



2021 Full Year Results

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Presentation Team

Frank Hanna

Joint Chief Executive Officer

Ryan Mahoney

Chief Financial Officer

Britain's Brick Specialist

Michelmersh strives to be a well-invested, long term, sustainable and environmentally responsible business dedicated to delivering quality products to its long-term customer base. The Group aims to provide training, security and career progression for all of its employees, whilst acting as a responsible corporate citizen and keeping stakeholder value at the forefront of every decision. The Group aims to lead the way in producing Britain's premium clay products, enhancing the built environment and adding value to the architectural landscape for generations to come.

125m+

Manufacturer of diverse premium brick products

Strong core market

RMI, Housing, Commercial, Urban Regeneration, Specification

3 lifetime revenue sources

- Bricks
- Landfill
- Investment land

Robust distribution policy

Pioneering Select Order Process

Margin focus

Not market share

Industry Leading

BIM Bricks brand V3



Site	Product	Output (M)
1. Blockleys	Wirecut Bricks / Clay Pavers	23
2. Carlton	Wirecut Bricks	36
3. Charnwood	Handmade Stock Bricks / Bespoke Terra Cotta	4
4. Floren.be	Specification Wirecut Bricks	21*
5. Freshfield Lane	Clamp-Fired Stock Bricks	34
6. Michelmersh	Hampshire Stock Bricks	7

* Waal format output

2021 Multiple Industry Award Winner



Highlights – At a glance

Strong adjusted performance surpassing both 2020 and 2019 record year

- Revenue and Gross Profit of £59.5m and £24.2m, ahead of 2019 with growth of 11.2% and 10.5% (2019: £53.5m and £21.9m)
- Adjusted* EBITDA of £14.7m supports an EBITDA margin of 24.7% in line with medium term margin target
- Strong operational cash generation of £15.8m delivers cash conversion to adjusted* EBITDA of 107.5%, net cash of £7.7m at the full year (FY20: £0.8m) giving balance sheet optionality
- Final dividend of 2.50p, resulting in full year dividend of 3.65p, up 46% on 2020, demonstrates commitment to progressive dividend policy and positive outlook
- Focused on cost control, +90% energy hedged in 2022 with forward positions into 2023 and 2024
- Strong and well-balanced opening order book for 2022 with positive order intake momentum continuing in the first quarter of new financial year

*The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items, costs associated with acquisitions and the amortisation of acquired intangibles. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.



St. Michaels Church Oxford

2021 Financial Highlights

2020 Comparative

Turnover	Gross Margin	Adjusted EBIT
£59.5m	40.7%	£11.1m
£52.0m	41.3%	£8.8m
Adjusted EBITDA	Profit Before Tax	Cashflow from operations
£14.7m	£9.7m	£15.8m
£12.3m	£6.9m	£12.9m
Basic EPS	Adjusted EPS	NAV per share
6.50p	9.33p	89.0p
5.27p	6.28p	83.2p

2021 Operational Highlights

- Excellent performance in 2021, with results for the year ahead of record 2019 pre-Covid-19 comparison across all key adjusted financial metrics
- Focused management of production efficiency and cost base supported profit growth ahead of 2019 levels
- Successfully implemented hybrid working practices throughout the year to prioritise safety of our operational teams
- Positive end market fundamentals expected to continue for new housing and key RMI markets
- Strong operational cash generation supported capital investment with the completion of the new road at the Telford quarry to access long term clay mineral reserves
- Published comprehensive sustainability report and road map to achieving carbon neutrality
- New £20.0m medium term bank facility provides financing flexibility and capacity for further strategic investments and to support our acquisition strategy
- Continuing to lead the industry to “Think Longer” and achieve recognition that bricks are designed for 200 years and beyond



Income statement

Compared to pre-Covid-19 2019, which was a record year for the business

	ADJUSTED 2021 £M	ADJUSTED 2020 £M	ADJUSTED 2019 £M	2021/2019
Revenue	59.5	52.0	53.5	11.2%
Gross profit	24.2	21.5	21.9	10.5%
Gross margin	40.7%	41.3%	40.9%	(0.2%)
Central costs ¹	(13.4)	(12.8)	(11.8)	(13.6%)
Other income	0.2	0.1	0.2	-
Adjusted operating profit ¹	11.1	8.8	10.3	7.7%
Adjusted EBITDA	14.7	12.3	13.6	8.1%
Finance expense	(0.2)	(0.7)	(0.7)	71.4%
Adjusted profit before tax ¹	10.9	8.1	9.6	13.5%
Adjusted basic earnings per share	9.33p	6.28p	8.41p	10.9%

¹ Excluding amortisation of intangible assets

Balance Sheet

Strong balance sheet position provides flexibility to pursue strategic initiatives and acquisition opportunities

	2021 31 Dec £M	2020 31 Dec £M
Intangible fixed assets	20.2	21.4
Tangible fixed assets	63.2	60.9
Net working capital	9.1	9.1
Net cash/(debt)	7.7	0.8
Lease liability	(0.6)	(0.8)
Deferred Tax	(14.5)	(11.7)
Net Assets	85.1	79.7
NAV per share	89.0 p	84.8 p

- Included with tangible fixed assets are land and buildings used in operations with a carrying value of £48.9m

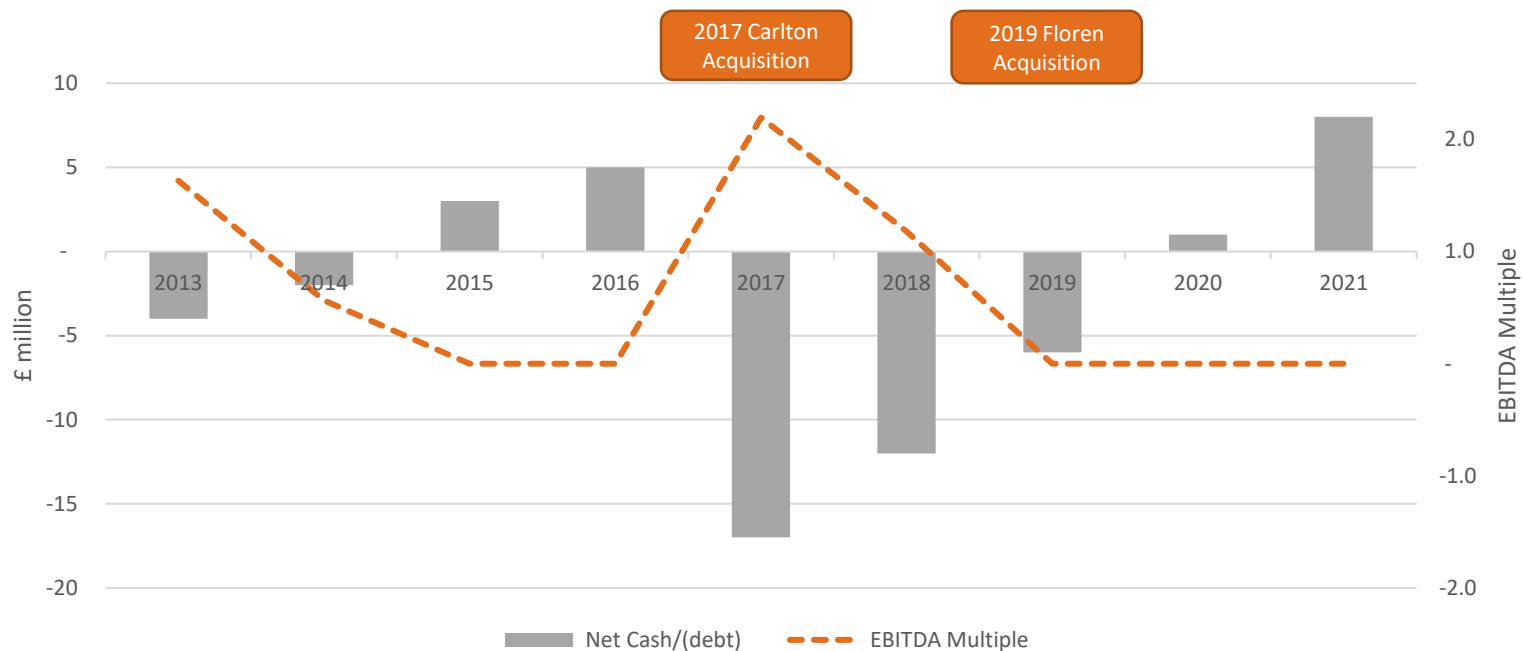
Cash Flow

Consistent quality of the fundamental cash generating ability of the business with adjusted EBITDA cash conversion of 107.5%

	2021 £M	2020 £M
Net cash generated by operations	15.8	12.9
Tax paid	(2.3)	(2.5)
Interest paid	(0.2)	(0.7)
Purchase of property, plant and equipment	(4.2)	(1.2)
Debt repaid	(10.7)	(13.0)
Proceeds from share issue	0.4	0.1
Lease payments	(0.5)	(0.7)
Dividend paid	(1.9)	(0.8)
	(3.6)	(5.9)
Loan drawn	-	3.0
Net decrease in cash & cash equivalents	(3.6)	(2.9)
Net cash/(debt)	7.7	0.8

Net Cash/Debt Profile 2013 - 2021

Strong net cash position of £7.7m and new RCF of £20m provides headroom and flexibility for the medium term



- Benefits of working capital management support strong operating cash conversion and efficient debt repayment profile
 - Underpinned early debt repayment of £10.0m in 2020 and £10.0m in 2021
- £7.7m of net cash at year end and undrawn £20m debt facility provides flexibility to pursue acquisition opportunities that meet our commercial and financial criteria
- Strong balance sheet underpins capex profile to support well invested manufacturing facilities and progressive dividend policy to reward our shareholders

Sector Review



Market Fundamentals

UK Housing Dynamics

Strong demand for new housing

- Continued Government and opposition parties committed to construction as a key foundation of the economy
- Post COVID-19 housing demand with the ongoing “chase for space” and focus on the importance of the home
- Continued shortage of new housing from long-term underbuilding
- Mortgage availability remains good & Interest rate outlook still historically favourable
- Supportive Government policies (Help to Buy) remain in place
- Government Home Building Fund loans of between £250k and £250m to cover development or infrastructure costs

Major UK political parties all wedded to increased housing supply

- Government commitment to increase housebuilding to 300,000 a year by mid-2020s
- ‘Help to Buy’ in place until 2023
- 100,000 affordable publicly owned homes pa by 2023
- Renewed commitment to Social Housing schemes
- End of stamp duty holiday has not weakened demand

Repair, maintenance & improvement

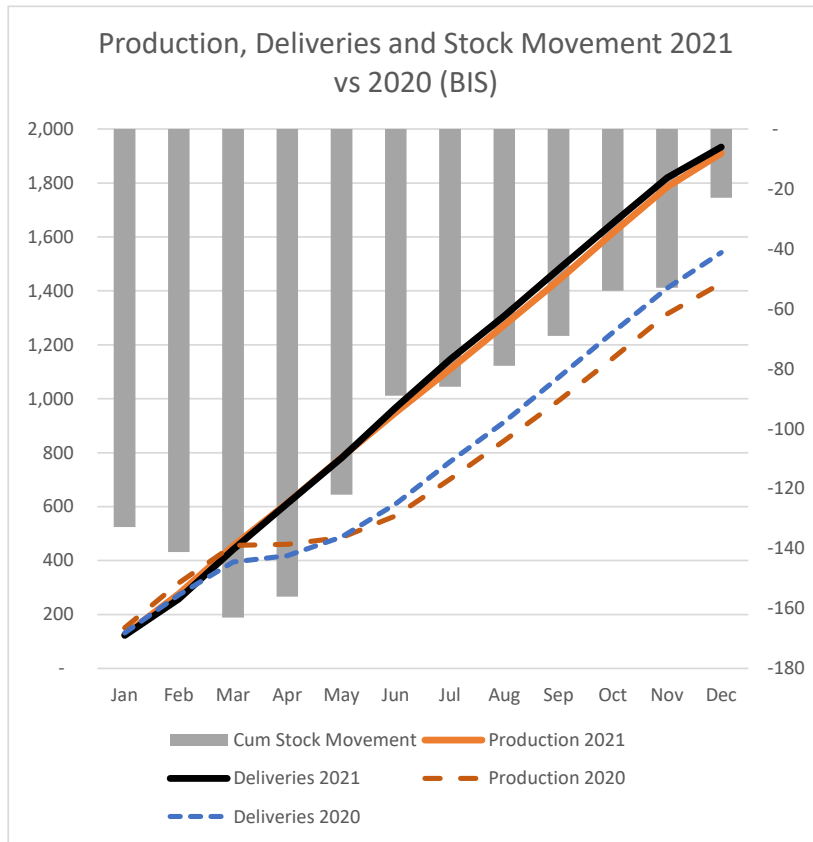
- Ageing UK housing stock increasing our RMI opportunity
- Brick a favourable material of choice for high rise cladding remedial work
- Forecast for continued historically low interest rates supporting our RMI demand
- Stability in demand for infrastructure and communal housing projects

UK Brick Manufacturing – Current Trends

COVID-19 Impact on output and deliveries in 2020 with 2021 showing strong even recovery

2021 & 2020 Cumulative output and excess over output

(Source;BIS)



- Current UK brick industry stocks remain at an all time low of below c. 285m reflecting strong customer demand across the sector
- Clear impact of Covid-19 on despatches and output from March 2020
- Despite continued operational challenges there was a balanced production and despatch performance throughout 2021
- Despatches continue to run marginally ahead of production output throughout the year
- Imported brick volumes continue to be in line with historic norms of 18%, with c. 19% across 2021



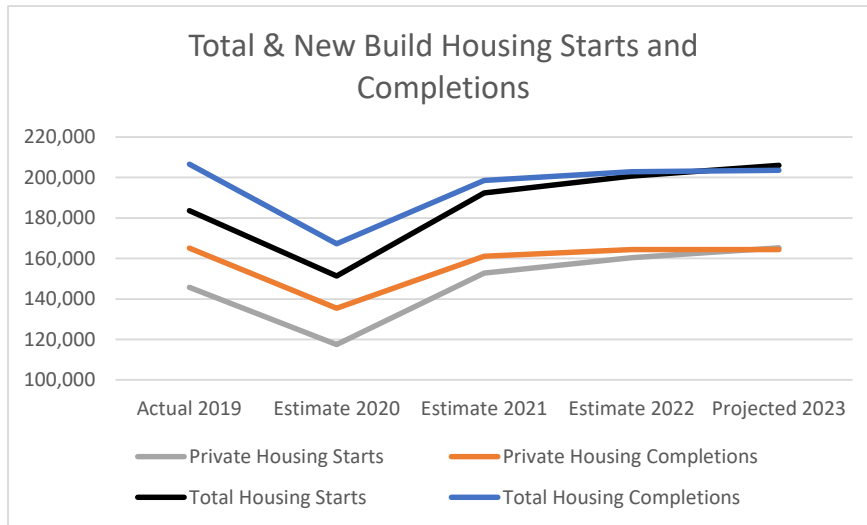
Castlewood, Buckinghamshire, Westbourne Homes.

UK Residential Market Update

Stable projections for housing starts and completions, with positive RM&I output expected over the medium term

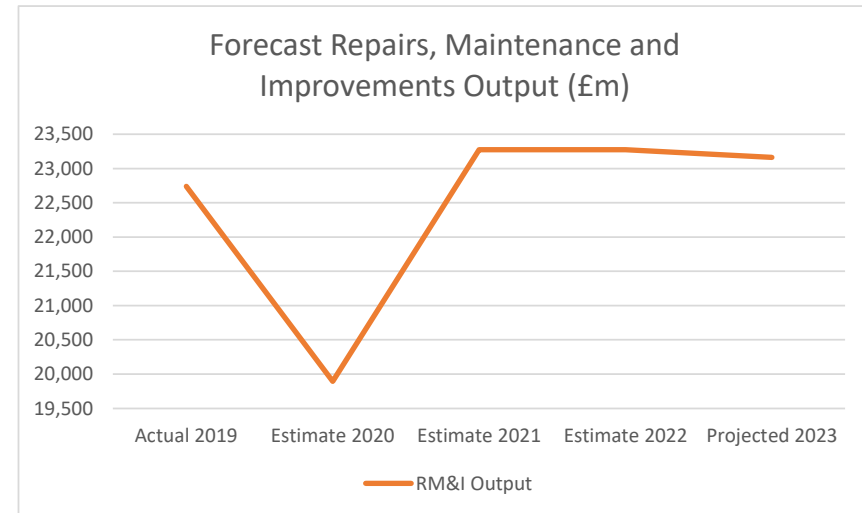
Actual 2019 to Forecast 2023 Housing Starts and Completions

(Source;MHCLG, ONS, CPA)



Actual 2019 to Forecast 2023 RM&I Output

(Source;MHCLG, ONS, CPA)



- Actual and estimated total housing completions below Government target for every year in outlook cycle
- Government policy targeting housing completions of 300,000 by mid-2020s requires 45% increase required on projected 2023
- Repairs, Maintenance and Improvements output expected to stay positive from 2021
- Strong and well-balanced opening order book for 2022 with positive order intake momentum from Q1 expected to continue

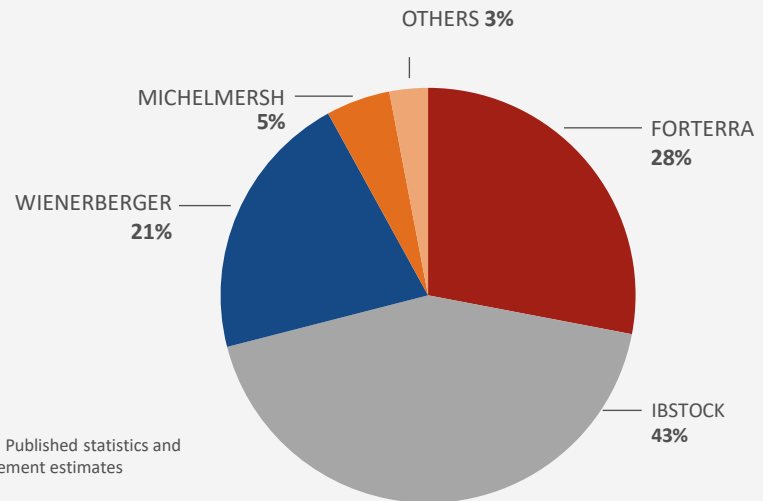
UK brick manufacturing highly concentrated

Current UK capacity c. 1.9 billion

Michelmersh ASP at a premium of 25% of market

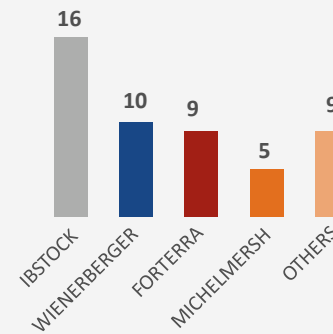
Market Structure

UK brick manufacturers Market Share



Source: Published statistics and management estimates

UK Brick works





Westoe Crown Village Tyne & Wear

Clay Brick Industry





Market presence and influence

- **84%** (over 205,000) of new homes in the UK were built using clay brick in 2021.
- **c.1.9** Billion clay bricks were manufactured in the UK in 2021.
- **150-200** years minimum life expectancy for clay bricks.
- **12,000** clay bricks used in the construction of the average 2 story semi-detached house equates to c. £5,000.









Why Brick?

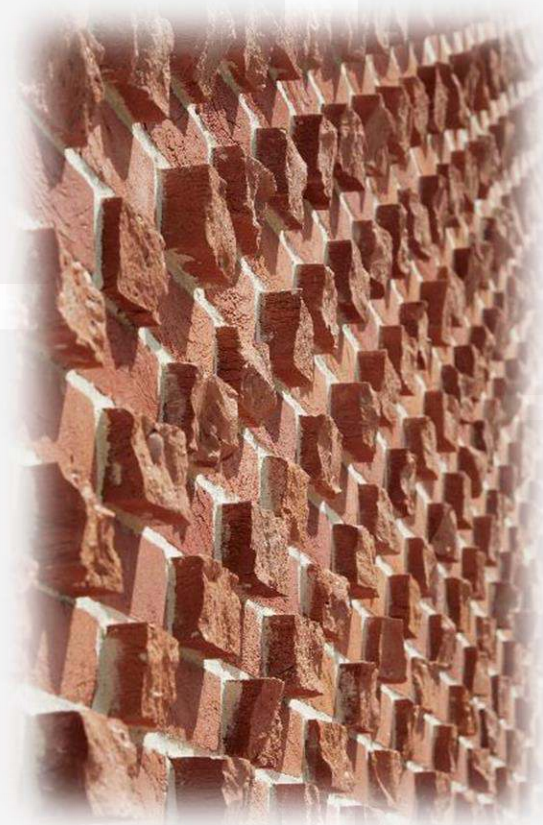
Why brick is the UK's external façade material of choice:

Low lifetime cost








-  Low cost & strong value
-  Low maintenance
-  Financially underwritten
-  Competitive whole-life cost

Sustainability


-  Longevity
-  Durability
-  Recycled content
-  Low operational carbon
-  Adaptability
-  Reusable
-  Climate resilience
-  Locally sourced



Industry Preference

-  Matches UK vernacular
-  Favoured by planners
-  Product quality standards
-  Established supply chain
-  Aesthetics
-  Forgiving of tolerance
-  Variety of colours

High Product Performance

-  Thermal performance
-  Air quality
-  Flood resilience
-  Overheating
-  Non-combustible
-  Cavity Wall Construction
-  Class O fire rating above 18m

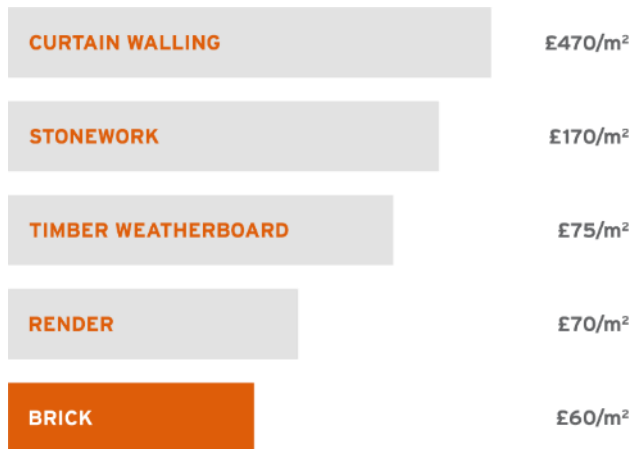


Dujardin Mews London

Why Brick?

Why brick is the UK's external facade material of choice:

The Cost of Comparative Cladding Materials' by the RICS Building Cost Information Service (BCIS)



The Group has invested over **£7.7m** since 2016 on efficiency and sustainability related improvements.

Outlook

Industry

- Continued UK housing dynamics of short supply to meet strong demand
- Brick continues to be the façade material of choice
- Continued demand for residential development and RMI market
- Capital intensive and complex barriers to entry

Michelmersh



Audley Retirement, London.

- Positive outlook – order intake momentum continuing into H1 2022
- Conversion of balanced 2022 opening order book covering RMI, housing, specification and commercial sectors from loyal customer and distributor relationships
- In collaboration with our customers we will monitor portfolio pricing to ensure that we are in a position to offset any further margin pressure with our standard timetabled price increase set for July 2022
- We have secured over 90% of the Group's energy requirements for 2022 with further energy contracts out to 2024
- Continued strong customer momentum for expanded core product range at Floren
- Strong balance sheet supports flexibility to explore new acquisition opportunities to complement core business strategy
- Commitment to progressive dividend policy demonstrates Board confidence in the positive outlook for the business
- Given the current uncertain macroeconomic conditions these quality fundamentals in our business provide resilience and underpin our outlook and as a result we are well placed to continue our strategic progress in 2022 and beyond.

Appendices

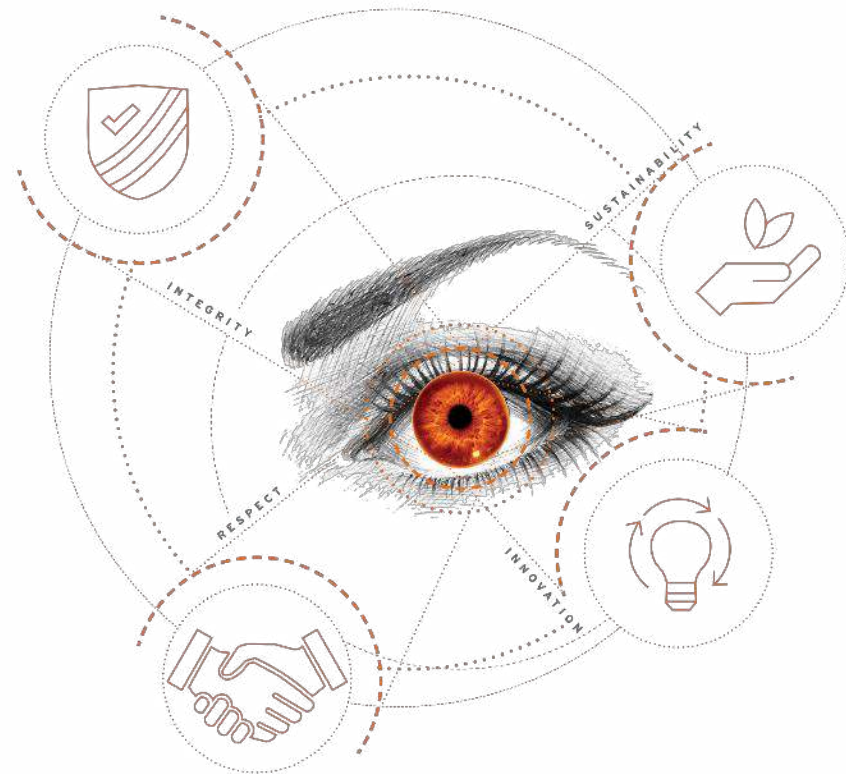


Good corporate citizen

Using **modernised production methods** that emphasise **sustainable building solutions** and adhere to the most **stringent production requirements**, Michelmersh guarantees **high quality** product standards with a **low ecological footprint**.

Michelmersh Core Values - IRIS

INTEGRITY
RESPECT
INNOVATION
SUSTAINABILITY



Sustainability Report 2021

Shaping Genuine Sustainability

A detailed account of the Group's sustainable practices, plans and KPI targets for achieving Net Zero carbon. Also included is our many ESG commitments, including:

- Sustainable Investments
- Journey to Net Zero
- Product Innovation
- Recycled Content
- Inspiring Creativity
- Net Zero by 2050
- Health & Safety Practices
- Employee Training Programs
- Biodiversity Action Plans



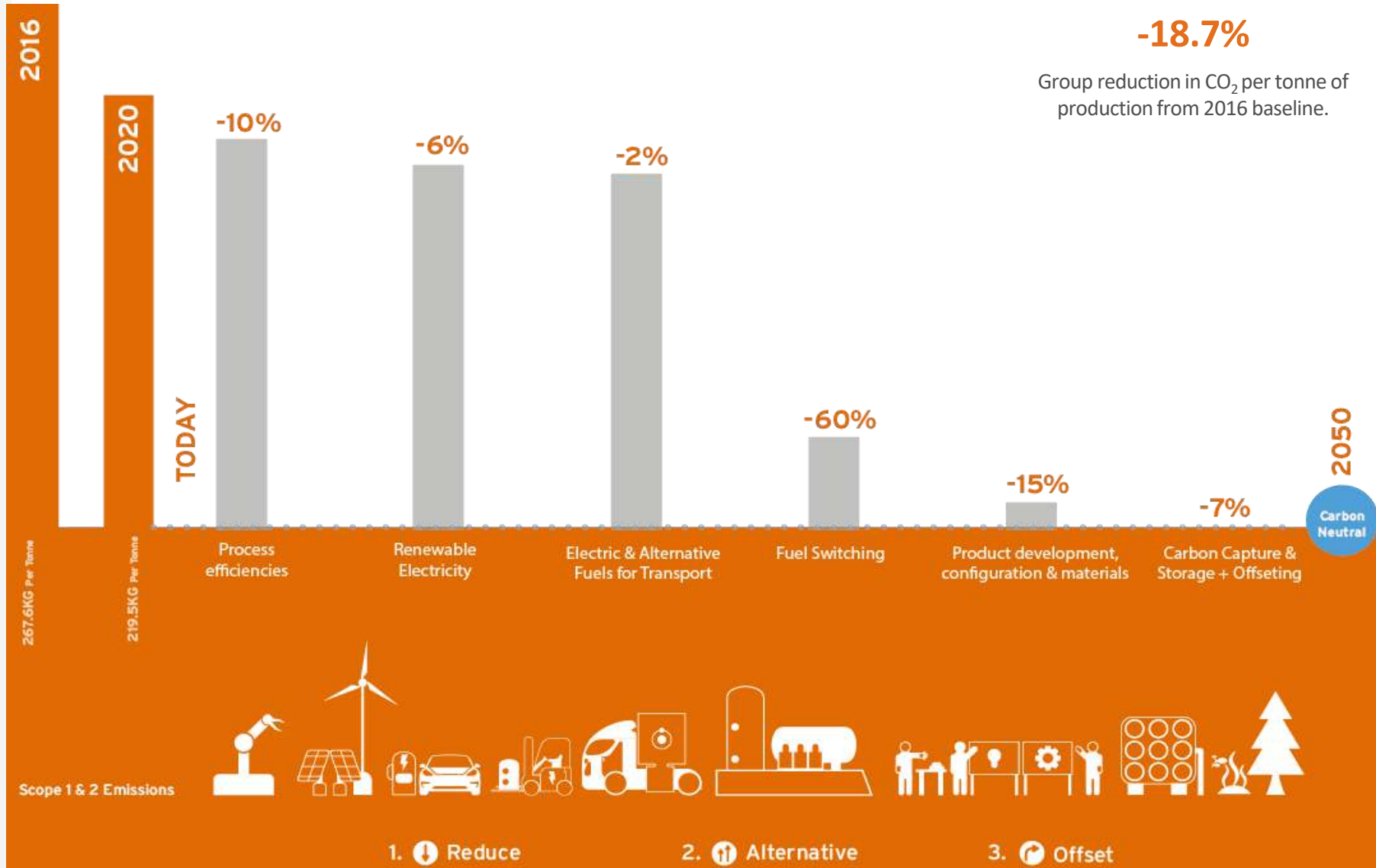
United Nations' Sustainability Development Goals (UNSDG's)

The 17 Sustainable Development Goals are the blueprint to achieving more sustainable future for all. Michelmersh realises the importance of these goals and has set progressive targets against 13 relative aims for positive change to reshape our future.



Achieving Net Zero by 2050

Potential project reduction timeline



Think Longer

Design for 200 years, not 20



Durable products with extensive longevity such as clay brick, will prolong the expected life of a building resulting in a lower carbon footprint for every year of use.

Education Sector

AUB Student Accommodation & Headington School, Oxford



Luxury Homes

Applegate Homes



Commercial

Bellefields Road, London



Affordable Housing

Agar Place & Brentford Lock, London



Urban Regeneration

Hale Wharf, London

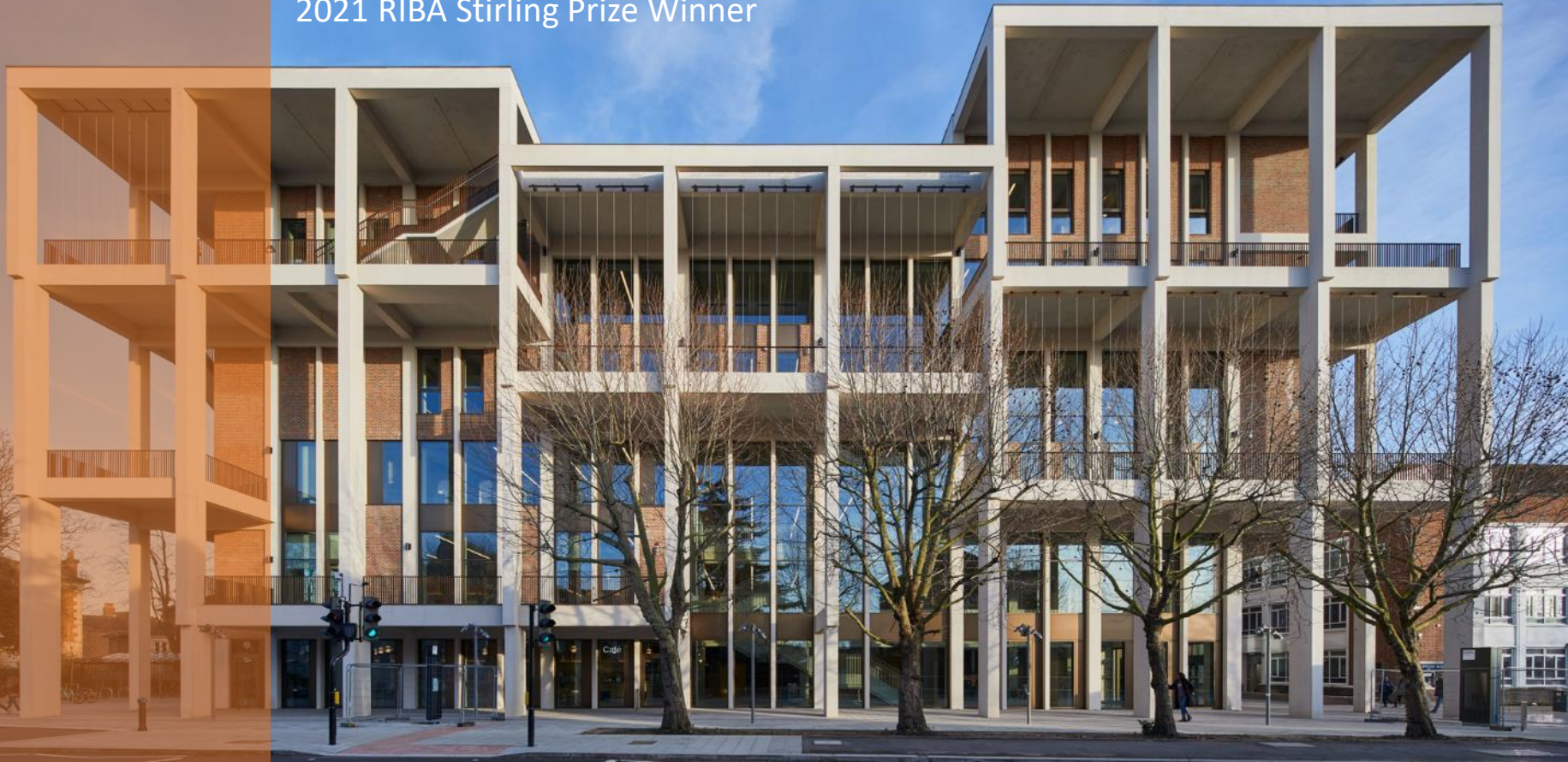


Pre-fabricated panel systems

London Fruit & Wool Exchange



2021 RIBA Stirling Prize Winner



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