Balfour Beatty

2026 Half Year Results Presentation

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Balfour Beatty

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Myles Westcott, Chief Financial Officer

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Jonny Coubrough, Deutsche Numis

Robert Chantry, Berenberg

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Introduction & Key Highlights

Philip Hoare, Group Chief Executive

Good morning, everyone. I am Philip Hoare, Group Chief Executive of Balfour Beatty, and it gives me great pleasure to welcome you to our half year results announcement for 2026. I am joined today by Myles Westcott, our new CFO, who has been with us just a few months but is already having an incredible impact on our business. I know we will all look forward to hearing from Myles a little bit later as he gives us the detail of the results announcement.

Before we start, what a fantastic video. I just love watching images like that of Balfour Beatty, because it really typifies the fantastic people that we have within our organisation, the depth and breadth of quality that we possess. It goes to the complex projects that we are delivering around the world, and of course, it goes to the pride that we have in terms of delivering for our customers.

I wanted to start with a huge thank you to all of our Balfour Beatty colleagues. For those of you that are listening now or in the future, thank you so much for your hard work and your commitment, because it is down to you that I am able to stand here today and talk about our company and the future. Thank you.

Now let us get into the first half year results. Look, I am really pleased with our first half performance. We have delivered profitable growth and strong cash performance across the business. As I talked about last March, we anticipated the conclusion of the US monitorship and that happened as planned on 6th June. A really important milestone for our company that allows us now to really get on and focus on delivery for the servicemen and women of the US.

What that means overall when you look at it from a margin perspective, is that our profit from operations in our earnings-based businesses increased to 2.9%, up from 2.2% in the previous half year. When you carry forward that strong first half performance and look to our outlook for the full-year 2026, we have slightly upgraded our guidance on PFO, which you will have seen within our numbers.

Of course, our £200 million share buyback that I announced in March is well on track, and so overall, we look to return £267 million to our shareholders over the course of this year.

Now, turning to the future and thinking about momentum in the organisation. Our order book remains substantial at £23 billion, and I will talk some more about the details of that in a moment. This gives us really strong visibility into the future and confidence about where we are heading as a business.

Finally, we are well positioned in the growth markets that we have selected. Again, I will give you some more colour on that. I am really pleased with first half performance. It has been strong. It has allowed us to slightly upgrade our guidance for the full year. Of course, I am really positive about the momentum that we carry into the future.

Well positioned in chosen growth markets

Let me talk about those markets for a moment. Now, of course, we operate across a number of geographies and different market areas, but we have specifically selected these markets for the future growth of our business because either we can see significant scale-up opportunity or they are large, resilient markets like UK transport.

We are focused around UK Energy, both on Power Transmission and on Energy Generation, in UK Defence, UK Transport, and in US Buildings. We have seen some really good, positive momentum in those markets in the first half of the year. I just wanted to share some of the highlights of that with you.

Firstly, within UK Power Transmission, momentum continues to build. We have shared this graph with you on the left-hand side of the screen before, and it is one I really like because not only does it show where that growth is going to happen between now and 2030, but it also indicates that we have 25% market share. What we see is and what we aspire to do is to maintain that market share as that market continues to grow.

The first half has been really positive from that perspective. 24% growth in revenue year-on-year. Our order book now stands at £2.1 billion. That is up from £1.6 billion at the end of last year. That pipeline of opportunities where work has been awarded but we are not yet in the construction phase remains at £6 billion to £8 billion. If you remember before, I have described the part A and the part B of that works, where part A is all about design development and getting to the right cost profile for those works. Part B is when it goes into construction and enters our order book.

When I talk about momentum, we have seen that now begin to move. In the first half of the year, we were awarded Netherton Hub with SSEN. That is a £325 million scheme, which was in part A and has now transitioned into part B. We have also been awarded a new substation on top of the work we are already doing at Bramford to Twinstead for National Grid. We are doing the overhead lines. We have now been awarded the substation work that goes alongside that. And we have secured further routes to market through a new framework with National Grid that will take us into the future.

Look, really positive momentum underpinned by the further wins that we have had in this growth market.

Turning now to UK Defence. Look, we are really well differentiated in this space, and I will outline some of that in a moment. The key thing that has happened in the first half of this year is the publication of something called the Defence Investment Plan.

The Defence Investment Plan does a few things. Firstly, it sets out with greater certainty the level of investment in UK Defence infrastructure over the course of the period from now to 2030. You can see the percentages increase in spending there that happens. Really what that does is drives greater certainty for us in terms of the opportunities that are there in the market. But it went beyond that and also then set some guidance around what it looks like through to 2035 and an increase in UK Defence spending to 3.5% of GDP.

Again, this is positive from our perspective because it gives a longer term view of an already important investment market.

Additionally, on top of that, it pointed to a number of things. The first one of those is that having defence as a UK growth engine, so using that investment to create new jobs, to think about not just defence as a national security point, but also as something that is going to drive economic growth across the UK.

UK capability is being prioritised. Again, this is good news for Balfour Beatty, because as a UK domiciled business that allows us to really think about the Team GB approach to delivering defence in the UK. And clearly, we will be working closely with our clients in this space to really build out those deep and trusted relationships.

Finally, speed of delivery is important, isn't it? It is about being able to build on the programme as it stands and deliver that into the future. Procurement reform that supports that is incredibly important.

Now, alongside that, we are incredibly well-differentiated in this market. Our strong track record, our extensive capability that we have, our ability to transfer skills from the complex nuclear environment into defence sets us apart. Then when you take into account the recent investments that we have made, both in security cleared staff and in a ring-fenced IT system that allows us to operate in that defence space, we are incredibly well-positioned.

Finally, having a robust balance sheet, a strong relationship with UK government, and the fact that we are a UK domiciled company, puts us in a great position to really capitalise on the growth that we see in the defence space.

So larger market, improved policy environment that should speed up delivery, and momentum building across the programmes of work in the defence space.

Turning now to the US. I just wanted to touch on a few factors, and I might cast your minds back to March when we talked about some new growth areas that we saw within the US overall.

Look, it has been a great start to the year for US Construction. Our revenue is up 19% on the half year 2025, and we have really begun to do something that is critically important in that market, which is about leveraging the great capability we have in one area or with one customer and taking that and spreading it across the US.

As an example, we have been targeting Wells Fargo, the banking group in the US, where we have had a 20-year relationship working with them. We are now on a national framework with Wells Fargo, which has meant that we have now started delivering work for them in each of the geographic areas that we operate in. So really simple, a customer we know well, doing work across the US. We are now working with them across the US.

In particular, I wanted to highlight the aviation and data centre market. I spoke to you last time about those being important market verticals for us. Important because we have got great capability, but also because we see significant growth in the medium to long-term. The aviation market, $140 billion worth of construction between now and 2029. We have a great track record delivering across seven airports in the US.

In the first half of the year, we won another significant mandate with Raleigh-Durham Airport for $361 million. We are now focused on that as a vertical within the US market.

Data centres, you cannot pick up anything these days and not read about data centres and what is happening. Data centres are not new for us. We have been working with key clients for over 20 years delivering data centres. Actually, we are putting increasing focus on, again, taking a relationship and a customer that we know well and working with them across the breadth of the US.

We made great progress in the first half of the year, a $350 million set of wins, taking and expanding our capability beyond the Northwest into Virginia. We have secured a further $1 billion worth of work that has been awarded but not yet contracted that we are in the process of moving through into our order book. So I see significant momentum occurring in that market overall.

What I wanted to do there was just give you a snapshot of some of the great momentum that we are seeing in the organisation in the first half of the year. But what I am going to do now is hand over to Myles and let him take you through the details of the financials.

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Financial Review

Myles Westcott, Chief Financial Officer

Thanks very much, Philip. Good morning, everyone. I am delighted to be here at such an exciting time for Balfour Beatty. Since joining in May, I have spent much of my time getting to know the business and meeting colleagues from across the Group. Even in the short time I have been in role, it has been clear to see the depth of expertise we have, delivering such an impressive portfolio of complex projects, together with an embedded culture of disciplined governance and risk management.

Whilst I will of course bring a fresh perspective, I have joined a business with strong foundations and real momentum. I am very much looking forward to getting to know Balfour Beatty even more in the coming months and working closely with Philip and the wider team to deliver our next chapter of profitable growth. Which leads me nicely on to the financials and the strong first half results, which I will now take you through.

Headline numbers. Revenue grew by 8% to £5.6 billion, which was a 10% increase, if you exclude foreign exchange movements. This was largely due to increased volumes in US Buildings and UK Power Transmission. Profit from the earnings-based businesses increased by 42% to £153 million, as Support Services grew strongly, driven by Power, and US Construction returned a profit, compared to the loss we reported a year ago.

Group profit for the period increased by 44%, which, when combined with the effect of the ongoing share buyback programme, resulted in earnings per share increasing by 51% to 21.7p per share. As usual, our interim dividend is one third of last year’s full dividend, which equates to 4.7p, a 12% increase.

The order book increased slightly in the period to £22.9 billion and the Directors' valuation of the infrastructure portfolio remained around £1.1 billion. Cash performance was once again very strong and included significant working capital increases in the US and in Power. As a result, net cash stands at £1.7 billion and average net cash for the period was £1.6 billion.

Overall, a positive first half, and I will take you through each of the elements in a bit more detail now.

Starting with Construction Services, which is much improved compared to the first half of last year. Operational performance in UK Construction was strong in the first half, delivering PFO margin of 3.4%. This represents an improvement of 50 basis points after you exclude the one-off insurance recovery booked in the first half of last year.

In the US, Buildings continued to deliver profitable growth, driving a 19% increase in US Construction revenues. And in Civils, the business delivered a much-reduced loss, with the Texas highway project, which has been a drag on profitability, expected to achieve final close out shortly. As a result, US Construction delivered £22 million of PFO, compared to a first half loss in the prior year.

At Gammon, revenue dropped by 6% on a constant currency basis due to the reduced activity at Hong Kong International airport, where Terminal 2 has recently opened. Margin percentage was lower than prior year, which is largely due to timing, as we progress commercial close-outs on a small number of projects.

Moving to Support Services, which has once again shown healthy revenue growth and achieved strong margins. Power Transmission volumes have continued to grow, driving the 10% increase in Support Services revenue in the period.

Moving to PFO, the division has delivered a very strong first half performance, growing profit to £66 million with a 9.1% margin. This includes margin improvement across both Power and Transportation, and also a change in mix, with Power now contributing a higher proportion of the division's volumes.

It is also worth noting that we are seeing less seasonality in Support Services than in recent years, which is likely to lead to a more even split between the first and second half profit this year.

Moving to the order book, which we have maintained at around £23 billion. This gives us really strong visibility over the next few years and allows us to plan ahead and invest confidently.

As Philip mentioned, we have secured the Netherton Hub contract with SSEN, which will be delivered by the UK Construction division. The ability to provide earthworks and civil infrastructure capabilities is a great example of the Group's differentiated end-to-end offering which sets us apart in the sector.

The US is slightly down, mainly due to Civils, where we are commencing delivery of the three highway projects announced in recent periods. In US Buildings, new secured orders include the data centres and aviation contracts which Philip mentioned earlier.

Gammon order book increased by 15%, including the contract award for a railway station in Hong Kong's Northern Metropolis Development Area. We expect this to be a strong demand channel for Gammon in the medium term, with related projects already making up 30% of the order book at half year.

Finally, within Support Services, we secured a £315 million highways maintenance contract in Warwickshire. In addition to the order book, we continue to have a significant pipeline of further work for which we have been selected, including the £6 billion to £8 billion of power projects which we are currently in the design phases of. We expect to convert the majority of these schemes to order book in the next 18 months, as we move into the construction phase.

Moving now to our Infrastructure Investments business, where the important news in the first half was the conclusion of the monitorship. The pre-disposal loss, which was in line with the prior year, was once again primarily due to costs incurred in relation to that monitorship.

We also disposed of two US assets in the first half, both of which were completed at or above the Directors' valuation.

Moving to that Directors' valuation of the Investments portfolio, and taking the bridge from left to right, we invested £15 million in the period in new and existing projects. Sales proceeds from the two disposals totalled £12 million. And we received £17 million in distributions from the portfolio.

The unwind of the discount increased the valuation by £36 million and the foreign exchange movement was a £12 million benefit, as the US dollar strengthened. After those movements, the Directors' valuation of the portfolio is maintained at around £1.1 billion.

Looking at cash now, which is another area where performance has been strong throughout the first half, with average cash in the period of £1.6 billion and a closing balance of £1.7 billion.

Let me touch on four of the items here to add a bit more colour. Firstly, operating cash flow of £151 million represents strong underlying cash conversion across the Group and is an important focus for all of our businesses.

Moving to working capital. As you know, for most of the work we do, we tend to be paid in advance, and as a result, we have a strong negative working capital position. This grew in the first half, largely due to new project starts in the US, together with the rising demand in power.

For pensions, as we set out back in March, and as agreed with the trustees of our largest pension fund, we have made a £30 million contribution, with no further contributions expected.

Finally, the share buyback programme is progressing well. We are on track to complete the full £200 million by the year end.

Finally, turning to the outlook for the full year, where we have updated our guidance in three areas. For the earnings-based businesses, given the strong start to the year, we are now expecting to deliver low double-digit PFO growth, which is slightly ahead of our previous guidance.

No change in our guidance for Infrastructure Investments. For net finance income, given the strong cash position, we are increasing our guidance to a range of £35 million to £40 million. No change to the P&L tax charge, which will be close to statutory rates.

Finally, cash. Following the very strong first half, we are upgrading the guidance for average net cash to a range of £1.5 billion to £1.7 billion.

In summary, we have had an encouraging first half of the year in terms of both profit and cash, which, when combined with our strong order book and momentum in our growth markets, gives me confidence in the Group achieving the guidance set out today.

With that, I will hand you back to Philip.

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Conclusion

Philip Hoare, Group Chief Executive

Obviously, we are pleased with our first half performance. What I wanted to do now is just spend a few moments talking about future momentum and how we see the development of Balfour Beatty and the unlocking of that next chapter of growth.

Firstly, I guess to start, just to remind you of our strong and diversified portfolio as a Group. Our focus on our core geographies in the UK, the US, and in Asia, the real sense of driving growth across those focused growth markets that we are operating in UK Energy, UK Defence, UK Transport, and US Buildings. Then the new profitable growth framework that we have put in place under Evolve, Energise, and Explore.

I guess what I wanted to particularly pick out through here is the end-to-end capability, which I think is a real differentiator for us as an organisation. The ability to bring design and engineering through project management into construction management, on into construction, and then on to O&M, underpinned by our ability to bring project finance to those key projects is something that really sets us apart from the competition. As we grow and develop, we look to strengthen those connections across that part of our organisation to enable us to get really close to our customers and help them deliver their demands as they move forward.

Then, of course, the whole thing is underpinned then, isn't it, by the strength of our order book at £23 billion and our Investments portfolio at £1.1 billion. Overall, this really positions us to grow well into the future with lots of momentum to come in terms of the value of our business.

Let me just talk to you all a little bit more detail about the profitable growth framework and what this means in terms of long-term value creation for our stakeholders.

Firstly, as a reminder, Evolve, Energise, and Explore. Evolve is all about strengthening the core of our business. It is about making sure that we are driving margin improvement across every aspect of our organisation. It is about making sure that the robust governance processes that we have in place help us drive operational excellence from the selection, the winning, and then the delivery of the projects that are in our care. Of course, it is about advancing our people strategy, making sure that we can attract and retain the best talent that this industry has to offer.

Turning to Energise. This is all about accelerating profitable growth. We have picked a number of key areas there. Firstly, for me, this is about really being close to our customers, understanding their demands, making sure that we are agile enough to be able to respond to that. The deeper those relationships are, the better our business will be. It is absolutely about driving growth in the US, and I will come on to that in a moment. Then accelerating growth in those UK growth markets that we have indicated.

Finally, Explore is about shaping what is next. It is about scanning that horizon. It is thinking about technology and adjacencies that will enable us to grow faster and stronger as an organisation.

Of course, you have got to measure all this, don't you? In terms of how we are looking at that from a long-term value creation perspective, at the forefront will always be safety. It is about returning everyone home safe at the end of every day. We have a big responsibility around sustainability and where our clients demand that, bringing the best sustainable solutions that we can to the projects that we are operating.

It is absolutely about being focused on our customers and recognising that their feedback to us is important in terms of how we shape our business into the future.

And of course, being an employer of choice. As I said, our ability to attract and retain talent is the future of our company, and therefore, incredibly important that we get this right so we can bring the best people to the best projects to support our customers.

Finally, if we get all of that right, then actually the outcome will be that we will drive and continue to drive profitable growth across the organisation.

We have made real momentum on this programme in the first half of the year. I just wanted to highlight some of the areas that we are focused on.

The first ones under Evolve, strengthening the core, is all about driving margin improvement. We have plans progressing in every aspect of our business and each of our functions in terms of unlocking that future margin potential in our business. You would have seen that earlier this year, I reshaped our UK operations to be really focused on those growth markets, and of course, the customers that we serve in each of those growth markets. It is about getting that focus in terms of how we will drive the business forward into the future.

I have also invested significantly in leadership capability. Not only is this promoting people from within the organisation, it is about new hires into our company and it is fundamentally thinking about how we support the training and development of our key leaders. I have launched a new Executive Leadership Development Programme in conjunction with London Business School and MIT, which is all about upskilling and upgrading our leaders to be able to best support the markets that we are operating in.

Finally, and something that is really close to my heart is the development of a One Balfour Beatty culture. This is all about taking and evolving our culture to the next level where we are collaborating super effectively across the company. We are able to bring the best of Balfour Beatty to our customers wherever they are in the world. This will have important ramifications for how we grow the business into the future.

On Energise, it really is about getting close to our customers and putting customer first in terms of how we deliver. We have a new global programme going on across our business that is really thinking about how we get laser-focused on our customers.

Finally, over the first part of the year, we have been working on an accelerated US growth plan, which will enable us to grow in those areas we are already operating in, as well as focusing on a number of market verticals, which we have already described.

Finally, on Explore, the shaping what is next. We have made an investment of £10 million in Pi Labs. This is all about connecting new technology that is going to help us drive productivity and efficiency at the frontline on the projects we serve. This is a really exciting development for Balfour Beatty because the way that we connect people, data and technology into the future will be key to driving those productivity and efficiency gains that our customers need.

Finally, we have begun to assess priorities across the UK and the US in terms of adjacencies that will help strengthen our market position.

Overall, we are making great momentum. Evolve, Energise, and Explore has landed well and truly in our organisation, but it is fundamentally all about creating long-term value for all of our stakeholders.

Let me now summarise where we are. We have a really powerful platform for growth, demonstrated through the strong first half momentum we have in the business and the slightly upgraded guidance that we have given for the second half of the year. But well beyond that, I think in terms of the momentum we have in the organisation.

Our order book is significant and of high quality. We are really well-positioned in the growing markets that we have chosen because of their long-term growth potential and the ability to bring our great depth of expertise to those customers. We have absolutely retained the disciplined governance processes that have enabled us and afforded us the opportunity to grow. Our robust balance sheet, along with our consistent capital allocation framework, can give you certainty about where the company is headed.

Finally, under Evolve, Energise, and Explore, we really do have fantastic momentum into the future.

When I take all of those things together, I have a high degree of confidence in our ability to create long-term value and sustainable returns for all of our shareholders and stakeholders.

Thank you very much. Myles and I now look forward to your questions.

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Questions and Answers

Aynsley Lammin, Investec

Just two from me, please. When we look at the Support Services margin over 9%, is that sustainable from here on out? Is it the mix has improved and therefore we should expect that for the full year and into next?

Secondly, with the US monitorship finished now, when you look at that US military asset, it is quite a big chunk of the investment portfolio. What is your view on that? If you were to sell it, would you recycle it into more investments or any other options you would think about there?

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Philip Hoare, Group Chief Executive Officer

Yes, certainly. Perhaps if I take the monitorship question first and come back to you on Support Services.

Just in terms of the monitorship, I mean, ultimately our main goal firstly was to end the monitorship, and so obviously pleased to have done that. Where we are now, it is really important that we embed and sustain what we have done in terms of improving the quality of the business. Our focus remains on delivering a great service for the American servicemen and women that live in those properties. That is our immediate focus.

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Myles Westcott, Chief Financial Officer

Okay. On the Support Services margin, look, we are delighted with the strong start to the year. 9.1% is an excellent performance, which was actually a margin increase in both the Power and the Transportation divisions within Support Services.

Going forward, the momentum we have got will continue. Whether we will stay at 9.1% by the full year? I am not so sure, but we will get close to 9%.

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Jonny Coubrough, Deutsche Numis

Could I ask a follow-up question on Power? As you move from part A to part B on these contracts, how will the terms and conditions change and the risk that you take on?

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Philip Hoare, Group Chief Executive Officer

Yes, certainly. This is a well-trodden path and actually one of the things that we are really keen on is this model because what happens during part A is that we are absolutely an intrinsic part of the design and development of those projects. That means that by the time we come to submit the final price for those works, that is something we have a high degree of confidence in. We really welcome the model and I guess progressing with our clients on that.

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Jonny Coubrough, Deutsche Numis

On US Civils, I think you said, Myles, that it delivered a much reduced loss in the first half, so still loss-making. Can we take it that Buildings is doing a 2% management fee margin on a run rate basis?

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Myles Westcott, Chief Financial Officer

Between Civils and Buildings, we had a big step-up in performance from the first half of last year to first half of this year. You will recall the Texas highway project has been a drag on profitability, so that has got us to where we are now. Between the two divisions, we would expect a pick-up in that margin as we approach the full year. Yes, US Buildings long-term, we have talked about it before, 1.5% to 2% is where it should end up.

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Jonny Coubrough, Deutsche Numis

Last one from me is just on the three E's and exploring adjacencies. Could this mean adding an additional growth market to your existing ones? Can that be done organically, or do you think that would involve acquisitions?

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Philip Hoare, Group Chief Executive Officer

Yes. Look, our absolute focus is on organic growth. You have seen the momentum that we believe we can see in those markets and those chosen growth markets moving forward. That is our priority.

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Robert Chantry, Berenberg

Thanks for the presentation. Three questions from me, all on the US. Firstly, following up from Jonny's question. Could you just help us frame the longer term margin dynamics in the US after, I guess, moving away from Civils and towards Buildings principally in terms of the risk taken on in that 1.5% to 2% Building margin and how you manage that?

Secondly, US data centre market. Any indication on the progress year-on-year and the percentage of a book that it is in the US and any differences in economics you receive compared to more traditional areas?

Thirdly, I am not sure this is the correct phrasing to ask it, but in terms of capacity utilisation in the US, in terms of the teams. Is there a battle for talent given how buoyant the broader market are? Is there any bottlenecks given the 19% growth? Effectively, how busy are the team and how much more is there to go with the team you have got there in the US?

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Philip Hoare, Group Chief Executive Officer

Okay, great. I will take all three of those, but if you want to chip in, Myles, please do. I guess in terms of the longer term dynamics of the market, and we have already talked about Buildings margins being between 1.5% and 2%, and you can see, look, our overall mix is about 90:10, so 90% of our revenue is from the Buildings market and 10% from Civils. That is broadly the mix that I would like to maintain as we move forward, obviously, with some growth in there overall.

From a UK data centres perspective, so if you look at our overall order book, 6% of our order book in the US is in data centres. I do expect that to increase, and I expect that to get into probably a double-digit percentage in terms of how that looks moving forward.

The key thing about our US business is the ability to remain agile. If I look back at our order book five years ago, we were at double-digit and strongly double digits on commercial and residential, and we are not because the market changed. It is about being able to take our capability and flex that across the Buildings market environment, which I think we are very adept at doing. I guess just to be clear, it will be important not to be overweight on data centres. We will make sure that the balance remains in our business.

Finally, just the question on capacity. Look, talent is always a challenge and our ability to attract and retain the best talent in the industry will be a constant challenge for us now and into the future. We have a great employee value proposition. Look at the incredible work that we are doing, and therefore, we remain an attractive brand for people to want to join.

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Andrew Nussey, Peel Hunt

Couple of questions as well, please. First of all, when we look at working capital as a percentage of revenue, it increased to negative 19% versus negative 17%, which obviously is significantly higher than the long run average. You gave us a feel for the drivers behind that, but those drivers do not look like they are going to change anytime soon. What are your thoughts over perhaps the medium term in terms of how that might shape?

Secondly, in Support Services, the drop-through from that revenue increase was very significant. Again, you gave some reasons behind it. But were there any one-offs in there that might impact the margin next year and going forward?

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Myles Westcott, Chief Financial Officer

Thanks very much. Look, firstly, working capital. As you say, very strong performance, around about 19% of revenue. We have talked in the past about 15% to 18% being the level we would settle at. That is still the case. That is why we are holding our average cash, i.e., increasing our guidance, so our average cash is around about £1.6 billion by the year end.

You are also aware these are mobilisation payments on our contracts. If the style of contract continues and the growth continues, then we are going to continue with that sort of 15% to 18% negative working capital. That cash is needed to deliver the programmes. Yes. Whilst we may see some further inflows, given the growth that Philip set out, there will also be outflows to deliver the programmes. Sorry, second question?

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Philip Hoare, Group Chief Executive Officer

The second question was on the drop-through.

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Myles Westcott, Chief Financial Officer

Thank you. That is on Support Services. It was a great first half, 9.1%. It was great performance by the teams. In the second half, we have got some of these early start contracts. The drop-through, we will see an increase in PFO in the second half, but I just would not say 9.1% is the new normal yet.

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Andrew Nussey, Peel Hunt

Were there any one-offs?

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Myles Westcott, Chief Financial Officer

No. Just good performance.

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Graham Hunt, Jefferies

Just two questions for me, please. On US Civils, you talk about some highways projects starting up there. Should we be happy about that? Can you give us some confidence that they are going to be margin-accretive? You said 90:10 is the target for that US business in terms of Buildings/ Civils. Why is that? You have got peers of yours are doing much better in the civils market from a margin perspective. Could you not have ambition to do a bit more there? That is the first question.

Second question, just on your investment portfolio. That has been steady around that £1 billion level for quite some time now. How are you thinking about that going forward? The rest of your business has grown quite a lot. We have been talking in past quarters about the UK PPP market potentially coming back. We have had a bit of a change of government set up. What is the latest you are hearing on that side?

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Philip Hoare, Group Chief Executive Officer

Yes. Great. Okay. Just taking US Civils first. We talked about our strategy previously in US Civils, which is following the issues that we had in Texas, we did scale back our business to the point where we felt really comfortable about moving forward. We have secured three new wins over the course of the last 18 to 24 months. All three of those projects are mobilising really successfully. You would expect us to give extra diligence and put extra controls around that to give us that confidence. I have been to those projects myself and I am confident about our ability to be able to deliver them moving forward.

I do think it is important, though, isn't it, to ensure that we can provide that confidence and that outcome before we race ahead and look to build greater depth in Civil. I would say making good progress, I am confident on performance, but I will keep a close and steady eye on that as we move forward.

Same thing. I guess that answers the 90:10 mix question as well. Just thinking about the investment portfolio. Look, we continue to see positive comment and traction in terms of what the UK PPP market looks like. We are actively engaged with the new Lower Thames Crossing limited that has been established to set up that venture and that vehicle moving forward. We are in active discussion with UK government around both that portfolio, but also UK reservoirs programme and other things that then may drop through from a PPP perspective.

What I would say is some traction, still some time to go before we see that being actively realised. But Balfour Beatty is at the heart of the discussion.

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Joe Brent, Panmure Liberum

A couple of questions from me. Firstly, could you just highlight the three biggest pipeline items that you are most excited about for the Group?

Secondly, just following up on the negative working capital point. I think you are guiding to average cash being flat in the second half. Does that suggest that you get lower negative working capital in the year rather than in the medium term?

Finally, can you just give some indication of the size of the Texas loss in the first half?

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Philip Hoare, Group Chief Executive Officer

If you take the second two, I will take the first one.

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Myles Westcott, Chief Financial Officer

Okay.

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Philip Hoare, Group Chief Executive Officer

I guess just in terms of the three biggest pipeline opportunities that I am excited about, I mean, to be honest, I am excited about our whole pipeline because there are some tremendous projects that sit within it. We talked a moment ago about PPP in the UK, but Lower Thames Crossing, we have made a meaningful start working with our customer to begin to deliver that programme, and I am looking forward to that getting into full scale delivery, which will obviously happen soon.

The conversion of the £6 billion to £8 billion, we are working really closely with SSEN to bring those projects into that construction phase, and alongside that, the opportunities of National Grid.

When I turn to the US, we have got some really good long-term relationships with customers, particularly in the entertainment sector around Disney and Universal. There are some really exciting opportunities coming up in that space too, which will draw on our 35-year track record of working with those customers. So something hopefully we can all enjoy in the future.

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Myles Westcott, Chief Financial Officer

Okay. On working capital, yes, we expect to stick around the £1.6 billion average. To do that 19% negative working capital, we do pro rata the year's turnover. I do not know whether that will mainly decrease. But yes, that 15% to 18% is the long-term expectation for this year if it is 17% to 19%. Yes, that is what you could imply from holding the average cash. But we do pro rata it to do the calculation.

Texas loss in the first half, far reduced from last year. You will understand, I am not going to give you a specific number. We are very pleased with the overall performance of the US Construction sector, and we do expect that margin to pick up a little in the second half, as that drag on profitability falls away.

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Jim Ryan, Head of Investor Relations

Okay. We are finished in the room. Actually, we have two analysts on the iPad, so I am going to read them through.

Alexander Craeymeersch, Kepler Cheuvreux. Three questions. You mentioned there are several end markets where momentum is accelerating. Your PFO is up close to 55%. Does that make low double-digit growth for 2026 a bit conservative? Considering the order book does not seem to be accelerating as fast as revenue, do you see the pipeline running ahead of that order book? And how much do you expect to convert into orders in the second half?

On Evolve, Energise, and Explore, you mentioned your investment in Pi Labs, a VC focused on build environment technology. What type of technology are we looking at here?

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Philip Hoare, Group Chief Executive Officer

Okay. Do you want to go first?

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Myles Westcott, Chief Financial Officer

Yes. Look, those 40% and 50% earnings growth numbers need to be taken into the context of that significantly reduced loss in US Civils, which took that US Construction, I think it was over £30 million swing from first half of last year to this year. Once you strip that out and normalise it, you can see why low double-digit growth is the right place for us to guide, which is slightly ahead of the guidance we provided in March.

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Philip Hoare, Group Chief Executive Officer

Just taking the question on pipeline first. Look, I believe we have got really strong momentum when we look ahead at our pipeline. When you look at order book, which is more than 2 times our annual revenues, but as we look forward in terms of that future pipeline of opportunity, we have got a number of projects in that phase where they have been awarded but not yet contracted. And as Myles said earlier, we expect the power elements of that to transmit into our order book over the course of the next 18 months or so.

Also, I talked about data centres, $1 billion there awarded but not contracted. Things like the publication of the Defence Investment Plan, we saw an immediate momentum swing in terms of new opportunities coming to the market as a consequence. We were anticipating them, but actually the process started to flow as soon as that plan had been published. So really good momentum in terms of the pipeline.

Then in terms of the three E's. Pi Labs, as you said, an investment fund focused on between 10 and 20 organisations that are bringing new technology into our space. That ranges from direct frontline productivity improvements in terms of recording and capturing data and to thinking about how new technologies will be used across the broad spectrum of what we do. I think some really exciting developments there and look forward to sharing more of that in the future.

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Jim Ryan, Head of Investor Relations

Okay. Thank you. Then from Dan Cowan at BNP Paribas. You have talked about exploring market adjacencies in the UK and the US. Can you add a bit more colour? Any particular areas you are looking at? He goes on to say, would you be looking to acquire existing players or expand organic capability, which we have touched on.

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Philip Hoare, Group Chief Executive Officer

Yes. Okay. As I said, our first priority is organic growth. We have got significant opportunity to do that. I know everyone wants me to answer the question about M&A. Look, organic growth is our number one priority. As we move forward, we would look at bolt-on M&A where it enhances our capability, or our ability to enter an adjacent market. We are right at the early stages of that. And Myles and I will look forward to talking to you more about it in the future.

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Jim Ryan, Head of Investor Relations

Okay. Thank you. That is all the questions on the iPad. I will hand over to Alex, the operator, to see if there is any calls on the phone line.

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Operator

Thank you. At this time, there are no questions on the conference call, so I will hand it back to the room.

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Philip Hoare, Group Chief Executive Officer

Okay, great. Look, thank you very much for joining us here in the room and online as well. We really appreciate you spending some time with us. What I hope we have left you with is a sense of real momentum in Balfour Beatty. Strong first half year performance. Slightly upgraded guidance for the remainder of the year. But really importantly, great momentum and a powerful platform for growth into the future.

Again, thank you very much for being with us, and we will see you next time.

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