
Breedon Annual Results call 2024

Breedon participants

- James Brotherton, Chief Financial Officer
- Rob Wood, Chief Executive Officer

Other participants

- Aynsley Lammin, Analyst, Investec Bank plc
- Cedar Ekblom, Analyst, Morgan Stanley
- Christen Hjorth, Analyst, Deutsche Numis
- Clyde Lewis, Analyst, Peel Hunt
- Ethan Cunningham, Analyst, On Field Investment
- Harry Dow, Analyst, Redburn Atlantic
- Kenneth Rumph, Analyst, Goodbody
- Robert Chantry, Analyst, Berenberg
- Ross Harvey, Analyst, Davy
- Tobias Woerner, Analyst, Stifel Nicolaus

Other participants

Rob Wood

Good morning, everyone, and welcome to Breedon's 2024 Results. James and I will guide you through our presentation and then open things up for questions.

I'm pleased to report that we've delivered another strong market-beating performance. I could not be prouder of what team Breedon has achieved in the face of market headwinds in our home markets, political and economic instability, and poor weather conditions. I would like to thank all my colleagues for their efforts. Sorry, maybe we were a bit too quick for some people. In parallel to delivering the numbers, I'm pleased to report that we've made significant progress on our strategic priorities and I'm delighted by the progress you can see here.

We launched our third platform in the US and I'm pleased to report the further progress we have announced this morning with the acquisition of Lionmark, more on this later. We evolved our strategy into Breedon 3.0 that we shared with our investors at our Capital Markets event in November and we upgraded our sustainability ambitions and refreshed our financial framework. So, in summary, another great year for Breedon. Living our values has never been more evident than in 2024 when team Breedon made it happen.

I'll pass you over to James now for his financial review.

James Brotherton

Good morning, everyone, and thank you, Rob. 2024 has been yet another year of progress for the Group, encapsulated by a robust financial performance, despite the well-documented market and weather challenges. I think what's really striking about these results is how balanced they are across most of our various metrics.

We've delivered growth in revenue and underlying EBITDA together with an improvement in the margin, in each instance assisted by an encouraging initial contribution from BMC. We've increased our free cash flow generation and our cash conversion. We've made significant investments back into the business and yet still maintained leverage headroom with a 0.2 times reduction since the half year. And whilst our ROIC in the year was slightly lower at 9%, this was principally due to trading in the GB business, short-term dilution from BMC, and our higher effective tax rate.

We've increased our earnings per share with BMC being marginally accretive to EPS in 2024 around 12 months ahead of schedule and we continue to grow the dividend with a 7% increase to 14.5p per share, bringing our distributions to shareholders through dividends since 2021 to nearly £160 million. So overall, another pleasing year coming out slightly ahead of market expectations and a very balanced set of results. The backdrop for 2024 was one of volume declines in our GB business,

which as you know is also our largest division and you'll recall that to the half year Group volumes fell by 8%.

But as the second half progressed, markets did stabilize somewhat leading to a 6% fall in volumes across the full year which dropped through to EBITDA at around 21%. And in terms of the individual product sets like-for-like aggregates and asphalt volumes were down fairly consistently across the year by between 3% and 5%. But both cement and ready-mix concrete benefited from that market stabilization being down 5% and 11% respectively, compared with 12% and 18% declines to the half year. And yet again, we more than recovered increased costs through pricing.

For comparison, you will recall that the incremental cost movement for 2023 coming into the business was over £100 million compared with just £3 million over this year as a whole. Pleasingly, there was a small improvement to the underlying EBITDA margin in the year, with BMC's structurally higher margins contributing to the overall increase of 80 basis points and we're now only slightly below our threshold target of 17.5%. And you'll all be aware that our operating profitability metric historically has been underlying EBIT. So for completeness, there's full details of the divisional EBIT performance included in the appendices.

Turning now to divisional performance. In GB, revenues were down slightly on the prior year for the volume reasons I've talked to earlier. Despite those challenges, the division managed their cost base notably well, particularly through the second half, so the EBITDA margin compression was only 20 basis points across the year. Ireland sustained its strong performance from the first half through the year and improved its EBITDA margin to 17.8% and the cement division benefited from higher EBITDA generated off a slightly lower revenue denominator.

BMC generated an encouraging initial contribution to the Group with an 18.7% EBITDA margin. And bear in mind that the Midwest was impacted by weather in the last quarter of the year and we have made some above the line OPEX investment into the business in its first year under our ownership. We delivered a further year of excellent cash generation with a strong working capital performance assisted by a particular focus on our credit management of the receivables book.

Interest paid was higher as a function of the increased indebtedness, however, was partially offset by lower cash taxes paid due to historic overpayments. And you'll see that we continue to invest back into the business. I often talk about how at Breedon we see investment as a differentiator.

Over the past three years, we've invested approaching £350 million in our core capital expenditure, replenishing our reserves and resources and taking the long-term decisions to support our future growth.

This year we've categorized three projects as major capital projects in the year. The alternative raw materials project and the replacement of the 70-year-old primary crusher at Hope have been long in the planning and had the potential for significant business disruption at a critical production site. And subject to the sun shining in Ireland, the solar farm at Kinnegad will provide a good proportion of the site's electricity requirements for the next 25 years.

The expenditure on these three projects in 2024 totaled over £23 million and have been excluded from our definition of free cash flow. These are all now substantially completed on schedule, within budget, and there are pictures of all three projects included in the appendices and you will have seen the time-lapse pictures of the primary crusher replacement in the lobby earlier.

Net debt for the year closed at just over £405 million which equates to covenant leverage of 1.4 times, well within our target range and giving us the ability to fund the acquisition of Lionmark off the balance sheet. Further details of our latest US private placement issuance, our banking facilities, and the repayment profile are as usual included in the appendices.

Now you will recall that I had hoped to be in a position to say some more on the Peak Cluster today, but I'm afraid we're not quite there yet. We remain excited by and committed to the project and we continue to work closely with our fellow emitters and with government to deliver this landmark decarbonization project.

Now back in November, we revisited and we refreshed our financial framework as part of Breedon 3.0. We've continued to outperform our markets and have retained our discipline in those markets that have been more subdued with a real focus on cost control and on asset optimization. Despite like-for-like revenue falling by 5%, we've delivered a flat like-for-like EBITDA which is highly creditable in the circumstances given our level of underlying operational gearing. And our EBITDA margin is

now only slightly behind our threshold target and we improved our EBIT margin in the year to 11% assisted by that strong margin performance from the Ireland and the Cement divisions as well as the initial contribution from BMC.

We've improved our free cash flow generating the funds to support that investment back into the business, our M&A activity, and our dividend. Our returns do remain lower than we would like them to be for the reasons we discussed earlier. However, I remain confident that with more stable markets we will make rapid progress back towards our target of 10% ROIC. And we've continued to grow the dividend reflecting our confidence in the future whilst remaining within that leveraged target range.

Thank you. And I'll now hand back to Rob.

Rob Wood

Thanks, James. I'll start the operational review by highlighting two central themes that are out of our control, weather and instability, both political and economic. As we ended the year, we did have more political certainty, but short-term economic instability remains. Let's look first at our UK market where the picture in 2024 has been one of more contraction. UK GDP is estimated to have grown by 0.8% driven by the services sector. Construction output is estimated to have declined by 2.9%, impacted by a further deterioration in house building that you can see on this chart.

The latest MPA volumes have confirmed that demand for mineral products declined, with their estimates being a decline in aggregates of 3%, in asphalt of 3%, and in concrete of 11%. Confidence as measured by the construction PMI index stood at 53.3 in December but has since moved to contraction on the back of delayed decision-making and elevated economic uncertainty. Considered against this backdrop, our GB business performance was resilient.

I want to turn next to the market in the Republic of Ireland where the operating environment was more positive. Modified domestic demand is estimated to have grown by 2.5% and construction output is estimated to have grown by 1.4% as you can see on the chart. Our businesses in the Republic of Ireland benefited from this growth backdrop and again, like the UK, confidence was in expansionary territory in December when the PMI stood at 51.6. Whilst it has since fallen back into contraction on the back of weather, the key message is that optimism regarding the outlook remains positive.

Next, I want to talk about the market in the US. At the macro level, the economy remains one of steady growth with GDP estimated to have grown by 2.8%. In Missouri, our home state, the third quarter GDP growth was 3.8% ahead of the US comparator of 3.1%. Construction output is estimated to have grown by 6.5%, significantly outpacing GDP and whilst there is no US construction PMI index, recent forecasts and surveys highlight that the tailwind from secured funding underpins the outlook for construction materials.

Moving on to our businesses, let's start with GB. Our GB business delivered a resilient performance in one of the wettest years on record. The GB market contracted for the third successive year and our volumes reflected this. Volumes did however stabilize in the second half of the year and pricing was sustained. Our team took deliberate action to manage the cost base and to protect profitability, restructuring the materials business and scaling capacity appropriately. Our surfacing business had a robust performance and we continued to build out our downstream capability, pulling more material through our business.

Moving to Ireland. Our Irish business delivered a strong performance. In the Republic of Ireland, our business benefited from a positive market conditions and whilst the return of the governing assembly in Northern Ireland contributed to an improvement in sentiment there, like GB, the economic outlook remains less clear. Volumes reflected these themes and in parallel pricing progressed. We did like in GB take steps to manage the cost base and enhance profitability.

Next, I would like to move to our Cement business. It delivered a strong performance. Volumes declined in line with the broader market, particularly in GB, but underlying pricing progressed. And in terms of operational performance, both plants operated at world-class levels of reliability and carefully managed input costs. The plants did this whilst at the same time managing some major capital projects. The business also continued in connection with our partners to progress the Peak Cluster carbon capture and storage project towards FEED.

Lastly, I will cover our US business which delivered an encouraging initial contribution. The US continues to be supported by growth dynamics as well as federal and state funding programs and

whilst our volumes were impacted by poor weather, particularly the last quarter, pricing was positive. The focus since acquisition has been on safety, integration, and implementing an organizational structure to facilitate future growth, and I'm pleased to report significant progress has been made in respect of safety. The integration of BMC is behind us and that the required structure is in place and the team are ready for growth.

I think it's now the appropriate time to brief you in respect of Lionmark. I'm delighted to announce the acquisition this morning. I warmly welcome Lionmark and its team to the Breedon family and I look forward to working with them as we grow our third platform. Lionmark is a leading regional construction materials and surfacing business. It is headquartered in Missouri, has a strong track record of organic growth, has an ambitious and culturally aligned team who will enhance our US team, vertically integrates our US business into asphalt and surfacing and increases our exposure to infrastructure and positions us to benefit from construction growth in the Midwest.

It comes with 100 million tons of reserves and resources across eight quarries, four asphalt plants, a bitumen terminal, and surfacing operations across Missouri, Texas, and Arkansas. And as you can see on this slide, it is well-placed to benefit from the structural tailwinds. In summary, the acquisition represents a significant milestone for the growth of our US business.

I'll now pass you over to James who will give you a bit more color.

James Brotherton

Thank you, Rob. In Lionmark, we're acquiring a highly complementary business to BMC and with opportunities for further growth. The headline enterprise value is US\$238 million or around £187 million on a cash-free, debt-free basis, and that's split around US\$226 of cash and US\$12 million worth of Breedon shares. These are being issued to the vendors and they have undertaken to retain those for at least 12 months. And all of this subject to customary retentions and adjustments.

On an EV to EBITDA basis that equates to a valuation multiple of approximately 7.7 times historic EBITDA and that's inside the multiple we paid for BMC and again compares favorably with precedent transactions in the construction materials and asphalt space in North America in recent years. And you can see that the business has successfully grown its revenue in line with that market opportunity over the past three years. With the bulk of the revenue derived in Missouri and Texas and smaller operations in Arkansas, Nebraska, and Oklahoma.

We expect that the transaction will be immediately earnings-enhancing and our pro forma leverage at completion will be around 1.9 times, still within our target range of 1 to 2 times, and retaining our balance sheet optionality to continue to invest in the broader business and to make targeted bolt-on acquisitions across each of our platforms.

We're expecting to deliver synergy benefits of not less than US\$3 million by the third year of ownership split 50:50 between 2026 and 2027. And I expect completion to happen before the end of this week. Lionmark will be consolidated for a fraction under 10 months this year. Transaction and integration costs which we will treat as non-underlying will be approximately US\$10 million. As with BMC, I expect there will be the need to make some short-term OpEx investment in areas such as health and safety as well. The marginal tax rate for the US business will be around 25% and we're issuing 2.1 million shares to the vendors.

In terms of technical guidance for the year inclusive of Lionmark, I expect capital expenditure will be between £125 million and £135 million and working capital outflow for the year as a whole between £20 million and £30 million after the usual first-half build. The Group depreciation charge will be around £115 million for the year, reflecting the addition of Lionmark as well as the increased charge for the underlying group as we start to depreciate those major capital projects. There will be a higher interest charge of around £35 million reflecting the increased levels of debt and I expect our blended tax rate will be around 23% with cash taxes slightly behind that.

Cash cost of dividends this year will be slightly over £50 million and that should lead you to a year-end net debt figure of just over £550 million. To note, we expect the full-year impact of the changes to UK employers' national insurance living through minimum wage to be around £5 million per annum.

Coming into these results we were broadly happy with where consensus underlying EBITDA numbers were for the Group for 2025, although we recognized there's a good deal of execution still to be done across the year. Clearly, the acquisition weights the Group slightly more towards the United States and we'll obviously update you as the year unfolds and we get improved visibility across each of our markets.

Thank you. And I'll now pass back to Rob.

Rob Wood

Thanks, James. We are very excited about Lionmark and what lies ahead for our US business, a business that did not exist a year ago that is now on a pro forma basis comparable in scale to our Irish business.

Turning to 2025 and the outlook. We enter the year in a strong position. Our key end markets, house building and infrastructure benefit from structural long-term growth drivers and have experienced long periods of underinvestments. We enter 2025 with more political certainty and in each geography, there is cross-party political support for our key markets, whether through centrally funded spending programs or policy support. The economic landscape in the US and the Republic of Ireland is strong. Both regions benefit from long-term structural commitments to infrastructure.

In addition, both suffer from structural housing shortfalls. In the UK, the economic outlook is less clear. Whilst the Government's growth agenda is supportive for our industry and interest rates are falling, the catalyst to stimulate a recovery in confidence and investment is yet to materialize. What we can say is that inquiry levels are elevated and that whilst the timing remains uncertain, when GB volumes do recover, we will be well placed to benefit.

In summary, the Breedon model and team Breedon have once again proved their resilience, delivering a market-beating performance in challenging conditions and we are confident in our ability to continue to deliver.

I am excited more than ever for our future. Thank you and we now welcome your questions.

Questions and Answers

Q – Robert Chantry

Hi. Rob Chantry at Berenberg. Thanks for the presentation. Just two questions for me. So firstly, could you just give us some insight into the 7.7 times multiple on the US business which looks a kind of very attractive multiple I guess, versus what else you've seen in the US market? Any color around auction process, relationships before the kind of dynamics around it? And then secondly clearly also on the US, the weighting to different types of business continues to evolve. It's been gone from residential now towards more surfacing and infrastructure. Do you have in mind a specific portion of the business that could be non-heavy side or kind of any color around the end target mix of that business would be interesting? Thanks.

A - Rob Wood

Do you want to pick up the first one, James?

A - James Brotherton

Yeah. So the acquisition of Lionmark was bilateral. So we first engaged with them pretty much from day one of the announcement of the BMC transaction last year. They are headquartered in St. Louis, so they're well known to the BMC management team. And over the course of the last 12 months, we've got to know the Lionmark team much better, the Lionmark business much better. And I think the multiple is really the output of those negotiations that took place across the course of 2024 and led us to the announcement today.

A - Rob Wood

In respect of your second question, Rob, and the evolution of the business. I would say following BMC, which is our beachhead transaction, we were probably sort of overexposed to residential compared to Breedon and the other two platforms. I think post Lionmark, and you'd have seen the slide that we showed up earlier on in terms of end-use exposure. We're now majority exposed to

infrastructure and roads and that pretty much mirrors our exposure in Ireland and GB and it pretty much mirrors what the Breedon model is. So I would say we're very comfortable with the shape of the business and the vertically integrated nature of the business post-Lionmark, it's now all about geographical expansion out of Missouri.

Q – Ethan Cunningham

Hi, good morning. Ethan Cunningham at On Field Investment. Thank you for the presentation. I have three questions. The first one is about cement terminals and Turkish imports. So we're seeing a rise of Turkish import terminals, in particular, Manac [ph] terminal was acquired by a Turkish company. Do you think that they will -- what is the response from the UK cement producers such as yourself? Do you think that there is a risk they will gain market share or indeed prevent UK producers increasing prices?

Second question is on the CBAM in Europe, which is we're eagerly anticipating the details of that in the incoming days. What is the UK potential response on the CBAM response mechanism?

And the third one is tariffs. It's difficult to come to these things and not mention the US tariffs. What is the -- what do you think the potential impact will be on the US and UK economy given these recent tariffs? Thank you.

A - Rob Wood

Shall I deal with those? I might condense them into two answers and say we should only answer two questions going forward. I think if I look at CBAM and I look at the part that imports play in the GB market, what I would say is that in the EU there is a CBAM, it's coming in in 2026. In the UK there isn't. But the new labor government have committed that there will be a CBAM in place in '27. As a domestic producer of cement in GB and in a market which is short of cement, imports have a role to play. I think all the producers would ask is that there's a level playing field and I think what we need is a level playing field with Europe and then we're very happy with fair competition.

I would say in terms of the US and I think it was the US and tariffs, if you know what's going to happen, you know a lot more than everyone else. What I would say is that I think every day the policy changes and every month the policy changes. What I would say for the US construction materials industry, it's predominantly a domestic business and ultimately we don't think that tariffs would have a material impact in the long-term domestic construction materials business in the US.

Q – Ken Rumph

Hi, Ken Rumph from Goodbody. Two questions. Firstly, on Peak Cluster and CCUs, I appreciate to me a strength of the project is that it involves partners, but it obviously also makes it difficult for you to comment unilaterally. But is it possible to say where we stand today realistically, when might meaningful money need to be spent? Because it feels like it's getting pushed back a bit for both political and kind of industrial reasons and not just in the UK generally.

And secondly, on M&A, I confess I've not looked at the other deals aside from Lionmark, on which congratulations. But any comment on the other deals that you did and the pipeline to continue buying, both in a sense your traditional markets and in the US? Thanks.

A - Rob Wood

Do you want to pick up the Peak Cluster and probably more about meaningful capital?

A - James Brotherton

Yes. So I mean, I think the Peak Cluster, as you rightly observed, Ken, there are a number of parties that are involved and reaching an agreement on something that is going to run for a significant period of time and getting to a landing where everyone is comfortable just takes time. So I wouldn't read anything more into it than that. It is just purely the process that we all have to go to come to a conclusion and to come to a landing.

I think in terms of meaningful capital expenditure, what I said at the Strategy Day still applies, which is that over the near-term time horizon, I see the investment that we will need to make as a business into the Peak Cluster is very manageable within our existing CapEx envelope. So I think you can take some comfort that in the near term, the levels of investment required for Breedon and indeed for our

partners will be very manageable and very contained. I think as you look out a bit further and you perhaps go out say a decade, then I think there will be a need for quite significant capital investment. But at the moment I think we need to get to Peak Cluster 1.0 compared with Breedon 3.0 before we can move forward on that.

In terms of M&A and M&A opportunity, we do see particularly bolt-on opportunities across each of the platforms and I would expect that those will come to fruition over the course of 2025. It's always difficult with M&A in that you can be a very willing buyer of a business, but you've got to find willing sellers and that doesn't necessarily also just come down to the seller wanting to transact, it's whether the seller is actually in a position to transact. And all I would say is that we, and indeed the executive committee and the individual management teams spend a lot of time out in the wider industry talking to people, building long-term relationships. And I think whilst Lionmark isn't a bolt-on because of its relative size in the US, I think again it's a really good example of a Breedon transaction. It's a transaction that came about essentially because of the relationship that the BMC team managed to develop with the Lionmark team to get it over the line today.

Q - Christen Hjorth

Hi, there. Christen Hjorth from Deutsche Numis. Two questions from me. Firstly, just if you look at the sort of pro forma US business now, what proportion of aggregates are self-supplied and -- just roughly. And what's the opportunity with existing assets to increase that further, is the first question.

And then secondly, just on price, obviously, you ran ahead of costs in 2024. What scope is there for that to continue in 2025 and how much of that is just to do with efficiencies rather than price inflation above cost inflation? Thank you.

A - Rob Wood

Shall I pick up the first one, James, and you pick up the second one? I think in terms of the self-supply, I would say that within the expanded business I don't have the exact number, but there is significant more opportunity, i.e., within the BMC business, what has become increasingly clear is that there is an opportunity to feed the downstream assets, the ready mix plants with more internal aggregate. And Andy and the team have already started to do that. I think within Lionmark, I'm sure there'll be more opportunity and it will be more opportunity to start to feed the BMC ready mix network. When you see the dots around the opportunity is very much there. So whilst I don't have the exact numbers, it's definitely an opportunity.

A - James Brotherton

And I think in terms of price costs for 2025 I would still expect to see a positive price cost variance. We were undoubtedly helped by the close focus that was applied to the cost base, particularly during the course of the second half of 2024. But we saw real pricing in the US, we saw real pricing in Ireland, we saw real pricing across the cement business, slightly hidden by the fact that the carbon surcharges came off in the year. Pricing in GB was tougher. You would expect that in the context of the overall market and the overall market performance. But as I said, I think that we will still be able to make progress on price cost in 2025.

Q – Tobias Woerner

Tobias Woerner from Stifel. Two questions if I may and also congratulations on the transaction. Number one, when we look at the US you had a weather-related, as you put it, impact in Q4 in the last quarter, but at the same time, we're seeing the NHAB survey down at 42 from 47 and at the peak at 90. So it's not a nice picture on the housing side, while we all ask ourselves whether the infrastructure stimulus can be delivered when DOGE interferes with federal agencies. So maybe a little bit more color on this how you see it.

The second point, probably more for you, in terms of the cash conversion, the 45% new target. Having looked at the results so far across the sector, they tend to be above 50%. Why would you say you've reduced the target and why the difference to your peers?

A - Rob Wood

So shall I pick up the first one and then -- so look in the US, I mean, in the business, I would say that the business was performing strongly to the end of October. November, and December, the weather closed in. And this year has started with being weather impacted. I was over there a couple of weeks

ago and it was minus 19 and nothing was happening. What I can say is that our order books are good, we haven't lost the sales, and when the weather breaks and spring comes, the business will be very busy.

You also have to be aware that, I mean, if you look at sort of IJJA, it's still only a third spent and deployed. And in Missouri, particularly given the gas tax that was initiated, a lot of the funding program on highways and roads is state-funded as well as federal-funded. So we think the outlook is looking very strong and one of those slides showed what the outlook is for the next few years in Missouri. So we are very comfortable that it's been impacted by the weather, but the fundamentals are strong.

A - James Brotherton

I think, in terms of cash conversion, Tobias, I did talk about this at the Strategy Day, but of course, you couldn't make that. So the reason that we moved the target down is really a function of the fact that it's a post-tax metric and our GB -- or sorry, our UK corporation tax rates have increased very significantly over the course of the last couple of years. And with the increased weighting towards North America, the marginal rate of tax over there is also at around 25%. So that was the key reason behind the change to the target.

I think if you look at our average over the past five years from memory, we've actually converted profits into cash at around 53%. So we've actually been higher on average over the past few years. I think the question is to -- regarding our comparators is perhaps as much a question for them as it is for us. But I'm comfortable that the target is appropriate for the business at the moment, particularly given the levels of capital investment that we're making. And the second thing I'd say is that with all targets, the aim at Breedon is to try not just to meet them, but to exceed them.

Q – Harry Dow

Yeah, thank you. Harry Dow from Redburn Atlantic. I think we've got two questions and a clarification, maybe, if possible. First, just on the clarification on the synergy target, I think of US\$3 million, then there's going to be £1 million or £2 million going in on the operating cost side. Is that synergy target sort of post the £1 million or £2 million if you see what I mean, or if we start from the kind of disclosed EBITDA you've given us for '24, should be, in essence add £3 million onto it, or should we take off of the £1 million or £2 million off of that as well? So just any color there.

And then on sort of where the leverage is now, I suppose, at 1.9 times, but kind of towards the top end of the kind of comfortable range. If we think about going forward and another deal of this size maybe comes up, I suppose, how comfortable are you to either go above the top end or potentially go down the equity route? Just any thoughts there on future sort of capital.

And then just finally on kind of the surfacing business. I suppose that's obviously now growing in size in the US. There's a big peer in particular that does very well in terms of kind of design and build and helping with kind of the sort of end sort of user in terms of designing parts of the infrastructure and roads and things like that. Is that something that Lionmark also sort of helps with or something you might look into doing to sort of get the foot in the door a bit earlier? Or is it sort of more about just simply supplying the materials at this point? Thanks.

A - James Brotherton

I'll do the first two. So, in terms of the OpEx, I think it will be similar to BMC. So it's essentially it's year-one investment that we want to make and that we choose to make. And I think that one of the reasons that BMC has integrated so well into Breedon is that we didn't just talk about health, safety, and wellbeing, we actually went and invested real dollars from day one. And our colleagues in BMC have seen the benefits of that investment and perhaps even more importantly, we've seen a significant improvement in the safety record. So the intention would be it will be investment across the course of 2025 and then we should start to see the synergies coming through from 2026.

In terms of leverage, so 1.9 times pro forma leverage, as at today, I would expect us to de-lever over the course of the year absent other transactions. So there will be a bit of in-year headroom, if you like, that starts to come through. I think that as I touched on earlier, there are still opportunities across all three platforms for further M&A and further M&A investment. M&A can be a bit like buses, so things perhaps do come along all at once and if the right opportunity

came up and the board and the management team felt it was the right thing for us to do, then of course we would go and talk to shareholders about how best to finance that.

A - Rob Wood

And in respect of your last question, in Breedon whether it's in GB, whether it's in Ireland, and whether it's now in the US, I mean, our focus is on the production of asphalt and the laying of asphalt. It's not on the designing of highways.

Q – Clyde Lewis

Clyde Lewis at Peel Hunt. I think I've still got two. It'd be useful to get an update on your major CapEx projects this year. You've obviously given the total CapEx spend range you're budgeting for. But it'd be useful to understand where the big ones are within that. And then the second one really was around Lionmark. I'm assuming sort of January and February are loss-making months. It'd be quite helpful for sort of modeling purposes to get some sort of scale of sort of how poor the first couple of months are. So when we factor in the last 10 months we're adjusting accordingly.

A - James Brotherton

So in terms of CapEx, I think actually the really interesting project for this year is some of the investment we're making in behind our airfield surfacing business and in GB where we're essentially building out our capability and our capacity to deliver on potentially some really quite significant airfield projects over the course of the next three to five years. So I think that would be the particular area of focus that I would highlight. Projects like the primary crusher replacement at Hope, the primary crusher there have been in for 70 years. It really is a once in -- not just a once- in-a-generation, it's a once-in-a-lifetime replacement. So I wouldn't expect to see too many of those.

I think in terms of Lionmark and its seasonality, a surfacing business is a pretty seasonal business and therefore we would expect to see greater levels of activity from the spring through to Thanksgiving. In common with actually with most of our businesses our start point is we're broadly break even in the first couple of months of the year.

Q – Aynsley Lammin

Thanks. Aynsley Lammin from Investec. Just a couple of questions. First on the UK, obviously calling out a kind of trough in volume for '24, just interested in your view between the kind of different end markets, infrastructure, housing, private, non-res into '25 and do you see any risks? Obviously, you've got the spending review coming up in March. Just a bit more color around your view there, please.

And then secondly on the Lionmark EBITDA just interested the £31 million and the margin 12.6%, how does that compare to kind of recent delivery over the last several years? Is that quite consistent with what they're delivered or is there quite a lot of buoyancy in the '24 number? And one for you James, just depreciation I know you're giving for the Group, but depreciation for the Lionmark would be quite helpful. Thanks.

A - Rob Wood

So if I pick up the first one on the UK, interesting I was reading one of the results this morning and I was reading the IBstock results and their outlook and looking and the comment that they made about volumes starting to inflect. I think it's house building that will see the first change and I think it's the inflection of house building that will then benefit into volumes, and for us, our business into ready mix into '25. And I think that's probably the first key change that we need to see.

I think spending programs going forward and highway spending programs, I think it's likely that there'll be more maintenance-focused as we move into RES3 and things as opposed to new capital projects. For our industry, that's good. That's the laying of asphalt as opposed to major capital projects, which means that monies go in an awful lot of different directions. So from that point of view, a housing recovery would be a positive and maintenance spending would be good on the highways for our business.

A - James Brotherton

In terms of Lionmark's depreciation, that would be about US\$9 million this year. In terms of the margin profile, I mean you would have seen we put up on the slides the revenue graph and showing the

revenue step-up the business saw particularly in 2023 on the back of the step-up of spend in Missouri. The margin has improved over that period as a function effectively of the increased volumes going through their relatively fixed cost base. And I don't think necessarily that that's a peak margin for Lionmark. I think there is scope for us to grow it over time, particularly as we deliver those synergies.

Q – Cedar Ekblom

Thanks very much. Cedar Ekblom, Morgan Stanley. Just one follow up Lionmark. Just taking that depreciation number that you gave. If we take that off the EBITDA and then we make some simple calculations for tax, we're getting a ROIC sort of mid-single digit-ish before synergies for that business sort of 7% or so round numbers. Can you talk about how we get that up to that 10% number that you guys set at the Capital Markets Day because growth is great and it's accretive to earnings, but it's dilutive to returns. So maybe talk us the path to more than 10%. I think you've said more than the WACC, but I would assume the WACC is less than 10% for your business. So maybe you can talk us to how we get to 10% ROIC for the Group. Thank you.

A - James Brotherton

So I think, Cedar, it comes back to that graph on the market opportunity and the market forecast that exists for Missouri. If the business grows in line with those market forecasts, then I would expect clearly the EBITDA and the profitability to grow alongside that. We don't see that there is a significant need for incremental capital investment back into the business. The kit is good, it's high quality. They've invested in behind the business, not just in the last couple of years, but over the last five years or so. Plus obviously, the synergies that will come through from integrating the business into BMC. So I think clearly there's execution and have to deliver, but I think there's actually a fairly clear path as to how we get the returns to where they need to be.

Q – Ross Harvey

Thank you. So, two questions for me. One on Lionmark, one on Ireland. So just in the case of Lionmark, I'm just wondering, is the pricing of that deal which looks attractive, certainly on a headline basis, was that consistent with other opportunities that you were looking at or continue to look at in the Midwest market? And maybe just one kind of related question to that, because I know that the Lionmark financials when you've given that US\$31 million [ph], it's an adjusted figure for how you would look at the EBITDA coming in from an IFRS basis under certain adjustments for costs that wouldn't recur under or Breedon.

Just what is the scale of those types of adjustments that you're finding? Are you finding that when sellers are coming to the market that their EBITDA figures much higher, much lower than what you would be looking at, hence you can kind of adjust your own pricing expectations accordingly. And the second question is just in relation to Ireland and obviously you've had a pretty super financial performance there in 2025 in regards to asphalt. You kind of mentioned a more structured approach to tendering. Is that now in the numbers, in terms of the decline you saw in 2024 and what would we look at trending in 2025?

A - James Brotherton

So I think in terms of Lionmark, if you go back 12 months ago when we were talking about, conceptually about making an investment into North America, we said at that time that we were confident that we could source transactions at an EBITDA multiple of below 10 times and I think that what you've seen in both the BMC acquisition and now in the Lionmark transaction, that we can deliver on that. It's not to say that we won't pay a higher multiple for the right business with the right characteristics, but we remain confident that we can deliver sensible transactions that work for Breedon, work for BMC at below 10 times.

In terms of adjustments to EBITDA, I think two things. The first is that there aren't many differences between US GAAP and International Financial Reporting Standards. But once you consolidate a business, you do find a few adjustments that have to be made. But I wouldn't say it's a significant number. I think in terms of the kind of costs that won't recur Lionmark is a private business, it's privately held and there are certain costs that run through private businesses that you wouldn't expect to run through the costs of a public business and we always adjust for those.

A - Rob Wood

I'm conscious of time. It's a really busy day with results out there. So I'd like to wrap up there and just leave you with a few closing comments. And what I would say is that we're really pleased with our strong performance in 2024. We're incredibly excited to welcome Lionmark to the family and what our business now looks like in the US. And I think last but not least in our home market whilst we're not in control of the timing of the recovery, we're ready for it and we will benefit when that comes.

So on that note, I'd say thank you for joining us here today and thank you for your support. Thank you.