



# MAKING A MATERIAL DIFFERENCE

**BREEDON GROUP**  
**INVESTOR PRESENTATION**

MAY 2021



# Contents



- **Overview of the Group**  
[slides 3-6]
- **Strategy and Investment Case**  
[slides 7-12]
- **Financials**  
[slides 13-17]
- **Summary**  
[slide 18]
- **Appendices**  
[slides 20-24]



# History



2008

Company created and listed on UK Alternative Investment Market to pursue 'buy and build' strategy in UK heavyside construction materials market

2010

First acquisition: former Ennstone UK business, establishing platform for growth organically and via value-enhancing acquisitions

2011-15

Seven bolt-on acquisitions/JV completed, establishing Breedon as the largest independent construction materials group in Great Britain

2016

Acquisition of Hope Construction Materials, providing national UK footprint and entry into cement production

2018

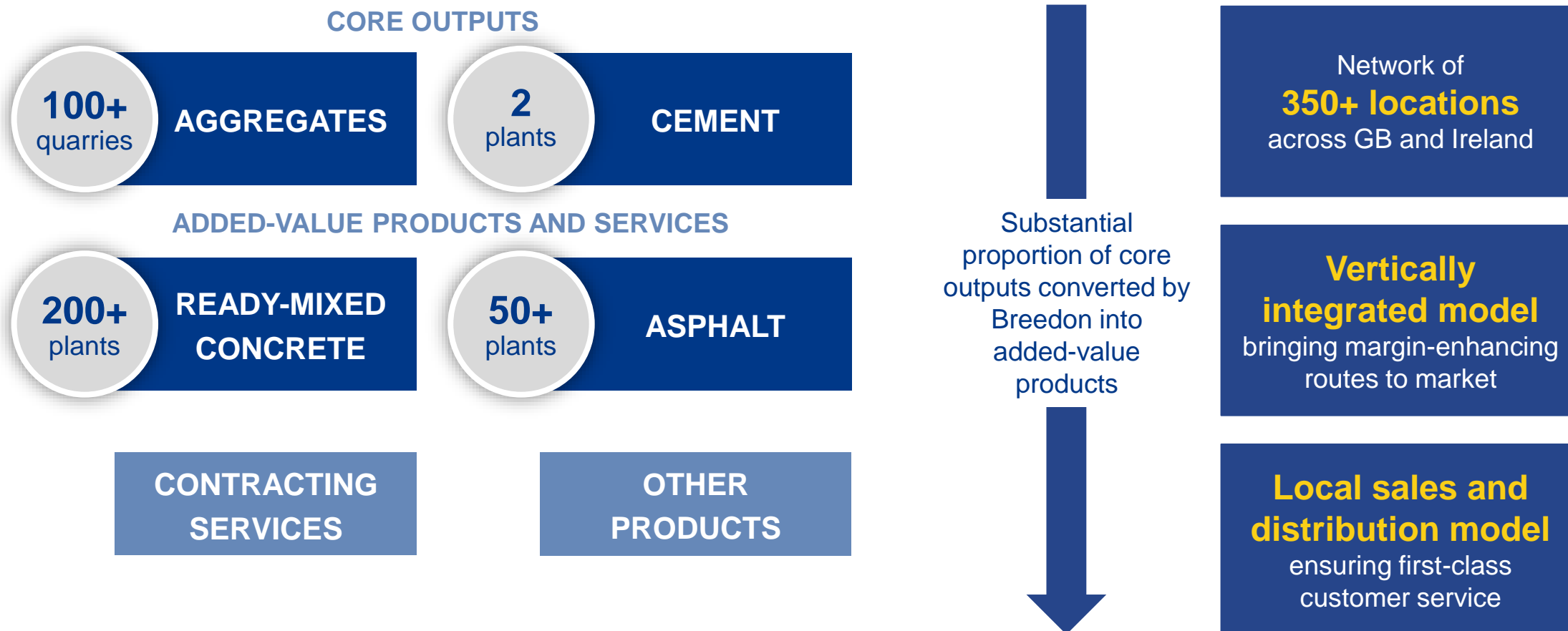
Acquisition of Lagan Group, taking Breedon into construction materials and cement production in Island of Ireland

2020

Acquisition of assets and operations from CEMEX UK, strengthening Breedon's presence in six key UK regions

**18 earnings-enhancing acquisitions & JVs completed in 10 years**

# A leading construction materials group



# Reporting as three divisions

## GREAT BRITAIN

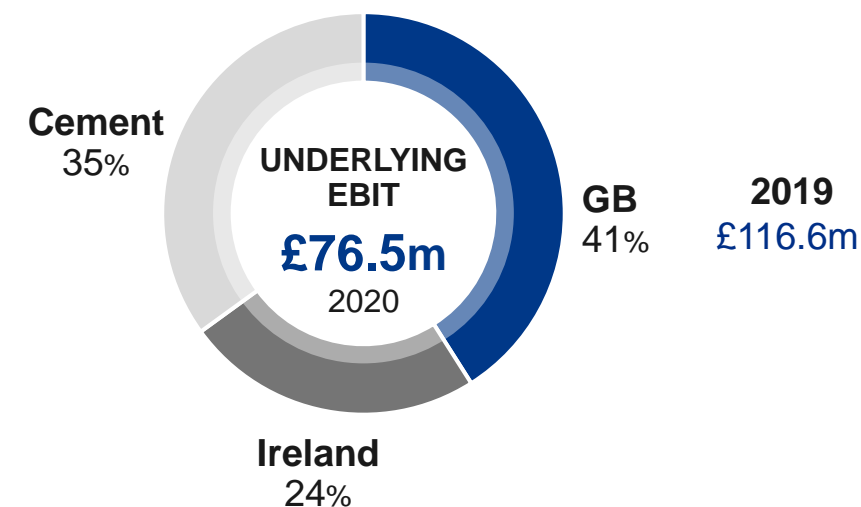
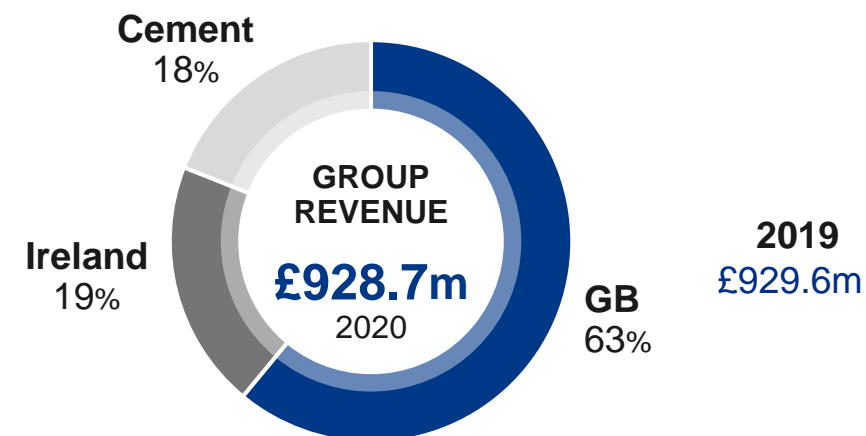
- Nationwide network of quarries and downstream operations
- Contracting services and highway maintenance businesses (minor road surfacing and major infrastructure contracts)

## IRELAND

- Trading under Whitemountain brand in NI and Lagan in ROI
- Both operate nationwide networks of quarries, downstream operations, contracting services and highway maintenance businesses

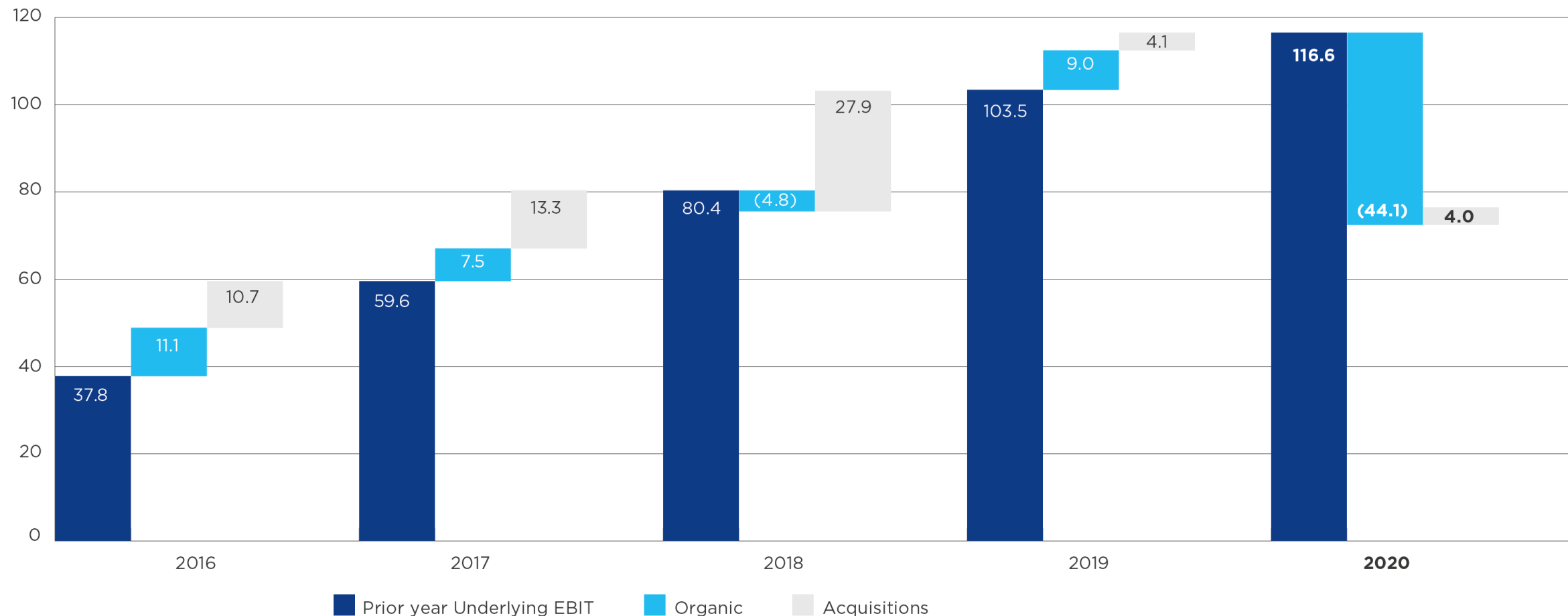
## CEMENT

- Two cement plants, in GB and Ireland, including UK's largest cement plant by capacity
- Four import/export terminals and rail-linked distribution network



# Our track record: balanced growth pre-COVID

## Underlying EBIT components 2016 - 2020 (£m)





# Our Strategy and Investment Case

# Our investment case

## SUSTAINABLE BUSINESS

Strong corporate governance, with a clear purpose and culture, focused on managing our resources sustainably and maintaining our licence to operate.



## MARGIN IMPROVEMENT FOCUS

We have a culture of continuous improvement, with opportunities for driving efficiency and increasing utilisation of both our existing assets and newly acquired businesses.



## LONG-TERM GROWTH MARKETS

Exposure to attractive end markets, including infrastructure and housing, with structural growth trends underpins future demand.

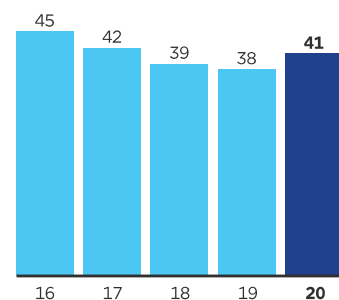


## ASSET BACKED

In excess of 1 billion tonnes of mineral reserves and resources, equivalent to over 40 years of production, combined with two cement plants and the broad geographic spread of our assets across the UK and Ireland, provides significant barriers to entry.

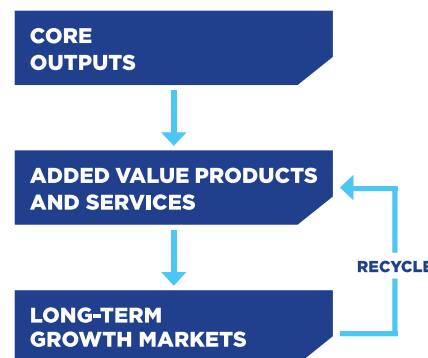
### RESERVES AND RESOURCES LIFE

years



## VERTICALLY INTEGRATED MODEL

Value-added products and services alongside our growing contracting business, offer margin-enhancing routes to market for our cement and aggregates.

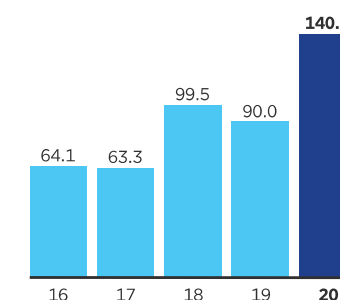


## STRONG FREE CASH FLOW

Strong free cash flow supports both organic and inorganic investment and shareholder returns. We have generated more than £450m of FCF over the last five years.

### FREE CASH FLOW

£m





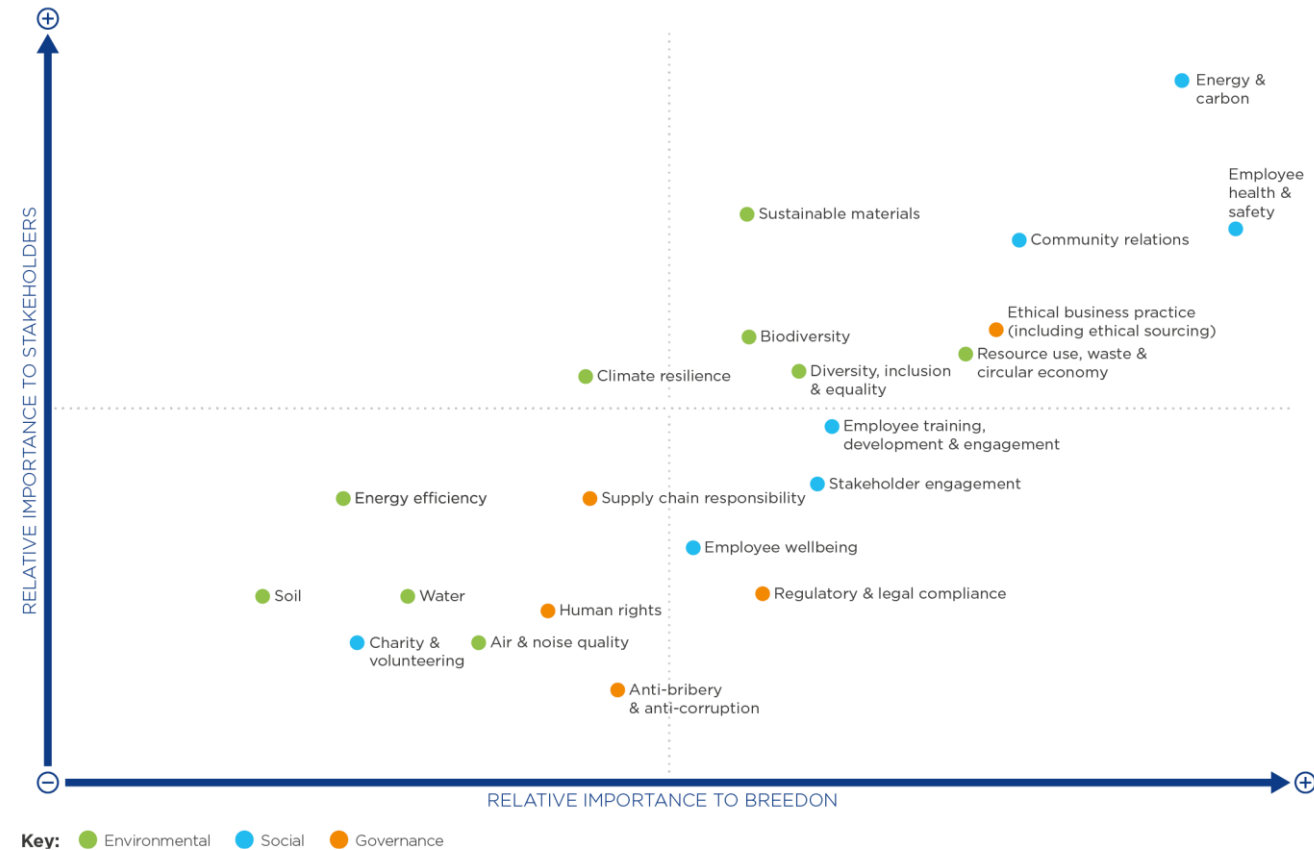


# Progressing our sustainability agenda



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

MATERIALITY MATRIX





# A growing and well-utilised asset base and significant self-help opportunities



**>1bn tonnes**  
reserves and resources

**2**  
cement plants

**40+ years**  
of reserves and resources life

- Consents for new quarries rarely granted, creating significant barrier to entry
- Replenishment rates at historic low
  - < 60% for crushed rock in majority of the last 10 years
- Against this background, Breedon has:
  - sizeable reserves and resources base
  - proven ability to enhance reserves (e.g. planning extensions, efficiency gains)
  - two cement plants with high imputed replacement cost

## BREEDON'S SELF-HELP LEVERS

### COMMERCIAL

- Differentiated local business model
- Price and margin management
- New product development
- Sales force management
- Commercial process automation

### MINERALS

- Securing quarry extensions
- Improving product yields
- 'Quarry a tonne, sell a tonne'

### LOGISTICS

- Fleet optimisation
- Reducing hired-in haulage
- Better management of 'owner-drivers'
- Improving shipping programme
- Expanding rail hub network

### OPERATIONS

- Improving equipment effectiveness
- Right-sizing readymix footprint
- Increasing RAP capacity
- Greater preventative maintenance

### TECHNICAL

- Mix optimisation (asphalt/readymix)
- Central testing/audit to improve quality
- Converting waste into saleable customer products
- Value creation through innovative design

### COSTS

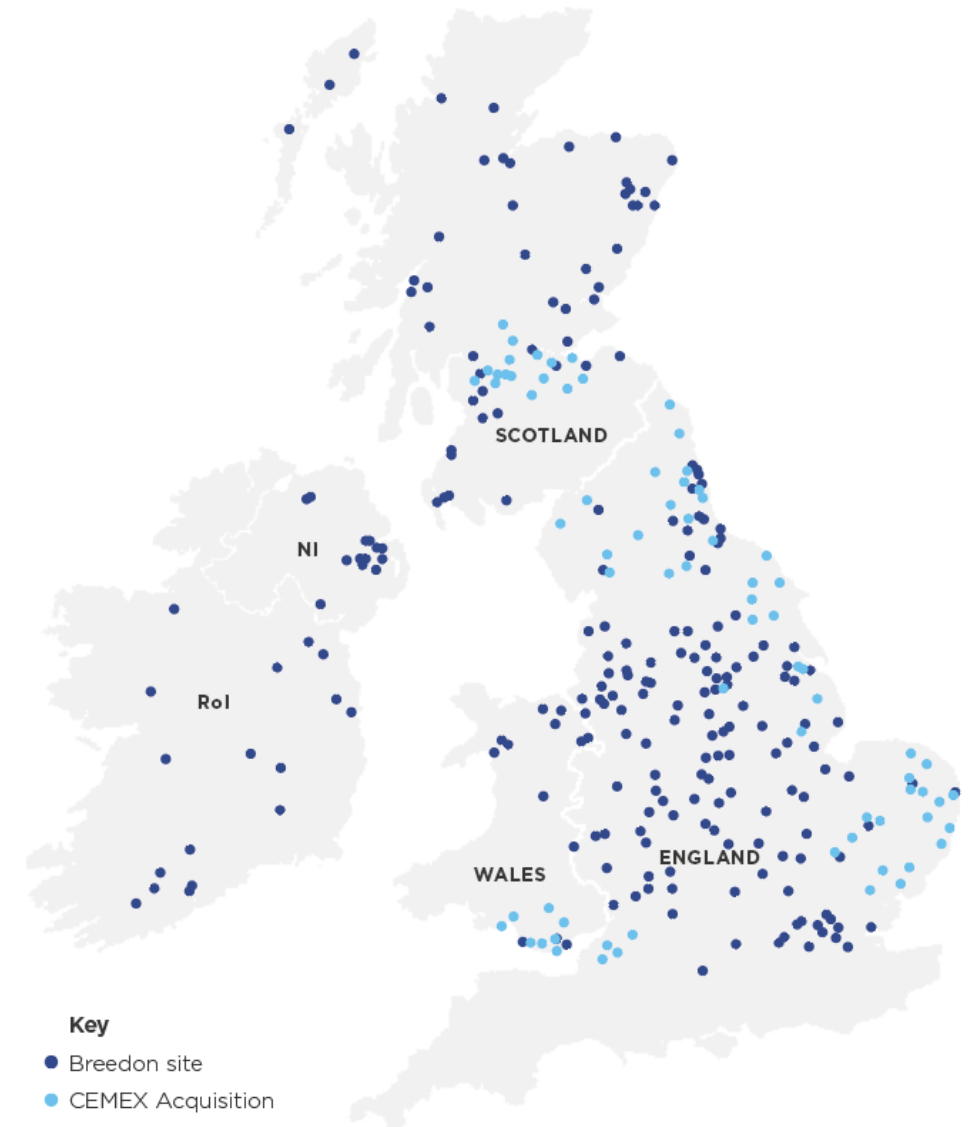
- Cost leadership philosophy
- Continuous improvement programme
- Greater use of alternative fuels



# CEMEX Acquisition



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



# Our capital allocation priorities



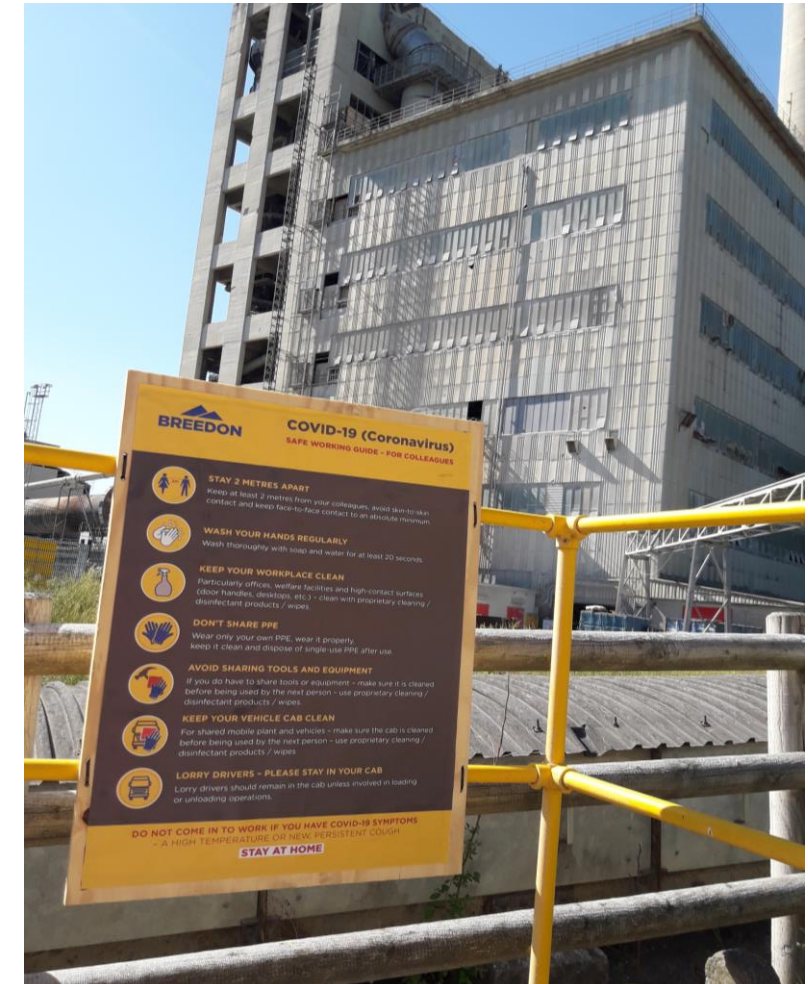
# Financials



# 2020 highlights



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



# 2020 highlights

---

Revenue

**£928.7m**

2019: £929.6m -0%

---

Underlying EBIT

**£76.5m**

2019: £116.6m -34%

---

Underlying EBIT margin

**8.2%**

2019: 12.5% -4.3ppt

---

Profit before taxation

**£48.1m**

2019: £94.6m -49%

---

Underlying basic EPS

**2.80p**

2019: 5.08p -45%

---

Net debt

**£318.3m**

2019: £290.3m

Notes:

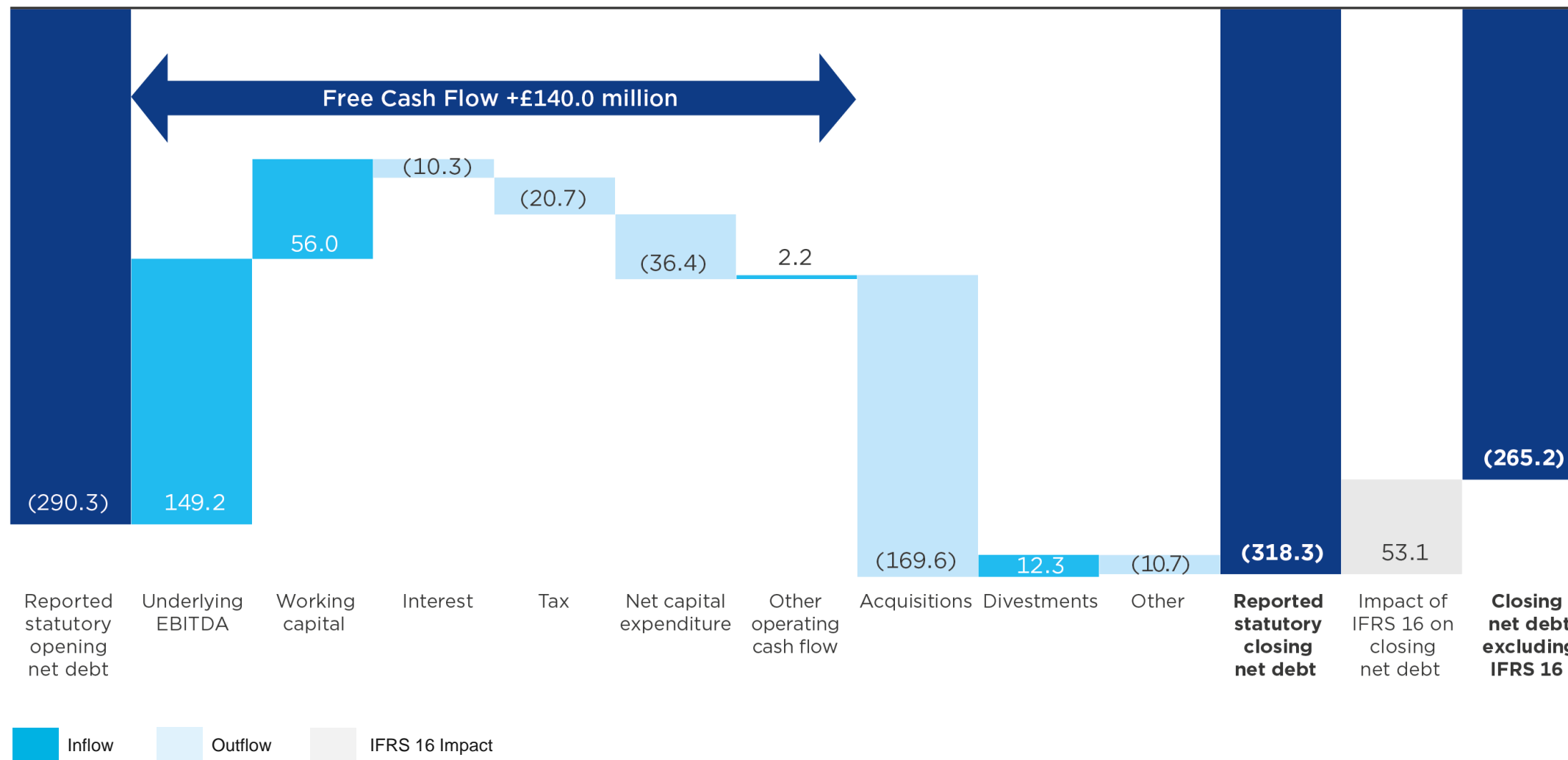
Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items.

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

# 2020 net debt movement



£ million





# Q1 2021 trading update

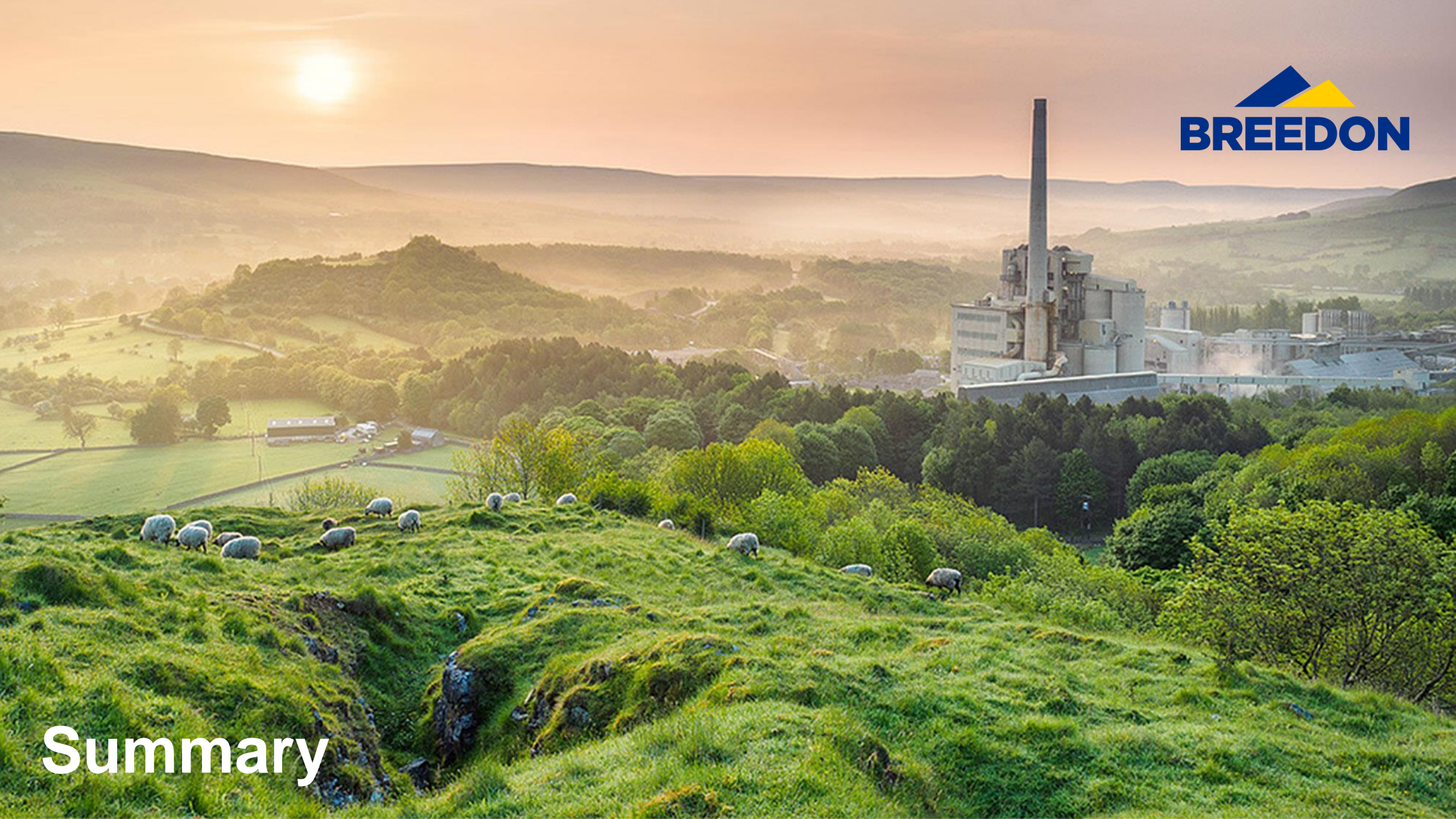


## Trading

- Trading in the first three months of the year was encouraging and we started to see the typical seasonal pick-up in activity towards the end of the quarter.
- Good demand in the GB market, where our business benefited from contributions from the CEMEX acquisition, combined with a robust cement performance, more than offset the impact of COVID-19 restrictions limiting construction activity in the Republic of Ireland.
- Overall, Group revenues in the first three months of the year were approximately £264 million, an increase of 27 per cent compared to the first quarter of 2020; a period that largely predated COVID-19 restrictions. On a like-for-like basis\*, revenues increased by 7 per cent.

## Outlook

- The outlook for our markets remains positive with construction output forecast to grow significantly in both the UK and the Republic of Ireland this year, led by infrastructure and housing development.
- Based on the Group's performance in the year to date, the Board's expectations for the full year are unchanged.



# Summary

# A leading construction materials group



## Summary

- Strong competitive positions in markets with favourable long-term dynamics
- Clear strategy and resilient, sustainable business model
- Highly cash-generative with opportunities for value-enhancing investment
- Good growth opportunities in both GB and Ireland
- Potential for further operational performance improvement
- Optimistic about long-term prospects of the business





# Our strategy



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



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

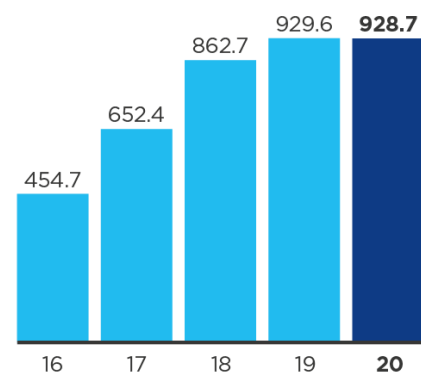


- The Group is focused on construction materials markets that deliver long term profitable growth across the cycle and expects to deliver strong margins and free cash flow generation that will allow us to reinvest in the business.
- We see numerous opportunities to expand both our geographical footprint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

# Our track record: financial KPIs

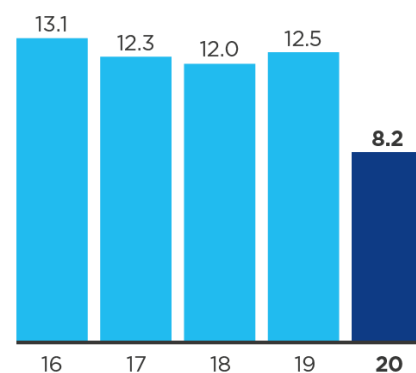
## REVENUE

£m



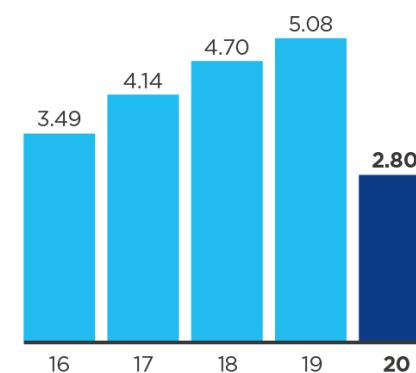
## UNDERLYING EBIT MARGIN

%



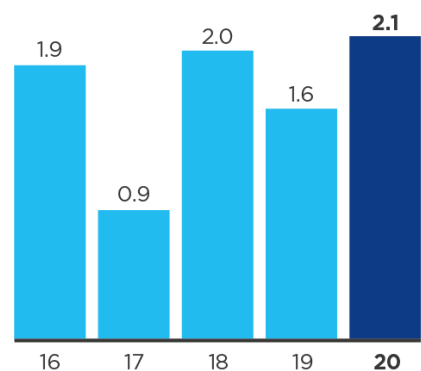
## UNDERLYING BASIC EPS

pence



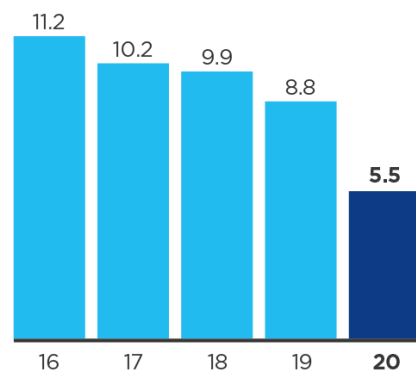
## LEVERAGE

times



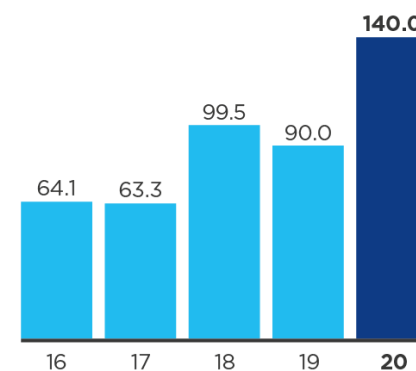
## RETURN ON INVESTED CAPITAL

%



## FREE CASH FLOW

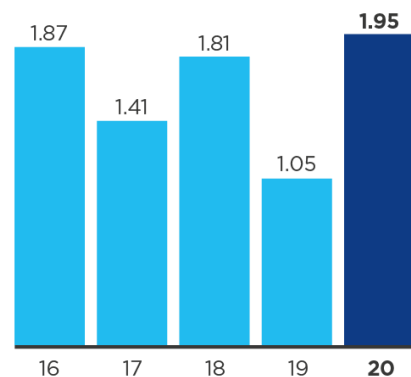
£m



# Our track record: non-financial KPIs

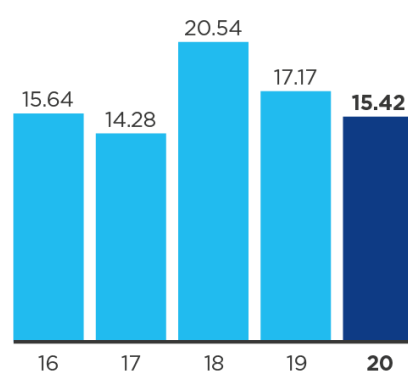
## EMPLOYEE LTIFR

per million hours worked



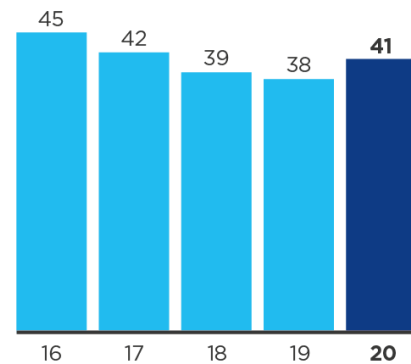
## EMPLOYEE TIFR

per million hours worked



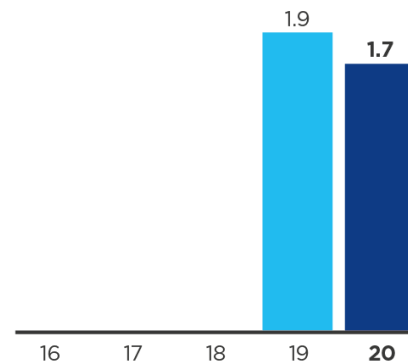
## RESERVES AND RESOURCES LIFE

years



## EMISSIONS INTENSITY

kgCO<sub>2</sub>e/£ revenue



# Disclaimer



The information contained in this presentation document (the “presentation”, which term includes any information provided verbally in connection with this presentation document) does not constitute an offer or solicitation to hold, sell or invest in any security and should not be considered as investment advice or as a sufficient basis on which to make investment decisions. This presentation is being provided to you for information purposes only.

Whilst this presentation has been prepared in good faith, neither Breedon Group plc (the “Company”) nor any of its group undertakings nor any of their respective directors, members, advisers, representatives, officers, agent, consultants or employees: (i) makes, or is authorised to make any representation, warranty or undertaking, express or implied, with respect to the information and opinions contained in it or accepts any responsibility or liability as to the accuracy, completeness or reasonableness of such information or opinions; or (ii) accepts any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of or in connection with the information in this presentation.

The Company is under no obligation to provide any additional information or to update or revise the information in this presentation or to correct any inaccuracies which may become apparent. This presentation may include certain forward-looking statements, beliefs or opinions. There can be no assurance that any of the results and events contemplated by any forward-looking statements contained in the information can be achieved or will, in fact, occur. No representation is made or any assurance, undertaking or indemnity is given that any such forward looking statements are correct or that they can be achieved.