

Kier Group results: Strong operational performance and materially improved results

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The Chief Executive of Kier Group says the company has completed the strategic actions set out in 2019 to simplify and focus the Group, improve cash generation and strengthen its balance sheet.

Andrew Davies made the comments in an update to the market on its financial results to the year ended 30 June 2021.

Highlights

2019 operational and financial strategic actions delivered

- Simplification of the Group complete, Group's cash generation improved and balance sheet strengthened
- Gross proceeds of c.£350m raised through successful capital raise and sale of Kier Living
- Extension of the Group's 2017 Revolving Credit Facility (RCF) to January 2025
- Performance Excellence culture established
- Launched Sustainability Framework in July 2020, Building for a Sustainable World

Strong operational performance and materially improved results

- Revenue of £3.3bn (FY20: £3.5bn): reduction due to exiting non-core low margin and loss-making contracts, successful completion of our motorway upgrade projects and COVID-19 pandemic, partially offset by growth in our core businesses
- Adjusted operating profit of £100m (FY20: £41m): reported profit £44m (FY20: loss £(196)m)
- Margin improvement to 3% and improved quality of earnings
- Adjusted basic EPS: 25.0p (FY20:12.2p): improvement driven by profit generation
- Free cash flow of £93m (FY20: £(8)m): strong performance as profits translating to cash
- Net cash / (debt) at 30 June 2021 of £3m (FY20: £(310)m), average month-end net debt of £(432)m (FY20: £(436)m)

Includes reduction of £46m in supply-chain financing

Receipt of capital raise and Kier Living sale proceeds arriving in the final months of the year. Limited impact on average net debt

Recent contract awards

- Highways: appointed to deliver Transport for London's (TfL) new c.£200m Maintenance and Management contract
- Infrastructure: appointed on the first stage of a £50m Enabling Civil Works programme on Phase 2a of HS2
- Utilities: contract with Openreach to construct new broadband infrastructure
- Construction: won a place on the Ministry of Justice's £1bn New Prisons Programme; appointed to Lot 1 of the SCAPE next generation framework in England & Wales and Lot 2 of newly launched SCAPE Scotland
- Focused on winning and executing contracts with appropriate risk / reward

High quality order book of £7.7bn

- Covering 83% of FY22 expected revenue
- New awards received in H2. Lower level than last year due to procurement delays from the pandemic
- Underpinned by significant frameworks and other opportunities
- Well positioned to continue benefiting from UK Government infrastructure spending commitments

Focused on delivering medium term value creation plan

- 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, said: "The Group delivered a strong operational performance and materially improved results in FY21. We have completed the strategic actions set out in 2019 to simplify and focus the Group, improve cash generation and strengthen our balance sheet.

“The successful capital raise, the recent sale of Kier Living, and the extension of the Group’s RCF facility provides Kier with the financial and operational flexibility to continue to pursue its strategic objectives within its chosen markets and will allow it to further enhance and capitalise on its position as a strategic partner to its customers.

“Current trading is in line with our expectations, and despite inflationary pressures and the impact of increased national insurance contributions, our outlook for the current year remains unchanged.

“We are now focused on delivering our medium term value creation plan by leveraging our attractive market positions, delivering our high-quality order book and fostering our long-term customer relationships and sector expertise.”

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