# Costain completes £10m share buyback after pension surplus boosts cash returns



Shares in Costain Group surged sharply on Monday following the announcement of a £10 million share repurchase scheme. The London-based engineering firm, renowned for major projects like the Thames Barrier and the Channel Tunnel, said the buyback capitalises on its defined benefit pension scheme being in surplus for the second year running. The company described the move as an "appropriate and value-enhancing use of cash" that would not hinder its ability to invest for growth.

The repurchase programme, announced to be executed in two tranches, aims to reduce share capital while returning surplus funds to shareholders and boosting earnings per share. The first tranche of up to £5 million began immediately, with the second tranche expected to complete no later than March 2025. Following the announcement, Costain shares climbed by 8.2% to 139.2p, marking one of the biggest risers on the FTSE All-Share Index.

Costain also reported that trading in the first half of 2025 is inline with its full-year forecasts, with an adjusted operating margin target of 4.5%. The firm has continued to secure significant new contracts this year, such as supporting the Sizewell C nuclear power plant construction in Suffolk. The UK Government recently underscored its commitment to Sizewell C with a £14.2 billion investment, which will generate power for around six million homes upon completion.

In addition to Sizewell C, Costain has secured deals with Urenco, a nuclear fuel producer, for designing an advanced fuels production facility and upgrading infrastructure at enrichment sites in Cheshire. The company also strengthened its pipeline work with Anglian Water, undertaking an additional 260 kilometres of pipeline delivery across the East of England over five years. Costain’s forward work position stands at over four times its annual revenue, highlighting its robust project pipeline.

Analysts have responded positively to Costain’s prospects. Panmure Liberum raised its share price target from 150p to 170p, citing the company’s strong positioning to benefit from government infrastructure plans and regulated sectors like water and energy. Other brokers, including Investec and Peel Hunt, also lifted share price targets to 145p and 150p respectively.

Costain’s chief executive, Alex Vaughan, reflected on the company’s progress over recent years, highlighting strategic execution, improved contract portfolios, margin delivery, net cash strengthening, and successful refinancing of bank and bonding facilities. Founded in 1865, Costain is a key player in the HS2 high-speed rail project, having won contracts worth up to £400 million for tunnel and mechanical and electrical systems last December, and earlier securing a £3.3 billion contract for the London Euston tunnels.

Financially, the company has demonstrated solid performance, reporting a doubling of pre-tax profits in the first half of the year from £8.5 million to £17 million. Underlying pre-tax profits also saw a 22% rise to £19.4 million in the six months to June 30. Costain’s order book stood at £1.8 billion at the end of June, down from £2.1 billion at the end of 2023, but forward work increased to £4.3 billion, indicating ongoing confidence in future contract wins.

The pension scheme’s funding position remains a key factor in Costain’s financial strategy. In July 2023, the company agreed to a new payment plan with its defined benefit pension scheme trustee, setting annual contributions at £3.3 million, adjusted for inflation. This approach is designed to meet pension obligations while releasing additional cash to support the business.

Costain completed its £10 million buyback by acquiring and cancelling nearly 9.7 million shares, reducing its total shares in circulation to just under 269 million. The move aims to enhance shareholder value while maintaining the company's financial flexibility for sustained growth and attractive returns.

Overall, Costain’s recent strategic moves and robust order pipeline position it well to capitalise on the UK’s infrastructure and regulated market opportunities, maintaining investor confidence amid evolving economic conditions.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/markets/article-14816181/Engineer-Costain-readies-10m-share-buyback-thanks-pension-surplus.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.investegate.co.uk/announcement/rns/costain-group--cost/on-market-share-buyback-programme-of-10m/8376799), [[4]](https://www.investegate.co.uk/announcement/rns/costain-group--cost/share-buyback-programme-update/8427670)
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## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-14816181/Engineer-Costain-readies-10m-share-buyback-thanks-pension-surplus.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.investegate.co.uk/announcement/rns/costain-group--cost/on-market-share-buyback-programme-of-10m/8376799> - Costain Group PLC announced an on-market share buyback programme of up to £10 million, to be executed in two tranches. The first tranche of up to £5 million commenced immediately, with the second tranche following completion of the first, anticipated to end no later than 28 March 2025. The buyback aims to reduce the company's share capital, return surplus capital to shareholders, and increase earnings per share, while maintaining financial flexibility for sustainable growth and attractive returns.
3. <https://www.building.co.uk/news/costain-announces-10m-share-buyback-after-increasing-profit-in-half-year-results/5131098.article> - Costain announced a £10 million on-market share buyback programme after reporting a 100% increase in pre-tax profit, rising from £8.5 million to £17 million in the first half of the year. The buyback, commencing immediately and carried out in two tranches, reflects the company's confidence in its long-term prospects. The forward work position stood at £4.3 billion at the end of the period, with expectations of further contract wins in the second half.
4. <https://www.investegate.co.uk/announcement/rns/costain-group--cost/share-buyback-programme-update/8427670> - Costain Group PLC provided an update on its £10 million on-market share buyback programme. The first tranche of £5 million was completed on 19 September 2024, with 4,909,473 ordinary shares purchased for cancellation. The second tranche of up to £5 million commenced on 20 September 2024, continuing as per the initial announcement. The buyback aims to reduce share capital, return surplus capital to shareholders, and enhance earnings per share.
5. <https://www.nasdaq.com/articles/costain-completes-ps10m-share-buyback-program> - Costain Group PLC successfully completed its £10 million share buyback programme, resulting in the purchase and cancellation of 9,718,950 ordinary shares. The latest transaction involved acquiring 148,704 shares at an average price of 105.19 pence per share. This strategic move reduces the total number of shares in circulation to 268,766,087 and aims to enhance shareholder value.
6. <https://www.independent.co.uk/business/costain-cheers-water-contract-boost-as-it-ups-shareholder-returns-b2599430.html> - Costain announced a £10 million share buyback following a 22% rise in underlying pre-tax profits to £19.4 million for the six months to June 30. The company secured an additional £500 million of new work from Southern Water since the half-year, with further wins expected in the second half. The order book stood at £1.8 billion at the end of June, up from £2.1 billion at the end of 2023, while forward work rose to £4.3 billion.
7. <https://www.costain.com/media/press-releases/2023/costain-agrees-new-payment-plan-with-pension-scheme-trustee/> - Costain Group PLC reached an agreement with the Trustee of its defined benefit pension scheme on the 31 March 2022 triennial actuarial funding valuation and ongoing contributions. The new contribution plan, effective from 1 July 2023 to 31 March 2027, involves an annual payment of £3.3 million, increasing in line with inflation each 1 April. This replaces the previous contribution plan, aiming to meet pension obligations while delivering further cash to the business.