Full Year Results

to 31st December 2021

24th February 2022

MORGAN SINDALL GROUP

Agenda

- Introduction | John Morgan
- Financial & Operational Review | Steve Crummett
- ESG Update | Steve Crummett
- Medium-term Targets & Outlook | John Morgan

Introduction

- Record performance. Significantly higher than previous record in 2019
- No change to our strategy which continues to deliver
- Several years hard work making our business better for all stakeholders
- Medium-term targets upgraded to provide the framework for the next stage of growth
- We entered 2022 with a strong order book and positive momentum

Financial & Operational Review

Steve Crummett

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Summary Income Statement

Adjusted basis £m*	**FY 2021**	FY 2020	**Change vs FY 2020**	FY 2019	**Change vs FY 2019**
Revenue	**3,213**	3,034	+6%	3,071	+5%
Operating profit	**131.3**	68.5	+92%	93.1	+41%
Operating margin	**4.1%**	2.3%	+180bps	3.0%	+110bps
Net Interest	**(3.6)**	(4.6)	+£1.0m	(2.7)	-£0.9m
Profit before Tax	**127.7**	63.9	+100%	90.4	+41%
Tax	**(23.5)**	(14.5)	-£9.0m	(17.7)	-£5.8m
Profit after Tax	**104.2**	49.4	+111%	72.7	+43%
Earnings per Share (p)	**226.0p**	108.6p	+108%	161.2p	+40%
Dividend per Share (p)	**92.0p**	61.0p	+51%	21.0p	+338%

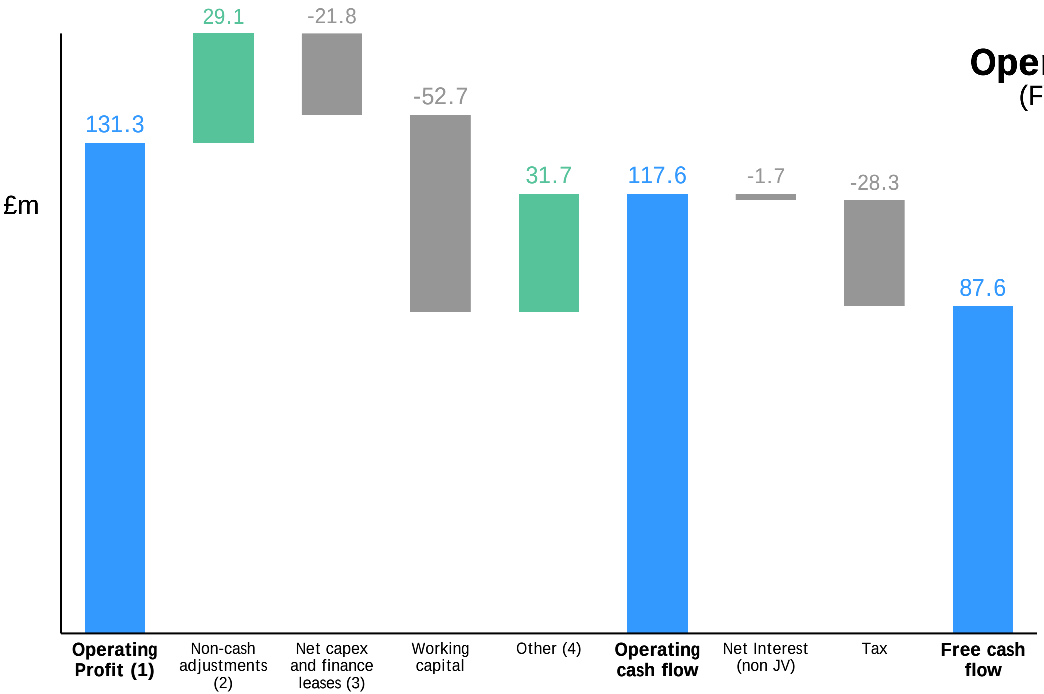
** before intangible amortisation of £1.5m and deferred tax charge of £5.1m (FY 2020: intangible amortisation of £3.1m and deferred tax charge of £1.5m, FY 2019: intangible amortisation of £1.8m)*

Summary by division

	Revenue			Operating Profit/(Loss)[1]			Operating Margin[1]		
	£m	vs FY 20	vs FY 19	£m	vs FY 20	vs FY 19	%	vs FY 20	vs FY 19
Construction & Infrastructure	1,520	-7%	+2%	58.1	+63%	+80%	3.8%	+160bps	+160bps
Fit Out	795	+14%	-5%	44.2	+38%	+20%	5.6%	+100bps	+120bps
Property Services	134	+20%	+17%	4.1	+310%	-5%	3.1%	+220bps	-60bps
Partnership Housing[2]	572	+21%	+10%	33.2	+108%	+53%	5.8%	+240bps	+160bps
Urban Regeneration[2]	203	+64%	+69%	12.1	+38%	-39%	n/a	n/a	n/a
Group/Eliminations[2]	(11)			(20.4)					
Total	**3,213**	**+6%**	**+5%**	**131.3**	**+92%**	**+41%**	**4.1%**	**+180bps**	**+110bps**

[1] *before intangible amortisation of £1.5m (FY 2020: intangible amortisation of £3.1m, FY 2019: intangible amortisation of £1.8m)*
[2] *FY 20 and FY 19 results have been restated to reflect revised operating segments*

Cash flow



Operating cash inflow £117.6m
(FY 2020: inflow £178.7m)

- Working capital outflow of £52.7m
  - Includes £10.7m reclassification out of payables and into 'Other' (provisions)
  - Includes recognition of £22.7m of insurance receivable, offset by equal increase in 'Other' (provisions)

[1] Adjusted
[2] 'Non-cash adjustments' include depreciation £20.5m , movement of shared equity loans receivable £1.9m and share option expense £12.1m; less share of equity accounted joint ventures £5.4m
[3] Includes repayment of lease liabilities £15.2m, purchase of property, plant & equipment £6.7m and purchase of intangible fixed assets £1.3m; less proceeds on disposal of property , plant & equipment £1.4m
[4] Includes provision movements £26.4m, impairment of investments £1.2m, shared equity redemptions £2.1m, proceeds on disposal of investment properties £1.9m, interest from joint ventures £0.6m; less gain on disposal of property, plant & equipment £0.5m

Daily net cash balance

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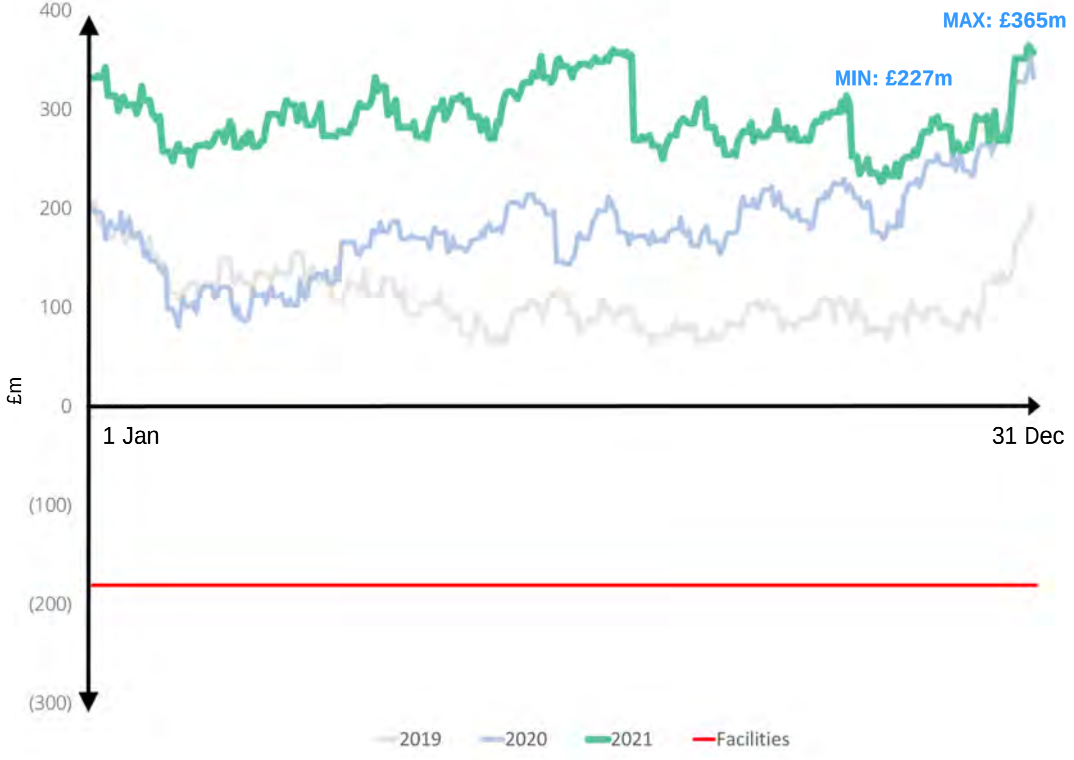

Average daily net cash (FY 2020: £181m) **£291m**

- Average includes c£39m impact of reverse charge VAT
- Year end net cash £358m (FY 2020: £333m)
  - includes benefit of £66m from reverse charge VAT. Paid end January
- FY 2022 average daily net cash expected to be broadly similar to the FY 2021 position

Payment practices

6m to 31st December 2021		Average time to pay invoices	Invoices not paid within agreed terms	Invoices paid within 60 days
Construction & Infrastructure		25 days	7%	98%
		2 days	2%	-
Fit Out		23 days	5%	97%
		1 day	1%	-
Property Services		37 days	8%	96%
		1 day	6%	3%
Partnership Housing		32 days	12%	96%
		1 day	5%	1%

Note: movements are shown compared to the first half reporting period of the 6 months to 30 June 2021. Green indicates improvement, red indicates deterioration

- Continued progress on most fronts
- All divisions now paying over 95% of invoices within 60 days
- Improved average time to pay invoices in Construction & Infrastructure again
  - reduced to 25 days for H2
- Fit Out – invoices paid on average in 23 days
  - been around this level for a number of years
- Improvement in % of invoices not paid within agreed terms in Property Services and Partnership Housing

Balance Sheet

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£m	FY 2021	FY 2020[2]
Intangibles	221.9	222.1
PP&E	66.6	65.8
Investments (including JVs)	94.9	94.1
Shared equity loan receivables	1.5	5.5
Net working capital	(153.6)	(205.5)
Current and deferred tax	(5.3)	(13.5)
Net cash	358.0	332.8
Lease liabilities	(52.8)	(51.0)
Other[1]	(57.0)	(30.2)
Net assets - reported	**474.2**	**420.1**

[1] 'Other' at FY 2021 includes provisions £57.3m, retirement benefit obligation £0.2m, accrued interest £0.5m, less capitalised fees £1.0m
[2] Restated to correct historic accounting error relating to acquisition in 2007. See slide in appendices

Secured Workload

£8.6bn Group Secured Workload +4% on FY 2020

£4.5bn Construction +16% on FY 2020

- includes Construction & Infrastructure, Fit Out and Property Services
- no compromise on quality of work secured. Discipline is key
- strict definition where projects only included when signed contract or letter of intent in place

£4.1bn Regeneration -7% on FY 2020

- includes Partnership Housing and Urban Regeneration
- long term in nature with c60% for 2024 onwards
- only includes secured schemes. Does not include benefit of Partnership Housing's JV with Suffolk CC, where formal contracts not yet signed

Dividend track record

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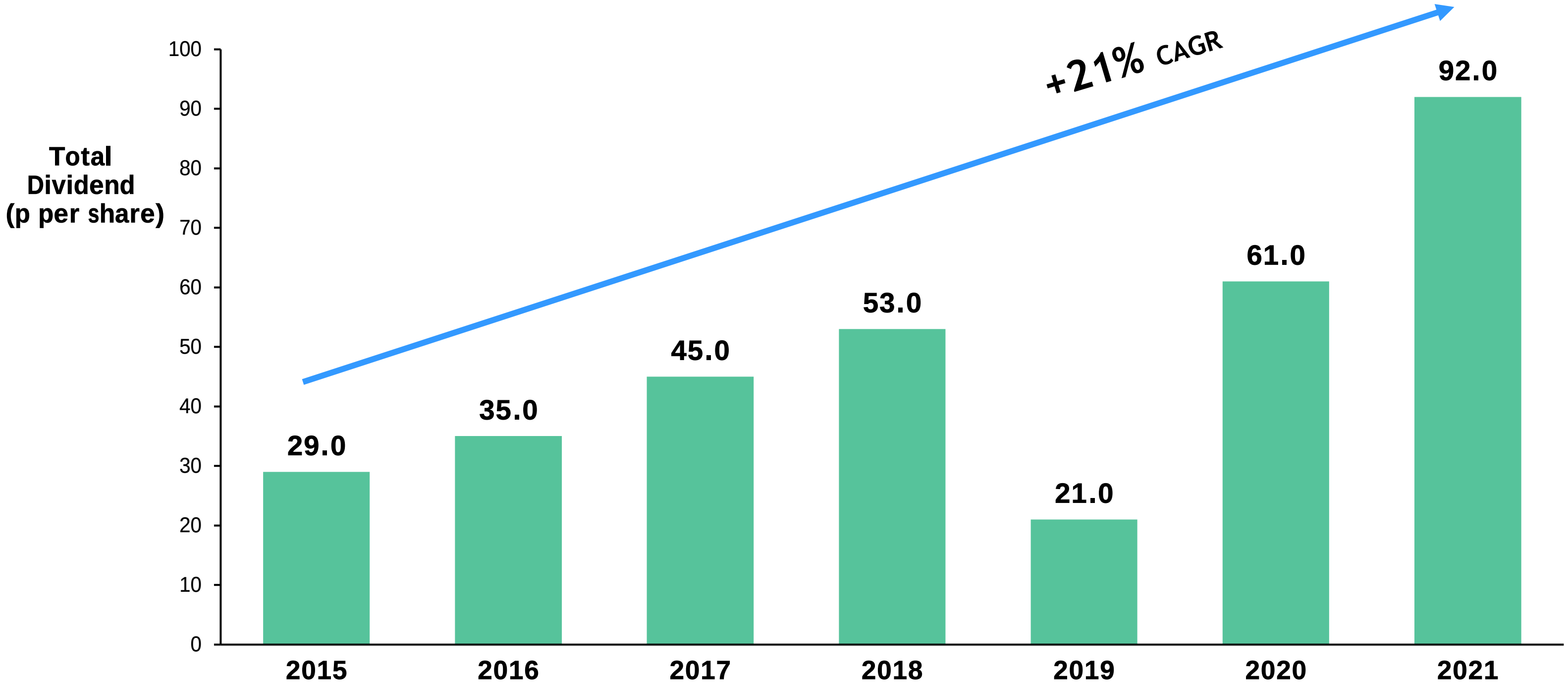

Divisional Performances

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Inflation

- Inflation through most of the year
  - wages, materials, general costs. Plus some material supply issues
- Managed mainly at a divisional and local site level
  - focused sourcing through preferred supply chain
  - no significant disruption to operations
- Financial impact mitigated
  - protection through contracts
  - operational efficiencies
  - sales inflation (Partnership Housing)
- Some project budgets under pressure leading to delays in decision-making (Construction)
- Additional challenges to viability of some development schemes (Urban Regeneration)
- Expected to continue through much of 2022. Continue to minimise the impact

Construction & Infrastructure

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£m	FY 2021	vs FY 20	vs FY 19
Revenue	1,520	-7%	+2%
Operating profit	58.1	+63%	+80%
Operating margin (%)	3.8%	+160bps	+160bps
Secured order book	2,715	+7%	

- Strong contributions from both Construction and Infrastructure
- Discipline in bidding, delivery & risk management driving performance
  - Construction margin of 3.2%. Favourable project mix
  - Infrastructure margin of 4.4% benefitting from work mix, efficiencies and final account settlements
- High quality workload, up 7% to £2.7bn

Construction	Infrastructure
+4% Revenue up to £694m 46% of divisional total	**-15%** Revenue down to £826m 54% of divisional total
3.2% Operating margin up from 1.2% in FY 2020	**4.4%** Operating margin up from 2.8% in FY 2020
+167% Operating profit to £21.9m (FY 2020: £8.2m) FY 2019: £17.1m	**+32%** Operating profit to £36.2m (FY 2020: £27.5m) FY 2019: £15.2m
+58% Order Book (vs FY20) at £810m (+£540m in PB) c99% 2-stage/frameworks	**-6%** Order Book (vs FY20) at £1,905m >90% through frameworks

Fit Out

£m	FY 2021	vs FY 20	vs FY 19
Revenue	795	+14%	-5%
Operating profit	44.2	+38%	+20%
Operating margin (%)	5.6%	+100bps	+120bps
Secured order book	897	+119%	

- Excellent market-leading performance
  - driven by strong project delivery and exceptional customer experience
- Record high order book at year end, with a further £100m of work 'pending decision'
  - includes a number of larger contracts which will span across multi years
  - average value of enquiries received in year of c£4m

+100bps increase
margin up to 5.6%

+ 120bps from FY 2019

76% of revenue
Commercial office

FY 2020: 66%

£897m
Record order book

+119% on FY 20

42% of revenue
Outside of London

FY 2020: 31%

£528m
orders for 2022

36% higher than at the same time last year

80% of revenue
'Traditional' fit out work

20% is 'design & build'

Property Services

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£m	FY 2021	vs FY 20	vs FY 19
Revenue	134	+20%	+17%
Operating profit*	4.1	+310%	-5%
Operating margin (%)	3.1%	+220bps	-60bps
Secured order book	945	-3%	

+20% revenue
vs FY 2020

+17% vs FY 2019

>85% of order book
for 2023 & beyond

Long term visibility

- Response maintenance volumes normalised during the year. Planned activity still slow
- Margin lower as ongoing investment in technology for improved maintenance planning, data insight and customer service
  - £0.6m opex investment in new platform to provide real-time data on compliance and energy efficiency of properties
- Secured order book does not include recent 'preferred bidder' appointment
  - 10-year contract with Moat housing association. Value of c£200m. 11,500 homes

** before intangible amortisation of £1.5m (FY 2020: £1.2m)*

Partnership Housing

£m	FY 2021	vs FY 20[1]	vs FY 19[1]
Revenue	572	+21%	+10%
Operating profit	33.2	+108%	+53%
Operating margin (%)	5.8%	+240bps	+160bps
Secured order book	1,498	+4%	
Average capital employed	155.8	-£11.2m	
ROCE – last 12 months	21%	10%	

[1] *Restated for revised operating segments*

+16%
Mixed-tenure revenue

to £323m (56% of total)

+27%
Contracting revenue

to £249m (44% of total)

1,653 mixed-tenure units completed

ASP of £249k
(FY 2020: £229k)

£1,498m
Secured Order Book

+4% on FY 2020

Year end capital employed of £155.6m

Up £25.0m from FY 2020

- Very strong year with good levels of market demand
- ROCE up to 21%
- Secured order book does not include recent 'preferred bidder' appointment
  - Suffolk CC JV. Initial 5 sites with potential 2,800 homes
- Average capital employed expected to increase up to c£190m in 2022

Urban Regeneration

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£m	FY 2021	vs FY 20[1]	vs FY 19[1]
Revenue	203	+64%	+69%
Operating profit	12.1	+38%	-39%
Secured order book	2,574	-12%	
Average capital employed	98.7	-£25.3m	
ROCE – last 12 months	13%	7%	
ROCE – average last 3 years	12%		

[1] *Restated for revised operating segments*

£2.6bn Order book
down 12% from FY 2020

c85% for 2023 & beyond

Diverse portfolio
52% residential, 33% commercial
15% industrial/leisure/retail
52% SE & London, 38% NW, 8% York & NE, 2% rest

Year end capital employed of £84.0m

Down £16.8m from FY 2020

c£110m
average capital forecast for 2022

- Improved performance as schemes progressed
- Inflation causing additional challenges to viability on some schemes
  - result includes non-cash impairment of £5.6m in Bournemouth JV
- 'Underlying' ROCE (excluding impairment) of 19%

Summary

- Record results for the Group
- All divisions on good form
- High quality and growing secured order book
- Strong balance sheet
  - average daily net cash for 2022 expected to be broadly similar to 2021
- Total dividend of 92p per share, up 51%

ESG Update

Steve Crummett

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A reminder of our ESG framework

- Framework for a common strategy focused on all stakeholders. In place since 2008
- Report on progress through set of established KPIs. See Annual Report
- Supports the UN Sustainable Development Goals

- Awarded 'AAA' MSCI ESG rating (AA for previous 4 years)

Environmental

- CDP score of ‘A’ for leadership on climate change awarded in 2021 for second year. One of 206 companies worldwide
- ‘Supplier Engagement Leader’ award for second year running by CDP for work to drive action on climate change through the supply chain
- Route-map to achieve 2030 ‘net zero’ target implemented across Group
  - Early days but on track. Pathway approved by the Science-Based Targets Initiative[1]
  - Independently audited. Have been since 2010
  - 2021 data indicates a 37% reduction in 2021 emissions (Scopes[1] 1,2 & operational 3) against 2019 baseline
  - Internal carbon levy established and now well-embedded in operations
- 72% of electricity purchased from renewable sources
- 99% of waste diverted from landfill and reduced total waste by 30%

[1] *Scope 1 = Direct emission from owned or controlled sources. Scope 2 = Indirect emissions generated from purchased energy. Operational Scope 3 = All indirect emissions not included in Scope 2 that occur in limited categories of our value chain as measured by the Toitu carbon reduce scheme*

Social

- ‘Social Value’ is increasingly a work winner and playing a prominent role in bids
- Further improvement on payment practices to supply chain
- Disappointing increase in number of RIDDOR[1] incidents in year up to 44
- Supported Domestic Abuse Housing Alliance (DAHA) in developing formal accreditation for contractors to help identify people ‘at risk’. 650 people trained in this area

25% of our employees are female

15% of employees are from ethnic minority backgrounds

- Changing behaviours
- Recruitment and retention processes

SOCIAL VALUE BANK

Social Value Bank

- aligned to HM Treasury’s Green Book
- calculates economic, environmental and social value created from our projects

Used on 112 projects in 2021:

- £0.71 of social value per £1 spent
- 643 job opportunities provided for unemployed people
- 407 job opportunities for local people
- 545 apprenticeships and training opportunities for young people
- 7,979 hours supporting schools
- 9,620 hours of charitable activities undertaken

[1] *RIDDOR = The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013*

Medium-term Targets & Outlook

John Morgan

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Group Strategy

- Our chosen markets remain the same
- Organic growth
- Long-term workstreams
- Empowered teams through a highly decentralised structure
- Persistent execution of strategy gives us high quality earnings

Capital Allocation

- Committed to maintaining a strong balance sheet and to holding significant cash balances at all times

- Capital allocation framework comprises:

  - maintaining balance sheet to enhance our competitive advantage
  - ensuring downside protection
  - maximising investment to drive growth
  - maintaining an attractive dividend policy

Cladding & Building Safety

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- Fully agree cost of remediation should not be borne by leaseholders
- Review ongoing and possible a small number of cases will be identified
- Committed to meeting our liabilities as and when identified
- Any such costs not expected to be material and will likely span a number of years
- The ‘industry-wide’ solution still being determined and we can’t estimate outcome
- Alongside rest of industry, paying Residential Property Developer Tax from 1st April 2022

Construction

Medium-term target: **Revenue of £1bn**
Operating margin between 2.5% and 3% pa

Route map

- Margin target more important than turnover
- Managing risk to ensure quality of earnings
- Increasing presence in some geographical areas

Market conditions

- Balance sheet more important to clients
- Pressure on margins from inflation

Outlook

- Expect operating margins to be within the target range for 2022
- High visibility of work for 2022 and 2023
- Expect to see growth in turnover in 2022

Infrastructure

Medium-term target: **Revenue of £1bn**
Operating margin between 3.5% and 4% pa

Route map

- JVs only when clear competitive advantage
- Concentrating on operational efficiencies
- Continue to build long-term relationships and workstreams

Market conditions

- Fairly strong market for infrastructure
- Some pressure on margins from inflation

Outlook

- Expect slightly lower revenue in 2022
- Expect margins to be in the range

Fit Out

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Medium-term target: Operating profit of £40m-£45m pa
(average through the cycle)

Route map

- Maintain market share of commercial office market
- More repeat work from large occupiers of space
- Increasing average job size

Market conditions

- We expect a strong market for the next 2-3 years
- Clients looking to re-purpose for the new world
- Several large pre-let projects in construction

Outlook

- Record order book
- Much greater visibility 1 year and more out
- Expect profits in the middle of the range for 2022

Property Services

Medium-term target: Operating profit of £15m

Route map

- Higher turnover with similar levels of overhead
- Targeting long term contracts. 10 years +
- Increasing use of technology as competitive advantage

Market conditions

- Large available market
- Barriers to entry increasing. Market consolidating
- Labour shortages an issue

Outlook

- Order book to grow in 2022
- Expect progress towards target profit in 2022

Partnership Housing

Medium-term target: **Operating margin of 8%**
Return on capital up towards 25%

Route map

- More and larger schemes
- Increased geographical coverage
- More mixed-tenure schemes

Market conditions

- Current open market prices and values strong
- Large partnership schemes coming to market

Outlook

- Order book and visibility at record levels
- Expect higher profit in 2022

Urban Regeneration

Medium-term target: 3-year rolling average ROCE up towards 20%

Route map

- Larger schemes
- More efficient use of capital
- Increase geographical coverage

Market conditions

- Demand side strong
- Construction inflation challenging viability of schemes
- Large number of long-term opportunities available

Outlook

- Expect ROCE progress in 2022
- Expect higher profit in 2022

Medium-Term Targets & Outlook Summary

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	Previous Target February 2021	2021 actual	'New' target as at February 2022	2022 Outlook
Construction	Margin of 2.5%-3%	3.2% margin	Revenue of £1bn, operating margin of 2.5%-3% pa	• Expect margin to be in the target range and progress towards turnover target
Infrastructure	Margin of 3.5%	4.4% margin	Revenue of £1bn, operating margin of 3.5%-4% pa	• Expect margin to be in the target range of a slighter lower turnover
Fit Out	Profit at or around £35m pa	Profit of £44.2m	Average annual operating profit through the cycle of £40m-£45m	• Expect profits to be in the middle of the range.
Property Services	At least £10m profit pa	Profit of £4.1m	Operating profit of £15m	• Expect to make good progress towards target
Partnership Housing	6% margin ROCE > 20%	5.8% margin ROCE of 21%	Operating margin of 8% ROCE up towards 25%	• Expect further progress
Urban Regeneration	3 year average ROCE up towards 20%	3 year average ROCE of 12%	3 year average ROCE up towards 20%	• Expect to make progress towards ROCE target

Summary

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Summary

- Group is in really good shape
- No change to organic growth strategy
- Upgraded medium-term targets provide framework for next stage of growth
- Strong balance sheet allows us to make the right long-term decisions
- Expect result in 2022 to be slightly ahead of previous expectations

Appendices

Net finance expense

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£m	FY 2021	FY 2020
Interest payable on drawings on bank facilities	-	(1.3)*
Amortisation of fees & non-utilisation fees	(2.5)	(1.7)
Interest expense on lease liabilities (IFRS 16)	(1.5)	(1.7)
Interest from JVs	0.6	0.6
Other	(0.2)	(0.5)
Total	(3.6)	(4.6)

* *Higher interest charge in FY 2020 due to precautionary Covid-related initial drawing on unused bank facilities in March 2020*

Adjusted earnings per share

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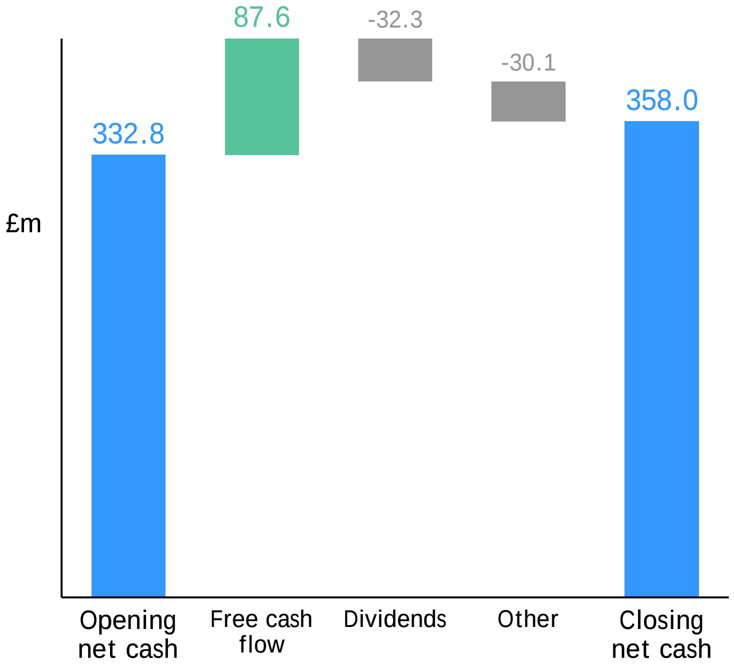
£m	FY 2021	FY 2020
Profit after tax	97.9	45.4
Adjusted for:		
Amortisation of intangibles (net of tax)	1.2	2.5
Impact of change in tax rate on deferred tax balances	5.1	1.5
Adjusted earnings	104.2	49.4
Average number of shares	46.1m	45.5m
Adjusted earnings per share	226.0p	108.6p

Tax

£m	FY 2021	FY 2020
Profit before tax	126.2	60.8
Less: share of net JV profit	(5.4)	(2.3)
Profit subject to tax	120.8	58.5
Statutory tax rate	19.0%	*19.0%*
Current tax charge at statutory rate	(23.0)	(11.1)
Tax on joint venture profits[1]	(0.7)	(0.6)
Change in tax rate on deferred tax balances	(5.1)	(1.5)
Other adjustments	0.5	(2.2)
Tax charge	(28.3)	**(15.4)**
Tax on amortisation	(0.3)	**(0.6)**
Effect of change in tax rate on deferred tax	5.1	**1.5**
Adjusted tax charge	(23.5)	**(14.5)**

[1] *Most of the Group's joint ventures are partnerships where profits are taxed within the Group rather than the joint venture*

Net cash movement



'Other' includes the purchase of shares in the Company by the employee benefit trust (£33.6m) less net loan receipts from interests in joint ventures (£1.5m), proceeds from the issue of new shares (£0.3m) and proceeds from the exercise of share options (£1.7m)

- Full year net cash of £358.0m

Balance sheet - adjustment of historic error

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- On 27 July 2007, the Group acquired Amec Developments Limited and certain assets and businesses carried on by Amec Investments Limited and the assets, liabilities and contracts relating to the Design and Project Services division of Amec plc, save for certain excluded assets and liabilities (together 'Amec').
- A difference has been identified relating to the acquired business of Amec. This error is an historic unsubstantiated asset of £9.9m that has continued to be recorded on the consolidated statement of financial position within Trade and other payables. Therefore, the error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity ((decrease) in equity)

	31 December 2020	1 January 2020
	£m	£m
Trade and other payables	9.9	9.9
Total liabilities	9.9	9.9
Net impact on equity	**(9.9)**	**(9.9)**

The change did not have an impact on the consolidated income statement, consolidated statement of comprehensive income, basic and diluted earnings per share or the Group's operating, investing and financing cash flows for each period presented.

Capital employed in Regeneration

£m	Regeneration	Partnership Housing	Urban Regeneration
Total net land & regeneration WIP	**220.1**	169.4	50.7
Unsold completed units (excl. joint ventures)	**25.4**	25.1	0.3
Amounts invested in joint ventures	**94.2**	50.8	43.4
Shared equity loans and investment properties	**2.3**	2.3	-
Other working capital	**(105.0)**	(94.0)	(11.0)
Non-recourse debt	**-**	-	-
Other net assets	**2.6**	2.0	0.6
Total capital employed at 31 December 2021	**239.6**	155.6	84.0
Total capital employed at 31 December 2020*	**231.4**	130.6	100.8

** - Restated following the reorganisation of Investments*

Comparatives by division

	Revenue			Operating Profit/(Loss)[1]			Operating Margin[1]		
	£m	2020	2019	£m	2020	2019	%	2020	2019
Construction & Infrastructure	1,520	1,637	1,486	58.1	35.7	32.3	3.8%	2.2%	2.2%
Fit Out	795	700	839	44.2	32.1	36.9	5.6%	4.6%	4.4%
Property Services	134	112	115	4.1	1.0	4.3	3.1%	0.9%	3.7%
Partnership Housing[2]	572	474	520	33.2	16.0	21.7	5.8%	3.4%	4.2%
Urban Regeneration[2]	203	124	120	12.1	8.8	19.9	n/a	n/a	n/a
Elims/Central[2]	(11)	(13)	(9)	(20.4)	(25.1)	(22.0)			
Total	**3,213**	3,034	3,071	**131.3**	68.5	93.1	**4.1%**	2.3%	3.0%

[1] before intangible amortisation of £1.5m (FY 2020: intangible amortisation of £3.1m, FY 2019: intangible amortisation of £1.8m)
[2] FY 20 and FY 19 results have been restated to reflect revised operating segments