Breedon Aggregates

Preliminary results

5 March 2013

BREEDON AGGREGATES

Overview

Peter Tom CBE

Chairman

2012 presentation

Results overview	Peter Tom
Financial review	Ian Peters
Operational review, summary, outlook	Simon Vivian

Q&A

A story of continued growth

Delivering on our promises

- Further improvement in EBITDA margins
- Value from acquisitions delivered ahead of schedule
- Balance sheet further strengthened

Breedon's 'Golden Rules'

- **Stay local** – easy to do business with in every location
- **Stay nimble –** keep ahead of our markets : and develop new ones
- **Devolve responsibility** – and decision-making to regional teams
- **Squeeze our assets** – maximise return from every tonne of rock
- **Eliminate underperformance** – if a plant is not performing, fix it
- **Keep central overhead to a minimum**
- **Don't pay rent** – locate our offices in our quarries
- **Deliver value from acquisitions** – always enhance earnings

2012 Highlights

Sales Revenue
+3% to £173.5m

EBITDA
+18% to £20.2m

PBT
+272% to £5.6m

EBITDA margin
+1.5 pts to 11.6%

Acquisitions
EBITDA £2.1m

Net Debt
-23% to £74.1m

PBT, EBITDA and EBITDA margin all exclude non-underlying items

Financial Review

Ian Peters

Group Finance Director

Profit & Loss 2012

	2011 £'000	2012 £'000	Variance v 2011 £'000	Variance v 2011 %
Revenue	168,888	173,457	4,569	+2.7%
EBITDA	17,063	20,183	3,120	+18.3%
Depreciation & Amortisation	(11,375)	(11,343)	32	+0.3%
Underlying Operating Profit	5,688	8,840	3,152	+55.4%
Share of Associate	659	1,033	374	+56.8%
Interest	(4,840)	(4,274)	566	+11.7%
Exceptional costs	(122)	195	317	
Profit Before Tax	1,385	5,794	4,409	+318.3%
Taxation	(186)	(507)	(321)	
Retained Profit	1,199	5,287	4,088	+341.0%
Underlying basic EPS	0.21p	0.67p	0.46p	+219.0%

Analysis by division 2012

	2010 Proforma £'000	2011 £'000	2012 £'000	Variance v 2011 £'000	Variance v 2011 %
Revenue					
England	68,800	86,158	91,278	5,120	+5.9%
Scotland	75,000	82,730	82,179	(551)	(0.7)%
Total	**143,800**	**168,888**	**173,457**	**4,569**	**+2.7%**
EBITDA					
England	5,500	9,090	11,562	2,472	+27.2%
Scotland	10,200	10,316	11,345	1,029	+10.0%
Head Office	(2,000)	(2,343)	(2,724)	(381)	(16.3)%
Group Total (pre Associate)	**13,700**	**17,063**	**20,183**	**3,120**	**+18.3%**
EBITDA Margin	**9.5%**	**10.1%**	**11.6%**	**+1.5%**	

Volumes 2012

	2010 ’000 tonnes	2011 ’000 tonnes	2012 ’000 tonnes	Variance v 2011 %
England	1,947.5	2,022.9	1,880.8	(7.0)%
England (C&G)	-	198.9	438.2	n/a
Scotland	1,667.6	1,878.8	1,972.0	+5.0%
Aggregates	3,615.1	4,100.6	4,291.0	+4.6%
England	735.7	867.8	761.0	(12.3)%
Scotland	467.6	510.6	441.0	(13.6)%
Asphalt	1,203.3	1,378.4	1,202.0	(12.8)%
England	99.2	124.9	99.0	(20.7)%
England (C&G, NRMX)		76.6	167.0	n/a
Scotland	171.0	206.0	215.0	+4.4%
Concrete (’000m3)	270.2	407.5	481.0	+18.0%

Closing Balance Sheet : December 2012

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	2010 Dec £'000	2011 Dec £'000	2012 Dec £'000
Tangible Fixed Assets	146,816	151,984	144,895
Investments	1,070	792	887
Goodwill arising on Breedon and NRMX	1,449	1,449	2,143
Intangible Assets	341	199	152
Total Non-Current Assets	149,676	154,424	148,077
Current Assets	36,878	43,477	49,547
Creditors Less than One Year	(34,889)	(41,769)	(35,974)
Net Current Assets	1,989	1,708	13,573
Creditors Greater than One Year	(94,834)	(97,100)	(82,301)
Net Assets	56,831	59,032	79,349

Cashflow 2012

	2011 £'000	2012 £'000
Profit before Interest and Tax	6,225	10,068
Income from associate	(659)	(1,033)
Gain on bargain purchase & asset sales	(1,489)	(1,084)
Depreciation and amortisation	11,537	11,390
Equity settled incentives	213	359
Movement in Inventories	(479)	111
Movement in Receivables	(8,665)	(1,421)
Movement in Payables	6,564	(2,982)
Movement in Provisions	(466)	(910)
Cash Generated from Operating Activities	12,781	14,498

	2011 £'000	2012 £'000
Interest Paid	(4,588)	(4,102)
Taxation	(2)	-
Dividends Received / (Paid)	877	938
Investment in Fixed Assets	(7,094)	(8,479)
Acquisitions	(9,770)	(1,546)
Disposal Proceeds	3,158	6,204
Cashflow before Financing	(4,638)	7,513
Equity Raised	840	14,747
Debt Repaid / New Loans	5,861	(8,733)
HP Capital Repayments	(5,953)	(6,285)
Net Cashflow	(3,890)	7,242

Analysis of net debt : December 2012

	Dec 2010 £'m	Dec 2011 £'m	Dec 2012 £'m
Term Loans	67.0	72.6	62.8
Bank overdrafts	1.6	3.1	-
Cash	(3.2)	(0.9)	(5.0)
Bank Debt	65.4	74.8	57.8
Finance Leases (over 1 year)	21.4	16.3	11.5
Finance leases (less than 1 year)	5.5	5.1	4.8
Finance Leases	26.9	21.4	16.3
Net Debt	92.3	96.2	74.1
Multiple of EBITDA	6.7x	5.6x	3.7x

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Operational Review

Simon Vivian

Group Chief Executive

2012 Market Background

- Economic recovery postponed – again
- Demand at lowest levels in living memory: consumption of primary aggregates down 50pc from 1989 peak
- Poor weather: record rainfall in Q2
- No uplift in infrastructure spending
- Extended holidays during Jubilee and Olympics

↓

- Further sharp UK-wide volume declines in all major product groups
- Unit closures, layoffs and profit warnings across the industry

Against the trend

- EBITDA margin up 1.5 points : underlying profitability up in both divisions
- Performances from acquisitions ahead of expectations
- 1stMix profitable within first 6 months : growing well
- Significant improvements in health & safety : accidents cut by 50%
- Success in new markets : renewable energy (Scotland), agriculture (England)
- Key investment projects completed : capex still well below depreciation
- £6.2m surplus land & equipment sold in 2012 : on target to achieve £20m by 2015
- Debt reduced to £74.1m
- Post year-end : purchase from Cemex of 3mt of dormant sand & gravel reserves at St Michaels – opening Q2 2013

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Breedon Aggregates England

England – Summary financials

	2011 £'000	2012 £'000	Variance %
Turnover	86,158	91,278	+5.9%
EBITDA	9,090	11,562	+27.2%
Operating Profit	3,830	6,021	+57.2%
EBITDA Margin	10.6%	12.7%	+2.1%
Operating margin	4.4%	6.6%	+2.2%

Volumes

+4.4% Aggregates
-12.3% Asphalt
+32.0% Concrete

Margins

Aggregates +6.3%
Asphalt +2.5%
Concrete -0.4%

- C&G successfully integrated – EBITDA target achieved 4 years early
- 1stMix launched – moved into profit in Q4
- Nottingham Readymix performing well

England: achievements

- Good cost control and improved pricing
- Underperforming units turned around (Corby, Leinthall, Mansfield)
- New planning consents at Shropham and South Witham
- Continued reduction in purchasing costs
- C&G restructuring completed
- Core vehicle fleet (exc C&G) reduced from 40 to 26
  - 50%+ of fleet now owner-drivers
- 1stMix in profit within 6 months
- Major new business won:
  - A53, A41
  - Tesco, West Bromwich
  - Sainsbury's, Mansfield
  - Derbyshire County Council

Underperformance reversed: 2012 vs 2010

Leaton
Volume +11%
Revenue +34%
EBITDA +53%

Corby
Volume +1%
Revenue +17%
EBITDA +109%

Leinthall
Volume +32%
Revenue +74%
EBITDA +402%

- Selective selling, broad customer base
- Focus on margin-enhancing work, early recovery of hydrocarbon increases
- Focus on local markets, easy to do business with, commercially agile
- Production efficiencies from capital projects, proactive maintenance
- Reshaping of teams
- Continual drive on “every little helps”
- Reshaping of haulage fleets

England: priorities for 2013

- Continued focus on margin improvements
- Deliver benefits of capital investment at Cloud Hill and Leaton
- Maintain tight control of operating costs and procurement of cement and bitumen
- Target further improvement in customer service levels
- Build on successful launch of 1stMix
- Identify greenfield opportunities to further develop aggregates, asphalt and readymix

Breedon Aggregates Scotland

Scotland – Summary financials

	2011 £'000	2012 £'000	Variance %
Turnover	82,730	82,179	-0.7%
EBITDA	10,316	11,345	+10.0%
Operating Profit	4,213	5,548	+31.7%
EBITDA Margin	12.5%	13.8%	+1.3%
Operating margin	5.1%	6.8%	+1.7%

Volumes
+5.0% Aggregates
-13.6% Asphalt
+4.4% Concrete

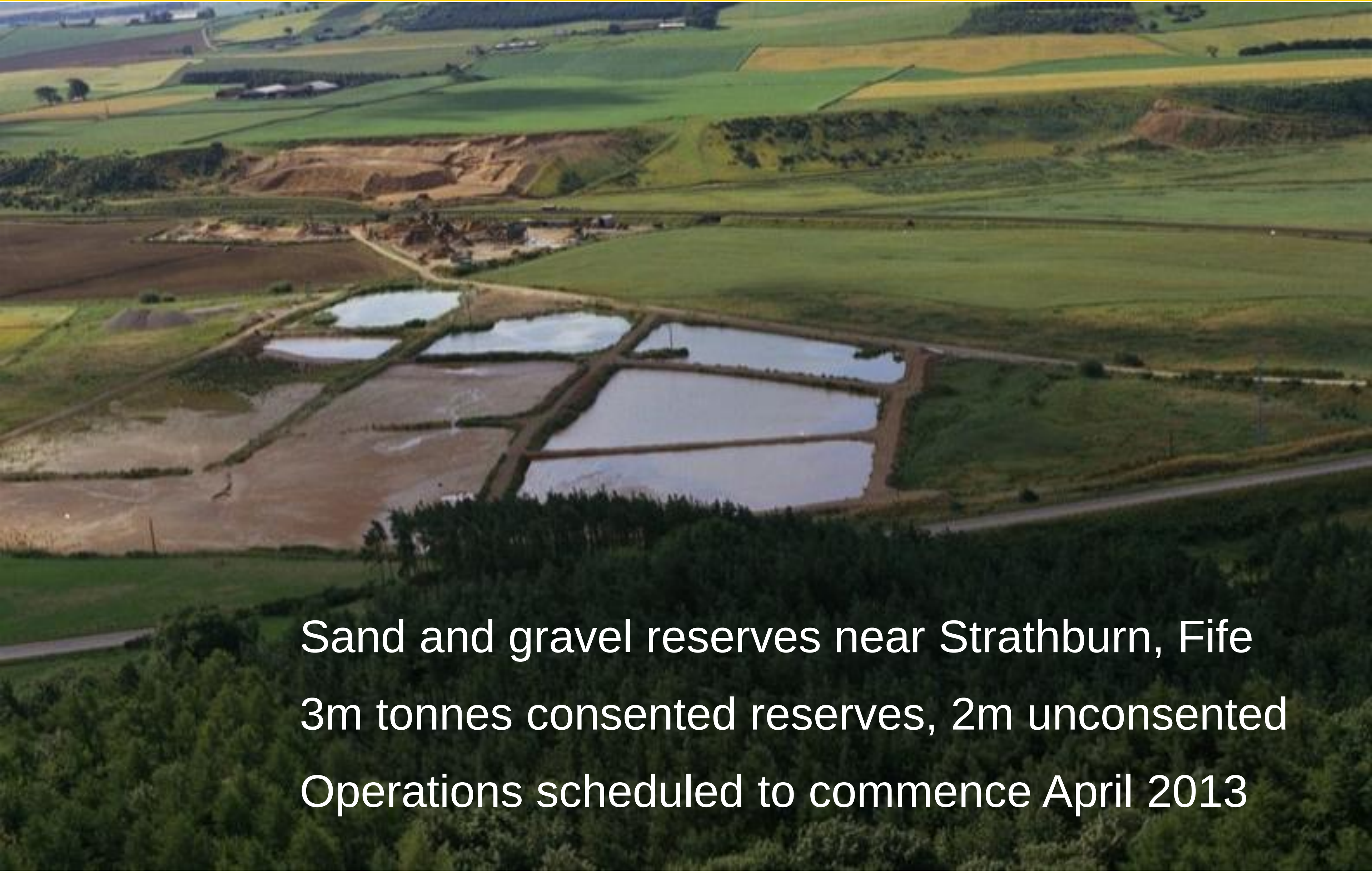
Margins
Aggregates -2.5%
Asphalt +1.4%
Concrete +4.6%

- Successful launch of MCS JV
  – focused on supplying buoyant wind farm developments
- Rothes Glen sand & gravel quarry performing ahead of expectations
- New asphalt plant at Peterhead
- BEAR JV secured new 5-year maintenance contract in NW Scotland

Scotland: achievements

- Good cost control, lower input costs and strong pricing
- Contracting ahead of expectations
- BEAR Scotland and Alba ahead of expectations
  - new NW maintenance contract will secure long term supplies
- Strong performance from Rothes Glen acquisition
- Ethiebeaton quarry extension: +9m tonnes of reserves
- Highly successful maiden performance from MCS
  - Calliacher wind farm, Lochailort Fish Farm, Nigg Energy Park
- Key capital projects underway
  - increased capacity at Stirlinghill and Orrock
- Major new business won:
  - Fife ITS, M90
  - Trump Golf project
  - Edinburgh Tram

Scotland: purchase of St Michaels



Sand and gravel reserves near Strathburn, Fife

3m tonnes consented reserves, 2m unconsented

Operations scheduled to commence April 2013

Scotland: priorities for 2013

- Commence operations at St Michaels in Q2
- Secure further procurement efficiencies
- Further growth at Mobile Concrete Solutions
- Continuing refreshment/improved efficiency of fleet
- Additional cost-control and mitigation measures
- Deliver efficiency benefits from recent capital investments

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Outlook

Outlook

- Economic outlook still uncertain, but some signs of optimism
  - several construction projects approved in 2011 coming on stream
- MPA/CPA forecast lower output & volumes again in 2013, prior to recovery in 2014
- Changed industry landscape post merger of Tarmac & Lafarge and creation of Hope Construction Materials
  - possible short-term opportunity for Breedon
- Energy costs rising again : bitumen price increase of £30/tonne notified from 1 March with possible further increase in April
- Several potential acquisitions under consideration : some at advanced stages of negotiation
- Slow start to year due to poor weather, but further progress expected in 2013

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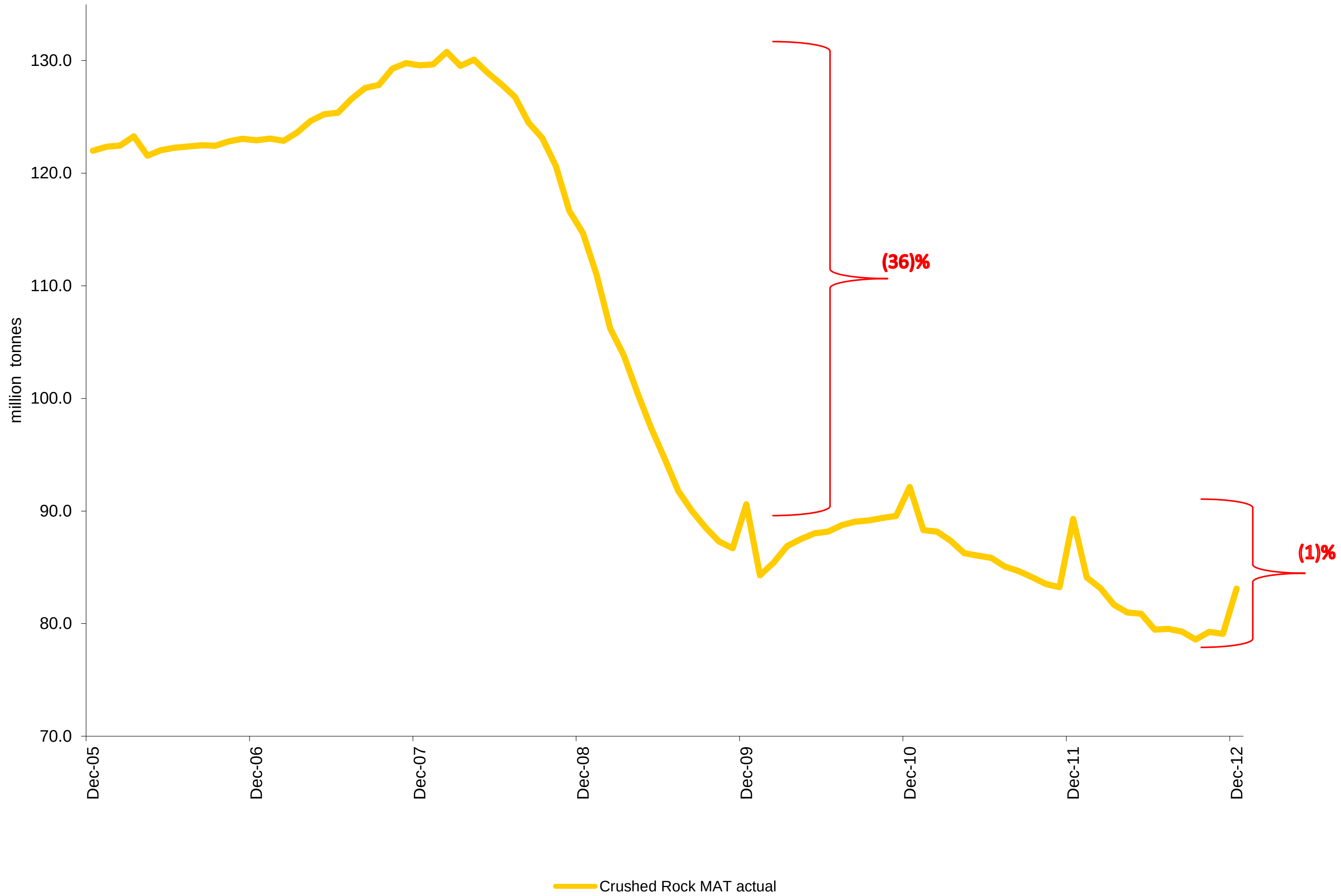
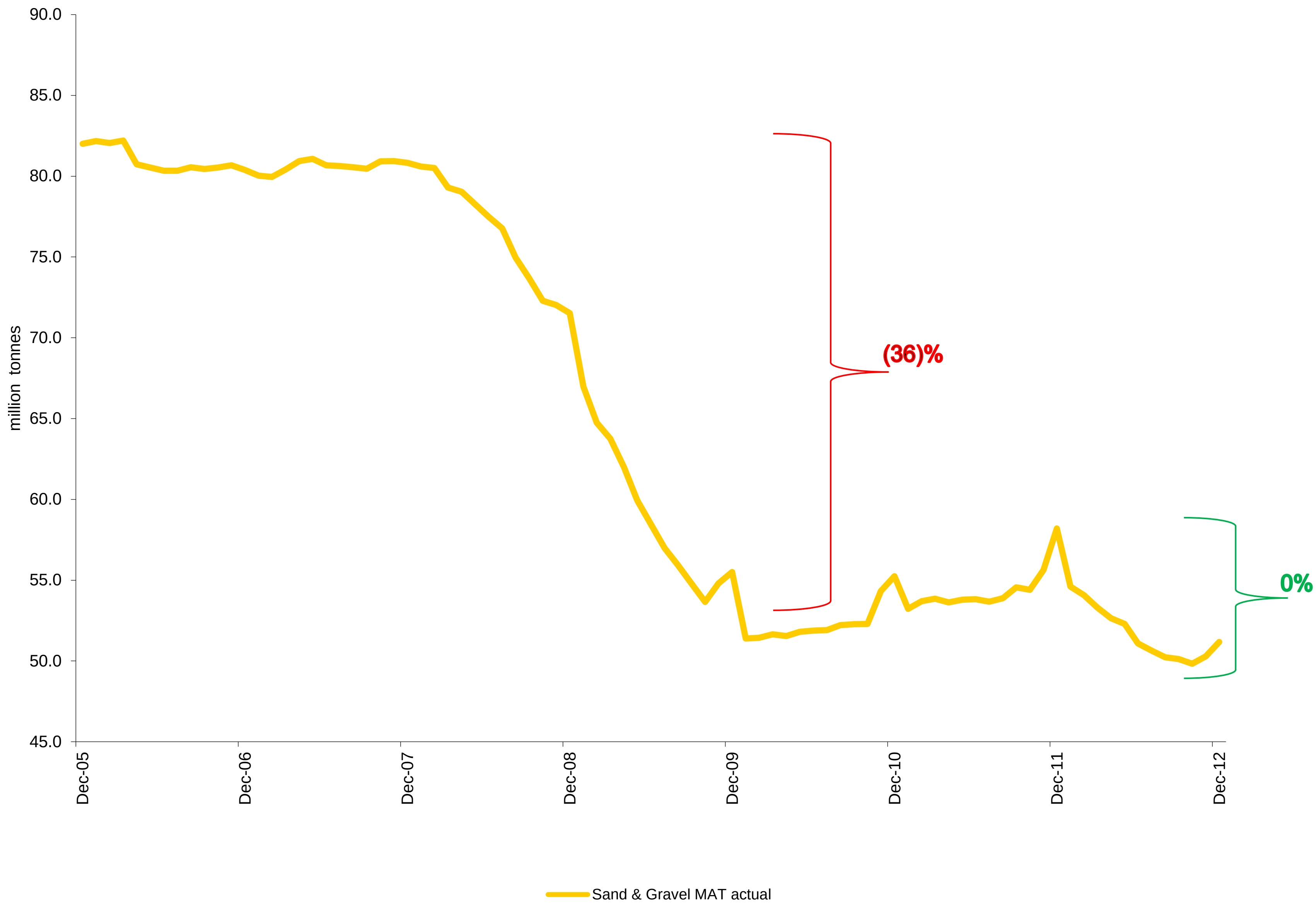
Appendix

MPA volumes

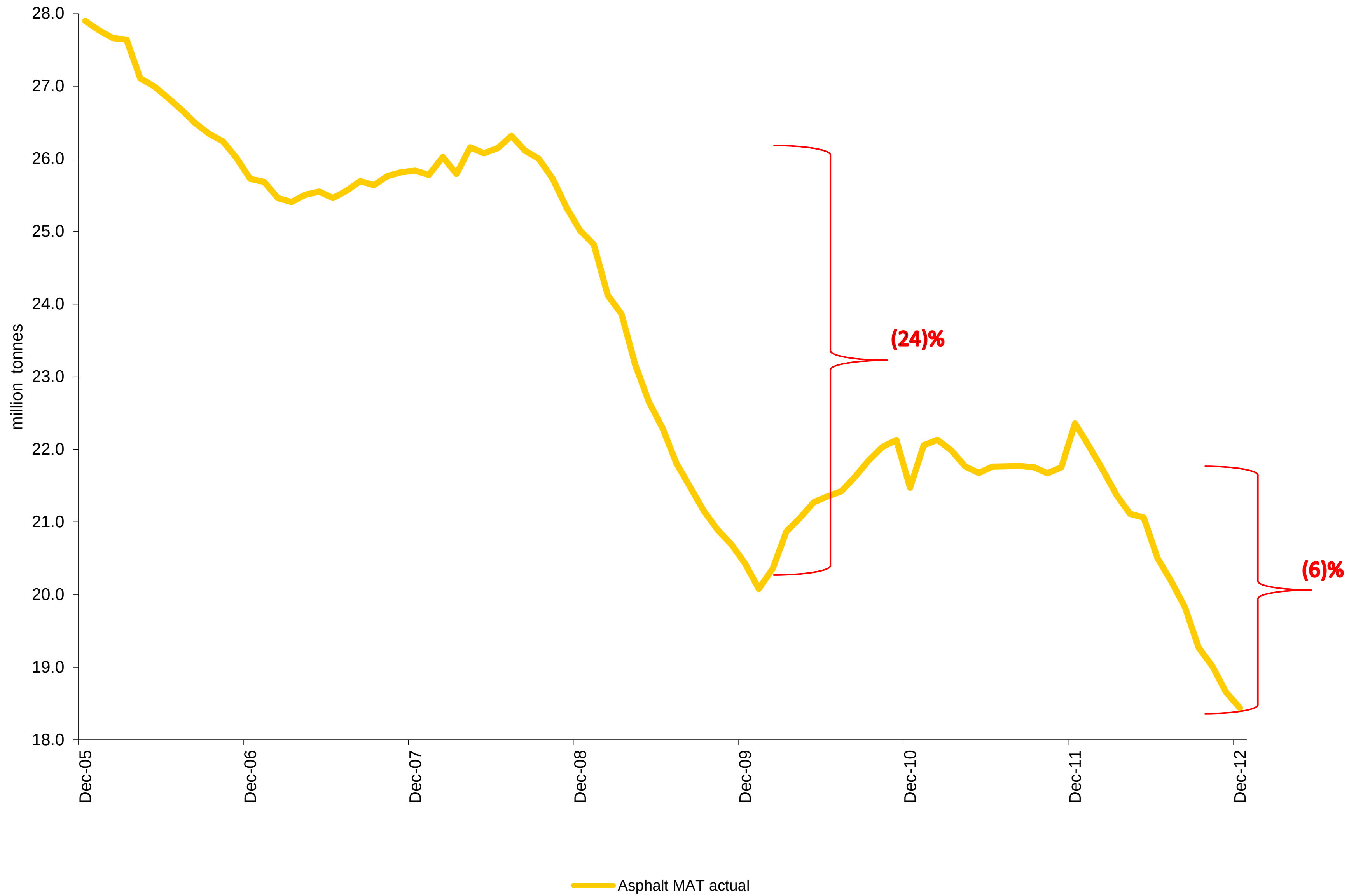
MPA crushed rock volumes – moving annual trend



MPA sand & gravel volumes – moving annual trend



MPA asphalt volumes – moving annual trend



MPA readymix volumes – moving annual trend