

Newcastle University Investment Fund

Royal BAM Group – (XAMS: BAMNB)

Long: Target Price €9.77 – (17.9% Upside)

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Table of Contents

1. Executive Summary
2. Company Overview
3. Industry Overview
4. Market Expectations
5. Thesis
6. Valuation
7. Risks and Catalysts
8. Appendix
9. Disclaimer

Executive Summary

Market is anchored on UK execution noise — missing BAM’s multi-year reinvestment and cash generation recovery.

Pitch Narrative

- The market overweight's UK execution headwinds and Dutch permitting delays, overlooking BAM’s improving balance sheet, rising quality of backlog, and visibility on multi-year infrastructure programs in the Netherlands, UK, and Ireland.
- Reinvestment discipline and project selectivity are driving higher-margin growth.
- As normalisation continues, BAM’s cash yield and valuation gap vs peers (e.g. Balfour Beatty, Skanska) should close

Valuation Summary

	Bull	Base	Bear
Target Price	€11.72	€ 9.77	€8.30
Return	41.1%	17.9%	0.1%
Probability	20%	60%	20%
Probability-Weighted Target Price	€2.35	€5.86	€1.66
Weighted Return	€9.87 per share		

	Street's view	Our variant view
Thesis 1	<p>Sees BAM as structurally constrained and cyclical.</p> <ul style="list-style-type: none">• UK rail cutbacks shrink the addressable market, Dutch permitting will keep projects stuck, and Ireland’s big plans won’t move fast enough.• Given persistent execution challenges, backlog expansion offers limited upside reassurance.	<p>Sees BAM as entering sustainable margin expansion phase</p> <ul style="list-style-type: none">• Spending is being reallocated with UK CP7 renewals and city-region transport create many mid-sized packages well suited to BAM.• The Netherlands operates with multi-year, pre-budgeted programs (MIRT/Mobility Fund), so projects are reprofiled rather than cancelled.• Ireland is ramping exchequer-funded transport—Metrolink/DART—building a multi-year tender flow that improves visibility and reduces single-project risk.
Thesis 2	<ul style="list-style-type: none">• Consensus treats BAM’s UK problems as structural, expecting margins to drift back toward cycle lows and cash generation to fade.• Buybacks and dividends look fragile, so the shares get marked to a plain cyclical multiple rather than a quality premium.	<ul style="list-style-type: none">• Mix has shifted toward regulated civil frameworks (rail renewals, strategic roads, flood/energy civils) with tighter risk sharing, which supports durable margins and steadier cash.• Balance sheet can fund disciplined growth and distributions. At a mid-single-digit EV/EBITDA, Royal BAM has long-dated cash flows at a discount to peers, leaving room for a clean re-rating as the company delivers.



Company Overview

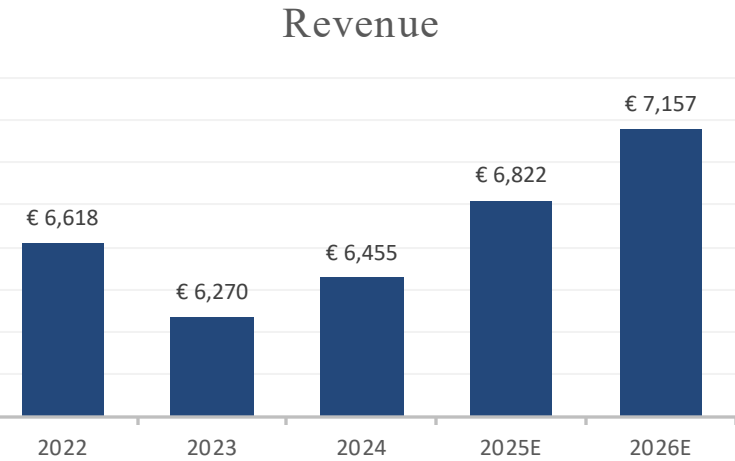
Diversified European construction and civil engineering leader.

Leading European construction and civil engineering company headquartered in the Netherlands, operating across the Netherlands, UK, Ireland, Belgium, and Germany

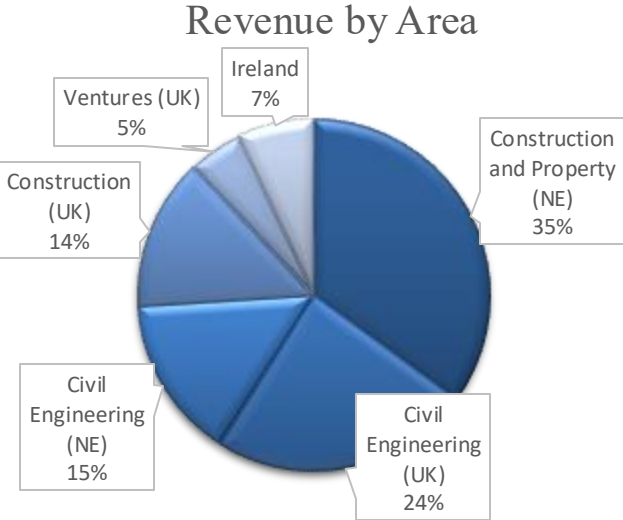
Provides integrated solutions in building, infrastructure, and public-private partnerships, with a strategic focus on **sustainable** and **digital construction**.

BAM's 2021-2026 strategy emphasises *Focus, Transform, Expand*, aligned with sustainability, digitalisation and predictable profitability

Historical financials:



Revenues are on an upward trend, recent 2025 H1 reports show accurate forecasting for 5% growth YoY. EBITDA margins are 1.2% above industry average (4%). Highlights relative-outperformance.



Revenues are prioritised in construction and civil engineering, with relative growth in UK and Ireland over the last 5 years.

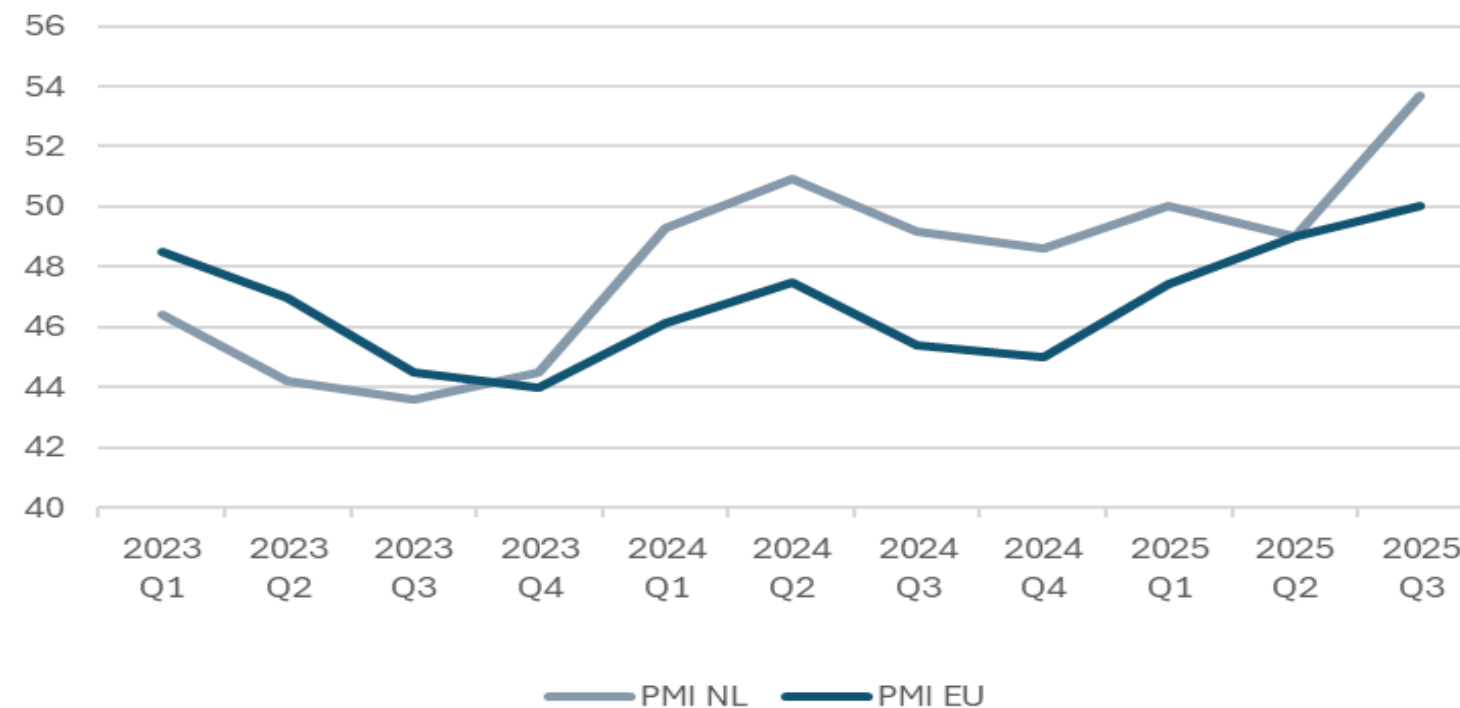
Project Portfolio: Diversified Across Europe

Past Projects	Current Projects/ Backlogs
HSL-Zuid high-speed rail line <ul style="list-style-type: none"> €6.9 billion for the full PPP project BAM's share via consortium (≈ 45 %) Construction 2001-2006 then 25-year maintenance/availability concession 	Energy & water supply network <ul style="list-style-type: none"> Contract value approx. €600 million Future-proof energy & water supply network 12-year cooperation agreement; works start end-2025
Wildparkstadion renewal project <ul style="list-style-type: none"> €100 million as of BAM press release 4.5 to 5 years between 2018-2023 Converting backlog into revenue, in line with sustainability goals 	Eastern Green Link 2 <ul style="list-style-type: none"> Up to £700 million for BAM Target completion ~2029 UK's single largest electricity transmission project ever
Afsluitdijk Reinforce Project <ul style="list-style-type: none"> Contract value €550 million Duration of the full contract (including maintenance) spans 25 years Represents longevity in maintenance contracts 	Orkney-Caithness Subsea Link <ul style="list-style-type: none"> Estimated £900 million investment Full energisation expected by 2028 14 km underground cable + 53 km subsea cable

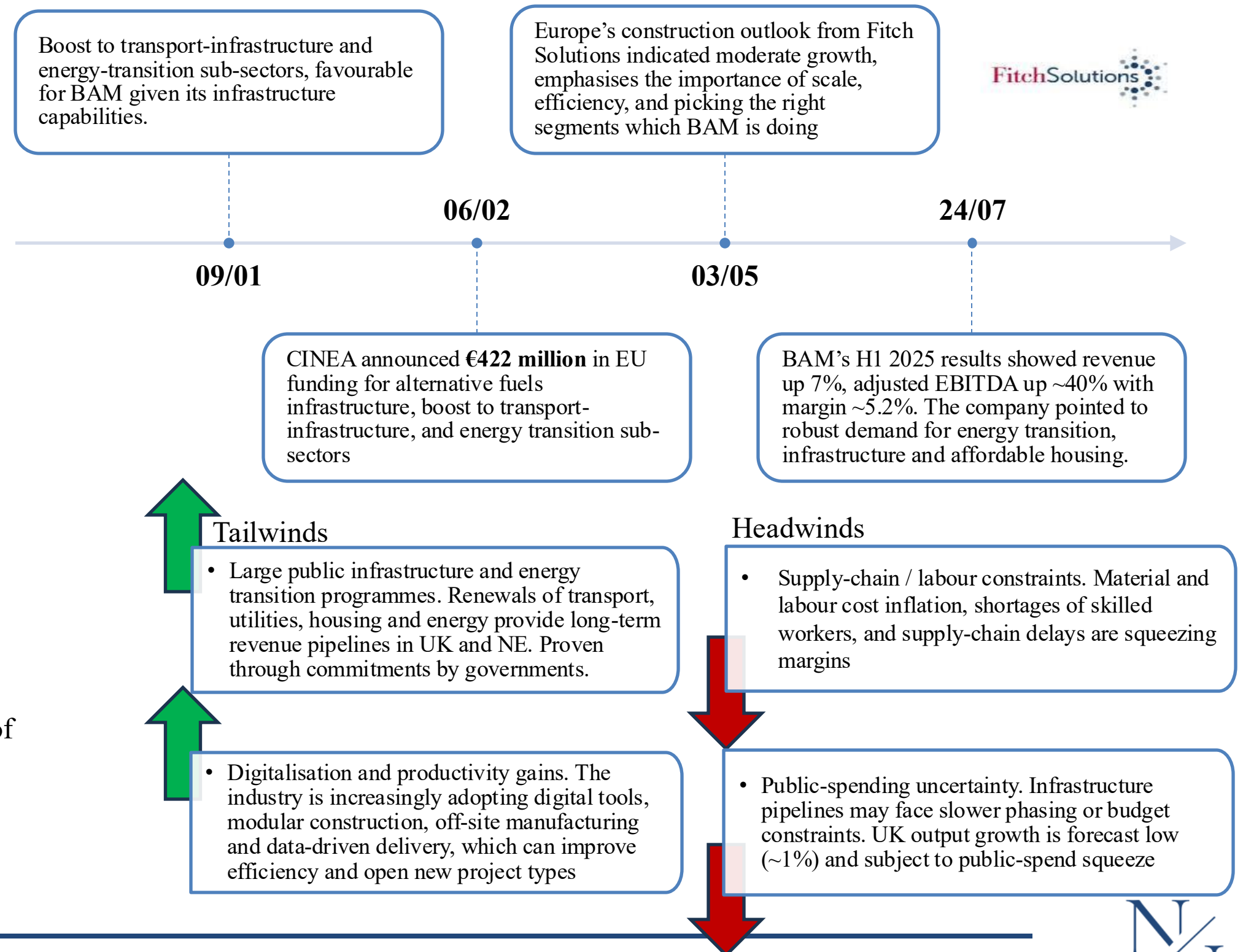
Industry Overview

Resilient public investment, accelerating energy-transition projects, and sustained urban renewal

- Driven by infrastructure investment, energy transition, sustainable building, and infrastructure renewal.
- Sustainability and net-zero targets accelerating demand for low-carbon, circular, and modular construction.
- Digitalisation, industrialised construction, and off-site manufacturing driving productivity improvements.



- Dutch PMI sits comfortably above the EU average at 53.7 showing signs of economic momentum.
- This environment supports rising demand and stronger order books
- Industrial activity and infrastructure demand is expanding
- Reflective of improved business sentiment and tendering conditions
- Investors likely to favour Dutch-listed firms such as BAM



Market Expectations

What moves the needle?

Recent Share Price Action



- 1 Silvertown Tunnel opening, M28 Cork–Ringaskiddy motorway contract, Hither Green station accessibility upgrade led to a ~34% jump in the next month
- 2 Royal BAM Group (BAMNB) dropped ~13% after ABN AMRO analyst (Den Drijver) put BAM on the sell list, flagging fresh risks on projects in Dublin and the Fehmarnbelt Denmark–Germany tunnel

Company	Year	FCF/EBITDA % (pre-IFRS16)
Royal BAM Group	FY2024 / FY2023	51.6% / 9.23%
Balfour Beatty	FY2024 / FY2023	68.9% / 68.4%
Kier Group	FY2024 / FY2023	97.8% / 86.3%

- Price implies <60% FCF/EBITDA; framework peers deliver ~70–90%+.

What the Market Misses

- BAM’s portfolio is shifting from lump-sum building toward frameworks, renewals and target-cost work. That profile has delivered ~70–90% pre-IFRS 16 FCF/EBITDA at peers.
- We expect BAM’s conversion to converge to that range as mix shifts and legacy fixed-price exposure rolls off.

Proof Points

- **Operating cash flow positive in both recent halves:**
- H1-2025 €151m; H2-2024 ~€173m
- **Portfolio tilt to frameworks continues:**

Recent Awards

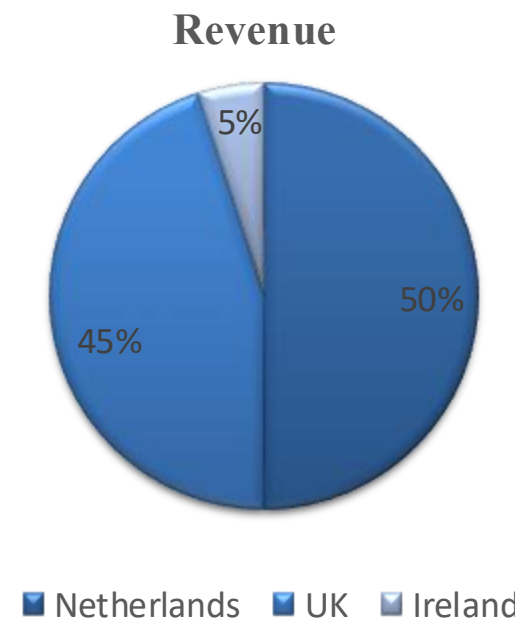
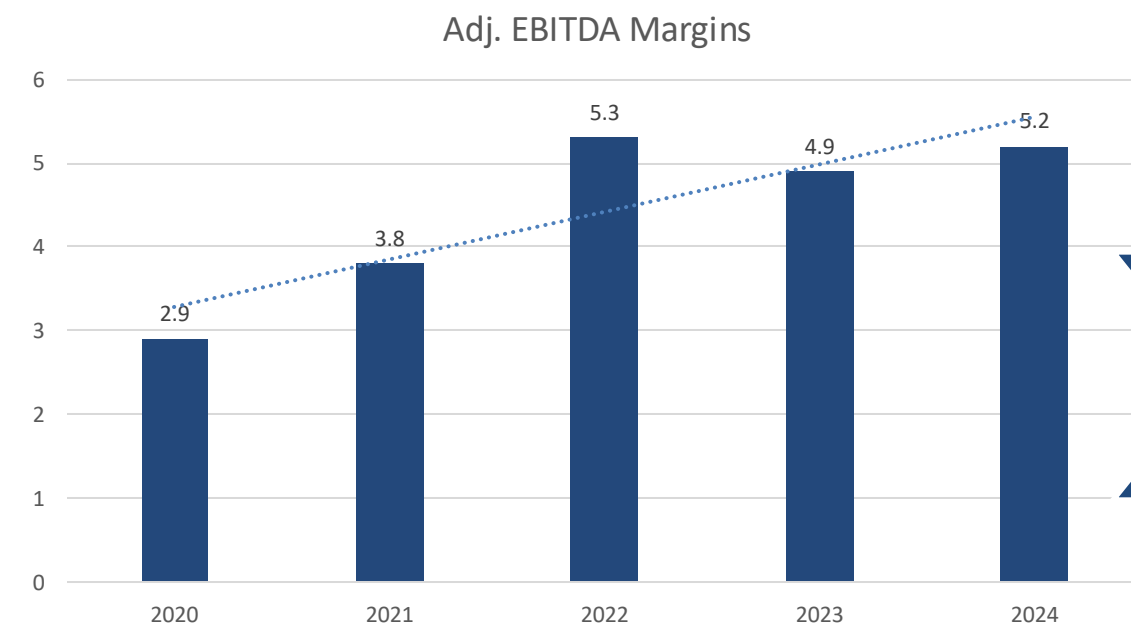
- Northumbrian Water AMP8 “Living Water Enterprise” framework (Jan-2024)
- South West Water AMP8 Engineering Capital Delivery Programme (May-2024)
- TRU West Alliance, next phase (£2bn alliance; BAM c.£800m) (Sep-2024)
- TenneT EU367 multi-year framework, Moerdijk–Tilburg 380 kV section (Apr-2025)

Thesis

Disciplined backlog. Rising Margins. Rerate ahead.

Leaner footprint, tighter execution

- Strategic exits from Germany and Belgium 2021-2023
 - Geographical shifts to focus on markets where they have “scale and competitive advantage” i.e. Netherlands, UK, and Ireland
 - Success evinced in a 33% gain in order book, which they’ve maintained going into 2025 H1 while simultaneously increasing revenue by 7%
- Smarter order book
 - “Be selective and strengthen control: focus on predictable product market combinations with two-stage, medium sized projects”
 - Pursuing higher risk/reward opportunities, involving earlier contractor involvement in low-surprise delivery models – managed risk transfer
- Execution upgrade
 - Improvement and deployment of company wide workflows including digital modelling with BIM, VR/AR, robotics allows for easier execution and less reworks



United Kingdom

- UK 10 Year Infrastructure Project provides a strong macroeconomic tailwind, promising over £725bn in public infrastructure over the next decade
- Eastern Green Link 2 green-lit by Ofgem, BAM positioned to deliver both converter stations and positioned for repeat business in the Great Grid Upgrade
- BAM re-appointed in EA’s Collaborative Delivery Framework, ramping toward £5bn of capital



Ireland

- National Development Plan refresh confirms a record €275bn capital envelope to 2035 across transport, health, education, water and energy
- EirGrid – a 2030 roadmap to ~80% renewables target, delivered via Grid Implementation plan 2023-2028, including hundreds of grid projects
- OPW Flood Relief Programme – state committed €1.3bn for flood schemes until 2030



Netherlands

- Delta Programme 2025 is the national plan across flood risk management, freshwater, and climate-resilient spatial planning. Plans across the coming years involve upgrades in which BAM has already been selected for (e.g. Meuse dyke strengthening)
- Afsluitdijk – a giant sea wall protecting Netherlands from flooding, BAM selected to build and now maintain for next 25 years
- TenneT plans around £200bn of investments until 2034 across energy grid infrastructure

Oddo BHF (equity research), recently cut its expectation of BAM to Underperform, from a previous stance of neutral, arguing the stock was pricing in too much margin optimism.

BAM has already proven it can operate consistently at the 5% margin. Order book steady at €13bn with visible public pipelines.

We believe that BAM’s 5% margin is sustainable and not cyclical. The recent derating overstates legacy risk, and ongoing returns should unlock a rerate

29/10/25

Royal Bam Group – (XAMS: BAMNB)



Valuation

Valuation triangulation indicates 15–20% upside potential

Royal BAM trades at a **discount** on EV/EBITDA while delivering one of the **strongest FCF yields** in its peer group. DCF supports re-rating as margins and cash conversion normalise.

Scenario analysis



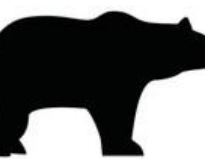
Bull Case – Upside from Execution

- EBIT margin +50bps from selective tendering
- CapEx stable at 2.0% of revenue, FCF yield > 10%
- WACC –100bps with improved market perception



Base Case – Normalised operations

- EBIT margin ~3%, D&A ratio ~0.9x, CapEx Reinvestment 0.8-0.9x D&A
- Revenue CAGR ~4.2%, stable working capital
- WACC 10.5%, g = 2.0%



Bear case – Cost pressure risk

- Margin erosion to 4% from cost inflation
- CapEx rising to 2.5% of revenue
- WACC +100bps on market risk premium

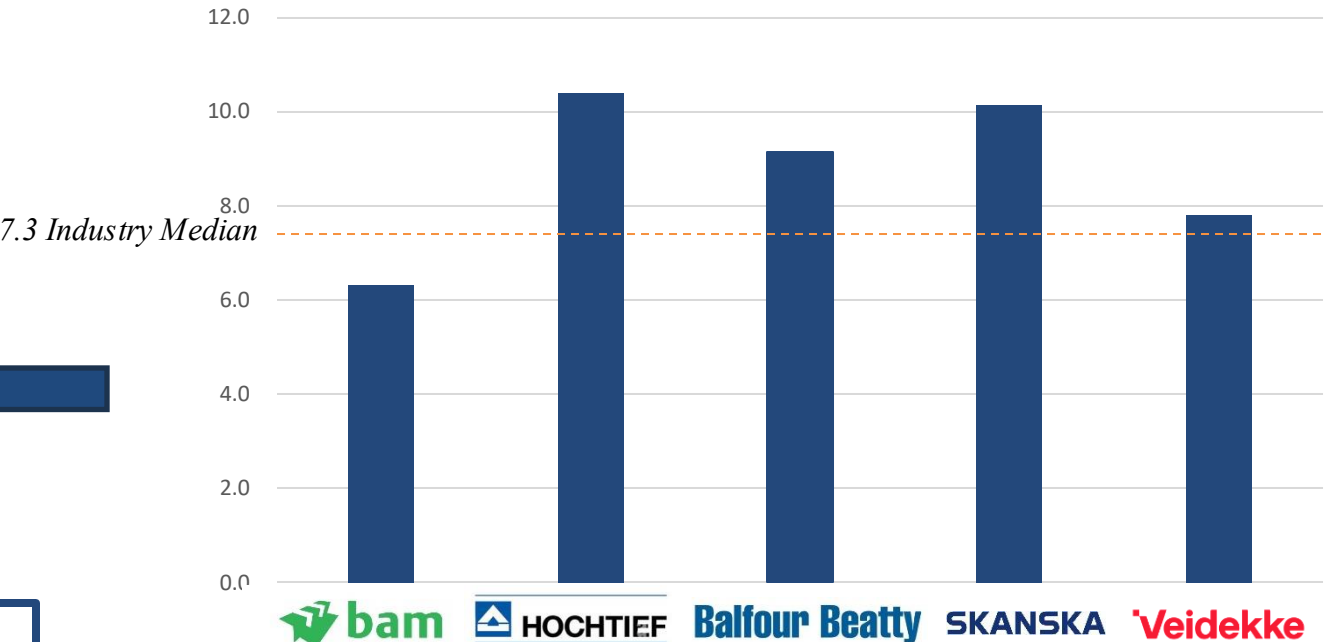
Sensitivity Analysis

Conservatively weighted DCF shows strong upside potential

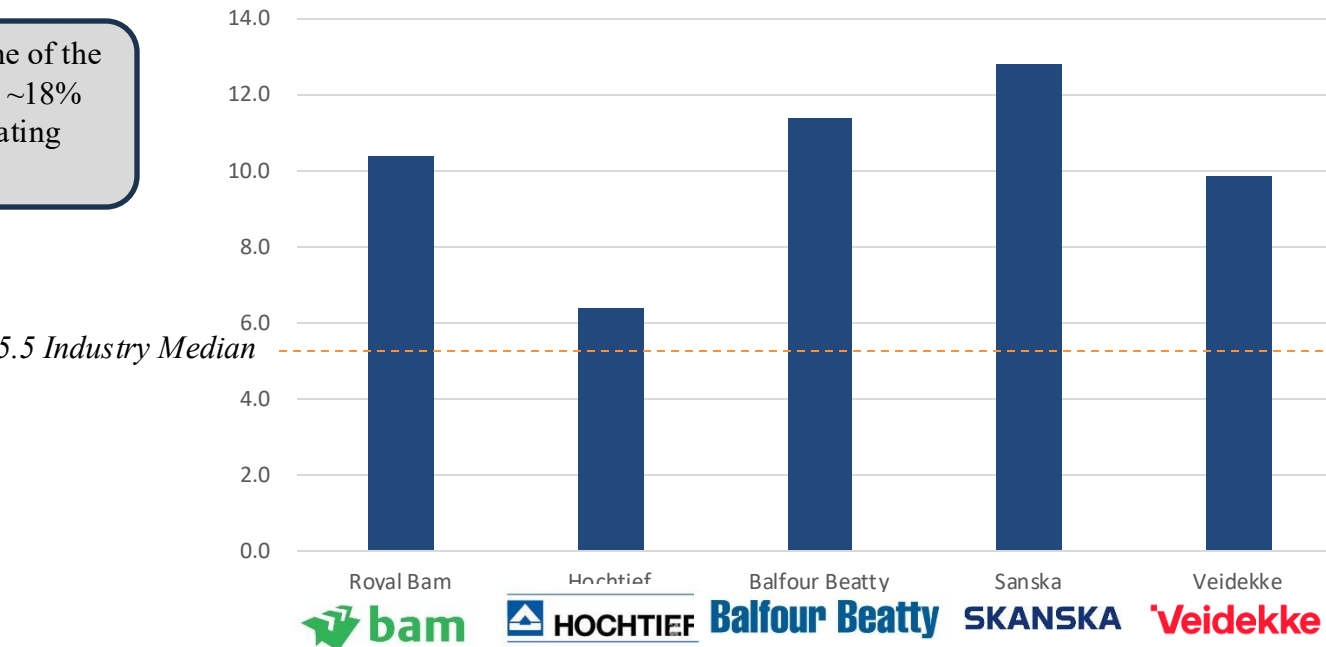
		Growth rate (g)				
		1.6%	1.8%	2% (Base)	2.2%	2.4%
WACC	9.9%	24.2%	27.9%	31.5%	36.3%	41.1%
	10.2%	17.0%	20.6%	24.2%	27.9%	32.3%
	10.5% (Base)	11.0%	14.6%	17.9%	21.8%	25.5%
	10.8%	6.2%	9.8%	13.4%	17.0%	20.6%
	11.1%	0.1%	3.7%	8.6%	12.2%	15.8%

Relative Valuation

EV/EBITDA Adj



FCF yield (EV)

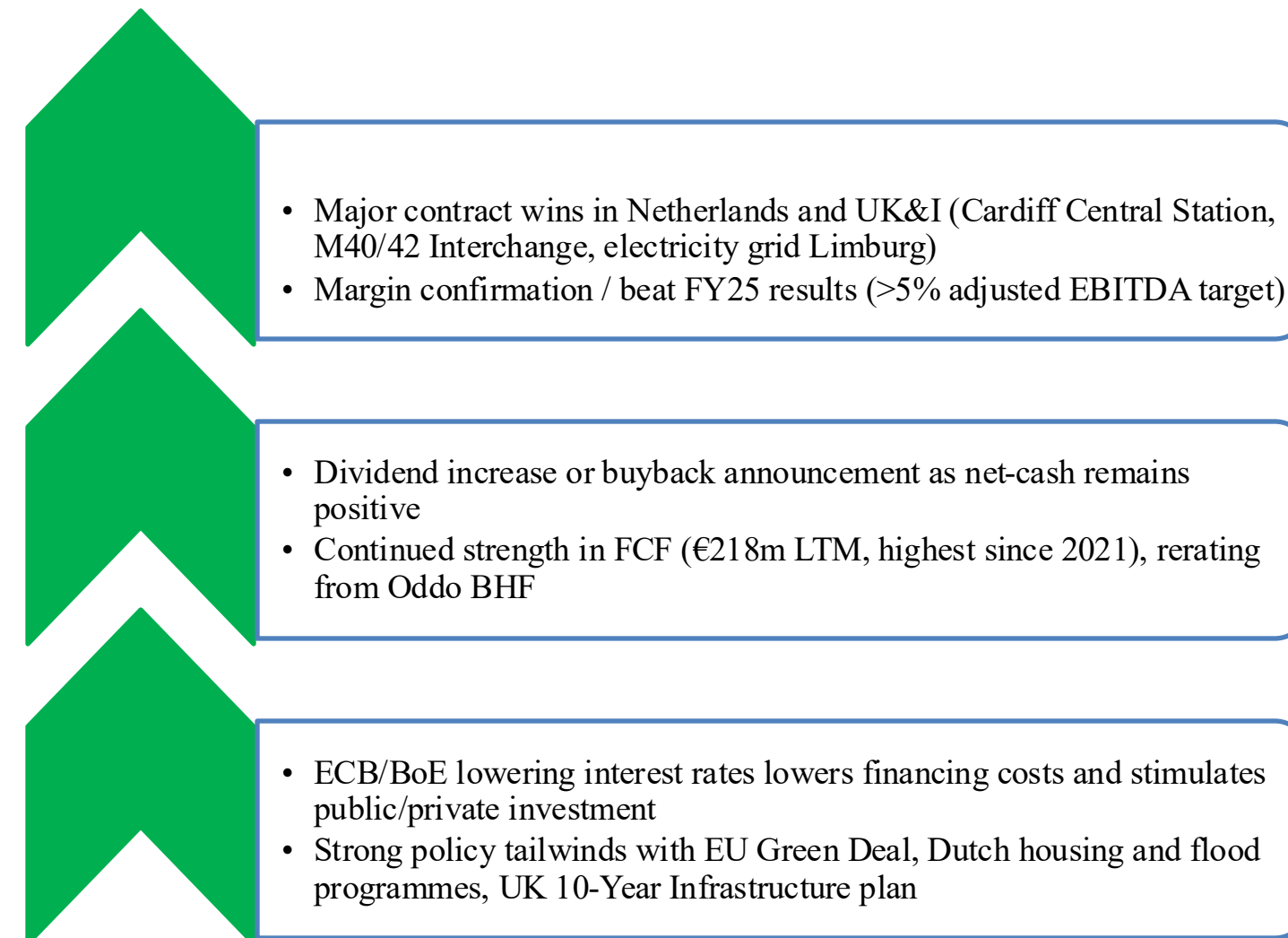
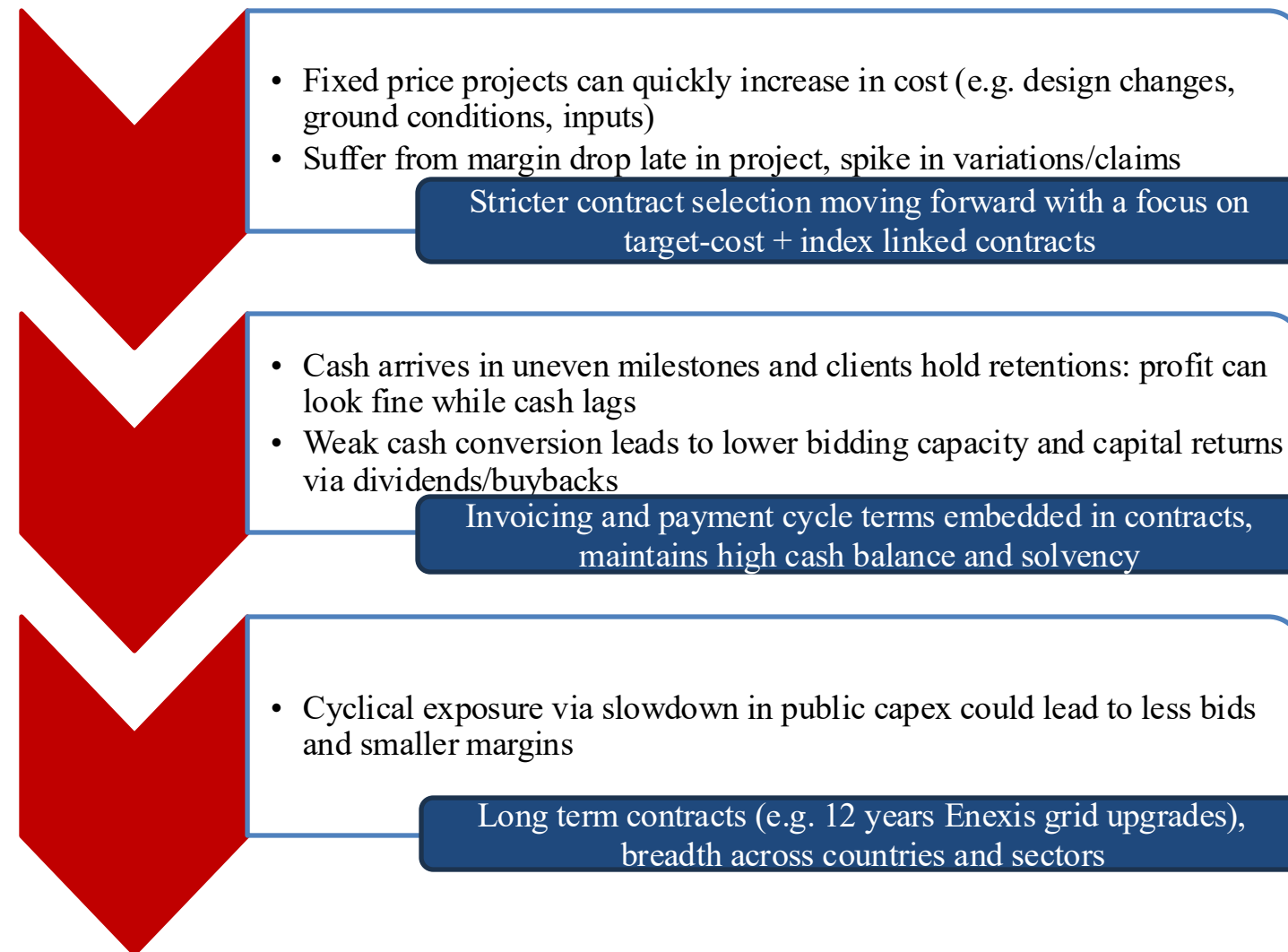


Valuation impact (€/share):

Bull: ~€11.5–12.0 | Base: €9.8 | Bear: €8.3–8.5

Royal BAM trades below peers on EBITDA while offering one of the highest FCF yields in the sector. Our DCF base case indicates ~18% upside to €9.8 per share, with limited downside and clear re-rating potential as profitability and cash conversion strengthen.

Risks and Catalysts



BAM's key risks involve fixed-price execution, cash conversion, and public-capex cyclicity. A strategic pivot toward longer-term, early-involvement frameworks, focusing on and tighter billing discipline mitigates these exposures. Near-term catalysts are a sustained $\geq 5\%$ adj. EBITDA margin, unlocking a rerate from Oddo BHF, and consistent bid wins. Strong macroeconomic tailwinds allow for sustained revenue and order book growth over the coming decade.

Appendix

	Hist.	Proj.	Proj.	Proj.	Proj.	Proj.
	Period 0	Period 1	Period 2	Period 3	Period 4	Period 5

All figures in millions unless otherwise stated

Discounted Cash Flow

Tax rate	18.0%					
Long term growth rate	2.0%					
WACC	10.5%					
Share price	8.29					
Shares outstanding	272.0					
Year count		1.0	2.0	3.0	4.0	5.0
EBIT		227.8	250.5	250.4	248.8	241.5
Tax on EBIT		(41.0)	(45.1)	(45.1)	(44.8)	(43.5)
+ Depreciation and amortization		145.3	163.7	176.2	190.2	201.2
- Capital expenditure		(101.7)	(122.8)	(141.0)	(161.7)	(181.1)
Change in operating working capital		(16.0)	(11.0)	(11.0)	(4.0)	(12.0)
Free cash flow		214.4	235.3	229.5	228.5	206.1
Terminal value						2,473.3
Discount factor		90.5%	81.9%	74.1%	67.1%	60.7%
Present value of free cash flows		194.0	192.7	170.1	153.3	125.1
Sum of present value of free cash flows	835.3					
Present value of terminal value	1,501.3					
Enterprise value	2,336.6					
+ Cash	763.0					
- Debt	(440.0)					
Implied equity value (intrinsic value)	2,659.6					
Market capitalization	2,254.9					
Intrinsic value premium to market capitalization	404.7	17.9%				

Rf = 2.77% (Dutch 10-year government bond)
Rp= 8.96%
Beta = 1.05 - slightly higher cyclicality than the market

(€ millions)	2022	2023	2024	2025	2026	2027	2028	2029
Division Netherlands								
Revenue	2,917.0	3,007.0	3,231.0	3,412.0	3,583.0	3,744.0	3,894.0	4,030.0
YoY Growth %	3.29%	3.09%	7.45%	5.60%	5.01%	4.49%	4.01%	3.49%
(€ millions)	2022	2023	2024	2025	2026	2027	2028	2029
Division UK + Ireland								
Revenue	3,134.0	3,139.0	3,111.0	3,305.9	3,496.3	3,680.0	3,854.8	4,018.6
YoY Growth %	10.30%	0.16%	-0.89%	6.26%	5.76%	5.25%	4.75%	4.25%
(€ millions)	2022	2023	2024	2025	2026	2027	2028	2029
Division Germany, Belgium, Etc								
Revenue	569.0	125.3	112.6	103.6	77.7	51.6	26.0	0.0
YoY Growth %	4.17%	-77.98%	-10.17%	-7.97%	-24.99%	-33.59%	-49.61%	-100.00%
(€ millions)	2022A	2023A	2024A	2025E	2026F	2027F	2028F	2029F
Company								
Revenue	6,620.0	6,271.3	6,454.6	6,821.5	7,157.0	7,475.6	7,774.8	8,048.6
YoY Growth %	-9.53%	-5.27%	2.92%	5.68%	4.92%	4.45%	4.00%	3.52%
EBITDA Margin	4.17%	4.44%	3.90%	4.85%	-	-	-	-
EBIT Margin %	2.41%	2.45%	1.85%	3.34%	3.50%	3.35%	3.20%	3.00%
EBIT (calc.)	159.5	153.6	119.4	227.8	250.5	250.4	248.8	241.5

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