



MAKING A MATERIAL
DIFFERENCE

Breedon Group plc Interim Results 2023

26 July 2023



Forward looking statement



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Agenda

Group highlights

Rob Wood,
Chief Executive Officer

Financial review

James Brotherton,
Chief Financial Officer

Operational review & outlook

Rob Wood,
Chief Executive Officer

Q&A

Strong first half



Full year expectations maintained

Highlights

Resilient end-markets

Structurally growing end-markets, long-term customer relationships, vertically-integrated model and deep local market knowledge



Robust operational performance

Dynamic pricing tailwind more than offset expected lower volumes, complemented by operational excellence and full cost recovery



Strategic execution

Three strategic bolt-on transactions, accompanied by organic investment while reducing leverage



Vertically-integrated, local operating model delivers robust performance

Strategic priorities gaining momentum



Significant milestones achieved

Highlights

Sustain

Progressed SBTi commitment, on track for a CDP rating, key partner in the Peak Cluster initiative, further increased Cement alternative fuel use



Optimise

Initiated operational excellence reviews, driving business improvement and standardising processes



Expand

Aggregates footprint extended in Ireland, further vertical integration in GB, investment in the mineral pipeline



Breedon moved to trade on the Main Market



Financial review

James Brotherton, Chief Financial Officer

2023 interim financial highlights



Increased earnings underpinned by a strong balance sheet

Revenue

£742.7m

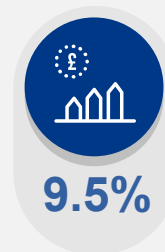


Revenue
growth

HY 22: £671.1m

Underlying EBIT

£70.5m



Margin
HY 22: 10.0%

HY 22: £66.9m

ROIC

10.0%



HY 22: 10.0%

Free Cash Flow

£20.8m



Net capex
HY 22: £32.5m

HY 22: (£22.0)m

Net Debt

£220.4m

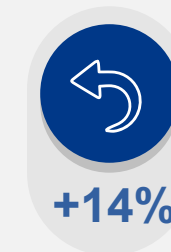


Covenant
Leverage
HY 22: 1.0x

HY 22: £256.7m

Interim Dividend
per share

4.0p



HY 22: 3.5p

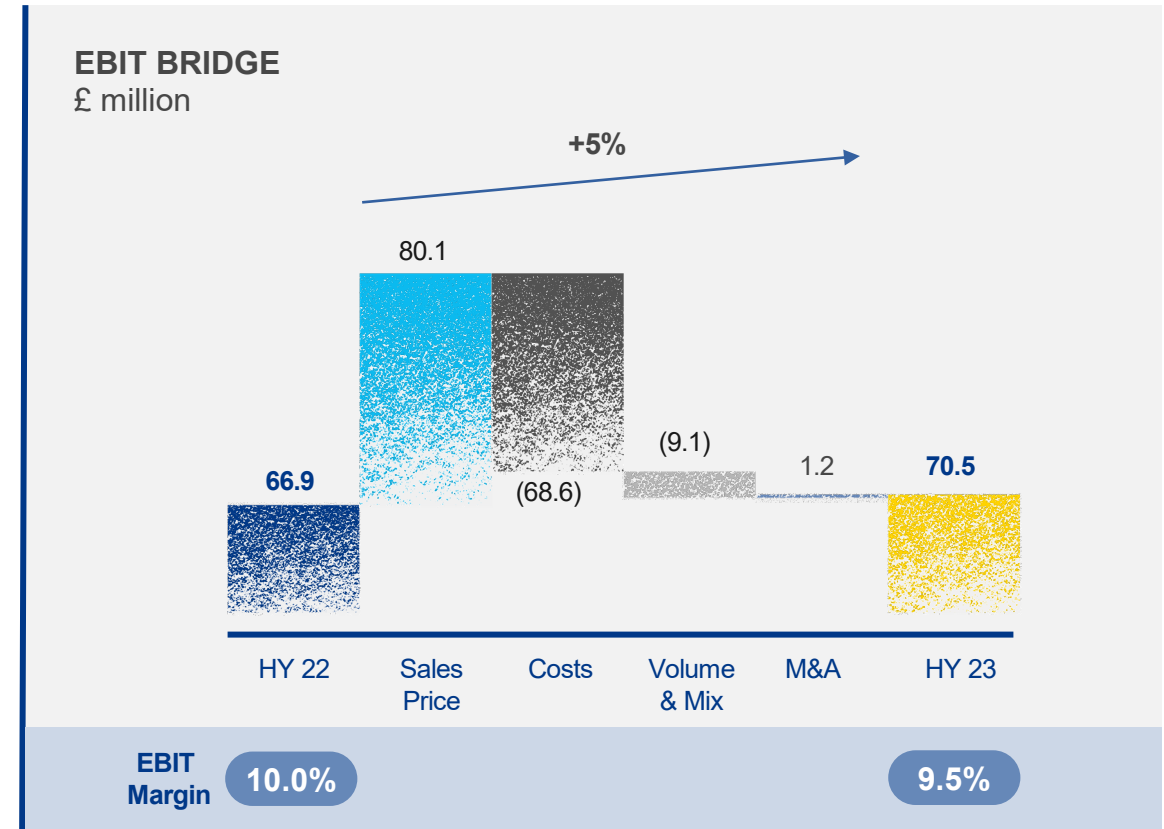
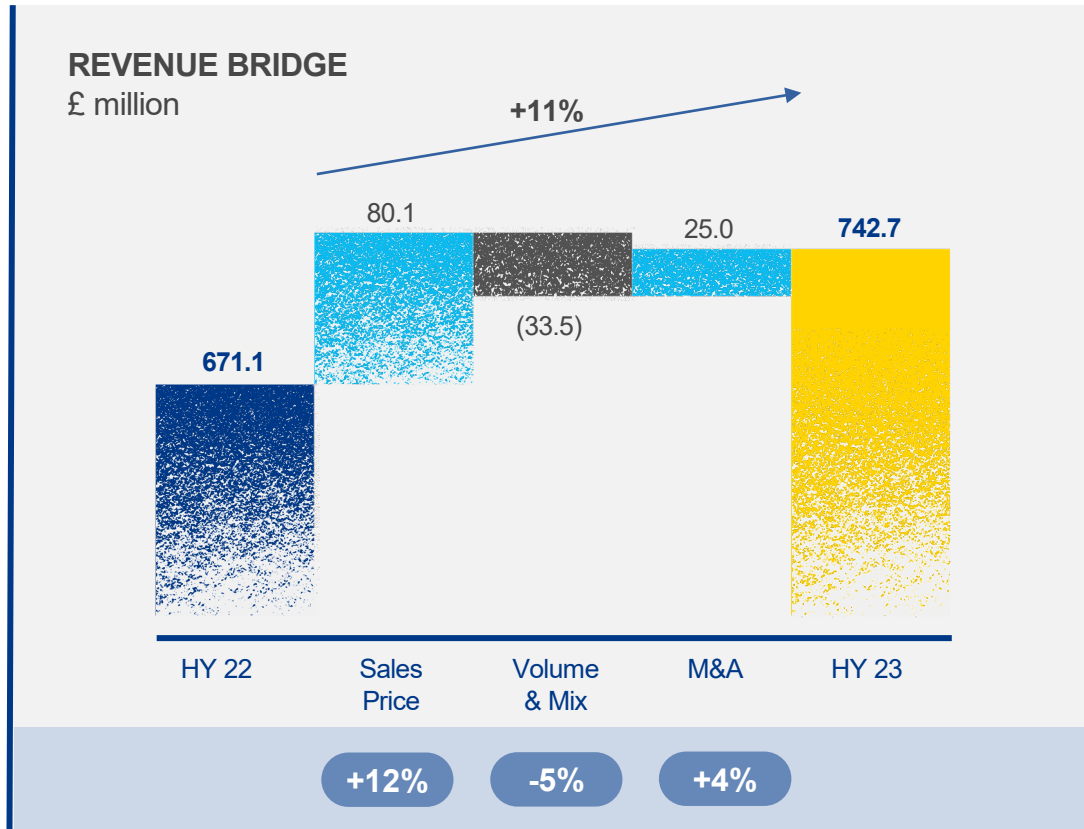
Dividend
growth

Notes: **Underlying** results are stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles, AIM to Main Market costs and related tax items. **ROIC** is post-tax return on average invested capital. **Covenant Leverage** is as defined by the Group's banking facilities. This excludes the impact of IFRS 16 and includes the proforma impact of M&A. **Payout ratio** calculated with reference to Underlying Adjusted Basic EPS. **Dividend per share** comparatives restated to reflect the impact of the five to one share consolidation undertaken in the period.

Revenue and EBIT bridges



Pricing tailwinds offset lower volumes

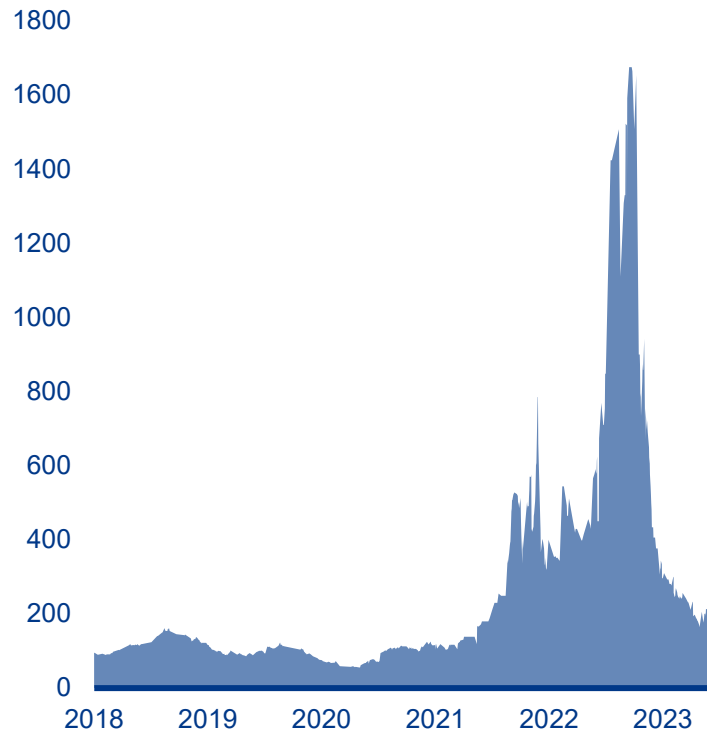


Cost inflation moderating

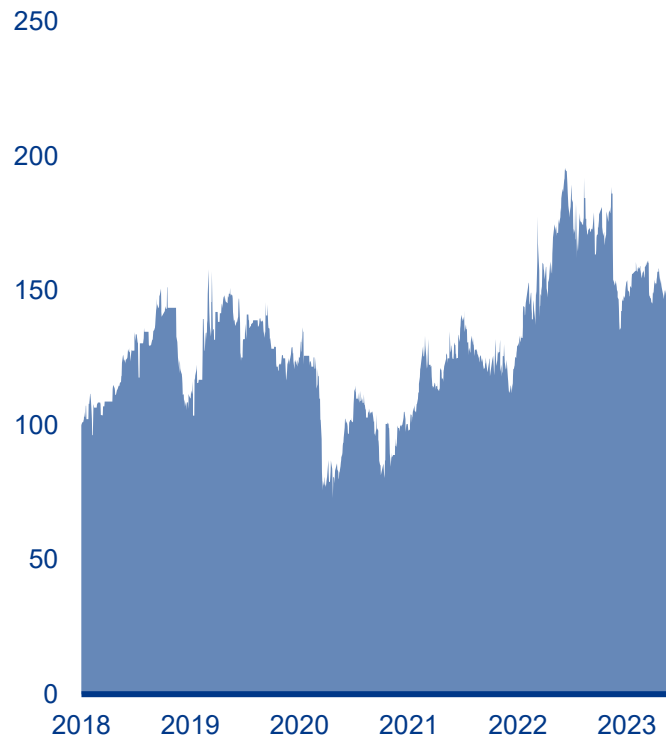


Managed through layered hedging approach and dynamic pricing

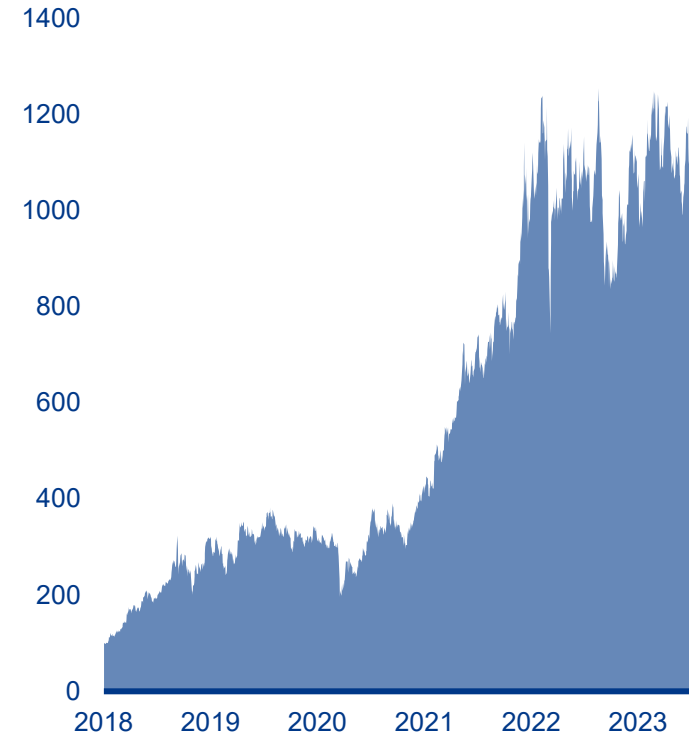
UK Electricity



Bitumen



EU Carbon



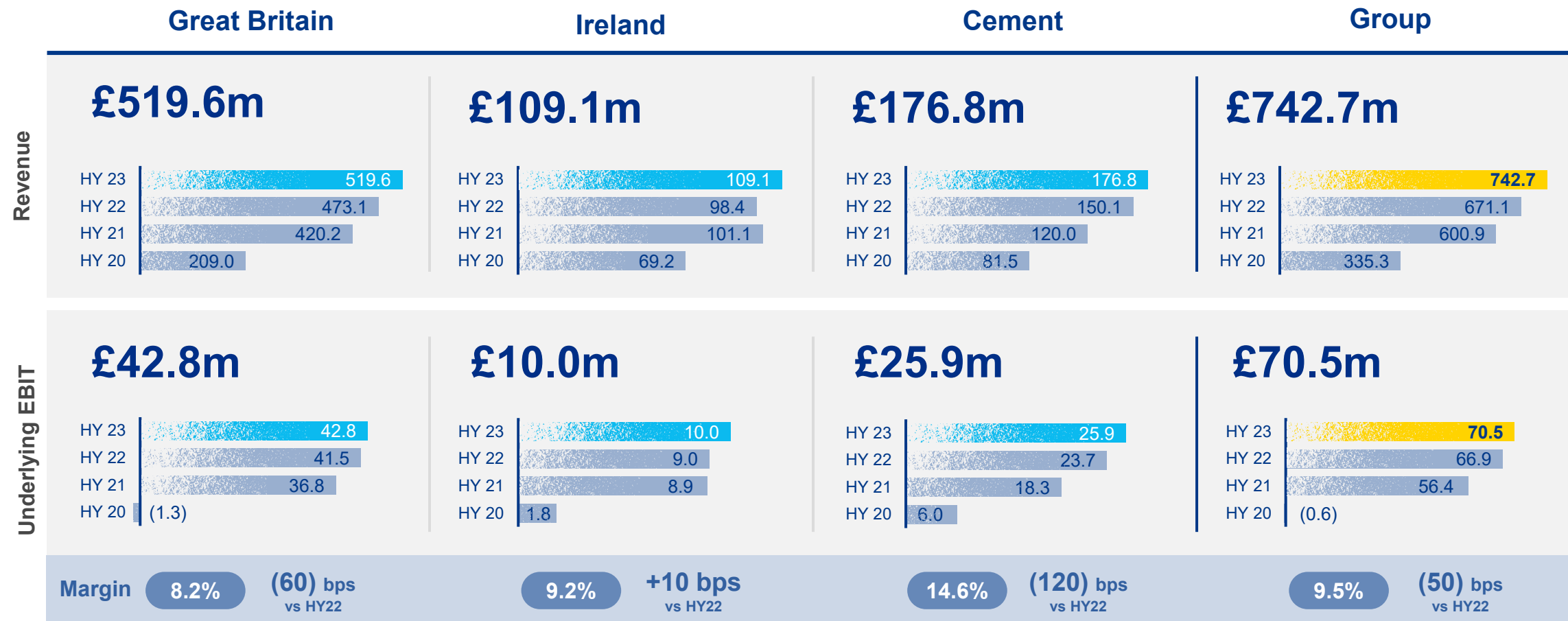
Source: Bloomberg.

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

Divisional contribution



All divisions growing revenue and earnings

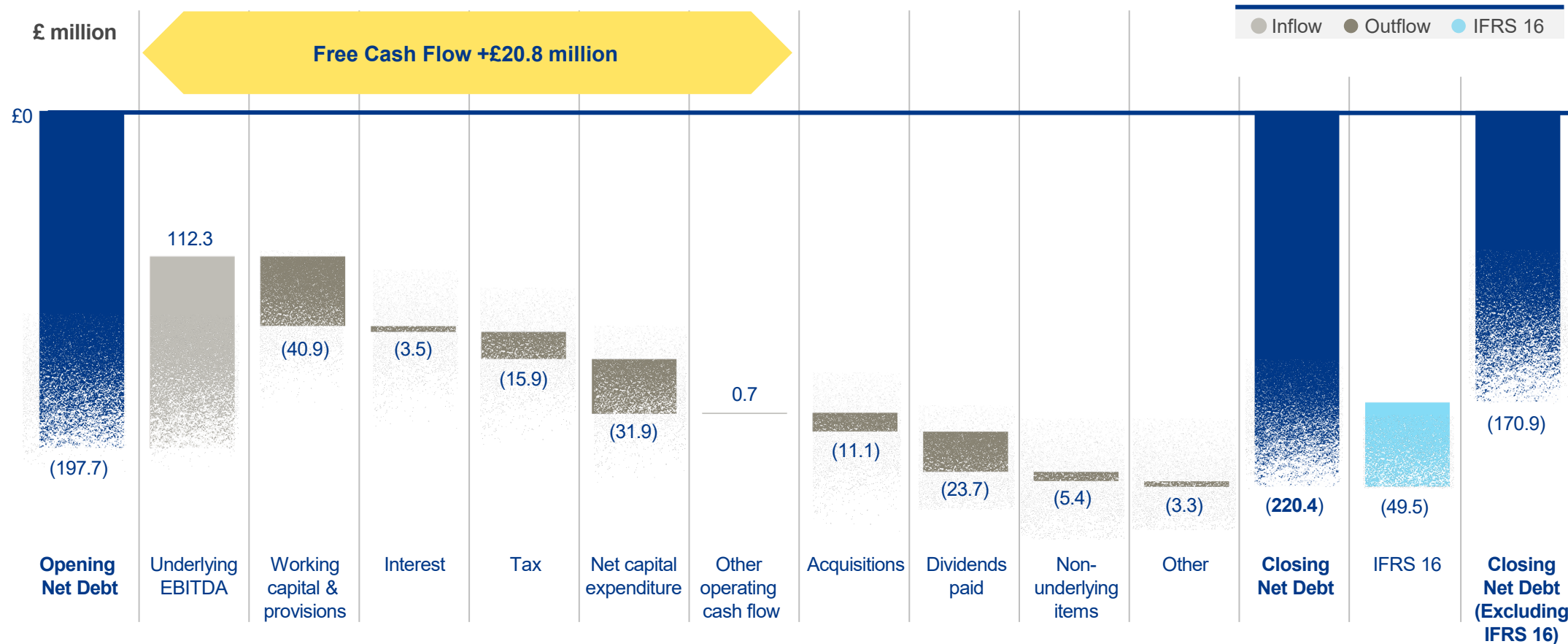


Note: Divisional revenue and EBIT excludes eliminations, head office costs and share of profit of associate and joint ventures.

2023 Net Debt and Cash Flow



Reduced seasonal working capital outflows year on year



2023 technical guidance

Trading in-line with Board expectations



Income statement



- Net interest expense c.£12m
- Effective tax rate c.20% (2022: 16%) rising to c.22% in 2024
- Increased tax rates will impact post-tax measures such as ROIC
- Underlying EBIT will be weighted towards the second half, although to a lesser extent than in prior years

Cashflow



- Cash interest c.£8m
- Cash tax payments higher than effective rate
- Capital expenditure c.£100m
- Modest inflationary working capital outflow
- Net cash cost of H1 acquisitions is c.£17m
- Cash dividends paid in 2023 c.£37m

Balanced financial framework delivering

Benefitting from strategic execution and operational focus



Maintaining return on capital

 **ROIC held at 10.0%**

Proactive investment

ORGANIC

Replenished reserves and resources

Increased focus on operational excellence

M&A

Three bolt-on acquisitions

3rd platform exploration

Meeting strategic objectives

Profitable EBIT growth +5%

Improved Free Cash generation

Strong balance sheet

Increasing dividends

2023 interim dividend +14%

Covenant Leverage 0.7x



Operational review

Rob Wood, Chief Executive Officer

UK market; construction resilience



Infrastructure and industrial holding steady

UK GDP; avoiding recession

- UK GDP estimated flat in the five months to May

Construction output; headline masks growth areas

- Estimated decline of 1% in the five months to May
- Industrial construction output increased
- Infrastructure end-market stable

Mineral products volumes softened

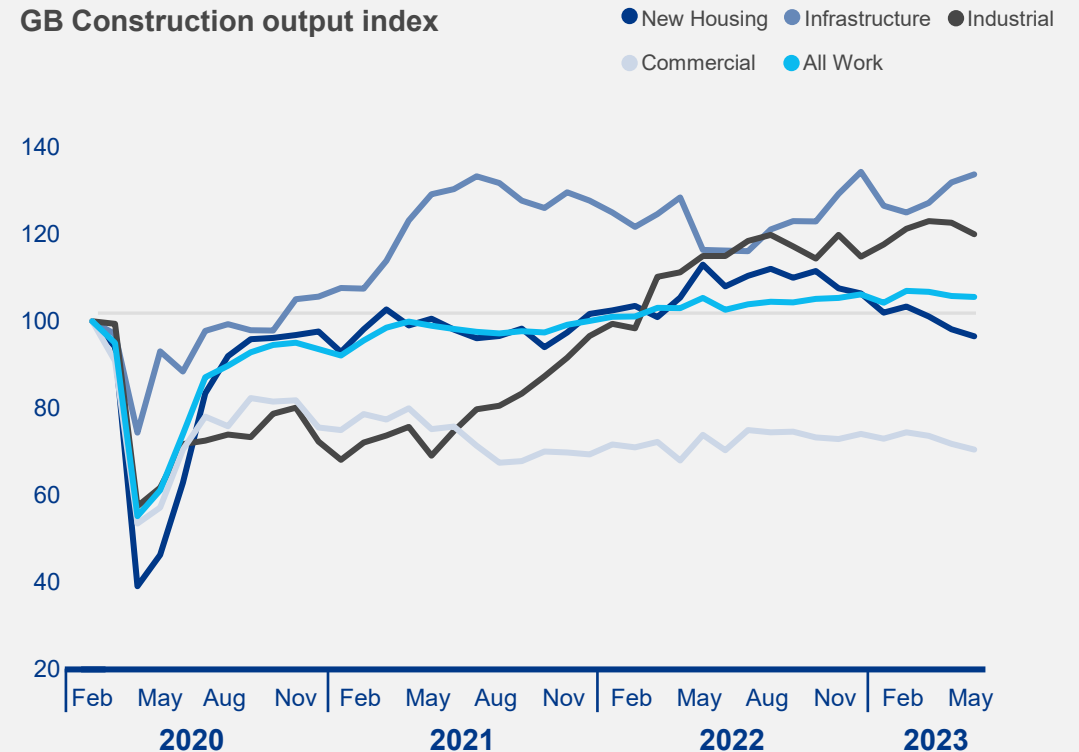
- Q1 MPA volumes have declined year-on-year

Construction PMI signals marginal contraction

- June 2023 Construction PMI 48.9, below neutral threshold
- Divergent trends; civil engineering 53.1, commercial building 53.0, residential 39.6

Source: ONS, CPA & MPA.

GB Construction output index



Rol market; regaining momentum



Construction confidence recovering

Rol's Modified Domestic Demand stable

- Q1 reflected mixed results, masking a positive contribution from construction

Construction output at pre-Covid level

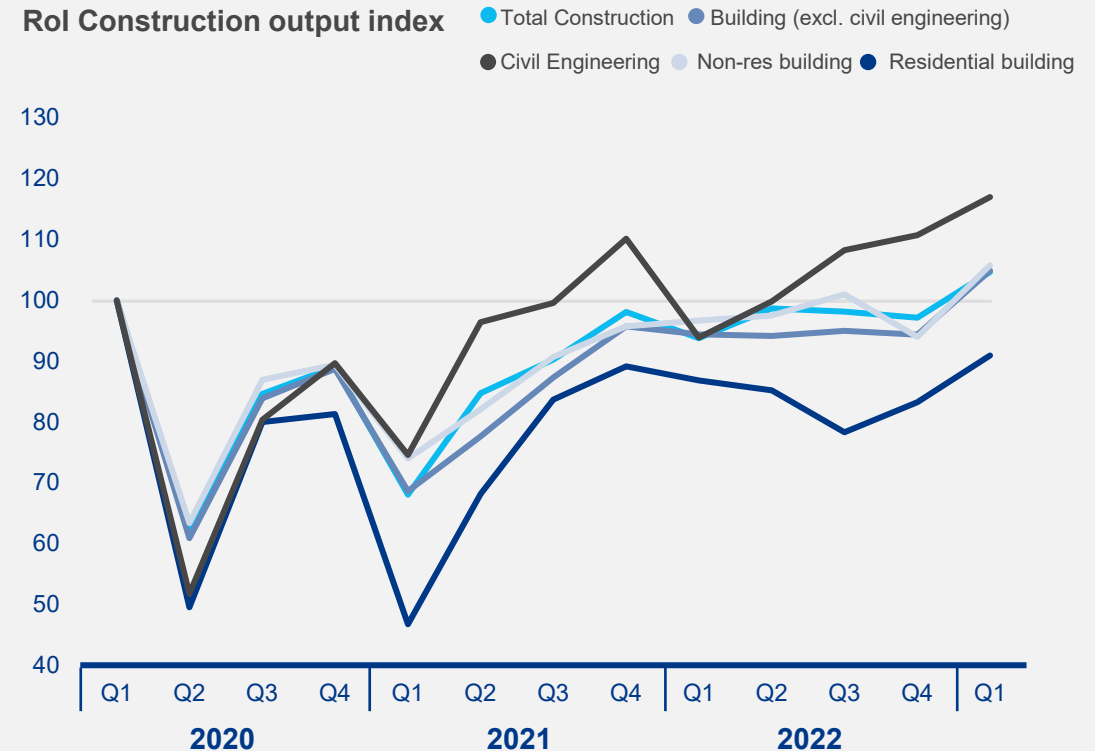
- Construction activity increased c.4% QoQ

Construction confidence above growth threshold

- June Construction PMI 50.4
- First upturn since September 2022
- Fifth successive monthly expansion in new orders
- Cost pressures at lowest level for 35 months

Source: CSO, Euroconstruct & BNPPRE.

Rol Construction output index



Great Britain

Successful first half

Solid performance in a softening market

Volumes declined in line with the broader market

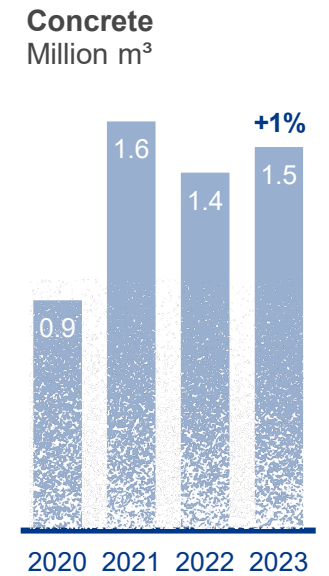
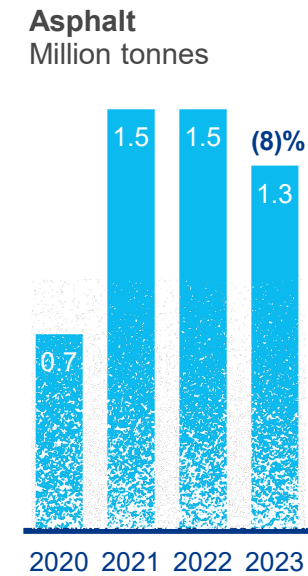
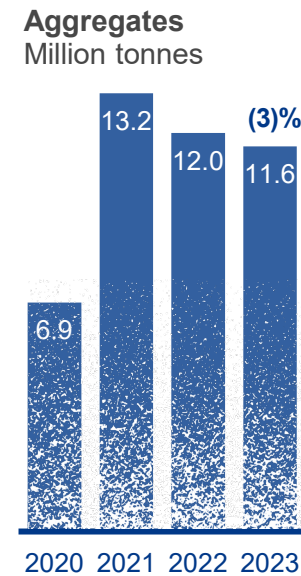
- Concrete volumes reflect an acceleration of activity in advance of new building regulations

Implemented a divisional operational excellence review

- Materials business restructured to drive operational improvement and standardise quarry operations

Growing our downstream activities sustainably

- Acquired Broome Bros. a leading manufacturer of concrete blocks
- Addition of Minster enhances regional surfacing capability
- Secured a good portfolio of work on the North Super Region of the National Highways Pavement Delivery Framework
- Developing a successful airport runway business; active at Islay and Southampton airports



Ireland

Performed well in the first half

Clear regional themes emerging

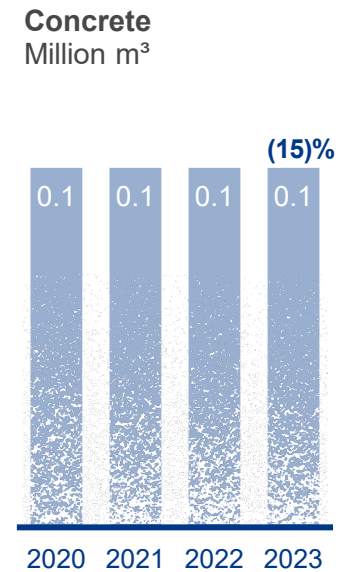
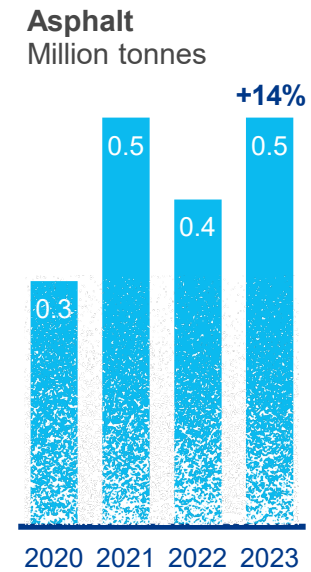
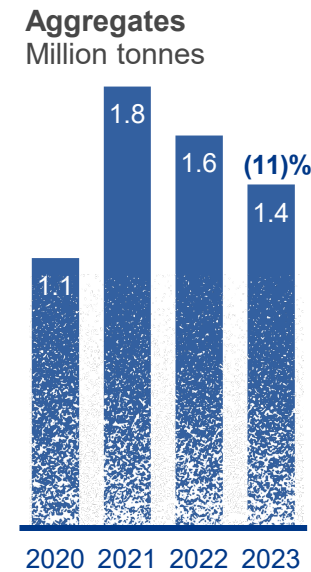
- NI remains impacted by the absence of the governing Assembly
- Healthy market in RoI; positive tendering season, awarding work on quality measures
- Regional themes reflected in volumes; aggregates and concrete impacted by NI market decline, asphalt reflects tendering activity in RoI

Driving operational excellence

- Implemented a divisional review to restructure the business

Growth strategy for a growing Ireland

- Ensuring we have the right assets and services in the right locations
- Aggregates footprint extended; acquisition of Robinson Quarry Masters adds 40 million tonnes of reserves and resources



Cement

Strong start to 2023

Resilient end-markets delivered growth

- Volumes declined in line with the broader market
- Pricing supported by robust fundamentals and a tailwind from the prior year

Significant milestones achieved towards net zero objective

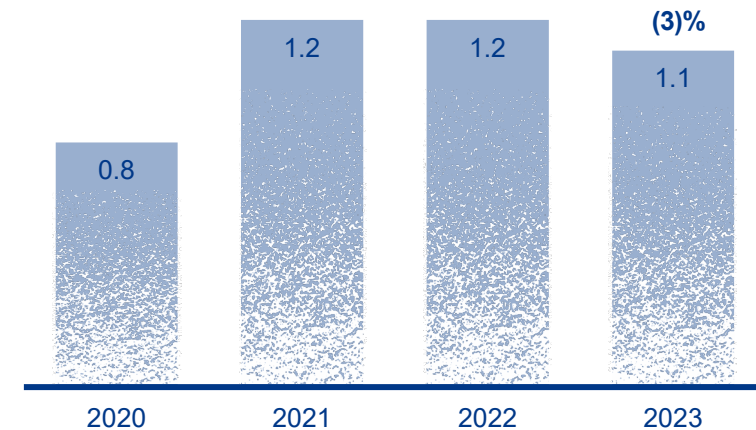
- Key partner in the innovative Peak Cluster carbon capture and storage initiative
- Continued to reduce clinker content of our products

Prioritising innovation

- Continuing to push the boundaries of alternative fuel utilisation; Kinnegad achieved 82% fossil fuel replacement
- Hope undertaking trials in conjunction with First Graphene, Morgan Sindall and the University of Manchester on graphene-enhanced cement and concrete



Cement
Million tonnes





Outlook and summary

Rob Wood, Chief Executive Officer

Well-positioned for the second half



Following robust first half performance

Outlook and
Summary

Macro forecasts revised

Construction output forecasts for 2023 revised down to -7.0% UK, +2.1% RoI



Near-term economic uncertainty

Limited visibility; more pronounced in residential housebuilding

Supportive long-term drivers

Structural growth drivers unchanged, supporting demand fundamentals



Breedon model is resilient

Deep market knowledge, solid operating performance, strong cash generation



Emphasising self-help

Each division initiated operational excellence reviews

Agile team

Ensuring we are in a strong position when growth returns



Confident in our ability to deliver the Board's unchanged expectations

Source: CPA & Euroconstruct



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DIFFERENCE

Q&A

Breedon Interim Results 2023





Appendix

Breedon Interim Results 2023

H1 2023 Income Statement



| £ million | HY 23 | HY 22 |
|---------------------------------------|---------------|--------|
| Revenue | 742.7 | 671.1 |
| Underlying EBITDA | 112.3 | 107.0 |
| Depletion & depreciation | (43.4) | (41.8) |
| Share of associate and joint ventures | 1.6 | 1.7 |
| Underlying EBIT | 70.5 | 66.9 |
| Net interest | (5.6) | (6.0) |
| Non-underlying items | (8.4) | (1.4) |
| Profit before tax | 56.5 | 59.5 |
| Tax at effective rate | (12.5) | (9.7) |
| Change in deferred tax rate | (0.1) | (0.6) |
| Taxation | (12.6) | (10.3) |
| Profit for the period | 43.9 | 49.2 |
| Underlying Basic EPS | 13.0p | 14.5p |
| Adjusted Underlying Basic EPS | 15.3p | 15.0p |

Notes: Restated comparatives for EPS to reflect the impact of the five to one share consolidation undertaken during the period.

H1 2023 Balance Sheet



| £ million | HY 23 | HY 22 |
|--|----------------|----------------|
| Property, plant and equipment | 790.5 | 749.9 |
| Right-of-use assets | 47.3 | 46.8 |
| Intangible assets | 519.4 | 503.2 |
| Investment in associate and joint ventures | 15.3 | 13.4 |
| Inventories | 87.1 | 74.1 |
| Trade and other receivables | 324.4 | 296.6 |
| Current tax receivable | - | 0.5 |
| Total assets (excluding cash) | 1,784.0 | 1,684.5 |
| Trade and other payables | (323.8) | (277.2) |
| Provisions | (87.4) | (74.6) |
| Current tax payable | (1.9) | (1.5) |
| Deferred tax liabilities | (90.4) | (87.0) |
| Total liabilities (excluding interest-bearing loans and borrowings) | (503.5) | (440.3) |
| Net debt | (220.4) | (256.7) |
| Net debt excluding IFRS 16 | (170.9) | (208.2) |
| Net assets | 1,060.1 | 987.5 |

H1 2023 Free Cash Flow



| £ million | HY 23 | HY 22 |
|--------------------------------|---------------|--------|
| Underlying EBITDA | 112.3 | 107.0 |
| Working capital and provisions | (40.9) | (77.2) |
| Net interest paid | (3.5) | (4.5) |
| Income taxes paid | (15.9) | (15.3) |
| Net capex | (31.9) | (32.5) |
| Other | 0.7 | 0.5 |
| Free cash flow | 20.8 | (22.0) |
| Acquisition of businesses | (11.1) | - |
| Dividends paid | (23.7) | (18.6) |
| Other | (8.7) | (3.6) |
| Decrease in Net Debt | (22.7) | (44.2) |

Impact of 5:1 share consolidation

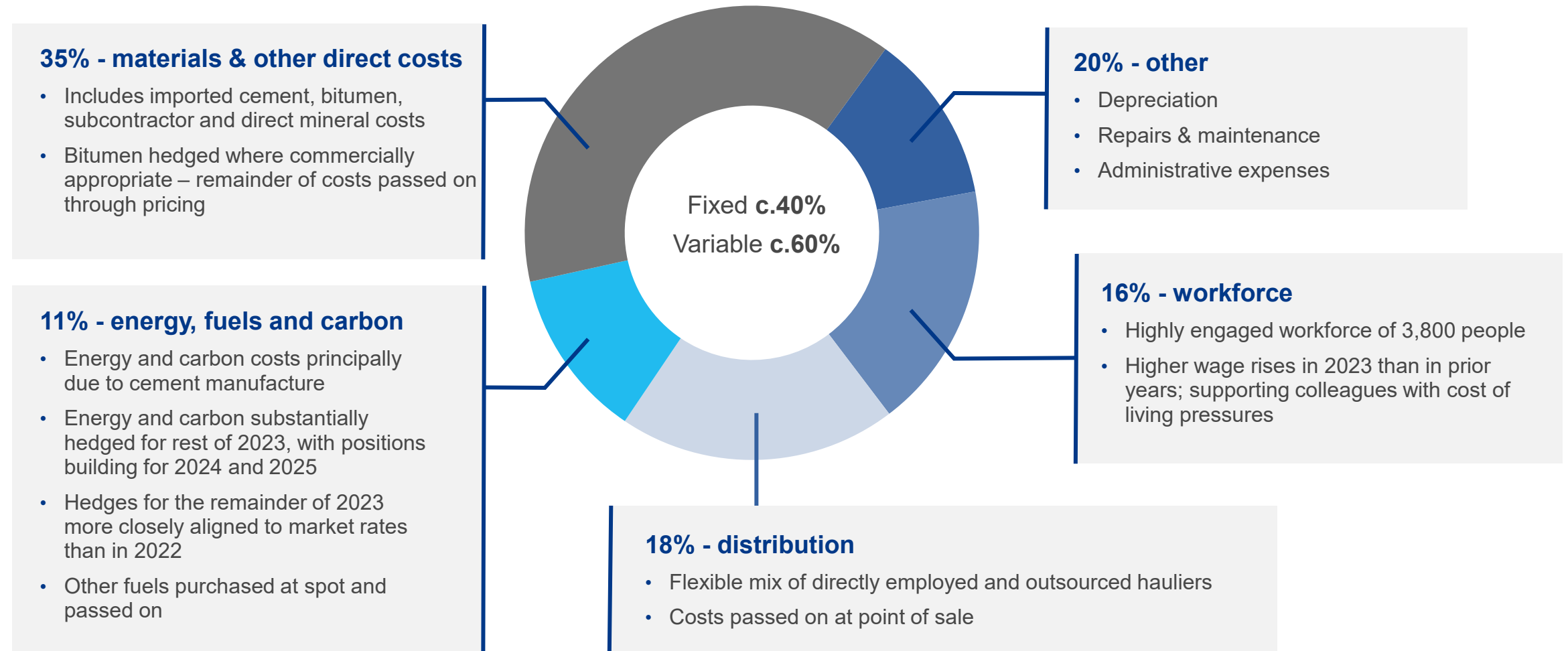


| Restated | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------------|-------|-------|-------|-------|-------|
| Adjusted Underlying Basic EPS | 23.5p | 25.4p | 15.9p | 29.9p | 35.4p |
| Underlying Basic EPS | 23.5p | 25.4p | 14.1p | 24.8p | 35.1p |
| Statutory Basic EPS | 20.0p | 23.2p | 10.0p | 23.2p | 33.2p |
| Underlying Diluted EPS | 23.4p | 25.3p | 14.1p | 24.7p | 34.9p |
| Statutory Diluted EPS | 20.0p | 23.1p | 9.9p | 23.1p | 33.1p |
| Dividends per share | - | - | - | 8.0p | 10.5p |

| Original figures | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|------|------|------|------|------|
| Adjusted Underlying Basic EPS | 4.7p | 5.1p | 3.2p | 6.0p | 7.1p |
| Underlying Basic EPS | 4.7p | 5.1p | 2.8p | 5.0p | 7.0p |
| Statutory Basic EPS | 4.0p | 4.6p | 2.0p | 4.7p | 6.7p |
| Underlying Diluted EPS | 4.7p | 5.1p | 2.8p | 4.9p | 7.0p |
| Statutory Diluted EPS | 4.0p | 4.6p | 2.0p | 4.6p | 6.6p |
| Dividends per share | - | - | - | 1.6p | 2.1p |

Disciplined cost management

Flexible cost base supported by forward hedging programme

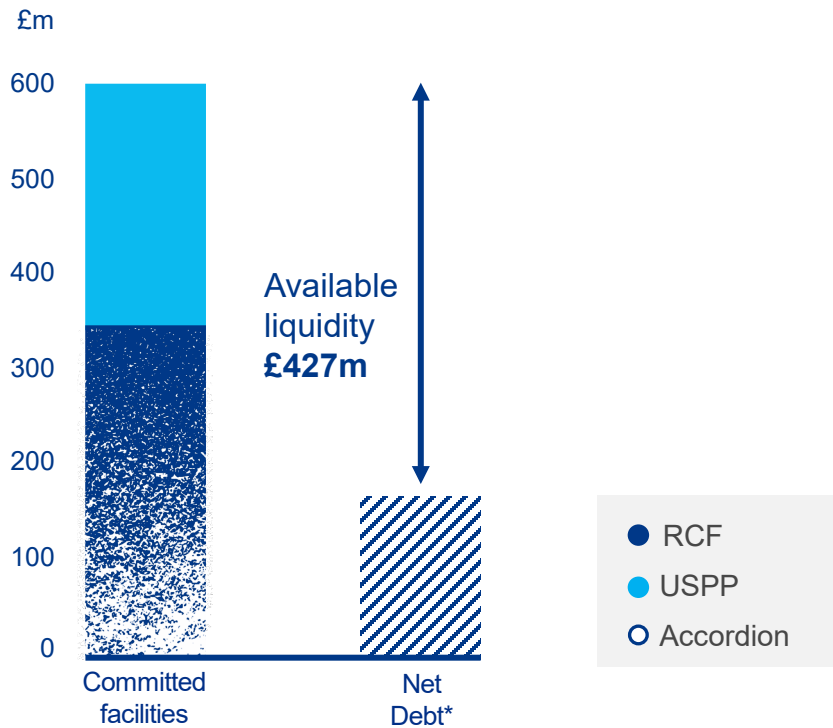


Financing Breedon's Future



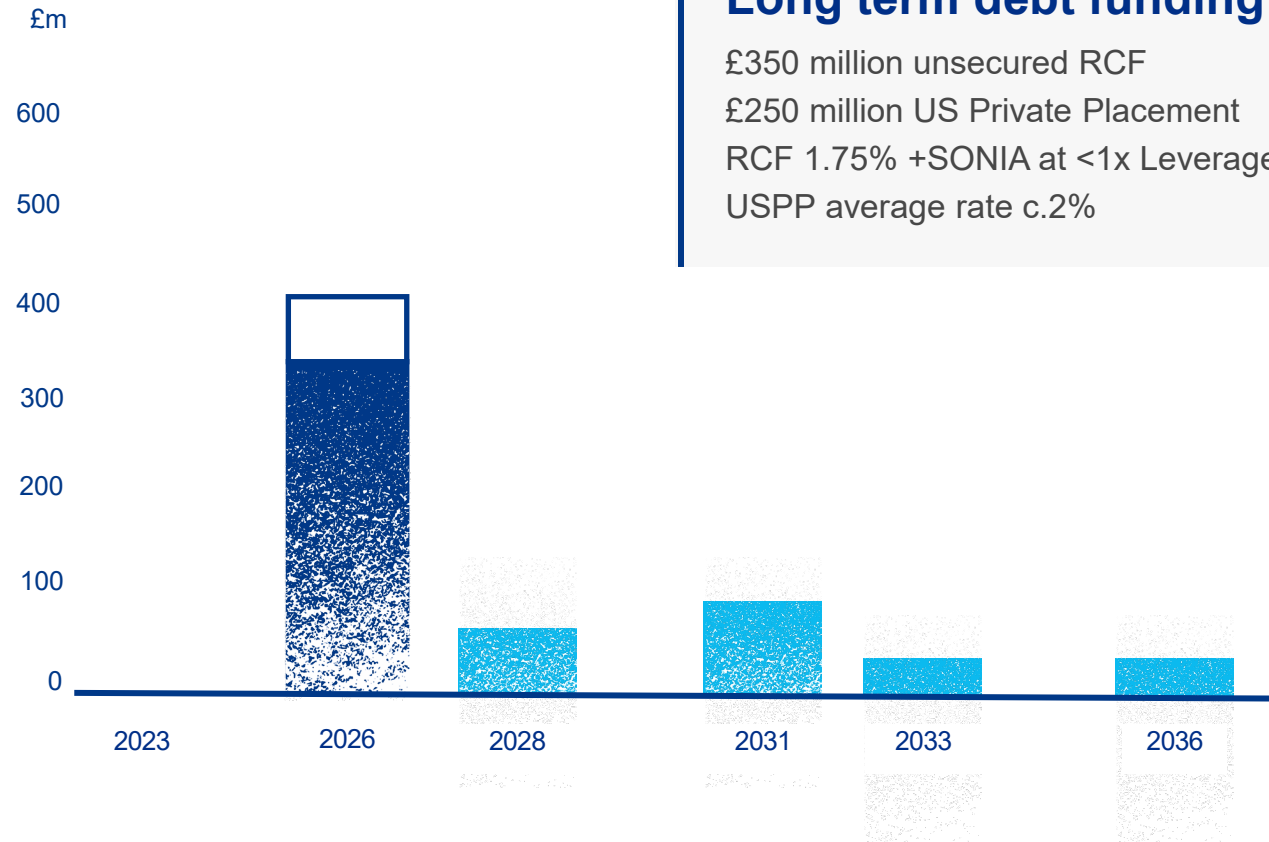
Diversified long-term sources of finance

Debt finance positioned to support future growth



* Net debt as at 30 June 2023. Excludes IFRS 16 lease liabilities.

Debt Maturity profile



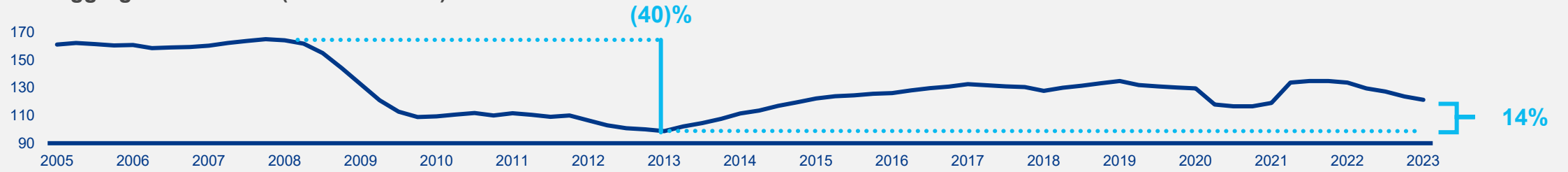
Long term debt funding

£350 million unsecured RCF
 £250 million US Private Placement
 RCF 1.75% +SONIA at <1x Leverage
 USPP average rate c.2%

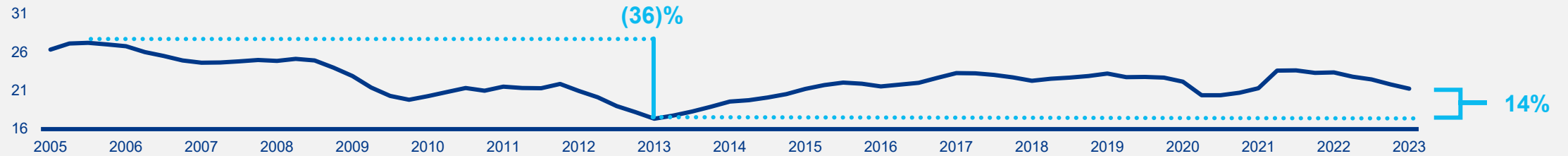
MPA volumes



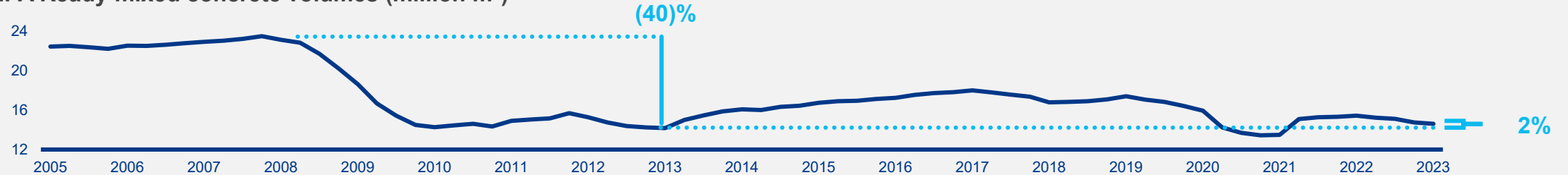
MPA Aggregates volumes (million tonnes)



MPA Asphalt volumes (million tonnes)



MPA Ready-mixed concrete volumes (million m³)



Note: Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date.

Source: MPA member volumes. Product volumes reflect total market volumes for primary aggregates and MPA member volumes for asphalt and ready-mixed concrete.

Market consensus

Company compiled as at July 2023

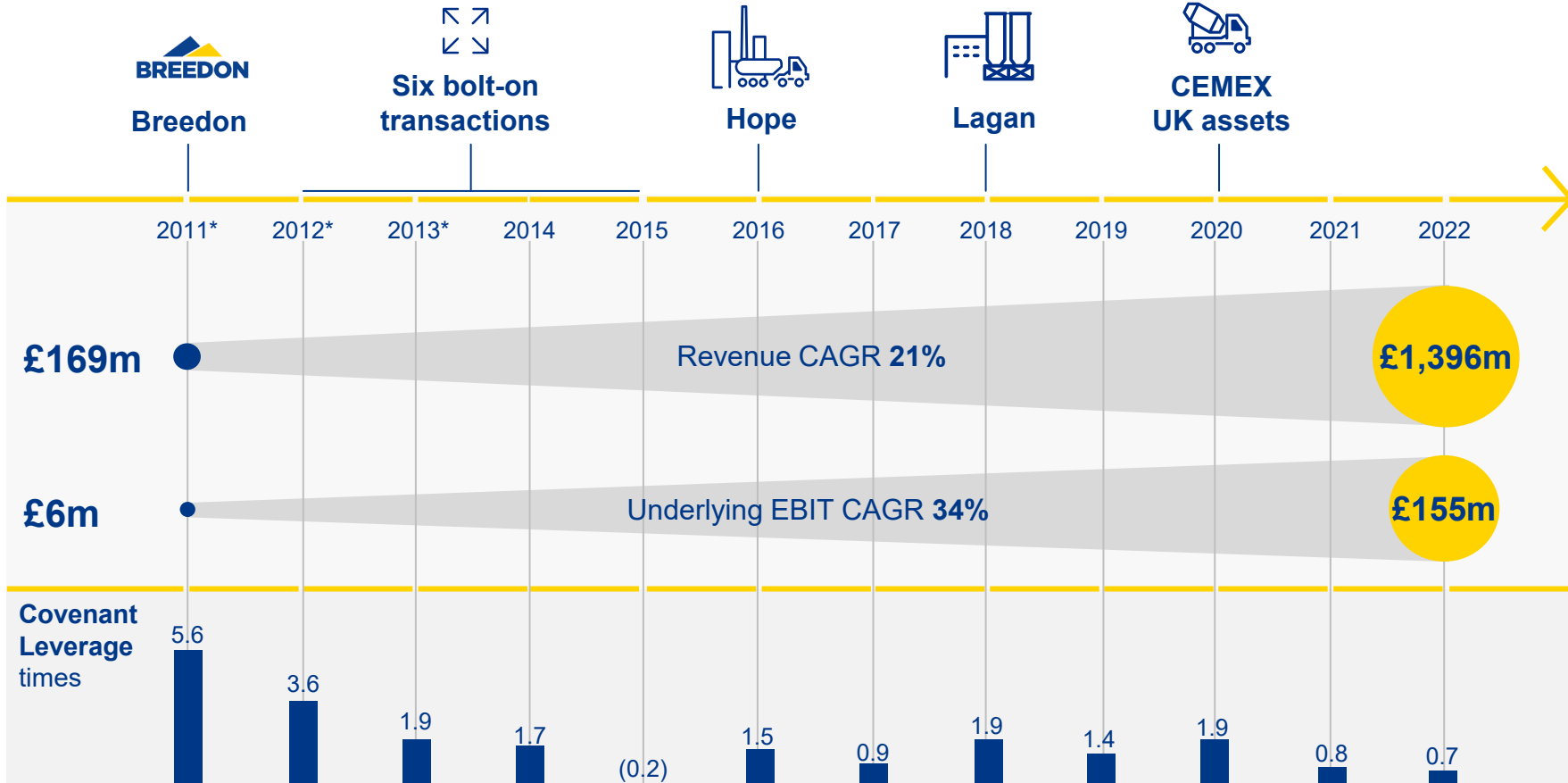


2023

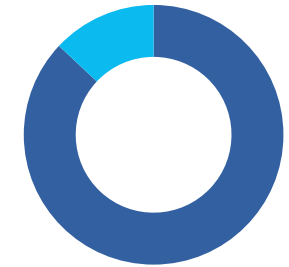
2024

| | 2023 | | 2024 | |
|---|---------|-------------------|---------|-------------------|
| | Average | Range | Average | Range |
|  Revenue | £1,454m | £1,433m - £1,493m | £1,497m | £1,420m - £1,546m |
|  Underlying EBIT | £146m | £134m - £159m | £155m | £140m - £168m |
|  Underlying basic earnings per share | 30.5p | 28.1p - 33.3p | 32.0p | 28.3p - 35.3p |
|  Net debt | £163m | £127m - £190m | £100m | £48m - £130m |
|  Dividend per share | 11.2p | 10.5p - 12.5p | 11.9p | 10.5p - 13.3p |

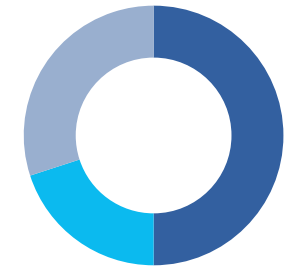
Track record of sustainable growth



*Covenant Leverage has been calculated on a consistent basis for all periods, following the principles set out in the Group's current debt facility agreements.



● UK 87% ● RoI 13%



● Infrastructure c.50%
● Housing c.20%
● Industrial, Commercial and Other c.30%

We are making a material difference

