



MAKING A
MATERIAL
DIFFERENCE

BREEDON GROUP
INVESTOR PRESENTATION

May 2020



Agenda



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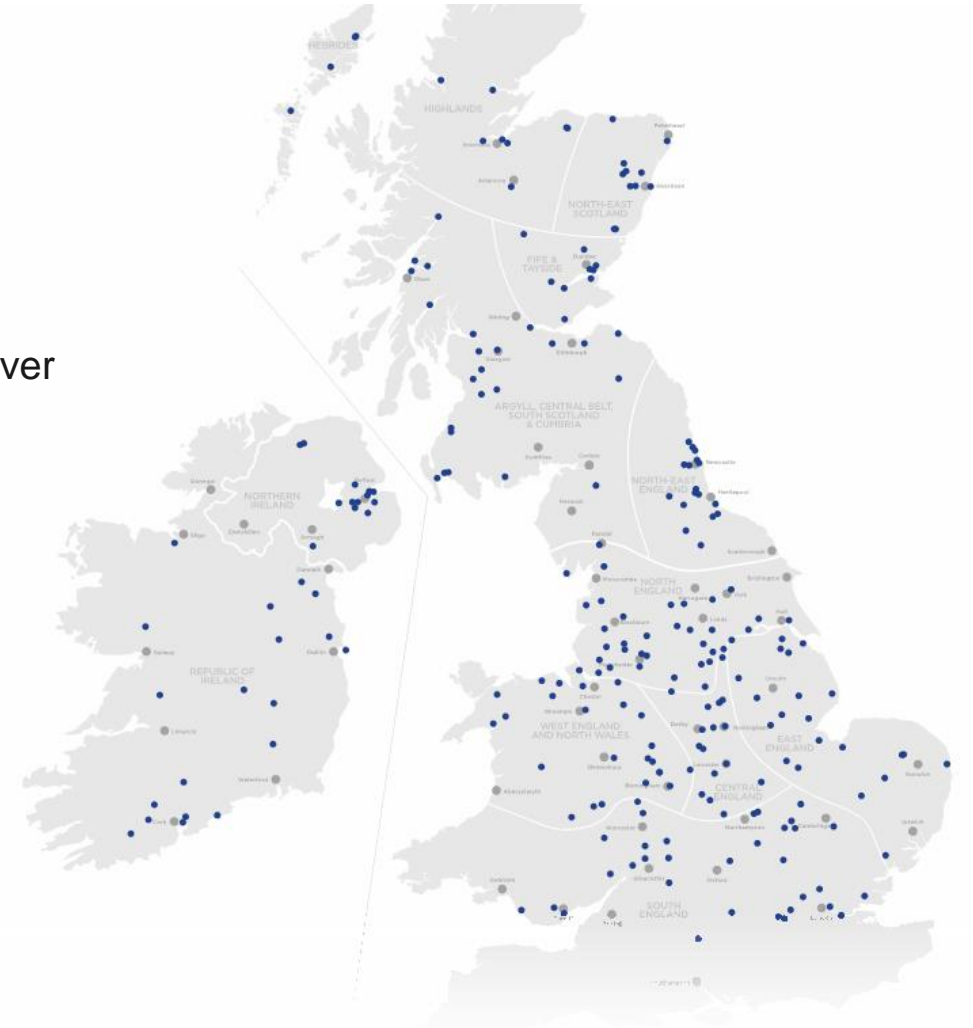
Overview of the Group



A leading construction materials group



- **Largest independent construction materials business in Great Britain**
 - Growing position on Island of Ireland
- **Broad reach with a national footprint**
 - More than 3,000 employees across c.280 facilities
 - Two cement plants; national network of quarries, ready-mixed concrete and asphalt plants; specialist building products businesses
 - Acquisition of CEMEX UK assets will add c.100 active operations and over 650 employees to the Group
- **Vertically integrated**, providing value-enhancing routes to market
 - Offering spans core materials, value-added products and contracting services
- **Nimble operator** with local sales and distribution model
 - Focused on delivering best-in-class customer service
- **Consistent track record of growth**, both organic and via acquisition
 - Strong cash generation provides investment for future growth
- Ongoing success dependent on pursuing a **sustainable business model**
 - Committed to building trust and reputation amongst all stakeholders



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

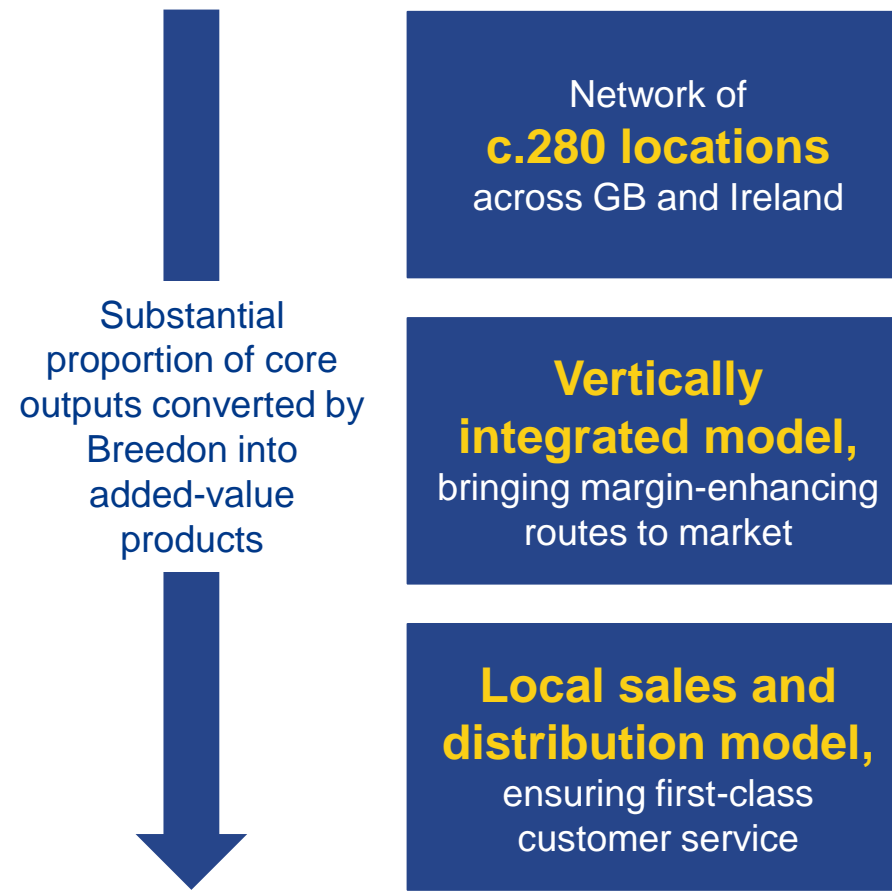
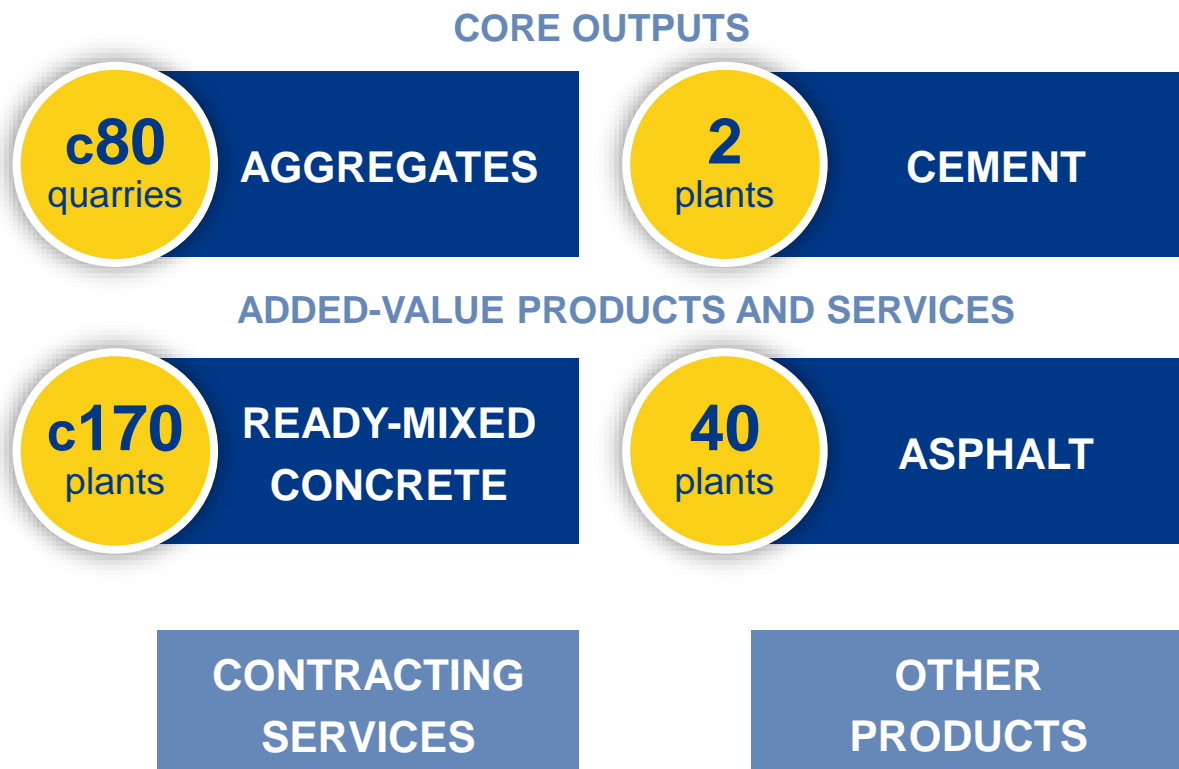
Acquisition of Lagan Group, taking Breedon into construction materials and cement production in Island of Ireland

2020

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

17 earnings-enhancing acquisitions & JVs completed in 10 years

Vertically integrated model with nationwide reach



Reporting as three divisions



GREAT BRITAIN

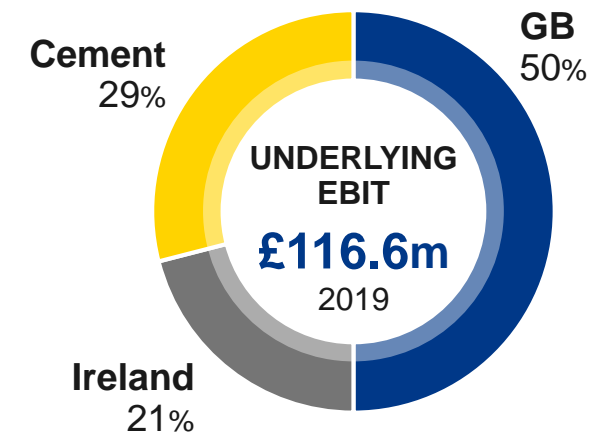
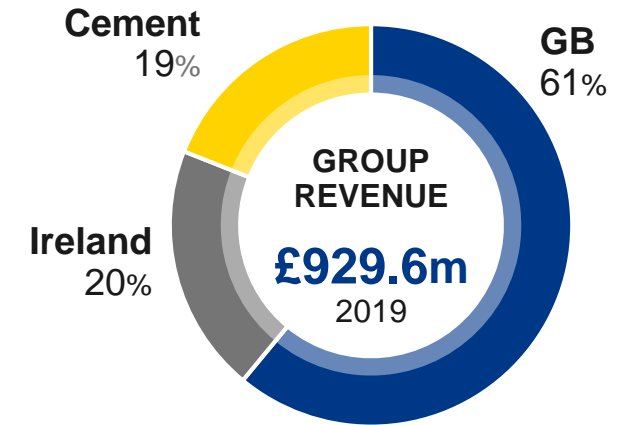
- Nationwide network of quarries and downstream operations
- Contracting services and highway maintenance businesses (minor road surfacing and major infrastructure contracts)

IRELAND

- Trading under Whitemountain brand in NI and Lagan in Rol
- 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



2019 highlights



2019 highlights

Revenue

£929.6m +8%

FY 2018: £862.7m

Underlying EBIT*

£116.6m +13%

FY 2018: £103.5m

Underlying EBIT margin*

12.5% +0.5ppt

FY 2018: 12.0%

Profit before taxation

£94.6m +18%

FY 2018: £79.9m

Underlying basic EPS*

5.0p +8%

FY 2018: 4.70p

Net debt at 31 Dec 2019

£290.3m

Dec 2018: £310.7m

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

2019 highlights



- Excellent performance in challenging conditions
- Improved results from all three Divisions
- Strong cash flow reduced post IFRS 16 closing Leverage to 1.6x
- Integration of Lagan largely completed
- Acquisition of Roadway strengthened our position in North Wales
- Capital Concrete JV secured critical mass in London readymix market
- Agreed acquisition of portfolio of assets from CEMEX in the UK
- Committed to the GCCA's Sustainability Charter
- Stated intention to declare a maiden dividend with 2021 interims



Breedon's sustainable growth strategy



Sustainable growth strategy

There are six pillars

to our strategy, which together constitute the essential elements of Breedon's investment case





A clear purpose and the right culture



- Breedon is an inherently local business with a wide range of stakeholders
- The Group seeks to benefit all these groups, from the communities in which it operates and the customers it serves through to its employees, suppliers and shareholders
- To promote a common culture across the organisation, Breedon defined in 2019 a clear purpose and set of values that will support the successful delivery of the Breedon strategy
- Led by the Board and Executive Committee (ExCom), the Group is embedding the purpose and values within the organisation to create a work place where its people feel safe, proud and motivated to do their best
- This will drive the performance of the business, motivating and engaging employees, building customer loyalty and strengthening our relationship with local communities



Breedon's Purpose

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

Breedon's Values

- ▶ Keep it simple
- ▶ Show you care
- ▶ Make it happen
- ▶ Strive to improve



Robust governance



- Board membership has been significantly refreshed over the last 12 months
 - Non-executive Chairman appointed in 2019
 - Greater diversity, with broader range of experience
- We seek to adhere to best practice corporate governance
 - Fully compliant with the QCA code
 - Substantially compliant with the FRC corporate governance code
 - Transition from AIM to Main Market likely in due course
- There is a clear and rigorous risk management framework



Amit Bhatia
Non-executive
Chairman



Pat Ward
Group
Chief Executive



Rob Wood
Group
Finance Director



Carol Hui
Non-Executive
Director



Moni Mannings
Non-Executive
Director



Clive Watson
Non-Executive
Director



Commitment to sustainability and social responsibility



- Playing an important role in the economic development of the UK and Ireland, Breedon works continuously to reduce the impact of its operations on people and the environment
- The Group became a full member of the Global Concrete and Cement Association (GCCA) in 2018, which drives responsibility in the manufacture and use of cement and concrete
- As a full member, Breedon will comply with the GCCA Sustainability Charter. To do so, the Group will be required to:
 - Develop KPIs and set targets for the five pillars of the Charter
 - Publish company level sustainability performance
 - Report standardised plant level sustainability data to the GCCA through an external service provider
 - Encourage the implementation of the pillars of the Charter across the value chain
- Whilst the GCCA requirements relate only to cement and concrete, Breedon intends to set targets and collect data on all product groups
- Breedon recently appointed a Head of Sustainability, who will report directly to ExCom

GCCA Sustainability Charter Pillars and Reporting



CLIMATE CHANGE AND ENERGY



HEALTH AND SAFETY



CIRCULAR ECONOMY



SOCIAL RESPONSIBILITY



ENVIRONMENT & NATURE



Long-term growth markets



- Breedon is exposed to long-term growth areas of the GB and Irish construction markets (e.g. infrastructure, housing, industrial)
- Following a prolonged period of underinvestment, infrastructure development is a priority in both GB and Ireland
- The UK Government's March 2020 budget committed to a £640bn spend on infrastructure projects over the next five years:
 - Capex rising from £99bn in 2019-20 to £139bn in 2024-25
 - £27bn UK Road Investment Strategy (RIS2)
- The UK's HS2 rail project approved
 - Total cost currently estimated at c£100bn
- An Irish National Development Plan is in progress
 - £116bn of investment over 10 years to 2028
 - Focus on transport, housing, hospitals and schools



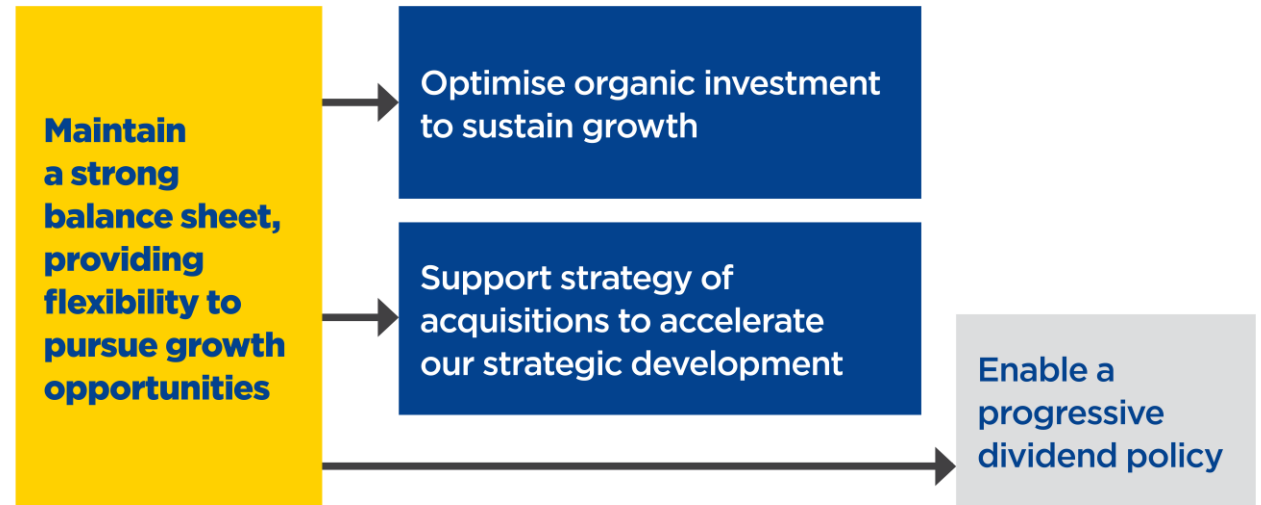


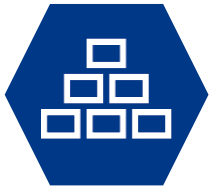
Conservative financial management



- Strong asset-backed balance sheet
- Highly cash-generative
- Cash generation and strong balance sheet allow significant organic investment in our business and continued pursuit of acquisitions to accelerate our strategic development
- This approach to financial management will also support the dividend policy recently announced

CLEAR CAPITAL ALLOCATION PRIORITIES





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



c900mt
reserves
and
resources

2
cement
plants

38 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 most 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 in to saleable customer products
- Value creation through innovative design

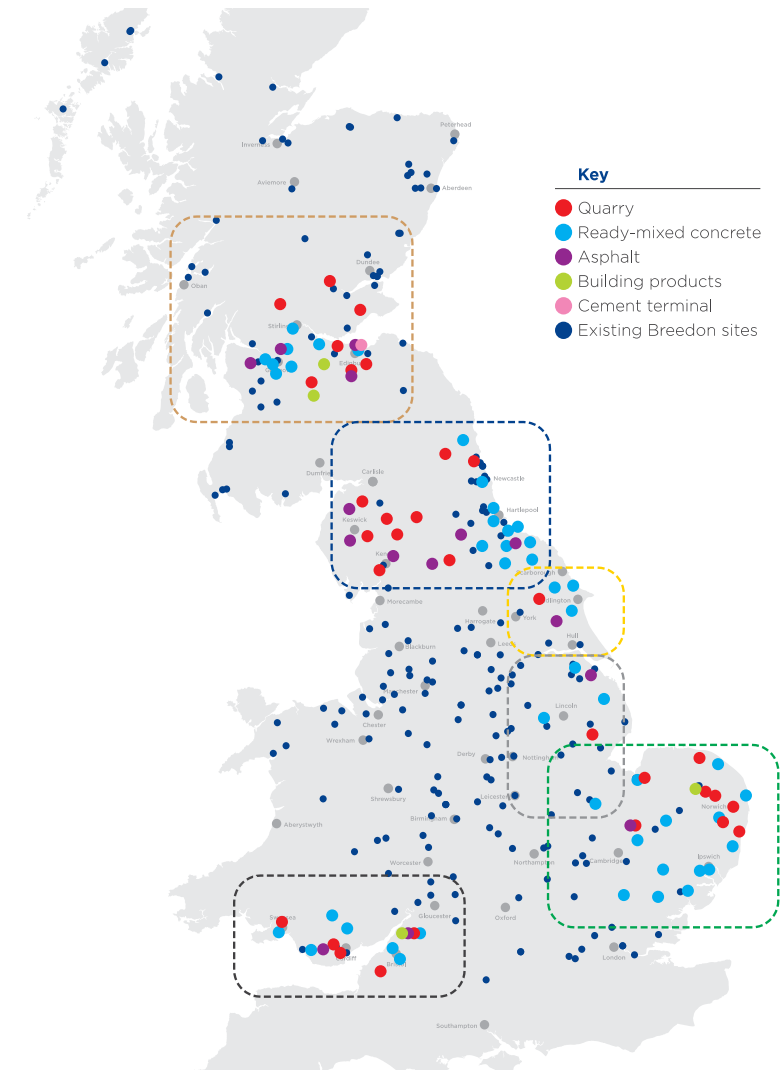
COSTS

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

Acquisition of CEMEX UK assets



- Acquisition of certain UK assets and operations from CEMEX agreed in January 2020, for total consideration of £178m
- Quality assets underpinned by c170 million tonnes of mineral reserves and resources
- Around 650 talented and experienced employees
- Infills six key regional GB markets; enables step-change in development of national asphalt strategy
- EPS and FCF per share accretion in first full year post-acquisition
- Enhances GB platform for further growth via organic investment and bolt-on acquisitions
- Completion subject to TUPE consultation and IT migration
- In light of COVID-19, delayed completion due in H2 2020



COVID-19 update (as at 1 May 2020)



- Priority remains the safety and wellbeing of colleagues, subcontractors, customers and communities
- Trading broadly in line with expectations in Q1; production progressively suspended from late March; gradual reopening of sites from late April in response to customer demand, with rigorous safety protocols
- Immediate actions taken from late March to preserve cash
 - Capital expenditure restricted to committed and critical projects; discretionary expenditure halted; robust working capital management discipline
 - 2020 pay increases deferred; issue of 2020 bonus schemes withheld; long-term PSP awards deferred
- Advantage taken of Government support, including employee retention schemes and deferral of VAT
- Strong balance sheet and significant liquidity headroom
 - Cash of £79 million and an undrawn committed facility of £222 million at 30 April 2020
 - 30 June 2020 covenants relaxed and £35m of term loan amortisation deferred to April 2022
 - Continuing to explore available sources of government support to further enhance liquidity headroom
- Unable to provide accurate market guidance for the current year, given prevailing uncertainty
- Breedon is a fundamentally robust and diversified business with traditionally strong cashflow and we remain confident in our ability to prosper in the long term

Summary: a leading construction materials group

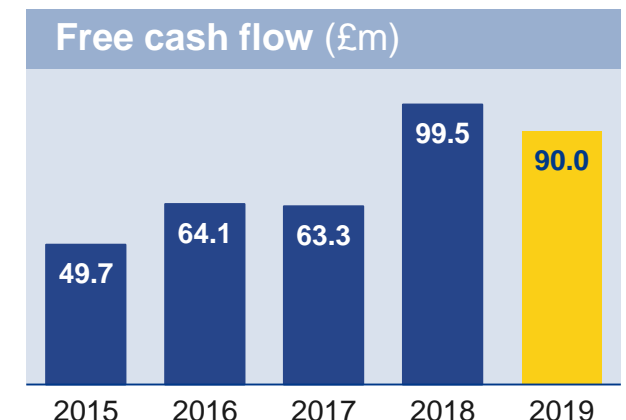
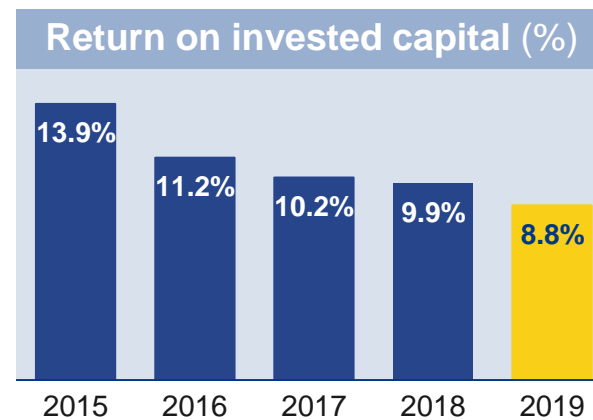
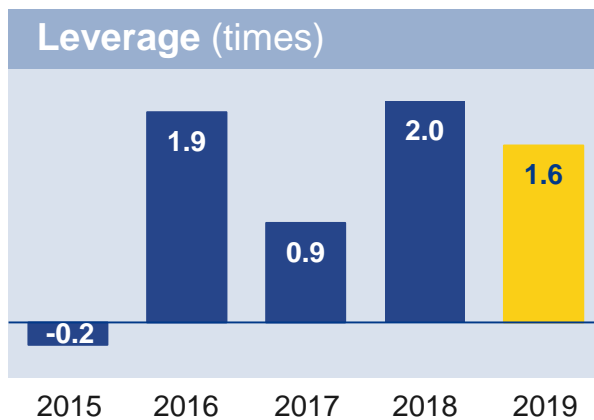
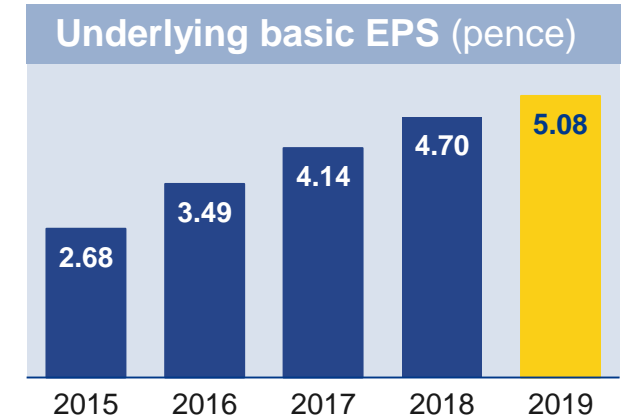
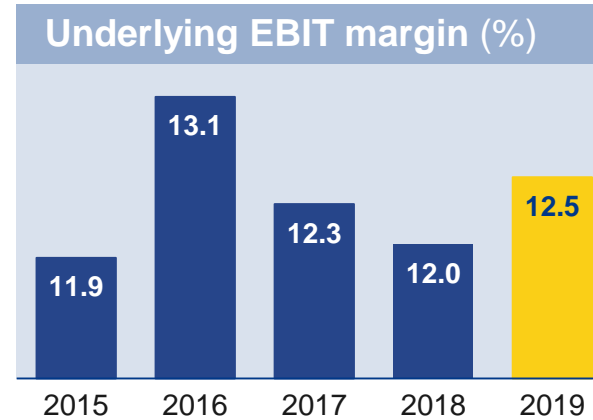
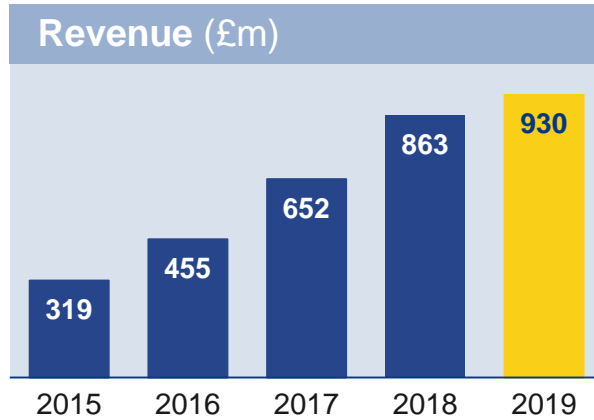
- Strong competitive positions in markets with favourable long-term dynamics
- Clear strategy and resilient, sustainable business model
- Highly cash-generative with opportunities for value-enhancing investment
- Good growth opportunities in both GB and Ireland
- Potential for further operational performance improvement
- Near-term outlook uncertain in light of COVID-19, but strong balance sheet provides resilience
- Optimistic about long-term prospects of the business



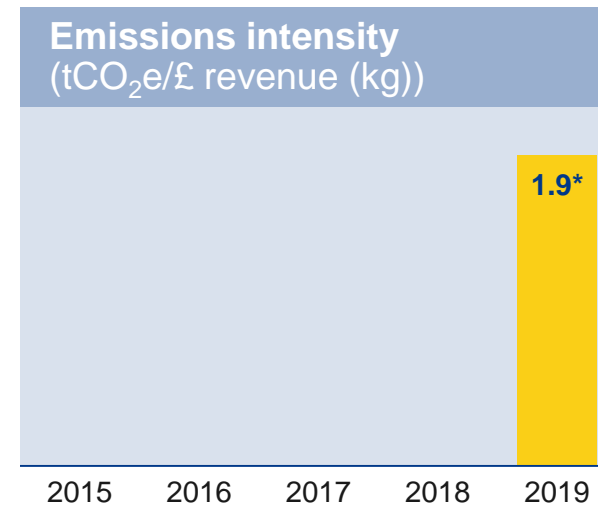
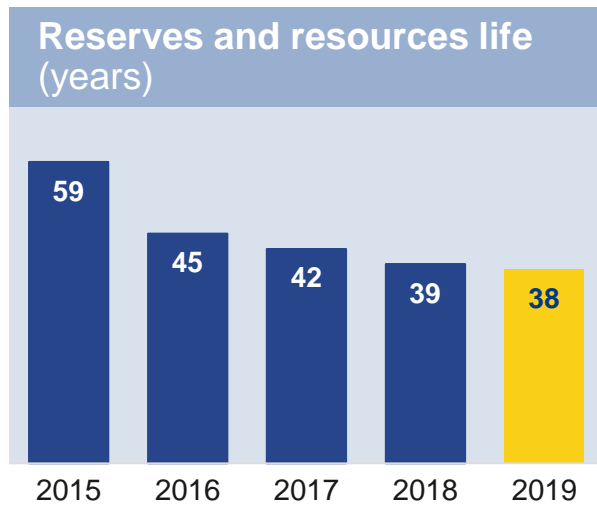
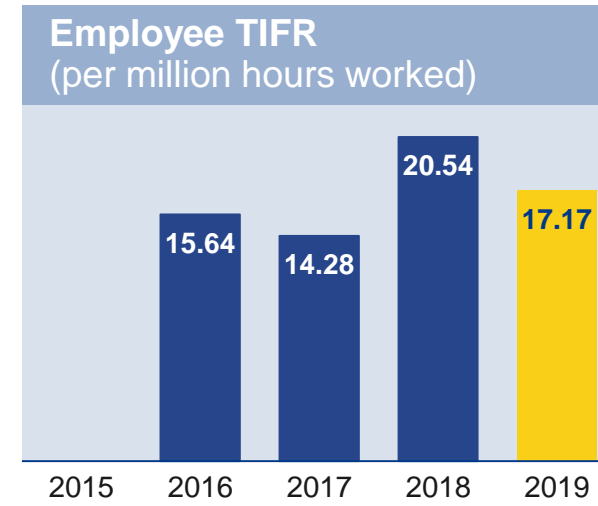
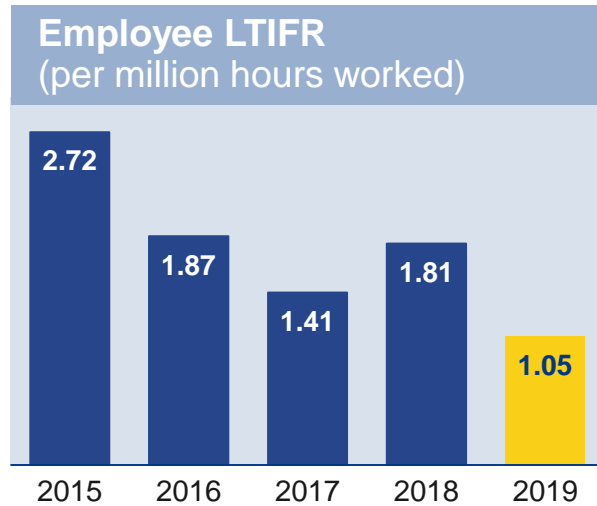
Appendices



Our track record: financial KPIs

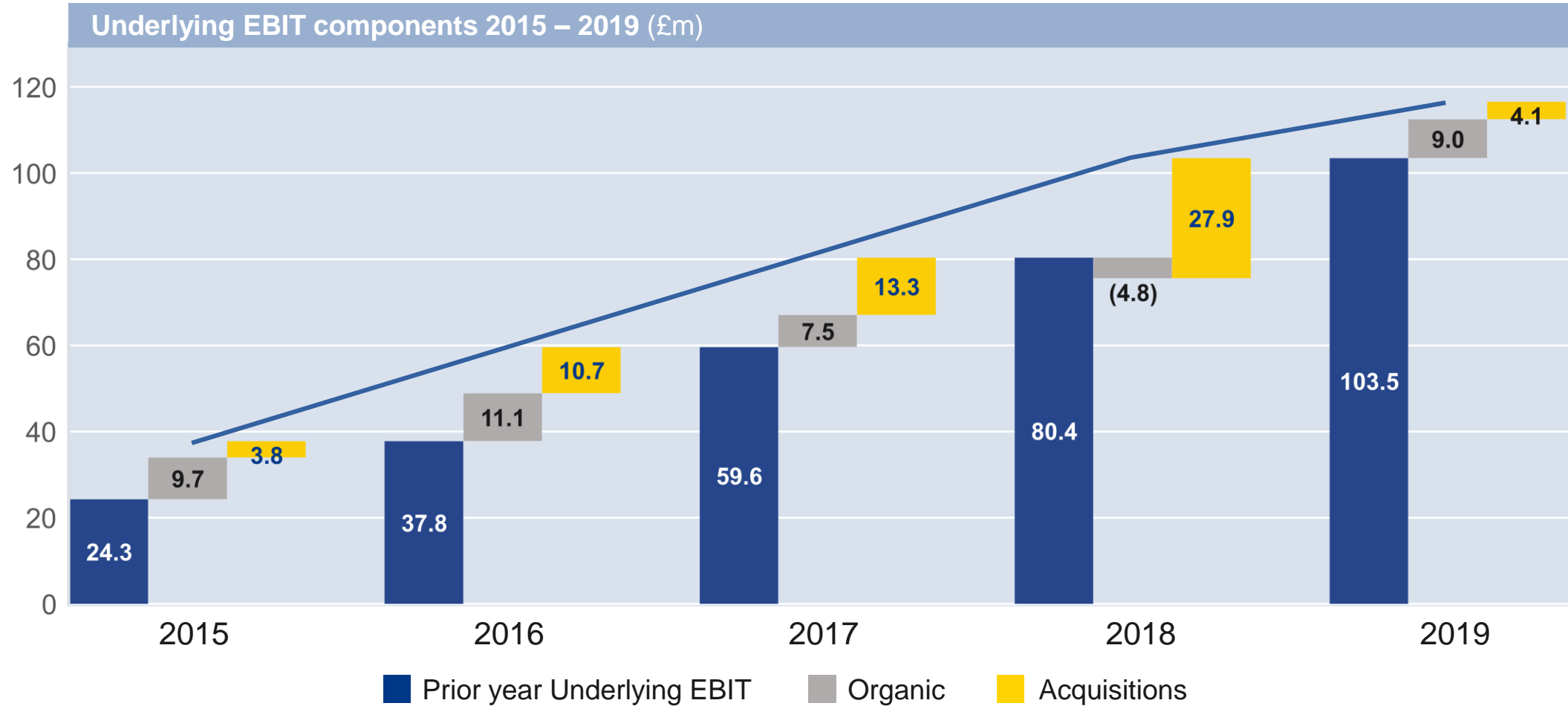


Our track record: non-financial KPIs



* Reported for first time in 2019

Our track record: balanced growth



Our track record: capital allocation

