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Balfour Beatty

Industrials

18 August 2026

FY26 guidance raised following a strong H126

Balfour Beatty (BBY) upgraded its FY26 guidance, following a strong performance in H126, driven by profitable growth in the group's earnings-based businesses. Group revenue in H126 grew 8% y-o-y, or 10% when excluding fx movements, which management attributes to rising demand in US buildings and UK power transmission. Underlying profit from operations (PFO) increased to £119m, ahead of consensus and up 55% y-o-y, with a return to profitability for the US construction business. Management now expects PFO growth from the group's earnings-based businesses to be in the low double-digit range, slightly ahead of prior full-year guidance. The results and increase in guidance were perceived well by the market, with the shares rising c 8% on the day of the results.

Momentum building in selected growth markets

US construction, one of the group's four strategic growth markets, delivered 19% revenue growth year-on-year and swung to a £22m PFO in H126 (H125: loss of £11m), driven by expansion in buildings and reduced civils losses. Within this market, Balfour Beatty is targeting aviation and data centre construction as high-growth sectors that align with the group's expertise, an approach validated by $711m of combined orders during H1. Data centres comprise 6% of the US order book, although with c $1bn of further data centre work moving from award to contract, management expects this share to rise into double-digits. UK power transmission also contributed meaningfully to the group's momentum in H126, as revenue surged 24% y-o-y.

Headroom to sustain attractive shareholder returns

The group completed £102m of buybacks in H126, alongside a 12% y-o-y increase in the HY DPS. Management expects to fulfil the £200m full-year buyback scheme and return c £267m to shareholders in total for 2026 (FY25: £189m). In addition to the improved outlook for PFO growth from its earnings-based businesses, management has lifted average net cash guidance by £200m to a range of £1.5–1.7bn and net finance income to £35–40m. As such, there is continued headroom for the group to sustain attractive shareholder returns into H226 and beyond.

Valuation: Headline premium overstates rating

BBY trades on FY26e P/E of 17.8x and EV/EBITDA of 8.4x, falling to 15.5x and 7.7x in FY27e, alongside consensus EBITDA growth of 3.4% and 8.8%, respectively. While this implies a premium to FY27e peers, c 25% of BBY's market value is attributable to its Investments portfolio, which currently delivers limited to no earnings. Adjusting for this brings its P/E closer to peers.

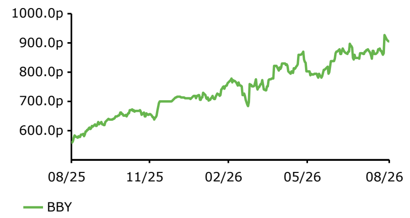
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)
12/25	10,767.0	388.0	291.0	0.47	0.14	19.3
12/26e	10,988.3	401.2	317.3	0.50	0.15	18.1
12/27e	11,392.5	436.2	357.6	0.58	0.17	15.6

Source: LSEG Data & Analytics

Price	905.50p
Market cap	£4,322m

Share price performance



Share details

Code	BBY
Listing	LSE
Shares in issue	477.3m
Net cash/(debt) at 26 June 2026 (excludes Infrastructure Investments (non-recourse) net borrowings and lease liabilities)	£1,708.0m

Business description

Balfour Beatty is a leading international infrastructure group that designs, builds, finances and maintains the transportation, power, water and buildings infrastructure that underpins everyday life. Headquartered in London and listed on the London Stock Exchange, the company operates across the UK, the US and Hong Kong, delivering major projects in construction, engineering services and infrastructure investment.

Bull points

- £22.9bn order book provides strong revenue visibility.
- Exposure to UK power and US data centres supports growth.
- Strong balance sheet supports continued shareholder returns.

Bear points

- Skills shortages could constrain project delivery and growth.
- US civils remains exposed to execution and margin risk.
- Legacy project liabilities remain a potential earnings risk.

Analysts

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