

Business Model

Competitive advantages.

The business model describes how our three business segments successfully operate for the combined benefit of the Group. The key competitive advantages the business model has to offer are:

Expertise

We have been in business for over 130 years and we are valued for our expertise and forward-thinking approach.

This expertise varies throughout the diversified business segments:

Land promotion

- Identifying land with future potential
- Various investment methods (being owned, optioned or agency agreements) allow us to meet the needs of landowners whilst maximising the number of opportunities available
- Taking land through the complexities of the planning system

Property Investment & Development

- Acquiring and developing brownfield land or under performing property assets
- Operating in diverse sectors to maximise development opportunities
- Developing partnership arrangements

Construction

- 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

Relationships

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 Groups 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 a sizeable amount of 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 the more profitable areas of the business (strategic land and property development) 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.

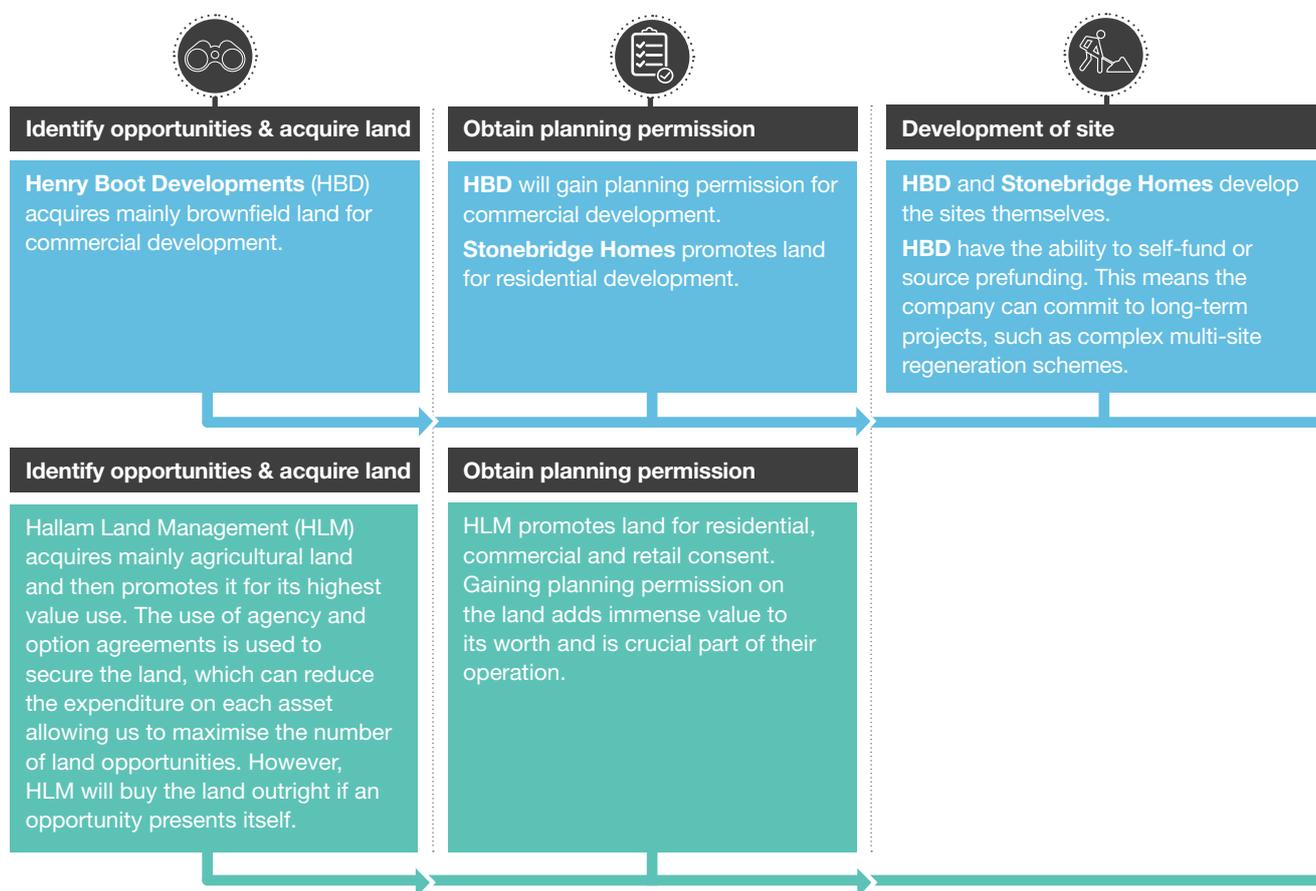
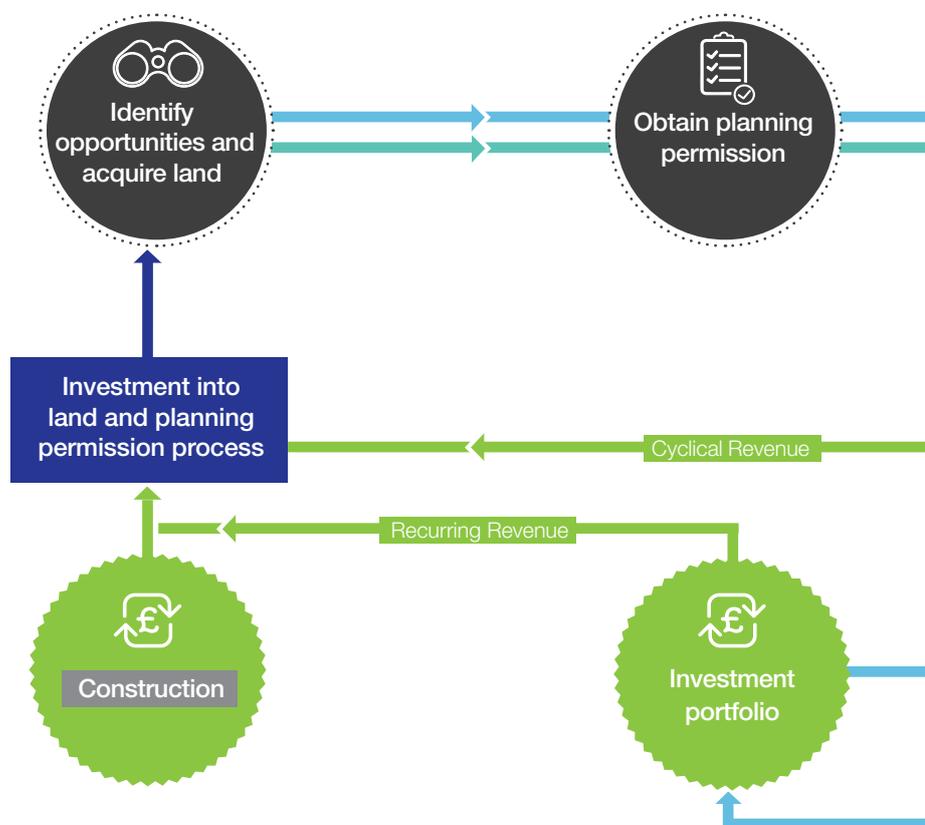
 Read about [Our Diversified Business](#) on pages 06 and 07

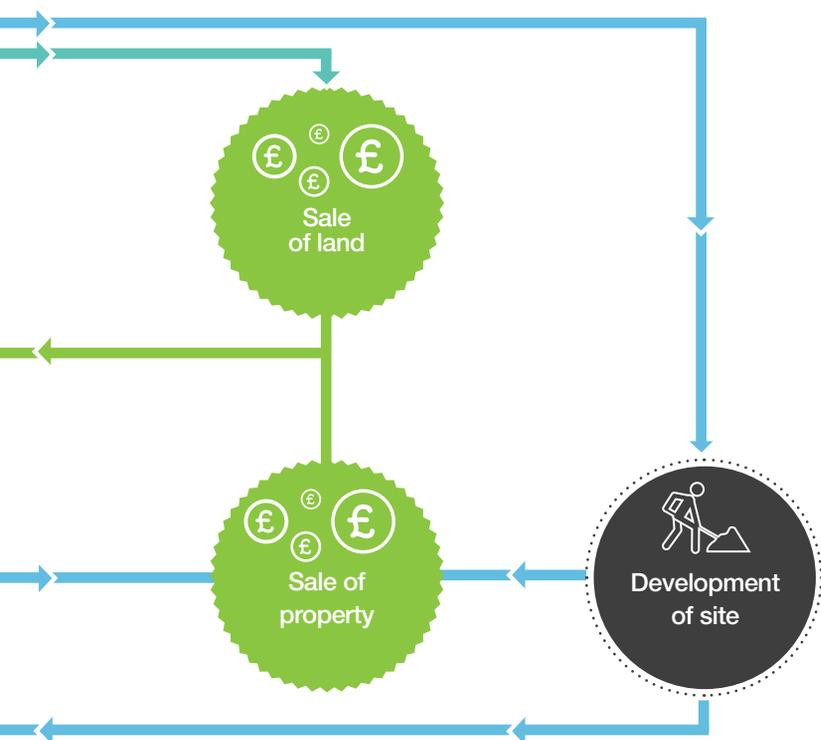
Business Model

The six primary businesses within Henry Boot all operate relatively autonomously within their respective business segments.

The businesses will work on the same projects if the circumstances are right. For example, Henry Boot Construction may act as a construction contractor for the Property Investment and Development business, if it tenders the best bid.

The businesses share ideas and best practice with each other.





Key

Land Promotion

- Hallam Land Management

Property Investment & Development

- Henry Boot Developments
- Stonebridge Homes

Construction

- Henry Boot Construction
- Banner Plant
- Road Link (A69)

Revenue

- Cyclical (€ € € €)
- Recurring (€)

View the video explaining our **Business Model** on our corporate website



Sale of property

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

Sale of land

HLM sells land to a developer, occasionally after infrastructure has been installed. The amount of capital required to achieve planning permission on land is very small in comparison to the whole building process. **HLM** is focused on maximising the most profitable section of the house building process for the lowest amount of working capital.

Investment Portfolio

A number of the finished property developments are retained and managed by the Property Investment. The Development segment and the Property Investment portfolio is worth over £120m.

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 truck 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.

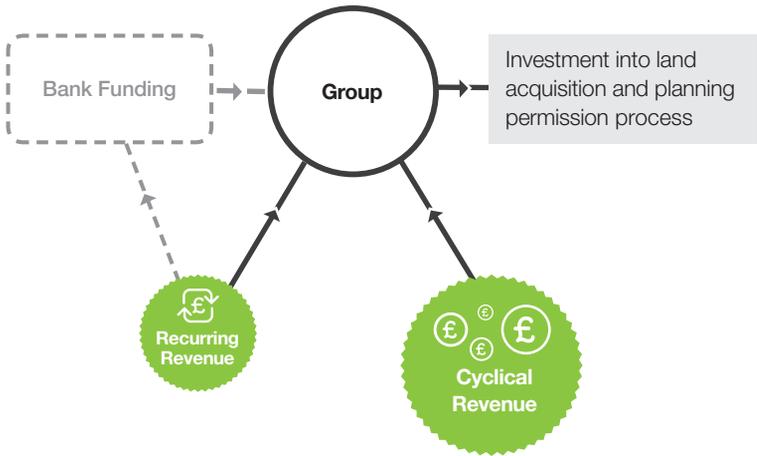
Business Model



We believe the business model plays a fundamental role in creating sustainable value for the Group and our Stakeholders. The competitive advantages it offers allows us to operate efficiently and meet Our Purpose of creating long-term value.

Financial Strength

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



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.

Stakeholder value

Shareholders

Operating transparently and responsibly, we regularly engage with our investors to give an understanding of our business model and provide updates on the Group's progress.

Employees

Our employees are integral in bringing the business model into operation. We attract, retain and motivate employees by creating an environment that allows growth and development. This increases the potential for all our people to have long term career opportunities in the Group.

Communities

We aim to develop and maintain strong relationships with the communities we operate in. An important aspect of our approach is to work in partnership with organisations to share benefits equally.

Read more in our [Corporate Responsibility Section](#) on pages 56 to 65

