8 September 2020

Michelmersh Brick Holdings Plc

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

Half Year Results for the six months ended 30 June 2020

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 2020.

Financial Highlights:

	30 June 2020	30 June 2019	Change
Turnover	£22.5m	£27.2m	*- 17.3%*
Underlying* gross margin	38.8%	41.9%	-3.1%
Underlying* EBITDA[2]	£4.4m	£7.0m	*-36.3%*
Underlying*[1] operating profit	£2.9m	£5.4m	*-45.9%*
Underlying* PBT	£2.6m	£5.1m	*-48.6%*
Reported Basic EPS	1.74p	3.36p	*-48.2%*
Underlying[1]*EPS	2.36p	4.55p	*-48.1%*
Cash from operations	£2.9m	£6.1m	*-52.5%*
Net debt	£6.5m	£13.8m	*-52.9%*

Operational Highlights:

- Swift and effective return to work after Covid instigated suspension of operations
- Returned profitable 6-month period despite operational and financial disruption caused by Covid
- Cash preservation actions and trading cash generation leave Group with both significant cash balances and reduction in net debt
- Robust H2 forward order book in line with same period last year

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

"The Group's performance in the first half of 2020 demonstrate resilience and management actions to protect our stakeholders. Trading has returned to a stable state, with no impact on capacity under our new operating conditions. While the broader economic outlook remains uncertain over the coming months, based on the continued strong brick market fundamentals and our performance since operations have resumed, the Directors are positive on the outlook for the Company."

[1]*Underlying gross margin is calculated by adding back £770,000 to the reported gross profit to eradicate the 'fair value' element of brick stock acquired at Floren.*

[2] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation.*

**Items deemed underlying are reconciled with the reported figures in the table Alternative Performance Measures below.*

Michelmersh Brick Holdings Plc Frank Hanna, Joint CEO Stephen Morgan, Finance Director	01825 430 412
Canaccord Genuity Limited (NOMAD and Broker) Bobbie Hilliam Georgina McCooke	020 7523 8150
Yellow Jersey PR Charles Goodwin Annabel Atkins	 07747 788 221 07983 557 851

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

About Michelmersh Brick Holdings PLC:

Michelmersh Brick Holdings PLC is a business with seven market leading brands: Blockleys, Carlton, Charnwood, Freshfield Lane, Michelmersh, Floren and Hathern Terra Cotta. These divisions operate within a fully integrated business combining the manufacture of clay bricks 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 120 million clay bricks and pavers per annum. Michelmersh currently owns most of the UK's premium manufacturing brick 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 results for the six months to 30 June 2020 have been adversely affected by the impact of Covid. The Group responsibly ceased operations for four weeks from late March while new safe operating procedures were designed and implemented. On return to a Covid-safe workplace, our employees were reassured that the new conditions were in place to keep them safe while manufacturing recommenced and customer demand was satisfied. Output was lost from commencement of orderly closedown of operations in the last week of March and for most of April while sites were closed. The phased recommencement of processes took time to reach normal levels, which was achieved in late May. The Group has been able to consistently sell all the product it makes, therefore the closure of operations lost the Company product and revenue that cannot be recouped. However, the Group has now regained its pre-closure levels of production and is back operating at normal levels.

I have to give special thanks to the teams who have reacted to the conditions and developed new safe operating procedures and delivered a Covid-safe workplace. I must also pay tribute to our workforce who have overcome natural concerns and helped the business get back on its feet so quickly.

Financial Highlights

	30 June 2020	**30 June 2019**	**Change**
Turnover	£22.5m	£27.2m	*- 17.3%*
Underlying[1] gross margin	38.8%	41.9%	*-3.1%*
Underlying* EBITDA[2]	£4.4m	£7.0m	*-36.4 %*
Underlying* operating profit	£2.9m	£5.4m	*-45.9%*
Underlying* PBT	£2.6m	£5.1m	*- 48.6%*
Reported Basic EPS	1.74p	3.36p	*-48.2%*
Underlying* EPS	2.36p	4.55p	*-48.1%*
Cash from operations	£2.9m	£6.1m	*-52.5%*
Net debt	£6.5m	£13.8m	*-52.9%*

[1]*Underlying gross margin is calculated by adding back £770,000 to the reported gross profit to eradicate the 'fair value' element of brick stock acquired at Floren.*

[2] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation.*

**Items deemed underlying are reconciled with the reported figures in the table Alternative Performance Measures below.*

Trade in the first quarter of 2020 was positive for the Group until the point when operations ceased towards the end of March. Once restarted, recovery of manufacturing output was necessarily gradual but by the end of May turnover was only 26% behind the equivalent period in 2019. June 2020 turnover was ahead of June 2019 meaning that for the half year, the like for like fall in turnover was below 18%.

The lost turnover from the period when the business was closed had a more telling impact as employees were fully remunerated and there was a significant element of fixed costs. With the intention to return to full production as soon as possible, the opportunity for cost savings during the suspension of operations were limited and therefore net profit was impacted. Underlying operating profit and EBITDA were 45.9% and 36.4% below the equivalent period respectively as a result. By resuming operations quickly however the Company was able to quickly replenish stock levels which will assist the Groups financial performance in the second half of 2020.

Whilst the table above shows lower performance in the first half of 2020 against that in 2019, it is worth noting that 2019 was an exceptional trading year showing significant improvement over 2018. Moreover, even in this difficult period, the Group has generated cash, maintained a modest debt profile and returned a profit. The

Directors believe this is testament to the strategy of the Group and the strength of the management within the Company.

Alternative Performance measures reconciliation:

	Six months ended	Six months ended	H1 2020/ H12019	12 months ended
	30 June 2020	30 June 2019		31 December 2019
	£000	£000		£000
Reported Operating profit	2,338	4,325	-45.9%	11,065
Add back exceptional items relating to the acquisition of Floren [a]	-	509		(1,907)
Amortisation of intangibles	584	569		1,166
'Underlying' operating profit	**2,922**	**5,403**	-45.9%	**10,324**
Finance costs – reported	(309)	(296)		(698)
'Underlying' profit before taxation	2,613	5,107	-48.8%	9,626
'Underlying' operating profit as above	**2,922**	**5,403**	-45.9%	**10,324**
Depreciation	1,507	1,557		3,313
Underlying EBITDA	**4,429**	**6,960**	**-36.4%**	**13,637**
Reported Basic EPS	1.74 p	3.36 p	-48.2%	9.41 p
Underlying Basic EPS [b]	2.36 p	4.55 p	-48.1%	8.87 p

[a] *Includes adjustments to cost of sales and exclusion of acquisition related entries.*

[b] *Includes adjustments to exclude amortisation of intangibles*

Land and Assets

Capital expenditure in H1 2020 was limited to preserve cash reserves. Expenditure was centred on health and safety projects and continued preparation for commencement of the Telford road project. Since the end of the half year, preparations have progressed and the Board has committed to commencing structural works that will lead to releasing remaining mineral reserves on the site, supporting the long-term operations at the Blockleys plant.

Net Debt and Working Capital

Net debt at 30 June 2020 stood at £6.5 million (30 June 2019: £13.8 million; 31 December 2019; £6.3 million). Once the impact of Covid threatened, the Board took steps to maximise cash balances and at the half-year, cash balances stood at £17.4 million. These steps included postponement of the final dividend in respect of 2019, suspension of capital expenditure projects and drawing down of RCF facilities.

In order to minimise the potential cashflow impact of Covid, the Group has received £400,000 under the government furlough scheme and has deferred VAT payments of £1.5 million"

Despite the strange circumstances, the Group has maintained a strong financial position and is well positioned as the recovery of the general economy and construction sector plays out in the coming months.

Dividend

The interim dividend for 2019 was paid in January 2020. I am again pleased to note that the scrip dividend offering was selected by a reasonable number of large and smaller shareholders which suggests continuing commitment to the Company's shares.

The Board suspended the final dividend in respect of 2019. This action was taken to safeguard the business in uncertain economic conditions when it was difficult to predict how events would turn out. The Board is still intent on returning to a progressive dividend stream to reward shareholders for their investment. Based on the current trading of the Company, and the information available to the directors today, the Group expects to resume the payment of dividends alongside the full year results to December 2020. The Directors continue to monitor the economy and the wider impact that Covid has on the end markets and outlook of the Company. Further guidance on the Company's dividend payout will therefore be provided in due course.

The Board

On 18 June 2020, the Board was strengthened by the appointment of Paula Hay-Plumb as non-executive director. Paula is a Chartered Accountant (ACA) and is a Fellow of the Association of Corporate Treasurers. She has extensive directorship experience and currently sits on the Board of a number of prominent organisations. We look forward to working with her and gaining from her energy and expertise.

Outlook

The future is difficult to predict given threats from continuing and potential localised issues from Covid, and the effectiveness of the government's tactics to support the economy are yet to be seen. However, it seems likely that the construction sector, where the Group is positioned, will play a key role in restarting the economy.

The Group's performance in the first half of 2020 demonstrated resilience and management actions to protect our stakeholders. Trading has returned to a stable state, with no impact on capacity under our new operating conditions. Our customers have also reacted positively to the situation and since the half year trading has been robust. Additional cost of working has been matched by positive energy pricing and the Board are concentrating on managing the business through the near future whilst watchful of events.

As at 30 June 2020, the Group benefited from a strong balance sheet and cash reserves and is resolved to meet the challenges that may arise with confidence.

M R Warner

CHAIRMAN

Consolidated Income Statement

		6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	12 months ended 31 December 2019 £'000
		Unaudited	Unaudited	Audited
Revenue		**22,459**	**27,165**	53,523
Cost of sales		**(13,738)**	**(16,544)**	(31,618)
Gross profit		**8,721**	**10,621**	21,905
Administration expenses	- Underlying	**(5,837)**	**(6,041)**	(11,754)
	-Amortisation of intangibles	**(584)**	**(569)**	(1,166)
		(6,421)	**(6,610)**	(12,920)
Other income		**38**	**53**	224
Exceptional items	- 'Bargain purchase'[1]	**-**	**828**	2,422
	- Acquisition costs [2]	**-**	**(567)**	(566)
Operating profit		**2,338**	**4,325**	11,065
Finance expense		**(309)**	**(296)**	(698)
Profit before taxation		**2,029**	**4,029**	10,367
Taxation		**(406)**	**(991)**	(1,763)
Profit for the period		**1,623**	**3,038**	8,604
Basic earnings per share		**1.74 p**	**3.36 p**	9.41 p
Diluted earnings per share		**1.68 p**	**3.26 p**	9.19 p

.

Exceptional item[1] – the 'Bargain purchase' reflects the excess of fair value of the assets acquired at Floren over the consideration paid. Exceptional item[2] is the costs incurred in acquiring Floren that has been expensed in the period.

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	12 months ended 31 December 2019 £'000
	Unaudited	Unaudited	Audited
Profit for the financial period	**1,623**	3,038	8,604
Other comprehensive income			
Items which may subsequently be reclassified to profit or loss			
Currency movements	743	22	67
Items which will not subsequently be reclassified to profit or loss			
Revaluation deficit of property, plant and equipment	-	-	(10)
Revaluation surplus of property, plant & equipment	-	-	801
Deferred tax on revaluation	-	-	(134)
Other comprehensive income for the period net of tax	743	22	724
Total comprehensive income for the financial period	**2,366**	3,060	9,328

Consolidated Balance Sheet

	As at 30 June 2020 £'000 Unaudited	As at 30 June 2019 £'000 Unaudited	As at 31 December 2019 £'000 Audited
Assets			
Non-current assets			
Intangible assets	**22,006**	22,379	22,590
Property, plant and equipment	**64,852**	64,294	65,348
	86,858	86,673	87,938
Current assets			
Inventories	**10,815**	9,135	9,761
Trade and other receivables	**10,680**	11,164	8,567
Cash and cash equivalents	**17,390**	8,881	15,140
Total current assets	**38,885**	29, 180	33,468
Total assets	**125,743**	115,853	121,406
Liabilities			
Current liabilities			
Trade and other payables	**10,468**	9,464	9,889
Interest bearing borrowings	**4,846**	1,922	3,414
Lease liabilities	**658**	558	542
Corporation tax payable	**475**	1,079	883
Total current liabilities	**16,447**	13,023	14,728
Non-current liabilities			
Interest bearing borrowings	**19,070**	20,714	18,036
Lease liabilities	**399**	761	673
Deferred tax liabilities	**11,866**	11,930	11,866
	31,335	33,405	30,575
Total liabilities	**47,782**	46,428	45,303
Net assets	**77,961**	69,425	76,103
Equity attributable to equity holders			
Share capital	**18,744**	18,495	18,498
Share premium account	**15,742**	15,545	15,545
Other reserves	**23,777**	22,145	23,259
Retained earnings	**19,698**	13,240	18,801
Total equity	**77,961**	69,425	76,103

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 2019	17,297	11,643	21,788	13,066	**63,794**
Profit for the period	-	-	-	3,038	**2,200**
Currency difference	-	-	-	22	**22**
	-	-	-	3,060	**3,060**
Shares issued in the period	1,198	3,902	-	-	**5,100**
Share based payment	-	-	358	-	**358**
Dividends paid	-	-	-	(2,887)	**(2,887)**
As at 30 June 2019	**18,495**	**15,545**	**22,146**	**13,239**	**69,425**
Profit for the period	-	-	-	5,566	**5,566**
Currency difference	-	-	-	45	**45**
Revaluation deficit	-	-	(10)	-	**(10)**
Revaluation surplus	-	-	801	-	**801**
Deferred tax on revaluation	-	-	(134)	-	**(134)**
Total comprehensive income	-		657	5,611	**6,268**
Shares issued in the period	3	-	-	-	**3**
Transfer to retained earnings	-	-	(18)	18	**-**
Share based payment	-	-	407	-	**407**
Reclassification [1]	-	-	67	(67)	**-**
As at 31 December 2019	**18,498**	**15,545**	**23,259**	**18,801**	**76,103**
Profit for the period	**-**	**-**	**-**	**1,623**	**1,623**
Currency difference	**-**	**-**	**743**	**-**	**743**
Total comprehensive income	**-**		**743**	**1,623**	**2,366**
Shares issued in the period	**46**	**-- 197**	**-**	**-**	**243**
Share based payment	**-**	**-**	**313**	**-**	**313**
Release on exercise of options	**200**	**-**	**(538)**	**338**	**-**
Dividends paid	**-**	**-**	**-**	**(1,064)**	**(1,064)**
As at 30 June 2020	**18,744**	**15,742**	**23,777**	**19,698**	**77,961**

Reclassification [1] reflects currency adjustments that are held in a separate reserve but may in future periods be released to revenue reserves.

Consolidated Statement of Cash Flows

	6 months ended £'000 30 June 2020 Unaudited	6 months ended £'000 30 June 2019 Unaudited	12 months ended £'000 31 December 2019 Audited
Net cash generated by operations	**2,946**	6,144	16,622
Taxation paid	**(766)**	(760)	(2,105)
Net cash generated by operating activities	**2,180**	5,384	14,517
Cash flows from investing activities			
Purchase of property, plant and equipment	**(632)**	(810)	(2,412)
Purchase of subsidiary undertaking net of cash acquired	**-**	(6,768)	(6,202)
Proceeds on disposal of property, plant and equipment	**-**	29	-
Net cash used in investing activities	**(632)**	(7,549)	(8,614)
Cash flows from financing activities			
Bank loan drawdown	**3,000**	5,264	5,100
Interest paid	**(311)**	(238)	(698)
Repayment of interest bearing liabilities	**(887)**	(970)	(1,990)
Lease payments	**(282)**	(480)	(646)
Proceeds of share issue	**3**	4,703	4,704
Dividends paid	**(821)**	(2,488)	(2,488)
Net cash generated by / (used in) financing activities	**702**	5,791	3,982
Net increase in cash and cash equivalents	**2,250**	3,626	9,885
Cash and cash equivalents at beginning of period	**15,140**	5,255	5,255
Cash and cash equivalents at end of period	**17,390**	8,881	15,140
Cash and cash equivalents comprise:			
Cash at bank and in hand	**17,390**	8,881	15,140

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 AIM, part 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 2020. 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 2019 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, and did not contain a statement under section 498(2) or (3) of the Act. The Report did draw attention to the accounting policy in the financial statements concerning the Group's ability to continue as a going concern connected with the declaration of Covid-19 as a pandemic by the World Health Organisation noting this as a material uncertainty.

The financial information for the six months ended 30 June 2020 and 30 June 2019 is unaudited.

3. EARNINGS PER SHARE

The calculation of earnings per share is based on a profit of £1,623,000 (six months ended 30 June 2019 –£3,038,000; 12 months ended 31 December 2019–£8,604,000) and 93,550,650 (at 30 June 2019 90,427,069 and 31 December 2019, 91,463,549) being the weighted average number of ordinary shares in issue.

Diluted

At 30 June 2019 there were 2,941,812 (June 2019: 2,815,170, and at 31 December 2019 2,169,290) dilutive shares under option leading to 96,492,461 shares (30 June 2019: 93,242,239, and at 31 December 2019 93,632,839) being the 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.