

Balfour Beatty plc

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Balfour Beatty's 2017 profits jump on US tax cuts and sale of stake in M25 operator

Balfour Beatty plc (LON:BBY) reported a sharp rise in 2017 profits, boosted by US tax cuts and the sale of its stake in the firm that operates the M25.

The construction services company said underlying profit from operations more than doubled to £196m from £69m in 2016 while revenue was flat at £6.9bn.

The company received £103m from the sale of a 12.5% stake in Connect Plus, which operates the M25 London orbital motorway. It sold a further 7.5% stake in the M5 for £62m in late December but the cash was not received until this year.

Results also included a £32m tax credit after Donald Trump cut the US corporation tax rate to 21% from 35%.

Impact of Carillion collapse

Balfour recognised a one-off provision of £44m last year stemming from the liquidation of Carillion PLC (LON:CLLN), one of the group's joint operations partners in the Aberdeen Western Peripheral Route project.

The group and remaining joint venture partner, Galliford Try plc (LON:GFRD), are liable to carry out Carillion's obligations under the contract.

Other items included £12m of restructuring costs and a £18m gain on the disposal of its professional services business, Heery International Inc.

Order book lower on more selective bidding

The order book at the end of the year stood at £11.4bn, down from £12.4bn a year earlier, reflecting Balfour's decision to bid more selectively on projects.

Its decision to be more selective on bidding comes as several British builders, including Carillion, have been hit by writedowns and issued profit warnings in the past decade due to losses on fixed-price contracts.

"Order book down, profits missed a touch, yet bidding discipline and higher margins are paying off for Balfour Beatty," said Neil Wilson, senior market analyst at ETX Capital.

"Indeed margins are what matter and today's results continue the positive trajectory evident in the December trading update and the first half results as Leo Quinn's Build to Last strategy yields results."

Restructuring on track

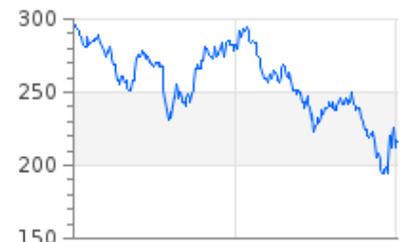
Under the so-called 'Built to Last' transformation strategy, the company has been focused on improving the quality of its order book, reducing costs and raising productivity across operations.

"The group has been repositioned to drive sustainable growth in profits, underpinned by a strong balance sheet. It has

Price: 218p

Market Cap: £148764000000M

1 Year Share Price Graph



August 2018 February 2019 August 2019

Share Information

Code: BBY

Listing: LSE

52 week High Low
300.10p 192.30p

Sector: Construction & Materials [T3]

Website: www.balfourbeatty.com

Company Synopsis:

Balfour Beatty is a diversified engineering, construction and services company with operations in the UK, Europe, the US, South-East Asia, Australia and the Middle East. Balfour Beatty is traded in the ISDX Exchange HERE.

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the right culture and capabilities to capitalise on the rising tide of infrastructure spend in our chosen markets," said chief executive Leo Quinn.

"As a result of Build to Last, and the governance and controls now in place, we remain on track to achieve industry-standard margins in the second half of 2018. In the medium term, we are building a group capable of delivering market-leading performance."

Shares rose 2.4% to 283.6p in morning trade.

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