



MarketLine Industry Profile

## Construction in the United Kingdom

May 2023

Reference Code: 0183-0793

Publication Date: May 2023

Primary NAICS: 23

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# 1. Executive Summary

## 1.1. Market value

The United Kingdom construction industry grew by 0.5% in 2022 to reach a value of \$450.9 billion.

## 1.2. Market value forecast

In 2027, the United Kingdom construction industry is forecast to have a value of \$639.2 billion, an increase of 41.8% since 2022.

## 1.3. Category segmentation

Non-residential construction is the largest segment of the construction industry in the United Kingdom, accounting for 53.5% of the industry's total value.

## 1.4. Geography segmentation

The United Kingdom accounts for 15.1% of the European construction industry value.

## 1.5. Market rivalry

Rivalry in the UK construction industry tends to be accumulated in segments and niche markets in which players' operations are similar. The market is fragmented in the residential construction segment, while a few large players dominate in the non-residential segment.

## 1.6. Competitive landscape

The UK is home to some of the world's largest construction companies, meaning that leading players benefit from the scale of international operations. However, the conflict between Russia and Ukraine has caused geopolitical unrest around the globe, which led to falling in the growth of the construction industry in 2022. This has intensified rivalry between leading players, as they are forced to infringe on one another's revenues to generate business and expand their share of the industry. Going forward, changing government legislation regarding building planning will provide greater opportunities for comparatively smaller players to gain a foothold in the industry and will boost competition.

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## 2. Market Overview

### 2.1. Market definition

The construction market is defined as the value of work put in place annually for both, residential and non-residential construction.

The non-residential construction market includes five key construction sectors: commercial & leisure, energy & utilities, industrial, infrastructure, and institutional.

The residential construction market is defined as the value of work put in place annually for residential buildings.

Market value is defined as the output value of construction activity in any given time period, including costs related to construction materials, equipment and services in new construction, refurbishment, repair and maintenance and demolition.

All market data and forecasts are represented in nominal terms (i.e., without adjustment for inflation) and all currency conversions used in the creation of this report have been calculated using constant 2022 annual average exchange rates.

For the purposes of this report, the global market consists of North America, South America, Europe, Asia-Pacific, Middle East, South Africa and Nigeria.

North America consists of Canada, Mexico, and the United States.

South America comprises Argentina, Brazil, Chile, Colombia, and Peru.

Europe comprises Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

Scandinavia comprises Denmark, Finland, Norway, and Sweden.

Asia-Pacific comprises Australia, China, Hong Kong, India, Indonesia, Kazakhstan, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

Middle East comprises Egypt, Israel, Saudi Arabia, and United Arab Emirates.

### 2.2. Market analysis

The UK construction industry experienced fluctuating growth, resulting in moderate growth, during the historic period. In 2022, the industry witnessed sluggish growth, owing to rising geopolitical conflicts. The industry is forecasted to grow at a healthy rate over the forecast period.

The UK construction industry has expanded recently owing to several factors namely: a growing economy, an increase in urbanization, an increase in consumer spending, and government initiatives. The construction industry recovered in 2021, from the severe disruption caused by the COVID-19 pandemic. In 2021 the market witnessed a very strong annual growth of 24.9%. However, in 2022 construction industry growth deaccelerated owing to a fall in economic growth in the UK. According to Globaldata, the real GDP growth stood at 4.0% in 2022, as compared to 2021 when it was 7.6%.

The UK construction industry had total revenues of \$450.9 billion in 2022, representing a compound annual growth rate (CAGR) of 3.0% between 2017 and 2022. In comparison, the French and German industries grew with CAGRs of 2.8% and 6.5% respectively, over the same period, to reach respective values of \$369.1 billion and \$482.7 billion in 2022.

The UK construction industry experienced slow growth in 2022, owing to rising inflation pressure and high-interest rate due to the Russia-Ukraine conflict. According to the Office of national statistics, consumer price inflation in 2022 reached 7.9% which increased the cost of living sharply across the UK. The consumer price index including owner-occupied housing costs rose by 9.2% in the last twelve months till February 2023. Additionally, the UK economy witnessed high-interest rates which impacted the loan and mortgages in the industry. According to the Bank of England, in March 2023, the interest rate was raised to 4.25%. These moves are incorporated to control rising prices and curb inflation.

The non-residential construction segment accounted for the industry's largest proportion in 2022, with total revenues of \$241.3 billion, equivalent to 53.5% of the industry's overall value. The residential construction segment contributed revenues of \$209.7 billion in 2022, equating to 46.5% of the industry's aggregate value.

The main drivers of non-residential construction growth in the UK were the increase in demand for commercial properties such as offices, retail stores, and industrial buildings. Additionally, the UK government has made a comprehensive plan to develop infrastructure. Sustainable growth will lead to higher wages, and greater opportunities and provide sustainable funding for public services. The UK currently is facing a period of high inflation. The government has already taken significant steps to address high energy bills, the biggest challenge, by announcing the Energy Price Guarantee. The government is focused on accelerating the construction of vital infrastructure projects by liberalizing the planning system and streamlining consultation and approval requirements, which is projected to stabilize the industry growth, in the coming period.

The performance of the industry is forecasted to accelerate, with an anticipated CAGR of 7.2% over 2022-27, which is expected to drive the industry to a value of \$639.2 billion by the end of 2027. Comparatively, the French and German industries will grow with CAGRs of 5.5% and 4.2% respectively, over the same period, to reach respective values of \$481.4 billion and \$592.7 billion in 2027.

The construction industry is expected to grow at a healthy rate over the forecast period, as it will be supported by investments in transport, energy, housing, health, education, and telecommunication infrastructure projects. For instance, as part of the Autumn Budget 2022, the government reported that the construction of new infrastructure such as roads, railway lines, and communities will be safeguarded by a capital investment of GBP600 billion (\$824.8 billion) over the next five years. Furthermore, the growth will be supported by works on projects outlined by the government in the National Infrastructure and Construction Pipeline 2021 report. According to this, more than GBP650 billion (\$893.5 billion) has been set out for public and private infrastructure investment over the next ten years, with an estimated GBP400 billion (\$549.8 billion) projects in the progressive pipeline and including more than GBP200 billion (\$274.9 billion) worth of projects to be invested by 2024-2025. The continuing investment in the industry will fuel the industry growth over the forecast period.

The UK construction industry had total revenues of \$450.9 billion in 2022, representing a compound annual growth rate (CAGR) of 3.0% between 2017 and 2022.

The non-residential construction segment accounted for the industry's largest proportion in 2022, with total revenues of \$241.3 billion, equivalent to 53.5% of the industry's overall value.



## 3. Market Data

### 3.1. Market value

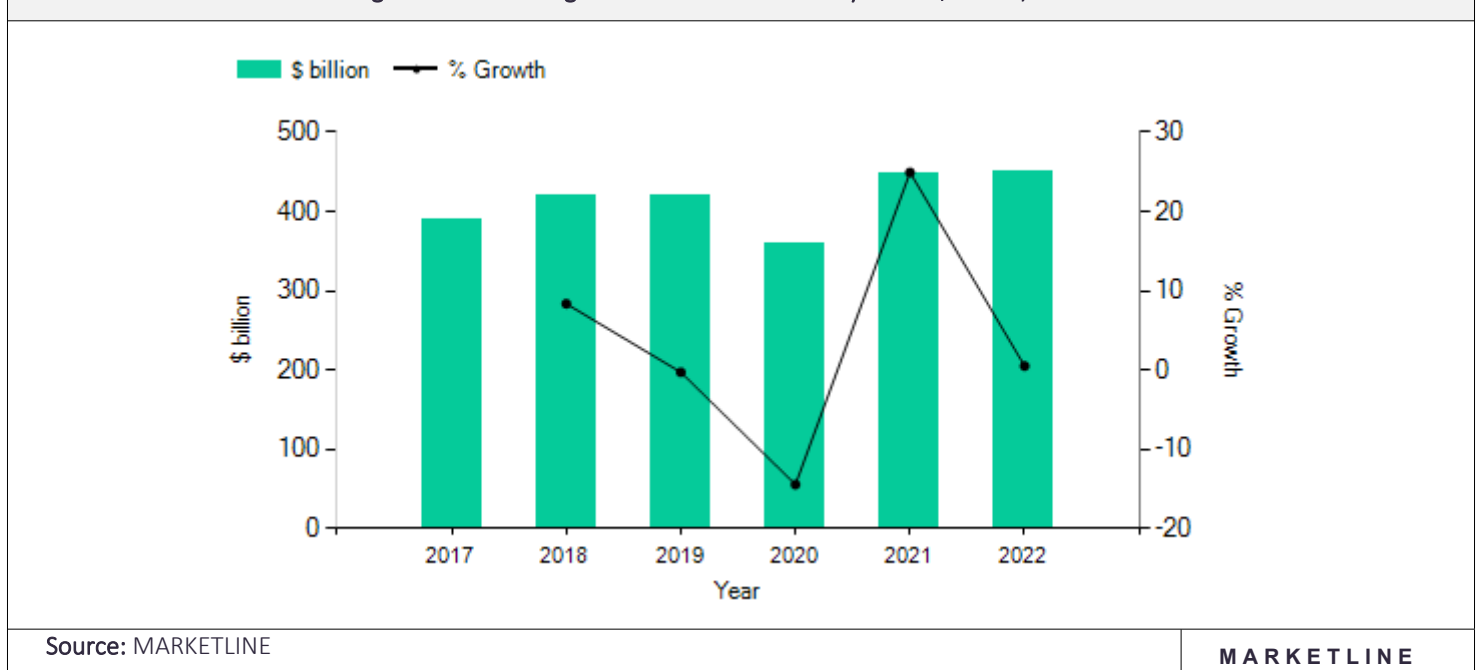
The United Kingdom construction industry grew by 0.5% in 2022 to reach a value of \$450.9 billion.

The compound annual growth rate of the industry in the period 2017–22 was 3%.

Table 1: United Kingdom construction industry value: \$ billion, 2017–22

Year	\$ billion	£ billion	€ billion	% Growth
2017	388.6	315.3	369.8	
2018	421.1	341.7	400.7	8.4%
2019	419.9	340.7	399.6	(0.3%)
2020	359.2	291.4	341.8	(14.5%)
2021	448.7	364.0	427.0	24.9%
2022	450.9	365.9	429.1	0.5%
CAGR: 2017–22				3.0%
Source: MARKETLINE			MARKETLINE	

Figure 1: United Kingdom construction industry value: \$ billion, 2017–22



## 4. Market Segmentation

### 4.1. Category segmentation

Non-residential construction is the largest segment of the construction industry in the United Kingdom, accounting for 53.5% of the industry's total value.

The Residential construction segment accounts for the remaining 46.5% of the industry.

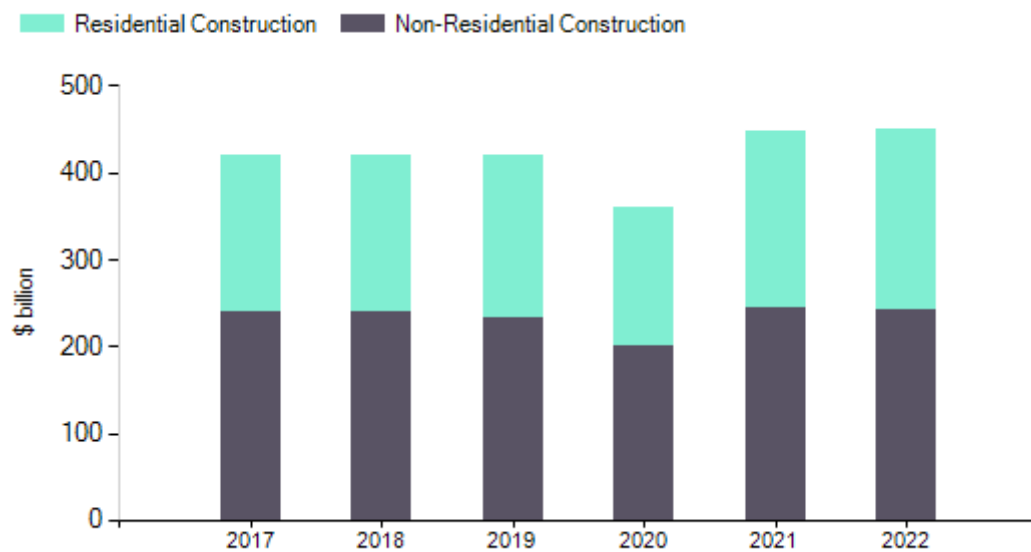
**Table 2: United Kingdom construction industry category segmentation: % share, by value, 2017–2022**

Category	2017	2018	2019	2020	2021	2022
Non-Residential Construction	59.4%	56.8%	55.4%	56.0%	54.5%	53.5%
Residential Construction	40.6%	43.2%	44.6%	44.0%	45.5%	46.5%
Total	100%	100%	100%	100%	100%	100%
Source: MARKETLINE					MARKETLINE	

**Table 3: United Kingdom construction industry category segmentation: \$ billion, 2017-2022**

Category	2017	2018	2019	2020	2021	2022	2017-22 CAGR(%)
Non-Residential Construction	230.9	239.2	232.4	201.2	244.5	241.3	0.9%
Residential Construction	157.7	181.9	187.5	158.0	204.2	209.7	5.9%
Total	388.6	421.1	419.9	359.2	448.7	451	3%
Source: MARKETLINE						MARKETLINE	

Figure 2: United Kingdom construction industry category segmentation: \$ billion, 2017-2022



Source: MARKETLINE

MARKETLINE

## 4.2. Geography segmentation

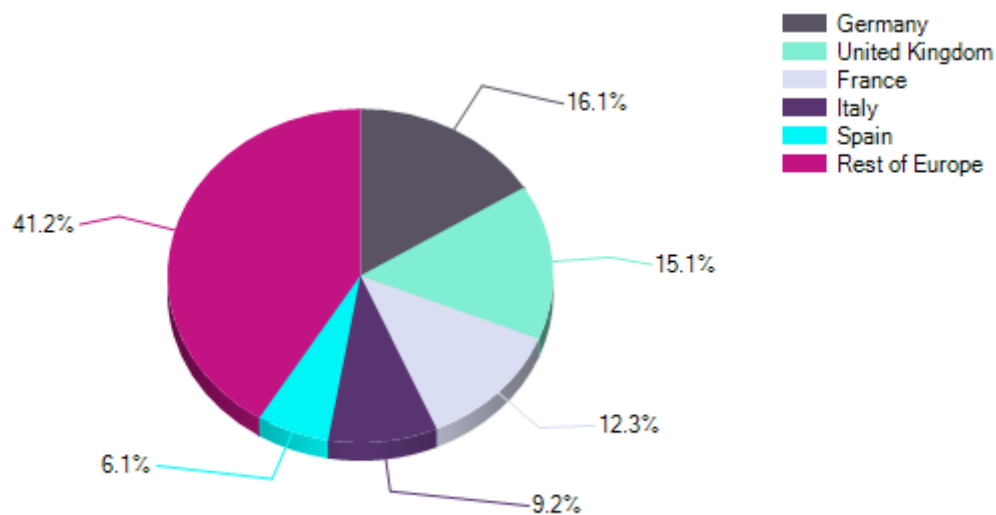
The United Kingdom accounts for 15.1% of the European construction industry value.

Germany accounts for a further 16.1% of the European industry.

**Table 4: United Kingdom construction industry geography segmentation: \$ billion, 2022**

Geography	2022	%
Germany	482.7	16.1
United Kingdom	450.9	15.1
France	369.1	12.3
Italy	274.6	9.2
Spain	182.5	6.1
Rest of Europe	1,234.0	41.2
Total	2,993.8	100%
Source: MARKETLINE		MARKETLINE

**Figure 3: United Kingdom construction industry geography segmentation: % share, by value, 2022**



Source: MARKETLINE

MARKETLINE

## 5. Market Outlook

### 5.1. Market value forecast

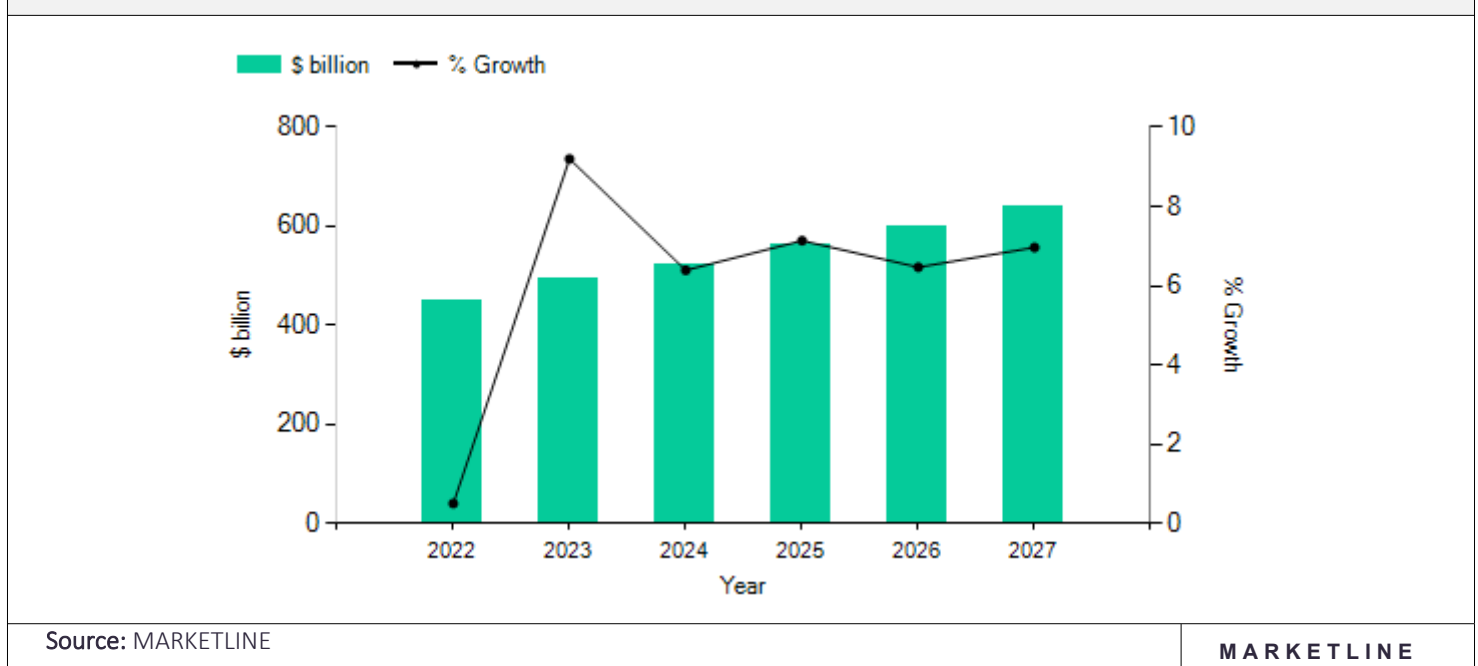
In 2027, the United Kingdom construction industry is forecast to have a value of \$639.2 billion, an increase of 41.8% since 2022.

The compound annual growth rate of the industry in the period 2022–27 is predicted to be 7.2%.

Table 5: United Kingdom construction industry value forecast: \$ billion, 2022–27

Year	\$ billion	£ billion	€ billion	% Growth
2022	450.9	365.9	429.1	0.5%
2023	492.4	399.5	468.6	9.2%
2024	523.9	425.1	498.5	6.4%
2025	561.3	455.4	534.1	7.1%
2026	597.6	484.8	568.7	6.5%
2027	639.2	518.6	608.3	7.0%
CAGR: 2022–27				7.2%
Source: MARKETLINE			MARKETLINE	

Figure 4: United Kingdom construction industry value forecast: \$ billion, 2022–27

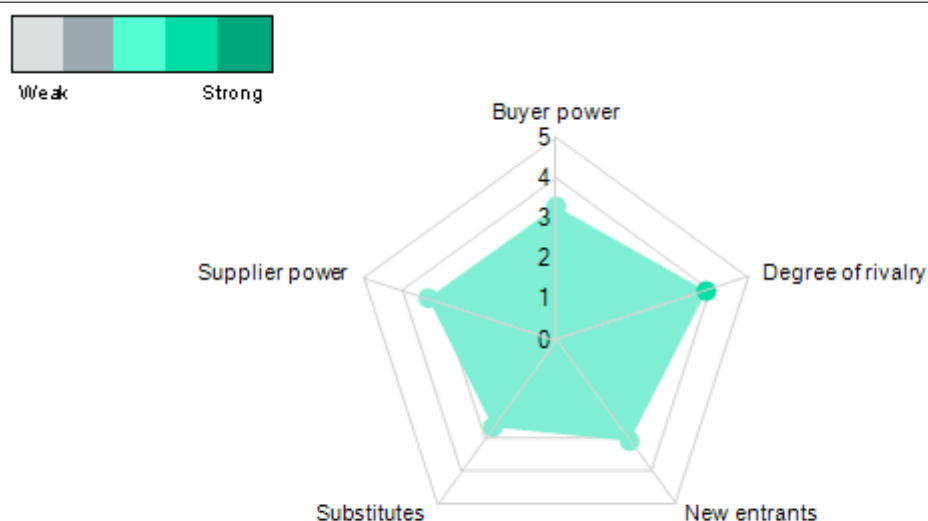


## 6. Five Forces Analysis

The construction market will be analyzed taking real estate developers and contractors as players. The key buyers will be taken as property developers, businesses, governments and individuals, and producers of building materials and sub-contractors as the key suppliers.

### 6.1. Summary

Figure 5: Forces driving competition in the construction industry in the United Kingdom, 2022



Source: MARKETLINE

MARKETLINE

Rivalry in the UK construction industry tends to be accumulated in segments and niche markets in which players' operations are similar. The market is fragmented in the residential construction segment, while a few large players dominate in the non-residential segment.

There are numerous buyers, ranging from governments to individual consumers. Many of these buyers will be in a strong position, especially governments, and firms that put construction projects out to tender, although individuals will have much less buying power.

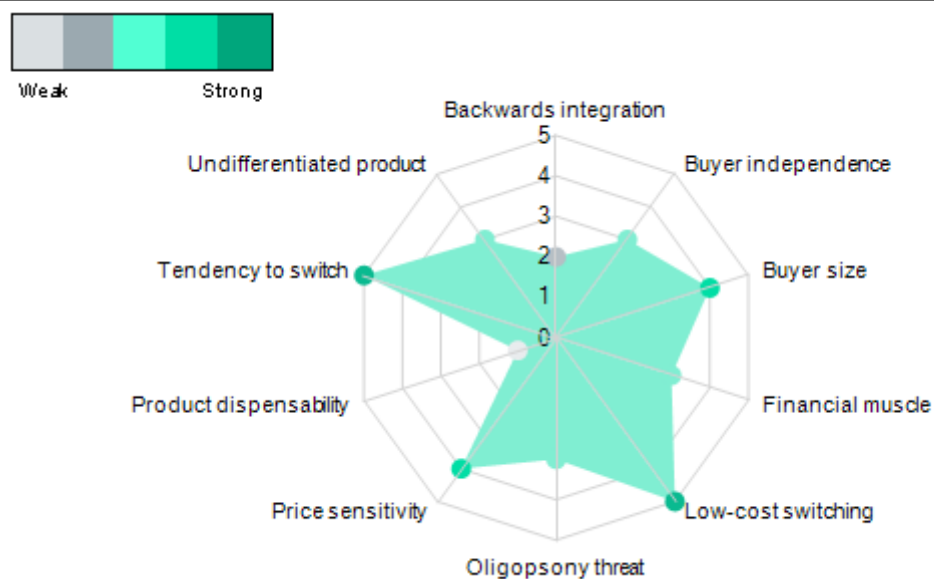
Suppliers include sub-contractors and providers of construction materials. The former tend to be smaller and more numerous than the latter, which have greater bargaining power as the construction materials markets are highly concentrated.

Capital barriers to entry into the construction industry are related to significant capital outlay and economies of scale. For competing with incumbents as prime contractors on large infrastructure and commercial projects, a new entrant must be able to achieve large economies of scale, as well as offer a wide range of competencies, such as design, procurement, and project management, which reduces the risk of new entrants. On the other hand, the residential construction sector, which is less concentrated, is more susceptible to small-scale players. Furthermore, the construction industry is extremely sensitive to macroeconomic performance, which means that the attractiveness of any country's market can vary significantly from one year to another.

Substitutes in this industry include opting for repair/remodeling rather than a new build or opting to rent or lease property rather than buying.

## 6.2. Buyer power

Figure 6: Drivers of buyer power in the construction industry in the United Kingdom, 2022



Source: MARKETLINE

MARKETLINE

There is a wide range of buyers in this industry, ranging from individual residential buyers to property developers, and governments that may engage in large residential projects and civil engineering (infrastructure) work. Property developers looking to generate income from leases and rents will focus on residential and non-residential projects such as apartment blocks and retail spaces. Companies in many verticals may wish to have industrial or commercial premises built, or civil engineering projects such as airports constructed. Governments assign infrastructure projects (civil engineering) such as road construction, transportation and utility infrastructure, and other large public works.

These different categories of buyers have widely differing amounts of power. Government-funded infrastructure and housing projects are usually put out to tender. The criteria for choosing a successful bid vary from country to country, but the price is usually the most important one. Construction contractors have limited power in the tender procedures that are usually followed in government infrastructure and commercial projects, and the power of buyers over price awareness is increased. Nevertheless, price-setting by cartels of contractors is still possible, especially for large infrastructure projects.

Property developers also have great bargaining power since they leverage the size of their marketplace, which comprises both corporate and individual clients searching for non-residential and residential properties. A high concentration of real estate activities to a few large property developers dilutes the power of construction contractors, while the real estate market for residential purposes tends to be highly fragmented.

While property developers are the largest group of buyers of residential property, individual consumers can buy houses from residential contractors, although they have limited power as buyers in this regard. What is more, the relatively weak ability of individual consumers to evaluate and compare prices of residential properties – as these are distorted by their different benefits and characteristics of them – enhances the pricing power of construction companies. House prices obey the usual rules of supply and demand, and with many sellers and buyers, it is difficult to exert much buyer power. Accordingly, the affordability of housing within a country market may indicate the power of buyers as that is captured by the level of supply toward demand.

Furthermore, the urbanization rate of a country plays an important role for players in

the industry. According to in-house research, the UK's urban population as a percentage of the total population was 84.4 % in 2022. A high urbanization rate means that the services of construction contractors, especially in non-residential construction, are less dispensable, since there is strong demand for the development of new infrastructure and commercial projects, along with the maintenance of existing ones.

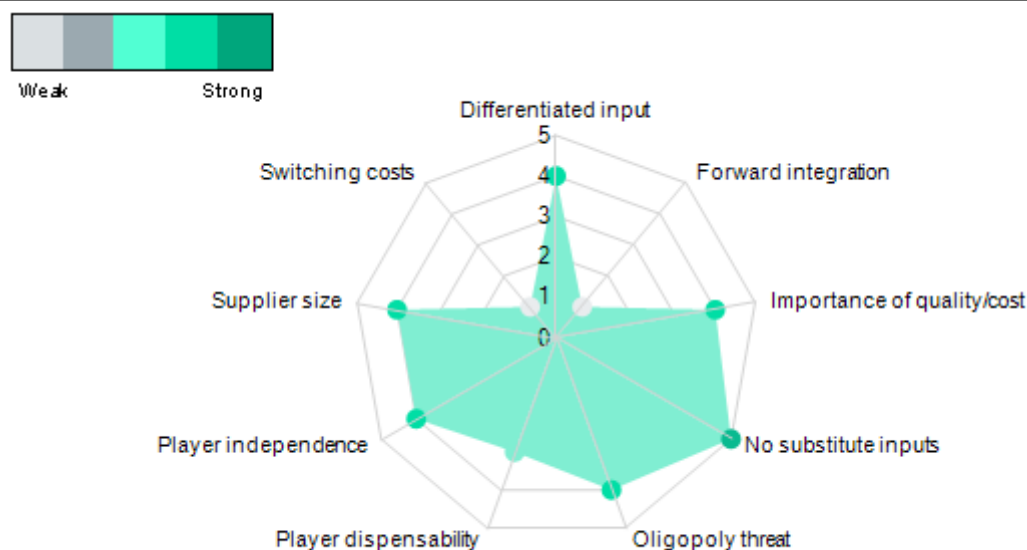
Backward integration is an option for buyers in residential construction since housing is highly important, although for different reasons. Individuals may opt to build their own houses, bypassing construction contractors in the value chain of construction, but this task is a minority pursuit. The introduction of the Self-Build and Custom-Building Housing Act in 2015 aimed to encourage self-built homes, however, uptake has not been particularly high. According to the UK government, around 8% to 10% of properties in the UK are self-built. Property developers may have their construction division, although that may only be the case for large firms. However, vertical integration is not feasible for buyers (government and property developers) in large infrastructure and industrial projects, in which the economies of scale and the expertise of construction contractors are essential. Thus, the power of buyers is weaker in these respects.

Overall, the power of buyers is assessed as moderate.



### 6.3. Supplier power

Figure 7: Drivers of supplier power in the construction industry in the United Kingdom, 2022



Source: MARKETLINE

MARKETLINE

For prime contractors, suppliers include producers of building materials and sub-contractors who offer specialist construction competencies.

The construction materials sector is typically concentrated. Cement (and concrete), iron (and steel), aluminum, and similar materials are commoditized. The production of these materials benefits from large economies of scale; there are additional gains if a supplier has a well-developed distribution system, notably a network of ready-mix concrete facilities. In these circumstances, consolidation is favored, which goes against the bargaining power of players. Some of the largest suppliers in the UK construction materials market are Heidelberg and Lafarge. The extremely high concentration of cement companies – it is common for the top five cement companies to hold 75% or more of the industry in a country – increases the power of suppliers over construction companies. Nevertheless, supplier power is weakened by the fact the construction industry is very important to supplier revenues, especially for cement companies since there are only a few other markets where they can generate their revenues.

Britain's decision to leave the EU is also likely to impact supplier power due to disruption caused to European trade and supply chains. While many materials used in the UK construction industry are domestically based, of those imported, 60% come from the EU. According to the Department of Business, Energy, and Industrial Strategy, there was a 7.3% decrease in overseas brick deliveries in October 2022, compared to the same month of 2021. However, this could lead to further consolidation within the UK construction materials market and enhance domestic supplier power.

It should also be noted that there are few substitute inputs available. Thus, when the price of cement or iron rises, construction activities become even more costly, affecting the output of the market and the profit margins of players. Hedging instruments are used on large-scale projects to prevent volatility to some extent, but this case applies only to large players which have that scale power. Higher prices of inputs give suppliers greater power. The price of cement, which is the basic non-metallic mineral and material input in construction, is more localized – as it is less commoditized than metallic mineral construction materials such as iron – and thus more dependent on (local) suppliers' production volumes and costs.

Furthermore, the availability and cost of high and low-skilled labor are also highly important since this industry is labor-intensive. In the UK, construction accounted for 2.1 million jobs as of 2021, according to the OECD. This figure is relatively high compared to other developed industries. However, there is a shortage of skilled workers such as surveyors.

The mining industry has often been characterized by fluctuating prices of the end-products made from substances mined around the world and finding efficiencies has become increasingly important for the industry players to reduce costs.

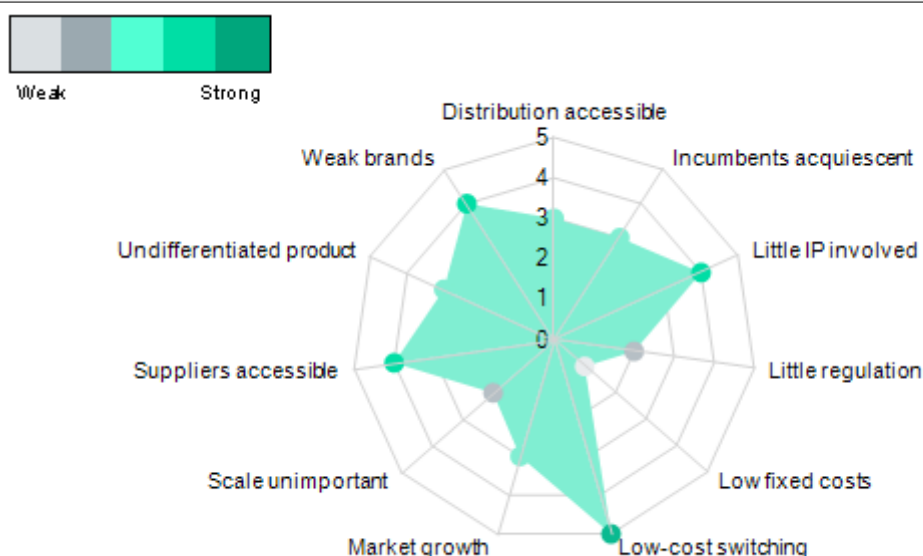
The steel industry is investing heavily to improve quality and efficiency to combat high levels of production around the world which exerts downward pressure on prices. A leading feature of the global steel industry has been the large-scale investments announced where major steel companies have embarked on projects to lower costs, improve efficiency and raise standards of quality. In response to reported Chinese dumping on the international markets (a problem the Chinese government has publicly insisted it is seeking to address) many leading steel manufacturers have sought to raise quality standards to a level producer in China is currently unable to match.

There are no alternatives to the services offered by sub-contractors, which specialize in certain construction activities, although there is the possibility of the vertical integration of players despite high costs. However, prime contractors generally have a wide choice of competing sub-contractors for any part of the project. Accordingly, the large number of subcontractors undermines their supplier power, while they can distinguish themselves only by their product specifications and their service quality.

Overall, supplier power is moderate.

## 6.4. New entrants

Figure 8: Factors influencing the likelihood of new entrants in the construction industry in the United Kingdom, 2022



Source: MARKETLINE

MARKETLINE

The economies of scale in the construction industry are usually the most significant barrier to entry for new players. Barriers to entry also include a significant capital outlay for the acquisition of capital items. However, construction companies can be relatively asset light as the work on site can be outsourced to sub-contractors and equipment can be hired or leased rather than being purchased. Many small specialized sub-contractors lower the capital barriers for entry of contractors in the construction industry.

Construction companies acting as prime contractors on large non-residential projects face somewhat higher barriers, as larger economies of scale are required, especially in terms of big infrastructure projects where only large firms can compete in tenders. In contrast, the residential construction segment is susceptible to new small-scale players.

The differentiation of construction companies by the range of services (vertical integration) provided, from design to project management to specific building skills, allows the entrance of new players as the homogeneity of the construction product is reduced under these terms. Moreover, the existence of different segment markets (horizontal differentiation), such as residential, commercial, and industrial construction, leaves room for new entrants in specialized niche markets.

Regulations are typically stringent and complex. It covers planning permission and zoning, building site health and safety, and the safety and security of the buildings themselves. Compliance with these government regulations increases costs. Building restrictions limit supply, increasing demand and subsequently house prices.

Government policies also affect the market outside of the regulation framework. For example, tax deductions for mortgage payments or other tax incentives and subsidies can positively affect demand in the construction industry. In the UK, the announcement of a new Help to Buy: Equity Loan came into effect in 2021, encouraging property purchases amongst first-time buyers. This scheme helps first-time buyers get a property with just a 5% deposit, around 20% of the purchase price (40% in London), interest-free for five years. The scheme was applicable till 31st October 2022, and home purchases are to be completed by 31st March 2023.

Developments in technology are transforming the machinery that is used on the construction site of tomorrow, requiring the whole industry to invest in reform and reducing the threat of new entrants. Much vaunted as a revolutionary technology, advocates of 3D printing are finally making progress in finding real-world applications. The technological advantages of being able to print hefty metal components to any size are huge, and the technology could move at a pace once the knowledge required to manufacture parts on the scale required by large construction projects is acquired. Although such targets have a habit of being forgotten about when anticipated developments fail to occur. The fact that ambitious

governments are setting such targets should serve as a sign to players in the construction industry that they must invest in 3D printing to stay ahead of the game.

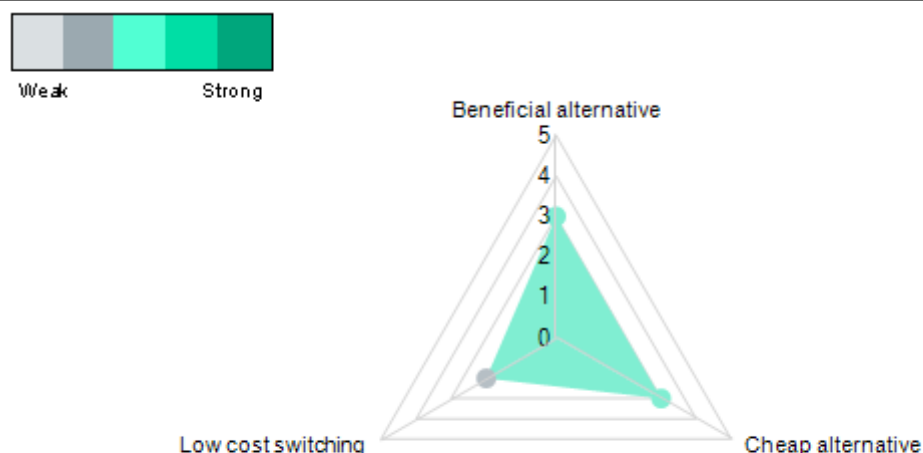
Another factor to be considered when entering a particular market is the access to and cost of construction materials and machinery. Specifically, the scarcity of construction materials and machinery within a country leads to imports, which increase the cost of production, while that cost is also affected by fluctuations in the local currency.

Furthermore, the likelihood of new entrants is reliant on the macroeconomic outlook of the country market as construction is one of the most vulnerable industries to the macroeconomic environment, driving but also driven by economic growth. According to the Office of National Statistics, the annual construction output increased by 5.6% in 2022 compared to 2021, significant enough to strengthen the threat from new entrants.

Overall, the threat of new entrants is moderate.

## 6.5. Threat of substitutes

Figure 9: Factors influencing the threat of substitutes in the construction industry in the United Kingdom, 2022



Source: MARKETLINE

MARKETLINE

The main substitute for some clients is to opt for buying, renting, or leasing existing buildings rather than for a new build. Substitution in this industry is apparent between existing and new building stock, as well as between renting/leasing and buying transactions. In times of economic uncertainty, the option to lease or rent an existing property may be preferable to buying a new one. Overall, the value of the construction market is negatively correlated with renting/leasing existing properties, since demand for the latter has price-sensitive characteristics as the value of new properties is generally higher than that of existing (similar) ones, while build-to-rent activities are not prevalent. Moreover, the diversification of players in activities such as renovation and repairs that revolve around substitutes is not sufficient, as these operations are supplemental to their core operations.

Assessing the relative costs and benefits of these substitutes is difficult. It will depend on factors such as market rent levels, fitness for the purpose of the available buildings, mortgage interest rates, and so on. In the case of non-residential (commercial) construction, substitutes are less applicable since demand tends to be inelastic in that segment on the grounds of searching for fitness-for-purpose buildings. In terms of residential properties, the benefits of the option of leasing or renting a property are dictated by the affordability of buying it. In the UK, the house price to income ratio (nominal house prices divided by nominal disposable income per capita) has been increasing in recent years - estimated at 148.7 in Q42022 as per the OECD, based on a 2015 index-base year. This means that renting has become a more affordable option in recent years.

Furthermore, switching costs that exist between buying and renting a residential property are determined by the mortgage interest rates, which are a crucial demand factor in residential construction. The BBA mortgage rates were increased from 4.2% in May 2022, to 6.4% in December 2022, by the Bank of England. This makes mortgage loans more difficult for potential homebuyers and enhances the threat of substitutes.

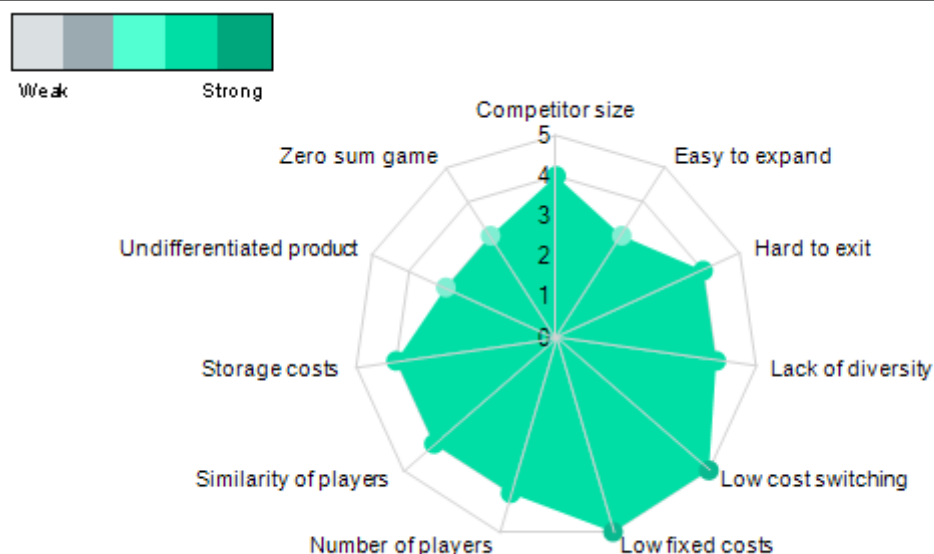
Additionally, it should also be noted that in the residential sector, individuals may be dissuaded from renting if the law favors landlords, or if landlords themselves are unwilling to offer long-term rental agreements.

Finally, the existing stock of properties within a country, and their affordability, dictate the substitutability of new properties, especially in residential construction.

Overall, the threat of substitutes is assessed as moderate.

## 6.6. Degree of rivalry

Figure 10: Drivers of degree of rivalry in the construction industry in the United Kingdom, 2022



Source: MARKETLINE

MARKETLINE

The construction industry comprises many small companies alongside a few large players. The reduced level of homogeneity of construction activities, through the means of offering different products for the same service, alleviates rivalry among players. Rivalry tends to be accumulated in segments and niche markets, in which players' operations are similar.

The non-residential construction segment tends to be more concentrated than the residential segment as the former consists of a few large players, which mainly compete for tenders related to big infrastructure and commercial projects. In this regard, economies of scale and specialization are even more crucial for achieving a competitive advantage in this segment, which stands between monopolistic competition and oligopoly. On the other hand, the residential construction segment tends to be fragmented by a relatively large number of smaller players, since the scale of these projects does not demand expertise and significant financial resources, while the standardization of these projects leads to cost efficiency. As a result, players in the residential segment of the market mainly compete on price-cost, inducing a near-perfect competitive environment.

UK residential construction is highly fragmented by small and medium-sized players; thus, competition is intense in this segment. The non-residential construction may be more concentrated, but a significant number of large domestic and foreign players intensify rivalry. Moreover, leading players in the non-residential construction segment are only slightly differentiated; for instance, Balfour Beatty is not engaged in real estate development, as opposed to Kiel and Carillon, but it is more diversified in niche markets, such as construction projects associated with energy and telecommunications. Additionally, Kier does not enter into concession agreements, as opposed to Balfour Beatty and Carillon. However, all these players are geographically diversified, which alleviates the rivalry among them but exerts competitive pressure against smaller players.

Rivalry is intensified by the fact that it is tough for players to expand as that expansion is entirely reliant on demand rather than supply. What is more, the volatility of production costs, regarding the cost of construction materials added to labor costs, can affect the profitability of market players. This can ultimately have an impact on their competition capacity and sustainability. In this regard, the recent cost increase in construction materials had a negative effect on the bottom line of players, especially those of smaller scale.

The business model of players, in terms of operating on their account, contract, or project-fee basis, is crucial for the terms of competition. In the first case, players need to adopt vertical integration, with an asset-light based model being essential. Specifically, when construction companies operate on their account it means that they produce on their

premises, which extensively entails greater financial leverage for funding these projects. Consequently, financial risks are greater through the ownership of these projects (build-to-suit or build-to-sell), but so are profit margins since construction firms can fully seize the market value.

In the case of contract and project fee basis operations, exposure to financial risks is reduced, like profit margins, as construction firms are paid a specified fee for their services, so their income may be guaranteed, irrespective of demand for that property.

Furthermore, the range of services offered, from design to project management to specific building skills, enhances differentiation. For instance, vertically integrated contractors can compete for design-build projects, which are one-stop-shop project delivery as the client assigns both the design and building of a project to the same entity. Through this vertically integrated business model, a construction firm can achieve cost-effective synergies in designing, while it can also attain a shorter operating cycle as the delivery time of a project is faster. On the other hand, the design-bid-build construction delivery method, which is the most prevalent, is less complex for construction firms as they undertake responsibility for the building part of a project, specializing in this core operation.

Diversity is also essential to avoid negative demand shocks based on macroeconomic factors that may affect certain segments or even the whole market. Many companies have diversified in terms of the market segments they operate in, as similar competencies are required in building projects with different end-uses. However, all segments tend to be affected in an economic downturn (there may be an exception if a government responds to the recession by increasing its spending on types of construction). Geographic diversification can offer more protection against the vagaries of any one country's market but may be difficult for the typically small construction firm. These factors mean that when macroeconomic conditions are tough, the rivalry will tend to increase significantly.

It is easy for market players to ramp their output up and down in response to demand. Employees may be taken on for individual projects, for example, rather than being retained permanently on the payroll, but storage costs are significant regarding fixed assets. Accordingly, barriers to exit are usually high, intensifying rivalry, but that depends on the asset-strategy (operating leverage) of a construction firm.

Overall, the degree of rivalry is assessed as strong.

## 7. Competitive Landscape

The UK is home to some of the world's largest construction companies, meaning that leading players benefit from the scale of international operations. However, the conflict between Russia and Ukraine has caused geopolitical unrest around the globe, which led to falling in the growth of the construction industry in 2022. This has intensified rivalry between leading players, as they are forced to infringe on one another's revenues to generate business and expand their share of the industry. Going forward, changing government legislation regarding building planning will provide greater opportunities for comparatively smaller players to gain a foothold in the industry and will boost competition.

### 7.1. Who are the key players in this sector?

#### Barratt Developments Plc (Barratt)

Barratt is a commercial property developer and residential construction contractor, headquartered in Leicestershire, the UK. It is a leading player in the construction industry with a market capitalization of \$5.9 billion. The company develops homes under the brands of Barratt Homes, David Wilson Homes, and Ward Homes, and commercial and mixed-use developments under the Wilson Bowden Developments brand. As of June 30, 2022, the company had 80,926 owned and controlled plots consisting of 67,687 owned and unconditional plots and 13,239 plots under conditional contracts. The company's owned and controlled land bank provides it with 4.7 years of supply. Its land bank carries a value worth GBP3,339.9 million (\$4.5 billion). The company had 15,537 acres of strategic land, which is regularly reassessed. As of June 30, 2022, the company completed 17,908 units of total homes and managed 332 active sales outlets. The company reported revenues of GBP5,267.9 million (\$7.2 billion) for the fiscal year ended June 2022 (FY2022), an increase of 9.5% over FY2021.

#### The Berkeley Group Holdings Plc (Berkeley)

Berkeley is a major provider of construction services in the UK. The company is based in Cobham, England, the UK, and carries out urban regeneration operations. It acquires, plans, designs, builds, and markets land properties. Berkeley undertakes various projects such as private residential development, commercial property development, and the development of recreational and community facilities. It also develops traditional family homes, executive homes, mixed-use schemes, city apartments, riverside apartments, refurbished historic buildings, and urban loft spaces in London and the South of England. The company offers its properties under various brands such as Berkeley, St James, St Edward, St George, St William, and St Joseph brands. The company reported revenues of GBP2,348 million (\$3.2 billion) for the fiscal year ended April 2022 (FY2022), an increase of 6.6% over FY2021.

#### Balfour Beatty Plc (Balfour Beatty)

Balfour Beatty is an international infrastructure and construction services headquartered in the UK. It specializes in several diverse construction sectors including residential construction and social infrastructure. It offers construction and related support services for infrastructure assets globally. It has operations in the UK, the US, China, Hong Kong, Malaysia, Singapore, the Philippines, Bermuda, the British Virgin Islands, Canada, Germany, Ireland, Thailand, and Vietnam. The company reported revenues of GBP7,629 million (\$10.4 billion) for the fiscal year ended December 2022 (FY2022), an increase of 5.9% over FY2021.

#### Kier Group Plc (Kier)

Kier is a construction and property development company operating across a range of industries, including defense, education, health, aviation, central government, energy, environmental, and infrastructure. Kier's services portfolio includes construction, civil and structural engineering, infrastructure development, property development, building services engineering, facilities management, and asset management, among others. Its project portfolio in the UK comprises Hinkley Point C, Crossrail Mersey Gateway Bridge, and HS2, among others.



Kier's involvement in these large-scale state-owned projects has helped to secure its position as a major competitor in the UK construction industry. The company reported revenues of GBP3,143.9 million (\$4,321.9 million) for the fiscal year ended June 2022 (FY2022), a decrease of 3.6% over FY2021.

## 7.2. What strategies do leading players follow?

Barratt's key strategic priorities include customer first, great places, leading construction, and investing in people. The company focuses on creating high-quality, energy-efficient, and sustainably built houses that satisfy customers. It seeks to build communities that are sustainable through excellent design and planning skills, leaving a positive legacy for the economy, environment, and mental health and wellness. The company aims to promote an honest and open society, where diversity and inclusion are respected. It aims to create the highest-quality houses by focusing on excellence across each stage of construction.

Berkeley focuses on delivering high-quality homes to its customers. It aims to strengthen its communities by offering affordable housing to communities and local government. The company wants to use sophisticated manufacturing and digital technology, to construct more homes and meet greater criteria for sustainability, quality, and safety. The company's goal is to create a reliable, productive, practical, ethical, and profitable supply chain.

Balfour Beatty's strategy is to focus on delivering its Group-wide sustainability, which sets out clear 2030 targets and 2040 ambitions to go beyond net zero, generate zero waste, and positively impact more than 1 million People. Furthermore, the company focuses on reducing risk in the order book. Since 2015, the company invested around GBP600 million (\$824.8 million) in equity assets (infrastructure investments), capability (training and development), and capex (plant and fleet), as a part of improving its industry leadership.

## 7.3. What is the strength of the leading players?

A well-diversified brand portfolio helps Barratt to enhance its brand value, drive top-line performance, and distinguish itself as a benchmark for excellence in the construction industry. The company offers its services under three housebuilding brands including Barratt Homes, Barratt London, and David Wilson Homes. Its commercial developments are delivered by the Wilson Bowden Developments brand and Gladman brand which delivers land promotion.

Berkeley has a well-diversified brand portfolio which helps it to enhance its brand value, drive top-line performance, and distinguish itself as a benchmark for excellence in the construction industry. The company offers its products under various brands including Berkeley, St James, St George, St Edward, St William, and St Joseph. Under the Berkeley brand, the company develops medium and large-scale building projects in towns, cities, and the countryside. St Edward provides a strong vehicle for delivering unique residentially led developments in London and the South of England. St George brand develops mixed-use sustainable regeneration projects in London. St George brand develops private residential development, commercial property, recreational and community facilities. private residential development, commercial property, recreational and community facilities. St William designs builds and markets major residential and mixed-use development schemes.

Balfour Beatty focuses on maintaining quality standards across its operations, as quality plays a pivotal role in retaining its customers. It implements stringent quality management principles to ensure the delivery of quality services to its clientele. Compliance with quality standards enhances the company's brand image and raises customer confidence in the company's offerings. The company's operations were certified according to ISO 9001:2008 for Quality Management Systems. It is also certified according to International Building Information Modelling (BIM) standards ISO 19650, ISO 50001, the 'Energy Management System' standard, ISO 20400:2017 the international standard for sustainable procurement for its UK operations, ISO 44001 to capture customer feedback, the company is working towards ISO 15143 for individuals and group-wide benefits.

Kier has a strong project portfolio, that enables the company to serve a large customer base across a wide range of industries. The company is a provider of construction and property development services. The company's key

projects in the aviation sector include The Luton project, the Gatwick Airport project, London Southend Airport Terminal Extension, and the Aerospace Bristol aviation museum. Its key projects in the government sector include Wexham Park Women's Services, Lyneham Defence Technical Training Center, Baker Barracks, and Homewood Campus. The key educational sector projects include St. Julie's Catholic High School. Astrea Academy Sheffield – Secondary School, Cheltenham Ladies College, and St. Mary's RC Primary School.

## 8. Company Profiles

### 8.1. Barratt Developments Plc

#### 8.1.1. Company Overview

Barratt Developments Plc (Barratt) is a commercial property developer and residential construction contractor. It designs, builds and sells houses and commercial developments. The company develops homes under the brands of Barratt Homes, David Wilson Homes and Barratt London, and commercial and mixed-use developments under the Wilson Bowden Developments brand. Barratt operates through house building and commercial developments divisions. In house building division, the company develops traditional housing, apartments and urban regeneration projects. The commercial developments division develops commercial and mixed-use property portfolio that comprises leisure, retail, office and mixed-use properties. It operates across Great Britain. Barratt is headquartered in Coalville, Leicestershire, the UK.

The company reported revenues of (British Pounds) GBP5,267.9 million for the fiscal year ended June 2022 (FY2022), an increase of 9.5% over FY2021. In FY2022, the company's operating margin was 12.2%, compared to an operating margin of 16.9% in FY2021. In FY2022, the company recorded a net margin of 9.8%, compared to a net margin of 13.7% in FY2021.

#### 8.1.2. Key Facts

**Table 6: Barratt Developments Plc: key facts**

Head office:	Barratt House Cartwright Way, Forest Business Park, Coalville, United Kingdom
Telephone:	441530278278
Fax:	441530278279
Number of Employees:	6837
Website:	www.barrattdevelopments.co.uk
Financial year-end:	June
Ticker:	BDEV
Stock exchange:	London Stock Exchange (LON)
<b>Source:</b> COMPANY WEBSITE	
<b>MARKETLINE</b>	

#### 8.1.3. Business Description

Barratt Developments Plc (Barratt) is a commercial property developer and residential construction contractor. The company provides all types of residential properties ranging from first-time buyer homes to family homes and luxury apartments. As of June 30, 2022, the company had 80,926 owned and controlled plots consisting of 67,687 owned and unconditional plots and 13,239 plots under conditional contracts. The company's owned and controlled land bank provides it with a 4.7 years of supply. Its land bank carries value worth GBP3,339.9 million. The company had 15,537 acres of strategic land, which is regularly reassessed. As of June 30, 2022, the company completed 17,908 units of total homes and managed 332 active sales outlets.

The company develops traditional housing, apartments, and urban regeneration projects. It operates under three house building brands such as David Wilson Homes, Barratt Homes, Wilson Bowden, Gladman and Barratt London. Barratt Homes offers apartments and urban regeneration in Kent and the South East regions of Great Britain. David Wilson Homes is specialized in large family homes with the full range of planning, design, and delivery. The company carries out the development of townhouses and apartments. It also provides homes for rent and shared ownership purposes. Barratt develops commercial and mixed-use property portfolio that comprises leisure, retail,

office, and mixed-use properties. It operates through Wilson Bowden Developments Ltd. Wilson Bowden conducts short, medium-or long-term development opportunities and buys standing investments and strategic sites in order to facilitate larger or more complex projects. Gladman provides the opportunity to convert promotional agreements into option, hybrid, or freehold sale arrangements. It has an industry-leading team of professionals in land sourcing, marketing, and planning.

Table 7: Barratt Developments Plc: Annual Financial Ratios

Key Ratios	2018	2019	2020	2021	2022
Growth Ratios					
Sales Growth %	4.83	-2.29	-28.21	40.73	9.48
Operating Income Growth %	7.93	4.27	-45.14	64.47	-20.85
EBITDA Growth %	8.05	4.11	-43.16	62.00	-20.00
Net Income Growth %	9.08	10.17	-45.99	65.07	-21.93
EPS Growth %	8.18	9.32	-33.99	42.70	19.61
Working Capital Growth %	10.02	3.49	-1.21	13.82	6.71
Equity Ratios					
EPS (Earnings per Share) GBP	0.66	0.73	0.48	0.68	0.82
Dividend per Share GBP	0.27	0.29		0.29	0.37
Book Value per Share GBP	4.53	4.78	4.75	5.35	5.51
Profitability Ratios					
Gross Margin %	20.84	22.83	21.38	22.22	24.83
Operating Margin %	17.70	18.88	14.43	16.87	12.19
Net Profit Margin %	13.78	15.54	11.69	13.71	9.78
Profit Markup %	26.33	29.58	27.20	28.57	33.03
PBT Margin (Profit Before Tax) %	17.14	19.10	14.38	16.88	12.19
Return on Equity %	14.65	15.22	8.26	12.10	9.15
Return on Capital Employed %	16.05	16.35	9.14	13.55	9.88
Return on Assets %	9.78	10.22	5.62	9.20	6.57
Return on Working Capital %	20.66	20.82	11.56	16.71	12.39
Operating Costs (% of Sales) %	82.30	81.12	85.57	83.13	87.81
Administration Costs (% of Sales) %	3.00	4.48	3.73	4.31	4.87
Liquidity Ratios					
Current Ratio Absolute	3.39	3.32	3.91	4.27	4.04
Quick Ratio Absolute	0.80	0.73	0.48	1.14	0.94
Cash Ratio Absolute	0.67	0.61	0.42	1.02	0.79
Leverage Ratios					
Debt to Equity Ratio Absolute	0.08	0.08	0.08	0.05	0.05
Net Debt to Equity Absolute	-0.17	-0.16	-0.05	-0.23	-0.20
Debt to Capital Ratio Absolute	0.08	0.07	0.07	0.04	0.04
Efficiency Ratios					
Asset Turnover Absolute	0.71	0.66	0.48	0.67	0.67
Fixed Asset Turnover Absolute	462.07	328.49	82.29	76.74	77.19
Inventory Turnover Absolute	0.86	0.79	0.55	0.77	0.80
Current Asset Turnover Absolute	0.86	0.79	0.57	0.80	0.80
Capital Employed Turnover Absolute	0.91	0.87	0.63	0.80	0.81
Working Capital Turnover Absolute	1.17	1.10	0.80	0.99	1.02
Source: COMPANY FILINGS				MARKETLINE	

Table 8: Barratt Developments Plc: Key Employees

Name	Job Title	Board
Amy Elliott	Director Commercial	Senior Management
Bukky Bird	Group Sustainability Director	Senior Management
Chris Weston	Director	Non Executive Board
David Hesson	Managing Director Central Region	Senior Management
David Thomas	Chief Executive Officer	Executive Board
David Thomas	Director	Executive Board
Douglas McLeod	Managing Director Scotland Region	Senior Management
Gary Ennis	Managing Director London and Southern Region	Senior Management
Jeremy Hipkiss	Director Group Customer and Change	Senior Management
Jock Lennox	Director	Non Executive Board
John Allan	Chairman	Non Executive Board
Karen Wheatley	Director	Non Executive Board
Katie Bickerstaffe	Director	Non Executive Board
Mike Roberts	Managing Director Northern Region	Senior Management
Mike Scott	Chief Financial Officer	Executive Board
Mike Scott	Director	Executive Board
Nick Richardson	Managing Director Wilson Bowden Developments	Senior Management
Nick Worrall	Director Human Resources	Senior Management
Ralph Hawkins	Managing Director Barratt David Wilson Homes South West	Senior Management
Richard Brooke	Managing Director East Region	Senior Management
Russell Glimstead	Managing Director West Region	Senior Management
Sharon White	Director	Non Executive Board
Steven Ball	Director	Executive Board
Steven Ball	Director Sales, Barratt Developments North East	Executive Board
Steven Boyes	Chief Operating Officer	Executive Board
Steven Boyes	Deputy-Chief Executive	Executive Board
Steven Boyes	Director	Executive Board
Tim Collins	Group Corporate Affairs Director	Senior Management
Tina Bains	Secretary	Senior Management
Source: COMPANY FILINGS		MARKETLINE

## 8.2. The Berkeley Group Holdings Plc

### 8.2.1. Company Overview

The Berkeley Group Holdings Plc (Berkeley) is a residential and commercial property development company, which carries out urban regeneration operations. It acquires, plans, designs, builds, and markets land properties. Berkeley undertakes various projects such as private residential development, commercial property development and the development of recreational and community facilities. It also develops traditional family homes, executive homes, mixed-use schemes, city apartments, riverside apartments, refurbished historic buildings and urban loft spaces in London and the South of England. The company offers its properties under various brands such as Berkeley, St James, St Edward, St George, St William, and St Joseph brands. Berkeley is headquartered in Cobham, England, the UK.

The company reported revenues of (British Pounds) GBP2,348 million for the fiscal year ended April 2022 (FY2022), an increase of 6.6% over FY2021. In FY2022, the company's operating margin was 21.6%, compared to an operating margin of 22.8% in FY2021. In FY2022, the company recorded a net margin of 20.5%, compared to a net margin of 19.2% in FY2021.

### 8.2.2. Key Facts

**Table 9: The Berkeley Group Holdings Plc: key facts**

Head office:	Berkeley House 19 Portsmouth Road, , Cobham, United Kingdom
Telephone:	441932868555
Fax:	441932868667
Number of Employees:	2911
Website:	www.berkeleygroup.co.uk
Financial year-end:	April
Ticker:	BKG
Stock exchange:	London Stock Exchange (LON)
<b>Source:</b> COMPANY WEBSITE	
<b>MARKETLINE</b>	

### 8.2.3. Business Description

The Berkeley Group Holdings Plc (Berkeley) is a property development company that carries out urban regeneration operations. The company develops and sells homes, city apartments, detached family houses, student residences, shops and restaurants in London and the South of England. The company's major activities include buying development sites, securing viable planning consent, and constructing and delivering homes for its customers. In FY2022, the company reported a future gross margin in land holdings of EUR8,258 million and delivered 3,760 homes. The company operates through its six brands: Berkeley, St James, St Edward, St George, St William, and St Joseph. Under the Berkeley brand, the company executes medium and large-scale development projects in towns, cities, and the countryside. It builds riverside apartments, mixed-use schemes, refurbished historic buildings and urban loft spaces. The company's St James brand is a joint venture between Berkeley and Thames Water. It develops and delivers major urban regeneration projects primarily in London. It undertakes the development of private residential, commercial property, recreational and community facilities.

Berkeley operates the St George brand through its subsidiary St George Plc. It specializes in mixed-use sustainable regeneration and transforming into new communities comprising homes, apartments and penthouses with various facilities such as business centers, fitness suites, shops, cafes and restaurants. The St Edward brand is a joint venture between Berkeley and Prudential Plc. It acquires and develops sites comprising residential, commercial and mixed-use schemes. The company's St William brand is operated through a joint venture firm St William Homes LLP, which is a joint venture between the company and National Grid. It designs, builds and markets major residential and mixed-use development schemes. Its property portfolio includes The Green Quarter, Filmworks,

Royal Exchange, Grand Union, White City Living, Fulham Reach, Chelsea Creek, King's Road Park, 9 Millbank, TwelveTrees Park, Kidbrooke Village, Royal Arsenal Riverside, Lombard Square, 250 City Road, and Poplar Riverside.



Table 10: The Berkeley Group Holdings Plc: Annual Financial Ratios

Key Ratios	2018	2019	2020	2021	2022
Growth Ratios					
Sales Growth %	4.31	4.10	-35.06	14.67	6.62
Operating Income Growth %	8.04	-5.95	-38.87	6.94	1.11
EBITDA Growth %	8.00	-5.97	-38.45	7.12	1.04
Net Income Growth %	23.31	-21.13	-34.64	3.07	14.12
EPS Growth %	27.26	-18.16	-33.28	6.03	14.22
Working Capital Growth %	14.34	10.83	15.97	4.16	21.87
Equity Ratios					
EPS (Earnings per Share) GBP	6.22	5.09	3.40	3.60	4.11
Dividend per Share GBP	1.17	0.44	1.29	1.26	
Dividend Cover Absolute	2.44	5.29	11.63	2.63	2.86
Book Value per Share GBP	22.56	26.83	26.72	28.27	28.16
Profitability Ratios					
Gross Margin %	34.62	31.32	33.19	28.85	28.31
Operating Margin %	28.76	25.98	24.46	22.81	21.63
Net Profit Margin %	28.00	21.21	21.35	19.19	20.55
Profit Markup %	52.95	45.60	49.68	40.55	39.50
PBT Margin (Profit Before Tax) %	34.39	26.21	26.23	23.53	23.49
Return on Equity %	30.70	21.17	13.22	13.31	15.38
Return on Capital Employed %	27.04	22.85	12.60	12.98	11.00
Return on Assets %	17.26	12.96	7.75	7.55	7.95
Return on Working Capital %	31.41	26.66	14.05	14.43	11.97
Operating Costs (% of Sales) %	71.24	74.02	75.54	77.19	78.37
Liquidity Ratios					
Current Ratio Absolute	2.51	2.83	2.74	3.07	3.15
Quick Ratio Absolute	0.60	0.85	0.89	0.90	0.55
Cash Ratio Absolute	0.57	0.81	0.85	0.85	0.47
Leverage Ratios					
Debt to Equity Ratio Absolute	0.12	0.10	0.16	0.10	0.21
Net Debt to Equity Absolute	-0.27	-0.33	-0.37	-0.35	-0.08
Debt to Capital Ratio Absolute	0.10	0.09	0.14	0.09	0.18
Efficiency Ratios					
Asset Turnover Absolute	0.62	0.61	0.36	0.39	0.39
Fixed Asset Turnover Absolute	116.67	86.47	41.08	43.96	49.17
Inventory Turnover Absolute	0.54	0.63	0.38	0.43	0.38
Current Asset Turnover Absolute	0.66	0.67	0.39	0.42	0.41
Capital Employed Turnover Absolute	0.94	0.88	0.52	0.57	0.51
Working Capital Turnover Absolute	1.09	1.03	0.57	0.63	0.55
Source: COMPANY FILINGS				MARKETLINE	

Table 11: The Berkeley Group Holdings Plc: Key Employees

Name	Job Title	Board
Andy Kemp	Director	Non Executive Board
Andy Myers	Director	Non Executive Board
Diana Brightmore-Armour	Director	Non Executive Board
Elizabeth Adekunle	Director	Non Executive Board
John Armitt	Director	Non Executive Board
Justin Tibaldi	Director	Executive Board
Karl Whiteman	Director	Executive Board
Michael Dobson	Chairman	Executive Board
Natasha Adams	Director	Non Executive Board
Paul Vallone	Director	Executive Board
Rachel Downey	Director	Non Executive Board
Richard Stearn	Director Group Finance	Executive Board
Rob Perrins	Chief Executive Officer	Executive Board
Rob Perrins	Director	Executive Board
Sarah Sands	Director	Non Executive Board
William Jackson	Director	Non Executive Board
Source: COMPANY FILINGS		MARKETLINE

## 8.3. Balfour Beatty plc

### 8.3.1. Company Overview

Balfour Beatty plc (Balfour Beatty or 'the company') offers infrastructure and construction services. It engages in financing, developing, building and maintaining infrastructure such as transportation, water, power and utility systems, and social and commercial buildings. The company also offers services such as fit-out transmission lines, road management and maintenance, utility upgrade and maintenance, and professional and technical services. Balfour Beatty serves transportation, social infrastructure, commercial and utilities industries. The company operates in the UK, the US, China, Hong Kong, Singapore, and Canada, as well as in parts of South East Asia. The company is headquartered in London, Greater London, the UK.

The company reported revenues of (British Pounds) GBP7,629 million for the fiscal year ended December 2022 (FY2022), an increase of 5.9% over FY2021. In FY2022, the company's operating margin was 3.6%, compared to an operating margin of 1.2% in FY2021. In FY2022, the company recorded a net margin of 3.8%, compared to a net margin of 1.9% in FY2021.

### 8.3.2. Key Facts

**Table 12: Balfour Beatty plc: key facts**

Head office:	Canary Wharf 5 Churchill Place, , London, United Kingdom
Telephone:	442072166800
Fax:	442072166950
Number of Employees:	25000
Website:	www.balfourbeatty.com
Financial year-end:	December
Ticker:	BBY
Stock exchange:	London Stock Exchange (LON)
<b>Source:</b> COMPANY WEBSITE	
<b>MARKETLINE</b>	

### 8.3.3. Business Description

Balfour Beatty plc (Balfour Beatty) is a provider of services essential to the development, creation and care of infrastructure assets, including financing and development, design and project management and construction and maintenance either alone or in partnership and by integrating local supply chains. The company offers civil engineering, building, ground engineering and mechanical and electrical installation services. Its operations are spread across Europe, the Americas, the Middle East, and Asia Pacific.

The company operates through three reportable segments: Construction Services, Support Services, and Infrastructure Investments.

The company's Construction Services segment involves activities resulting in the physical construction of an asset. It consists of civil and ground engineering, rail engineering, buildings, refurbishment and fit-out services, and mechanical and engineering services. It also provides a range of ground engineering services such as piling and foundations, ground improvement, retaining walls, testing and analysis for all sectors. Major projects include road and rail transportation, heavy infrastructure and energy. Offers mechanical and electrical installations solutions. In FY2021, the Construction Services segment reported revenue of GBP5,920 million, which accounted for 82.2% of the company's revenue.

The company's Support Services segment upgrades and maintains water, gas and electricity networks; highways network management, operation and maintenance; and rail renewals. The company's Utilities business offers services such as planning, upgrading, and managing infrastructure for utilities, roads, and trains and for power transmission. It also supplies high voltage substations and manufactures electrical switchgear and power

distribution substations. In FY2021, the Support Services segment reported revenue of GBP1,046 million, which accounted for 14.5% of the company's revenue.

Balfour Beatty's Infrastructure Investments segment is involved in the purchase, operation, and disposal of infrastructure assets such as highways, hospitals, schools, dormitories for students and military personnel, offshore transmission networks, and other concessions. It also includes group's housing development division which has moved from construction services. The company also manages non-PPP investments in the UK. It carries out these activities through Balfour Beatty Investments, Balfour Beatty Communities, and Balfour Beatty Campus Solutions. In FY2021, the Infrastructure Investments segment reported revenue of GBP236 million, which accounted for 3.3% of the company's revenue.

Geographically, the company classifies its business operations into three regions: the US, the UK, and Rest of the world. In FY2021 the UK accounted for 51.1% of the company's revenue, followed by the US (48.7%), and Rest of the world (0.2%).

Table 13: Balfour Beatty plc: Annual Financial Ratios

Key Ratios	2018	2019	2020	2021	2022
Growth Ratios					
Sales Growth %	-4.08	10.24	0.07	-1.59	5.93
Operating Income Growth %	-0.68	8.16	-67.30	59.62	228.92
EBITDA Growth %	-1.52	27.69	-40.16	20.13	113.41
Net Income Growth %	-19.64	-3.70	-76.92	366.67	105.71
EPS Growth %	-30.44	35.81	-93.68	2664.67	14.75
Working Capital Growth %	-55.34	69.57	2.56	10.00	36.93
Equity Ratios					
EPS (Earnings per Share) GBP	0.17	0.23	0.01	0.40	0.46
Dividend per Share GBP	0.05	0.02	0.02	0.09	
Dividend Cover Absolute	6.74	3.52	10.92	0.97	4.45
Book Value per Share GBP	1.78	1.98	1.94	1.98	2.34
Profitability Ratios					
Gross Margin %	5.79	5.24	3.27	4.72	5.60
Operating Margin %	2.22	2.17	0.71	1.15	3.58
Net Profit Margin %	2.03	1.78	0.41	1.94	3.78
Profit Markup %	6.14	5.53	3.38	4.95	5.93
PBT Margin (Profit Before Tax) %	1.85	1.89	0.66	1.21	3.76
Return on Equity %	10.97	9.50	2.25	10.23	20.90
Return on Capital Employed %	6.02	6.39	2.09	3.39	11.37
Return on Assets %	2.86	2.76	0.63	2.94	5.78
Return on Working Capital %	-159.78	-101.92	-32.50	-47.16	-113.28
Operating Costs (% of Sales) %	97.78	97.83	99.29	98.85	96.42
Liquidity Ratios					
Current Ratio Absolute	0.96	0.93	0.93	0.93	0.91
Quick Ratio Absolute	0.92	0.89	0.88	0.88	0.87
Cash Ratio Absolute	0.31	0.33	0.36	0.43	0.31
Leverage Ratios					
Debt to Equity Ratio Absolute	0.60	0.50	0.49	0.45	0.54
Net Debt to Equity Absolute	0.06	-0.07	-0.10	-0.31	-0.32
Debt to Capital Ratio Absolute	0.38	0.33	0.33	0.31	0.35
Efficiency Ratios					
Asset Turnover Absolute	1.40	1.55	1.54	1.51	1.53
Fixed Asset Turnover Absolute	40.82	39.32	35.01	32.96	33.61
Inventory Turnover Absolute	65.45	74.92	65.85	62.95	66.07
Current Asset Turnover Absolute	3.02	3.46	3.46	3.38	3.24
Capital Employed Turnover Absolute	2.72	2.94	2.94	2.94	3.18
Working Capital Turnover Absolute	-72.11	-46.88	-45.74	-40.92	-31.66
Source: COMPANY FILINGS				MARKETLINE	

Table 14: Balfour Beatty plc: Key Employees

Name	Job Title	Board
Anne Drinkwater	Director	Non Executive Board
Barbara Moorhouse	Director	Non Executive Board
Charles Allen	Chairman	Non Executive Board
Chris Johnson	Chief Technology Officer	Senior Management
Daniel LaFrance	Vice President and Chief Compliance Officer - Buildings, Civils and Investments Operations, US	Senior Management
Gavin Russell	Chief Executive Officer Infrastructure Investments	Senior Management
Jo Gilroy	Director Sustainability	Senior Management
Justin Garrett	Vice President Austin	Senior Management
Kelly Phariss	Vice President Operations	Senior Management
Lee Hewitt	Director Health, Safety and Environment UK	Senior Management
Leo Quinn	Chief Executive Officer	Executive Board
Leo Quinn	Director	Executive Board
Leon Blondin	Chief Executive Officer US Operations	Senior Management
Leslee Mallinson	Senior Vice President	Senior Management
Louise Hardy	Director	Non Executive Board
Louise McCulloch	Director Communications and Corporate Affairs	Senior Management
Mark Bullock	Chief Executive Officer UK Construction Services Business	Senior Management
Mark Johnnie	Chief Operating Officer	Senior Management
Mark Johnnie	Senior Vice President Civils	Senior Management
Matthew Steele	Managing Director Energy Transition and Security	Senior Management
Michael Dyke	Managing Director VINCI	Senior Management
Michael Lucki	Director	Non Executive Board
Paul Raby	Director Human Resources	Senior Management
Peter Mumford	Managing Director UK Construction Regional Civils business unit, England and Wales	Senior Management
Philip Harrison	Chief Financial Officer	Executive Board
Philip Harrison	Director	Executive Board
Sarah Brand	Vice President Business Acquisition	Senior Management
Stephen Billingham	Director	Non Executive Board
Stephen Tarr	Managing Director Major Projects and Highways	Senior Management
Stuart Doughty	Director	Non Executive Board
Source: COMPANY FILINGS		MARKETLINE

Table 15: Balfour Beatty plc: Key Employees Continued

Name	Job Title	Board
Tracey Wood	General Counsel	Senior Management
Tracey Wood	Secretary	Senior Management
Source: COMPANY FILINGS		MARKETLINE

## 8.4. Kier Group plc

### 8.4.1. Company Overview

Kier Group plc (Kier or 'the group') is a provider of construction and property development services. The company's offers maintenance and repair services for houses; and involved in construction and maintenance of roads for highways in England. Kier operates across industries including Defense, Education, Health, Aviation, Central Government, Custodial, Energy, Environmental, Highways and Bridges, Local government, Rail and Signalling, Science, Technology, Pharmaceutical, and Telecommunications. The company's project portfolio in the UK comprises of Hinkley Point C, Sellafield SRP, and HS2 among others. It has business presence in the UK, the Caribbean, the Middle East, and Hong Kong. The group is headquartered in Manchester, England the UK.

The company reported revenues of (British Pounds) GBP3,143.9 million for the fiscal year ended June 2022 (FY2022), a decrease of 3.6% over FY2021. In FY2022, the company's operating margin was 1.4%, compared to an operating margin of 1.3% in FY2021. The net profit of the company was GBP12.7 million in FY2022, compared to a net loss of GBP0.3 million in FY2021.

### 8.4.2. Key Facts

**Table 16: Kier Group plc: key facts**

Head office:	2nd Floor Optimum House, Clippers Quay, , Salford Quays, United Kingdom
Telephone:	441767355000
Fax:	441767355633
Number of Employees:	10267
Website:	www.kier.co.uk
Financial year-end:	June
Ticker:	KIE
Stock exchange:	London Stock Exchange (LON)
<b>Source:</b> COMPANY WEBSITE	
<b>MARKETLINE</b>	

### 8.4.3. Business Description

Kier Group plc (Kier or 'the group') is a provider of infrastructure, construction and property developments . It offers property, residential, construction and services group operating across a range of sectors including defense, education, health, industrial, science, technology, justice and defence. The group operates in the UK, the Caribbean, the Middle East, and Hong Kong. At the end of FY2022, the company recorded an order book worth GBP9,800 million.

Kier operates through four business segments: Construction, Infrastructure Services, Property and Corporate.

The group's construction business includes regional building business and the strategic projects business. It also provides housing maintenance services, facilities management services and environmental services by International business. The segment offers services to schools, amenities centres and defence facilities of local authorities, hospitals, councils and the private sectors. The segment's housing maintenance business offers repairs, fire safety, maintenance, and compliance services In FY2022, the Buildings segment reported the revenue of GBP1,437.7 million, which accounted for 45.7% of the company's revenue.

The Infrastructure Services segment comprises infrastructure and utilities, highways, and rail businesses. The highway business designs, constructs and maintains strategic and local road networks and it provides delivery of emergency response and reactive maintenance to critical infrastructure. The infrastructure business offers infrastructure and civil engineering projects. The utilities business delivers repairs and maintenance services to various sectors including the water, energy, and telecoms sectors. In FY2022, the Infrastructure Services segment reported the revenue of GBP1,666.6 million, which accounted for 53% of the company's revenue.



Under the Property segment, develops and invests in schemes and sites across the UK. It includes mixed-used commercial and residential development business by joint venture partnerships. In FY2022, the others segment reported the revenue of GBP34.8 million, which accounted for 1.1% of the company's revenue.

Under Corporate segment, it comprises the costs of the Group's central functions. In FY2022, The corporate segment reported the revenue of GBP4.8 million, which accounted for 0.2% of the company's revenue.

The company operates through its subsidiaries including Kier Parkman Ewan Associates Limited, Kier Parkman GB Limited, Kier Parkman ServiGroup Limited, Kier Partnership Homes Limited, Kier Property Developments Limited, Kier Property Limited, Kier Rail Limited, Kier Sydenham Limited, Kier Thurrock Limited, Kier Ventures Limited, McNicholas Construction Services Limited, Parkman Consultants Limited, Pure Buildings Limited and Robert Marriott Group Limited among others.

Table 17: Kier Group plc: Annual Financial Ratios

Key Ratios	2018	2019	2020	2021	2022
Growth Ratios					
Sales Growth %	2.64	-6.02	-13.71	-4.72	-3.59
Operating Income Growth %	185.43	-258.70	2.14	121.76	3.20
EBITDA Growth %	95.69	-181.14			5.75
Net Income Growth %	715.89	-340.09	-30.39	99.89	4333.33
EPS Growth %	25.11	20.91	-18.19	-35.95	-65.60
Working Capital Growth %	-129.30	259.29	71.76	11.47	21.87
Equity Ratios					
EPS (Earnings per Share) GBP	0.82	0.99	0.81	0.52	0.18
Dividend per Share GBP	0.58	0.04			
Book Value per Share GBP	5.17	2.74	1.27	0.98	1.24
Profitability Ratios					
Gross Margin %	9.52	9.27	5.91	8.71	8.40
Operating Margin %	3.06	-5.17	-5.87	1.34	1.43
Net Profit Margin %	2.07	-5.28	-7.99	-0.01	0.40
Profit Markup %	10.53	10.22	6.28	9.54	9.17
PBT Margin (Profit Before Tax) %	2.52	-5.79	-6.58	0.17	0.51
Return on Equity %	14.56	-40.38	-113.54	-0.07	2.29
Return on Capital Employed %	10.33	-17.99	-15.32	4.17	4.43
Return on Assets %	3.13	-7.69	-10.65	-0.01	0.56
Return on Working Capital %	-381.42	168.47	95.98	-18.74	-15.87
Operating Costs (% of Sales) %	96.94	105.17	105.87	98.66	98.57
Administration Costs (% of Sales) %	6.83	7.36	4.52	5.63	5.41
Liquidity Ratios					
Current Ratio Absolute	0.98	0.92	0.82	0.81	0.77
Quick Ratio Absolute	0.61	0.77	0.77	0.77	0.72
Cash Ratio Absolute	0.21	0.21	0.35	0.32	0.24
Leverage Ratios					
Debt to Equity Ratio Absolute	0.91	0.98	3.84	1.29	0.84
Net Debt to Equity Absolute	0.36	0.38	2.12	0.39	0.29
Debt to Capital Ratio Absolute	0.48	0.49	0.79	0.56	0.46
Efficiency Ratios					
Asset Turnover Absolute	1.51	1.46	1.33	1.37	1.39
Fixed Asset Turnover Absolute	46.37	53.27	34.14	23.05	24.84
Inventory Turnover Absolute	6.53	9.08	23.18	51.91	51.66
Current Asset Turnover Absolute	2.68	2.73	2.91	3.31	3.24
Capital Employed Turnover Absolute	3.37	3.48	2.61	3.11	3.09
Working Capital Turnover Absolute	-124.49	-32.56	-16.36	-13.98	-11.06
Source: COMPANY FILINGS				MARKETLINE	

Table 18: Kier Group plc: Key Employees

Name	Job Title	Board
Alison Atkinson	Director	Non Executive Board
Alpna Amar	Director Corporate Development	Senior Management
Andrew Davies	Chief Executive Officer	Executive Board
Andrew Davies	Director	Executive Board
Anna Baker	Head Sustainability	Senior Management
Chris Browne	Director	Non Executive Board
Clive Watson	Director	Non Executive Board
Dame Heather Rabbatts	Director	Non Executive Board
David Hollywood	Director Operations Health Major Projects	Senior Management
Gus Wright	Director London business, Commercial Market	Senior Management
Jaime Tham	Secretary	Senior Management
Joe Incutti	Managing Director Highways	Senior Management
Justin Atkinson	Director	Non Executive Board
Lee Sturdy	Director Science and Technology Sector Kier Construction	Senior Management
Leigh Thomas	Group managing Director-Property	Senior Management
Louisa Finlay	Chief People Officer	Senior Management
Louise McMahon	Director Strategy and Business Improvement	Senior Management
Mark Pengelly	Group Managing Director Infrastructure	Senior Management
Matthew Lester	Chairman	Non Executive Board
Simon Kesterton	Chief Financial Officer	Executive Board
Simon Kesterton	Director	Executive Board
Sophie Timms	Director Corporate Affairs	Senior Management
Stuart Togwell	Managing Director Construction	Senior Management
Source: COMPANY FILINGS		MARKETLINE

## 9. Macroeconomic Indicators

### 9.1. Country data

Table 19: United Kingdom size of population (million), 2018–22

Year	Population (million)	% Growth
2018	65.9	0.5%
2019	66.2	0.5%
2020	66.5	0.4%
Source: MARKETLINE		MARKETLINE

Table 20: United Kingdom gdp (constant 2005 prices, \$ billion), 2018–22

Year	Constant 2005 Prices, \$ billion	% Growth
2018	2,772.3	2.5%
2019	2,841.2	2.5%
2020	2,912.3	2.5%
Source: MARKETLINE		MARKETLINE

Table 21: United Kingdom gdp (current prices, \$ billion), 2018–22

Year	Current Prices, \$ billion	% Growth
2018	3,389.9	4.5%
2019	3,544.9	4.6%
2020	3,714.3	4.8%
Source: MARKETLINE		MARKETLINE

Table 22: United Kingdom inflation, 2018–22

Year	Inflation Rate (%)
2018	2.0%
2019	2.1%
2020	2.1%
Source: MARKETLINE	
MARKETLINE	

Table 23: United Kingdom consumer price index (absolute), 2018–22

Year	Consumer Price Index (2005 = 100)
2018	138.6
2019	141.5
2020	144.4
Source: MARKETLINE	
MARKETLINE	

Table 24: United Kingdom exchange rate, 2018–22

Year	Exchange rate (\$/£)	Exchange rate (€/£)
2018	0.7502	0.8850
2019	0.7837	0.8779
2020	0.7795	0.8899
2021	0.7274	0.8600
2022	0.8114	0.8526
Source: MARKETLINE		MARKETLINE

# Appendix

## Methodology

MarketLine Industry Profiles draw on extensive primary and secondary research, all aggregated, analyzed, cross-checked and presented in a consistent and accessible style.

**Review of in-house databases** – Created using 250,000+ industry interviews and consumer surveys and supported by analysis from industry experts using highly complex modeling & forecasting tools, MarketLine's in-house databases provide the foundation for all related industry profiles

**Preparatory research** – We also maintain extensive in-house databases of news, analyst commentary, company profiles and macroeconomic & demographic information, which enable our researchers to build an accurate market overview

**Definitions** – Market definitions are standardized to allow comparison from country to country. The parameters of each definition are carefully reviewed at the start of the research process to ensure they match the requirements of both the market and our clients

**Extensive secondary research** activities ensure we are always fully up-to-date with the latest industry events and trends

MarketLine aggregates and analyzes a number of secondary information sources, including:

- National/Governmental statistics
- International data (official international sources)
- National and International trade associations
- Broker and analyst reports
- Company Annual Reports
- Business information libraries and databases

**Modeling & forecasting tools** – MarketLine has developed powerful tools that allow quantitative and qualitative data to be combined with related macroeconomic and demographic drivers to create market models and forecasts, which can then be refined according to specific competitive, regulatory and demand-related factors

**Continuous quality control** ensures that our processes and profiles remain focused, accurate and up-to-date

## 9.2. Industry associations

### 9.2.1. National Association of Home Builders

1201 15th Street, NW, Washington, DC 20005, USA

Tel.: 1 202 266 8200

[www.nahb.org](http://www.nahb.org)

### 9.2.2. FIEC - European Construction Industry Federation

Avenue Louise 225, B- 1050 Brussels, BEL

Tel.: 32 2 514 55 35

Fax: 32 2 511 02 76

[www.fiec.org](http://www.fiec.org)

### 9.2.3. The Association of Self Builders

13 Laburnum Drive, Porthcawl, South Wales, CF36 5UA, GBR

[www.self-builder.org.uk](http://www.self-builder.org.uk)

### 9.2.4. National House-Building Council

NHBC House, Davy Avenue, Knowlhill, Milton Keynes MK5 8FP, GBR

Tel.: 44 844 633 1000

Fax: 44 01908 747255

[www.nhbc.co.uk](http://www.nhbc.co.uk)

### 9.2.5. Construction Confederation (The CC)

55 Tufton Street, Westminster, London, SW1P 3QL, GBR

Tel.: 44 870 898 9090

Fax: 44 870 898 9095

[www.constructionconfederation.co.uk](http://www.constructionconfederation.co.uk)

## 9.3. Related MarketLine research

### 9.3.1. Industry Profile

Global Construction

Construction in Europe

Construction in France

Construction in Germany

Construction in Ireland



## About MarketLine

In an information-rich world, finding facts you can rely upon isn't always easy. MarketLine is the solution.

We make it our job to sort through the data and deliver accurate, up-to-date information on companies, industries and countries across the world. No other business information company comes close to matching our sheer breadth of coverage.

And unlike many of our competitors, we cut the 'data padding' and present information in easy-to-digest formats, so you can absorb key facts in minutes, not hours.

### What we do

Profiling all major companies, industries and geographies, MarketLine is one of the most prolific publishers of business information today.

Our dedicated research professionals aggregate, analyze, and cross-check facts in line with our strict research methodology, ensuring a constant stream of new and accurate information is added to MarketLine every day.

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