



# BREEDON GROUP PLC ANNUAL RESULTS 2021

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9 MARCH 2022



# Forward Looking Statement



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# AGENDA

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## Group Highlights

Rob Wood,  
Chief Executive Officer

## Financial Review

James Brotherton,  
Chief Financial Officer

## Operational Review & Outlook

Rob Wood,  
Chief Executive Officer

## Q&A

# Record volumes, revenue and earnings

Outstanding delivery



Highlights

## Robust demand

Built on the recovery that began in the second half of 2020



## Cost headwinds mitigated

Dynamic pricing, progressive hedging

## Rapidly de-levered

Highly cash generative; leverage reduced ahead of expectations to 0.8x



## Maiden dividend

Progressive dividend policy introduced



## Operating Sustainably

Accelerated our sustainability agenda

## Strategy evolved

Breedon is coming of age; building blocks in place for the next chapter



**Excellent performance delivered by extraordinary team commitment**



# FINANCIAL REVIEW

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JAMES BROTHERTON, CHIEF FINANCIAL OFFICER

# 2021 Financial Highlights

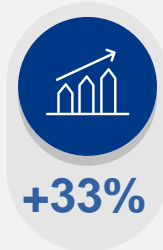
Record performance balanced across key metrics



Revenue

**£1,232.5m**

2020: £928.7m



Revenue  
growth

Underlying EBIT

**£133.6m**

2020: £76.5m



Margin  
2020: 8.2%

ROIC

**9.5%**

2020: 5.5%



Free Cash Flow

**£127.3m**

2020: £140.0m



Conversion  
from EBITDA  
2020: 94%

Net Debt  
excluding IFRS 16

**£161.5m**

2020: £265.2m

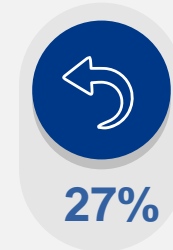


Covenant  
Leverage  
2020: 1.9x

Dividend  
per share

**1.60p**

2020: n/a



Payout  
ratio  
2020: n/a

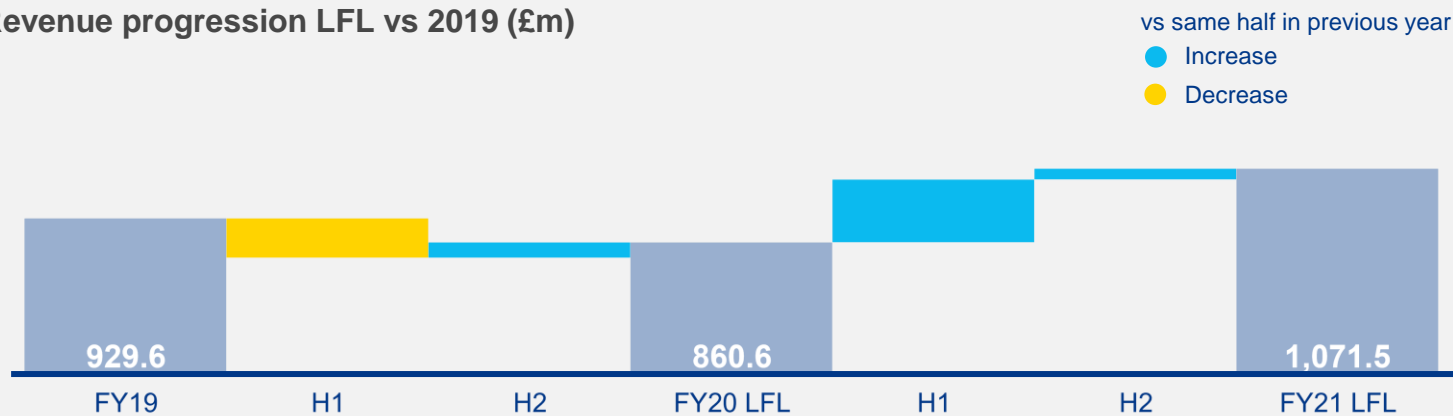
Notes: **Underlying** results are stated before acquisition-related expenses, redundancy and reorganisation costs, property gains and losses, amortisation of acquisition intangibles and related tax items. **ROIC** is post-tax return on invested capital. **Covenant Leverage** is as defined by the Group's banking facilities. This excludes the impact of IFRS 16 and includes the proforma impact of M&A. **Payout ratio** calculated with reference to Underlying Adjusted Basic EPS.

# Strong like-for-like growth

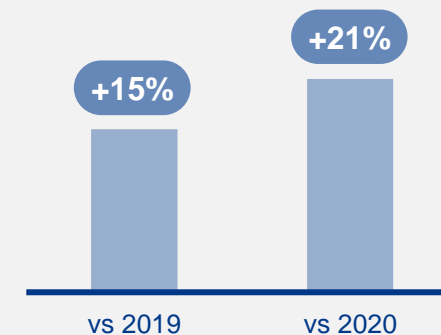
Positive progression in underlying trading



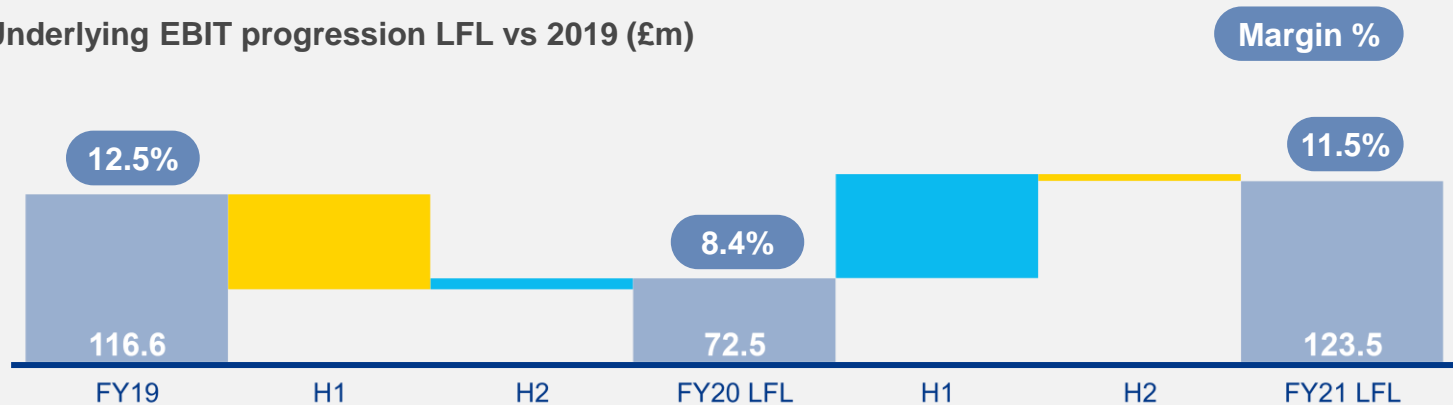
Revenue progression LFL vs 2019 (£m)



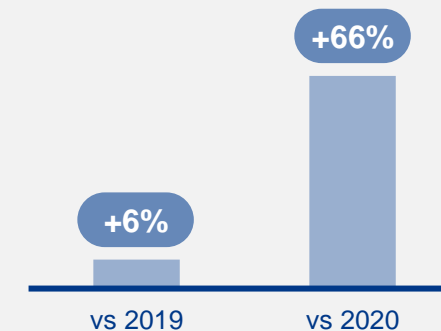
LFL Revenue growth 2021



Underlying EBIT progression LFL vs 2019 (£m)



LFL Underlying EBIT growth 2021



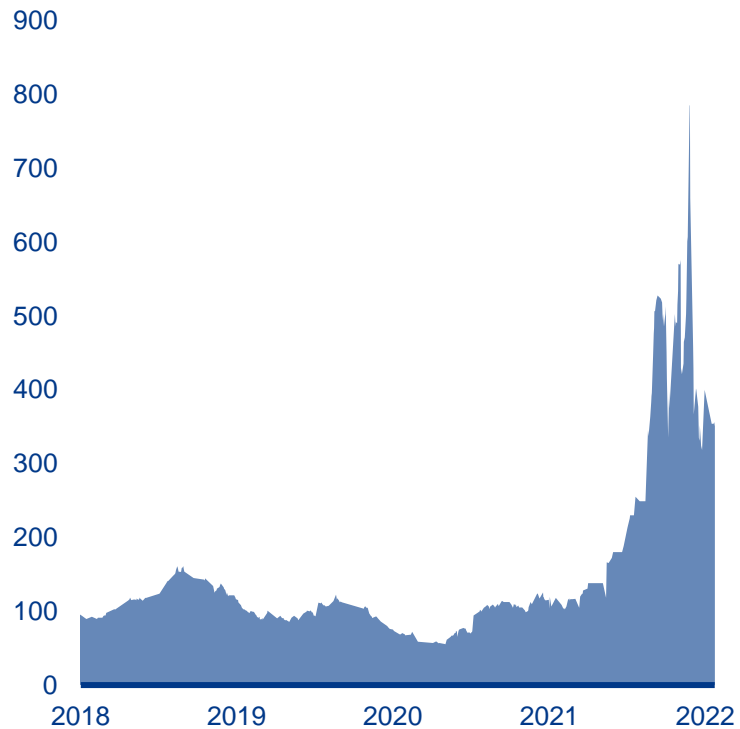
Notes: The above progression graphics are presented like-for-like relative to a 2019 base.

# Input cost pressures

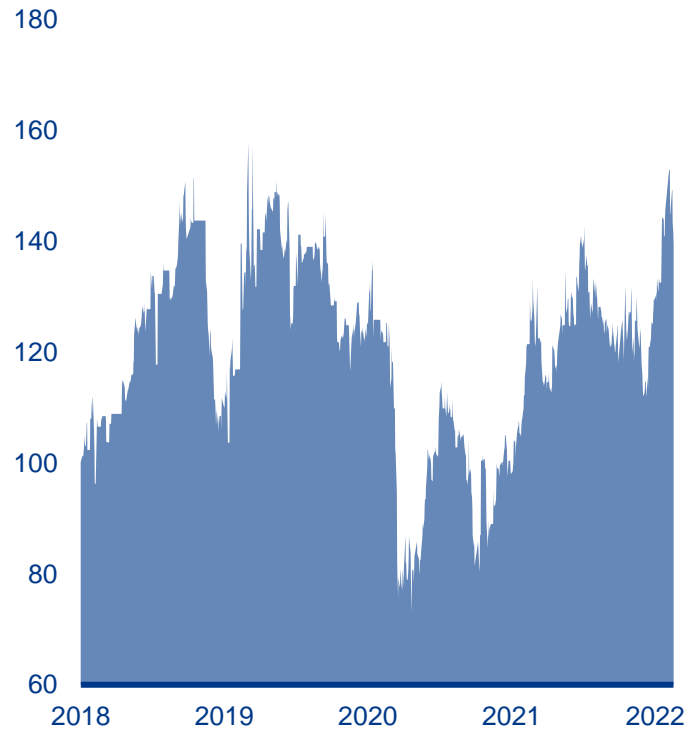
Focus on cost recovery and adding value



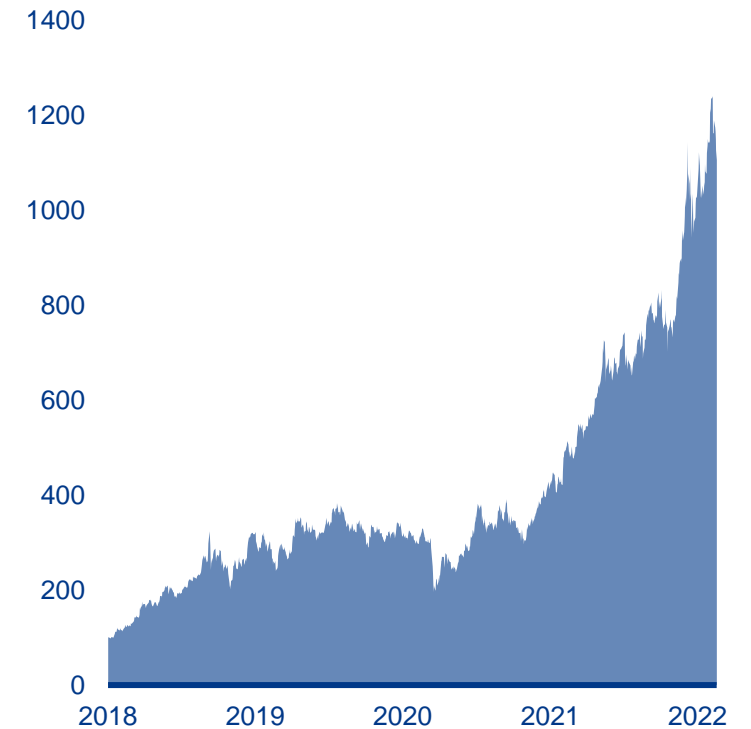
UK Electricity



Bitumen



Carbon



Source: Bloomberg.

Note: Charts based on 3 month forward electricity price, spot bitumen price and current year EU ETS carbon price, all rebased to 100 at January 2018.

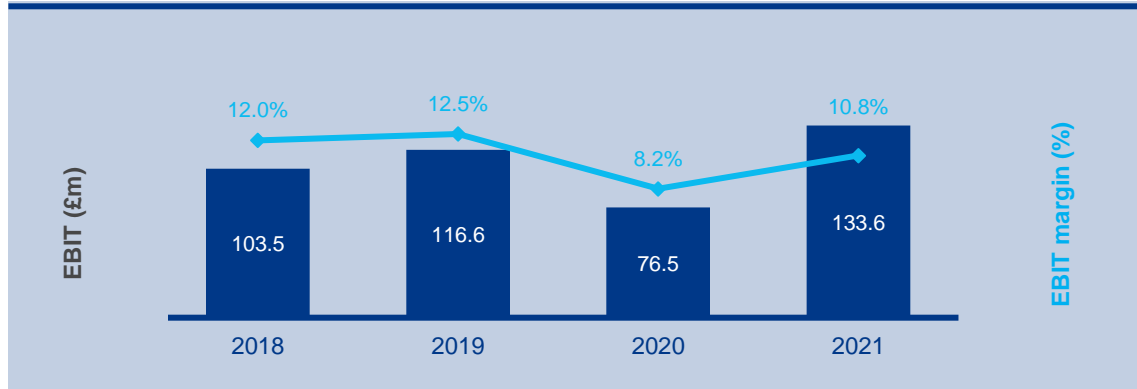


# Margin recovery

Margins strengthening back towards 2019 levels



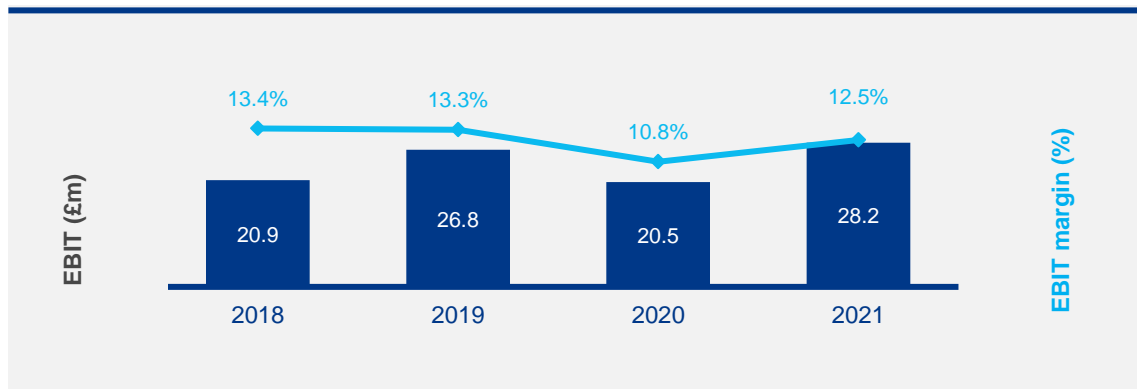
## Group



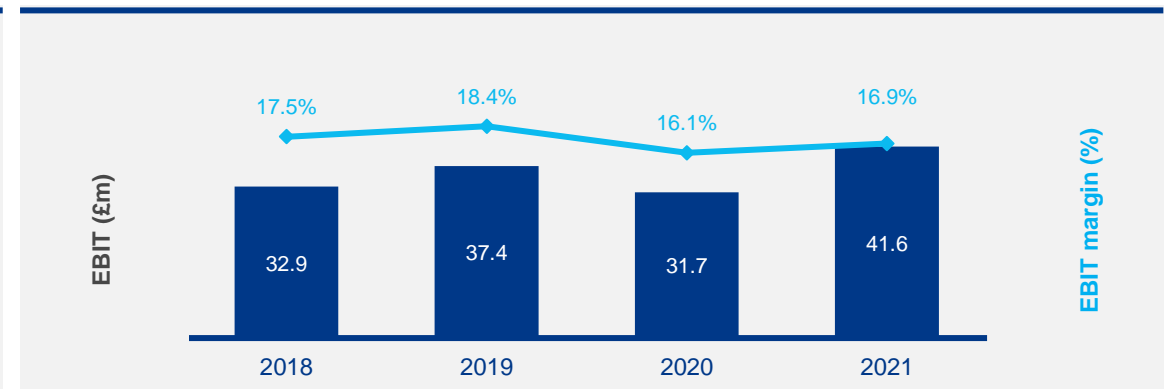
## Great Britain



## Ireland



## Cement



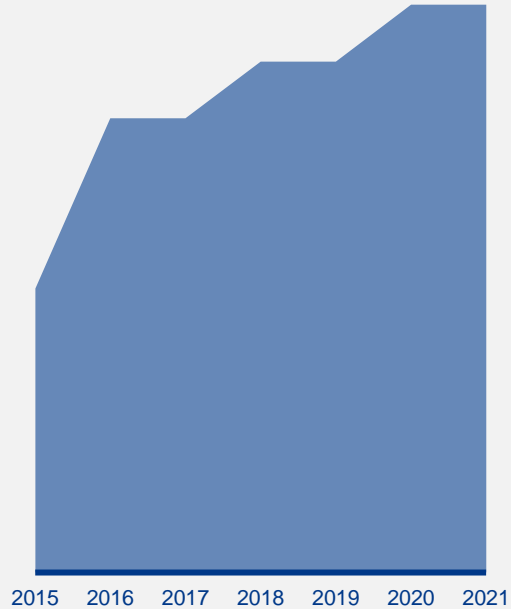
Notes: Divisional EBIT excludes head office costs and JV/Associates. Certain cement related activities which formed part of Great Britain in 2020 are now reported within our Cement segment. The segmental analysis presented in respect of prior years has been restated accordingly.

# Aggregates pricing outpaces inflation

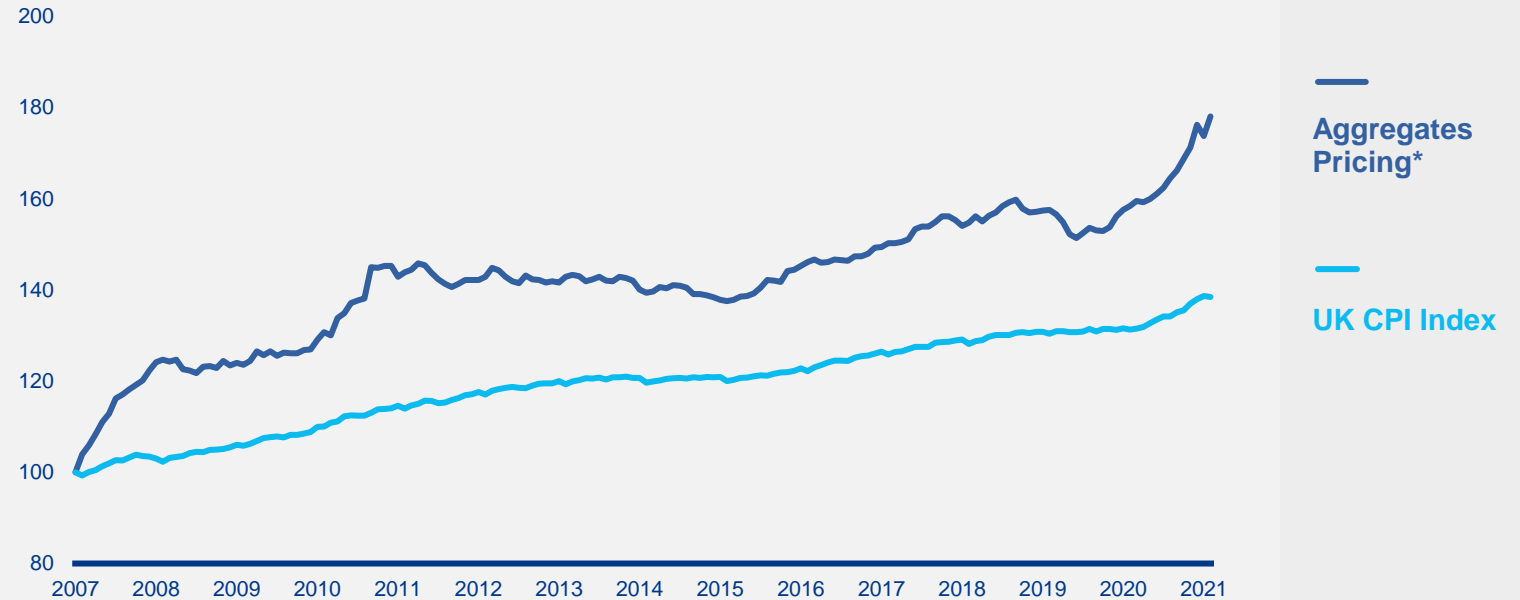
Asset base and local model provide a natural inflation hedge



Reserves and resources  
1bn Tonnes



Aggregates prices outpace inflation over time



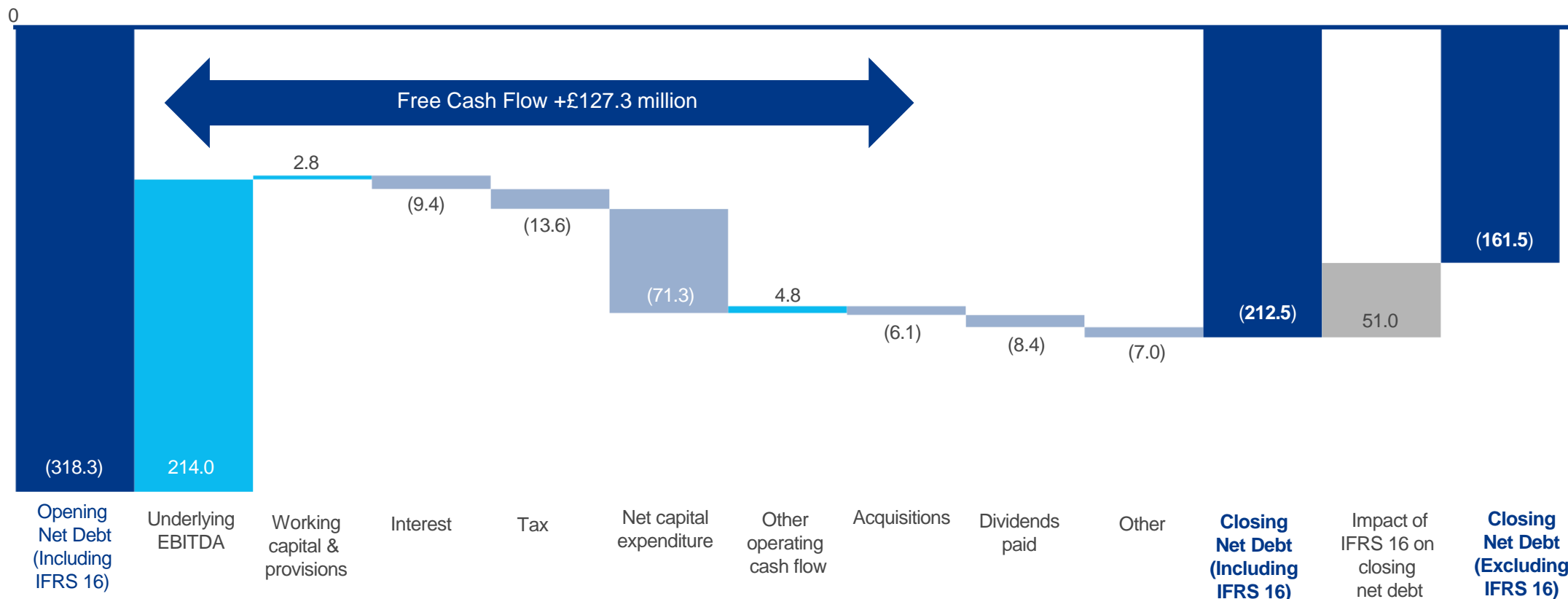
Source: Datastream, ONS.  
\*UK PPI – Other mining and quarrying products.

# 2021 Net Debt and Cash Flow

Strong trading drives rapid deleveraging



£ million




● Inflow ● Outflow ● IFRS 16 Impact

# Balanced financial framework delivering

Driving increased return on invested capital



Increasing return on capital through strategic deployment



**ROIC 9.5%**  
**+4.0ppt**

Proactive investment

ORGANIC

Replenish and extend reserves and resources

Productivity enhancing plant and machinery

M&A

Express Minimix bolt-on

3<sup>rd</sup> platform exploration

Meeting strategic objectives

Profitable EBIT growth +75%

59% FCF conversion

Strong balance sheet

Excess capital distributed

Dividend introduced 1.6p

Covenant Leverage reduced to 0.8x

# Technical guidance 2022

## Income statement



- On track to realise £2m Cemex synergies
- Net interest expense c.£13m
- Effective tax rate c.16%
- Cash tax slightly lower due to UK superdeduction scheme

## Cashflow



- Working capital outflow c.£10m - £20m
- Capital expenditure £170m over two years to 2022
- Cash cost of final dividend £18m

# Delivering our strategy

Material progress on all metrics



## Growth



## Profitability



## Cash Flow



## Financial Discipline



## Returns



## Dividend

Targets

—  
Outperform our markets

—  
EBIT margin 12% - 15%

—  
>50% FCF conversion

—  
Covenant Leverage 1x – 2x

—  
ROIC >10%

—  
Payout ratio 40%

Outcomes

—  
21% organic revenue growth

—  
Recovered to 10.8%

—  
59% after increased capex

—  
Reduced rapidly to 0.8x

—  
Strengthened to 9.5%

—  
Returning 27% to shareholders

**On track to reach our financial goals**



# OPERATIONAL REVIEW

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ROB WOOD, CHIEF EXECUTIVE OFFICER

# UK market; strong demand

Strong bounce back to surpass pre-pandemic levels



## UK GDP growth rebounded ahead of initial expectations

- UK GDP increased 7.5% in 2021, following a 9.4% fall in 2020

## UK construction output increased by a record 12.7% in 2021

- Growth driven by infrastructure and housebuilding
- Accommodating supply chain challenges and inflationary pressure

## Construction PMI indicates confidence

- Construction PMI 2021: average 57, peak 66
- Highest since 1997

## Confidence reflected in materials volumes

- Sharp recovery from pandemic-induced slowdown
- MPA materials volumes increased double-digit; primary aggregates +16%, asphalt +12%, ready-mixed concrete +14%

Source: ONS & MPA.

Total construction output (£bn)





# ROI market; recovery gaining traction

Growth accelerating as pandemic restrictions fade



## ROI's Modified Domestic Demand

- Growth estimated at 5.5% in 2021

## ROI construction returned to growth

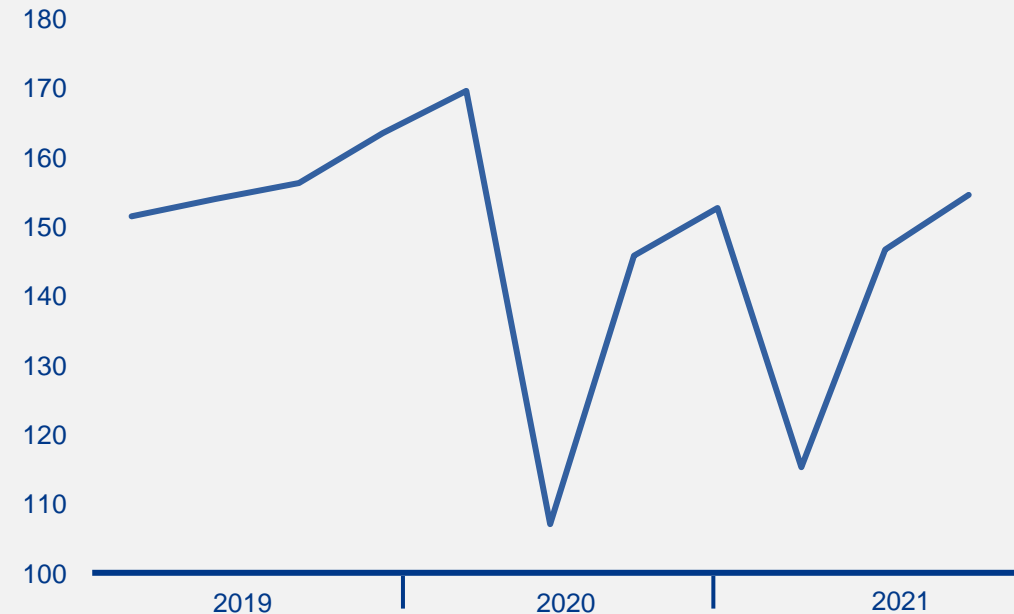
- Restrictions to non-essential construction impacted Q1
- Activity levels recovered strongly in Q2
- Euroconstruct estimates activity increased 2.7% in 2021

## Construction at the heart of the post pandemic recovery

- Construction PMI averaged 57 in the second half, having peaked at 67 in June
- Supply challenges and inflationary pressures are being navigated
- Demand remained strong

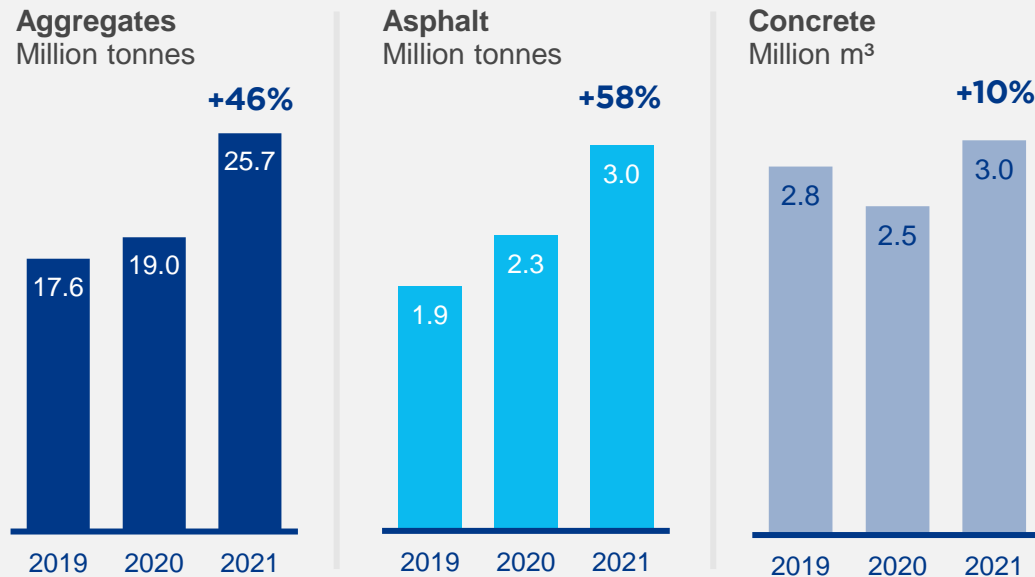
Source: CSO, Euroconstruct, Ulster Bank.

## Total construction output index



# Great Britain

Strong recovery, dynamic pricing



Note: Growth rates based on 2019 and on non-rounded volume data.



## Strong year-on-year performance

- Demand recovered during the year

## Robust market conditions

- Leading to material volume growth and price increases

## Mitigating input costs

- Dynamic pricing and hedging strategy offset input cost rises

## Cemex assets fully integrated

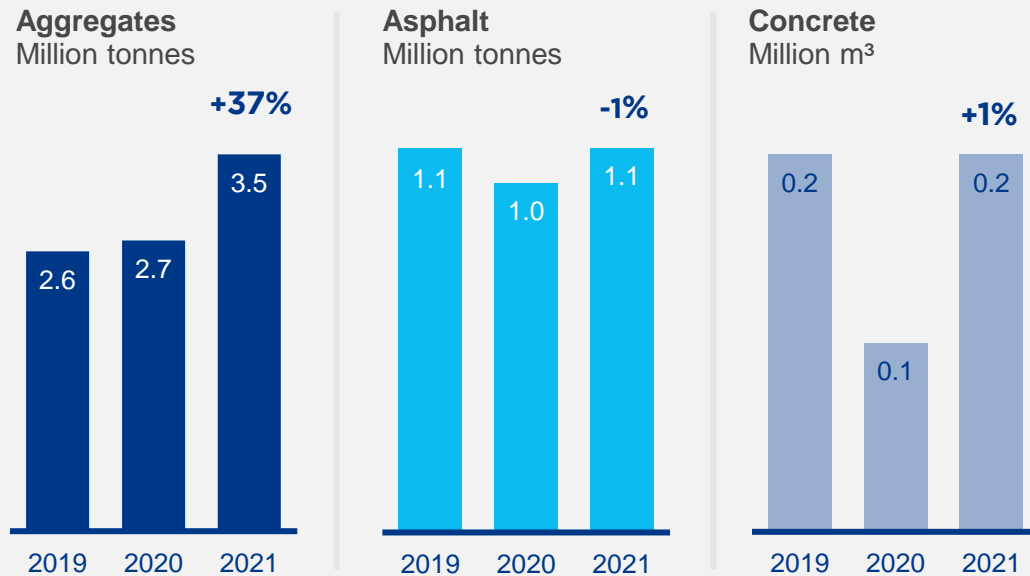
- Actions taken to implement Breedon best practice and enhance productivity

## Surfacing Solutions positioned for growth

- Team and capability expanded
- Tendering for Transport Scotland Network Management contract and National Highways Pavement framework

# Ireland

## Bounce back from early restrictions



Note: Growth rates based on 2019 and on non-rounded volume data.



### Strong recovery

- Ireland bounced back from early restrictions to non-essential construction activity in Q1

### Tendering activity increased

- Resilient bedrock of public authority customers
- Surfacing and streetlighting business performed well

### Expanding reserves and resources

- Reopened dormant quarries, extended existing quarries

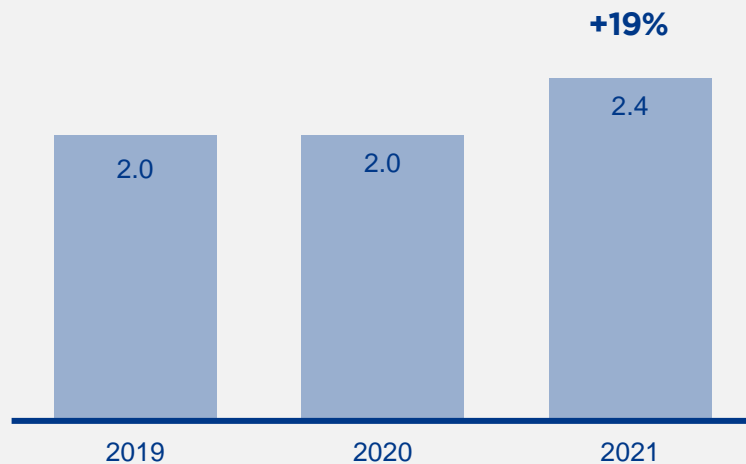
### Recovered input cost increases

- Dynamic pricing and forward hedging mitigated cost pressure

# Cement

## World class plant performance

Cement  
Million tonnes



Note: Growth rates based on 2019 and on non-rounded volume data.



### Elevated demand

- Structural growth drivers and pandemic-related disruption
- Conditions in place for strong demand

### World class plant performance

- Hope achieved world class reliability for the third consecutive year
- Kinnegad increased alternative fuel use to 75%

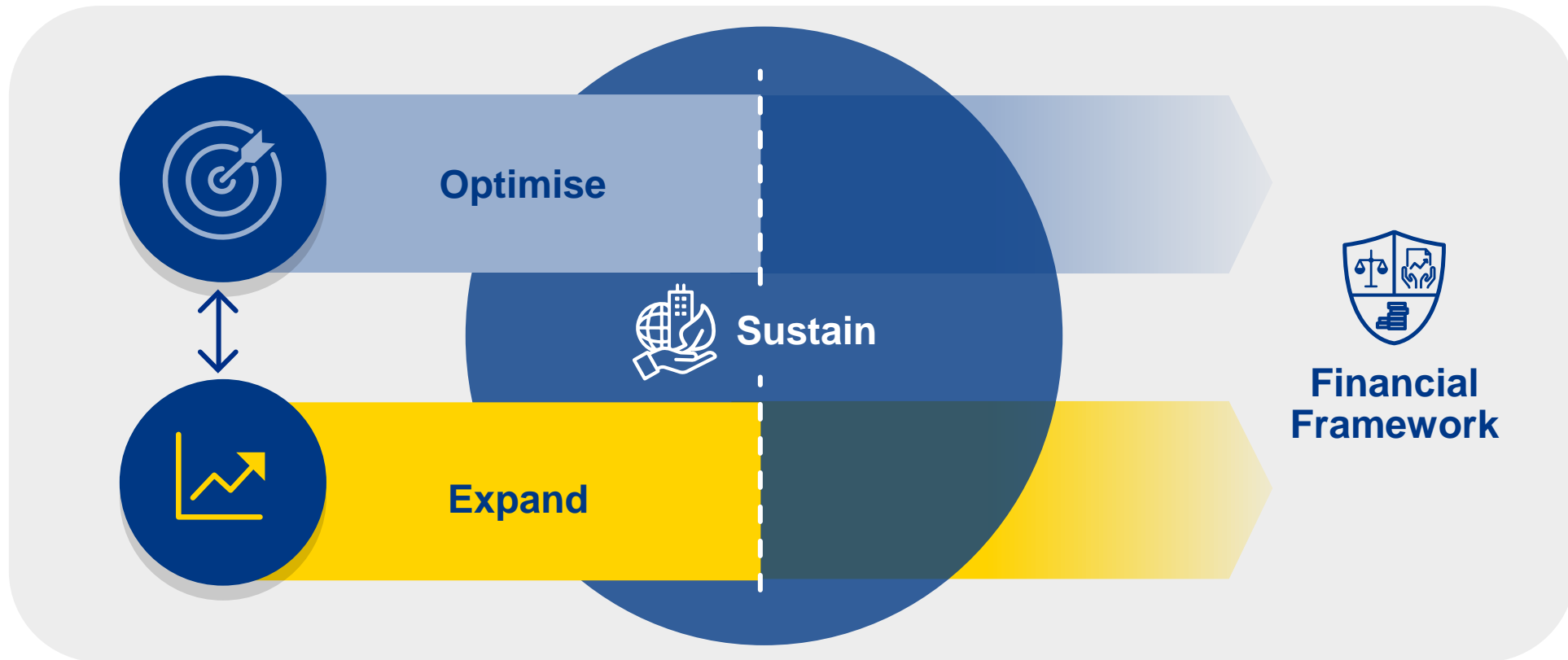
### Moving towards our sustainability commitments

- Increasing utilisation of alternative raw materials
- Collaborating with the HyNet project in the UK to develop carbon capture and use or storage (CCUS)

### Successfully mitigating input cost increases

# Delivering the next chapter sustainably

Our strategy has evolved



**Creating sustainable value for all of our stakeholders over the long-term**



# Sustain: Delivering our strategy

Enhanced disclosure and transparency



Pillar	PLANET	PEOPLE	PLACES
2030 Target	30% reduction in gross carbon intensity per tonne cementitious product by 2030 (from 2005 baseline)	Positively impact more than 100,000 people by 2030	50% of our concrete and asphalt sales revenue in 2030 will be from products with enhanced sustainability attributes
FOCUS AREAS	<ul style="list-style-type: none"><li>Carbon reduction</li><li>Responsible resource use and waste reduction</li><li>Positive impact on nature and biodiversity</li></ul>	<ul style="list-style-type: none"><li>Develop and empower a diverse, talented workforce</li><li>Positive impact on the communities in which we operate</li></ul>	<ul style="list-style-type: none"><li>Products and services that deliver higher performance, resource efficient buildings and resilient, low impact infrastructure</li><li>Collaboration to develop innovative solutions to help customers mitigate impacts of climate change</li></ul>

**UNDERPINNED BY FUNDAMENTAL OPERATING PRINCIPLES**



# Optimise: Continuous improvement

Driving efficiency, increasing utilisation



## Hyndford quarry in Scotland



- Reactivated dormant assets
- New blends utilised secondary aggregate by-products to meet local demand
- Replaced leased plant and trucks with modified conveyor belts
- Improved efficiency and safety, reduced fuel consumption



## Shap quarry in Cumbria



- Dormant quarry with existing rail head
- Reopened and restored
- Delivering high quality aggregate into the Midlands via the extended rail network



# Optimise: Continuous improvement

Driving sustainability benefits



## Llandudno junction

- New railhead opened
- Enables transport of Welsh Slate by-product to new markets
- Extends our GB and Cement rail network reach



## Mansfield asphalt plant

- New asphalt plant approved
- Offers roughly 33% greater output
- Additional fuel source options
- Ability to use up to 50% recycled asphalt







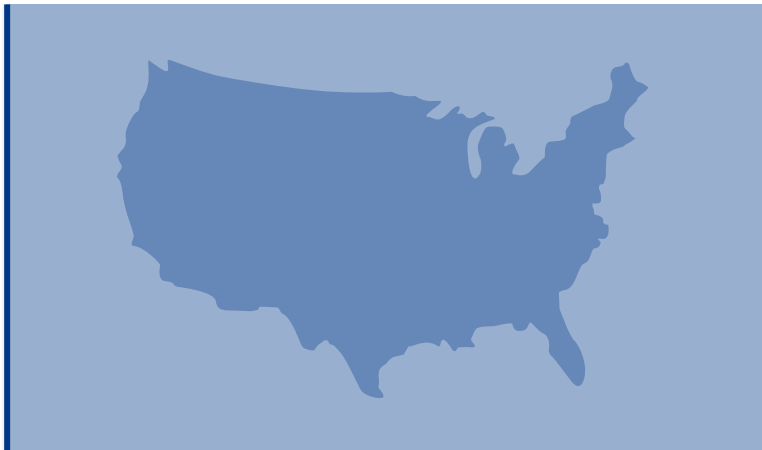
# Expand: Growth optionality

Multiple capital deployment options



## Organic

- Accelerated growth-focused capital investment programme
- Focus on replenishing mineral reserves and resources
- Growing downstream surfacing activities



## M&A

- Express Minimix extended reach and capability
- Pipeline of bolt-on acquisitions
- In-fill geographical locations the UK and Ireland
- Advancing 3<sup>rd</sup> platform plans; appointed Business Development Director





# OUTLOOK AND SUMMARY

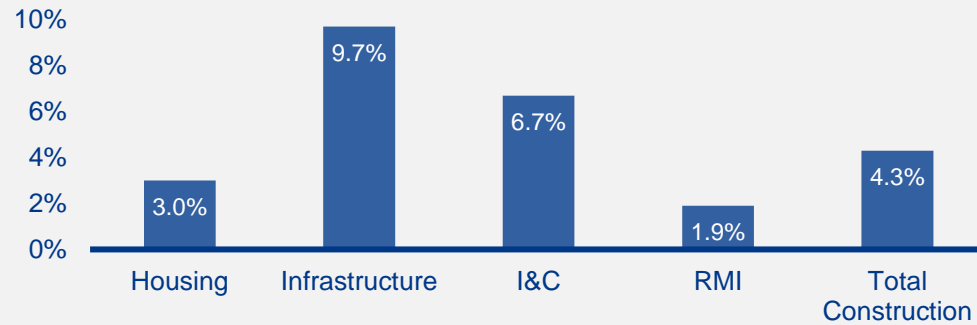
—  
ROB WOOD, CHIEF EXECUTIVE OFFICER

# Market outlook

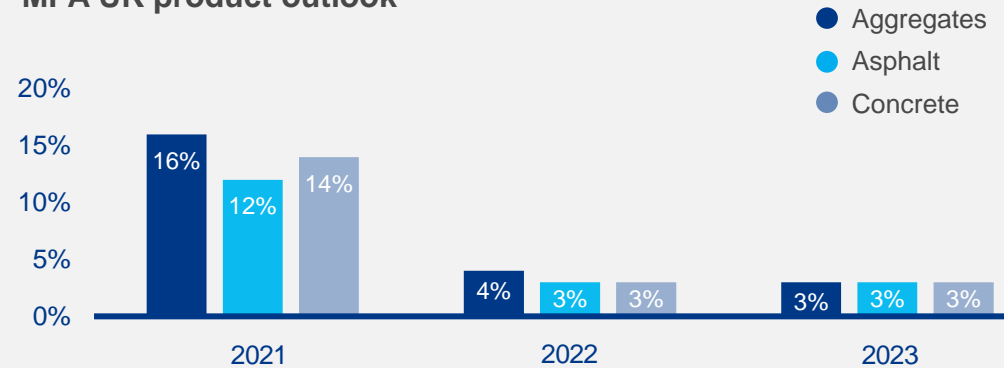
Positive prospects in the UK and RoI



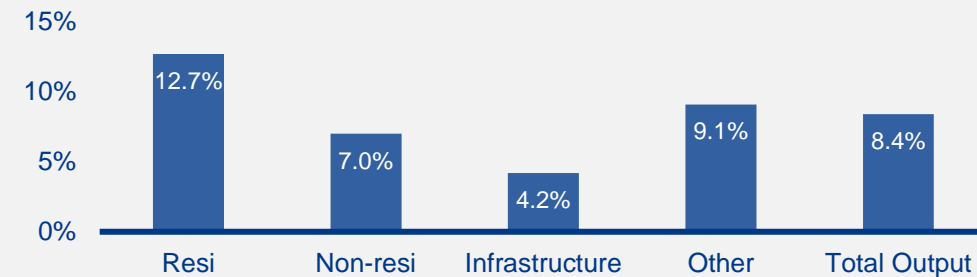
UK Construction output growth forecast 2022



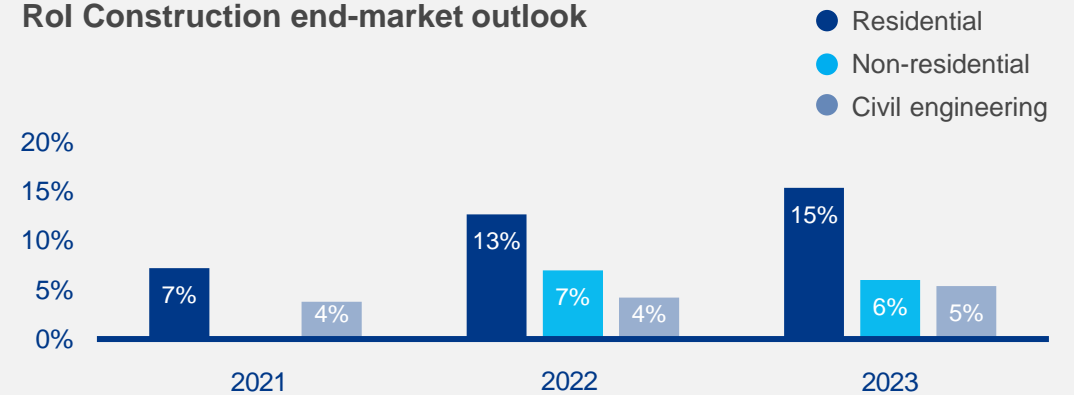
MPA UK product outlook



RoI Construction output growth forecast 2022



RoI Construction end-market outlook



Source: CPA, MPA, CSO & Euroconstruct.

# A year to be proud of

Strong position to move forward from



Summary



## Positive outlook

Underpinned by UK and Irish Governments' spending plans



## Encouraging enquiries

Healthy order levels



## Growing confidence

Pandemic related disruption fading

**Positioned to deliver profitable sustainable and cash generative growth**



# Q&A



## BREEDON ANNUAL RESULTS 2021



# APPENDIX

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BREEDON ANNUAL RESULTS 2021

# We are making a material difference



## Our Purpose

To make a material difference to the lives of our colleagues customers and communities

## Our Vision

To be a leading vertically-integrated international construction materials group

## Our Values

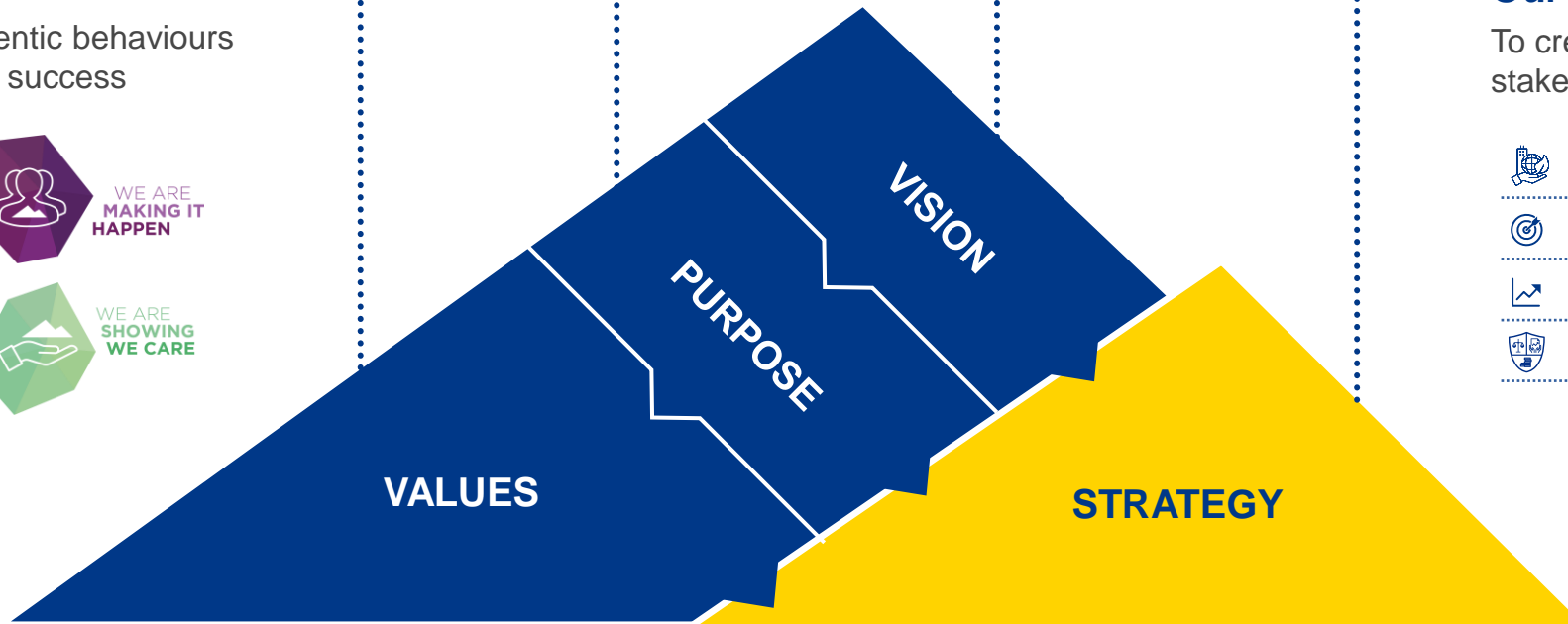
To adopt clear authentic behaviours to ensure long-term success



## Our Strategy

To create sustainable value for all stakeholders over the long-term

- SUSTAIN
- OPTIMISE
- EXPAND
- FINANCIAL FRAMEWORK

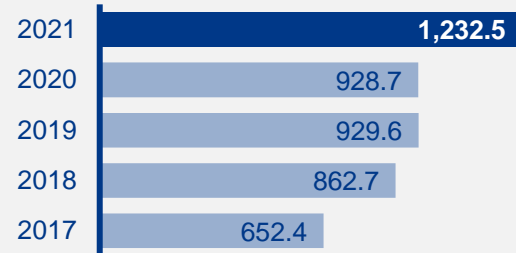


# Our track record

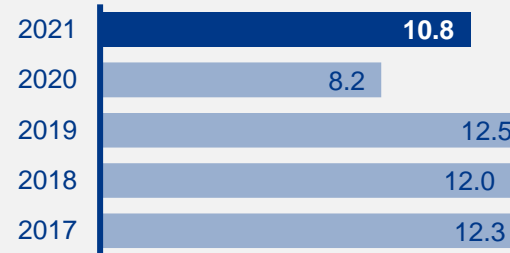
## Financial KPIs



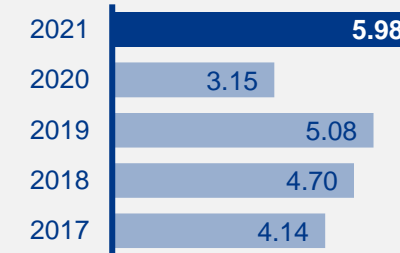
### Revenue £m



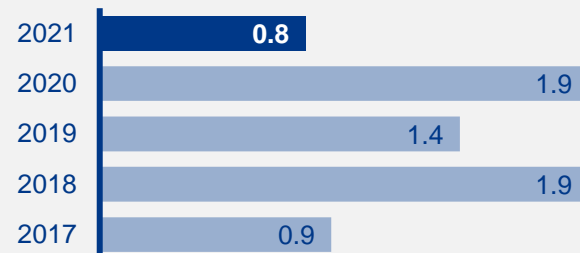
### Underlying EBIT Margin %



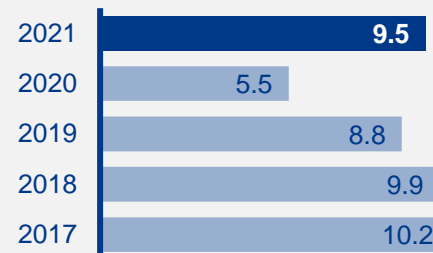
### Adjusted Underlying Basic EPS pence



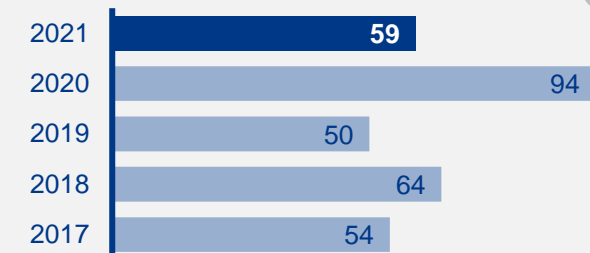
### Covenant Leverage times



### Return on Invested Capital %



### Free Cash Flow Conversion %



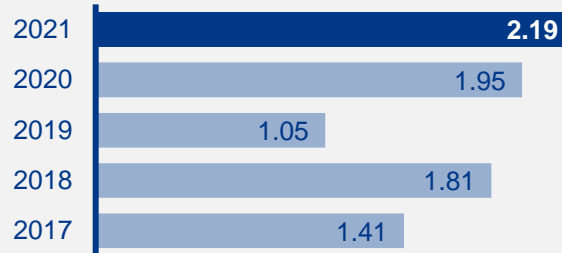


# Our track record

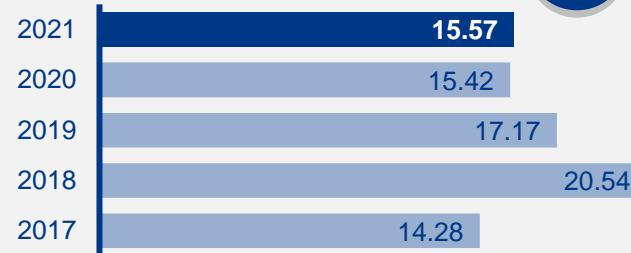
## Non-financial KPIs



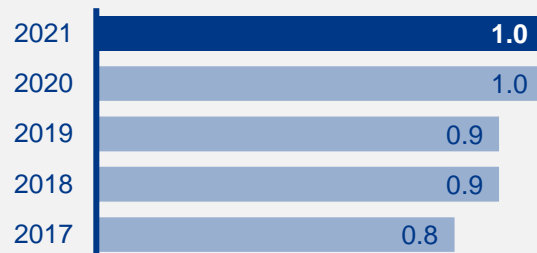
### Employee LTIFR per million hours worked



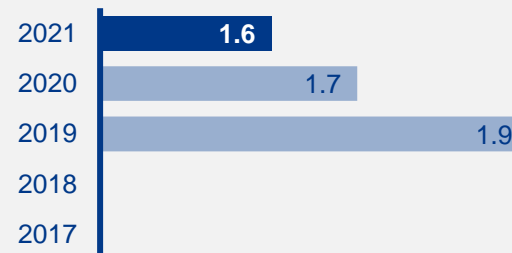
### Employee TIFR per million hours worked



### Reserves and resources billion tonnes

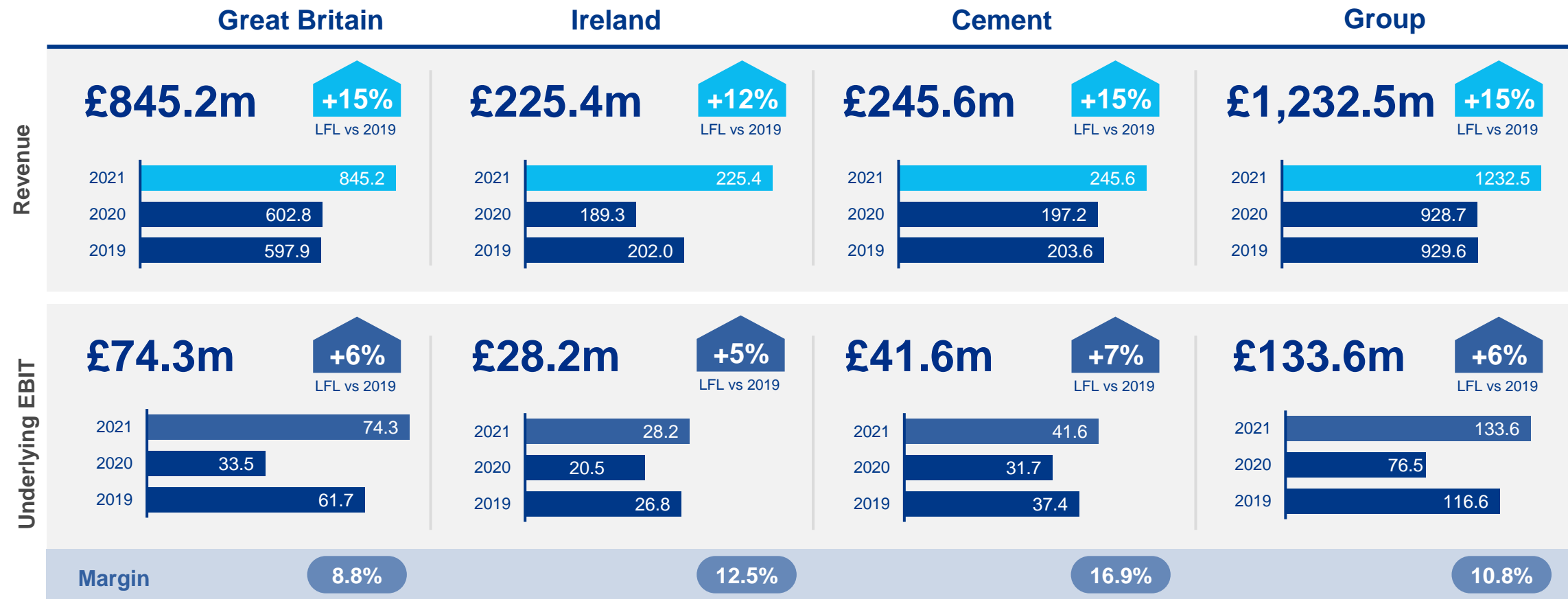


### Emission intensity kgCO<sub>2</sub> per £/revenue



# Divisional performance

Strong revenue growth across all divisions

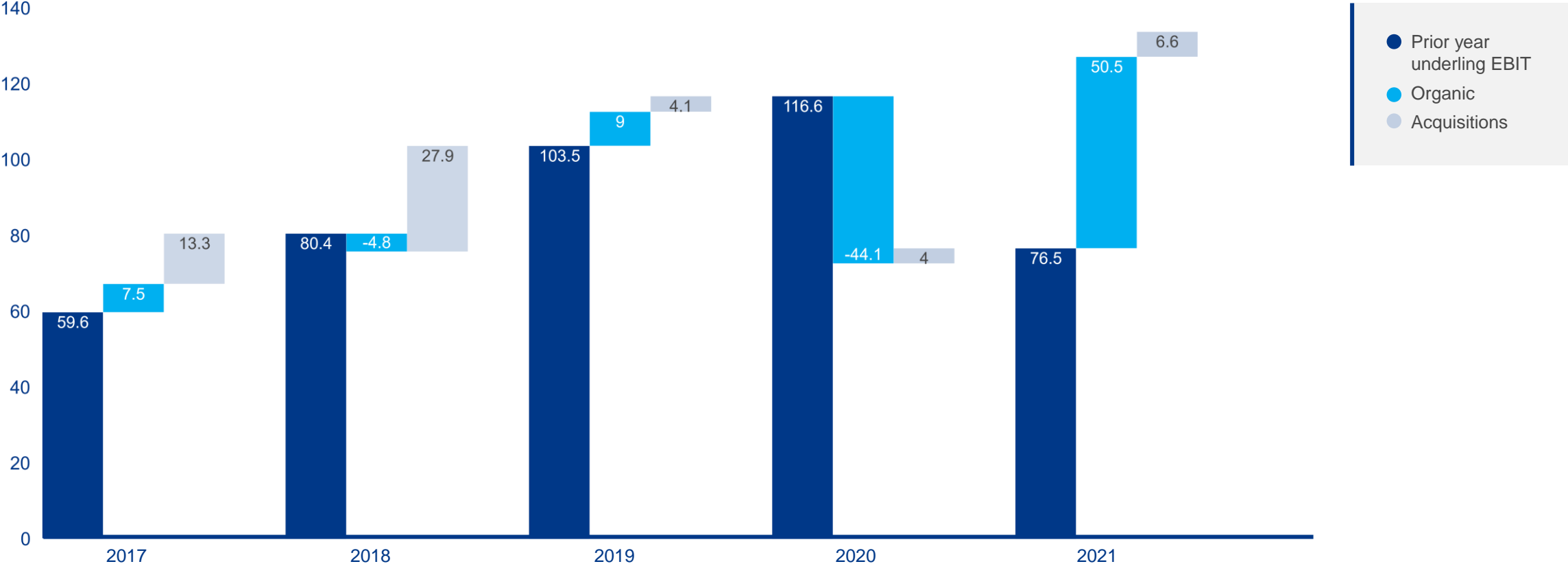


# Track record of balanced growth

M&A complemented by organic growth



Underlying EBIT components 2017-2021 (£m)



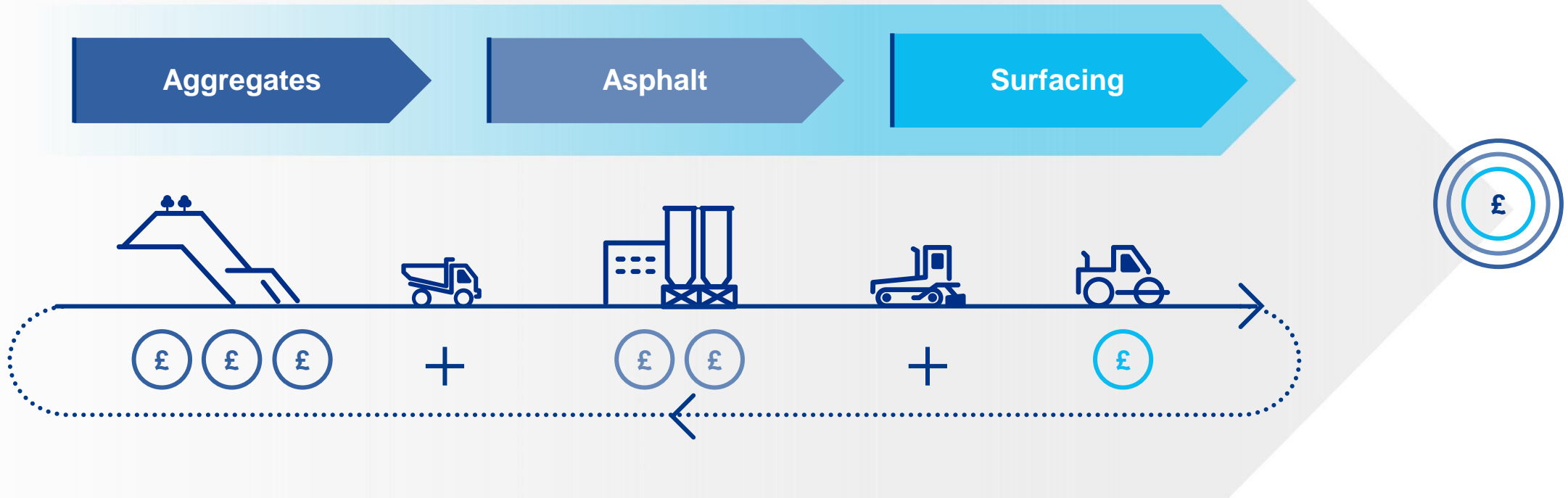


# Expand: Growing downstream activities

Growing surfacing solutions drives cumulative margin benefits



Surfacing pulls-through high margin products

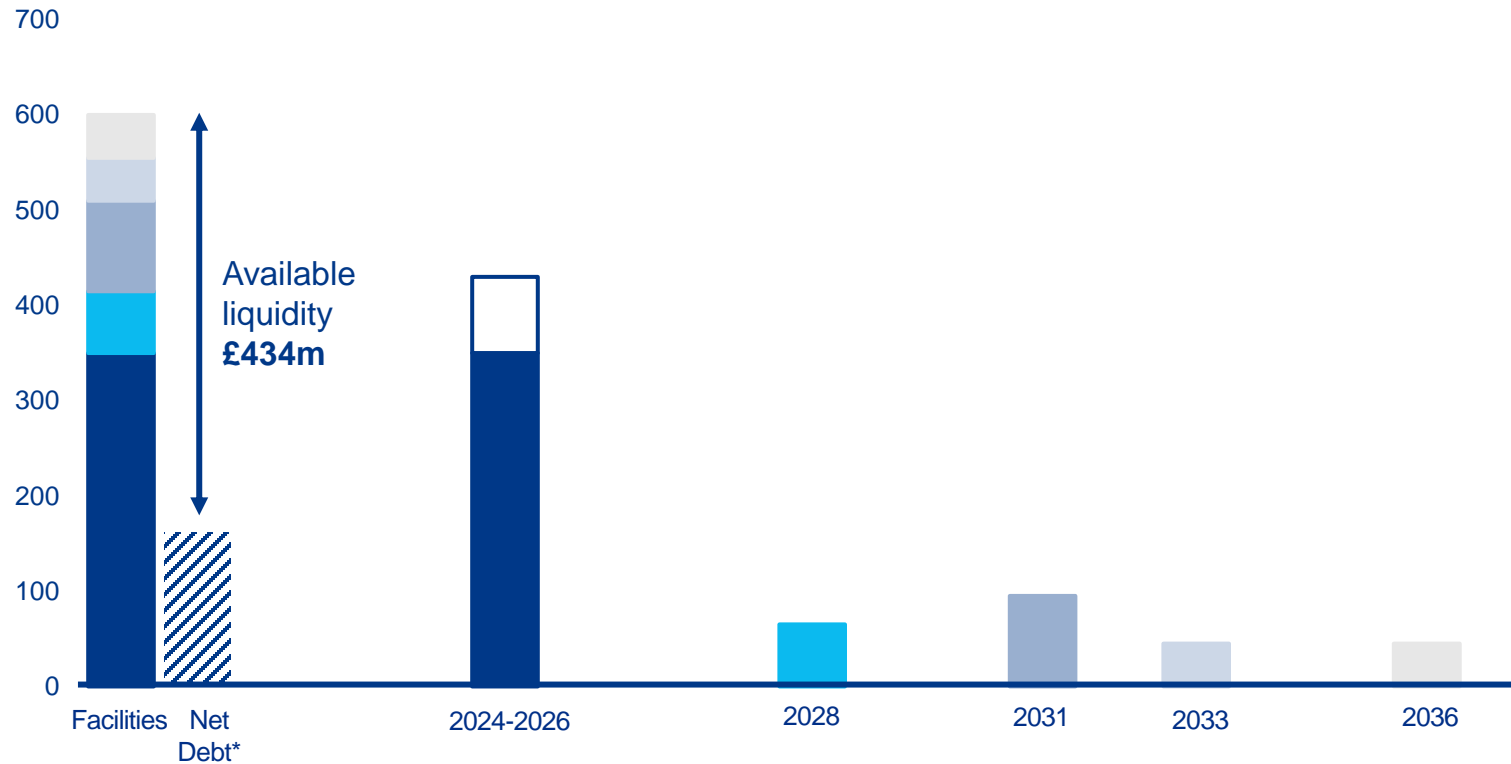


# Financing Breedon's Future

Diversified sources of finance at low interest rates



Debt finance positioned to support future growth



- RCF
- Accordion
- USPP28
- Cash
- USPP31
- USPP33
- USPP36

## 2021 Refinancing

£350 million unsecured RCF  
 £250 million US Private Placement  
 RCF initial interest rate 2%  
 USPP average rate c.2%

\* Net debt as at 31 December 2021. Excludes IFRS 16 lease liabilities.

# 2021 Income Statement



£ million	2021	2020
Revenue	1,232.5	928.7
Underlying EBITDA	214.0	149.2
Depletion & depreciation	(83.3)	(74.4)
Underlying operating profit	130.7	74.8
Share of associate and joint ventures	2.9	1.7
Underlying EBIT	133.6	76.5
Interest	(13.1)	(13.5)
Non-underlying items	(6.2)	(14.9)
Profit before tax	114.3	48.1
Tax at effective rate	(18.4)	(8.5)
Change in deferred tax rate	(17.3)	(5.9)
Taxation	(35.7)	(14.4)
<b>Profit for the period</b>	<b>78.6</b>	<b>33.7</b>
<b>Underlying Basic EPS</b>	<b>4.96p</b>	<b>2.80p</b>
<b>Adjusted Underlying Basic EPS</b>	<b>5.98p</b>	<b>3.15p</b>

# 2021 Balance Sheet



£ million	2021	2020*
Property, plant and equipment	799.5	812.2
Intangible assets	501.5	512.6
Investment in associate and joint ventures	12.2	11.2
Inventories	62.0	59.4
Trade and other receivables	210.4	192.9
Current tax receivable		0.9
<b>Total assets (excluding cash)</b>	<b>1,585.6</b>	<b>1,589.2</b>
Trade and other payables	(257.7)	(245.5)
Provisions	(73.4)	(65.3)
Current tax payable	(4.7)	-
Deferred tax liabilities	(87.5)	(71.7)
<b>Total liabilities (excluding interest-bearing loans and borrowings)</b>	<b>(423.3)</b>	<b>(382.5)</b>
<b>Net debt</b>	<b>(212.5)</b>	<b>(318.3)</b>
<b>Net assets</b>	<b>949.8</b>	<b>888.4</b>

\* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period and classification of trade and other receivables.

# 2021 Cash Flow



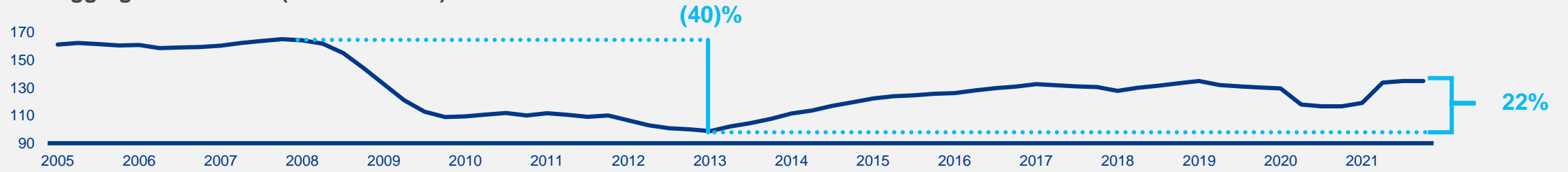
£ million	2021	2020
Underlying EBITDA	214.0	149.2
Working capital and provisions	2.8	56.0
Interest paid	(9.4)	(10.3)
Income taxes paid	(13.6)	(20.7)
Other	0.3	(5.8)
<b>Net cash from operating activities</b>	<b>194.1</b>	<b>168.4</b>
(Acquisition)/divestment of businesses	(6.1)	(142.7)
Net capex	(71.3)	(36.4)
Dividends from associate and joint ventures	1.9	1.3
<b>Net cash used in investing activities</b>	<b>(75.5)</b>	<b>(177.8)</b>
Dividends paid	(8.4)	-
Shares issued	1.4	1.6
Loan (repayments)/drawdowns	(49.2)	26.1
Lease payments	(9.7)	(10.8)
<b>Net cash (used in)/from financing activities</b>	<b>(65.9)</b>	<b>16.9</b>
<b>Net increase in cash and cash equivalents</b>	<b>52.7</b>	<b>7.5</b>



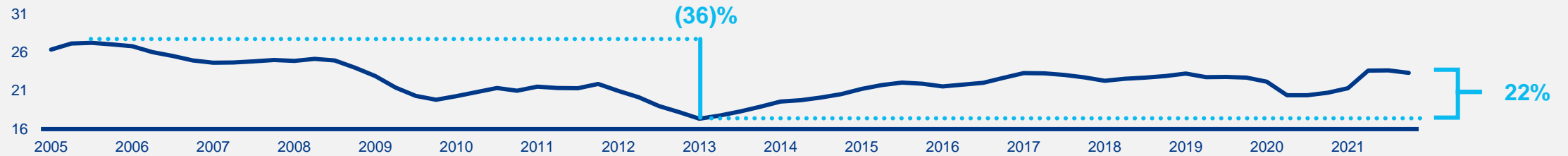
# MPA volumes



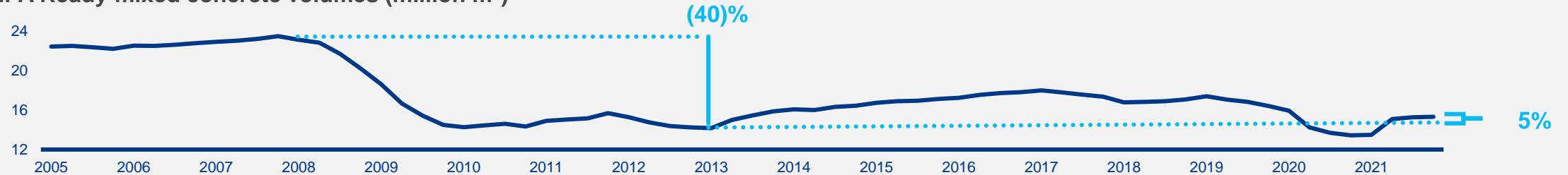
MPA Aggregates volumes (million tonnes)



MPA Asphalt volumes (million tonnes)



MPA Ready-mixed concrete volumes (million m<sup>3</sup>)



Note: Percentages show the % fall from peak to trough and the % recovery of the peak to trough fall to date.

Source: MPA member volumes. Product volumes reflect total market volumes for primary aggregates and MPA member volumes for asphalt and ready-mixed concrete.

# Supplying Long-Term Growth Markets

Broad Government support for construction in the UK and Ireland



IRELAND

National Development Plan

Investment package of

**€165bn**

2021-2030

UK

National Infrastructure and Construction Pipeline

Nearly

**£650bn**

investment roadmap to 2030


# Market consensus

Company compiled March 2022



2021

2022

	2021		2022	
	Average	Range	Average	Range
 <b>Revenue</b>	£1,219m	£1,198m - £1,242m	£1,278m	£1,245m - £1,316m
 <b>Underlying EBIT</b>	£132.9m	£131m - £135m	£142.2m	£137m - £152m
 <b>Underlying basic earnings per share</b>	4.9p	4.7p - 5.7p	6.2p	5.7p - 6.7p
 <b>Net debt</b>	£258m	£250m - £283m	£211m	£184m - £253m