

COSTAIN

Results presentation

For the year ended 31 December 2021

Improving people's lives.





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Introduction

Alex Vaughan
Chief Executive Officer

Improving people's lives.





Reflections

- Delivering strong operational performance
- Drawn a line under legacy issues
- Stronger and more resilient business
- Diverse expert leadership team
- Clear differentiated strategy
- A new kind of company to meet our clients' changing needs
- Confidence in future delivery



Strong profit growth and cash generation, well positioned to deliver further progress this year

- Adjusted profits increased by 67% to £30.1m, in line with expectations
- Good cash generation
- Drawn a line under legacy contracts
- Completed strategy update
- Leadership in place to deliver growth
- A positive outlook with good secured revenue for FY22



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2021 Financial Results

Helen Willis
Chief Financial Officer

Improving people's lives.

Headline financial results



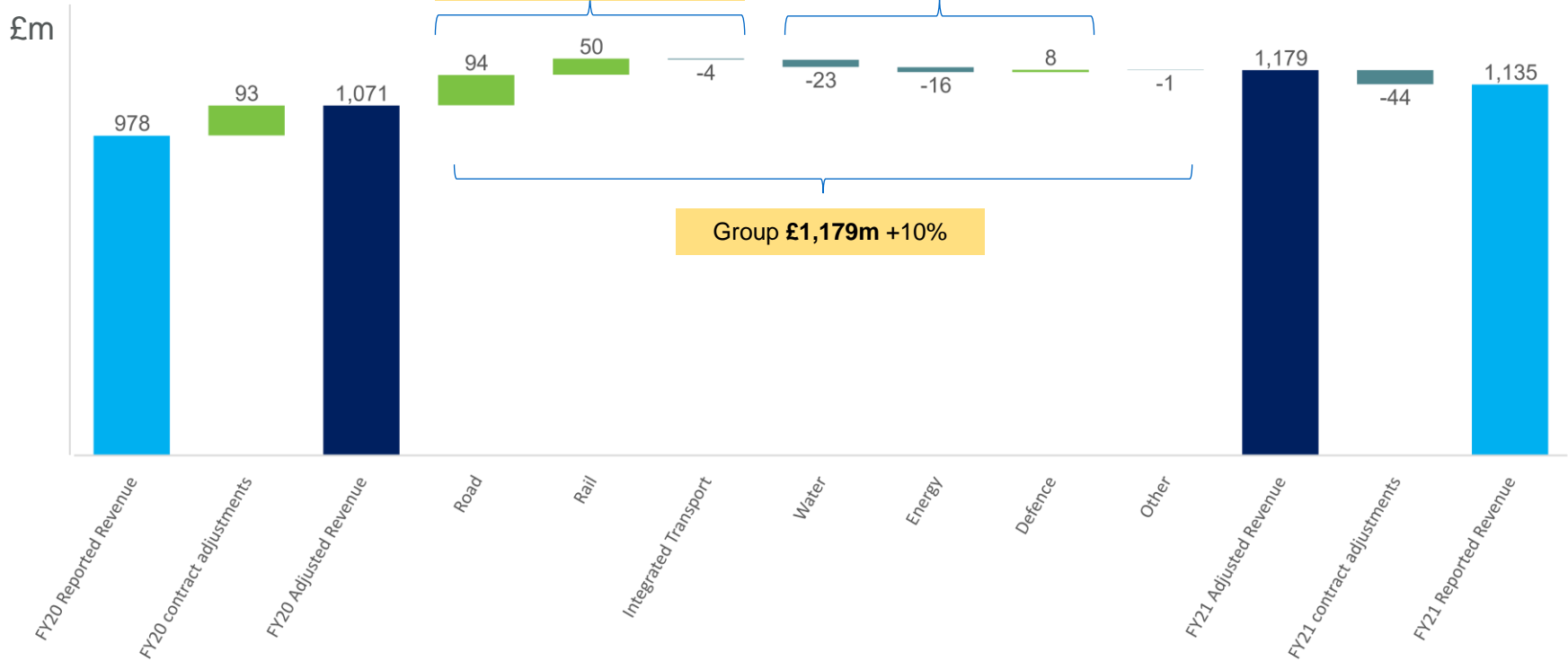
Financial Summary	FY21 £m	FY20 £m	Change %
Adjusted Revenue¹	1,178.6	1,070.5	10%
Reported Revenue	1,135.2	978.4	16%
Adjusted operating profit²	30.1	18.0	67%
Adjusted operating profit² Margin	2.6%	1.7%	0.9pp
Reported operating loss	(9.5)	(92.0)	-90%
Reported loss before tax	(13.3)	(96.1)	-86%
Adjusted Basic earnings per share³	9.6p	5.8p	65%
Reported Basic loss per share	(2.1p)	(36.7p)	-94%
Free cash flow⁴	38.9	31.6	23%

- Adjusted Revenue is an adjusted metric and excludes the impact of contract adjustments totalling £43.4m (FY20: £92.1m).
- Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of contract adjustments and other items totalling £39.6m (FY20: £110.0m).
- Adjusted Basic earnings per share is an adjusted metric and excludes the impact of contract adjustments and other items, net of tax, totalling £32.2m (FY20: £90.4m).
- Free cash flow is an adjusted metric and is defined as cash flow from operating activities, excluding adjusting items, less capital expenditure.

See appendix for a reconciliation of reported to adjusted measures.

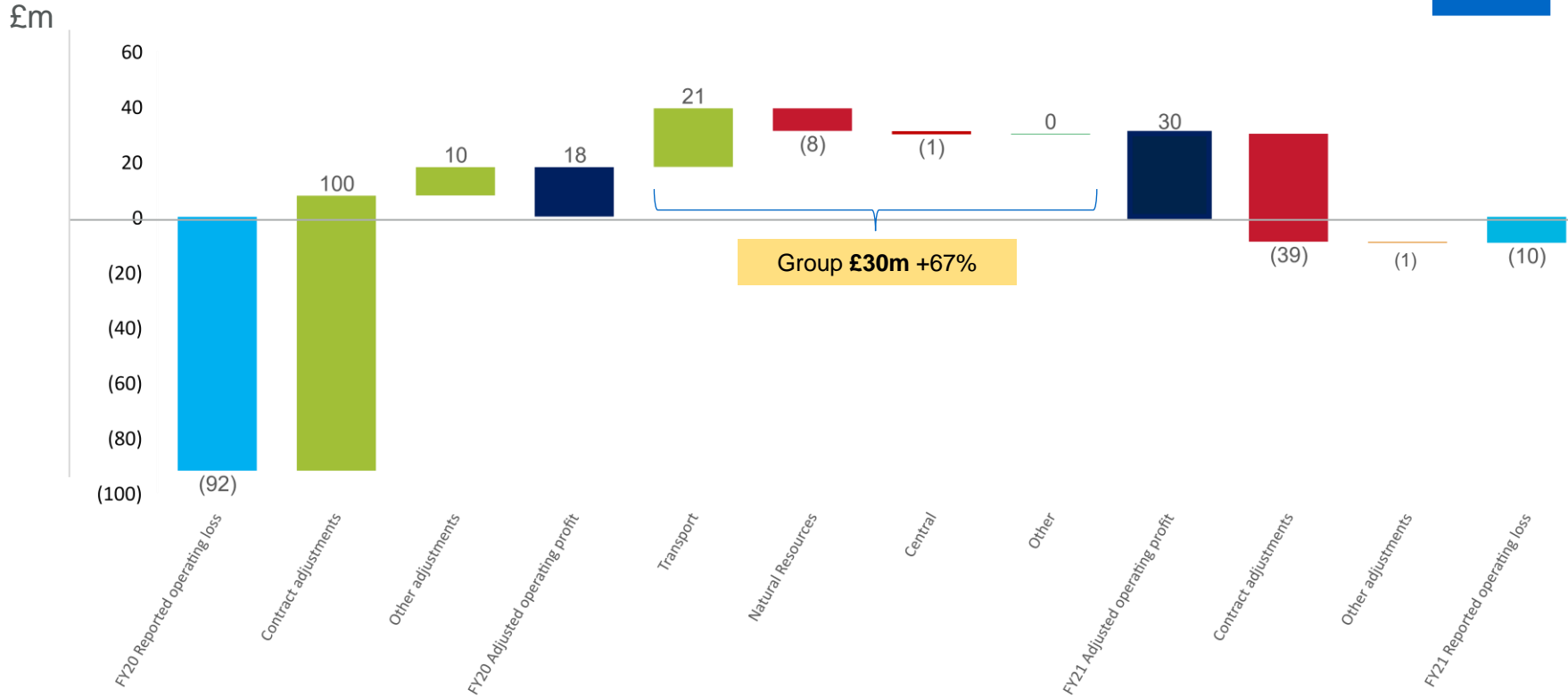
- Adjusted Revenue up 10% reflecting strong growth in Transportation from National Highways and HS2
- Adjusted operating profit up 67% to £30.1m and an adjusted operating margin of 2.6%
- Reported loss before tax down 86% to £13.3m
- Adjusted basic earnings per share (EPS) up 65% to 9.6 pence
- Free cash flow up 23% to £38.9m

Revenue walk



1. Adjusted Revenue is an adjusted metric and excludes the impact of contract adjustments totalling £43.4m (FY20: £92.1m). See appendix for a reconciliation of reported to adjusted measures.

Operating profit walk



1. Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of contract adjustments and other items totalling £39.6m (FY20: £110.0m). See appendix for a reconciliation of reported to adjusted measures.

Transportation



Adjusted Revenue¹

+19.3%

Adjusted operating profit²

£41.4m

(FY20: £20.1m)

FY22 secured revenue

£764m

(FY20: £762m)

Adjusted Operating margin² **4.8%**
(FY20: 2.8%)

Improvement driven by growth and more effective contract management

Road

Strategic partner for National Highways

Rail

Growth from HS2 Main Works and Gatwick Airport Station

Integrated Transport

Revitalising the A40 Westway



1. Adjusted Revenue is an adjusted metric and excludes the impact of contract adjustments totalling £nil (FY20: £58.1m).
 2. Adjusted operating (loss)/profit and adjusted operating margin are an adjusted metrics and exclude the impact of contract adjustments and other items totalling £8.4m credit (FY20: £50.7m).
- See appendix for a reconciliation of reported to adjusted measures.

Natural Resources



Adjusted Revenue¹

-8.9%

Adjusted operating (loss)²

(£2.6m)

(FY20: £5.7m profit)

FY22 secured revenue

£271m

(FY20: £278m)

Adjusted Operating margin² **-0.8%**
(FY20: 1.7%)

Reflecting the lower revenue and increased costs particularly within the water sector

Water

Lower volumes in AMP7 due to COVID-19

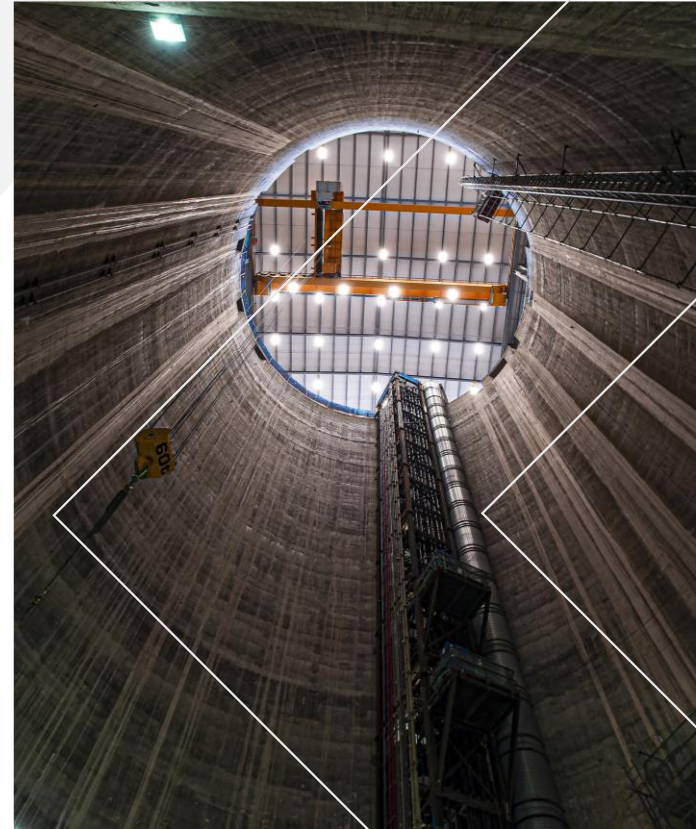
Energy

Contracts deferred into H2 and FY22

Defence

Strong growth from a small base

1. Adjusted Revenue is an adjusted metric and excludes the impact of contract adjustments totalling £43.4m (FY20: £42.0m).
 2. Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of contract adjustments and other items totalling £48.0m (FY20: £57.4m).
- See appendix for a reconciliation of reported to adjusted measures.



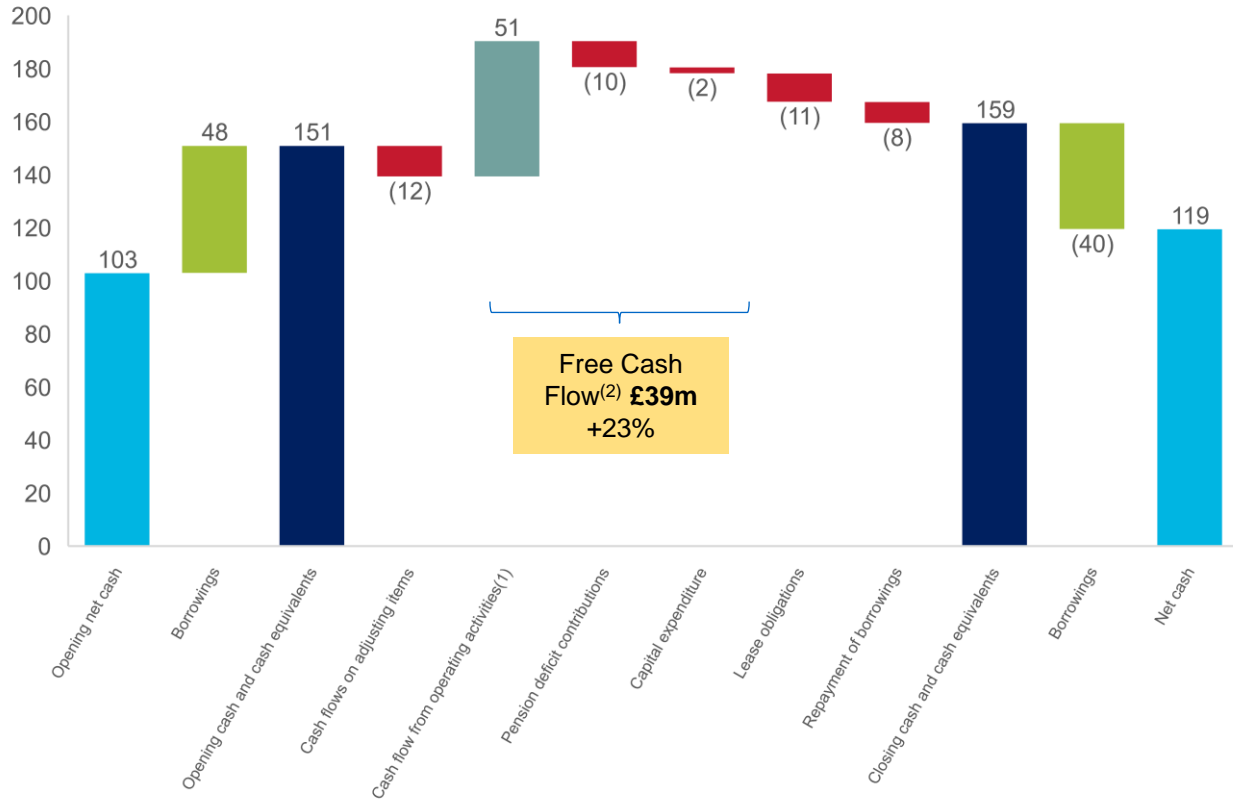
Balance sheet



Consolidated statement of financial position	FY21	FY20
	£m	£m
Assets		
Retirement benefit asset	67.1	0.0
Other non-current assets	105.8	119.5
Total non-current assets	172.9	119.5
Current assets		
Trade receivables and other current assets	200.1	219.5
Cash and cash equivalents	159.4	150.9
Total current assets	359.5	370.4
TOTAL ASSETS	532.4	489.9
Current liabilities		
Trade payables and other liabilities and lease obligations	274.0	259.1
Interest bearing loans and borrowings	7.4	7.2
Total current liabilities	281.4	266.3
Non-current liabilities		
Retirement benefit obligation	0.0	5.6
Other payables and lease obligations	20.0	21.9
Interest bearing loans and borrowings	32.0	39.6
Total non-current liabilities	52.0	67.1
TOTAL LIABILITIES	333.4	333.4
Equity	199.0	156.5

- Net assets increased to £199.0m
- Strong net cash of £119.4m up from £102.9m
- Pension surplus of £67.1m up from deficit £5.6m (FY20: £50.4m and £4.5m respectively after deferred tax)
- Reduction in trade receivables and other assets driven by significant reduction in contract assets
- Increase in trade payables and other liabilities driven by P&H settlement provision

2021 cash bridge



- Strong free cash flow of **£38.9m**, up 23%, driven by efficient working capital management
- Strong closing net cash position of **£119.4m**
- Supplier payments in line with prompt payment code
- Payment to settle Peterborough & Huntingdon contract made after FY21 year end of **£43.4m**

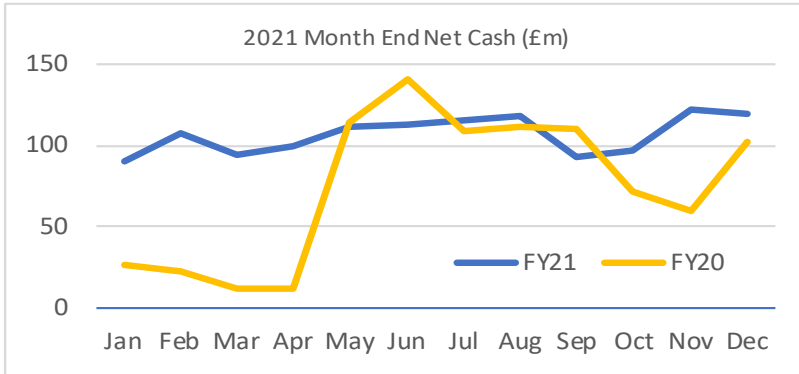
1. Excluding pension deficit contributions of £10.4m (FY20: £10.6m), shown separately.

2. Free cash flow is an adjusted metric and is calculated as defined as cash flow from operating activities, excluding adjusting items, less capital expenditure. See appendix for detailed calculation.

Cash and banking facilities



Net Cash £m	FY21	FY20
Cash	101.3	89.8
Cash held at joint ventures	58.1	61.1
Loans	(40.0)	(48.0)
	119.4	102.9
Average month end net cash	107.0	73.8

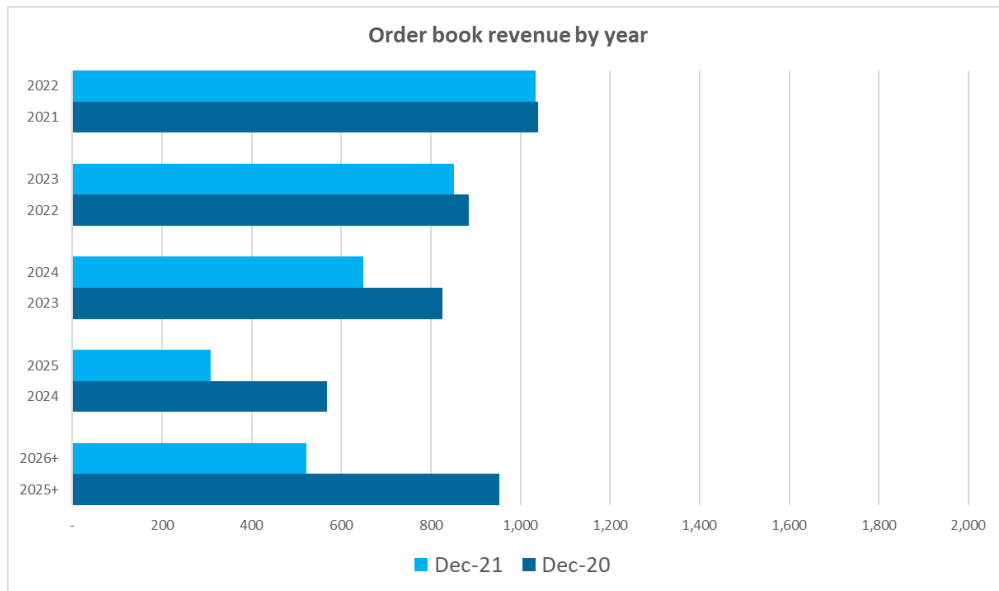


Other Measures £m	FY21	FY20
Banking facility	171	179
• RCF	131	131
• Term loan	40	48
• Maturing	Sep-23	Sep-23

- No drawdown of RCF
- Average month end net cash of £107.0m, higher than FY20 of £73.8m. Consistent throughout FY21
- Significant headroom on bonding facilities
- Costain has targeted a dividend cover of c.3x adjusted earnings
- No final dividend recommended this year

Strength of secured workload

Well positioned to deliver further progress this year



Strong forward workload

- Order book of **£3.4 billion**, more than 3x annual revenue
 - **90%** are repeat orders
 - **£430 million** of new contract awards and extensions and framework positions confirmed in 2021 (compared to c£2.3bn at FY20)

In addition:

- Selected preferred bidder **£900 million**
- Secured positioned on around 50 major live frameworks which we continue to build on

Orderbook of more than £1bn secured for FY22

Note: order book includes revenue from contracts which are partially or fully unsatisfied and probable revenue from water frameworks included at allocated volume.

Further progress in 2022

- Mindful of macro-economic uncertainties
- Secured more than £1bn of Group revenue for FY22
- Started the year with good momentum
- Expect to deliver further progress in FY22
- Confident in Group strategy and longer-term prospects





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Strategy update

Alex Vaughan
Chief Executive Officer

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Strategically positioned to benefit from market developments



Megatrends



Climate change & resource scarcity

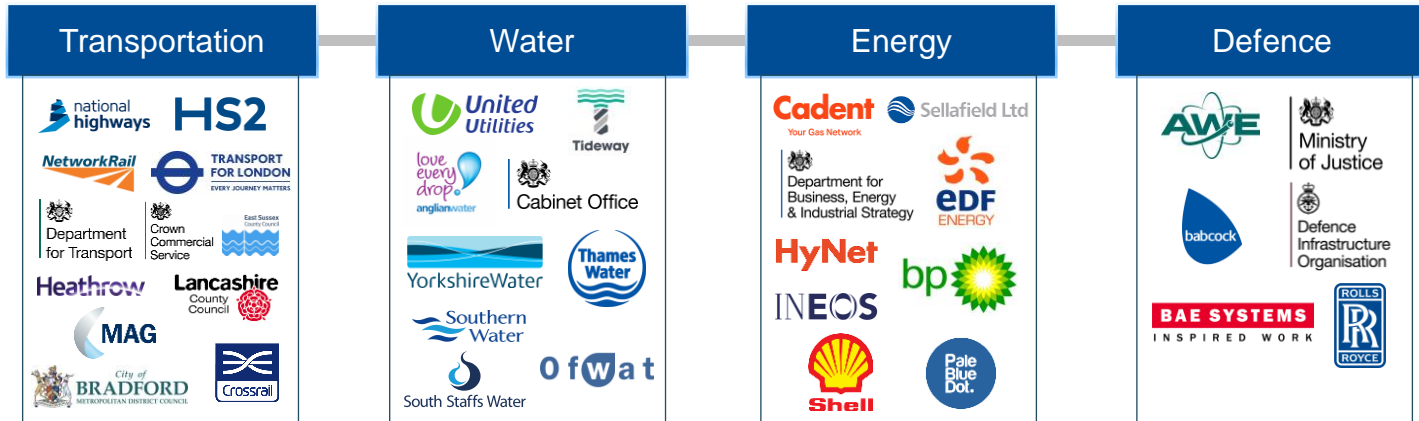


Digitisation



Demographic & social change

UK Government plans investment of £650bn in next ten years



Differentiating Costain

A truly strategic partner



INFLUENCE, SHAPE AND ADVISE

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



CREATE & DELIVER

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



MAINTAIN, OPTIMISE AND REPURPOSE

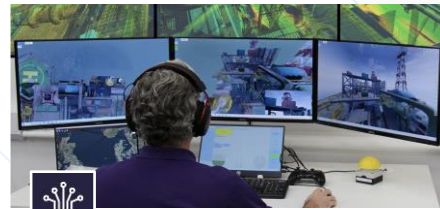
- Enhancing and maintaining existing assets to ensure safe, efficient and cost-effective operations
- Extending asset life or repurposing while delivering economic and environmental value



Complex programme delivery



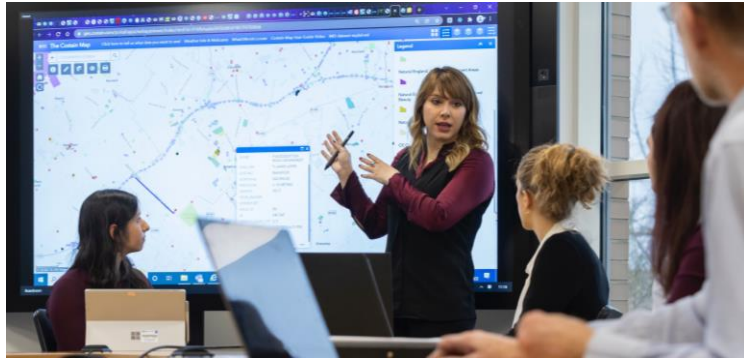
Consulting



Digital services

Risk management

Strengthened contract governance



Work winning



Contract selection



Independent review



Enhanced legal process



Contract duration



Operational excellence model



Financial oversight



Senior management review

Levers to deliver growth

Core business strength

- Long-term investment programmes and frameworks
- Positioned in key markets
- Positioned on 50 consulting and digital frameworks
- Recognised as a leading management consultant

Growth market opportunities

- Network Rail through CP7 programmes
- Energy transition
- Regional growth and connectivity
- Digital services

Profit and margin increase

- Group operating profit growth and margin ambition of 5-6%
 - Construction: 3-5%
 - Consulting and digital: >5%
- Strong 90% cash conversion



In Summary

- Delivering strong operational performance
- Drawn a line under legacy issues
- Stronger and more resilient business
- Diverse expert leadership team
- Clear differentiated strategy
- A new kind of company to meet our client's changing needs
- Confidence in future delivery



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Q&A

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Appendices

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KPI Scorecard



	FY21	FY20	Target	Status
Adjusted operating profit	£30.1m	£18.0m	Double digit compound growth in the medium term	
Adjusted Group operating profit margin	2.6%	1.7%	Group medium term ambition of 5-6%	
Adjusted diluted EPS	10.1p	5.8p	Growth in line with operating profit	
Free cash flow	£38.9m (137% conversion)	£32.6m (198% conversion)	Cash conversion of 90%	

Note: Free cash flow is defined as net cash flow from operating activities, before adjusting items, less capital expenditure.

Cash flow



Consolidated cash flow statement	FY21 £m	FY20 £m
Cash from/(used by) operations before changes in working capital and provisions	5.4	(66.7)
Changes in working capital	38.2	26.3
Pension deficit contributions	(10.4)	(10.6)
Interest and tax paid	(3.7)	4.0
Net cash from/(used by) operating activities	29.5	(47.0)
Capital expenditure	(2.2)	(4.1)
Other investing	0.0	8.8
IFRS 16 leases	(10.8)	(12.1)
Repayment of borrowings, net	(8.0)	(67.5)
Capital raise	0.0	92.5
Net cash flow	8.5	(29.4)
Cash and cash equivalents at beginning of year	150.9	180.9
Impact of foreign exchange	0.0	(0.6)
Cash and cash equivalents at end of year	159.4	150.9
Borrowings	(40.0)	(48.0)
Net cash at end of year	119.4	102.9

Adjusted to Reported Reconciliation

£m	FY21				FY20			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
Group Revenue	1,135.2	43.4	0.0	1,178.6	978.4	92.1	0.0	1,070.5
Cost of sales	(1,095.0)	(4.2)	0.0	(1,099.2)	(1,027.0)	7.6	0.0	(1,019.4)
Gross Profit	40.2	39.2	0.0	79.4	(48.6)	99.7	0.0	51.1
Administrative expenses	(49.7)	0.0	0.4	(49.3)	(43.4)	0.0	10.3	(33.1)
Group operating profit	(9.5)	39.2	0.4	30.1	(92.0)	99.7	10.3	18.0
Share of results of joint ventures and associates	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.2
Net finance expense	(3.8)	0.0	0.0	(3.8)	(4.3)	0.0	0.0	(4.3)
Profit before tax	(13.3)	39.2	0.4	26.3	(96.1)	99.7	10.3	13.9
Taxation	7.5	(7.4)	0.0	0.1	18.1	(19.0)	(0.6)	(1.5)
Loss for the year attributable to equity holders of the parent	(5.8)	31.8	0.4	26.4	(78.0)	80.7	9.7	12.4
Basic earnings per share (pence)	(2.1)	11.6	0.1	9.6	(36.7)	37.9	4.6	5.8

£m	FY21				FY20			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
Natural Resources Revenue	271.0	43.4	0.0	314.4	303.1	42.0	0.0	345.1
Transport Revenue	864.2	0.0	0.0	864.2	674.1	50.1	0.0	724.2
Alcaidesa Revenue	0.0	0.0	0.0	0.0	1.2	0.0	0.0	1.2
Group Revenue	1,135.2	43.4	0.0	1,178.6	978.4	92.1	0.0	1,070.5
Natural Resources operating profit	(50.6)	47.6	0.4	(2.6)	(51.5)	49.3	7.9	5.7
Transport operating profit	49.8	(8.4)	0.0	41.4	(30.6)	50.4	0.3	20.1
Alcaidesa operating profit	0.0	0.0	0.0	0.0	(0.3)	0.0	0.0	(0.3)
Central operating profit	(8.7)	0.0	0.0	(8.7)	(9.6)	0.0	2.1	(7.5)
Group operating profit	(9.5)	39.2	0.4	30.1	(92.0)	99.7	10.3	18.0

Adjusting items



£m	FY21		FY20	
	Contract Adjustments	Other Adjustments	Contract Adjustments	Other Adjustments
Peterborough & Huntingdon	43.4	0.0	42.0	0.0
A465	0.0	0.0	50.1	0.0
ASF South	0.0	0.0	0.0	0.0
Total Revenue adjustments	43.4	0.0	92.1	0.0
Peterborough & Huntingdon	47.6	0.0	49.3	0.0
A465	(8.4)	0.0	45.4	0.0
ASF South	0.0	0.0	5.0	0.0
Amortisation of acquired intangible assets	0.0	0.4	0.0	1.0
Impairment of goodwill	0.0	0.0	0.0	9.0
Impairment of Alcaidesa marina	0.0	0.0	0.0	0.6
Impairment of other investment	0.0	0.0	0.0	0.6
Pension GMP equalisation charge	0.0	0.0	0.0	0.9
Profit on sales of interests in joint ventures and associates	0.0	0.0	0.0	(1.6)
Loss on disposal of subsidiary undertakings	0.0	0.0	0.0	(1.4)
Refinancing advisory fees	0.0	0.0	0.0	1.2
Total operating profit adjustments	39.2	0.4	99.7	10.3

Free Cash Flow



Free Cash Flow	FY21	FY20
	£m	£m
Net cash from/(used by) operating activities	29.5	(47.0)
Add back cash flow on adjusting items	11.6	82.7
Capital expenditure	(2.2)	(4.1)
Free Cash Flow	38.9	31.6

FY21 IFRS 16 impact



Income statement impact		£m	
Decrease in operating costs		11.2	
Increase in depreciation		(10.1)	
Increase in finance costs		(0.9)	
Net impact on income statement		0.2	
Fixed Assets impact		£m	
Fixed assets opening position		32.7	
Additions		18.0	
Disposals		(13.7)	
Depreciation		(10.5)	
Fixed assets closing adjustment		26.5	
Liabilities impact		£m	
	£m	£m	£m
	Opening	Movement	Closing
Current liabilities	12.5	(3.9)	8.6
Non-current liabilities	20.8	(2.6)	18.2
	33.3	(6.5)	26.8

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.