

2023 Interim Results

Disclaimer

- The information contained in this presentation document (the “presentation”, which term includes any information provided verbally in connection with this presentation document) does not constitute an offer or solicitation to hold, sell or invest in any security and should not be considered as investment advice or as a sufficient basis on which to make investment decisions. This presentation is being provided to you for information purposes only.
- Whilst this presentation has been prepared in good faith, neither Michelmersh Brick Holdings Plc (the “Company”) nor any of its group undertakings nor any of their respective directors, members, advisers, representatives, officers, agent, consultants or employees: (i) makes, or is authorised to make any representation, warranty or undertaking, express or implied, with respect to the information and opinions contained in it or accepts any responsibility or liability as to the accuracy, completeness or reasonableness of such information or opinions; or (ii) accepts any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of or in connection with the information in this presentation.
- The Company is under no obligation to provide any additional information or to update or revise the information in this presentation or to correct any inaccuracies which may become apparent. This presentation may include certain forward-looking statements, beliefs or opinions. There can be no assurance that any of the results and events contemplated by any forward-looking statements contained in the information can be achieved or will, in fact, occur. No representation is made or any assurance, undertaking or indemnity is given that any such forward looking statements are correct or that they can be achieved.

Presentation Team

Frank Hanna ¹

Joint Chief Executive Officer

Peter Sharp ¹

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.

¹ Frank Hanna is leaving the Company in May 2024, Peter Sharp will then become sole CEO of the Group

122m+

Manufacturer of diverse premium brick products

Strong core market

Repair Maintenance and Improvement ("RMI"), Housing, Commercial, Urban Regeneration, Specification

4 lifetime revenue sources

- Bricks
- Prefabricated brick components
- Landfill
- Investment land

Robust distribution policy

Pioneering Select Order Process

Earnings focus

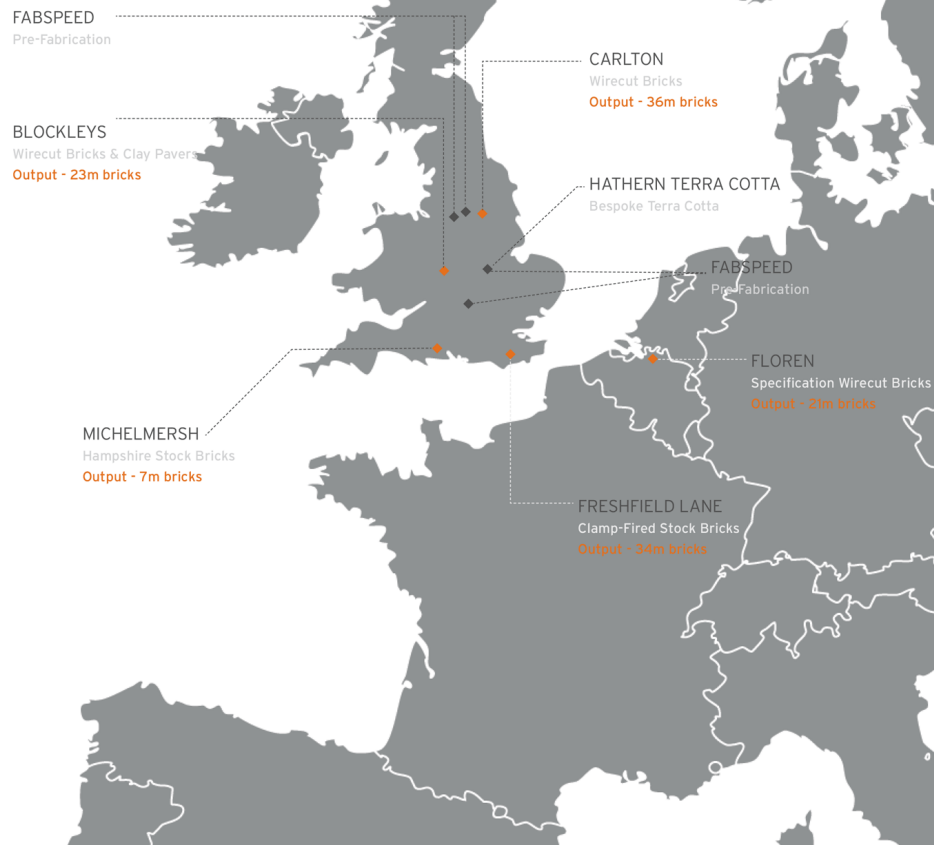
Not market share

Industry Leading

BIM Bricks brand V3

Site	Product	Output (M)
Blockleys	Wirecut Bricks / Clay Pavers	23
Carlton	Wirecut Bricks	36
Charnwood	Bespoke Terra Cotta & Prefabricated brick components	Bespoke
FabSpeed (x3)	Prefabricated brick components	-
Floren.be	Specification Wirecut Bricks	21*
Freshfield Lane	Clamp-Fired Stock Bricks	34
Michelmersh	Hampshire Stock Bricks	7

Michelmersh Brick Holdings plc



2023 Multiple Industry Award Winner



Highlights

Positive first half performance and resilient outlook

- Positive first half of 2023, with resilient performance highlighting benefits of our diverse end markets
- Revenue of £42.0m (up 23.5%) and Gross Profit £15.5m (up 21.1%) (HY22: £34.0m and £12.8m)
- Strong organic performance with revenue up 10.3% and adjusted operating profit up 8.1% on a like for like basis (excluding impact of FabSpeed)
- Adjusted* EBITDA of £8.7m with an EBITDA margin at 20.7%, in line with expectations
- Strong operational cash generation of £7.6m delivers cash conversion to adjusted* EBITDA of 87.3%. Net cash position of £11.8m (HY22: £9.9m) strengthens position for capital allocation options
- Continuing focus on collaboration with customers to deliver appropriate portfolio pricing through H2 and into 2024
- Interim dividend of 1.50 pence (+15% on HY22) underlines the Board's confidence in the outlook of the business and its commitment to progressive returns for shareholders
- Order intake remaining supportive of high quality well-balanced order book for H2

*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.



HY23 Financial Highlights

HY22 Comparative

Revenue	Gross Margin	Adjusted Operating Profit
£42.0m	36.9%	£6.8m
£34.0m	37.7%	£6.2m
Adjusted EBITDA	Profit Before Tax	Cashflow from operations
£8.7m	£6.1m	£7.6m
£8.1m	£5.6m	£8.0m
Basic EPS	Adjusted EPS	NAV per share
5.00p	5.73p	95.7p
4.64p	5.12p	89.0p



St. Lukes Church, Lancashire

HY23 Operational Highlights

- Positive performance in first half, with results for the year ahead of HY22 in all key adjusted financial metrics
- Diverse end markets continue to underpin performance in the year benefitting from broad customer base of new housing, commercial, architectural specification and RMI markets
- Collaboration with distribution partners to deliver pricing stability
- Swift progress with the integration of FabSpeed into the Group with operational processes aligned in H1
- Careful management of input costs on a risk-based approach, with energy costs continuing to be hedged in uncertain markets and investment in solar at plants to supplement longer term energy requirement
- Strong, consistent operational cash generation supported facility investments and returns to shareholders
- Group cash position and undrawn borrowing facilities underpin financial resilience and capital allocation flexibility
- Launch of SustainableBrick.com, a new website that highlights the benefits of clay brick to our broad customer base

HY23 Sustainability Highlights

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

- Positive incremental progress against our 2021 Sustainability report, which is monitored and measured by our Sustainability Group
- Launch of SustainableBrick.com, a new website that highlights the benefits of clay brick to our broad customer base
- Completed the doubling of solar capacity at Floren, with c.50% of electricity requirements met by solar in 2023 with the installation of an additional 541 panels
- Received G99 Connection notice through the National Grid to add solar panels to Blockleys in the first half and started work on adding the solar panels which we will complete in H2
- Continued our programme of planned roll-outs to electrify our fork-lift fleet which during the first half focused on Michelmersh

Net Zero by 2050



Financial Review

Income Statement

Positive first half performance in 2023, with adjusted results for the period ahead of 2022

	Adjusted HY23 £M	Adjusted HY22 £M	Change	Organic Change
Revenue	42.0	34.0	23.5%	10.3%
Gross profit	15.5	12.8	21.1%	11.0%
Gross margin	36.9%	37.7%	(0.8%)	0.2%
Central costs ¹	(8.7)	(6.6)	31.8%	12.1%
Adjusted operating profit ¹	6.8	6.2	9.7%	8.1%
Adjusted EBITDA	8.7	8.1	7.4%	4.9%
Finance expense	-	(0.1)	100.0%	100.0%
Adjusted profit before tax ¹	6.8	6.1	11.5%	9.8%
Adjusted basic earnings per share	5.73p	5.12p	11.9%	9.8%

¹ Excluding amortisation of intangible assets



Balance Sheet

Strong balance sheet position underpins financial resilience and capital allocation
optionality

	2023 30 Jun £M	2022 30 Jun £M
Intangible fixed assets	24.6	19.7
Tangible fixed assets *	65.0	63.8
Net working capital	5.0	7.0
Net cash	11.8	9.9
Lease liability	(1.1)	(0.9)
Deferred Tax	(15.8)	(14.2)
Net Assets	89.5	85.3
NAV per share	95.7 p	89.0 p

* Included within tangible fixed assets are land and buildings used in operations with a carrying value of £48.6m

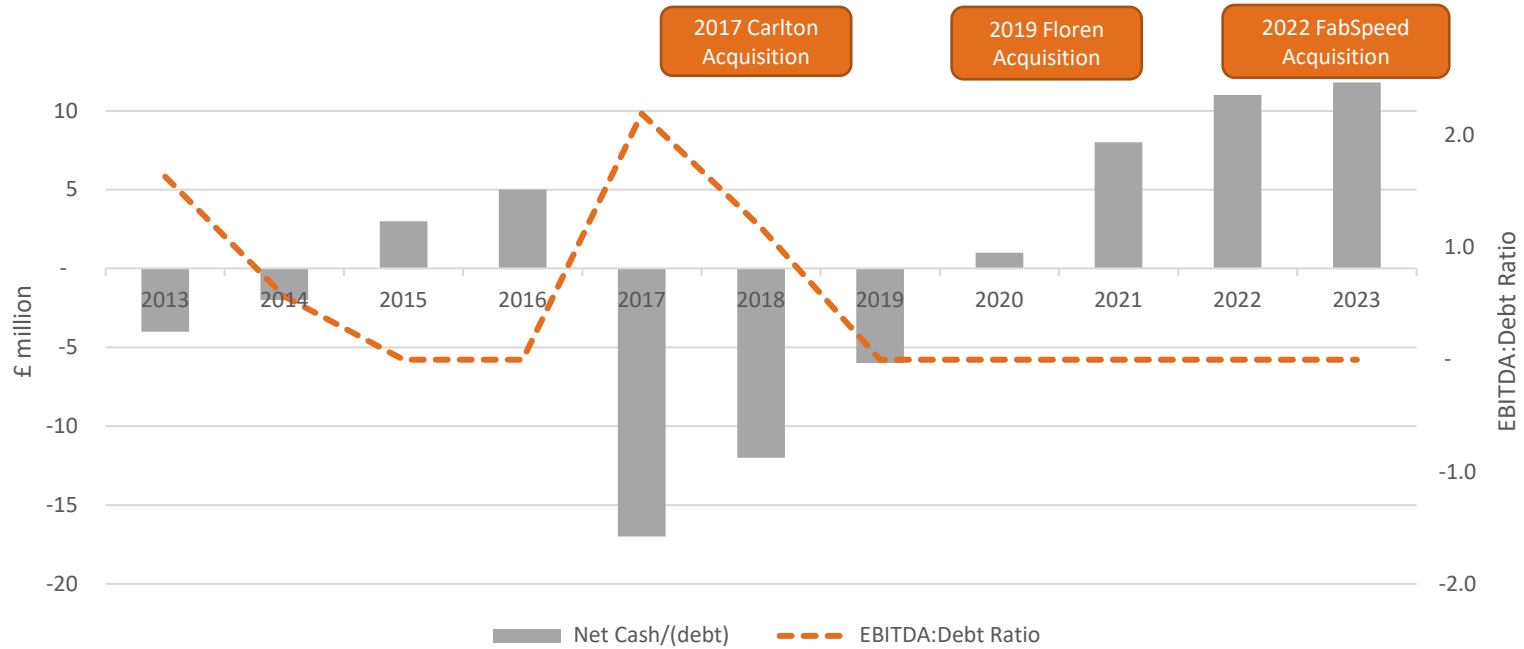
Cash Flow

Consistent quality of the fundamental cash generating ability of the business with adjusted EBITDA cash conversion of 87.3%

	HY23 £M	HY22 £M
Net cash generated by operations	7.6	8.0
Tax paid	(1.2)	(1.3)
Interest paid	-	(0.1)
Purchase of property, plant and equipment	(2.2)	(1.7)
Proceeds from land sale	1.1	-
Debt repaid	-	(0.8)
Settlement for cancelled share options	(1.8)	-
Purchase of own shares	(1.0)	(1.2)
Lease payments	(0.3)	(0.4)
Dividend paid	(1.2)	(0.9)
Net increase in cash & cash equivalents	0.9	1.5
Net cash	11.8	9.9

Strong Operational Cash Profile

Strong Group cash position of £11.8m and undrawn committed RCF of £20m underpin financial resilience and capital allocation flexibility



- Strong focus on working capital management supports fundamental characteristics of operating cash generation
- £11.8m of net cash at 30 June 2023 together with an undrawn £20m committed debt facility provides capital allocation flexibility
- 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



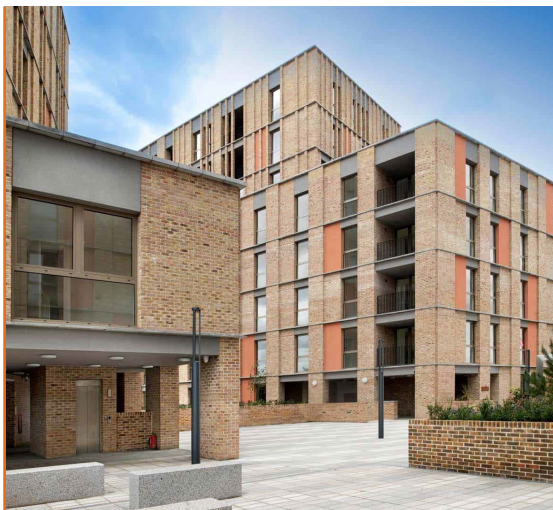
Sector Review

Why Michelmersh is Well-Positioned



Extensive Product Portfolio

- Broad product portfolio deliberately targeting a diverse range of end customers



Strong Industry Relationships

- Collaborative distribution model underpinned by length and depth of relationships with loyal customer base



Premium Products

- Focus on core competencies and delivering the highest quality brick, paver, pre-fabricated building components and premium-centric products

Michelmersh average selling price at a **premium** to the market

Resilient Market Fundamentals

UK Housing Dynamics

Supportive long-term demand dynamics



- Critical shortage of new residential and social housing from long-term underbuilding
- Households moving less frequently and looking to “improve not move”
- Good mortgage availability but consumers looking for interest rate stability
- Positive employment statistics with historically low unemployment
- Improvement in Ofgem energy price cap supportive of easing burden on household costs
- Peak of inflation looks to have passed

Government policy priority



- All three major political parties remain committed to reversing the decades long decline in housing formations
- Government expected to establish commitment to increase housebuilding above historic norms
- Housing and Communities Minister committed to improving the planning process
- Renewed commitment to quality Social Housing schemes

Repair, Maintenance & Improvement



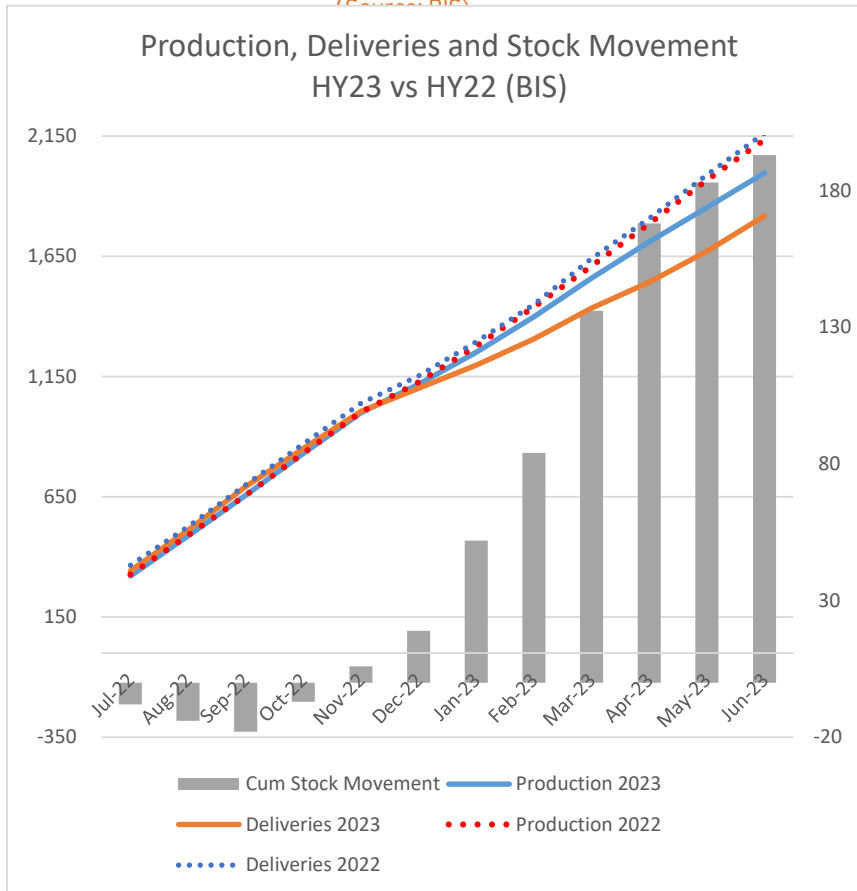
- Significant legacy and ageing housing inventory constructed with brick facades underpinning future RMI demand
- Brick is a favourable material of choice for high rise cladding remedial work and specification projects
- Stability in demand for infrastructure and communal housing projects

UK Brick Manufacturing - Current Trends

Contraction in construction sector activity led to inventory increases at 5 year high

HY23 & HY22 Cumulative output and excess over output

(Source: BIS)



- June 2023 UK brick industry stocks of c. 475m at 5 year high
- Production ran ahead of despatches from the end of 2022 with inventory build evidenced throughout the first half but with the increases slowing as destocking levels in the sector reduced
- Contraction in construction activity of c. 30% since the start of the year due to cautious consumer demand
- Imported brick volumes continued with a modest fall in share of the UK brick market from c. 21% to c. 18% across the first half
 - 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

Fundamental market drivers remain encouraging:

- Long-term demand dynamics are supportive
- Consensus in major political parties' policies is favourable
- Repair, Maintenance & Improvement trends continue to

UK brick manufacturing highly concentrated

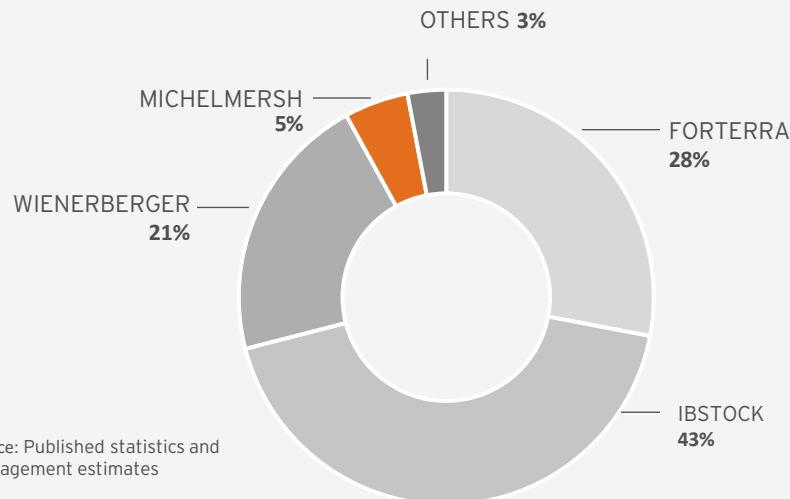
2022 UK brick consumption c. 2.5 Billion

(c. 1.9 Billion UK manufactured, balance from imports)

Michelmersh ASP at a premium of to market

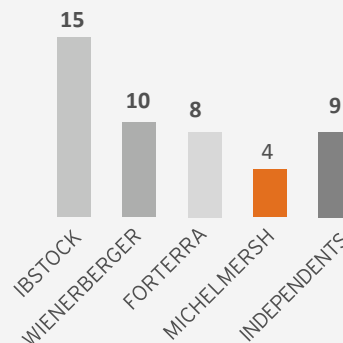
Market Structure

UK manufactured brick - Market Share



Source: Published statistics and management estimates

UK brick works



Outlook

Industry

- Critical shortage of UK residential and social housing
- Brick continues to be the façade material of choice
- Construction activity subdued due to consumer sentiment and caution
- Capital intensive and complex barriers to entry

Michelmersh

- Diverse end markets and broad customer base expected to underpin resilience
- High quality and diverse order book for the second half
- Focus on pricing stability for our customers as we prioritise forward demand
- Energy price hedging in place with over 90% of our expected requirements secured for 2023, within budget parameters
- Strong balance sheet provides considerable financial resilience and capital allocation optionality
- Commitment to progressive dividend policy demonstrates the Board's confidence in the positive outlook for the business
- Breadth of our end markets makes us agile against backdrop of macroeconomic uncertainty
- With quality fundamentals in the business we remain on track to meet our full year expectations



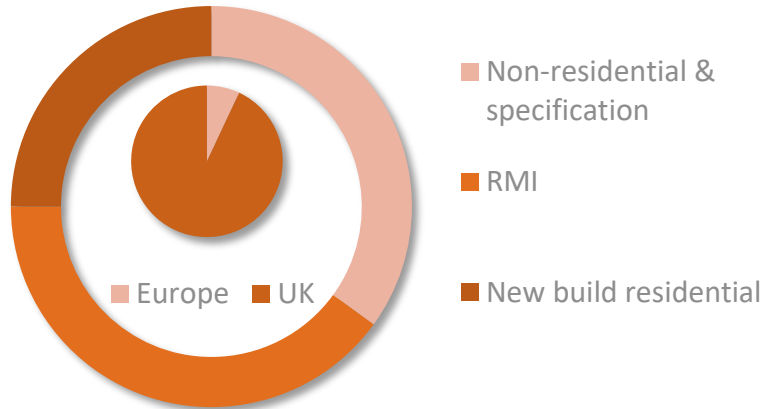
Appendix



Brick and Façade Specialists

Enhanced and Diverse End Markets

HY23 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



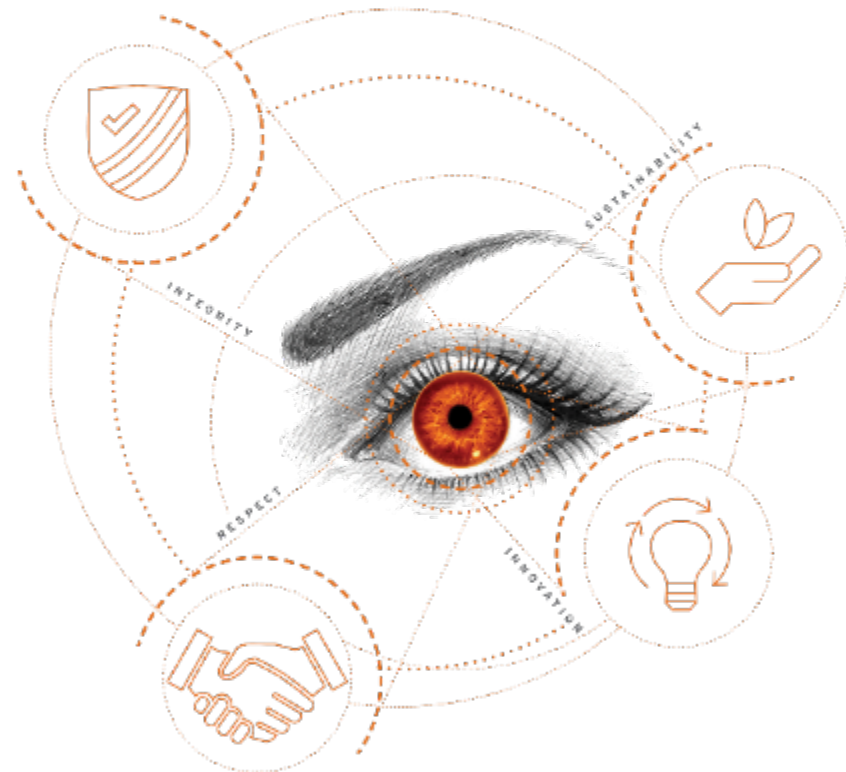
Leading in sustainable award winning product innovation, striving for decarbonisation towards net zero

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 jobs.



INDUSTRY, INNOVATION, AND INFRASTRUCTURE

Investments in infrastructure are crucial to achieving sustainable development.



REDUCED INEQUALITIES

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 future in which cities provide opportunities for all, with access to basic 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, halt and reverse land degradation, halt biodiversity loss.



PEACE, JUSTICE AND STRONG INSTITUTIONS

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

Why use Brick?

Michelmersh is proud to make environmentally friendly, natural, durable and thermally efficient products that will last for hundreds of years and can still be recycled or reused. This inherently tactile, natural and non-toxic product has a multitude of aesthetic qualities; colour, tone, texture, finish and size, all of which add to the flexibility of brick. Ever-increasing in popularity for its credible fire-resistant properties and flood resilience, its sense of safety, solidity and security continue to be the reason housebuilders and homeowners trust in brick to add value to their properties. Brick is additionally recognised for its inherent sustainable credentials, boasting impressive longevity, low maintenance, zero operational carbon, thermally efficient qualities and can continue to be reused through the lives of several buildings, and therefore shaping our architectural environment for generations to come.

[Read more about brick benefits](#)



[Recycled Content](#)



[Aesthetic Options](#)



[Flood Resilience](#)



[Carbon Emissions](#)



[Longevity](#)



[Overheating](#)



[Thermal Performance](#)



[Durability](#)



[Low cost & Strong Value](#)



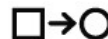
[Air Quality](#)



[Climate Resilience](#)



[Reusable](#)



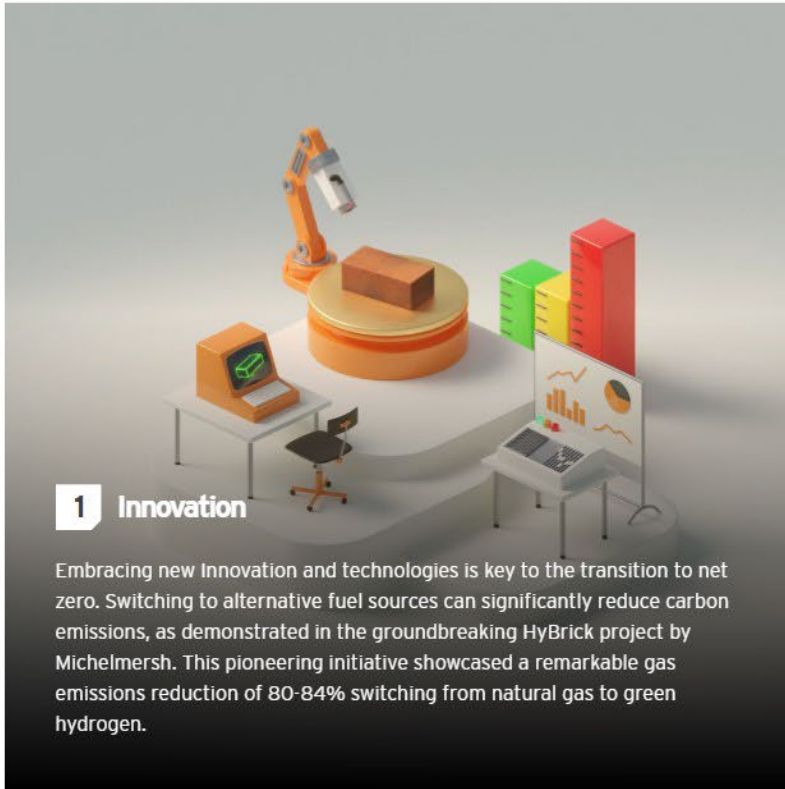
[Adaptability](#)



[Non-combustible](#)



[Locally Sourced](#)



1 Innovation

Embracing new Innovation and technologies is key to the transition to net zero. Switching to alternative fuel sources can significantly reduce carbon emissions, as demonstrated in the groundbreaking HyBrick project by Michelmersh. This pioneering initiative showcased a remarkable gas emissions reduction of 80-84% switching from natural gas to green hydrogen.





 **HyBrick™**

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

Education Sector

Eton College, Berkshire



Public

International Rugby Experience, Ireland & St. Lukes Church, Lancashire



Public

Black Country Living Museum, West Midlands.



Infrastructure

Woolwich Crossrail Station, London



Modern Living

Sydenham Hill Gate (Grand Designs), London & Becontree Estate (Affordable Housing), London



Urban Regeneration

West End Gate, Berkeley Homes, London



Urban Regeneration

Queen's Quay, Glasgow & Shepherd's Quay, Newcastle



Large Volume Housing Developments

The Edge, Nottinghamshire



Large Volume Housing Developments

Cooper Court, Berkshire





Brabazon, Bristol