

**COSTAIN**

# Half year results

Six months ended 30  
June 2021

Improving people's lives.





# Alex Vaughan

Chief Executive Officer

# Operating effectively, safely and profitably



- **Improving profitability**
- **Positive cash generation and strong cash position**
- **Operating effectively** with contracts delivering to plan
- **Continued momentum with £334m of new work secured**
- **High level of tendering activity**
- **Broadening our decarbonisation expertise**
- **On course to deliver full year results in line with our expectations**

**Confident outlook for 2021 and beyond**

# Assured delivery

Continued focus - realising the benefits of Operational Excellence

COSTAIN



## Work Winning

- Bidding discipline
- Clear commercial expectations
- Risk management focus



## Delivery

- Operational Excellence Model
- Enhancing risk management
- Managing change programme

**A stronger, more resilient business, with assured delivery**



# Helen Willis

Chief Financial Officer

# HY Financial Results



Financial Summary	HY21	HY20
	£m	£m
Group revenue <sup>1</sup>	556.8	547.3
Operating profit <sup>2</sup>	11.5	5.7
Profit before tax <sup>2</sup>	9.4	3.8
Basic earnings per share <sup>2</sup>	2.8p	2.1p

1. HY20 before revenue impact of significant contract provision adjustments of £87.4m.
2. Before net other items of £0.3m (HY20: £1.4m and significant contract provision adjustments of £94.7m)

- Adjusted operating profit £11.5m
- Statutory profit before tax £9.1m (HY20 loss £92.3m)
- Adjusted EPS increased to 2.8p
- Tax credit £0.4m

# Segmental profit



	£m	HY21 Adjusted1	HY21 Statutory	HY20 Adjusted1	HY20 Statutory	FY20 Adjusted1	FY20 Statutory
Transportation	Revenue	403.9	403.9	353.1	307.7	724.2	674.1
	Operating profit/(loss)	15.5	15.5	5.1	(40.4)	20.1	(30.6)
	Margin	3.8%	3.8%	1.4%	(13.1)%	2.8%	(4.5)%
Natural Resources	Revenue	152.9	152.9	193.2	151.2	345.1	303.1
	Operating profit/(loss)	0.4	0.1	4.5	(45.8)	5.7	(51.7)
	Margin	0.3%	0.1%	2.3%	(30.3)%	1.7%	(17.1)%

- Lower level of activity in the first half of the year in Natural Resources - Water and Energy sectors
- High level of secured revenue for the second half of the year in both divisions
- Confident in full year expectations
- Adjusting for Covid impact in 2020 will still deliver growth in profits this year

# Balance sheet



Consolidated statement of financial position	HY21	FY20
	£m	£m
<b>Assets</b>		
<b>Total non-current assets</b>	126.8	118.4
<b>Current assets</b>		
Trade and other receivables	222.1	219.5
Cash and cash equivalents	157.0	150.9
<b>Total current assets</b>	379.1	370.4
<b>Current liabilities</b>		
Trade and other payables and lease obligations	266.2	259.1
Interest bearing loans and borrowings	7.2	7.2
<b>Total current liabilities</b>	273.4	266.3
<b>Net current assets</b>	105.7	104.1
<b>Non-current liabilities</b>		
Other payables and lease obligations	27.7	21.9
Interest bearing loans and borrowings	35.8	39.6
<b>Total non-current liabilities</b>	63.5	61.5
<b>Retirement benefit asset/(obligation) (net of tax)</b>	21.8	(4.5)
<b>Equity</b>	190.8	156.5

- Net assets increased to £190.8m
- Strong net cash £113.0m from £102.9m
- Pension surplus £29.0m from deficit £5.6m FY20 (£21.8 and £4.5m respectively after deferred tax)

# Cash and banking facilities

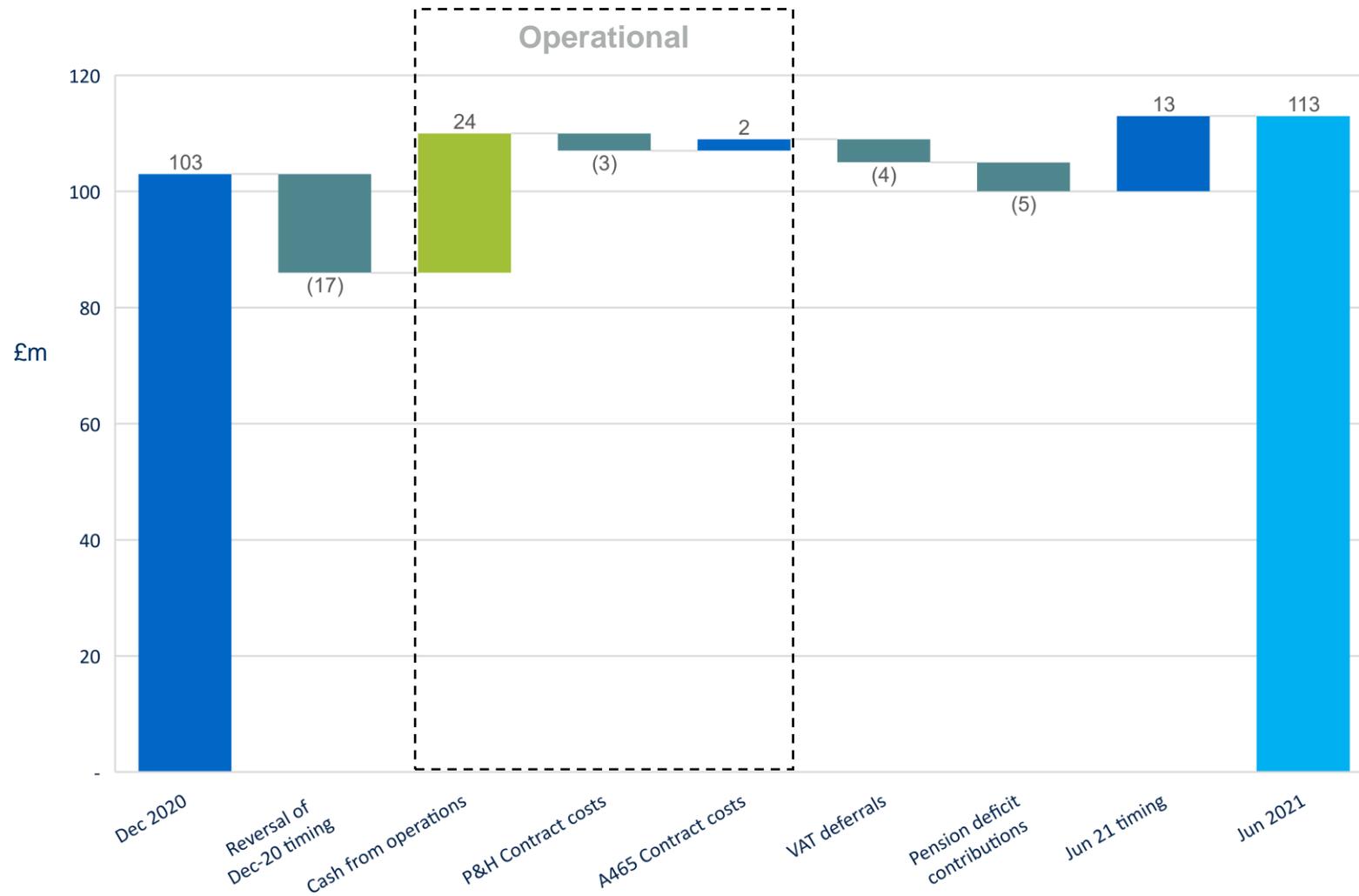


Net Cash	Position at HY21	Position at FY20
Cash	100.0m	89.8m
Cash held at joint ventures	57.0m	61.1m
Loans	(44.0m)	(48.0m)
	<b>113.0m</b>	<b>102.9m</b>
Average month end net cash	102.9m	73.8m

Other Measures	Position at HY21	Position at FY20
Banking facility	£175m	£179m
• RCF	£131m	£131m
• Term loan	£44m	£48m
• Maturing	September 2023	September 2023

- Average month end net cash £102.9m, higher than FY20 of £73.8m. Consistent throughout HY21
- No drawdown of RCF
- Significant headroom on bonding facilities

# 2021 cash bridge



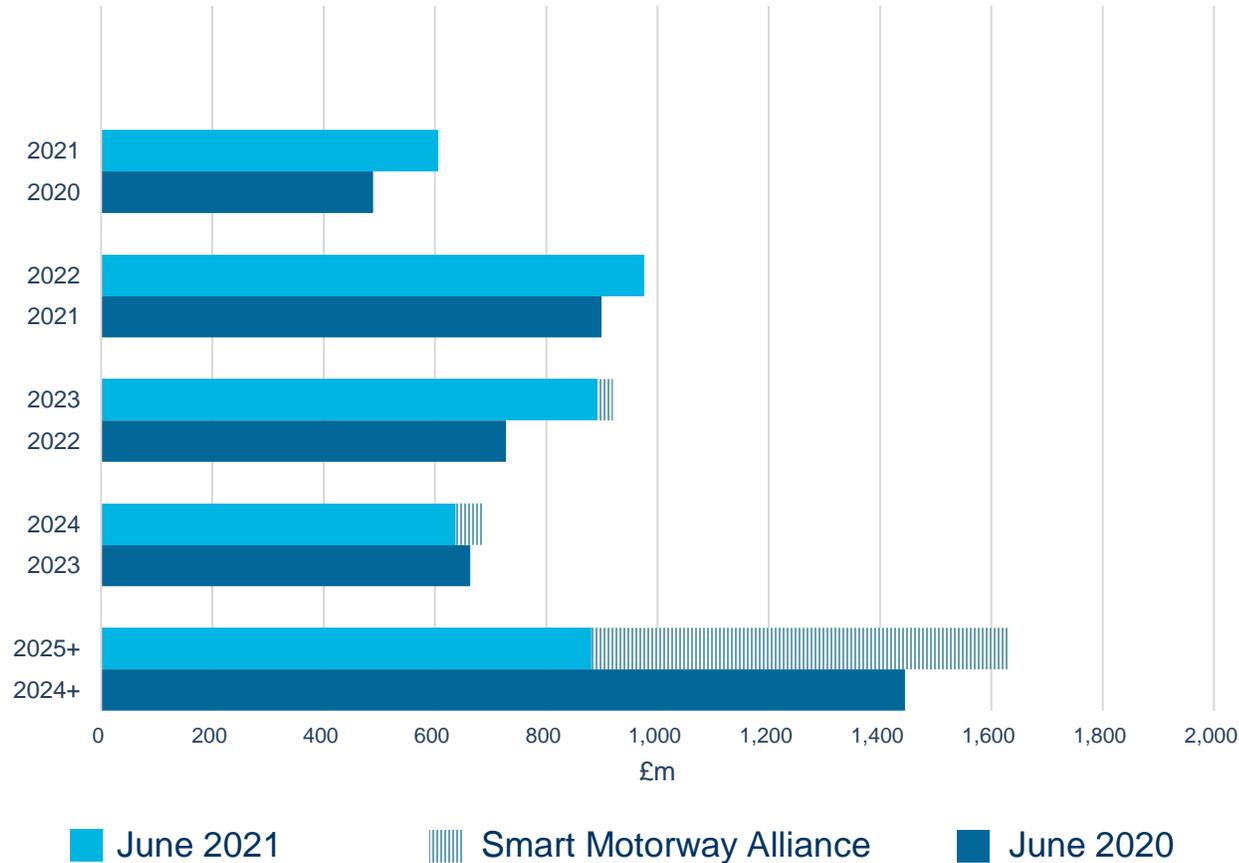
- Cash from operations £24.0m
- Strong H1 net cash position of £113.0m comprising £100.0m of cash, £57.0m share of cash in joint operations and £44.0m of drawn debt
- The average month-end net cash balance for HY21 was £102.9m (FY20 £73.8m, HY20 £94.1m)
- Supplier payments in line with prompt payment code

# Strength of secured workload

Greater second half weighting supported by order book



Order book revenue by year



## Strong forward workload

- Order book of **£4.0 billion**, of which
  - **£0.3 billion** of new contract awards and extensions and framework positions confirmed in HY21

In addition:

- Selected preferred bidder **£1.0 billion**
- Secured positioned on some **60** major live frameworks which we continue to build on

**Orderbook of c£0.6 billion secured for H2 2021 and c£1 billion secured for 2022**

# Financial summary



- **Operating profit of £11.5m (HY20: £5.7m)**, in line with the Board's expectations
- **Positive cash generation in the period** and strong net cash position
- **Strong balance sheet**

**On course to deliver full year results in line with expectations**



# Alex Vaughan

Chief Executive Officer

# Built strong market positions

## Our four markets driven by key strategic national priorities



### Our Markets



### Strategic National Investment Programmes

- Strategic Highways Networks (Highways England – RIS2)
- HS2
- Network Rail CP7
- Investment in local infrastructure / devolved authorities and Central Government

- Ofwat Regulated Water Investment

- OFGEM Energy Investment (RIIO)
- Green Industrial Revolution

- Defence Equipment Programme

### Costain's contract alignment (2021 wins)

- Highways England: RDP: A1 Birtley to Coal House and A1 in Northumberland - Morpeth to Felton & Alnwick to Ellingham, M60 Simister Island, and SPaTS framework
- Network Rail's Operational Programme Delivery framework
- TfL: Surface Transport Infrastructure Construction framework
- DOS4 Central Govt Digital Framework
- HS2 Enabling works and Main works
- Highways England Regional Delivery Partnerships and Smart Motorways Alliance
- Network Rail – Gatwick Airport Station redevelopment

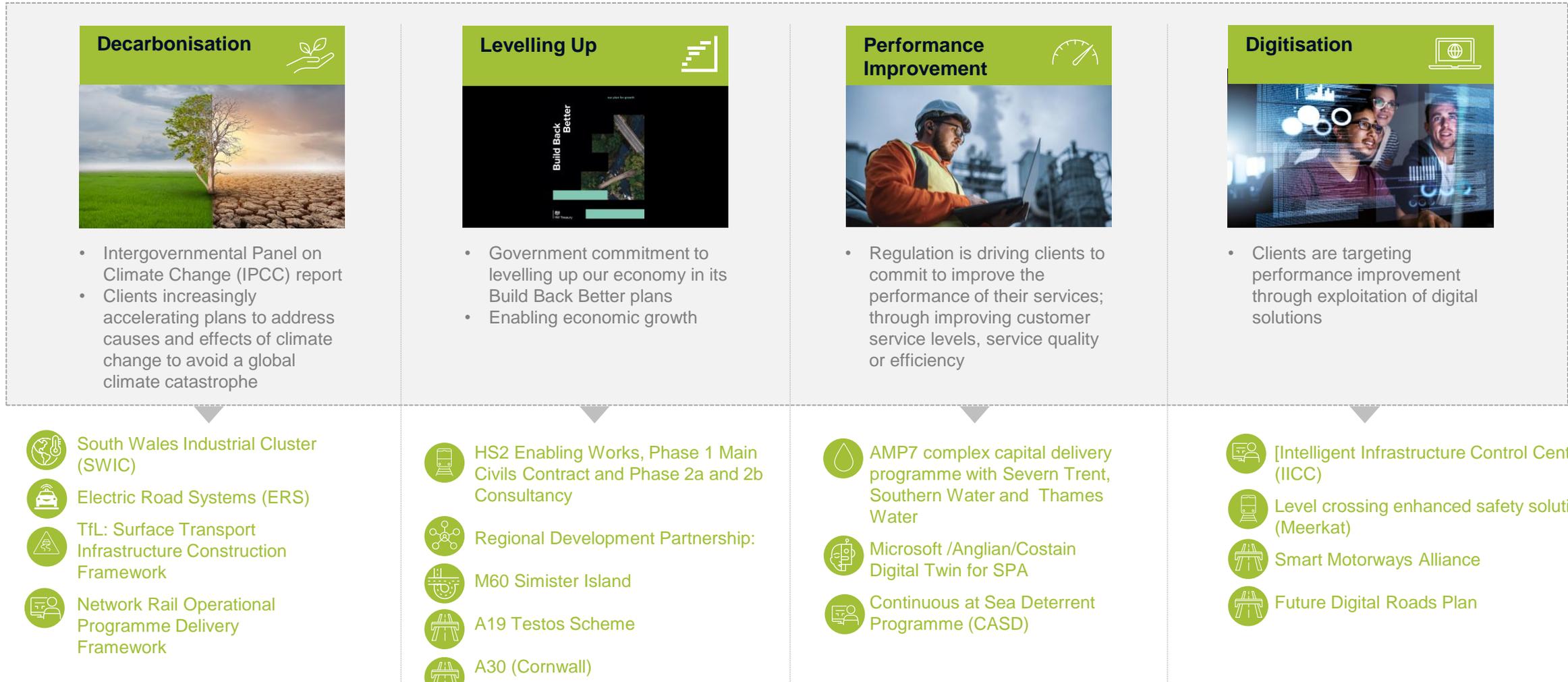
- Enterprise architecture services for Anglian Water's Strategic Pipeline Alliance
- United Utilities maintenance services programme
- Thames Water PMO
- Yorkshire Water Technical Assurance Framework
- AMP7 complex capital delivery programme with Severn Trent, Southern Water and Thames Water

- Hydrogen storage facility for HyNet project
- NECCUS, the Scottish industrial decarbonisation group
- South Wales Industrial Cluster, decarbonisation deployment Phase 2
- Pale Blue Dot - Acorn Carbon Capture FEED
- Cadent CMO
- EDF Project Controls framework
- Sellafeld frameworks

- Babcock Devonport major infrastructure programme delivery partner
- BAE Systems consultancy framework
- Ministry of Defence (MOD) as DNO Portfolio Management Office Partner
- Dreadnought Alliance
- AWE – Project MENSA
- P3M consultancy services for Babcock at Devonport Royal Dockyard

# Benefiting from Market Dynamics

## Aligning to meet our clients changing needs



# Demonstrating Competitive Advantage



An integrated approach to meet our targeted clients changing needs

## Network Rail – Gatwick Station



Gatwick Airport Station Redevelopment



Operational Programme Delivery framework

## United Utilities - MSP



8 year Managed Service Programme



Programme Optimisation Studies

# Leading as a socially responsible purpose led business

A focused plan to achieve our responsible business goals



## Safety & Sustainability

- **Outstanding safety performance** – Accident frequency rate (AFR) 0.01 with 2 reportable accidents in 15 million work hours
- All Costain construction projects now using **plant telematics to help reduce emissions** through enhanced data insight
- To support our people in managing their personal wellbeing, we produced a '**Ways to Thrive Guide**', underpinning our approach to **dynamic working**



## Governance

- **TCFD compliance** project commissioned
  - Governance structure implemented
  - Scenario analysis in progress



## People

- The **Times Top 50 employer** for women for the fourth consecutive year
- Attained a **Gold Armed Forces Covenant award** by the MOD for being a forces friendly employer
- Plans to **increase our 2021 graduate and apprentice intake** to 129
- Developed the next phase of Costain's EDI journey with a **new inclusion strategy**



## Social value

- In partnership with the Prince's Trust, six young people are benefiting from Costain hosted **Kickstart placements**
- Spent **£270m with SMEs** in HY21, equating to 39% of total spend

# Significant market opportunity

Our four markets driven by key strategic national priorities



**Transportation**  
We connect and keep the nation moving

RIS2      HS2 Phase 1 & 2a

**£27.4bn**    **c£45bn**

Network Rail CP6 (2019-24)

**£53bn**

Investment in Local and Devolved Authorities

**£20.2bn**

Including the **£4.8bn** levelling up fund

**Water**  
We keep water clean and flowing

AMP7

**£51bn**

**Energy**  
We power communities sustainability

Ten-point plan      Energy White Paper

**£12bn**

Stimulating private investment up to **£42bn** by 2030

RIIO-2

**£30bn**

**Defence**  
We keep the nation safe

Defence budget

**£41.5bn**

Defence Review 2020

**£16.5bn**

additional funding over 4 years plus **£5bn** of existing commitments

# Summary and outlook

- Operating effectively
- Benefitting from the strong actions which have improved our business performance
- Continue to secure good quality new work
- Strong net cash position
- Targeted markets remain resilient and positive

**Confidence in delivering significant growth in profit for 2021 and beyond**

Q&A

# Appendices

# Contract status

## Peterborough and Huntingdon



- Mutual contract termination and settlement agreement signed in June 2020
- One-off charge of £49.3m to income statement in H1 20 to reflect cash received
- Ongoing adjudication process concludes in December 2021, with cash adjustment in Q1 2022
  - High confidence expected outcome in line with provided position
  - Targeting additional cash payments to Costain of up to £50m
  - Capped downside risk is up to a further cash charge of £57.3m (which would not affect Costain's banking arrangements)

## A465 Heads of Valley Dualling Section 2



- Settlement agreement entered into with Welsh Government in line with provision made for YE 2020
- Scheduled for completion in October 2021.

# Cash flow



Consolidated cash flow statement		HY21	HY20
		£m	£m
Net cash at beginning of period		102.9	64.9
<b>Cash from/(used by) operations</b>		19.8	(81.6)
Changes in working capital (excluding pension deficit contributions)		4.0	74.7
<b>Net cash from/(used by) operating activities</b>		23.8	(6.9)
Pension deficit contributions		(5.2)	(5.4)
IFRS 16 leases		(6.7)	(6.5)
Interest, tax, fixed assets, investments and currency		(1.8)	1.3
Proceeds of sale of subsidiaries and investments		-	1.0
Capital raise		-	92.5
<b>Net cash at end of period</b>		113.0	140.9
Cash and cash equivalents at end of period		157.0	202.9
Bank borrowings (ex fees)		(44.0)	(62.0)
<b>Net cash at end of period</b>		113.0	140.9

# HY21 IFRS 16 impact

Income statement impact	£m
Decrease in operating costs	7.0
Increase in depreciation	(6.5)
Increase in finance costs	(0.3)
<b>Net impact on income statement</b>	<b>(0.2)</b>

Fixed Assets impact	£m
Fixed assets opening position	32.7
Additions	17.3
Disposals	(5.5)
Depreciation	(6.5)
<b>Fixed assets closing adjustment</b>	<b>38.0</b>

Liabilities impact	£m	£m	£m
	Opening	Movement	Closing
Current liabilities	(12.5)	0.5	(12.0)
Non-current liabilities	(20.8)	(5.5)	(26.3)
	<b>(33.3)</b>	<b>(5.0)</b>	<b>(38.3)</b>

# 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.