



MAKING A  
MATERIAL  
DIFFERENCE

**BREEDON GROUP**  
INVESTOR PRESENTATION

November 2020



# Agenda



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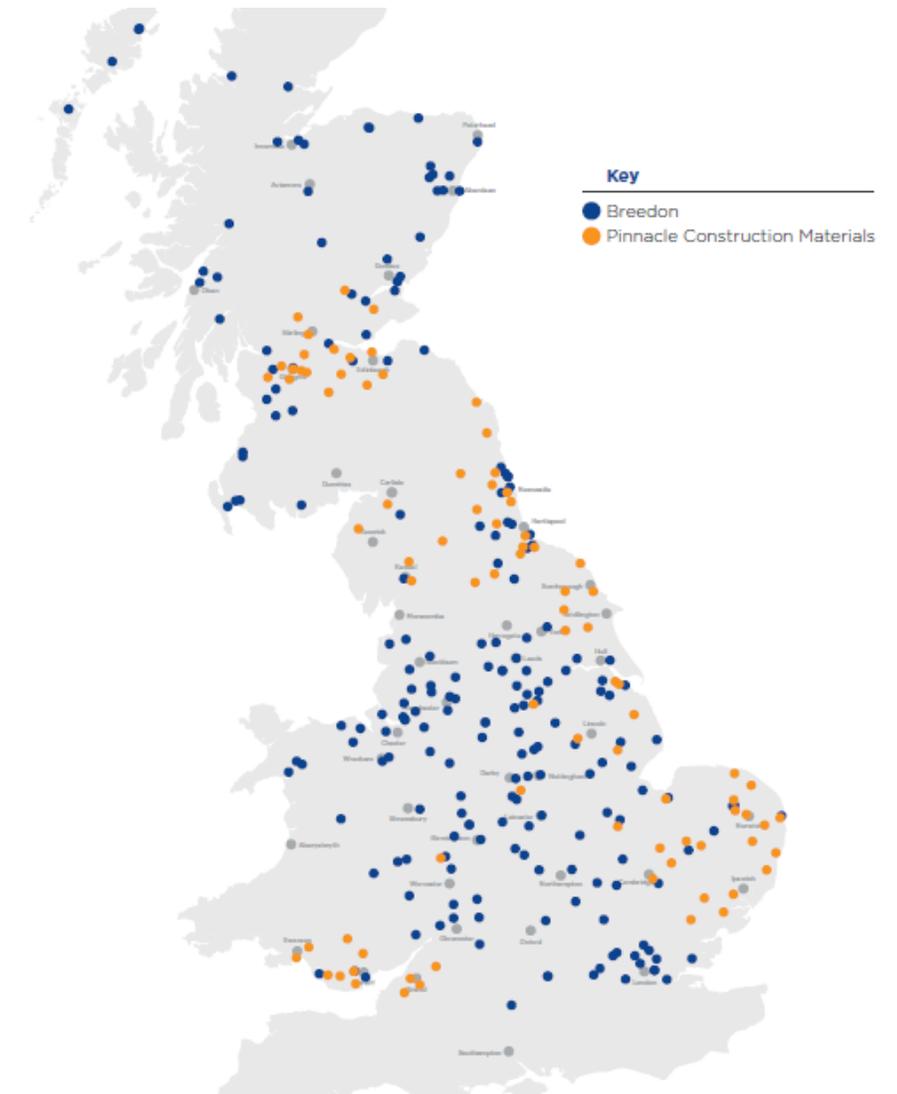
# Overview of the Group



# A leading construction materials group



- **Largest independent construction materials business in Great Britain**
  - Growing position on Island of Ireland
- **Broad reach with a national footprint**
  - Over 3,500 employees across more than 350 facilities, including former CEMEX UK assets currently trading as Pinnacle Construction Materials
  - Two cement plants; national network of quarries, ready-mixed concrete and asphalt plants; specialist building products businesses
- **Vertically integrated**, providing value-enhancing routes to market
  - Offering spans core materials, value-added products and contracting services
- **Nimble operator** with local sales and distribution model
  - Focused on delivering best-in-class customer service
- **Consistent track record of growth**, both organic and via acquisition
  - Strong cash generation provides investment for future growth
- Ongoing success dependent on pursuing a **sustainable business model**
  - Committed to building trust and reputation amongst all stakeholders



# History



2008

Company created and listed on UK Alternative Investment Market to pursue 'buy and build' strategy in UK heavyside construction materials market

2010

First acquisition: former Ennstone UK business, establishing platform for growth organically and via value-enhancing acquisitions

2011-15

Seven bolt-on acquisitions/JV completed, establishing Breedon as the largest independent construction materials group in Great Britain

2016

Acquisition of Hope Construction Materials, providing national UK footprint and entry into cement production

2018

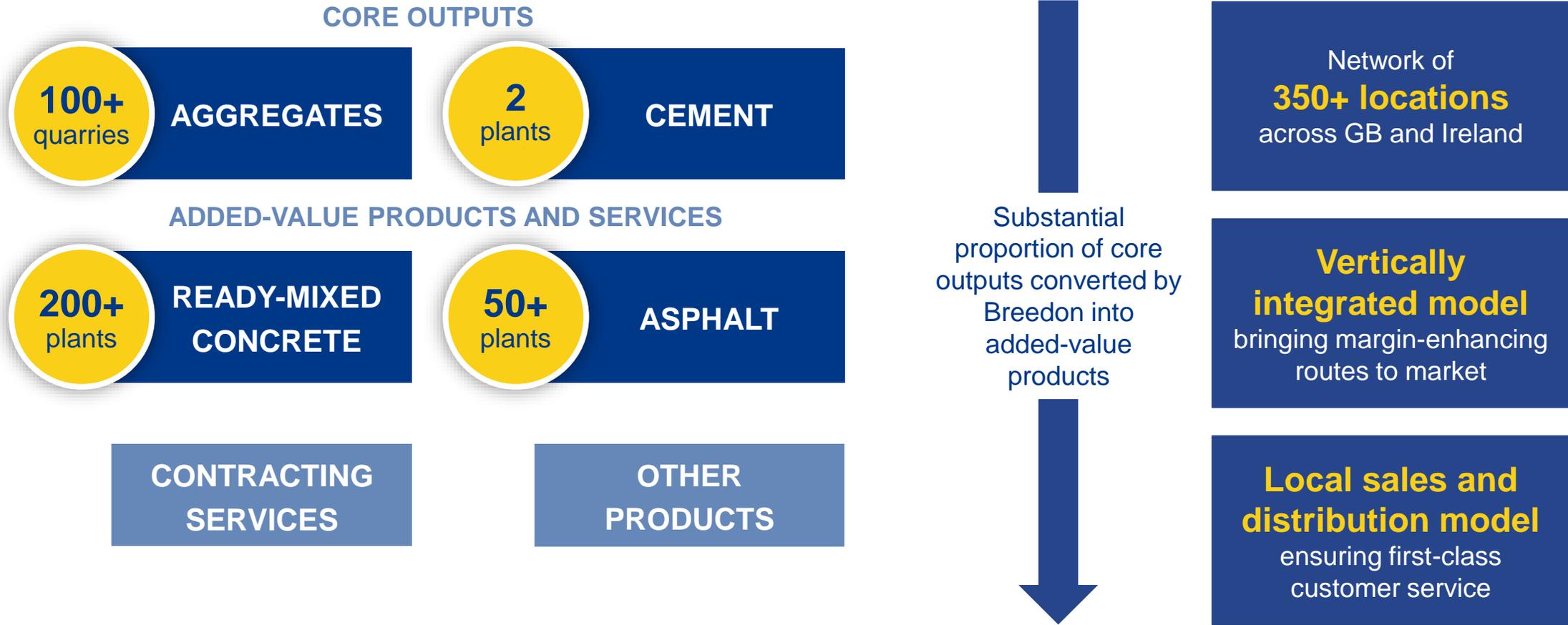
Acquisition of Lagan Group, taking Breedon into construction materials and cement production in Island of Ireland

2020

Acquisition of assets and operations from CEMEX UK, strengthening Breedon's presence in six key UK regions

**18 earnings-enhancing acquisitions & JVs completed in 10 years**

# Vertically integrated model with nationwide reach



# Reporting as three divisions

## GREAT BRITAIN

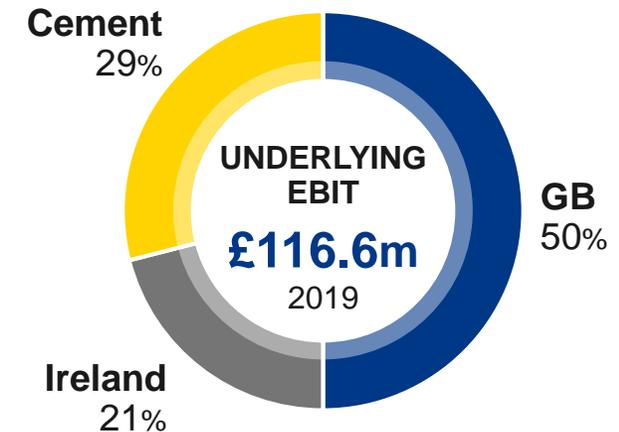
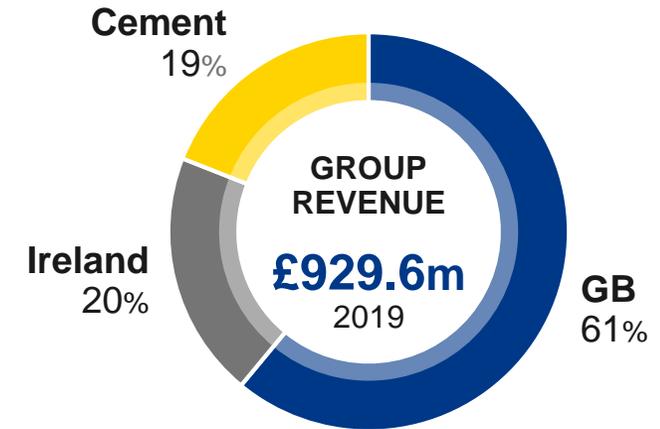
- Nationwide network of quarries and downstream operations
- Contracting services and highway maintenance businesses (minor road surfacing and major infrastructure contracts)

## IRELAND

- Trading under Whitemountain brand in NI and Lagan in Rol
- Both operate nationwide networks of quarries, downstream operations, contracting services and highway maintenance businesses

## CEMENT

- Two cement plants, in GB and Ireland, including UK's largest cement plant by capacity
- Four import/export terminals and rail-linked distribution network



# 2019 highlights



# 2019 highlights



- Excellent performance in challenging conditions
- Improved results from all three Divisions
- Strong cash flow reduced post IFRS 16 closing Leverage to 1.6x
- Integration of Lagan largely completed
- Acquisition of Roadway strengthened our position in North Wales
- Capital Concrete JV secured critical mass in London readymix market
- Agreed acquisition of portfolio of assets from CEMEX in the UK
- Committed to the GCCA's Sustainability Charter
- Stated intention to declare a maiden dividend with 2021 interims



# 2019 highlights



Revenue

**£929.6m +8%**

FY 2018: £862.7m

Underlying EBIT\*

**£116.6m +13%**

FY 2018: £103.5m

Underlying EBIT margin\*

**12.5% +0.5ppt**

FY 2018: 12.0%

Profit before taxation

**£94.6m +18%**

FY 2018: £79.9m

Underlying basic EPS\*

**5.0p +8%**

FY 2018: 4.70p

Net debt at 31 Dec 2019

**£290.3m**

Dec 2018: £310.7m

\* Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

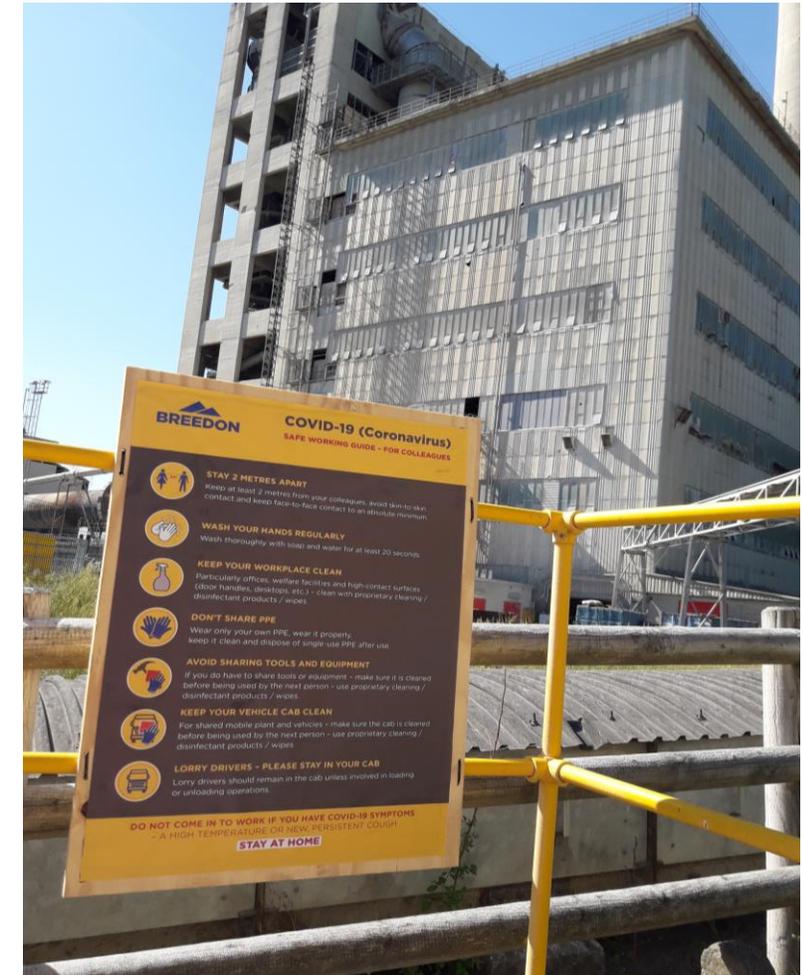
# H1 2020 highlights



# H1 2020 highlights



- Encouraging performance in first 12 weeks of the year
- COVID-19 lockdown at end of March prompted immediate fall in demand and managed shutdown of most operations
- Early and decisive action taken to keep colleagues safe and preserve liquidity
- Site reopenings commenced in early May as demand improved
- Recovery led by RoI, underlining the benefit of Breedon's geographical spread
- June revenues recovered to 99 per cent of June 2019
- Strong balance sheet, with net debt reduced to £253.6 million: Leverage of 1.9x
- Financial headroom of £344.0 million at 30 June
- Acquisition of CEMEX assets expected to complete imminently
- Recovery well underway and outlook remains positive



# H1 2020 highlights

Revenue

**£335.3m** -25%

H1 2019: £447.4m

Underlying EBIT\*

**£(0.6)m** -101%

H1 2019: £49.5m

Underlying EBIT margin\*

**(0.2)%** -11.3ppt

H1 2019: 11.1%

Loss before taxation

**£(10.1)m** -126%

H1 2019: profit of £39.5m

Underlying basic EPS\*

**(0.65)p** -132%

H1 2019: 2.03p

Net debt

**£253.6m**

H1 2019: £343.7m

\* Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items.

# Trading update



# Trading update (18 November 2020)



## Trading performance

The improving trends reported in our most recent trading update in September continued into the fourth quarter, with Group revenues in both September and October ahead of the same period in the prior year, on a like-for-like basis. As a result, the Group delivered revenues for the first 10 months of the year of £750 million (2019: £800 million), including three months contribution from the former CEMEX assets in the UK. We welcome the various commitments made by UK and Irish governments to maintaining activity in the construction sector and expect limited impact from recently announced restrictions.

As a result, the Board now expects the Group's Underlying EBIT for the full year to be at least £70 million, which is ahead of current market expectations.

## Financial position

The combination of continued positive trading and our focus on cost control and prudent cash management, as well as the recently announced agreement to dispose of certain assets to Tillicoultry Quarries Limited (subject to final clearance by the CMA), means that we currently expect net debt to be below £400 million at the year end.

## Outlook

Looking ahead, the ongoing COVID-19 pandemic and Brexit negotiations create continued economic uncertainty and result in limited visibility on trading conditions going into next year. Nevertheless, with forecasters expecting a further recovery in construction activity in GB and Ireland in 2021 and the UK and Irish governments making significant commitments to infrastructure spending, the outlook for our markets remains encouraging. The Group will also benefit from the integration of the former CEMEX UK assets into its existing operations, along with initiatives to improve performance, anticipated to begin by the end of this year.

During 2020 we have proved our ability to deliver a resilient performance against a backdrop of unprecedented disruption, which gives us considerable confidence in the long-term outlook for our business.

*\* The Group believes that the average of current full-year market expectations for underlying EBIT is £67 million.*

# Breedon's sustainable growth strategy



# Sustainable growth strategy

## There are six pillars

to our strategy, which together constitute the essential elements of Breedon's investment case





# A clear purpose and the right culture



- Breedon is an inherently local business with a wide range of stakeholders
- The Group seeks to benefit all these groups, from the communities in which it operates and the customers it serves through to its employees, suppliers and shareholders
- To promote a common culture across the organisation, Breedon defined in 2019 a clear purpose and set of values that will support the successful delivery of Breedon's strategy
- Led by the Board and Executive Committee (ExCom), the Group is embedding the purpose and values within the organisation to create a workplace where its people feel safe, proud and motivated to do their best
- This will drive the performance of the business, motivating and engaging employees, building customer loyalty and strengthening our relationship with local communities





# Robust governance



- Board membership has been significantly refreshed over the last 12 months
  - Non-executive Chairman appointed in 2019
  - Greater diversity, with broader range of experience
  - Pat Ward has informed the Board of his intention to retire during 2021, and following a comprehensive review the Board has concluded that Rob Wood should succeed him
- We seek to adhere to best practice corporate governance
  - Fully compliant with the QCA code
  - Substantially compliant with the FRC corporate governance code
  - Transition from AIM to Main Market likely in due course
- There is a clear and rigorous risk management framework



**Amit Bhatia**  
Non-executive  
Chairman



**Pat Ward**  
Group  
Chief Executive



**Rob Wood**  
Group  
Finance Director



**Carol Hui**  
Non-executive  
Director



**Moni Mannings**  
Non-executive  
Director



**Clive Watson**  
Non-executive  
Director



# Commitment to sustainability and social responsibility

- Playing an important role in the economic development of the UK and Ireland, Breedon works continuously to reduce the impact of its operations on people and the environment
- The Group became a full member of the Global Concrete and Cement Association (GCCA) in 2018, which drives responsibility in the manufacture and use of cement and concrete
- As a full member, Breedon will comply with the GCCA Sustainability Charter. To do so, the Group will be required to:
  - develop KPIs and set targets for the five pillars of the Charter
  - publish company level sustainability performance
  - report standardised plant level sustainability data to the GCCA through an external service provider
  - encourage the implementation of the pillars of the Charter across the value chain
- Whilst the GCCA requirements relate only to cement and concrete, Breedon intends to set targets and collect data on all product groups
- Breedon recently appointed a Group Head of Sustainability, reporting directly to ExCom



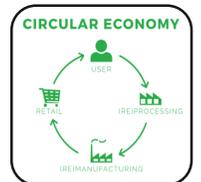
## GCCA Sustainability Charter Pillars and Reporting



CLIMATE CHANGE AND ENERGY



HEALTH AND SAFETY



CIRCULAR ECONOMY



SOCIAL RESPONSIBILITY



ENVIRONMENT & NATURE



# Long-term growth markets



- Breedon is exposed to long-term growth areas of the GB and Irish construction markets (e.g. infrastructure, housing, industrial)
- Following a prolonged period of underinvestment, infrastructure development is a priority in both GB and Ireland
- The UK Government's March 2020 budget committed to a £640bn spend on infrastructure projects over the next five years:
  - Capex rising from £99bn in 2019-20 to £139bn in 2024-25
  - £27bn UK Road Investment Strategy (RIS2)
  - Additional £500m earmarked for pothole repairs
- The UK's HS2 rail project approved
  - Total cost currently estimated at c£100bn
- An Irish National Development Plan is in progress
  - €116bn of investment over 10 years to 2027
  - €115m additional stimulus plan announced July 2020
  - Focus on transport, housing, hospitals and schools



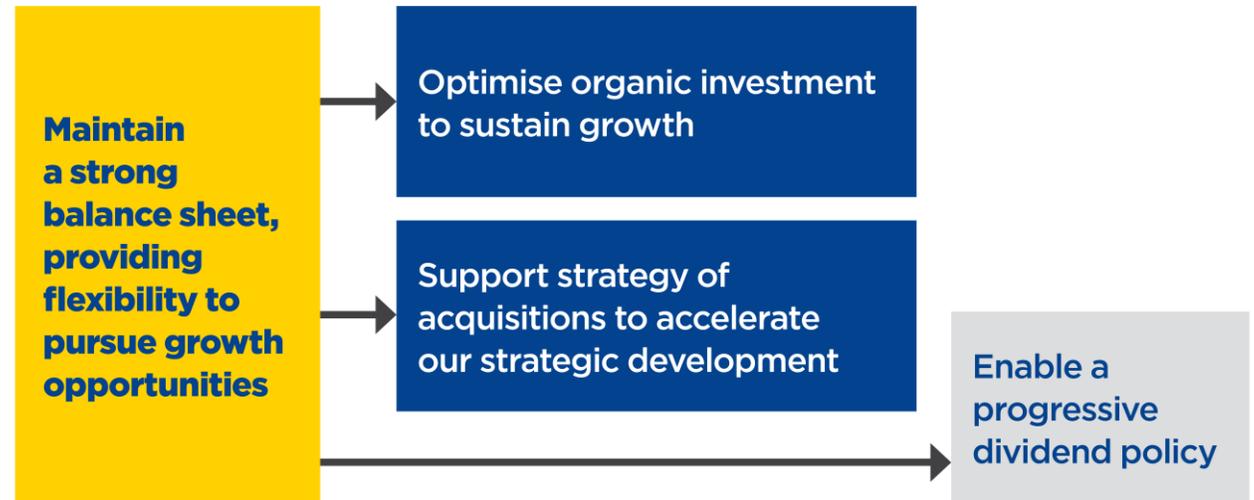


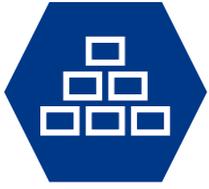
# Conservative financial management



- Strong asset-backed balance sheet
- Highly cash-generative
- Cash generation and strong balance sheet allow significant organic investment in our business and continued pursuit of acquisitions to accelerate our strategic development
- This approach to financial management will also support the dividend policy recently announced

## CLEAR CAPITAL ALLOCATION PRIORITIES





# A growing and well-utilised asset base and significant self-help opportunities



**c1bn tonnes reserves and resources**

**2 cement plants**

**35+ years of reserves and resources life**

- Consents for new quarries rarely granted, creating significant barrier to entry
- Replenishment rates at historic low
  - < 60% for crushed rock in majority of the last 10 years
- Against this background, Breedon has:
  - sizeable reserves and resources base
  - proven ability to enhance reserves (e.g. planning extensions, efficiency gains)
  - two cement plants with high imputed replacement cost

## BREEDON'S SELF-HELP LEVERS

### COMMERCIAL

- Differentiated local business model
- Price and margin management
- New product development
- Sales force management
- Commercial process automation

### MINERALS

- Securing quarry extensions
- Improving product yields
- 'Quarry a tonne, sell a tonne'

### LOGISTICS

- Fleet optimisation
- Reducing hired-in haulage
- Better management of 'owner-drivers'
- Improving shipping programme
- Expanding rail hub network

### OPERATIONS

- Improving equipment effectiveness
- Right-sizing readymix footprint
- Increasing RAP capacity
- Greater preventative maintenance

### TECHNICAL

- Mix optimisation (asphalt/readymix)
- Central testing/audit to improve quality
- Converting waste into saleable customer products
- Value creation through innovative design

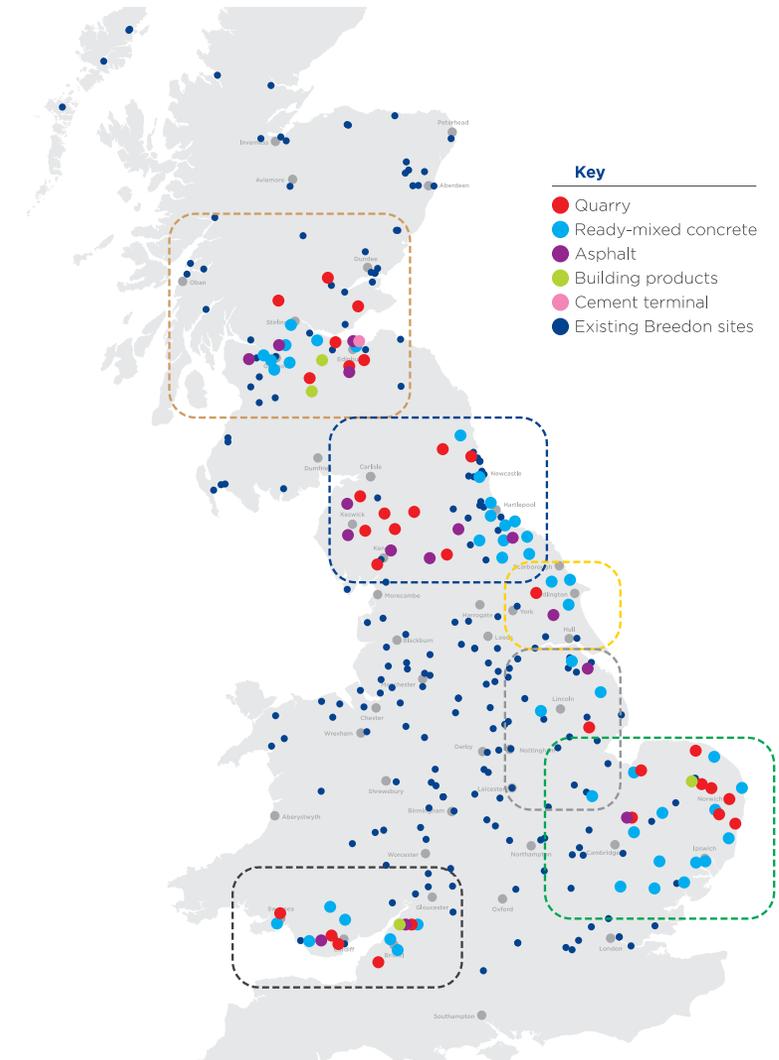
### COSTS

- Cost leadership philosophy
- Continuous improvement programme
- Greater use of alternative fuels

# Acquisition of CEMEX UK assets



- Acquisition of certain UK assets and operations from CEMEX completed in July 2020, for total consideration of £178m
- Quality assets underpinned by c170 million tonnes of mineral reserves and resources
- Around 650 talented and experienced employees
- Infills six key regional GB markets; enables step-change in development of national asphalt strategy
- EPS and FCF per share accretion in first full year post-acquisition
- Enhances GB platform for further growth via organic investment and bolt-on acquisitions
- Currently trading as Pinnacle Construction Materials, pending implementation of remedies agreed with Competition and Markets Authority, following which the assets will be fully integrated into Breedon Group



# Summary: a leading construction materials group

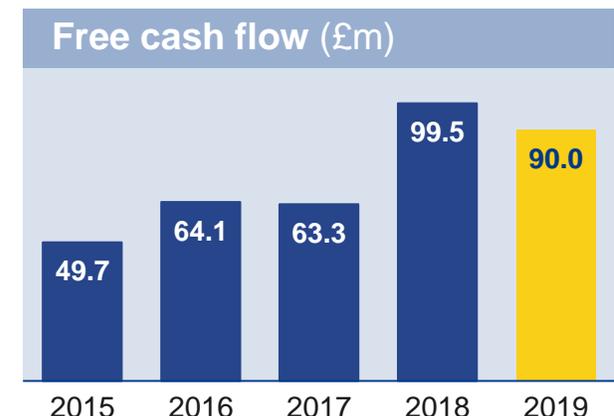
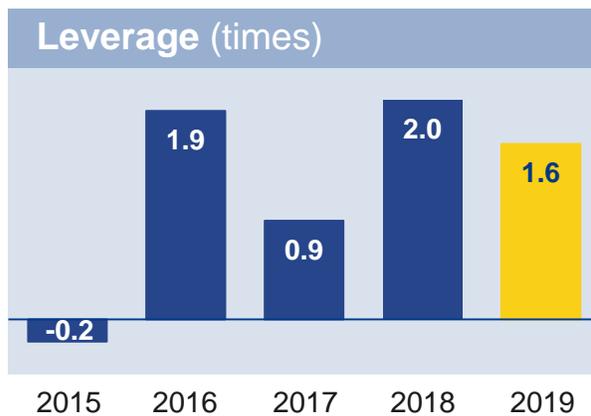
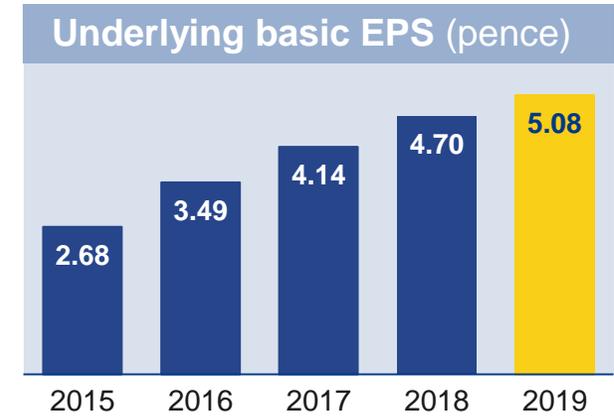
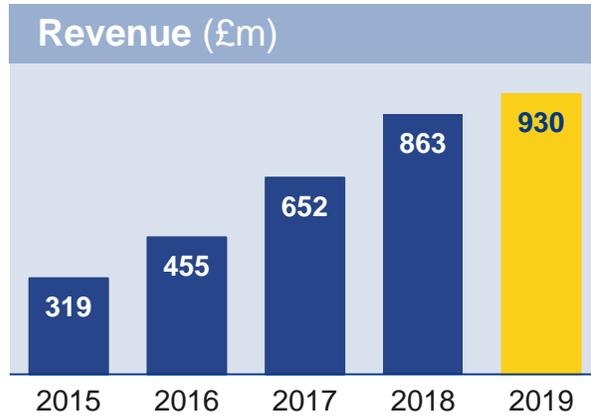
- Strong competitive positions in markets with favourable long-term dynamics
- Clear strategy and resilient, sustainable business model
- Highly cash-generative with opportunities for value-enhancing investment
- Good growth opportunities in both GB and Ireland
- Potential for further operational performance improvement
- Optimistic about long-term prospects of the business



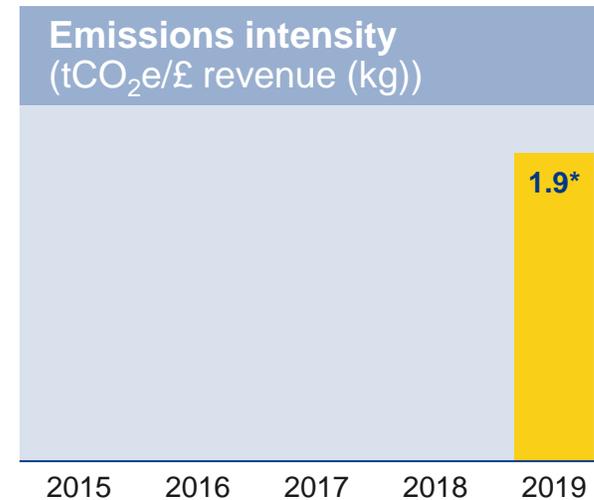
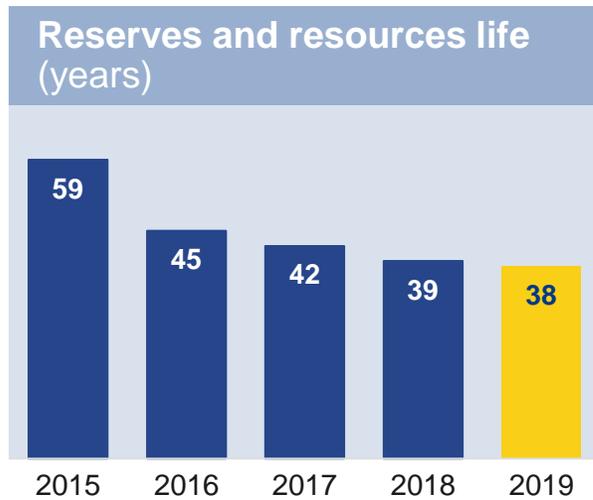
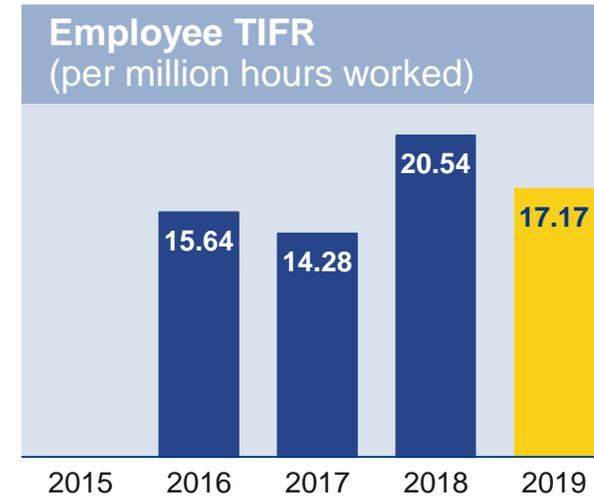
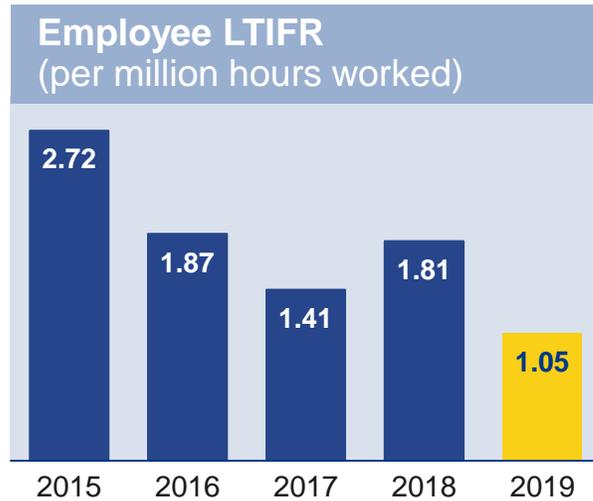
# Appendices



# Our track record: financial KPIs

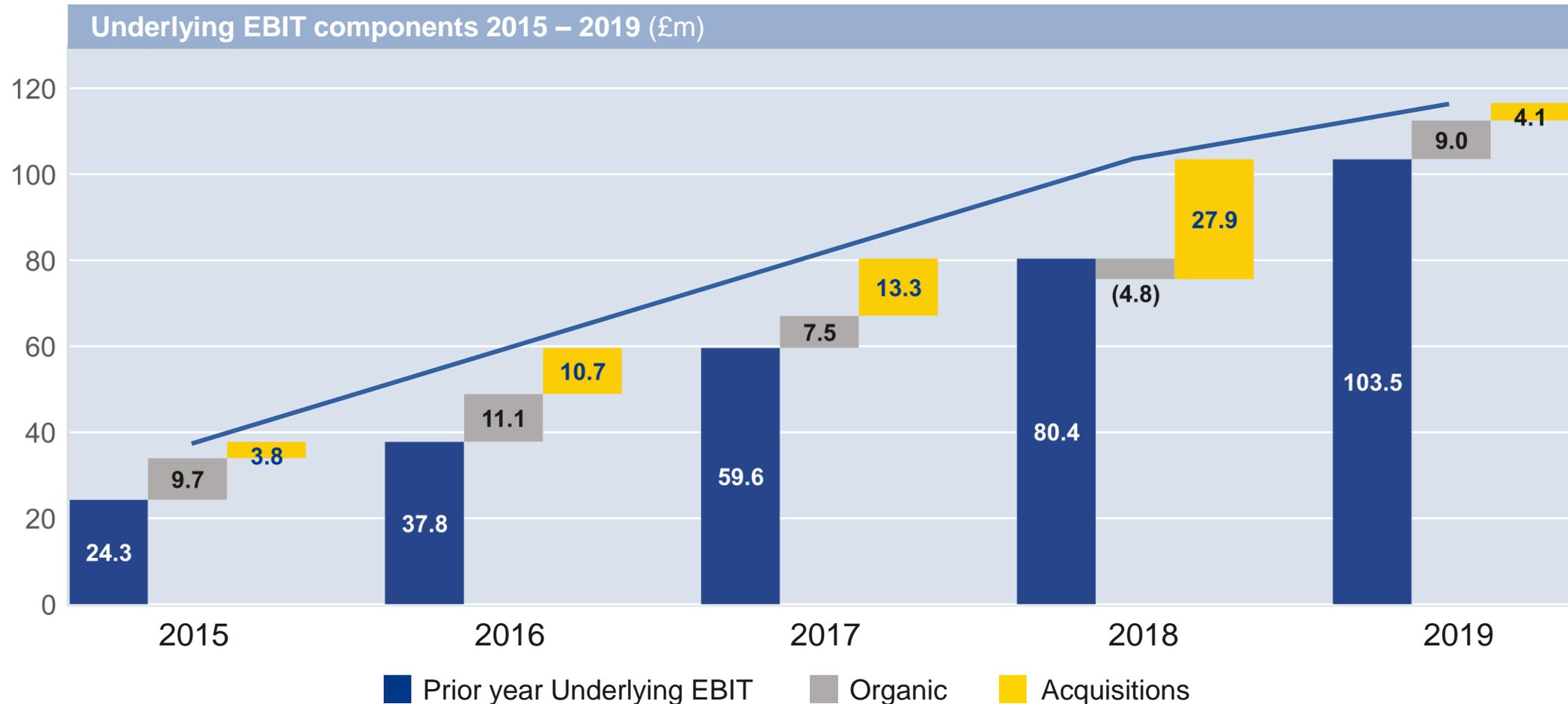


# Our track record: non-financial KPIs



\* Reported for first time in 2019

# Our track record: balanced growth



# Our track record: capital allocation

