



MAKING A MATERIAL
DIFFERENCE

Breedon Group plc Annual Results 2022

8 March 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

Growth strategy delivers record results



Full year results ahead of expectations

Highlights

Resilient end-markets

Infrastructure, housebuilding and industrial end-markets are underpinned by long-term structural growth drivers



Full cost recovery

Dynamic pricing complemented by strategic hedging programme and careful cost management



Investing for growth

Completed three strategically significant bolt-on transactions, increased investment, reduced leverage



Strong and balanced financial performance

Resilient growth platform



Progressing strategic priorities

Highlights

Sustain

Significant progress; SBTi commitment, TCFD compliance, highest ever rates of alternative fuel substitution, launched Breedon Balance



Optimise

Embedded self-help culture; £2m Cemex synergies delivered as planned, electronic proof of delivery implemented, quarrying optimisation model introduced



Expand

Minerals investment enhancing pipeline and prospects. Surfacing business awarded a place on National Highways Framework. Three bolt-on transactions.



Our strategic progress is making a material difference



Financial review

James Brotherton, Chief Financial Officer

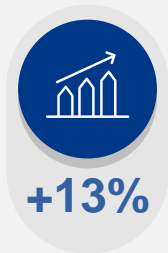
2022 Financial highlights



Growth strategy delivers record earnings, higher returns and reduced leverage

Revenue

£1,396.3m



Revenue growth

2021: £1,232.5m

Underlying EBIT

£155.0m

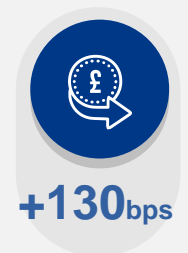


Margin
+30 bps
vs 2021

2021: £133.6m

ROIC

10.8%



ROIC growth

2021: 9.5%

Free Cash Flow

£68.7m



Conversion
from EBITDA
2021: 59%

2021: £127.3m

Net Debt

£197.7m

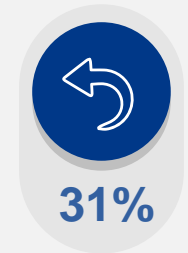


Covenant
Leverage
2021: 0.8x

2021: £212.5m

Dividend
per share

2.10p



Dividend
growth

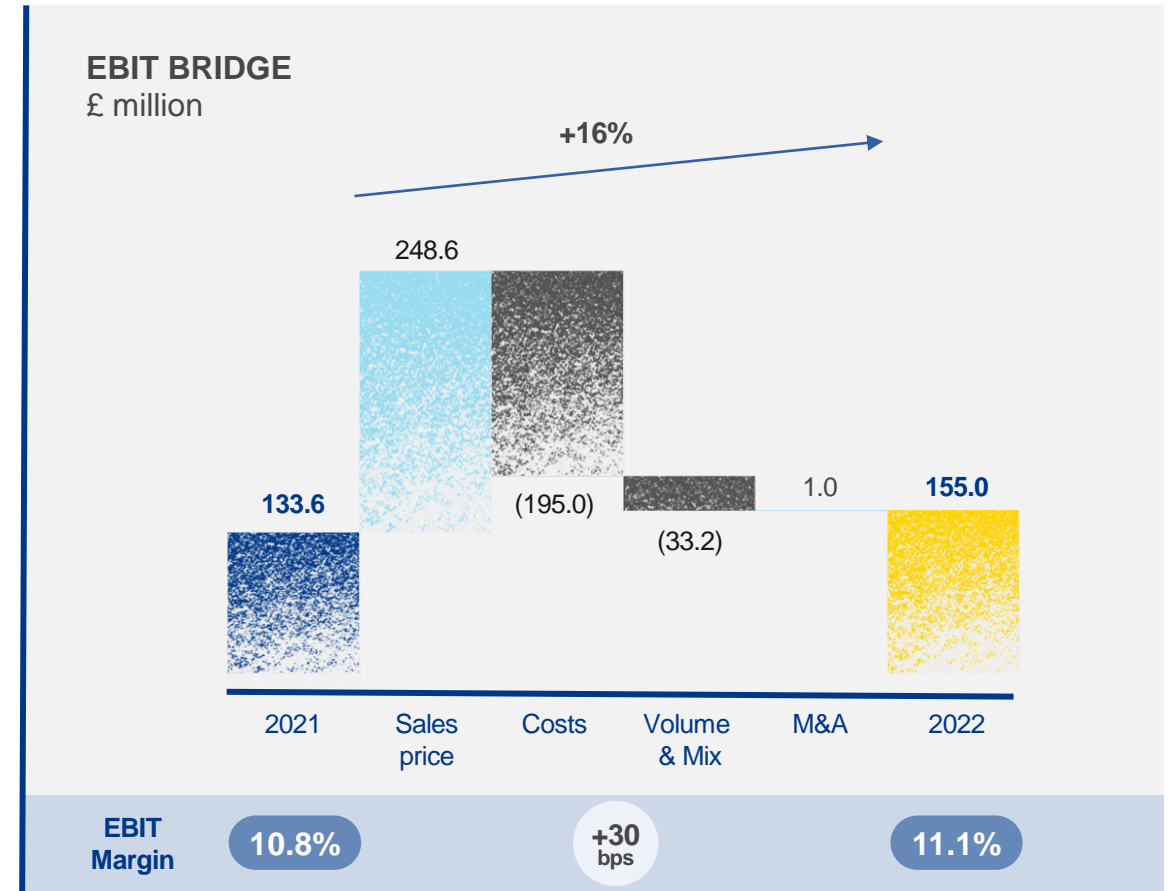
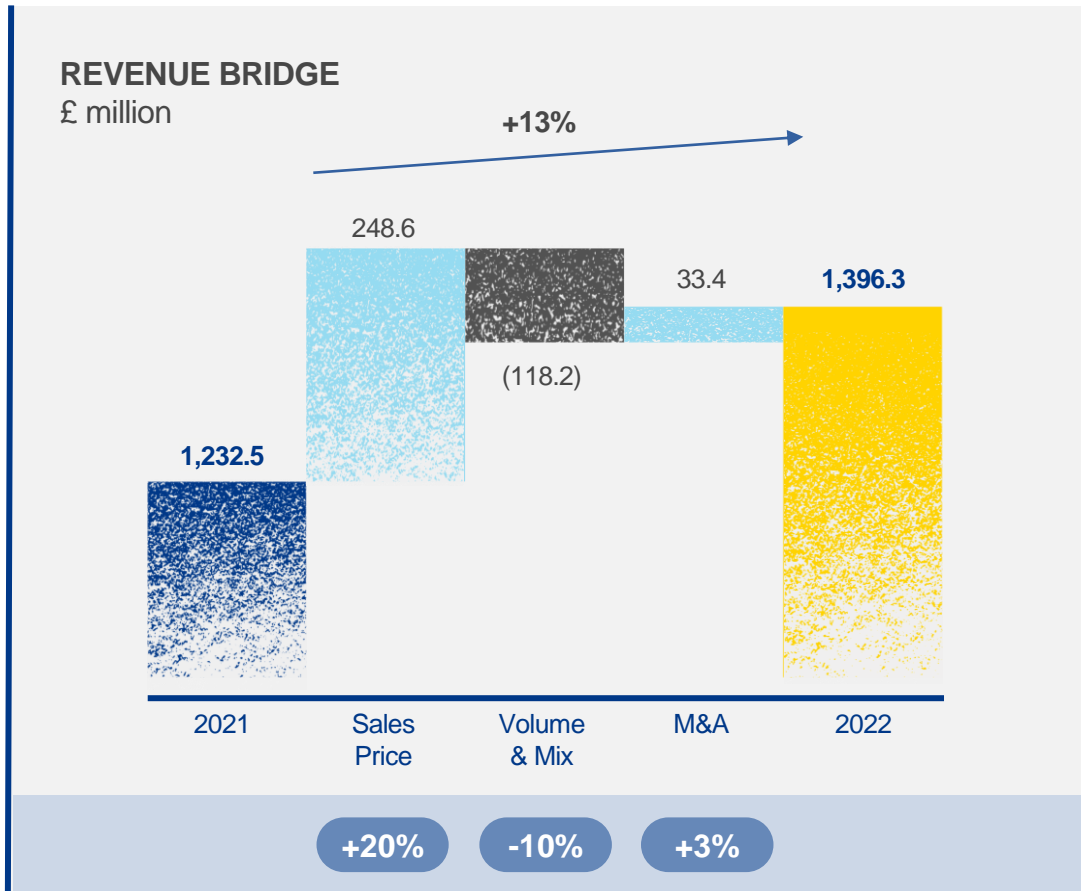
2021: 1.60p

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. 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.

Revenue and EBIT bridges



Price driven growth and margin expansion

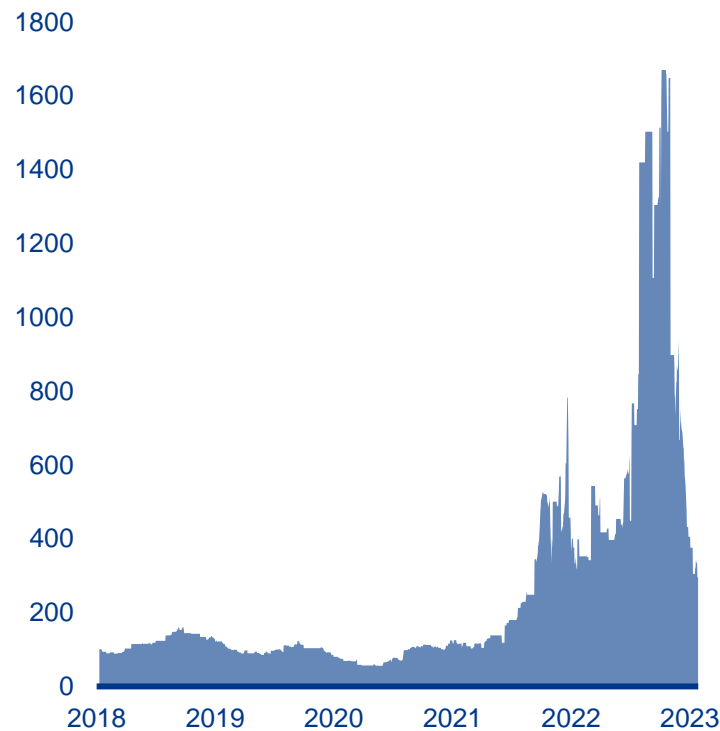


Significant input cost inflation



Managed through layered hedging approach and dynamic pricing

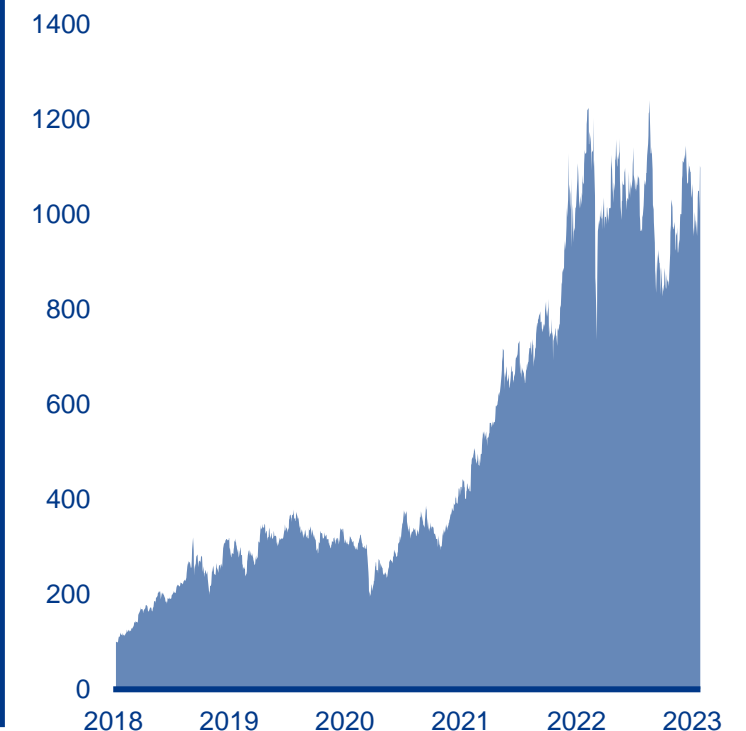
UK Electricity



Bitumen



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.

Aggregates pricing outpaces inflation

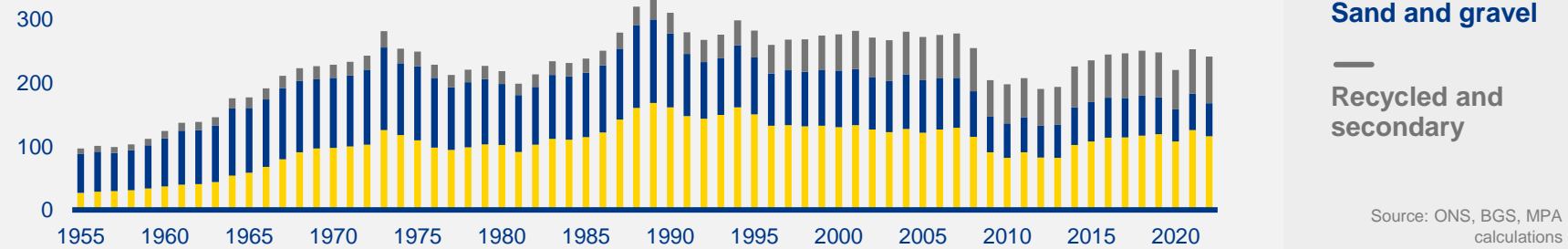
Asset base and local model provide a natural inflation hedge



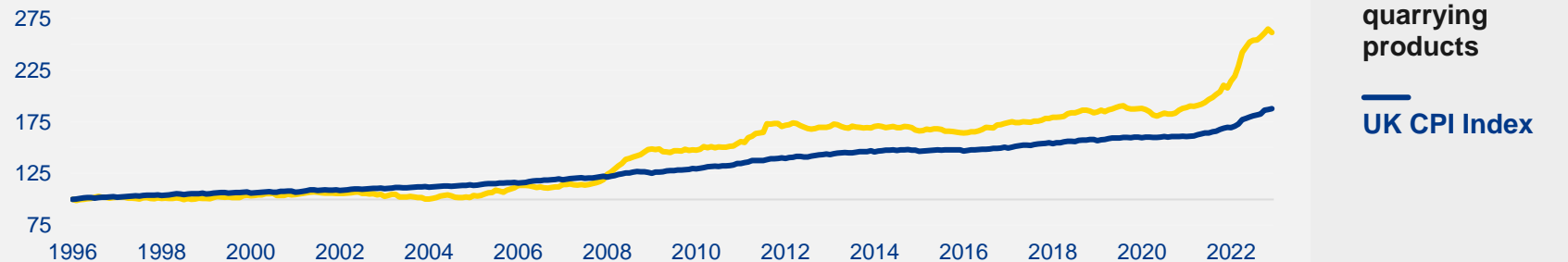
Breedon reserves and resources
1bn tonnes



Aggregates markets by source of supply in Great Britain, 1955-2022
million tonnes



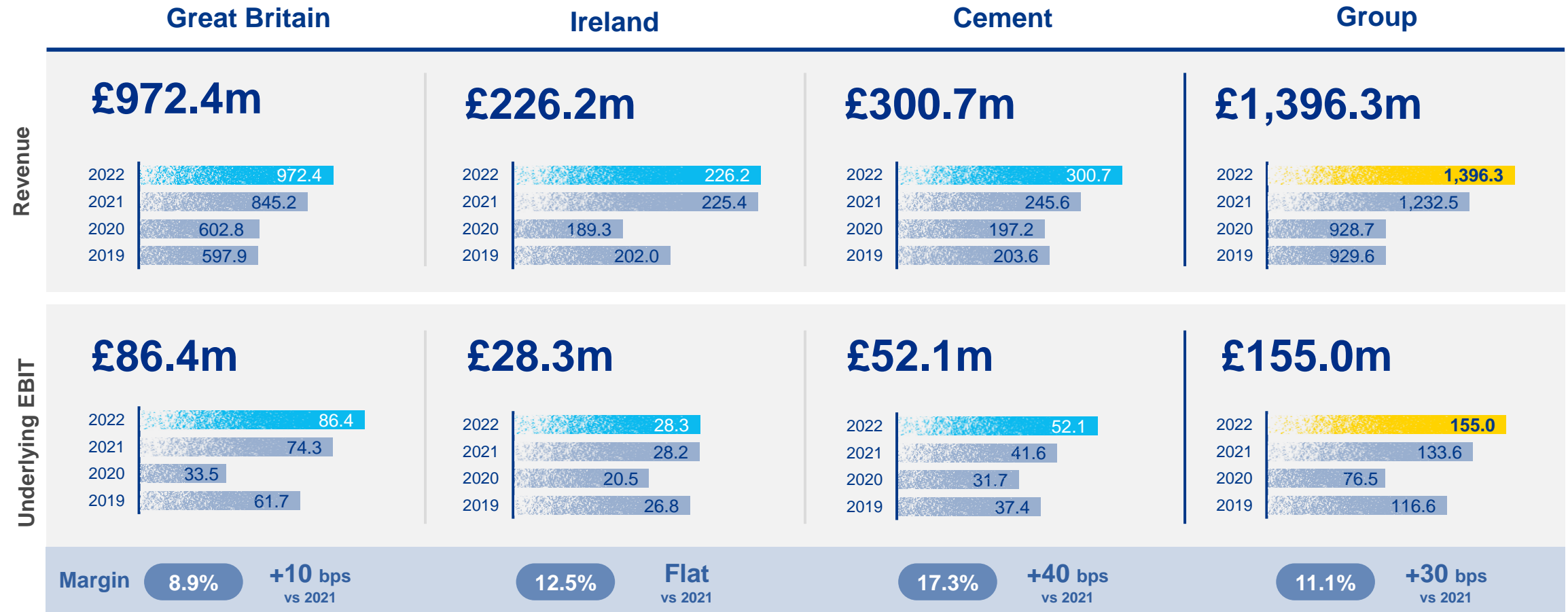
Aggregates prices outpace inflation over time
indexed to 100 in 1996



Margin recovery



Each division contributed to our record earnings performance

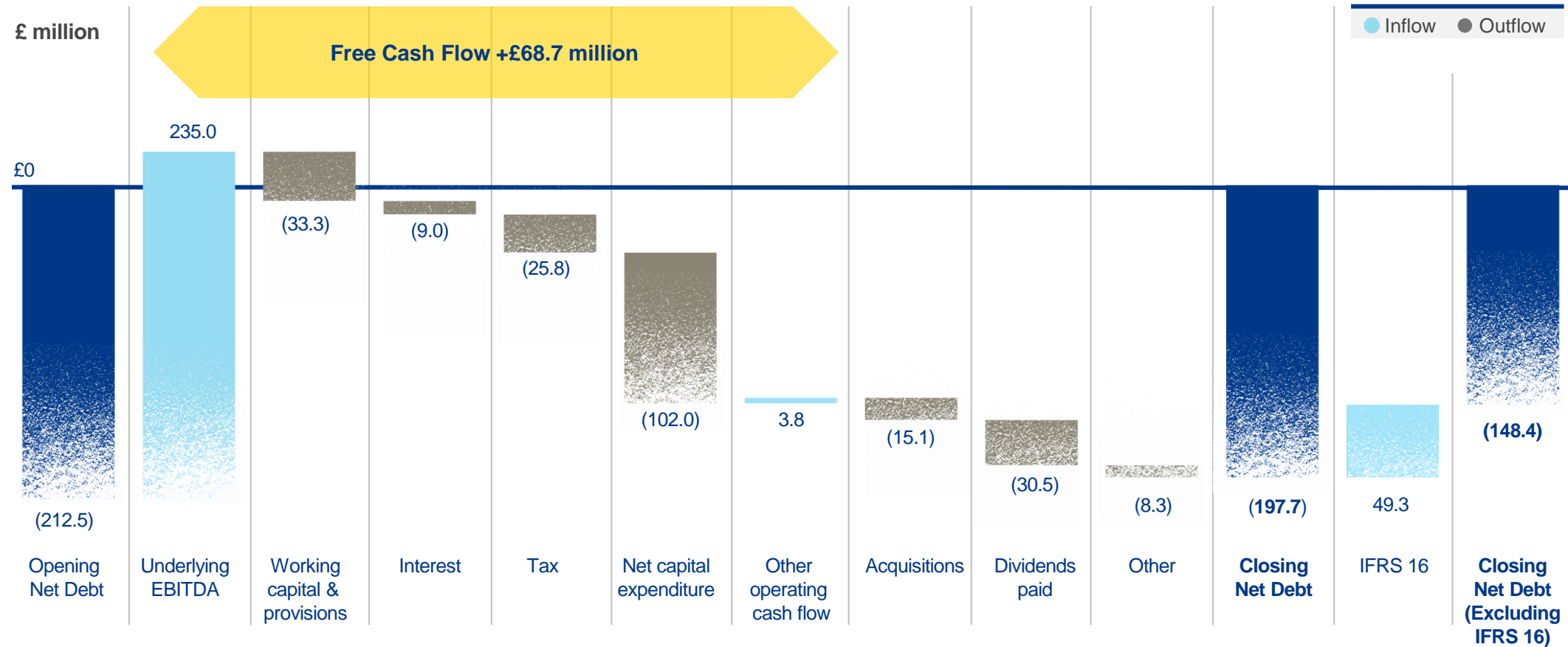


Note: Divisional revenue and EBIT excludes eliminations, head office costs and JV/Associates. Certain cement related activities which were included in GB in 2020 were transferred to our Cement segment in 2021. The segmental analysis presented in respect of 2020 and 2019 were restated accordingly in the prior year and continue to be presented as such.

2022 Net Debt and cash flow



Further deleveraging



2023 technical guidance

Income statement



- Net interest expense c.£15m
- Effective tax rate c.20.0%
- Cash tax payments higher than effective rate

Cash flow



- Cash interest c.£9m
- Working capital outflow c.£20m
- Capital expenditure c.£90m
- Dividends FY23 cash outflow c.£35m


Balanced financial framework delivering



Driving increased return on invested capital



Increasing ROIC through thoughtful capital allocation



ROIC 10.8%
+130_{bps}

Proactive investment

ORGANIC

Replenished reserves and resources

Productivity enhancing plant and machinery

M&A

Three bolt-on acquisitions in GB

Promising pipeline

Meeting strategic objectives

Profitable EBIT growth +16%

Margins improved to 11.1%

Strong balance sheet

Excess capital distributed







2022 cash dividend £30.5m

Covenant Leverage 0.7x

Delivering our strategy



Material progress towards our strategic goals

	 Growth	 Profitability	 Cash flow	 Financial discipline	 Returns	 Dividend
Targets	<p>—</p> <p>Outperform our markets</p>	<p>—</p> <p>EBIT margin 12% - 15%</p>	<p>—</p> <p>FCF conversion >50%</p>	<p>—</p> <p>Covenant Leverage 1x – 2x</p>	<p>—</p> <p>ROIC >10%</p>	<p>—</p> <p>Payout ratio 40%</p>
Outcomes	<p>—</p> <p>11% organic revenue growth</p>	<p>—</p> <p>Progressed to 11.1%</p>	<p>—</p> <p>29% after increased capex</p>	<p>—</p> <p>Reduced to 0.7x</p>	<p>—</p> <p>Strengthened to 10.8%</p>	<p>—</p> <p>Increased to 30% payout</p>

Board's expectations for 2023 remain unchanged

Note: **FCF conversion**: Free Cash Flow relative to Underlying EBITDA. **Covenant Leverage** as defined by the Group's banking facilities - excludes the impact of IFRS 16 and includes the impact of M&A. **ROIC**: Post-tax return on invested capital. **Payout ratio** calculated with reference to Adjusted Underlying EPS.



Operational review

Rob Wood, Chief Executive Officer

UK market; areas of growth



Infrastructure and industrial demonstrate resilience

UK GDP; growth slowing but ahead of expectations

- UK GDP +4.1% in 2022, flat in Q4
- Slowing growth reflects inflation headwinds
- Business investment returned to pre-pandemic levels

Slowing UK construction masks bright spots

- Estimated 2022 construction output +1.6%
- Infrastructure and industrial output proving resilient

Mineral products volumes normalised, offset by pricing

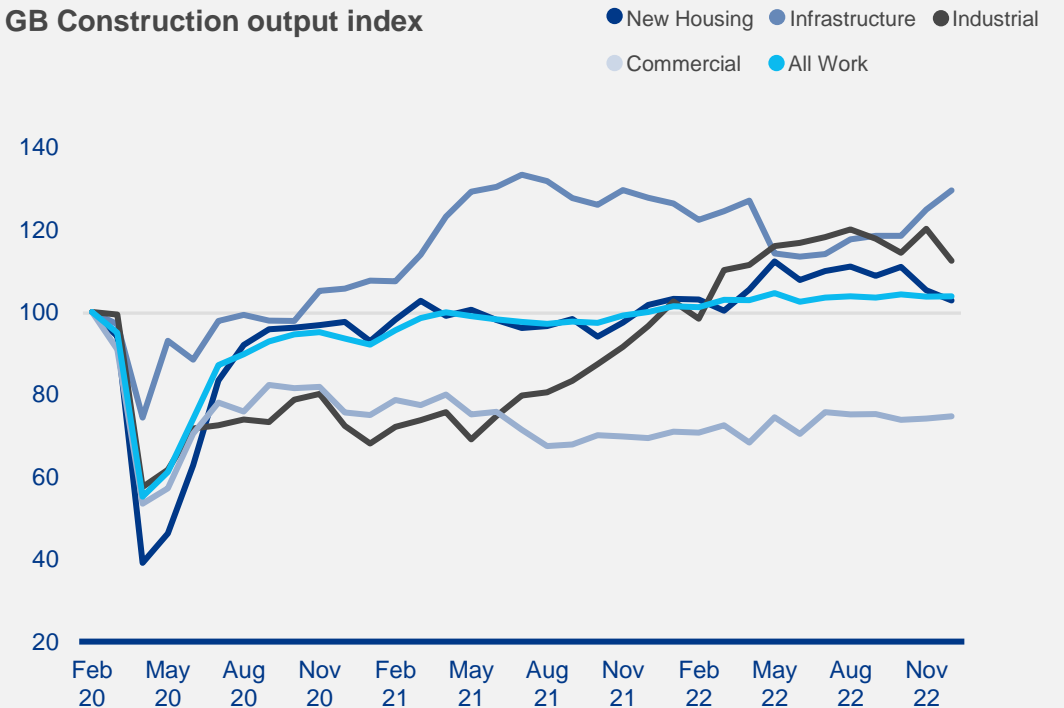
- Key product volumes softened, reflecting the uncertain macroeconomic backdrop

Construction PMI indicates confidence declined

- December 2022 Construction PMI 48.8; in negative territory for only the sixth time on record

Source: ONS, CPA & MPA.

GB Construction output index



Rol market; positive demand



Breedon markets towards pre-Covid level

Rol's Modified Domestic Demand remains robust

- Growth strong but slowing; MDD +7.7% in 2022
- Rol still the fastest growing economy in Western Europe

Construction output towards pre-Covid level

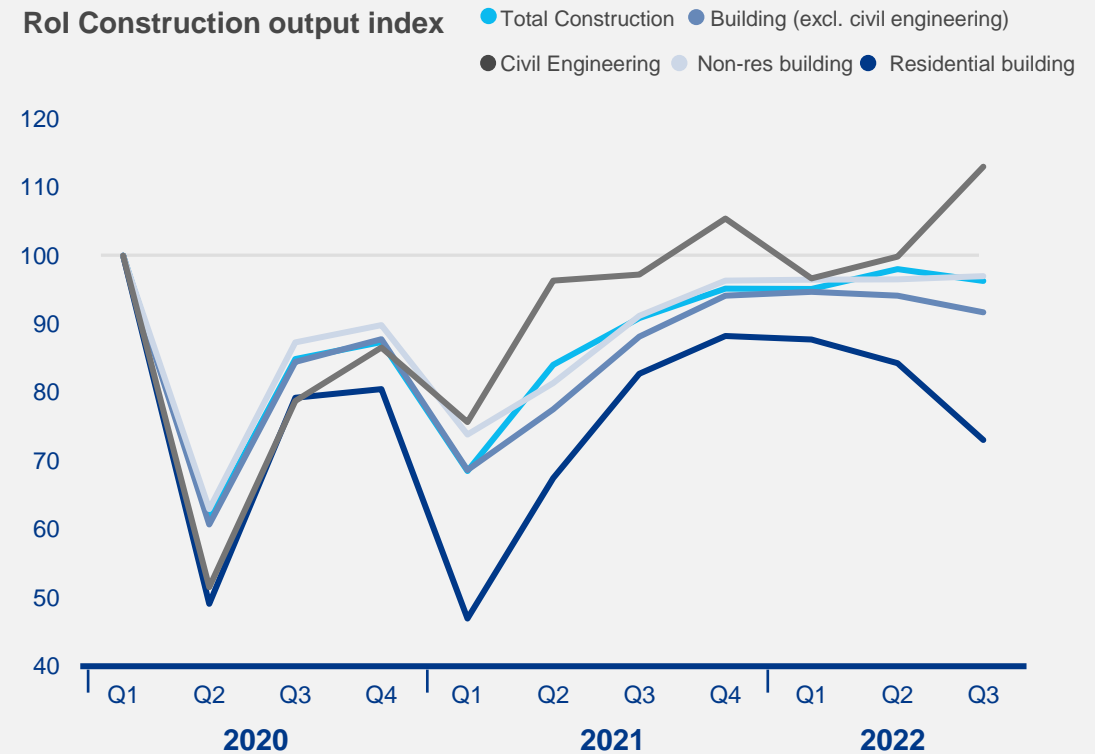
- Estimated Rol construction output grew +9%
- Momentum slowing in the second half

Construction confidence contracted in 2022

- December Construction PMI 43.2
- Business expectations sentiment >50 indicates expansion

Source: CSO, Euroconstruct & BNPPRE.

Rol Construction output index



Great Britain

Successful growth and cost recovery

Outstanding trading performance

- Extensive network, local market knowledge and entrepreneurial culture delivered organic revenue growth and margin expansion

Volumes normalised in line with the industry

- Reflecting moderating UK economic growth and unpredictable market conditions

Surfacing Solutions winning significant frameworks

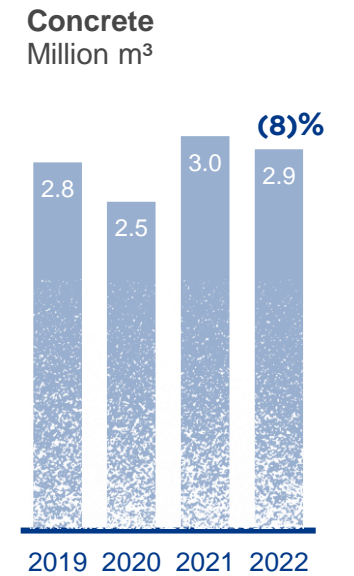
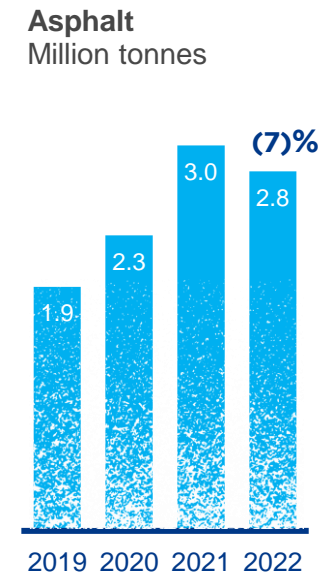
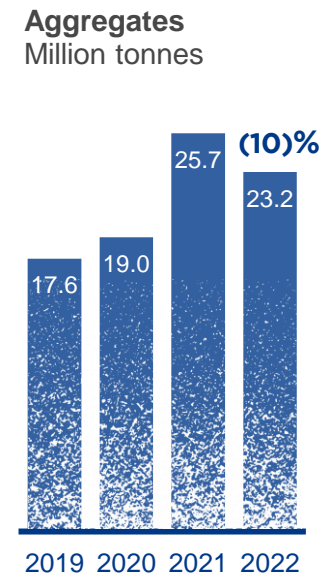
- Awarded a place on the England National Highways Pavement Delivery Framework
- BEAR Scotland retained Transport Scotland's North West framework and supply contracts

Active M&A pipeline

- Strategically significant bolt-on transactions adding capability and mineral reserves

Investing for growth and sustainability

- Robust mineral pipeline
- Sustainable product range launched - Breedon Balance
- New Mansfield asphalt plant enhancing growth and sustainability



Ireland

Winning high-quality new work

Resilient performance and full cost-recovery

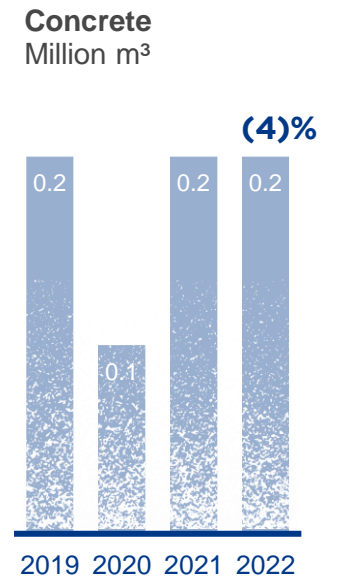
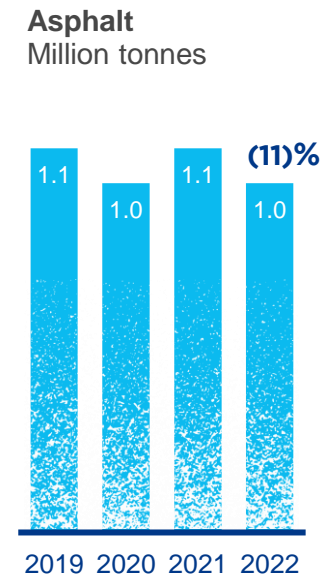
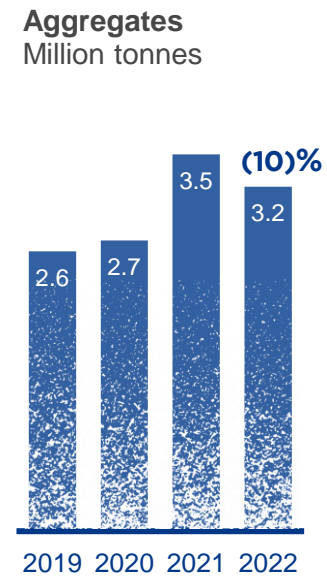
- Volumes at the half year reflected the absence of the governing Assembly in NI and tendering delays in RoI
- Tendering in RoI accelerated noticeably in the second half

Winning high-quality tenders

- Winning multi-year awards with indexing mechanisms
- Secured DfI Term Surfacing contracts; Down and Armagh
- Awarded two five-year DfI Street Lighting Maintenance contracts

Positioning Breedon Ireland for growth and profitability

- Rebranded Whitemountain and Lagan as Breedon
- Exited civil engineering
- Active mineral pipeline; added reserves and resources, reopened dormant Cahersiveen quarry in Kerry



Cement

Most successful year on record

Strong trading outcome

- Volumes softened; lower concrete volumes, reduced imports
- Revenue +22%; dynamic pricing and robust demand
- Full cost recovery; hedging provided near-term cost visibility

Maximising plant performance

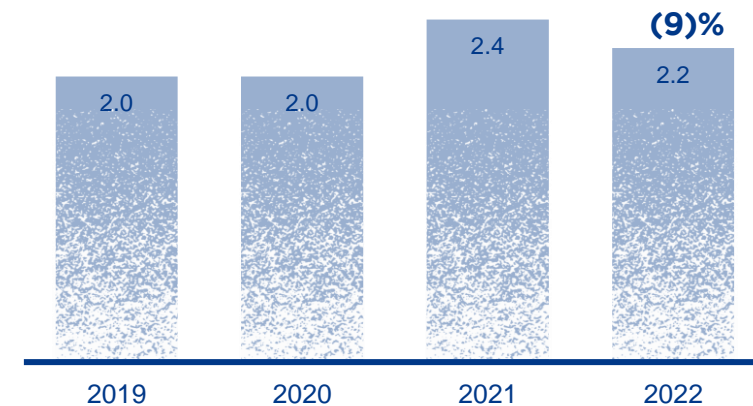
- Complex kiln shutdowns completed on time and to budget
- Hope kiln reliability maintained above 96%, retaining Plant Mastery status

Committed to decarbonisation

- Alternative fuel utilisation nearing 50%; Kinnegad achieved 77%
- Active involvement in Carbon Capture and Storage
- Reducing clinker content; Kinnegad sales now 50% CEM II, Hope investing in capacity



Cement
Million tonnes



Note: Cement 2022 product volume. Growth rates based on non-rounded volume data.



Outlook and summary

Rob Wood, Chief Executive Officer

Enter 2023 in a strong position



Significant strategic optionality

Outlook and
Summary

Strategic optionality

Robust balance sheet. Financial flexibility. Thoughtful capital allocation



Active M&A pipeline

Engaging asset owners in GB and Ireland near-term

Supportive end-markets

Infrastructure and industrial sectors underpinned by large ongoing projects



Economic uncertainty

UK forecasts indicate shallow recession, falling construction output



Remain confident

UK and RoI governments remain committed to infrastructure spending

Areas of growth forecast

UK; +2% infrastructure and industrial
RoI; +2.5% construction output



Breedon begins 2023 positively, confident in our ability to deliver

Source: CPA & Euroconstruct



MAKING A MATERIAL
DIFFERENCE

Q&A

Breedon Annual Results 2022





Appendix

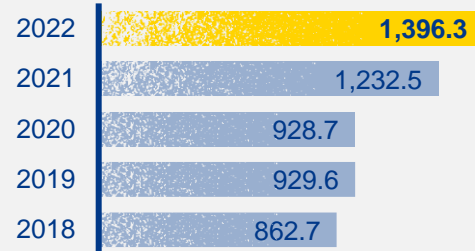
Breedon Annual Results 2022

Our track record

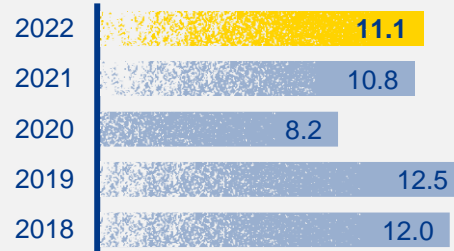


Financial KPIs

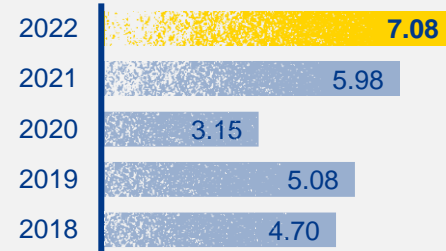
Revenue
£m



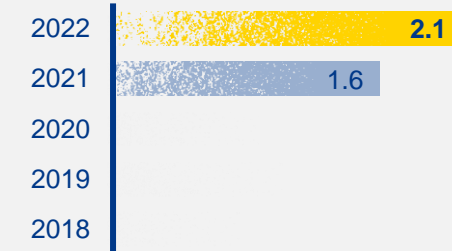
Underlying
EBIT Margin
%



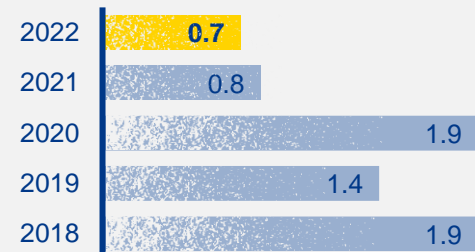
Adjusted Underlying
Basic EPS
pence



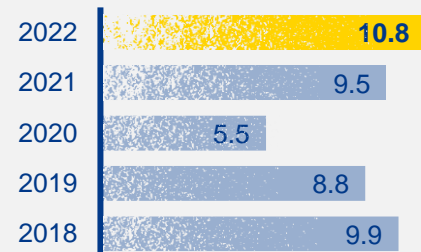
Dividend per share
pence



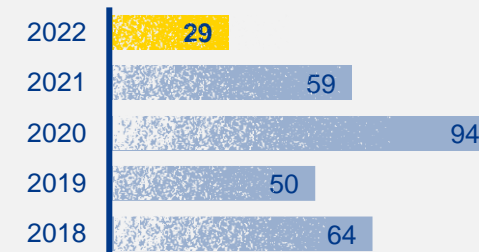
Covenant Leverage
times



Return on
Invested Capital
%



Free Cash Flow
Conversion
%

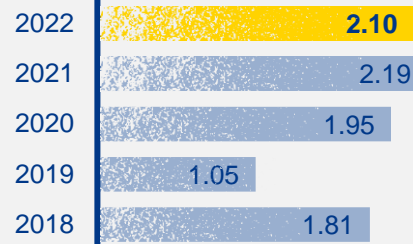


Our track record



Non-financial KPIs

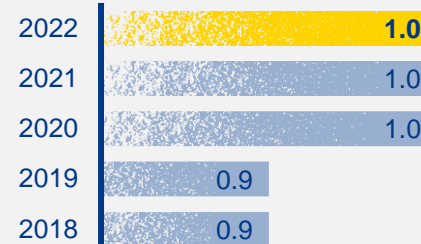
Employee LTIFR per million hours worked



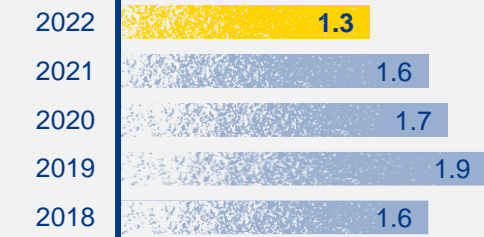
Employee TIFR per million hours worked



Reserves and resources billion tonnes



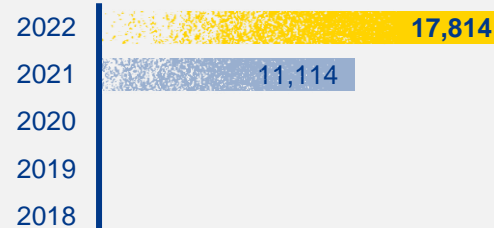
Emissions intensity – Revenue kgCO₂e per £ revenue



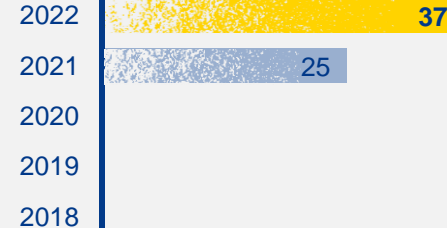
Emissions intensity – Cementitious % reduction per tonne from 2005 baseline



People positively impacted number of people per year



Sustainable product sales % total concrete and asphalt revenue



2022 Income Statement



£ million	2022	2021
Revenue	1,396.3	1,232.5
Underlying EBITDA	235.0	214.0
Depletion & depreciation	(83.5)	(83.3)
Share of associate and joint ventures	3.5	2.9
Underlying EBIT	155.0	133.6
Net interest	(12.2)	(13.1)
Non-underlying items	(7.0)	(6.2)
Profit before tax	135.8	114.3
Tax at effective rate	(22.1)	(18.4)
Change in deferred tax rate	(1.1)	(17.3)
Taxation	(23.2)	(35.7)
Profit for the period	112.6	78.6
Underlying Basic EPS	7.02p	4.96p
Adjusted Underlying Basic EPS	7.08p	5.98p

2022 Balance Sheet



£ million	2022	2021
Property, plant and equipment	835.0	799.5
Intangible assets	518.2	501.5
Investment in associate and joint ventures	13.7	12.2
Inventories	94.8	62.0
Trade and other receivables	222.4	210.4
Total assets (excluding cash)	1,684.1	1,585.6
Trade and other payables	(263.8)	(257.7)
Provisions	(86.0)	(73.4)
Current tax payable	(3.8)	(4.7)
Deferred tax liabilities	(89.0)	(87.5)
Total liabilities (excluding interest-bearing loans and borrowings)	(442.6)	(423.3)
Net debt	(197.7)	(212.5)
Net debt excluding IFRS 16	(148.4)	(161.5)
Net assets	1,043.8	949.8

2022 Free cash flow

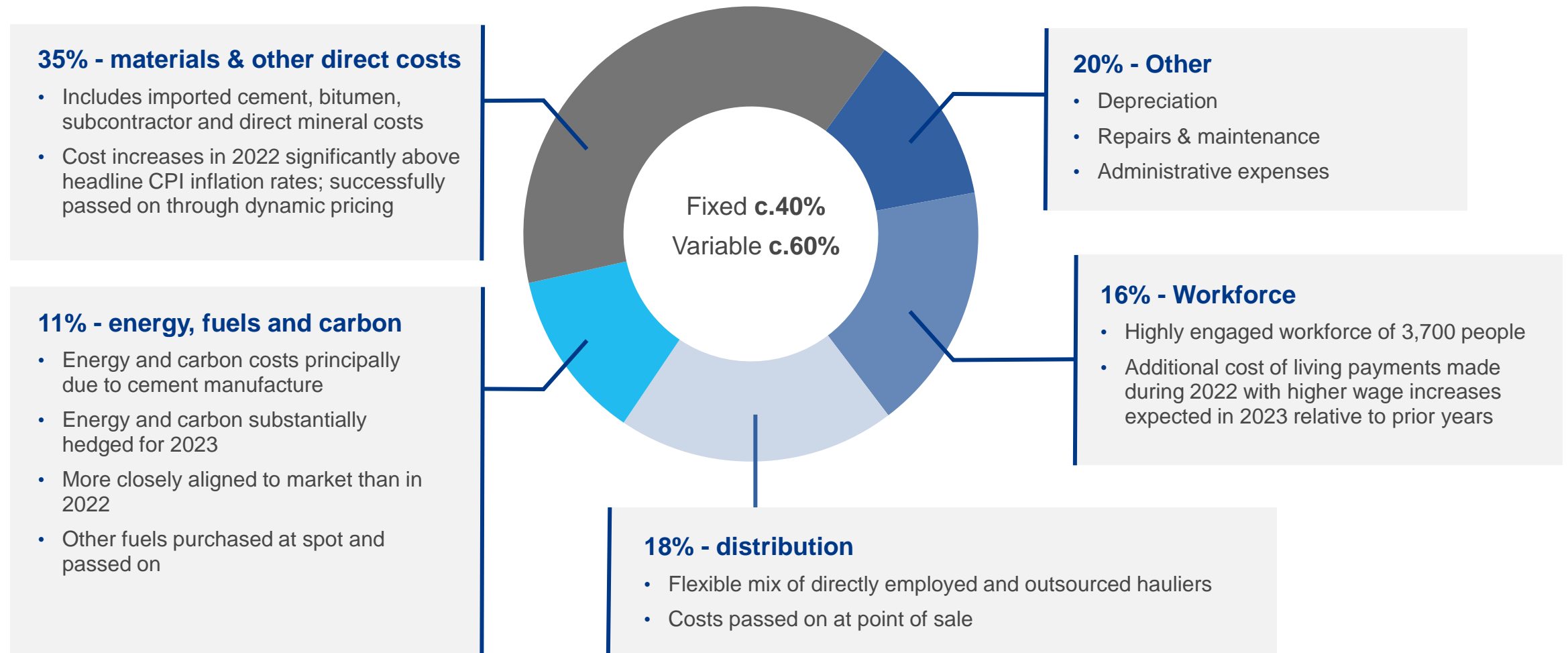


£ million	2022	2021
Underlying EBITDA	235.0	214.0
Working capital and provisions	(33.3)	2.8
Net interest paid	(9.0)	(9.4)
Income taxes paid	(25.8)	(13.6)
Net capex	(102.0)	(71.3)
Other	3.8	4.8
Free cash flow	68.7	127.3
Acquisition of businesses	(15.1)	(6.1)
Dividends paid	(30.5)	(8.4)
Other	(8.3)	(7.0)
Decrease in Net Debt	14.8	105.8

Disciplined cost management



Full cost recovery enabled by dynamic pricing and hedging strategy

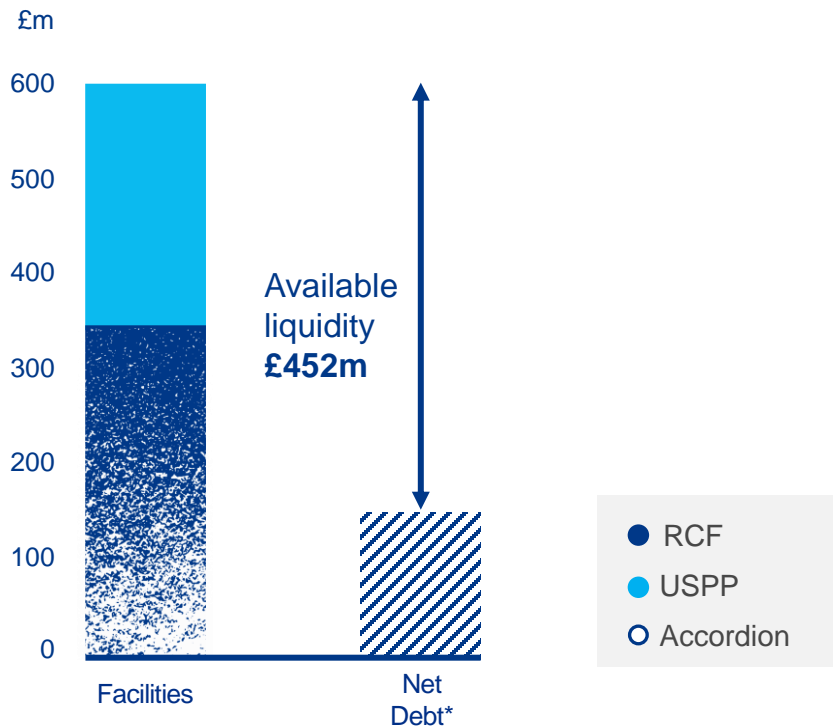


Financing Breedon's future

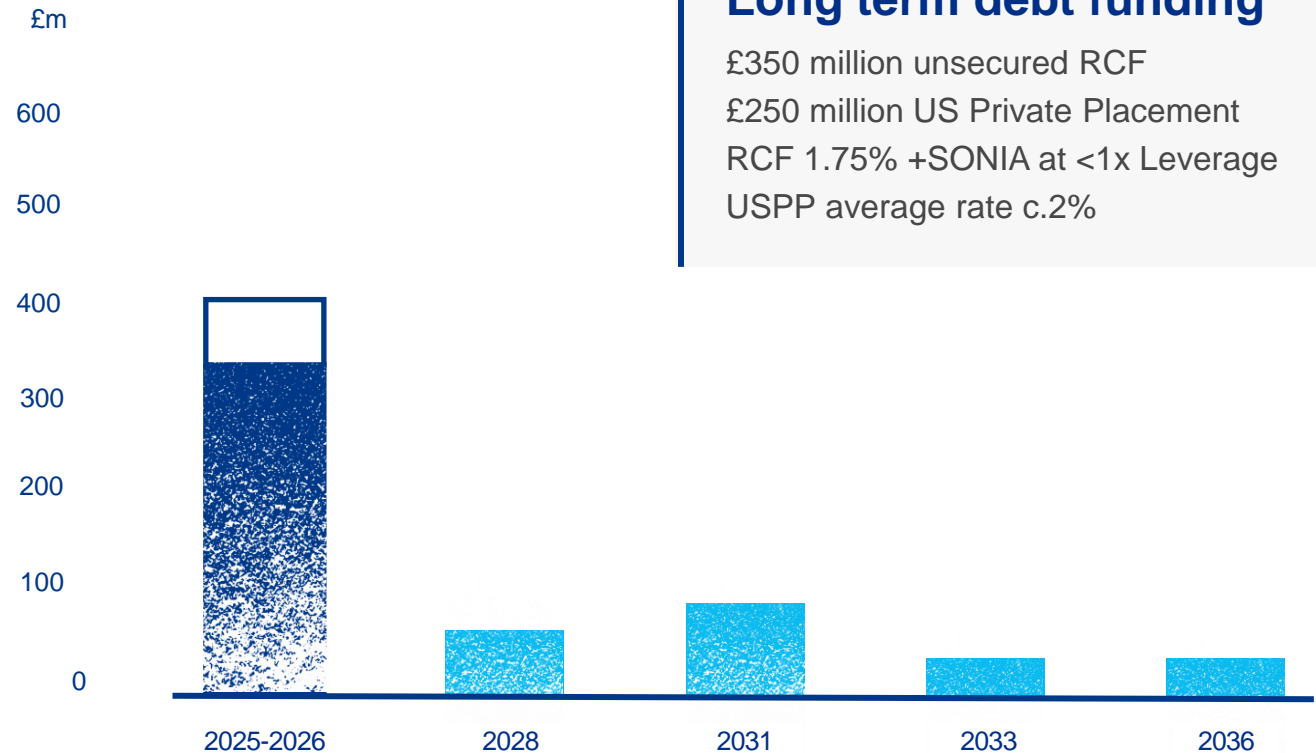


Diversified sources of finance at low interest rates

Debt finance positioned to support future growth



Debt Maturity profile



Long term debt funding

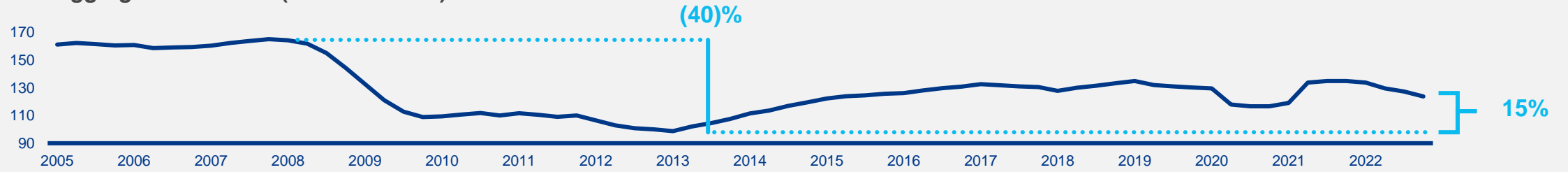
£350 million unsecured RCF
 £250 million US Private Placement
 RCF 1.75% +SONIA at <1x Leverage
 USPP average rate c.2%

* Net debt as at 31 December 2022. Excludes IFRS 16 lease liabilities.

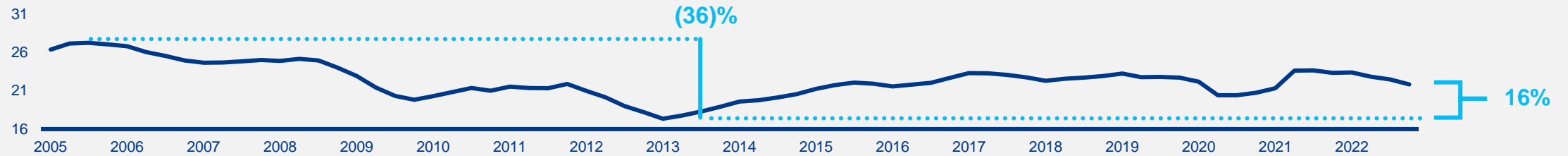
MPA volumes



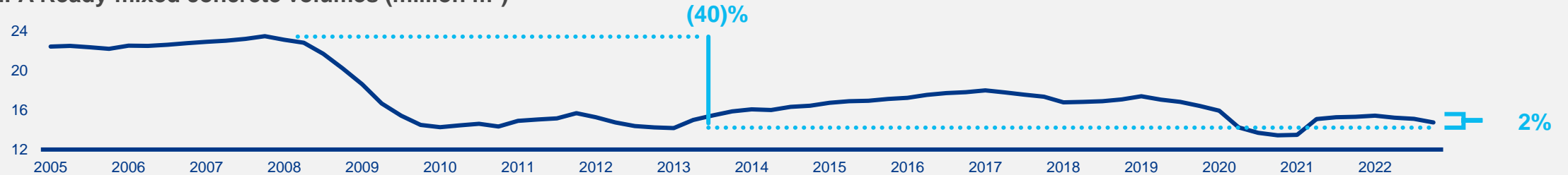
MPA Aggregates volumes (million tonnes)



MPA Asphalt volumes (million tonnes)



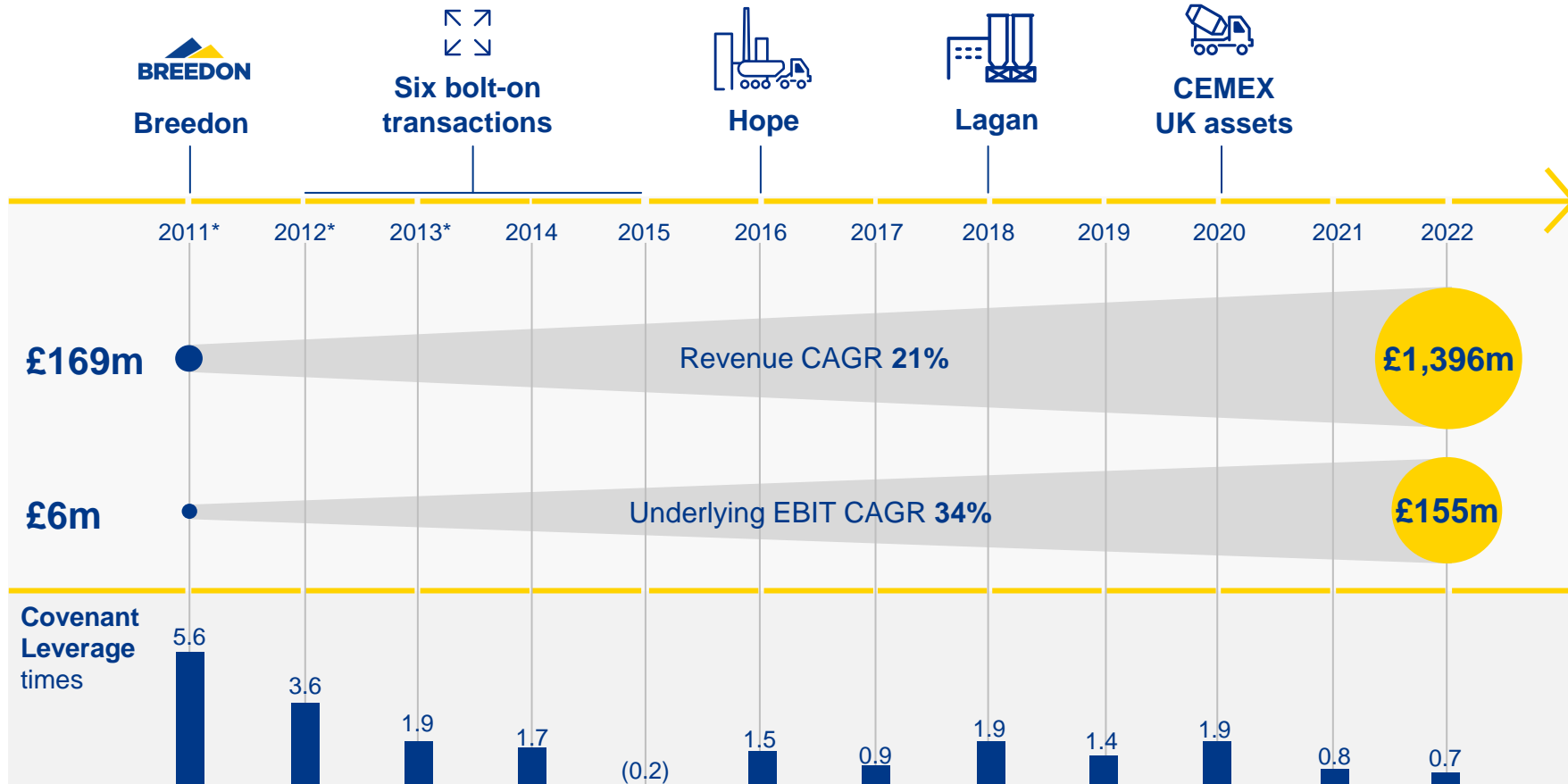
MPA Ready-mixed concrete volumes (million m³)



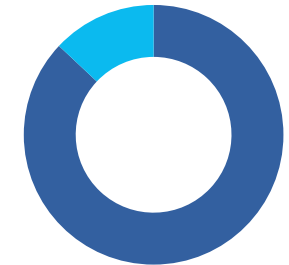
Note: Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date.

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

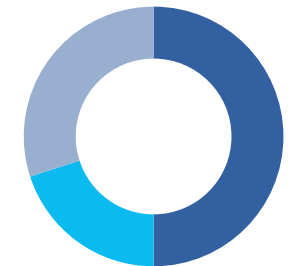
Track record of sustainable growth



*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%



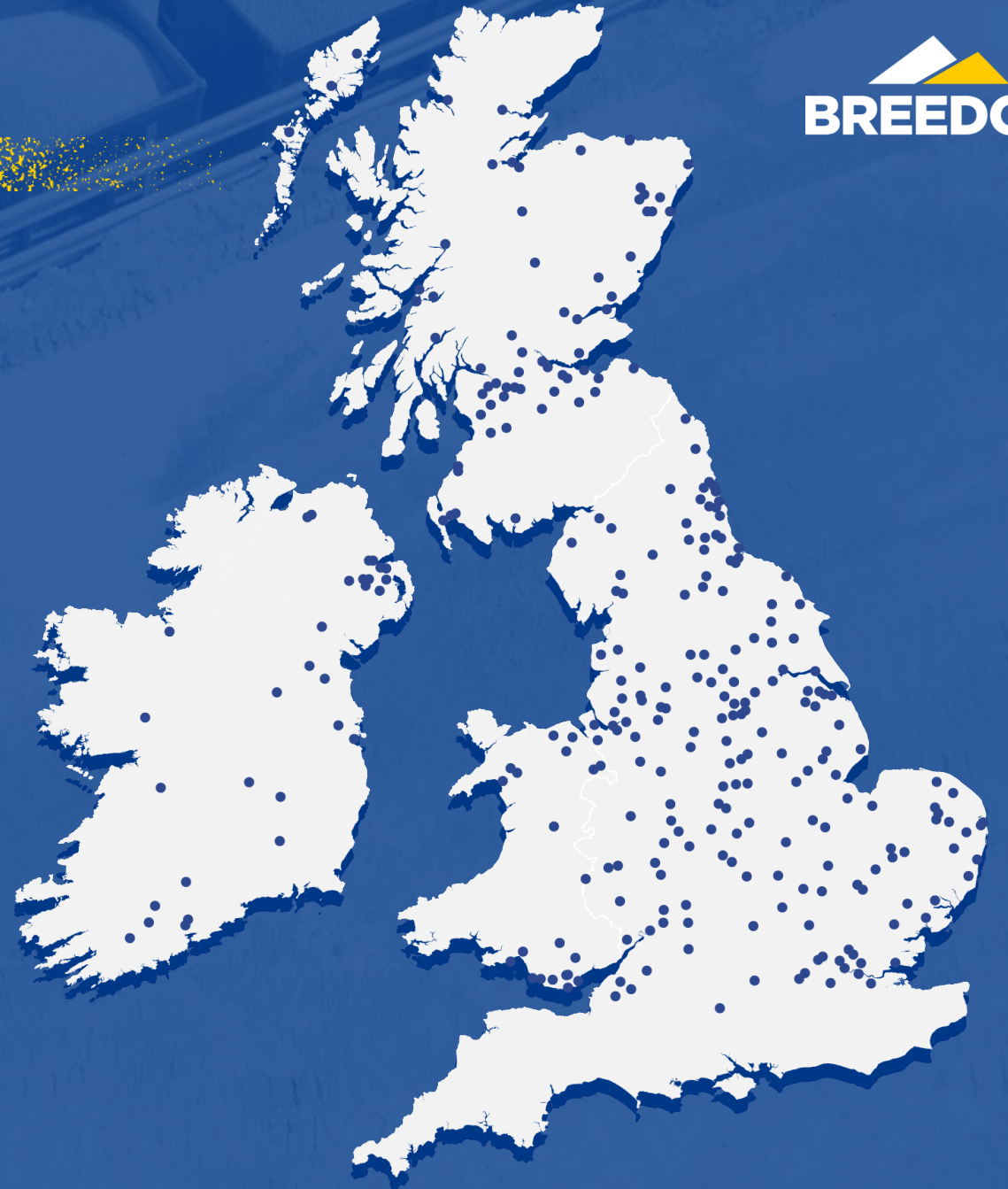
● Infrastructure c.50%
● Housing c.20%
● Industrial, Commercial and Other c.30%

National reach

More than 320 sites across two platforms



2022



We are making a material difference

