

COSTAIN

Results presentation

For the year ended 31 December 2023

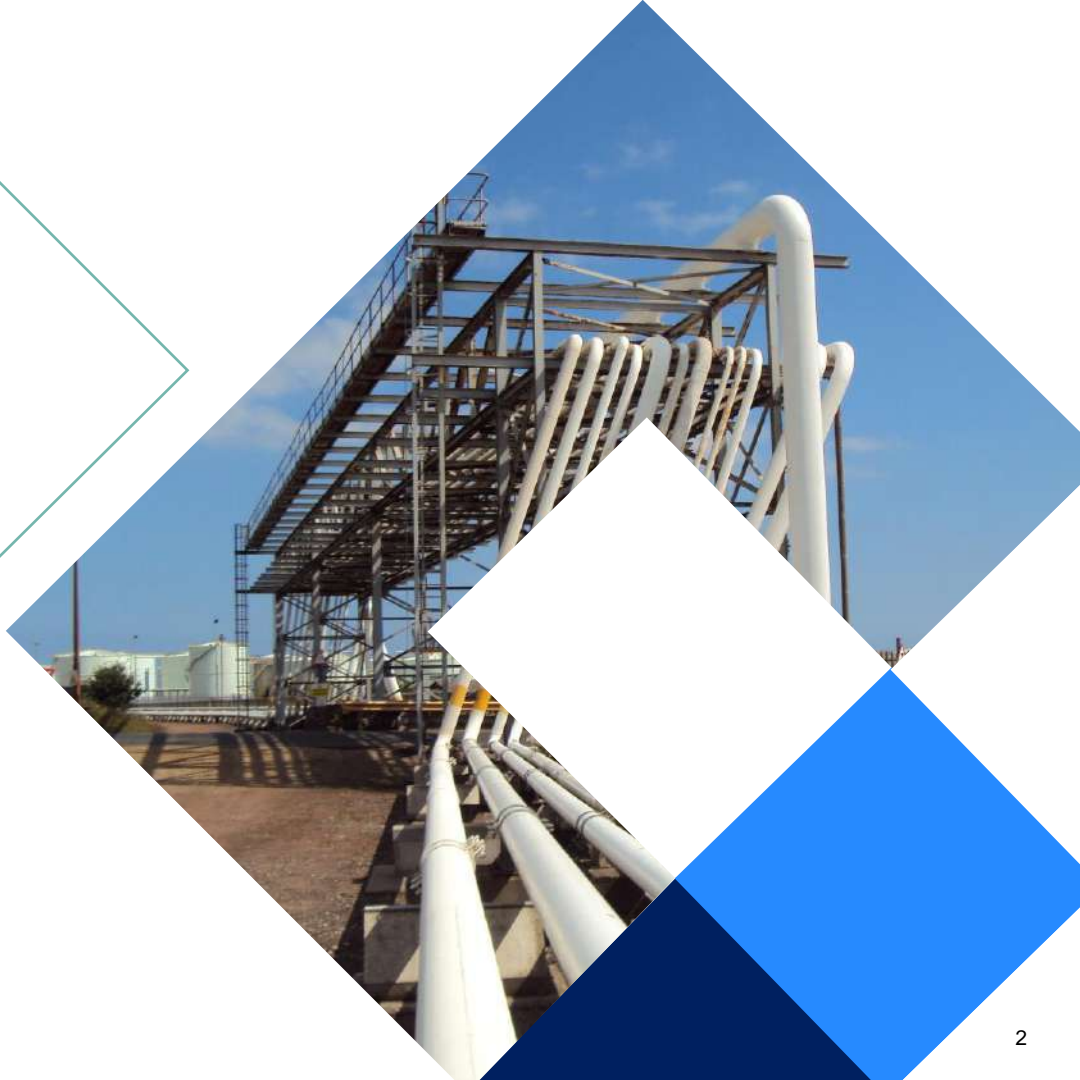
Improving people's lives.



COSTAIN

Operating Review

Alex Vaughan
Chief Executive Officer



Improving people's lives.

Highlights

Strong financial and operating performance



Full year 2023 (FY 23) financial performance

- Revenue of £1,332.0m
- Adjusted operating profit⁽¹⁾ of £40.1m up 10.5%
- Adjusted operating margin of 3.0%
- Strong adjusted free cashflow⁽²⁾ of £72.0m
- Adjusted EPS 12.2p (FY 22: 9.9p) up 23.2%
- Period end net cash of £164.4m

Development of business

- Quality of forward work demonstrated through margin performance
- Well positioned in significant growth markets including Water and Energy
- Good progress in building a broader Tier 1 customer base, adding strength to our business mix

Operational and margin progression

- Quality forward workload with continuing high level of bidding
- Order book and preferred bidder book of £3.9bn (FY 22: £4.4bn) around three times FY 23 revenue
- Transformation delivering against plan and in line to deliver margin targets for 2024 and 2025

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 cash flows relating to adjusting items and pension deficit contributions, less taxation and capital expenditure. See slide 28 for detailed calculation.

See slides 29 to 30 for a reconciliation of reported to adjusted measures.
Results Presentation: Year ended 31 December 2023

Transportation

Resilient margin with rephasing and rescoping of projects

Adjusted Revenue¹

£943.1m

(FY 22: £1,046.3m)

Adjusted Revenue¹

-9.9%

Adjusted operating profit²

£28.0m

(FY 22: £31.5m)

FY 24 secured revenue

£687m

Adjusted operating margin² **3.0%**

(FY 22: 3.0%)

Resilient performance with growth in Rail and rephasing and rescoping in Road

Road

Current Road schemes on A1, M1, M6 and A30. Mobilised for A303. Area 14 maintenance

Rail

HS2 main works progressing to defined budget and Gatwick concourse completed

Integrated Transport

Growing activities with Heathrow, Manchester Airports Group and TfL



1. See notes 1 to 4 of financial statements for adjusted metric details and definitions.
2. See notes 1 to 4 of financial statements for adjusted metric details and definitions.
See slides 29 to 30 for a reconciliation of reported to adjusted measures.

Natural Resources

Margin expansion with growth in Defence and Nuclear Energy, and Water

Adjusted Revenue¹

£388.9m

(FY 22: £375.1m)

Adjusted Revenue¹

+3.7%

Adjusted operating profit²

£21.8m

(FY 22: £15.0m)

FY 24 secured revenue

£338m

Adjusted operating margin² **5.6%**

(FY 22: 4.0%)

Continued improved operational and margin performance

Water

Leading provider of broad range of services to seven major water companies; secured four positions on AMP8 programmes

Energy

Market leadership in energy transition across industrial clusters and energy networks with a growing position in energy resilience

Defence & Nuclear Energy

Strong position in marketplace with ongoing growth



1. See notes 1 to 4 of financial statements for adjusted metric details and definitions.
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See slides 29 to 30 for a reconciliation of reported to adjusted measures.

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Financial Review

Helen Willis
Chief Financial Officer

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Headline financial results

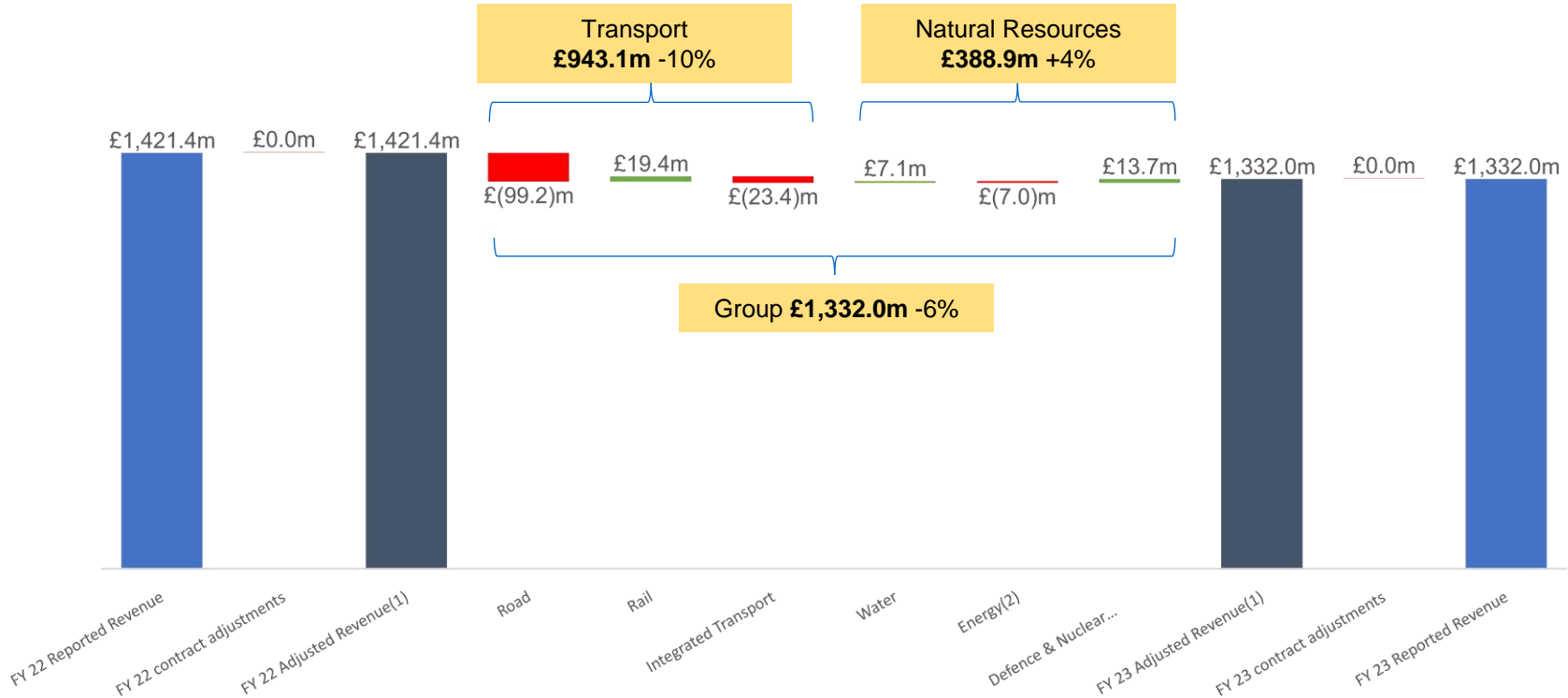
Financial Summary	FY 23 £m	FY 22 £m	Change %
Adjusted revenue⁽¹⁾	1,332.0	1,421.4	-6%
Reported revenue	1,332.0	1,421.4	-6%
Adjusted operating profit⁽²⁾	40.1	36.3	10%
Adjusted operating profit⁽²⁾ margin	3.0%	2.6%	0.4pp
Reported operating profit/(loss)	26.8	34.9	-23%
Reported profit/(loss) before tax	30.9	32.8	-6%
Adjusted basic earnings per share⁽³⁾	12.2p	9.9p	23%
Reported basic earnings/(loss) per share	8.1p	9.4p	-14%
Adjusted free cash flow⁽⁴⁾	72.0	72.9	-1%

- Adjusted revenue is an adjusted metric and excludes the impact of contract adjustments totalling £nil (FY 22: £nil).
- Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of contract adjustments and other items totalling £13.3m (FY 22: £1.4m).
- Adjusted Basic earnings per share is an adjusted metric and excludes the impact of contract adjustments and other items, net of tax, totalling £11.4m (FY 22: (£1.3m)).
- 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 29 to 30 for a reconciliation of reported to adjusted measures.

- Adjusted operating profit up 10% to £40.1m on increased Natural Resources volumes and margin, a resilient Transportation performance, and benefits of Transformation
- Adjusted operating margin of 3.0% (H2 23 adjusted operating margin of 3.8%)
- Reported profit before tax down 6% to £30.9m reflecting costs of repositioning Digital and of Transformation, partially offset by higher net finance income
- Adjusted Basic earnings per share (EPS) up 23% to 12.2 pence
- Free cash flow of £72.0m

Revenue walk

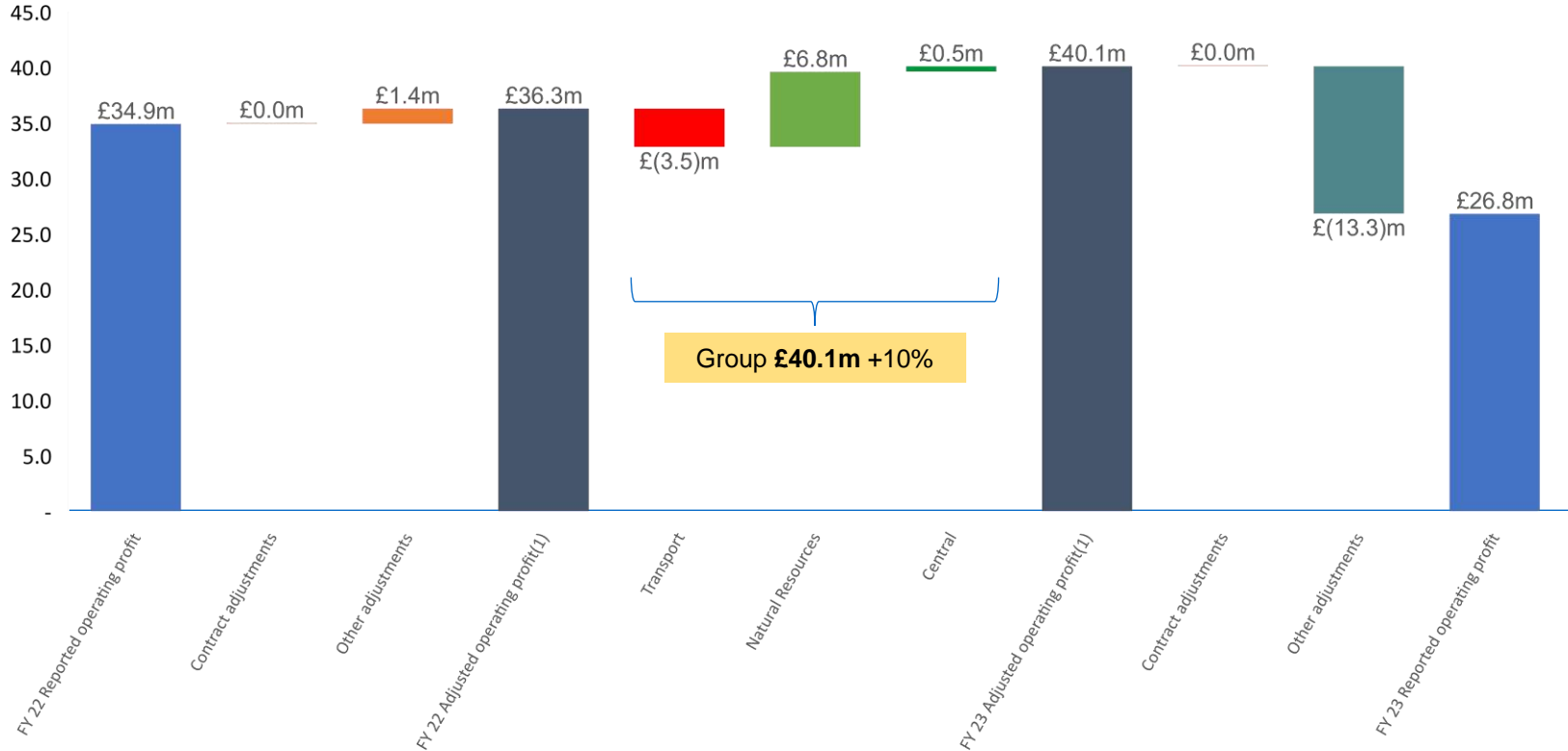
Growth in Natural Resources and a resilient operating performance in Transportation



- Adjusted Revenue is an adjusted metric and excludes the impact of contract adjustments totalling Enil (FY 22: Enil).
- Defence and Nuclear Energy includes nuclear-related revenue previously included in Energy, following the Natural Resources reorganisation. See slides 29 to 30 for a reconciliation of reported to adjusted measures.

Operating profit walk

Growth and increased margin in Natural Resources, benefits from our Transformation programme, and a consistent margin performance in Transportation



1. Adjusted operating profit is an adjusted metric and excludes the impact of contract adjustments and other items totalling £13.3m (FY 22: £1.4m). See slides 29 to 30 for a reconciliation of reported to adjusted measures.

Adjusting items



£m	FY 23		FY 22	
	Contract Adjustments	Other Adjustments	Contract Adjustments	Other Adjustments
Transformation and restructuring costs	0.0	8.0	0.0	5.7
Impairment of development intangible asset	0.0	5.3	0.0	0.0
Insurance recovery on P&H settlement	0.0	0.0	0.0	(5.2)
Profit on sale of non-core asset	0.0	0.0	0.0	(0.5)
Tunnel boring machines impairment	0.0	0.0	0.0	1.4
Total operating profit adjustments	0.0	13.3	0.0	1.4

- £5.3m impairment of intangible asset announced in H1 23
- Transformation costs of £5m for FY 24 and minimal thereafter

Finance income/(expense)

Net finance income reflecting mainly interest income from bank deposits and interest on pension scheme net assets



Finance Income / (Expense)	FY 23 £m	FY 22 £m
Interest income from bank deposits	4.8	0.5
Interest income on the net assets of the defined benefit pension scheme	3.2	1.3
Finance income	8.0	1.8
Interest payable on interest bearing bank loans, borrowings and other similar charges	(2.3)	(2.7)
Interest expense on lease liabilities	(1.5)	(1.2)
Other interest	(0.1)	0.0
Finance expense	(3.9)	(3.9)
Net finance income/(expense)	4.1	(2.1)

- £4.8m of interest income from bank deposits, higher than FY22 of £0.5m on increased cash placed on deposit at higher rates
- £3.2m of interest income on the net assets of the defined benefit pension scheme, higher than FY22 of £1.3m due to higher interest rates partially offset by a slightly lower pension net asset position
- £2.3m of interest payable on interest bearing bank loans, borrowings and other similar charges, lower than FY22 of £2.7m on repayment of term loan, partially offset by in year charges on amend and extend facility
- £1.5m of interest expense on lease liabilities under IFRS 16, consistent with FY22 of £1.2m

Balance sheet

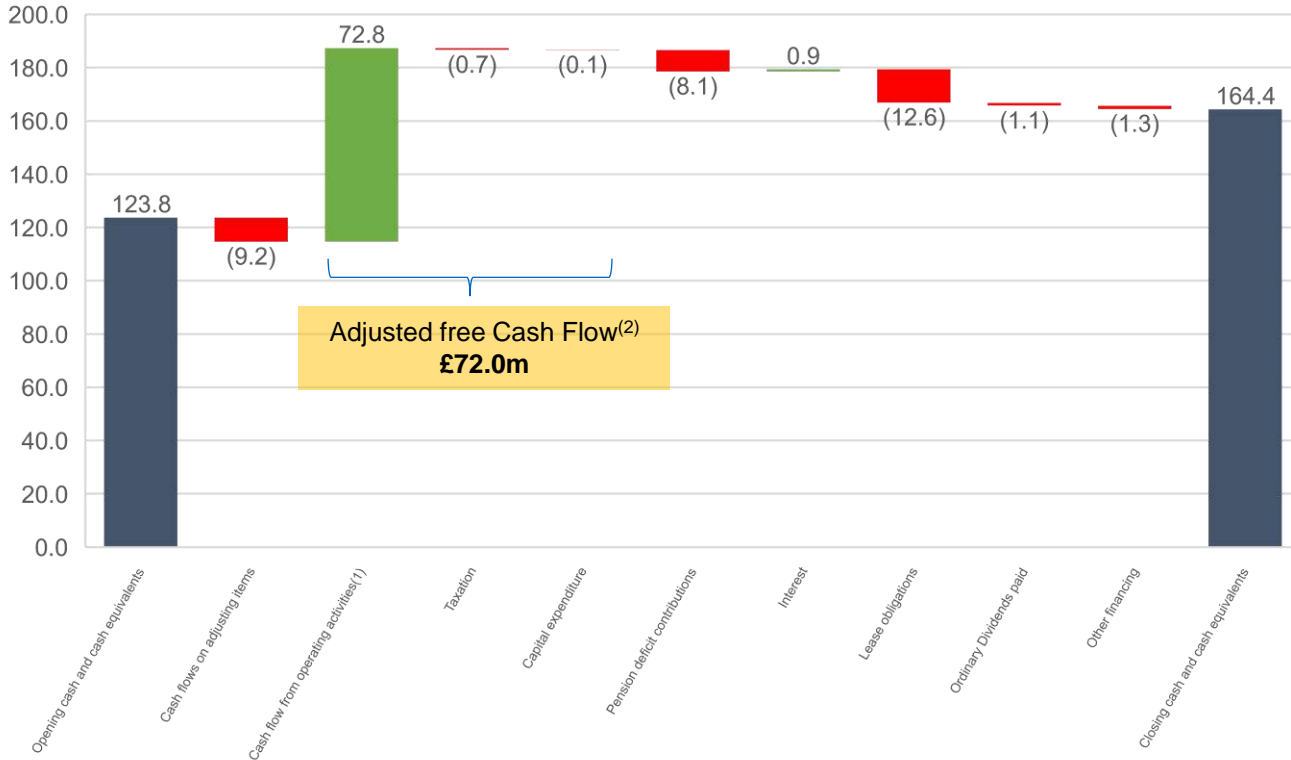


Consolidated statement of financial position	FY 23	FY 22 (as restated)
	£m	£m
Assets		
Retirement benefit asset	53.5	60.2
Other non-current assets	90.6	106.6
Total non-current assets	144.1	166.8
Current assets		
Trade receivables and other current assets	160.1	197.0
Cash and cash equivalents	164.4	123.8
Total current assets	324.5	320.8
TOTAL ASSETS	468.6	487.6
Current liabilities		
Trade payables and other liabilities and lease obligations	233.0	253.1
Interest bearing loans and borrowings	0.0	0.0
Total current liabilities	233.0	253.1
Non-current liabilities		
Other payables and lease obligations	16.2	23.3
Interest bearing loans and borrowings	0.0	0.0
Total non-current liabilities	16.2	23.3
TOTAL LIABILITIES	249.2	276.4
Equity	219.4	211.2

- Net assets position strengthened at £219.4m
- Strong net cash position of £164.4m
- Retirement benefit asset reduced on FY 22 position (reduced surplus on performance of growth assets in year)
- Other non-current assets reduced on FY 22 position (impairment of an intangible asset, relating to the repositioning of digital towards services growth)
- Trade receivables and other assets decreased on FY 22 position (decreased contract assets and decreased trade receivables)
- Trade payables and other liabilities decreased on FY 22 position (increased subcontractor accruals more than offset by decreased trade payables)

FY 23 cash walk

Continued strong adjusted free cash flow



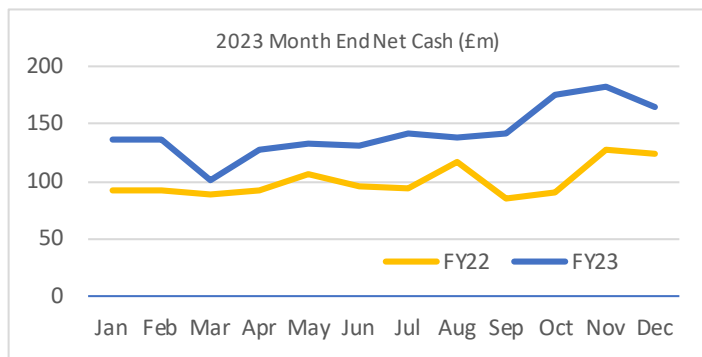
- Continued strong adjusted free cash flow of **£72.0m**, driven by growth in adjusted operating profit, increased financial income and positive working capital movements.
- Strong closing net cash position of **£164.4m**
- We expect our FY 24 year-end net cash position to be broadly similar to that at the end of FY 23, as the underlying adjusted net free cash flow from the business is likely to be offset by the unwinding of cumulative working capital timing benefits of around £25.0m at the end of FY 23.
- During FY 23 we paid more than 98% of invoices within 60 days (FY 22: more than 98%). In January 2024, Costain was re-confirmed as [one of the top fastest-paying lead contractors in construction](#) on an average days-to-pay basis following the submissions to the Government's Duty to Report on Payment Practices and Performance.

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 28 for detailed calculation.

Cash and banking facilities



Net Cash £m	FY 23	FY 22
Cash	105.2	67.3
Cash held at joint ventures	59.2	56.5
Loans	0.0	0.0
	164.4	123.8
Average month end net cash	141.4	101.9



Other Measures £m	FY 23	FY 22
Banking facility	85	125
•RCF	85	125
•Term loan	0	0
•Maturing	Sep-26	Sep-24

- No drawdown of RCF
- Average month-end net cash balance during the year was £141.4m, higher than FY 22 of £101.9m.
- Average week-end net cash balance during the year was £141.0m, higher than FY 22 of £94.5m.
- Significant headroom on bonding facilities at 31 December 2023
 - Facility £270m (FY 22 £280m)
 - Utilisation £70m (FY 22 £89m)
- Refinancing of banking facilities agreed in July 2023, with a maturity date of September 2026
 - RCF £85m (previously £125m)
 - Surety & Bank Bonding Facilities £270m (previously £280m)

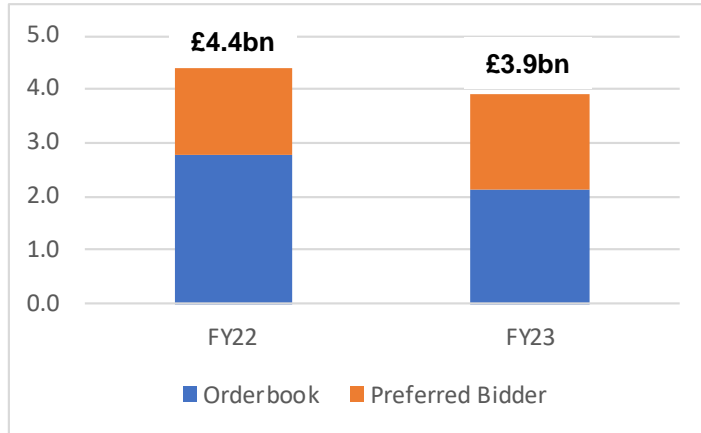
Strength of secured workload

Well positioned to deliver further progress in FY 24



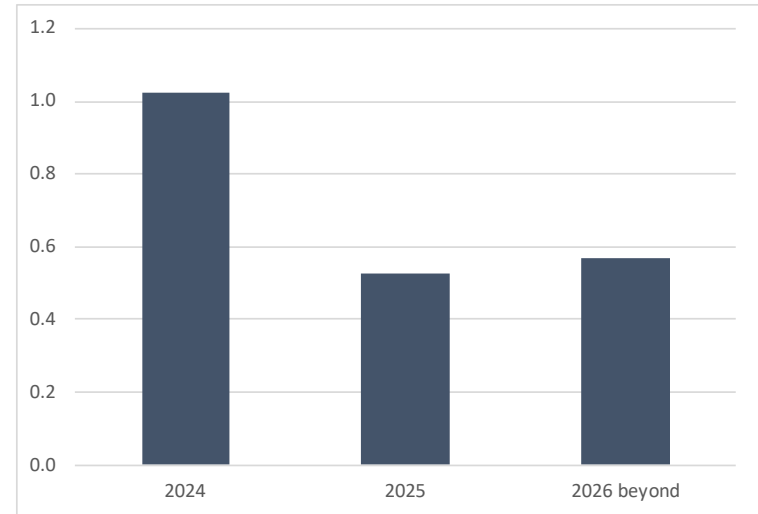
Order & Preferred Bidder Books

Holistic view of our forward visibility is increasingly relevant, and we anticipate a shift towards the preferred bidder book away from the order book as we continue to secure long-term (5-to-10-year) framework positions with our customers, providing a reliable and long-term stream of future work.



- Order book of £2.1bn at the end of FY23 (FY22 £2.8bn)
- Preferred bidder book increased to £1.8bn at the end of FY23 (FY22 £1.6bn)

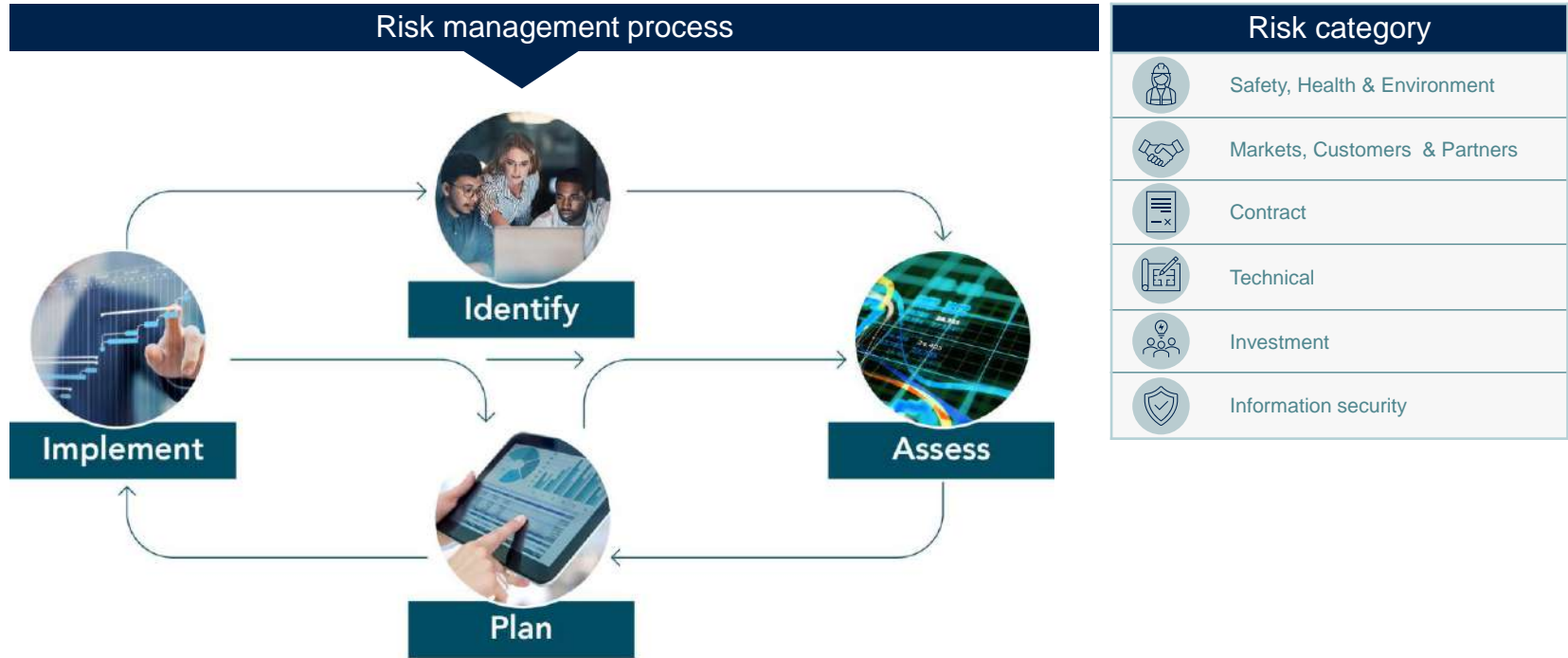
Secured Revenue



- More than £1bn of secured revenue for FY24 at the end of FY 23 - representing more than 80% of forecast revenue for the year

Transforming the business

Effective risk management driving predictability and margin



Dividend

- Dividend payments were resumed in FY 23 with an interim dividend of 0.4p per share for the six months ended 30 June 2023.
- The Board is proposing a final dividend of 0.8p per share
- Within pension scheme “dividend parity” arrangements
- Potential dividends increase above “dividend parity” depending on cash flow and pension scheme funding level



Further progress in 2024

- We remain mindful of macro-economic uncertainties
- We have an increasingly broad customer base and have already secured >£1bn of revenue for 2024
- We expect our FY 24 year-end net cash position to be broadly similar to that at the end of FY 23
- With further improvements made to our operational performance, opportunities for higher-margin business, a strong cash position and clear strategic priorities, we are well positioned for further growth
- On track for FY 24 and FY 25 margin targets
- We are confident in the Group's strategy and longer-term prospects





COSTAIN

Strategy & Outlook

Alex Vaughan
Chief Executive Officer

Improving people's lives.

Resilient investment in critical national needs



Megatrends



Climate change and net zero imperative



Resource, environmental and economic resilience



Need for transformation and affordability



Balancing and enabling economic growth and social change

UK Government sets out ten-year plan for investment of £700bn

Transportation



Water



Energy



Defence and Nuclear



Strong infrastructure investment

Most customers procure against five-year investment plans



	Committed investment	Investment period	2023	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£8bn	2023–2026	TfL 2023 Business Plan							
Ports and Aviation	£7bn+	2021-2040	Port and Airport expansion							
Water	£96bn	2025-2030	AMP7				AMP8			
Energy	£12bn	2020-2030	10-Point Plan							
	£30bn	2021-2026	RIIO-2				RIIO-3			
	£25bn	2023-2028	RIIO-ED2 (Electricity Distribution)					RIIO-ED3		
Defence	£240bn	2022-2032	Defence Equipment Plan							
	£4bn	2020-2030	Defence Estates Optimisation							
Nuclear	£8bn	2023-2025	Nuclear Decommissioning Authority							
	c£20bn	2023-2038	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

Water – AMP8

Significant investment needed to meet regulatory requirements



Ofwat demands a step change in performance and investment

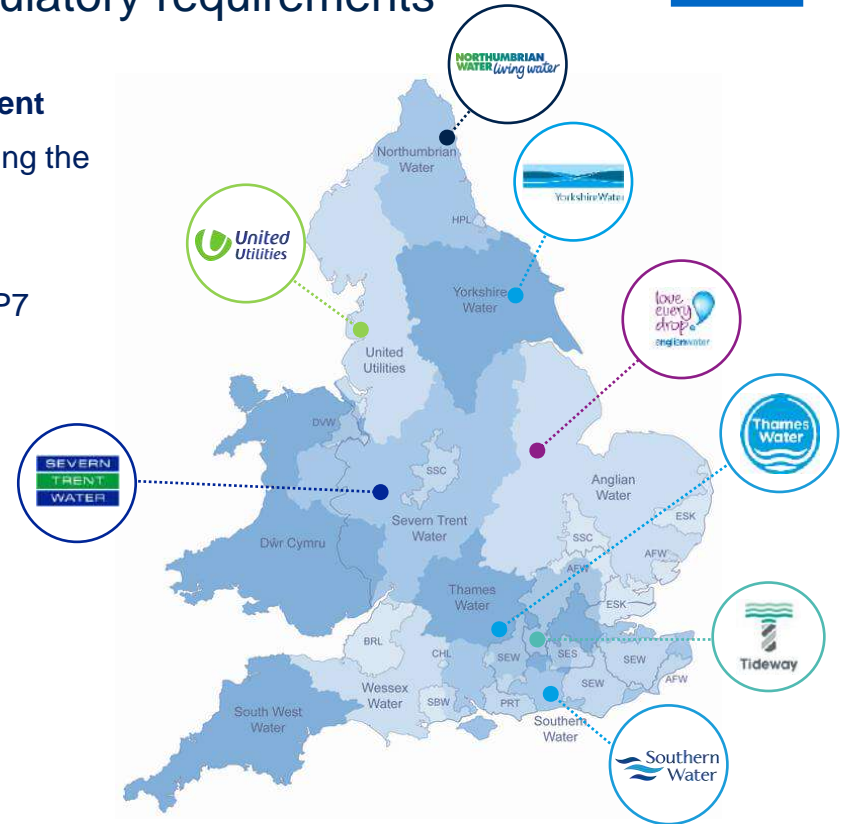
- AMP8 requirements for cleaner rivers and seas, and meeting the challenges of climate change
- New cycle will start in 2025 through to 2030
- Capital spend AMP8 expected to be at least double of AMP7

Costain is a broad market leader in water

- Quality of relationships, expertise, experience and reputation

Contract wins in area

- Growth on current AMP7 contracts
- Post period AMP8 framework with Northumbrian Water
- AMP8 water programmes extended with Severn Trent, Thames Water and United Utilities



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



Science-based target approved



UK's 1st Highways project to use 3D printed concrete



Delivering biodiversity net gain



Outstanding 'Prompt payment' performance



Shaping industry standards for lifting operations



Our people rate us a very good company to work for!



£247k raised for Samaritans



Our solutions are saving millions of litres of water



Gender and ethnicity pay gap reductions



10% reduction in absolute emissions



ESG programme setting new ambitions



Connecting communities and delivering social value



£460k contributed to the community



0.12 Lost time injury rate (LTIR)



38% of spend with SMEs

Further progress expected in FY 24 and beyond

- FY 23 a strong platform for FY 24
- £1bn+ revenue secured for FY 24
- Order book and preferred bidder book at around three times FY 23 revenue
- High level of ongoing tendering and significant pipeline
- On track for FY 24 and FY 25 margin targets





Q&A

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Appendices

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Cash flow



Consolidated cash flow statement	FY 23 £m	FY 22 £m
Cash from operations before changes in working capital and provisions	48.1	52.6
Changes in working capital	14.2	13.1
Movement in provisions and employee benefits	(6.8)	(49.0)
Interest and tax paid	0.2	(2.6)
Net cash from operating activities	55.7	14.1
Capital expenditure	(0.1)	(0.5)
Other investing	0.0	(0.8)
Ordinary dividends paid	(1.1)	0.0
Acquisition of treasury shares	(1.3)	0.0
IFRS 16 leases	(12.6)	(8.4)
Repayment of borrowings, net	0.0	(40.0)
Net (decrease)/increase in cash and cash equivalents	40.6	(35.6)
Cash and cash equivalents at beginning of year	123.8	159.4
Impact of foreign exchange	0.0	0.0
Cash and cash equivalents at end of year	164.4	123.8
Borrowings	0.0	0.0
Net cash at end of year	164.4	123.8

Adjusted to reported reconciliation



£m	FY 23				FY 22			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
Group Revenue	1,332.0	0.0	0.0	1,332.0	1,421.4	0.0	0.0	1,421.4
Cost of sales	(1,227.2)	0.0	0.0	(1,227.2)	(1,328.7)	0.0	0.0	(1,328.7)
Gross Profit	104.8	0.0	0.0	104.8	92.7	0.0	0.0	92.7
Administrative expenses	(78.0)	0.0	13.3	(64.7)	(57.8)	0.0	1.4	(56.4)
Group operating profit	26.8	0.0	13.3	40.1	34.9	0.0	1.4	36.3
Share of results of joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net finance expense	4.1	0.0	0.0	4.1	(2.1)	0.0	0.0	(2.1)
Profit before tax	30.9	0.0	13.3	44.2	32.8	0.0	1.4	34.2
Taxation	(8.8)	0.0	(1.9)	(10.7)	(6.9)	0.0	(0.1)	(7.0)
Profit for the year attributable to equity holders of the parent	22.1	0.0	11.4	33.5	25.9	0.0	1.3	27.2
Basic earnings per share (pence)	8.1	0.0	4.2	12.2	9.4	0.0	0.5	9.9

£m	FY 23				FY 22			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
Natural Resources Revenue	388.9	0.0	0.0	388.9	375.1	0.0	0.0	375.1
Transport Revenue	943.1	0.0	0.0	943.1	1,046.3	0.0	0.0	1,046.3
Group Revenue	1,332.0	0.0	0.0	1,332.0	1,421.4	0.0	0.0	1,421.4
Natural Resources operating profit	21.7	0.0	(0.1)	21.8	19.5	0.0	4.5	15.0
Transport operating profit	20.9	0.0	(7.1)	28.0	30.1	0.0	(1.4)	31.5
Central operating loss	(15.8)	0.0	(6.1)	(9.7)	(14.7)	0.0	(4.5)	(10.2)
Group operating profit	26.8	0.0	(13.3)	40.1	34.9	0.0	(1.4)	36.3

Adjusted free cash flow



Adjusted free cash flow	FY 23	FY 22
	£m	£m
Cash from operations	55.5	16.7
Add back cash flow on adjusting items	9.2	46.4
Add back pension deficit contributions	8.1	10.8
Less taxation	(0.7)	(0.5)
Adjusted cash from operating activities	72.1	73.4
Capital expenditure	(0.1)	(0.5)
Adjusted free cash Flow	72.0	72.9
<i>Memo: including operating leases, which are shown outside of cash from operations due to IFRS 16:</i>		
IFRS 16 leases	(12.6)	(8.4)
Adjusted free cash flow after IFRS 16 leases	59.4	64.5

FY 23 IFRS 16 impact



Income statement impact	£m
Decrease in operating costs	14.1
Profit on disposal of assets	2.2
Increase in depreciation	(13.9)
Increase in finance costs	(1.5)
Net impact on income statement	0.9

Fixed Assets impact	£m
Fixed assets opening position (as restated)	30.7
Additions	10.2
Disposals	(0.6)
Depreciation	(13.9)
Fixed assets closing adjustment	26.4

Liabilities impact	£m	£m	£m
	Opening (as restated)	Movement	Closing
Current liabilities	11.0	(0.7)	10.3
Non-current liabilities	18.5	(4.5)	14.0
	29.5	(5.2)	24.3

Current engagement in the Water sector

Northumbrian Water



- **Contract:** Living Water Enterprise
- **Type:** NEC4 ECC/PSC
- **Scope:** Partner in Enterprise delivering output based projects
- **USP:** Building a new enterprise with a new client and partners, complex projects

United Utilities



- **Contract:** Managed Service Provider (Maintenance)
- **Type:** NEC3
- **Scope:** managing all planned and reactive CDM driven maintenance activities; delivering capital maintenance projects
- **USP:** driving maintenance efficiency, managing the UU supply chain, visibility of asset performance

Severn Trent



- **Contract:** Capital Delivery Framework
- **Type:** NEC3
- **Scope:** Output based projects with significant risk transfer
- **USP:** complex project experience, carbon lifecycle management

Yorkshire Water



- **Contract:** H&S Assurance; Tech Services; Enterprise Level Client Advisory Services
- **Type:** NEC3
- **Scope:** auditing H&S performance of capital delivery framework partners; various technical/engineering support (including process safety); driving client side delivery
- **USP:** world class H&S performance understanding (including behavioural insights); extensive cross-sector experience of P13

Anglian Water



- **Contract:** Strategic Pipeline Alliance
- **Type:** P13 Alliance with outperformance and target cost on projects
- **Scope:** partner in the Alliance providing strategic insight, digital twin and delivery expertise, carbon management
- **USP:** delivery of digital twins to deliver operational benefits

Thames Water



- **Contract:** Lot 1 Capital delivery Framework; PMO Framework; Asset Management Framework
- **Type:** NEC3
- **Scope:** Output based projects with significant risk transfer; provide strategic advisory support
- **USP:** complex project experience, asset optimisation expertise

Thames Tideway

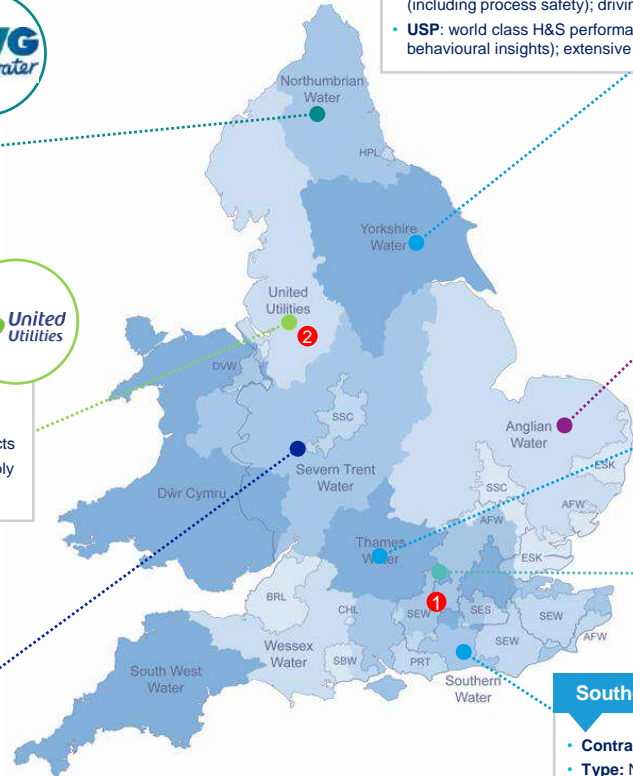


- **Contract:** Major Capital Delivery Project
- **Type:** I Chem E Burgundy
- **Scope:** Output based project
- **USP:** significant tunnelling expertise, social value, digital delivery, carbon lifecycle management

Southern Water



- **Contract:** Capital Delivery Framework (in JV with MWHT)
- **Type:** NEC3
- **Scope:** Outcome based projects with shared risk
- **USP:** complex project alliancing experience, asset optimisation expertise



1 Maidenhead 2 Manchester

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.