

ACQUISITION OF LAGAN GROUP

A strategic step



17 April 2018



ACQUISITION OF LAGAN GROUP FOR £455 MILLION



- **Creating a leading independent construction materials group in the UK and Ireland**
 - Lagan is a leading supplier of construction materials and contract surfacing in Ireland and the UK
 - Total cash consideration of £455 million¹ on a cash- and debt-free basis
- **Strong strategic rationale for combination**
 - Expansion into attractive Irish construction market
 - Underpinned by modern cement manufacturing plant
 - Complementary downstream businesses with strong development potential
 - Enhanced platform for further organic growth & bolt-on acquisitions
- **Financially compelling and value-creating transaction**
 - Expected to be double-digit earnings-accretive in first full year post-acquisition²
 - Estimated annual synergies of approximately £5 million by year 3

¹ Based on locked-box accounts at 31 December 2017

² This should not be construed as a profit forecast and shall not therefore be interpreted to mean that earnings per share in any future financial period will necessarily match or be greater than those for the relevant preceding financial period

BREEDON IS THE UK'S LARGEST INDEPENDENT CONSTRUCTION MATERIALS GROUP



Revenue

£652.4m

Underlying EBIT*

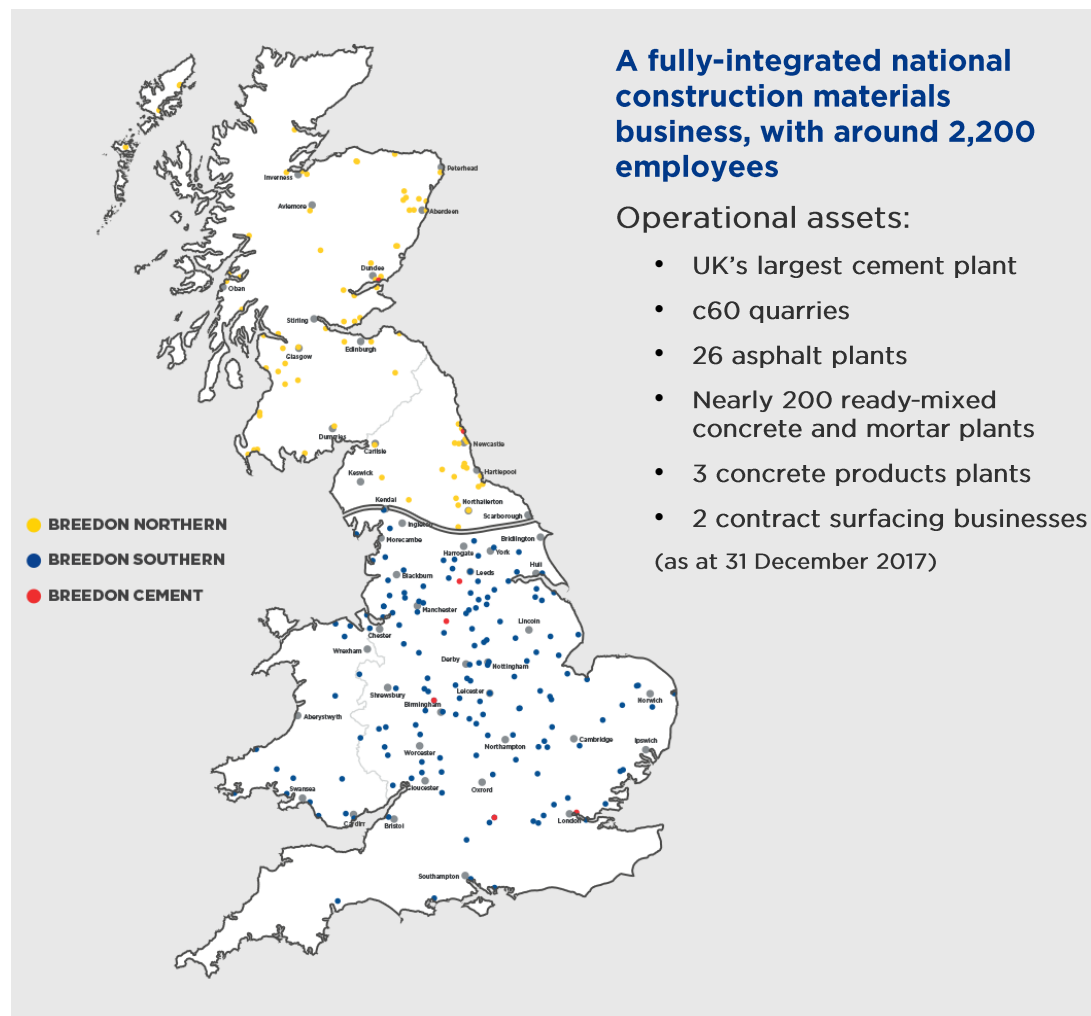
£80.4m

Underlying EBIT* margin

12.3%

Mineral reserves and resources
(as at 31 December 2017)

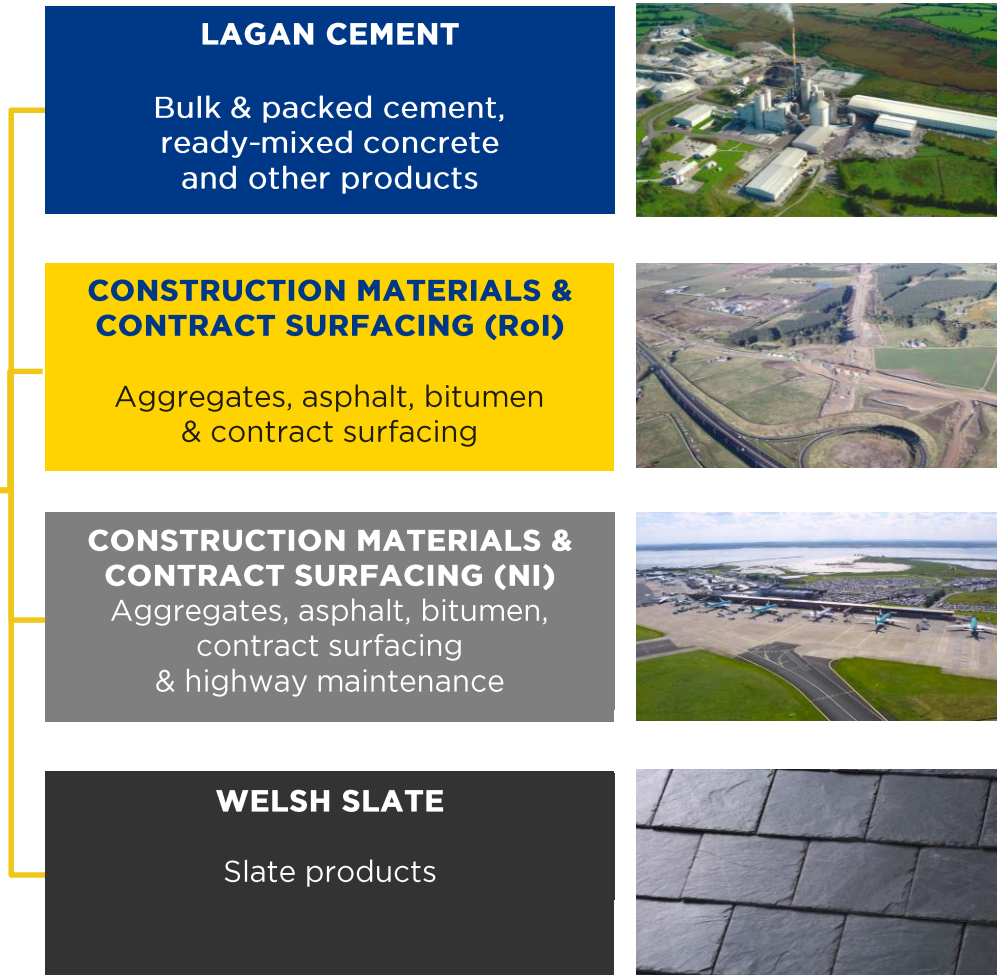
c750m tonnes



For year ended 31 December 2017

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

LAGAN GROUP OVERVIEW



- Founded in 1960
- A leading supplier of construction materials and contract surfacing in Ireland & UK
- Strong track record
- Experienced operational management team
- Diversified customer and contract base
- c120 million tonnes of mineral reserves and resources
- c750 employees

MODERN CEMENT PLANT ACQUIRED WITH LAGAN CEMENT DIVISION

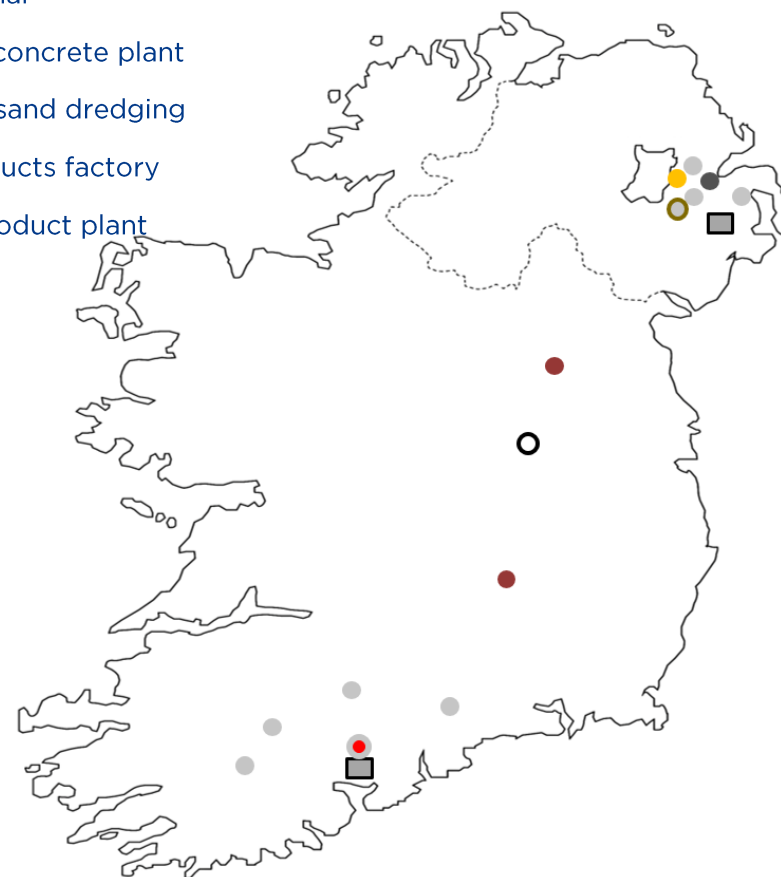


Overview

- Modern cement manufacturing facility
 - Commenced production in 2002
- Supplies range of bulk and bagged cement to Ireland and UK
- Situated in limestone quarry with significant long-term reserves and resources
- Adjacent shale and sand quarries
- Provides Breedon with greater scale and security of cement supply, with additional c650,000 tonnes capacity
- Innovative usage of Solid Recovered Fuel and other green energy sources
- Portfolio of related products
 - Ready-mixed concrete & screeds produced in NI and RoI
 - Concrete blocks, roof tiles and bricks
 - High-quality sand dredged from Lough Neagh

Lagan Cement – key sites

- Kinnegad cement plant
- Cement terminal
- Ready-mixed concrete plant
- Lough Neagh sand dredging
- Concrete products factory
- Brick / clay product plant
- Quarry
- Blocks



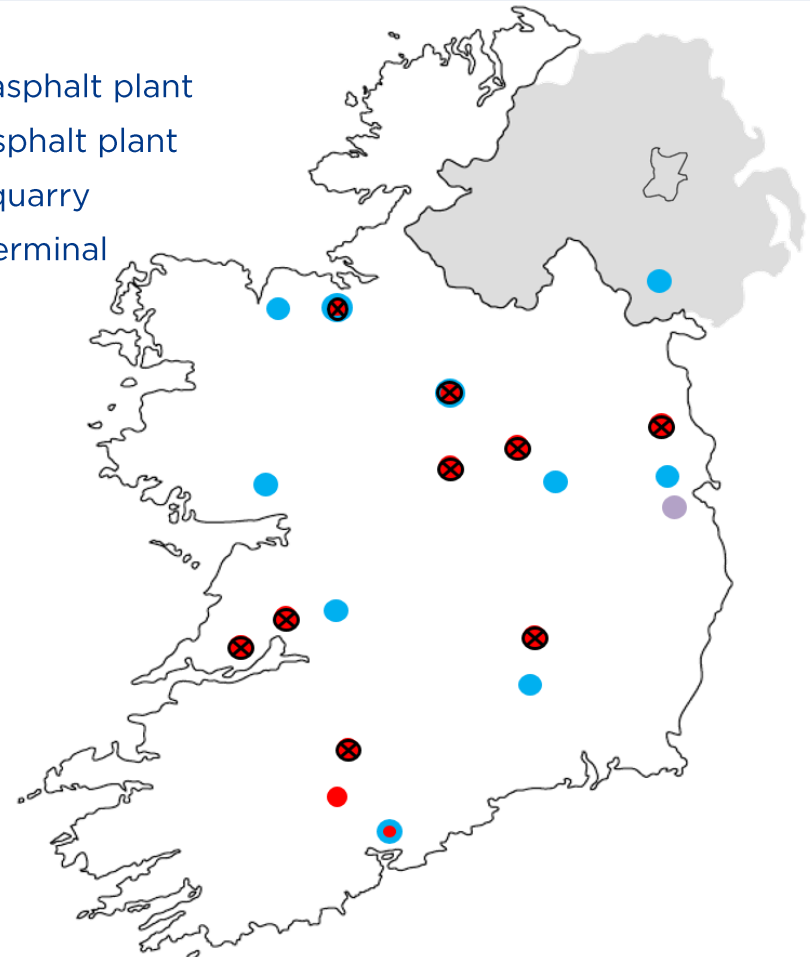
LAGAN ROI: DEVELOPING AGGREGATES BUSINESS AND SIGNIFICANT ASPHALT AND SURFACING OPERATIONS IN ROI

Overview

- Supplies aggregates, asphalt and bitumen
 - 2 active quarries
 - 9 dormant quarries
 - 9 active asphalt plants and 1 dormant
 - Bitumen import/export terminal at Port of Dublin
- Contract surfacing business specialising in road surfacing & maintenance and airfield surfacing
 - Operates across ROI and UK
 - Broad portfolio of surfacing contracts
 - c600kt of asphalt laid in 2017
- Specialist expertise in production of bitumen emulsions and Polymer Modified Bitumen & Binders (PMBs)
- 50% interest in MV Lagan: 6,200-tonne-capacity purpose-built bitumen vessel

Republic of Ireland – key sites

- Quarry
- Quarry & asphalt plant
- Satellite asphalt plant
- ⊗ Dormant quarry
- Bitumen terminal



LAGAN NI: LEADING CONSTRUCTION MATERIALS AND CONTRACTING BUSINESS OPERATING THROUGHOUT THE UK

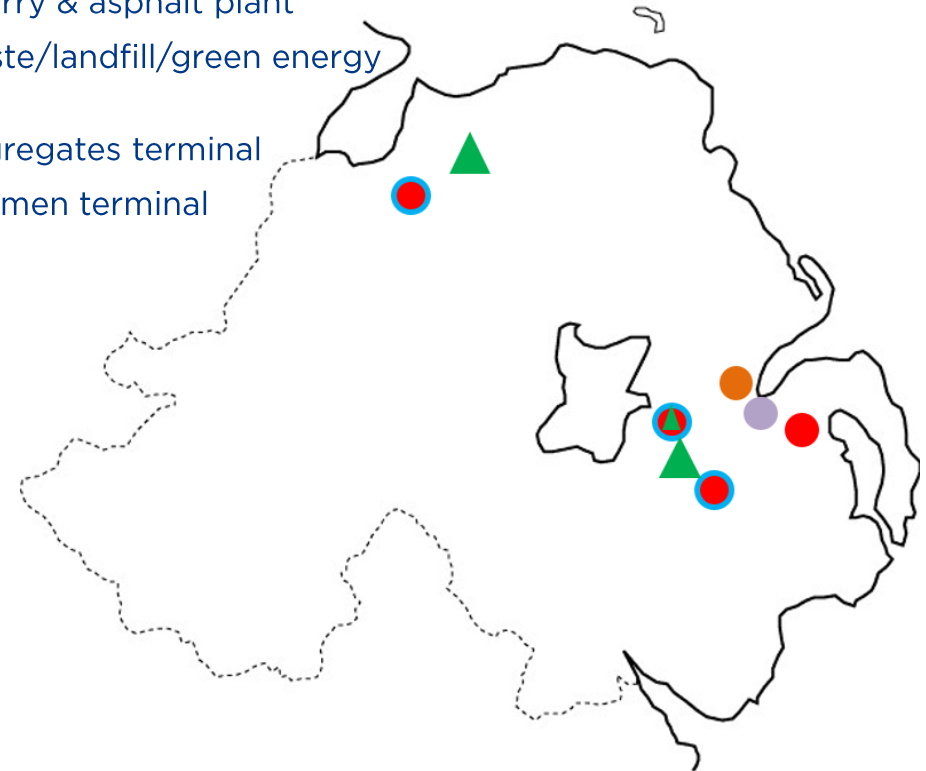


Overview

- Operates under well-established Whitemountain brand
- Supplies aggregates, asphalt and bitumen
 - 4 active quarries (incl. 2 high PSV stone)
 - Aggregates terminal in Belfast exports high PSV stone to national network of UK ports
 - 3 asphalt plants (plus 1 mobile plant)
 - Bitumen import/export terminal at Port of Belfast
- Contract surfacing business specialising in road surfacing & maintenance and airfield surfacing
 - Includes Whitemountain JV with Breedon on Aberdeen Western Peripheral Route
- Two inert waste management/landfill sites and green energy site

Northern Ireland – key sites

- Quarry
- Quarry & asphalt plant
- ▲ Waste/landfill/green energy site
- Aggregates terminal
- Bitumen terminal



GLOBAL BRAND SECURED THROUGH ACQUISITION OF WELSH SLATE

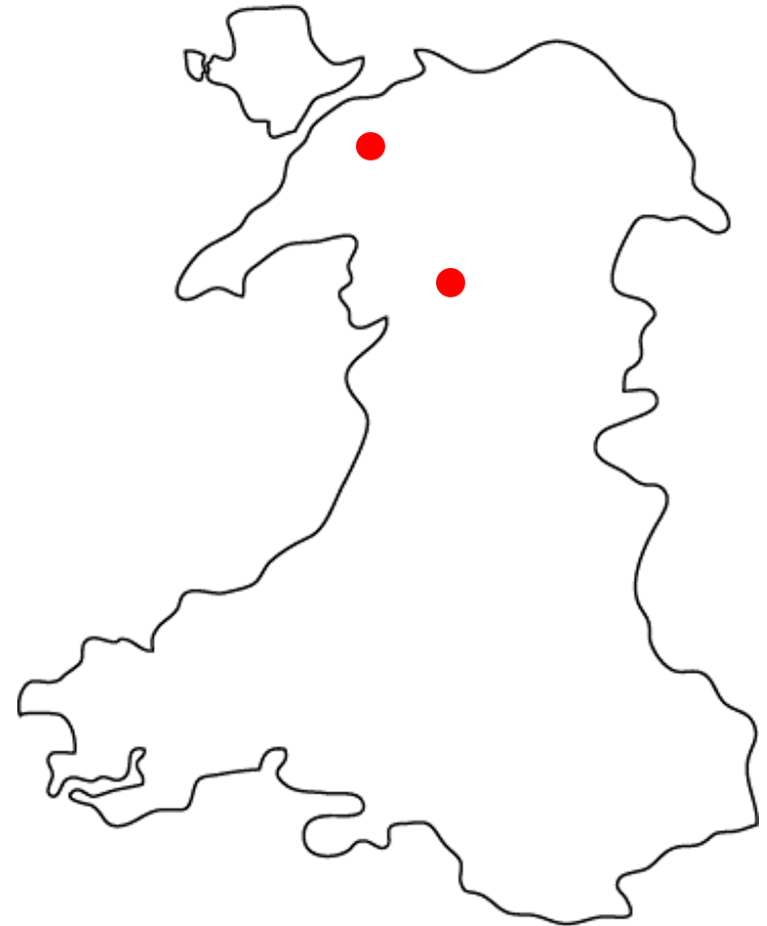


Overview

- Operates 2 quarries in North Wales
- A leading supplier of high-quality slate
 - Roofing slates
 - Slateware and architectural products
 - Unique and highly sought-after purple slate produced at Penrhyn
- Decorative aggregates produced as a by-product

Welsh Slate – key sites

● Quarry



Penrhyn slate quarry

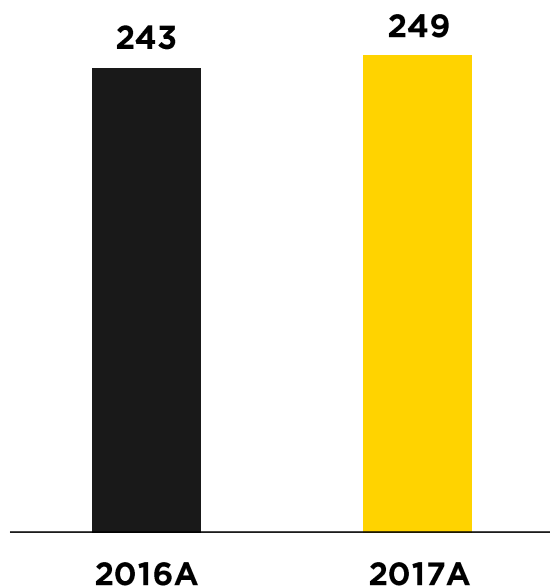


LAGAN GROUP: STRONG GROWTH



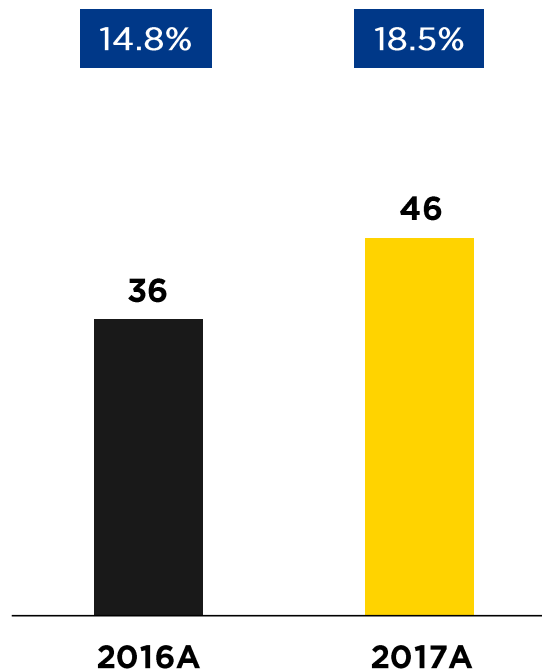
Revenue

£ million



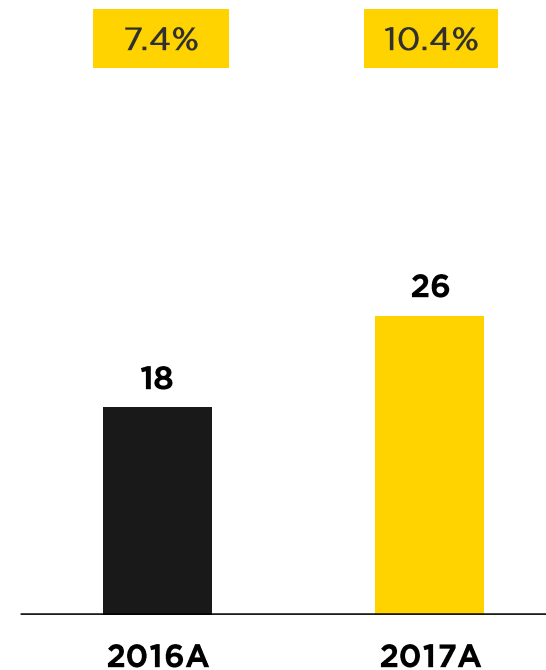
EBITDA

£ million



EBIT

£ million



% EBITDA margin

% EBIT margin

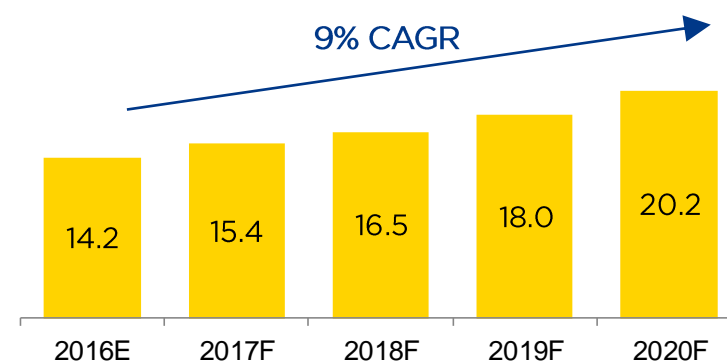
MARKET OVERVIEW



Republic of Ireland

- The continued strong momentum of the Irish economy (4.4% GDP growth projected in 2018) is driving growth in the Irish construction sector
- In February, the Irish government launched its new capital investment plan, which is aimed at increasing investment from €4.5bn in 2017 to €9bn by 2021
- Construction output supported by a buoyant housing sector
 - 32,500 new homes expected by 2020 to address current shortage of supply

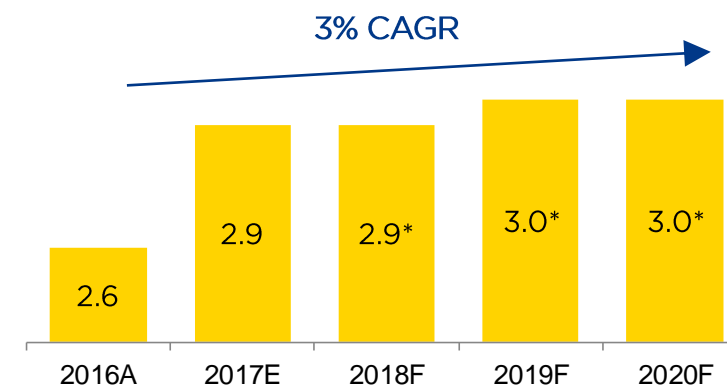
RoI construction output, € billion¹



Northern Ireland

- Northern Ireland's economy is expected to grow by 0.8% in 2017 and 1.0% in 2018, supporting continued moderate growth in the construction sector
- Construction sector expected to sustain output at close to £3bn from 2018 through to 2022²
- The public housing sector remains strong, following three consecutive years of double-digit output increases
 - Output growth expected to be c6% per year from 2018 through to 2022; supported by the Northern Ireland Executive's plans to build 1,600 new social and affordable housing units

NI construction output, £ billion²



* Calculated on the basis of forecast growth rates

1 Demand for Skills in Construction to 2020 (Construction Industry Federation, DKM Economic Consultants)
2 CITB Construction Skills Network Forecasts 2018-2022

ACQUISITION FINANCED THROUGH COMBINATION OF DEBT AND EQUITY PLACING



- **Consideration of £455 million on a cash- and debt-free basis**
 - 100% cash consideration payable on completion of the acquisition

- **Term loan of £150 million**
 - Amortising over 4 years
- **New revolving credit facility of £350 million**
 - 4-year term with option to extend by one year
- **Pricing marginally better than existing facility**

- **Equity placing of approximately £170 million (plus €5m Open Offer)**
 - Placing to be effected by way of a cash box structure
 - Placing to be supported by certain Breedon institutional shareholders, to provide certainty of funds
 - Approximately £50 million subject to clawback by other investors at Placing price

POSITIVE FINANCIAL IMPACT



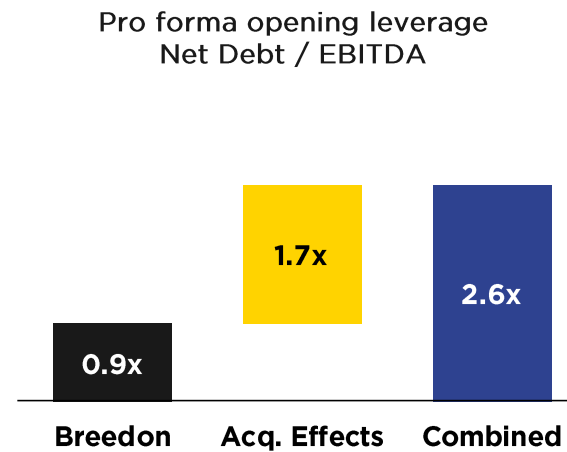
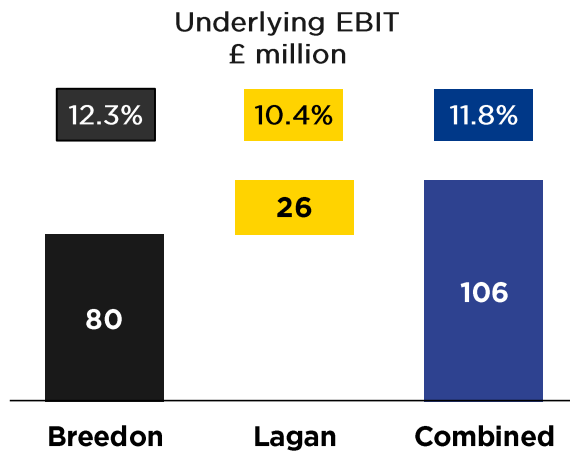
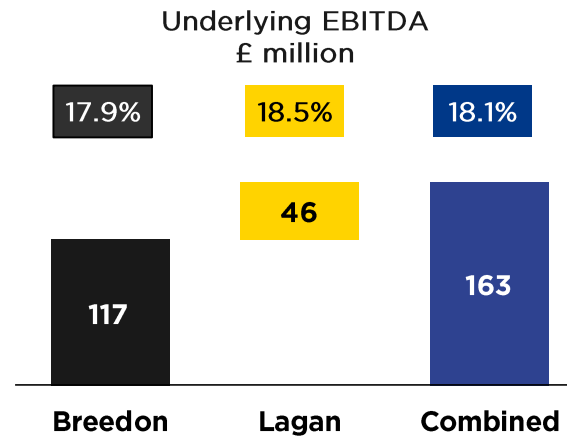
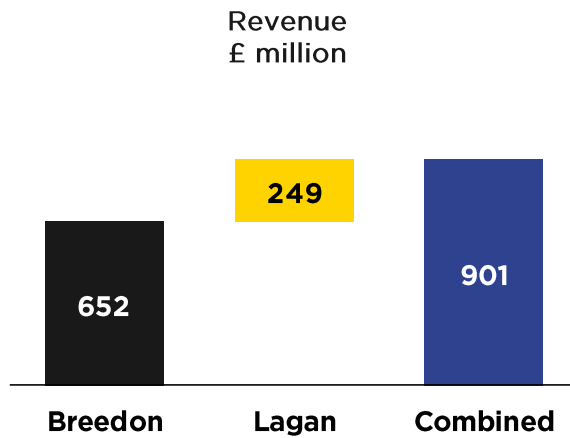
- **Financially compelling and value-creating transaction**
 - Estimated annual synergies of approximately £5 million by year 3
 - Double-digit underlying earnings accretion expected in first full year post-acquisition¹
- **Financed from increased bank facility and new equity**
 - Pro forma opening leverage expected to be approximately 2.6x
 - Financial flexibility maintained
 - Expect leverage to fall to less than 1.0x in 2020
- **Combined business provides stronger platform for further investment and growth**

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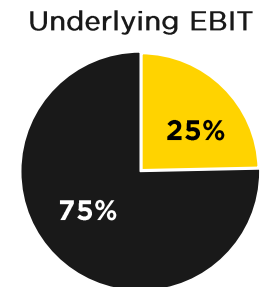
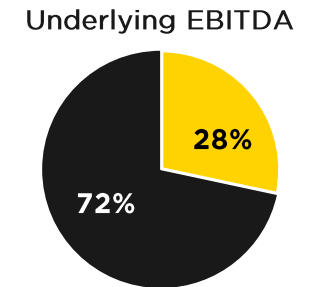
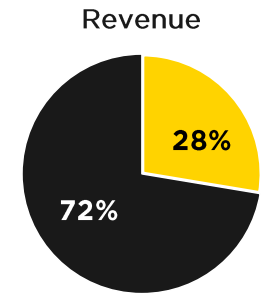
POSITIVE FINANCIAL IMPACT



Pro forma financials*



Pro forma breakdown*



Underlying margin

* For year ended 31 December 2017; pre fair value adjustments

EXPECTED TIMETABLE



Key expected dates and events

17 April 2018	Announcement of Acquisition, Placing and Open Offer
19 April 2018	Admission of Placing Shares and settlement of proceeds
20 April 2018	Completion of Acquisition
11 May 2018	Open Offer closes and results of Open Offer announced
14 May 2018	Admission of Open Offer Shares and settlement of proceeds

Our objective

To be the safest and most profitable construction materials company in the UK and Ireland

- Striving for the best customer service
- Delivering continuous organic improvement
- Securing value-enhancing acquisitions
- Doing all these things safely

TRADING UPDATE FOR UNDERLYING BREEDON GROUP BUSINESS



In common with the rest of our industry, we have experienced disruption from the severe weather in the first quarter which has impacted the phasing of some of our work. However, with the worst of the weather behind us, we have seen an improvement in recent weeks and anticipate a continuing recovery in activity. The Board's expectation for the full year remains unchanged.

COMPELLING STRATEGIC RATIONALE



Enhanced market position	Creates a leading independent construction materials group in the UK and Ireland	✓
Extended geographic coverage	Enhances Breedon's geographic footprint with immediate critical mass in Ireland across the whole value chain	✓
Strengthened cement capability	Second plant provides further opportunities in cement production and enlarged markets for bulk and bagged cement	✓
Expanded range of products and services	Including Whitemountain high PSV stone; specialist emulsions & PMBs; bitumen import/export; Welsh slate; airport infrastructure services	✓
Further vertical integration opportunities	Significant potential to expand upstream (aggregates business in Ireland) and downstream (growing asphalt and ready-mixed concrete operations)	✓
Synergy benefits	Estimated annual synergies of approximately £5 million by year 3	✓
Greater financial capacity	Expected increased cash flow and strong balance sheet will provide capacity to pursue future growth opportunities	✓
Strengthened management and complementary culture	Experienced management team will continue to drive growth in Ireland, supported by complementary culture and well-invested human capital	✓
Favourable economic backdrop	Positive outlook for Irish construction sector	✓

Appendix

COMBINED GROUP PROFILE



2

cement manufacturing plants



69

active quarries across the UK & Ireland



39

asphalt plants



c200

ready-mixed concrete and mortar plants



4

contract surfacing businesses



6

import/export terminals



1

bitumen vessel¹



8

rail-fed depots



2

slate production facilities



7

concrete products plants



1

clay products plant



1

brick plant

1. 50% interest

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