

Business Model

1

KEY RESOURCES AND RELATIONSHIPS

Our people are at the heart of what we achieve

Henry Boot recognises that our people are fundamental to the success and sustainability of the Group. It is their expertise that executes our business model successfully and delivers the value created by the business to our stakeholders.

Group strategy framework

In 2018, we developed our Group strategy framework to ensure there was an overarching and consistent business plan in place. Since then, using the existing framework, the Group has reviewed and refocused its strategy to concentrate on three key markets, which underpin the business model. The strategy is still flexible to our subsidiary's different operational expertise, but it improves upon synergies and efficiencies within the Group, whilst still focusing on creating value for all our stakeholders.

➔ Read more about **Our New Strategy** on pages 30 and 31

The 'Henry Boot Way'

Our culture and behaviour are guided by The 'Henry Boot Way'. This allows us to create and sustain an open culture, where our people can grow and thrive, upholding the standards that are so important to all of us. It inspires excellence in everything we do for our customers, and our colleagues and aims to provide satisfaction for all our stakeholders.

➔ Read more about **'The Henry Boot Way'** on page 05

Effective governance

We align our dynamic business model with robust governance systems to ensure we operate transparently and openly. We set ourselves very high standards and strictly follow best practice in all of our operations.

➔ Read the **Governance Report** on page 77



2

GROUP OPERATING MODEL

1 Identify opportunities and acquire land

Hallam Land Management acquires mainly agricultural land and then promotes it for its highest value use. **Henry Boot Developments** acquires mainly brownfield land.

2 Obtain planning permission

Gaining planning permission on land adds immense value to its worth.

Hallam Land Management promotes land for residential, commercial and retail consent.

Henry Boot Developments promotes land for commercial development. **Stonebridge Homes** promotes land for residential development.

3a Sale of land

Once **Hallam Land Management** obtains planning permission on a site, it is sold to a developer, sometimes after infrastructure has been installed. The amount of capital required to achieve planning permission on a section of land is a very small proportion of the total capital required for the whole building process, from acquisition of land without planning permission through to completion of construction. This means that **Hallam Land Management** is focused on maximising the most profitable section of the housebuilding process for the lowest amount of working capital.

3b Development of site

Unlike **Hallam Land Management**, when **Henry Boot Developments** and **Stonebridge Homes** gain planning permission for a site, they will develop it themselves.

4a Sale of property

Once a property is developed, it may be immediately sold, generating significant revenue. Properties may be retained by the business to form part of the investment portfolio and may be sold at a later time.

4b Investment portfolio

A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth over £80m and generates a sizeable amount of rental income each year.

Construction

Henry Boot Construction is a contractor specialising in servicing both public and private clients in all construction and civil engineering sectors.

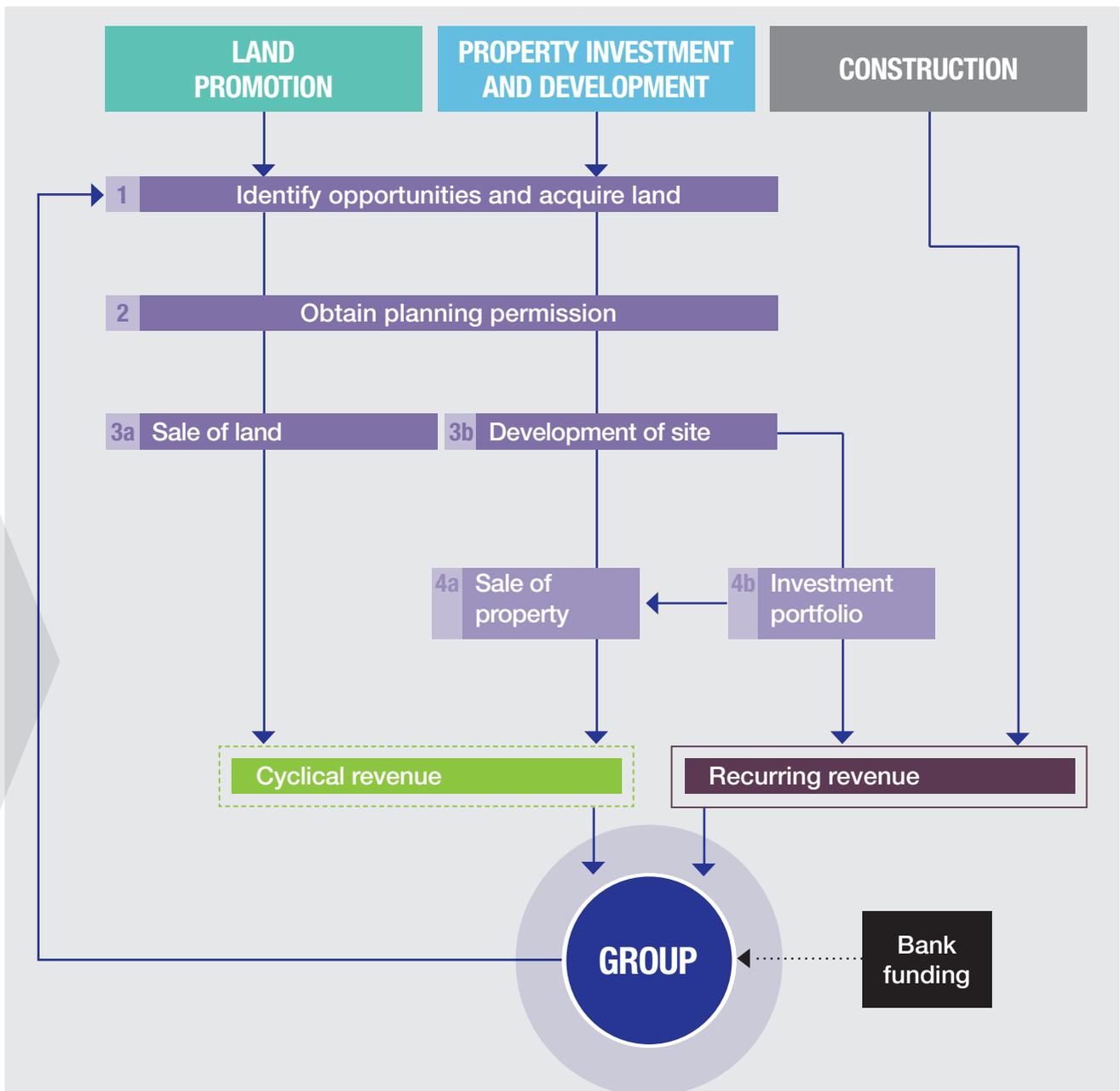
Banner Plant offers a wide range of services, and a high quality inventory of equipment for hire and sale, such as temporary accommodation, powered access equipment, tools and non-man operated plant.

Road Link (A69) has a contract with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. Highways England pays Road Link a fee based on the number of vehicles using the road and the mileage travelled.

3

BUSINESS MODEL

➔ View the video explaining **Our business model** on our Corporate website



Recurring Revenue: The revenue from construction and the property investment portfolio is regular and stable. This income allows Henry Boot PLC to maintain long-term bank funding relationships.

Cyclical Revenue: Sale of land and property developments generates cyclical revenue. These activities are riskier and give varying amounts of profit through each economic cycle. These profits, in good years, contribute significantly to the stable profits from construction and property investment.

4

OUR EXPERTISE



LAND PROMOTION

Businesses: Hallam Land Management

- Identifying land with future potential.
- The use of agency and option agreements, as opposed to buying all land outright, means less expenditure on each asset, allowing us to maximise the number of land opportunities that we are promoting at any one time.
- As investment is spread over many assets, this reduces the overall risk of involvement in the planning process and maximises the probability of making a return on the capital invested.
- Taking land through the complexities of the planning system.

PROPERTY INVESTMENT AND DEVELOPMENT

Businesses: Henry Boot Developments and Stonebridge Homes

- Acquiring and developing brownfield land or under-performing property assets.
- Operating in focused sectors to maximise development opportunities.
- Developing partnership arrangements.
- Ability to self-fund or source pre-funding opens up opportunities. The businesses can commit to long-term projects, such as complex multi-site urban development schemes.

CONSTRUCTION

Businesses: Henry Boot Construction, Banner Plant and Road Link (A69)

- Project delivery in both the public and private sector, on time and within budget.
- Creating trusted relationships and repeat business.
- Supplying a wide range of plant equipment efficiently.

GROUP

- As a result of our financial structure, we invest in the more profitable areas of the business (strategic land and property development) to maximise the value generated while maintaining prudent gearing levels.

5

OUR VALUE GENERATION

Our people

Our employees deliver the core activities of our business model. We invest a significant amount of time and resource in their training and development to ensure they are empowered in their roles. We apply the same methods and dedication when we are recruiting to ensure we attract the highest calibre of people within the Group.

Communities

We have offices in ten locations across the UK but we have projects which extend our community impact across the country. Wherever we operate it is fundamental to us that we develop strong relationships and partnerships with our communities. This could be by using the local supply chain on projects or volunteering our skill set to a local charity.

Customers

We are committed to maintaining our long standing track record of customer satisfaction. We continue to listen, understand and adapt how we can improve upon what we deliver, so we are able to further enhance the competitive advantage our Group brings to its customers.

Shareholders

Our priority is to protect the sustainability of our Group for our shareholders. By operating transparently and responsibly, we are able to create added value for our shareholders, providing updates on performance and changes to the strategic direction of the Group.



Business Model

OUR COMPETITIVE ADVANTAGES ENSURE LONG-TERM VALUE GENERATION

Our long lasting relationships

Our culture, 'The Henry Boot Way', means that we have a unique and cohesive approach to doing business.

Creating lasting relationships with clients, partners and customers is fundamental to the way we do business. We ensure landowners are guided through the planning system, work with key property advisers to become aware of potential opportunities and deliver on time to create repeat business in each of the Group's segments. Our reputation and success are built on the relationships we create, and we take great care to ensure we build on these for the future.

Capital structure

The property investment portfolio of Henry Boot Developments generates rental income each year, which allows us to borrow against the investment portfolio at attractive rates. The Construction segment is self-funded and cash generative. We reinvest the cash generated from these activities into strategic land and property development. The revenues generated from the sale of land and property development is not regular recurring income, and it would not be possible to directly fund these activities through borrowings. Our financial structure allows us to invest in these more profitable areas of the business to maximise the value generated while maintaining prudent gearing levels.

Diversified businesses

The Group's three business segments operate across the whole property value chain. Each segment is involved in multiple sectors – residential, leisure, retail, industrial, office and civil engineering – which means that we are not overly exposed to one area of the market. This enables us to weather economic fluctuations and deliver on our key objective of maximising stakeholder value.

