Half Year Results

To 30 June 2020

5 August 2020

Agenda

- Introduction – John Morgan
- Financial & Operational Review – Steve Crummett
- Outlook – John Morgan

Introduction

- Period dominated by COVID-19 pandemic
- Thank you to all our people and partners for professionalism and dedication throughout the period
- Adapting to new ways of working, with health and wellbeing of all being overriding priority
- Group has demonstrated its resilience and high quality. Decentralised structure has allowed flexibility and speed of response
- Balance sheet, cash position and liquidity have all strengthened in period
- In good shape for future. Activities geared towards affordable housing, regeneration and national and social infrastructure and construction investment

Financial & Operational Review

Steve Crummett

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Summary income statement

£m	HY 2020	% change
Revenue	1,363	-4%
Operating profit[1]	18.1	-52%
Operating margin[1]	1.3%	-130bp
Profit before tax[1]	15.7	-57%
Earnings per share[1]	27.4p	-57%
Interim dividend per share	-	n/a

Revenue

Jan/Feb	+26%
Q1	+17%
April	- 35%
Q2	- 23%

Impact of C-19 taken in operating results

No exceptional charges

[1] Adjusted - Before intangible amortisation of £2.1m (HY 2019: intangible amortisation of £0.8m)

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Main areas of impact of C-19

- Direct costs related to lockdown period. Closure and re-mobilisation
- Lower levels of operating efficiency and productivity from phased return and social distancing measures
- Prolongation of contract periods due to lock-down
- Delayed sales completions during lock-down period (Regeneration businesses)
- Volume reduction in services provided to ‘essential’ only (Property Services)
- Slower work winning conversion
- Delayed decision making from clients and partners
- Results reflect the benefit of £9.3m of furlough
- Higher interest charge due to precautionary initial drawing on unused bank facilities

Summary by division

£m	Revenue		Operating Profit/(Loss)[1]		Operating Margin[1]	
	HY 2020	%	HY 2020	%	HY 2020	bps
Construction & Infrastructure	789	+16%	11.5	-17%	1.5%	-50bps
Fit Out	317	-22%	10.9	-34%	3.4%	-60bps
Property Services	53	-4%	(0.5)	-131%	-0.9%	-380bps
Partnership Housing	165	-31%	3.0	-53%	1.8%	-90bps
Urban Regeneration	35	-20%	2.1	-75%	n/a	n/a
Investments	12	n/a	(3.2)	n/a	n/a	n/a
Elims/Central	(8)		(5.7)			
Total	**1,363**	-4%	**18.1**	-52%	**1.3%**	130bps

[1] *Adjusted - Before intangible amortisation of £2.1m (HY 2019: intangible amortisation of £0.8m)*

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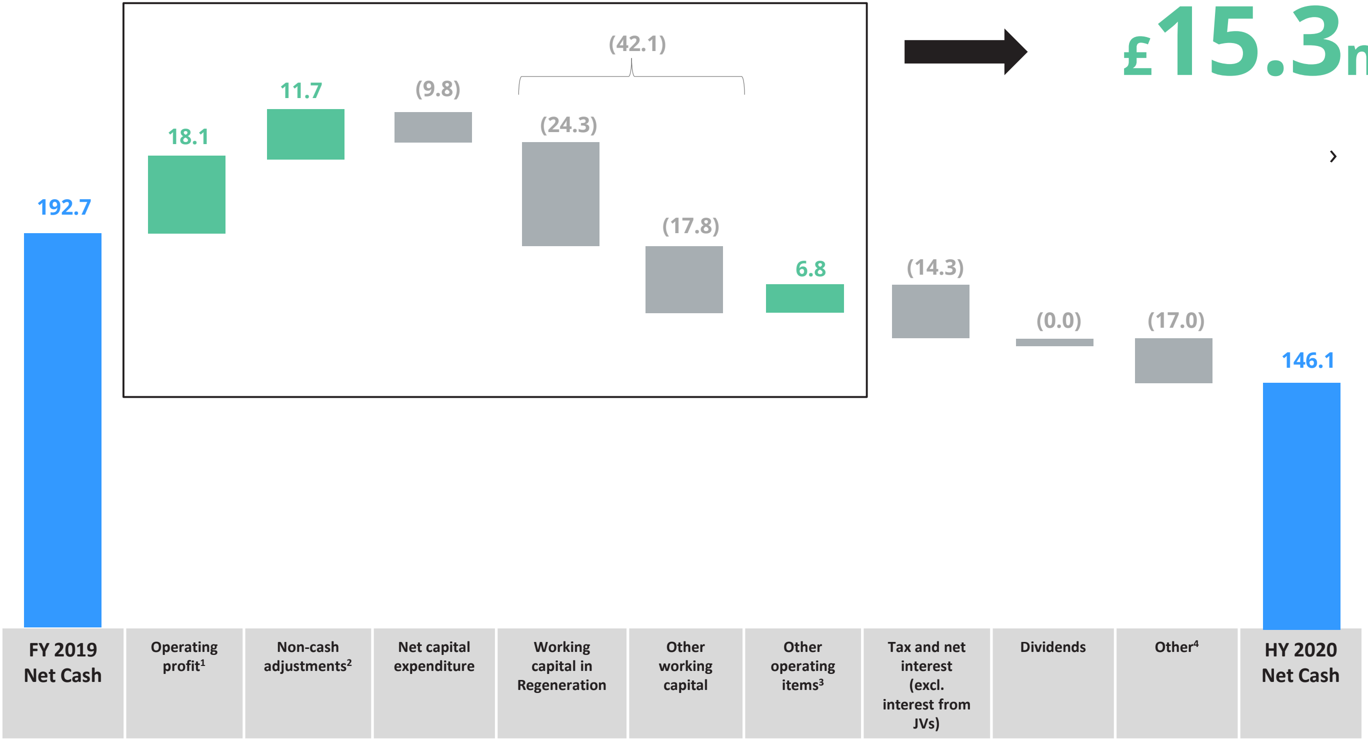
Balance Sheet & Cash

Cash Flow – Half Year



£15.3m Operating cash outflow

- Working capital movement of £42m

Increase in Inventories	15
Decrease in Receivables	(51)
Decrease in Payables	78
Total	42

- Final dividend cancelled (c£17m)

[1] *Before intangible amortisation (£2.1m)*
[2] *'Non-cash adjustments' include depreciation (£11.3m), share option charge (£0.1m) and share of JV losses (£0.3m)*
[3] *'Other operating items include impairment of investments (£2.7m), provision movements (£1.7m), shared equity redemptions (£1.5m), disposal of investment properties (£1.3m) and JV dividend and interest income (£0.2m), less gain on disposals of property, plant and equipment (£0.6m)*
[4] *'Other' includes net loan payments to JVs (£11.7m), purchase of shares in the Company by the employee benefit trust (£9.4m), less proceeds from the issue of new shares (£3.7m), and proceeds from the exercise of share options (£0.4m)*

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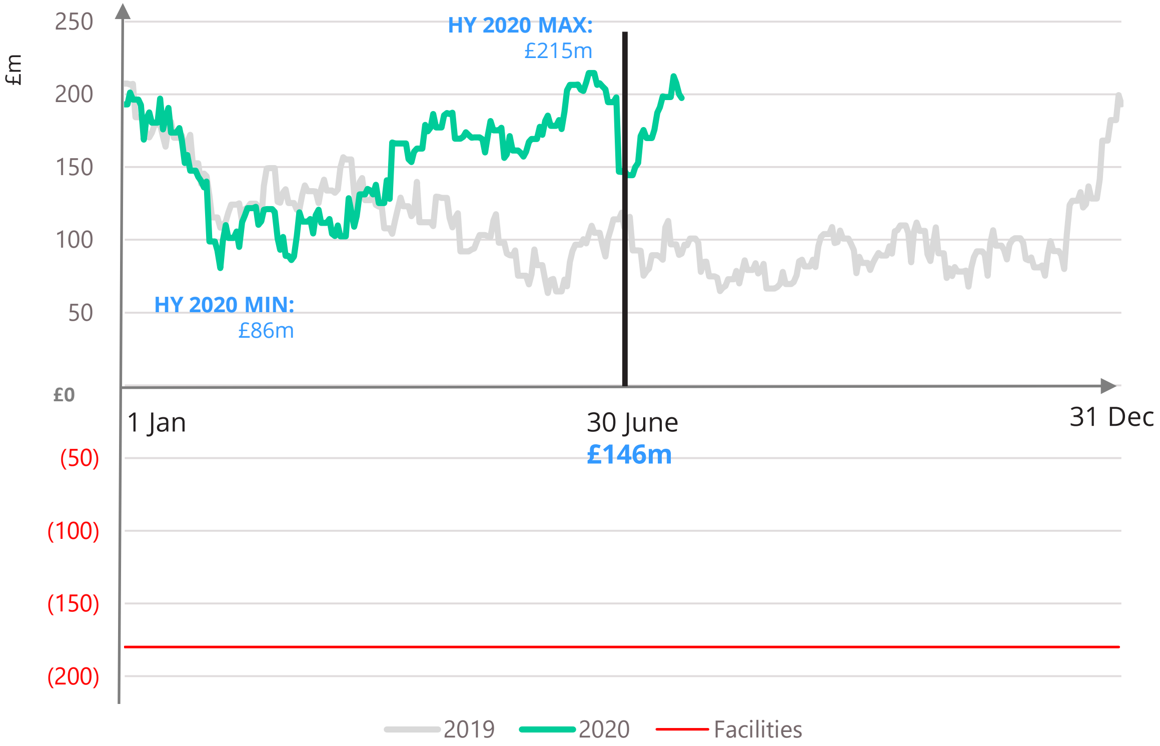
Daily Net Cash Balance

Average daily net cash
(HY 2019: £123m)

£153m



- Includes the benefit of deferrals of PAYE, VAT, etc impacting average in period by c£22m
- Only deferral into H2 and beyond is c£21m of VAT payments for March 2021
- Bank facilities of £180m through to 2022
  - In addition, eligible issuer under CCFF
- Average daily net cash expected to be well in excess of £100m for FY 2020

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Paying the supply chain through C-19

6m to 30 June 2020	Average time to pay invoices	Invoices not paid within agreed terms	Invoices paid within 60 days
Construction & Infrastructure	27 days	12%	98%
	5 days	-	1%
Fit Out	21 days	10%	96%
	1 day	2%	1%
Property Services	32 days	9%	95%
	3 days	4%	4%
Partnership Housing	36 days	20%	93%
	-	-	-

Prompt payment to supply chain is of strategic importance to the Group

- Material improvement in average days to pay in Construction & Infrastructure to 27 days
- Fit Out average payment days of 21
- Slight deterioration in Property Services but still at 32 days average

Note: movements are shown compared to the prior reporting period of the 6 months to 31 December 2019 (green indicates improvement, red indicates deterioration)

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Balance Sheet

- **Strong balance sheet**

  Net cash and significant undrawn committed facilities

- **Tangible net assets of £181m**

£m	HY 2020	HY 2019
Intangibles	222.1	216.8
PP&E	72.9	71.7
Investments (including JVs)	98.1	84.9
Shared equity loan receivables	6.9	11.0
Net working capital[1]	(49.8)	(37.1)
Current and deferred tax	(7.4)	(19.6)
Pension scheme	-	-
Net cash	146.1	113.9
Lease liabilities	(55.4)	(55.7)
Other[2]	(30.5)	(25.5)
Net assets - reported	**403.0**	**360.4**

[1] Includes Contract Assets and Contract Liabilities
[2] 'Other' includes provisions, capitalised fees and accrued interest

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Divisional performances

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Construction & Infrastructure - C-19 operational impact

	At 'peak' of C-19		At 30 June 2020			31 July 2020
	% of sites open by number	% of sites open by value	% of sites open by number	% of sites open by value	% productivity of sites compared to pre-COVID	% productivity of sites compared to pre-COVID
Construction	**69%**	**85%**	**100%**	**100%**	**90%**	**c95%**
Infrastructure	**39%**	**41%**	**93%**	**99%**	**80%**	**c90%**

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Construction & Infrastructure

£m	HY 2020	Change
Revenue	789	+16%
Operating profit	11.5	-17%
Margin %	1.5%	-50bps

Contrasting performances

- Infrastructure fared well; Construction heavily impacted

Construction
Profit of £1.2m; additional costs and delays to programme. 55% of contracts entitled to 'time' only

Infrastructure
Volume growth across period; Profit of £10.3m; supportive client base through public sector frameworks; re-deployment of Aviation resources

Revenue split (by activity)

37% Construction
63% Infrastructure

Revenue growth (vs HY 2019)

+2% Construction (at £290m)
+26% Infrastructure (at £499m)

Margin growth (vs HY 2019)

-180bps Construction to 0.4%
+20bps Infrastructure to 2.1%

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Fit Out - C-19 operational impact

	At 'peak' of C-19		At 30 June 2020			31 July 2020
	% of sites open by number	% of sites open by value	% of sites open by number	% of sites open by value	% productivity of sites compared to pre-COVID	% productivity of sites compared to pre-COVID
Construction	69%	85%	100%	100%	90%	c95%
Infrastructure	39%	41%	93%	99%	80%	c90%
Fit Out	**47%**	**60%**	**100%**	**100%**	**75%**	**> 95%**

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Fit Out

£m	HY 2020	Change
Revenue	317	-22%
Operating profit	10.9	-34%
Margin %	3.4%	-60bps

- Resilient performance reflects the high quality of business
- Margin robust at 3.4%
  - Market leading position
  - Strong project delivery, with focus on enhanced customer experience
  - Preferred relationships with supply chain enabled flexibility and responsiveness
- Benefit from accelerated programmes offset additional costs from site closures
  - Vacant buildings helped implementation of revised safe operating procedures

Revenue split

80% London
20% Other Regions

88% Traditional Fit Out
12% 'Design & Build'

70% Existing Office Space
30% New Office Space

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Property Services - C-19 operational impact

	At ‘peak’ of C-19		At 30 June 2020			31 July 2020
	% of sites open by number	% of sites open by value	% of sites open by number	% of sites open by value	% productivity of sites compared to pre-COVID	% productivity of sites compared to pre-COVID
Construction	69%	85%	100%	100%	90%	c95%
Infrastructure	39%	41%	93%	99%	80%	c90%
Fit Out	47%	60%	100%	100%	75%	> 95%
Property Services[1]	**79%**	**46%**	**94%**	**69%**	**n/a**	**n/a**

[1] *Property Services figures represent volume of activity rather than construction sites*

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Property Services

£m	HY 2020	Change
Revenue	53	-4%
Operating profit[1]	(0.5)	-131%
Margin %	-0.9%	-380bps

- Strong revenue 'run rate' at the start of the year
  - YTD volumes 37% higher at the end of February (vs YTD February 2019)
  - Geared up accordingly for this level of volume in year
- C-19 reduced the services provided to mainly 'essential' repairs only
- Expected that all contracts will be back to near 100% volumes by latest October

[1] *Adjusted*

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Partnership Housing - C-19 operational impact

	At 'peak' of C-19		At 30 June 2020			31 July 2020
	% of sites open by number	% of sites open by value	% of sites open by number	% of sites open by value	% productivity of sites compared to pre-COVID	% productivity of sites compared to pre-COVID
Construction	69%	85%	100%	100%	90%	c95%
Infrastructure	39%	41%	93%	99%	80%	c90%
Fit Out	47%	60%	100%	100%	75%	> 95%
Property Services[1]	79%	46%	94%	69%	n/a	n/a
Partnership Housing	**7%**	**9%**	**100%**	**100%**	**80%**	**c95%**

[1] *Property Services figures represent volume of activity rather than construction sites*

Partnership Housing

£m	HY 2020	Change
Revenue	165	-31%
Operating profit	3.0	-53%
Margin %	1.8%	-90bps

Revenue growth (vs HY 2019)

- 15% Mixed-tenure (at £89m)
- 43% Contracting (at £76m)

- Second quarter revenue down 60% on prior year
  - vs Q1 revenue 11% ahead
- Underlying margin of 3.0%, an increase of 30bps on prior year after excluding impairment of a small joint venture
- 16% lower number of completed mixed-tenure units
- Average capital employed for the year expected to be c£165m

£154m
Capital employed[1] at period end

£152m
Average capital employed[1] LTM

10%
ROCE[2]

[1] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
[2] Return On Average Capital Employed = Adjusted operating profit divided by average capital employed

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Urban Regeneration - C-19 operational impact

	At 'peak' of C-19		At 30 June 2020			31 July 2020
	% of sites open by number	% of sites open by value	% of sites open by number	% of sites open by value	% productivity of sites compared to pre-COVID	% productivity of sites compared to pre-COVID
Construction	69%	85%	100%	100%	90%	c95%
Infrastructure	39%	41%	93%	99%	80%	c90%
Fit Out	47%	60%	100%	100%	75%	> 95%
Property Services[1]	79%	46%	94%	69%	n/a	n/a
Partnership Housing	7%	9%	100%	100%	80%	c95%
Urban Regeneration	**67%**	**64%**	**100%**	**100%**	**n/a**	**n/a**

[1] *Property Services figures represent volume of activity rather than construction sites*

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Urban Regeneration

£m	HY 2020	Change
Revenue	35	-20%
Operating profit	2.1	-75%

£117m

Capital employed[1] at period end

£110m

Average capital[1] employed LTM

- Delayed construction on development sites. Lower development fees
- But positive progress with current portfolio, albeit slower than expected
  - Two forward funding deals agreed subsequent to period end
  - Lewisham phase 2 (£252m) and New Victoria, Manchester (Phase 1 of £185m scheme)
- Full year average capital employed expected to be c£110m

12%

ROCE[2]

14%

3 year average ROCE[2]

[1] Capital employed is calculated as total assets (excluding goodwill, intangibles, inter-company financing and cash) less total liabilities (excluding corporation tax, deferred tax and overdrafts)
[2] Return On Average Capital Employed = (Adjusted operating profit less interest/fees on non-recourse debt in the last twelve months) divided by (average capital employed). Interest and fees on non-recourse debt in the last twelve months was £nil

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Investments - C-19 operational impact

	At 'peak' of C-19		At 30 June 2020			31 July 2020
	% of sites open by number	% of sites open by value	% of sites open by number	% of sites open by value	% productivity of sites compared to pre-COVID	% productivity of sites compared to pre-COVID
Construction	69%	85%	100%	100%	90%	c95%
Infrastructure	39%	41%	93%	99%	80%	c90%
Fit Out	47%	60%	100%	100%	75%	> 95%
Property Services[1]	79%	46%	94%	69%	n/a	n/a
Partnership Housing	7%	9%	100%	100%	80%	c95%
Urban Regeneration	67%	64%	100%	100%	n/a	n/a
Investments	**45%**	**56%**	**100%**	**100%**	**n/a**	**n/a**

[1] *Property Services figures represent volume of activity rather than construction sites*

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Investments

£m	HY 2020	HY 2019	Change
Operating loss[1]	(3.2)	(0.9)	n/a

- General delays to construction activity on existing schemes and delays in achieving financial close on new schemes as investment decisions deferred
- Working with other Group companies on several schemes in partnership with local authorities

[1] *Adjusted*

C-19 operational impact – by division

	At 'peak' of C-19		At 30 June 2020			31 July 2020
	% of sites open by number	% of sites open by value	% of sites open by number	% of sites open by value	% productivity of sites compared to pre-COVID	% productivity of sites compared to pre-COVID
Construction	**69%**	**85%**	**100%**	**100%**	**90%**	**c95%**
Infrastructure	**39%**	**41%**	**93%**	**99%**	**80%**	**c90%**
Fit Out	**47%**	**60%**	**100%**	**100%**	**75%**	**> 95%**
Property Services[1]	**79%**	**46%**	**94%**	**69%**	**n/a**	**n/a**
Partnership Housing	**7%**	**9%**	**100%**	**100%**	**80%**	**c95%**
Urban Regeneration	**67%**	**64%**	**100%**	**100%**	**n/a**	**n/a**
Investments	**45%**	**56%**	**100%**	**100%**	**n/a**	**n/a**

[1] *Property Services figures represent volume of activity rather than construction sites*

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Furlough

- Group accessed the CJRS. At ‘peak’ of C-19, c1,900 employees placed on furlough across the Group
- As at start of August, c200 still on furlough. Mainly in Property Services and Infrastructure
- Results reflect benefit of £9.3m of furlough in HY
- Financial position has remained strong and secure throughout the period
- Board believes it’s in the best long-term interests of all stakeholders to return all amounts received under scheme in the second half. No further claims intended
- Repayment will be reflected in Central costs in H2

CJRS = Coronavirus Job Retention Scheme

HY Summary

- Strong Q1, revenue up 17%. Thereafter, significantly impacted by C-19
- Most sites across the Group now operational again
- Strengthened balance sheet. Substantial net cash balance throughout period
- Average daily net cash for FY 2020 expected to be well in excess of £100m
- Intention to repay all furlough receipts in the second half
- Not declaring an interim dividend with these results

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Outlook

John Morgan

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Group Strategy

- Organic growth
- Long-term workstreams
- No change expected to business segments
- Making our businesses better for all stakeholders
- Average daily net cash for foreseeable future

Secured Workload

+5%

on FY 2019

£8.0bn Total secured workload

£3.9bn Construction

+6%
on FY 2019

- Includes Construction & Infrastructure, Fit Out, Property Services
- No compromise on quality of work secured consistent with the strategy

£4.1bn Regeneration

+3%
on FY 2019

- Includes Partnership Housing, Urban Regeneration, Investments
- Long term in nature with 70% for 2022 onwards

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Construction

Market conditions

- Delays in converting projects into contract
- Concerns over local authority funding

Order book

- Order book of £554m, up 8% from year end
- c80% public sector focused
- Long term in nature, with 42% for 2021 and beyond
- Continued focus on quality. 99% derived from negotiated/2-stage/frameworks
- In addition, c£620m of work as 'preferred bidder'

Outlook

- Margin for 2020 to be no less than 1%
- Order book gives confidence for 2021

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Infrastructure

Market conditions

- Market generally strong with the exception of aviation
- Lots of activity in roads, rail, energy
- Current activity limited at Sellafield

Order book

- Order book of £1,994m, up 13% from year end
- > 90% derived from frameworks
- Long term visibility of work. 58% of value for 2022 and beyond

Outlook

- Government committed to spend in infrastructure
- Expect to make progress towards its target margin of 3% in 2020
- Long term value of order book gives good visibility beyond

Fit Out

Market conditions

- Market remains robust
- Strong level of enquiries at present
- Several large pre-lets completing in the next couple of years
- Average size of job c£2m

Order book

- Order book of £466m, 3% lower than FY 2019 but level with HY 2019
- £318m of which is for H2 2020
  - Similar level of visibility of H2 volume as this time last year
- £139m for 2021. Slightly higher than this time last year

Outlook

- 2020 profit expected to be up towards c£30m
- Expect significant work changing offices as the role of the office adapts

Property Services

Market conditions

- Many opportunities to bid for. Key is maintaining selectivity
- Clients increasingly demanding more sophisticated solutions resulting in greater barriers to entry
- Expect market to get less fragmented

Order book

- Order book of £867m. > £700m for 2022 and beyond
- Contracts generally 5-10 year plus in length. Long term visibility
- £171m of preferred bidder. Hammersmith & Fulham, Home Group

Outlook

- Expect to continue to gain market share
- Normal run-rate to be restored in Q4 2020. Modest profit for 2020
- Significant opportunity for 2021 and beyond

Partnership Housing

Market conditions

- Strong government support for affordable housing
- High level of appetite from Housing Associations and Local Authorities for partnership approach
- Size of individual partnership opportunities generally increasing
- Open market sales currently strong. Pricing holding up

Order book

- Order book up 13% on FY 2019 to £1,234m
  - Mixed tenure growth of 24%. Contracting down 11%
- In addition, > £600m of 'preferred bidder'

Outlook

- 2020 profit expected to be up towards its prior year result
- Demand for partnership approach expected to continue to increase
- Large part of growth based on 'self-help', not market driven

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Urban Regeneration

Market conditions

- Government policies geared towards Regeneration
- Decision-making generally slow and cautious by landowners and investors
- Viability and returns from existing schemes under pressure. But two recent forward-funded deals provide confidence

Order book

- Regeneration is a long term activity with high visibility
- Order book of £2.3bn. 70% for 2022 and beyond
- Balanced geographical and sector spread

Outlook

- 2020 profit and ROCE expected to be well below last year
- 2022 and beyond looking stronger
- Good time to bid new schemes and increase market share

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Summary

- Size and quality of order book gives us confidence for 2021 onwards
- Strong balance sheet allows us to make the right long-term decisions
- A weaker economy will have some impact on our business
- Expect to increase market share in the areas we operate in
- Reinstating guidance for 2020
  - Profit before tax expected to be in the range of £50m - £60m
  - On basis of no further business interruptions
  - After repayment of all furlough monies.

Questions?

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Appendices

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Net Finance Expense

£m	HY 2020	HY 2019
Interest payable on drawings on bank facilities	**(1.1)**	-
Amortisation of fees & non-utilisation fees	**(0.5)**	(0.8)
Interest expense on lease liabilities (IFRS 16)	**(0.8)**	(0.8)
Interest from JVs	**0.2**	0.5
Other	**(0.2)**	(0.1)
Total	**(2.4)**	(1.2)

Higher interest charge due to precautionary initial drawing on unused bank facilities

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Tax

£m	HY 2020	HY 2019
Profit before tax	13.6	35.5
Less: share of net JV losses/(profits) [1]	0.3	(0.2)
Profit subject to tax	13.9	35.3
Statutory tax rate	19.0%	19.0%
Current tax charge at statutory rate	(2.6)	(6.7)
Other adjustments	(0.3)	(0.5)
Tax charge	(2.9)	(7.2)

[1] *Most of the Group's joint ventures are partnerships where profits are taxed within the Group rather than the joint venture. Profits already taxed in the joint venture are eliminated for these purposes*

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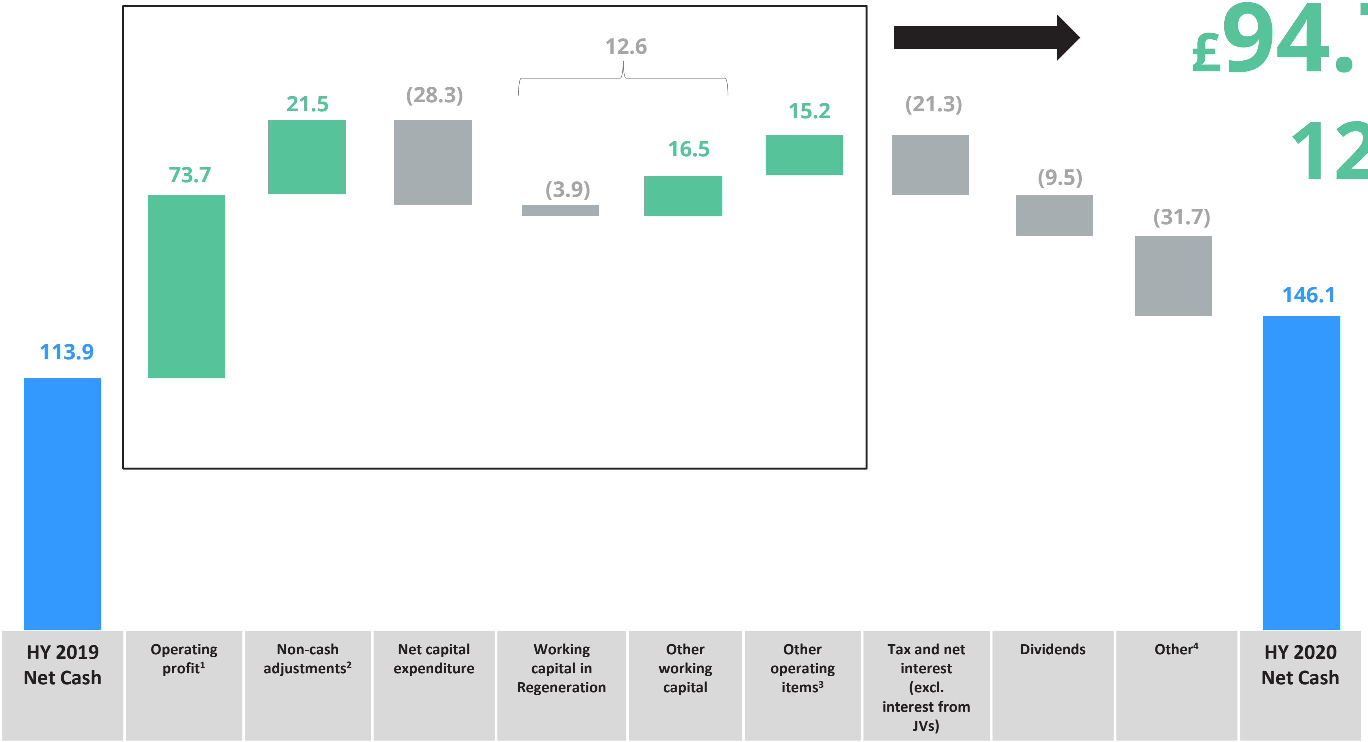
Adjusted Earnings per Share

£m	HY 2020	HY 2019
Profit after tax and minority interest	**10.7**	28.3
Adjusted for:		
Amortisation of intangibles (net of tax)	**1.7**	0.6
Adjusted earnings	**12.4**	28.9
Average number of shares	**45.2m**	45.0m
Adjusted earnings per share	**27.4p**	64.2p

Cash Flow – Last twelve months



£94.7m Operating cash outflow

128% Cash Conversion

[1] Before intangible amortisation (£3.1m)
[2] 'Non-cash adjustments' include depreciation (£22.4m), share option charge (£2.8m), and shared equity valuation movements (£0.4m) less share of JV profits (£4.1m)
[3] 'Other operating items include provision movements (£4.4m), shared equity redemptions (£3.7m), JV dividend and interest income (£3.6m), impairment of investments (£2.7m), and disposal of investment properties (£1.5m) less gain on disposals of property, plant and equipment (£0.7m)
[4] 'Other' includes net loan payments to JVs (£20.5m), purchase of shares in the Company by the employee benefit trust (£14.9m), acquisition of new businesses (£1.6m) less proceeds from the issue of new shares (£3.8m) and proceeds from the exercise of share options (£1.5m)

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Capital Employed in Regeneration

£m	Regeneration	Partnership Housing	Urban Regeneration
Total net land & regeneration WIP	**306**	233	73
Unsold completed units (excl. joint ventures)	**22**	19	3
Amounts invested in joint ventures	**67**	19	48
Shared equity loans and investment properties	**11**	11	-
Other working capital	**(139)**	(131)	(8)
Non-recourse debt	**-**	-	-
Other net assets	**4**	3	1
Total capital employed at 30 June 2020	**271**	154	117
Total capital employed at 31December 2019	**240**	132	108

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