



# Half year results

Six months ended 31 December 2020

4 March 2021

  
GallifordTry



# Bill Hocking

---

Chief Executive

## Agenda

*Half year results to 31 December 2020*

---

Highlights

---

Financial review

---

Business update

---

Q&A

---

---

# Highlights

- Excellent operational progress with robust Covid secure measures; strong safety performance.
- Return to profitability.
- Interim dividend of 1.2p.
- Strong pipeline.
- High-quality order book of £3.3bn.
- Robust balance sheet and confidence for the future.

---

**£542m**

Revenue  
(HY20: pre-exceptional £636m)

---

---

**£158m**

Average month-end cash  
(H2 20: £141m)

---

---

**£4.1m**

Profit before tax  
(HY20: pre-exceptional loss £5.6m)

---

---

**1.6%**

Divisional operating margin  
(HY20: pre-exceptional 0.2%)

---

---

**£3.3bn**

Order book  
(HY20: £3.2bn)

---

---

**96%**

Revenue secured  
(HY20: 96%)

---

---

**1.2p**

Interim dividend  
(HY20: 0.0p)

---

---

**0.06**

Rolling Accident Frequency Rate  
(HY20: 0.10)

---



Andrew  
Duxbury

---

Finance Director

# Financial review

# Improved financial performance

- Return to profitability.
- Half year results in line with expectations; full year targets on track.
- Contract performance improving, supportive of medium-term margin aspirations.
- Limited Covid-19 impact in HY21; no use of Government schemes anticipated for FY21.
- Reinstatement of dividend.

Continuing operations	HY21	HY20 <sup>1</sup>	Var
Revenue	£542m	£636m	£(94)m
Operating profit/(loss) before amortisation	£3.9m	£(6.7)m	+£10.6m
Profit/(loss) before tax	£4.1m	£(5.6)m	+£9.7m
Earnings/(loss) per share	3.4p	(4.1)p	+7.5p
Interim dividend per share	1.2p	0.0p	+1.2p

<sup>1</sup> Excluding exceptional items of £nil in HY21 (HY20: £22.2m pre-tax profit).

# Segmental analysis

Improved profit performance

- Revenue in line with expectations.
- Margin improvement delivered across Building and Infrastructure.
- Combined divisional margin 1.6%.
- Current order book continuing to show progress towards margin targets.
- Costs for central functions reduced 44% compared to prior period.

£m	HY21	HY20 <sup>1</sup>	Var
<b>Revenue</b>	<b>541.7</b>	636.2	(15)%
Building	<b>374.5</b>	423.5	(12)%
Infrastructure	<b>164.1</b>	208.7	(21)%
PPP Investments	<b>3.1</b>	3.8	(18)%

	HY21	HY20 <sup>1</sup>	Var
<b>Operating profit<sup>2</sup> (£m)</b>	<b>3.9</b>	(6.7)	+10.6
Building	<b>6.0</b>	2.4	+3.6
Infrastructure	<b>2.4</b>	(1.4)	+3.8
PPP Investments	<b>(0.7)</b>	(0.9)	+0.2
Central	<b>(3.8)</b>	(6.8)	+3.0
<b>Operating margin (%)</b>	<b>0.7%</b>	(1.0)%	+1.7ppt
Building	<b>1.6%</b>	0.6%	+1.0ppt
Infrastructure	<b>1.5%</b>	(0.7)%	+2.2ppt
Combined divisional	<b>1.6%</b>	0.2%	+1.4ppt

<sup>1</sup> Pre-exceptional.

<sup>2</sup> Excluding amortisation of intangibles.

# Strong balance sheet

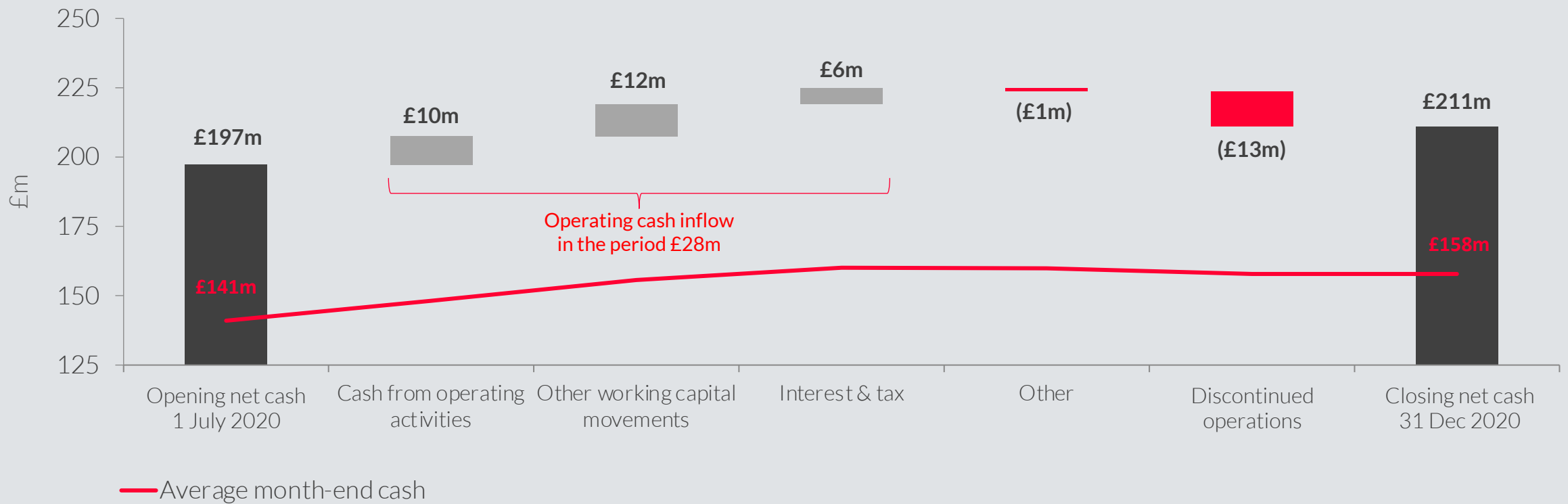
- Well-capitalised.
- Average month-end cash £158m.
  - No debt.
  - No pension liability.
- PPP portfolio valued at £44m.
- Strong surety facilities with significant headroom.

Balance sheet £m	31 Dec 2020	30 June 2020
Intangible assets & goodwill	84.0	85.0
PPP & other investments	44.1	40.7
Other non-current assets	31.1	32.1
Working capital		
Working capital	(241.0)	(211.3)
IFRS 16	(19.4)	(22.3)
Total	(260.4)	(233.6)
Net cash	211.1	197.2
Average month end cash	158.2	140.8 <sup>1</sup>

<sup>1</sup> January to June 2020.

# Cashflow

Average month-end cash £158m; operating cash inflow £28m





# Working with our supply chain

- Advantage through Alignment drives supply chain engagement.
- Resilience despite Covid-19 and Brexit challenges.
- Material improvement in payment performance.

<b>6 months to 31 Dec 20</b>	<b>Average days to pay</b>	<b>Invoices paid to terms</b>	<b>Invoices paid in 60 days</b>
Galliford Try Construction Ltd	41	87%	92%
<i>Compared to 31 Dec 2019</i>	(2)	+9%	+7%
Galliford Try Infrastructure Ltd	35	89%	92%
<i>Compared to 31 Dec 2019</i>	(2)	+6%	+5%

---

# Reinstatement of dividend

Enhanced dividend policy

- Revised dividend policy.
- Driven by strong balance sheet, financial performance and outlook.
- Reduced dividend cover to 2.0 - 2.5x.
- Interim dividend declared 1.2p.

---

**1.2p**

Interim dividend  
(HY20: 0.0p)

---

**2.0 - 2.5x**

Dividend cover  
(Previously 3.0x)

---



Bill  
Hocking

---

Chief Executive

# Business update



## Our purpose

To improve lives by sustainably building the facilities and infrastructure that communities need.



## Our vision

To be a people-orientated, progressive business, driven by our values to deliver for our stakeholders.

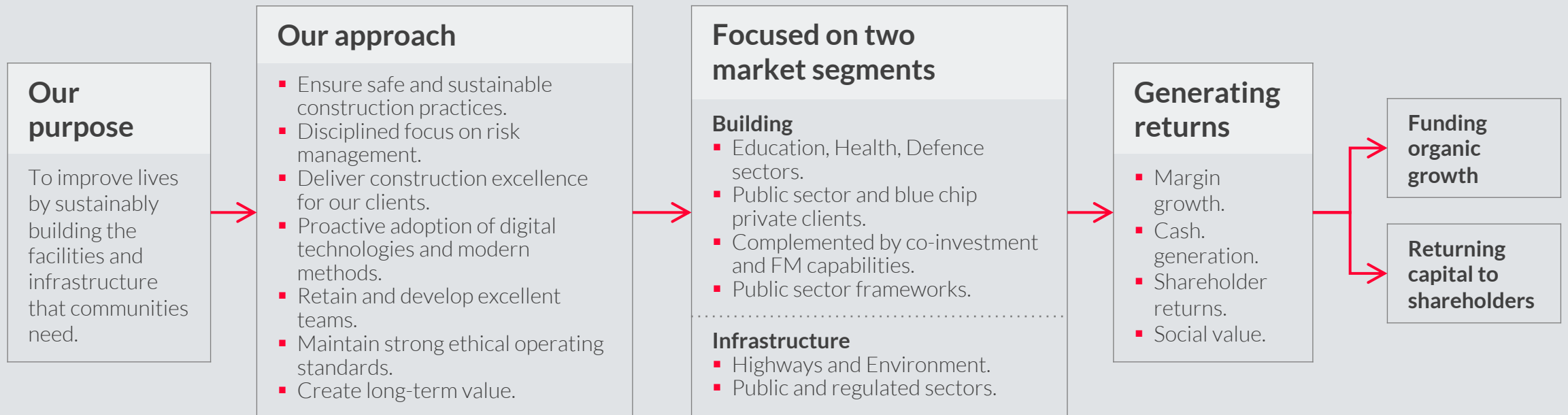


## Our values

Excellence, Passion, Integrity and Collaboration.

# Our business model

Delivering sustainably for our stakeholders





# Our strategy

Delivering long-term value

## S1

---

### Retain

Existing platform for sustainable growth.

- Great people.
- Regional structure providing national coverage with local relationships.
- Effective risk management in project selection and operations.
- Excellent position on frameworks.
- Focus on public and regulated sectors.
- Operate sustainably for long-term value.

## S2

---

### Improve

Operations to drive margin progression.

- Health and safety.
- Inclusion and diversity.
- Continue investment in modernising business capabilities.
- Supply chain alignment.
- Carbon and sustainability approach and reporting.

## S3

---

### Deliver

Strong, predictable performance.

- Sustainable business.
- Maintain a robust balance sheet.
- Deliver predictable and growing cash flows.
- Improve profitability and enhanced shareholder returns.

# ESG

## Embedded in our culture

- Underpinned by high standards of corporate governance and Code of Conduct – Doing the right thing.
- Accident Frequency Rate of 0.06; emphasis on proactive measures and ‘No Harm’ culture.
- Focus on reduction of Scope 1 and 2 carbon emissions.
- Social Value Calculator relaunched.
- Updated Sustainability Strategy to be published later in the year.

**0.06**

Accident Frequency Rate (HY20: 0.10).

**83.2%**

customer satisfaction score and net promoter score of 89 (HY20: 85.3% and 91).

**2,721**

training days provided for our people (HY20: 3,240).

**11.7%**

voluntary churn in January (HY20: 14.1%).

**40.3**

score in Considerate Constructors Scheme (HY20: 41.8).

**94%**

of waste diverted from landfill (HY20: 95%).

**92%**

of invoices paid in 60 days (HY20: 86%).



## UN's Sustainable Development Goals

- 3** Good health and wellbeing.
- 4** Quality education.
- 5** Gender equality.
- 6** Clean water and sanitation.
- 7** Affordable and clean energy.
- 8** Decent work and economic growth.
- 9** Industry, innovation and infrastructure.
- 10** Reduced inequalities.
- 11** Sustainable cities and communities.
- 12** Responsible consumption and production.
- 13** Climate action.

# Carbon reduction

## Case studies

### Company fleet

- Company vehicles are one of the main areas that contribute to our energy use.
- More than 35% of fleet is now electric or hybrid.
- Improved efficiency of our vehicle fleet from 133g/km to 86g/km in 2020 and on track for <35g/km in 2025.
- Like-for-like fuel saving of 40%.
- Installing charging points across all offices.



### Low carbon buildings

- Constructing low carbon buildings for several clients across the UK.
- Evaluating two buildings in parallel to understand variables on occupants and energy demand.
- Evaluate building performance in the real world to monitor how the buildings are performing and help us measure Scope 3 emissions.





# Our market

- Contributing to UK economic recovery from Covid-19.
- Build the economy of the future.
  - Growing and ageing population.
  - Ageing infrastructure.
  - Decarbonisation.
  - Technical/digital revolution.
- Aligned to Construction Playbook.
- Clients primarily public sector and blue-chip commercial organisations.
- Complemented by ability in Investments, co-development and FM.

## Planned Government investment



### EDUCATION

£14bn for primary and secondary education.



### DEFENCE

£4.6bn to optimise military sites.



### HEALTH

£7bn in capital budget.

## Building order book

£547m	Education
£393m	Defence and custodial
£272m	Health
£417m	FM
£328m	Commercial
£76m	Other
<b>£2.0bn</b>	<b>Total</b>

# Our market

- Excellent framework position.
- Strong pipeline of framework opportunities.

## Planned Government investment



### HIGHWAYS

£28.8bn in the National Roads Fund.



### ENVIRONMENT

£15bn for new and improved water and wastewater services, flooding and droughts.

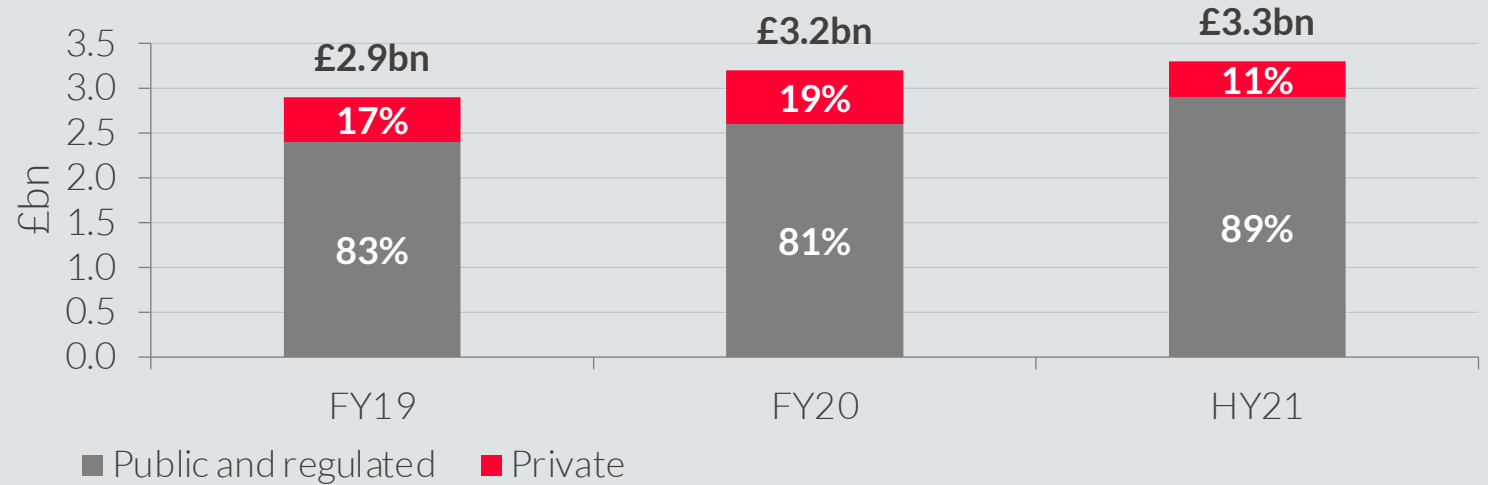
## Infrastructure order book

£576m	Highways
£681m	Environment
<b>£1.3bn</b>	<b>Total</b>

# Order book

- Predominantly public and regulated sector work provide stability and maturity of procurement.
- Key sectors which align to our risk appetite.
- High-quality order book based on disciplined risk management.

Order book by client type



**87%**

Work in frameworks (HY20: 90%).

**<£20m**

Median contract size in Building.

**76%**

Work secured for FY22 (HY20: 72%).

**85%**

Live Building projects secured since 2018.

---

# Risk management

Assessing and managing risks and uncertainties is the central element of our process and business strategy



# Strong and predictable shareholder returns

Objective	FY21	Medium-term KPI	Progress
Disciplined contract selection and measured revenue growth.	£1,100m - £1,300m revenue.	<b>£1,200m - £1,500m revenue.</b>	On track, with carefully risk managed order book.
Focus on bottom line margin growth.	1.6% divisional operating margin.	<b>&gt;2.5% divisional operating margin.</b>	Enhanced target reflects business performance.
Control of operating cost base.	Circa £10m central costs.	<b>&lt;£10m central costs.</b>	On track.
Medium-term operating cash generation.	Average month-end cash £145m - £165m.	<b>Average month-end cash. Cash generative.</b>	Operating cash inflow and improved average month-end.
Increasing shareholder returns.	Dividend reinstated with reduced dividend cover.	<b>Dividend cover of 2.0 - 2.5x.</b>	Dividend reinstated with reduced dividend cover.

---

# Summary

Delivering on our strategy

- Returned to profitability.
- Significant progress achieved.
- High-quality, risk managed, order book.
- Strongly cash generative.
- Very robust balance sheet.
- Resumed dividends with a new policy.
- On course to meet our full year objectives and confident for the future.



Wolverhampton Station, West Midlands

# Questions & answers





# Appendices

## **1. Our business**

---

1.1 Management team

---

1.2 Geography

---

## **2. Financial analysis**

---

2.1 FY21 financial guidance

---

2.2 Net finance income

---

2.3 Exceptional items

---

2.4 PPP Investments valuation

---

## **3. Order book**

---

3.1 Forward order book

---

3.2 Contract types

---

3.3 Key framework positions

---



---

# Appendices

## 1.1 Management team

### A highly-experienced Executive Board

- More than 150 years' construction sector experience.
- Supported by a strong plc Board.



# Appendices

## 1.2 Geography

*National strength,  
local delivery*

### Building

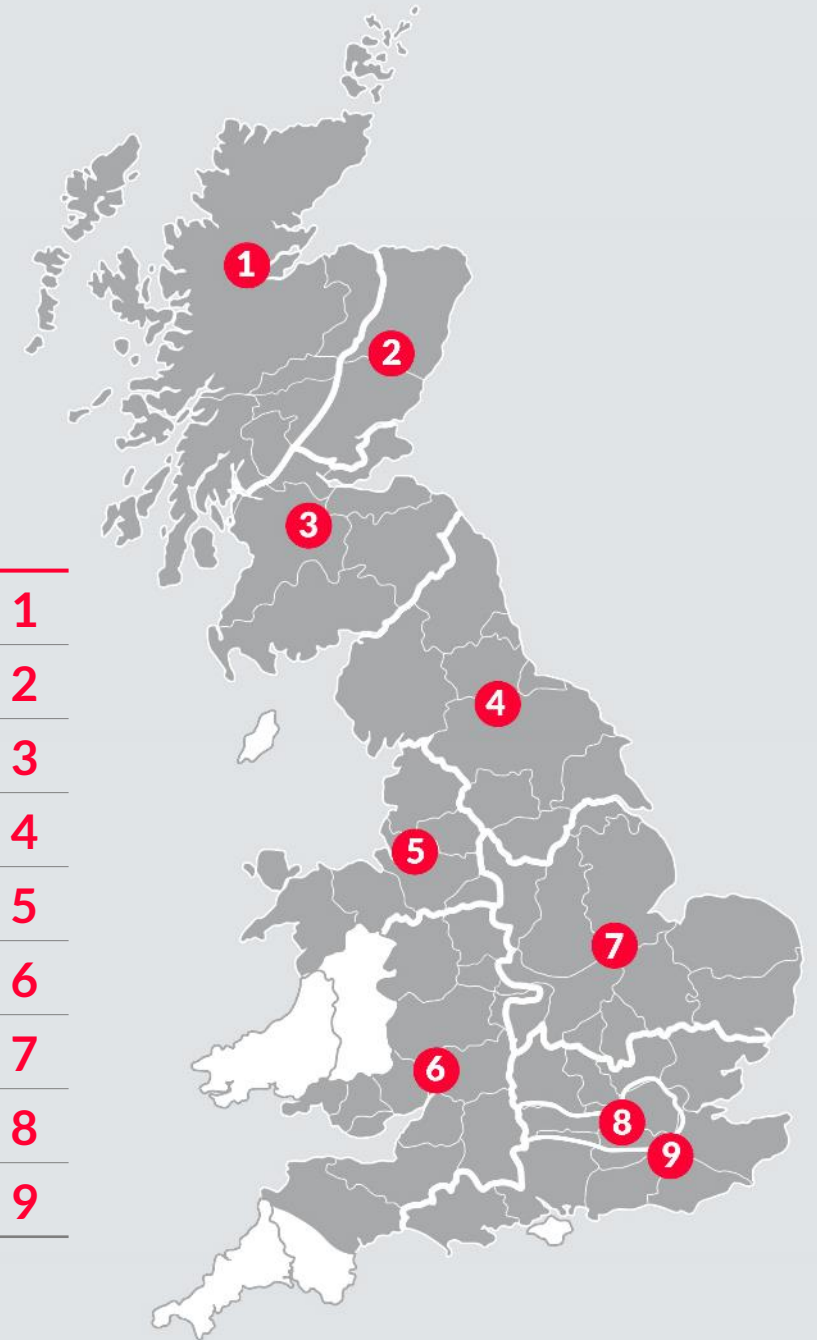
- National coverage through nine regions.
- Sector-specific support.

### Infrastructure

- National coverage across Highways and Environment.

### Key

Morrison Construction Highland	1
Morrison Construction North East	2
Morrison Construction Central	3
Building North East & Yorkshire	4
Building North West	5
Building West Midlands & South West	6
Building East Midlands	7
Building London & South East Commercial	8
Building Southern (public sector)	9



# Appendices

## 2.1 FY21 financial guidance<sup>1</sup>

### Strategy

Disciplined revenue growth and contract selection.

Growing operating margin starting in FY21.

Control of central costs.

Annuity income from PPP portfolio.

Average month-end cash.

Increasing shareholder returns.

	FY21
Revenue	£1.1bn - £1.3bn
Operating margin <sup>2</sup>	
• Pre central costs	1.4% - 1.6%
• Post central costs	0.4% - 0.7%
Central costs	Circa £10m
Interest income	£1m - £3m
Average cash	£145m - £165m
Dividend reinstated with reduced dividend cover.	

<sup>1</sup> Assumes current operating levels continue, with no additional Covid-19 restrictions.

<sup>2</sup> Based on operating profit before amortisation.

# Appendices

## 2.2 Net finance income

£m	HY21	HY20 <sup>1</sup>
Interest receivable from joint ventures and PPP Investments	1.9	2.4
Interest receivable on bank deposits	-	0.1
Other <sup>2</sup>	(0.7)	(0.4)
<b>Total</b>	<b>1.2</b>	<b>2.1</b>

<sup>1</sup> Continuing operations.

<sup>2</sup> Includes interest resulting from IFRS 16.

# Appendices

## 2.3 Exceptional items

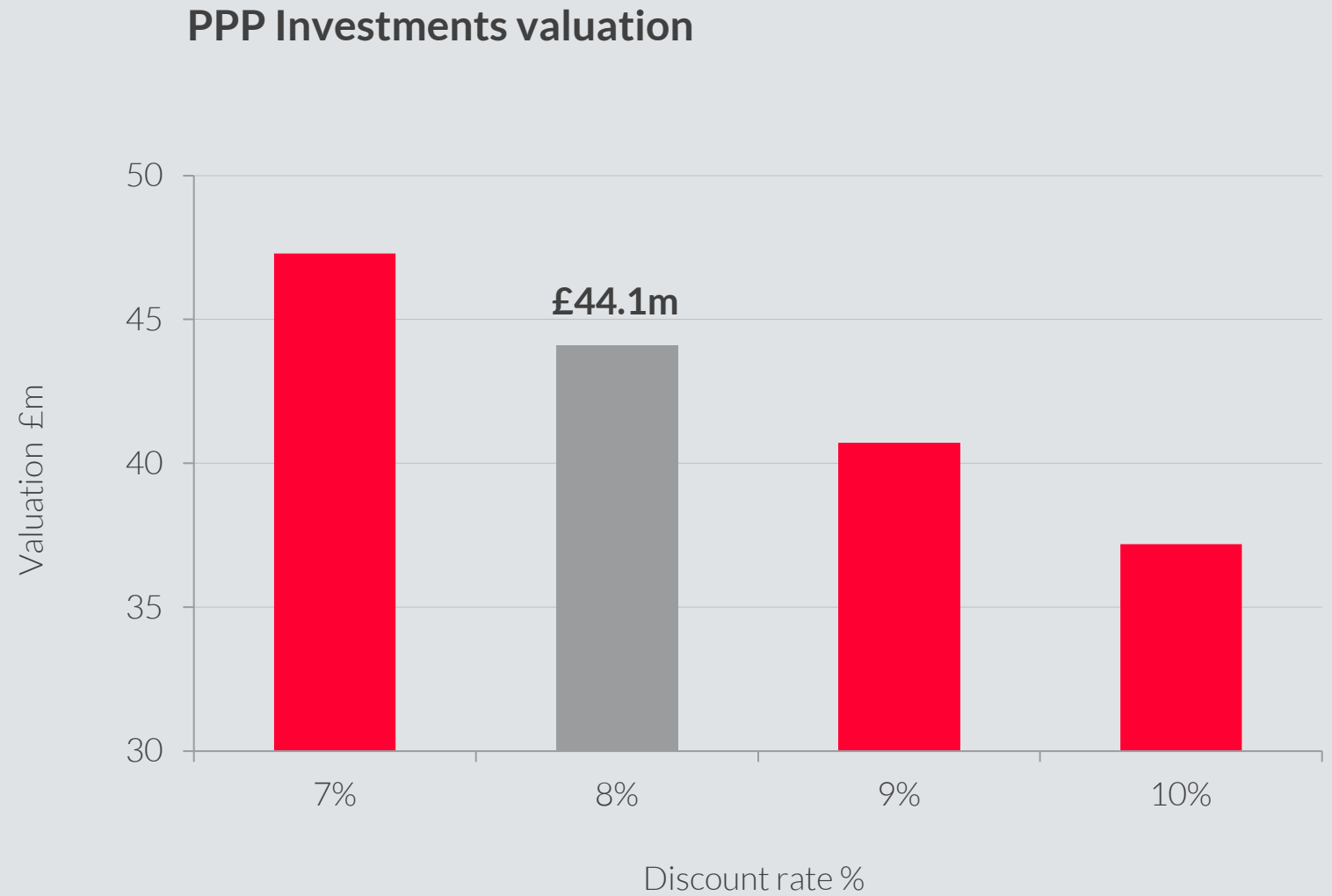
£(m)	AWPR charge/(income)	Queensferry Crossing charge	Other <sup>1</sup>	Total
FY17	75.0	12.9	1.0	88.9
FY18 <sup>2</sup>	125.0	-	-	125.0
FY19	32.3	6.7	11.8	50.8
FY20	(28.0)	-	2.9	(25.1)
<b>HY21</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>

<sup>1</sup> Aborted Bovis merger professional fees (FY17), Construction restructuring costs/GMP pension costs/buyout costs (FY19), restructuring costs (FY20).

<sup>2</sup> Includes £80.0m prior year adjustment identified during FY20.

# Appendices

## 2.4 PPP Investments valuation



# Appendices

## 3.1 Forward order book

- <£20m average contract size.

Forward order book distribution – Building (excluding FM)



---

# Appendices

## 3.2 Contract types

---

### **Target cost/cost reimbursable**

The overall target contract value is agreed with the client, normally through negotiation, including margin and risk and inflation contingencies. The actual cost of the work plus agreed fee is paid by the client. Any cost savings or overspends against the target are shared between the client and contractor.

---

### **Cost Plus**

All costs are paid plus an agreed fee.

---

### **Single-stage fixed-price**

A lump sum, fixed-price contract against a defined design. Full risk transfer to the contractor.

---

### **Two-stage fixed-price**

The contractor is appointed early, normally on a quality/fee/prelims basis. The final tender price and programme is then negotiated with the client and becomes a fixed-price at point of final award.

---



# Appendices

## 3.3 Key framework positions

A framework is a collaborative agreement between clients and contractors to deliver a programme of works through a stable, long-term partnership, allowing strategic planning, continuous improvement and excellent project outcomes.

- Department for Education's Construction Framework.
- LHC Schools and Community Buildings Framework.
- Crown Commercial Service (CCS) Construction Works Framework.
- Ministry of Justice Strategic Alliance Framework
- ProCure22 Department of Health and Social Care framework.
- NHS SBS Public Sector Construction Framework
- hub North Scotland, hub South East Scotland, hub South West Scotland and hub West Scotland.
- Constructing West Midlands CWM2.
- London Construction Programme.
- Manchester City Council Highways and Infrastructure Framework.
- NEUPC Universities Framework.
- Scottish Procurement Alliance.
- Southern Construction Framework.
- North West Construction Hub.
- YORBuild2/YORCivil2.
- University of Strathclyde.
- Procure Partnerships.
- Highways England Delivery Integration Partnership.
- AMP7 – Yorkshire Water, Southern Water and Thames Water.
- Scottish Water.
- North East Procurement Organisation.
- Smart Motorways Programme.
- Midlands Highways Alliance.

Generate repeat clients

**87%**  
of December 2020 order book is in frameworks



# Disclaimer

This document contains statements that are, or may be deemed to be, “forward-looking statements” which are prospective in nature. These forward-looking statements may be identified by the use of forward-looking terminology, or the negative thereof such as “plans”, “expects” or “does not expect”, “is expected”, “continues”, “assumes”, “is subject to”, “budget”, “scheduled”, “estimates”, “aims”, “forecasts”, “risks”, “intends”, “positioned”, “predicts”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words or comparable terminology and phrases or statements that certain actions, events or results “may”, “could”, “should”, “shall”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements are not based on historical facts, but rather on current predictions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy.

By their nature, forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of the Company. Forward-looking statements are not guarantees of future performance and may and often do differ materially from actual results. Neither the Company nor any member of its group or any of their respective directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or

implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements which only speak as of the date of this document. Other than in accordance with its legal or regulatory obligations, the Company is not under any obligation and the Company expressly disclaims any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or any member of its group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities. The making of this presentation does not constitute any advice or recommendation regarding any securities.



GallifordTry