



BREEDON GROUP PLC INTERIM RESULTS 2022

27 JULY 2022



Forward Looking Statement



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AGENDA

Group Highlights

Rob Wood,
Chief Executive Officer

Financial Review

James Brotherton,
Chief Financial Officer

Operational Review & Outlook

Rob Wood,
Chief Executive Officer

Q&A

Strong delivery to long-term growth markets

Dynamic pricing underpinned by resilient demand



Highlights

Resilient demand

Supportive market exposure;
infrastructure, house building, industrial



Rational pricing environment

Dynamic pricing and hedging policy
offset input cost inflation

Driving higher returns

Ongoing recovery;
EBIT margin +60bps, ROIC +80bps



Sustain

Progressing initiatives; committed to
the Science Based Targets initiative



Optimise

Driving operational excellence;
delivering growth safely

Expand

Investing for organic growth and in-fill
portfolio with bolt-on transactions



Achieving positive progress through disciplined management



FINANCIAL REVIEW

JAMES BROTHERTON, CHIEF FINANCIAL OFFICER

2022 Interim Financial Highlights

Strong performance across key metrics



Revenue

£671.1m

HY 21: £600.9m



+12%

Revenue
growth

Underlying EBIT

£66.9m

HY 21: £56.4m



10.0%

Margin
HY 21: 9.4%

ROIC

10.0%

HY 21: 9.2%



+80_{bps}

Free Cash Flow

(£22.0)m

HY 21: £34.3m



£32.5m

Net
capex
HY 21: £11.1m

Net Debt
excluding IFRS 16

£208.2m

HY 21: £241.9m



1.0x

Covenant
Leverage
HY 21: 1.2x

Interim Dividend
per share

0.70p

HY 21: 0.50p

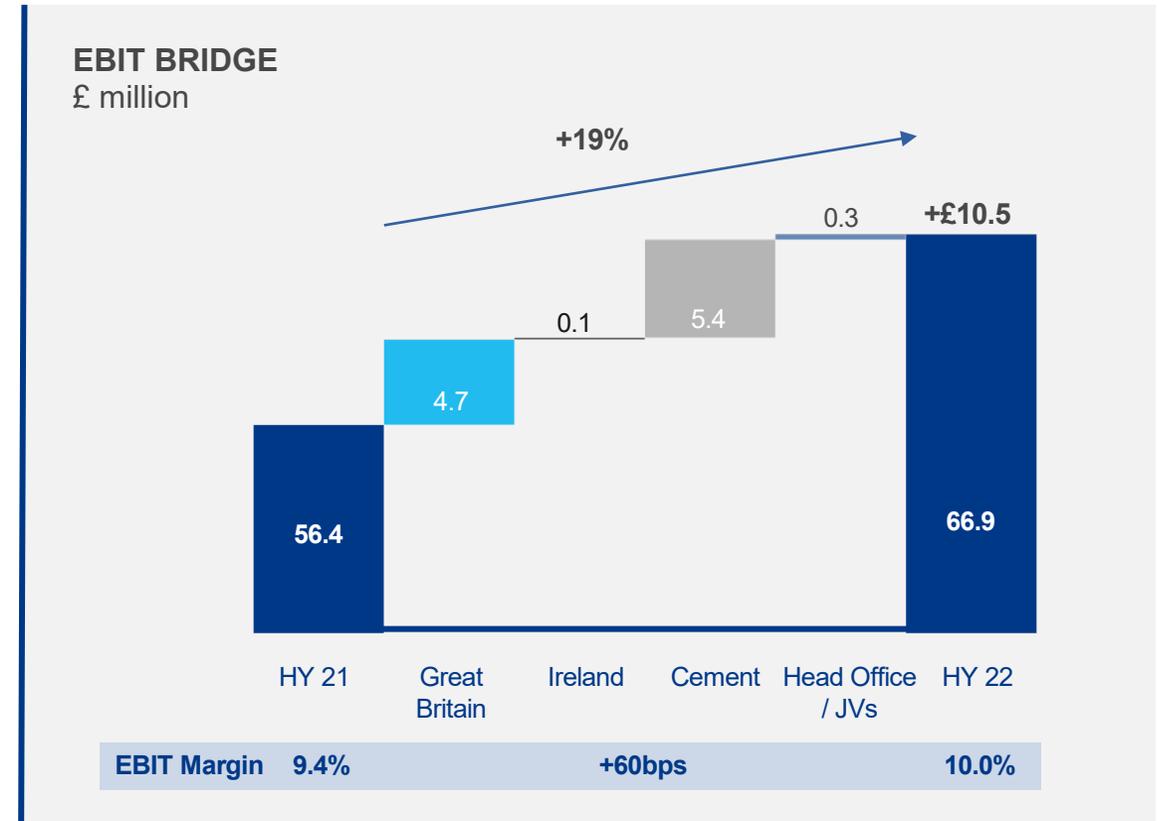
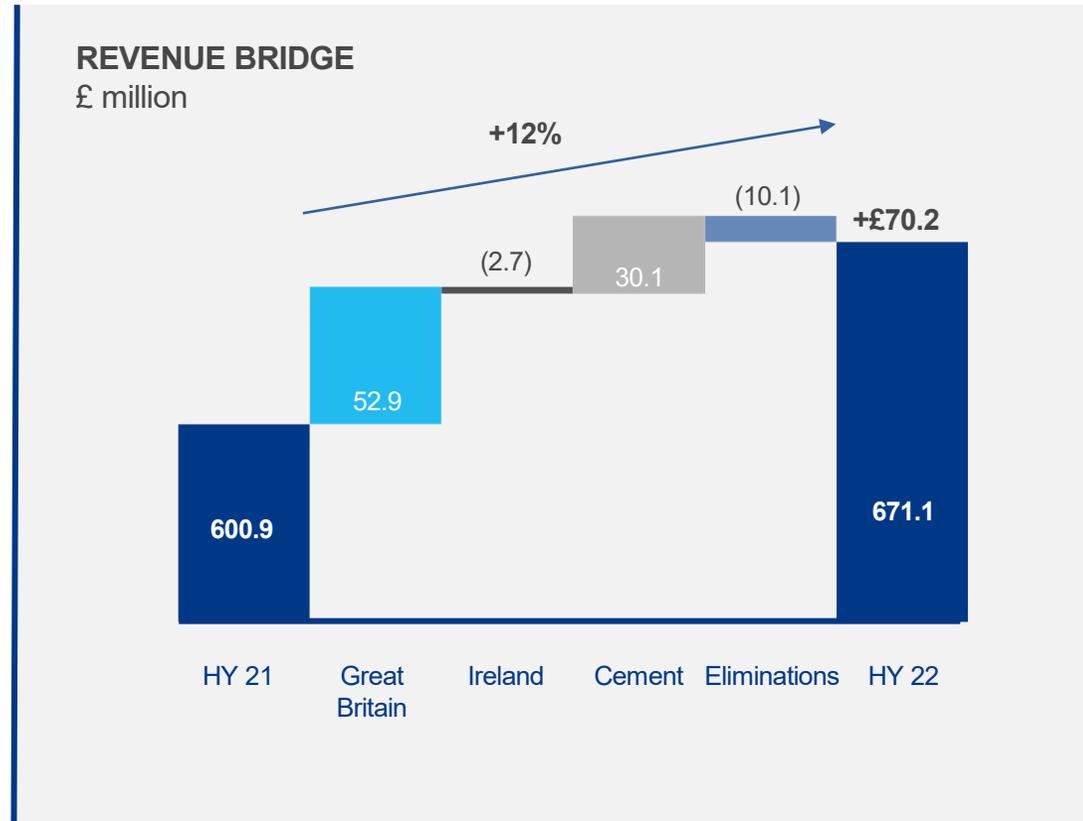


+40%

Notes: Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles and related tax items. ROIC is post-tax return on average invested capital. Covenant Leverage is as defined by the Group's banking facilities. This excludes the impact of IFRS 16 and includes the proforma impact of M&A.

Price driven growth and margin

Revenue and EBIT bridges

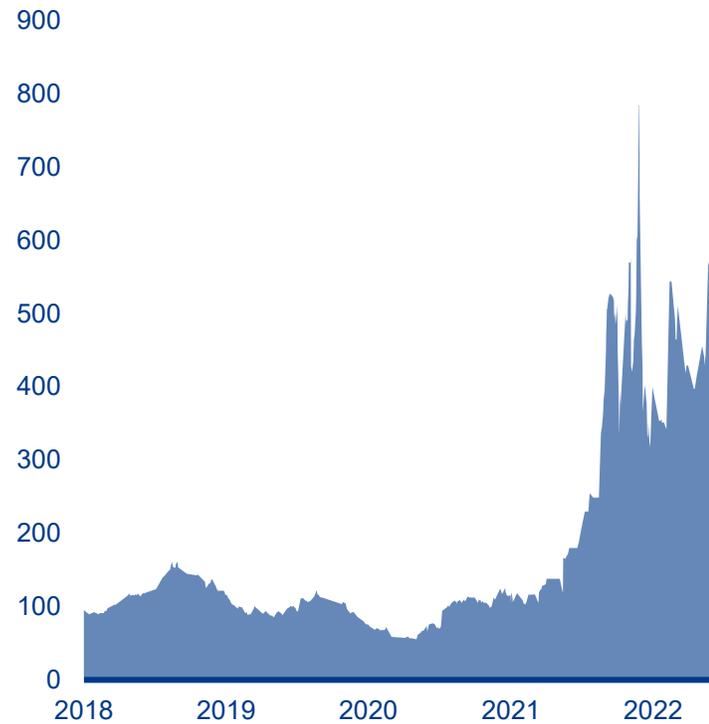


Input cost pressures

Focus on cost recovery and adding value



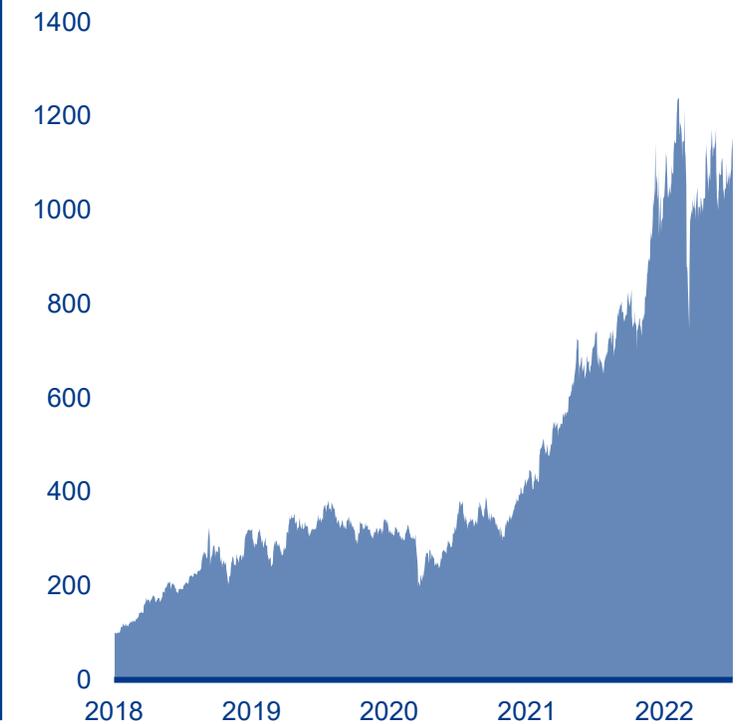
UK Electricity



Bitumen



Carbon

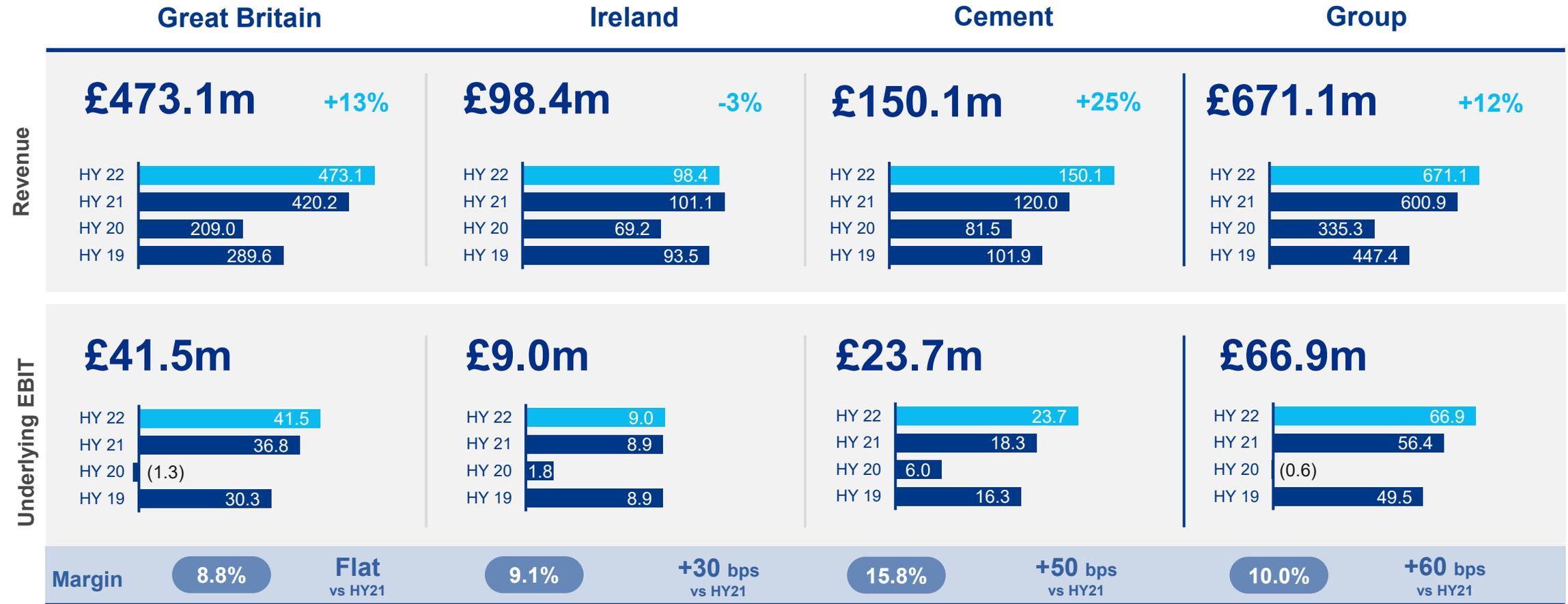


Source: Bloomberg.

Note: Charts based on 3 month forward electricity price, spot bitumen price and current year EU ETS carbon price, all rebased to 100 at January 2018.

Margin Recovery

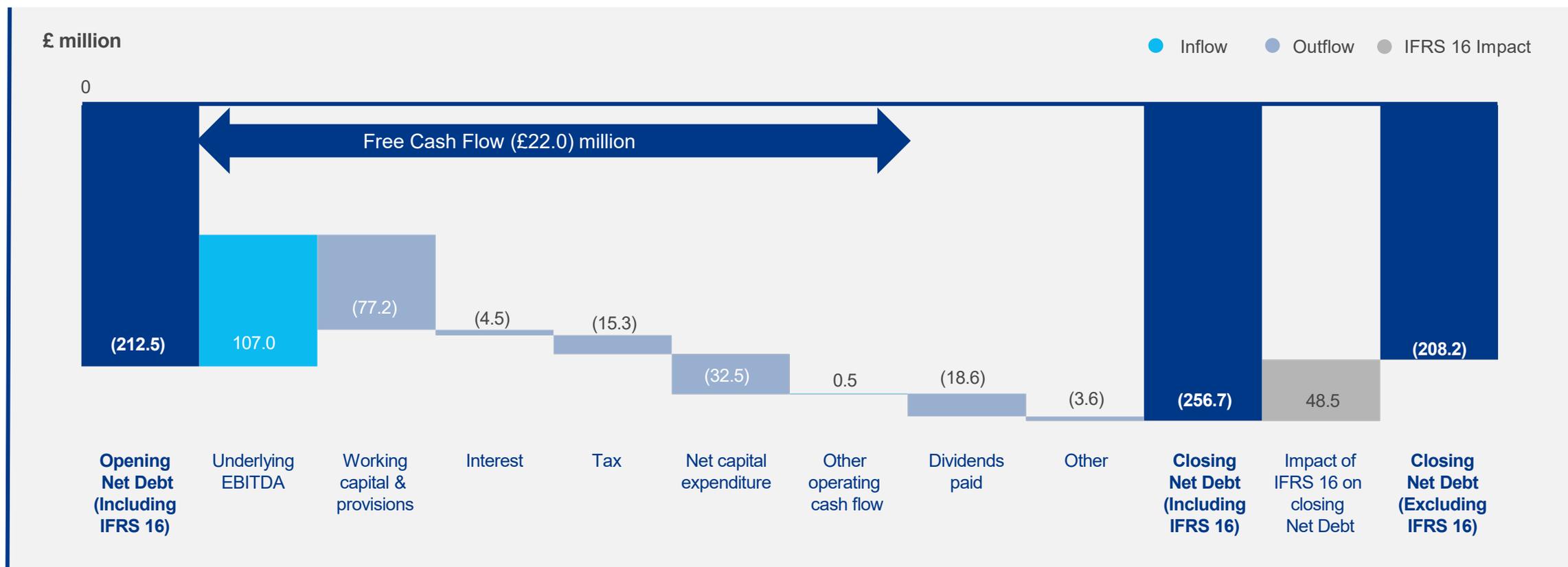
Strong margin recovery underpinned by dynamic pricing



Notes: Divisional revenue and EBIT excludes eliminations, head office costs and JV/Associates.

2022 Net Debt and Cash Flow

H1 Cash Flow in line with expectations



Technical guidance 2022 updated



Income statement



- Will realise £2m Cemex synergies in 2022 benefiting H1 and H2 equally
- Net interest expense c.£13m
- Effective tax rate c.16.4%
- Underlying EBIT at top end of current market expectations

Cashflow



- Working capital outflow c.£30m - £40m
- Capital expenditure £100m, equating to £170m over two years to 2022
- Cash tax payments in line with effective rate
- Cash cost of interim dividend c.£12m
- Two acquisitions completed in July

Balanced financial framework delivering

Driving increased return on invested capital



Increasing return on capital through strategic deployment

 **ROIC 10.0%**
+80_{bps}

Proactive investment

ORGANIC

Replenished and extend reserves and resources

Productivity enhancing plant and machinery

M&A

Two bolt-on acquisitions in GB

3rd platform exploration

Meeting strategic objectives

Profitable EBIT growth +19%

Margins improved to 10.0%

Strong balance sheet

Excess capital distributed

Interim Dividend 0.70p

Covenant Leverage 1.0x



OPERATIONAL REVIEW

ROB WOOD, CHIEF EXECUTIVE OFFICER

UK market; resilient demand

Exposed to growing end markets



UK GDP ahead of expectations

- UK GDP +0.5% in May 2022
- Up 3.5% last twelve months, reflecting cross-sector growth

UK construction resilient

- 4.1% ahead of pre-Covid levels
- Infrastructure, private house building and industrial growing

Robust demand for mineral products

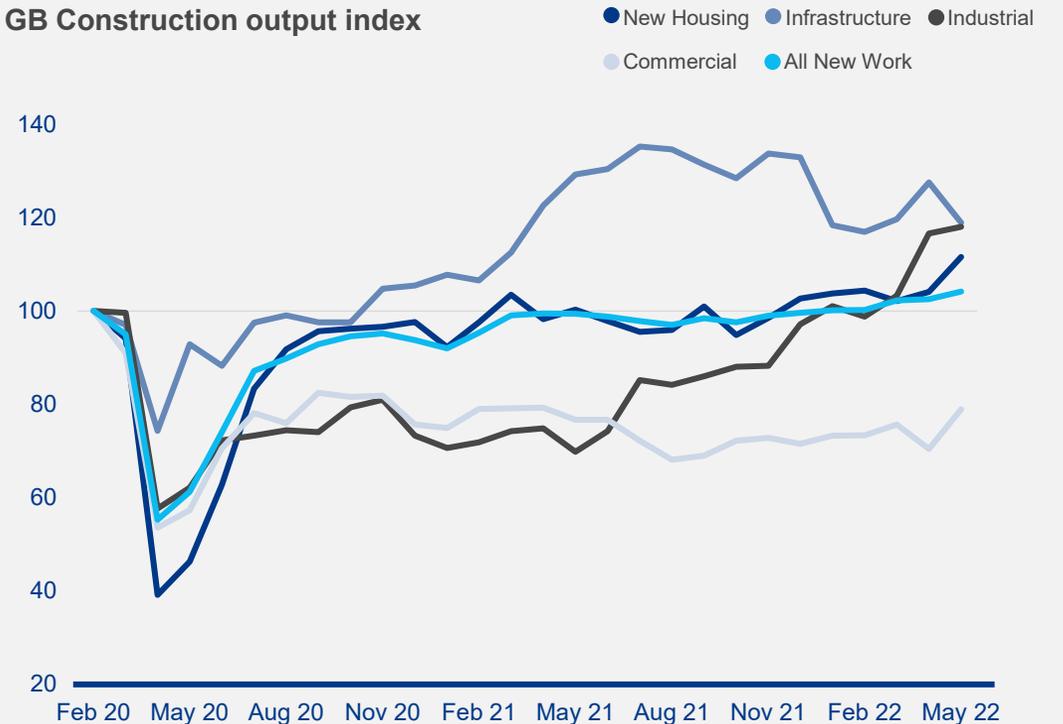
- First quarter volumes reflected firm customer demand

Confidence indicators point to growth

- June 2022 Construction PMI 52.6, down from 56.4 in May
- Index remains above 50, continuing to indicate growth

Source: ONS, CPA & MPA.

GB Construction output index



ROI market; positive demand

Breedon markets at or above pre-pandemic levels



RoI's Modified Domestic Demand remains strong

- Growth remains strong; MDD +5.8% in 2021
- MDD declined 1.0% first quarter 2022, due to consumer spending

Construction output positive

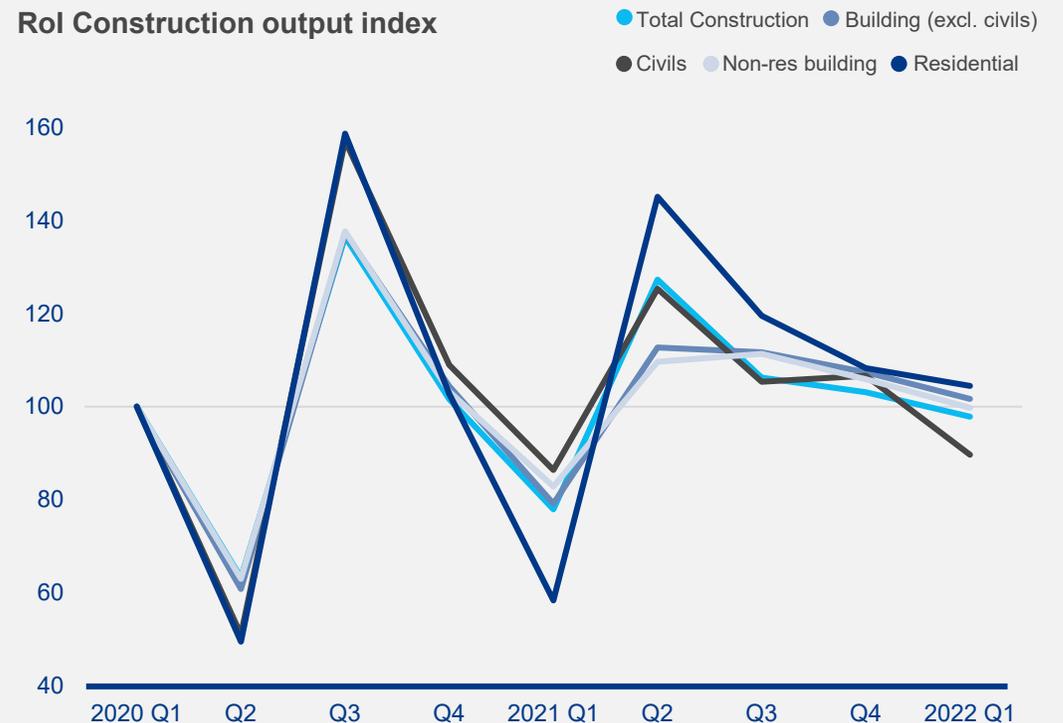
- RoI construction output -3% in 2021; impacted by non-essential construction Covid restrictions
- First quarter increased 0.3%

Construction confidence contracted in June

- Construction PMI fell to 46.4 in June
- First contraction in 14 months

Source: CSO, Euroconstruct & BNPPRE.

RoI Construction output index



Great Britain

Active end markets support rational pricing



Resilient end markets

- Under-pinned by long-term growth dynamics, central Government commitments and rising environmental agenda

Rational pricing environment, offsetting cost inflation

- Double digit increase; multiple rounds and holding
- Customers prioritising service; right product, time and place

Optimising site configuration to maximise product value

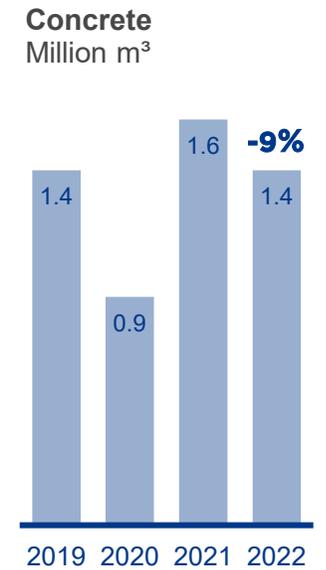
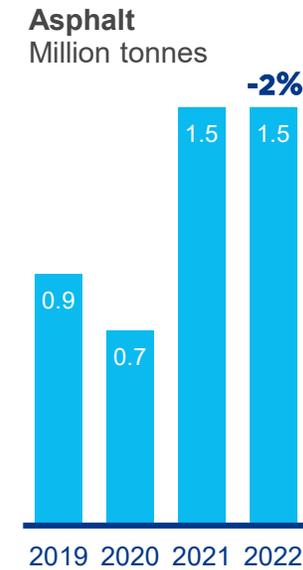
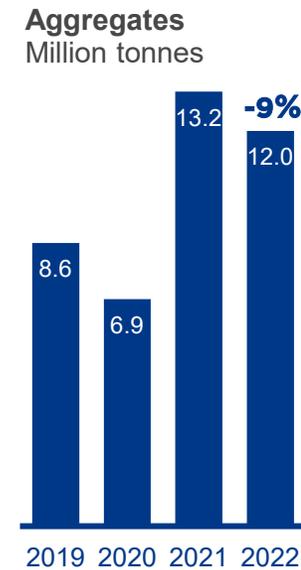
- Producing materials tailored to local needs
- Configuring sites to improve efficiency and manage costs

Surfacing Solutions winning and growing

- BEAR Scotland retained Transport Scotland's North West Network Management contract for a further eight years and secured material supply contracts for the North East Network

Bolt-on transactions adding assets and capability

- Bolt-on transactions enhance East Midlands surfacing platform, securing downstream routes to market, gaining entry to volumetric concrete market and extending footprint



Ireland

Tendering activity gaining momentum

Tendering gained momentum through Q2

- Volumes reflect the well documented delays in the NI Department for Infrastructure (DFI) procurement; revised tendering processes
- DFI Down District Term Surfacing contract awarded in June
- Local authority tendering processes in RoI returned to pre-Covid patterns, focused on delivery in second half

Breedon Ireland repositioned for growth and profitability

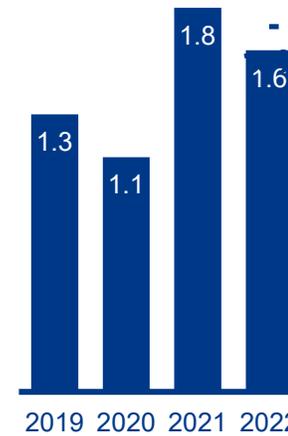
- Whitemountain and Lagan brands fully rebranded as Breedon
- Aligning divisional structure across the island, to unify our market presence and to unlock efficiencies
- Civil engineering exited; focusing on lower risk, higher return, materials and surfacing activities

Active M&A pipeline

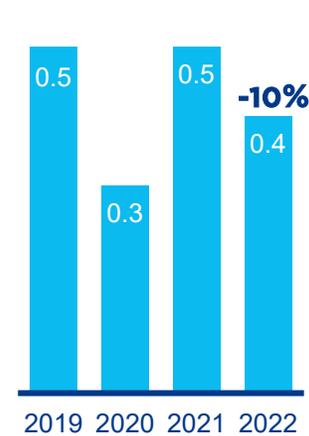
- Macro uncertainty encouraging engagement



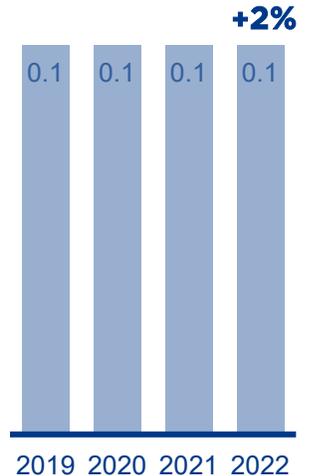
Aggregates
Million tonnes



Asphalt
Million tonnes



Concrete
Million m³



Cement

Reflecting healthy customer order books

Enquiry levels sustained

- Well telegraphed inflation backdrop enabling regular price increases, achieving full cost recovery

Maintenance schedule normalised

- Two kiln shutdowns completed in January, on time and budget. Third kiln shutdown scheduled for H2
- Kiln reliability maintained above 96%

Promoting products with reduced clinker attributes

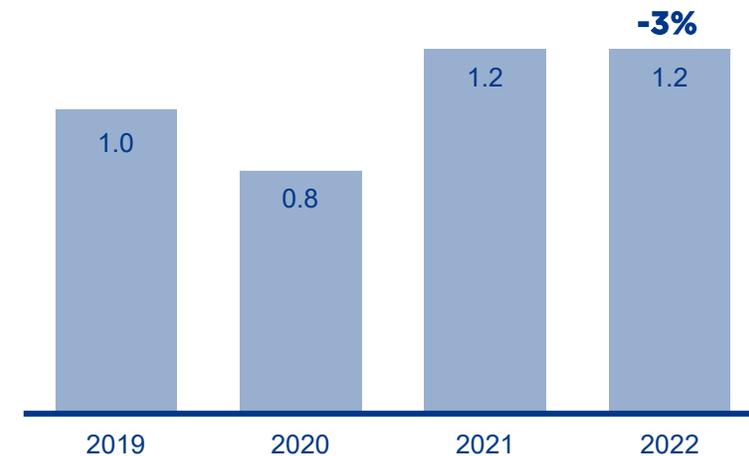
- Working with customers to educate and promote products with lower clinker content; British concrete standards under review
- Approximately half Kinnegad sales from reduced clinker content materials

Committed to decarbonisation

- Non-fossil fuel usage nearing 50%
- CCS Peak Cluster: Pipeline transport from Peak District to HyNet



Cement
Million tonnes





Sustain: Delivering our strategy

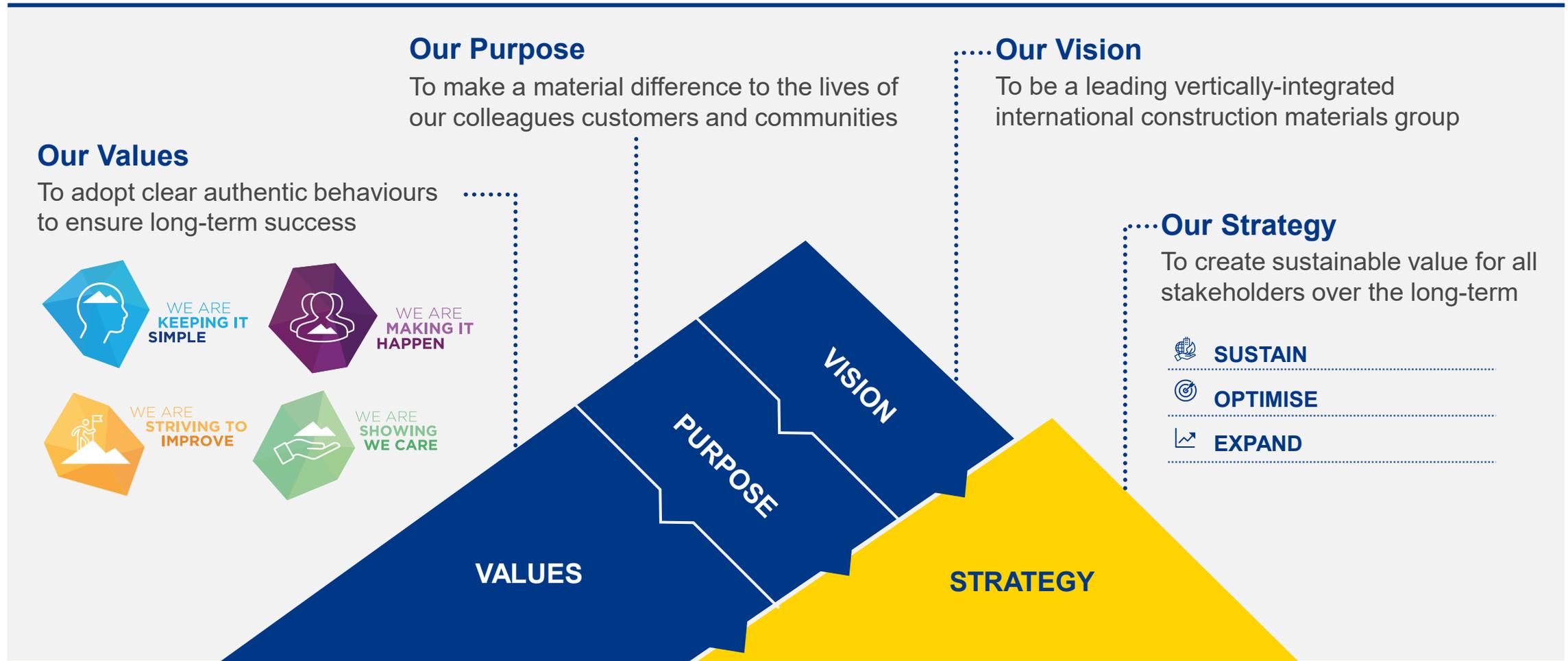
Putting plans into action



| Pillar | PLANET | PEOPLE | PLACES |
|----------|--|---|--|
| PROGRESS |  Peak Cluster: Linked to HyNet CCS project |  Driving colleague engagement: Highest participation and engagement ever |  Driving the sales of products with enhanced sustainability features |
| |  Non-fossil fuel usage nearing 50% |  Colleagues volunteering and Charitable activities encouraged |  Imminent launch of 'Breedon Balance' sustainable product range |
| |  Reduced clinker product sales accelerated |  'Home Safe and Well' programme drives progress on solid foundation |  <p>BREEDON BALANCE RESPONSIBLY MAKING A MATERIAL DIFFERENCE</p> |

Sustainability committee established at Board level

We are making a material difference





OUTLOOK and SUMMARY

—
ROB WOOD, CHIEF EXECUTIVE OFFICER

Strong first half ahead of expectations

Margins advanced, ROIC increased



Outlook and
Summary

Growth forecasts moderating

Construction output forecast to rise in 2022; UK 2.5%, RoI 4.9%



Uncertainty increasing

Inflation and interest rates rising, market confidence waning

Construction demand resilient

Structurally under-invested sectors; infrastructure, housing, industrial



Optimistic for 2022

Expect Underlying EBIT towards top of consensus range



Progressing strategic priorities

Driving plans to Sustain, Optimise and Expand

Embracing challenge

Team remains focused; responding nimbly, delivering 1st class service



Agile and entrepreneurial DNA sets Breedon apart

Source: CPA & Euroconstruct



Q&A



BREEDON INTERIM RESULTS 2022



APPENDIX

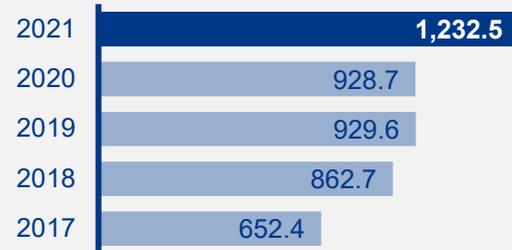
BREEDON INTERIM RESULTS 2022

Our track record

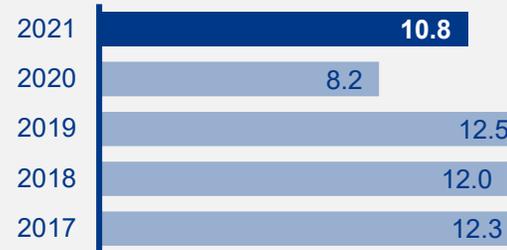
Financial KPIs



Revenue £m



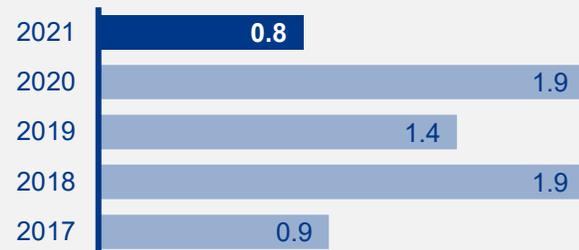
Underlying EBIT Margin %



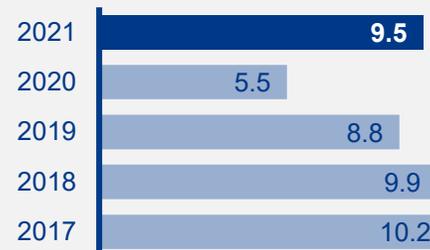
Adjusted Underlying Basic EPS pence



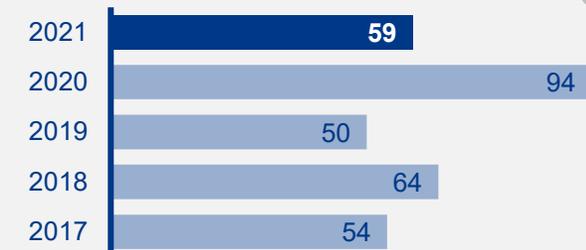
Covenant Leverage times



Return on Invested Capital %



Free Cash Flow Conversion %

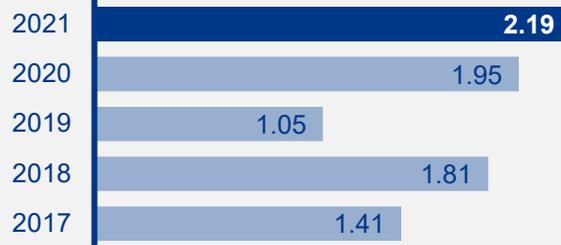


Our track record

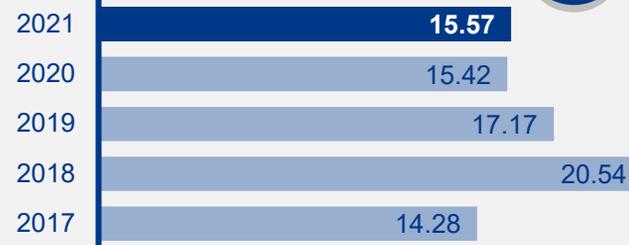
Non-financial KPIs



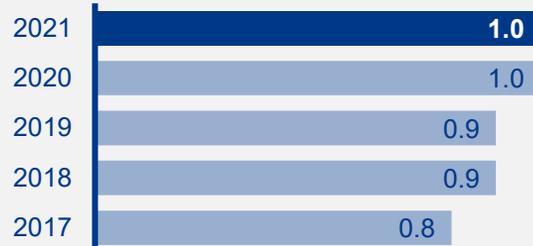
Employee LTIFR per million hours worked



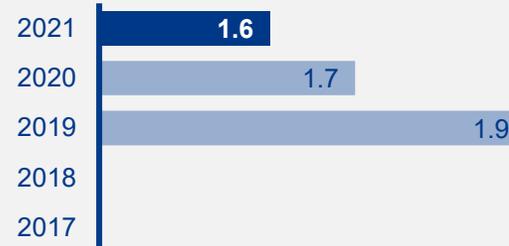
Employee TIFR per million hours worked



Reserves and resources billion tonnes



Emission intensity kgCO₂ per £/revenue



H1 2022 Income Statement



| £ million | HY 22 | HY 21 |
|---------------------------------------|---------------|--------|
| Revenue | 671.1 | 600.9 |
| Underlying EBITDA | 107.0 | 95.8 |
| Depletion & depreciation | (41.8) | (40.1) |
| Share of associate and joint ventures | 1.7 | 0.7 |
| Underlying EBIT | 66.9 | 56.4 |
| Interest | (6.0) | (7.5) |
| Non-underlying items | (1.4) | (2.7) |
| Profit before tax | 59.5 | 46.2 |
| Tax at effective rate | (9.7) | (8.0) |
| Change in deferred tax rate | (0.6) | (14.4) |
| Taxation | (10.3) | (22.4) |
| Profit for the period | 49.2 | 23.8 |
| Underlying Basic EPS | 2.97p | 1.54p |
| Adjusted Underlying Basic EPS | 3.01p | 2.39p |

H1 2022 Balance Sheet



| £ million | HY 22 | HY 21* |
|--|----------------|---------|
| Property, plant and equipment | 796.7 | 780.6 |
| Intangible assets | 503.2 | 506.4 |
| Investment in associate and joint ventures | 13.4 | 11.4 |
| Inventories | 74.1 | 57.1 |
| Trade and other receivables | 296.6 | 263.4 |
| Current tax receivable | 0.5 | 2.4 |
| Total assets (excluding cash) | 1,684.5 | 1,621.3 |
| Trade and other payables | (277.2) | (268.1) |
| Provisions | (74.6) | (65.7) |
| Current tax payable | (1.5) | - |
| Deferred tax liabilities | (87.0) | (90.7) |
| Total liabilities (excluding interest-bearing loans and borrowings) | (440.3) | (424.5) |
| Net debt | (256.7) | (291.5) |
| Net debt excluding IFRS 16 | (208.2) | (241.9) |
| Net assets | 987.5 | 905.3 |

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period.

H1 2022 Free Cash Flow



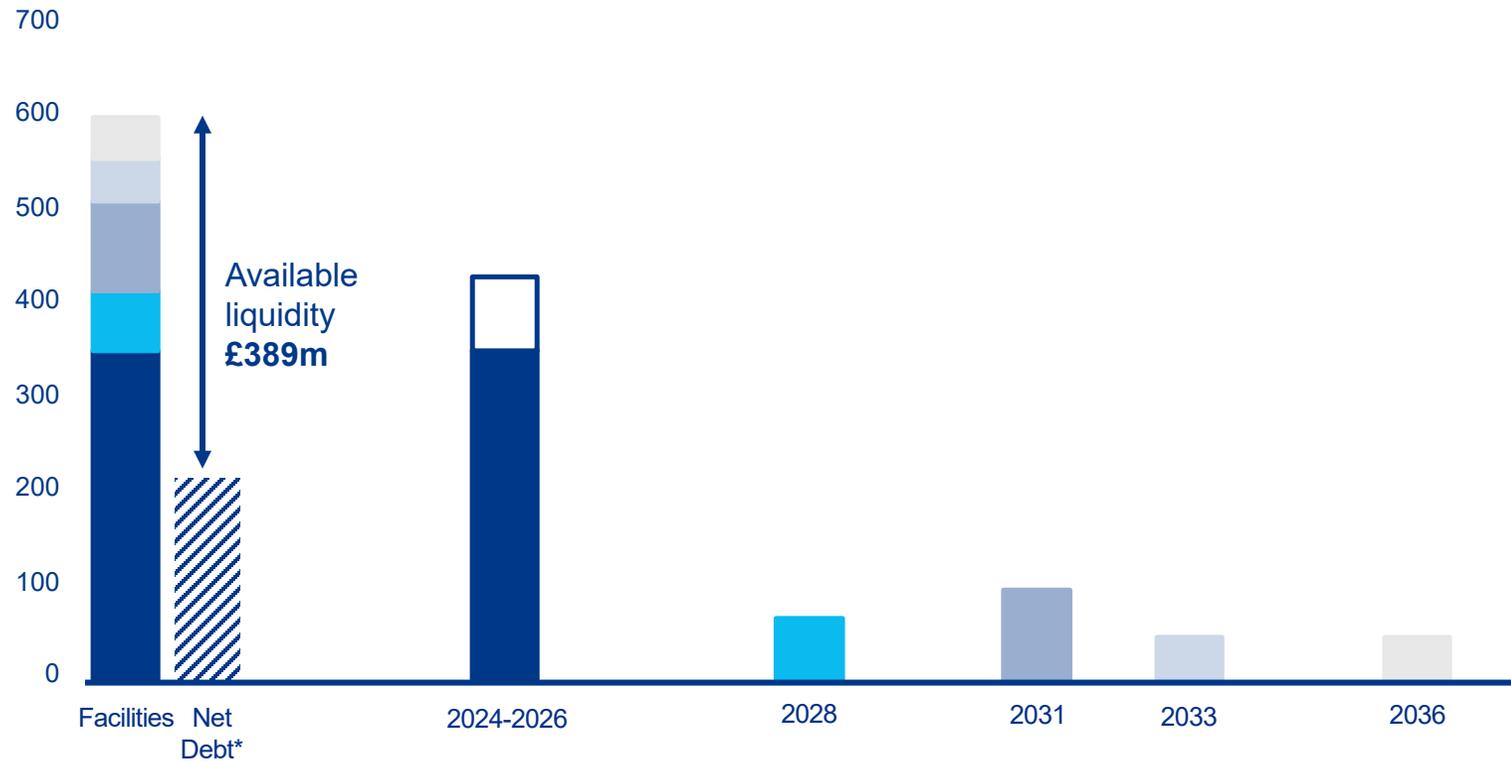
| £ million | HY 22 | HY 21 |
|--|---------------|--------|
| Underlying EBITDA | 107.0 | 95.8 |
| Working capital and provisions | (77.2) | (42.8) |
| Interest paid | (4.5) | (4.9) |
| Income taxes paid | (15.3) | (4.6) |
| Net capex | (32.5) | (11.1) |
| Other | 0.5 | 1.9 |
| Free cash flow | (22.0) | 34.3 |
| Acquisition of businesses | - | (4.7) |
| Dividends paid | (18.6) | - |
| Other | (3.6) | (2.8) |
| (Increase)/decrease in net debt | (44.2) | 26.8 |

Financing Breedon's Future

Diversified sources of finance at low interest rates



Debt finance positioned to support future growth



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

2021 Refinancing

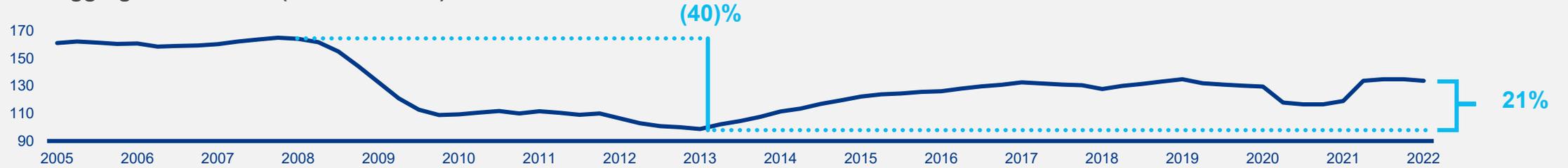
£350 million unsecured RCF
 £250 million US Private Placement
 RCF initial interest rate 2%
 USPP average rate c.2%

* Net debt as at 30 June 2022. Excludes IFRS 16 lease liabilities.

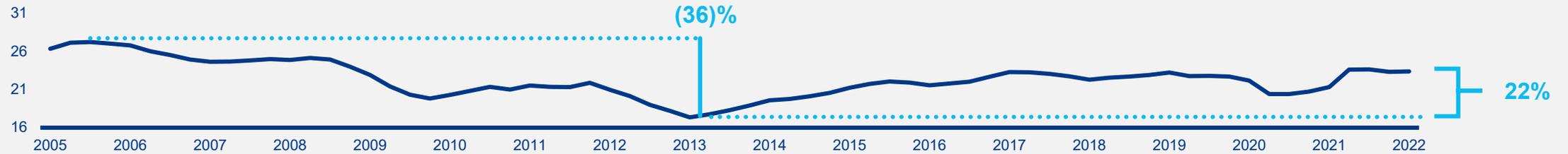
MPA volumes



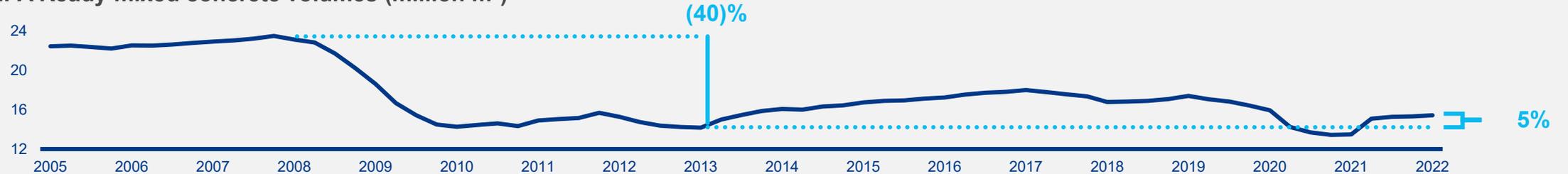
MPA Aggregates volumes (million tonnes)



MPA Asphalt volumes (million tonnes)



MPA Ready-mixed concrete volumes (million m³)



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

Source: MPA member volumes. Product volumes reflect total market volumes for primary aggregates and MPA member volumes for asphalt and ready-mixed concrete.

Market consensus

Company compiled as at July 2022



2022

2023

| | 2022 | | 2023 | |
|---|---------|-------------------|---------|-------------------|
| | Average | Range | Average | Range |
|  Revenue | £1,334m | £1,265m - £1,384m | £1,378m | £1,304m - £1,433m |
|  Underlying EBIT | £143m | £140m - £149m | £149m | £144m - £155m |
|  Underlying basic earnings per share | 6.4p | 6.1p – 6.8p | 6.3p | 6.0p – 6.8p |
|  Net debt | £168m | £118m - £193m | £102m | £56m - £138m |
|  Dividend per share | 2.2p | 1.7p – 2.5p | 2.3p | 1.8p – 2.6p |