4 September 2017

Michelmersh Brick Holdings Plc

("MBH", the "Company", or the "Group")

Half Year Results for the six months ended 30 June 2017

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 2017.

HIGHLIGHTS

Financial Highlights:

- Turnover increased by 6% to £16.2 million (H1 2016: £15.3 million)
- EBITDA* of £3.0 million (H1 2016: £3.0 million), with stronger earnings performance expected during the second half of the financial year
- PBT (before exceptional item) £2.4 million (H1 2016: £2.6 million)
- EPS (excluding exceptional item) 2.37 pence (H1 2016: 2.57 pence)
- Net debt of £20.7 million after drawing £24 million in loans to meet acquisition payments (30 June 2016: net cash £2.7 million)
- Final Dividend of 2 pence per share paid in June 2017 with an Interim Dividend declared of 0.7 pence per share payable in January 2018.

Operational Highlights:

- Acquisition of Carlton Main Brickworks for net consideration of £31 million with post-acquisition integration on track. Minimal financial contribution from acquisition (7 days), but expected to significantly increase the output of bricks and financial performance of the Group during the second half of the financial year
- Completed sale of Dunton site for total consideration of £2.68 million
- Improved average selling price and forward order commitment of over 55 million bricks at period end, ahead of initial targets
- Well positioned for a stronger operational and financial performance in H2 2017

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

"This has been another strong period for the Group, which culminated in the acquisition of Carlton Main Brickworks. The integration of Carlton is on track and forward order commitments have increased, positioning the Group for further growth in the second half. This is a transformational period for the business, which will further benefit our customers and shareholders in the future."

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

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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 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 six months to 30 June 2017 included two significant events for the future development of the Group, although both had limited impact on the trading performance reported. The acquisition of Carlton Main Brickworks Limited ("Carlton") on 23 June 2017 promises to significantly increase the Group's production capacity, EBITDA and market presence. The contribution to the Group profit for the six months to 30 June 2017 was limited to the 7 days of ownership.

In late June 2017, the sale of the former Dunton brickworks site was also completed. The land asset had been revalued upwards in 2016 by £1.4 million as the terms of the conditional sale contract were signed in January 2017. The asset was displayed in the balance sheet at 31 December 2016 as a non-current asset held for resale at its sale price (£2.68 million) less costs associated with the sale. The proceeds were included in the cash balance in the balance sheet at 30 June 2017 but with no impact on the reported profit before taxation.

The Group reported an operating profit of £2.4 million (HI 2016: £2.6 million) after turnover increased by 6% over a very strong first half in 2016. This includes a small contribution from Carlton but was ahead of our forecast as we saw the seasonal balance shift in 2017 to a stronger second half. Gross margin at 35% was slightly better than the margin for the full year 2016. Administration expenses were 7% higher than in the first six months of 2016 due to a combination of the inclusion of Carlton overheads, currency and employment related cost inflation, and additional overhead arising from investment in the sales team and engineering department.

Not including Carlton, the Group produced 35 million bricks in the first half of 2017 (2016: 35 million) and despatched 35 million (2016: 35 million) bricks at a slightly improved average selling price compared to 2016. The Group is well placed for the rest of the year with a strong, well balanced forward order book of over 55 million bricks spread across RMI, housing and commercial sectors.

Carlton

On 26 June 2017, the Group announced the acquisition of Carlton for a net consideration of £31 million. The addition of this business will have a significant impact on the structure and performance of the Group. Output will increase to over 100 million bricks and turnover and EBITDA will significantly increase with immediate effect. Over time, identified operational synergies will be implemented to improve Carlton's contribution further.

Carlton's product range is aligned with Michelmersh in that it is of high technical quality, well respected in the market and with a strong Repair Maintenance and Improvement (RMI) presence. As such, the products sit well alongside Michelmersh and will be marketed through our established channels.

Carlton produces a range of over 50 wirecut bricks at the South Yorkshire plant with a capacity of 35 million bricks per annum and employs 65 staff on a 93-acre site. Carlton's products have a strong gross margin but have a lower average selling price than Michelmersh which will dilute our premium over the market. However we expect to maintain around 35% premium over the industry.

The historic cost base assets of Carlton at completion were valued at £14 million although the true value is materially higher. Valuation exercises are underway that will recognise the true worth of the fixed assets and intangibles, including goodwill. Depreciation and amortisation will arise as a result of the revaluations, albeit not affecting the strong EBITDA addition to Group results.

The Board wishes to thank the staff at Carlton for the support and warm welcome given since they joined the Group. We are pleased to report that the post-acquisition integration is on track with the management team meeting key milestones in the process.

Net Debt and Working Capital

At 30 June 2017, the Group's net debt stood at £20.7 million (2016: net cash of £2.8 million). Whilst this is a significant change in the gearing position, the Board is comfortable with the level of debt and the debt covenants in place. Hedging arrangements are in place to protect the Group from significant changes in LIBOR rates over the six-year term of the main term loan and cash positive trading is expected to see the net debt position fall steadily.

New facilities totalling £27 million were provided by HSBC in anticipation of the Carlton acquisition. The Board is grateful for the support and guidance provided by our new banking partners. Of the £24 million drawn to meet completion payments, £3 million has already been repaid in July, principally from the proceeds of the Dunton land sale that took place within days of the acquisition completing.

Levels of working capital at 30 June 2017 have increased from those seen at 30 June 2016 as a result of the inclusion of Carlton's trading assets, but also in respect of VAT on the land sale late in June as well as accrual for costs relating to the acquisition. It is expected that working capital levels will reduce going forward.

Dividend

The Group has enjoyed a positive cash position over recent years and has returned to the payment of dividends to reward shareholders. Whilst the Group is now in a net debt position following the acquisition of Carlton, the Board recognise that increased earnings in the enlarged Group allow us to continue to maintain a progressive dividend policy and propose an interim dividend of 0.7 pence per ordinary share. The dividend will be payable on 12 January 2018 to shareholders on the register on 15 December 2017.

Outlook

This has been another strong period for the Group, which culminated in the acquisition of Carlton Main Brickworks. The integration of Carlton is on track and forward order commitments have increased, positioning the Group for further growth in the second half. This is a transformational period for the business, which will further benefit our customers and shareholders in the future. We look forward to a busy second half of 2017 with a strong contribution from Carlton.

To an extent, the Company's trading results reflect the fortunes of the wider brick industry which is now highly consolidated. Despite the increased demand enjoyed in the first half and inflationary pressures from energy and currency denominated costs, average selling prices have not as of yet reflected these factors. Michelmersh remains strongly cash generative with a long-term asset base and it continues to exceed market averages and seeks to maintain that position whilst continuing to invest in plant, people and process.

M Warner

Chairman

Consolidated Income Statement

	6 months ended 30 June 2017 £'000	6 months ended 30 June 2016 £'000	12 months ended 31 December 2016 £'000
	Unaudited	Unaudited	Audited
Revenue	**16,180**	15,292	30,057
Cost of sales	**(10,420)**	(9,581)	(19,709)
Gross profit	**5,760**	5,711	10,348
Administration expenses	**(3,363)**	(3,126)	(5,833)
Other income	**17**	13	36
Operating profit	**2,414**	2,598	4,551
Exceptional item *	**(1,044)**	-	-
Finance income	**5**	8	18
Profit before taxation	**1,375**	2,606	4,569
Taxation	**(275)**	(521)	(1,010)
Profit for the period	**1,100**	2,085	3,559
Basic earnings per share	**1.35 p**	2.57 p	4.38 p
Diluted earnings per share	**1.34 p**	2.55 p	4.36 p

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

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2017 £'000	6 months ended 30 June 2016 £'000	12 months ended 31 December 2016 £'000
	Unaudited	Unaudited	Audited
Profit for the financial period	**1,100**	2,085	3,559
Other comprehensive income			
Items which will not subsequently be reclassified to profit or loss			
Revaluation surplus of property, plant & equipment	-	-	1,369
Deferred tax on revaluation	-	-	49
Other comprehensive income for the period net of tax	-	-	1,418
Total comprehensive income for the financial period	**1,100**	2,085	4,977

Consolidated Balance Sheet

	As at 30 June 2017 £'000 Unaudited	As at 30 June 2016 £'000 Unaudited	As at 31 December 2016 £'000 Audited
Assets			
Non-current assets			
Intangible assets	**23,687**	2,475	2,469
Property, plant and equipment	**50,368**	41,354	40,794
	74,055	43,829	43,263
Non-current assets held for resale	**-**	-	2,542
Current assets			
Inventories	**8,685**	7,278	7,193
Trade and other receivables	**10,140**	6,045	5,052
Investments	**-**	30	-
Cash and cash equivalents	**6,505**	2,747	4,720
Total current assets	**25,330**	16,100	16,965
Total assets	**99,385**	59,929	62,770
Liabilities			
Current liabilities			
Trade and other payables	**8,914**	4,899	4,702
Interest bearing borrowings	**6,946**	-	-
Corporation tax payable	**1,101**	521	373
Total current liabilities	**16,961**	5,420	5,075
Non-current liabilities			
Interest bearing borrowings	**20,281**	-	-
Deferred tax liabilities	**5,545**	3,914	4,052
	25,826	3,914	4,052
Total liabilities	**42,787**	9,334	9,127
Net assets	**56,598**	50,595	53,643
Equity attributable to equity holders			
Share capital	**17,234**	16,247	16,294
Share premium account	**13,939**	11,495	11,495
Reserves	**18,510**	16,953	18,410
Retained earnings	**6,915**	5,900	7,444
Total equity	**56,598**	50,595	53,643

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 2016	16,247	11,495	16,850	4,627	**49,219**
Profit for the period	-	-	-	2,085	**2,085**
	-	-	-	2,085	**2,085**
Share based payment	-	-	103	-	**103**
Dividends paid	-	-	-	(812)	**(812)**
As at 30 June 2016	**16,247**	**11,495**	**16,953**	**5,900**	**50,595**
Profit for the period	-	-	-	1,474	**1,474**
Revaluation surplus	-	-	1,369	-	**1,369**
Deferred tax on revaluation	-	-	49	-	**49**
Total comprehensive income	-		1,418	1,474	**2,892**
Share based payment	-	-	109	-	**109**
Shares issued in the period	47	-	-	-	**47**
Transfer to retained earnings	-	-	(70)	70	**-**
As at 31 December 2016	**16,294**	**11,495**	**18,410**	**7,444**	**53,643**
Profit for the period	-	-	-	1,100	**1,100**
Total comprehensive income	-		-	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**	**13,939**	**18,510**	**6,915**	**56,598**

Consolidated Statement of Cash Flows

	6 months ended £'000 30 June 2017 Unaudited	6 months ended £'000 30 June 2016 Unaudited	12 months ended £'000 31 December 2016 Audited
Net cash generated by operating activities	**757**	**1,628**	4,766
Cash flows from investing activities			
Purchase of property, plant and equipment	**(344)**	(1,004)	(2,254)
Purchase of subsidiary undertaking net of cash acquired	**(23,289)**	-	-
Acquisition costs	**(406)**	-	-
Proceeds from sale of investment	**-**	-	30
Proceeds from sale of land	**2,680**	-	-
Proceeds on disposal of property, plant and equipment	**12**	-	8
Net cash used in investing activities	**(21,347)**	(1,004)	(2,216)
Cash flows from financing activities			
Bank loan drawdown	**24,000**	-	-
Proceeds of share issue	**4**	-	47
Dividends paid	**(1,629)**	(812)	(812)
Net cash generated by / (used in) financing activities	**22,375**	(812)	(765)
Net increase / (decrease) in cash and cash equivalents	**1,785**	(188)	1,785
Cash and cash equivalents at beginning of period	**4,720**	2,935	2,935
Cash and cash equivalents at end of period	**6,505**	2,747	4,720
Cash and cash equivalents comprise:			
Cash at bank and in hand	**6,505**	2,747	4,720
Bank overdraft	**-**	-	-
	6,505	2,747	4,720

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 2017. "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 2016 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 2017 and 30 June 2016 is unaudited.

3. EARNINGS PER SHARE

The calculation of earnings per share is based on a profit of £1,100,000 (six months ended 30 June 2016 –£2,085,000; 12 months ended 31 December 2016–£3,559,000) and 81,654,156 (at 30 June 2016 and 31 December 2016 81,234,656) being the weighted average number of ordinary shares in issue.

Diluted

At 30 June 2017 there were 151,796 dilutive shares under option leading to 81,806,412 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.

4. ACQUISTION OF CARLTON MAIN BRICKWORKS LIMITED ("Carlton")

On 23 June 2017, the Company completed the acquisition of 100% of the share capital of Carlton Main Brickworks Limited for a maximum gross consideration of £38.4 million payable in cash (£31.5 million), deferred cash (£3.5 million) and by the issue of 4,694,444 new Michelmersh Brick Holdings Plc ordinary shares valued at 72 pence (£3.4 million). The book value of the net assets of Carlton at acquisition was £19 million after applying a valuation of the land and buildings that was conducted by independent valuers. The excess of consideration over book assets is recorded as 'intangible' in the consolidated balance sheet as at 30 June 2017. However, the initial accounting for the acquisition is incomplete and the amounts recognised in the financial statements are provisional. An exercise to establish fair value of other tangible and intangible assets and consequent deferred tax balances is under way and will be applied in the audited balance sheet as at 31 December 2017.