

Breedon Aggregates 2011 preliminary results

6th March 2012





Introduction

Peter Tom CBE

Chairman

- ▲ Results overview Peter Tom, Chairman
- ▲ Financial review Ian Peters, Finance Director
- ▲ Operational review Simon Vivian, Chief Executive
- ▲ Summary and outlook Peter Tom
- ▲ Q&A

Strong progress in our first full year

- ▲ Group returned to profit
- ▲ Management team strengthened
- ▲ England turnaround well underway
- ▲ Robust performance in Scotland
- ▲ First bolt-on acquisition: earnings-enhancing C&G Concrete
- ▲ Substantial gains in mineral reserves
- ▲ First bonus paid to all employees
- ▲ Second bolt-on acquisition post-year-end: Nottingham Readymix

2011 Full Year Highlights

Sales Revenue
£169m
+17.5%

EBITDA
£17.1m
+24.8%

PBT
£1.4m
(2010: loss)

EBITDA margin
10.1%
+0.6pt

C&G Concrete
EBITDA
£0.5m (5 mths)

Net Debt
£96.2m
+£3.9m

Comparisons are with the unaudited pro forma figures for the calendar year 2010



Financial Review

Ian Peters

Group Finance Director

Detailed Profit & Loss 2011

	2010 £'m	2011 £'m
Turnover	42.7	168.9
EBITDA	3.3	17.1
Depreciation & Amortisation	(3.6)	(11.4)
Underlying Operating Profit	(0.3)	5.7
Share of Associate	(-)	0.6
Interest	(1.6)	(4.8)
Exceptional Costs	(4.4)	(0.1)
Profit Before Tax	(6.3)	1.4
Taxation	0.4	(0.2)
Minority Interest	(-)	(-)
Retained Profit	(5.9)	1.2

2010 includes trading results from 6th September

Profit & Loss 2011 v Pro Forma 2010

	2010 Proforma £'m	2011 £'m	Variance £'m
Turnover	143.8	168.9	25.1
EBITDA	13.7	17.1	3.4
Depreciation & Depletion	(11.9)	(11.4)	0.5
Underlying Operating Profit	1.8	5.7	3.9
Share of Associate	0.6	0.6	-
Interest	(6.5)	(4.8)	1.7
Exceptional Costs	(9.9)	(0.1)	9.8
Profit Before Tax	(14.0)	1.4	15.4

Analysis by Division 2011

	2010 Pro forma £'m	2011 £'m	Variance £'m	Variance %
Turnover				
England	68.8	86.2	17.4	+25.3%
Scotland	75.0	82.7	7.7	+10.3%
Total	143.8	168.9	25.1	+17.5%
EBITDA				
England	5.5	9.1	3.6	+65.5%
Scotland	10.2	10.3	0.1	+1.0%
Head Office	(2.0)	(2.3)	(0.3)	(15.0)%
Group Total (pre Associate)	13.7	17.1	3.4	+24.8%

Closing Balance Sheet 2011

	2010 Dec Actual £'m	2011 Dec Actual £'m
Tangible Fixed Assets	146.8	152.0
Investments	1.1	0.8
Intangible Assets	1.8	1.6
Total Non-Current Assets	149.7	154.4
Current Assets	36.8	43.5
Creditors Less than One Year	(34.9)	(41.8)
Net Current Assets	1.9	1.7
Creditors Greater than One Year	(94.8)	(97.1)
Net Assets	56.8	59.0

2011 Analysis – Cashflow

	2011 £'m
Profit Before Interest and Tax	6.2
Income from Associate	(0.6)
Gain on Bargain Purchase & asset sales	(1.5)
Equity settled incentives	0.2
Depreciation and Amortisation	11.5
Movement in Inventories	(0.5)
Movement in Receivables	(8.6)
Movement in Payables	6.6
Movement in Provisions	(0.5)
Cash Generated from Operating Activities	12.8

	2011 £'m
Interest Paid	(4.6)
Taxation	(-)
Dividends Received / (Paid)	0.9
Investment in Fixed Assets	(6.7)
Acquisitions	(9.8)
Disposal Proceeds	3.2
Cashflow before Financing	(4.2)
Equity Raised	0.8
Debt Repaid / New Loans	5.5
HP Capital Repayments	(6.0)
Net Cashflow	(3.9)

Analysis of Net Debt

	2010 Dec Actual £'m	2011 Dec Actual £'m
Term Loans	67.0	72.6
Bank overdrafts	1.6	3.1
Cash	(3.2)	(0.9)
Bank Debt	65.4	74.8
Finance Leases (over 1 year)	21.4	16.3
Finance leases (less than 1 year)	5.5	5.1
Finance Leases	26.9	21.4
Net Debt	92.3	96.2

Operational Review

Simon Vivian

Group Chief Executive



Key 2011 objectives achieved

1. Cultural change in approach to health and safety
2. Margin improvement despite significant cost increases
3. Group procurement & credit terms improved
4. Senior management team strengthened
5. All mineral planning applications successfully concluded
6. First bolt-on acquisition completed
7. Haulage fleet substantially rationalised
8. Targeted surplus plant and equipment sold
9. Rollout of *GoodQuarry* best-practice well underway
10. *Best of Breedon* initiatives implemented



	2010 £'m	2011 £'m	% chg
Turnover	68.8	86.2	+25.3%
EBITDA	5.5	9.1	+65.5%
Op. Profit	0.0	3.8	-
EBITDA Margin	8.0%	10.6%	+2.6%
Op. Margin	0.0%	4.4%	+4.4%

Sales Volumes (ex C&G)

Aggregates	+ 3.9%
Asphalt	+ 18.0%
Concrete	+ 26.3%

Mineral reserves

+ 12m tonnes consented at Leaton
+ 24m tonnes acquired with C&G

Other highlights

Contracting losses eliminated
£2.1m surplus assets sold
Input costs fully recovered
Haulage fleet reduced by 30

	2010 £'000	2011 £'000	% chg
Turnover	75.0	82.7	+10.3%
EBITDA	10.2	10.3	+1.0%
Op. Profit	3.8	4.2	+10.5%
EBITDA Margin	13.6%	12.5%	-1.1%
Op. Margin	5.1%	5.1%	+0.0%

Sales Volumes

Aggregates	+12.7%
Asphalt	+ 9.2%
Concrete	+20.5%

Major contracts (asphalt)

A9 Crubenmore	29k tonnes
Dundee airport	12k tonnes
Fochabers bypass	26k tonnes

Other highlights

New framework with Argyll & Bute
 £0.5m surplus assets sold
 Input costs largely recovered

- ▲ Acquired from administrator July 2011 for £10.8m
- ▲ Surplus assets of £2.5m identified – sale process underway
- ▲ Bridges our East Anglian and East Midlands operations
- ▲ Gives us scale in ready-mixed concrete
- ▲ Adds 24mt to our reserves and resources
- ▲ Provides internal source of sand

To date

- ▲ Fully rebranded Breedon Aggregates
- ▲ £0.6m of surplus plant and equipment sold
- ▲ £1.2m investment in new equipment, vehicles and IT
- ▲ Workshop & drivers rationalised – 17 redundancies
- ▲ EBITDA contribution £0.5m in first 5 months





Nottingham Readymix – second bolt-on

- ▲ Acquired from owner January 2012
- ▲ Largest independent in Nottingham
- ▲ Headline price: 4x EBITDA
- ▲ Cement savings & aggregate supply benefits
- ▲ Bridges gap between Cloud Hill & Norton Bottoms
- ▲ Established mini-mix business
- ▲ Experienced commercial team



England pre-C&G



Key

- Agricultural Lime
- Asphalt
- Concrete
- Contracting
- Crushed Rock
- Decorative Aggregate
- Mortar
- Sand & Gravel

29	Mansfield Asphalt Plant	
30	Leaton Quarry	
31	Lainthall Quarry	
32	Breedon Quarry*	
33	Cloud Hill Quarry	
34	Ling Hall Asphalt & Concrete Plant	
35	South Wilham Quarry	
36	Corby Asphalt & Concrete Plant	
37	Shropshire Quarry**	
38	Langwater Asphalt Plant	

*Decorative Aggregate is also available locally. **Including materials



England post-C&G and Nottingham Readymix




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36	Corby Asphalt & Concrete Plant	
37	Peterborough Concrete Plant	
38	Stamford Concrete Plant	
39	South Wilham Quarry	
40	Graham Concrete Plant	
41	Sheffield Concrete Plant	
42	Morton Bottoms Quarry	
43	Woodhall Concrete Plant	
44	Kelsey Road Quarry	
45	Kirtley Quarry	
46	Dahm Concrete Plant	
47	Ermsby Concrete Plant	
48	Stagwell Concrete Plant	
49	Boston Concrete Plant	
50	Lang Sutton Concrete Plant	
51	King's Lynn Concrete Plant	
52	Shropham Quarry**	
53	Langwater Asphalt Plant	

*Decorative Aggregates are also available locally. **Readymix available


- ▲  launched as discrete 'small load' offer
- ▲ Good potential for household & small commercial
- ▲ Initially Peterborough, Corby, Rugby, Telford, Newark
- ▲ Strong local focus, backed by local promotion & advertising
- ▲ Headed by experienced mini-mix professional
- ▲ Useful additional outlet for concrete batching plants



Encouraging activity levels in 2011



- ▲ M&S Distribution Centre, Castle Donington
- ▲ Brett Landscaping, Barrow Upon Soar
- ▲ Marshalls paving factory, Maltby
- ▲ Sandtoft roof tiles factory, Doncaster
- ▲ Hethel race circuit
- ▲ Loughborough Eastern Gateway
- ▲ A41 West Bromwich
- ▲ A9 Crubenmore upgrade
- ▲ Fochabers bypass
- ▲ Dundee airport
- ▲ Amazon Distribution Ctre, Kinross
- ▲ Enabling works, new Forth Bridge
- ▲ Trump Golf Resort, Aberdeen
- ▲ Argyll & Bute partnership

- ▲ Further improve customer service
- ▲ Expand 
- ▲ Secure back up concrete plants in England
- ▲ New asphalt plant at Peterhead
- ▲ Launch recycled rubber asphalt product
- ▲ Secure further strategic reserves\resources
- ▲ Continuing pressure on cost base
- ▲ Several infill acquisitions under review



Outlook – not all doom and gloom!



- ▲ A453 improvements
- ▲ Corby Ring Road
- ▲ Nottinghamshire framework
- ▲ Increased share of Norfolk tender
- ▲ Nottingham Tram network
- ▲ East Midlands Airport
- ▲ Supplies to Shropshire and Worcestershire annual tenders



- ▲ Blar Mhor development, Fort William
- ▲ Aberdeen Ring Road
- ▲ Peterhead Prison
- ▲ Inverness Airport
- ▲ Edinburgh Airport
- ▲ Beauly to Denny super pylons
- ▲ BEAR contracts: Dundee, Perth
- ▲ A9 Dualling



Summary and Outlook

Peter Tom CBE

Chairman

- ▲ Continuing Eurozone uncertainty affecting confidence
- ▲ But definite signs of recovery in housing, commercial & industrial
- ▲ Planned Government infrastructure spending welcome
- ▲ Scotland more difficult due to higher public sector exposure
- ▲ Many large customers with investment plans: M&S, Rolls Royce, Caterpillar, Asda, Tesco, Morrisons, Toyota, JCB
- ▲ Consumption of aggregates, asphalt and concrete at historic lows
- ▲ No dramatic recovery – but further progress expected in 2012



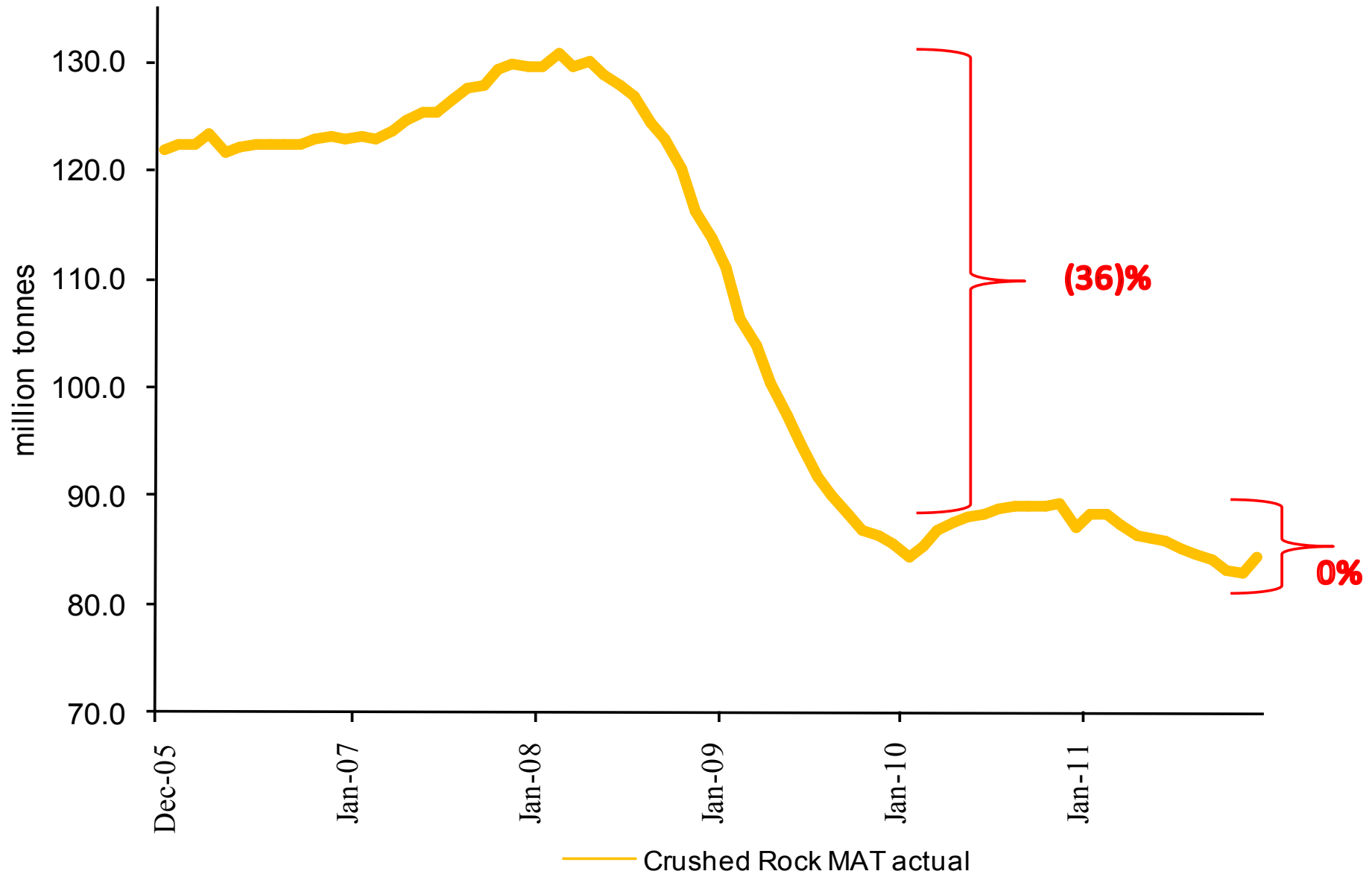
Appendices:

MPA forecasts

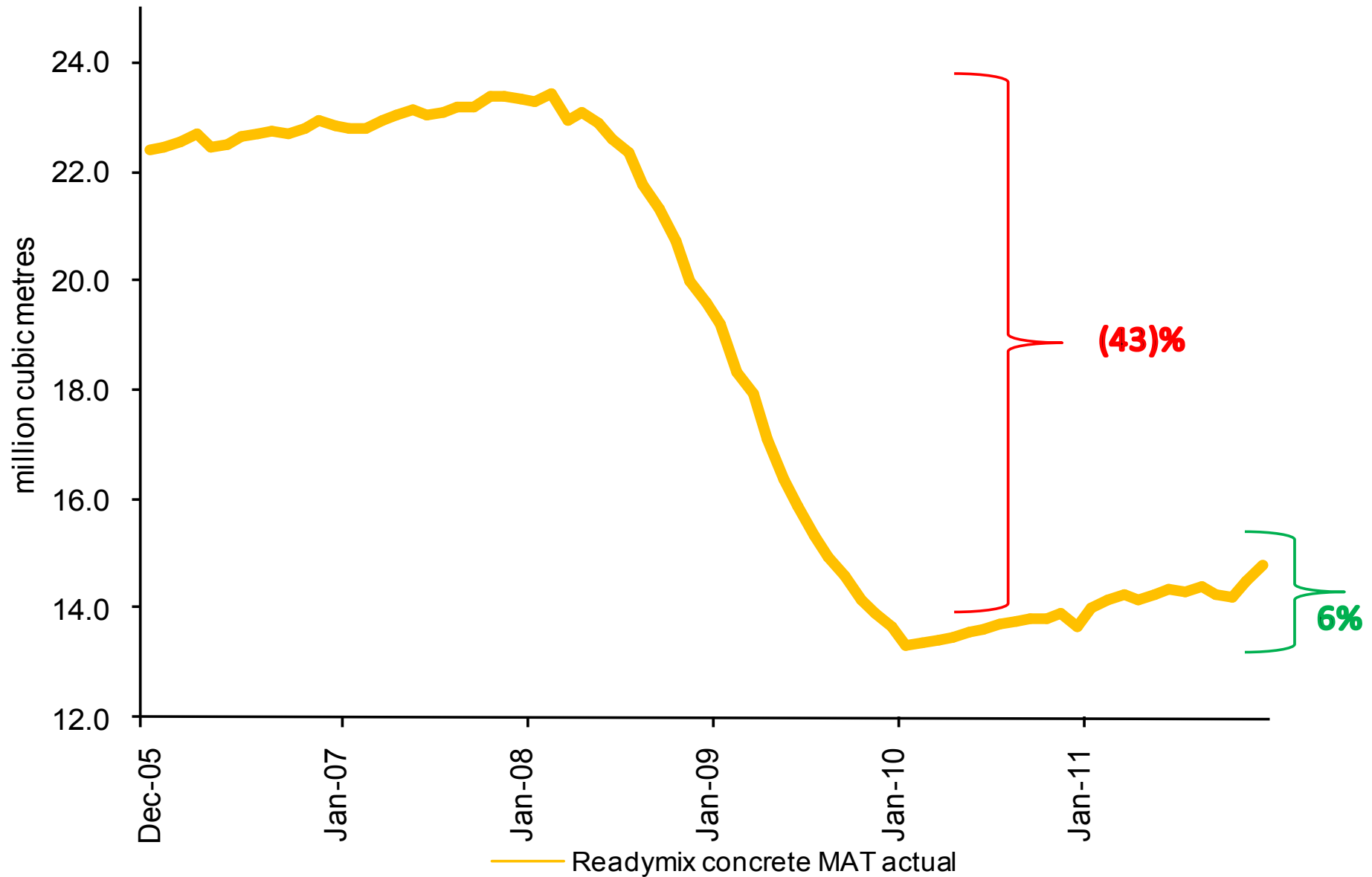
Breedon Aggregates vital statistics

Breedon Aggregates key markets

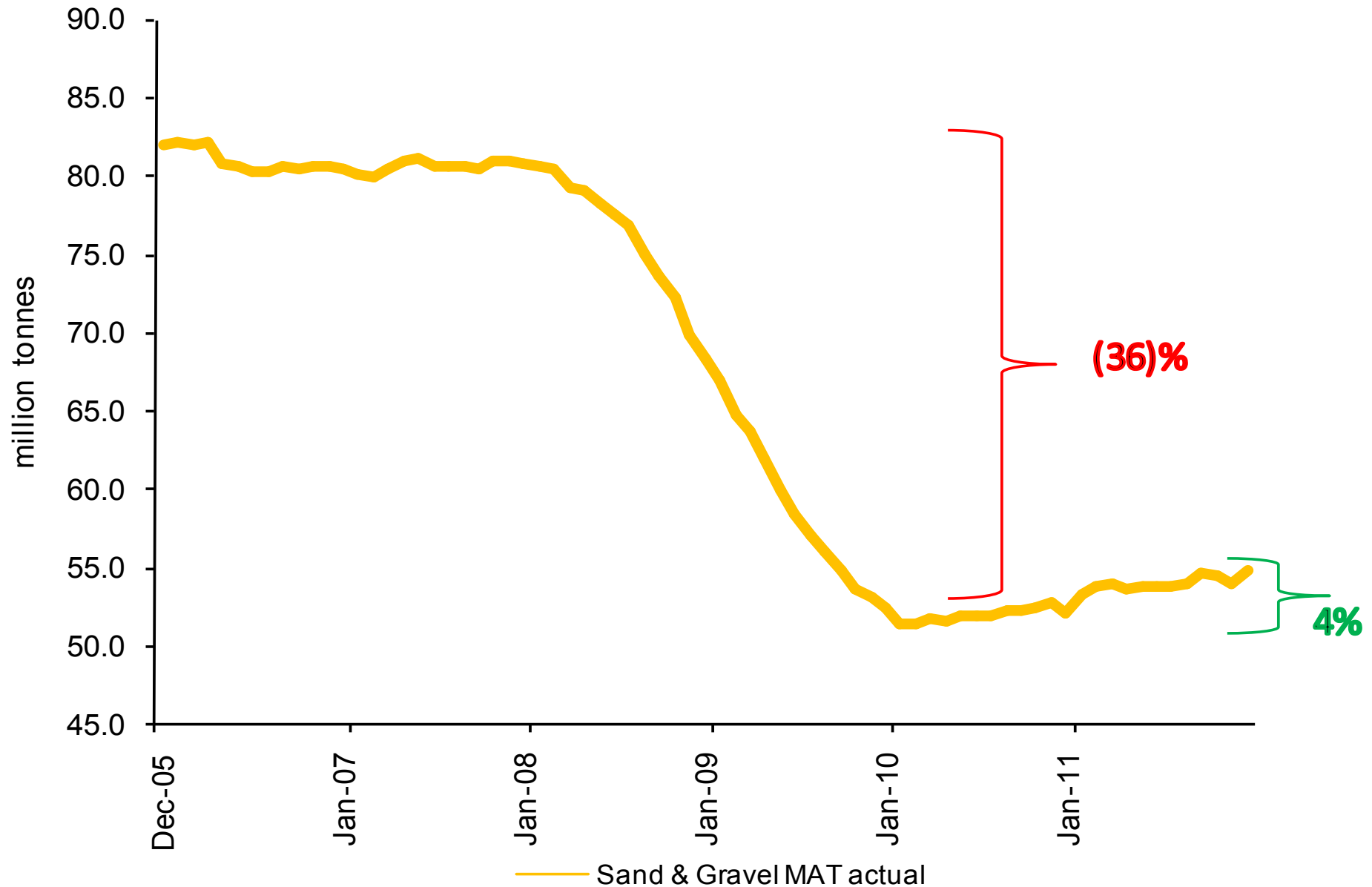
Crushed rock volumes – moving annual trend



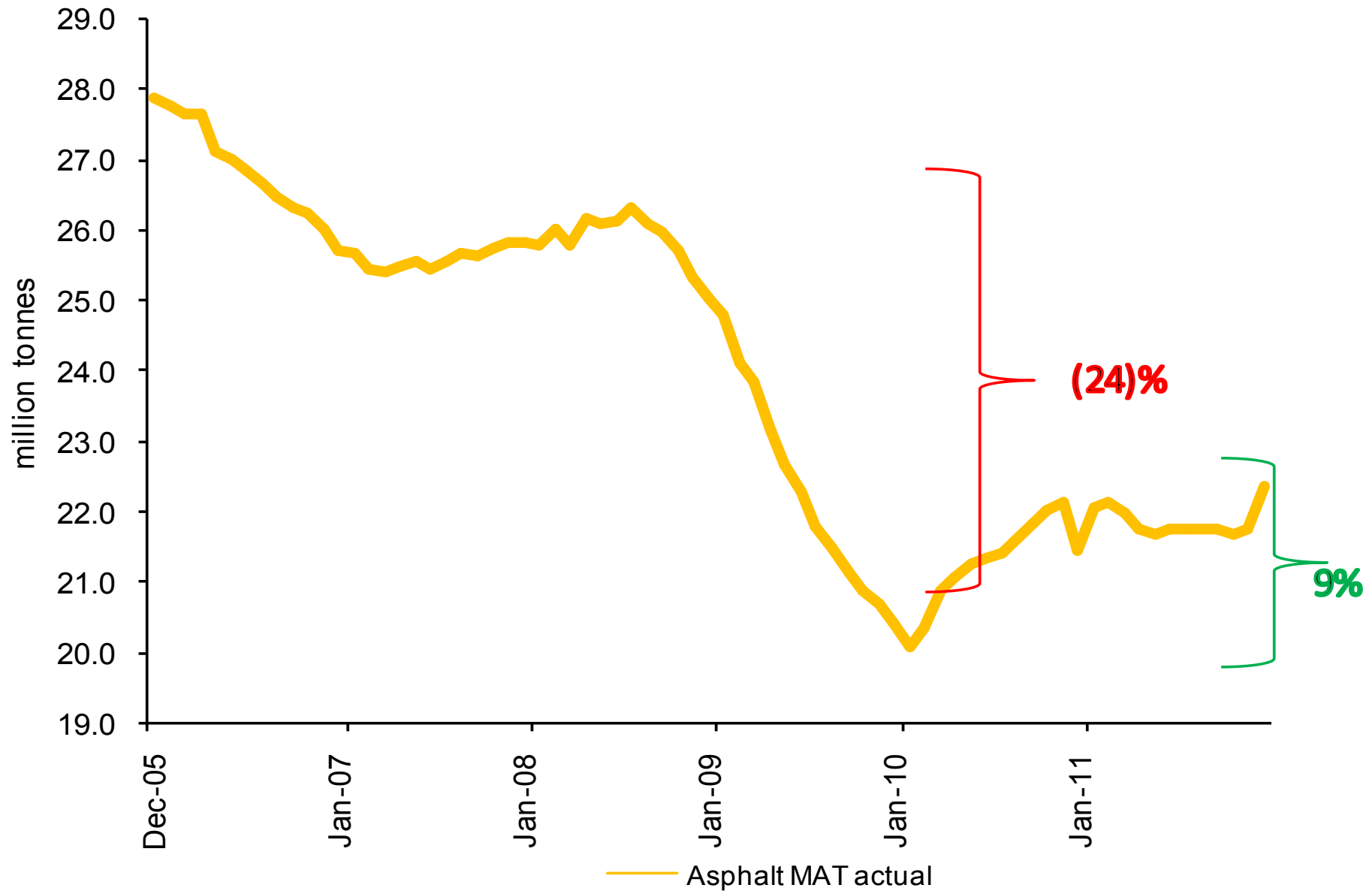
Ready-mix concrete volumes – moving annual trend



Sand & gravel volumes – moving annual trend



Asphalt volumes – moving annual trend



Breedon Aggregates – vital statistics

- ▲ Fully integrated aggregates producer
 - 26 quarries, 18 asphalt plants, 40 concrete plants in 53 locations
- ▲ Substantial delivery fleet
 - 220 owned/leased trucks, supplemented with owner-driver vehicles
- ▲ Fully-invested business
 - £11m+ annual fixed asset depreciation
- ▲ c200mt of owned or controlled mineral reserves and resources
- ▲ £154m of fixed assets
 - land, mineral assets, plant and machinery
- ▲ Strong market positions in two core regions
 - central and eastern England
 - north, west & east Scotland



- ▲ Local authorities and Transport Scotland for road building
- ▲ Civil contractors for building houses, factories, offices, schools, etc.
- ▲ Private individuals for drives, pathways, rockeries, etc.
- ▲ Wholesalers for bagged aggregates
- ▲ Specialist markets: agricultural, small developers, etc.



No customer = more than 6% of group revenues