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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

## **BREEDON GROUP PLC**

### **Acquisition of BMC Enterprises Inc. for US\$300 million**

#### **Earnings enhancing US entry; launching Breedon's scalable third platform**

Breedon Group plc ("Breedon" or the "Group"), a leading vertically-integrated construction materials group in Great Britain and Ireland, announces the acquisition of BMC Enterprises Inc. ("BMC") for an enterprise value of US\$300m (£238.1m<sup>1</sup>) (the "Transaction").

#### **Strategic Highlights**

- BMC is a supplier of ready-mixed concrete, aggregates and building products headquartered in St Louis, Missouri with a strong track record of both organic and transactional growth
- Compelling opportunity to launch a scalable third platform for Breedon in the fragmented and growing US construction materials market
- Underpinned by highly attractive, established business with excellent margins
- Well regarded and experienced management team with long track record who will remain with the business
- Transaction expected to provide attractive financial returns while maintaining a strong balance sheet

#### **Financial Highlights**

- In the twelve months ended 31 October 2023, BMC recorded unaudited Revenue of US\$178.9m and unaudited adjusted EBITDA of US\$35.5m<sup>2</sup>
- Headline enterprise value represents c.8.5x 2023 unaudited adjusted EBITDA
- Since 2013 BMC has delivered CAGR Revenue and adjusted EBITDA growth of c.12% and c.22% respectively through organic growth and bolt-on acquisitions
- BMC has over 400 million tonnes<sup>3</sup> of reserves and resources

#### **Transaction Highlights**

- c.US\$285m payable in cash on completion, subject to customary adjustments and retentions, funded through a draw down on Breedon's existing Revolving Credit Facility
- c.US\$15m payable in Breedon shares, to be retained by the Vendor for a minimum of twelve months following Completion
- Completion is expected to occur by 7 March 2024; subject to customary closing conditions
- Expected to be earnings enhancing in the first full year of ownership<sup>4</sup>
- Post-acquisition Pro Forma Covenant Leverage for the Group of c.1.4x<sup>5</sup>; enabling flexibility for dividends and future bolt-on acquisitions across each of our platforms

#### **Rob Wood, Chief Executive Officer, commented:**

"The acquisition of BMC represents a compelling opportunity for Breedon to launch our third platform in the USA. BMC has an excellent performance track record over a sustained period and is positioned in an attractive market for future growth.

"As a high-quality aggregates and concrete business that has grown at pace, organically and through acquisitions, with a strong management team and deep local knowledge, BMC's culture and values are fully aligned with the Breedon business model.

"The acquisition is expected to be earnings enhancing for shareholders while allowing Breedon to maintain a conservative and flexible balance sheet to pay dividends and make further bolt-on acquisitions across each of our platforms as opportunities arise

"We are delighted to welcome our BMC colleagues to Breedon and look forward to working with them to build Breedon's presence in the USA."

Notes:

1. GBP: USD Exchange Rate of 1: 1.26
2. BMC financials have been extracted from the management accounts of BMC and adjusted for items which will not reoccur under Breedon ownership. BMC financials are unaudited and have been prepared under US GAAP so may not be directly comparable to Breedon financials which are prepared under IFRS.
3. Breedon and BMC's best estimate of BMC's reserves and resources at the date of this announcement, expressed as metric tonnes
4. This statement should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cashflows of the Group will necessarily be greater than the historic published figures
5. Pro Forma Covenant Leverage is the ratio of the Group's Underlying EBITDA to Net Debt calculated assuming that the transaction had completed on 31 December 2023. Covenant Leverage is used in determining compliance with the Group's banking covenants.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended).

ENQUIRIES

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About Breedon Group plc

Breedon Group plc, a leading vertically-integrated construction materials group in Great Britain and Ireland, delivers essential products to the construction sector. Breedon holds 1bn tonnes of mineral reserves and resources with long reserve life, supplying value-added products and services, including specialty materials, surfacing and highway maintenance operations, to a broad range of customers through its extensive local network of quarries, ready-mixed concrete and asphalt plants.

The Group's two well-invested cement plants are actively engaged in a number of carbon reduction practices, which include utilising alternative raw materials and lower carbon fuels. Breedon's 3,900 colleagues embody our commitment to 'Make a Material Difference' as the Group continues to execute its strategy to create sustainable value for all stakeholders, delivering growth through organic improvement and acquisition in the heavyside construction materials market. Breedon shares (BREE) are traded on the Main Market of the London Stock Exchange and are a constituent of the FTSE 250 index.

Additional information

*BMC Overview*

Founded in 1925 and headquartered in St Louis, Missouri, BMC is a leading regional ready-mixed concrete, aggregates and building products business with a diverse range of end customers and markets.

BMC has a strong track record of organic and transaction led growth, with a 10 year revenue and EBITDA CAGR of 12% and 22% respectively, and an EBITDA margin of c.20%. BMC had unaudited gross assets as at 31 October 2023 of US\$168.2m (£133.5m), recorded unaudited Revenue of US\$178.9m (£142.0m) and unaudited adjusted EBITDA for the twelve months ending 31 October 2023 of US\$35.5m (£28.2m).

BMC operates 5 hardstone quarries, 7 sand and gravel facilities (including river dredging operations), 44 ready-mixed concrete plants and 9 building products facilities. The business is predominantly located in Missouri, with further operations in Illinois and Arkansas and employs c.570 colleagues. BMC's end market exposure is estimated to be c.50% residential, c.25% commercial and c.25% infrastructure with a diverse range of customers. In the last decade BMC has successfully completed over 20 bolt-on acquisitions.

Missouri is expected to see significant inward investment in future years assisted by the Infrastructure Investment & Jobs Act, the CHIPS and Science Act and the Inflation Reduction Act.

The US remains a large and fragmented construction materials market that offers attractive prospects, in line with Breedon's rigorous investment criteria. The cultural and regulatory profile matches our home markets, playing to our experience and strong track record of acquisition integration.

BMC is owned by its President and CEO, Nathan McKean, and entities closely associated with him. On completion, Nathan McKean will transition to a non-executive advisory role to Breedon's North America business, providing the Group with the continued benefit of his significant sector and country experience.

The wider BMC management team will remain with the business including Andy Arnold (Chief Operating Officer), John Crumrine (Chief Financial Officer) and Mark Jacobs (Chief HR Officer). On completion, Andy Arnold will be appointed CEO of BMC.

## *Transaction Structure*

Cash consideration of c.US\$285m (£226.2m), subject to customary adjustments and retentions, is being funded by way of a draw down under Breedon's existing multicurrency RCF.

c.US\$15m (£11.9m) is payable in the form of 3,199,915 Breedon shares (the "Shares") to be issued to the vendor, Nathan McKean, who has undertaken to retain all the Shares for a minimum period of twelve months from completion. Application will be made in due course for the Shares to be admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.

Completion is expected to occur by 7 March 2024; subject to customary closing conditions.

The Transaction is expected to be earnings enhancing in the first full year of ownership. The Group intends to maintain a conservative balance sheet to provide flexibility for dividends and future bolt-on acquisitions across each of the Group's platforms.

Breedon believes the Transaction represents a compelling opportunity for Breedon to launch our third platform in the USA. BMC has an excellent performance track record over a number of years and is well positioned in an attractive market for future growth.

Moelis and Company UK LLP ("Moelis") is acting as exclusive financial advisor to Breedon Group plc in relation to the acquisition of BMC and no-one else and will not be responsible to anyone other than Breedon Group plc for providing the protections offered to clients of Moelis or for providing advice in relation to the acquisition of BMC.

Morrison & Foerster acted as legal adviser to Breedon on the transaction.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, Breedon undertakes no obligation to revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

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