have from any client that we operate with. But we've seen real momentum in the market, our 18% increase in our order book in 2025, driven in part by the expansion of Hong Kong into an area called the Northern Metropolis. And that will see long-term investment in that from an infrastructure perspective and a buildings perspective, the two areas of the markets where we're strong.

One of the things that fascinated me about that particular trip to Hong Kong was the level of investment in technology, technology driven around improving productivity, and I saw some great examples there where I believe we can apply that across our wider business. So Gammon, in a good place for the future.

Now let me turn to infrastructure investments, and I'm pleased to say that this is an improving landscape across the board, and I wanted to just pick out three examples of that. So firstly, within the UK, the government's creation of a new body called NISTA, which brings together something called the Infrastructure Projects Association with treasury and strategy for the first time, a joined-up approach to thinking about how we'll deliver infrastructure in this nation, including how we'll look at driving up productivity and how we'll introduce private finance to fund and support some of those programs of work. We're working really closely with NISTA. And last week I held a roundtable with industry leaders, with NISTA and the Cabinet Office to work out how we will work to best affect the delivery of that programme. A great opportunity. And as I said, Lower Thames forms a key part of that.

We're also putting our capital to good work. And I was really pleased with the 20-year deal that we announced with Kent County Council to install electric vehicle charging points on their road network. Not just a sustainable solution, but also great use of our capital moving forward.

And then finally, and Phil mentioned it, the refinancing at Fort Carson, extending our relationship there by 25 years, but also bringing significant investment to provide new homes and refurbish existing homes for American servicemen and women. What a fantastic opportunity for us to provide a great service to those customers. So a changing landscape and one where we are flexible and agile to respond to it.

So finally, what does this mean for you? What does this mean for our business? I think that we have a powerful platform for growth. Our strong 2025 performance is clear, as is the momentum that we're building into 2026. We have a significant and high-quality order book, which we're really pleased with and know that we can capitalise on and deliver. And when you couple that with our disciplined approach to governance, selecting with real focus the right projects to work on, as well as our robust balance sheet and the consistent capital allocation framework that Phil described, I think we're incredibly well placed to deliver long-term shareholder value well into the future.

And of course, I'm keen about unlocking the next chapter of growth. Evolve, Energise and Explore. How we'll take Balfour Beatty's profitable growth story into the future. And I look forward to coming back later in the year to tell you much more about that. So thank you very much. Phil and I are looking forward to your questions.

Questions and Answers

Moderator: Thank you, Philip. So we're going to take Q&A in the room first before going to the phone. So if you've got a question, please raise your hand and mic will come round. Fire away. Thank you.

Audience Member 1: Thank you so much, Philip and Phil, for this presentation. If I may, two and a half questions from me, please. Broadly, you sound like you want to grow in construction. The order book will allow that. I'm talking really first at group level. How do you plan to balance construction growth with improving the margins?

And the second question is basically the same, but a bit more focused on the US, where your track record on margins is generally low, although I appreciate it's the type of contracts you have there. Sounds very ambitious in terms of US construction growth. Is it more buildings, or do you think transport could have opportunities as well? And what sort of margin improvement do you think is achievable in the US construction in particular?

And lastly, just thinking about data centres, you had a slide about it. How do you specifically differentiate or win data centre projects relative to the likes of Turner or Skanska of this world, who are also competing for those? Thank you very much.

Philip Hoare: OK, great. Thank you very much for the question. So I mean, I guess let me start with that balance, I guess, between growth and margin improvement that you mentioned. We see the opportunity for both things. You've seen the strength of the order book that we've described and what that means for the future, as well as some of the opportunities that we've outlined. I think you also heard Phil talk about the position that we have moving forward in terms of completing the challenging project that we had within the US. And so we expect margins there to return to a more normalised level towards the end of '26 and beyond.

So in addition to that, the approach around Evolve is all about strengthening the core of our business. And so when you take those factors together, I believe that we can drive that top line as well as improving the margins in the business.

I think secondly, when you look at the US, a significant proportion of our workload in the US is through our buildings business. And when I talked about that sort of land and expand approach, that is working really well for us and that's what we expect to continue to do. I think from an infrastructure perspective, it's a clear case of remaining really focused and disciplined about what we select to bid within the capabilities that we have within the organisation.

And then finally, on data centres, look, data centres is a big opportunity. It's around about 6% of our US portfolio at the moment. But actually, we see significant growth. And I'm sure when you look at peer companies in the US market, as I'm sure you do, you will have seen that a number

of them have had significant growth off the back of the data centre market. And look, that opportunity is there for us as well.

Audience Member 1: Thank you very much.

Joe Brent: Thank you. Joe Brent from Panmure Liberum. Three questions for me as well, please. Firstly, on US monitoring costs, can you give us an indication of what they were in '25 and what they will be in '26? And presumably, the budgeting assumption is nothing in '27.

Secondly, on PDP sales, clearly the guidance is that disposal gains will be a bit lower in '26. At what point do you expect that level of disposals to increase again?

And thirdly, maybe part A, part B. I'd be interested in Philip's perception on the UK margin and where that can get to, because I know what Leo's thoughts were on that subject. And part B is, Phil, you talk about US margins back to their history. Could you just tell us what you mean by history?

Philip Hoare: OK, well, I'll let Phil take the answers to most of those questions. But perhaps I'll start with the comment about UK margins and where we think that can move to. This is about taking a really disciplined approach in the core markets that we work in across energy, defence, and transport. And we gave some guidance around where we see for the full year in '26 on an improving margin story. So look, we're going to be really focused on continuing to drive in that way. And I'll come back to you later in the year to talk about Evolve, Energise, and Explore. Perhaps you want to take the monitor or however.

Phil Harrison: Yeah, let's disposal gains. Clearly, we've said for '26 between 5 and 15. I think for '27, you should think about something similar. And then clearly, as we move into '28, We'll reassess that. But I think that's because we've had very strong growth of disposals this year. So I think that's the way to look at that.

US monitoring cost, what we're thinking about there is that a clean '27, you should see our investment business to be between 15 and 20 million PFO. And clearly, we posted 31 million loss this year. So I think you can work out the kind of magnitude of the monitoring and legal costs from that.

And then on US, look, we've, our margins there have been in the 1.1, 1.5 level previously, 0.6 in '25. I think we've got the ability, as we've always said, to get towards 2%. And I think with Philip's focus on operational excellence, I think we'll try and go over that as well. But first of all, let's get back to the two and then move on from there. And I'm sure a lot of the programs that we'll initiate this year and next year will drive that.

Jonny Coubrough: Jonny Coubrough from Deutsche Numis. Thanks for the presentation and also the cinematography at the start. Could I ask firstly, Philip, on the Evolve, Energise and Explore, you mentioned implementing a group-wide margin improvement programme. It would be good to hear a bit more detail about what that could look like, whether it's price-focused or cost or a bit of both.

And then in terms of the power growth opportunity within support services, you set out the £6 - £8 billion pipeline. I think in the past, the presentation slides have included the opportunity to get

to one and a half billion revenues a year. Is that still the correct level? And in order to get there, how many more engineers would you need in-house?

And also, in terms of the steel pylon fabrication facility, it'd be good to hear what the capacity of that is versus where it is today. Presumably, it's quite a high gross margin. Thanks.

Philip Hoare: Yes, certainly. So let's start with Evolve, Energise and Explore. So I have the advantage of having run a group-wide margin improvement programme previously in my previous role. And so I think I know what it takes to drive that. And it's not about one thing, Jonny. It's about being really focused across the whole of the organisation and taking a really data-led approach to that programme. So that's what we're looking to put in place across Balfour Beatty and as I said I'll come back later this year to talk about a bit more detail about where we're really focused on that.

I think, secondly, on the power growth, I mean, let's be clear on the 6 to 8 billion pipeline, it's a bit more than pipeline. We're delivering the first part of those schemes, and we expect those to move into construction some later this year and then through '27 and into '28. And so that projection around 1.5 billion plus in terms of revenues from that, I think, is realistic and something that we can expect.

And then in terms of the Painter Brothers fabrication facility that we have, you know, we have a full order book for at least three years within that facility. We've recently put some investment into that to improve production outputs, and we're confident that we have a great program moving forward.

Phil Harrison: Yeah, we've invested in Painter Brothers over the last three years, new machinery, and expansion of that. So I think we've made the right investments to capture the market. The other point I would make is that, you know, in terms of the growth of power, let's not forget, some of this does move left and right, depending on the government. So we think it's there. Timing, as always, is the key thing that we'll have to keep an eye out on.

Jonny Coubrough: And while I've got the mic, Phil, thanks very much for your tenure at the company. I think the numbers speak for themselves. I mean, Howard was pointing out at the start of the turnaround, you'd spend the week in the UK turning around this business, then you'd fly off abroad at the weekend. And during that time, you made a very timely disposal of the Middle Eastern business, which apparently left all the liabilities there, which he thought was worth mentioning, but best of luck for the future, and thanks very much.

Phil Harrison: Well, thank you, Johnny. And thanks to all of the analysts and investors who have helped me as well. So a lot of this is down to listening to investors and yourselves. So thank you very much for your support over the last ten years.

Rob Chantry: It's Rob Chantry at Berenberg. Obviously, echo Jonny's comments, especially the contribution of analysts, which I think was instrumental along the way. So three questions from me. So I guess two on the US, one on infrastructure. So firstly, in the US, can you just give it more clarity, I guess, on risk management in data centres? So are they different terms, more aggressive, kind of shorter time scale? Is there any kind of specific factors to be aware of going heavily into US data centres?

I guess secondly, you look at the UK margin profile, 3.5% in construction, kind of 8.5% in support services, then you look at US at 0.6. Are there any areas of the US portfolio you're either in or you're not in at the moment where you see a genuine potential just to get a better structural margin for Balfour in those markets rather than one, one and a half percent margin on a civils project, et cetera.

And thirdly, infrastructure options. You had a great chart on your three highlights of your 10 years, Phil, looking at the amount of capital in, the cash out and the portfolio valuation in infrastructure. Could you talk about, I guess, the opportunities to deploy fresh capital in the next three to five years? What type of scope, sectors, kind of the dynamics around where that business goes from here on a kind of multi-year view? Thanks. Okay.

Philip Hoare: I'll let Phil take that last question in a moment. Perhaps I'll pick up on the two on the US. I mean, look, from a data centre perspective, this isn't something that's new to our business. We're really focused on delivering the infrastructure that supports that, so the shell and the core of the building and the associated infrastructure. And US buildings, that is really the core of what we do. And so we've been delivering data centres for over 20 years. And we have really strong relationships with some key customers that you would recognise. And this is about taking those relationships and expanding it into other parts of the US. So I don't believe it adds significantly to our risk profile, because we're used to operating in that environment. It's an expansion opportunity if you like.

I think, secondly, on the US margins, we know we need to improve US margin performance. And we've talked about some of the factors that have been a drag, particularly this year on US margin. So coupled with that disciplined approach to the projects that we select moving forward, to the land and expanding capabilities where we're really strong, to recovering from the difficult positions that we've had, that we've talked about, I think when you take all those factors together and the growth opportunity that sits in the US, we should expect to see improvements as we move forward.

And finally, Phil, do you want to talk about capital deployment?

Phil Harrison: Yeah, look, I think we've got some very good opportunities. I think Philip talked about the UK government and their view of how to expand that. I think we are in active conversations around Lower Thames Crossing. Remember, we funded and operated project financing for the M25. So this is something we know, and we have deep experience about. So I think we're very interested in seeing if we can make that work. We talked about the EV sector. This is something we talked about previously. We were very big in street lighting for councils. We see on street charging similar. Kent is a huge win for us, 10,000 sockets. That's one of the biggest councils, actually, to deliver that. And we've got plans ahead to do more of that. I think we can deploy capital into that area.

And let's not forget the US. I think there is a pent-up demand in military housing that has to be satisfied. There's still probably half the housing stock that the military has needs redevelopment and rebuilding. So I think that's a positive. And we are seeing areas around structures that people want to put in place as well, build bridges, etc, that we're engaged in talking about.

So I think we've got a good level of different opportunities to look at. But we'll stay disciplined. We've still got to get the returns that we think justify us putting the capital in. But we feel there's strong things in UK and US now. Previously, I would say, over the last five or six years, we saw less opportunity in the UK. But I think that's changing.

Graham Hunt: Yeah, thanks very much. It's Graham Hunt from Jefferies. And yeah, echo those sentiments, Phil, this extremely impressive performance over the past 10 years. And I think the share price performance speaks for itself.

Can I just ask two questions? Firstly, if I could go back to slide 21 on the transmission market, just would be interested to understand a bit more about the moving parts there that take you to that 2030 number. As you say, it's extremely impressive growth that you're projecting there. But how much is secure for the market, do you think, in terms of the frameworks that we've seen from your customers and what's committed versus, you mentioned, there's some flexibility in terms of what the government does, sort of what's the range of outcomes there.

And then second question, I guess, going back to the US and that infrastructure portfolio, you were mentioned on the, shortlisted on the I-77 South. Just interested to know a bit more about your ambitions there in the US express lanes market. Thank you.

Philip Hoare: Perfect. Okay, so I guess turning to slide 21, just to be clear, that graph on the left-hand side is the market growth, and so not our projected revenue, which would obviously be fantastic, wouldn't it, if we were delivering those scales of revenue in the market.

But just to give some clarity on where we are, so 600 million delivered this year, 1.6 billion in our solid pipeline, i.e. work that is contracted and secured as we move forward. And then the 6 to 8 billion, the reason we talk about that is pipeline is because the way that these programs of work are delivered is there's a part A. And part A is we work with a customer; we develop the scheme; we finalise the cost with a really clear design proposition. And then we move into part B, which is the construction. We only recognise that part B in our order book once we actually sign part B. So at the moment, we are working on the first phase of those programs of work. And the reason why Phil added a note of caution to that is because sometimes it can take longer or shorter to go into part B. And so that's really why we said what we said. But this is a great opportunity because we are already working on the development phase of those programs.

Turning to US infrastructure and I-77 as an example. So Phil mentioned again, you know, the roads PPP market in the US is really significant. And when you look back over the last 10 years, probably back to about 2015, you'll see that there's a huge number of opportunities that have come to market and been secured in consortia. And we're now looking at what does the next 10 years look like in terms of those investments. And we see this is a lower risk opportunity to both deliver and deploy capital. And so hence the I-77 and potentially further opportunities moving into the future.

Graham Hunt: Thanks very much.

Moderator: Okay, I think we're done with questions in the room. So Becky on the lines, have we got any questions there?

Operator: No questions on the conference call, so I'll hand back to Philip for any final comments.

Arnaud Lehmann: Thank you so much. Arnaud from Bank of America. Just a couple of follow-ups. Philip, you mentioned acquisitions. I don't think that means geographic expansion. That's probably IT systems or AI, could you maybe develop? And just can you confirm? I'm guessing the answer, but you're not going to Australia and you're not going to Canada in terms of your construction activity. And obviously, I joined the other sales side in terms of congratulating Phil. Can you give us an update on the CFO transition? When do you actually plan to go on holiday somewhere nice?

Philip Hoare: So I'm not sure I mentioned acquisitions at all, Arnaud. So I don't know whether you were trying to lead me there. But look, we want to deploy capital in the best way that we can to maximise shareholder returns. And as we look at Evolve, Energise, and Explore, we'll make decisions. But certainly, we see fantastic growth opportunities in the US, in the UK, where we're really focused, and in the end markets we've described. So that is our area of focus.

Phil Harrison: Look, I'm fully committed to the transition to Miles. We'll make it as good as we can. I think we're in a great place, in great shape, so I've got no concerns about that. My wife says I have no hobbies, so I'm going to have to continue working somehow or other. So, you know, there's my job ad. So, you know, but we'll make sure that, you know, Balfour remains in a very good position.

Philip Hoare: And I'd just add, Phil has been a tremendous support to me onboarding into the company as well. And he's used the word discipline every second sentence. So I've definitely got the message.

Phil Harrison: Correct. [laughter]

Philip Hoare: But we're very well positioned as we move forward.

Moderator: And we do now have one question on the phone.

Philip Hoare: OK, great.

Operator: Thank you. We have a question from Nicholas Moore from Morgan Stanley. Your line is now open. Please go ahead.

Nicholas Moore: Good morning, gentlemen. Just a couple of questions. First one on the cash flow, the performance being, again, extremely strong. Do you see a bit of a structural change in the way you are able to sign up contracts, maybe a little bit more prepayments, a bit more milestones on some of the large projects? Anything you could say on that and going forward would be useful.

And second on the US, we've seen quite an amazing acceleration in order bookings over the past now 18 months in a market which for the vast majority of your peers, not least at one, but overall has been a bit more muted. I mean, how are you managing to gain so much market share, basically. In a market overall, US already, which is basically flat overall for the best part of at least 25. That would be it.

Philip Hoare: Okay, thanks for those questions, Nicholas. And I'll take the one on the US and perhaps, Phil, you can pick up the one on cash flow. So look, I mean, I think that the secret to our growth in the US is about sticking to what you're really good at. And the ability to grow in buildings over the course of the last 18 months or so has been about focused, disciplined approach and doing what we know how to do really well. And so that is what's triggered the 28% growth in revenues that we saw, as well as the large increases that we've had in our order book.

Phil Harrison: Yeah, Nicholas, I don't think it's a structural thing that we're going through at the moment. I think it's a mix for us. US, typically, you can get higher mobilisation and advance payments just in that marketplace. And clearly, we had revenue growth, quite a substantial revenue growth in the US. I think one of the other things is we've taken advantage, certainly in power, to get a lot of advance payments because we've got long lead times in power at the moment for gear, cable, etc. And also, we need to prime our own division in terms of pylons. So we've been able to take, I think, the right constructive approach with the customer to get that pre-loaded. So that's probably the two things. We do see, as we go forward, I think our working capital, as we now see it, is going to operate in the between 15, 18% of our revenue, which is a new norm. Now, of course, I've got it wrong every single time that I've said that. So hopefully I'll get it wrong again and it'll actually be 17 upwards, but that's where we are at the moment.

Operator: There are no further questions, so I'd like to hand back to Philip for any final comments.

Conclusion

Philip Hoare

Group Chief Executive

Great. Thank you very much. Well, look, thank you for spending the time with us here this morning and online. I hope what you've heard is a story of improving performance across our business, great momentum through our order book and the opportunities that we see in front of us and being poised for future growth in the company, future profitable growth for Evolve, Energise, and Explore. And I really look forward to coming back to you later in the year and talking to you more about that. So thank you very much, everyone.

END.

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