

Breedon Group plc Interim Results 2024

24 July 2024



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

Strategic progress delivers resilient performance

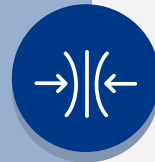


Transformative acquisition; Breedon enters the US market

Highlights

Resilient performance

Adverse weather effects and challenging GB market conditions; offset by strong performance in Ireland



Third platform launched

Transformative acquisition of BMC; scalable platform in the fragmented and growing US construction materials market, integration progressing

Flexible model. Agile execution

Breedon model at its best; remained close to customers, accelerated our drive for efficiencies and strengthened our operations



Disciplined investment and execution delivering growth

Executing our strategy



Managing factors in our control; accelerating self-help

Highlights

Expand

Established our third platform, completed two bolt-on transactions in GB and extended our mineral reserves and resources



Sustain

Reinforced health, safety and wellbeing commitment, reduced carbon footprint and awarded CDP ratings placing us at the forefront of our sector



Optimise

Implemented 'face to gate' quarry improvement programme; delivering efficiencies, process improvements and driving productivity



Well-placed to grow as markets recover



Financial review

James Brotherton, Chief Financial Officer

2024 interim financial highlights

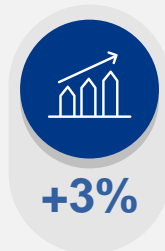


Strategic progress delivers a resilient financial performance

Revenue

£764.6m

HY 23: £742.7m

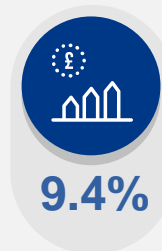


Revenue
growth

Underlying EBIT

£71.6m

HY 23: £70.5m

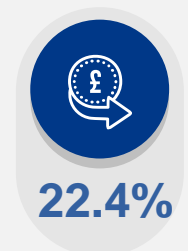


Margin
HY 23: 9.5%

ROIC

8.8%

HY 23: 10.0%



Effective
Tax Rate
HY 23: 20.3%

Free Cash Flow

(£9.6)m

HY 23: £20.8m



Net capex
HY 23: £31.9m

Net Debt

£472.3m

HY 23: £220.4m

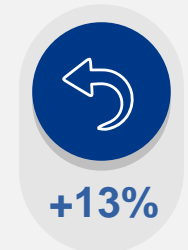


Covenant
Leverage
HY 23: 0.7x

Interim Dividend
per share

4.5p

HY 23: 4.0p



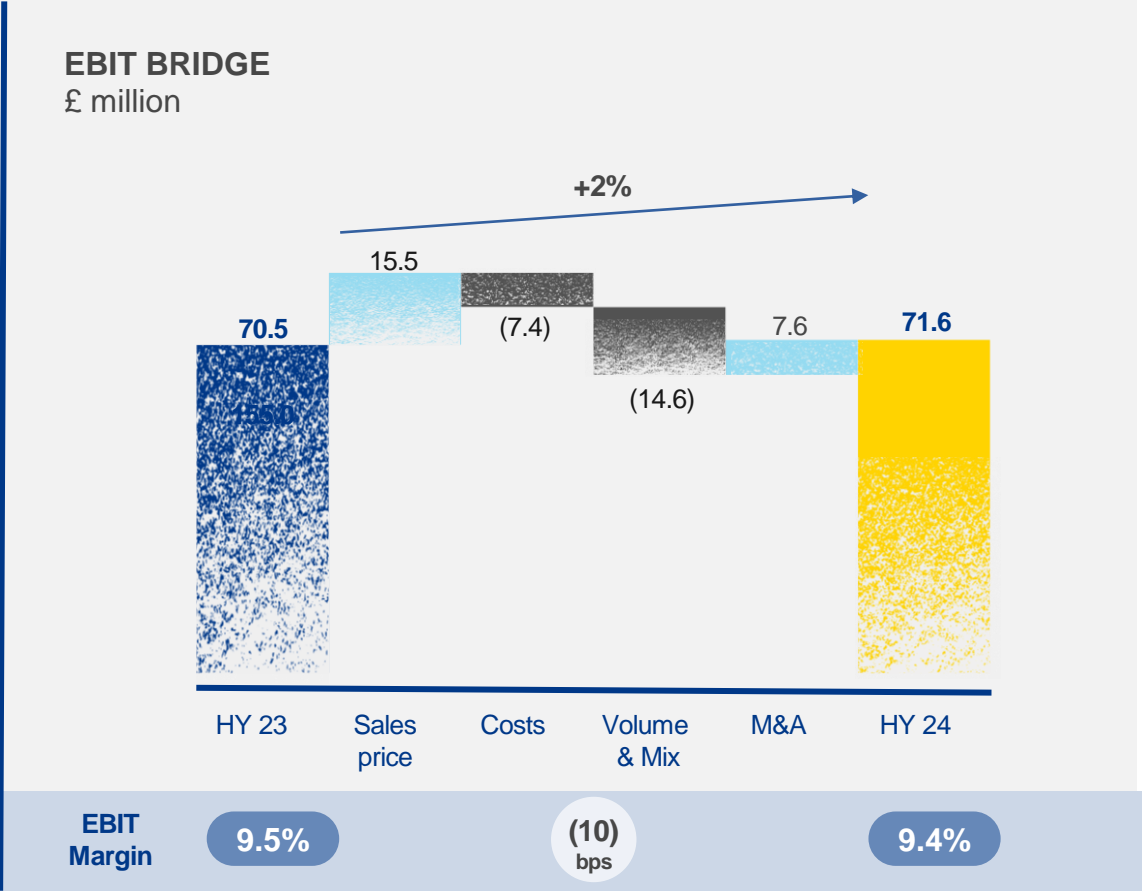
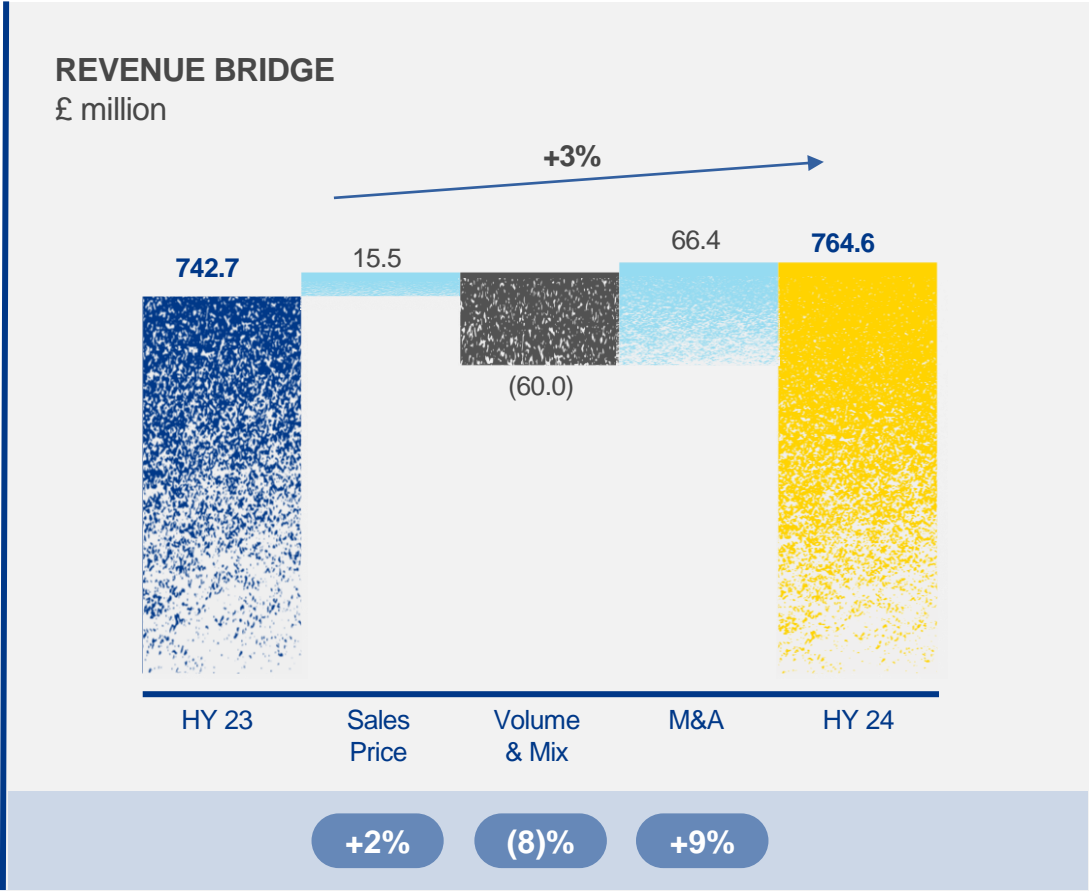
Dividend
growth

Notes: **Underlying** results are stated before acquisition-related expenses, property gains and losses, amortisation of acquisition intangibles, AIM to Main Market costs (2023 only) 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.

H1 2024 Revenue and EBIT bridges



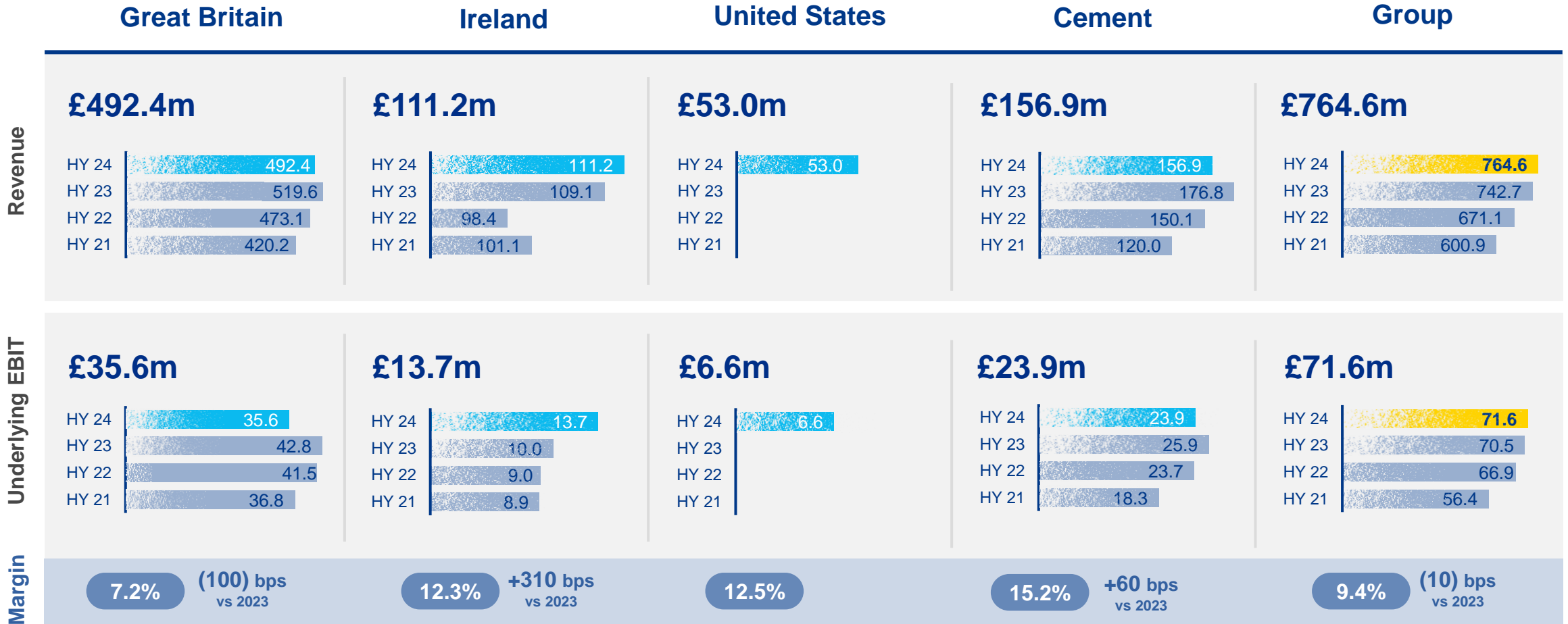
Third platform and pricing offset volume headwinds



H1 2024 divisional contributions



Ireland strongest performance since acquisition

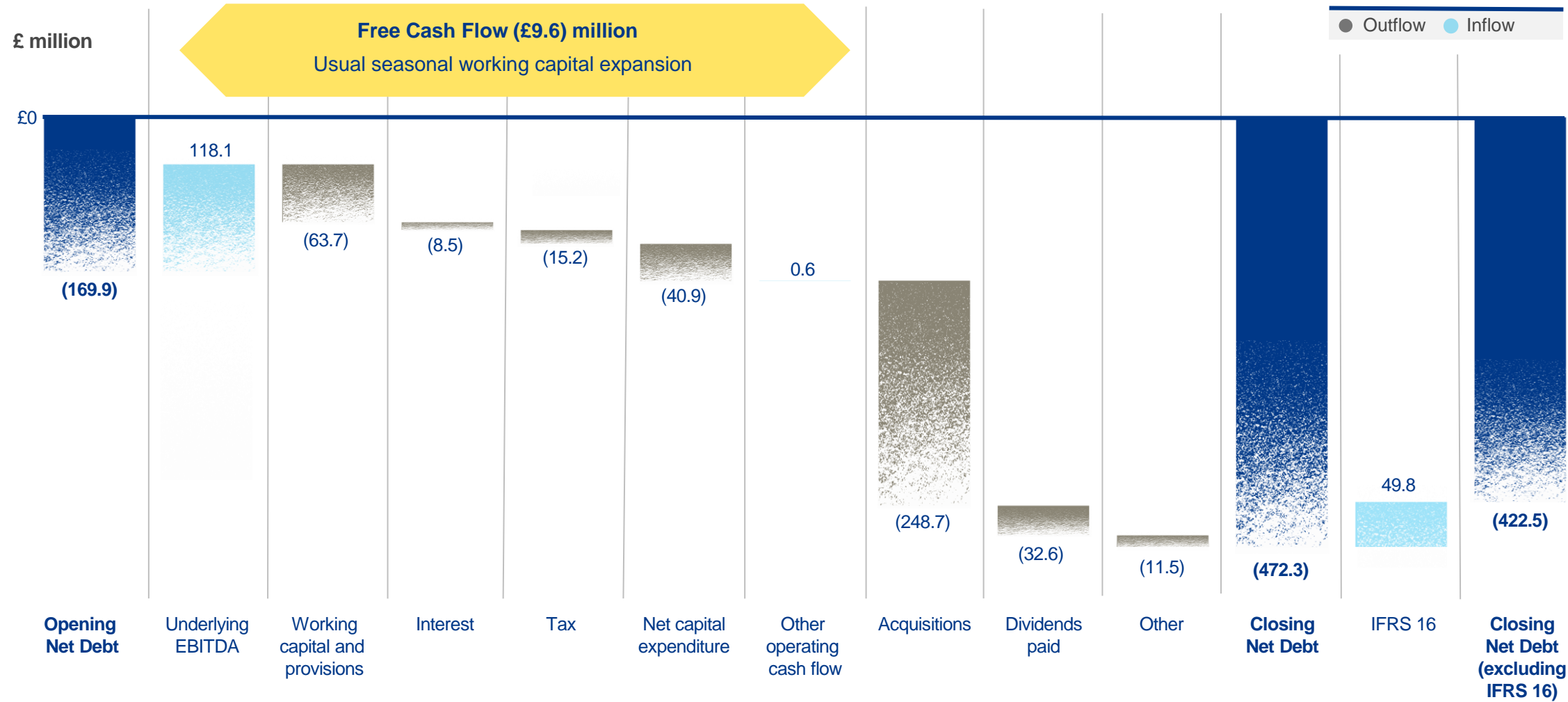


Note: Divisional revenue and EBIT excludes eliminations, head office costs and JV/Associates.

H1 2024 Net Debt and cash flow



Debt increased to finance BMC acquisition

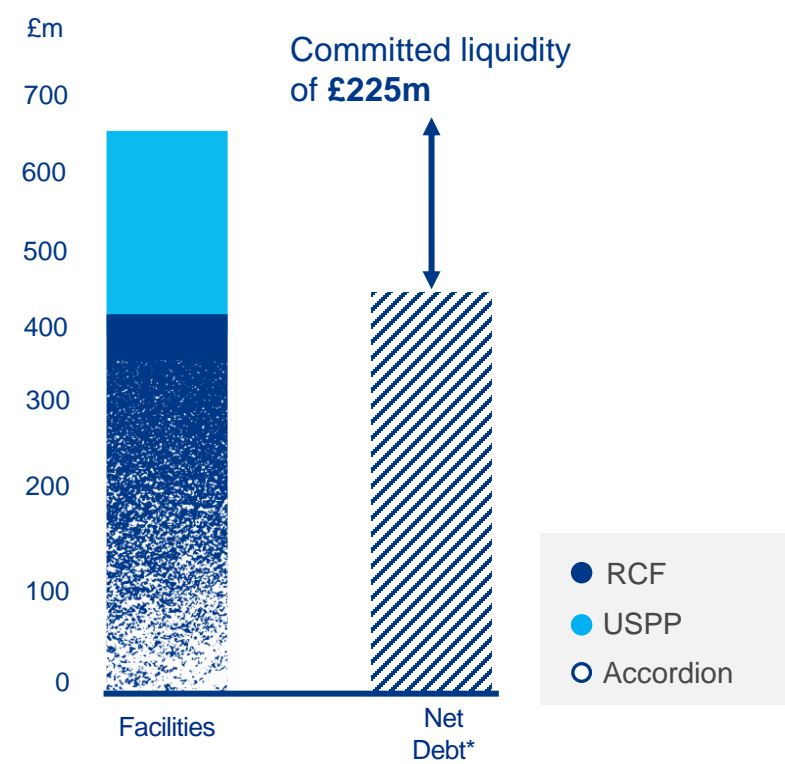


Refinancing of Revolving Credit Facility



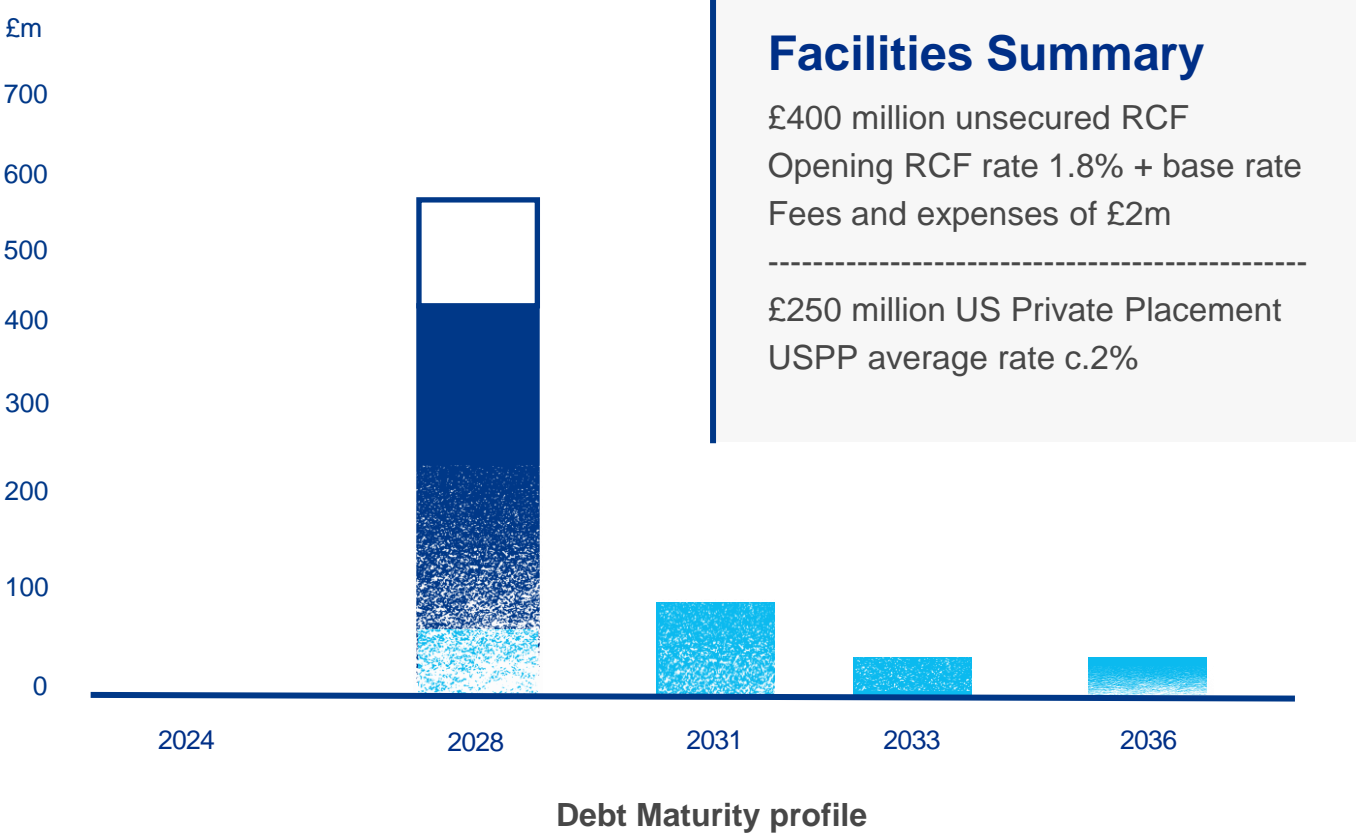
RCF upsized to £400m and maturity extended to at least June 2028

Debt finance positioned to support future growth



* Net debt as at 30 June 2024 excludes IFRS 16 lease liabilities.

Long term debt funding with low cost USPPs at c. 2% interest providing benefits over several years



Facilities Summary

£400 million unsecured RCF
Opening RCF rate 1.8% + base rate
Fees and expenses of £2m

£250 million US Private Placement
USPP average rate c.2%

2024 technical guidance



Management expectations unchanged for the full year

Income statement



- Net interest expense c.£22m
- Effective tax rate c.22% (cash tax payments materially in line with that of effective rate)
- Underlying EBIT slightly more weighted to H2 in 2024

Cashflow



- Cash interest c.£25m
- Working capital outflow c.£30m
- Capital expenditure c.£130m
- Cash cost of dividends paid in 2024 £48m

Balanced financial framework continues to deliver



Benefitting from strategic execution and operational focus



Significant Balance Sheet flexibility

Covenant Leverage
1.6x

Proactive investment

- ORGANIC
- Replenished reserves and resources
- Productivity enhancing plant and machinery
- M&A
- Two bolt-on acquisitions in GB
- BMC acquired; integration progressing

Meeting strategic objectives

- Third platform launch
- Revenue and EBIT growth
- Strong balance sheet

Returns & debt capacity

- 2024 interim dividend +13%
- Expanded bank facilities



Operational review

Rob Wood, Chief Executive Officer

UK market; economy stabilising



Construction market recovery forecast for 2025

UK GDP; returning to growth

- UK GDP growth 0.7% in the twelve months to May 2024

Construction output; weather related volatility

- May output 0.8% higher than a year ago; weather impact fading
- New work declined by 4.0%

Soft demand for mineral products

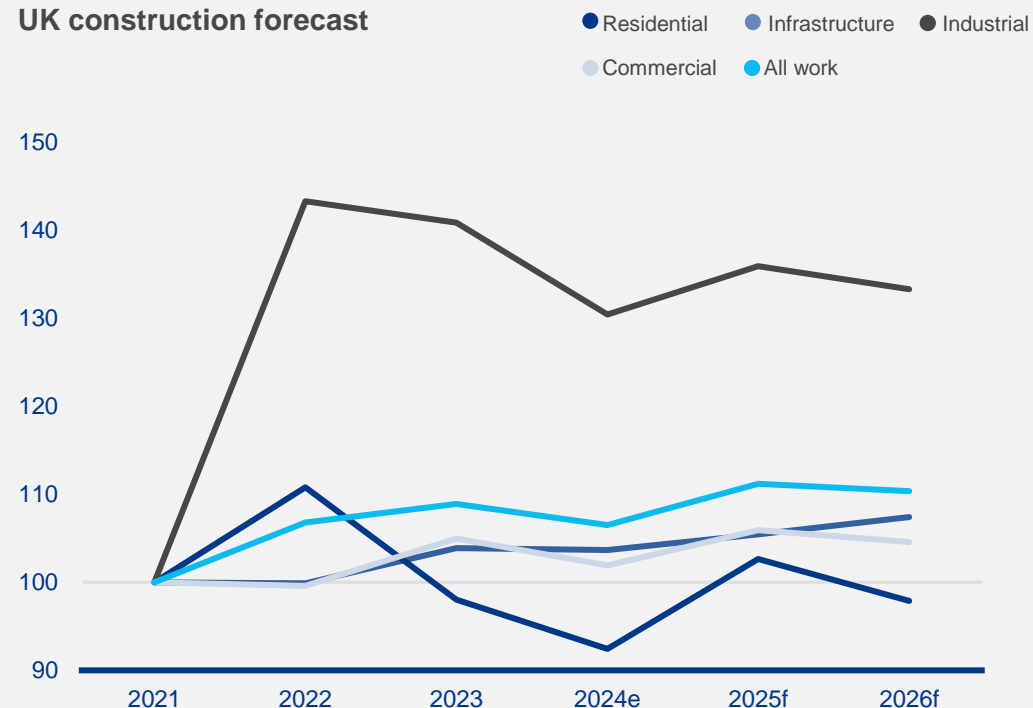
- MPA Q1 volumes declined year-on-year
- Weather impact most pronounced in ready-mixed concrete

Construction PMI returned to positive territory

- June 2024 Construction PMI 52.0

Source: ONS, CPA & MPA.

UK construction forecast



Source: CPA. End-market forecasts are for new work only. All work includes repair and maintenance.

Rol market; constructive operating environment



Confidence recovering

Rol Modified Domestic Demand growing steadily

- Broad measure of domestic activity increased 1.7% in the year to March 2024

Construction output; robust residential activity

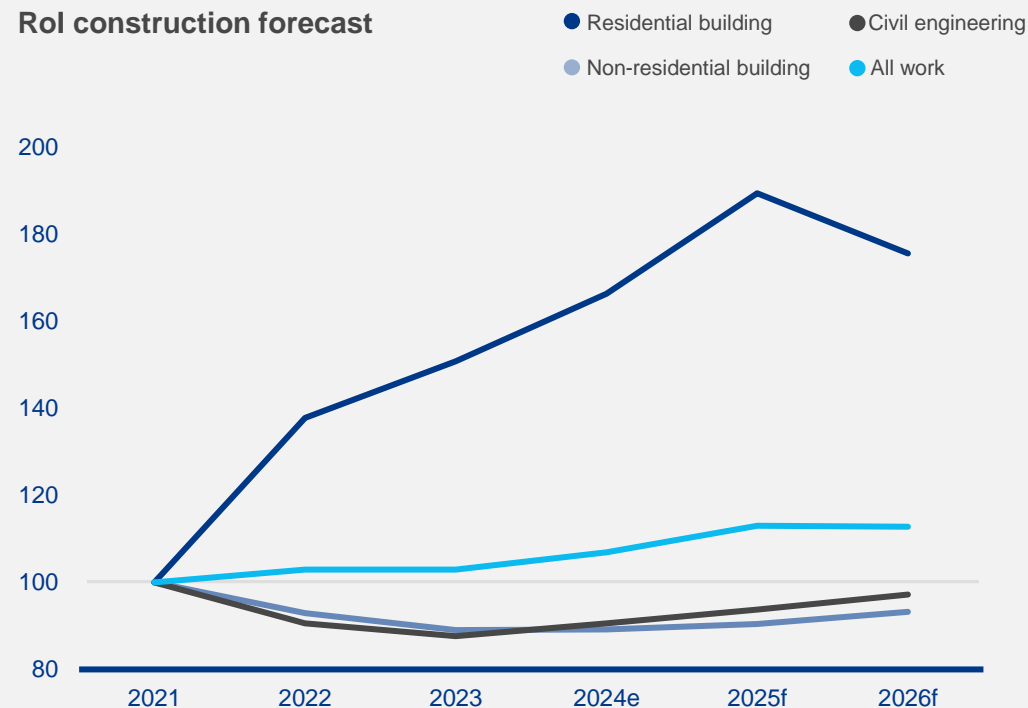
- Construction activity contracted in Q1
- Strong residential output offset by soft commercial market and unfavourable weather conditions

Construction confidence; residential expanding

- June Construction PMI 47.5; down from 53.2 in April
- Housing activity and new orders in expansion territory
- Employment activity; showing growth throughout first half, indicating industry optimism

Source: CSO, Euroconstruct & BNPPRE.

Rol construction forecast



Source: Euroconstruct. End-market forecasts are for new work only. All work includes repair and maintenance.

United States; steady growth

Strong stimulus tailwind



US GDP moderating; steady growth rate maintained

- Growth moderated to 1.4% annually in Q1
- Missouri GDP growth rate 1.6% annually
- Construction the leading contributor in ten states, including Missouri

Construction Put-in-Place; growth sustained

- Federal and State stimulus tailwinds driving the value of construction activity in key end-markets
- US Residential CPiP +9% year to date*
- US Infrastructure CPiP +20% year to date*

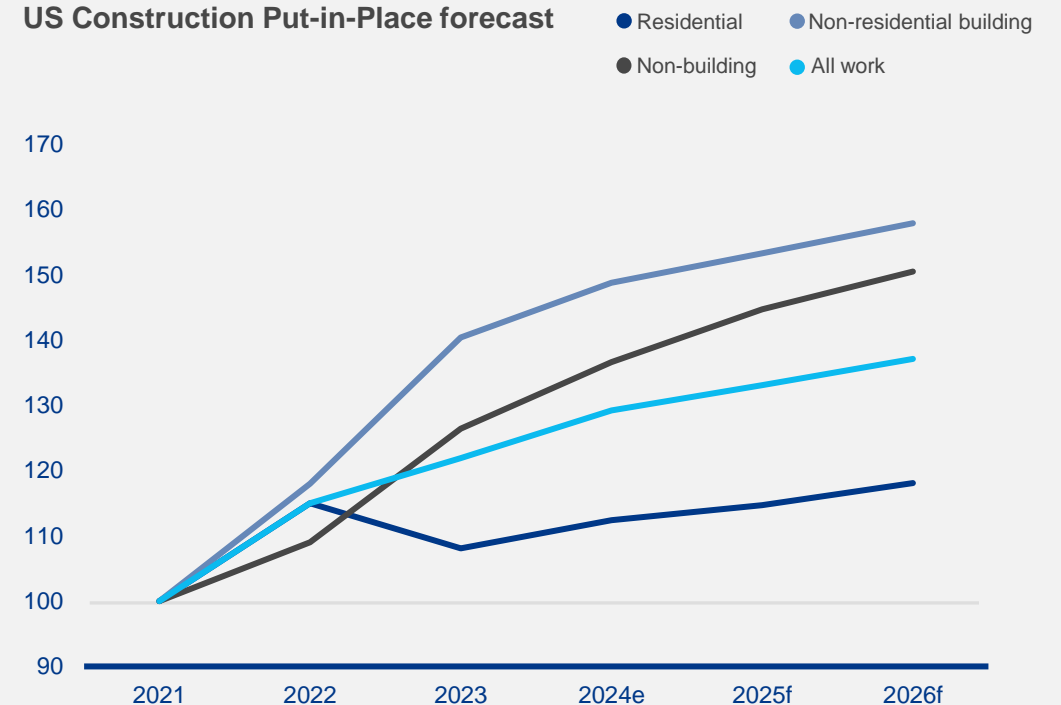
Volumes; weather impacted

- Recent surveys indicate volumes were impacted by unseasonable weather in the first half

Source: BEA, Census Bureau, USGS.

* Year to May 2024

US Construction Put-in-Place forecast



Source: FMI Capital Advisers. Forecasts are new work and exclude repair and maintenance.

Great Britain

Resilient performance

Near-term caution across end-markets

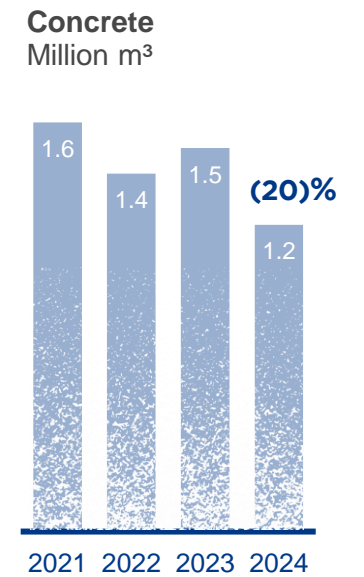
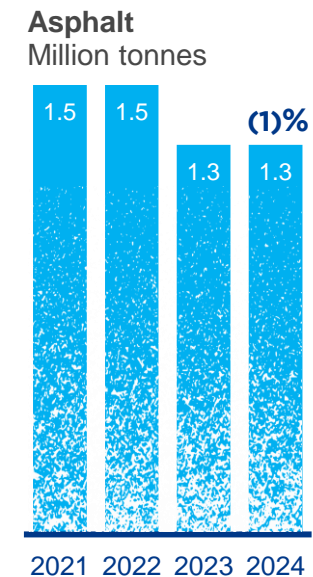
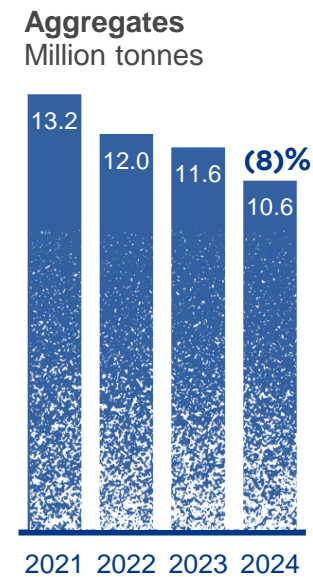
- Headwinds due to poor weather conditions, political and monetary uncertainty
- Underlying EBIT declined due to operating leverage

Disciplined self-help

- Pricing remained resilient
- Carefully tailored capital investment to support drive for efficiencies
- Implementing quarrying process review from 'face to gate'

Surfacing performed well

- Completed high-profile airfield projects for the Defence Infrastructure Organisation
- Integrated regional bolt-on transaction, Phoenix Surfacing
- Pulled more material through our vertically-integrated model



Ireland

Strong performance

Positive demand momentum

- Strong tendering season
- Resumption of governing Assembly at Stormont driving a pick-up in activity levels
- Steady growth in RoI, underpinned by structural shortage of housing and infrastructure

Strategy and market conditions driving volumes

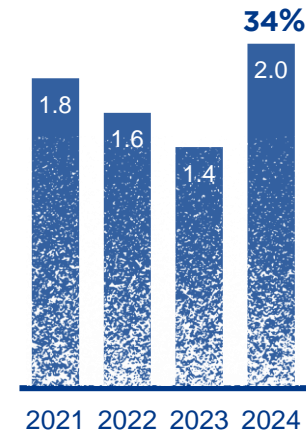
- Asphalt impacted by weather conditions
- Aggregates driven by strategic actions; extending mineral reserves and resources through acquisition and planning success

Significant margin expansion

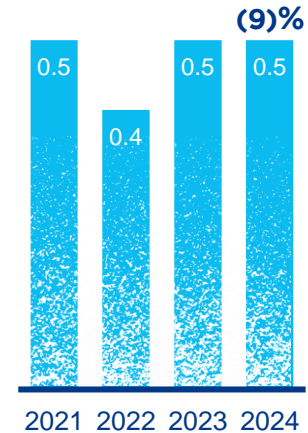
- Increased revenue, Underlying EBIT and margins
- Robust pricing; full recovery of input costs
- Operational excellence; disciplined cost management and self-help



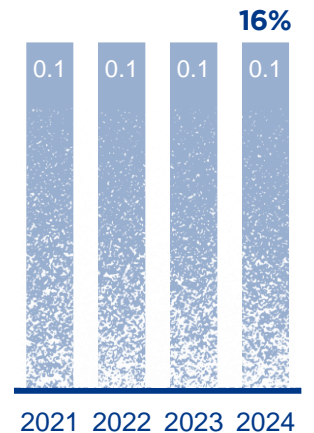
Aggregates
Million tonnes



Asphalt
Million tonnes



Concrete
Million m³



United States

Promising maiden contribution

Strong entry to the US

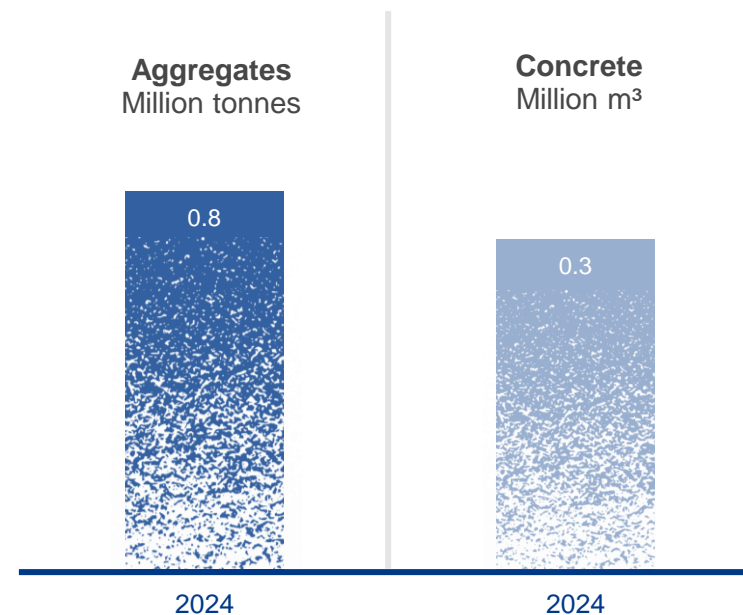
- Patient search for third platform has been rewarded
- Volumes growing; weather headwind offset by robust activity and healthy backlogs
- BMC performing ahead of prior year and plan; contributed promising Underlying EBIT performance

Integration progressing well

- Closely aligned culture; engagement off to a great start
- Implementing organisational structure to support sustainable growth model

Exploring more routes to market

- Carefully targeted capital investment; plant and equipment to sustain growth and meet additional aggregates demand



Cement

Challenging first half

Construction activity disrupted

- Fall in GB housebuilding activity exacerbated by poor weather conditions
- Volume decline; exposure to GB ready-mixed concrete partially offset by resilient market in Ireland

Strong margin performance

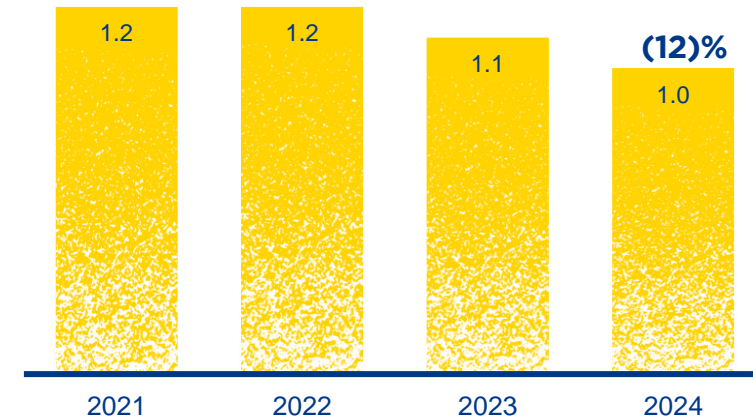
- Pricing progressed in both markets; supported by prior year tailwind
- Underlying EBIT; reflects impact of operating leverage
- Underlying EBIT margin; benefitting from lower energy costs

Exceptional operating performance

- High levels of operating reliability sustained; completed two kiln maintenance shutdowns on schedule and within budget
- Progressing multiple projects to drive decarbonisation and sustain operational excellence



Cement
Million tonnes





Outlook and summary

Rob Wood, Chief Executive Officer

Economic and political landscape stabilising



Growth expected in all markets from 2025

Outlook and Summary

Macro forecasts revised

Construction output forecasts revised down for 2024, up for 2025



Increasing political clarity

New UK Government appear supportive, government at Stormont resumed

Structural long-term drivers

Significant housing and infrastructure deficits across all three platforms



Healthy balance sheet

Highly cash generative model enables rapid debt reduction

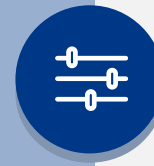


Strategic flexibility

Maintain progressive dividend, invest for growth, execute M&A pipeline

Factors in our control

Enhance operational excellence, maintain disciplined execution



Management expectations unchanged for the full year

Source: CPA & Euroconstruct macroeconomic forecasts.

Q&A

Breedon Interim Results 2024



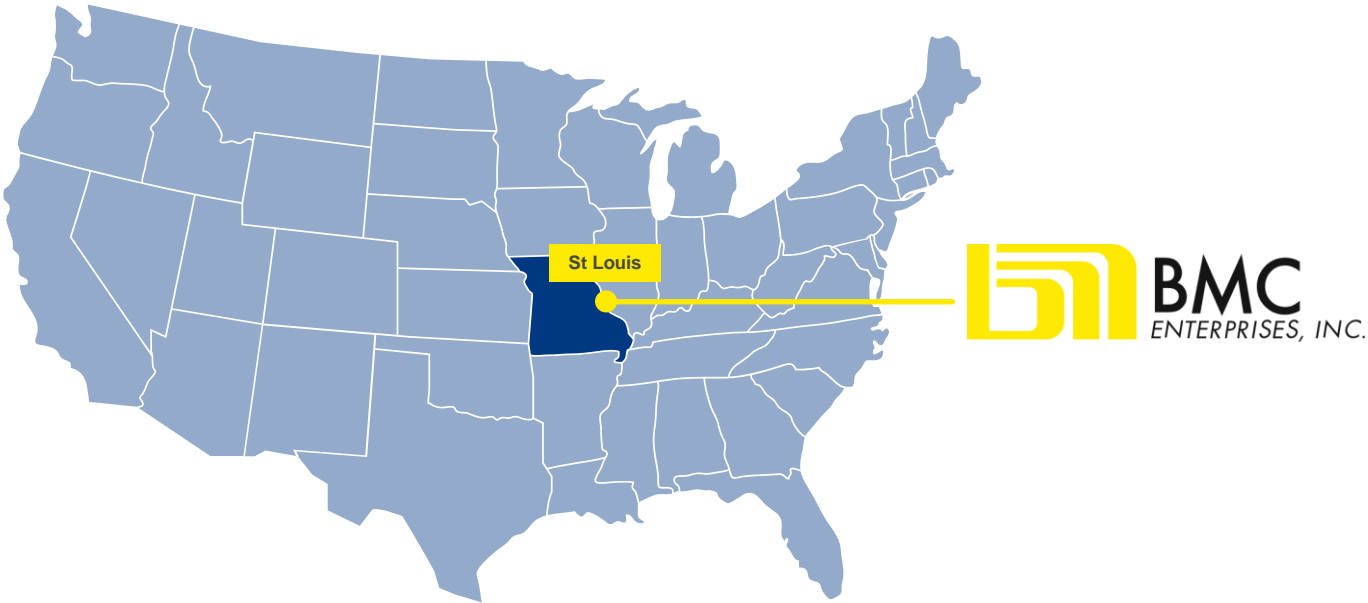


Appendix

Breedon Interim Results 2024

BMC at a glance

The beachhead for our US platform



Ready-mixed concrete

2023 m³: c.740k
Number of Plants: 44

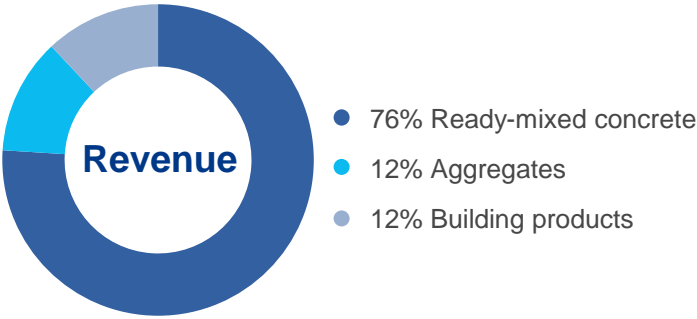
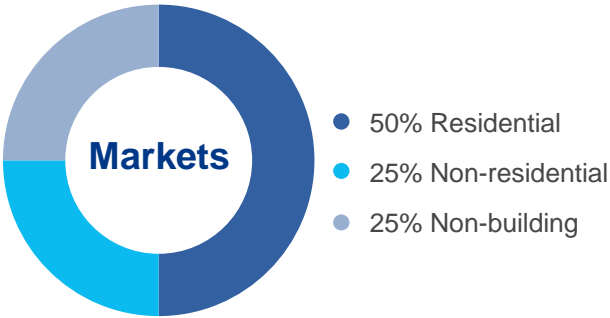
Aggregates

2023 tonnes: c.2.8m
Number of Locations: 12
c.400m tonnes reserves and resources

Building products

Number of Plants: 9

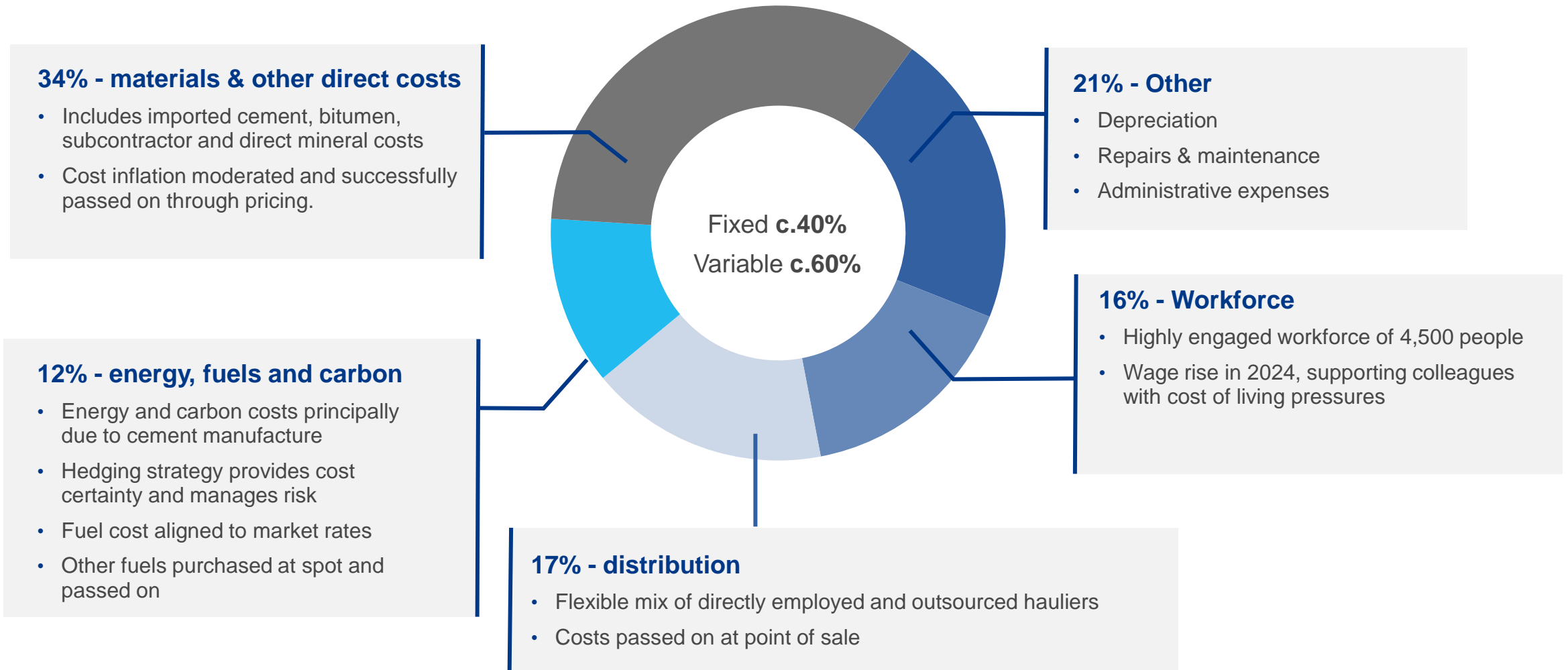
Sales mix



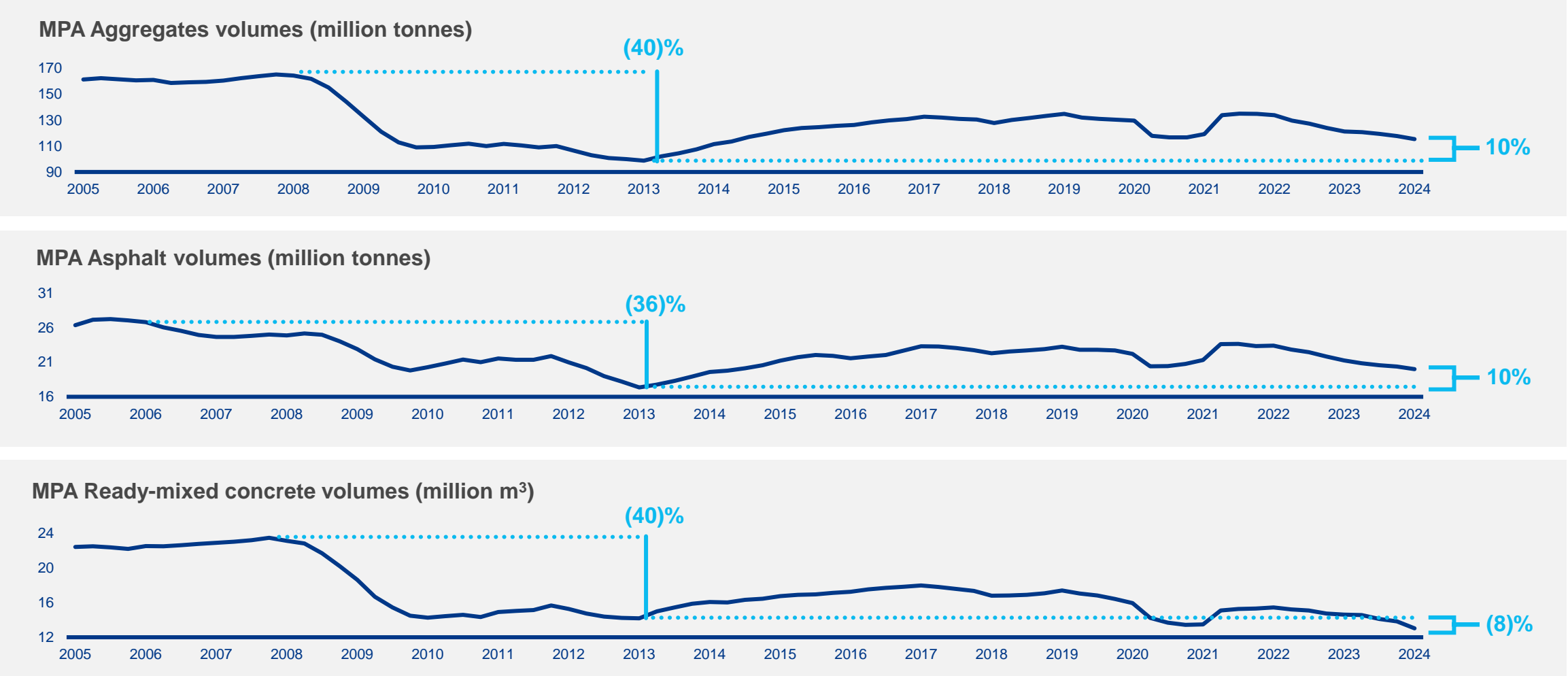
Disciplined cost management



Flexible cost base supported by forward hedging programme



MPA volumes



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.

Aggregates pricing outpaces inflation

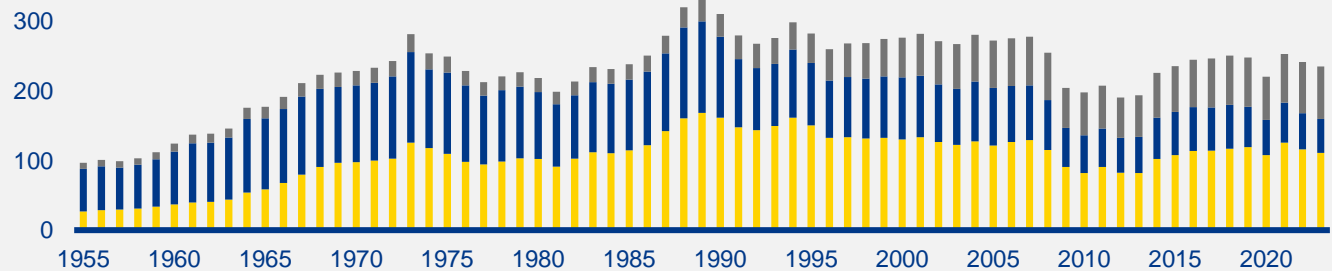


Asset base and local model provide a natural inflation hedge

Breedon reserves and resources
c.1.4bn tonnes



Aggregates markets by source of supply in Great Britain, 1955-2023
million tonnes



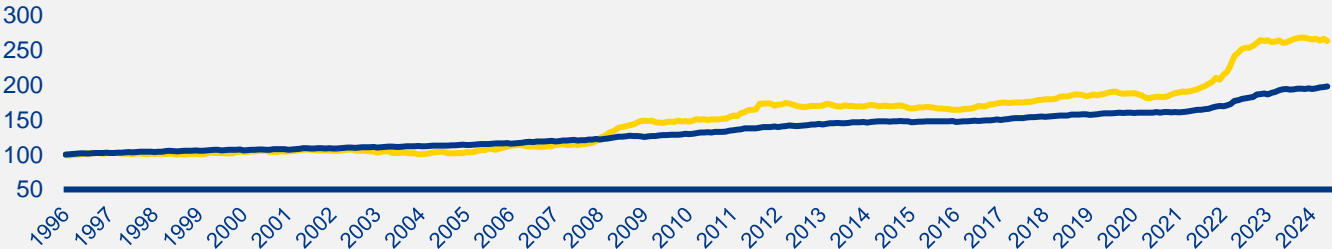
Crushed rock

Sand and gravel

Recycled and secondary

Source: MPA

Aggregates prices outpace inflation over time
indexed to 100 in 1996

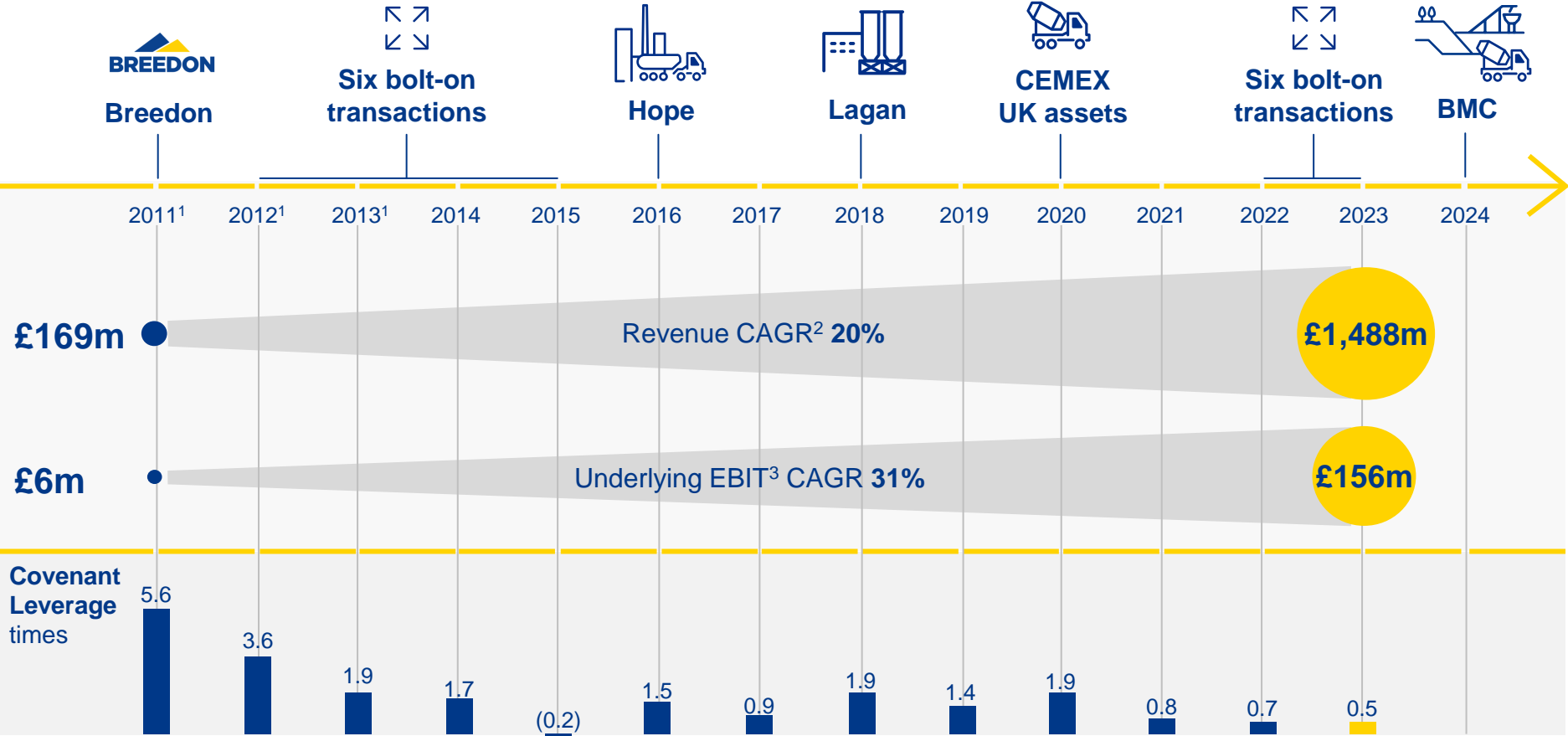


UK PPI: Other mining and quarrying products

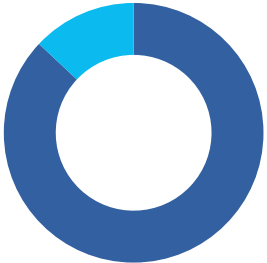
UK CPI Index: All items – estimated pre-1997 NADJ

Source: ONS

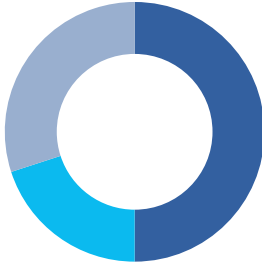
Track record of sustainable growth



1. 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.
 2. CAGR Compound Annual Growth Rate.
 3. EBIT refers to earnings before interest and tax and equates to profit from operations.



UK 87% RoI 13%



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

H1 2024 Income Statement



£ million	HY 24	HY 23
Revenue	764.6	742.7
Underlying EBITDA	118.1	112.3
Depletion & depreciation	(48.0)	(43.4)
Share of associate and joint ventures	1.5	1.6
Underlying EBIT	71.6	70.5
Net interest	(10.4)	(5.6)
Non-underlying items	(14.7)	(8.4)
Profit before tax	46.5	56.5
Tax at effective rate	(12.4)	(12.5)
Change in deferred tax rate	-	(0.1)
Taxation	(12.4)	(12.6)
Profit for the period	34.1	43.9
Statutory Basic EPS	10.0p	13.0p
Adjusted Underlying Basic EPS	13.9p	15.3p

H1 2024 Balance Sheet



£ million	HY 24	HY 23
Property, plant and equipment	896.8	790.5
Right-of-use assets	47.2	47.3
Intangible assets	681.9	519.4
Investment in associate and joint ventures	15.6	15.3
Inventories	126.7	87.1
Trade and other receivables	345.6	324.4
Total assets (excluding cash)	2,113.8	1,784.0
Trade and other payables	(330.3)	(323.8)
Provisions	(99.7)	(87.4)
Current tax payable	(0.4)	(1.9)
Deferred tax liabilities	(90.4)	(90.4)
Total liabilities (excluding interest-bearing loans and borrowings)	(520.8)	(503.5)
Net Debt	(472.3)	(220.4)
Net Debt excluding IFRS 16	(422.5)	(170.9)
Net assets	1,120.7	1,060.1

H1 2024 Free Cash Flow



£ million	HY 24	HY 23
Underlying EBITDA	118.1	112.3
Working capital and provisions	(63.7)	(40.9)
Net interest paid	(8.5)	(3.5)
Income taxes paid	(15.2)	(15.9)
Net capex	(40.9)	(31.9)
Other	0.6	0.7
Free cash flow	(9.6)	20.8
Acquisition of businesses	(248.7)	(11.1)
Dividends paid	(32.6)	(23.7)
Non-underlying items	(9.0)	(5.4)
Other	(2.5)	(3.3)
Decrease in Net Debt	(302.4)	(22.7)


Market consensus

Company compiled as at July 2024



2024

2025

	Average	Range	Average	Range
 Revenue	£1,641m	£1,603m - £1,674m	£1,737m	£1,711m - £1,771m
 Underlying EBIT	£174m	£167m - £182m	£190m	£185m - £200m
 Underlying basic earnings per share	33.1p	31.3p – 35.4p	36.9p	35.5p – 39.5p
 Net debt	£406m	£370m - £438m	£358m	£291m - £395m
 Dividend per share	13.7p	12.7p – 14.3p	15.0p	14.2p – 15.8p

We are making a material difference

