

20 July 2023

Kier Group plc

Full Year 2023 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 2023, ahead of publishing Full Year 2023 ("FY23") results on 14 September 2023.

Highlights

- Year end order book continues to be above £10bn
- Revenue and profit expected to be in line with expectations
 - o Strong growth in Construction in the second half of the year
- Year end net cash position will be significantly above expectations at c.£60m
- Average net debt will be better than expectations at c.£230m
- Pension scheme triennial valuation agreed resulting in materially decreased deficit payments
- c. 85% of revenue for FY24 already secured

Trading

The Group's FY23 results are anticipated to be in line with the Board's expectations, reflecting a strong operational performance despite inflationary pressure. The company remains confident it can continue to mitigate these pressures going forward.

Order Book

The Group's core markets remain strong and the year-end order book continues to be above £10bn. Kier has won new, high quality and profitable work in its markets reflecting the bidding discipline and risk management embedded in the business.

Long term framework positions are excluded from the order book and represent an additional opportunity.

Recent awards include:

- Construction - appointed to the £5.1bn Strategic Alliance Contract in relation to the Defence Estate Optimisation ("DEO") Portfolio by the Ministry of Defence; re-appointed to the £4.5bn Southern Construction Framework
 - o Kier Places - appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate
- Property - started work on site at our Trade City scheme in Manchester

Given the nature of our business, c. 85% of revenue for FY24 is already secured which provides us with a good level of certainty against a backdrop of wider market uncertainty.

Pension scheme

During the year the Group agreed the triennial valuation for funding its defined benefit pension schemes. Given the Group's improved covenant and payments made under the existing schedule of contributions, the schemes are in a significantly improved position.

Accordingly, deficit payments will decrease from £10m in FY23 to £9m in FY24, £8m in FY25, £6m in FY26, £4m in FY27 and £1m in FY28.

Once the pension schemes are in surplus, they will cover their own administration expenses. In FY22, expenses amounted to £4m. The largest of the six schemes is already in surplus.

Net cash / debt

The Group is expected to generate positive adjusted operating cash flow for the year ended 30 June 2023, significantly above the Board's previous expectations. We also anticipate reporting a net cash position of c. £60m at the year-end, higher than the £2.9m reported in the prior year and above the Board's initial expectations.

The strong year end cash position was driven by a seasonal inflow of working capital, particularly in our Construction division, which experienced stronger than anticipated growth in the final quarter.

Average month-end net debt position is also expected to be better than expectations at c. £230m. During the year, the positive operating cash flow was used to repay the remaining average month-end supply chain finance facility ("KEPS") balance of c. £56m, to pay adjusting items, pension deficit obligations and to repay the remaining HMRC Covid-19 support of c. £6m.

The Group repaid all of the Schuldschein Notes and certain of the US Private Placement ("USPP") Notes for a total of £44m. The Group's Revolving Credit Facility ("RCF") also reduced by £40m, in line with the facility agreement.

The Group continues to expect that it will materially deleverage with free cash flow generation.

Infrastructure Services Re-alignment

In May, we announced a re-alignment of our Infrastructure Services segment to support our growth ambitions and align our capabilities, skills and expertise to the evolving needs of our clients. From 1 July 2023, our three business divisions, Highways, Utilities and Infrastructure Projects became two:

- **Transportation:** this business division provides design, engineering, delivery and maintenance to support the movement of people, goods and equipment by land, sea and air. It includes our existing highways business and infrastructure projects relating to rail, ports and air.
- **Natural Resources, Nuclear & Networks:** this business division includes our existing utilities business and infrastructure projects related to water, energy and networks.

The re-alignment leaves Kier in an even stronger position to pursue our strategic objectives within our chosen markets given the UK Government's commitment to £600bn of public sector spending and the significant investment plans by UK asset owners in the regulated sector.

Andrew Davies, Chief Executive of Kier Group plc, commented:

"The Group has delivered another year of strong operational and cash performance. We have now completed the second year of our medium-term value creation plan. This plan has embedded bidding discipline and risk management into the business and is allowing us to maximise value and convert the many high quality and profitable opportunities in our chosen markets, which remain favourable. We have also strengthened our balance sheet and grown our order book despite the uncertainty in the wider economy. These factors give the Board confidence in 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

About Kier Group plc

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