

HALF-YEAR 2016  
RESULTS  
21 July 2016



# H1 2016: RESULTS

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## Introduction

Peter Tom CBE, Executive Chairman

## Financial review

Rob Wood, Group Finance Director

## Group overview

Pat Ward, Group Chief Executive

## England review

Tim Hall, Breedon Aggregates England

## Scotland review

Alan Mackenzie, Breedon Aggregates Scotland

## Update on Hope, new brand & outlook

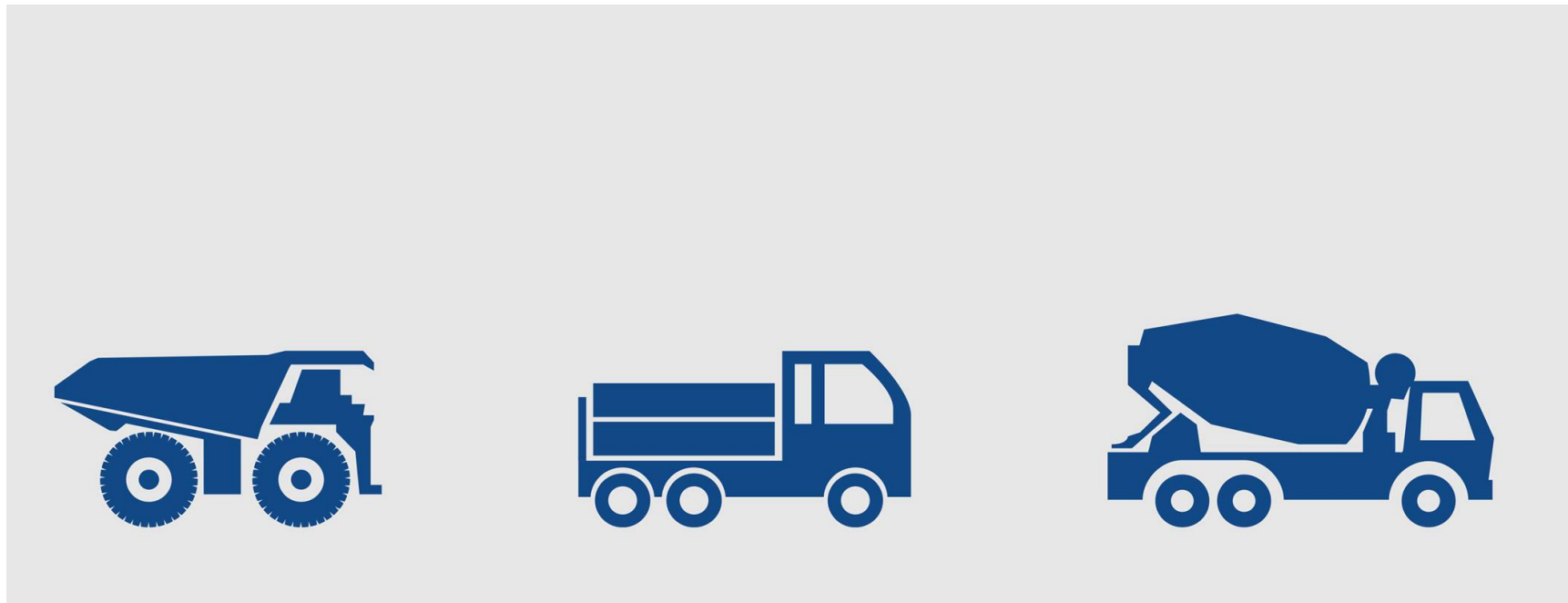
Pat Ward

## Q&A

# H1 2016: INTRODUCTION

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Peter Tom CBE  
Executive Chairman





# H1 2016: CONTINUING STRONG PROGRESS

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- ▲ Excellent first-half operating performance, with strong contributions from both England and Scotland
- ▲ Underlying EBIT margin improved to 14.0%
- ▲ Strong earnings growth and cash generation
- ▲ As planned, significant increase in capital expenditure as investment continued in expanding capacity and improving operational efficiency
- ▲ Integration planning for Hope well advanced and completion of acquisition expected on 1 August (subject to final clearance from the CMA)
- ▲ Further bolt-on acquisitions under consideration



# H1 2016: BREEDON'S 'GOLDEN RULES'



1 Stay local →	Easy to do business with at every site
2 Stay nimble →	Maximise opportunities in our markets & develop new ones
3 Devolve responsibility →	Allow decision-making by regional teams
4 Squeeze our assets →	Maximise return from every tonne of material
5 Eliminate underperformance →	If a plant is not performing, fix it
6 Keep central overhead to a minimum →	Maintain a flat structure
7 Don't pay rent →	Locate our offices in our quarries
8 Deliver value from acquisitions →	Always enhance earnings

# H1 2016: FINANCIAL REVIEW

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Rob Wood  
Group Finance Director



# H1 2016: FINANCIAL HIGHLIGHTS



Revenue

**£163.0m**

H1 2015: £160.5m +2%

Underlying EBIT

**£22.8m**

H1 2015: £18.9m +21%

Underlying EBIT margin

**14.0%**

H1 2015: 11.8% +2.2ppt

PBT

**£20.9m**

H1 2015: £17.5m +19%

Underlying basic EPS

**1.50p**

H1 2015: 1.29p +16%

Net cash

**£17.6m**

at Dec 2015: £10.3m +£7.3m



# H1 2016: INCOME STATEMENT



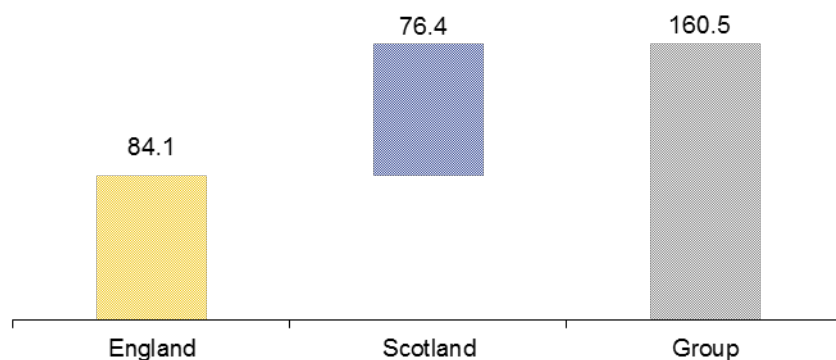
	H1 2015 £ million	H1 2016 £ million	Variance %
Revenue	160.5	<b>163.0</b>	+2%
Underlying EBITDA*	27.3	<b>31.4</b>	+15%
Depletion & depreciation	(8.7)	<b>(9.0)</b>	
Underlying operating profit*	18.6	<b>22.4</b>	+21%
Share of associate and joint venture	0.3	<b>0.4</b>	
Underlying EBIT*	18.9	<b>22.8</b>	+21%
Interest	(1.5)	<b>(1.1)</b>	
Non-underlying items*	0.1	<b>(0.8)</b>	
Profit before tax	17.5	<b>20.9</b>	+19%
Taxation	(3.8)	<b>(4.4)</b>	
Profit for the period	13.7	<b>16.5</b>	+21%
Underlying basic earnings per share*	1.29p	<b>1.50p</b>	+16%

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

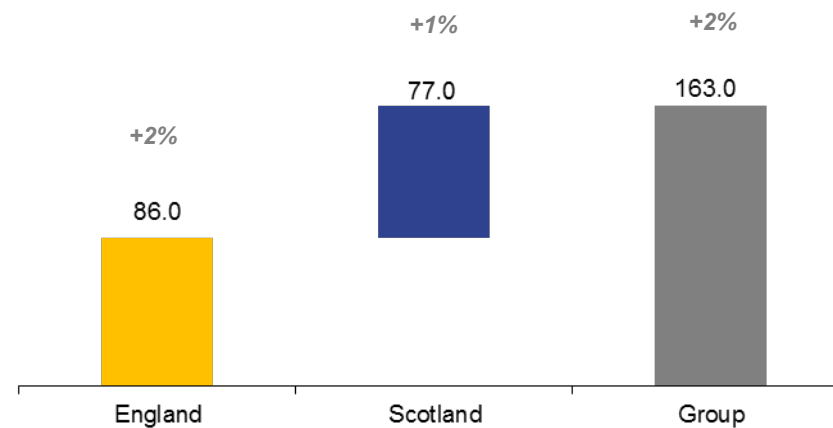
# H1 2016: DIVISIONAL PERFORMANCE



Revenue (H1 2015) £ million

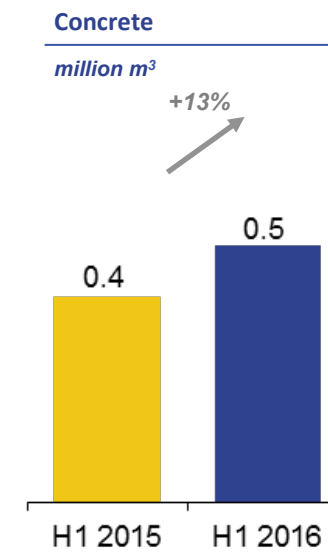
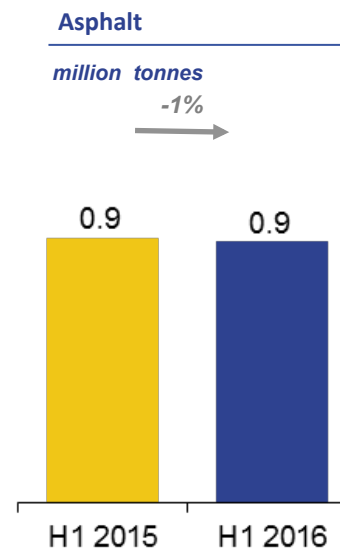
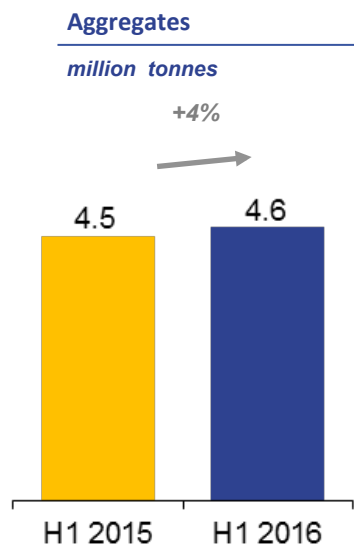


Revenue (H1 2016) £ million



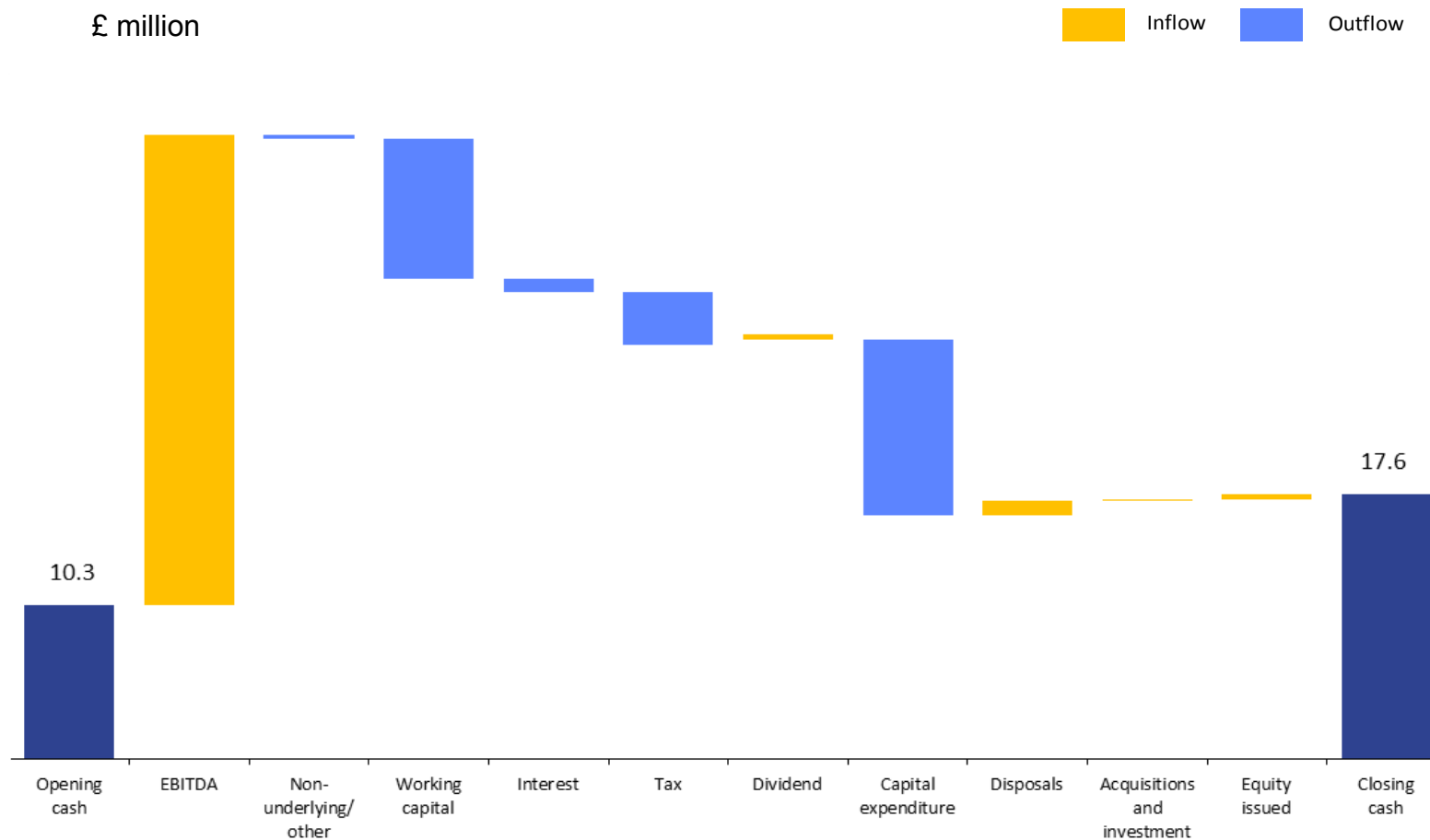
	H1 2015 £ million	H1 2016 £ million	Variance %
<b>Underlying EBIT</b>			
England	12.6	15.9	+26%
Scotland	9.0	10.0	+12%
Head Office	(3.0)	(3.5)	
Share of associate and joint venture	0.3	0.4	
<b>Underlying EBIT</b>	18.9	22.8	+21%

# H1 2016: PRODUCT VOLUMES





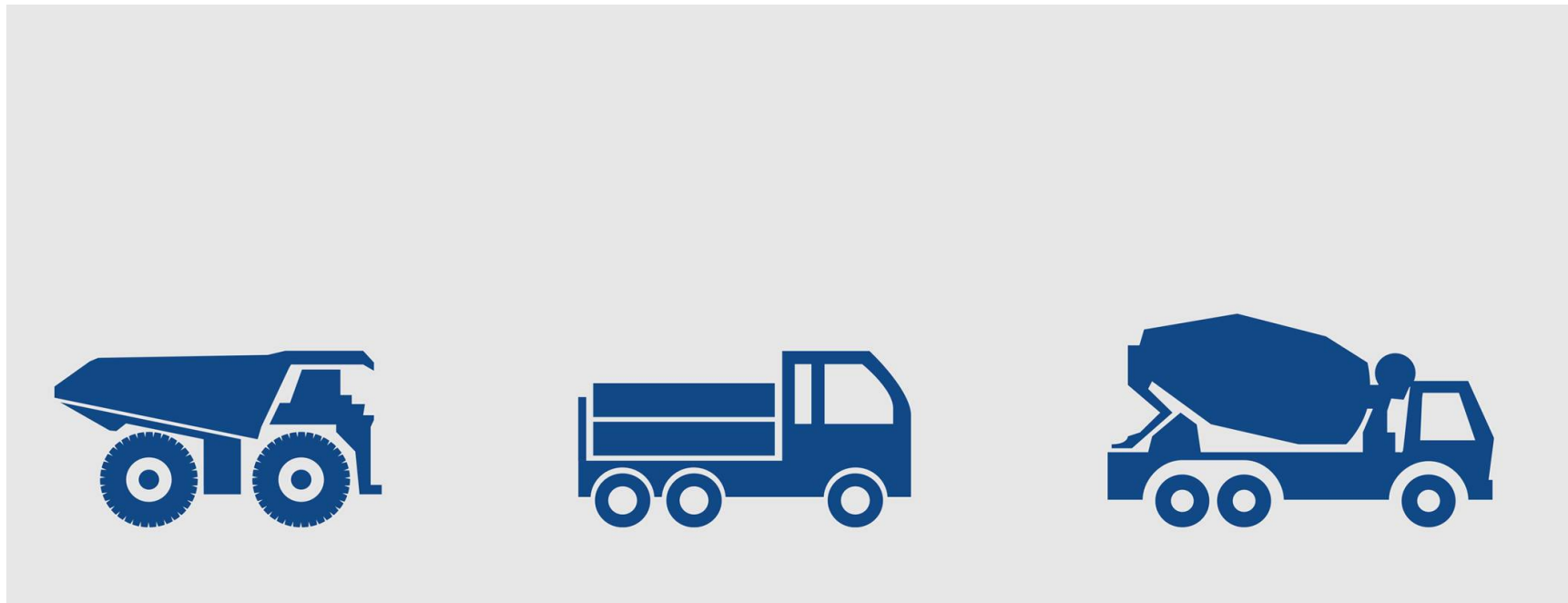
# H1 2016: NET CASH MOVEMENT



# H1 2016: GROUP OVERVIEW

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Pat Ward  
Group Chief Executive



# H1 2016 MARKET BACKGROUND

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- ▲ Economy grew by 0.4% in Q1 and was thought to be improving in Q2
- ▲ However, heightened economic and political volatility leading up to and following the EU Referendum likely to have resulted in more muted growth than previously expected
- ▲ First-quarter MPA volumes generally flat over previous quarter
- ▲ Compared to the first quarter of 2015
  - Aggregates +2%
  - Concrete +3%
  - Asphalt -9%
- ▲ Asphalt volume decline reflects shift in spending to major projects at the expense of renewals
- ▲ Benefited from lower hydrocarbon costs



# H1 2016: EXCELLENT PERFORMANCE

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- ▲ Strong contributions from both England & Scotland
- ▲ Balanced new business mix: major contracts & smaller customers
- ▲ Sustained improvement in underlying EBIT margins in both businesses despite
  - Slow start to the year in Scotland
  - Temporary delays to some major contracts
  - Uncertainty leading up to, and since, the EU Referendum
- ▲ Continued targeted capital investment: key strategic projects & operational efficiency improvements
- ▲ Reinvigorated VFL & employee engagement programme to develop culture of safe behaviour
- ▲ Launched formal operational improvement programme

# H1 2016: ENGLAND REVIEW

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Tim Hall

Chief Executive – Breedon Aggregates England



# BREEDON AGGREGATES ENGLAND



**535**

employees



**15**

quarries



**9**

asphalt plants



**23**

ready-mixed concrete  
and mortar plants



**1**

concrete  
products plant



**2**

regional contract  
surfacing operations

*as at 30 June 2016*

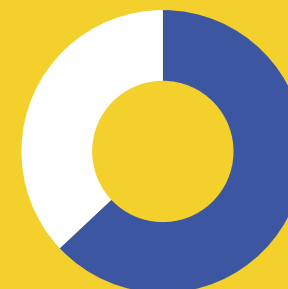
## Revenue



**53%**

of Group revenue

## Underlying EBIT



**61%**

of Group underlying EBIT

# H1 2016: ENGLAND SUMMARY



## Volumes

+2%

Aggregates

-5%

Asphalt

+20%

Concrete

	H1 2015 £ million	H1 2016 £ million	Variance
Revenue	84.1	86.0	+2%
EBITDA	16.9	20.2	+20%
EBIT	12.6	15.9	+26%
EBIT margin	15.0%	18.4%	+3.4ppt

- ▶ Continued focus on VFL and drive to zero harm
- ▶ Regional demand variations
- ▶ Asphalt volumes down due to slowdown in renewals work
- ▶ New concrete plant at Tewkesbury to service new market
- ▶ Reopened Denbigh quarry extends reach in North Wales
- ▶ New primary crusher fully operational at Cloud Hill

# H1 2016: MAJOR CONTRACTS SUPPLIED

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- ▲ DHL Cargo Hub, East Midlands Airport
- ▲ East Midlands Airport expansion
- ▲ Jaguar Land Rover, i54
- ▲ New Amazon distribution centre
- ▲ Midland Metropolitan Hospital
- ▲ Worcester Southern By-Pass
- ▲ Newtown By-Pass

# H1 2016: ENGLAND OUTLOOK & PRIORITIES

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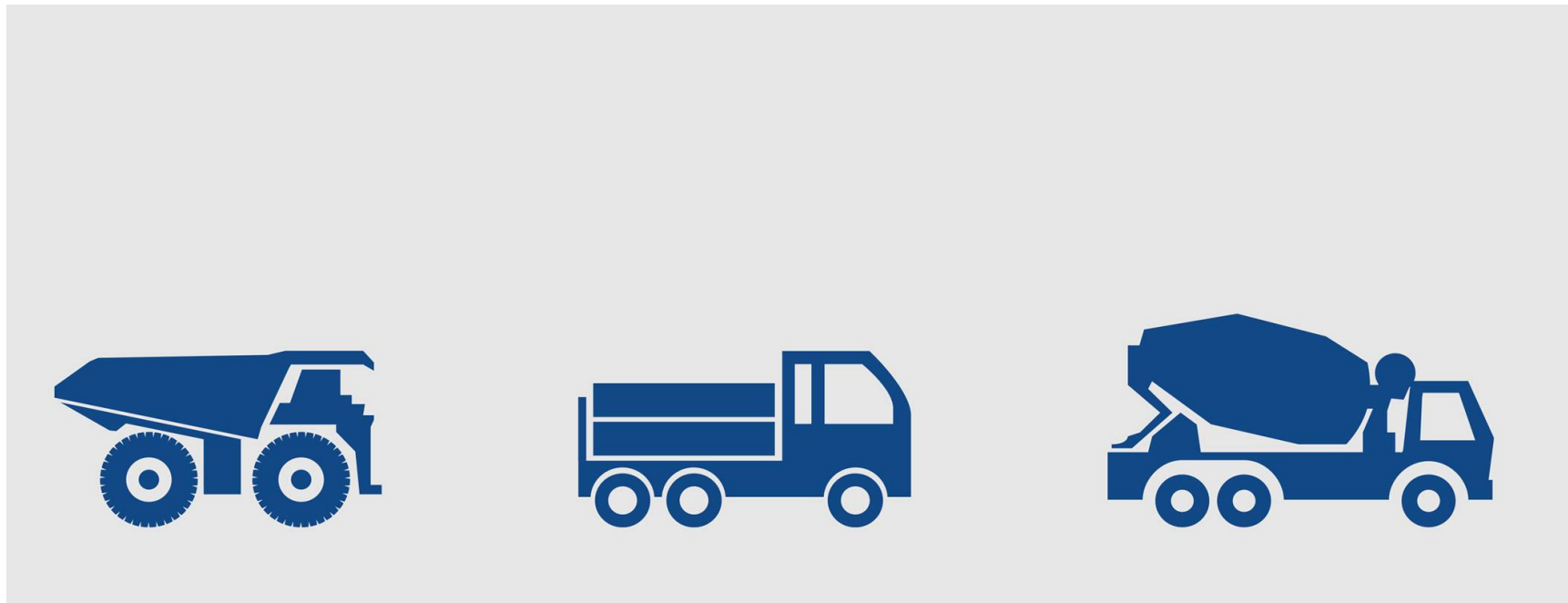
- ▲ Continuing focus on safety improvements & operational efficiencies
- ▲ Close review of commercial strategies in changing markets
- ▲ Speedy integration of Hope, organisational restructure & capture of synergies
- ▲ Open new Earls Barton sand & gravel unit
- ▲ Identify potential site for new asphalt plant to service North Wales market
- ▲ Major contract opportunities from East Midlands Gateway, Hereford City Link Road & various new distribution centres

# H1 2016: SCOTLAND REVIEW

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Alan Mackenzie

Chief Executive – Breedon Aggregates Scotland



# BREEDON AGGREGATES SCOTLAND



**728**  
employees



**38**  
quarries



**18**  
asphalt plants



**37**  
ready-mixed  
concrete  
and mortar plants



**2**  
concrete  
products plants



**6**  
regional contract  
surfacing  
operations



**1**  
traffic  
management  
services company

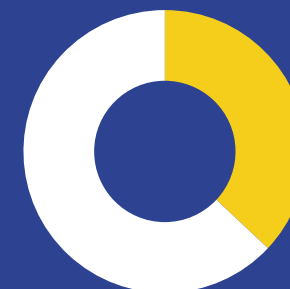
*as at 30 June 2016*

## Revenue



**47%**  
of Group revenue

## EBIT



**39%**  
of Group underlying EBIT



# H1 2016: SCOTLAND SUMMARY



## Volumes

+7%

## Aggregates

+6%

## Asphalt

+4%

## Concrete

	H1 2015 £ million	H1 2016 £ million	Variance
Revenue	76.4	77.0	+1%
EBITDA	13.4	14.7	+10%
EBIT	9.0	10.0	+12%
EBIT margin	11.7%	13.0%	+1.3ppt

- ▲ Increased focus on safety with 4<sup>th</sup> annual roadshow and reinvigorated VFL visits
- ▲ Market slow in Aberdeen, but stronger in north and west, with AWPR & A9 underpinning activity
- ▲ Continued improvement in asphalt and concrete margins
- ▲ Former Barr business continued to outperform expectations: now developing high PSV & surface-dressing markets
- ▲ New asphalt plants at Daviot & Tom's Forest now operational

# H1 2016: MAJOR CONTRACTS SUPPLIED

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- ▲ Significant offsite deliveries to AWPR
- ▲ Major on-site supplies to A9: asphalt, road-grade & structural concrete
- ▲ Kilgallioch & Harehill wind farms
- ▲ Two new substations in north Highlands
- ▲ Fife Council – under local area framework
- ▲ Major concrete supplies to V&A Museum, Dundee; Macallan Distillery, Highlands; and Marischal Square, Aberdeen

# H1 2016: SCOTLAND OUTLOOK & PRIORITIES

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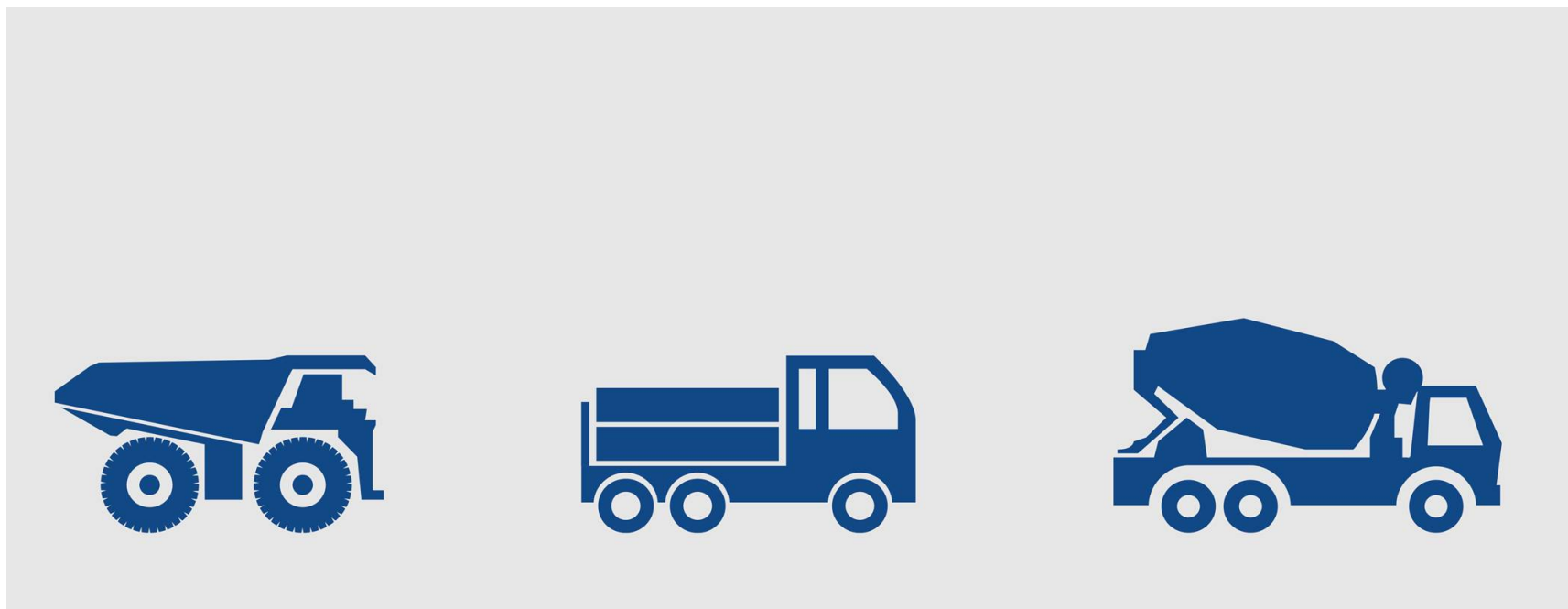


- ▲ Short-term outlook challenging due to market uncertainty, but AWPR and A9 will help underpin performance in second half & 2017
- ▲ Integrate Hope units and identify best operational and commercial practice
- ▲ Create best-in-class management team, drawing on talent from both businesses
- ▲ Pursue opportunities for additional materials on direct supply to AWPR
- ▲ Large upcoming projects: Peterhead Harbour, Nigg Harbour development, Aberdeen Exhibition & Conference Centre

# UPDATE ON HOPE, NEW BRAND & OUTLOOK



Pat Ward



# UPDATE ON HOPE

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- ▲ Completion expected on 1 August (subject to final clearance from the CMA)
- ▲ New group structure agreed: Breedon Northern, Breedon Southern & Hope Cement
- ▲ Proposed company name to change to Breedon Group plc
- ▲ Constitution of Board & Executive Committee confirmed
- ▲ Head office at Breedon on the Hill
- ▲ Integration planning now well advanced
- ▲ Synergies validated
- ▲ New brand to be launched

# BREEDON GROUP PLC: NEW BRAND



# H1 2016: GROUP OUTLOOK

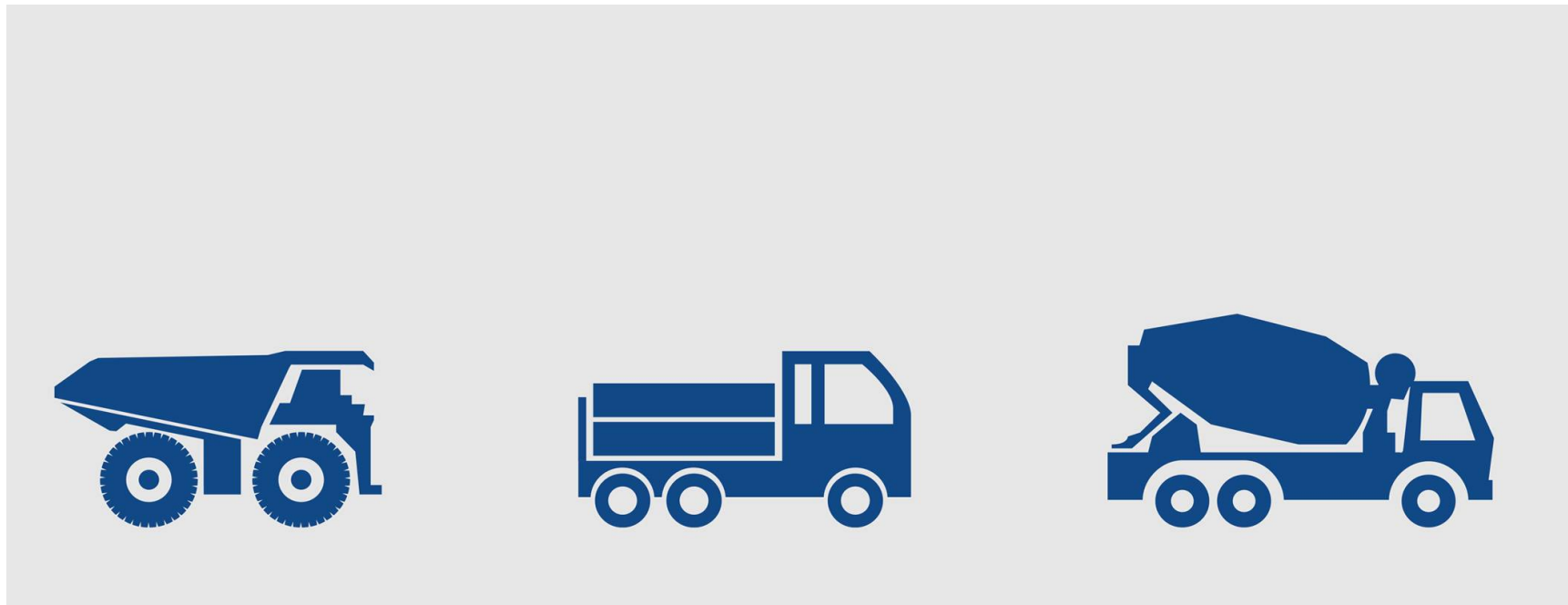
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- ▲ The EU Referendum result has created uncertainty
- ▲ However, there are some encouraging early signs from Government of continued commitment to infrastructure investment, the need for which remains urgent
- ▲ We believe our business remains well placed
  - We have some major contracts to underpin the period of uncertainty
  - Integration of Hope will deliver committed synergies
  - Enlarged footprint & product mix will provide strengthened platform for growth
  - We have a track record of self-help and will apply this to Hope
  - We have a record of strong cash generation
  - We have a strong balance sheet and on completion of the Hope acquisition expect leverage (the ratio of net debt to pro forma EBITDA) to be less than 2 times
- ▲ We also believe that uncertainty may create further opportunities for value-creating acquisitions
- ▲ We remain confident of meeting 2016 market expectations

# H1 2016: Q&A

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## Q&A

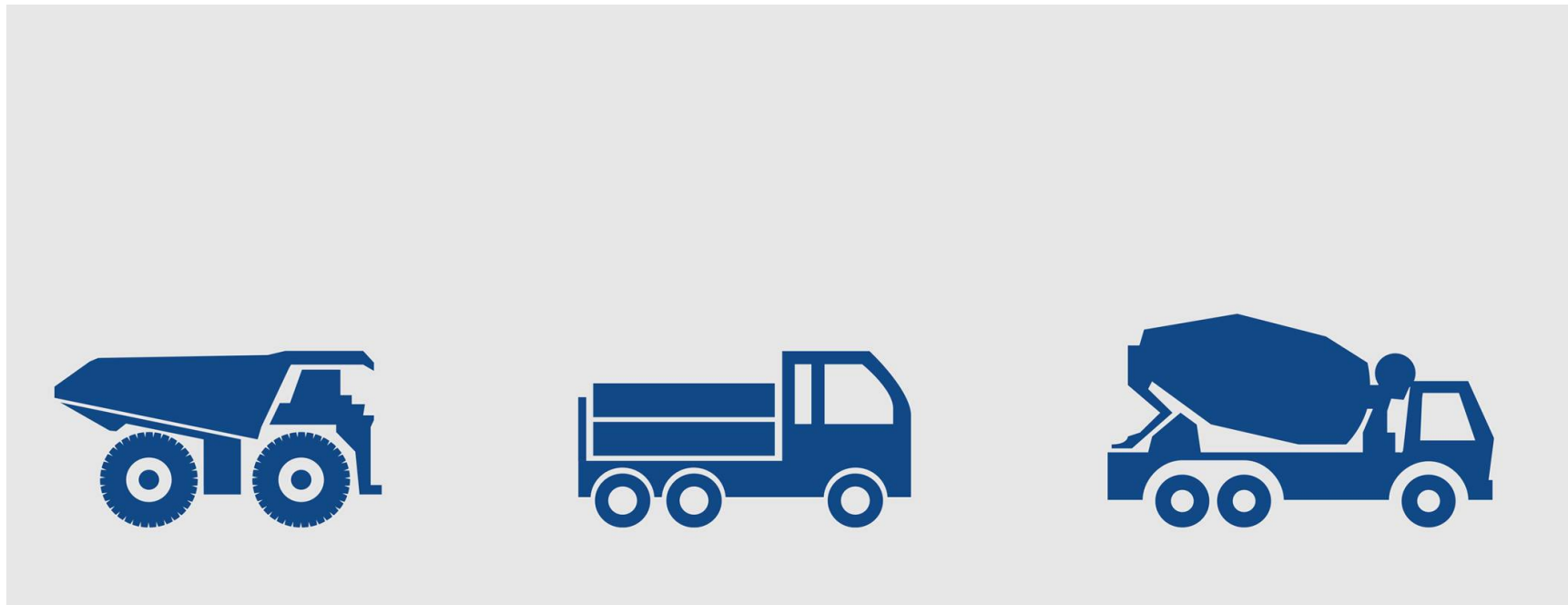




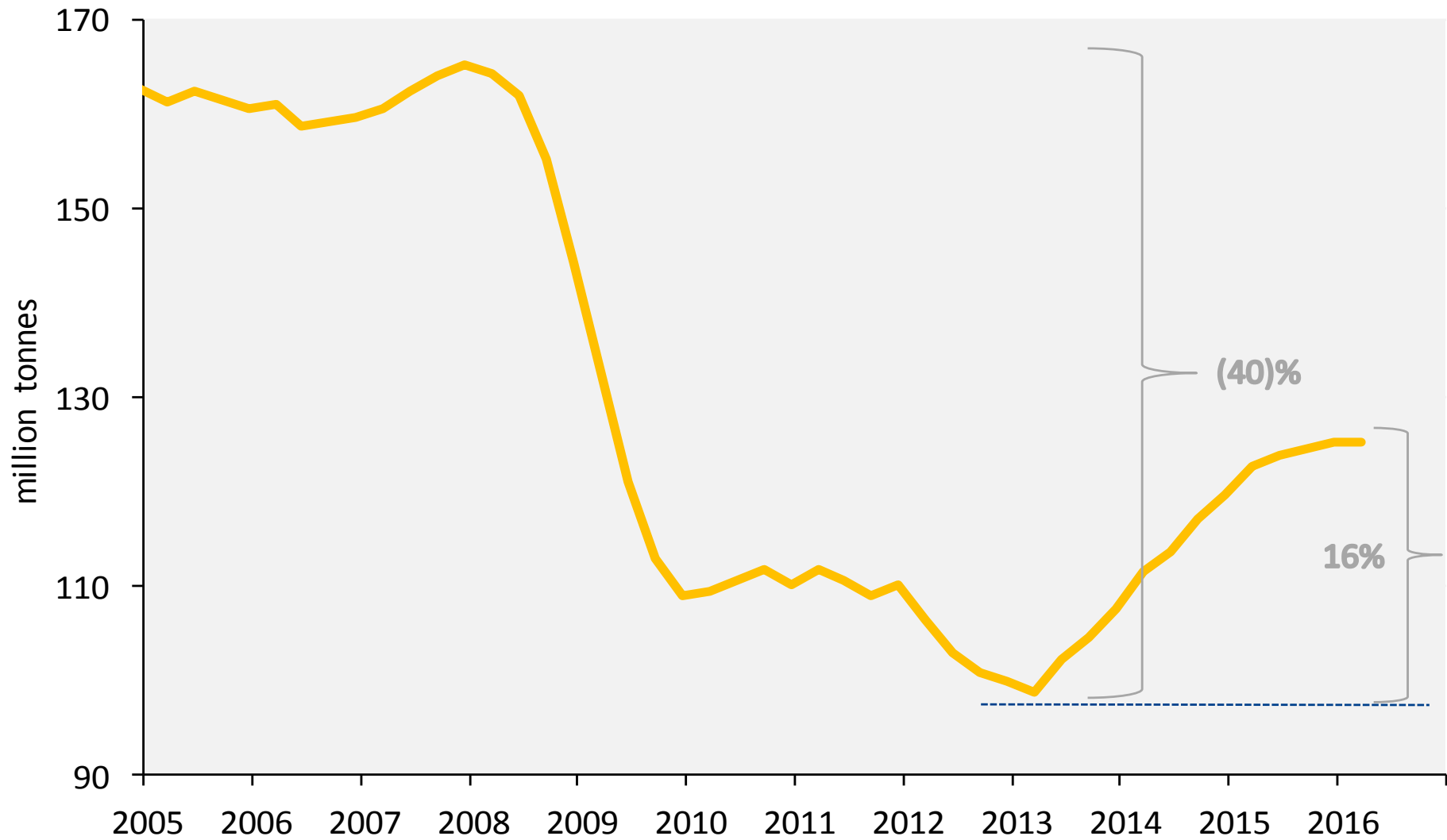
# H1 2016: APPENDICES

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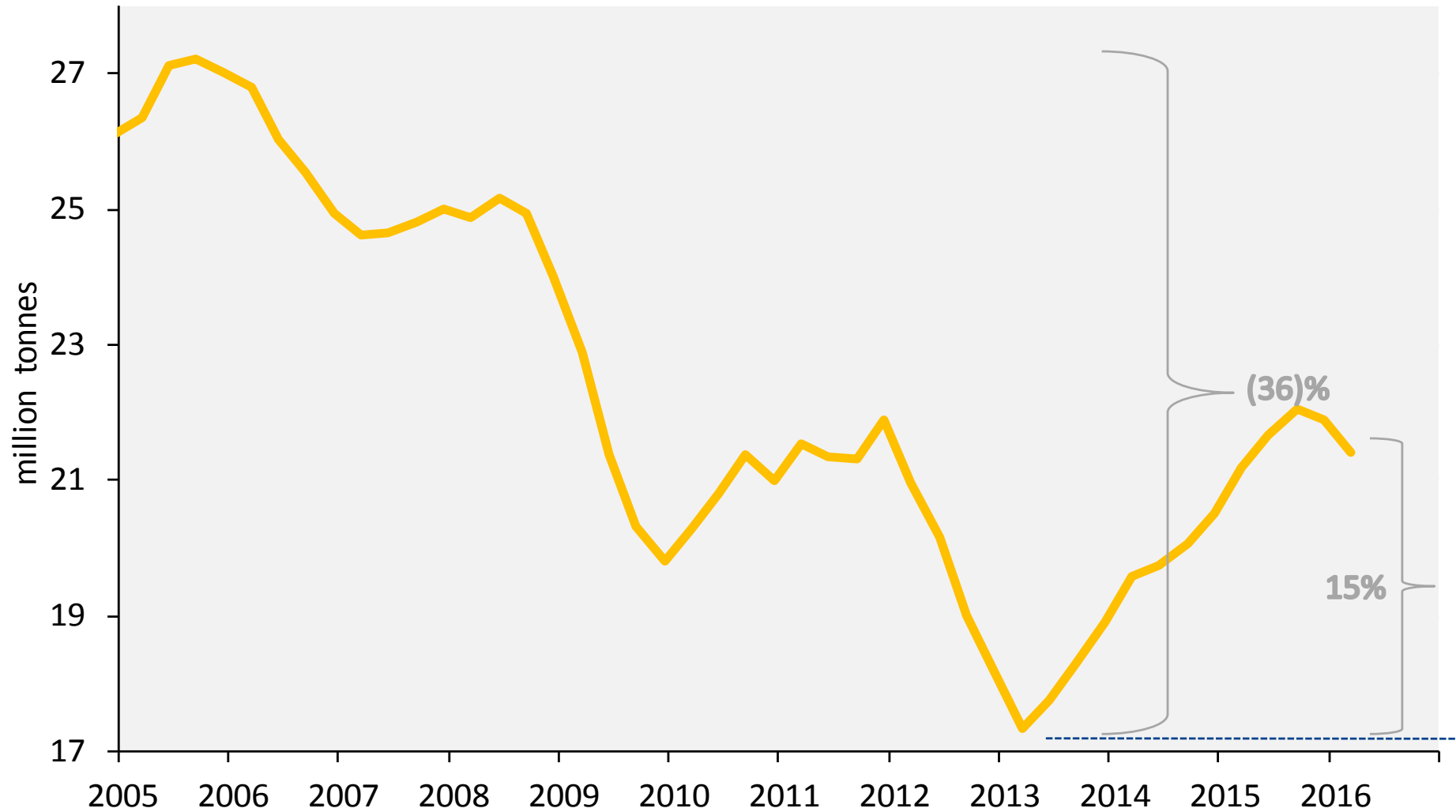
## MPA volumes



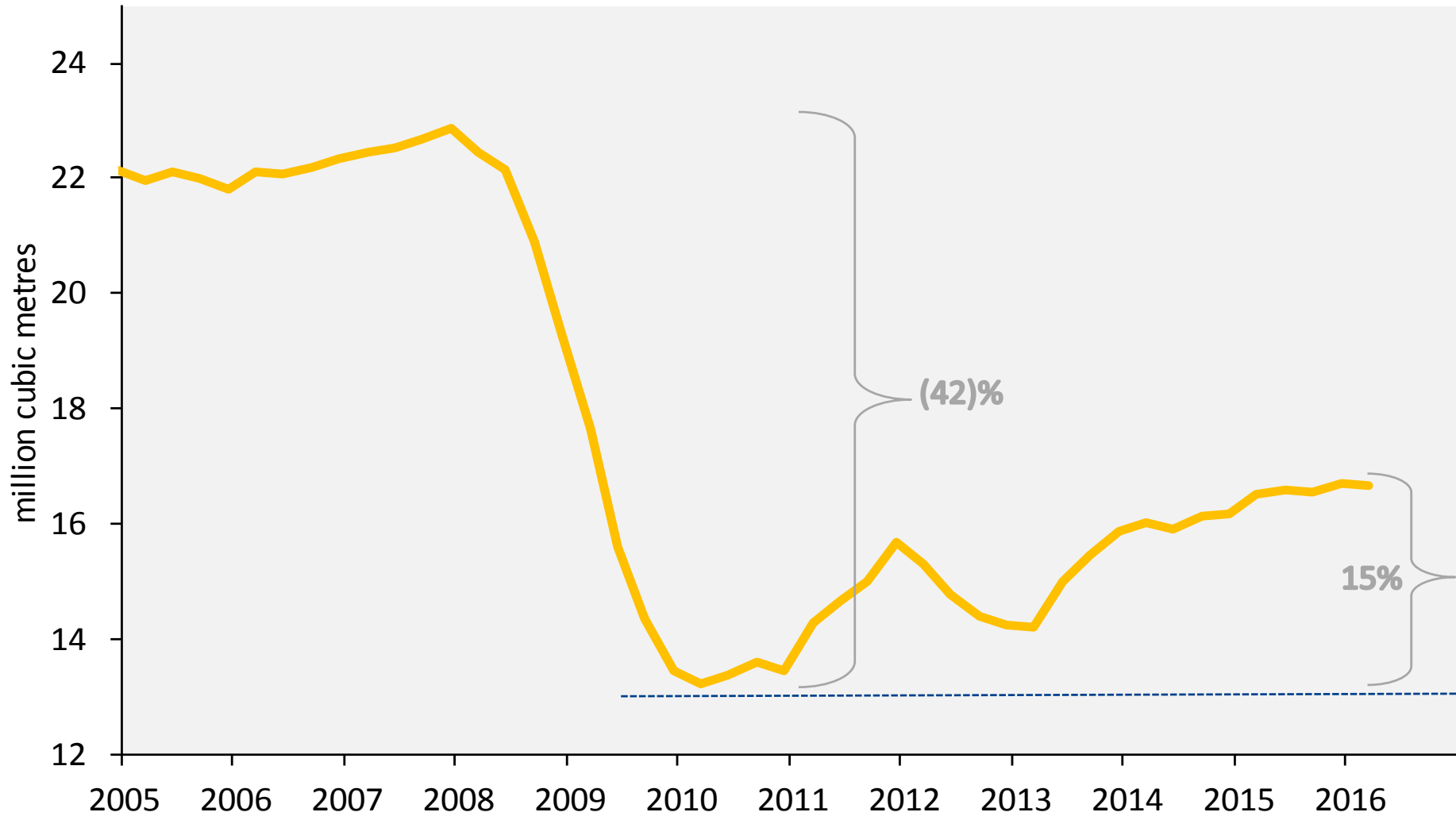
# MPA AGGREGATES VOLUMES – MAT



# MPA ASPHALT VOLUMES – MAT



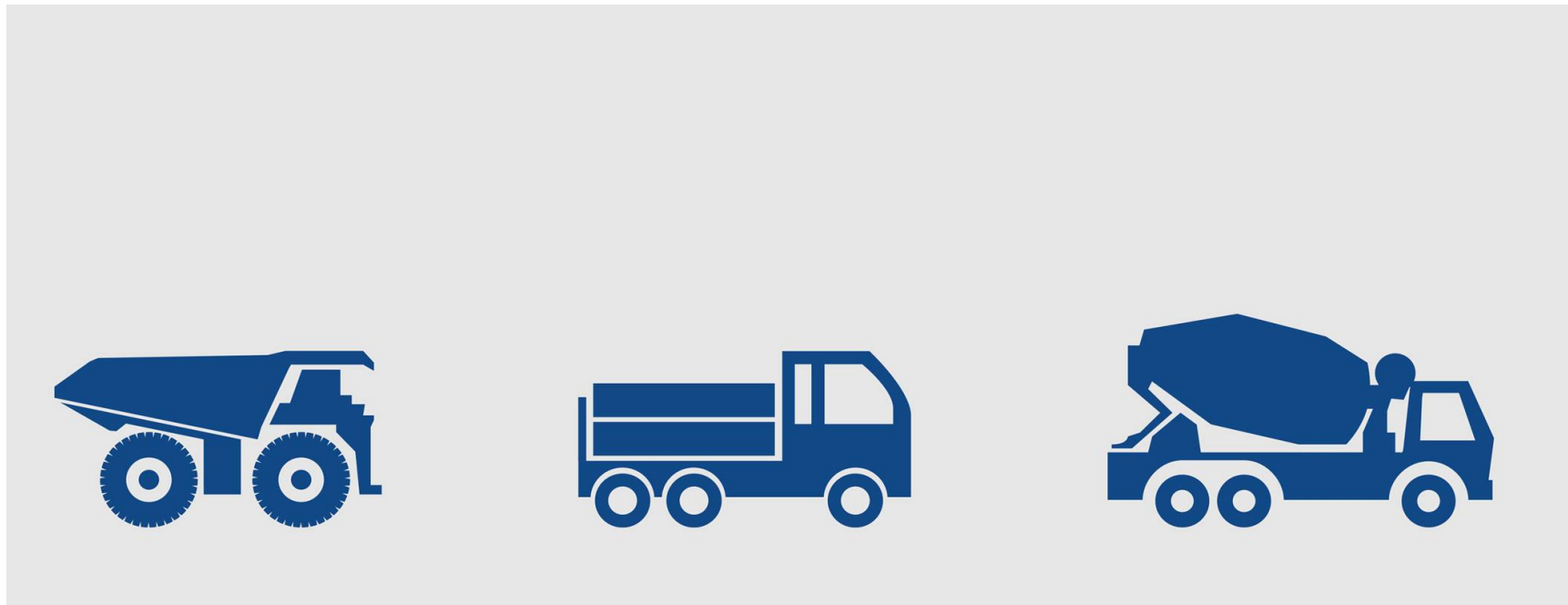
# MPA READY MIX CONCRETE VOLUMES – MAT



# H1 2016: APPENDICES

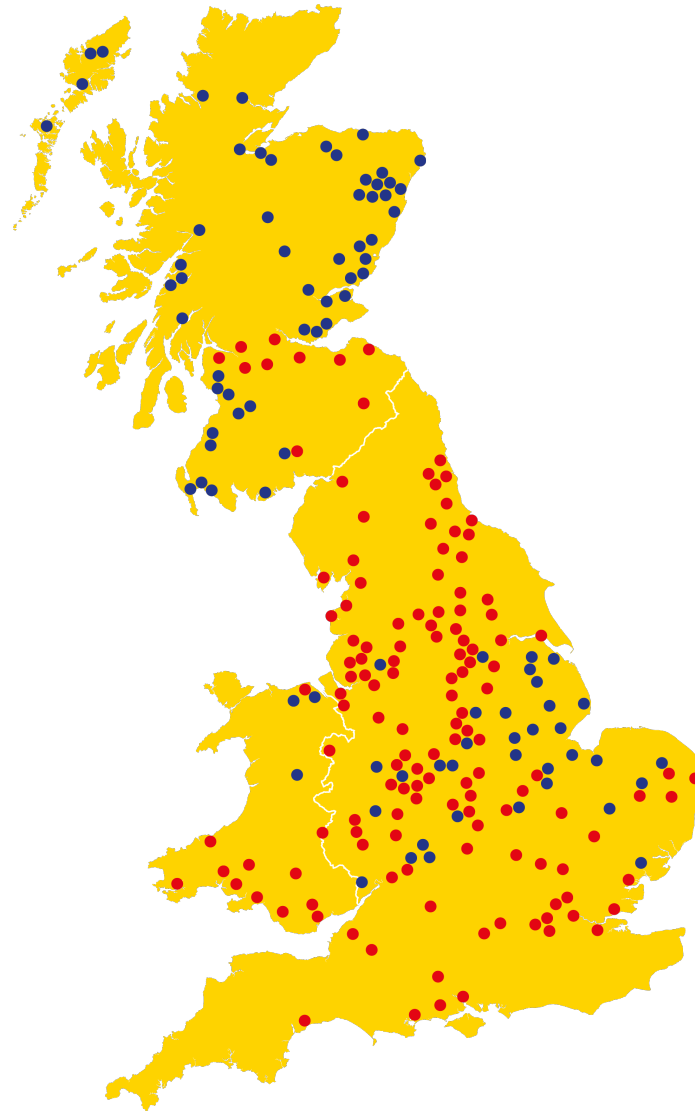
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## Information on Hope



# EXPANDED GEOGRAPHICAL FOOTPRINT

At 30 June 2016



- Breedon
  - Hope
- (following CMA-required divestments)

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This presentation may contain statements related to our and our subsidiaries' future business and financial performance, and future events or developments involving Breedon Aggregates 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 Aggregates' management, and are therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Breedon Aggregates' control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Breedon Aggregates 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.