



2020 Full Year Results

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Presentation Team

Frank Hanna

Joint CEO

Stephen Morgan

Group Finance Director

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.

Michelmersh Brick Holdings plc

120m+

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 & data



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	19.5*
5. Freshfield Lane	Clamp-Fired Stock Bricks	34
6. Michelmersh	Hampshire Stock Bricks	7



2020 Financial Highlights

Robust return to form in H2, with a strong 2020 full year profit despite COVID-19

- Strong financial and operational performance during the year, despite COVID, which has continued into Q1 of 2021
- Turnover and Gross margin comparable to 2019
- Strong cash generation leading to net cash position by the end of the year
- Voluntary early prepayment of £10 million loan facility
- Balanced response for all stakeholders –
 - Return to progressive dividend stream
 - Repayment of furlough
 - Enhanced welfare support for staff
- Group forward order book (like for like basis) 21% ahead of same period last year

2020 Financial Highlights

2019 Comparative

<p>Turnover</p> <p>£52.0m</p> <p>£53.5m</p>	<p>Underlying Gross Margin</p> <p>41.3%</p> <p>40.9%</p>	<p>Underlying EBIT</p> <p>£8.8m</p> <p>£10.3m</p>
<p>Underlying EBITDA</p> <p>£12.3m</p> <p>£13.6m</p>	<p>Reported PBT</p> <p>£6.9m</p> <p>£10.4m</p>	<p>Cashflow from operations</p> <p>£12.9m</p> <p>£16.6m</p>
<p>Underlying EPS</p> <p>6.28p</p> <p>8.41p</p>	<p>Dividend</p> <p>2.50p</p> <p>1.15p (Cancelled final)</p>	<p>NAV</p> <p>84.8p</p> <p>82.3p</p>



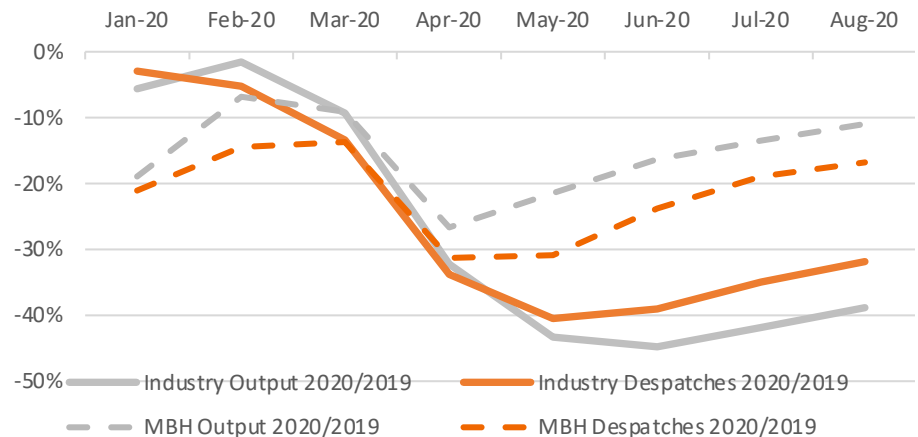
2020 Operational Highlights

Robust return to form in H2, with a strong 2020 full year profit despite COVID-19

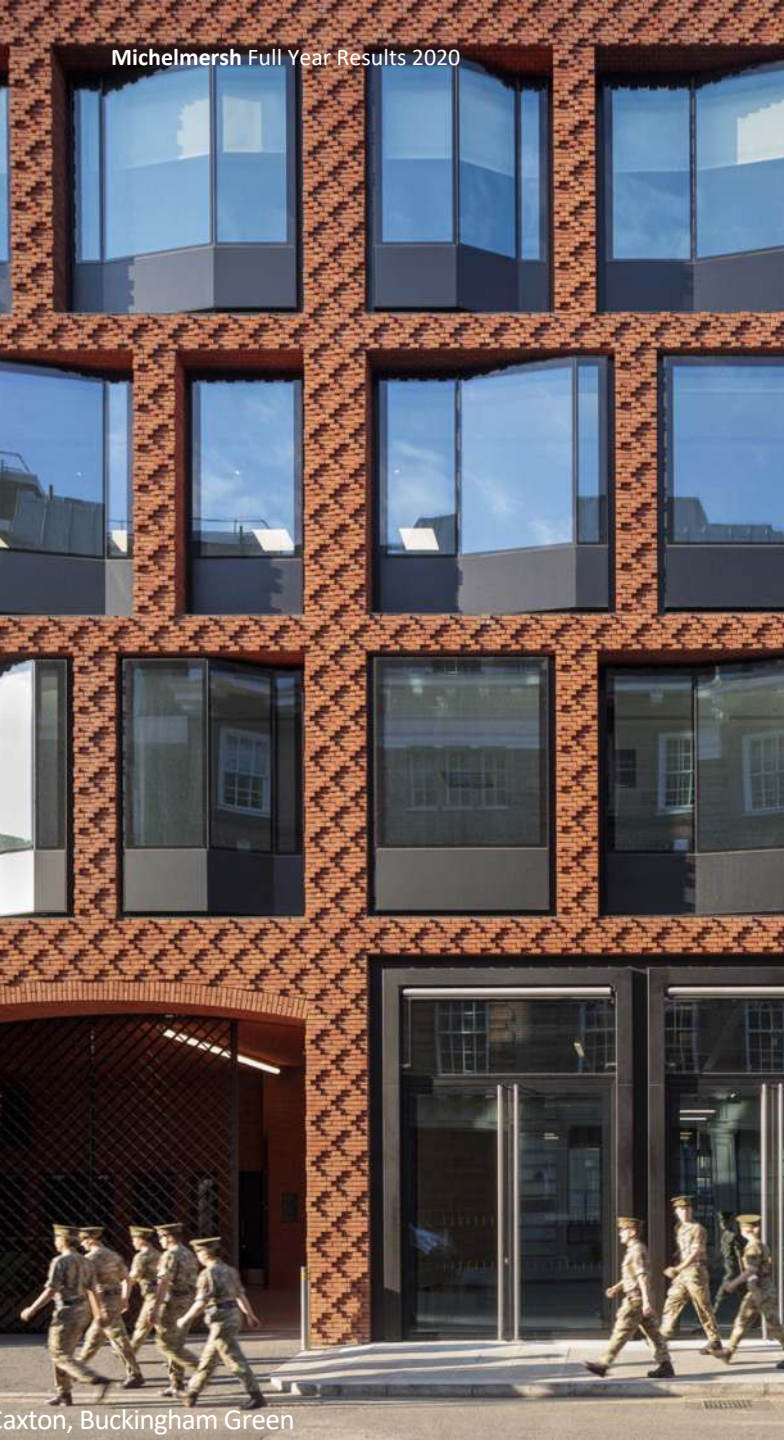
- COVID-safe status across all factories. All factories operating at full capacity
- Completion of new Floren offices, welfare & technical testing building, including new setting equipment to improve efficiency
- Formed new Sustainability and Net Zero steering committees
- Recruited new CFO to replace Steve Morgan who stands down in the summer
- Implemented enhanced management structure
- Investment to secure future mineral reserves –
 - Commence road realignment at Telford
 - Exercise option on mineral land at Michelmersh, Romsey

Industry despatches 2020 snapshot

Source BIS



Inspired Architecture



axton, Buckingham Green



Brighton College



Charterhouse Science Centre



Hobhouse Court



Income statement 2020

	12 Months to 31 December 2020 £M	12 Months to 31 December 2019 £M
Turnover	52.0	53.5
Gross profit	21.5	21.9
Gross margin	41.3%	40.9%
Central costs ¹	(12.8)	(11.8)
Other income	0.1	0.2
Operating profit ²	8.8	10.3
EBITDA	12.3	13.6
Finance expense	(0.7)	(0.7)
Profit before tax ²	8.1	9.6
Basic Earnings per share ²	6.28p	8.41p

¹ Excluding amortisation of intangible assets ² Excluding amortisation of intangible assets and acquisition items

Balance Sheet 31 December 2020

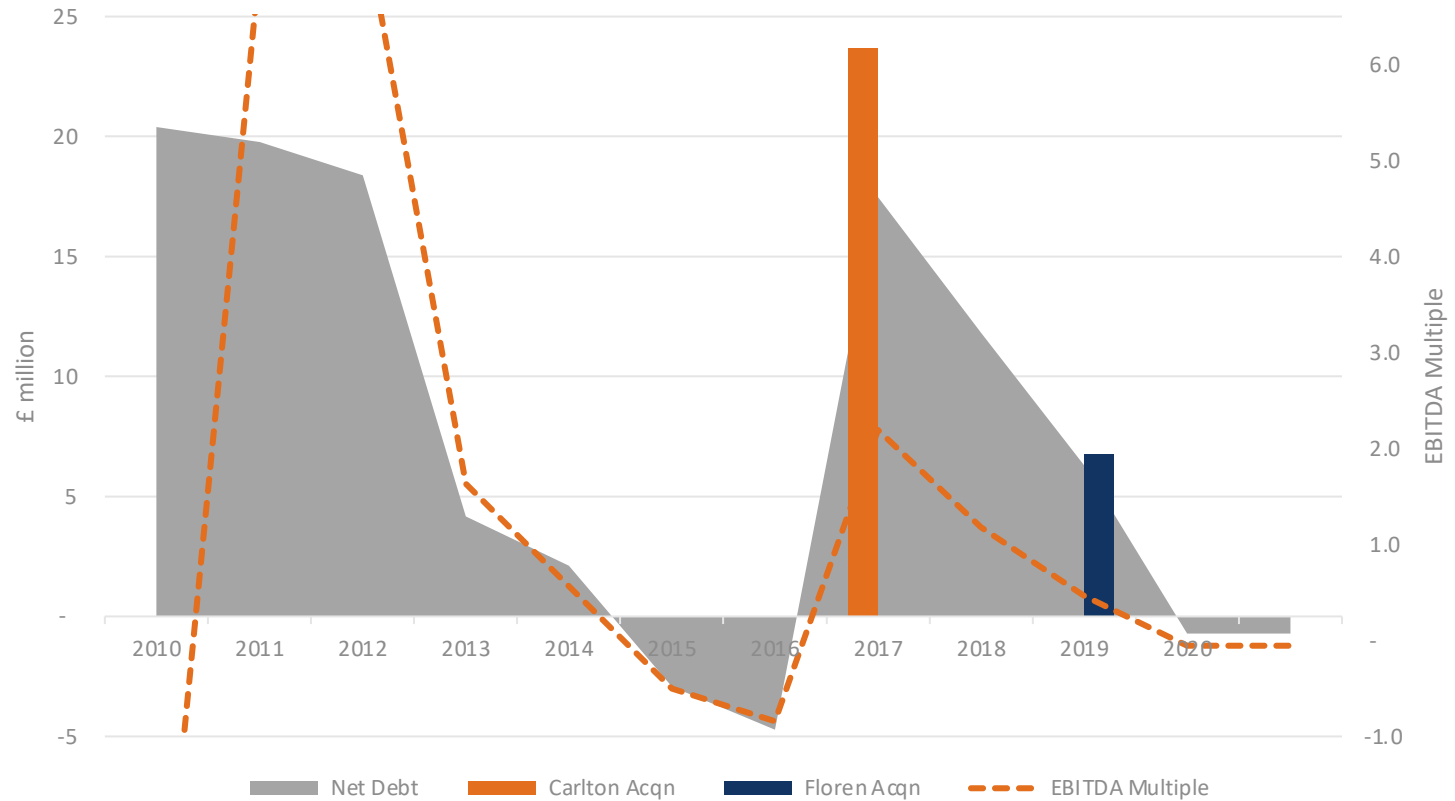
	2020 31 Dec £M	2019 31 Dec £M
Intangible fixed assets	21.4	22.6
Tangible fixed assets	60.9	65.3
Net working capital	9.1	7.6
Net cash /(debt)	0.8	(6.3)
Lease liability	(0.8)	(1.2)
Deferred Tax	(11.7)	(11.9)
NET ASSETS	79.7	76.1
NAV per share	84.8p	82.3 p

Cash Flow Summary 2020

12 months ended 31 December

	2020 £M	2019 £M
Net cash generated by operations	12.9	16.6
Tax paid	(2.5)	(2.1)
Interest paid	(0.7)	(0.7)
Purchase of property, plant and equipment	(1.2)	(2.4)
	8.5	11.4
Loan drawn	3.0	5.1
Debt repaid	(13.0)	(2.0)
Lease payments	(0.7)	(0.6)
Dividend paid	(0.8)	(2.5)
Proceeds of share placement	0.1	4.7
Acquisition of Floren (net of cash acquired)	-	(6.2)
Net decrease)/ increase in cash & cash equivalents	(2.9)	9.9
Net cash /(debt)	0.8	(6.3)

Debt Profile 2010 - 2020

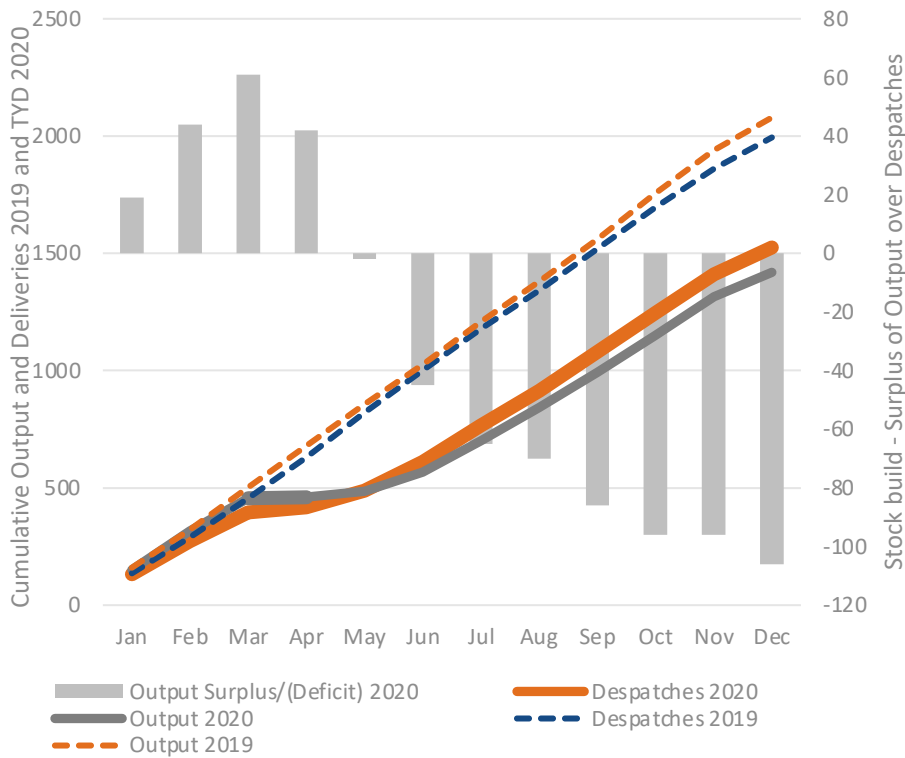


UK Brick Manufacturing – Current Trends

COVID-19 Impact on output and deliveries

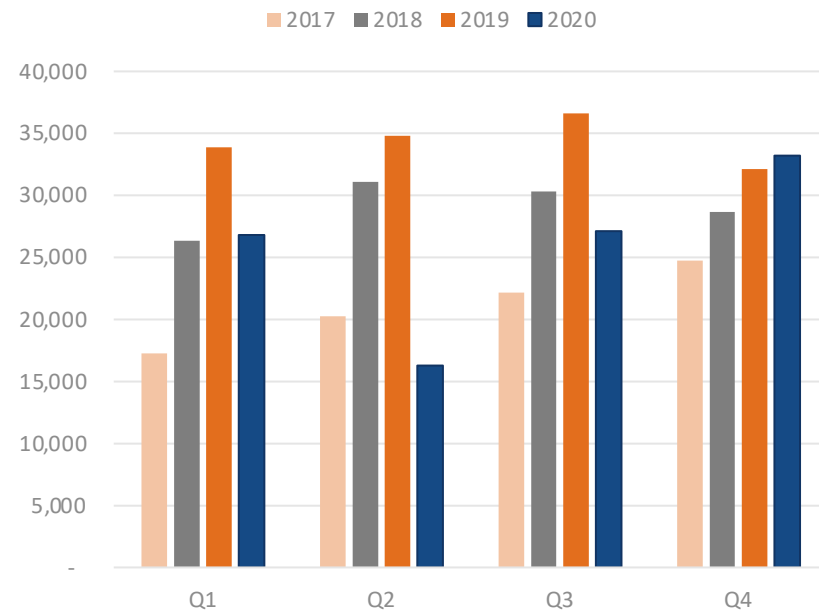
2019 & 2020 Cumulative output and excess over output

(Source;BIS)



UK Brick Imports 2017-2020

(Source;BIS)



- Impact of COVID-19 immediate in March
- 2020 despatches down 24% and output down 32%
- Industry stocks depleted through 2020 at Dec 2020 317 million – the lowest level since 2009
- Imports reduced 25% in Q2 over 2019 but recovering

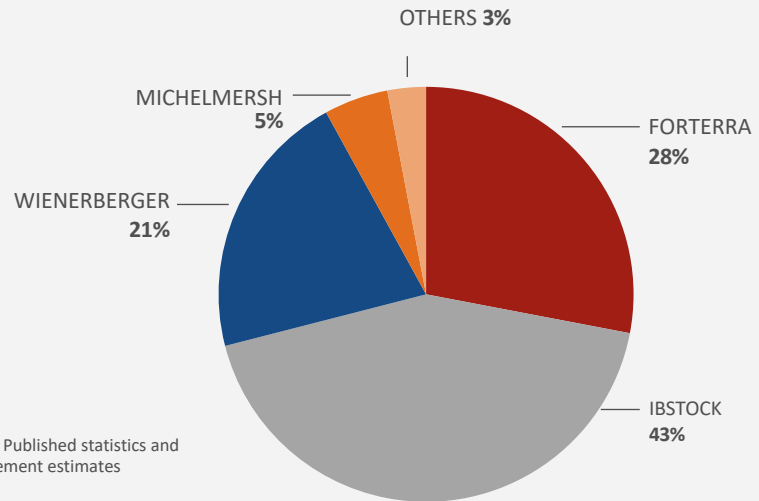
Market Structure

UK brick manufacturing highly concentrated

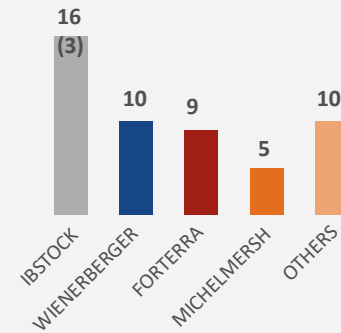
UK capacity c. 2 billion

Michelmersh ASP at a premium of 35% of market

UK brick manufacturers Market Share



UK Brick works



Market Fundamentals

Government commitment to construction as a weapon to re-ignite the economy



Government Initiatives

- Stamp Duty holiday and Help to Buy extensions and Planning reforms
 - CPA forecast strong housing projections for 2021-22
 - Market fundamentals remain supportive, underpinned by the UK housing deficit, Government policy and low interest rates
 - Infrastructure spend will be key area of government investment over medium term Build-to-rent and re-cladding
 - Mortgage availability remains good and Interest rates favourable
 - Drive for increased social housing and affordable new homes
-

Housing

- Continued shortage of new housing from long-term underbuilding
 - Modular construction techniques are a key feature in the build-to-rent sector, where we have a growing proposition
 - Non-residential, residential private and residential social housing towers to be remediated
 - Post COVID-19 housing demand
-

RMI

- Enhanced working from home stimulating RMI revenue
- Ageing UK housing stock increasing our RMI opportunity

Outlook



Industry

- Continued constrained UK market capacity
- Industry stock at very low levels
- Recent sector restructure leading to some plant closures
- Complex barriers to entry
- Continued demand for residential development with strong RMI market

The Michelmersh Group

- Positive outlook – looking to capitalise on the recent success of enlarged Group with enhanced geography
- Ensure robust strong cash generation through conversion of the strong H2 order book covering RMI, housing, specification and commercial sectors
- Return to a balanced and strong progressive dividend stream
- Commencement of Telford road project to release mineral reserves in support of the long-term prospects at Blockleys factory
- Continued focus on capital projects that further enhance efficiencies and output across the Group
- Explore new opportunities to complement current business strategy post Floren acquisition
- Continued CAPEX spend and focus on CRM, e-commerce and I.T.
- CFO transition and handover plan

Appendices



Good corporate citizen

The Group believes it has a corporate responsibility to contribute to charities across the country. Donating funds, food products, children's toys, resources and a wealth of clay products to deserving institutions and organisations that require aid and support. Michelmersh has continued to support over 40 different community-based charities during 2019 including many local to its operations. These charities include the Salvation Army, British Heart Foundation, Save the Children, Cancer research, Variety, Barnados, Guide Dogs for the Blind, Hospice and many more.

Michelmersh have a historic association with charities and associations such as 'The Wellies' who's fundraising initiative will buy a Nanoknife machine used to deliver treatment for pancreatic cancer and GI cancers that have spread to the liver. Frank Hanna, Joint Chief Executive Officer of Michelmersh, said: "There is hardly a family, a friend, a work colleague, or neighbour who has not been affected in some way."

Frank Hanna, Peter Sharp and the Board, said: "we are delighted to support such a wide range of deserving charities during 2019. As a British manufacturer we understand the impact that this support offers to local charities, who often cannot continue to improve the lives of many in our community without Industry backing. Michelmersh aims to continue acting as a good corporate citizen and will endeavour to extend our support in 2020."

Years of dedicated service:

Michelmersh appreciate the dedication and loyalty of its long-standing staff members. In 2019 two employees reached 45 years of service, a further two achieved 48 years of service and another had reached the grand accolade of 50 years of service. We are thrilled to retain the loyalty of many of our employees, who become extremely valued members of our team.

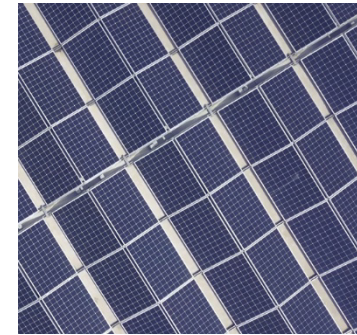
Promoting health and wellbeing of employees:

Human Resources are dedicated to the promotion of increasing the wellbeing of staff, promoting the Group's core values and to offer filled advice and support leaflets (for all sites) on an array of help topics ranging from mental health, to marriage, to parenting.

Michelmersh Core Values - IRIS



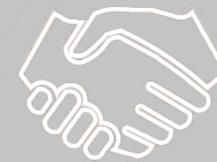
Integrity



Sustainability



Innovation

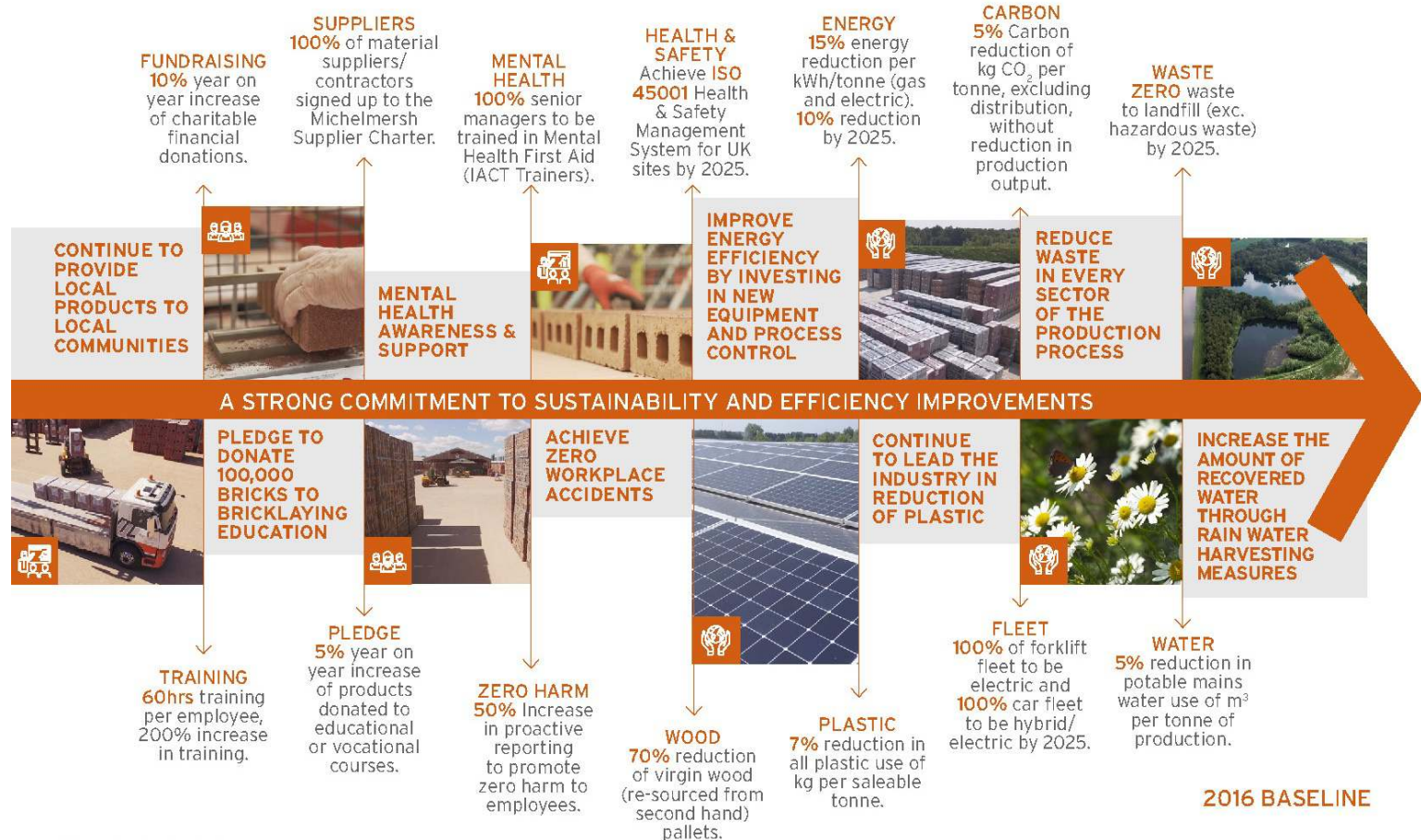


Respect



Sustainability

Road map to 2030



2016 BASELINE

BY **2030**

Targets also include:

ZERO internal environmental incidents.

ZERO environmental complaints.

CONTINUED COMMITMENT to sustainable land use, restoration and biodiversity action plans.

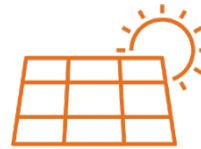
All our environmental commitments are available on the Policies/Certificates section of our website.

Sustainability

Michelmersh Core Values

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 Sustainability Video:



1152 solar panels installed producing **25%** of electricity for Floren



All group sites operate independently verified management systems.



Clay products have a life span of at least 200 years and can be **re-used** and **re-cycled**



Our local products travel on average **60 miles** from factory to site

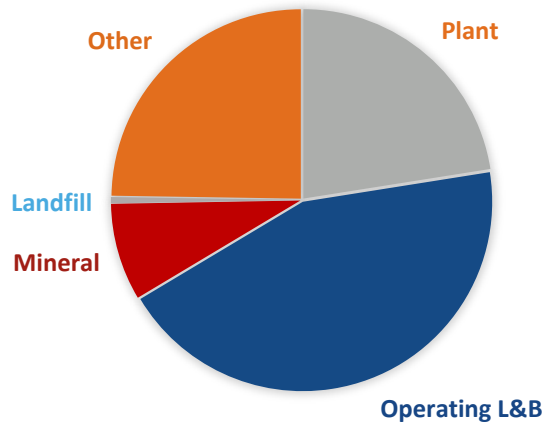


500+ acres encouraging the re-introduction of **habitats** and **wildlife** to allow nature reserves to flourish

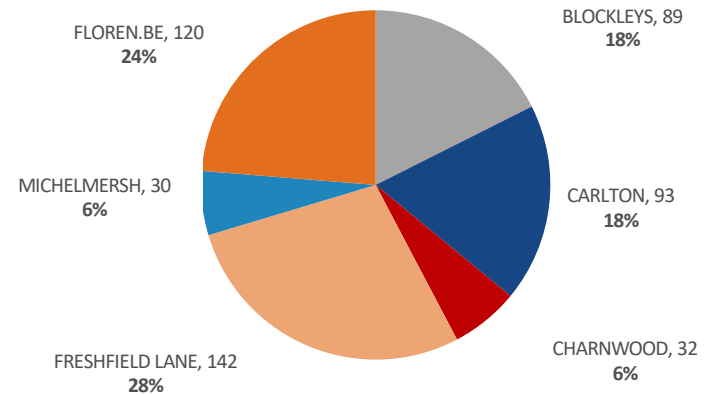


Fixed Asset Summary 2020

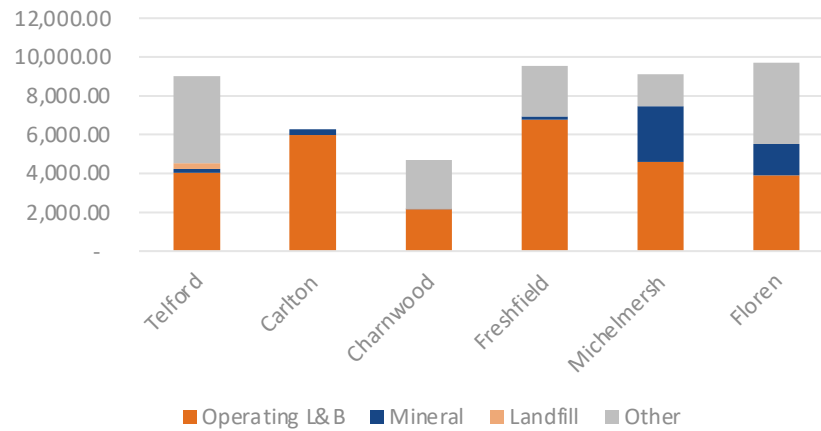
Strong asset base



Group Fixed Assets by Category



Landholdings (Acres)



Land Assets by Location



COVID-19 – Update

Employee and stakeholder welfare and safety paramount

- Ensuring COVID-19 safe workplace status
- Total Health and Safety review at all sites
- New policy and procedures
- Shift pattern changes encompassing social distancing
- Visitor management system
- Anti-body testing
- Electrostatic spray-downs (three per week)
- Enhanced welfare units
- COVID-19 safety reporting portal
- Identification and protection of vulnerable personnel
- Extended PPE expenditure
- Ongoing monitoring of employees in vulnerable groups
- Measured and progressive office return processes
- Enhanced well-being and mental health awareness initiatives
- ASM safe visit policies
- Flexible working and financial support for affected staff

Education Sector

Ibstock Place School, London



Volume Housing Developments

Victoria House, Leeds & Clockworks, Manchester



BREEAM – sustainable ‘Excellent’ rating

University of Winchester, Kirkholt Medical Centre, Solent University



Contemporary Homes

Tressillian Crescent, Woodcote House



Traditional Luxury Homes

Wolverton Hall Folly, Hampton Place, Octagon Developments, Copsewood Drive, Cavalry Gardens, Aubery House, High Ridge



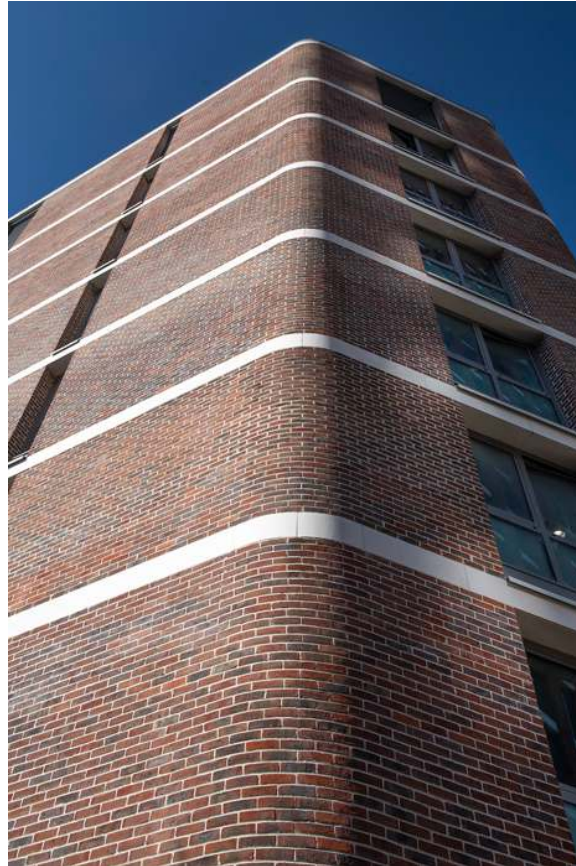
Commercial

Excelsior Works, RMHC Oxford, Rochester Riverside



Public

East Ham Civic Centre, Wendle Court Homeless Shelter, Caxton Buckingham Green



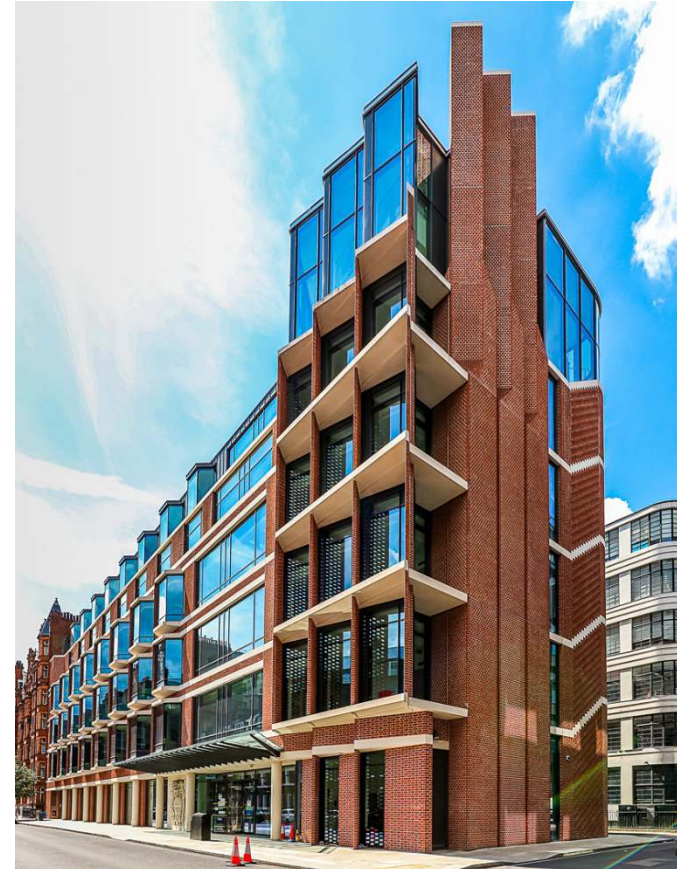
Off-site MMC - Urban Regeneration Projects

Fruit and Wool Exchange, Spitalfields, London



Off-site MMC - panel systems

University College London Hospital



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