

# 2016 FULL-YEAR RESULTS



8 March 2017



# 2016 FULL-YEAR RESULTS



## Introduction

Peter Tom CBE

Executive Chairman

## Financial review

Rob Wood

Group Finance Director

## Group & operational review

Pat Ward

Group Chief Executive

## Q & A

joined by:

Alan Mackenzie

Chief Executive, Breedon Northern

Tim Hall

Chief Executive, Breedon Southern

Ashley Bryan

Managing Director, Hope Cement

# PETER TOM CBE Executive Chairman



## 2016: A TRANSFORMATIONAL YEAR



- Breedon transformed by the acquisition of Hope Construction Materials
- Improved sales & profits from former Breedon Aggregates businesses and 5-month contribution from Hope
- Acquisition of Sherburn Minerals Group
- Significantly increased investment in capacity and operational improvements
- Further improvement in safety performance
- Strong platform for growth established

# ROB WOOD

## Group Finance Director



# 2016 FINANCIAL RESULTS

## HOW WE ARE REPORTING



Breedon Southern comprises business of former Breedon Aggregates England

Breedon Northern comprises business of former Breedon Aggregates Scotland

Hope Cement comprises business of former Hope Construction Materials: part of the Group for the last 5 months of the year

# 2016 FINANCIAL HIGHLIGHTS



Revenue

**£454.7m**

2015: £318.5m +43%

Underlying EBIT\*

**£59.6m**

2015: £37.8m +58%

Underlying EBIT margin\*

**13.1%**

2015: 11.9% +1.2ppt

Profit before tax

**£46.8m**

2015: £31.3m +50%

Underlying basic EPS\*

**3.49p**

2015: 2.68p +30%

Net debt

**£159.3m**

2015: net cash £10.3m

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

# 2016 INCOME STATEMENT

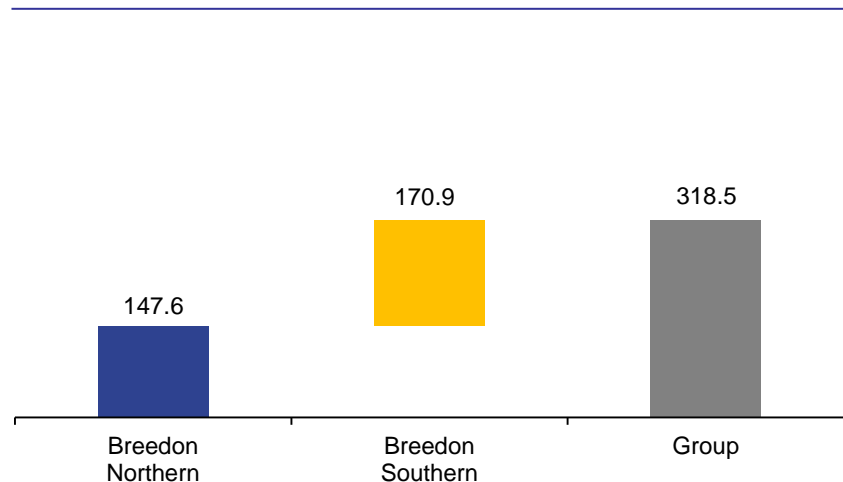


	2015 £ million	2016 £ million	Variance %
Revenue	318.5	454.7	+43%
Underlying EBITDA	54.9	83.7	+52%
Depletion & depreciation	(17.8)	(25.5)	
Underlying operating profit	37.1	58.2	+57%
Share of associate and joint ventures	0.7	1.4	
Underlying EBIT	37.8	59.6	+58%
Interest	(2.8)	(4.5)	
Non-underlying items	(3.7)	(8.3)	
Profit before tax	31.3	46.8	+50%
Taxation	(6.3)	(10.0)	
Profit for the year	25.0	36.8	+47%
Underlying basic earnings per share	2.68p	3.49p	+30%

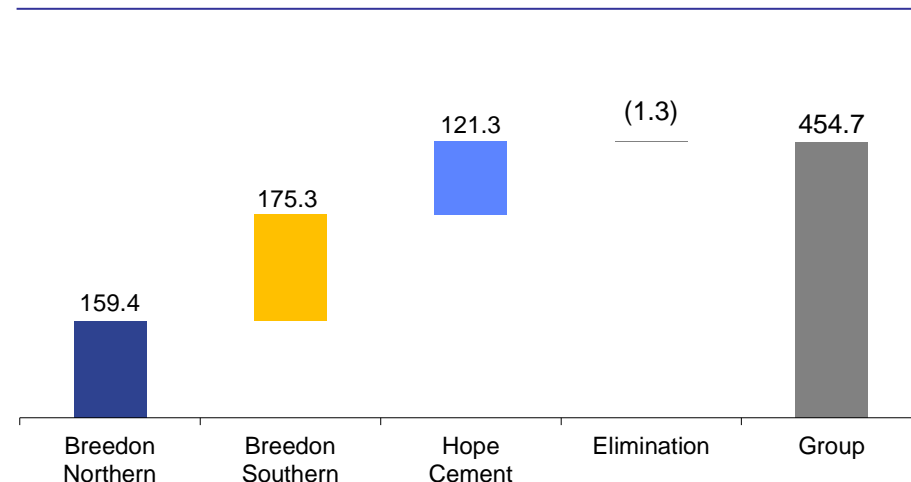


# 2016 DIVISIONAL PERFORMANCE

2015 revenue £ million



2016 revenue £ million



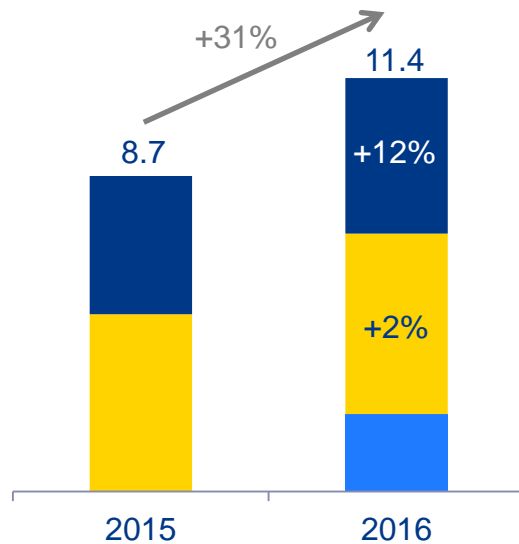
	2015 £ million	2016 £ million	Variance	2015 Underlying EBIT margin	2016 Underlying EBIT margin	Variance
Underlying EBIT						
Breedon Northern	16.1	19.9	+24%	10.9%	12.5%	+1.6ppt
Breedon Southern	27.0	34.0	+26%	15.8%	19.4%	+3.6ppt
Hope Cement	-	10.9		-	9.0%	
Head Office	(6.0)	(6.6)				
Share of associate and joint ventures	0.7	1.4				
<b>Underlying EBIT</b>	<b>37.8</b>	<b>59.6</b>	<b>+58%</b>	<b>11.9%</b>	<b>13.1%</b>	<b>+1.2ppt</b>

# 2016 PRODUCT VOLUMES



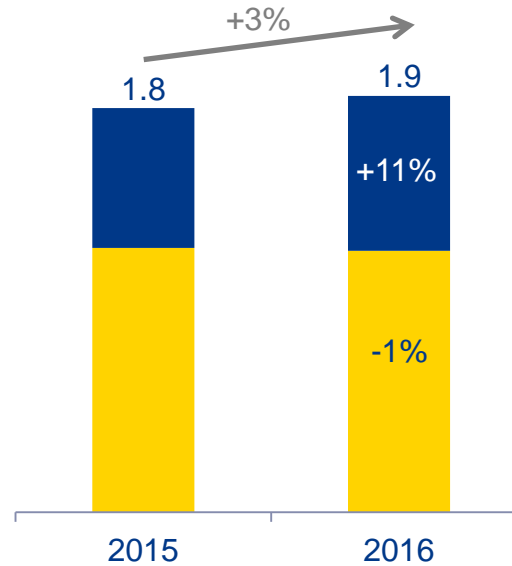
## Aggregates

million tonnes



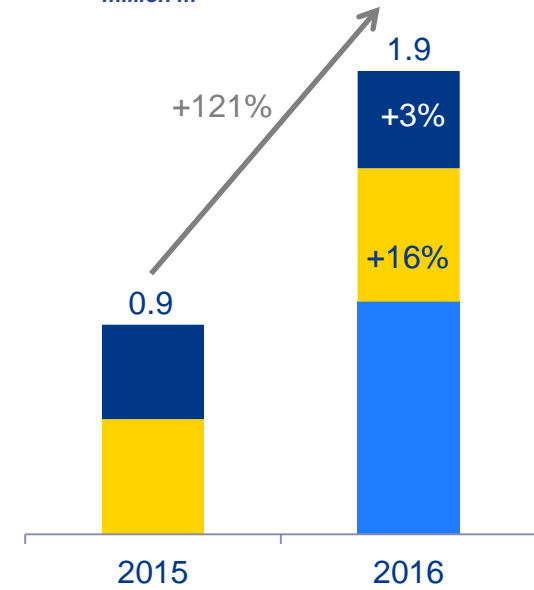
## Asphalt

million tonnes



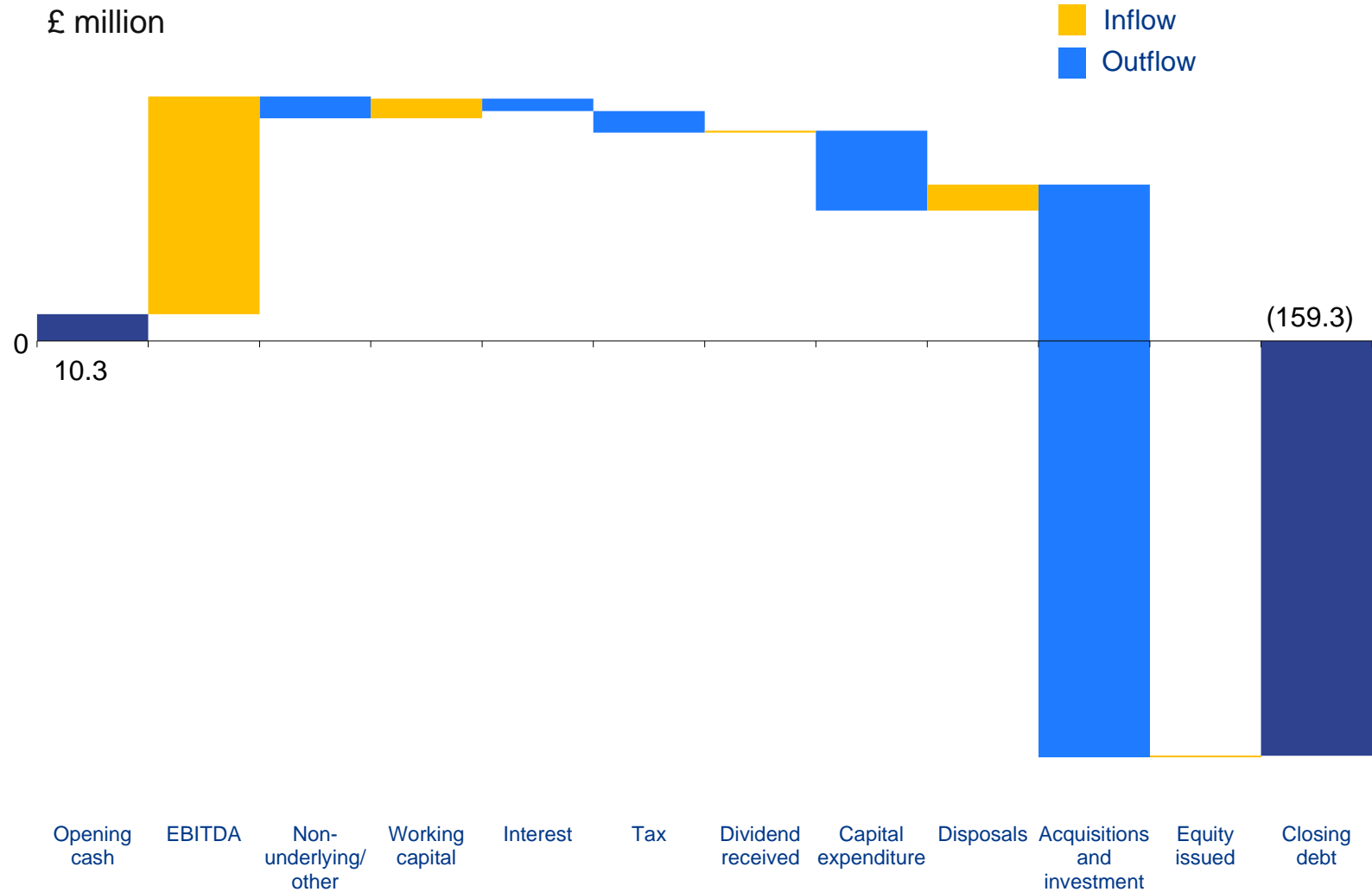
## Concrete

million m<sup>3</sup>



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

# 2016 NET DEBT MOVEMENT



# HOW WE WILL REPORT FROM 2017



# PAT WARD

## Group Chief Executive



# 2016: A RESILIENT MARKET



- GDP up 1.8%<sup>1</sup>
- Construction output up 1.5%<sup>2</sup>
- All key product volumes ahead<sup>3</sup>:
  - aggregates +4.1%
  - asphalt +0.1%
  - concrete +4.0%
  - cementitious +4.0%
- Significant regional variations
- Better outturn than anticipated post-Brexit

1 Office for National Statistics

2 Office for National Statistics, Construction Products Association

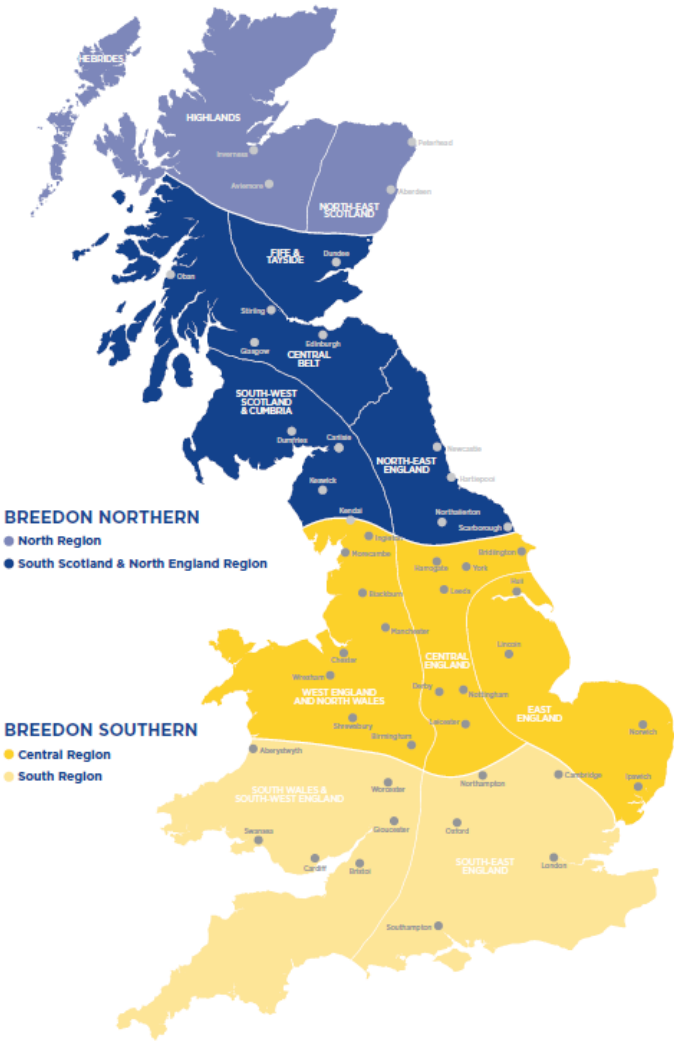
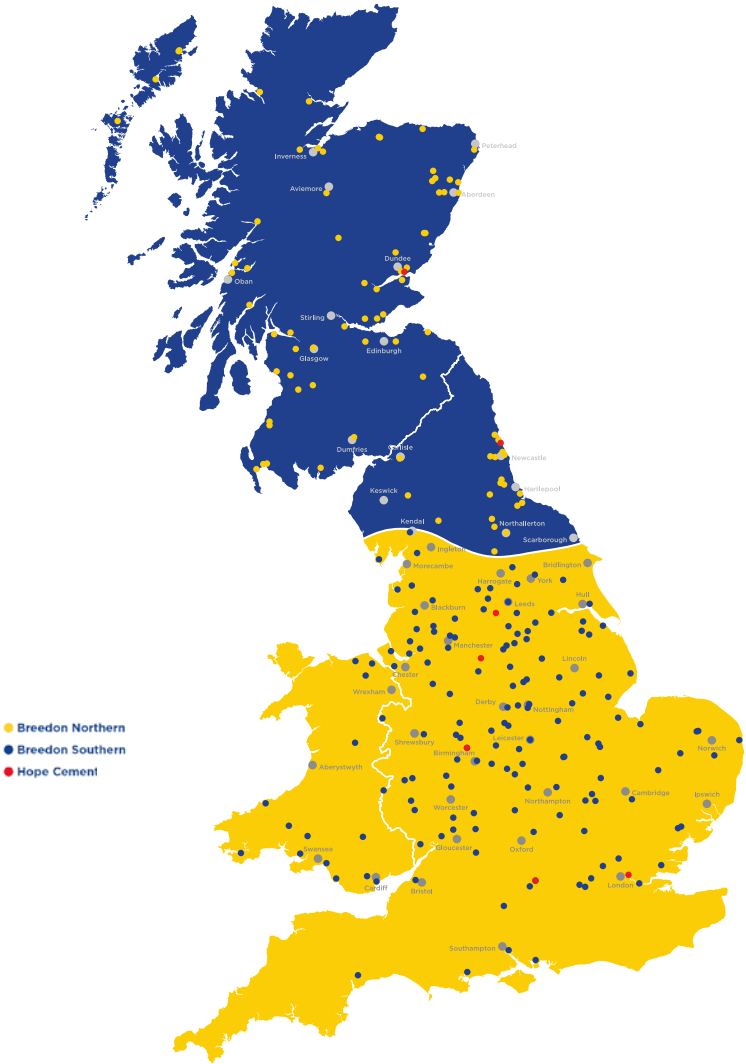
3 Mineral Products Association

## 2016: A PLATFORM FOR PERFORMANCE



- Strong platform for growth created
- Integration of Hope being smoothly effected: no trading disruption and synergies accelerated
- Minerals platform enhanced: reserves & resources now over 750m tonnes
- Continuing planned investment in plant and equipment: delivering significant capacity and operational improvements
- Committed team of 2,300 colleagues nationwide
- Safety record improved, but remains an area of focus
- New divisional, regional & area management structure established: devolving full P&L, operational & community ownership

# NEW MANAGEMENT STRUCTURE FOR 2017





# 2016: A PLATFORM FOR PERFORMANCE



## **Breedon Northern**

- Challenging market conditions
- Performance underpinned by major contract wins
- Sherburn acquired
- Full IT systems integration completed post-Hope

## **Breedon Southern**

- Varied regional demand picture
- Trading underpinned by healthy infrastructure and housing activity
- Strong performance driven by continued high service levels
- New openings in North Wales and West Country

## **Hope Cement**

- First 5 months' trading in line with expectations
- Record bulk rail deliveries, complemented by road fleet investment to optimise distribution
- Capital investment focused on manufacturing improvements
- Two import terminals acquired with Sherburn

## 2017: GROUP OUTLOOK



- A strong platform for performance
- Encouraging medium-term outlook for UK infrastructure & housing
- Benefits of major projects extending into 2017 and beyond
- Ongoing evaluation of internalisation of cement and aggregates
- Development and extension of concrete performance products portfolio
- Sustained organic improvement and growth, complemented by accretive acquisitions
- Stringent new safety targets, on our journey to Zero Harm

# BREEDON GROUP: PROFILE FROM 1 JAN 2017



around  
**2,300**  
colleagues



around  
**60**  
quarries



**26**  
asphalt plants



nearly  
**200**  
ready-mixed  
concrete  
and mortar plants



**1**  
cement plant



**2**  
cementitious import  
terminals



**8**  
rail-fed  
depots



**3**  
concrete  
products plants



**9**  
regional contract  
surfacing  
hubs

# Q & A

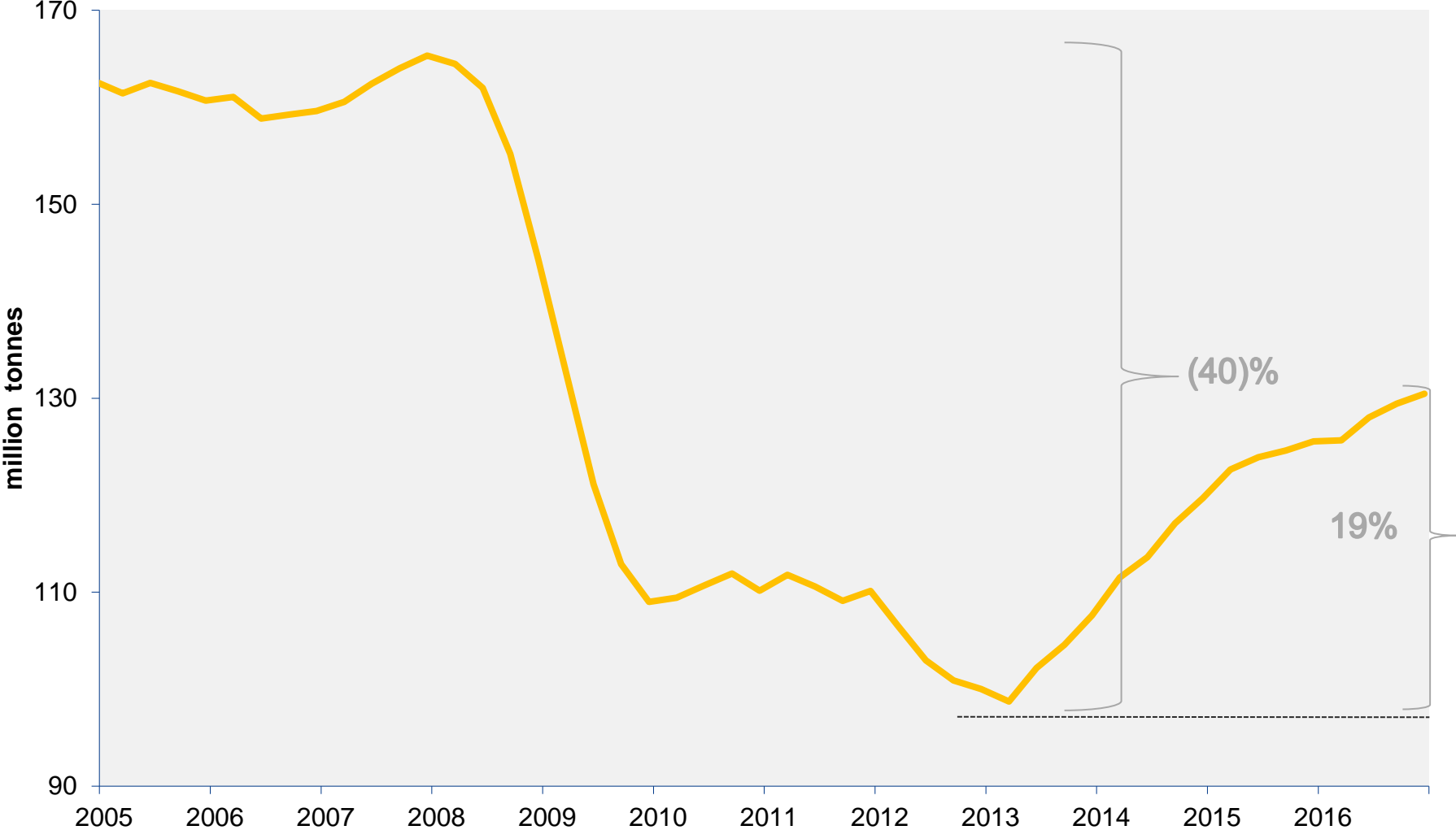


# APPENDICES

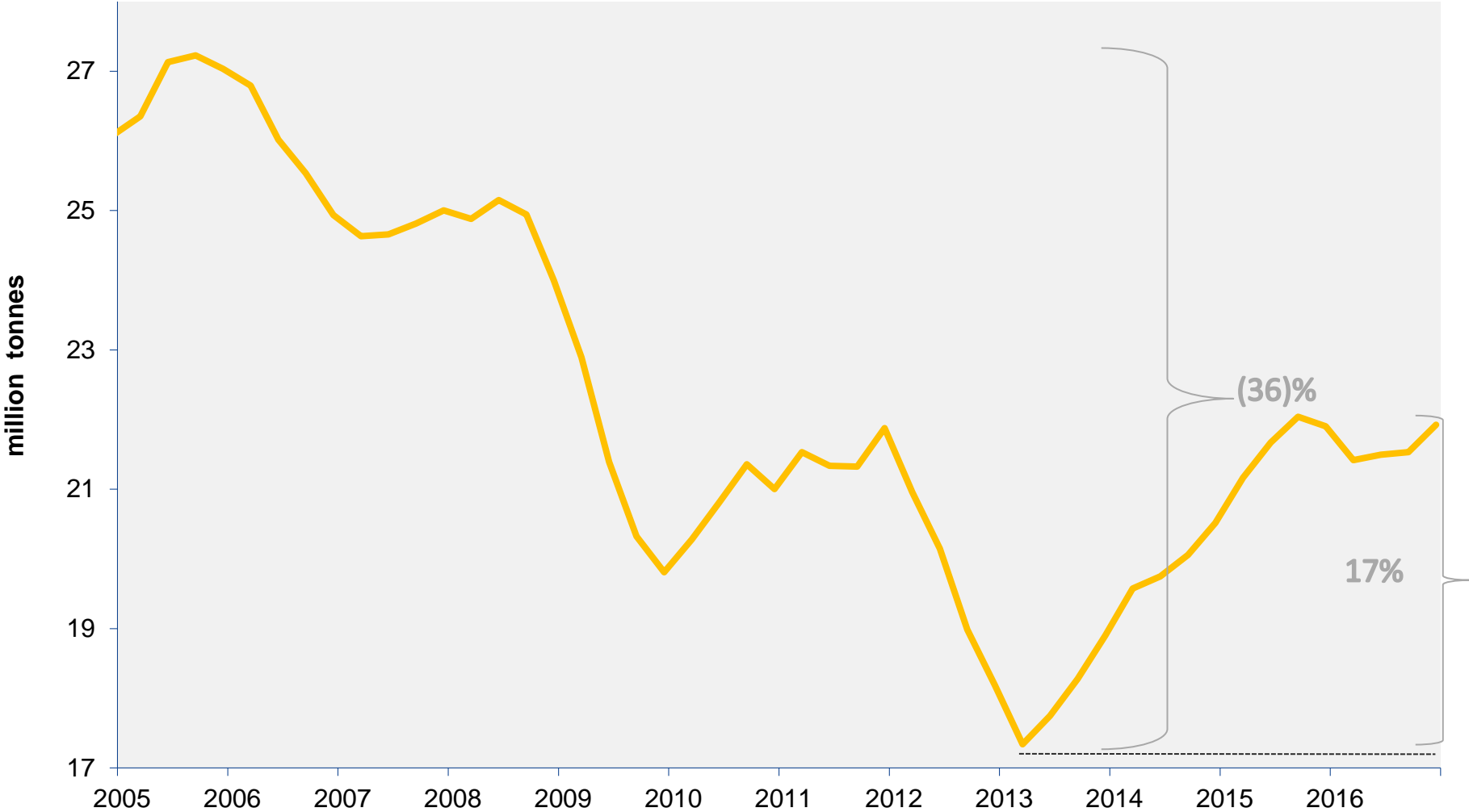
## MPA volumes



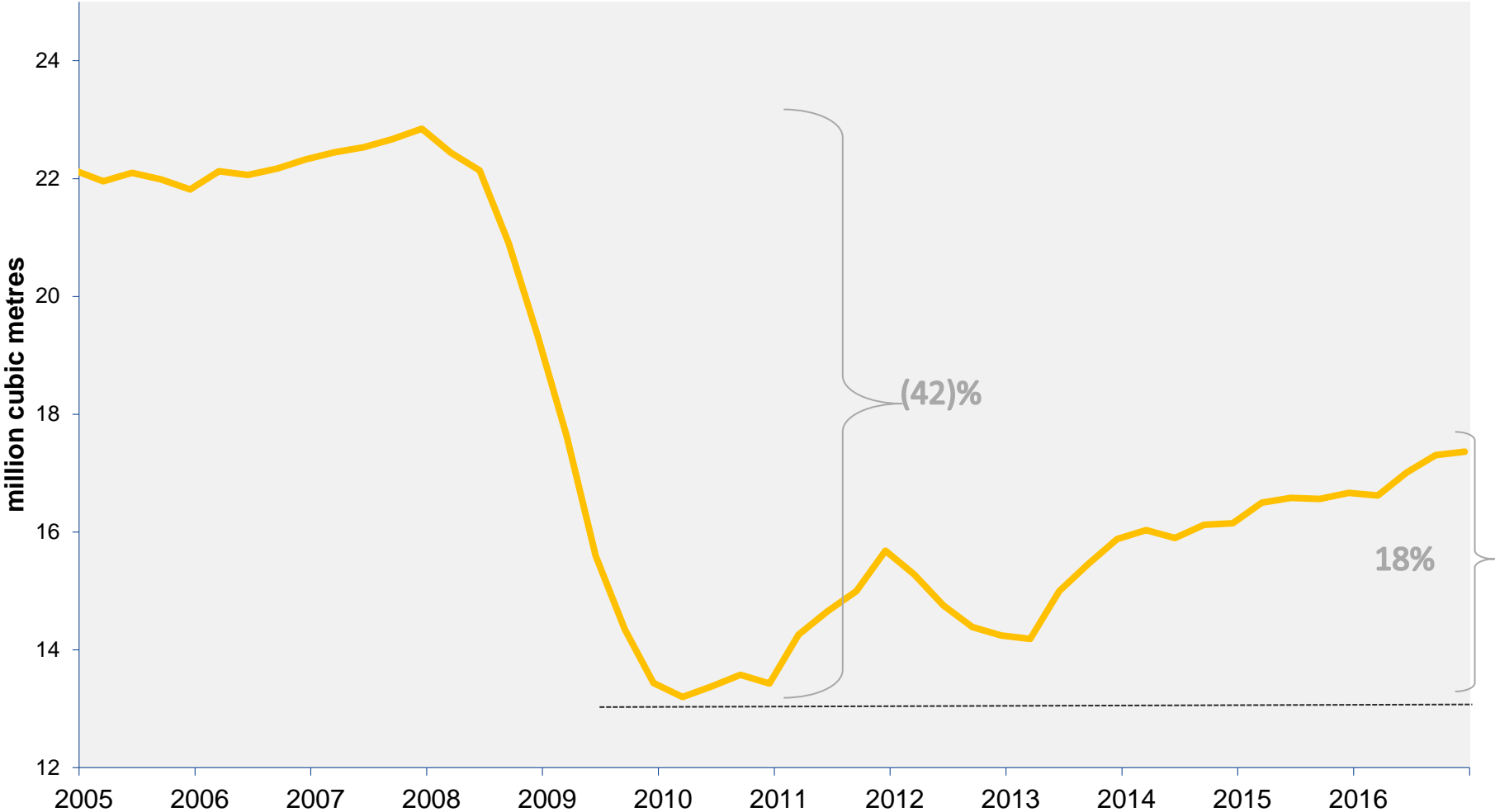
# MPA AGGREGATES VOLUMES – MAT



# MPA ASPHALT VOLUMES – MAT



# MPA READY-MIXED CONCRETE VOLUMES – MAT

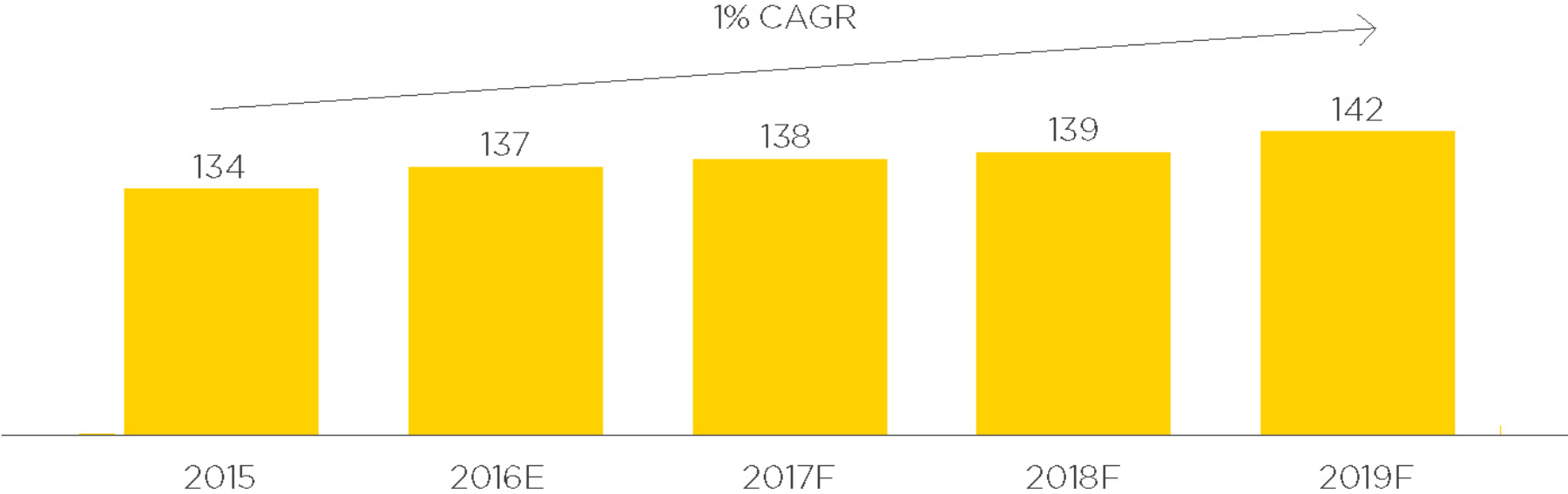




# CONSTRUCTION OUTPUT



## UK CONSTRUCTION OUTPUT 2015-2019 (£BN)

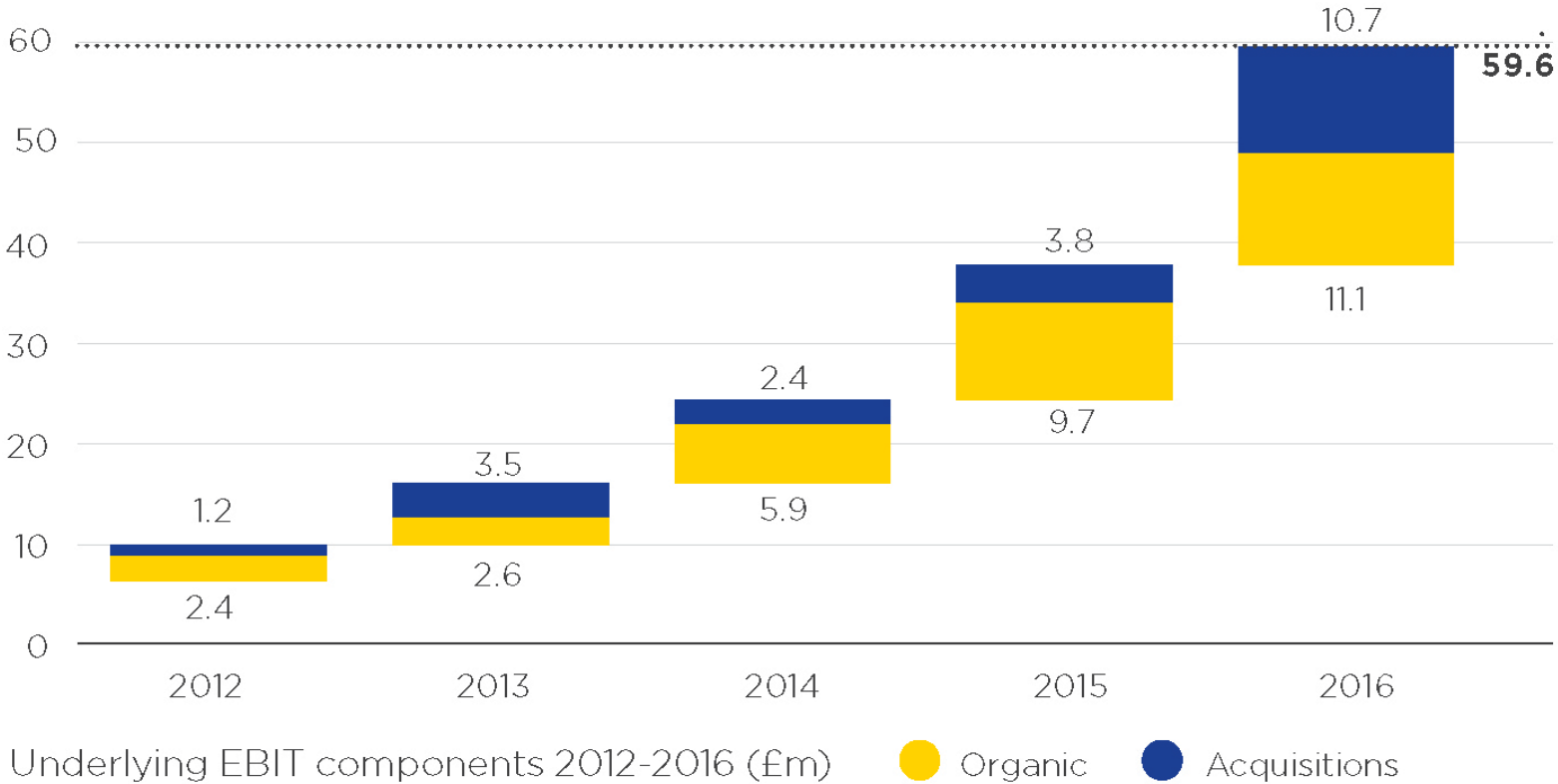


Source: Construction Products Association

# BREEDON'S TRACK RECORD (1 OF 2)



## PROFITABLE GROWTH THROUGH TARGETED ACQUISITIONS AND STRONG ORGANIC DEVELOPMENT



# BREEDON'S TRACK RECORD (2 OF 2)



2012	2013	2014	2015	2016
<b>Acquisitions and investment</b>				
<ul style="list-style-type: none"> <li>Acquisition of Nottingham Readymix</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of Aggregate Industries' Scottish operations</li> <li>Acquisition of Marshalls' quarries</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of Huntsman's Quarries</li> <li>Acquisition of Barr Quarries</li> <li>Investment in Breedon Bowen joint venture</li> </ul>	<ul style="list-style-type: none"> <li>Announcement of the acquisition of Hope</li> </ul>	<ul style="list-style-type: none"> <li>Completion of Hope acquisition</li> <li>Acquisition of Sherburn</li> </ul>
<b>Organic growth</b>				
<ul style="list-style-type: none"> <li>Launch of 1stMix</li> <li>Launch of Mobile Concrete Solutions</li> </ul>	<ul style="list-style-type: none"> <li>Major plant replacement programme for acquired units</li> <li>Start of project to increase capacity at Norton Bottoms</li> </ul>	<ul style="list-style-type: none"> <li>Reopening of West Deeping quarry</li> <li>Reopening of Ardchronie quarry</li> <li>Purchase of concrete plant at Clearwell quarry</li> <li>Opening of Cannock concrete plant</li> <li>Purchase of asphalt plants in Suffolk and Essex</li> </ul>	<ul style="list-style-type: none"> <li>Major capital investment programme at former Barr quarries</li> <li>Major upgrade commenced at Cloud Hill quarry</li> <li>Block plant upgrade at Naunton quarry</li> <li>Erection of new asphalt plant at Daviot</li> </ul>	<ul style="list-style-type: none"> <li>North Wales quarry reopened</li> <li>New concrete plant opened in Gloucestershire</li> <li>New asphalt plant commissioned at Tom's Forest quarry</li> <li>Significant fleet investments</li> <li>Breedon Whitemountain joint venture created</li> </ul>

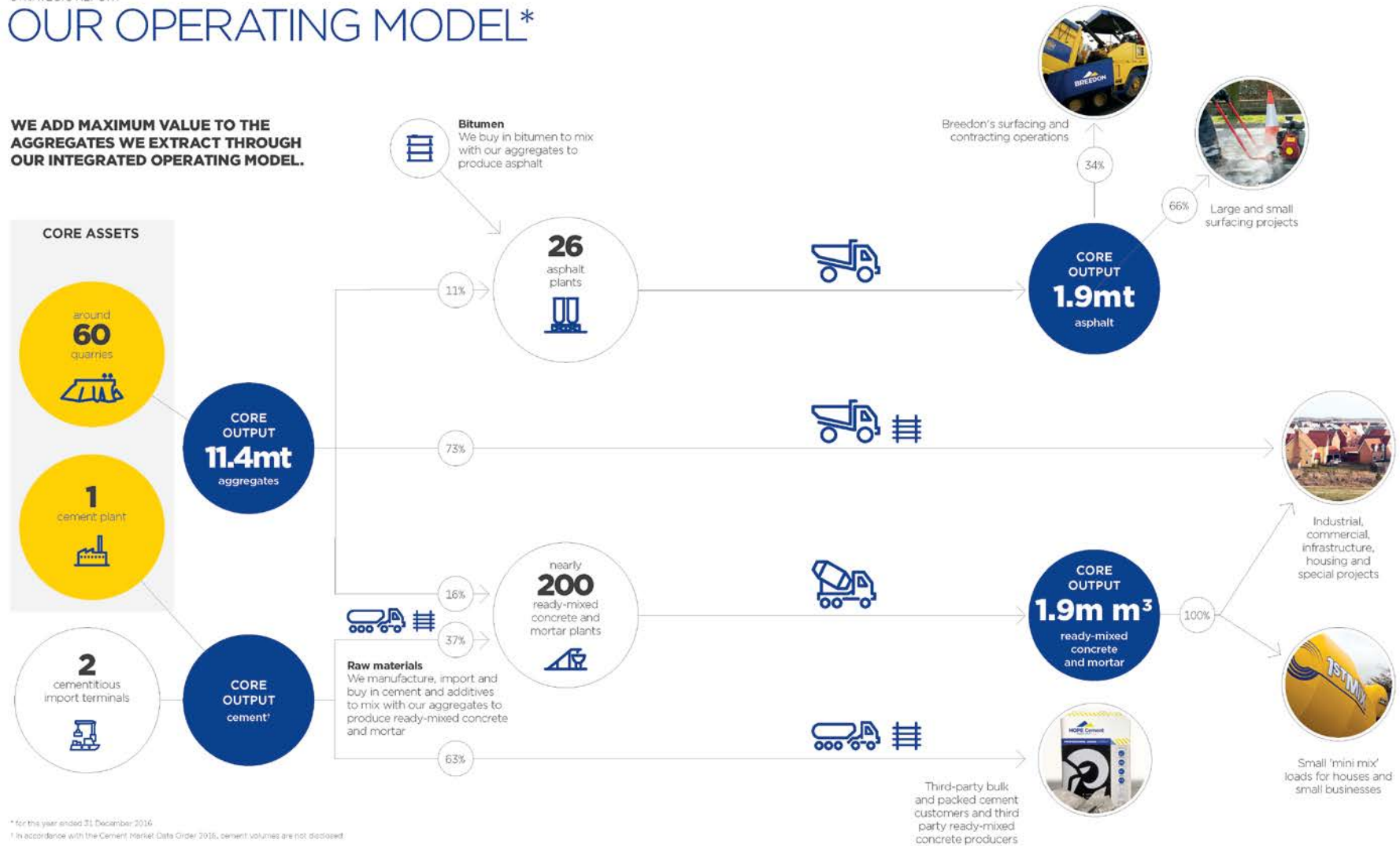
# BREEDON'S OPERATING MODEL



STRATEGIC REPORT

## OUR OPERATING MODEL\*

**WE ADD MAXIMUM VALUE TO THE AGGREGATES WE EXTRACT THROUGH OUR INTEGRATED OPERATING MODEL.**



\* for the year ended 31 December 2016

<sup>1</sup> In accordance with the Cement Market Data Order 2015, cement volumes are not disclosed.

This presentation may contain statements related to our and our subsidiaries' future business and financial performance, and future events or developments involving Breedon that are not purely historical and which may constitute forward-looking statements. These statements may be identified by words such as “expect”, “look forward to”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, “will”, “project”, or variations of such words and similar expressions. Such statements are based on the current expectations and beliefs of, and certain assumptions made by, and information currently available to, Breedon management, and are therefore subject to certain risks and uncertainties. A variety of factors, many of which are beyond Breedon's control, affect our operations, performance, business strategy, and results and could cause the actual results, performance or achievements of Breedon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. Forward-looking statements should be evaluated in the context of these factors.