

Half year results

to 30th June 2023

3rd August 2023



Agenda

- Introduction / John Morgan
- Financial & operational review / Steve Crummett
- Fit Out / Chris Booth
- Markets & outlook / John Morgan

Introduction

- Record H1 performance
- Market conditions generally improving throughout the period
- Balance sheet strength and significant daily cash
- Upgraded expectations for FY 23 in June. Since then, no change
 - ❖ Remain confident of another record performance

Financial & operational review

Steve Crummett

Summary of Group results

Adjusted ¹ basis £m	HY 23	HY 22	Change
Revenue	1,935	1,698	+14%
Operating profit	59.1	56.9	+4%
Operating margin	3.1%	3.4%	-30bps
Net interest	0.7	(2.3)	+£3.0m
Profit before tax	59.8	54.6	+10%
Tax	(14.0)	(10.9)	-£3.1m
Profit after tax	45.8	43.7	+5%
Earnings per share (p)	98.9p	95.8p	+3%
Interim dividend per share (p)	36.0p	33.0p	+9%

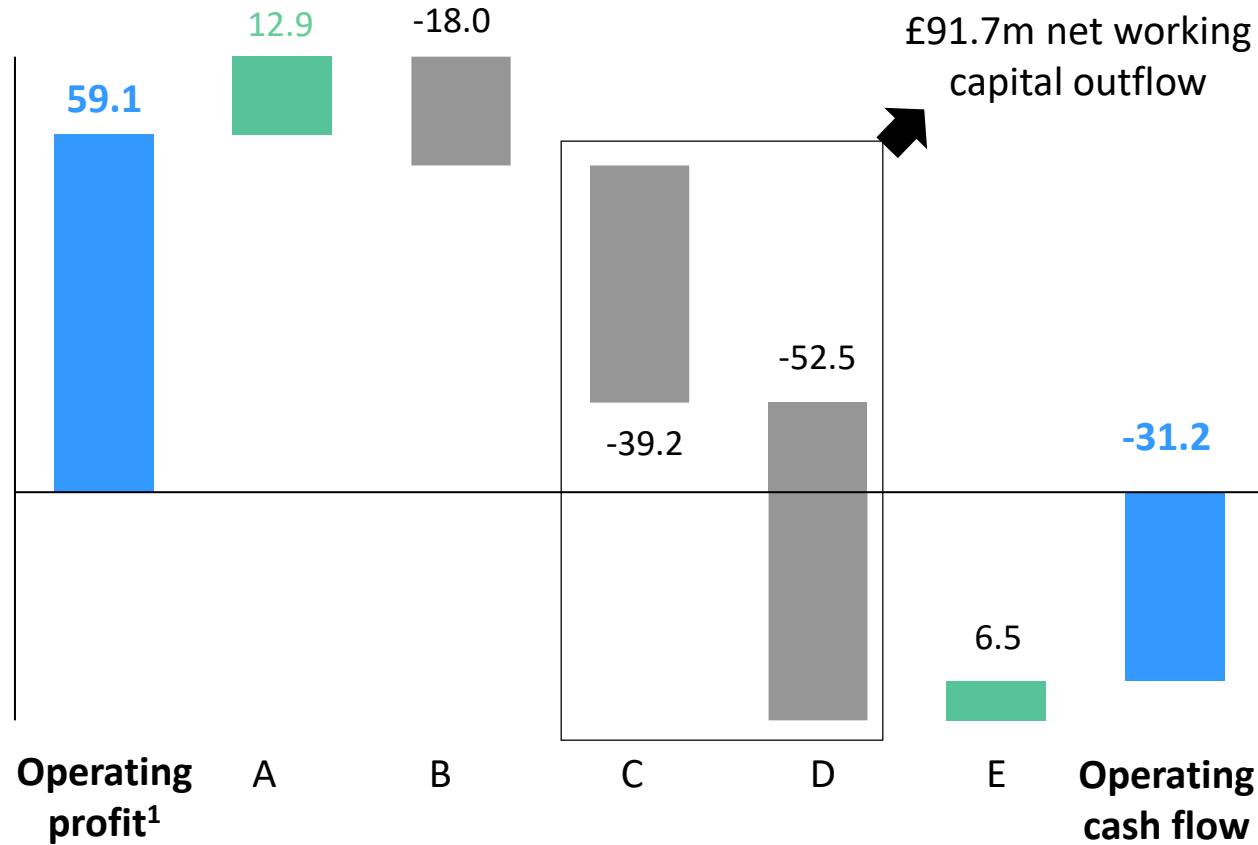
¹ Adjusted = before intangible amortisation of £2.2m and exceptional building safety credit of £0.4m
(HY 2022: before intangible amortisation of £0.9m)

Summary by division

	Revenue		Operating Profit/(Loss) ¹		Operating Margin ¹	
	£m	change	£m	change	%	change
Construction	470	+20%	12.0	+6%	2.6%	-30bps
Infrastructure	428	+15%	15.9	+24%	3.7%	+30bps
Fit Out	498	+9%	30.4	+43%	6.1%	+150bps
Property Services	97	+28%	(4.1)	-264%	-4.2%	-750bps
Partnership Housing	373	+31%	10.1	-27%	2.7%	-220bps
Urban Regeneration	96	-24%	6.0	-18%	n/a	n/a
Elims/Central	(27)		(11.2)			
Total Group	1,935	+14%	59.1	+4%	3.1%	-30bps

¹ Adjusted = before intangible amortisation of £2.2m and exceptional building safety credit of £0.4m
(HY 2022: before intangible amortisation of £0.9m)

Operating cash flow



- Operating cash outflow of £31.2m
- Net working capital outflow of £91.7m
 - Includes working capital investment in Regeneration activities of £52.5m
 - See appendices for 'Payment Practices' reporting

A = Non-cash adjustments. Includes depreciation £12.4m, share option expense £4.3m; less share of underlying net profits of joint ventures £3.8m

B = Net capex and finance leases. Includes repayment of lease liabilities £9.4m, purchases of property, plant & equipment £8.6m and purchase of intangible fixed assets £0.3m; less proceeds on disposal of property, plant & equipment £0.3m

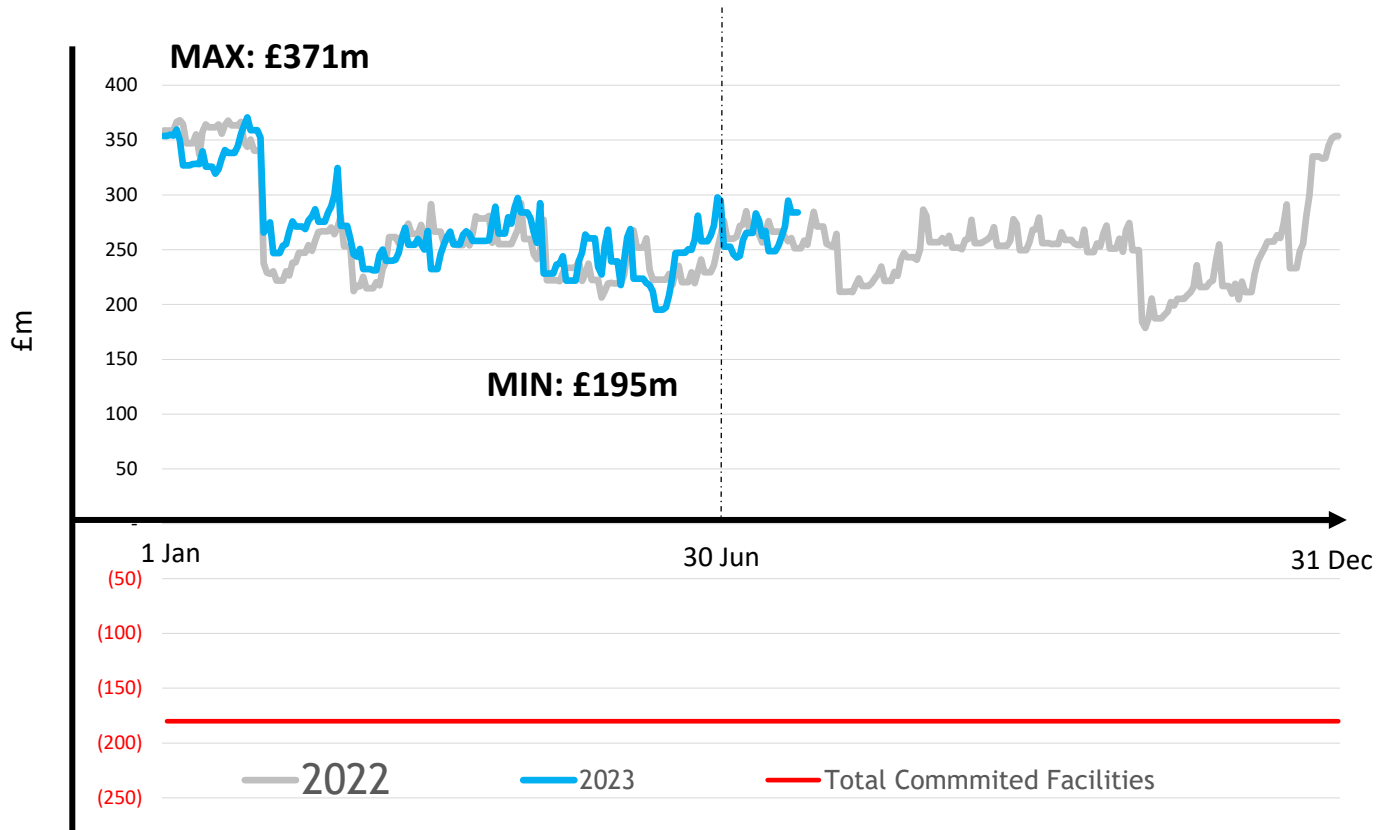
C = Movement in non-Regeneration working capital

D = Movement in working capital in Regeneration activities

E = Other. Increase in provisions £5.4m, shared equity redemptions £0.1m and dividend received from joint ventures £2.5m; less gains on disposal of investments £1.5m

¹ Adjusted = before intangible amortisation of £2.2m and exceptional building safety credit of £0.4m

Daily net cash balance



- Average daily net cash **£268m**
(HY 2022: £264m)
- Period end net cash **£263m**
(HY 2022: £274m)
- FY 2023 average daily net cash expected to be c£250m

Secured order book

£9.1bn

Group secured order book

Includes only:

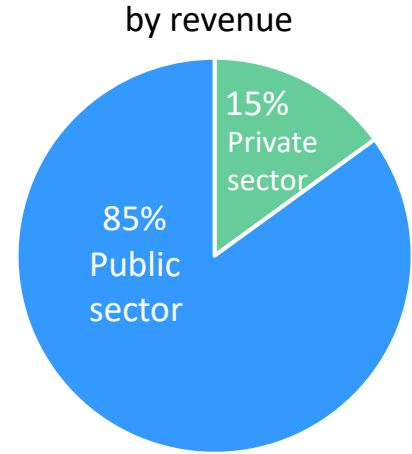
- projects with signed contract or letter of intent in place
- expected share of revenue from secured frameworks
- share of GDV of secured schemes

	£m	VS HY 2022	VS FY 2022
Construction	888	+17%	+11%
Infrastructure	1,628	-8%	-10%
Fit Out	1,217	+40%	+45%
Property Services	1,579	+23%	+31%
Partnership Housing	2,074	+27%	+5%
Urban Regeneration	1,699	-24%	-8%
Elims/Central	(17)		
Total Group	9,068	+6%	+7%

Divisional performances

Construction

£m	HY 23	Change
Revenue	470	+20%
Operating profit ¹	12.0	+6%
Operating margin ¹	2.6%	-30bps
Secured order book	888	+17%



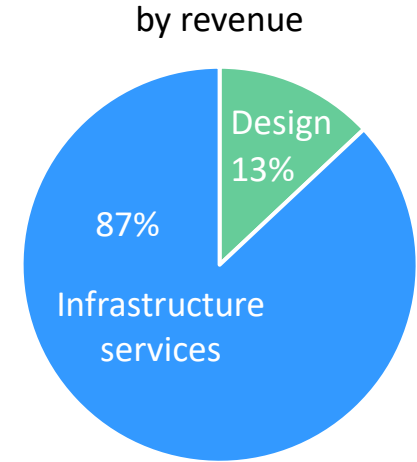
Education remains largest market at c50%

- Lots of activity in the market
 - ❖ Revenue up 20%, order book up 17%, preferred bidder > £1bn
- Continued focus on contract selectivity and operational delivery improving quality of earnings
 - ❖ Consistent margin in the target range of 2.5%-3%
 - ❖ 98% of order book through frameworks, two-stage processes or negotiated work
- Inflation calming down. Risk now focused on supply chain liquidity

¹ Before exceptional Building Safety charge of £8.6m.

Infrastructure

£m	HY 23	Change
Revenue	428	+15%
Operating profit	15.9	+24%
Operating margin	3.7%	+30bps
Secured order book	1,628	-8%



- Type and phasing of workload driving strong revenue and margin growth
- Good growth in rail and nuclear. Highways was lower, impacted by client budgetary pressures
- Increasing time taken to commence work on-site
- Long-term order book
 - ❖ 95% through existing frameworks
 - ❖ Procurement processes generally taking longer

Fit Out

£m	HY 23	Change
Revenue	498	+9%
Operating profit	30.4	+43%
Operating margin	6.1%	+150bps
Secured order book	1,217	+40%

- Excellent performance and another record result
- Strong margin driven by contract mix and type of work
- Result driven by consistent project delivery and continued focus on customer experience
- No change to the overall balance of business
- Significant pipeline of opportunities

Commercial offices
79% of revenue

London region
59% of revenue

'Traditional' fit out work
84% of revenue (16% 'd&b')

Fit out of existing office space
78% of revenue

Property Services

£m	HY 23	Change
Revenue	97	+28%
Operating profit ¹	(4.1)	-264%
Operating margin ¹	-4.2%	-750bps
Secured order book	1,579	+23%

Long-term order book
83% by value for 2025+

- Poor performance in difficult trading environment
- Revenue growth driven by higher run-rate from newer contracts plus increases in general repair demand across portfolio
- Operational inefficiencies include higher use of subcontract vs direct labour
- Ongoing cost pressures and issues with contract pricing mechanisms
- Remediation programme
 - ❖ Management changes; refocusing on the basics; additional costs; no new material contracts

Partnership Housing

£m	HY 23	Change
Revenue	373	+31%
Operating profit	10.1	-27%
Operating margin	2.7%	-220bps
Secured order book	2,074	+27%
Average capital employed ¹ – last 12 months	221.9	+£42.9m
ROCE ¹ – last 12 months	15%	-5% pts

Contracting revenue up 49%
(at £214m)
Mixed-tenure revenue up 14%
(at £159m)

805 mixed-tenure units
completed (incl JVs) (HY 2022: 755)
Includes 340 open market sales. 20%
lower (HY 2022: 425)

£241k ASP of mixed-tenure
units (HY 2021: 261k)

69 'active' mixed-tenure sites
(58 at year end)

- Resilient performance benefiting from the partnership model
 - ❖ Contracting now 57% of total revenue (HY 2022: 51%)
- Significant order book growth and progress in growing partnership credentials with long-term workstreams
 - ❖ Continue to invest. Average capital employed expected c£240m in 2023

¹ Before exceptional Building Safety provisions

Urban Regeneration

£m	HY 23	Change
Revenue	96	-24%
Operating profit ¹	6.0	-18%
Secured order book	1,699	-24%
Average capital employed ² - last 12 months	104.0	+£12.1m
ROCE ² – last 12 months	17%	+5% pts
ROCE ² – average last 3 years	14%	+2% pts

£120.5m capital employed at period end (£20.1m higher than year end)

c£95m average capital employed for FY as projects complete in H2

- Long-term regeneration schemes progressing as planned
- Improved ROCE moving towards its target 20%
- Good level of bidding activity
 - ❖ Number of ‘preferred bidder’ positions moving to contract through H2

¹ Before exceptional Building Safety credit of £9.0m

² Before exceptional Building Safety provisions

Summary

- Strong H1 performance
- PBT¹ up 10%
- Driven by Fit Out. Other divisions performing well. Property Services needs fixing
- Continued balance sheet strength
- High-quality and growing order book
- Interim dividend up 9%

¹ Adjusted = before intangible amortisation of £2.2m and exceptional building safety credit of £0.4m

Fit Out

Chris Booth

What we do

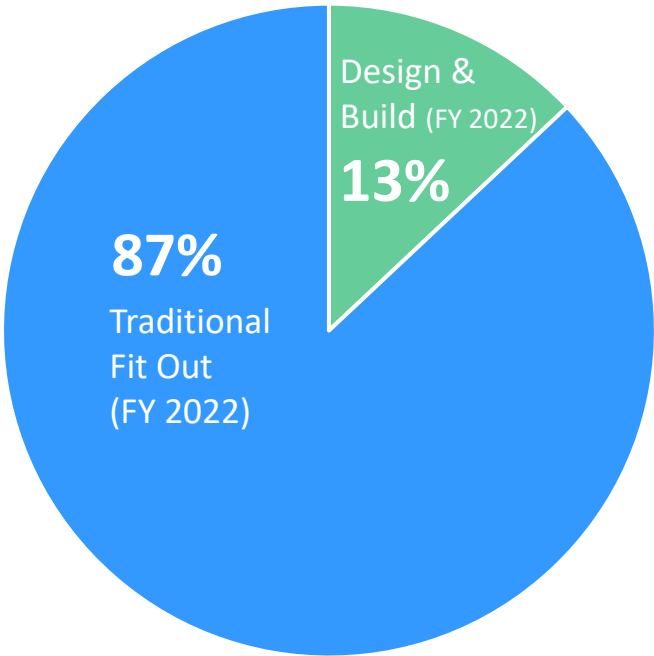
We fit out and refurbish private and public sector offices and teaching spaces

Established 1977
FY 2022 revenue £968m



Traditional Fit Out

- Work through clients' professional teams (Architects, Project Managers, Cost Consultants, Services Consultants)
- Responsible for delivery of construction



Morgan Lovell

Design and Build

- Work directly with end users
- Accountable for design, specifications and build

Operational structure



Chris Booth
Managing Director
Length of Service:
28 Years
(10 Years as MD)



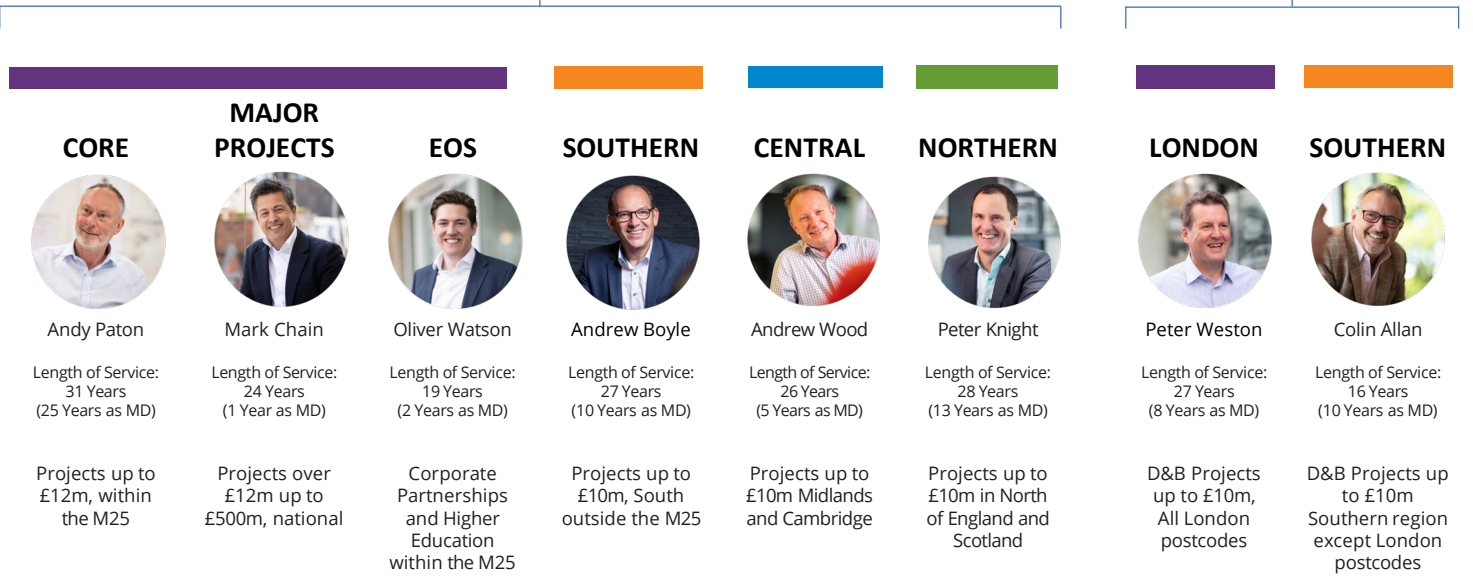
Paul Brazier
Commercial Director
Length of Service:
31 Years
(10 Years as CD)



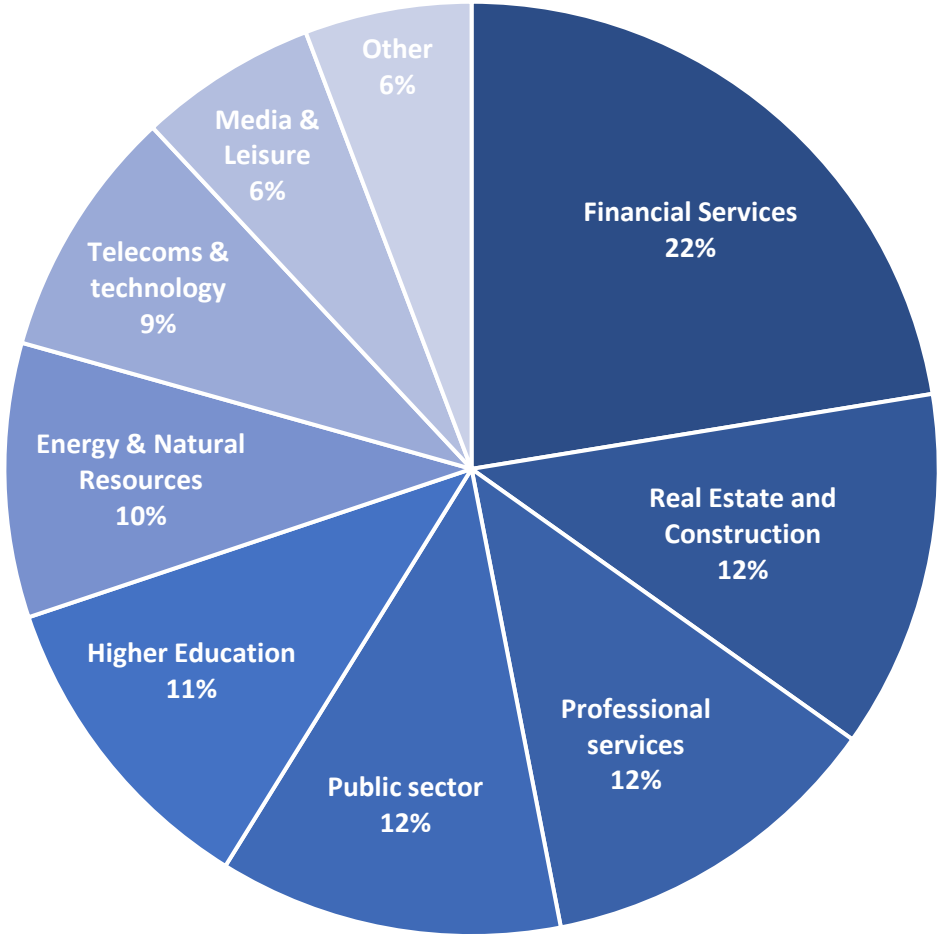
Bobby Ewing
Finance Director
Length of Service:
9 Years
(2 Years as FD)



Morgan Lovell



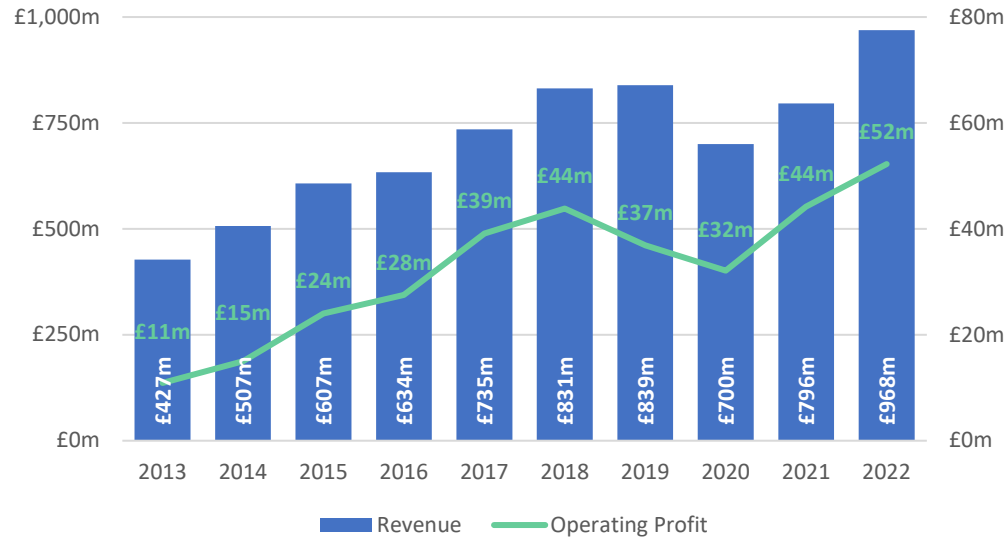
Who do we work for



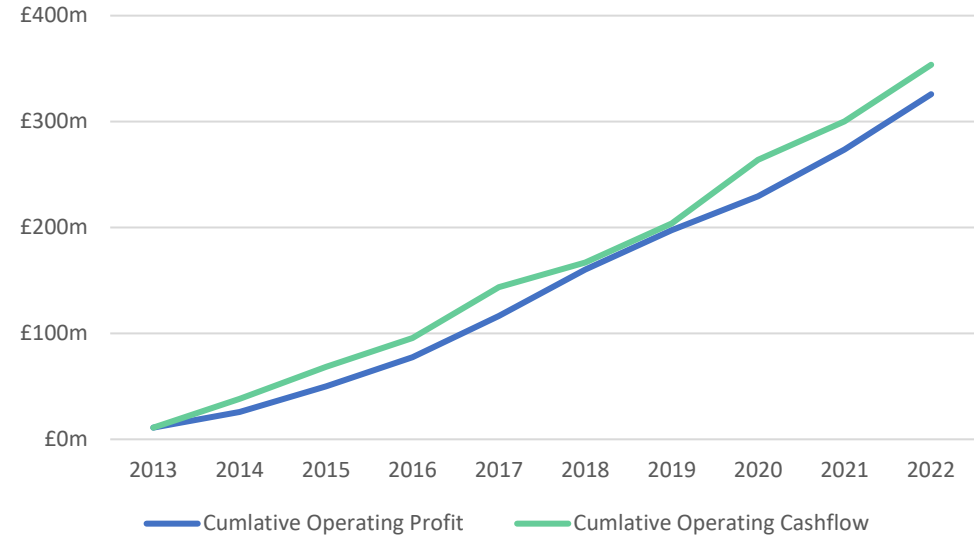
- Commercial Office sector accounted for 73% of revenue in FY 2022 (79% in HY 2023)
- Financial Services, Real Estate and Professional Services markets represent nearly half our clients
- Public Sector work has doubled as a % of revenue from 2016
- Higher Education continues to be an important nationwide sector
- Average size of job is 22,500 sq ft over 22 weeks
- Average job value £4m
- 83% of revenue (FY 2022) was from fit out of existing stock
- 40% of revenue (FY 2022) was with tenants ‘in occupation’ in existing stock

Financial track record

Strong track record through a full economic cycle
Consistent revenue growth and strengthening margin



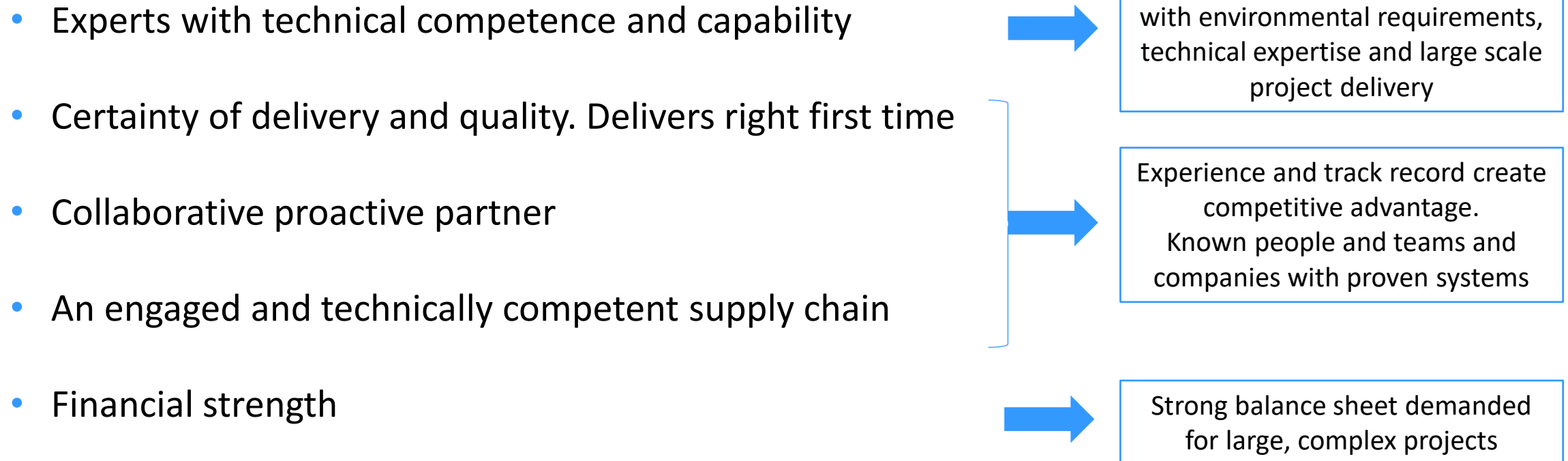
Cash backed profits
Consistent operating cashflow conversion over 10 years



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR
Revenue	427	507	607	634	735	831	839	700	796	968	9.5%
Operating Profit	10.9	15.0	24.0	27.5	39.1	43.8	36.9	32.1	44.2	52.2	19.0%
Operating Margin	2.6%	3.0%	4.0%	4.3%	5.3%	5.3%	4.4%	4.6%	5.6%	5.4%	
Operating Cashflow Conversion	100%	182%	125%	99%	123%	53%	99%	187%	82%	102%	

Our Market

What do clients/consultants want from a fit out contractor?



Our proposition



What we offer

- ✓ Track record of consistent delivery and technical capability
- ✓ Known teams/individuals in the market with extensive experience of technical challenges and delivery
- ✓ Proven systems and processes
- ✓ Dependable, high quality, expert supply chain developed over a number of years
- ✓ Strong balance sheet demanded for large, complex projects
- ✓ Safe, predictable, collaborative and expert

How we do it

- Disciplined in work selection. Stick to the core competencies and risk profile
- Focus on quality delivery and customer service seeking repeat business, frameworks and long-term relationships
- Continually invest in the business
 - Long-term investment in regional teams and supply chains which give a nationwide coverage
 - Long-term investment in our bespoke project management systems
 - Invest in our people – development of home-grown talent through the foundation programme

Case studies

Case study – EBRD



The EBRD’s mission to ‘invest in changing lives’ and build a greener and more inclusive future for all, inspired Overbury to embed this message into the very core of the project culture. This high-profile project attracted lots of attention in the marketplace by setting new industry benchmarks and is on target to achieve the lofty accreditations of BREEAM Outstanding for the fit out and WELL Building Standard Platinum rating.

The project won both the London BCO award for ESG, and the CCS Leading Lights award for their work with Period Poverty.

HY Results 2023



Client

European Bank for Reconstruction and Development



Location

Canary Wharf, London



Size

370,000 sq ft



Case study – University of Portsmouth



Client

University of Portsmouth



Location

Portsmouth, Hampshire



Size

15,000 sq ft






We set out to create a space that enables students and creators to explore next-generation extended reality technology in an industry-leading institution.

We helped construct a series of studios to house different digital technologies, such as immersive virtual reality, augmented reality and photogrammetry (the process of extracting 3D information from photographic material).

Case study – Great Portland Estates



	Client	Great Portland Estates
	Location	Whitechapel, London
	Size	7,000 sq ft

GPE's goal with Hickman was to ensure its workspaces, communal areas and amenities were all designed for creativity and authentic collaboration. As a gathering place for multiple tenants, adaptability was also an important part of the brief. With an on-site café, spacious courtyard and park views right in the heart of Whitechapel, landlord, GPE has focused on a flexible model which means incoming tenants will find their perfect fit within the building regardless of size or budget.



Fit Out

Looking ahead

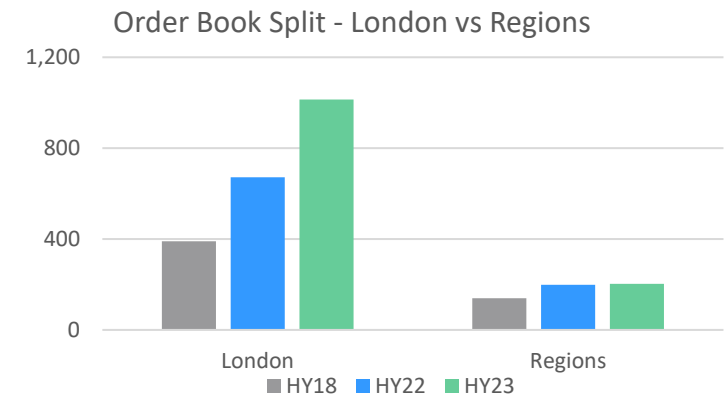
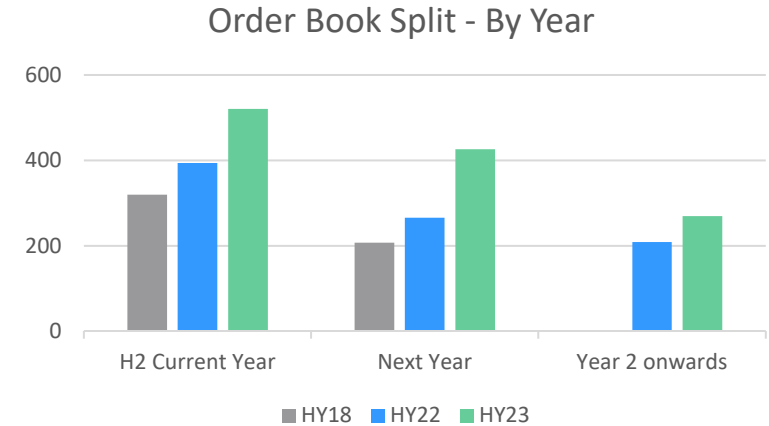
Market drivers

- Significant project requirements and lease events in London.
- Energy performance criteria targets for 2027 has driven a refurbishment programme.
 - ❖ 8% of London office space will be unlettable from March 2023 (F-G EPC Rating)¹
 - ❖ 51% of London office space anticipated to be unlettable from March 2027 (D-G EPC Rating)¹
 - ❖ 77% of London office space anticipated to be unlettable from March 2030 (C-G EPC Rating)¹
- Demand for Grade A floorspace, sustainable buildings, and workspaces that are flexible and collaborative.
- ‘Flight to quality’ - Occupiers are repurposing the office to attract staff back to the office, retain staff and adopt new technologies to remain competitive.
- Financial services sector recovery releasing capital expenditure.
- Levelling up agenda - office relocations to the regions.

¹BNP Paribas

Order Book and Pipeline

- Record Order Book of £1.2bn at HY23, up 40%
 - ❖ £521m H2 orders, 32% higher than last year
 - ❖ £696m orders for 2024 and beyond
- Greater visibility with orders into 2025 and beyond
- Strong demand in London but supported by quality regional businesses
- Order book includes 750,000 sq ft fit out for a global financial services firm
- In addition
 - ❖ > £50m in 'preferred bidder'
 - ❖ £553m of current tenders or awaiting decision, up 1% on HY22
 - ❖ £336m of tenders due in the next 3 months, 10% higher than this time last year



Growth opportunities

- The highest volume of London refurbishment schemes starting since records began in 2005¹ with 37 new schemes covering 3.2 million sq. ft
- Market is impacted by the Minimum Energy Efficiency Standard regulations (MEES) to achieve EPC B rating by 2030
- Developers are also targeting wider ESG standards (such as BREEAM, WELL, SKA, NABERS, etc.)
- Office tenants seeking higher-quality headquarters, as they bid to rebuild office-based working after the pandemic could need as much as 20m square feet of additional office space by 2042²
- 47% of multi-national firms are looking to replace their corporate HQ in the next three years³, with talent attraction and retention their top priority
- 78% of multi-national firms expect change in total floorspace across their portfolio over the next 3 years³

¹Deloitte's London Office Crane Survey Summer 2023

²Arup and Knight Frank 2023 Report commissioned for The City of London Corporation

³Knight Frank (Y)OUR SPACE Survey 2023

Medium-term target & 2023 outlook

- Medium-term target upgraded again based on current performance, market position and future prospects
- Revised expectation is to deliver annual operating profit in the range of **£50m - £70m**
- For 2023, current trading patterns are anticipated to continue through H2
 - ❖ FY result expected at around the top end of this upgraded range

Markets & outlook

John Morgan

General market themes

- Markets generally much less volatile
- Public and regulated sectors are still very active
- Inflation manageable and reducing
- Minimal issues on availability of materials and labour
- Heightened risk of financial failure in supply chain

Market conditions by division

<p>Construction</p>	<p>Generally positive. Driven by public sector frameworks Heightened risk of supply chain failure Balance sheet of increasing importance to clients/supply chain creating barriers for the right projects</p>
<p>Infrastructure</p>	<p>Continued need for Infrastructure investment in UK Many political pronouncements but slow to materialise Budget constraints leading to extended time to commence on sites</p>
<p>Fit Out</p>	<p>As per Fit Out section</p>
<p>Property Services</p>	<p>Housing maintenance never been more high profile within local authorities Generally poor state of housing stock needs addressing Inflation impacting contract profitability</p>
<p>Partnership Housing</p>	<p>Well-publicised slowdown in private sales of homes on mixed-tenure sites Contracting remains strong with demand from Housing Associations and Local Authorities Increasingly challenging planning environment</p>
<p>Urban Regeneration</p>	<p>Challenges to returns and viability due to inflation is present but not material Mixed-use regeneration remains actively supported across government High level of opportunities. Very long term</p>

Outlook and medium-term targets

Construction	<p>Medium-term target: operating margin of 2.5%-3% pa, revenue of £1bn 2023: Expect margin around middle of range and good progress towards £1bn revenue</p>
Infrastructure	<p>Medium-term target: operating margin of 3.5%-4% pa, revenue of £1bn 2023: Expect margin slightly above the top of range and good progress towards £1bn revenue</p>
Fit Out	<p>Upgraded target: annual operating profit within the range £50m - £70m 2023: Expected to be around top end of this upgraded range</p>
Property Services	<p>Downgraded target: operating profit of £7.5m pa 2023: Expect further loss in H2 which is slightly higher than H1</p>
Partnership Housing	<p>Medium-term target: operating margin of 8%, ROCE up towards 25% 2023: Improved performance expected in H2 but margin/ROCE significantly lower than last year</p>
Urban Regeneration	<p>Medium-term target: 3 year average ROCE up towards 20% 2023: Higher profit expected in H2, thereby improving the 3-year average ROCE towards target</p>

Summary

- Markets are manageable
- Continue to keep a strong balance sheet and significant net cash balance at all times
- Focus on long-term workstreams and long-term client relationships
- Increased medium-term target for Fit Out
- Reduced medium-term target for Property Services
- Upgraded expectations for FY 23 in June. Since then, no change
 - ❖ Remain confident of another record performance

Questions

Half year results

to 30th June 2023

3rd August 2023



Appendices

Net finance expense

£m	HY 23	HY 22
Interest income on bank deposits	4.3	-
Amortisation of fees & non-utilisation fees	(1.0)	(1.1)
Interest expense on lease liabilities (IFRS 16)	(1.1)	(1.0)
Other	(1.5)	(0.2)
Total	0.7	(2.3)

Tax

£m	HY 23	HY 22
Profit before tax	58.0	53.7
Less: share of underlying ¹ net profit in JVs	(3.8)	(3.1)
Profit subject to tax	54.2	50.6
<i>Statutory tax rate</i>	23.50%	19.0%
Current tax charge at statutory rate	(12.7)	(9.6)
Tax on underlying ¹ joint venture profits ²	(0.9)	(0.6)
Tax on exceptional items	1.8	-
Residential Property Developer Tax	(0.3)	(0.4)
Other adjustments	0.4	(0.1)
Tax charge as reported	(11.7)	(10.7)
Tax on amortisation	(0.5)	(0.2)
Tax on exceptional items	(1.8)	-
Adjusted tax charge	(14.0)	(10.9)

¹ Underlying net profit of joint ventures excludes the exceptional Building Safety credit (£4.5m) related to joint ventures

² Most of the Group's joint ventures are partnerships where profits are taxed within the Group rather than the joint venture

Adjusted earnings per share

£m	HY 23	HY 22
Profit after tax	46.3	43.0
<i>Adjusted for:</i>		
Exceptional operating items (net of tax)	(2.2)	-
Amortisation of intangibles (net of tax)	1.7	0.7
Adjusted earnings	45.8	43.7
Basic average number of shares	46.3m	45.6m
Adjusted earnings per share	98.9p	95.8p

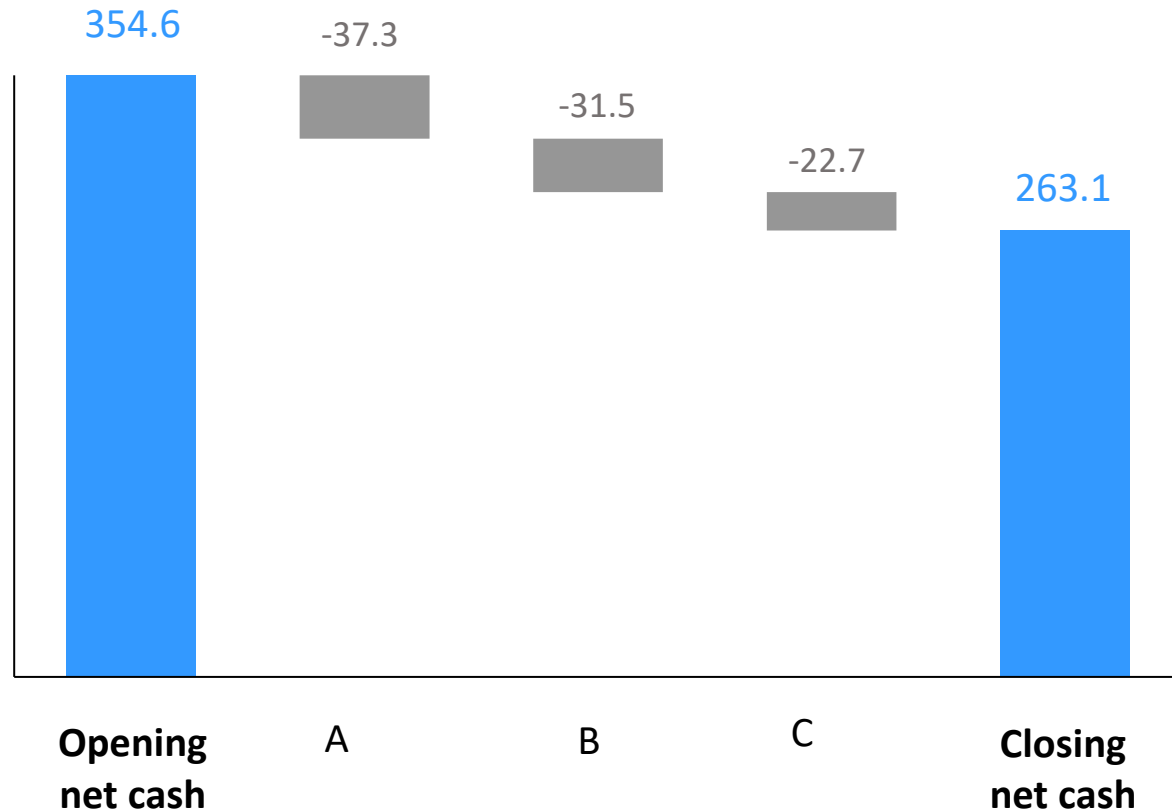
Payment practices

6m to 30 th June 2023	Average time to pay invoices	Invoices not paid within agreed terms	Invoices paid within 60 days
Construction & Infrastructure	24 days	4%	99%
	-	-	-
Fit Out	24 days	6%	97%
	2 days	-	1%
Property Services	43 days	3%	97%
	-	3%	-
Partnership Housing	32 days	11%	97%
	-	2%	1%

- Note that Construction and Infrastructure report their payment practices data under the same legal entity

Note: movements are shown compared to the previous reporting period of the 6 months to 31 December 2022. Green indicates improvement, red indicates deterioration

Net cash movement



- Period end net cash of **£263.1m**

Operating cash flow (Slide 7)	(£31.2m)
Tax	(£9.0m)
Interest (non-JV)	2.9
Free cash flow (A)	(£37.3m)

A = Free cash flow. See table

B = Dividends

C = Other. Includes net increase in loans to joint ventures (£22.6m) and the purchase of shares in the Company by the employee benefit trust (£2.2m); less proceeds from the disposal of investments (£1.5m) and proceeds from the exercise of share options (£0.6m)

Summary balance sheet

£m	30 Jun 23	31 Dec 22
Intangibles	219.3	221.2
PP&E	75.7	74.8
Investments (including JVs) ¹	109.2	84.8
Net working capital	0.3	(89.9)
Current and deferred tax	(15.1)	(12.4)
Net cash	263.1	354.6
Lease liabilities	(53.8)	(56.9)
Provisions ¹	(86.4)	(76.9)
Other ²	1.2	(3.1)
Net assets - reported	513.5	496.2

¹ Includes Building Safety provision - £5.3m in Investments (JVs) and £42.1m in Provisions

² 'Other' at HY 2023 includes capitalised fees £1.7m and shared equity loan receivables £0.3m; less retirement benefit obligation £0.2m and accrued interest payable £0.6m

Provisions

£m

Provisions as at 31 December 2022	76.9
<i>Additions:</i>	
Exceptional Building safety (non-JV element)	8.6
Other	10.5
<i>Less:</i>	
Utilised in period	(2.2)
Released	(7.4)
Provisions as at 30 June 2023	86.4



Includes release of
£4.5m of non-JV
Building Safety
provision

Capital employed¹ in Regeneration

£m	Total Regeneration	Partnership Housing	Urban Regeneration
Total net land & regeneration WIP	303.9	225.1	78.8
Unsold completed units (excl. joint ventures)	29.0	19.3	9.7
Amounts invested in joint ventures ¹	113.7	65.0	48.7
Shared equity loans and investment properties	1.1	1.1	-
Other working capital	(83.2)	(66.5)	(16.7)
Other net assets	(0.9)	(0.9)	-
Total capital employed¹ at 30 June 2023	363.6	243.1	120.5
Total capital employed¹ at 31 December 2022	289.7	189.3	100.4
Increase in period	73.9	53.8	20.1

¹ adjusted to exclude exceptional Building Safety provisions