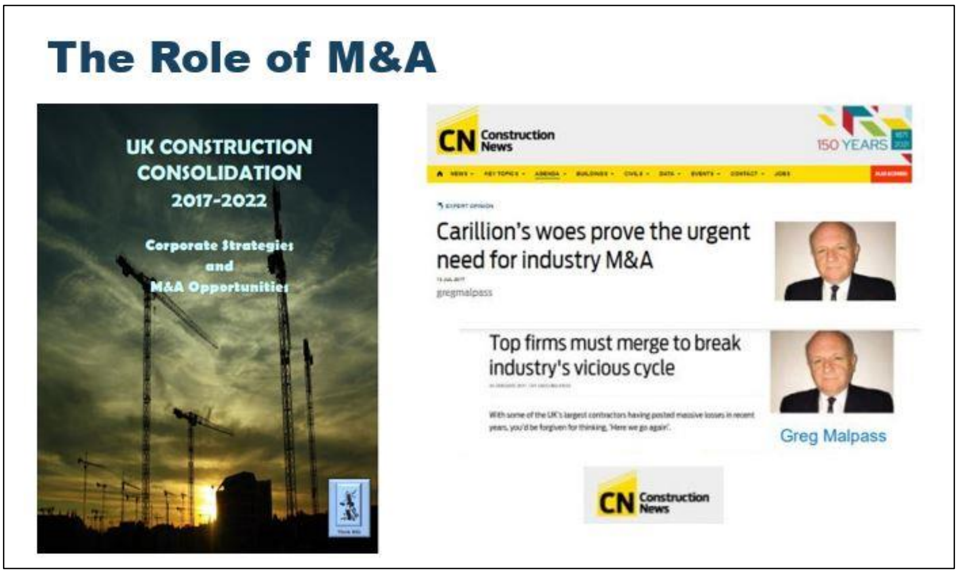
think big partnership.com

"STRIVING TO MAKE THE UK CONSTRUCTION INDUSTRY FINANCIALLY AND OPERATIONALLY STRONGER"



LATEST REBUTTAL OF THINK BIG PARTNERSHIP CALLS FOR MERGERS

NOVEMBER 2022

G J Malpass November 22nd, 2022

The Role of M&A


CN Construction News
150 YEARS

Carillion's woes prove the urgent need for industry M&A

gregmalpass

Top firms must merge to break industry's vicious cycle

With some of the UK's largest contractors having posted massive losses in recent years, you'd be forgiven for thinking, 'Here we go again'.

Greg Malpass

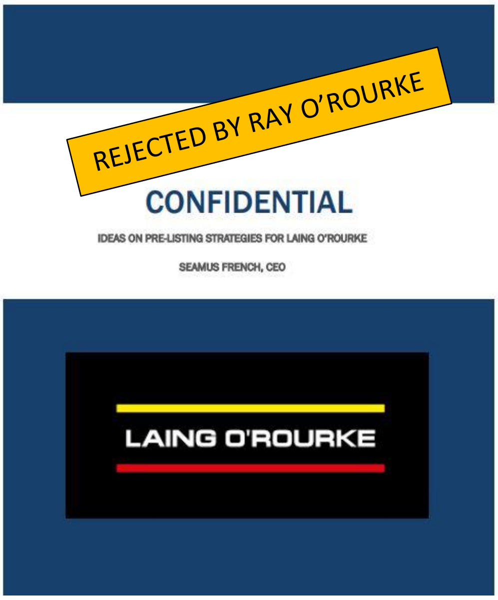
CN Construction News

RECORD OF RAY O'ROURKE/ SEAMUS FRENCH REJECTION OF

THINK BIG PARTNERSHIP SOLICITATIONS FOR MEETINGS TO DISCUSS LISTING IDEAS (NOVEMBER 2021/ NOVEMBER 2022)

1. 2022 CORRESPONDENCE WITH LAING O'ROURKE

2022



From: "O'Rourke, Ray" <rorourke@laingorourke.com>
Date: 6 November 2022 at 20:10:18 CET
To: Greg Malpass <syler.bros@btinternet.com>
Cc: "e.panayiotou@btinternet.com" <e.panayiotou@btinternet.com>
Subject: Re: Strictly Confidential - Request for Meeting

Dear Mr Malpass,
Thank you for your recent notes.
We don't have a need for an Interim CEO.
We are also satisfied with all of our current advisors.
Sincerely,
Ray.

From: Greg Malpass <syler.bros@btinternet.com>
Date: Sunday, 6 November 2022 at 17:54
To: "O'Rourke, Ray" <rorourke@laingorourke.com>
Cc: "e.panayiotou@btinternet.com" <e.panayiotou@btinternet.com>
Subject: Strictly Confidential - Request for Meeting

Mr Ray O'Rourke
Chief Executive
Laing O'Rourke Plc
Bridge Place, Anchor Boulevard
Admirals Park, Crossways
Dartford, Kent DA2 6SN

sent by e-mail: thinkbigpartnership@btinternet.com

Strictly Private and Confidential

cc. Lefty Panayiotou, e.panayiotou@btinternet.com

06/11/2022

Dear Ray

Forward Strategies for Laing O'Rourke

Further to my e-mail to you of yesterday November 5th 2022, it's 12 months since we produced a report on November 5th 2021, as an unsolicited approach with pre-listing ideas and offer to assist with implementing your plans, which were rejected by your senior management at the time. Time and events now indicate that an early listing of Laing O-Rourke on favourable terms as less likely.

However, we have a new highly confidential proposal which if pursued in the very strictest confidence might prove a 'win-win' for all. My colleague Lefty Panayiotou, a reputable and experienced interim industry CEO, would like to discuss this with you 'one-on-one' in London at your earliest convenience, outside your offices, if possible, if you are prepared to do so.

My own credentials, and those of my colleague Lefty Panayiotou, are amply promoted on the partnership website www.thinkbigpartnership.com . More importantly for Laing O'Rourke is whether our ideas and a potential role for us as an independent confidential adviser and intermediary, outside those of the usual corporate advisers in City of London, might prove fruitful to you as CEO and help you achieve your aims for Laing O'Rourke in shorter order. A meeting might shed further light on that possibility.

With respect, we look forward to your response. My coordinates are given below.

Yours sincerely

Greg Malpass
Managing Partner (Europe)
Malaga, Spain.

Managing Partner (Europe): Greg Malpass- Tel: +44 7850230692, E-mail: malpass.greg@gmail.com
Spain: Calle Levante 4, Alegranza, Bloque 1, 211, Benalmádena, Málaga 29630
UK: Unit 4, No 32 The Carltons, Carlton Drive, London SW15 2BL
Partnership Website: www.thinkbigpartnership.com
Partnership Email: thinkbigpartnership@btinternet.com

2. 2022 CONCLUSION FOR LAING O'ROURKE

Ray is reconciled to the fact that given Laing O'Rourke's poor financial performance in 2021/22 due to losses in Australia, coupled with the UK economic recession, that his 2024 plans to List the Company on LSE are shelved. The City's view is that there will be little appetite for another listed construction company in the foreseeable future.

3. **2017 PREMISE – Industry was crying out for European type Consolidation before multiple Company Insolvencies during 2019-2021, subsequent to Industry Report issued by Think Big Partnership in 2017.**

2017

Sir Neville Simms FREng

Click here

Click here

On the premise that further consolidation in the industry must and will take place, policies and strategies that lead to increased market share, more innovation, improving profitability and more certain returns to shareholders, should lead us to a construction sector that in the future is both financially and operationally stronger.

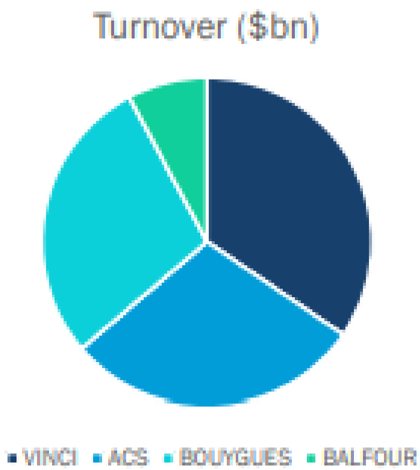
2021

COMPANY RANKINGS, MARKET STRUCTURE, TRENDS & PROSPECTS

THE UK CONSTRUCTION COMPANIES, CURRENT MARKET STRUCTURE, TRENDS & PROSPECTS ALL POINT TO POTENTIAL OPPORTUNITY FOR M&A, CONSOLIDATION, INTEGRATION AND INVESTMENT IN TECHNOLOGY & DIVERSIFICATION DURING THE UK INFRASTRUCTURE SPEND OF £600 BN OVER NEXT 10 YEARS

Latest Rank By Turnover	Latest Rank By Profit	Company	Reporting Period	Latest Turnover (£m)	Previous Turnover (£m)	Change (%)	Latest Pre-tax Profit (£m)
1	3	Balfour Beatty Plc	Dec-21	8,263.0	8,593.0	-3.8	87.0
2	64	Kier Group Plc^	Jun-21	3,328.5	3,475.6	-4.2	5.6
3	2	Morgan Sindall Group Plc	Dec-21	3,212.8	3,034.0	5.9	126.2
4	99	Amey UK Plc^	Dec-20	2,406.8	2,546.7	-5.5	-98.0
5	31	ISG Ltd	Dec-21	2,263.7	2,043.1	10.8	18.5
6	5	Keller Group Plc	Dec-21	2,224.4	2,062.5	7.8	71.6
7	100	Tarmac Trading Ltd	Dec-20	1,828.7	2,128.9	-14.1	-129.8
8	14	Mace Ltd	Dec-20	1,730.5	1,782.2	-2.9	31.9
9	11	Wates Group Ltd	Dec-21	1,626.0	1,449.2	12.2	35.9
10	15	M Group Services Ltd	Mar-22	1,545.3	1,260.5	22.6	31.3
11	66	Laing O'Rourke Plc	Mar-21	1,515.4	1,651.9	-8.3	4.9
12	1	Homeserve Plc^	Mar-22	1,429.3	1,304.7	9.6	175.1
13	8	J Murphy & Sons Ltd[1]	Dec-21	1,274.4	1,115.9	14.2	61.7
14	4	Skanska UK Plc	Dec-21	1,249.6	1,456.3	-14.2	72.6
15	18	Vinci Plc	Dec-21	1,182.0	867.7	36.2	26.1
16	6	Bowmer & Kirkland Ltd	Aug-21	1,178.1	1,110.4	6.1	65.3
17	16	VolkerWessels UK Ltd	Dec-21	1,151.2	1,082.2	6.4	27.1
18	94	Costain Group Plc^	Dec-21	1,135.2	978.4	16.0	-13.3
19	47	Galliford Try Plc	Jun-21	1,124.8	1,121.6	0.3	11.4
20	50	Willmott Dixon Holdings Ltd	Dec-21	1,101.5	1,191.2	-7.5	11.2

Company	Turnover (US$bn)	Pre-Tax Profit (US$bn)
Vinci	50	3.9
ACS	40	1.1
Bouygues	40	1.7
Balfour Beatty	12	



Source: Construction Index

4. 2021 APPROACH TO LAING O'ROUKE (REJECTED)

2021

Re: Plans to List Laing O'Rourke in a non-traditional way

Dear Ray,

Introduction

By way of background - we have never met personally, although our paths have crossed over the years. I personally worked for Lehrer McGovern Bovis in 1986 when we interviewed Ray O'Rourke & Sons and Burke Brothers for Concrete Sub-contracts in the booming London Management Construction market. We went on to promote the use of offsite fabrication, bathroom and kitchen pods from the Lloyds building in 1985, to London Bridge City, Chelsea Harbour, Canary Wharf, and others before the recession hit in 2001. I knew Martin Laing and my brother-in-law was drafted in as Project Manager to try and salvage the Cardiff Millennium Stadium project prior to your purchase of Laing Construction in 2001. During the early 1990's I worked for Sir Neville Simms at Tarmac and was head of the M&A Department which purchased Crown House and Expanded Piling, and Carillion subsequently acquired Barclay Mowlem. You of course subsequently acquired these businesses from Carillion in the early 2000's. I personally had moved on to work for Wimpey and promoted/initiated the Tarmac-Wimpey asset swap in 1995.

Roger Robinson was a business colleague of mine at the time who joined Laing O'Rourke as was Paul Sheffield for whom I worked at Kier in 2010 when he became Chief Executive and later went on to join Laing O'Rourke in 2014. While at Costain working for Andrew Wyllie, I liaised closely with your management and particularly with your client Adar in Dubai in 2006.

What the Industry Needs

The industry needs leadership, a commitment to M&A and Investment in offsite manufacturing, new technologies and sustainability. Following the demise or near demise of so many other significant contractors, in November 2021 we launched the campaign for consolidation in the industry, and a call for investment in new technology. We think Laing O'Rourke is best placed to provide the leadership. It is an exciting time for Laing O'Rourke to potentially list and create the means to grow exponentially. You are reported as having said that the company might *not* do a listing in *"the traditional way"*.

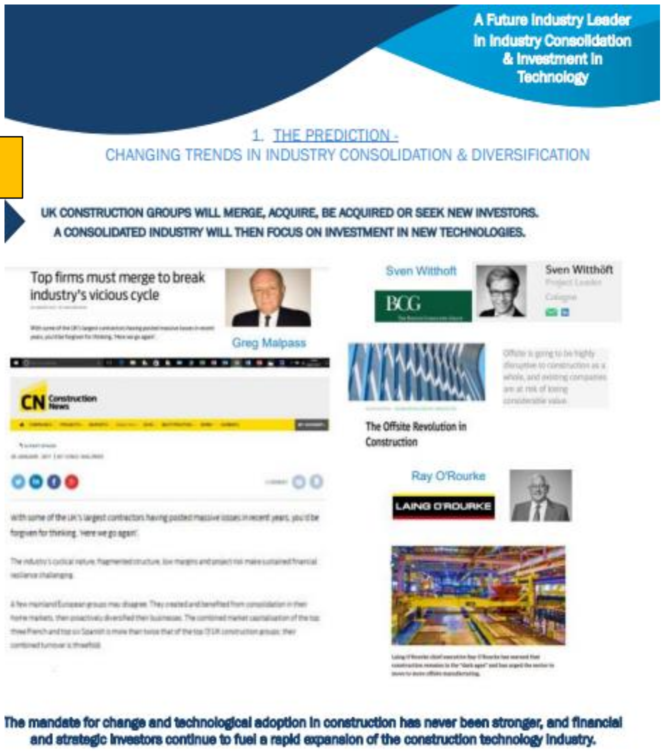
Our Proposal

Our Proposal is one which buys into the concept of floating your business on the stock exchange at potentially a considerably enhanced value, given an expectation for growth and investment around the industry embracing new technologies. We trust you will consider our input valuable in its deliverance, as a 'behind-the-scenes-advisor' and facilitator, on a nominal success fee basis. I look forward to your reply, in strictest confidence.

Best Regards

Greg

Greg Malpass
Managing Partner, Europe
www.ThinkBigPartnership.com



Edmondson, Jim <JEdmondson@laingorourke.com>
to me

Mon, Mar 7, 2:43 PM

Dear Mr Malpass

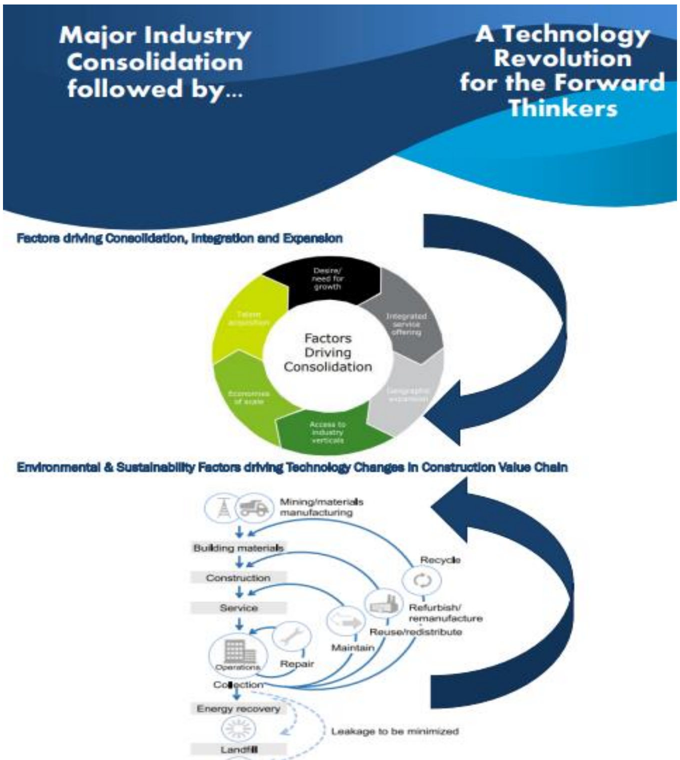
I am responding to your recent email addressed to Seamus French.

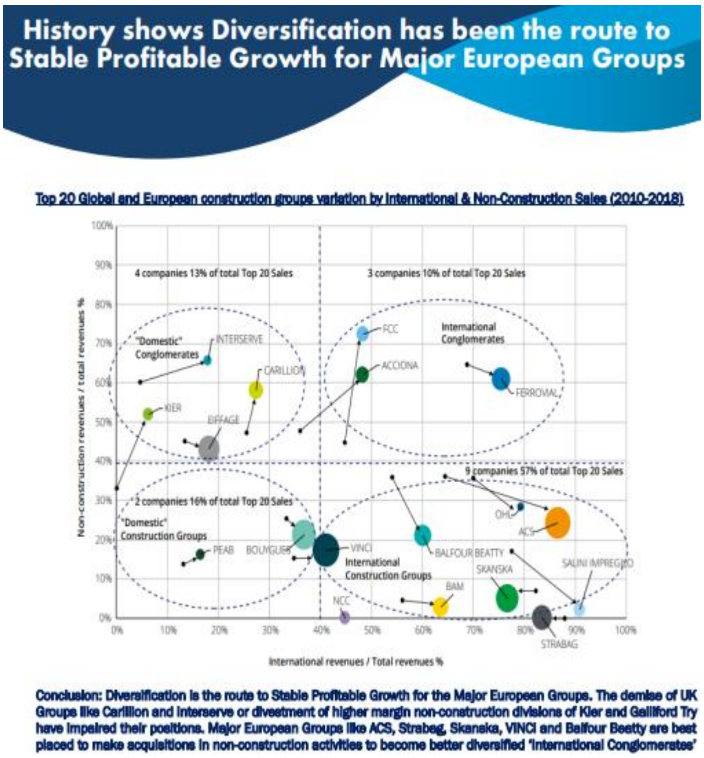
We are grateful for your presentation and the introduction to your consultancy services. The Group does, however, have strong in house strategic and financial evaluation capabilities which are more than adequate for our current needs.

Thank you for thinking of us.

Yours sincerely

Jim Edmondson





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5. 2021 FULL REPORT

Proposed Pre-Listing Re-Capitalisation/Merger Options – November 2021

(Examples: Tarmac Trading/ or Sovereign Wealth Fund)


EXECUTIVE SUMMARY

The Prediction is that changing trends in industry consolidation & diversification will lead to UK Construction Groups merging, acquiring, being acquired, or seeking new investors. A consolidated industry will then focus on investment in new technologies and higher margin businesses.

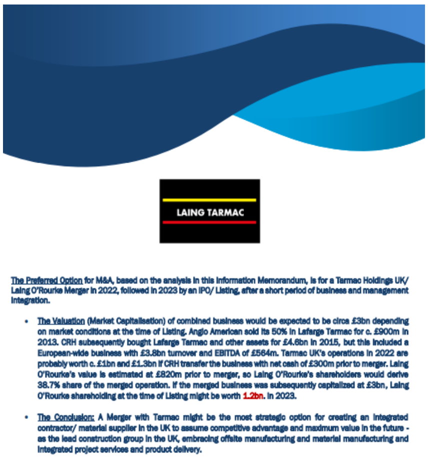
The Position currently in the industry is best illustrated by examining company rankings, market structure, trends & prospects. The analysis leads to the conclusion that the UK construction companies, current market structure, trends & prospects all point to significant potential opportunity for M&A. Resultant consolidation and subsequent investment in technology & diversification will enable the large, recapitalized companies to benefit from a UK infrastructure spend of £600 bn over next 10 years.

The Potential is to become involved in the booming industry. Laing O'Rourke provides the best partnership options - understanding its competitor positioning, examining its financial position & concentrating on the future importance of its role in developing new technologies in the industry – confirms this. Laing O'Rourke, with a strategic partner/investor could become the no. 1 UK construction group and lead the industry in the 'offsite revolution'.

The Prime Importance for the industry's future will be technology advancements in robotics, artificial intelligence, & offsite fabrication. It will amount to a revolution in construction. Technology advancement will lead to general contractors' service offering becoming commoditized. Leading contractors will expand their offsite capabilities and become 'end-to-end providers' becoming asset-heavy, vertically integrated generalists, and participate all along the value chain. Leading Companies of this type will have their own design and engineering departments; manufacture and preassemble many components in their own factories; and actively manage the final onsite assembly.

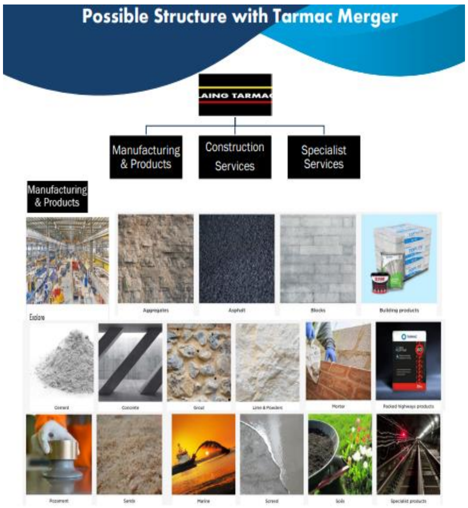
This diversification will require significant investment which poorly capitalized general contractors may be unable to raise or risk. However, numerous sophisticated investors, not just from the industry itself in the UK and Europe but also from venture capital, private equity, global conglomerates, diversified groups and technology firms will emerge.

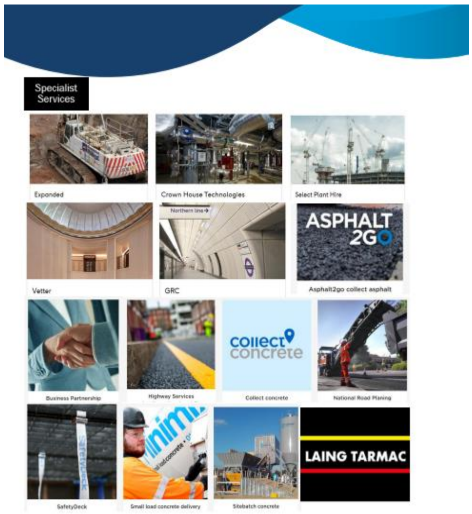
The Proposal, as an overall conclusion to this information memorandum is to focus on Laing O'Rourke as the company best placed to capitalize on the expected changes in the industry. It should seek international investors involved in or interested in new technologies and integrated services as a way to seek profitable UK geographical expansion. Laing O'Rourke is at a crossroads with executive succession and retiring shareholders. The CEO has expressed interest in listing the company more as a recapitalization transaction to help fund future growth, rather than seeking an outright trade sale just as an exit strategy for shareholders. It is concluded therefore that an international investor, or partner with interest in integrated services and technology could provide the equity for recapitalization prior to listing. This strategy will significantly enhance Laing O'Rourke attractiveness for public investors at flotation and as a future highly valued technology stock in the construction sector, and 'Potential Investors and Deal Structures' should be considered.



The Preferred Option for M&A, based on the analysis in this Information Memorandum, is for a Tarmac Holdings UK/ Laing O'Rourke Merger in 2022, followed in 2023 by an IPO/ Listing, after a short period of business and management integration.

- The Valuation (Market Capitalisation) of combined business would be expected to be circa £3bn depending on market conditions at the time of Listing. Anglo American sold its 50% in Lafarge Tarmac for c. £900m in 2013. CRH subsequently bought Lafarge Tarmac and other assets for £4.6bn in 2015, but this included a European-wide business with £3.8bn turnover and EBITDA of £564m. Tarmac UK's operations in 2022 are probably worth c. £1bn and £1.3bn if CRH transfer the business with net cash of £300m prior to merger. Laing O'Rourke's value is estimated at £820m prior to merger, so Laing O'Rourke's shareholders would derive 38.7% share of the merged operation. If the merged business was subsequently capitalized at £3bn, Laing O'Rourke shareholding at the time of Listing might be worth 1.2bn. in 2023.
- The Conclusion: A Merger with Tarmac might be the most strategic option for creating an integrated contractor/ material supplier in the UK to assume competitive advantage and maximum value in the future - as the lead construction group in the UK, embracing offsite manufacturing and material manufacturing and integrated project services and product delivery.





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6. THE CONTINUED STRUGGLE AT COSTAIN 2022

Think Big Partnership View: "Costain is a Failed Business Model as an under-capitalised 'Contractor Plc' prone to intermittent Major Project losses, for at least the last 15 years, and has consistently called on Shareholders for Cash to maintain Liquidity. Maintaining its Plc listing is a burden on its Management who historically have massaged the numbers to appease the City, only to subsequently fall on its sword time after time. It's current Market Capitalisation undervalues to company potential and it's time for a change in both the breadth of its Ownership and Management."

Three related Reports/Presentations: Posted to its Website www.thinkbigpartnership.com

COSTAIN

Click here

Think Big Partnership completes 15-Year Financial Review Costain Plc - Financial Reporting Irregularities "Rights Issues R-US" (free issue - click on icon above)

Click here

Think Big Partnership completes Potential Investor Presentations Bull Case no longer built on Sand "The Value of Costain" (issued to potential investors)

COSTAIN

Click here

Summary

- Market Capitalisation- Market Value has dropped by £63m in last 15 years, from £170m in 2007 to £107m in 2022
- Book Value/Market Cap- Book value/Market Capitalisation has increased from 0.2 in 2007 to 1.8 in 2022, indicating that the stock price is likely under-valued
- Operating Profit v. Operating Cash Flow- Where there are discrepancies in the value of Op Profit to Op Cash Flow it is often a sign of too little cash generation to warrant the profit taking, where changes in value of Working Capital, Work in Progress and Monies Receivables on long term contracts can't be explained. Where there have been significant unexplainable differences at Costain (eg. 2003/4; 2012/13 and 2018/19) then calls for cash/rights issues have followed within 1-3 years (2007; 2014; 2020)
- CEO Remuneration - CEO Remunerations have totalled over £15m in last 15 years, despite £61m fall in Market Capitalisation, £39.6m fall in Net Cash and only a £172m rise in Net Assets despite £239m of new equity/cash raised.

Costain never fully recovered from its near financial demise in the early 1990's and had to sell all its higher margin businesses to survive. Ever since, net cash flow generation from operations have been relatively weak, with problem contracts burdening cash flow. While only £93m of operating cash has been generated in the last 15 years, Costain has survived by generating cash from the £64m proceeds of further asset sales in the last 15 years, and three Rights Issues generating £239m in cash. Non-operating cash generation has totalled £303.6m in 15 years (£20m per year on average compared to £6.2m from operations). While consecutive CEO's have been efficient in overseeing operations, they are alleged to have been knowingly disingenuous in consistently misrepresenting reported Profit Levels in bad years to maintain confidence when Operating Cash Flow was seriously waning, causing further damage to the share price when inevitable Cash Calls/Rights Issues have subsequently been necessary to restore finances and survive.

Costain in its current under-capitalised form as a Listed PLC has proven itself to be and remains an unsustainable model without financial support/ cash calls from existing and future shareholders. Nevertheless, current liquidity, and Net Assets (Book Value) to Market Capitalisation are favourable in 2022 with a strong order book. It is considered by the writer - time to 'clear the decks' and seek a financially strong majority shareholder who sees the value in Costain and seeks to grow from an establish position in the UK construction sector, acquiring local skills and expertise and existing order book. Taking Costain private in the process is an option, a Reverse Takeover of Costain Plc is another.

2022

Costain Overview (Source: MarketScreener)

Fiscal Period: December	2019	2020	2021	2022	2023	2024
Net sales [1]	1 156	978	1 135	1 269	1 306	1 361
EBITDA [1]	35,6	43,5	44,1	49,8	55,1	60,5
Operating profit (EBIT) [1]	18,2	18,0	30,1	35,0	38,7	43,6
Operating Margin	1,57%	1,84%	2,65%	2,76%	2,96%	3,20%
Pre-Tax Profit (EBT) [1]	-6,60	-96,1	-13,3	27,8	32,8	36,9
Net income [1]	-2,90	-78,0	-5,80	22,3	24,8	27,7
Net margin	-0,25%	-7,97%	-0,51%	1,75%	1,90%	2,04%
EPS [2]	-0,03	-0,37	-0,02	0,08	0,09	0,10
Dividend per Share [2]	0,04	-	-	-	0,03	0,04
Announcement Date	03/11/2020	03/16/2021	03/09/2022	-	-	-

Fiscal Period: December	2019	2020	2021	2022	2023	2024
Net Debt [1]	-	-	-	-	-	-
Net Cash position [1]	34,9	104	93,2	89,2	99,1	98,2
Leverage (Debt / EBITDA)	-0,98x	-2,39x	-2,11x	-1,79x	-1,80x	-1,62x
Free Cash Flow [1]	-36,0	-51,1	27,3	-14,7	18,7	20,4
ROE (Net Profit / Equities)	8,53%	7,89%	14,9%	9,80%	9,30%	9,90%
Shareholders' equity [1]	-34,0	-989	-39,1	227	266	280
ROA (Net Profit / Asset)	-	-	-	-	-	-
Assets [1]	-	-	-	-	-	-
Book Value Per Share [2]	1,46	0,57	0,72	0,91	0,97	0,99
Cash Flow per Share [2]	-0,30	-0,22	0,11	-0,11	0,04	0,06
Capex [1]	6,90	4,10	2,20	0,70	0,70	-
Capex / Sales	0,60%	0,42%	0,19%	0,06%	0,05%	-
Announcement Date	03/11/2020	03/16/2021	03/09/2022	-	-	-

Key data

Capitalization (GBP)	98 067 710
Capitalization (USD)	110 769 668
Net sales (GBP)	1 135 200 000
Net sales (USD)	1 282 233 743
Number of employees	3 500
Sales / Employee (GBP)	324 343
Sales / Employee (USD)	366 352
Free-Float	78,6%
Free-Float capitalization (GBP)	77 056 067
Free-Float capitalization (USD)	87 036 548
Avg. Exchange 20 sessions (GBP)	10 657 988
Avg. Exchange 20 sessions (USD)	12 038 436
Average Daily Capital Traded	10,87%

Valuation

Fiscal Period: December	2019	2020	2021	2022	2023	2024
Capitalization [1]	173	163	147	98,1	-	-
Enterprise Value (EV) [1]	138	58,7	53,6	8,85	-1,03	-0,12
P/E ratio	-59,0x	-1,61x	-25,4x	4,57x	4,01x	3,60x
Yield	2,38%	-	-	-	9,25%	10,4%
Capitalization / Revenue	0,15x	0,17x	0,13x	0,08x	0,08x	0,07x
EV / Revenue	0,12x	0,06x	0,05x	0,01x	0,00x	0,00x
EV / EBITDA	3,87x	1,35x	1,22x	0,18x	-0,02x	0,00x
Price to Book	1,09x	1,04x	0,74x	0,39x	0,37x	0,36x
Nbr of stocks (in thousands)	108 283	274 950	274 950	275 085	-	-
Reference price (GBP)	1,59	0,59	0,53	0,36	0,36	0,36
Announcement Date	03/11/2020	03/16/2021	03/09/2022	-	-	-

Members of the board

Name	Title
Paul Golby, Dr.	Non-Executive Chairman
Jacqueline de Rojas	Independent Non-Executive Director
Anthony Quinlan	Senior Independent Director
Neil Crockett	Independent Non-Executive Director
Fiona Margaret MacAulay	Independent Non-Executive Director
Alexander John Vaughan	Chief Executive Officer & Director
Bishoy Azmy	Non-Independent Non-Executive Director
Helen Margaret Willis	Chief Financial Officer & Director

Managers

Name	Title
Alexander John Vaughan	Chief Executive Officer & Director
Helen Margaret Willis	Chief Financial Officer & Director
Nicole Geoghegan	Secretary & General Counsel
David Taylor	Group Commercial Director
Matthew Higham	Chief Digital Officer
Abida Lalani	Director Strategy & Transformation
Catherine Warbrick	Chief People & Sustainability Officer

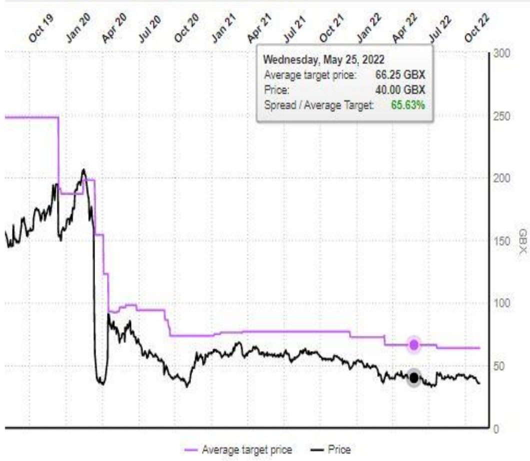
Equities

	Vote	Quantity	Free-Float		Company-owned shares		Total Float
Stock A	1	275,084,741	216,146,052	78.6%	0	0.0%	78.6%

Shareholders

Name	Equities	%
ASGC Construction LLC	41,666,666	15.1%
J.O. Hambro Capital Management Ltd.	27,250,190	9.91%
Ennismore Fund Management Ltd.	22,022,829	8.01%
Hargreaves Lansdown Stockbrokers Ltd.	15,441,000	5.61%
Gresham House Asset Management Ltd.	15,018,286	5.46%
Gresham House Asset Management Ltd. (Investment Management)	12,240,677	4.45%
Northern Trust Global Investments Ltd. (Securities Lending)	10,404,000	3.78%
Artemis Investment Management LLP	8,469,850	3.08%
Hargreaves Lansdown Asset Management Ltd.	7,782,000	2.83%
KBI Global Investors Ltd.	7,528,503	2.74%

Evolution of the average Target Price on COSTAIN GROUP PLC



Costain Stock - Conclusion

Costain is currently an undervalued Stock

Strengths

- The equity is one of the most attractive in the market with regard to earnings multiple-based valuation.
- The company appears to be poorly valued given its net asset value.
- The company is one of the best yield companies with high dividend expectations.
- Over the last twelve months, the sales forecast has been frequently revised upwards.
- Upward revisions of sales forecast reflect a renewed optimism among the analysts covering the stock.
- Analysts have a positive opinion on this stock. Average consensus recommends overweighting or purchasing the stock.
- The average target price set by analysts covering the stock is above current prices and offers a tremendous appreciation potential.

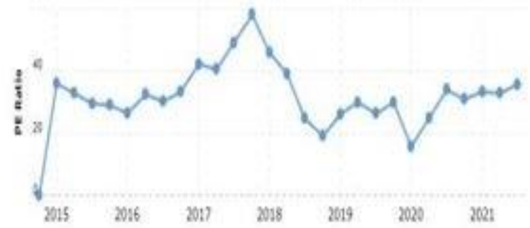
Weaknesses

- The company's profitability before interest, taxes, depreciation and amortization characterizes fragile margins.
- The company has insufficient levels of profitability.
- For the last four months, EPS estimates made by Standard & Poor's analysts have been revised downwards.
- The price targets of various analysts who make up the consensus differ significantly. This reflects different assessments and/or a difficulty in valuing the company.

The following section summarizes insights on Costain Group PLC's Book Value / Market Cap:

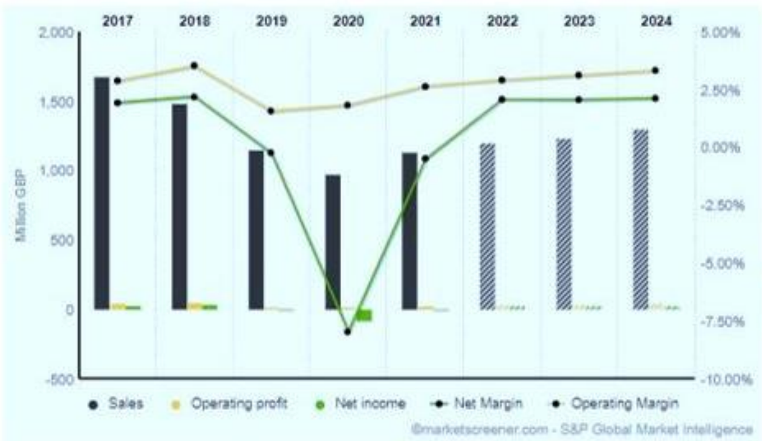
Costain Book Value to Market Capitalisation ratio is above industry average at 1.8

The Price/Earnings multiple construction industry is 16.



Price to Earnings multiple is as low as 4, and has averaged 10.6 over 10 years, well below industry average of 16.

So- What is holding Costain back?



	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Revenue and profit					
Group revenue	1,135.2	978.4	1,155.6	1,463.7	1,684.0
Group operating (loss)/profit before other items	(9.1)	(81.7)	17.9	52.5	49.1

- **Lack of Confidence in Management**
- **No Growth Potential**
- **Contract Losses**
- **Poor Cash Generation**

Forecasts of 'No Growth' and legacy of recent Contract Losses and the Risk and Effect of future Contract Losses are holding Costain back

The Solution

Management should seek to grow Shareholder Value, most probably via M&A. In 2014, a previous Chairman wrote to the now Managing Partner of Think Big Partnership on the subject of Shareholder Values, the use of Proceeds of [endless] Rights Issues, and the need for M&A as a solution.

Mr David Allvey
Addressee Only
Chairman
Costain Plc
Costain House
Vanwall Business Park
Maidenhead
Berkshire SL6 4UB

STRICTLY PRIVATE & CONFIDENTIAL

2014

25th March 2014.

Dear David

Re: Costain £75m Capital Raising Plan

Prior to your AGM 7th May 2014, I would like to raise some issues/ queries, in total confidence and with positive intent, for your consideration/ deliberation. I write as a Costain Shareholder, an ex-colleague at Costain, and as an external independent M&A Analyst, and occasional Advisor/ Industry Specialist to Costain Investors via Conolink.

You may recall that I undertook an in-depth 25 year Financial Analysis of Costain Plc from 1992-2007, while in Hong Kong and Kuala Lumpur (where we met). I re-attach one of the Competitor Summaries, copied to you in July 2007, where the need for the first Major Re-financing requirement was raised.

I have since followed Costain's financial performance with interest, and with admiration at some of the operational improvements, under your and Andrew Wylie's leadership. I also led and promoted a detailed Acquisition Appraisal of Costain Plc for a major competitor in 2010.

You will recall at the end of 2006 that UEM and Kharafi, as long term loyal investors, had to consolidate their share of substantial unexpected losses of £60m+. UEM subsequently and reluctantly, after a long period of no dividend or capital gain, diluted their shareholding to 21% ("swallowing its tail in the September 2007 Rights Issue").

It's unfortunate that the Strategic attempts to acquire Taylor Woodrow Construction and Mouchel thereafter failed, and then the most recent one-off £18m costs incurred, including £3.7m associated with transactional costs for the aborted acquisition of May Gurney; all contributing to last year's £58m cash outflow.

The proposed Capital Raising Plan has a further £4.8m transactional costs, and comes with the effects of a 29.6% discount and 11.1% dilution- and will see long suffering UEM's shareholding dilute to 13.8%, while Institutional Investors and Participating Directors stand to benefit from the discount which the Directors themselves agreed, should share prices rise after the Issue, at the expense of existing shareholders.

I believe a 'Change in Ownership of Costain' could create such a share price rise and enhanced shareholder value, and UEM and Kharafi will have reduced influence over such change after the Issue, to their potential loss. Since 2006 it has been my personal belief that it would be in existing shareholders best interests, and a better return for them, to seek an Acquirer with existing larger Capital and Operational Resource and synergies- but I can understand why incumbent management might not have wished to pursue such a strategy.

You can see that I do not share the Board's confidence in protecting minority shareholders' interests by pursuing such a discounted Issue and dilution. However, clearly those minority shareholders have their own advisers/ opinions. Should the Issue now continue un-opposed, but Costain's strategic direction change due to any senior executive management changes/step-downs for succession purposes, after the Issue. I'm hoping in your capacity as Non-Executive Chairman, that you might consider putting forward my credentials to the Board to assist with the search for the right strategic M&A partner.

If the Board considers that the Status Quo is in tact for further continued growth after the Issue, without the need or benefit of such suggested M&A activity, I understand, and you will hopefully accept that I am only making my personal views known to you, and not intending to do so publicly.

In strictest confidence,

Kind Regards

Attachment

MARKET REPORT: Shares in civil engineer Costain fall following announcement it will raise £75m

By Geoff Foster

PUBLISHED: 22:14, 27 February 2014 | **UPDATED:** 08:43, 28 February 2014

There is no doubt that the management and advisers of many quoted companies take their shareholders for granted. In other words, they couldn't really give a monkey's.

For example, shares of civil engineer Costain crashed 54.5p or 17 per cent to 265p after announcing proposals to raise around £75milion, £25million is to be gained via a firm placing, with the remaining £50million being raised through placing an open offer at 225p – a near-30 per cent discount on Wednesday's prevailing price.

Costain's Arab shareholders who account for 41 per cent of the equity, cannot be happy.

Shares drop: shares of civil engineer Costain crashed 54.5p or 17 per cent to 265p after announcing proposals to raise around £75milion,

Costain's management said they expect the fundraising to 'enable Costain to take greater advantage of the opportunities in its chosen markets and thereby accelerate the group's medium and long-term growth prospects'.

It plans to use the cash to finance the costs of bidding for a number of big projects as well as making bolt-on acquisitions, among other things.

Costain failed in its attempt to go to another level when bids last year for Mouchel and May Gurney failed. Shareholders stood by its management only to be hit with a placing which will dilute their current holdings.

Accompanying the fundraising was news that underlying profits in the year to end-December rose 12 per cent to £27.4million on an increase in revenue to £960million from £934.5million.

Pre-tax profits declined to £12.9million from £24.7million but the final dividend is up 7 per cent to 11.5p a share. Its forward order book rose 25 per cent to £3billion.

COSTAIN

7 April 2014

COSTAIN GROUP PLC
Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB
Telephone 01628 842444, Fax 01628 674477, www.costain.com

Registered Office: Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB
Registration No: 1393773 - England & Wales

Mr Greg J Malpass
4 Mountwood Covert
Tettenhall Wood
Wolverhampton WV6 8JB

Dear Greg

Thank you for your letter and concern for Costain shareholders, which is similarly, of course, the prime concern for the Board. In this regard, given I formally commenced as Chairman immediately following on from the rights issue you refer to, I can speak, and take responsibility, for the ensuing period.

We used the rights proceeds to replenish the balance sheet and immediately accelerated the evolved strategy to rebuild the business on a UK centric model. As well as ceasing overseas work, the strategy focussed on far fewer target sectors but, importantly, our intention was, and remains to be, a market leader in those chosen market sectors. The two major shareholders, UEM and Kharafi, who owned more than 50% of Costain, were both aware of and endorsed the rights issue, the go-forward strategy, and my proposed Board changes.

The "stabilise and rebuild" phase was successfully executed and enable us to recommence dividends as well as build cash and the order book. Indeed, we are now in the seventh year of progressive dividend payments.

The following phase built on the achieved platform, wherein we sought to re-establish growth but with even more focus on fewer activities. Crucially, however, we sought to broaden and deepen the content of our engineering solution offering to our target customer - buying in the required skill and competencies. In this latter regard, both Mouchel and May Gurney represented unique opportunities to add both scale and new capability. These were fully supported by both major shareholders (now 42% in aggregate) who similarly backed our judgement to withdraw when the price exceeded our estimates of appropriate value. This financial discipline is a core plank of our business approach and is acknowledged as a strength by market analysts.

Whilst neither of these sorties added to our resources, we have successfully completed three in-fill acquisitions, which were all earnings accretive from day one and have more than delivered on our pre-purchase performance estimates. They have, moreover, enabled us to form a new oil and gas division - Costain Upstream - which has many profitable growth opportunities.

In this latter respect, the market has further evolved for Tier 1 suppliers like ourselves. Given their much broader/deeper products, suppliers are being awarded much larger, long term relationship contracts by clients. These are, however, on a cost plus, reimbursable basis but with less risk and more stable margin for the supplier. This has resulted in a very different cash emergence profile for the industry - as you have noted from the 2013 accounts.

Execution of our strategy has enabled us to prosper through the lengthy economic downturn through to today. Our UK opportunities are now so great that, with the very public support of our two majors, we successfully raised GBP75m to provide further financial firepower to increase our work capture. Despite their further dilution, both UEM and Kharafi fully endorsed the capital raising transaction as essential for the successful continuation of Costain's growth journey. The stock market has also endorsed our strong market position and in consequence the Costain share price has benefitted from a significant positive upgrade.

In summary, and with respect, we see the above journey and current position, which is all available from public information, as being quite different to your view. We certainly do not consider that we have any need of a new strategic owner and our Board, which I have recently replenished, has a wealth of M&A expertise and experience. Purely for completeness, I should, however, add that we are most certainly not "precious" about ownership and will always consider and follow what is right for delivering appropriate value for our shareholders.

Please excuse my lengthy response but I considered your concerns warranted a fulsome answer.

Kind regards

David Allvey
Chairman
Costain Group PLC

7. 2022 MEANWHILE HOW IS LAING O'ROURKE FARING (Source Annual Report)

2021/22

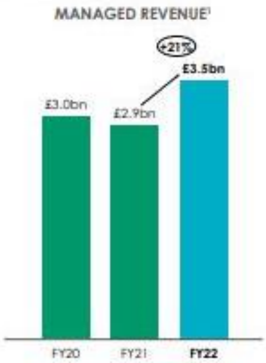
GROUP FINANCIAL SUMMARY FY19 – FY22

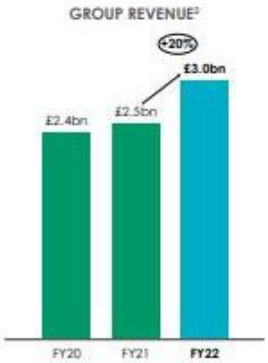
	FY22 (£m)	FY21* (£m)	FY20 (£m)	FY19 (£m)
Group revenue**	**2,965.5**	2,510.7	2,448.5	2,753.4
Pre-exceptional EBIT***	**95.5**	76.0	83.6	46.6
EBIT	**19.8**	69.9	72.9	47.2
Profit before tax	**2.7**	41.4	45.5	32.8
Net cash (note 36)	**339.1**	276.1	155.2	132.9
Net assets	**404.8**	325.1	278.7	259.6

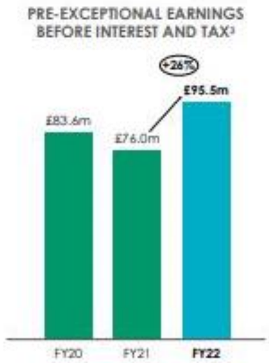
* FY21 results have been represented and restated, see note 2.2 for details.

** Revenue is stated before deducting total exceptional items of £69.6m.

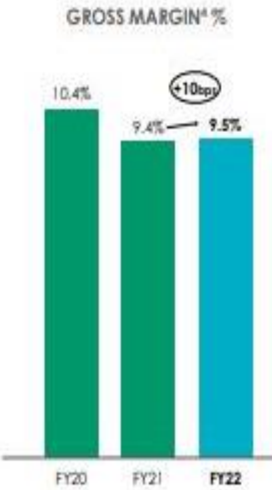
***Pre-exceptional EBIT is calculated by adding back total exceptional items of £75.7m (FY21: £6.1m) to the EBIT

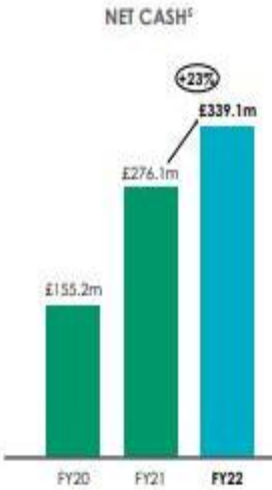


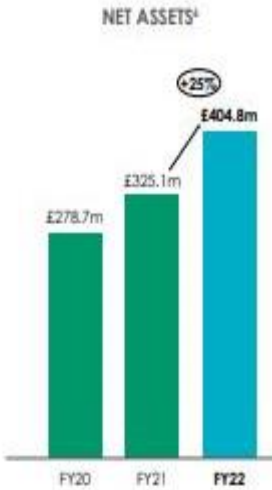


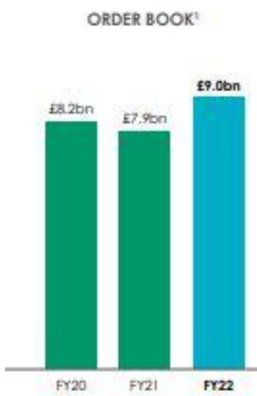


Re-presented[1] Restated[2]	Note	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m
Revenue including share of joint ventures and associates		**3,165.9**	**(69.6)**	**3,096.3**	2,638.9	–	2,638.9
Share of revenue of joint ventures and associates		**(200.4)**	**–**	**(200.4)**	(128.2)	–	(128.2)
Group revenue	3	**2,965.5**	**(69.6)**	**2,895.9**	2,510.7	–	2,510.7
Cost of sales		**(2,683.2)**	**–**	**(2,683.2)**	(2,274.2)	–	(2,274.2)
Gross profit/(loss)		**282.3**	**(69.6)**	**212.7**	236.5	–	236.5
Administrative expenses		**(191.2)**	**(6.1)**	**(197.3)**	(173.1)	(6.1)	(179.2)
Other operating income	8	**5.0**	**–**	**5.0**	8.4	–	8.4
Group operating profit/(loss)		**96.1**	**(75.7)**	**20.4**	71.8	(6.1)	65.7
Profit on disposal of subsidiaries and joint ventures	9	**5.7**	**–**	**5.7**	3.7	–	3.7
Profit/(loss) on disposal of property		**–**	**–**	**–**	5.8	–	5.8
Share of post-tax losses of joint ventures and associates	15	**(6.3)**	**–**	**(6.3)**	(5.3)	–	(5.3)
Profit/(loss) from operations	6	**95.5**	**(75.7)**	**19.8**	76.0	(6.1)	69.9
Finance income	10	**1.0**	**–**	**1.0**	1.6	–	1.6
Finance expense	11	**(18.1)**	**–**	**(18.1)**	(30.1)	–	(30.1)
Net finance expense		**(17.1)**	**–**	**(17.1)**	(28.5)	–	(28.5)
Profit/(loss) before tax		**78.4**	**(75.7)**	**2.7**	47.5	(6.1)	41.4
Tax	5, 12	**(13.9)**	**22.7**	**8.8**	(14.4)	1.4	(13.0)
Profit/(loss) for the year		**64.5**	**(53.0)**	**11.5**	33.1	(4.7)	28.4
Attributable to:							
Owners of the Parent		**64.5**	**(53.0)**	**11.5**	33.2	(4.7)	28.5
Non-controlling interests		**–**	**–**	**–**	(0.1)	–	(0.1)
		64.5	**(53.0)**	**11.5**	33.1	(4.7)	28.4









CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	2022 £m	2021 Restated[1] £m
Assets			
Non-current assets			
Intangible assets	13	**341.4**	334.8
Investments in joint ventures and associates	15	**11.6**	14.0
Loans to joint ventures	15	**8.0**	8.0
Property, plant and equipment	16	**107.1**	111.5
Right-of-use assets	17	**222.8**	177.3
Deferred tax assets	25	**47.0**	40.5
Trade and other receivables	19	**21.9**	21.7
Contract assets	18	**84.9**	133.6
Total non-current assets		**844.7**	841.4
Current assets			
Inventories	20	**26.2**	19.3
Contract assets[1]	18	**192.0**	172.6
Trade and other receivables	19	**186.7**	156.5
Current tax assets		**12.0**	9.7
Cash and cash equivalents	21	**456.1**	536.6
Total current assets		**873.0**	894.7
Total assets		**1,717.7**	1,736.1
Liabilities			
Current liabilities			
Borrowings	22	**(50.2)**	(266.1)
Contract liabilities[1]	18	**(331.4)**	(215.2)
Trade and other payables	23	**(601.5)**	(599.5)
Provisions[1]	24	**(74.7)**	(81.5)
Current tax liabilities		**(3.0)**	(3.7)
Total current liabilities		**(1,060.8)**	(1,166.0)
Non-current liabilities			
Borrowings	22	**(179.6)**	(130.4)
Contract liabilities[1]	18	**(2.8)**	(58.1)
Trade and other payables	23	**(34.6)**	(15.7)
Provisions[1]	24	**(35.1)**	(37.2)
Deferred tax liabilities	25	**–**	(3.6)
Total non-current liabilities		**(252.1)**	(245.0)
Total liabilities		**(1,312.9)**	(1,411.0)
Net assets		**404.8**	325.1
Equity			
Share capital	26	**0.0**	0.0
Share premium	26	**344.6**	286.4
Fair value reserve	27	**–**	0.7
Hedging reserve	27	**–**	(3.9)
Foreign currency translation reserve	27	**2.4**	(4.4)
Retained earnings	27	**57.7**	46.2
Total equity attributable to owners of the Parent		**404.7**	325.0
Non-controlling interests	27	**0.1**	0.1
Total equity		**404.8**	325.1

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	2022 £m	2021 Restated[1] £m
Cash flows from operating activities			
Profit before tax		**2.7**	41.4
Adjustments for:			
Depreciation and amortisation	6	**47.8**	44.9
Impairment of assets	6	**0.2**	2.9
Profit on disposal of property, plant and equipment and right-of-use assets	6	**(2.7)**	(10.2)
Profit on disposal of joint ventures	14	**(5.7)**	(2.5)
Net finance costs		**17.1**	28.5
Research and development expenditure credit	8	**(4.8)**	(7.2)
Share of post tax loss of joint ventures and associates	15	**6.3**	5.3
Increase in trade and other receivables		**(26.3)**	–
Decrease in contract assets[1]		**34.3**	25.0
(Increase)/decrease in inventories		**(6.5)**	0.8
Increase/(decrease) in trade and other payables		**14.1**	(39.5)
(Decrease)/increase in provisions[1]		**(13.4)**	5.0
Increase in contract liabilities[1]		**57.5**	62.9
Other including profit on disposal of subsidiaries of £nil (FY21: £1.2m)		**0.3**	(0.4)
Cash generated from operations		**120.9**	156.9
Interest paid		**(46.4)**	(16.9)
Tax received		**0.4**	0.4
Net cash generated from operating activities		**74.9**	140.4
Cash flows (used in)/ generated from investing activities			
Purchase of property, plant and equipment		**(14.6)**	(13.9)
Purchase of intangible assets	13	**(9.0)**	(3.5)
Capital injections in equity investments	15	**(0.8)**	–
Proceeds from sale of property, plant and equipment		**6.9**	27.0
Disposal of intangible assets		**–**	0.1
Proceeds from disposal of joint ventures and associates	14	**9.4**	2.5
Loans repaid by joint ventures and associates	15	**–**	7.3
Interest received	15	**1.0**	1.6
Distributions received from joint ventures and associates		**1.0**	0.2
Net cash (used in)/ generated from investing activities		**(6.1)**	21.3
Cash flows used in financing activities			
Proceeds from new bank loans		**6.5**	5.0
Repayments of bank loans		**(137.3)**	(63.7)
Proceeds from refinancing existing property, plant and equipment		**22.1**	–
Lease principal repayments		**(48.9)**	(41.0)
Net cash used in financing activities		**(157.6)**	(99.7)
Net (decrease)/increase in cash and cash equivalents		**(88.8)**	62.0
Cash and cash equivalents at beginning of year		**536.6**	460.8
Effect of exchange rate fluctuations on cash held		**8.3**	13.8
Cash and cash equivalents at end of year		**456.1**	536.6

What's Laing O'Rourke Worth?

Think Big Partnership Valuation in 2021 (£421m-£1296m)

LAING O'ROURKE (Historic Revenues; Income and Industry EBITDA Multiples)

Source: Pomanda

EBIT and EBITDA:	Note	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m	Pre-exceptional items 2020 £m	Exceptional items (note 5) 2020 £m	Total 2020 £m
EBIT		76.0	(6.1)	69.9	83.6	(10.7)	72.9
Depreciation	6	41.4	–	41.4	45.3	–	45.3
Amortisation	6	3.5	–	3.5	3.4	–	3.4
EBITDA		120.9	(6.1)	114.8	132.3	(10.7)	121.6

2021
EBITDA £ 115m
Net Cash £276.1m
Net Income £33.1m

Industry Averages
EBITDA Ratio- 8.9
PE Ration- 12.7

Source: Annual Report Notes YE2021

VALUATION RANGE (Enterprise Value vs Indicative Market Capitalization)

Valuation (EBITDA)

£421.2m

Pomanda estimate of Enterprise Value based on an historic 2019 EBITDA of £63m and 2019's- 6.9x industry multiple (adjusted for size and gross margin)

Valuation (EBITDA)

£1,021.7 m

Think Big Partnership estimate of Enterprise Value based on 2021 EBITDA of £114.8m and 2021's- 8.9x industry multiple (adjusted for size and gross margin)

Sources: Annual Report YE March 2021

INDICATIVE MARKET CAPITALIZATION
(RANGE: £421m - £1296m)

Enterprise Value/EBITDA = EV/ EBITDA Ratio
Mkt Cap (- Net Cash) = Enterprise Value
Net Income x P/E Ratio = Mkt Cap

EBITDA Ratio: 1022/115= 8.9
Enterprise Value: 1298 - 276 = £1022m

Maximum Mkt Cap: 33.1 x 39.2 = £1298m
(Based on derived PE of 39.2)
Minimum Mkt Cap: 33.1 x 12.7 = £ 421m
(Based on industry av PE of 12.7)

(Note: Average Cash rather than Year End Cash is better assessment of Net Cash Position in Enterprise Valuation)

In the current economic climate, and given Laing O'Rourke's poor financial performance in 2021-22, it is considered highly unlikely that an attempted IPO would realise this Valuation.

Executive brought in to replace Ray O'Rourke goes after less than a year

By Dave Rogers | 19 October 2022

U-turn sees company founder commit to another two years as chief executive

The man brought in to take over from Ray O'Rourke as boss of Laing O'Rourke is leaving the business after less than a year at the firm.

"This is definitely a shock and perhaps points to something fundamentally wrong in the background. Does this mean the IPO plan [float] is out the window?"

8. POTENTIAL FOR A PLC REVERSE MERGER

(Laing O'Rourke/ Costain PLC)

The Process and Rationale

2023

The combined value could be substantial, and the merged group would have ample opportunity to seek synergy savings. It also allows the opportunity for Laing O'Rourke to bypass the lengthy and regulatory complex IPO. Although the current shareholders of Costain would take a minority stake in the Newco (Costain-Laing), the value of the holding could be enhanced depending on Market Assessment.

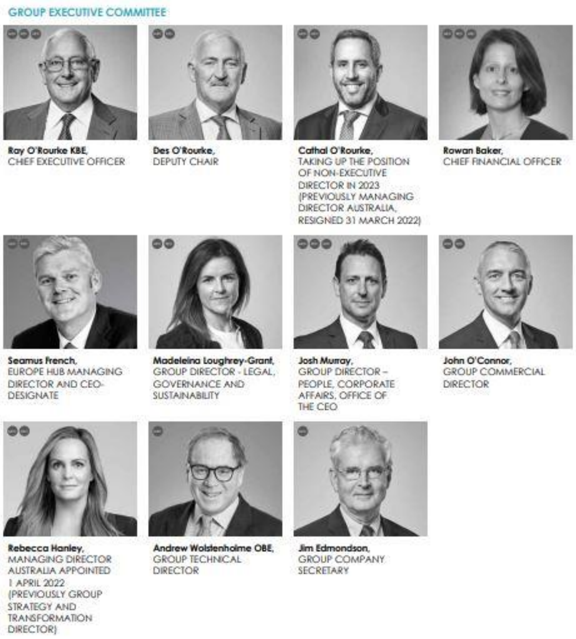
In a reverse takeover, shareholders of the private company purchase control of the public shell company/SPAC and then merge it with the private company. The publicly traded corporation is called a "shell" since all that exists of the original company is its organizational structure. The private company shareholders receive a substantial majority of the shares of the public company and control of its board of directors. The transaction can be accomplished within weeks.

The transaction involves the private and shell company exchanging information on each other, negotiating the merger terms, and signing a share exchange agreement. At the closing, the shell company issues a substantial majority of its shares and board control to the shareholders of the private company. The private company's shareholders pay for the shell company by contributing their shares in the private company to the shell company that they now control. This share exchange and change of control completes the reverse takeover, transforming the formerly privately held company into a publicly held company. Depending on the underwriters' agreements and other forward purchase agreements, the size of the company taken public in a reverse merger can exceed the market capitalization of the shell company/SPAC by a considerable amount.

Post Acquisition Growth Strategy

- Realization of Synergy Savings in Overheads (Offices, Legal, HR, Finance, IT, Insurances, etc)
- Economies of Scale
- Merged Management Changes, improved Leadership, Marketing, Operational Management
- Access to new Overseas Markets and investment in related Market growth and Diversification

Combined Executive Board Management



Role for Think Big Partnership

Click here

Greg Malpass
Corporate Adviser & Retained Consultant

CORPORATE ADVISORY PROFESSIONAL SERVICES ARE PROVIDED DIRECTLY TO GROUP CHIEF EXECUTIVES, ON TERMS OF STRICT CONFIDENTIALITY , WITH A MANAGING PARTNER ACTING AS A "RETAINED CONSULTANT", CHARGED ON A MONTHLY FEE BASIS, PLUS EXPENSES, AND COMPLETION SUCCESS FEE IF APPROPRIATE, UNDER CONTRACT WITH THE CLIENT, TO AN AGREED BRIEF AND TIMESCALE

think big partnership.com

G J Malpass November 22nd, 2022