

Full Year 2024 Results Presentation

to 31st December 2024

26th February 2025



Agenda

- Group highlights – John Morgan
- Financial & operational review – Kelly Gangotra
- Mixed Use Partnerships (MUSE) – John Morgan
- Markets & outlook – John Morgan
- Q&A

Group Highlights

- ✓ Record 2024 performance
- ✓ PBT margin increase 30 bps to 3.8%
- ✓ High-quality secured order book of £11.4bn, +28%
- ✓ Balance sheet strength and significant daily cash
- ✓ Decentralised and empowered culture gives us transparency and agility

£4.5bn **+10%**

Group revenue

£172.5m **+19%**

Adjusted profit before tax

131.5p **+15%**

Total Dividend

£374m **+£92m**

Average daily net cash

The Partnerships, Fit Out and Construction Services Group

Morgan Lovell



Fit Out

Generates cash

MUSE
LOVELL

Partnerships

Invests cash for long-term value and provides construction opportunities

Construction Services

Generates cash

MORGAN SINDALL
CONSTRUCTION

MORGAN SINDALL
INFRASTRUCTURE

MORGAN SINDALL
PROPERTY SERVICES

BakerHicks.

Financial & operational review

Kelly Gangotra

Summary of Group results

Adjusted¹ basis £m	FY 24	FY 23	Change
Revenue	4,546	4,118	+10%
Operating profit	162.6	141.3	+15%
Operating margin	3.6%	3.4%	+20bps
Net interest	9.9	3.3	+200%
Profit before tax	172.5	144.6	+19%
Tax	(42.0)	(29.9)	+41%
Profit after tax	130.5	114.7	+14%
Earnings per share	278.8p	247.7p	+13%
Total dividend per share	131.5p	114.0p	+15%

¹ Adjusted = before intangible amortisation of £0.5m and exceptional building safety charge of £0.1m (FY 2023: before intangible amortisation of £2.9m and exceptional building safety credit of £2.2m)

Summary by division

	Revenue		Operating Profit/(Loss) ¹		Operating Margin ¹	
	£m	change	£m	change	%	change
Partnership Housing	861	+3%	36.1	+18%	4.2%	+60bps
Mixed Use Partnerships	91	-51%	1.5	-90%	n/a	n/a
Fit Out	1,300	+18%	99.0	+38%	7.6%	+110bps
Construction	1,044	+8%	30.9	+19%	3.0%	+30bps
Infrastructure	1,047	+18%	38.5	-	3.7%	-60bps
Property Services	223	+21%	(17.8)	-6%	-8.0%	+110bps
Elims/Central	(20)		(25.6)			
Total Group	4,546	+10%	162.6	+15%	3.6%	+20bps

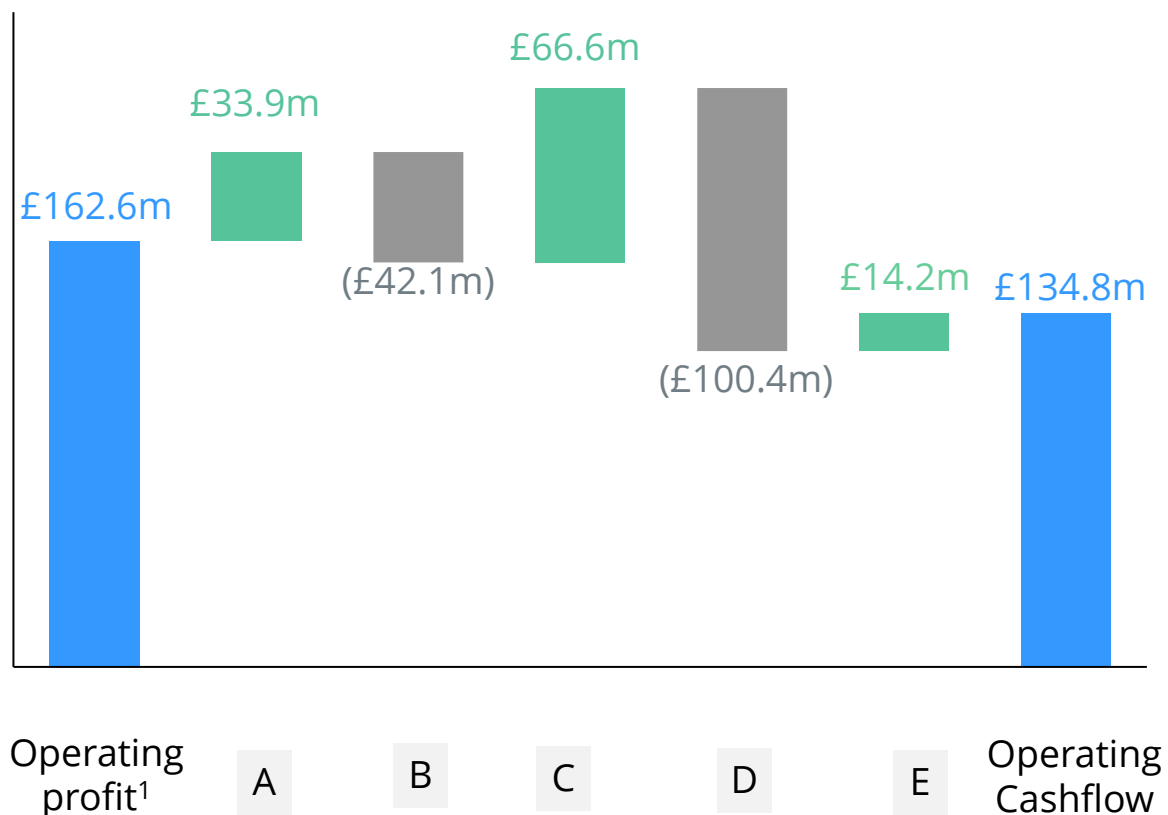
¹ Adjusted = before intangible amortisation of £0.5m and exceptional building safety charge of £0.1m (FY 2023: before intangible amortisation of £2.9m and exceptional building safety credit of £2.2m)

Secured Order Book and Preferred Bidder

	Group secured order book	Preferred bidder	Total secured and preferred bidder
Partnerships	£6.3bn (+62% FY 2023)	£2.6bn (-30% FY 2023)	£8.9bn (+16% FY 2023)
Fit Out	£1.4bn (+31% FY 2023)	£0.4bn (+131% FY 2023)	£1.8bn (+43% FY 2023)
Construction Services	£3.7bn (-6% FY 2023) ¹	£1.9bn (+28% FY 2023)	£5.6bn (+3% FY 2023)
Group Total	£11.4bn (+28% FY 2023)	£4.9bn (-10% FY 2023)	£16.3bn (+14% FY 2023)

¹ This includes the removal of £0.4bn of future revenues for contracts which Property Services negotiated an early release from in HY 2024, excluding this impact YoY growth would be +4.0%

Operating cash flow



- Operating cash inflow of **£134.8m**
- Net working capital outflow of £34m reflects:
 - ❖ Investment in partnership housing
 - ❖ Supported by negative working capital contribution in Construction, Infrastructure & Fit Out
- Conversion of **83%** of operating profit to cash

A = Non-cash adjustments. Includes depreciation £33.1m, share option expense £10.5m, reversal of impairment of JV (£5.1m) plus share of underlying net profit of joint ventures (£4.6m)

B = Net capex and finance leases. Includes repayment of lease liabilities £25.8m and purchases of property, plant & equipment £18.2m; less proceeds on disposal of property, plant & equipment £1.9m

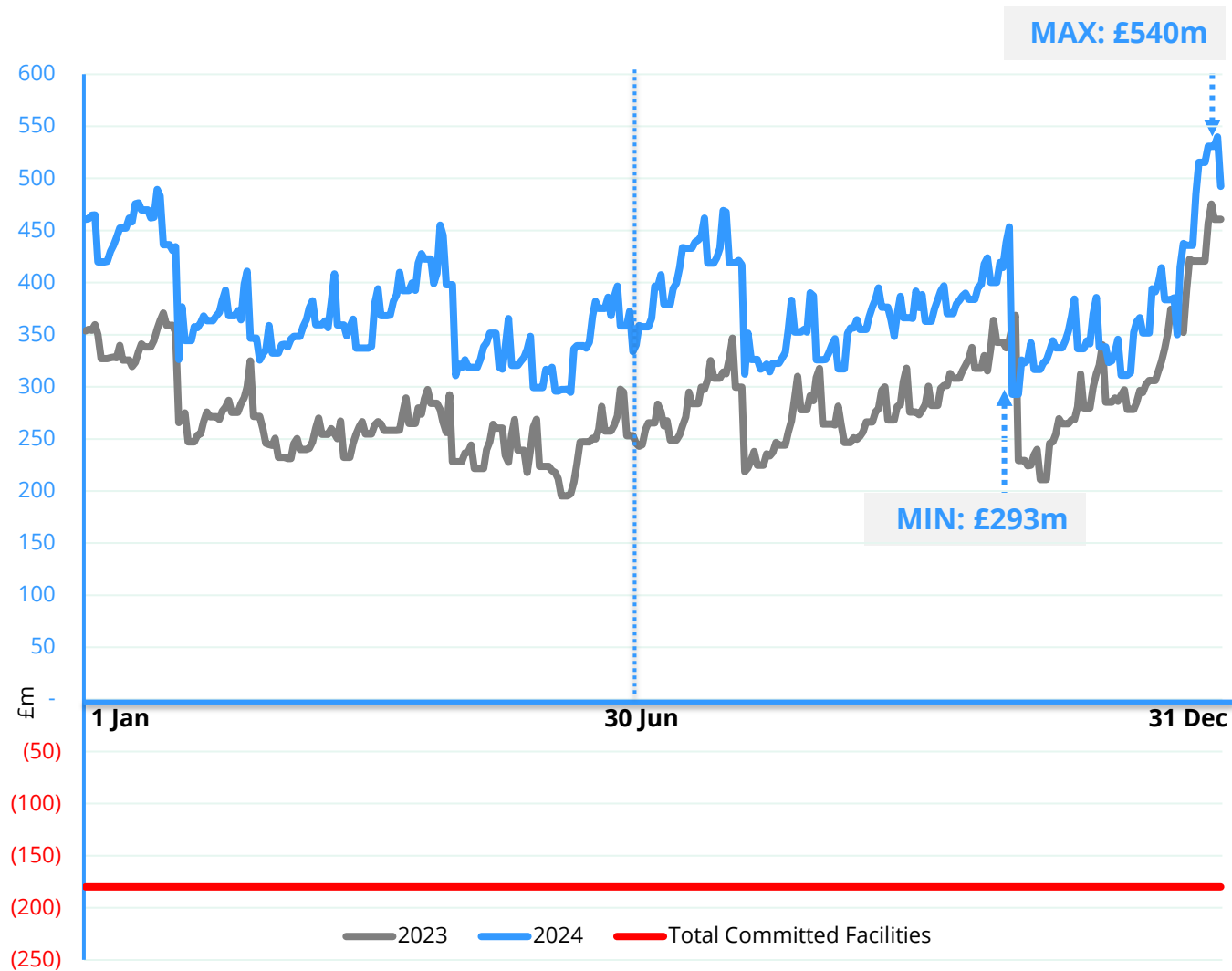
C = Movement in Construction Services & Fit Out working capital

D = Investment in Partnerships working capital

E = Other. Includes dividends received from JV £4.2m, increase on building safety receivable £9.3m and increase in provisions £8.7m less building safety provision movements (£7.3m) and a gain on disposal of PPE (£0.7m).

¹ Adjusted = before intangible amortisation of £0.5m and exceptional building safety charge of £0.1m

Daily net cash balance



- Average daily net cash of **£374m**
(FY 2023: £282m)
- Year end net cash of **£492m**
(FY 2023: £461m)
- FY 2025 average daily net cash expected to be in excess of £330m

Capital allocation framework

Overarching principle to hold significant net cash balances at all times

1



Cash generation and maintain strong balance sheet

2



Maximise organic expansion in Partnership activities

3



Ordinary returns to shareholders. Dividend policy of cover in 2.0x-2.5x range

4



Bolt-on acquisitions to accelerate organic growth

5



Special returns to shareholders, through special dividends or share buybacks

ESG Commitments & Progress



Environment

MSCI **'AAA'** ESG Rating and CDP score of **'A'** for leadership in climate



Environment

On track to achieve 2030 science-based Scopes 1 and 2 emissions reduction targets



Suppliers

98% of invoices were paid within 60 days



People

> 90% of projects were accident and RIDDOR free¹



Social value

Delivered **£4.6bn** in social value as determined by the Social Value Portal

¹ Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Divisional performance

£m	FY 24	Change
Revenue	861	+3%
Operating profit	36.1	+18%
Operating margin	4.2%	+60bps
Secured order book	2,174	+7%
Average capital employed ¹ - last 12 months	337.8	+£83.3m
ROCE ² - last 12 months	10.7%	-1.3% pts

1,808 mixed-tenure units completed³ (FY 2023: 1,923)
Inc. 874 open market sales, 5% higher (FY 2023: 830)

£237k ASP of mixed-tenure units (FY 2023: £239k)

66 active sites selling (FY 2023: 61 sites)

- Resilient performance from partnership model, weighting towards contracting
- Strengthening partnership credentials with long-term contracts
- Average capital employed expected to range between £380m - £400m in 2025

¹ Before exceptional Building Safety charge of £2.7m (FY 2023: £Nil)

² Before exceptional Building Safety receivables and provisions

³ Including JVs

£m	FY 24	Change
Revenue	91	-51%
Operating profit ¹	1.5	-90%
Secured order book	4,085	+124%
Average capital employed ² – last 12 months	86.9	-£11.7m
ROCE ² – last 12 months	1.7%	-13% pts
ROCE ² – last 3 years	12.0%	-4% pts

£94.4m capital employed at year end (£14.7m higher than prior year)

c£105m - £115m average capital employed for FY 2025

- Winning and converting an exceptional number of long-term development agreements; strong pipeline of sizeable schemes at preferred bidder stage
- Lower level of scheme completions

¹ Before exceptional Building Safety credit of £5.9m (FY 2023: £13.7m)

² Before exceptional Building Safety receivables and provisions

£m	FY 24	Change
Revenue	1,300	+18%
Operating profit	99	+38%
Operating margin	7.6%	+110bps
Secured order book	1,439	+31%

- Another record result, driven through project delivery and focus on customer experience
- Strong margin driven by contract mix and type with operational leverage
- Of secured order book, £1.2bn relates to 2025

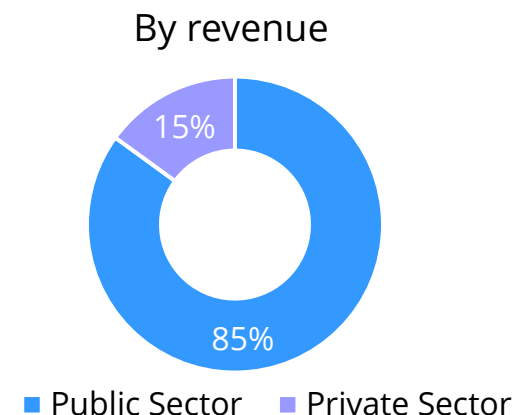
Commercial offices
86% of revenue

London Region
72% of revenue

'Traditional' Fit Out
86% of revenue

Fit Out of existing office space
82% of revenue

£m	FY 24	Change
Revenue	1,044	+8%
Operating profit ¹	30.9	+19%
Operating margin ¹	3.0%	+30bps
Secured order book	952	+20%



- Market is stable
 - ❖ £1bn secured order book plus £1.2bn at preferred bidder stage provides visible pipeline of c.£2.2bn
 - ❖ Education remains largest market at c.50%
- Maintaining project discipline on operational delivery and contract selectivity
 - ❖ Margin remains more important than revenue
 - ❖ c.98% of order book delivered through frameworks, two-stage processes or negotiated work

¹ Before exceptional Building Safety credit of £0.1m (FY 2023: Charge of £11.5m).

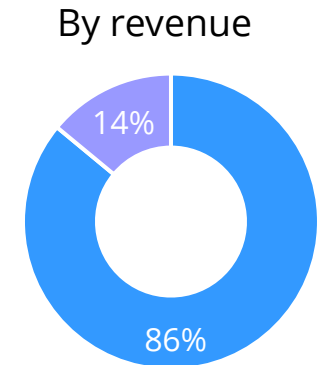
£m	FY 24	Change
Revenue	223	+21%
Operating profit ¹	(17.8)	-6%
Operating margin ¹	-8.0%	+110bps
Secured order book	887	-40%

Long-term order book
78% by value for 2026+

- Remediation programme now fully implemented, which included the following areas:
 - ✓ New management team fully embedded
 - ✓ Discussions with existing clients around pricing and KPI measures, including negotiated early releases from underperforming contracts by way of mutual agreement
 - ✓ Cultural reset – people and processes
 - ✓ Operational efficiencies reviewed across all key contracts with improvement plans now implemented
- Expect to return to modest profit in 2025

¹ Before intangible amortisation of £0.5m (FY 2023: £2.9m)

£m	FY 24	Change
Revenue	1,047	+18%
Operating profit	38.5	—
Operating margin	3.7%	-60bps
Secured order book	1,883	+11%



■ Infrastructure Services ■ Design

- Project type and phasing of workload driving revenue and margin growth
- Good growth in defence, energy and nuclear
- Strong work winning : Great Grid Partnership, Scottish Power frameworks, Welsh Water AMP8, Wessex Water AMP8, CP7 Wales & Western and CP7 Eastern

Mixed Use Partnerships

John Morgan

- Long-term place making / multi-phased mixed use developments
- MUSE is a national business
- Every project is in partnership
- Profit from share of equity and development management fees
- Majority of projects forward funded
- Development order book up 124% to £4.1bn

Current partnerships

MUSE



ECF

Salford City Council



GREATER LONDON AUTHORITY



HABIKO™



CITY OF WOLVERHAMPTON COUNCIL

Bury Council



Blackpool Council



grainger plc
Investing in homes since 1912



Slough Borough Council



MUSE order book and preferred bidder

Preferred Bidder converted to contracted development agreements in 2024

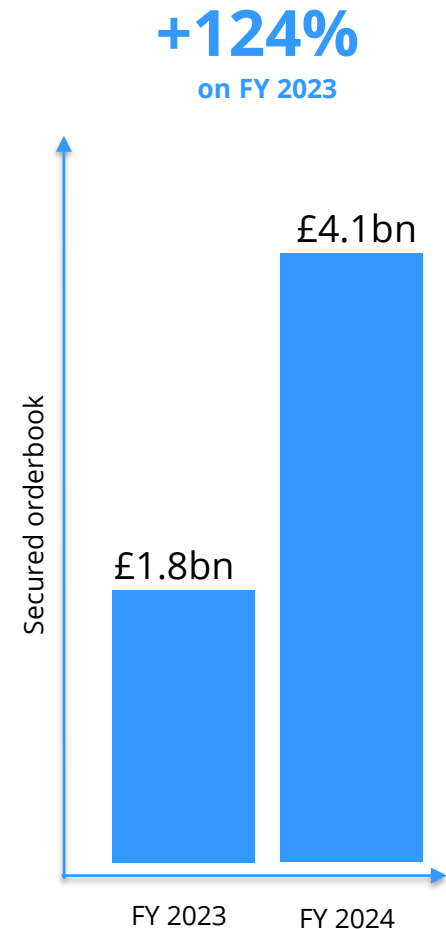
- Bradford
- Arden Cross (Midlands)
- Wolverhampton
- Solihull

New Preferred Bidders in 2024

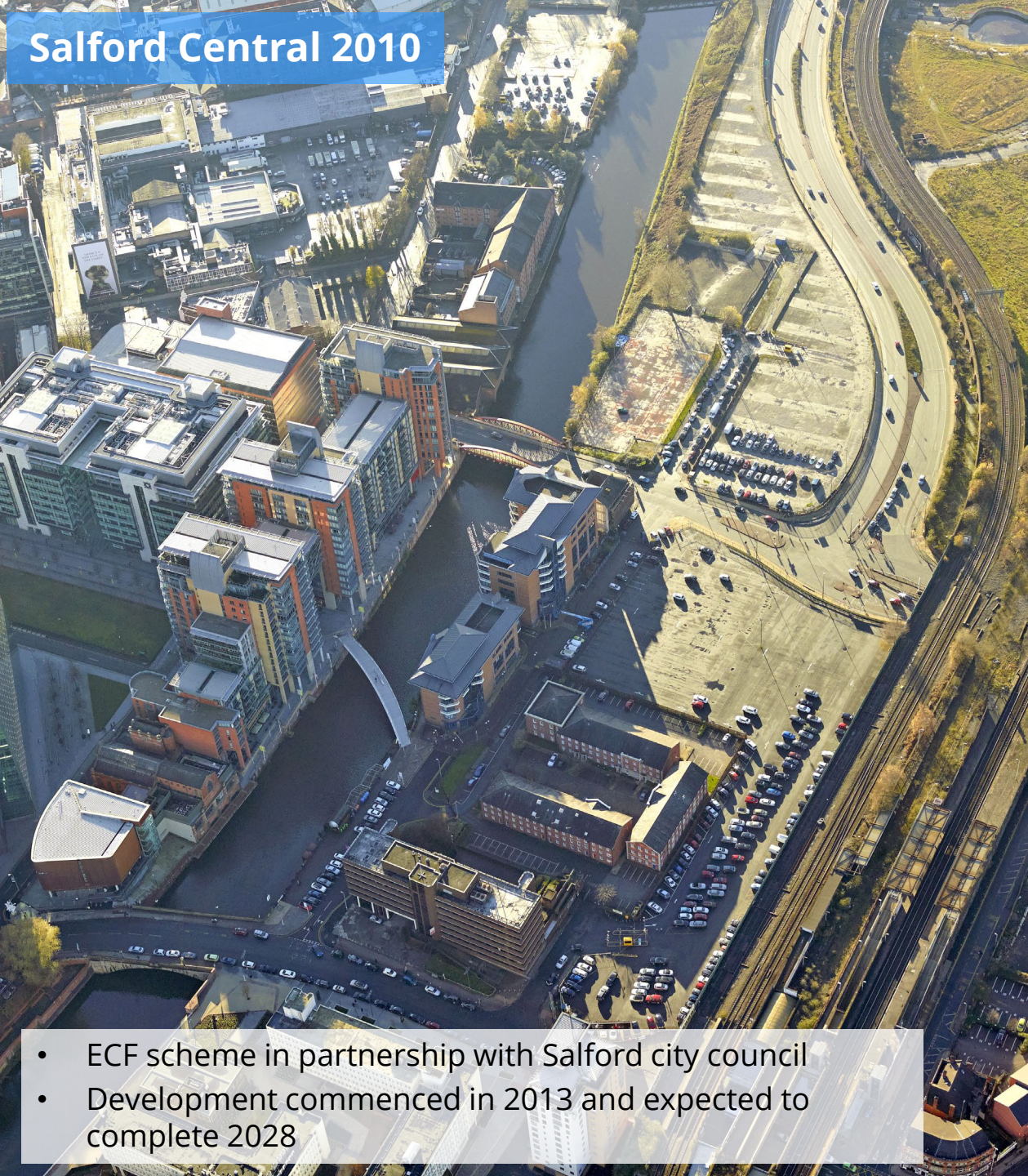
- Northampton
- Wythenshawe
- Stevenage
- Oldham

New Preferred Bidders in 2025 to date

- Hull
- Wakefield
- North East Scheme

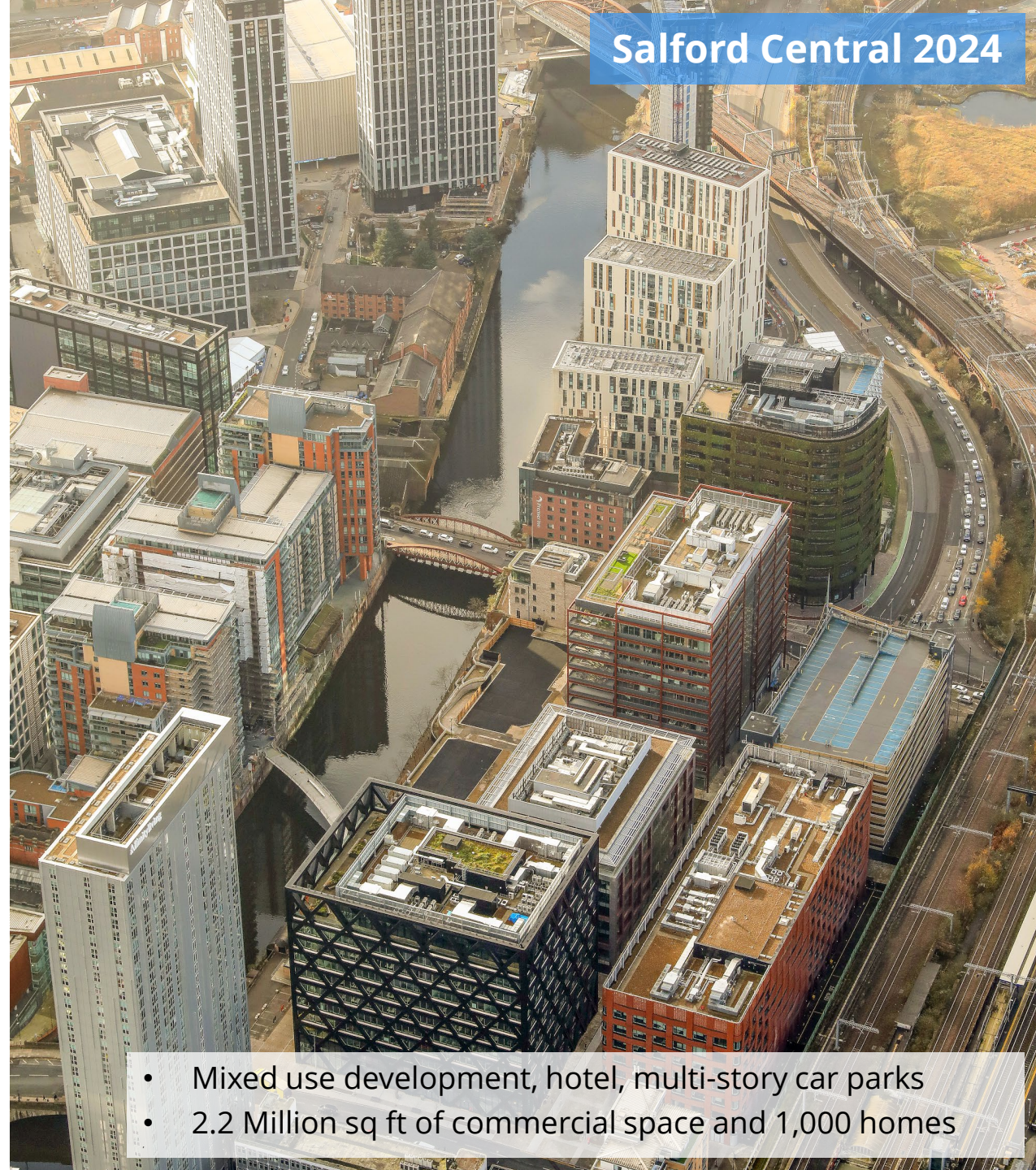


Salford Central 2010



- ECF scheme in partnership with Salford city council
- Development commenced in 2013 and expected to complete 2028

Salford Central 2024



- Mixed use development, hotel, multi-story car parks
- 2.2 Million sq ft of commercial space and 1,000 homes



- 20-year borough wide multi-phase partnership
- First phase, new bus station, market hall, offices and residential in the town centre
- Commenced 2024, completion due 2028

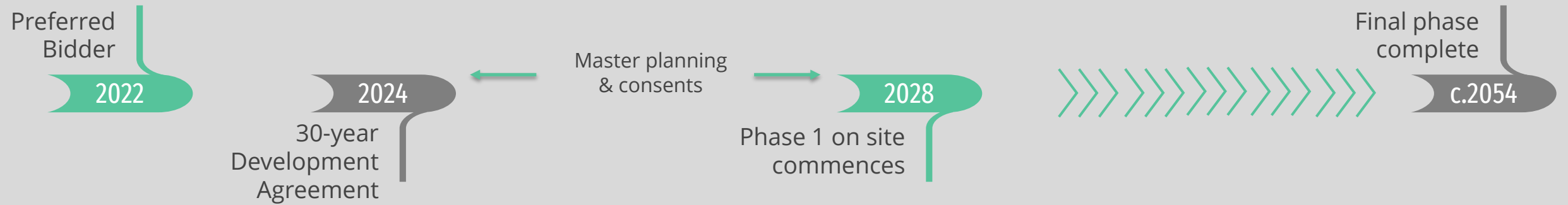


Arden Cross



- 30-year development agreement to develop 140 acres around the new HS2 station
- Early works to include Health Tec campus in partnership with Warwick university.

- When complete commercial space expected to employ 27,000 people
- Development to include 3,000 new homes.



- Very strong track record of delivery
- Similar to fit out in some ways
 - Market leaders in specialist market
 - Strong balance sheet fundamental
 - Very bespoke skills developed over time
- Long-term profit streams
- Investing for growth

Markets and outlook

John Morgan

2025 Medium-term targets

Partnership Housing		Operating margin of 8%, ROCE up towards 25% <i>(Unchanged)</i>
Mixed Use Partnerships	↑	Annual ROCE up towards 25% <i>(previously rolling 3-yr average ROCE up towards 20%)</i>
Fit Out	↑	Annual operating profit £60m - £85m <i>(previously £50m - £70m)</i>
Construction	↑	Operating margin of 3.0% - 3.5% pa, revenue > £1bn <i>(previously 2.5% - 3.0% pa, revenue of £1bn)</i>
Infrastructure	↑	Operating margin of 3.75% - 4.25% pa, revenue > £1bn <i>(previously 3.5% - 4.0% pa, revenue of £1bn)</i>
Property Services		Operating profit of £7.5m pa <i>(Unchanged)</i>

↑ Increased medium-term target updated in February 2025

2025 Outlook by division

Partnership Housing

Expect solid profit growth, ROCE in line with 2024 levels as we continue to invest

Mixed Use Partnerships

Modest profits over the next two years, ROCE expected to be low single digit

Fit Out

Expect profit to be towards the top end of revised range

Construction

Expect margin to be at lower end of revised range, with revenue > £1bn

Infrastructure

Expect margin to be middle of revised range, with revenue c£1bn

Property Services

Modest profit in 2025

Summary

- Strong momentum for the Group
- Continuing strong organic growth
- Substantial growth in order book
- Importance of strong balance sheet and holding substantial net cash balance at all times
- Increased medium-term targets for four out of six divisions
- On track to deliver an outcome for 2025, in line with our current expectations

Questions

Appendices

Net Finance Income

£m	FY 24	FY 23
Interest income on bank deposits	17.4	10.8
Interest receivable from joint ventures	0.8	-
Loan arrangement and commitment fees	(2.2)	(2.0)
Interest expense on lease liabilities (IFRS 16)	(3.8)	(2.5)
Other	(2.3)	(3.0)
Total net interest income	9.9	3.3

Tax

£m	FY 24	FY 23
Profit before tax	171.9	143.9
Less: share of underlying ¹ net profits from JVs	(4.5)	(14.1)
Profit subject to tax	167.4	129.6
<i>Statutory tax rate</i>	25.0%	23.5%
Current tax charge at statutory rate	(41.9)	(30.5)
Tax on underlying ¹ joint venture profits ²	(1.5)	(2.6)
Tax on exceptional items	1.6	1.5
Other non-deductible expenses	0.2	0.7
Prior year adjustment	1.6	4.2
Other adjustments	(0.2)	0.5
Tax charge as reported	(40.2)	(26.2)
Tax on amortisation	(0.1)	(0.7)
Tax on exceptional items	(1.7)	(3.0)
Adjusted tax charge	(42.0)	(29.9)

¹ Underlying net loss/(profit) of joint ventures excludes the exceptional Building Safety charge of £1.3m related to joint ventures (FY2023: credit of £4.1m)

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	FY 24	FY 23
Profit after tax	131.7	117.7
<i>Adjusted for:</i>		
Exceptional operating items	0.1	(2.2)
Amortisation of intangible assets	0.5	2.9
Tax relating to the above items	(1.8)	(3.7)
Adjusted earnings	130.5	114.7
Basic weighted average number of shares	46.8m	46.3m
Adjusted earnings per share	278.8	247.7

Payment practices

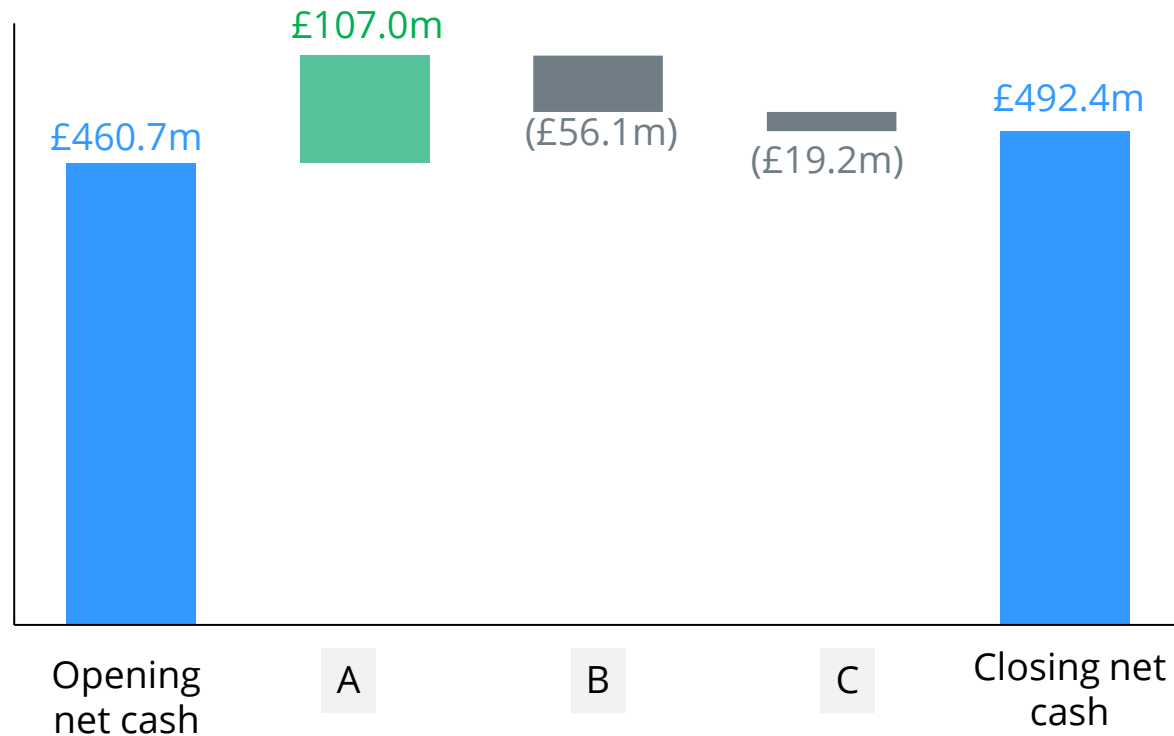
6 months to 31st December 2024

	Average time to pay invoices	Invoices not paid with agreed terms	Invoices paid within 60 days
Construction & Infrastructure ¹	25 days	3%	98%
	-	1%	-
Fit Out	19 days	5%	98%
	1 day	1%	1%
Property Services	38 days	5%	99%
	3 days	3%	-
Partnership Housing	31 days	10%	96%
	1 day	3%	-

Note: movements are shown compared to the previous reporting period of the 6 months to 30 June 2024. Green indicates improvement, red indicates deterioration.

¹ Construction and Infrastructure report their payment practices data under the same legal entity

Net cash movement



Year end net cash of **£492.4m**

Operating cash flow (Slide 9)	£134.8m
Tax	(£43.9m)
Interest (non-JV)	£16.1m
Free cash flow (A)	£107.0m

A = Free cash flow. See table

B = Dividends

C = Other. Includes the purchase of shares in the Company by the employee benefit trust (£47.2m) and net capital advances to JVs (£1.2m) less proceeds from the exercise of share options (£19.5m) and proceeds from the issue of new shares (£9.7m).

Summary balance sheet

£m	31 Dec 24	31 Dec 23
Intangibles	218.1	218.6
PP&E	95.1	86.0
Investments (including JVs) ¹	112.5	107.4
Net working capital ²	(104.9)	(136.0)
Current and deferred tax	4.5	(10.6)
Net cash	492.4	460.7
Lease liabilities	(66.7)	(63.8)
Provisions ¹	(105.5)	(96.1)
Other ³	1.8	1.9
Net assets - reported	647.2	568.1

¹ Includes Building Safety provisions - £6.8m in Investments (JVs) and £56.8m in Provisions

² Includes Building Safety receivables of £11.6m

³ 'Other' at FY 2024 includes capitalised fees and accrued interest receivable £2.3m; less accrued interest payable £0.5m

Provisions

£m	Total	Building Safety	Other
Provisions as at 31 December 2023	96.1	56.1	40.0
Additions	38.8	11.9	26.9
Utilised	(16.2)	(7.3)	(8.9)
Released	(13.2)	(3.9)	(9.3)
Provisions as at 31 December 2024	105.5	56.8	48.7

Capital Employed - Partnerships

£m	Total Partnerships	Partnership Housing	Mixed Use Partnerships
Total net land & Partnership WIP	395.7	327.2	68.5
Unsold completed units (excl. joint ventures)	34.0	29.0	5.0
Amounts invested in joint ventures ¹	118.8	76.6	42.2
Shared equity loans and investment properties	0.7	0.7	-
Other working capital	(133.1)	(111.6)	(21.5)
Other net assets / (liabilities)	(3.0)	(3.2)	0.2
Total capital employed¹ at 31 December 2024	413.1	318.7	94.4
Total capital employed¹ at 31 December 2023	314.1	234.4	79.7
Increase in period	99.0	84.3	14.7

¹ Adjusted to exclude exceptional Building Safety receivables & provisions

