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Kier Group PLC
19 January 2021

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Kier Group plc

Trading update

Kier Group plc ("Kier" or "the Group"), a leading construction and infrastructure services group, today issues a trading update for the six months ended 31 December 2020 ("the period" or "first half").

Trading

The Group performed well in the first half and expects to deliver half-year results slightly above the Board's expectations. There was an improvement in site productivity through the period despite COVID-19 restrictions.

The Group anticipates that a reduction in adjusting items in the period will generate a statutory result materially better than the corresponding period last year.

Kier continues to win new business in its markets on terms and at rates which reflect the bidding discipline and risk management introduced under the Group's Performance Excellence programme. As at 31 December 2020, Kier had been awarded places on long-term frameworks worth up to £11bn, across a number of sectors including, health, education and justice. In addition, several existing frameworks were extended by 12 months.

In the first few weeks of 2021 the Group has also been awarded an 8-year maintenance contract worth c. £200m with Transport for London.

Strategic actions

Kier continues to execute its strategy to simplify the Group and strengthen the balance sheet.

The Group now expects to deliver at least £105m of annualised cost savings by the end of FY21, through self-help measures. The Group continues to review its cost base to identify additional cost saving measures.

The Group continues to make progress with the divestment of Kier Living and remains focussed on driving an improvement in cash flows through a disciplined approach to appropriate capital allocation. In addition, the Group is continuing to consider a potential equity raise.

Net debt

The Group is expected to generate positive adjusted operating cash flow at the half year end.

The cash generation has allowed the Group to; reduce supplier payment days from 38 to 34 (57: HY19); to ensure that all Kier companies have been reinstated to the Prompt Payment Code; to start repaying deferred PAYE and

VAT commitments from FY20; and paying the adjusting items accrued for at 30 June 2020.

The Group's average month-end net debt for the six-month period to 31 December 2020 remained at a level similar to the average month-end net debt for FY20, with significant liquidity headroom.

Outlook

The health, safety and wellbeing of our employees remains a key priority and the resilience demonstrated by our people in the first six months of the year has been exceptional. The Group's sites have operated under site operating procedures which reflect Public Health England's guidance, since March 2020. Accordingly, the Group was well prepared for the national lockdown introduced in early January 2021.

The Group continues to win high quality work in our chosen markets resulting in a strong order book which is slightly above year-end levels, despite the difficult trading environment due to the pandemic. The projects awarded consist of those which have been bid and delivered under our increased transparency, governance and controls.

This order book, combined with our project management expertise, longstanding customer relationships and recent government announcements of increased spending on national infrastructure, gives us confidence in the outlook for the Group.

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