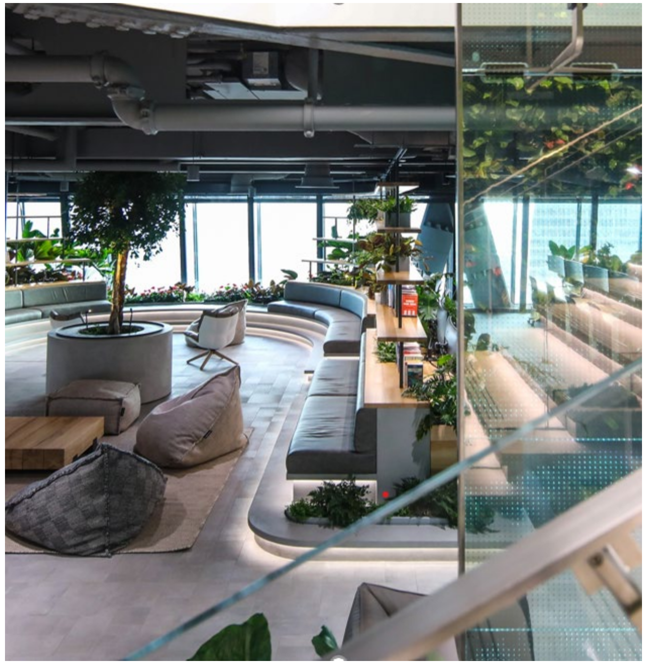
MORGAN SINDALL GROUP

Full year results

to 31st December 2022

23rd February 2023



Agenda

- Introduction / John Morgan
- Financial & operational review / Steve Crummett
- ESG update / Steve Crummett
- Strategy & outlook / John Morgan

Introduction

- Record results despite inflation and market headwinds
- Continued balance sheet strength with significant daily cash
- High-quality order book with good prospects in the pipeline
- Exceptional building safety charge taken in year as previously flagged
- Decentralised and empowered structure allows us to be agile and flexible through economic uncertainty
- Look forward with optimism and expect to deliver a result for FY 2023 which is in line with our expectations

Financial & operational review

Steve Crummett

Summary of Group results

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Adjusted[1] basis £m	FY 22	FY 21	Change
Revenue	3,612	3,213	+12%
Operating profit	139.2	131.3	+6%
Operating margin	3.9%	4.1%	-20bps
Net interest	(3.0)	(3.6)	+£0.6m
Profit before tax	136.2	127.7	+7%
Tax	(27.0)	(23.5)	-£3.5m
Profit after tax	109.2	104.2	+5%
Earnings per share (p)	237.9p	226.0p	+5%
Dividend per share (p)	101.0p	92.0p	+10%

[1] Adjusted = before intangible amortisation of £2.0m and exceptional building safety charge of £48.9m (FY 2021: intangible amortisation of £1.5m and deferred tax charge of £5.1m)

Summary by division

	Revenue		Operating Profit/(Loss)[1]		Operating Margin[1]	
	£m	change	£m	change	%	change
Construction & Infrastructure	1,569	+3%	52.1	-10%	3.3%	-50bps
Fit Out	968	+22%	52.2	+18%	5.4%	-20bps
Property Services	163	+22%	4.3	+5%	2.6%	-50bps
Partnership Housing	696	+22%	37.4	+13%	5.4%	-40bps
Urban Regeneration	244	+20%	18.9	+56%	n/a	n/a
Elims/Central	(28)		(25.7)			
Total Group	**3,612**	+12%	**139.2**	+6%	**3.9%**	-20bps

[1] *Before intangible amortisation of £2.0m and exceptional building safety charge of £48.9m (FY 2021: intangible amortisation of £1.5m)*

Operating cash flow

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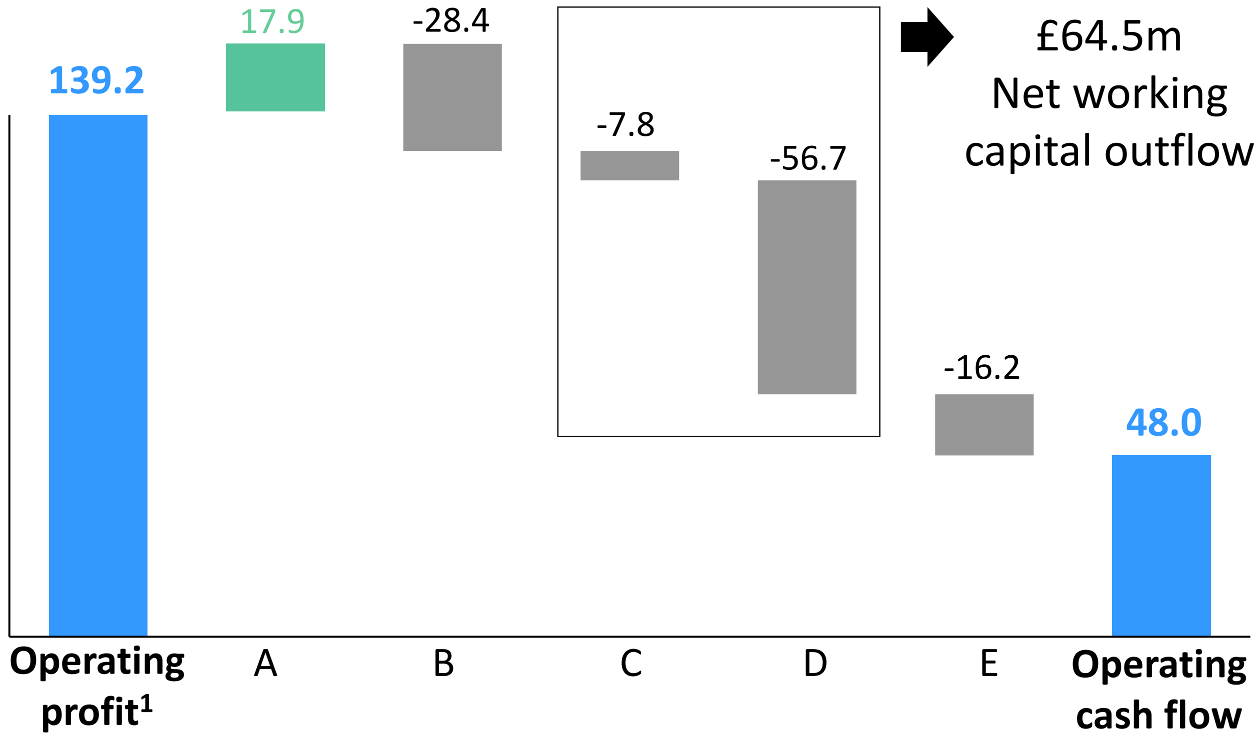


- Operating cash inflow of £48.0m
- Net working capital outflow of £64.5m
  - Includes working capital investment in Regeneration activities of £56.7m
  - Increased WIP (contract assets) in Property Services as new projects mobilise of £25.2m
  - No significant change to underlying receivable or debtor days. See appendices for 'Payment Practices' reporting

A = Non-cash adjustments. *Includes depreciation £22.9m, share option expense £9.7m; less share of underlying net profits of joint ventures £14.3m and movement in fair value of shared equity loans £0.4m*

B = Net capex and finance leases. *Includes repayment of lease liabilities £17.2m, purchases of property, plant & equipment £10.5m and purchase of intangible fixed assets £1.3m; less proceeds on disposal of property, plant & equipment £0.6m*

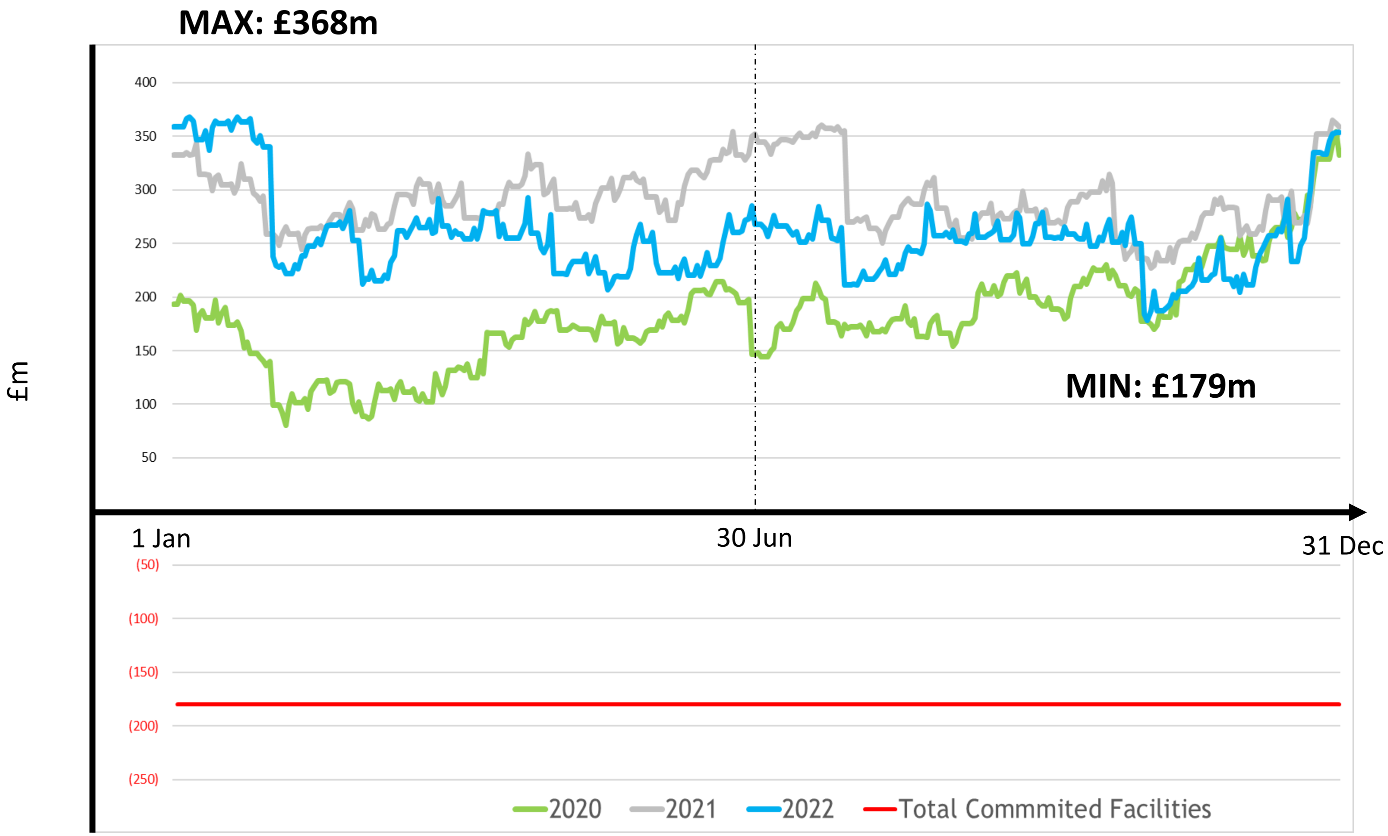
C = Movement in non-Regeneration working capital

D = Movement in working capital in Regeneration activities

E = Other. *Dividends from JVs £1.4m, shared equity redemptions £1.5m and impairment of investments £0.9m; less provision increases £19.5m and gains on disposals £0.5m*

[1] Adjusted = before intangible amortisation of £2.0m and exceptional building safety charge of £48.9m

Daily net cash balance



- Average daily net cash **£256m**
  (FY 2021: £291m)
- Year end net cash **£355m**
  (FY 2021: £358m)
- FY 2023 average daily net cash expected to be broadly similar to FY 2022

Building safety

- Final form 'developers pledge' contract received from DLUHC in January 2023
- Partnership Housing and Urban Regeneration both formally written to DLUHC confirming their intention to sign within the required timescale
- Exceptional charge of £48.9m taken as at 31 December 2022
  - In line with range announced in August
  - Split between Urban Regeneration £43.4m and Partnership Housing £5.5m
  - Shown separately as exceptional
- Does not include any cost recoveries through contractual remedies

Summary balance sheet

£m	31 Dec 22	31 Dec 21
Intangibles	221.2	221.9
PP&E	74.8	66.6
Investments (including JVs)[1]	84.8	94.9
Net working capital	(89.9)	(153.6)
Current and deferred tax	(12.4)	(5.3)
Net cash	354.6	358.0
Lease liabilities	(56.9)	(52.8)
Provisions[1]	(76.9)	(57.3)
Other[2]	(3.1)	1.8
Net assets - reported	**496.2**	**474.2**

[1] *Includes Building Safety provision - £9.8m in Investments (JVs) and £38.3m in Provisions*
[2] *'Other' at FY 2022 includes retirement benefit obligation £0.2m, accrued interest payable £0.6m, JV funding obligation £4.0m; less capitalised fees £1.3m and shared equity loan receivables £0.4m*

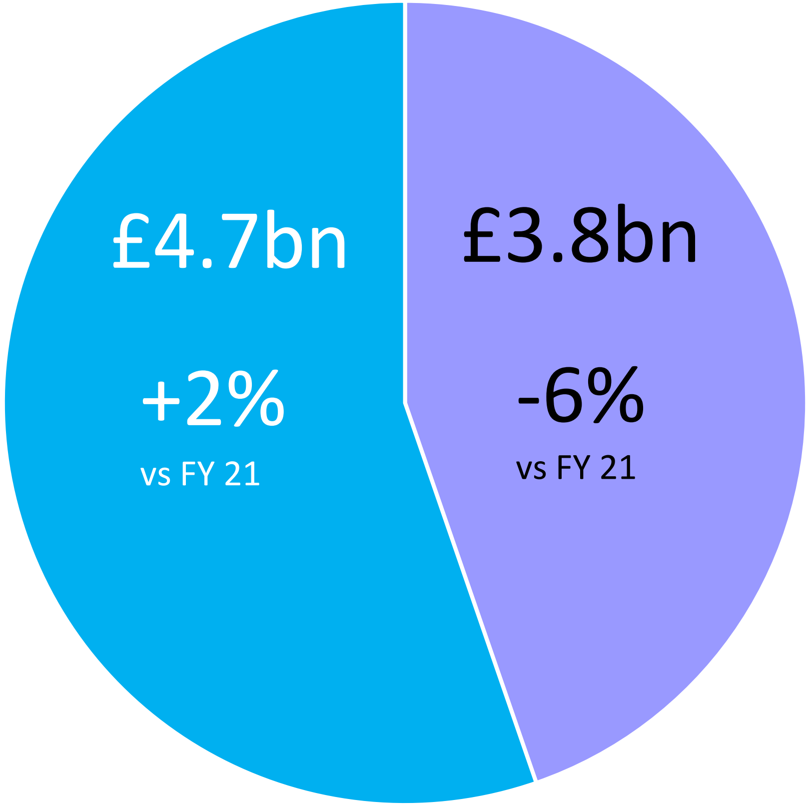
Secured order book

£8.5bn Group secured order book

-2% vs FY 21

Construction order book

- includes Construction & Infrastructure, Fit Out and Property Services
- strict definition where projects only included when signed contract or letter of intent in place



Regeneration order book

- includes Partnership Housing and Urban Regeneration
- long-term in nature with >70% for 2024 onwards
- only includes secured schemes

Divisional performances

Steve Crummett

Construction & Infrastructure

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£m	FY 22	Change
Revenue	1,569	+3%
Operating profit	52.1	-10%
Operating margin	3.3%	-50bps
Secured order book	2,601	-4%

- Steady performance against strong prior year comparatives
- Successfully navigated through inflationary headwinds and supply chain issues
- Risk management and disciplined contract selection is the ‘name of the game’
- Projects delivered mainly through frameworks, two-stage processes or directly negotiated
- c75% of revenue related to public and regulated sectors

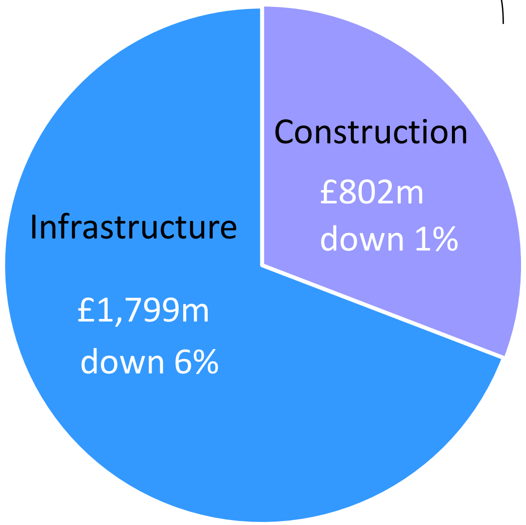
Construction & Infrastructure – by activity

	Revenue (£m)	Change	Operating profit (£m)	Change	Operating margin	Change
Construction	808	+16%	22.6	+3%	2.8%	-40bps
Infrastructure	761	-8%	29.5	-19%	3.9%	-50bps
C&I division	1,569	+3%	52.1	-10%	3.3%	-50bps

- Construction at the 'sharp end' of inflationary pressures
- As expected, Infrastructure performance lower due to project timing and nature of the workload
- Construction order book
  - £802m of which £646m secured for 2023 (vs £599m last year)
  - In addition, £758m at preferred bidder (vs £537m last year)

Order book

£2,601m



Fit Out

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£m	FY 22	Change
Revenue	968	+22%
Operating profit	52.2	+18%
Operating margin	5.4%	-20bps
Secured order book	841	-6%

- Another record result for the division
- Result driven by consistent project delivery and continued focus on customer experience
- No significant change to the overall balance of business

Commercial offices
73% of revenue (FY 2021: 76%)

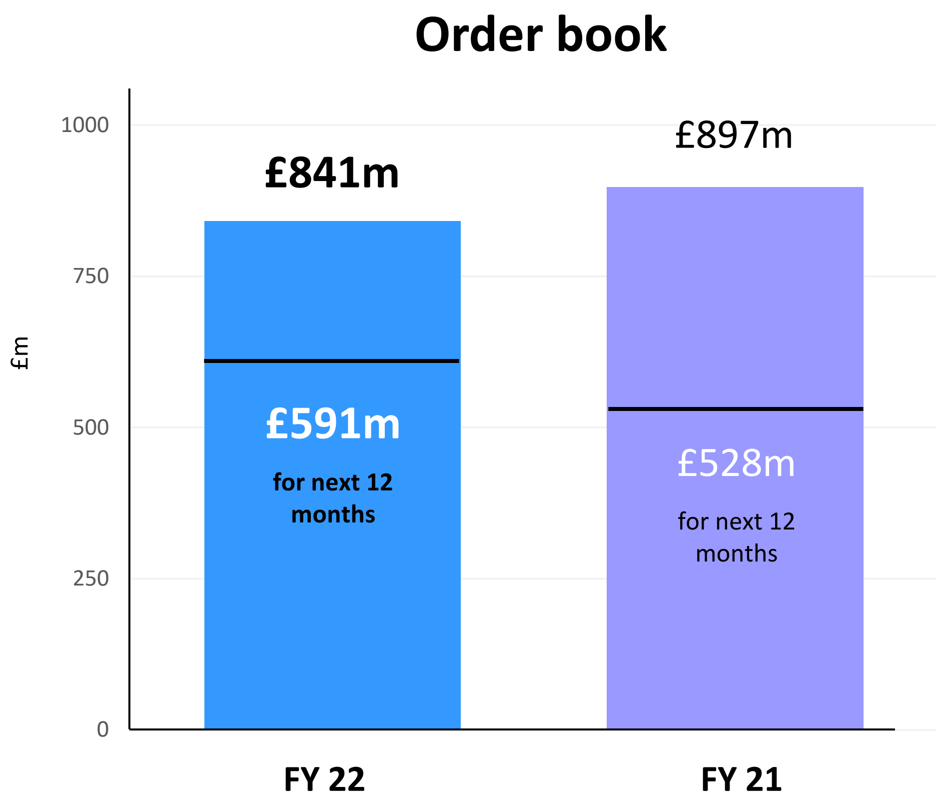
London region
60% of revenue (FY 2021: 58%)

'Traditional' fit out work
87% of revenue (13% 'd&b')

Fit out of existing office space
83% of revenue (FY 2021: 78%)

Fit Out - workload

- Sizeable order book at £841m, albeit down 6%
- £591m relates to 2023
  - 12% higher than same time last year
- In addition:
  - > £100m in ‘preferred bidder’
  - > £300m already tendered & ‘pending decision’
  - > £200m at tender stage



Property Services

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£m	FY 22	Change
Revenue	163	+22%
Operating profit[1]	4.3	+5%
Operating margin[1]	2.6%	-50bps
Secured order book	1,204	+27%

- Slightly improved performance
- Strong revenue growth driven by mobilisation of new contracts in the year
- Profit and margin impacted by time-lag to administer contractual inflation-uplift mechanisms in most of division's response maintenance contracts
  - Applied annually on 1 April based on historic CPI
  - Impact of labour and general cost inflation absorbed by division
- Contracts are long term providing good visibility of workload. Order book up 27%

[1] *before intangible amortisation of £2.0m (FY 2021: £1.5m)*

Partnership Housing

£m	FY 22	Change
Revenue	696	+22%
Operating profit[1]	37.4	+13%
Operating margin[1]	5.4%	-40bps
Secured order book	1,984	+32%
Average capital employed[1]	197.3	+£41.5m
ROCE – last 12 months[1]	19%	

- Strong operational performance
- Lower sales activity in its mixed-tenure open-market sales in Q4 along with rest of the industry
- Significant order book growth and progress in growing partnership credentials with long-term workstreams
  - Capital employed expected to increase in 2023 to c£250m reflecting the increased scale

58 'active' mixed-tenure sites
157 open market units per site
Average site duration: 48 months

Mixed-tenure revenue up 15%
53% of total (at £371m)

Contracting revenue up 31%
47% of total (at £325m)

1,936 mixed-tenure units completed (incl JVs)
(FY 2021: 1,653 units)

£258k ASP of mixed-tenure units
(FY 2021: 249k)

[1] *before exceptional building safety charge*

Urban Regeneration

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£m	FY 22	Change
Revenue	244	+20%
Operating profit[1]	18.9	+56%
Secured order book	1,847	-28%
Average capital employed[1]	96.5	-£2.2m
ROCE – last 12 months[1]	20%	
ROCE – average last 3 years[1]	13%	

Year end capital employed of £100.4m
+£16.4m on FY 2021

c£100m
Average capital forecast for 2023

- Much-improved performance. Good progress with long-term regeneration schemes
- Diverse order book in terms of both geography and sector
- High level of bidding activity
    - Order book does not yet include significant new win at Arden Cross, Solihull
    - Currently 'preferred bidder'. Estimated GDV of £3bn

[1] *before exceptional building safety charge*

Summary

- Group is in good shape
- PBT up 7% despite inflation and market headwinds
- Continued balance sheet strength
- High-quality order book
- Total dividend up 10%

ESG update

Steve Crummett

A reminder of our ESG credentials

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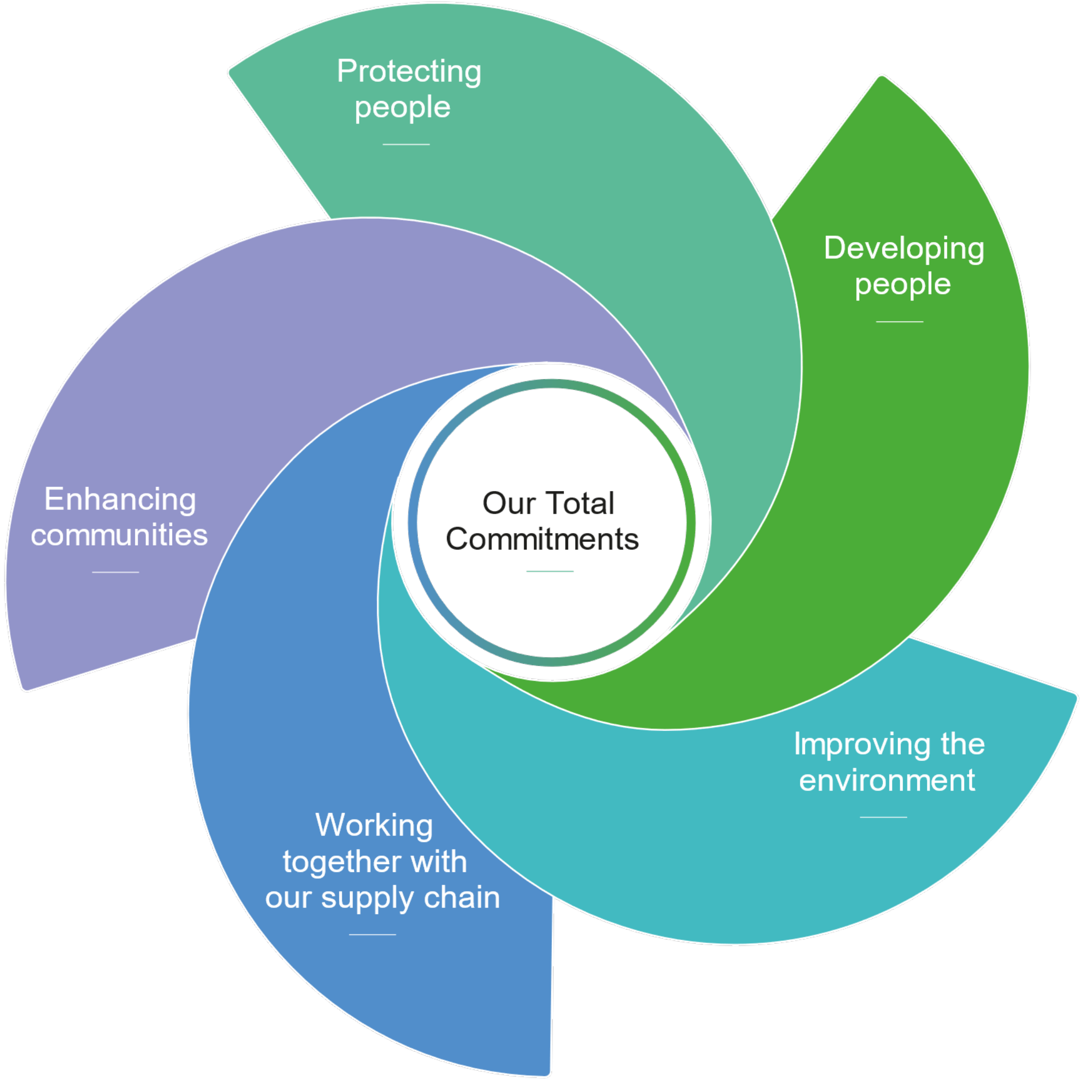

- Framework for a common strategy focused on all stakeholders. In place since 2008
- Report on progress through set of established KPIs. See Annual Report
- Supports the UN Sustainable Development Goals

'AAA' MSCI ESG rating maintained

Environmental

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Improving the environment

Working with the supply chain

Enhancing communities

- CDP score of ‘A’ for leadership on climate change maintained in 2022 – third year
- Carbon emission targets first accredited by Science-Based Targets Initiative in 2018
- 2022 data indicates a 4% reduction in 2022 emissions (Scopes[1] 1,2 & operational 3) against last year and 40% against 2019 baseline
  - Carbon intensity[2] down to 4.5 (from 5.3 in 2021)
  - Data independently verified since 2010
- On track to achieve 2030 ‘operational net zero’ target for Scopes[1] 1,2 & operational 3 emissions
- Pathway fully accredited
- Responsible offsetting projects in UK only which also support wider biodiversity in communities

[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 Group’s value chain as measured by the Toitu carbon reduce scheme*
[2] *Carbon Intensity is measured as ‘Carbon emissions (in tonnes) per £m revenue’*

Environmental

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Improving the environment

Working with the supply chain

Enhancing communities

- The big prize is reducing and eliminating ‘**Total Emissions**’
  - i.e. the whole value chain from supply chain to end-users of buildings. Not just our operational scope 3 (as currently measured)
- **Total Emissions** include carbon embodied in the materials (emitted during raw extraction, manufacture, transport to site, and disposal or recycling); carbon emitted during construction (via energy use and waste); estimated carbon emitted from operating the buildings for 60 years following handover to the client
- Route-map to achieve 2045 ‘net zero’ of **Total Emissions** implemented across Group
  - Going through re-validation with Science Based Targets

Environmental

MORGAN SINDALL GROUP

Improving the environment

Working with the supply chain

Enhancing communities

- Not just about Carbon emissions…
  - Total waste reduced by 57% in 2022
  - 96% of waste diverted from landfill
  - 65% of electricity purchased from renewable sources
  - 109 BREEAM, CEEQUAL, LEED, SKA or other industry-relevant sustainability ratings
  - 54% of vehicle fleet electric/hybrid
- Integration of biodiversity in projects

Social

Protecting people

Developing People

Enhancing communities

Working with the supply chain

- Delivering social value helps us win work
- Payment practices to supply chain
- Improvement in number of RIDDOR[1] incidents. Down to 28 (FY 2021: 44)
- Increasing diversity remains a challenge
- Wide range of activities across Group
  - Support for employees with the cost of living through salary increases, one off payments and enhanced benefits
  - Property Services energy cafes – supporting social housing residents tackling fuel poverty
  - Work with charities to support survivors of domestic abuse and military veterans to enter/ re-enter the workplace

25% of employees are female

9% of employees are from ethnic minority backgrounds

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

Markets & outlook

John Morgan

General market backdrop

- Markets as a whole are stable
- Very strong market for Fit Out
- Housing slowdown will have an impact on Partnership Housing
- Early signs that inflation, particularly labour, starting to fall
- Risk of financial failure in supply chain

Construction

Market conditions	• Good market especially the public sector • Clients and supply chain value balance sheet strength • Supply chain risk
Strategy	• Focus on quality and margin above volume • Strengthen regions where we have lower market share • Continue to seek long-term workstreams
Outlook	• **Medium-term target**: operating margin of 2.5%-3% pa, revenue of £1bn • 2023 - Expect margin within range and positive progress towards £1bn revenue

Infrastructure

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Market conditions	• Political support for investment • High level of bidding activity • Projects can take time to commence on site
Strategy	• Key sectors: highways, rail, nuclear, energy and water • Remain disciplined on contract selection. In excess of 90% work through frameworks • Only work in JVs if very clear advantages
Outlook	• **Medium-term target**: operating margin of 3.5%-4% pa, revenue of £1bn • 2023 - Expect margin within range and positive progress towards £1bn revenue

Fit Out

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Market conditions

- Very strong demand driven by: lease renewals; repurposing offices; greater energy efficiency
- High level of enquiries

Strategy

- Continued focus on enhanced customer experience
- Maintain current market share
- No compromise on quality of delivery

Outlook

- **Increased medium-term target**: average annual operating profit through the cycle of £45m - £50m
- 2023 profit expected to be slightly ahead of the top end of the range and similar to 2022

Property Services

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Market conditions

- Local authority clients more focused on housing maintenance
- Stable market with long-term workstreams
- Inflation affecting the profitability of contracts

Strategy

- Improve operational efficiency and service levels
- Continue to complement services with social value offering

Outlook

- **Medium-term target**: operating profit of £15m pa
- Expect significant profit improvement in 2023. Pricing uplift will help.

Partnership Housing

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Market conditions

- Strong pipeline of large mixed-tenure schemes
- Good market for contracting work. Provides resilience
- Lower sales in mixed-tenure sites in Q4 2022. Slight pick up in the first few weeks of 2023

Strategy

- Increase in the size and number of mixed-tenure sites
- Geographical expansion
- Continue to invest for the future despite the downturn

Outlook

- **Medium-term target**: operating margin of 8%, ROCE up towards 25%
- Expect open market headwinds to materially impact profit and ROCE in 2023
- No change to strategy or medium-term targets

Urban Regeneration

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Market conditions	• Strong government support for mixed-use urban regeneration • Good prospects for new mixed-use schemes of scale • Lots of bidding activity
Strategy	• Increase size and length of mixed-use regeneration schemes • Grow presence in Midlands region. Arden Cross • Greater selectivity of higher ROCE schemes
Outlook	• **Medium-term target**: 3 year average ROCE up towards 20% • Expect a broadly similar ROCE performance in 2023 as 2022

Outlook - summary

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	Medium-term target	2022 actual	2023 Outlook
Construction	Operating margin of 2.5%-3% pa Revenue of £1bn	2.8% margin Revenue £808m	Margin in range Positive progress towards £1bn revenue in 2023
Infrastructure	Operating margin of 3.5%-4% pa Revenue of £1bn	3.9% margin Revenue £761m	Margin in range Positive progress towards £1bn revenue in 2023
Fit Out	Average annual operating profit through the cycle of £45m-£50m	Profit of £52.2m	Profit to be slightly ahead of the top of the range and similar to 2022
Property Services	Operating profit of £15m	Profit of £4.3m	Expect significant profit improvement in 2023
Partnership Housing	Operating margin of 8% ROCE up towards 25%	5.4% margin ROCE of 19%	Open market headwinds to materially impact profit and ROCE in 2023
Urban Regeneration	3-year average ROCE up towards 20%	3-year average ROCE of 13%	Expect a broadly similar ROCE performance in 2023 as 2022

Summary

- All markets generally favourable, with exception of housing
- Continue to keep a strong balance sheet to hold significant net cash balance at all times
- Focus on long-term workstreams
- Invest in organic growth across all the businesses
- Increased medium-term target for Fit Out
- Strong growth potential remains in the medium/long term for Partnership Housing
- Expect 2023 for Group to be in line with our current expectations

Appendices

Net finance expense

£m	FY 22	FY 21
Interest income on bank deposits	2.2	-
Amortisation of fees & non-utilisation fees	(2.2)	(2.5)
Interest expense on lease liabilities (IFRS 16)	(1.9)	(1.5)
Interest from JVs	-	0.6
Other	(1.1)	(0.2)
Total	(3.0)	(3.6)

Adjusted earnings per share

£m	FY 22	FY 21
Profit after tax	60.9	97.9
Adjusted for:		
Exceptional Building safety charge (net of tax)	46.7	-
Amortisation of intangibles (net of tax)	1.6	1.2
Impact of change in tax rate on deferred tax balances	-	5.1
Adjusted earnings	109.2	104.2
Basic average number of shares	45.9m	46.1m
Adjusted earnings per share	237.9p	226.0p

Payment practices

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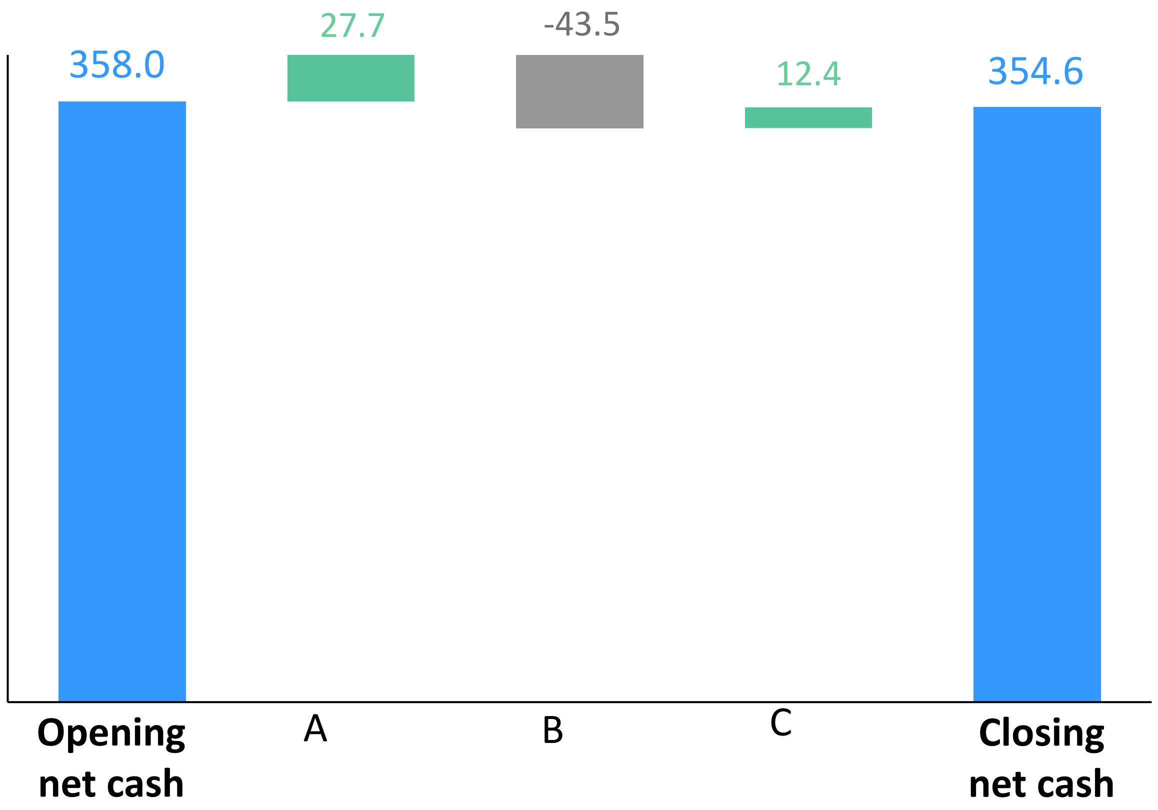
6m to 31st December 2022		Average time to pay invoices	Invoices not paid within agreed terms	Invoices paid within 60 days
Construction & Infrastructure		**24 days**	**4%**	**99%**
		2 days	-	-
Fit Out		**26 days**	**6%**	**96%**
		1 day	1%	-
Property Services		***43 days***	***6%***	***97%***
		2 days	2%	-
Partnership Housing		***32 days***	***13%***	***96%***
		-	-	-

Note: movements are shown compared to the previous reporting period of the 6 months to 30 June 2022.
Green indicates improvement, red indicates deterioration

Net cash movement



A = Free cash flow. See table
B = Dividends
C = Other. *Includes net loan receipts from interests in joint ventures (£16.3m), proceeds from the issue of new shares (£10.2m), and proceeds from the exercise of share options (£1.6m); less the purchase of shares in the Company by the employee benefit trust (£15.7m)*

- Year end net cash of £354.6m

Operating cash flow (Slide 7)	**£48.0m**
Tax	(£20.3m)
Free cash flow (A)	**£27.7m**

Provisions

£m	
Provisions as at 31 December 2021	57.3
Additions:	
Exceptional Building safety (non-JV element)	39.1
Other	18.5
Less:	
Utilised in year	8.5
Released	29.5
Provisions as at 31 December 2022	76.9

Includes release of £22.7m insurance provision offset by equal & opposite reduction in receivables. No net impact to income statement

Tax

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£m	FY 22	FY 21
Profit before tax	85.3	126.2
Less: share of underlying[1] net JV profit	(14.3)	(5.4)
Profit subject to tax	71.0	120.8
Statutory tax rate	19.0%	19.0%
Current tax charge at statutory rate	**(13.5)**	**(23.0)**
Tax on joint venture profits	(2.6)	(0.7)
Non-deductible portion of exceptional items	(7.0)	-
Other non-deductible expenses	(2.1)	(0.3)
Change in tax rate on deferred tax balances	-	(5.1)
Residential Property Developer Tax	(0.3)	-
Prior year adjustments	0.6	1.4
Other adjustments	0.5	(0.6)
Tax charge	**(24.4)**	**(28.3)**
Tax on amortisation	(0.4)	(0.3)
Tax on exceptional items	(2.2)	-
Effect of change in tax rate on deferred tax	-	5.1
Adjusted tax charge	**(27.0)**	**(23.5)**

[1] *Underlying net profit of joint ventures excludes the exceptional building safety charge (£9.8m) related to joint ventures*

Capital employed[1] in Regeneration

£m	Total Regeneration	Partnership Housing	Urban Regeneration
Total net land & regeneration WIP	221.6	190.1	31.5
Unsold completed units (excl. joint ventures)	47.8	24.1	23.7
Amounts invested in joint ventures[1]	89.8	53.2	36.6
Shared equity loans and investment properties	1.2	1.2	-
Other working capital	(72.2)	(80.3)	8.1
Other net assets	1.5	1.0	0.5
Total capital employed[1] at 31 December 2022	289.7	189.3	100.4
Total capital employed at 31 December 2021	239.6	155.6	84.0
Increase in year	50.1	33.7	16.4

[1] *adjusted to exclude exceptional building safety provisions*