

COSTAIN

Results presentation

For the six months ended 30 June 2024

Improving people's lives.



COSTAIN

Operating Review

Alex Vaughan
Chief Executive Officer

Improving people's lives.



Highlights



Continuing strong performance and confident outlook

Strong first half operating performance

- Revenue of £639.3m
- Adjusted operating profit⁽¹⁾ of £16.3m up 8.7%
- Reported operating profit of £13.9m up 82.9%
- Period end net cash of £166.0m (H1 23: £132.1m)

Clear strategy capitalising on our critical focus

- Forward work position of £4.3bn, more than three times FY 23 annual revenue. Further post period end wins
- Critical national needs driving essential infrastructure investment in our markets
- Broadening and deepening our long-term customer positions through our construction and consultancy service mix
- On course to meet margin targets of 3.5% and 4.5% during FY 24 and FY 25 respectively

Strengthened financial position

- Pension actuarial review completed and in surplus
- Buyback of £10m launched
- Interim dividend maintained at 0.4p

1. See notes 1 to 4 of financial statements for adjusted metric details and definitions.

2. Adjusted free cash flow is an adjusted metric and is defined as cash flow from operations, excluding adjusting items and pension deficit contributions, less taxation and capital expenditure. See slides 30 to 31 for a reconciliation of reported to adjusted measures.

Transportation

Broadening customer mix

Revenue

£444m

(H1 23: £487m)

Adjusted operating profit¹

£13.8m

(H1 23: £12.2m)

Adjusted operating margin¹

3.1%

(H1 23: 2.5%)

H2 24 secured revenue

£358m

Improved operating performance

Increases in both adjusted operating profit and margin.

Road

Next phase of National Highways M60 scheme secured. Good visibility of forward opportunities and growing pipeline.

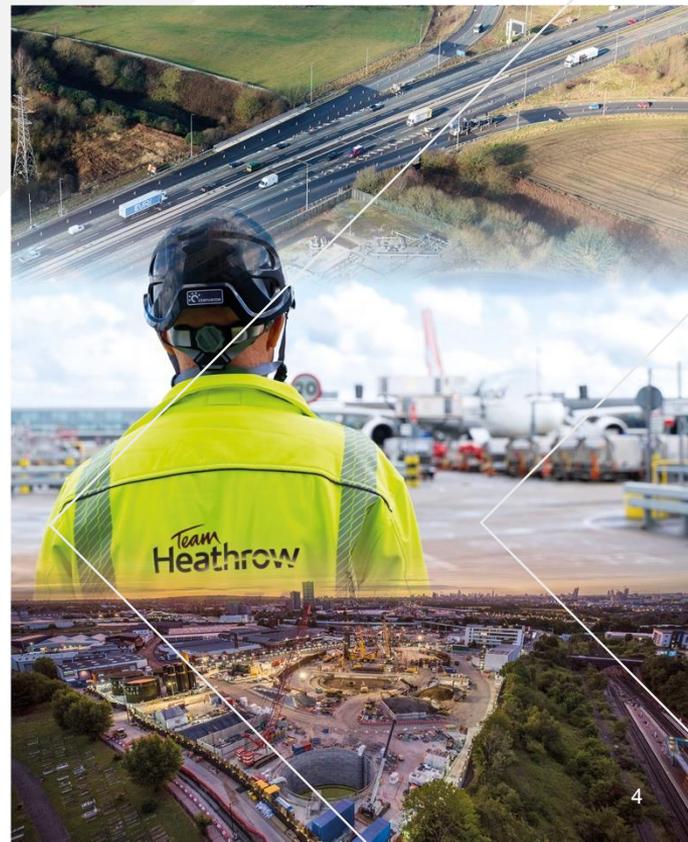
Rail

HS2 works successfully progressing to plan. Pursuing HS2 systems, and CP7 contracts with Network Rail.

Integrated Transport

Growing activities on secured frameworks with Heathrow, Manchester Airports Group and TfL. Strong programme of future bids.

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1. See notes 1 to 4 of financial statements for adjusted metric details and definitions. See slides 30 to 31 for a reconciliation of reported to adjusted measures.

Natural Resources

Strong regulated and private sector growth markets

Revenue

£195m

(H1 23: £177m)

Operating profit¹

£8.4m

(H1 23: £7.5m)

Operating margin¹

4.3%

(H1 23: 4.2%)

H2 24 secured revenue

£180m

Operating profit increase

Continued improvement in operational performance and growing margins.

Water

Secured significant wins in larger AMP8 investment cycle, with both new and existing customers including AMP9 rollovers, following multiple AMP7 additional programme awards.

Energy

At the forefront of the industrial energy transition, with established leading expertise in hydrogen and CCUS, and supporting energy resilience programmes.

Defence & Nuclear Energy

Growing role with leading defence contractors, well positioned for expansion across the nuclear energy spectrum, with significant bid pipeline.



1. See notes 1 to 4 of financial statements for adjusted metric details and definitions. See slides 31 to 32 for a reconciliation of reported to adjusted measures.

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Financial Review

Helen Willis
Chief Financial Officer

Improving people's lives.



Headline financial results

On track to meet our adjusted operating margin targets



Financial Summary	H1 24 £m	H1 23 £m	Change %
Revenue	639.3	664.4	(3.8)%
Adjusted operating profit ⁽¹⁾	16.3	15.0	8.7%
Adjusted operating profit ⁽¹⁾ margin	2.5%	2.3%	0.2pp
Reported operating profit/(loss)	13.9	7.6	83%
Reported profit/(loss) before tax	17.0	8.5	100%
Adjusted basic earnings per share ⁽²⁾	5.6p	4.4p	27.3%
Reported basic earnings/(loss) per share	5.0p	1.9p	163.2%
Adjusted free cash flow ⁽³⁾	14.2	26.5	(46.4)%

- Adjusted Group revenue of **£639.3m**, (3.8)% on H1 23.
- Adjusted Group operating profit **up 8.7% to £16.3m**
- Reported Group operating profit **up 82.9% to £13.9m**
- Adjusted operating margin up 20bps to 2.5%
- Adjusted EPS up 27.3% to 5.6p
- Free cash flow of £14.2m

1. Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of contract adjustments and other items totalling £2.4m (H1 23: £7.4m).

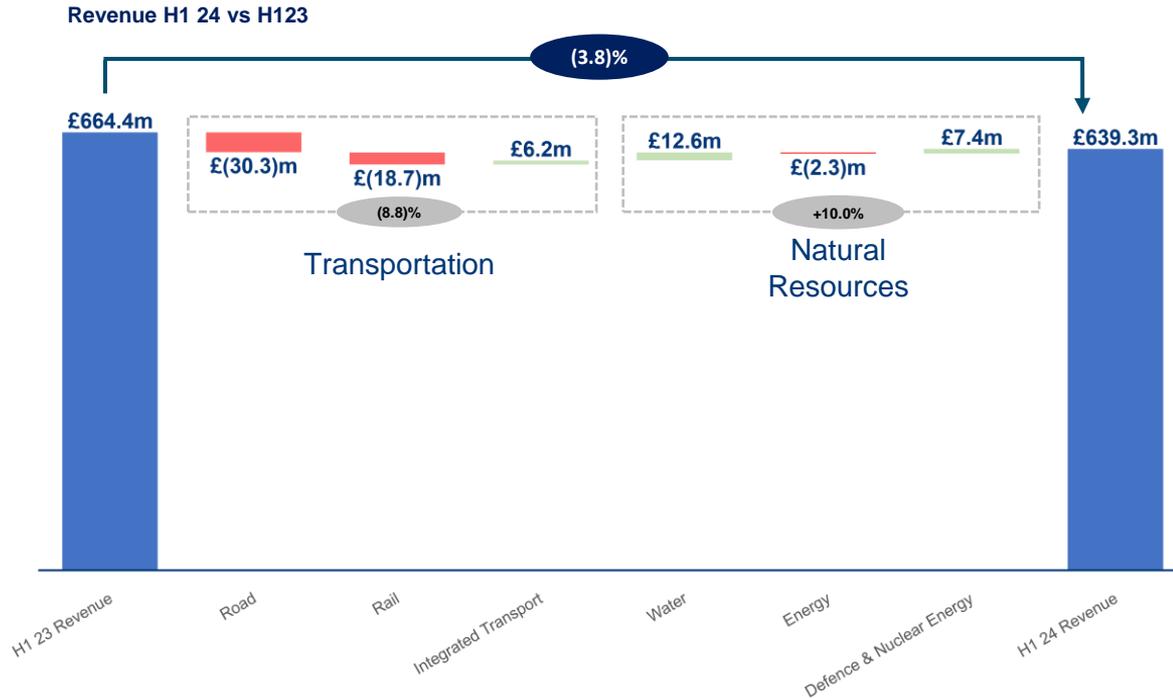
2. Adjusted Basic earnings per share is an adjusted metric and excludes the impact of contract adjustments and other items, net of tax, totalling £1.8m (H1 23: £6.9m).

3. Adjusted free cash flow is an adjusted metric and is defined as cash from operations, excluding cash flows relating to adjusting items and pension deficit contributions, less taxation and capital expenditure.

See slides 30 to 31 for a reconciliation of reported to adjusted measures.

Revenue walk

Growth in Natural Resources partially offset by expected reduction in Transportation



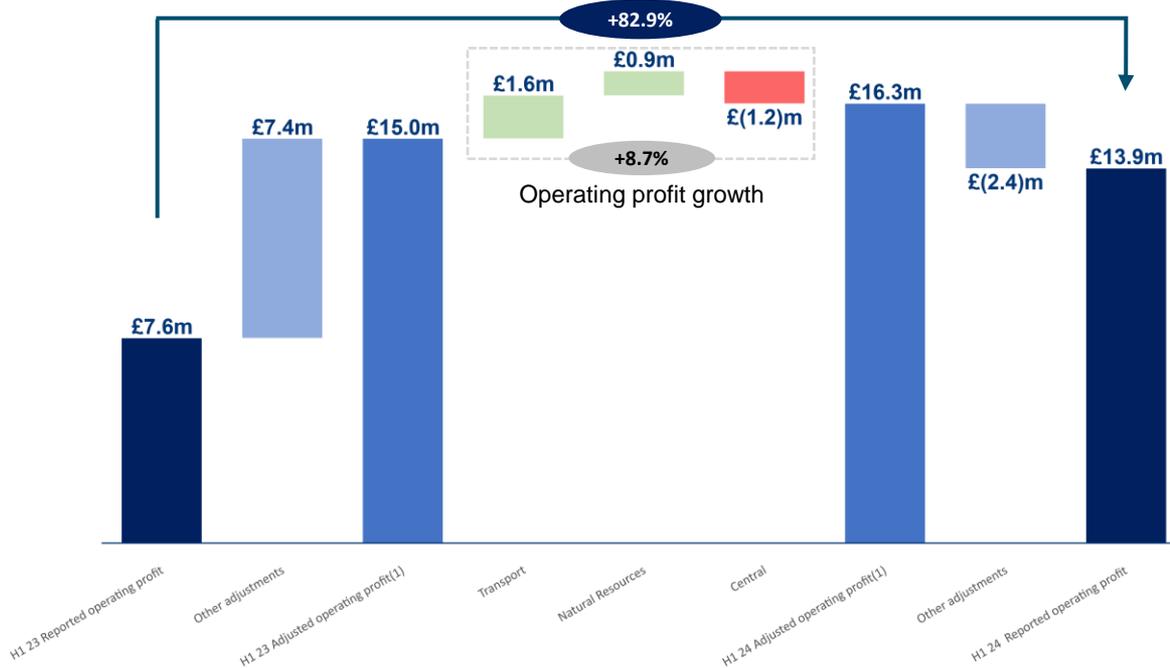
- **Overall group revenue** reduced by 3.8%
- **Natural Resources revenue up 10.0%** reflecting growth across Water, and Defence and Nuclear
- **Transportation revenue (8.8)%** reflecting lower volumes across Road & Rail partially offset by growth in Integrated Transport

Operating profit walk

Operating profit up 8.7% from increased volumes and operating margin improvement



Operating Profit H1 24 vs H123



- **Transportation** operating margin up **60bps to 3.1%** (H1 23: 2.5%) due to improved operating performance margins in newer contracts.
- **Natural Resources** operating margin up **10bps to 4.3%** (H1 23: 4.2%) on operating efficiencies.
- **Higher central costs** primarily on allocation of costs, with some inflationary pressure and investment for future growth. Total administrative expenses down £2.8m to £30.7m in H1 24 (H1 23: £33.5m).
- **Lower adjusting items** due to H1 23 being impacted by a £5.3m impairment of an intangible asset.

1. Adjusted operating profit is an adjusted metric and excludes the impact of contract adjustments and other items totalling £2.4m (H1 23: £7.4m). See slides 30 to 31 for a reconciliation of reported to adjusted measures.

Adjusting items

Expect Transformation costs of around £5.0m in FY 24



£m	H1 24	H1 23
	Other Adjustments	
Transformation and restructuring costs	2.4	2.1
Impairment of development intangible asset	0.0	5.3
Total operating profit adjustments	2.4	7.4

- £2.4m of costs in respect of Transformation programme in H1 24 (H1 23: £2.1m)
- H1 23 also included the impairment of an intangible asset as part of repositioning digital services
- We expect transformation costs of c£5m for FY 24 and thereafter to be minimal and not separately disclosed as adjusting items

Finance income/(expense)

Net finance income benefitting from strong cash position



Finance Income / (Expense)	H1 24 £m	H1 23 £m
Interest income from bank deposits	3.5	1.6
Interest income on the net assets of the defined benefit pension scheme	1.3	1.6
Finance income	4.8	3.2
Interest payable on banking facilities, borrowings and other similar charges	(0.7)	(1.6)
Interest expense on lease liabilities	(1.0)	(0.7)
Finance expense	(1.7)	(2.3)
Net finance income	3.1	0.9

- £3.5m of interest income from bank deposits, higher than H1 23 of £1.6m on increased cash placed on deposit at higher rates
- £1.3m of interest income on the net assets of the defined benefit pension scheme, consistent with H1 23 of £1.6m
- £0.7m of interest payable on banking facilities, borrowings and other similar charges, lower than H1 23 of £1.6m on repayment of term loan
- £1.0m of interest expense on lease liabilities under IFRS 16, consistent with H1 23 of £0.7m

Balance sheet

Net assets position strengthened

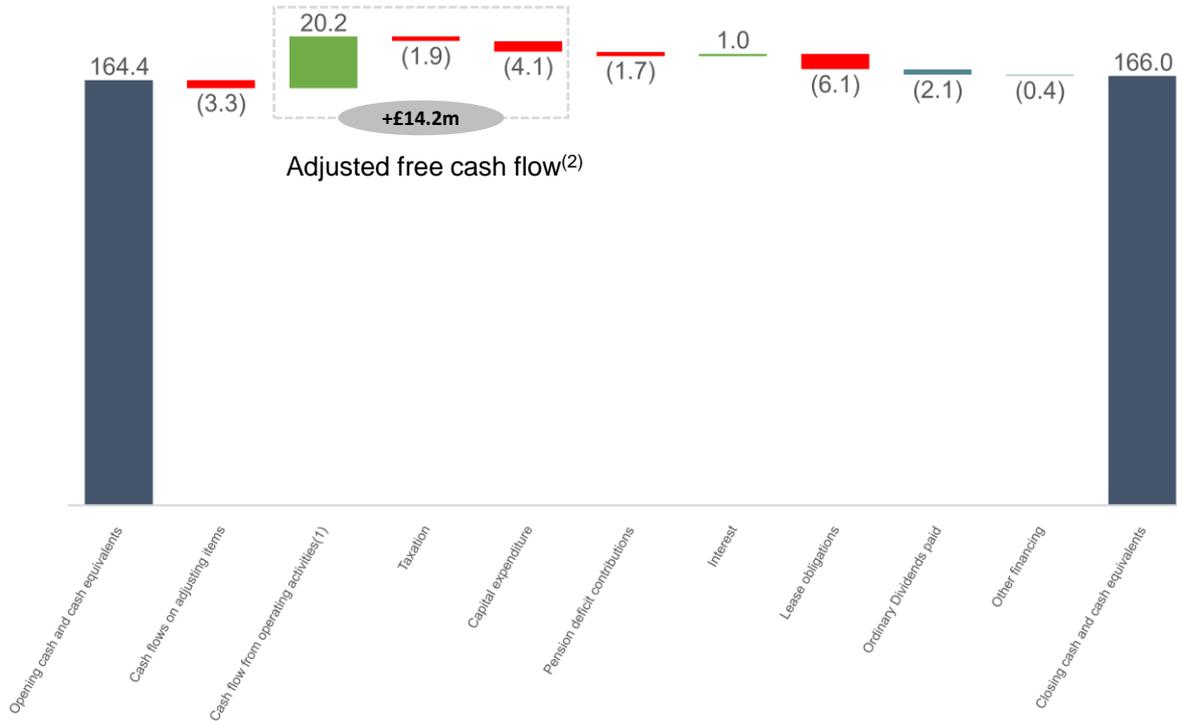


Consolidated statement of financial position	H1 24 £m	FY 23 £m
Assets		
Retirement benefit asset	55.1	53.5
Other non-current assets	89.8	90.6
Total non-current assets	144.9	144.1
Current assets		
Trade receivables and other current assets	182.4	160.1
Cash and cash equivalents	166.0	164.4
Total current assets	348.4	324.5
TOTAL ASSETS	493.3	468.6
Current liabilities		
Trade payables and other liabilities and lease obligations	248.1	233.0
Interest bearing loans and borrowings	0.0	0.0
Total current liabilities	248.1	233.0
Non-current liabilities		
Other payables and lease obligations	14.9	16.2
Interest bearing loans and borrowings	0.0	0.0
Total non-current liabilities	14.9	16.2
TOTAL LIABILITIES	263.0	249.2
Equity	230.3	219.4

- Strong net cash position of £166.0m
- Retirement benefit asset increased on FY 23 position
- Other non-current assets in line with FY 23 position
- Trade receivables and other assets increased on FY 23 position (increased contract assets and trade receivables)
- Trade payables and other liabilities increased on FY 23 position (increased subcontractor accruals)

H1 24 cash walk

Continued strong adjusted free cash flow



- Adjusted free cash flow of **£14.2m**.
- Strong closing net cash position of **£166.0m**.
- We expect our FY 24 year-end net cash position to be broadly similar to that at the end of H1 24.
- During H1 24 we paid more than 97% of invoices within 60 days (H1 23: more than 98%). In January 2024, Costain was re-confirmed as **one of the fastest-paying lead contractors in construction**.

1. Excluding adjusting items, interest, taxation and pension deficit contributions, shown separately.

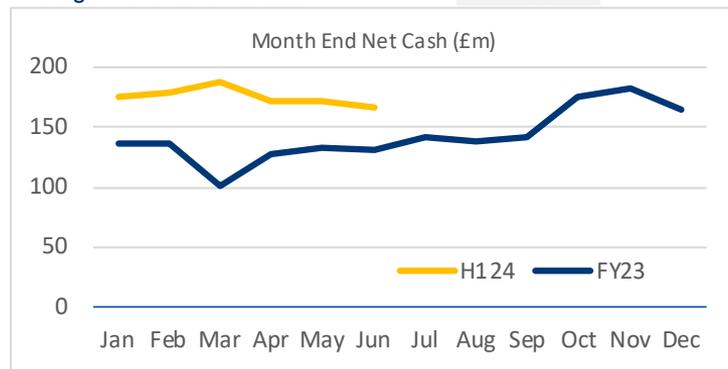
2. Adjusted free cash flow is an adjusted metric and is defined as cash from operations, excluding cash flows relating to adjusting items and pension deficit contributions, less taxation and capital expenditure. See slide 31 for detailed calculation.

Cash and banking facilities

Continued growth in cash during period



Net Cash £m	H1 24	FY 23
Cash	96.2	105.2
Cash held at joint ventures	69.8	59.2
Loans	0.0	0.0
	166.0	164.4
Average month end net cash	173.9	141.4



Other Measures £m	H1 24	FY 23
Banking facility	85	85
•RCF	85	85
•Term loan	0	0
•Maturing	Sep-26	Sep-26

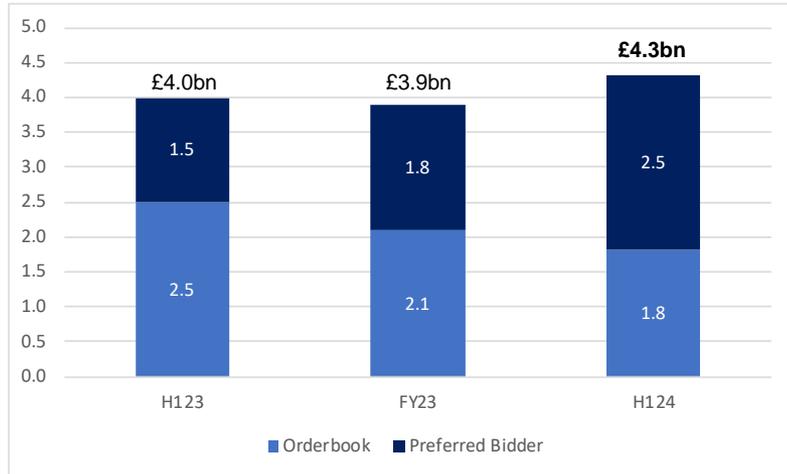
- No drawdown of RCF.
- Average month-end net cash balance during the period was £173.9m, higher than FY 23 of £141.4m.
- **Average week-end net cash balance during the period £168.2m, higher than FY 23 of £141.0m.**
- Significant headroom on bonding facilities at 30 June 2024
 - Facility £270m (FY 23 £270m)
 - Utilisation £65.3m (FY 23 £69.9m)
- Banking facilities with an agreed maturity date of September 2026
 - RCF £85m
 - Surety & Bank Bonding Facilities £270m

Strength of forward work position

Well positioned to deliver further progress in H2 24



Forward Work Position



Forward work is the total of order book and preferred bidder book which includes revenue from contracts which are partially or fully unsatisfied and probable revenue from Water and other frameworks included at allocated volume.

- Forward work position of £4.3bn an increase of £400m on year end.
- More than 3x FY 23 annual revenue.
- Post period wins of at least £500m in Water.
- Ongoing shift towards the preferred bidder book away from the order book as we continue to secure long-term framework positions.
- The preferred bidder book includes contracts in Water, Energy, Defence and Nuclear Energy, Road and Integrated Transport, including Heathrow.

Predictable delivery

Effective risk management underpins margin growth



Work winning



Contract selection



Independent review



Enhanced legal process



Contract duration



Operational standards



Financial oversight



Deep dive risk review



Senior management review

Underpins margin targets and quality of forward work

Margin targets of 3.5% and 4.5% during FY 24 and FY 25 respectively on track

Dividend and buyback

- **Investing for growth** through Transformation creating a more resilient business. Moving into systems investment with increased capex.
- **Dividend payments maintained.** Interim dividend payment of 0.4p with 1/3 interim, 2/3 final payment ratio.
- Actuarial valuation of the Costain defined benefit pension scheme as at 31 March 2024 in surplus. Contribution and “dividend matching” suspended for a year.
- Returning surplus capital to shareholders with **launch of £10m buyback.**



Further progress in H2 24

- Strong increase in high-quality forward work position securing revenue
- Ongoing improvements to operational performance, a strong cash position and clear strategic priorities
- Continuing positive net free cash flow generation
- Increasing returns to shareholders
- Mindful of economic uncertainties





COSTAIN

Strategy & Outlook

Alex Vaughan
Chief Executive Officer

Improving people's lives.

Essential infrastructure meeting critical national needs



Driving economic growth



Addressing climate change, targeting net zero and climate adaption



Safeguarding the environment and securing future water supply



Ensuring national security

Transportation	Defence and Nuclear Energy
Water	Energy
<p>Broadening our Tier 1 long-term customer base</p>	

Infrastructure investment cycles

Strategic outcome-based five-year investment plans



	Committed investment	Investment period	2024	2025	2026	2027	2028	2029	2030
National Highways	£27bn	2020-2025	RIS2	RIS3					
High Speed Rail	£45-54bn	2018-2030	Phase 1 (London-West Midlands)						
Integrated Rail Plan	£54bn	2022-2050	IRP						
Network Rail	£43bn	2024-2029	CP7						CP8
Local and regional transport	c£14bn	2022-2032	City Regional Sustainable Transport Settlements						
	c£11bn	2024-2027	TfL 2024 Business Plan						
Ports and Aviation	£9bn+	2021-2040	Port and Airport expansion						
Water	£88bn	2025-2030	AMP 7	AMP 8					
Energy	£12bn	2020-2030	10-Point Plan						
	£30bn	2021-2026	RIIO-2			RIIO-3			
	£26bn	2023-2028	RIIO-ED2 (Electricity Distribution)				RIIO-ED3		
Defence	£240bn	2022-2032	Defence Equipment Plan						
	£4bn	2020-2030	Defence Estates Optimisation						
Nuclear	£8bn	2023-2026	Nuclear Decommissioning Authority						
	c£20bn	2023-2036	Sizewell C						

Note: these investment plans are not all addressable by Costain and there are market opportunities which do not fall under these investment plans

Secured leading positions in the Water sector

More than doubling our market positioning



Leading water expertise

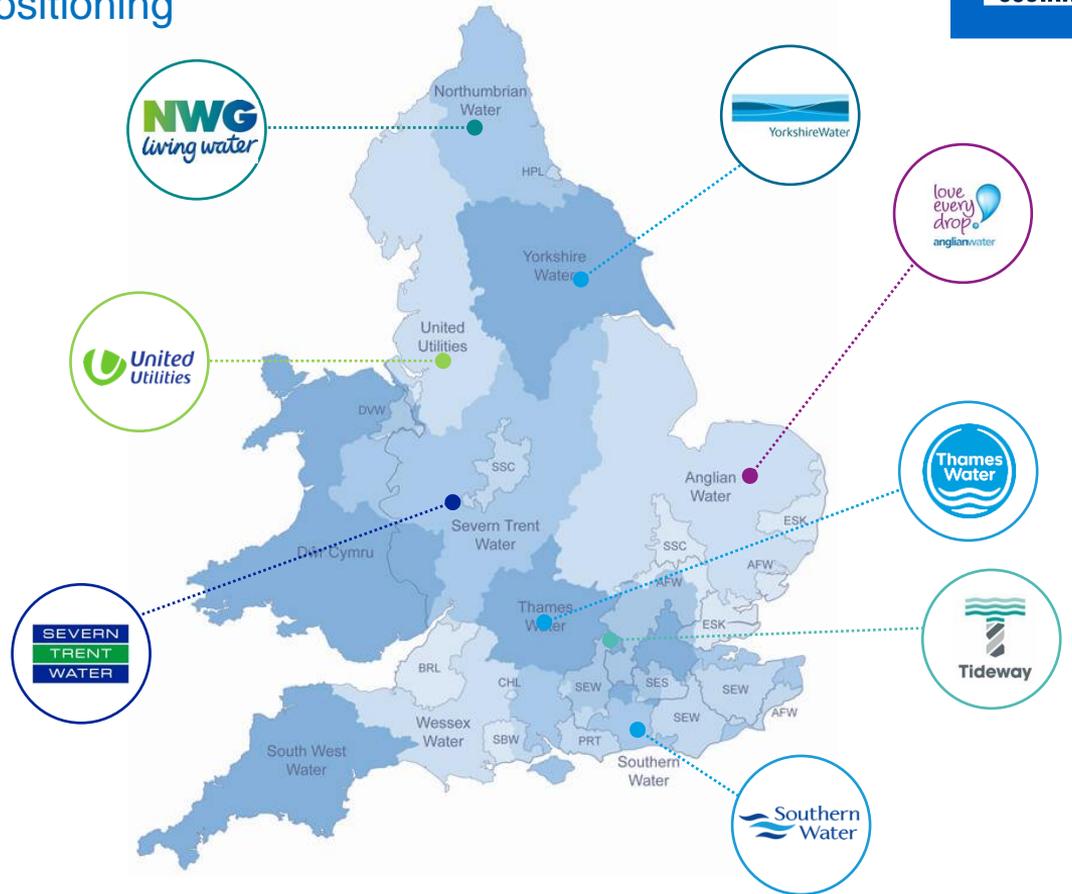
- Wastewater to gas
- Water quality assurance
- Water treatment

Valued long-term relationships

Broad service proposition

- Advisory
- Design
- Asset optimisation
- Capital delivery
- Maintenance

Leader in innovation



Supporting our customers across their full ecosystems



INFLUENCE, SHAPE AND ADVISE

- Rethinking the approach to infrastructure.
- Developing strategic solutions designed to optimise value and reduce risk.



MAINTAIN, OPTIMISE AND REPURPOSE

- Enhancing and maintaining existing assets to ensure safe, efficient and cost-effective operations.
- Extending asset life or repurposing, while delivering economic and environmental value.



CREATE AND DELIVER

- Engineering innovative solutions that are sustainable, efficient and practical, and deliver projects in a safer, greener, faster and more efficient way.



Improving people's lives

Increasing relevance in today's world



People



0.09 Lost time injury rate (LTIR) for H1 24



All staff wellbeing impact day to ensure everyone can be at their best



Times top 50 Employers for Gender Equality 2024



Our Empower programme driving reductions in our gender and ethnicity pay gaps



Increased leave for maternity, paternity, adoption and carers

Planet



New energy-efficient heat recovery system for Manchester office



Carbon savings identified through effective and efficient design



New carbon data tool for enhanced data analytics



Hailsham WwTW delivering biodiversity net gain and carbon savings



10% year-on-year reduction in absolute emissions (FY 23)

Society



Our new social value plan to improve on million lives



A30 in Cornwall connecting communities and enhancing economic value



A new social value tool to enhance how we evaluate our social impact



Industry-leading Considerate Constructor Scheme score of 47/50 for H1 24



40% of spend with SMEs for H1 24

Construction solutions through major capital delivery



Thames Tideway



Highways

- A leading capital delivery partner for complex infrastructure grounded in experience of more than 155 years
- Collaborate across our customer and supply chain to create a solution that reduces risk, enhances reputation and leaves a positive impact on society, the environment and the local community.
- Our experts works with customers across their asset lifecycle to shape and create, deliver (build) in addition to operate and optimise such as maintenance
- Serving blue-chip customers



HS2



AMP 8 Water Frameworks



Gatwick Station



Sellafield

Through consultancy



Delivery Partner

 AWE	 Cadent	 Devonport	 Heathrow
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Engineering & Design Services

 UU	 bp Teesside	 Southern Water	 EDF	 Network Rail
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Advisory & Digital Solutions

 EDF	 TfL	 Yorkshire Water	 Network Rail	 National Highways
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- Leveraging our core expertise in programme delivery
- A leading Delivery Partner overseeing our customers' major infrastructure programmes
- A growing design and Project Controls/P3M expert
- An energy process engineering expert
- A valued advisor where innovation, project management and problem solving skills are highly valued
- Our focus is on improving and transforming infrastructure performance such as situational intelligence and digital twins

Strong H1 with further progress expected in H2 24

- Continued strong operational and financial performance
- Strong cash and balance sheet
- On course to meet margin targets of 3.5% and 4.5% during FY 24 and FY 25 respectively
- High quality forward work position of £4.3bn, contracts won across all sectors, with significant wins post period end and further wins expected.
- Benefitting from long-term relationships with our growing customer base, and broader service mix.
- Clear strategy focusing on essential infrastructure to meet critical national needs, provides confidence in future growth.





Q&A

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Cash flow



Consolidated cash flow statement	H1 24 £m	H1 23 £m
Cash from operations before changes in working capital and provisions	21.4	20.9
Changes in working capital	(3.4)	4.9
Movement in provisions and employee benefits	(2.8)	(8.9)
Interest and tax paid	(0.9)	0.9
Net cash from operating activities	14.3	17.8
Capital expenditure	(4.1)	(0.1)
Issue of ordinary share capital	0.1	0.0
Ordinary dividends paid	(2.1)	0.0
Acquisition of treasury shares	(0.5)	0.0
IFRS 16 leases	(6.1)	(9.4)
Net (decrease)/increase in cash and cash equivalents	1.6	8.3
Cash and cash equivalents at beginning of year	164.4	123.8
Cash and cash equivalents at end of year	166.0	132.1
Borrowings	0.0	0.0
Net cash at end of year	166.0	132.1

Adjusted to Reported Reconciliation



£m	H1 24				H1 23			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
Group Revenue	639.3	0.0	0.0	639.3	664.4	0.0	0.0	664.4
Cost of sales	(594.7)	0.0	0.0	(594.7)	(618.0)	0.0	0.0	(618.0)
Gross Profit	44.6	0.0	0.0	44.6	46.4	0.0	0.0	46.4
Administrative expenses	(30.7)	0.0	2.4	(28.3)	(38.8)	0.0	7.4	(31.4)
Group operating profit	13.9	0.0	2.4	16.3	7.6	0.0	7.4	15.0
Net finance expense	3.1	0.0	0.0	3.1	0.9	0.0	0.0	0.9
Profit before tax	17.0	0.0	2.4	19.4	8.5	0.0	7.4	15.9
Taxation	(3.5)	0.0	(0.6)	(4.1)	(3.4)	0.0	(0.5)	(3.9)
Profit for the year attributable to equity holders of the parent	13.5	0.0	1.8	15.3	5.1	0.0	6.9	12.0
Basic earnings per share (pence)	5.0	0.0	0.7	5.6	1.9	0.0	2.5	4.4

£m	H1 24				H1 23			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
Natural Resources Revenue	195.0	0.0	0.0	195.0	177.3	0.0	0.0	177.3
Transport Revenue	444.3	0.0	0.0	444.3	487.1	0.0	0.0	487.1
Group Revenue	639.3	0.0	0.0	639.3	664.4	0.0	0.0	664.4
Natural Resources operating profit	8.4	0.0	0.0	8.4	7.5	0.0	0.0	7.5
Transport operating profit	13.8	0.0	0.0	13.8	6.9	0.0	(5.3)	12.2
Central operating loss	(8.3)	0.0	(2.4)	(5.9)	(6.8)	0.0	(2.1)	(4.7)
Group operating profit	13.9	0.0	(2.4)	16.3	7.6	0.0	(7.4)	15.0

Adjusted free Cash Flow



Adjusted free cash flow	H1 24 £m	H1 23 £m
Cash from operations	15.2	16.9
Add back cash flow on adjusting items	3.3	4.0
Add back pension deficit contributions	1.7	5.7
Less taxation	(1.9)	0.0
Adjusted cash from operating activities	18.3	26.6
Capital expenditure	(4.1)	(0.1)
Adjusted free cash Flow	14.2	26.5
<i>Memo: including operating leases, which are shown outside of cash from operations due to IFRS 16:</i>		
IFRS 16 leases	(6.1)	(9.4)
Adjusted free cash flow after IFRS 16 leases	8.1	17.1

FY 23 IFRS 16 impact



Income statement impact	£m
Decrease in operating costs	7.0
Loss on disposal of assets	(0.5)
Increase in depreciation	(5.6)
Increase in finance costs	(1.0)
Net impact on income statement	(0.1)

Fixed Assets impact	£m
Fixed assets opening position	26.4
Additions	8.1
Disposals	(4.2)
Depreciation	(5.6)
Fixed assets closing adjustment	24.7

Liabilities impact	£m	£m	£m
	Opening	Movement	Closing
Current liabilities	10.3	(0.4)	9.9
Non-current liabilities	14.0	(1.2)	12.8
	24.3	(1.6)	22.7

Cautionary forward-looking statements



This presentation contains certain statements that are forward-looking statements based on current expectations and reasonable assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements.

Each forward-looking statement speaks only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.



Appendices

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Key to investment programmes



National Highways	<ul style="list-style-type: none">• RIS – Road Investment Strategy
High Speed Rail	<ul style="list-style-type: none">• S1 & S2 – Stage 1 and Stage 2• 2A - Phase 2A• DDP – Design & Delivery Partner• M&E – Tunnel & lineside mechanical & electrical• Power – HV power system
Integrated Rail Plan	<ul style="list-style-type: none">• IRP – Integrated Rail Plan
Network Rail	<ul style="list-style-type: none">• CP – Control Period
Water	<ul style="list-style-type: none">• AMP – Asset Maintenance Plan
Energy	<ul style="list-style-type: none">• RIIO - Revenue=Incentives+Innovation+Outputs (Ofgem performance model)