

**COSTAIN**

# Results presentation

For the year ended 31 December 2022

Improving people's lives.





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# Introduction

Alex Vaughan  
Chief Executive Officer

Improving people's lives.



# Highlights

## Strong financial performance



### Strong full year 2022 (FY22) operating performance

- Adjusted revenue<sup>(1)</sup> up 20.6% year-on-year
- Adjusted operating profit<sup>(2)</sup> up year-on-year 20.6% to £36.3m
- Strong adjusted free cashflow<sup>(3)</sup> of £72.9m
- Period end net cash of £123.8m, well ahead of expectations
- Operationally resilient in the face of macroeconomic challenges
- Mitigated and negotiated the challenges of material availability and inflation

### Differentiated business model across the infrastructure ecosystem

- Good opportunities emerge in our chosen sectors at the right margins
- Total order and preferred book of £4.4bn (FY21: £4.3bn)
- Secured more than £1bn revenue for FY23 representing around 80% of expected revenue

### Clear path for adjusted operating margin progression

- Operational efficiencies and Transformation programme progressing well
- Margin milestones: 3.5% run-rate during FY24 and 4.5% during FY25, with an ambition of in excess of 5%

1. Adjusted revenue is an adjusted metric and excludes the impact of contract adjustments totalling £nil (FY 21: £43.4m).

2. Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of contract adjustments and other items totalling £1.4m (FY 21: £39.6m).

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

See slides 29 and 30 for a reconciliation of reported to adjusted measures.

# Transportation

Adjusted revenue<sup>(1)</sup>

**£1,046.3m**

(FY21: £864.2m)

Adjusted revenue<sup>(1)</sup>

**+21.1%**

Adjusted operating profit<sup>(2)</sup>

**£31.5m**

(FY21: £41.4m)

FY23 secured revenue

**£746m**

Adjusted operating margin<sup>(2)</sup> **3.0%**

(FY21: 4.8%)

Following 2021 outperformance, in line with normal expectations, and reflecting inflation and increased bidding costs

## Road

Highway schemes on A1, M1, M6 and A30. Key strategic partner wins A66 and A303

## Rail

HS2 main works progressing well. Gatwick due for completion in FY23.

## Integrated Transport

Completed A40 Westway, continued design work for TfL and won delivery partner for Heathrow

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1. Adjusted revenue is an adjusted metric and excludes the impact of specified contract adjustments totalling £nil (FY 21: £nil).
2. Adjusted operating profit and adjusted operating margin are adjusted metrics and exclude the impact of specified contract adjustments and other items totalling £1.4m (FY 21: £8.4m credit).

See slides 29 and 30 for a reconciliation of reported to adjusted measures.



# Natural Resources



Adjusted revenue<sup>(1)</sup>

**£375.1m**

(FY21: £314.4m)

Adjusted revenue<sup>(1)</sup>

**+19.3%**

Adjusted operating profit<sup>(2)</sup>

**£15.0m**

(FY21: £2.6m loss)

FY23 secured revenue

**£257m**

Adjusted operating margin<sup>(2)</sup> **4.0%**

(FY21: 0.8% loss)

Improved operational performance

## Water

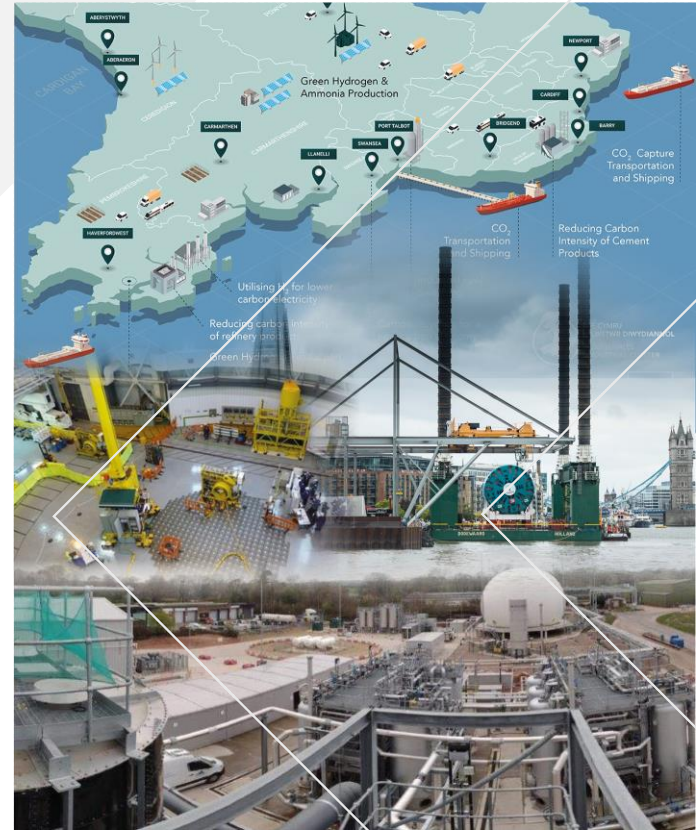
Revenue increased by 19.1% with good visibility across AMP7 working with major water companies. Engaging with customers on AMP8

## Energy

Revenue increased by 9.7% with good performance in energy resilience and increasing position in energy transition

## Defence

Revenue increased by 36.6% driven by delivery partnership contracts



1. Adjusted revenue is an adjusted metric and excludes the impact of specified contract adjustments totalling £nil (FY 21: £43.4m).  
2. Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of specified contract adjustments and other items totalling £4.5m (FY 21: £48.0m).  
See slides 29 and 30 for a reconciliation of reported to adjusted measures.



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# 2022 Financial Results

Helen Willis  
Chief Financial Officer

Improving people's lives.

# Headline financial results



Financial Summary	FY 22 £m	FY 21 £m	Change %
<b>Adjusted revenue<sup>(1)</sup></b>	<b>1,421.4</b>	1,178.6	21%
<b>Reported revenue</b>	<b>1,421.4</b>	1,135.2	25%
<b>Adjusted operating profit<sup>(2)</sup></b>	<b>36.3</b>	30.1	21%
<b>Adjusted operating profit<sup>(2)</sup> margin</b>	<b>2.6%</b>	2.6%	0.0pp
<b>Reported operating profit/(loss)</b>	<b>34.9</b>	(9.5)	n/m
<b>Reported profit/(loss) before tax</b>	<b>32.8</b>	(13.3)	n/m
<b>Adjusted basic earnings per share<sup>(3)</sup></b>	<b>9.9p</b>	9.6p	3%
<b>Reported basic earnings/(loss) per share</b>	<b>9.4p</b>	(2.1p)	n/m
<b>Adjusted free cash flow<sup>(4)</sup></b>	<b>72.9</b>	53.1	37%

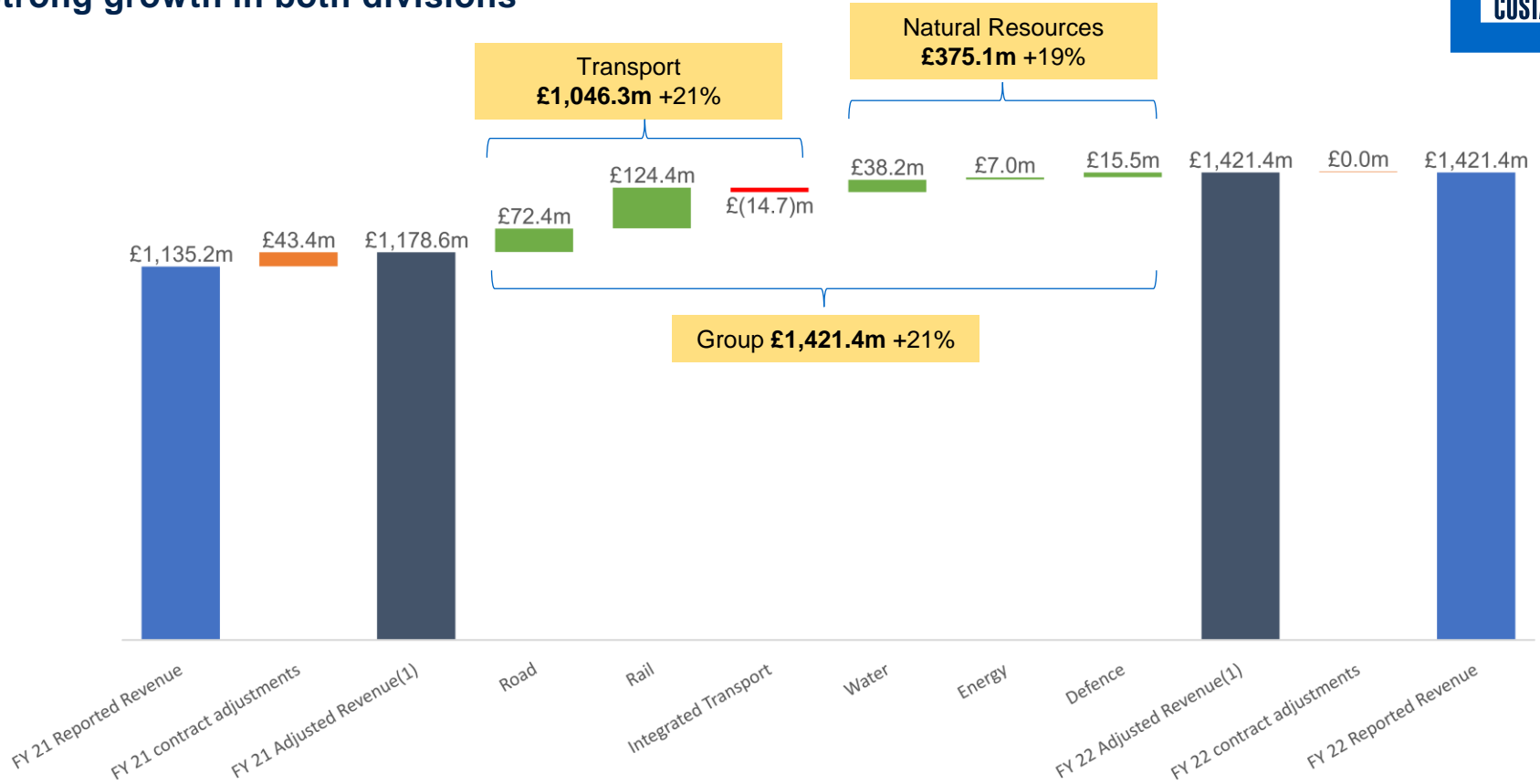
- Adjusted revenue is an adjusted metric and excludes the impact of contract adjustments totalling £nil (FY 21: £43.4m).
- Adjusted operating profit and adjusted operating profit margin are adjusted metrics and exclude the impact of contract adjustments and other items totalling £1.4m (FY 21: £39.6m).
- Adjusted Basic earnings per share is an adjusted metric and excludes the impact of contract adjustments and other items, net of tax, totalling £1.3m (FY 21: (£32.2m)).
- Free cash flow is an adjusted metric and is defined as cash from operations, excluding 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 Revenue up 21% reflecting strong growth in both divisions
- Adjusted operating profit up 21% to £36.3m
- Adjusted operating margin of 2.6% (H2 22 adjusted operating margin of 3.0%)
- Reported profit before tax up £46.1m to £32.8m
- Adjusted Basic earnings per share (EPS) up 3% to 9.9 pence
- Free cash flow up 37% at £72.9m

# Revenue walk

Strong growth in both divisions

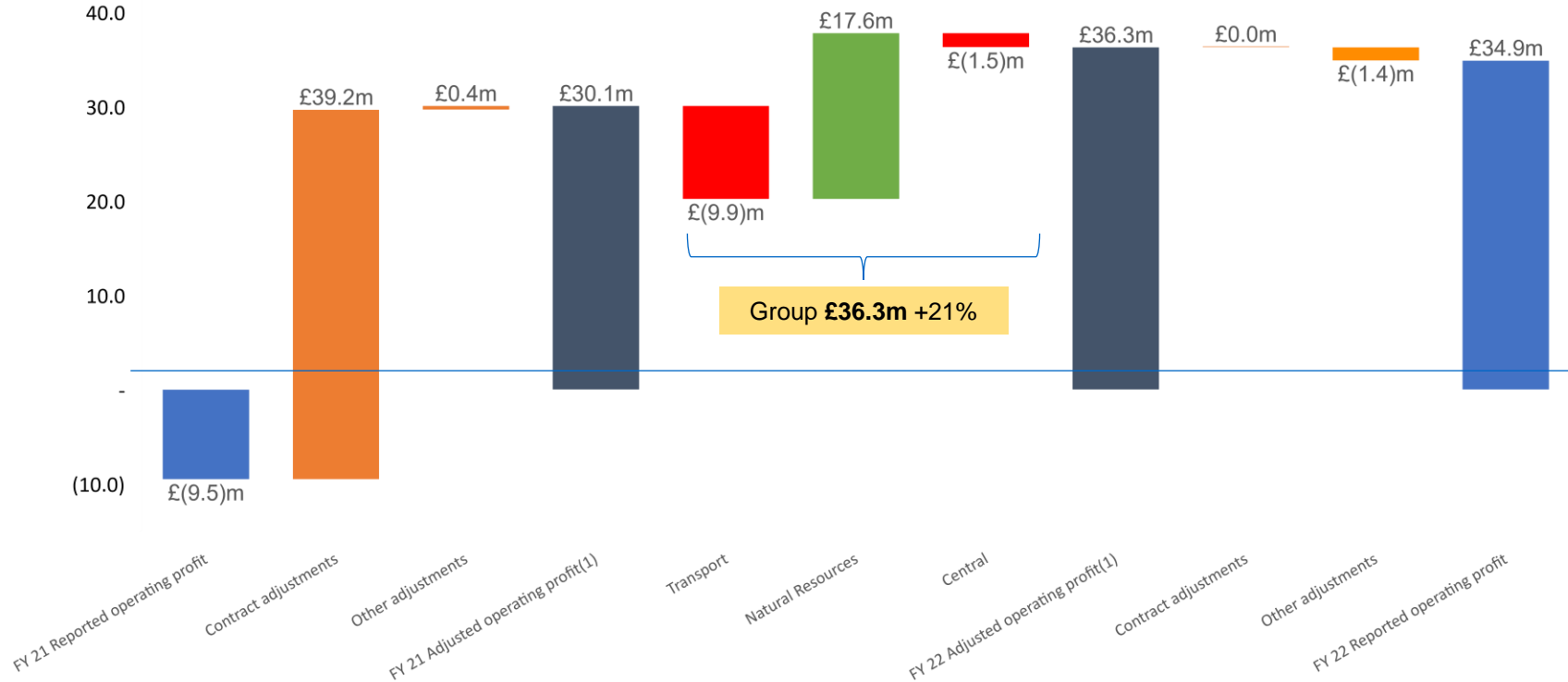


1. Adjusted Revenue is an adjusted metric and excludes the impact of contract adjustments totalling £nil (FY 21: £43.4m). See slides 29 to 30 for a reconciliation of reported to adjusted measures.



# Operating profit walk

## Growth and operational improvements more than offset inflation



1. Adjusted operating profit is an adjusted metric and excludes the impact of contract adjustments and other items totalling £1.4m (FY 21: £39.6m). See slides 29 to 30 for a reconciliation of reported to adjusted measures.

# Balance sheet

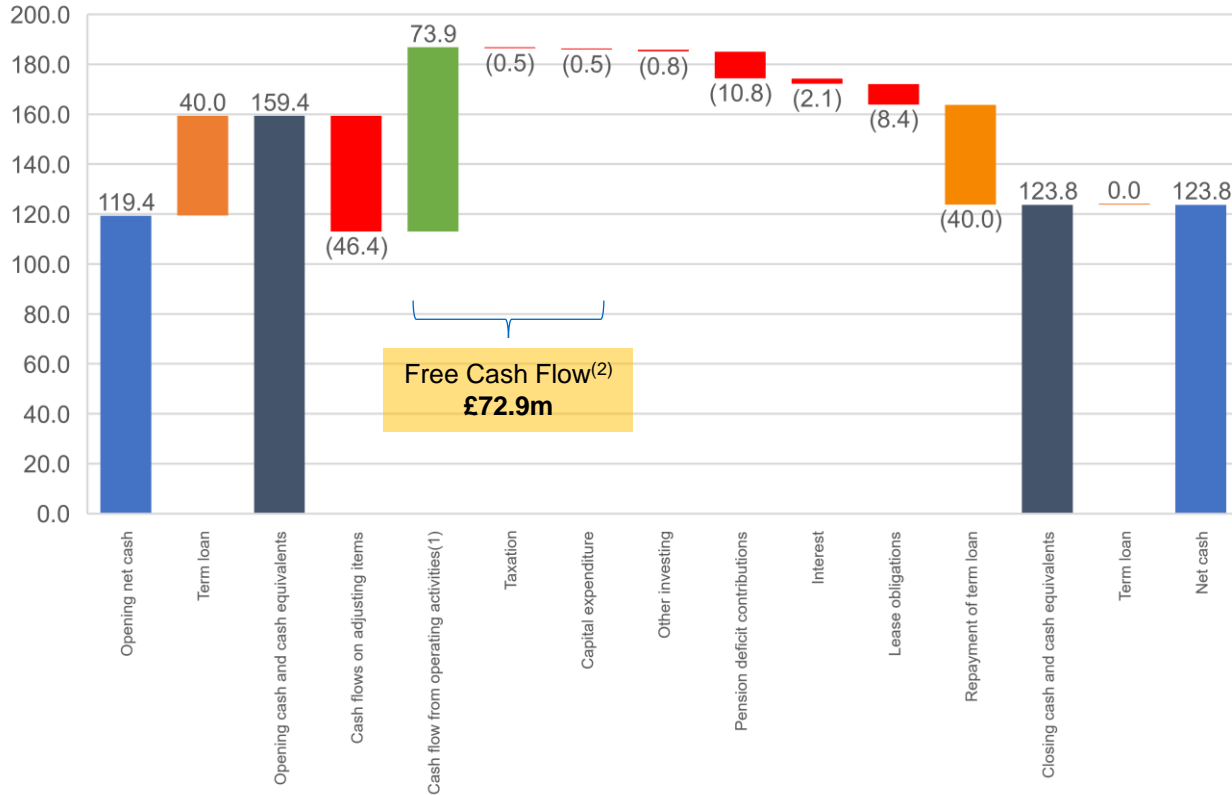


Consolidated statement of financial position	FY 22	FY 21
	£m	£m
<b>Assets</b>		
Retirement benefit asset	60.2	67.1
Other non-current assets	101.2	105.8
<b>Total non-current assets</b>	<b>161.4</b>	<b>172.9</b>
<b>Current assets</b>		
Trade receivables and other current assets	197.0	200.1
Cash and cash equivalents	123.8	159.4
<b>Total current assets</b>	<b>320.8</b>	<b>359.5</b>
<b>TOTAL ASSETS</b>	<b>482.2</b>	<b>532.4</b>
<b>Current liabilities</b>		
Trade payables and other liabilities and lease obligations	251.2	274.0
Interest bearing loans and borrow ings	0.0	7.4
<b>Total current liabilities</b>	<b>251.2</b>	<b>281.4</b>
<b>Non-current liabilities</b>		
Other payables and lease obligations	19.8	20.0
Interest bearing loans and borrow ings	0.0	32.0
<b>Total non-current liabilities</b>	<b>19.8</b>	<b>52.0</b>
<b>TOTAL LIABILITIES</b>	<b>271.0</b>	<b>333.4</b>
<b>Equity</b>	<b>211.2</b>	<b>199.0</b>

- Net assets position strengthened at £211.2m
- Strong net cash £123.8m after P&H final settlement
- Pension surplus £60.2m
- Trade receivables and other assets reduced year on year despite recognition of an insurance recovery asset of £9.4m – underlying reduction of £12.5m
- Decrease in trade payables and other liabilities driven by settlement of P&H provision

# FY 22 Cash walk

## Continued growth in free cash flow



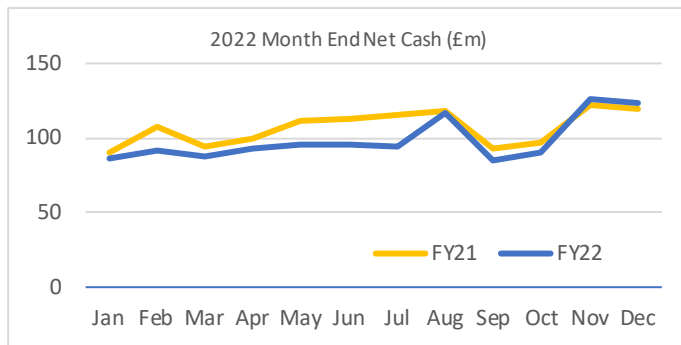
- Strong free cash flow of **£72.9m**, driven by efficient working capital management.
- Payment to settle Peterborough & Huntingdon contract made early in year of **£43.4m**, partially offset by **£5.2m** insurance receipt received in December.
- Strong closing net cash position of **£123.8m**
- During FY22 we paid more than 98% of invoices within 60 days. Costain has been ranked as one of the **top three fastest-paying** main contractors in construction 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. Free cash flow is an adjusted metric and is defined as cash from operations, excluding 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 22	FY 21
Cash	67.3	101.3
Cash held at joint ventures	56.5	58.1
Loans	0.0	(40.0)
	<b>123.8</b>	<b>119.4</b>
Average month end net cash	99.2	107.0



Other Measures £m	FY 22	FY 21
Banking facility	125	171
•RCF	125	131
•Term loan	0	40
•Maturing	Sep-24	Sep-23

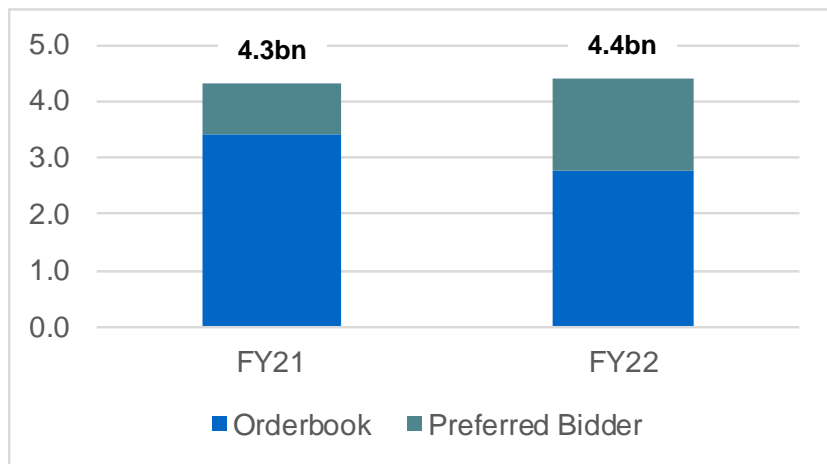
- No drawdown of RCF
- Average month end net cash £99.2m, lower than FY21 of £107.0m, but after £43.4m P&H payment at start of year. Profile remains consistent
- Amend & extend of banking facilities agreed with a maturity date of September 2024
- Significant headroom on bonding facilities
  - Facility £280m (FY21 £310m)
  - Utilisation £89m (FY21 £101m)

# Strength of secured workload

Well positioned to deliver further progress this year

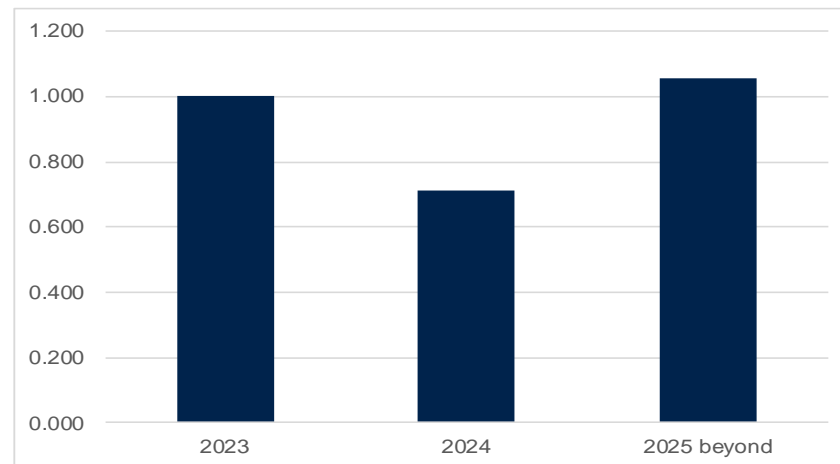


## Order & Preferred Bidder Book



- Order book of £2.8bn at the end of FY22 (FY21 £3.4bn)
- Preferred bidder book grew to £1.6bn (FY21 £0.9bn)

## Secured Revenue



- More than £1bn of secured revenue for FY23 - representing c80% of revenue expected in the year

# Risk management

## Strengthened contract governance to underpin margin progression



Work winning



Contract selection



Independent review



Enhanced legal process



Contract duration



Operational excellence model



Financial oversight



Senior management review

Margin milestones: adjusted operating margin run-rate of 3.5% during the course of FY24 and 4.5% during the course of FY25, with an ambition of 5%

# Further progress in 2023

- Mindful of macro-economic uncertainties
- Making improvements to operational performance, a strong cash position and clear strategic priorities
- Broad customer focus - already secured >£1bn of revenue - c80% of expected revenue for FY23
- Expect to increase net cash position in FY23, building on what was a very positive year for cash in FY22
- Remain confident in the Group's strategy and longer-term prospects





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# Strategy & Outlook

Alex Vaughan  
Chief Executive Officer

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# Resilient investment in critical national needs



## Megatrends



Climate change and Net Zero imperative



Resource, Environmental and Economic resilience

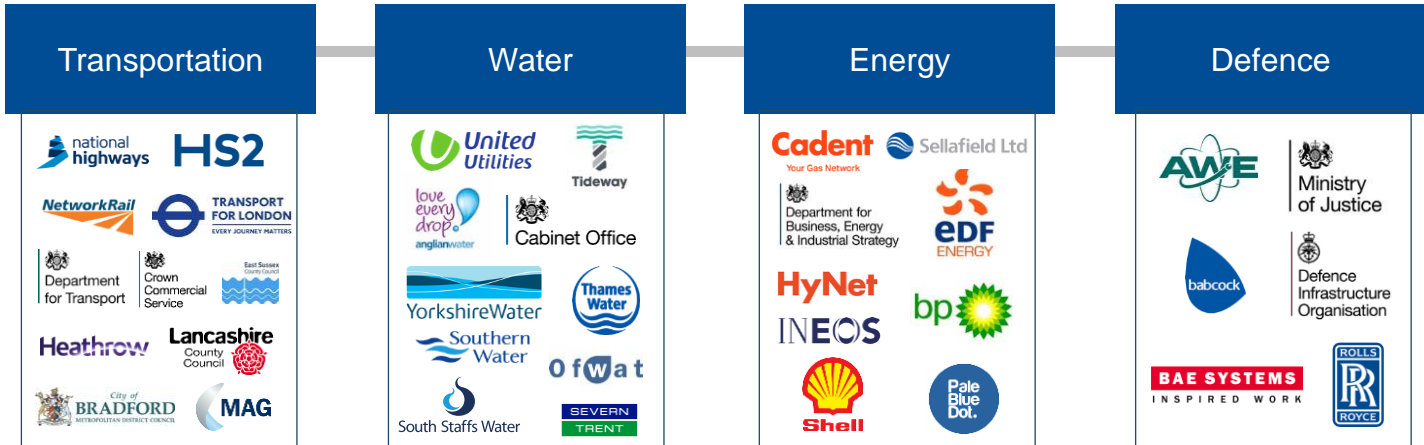


Need for Transformation and Affordability



Balancing and enabling economic growth and Social Change

## UK Government sets out plans for investment of £600bn by 2030



# Strong infrastructure investment

Most customers procure against five-year investment plans



	Current business plan investment	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>National Highways</b>	<b>£27bn</b>	RIS2			RIS3					
<b>High Speed rail</b>	<b>c.£50bn</b>	Phase 1 (London – West Midlands)								
		Phase 2a (West Midlands – Crewe)						Phase 2b (Crewe – Manchester)		
<b>Integrated Rail Plan</b>	<b>£54bn</b>	IRP								
<b>Network Rail</b>	<b>£44bn</b>	CP6		CP7				CP8		
<b>Local Government</b>	<b>£11bn</b>	Regional development funds								
<b>Water</b>	<b>£51bn</b>	AMP 7			AMP 8					
<b>Energy</b>	<b>£12bn</b>	10 Point Plan								
	<b>£30bn</b>	RIIO 2				RIIO 3				
<b>Defence</b>	<b>£240bn</b>	Defence Estates Plan								
	<b>£5bn</b>	Defence Estates Optimisation								
<b>Nuclear</b>	<b>c.£10bn</b>	Nuclear Decommissioning Authority Business Plan								
	<b>c.£20bn</b>	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

# Supporting our customers across their full ecosystem



## 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 & DELIVER

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



- Digital services
- Consulting
- Complex programme delivery

# Solutions through complex programme delivery



Thames Tideway



A30

- A leading capital delivery partner for complex infrastructure
- Design, build and maintain expertise
- Serving blue-chip customers



HS2



Preston Western Distributor Road



Gatwick Station



Finham STW

# Through consultancy



## Delivery Partner



AWE



Cadent



Devonport



A303



Heathrow T2 Baggage

## Solution Design/Project Controls



TfL Piccadilly



Southern Water



bp Teeside



EDF



Network Rail

## Advisory



Fly Zero



DNO



SPaTs 2 NH



Central Government



Bradford City Council

- 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

# Through digital solutions



Asset Optimisation – Digital Twin



Security – Systems Integration



Safety and journey reliability – Digital Infrastructure



Transformation - Shared Digital Carbon Architecture



- Our value is the combination of our customer relationships, intimate infrastructure insight, technology expertise and know-how, and strategic digital partnerships.
- Our focus is on improving and transforming infrastructure performance
- Digital demand remains slow, but we are working with our customers to shape their thinking and investment plans

# Benefitting from our ESG actions



## Environment

- Net zero carbon by 2035
- Eliminating waste through circular thinking
- Enhancing bio diversity and natural capital



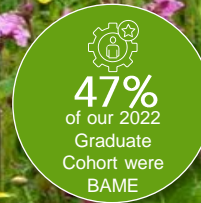
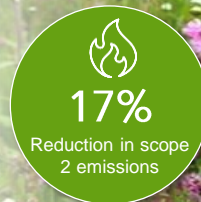
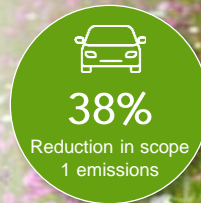
## Social

- Prioritising the safety of the public and our people
- Inclusive and accessible to all
- Enabling people to be at their best
- Community and customer focused to deliver social value



## Governance

- Responsible procurement and supply chain management
- Transparency in our reporting
- Ethical conduct



# Further progress expected through 2023 and beyond

- Performing strongly
- Continued commitment to significant infrastructure investment
- New contracts won at margins and risk profile we aspire to
- Forward workload maintained at high levels
- Clear milestones for margin progression
- Mindful of macroeconomic environment
- Confident of further progress in 2023 and beyond





# Q&A

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# 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.

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# Appendices

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# Cash flow

<b>Consolidated cash flow statement</b>	<b>FY 22</b>	<b>FY 21</b>
	<b>£m</b>	<b>£m</b>
<b>Cash from operations before changes in working capital and provisions</b>	<b>52.6</b>	<b>5.4</b>
Changes in working capital	13.1	(11.9)
Movement in provisions and employee benefits	(49.0)	39.7
Interest and tax paid	(2.6)	(3.7)
<b>Net cash from operating activities</b>	<b>14.1</b>	<b>29.5</b>
Capital expenditure	(0.5)	(2.2)
Other investing	(0.8)	0.0
IFRS 16 leases	(8.4)	(10.8)
Repayment of borrowings, net	(40.0)	(8.0)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(35.6)</b>	<b>8.5</b>
Cash and cash equivalents at beginning of year	159.4	150.9
Impact of foreign exchange	0.0	0.0
<b>Cash and cash equivalents at end of year</b>	<b>123.8</b>	<b>159.4</b>
Borrowings	0.0	(40.0)
<b>Net cash at end of year</b>	<b>123.8</b>	<b>119.4</b>

# Adjusted to Reported Reconciliation

£m	FY 22				FY 21			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
<b>Group Revenue</b>	<b>1,421.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1,421.4</b>	<b>1,135.2</b>	<b>43.4</b>	<b>0.0</b>	<b>1,178.6</b>
Cost of sales	(1,328.7)	0.0	0.0	(1,328.7)	(1,095.0)	(4.2)	0.0	(1,099.2)
Gross Profit	92.7	0.0	0.0	92.7	40.2	39.2	0.0	79.4
Administrative expenses	(57.8)	0.0	1.4	(56.4)	(49.7)	0.0	0.4	(49.3)
<b>Group operating profit</b>	<b>34.9</b>	<b>0.0</b>	<b>1.4</b>	<b>36.3</b>	<b>(9.5)</b>	<b>39.2</b>	<b>0.4</b>	<b>30.1</b>
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	(2.1)	0.0	0.0	(2.1)	(3.8)	0.0	0.0	(3.8)
<b>Profit before tax</b>	<b>32.8</b>	<b>0.0</b>	<b>1.4</b>	<b>34.2</b>	<b>(13.3)</b>	<b>39.2</b>	<b>0.4</b>	<b>26.3</b>
Taxation	(6.9)	0.0	(0.1)	(7.0)	7.5	(7.4)	0.0	0.1
<b>Profit for the year attributable to equity holders of the parent</b>	<b>25.9</b>	<b>0.0</b>	<b>1.3</b>	<b>27.2</b>	<b>(5.8)</b>	<b>31.8</b>	<b>0.4</b>	<b>26.4</b>
<b>Basic earnings per share (pence)</b>	<b>9.4</b>	<b>0.0</b>	<b>0.5</b>	<b>9.9</b>	<b>(2.1)</b>	<b>11.6</b>	<b>0.1</b>	<b>9.6</b>

£m	FY 22				FY 21			
	Reported	Contract Adjustments	Other Adjustments	Adjusted	Reported	Contract Adjustments	Other Adjustments	Adjusted
Natural Resources Revenue	375.1	0.0	0.0	375.1	271.0	43.4	0.0	314.4
Transport Revenue	1,046.3	0.0	0.0	1,046.3	864.2	0.0	0.0	864.2
<b>Group Revenue</b>	<b>1,421.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1,421.4</b>	<b>1,135.2</b>	<b>43.4</b>	<b>0.0</b>	<b>1,178.6</b>
Natural Resources operating profit	19.5	0.0	4.5	15.0	(50.6)	47.6	0.4	(2.6)
Transport operating profit	30.1	0.0	(1.4)	31.5	49.8	(8.4)	0.0	41.4
Central operating loss	(14.7)	0.0	(4.5)	(10.2)	(8.7)	0.0	0.0	(8.7)
<b>Group operating profit</b>	<b>34.9</b>	<b>0.0</b>	<b>(1.4)</b>	<b>36.3</b>	<b>(9.5)</b>	<b>39.2</b>	<b>0.4</b>	<b>30.1</b>

# Adjusting items



£m	FY 22		FY 21	
	Contract Adjustments	Other Adjustments	Contract Adjustments	Other Adjustments
Peterborough & Huntingdon	0.0	0.0	43.4	0.0
<b>Total Revenue adjustments</b>	<b>0.0</b>	<b>0.0</b>	<b>43.4</b>	<b>0.0</b>
Peterborough & Huntingdon	0.0	0.0	47.6	0.0
A465	0.0	0.0	(8.4)	0.0
Amortisation of acquired intangible assets	0.0	0.0	0.0	0.4
Profit on sale of non-core asset	0.0	(0.5)	0.0	0.0
Transformation and restructuring costs	0.0	5.7	0.0	0.0
Tunnel boring machines impairment	0.0	1.4	0.0	0.0
Insurance recovery on P&H settlement	0.0	(5.2)	0.0	0.0
<b>Total operating profit adjustments</b>	<b>0.0</b>	<b>1.4</b>	<b>39.2</b>	<b>0.4</b>

# Free Cash Flow



<b>Adjusted free cash flow</b>	<b>FY 22</b>	<b>FY 21</b>
	<b>£m</b>	<b>£m</b>
<b>Cash from operations</b>	<b>16.7</b>	<b>33.2</b>
Add back cash flow on adjusting items	46.4	11.6
Add back pension deficit contributions	10.8	10.4
Less taxation	(0.5)	0.1
<b>Adjusted cash from operating activities</b>	<b>73.4</b>	<b>55.3</b>
Capital expenditure	(0.5)	(2.2)
<b>Adjusted free cash Flow</b>	<b>72.9</b>	<b>53.1</b>
<i>Memo: including operating leases, which are shown outside of cash from operations due to IFRS 16:</i>		
IFRS 16 leases	(8.4)	(10.8)
<b>Adjusted free cash flow after IFRS 16 leases</b>	<b>64.5</b>	<b>42.3</b>

# FY 22 IFRS 16 impact



<b>Income statement impact</b>	<b>£m</b>
Decrease in operating costs	6.4
Increase in depreciation	(3.8)
Increase in finance costs	(1.2)
<b>Net impact on income statement</b>	<b>1.4</b>

<b>Fixed Assets impact</b>	<b>£m</b>
Fixed assets opening position	26.5
Additions	16.7
Disposals	(11.0)
Depreciation	(7.0)
<b>Fixed assets closing adjustment</b>	<b>25.2</b>

<b>Liabilities impact</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
	<b>Opening</b>	<b>Movement</b>	<b>Closing</b>
Current liabilities	8.6	0.5	9.1
Non-current liabilities	18.2	(3.2)	15.0
	<b>26.8</b>	<b>(2.7)</b>	<b>24.1</b>