Sustainable Growth

Full year results to 30 June 2022
21 September 2022

GallifordTry

Agenda

Full year results to 30 June 2022

- Highlights
- Financial review
- Sustainable Growth
- Q&A

Keadby Pumping Station, North Lincolnshire

Bill Hocking

Chief Executive

Highlights

Strong progress on Sustainable Growth Strategy
- Excellent operational performance.
- Collaborative client and supply chain relationships.
- Strategic acquisitions broaden our capabilities.

On track to deliver our strategic targets
- Excellent culture and ingrained approach to risk management.
- High-quality order book provides confidence for FY23.
- Pipeline driven by investment in economic and social infrastructure.

Improving shareholder returns
- Full year dividend per share increased 70%.
- Strong balance sheet enables additional capital returns.

£19.1m[1] — UP 68%

Profit before tax
(FY21: £11.4m[2])

2.4% — UP 0.4 ppt

Divisional operating margin
(FY21: 2.0%)

8.0p — UP 70%

Dividend per share
(FY21: 4.7 pence per share)

[1] Pre-exceptional.
[2] From continuing operations.

Financial review

ECOXLi low carbon welfare units

Andrew Duxbury

Group Finance Director

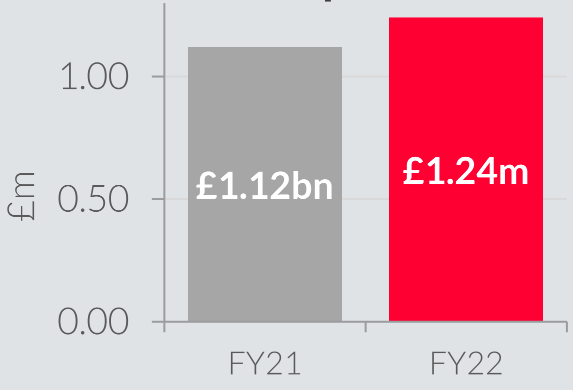
Strong operational performance

- Controlled revenue growth.
- Operating margin showing excellent progress.
- Tax rate benefits from brought forward losses.
- Excellent cash performance.

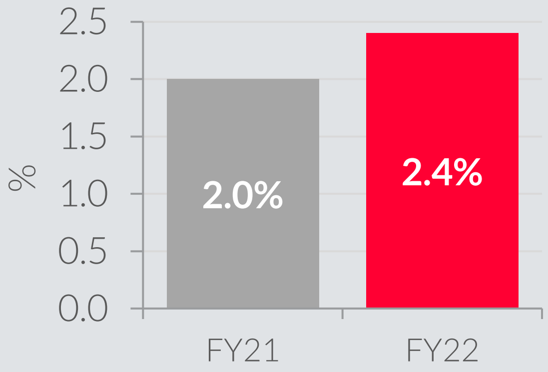
	FY22[1]	FY21[2]	Var
Revenue (£m)	1,237.2	1,124.8	+10.0%
Operating profit before amortisation (£m)	18.5	10.1	+83.2%
Profit before tax (£m)	19.1	11.4	+67.5%
Earnings per share (p)	16.0	9.5	+68.4%

[1] Pre-exceptional items. Exceptional costs of £13.7m related to nmcn acquisition and IT investment.
[2] Continuing operations.

Revenue of £1.24bn up 10%



Divisional operating margin of 2.4%



Segmental analysis

Divisional margin improvement

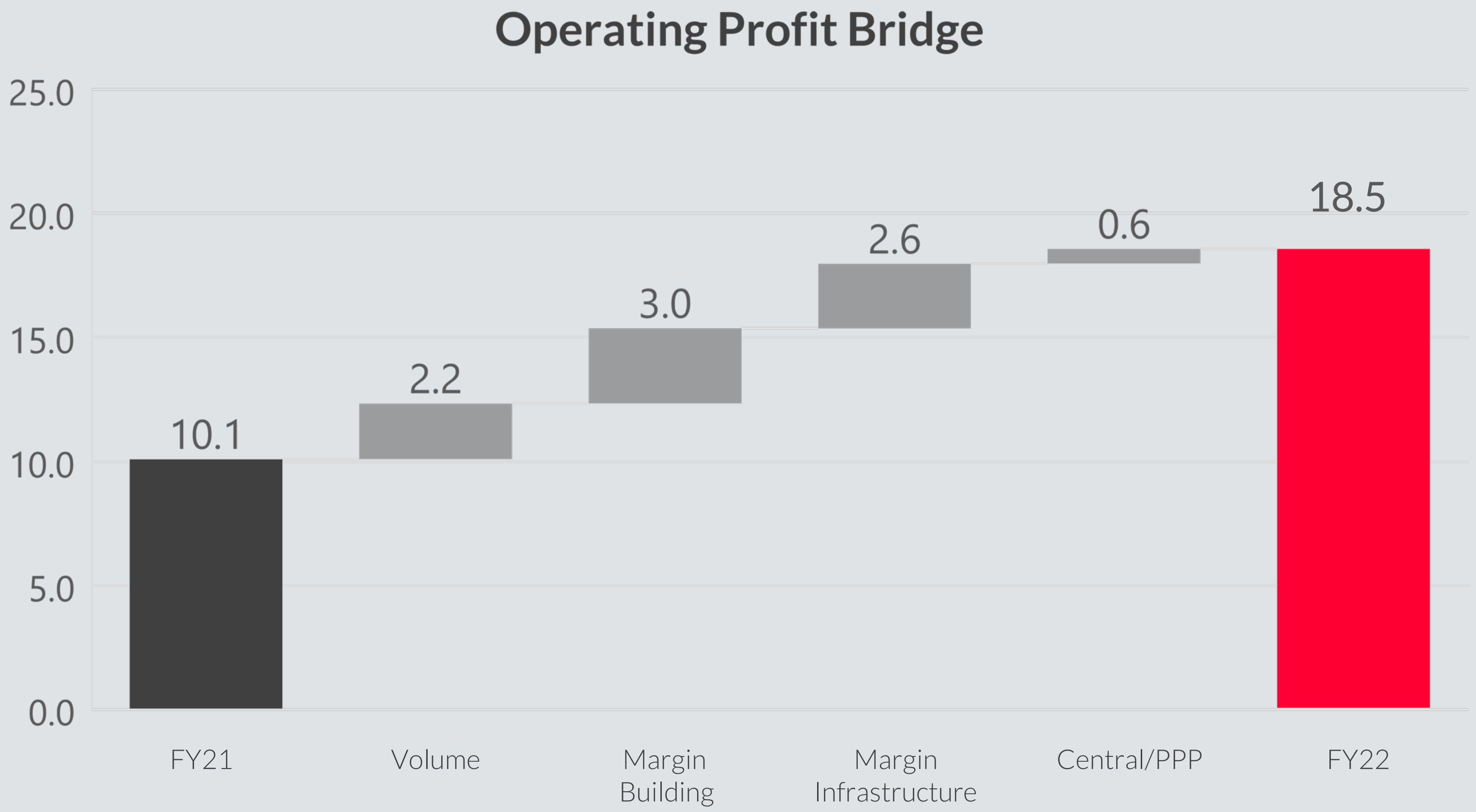
- Building revenue reflects some contract starts moving into FY23, as expected.
- Infrastructure revenue growth reflects 12% organic growth and £74m from acquisition.
- Progress in both Building and Infrastructure margin, driven by high-quality order book.
- Central costs in line with previous year.
- Exceptional costs related to acquisition (£7.7m) and investment in IT systems (£6.0m).

	FY22	FY21	Var
Revenue (£m)	**1,237.2**	1,124.8	+10.0%
Building	**789.1**	789.2	nil
Infrastructure	**441.9**	329.2	+34.2%
PPP Investments	**6.2**	6.4	(3.1)%

	FY22	FY21	Var
Operating profit /(loss)[1] (£m)	**18.5**	10.1	+8.4
Building	**18.9**	15.9	+3.0
Infrastructure	**10.8**	6.0	+4.8
PPP Investments	**(0.9)**	(1.8)	+0.9
Central	**(10.3)**	(10.0)	(0.3)
Operating margin (%)			
Building	**2.4%**	2.0%	+0.4ppt
Infrastructure	**2.4%**	1.8%	+0.6ppt
Combined divisional	**2.4%**	2.0%	+0.4ppt

[1] Operating profit before amortisation and exceptional items.

Operating margin driving improved profitability



- Reflection of quality in order book.
- Focus on efficient contract delivery including:
  - Investment in our teams.
  - Digital investment and modern methods of construction.
  - Engagement with clients and supply chain.

Managing inflation

Mitigating impact on trading or targets

Strong financial position

- Strong cash position.
- Well-secured forward order book.
- Provides support for disciplined approach.

Bidding processes

- Appropriate risk allowances in all tenders.
- Contract terms to avoid onerous risks.
- Active supply chain engagement.

Project management

- Matrices of key material lead times.
- Advanced early planning for better visibility.
- Early procurement.

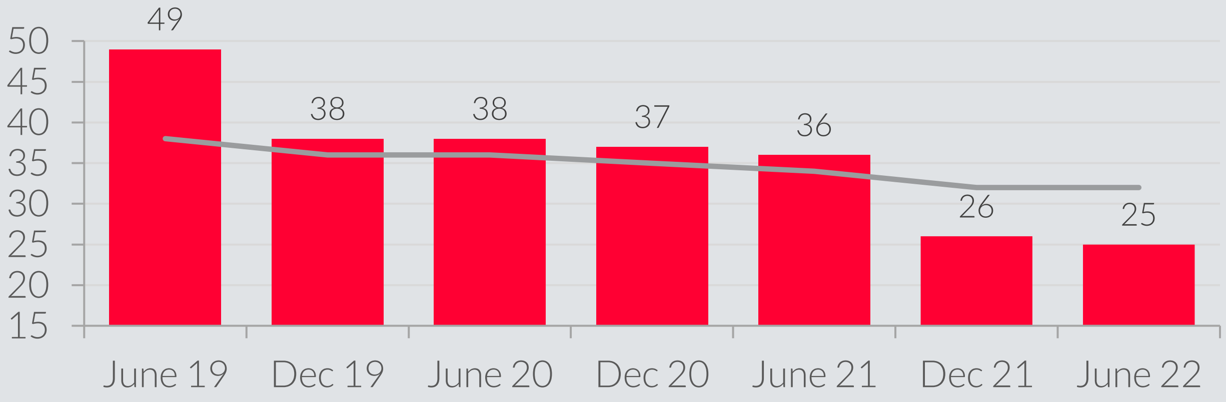
Disciplined culture

- Strong culture focused on risk management.
- Aligned management incentives across the Group.

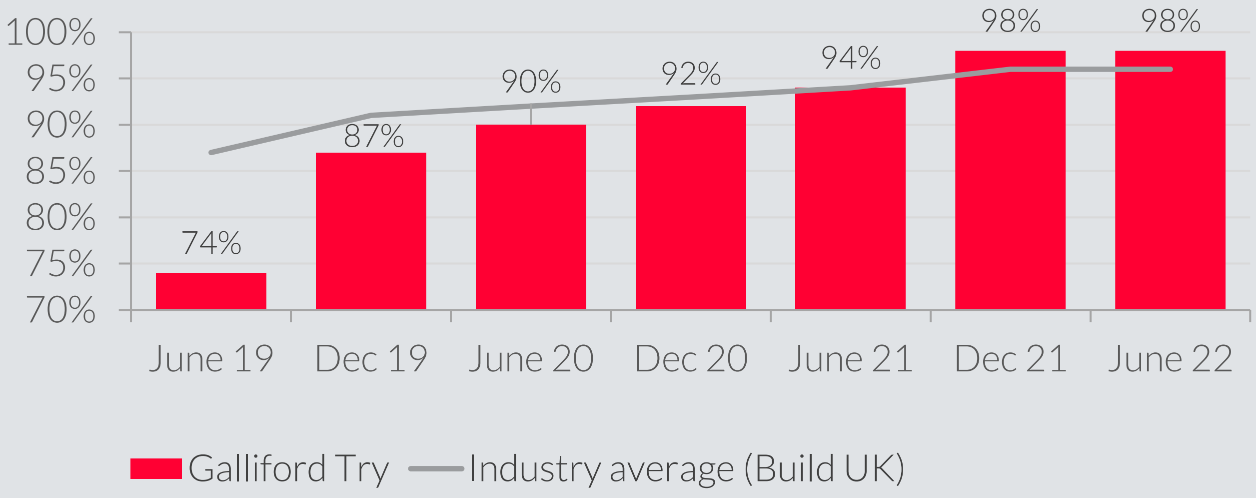
Supply chain alignment

- Proactive engagement with supply chain mitigates against materials inflation and labour/materials shortages.
- Advantage through Alignment makes us a partner of choice; 60% spend with Aligned suppliers.
- Payment performance improved ahead of industry average, making us a partner of choice.

Average days to pay



Invoices paid within 60 days



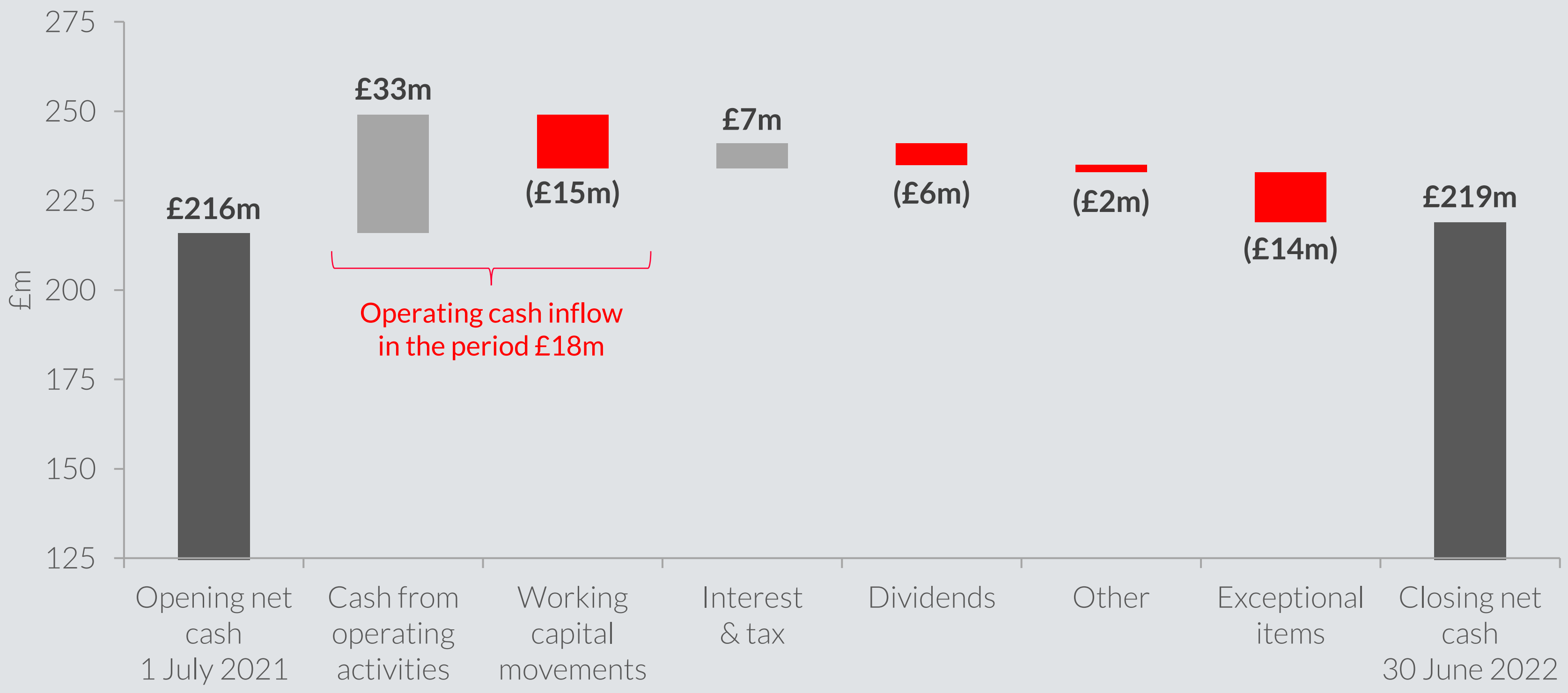
Strong balance sheet

- Well-capitalised.
- Continued balance sheet strength driven by net cash and PPP assets.
- Robust cash position.
  - Improved average month-end cash of £174m.
  - No debt.
  - No pension liability.
- PPP portfolio valued at £47.5m.
  - Generated interest income of £3.9m.

Balance sheet £m	30 June 2022	30 June 2021
Intangible assets & goodwill	**97.0**	82.9
PPP & other investments	**47.5**	49.1
Other non-current assets	**45.9**	38.4
Working capital		
Working capital	**(255.5)**	(237.6)
IFRS 16	**(24.8)**	(19.2)
Total	**(280.3)**	(256.8)
Net cash	**218.9**	216.2
Other	**3.1**	4.3
Total net assets	**132.1**	**134.1**
Average month-end cash	**174**	164

Cash generative

Average month-end cash £174m; operating cash inflow £18m



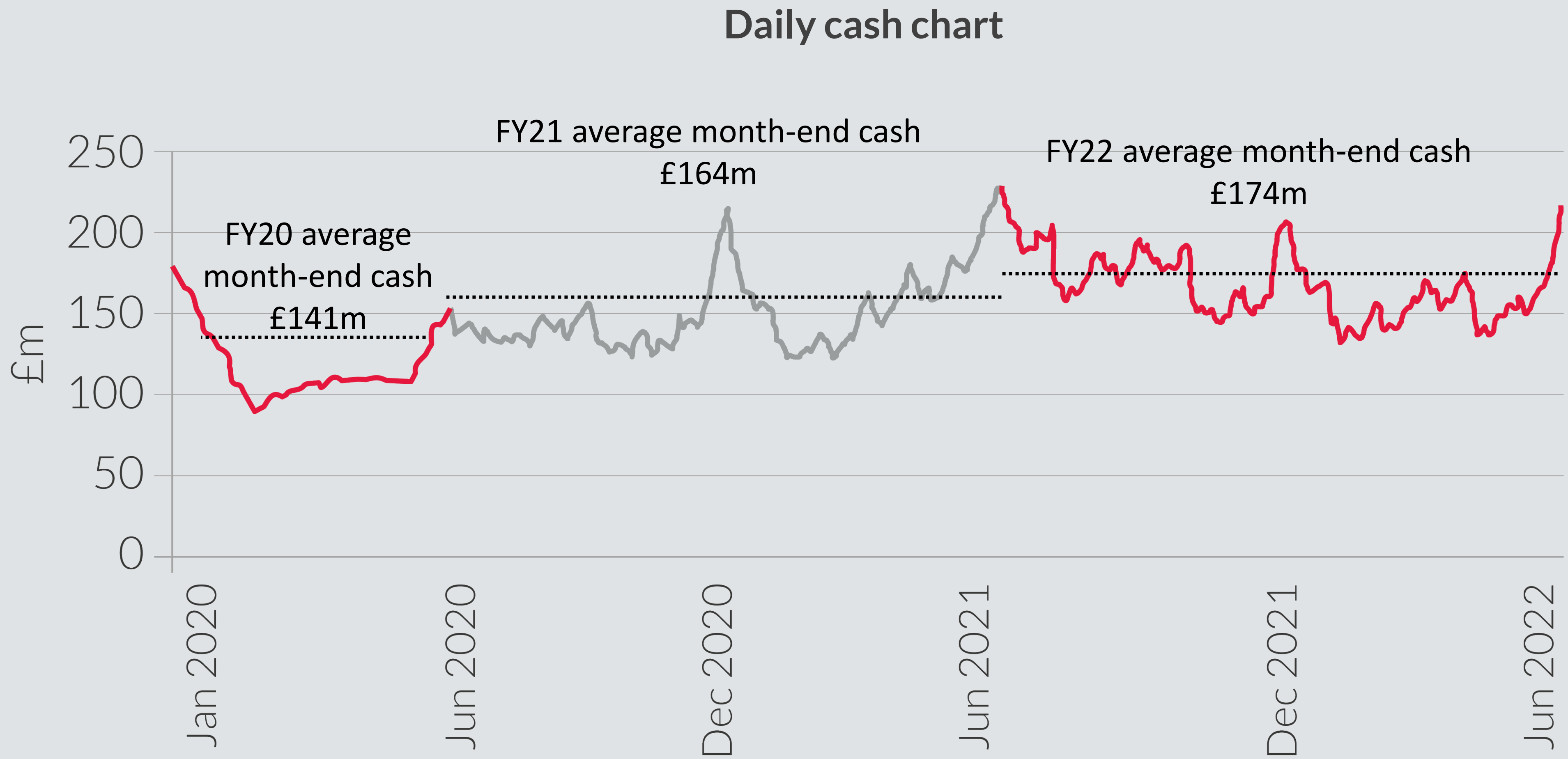
£174m

Average month-end cash

>£100m

Minimum daily cash

Resilient daily cash performance



Capital allocation

Prioritising a strong balance sheet

Supporting operational requirement

- Competitive advantage in chosen markets, providing confidence to clients and supply chain.
- Accelerate growth of adjacent market opportunities.
- Enables strategic and bolt-on opportunities to enhance capabilities.

Mitigating market risks

- Maintain cash reserves to mitigate any adverse market conditions.
- Support disciplined approach and focus on risk management throughout economic cycle.

Regular and sustainable returns

- Dividends will grow with earnings.
- Full year dividend policy improved to 2.0x cover.

Ongoing review of requirements

- Additional shareholder returns of excess cash, when appropriate.

Increasing dividends

- Excellent financial performance.
- Strong balance sheet, supported by cash and PPP assets.
- No pension liability to fund.
- High-quality order book.
- Encouraging outlook.
- Dividend declared in line with stated cover policy.

8.0p UP 70%

Dividend per share (FY21: 4.7p)

2.0x[1]

Dividend cover (FY21: 2.0x[1])

[1] Covered by pre-exceptional earnings from continuing operations.

Additional capital returns

- Resilient balance sheet demonstrated since 2020 demerger.
- Aggregate cash and PPP assets of £221m towards upper end of requirements of £175m-£250m.
- Allows investment in strategic growth.
- Inaugural additional capital returns programme.

£15m

Share buyback initiated

Queen Elizabeth High School, Hexham

Bill Hocking

Chief Executive

Engine for Sustainable Growth

Why we target frameworks

Improved risk and favourable outcomes

Improved risk allocation:

- Established and well-understood terms and conditions.
- Long-term client relationships.
- Predictable behaviours.
- Certainty in tendering and typically reduced cost of tenders.

Frameworks allow strategic planning:

- Long-term visibility.
- Continuous improvement.
- Enhanced project outcomes.

A5630 Anstey Road, awarded as part of the Midlands Highways Alliance framework

Focused risk management

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

Contract selection	Robust review and approval pre-contract to avoid onerous risks.	Board approval required for all bids with specific risk factors or with a value of over £25m.	Technical, commercial and financial parameters applied.
Commercial control and reporting	Project level controls and management oversight of project forecasts.	Monthly cross-disciplinary contract review meetings on all projects.	Standardised monitoring and reporting; commercial health checks.

Sustainable Growth Strategy

A people-orientated, progressive culture driven by our values.

Health and safety

Our people

Protect the environment and create greater social value for communities.

Environment and climate change

Communities

Progressive culture

Socially responsible delivery

Strategy

Deliver high-quality buildings and infrastructure in a socially responsible way and provide a sustainable return for our shareholders

Quality and innovation

Sustainable financial returns

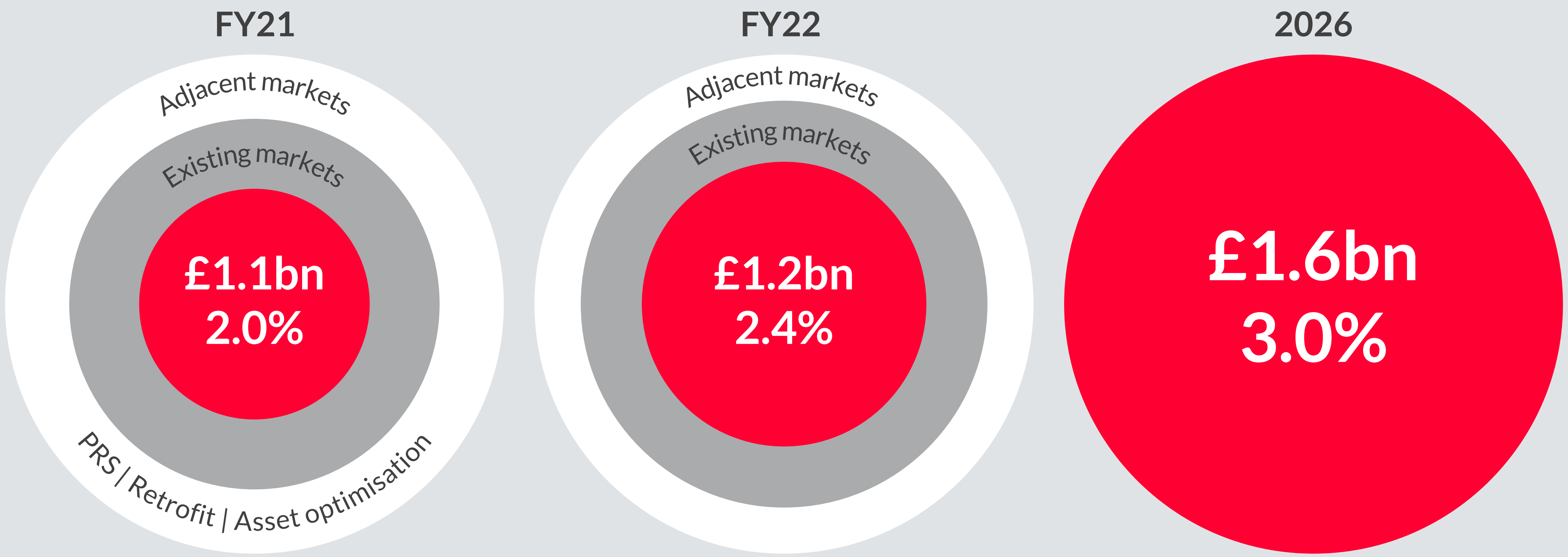
Deliver excellence for our clients.

Clients

Supply chain

Earn a sustainable return on the value we deliver.

Delivering Sustainable Growth



Resilient market outlook

Investment in the UK's social and economic infrastructure

- Key contractor for public and regulated sector clients, with 91% of our order book in these areas.
- Our core sectors reflect the UK's drive to recover from the pandemic and are positioned to grow.
- Investment in digitalisation and innovation supports the UK's productivity.

Levelling up agenda

- National footprint and local relationships support UK's drive to tackle regional and local inequalities.

Urgency of climate crisis

Three-pronged approach:

- Supporting clients with their carbon objectives.
- Our own journey to net zero.
- Equipping supply chain to support requirements.

Inflation, labour and materials

- Contractual protections.
- Proactive relationships with supply chain.
- Prompt payment.
- Early planning and procurement.

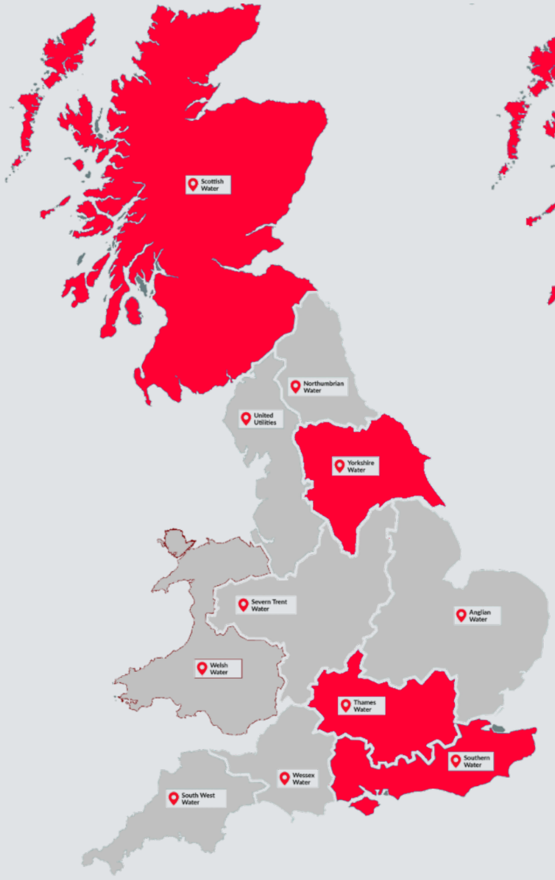
Examples of funding streams

New Hospitals Programme £3.7bn	Road Investment Strategy 2 £27bn	DfE Rebuilding Programme £4bn	Transforming Cities Fund £1.3bn	Learning Estate Investment Programme £2bn	Defence Estate Optimisation Programme £4bn	AMP8 c£50bn	Public Sector Decarbonisation Scheme £1.4bn

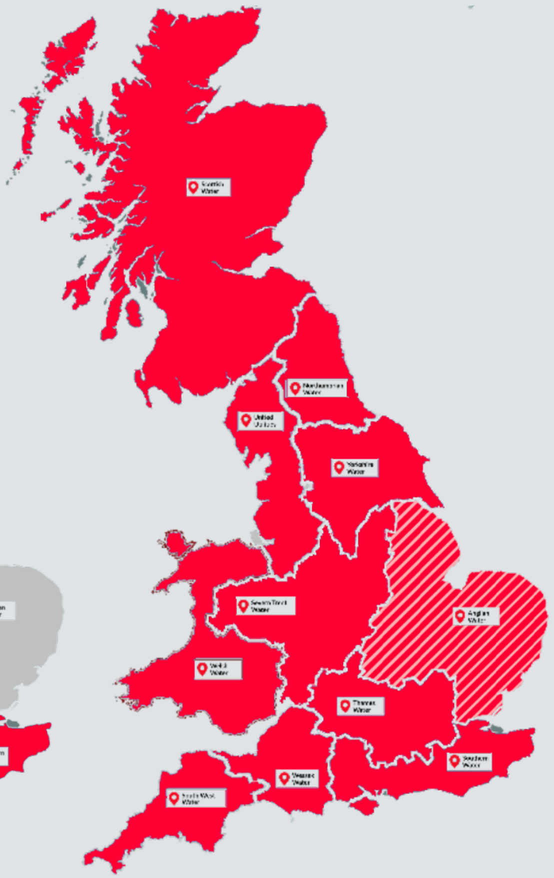
nmcn acquisition

- Demonstrated our agility to move quickly.
- Increased geographic and client coverage.
- Opened up new markets in asset maintenance and asset security.
- Successfully integrated the business at pace.
- Complemented by acquisition of MCS Control Systems in July 2022.
- Demonstrates opportunity from further bolt-on acquisitions.

Our Environment business



Pre acquisition client base



Post acquisition client base

Key: AMP7 D&B frameworks Capital maintenance only

Client demand for low carbon

Supporting clients

- Clients' carbon strategies are a revenue driver.
- Growing capability via Carbon Lead and Carbon Working Group.
- Ability to exceed client requirements.
- Green retrofit.
- Supported by digital and off-site.

Supporting supply chain

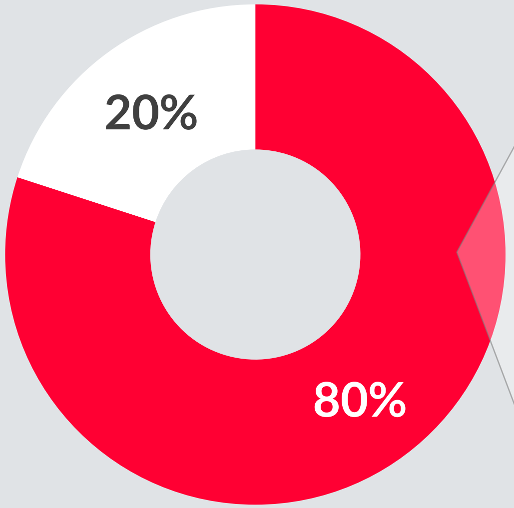
- Net Zero Partners launched.
- Supply Chain Sustainability School.

Galliford Try journey to net zero

- Net zero targets to 2030 and 2045 set, supported by interim Science Based Targets.
- Participating in CDP disclosure process.
- A further 6.3% decrease in Scope 1 and 2 emissions achieved through progress across areas such as energy efficient welfare cabins, early grid connections, electric fleet.

Quality-based work-winning

Indicative scoring criteria



Scoring criteria

- Non-financial
- Financial

Management	24%
Project delivery	20%
Health, Safety and Environment	6%
Quality	6%
Sustainability and carbon	6%
Social value	8%
Contract management	10%

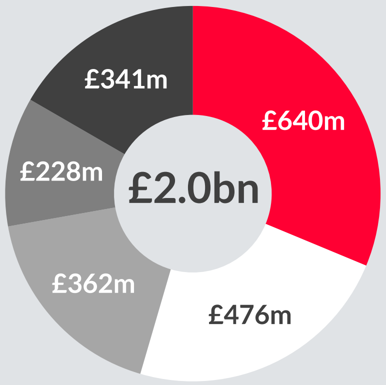
People-orientated, progressive culture

Quality and innovation

Socially responsible delivery

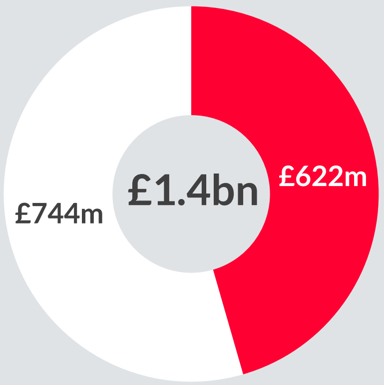
Sustainable financial returns

Robust £3.4bn order book



Building order book

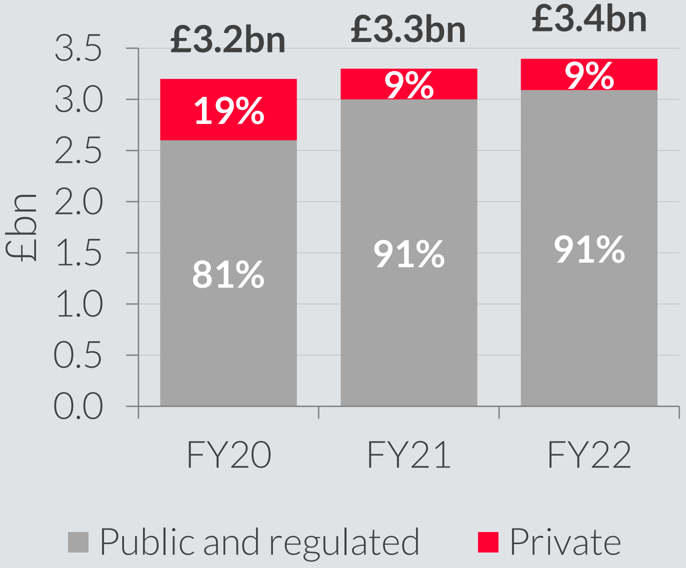
- Education
- Defence and custodial
- FM
- Health
- Commercial and other



Infrastructure order book

- Highways
- Environment

Order book by client type



94%

Repeat clients for FY22 (FY21: 92%).

90%

Work secured for FY23 (For FY22: 90%).

<£20m

Median contract size in Building.

Our sustainability commitments

Strategic priorities	Sustainability pillars		FY21	FY22	Ambition
Progressive culture	Health and safety	Accident Frequency Rate	0.08	0.06	No harm
		Lost Time Incident Rate	0.26	0.26	No harm
	Our people	Early careers as a % of total employees	7.2%	6.1%	>8%
		Women as a % of total employees	23.0%	21.2%	YoY increase
		Employee advocacy	New measure	85%	>80%
Socially responsible delivery	Environment and climate change	Scope 1 and 2 carbon emissions (CO_2e tonnes)	11,525	10,795	Net zero by 2030
		Scope 3 carbon emissions (CO_2e tonnes)	Not reported	6,040	Net zero by 2045
		Waste intensity (tonnes/£100K revenue)	7.57	20.96	YoY reduction
	Communities	% of completed projects delivering >25% of Social and Local Economic Value as % of contract value	New measure	50%	60%
		CCS performance	40.6 (industry ave. 38.0)	41.8 (industry ave 39.0)	>38 and above industry ave
Quality and innovation	Clients	% of repeat business in order book	92%	94%	>80%
		% of full year planned revenue secured at start of the financial year	90%	90%	>85%
	Supply chain	% of business unit core trades spend with Aligned subcontractors	59%	60%	70%-80%
		Prompt payment – % of invoices paid within 60 days	93%	98%	>95%

Summary

Sustainable Growth Strategy progressing well

- Strong foundations to deliver profitable growth.
- Favourable pipeline in chosen markets.
- Robust balance sheet strength supports our operations.
- Sustainable and growing dividends supplemented by additional capital returns.
- Confident outlook for strong FY23 performance.

Objective	2026 target
Focus on bottom line margin growth.	Divisional operating margin growth to 3.0%.
Disciplined contract selection and sustainable revenue growth.	Revenue growth towards £1.6bn.

Questions & answers

Marjorie McClure School, Chislehurst

Appendices

1. Sustainable Growth Strategy
2. PPP Investments valuation
3. Forward order book
4. Contract types

Appendices

1. Sustainable Growth Strategy

A people-orientated, progressive culture driven by our values.

Health and safety: Prioritising health, safety and wellbeing and ensuring no harm to anyone linked with our operations.

Our people: Creating an inclusive environment and progressive culture that enables all individuals to reach their potential.

Protect the environment and create greater social value for communities.

Environment and climate change: Adopting sustainable resourcing and consumption practices and taking measures to mitigate carbon production and climate change to protect our environment and biodiversity.

Communities: Making a positive impact in communities where we operate by delivering greater social value and improving lives.

Progressive culture

Quality and innovation

Socially responsible delivery

Sustainable financial returns

Strategy

Deliver high-quality buildings and infrastructure in a socially responsible way and provide a sustainable return for our shareholders

Deliver excellence for our clients.

Clients: Delivering lower carbon, superior buildings and infrastructure with a better social footprint for clients in our chosen markets through a focus on innovation, digitalisation and quality.

Supply chain: Aligning our supply chain with our culture and creating collaborative relationships that deliver best practice, innovation and sustainable outcomes for clients, communities and the environment.

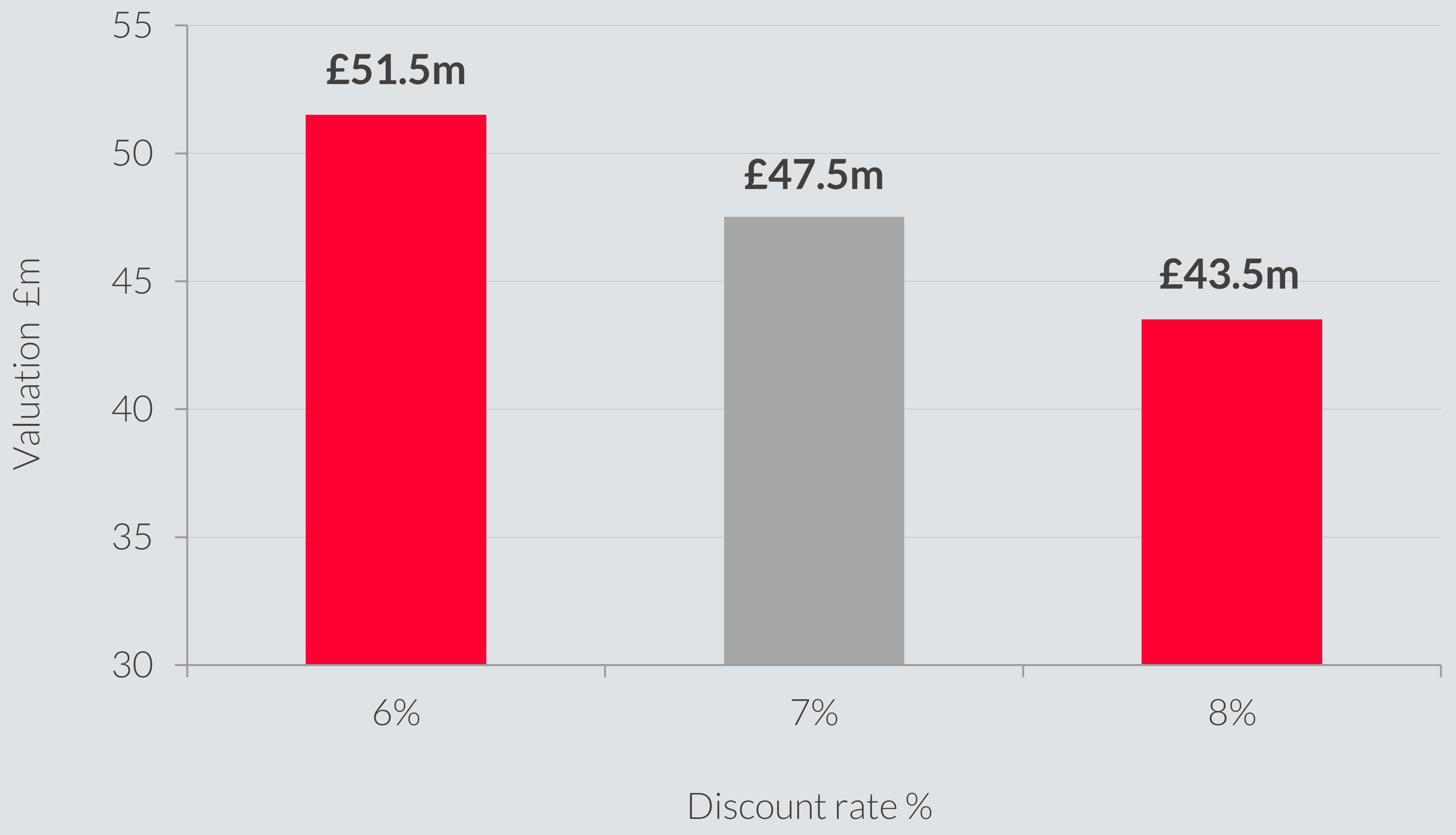
Earn a sustainable return on the value we deliver.

- Taking a disciplined approach to selecting the work we take on and carefully managing risk at every stage of the project.
- Delivering strong, predictable cash flows and margin improvement.
- Generating increasing shareholder returns.

Appendices

2. PPP Investments valuation

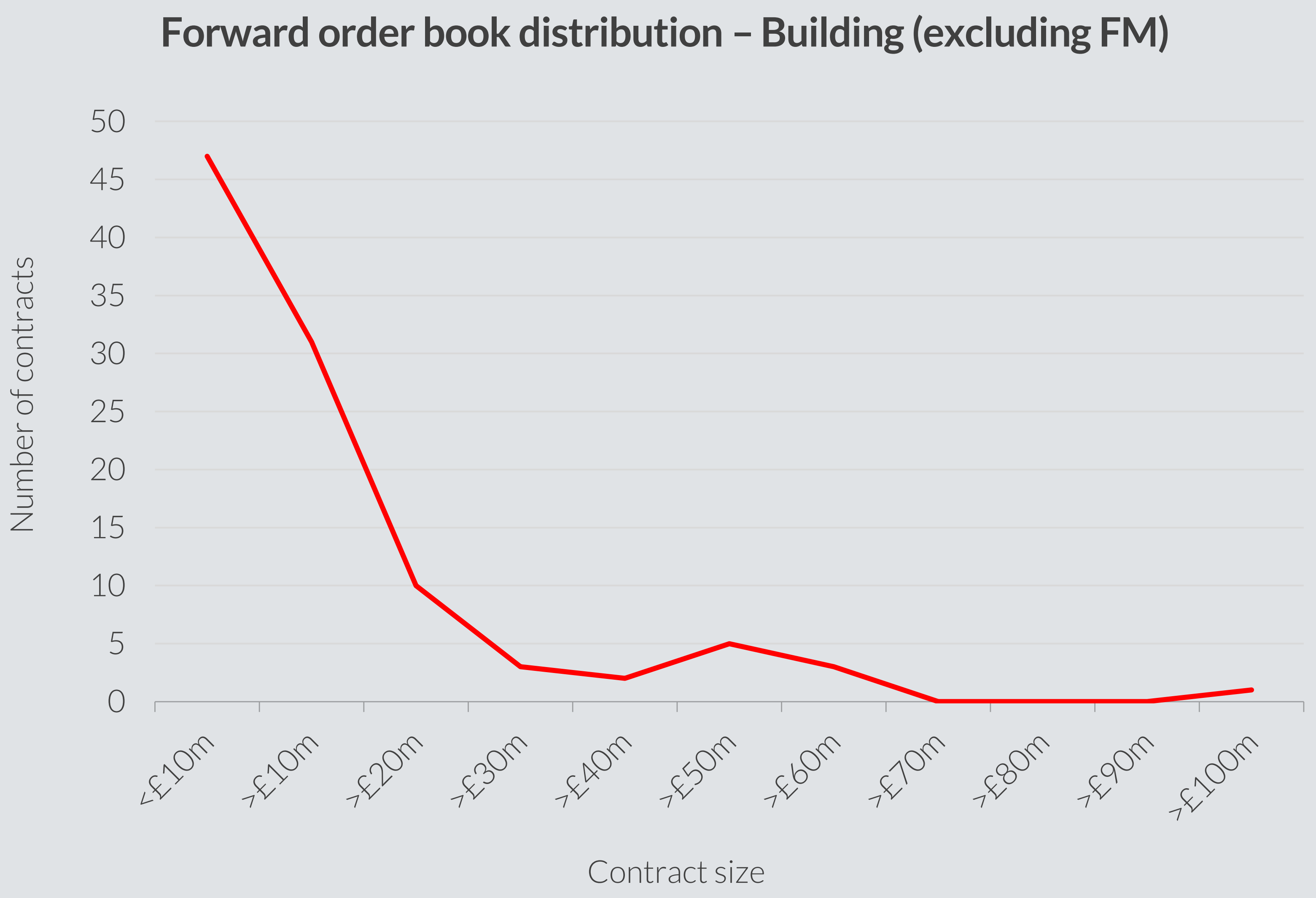
PPP Investments valuation



Appendices

3. Forward order book

- <£20m average contract size.



Appendices

4. Contract types

Target cost/cost reimbursable	Where an overall target contract value is agreed with the client, including margin, risk and inflation contingencies, and 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.
Fixed-price	Where the final price and programme is negotiated on a sole basis following early involvement, resulting in a fixed-price for a defined scope at point of final contract award.

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