

# Balfour Beatty



## 2019

### Half year results

Balfour Beatty was founded in January 1909 and this year we celebrate 110 years of shaping the future. Our first contract, powering trams in Luton and Dartford, was worth £5,000.

Today, Balfour Beatty is a leading international infrastructure group providing innovative and efficient infrastructure that underpins our daily lives, supports communities and enables economic growth.

We finance, develop, build and maintain complex infrastructure such as transportation, power and utility systems and social and commercial buildings. Our main geographies are the US, UK and Hong Kong.

**£13.2bn** order book<sup>(HY19)</sup>

**£7.8bn** underlying revenue<sup>(FY18)</sup>

**£1.2bn** Investments portfolio<sup>(HY19)</sup>

**26,000** employees

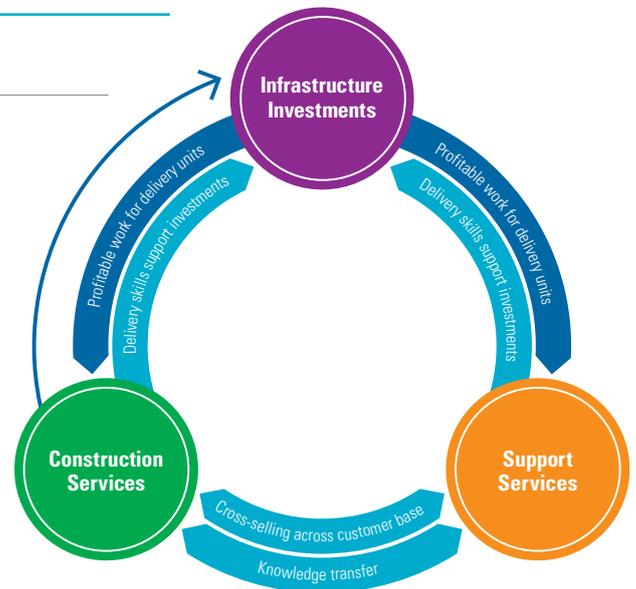
# How our Group works together

Our businesses drive operational and financial benefits from each other and enhanced returns when Investments, Construction and Support Services deliver as one.

Our Investments business optimises value through the disposal of operational assets whilst also continuing to invest in new opportunities.

- Operational benefits
- Financial benefits

Favourable working capital from construction business funds investment projects, which generate a return in their own right



## Construction Services

The Construction Services businesses in the UK, US, and in joint venture in Hong Kong, are top tier and all operate across the infrastructure and building sectors.

### What we do:

- Civil engineering
- Building
- Ground engineering
- Mechanical and electrical installation
- Refurbishment and fit-out
- Rail engineering

## Support Services

Support Services designs, upgrades, manages and maintains critical national infrastructure, and its capabilities complement both Construction Services and Infrastructure Investments.

### What we do:

- Design, build, upgrade and maintain water, gas and electricity networks
- Highways network management, operation and maintenance
- Rail design, renewals and technology

## Infrastructure Investments

The Infrastructure Investments business is a recognised leader in public private partnerships (PPP) and other developments in the UK and the US. Its activities generate additional construction and services work for other parts of the Group.

### What we do:

- Develop and finance both public and private infrastructure projects
- Operate a portfolio of long-term infrastructure projects
- Develop and maintain a large network of military housing facilities across the US

# Strong and diverse chosen markets

The UK Government's infrastructure investment commitment is targeted to rise from 0.8% from 2015/16 to over 1% of GDP by 2020/21. Notwithstanding political uncertainty, there is a strong pipeline of major projects in both transport and energy. From 2020-25 the second Road Investment Strategy for Highways England has a record budget of £25 billion for the Smart Motorways Alliance and the Regional Investment Programme. At Heathrow, the High Court's recent ruling that the Government's national policy statement, supporting Heathrow expansion, was lawful moves the expansion of Heathrow a step closer.

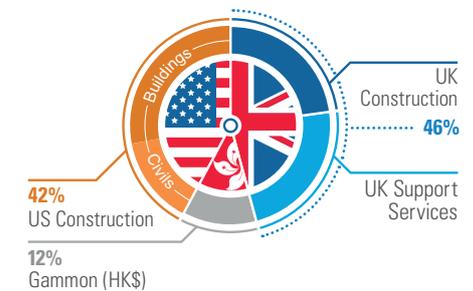
In the US, with blue chip repeat customers the Group's Buildings opportunities are robust. In Civils, the 2015 FAST Act (Fixing America's Surface Transportation), a US\$305 billion transportation bill, was signed, providing

authorised spending for a five year period. There are further opportunities being created, for example with the number of state-backed infrastructure bonds (over US\$200 billion multi-state transportation bonds, over US\$35 billion of education bonds in California) and increases in: US public-private partnership schemes; state gasoline taxes; and local county sales taxes dedicated to local infrastructure.

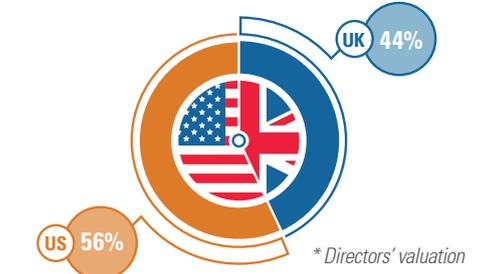
Gammon, our 50:50 joint venture in Hong Kong, has a material share of the attractive Hong Kong market. Both the Buildings and Civils markets have significant opportunities upcoming, including: two new terminal buildings and other works associated with the third runway at the international airport; a ten year housing target; a ten year hospital development plan; and continued investment in transportation infrastructure.

## HY19 Order book and Investments portfolio

£13.2bn Order book at HY 2019



£1.2bn\* Investments portfolio at HY 2019



# Build to Last

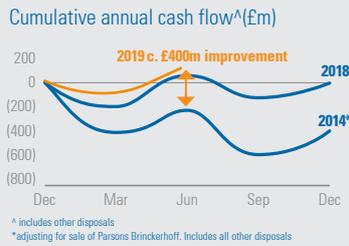
When we deliver buildings and infrastructure, we expect them to survive the test of time. For Balfour Beatty to remain at the forefront of our industry we need to continuously improve efficiency, lead innovation and always operate safely. These are the drivers of value for our customers.

Improved efficiency means smarter working, elimination of waste and creating a lean supply chain to deliver better value for our customers. This allows us to invest in developing our expertise. Having the finest experts allows us to extend what we are capable of building and drives improvements in everything we do; this means our customers can trust us to deliver on all that we promise, including safety. Safety is never compromised. We Build to Last.



## Lean

Deliver value to our customers by improving operational efficiency and eliminating waste right through the supply chain.



We want to make sure that our customers get the best value for their money; we need to be relentless in driving out unnecessary costs and work with our customers to ensure their money is spent in the best way possible. Providing customers with better value for their money drives our competitiveness and provides Balfour Beatty with the capital to invest back into developing our expertise.

## Expert

Ensure we have the best engineering, design and project management capabilities.

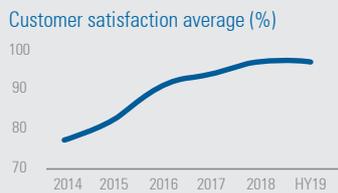
Employee engagement index (%)



We deliver world-class buildings and infrastructure for our customers by constantly driving innovation. Our strongest differentiator is our engineering and project management capabilities. Having the best talent supported by the strongest supply chain creates a virtuous circle that ensures we win the best and most exciting projects to deliver.

## Trusted

Be the construction partner of choice for our customers and supply chain by delivering on our promises.



Customers must have confidence in our ability to deliver and to do what we say we will do. A robust risk framework ensures that challenges are mitigated and projects are delivered in the right way. Satisfied customers provide us with the opportunities and projects for the future.

## Safe

We must ensure the health and safety of everyone who comes into contact with our activities.

Lost Time Injury Rate<sup>\*</sup>



Health and safety is at the heart of everything we do – we must protect our employees, our supply chain partners, our customers and the public. Construction is an inherently dangerous business and without the highest standards of safety, we don't have a licence to operate. A safe and healthy workplace is also happier, more motivated and more efficient.

## Build to Last delivers increased profitability backed by strong cash performance

### Operational excellence



PFO from earnings-based businesses up 29%

### Financial strength



Average net cash at £290m;  
Investments portfolio at £1.2bn

### Managed growth



Order book up 5% at £13.2bn

### Long term value creation



Interim dividend increased 31%; substantially de-risked portfolio

## Iconic projects and recent wins

£70m project win



2019  
Edinburgh Futures Institute refurbishment and extension, University of Edinburgh

£1.5bn project win



2019  
The Central Track Alliance contract spanning London North West, London North East and East Midlands routes

HK\$2.9bn project win



2019  
Homantin luxury residential project in Kowloon, Hong Kong

US\$305m project win



2019  
The second phase of construction for The Wharf development in Washington DC



2015  
Beaulieu to Denny – the electricity transmission line brings clean energy from remote wind farms to the grid



2016  
Caltrain – the electrification of a 52-mile long rail corridor is our largest contract in the US to date



2017  
Hinkley Point C – the first nuclear power station in a generation



2018  
LAX Automated People Mover – improving journeys for 80 million passengers who pass through each year



2014  
Heathrow Airport Terminal 2B – one of the largest airside projects in the airport's history opens



2009  
M25 – our joint venture was awarded the 30-year DBFO contract which we still operate today



2004  
We acquired our Hong Kong joint venture Gammon, and started work on the Castle Peak Road Improvement



1986  
We began work on the Channel Tunnel and entered the US market with the acquisition of Heery



1945  
Loch Sloy Dam – our greatest civil engineering challenge to date, constructing the 49-metre high dam



1949  
Woodhead Tunnel 3 – our tunneling experts start work on what was the longest rail tunnel in the UK at the time



1950  
Staythorpe Power Station – one of our first projects for the newly nationalised power industry



1976  
Mina Jebel Ali Port, Dubai – the world's largest man-made harbour at the time. We began to exit the Middle East in 1915



1930  
Grampian Hydroelectric Scheme – the first major hydroelectric project to supply power to the public



1926  
Lochaber Hydroelectric Works – at 15 miles long, it was the longest tunnel in the world at the time



1917  
Our first hydroelectric project, constructing an 8km viaduct from Loch Eilde Mor to Blackwater reservoir



1909  
Our first contract, powering trams in Luton and Dartford



**Leo Quinn**  
Group Chief Executive

Leo joined Balfour Beatty in January 2015 following five years as Group Chief Executive of QinetiQ Group plc and five years as CEO of De La Rue plc. He led both companies through successful transformations which restored each business to strength and created over £1bn of value. Leo founded The 5% Club in 2013.



**Philip Harrison**  
Chief Financial Officer

Prior to joining Balfour Beatty in June 2015, Philip was Group Finance Director at Hogg Robinson Group plc, a position he held for two and a half years. He also held roles as Group Finance Director at VT Group plc and at Hewlett Packard where he was the VP Finance for EMEA and a member of the EMEA board.