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Presentation Team

Frank Hanna

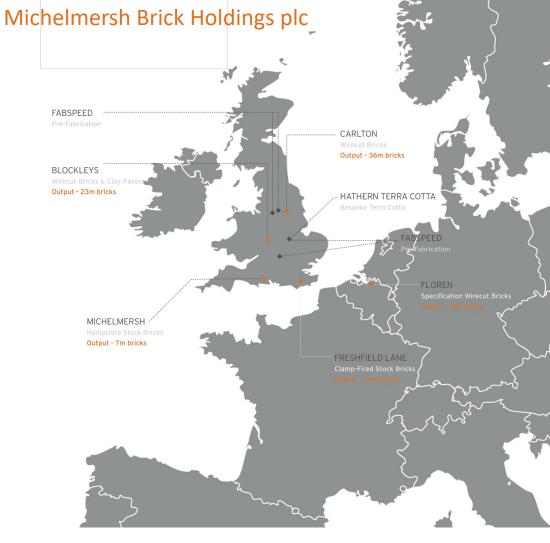
Joint Chief Executive Officer

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.





2022 Multiple Industry Award Winner









Highlights

Strong performance in FY22 and financial resilience into FY23

- Excellent performance in 2022, with adjusted results for the year ahead of 2021 across all key adjusted financial metrics
- Revenue of £68.4m (up 15.0%) and Gross Profit £26.9m (up 11.2%) (2021: £59.5m and £24.2m)
- Adjusted* EBITDA of £16.7m with an EBITDA margin at 24.4%, in line with 2021 performance
- Strong operational cash generation of £19.7m delivers cash conversion to adjusted* EBITDA of 117.9%. A net cash position of £10.6m (FY21: £7.7m) strengthens position for future growth options
- Earnings accretive acquisition of FabSpeed, a leading brickfabricator and manufacturer of off-site pre-built brick products completed in November 2022 for initial £6.25m
- Focused management of production efficiency and cost base has maintained profit margins in line with 2021
- Full year dividend of 2.95p, up 16% vs 2021, demonstrates commitment to progressive dividend policy and resilient outlook
- High quality opening order book for 2023 with order intake momentum continuing in the first quarter of FY23

*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.



FY22 Financial Highlights

FY21 Comparative

9.41p

6.50p

FYZ1 Comparative		
Revenue	Gross Margin	Adjusted Operating Profit
£68.4m	39.4%	£12.7m
£59.5m	40.7%	£11.1m
Adjusted EBITDA	Profit Before Tax	Cashflow from operations
£16.7m	£11.4m	£19.7m
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£14.7m	£9.7m	£15.8m

9.33p

10.61p

89.0p

94.1p



FY22 Operational Highlights

- Strong performance in 2022, with results for the year ahead of 2021 across all key adjusted financial metrics
- Diverse end markets underpinned performance in the year benefitting from broad customer base of new housing, commercial, architectural specification and repair, maintenance and improvement (RMI) markets
- Continued delivery of ESG targets in first year following publication in 2021 of Sustainability Report and road map to carbon neutrality
- Input cost pressures managed on a risk-based approach, with the benefits of energy cost hedging insulating the Group from highly volatile markets
- Collaboration with distribution partners to effect price increases in the year, mitigating ongoing elevated inflation rates
- Strong, consistent operational cash generation supported capital investment focused on incremental output improvements
- Group cash position and undrawn borrowing facilities underpin financial resilience, strategic options and flexibility to pursue further acquisition opportunities



FY22 Sustainability Highlights

Our goal is always to reduce, then seek alternatives and finally offset any remaining carbon emissions

- Positive year with measurable incremental progress against our 2021 Sustainability report, which is monitored and measured by our Sustainability Group
- Doubling solar capacity at Floren, with c.50% of electricity requirements met by solar from January 2023
- Agreements in place for further solar projects in the UK to deliver pipeline of sustainability projects in 2023
- Won Government Innovation competition and funding with UK Government on a research project to investigate potential use of Hydrogen fuel in brick manufacturing
- Launch of HyBrick trial, the world's first 100% Hydrogen fired brick product
- Awarded the "Decarbonisation Trailblazer" at the Delivering Net
 Zero for British Ceramics Conference
- Focus on efficiency supported a 20% reduction in carbon since 2016 baseline value







Income statement

Excellent performance in 2022, with adjusted results for the year ahead of 2021 across all key adjusted financial metrics

	ADJUSTED 2022 £M	ADJUSTED 2021 £M	Change
Revenue	68.4	59.5	15.0%
Gross profit	26.9	24.2	11.2%
Gross margin	39.4%	40.7%	(1.3%)
Central costs ¹	(14.2)	(13.4)	6.0%
Other income	-	0.2	(100.0%)
Adjusted operating profit ¹	12.7	11.1	14.4%
Adjusted EBITDA	16.7	14.7	13.6%
Finance expense	(0.2)	(0.2)	-
Adjusted profit before tax ¹	12.5	10.9	14.7%
Adjusted basic earnings per share	10.61p	9.33p	13.7%



¹ Excluding amortisation of intangible assets

Balance Sheet

Strong balance sheet position underpins financial resilience, strategic optionality and flexibility to pursue further acquisition opportunities

	2022 31 Dec £M	2021 31 Dec £M
Intangible fixed assets	25.3	20.2
Tangible fixed assets	65.9	63.2
Net working capital	4.5	9.1
Net cash/(debt)	10.6	7.7
Lease liability	(1.3)	(0.6)
Deferred Tax	(16.0)	(14.5)
Net Assets	89.0	85.1
NAV per share	94.1 p	89.0 p

 Included within tangible fixed assets are land and buildings used in operations with a carrying value of £49.7m



Cash Flow

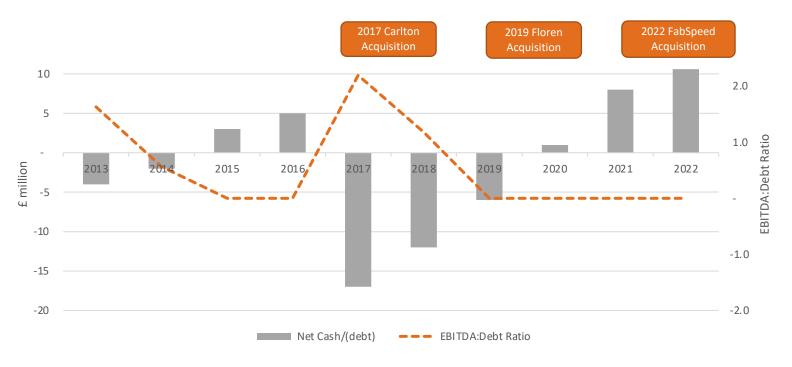
Consistent quality of the fundamental cash generating ability of the business with adjusted EBITDA cash conversion of 117.9%

	2022 £M	2021 £M
Net cash generated by operations	19.7	15.8
Tax paid	(1.7)	(2.3)
Interest paid	(0.2)	(0.2)
Purchase of property, plant and equipment	(3.0)	(4.2)
Debt repaid	(0.8)	(10.7)
Acquisition of FabSpeed (net of cash)	(6.1)	-
Proceeds from share issuance	-	0.4
Purchase of own shares	(1.5)	-
Lease payments	(0.7)	(0.5)
Dividend paid	(3.3)	(1.9)
Net increase/(decrease) in cash & cash equivalents	2.4	(3.6)
Net cash/(debt)	10.6	7.7



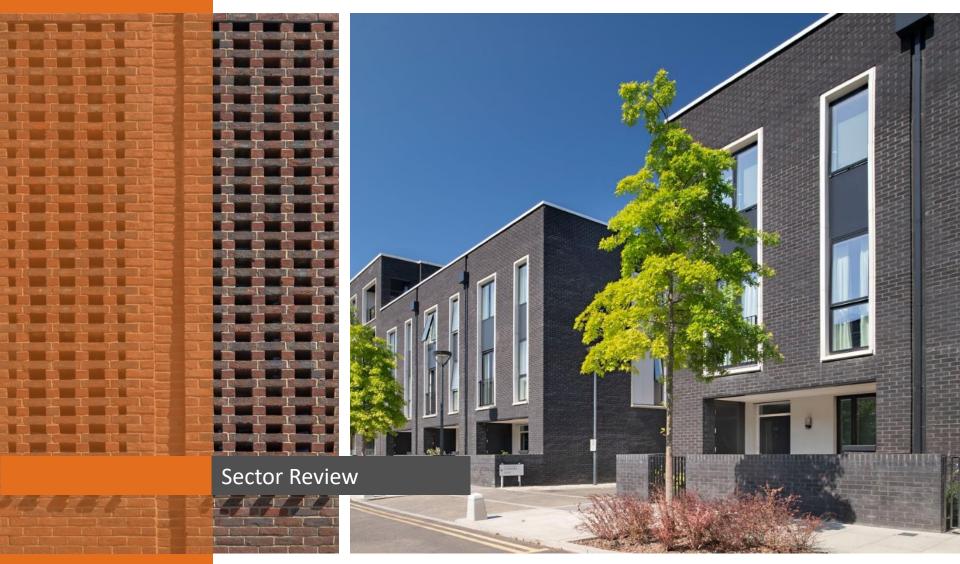
Strong Operational Cash Profile

Strong Group cash position of £10.6m and undrawn committed RCF of £20m underpin financial resilience, strategic optionality and flexibility to pursue further acquisition opportunities



- Strong focus on working capital management supports fundamental characteristics of operating cash generation
- Benefits of focused management of cash evidenced with growth in cash year on year despite £6.25m acquisition of FabSpeed
- £10.6m of net cash at December 2022 together with an undrawn £20m committed debt facility provides flexibility to pursue further acquisition opportunities that meet our commercial and financial criteria
- Strong balance sheet underpins resilience, capacity to support sustainability initiatives and maintain well invested manufacturing facilities
- Cash generating fundamentals and resilient outlook supports confidence in progressive dividend policy

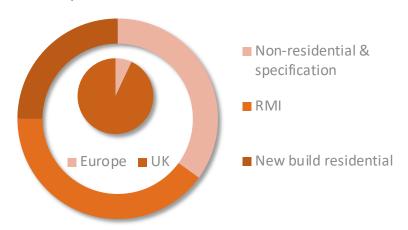




Brick and Façade Specialists

Enhanced and Diverse End Markets

FY22 Revenue by end-market:



- Broad product portfolio deliberately targeted at a diverse range of end customers
- Distribution model underpinned by length and depth of customer relationships
- Focus on core competencies and delivering the highest quality brick, paver, pre-fabricated building components and premium-centric products

The Premium Full Façade Solution



Britain's brick specialists producing premium, longlasting and beautiful clayfacing bricks and pavers



Over 100 years of experience with traditional hand-pressed architectural terra cotta and faience



Specialist, prefabricated brick components dedicated to modern off-site construction and complex masonry design specifications



Leading in sustainable award winning product innovation, striving for decarbonisation towards net zero

Complementary acquisition of FabSpeed



About FabSpeed

- Established for over 20 years
- Pioneers in prefabricated building components
- At acquisition operating from 3 locations across the UK
- First phase of growth strategy initiated in Q123 with the start of prefabricated operations at Charnwood



FabSpeed strategic outlook

- Product range deepens our distribution relationships by meeting more of the needs for our end markets
- Lead the Group's façade and brick component innovation
- Delivers a closer working relationship with key growth area of off-site construction
- Supports multi-phase growth journey as we target expansion across our existing operational footprint







Supportive Market Fundamentals

UK Housing Dynamics

Supportive demand dynamics

























- Continued shortage of new housing from long-term underbuilding
- Mortgage availability improving in Q123 and market view of forecast interest rate remains historically favourable
- Employment statistics and forecast stabilising inflation rates anticipated to support consumer confidence
- Energy price guarantee extended to June 2023 with forecast price stabilisation later in the year to ease household cost burden

Government policy priority



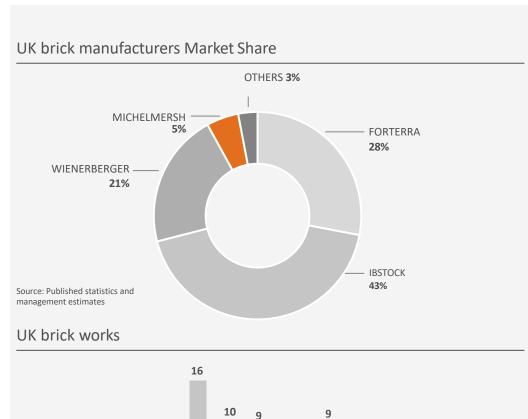
- Government and opposition parties committed to the fundamentals of new home construction
- Government expected to renew commitment to increase housebuilding above historic norms
- 100,000 affordable publicly owned homes targeted per annum by 2023
- Renewed commitment to quality Social Housing schemes

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 market outlook of interest rates expected to remain below historic norms in support of our RMI demand
- Stability in demand for infrastructure and communal housing projects

Market Structure

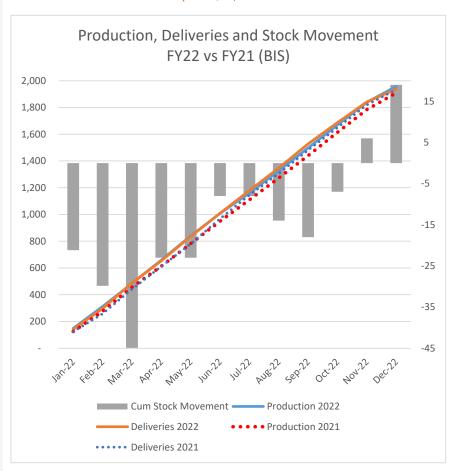


UK Brick Manufacturing – Current Trends

Q422 highlights reduced activity in construction sector

2022 & 2021 Cumulative output and excess over output

(Source; BIS)



- Start of FY23 UK brick industry stocks of c. 305m; below 5 year average of c. 350m
- Balanced production and despatch performance throughout 2022 with inventory drawdown evidenced across the first 10 months before Q4 cyclical construction slowdown and weather impact
- Resilient despatch and customer demand alongside industry price increases of c. 40% since the start of the year
- Imported brick volumes continued to supplement UK supply and demand imbalance in FY22, with c. 25% imports across 2022 underlining the importance of brick
 - UK domestic market has limited capacity to meet the demand particularly for stock bricks.
 - European brick imports remain an important element of the fabric of brick consumption in the UK

Why Brick?

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

Low lifetime cost







Competitive whole-life cost

Industry preference

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

Sustainability

Longevity

Durability

Recycled content

Low operational carbon

□→○ Adaptability

Reusable

Climate resilience

Locally sourced

High product performance

Thermal performance

🔗 Air quality

Flood resilience

Overheating

Non-combustible

Cavity wall construction

Class O fire rating above 18m



Outlook

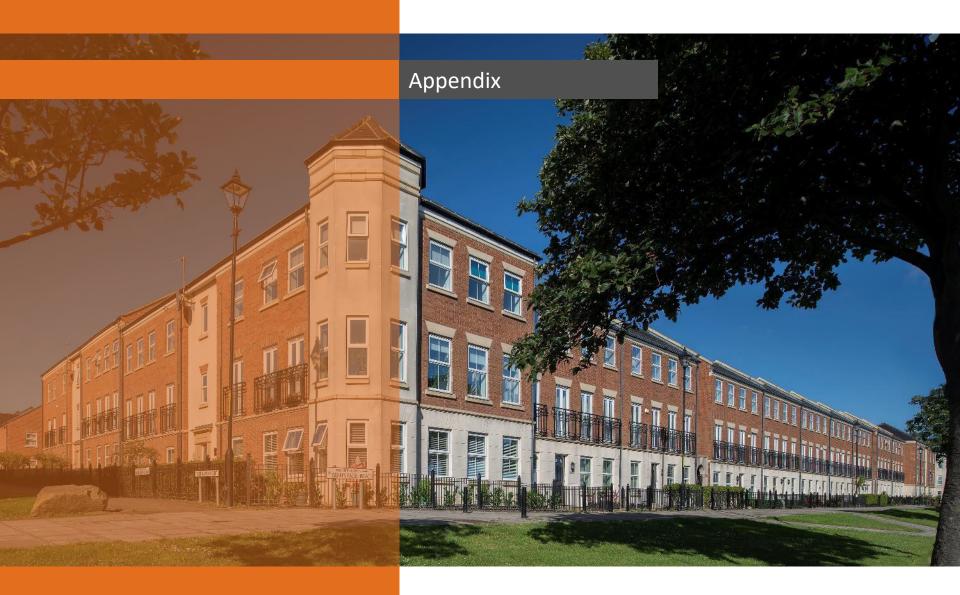
Industry

- Continued shortage of UK housing and new construction
- Brick continues to be the façade material of choice
- Resilient demand across diverse end markets
- Capital intensive and complex barriers to entry

Michelmersh

- Diverse end markets and broad customer base expected to underpin resilience
- High quality opening order book for 2023 with order intake momentum
- In collaboration with our customers, we introduced our timetabled price increase from the start of January to mitigate risks to our input costs
- Energy price hedging in place with over 90% of our expected requirements secured for 2023, within budget parameters
- FabSpeed will be earnings accretive in its first full financial year being part of the Group
- Strong balance sheet provides considerable financial resilience and flexibility to pursue future strategic investments and potential further acquisition opportunities
- Commitment to progressive dividend policy demonstrates the Board's confidence in the positive outlook for the business
- With elevated inflation and higher interest rates potentially impacting construction output, we believe the quality fundamentals in our business will provide resilience and we are well placed to continue our strategic progress through 2023 and beyond





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

Shaping Genuine Sustainability

The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.

Michelmersh realises the importance of these goals and has set progressive targets against 13 relative aims for positive change to reshape our future.



GOOD HEALTH AND WELLBEING

Ensuring healthy lives and promoting the wellbeing for all at all ages is essential to sustainable development.



QUALITY EDUCATION

Obtaining a quality education is the foundation to improving people's lives and sustainable development.



GENDER EQUALITY

Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world.



CLEAN WATER AND SANITATION

Clean, accessible water for all is an essential part of the world we want to live in.



AFFORDABLE AND CLEAN ENERGY

Energy is central to nearly every major challenge and opportunity.



DECENT WORK AND ECONOMIC GROWTH

Sustainable economic growth will require societies to create the conditions that allow people to have quality ints.



INDUSTRY, INNOVATION, AND INFRASTRUCTURE

Investments in infrastructure are crucial to achieving sustainable development.



REDUCED

To reduce inequalities, policies should be universal in principle, paying attention to the needs of disadvantaged and marginalised populations.



SUSTAINABLE CITIES AND COMMUNITIES

There needs to be a tuture in which cities provide opportunities for all, with access to to services, energy, housing, transportation and more.



RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible Production and Consumption.



CLIMATE ACTION

Climate change is a global challenge that affects everyone, everywhere.



LIFE ON LAND

Sustainably manage forests, combat desertification, helt and reverse land degradation, hait biodiversity loss.



PEACE, JUSTICE AND STRONG INSTITUTIONS

Access to justice for all, and building effective, accountable institutions at all levels.





Michelmersh is proud to announce Hybrick™ – The world's first 100% hydrogen fired clay bricks..

Education Sector

Charterhouse Science & Maths School, Surrey & Headington School, Oxford





Public

Pears Building - Institute of Immunity and Transplantation, London





Health Care

Wilkie Gardens, Selkirkshire, Scotland & Fatima Health Centre, Lancashire





Modern Living

Orchard Gardens & Officers House, London







Urban Regeneration

Neptune Wharf& Department Store Studios & Design District, London







Private Housing Developments

West Byfleet, Surrey & Bocholt, Damburgstraat













Battersea Power Station Re-development, London

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