6 August 2024

Keller Group plc

Interim Results for the half year ended 30 June 2024

Keller Group plc ('Keller' or the 'Group'), the world's largest geotechnical specialist contractor, announces its results for the half year ended 30 June 2024.

Outstanding H1 performance; expectations for FY 2024 materially increased

	H1 2024 £m	H1 2023 £m	% change	Constant currency % change
Revenue	**1,489.8**	1,466.3	+2%	5%
Underlying operating profit[1]	**113.2**	67.0	+69%	76%
Underlying operating profit margin[1]	**7.6%**	4.6%	+300bps	n/a
Underlying diluted earnings per share[1]	**103.3p**	56.0p	+85%	
Free cashflow before interest and tax	**134.1**	40.8	+229%	
Net debt (bank covenant IAS 17 basis)[2]	**100.7**	244.6	-59%	
Dividend per share	**16.6p**	13.9p	+19%	
Statutory operating profit	**105.9**	56.6	+87%	
Statutory profit before tax	**95.3**	43.1	+121%	
Net cash inflow from operating activities	**118.9**	35.3	+237%	
Statutory diluted earnings per share	**94.7p**	45.0p	+110%	
Statutory net debt (IFRS 16 basis)	**199.0**	331.6	-40%	

[1] Underlying operating profit and underlying diluted earnings per share are non-statutory measures which provide readers of this Announcement with a balanced and comparable view of the Group's performance by excluding the impact of non-underlying items, as disclosed in note 7 to the interim condensed consolidated financial statements.
[2] Net debt is presented on a lender covenant basis excluding the impact of IFRS 16 as disclosed within the adjusted performance measures in the interim condensed consolidated financial statements.

Highlights

- Outstanding first half performance sets new records across the Group as we continued to sustain and build on the material step-up in operational and financial performance delivered in 2023
    - Revenue of £1,489.8m, up 5% at constant currency
    - Underlying operating profit of £113.2m, up 76% at constant currency
    - Underlying operating profit margin increased by 300bps to 7.6% (H1 2023: 4.6%)
    - Underlying diluted EPS of 103.3p, up 85%
    - Underlying ROCE at 28.4% (H1 2023: 16.6%), the highest for 15 years
    - Net debt[2] of £100.7m, down £46m since December 2023, driven by strong profitability and cash generation, with net debt/EBITDA leverage ratio[2] of 0.3x (H1 2023: 1.2x; FY 2023: 0.6x)
    - Statutory operating profit up 87% to £105.9m
    - Statutory diluted EPS of 94.7p, up 110%
- Board's expectations for full year 2024 materially increased, underpinned by our record order book of £1.6bn
- Our Accident Frequency Rate remained unchanged at 0.09 with nine lost time events
- The interim dividend has been rebased to 16.6p (H1 2023: 13.9p), following the 20% increase in the 2023 full year dividend; anticipating a 2024 full year dividend increase of 5%

Michael Speakman, Chief Executive Officer, said: *"Keller achieved outstanding results in the first half of the year, setting new records across the Group, as we continued to sustain and build on the material step-up in operational and financial performance delivered in 2023. We maintained our focus on sustainable markets and attractive projects and the results reflect both the strength of the Group's presence in the buoyant North American market and our continuous groupwide emphasis on improving project execution and delivery.*

The current macroeconomic environment presents opportunities, particularly in North America, albeit there are challenges in some of our other markets. The strength of the Group's performance, together with the quality of our record £1.6bn order book, provides us with increased confidence in the outlook for the rest of this year. As a consequence, the Board now anticipates that the Group's performance for the full year will be materially ahead of current market expectations[1]. This performance will have a modest weighting towards the first half given beneficial tailwinds in the period."

[1] Analyst consensus underlying operating profit for FY 2024: £178m; range: £176m – £179m.

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A webcast and presentation for investors and analysts will be held at 08.30am BST on 6 August 2024, at:
Storey Club
100 Liverpool Street
London EC2M 2AU
RSVP: connie.gibson@fticonsulting.com

The webcast replay will be available later the same day on demand
Registration (world-television.com)

Conference call:
Operator Assisted Dial-In:
United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 800 358 1035
Global Dial-In Numbers
Access Code: 184466

Notes to editors:
Keller is the world's largest geotechnical specialist contractor providing a wide portfolio of advanced foundation and ground improvement techniques used across the entire construction sector. With around 9,500 staff and operations across five continents, Keller tackles an unrivalled 5,500 projects every year, generating annual revenue of c.£3bn.

LEI number: 549300QO4MBL43UHSN10. Classification: 1.2 (Half yearly financial reports).

Adjusted performance measures

In addition to statutory measures, a number of adjusted performance measures (APMs) are included in this Interim Announcement to assist investors in gaining a clearer understanding and balanced view of the Group's underlying results and in comparing performance. These measures are consistent with how business performance is measured internally.

The APMs used include underlying operating profit, underlying earnings before interest, tax, depreciation and amortisation, underlying net finance costs and underlying earnings per share, each of which are the equivalent statutory measure adjusted to eliminate the amortisation of acquired intangibles and other significant one-off items not linked to the underlying performance of the business. Net debt (bank covenant IAS 17 basis) is provided as a key measure for measuring bank covenant compliance and is calculated as the equivalent statutory measure adjusted to exclude the additional lease liabilities relating to the adoption of IFRS 16. Free cash flow before interest and tax is provided as a metric to reflect operating cash flow including capital expenditure; it is reconciled in the net debt flow table in the Chief Financial Officer's review. Further underlying constant exchange rate measures are given which eliminate the impact of currency movements by comparing the current measure against the comparative restated at this year's actual average exchange rates. Where APMs are given, these are compared to the equivalent measures in the prior year.

APMs are reconciled to the statutory equivalent, where applicable, in the adjusted performance measures section in this Announcement.

GROUP OVERVIEW

Financial performance

The Group excelled in the first half of the year driven by an exceptional performance in North America, and evidencing the sustainability of the material operational and financial improvements we delivered last year. The record underlying operating profit, operating margin and free cash flow performance represent material improvements on the prior period.

Overall reported revenue increased to £1,489.8m (H1 2023: £1,466.3m), up 5% on a constant currency basis, largely driven by revenue growth in North America Foundations and Central Europe, partly offset by lower revenues at Suncoast and the NEOM project in Saudi Arabia compared with the prior period.

Underlying operating profit of £113.2m was 76% higher on a constant currency basis, primarily driven by a strong performance and favourable market conditions in North America Foundations, together with the turnaround in profitability at Austral in Australia, moderated by lower trading volume and a challenging project in the Middle East region. The underlying operating margin increased significantly to 7.6% (H1 2023: 4.6%), the highest in 15 years, reflecting the benefit of the continued operational improvements across many areas of the business and a buoyant market in North America. As a result of our strong profitability and cash generation, our net debt (IAS 17 lender covenant basis) reduced by £143.9m, from £244.6m in June 2023 to £100.7m, and £46m lower than December 2023. This equated to a net debt/EBITDA ratio of 0.3x (H1 2023: 1.2x; FY 2023: 0.6x), below our target leverage range of 0.5x – 1.5x.

The Group's term debt and committed facilities include a multi-currency syndicated revolving credit facility (expiring June 2029) which was refinanced in the period, increasing the facility from £375m to £400m, with no change in the related covenants. The revolving credit facility was undrawn at the period end.

Operating performance

The Group's performance in the first half of the year continued to build on the significant material improvement in operational and financial performance delivered in 2023.

In the North America Division, despite only a marginal increase in revenue, underlying operating profit increased by 68% on a constant currency basis and the underlying margin was 12.0% (H1 2023: 7.5%). This was principally driven by a continued improvement in underlying contract performance, execution and commercial discipline in the foundations business, as well as a stronger than expected profit performance at Suncoast. In addition, buoyant market conditions created a positive pricing environment for the foundations business and the whole North America region benefitted from unusually fair weather in the period. Moretrench Industrial, our business that operates in the highly regulated environmental remediation market, continued to make good progress in the period, with growth in revenue and profit. Performance was partly offset by RECON, our geoenvironmental and industrial services company, where volumes and profit were lower than the prior period which had benefitted from a large LNG project in the US Gulf Coast. Suncoast, the Group's post-tension business, performed well and ahead of our expectations. Whilst, as expected, Suncoast's revenue was adversely impacted by a decreased level of activity, profitability was maintained due to the greater than anticipated benefit of pricing actions taken.

The Europe and Middle East Division (EME) performance was disappointing overall, albeit our European business improved compared with the prior period. Whilst overall revenue increased by 6.0% on a constant currency basis to £418.9m, underlying operating profit declined to £3.0m, down 74.4% on a constant currency basis. Revenue growth was primarily driven by a large infrastructure project in Central Europe and by several large infrastructure projects in the Nordics, partly offset by the lower volumes in the Middle East region (including the NEOM project) against a strong prior year comparator and lower volumes in the UK. The reduction in underlying profit in the period reflected the non-recurrence of work on The Line project at NEOM in the first half of 2023, compounded by losses incurred in the early stages of the Trojena project at NEOM in the period. This was partially offset by the profit benefit of the increased volume and operating profit delivered elsewhere in the Middle East and Africa region.

In the Asia-Pacific Division (APAC) an impressive revenue performance in India and, to a lesser extent, ASEAN contributed to growth of 3.4% on a constant currency basis to £187.1m in the division. The strong return to profit of £11.1m, compared to an underlying loss of £(4.2)m in the prior period, was driven by the very strong turnaround at Austral, which achieved its margin target. Performance more than offset the anticipated lower volumes and corresponding profits from Keller Australia following a record performance in the prior period.

Strategy

The Group continues to successfully implement its strategy to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating long-term value for our stakeholders. Our local businesses leverage the Group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

In the first half we completed the exit of our South African business. This further builds on the progress we have made in recent years to significantly rationalise, restructure and refine the Group's geographic and service offering to create a more focused and higher quality portfolio of businesses. We continue to evaluate our portfolio and potential further incremental rationalisation.

To build on the strong foundations we have established for our business, we are looking to grow market share within our existing geographic footprint, through both organic investment and targeted M&A, to gain the benefits of operational leverage within our key markets.

Safety

We maintained our unrelenting focus on safety through a number of initiatives. In the first half of 2024 our Accident Frequency Rate remained unchanged at 0.09 per 100,000 hours, with nine lost time events, and our Total Recordable Incident Rate improved to 0.58, with 39 recordable injury events, a reduction of two on the prior period.

Sustainability and ESG

In April, we ran the first Group-wide sustainability week, engaging over 1,000 employees in environmental and social sustainability webinars, competitions, surveys and videos.

We remain focused on the wellbeing and safety of every employee across the organisation. We continue to build on the introduction of our Inclusive Site Culture Standard with the roll-out of our global employee programme, 'Engineering Respect for a Safer Tomorrow', promoting positive behaviours to enhance team performance and addressing harmful behaviours that create unsafe working environments.

We are progressing well against our carbon reduction targets to achieve net zero by 2050. We will be net zero across all three emission scopes by 2050: net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on Operational Scope 3 (covering business travel, material transport and waste disposal). The short, medium and long-term actions required to achieve these goals are in progress and we are on track to meet this year's Scope 2 carbon reduction target.

As part of our continued focus on mutually beneficial partnerships, we have contributed £250,000 in 2024 towards UNICEF's Core Resources for Results. Keller's unrestricted funding enables UNICEF to support children wherever and whenever the need is greatest. Keller is delighted to have contributed £750,000 to UNICEF UK over the duration of our three-year partnership.

Board development and succession

Keller continued its long-term planning agenda which will continue to evolve to reflect the Group's strategy and the Board's composition of skills and experience.

As previously announced, Eva Lindqvist retired from the Board at the AGM in May 2024, having served seven years as an independent Non-executive Director and five years as Chair of the Remuneration Committee. Annette Kelleher joined the Board as a Non-executive Director in December 2023 and became Chair of the Remuneration Committee in May 2024.

On 18 July 2024, it was announced that Stephen King will join the Board as an independent Non-executive Director on 1 September 2024. Stephen will be a member of the Audit and Risk, Nomination and Governance, Remuneration, and Sustainability Committees. It was also announced that Peter Hill CBE has given notice of his intention to retire as Chairman and step down as a director of the Company during the first half of 2025, after what will have been approximately nine years on the Board. A formal external search process is underway led by Kate Rock, Keller's Senior Independent Director.

People

We have recently strengthened our Executive Committee with several new leadership roles that will assist us in driving forward our strategy. Kerry Porritt has been appointed as Keller's first Chief Sustainability Officer, in addition to her responsibilities as Group Company Secretary, where she will drive Keller's sustainability agenda and ensure it continues to gain traction across the Group. Marisa Schleter is promoted to the new role of Chief Communications Officer to foster effective communication across the Group. Brent Byford has been promoted to the new role of Chief Construction Officer.

Interim dividend

In 2023 the Board rebased the full year dividend to 45.2p, a 20% increase on 2022 in recognition of the step-change in profitability in 2023, and increased the 2023 final dividend by 28%. The Board currently expects to return to a more normal progressive 5% dividend growth in 2024 and reverting to the normal balance of the full year dividend being payable 35% as an interim dividend and 65% as the final dividend. The Board is therefore declaring an interim dividend of 16.6p (2023: 13.9p). Keller has a notable 30-year history of a maintained or growing dividend with a CAGR of just under 9% since flotation in 1994 and is one of only a very few FTSE listed companies to have consistently paid a dividend over such a period. The interim dividend is payable on 13 September 2024 to shareholders on the register as at 16 August 2024.

Outlook

Keller achieved outstanding results in the first half of the year, setting new records across the Group, as we continued to sustain and build on the material step-up in operational and financial performance delivered in 2023. We maintained our focus on sustainable markets and attractive projects and the results reflect both the strength of the Group's presence in the buoyant North American market and our continuous groupwide emphasis on improving project execution and delivery.

The current macroeconomic environment presents opportunities, particularly in North America, albeit there are challenges in some of our other markets. The strength of the Group's performance, together with the quality of our record £1.6bn order book, provides us with increased confidence in the outlook for the rest of this year.

As a consequence, the Board now anticipates that the Group's performance for the full year will be materially ahead of current market expectations. This performance will have a modest weighting towards the first half given beneficial tailwinds in the period.

Operating review

North America

	H1 2024 £m	H1 2023 £m	Constant currency
Revenue	**883.8**	875.8	4.2%
Underlying operating profit	**105.8**	65.4	67.7%
Underlying operating margin	**12.0%**	7.5%	+460bps
Order book	**1,131.0**	979.1	15.8%

In North America, revenue was up 4.2% on a constant currency basis, driven by an increase in revenue in the foundations business and Moretrench Industrial, partly offset by a reduction in trading volume at Suncoast. Underlying operating profit increased significantly to £105.8m, up 67.7% on a constant currency basis, driven by an improved volume and margin performance in the foundations business, particularly across the eastern and southern USA. Performance was assisted by a generally buoyant market and benign weather conditions. The Accident Frequency Rate, our key metric for measuring safety performance, improved to 0.08 (H1 2023: 0.09) as a result of three lost time injuries.

In the foundations business, increased revenue reflected buoyant market demand and an attractive pricing environment, particularly in the south east and north east regions. The significant increase in operating profit was driven by the sustained improvement in underlying contract performance, improved project execution and focus on commercial discipline.

Suncoast, the Group's post-tension business, performed well and ahead of our expectations. Whilst, as expected, Suncoast's revenue reflected a decreased level of activity, profitability was maintained at prior period levels due to the benefit of successful pricing actions by local management. We expect this benefit to unwind in the second half of the year.

Moretrench Industrial, our business that operates in the highly regulated environmental remediation market, continued to make good progress in the period, with growth in revenue and profit. At RECON, our geoenvironmental and industrial services company, volumes and profit were lower due to the delay in the permitting of new LNG projects. We continue to target further LNG opportunities in the region.

The order book for North America at the period end strengthened to £1,131.0m, up 15.8% on a constant currency basis.

Europe and Middle East (EME)[1]

	H1 2024 £m	H1 2023 £m	Constant currency
Revenue	**418.9**	401.3	+6.0%
Underlying operating profit	**3.0**	12.0	-74.4%
Underlying operating margin	**0.7%**	3.0%	-230bps
Order book	**367.3**	332.9	10.7%

In EME, revenue increased by 6.0% to £418.9m, on a constant currency basis, driven by large infrastructure projects in Central Europe and the Nordics, partly offset by lower volumes in the Middle East region (including the NEOM project) and lower volumes in the UK. Underlying operating profit decreased by 74.4% to £3.0m on a constant currency basis. Whilst the European business showed good improvement over the period, underlying operating profit performance was more than offset by the weaker trading performance in the Middle East business, which was down year-on-year. The Accident Frequency Rate reduced to 0.10 from 0.11, representing three lost time injuries.

In the European business units, a good turnaround in performance in the period saw an increase in underlying operating profit by £5.3m in constant currency. Despite the continuation of some challenging construction markets in parts of Europe, particularly in the residential and commercial sectors, performance benefitted from several infrastructure projects including a large tunnel project in Central Europe which is now complete. Despite some residual challenges, there was an improvement in the delivery of the two previously underperforming multi-year infrastructure contracts in the Nordics. One project was profitable in the period with the other delivering reduced losses, with unusually adverse weather conditions playing a part in the underperformance and delaying the implementation of the turnaround plans. We expect further improvement in these projects in the second half of the year. In the UK, as expected, trading was softer versus the prior period reflecting the near completion of High Speed 2 and the resulting increased competitiveness in the UK market.

In the Middle East and Africa, both year-on-year revenue and profit were negatively impacted by the prior year comparative benefitting from work on The Line at NEOM. The Trojena project at NEOM commenced at the start of the year and has encountered ground condition difficulties resulting in a loss reported in the period. We are in discussions with the client to remedy the contractual position. The rest of the Middle East region performed well. Overall, the Middle East and Africa region (including NEOM) declined in underlying operating profit by £14.0m in constant currency.

We completed the exit of our business in South Africa at the end of the first half, which recorded a modest profit in the period prior to sale.

We continue to actively monitor our European portfolio whilst seeking to maintain and extend our position organically in our core markets.

The EME order book at the end of the period was £367.3m, up 10.7% on a constant currency basis.

[1]EME performance included the South Africa business up until it was sold at the end of the first half of 2024.

Asia-Pacific (APAC)

	H1 2024 £m	H1 2023 £m	Constant currency
Revenue	**187.1**	189.2	3.4%
Underlying operating profit	**11.1**	(4.2)	n/a
Underlying operating margin	**5.9%**	(2.2)%	+820bps
Order book	**142.5**	179.2	-20.2%

In APAC, revenues increased 3.4% on a constant currency basis, driven by an impressive performance in India and, to a lesser extent, ASEAN and Austral in Australia, partly offset by lower volumes at Keller Australia following the record performance in the prior period. Underlying operating profit increased to £11.1m driven by the substantial turnaround at Austral from a significant loss in the first half of 2023. This was partly offset by the anticipated lower volumes and corresponding operating profits from Keller Australia as major infrastructure projects were completed. The Accident Frequency Rate was 0.08 (H1 2023: 0.05) following three reported lost time injuries.

Keller Australia performed well and ahead of our expectations, albeit with revenues and profits down against the very strong performance in the prior period. The successful turnaround of Austral continued and the business has now been stabilised and achieved its margin target. The new management team are taking a selective and cautious approach to the market, particularly in the near-shore marine sector. Our India business delivered a record performance in terms of both revenue and operating profit through successful execution of projects across the industrial, manufacturing, commercial and petrochemical sectors and we continue to see good prospects for that business. In ASEAN, market conditions started to show signs of recovery and performance improved compared with 2023.

The APAC order book at the end of the period was £142.5m, down 20.2%, reflecting softer volumes in Austral.

Chief Financial Officer's review

This report comments on the key financial aspects of the Group's interim results for the half year period ended 30 June 2024.

	H1 2024 **£m**	H1 2023 £m
Revenue	**1,489.8**	1,466.3
Underlying operating profit[1]	**113.2**	67.0
Underlying operating profit %[1]	**7.6%**	4.6%
Non-underlying items	**(7.3)**	(10.4)
Statutory operating profit	**105.9**	56.6

[1] Details of non-underlying items are set out in note 7 to the interim condensed consolidated financial statements. Reconciliations to statutory numbers are set out in note 4 to the interim condensed consolidated financial statements.

Geographic segmentation

	Revenue £m		**Underlying operating profit[2] £m**		**Underlying operating profit margin[2] %**	
	H1 2024	H1 2023	**H1 2024**	H1 2023	**H1 2024**	H1 2023
Division						
North America	**883.8**	875.8	**105.8**	65.4	**12.0%**	7.5%
EME[3]	**418.9**	401.3	**3.0**	12.0	**0.7%**	3.0%
APAC[3]	**187.1**	189.2	**11.1**	(4.2)	**5.9%**	(2.2)%
Central	**–**	–	**(6.7)**	(6.2)	**–**	–
Group	**1,489.8**	1,466.3	**113.2**	67.0	**7.6%**	4.6%

[2] Details of non-underlying items are set out in note 7 to the interim condensed consolidated financial statements.

[3] From 1 January 2024 the Middle East and Africa (MEA) business was transferred to the Europe Division, creating the Europe and Middle East Division (EME), and the Asia-Pacific, Middle East and Africa Division became the Asia-Pacific Division (APAC). The 2023 comparative segmental information has been updated to reflect this change as it is consistent with the information reviewed by the Chief Operating Decision Maker.

Revenue

Revenue of £1,489.8m (H1 2023: £1,466.3m) was 1.6% up on 2023. On a constant currency basis, revenue increased by 4.6%, reflecting volume growth in North America Foundations and Central Europe, offset by lower revenues at Suncoast and the NEOM project in Saudi Arabia compared with the prior period.

North America reported a revenue increase of 4.2% (at constant currency), positively impacted by the higher activity levels in foundations which was offset by a reduction in trading volume at Suncoast and RECON. In Europe and Middle East, revenue increased by 6.0% (at constant currency), driven by large infrastructure projects in Central Europe and the Nordics, partly offset by lower volumes in the Middle East and the UK. Revenue in APAC increased by 3.4% on a constant currency basis, driven by strong trading in India.

We have a diversified spread of revenues across geographies, product lines, market segments and end customers. Customers are generally market specific and the largest customer represented 4% (H1 2023: 4%) of the Group's revenue for the half year. The top 10 customers represent 20% of the Group's revenue for the half year (H1 2023: 18%).

Underlying operating profit

The underlying operating profit of £113.2m was 69.0% ahead of prior year (H1 2023: £67.0m) and on a constant currency basis was 75.5% up on prior year.

North America underlying constant currency operating profit increased by 67.7% as the improved margin was driven by a strong performance in the foundations business. Europe and Middle East constant currency operating profit decreased by 74.4%, largely driven by the non-recurrence of the NEOM project in the prior period which more than offset the profit benefit of the increased volume in the division. APAC operating profit increased to £11.1m driven by the turnaround at Austral.

Share of post-tax results from joint ventures

The Group recognised an underlying post-tax loss of £0.5m in the period (H1 2023: £0.2m profit) from its share of the post-tax results from joint ventures. In the prior period, the share of the post-tax amortisation charge of £0.4m arising from the acquisition of NordPile by our joint venture KFS Oy in 2021 was included as a non-underlying item.

Statutory operating profit

Statutory operating profit, comprising underlying operating profit of £113.2m (H1 2023: £67.0m) and non-underlying items comprising net costs of £7.3m (H1 2023: £10.4m), increased by 87.1% to £105.9m (H1 2023: £56.6m).

Net finance costs

Net finance costs decreased by 21.5% to £10.6m (H1 2023: £13.5m), as a result of lower average net debt during the period. Average net borrowings, excluding IFRS 16 lease liabilities, decreased by 54% in the period from £244.7m during the half year to 30 June 2023 to £112.4m during the half year to 30 June 2024, driven by strong operating cash flow.

Taxation

The Group's underlying effective tax rate increased to 26% (H1 2023: 22%). The increase is as a result of the change in the profit profile of the Group, particularly the higher profits in the US.

Cash tax paid in the period of £34.4m was a decrease of £4.2m over prior year (H1 2023: £38.6m). The reduction is due to the fact that the tax payments in 2023 included a catch up payment for 2022 tax.

The UK government enacted new legislation introducing a global minimum tax of 15% in line with the OECD's Pillar Two rules. The rules applied to Keller from 1 January 2024. The Group has performed an assessment and no additional tax is expected for most jurisdictions in which we operate. Those where the effective rate is below 15% are not expected to give rise to a material additional tax charge.

Non-underlying items

Details of non-underlying items are included in note 7 to the interim condensed consolidated financial statements.

Non-underlying operating costs

Non-underlying operating costs were £6.6m (H1 2023: £7.2m).

The Group has continued to make progress with the strategic project to implement a new cloud-based computing enterprise resource planning (ERP) system across the Group. Due to the size, nature and incidence of these costs, they are presented as a non-underlying item, as they are not reflective of underlying performance of the Group. As this is a complex implementation, project costs are expected to be incurred over the next four to five years. The cost recognised in the first half is £2.5m (H1 2023: £4.0m).

Exceptional restructuring costs of £3.3m (H1 2023: £3.2m) have been incurred. This comprises £3.5m in respect of a new Group-wide finance transformation project, which will move certain finance activities into internal shared service centres. The non-underlying costs for the period include headcount restructuring and one-off set-up costs; it does not include the running costs for the shared service centres. Also included in this caption is a £0.2m credit from a reduction in a restructuring provision recognised in a prior period.

In the prior period, restructuring costs of £3.2m reflected the cost of senior leadership changes in North America and the closure of the Egypt business.

The Group realised a £0.8m loss on the disposal of the South African business, which completed on 28 June 2024. There is an earnout arrangement on the sale, with a potential maximum further £1.3m sale proceeds dependent on the profitability of the business post-disposal. No receivable for the earnout has been recognised at the half year.

Amortisation of acquired intangibles
The £1.5m (H1 2023: £3.8m) charge for amortisation of acquired intangible assets relates to the RECON, Nordwest Fundamentering, GKM Consultants and Moretrench acquisitions.

Non-underlying other operating income
Non-underlying other operating income of £0.8m arises from a change in fair value of the contingent consideration related to the GKM Consultants acquisition.

The prior year income of £1.0m was the gain on disposal of assets held for sale. Impairment charges for these assets had previously been charged to non-underlying items in prior periods and therefore the corresponding profit on disposal is also recognised as a non-underlying item.

Non-underlying taxation
A non-underlying tax credit of £1.0m (H1 2023: £2.3m) relates to the tax benefit on non-underlying charges which are expected to be deductible.

Earnings per share
Underlying diluted earnings per share increased by 85% to 103.3p (H1 2023: 56.0p) due to the increased operating profit and lower net finance costs. Statutory diluted earnings per share was 94.7p (H1 2023: 45.0p).

Dividend
The Group's dividend policy is to increase the dividend sustainably whilst allowing the Group to be able to grow or, as a minimum, maintain the level of dividend through market cycles. The dividend policy is therefore impacted by the performance of the Group, which is subject to the Group's principal risks and uncertainties as well as the level of headroom on the Group's borrowing facilities, future cash commitments and investment plans.

The interim dividend has been rebased to 16.6p (H1 2023: 13.9p) commensurate with an anticipated full year dividend increase of 5%, following the 20% increase in 2023.

Net debt flow

The Group's free cash inflow of £88.6m (H1 2023: outflow of £9.1m) compares favourably to the prior period. Free cash flow has been driven by strong operating cash flow with interest and tax cash flows broadly in line with the prior period. The basis of deriving free cash flow is set out below:

	H1 2024 £m	H1 2023 £m
Underlying operating profit	**113.2**	67.0
Depreciation and amortisation	**54.0**	54.1
Underlying EBITDA	**167.2**	**121.1**
Non-cash items	**(3.3)**	(0.6)
Increase in working capital	**(2.5)**	(33.1)
Increase in provisions, retirement benefit liabilities and other non-current liabilities	**10.0**	7.4
Net capital expenditure	**(23.1)**	(34.4)
Additions to right-of-use assets	**(14.2)**	(19.6)
Free cash flow before interest and tax	**134.1**	**40.8**
Free cash flow before interest and tax to underlying operating profit	**118%**	**61%**
Net interest paid	**(11.1)**	(11.3)
Cash tax paid	**(34.4)**	(38.6)
Free cash flow	**88.6**	**(9.1)**
Dividends paid to shareholders	**(22.6)**	(17.7)
Purchase of own shares	**(6.5)**	(3.4)
Acquisitions	**(0.7)**	-
Business disposals	**(4.9)**	-
Non-underlying items	**(5.0)**	(9.4)
Right-of-use assets/lease liability modifications	**(7.4)**	(4.9)
Foreign exchange movements	**(3.2)**	11.8
Movement in net debt	**38.3**	**(32.7)**
Opening net debt	**(237.3)**	**(298.9)**
Closing net debt	**(199.0)**	**(331.6)**

Working capital

Net working capital increased by £2.5m (H1 2023: £33.1m), reflecting relatively flat inventory levels and offsetting increases in both trade and other receivables and payables.

An increase in provisions and retirement benefit liabilities improved the working capital by £10.0m (H1 2023: £7.4m). This reflects an increase in provisions, as the amounts provided for contract and legal disputes exceeded the amounts settled. This also excludes the cash outflow on restructuring provisions and other items included in non-underlying costs which are presented within non-underlying items in the free cash flow calculation.

Capital expenditure

The Group manages capital expenditure tightly whilst investing in the upgrade and replacement of equipment where appropriate. Net capital expenditure of £23.1m (H1 2023: £34.4m) included proceeds from the sale of equipment of £14.5m (H1 2023: £8.1m). The asset replacement ratio, which is calculated by dividing gross capital expenditure, excluding sales proceeds on disposal of items of property, plant and equipment and those assets capitalised under IFRS 16, by the depreciation charge on owned property, plant and equipment, was 96% (H1 2023: 108%).

Acquisitions and disposals

Acquisition cash flow of £0.7m in the period relates to an earn-out payment related to the acquisition of the 35% of our Saudi Arabia subsidiary completed in 2023.

The business disposal cash outflow of £4.9m relates to the disposal of the cash held by the South African subsidiary on the disposal date of 28 June 2024. The sale proceeds of £2.3m were received in the first week of July and are therefore not reflected in the cash flow statement for the half year period.

Non-underlying cash flows

Non-underlying cash outflow of £5.0m (H1 2023: £9.4m) includes the cash impact of non-underlying items reflected in the income statement in the current and prior periods. The outflow in the period includes £2.4m cash outflow (H1 2023: £3.1m) for ERP costs and £2.6m outflow (H1 2023: £3.3m) for restructuring costs, including the finance transformation project. The prior period also included the £3.0m settlement of a historic contract provision.

Financing facilities and net debt

The Group's total net debt of £199.0m (H1 2023: £331.6m) comprises loans and borrowings of £296.8m (H1 2023: £344.5m), lease liabilities of £98.7m (H1 2023: £87.5m) net of cash and cash equivalents of £196.5m (H1 2023: £100.4m).

The Group's term debt and committed facilities include US private placements of US$75m, US$120m and US$180m which mature in December 2024, August 2030 and August 2033 respectively. In addition, the Group's multi-currency syndicated revolving credit facility was refinanced in the period, increasing the facility from £375m to £400m, with no change in the related covenants. The revolving credit facility was undrawn at the period end.

At 30 June 2024, the Group had undrawn committed and uncommitted borrowing facilities totalling £449.2m, comprising £400m of the unutilised revolving credit facility, £2.1m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £47.1m, as well as cash and cash equivalents of £196.5m.

The most significant covenants in respect of the main borrowing facilities relate to the ratio of net debt to underlying EBITDA, underlying EBITDA interest cover and the Group's net worth. The covenants are required to be tested at the half year and the year end. The Group operates comfortably within all of its covenant limits. Net debt to underlying EBITDA leverage, calculated excluding the impact of IFRS 16, was 0.3x (H1 2023: 1.2x), well within the limit of 3.0x and below the leverage target of between 0.5x – 1.5x. Calculated on a statutory basis, including the impact of IFRS 16, net debt to EBITDA leverage was 0.6x at 30 June 2024 (H1 2023: 1.4x). Underlying EBITDA, excluding the impact of IFRS 16, to net finance charges for the period to 30 June 2024 was 17.0x (H1 2023: 11.2x).

On an IFRS 16 basis, gearing at 30 June 2024 was 36% (H1 2023: 68%).

The average month-end net debt during the period ended 30 June 2024, excluding IFRS 16 lease liabilities, was £112.4m (H1 2023: £244.7m) and the Group's revolving credit facility has been undrawn during the period. The Group had no material discounting or factoring in place during the period. Given the relatively low value and short-term nature of the majority of the Group's projects, the level of advance payments is typically not significant.

At 30 June 2024 the Group had drawn upon uncommitted overdraft facilities of £2.3m (H1 2023: £5.6m) and had drawn £203.0m of bank guarantee facilities (H1 2023: £185.4m).

Retirement benefit liabilities

The primary defined benefit scheme is in the UK. The Group also has defined benefit retirement obligations in Germany and Austria and a number of end of service schemes in the Middle East that follow the same principles as a defined benefit scheme. The Group's net defined benefit liabilities as at 30 June 2024 were £16.0m (H1 2023: £18.2m). The reduction in the half year period was driven by cash payments into the schemes. The net defined liability for the Keller Group Pension Scheme in the UK as at 30 June 2024 is £0.2m (H1 2023: £2.6m), being the minimum funding requirement, calculated using the remaining agreed contributions.

Currencies

The Group is exposed to both translational and, to a lesser extent, transactional foreign currency gains and losses through movements in foreign exchange rates as a result of its global operations. The Group's primary currency exposures are US dollar, Canadian dollar, euro and Australian dollar.

As the Group reports in sterling and conducts the majority of its business in other currencies, movements in exchange rates can result in significant currency translation gains or losses. This has an effect on the primary statements and associated balance sheet metrics, such as net debt and working capital.

A large proportion of the Group's revenues are matched with corresponding operating costs in the same currency. The impacts of transactional foreign exchange gains or losses are consequently mitigated and are recognised in the period in which they arise.

The following exchange rates applied during the current and prior half year period:

	H1 2024		H1 2023	
	Closing	**Average**	Closing	Average
USD	**1.26**	**1.27**	1.26	1.23
CAD	**1.73**	**1.72**	1.67	1.66
EUR	**1.18**	**1.17**	1.16	1.14
AUD	**1.90**	**1.92**	1.90	1.83

Principal risks

The Group operates globally across many geotechnical market sectors and in varied geographic markets. The Group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it undertakes its operations around the world. The Group is alert to the challenges of managing risk and has systems and procedures in place across the Group to identify, assess and mitigate major business risks.

The principal risks and uncertainties are as follows:

- Financial risks
  - The inability to finance our business
- Market risk
  - A rapid downturn in our markets
- Strategic risk
  - The failure to procure new contracts, losing market share
  - Ethical misconduct and non-compliance with regulations
  - Inability to maintain our technological product advantage
  - Climate change
- Operational risk
  - Service or solution failure
  - The ineffective execution of our projects
  - Supply chain partners fail to meet the Group's operational expectation and contractual obligations (including capacity, competency, quality, financial stability, safety, environmental, social and ethical)
  - Causing a serious injury or fatality to an employee or member of the public
  - Not having the right skills to deliver and the risk of potential disruption in the business operations
  - Cyber risk

For a more detailed description of these risks, uncertainties and other factors, please see the Principal risks and uncertainties section of the Strategic report in the 2023 Annual Report and Accounts.

Overall, our risk environment has improved slightly during the first half of 2024, and we have only seen some minor changes to the previously disclosed principal risks and mitigations. Key points to note are:

- New seven-year £400m revolving credit facility secured (initial five years with two one-year extensions), along with continued strong operational performance throughout the first half of 2024 are improving the outlook on our ability to finance the business. Supply chains have on the whole returned to normal, including a reduction in the risk of both scarcity of certain materials (steel, cement and energy) and the pricing impact.
- Recruitment issues are beginning to ease across many of our business units, although there are still some hotspots around specific roles. The inflationary pressure on pay is also starting to show signs of abating as the inflation rates return to normal levels in most of our markets. Our focus on retaining and training key talent across our business units remains.
- Inflation is falling back to near normal levels, with interest rates looking like they have peaked and now expected to start falling in the second half of 2024 in many of the markets in which we operate.

The important developments in managing our principal risks during 2024 are as follows:

- Continued focus on embedding risk management processes across all parts of the organisation to enable better and more responsive decision making, supported by the new Governance, Risk Management and Compliance (GRC) tool.
- Regularly reviewing our principal risks and the mitigating actions we are taking to ensure they accurately reflect the risks we are facing and how we are responding to those risks.
- Continuing to review risk trends, including the consideration of risks across the medium and long term via horizon scanning and reviewing emerging legislation to ascertain how they may impact Keller.

The key areas of focus for the remainder of 2024 are as follows:

- Finalising and developing further appropriate scenario analyses and identifying relevant metrics to support them, needed to comply with TCFD requirements. These scenarios will also lead to continued improvement in understanding of the longer-term strategic impact and in turn support a timelier and more robust decision-making process.
- Continued roll-out of tailored business unit training on the new GRC tool.
- We will continue to monitor the following items through the regular review of risks across the business and any impact they may have on our principal risks for 2024 year-end reporting:
    - Supply chain issues, specifically transportation, where the conflict in Gaza and the drought impacting the Panama Canal has been putting some pressure on shipping rates for steel.
    - Recruitment and retention issues have eased slightly, but focus will remain where hotspots exist around specific roles. Increased focus on retaining and training staff will remain a priority.
    - Inflation rates remaining steady, and the potential start of interest rates beginning to fall, will be closely tracked in the markets in which we operate. We will also monitor whether this leads to customers beginning to restart projects that were put on hold.

Statement of Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority (FCA).

The DTR require that the accounting policies and presentation applied to the half yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual accounts, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the interim report, unless the FCA agrees otherwise.

The Directors confirm that to the best of their knowledge the condensed set of financial statements, which have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, as required by DTR 4.2 and in particular include a fair review of:

- the important events that have occurred during the first half of the financial year and their impact on the interim condensed consolidated set of financial statements as required by DTR 4.2.7R;
- the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- related party transactions that have taken place in the first half of the current financial year and changes in the related party transactions described in the previous annual report that have materially affected the financial position or performance of the Group during the first half of the current financial year as required by DTR 4.2.8R.

The Directors of Keller Group plc are listed in the 2023 Annual Report and Accounts.

Approved by the Board of Keller Group plc and signed on its behalf by:

Michael Speakman
Chief Executive Officer

David Burke
Chief Financial Officer

5 August 2024

INDEPENDENT REVIEW REPORT TO KELLER GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the Interim Results of Keller Group plc for the half-year period ended 30 June 2024 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statements of changes in equity, condensed consolidated cash flow statement, and the related explanatory notes. We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the interim period ended 30 June 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
5 August 2024

Interim condensed consolidated income statement (unaudited)

For the half year ended 30 June 2024

		30 June 2024			30 June 2023[1]		
	Note	Underlying £m	Non-underlying items (note 7) £m	Statutory £m	Underlying £m	Non-underlying items (note 7) £m	Statutory £m
Revenue	4,5	**1,489.8**	**–**	**1,489.8**	1,466.3	–	1,466.3
Operating costs		**(1,373.3)**	**(6.6)**	**(1,379.9)**	(1,384.9)	(7.0)	(1,391.9)
Net impairment loss on trade receivables and contract assets		**(2.8)**	**–**	**(2.8)**	(14.6)	(0.2)	(14.8)
Amortisation of acquired intangible assets		**–**	**(1.5)**	**(1.5)**	–	(3.8)	(3.8)
Other operating income		**–**	**0.8**	**0.8**	–	1.0	1.0
Share of post-tax results of joint ventures		**(0.5)**	**–**	**(0.5)**	0.2	(0.4)	(0.2)
Operating profit/(loss)	4	**113.2**	**(7.3)**	**105.9**	67.0	(10.4)	56.6
Finance income		**3.2**	**–**	**3.2**	0.6	–	0.6
Finance costs		**(13.8)**	**–**	**(13.8)**	(14.1)	–	(14.1)
Profit/(loss) before taxation		**102.6**	**(7.3)**	**95.3**	53.5	(10.4)	43.1
Taxation	8	**(26.7)**	**1.0**	**(25.7)**	(11.8)	2.3	(9.5)
Profit/(loss) for the period		**75.9**	**(6.3)**	**69.6**	41.7	(8.1)	33.6
Attributable to:							
Equity holders of the parent		**75.8**	**(6.3)**	**69.5**	41.3	(8.1)	33.2
Non-controlling interests		**0.1**	**–**	**0.1**	0.4	–	0.4
		75.9	**(6.3)**	**69.6**	41.7	(8.1)	33.6
Earnings per share							
Basic	10	**104.8p**		**96.1p**	56.7p		45.6p
Diluted	10	**103.3p**		**94.7p**	56.0p		45.0p

[1] The prior period columns have been reclassified to show net impairment loss on trade receivables and contract assets separate from operating costs, where they were reported in previous periods. The inclusion of this information is in line with the presentation of the Group's consolidated financial statements for the year ended 31 December 2023.

Interim condensed consolidated statement of comprehensive income (unaudited)

For the half year ended 30 June 2024

	30 June 2024 £m	30 June 2023 £m
Profit for the period	**69.6**	33.6
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange movements on translation of foreign operations	**(5.0)**	(26.4)
Transfer of translation reserve on disposal of subsidiaries	**(0.6)**	–
Cash flow hedge transfers to income statement	**(0.1)**	–
Other comprehensive income/(loss) for the period, net of tax	**(5.7)**	(26.4)
Total comprehensive income for the period	**63.9**	7.2
Attributable to:		
Equity holders of the parent	**63.8**	7.0
Non-controlling interests	**0.1**	0.2
	63.9	7.2

Interim condensed consolidated balance sheet (unaudited)

As at 30 June 2024

	Note	**As at 30 June 2024 £m**	As at 30 June 2023 £m	As at 31 December 2023 £m
Assets				
Non-current assets				
Goodwill and intangible assets		**113.3**	128.8	114.6
Property, plant and equipment	11	**461.7**	473.5	480.2
Investments in joint ventures		**3.9**	4.1	4.5
Deferred tax assets		**45.5**	26.2	36.8
Other assets		**76.8**	72.3	66.8
		701.2	704.9	702.9
Current assets				
Inventories		**91.5**	92.8	93.3
Trade and other receivables		**796.6**	760.5	721.8
Current tax assets	8	**6.3**	4.3	6.3
Cash and cash equivalents	12	**196.5**	100.4	151.4
Assets held for sale	13	**13.0**	1.6	1.6
		1,103.9	959.6	974.4
Total assets		**1,805.1**	1,664.5	1,677.3
Liabilities				
Current liabilities				
Loans and borrowings		**(88.6)**	(30.7)	(86.8)
Current tax liabilities	8	**(36.2)**	(34.6)	(35.5)
Trade and other payables		**(615.7)**	(550.9)	(553.6)
Provisions		**(68.9)**	(49.6)	(59.1)
		(809.4)	(665.8)	(735.0)
Non-current liabilities				
Loans and borrowings		**(306.9)**	(401.3)	(301.9)
Retirement benefit liabilities	14	**(16.0)**	(18.2)	(17.7)
Deferred tax liabilities		**(7.9)**	(4.7)	(7.8)
Provisions		**(86.4)**	(72.6)	(73.7)
Other liabilities		**(23.4)**	(16.8)	(23.2)
		(440.6)	(513.6)	(424.3)
Total liabilities		**(1,250.0)**	(1,179.4)	(1,159.3)
Net assets		**555.1**	485.1	518.0
Equity				
Share capital	16	**7.3**	7.3	7.3
Share premium account		**38.1**	38.1	38.1
Capital redemption reserve	16	**7.6**	7.6	7.6
Translation reserve		**24.2**	31.7	29.8
Other reserve	16	**56.9**	56.9	56.9
Hedging reserve		**1.6**	–	1.7
Retained earnings		**416.6**	341.0	373.9
Equity attributable to equity holders of the parent		**552.3**	482.6	515.3
Non-controlling interests		**2.8**	2.5	2.7
Total equity		**555.1**	485.1	518.0

Interim condensed consolidated statement of changes in equity (unaudited)

For the half year ended 30 June 2024

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2023	**7.3**	**38.1**	**7.6**	**29.8**	**56.9**	**1.7**	**373.9**	**2.7**	**518.0**
Total comprehensive income for the period	**–**	**–**	**–**	**(5.6)**	**–**	**(0.1)**	**69.5**	**0.1**	**63.9**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(22.6)**	**–**	**(22.6)**
Purchase of own shares for ESOP trust	**–**	**–**	**–**	**–**	**–**	**–**	**(6.5)**	**–**	**(6.5)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**2.3**	**–**	**2.3**
At 30 June 2024	**7.3**	**38.1**	**7.6**	**24.2**	**56.9**	**1.6**	**416.6**	**2.8**	**555.1**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2022	7.3	38.1	7.6	57.9	56.9	–	326.7	2.3	496.8
Total comprehensive income for the period	–	–	–	(26.2)	–	–	33.2	0.2	7.2
Dividends	–	–	–	–	–	–	(17.7)	–	(17.7)
Purchase of own shares for ESOP trust	–	–	–	–	–	–	(3.4)	–	(3.4)
Share-based payments	–	–	–	–	–	–	2.2	–	2.2
At 30 June 2023	7.3	38.1	7.6	31.7	56.9	–	341.0	2.5	485.1

Interim condensed consolidated cash flow statement (unaudited)

For the half year ended 30 June 2024

	Note	**30 June 2024 £m**	30 June 2023 £m
Cash flows from operating activities			
Profit before taxation		**95.3**	43.1
Non-underlying items		**7.3**	10.4
Finance income		**(3.2)**	(0.6)
Finance costs		**13.8**	14.1
Underlying operating profit	4	**113.2**	67.0
Depreciation/impairment of property, plant and equipment		**53.9**	53.9
Amortisation of intangible assets		**0.1**	0.2
Share of underlying post-tax results of joint ventures		**0.5**	(0.2)
Profit on sale of property, plant and equipment	11	**(6.3)**	(2.5)
Other non-cash movements (including charge for share-based payments)		**2.5**	2.1
Operating cash flows before movements in working capital and other underlying items		**163.9**	120.5
Decrease in inventories		**1.0**	27.4
Increase in trade and other receivables		**(75.9)**	(38.7)
Increase/(decrease) in trade and other payables		**72.4**	(21.8)
Increase in provisions, retirement benefit and other non-current liabilities		**10.0**	7.4
Cash generated from operations before non-underlying items		**171.4**	94.8
Cash outflows from non-underlying items: contract dispute		**(0.1)**	(3.0)
Cash outflows from non-underlying items: ERP costs		**(2.4)**	(3.1)
Cash outflows from non-underlying items: restructuring costs		**(2.5)**	(3.3)
Cash generated from operations		**166.4**	85.4
Interest paid		**(10.2)**	(9.1)
Interest element of lease rental payments		**(2.9)**	(2.4)
Income tax paid		**(34.4)**	(38.6)
Net cash inflow from operating activities		**118.9**	35.3
Cash flows from investing activities			
Interest received		**2.7**	0.6
Proceeds from sale of property, plant and equipment		**14.5**	8.1
Acquisition of businesses, net of cash acquired		**(0.7)**	–
Disposal of businesses	6	**(4.9)**	–
Acquisition of property, plant and equipment	11	**(37.6)**	(42.5)
Net cash outflow from investing activities		**(26.0)**	(33.8)
Cash flows from financing activities			
Debt issuance costs		**(3.2)**	(0.4)
Increase in borrowings		**–**	100.5
Repayment of borrowings		**(0.1)**	(61.2)
Payment of lease liabilities		**(14.1)**	(14.1)
Purchase of own shares for ESOP trust		**(6.5)**	(3.4)
Dividends paid	9	**(22.6)**	(17.7)
Net cash inflow from financing activities		**(46.5)**	3.7
Net increase/(decrease) in cash and cash equivalents		**46.4**	5.2
Cash and cash equivalents at beginning of period		**149.0**	94.2
Effect of exchange rate movements		**(1.2)**	(4.6)
Cash and cash equivalents at end of period	12	**194.2**	94.8

1. Corporate information

The interim condensed consolidated financial statements of Keller Group plc and its subsidiaries (collectively, the 'Group') for the half year period ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors on 5 August 2024.

Keller Group plc (the 'company') is a limited company, incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at 2 Kingdom Street, London W2 6BD. The Group is principally engaged in the provision of specialist geotechnical engineering services.

2. Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2023. The interim report does not constitute statutory accounts. The financial information for the year ended 31 December 2023 does not constitute the Group's statutory financial statements for that period as defined in section 435 of the Companies Act 2006 but is instead an extract from those financial statements. The Group's financial statements for the year ended 31 December 2023 have been delivered to the Registrar of Companies. The auditor's report on those financial statements contained an unqualified opinion, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006. The annual financial statements for the year ended 31 December 2024 will be prepared in accordance with UK adopted international accounting standards.

The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Finance (No 2) Bill 2023, that includes Pillar Two legislation, was substantively enacted on 20 June 2023 for IFRS purposes. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 International Tax Reform – Pillar Two Model Rules which was issued in May 2023.

Going concern

As part of the interim going concern review, management ran a series of downside scenarios on the latest forecast profit and cash flow projections to assess covenant headroom against available funding facilities for the period to 31 December 2025. This is a period of at least 12 months from when the interim financial statements are authorised for issue and align with the period in which the Group's banking covenants are tested.

This process involved constructing scenarios to reflect the Group's current assessment of its principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties modelled by management align with those disclosed within the 2023 Annual Report and Accounts.

The following severe but plausible downside assumptions were modelled:

- Rapid downturn in the Group's markets resulting in up to a 10% decline in revenues.
- Failure to procure new contracts while maintaining appropriate margins reducing profits by 0.5% of revenue.
- Ineffective execution of projects reducing profits by 1% of revenue.
- A combination of other principal risks and trading risks materialising together reducing profits by up to £39.7m over the period to 31 December 2025. These risks include changing environmental factors, costs of ethical misconduct and regulatory non-compliance, occurrence of an accident causing serious injury to an employee or member of the public, the cost of a product or solution failure and the impact of a previously unrecorded tax liability.
- Deterioration of working capital performance by 5% of six months' sales.

The financial and cash effects of these scenarios were modelled individually and in combination. The focus was on the ability to secure or retain future work and potential downward pressure on margins. Management applied sensitivities against projected revenue, margin and working capital metrics reflecting a series of plausible downside scenarios. Against the most negative scenario, mitigating actions were overlaid. These include a range of cost-cutting measures and overhead savings designed to preserve cash flows.

Even in the most extreme downside scenario modelled, including an aggregation of all risks considered, which showed a decrease in operating profit of 53.3%, the adjusted projections do not show a breach of covenants in respect of available funding facilities or any liquidity shortfall. Consideration was given to scenarios where covenants would be breached and the circumstances giving rise to these scenarios were considered extreme and remote.

This process allowed the Board to conclude that the Group will continue to operate on a going concern basis for the period through to the end of December 2025, a period of at least 12 months from when the interim financial statements are authorised for issue. Accordingly, the interim financial statements are prepared on a going concern basis. At 30 June 2024, the Group had undrawn committed and uncommitted borrowing facilities totalling £449.2m, comprising £400m of the unutilised portion of the revolving credit facility, £2.1m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £47.1m, as well as cash and cash equivalents of £196.5m. At 30 June 2024, the Group's net debt to underlying EBITDA ratio (calculated on an IAS 17 covenant basis) was 0.3x, well within the limit of 3.0x.

Significant accounting judgements, estimates and assumptions

During the half year to 30 June 2024, there have not been any changes in the significant accounting judgements, estimates and assumptions disclosed in the 2023 Annual Report and Accounts. Consistent with the disclosure in the 2023 Annual Report and Accounts, our assessment over the carrying value of goodwill in Keller Canada continues to be sensitive to the future successful execution of business plans designed to improve operating performance by improving project delivery and revenue growth over the next three years.

3. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period			Period end		
	Half year to 30 June 2024	Half year to 30 June 2023	Year to 31 December 2023	**As at 30 June 2024**	As at 30 June 2023	As at 31 December 2023
US dollar	**1.27**	1.23	1.24	**1.26**	1.26	1.27
Canadian dollar	**1.72**	1.66	1.68	**1.73**	1.67	1.69
Euro	**1.17**	1.14	1.15	**1.18**	1.16	1.15
Singapore dollar	**1.70**	1.65	1.67	**1.71**	1.72	1.68
Australian dollar	**1.92**	1.83	1.87	**1.90**	1.90	1.87

4. Segmental analysis

In accordance with IFRS 8, the Group has determined its operating segments based upon the information reported to the Chief Operating Decision Maker. The Group comprises of three geographical divisions which have only one major product or service: specialist geotechnical services. North America, Europe and Middle East, and Asia-Pacific continue to be managed as separate geographical divisions. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	Half year to 30 June 2024		Half year to 30 June 2023[1]	
	Revenue £m	**Operating profit £m**	Revenue £m	Operating profit £m
North America	**883.8**	**105.8**	875.8	65.4
Europe and Middle East	**418.9**	**3.0**	401.3	12.0
Asia-Pacific	**187.1**	**11.1**	189.2	(4.2)
	1,489.8	**119.9**	1,466.3	73.2
Central items and eliminations	**–**	**(6.7)**	–	(6.2)
Before non-underlying items	**1,489.8**	**113.2**	1,466.3	67.0
Non-underlying items (note 7)	**–**	**(7.3)**	–	(10.4)
	1,489.8	**105.9**	1,466.3	56.6

	As at 30 June 2024					
	Segment assets £m	**Segment liabilities £m**	**Capital employed £m**	**Capital additions £m**	**Depreciation and amortisation[3] £m**	**Tangible and intangible assets[4] £m**
North America	**965.2**	**(344.4)**	**620.8**	**23.9**	**27.4**	**348.7**
Europe and Middle East	**393.0**	**(290.1)**	**102.9**	**9.6**	**19.0**	**153.7**
Asia-Pacific	**169.3**	**(104.6)**	**64.7**	**4.1**	**7.0**	**67.8**
	1,527.5	**(739.1)**	**788.4**	**37.6**	**53.4**	**570.2**
Central items and eliminations[2]	**277.6**	**(510.9)**	**(233.3)**	**–**	**0.6**	**4.8**
	1,805.1	**(1,250.0)**	**555.1**	**37.6**	**54.0**	**575.0**

	As at 30 June 2023[1]					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation[3] £m	Tangible and intangible assets[4] £m
North America	942.8	(320.9)	621.9	15.5	27.7	340.3
Europe and Middle East	394.7	(223.1)	171.6	16.0	18.7	181.9
Asia-Pacific	189.0	(102.9)	86.1	11.0	7.0	78.8
	1,526.5	(646.9)	879.6	42.5	53.4	601.0
Central items and eliminations[2]	138.0	(532.5)	(394.5)	–	0.7	1.3
	1,664.5	(1,179.4)	485.1	42.5	54.1	602.3

	As at 31 December 2023[1]					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation[3] £m	Tangible and intangible assets[4] £m
North America	929.9	(302.9)	627.0	42.1	56.5	347.3
Europe and Middle East	390.6	(271.3)	119.3	36.2	40.5	169.2
Asia-Pacific	162.3	(91.0)	71.3	16.2	14.1	77.5
	1,482.8	(665.2)	817.6	94.5	111.1	594.0
Central items and eliminations[2]	194.5	(494.1)	(299.6)	–	1.1	0.8
	1,677.3	(1,159.3)	518.0	94.5	112.2	594.8

1 From 1 January 2024 the Middle East and Africa (MEA) business was transferred to the Europe Division, creating the Europe and Middle East Division, and the remaining Asia-Pacific, Middle East and Africa Division became the Asia-Pacific Division. The 2023 comparative segmental information has been updated to reflect this change as it is consistent with the information reviewed by the Chief Operating Decision Maker.
2 Central items include net debt and tax balances, which are managed by the Group.
3 Depreciation and amortisation excludes amortisation of acquired intangible assets.
4 Tangible and intangible assets comprise goodwill, intangible assets and property, plant and equipment.

5. Revenue

The Group's revenue is derived from contracts with customers. In the following table, revenue is disaggregated by primary geographical market, being the Group's operating segments (see note 4) and timing of revenue recognition:

	Half year to 30 June 2024			Half year to 30 June 2023[1]		
	Revenue recognised on performance obligations satisfied over time £m	**Revenue recognised on performance obligations satisfied at a point in time £m**	**Total revenue £m**	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	**707.5**	**176.3**	**883.8**	662.8	213.0	875.8
Europe and Middle East	**418.9**	**–**	**418.9**	401.3	–	401.3
Asia-Pacific	**187.1**	**–**	**187.1**	189.2	–	189.2
	1,313.5	**176.3**	**1,489.8**	1,253.3	213.0	1,466.3

1 From 1 January 2024 the Middle East and Africa (MEA) business was transferred to the Europe Division, creating the Europe and Middle East Division, and the remaining Asia-Pacific, Middle East and Africa Division became the Asia-Pacific Division. The 2023 comparative segmental information has been updated to reflect this change.

6. Acquisitions and disposals

Current period

There were no acquisitions during the half year ended 30 June 2024.

Disposals

On 28 June 2024, the Group disposed of its South African operation, being 100% of the issued share capital of Keller Geotechnics SA (Pty) Ltd, for a cash consideration received of £2.3m (ZAR55m). A non-underlying loss on disposal of £0.8m (ZAR19.9m) was recognised. The business disposal cash outflow of £4.9m relates to the disposal of the cash held by the South African subsidiary on the disposal date of 28 June 2024. The sale proceeds of £2.3m were received in the first week of July and are therefore not reflected in the cash flow statement for the half year period.

7. Non-underlying items

Non-underlying items include items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles, restructuring costs and other non-trading amounts, including those relating to acquisitions and disposals. Tax arising on these items, including movement in deferred tax assets arising from non-underlying provisions, is also classified as a non-underlying item. These are detailed below.
As underlying results include the benefits of restructuring programmes and acquisitions but exclude significant costs (such as major restructuring costs and the amortisation of acquired intangible assets) they should not be regarded as a complete picture of the Group's financial performance, which is presented in its total statutory results. The exclusion of non-underlying items may result in underlying earnings being materially higher or lower than total statutory earnings. In particular, when significant impairments and restructuring charges are excluded, underlying earnings will be higher than total statutory earnings.

	Half year to 30 June 2024 £m	Half year to 30 June 2023 £m
ERP implementation costs	**(2.5)**	(4.0)
Exceptional restructuring costs	**(3.3)**	(3.2)
Loss on disposal of business	**(0.8)**	–
Non-underlying items in operating costs	**(6.6)**	(7.2)
Amortisation of acquired intangible assets	**(1.5)**	(3.8)
Change in fair value of contingent consideration	**0.8**	–
Gain on disposal of assets held for sale	**–**	1.0
Non-underlying items in other operating income	**0.8**	1.0
Amortisation of joint venture acquired intangibles	**–**	(0.4)
Total non-underlying items in operating profit and before taxation	**(7.3)**	(10.4)
Taxation	**1.0**	2.3
Total non-underlying items after taxation	**(6.3)**	(8.1)

Non-underlying items in operating costs

ERP implementation costs

The Group is continuing the strategic project to implement a new cloud computing enterprise resource planning (ERP) system across the Group. Due to the size, nature and incidence of the relevant costs expected to be incurred, the costs are presented as a non-underlying item, as they are not reflective of the underlying performance of the Group. As this is a complex implementation, project costs are expected to be incurred over a total period of five years. Non-underlying ERP costs of £2.5m (H1 2023: £4.0m) include only costs relating directly to the implementation, including external consultancy costs and the cost of the dedicated implementation team. Non-underlying costs does not include operational post-deployment costs such as licence costs for businesses that have transitioned.

Exceptional restructuring costs

Exceptional restructuring costs comprises £3.5m in respect of the Group's finance transformation project, which will move certain finance activities into internal shared service centres. This is a Group-wide strategic project. The costs for the period mainly comprise headcount restructuring and one-off set-up costs for the shared service centres. Non-underlying costs does not include operational post-implementation running costs for the shared service centres. Exceptional restructuring costs also includes a £0.2m credit from a reduction in a restructuring provision recognised as a non-underlying cost in a prior period.

In 2023, exceptional restructuring costs comprised £1.7m in the North America Division and £1.5m in the Europe and Middle East (EME) Division. In North America the costs reflected the reorganisation of the US Foundations business and senior leadership changes. In AMEA the costs related to the closure of the Egypt business. Costs included asset impairments and redundancy costs.

The Group exercises judgement in assessing whether restructuring items should be classified as non-underlying. This assessment covers the nature of the item, cause of the occurrence and scale of impact of that item on the reported performance. Typically, management will categorise restructuring costs incurred to exit a specific geography as non-underlying. In addition, restructuring programmes which are incremental to normal operations undertaken to add value to the business are included in non-underlying items.

Loss on disposal of business

As explained in note 6, the Group disposed of its South African operation in the period, recognising a loss on disposal of £0.8m.

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets of £1.5m relates to the amortisation charge on assets acquired in the RECON, Moretrench, GKM and NWF acquisitions. The amortisation for the half year ended 30 June 2023 of £3.8m related to the RECON, Moretrench, GKM and NWF acquisitions.

Non-underlying items in other operating income

Change in fair value of contingent consideration

Non-underlying other operating income of £0.8m arises from a change in fair value of the contingent consideration related to the GKM Consultants acquisition.

Gain on disposal of assets held for sale

In 2023, the gain on disposal of assets held for sale of £1.0m related primarily to the sale of assets owned by the now closed Waterway business in Australia. Impairment charges for these assets had previously been charged to non-underlying items in prior periods and therefore the corresponding profit on disposal of the assets is also recognised as a non-underlying item.

Amortisation of joint venture acquired intangibles

Amortisation of joint venture intangibles relates to NordPile, an acquisition by the Group's joint venture interest KFS Finland Oy on 8 September 2021.

Non-underlying taxation

The credit relates to the tax benefit of amounts which are expected to be deductible for tax purposes.

8. Taxation

The effective tax rate on the Group's underlying profit of 26% (30 June 2023: 22%) is calculated using management's best estimate of the average annual effective income tax rate expected for the full year. The average is calculated using the weighted average profit at jurisdictional rates which differ from the tax rate in the UK of 25%. The increase from the H1 2023 rate is as a result of the change in the profit profile of the Group, particularly the higher profits in the US.

The tax credit on non-underlying items has been calculated by assessing the tax impact of each component of the charge to the income statement in the interim accounts and applying the jurisdictional tax rate that applies to that item.

The increase in deferred tax assets from 31 December 2023 to 30 June 2024 is as a result of the timing of the deductibility of R&D expenditure for US tax purposes. R&D expenditure is capitalised for tax purposes and amortised over five years.

The Group is subject to taxation in over 40 countries worldwide and the risk of changes in tax legislation and interpretation from tax authorities in the jurisdictions in which it operates. The assessment of uncertain positions is subjective and subject to management's best judgement of the probability of the outcome in reaching agreement with the relevant tax authorities. Where tax positions are uncertain, provision is made where necessary based on interpretation of legislation, management experience and appropriate professional advice. Management do not expect the outcome of these estimates to be materially different from the position taken.

The UK government enacted the Finance (No 2) Act 2023 on 11 July 2023, which includes the Pillar Two legislation introducing a multi-national top-up tax and a domestic minimum top-up tax in line with the minimum 15% rate in the OECD's Pillar Two rules. The rules apply to the Group for the current financial year that commenced on 1 January 2024, and as Keller Group plc qualifies as the ultimate parent entity (UPE) of all the entities consolidated within its consolidated financial statements, it will be required to calculate the jurisdictional effective tax rates for the constituent entities within the Group in accordance with the multi-national top-up tax rules. As the UPE, Keller Group plc will be required to pay a top-up tax in the UK on any excess profits, as defined, of its subsidiaries that are taxed at an effective rate of less than 15%. The UK legislation has also adopted the OECD's transitional Pillar Two safe harbour rules which, if applicable, will deem the top-up tax for a jurisdiction to be nil based on available Country-by-Country Reporting data.

The Group has performed an assessment of the potential exposure to multi-national top-up tax, and specifically the application of the transitional safe harbour rules based on the forecasted financial data for FY 2024 and taking into account actual performance. Based on the assessment, the transitional safe harbour rules apply for most of the jurisdictions in which the Group operates. There are however a limited number of jurisdictions where the transitional safe harbour relief may not apply, and the effective tax rate is below the 15% threshold. The Group does not expect a material exposure to multi-national top-up taxes for these jurisdictions.

The Group has applied the exemption in the amendments to IAS 12 (issued in May 2023) and has neither recognised nor disclosed information about deferred tax assets or liabilities relating to Pillar Two income taxes.

9. Dividends

Ordinary dividends on equity shares:

	Half year to 30 June 2024 £m	Half year to 30 June 2023 £m	Year to 31 December 2023 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2023 of 13.9p per share	**–**	–	10.0
Final dividend for the year ended 31 December 2023 of 31.3p per share	**22.6**	–	–
Final dividend for the year ended 31 December 2022 of 24.5p per share	**–**	17.7	17.7
	22.6	17.7	27.7

The 2023 final dividend of £22.6m was paid on 25 June 2024. The 2022 final dividend of £17.7m was paid on 23 June 2023.

In addition to the above, an interim ordinary dividend of 16.6p per share (30 June 2023: 13.9p) will be paid on 13 September 2024 to shareholders on the register at 16 August 2024. This proposed dividend has not been included as a liability in these financial statements and will be accounted for in the period in which it is paid.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

When the Group makes a profit, diluted earnings per share equals the profit attributable to equity holders of the parent divided by the weighted average diluted number of shares. When the Group makes a loss, diluted earnings per share equals the loss attributable to the equity holders of the parent divided by the basic average number of shares. This ensures that earnings per share on losses is shown in full and not diluted by unexercised share awards.

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to the equity holders of the parent		**Statutory earnings attributable to equity holders of the parent**	
	Half year to 30 June 2024	Half year to 30 June 2023	**Half year to 30 June 2024**	Half year to 30 June 2023
Profit available for equity holders (£m)	**75.8**	41.3	**69.5**	33.2
Weighted average number of shares (m)[1]				
Basic number of ordinary shares outstanding	**72.3**	72.8	**72.3**	72.8
Effect of dilution from:				
Share options and awards	**1.1**	0.9	**1.1**	0.9
Diluted number of ordinary shares	**73.4**	73.7	**73.4**	73.7
Earnings per share				
Basic earnings per share (p)	**104.8**	56.7	**96.1**	45.6
Diluted earnings per share (p)	**103.3**	56.0	**94.7**	45.0

1 The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year. The weighted average number of shares excludes those held in the Employee Share Ownership Plan Trust and those held in treasury, which for the purpose of this calculation are treated as cancelled.

11. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	As at 30 June 2024 £m	As at 30 June 2023 £m	As at 31 December 2023 £m
Property, plant and equipment – owned	**370.0**	390.7	394.9
Right-of-use assets – leased	**91.7**	82.8	85.3
	461.7	473.5	480.2

During the period to 30 June 2024, the Group acquired owned property, plant and equipment with a cost of £37.6m (30 June 2023: £42.5m; 31 December 2023: £94.3m). Right-of-use asset additions during the period were £14.1m (30 June 2023: £19.6m; 31 December 2023: £33.9m).

Owned assets with a net book value of £8.2m were disposed of during the half year to 30 June 2024 (30 June 2023: £4.3m; 31 December 2023: £13.0m), resulting in a net gain on disposal of £6.3m (30 June 2023: £2.5m; 31 December 2023: £4.4m).

12. Analysis of closing net debt

	As at 30 June 2024 £m	As at 30 June 2023 £m	As at 31 December 2023 £m
Bank balances	**112.9**	98.7	105.2
Short-term deposits	**83.6**	1.7	46.2
Cash and cash equivalents in the balance sheet	**196.5**	100.4	151.4
Bank overdrafts	**(2.3)**	(5.6)	(2.4)
Cash and cash equivalents in the cash flow statement	**194.2**	94.8	149.0
Bank and other loans	**(294.5)**	(338.9)	(294.7)
Lease liabilities	**(98.7)**	(87.5)	(91.6)
Closing net debt	**(199.0)**	(331.6)	(237.3)

Cash and cash equivalents include £6.8m (30 June 2023: £6.9m, 31 December 2023: £4.4m) of the Group's share of cash and cash equivalents held by joint operations, and £nil (30 June 2023: £1.1m; 31 December 2023: £1.1m) of restricted cash which is subject to local country restrictions.

13. Assets held for sale

	As at 30 June 2024 £m	As at 30 June 2023 £m	As at 31 December 2023 £m
Assets held for sale	**13.0**	1.6	1.6

At 30 June 2024, assets held for sale comprised of the Dandenong Yard in Australia costing £1.5m, various cranes and equipment in Australia costing £5.0m and various cranes and equipment in Saudi Arabia costing £6.5m.

14. Retirement benefit liabilities

The Group operates pension schemes in the UK and overseas, including a defined benefit scheme in the UK. The Group also has defined benefit retirement obligations in Germany and Austria and a number of end of service schemes in the Middle East that follow the same principles as a defined benefit scheme. For further information on the Group's pension schemes, refer to note 33 of the Group's financial statements for the year ended 31 December 2023.

The Group's net defined benefit liabilities as at 30 June 2024 were £16.0m (30 June 2023: £18.2m; 31 December 2023: £17.7m). The reduction in the half year was driven primarily by the £1.5m contributions from the employer. The net charge to the income statement was £0.1m (30 June 2023: £0.6m) and no significant actuarial change was recognised in the comprehensive income during the period to 30 June 2024 (30 June 2023: £nil).

The net defined liability for the Keller Group Pension Scheme in the UK as at 30 June 2024 was £0.2m (30 June 2023: £2.6m; 31 December 2023: £1.5m), being the minimum funding requirement, calculated using the agreed contributions.

A potentially landmark judgment was handed down in the High Court case of Virgin Media vs NTL Trustees in June 2023. The judge in this case ruled that, where benefit changes were made without a valid 'section 37' certificate from the scheme actuary, those changes could be considered void. The Keller Group Pension Scheme was contracted out of the additional state pension between 1997 and 2016 and made scheme amendments during this period. The scheme trustees have not yet investigated the scheme's historic documentation to confirm whether they hold the relevant section 37 certificates. Until this review has been completed, we are unable to determine the impact of this judgment.

15. Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities held by the Group:

	As at 30 June 2024 £m	As at 30 June 2023 £m	As at 31 December 2023 £m
Financial assets measured at fair value through profit or loss			
Non-qualifying deferred compensation plan	**22.0**	20.0	20.5
Financial assets measured at amortised cost			
Trade receivables	**593.3**	575.0	583.1
Contract assets	**135.2**	138.8	90.9
Cash and cash equivalents	**196.5**	100.4	151.4
Financial liabilities at fair value through profit or loss			
Contingent consideration payable	**(8.5)**	(0.9)	(10.0)
Forward contracts	**(0.3)**	–	(0.3)
Financial liabilities measured at amortised cost			
Deferred consideration payable	**(0.6)**	(0.9)	(0.7)
Trade payables	**(199.7)**	(181.6)	(155.5)
Contract liabilities	**(119.6)**	(93.3)	(90.9)
Bank and other loans	**(296.8)**	(344.5)	(297.1)
Lease liabilities	**(98.7)**	(87.5)	(91.6)

Fair values
The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments, being derivatives, interest-bearing loans and borrowings, contingent and deferred consideration and payables, receivables and contract assets, cash and cash equivalents.

Contingent and deferred consideration
Fair value is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses discounted using appropriate discount rates prevailing at the balance sheet date and the probability of contingent events and targets being achieved. The valuation methods of the Group's contingent consideration carried at fair value are categorised as Level 3. Level 3 assets are financial assets and liabilities that are considered to be the most illiquid. Their values have been estimated using available management information including subjective assumptions. There are no individually significant unobservable inputs used in the fair value measurement of the Group's contingent consideration as at 30 June 2024.

On 29 August 2023, the Group acquired the 35% interest in the voting shares of Keller Turki Company Limited. A contingent consideration is payable annually until 2027, dependent on the qualifying revenue generated by the business for each of those years. During the period to 30 June 2024, £0.7m contingent consideration was paid.

The contingent consideration relating to the acquisition of GKM Consultants Inc. of £0.8m was released during the period.

Payables, receivables and contract assets
For payables, receivables and contract assets with an expected maturity of one year or less, the carrying amount is deemed to reflect the fair value.

Non-qualifying deferred compensation plan
The value of both the employee investments and those held in trust by the company are measured using Level 1 inputs per IFRS 13 ('quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date') based on published market prices at the end of the period. Adjustments to the fair value are recorded within net finance costs in the consolidated income statement. Refer to note 18 of the Group's financial statements for the year ended 31 December 2023 for further information on the non-qualifying deferred compensation plan.

16. Share capital and reserves

	As at 30 June 2024 £m	As at 30 June 2023 £m	As at 31 December 2023 £m
Allotted, called up and fully paid equity share capital 73,099,735 ordinary shares of 10p each (30 June 2023 and 31 December 2023: 73,099,735)	**7.3**	7.3	7.3

The company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares.

The capital redemption reserve of £7.6m is a non-distributable reserve created when the company's shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

The other reserve of £56.9m is a non-distributable reserve created when merger relief was applied to an issue of shares under section 612 of the Companies Act 2006 to part-fund the acquisition of Keller Canada. The reserve becomes distributable should Keller Canada be disposed of.

At 30 June 2024, the total number of shares held in treasury was 123,153 (30 June 2023: 323,133; 31 December 2023: 323,133).

During the period to 30 June 2024, 422,863 ordinary shares were purchased by the Keller Group Employee Benefit Trust (30 June 2023: 500,000), to be used to satisfy future obligations of the company under the Keller Group plc Long Term Incentive Plan, and 250,736 shares were utilised to satisfy the obligation in the period (30 June 2023: 515,119). This brings the total number of ordinary shares held by the Keller Group Employee Benefit Trust to 709,298 (30 June 2023: 537,171). The cost of the market purchases in the period was £6.5m (30 June 2023: £3.4m).

17. Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation.
There are no other material related party transactions.

18. Post balance sheet events

There were no material post balance sheet events between the balance sheet date and the date of this report.

Adjusted performance measures

The Group's results as reported under International Financial Reporting Standards (IFRS) and presented in the interim condensed consolidated financial statements (the 'statutory results') are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts including those relating to acquisitions and disposals.

Adjusted performance measures have been used throughout this report to describe the Group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business as they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior periods.

Underlying measures

The term 'underlying' excludes the impact of items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangible assets and other non-trading amounts relating to acquisitions and disposals (collectively 'non-underlying items'), net of any associated tax. Underlying measures allow management and investors to compare performance without the potentially distorting effects of one-off items or non-trading items. Non-underlying items are disclosed separately in the interim financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group.

Constant currency measures

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2023 results of overseas operations into sterling at the 2024 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the condensed consolidated income statement, with non-underlying items detailed in note 7. A reconciliation between the 2023 underlying result to the 2023 constant currency result is shown below and compared to the underlying 2024 performance:

Revenue by segment

	Statutory 2024	Statutory 2023[1]	Impact of exchange movements 2023	Constant currency 2023	**Statutory change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**883.8**	875.8	(27.9)	847.9	**+1%**	**+4%**
Europe and Middle East	**418.9**	401.3	(6.2)	395.1	**+4%**	**+6%**
Asia-Pacific	**187.1**	189.2	(8.3)	180.9	**-1%**	**+3%**
Group	**1,489.8**	1,466.3	(42.4)	1,423.9	**+2%**	**+5%**

Underlying operating profit by segment

	Underlying 2024	Underlying 2023[1]	Impact of exchange movements 2023	Constant currency 2023	**Underlying change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**105.8**	65.4	(2.3)	63.1	**+62%**	**+68%**
Europe and Middle East	**3.0**	12.0	(0.3)	11.7	**-75%**	**-74%**
Asia-Pacific	**11.1**	(4.2)	0.1	(4.1)	**n/a**	**n/a**
Central items	**(6.7)**	(6.2)	–	(6.2)	**+8%**	**+8%**
Group	**113.2**	67.0	(2.5)	64.5	**+69%**	**+76%**

1 From 1 January 2024 the Middle East and Africa (MEA) business was transferred to the Europe Division, creating the Europe and Middle East Division, and the remaining Asia-Pacific, Middle East and Africa Division became the Asia-Pacific Division. The 2023 comparative segmental information has been updated to reflect this change as it is consistent with the information reviewed by the Chief Operating Decision Maker.

Underlying operating margin

Underlying operating margin is underlying operating profit as a percentage of revenue.

Other adjusted measures

Where not presented and reconciled on the face of the interim condensed consolidated income statement, balance sheet or cash flow statement, the adjusted measures are reconciled to the IFRS statutory numbers below:

EBITDA (statutory)

	30 June 2024 £m	30 June 2023 £m
Underlying operating profit	**113.2**	67.0
Depreciation and impairment of owned property, plant and equipment	**39.0**	39.3
Depreciation and impairment of right-of-use assets	**14.9**	14.6
Amortisation of intangible assets	**0.1**	0.2
Underlying EBITDA	**167.2**	121.1
Non-underlying items in operating costs	**(6.6)**	(7.2)
Non-underlying items in other operating income	**0.8**	1.0
EBITDA	**161.4**	114.9

EBITDA (IAS 17 covenant basis)

	30 June 2024 £m	30 June 2023 £m
Underlying operating profit	**113.2**	67.0
Depreciation and impairment of owned property, plant and equipment	**39.0**	39.3
Depreciation and impairment of right-of-use assets	**14.9**	14.6
Legacy IAS 17 operating lease charges	**(17.2)**	(16.7)
Amortisation of intangible assets	**0.1**	0.2
Underlying EBITDA	**150.0**	104.4
Non-underlying items in operating costs	**(6.6)**	(7.2)
Non-underlying items in other operating income	**0.8**	1.0
EBITDA	**144.2**	98.2

Net finance costs

	30 June 2024 £m	30 June 2023 £m
Finance income	**(3.2)**	(0.6)
Finance costs	**13.8**	14.1
Net finance costs (statutory)	**10.6**	13.5
Finance charge on lease liabilities[1]	**(2.9)**	(2.5)
Lender covenant adjustments	**0.1**	–
Net finance costs (IAS 17 covenant basis)	**7.8**	11.0

1 Excluding legacy IAS 17 finance leases.

Net capital expenditure

	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Acquisition of property, plant and equipment	**37.6**	42.5	94.3
Acquisition of intangible assets	**–**	–	0.2
Proceeds from sale of property, plant and equipment	**(14.5)**	(8.1)	(20.9)
Net capital expenditure[1]	**23.1**	34.4	73.6

1 Net capital expenditure excludes right-of-use assets.

Net debt

	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Current loans and borrowings	**88.6**	30.7	86.8
Non-current loans and borrowings	**306.9**	401.3	301.9
Cash and cash equivalents	**(196.5)**	(100.4)	(151.4)
Net debt (statutory)	**199.0**	331.6	237.3
Lease liabilities[1]	**(98.3)**	(87.0)	(91.1)
Net debt (IAS 17 covenant basis)	**100.7**	244.6	146.2

1 Excluding legacy IAS 17 finance leases.

Leverage ratio

The leverage ratio is calculated as net debt to underlying EBITDA.

Statutory	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
Net debt	**199.0**	331.6	237.3
Underlying EBITDA (last 12 months)	**339.2**	235.9	293.1
Leverage ratio (x)	**0.6**	1.4	0.8

IAS 17 covenant basis	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
Net debt	**100.7**	244.6	146.2
Underlying EBITDA (last 12 months)	**304.9**	206.5	259.3
Leverage ratio (x)	**0.3**	1.2	0.6

Order book

The Group's disclosure of its order book is aimed to provide insight into its backlog of work and future performance. The Group's order book is not a measure of past performance and therefore cannot be derived from its financial statements. The Group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book.

IFRS 16 gearing

	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Net debt (statutory)	**199.0**	331.6	237.3
Net assets	**555.1**	485.1	518.0
Gearing	**36%**	68%	46%

Free cash flow

The calculation of free cash flow is set out in the Chief Financial Officer's section of the Strategic report and is reconciled to movements in the consolidated cash flow statement and other movements in net debt as set out below.

	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Net cash inflow from operating activities	**118.9**	35.3	197.0
Net cash outflow from investing activities	**(26.0)**	(33.8)	(70.7)
Exclude:			
Cash inflows from non-underlying items – contract dispute	**0.1**	3.0	3.7
Cash inflows from non-underlying items – ERP costs	**2.4**	3.1	7.5
Cash inflows from non-underlying items – restructuring costs	**2.5**	3.3	1.2
Acquisition of subsidiaries, net of cash acquired	**0.7**	—	0.2
Disposal of subsidiaries	**4.9**	—	(1.3)
Include:			
Increase in net debt from new leases	**(14.2)**	(19.6)	(33.9)
Increase in net debt from amortisation of deferred finance costs	**(0.7)**	(0.4)	(0.5)
Free cash flow	**88.6**	(9.1)	103.2