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**THE COMPANY EXPECTS TO PUBLISH SHORTLY A CIRCULAR IN CONNECTION WITH THE TRANSACTION. ANY VOTING DECISIONS BY SHAREHOLDERS IN CONNECTION WITH THE TRANSACTION SHOULD BE MADE ON THE BASIS OF THE INFORMATION CONTAINED IN THE CIRCULAR.**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.**

**FOR IMMEDIATE RELEASE**

16 April 2021

**Kier Group plc  
Sale of Kier Living**

Kier Group plc ("**Kier**" or the "**Company**") today announces that it has entered into an agreement for the cash sale of Kier Living Limited ("**Kier Living**") to Foster BidCo Limited (the "**Buyer**"), a newly formed company, ultimately owned by Guy Hands, the Founder, Chairman and Chief Investment Officer of Terra Firma (the "**Transaction**").

The Transaction is conditional on Kier shareholders' ("**Shareholders**") approval at a General Meeting expected to occur in early May.

The consideration payable by the Buyer for Kier Living is £110 million, payable in cash on completion of the Transaction ("**Completion**"), which is expected before mid-June. There will be additional payments made on completion to cover, among other things, Kier and its subsidiary and associated undertakings (the "**Group**") providing working capital funding to Kier Living in the period from 1 July 2020 until Completion.

The Buyer has paid a non-refundable (other than in limited circumstances) deposit of £40 million to the Company, held in escrow and to be released on Completion. The balance of the consideration and the working capital funding will also be paid at Completion.

Kier Living is a housebuilding business with established operations across four of the most affordable regions in England. Kier Living's principal focus is providing well-priced, low-rise, mixed-tenure suburban family homes through open-market sales.

**Benefits of the Transaction**

The Kier Board unanimously believes that the Transaction recognises the strategic value of Kier Living and is in the best interests of Shareholders and other stakeholders as a whole because it will:

- facilitate a material reduction in the Group's net debt;
- reduce the volatility of the Group's working capital;
- remove the capital requirement to support land acquisition within Kier Living to maintain its current level of sales

completions;

- remove the off-balance sheet debt associated with certain of Kier Living's joint ventures; and
- simplify the Group and allow it to focus on its core, high-quality, market-leading businesses in Infrastructure Services, Construction and Property.

The sale of Kier Living is another step in the management's strategy to simplify the Group and to create a strong, resilient and flexible balance sheet, providing the Group's clients, customers, suppliers and other stakeholders with greater confidence in Kier as a counterparty. In addition, Kier is continuing to consider a potential equity raise.

Kier publishes its interim financial results for the six months ended 31 December 2020 on 21 April 2021.

A circular containing further information on the Transaction, together with a notice convening a Shareholders' meeting of Kier, is expected to be sent to Shareholders shortly.

**Andrew Davies, Kier Group Chief Executive Officer said:**

*"The actions we have taken over the last two years have created a strong operational platform for sustainable profitable growth and free cash flow.*

*The disposal of Kier Living delivers another key milestone in the Group's strategy to simplify the business and strengthen its balance sheet."*

**Enquires:**

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A circular is expected to be published shortly in connection with the Transaction (the "Circular"). Copies of the Circular will, following publication, be available through the website of Kier at [www.kier.co.uk](http://www.kier.co.uk). Neither the content of Kier's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

Kier urges Shareholders to read the Circular once published carefully as it contains important information in relation to the Transaction. Any

vote in respect of resolutions to be proposed at the Shareholder meeting to approve the Transaction and related matters should be made only on the basis of the information contained in the Circular.

The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. The information in this announcement is subject to change.

The availability of this announcement and/or the Circular to Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident (including affecting the ability of such Shareholders to vote their shares with respect to the Scheme and the Transaction). Persons who are not resident in the United Kingdom or who are subject to the laws and/or regulations of another jurisdiction should inform themselves of, and should observe, any applicable requirements. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction.

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### **Forward-Looking Statements**

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group and the sectors and markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Directors' or the Company's ability to control or predict.

Forward-looking statements are not guarantees of future performance. The Group's actual operating results, financial condition, dividend policy and the development of the sectors and markets in which it operates may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the operating results, financial condition and dividend policy of the Group, and the development of the sectors and markets in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or the development of such sectors and markets in subsequent periods. Important factors that could cause these differences include, but are not limited to, general political, economic and business conditions, including resulting from the impact of the COVID-19 pandemic and responses by governments to it, sector and market trends, changes in government, changes in law or regulation, stakeholder perception of the Group and/or the sectors or markets in which it operates and those risks described in the section of this document headed "Risk Factors".

Other than in accordance with their legal or regulatory obligations (including under the listing rules of the FCA, the Disclosure Guidance and Transparency Rules of the FCA, the Prospectus Regulation Rules made by the FCA including, where appropriate, relevant provisions of the Regulation (EU) 2017/1129 and amendments thereto (as it forms part of retained EU law as defined in the EU (Withdrawal) Act 2018) as referred to or incorporated within the Prospectus Regulation Rules and the Market Abuse Regulation (EU) No 596/2014 (as it forms part of retained EU law as defined in the EU (Withdrawal) Act 2018)), neither the Company nor Rothschild & Co undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

## **Kier Group plc**

### **Sale of Kier Living**

#### **1 Introduction**

Kier Group plc ("**Kier**" or the "Company") today announces that it has entered into an agreement for the cash sale of Kier Living Limited ("Kier Living") to Foster BidCo Limited (the "**Buyer**"), a newly formed company, ultimately owned by Guy Hands, the Founder, Chairman and Chief Investment Officer of Terra Firma (the "**Transaction**").

The consideration payable by the Buyer for Kier Living is £110 million, payable in cash on Completion of the Transaction ("**Completion**"). There will be additional payments made on Completion to cover, among other things, Kier and its subsidiary and associated undertakings (the "Group") providing working capital funding to Kier Living in the period from 1 July 2020 until Completion.

After adjustment for estimated Transaction costs and debt and debt-like items, the net cash proceeds from the Transaction are expected to be approximately £100 million (the "**Net Cash Proceeds**"). The Board intends to use the Net Cash Proceeds to reduce the Group's net debt and to make a contribution to its Pension Schemes, both of which will help improve the financial position of the Group.

The Transaction constitutes a Class 1 transaction for the Company under the listing rules of the Financial Conduct Authority and is, therefore, conditional upon the approval of Shareholders. There

are no other conditions to Completion. Completion, and receipt of the consideration by Kier, is expected to occur before mid-June. Kier will publish a circular to Shareholders shortly setting out further details of the Transaction and convening the General Meeting, at which Shareholder approval will be sought for the Transaction.

## **2 Background to, and Reasons for, the Transaction**

On 17 June 2019, Kier announced the conclusions of its strategic review. In that announcement, the Company set out a new strategy for the Group, which has been implemented by the refreshed senior executive management team led by Andrew Davies, Chief Executive Officer, and Simon Kesterton, Chief Financial Officer, incorporating the simplification of the Group's portfolio of businesses by selling or exiting non-core activities, including Kier Living, focusing on cash generation and reducing the Group's net debt. In addition, the Group is continuing to consider a potential equity raise.

Kier Living is a well-established business but has limited operational synergies with other parts of the Group and would require significant ongoing funding from the Group to deliver future growth. Accordingly, the Board initiated a competitive process for the sale of Kier Living, which culminated in the signing of the Sale and Purchase Agreement with the Buyer. The Board unanimously believes that the Transaction recognises the strategic value of Kier Living and is in the best interests of Shareholders and other stakeholders as a whole because it will:

- facilitate an immediate material reduction in the Group's net debt;
- reduce the volatility of the Group's working capital;
- remove the capital requirement to support land acquisition within Kier Living to maintain its current level of sales completions;
- remove the off-balance sheet debt associated with certain of Kier Living's joint ventures; and
- simplify the Group and allow it to focus on its core, high-quality, market-leading businesses in Infrastructure Services, Construction and Property.

## **3 Trading update**

As announced in Kier's trading update on 19 January 2021, the Group performed well in the first half of financial year ending 30 June 2021 and second half trading started well with first half trends continuing. Since the 19 January 2021 trading update, Kier has continued to perform well and in line with the Board's expectations.

Kier publishes its interim financial results for the six months ended 31 December 2020 on 21 April 2021.

## **4 Information on Kier Living**

Kier Living is a housebuilding business with established operations across four of the most affordable regions in England. Kier Living's principal focus is providing well-priced, low-rise, mixed-tenure suburban family homes through open-market sales. In the financial year ended 30 June 2020, Kier Living completed 1,183 sales completions and, as at 30 June 2020, Kier Living had a land bank of 4,677 plots. The current owned and controlled landbank of 4,677

plots represent c.3 years of land supply based on Kier Living delivering c.1,600 sales completions per annum. To maintain this volume of sales completions on an ongoing basis, additional investment in Kier Living will be required to support its land acquisition strategy and increase its owned and controlled landbank, providing greater visibility over its future delivery of sales completions across each of its regions.

Kier Living's market position is supported by a structural undersupply of affordable housing across the UK, a well-priced product in affordable regions and strong relationships with housing-focused public-sector bodies. Kier Living uses joint ventures to provide alternative sources of capital to invest in land acquisitions and provide greater access to increased land opportunities that may not be possible without the joint venture partner. Kier Living has announced a number of joint ventures in recent years, including a joint venture partnership established in 2018 with Homes England and Cross Keys to develop 5,400 homes over the next 10 years; a joint venture with Cross Keys announced in 2017 in the east of England; and a joint venture with Together Housing announced in 2016. The Kier Living Group's interest in these joint ventures (and the share of third-party debt) will indirectly transfer to the Buyer on Completion. The remaining joint ventures are not material to the business of the Kier Living Group.

As at 30 June 2020, Kier Living was classified as an asset held for sale with a fair value of £110.0 million, and an asset value of £190.9 million, and in the year ended 30 June 2020 had an operating loss of £42.4m.

## **5 Information on the Buyer**

The Buyer is a newly formed private limited company incorporated in Guernsey, ultimately owned by Guy Hands, the Chairman, Founder and Chief Investment Officer of Terra Firma.

Since 1994, Terra Firma has sought to create value for investors using a strategic, operationally focused and creative approach to building better businesses. Terra Firma has invested over €17 billion of equity in 35 businesses with an aggregate enterprise value of more than €48 billion. The investment strategy is sector agnostic. Terra Firma searches for asset-backed businesses with robust underlying demand which are open to transformation and these have been found in a wide range of industries.

## **6 Principal Terms of the Transaction**

On 16 April 2021, the Company and the Buyer entered into the Sale and Purchase Agreement, pursuant to which the Company has agreed, on the terms and subject to the conditions of the Sale and Purchase Agreement, to sell all its shares in Kier Living to the Buyer. The enterprise value of the Transaction is £110 million (this excludes Kier Living's share of third party debt in certain key joint ventures in the Kier Living Group). The consideration payable by the Buyer for Kier Living is £110 million, payable in cash on Completion. There will be additional payments on Completion to cover among other things, the Group providing working capital funding to Kier Living in the period from 1 July 2020 until Completion.

The Transaction is conditional upon the approval of the Resolution by Shareholders at the General Meeting.

Under the Sale and Purchase Agreement, the Company has given customary warranties, indemnities and covenants to the Buyer.

As part of the Transaction, the Company has agreed to provide certain transitional services to the Kier Living Group for a limited time following Completion, including shared finance services, shared HR services, procurement services and IT services.

The Buyer has paid a non-refundable (other than in limited circumstances) deposit of £40 million to the Company, held in escrow and to be released on Completion. The balance of the consideration and the working capital funding will also be paid at Completion.

The Board expects that, subject to the approval by Shareholders at the General Meeting, Completion will occur before mid-June 2021.

## **7 Use of Proceeds and Financial Effects of the Transaction**

### *Use of proceeds*

The Net Cash Proceeds arising from the Transaction are expected to be approximately £100.0 million, after payment of Transaction costs and expenses. The Board has agreed that the Net Cash Proceeds will be used by Kier (excluding Kier Living) (the "**Retained Group**") as follows:

- £10.0 million will be used to reduce the Retained Group's current funding deficit under its Pension Schemes;
- £75.0 million will be used to reduce the Retained Group's current indebtedness; and
- £15.0 million will be retained within the Retained Group's cash reserves.

### *Financial effects of the Transaction on the Retained Group*

In addition to the use of proceeds described above, the Transaction will also have the following beneficial financial effects on the Retained Group:

- simplify the Group's portfolio to enable Kier to focus on its core markets in Infrastructure and Construction;
- remove off-balance sheet debt associated with certain of Kier Living's joint ventures;
- it is expected to result in a reduction to the overall liability of the Group under its supply chain financing arrangements; and
- the Group will no longer need to provide working capital funding for Kier Living.

## **8 General Meeting**

Completion is conditional upon Shareholders' approval being obtained at the General Meeting. A circular setting out further details of the Transaction, together with the notice to convene the General Meeting and the form of proxy for use at the General Meeting, will be published shortly.

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