

4 September 2018

Michelmersh Brick Holdings Plc

(“MBH”, the “Company”, or the “Group”)

Half Year Results for the six months ended 30 June 2018

Michelmersh Brick Holdings Plc (AIM:MBH), the specialist brick manufacturer, is pleased to report its half year results for the six months ended 30 June 2018.

Financial Highlights

	30 June 2018	30 June 2017	Change
Turnover	£23.1m	£16.2m	+ 43%
Gross margin	40.4%	35.6%	+ 4.8%
Underlying ¹ EBITDA*	£5.6m	£3.0m	+ 87%
Underlying ¹ EBIT	£4.1m	£2.4m	+ 70%
Underlying ¹ PBT	£3.8m	£2.4m	+ 57%
Underlying ¹ EPS	4.2p	2.6p	+ 60%
Interim Dividend	1.06p	0.70p	+ 51%
Cash from operations	£2.7m	£1.1m	+ 135%

Operational Highlights:

- Full operational integration of the Carlton plant
- Successful restructuring of operations at the Michelmersh plant
- Strong, balanced order book into Q1 2019 – 10.5% ahead of June 2017
- Contract signed for Carlton investment project targeting enhanced efficiency and output
- New key high value products introduced to the market
- Increased interim dividend

Commenting on the results, Martin Warner, Chairman of Michelmersh Brick Holdings Plc, said:

“The strong growth achieved during the period reflects not only the successful acquisition and integration of Carlton but also improved sales and operational progress across our other divisions. With a robust order book for the rest of this year and into next year, and the market demand for bricks remaining strong, the outlook is positive and we are confident in meeting our full year targets.”

* EBITDA as disclosed is Operating Profit with depreciation and amortisation added back.

¹ References to ‘underlying’ excludes items classed as exceptional

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About Michelmersh Brick Holdings PLC:

Michelmersh Brick Holdings PLC is a business with six market leading brands: Blockleys, Carlton, Charnwood, Freshfield Lane, Michelmersh and Hathern Terra Cotta. These divisions operate within a fully integrated business combining the manufacture of clay bricks, tiles and pavers. The Group also includes a landfill operator, New Acres Limited, and seeks to develop future landfill and development opportunities on ancillary land assets.

Established in 1997, the Company has grown through acquisition and organic growth into a profitable and asset rich business, producing over 100 million clay bricks, tiles and pavers per annum. Michelmersh currently owns most of the UK's premium manufacturing brick brands and is a leading specification brick and clay paving manufacturer.

Michelmersh strives to be a well invested, long term, sustainable, environmentally responsible business. Opportunity, training and security for all employees, whilst meeting the needs of stakeholders are at the forefront of everything we do. We aim to lead the way in producing some of Britain's premium clay products and enhancing our environment by adding value to the architectural landscape for generations to come.

We are Michelmersh Brick Holdings PLC: we are "Britain's Brick Specialist".

Please visit the Group's websites at: www.mbhplc.co.uk and www.bimbricks.com

Chairman's Statement

The first half of 2018 was another busy and successful period for the Group which resulted in positive growth in all of the underlying key performance indicators, despite the difficult winter weather in the early part of the year. Reported profit before taxation of £2.9 million was double that of the corresponding period (2017: 1.4 million) and excluding exceptional items in both periods was up 57%. Turnover was up 43% with growth achieved in each of the Group's divisions excluding the Michelmersh plant, which was successfully restructured in the period. The plant has delivered an improved performance since the restructuring in February 2018 and we anticipate this being maintained in the second half of the year. We have a strong, well-balanced forward order book of just over 67 million units as of 30 June this year, which was 10.5% ahead of the same period last year, indicating continued robust deliveries for the Group for H2 and the early part of 2019.

Underlying EBITDA* is perhaps a better measure of performance as it expresses operational performance and excludes non-cash charges for amortisation and depreciation; the Group's H1 2018 underlying EBITDA at £5.6 million was 87% greater than that for the comparative period in 2017. Whilst Carlton is a significant part of that growth, the performance of all of the Group's plants has been pleasing. Each of our plants have different dynamics that shift with the market. In this year, Blockleys, in particular, has had a very strong first half and it is expected that this strong performance will continue. This reflects the investment put into the plant over the years but also the hard work and expertise of the production and sales teams in place.

Underlying Earnings per share (excluding amortisation of intangibles and exceptional items) increased by 60% to 4.2 pence (2017: 2.6 pence) for the six months and 7.5 pence for the last twelve months.

Carlton Integration

The Group's brickmaking activities are now fully integrated since the business of Carlton was transferred into the main operating company, Michelmersh Brick UK Limited, with effect from 31 December 2017. Operationally, culturally and legally, Carlton is now a division within the Group. The plant has been assessed for future investment and several projects have been identified that are expected to generate ongoing cost savings, reduce risk of interruption and ultimately provide increased capacity. The Group has entered into a contract for the first phase and both off-site and on-site work has now commenced.

References to 'underlying' excludes items classed as exceptional

**Earnings before interest taxation and depreciation and amortisation excluding exceptional items that are material and non-recurring*

Michelmersh Plant

In February 2018, the Board made the difficult decision to cease hand-made brick and tile production at the Michelmersh plant in order to streamline operations and improve operational performance. The Group's hand-made brick production has now been fully migrated to our dedicated hand-made plant at Charnwood. The six months income statement shows the financial consequences which were the costs of redundancy of the majority of the workforce and the accelerated depreciation of specific plant and machinery no longer required. These costs have been displayed as exceptional on the face of the financial statements and are non-recurring. Since the change in operations at the plant, the concentration on machine-made bricks has seen better returns than anticipated with enhanced revenue from the sale of the hand-made and tile stocks. Operating on a lower output has reduced risk and increased contribution from the site as expected.

Net Debt and Working Capital

Cash generated from operating activities was £2.7 million and represented a significant improvement over the comparative period and is expected to continue through the second half of the year, with net debt expected to be below one times EBITDA during 2019. The strong cash flow has allowed early repayment of the remaining £1.75 million of the deferred consideration for the acquisition of Carlton in August 2018 which will further reduce the Group's ongoing interest burden. Net debt at the end of June 2018 stood at £18.1 million (30 June 2017: £20.7 million) after paying £1.9 million in dividends during the period. Half year cash balances were adversely affected by delayed customer receipts as the month end fell on a weekend with a strong subsequent cash inflow the following week.

Dividend

The trading performance and continued cash generation of the Group provides the Board with the confidence to declare an increased interim dividend of 1.06 pence per ordinary share (2017: 0.7 pence) in line with the stated progressive dividend policy. The interim dividend will be payable on 11 January 2019 to members on the share register on 14 December 2018.

Outlook

The Group has produced another positive trading performance whilst successfully completing both the integration of Carlton and the restructuring of the Michelmersh plant. Industry statistics support the backdrop that demand for bricks remains strong, with imports filling shortfalls and industry brick stocks near historic lows. Housebuilders remain confident in the near to medium term. The uncertainty around Brexit does not seem to have entered the activity pattern of housebuilding or the Repair, Maintenance and Improvement market, but remains an unknown that could affect the industry going forward. Furthermore, two new key high value products were introduced in the first half of 2018 and these will begin to make a positive contribution in the latter part of 2018 and into 2019.

Looking ahead, production in the second half is traditionally lower than the first half due to planned maintenance shut downs. The strong trading in the first six months also depleted plant stock levels due to high volumes outstripping output. More widely, energy input prices that have risen over the recent months, are forecast to continue. Despite this, with the benefits of the significant acquisition made last year, alongside the continued performance of our well invested works and future investment plans, the Board remains confident of delivering results for the full year in-line with market expectations.

M R Warner

CHAIRMAN

Consolidated Income Statement

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000	12 months ended 31 December 2017 £'000
	Unaudited	Unaudited	Audited
Revenue	23,136	16,180	37,867
Cost of sales	(13,775)	(10,420)	(24,449)
Gross profit	9,361	5,760	13,418
Administration expenses - Underlying	(5,343)	(3,363)	(8,473)
- Exceptional	(930)¹	-	(137) ²
Other income	81	17	49
Operating profit	3,169	2,414	4,857
Exceptional item ²	-	(1,044)	(1,195)
Finance (expense) / income	(312)	5	(323)
Profit before taxation	2,857	1,375	3,339
Taxation	(657)	(275)	(1,127)
Profit for the period	2,200	1,100	2,212
Basic earnings per share	2.55 p	1.35 p	2.64 p
Diluted earnings per share	2.50 p	1.34 p	2.60 p

Exceptional item¹ relates to costs incurred in relation to the reconfiguration of activities at the Michelmersh plant in respect of redundancies and plant accelerated depreciation.

Exceptional item² relates to costs incurred in connection with the acquisition of Carlton Main Brickworks Limited.

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000	12 months ended 31 December 2017 £'000
	Unaudited	Unaudited	Audited
Profit for the financial period	2,200	1,100	2,212
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Other comprehensive income			
Items which will not subsequently be reclassified to profit or loss			
Revaluation deficit of property, plant and equipment	-	-	(322)
Revaluation surplus of property, plant & equipment	-	-	2,069
Deferred tax on revaluation	-	-	(170)
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Other comprehensive income for the period net of tax	-	-	1,577
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Total comprehensive income for the financial period	2,200	1,100	3,789
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Consolidated Balance Sheet

	As at 30 June 2018 £'000 Unaudited	As at 30 June 2017 £'000 Unaudited	As at 31 December 2017 £'000 Audited
Assets			
Non-current assets			
Intangible assets	23,517	23,687	24,086
Property, plant and equipment	51,449	50,368	52,626
	74,966	74,055	76,712
Current assets			
Inventories	8,811	8,685	9,161
Trade and other receivables	11,054	10,140	6,934
Cash and cash equivalents	2,571	6,505	4,128
	22,436	25,330	20,223
	97,402	99,385	96,935
Liabilities			
Current liabilities			
Trade and other payables	7,372	8,914	6,462
Interest bearing borrowings	2,666	6,946	1,791
Corporation tax payable	719	1,101	900
	10,757	16,961	9,153
Non-current liabilities			
Interest bearing borrowings	18,049	20,281	19,809
Deferred tax liabilities	8,493	5,545	8,590
	26,542	25,826	28,399
	37,299	42,787	37,552
	60,103	56,598	59,383
Equity attributable to equity holders			
Share capital	17,243	17,234	17,234
Share premium account	11,518	13,939	11,495
Other reserves	21,156	18,510	20,816
Retained earnings	10,186	6,915	9,838
	60,103	56,598	59,383

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2017	16,294	11,495	18,410	7,444	53,643
Profit for the period	-	-	-	1,100	1,100
	-	-	-	1,100	1,100
Shares issued in the period	940	-	2,444*	-	3,384
Share based payment	-	-	100	-	100
Dividends paid	-	-	-	(1,629)	(1,629)
As at 30 June 2017	17,234	11,495	20,954	6,915	56,598
Profit for the period	-	-	-	1,112	1,112
Revaluation deficit	-	-	(322)	-	(322)
Revaluation surplus	-	-	2,069	-	2,069
Released on sale of land	-	-	(1,811)	1,811	-
Deferred tax on revaluation	-	-	(170)	-	(170)
Total comprehensive income	-	-	(234)	2,923	2,689
Share based payment	-	-	96	-	96
As at 31 December 2017	17,234	11,495	20,816	9,838	59,383
Profit for the period	-	-	-	2,200	2,200
Total comprehensive income	-	-	-	2,200	2,200
Shares issued in the period	9	23	-	-	32
Share based payment	-	-	340	-	340
Dividends paid	-	-	-	(1,852)	(1,852)
As at 30 June 2018	17,243	11,518	21,156	10,186	60,103

**Excess of issue price over nominal value for shares issued as part consideration for the acquisition of Carlton Main Brickworks Limited originally treated as share premium has been re-classified as merger reserve.*

Consolidated Statement of Cash Flows

	6 months ended £'000 30 June 2018 Unaudited	6 months ended £'000 30 June 2017 Unaudited	12 months ended £'000 31 December 2017 Audited
Net cash generated by operations	2,670	1,138	6,869
Taxation paid	(935)	(376)	(1,760)
Net cash generated by operating activities	1,735	752	5,109
Cash flows from investing activities			
Purchase of property, plant and equipment	(316)	(344)	(1,002)
Purchase of subsidiary undertaking net of cash acquired	-	(23,695)	(23,698)
Proceeds from sale of intangibles	-	-	155
Proceeds from sale of land	-	2,680	2,680
Proceeds on disposal of property, plant and equipment	42	12	11
Net cash used in investing activities	(274)	(21,347)	(21,854)
Cash flows from financing activities			
Bank loan drawdown	-	24,000	24,000
Interest (paid) /received	(312)	5	(323)
Repayment of interest bearing liabilities	(885)	-	(5,899)
Proceeds of share issue	32	4	4
Dividends paid	(1,853)	(1,629)	(1,629)
Net cash (used in) / generated by financing activities	(3,018)	22,380	16,153
Net (decrease) / increase in cash and cash equivalents	(1,557)	1,785	(592)
Cash and cash equivalents at beginning of period	4,128	4,720	4,720
Cash and cash equivalents at end of period	2,571	6,505	4,128
Cash and cash equivalents comprise:			
Cash at bank and in hand	2,571	6,505	4,128
Bank overdraft	-	-	-
	2,571	6,505	4,128

NOTES TO THE GROUP INTERIM REPORT

1. GENERAL INFORMATION

Michelmersh Brick Holdings Plc (“the Company”) is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 3462378). The Company is domiciled in the United Kingdom and its registered address is Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH. The Company’s Ordinary Shares are traded on the AIM Market of the London Stock Exchange plc. Copies of the Interim Report and Annual Report and Accounts may be obtained from the address above, or at www.mbhplc.co.uk.

2. ACCOUNTING POLICIES

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 December 2018. "The group has chosen not to adopt IAS 34 “Interim Financial Statements” in preparing the interim financial information."

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2017 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 30 June 2018 and 30 June 2017 is unaudited.

3. EARNINGS PER SHARE

The calculation of earnings per share is based on a profit of £2,200,000 (six months ended 30 June 2017 –£1,100,000; 12 months ended 31 December 2017–£2,212,000) and 86,191,712 (at 30 June 2017 81,654,156 and 31 December 2017, 83,913,140) being the weighted average number of ordinary shares in issue.

Diluted

At 30 June 2017 there were 1,811,232 (30 June 2017: 151,796, and at 31 December 2017 1,138,070) dilutive shares under option leading to 88,002,944 (30 June 2017: 81,806,412, and at 31 December 2017 85,051,210) weighted average number of ordinary shares for the purposes of diluted earnings per share. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.