



MAKING A MATERIAL DIFFERENCE

BREEDON GROUP

2020 RESULTS

10 March 2021



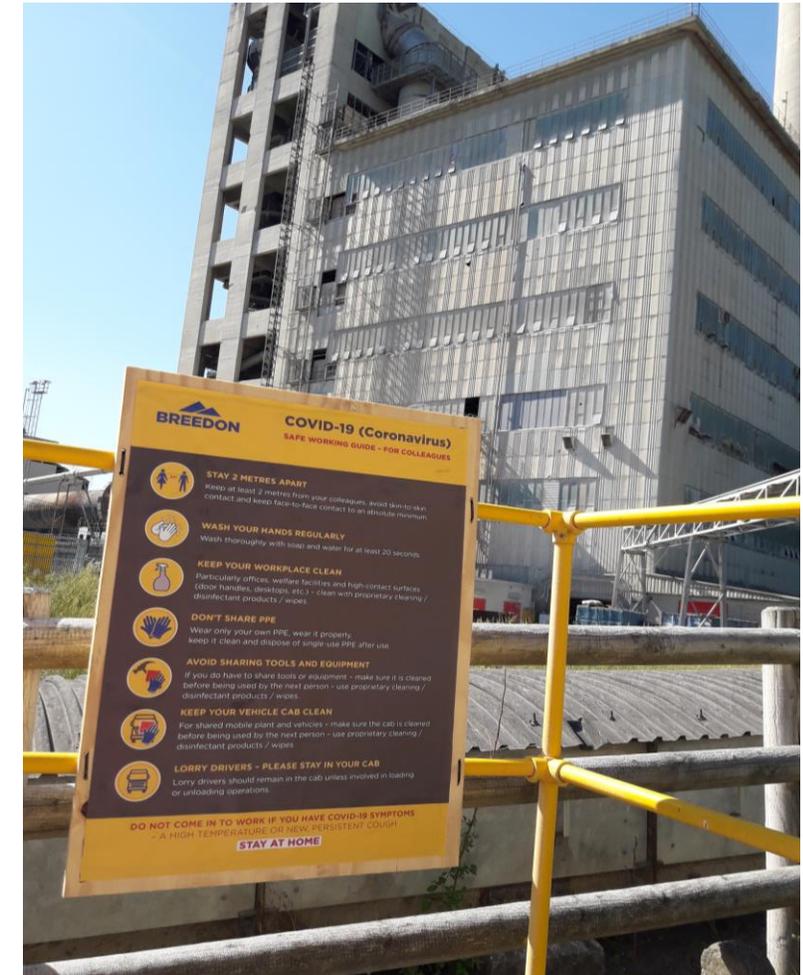
Agenda

- **Group highlights**
Pat Ward, Group Chief Executive
- **Financial review**
Rob Wood, Group Finance Director
- **Operational review**
Pat Ward
- **Outlook**
Rob Wood
- **Q & A**

Group highlights



- Robust performance against backdrop of considerable disruption caused by COVID-19
- Strong recovery in second half, with like-for-like revenue and Underlying EBIT ahead of prior year
- Positive outcome for the year made possible by the support and hard work of all our colleagues
- Sustainability agenda progressed, appointment of first Group Head of Sustainability and developing a clear roadmap for Breedon
- Cemex acquisition completed 31 July, integration on-track
- Strong balance sheet and liquidity maintained
- Leverage 2.1x at year end due to strong second half trading and free cash flow generation
- Intention to pay maiden dividend during 2021



A wide-angle landscape photograph showing a green valley with a prominent limestone cliff face in the middle ground. The foreground is a grassy slope with large, grey rocks. The sky is blue with scattered white clouds. A large tree is visible on the right side of the frame.

Financial review
Rob Wood, Group Finance Director

2020 highlights

Revenue

£928.7m

2019: £929.6m -0%

Underlying EBIT

£76.5m

2019: £116.6m -34%

Underlying EBIT margin

8.2%

2019: 12.5% -4.3ppt

Profit before taxation

£48.1m

2019: £94.6m -49%

Underlying basic EPS

2.80p

2019: 5.08p -45%

Net debt

£318.3m

2019: £290.3m

Notes:

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

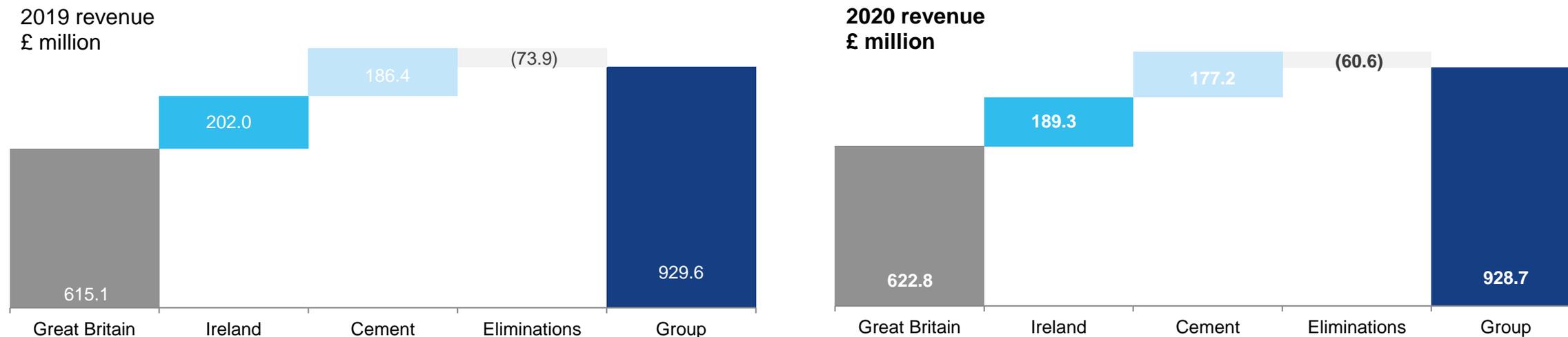
Net debt includes IFRS 16 lease liabilities of £53.1m (2019: £43.6m)

2020 income statement



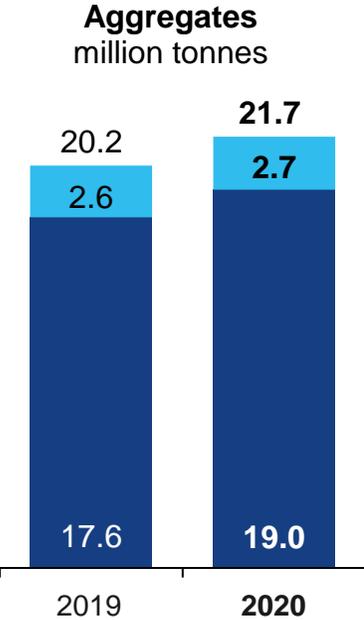
	2019 £ million	2020 £ million	Variance
Revenue	929.6	928.7	(0%)
Underlying EBITDA	180.2	149.2	(17%)
Depletion & depreciation	(65.2)	(74.4)	
Underlying operating profit	115.0	74.8	(35%)
Share of associate and joint ventures	1.6	1.7	
Underlying EBIT	116.6	76.5	(34%)
Interest	(14.0)	(13.5)	
Non-underlying items	(8.0)	(14.9)	
Profit before tax	94.6	48.1	(49%)
Taxation – at effective rate	(16.6)	(8.5)	
Taxation – change in deferred tax rate	-	(5.9)	
Profit for the period	78.0	33.7	(57%)
Underlying basic earnings per share	5.08p	2.80p	(45%)

2020 segmental performance

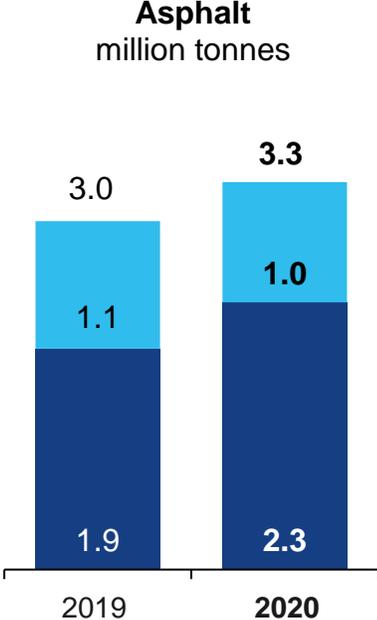


	2019 Underlying EBIT £ million	2020 Underlying EBIT £ million	Variance	2019 Underlying EBIT margin	2020 Underlying EBIT margin	Variance
Great Britain	62.8	34.8	(45%)	10.2%	5.6%	(4.6ppt)
Ireland	26.8	20.5	(24%)	13.3%	10.8%	(2.5ppt)
Cement	36.3	30.4	(16%)	19.5%	17.2%	(2.3ppt)
Central administration	(10.9)	(10.9)				
Share of associate and joint ventures	1.6	1.7				
	116.6	76.5	(34%)	12.5%	8.2%	(4.3ppt)

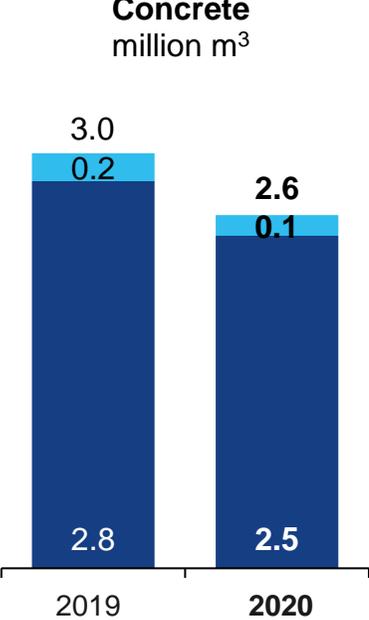
2020 product volumes



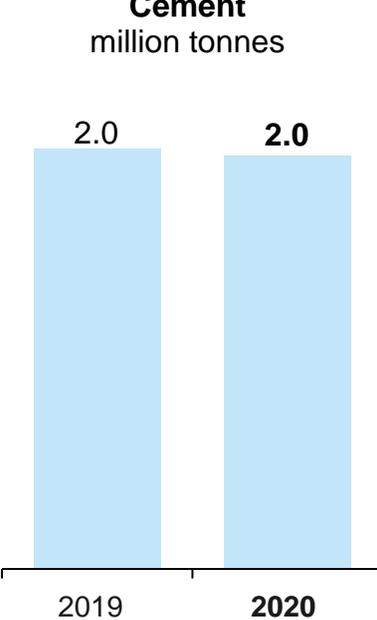
+7%



+9%



-15%



-3%

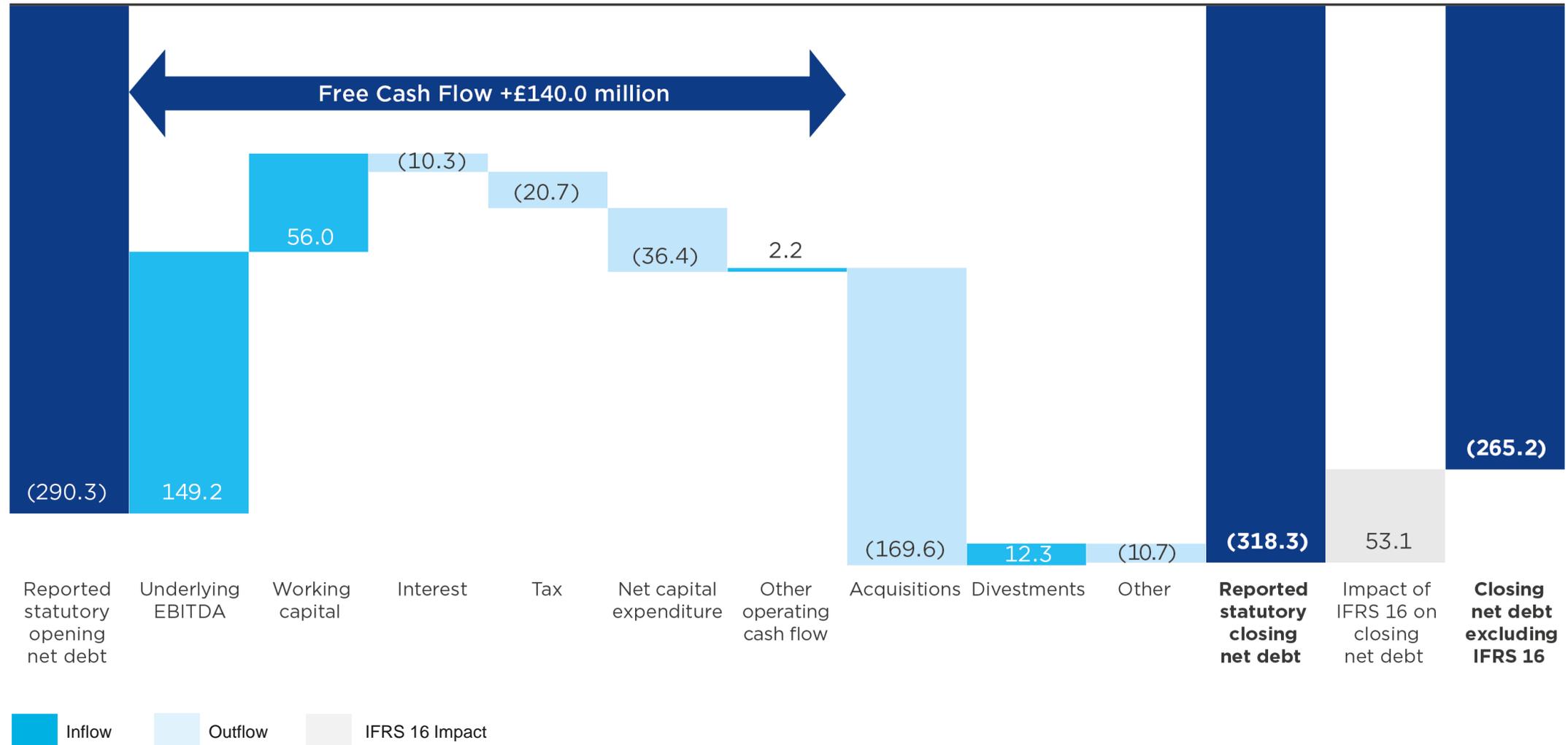
Great Britain Ireland Cement

Note: Reported percentage movements are based on non-rounded data

2020 net debt movement



£ million



A wide-angle landscape photograph showing a body of water on the left, a grassy bank in the foreground, and a long line of green plastic tree guards along the edge of the grass. The sky is blue with scattered white clouds. In the background, there are several bare trees and a utility pole.

Operational review
Pat Ward, Group Chief Executive

Business review - GB

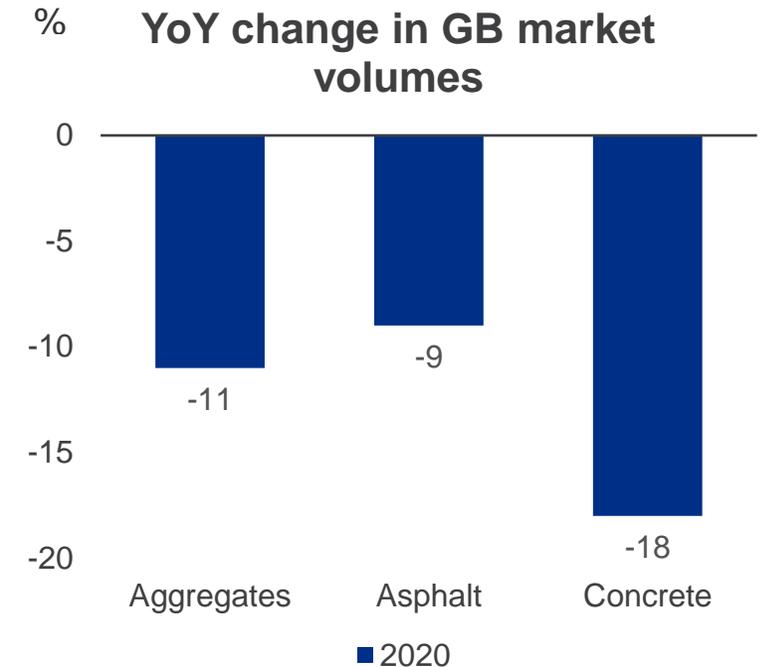


MARKET BACKDROP

- UK GDP declined 10% YoY in 2020
- Construction output declined 13% YoY in 2020
- UK construction PMI averaged 55 during second half, up from 31 in Q2

PROGRESS DURING THE YEAR

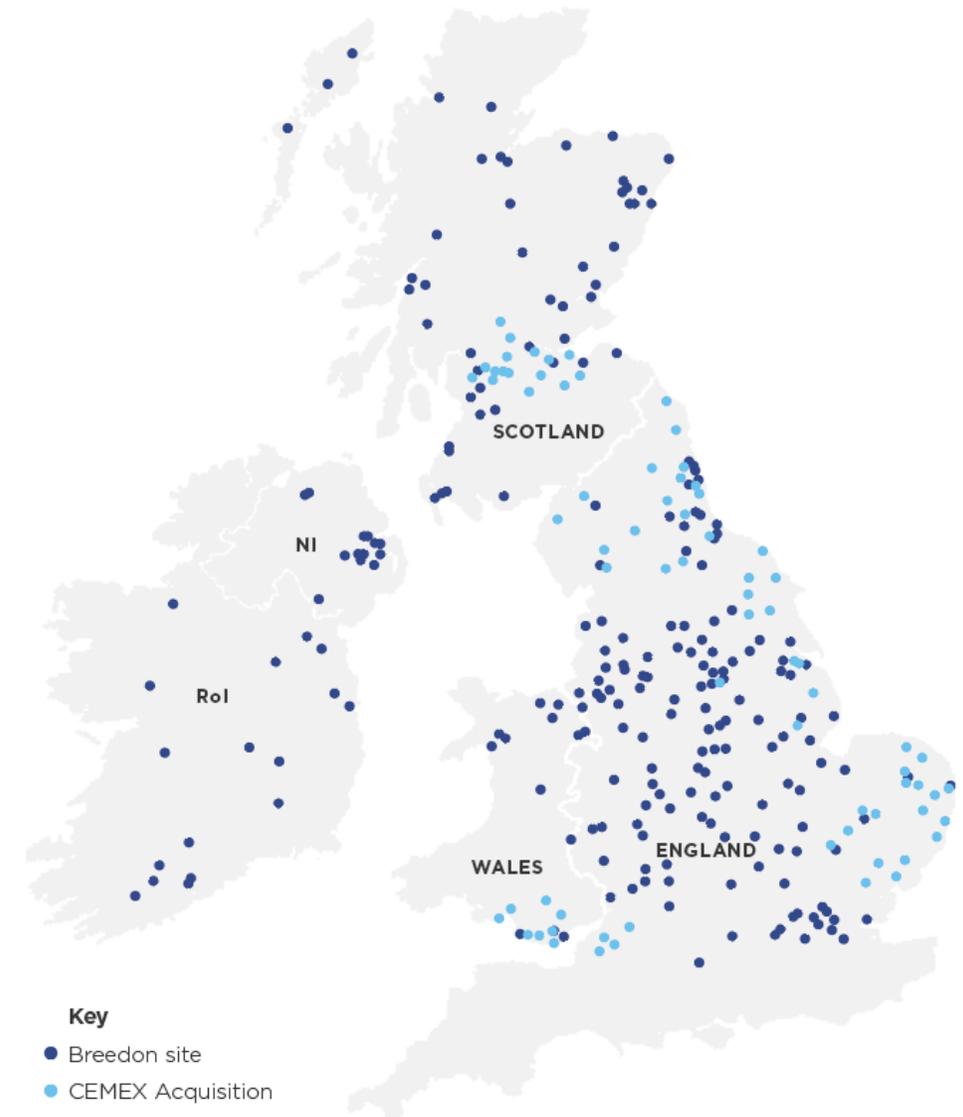
- Strategic capex projects completed during the year, despite COVID disruption
 - North Cave quarry plant investment
 - Holme Hall road bridge to access 7mt of mineral reserves
- Key contract wins during the year;
 - Early supply contracts won for HS2
 - A9 road surfacing and Air Ambulance hanger at Inverness airport
 - BEAR associate awarded 5G framework contract
- New Managing Director appointed to expand our contracting offering and leverage increased asphalt capacity from the CEMEX Acquisition



CEMEX Acquisition



- CEMEX Acquisition completed in July, total consideration £178m
 - CMA and divestment process successfully completed
- Compelling strategic rationale
 - Quality assets underpinned by c.170 million tonnes of mineral reserves and resources
 - Around 650 talented and experienced employees
 - Infills six key regional GB markets and enables step-change in development of national asphalt strategy
- Integration commenced and delivery of c.£2m pa synergies on-track
 - No “surprises” identified post completion
- Health and safety culture and processes a positive, learnings to be adopted across the Group



Business review - Ireland



MARKET BACKDROP

- RoI Modified Domestic Demand declined 5% in 2020
- RoI construction output expected to decline c.16% 2020
- RoI construction PMI averaged 50 during H2, up from 25 during Q2
- Challenging market conditions in NI, GDP estimated to have declined 11% and construction output 17% in 2020

PROGRESS DURING THE YEAR

- Strong recovery in activity levels RoI from June onwards, quickly recovering to pre-COVID levels
- Several notable contract wins during the year;
 - RoI surfacing on N52 and 2nd phase of Dublin airport runway
 - NI maintenance on M1 and A4
- Aggregates strategy progressing well, volumes up YoY despite COVID



Sources: CSO, Danske Bank, Euroconstruct

Business review - Cement



MARKET BACKDROP

- Market conditions in GB reflected broader construction activity levels
- Irish market demand remained robust

PROGRESS DURING THE YEAR

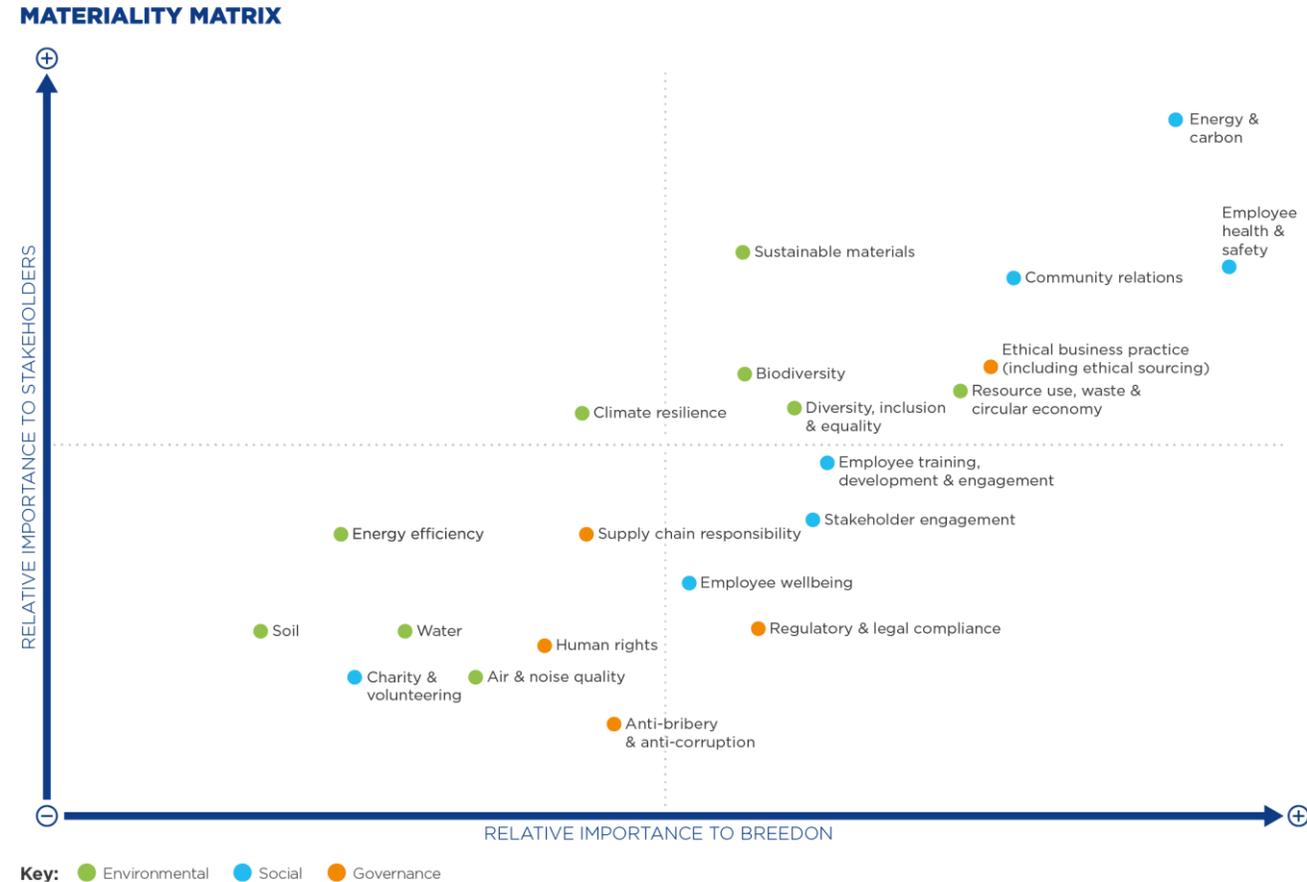
- Two shutdowns completed on time and on budget in the first half
 - Second shutdown at Hope delayed to Q1 2021 to support production
- Continued focus on increasing alternative fuel use
 - 71% of fuel use at Kinnegad now lower carbon alternatives
- Project team created to optimise production at Hope
 - Planning application submitted for alternative raw material project



Progressing our sustainability agenda



- Head of Sustainability appointed
- Non-executive Director formally responsible for Sustainability
- Sustainability successfully embedded into our strategy
- Materiality assessment completed during 2020
 - Aligned with the views of our stakeholders
 - Key ESG risks identified
- Targets and roadmap to be presented during 2021
- Our purpose and values now rolled out across our business
 - Making a Material Difference



2021 market outlook

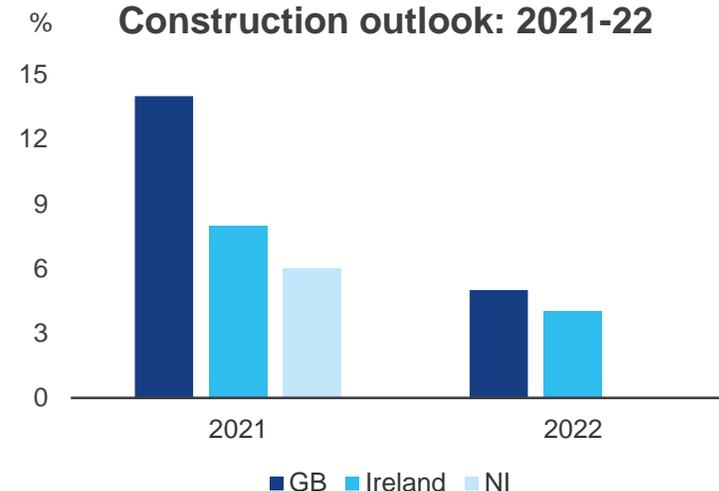
GB

- CPA construction output forecast to grow 14% in 2021 and 5% in 2022
- Sales volumes forecast to recover c.8% across all products in 2021
- Recovery underpinned by robust activity in residential housing market and increased infrastructure investment
 - >£600bn government infrastructure spending over 5 years

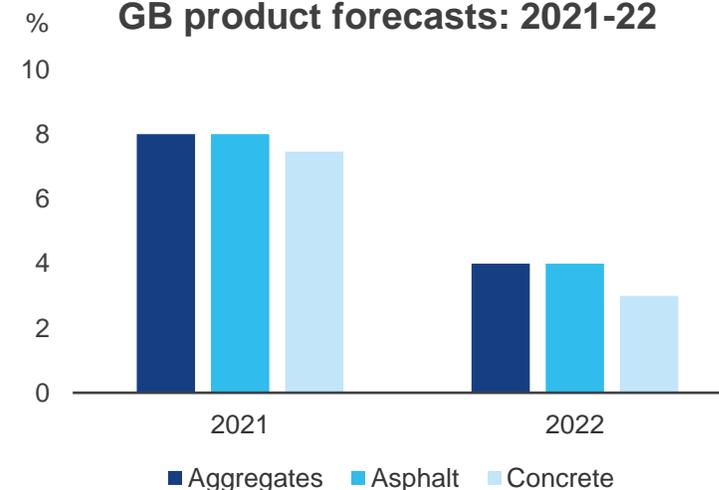
IRELAND

- Slow start to the year in RoI due to lockdown but levels of tendering activity encouraging
- RoI construction output forecast at +8% in 2021
- Prospects underpinned by Irish National Development Plan
 - >€100bn investment over 10 years to 2027
- NI construction output forecast +6% in 2021

Construction outlook: 2021-22



GB product forecasts: 2021-22



Sources: CPA, Danske Bank, Euroconstruct, MPA



OUTLOOK

Outlook



- Robust performance against a backdrop of considerable disruption
- Priority now on CEMEX integration and synergy delivery
- Remain focused on further reducing debt
- Will pursue opportunities to grow and develop
- Mindful of the ongoing impact of COVID-19
- Believe prospects for the industry are increasingly positive
- Committed to paying maiden dividend during 2021





Q&A

2021 technical guidance

Income statement

- Depreciation and mineral depletion of c.£85m, including c.£16m relating to IFRS 16
- Net interest expense of c.£15m, including £3m relating to IFRS 16 (intention to refinance in 2021)
- Effective tax rate c.18%
- Potential for additional c.£19m non-cash deferred tax charge when UK corporation tax rate change from 19% to 25% is enacted in 2021

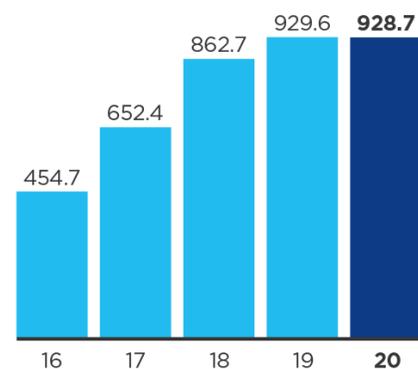
Cashflow

- Working capital will normalise during 2021, c.£40m outflow currently expected
- Gross capex of c.£70m, including a full year effect of the CEMEX Acquisition

Our track record: financial KPIs

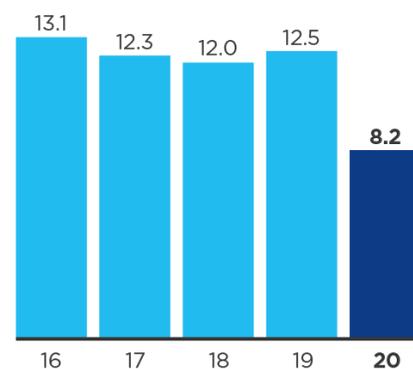
REVENUE

£m



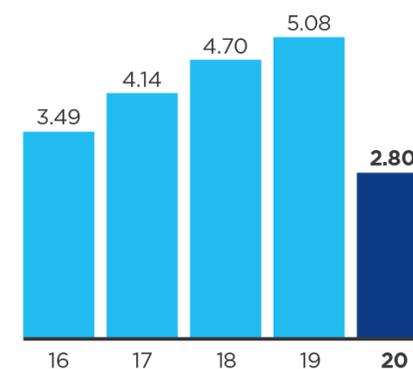
UNDERLYING EBIT MARGIN

%



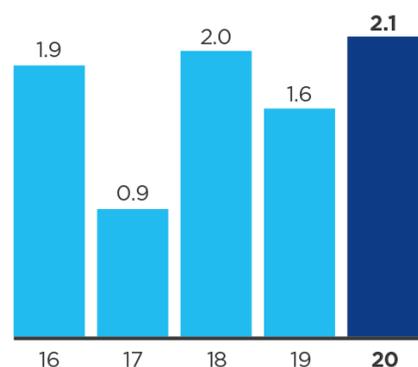
UNDERLYING BASIC EPS

pence



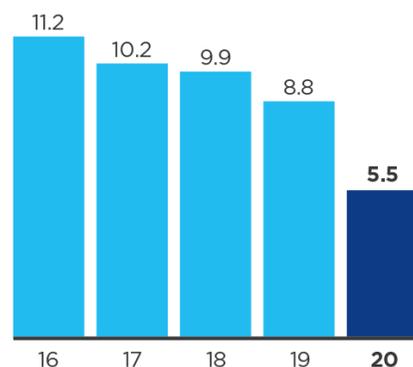
LEVERAGE

times



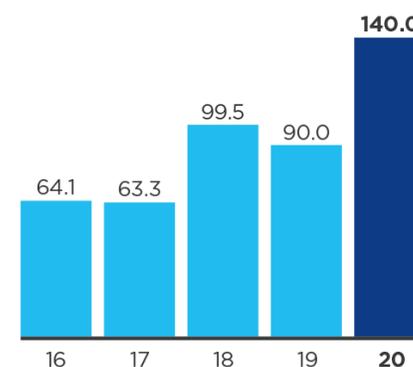
RETURN ON INVESTED CAPITAL

%



FREE CASH FLOW

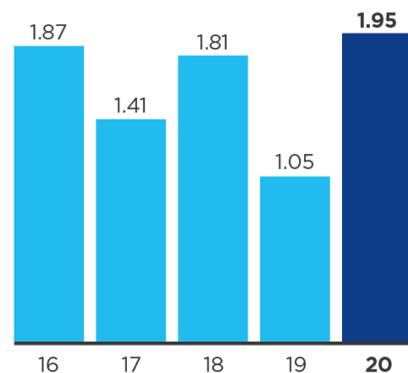
£m



Our track record: non-financial KPIs

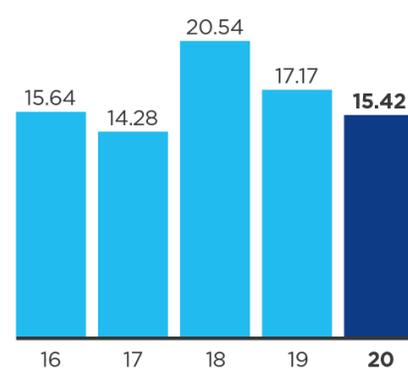
EMPLOYEE LTIFR

per million hours worked



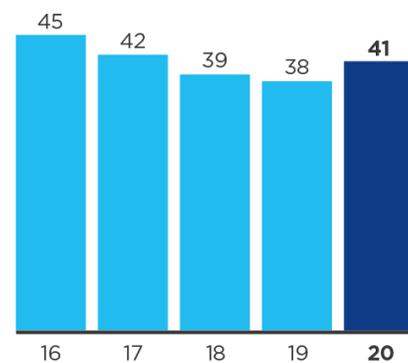
EMPLOYEE TIFR

per million hours worked



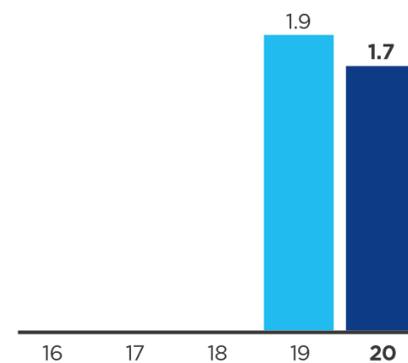
RESERVES AND RESOURCES LIFE

years



EMISSIONS INTENSITY

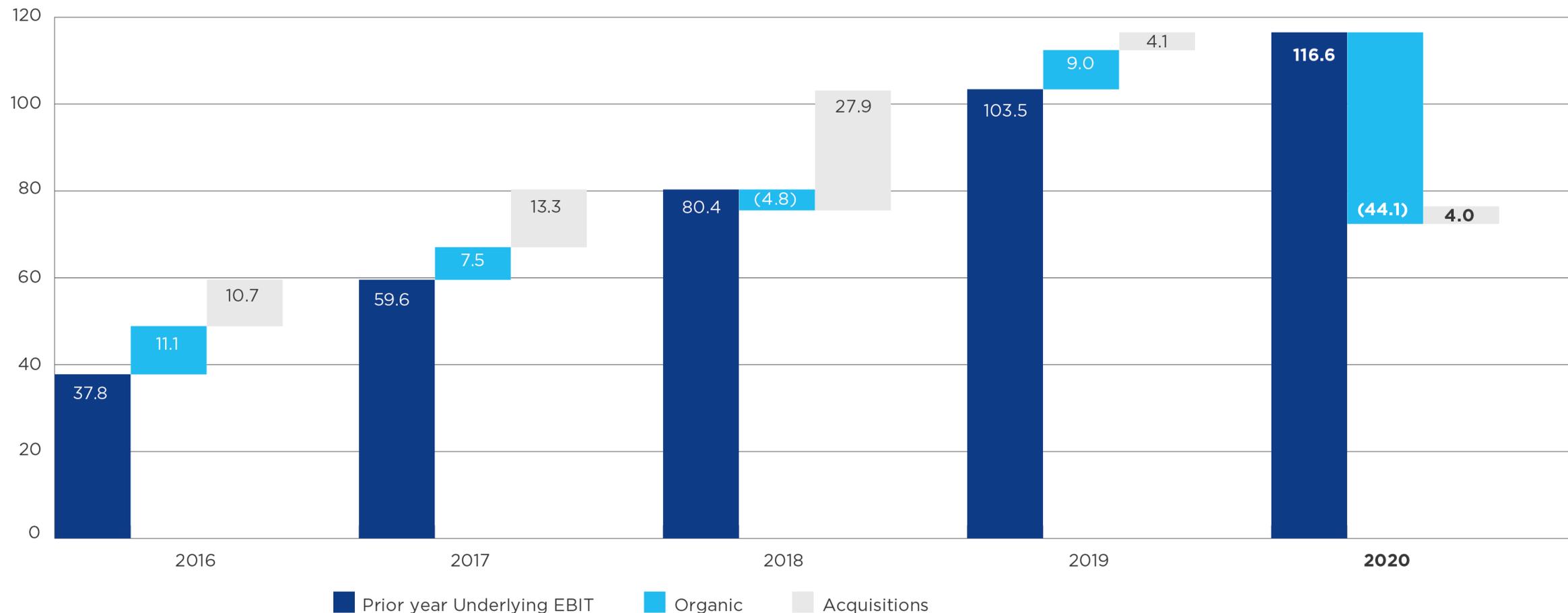
kgCO₂e/£ revenue



Note: Reported for first time in 2019

Our track record: balanced growth pre-COVID

Underlying EBIT components 2016 - 2020 (£m)



Our strategy



- Our purpose is to make a material difference to the lives of our colleagues, customers and communities.
- As an extractive industry, we have an obligation to limit our impact on the environment, which will help protect our licence to operate over the longer term, but we believe our obligation extends well beyond this. We have a duty to operate every area of our business as sustainably as possible, for the benefit of all our stakeholders.



- The resources we use to produce our products are scarce and valuable, so it is vital that we maintain a high level of mineral reserves and maximise the value of every tonne of material we quarry or manufacture.
- We achieve this through a disciplined approach to quarry acquisition and development, coupled with a culture of operational and commercial excellence to ensure our operations remain efficient and competitive irrespective of market conditions. This approach will deliver strong margins and returns over the long term.



- The Group is focused on construction materials markets that deliver long term profitable growth across the cycle and expects to deliver strong margins and free cash flow generation that will allow us to reinvest in the business.
- We see numerous opportunities to expand both our geographical footprint and product portfolio through both organic investment and acquisitions.

Our investment case

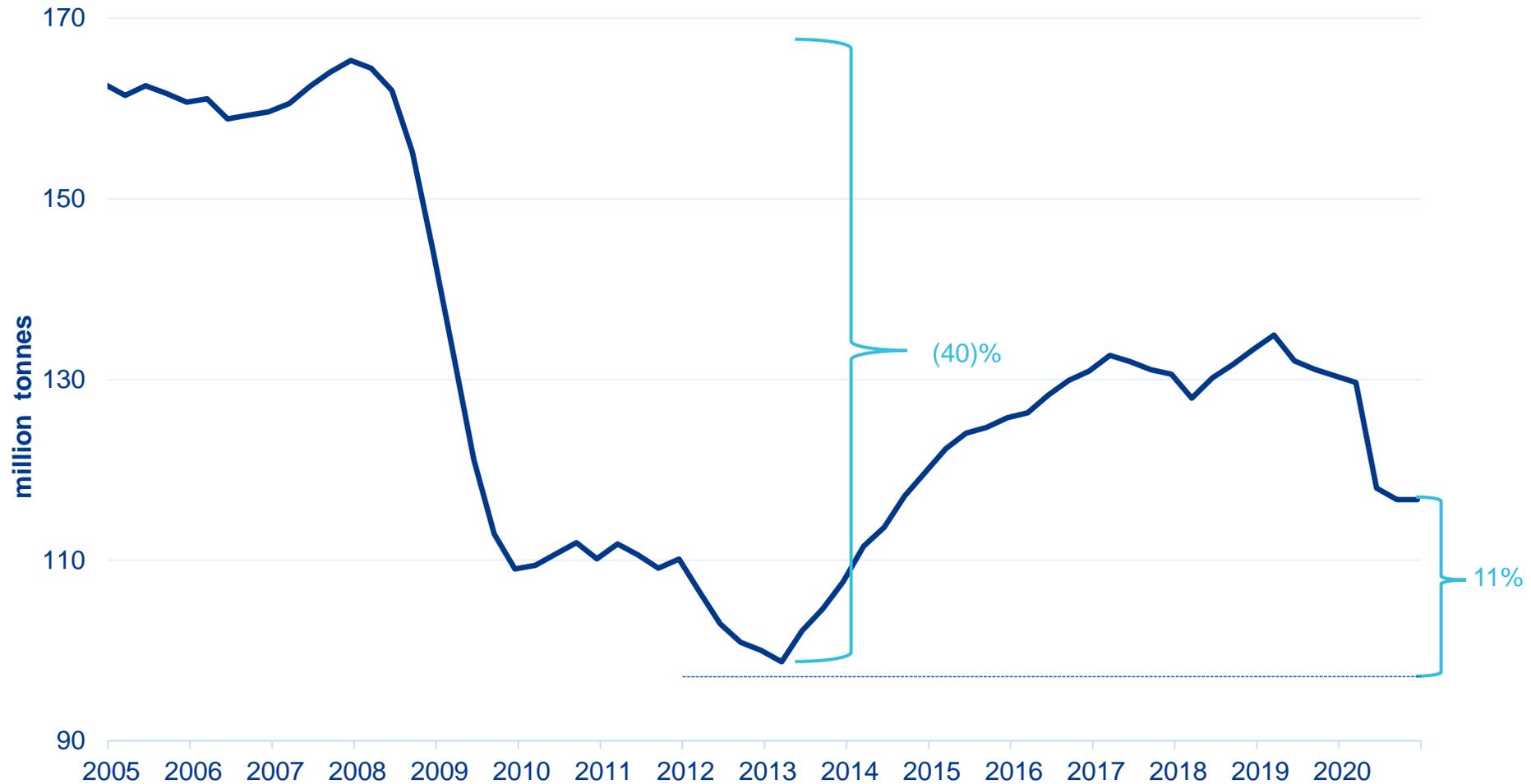


1	Sustainable business	Strong corporate governance, with a clear purpose and culture, focused on managing our resources sustainably and maintaining our licence to operate
2	Margin improvement focus	We have a culture of continuous improvement, with opportunities for driving efficiency and increasing utilisation of both our existing assets and newly acquired businesses
3	Long-term growth markets	Exposure to attractive end markets, including infrastructure and housing, with structural growth trends underpins future demand
4	Asset backed	In excess of 1 billion tonnes of mineral reserves and resources, equivalent to over 40 years of production, combined with two cement plants and the broad geographic spread of our assets across the UK and Ireland, provides significant barriers to entry
5	Vertically integrated model	Value added products and services along side our growing contracting business, offer margin enhancing routes to market for our cement and aggregates
6	Strong free cash flow	Strong free cash flow supports both organic and inorganic investment and shareholder returns. We have generated more than £450m of free cash flow over the last five years

Our capital allocation priorities



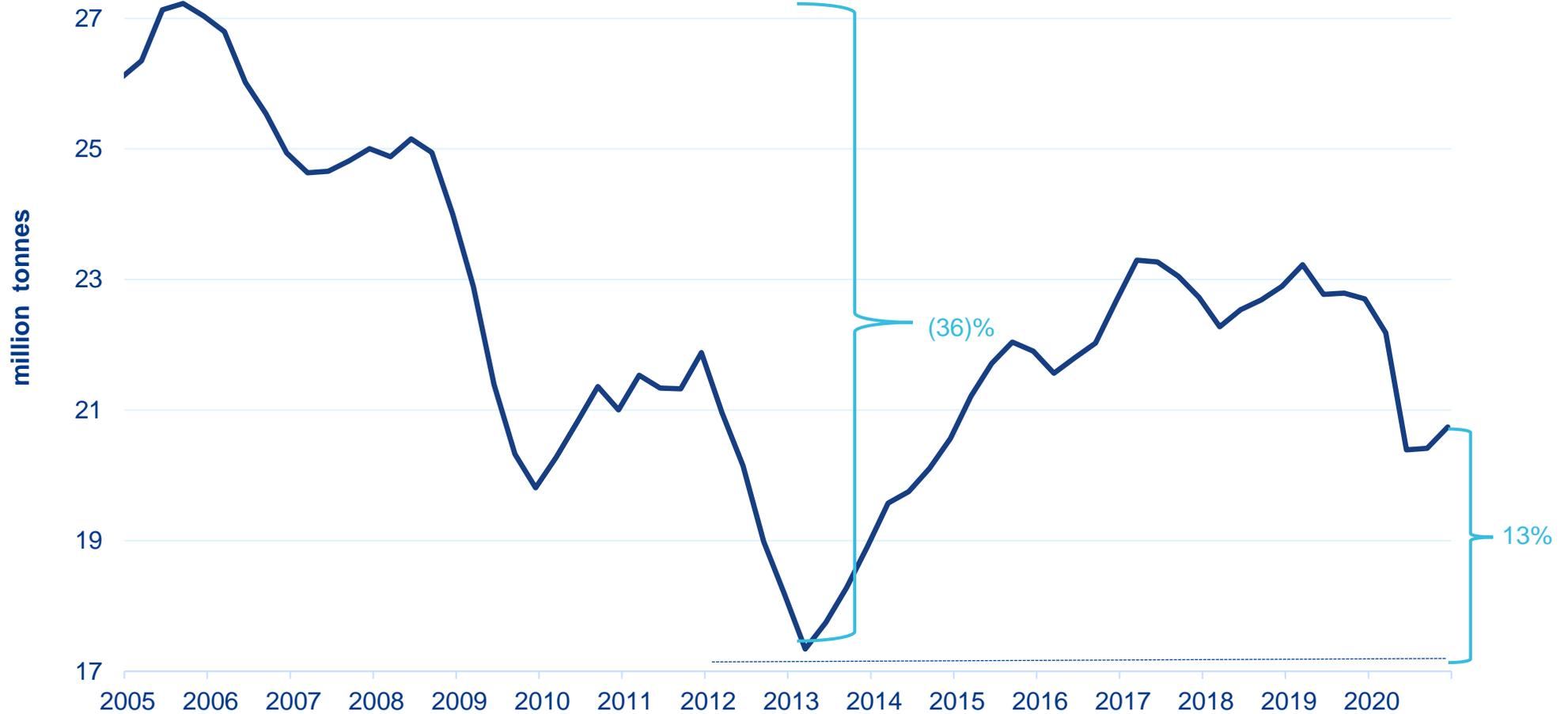
MPA Aggregates volumes



Note: Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date

Source: MPA member volumes

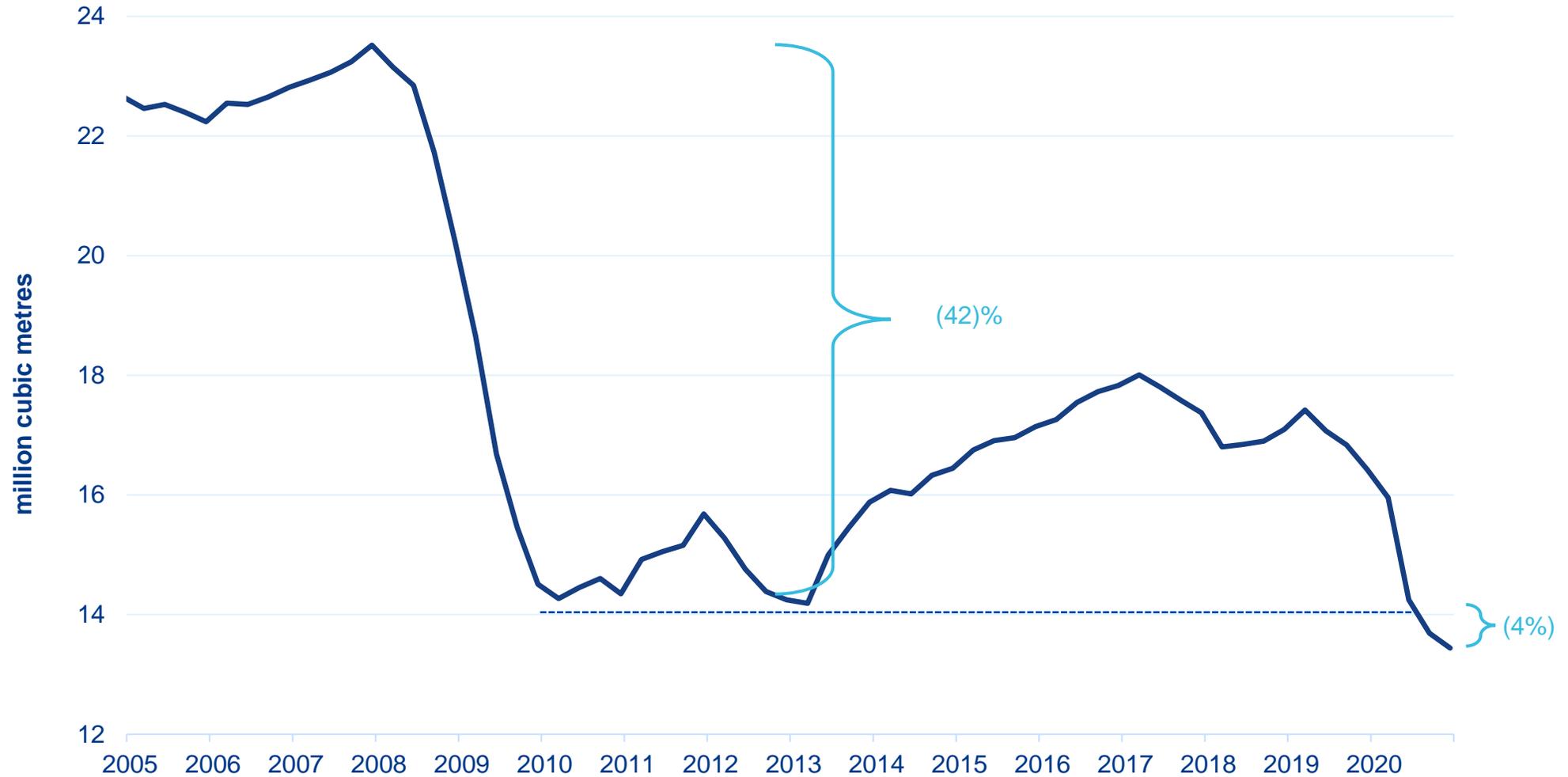
MPA Asphalt volumes



Note: Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date

Source: MPA member volumes

MPA RMX volumes



Note: Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date

Source: MPA member volumes

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