

# ACQUISITION OF CERTAIN ASSETS OF CEMEX UK



## Strong value creation



# COMPELLING STRATEGIC RATIONALE



<b>HIGH QUALITY ASSETS</b>	<ul style="list-style-type: none"><li>Assets to be acquired are well-located and resource-backed</li></ul>	✓
<b>STRENGTHENS MARKET POSITION</b>	<ul style="list-style-type: none"><li>Significantly extends the Group's national network, strengthening Breedon's footprint in six key regions where it is under-represented</li></ul>	✓
<b>INCREASES ASSET BASE</b>	<ul style="list-style-type: none"><li>Adds c.170m tonnes of mineral reserves and resources</li></ul>	✓
<b>EXPANDS RANGE OF PRODUCTS AND SERVICES</b>	<ul style="list-style-type: none"><li>Delivers against the Group's asphalt expansion strategy and adds complementary building products and contracting services businesses</li></ul>	✓
<b>SYNERGY BENEFITS</b>	<ul style="list-style-type: none"><li>Delivers estimated annual net pre-tax cost synergies of c.£2m by year 3</li></ul>	✓
<b>GREATER FINANCIAL CAPACITY</b>	<ul style="list-style-type: none"><li>Expected increased cash flow will provide additional capacity to pursue future growth opportunities</li></ul>	✓
<b>LONG-TERM GROWTH MARKETS</b>	<ul style="list-style-type: none"><li>GB offers healthy medium- to long-term growth opportunities as pent-up demand for infrastructure investment is satisfied</li></ul>	✓

# VALUE-ACCRETIVE TRANSACTION



- **Total consideration of £178m**
  - £155m in cash plus assumption of £23m of lease liabilities
  - Cash consideration to be financed by existing £350m RCF and drawdown of £80m through exercise of accordion option
- **Attractive financial benefits**
  - Multiple of 7.7x 2018 EBITDA and 5.9x average EBITDA over last 3 years<sup>1</sup>
  - Estimated annual net pre-tax cost synergies of approximately £2m by year 3
  - Accretive to Underlying EPS and FCF per share<sup>2</sup> in first full year following completion
  - ROIC forecast to cover WACC by end of 2022
- **Pro forma net leverage expected to be c.2.4x at completion (2.2x on a covenant basis)**
  - Anticipate leverage reducing below 1.0x during 2022
  - Flexibility maintained to pursue future growth opportunities

Note: Financial information presented throughout this presentation has been prepared on a post-IFRS 16 basis

1. Based on 2016A-2018A EBITDA.

2. Free cash flow per share is defined as cash from operations less dividends from associates, net capex, interest and tax, divided by the undiluted weighted average number of shares in issue.

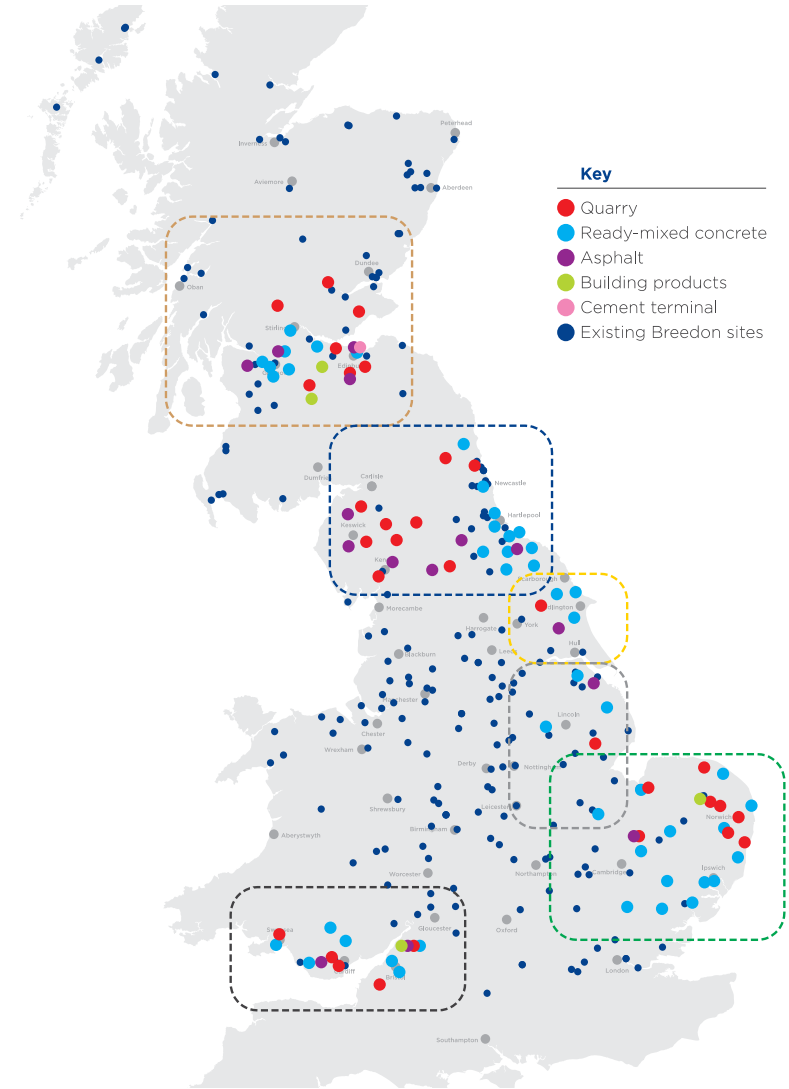


# CEMEX UK ASSETS TO BE ACQUIRED

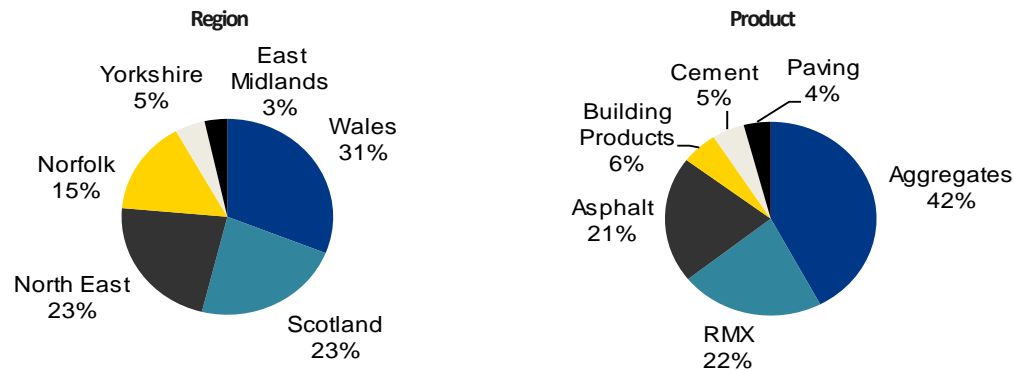
## EXTENDING BREEDON'S NATIONAL FOOTPRINT



- **Strengthens the Group's geographical position**
  - Approximately 100 active operations
  - Enhances exposure to six key regions
- **Grows the Breedon network**
  - Quarries, RMX concrete and asphalt plants, cement terminal, building products and contracting services operations
  - Enables significant step-change in development of national asphalt strategy
- **c.170mt of mineral reserves and resources**
- **Over 650 employees**



### REVENUE BREAKDOWN<sup>1</sup>



1. Percentage of total revenue (pre-eliminations), based on FY18.

# CEMEX UK ASSETS TO BE ACQUIRED

## OVERVIEW



<b>AGGREGATES</b>	28 active quarries, 3 greenfield quarries, 6 inactive quarries, 4 active aggregates depots, 1 inactive aggregates recycling plant
<b>ASPHALT</b>	14 active asphalt plants and 4 inactive asphalt plants
<b>READYMIX</b>	49 active RMX concrete plants, 6 inactive RMX concrete plants
<b>BUILDING PRODUCTS</b>	4 active building products plants
<b>CEMENT</b>	1 cement terminal in Leith, Scotland
<b>PAVING</b>	2 active contracting services operations



# OPPORTUNITY TO DRIVE SIGNIFICANT PERFORMANCE IMPROVEMENT



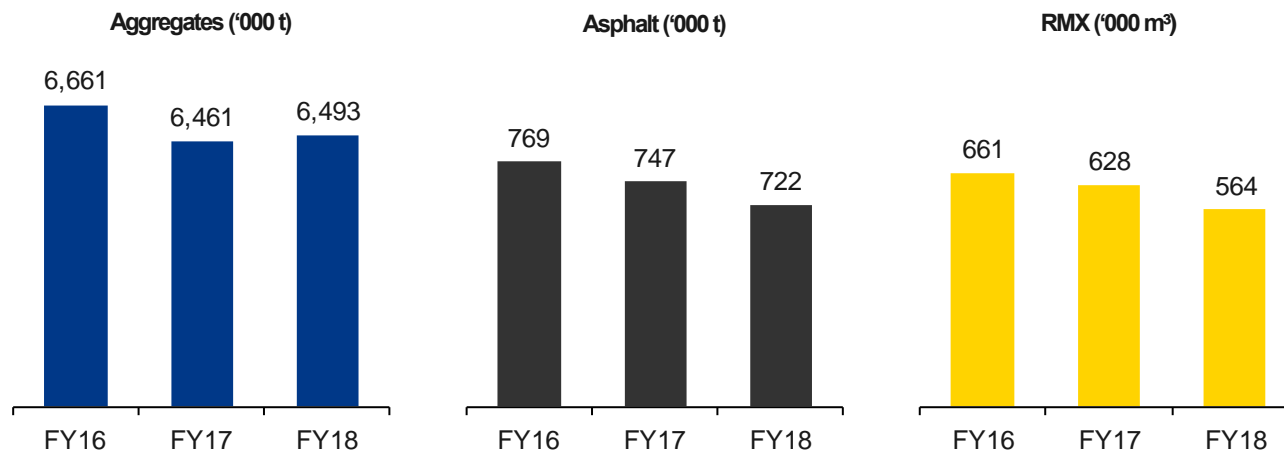
## Acquisition of high-quality assets at an attractive valuation

- Earnings at depressed levels in challenging GB market
- Significant EBITDA upside potential

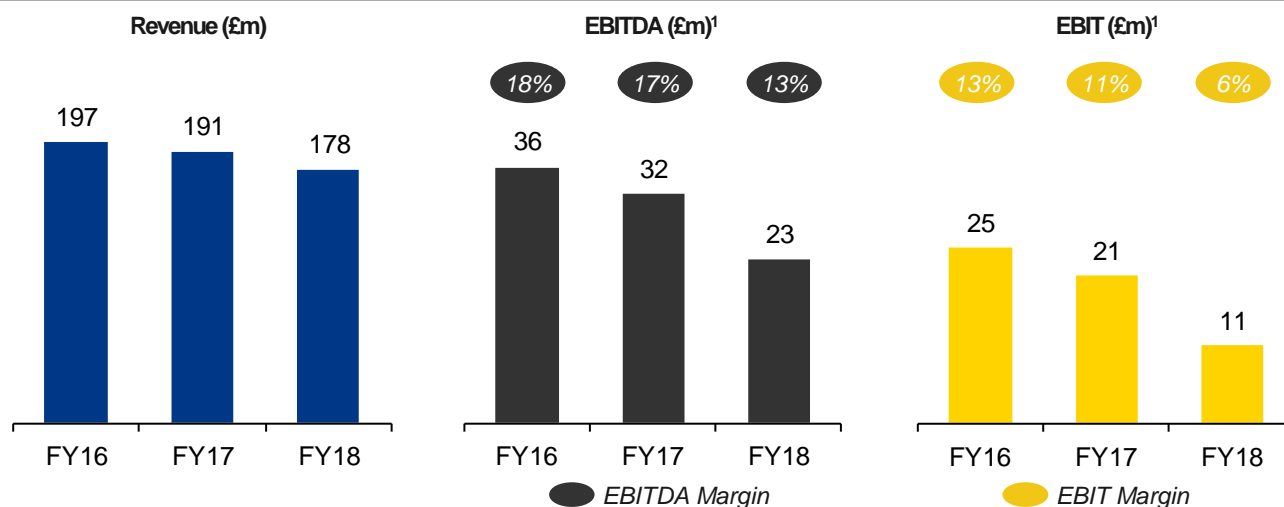
## Opportunity to drive significant operational improvement through self-help

- Improvements in equipment efficiency and effectiveness
- Internalisation of aggregates in concrete and asphalt plants
- Optimisation of fleet and reduced hired-in haulage
- Right-sizing of RMX concrete network
- Short payback on investment in high-return capital projects

### VOLUMES



### FINANCIALS



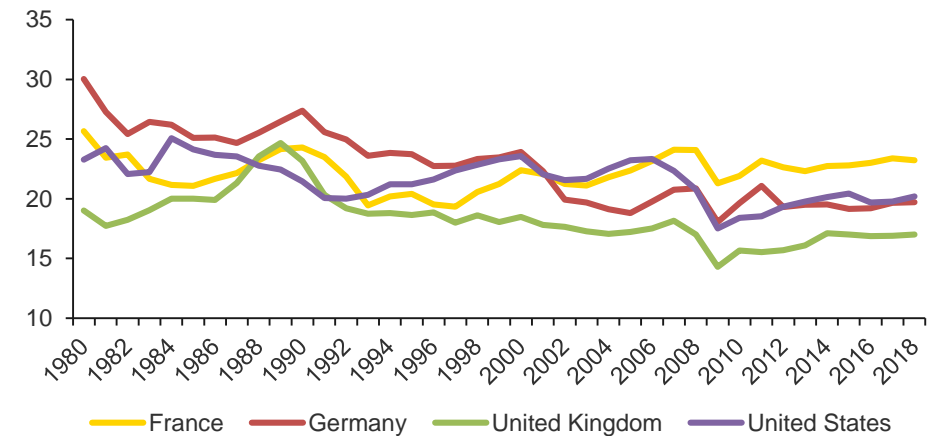
1. IFRS 16 adjustments for FY 2018 have been applied to FY 2017 and FY 2016 on a pro forma basis.

# LONG-TERM GROWTH MARKETS

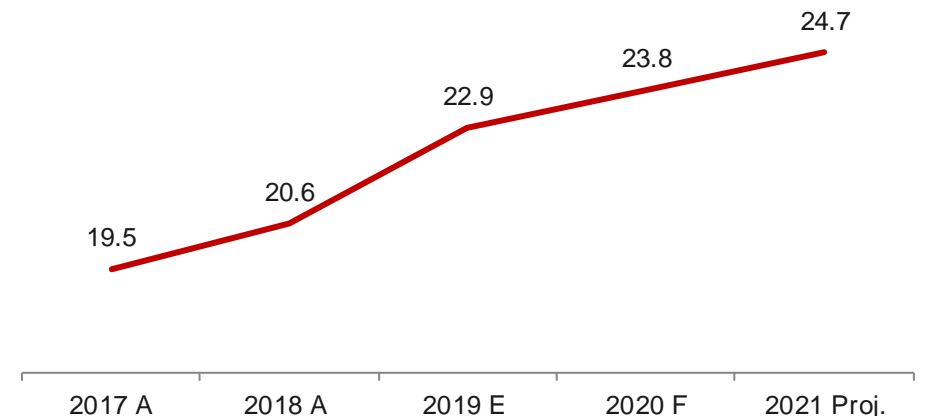


- Aggregates volumes are 20% below 2007 levels and per capita production is 20% below the EU average, pointing to significant upside potential
- The new UK Government acknowledges that UK infrastructure is significantly underinvested and is committed to spending increases
- The National Infrastructure and Construction Pipeline already includes £413bn of planned private and public investment until 2022, before any post-Election increases
- Prior to any post-Election spending increases, by the end of 2021, infrastructure output is projected to reach £24.7bn, the highest on record

TOTAL INFRASTRUCTURE INVESTMENT (% OF GDP)



GB INFRASTRUCTURE OUTPUT (£BN)



Sources: MPA, IMF, CPA.

# EXPECTED TRANSACTION TIMETABLE



## Key expected dates and events

8 Jan 2020	Announcement of transaction
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Q1 2020	TUPE consultation period
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Q2 2020	Expected completion
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Breedon will be notifying the transaction to the UK Competition and Markets Authority (“CMA”) for clearance, but notes that completion is not conditional on conclusion of the CMA process.



# CONCLUSION



- Unique opportunity to acquire quality assets, underpinned by approximately 170 million tonnes of mineral reserves and resources
- Brings over 650 talented and experienced employees
- Infills six key regional markets, strengthening Breedon's GB footprint
- Enables significant step-change in development of national asphalt strategy
- Immediate positive financial impact, with 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