Brickability GROUP PLC

# Interim results for the six months ended 30 September 2022

November 2022

# Agenda

| | |
|---|---|
| Introduction, Highlights and Market Overview | John Richards |
| Financial Highlights | Mike Gant |
| Operational Highlights | Alan Simpson |
| Summary and Outlook | Alan Simpson |
| Q&A | |

John Richards, Chairman

Alan Simpson, CEO

Mike Gant, CFO

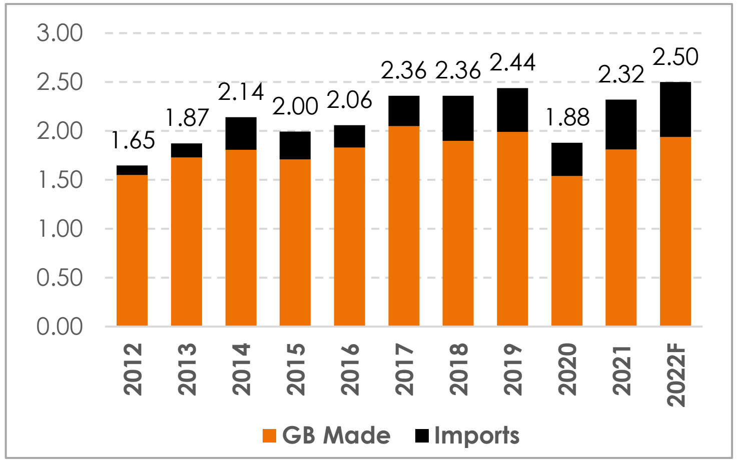
# Highlights

- Strong performance across all Group divisions in first half of FY23, despite macroeconomic and geopolitical backdrop
- Continuing to benefit from the strategic decision to diversify and expand both the Group's product portfolio and end markets
- For the 6 months ended 30 September 2022 Revenue increased by 57.8% to £352.7m, +9.3% on a LFL basis and adjusted EBITDA increased by 45.7% to £25.5m
- Two acquisitions in period - Modular Clay Products in May 2022 and ET Clay Products in September 2022
- Continuing to look at acquisition opportunities alongside organic development
- ESG strategy progressing
- Interim dividend of 1.01p per share
- Board remains vigilant of wider macroeconomic challenges but is confident in the Group's ability to deliver performance in line with market expectations for the full year

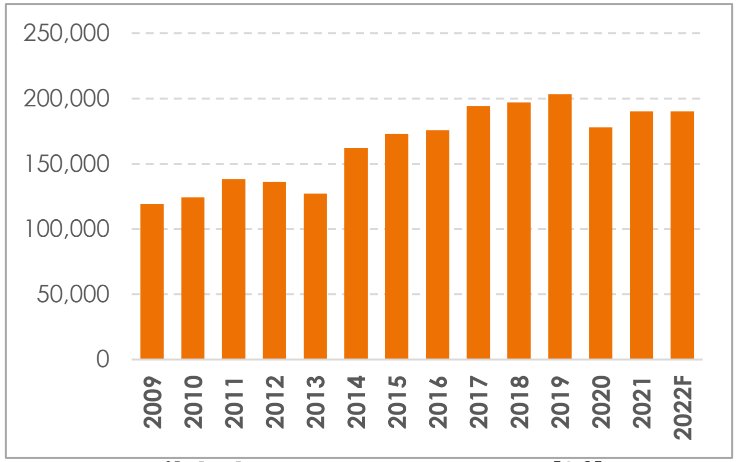
# Market Details

- GB bricks stocks remain low
- Detached houses share of new build remains strong
- Building materials prices remain close to all time highs
- Brick imports trend growing year-on-year
- Future UK manufacturing capacity increases all wirecut
- Long term need for imports

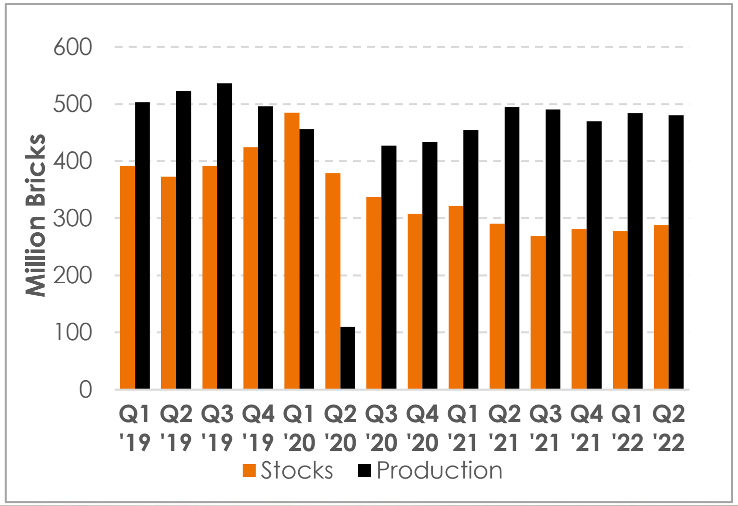
## GB Brick Despatches (bn)



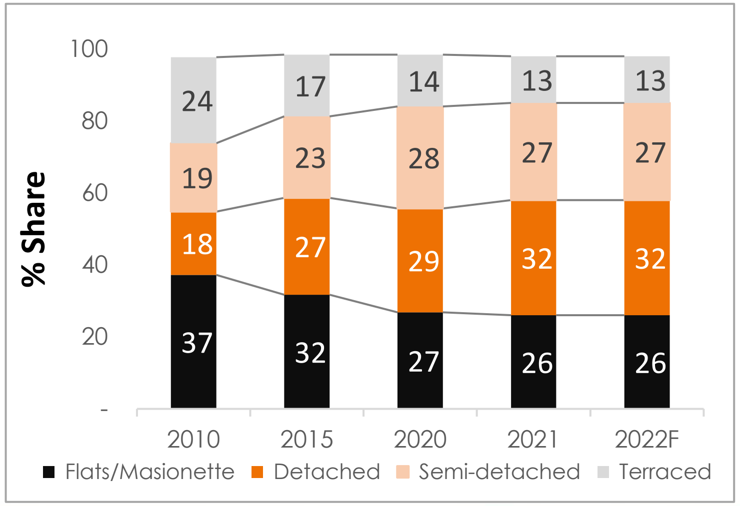

## UK Dwelling Starts[1]




## GB Brick Stocks & Production 2019-22(m)




## New Builds by Property Type (%)




Source: ONS. [1] UK figure estimated from England only stats.

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# Looking Ahead

- We estimate that less than 50% of the Group's direct sales are attributable to private housebuilding
- Consensus from speakers at Housing Forum Conference (November 2022) for 2023 is:

| | |
|---|---|
| c135k Private Starts | to c95k (-30%) |
| c45k Affordable/HOA | to c41k (-9%) |
| c10k Self-build/Rental | to c10k |
| Total c190k | to c146k (-23%) |

- Recovery seen from early-mid 2024
- Note
  - Currently 83% of mortgages are on fixed rate compared to 53% in 2007
  - Housebuilders are cash strong
  - Reduced mortgage regulation (affordability stress test)
  - Forbearance of banks
  - Deposit unlock scheme
  - Relatively shallow recession, lower unemployment ∴ lower repossession rate
- Growth in solar panels, car chargers, balconies along side other diversification (Modular Clay Products, E.T. Clay, Taylor Maxwell)

# ESG – core to our principles

Conducting business responsibly is core to Brickability Group's business model and strategic goals.

- Mission to minimise the Group's negative impact, and increase positive impact, on people, planet and partners
- Net zero commitment for 2030
- Use of EV and Hybrid cars within the Group's fleet
- Brickability Group Foundation support for a variety of charitable causes
- Development of new products within our renewables business upowa
- Appointment of two additional Independent Non-Executive Directors, Susan McErlain and Sharon Collins

# Financial Highlights

# Financial Summary

| | H1 FY23 £'000 | H1 FY22 £'000 | % Change | FY22 £'000 |
|---|---|---|---|---|
| **Revenue** | **352,669** | **223,503** | **58%** | **520,169** |
| Gross Profit | 54,949 | 38,952 | 41% | 86,803 |
| | 15.6% | 17.4% | | 16.7% |
| **Adjusted EBITDA**(1) | **25,534** | **17,527** | **46%** | **39,468** |
| Adjusted EBITDA % | 7.2% | 7.8% | | 7.6% |
| **Adjusted profit before tax** | **22,387** | **15,742** | **42%** | **34,720** |
| Other items | (7,108) | (6,819) | | (16,314) |
| Statutory Profit before tax | 15,279 | 8,923 | **71%** | 18,406 |
| Tax charge | (3,640) | (3,798) | | (6,103) |
| Profit for the period | 11,639 | 5,125 | **127%** | 12,303 |
| Basic EPS | 3.90 | 1.95 | | 4.40 |
| **Adjusted basic EPS** | **6.00** | **4.89** | | **10.06** |
| Net (debt) / cash (2) | (27,402) | 2,789 | | 428 |
| Interim dividend (p) | 1.01p | 0.96p | | 3.0p |

- LFL revenue growth of 9.3%
- Gross Profit % H1 YOY reduction of 180bps reflects:
  - dilutive impact of Taylor Maxwell (3 months in FY22)
  - timber margin reduction from exceptional high
  - some cost price increases not immediately recovered
  - mix
- Operational gearing mitigates EBITDA margin dilution to 60bps
- Other Items mainly acquisition related (detail in appendices)
- Adjusted EPS 6.00p increase of 22% vs H1 FY22
- Net debt £27.4m H1 FY23 vs net cash of £2.8m H1 FY22 (see slide 10)
- Proposed interim dividend increase 5% to 1.01p

(1) Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional and acquisition costs. Adjusted detailed in appendices

(2) Net cash/ (debt) is cash held less bank debt, excluding arrangement fees

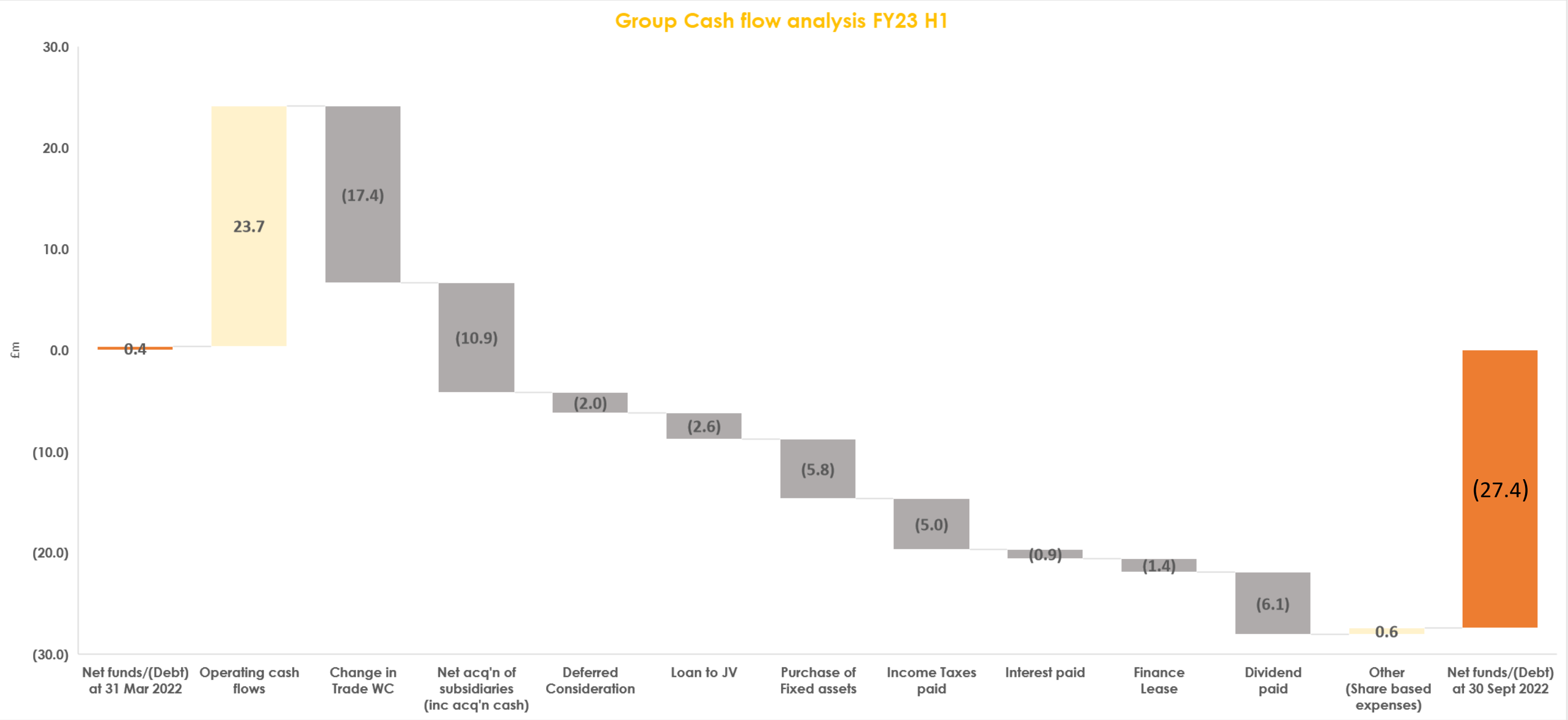
# Divisional Performance

| Revenue | H1 FY23 £'000 | H1 FY22 £'000 | % Increase | LFL % Increase |
|---|---|---|---|---|
| Bricks & Building Materials | 270,101 | 171,713 | 57.3% | 4.3% |
| Importing | 54,125 | 32,133 | 68.4% | 51.4% |
| Distribution | 31,041 | 20,666 | 50.2% | 35.8% |
| Contracting | 19,880 | 10,505 | 89.3% | 18.2% |
| Central & Group Eliminations | (22,477) | (11,514) | | |
| **Total** | **352,669** | **223,503** | **57.8%** | **9.3%** |

| Adjusted EBITDA | H1 FY23 £'000 | H1 FY23 EBITDA % | H1 FY22 £'000 | H1 FY22 EBITDA % |
|---|---|---|---|---|
| Bricks & Building Materials | 15,704 | 5.8% | 11,308 | 6.6% |
| Importing | 5,424 | 10.0% | 3,151 | 9.8% |
| Distribution | 4,953 | 16.0% | 3,918 | 19.0% |
| Contracting | 2,565 | 12.9% | 949 | 9.0% |
| Central & Group Eliminations | (3,112) | | (1,752) | |
| **Total** | **25,534** | **7.2%** | **17,573** | **7.9%** |

- New divisional structure to align businesses and drive efficiencies (detailed in appendices)
- Growth in revenue and profit across all 4 divisions
- Price increases key driver of revenue growth
- Anticipated reduction in timber revenue impacts B&BM YOY growth
- Very strong demand for imported products and significant increase in McCann Logistics following increase in trailers
- B&BM margin diluted by Taylor Maxwell/timber
- Distribution margin impacted by product mix
- Contracting margin recovering as expected

# Cash flow and net debt FY23 H1




- Working capital
  - £5.7 million outflow in respect of inventories, trade receivables and trade payables
  - £11.7 million of accrual movements and payments which are timing related and mostly expected to unwind by the financial year end.
- Acquisitions: MCP & ET Clay
- Year 1 earn out consideration payment of £4.3m relating to TM included in working capital
- Cap ex mainly property and includes upowa warehouse and Glasgow yard for Bricklink
- Net Debt/adj EBITDA expected to be c0.5x FY23
- RCF £60m + £25m accordion

Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional and acquisition costs.
Net (debt)/cash is cash held less bank debt

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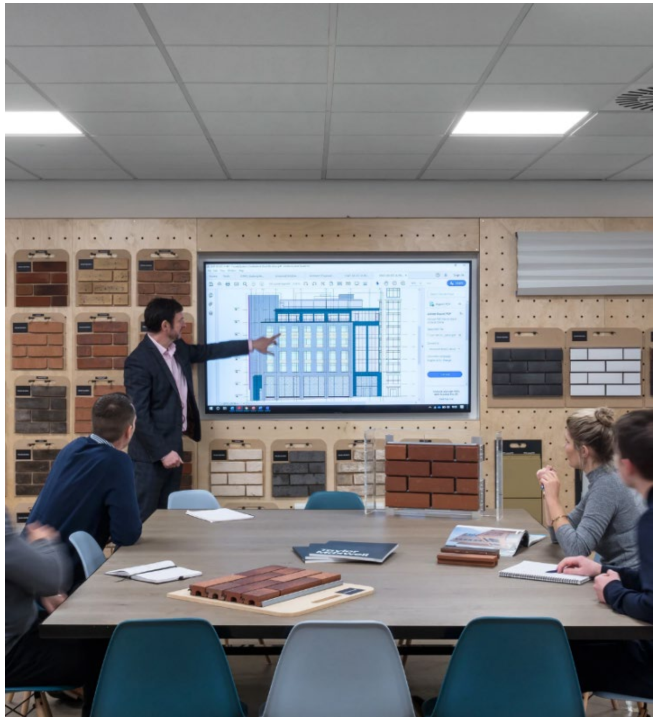
# Operational Highlights

# Operational Highlights

- Strong performance despite challenging environment
  - Continued materials price inflation
  - Supply issues due to gas prices and manufacturer issues
- The Group benefits from its diversified multi business strategy
- Simplified Group structure – now 4 divisions; Bricks & Building Materials, Importing, Distribution, and Contracting
- IT systems (operational and financial) rollout commenced
- New appointments both commercial and Group functions to support growth

# Operational Highlights

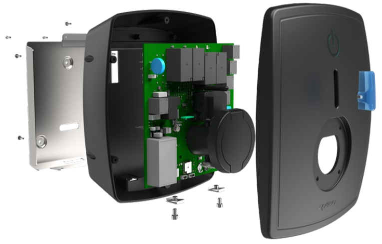
- Additional soft mud brick supply agreements from US and Turkey
- New site secured in Midlands for UPlastics
- Underfloor heating brought in-house
- New business won at Beacon Roofing following administration of major competitor
- Start up production tested at German roof tile JV factory, capex completion and commissioning expected Spring 2023
- 2 acquisitions in H1
- New product development creating new revenue streams for the Group



# Operational Highlights – New Product Development

upowa

- Car charger, branded upowa, developed in the UK designed for the installer, with the end user in mind
  - Unique mounting plate means electronics not opened up at point of installation.
  - Makes installation easier/quicker and safer - install under 5 minutes
- Air source heat pump cylinder, branded upowa developed, launch Q2 FY24




architectural FACADES

- New balcony system, branded Skyeline, via long-term strategic partnership with thyssenkrupp Materials UK

# FY23 Acquisitions Update/Pipeline

**H1 completed:**

- Modular Clay Products 1st June 2022 £4.75m
  - increases presence in the specification sector
  - new access to a range of European manufacturers

- ET Clay & Heritage Clay Tiles 30th September 2022 £11.6m
  - expands customer base
  - new access to a range of overseas manufacturers

**Pipeline:**

- Continue to evaluate opportunities

Modular Clay Products

ET CLAY

Heritage Clay Tiles Ltd
Yesterdays Traditions Todays Choices Tomorrows Heritage

# Outlook

- Fundamental drivers of our industry remain robust
- We have built a robust and increasingly diverse business, with a broad product portfolio, strong customer relationships, cost discipline and ability to effectively adapt
- Current performance is encouraging
- Organic growth – continued expansion plus new areas such as renewables & balconies
- Continuing to look at acquisition opportunities alongside continued organic development
- Board remains vigilant of wider macroeconomic challenges but is confident in the Group's ability to deliver performance in line with market expectations for the full year

# Appendices

# New Divisional Structure

**Bricks and Building Materials** – businesses that are primarily brick, timber and other building materials factors

**Importing** – businesses that primarily source, transport and distribute bricks and roof tiles from European and other overseas manufacturers

**Distribution** – businesses that stock and distribute products such as towel radiators and valves, facia, soffits and guttering, weatherboard cladding, doors, windows, solar panels and car chargers

**Contracting** – businesses that supply and fit roofing and flooring

***Bricks & Building Materials***

- Brick-ability Ltd
- Brick Services Limited
- Brick-Link Limited
- The Matching Brick Company Limited
- Plansure Building Products Limited
- CPG Building Supplies Limited
- LBT Brick & Facades Limited
- Brickmongers (Wessex) Ltd
- Taylor Maxwell & Co Limited
- Taylor Maxwell Timber Limited
- The Vobster Cast Stone Company Limited
- SBS Cladding Ltd

***Importing***

- Crest Brick Slate & Tile Limited
- McCann Roofing Products Limited
- McCann Logistics Ltd
- The Bespoke Brick Company Limited
- The Brick Slip Business Limited
- Modular Clay Products Limited
- E.T. Clay Products Limited
- Heritage Clay Tiles Limited

***Distribution***

- Towelrads.com Limited
- Frazer Simpson Limited
- FSN Doors Limited
- Radiatorsonline.com Ltd
- Radiator Valves UK
- Forum Tiles Limited
- U Plastics Limited
- HBS NE Limited

***Contracting***

- Crest Roofing Limited
- Crown Roofing (Centres) Limited
- Excel Roofing Services Limited
- Leadcraft Limited
- Beacon Roofing Limited
- DSH Flooring Limited

# Financial Summary - Other Items

| Other items | H1 FY23 £'000 | H1 FY22 £'000 | FY22 £'000 |
|---|---|---|---|
| Acquisition costs | 171 | 999 | 1,139 |
| Re-financing costs | - | - | 97 |
| Share-based payment expense | 571 | 880 | 1,597 |
| Amortisation of intangible assets | 3,844 | 2,635 | 6,349 |
| Unwinding of discount on contingent consideration | 1,332 | 48 | 938 |
| Share of post-tax (profit)/loss of equity accounted | (91) | (20) | (55) |
| Fair value losses/(gains) on contingent consideration | (886) | 110 | 1,916 |
| Earn out consideration classified as remuneration under | 2,167 | 2,167 | 4,333 |
| | **7,108** | **6,819** | **16,314** |

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# Consolidated Balance Sheet

| | H1 FY23 £'000 | H1 FY22 £'000 | FY22 £'000 |
|---|---|---|---|
| Non-current assets | 199,190 | 160,452 | 183,043 |
| Inventories | 36,579 | 26,807 | 28,120 |
| Trade and other receivables | 131,970 | 118,788 | 131,303 |
| Employee benefits | 660 | 833 | 781 |
| Cash and cash equivalents | 6,698 | 18,389 | 25,028 |
| **Total current assets** | 175,907 | 164,817 | 185,232 |
| **Total assets** | **375,097** | **325,269** | **368,275** |
| Current liabilties | (129,730) | (128,270) | (142,262) |
| Non-current liabilities | (84,327) | (48,006) | (71,529) |
| **Net assets** | **161,040** | **148,993** | **154,484** |
| Bank debt | (33,820) | (15,160) | (24,240) |
| Net (debt) / cash (cash less bank debt) | (27,402) | 2,789 | 428 |

At 30 September 2022 the Group had £25.9m of unused bank facilities (September 2021: £44.4m)

# Cash Flow Statement

| | H1 FY23<br>£'000 | H1 FY22<br>£'000 | FY22<br>£'000 |
|---|---|---|---|
| **Operating cash flows before movements in working capital** | **23,698** | **15,366** | **35,158** |
| (Increase) / Decrease in inventory | (4,284) | (5,540) | (6,700) |
| (Increase) / Decrease in trade and other receivables | 8,949 | (11,263) | (22,194) |
| Increase / (Decrease) in trade and other payables | (22,071) | 8,397 | 21,234 |
| **Cash generated from operations** | **6,292** | **6,960** | **27,498** |
| Payment of exceptional acquisition costs | (171) | (999) | (1,139) |
| Net interest | 8 | (146) | (1,121) |
| Income taxes paid | (5,047) | (2,541) | (7,256) |
| Purchase of property, plant and equipment | (5,760) | (3,554) | (6,317) |
| Acquisition of subsidiaries and interests in joint ventures | (13,259) | (36,788) | (47,298) |
| Equity dividends paid | (6,111) | (3,236) | (6,102) |
| Proceeds from issue of ordinary shares net of share issue costs | 499 | 52,714 | 52,728 |
| Net proceeds / repayment of bank loans | 9,500 | (300) | 8,700 |
| Payment of deferred and contingent consideration | (2,038) | (847) | (1,358) |
| Other | (2,239) | (1,469) | (1,883) |
| **Net cash (decrease)/increase in the period** | **(18,326)** | **9,794** | **16,452** |
| **Cash and cash equivalents at end of period** | **6,698** | **18,389** | **25,028** |

# Adjusted EBITDA to Operating cash flow reconciliation

| | £m |
|---|---|
| **Adjusted EBITDA** | **25.53** |
| | |
| Earn-out consideration classifed as remuneration | (2.2) |
| Movement in provisions | (0.3) |
| Gain on disposal of assets | (0.0) |
| Foreign exchange losses | 0.1 |
| Pension charge in excess of contributions paid | 0.2 |
| Share of post-tax loss in equity accounted joint ventures | 0.4 |
| **Operating cash flows** | **23.70** |