

# BREEDON GROUP

## 2021 INTERIM RESULTS

22 July 2021



# AGENDA

## GROUP HIGHLIGHTS

**Rob Wood**, Chief Executive Officer

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## FINANCIAL REVIEW

**James Brotherton**, Chief Financial Officer

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## OPERATIONAL REVIEW & OUTLOOK

**Rob Wood**

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## Q & A

# GROUP HIGHLIGHTS

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Strong trading performance supported by recovery in construction activity

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Growing momentum in Ireland despite partial lockdown of construction sector

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Like-for-like revenue 17% and Underlying EBIT 9% ahead of H1 2019

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Integration of CEMEX Acquisition ahead of schedule

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Sustainability strategy developed; KPIs and targets to be published in the autumn

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Covenant Leverage reduced to 1.2x; within 12 months of the CEMEX Acquisition

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Refinancing completed; diversifying sources of credit and extending maturity profile

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First interim dividend announced; commitment to a progressive dividend policy

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Underlying EBIT for 2021 now expected to be at the top end of market expectations

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# FINANCIAL REVIEW

**James Brotherton**

Chief Financial Officer



# H1 2021 FINANCIAL HIGHLIGHTS

Revenue

**£600.9m**

2020: £335.3m

Underlying  
EBIT

**£56.4m**

2020: £(0.6)m

Margin 9.4% (2020 (0.2)%)

Profit before tax

**£46.2m**

2020: £(10.1)m

Underlying  
basic EPS

**1.54p**

2020: (0.65)p

FCF

**£34.3m**

2020: £41.5m

Net debt

**£291.5m**

2020: £253.6m

Leverage 1.2x (2020 1.7x)

ROIC

**9.2%**

2020: 5.2%

Dividend per share

**0.5p**

2020: n/a

**Notes:**

Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles and related tax items.

Net debt includes IFRS 16 lease liabilities of £49.6m (2020: £42.2m)

Leverage is Covenant Leverage as defined by the Group's banking facilities. This excludes the impact of IFRS 16 and includes the proforma impact of M&A

# PROGRESSION IN UNDERLYING TRADING

Strong like-for-like revenue growth post COVID

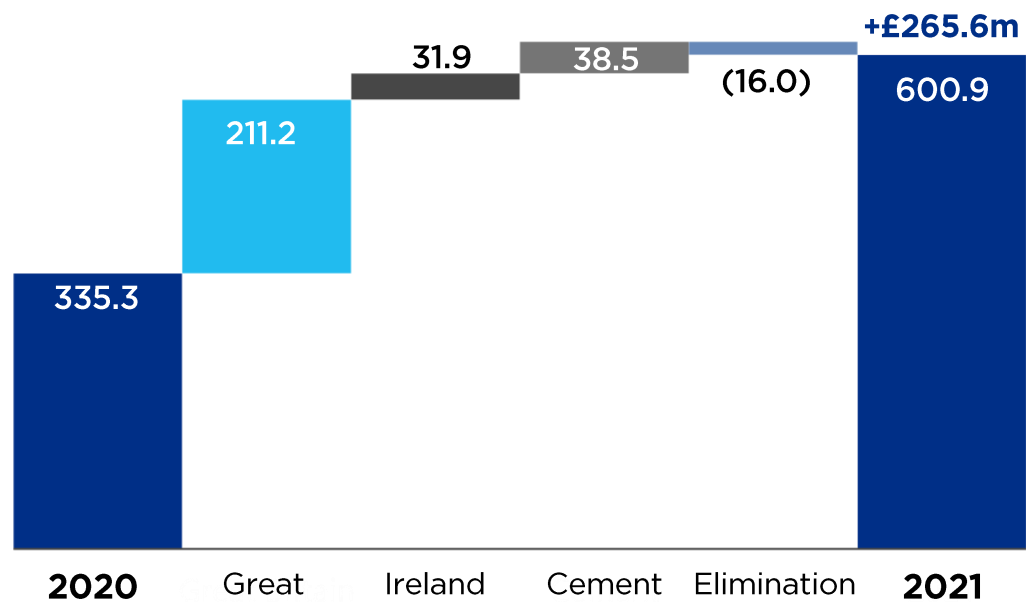
	H1 2020 vs H1 2019	H2 2020 vs H2 2019	<b>H1 2021</b> vs H1 2020	<b>H1 2021</b> vs H1 2019
GB	-26%	+9%	<b>+61%</b>	+19%
Ireland	-26%	+11%	<b>+46%</b>	+8%
Cement	-20%	+11%	<b>+44%</b>	+15%
<b>Group</b>	-24%	+10%	<b>+54%</b>	+17%

# REVENUE AND EBIT BRIDGES

Volume driven revenue growth and margin recovery

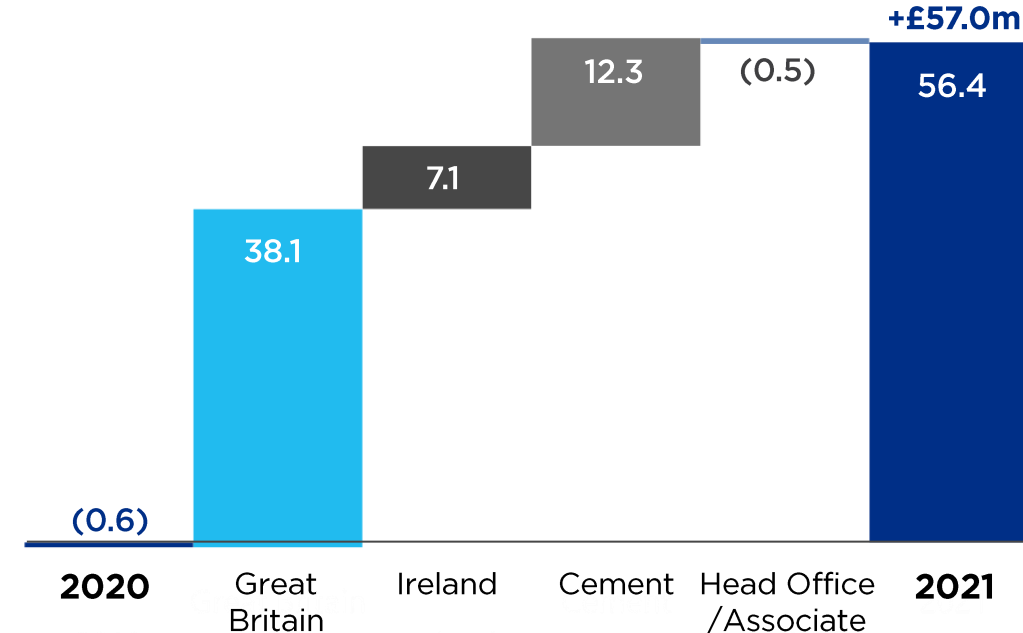
## REVENUE BRIDGE

£ million



## EBIT BRIDGE

£ million



EBIT Margin (0.2)%

9.4%

# DIVISIONAL PERFORMANCE

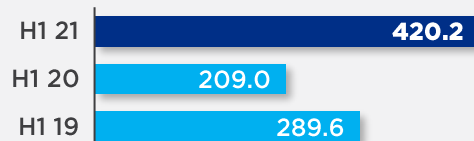
Strong revenue growth across all divisions

## GB

REVENUE

**£420.2m**

LFL vs 2019: +19%



UNDERLYING EBIT

**£36.8m**

LFL vs 2019: +8%

**MARGIN**  
8.8%

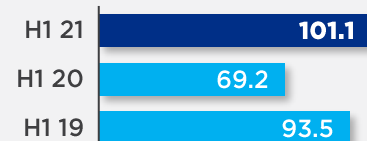


## IRELAND

REVENUE

**£101.1m**

LFL vs 2019: +8%



UNDERLYING EBIT

**£8.9m**

LFL vs 2019: Flat

**MARGIN**  
8.8%



## CEMENT

REVENUE

**£120.0m**

LFL vs 2019: +15%



UNDERLYING EBIT

**£18.3m**

LFL vs 2019: +23%

**MARGIN**  
15.3%

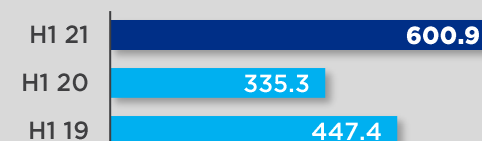


## GROUP

REVENUE

**£600.9m**

LFL vs 2019: +17%

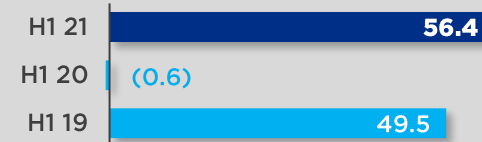


UNDERLYING EBIT

**£56.4m**

LFL vs 2019: +9%

**MARGIN**  
9.4%



**Notes:**

Divisional revenue and EBIT excludes eliminations, head office costs and JV/Associates

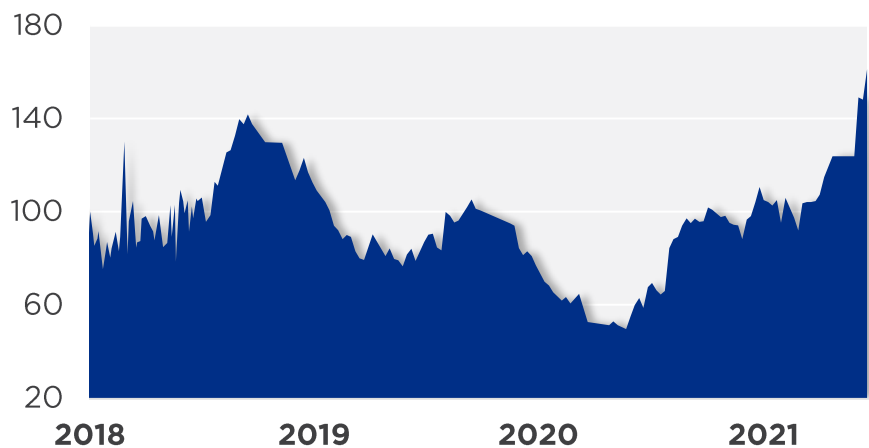
Certain cement related activities which formed part of Great Britain in 2020 are now reported within our Cement segment. The segmental analysis presented in respect of 2020 and 2019 have been restated accordingly.



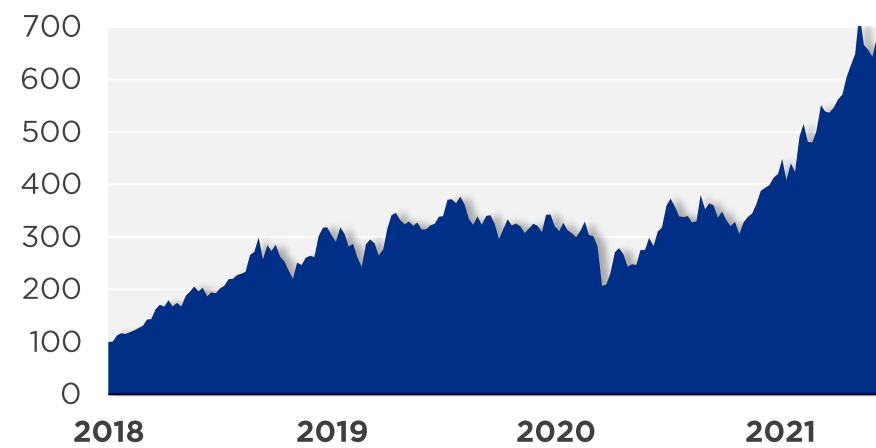
# INPUT COST PRESSURES

Given supportive market conditions, expect to recover over time

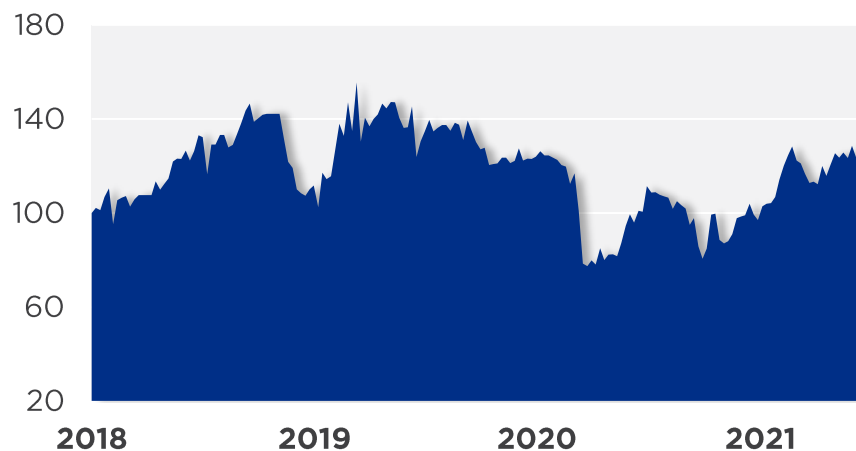
## UK ELECTRICITY



## CARBON



## BITUMEN



Source: Bloomberg

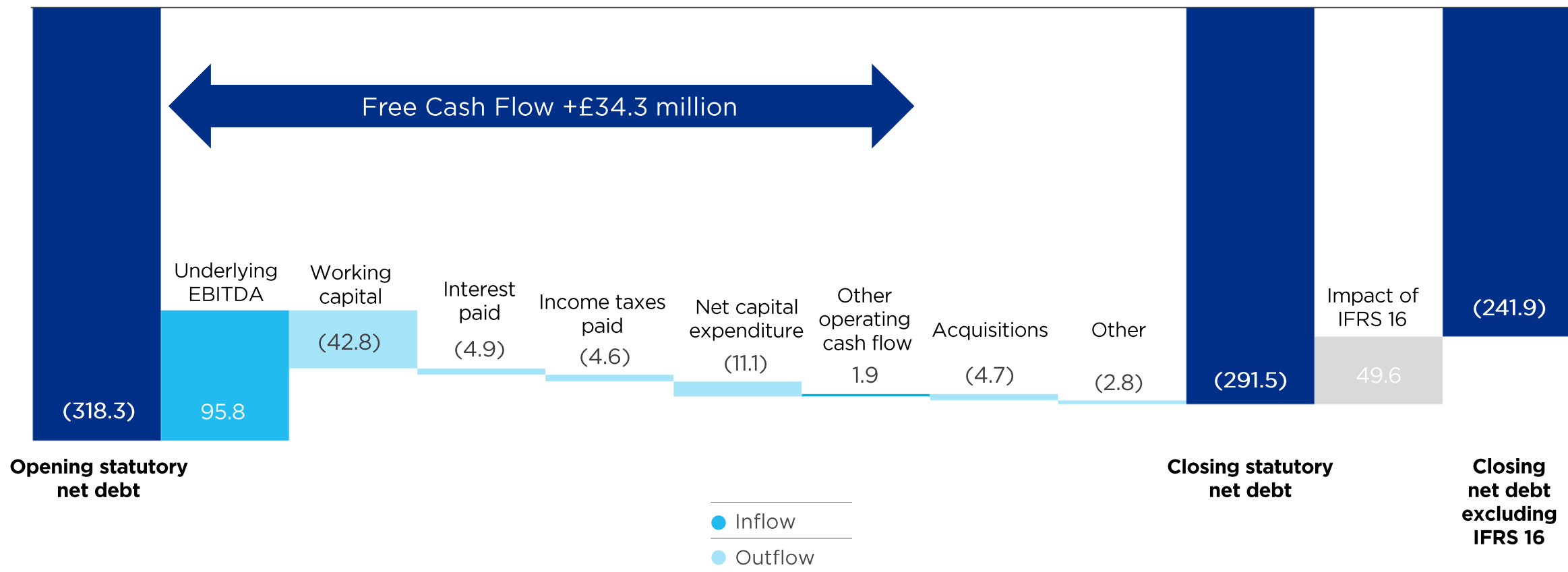
**Note:**

Charts based on 3 month forward electricity price, current year carbon price and spot bitumen price, all rebased to 100 at January 2018

# H1 2021 NET DEBT AND CASHFLOW

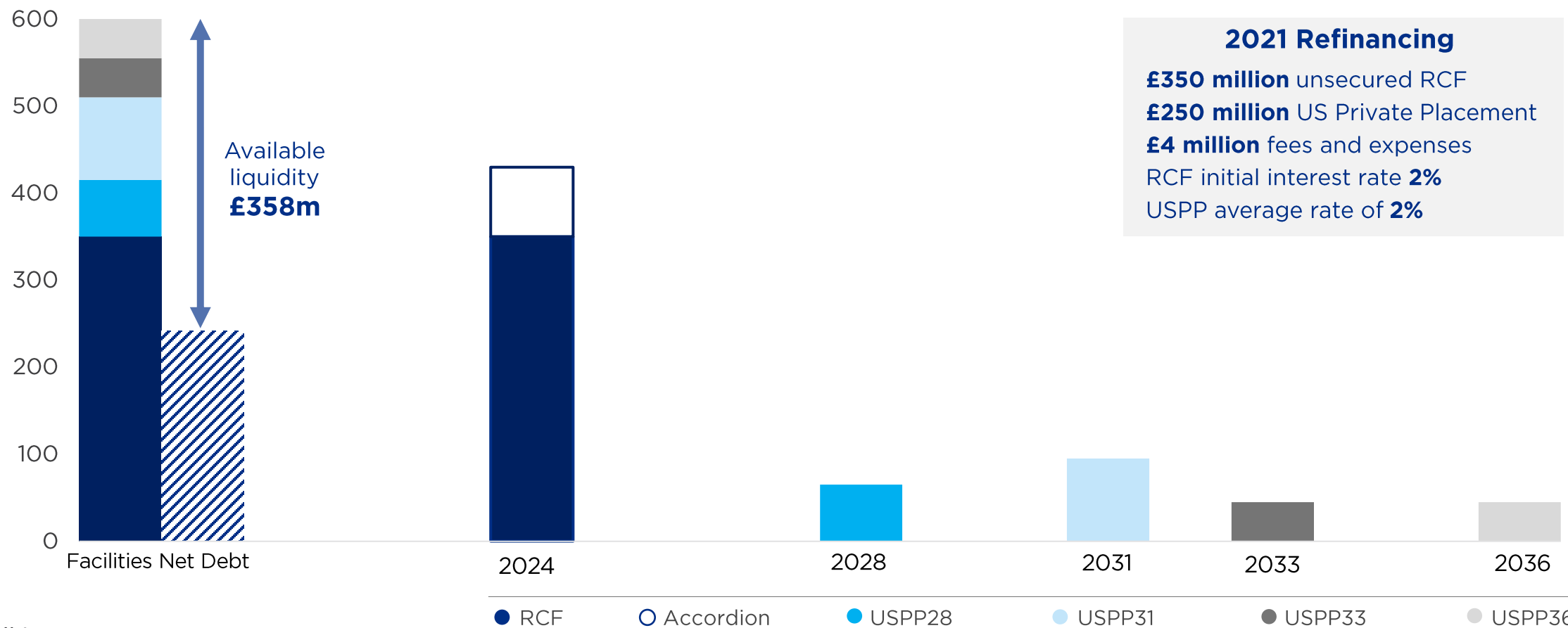
Strong trading drives further deleveraging

£ million



# SUCCESSFUL REFINANCING

Diversifying our sources of credit and extending our maturity profile



**Notes:**

Net debt excludes IFRS 16 lease liabilities

USPP was signed on 16 July 2021 and is expected to be drawn in Q3

# CAPITAL ALLOCATION PRIORITIES UNCHANGED

Progressive dividend policy confirmed



# UPDATED 2021 TECHNICAL GUIDANCE



## **Income statement**

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Net interest expense of c.£15m, including £2m relating to IFRS 16

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Effective tax rate c.18%

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£14m non-cash deferred tax charge in relation to UK corporation tax rate change from 19% to 25%

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## **Cashflow**

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Working capital normalised during H1, c.£40m outflow currently expected for full year

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Incremental £30 million in capital expenditure across 2021 and 2022 due to the corporation tax superdeduction

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Cash cost of interim dividend of £8.4m in H2

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# OPERATIONAL REVIEW

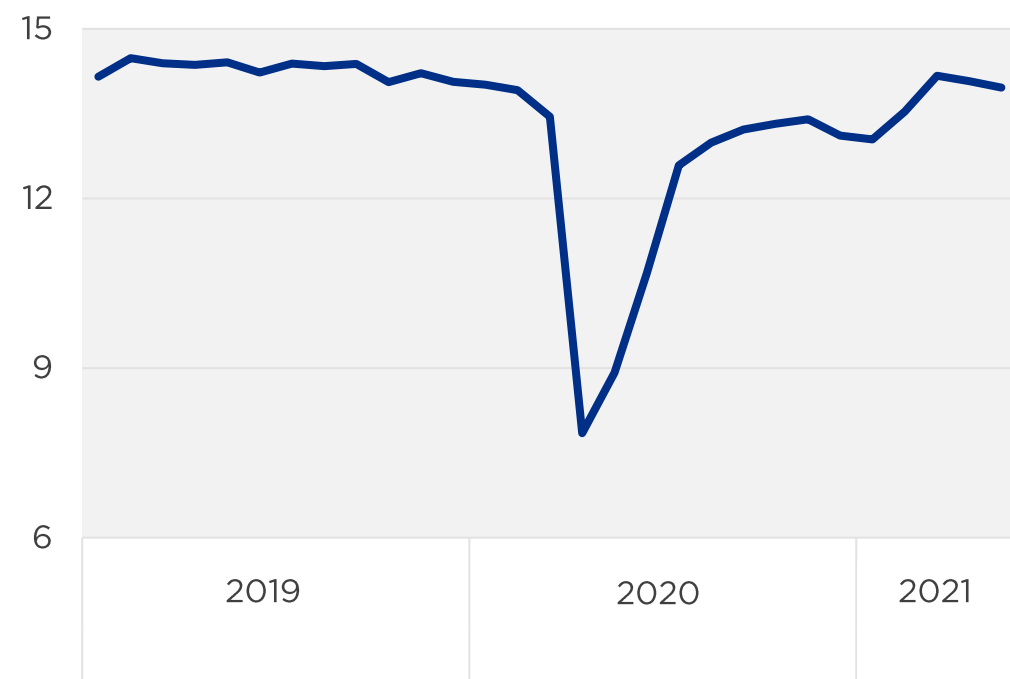
**Rob Wood**  
Chief Executive Officer



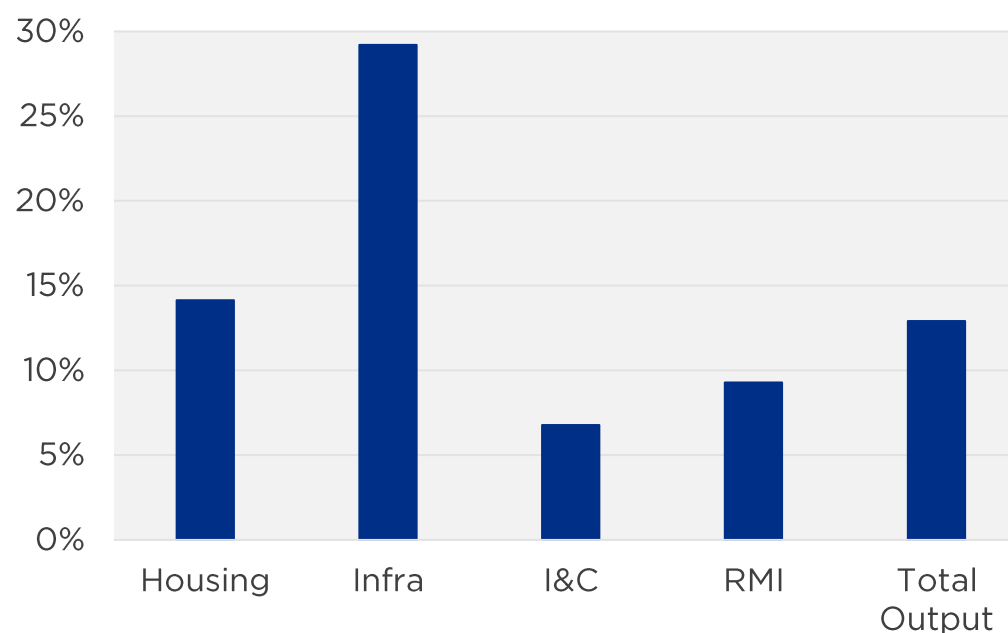
# UK MARKET BACKDROP

“V” shaped recovery driven by infrastructure and housing activity

TOTAL CONSTRUCTION OUTPUT (£bn)



2021 CONSTRUCTION OUTPUT GROWTH FORECAST



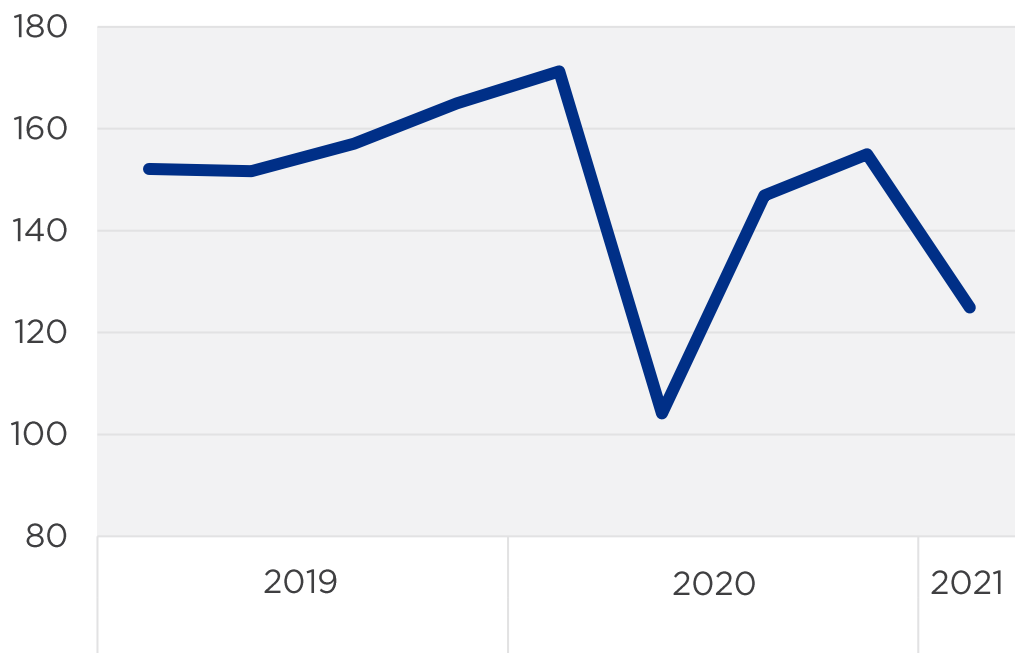
Construction PMI averaged 54.7 Q1, rising to 64.0 in Q2 – June 66.3

Source: ONS & CPA

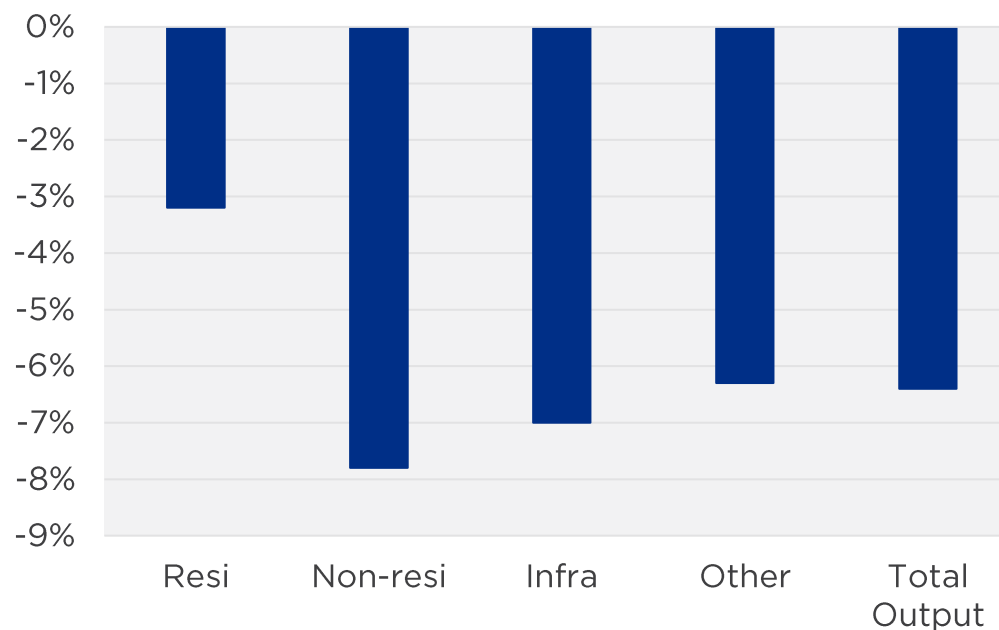
# ROI MARKET BACKDROP

“W” shaped recovery due to further government restrictions in Q1

TOTAL CONSTRUCTION OUTPUT INDEX



2021 CONSTRUCTION OUTPUT GROWTH FORECAST



Construction PMI averaged 26.4 Q1, recovering to 60.2 in Q2 – June 65.0

Source: CSO and Euroconstruct



# GB BUSINESS REVIEW

Continued recovery in demand, robust activity in residential housing and infrastructure markets

Integration of CEMEX assets ahead of schedule

- Legal and IT system integration complete
- Operations streamlined to improve local customer focus
- Asset optimisation underway

Good progress in contracting

- Increasing our commercial capabilities
- Leveraging our position in Scotland and assets acquired from CEMEX

Notable contracts

- A9 dualling
- Aberdeen harbour
- Caernarfon bypass
- HS2

**Note:** Reported percentage volume movements are based on non-rounded data



**AGGREGATES**  
million tonnes



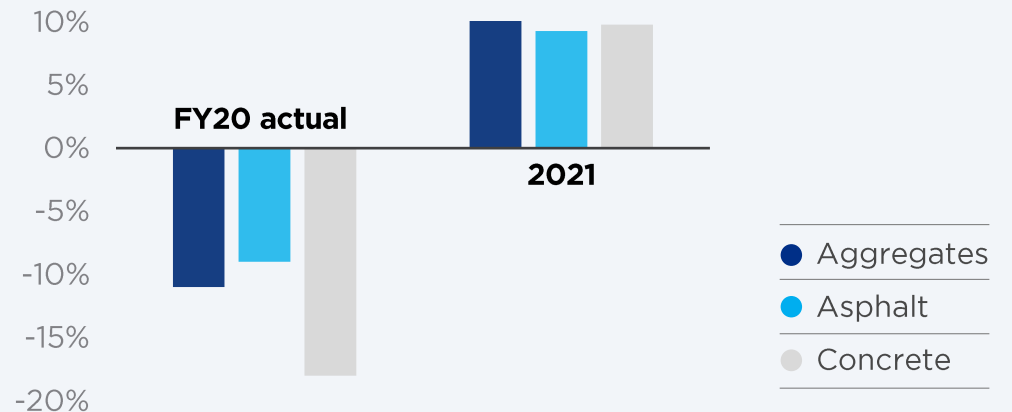
**ASPHALT**  
million tonnes



**CONCRETE**  
million m<sup>3</sup>



**MPA PRODUCT OUTLOOK**



# BUSINESS REVIEWS

## IRELAND & CEMENT

### IRELAND

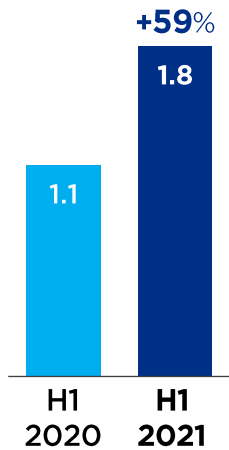
Momentum building in Q2 as government restrictions lifted and tendering activity increased throughout the period

Further development of aggregates business in ROI with reopening of Longford quarry

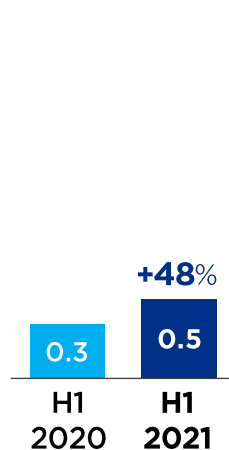
Notable contracts

- A6
- Dunkettle interchange
- CPD Framework in NI

**AGGREGATES**  
million tonnes



**ASPHALT**  
million tonnes



**CONCRETE**  
million m<sup>3</sup>



Note: Reported percentage volume movements are based on non-rounded data



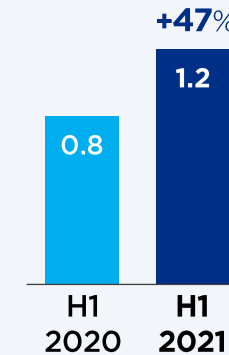
### CEMENT

Positive market conditions in both GB and Ireland, reflecting broader construction activity levels

All three planned maintenance shutdowns completed on time and on budget in H1

Continued focus on increasing alternative fuel use

**CEMENT**  
million tonnes



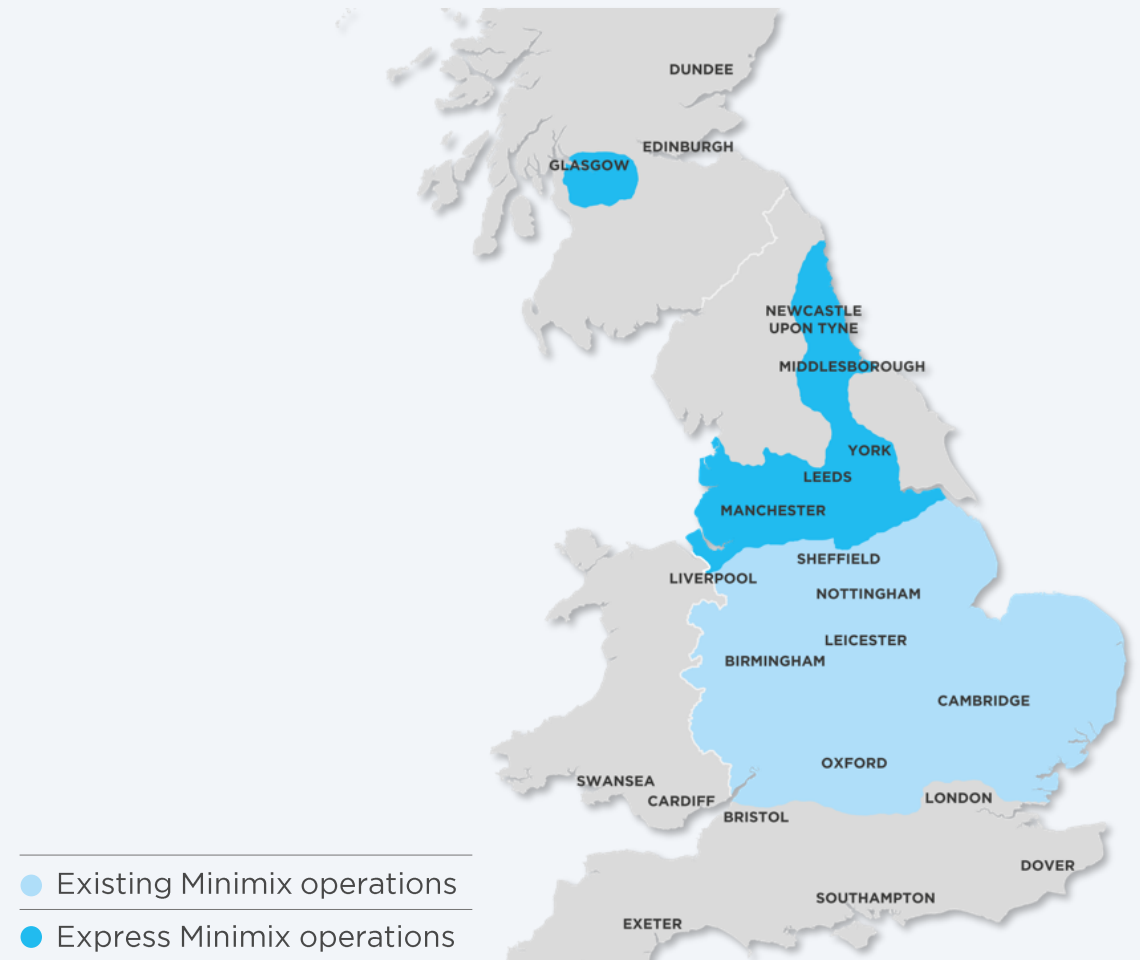
# M&A

Continuing to pursue growth opportunities

Acquisition of Express Minimix

- Highly complementary to our existing operations
- Enhances our product and service offering for small load ready-mixed concrete
- Expands our footprint across North of England and parts of Scotland
- Increases our vertical integration

Encouraging M&A pipeline



# OUR STRATEGY IN ACTION

Good progress with our strategic initiatives in the first half



## SUSTAIN

To protect our licence to operate in the long term we must conduct every area of our business as sustainably as possible, for the benefit of all our stakeholders

- Sustainability strategy progressed
  - KPIs and targets to be published in H2
- Employee engagement survey completed
  - Overall engagement improved
- Cement customer NPS survey
  - Results improved and “excellent”



## OPTIMISE

The resources we use are scarce and valuable, so it is vital that we maximise the value of every tonne of material we quarry or manufacture through a culture of continuous improvement

- Cemex integration ahead of schedule
- Reopened the dormant Shap quarry in Cumbria to realise incremental value from the CEMEX Acquisition
- Investing in rail sidings at Llandudno Junction to facilitate distribution of Welsh Slate by-products



## EXPAND

We are focused on construction markets enabling the delivery of long term growth which allows us to reinvest in organic growth opportunities for the business and make selective acquisitions

- Secured additional reserves at Wickwar quarry near Bristol
- Acquisition of Express Minimix to expand our small load RMX business
- GB contracting strategy being executed

# SUSTAINABILITY STRATEGY DEVELOPMENT



Good progress being made

Non-executive Director formally responsible for Sustainability and Head of Sustainability appointed

Sustainability successfully embedded into our strategy

Materiality assessment completed, aligning with the views of our stakeholders

- Key ESG focus areas identified

Group wide policies rolled out to set standards across our operations in relation to our key sustainability focus areas

Mapped our key focus areas against the UN Sustainable Development Goals, positive contribution towards 13 of the 17 Goals

## Three ESG Themes

### PLANET

- Climate change and energy
- Circular Economy
- Environment and nature

### PEOPLE

- Social responsibility

### PLACES

- Sustainable built environment






# DEVELOPING A ROADMAP AND TARGETS

KPIs identified



## PLANET

Making a material difference to the environment

-  Carbon reduction
-  Waste reduction and responsible resource use (incl. water)
-  Positive impact on nature and biodiversity



## PEOPLE

Making a material difference to society



-  Develop and empower a diverse, talented workforce
-  Positive impact on the communities in which we operate

## PLACES


Making a material difference to the built environment

-  Products and services that deliver higher performance, resource efficient buildings and resilient, low impact infrastructure
-  Collaboration to develop innovative solutions to help customers mitigate impacts of climate change

### Underpinned by fundamental operating PRINCIPLES

-  **Health, Safety and Wellbeing:** Keeping our people safe and well
-  **Good Governance:** Ensuring our commitment to sustainability is considered throughout our operations

-  **Ethics and Compliance:** Operating compliantly, transparently and with integrity, ensuring ethical operations & responsible sourcing
-  **Quality:** Quality assurance and continuous improvement

-  **Stakeholder Engagement:** Continual multi-level engagement with our customers, investors, employees, suppliers and other relevant parties

Formal targets to be communicated in H2

# OUTLOOK



# SUMMARY AND OUTLOOK

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Strong first half trading performance

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Focused on realising value from the CEMEX Acquisition

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Further progress with our sustainability strategy

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Positive outlook for our end markets, particularly infrastructure and housing

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Underlying EBIT for 2021 now expected to be at the top end of market expectations

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Strong balance sheet and new financing facilities, platform for future growth

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Committed to progressive dividend policy

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Capital markets event to be held in the autumn

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# Q&A



# APPENDIX



# HISTORY

**2008**

Company created and listed on UK Alternative Investment Market to pursue 'buy and build' strategy in UK heavyside construction materials market

**2010**

First acquisition: former Ennstone UK business, establishing platform for growth organically and via value-enhancing acquisitions

**2011-15**

Seven bolt-on acquisitions/JV completed, establishing Breedon as the largest independent construction materials group in Great Britain

**2016**

Acquisition of Hope Construction Materials, providing national UK footprint and entry into cement production

**2018**

Acquisition of Lagan Group, taking Breedon into construction materials and cement production in Island of Ireland

**2020**

Acquisition of assets and operations from CEMEX UK, strengthening Breedon's presence in six key UK regions

20+ value accretive acquisitions & JVs since 2010

# A LEADING CONSTRUCTION MATERIALS GROUP

## CORE OUTPUTS

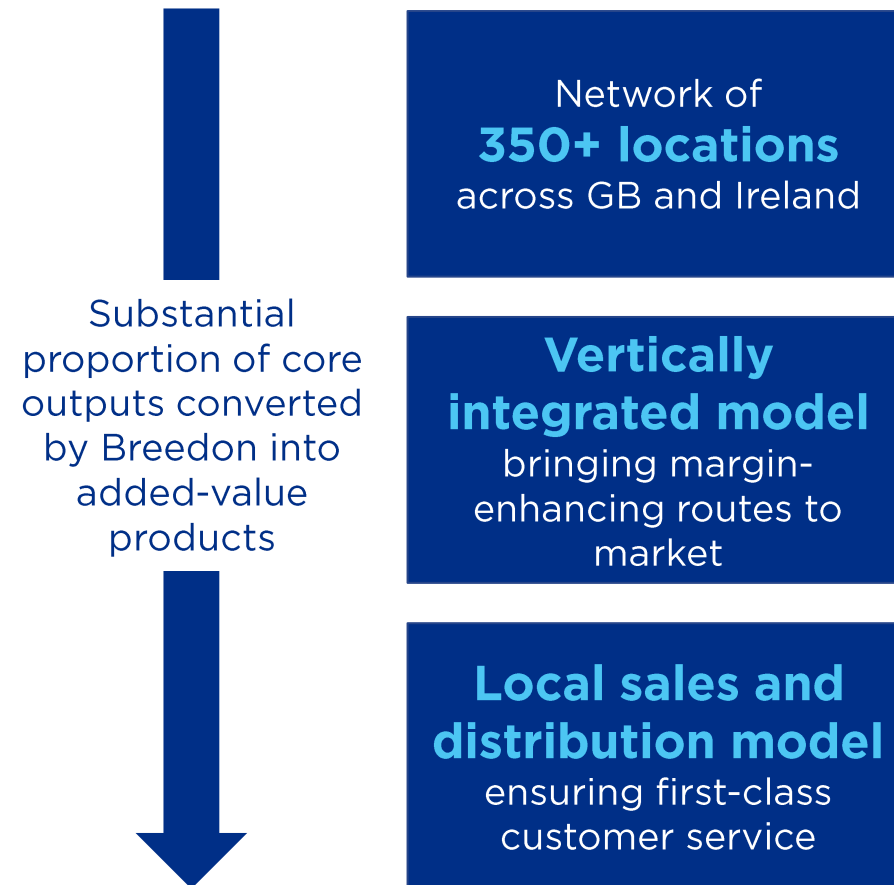


## ADDED-VALUE PRODUCTS AND SERVICES



**CONTRACTING SERVICES**

**OTHER PRODUCTS**



# OUR INVESTMENT CASE

## SUSTAINABLE BUSINESS

Strong corporate governance, with a clear purpose and culture, focused on managing our resources sustainably and maintaining our licence to operate.

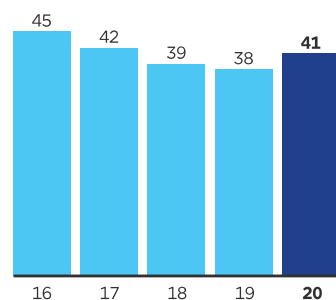


## ASSET BACKED

In excess of 1 billion tonnes of mineral reserves and resources, equivalent to over 40 years of production, combined with two cement plants and the broad geographic spread of our assets across the UK and Ireland, provides significant barriers to entry.

### RESERVES AND RESOURCES LIFE

years



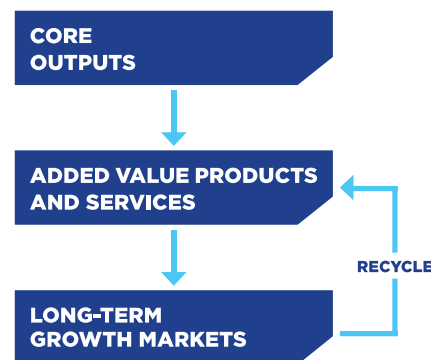
## MARGIN IMPROVEMENT FOCUS

We have a culture of continuous improvement, with opportunities for driving efficiency and increasing utilisation of both our existing assets and newly acquired businesses.



## VERTICALLY INTEGRATED MODEL

Value-added products and services alongside our growing contracting business, offer margin-enhancing routes to market for our cement and aggregates.



## LONG-TERM GROWTH MARKETS

Exposure to attractive end markets, including infrastructure and housing, with structural growth trends underpins future demand.

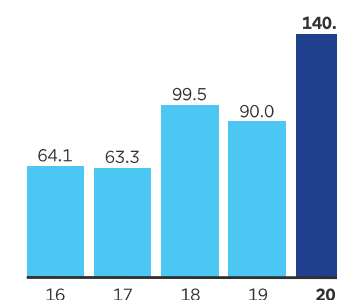


## STRONG FREE CASH FLOW

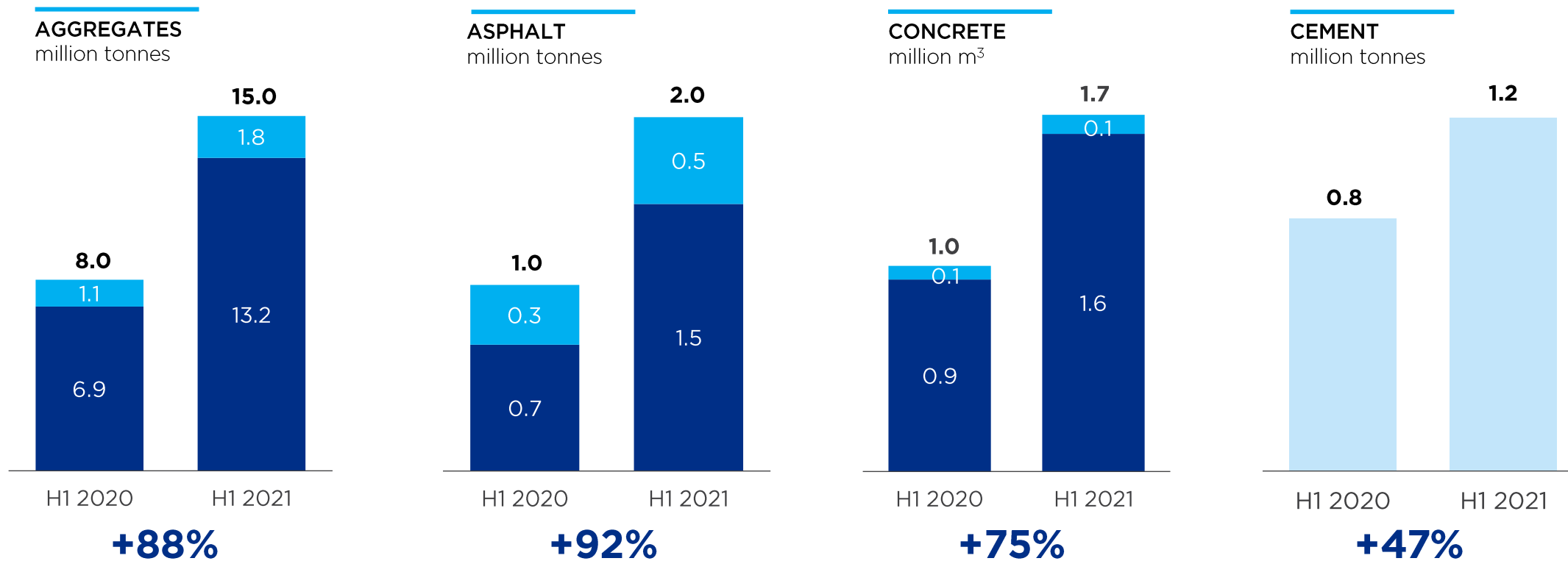
Strong free cash flow supports both organic and inorganic investment and shareholder returns. We have generated more than £450m of FCF over the last five years.

### FREE CASH FLOW

£m



# H1 2021 PRODUCT VOLUMES



- Great Britain
- Ireland
- Cement

**Note:** Reported percentage movements are based on non-rounded data

# H1 2021 INCOME STATEMENT

£ million	30 June 2021	30 June 2020
Revenue	600.9	335.3
Underlying EBITDA	95.8	32.6
Depletion & depreciation	(40.1)	(33.1)
Underlying operating profit/(loss)	55.7	(0.5)
Share of associate and joint ventures	0.7	(0.1)
Underlying EBIT	56.4	(0.6)
Interest	(7.5)	(6.4)
Non-underlying items	(2.7)	(3.1)
Profit/(loss) before tax	46.2	(10.1)
Taxation – at effective rate	(8.0)	1.8
Taxation – change in deferred tax rate	(14.4)	(5.5)
Profit/(loss) for the period	23.8	(13.8)
Underlying basic earnings per share	1.54p	(0.65)p

# H1 2021 BALANCE SHEET

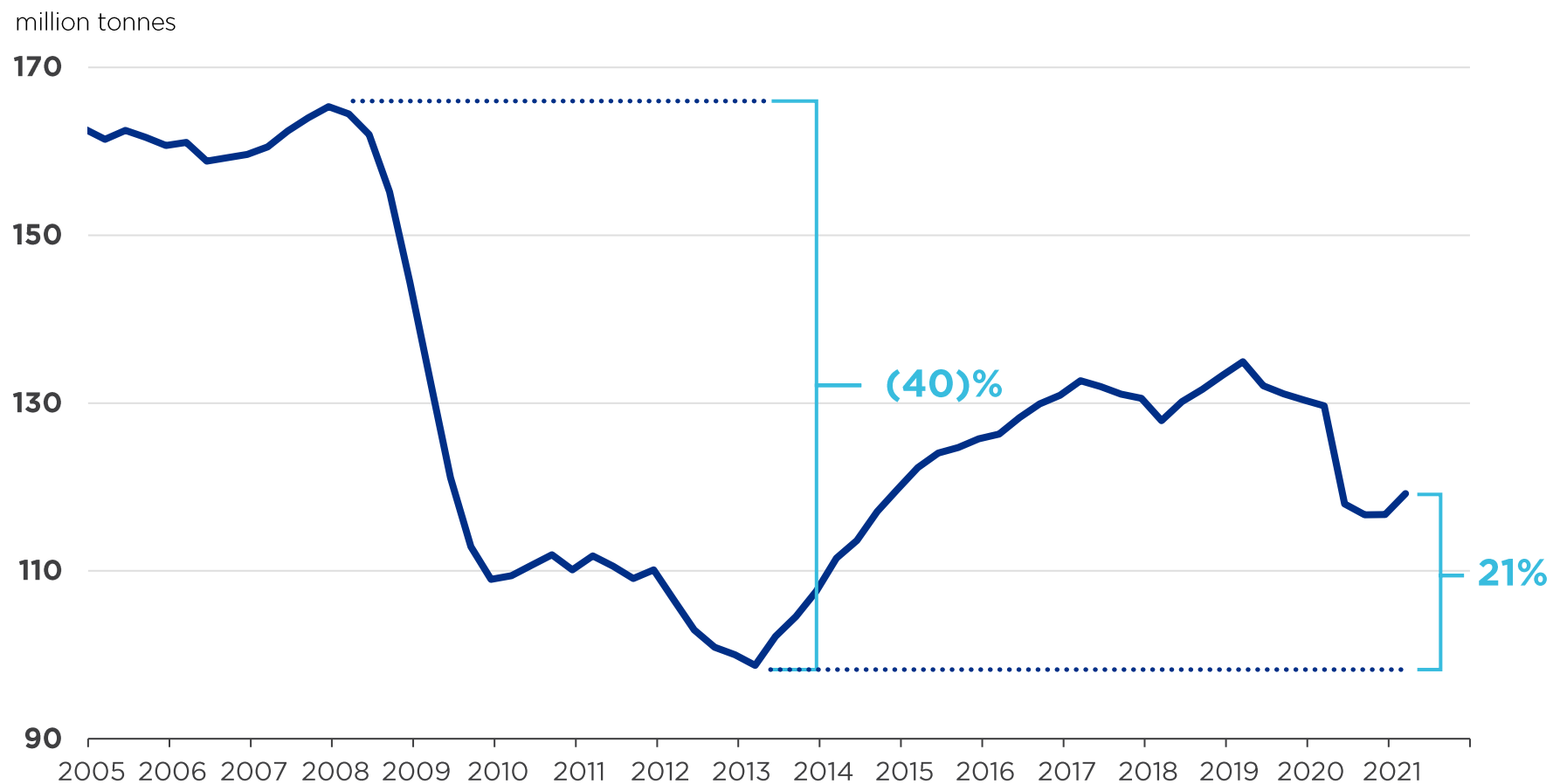
£ million	30 June 2021	30 June 2020
Property, plant and equipment	782.1	690.3
Intangible assets	502.8	485.6
Investment in associate and joint ventures	11.4	10.3
Inventories	57.1	51.1
Trade and other receivables	263.4	146.2
Current tax receivable	2.4	4.3
<b>Total assets (excluding cash)</b>	<b>1,619.2</b>	<b>1,387.8</b>
Trade and other payables	(267.7)	(189.1)
Provisions	(65.7)	(35.6)
Deferred tax liabilities	(89.0)	(66.8)
<b>Total liabilities (excluding interest-bearing loans and borrowings)</b>	<b>(422.4)</b>	<b>(291.5)</b>
Net debt	(291.5)	(253.6)
<b>Net assets</b>	<b>905.3</b>	<b>842.7</b>



# H1 2021 CASH FLOW

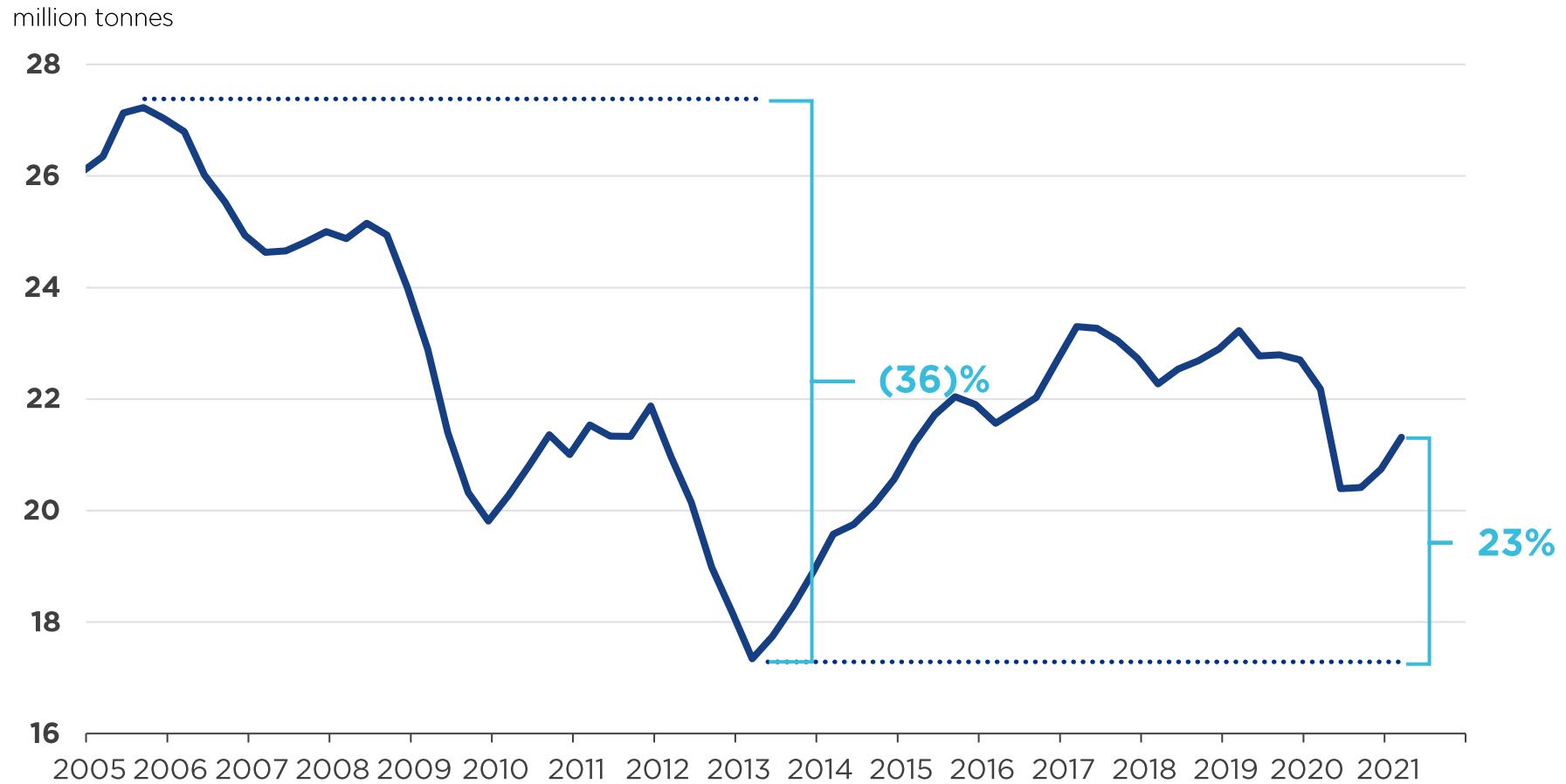
£ million	30 June 2021	30 June 2020
Underlying EBITDA	95.8	32.6
Working capital	(42.8)	38.4
Interest paid	(4.9)	(4.8)
Income taxes paid	(4.6)	(10.0)
Other	(1.3)	(1.0)
<b>Net cash from operating activities</b>	<b>42.2</b>	<b>55.2</b>
Acquisition of businesses	(4.7)	-
Net capex	(11.1)	(15.6)
Dividends from associate and joint ventures	0.4	0.5
<b>Net cash from investing activities</b>	<b>(15.4)</b>	<b>(15.1)</b>
Shares issued	0.6	1.0
Loan (repayments)/drawdowns	(30.8)	63.7
Lease payments	(4.5)	(4.5)
<b>Net cash from financing activities</b>	<b>(34.7)</b>	<b>60.2</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(7.9)</b>	<b>100.3</b>

# MPA AGGREGATES VOLUMES (Q1 2021)



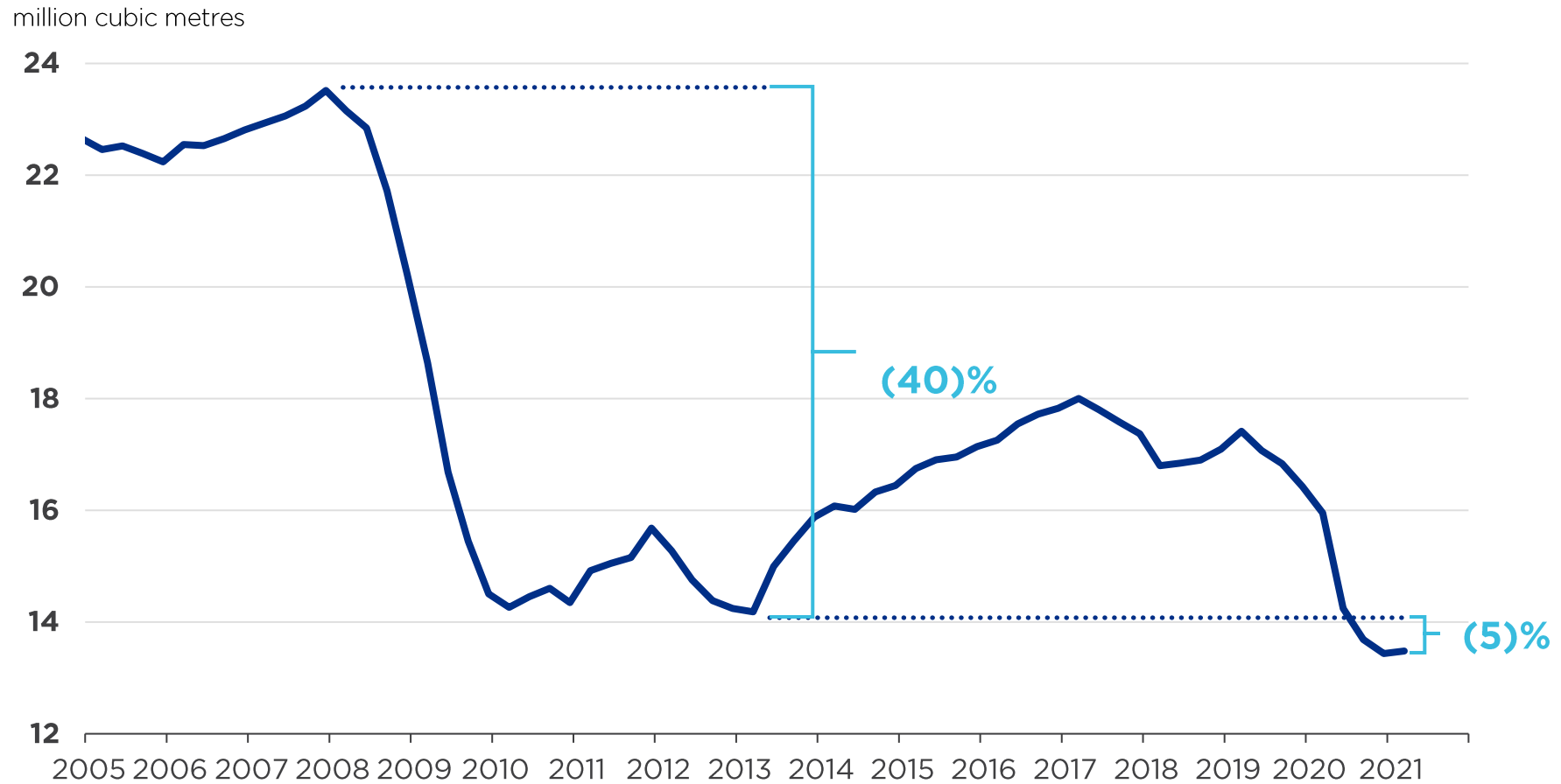
**Note:** Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date  
**Source:** MPA member volumes

# MPA ASPHALT VOLUMES (Q1 2021)



**Note:** Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date  
**Source:** MPA member volumes

# MPA RMX VOLUMES (Q1 2021)



**Note:** Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date  
**Source:** MPA member volumes

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