Breedon Group plc Capital Markets Event 2024

Breedon participants

- Amit Bhatia, Non-Executive Chairman
- Rob Wood, Chief Executive Officer
- Donna Hunt, Group Sustainability Director
- Anthony Thorpe, Director of Corporate Development
- Andy Arnold, Managing Director United States
- James Brotherton, Chief Financial Officer

Other participants

- Aynsley Lammin, Investec
- Bill Casey, Schroders
- Cedar Ekblom, Morgan Stanley
- Charlie Campbell, Stifel
- Christen Hjorth, Deutsche Numis
- David Robinson, Polar Capital
- Harry Dow, Redburn
- Ken Rumph, Goodbody
- Marcus Cole, UBS
- Robert Chantry, Berenberg
- Ross Harvey, Davy
- Sam Cullen, Peel Hunt

Presentation

Amit Bhatia

Good morning. Welcome everybody to the Breedon Capital Markets Day. In the lead up to this morning, of the different things that could have given Louise stress, the thing that caused the most amount of stress was the fact that she said she had more people that wanted to attend than we had chairs in the room. So I think that that's a great privilege to have for any company. And so we're very grateful to you all for coming here this morning and for giving us your support this morning.

So I'm the Chairman of the company. And it is a position that I hold with a great deal of pride. I've held this position for several years now. And pride, because as many of you in the room who I know, know that I'm very passionate about this business. I care deeply for it. But also pride because we've been on quite an incredible journey to bring us to the position that we are in today. And, it's not by any small chance that in the market where -- that has experienced declining volumes for three years, that Breedon today has continued to grow both its top and its bottom lines. And so I have a lot of pride in the journey that we've taken that brings us to today to this position of strength that we are in.

During the course of today, the plan is to try and inform you of what we think are the most important and most relevant parts of the business updates. As Louise mentioned, my various colleagues will come up and talk about different parts of the business. Rob will start with growth and evolution. There's a particular slide in Rob's presentation that I would really encourage you all to pay attention to and that talks about how Breedon has compounded its top, its bottom line over the last decade and a bit. And I think that that really shows you in a diagram Breedon's growth and the journey that we've been on. After that, Donna will come and talk to you about sustainability. Of course, a huge challenge for our business, a responsibility that we take very, very seriously. And we're excited to share all of those updates with you. Anthony will talk about M&A. As you all know, Breedon has grown both organically and through acquisitions and our approach to M&A remains incredibly important for us to get right, and we're excited for Anthony to share that with you.

Then we have Andy coming on stage. For those of you who haven't had a chance to meet Andy or John in the back. They are our fantastic new colleagues from the United States. As many of you know, we've waited a few years and looked for the right entry point for how to end the US market.

And I could -- I can say to you that we're incredibly thrilled with the BMC acquisition that we completed in April of this year, because not only does it give us the geographical expansion and diversity that we wanted for Breedon and not only I'm absolutely convinced, Andy, that we will perform very strongly financially. But what we've also found in BMC is a company that really shares the same cultures and the values as Breedon has, a culture where we look after the people that we work with, but that we also strive for excellence and we strive for growth. And so Andy will talk to you about the business, give you an update of how the business has performed to date. What you can expect out of the business going forwards and of course the opportunity set that exists in the Midwest for us to continue to grow the business.

Finally, James will come up and talk to you about our financial framework and our capital allocation policies. Again, two things that all of us on the board and otherwise take incredibly seriously, perhaps, however, the thing that you won't see on the screen today and that won't be in a presentation and for me that's the reason that Breedon is in a position of strength and confidence today, is because of the quality of the people that are in this organisation. That's hard to put up in a presentation or to show it in a cash flow, but what I'm here to tell you is that what makes Breedon truly different and unique and allows us to succeed is the fact that we have incredibly high quality and capable people in this business. And I think it starts right from the top. And Rob and in James, I think you have two incredibly committed and passionate leaders who have made sure that this business continues to progress and develop each year, year-on- year.

As a board, we really love getting out into the business. Clive is here and he can attest to the fact that every opportunity that we get, we try to get out in the business because we feel it's a way for us to understand really how people are feeling in the business, what opportunities are they seeing, what are their challenges and we're very lucky that the senior leadership team that were all introduced earlier always welcome us to come on site and interact a lot with the colleagues. And what I can tell you is that these leaders have created that Breedon, an environment where people feel respected, where they feel empowered, where they know that their work matters and they know they'll be appreciated. And it is that culture of looking after the people that we work with, yet demanding excellence, making sure that we all reach our full potential.

That's why I think Breedon is different and that's why I think Breedon is unique and I think that's why these like today, we can stand here with confidence about the platform that we have created, knowing that we are led by incredibly capable leaders and knowing that there is an opportunity set ahead of us that we've created for ourselves through hard work, through grit, and through passion. And so as I said in the beginning, I stand here with a great amount of pride because I think that Breedon is in an incredibly strong position today. And we are incredibly excited about the future and the opportunity set that will allow us to grow both organically and through acquisitions. So thank you all for being present. Thank you for giving me the opportunity to share some of those thoughts with you.

And with that, I'll hand over to Rob who will kick us off for the Capital Markets Day. So thank you all very much.

Rob Wood

Good morning and thank you very much for your words -- your kind words, Amit. You didn't share with me beforehand what you were going to say, but you couldn't have said something more complementary. And it's not about my and it's not about James, it's about team Breedon. I'm Rob Wood, Breedon's CEO, and I'm delighted to welcome all of you to our Capital Markets event today. Thank you for taking the time to join us. Over the next few minutes, I will update you on our business model, talk about our progress since our last Capital Markets event and revisit our evolving strategy before handing over to the team.

Before I do that, I want to tell you that Breedon is an impressive, strong growing and resilient organisation powered by outstanding people that I am proud to lead. Starting with our business model, I want to remind you who we are and what we do at Breedon. Breedon is a leading vertically integrated international construction materials group operating in Great Britain, Ireland and the US, supplying the essential materials needed to build the places where we live, work, play and everything in between. We have an outstanding track record of sustainable growth through M&A and organic development, which is outpaced our markets. We use our core assets to produce value added downstream products, pulling our aggregates and cement through to deliver asphalt ready mixed concrete and surfacing to the construction supply chain.

Our business model has three main facets. Firstly, our business is asset backed. The foundations of this are the 1.4 billion tons of minerals. And are two in well invested cement plants. Opening a new quarry or cement plant is challenging. Consequently, our asset backed model allows us to maintain our strong position in the markets in which we operate. Secondly, we supply attractive end markets such as infrastructure and housing. Across all three of our geographies, the fundamentals are underpinned by significant infrastructure and housing deficits. So we benefit from long term structural growth trends. Thirdly, we have a first class team.

Our people are our greatest asset. They are entrepreneurial and empowered and live our values of keeping it simple, making it happen, striving to improve and showing we care. Their engagement is outstanding 76% of our colleagues contributed to our last -- our latest engagement survey and told us that our overall engagement score was an outstanding 80%. They told us that they were proud to work for Breedon, that they were motivated to do a good job and they would recommend Breedon as a great place to work. They really do make a material difference and I thank them for all that they do.

Turning to progress since our last capital markets event. We left you with some key messages that day. We'd achieved a lot over the first decade. We had a clear growth strategy focused on sustainability, optimisation and expansion. Sustainability was front and center to everything we did and we were embedding a culture of improvement on transparency. We had a financial framework that underpinned our strategy. And lastly, we have the ambition to outperform and we're ready for the next chapter. I don't want to steal the team's thunder, but we really have achieved a lot since then. We have continued to deliver record revenue and underlying profitability year-on-year even in the face of short-term headwinds. We have taken significant strides forward in respect of sustainability. Not only in terms of progress, but also in terms of transparency. We've made good progress in respect of our financial targets and after significant due diligence, we have commenced the development of our third platform, the U.S. During this period, we also moved from AIM to the main market, a transition I believe more appropriately reflects our scale and maturity.

Before I pass over the team to put some meat on the bones, I want to revisit our strategy. As a reminder, when I took over a CEO in 2021, the message I gave in respect to strategy was one of evolution, not revolution. This is as true today as it was then. Our strategy has evolved further and in a nutshell is now about expand and improve. Expand is a combination of M&A and organic growth, improve covers replenishing our minerals, commercial operational excellence and innovation. These two components of our Breedon 3.0 strategy are complementary parts of a virtuous circle that result in a continuous process of enhancements. Everything we do is considered through the lenses of operating our business sustainably. Deploying our capital with rigorous financial discipline and leading our first class team and people. These lenses being represented by the three rings surrounding the circle on the slide. In summary, our strategy is unchanged and we are delivering against it. I think that's about it for me. I could not be prouder of Team Breedon and what they've achieved and could not be more excited about Breedon's future.

I'll now pass you on to the team who are going to focus on the and expand aspect of our strategy today and on the sustainability and financial lenses starting with sustainability. Donna.

Donna Hunt

Thank you, Rob, and good morning, everyone. I'm Donna Hunt, Breedon's Group Sustainability Director and I'm delighted to be here today to share with you the progress that we've made at Breedon to embed a credible and value adding approach to sustainability throughout our whole organisation. Over the next 15 minutes or so, I'll update you on the progress we've made so far towards each of our sustainability targets to 2030 and then I'll share with you what we're aiming for next.

Before giving you an update, though, it might be helpful to just remind you of what our sustainability framework looks like. So as you can see, for Breedon our focus is much broader than just environmental sustainability or CSR. So, we focus on a range of topics where we feel that we can make a real difference to our company, to our stakeholders and to our society. And we group these topics under the pillars of planet, people, places, and we underpin them with our fundamental operating principles. So in 2021 when we established this framework, we also set some targets to 2030 and over the past three years we've been making really good progress on these. Under Planet, our carbon reduction target is to achieve a 30% reduction from a 2005 baseline. And towards this, we've been focusing on improving energy management, switching fuels at our plants, including exploring the practical use of electric vehicles throughout our operations.

We've invested in several assets such as Mansfield asphalt plant, our Lisburn tile factory and always, as Rob said, with sustainability at the front of our investment criteria. And we further improved our industry leading levels of fossil fuel replacement at our cement plants. We're achieving a combined rate of around 50% alternative fuel usage and our modern plant in Kinnegad is close to 100% substitution at times. So through a combination of all of these actions that as at the end of 2023, the group has achieved a 24% reduction in gross carbon intensity per ton of cementitious product since 2025 -- sorry, 2005. I'm confident we'll be -- we'll have made even further reductions during 2024. Alongside our focus on reducing carbon, we've also made significant progress on biodiversity, so we've put double the number of biodiversity action plans in place than we'd originally set out to. Essentially, we're ensuring that whilst we decarbonise, we also maintain a focus on creating a positive impact on biodiversity and nature.

Moving on to people. So we've made really good progress on our target to positively impact 100,000 people by 2030. At the end of 2023, we'd already achieved over half of this target. And if we consider what we've achieved during this year so far, we now estimate we're closer to 70% of target. So we've made this progress through our continued focus on ensuring a diverse and inclusive workforce, our investment in apprentices, graduates and training. We've enabled our volunteer -- our employees to volunteer. We've donated over GBP1 million and many thousands of tons of materials to communities and charities. And all of our efforts are being recognised, both internally through the employee engagement score of 80% that Rob mentioned, and externally through the achievement of awards such as the Investors In People Gold Standard. In addition to our focus on our colleagues and communities, we've also concentrated more on our suppliers. We've got a group wide sustainable procurement policy and dedicated resource now in place to embed our consideration for sustainability across our supply chain too.

Moving on to places. We've done a huge amount over the past three years to make more of our products more sustainable. At the end of 2023, we'd essentially doubled the proportion of our concrete and asphalt products that have got sustainable attributes. And as we sit here today, I know that we've made even further progress during 2024. These improvements have been driven by investing in infrastructure that will facilitate the sale of sustainable products. For example, building this CEM II silos on conquering plants and improving the raft capacity at our asphalt plants. We've continued to focus on R&D and innovation around a range of more sustainable products, including a recent launch of a unique solar roof tile. And earlier this year, we launched our Breedon balance sustainable product range and I'll talk more about that later.

But finally, to make it easier for our customers, to make informed choices, we've published environmental product declarations on four of our core and we've achieved PAS 2080 certification enabling customers to reduce carbon emissions and costs on their projects. And on our progress on principles, which I'll just mention now, we've continued to ensure that our businesses run responsibly. We've put group level policies in place and we've linked remuneration to key sustainability KPIs. We've extended our best 6001 certification with over 240 of our sites now certified as being a responsible source of construction products. And we've maintained our constant focus on ensuring that we keep our people safe and well. And later on, you'll hear from Andy about how they're doing that in the U.S. as well.

Beyond our immediate operations, we've been actively collaborating with our stakeholders, influencing across the industry through groups such as the MPA, the GCCA on those challenges that are really big and cannot be tackled by an individual company, requiring significant collaboration across the wider construction, energy and transportation sectors. But when I spoke to you in 2021, it wasn't only to introduce our sustainability framework and targets, it was also to commit to improving our performance reporting and disclosure. We've reported a much broader range of assured credible data and we're pleased to have received AB score for climate change and AC score for water security in our very first disclosure to the CDP last year. In addition to the

CDP, we've broadened our other disclosures to now reflect a whole group. We were recently awarded AA by the MSCI and Bronze by EcoVadis, which means we're in the top 35% of all companies reporting.

So as you can see, Breedon has already taken lots of positive, sustainable action with our operational processes on our land, with our products, with our communities and now also on our broader reporting and disclosures, we're getting better telling people of attitude. Back in 2021, when we set our very first set of targets to 2030, we said that we would review these at the halfway mark and hopefully ratchet them up. And as you've just heard, we've made great progress across all three areas already. So we believe the time is right now for Breedon to upgrade our targets, let's start with planet. I promised that we would also develop new science-based carbon reduction targets. I'm pleased to let you know that as of today, you should see on the carpet on the Science Based Targets Initiative website that Breedon's near term, long-term and overall net zero targets have now been validated.

So we're accelerating our efforts to decarbonise, aiming now to achieve a 23.3% reduction in absolute growth, Scope 1 and 2 emissions and Scope 3 emissions from purchase clink and cement. Now this is not directly comparable to our previous carbon reduction target. And I guess the key points are that this new target is focused more broadly than just cement. It now covers the whole Group Scope 1 and 2 emissions. It also extends beyond our direct operations, and it looks to reduce the Scope through emissions from the cement and the clinker that we purchase. It's also an absolute reduction target and from a much nearer baseline year of 2022. So, essentially we're accelerating our decarbonisation efforts, aiming to achieve a reduction of over 400,000 tons of carbon by 2030, whilst at the same time growing our business and balancing our consideration of other sustainability impacts.

So to deliver these targets, we must be unrelenting in our focus on all things that can reduce carbon across the group. This will require a continued focus on operational efficiencies, fuel switching, trials of new equipment and technologies, ensuring that the clink is in cement that we purchase are lower carbon, more sustainable products, implementing large scale solar projects such as the one at Kinnegad that's coming online next year. Increasing the use of both alternative fuels and alternative raw materials and our investment in the ARM project that is due to be commissioned next year, will secure an internal supply of lower carbon, alternative raw materials for use at Hope. And of course, progressing the Peak Cluster carbon capture and storage project where Breedon is an active partner. And James will say more about this later.

Moving on to people. Our new target is to generate 500 million pounds of social value by 2030. Our previous target measured the number of people that were positively impacted by our actions, but for our new target, we believe that using an economic value is a more robust measure and one that our customers and stakeholders better understand. Using recognised financial proxies for each of the ways in which Breedon contributes social value also means that these can be independently verified and more easily compared. So, this new social value target is also more challenging for us, but a challenging target hasn't put us off before. So, we plan to progress this target by investing in new systems to measure the economic impact of our activities, working with local, small, and medium businesses, continuing to provide local and inclusive employment, enabling colleagues to volunteer in their communities, and continuing to make environmental improvements that benefit society.

Under our Places pillar. Earlier I mentioned our Breedon balance launch. As our customers are increasingly asking for lower carbon products, we believe there are several other important sustainability criteria that should be considered over a product's whole life, such as the increased incorporation of recycled or secondary materials, reduced water usage, enabling greater durability or longevity, and considering the impacts of biodiversity and ensuring ethical sourcing. This wider consideration of sustainability is captured within our Breedon balance proposition where products in this range must meet one or more of these six criteria. Our new 2030 target is for 50% of our downstream product sales revenue to be specifically from products within the Breedon balance range.

So not only does our new target now apply to a broader range of products, there's also a much more stringent qualifying criteria to be considered a Breedon balance product. We plan to achieve this target to 2030 by focusing on continued innovation, research and development and the trial of new products. And we'll look for opportunities to engage early with our customers to help them make better product choices. And we'll aim to educate the market and influence technical standards and specifications to consider these newer, more sustainable products. And underpinning everything that we committed to under those planet, people and places targets, we're also committed to maintaining a focus on our principles, ensuring that we'll continue to run our company responsibly and continue to disclose our performance transparently to our stakeholders.

So in closing and before I hand over to Anthony, I want to restate four points. One, we've made good progress on our previous sustainability targets and commitments. Two, we're upgrading our targets. Setting ourselves new targets to 2030 that are grounded in reality, each having a clear road map of actions that will help us to reach those targets. Three, our efforts continue to be focused on delivering benefit that extends beyond our own operational boundaries, with a consideration for our customers, wider society and nature too. And four, we're committed to continuing to embed a consideration for sustainability throughout our organisation and reporting regularly and transparently on our performance. It's a really exciting time to be at Breedon and be part of driving this continued progress. And as Rob mentioned earlier, sustainability really is a key part of our strategy. And as you'll see from a short video that will be up next, it really is woven throughout all that we do. So overall, we are well positioned to achieve additional value for our company and for our wider stakeholders in the coming years. Thank you.

(Video Presentation)

Anthony Thorpe

Thank you, Donna, and hello. As Breedon's Director of Corporate Development, it's a pleasure today to share some insights into the expand pillar of our strategy. M&A activity is firmly embedded in Breedon's corporate DNA with an excess of GBP1 billion of capital deployed on over 25 acquisitions since 2011, building our platforms in Great Britain, Ireland and most recently the US. Before giving some more specific details of our priorities for the coming years, I think it's helpful to just recap on why we view M&A as a driver of shareholder value in the first place. Simply put, we believe that acquiring the right assets and integrating them into the Breedon model can generate greater financial returns for our shareholders and more rapidly than organic initiatives alone.

Synergies with our existing assets and access to our expertise helps us to improve the businesses we acquire, while alongside their physical assets, acquired companies bring with them new people with new ideas, relationships and expertise, and we're really pleased that some of those people are in the room as part of today's event. Acquisitions often also unlock opportunities for follow on investments in our organic growth, generating higher returns and at lower levels of risk. And while it's important to acknowledge that a bigger business is not in itself a better business, we do see significant benefits from our scale. These include operational and cost efficiencies, the ability to leverage our larger customer relationships across multiple regional markets and products. And it also makes it easier to invest in areas such as sustainability or digital transformation, which improve our overall business but can be more commercially challenging for smaller organisations. So in summary, we see our expand priority as a route not just to a bigger Breedon, but to a better one.

During our last Capital Markets Day in 2021, we spoke about our M&A priorities at the time with particular emphasis on the search for a third platform, which are then recently commenced. Three years later and we've delivered this through the acquisition of BMC Enterprises. And Andy will be talking to you next about some of what makes his business so attractive. This is therefore an opportune time to set out our updated strategic priorities for M&A which are one, to scale our US operations two, to improve our business through targeted vertical integration. And three, to invest in additional aggregates anywhere that we are.

So what do these priorities look like in practice and why do we think they're the right areas on which to focus our efforts? Starting with the US, the why is easy. You'll hear some more detail about the US markets later, but in summary, the macroeconomic and business environment is hugely supportive. With construction growth easily outpacing that offered in any of our other platforms, this combined with a fragmented construction materials market containing a high number of independent operators provides our most significant opportunity to source high quality assets at fair valuations that grow and improve our business. What this looks like is also straightforward. BMC is now our platform in the US We'll build out from here, initially within Missouri and into the surrounding states. We're now open to a wide range of transaction types, including asset carve outs and smaller deals, which would not have been suitable without the benefit of an existing platform. Over time, we'll look to diversify the product offering into something more reflective of the wider group. Specifically with asphalt and surfacing. Where we can leverage our existing expertise from here, you should expect primarily bolt-ons with the possibility of one or two larger deals in the coming years.

I'd like to turn next to vertical integration, which presents opportunities across all three of our platforms. As Rob outlined earlier, our operating model is underpinned by aggregates and cement. These are our most profitable products. Our downstream offerings such as asphalt, concrete and building products, a value added and profitable in their own right, but also pour through our core products to end markets. This provides value through the cycle. When the overall market volumes are softer, vertically integrated operations provide resilience through offering those additional routes to market. And when volumes are buoyant, the security of guaranteed supply through our own plants that we control ensures we can scale production to meet how customers needs.

This slide summarises just how powerful this pull through effect can be. So if we sell those 3 million cubic meters of concrete and 4 million tons of asphalt like we did in 2023. And if that takes all of our own cement and aggregates, we would have already sold through our internal market the greater part of 1 million tons of cement and 10 million tons of aggregates, equal to approximately 40% of annual sales for those products. Finding assets which are suitable for vertical integration, which either help infill or help expand into adjacent geographies can therefore deliver excellent returns in a short-time period and often for relatively modest investments. A great example of this is Thomas Bow, a regional servicing business service in the Midlands of the UK, which we acquired in 2022 for GBP5 million. Their operations have benefited from being a part of Breedon's surfacing business, which is in part reflected in their excellent subsequent financial performance.

On top of this, they've also acted as a route to market for GBP9 million worth of materials from Breedon sites during 2023, providing a significant additional upstream contribution. Thinking about what this looks like for our media terminate priorities, the opportunity is different across our various products and platforms. For ready mixed concrete, we are for the most part well represented in the Great Britain market but are underrepresented in Ireland and have an opportunity to expand into adjacent geographies in the US. Asphalt and surfacing are well covered through GBN Island, although Bolton opportunities do remain and as I have mentioned this is an especially active area of focus in the US. Building products presents an opportunity in all three of our platforms and we have a strong preference for those operations capable of pulling through either aggregates or cement, but ideally both. So if we can continue to get this right, and we think that we can, acquisitions in this area will be a critical lever to help optimise our existing asset performance and drive margin improvement.

Finally, our third priority. We are aggregates led and so will always be interested in aggregates anywhere that we are. We often talk about aggregates as the lifeblood of our business, with the need to replenish the reserves which we extract each year to secure continuity of production over the long-term. Even for a business like ours with significant experience in working through the planning and permitting systems, permission for Greenfield quarries is rarely granted. The most cost effective way to add reserves is almost always through expanding our existing quarries. But where this is either not possible or where we have greater growth ambitions, this is complemented by selective transactions for high quality aggregates. And even a small aggregate deal can have a significant platform effect as once we have access to reserves we can often deploy follow-up organic capital for co-located concrete and asphalt plants. As aggregates markets are local, there is scope for expansion into adjacent markets even where the map might look relatively full. And this means that we will continue to have an interest in Bolt-on deals anywhere where organic investment isn't the most suitable way to grow our reserves. Although our primary strategic focus will be on those geographic areas where we are underrepresented in all three platforms.

Having outlined our three areas of strategic focus, I would now like to touch on a few aspects of how we execute this in practice. First, our pipeline bolt-on deals represent the largest number of individual opportunities for us and are typically straightforward transactions at less demanding valuations. A high proportion are off market based on local relationships with both Britain and BMC seen as trusted custodians of businesses, which in some cases will have been built over generations. Although timing of any individual deal is always outside of our control, we see a steady stream of these and our ambition remains to complete several each year. At the other end of the scale, transformational M&A has to date delivered some of the most significant step changes in the growth of our business and represents some of the most exciting opportunities in our pipeline.

Commensurate with the size of each individual opportunity, the number of potential transformational transactions is significantly fewer than for bolt-ons. The processes are more competitive and the deal is more complex both to execute and through subsequent integration processes. For a GBP300 million plus deal, we would likely need to part finance through an equity issue and therefore only the most compelling opportunities will make it through our process. Secondly, I think it's helpful to share a little on what it takes for a business to meet our criteria. Regardless of deal size or which element of our strategy it helps to advance, our fundamental process is the same. Having identified a prospect, we undertake an initial screening to assess its suitability across a range of factors. We have a low tolerance for speculative transactions, so targets must be profitable and cash generative with attractive growth prospects in supportive markets, non financial factors also form an increasingly significant part of our thought process with a focus on people and culture as well as the impact on our sustainability ambitions.

And as we integrate the businesses we acquire, so forming an early view of the relative complexity and the potential for synergies is also important for us to understand. The ultimate outcome of this is to arrive at a reasonable offer for the business. We derive this primarily from a discounted cash flow model with strict criteria as to minimum returns, which must be based on conservative assumptions. In terms of where this leaves us with valuations viewed through an EBITDA multiple lens, I've just recapped some of the multiples we have paid for our larger deals to date.

With regards to the future expectations in the U.S., as you'll be aware can trend slightly higher than this, but where this is underpinned by real assets and long-term growth markets, a modest premium is understandable. While we acknowledge this, we will not overpay and over the last six months have chosen not to proceed with a number of processes where in our view expectations around multiples had become excessive and we will remain disciplined in this area. Finally, we get a lot of questions about how we will finance our future growth. So I wanted to finish with some comments about our deal capacity. As a reminder, our existing facilities comprise both syndicated bank debt and a USPP program allowing rapid access to further debt funding from diversified sources as required with leverage rather than liquidity, the natural financial constraint upon our growth.

I have touched earlier on our belief that transformational transactions would likely require an element of equity funding to maintain our leverage at appropriate levels, but for bolt-ons and platform deals we have significant capacity to invest from our balance sheet. We are a profitable business generating consistent post dividend cash flows, which we are able to compound through reinvestment into our future growth. Our leverage at around 1.5 times EBITDA is modest and we have over GBP200 million of unutilised facilities to fund growth in the short- term. As a result of our compounding cash flows and access to debt capital, we believe that from this starting point, we can invest an average of GBP150 million to GBP175 million each year into acquisitions while remaining at around 2 times leverage and without the need for additional equity funding.

So that's about it from me. I've talked about our three M&A priorities, why they make sense to us and what you can expect to see in terms of execution over the coming years. What I hope comes across from everything I've said today is what a genuinely exciting time it is to be working at Britain as part of the team delivering this. We've come a long way since inception, have a great track record, but looking at the size of the opportunity across all three of our platforms, but most especially the U.S. I believe our most exciting days lie ahead.

And on that note, it's my pleasure to hand over to Andy, the Managing Director of BMC, to talk to you about USA. Thank you.

Andy Arnold

Good morning. Thank you, Anthony. I appreciate it. I'm Andy Arnold, Managing Director of BMC Enterprises, newest member of the Breedon team and first time presenter here on the street.

Please watch this short video giving an introduction to BMC.

(Audio-Video Presentations)

I appreciate you joining us here today. In the next several minutes, I will give you a glimpse of BMC today, our cultural alignment with Breedon, an overview of the Midwest as we define it, and Breedon's future in the US. In recent years, you will have heard Rob talk about Breedon's entry into the US requiring a beachhead. This map of our sites shows not only where we are located, but how well positioned BMC is a starting point for our expansion across a highly fragmented Midwest. As you can see, we are primarily located throughout Missouri with a few locations in Northern Arkansas and several in Southwestern Illinois. All of these locations are supported out of our headquarters just outside of Saint Louis in Clayton Missouri shown in red. Like Breedon, we have a great team. We operate a vertically integrated model and we have the top three position in each market where we operate. We have 580 colleagues operating our assets which consist of 12 limestone quarries and sand and gravel operations, 44 ready mix concrete plants and 10 building material locations. Building materials consists of concrete block and precast production and resale masonry products.

I'm happy to report that included in the building products number is the two block plant bolt- on transaction that we completed in October, of building products incorporated in Southwestern Illinois. As I told my team, this is the first of many to come. You will see we are driven primarily by residential construction, but we serve all segments of our markets. In terms of sales revenue, we are driven by ready-mixed concrete, although the aggregate and building material product lines have been on the rise. The next four slides will develop the similarities between BMC and Breedon cultures and how they align and complement each other to produce a strong unit. BMC is made-up of many local businesses that were previously family owned. As a result, our overall business has a very entrepreneurial feel to it. I'm proud of the strong senior team and engaged general managers that we have in place across our entire market.

While strategic direction comes from the central leadership, the local leaders are empowered to run the day-to-day operations of their unit and feedback ideas. Just as in GB, in Ireland, our teams are plugged into their local markets. They identify opportunities to grow both through M&A and organically. As a leadership team there are very few layers and the decision making process is agile and happens quickly. Being so closely aligned in our values and culture has had real benefits already, we have been welcomed into the Breedon group and the integration has been rapid and smooth. Not only has our close alignment enabled us to continue to execute our deal pipeline, it has accelerated our capital investment. We are investing in crushing and plant capacity at three of our larger quarries Wright City Fruitland and Bonne Terre. So we can respond to higher demand, which will enable us to increase aggregate production.

One of the most important ways we are similar to Breedon is in recognising the importance of safety in our business and for our teammates. We are already in the process of beefing up our safety team and procedures at the time that Breedon reached out to us to begin discussions. We had identified a gap in the need to invest in staffing to drive the improvement in our safety practices we wanted to put in place. I'm really proud to say that our every member of our team has embraced the increased focused and requirements around safety. We have implemented changes in procedures, put in place safety features to protect our teams around plant and equipment there. These are the quick wins and we are seeing the benefits already in terms of reduced losses. Our lost time days has have seen a significant reduction already this year. These are the great first steps, but we will not be satisfied until we send all of our people home safe and well each day.

So, in January, we are beginning the rollout of the Breedon Five Alive rules to align with the rest of the group and change behaviors and cultural expectations throughout our US business. We have added a long time Breedon employed to BMC team to drive the operational and commercial side of our ready mix concrete and concrete products businesses. We are delighted to have him on our senior team at BMC and additionally we look forward to benefiting from the insights that he has as to help Breedon operates safely and sustainably in the UK and Ireland.

Another important area where BMC and Breedon are in alignment is sustainability. We have adopted many technologies that will help us align our business to the Breedon sustainability goals. The first is that we have transitioned all of our cement usage to CEM II with a minimum of 10%

limestone filler replacement and all cement used, one of the patented technologies that we have injects CO2 into fresh concrete during mixing. This eliminates the CO2 for eternity. The technology also allows us to reduce our cementitious usage and cut our carbon emissions by up to 5%. We have produced over 1 million yards of concrete since expanding this technology to 10 of our concrete operations. That is more than 130,000 truckloads of concrete delivered using this technology, or equivalent to 10,000 acres of forest absorbing CO2 for one year. We are currently discussing the plausibility of using this technology in Great Britain. Additionally, we use mixed design optimisation tools and software technology to identify opportunities to optimise mixes further, and efficient dispatching software allows us to optimise our travel time to and from projects so as to burn less fuel.

Finally, Breedon and BMC have been on a similar path in completing many transactions since 2013. At BMC, we have delivered 18 transactions in the past decade and there are many opportunities to continue this strategy. These opportunities will be discussed shortly. Over the past decade, we have built a strong platform and a top quality team. We have more than tripled revenue and growing our EBITDA by CAGR of 22%. This is just the beginning and this is what I would like to talk to you about next. So now that Britain has a culturally aligned U.S. beach head, how do we expand our current footprint and what qualities are we looking for to support our future growth. We are seeking aggregates led businesses with the potential to integrate vertically. We are targeting states where the market is fragmented and can offer us greater end market diversification, increasing our exposure to infrastructure, which is structurally under invested. Also, we will continue to strengthen our position within the markets that we currently serve by investing in market consolidation and product line expansion.

Midwest material consumption is driven by long-term structural growth drivers. As this chart demonstrates, aggregates and asphalt have greater exposure to non-building, a term which you may recognise as equivalent to infrastructure and end market which has been under invested for many years but now has long-term federal and state funding in place and is typically less cyclical. Ready-mix concrete has a more diversified and market exposure. And benefits from a material housing shortage estimated at between three to five years across the country. Non- residential construction growth has been driven by the reshoring of manufacturing supported by the CHIPS and Science Act funding, while the shift to home working and online shopping is driving the need for data centers and big box distribution centers, all significant consumers of concrete.

With lowering interest rates and strong funding from the federal government, we anticipate good growth from all these end markets over the coming years. BMC is well positioned to take advantage of this rising Midwest market where there are an average mid term growth rates of 9% for residential, 14% for infrastructure or non-building and 1% for non-residential. The non-residential is being impacted by the current higher interest rates in our markets. On this slide, we have called out the states which we are already present, but also the regions we are targeting. These are the states we define as the Midwest, Missouri, Iowa, Nebraska, Kansas, Arkansas, Tennessee, Kentucky and Southern Illinois. Soon after Breedon completed the acquisition of BMC, we conducted a demand and supply analysis of the Midwest. As you can see, the combined GDP of these eight states is roughly equivalent to that of the UK at around $3 trillion. But while the combined GDP of our target markets is comparable to the UK, the annual aggregates production in the Midwest is more than double at over 400 million tons. There's a simple reason for this, relative scale.

Consumption of construction materials per capita in the US is roughly 2 times that of the UK. To put that into context, the average square footage of a UK home is roughly 900 to 1,000 square feet. While in the US, it is about 2500 square feet. This whole region is historically less volatile than the coastal areas of the US and currently has a high level of fragmentation allowing for many acquisitions and consolidation opportunities. For all these reasons, this is the geography where we will concentrate our efforts to grow the BMC business. As I just mentioned, the Midwest is historically less volatile than the coastal regions of the US and as I understand it also less volatile than the UK.

This next slide shows the historical demand for materials in the Midwest. In the medium-term forecast returning to levels prior to the global financial crisis in 2008 through 2010. As you can see, aggregate demand dropped by 15% during the financial crisis and within the next few years all product lines, aggregates, asphalt and concrete are expected to be back to more normal levels produced during prior to the global financial crisis. Not only are the markets we are targeting significant consumers of construction materials and forecasted to grow in the medium-term, as you saw in Anthony's slide, there are also fragmented with a high proportion of independent suppliers.

The next few slides demonstrate just how fragmented each of our target markets are. The consolidation opportunity is greater in some than others and very dependent on the product type. Overall though, you will see there's an abundance of small and large independence that provide us with opportunities to consolidate the Midwest in the coming years. The first chart focuses on aggregate production and ownership type in the Midwest, which we have broken down by large independent, small independents and global national majors like Vulcan, Martin Marietta, CRH, et cetera. You will see that overall roughly half of the aggregate produced is by small or large independence. This provides a lot of opportunity for consolidation in the Midwest. We are currently evaluating opportunities in multiple states shown on this slide.

As you see in this slide, the fragmentation is even greater in the asphalt and resurfacing product line with only 25% being global or national majors. There are many opportunities to consolidate in all Midwestern states. As for ready mix concrete product line, you will see that the level of consolidation in the Midwest is even lower than that of the aggregate and the asphalt product lines, of the total Midwest market share only 8% is produced by national or publicly traded companies, as you can see opportunities abound and we feel that we have the team and operating model to get the most out of these acquisition opportunities.

Shortly after Breedon completed its acquisition of BMC, I was asked by Rob what I think we can achieve in the US. With the massive amount of opportunities that exist to consolidate in the US and the strength of my team, I'm confident that the business can be as large as combined Great Britain and Ireland businesses within the next five to 10 years. Thank you for taking the time to listen to me talk about my passion, which is growing Breedon's business in the US. My CFO, John Crumrine and I will be around to answer any questions you may have after the event.

And now I will hand you over to the gentleman that will find all the money for all this growth that I just mentioned. James Brotherton.

James Brotherton

Good morning, everyone, and thank you Andy. It looks like I may need to locate my checkbook. So, I wanted to start by reminding you all of the conscious efforts we've made in recent years to link our group strategy more directly to the activities of our colleagues day-to-day. And our financial framework plays an important part in that linkage in terms of how we drive our decision making. As you know, our strategic aim is to improve the business through a combination of organic and acquisition-led growth that prioritises returns on investment and cash generation and is underpinned by a strong, well-invested balance sheet that maximises our opportunity and our flexibility.

And there are a number of different considerations to be taken into account as to where and as to why we allocate our capital including of course how we go about delivering a more sustainable Breedon. So, it remains important to stress that we consider capital allocation through various different lenses and not simply as an exercise that is dependent on the generation of short-term financial returns. As you will all be aware, our industry historically has had a tendency to favor procyclical which over time erodes, returns and leads to value destruction. For Breedon, however, investment remains a key differentiator and I think it's really striking that despite the more challenging markets of recent times, we have continued to invest across our business such that we are in a position to take advantage of market recovery as and when it comes.

In particular, we have maintained our focus on reserves and resources to maximise the value and the opportunity that our incumbency gives us. In some instances targeting contiguous parcels of land at our existing sites and in others executing on plans that allow us to access fresh resources. Such as at Dowlow in the Peak District. Over the past three years, we have prioritised upstream investment, including new and refurbished asphalt plants, primary crushers and cement mill drives. We've increased our tile manufacturing capacity and work to make our business more sustainable, including the GBP25 million alternative raw materials project at Hope as well as the solar farm project at our Kinnegad site in Ireland. And we continue to work with our peak cluster partners to evaluate the likely costs of carbon capture and storage at Hope. And we remain confident that the near-term investment requirements are manageable within our existing OpEx and CapEx envelopes. And I hope to be in a position to update you all in more detail on the likely spend profile for the peak cluster at the time of our full year results.

As you will recall, the longer-term commitments out to 2050 and beyond depend on technological advances, commercialisation of industry wide solutions and probably lend themselves to a project finance solution. And Anthony has spoken earlier about our approach to M&A and how that links into our overall financial framework. And it's this proven model of capital evaluation and deployment that allows us to target profitable growth improvements to our return on capital and provides us with that balance sheet flexibility to move quickly when opportunities present themselves. And in turn, the excess capital that we have generated allows us to achieve our target dividend payout ratio and to operate comfortably within our covenant range.

In 2021, we set out how we would look to measure success over a three to five year period and we've reported that each results meeting since on our progress against these targets. Over that time, we've consistently outperformed our markets, have generally improved our returns, have met our target dividend payout ratio ahead of schedule and managed our leverage down from 1.9 times at the end of 2020 to half a turn coming into this year. And it was that cash management that gave us the opportunity to acquire BMC off the balance sheet.

I'm not unhappy that our free cash conversion has tended to be lower than our target over that period. Our operational cash generation during this time has remained extremely strong with consistent reliable working capital performance and our credit and commercial teams have excelled in managing through a tricky period that has seen a number of high profile industry insolvencies, particularly in GB. And where we have fallen short of our target conversion rate, it has been down to specific and identifiable reasons such as the acquisition of carbon credits or the acceleration of our capital investment program. Where perhaps we are disappointed is in our operating margin, which has fallen short of our target range of 12% to 15%, reflecting the negative drop through of the volume declines that we've seen over the past few years, most notably in GB, our largest business.

So this financial framework has served us well over the past three years and I believe has continued relevance for the group going forward. As you would expect, we will continue to target profitable outperformance across each of our markets. And as those markets recover, I would expect to see a broad-based expansion in our volumes and the associated drop through should make see us make progress back towards that target range of a 12% to 15% net operating margin. Illustratively, if our GB business was to see volume recovery back to 2021 levels dropping through at 27%, which as you know around the midpoint of our drop through expectations and the margins in our other divisions remain broadly constant. This would deliver a 12% net operating margin for the group.

We're also introducing for the first time a formal EBITDA margin target range and I expect that over time EBITDA will become our primary measure of operating performance. Our cost of borrowing is directly impacted by the levels of EBITDA we achieve as is our covenant compliance. EBITDA multiples are predominantly used in M&A transactions as a cross reference to value. And our international comparators particularly those based in the United States utilise EBITDA performance as their primary profit metric. And for reference, our 2023 underlying EBITDA margin was just over 16%. Now free cash flow is a post-tax measure and as you are aware, our group tax rate in recent times has increased materially through a combination of higher UK tax rates, the impact of global minimum tax legislation and now our exposure to the US. So our free cash conversion target going forward will be slightly lower than previously at 45%.

And we will maintain our flexible, conservative and adaptable balance sheet with a leverage target of between 1 to 2 times. We're retaining our target for post-tax returns on invested capital at over 10%. And again increased volumes with the associated margin recovery in our markets should see us make some quite rapid progress here. And you'll recall that back in 2021, we saw a significant expansion in ROIC on the back of a step up in volumes. And we've now reached that target payout ratio of 40%. And so I would expect other things being equal that our distributions will remain broadly at this level going forward, but with our aim being to progress the dividend year-on-year from here. This is a balance suite of metrics that has served us well and we believe provides

a clear articulation of how our financial framework should link and lead to performance. We are not, and we never have been, slaves to our targets, but in every instance we want to analyse, reconcile and understand the root causes of our performance.
Such that we can improve our business. And successfully deliver Breedon 3.0. Thank you.

And I'd now like to hand back to Rob to sum up.

Rob Wood

Thank you, James. Now that you've heard from all of us, I would like to draw the formal part of the event to a close, But before I do so, I want to take the opportunity to recap the key messages from today. We have a track record of delivery. We have an asset backed business model offering attractive exposure to long-term growth markets. We have a great team and we have a clear strategy Breedon 3.0 to expand and improve the business.

So what will Breedon look like in the future, you may ask? As Donna told you, we will be more sustainable and we now have upgraded targets to track performance. As Anthony shared with you, we have a clear M&A, we have clear M&A priorities to complement organic growth. In BMC, we have our US beachhead and a great opportunity to build out a platform in the Midwest. And in Andy and John and their management team, we have the ambition and the capability to do this. Their goal to build out a business of the scale of our GB and Irish businesses is shared by me and the board. It is ambitious, but in the context of where Breedon has come from, is the right level of ambition.

And lastly, we will deploy our capital with discipline and will only do so within the financial framework James has set out. If you ask the supplementary question, it might be so what scale could Breedon get over the next five or 10 years. I do believe that given all our aspirations across our three platforms, we have the potential to at least double the size of Breedon within the next decade. In the summary, as I said earlier and a number of the team have also said, I could not be more excited and we could not be more excited about Breedon's future. Thank you.

We now welcome your questions following this morning's trading update. Please can these be restricted to the content of this capital markets event? Thank you.

Questions and Answers

Q – Ross Harvey

Hi, Ross Harvey from Davy. Thanks for the first question. Thanks for the presentations, they were very good. So my first questions in relation to the US. And I guess one of the points that comes up quite regularly is that everybody's looking at the US, the majors in the US, the majors here, Cemex everybody's looking at assets. So I'm just wondering in your experience, is the competition as intense in the Midwest or do you think you have a competitive advantage maybe from knowing a lot of the businesses in the states closed due to what gives you that advantage as you continue to scale up?

And the second question is more broadly, maybe frankly on the M&A side, it sounds like building products is coming more into focus and it feels like cement is definitely out of focus. Maybe you'll clarify on that. I know in Donna's presentation there is now an absolute target on emissions. So does that really out of anything on the cement side that would feed into the other operations?

A - Rob Wood

Okay. Thank you for those. Andrew, are you happy to pick up the first one.

A – Andy Arnold

Absolutely, thank you. My answer to you is that it's both. Yes, we do have a lot of very good relationships in our markets in which we operate and with other industry players because of our involvement in the National Association. So our relationships help us to gain opportunities at one-on-one transactions that don't go to market. But certainly, there is a lot of competition for the larger transactions that do cause higher multiples and more competitive situations. So we feel confident though, given the fragmentation that we can excel in that first area with our relationships to be able to grow significantly.

A - Rob Wood

Do you want to talk about, yeah, the business product side of things, Anthony?

A – Anthony Thorpe

Yeah, sure. So I think sort of to go back to the slides, we said that we want things that are complementary and to us that means they're pulling through either aggregates or cement, but but ideally based and I guess that's where our sort of primary focus is going to be. I think for cement you -- as you correctly observed, we've not spoken about it because it's not a primary focus for M&A. I don't think you can ever rule anything out for the right opportunity, but I think anything that we did do, we've been looking to decarbonise at a similar pace to our ambitions in our UK and Irish cement businesses.

A - Rob Wood

Yeah. And I'll add to that -- on this. When we talked about the beachhead and we talked about the US, we said we wouldn't be cement led. We never said no but the priority has been and continues to be on vertically integrating it in the non-cement space but it's not a no.

Q – Christen Hjorth

Christen Hjorth from Deutsche Numis. Thanks very much for the presentation. A couple of questions. So first of all, just on the peak cluster initiative, James, I know you pointed to maybe providing it a bit more colour on the costs going forward. I won't ask for that now, but just the idea of potential returns on that cost and whether you'd expect to make a 10% ROIC is that something where you potentially take a haircut and related to that, it looks like there's a big step down in carbon point from 2030. I assume that is the peak cluster coming through.

And the second one, I suppose, is just more on culture really. I mean, Breedon's been a very local business growing from quite small and that local focus has been very key. How do you maintain that as you sort of expand, I suppose, into the U.S.? You're an island as well to those two from me, thanks.

A - Rob Wood

So, James, do you want to pick up the peak cluster?

A - James Brotherton

Yes, so. I think it's a bit early to fully articulate how the peak cluster is going to pan out, we are still at the in the stages of negotiating the contractual arrangements. The initial commitment is really about the funding that will enable the project to move through fed and move through feed and that's where the focus is. But we definitely believe that decarbonisation can be achieved through carbon capture and storage in a rapid manner so such that it is achievable over the time frames that would need to be in place for it to be operational in time to deliver the savings by 2050. But I think as importantly we think it will be sufficiently attractive to attract levels of investment that would make a financial return, an attractive financial return at that.

A - Rob Wood

On the cultural side of things and keeping the focus, I mean within Andy's business, it's no different to Pat's business or Mike's business. It's local markets, local presence, predominantly local customers. And I think that the most fundamental part of it is about is about values. And I think you'd have seen Andy as he stood up on the stage and hopefully you'll get a chance to chat with John afterwards. I mean those values that we have Breedon make it happen keep it simple, strive to improve, show we care. They could have almost written them themselves. And that's what will make the difference. We -- John and Anthony -- sorry John and Andy came and joined us at the board yesterday and gave us an update on the integration and some of the pipeline of opportunities they're exploring. And when they'd left. Our Chairman turned around and said it feels as if they've been part of the team for years. And that's probably the best compliment someone could have paid to the people that have joined the Breedon team. So it's all about the people. It's all about having the right characteristics, leading them in the right way and giving them the chance to flourish.

Q – Rob Chantry

Hi guys. I'm Robert Chantry from Berenberg. Sorry at the back here, sorry for arriving slightly late. Great presentation. And three questions from me. So firstly going back to the first question, I guess just on the ground, could you give us some historic reasons why the level of consolidation of the big majors is particularly low in the Midwest given the clear attractions of the market twice as much consumption is in the UK day-to-day? Why is that consolidation not happened to the same degree? I suppose secondly, obviously BMC has a notable residential marketing exposure versus non-residential or kind of infrastructure and you get a UK.

I guess from Robin and James point of view, what are the pros and cons of that versus the more infrastructure led markets in the UK, different cycles, different visibility? Is that something you aim for on a five, 10 new views of business scales, do you want it to be more balanced? And then thirdly, I know lots of talk about M&A and what you might go and buy. In terms of the broader structure of the portfolio. Do you think the business will get to a point where you'll start treating it more of a portfolio and start rotating assets out in areas that you think don't give us good returns and try to kind of rotate that capital more to get those returning capitals higher through time. Is that something that you'd like to say on a multi-year view? Thanks.

A - Rob Wood

Well, I don't want to call you out for being late Rob, but we said two questions only, but we will see what we can do. Level of consolidation in the Midwest. Andy, do you want to pick that?

A – Andy Arnold

Sure. Yeah, I think part of the reason for that the consolidation being less in the Midwest is that, I talked earlier about the volatility being less in the Midwest - that sounds great, we're more consistent. But it also means you have lower highs and higher lows, right? So when you look at the East Coast and the West Coast, sometimes their growth can be very extraordinary, but then they crash very hard when the downturn comes. And I think, for partially that reason, the attractiveness of that high growth for some companies.

I think the other thing that impacts it is just from a heritage standpoint where some of those larger aggregate born businesses predominantly have grown from are more consolidated because that's where they started and that's where they started consolidating. So I think it's really both but there's definitely more opportunity in the general Midwest than there would be even on the coast.

A - Rob Wood

In terms of the residential market exposure and the pros and cons of that versus sort of infrastructure more broadly, is that probably you as well, Andy?

A – Andy Arnold

Sure, I can. We have a higher exposure to residential, which in today's world is good. As interest rates drop, we feel like that the general reduction or the lack of high-quality housing is really going to expand the residential segment. So, we're excited about that where it is now, yes. As interest rates went up when the feds raise the rates, we certainly saw a slowdown on the residential. But because of that under-building situation that we have, it didn't go down nearly as far as we thought it might even though rates were up significantly. And I think as rates come down, we will see a really strong rebound in that residential segment, but we don't ignore the others are I think interest rates will impact the non-res similarly and the infrastructure segment we're excited about because of its being funded by both the IIJA at the federal level as well as the state level. In Missouri, at least, we've seen a very significant investment by the state to improve the infrastructure locally.

A - Rob Wood

James, do you want to pick up the rotating assets question?

A - James Brotherton

Yes, so I think I'd say that we're broadly happy with the profile of the portfolio at the moment. There will always be things that perhaps sit more at the margins of what we do that perhaps are less core. So, I wouldn't expect to see a significant asset disposal program starting anytime soon. But equally we do keep it all under review and all areas of the business have to perform according to the capital allocation strategy.

Q - Kenneth Rumph

Firstly, thank. Thanks for all the information. Kenneth Rumph from Goodbody AIB Two questions, one for Donna and one for Andy. Donna on and it's a big cluster one. The UK has actually promised more money than the whole of Europe for CCUS. Only 20% odd of that's come out so far and they've targeted Barrow and Teesside. Is there any sense in which that's a choice against Merseyside for storage or do you feel that amongst that $20 billion odd that's left, there's room for peak cluster and for Merseyside as an injection point?

Shall I stop there and do Andy later or anywhere? Well, go ahead. Question for Andy. I could do another for Donna if you wanted to anyway. It's to do with the kind of organic opportunities in things like asphalt and blocks. You mentioned crushing being expanded at three plants. Are there opportunities to grow in building products or in asphalt for instance or change the status of catalyst operators at sites, in due course to kind of grow organically if you like through CapEx in asphalt? Thanks.

A - Rob Wood

Are you happy to?

A - Donna Hunt

Okay, thank you. I guess for the peak cluster, this is a consortium, it's ultimately aiming to reduce 40% of UK's carbon between all of us. And the work that's been done so far, we are essentially track two. So you talked about the other ones that have had funding already. We are track to ready, and that's the funding question is more part of what James will probably be able to answer closer to full year results. So we've been having discussions with the various bodies, if you like.

A - Rob Wood

If I mean -- I'll add to that, the peak cluster has the potential to decarbonise the GB cement and lime industry by 40% in a stroke. It is to me and to us and to our consortium members the most compelling investment to decarbonise the GB cement industry, and we genuinely believe the new government are supportive of that technology.
Ops can you?

A – Andy Arnold

Sure. Organic growth, absolutely there's opportunity, there are some two years ago we built a new building product facility in our halfway Missouri operation, and we built that and expanded it so that we could develop more satellite locations to service the market and growing our market. So we're working through some efficiency gains today, so that we can expand the reach of that particular facility. In Southeastern Missouri, we have a quarry ready-mixed sites that are Co located. We are investigating the opportunity to also put a building products location there as well. So both of those are strong organic opportunities. Last year we put one of our used ready-mixed plants into a new adjacent market. So those opportunities do still stand very much. So, obviously they'll be smaller in increment, but certainly smaller in cost than the M&A would be. But there are opportunities for organic growth as well.

Q - Kenneth Rumph

Asphalt too?

A - Andy Arnold

Asphalt as well.

Q - Marcus Cole

Hi, thanks for the presentation. Marcus Cole at UBS. Going back to your comments, James, on GB volume recovery, is that mainly a ready-mixed market recovery sort of would be the main driver? And then in terms of answering your comments on M&A multiples, how should we think about that in relation to the breed and trading multiple.

A - James Brotherton

I mean I think in terms of the GB recovery, I think it would be more broad based than purely ready mixed concrete. I think that whilst ready mix clearly pulls through cement and pulls through aggregates and therefore you probably have a -- on a vertically integrated basis you have a more significant impact of the drop through compared to some other products. I think if you look across the piece, asphalt and aggregates, and cement more broadly, we would also expect to see come through, the recovery I think will be more broad based than just in ready mix.

A - Rob Wood

Are you happy to?

A - Anthony Thorpe

Yeah, sure. So I mean, I guess going back, I spoke a little bit in the slides about how we look and how we value businesses and the discounted cash flow model being the primary lens that we're looking at. I'd say two things on your specific question. I think the first is we don't want to make the wrong short-term decisions based on where our trading multiple is at the moment that would compromise our longer-term growth ambition. I think the other thing is those were for the the largest transaction. So if we take a look at the building products deal that Andy referenced, it's not the world's largest, it's about $15 million. But the multiple for that is significantly below the multiples that are up on the screen. So there's a lot of bolt-on opportunity and much more comparable trading multiples.

Q – Cedar Ekblom

Morning its Cedar Ekblom from Morgan Stanley. I've just got one question as it relates to identifying deals and how that process happens because you're talking about the potential doubling of your business within the next decade. So maybe you can talk a little bit about historic deals. How many of those were the targets coming to you to try and understand how many of these deals are off market or unilateral? Maybe talk a little bit about how you build relationships both in the US but also in GB and Ireland with the industry so that when someone wants to sell, you get the first call. Could you talk a little bit more about Thomas Bow that the -- I know it's a small deal, but the economics of that deal look fantastic. So was that a deal that they came to you, how many more targets are there like that to really understanding how you fill your pipeline and how much of it you control and drive rather than maybe banks coming to you with targets. That would be helpful. Thank you.

A - Rob Wood

Okay. The Thomas Bow one, I will come to you Anthony on --- in due course. On the on market versus off market, James, would you like to just comment about our track record of how they've been.

A - James Brotherton

The significant majority of the transactions that we have done have ended up effectively as a bilateral transaction and have either gone through a limited marketing process or in some instances have not gone through any marketing process at all. BMC went through a limited marketing process run by an advisory house, but from a relatively long way out. It was a bilateral transaction that was agreed with a handshake by Rob, Amit and the vendor Nathan McKean.
And a lot of what not just what Rob and I do, but what Andy and his MD colleagues across the business do is spend time out and about, meeting people, meeting prospects, developing relationships. Sometimes over really quite a long period of time. And actually Thomas Bow is is an interesting example of that. So I'll hand over to Anthony.

A - Anthony Thorpe

Yeah, I think the Thomas Bow specifically, that was a business that you well through our operations in GB both on the surfacing and the material side. And if you catch James Hallock later, I can see you said over there he'll you'll get a little bit more sort of color as to how that developed. Yeah, I think to your point on these things. The smaller deals don't make for the most exciting RNS announcements, but actually some of the economics of them you can be genuinely a fantastic and small can be beautiful and there's a lot of opportunities out there for similar sized businesses. Especially when you've got that virtual integration link as well. So you can be paying a reasonable price for what you get and that additional contribution on top. And if we could do a very significant number of those, I'd be really happy.

A - Rob Wood

And I think there's a team here in there’s Amit, but actually the other MD's in this room are the lifeblood of the future deals that come. It's the relationships you have in your marketplaces. And Andy will have a black book, James, Mike, Pat at the back and Jude hiding somewhere. And we'll all be the people doing our prospecting, doing our networking and they'll be complement what we do as well.

Q - Cedar Ekblom

Do you have a number in mind annually, out of interest, do you sit down at the beginning of the year and say we'd like to do 10, 15 deals that have to think about it or not really?

A - Rob Wood

I don't think we feel that way. I mean Anthony has given you an insight as to what capacity is. A lot of what we do is about being patient, developing these relationships for the long-term and the timing of execution isn't totally in our gift. So, sometimes there'll be a lot of taxes on the rank at one time. Other times, there'll be times when you're waiting at the rank and there's no taxi. But, we don't set hard and fast targets and then force ourselves to deliver and execute. We do it when we're ready and when the vendor's ready.

Q - Charlie Campbell

Hi. Charlie Campbell at Stifel. I've only got one question, but it's quite broad on the US. You've made a virtue of your markets being very fragmented, but is there a flip side to that, that perhaps those markets then become more competitive and pricing is therefore maybe less attractive than another US markets? Is that something we should think about and does that change over time?

A - Andy Arnold

Yeah, it's a good question. It could see how it could be both sides of that coin. As I mentioned in my presentation, we have strong market positions in every market in which we operate. And in the inflationary environment, we've been working in the past few years, our competitors also have -- had taken the opportunity to increase pricing as necessary given those inflationary environments. So, we have not -- we have strong returns and in spite of some of that fragmentation and remember some of that, the fragmentation we're talking about isn't necessarily just in the market we work in. It's also those at the Midwest as we've defined it where we're looking to grow.

A - Rob Wood

I think I would just add to that. I mean, the fact the positions we have in our -- in the markets we operate in and the fact that we're a very local business means, I mean the Midwest might be fragmented. But actually some of the positions that Andy has are quite consolidated.

Q - Aynsley Lammin

Thanks. And Aynsley Lammin from Investec. Just two questions please. First of all on Anthony's slide, the $150 million to $175 million, kind of annual deal capacity, just interested what that assumes for CapEx and the multiple that you'd be paying for the deals. And then the second question, obviously lots of opportunity for M&A, big driver of the group, but just interested how you think about share buybacks, would there ever be a consideration given where you're in multiple trades or is that something that is just too many M&A opportunities? Shouldn't even think about Thanks.

A - Rob Wood

Sounds. Anthony and then maybe James.

A - Anthony Thorpe

So on the deal capacity, I think there are a few different ways in which you could get to that same number because clearly it's a little bit sensitive to the multiples you apply how quickly both are existing and our acquired businesses will be converting that EBITDA into cash, but I'd say there's nothing too heroic in those assumptions. I think to the CapEx point, you're crucially, we're not assuming in that that we have to cut any of our capital plans to achieve that, so it's not a case of sort of sacrificing the organic investment that we'd like to make to go and chase M&A. They are complementary and both are built in.

A - James Brotherton

And I think with regard to share buybacks, the answer remains where it always has been that if we were to get to a position where we were below our target covenant leverage range, and we couldn't see a prospect of near-term deployment of capital into either M&A or investment back into the business, then at that point we would look at share buybacks.

Q - Sam Cullen

Thanks. Sam Cullen from Peel Hunt. I've got two. First one's kind of a follow up I guess on Cedar's question on in terms of that the funnel you've fleshed out a little bit more. But can you give us a sense of the variation of how that kind of expands and contracts? And I'm sure there are some that are always in there because no one wants to buy them or won't buy them in the valuation the vendor wants. What's the sort of timeline on some vendors confining religion on the price of the market is willing to pay and how quickly they could have recycle themselves up and down that? But that's the first question.

And then the second question on the kind of aggregates consolidation, obviously more consolidated than your other markets. Are there any nuances within there -- within those kind of sub sectors that you've all those different states rather you've put into think about the Tennessee's extremely consolidated by the Nationals. Does that mean, it's a more attractive place for you to require because you wouldn't be viewed as a national versus, I don't know Missouri, which is less consolidated or is it just so hyper local it doesn't matter?

A - Rob Wood

On the first one, sorry my hearings deteriorating, but you're talking about the funnel. The acquisition funnel more generally?

Q - Sam Cullen

(Inaudible) is that -- does that go from 110 to 550 (inaudible).

A - Rob Wood

As it not the current state of it. So, look I would say across all of our platforms. There are opportunities in that funnel. We can't control the timing. We can't control a number of those aspects about it, but we've got some promising leads, some promising opportunities in Andy's patch, in Pat's patch, in Mike and James's patch. So, we're always looking at opportunities and Anthony's role is very much about making sure that we're in, we have full visibility and prioritisation of executing those. I think in terms of the Aggs and the Midwest, I'll pass over to you, Andy.

A - Andy Arnold

Sure. Yes, there are different levels of consolidation in those different states, but there's still opportunity in all of them So while greater in some locations than others, we're still, that particularly, you pick Tennessee, that Nashville area has been growing tremendously for the last 10 years plus. And we missed on an opportunity about 10 years ago that we thought somebody had overpaid. And in hindsight we're like, wow, that would have been great to have even at that price, but that's because the market was growing so tremendously. But even though some a little more consolidated than others, still opportunity even a place like Tennessee.

Q - Harry Dow

Yeah. Thank you. Harry here from Redburn Atlantic. I think I've got two questions. Firstly, on the kind of sustainable products, I think it was called sort of breed and beyond. Is that an sort of internal designation or external brand that is being kind of rolled out across the group? And if it is an external brand, you kind of expect that to kind of deliver potentially higher margins maybe from that product? Or is that something you're thinking about if it's not an external brand?

And then secondly, you previously spoken about increasing the amount of sort of stand alone aggregate sales in in North America given the asset base that you've got there, I'm not sure it was mentioned. Is that still part of the strategy and maybe some colour around what you're doing there to kind of invest to sort of bring out those stand alone aggregate sales?

A - Rob Wood

So on the Breedon Balance and the sustainable products, Donna, I'll ask you to. And then on the US, I think it was about growing the aggregates business?

Q - Harry Dow

Yeah.

A - Rob Wood

So I'll pass it over to Andy. Donna, you go.

A - Donna Hunt

So on the Breedon balance, it is -- it's our internal kind of campaign, but we have launched it externally in January this year. And I think the differentiator there is that we are hearing from customers that they're wanting the low carbon cement, concrete, whatever, but we believe that there's more that they should be considering in terms of the pulling through of recycled aggregates or the potential for it to last longer. The carbon might be high on a particular product, but over the whole life of that product actually it's lower than some comparatives. So it kind of depends what the customer's asking for and a little bit of us educating the customers as well as to these other benefits that they might make a different choice. And then on top of that, trying to influence the product standards and the technical specifications, so it pulls through into procurement and buildings as well. So that's what will drive the market and pricing.

Q - Harry Dow

Let me just a follow up actually on that. Is there an ambition maybe internally, I don't know is to get the certain level of products at a group level kind of up to that designation or

A - Donna Hunt

Yeah

Q - Harry Dow

I don't think it was in there. Was it in the presentation? I missed it.

A - Donna Hunt

Yeah, that's okay. So we've been tracking the Breedon balance framework as we've put it forward for about 18 months now on concrete and asphalt products. And so today, the target that we talked about launching was to expand that even more to the ready mix, the blocks, the tiles and bricks as well and for 50% of all those products to fall within the Breedon balance range.

A - Andy Arnold

In terms of the additional capacity that we're adding to our aggregate operations, those are to do two things. It's one to serve the existing market more fully. John you have to help me maybe with the number, but I think we're only supplying a small, we're only supplying a small portion of our aggregates internally to our ready mix operations today. So there's opportunity to bring as Anthony talked to bring more of that in to get the knock on benefit of being truly vertically integrated and buying those aggregates from yourself. The other part is that we need to increase that capacity at our aggregate operations in order to do further vertical integration and develop new product lines that we don't have today to again consume those aggregates and get that knock on benefit. So I see it being both.

A - Rob Wood

What I would remind you of is if you go back to 2018 when we acquired the Lagan business as an example, where in the South of Ireland, we really didn't have an aggregates business and we were buying in most of our aggregate products. And over the three, four years we built out an aggregate business which was probably got 2,000,000 tons, if not it's probably ahead of that now. And in Andy's business, we will, it took time and, and it will take time in Andy’s business, but we will find opportunities to expand. We have a fantastic reserves and resources position in the US over 400 million tons of reserves and resources. So over time we will look at ways to increase our output.

Q - Bill Casey

Hi, guys. I think that of the US again, BMC is obviously a third generation business. Why didn't Nathan integrate more use the reserves, let me dig out more rock essentially and use it internally. Historically, what was the mindset?

A - Andy Arnold

So BMC was started as a ready mix business, as a ready mix concrete business back in 1925. So we're almost at 100 years and that was a focus for a very long time. The -- I started with the company in 2006. And because of some way -- some of the integration worked and the relationships worked in terms of there was one company that was primarily an aggregate and construction company and they would buy all of their concrete from us and we were not incentivised to get into aggregates because we liked selling the concrete.

Well, some of that stuff changed when, in 2013, we had the opportunity to acquire Old Castle’s operations, CRH's operations in Eastern Missouri. We bought those operations and that initiated our aggregate entry. So that hasn't been very long in the scheme of things for 100-year company. So we have been focused on continuing to grow that aggregate business, making a few knock-on aggregate acquisitions particularly in sand as well as a couple over the quarries and that will continue to be the focus. But I think it's just historically they were ready mixed company until we had that opportunity in 2013.

Q - Bill Casey

And maybe just to follow up. Is it a cultural thing or is it an expertise thing to buy in this expensive equipment and essentially be a miner? I mean is that -- it wasn't the case that you're not a mining business first. Is it an expertise thing and maybe Breedon Group brings or?

A - Andy Arnold

You mean how we got into it or you mean today?

Q - Bill Casey

It's just not -- just the fact that it wasn't a focus, the integration wasn't a focus. There wasn't sort of You're digging more aggregates out of the ground using internally and it seems to have been the ready mix sort of a front end focus rather than a sort of full integration. Is that a capability thing or is it just a cultural?

A - Andy Arnold

No, I think it's a cultural in that -- that's what Nathan was more familiar with. He wasn't familiar with the aggregate business. I had experience in aggregates with my previous employer. So I brought a little bit more of that to the table. But he had historically known ready mix. He knew that it was a higher margin business to be in so when we had the opportunity, we jumped on it quickly. But at this point we've developed that aggregate business significantly to the point where we have plenty of expertise in house. And, we've been in the process of utilising the experts that are in GB as well through some of the work that we're working on together. So I think we have the best of both worlds. Now we have some more assets, we're building our own knowledge and then leaning on the knowledge that's over here in the UK and Ireland.

A - Rob Wood

We have a good opportunity, a really, really good opportunity.

Q - David Robinson

It's David Robinson from Polar Capital. Another question for Andy. Just on the Midwest market for the best part of 15 years the market went sideways and you're expecting quite a positive inflection in growth in the next few years mainly driven by infrastructure. I think it's a double- digit 50% growth over the next few years. What line of sight do you have on that? And could any of that be at risk with the change in administration projects being cancelled and so on?

A - Andy Arnold

The -- I answer the second part first, that there's no real risk in change of administration those monies are allocated whether it be at the federal level. I still feel either administration -- whoever would have won the election still had focus on wanting to improve infrastructure. So that's not going anywhere. In terms of the state level, we have an outgoing government -- governor who is very pro-transportation, very pro-investment. And we've just elected a new governor because the previous one is retiring and he's even stronger. And we're even as an industry we're even tighter with the current governor that's or the governor that just elected that's coming in. So there's no real concern about any of that investment being lost. It's funded, it's coming and the state has -- in particular has dedicated a lot of funds towards the improvement of some of the major highways throughout Missouri and the surrounding area. So I'm not concerned about that being lost and we are -- our footprint allows us to serve a significant portion of those investments today. And if we have our way and can continue to grow in other areas, we'll just have not gone benefit for that.

Q - David Robinson

And have you won tenders for some of those infrastructure projects?

A - Andy Arnold

We're close, well positioned tendering. I'm looking for the right response.

A - Rob Wood

That's good, Andy. Yes, and time for.

Q - Harry Dow

Thank you. Just to follow-up, you spoke obviously a lot about vertical integration. There is a sort of a last final part of that I think was really spoken about which is obviously contracting paving in the U.S. Is that something you also may be looking at maybe in the future sort of going that far down sort of integration obviously in the UK that's part of the business model.

A - Rob Wood

Yeah, I think looking in summary, we -- I think we've said we over time would like to replicate the vertically integrated business model that's stood Breedon in such good stead both here in GB and in Ireland and we would like to replicate that in the U.S. as well.

Well, I think it's almost 12:00. So any -- no more questions. What I would like to do is invite you all to join us and Excom and Clive and Amit for some light lunch and to continue some discussions.
I would like to leave you just with a couple of messages though. And that is that our strategy might evolve but it's unchanged and since the last capital markets event three years ago, we have delivered on everything we said we would deliver. And with our third platform now and with the markets hopefully all into point of inflection, we could not be more excited about the future of Britain. And thank you very much for coming here today.