

# Breedon Aggregates

## Half-year 2014 results

17 July 2014



Kemnay block plant

Results overview

Peter Tom

Financial review

Rob Wood

Operational review & group outlook

Simon Vivian

Q&A



# Results overview

**Peter Tom CBE**

**Chairman**

- ▲ Improved trading
- ▲ Continuing improvements in site management
- ▲ Organic investment generating strong operational improvements
- ▲ Reserves enhanced with further extensions
- ▲ Bolt-on acquisition of Huntsmans completed
- ▲ BEAR NE 4G long-term contract secured
- ▲ Refinancing completed post-period-end

1. **Stay local** Easy to do business with at every site
2. **Stay nimble** Keep ahead of our markets & develop new ones
3. **Devolve responsibility** and decision-making to regional teams
4. **Squeeze our assets** Maximise return from every tonne of rock
5. **Eliminate underperformance** If a plant is not performing, fix it
6. **Keep central overhead to a minimum** Flat structure
7. **Don't pay rent** Locate our offices in our quarries
8. **Deliver value from acquisitions** Always enhance earnings

Revenue

**£125.2m** (+25%)

Underlying EBITDA

**£17.8m** (+37%)

Underlying EBITDA margin

**14.2%** (+1.3 ppt)

Acquisitions EBITDA\*

**£3.0m**

Underlying basic EPS

**0.73p** (+33%)

Net debt

**£63.0m** (+£8.6m vs. Dec-13)

\* £0.3 million from 2014 acquisition and additional £2.7 million from 2013 acquisitions (excluding non-underlying items)



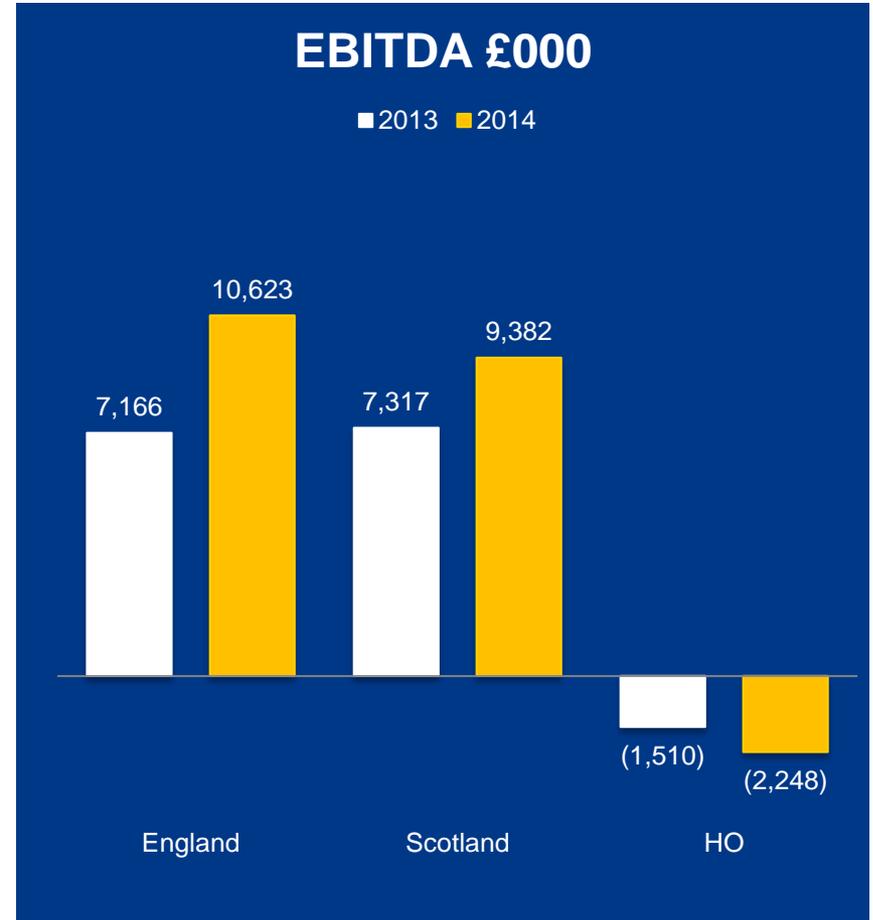
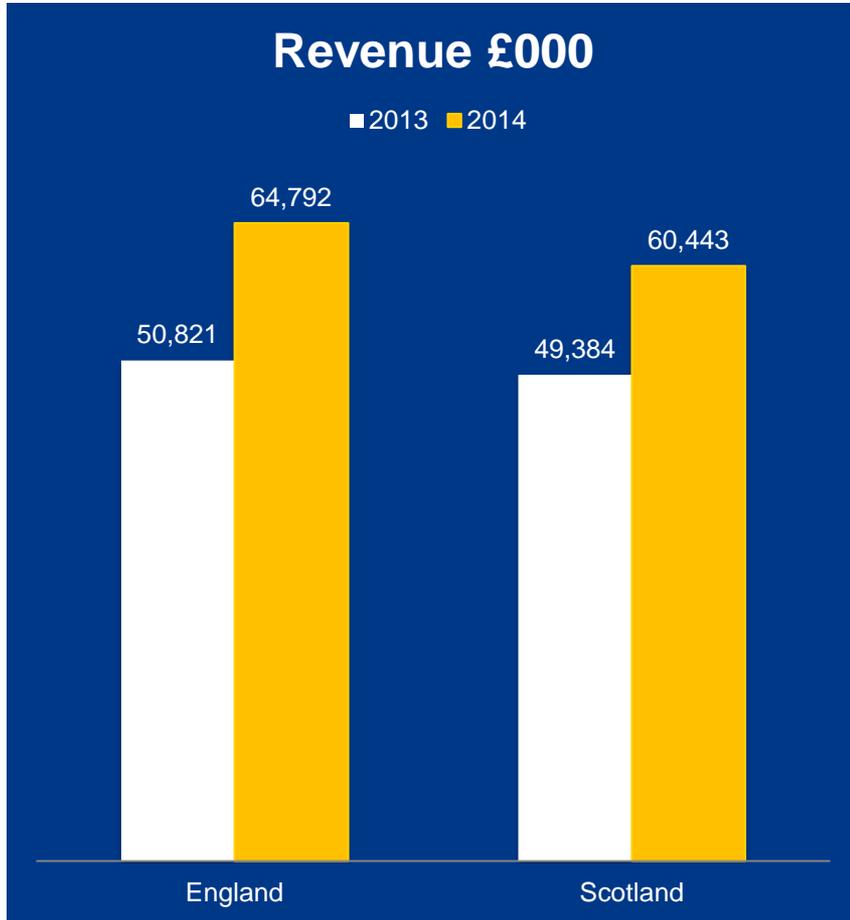
# Financial review

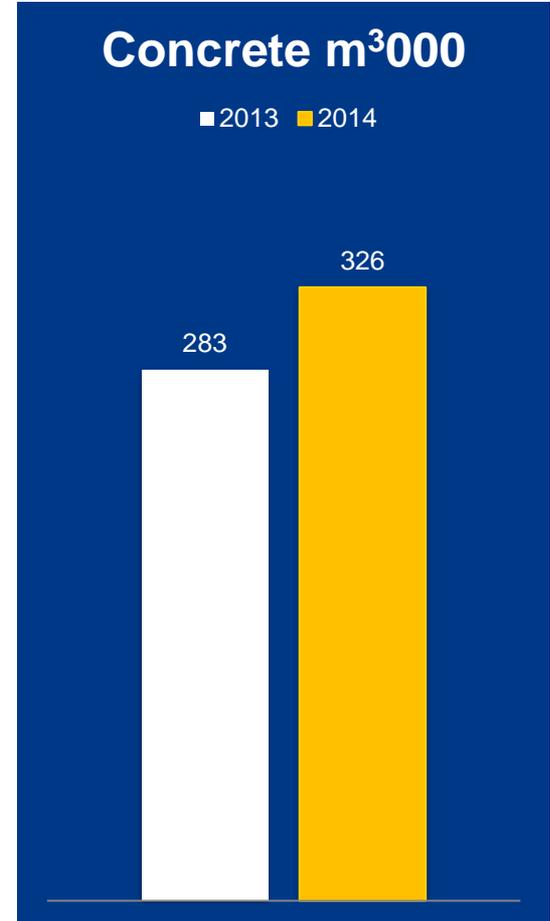
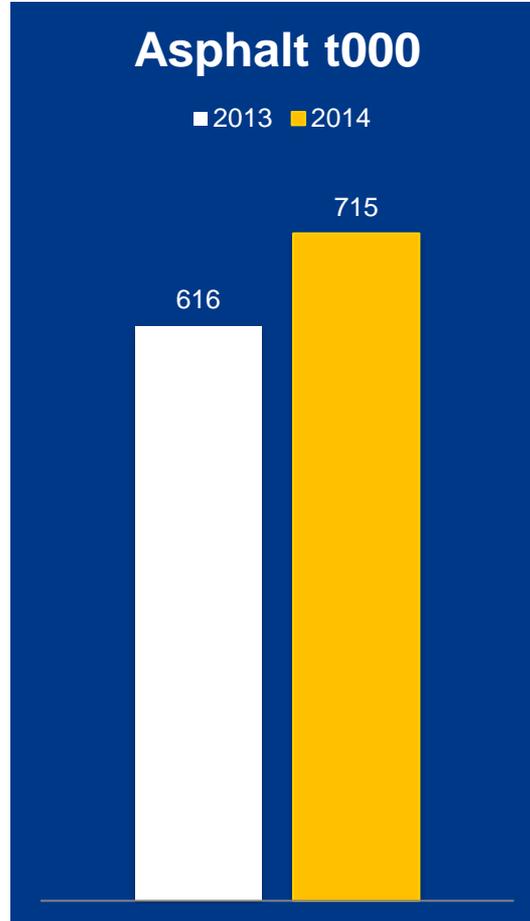
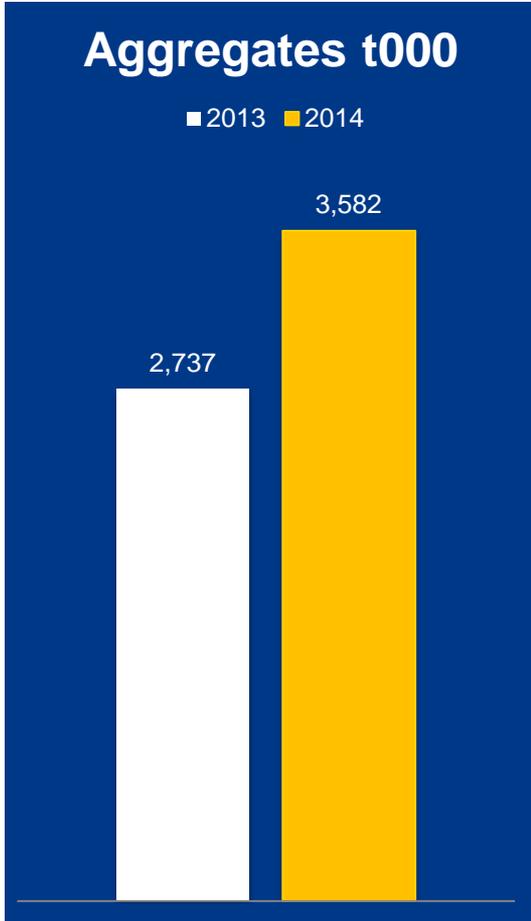
**Rob Wood**

**Group Finance Director**

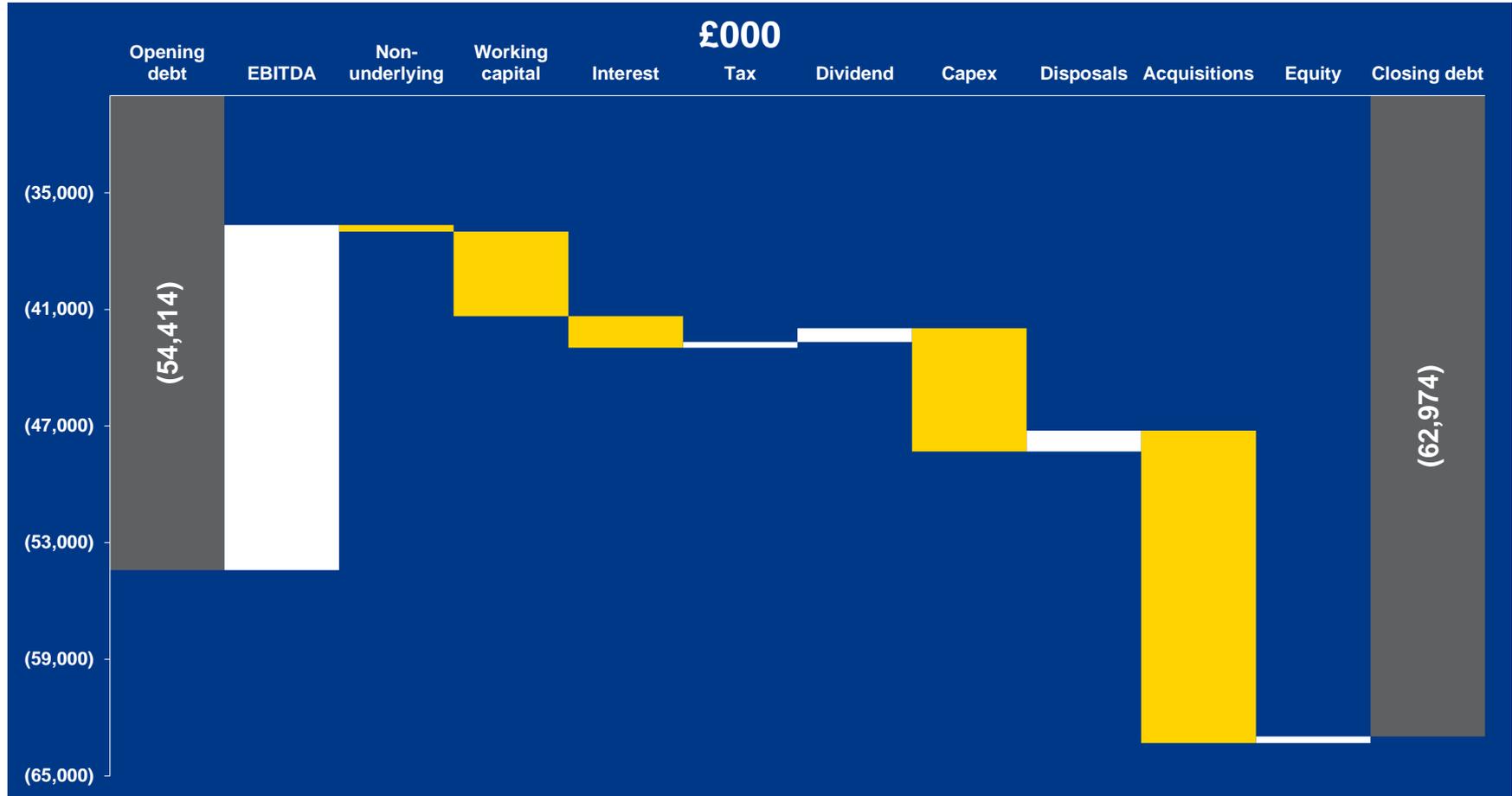
# 2014 H1 - Income statement

	2014 £000	2013 £000	Variance %
Revenue	125,235	100,205	25%
<b>EBITDA</b>	<b>17,757</b>	<b>12,973</b>	<b>37%</b>
Depletion & Depreciation	(7,317)	(6,329)	(16%)
<b>Underlying operating profit</b>	<b>10,440</b>	<b>6,644</b>	<b>57%</b>
Associate	701	535	31%
Interest	(1,708)	(1,837)	7%
Exceptional	(355)	(976)	64%
<b>PBT</b>	<b>9,078</b>	<b>4,366</b>	<b>108%</b>
<b>Underlying PBT</b>	<b>9,433</b>	<b>5,342</b>	<b>77%</b>
Tax	(2,043)	(996)	(105%)
MI	(36)	(24)	(50%)
<b>Retained profit</b>	<b>6,999</b>	<b>3,346</b>	<b>109%</b>
<b>Underlying basic EPS</b>	<b>0.73</b>	<b>0.55</b>	<b>33%</b>
Basic EPS	0.69	0.45	53%
Diluted EPS	0.64	0.39	64%





# H1 2014 - Cash flow/net debt



- ▲ New debt facility put in place post-period-end
- ▲ 4-bank club - Barclays, HSBC, RBS & Santander
- ▲ Key terms
  - £100m RCF
  - 4 year tenor
  - Margins lower than old facility
  - Flexible 'general corporate purposes'
  - Includes additional £50m accordion option
- ▲ New club, lower cost, greater flexibility to support our bolt-on acquisition strategy



# Operational review

**Simon Vivian**

**Group Chief Executive**

- ▲ Economic recovery gathering momentum
- ▲ GDP growth 3.1% pa, construction output up 5.4% year on year, unemployment and inflation falling
- ▲ Housing market particularly strong
- ▲ Q1 MPA volumes significantly ahead - aggregates and asphalt 15-18% and concrete 5%
- ▲ Market conditions in England generally stronger than Scotland but both very busy in Q1
- ▲ Political commitment to infrastructure investment - Infrastructure Bill currently going through Parliament

- ▲ Year on year results strongly ahead in six months to June 2014
- ▲ Good performance from former AI & Marshalls businesses
- ▲ Huntsmans acquired in June
- ▲ Capacity increased - new quarries and concrete plants acquired or opened
- ▲ Continuing reduction in accident frequency rate - down almost 20%
- ▲ Competition clearance received for 2013 AI acquisition - limited disposals
- ▲ Price increases applied in Q1
- ▲ Key input costs stable: fuel, bitumen, cement
- ▲ BEAR NE 4G contract secured for 6-8 years

# Breedon Aggregates England



i54 Technology Park in Staffordshire, site of new Jaguar Land Rover plant

## Revenue

**£64.8m** (+27%)

## Underlying EBITDA

**£10.6m** (+48%)

## Volumes

Aggregates +40%

Asphalt +17%

Concrete +16%

- ▲ EBITDA excluding acquisitions comfortably ahead of prior year
- ▲ Further margin improvements
- ▲ Acquisitions trading in line with expectations
- ▲ Significant operational efficiency improvements

- ▲ New concrete plants at Cannock and Clearwell
- ▲ Acquisition of West Deeping quarry
- ▲ Upgrade of Norton Bottoms quarry
- ▲ Further synergies at Clearwell quarry
- ▲ Asphalt hot storage and night working at Leaton
- ▲ Planning extension for Kettleby quarry
- ▲ Further recruitment of owner-drivers
- ▲ Supply to A453 retained beyond initial order
- ▲ Further supply to Nottingham Tramway
- ▲ i54 Jaguar Land Rover project ongoing
- ▲ First entry into Hereford County through Balfour Beatty

- ▲ Expands our presence in Gloucestershire and into Worcestershire
- ▲ Strong local business in buoyant, growing markets
- ▲ Well run, with good margins
- ▲ Excellent, high-quality reserves with potential for extension
- ▲ Two well-positioned concrete plants
- ▲ Complementary range of downstream products
- ▲ Potential for operational improvement and cost-savings

- ▲ Continue progress to zero accidents
- ▲ Maintain and improve prices
- ▲ Drive up service levels
- ▲ Continue investment in operating efficiencies
- ▲ Complete Clearwell and Cannock planning
- ▲ Pursue organic growth opportunities in concrete and asphalt
- ▲ Integrate Huntsmans, deliver synergies and extend planning

# Breedon Aggregates Scotland



Tom's Forest quarry

## Revenue

**£60.4m** (+22%)

## Underlying EBITDA

**£9.4m** (+28%)

## Volumes

Aggregates +17%

Asphalt +15%

Concrete +11%

- ▲ EBITDA margins continue to grow
- ▲ 2013 AI acquisition trading in line with expectations - major challenge running as separate business
- ▲ Efficiency gains in all products
- ▲ BEAR NE 4G contract secured

- ▲ Improvements in Health & Safety - only one LTI year to date
- ▲ Strong Q1 on back of Transport Scotland spending
- ▲ Improved pricing in more challenging market areas
- ▲ Strong performance from Contracting division
- ▲ MCT recycling train delivering added value from waste stock
- ▲ Craigenlow crushing and capacity upgrade project completed
- ▲ Significant investment in mobile plant at key sites
- ▲ Overburden at Tom's Forest converted for use in concrete plants
- ▲ Agreement with Gyvlon for high-value screed concrete materials
- ▲ Significant order for rockfill to Invergordon Harbour

- ▲ BEAR has held contract since 2001
- ▲ New contract for 6-8 years
- ▲ Covers 613 miles of trunk roads
- ▲ Complements NW 4G contract, held by BEAR since 2012
- ▲ Breedon a major beneficiary
  - 37.5% associate earnings contribution
  - Sole supplier of aggregates, asphalt & contract surfacing to BEAR in NE (and NW) Scotland



- ▲ Connect Roads confirmed as preferred bidder for £745m Aberdeen Western Peripheral Route (AWPR)
- ▲ Commences early 2015 for completion 2018
  - 46km of new dual carriageway
  - 12km of dual carriageway upgrade
  - 40km of new side roads
  - 30km of access tracks
  - 72 new bridges
- ▲ Breedon a strong potential beneficiary with well-located quarries, concrete and asphalt plants along route

- ▲ Continue progress to zero accidents
- ▲ Referendum creating uncertainty, but no significant long term impact expected on our business
- ▲ Excellent potential from BEAR's NE 4G contract
- ▲ Major A9 dualling contract still to be awarded
- ▲ Complete integration of former AI units
  - Combined commercial approach
  - Deliver cost savings
  - Optimise performance by efficient sourcing and distribution
- ▲ Complete CMA mandated disposals
- ▲ Erect new asphalt plant in Grampian area at earliest opportunity
- ▲ Explore other value-enhancing capital projects



# Group outlook

- ▲ Economy recovering - GDP only 0.6% below pre-recession level
- ▲ Unemployment continuing to fall
- ▲ MPA forecasts 5-6% growth in full-year volumes across all materials
- ▲ Highways Agency spending on road construction to double between 2015 and 2020 - £200m “pothole” fund in current year
- ▲ Cross-party support for £100bn infrastructure spending to 2020
- ▲ Increased local government spending post 2015
- ▲ Demand in England expected to be strong, supported by several major projects
- ▲ Sustained benefits to come in NE Scotland from BEAR NE 4G contract and £745m AWPR project
- ▲ Synergy benefits from integration of former AI operations
- ▲ Several acquisitions and internal investment opportunities under review



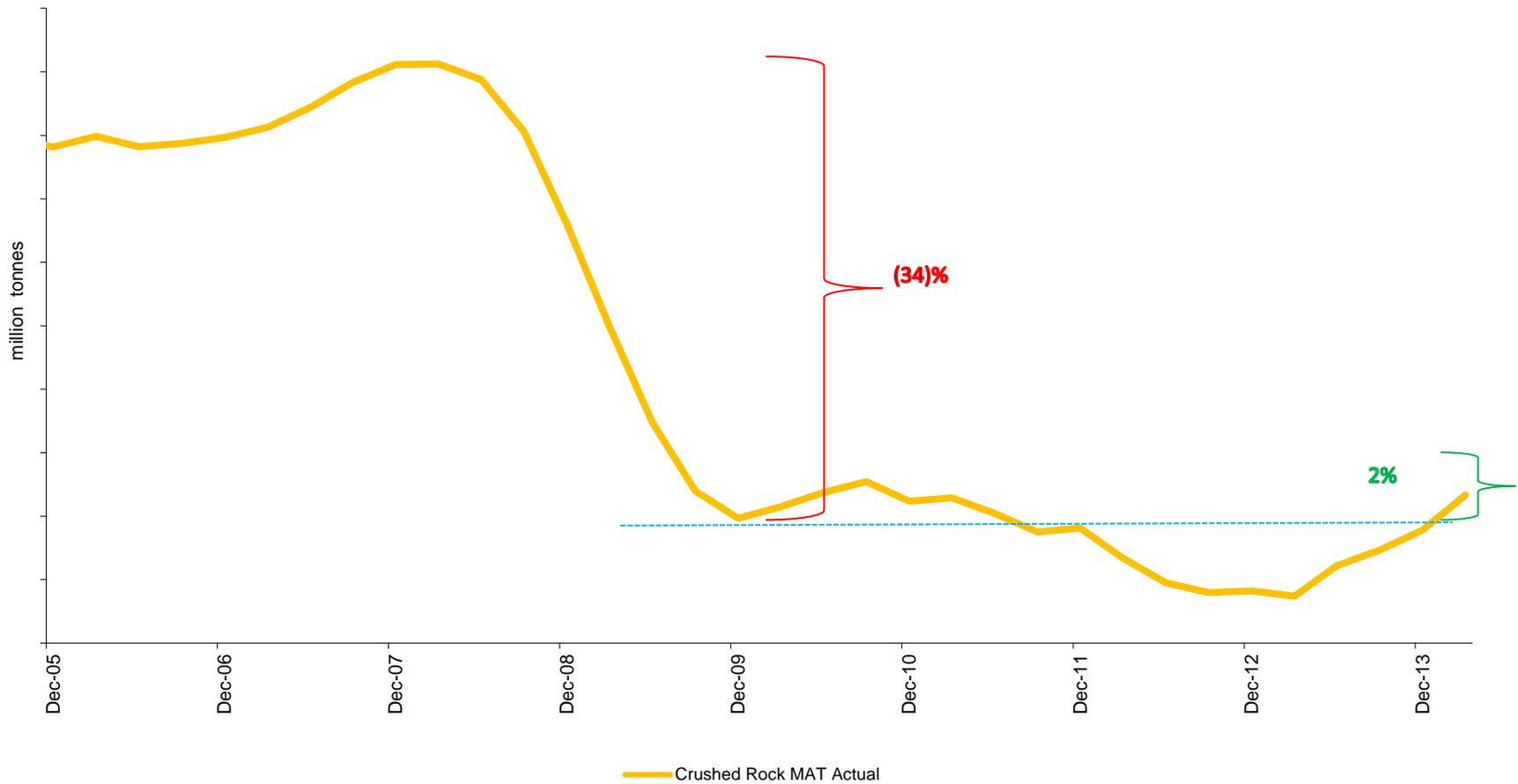
# Appendices

MPA volumes

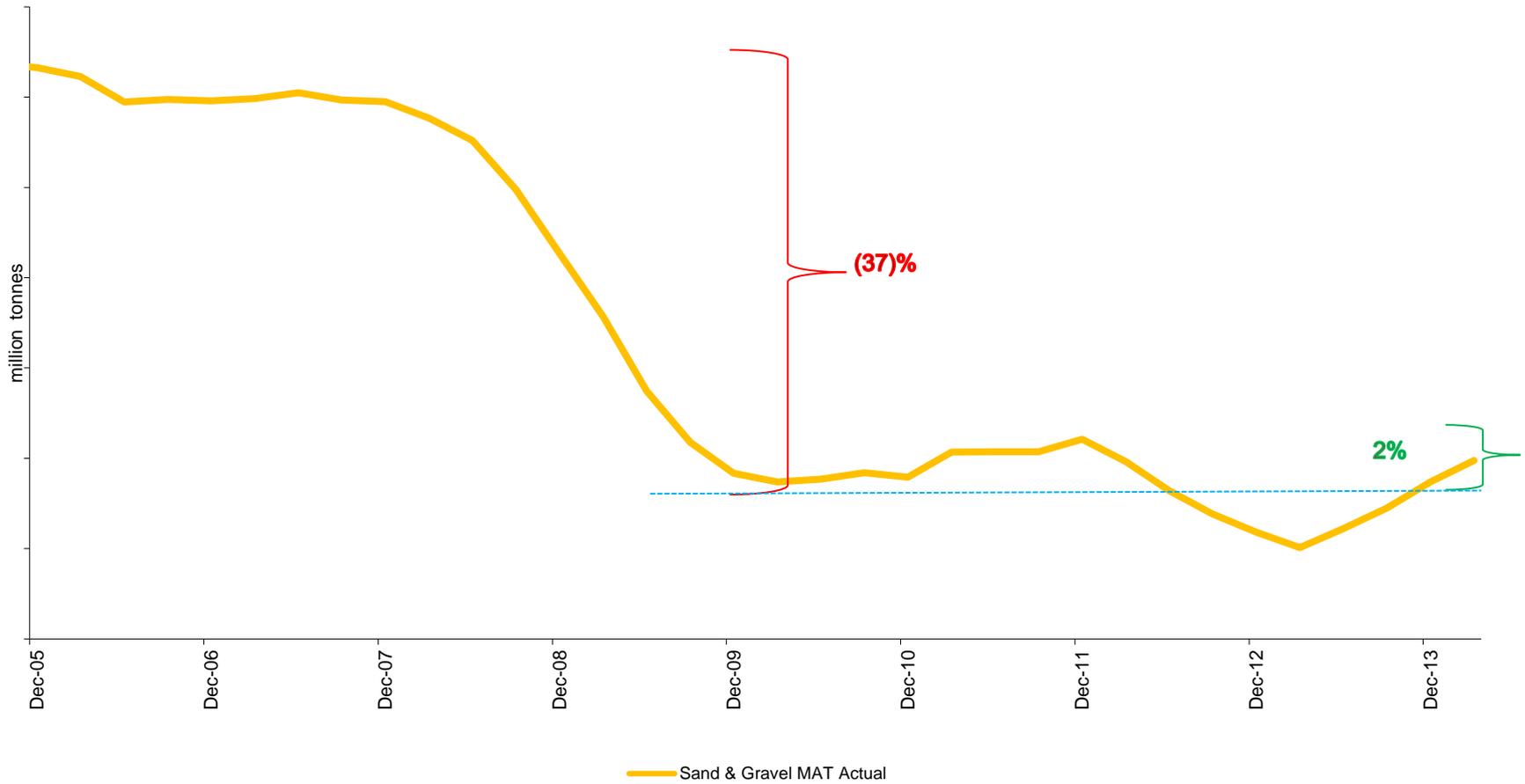
Aggregates production per capita

Aggregates market history

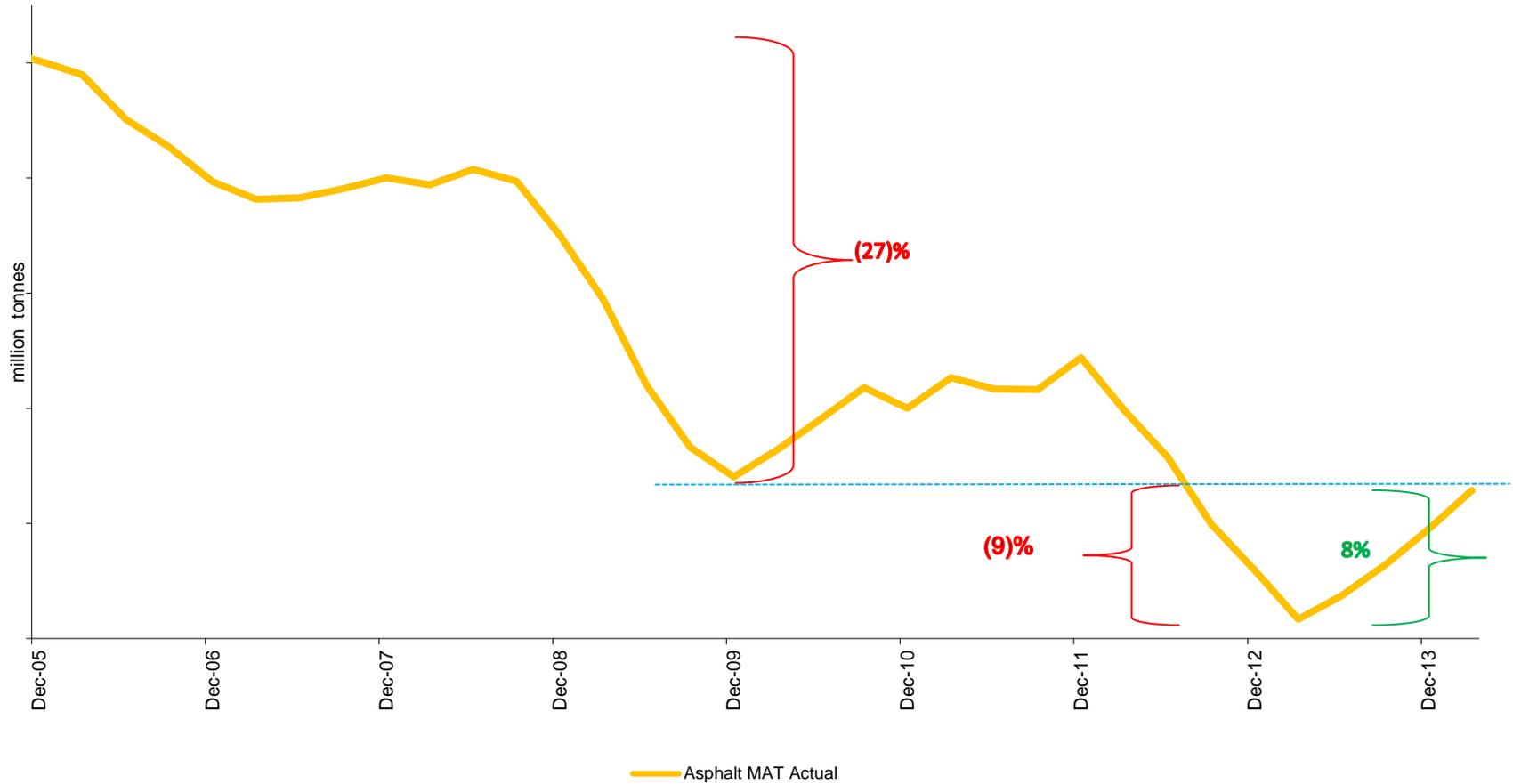
# MPA crushed rock volumes – moving annual trend



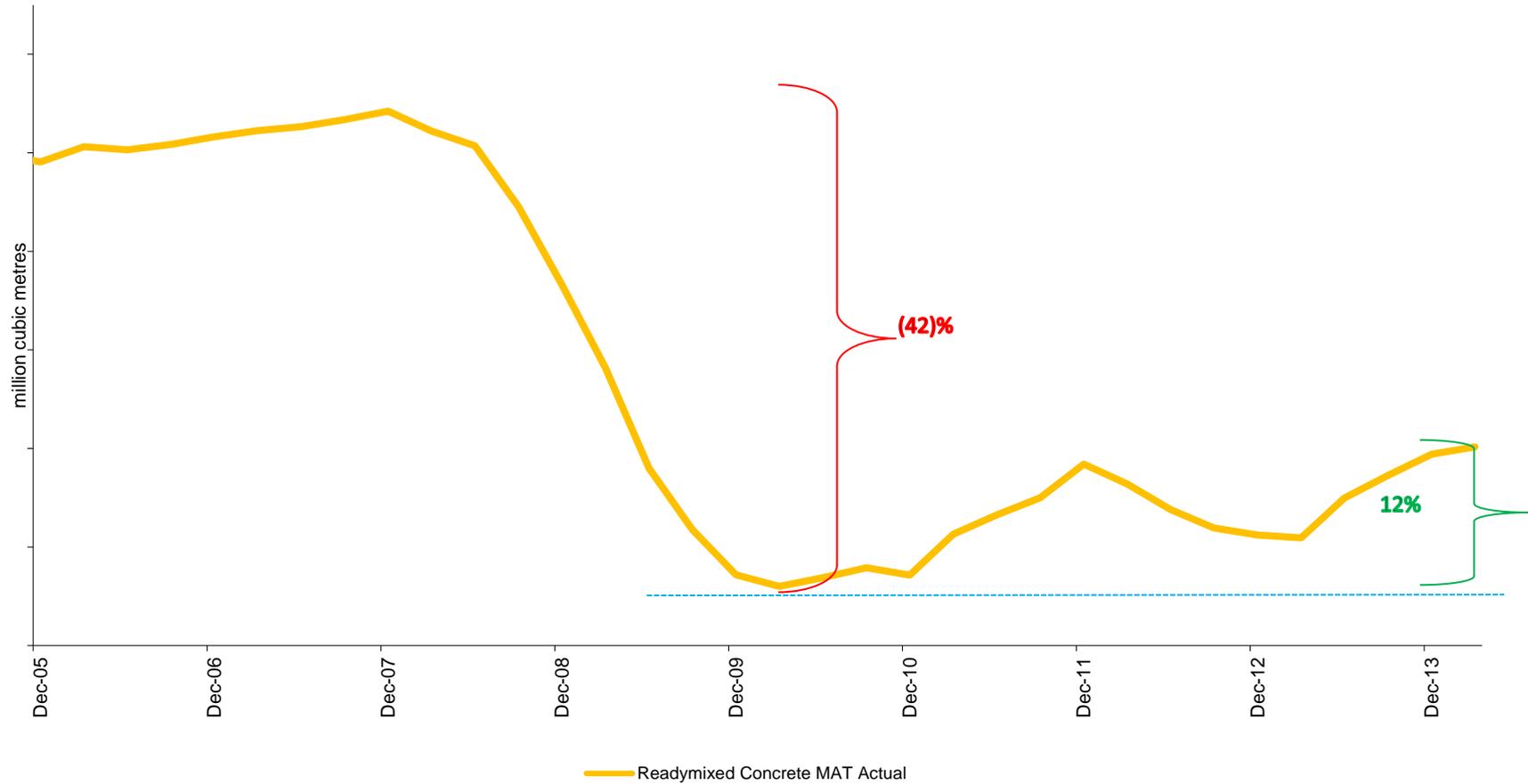
# MPA sand & gravel volumes – moving annual trend



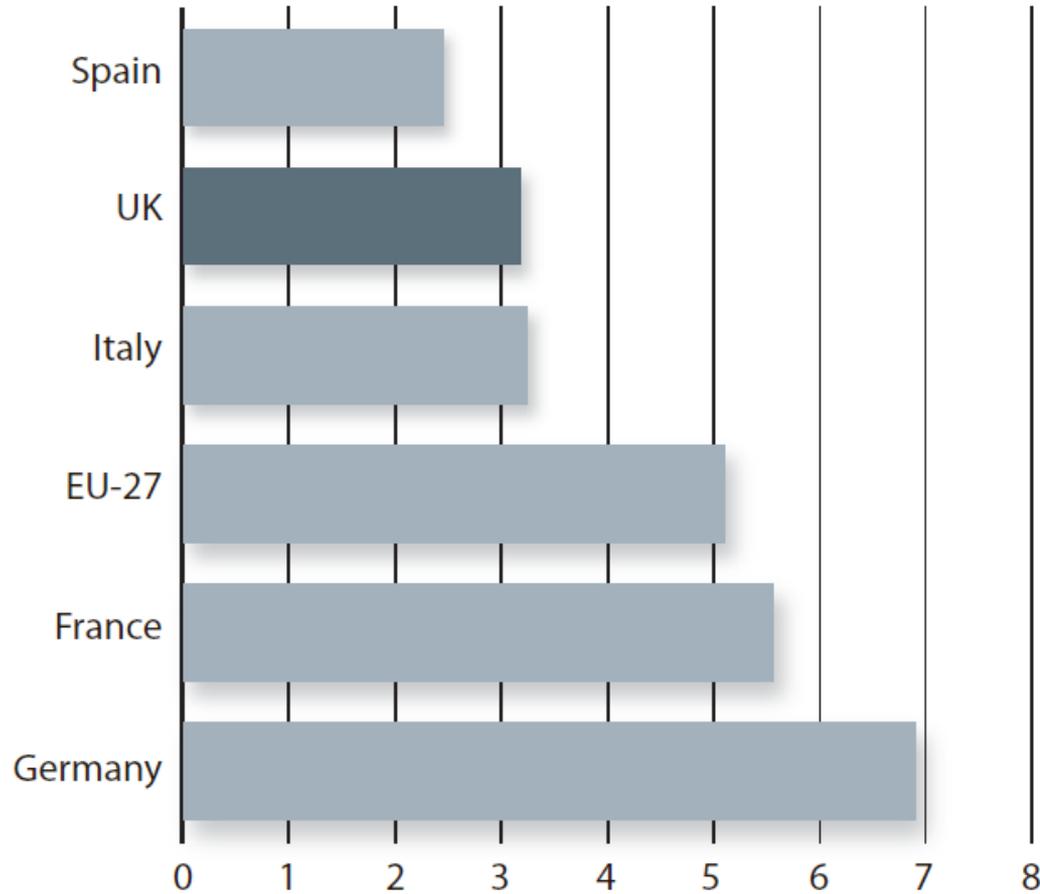
# MPA asphalt volumes – moving annual trend



# MPA readymixed volumes – moving annual trend

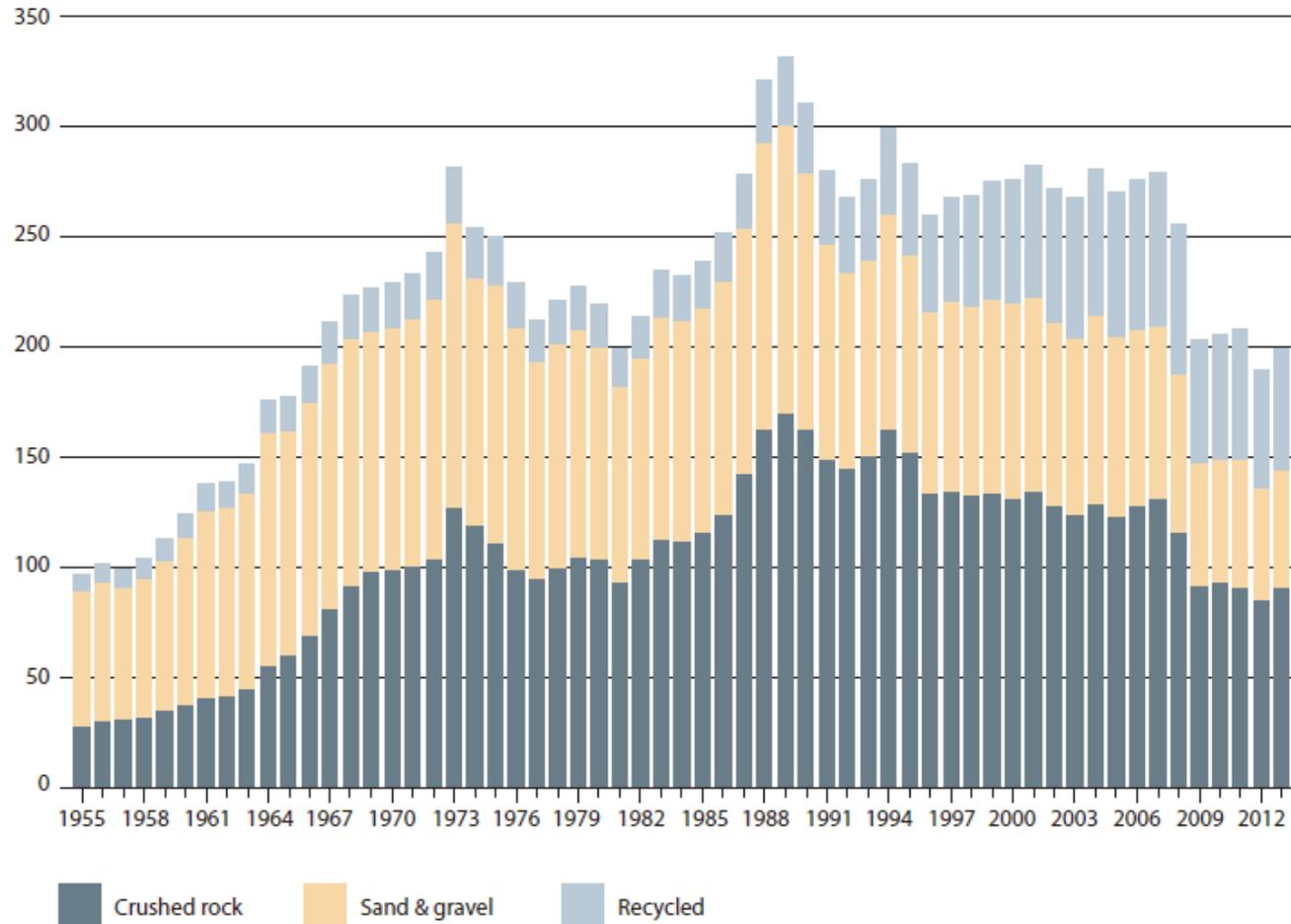


# Aggregates production per capita (2012, tonnes)



(Source: UEPG)

# Aggregates market history (million tonnes)



(Source: DCLG, MPA)

This presentation may contain statements related to our and our subsidiaries' future business and financial performance, and future events or developments involving Breedon Aggregates that are not purely historical and which may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or variations of such words and similar expressions. Such statements are based on the current expectations and beliefs of, and certain assumptions made by, and information currently available to, Breedon Aggregates' management, and are therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Breedon Aggregates' control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Breedon Aggregates to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. Forward-looking statements should be evaluated in the context of these factors.