

**19 July 2022**

**Kier Group plc**

**Trading Update**

Kier Group plc ("Kier" or "the Group"), a leading infrastructure services, construction and property group issues a trading update for the year ended 30 June 2022, ahead of publishing Full Year 2022 Results on 15 September 2022.

**Trading**

The Group's full year results are anticipated to be in-line with the Board's expectations. This reflects a strong operational performance despite inflationary pressure which the company remains confident it can continue to mitigate going forward.

These results also reflect the cost savings realised in responding to the anticipated reduced volumes in the Construction division during the financial year.

**Order Book**

Despite political and economic uncertainties, core markets remain favourable. The year-end order book is expected to be in excess of £9.7bn, a significant increase of c.26% against the prior year (FY21: £7.7bn) reflecting a significant number of contract wins across all divisions.

Long term framework positions, as well as the pipeline and fees from the Property Development division, are excluded from the order book and represent an additional opportunity.

The Group continues to maximise value and opportunities. Kier has won new, high quality and profitable work in its markets reflecting the bidding discipline and risk management embedded in the business.

Recent awards include:

- Infrastructure Services:
  - o Highways - £560m maintenance work and services contracts for North Northamptonshire and West Northamptonshire Councils for 7 years (with an option for a further 7-year extension)
  - o Infrastructure - appointed to the £1.56bn Pagabo Civils and Infrastructure Framework for 4 years; Kier BAM joint venture appointed by Babcock International on a refurbishment project at Devonport's 10 dock facility in Plymouth. The project is expected to run for 10 years
  - o Utilities - awarded a place on Northern Ireland Water's £1.2bn Major Projects Partnership Framework in joint venture with BAM for 4 years (with an option for a further 4-year extension)
- Construction - £500m contract to deliver new houseblock buildings across six prisons with Wates; awarded a pre-construction services agreement to deliver HMP Glasgow, a new prison on a 54-acre site in Scotland; awarded a £32.5m refurbishment contract for Manchester Aquatics Centre; selected by Baring and LBS Properties to design and construct a £69m mixed-use sustainable building in London
- o Kier Places - appointed to £35bn Crown Commercial Service's Facilities Management and Workplace Services Framework for 4 years
- Property - agreed an £80m equity residential 50:50 joint venture with Housing Growth Partnership to develop urban brownfield sites across the UK over 5 years

Given the nature of our business, 85% of revenue for FY23 is already secured which provides us with a level of certainty against a backdrop of wider market uncertainty.

**Net cash/ debt**

The Group is expected to generate positive adjusted operating cash flow for the full year 2022.

With positive cash flow, we anticipate reporting a net cash position at the year-end in-line with the Board's expectations.

The Group's average month-end net debt for FY22 has significantly reduced from £432m to less than £220m year over year as a result of the capital raise, the sale of Kier Living and cash generation. This was partially impacted by a reduction of £38m in the average month-end supply chain finance facility ("KEPS") balance, repayment of the remaining HMRC Government support and the cash impact of adjusting items.

Cash adjusting items largely relate to ongoing restructuring costs in the Construction division and fire cladding claims.

The Group's supplier payment days have improved from 34 to 33 days over the last 6 months.

On 1 July 2022, the Group repaid the remainder of its KEPS facility and is reviewing options for an improved facility.

### **Medium Term Value Creation Plan**

The Group remains confident in achieving its medium-term targets of:

|                                      |  |
|--------------------------------------|--|
| Revenue:                             | £4.0 - 4.5bn   |
| Adjusted operating profit margin:    | c. 3.5%  |
| Cash conversion of operating profit: | c. 90%   |
| Balance sheet:                       | Sustainable net cash position with capacity to invest      |
| Dividend:                            | Sustainable dividend policy: c.3 x cover through the cycle |

### **Andrew Davies, Chief Executive Officer of Kier Group plc commented:**

"Kier delivered a strong operational performance over the last year, despite inflation and political uncertainties. Core markets remain favourable and we continue to maximise value and opportunities. This, coupled with the strong order book and strengthened balance sheet, gives the Board confidence in our medium-term value creation plan and the continued success of the Group."

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### **For further information, please contact:**

|                                  |                     |
|----------------------------------|---------------------|
| Investor Relations               | +44 (0)7933 388 746 |
| Kier Press Office                | +44 (0)1767 355 096 |
| Richard Mountain, FTI Consulting | +44 (0)203 727 1340 |

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

### **About Kier Group plc**

Kier is a leading UK infrastructure services, construction and property group. We provide specialist design and build capabilities and the knowledge, skills and intellectual capital of our people to ensure we are able to project manage and integrate all aspects of a project.

This announcement does not constitute an offer of securities by Kier Group plc (the "Company"). Nothing in this announcement is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or any of its subsidiaries (together, the "Group") whether in the current or any future financial year. This announcement may include statements that are, or may be deemed to be, "forward-looking statements". 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 Company's or the Group's ability to control or predict. Forward-looking statements are not guarantees of future performance. You are advised to read the section headed "Principal risks and uncertainties" in the Company's Annual Report and Accounts for the year ended 30 June 2021 for a further discussion of the factors that could affect the Company's or the Group's future performance and the industry in which it operates. Other than in accordance with its legal or regulatory obligations, the Company does not accept any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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