8 March 2023

BREEDON GROUP PLC
Annual results 2022

Growth strategy delivers record earnings, higher returns and reduced leverage

Breedon Group plc (Breedon or the Group), a leading vertically-integrated construction materials group in Great Britain and Ireland, announces audited annual results for the year ended 31 December 2022.

	Statutory highlights			Underlying[1] highlights			
£m except where stated	2022	2021	% change	2022	2021	% change	% LFL[2]
Revenue	**1,396.3**	1,232.5	13%	**1,396.3**	1,232.5	13%	11%
EBIT	**148.0**	127.4	16%	**155.0**	133.6	16%	15%
EBIT margin	**10.6%**	10.3%		**11.1%**	10.8%	30bps	
Profit Before Tax	**135.8**	114.3	19%	**142.8**	120.5	19%	
Basic EPS[3]	**6.65p**	4.65p	43%	**7.08p**	5.98p	18%	
Dividend per share				**2.1p**	1.6p	31%	
Net Debt[4]				**197.7**	212.5	(7)%	
Covenant Leverage[5]				**0.7x**	0.8x	(0.1)x	
FCF conversion[6]				**29%**	59%	(30)ppt	
ROIC[7]				**10.8%**	9.5%	130bps	

FINANCIAL HIGHLIGHTS

Successful implementation of our growth strategy delivers record revenue and earnings

- Full year results ahead of expectations[8]
- Revenue increased 13%; timely implementation of our dynamic pricing strategy contributed +20ppt, partially offset by a 10ppt volume reduction which normalised in line with the market
- Full input cost recovery supported Underlying EBIT growth of 16%, and margin expansion of 30bps to 11.1%

Thoughtful capital allocation has led to higher returns and a strengthened financial position

- ROIC increased 130bps to 10.8%, ahead of our medium term target of 10%
- Strong financial position maintained, enabling investment for growth; Covenant Leverage reduced to 0.7x (2021: 0.8x) while net capital expenditure increased to £102m (2021: £71m)
- Working capital outflow as forecast, reflecting strong cash collection offset by the effects of inflation and the purchase of carbon requirements for 2023

Full year dividend increased 31% to 2.1p;

- Total cash returned to shareholders in 2022 from dividends increased to £30.5m (2021:£8.4m) reflecting a raised payout ratio of 30% (2021: 27%)

OPERATING HIGHLIGHTS

Each division contributed to advancing strategy, revenue and earnings

- GB revenue increased 15%; we completed three bolt-on transactions, and our surfacing business was awarded a place on the National Highways Pavement Delivery Framework
- Ireland tendering accelerated noticeably in the second half; we won high-quality infrastructure contracts and successfully recovered input costs
- Cement had a record year; revenue increased 22% and operating margin expanded 40bps to 17.3% supported by resilient end-markets, dynamic pricing and full cost recovery

Sustainability agenda progressing

- We committed to the Science Based Targets initiative and disclosed our first TCFD analysis
- We achieved our highest ever rate of alternative fuel substitution, increased sales of reduced clinker content product and committed to further exploration of the Peak Cluster carbon capture and storage project

Seeking admission to the Main Market of the London Stock Exchange

- As a reflection of our scale, maturity and growth ambitions, in the coming months we intend to seek admission to the Premium Listing segment of the London Stock Exchange – see separate announcement issued today

CURRENT TRADING AND OUTLOOK

Breedon has begun 2023 positively and in a strong position

- The UK economic backdrop remains uncertain, particularly with regard to residential housebuilding
- UK Infrastructure and industrial construction end-markets are still expected to grow in 2023, underpinned by large ongoing projects
- Breedon's Ireland operations are expected to benefit from a strong macroeconomic backdrop, coupled with the structural need for housing and infrastructure investment
- Our successful dynamic pricing strategy, forward hedging programme and careful approach to cost management remain in place
- Our strong balance sheet and thoughtful approach to capital allocation provides strategic optionality with scope for investment and acquisition activity focused on the UK and Ireland
- Overall, the Board expectations for 2023 remain unchanged

Rob Wood, Chief Executive Officer, commented:

"2022 was another record year. Each division progressed and we made meaningful headway on our growth strategy, expanding organically, acquiring strategically important assets, and moving our sustainability agenda forward.

"We grew sustainably through replenishing and optimising our mineral assets, investing in our colleague's safety and wellbeing, and reducing our carbon footprint while maintaining a secure financial position. We have a mineral pipeline in excess of 100 million tonnes, we achieved the highest substitution of fossil fuels at our cement plants in our history, and we invested for growth while still reducing our leverage.

"In recent years our local and entrepreneurial operating model has been tried and tested, keeping our people safe while growing high-quality earnings, and maintaining a strong balance sheet. Despite the uncertain economic and geopolitical landscape, 2023 has begun positively and we are in a strong position. We will continue to supply essential materials to growing end-markets, and we remain confident in our ability to deliver."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Notes:

1. Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles and related tax items. References to an Underlying profit measure throughout this announcement are defined on this basis.
2. Like-for-like reflects reported values adjusted for the impact of acquisitions and disposals.
3. EPS in the Underlying Highlights is adjusted Underlying Basic EPS, which is Underlying Basic EPS adjusted to exclude the impact of changes in the deferred tax rate of £1.1m (2021: £17.3m).
4. Net Debt including IFRS 16 lease liabilities.
5. Covenant Leverage is defined as the ratio of Underlying EBITDA to Net Debt, with both Underlying EBITDA and Net Debt amended to reflect the material items which are adjusted by the Group and its lenders in determining leverage for the purpose of assessing covenant compliance. In both the current and prior periods, the only material adjusting item was the impact of IFRS 16.
6. FCF conversion: Free Cash Flow relative to Underlying EBITDA.
7. ROIC: post-tax return on average invested capital.
8. Information for investors, including analyst consensus estimates, can be found on the Group's website at www.breedongroup.com/investors.

RESULTS PRESENTATION

Breedon will host a results presentation for analysts and investors at 08:30am today at the offices of Numis, 45 Gresham Street, London EC2V 7BF, or online via www.breedongroup.com/investors. The presentation will be followed by Q&A, where it will be possible to participate through the following dial-in details:

Event Title:	Breedon Full Year Results 2022
Start Time/Date:	08:30 Wednesday, 8 March 2023 - please join the event 5-10 minutes prior to scheduled start time. When prompted, provide the confirmation code or event title
Confirmation Code:	6306831
United Kingdom, Toll-free:	0808 109 0700
United Kingdom, Local:	+44 (0) 33 0551 0200

ENQUIRIES

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About Breedon Group plc

Breedon Group plc, a leading vertically-integrated construction materials group in Great Britain and Ireland, delivers essential products to the construction sector. Breedon holds 1bn tonnes of mineral reserves and resources with long reserve life, supplying value-added products and services, including specialty materials, surfacing and highway maintenance operations, to a broad range of customers through its extensive local network of quarries, ready-mixed concrete and asphalt plants.

The Group’s two well-invested cement plants are actively engaged in a number of carbon reduction practices, which include utilising alternative raw materials and lower carbon fuels. Breedon’s 3,700 colleagues embody our commitment to ‘Make a Material Difference’ as the Group continues to execute its strategy to create sustainable value for all stakeholders, delivering growth through organic improvement and acquisition in the heavyside construction materials market.

SUSTAINABLE GROWTH STRATEGY DELIVERED RECORD EARNINGS

During 2022, our key construction end-markets, notably infrastructure, housebuilding and industrial, continued to benefit from long-term structural growth drivers, enabling us to report record results once again, growing revenue by 13% and Underlying EBIT by 16%.

Against this supportive landscape, our entrepreneurial and decentralised teams stayed close to their customers, capitalising on their embedded position within local markets which informed timely commercial decisions. Our dynamic pricing strategy, complemented by our strategic hedging programme and careful cost management, ensured full cost recovery, delivering revenue of £1,396.3m (2021: £1,232.5m) and Underlying EBIT of £155.0m (2021: £133.6m), along with margin expansion of 30bps to 11.1%.

Cash generation remained robust and we continued to invest for growth; we completed three strategically significant bolt-on acquisitions and increased our net capital expenditure to £102m (2021: £71m) as bottlenecks in the supply chain relaxed while reducing our Covenant Leverage to 0.7x (2021: 0.8x). ROIC exceeded our medium-term target, increasing 130bps to 10.8%. As a result of increased levels of capital investment, tax and working capital movements, Free Cash Flow conversion for the year was 29% (2021: 59%).

The Board regularly reviews capital allocation scenarios, balancing capital investment and M&A with reducing debt and returning cash to shareholders, while prioritising profitable growth and ROIC. Alongside these record results, the Board has approved a full year dividend of 2.1p (2021: 1.6p), an increase of 31%, as we continue to implement our progressive dividend policy.

As a result of this strong and balanced financial performance, we have made excellent progress towards the targets we set out at our Capital Markets Event in the Autumn of 2021, growing revenue, margins and returns while maintaining a healthy financial position and increasing dividends to shareholders.

STRATEGY REVIEW

Resilient platform for sustainable growth

During Breedon's relatively short history, a resilient platform has been built and tested in a range of market conditions, from Brexit and the pandemic, to surging inflation coupled with political turmoil and rising interest rates.

This foundation has been created through a consistent and well-executed strategy, and has delivered market-leading growth and consistent cash flow. Since our first full year of trading as Breedon in 2011, the business has grown revenue 21% and Underlying EBIT 34% on average per annum.

Our business has created significant value and we have continued to develop our platform through the execution of our strategy; embed a culture of Sustainability, Optimise our assets and Expand our footprint and capability, while maintaining a disciplined Financial Framework.

Sustain

Our sustainability framework sets out how Breedon is responding to the urgent challenge posed by climate change and continues to gain traction alongside increased disclosure.

We confirmed our commitment to the Science Based Targets initiative in 2022 which in due course will be followed with the release of a plan outlining the trajectories required to achieve science-based carbon reductions following the 1.5°C warming pathway.

We enhanced our risk considerations in respect of the Task Force on Climate-Related Financial Disclosures, providing a clear analysis of how climate change impacts our risk and opportunity landscape, and undertaking our first detailed scenario analysis which can be found in our Annual Report 2022.

We made further progress at our cement plants, achieving our highest ever combined rate of alternative fuel substitution and biomass usage, nearing 50% while at times exceeding 90% at Kinnegad. Our electricity requirements in 2022 were substantially all sourced through renewable contracts and we were awarded planning permission at Kinnegad to install a solar farm with the capacity to deliver up to 17MW, up to 20% of all the plant's energy needs. Our Hope plant continued to engage in the pioneering HyNet carbon capture and storage infrastructure project as a member of the Peak Cluster and we have received planning consent to progress with the ARM project.

Our deliberate focus on health, safety and wellbeing brings together best practice, embracing new and innovative technologies with the ambition to become a leading company in health, safety and wellbeing. In 2022, we maintained our strong track record, with the lost time injury frequency rate (LTIFR) falling to 2.10 (2021: 2.19) while the lost time injury severity rate (LTISR) halved. This was achieved by reinvigorating our Home Safe and Well programme, increasing training and conducting nearly 40% more visible felt leadership site visits.

With ambitious growth plans, it is critical we continue to invest in our talent. In 2022 we enhanced our colleague communication platform, supported 93 colleagues through higher and further education programmes in collaboration with the Universities of Derby and Newcastle, and recruited 60 new apprentices across the business. In recognition of the rising cost of living, we made two additional payments to salary during the year to over 3,000 of our colleagues. These actions were recognised in our engagement survey; an unprecedented 75% of our colleagues took part producing an engagement score of 77%, eight percentage points higher than in 2021.

Optimise

In an industry where new reserves and plants are limited by restrictive planning practices, we carefully manage the valuable resources we own. Every day, our team looks for ways to improve the business and this culture of continuous self-help ensures we are constantly improving the efficiency of our operations and maximising the returns from our products and services.

In 2022, we implemented electronic proof of delivery across the Group, improving our customer service, accelerating cash receipts and using less paper. We delivered £2m of synergies as planned from the integration of the acquired Cemex assets, and introduced an operating model in GB to optimise quarrying efficiency and proliferate best practice.

Expand

Growth at Breedon has always been balanced between buy and build. In 2022, the business grew organically, delivering 11% revenue growth on a like-for-like basis and 13% overall.

Our vertically-integrated model is backed by around one billion tonnes of mineral reserves and resources making us one of the largest heavyside building materials suppliers in the UK and Ireland, with mineral reserves under our stewardship equivalent to over 30 years of production. The diligent long-term planning of our land management teams means our mineral planning pipeline is currently in excess of 100 million tonnes.

Our downstream ready-mixed concrete, asphalt and surfacing operations are largely self-sufficient, enabling us to pull materials through the operating model, adding value through the process. This year, we brought together the asphalt assets acquired from Cemex with our proven surfacing capability to win a place on the National Highways Pavement Delivery Framework in England.

Our outstanding team has been built around an entrepreneurial culture of empowerment and decentralisation which makes us a strong partner for our customers, a trusted owner of assets, and contributes to our active M&A pipeline. Many of our acquisition opportunities come to us through our local knowledge and personal engagement with the asset owners.

In 2022, we acquired concrete supplier RT Mycock, further extending our reach and capability. We enhanced our surfacing platform with the addition of Thomas Bow, an East Midlands surfacing business we have worked in partnership with since 2018. We expanded our aggregates capability with the acquisition of Severn Sands, a family-run marine sand dredging business, bringing valuable licences in the Bristol channel into the business. These transactions, with a combined spend of £15.1m, were immediately accretive to earnings, and have met or exceeded our expectations.

OUTLOOK

We enter 2023 in a strong position, supplying structurally growing end-markets with essential materials, delivered by our outstanding team and underpinned by a healthy financial position.

We recognise the UK economic backdrop remains uncertain, particularly with regard to residential housebuilding. However, the end-markets we serve benefit from long-term structural growth dynamics. The CPA continues to expect UK infrastructure and industrial construction output will grow in 2023, underpinned by large ongoing projects. Euroconstruct forecasts construction output in RoI will grow 2.5% in real terms, supported by the strong macroeconomic backdrop and structural need for housing and infrastructure investment.

Our successful dynamic pricing strategy, forward hedging programme and careful approach to cost management, which enabled us to fully recover input cost increases in 2022, remain in place.

Our strategy provides multiple options for growth and our strong balance sheet and thoughtful approach to capital allocation offers the financial flexibility to take measured action at the right time. Our M&A pipeline remains robust and we continue to engage with asset owners in GB and Ireland as we seek to infill our existing capability and footprint in the near-term. Longer-term, we continue to explore the possibility of selectively establishing a platform in the US, a large and fragmented market that offers attractive growth prospects in-line with our rigorous investment criteria. The cultural and regulatory profile matches our home markets, playing to our experience and strong track record of acquisition integration.

The Breedon model has repeatedly demonstrated its resilience, delivering strong operational performances irrespective of the macroeconomic backdrop, and we remain confident in our ability to deliver. Overall, the Board's expectations for 2023 remain unchanged.

OPERATIONAL REVIEW

Product volumes

million tonnes except where stated	**2022**	2021	2020	2019
Aggregates	**26.3**	29.2	21.7	20.2
Asphalt	**3.8**	4.1	3.3	3.0
Cement	**2.2**	2.4	2.0	2.0
Ready-mixed concrete (m^3)	**3.0m**	3.3m	2.6m	3.0m

Volumes reduced in the year as expected to more normal levels following exceptional post-covid demand in 2021 and the moderation of UK economic growth.

When compared to 2019, volumes of our core products remain ahead on a like-for-like basis: aggregates up 1%, asphalt up 9%, and cement up 9%. Ready-mixed concrete volumes decreased by 9% compared to 2019, reflecting the planned closure of less profitable plants in 2021 and an increased commercial focus.

Great Britain

£m except where stated	**2022**	2021	Change %	LFL %
Revenue	**972.4**	845.2	+15%	+11%
Underlying EBIT	**86.4**	74.3	+16%	+15%
Underlying EBIT margin	***8.9%***	*8.8%*	*10bps*	

Our GB team had a successful year. We kept our people safe and delivered significant organic growth, fully recovering rising input costs despite unpredictable market conditions. Our extensive network, local market knowledge and entrepreneurial culture meant we recorded revenue of £972.4m (2021: £845.2m), an increase of 15.0% in the year, or 11.1% on a like-for-like basis.

Volumes normalised in line with the broader aggregates industry as UK economic growth moderated. Rising input costs drove the well-publicised need for price increases and were fully recovered, leading to Underlying EBIT of £86.4m (2021: £74.3m). Underlying EBIT margin increased by 10bps to 8.9%.

In 2021 we invested in our surfacing business, growing the team and extending capability. We built on that platform in 2022, expanding our presence in the East Midlands, acquiring the Thomas Bow surfacing business with which we had partnered since 2018. This investment was validated when we were awarded a place on the National Highways Pavement Delivery Framework in England. Our associate, BEAR Scotland, successfully retained the Transport Scotland North West Network Management contract, while Breedon remained the dedicated materials supplier to BEAR and Amey in Scotland on the North West and North East contracts.

We expanded our strategic capability and reserves through the acquisition of Severn Sands, a marine sand dredging business, and increased our ready-mixed concrete offering through the acquisition of RT Mycock.

We complemented our M&A activities with significant organic investment, directing c.40% of the increased spend towards projects aimed at driving growth.

The completion and commissioning of the Mansfield asphalt plant met all our strategic goals. This £6.5m investment has expanded the plant's production capacity, optimised efficiency, and offers improved sustainability features by enabling the use of up to 50% recycled asphalt while reducing its carbon footprint.

Health, safety and wellbeing remains our highest priority. In 2022, we hosted regular safety workshops across the business, improved our injury frequency rate and materially reduced the severity of injuries sustained.

Operating the business model relies on our ability to optimise the use of our mineral reserves and resources and extend the life of our quarries. In 2022, we secured 14 million tonnes of mineral reserves and resources with an extensive pipeline at various stages of planning.

Delivering our products sustainably is an operational imperative. Revenue generated from asphalt and concrete products with sustainable attributes accelerated materially from 21% in 2021 to 38% in 2022. We launched Breedon Balance, our new product range that meets stringent sustainability criteria. In anticipation of a change to building regulations in 2023, we are investing in a network of silos that will allow us to increase the proportion of CEM II in our concrete mix, a cement product with a reduced carbon footprint.

Great Britain outlook

We are mindful of the challenges faced by our customers; while we recognise the uncertainties they face, the CPA continues to forecast growth in infrastructure and industrial end-markets and we remain focused on working collaboratively with all our customers to meet their needs while maximising the efficiency of our operations. We are already seeing the benefits of the actions we took in 2022 to invest for growth and improve processes and systems and we expect this to continue.

Ireland

£m except where stated	**2022**	**2021**	**Change %**
Revenue	**226.2**	225.4	-
Underlying EBIT	**28.3**	28.2	-
Underlying EBIT margin	***12.5%***	*12.5%*	-

Our team in Ireland delivered a resilient performance, fully recovering input costs and winning high-quality new work. Our business has an established market position across the Island of Ireland and an experienced team, embedded within a healthy network of repeat customers.

Softness in aggregate and asphalt volumes at the half year reflected the absence of the governing Assembly in NI and the tendering delays in RoI. Tendering activity in RoI accelerated notably in the second half.

In NI, the DfI revised the procurement process for infrastructure tenders, leading to a number of contract awards coming through in the second half of 2022. We were successful in the first two rounds of awards, securing both the Down and Armagh District Term Surfacing contracts. Tenders have been submitted for the remaining rounds with outcomes phased through 2023.

We have a successful street lighting maintenance business in NI which benefits from the switch to more efficient LED technology. In the second half, we were pleased to win two Street Lighting Maintenance contracts with the DfI, each for a five-year term.

Across the year as a whole, our infrastructure and housing end-markets remained robust, supporting a high degree of input cost recovery which yielded stable results, recording revenue of £226.2m, Underlying EBIT of £28.3m and Underlying EBIT margin of 12.5%.

The encouraging medium-term economic backdrop in Ireland is led by population expansion, accompanied by fundamental infrastructure and housing shortages. Within this market we have an exceptional track record for delivering complex projects on time, to budget and safely, which enables us to secure high-quality, risk-managed tenders, with price indexation mechanisms.

Our reputation for high-quality surfacing works helped us secure 27 trunk road projects and hundreds of local road resurfacing tenders across the Island of Ireland in the year. We completed work on the M1 near Dublin and the A2 in Belfast, operating both contracts within restrictions to weekend and night-time operations. To meet our clients' needs, these projects required significant planning, collaboration with local stakeholders and commitment from our supply chain, so we were pleased to deliver them on time and to budget.

We are positioning the Ireland business for growth and profitability; during 2022 we rebranded Whitemountain and Lagan as Breedon and we invested in the team. A review of strategic opportunities in Ireland crystalised our decision to exit our civil engineering business during the year where the contract risk profile had deteriorated.

We are building new relationships to complement our existing commercial and public authority partnerships and broadening our reach, enabling us to leverage our expanded footprint and pull through more of our own material.

We made further progress with minerals in 2022 and have opportunities at various stages of the planning process. In the year we secured 11 million tonnes of incremental reserves and resources, reopened the dormant Cahersiveen quarry in Kerry and progressed a number of other extension opportunities.

Ireland outlook

The Government of Ireland has set out clear long-term spending commitments and RoI remains the fastest growing economy in Western Europe. In NI, while the pace of activity continues to be impacted by the absence of the governing Assembly, our business is underpinned by multi-year frameworks and term contracts. High-quality tenders are coming to market and our experienced and agile team are well positioned to win further work.

Cement

£m except where stated	**2022**	2021	Change %
Revenue	**300.7**	245.6	+22%
Underlying EBIT	**52.1**	41.6	+25%
Underlying EBIT margin	***17.3%***	*16.9%*	*+40bps*

Our cement plants in GB and Ireland enjoyed their most successful year ever, aided by the hard work of our colleagues. The division delivered strong revenue and earnings growth in 2022 as demand in the UK for cement and cementitious products remained robust. Cement volumes fell 9% to 2.2 million tonnes from the elevated levels of 2021, driven primarily by lower concrete volumes and reduced imports.

Pricing remained resilient, increasing steadily during the year in response to rising input costs. We introduced a dynamic and transparent pricing strategy, implementing a carbon surcharge mechanism which gives our customers direct visibility of the carbon cost of the cement they purchase.

Our forward hedging strategy afforded us a clear view of our input costs, empowering our commercial teams to focus on full cost recovery. Consequently, revenue increased 22% to £300.7m, delivering Underlying EBIT of £52.1m, expanding margin by 40bps to 17.3%.

Our teams are embedded in their communities and have a deep personal connection to the plants. They take enormous pride in meeting their stakeholder's needs and maximising plant performance.

Our Kinnegad plant improved kiln reliability, a creditable performance in light of the high proportion of alternative fuels it utilises which adds complexity to the production process.

In 2021, our Hope plant achieved Plant Mastery status for delivering three consecutive years of kiln reliability in excess of 96%. This is an industry recognised measure which denotes market-leading plants with strong cost and quality control, high workforce engagement and excellent health, safety and environmental records. This remarkable performance was sustained in 2022, delivering kiln reliability of 96.1% as a result of the rigorous forward planning and maintenance programme operated by the team. Both plants delivered three complex planned kiln maintenance shutdowns on schedule and within budget.

One of our 2030 sustainability targets is a 30% reduction in gross carbon intensity per tonne of cementitious product. We are pursuing numerous strategies to reduce our carbon footprint, switching away from fossil fuel inputs, reducing the clinker content of our cementitious products and turning to innovation for carbon abatement solutions.

In 2022, both plants increased fossil fuel replacement, achieving a combined rate nearing 50% alternative fuel utilisation. Hope increased fuel replacement by two percentage points while Kinnegad once more improved its world leading alternative fuel usage to 77% (2021: 75%). Kinnegad was granted planning permission for a 17MW solar farm while Hope received the necessary planning consent to start the ARM project in earnest.

Reducing the clinker content of our products supports our clients' sustainability objectives. CEM II now comprises 50% of Kinnegad sales (2021: 40%) and we expect this contribution will continue to increase.

With respect to carbon abatement, our Hope plant is actively involved in the HyNet industrial decarbonisation, carbon capture and storage project as a member of the Peak Cluster. Our participation in this pioneering infrastructure project will facilitate the capture, transport and storage of CO_2 emissions.

Cement outlook

The outlook for the cement market is positive, underpinned by large ongoing infrastructure projects in the UK. In RoI, housing and infrastructure are supported by the Government of Ireland's development plans to accommodate a rapidly growing population.

FINANCE REVIEW

In 2022 we delivered another year of record performance, advancing revenue and Underlying EBIT through robust pricing, disciplined cost management and improvements in operating performance and reduced our Covenant Leverage to 0.7x.

This record performance was achieved against a backdrop of significant input cost inflation throughout 2022 and the impact of more challenging macroeconomic conditions towards the end of the year.

Revenue for the year at £1,396.3m increased by 13% compared to 2021 (£1,232.5m), reflecting the success of our dynamic pricing strategy in recovering input cost increases, offset by the expected reduction in volumes to more normal levels following exceptional post-covid demand in 2021 and the moderation of UK economic growth. Pricing contributed 20ppt of the revenue improvement, partially offset by overall volume reductions of 10ppt. On a like-for-like basis, excluding the impact of acquisitions, revenue increased by 11%.

We delivered record earnings with Group operating profit of £144.5m (2021: £124.5m) and there was an encouraging improvement in our share of profit of associate and joint ventures of £3.5m (2021: £2.9m).

Our Underlying EBIT of £155.0m was up £21.4m or 16% on 2021 (£133.6m), with each division growing earnings compared to 2021.

Underlying EBIT margins strengthened to 11.1% ahead of 10.8% reported in 2021 helped in part by synergy benefits of £2m from the Cemex assets, in line with the target communicated at the time of the acquisition. This represents further progress towards our medium-term ambition to generate an Underlying EBIT margin of between 12% and 15%.

Impact of acquisitions and non-underlying items

Our performance included a contribution of £35.6m revenue and £1.0m Underlying EBIT from the three strategic bolt-on acquisitions which completed during the second half of the year.

Non-underlying items in the year amounted to a pre-tax cost of £7.0m (2021: £6.2m), of which the majority was £4.8m (2021: £3.6m) of amortisation of acquired intangible assets. Other non-underlying items comprised a net £1.5m of gains and losses recognised on the disposal of properties and £0.7m of acquisition related costs.

Interest and profit before tax

Net finance costs in the year totalled £12.2m (2021: £13.1m) and included interest on the Group's debt facilities and lease liabilities, amortisation of bank arrangement fees, and the unwinding of discounting on provisions.

Finance costs were lower than the prior year as leverage continued to fall and we realised a full year of benefits from the refinancing undertaken during 2021.

Approximately 40% of the Group's available facilities are at fixed rates of interest, with the remainder floating relative to SONIA or EURIBOR as appropriate.

Profit before tax was £135.8m, 19% above 2021 (£114.3m). Underlying profit before tax was £142.8m, 19% above 2021 (£120.5m).

Tax

The Group recorded an Underlying tax charge at an effective rate of 16.0% (2021: 16.1%), which in absolute terms equated to a charge of £22.9m (2021: £19.4m).

We recognised a non-cash deferred tax charge of £1.1m (2021: £17.3m) to measure movements in our deferred tax liability in the UK at a higher tax rate than the current statutory rate of 19%.

We remeasured our existing liability in 2021 following the UK Government substantively enacting legislation to increase the future rate of corporation tax to 25% from 19%. To remain consistent we have continued to present rate change impacts as a separate line within the Underlying column of the consolidated income statement.

The statutory tax charge, which includes the full impact of the deferred tax rate changes outlined above, was £23.2m (2021: £35.7m).

Alongside the legislated tax rate change in the UK from 19% to 25% which will increase the future effective tax rate of the Group from 2023, the Group may be impacted in the future by BEPS Pillar 2, the OECD initiative for a global minimum 15% rate, as a result of our trading operations in RoI where the statutory rate of corporation tax is 12.5%. The Group's corporation tax charge in RoI was £6.0 million in 2022, so while exposure is not expected to be material, we continue to closely monitor developments.

We complied effectively with our stated tax strategy, and we continue to make a significant contribution to the economies in which we operate through taxation, either borne by the Group or collected on behalf of, and paid to the tax authorities. In 2022, the total taxes borne and collected by the Group amounted to c.£210m (2021: c.£210m).

Earnings per share

Statutory Basic EPS increased by 43% to 6.65p (2021: 4.65p), while Underlying Basic EPS for the year totalled 7.02p (2021: 4.96p).

Adjusted Underlying Basic EPS, calculated using Underlying earnings and adjusted to exclude the impact of the £1.1m (2021: £17.3m) charge recognised in respect of deferred tax rate changes, increased by 18% to 7.08p (2021: 5.98p).

Statutory diluted EPS was 6.63p (2021: 4.62p), with the only adjustment made in calculating dilution relating to employee share option schemes. Adjusted Underlying Diluted EPS was 7.05p (2021: 5.95p).

Statement of financial position and ROIC

Net assets at 31 December 2022 were £1,043.8m (2021: £949.8m). Total non-current assets of £1,370.7m (2021: £1,317.7m) increased as a result of the impact of exchange rates on Euro-denominated assets and the acquisitions completed during 2022. Current assets were £63.3m higher than December 2021, reflecting the impact of inflation on working capital balances, higher cash holdings and increasing raw materials inventory levels at our cement plants to manage possible supply chain disruption and ensure continuity of production.

Total liabilities increased year on year, with provision balances increasing to reflect the impact of a higher inflation rate used in the calculation of long term site restoration liabilities, partially offset by corresponding increases in discount rates, as a result of external market movements during the year.

Using average invested capital, ROIC strengthened through the year to end 2022 at 10.8% (2021: 9.5%) which is in excess of the Group's cost of capital and demonstrates progress in achieving our medium-term target to consistently deliver ROIC in excess of 10%.

Impairment review

We completed our annual impairment review of goodwill and retain comfortable levels of headroom relative to the carrying value of our asset base.

Input cost and hedging strategy

Input cost inflation had a significant impact on our results, with energy (gas and electricity), fuels, bitumen and the cost of carbon emission permits under both UK and EU ETS schemes all showing significant volatility. Although energy costs have fallen from the peaks experienced in the second half of 2022, they remain elevated relative to historic levels and cost price volatility is expected to continue into 2023.

Our strategy is to hedge substantially all energy and carbon requirements for at least one year in advance, with further layered purchases extending into future years, to deliver near-term cost certainty.

A proportion of our bitumen requirements are hedged in the short term, typically for larger contracts where pricing is agreed in advance. Remaining purchases are at spot; the market for asphalt, in which bitumen is the primary purchased raw material, has historically responded quickly to bitumen price changes. Other fuels are purchased at spot and passed on.

Our 2022 earnings have benefited from our hedging programme, with the primary impact being to provide near term cost certainty and delay the point at which the Group has been exposed to increased input cost prices. In turn this allows time for our dynamic approach to pricing to reflect the underlying market movements, avoiding a potentially significant cost of under recovery due to sales pricing lags.

For 2023, we are substantially hedged in line with our policy. Recent reductions in the cost of energy have moved our forward position to align more closely with market rates. However, our hedges are still expected to provide a net benefit to the Group during 2023.

Free cash flow

We generated £68.7m of Free Cash Flow (2021: £127.3m) while significantly increasing capital investment.

Net capital expenditure increased by £30.7m to £102.0m (2021: £71.3m) comprising capital investment of £106.8m offset by £4.8m of proceeds from specific asset disposals. This increased investment was in line with our market guidance of c.£170m in aggregate across 2021 and 2022.

Working capital flows reflected strong cash collection offset by the purchase of UK ETS carbon credits, the inventory build to ensure continuity of production at our cement plants and the impact of inflation on working capital balances.

As a result of increased levels of capital investment, tax and working capital movements, Free Cash Flow conversion for the year was 29% (2021: 59%). We continue to target average Free Cash Flow conversion after regular capital investment of 50%.

Acquisitions

Our Net Debt increased by £15.1m (2021: £6.1m), as a result of the three bolt-on acquisitions completed during 2022.

Net Debt and borrowing facilities

At 31 December 2022 Net Debt was £197.7m (2021: £212.5m). Net Debt includes IFRS 16 lease liabilities of £49.3m (2021: £51.0m). Our Covenant Leverage at the year-end was 0.7x (2021: 0.8x) reflecting the resilience of the Group's balance sheet and allows significant flexibility in pursuing our sustainable growth strategy.

The Group's borrowing facilities comprise a £350m multi-currency revolving credit facility (RCF) and a £250m USPP. During the year, we exercised our option to extend the RCF for a one year period. Arrangement fees of £0.7m were capitalised in the year and will be amortised over the period of the additional borrowing.

Following the exercise of the extension option, the RCF is available to the Group until June 2025 with an option to extend for up to a further year. Interest on the RCF is calculated as a margin referenced to the Group's Covenant Leverage plus SONIA or EURIBOR according to the currency of borrowing.

The USPP issued in 2021 provides long term financing at low fixed interest rates with an average fixed coupon of approximately 2%. The USPP comprises £170m sterling and £80m drawn in euro, with maturity profile between 2028 and 2036.

Our borrowing facilities are subject to leverage and interest cover covenants which are tested half-yearly, and we remained fully compliant with all covenants during the year.

The Group maintains a strong liquidity position and at 31 December 2022, total undrawn borrowing facilities available to the Group amounted to £350m.

Dividend

Subject to shareholder approval, we intend to pay a dividend in respect of the 2022 financial results of 2.1p, an increase of 31% from 2021 (1.6p). This equates to a payout ratio of 30% (2021: 27%) of adjusted Underlying EPS. Assuming continued positive trading conditions and cash generation, the Group continues to target a payout ratio of 40% of Underlying EPS over time.

An interim dividend of 0.7p (2021: 0.5p) was paid on 30 September 2022 and, subject to shareholder approval, the remaining 1.4p (2021:1.1p) will be paid as a final dividend on 5 May 2023. Under IFRS dividends are recorded in the financial statements of the accounting period in which they are declared. Accordingly, dividend payments amounting to £30.5m (2021: £8.4m) have been recognised in the 2022 financial statements.

Thoughtful capital allocation is core to our financial strategy, and we remain confident that our progressive dividend policy will not compromise the Group's ability to execute on our strategic objectives.

Capital allocation

Conservative and disciplined financial management and the maintenance of a strong balance sheet are at the core of our thoughtful approach to capital allocation. The Board will always seek to deploy our capital responsibly, focusing on organic investment in our business to ensure that our asset base is well-invested. We will continue to pursue selective acquisitions which will accelerate our strategic development and that we are confident will create long-term value.

This conservative approach to financial management enables us to pursue capital growth for our shareholders through active development of our business, whilst supporting our progressive dividend policy.

2023 technical guidance

We expect working capital to experience the normal seasonal outflow in the first half of 2023, with an overall modest inflationary outflow for the full year of c.£20m.

We continue to prioritise investment in the business and expect to invest c.£90m in capital projects during 2023.

Cash costs of dividends paid during 2023 will be c.£35m and our net interest expense c.£15m. of which c.£9m will be cash interest.

We expect an effective tax rate of c.20%, reflecting the increased statutory rate of tax in the UK, with cash tax payments higher than the effective rate as a result of the accelerated superdeduction capital allowances claimed in 2021 and 2022.

RISK

The Group's principal risks in alphabetical order (by risk category) are:

Strategic

- Acquisitions
- Climate change
- Digitalisation
- Market conditions
- Mineral reserves
- People

Operational

- Environmental impact
- Failure of a critical asset
- Health, safety and wellbeing
- Input costs
- IT and cyber security
- Legal and regulatory
- Product specification

Financial

- Credit risk
- Currency risk
- Financing and interest rate risk

Further details of the principal risks facing the Group for the year ended 31 December 2022 are set out in the Group's Annual Report which will be made available at the Group website once published.

The Board consider that these are the risks that could impact the performance of the Group in the current financial year. The Board continues to manage these risks and to mitigate their expected impact.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK-adopted international accounting standards and applicable law .

Under Jersey company law the Directors must prepare Financial Statements that give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to Going Concern; and
- use the Going Concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Rob Wood
Chief Executive Officer

James Brotherton
Chief Financial Officer

8 March 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Underlying	2022 Non-underlying* (note 4)	2022 Total	2021 Underlying	2021 Non-underlying* (note 4)	2021 Total
	£m	£m	£m	£m	£m	£m
Revenue	1,396.3	-	1,396.3	1,232.5	-	1,232.5
Cost of sales	(910.1)	-	(910.1)	(804.1)	-	(804.1)
Gross profit	486.2	-	486.2	428.4	-	428.4
Distribution expenses	(231.0)	-	(231.0)	(210.6)	-	(210.6)
Administrative expenses	(103.7)	(7.0)	(110.7)	(87.1)	(6.2)	(93.3)
Group operating profit	151.5	(7.0)	144.5	130.7	(6.2)	124.5
Share of profit of associate and joint ventures	3.5	-	3.5	2.9	-	2.9
Profit from operations	155.0	(7.0)	148.0	133.6	(6.2)	127.4
Financial income	0.2	-	0.2	-	-	-
Financial expense	(12.4)	-	(12.4)	(13.1)	-	(13.1)
Profit before taxation	142.8	(7.0)	135.8	120.5	(6.2)	114.3
Tax at effective rate	(22.9)	0.8	(22.1)	(19.4)	1.0	(18.4)
Changes in deferred tax rate	(1.1)	-	(1.1)	(17.3)	-	(17.3)
Taxation	(24.0)	0.8	(23.2)	(36.7)	1.0	(35.7)
Profit for the year	118.8	(6.2)	112.6	83.8	(5.2)	78.6
Attributable to:						
Breedon Group shareholders	118.7	(6.2)	112.5	83.7	(5.2)	78.5
Non-controlling interests	0.1	-	0.1	0.1	-	0.1
Profit for the year	118.8	(6.2)	112.6	83.8	(5.2)	78.6

* Non–underlying items represent acquisition–related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items.

	2022	2021
Earnings per share		
Basic	6.65p	4.65p
Diluted	6.63p	4.62p

	2022	2021
Dividends in respect of the year		
Dividend per share	2.10p	1.60p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£m	£m
Profit for the year	**112.6**	78.6
Other comprehensive income/(expense)		
Items which may be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations, net of hedging	**10.2**	(14.7)
Effective portion of changes in fair value of cash flow hedges	**(1.3)**	1.2
Taxation on items taken directly to other comprehensive income	**0.2**	(0.2)
Other comprehensive income/(expense) for the year	**9.1**	(13.7)
Total comprehensive income for the year	**121.7**	64.9
Total comprehensive income for the year is attributable to:		
Breedon Group shareholders	**121.6**	64.8
Non-controlling interests	**0.1**	0.1
	121.7	64.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	2022	2021
	£m	£m
Non-current assets		
Property, plant and equipment	**787.9**	749.9
Right-of-use assets	**47.1**	49.6
Intangible assets	**518.2**	501.5
Investment in associate and joint ventures	**13.7**	12.2
Trade and other receivables	**3.8**	4.5
Total non-current assets	**1,370.7**	1,317.7
Current assets		
Inventories	**94.8**	62.0
Trade and other receivables	**218.6**	205.9
Cash and cash equivalents	**101.7**	83.9
Total current assets	**415.1**	351.8
Total assets	**1,785.8**	1,669.5
Current liabilities		
Interest-bearing loans and borrowings	**(7.9)**	(7.2)
Trade and other payables	**(263.8)**	(257.7)
Current tax payable	**(3.8)**	(4.7)
Provisions	**(9.2)**	(9.5)
Total current liabilities	**(284.7)**	(279.1)
Non-current liabilities		
Interest-bearing loans and borrowings	**(291.5)**	(289.2)
Provisions	**(76.8)**	(63.9)
Deferred tax liabilities	**(89.0)**	(87.5)
Total non-current liabilities	**(457.3)**	(440.6)
Total liabilities	**(742.0)**	(719.7)
Net assets	**1,043.8**	949.8
Equity attributable to Breedon Group shareholders		
Stated capital	**555.0**	553.0
Hedging reserve	**0.1**	1.2
Translation reserve	**0.4**	(9.8)
Retained earnings	**488.0**	405.2
Total equity attributable to Breedon Group shareholders	**1,043.5**	949.6
Non-controlling interests	**0.3**	0.2
Total equity	**1,043.8**	949.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Stated capital	Hedging reserve	Translation reserve	Retained earnings	Attributable to Breedon Group shareholders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	551.6	0.2	4.9	331.6	888.3	0.1	888.4
Shares issued	1.4	-	-	-	1.4	-	1.4
Dividends paid	-	-	-	(8.4)	(8.4)	-	(8.4)
Total comprehensive income for the year	-	1.0	(14.7)	78.5	64.8	0.1	64.9
Share-based payments (inclusive of deferred tax recognised in equity)	-	-	-	3.5	3.5	-	3.5
Balance at 31 December 2021	**553.0**	**1.2**	**(9.8)**	**405.2**	**949.6**	**0.2**	**949.8**
Shares issued	**2.0**	**-**	**-**	**-**	**2.0**	**-**	**2.0**
Dividends paid	**-**	**-**	**-**	**(30.5)**	**(30.5)**	**-**	**(30.5)**
Total comprehensive income for the year	**-**	**(1.1)**	**10.2**	**112.5**	**121.6**	**0.1**	**121.7**
Share-based payments (inclusive of deferred tax recognised in equity)	**-**	**-**	**-**	**0.8**	**0.8**	**-**	**0.8**
Balance at 31 December 2022	**555.0**	**0.1**	**0.4**	**488.0**	**1,043.5**	**0.3**	**1,043.8**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£m	£m
Cash flows from operating activities		
Profit for the year	112.6	78.6
Adjustments for:		
Depreciation and mineral depletion	83.5	83.3
Amortisation	4.8	3.6
Financial income	(0.2)	-
Financial expense	12.4	13.1
Share of profit of associate and joint ventures	(3.5)	(2.9)
Loss on sale of property, plant and equipment	2.4	-
Gain on stepped acquisition	(0.3)	-
Share-based payments	1.2	2.9
Taxation	23.2	35.7
Operating cash flows before changes in working capital and provisions	236.1	214.3
Increase in trade and other receivables	(0.2)	(17.6)
Increase in inventories	(31.7)	(3.5)
(Decrease)/increase in trade and other payables	(9.1)	17.2
Increase in provisions	7.7	6.7
Cash generated from operating activities	202.8	217.1
Interest paid	(6.7)	(6.8)
Interest element of lease payments	(2.5)	(2.6)
Interest received	0.2	-
Income taxes paid	(25.8)	(13.6)
Net cash from operating activities	168.0	194.1
Cash flows used in investing activities		
Acquisition of businesses	(12.6)	(6.1)
Dividends from associate and joint ventures	1.7	1.9
Purchase of property, plant and equipment	(106.8)	(76.9)
Proceeds from sale of property, plant and equipment	4.8	5.6
Net cash used in investing activities	(112.9)	(75.5)
Cash flows used in financing activities		
Dividends paid	(30.5)	(8.4)
Proceeds from the issue of shares (net of costs)	2.0	1.4
Proceeds from new interest-bearing loans (net of costs)	-	513.9
Repayment of interest-bearing loans	-	(563.1)
Revolving Credit Facility extension costs	(0.7)	-
Repayment of lease obligations	(8.8)	(9.7)
Net cash used in financing activities	(38.0)	(65.9)
Net increase in cash and cash equivalents	17.1	52.7
Cash and cash equivalents at 1 January	83.9	31.7
Foreign exchange differences	0.7	(0.5)
Cash and cash equivalents at 31 December	101.7	83.9

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

Breedon Group plc is a company domiciled in Jersey. The financial information (note 11) consolidates the results of the Company and its subsidiary undertakings, and equity account for the Group's interest in its associate and its joint ventures (collectively the 'Group').

The financial information has been prepared in accordance with UK-adopted international accounting standards and under the historical cost convention except for the revaluation to fair value of certain financial instruments.

Alternative performance measures

The following non-GAAP performance measures have been used in the financial statements:

- Underlying Earnings Before Interest and Tax (EBIT)
- Underlying EBIT Margin
- Underlying EBITDA
- Like-for-like Underlying EBIT
- Like-for-like revenue
- Underlying Basic Earnings Per Share (EPS)
- Free Cash Flow
- Free Cash Flow conversion
- Return on invested capital
- Covenant Leverage
- Net Debt
- Net Debt (excluding IFRS 16)

Management uses these terms as they believe these measures allow a better understanding of the Group's underlying business performance. These alternative performance measures are well understood by investors and analysts, are consistent with the Group's historic communication with investors and reflects the way in which the business is managed.

A reconciliation between these alternative performance measures to the most directly related statutory measures is included within note 10.

2 Going concern

These financial statements are prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Group meets day-to-day working capital and other funding requirements through banking facilities, which include an overdraft facility. Longer term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350m multi-currency RCF, which runs to at least June 2025 and £250m of USPP loan notes with maturities between 2028 and 2036.

The Group comfortably met all covenants in 2022 and other terms of its borrowing agreements in the period, and maintained a track record of profitability and cash generation, with an overall profit before taxation of £135.8m and net cash from operating activities of £168.0m.

The Group has prepared cash flow forecasts for a period of twelve months from the date of signing these financial statements, which show a sustained trend of profitability and cash generation and retained covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

The base case assumes a trading performance delivered in line with market consensus over the forecast period, whilst the downside scenario models a 30 per cent reduction in revenues, which the Group believes is an extremely severe sensitivity relative to likely outcomes and historic experience.

As at 31 December 2022, the Group had cash of £101.7m and undrawn banking facilities of £350.0m. At the date of this report, the Group retains a similar level of liquidity, which is expected to provide sufficient available funds for the Group to discharge its liabilities as they fall due.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

3 Segmental analysis

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and buildings products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland.

The Group's activities comprise the following reportable segments:

Great Britain: our construction materials and surfacing businesses in Great Britain.

Ireland: our construction materials and surfacing businesses on the Island of Ireland.

Cement: our cementitious operations in Great Britain and Ireland.

	2022 Revenue	2022 *Underlying EBITDA	2021 Revenue	2021 *Underlying EBITDA
Income statement	**£m**	**£m**	£m	£m
Great Britain	**972.4**	**136.1**	845.2	124.2
Ireland	**226.2**	**34.4**	225.4	35.4
Cement	**300.7**	**79.6**	245.6	67.7
Central administration	**-**	**(15.1)**	-	(13.3)
Eliminations	**(103.0)**	**-**	(83.7)	-
Group	**1,396.3**	**235.0**	1,232.5	214.0

Reconciliation to statutory profit	2022	2021
Group Underlying EBITDA as above	**235.0**	214.0
Depreciation and mineral depletion	**(83.5)**	(83.3)
Great Britain	**86.4**	74.3
Ireland	**28.3**	28.2
Cement	**52.1**	41.6
Central administration	**(15.3)**	(13.4)
Underlying Group operating profit	**151.5**	130.7
Share of profit of associate and joint ventures	**3.5**	2.9
Underlying profit from operations (EBIT)	**155.0**	133.6
Non-underlying items (note 4)	**(7.0)**	(6.2)
Profit from operations	**148.0**	127.4

*Underlying EBITDA is earnings before interest, tax, depreciation and mineral depletion, amortisation, non-underlying items (note 4) and before our share of profit of associate and joint ventures.

Analysis of revenue by geographic location of end-market

	2022	2021
	£m	£m
United Kingdom	**1,217.3**	1,088.2
Republic of Ireland	**176.5**	141.1
Other	**2.5**	3.2
	1,396.3	1,232.5

3 Segmental analysis *(continued)*

Analysis of revenue by major products and service lines by segment

	2022	2021
	£m	£m
Sale of goods		
Great Britain	829.0	740.2
Ireland	82.0	66.4
Cement	300.7	245.6
Eliminations	(103.0)	(83.7)
	1,108.7	968.5
Surfacing		
Great Britain	143.4	105.0
Ireland	144.2	159.0
	287.6	264.0
Total	1,396.3	1,232.5

Timing of revenue recognition

Sale of goods revenue relates to products for which revenue is recognised at a point in time as the product is transferred to the customer. Surfacing revenues are accounted for as products and services for which revenue is recognised over time.

Statement of financial position

	2022 Total assets	2022 Total liabilities	2021 Total assets	2021 Total liabilities
	£m	£m	£m	£m
Great Britain	900.9	(228.0)	841.8	(203.0)
Ireland	260.6	(40.5)	254.4	(45.8)
Cement	519.7	(62.0)	487.2	(65.0)
Central administration	2.9	(19.3)	2.2	(17.3)
Total operations	1,684.1	(349.8)	1,585.6	(331.1)
Current tax	-	(3.8)	-	(4.7)
Deferred tax	-	(89.0)	-	(87.5)
Net Debt	101.7	(299.4)	83.9	(296.4)
Total Group	1,785.8	(742.0)	1,669.5	(719.7)
Net assets		1,043.8		949.8

4 Non-underlying items

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying trading performance of the business, including non-cash items. The directors monitor the performance of the Group using alternative performance measures which are on an underlying basis. In the opinion of the directors, this presentation aids understanding of the underlying business performance and any references to underlying earnings measures throughout this report are made on this basis. Underlying measures are presented on a consistent basis over time to assist in the comparison of performance.

	2022	2021
	£m	£m
Included in administrative expenses:		
Redundancy and reorganisation costs	-	1.2
Acquisition costs	0.7	0.7
Property (gains) and losses	1.5	0.7
Amortisation of acquired intangible assets	4.8	3.6
Total non-underlying items (before tax)	7.0	6.2
Non-underlying taxation	(0.8)	(1.0)
Total non-underlying items (after tax)	6.2	5.2

Acquisition costs are presented net of a £0.3m gain on stepped acquisition. See note 9.

5 Taxation

Recognised in the condensed consolidated income statement

	2022	2021
	£m	£m
Current tax		
Current year	23.6	19.1
Prior year	1.0	(0.1)
Total current tax	24.6	19.0
Deferred tax		
Current year	(1.8)	(1.1)
Change in deferred tax rate	1.1	17.3
Prior year	(0.7)	0.5
Total deferred tax	(1.4)	16.7
Total tax charge in the condensed consolidated income statement	23.2	35.7

Recognised in equity

	2022	2021
	£m	£m
Deferred tax		
Cash flow hedges	(0.2)	0.2
Share-based payments	0.4	(0.6)
Total tax charge/(credit) in equity	0.2	(0.4)

5 Taxation *(continued)*

Reconciliation of effective tax rate

	2022 £m	2021 £m
Profit before taxation	135.8	114.3
Tax at the Company's domestic rate of 19%	25.8	21.7
Difference between Company and subsidiary statutory tax rates	(2.6)	(2.0)
Expenses not deductible for tax purposes	0.6	0.7
Enhanced capital allowances	(1.4)	(1.5)
Share-based payments	0.8	-
Unrecognised deferred tax assets	(0.7)	(0.4)
Income from associate and joint ventures already taxed	(0.7)	(0.5)
Change in deferred tax rate	1.1	17.3
Adjustment in respect of prior years	0.3	0.4
Total tax charge	**23.2**	35.7

The Company is tax resident in the UK, with a 19% tax rate. The Group's subsidiary operations pay tax at a rate of 19% (2021: 19%) in the UK and 12.5% (2021: 12.5%) in RoI.

Excluding the impact of non-underlying items and the change in deferred tax rate, the Group's Underlying effective tax rate is 16.0% (2021: 16.1%). Including these items, the Group's reported tax rate for the year is 17.1% (2021: 31.2%).

On 24 May 2021, legislation was passed which substantively enacted an increase in UK corporation tax rate from 19% to 25% from April 2023. This will result in higher tax charges in future years and a deferred tax charge of £17.3m was recognised in the prior year to remeasure the Group's UK deferred tax liabilities held at 31 December 2021 to this higher rate.

6 Interest-bearing loans and borrowings

Net Debt

	2022 £m	2021 £m
Cash and cash equivalents	101.7	83.9
Current borrowings	(7.9)	(7.2)
Non-current borrowings	(291.5)	(289.2)
Net Debt	**(197.7)**	(212.5)
IFRS 16 lease liabilities	49.3	51.0
Net Debt (excluding IFRS 16)	**(148.4)**	(161.5)

Analysis of borrowings between current and non-current

	2022 £m	2021 £m
Lease liabilities	7.9	7.2
Current borrowings	**7.9**	7.2
Bank and USPP debt	250.1	245.4
Lease liabilities	41.4	43.8
Non-current borrowings	**291.5**	289.2

6 Interest-bearing loans and borrowings *(continued)*

The Group's borrowing facilities comprise a £350m multi-currency RCF and a £250m USPP.

The RCF is available to the Group until June 2025 with an option to extend for up to a further one year period. Interest on the RCF is calculated as a margin referenced to the Group's Covenant Leverage plus SONIA or EURIBOR according to the currency of borrowing. Interest margin on the revolving credit facility was charged in the period at rates of between 1.7% and 1.8%.

The USPP was issued in 2021 with an average fixed coupon of approximately 2% and comprises £170m sterling and £80m drawn in euro, with a maturity profile between 2028 and 2036.

During the year, the Group exercised an option to extend the RCF for a one year period. Arrangement fees of £0.7m were capitalised in the year and will be amortised over the period of the additional borrowing.

Borrowing facilities are subject to leverage and interest cover covenants which are tested half-yearly. The Group remained fully compliant with all covenants during the year.

7 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the parent company (Breedon Group shareholders) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to Breedon Group shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

Calculations of these measures and reconciliations to related alternative performance measures are as follows:

Basic EPS to adjusted Underlying Basic EPS

		2022			2021	
	Earnings £m	**Shares millions**	**EPS pence**	Earnings £m	Shares millions	EPS pence
Basic EPS	**112.5**	**1,692.767**	**6.65**	78.5	1,688.243	4.65
Adjustments to earnings						
Earnings impact of change in deferred tax rate (note 5)	**1.1**	**-**	**0.06**	17.3	-	1.02
Non-underlying items (note 4)	**6.2**	**-**	**0.37**	5.2	-	0.31
Adjusted Underlying Basic EPS	**119.8**	**1,692.767**	**7.08**	101.0	1,688.243	5.98

Basic EPS to Underlying Basic EPS

		2022			2021	
	Earnings £m	**Shares millions**	**EPS pence**	Earnings £m	Shares millions	EPS pence
Basic EPS	**112.5**	**1,692.767**	**6.65**	78.5	1,688.243	4.65
Adjustments to earnings						
Non-underlying items (note 4)	**6.2**	**-**	**0.37**	5.2	-	0.31
Underlying Basic EPS	**118.7**	**1,692.767**	**7.02**	83.7	1,688.243	4.96

7 Earnings per share *(continued)*

Diluted EPS to Underlying Diluted EPS

	2022 Earnings £m	2022 Shares millions	2022 EPS pence	2021 Earnings £m	2021 Shares millions	2021 EPS pence
Diluted EPS	**112.5**	**1,696.994**	**6.63**	78.5	1,698.462	4.62
Adjustments to earnings						
Non-underlying items (note 4)	**6.2**	**-**	**0.37**	5.2	-	0.31
Underlying Diluted EPS	**118.7**	**1,696.994**	**7.00**	83.7	1,698.462	4.93

Dilutive items in both the current and prior year related to share-based payments.

8 Stated capital

All shares issued by Breedon are ordinary shares which have no par value and are fully paid. The Company has no limit to the number of shares which may be issued.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

	2022 millions	2021 millions
Issued ordinary shares at the beginning of year	**1,689.7**	1,687.6
Issued in connection with:		
Exercise of savings-related share options	**3.1**	2.1
Vesting of Performance Share Plan awards	**1.6**	-
	1,694.4	1,689.7

Movements during 2022:
The Company issued 3.1m shares, for cash, raising £2.0m in connection with the exercise of certain savings-related share options and issued 1.6m shares for nil consideration in connection with the vesting of awards under the Performance Share Plans.

Movements during 2021:
The Company issued 2.1m shares, for cash, raising £1.4m in connection with the exercise of certain savings-related share options.

9 Acquisitions

Current year acquisitions

The Group completed three acquisitions in the year, acquiring 80% of the ordinary share capital of Thomas Bow Limited (1 July 2022), and 100% of the ordinary share capitals of R T Mycock & Sons Limited (1 July 2022) and Severn Sands Limited (1 August 2022). The fair value of the assets and liabilities acquired are set out as follows:

	Book value	Fair value adjustments	Provisional fair value on acquisition
	£m	£m	£m
Intangible assets	-	5.8	5.8
Property, plant and equipment	3.6	-	3.6
Right-of-use assets	1.6	0.9	2.5
Inventories	0.3	-	0.3
Trade and other receivables	11.1	-	11.1
Cash and cash equivalents	6.3	-	6.3
Trade and other payables	(12.7)	-	(12.7)
Provisions	-	(0.2)	(0.2)
Lease liabilities	(1.6)	(0.9)	(2.5)
Current tax payable	(0.3)	-	(0.3)
Deferred tax liabilities	(0.8)	(1.3)	(2.1)
Total	7.5	4.3	11.8
Consideration – cash			18.9
Consideration – deemed proceeds from stepped acquisition of Breedon Bow Highways Limited			0.7
Deferred consideration			0.9
Goodwill arising			8.7

Prior to the acquisition of Thomas Bow Limited, the Group & Thomas Bow Limited were parties in a joint venture, Breedon Bow Highways Limited, which from the date of acquisition became a wholly owned subsidiary. The effective acquisition of Thomas Bow Limited's interest in Breedon Bow Highways has been accounted for as a stepped acquisition in line with IFRS 3, with a disposal for assumed proceeds equal to the fair value of £0.7m. A £0.3m gain on stepped acquisition has been recognised within non-underlying items (note 4).

The deferred consideration of £0.9m relates to a put liability over the remaining 20% of the ordinary shares of Thomas Bow Limited which are held by the management of Thomas Bow Limited. This put liability has been accounted for using the assumed acquisition method.

The fair value adjustments primarily comprised:
- Intangible assets, including the value of acquired customer lists and permits;
- Lease liabilities and associated right-of-use assets for leased properties;
- Dilapidation provisions to comply with contractual agreements for leased properties; and
- Deferred tax balances.

The goodwill arising represents expected synergies, the potential for future growth, access to new markets and the skills of the existing workforce. Goodwill is not deductible for tax purposes.

Prior year acquisition

On 1 June 2021, the Group acquired the entire share capital of Micromix (Northern) Limited (trading as Express Minimix) for consideration of £2.6m. No adjustments have been made in respect of the acquisition within the measurement period and the provisional values reported in the prior year are now considered final.

10 Reconciliation to non-GAAP measures

Non-GAAP performance measures are used throughout the Annual Report and the Financial Statements. This note provides a reconciliation between these alternative performance measures to the most directly related statutory measures.

Reconciliation of earnings based alternative performance measures

2022	**Great Britain**	**Ireland**	**Cement**	**Central administration and eliminations**	**Share of profit of associate and joint ventures**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	**972.4**	**226.2**	**300.7**	**(103.0)**	**-**	**1,396.3**
Profit from operations						**148.0**
Non-underlying items (note 4)						**7.0**
Underlying EBIT	**86.4**	**28.3**	**52.1**	**(15.3)**	**3.5**	**155.0**
Underlying EBIT margin	**8.9%**	**12.5%**	**17.3%**			**11.1%**
Underlying EBIT	**86.4**	**28.3**	**52.1**	**(15.3)**	**3.5**	**155.0**
Share of profit of associate and joint ventures	**-**	**-**	**-**	**-**	**(3.5)**	**(3.5)**
Depreciation and mineral depletion	**49.7**	**6.1**	**27.5**	**0.2**	**-**	**83.5**
Underlying EBITDA	**136.1**	**34.4**	**79.6**	**(15.1)**	**-**	**235.0**

2021	Great Britain	Ireland	Cement	Central administration and eliminations	Share of profit of associate and joint ventures	Total
	£m	£m	£m	£m	£m	£m
Revenue	845.2	225.4	245.6	(83.7)	-	1,232.5
Profit from operations						127.4
Non-underlying items (note 4)						6.2
Underlying EBIT	74.3	28.2	41.6	(13.4)	2.9	133.6
Underlying EBIT margin	8.8%	12.5%	16.9%			10.8%
Underlying EBIT	74.3	28.2	41.6	(13.4)	2.9	133.6
Share of profit of associate and joint ventures	-	-	-	-	(2.9)	(2.9)
Depreciation and mineral depletion	49.9	7.2	26.1	0.1	-	83.3
Underlying EBITDA	124.2	35.4	67.7	(13.3)	-	214.0

10 Reconciliation to non-GAAP measures *(continued)*

Free Cash Flow

	2022 £m	2021 £m
Net cash from operating activities	**168.0**	194.1
Net cash used in investing activities	**(112.9)**	(75.5)
Acquisition of businesses	**12.6**	6.1
Cash impact of non-underlying items	**1.0**	2.6
Free Cash Flow	**68.7**	127.3
Underlying EBITDA	**235.0**	214.0
Free Cash Flow conversion	**29%**	59%

Return on invested capital

	2022 £m	2021 £m
Underlying EBIT	**155.0**	133.6
Underlying effective tax rate	**16.0%**	16.1%
Taxation at the Group's underlying effective rate	**(24.8)**	(21.5)
Underlying earnings before interest	**130.2**	112.1
Net assets	**1,043.8**	949.8
Net Debt (note 6)	**197.7**	212.5
Invested capital	**1,241.5**	1,162.3
Average invested capital*	**1,201.9**	1,184.5
Return on invested capital**	**10.8%**	9.5%

* Average invested capital is calculated by taking the average of the opening invested capital at 1 January and the closing invested capital at 31 December. Opening invested capital at 1 January 2021 was £1,206.7m.

** Return on invested capital is calculated as underlying earnings before interest for the previous twelve months, divided by average invested capital for the year.

Covenant Leverage

	2022 £m	2021 £m
Underlying EBITDA	**235.0**	214.0
Impact of IFRS 16	**(11.3)**	(10.7)
Underlying EBITDA for covenants	**223.7**	203.3
Net Debt (excluding IFRS 16)	**148.4**	161.5
Covenant leverage	**0.7x**	0.8x

Covenant leverage is defined as the ratio of Underlying EBITDA to Net Debt, with both Underlying EBITDA and Net Debt adjusted to reflect the material items which are adjusted by the Group and its lenders in determining leverage for the purpose of assessing covenant compliance and, in the case of our bank facilities, the margin payable on overdrawn borrowings. In both the current and prior periods, the only material adjusting item was the impact of IFRS 16.

11 Financial information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Jersey Companies Registry, and those for 2022 will be delivered in due course. The Auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Article 113B(3) or Article 113B(6) of the Companies (Jersey) Law 1991.

The Annual Report will be made available to shareholders on or before 21 March 2023 and will be displayed on the Company’s website, www.breedongroup.com. Copies of the Annual Report and Accounts will be available from the Company’s Registered Office, 28 Esplanade, St Helier, Jersey, JE2 3QA.

This Announcement of results for the year ended 31 December 2022 was approved by the directors on 8 March 2023.

Cautionary Statement

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018 ("EUWA")) ("UK MAR"). In addition, market soundings (as defined in MAR) were taken in respect of certain matters contained in this announcement with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this announcement. Therefore those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

GLOSSARY

The following definitions apply throughout this announcement, unless the context requires otherwise.

Adopted IFRS	International Financial Reporting Standards as adopted by the UK
ARM	Alternative Raw Material
Breedon	Breedon Group plc
CEM II	CEM II is a composite cement; comprising Portland cement and up to 35% of other single constituents to reduce the product's carbon intensity
Cemex	Cemex UK Operations Limited
Covenant Leverage	Leverage as defined by the Group's banking facilities. This excludes the impact of IFRS 16 and includes the proforma impact of M&A
EBIT	Earnings before interest and tax
EPS	Earnings per share
EURIBOR	Euro Inter-bank Offered Rate
GAAP	Generally Accepted Accounting Principles
GB	Great Britain
Group	Breedon and its subsidiary companies
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Invested capital	Net assets plus net debt
Ireland	The Island of Ireland
IT	Information Technology
Leverage	Net debt expressed as a multiple of Underlying EBITDA
Like-for-like	Like-for-like reflects reported values adjusted for the impact of acquisitions, disposals and the timing of cement plant maintenance shutdowns compared to the comparable period.
M&A	Mergers & acquisitions
NI	Northern Ireland
Ppt	Percentage point
RCF	Revolving credit facility
RoI	Republic of Ireland
ROIC	Post tax Return on Invested Capital for the previous twelve months
SONIA	Sterling Overnight Index Average
UK	United Kingdom (GB & NI)
UK ETS	UK Emissions Trading Scheme
Underlying	Stated before acquisition related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation non-Underlying items and before our share of profit from associate and joint ventures
USPP	US Private Placement