



2021 Interim Results

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Presentation Team

Frank Hanna

Joint CEO

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.

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





Highlights – At a glance

Strong performance surpassing pre-Covid H119; interim dividend reintroduced

- Revenue and Gross Profit of £29.9m and £12.0m, ahead of 2019 with growth of 9.9% and 13.2% (2019: £27.2m and £10.6m)
- Adjusted* EBITDA of £7.6m supports an EBITDA margin of 25.4%, 8.6% ahead of 2019.
- Strong operational cash generation of £6.7m delivers cash conversion to adjusted* EBITDA of 88.2% and net cash of £4.1m at the half year (FY20: £0.8m)
- Strong and well-balanced opening order book (40% ahead of 2019 on a like for like basis) for the second half with positive order intake momentum expected to continue
- Reintroduction of interim dividend demonstrates commitment to progressive dividend policy and positive outlook

*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.



H1 2021 Financial Highlights

2020 Comparative

Turnover	Gross Margin	Adjusted EBIT
£29.9m	40.1%	£5.7m
£22.5m	38.8%	£2.9m
Adjusted EBITDA	Profit Before Tax	Cashflow from operations
£7.6m	£5.0m	£6.7m
£4.4m	£2.0m	£2.9m
Basic EPS	Adjusted EPS	NAV
4.12p	4.74p	85.1p
1.74p	2.36p	83.2p



2021 Operational Highlights

- Strong start to 2021, with performance in the first half ahead of 2019 (pre-Covid-19 comparison) across all financial metrics
- Positive end market fundamentals expected to continue for new housing and key repairs, maintenance and improvements markets
- Summer completion of new road at the Telford quarry to access long term clay mineral reserves
- Option agreement exercised for mineral in land adjacent to the Michelmersh brickworks securing minerals for at least 15 years of brickmaking on the site.
- £1m investment at Carlton during the second half installing new dryers improving margin through energy efficiency while unlocking future capacity expansion.
- Focused on finalising sustainability roadmap and delivery of enhanced reporting
- Continuing to lead the industry to “Think Longer” and achieve recognition that bricks are designed for 200 years and beyond
- New CFO, Ryan Mahoney, replaced Steve Morgan following his retirement at the AGM

Income statement 2021 – compared to pre-Covid-19 HY19, which was a record year for the business

	H1 2021/H1 2019	ADJUSTED H1 2021 £M	ADJUSTED H1 2019 £M	12 Months to 31 December 2020 £M
Revenue	9.9%	29.9	27.2	52.0
Gross profit	13.2%	12.0	10.6	21.5
Gross margin	1.1%	40.1%	39.0%	41.3%
Central costs ¹	(5.0%)	(6.3)	(6.0)	(12.8)
Other income	-	-	0.1	0.1
Adjusted operating profit ¹	7.4%	5.7	5.4	8.8
Adjusted EBITDA	8.6%	7.6	7.0	12.3
Finance expense	66.7%	(0.1)	(0.3)	(0.7)
Adjusted profit before tax ¹	9.8%	5.6	5.1	8.1
Adjusted basic earnings per share	5.7%	4.74p	4.55p	6.28p

¹ Excluding amortisation of intangible assets

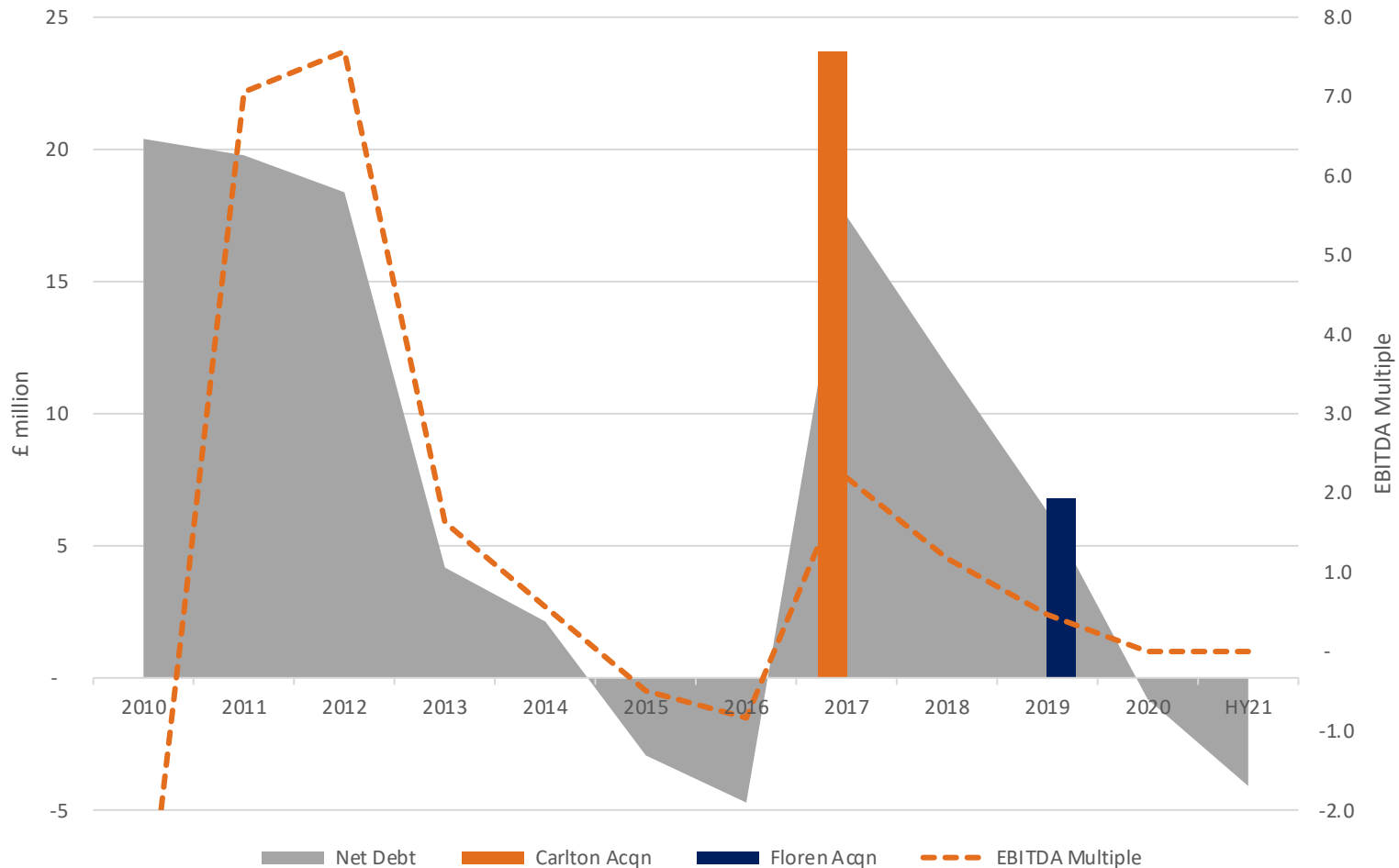
Balance Sheet 30 June 2021

	2021 30 June £M	2020 30 June £M	2020 31 Dec £M
Intangible fixed assets	20.8	22.0	21.4
Tangible fixed assets	61.3	64.8	60.9
Net working capital	8.2	10.7	9.1
Net cash/(debt)	4.1	(6.5)	0.8
Lease liability	(0.5)	(1.1)	(0.8)
Deferred Tax	(14.0)	(11.9)	(11.7)
NET ASSETS	79.9	78.0	79.7
NAV per share	85.4 p	83.2 p	84.8 p

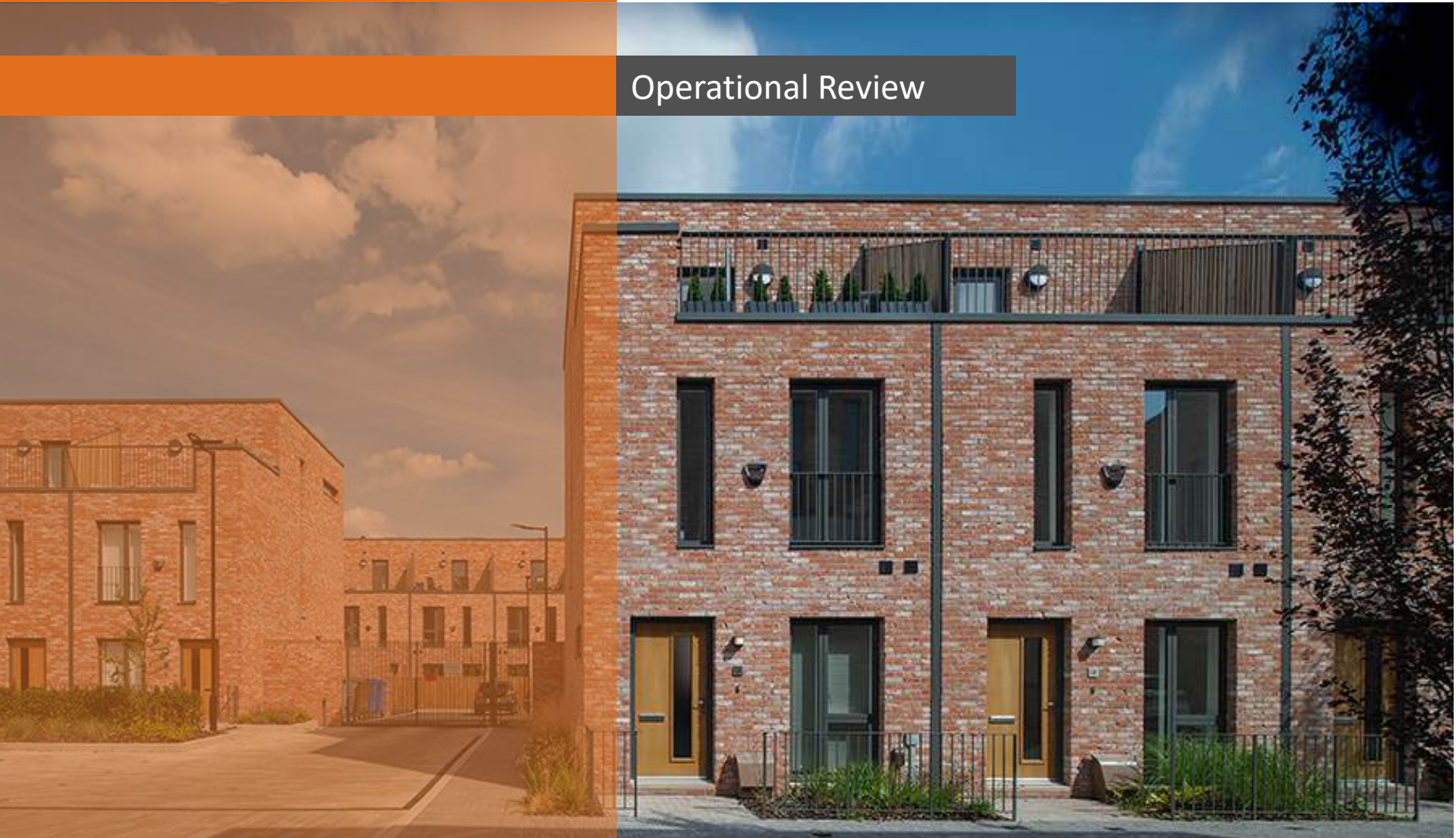
Cash Flow Summary 2021

	H1 2021 £M	H1 2020 £M
Net cash generated by operations	6.7	2.9
Tax paid	(1.1)	(0.8)
Interest paid	(0.1)	(0.3)
Purchase of property, plant and equipment	(2.0)	(0.6)
Debt repaid	(0.8)	(0.9)
Lease payments	(0.2)	(0.3)
Dividend paid	-	(0.8)
	2.5	(0.8)
Loan drawn	-	3.0
Net increase in cash & cash equivalents	2.5	2.2
Net cash/(debt)	4.1	(6.5)

Net Cash/Debt Profile 2010 - HY21 - fundamental operational cash generation capability supports efficient debt repayment profile



Operational Review



Market Fundamentals

UK Housing Dynamics

Strong demand for new housing

- Continued Government and opposition parties committed to construction as a weapon to re-ignite the economy
- Post COVID-19 housing demand with the “chase for space”
- Continued shortage of new housing from long-term underbuilding
- Mortgage availability remains good & Interest rates favourable
- Supportive Government policies (Help to Buy) remain in place
- Government Home Building Fund loans of between £250m and £250,000 to cover development or infrastructure costs

Major UK political parties all wedded to increased housing

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

Repairs maintenance & improvement

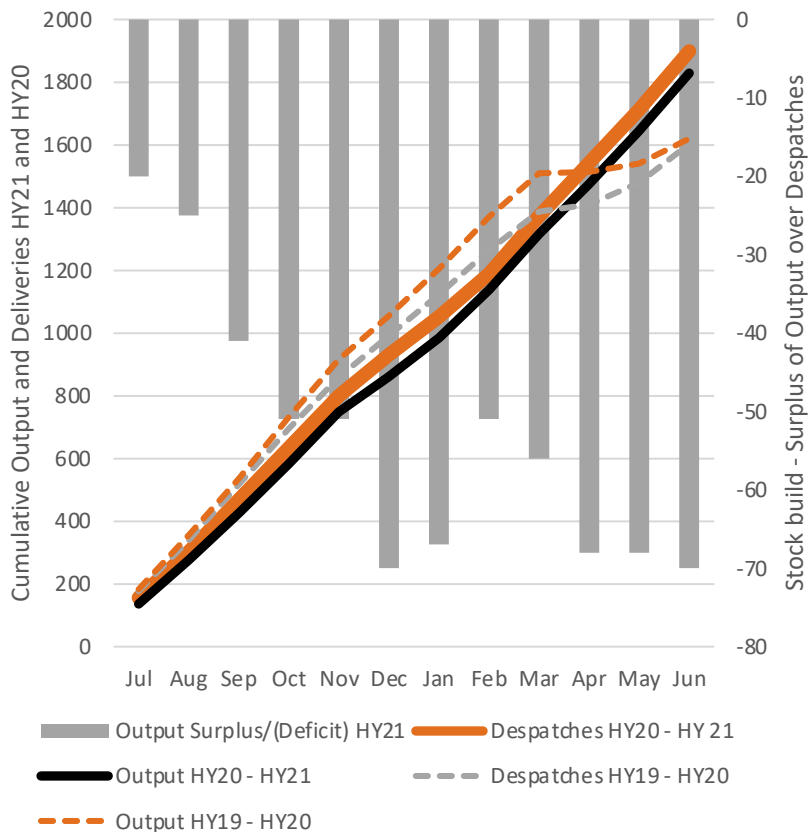
- Ageing UK housing stock increasing our RMI opportunity
- Back drop of low interest rates driving our RMI demand
- Increased infrastructure and communal housing projects

UK Brick Manufacturing – Current Trends

COVID-19 Impact on output and deliveries in HY20 with HY21 showing strong recovery

HY21 & HY20 Cumulative output and excess over output

(Source;BIS)



- Current UK brick industry stocks are at an all time low of below c. 300m reflecting strong customer demand across the sector
- Clear impact of Covid-19 on despatches and output from the end of March 2020
- Balanced industry performance between June 2020 to June 2021
- Despatches continue to run ahead of production output throughout the pervious 12 months
- Imported brick volumes continue to be below historic norms of 18%, with c. 16% across the first half of 2021

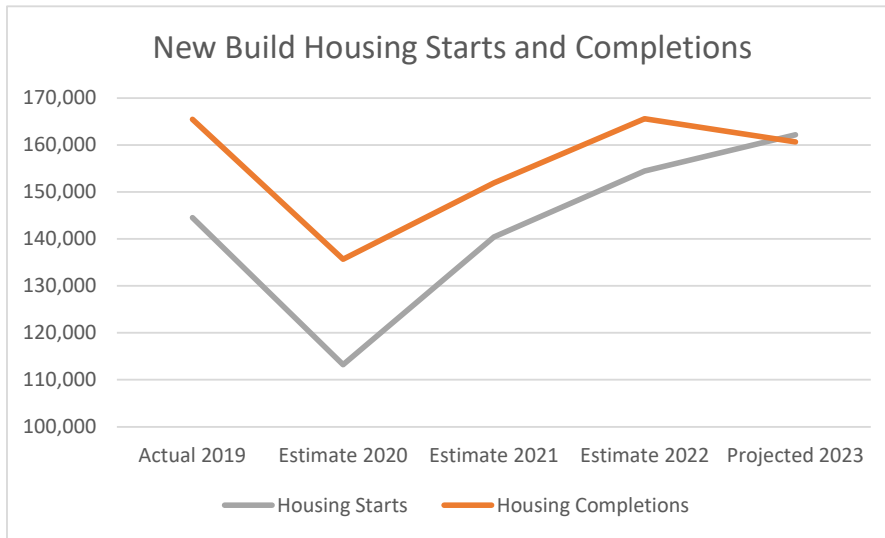


UK Residential Market Update

Increase in housing starts and completions and RM&I output expected over the medium term

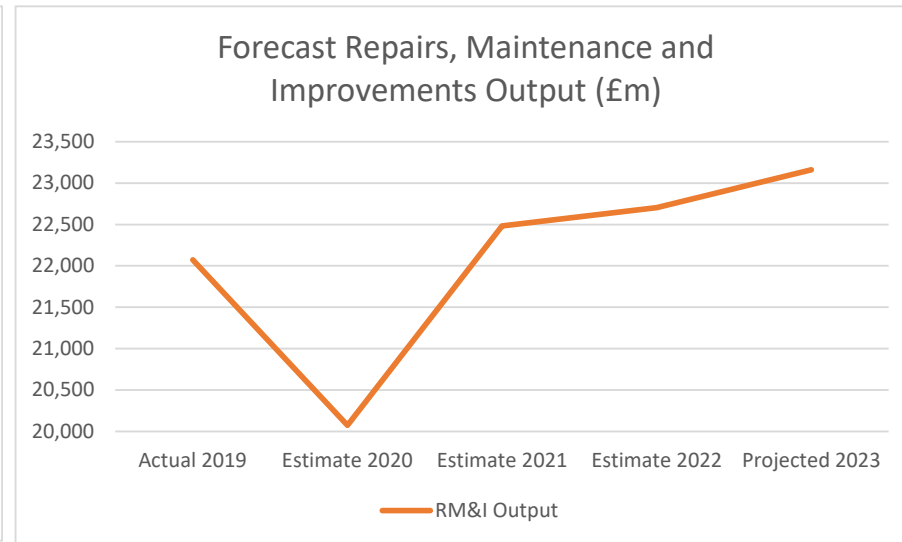
Actual 2019 to Forecast 2023 Housing Starts and Completions

(Source;MHCLG, ONS, CPA)



Actual 2019 to Forecast 2023 RM&I Output

(Source;MHCLG, ONS, CPA)



- Actual and estimated housing completions below Government target for every year in outlook cycle
- Government policy targeting housing completions of 300,000 by mid-2020s requires 86% increase required on projected 2023
- Repairs, Maintenance and Improvements output expected to increase from 2021 by c. 2% per annum
- Strong and well-balanced opening order book for the second half with positive order intake momentum expected to continue



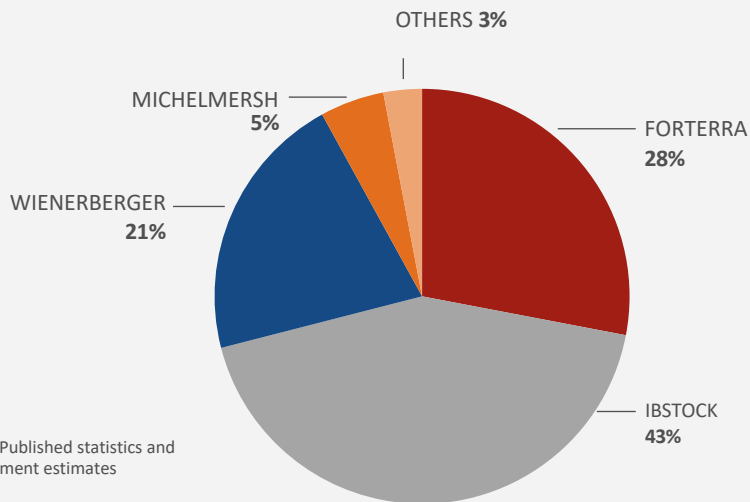
UK brick manufacturing highly concentrated

UK capacity c. 1.9 billion

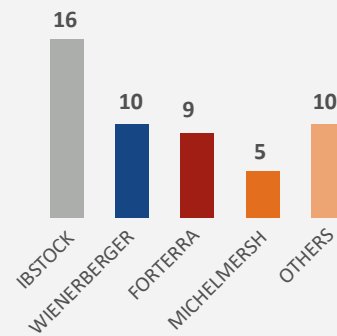
Michelmersh ASP at a premium of 30% of market

Market Structure

UK brick manufacturers Market Share



UK Brick works



Outlook

Industry

- Continued UK housing dynamics of short supply to meet strong demand
- Favourable sector dynamics with supportive market fundamentals
- Capital intensive and complex barriers to entry
- Continued demand for residential development and latent RMI market

Michelmersh

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- Positive outlook – order intake momentum expected to continue into Q4
 - Conversion of balanced H2 order book covering RMI, housing, specification and commercial sectors
 - Strong customer momentum for expanded core product range at Floren
 - Manage borrowings down in balance with continued focus on capital projects to further enhance efficiencies and output across our plants
 - Continuing to explore new opportunities to complement current business strategy
 - Commitment to progressive dividend policy demonstrates Board confidence in the positive outlook for the business
 - The Board expects to be modestly ahead of the current financial year expectations and remains confident in the strategic outlook of the business



Winchester University

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



Sustainability

Road map to 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.



**THINK
LONGER**
DESIGN FOR 200 YEARS, NOT 20

Sustainability

Michelmersh Core Values



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



The Group's substantial programme of continuous improvements saw an investment of almost £3m over the last 24 months of which 67% directly resulted in improvements in energy efficiency.



Investment in new de-backer and packaging line machinery in 2019 has reduced the amount of plastic packaging on Carlton brick products by 42%.



Over 80% of the Group's raw materials are sourced within 2.5km of our manufacturing plants.



More than 60% of the Group's products are made in factories using re-cycled and/or surface rain water.



The Group runs a fleet of 9 FORS certified delivery lorries which are regularly renewed to ensure they meet all the latest efficiency and emissions requirements.

100% of UK products are supplied from factories certified under the **BES 6001** Responsible Sourcing standard, **ISO 14001** Environmental, **ISO 50001** Energy and **ISO 9001** Management Systems. 100% of Floren products are independently certified to national standards.

A Packaging Commitment

Eliminate non-essential use of Single Use Plastics



Education Sector

Ibstock Place School



Luxury Homes

Applegate Homes



Commercial

Excelsior Works, Manchester



Affordable Housing

Clockworks Manchester & Rochester Riverside



Urban Regeneration

Spitalfields, Fruit & Wool Exchange, London



Pre-fabricated panel systems

Buckingham Green, London





Freshfield Lane Danehill
Haywards Heath Sussex
RH17 7HH
Tel: 0844 931 0022 www.mbhplc.co.uk