

# BREEDON GROUP

## 2018 Half-Year Results



5 September 2018



# H1 2018: RESULTS



Introduction

Peter Tom CBE

Executive Chairman

Financial review

Rob Wood

Group Finance Director

Group & operational review

Pat Ward

Group Chief Executive

Q & A

# **PETER TOM CBE**

**Executive Chairman**

# H1 2018: HIGHLIGHTS



- Resilient performance in challenging market
- Continued strong cash generation and organic investment
- Strategic acquisition of Lagan Group
- Further bolt-on acquisitions, strengthening regional presence

**ROB WOOD**

**Group Finance Director**

# H1 2018: REPORTING STRUCTURE



**BREEDON GROUP PLC**

**BREEDON NORTHERN**

**BREEDON SOUTHERN**

**BREEDON CEMENT**

**LAGAN GROUP**

# H1 2018: FINANCIAL HIGHLIGHTS



Revenue

**£378.4m**

H1 2017: £326.3m **+16%**

Underlying EBIT\*

**£42.0m**

H1 2017: £35.8m **+17%**

Underlying EBIT margin\*

**11.1%**

H1 2017: 11.0%

Underlying profit before tax\*

**£37.4m**

H1 2017: £32.5m **+15%**

Underlying basic EPS\*

**1.96p**

H1 2017: 1.84p **+7%**

Net debt

**£383.6m**

At Dec 2017: £109.8m

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

# H1 2018: INCOME STATEMENT



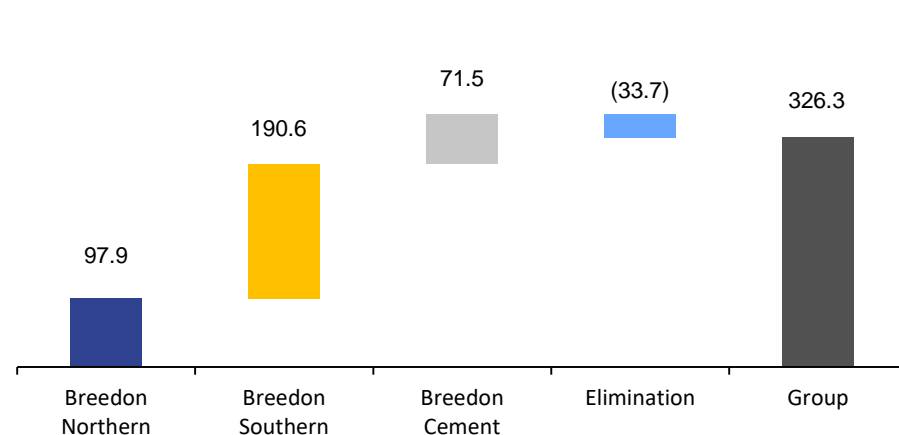
	H1 2017 £ million	H1 2018 £ million	Variance %
Revenue	326.3	378.4	+16%
Underlying EBITDA	53.9	66.0	+22%
Depletion & depreciation	(19.3)	(24.9)	
Underlying operating profit	34.6	41.1	+19%
Share of associate and joint ventures	1.2	0.9	
Underlying EBIT	35.8	42.0	+17%
Interest	(3.3)	(4.6)	
Non-underlying items	(1.3)	(7.0)	
Profit before tax	31.2	30.4	-3%
Taxation	(6.2)	(7.1)	
Profit for the period	25.0	23.3	-7%
Underlying basic earnings per share	1.84p	1.96p	+7%



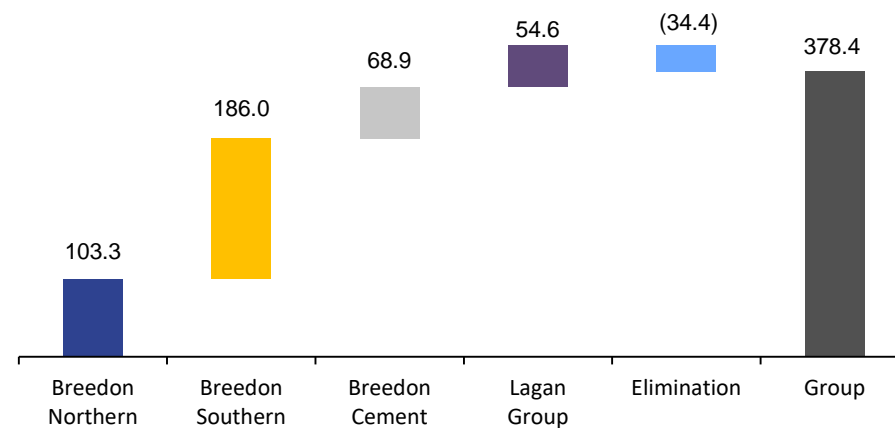
# H1 2018 DIVISIONAL PERFORMANCE



H1 2017 revenue £ million



H1 2018 revenue £ million

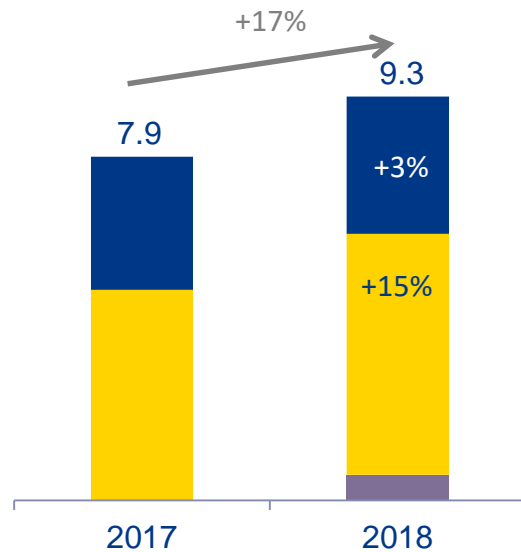


	H1 2017 £ million	H1 2018 £ million	Variance	H1 2017 Underlying EBIT margin	H1 2018 Underlying EBIT margin	Variance
<b>Underlying EBIT</b>						
Breedon Northern	10.7	9.9	-7%	10.9%	9.5%	-1.4ppt
Breedon Southern	22.7	19.4	-15%	11.9%	10.4%	-1.5ppt
Breedon Cement	9.3	10.0	+8%	13.1%	14.4%	+1.3ppt
Lagan Group	-	7.6	-	-	14.0%	-
Central administration	(8.1)	(5.8)	-28%			
Share of associate and joint ventures	1.2	0.9	-25%			
<b>Underlying EBIT</b>	<b>35.8</b>	<b>42.0</b>	<b>+17%</b>	<b>11.0%</b>	<b>11.1%</b>	<b>+0.1ppt</b>

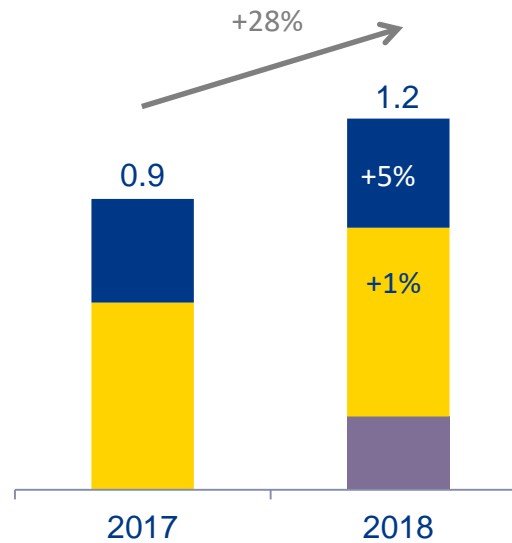
# H1 2018 KEY PRODUCT VOLUMES



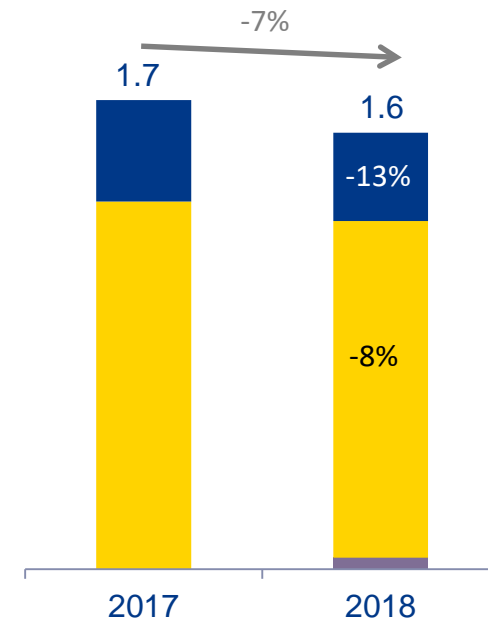
Aggregates  
million tonnes



Asphalt  
million tonnes



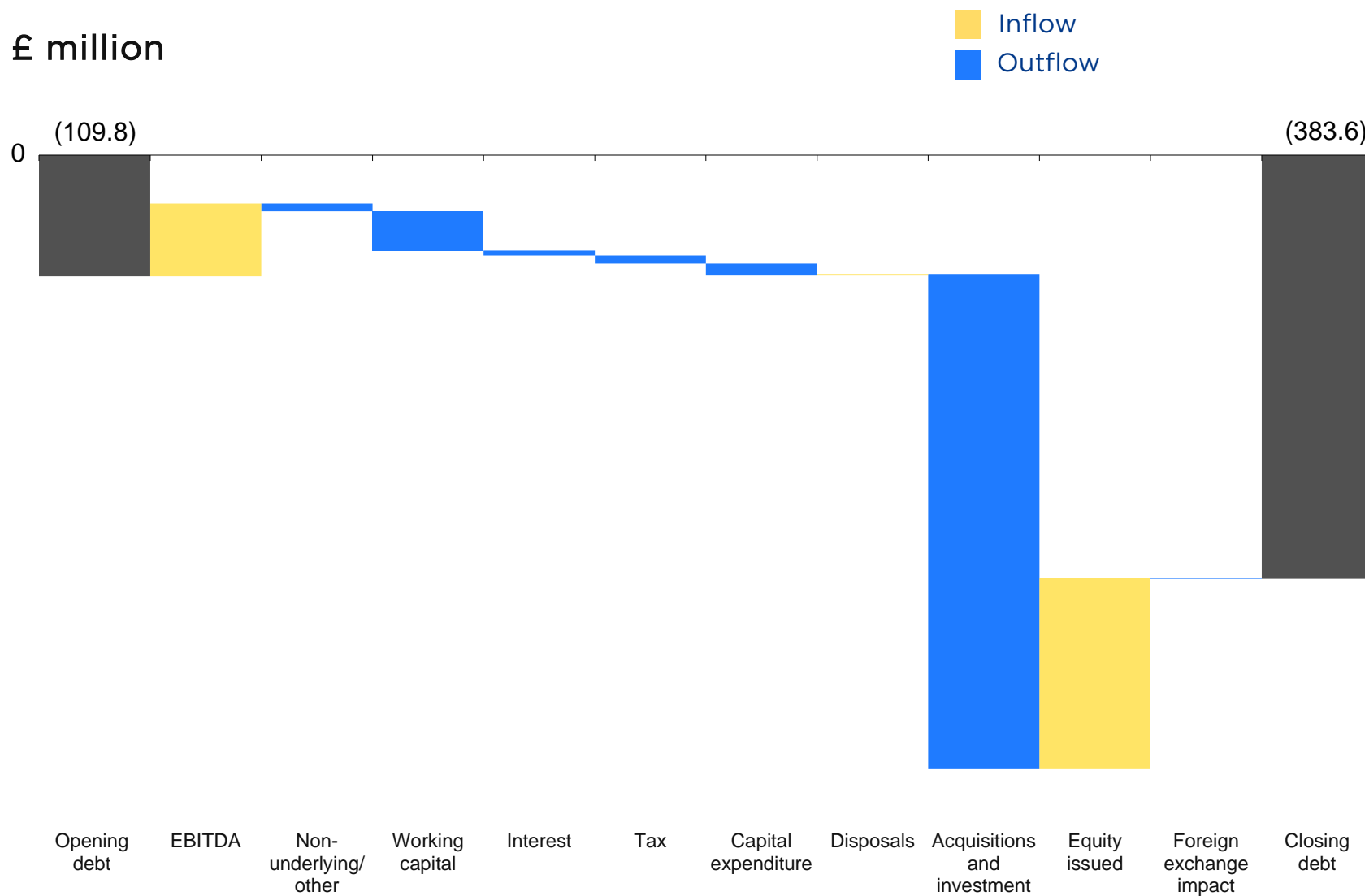
Concrete  
million m<sup>3</sup>



- Breedon Northern
- Breedon Southern
- Lagan Group

NOTE: In accordance with the Cement Market Data Order 2016, cement volumes are not disclosed

# H1 2018 NET DEBT MOVEMENT



**PAT WARD**

**Group Chief Executive**

# H1 2018: MARKET BACKGROUND



- UK economy grew by 0.6%\*
- GB construction output Q1 -0.8%, Q2 +0.9%\*
- Reflected in GB sales volumes\*\*
  - aggregates -1.3%
  - asphalt -1.7%
  - concrete -6.0%
- Reflects significant regional variations across GB
- Continued growth in RoI, solid activity levels in NI
- Ongoing impact of Brexit uncertainty

\* Office for National Statistics

\*\* Mineral Products Association

Q1 cementitious volume data will not be available until a later date

# H1 2018: RESILIENT PERFORMANCE



- Strong contribution from acquisitions, offsetting weaker GB outturn
- Continued strong cash generation and organic investment
- Underlying EBIT margin maintained
- Lagan Group acquired and integration progressing well
- Further bolt-on acquisitions completed
- Further progress on safety improvement
- First major framework contract won with Highways England
- Tarmac asset swap completed on 1 July
  - rebalances aggregates/readymix portfolio

# H1 2018: CONTRASTING PICTURES



## Breedon Northern & Southern

- Creditable performances in subdued markets
- Supplies to final phase of AWPR, Woodsmith mine, Peterhead Harbour, East Midlands Gateway
- Replacement asphalt plant commissioned at Furnace, installation of asphalt plant commenced at Dowlow Quarry, replacement of Port Dundas (Glasgow) concrete plant underway
- Blinkbonny Quarry and Staffs Concrete acquired
- First Highways England framework contract won by Breedon Bow Highways

## Breedon Cement

- Robust performance despite reduced internal sales to concrete plants
- Benefited from improved production/stock management
- Bagged cement sales progressing well

## Lagan Group

- Performed ahead of expectations
- New management structure speedily implemented

# H1 2018: NEW MANAGEMENT STRUCTURE



## **Northern** - Managing Director, Alan Mackenzie

Construction materials, contract surfacing and highway maintenance in Scotland and parts of northern England



## **Southern** - Managing Director, Mike Pearce

Construction materials, contract surfacing and highway maintenance in southern England, Wales and parts of northern England, together with  **WELSH SLATE**



## **Cement** - Managing Director, Jude Lagan

Cementitious operations in UK and Ireland, incl. cement plants, import/export terminals, rail-linked depots and bagging plant



## **NI**, Managing Director, Mark Kelly

Construction materials, contract surfacing, highway maintenance, civil engineering and airfield construction in NI, with some project delivery in UK



## **RoI**, Managing Director, Terry Lagan

Construction materials, contract surfacing, highway maintenance and airfield construction in RoI, with some project delivery in UK



# 2018: GROUP OUTLOOK



## Market - GB

- Will remain challenging for remainder of 2018, compounded by Brexit uncertainty
- Forecast 0.6% fall in construction output
- Accelerated growth in infrastructure spending in 2019
- Continuing growth in housebuilding over medium term
- Growth in volumes of all key construction materials set to resume in 2019

## Market - Ireland

- Continuing strong growth in RoI through rest of 2018
- NI growing modestly but steadily
- Forecast 28% growth in RoI construction output 2018-2020

## Breedon

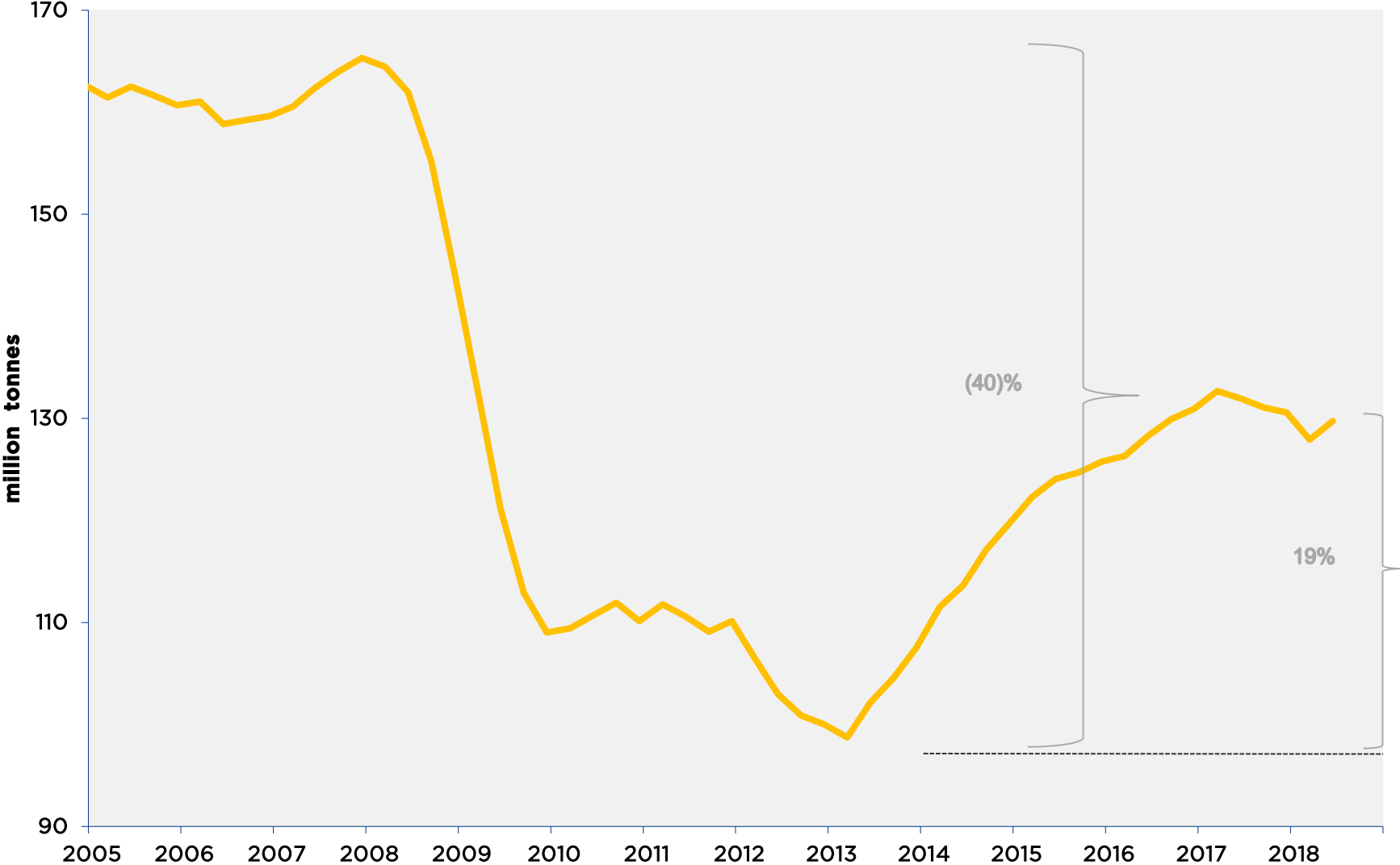
- In 3 months (May-Jul) since Lagan acquisition, revenues up 46% (+4% excl. acquisitions)
- Mindful of continuing pressure from rising input costs
- Focus on self-help
- Exploit full potential of new quarries and additional asphalt capacity
- Comfortable with 2018 market expectations

# Q&A

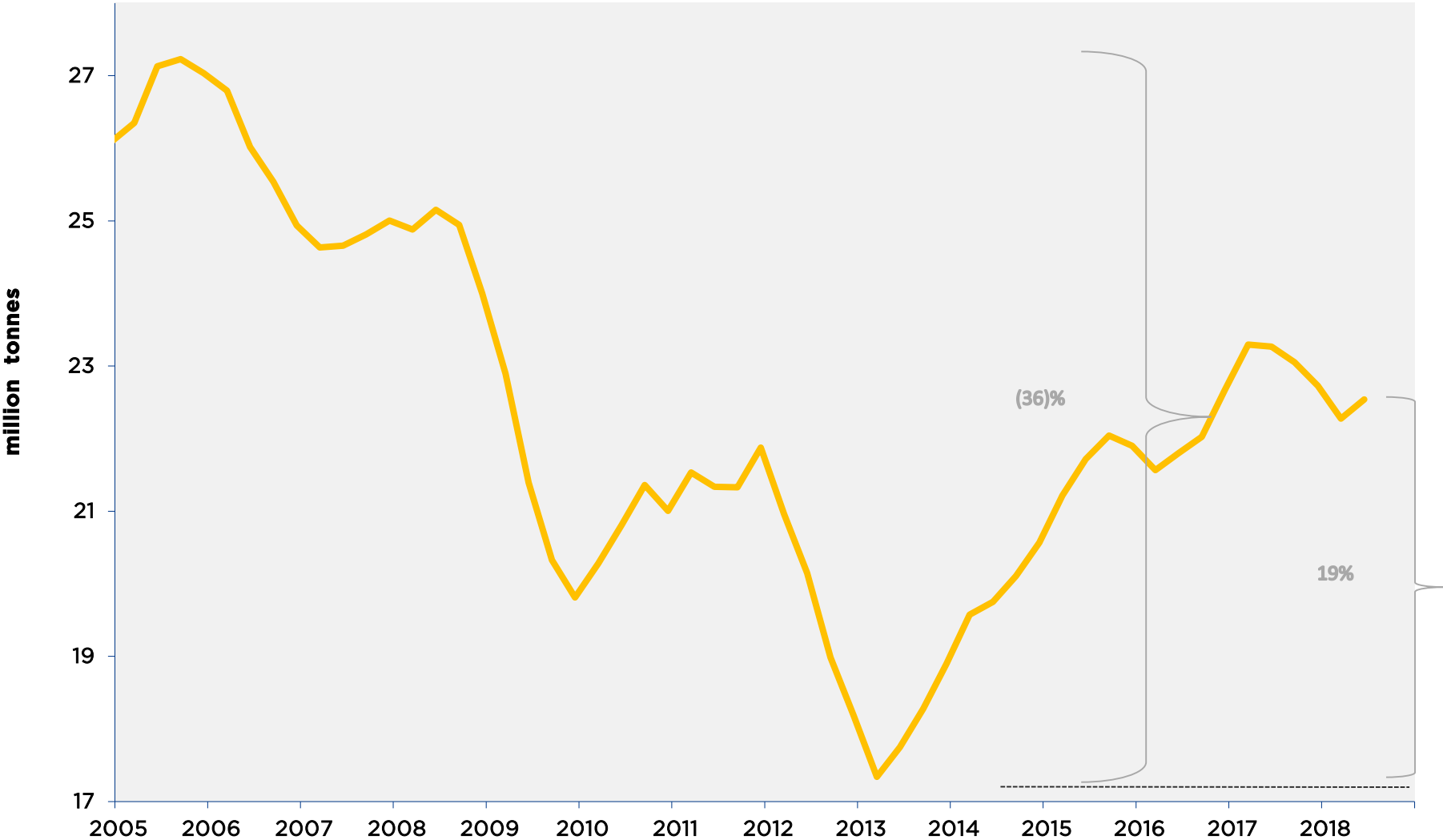
# Appendices: MPA volumes

to 30 June 2018

# MPA AGGREGATES VOLUMES - MAT



# MPA ASPHALT VOLUMES - MAT



# MPA READY-MIXED CONCRETE VOLUMES - MAT

