



# DELIVERING THE NEXT CHAPTER OF GROWTH

—  
24 NOVEMBER 2021





# AGENDA

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**Our Growth Strategy**

**Operating Sustainably**

**Our Financial Framework**

**Closing Remarks**

**Q&A**

# Forward Looking Statement



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# Today's presenters



## Presenting

**Rob Wood**

Chief Executive  
Officer



**James Brotherton**

Chief Financial  
Officer



**Donna Hunt**

Head of  
Sustainability



## In attendance

**Amit Bhatia**

Non-Executive  
Chairman



**Mike Pearce**

Managing Director  
GB Materials



**James Haluch**

Managing Director  
GB Surfacing  
Solutions



**Jude Lagan**

Managing Director  
Cement





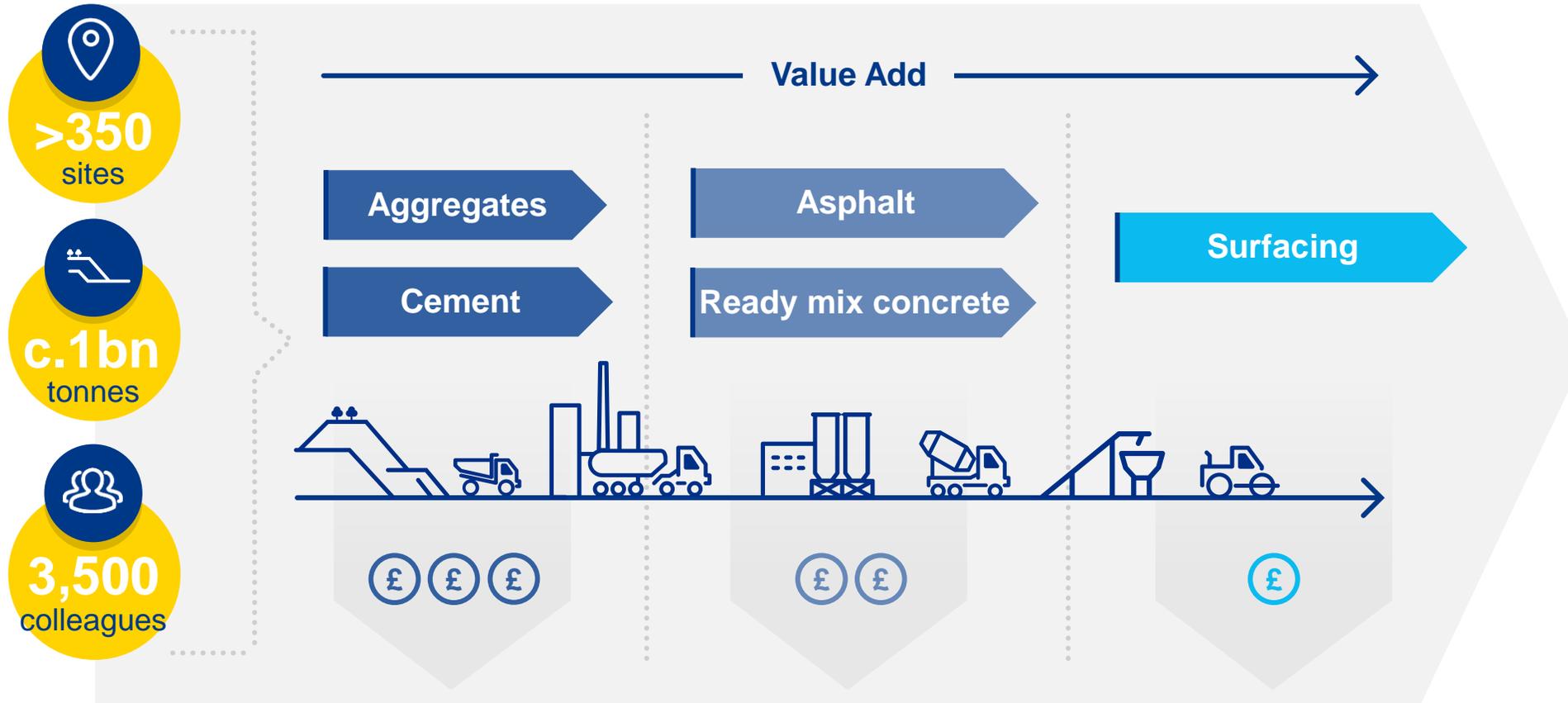
# OUR GROWTH STRATEGY

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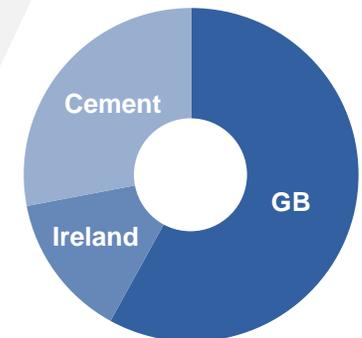
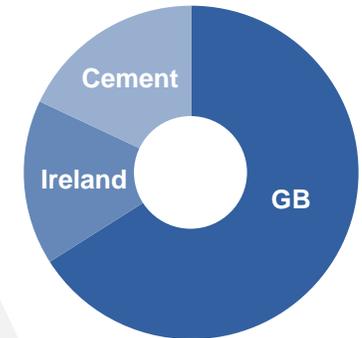
ROB WOOD, CHIEF EXECUTIVE OFFICER

# Breedon Today

A leading vertically-integrated construction materials group



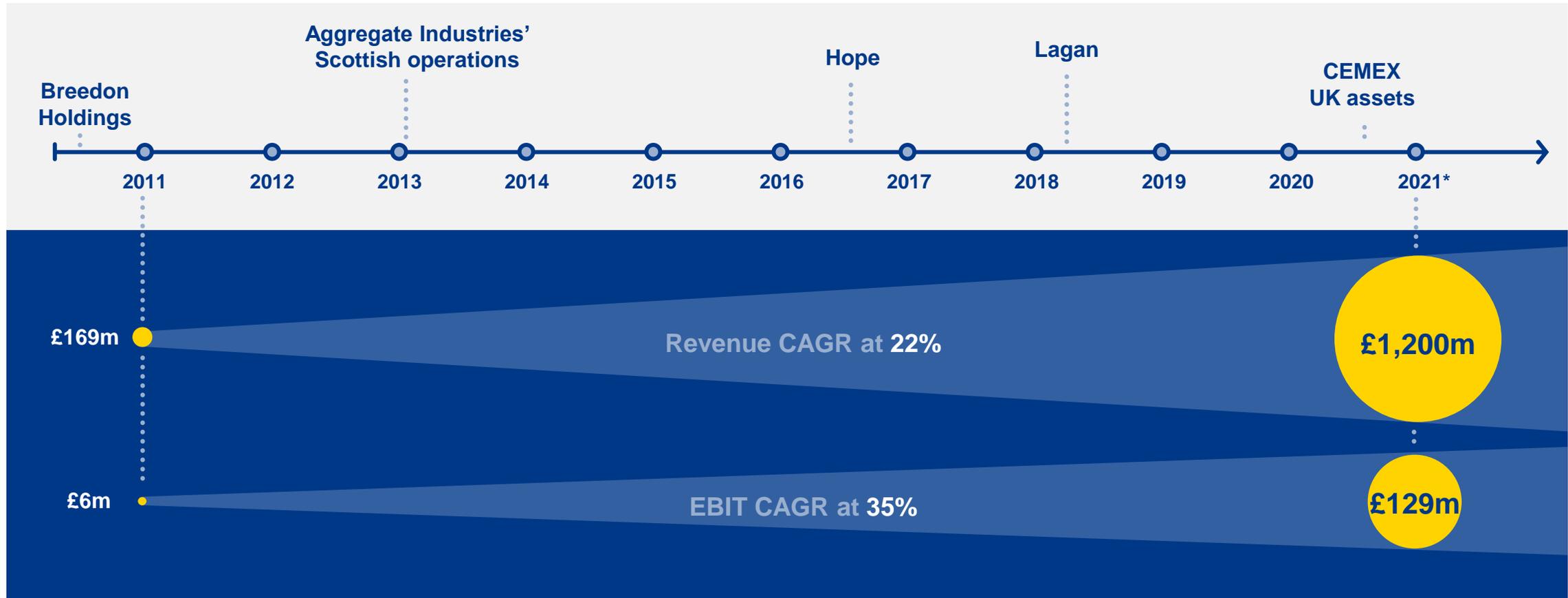
Revenue



EBIT

# A Decade of Delivering Growth

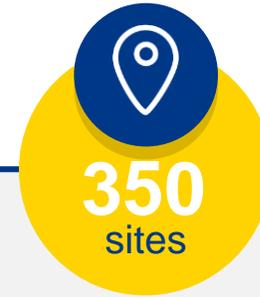
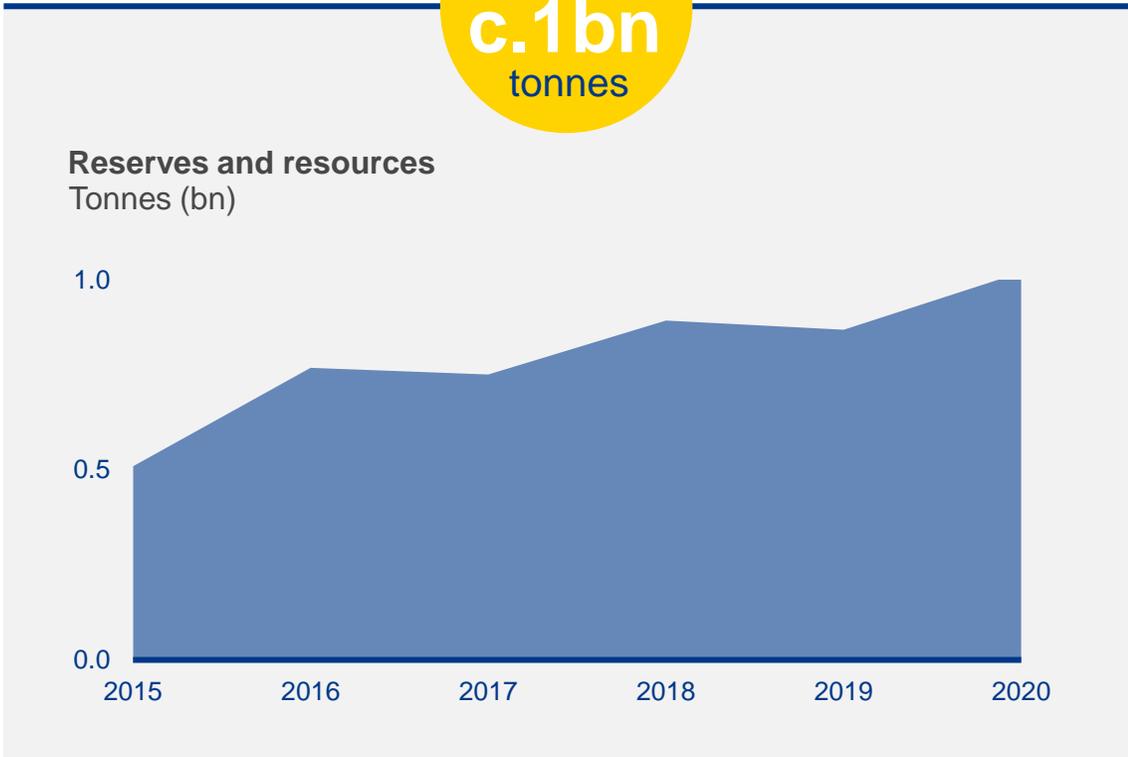
M&A activity complemented by organic growth



\* 2021 revenue and EBIT based on consensus expectations 23 November 2021

# Asset Backed Model

Significant barriers to entry

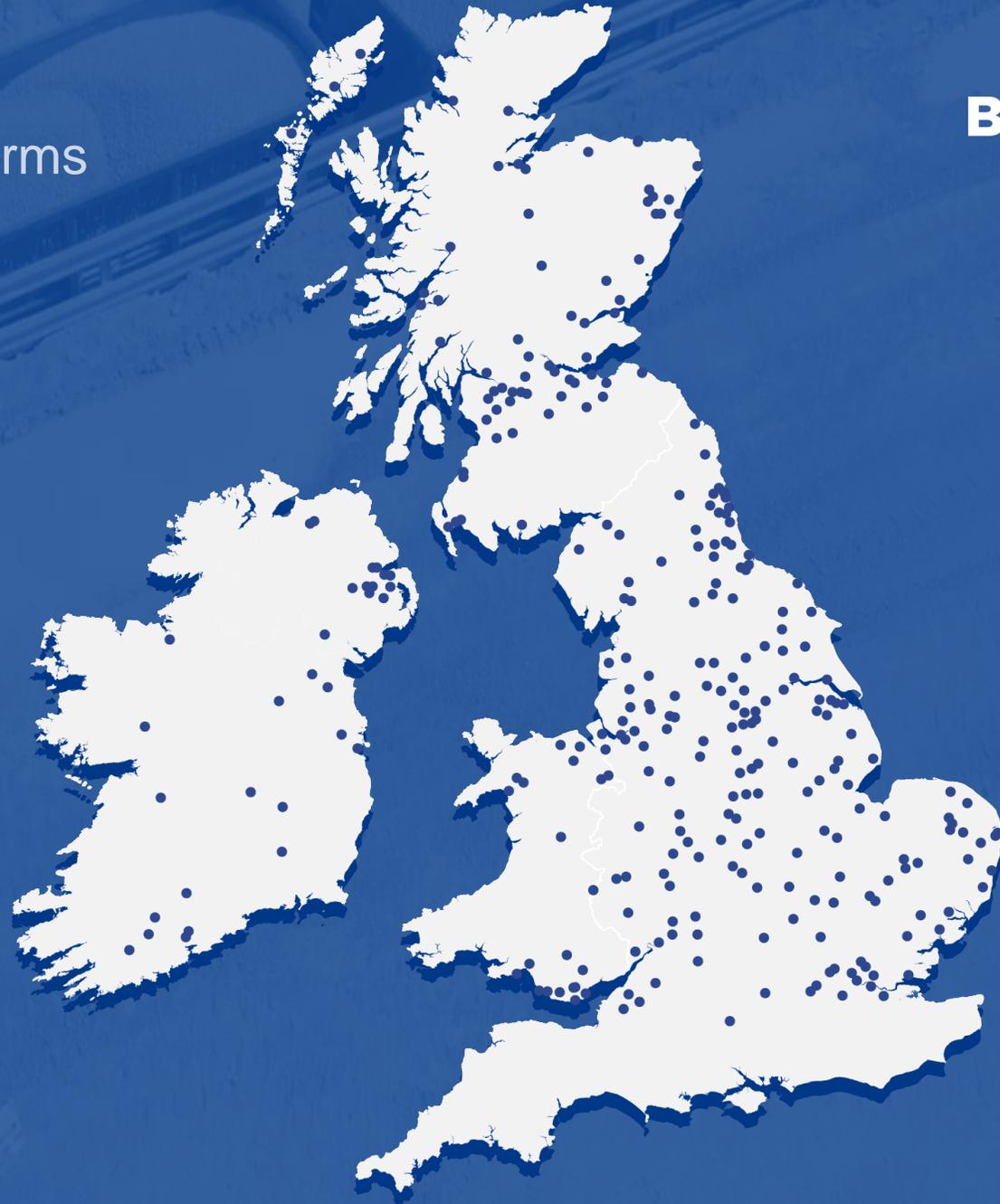


# National Reach

More than 350 sites across two platforms



2020



# Supplying Long-Term Growth Markets

Broad Government support for construction in the UK and Ireland



# Underpinned by Our People

3,500 motivated and passionate colleagues



**3,500**  
colleagues

**84%**

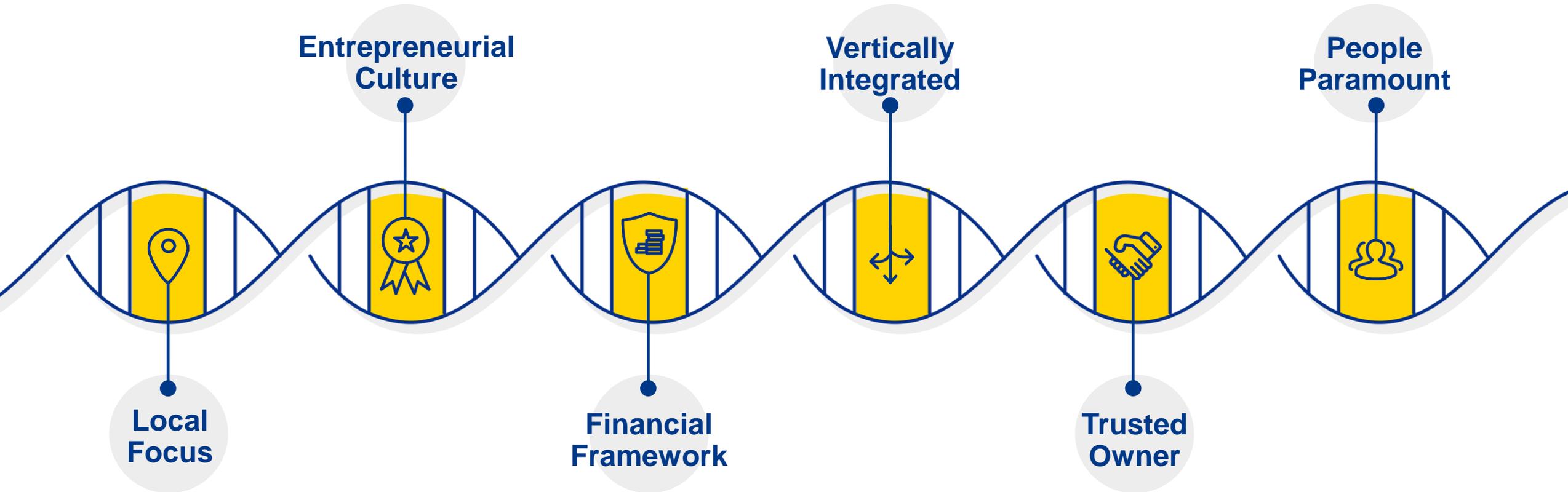
feel their work contributes  
to Breedon's success



Source: Breedon employee engagement survey 2021

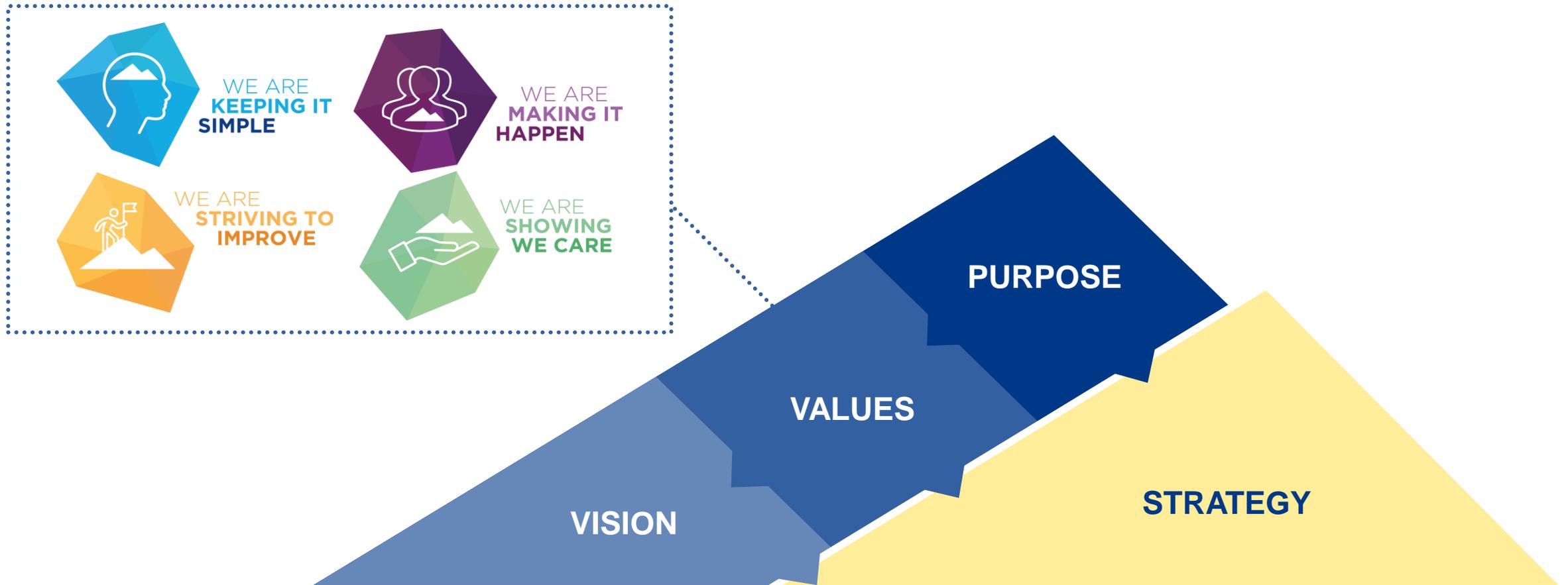
# We Are Breedon

What makes us different



# Making a Material Difference

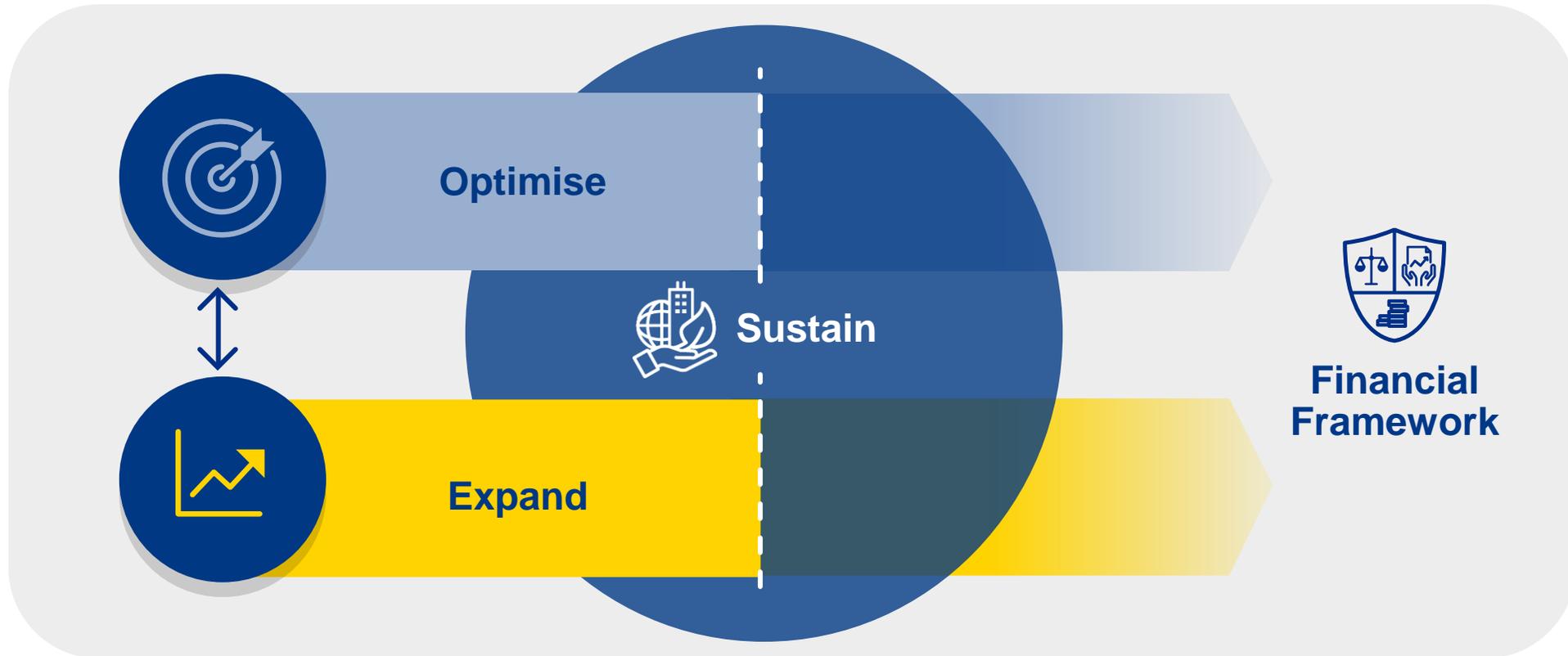
Our purpose, values and vision



**To Be A Leading Vertically-Integrated International Construction Materials Group**

# Delivering the Next Chapter Sustainably

Our strategy is evolving



**Creating Sustainable Value for All of Our Stakeholders Over the Long-Term**

# Third Platform Acquisition Criteria

Replicating the Breedon model



Focused on markets that offer the following characteristics:



Long-term growth prospects



Reliable planning regimes

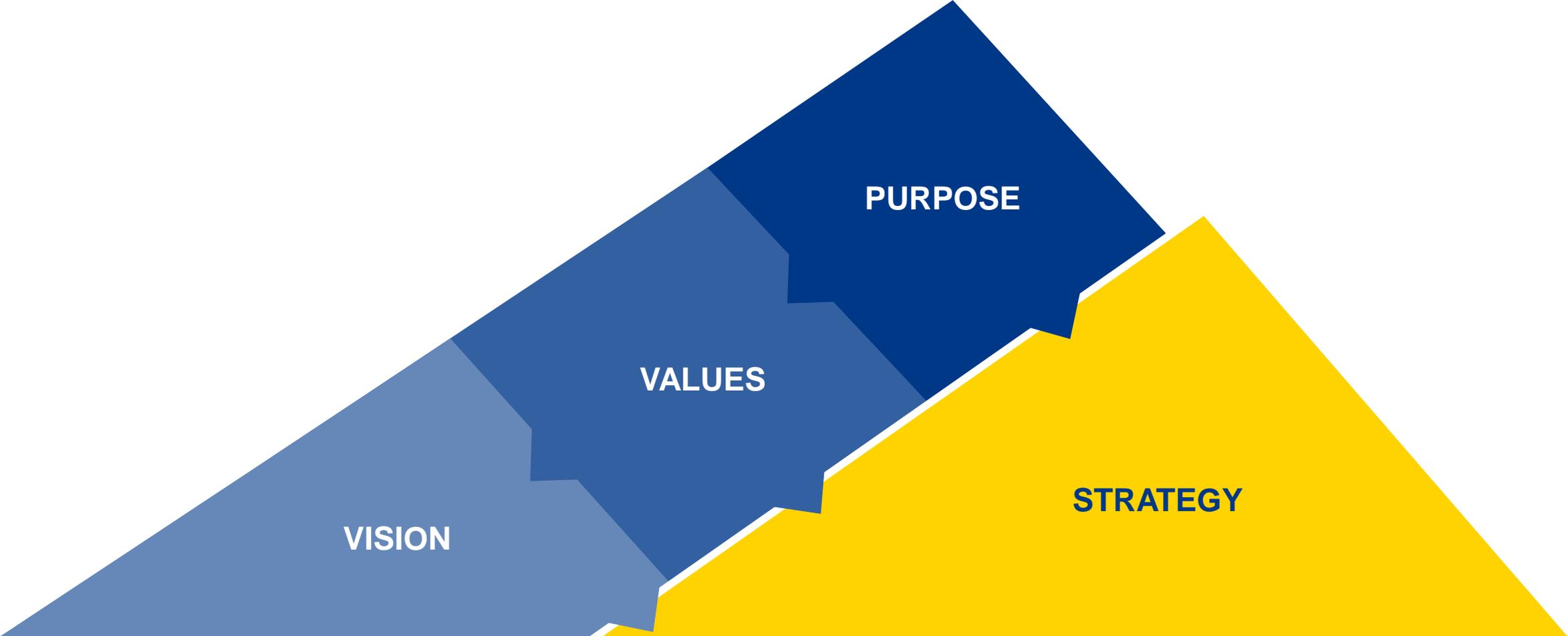


Robust legal systems



Benign local cultures with minimal political risk

# A Clear and Sustainable Growth Strategy



VISION

VALUES

PURPOSE

STRATEGY



# OPERATING SUSTAINABLY

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DONNA HUNT, HEAD OF SUSTAINABILITY

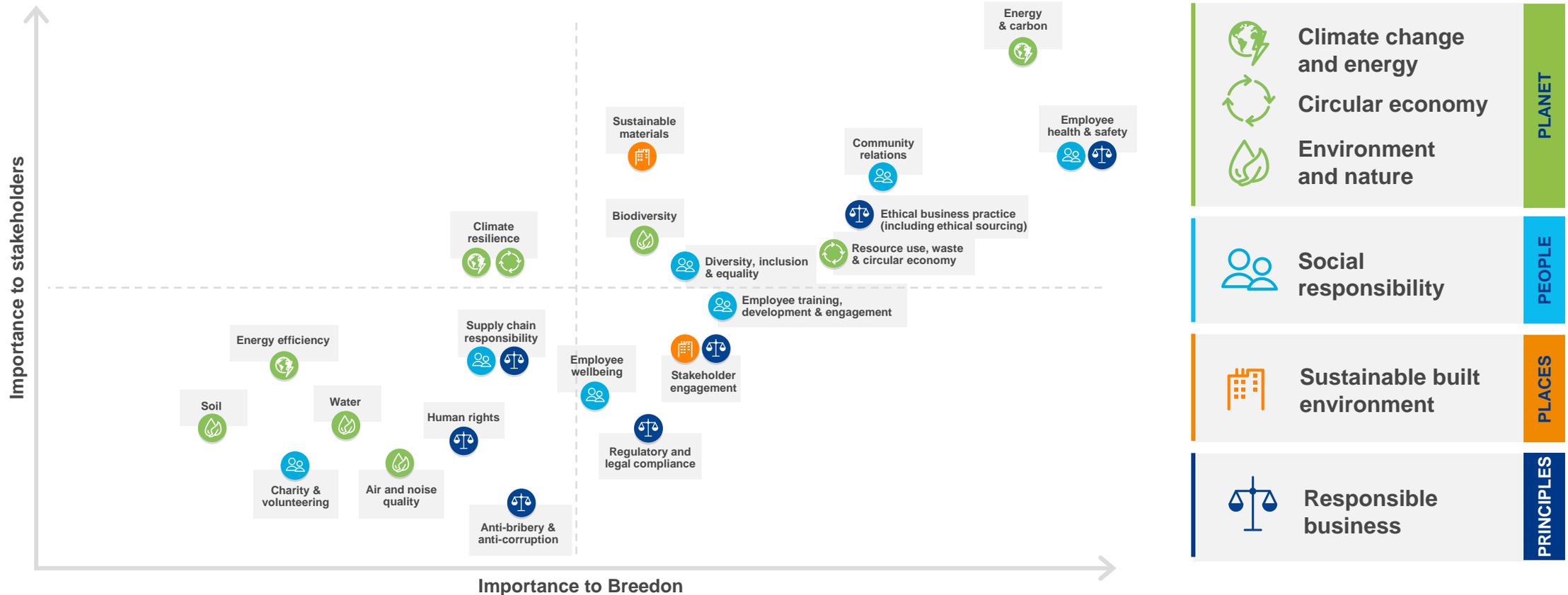
# We Have a History of Positive Action

Sustainability has always been important to Breedon



# Materiality Assessment Informed Our Approach

Focusing on four key themes



# Our Purpose is to Make a Material Difference

By focusing on the Planet, People and Places



 <b>PLANET</b> Make a material difference to the environment	 <b>PEOPLE</b> Make a material difference to society	 <b>PLACES</b> Make a material difference to the built environment
 Carbon reduction	 Develop and empower a diverse, talented workforce	 Products and services that deliver higher performance, resource efficient buildings and resilient, low impact infrastructure
 Responsible resource use and waste reduction	 Positive impact on the communities in which we operate	 Collaboration to develop innovative solutions to help customers mitigate impacts of climate change
 Positive impact on nature and biodiversity		

## UNDERPINNED BY FUNDAMENTAL OPERATING PRINCIPLES

 <b>HEALTH, SAFETY AND WELLBEING:</b> Keeping our people safe and well	 <b>GOOD GOVERNANCE:</b> Ensuring our commitment to sustainability is considered throughout our operations	 <b>ETHICS AND COMPLIANCE:</b> Operating compliantly, transparently and with integrity, ensuring ethical operations and responsible sourcing	 <b>QUALITY:</b> Quality assurance and continuous improvement	 <b>STAKEHOLDER ENGAGEMENT:</b> Continual multi-level engagement with our customers, investors, employees, supplies and other relevant parties
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# We Have Committed to New Targets and KPIs

Driving improvements towards achieving our aims



**Pillar**

**2030 Target**

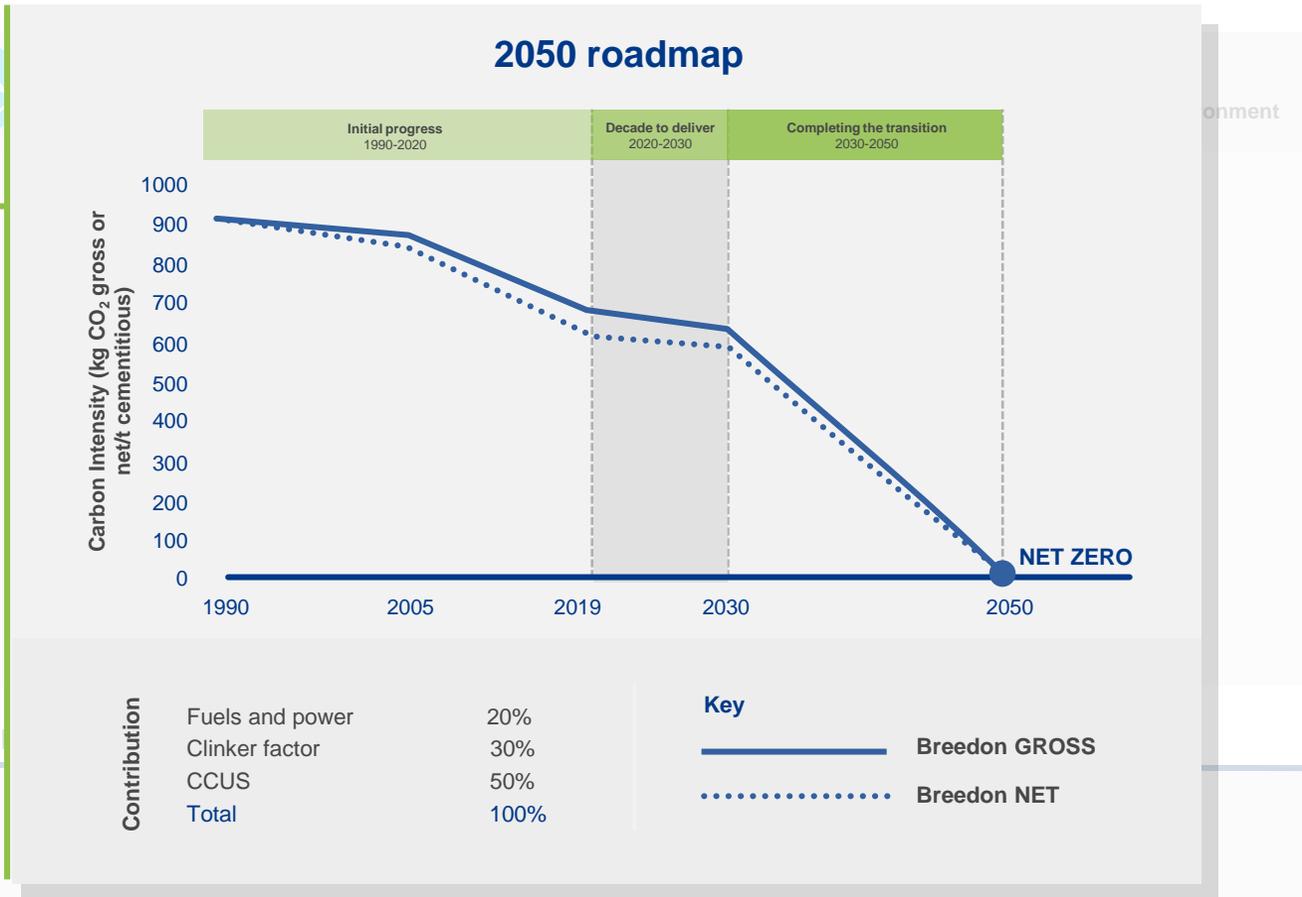
**Roadmap to 2030**

**PLANET**  
Make a material difference to the environment

**30% reduction in gross carbon intensity per tonne cementitious product by 2030 (from 2005 baseline)**

- Increasing use of alternative fuels to replace fossil fuels
- Reducing product clinker content through the increased use of existing and new supplementary cementitious materials
- Reducing energy consumption per tonne product
- Reducing transport emissions per tonne product
- Increasing materials reused and / or recycled
- Reducing mains water use per tonne of product
- Achieving ISO 50001 at all of our key sites by end 2023
- Implementing published Biodiversity Action Plans at our top 20 sites by 2025

UNDERPINN



CCUS: Carbon capture, use and storage

# We Have Committed to New Targets and KPIs

Driving improvements towards achieving our aims



Pillar	 <b>PLANET</b> Make a material difference to the environment	 <b>PEOPLE</b> Make a material difference to society	 <b>PLACES</b> Make a material difference to the built environment		
	<b>2030 Target</b> 30% reduction in gross carbon intensity per tonne cementitious product by 2030 (from 2005 baseline)	Positively impact more than 100,000 people by 2030	50% of our concrete and asphalt sales revenue in 2030 will be from products with enhanced sustainability attributes		
Roadmap to 2030	<ul style="list-style-type: none"> <li>Increasing use of alternative fuels to replace fossil fuels</li> <li>Reducing product clinker content through the increased use of existing and new supplementary cementitious materials</li> <li>Reducing energy consumption per tonne product</li> <li>Reducing transport emissions per tonne product</li> <li>Increasing materials reused and / or recycled</li> <li>Reducing mains water use per tonne of product</li> <li>Achieving ISO 50001 at all of our key sites by end 2023</li> <li>Implementing published Biodiversity Action Plans at our top 20 sites by 2025</li> </ul>	<ul style="list-style-type: none"> <li>Improving diversity and inclusion</li> <li>Increasing the number of Apprentices and Graduates</li> <li>30% of our colleagues volunteering 1 day p.a. to support the community by 2022</li> <li>Implementing Good Neighbour Plans at all of our key sites by 2022</li> </ul>	<ul style="list-style-type: none"> <li>Continually increasing the proportion of revenue sales from ready-mix, concrete and asphalt products that have sustainable attributes (25% baseline 2021)</li> <li>Launching an 'ECO' Brand</li> <li>Increasing product labelling and transparency</li> <li>Continuing research &amp; development, innovation and trials</li> <li>Increasing stakeholder engagement</li> </ul>		
	<b>UNDERPINNED BY FUNDAMENTAL OPERATING PRINCIPLES</b>				
Zero fatalities and continual reduction in TIFR		Health and wellbeing assessments offered to every employee	Full compliance on all mandatory training requirements	All 'high-risk' suppliers assessed as compliant with recognised supply chain scheme requirements by 2022	Increasing stakeholder collaboration and engagement

# We are Committed to...

Industry collaboration and transparent reporting



Working across the industry to achieve best practice standards of sustainability



Increasing transparency and enhancing our disclosures and reporting



# We Are Embedding a Culture of Sustainability



Sustainability has always been important to Breedon



We have formalised our sustainability framework



We have set targets to align our focus and drive improvements



We will report on our performance transparently

**We are well positioned to achieve additional value for our company and for our wider stakeholders in the coming decade**

**▶ Our Leaders' Commitment to Sustainability**



# OUR FINANCIAL FRAMEWORK

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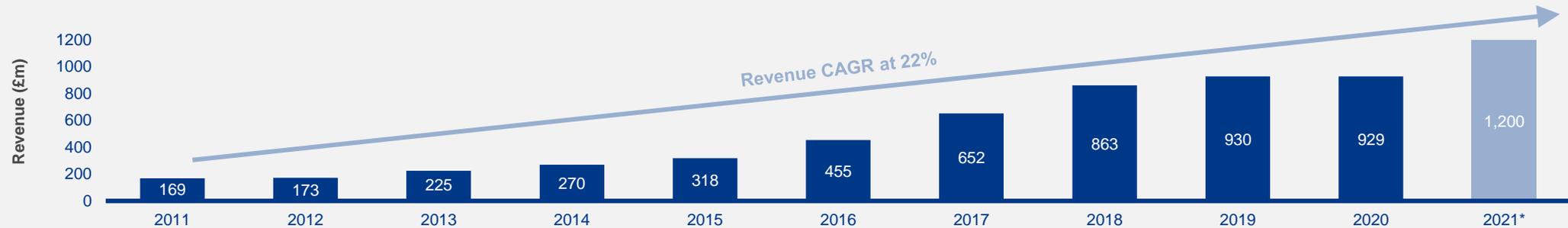
JAMES BROTHERTON, CHIEF FINANCIAL OFFICER

# Ten Years of Growth

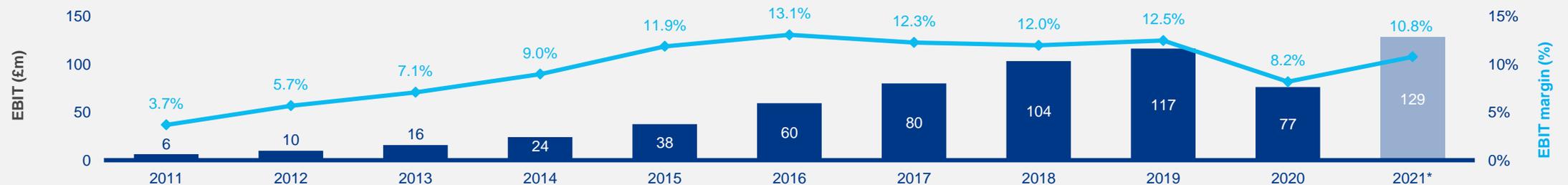
Delivered through targeted M&A and operational excellence



## Organic growth enhanced by acquisitions



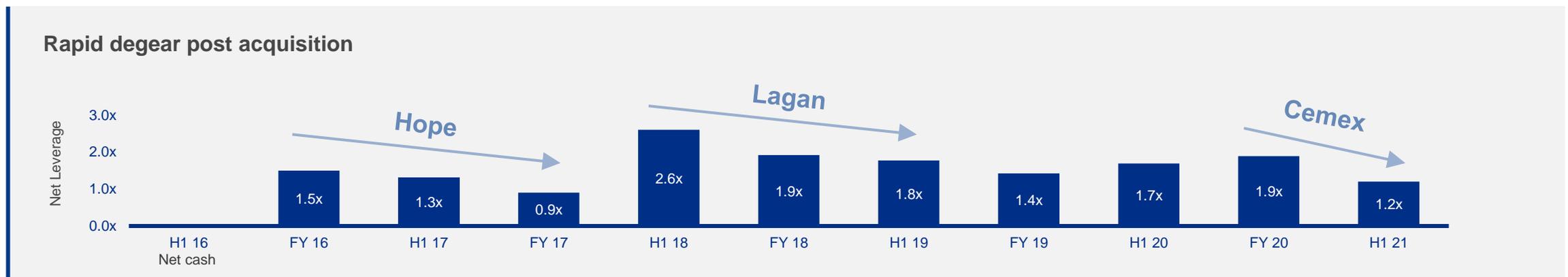
## Sustained focus on incremental improvement



\* 2021 revenue and EBIT based on consensus expectations at 23 November 2021

# Ten Years of Cash Generation

Delivering free cashflow within a disciplined financial framework



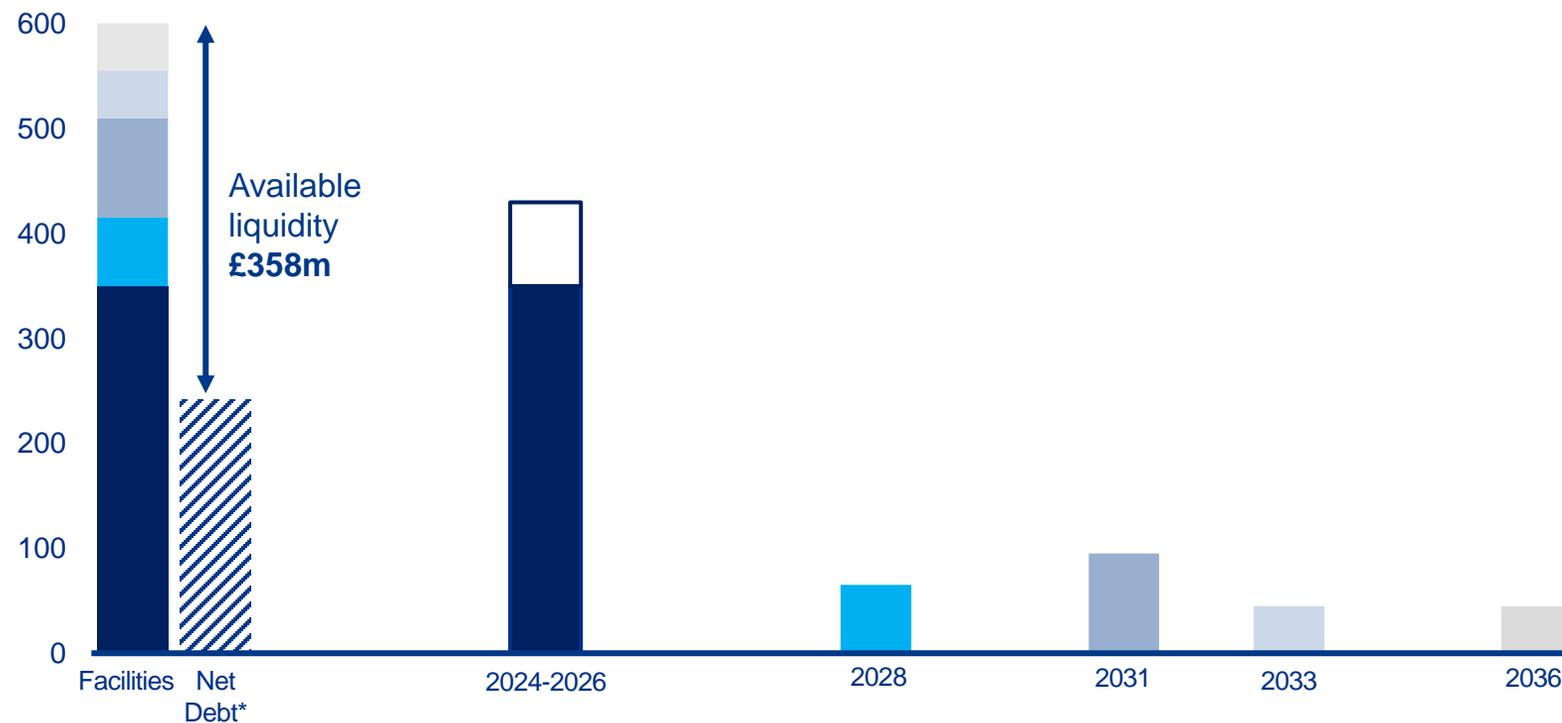
Leverage is covenant leverage as defined by the Group's banking facilities. This excludes the impact of IFRS 16 and includes the impact of M&A.  
 FCF conversion: Free cash flow relative to post-IFRS16 EBITDA.. ROIC: Post-tax return on invested capital.

# Financing Breedon's Future

We have diversified our sources of finance and extended our maturity profile



## Debt finance positioned to support future growth



- RCF
- Accordion
- USPP28
- USPP31
- USPP33
- USPP36

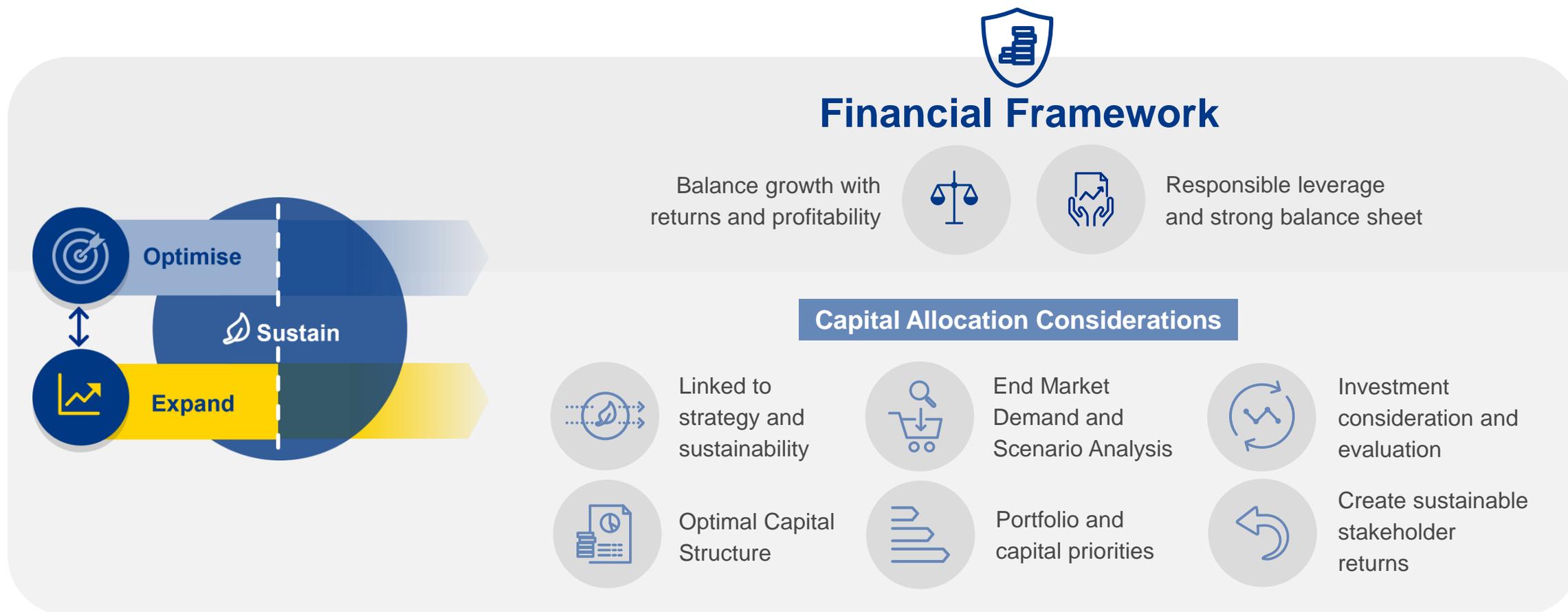
### 2021 Refinancing

£350 million unsecured RCF  
 £250 million US Private Placement  
 RCF initial interest rate 2%  
 USPP average rate c.2%

\* Net debt as at 30 June 2021. Excludes IFRS 16 lease liabilities.

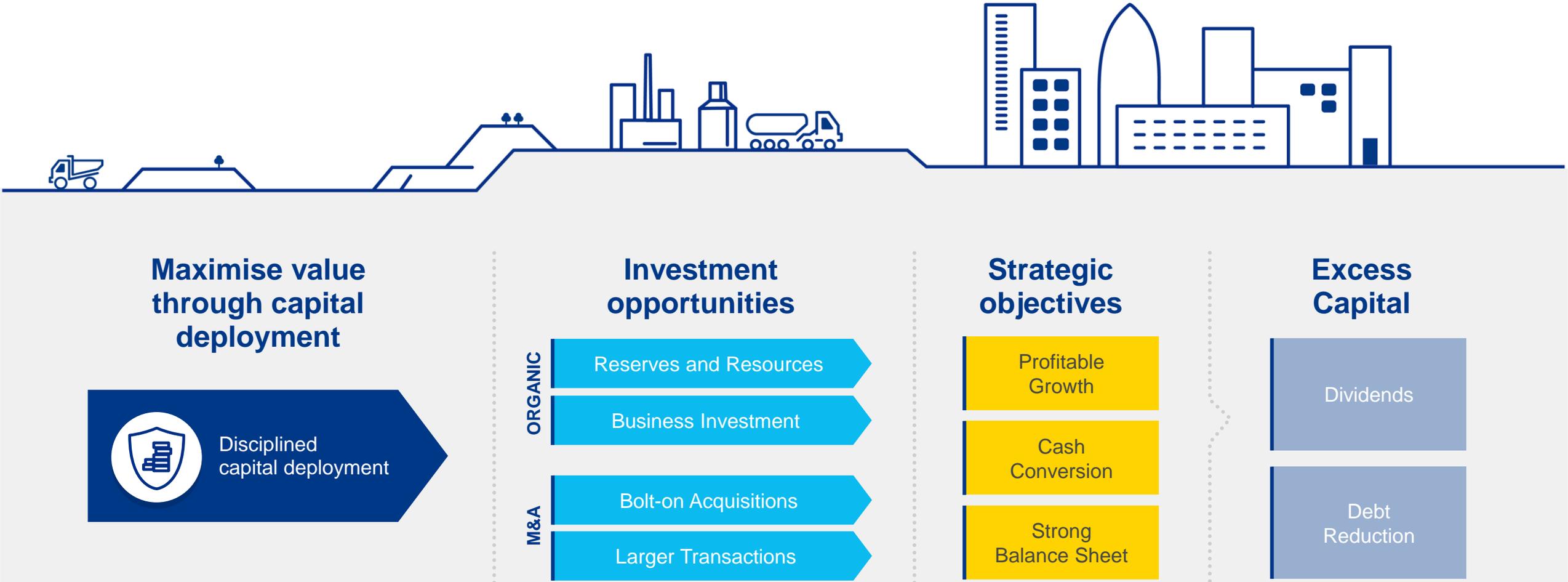
# Connecting Strategy to Capital Allocation

Financial framework provides strategic flexibility



# Our Capital Allocation Model

Investment as a differentiator



# Investment Growth Opportunities

Where and why we invest capital



# Mansfield Asphalt Plant

Deploying capital based on strong strategic rationale and return profile



Increase capacity in attractive local market



Increased recycling, reduced environmental impact



Dual fuel, lower running costs



Utilise local Breedon quarry outputs



Enhanced health & safety features



Organic growth with rapid payback



# Managing a Dynamic Cost Environment

Layered hedging policy delivers visibility and certainty



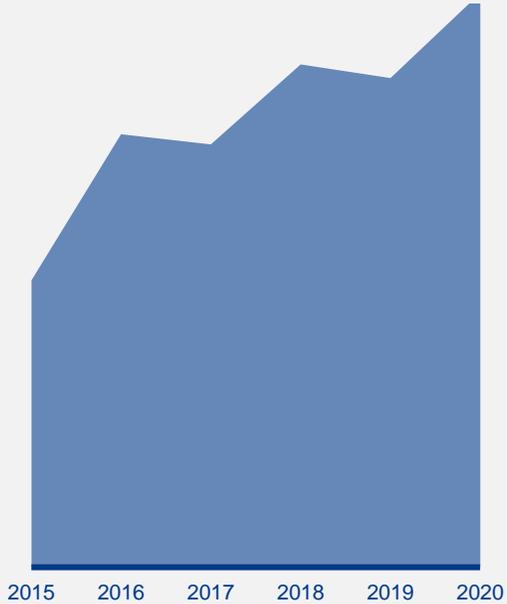
Mitigation Strategy	
 <b>Energy</b>	Fully hedged for 2021-2022 in both UK and Ireland with layers extending to 2023
 <b>Carbon</b>	Sufficient allowances to cover 2021 and 2022 for UK & EU ETS
 <b>Bitumen</b>	<ul style="list-style-type: none"><li>Layered forward purchases into 2022</li><li>Major projects fix for duration (e.g. A9)</li><li>Spot; flexible response to market demand</li></ul>
 <b>Fuels</b>	Acquired at spot and passed on

# Historic Pricing Experience

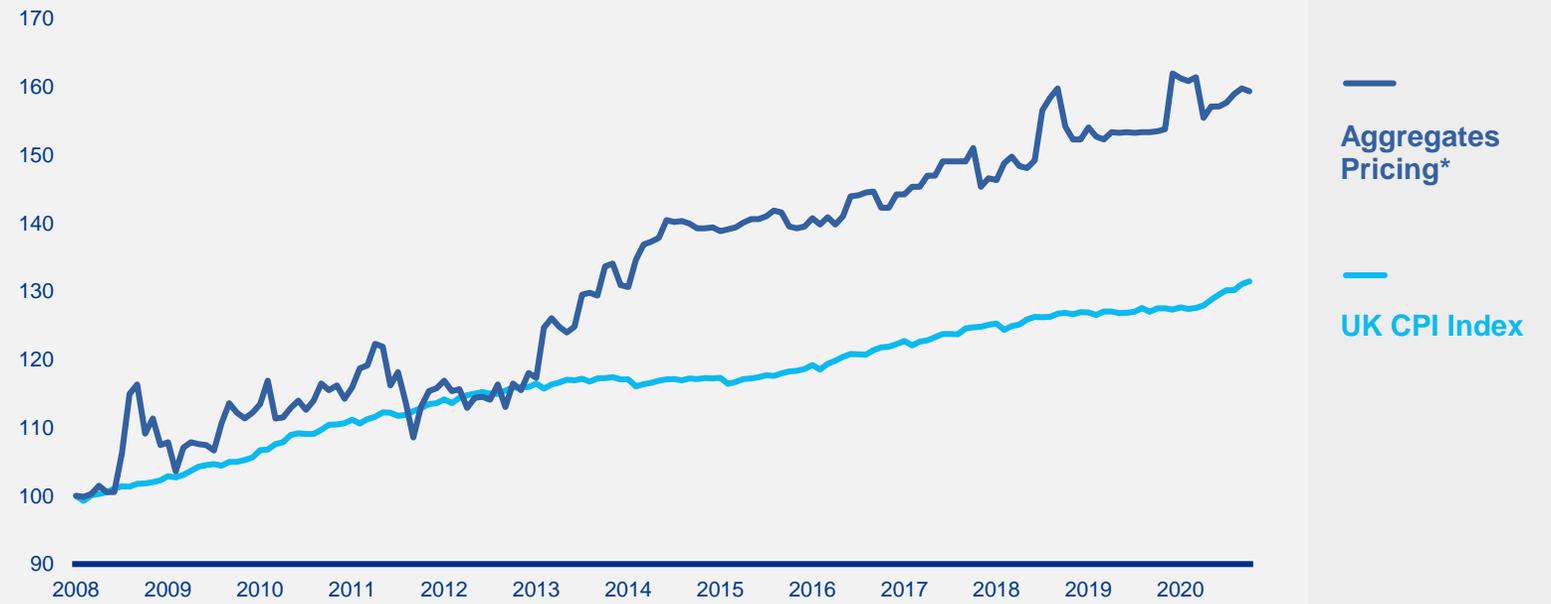
Inputs at historic cost; sold at market rate



Reserves and resources  
c.1bn Tonnes



Aggregates prices outpace inflation over time



Source: Datastream, ONS  
\*ONS PPI sand, gravel, clays and kaolin for domestic market

# A Financial Framework to Underpin Our Growth

Financial metrics aligned to our strategy



## Growth

Revenue

—  
Outperform  
Our Markets



## Profitability

EBIT Margin

—  
12% - 15%



## Cash Flow

FCF Generation

—  
>50%  
FCF Conversion



## Financial Discipline

Leverage

—  
1x - 2x



## Returns

ROIC

—  
>10%



## Dividend

Payout Ratio

—  
40%



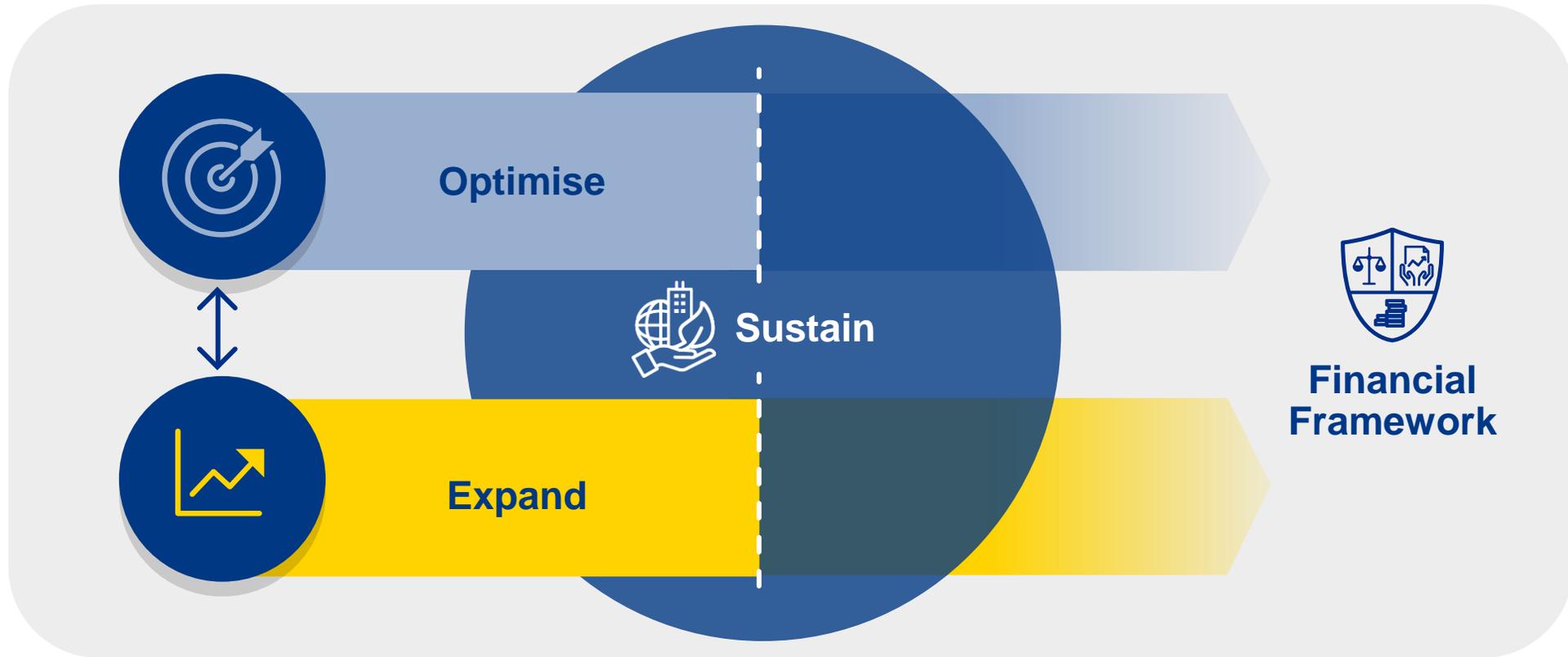
**Delivering the Next Chapter of Growth**



# CLOSING REMARKS

—  
BREEDON CAPITAL MARKETS EVENT

# A Decade of Achievement



**An Ambition to Outperform. A Strategy to Deliver Growth Sustainably.**



# Q&A



## BREEDON CAPITAL MARKETS EVENT