

BREEDON IN IRELAND

Introduction

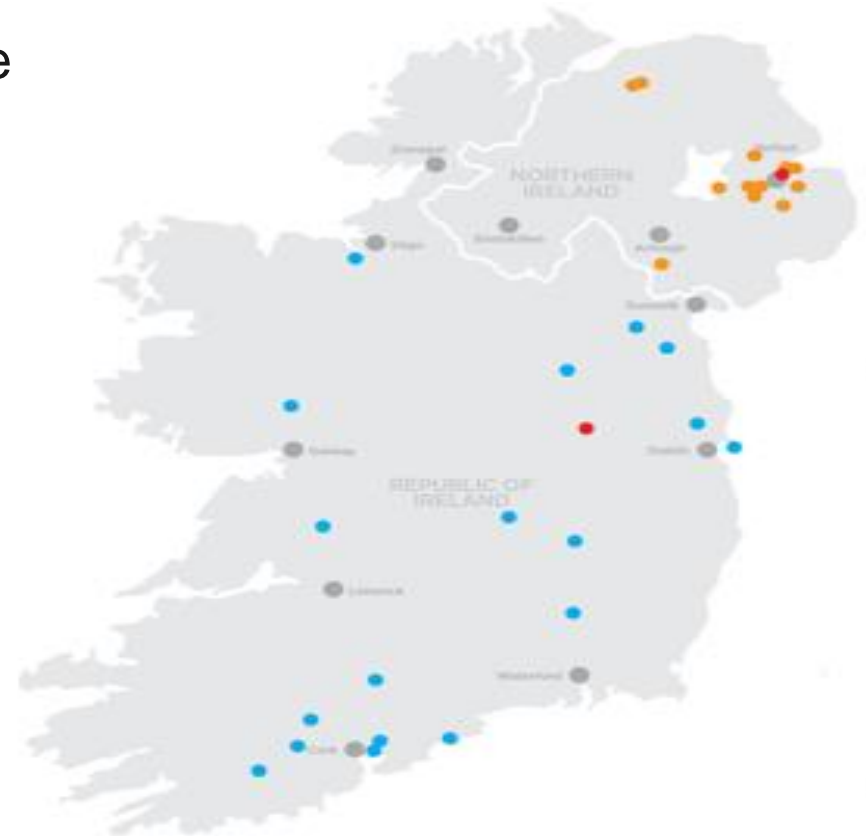
5 September 2019



BREEDON IN IRELAND



- A leading supplier of construction materials and contracting services on the Island of Ireland, via 2018 acquisition of Lagan Group
- Well positioned in attractive Irish construction market
- Anchored by modern, well-invested cement plant
- Complementary upstream and downstream operations with strong potential for development and progressive vertical integration
- Platform for organic growth and bolt-on acquisitions



ACQUISITION OF LAGAN GROUP

STRATEGIC RATIONALE



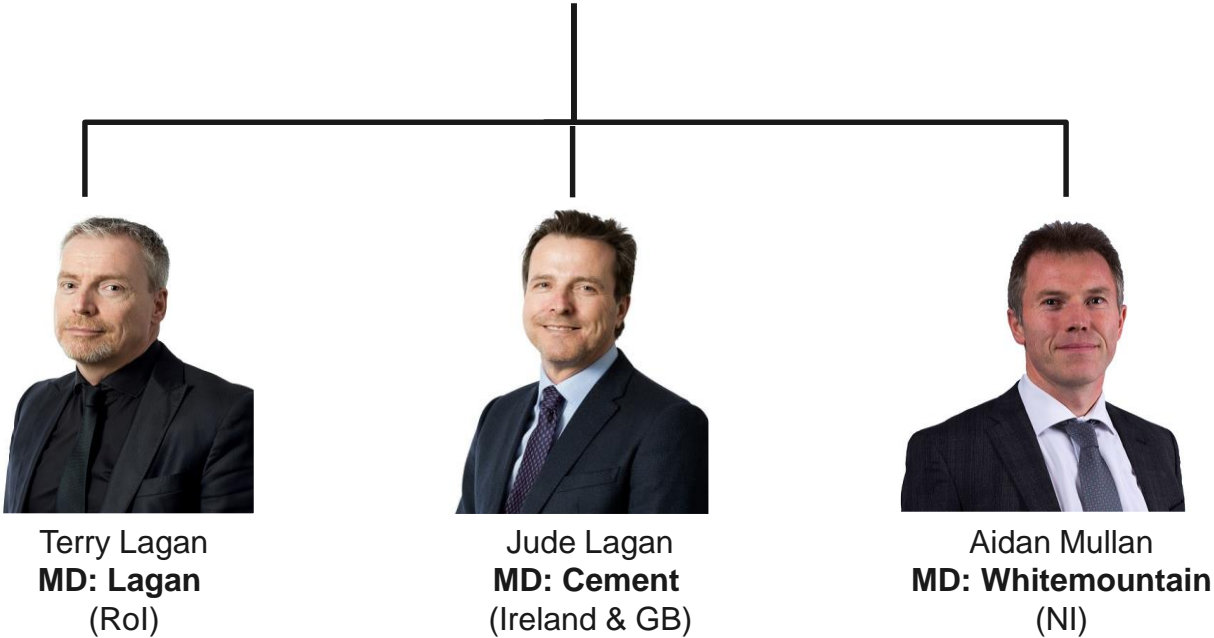
Enhanced market position	Creates a major independent construction materials group across the UK and Ireland	✓
Extended geographic coverage	Enhances Breedon's geographic footprint with immediate critical mass in Ireland across the whole value chain	✓
Strengthened cement capability	Second plant provides further opportunities in cement production and enlarged markets for bulk and bagged cement	✓
Expanded range of products and services	Including Whitemountain high PSV stone; specialist emulsions & PMBs; bitumen import/export; Welsh slate; airport infrastructure services	✓
Further vertical integration opportunities	Significant potential to expand upstream (aggregates business in Ireland) and downstream (growing asphalt and ready-mixed concrete operations)	✓
Synergy benefits	Estimated annual synergies of approximately £5 million by year 3	✓
Greater financial capacity	Expected increased cash flow and strong balance sheet will provide capacity to pursue future growth opportunities	✓
Strengthened management and complementary culture	Experienced management team will continue to drive growth in Ireland, supported by complementary culture and well-invested human capital	✓
Favourable economic backdrop	Positive outlook for Irish construction sector	✓

BREEDON IN IRELAND

DIVISIONAL LEADERSHIP TEAM



Pat Ward
Group CEO



BREEDON GROUP

DIVISIONAL LEADERSHIP TEAM



Pat Ward
Group CEO



Terry Lagan
MD: Lagan
(Rol)



Jude Lagan
MD: Cement
(Ireland & GB)



Aidan Mullan
MD: Whitemountain
(NI)



Alan Mackenzie
MD: Breedon Northern
(Northern GB)



Mike Pearce
MD: Breedon Southern
(Southern GB)

BREEDON IN IRELAND

Introduction

5 September 2019



LAGAN

A leading Rol construction materials and contracting business

5 September 2019



BUSINESS OVERVIEW

BUSINESS OVERVIEW

- 13 quarries (6 active)
- 10 asphalt plants (8 active)
- Bitumen importation & PMB plant
- Bituminous emulsion plant
- 7 rmx plants (4 active)
- 2 concrete block plants (one active)
- Contract surfacing & highway maintenance
- Specialist roadmarking
- c135 employees
- 35m tonnes of mineral reserves & resources



MARKET PROFILE & OUTLOOK

ROI MARKET PROFILE

Market size

- c350 large active quarries
- c40 asphalt plants
- c220 rmx plants

Production

- c33mt of aggregates
- c3mt of asphalt
- c4.3m m³ of rmx

Major competitors

Roadstone (CRH)
Kilsaran
Harrington

ROI MARKET OUTLOOK

Economic growth

- GDP forecast: +7.5% in 2019-20

Construction growth

- Output forecast: +17% in 2019-21
- Building & construction investment: +22.5% in 2019-20
- Estimated value of construction output by 2020: €30bn

Project Ireland 2040

- Population to grow 19% to 5.7m by 2040, 75% of growth outside Dublin
- National Development Plan 2018-27: €116bn of investment

PROJECT IRELAND 2040

Substantially funded directly by Government

- Priority to increase housing supply to baseline 25,000 homes p.a. by 2020 and 30-35,000 p.a. to 2027
- €2 billion Urban Regeneration and Development Fund to achieve sustainable growth in key cities and urban centres
- Investment in enhanced regional road networks
- €1 billion Rural Regeneration and Development Fund
- Investment in environmentally sustainable public transport
- Continued significant investment in ports and airports
- Major cultural and heritage infrastructure plan
- €500 million Climate Action Fund, focused on transport infrastructure
- Investment in water infrastructure
- Investment in large-scale schools and health infrastructure

PROJECT IRELAND 2040

Major potential projects pending

- Castlebar bypass €5-10m
- Cork Airport runway overlay €5-10m
- Cork - Limerick motorway c€30m
- Dunkettle Interchange €15-20m
- Galway bypass €15-20m
- Macroom bypass €10-15m
- N5 €10-15m

OPERATIONS

OPERATIONS

CONSTRUCTION MATERIALS

AGGREGATE PRODUCTION



AGGREGATES
(6 active quarries)
ASPHALT
(8 active plants)
RMX
(4 active plants)
BLOCKS
(1 active plant)

**CRUSHED ROCK
SAND & GRAVEL**

**CRUSHER RUN &
GENERAL FILL**

BITUMEN IMPORTATION & DISTRIBUTION



**POLYMER
MODIFIED
BITUMEN**
(1 terminal)

**BITUMEN
EMULSION**

**PENETRATION
GRADE**

OPERATIONS CONTRACTING

HIGHWAY MAINTENANCE



**CARRIAGEWAY
RECONSTRUCTION
MINOR IMPROVEMENTS**

**SMALL SCALE,
RESPONSIVE**

**ROAD MARKING,
SURFACE
DRESSING & HIGH
FRICTION**

AIRFIELD CONSTRUCTION



**RUNWAY CONSTRUCTION
& REFURBISHMENT
STANDS**

**TAXIWAY
CONSTRUCTION &
REFURBISHMENT**

**PITS/DUCTS &
DRAINAGE**

**APRON
CONSTRUCTION &
REFURBISHMENT**

**AIRFIELD GROUND
LIGHTING**

CURRENT PROJECTS

N25 New Ross Bypass

Typical Lagan surfacing project

Supply & placement of 150,000t of bituminous materials

Due for completion September 2019



CURRENT PROJECTS

Dublin Airport Runway 16-34 apron rehabilitation

**Complex project, winter working,
mainly at night, with limited
availability**

Overnight runway pavement inlay and overlay,
200,000m²

Supply & placement of 30,000t of Marshall asphalt

Nearing completion



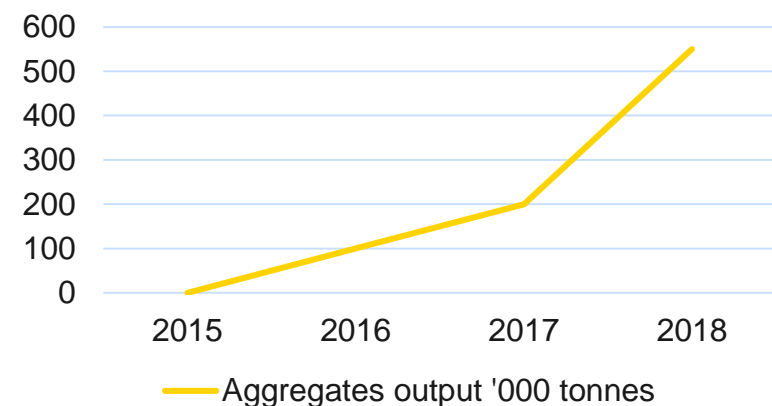
BUSINESS INITIATIVES

BUSINESS INITIATIVES

Extending quarry network

- Selective reopening of inactive quarries
- Extensions to existing quarries
- Conversion of resources to reserves
- Acquisition of additional reserves, notably in Greater Dublin
- Emphasis on securing internal aggregates supplies
- Targeting 1-2mt p.a. output over medium term

Operational quarries



BUSINESS INITIATIVES

Expanding readymix plant network

- Closely linked to acquisition of internal aggregates supply
- Combination of greenfield and acquisition
- Pipeline identified and discussions opened with selected targets



QUESTIONS

LAGAN

A leading Rol construction materials and contracting business

5 September 2019



WHITEMOUNTAIN



A leading NI construction materials
and contracting business

5 September 2019



BUSINESS OVERVIEW

BUSINESS OVERVIEW

- 6 quarries (4 active)
- Sand dredging operation
- 5 asphalt plants (3 fixed, 2 mobile)
- 4 rmx plants (3 active)
- 1 concrete products plant
- 1 waste/green energy site
- 2 inert landfill sites
- Aggregate export terminal
- Bitumen importation terminal
- Contract surfacing & highway maintenance
- Civil engineering
- c265 employees
- c30m tonnes of mineral reserves & resources



MARKET PROFILE & OUTLOOK

NI MARKET PROFILE

Market size

- c100 active quarries
- c33 asphalt plants
- c80 rmx plants

Production

- c15m of crushed rock
- c1.3mt of asphalt
- c2.3m m³ of rmx

Major competitors

Northstone
F P McCann
John McQuillan
Patrick Keenan
Gibson Bros
Conexpo

NI MARKET OUTLOOK

Economic growth

- GDP forecast: +1.0% in 2019 and +1.3% in 2020

Construction growth

- Forecast to grow by average 0.8% p.a. in 2019-23

Infrastructure pipeline

- Approved NI capital budget c£1.4bn for 2019-20
- Procurement pipeline covered by *Investment Strategy for Northern Ireland* currently valued at c£2.4bn for 2019-21

INFRASTRUCTURE PIPELINE

Major projects (ISNI 2019-21)

- York Street Interchange £120-140m
- Regional Children's Hospital Belfast £90-100m
- Belfast Streets Ahead Public Realm Scheme £20-25m
- Veterinary Science Laboratory Belfast £25-30m
- A24 Ballynahinch Bypass £35-40m
- A1 Grade Separated Junctions £40-45m
- Belfast Transport Hub £30-35m

OPERATIONS

OPERATIONS

CONSTRUCTION MATERIALS

AGGREGATE PRODUCTION



AGGREGATES
(4 active quarries)

ASPHALT
(3 static, 2 mobile plants)

RMX
(3 active plants)

BLOCKS
(1 active plant)

**AGGREGATES
EXPORT**

**CRUSHER RUN &
GENERAL FILL**

WASTE MANAGEMENT & GREEN ENERGY



**MUNICIPAL
WASTE**
(1 landfill site)

**INERT
WASTE**
(2 landfill sites)

**GREEN
ENERGY**
*(gas extraction &
electricity generation)*

BITUMEN IMPORTATION & DISTRIBUTION



**POLYMER MODIFIED
BITUMEN**

**BITUMEN
EMULSION**

**PENETRATION
GRADE**
(1 bitumen terminal)

OPERATIONS CONTRACTING

HIGHWAY MAINTENANCE



CARRIAGEWAY
RECONSTRUCTION

MINOR IMPROVEMENTS

SMALL SCALE,
RESPONSIVE

STREETLIGHTING

ROAD MARKING,
SURFACE
DRESSING & HIGH
FRICTION

CIVIL ENGINEERING



HIGHWAY
CONSTRUCTION

HEAVY DUTY
PAVEMENTS

URBAN
REGENERATION

INFRASTRUCTURE
WORKS

STRUCTURES &
BRIDGES

ENVIRONMENTAL
IMPROVEMENT

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AIRFIELD GROUND
LIGHTING

CURRENT PROJECTS



DFI Term asphalt resurfacing contract (Southern)

Government investment in road improvement

4-year contract

£7m p.a.

80 projects per year

- 10,000t of aggregates
- 70,000t of asphalt
- 1,500m³ of rmx

CURRENT PROJECTS



Colley Lane Southern Access Road

£multi-million access road for Bridgwater

1km of new single carriageway
Construction of 52m single-span structural steel bridge and 28m precast concrete beam bridge

- 60,000t of aggregates
- 9,500t of asphalt
- 5,000m³ of rmx

CURRENT PROJECTS



Kettering East

**Creating better access
for Kettering residents**

2.1km of new single carriageway

Construction of new 45m roundabout

Construction of 60m of 1.2m diameter
tunnelling 8m beneath road

- 100,000t of aggregates
- 14,500t of asphalt
- 2,500m³ of rmx

BUSINESS INITIATIVES

BUSINESS INITIATIVES

Maintain and build on cycle of term maintenance contract work

- 120,000 tonnes of asphalt laid per annum
- Machine and hand-laying of CE accredited asphalt materials
- Adjustment/installation of kerb lines
- Adjustment/installation of drainage and ironwork
- Road marking and studs
- Cold milling
- Traffic management
- High friction surfacing



TERM MAINTENANCE CONTRACTS (ASPHALT)



BUSINESS INITIATIVES

Continue developing GB contracting business in alignment with GB construction materials business

- Building on successful models of AWPR, Kettering/Wellingborough
- Focus on projects where we can self-supply material
- Contract surfacing complemented by ancillary civils
- Target projects to suit skills and expertise
- Selective approach to avoid risk transfer from clients
- Platform to develop southern GB paving business



BUSINESS INITIATIVES

Identify further opportunities in Group and externally for high PSV products

- Currently exporting c180kt of high PSV to GB
- Complement existing Group resources, to improve internal supply efficiencies
- Broaden external customer base



QUESTIONS

WHITEMOUNTAIN



A leading NI construction materials
and contracting business

5 September 2019



BREEDON CEMENT

A major cement producer in Ireland

5 September 2019



BUSINESS OVERVIEW

BUSINESS OVERVIEW



- Modern cement plant at Kinnegad
- Situated in limestone quarry with significant long-term reserves
- Adjacent shale and sand quarries
- Produces bulk and bagged cement for supply to Ireland and GB
- c110 employees



MARKET PROFILE & OUTLOOK

IoI CEMENT MARKET PROFILE



Market size

- Four cement companies
- c6 million tonnes capacity

Production

- c4 million tonnes (2018)

Sales

- c3 million tonnes

Major competitors

Irish Cement (CRH)
Quinn
Lafarge

IoI CEMENT MARKET OUTLOOK



Economic growth

- RoI GDP forecast: +7.5% in 2019-20
- NI GDP forecast: +2.3% in 2019-20

Construction growth

- RoI output forecast: +17% in 2019-21
- NI output forecast: avg. +0.8% p.a. in 2019-23

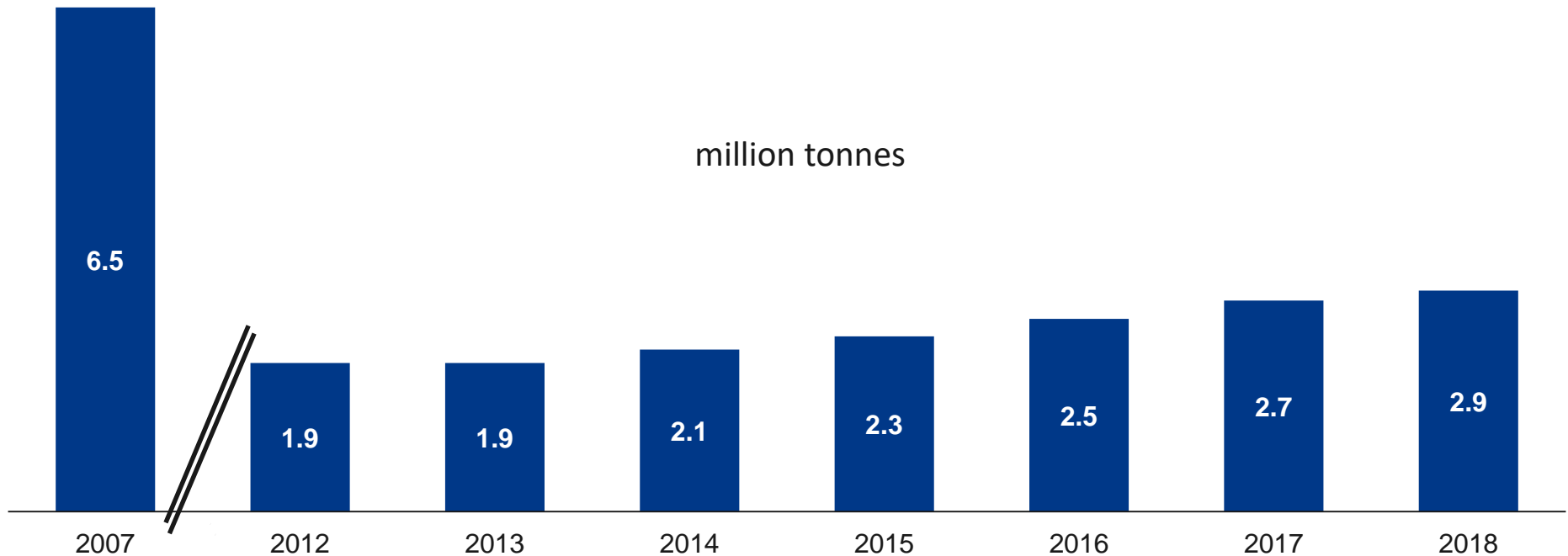
Sources: European Commission, Danske Bank, Euroconstruct, CITB/Construction Skills Network

IoI CEMENT MARKET

CEMENT CONSUMPTION



Value of construction output c7% of GDP in 2018 vs c11% in 1980s

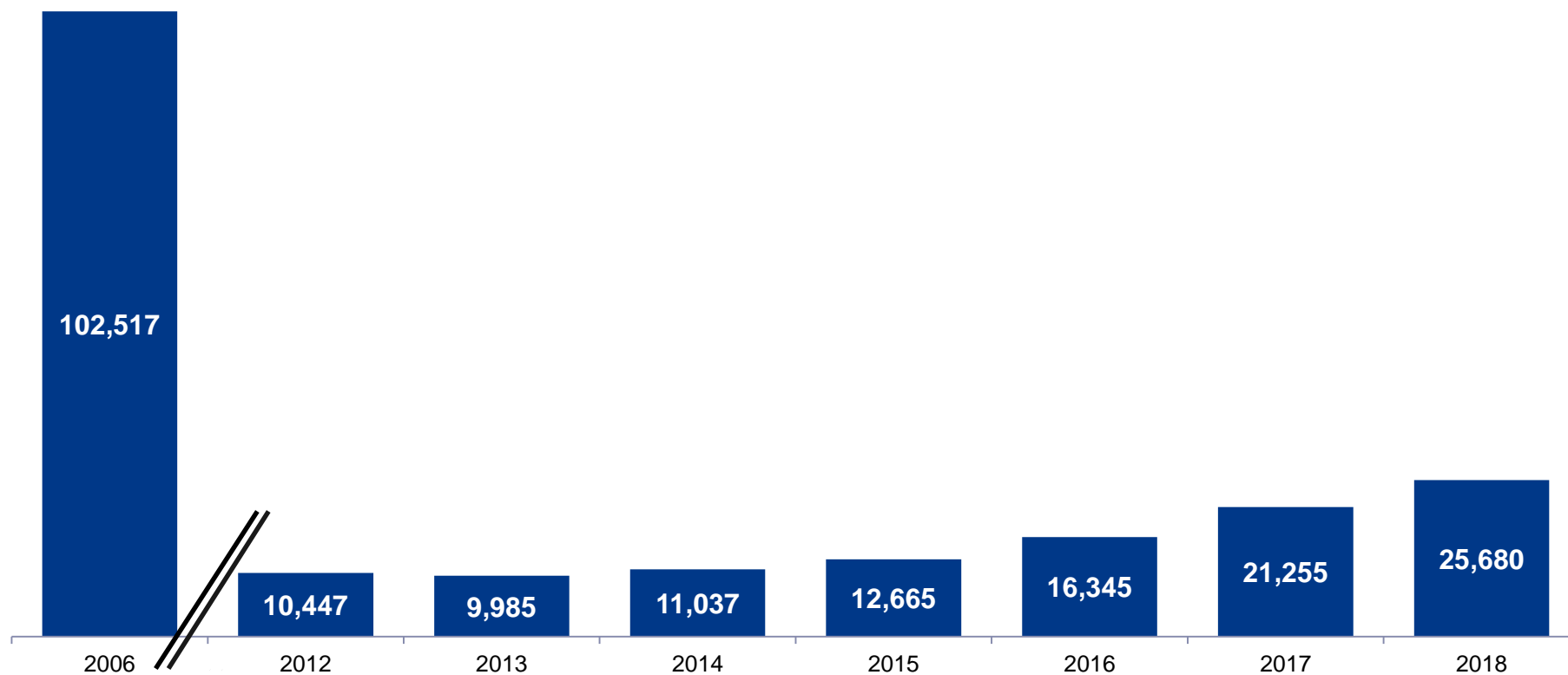


Sources: Cement Manufacturers Ireland, Trading Economics, Construction Industry Federation, NISRA

IoI CEMENT MARKET HOUSE COMPLETIONS



Rol housing investment increased by 24% in 2018
Rol housing investment expected to increase by c34% in 2019-20



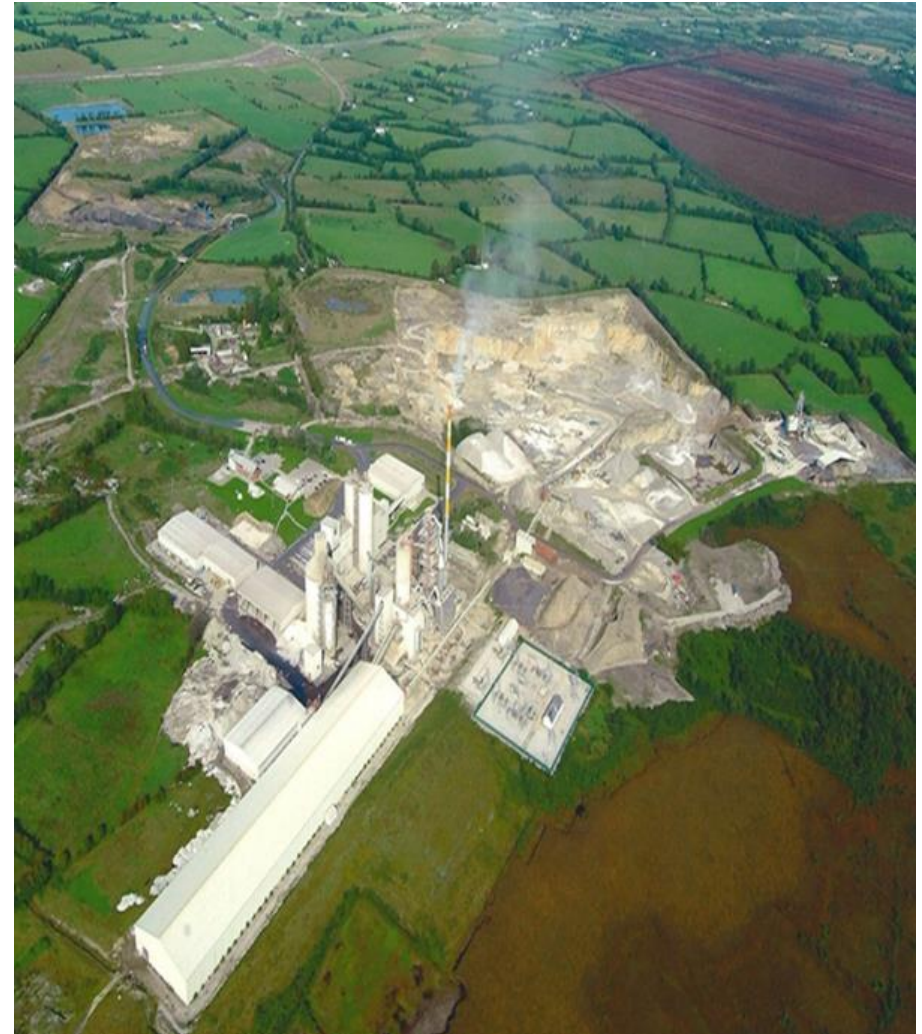
Sources: Central Statistics Office, NI Department of Finance, Construction Industry Federation

OPERATIONS

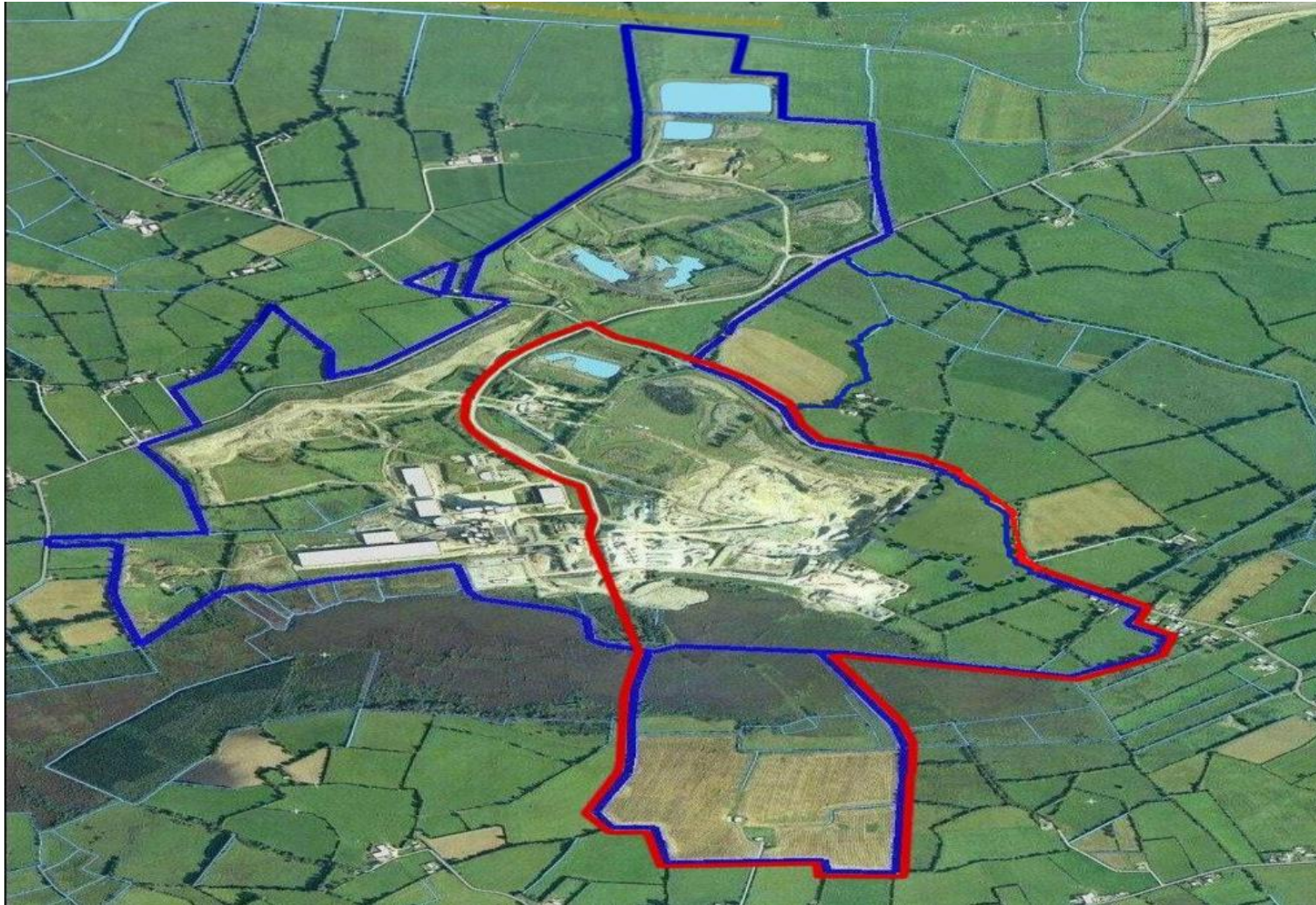
OPERATIONS: KINNEGAD



- Commissioned 2002
- Kiln line rated at 1,800tpd/clinker
- Can produce 700,000t cement, depending on fossil fuel replacement levels
- Presently exporting bulk and bagged cement to GB
- Fossil fuel replacement/alternative fuels @70% (5-10% reduction in clinker)
- c50mt of limestone reserves & resources, sufficient for c50 years



c50 YEARS OF LIMESTONE RESERVES & RESOURCES



PRODUCTION PROCESS



Quarrying

Raw meal milling

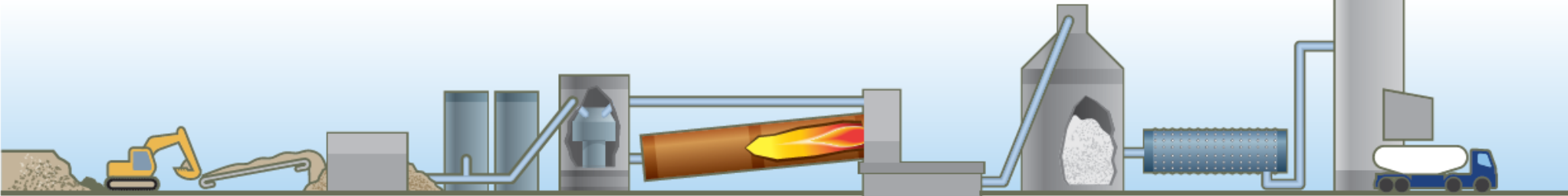
Clinker cooling

Dispatch

Raw meal preparation

Clinker production

Clinker milling



QUARRYING

LIMESTONE 75% OF MIX



Drill



Blast



RAW MEAL PREPARATION



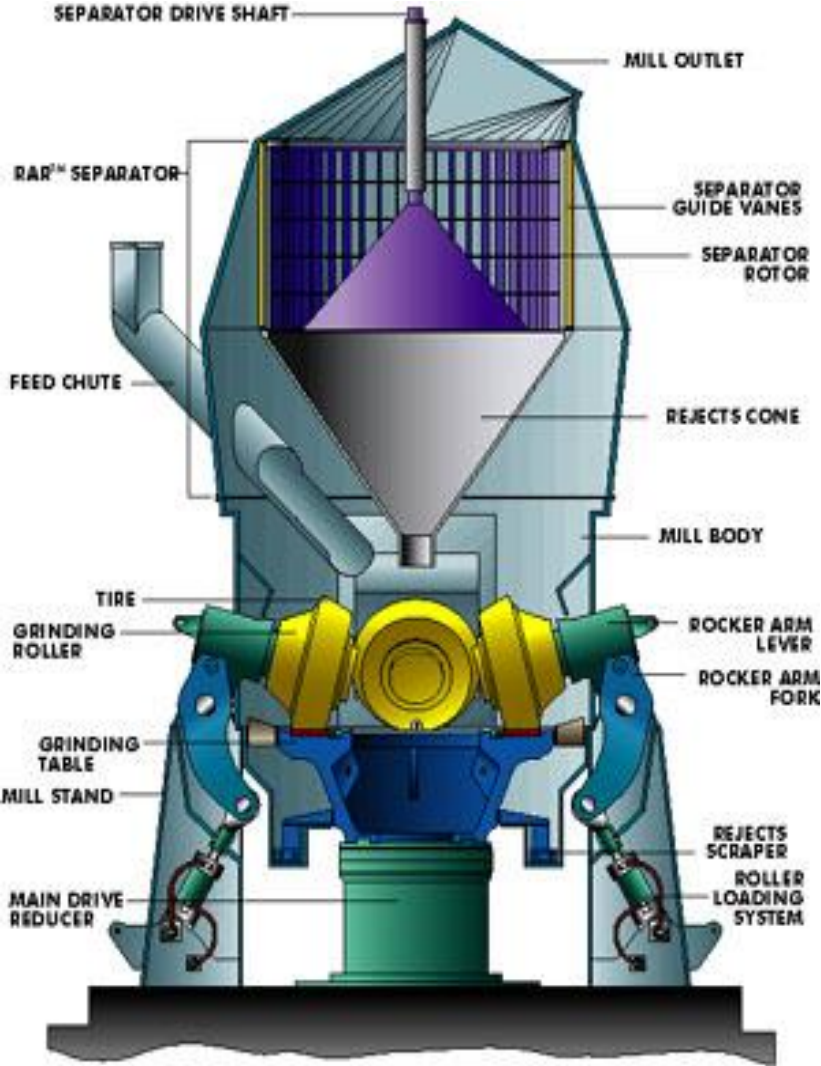
Stacker



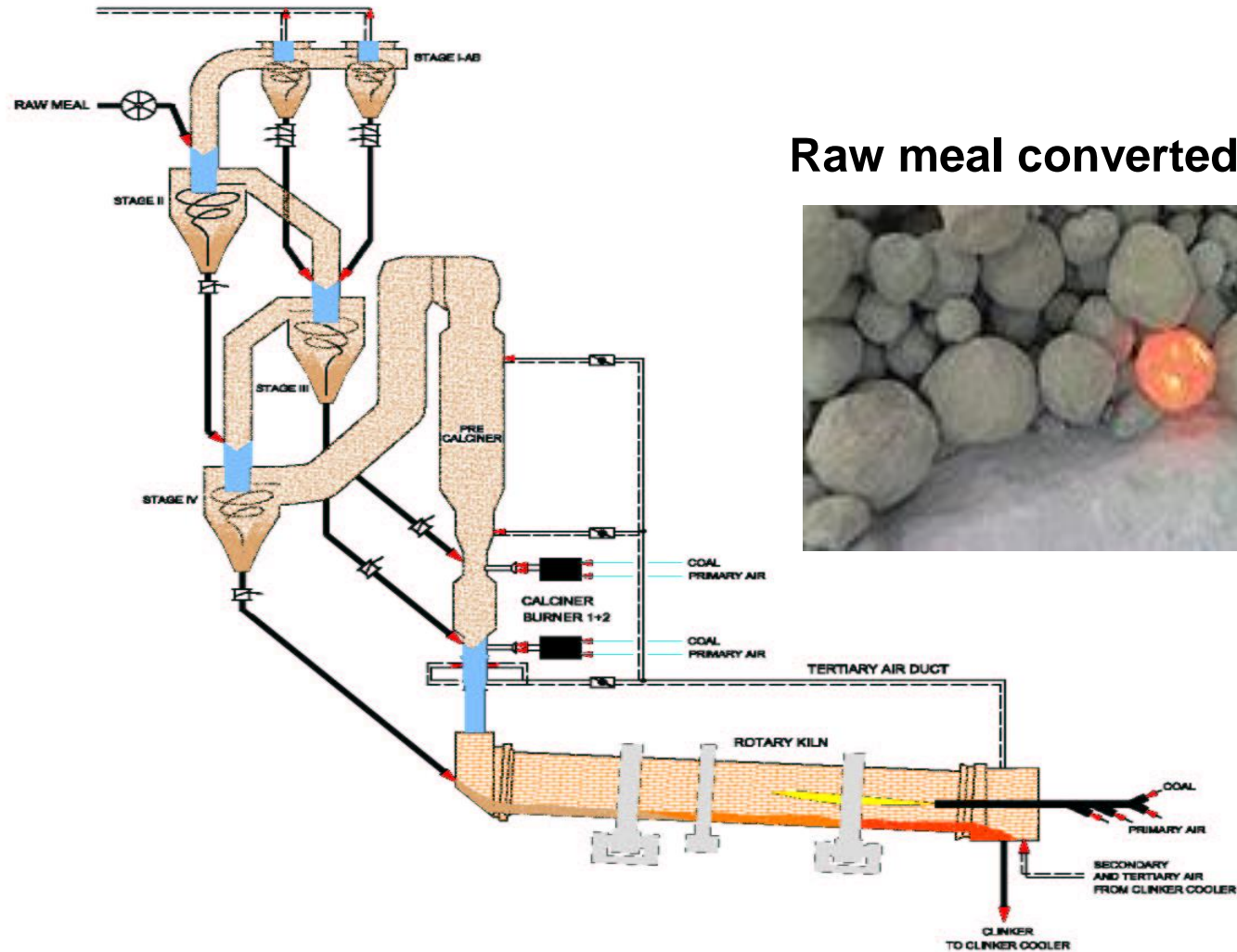
Reclaimer



RAW MEAL MILLING



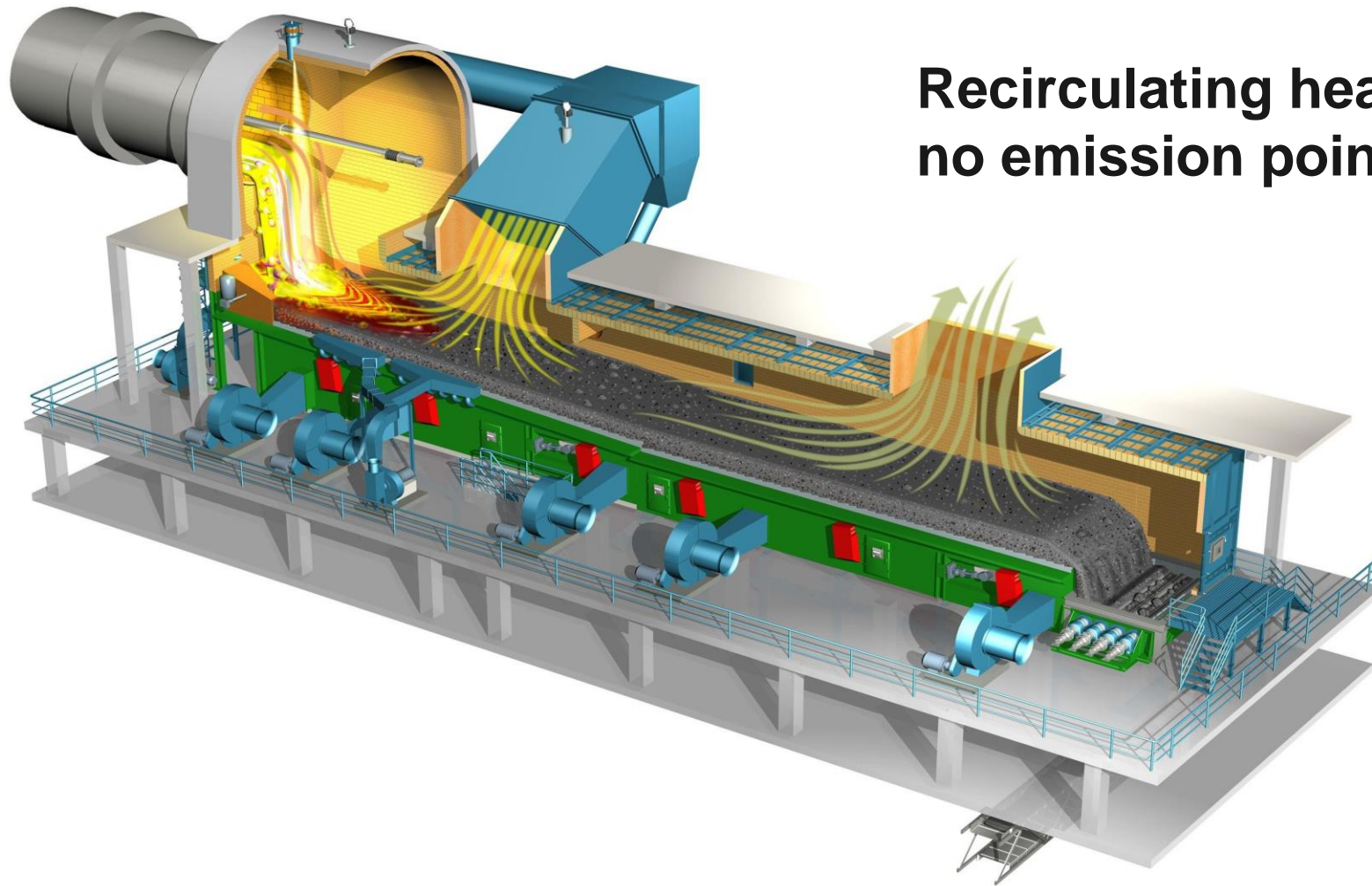
CLINKER PRODUCTION



Raw meal converted to clinker

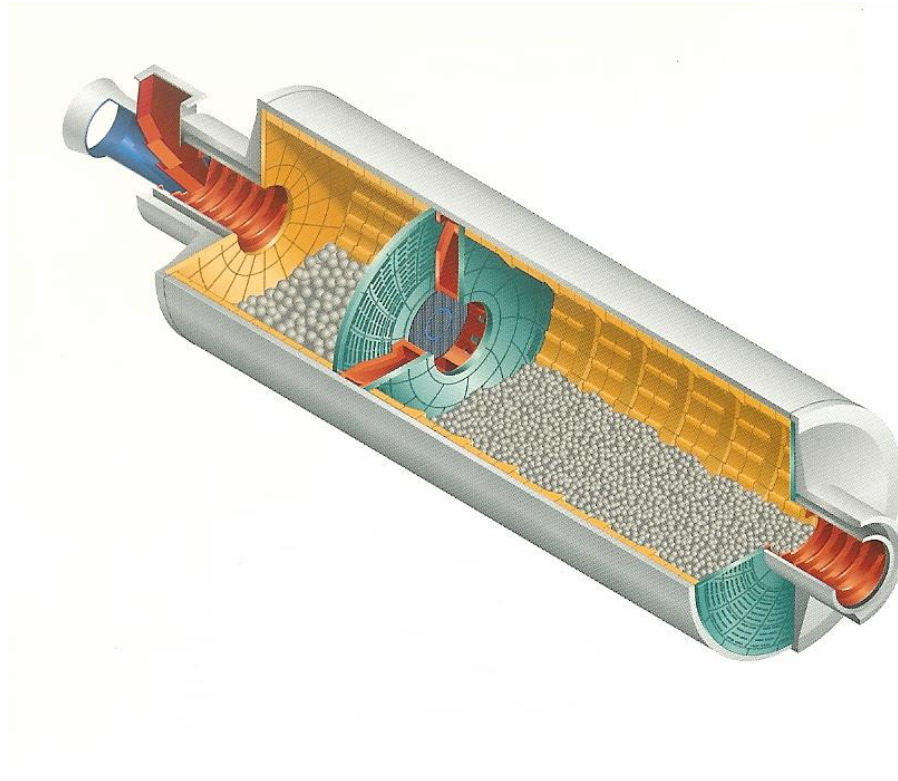


CLINKER COOLING



**Recirculating heat:
no emission point**

CLINKER MILLING



BUSINESS INITIATIVES

BUSINESS INITIATIVES



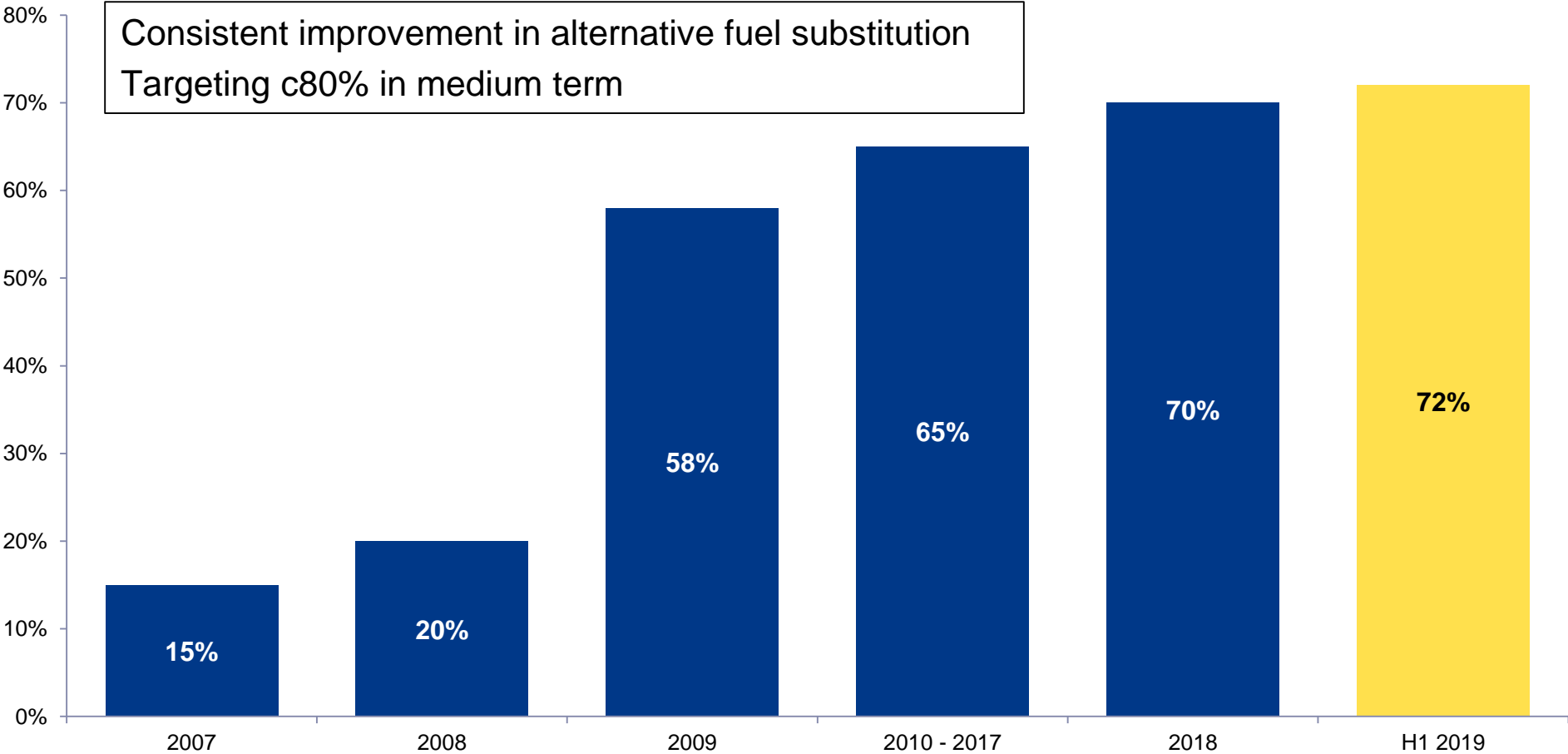
Alternative fuels



BUSINESS INITIATIVES



Alternative fuels

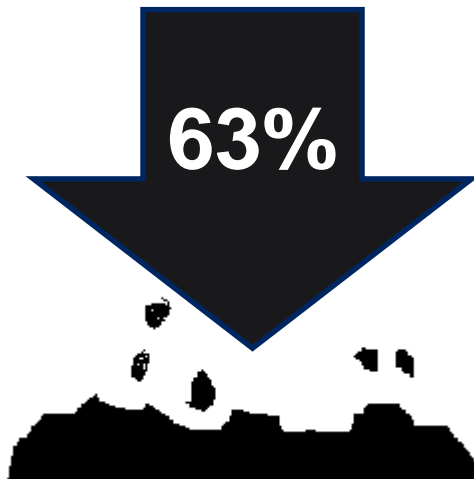


BUSINESS INITIATIVES

Carbon reduction

Steady reduction in fossil fuel usage 2006-18

Decrease in coal
usage per tonne of
cement produced



Total fossil fuel CO₂ tonnes
saved by coal substitution

BUSINESS INITIATIVES



Operational improvement

- 'Be even Better' initiative to deliver continued operational excellence
- Learning & sharing teams exchanging best practice with Hope
- 'Steal with pride' programme of European plant visits
- Ongoing coaching, mentoring and learning & development programmes



QUESTIONS

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