

THIS ANNOUNCEMENT CONTAINS INFORMATION WITHIN THE MEANING OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014 AS IT FORMS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018



16 June 2025

On-market Share Buyback Programme of £10m and H1 Trading Update

Costain Group PLC ("Costain" or the "Group") today announces that it will launch an on-market share buyback programme (the "Buyback") for a maximum aggregate consideration of £10m. This follows the valuation of the Group's defined benefit pension scheme (the "Scheme") as of 31 March 2025 (on a Technical Provisions basis), which was more than 101% at the valuation date, meaning the Scheme is in surplus for the second consecutive year. As a result, both Scheme contributions and the "dividend parity" arrangement are suspended from 1 July 2025 to 30 June 2026.

The Board regularly reviews the Group's cash performance and ongoing capital requirements and has concluded that an on-market share buyback programme for a maximum aggregate consideration of £10m (excluding stamp duty and expenses) is an appropriate and value-enhancing use of cash, while maintaining the Group's financial flexibility to continue to invest in its strategy to deliver sustainable growth and attractive returns. The Buyback will reduce the Company's share capital and, accordingly, any ordinary shares purchased by the Company will be cancelled.

H1 Trading update

Ahead of publishing results for the six months ended 30 June 2025 on 20 August 2025, Costain confirms that trading remains in line with the Board's expectations for FY 25.

The Group retains a strong, high-quality forward work position that is more than four times annual revenue and is busy bidding further new work across all sectors. Wins in FY 25 to date include:

- new contracts in Nuclear Energy with Urenco and Sizewell C, as announced in the Group's AGM trading update on 15 May 2025; and
- further work with Anglian Water, as part of the Strategic Pipeline alliance, to deliver an additional 260 kilometres of major strategic pipeline in the East of England over the next five years, to improve resilience to drought and climate change.

Together with growth of existing frameworks across our broad customer mix, this gives the Board increasing confidence in the Group's ability to deliver further progress, and the Group remains on track to meet its 4.5% adjusted operating margin run rate target during FY 25.

Dividend

The Board recognises the importance of dividends for shareholders. It has a target dividend cover of three times adjusted earnings, which provides headroom for further dividend growth as and when the current dividend parity arrangement is no longer in place. Following the doubling of the final dividend for FY 24, the first half FY 24 dividend represented 17% of the full year dividend, compared to 33% in 2023. It is the Board's intention that in FY 25 the first half dividend will represent around 33% of the full year dividend.

Alex Vaughan, Chief Executive Officer, commented:

"Over the past three years we have executed on our strategic plans, improved the quality and size of the Group's contract portfolio, delivered on our margin targets, significantly strengthened our net cash position and successfully refinanced our bank and bonding facilities, giving the Group the financial strength and capability to support its future growth opportunities.

"We have increased our net cash position from £123.8m at the end of FY 22 to £158.5m at the end of FY 24, including the resumption of dividend payments towards our target earnings cover, the £10m share buyback programme in FY 24, and investment in our people and systems.

"Accordingly, with our defined benefits pension scheme in surplus for the second consecutive year, we are pleased to announce a further share buyback programme that is consistent with the Group's capital allocation framework."

Annual actuarial pension review as of 31 March 2025

The contribution plan from the Group to the Costain Pension Scheme runs from 1 July 2023 to 31 March 2027 and is for a payment of £3.3m per year, payable in monthly instalments, scheduled to increase in line with inflation (CPI) each 1 April. An assessment of the Scheme funding position was carried out as of 31 March 2025 and, as the funding level (on a Technical Provisions basis) is more than 101%, contributions will stop from 1 July 2025 to 30 June 2026. This follows a similar Scheme assessment undertaken as of 31 March 2024, in which the Scheme funding level was also valued at more than 101%.

In addition to contributions being stopped for a year, as the funding level is above 101%, "dividend parity" will be suspended for a year. Under the current dividend parity arrangement, an additional matching contribution (the excess of the total dividend above the Scheme contribution) is paid to the Costain Pension Scheme when the total of the interim and final dividends (or other return of capital such as a buyback) is greater than the contributions paid into the Scheme in the previous Scheme financial year, which runs from 1 April to 31 March.

Details of the Buyback

Costain has instructed Investec Bankplc ("Investec") and Panmure Liberum Limited ("Panmure Liberum") to execute the Buyback. Costain has entered into a non-discretionary and irrevocable instruction with Investec and Panmure Liberum, pursuant to which Investec (in respect of the First Tranche) and Panmure Liberum (in respect of the Second Tranche) will each purchase the Company's ordinary shares of 1 pence each ("Ordinary Shares") for up to a maximum consideration of £5m for each tranche, each acting severally as riskless principal. The First Tranche will commence immediately. The Second Tranche will commence following completion of the First Tranche and it is anticipated it will end no later than 23 December 2025, subject to market conditions.

The maximum number of Ordinary Shares that can be purchased in aggregate under the First Tranche and Second Tranche is 26,876,608, being the number of shares the Company is authorised to purchase pursuant to the authority granted by shareholders at the Company's 2025 annual general meeting (the "2025 AGM") and any subsequent authority.

Investec and Panmure Liberum will make their trading decisions in relation to the Ordinary Shares independently of, and uninfluenced by, the Company, within the terms and pre-set parameters of the Buyback.

Any purchase of Ordinary Shares under the Buyback will take place in open market transactions and may be made from time to time depending on market conditions, share price and trading volumes. The Buyback will be effected under the general authority to repurchase Ordinary Shares granted by the Company's shareholders at the 2025 AGM and in accordance with Chapter 12 of the UK Financial Conduct Authority's Listing Rules, and Regulation (EU) No 596/2014 and Commission Delegated Regulation (EU) No 2016/1052 (both as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018), including where relevant pursuant to the UK Market Abuse Regulation.

Any purchase of Ordinary Shares pursuant to the Buyback will be announced by not later than 07:30 on the business day following the calendar day on which the purchase occurred.

The Company will make further announcements in due course following the completion of any repurchases. There is no guarantee that the Buyback will be implemented in full or that any Ordinary Shares will be repurchased by the Company. The Buyback will not impact the Company's existing Ordinary Share dividend policy, which will continue unaffected through the regular awards of interim and final dividends. At the time of this announcement, the Company's share capital comprises 272,998,475 Ordinary Shares with voting rights.

This announcement contains inside information. The person responsible for this announcement at Costain is Helen Willis, Chief Financial Officer.

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Notes to editors

Costain improves people's lives by creating connected, sustainable infrastructure that enables people and the planet to thrive. Through the delivery of predictable, best-in-class solutions across the transport, water, energy and defence markets, we are creating a sustainable future and securing a more prosperous, resilient and decarbonised UK.

By bringing together our unique mix of construction, consultancy, engineering and digital services, we work strategically with our customers and suppliers to meet critical national needs. Together, our people transform the performance of the infrastructure that connects, protects and powers people's lives.

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