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SIGMAROC PLC

(‘SigmaRoc’, the ‘Group’ or the ‘Company’)

Trading update

Sustained trading momentum and further strategic progress

SigmaRoc plc, the specialist quarried materials group, is pleased to provide an update on trading for the six months ended 30 June 2023 (‘H1’ or the ‘Period’). The Group expects to announce its interim results in September 2023.

Highlights

- Strong H1, further demonstrating the resilience of the Group’s diversified model;
- Revenue of £290m (H1 2022: £247m), up 17% YoY and 13% LFL;
- Underlying EBITDA of £55m (H1 2022: £48m), up 15% YoY and 12% LFL;
- Underlying EPS of 4.0p (H1 2022: 3.6p), up 11% YoY;
- Good cash generation, with cash of £63m (2022: £46m) and adjusted leverage ratio of 1.7x (2022: 2.2x) at Period end;
- Acquisition and investment programme launched in February 2023 now fully committed, with acquisitions expected to contribute c.£8m annualised EBITDA at an effective multiple of 3.9 times;
- Organic growth investments expected to contribute a further c.£2m once fully operational, at an effective multiple of 3.3 times;
- Divestment of four non-core assets generating £11m at an effective multiple of 12.9 times (includes land holdings with no earnings impact);
- Continued success in market leading sustainability initiatives including the Aqualung carbon capture project, and partnership with Materials Evolution for low carbon cement;
- Diversified market profile positions the Group to deliver full year expectations*.

Trading summary

The Group delivered a strong first half trading performance, with continued underlying earnings growth despite challenging conditions in some markets. Dynamic pricing has continued to support growth, with Group revenues in the period up 17% YoY at £290m, with robust demand in infrastructure and quicklime markets. As previously announced, in FY22 the Group introduced a regional structure to support further growth and will report on a regional basis going forward. Revenue for the Period was £74m (2022: £66m) in the North West, €59m (2022: €51m) in the West and €188m (2022: €164m) in the North East.

Group LFL volumes were 3% lower in the Period with the weakest demand conditions in residential construction segments, primarily in the UK and Nordics, where the Group has relatively low exposure. Pleasingly, H1 margins were maintained at 19% with inflationary cost pressures well managed and further productivity gains realised across the network. As a result, underlying EBITDA increased 15% YoY to £55m, with underlying EPS of 4p, up 11% YoY.

The Group’s diversified business model and end market exposure continues to provide resilience with several markets outperforming expectations.

- **Industrial minerals** - 43% of Group revenue for the Period derived from industrial mineral markets which have seen demand in line with budget, supported by structural drivers:

- **Environmental, Agriculture and Chemical** (19% of Group revenue): The Group saw overall demand in this segment remain positive in H1 supported by the environmental and chemical segments.
- **Pulp, Paper & Board** (13% of Group revenue): Paper had a slow start to the year as a result of inventory corrections in the value chain leading to lower demand for high grade and pigment grade limestone. Board and pulp demand remained robust, supported by the continued transition away from plastic packaging.
- **Metals** (11% of Group revenue): Order books and demand remained strong, with the recovery experienced in 4Q22 continuing into H1.
- **Construction** - 57% of Group revenue for the Period derived from construction markets, which have seen good demand from infrastructure segments and a recovery in RMI, balancing out localised slowing in new build residential demand:
 - **Infrastructure** (37% of Group revenue): Infrastructure markets have continued to be strong in H1. Further projects have been launched in the Group's key territories and increasingly in the energy transition sector, which has provided sustained demand for our aggregates, dimension stone and downstream products.
 - **Residential** (20% of Group revenue): European residential construction markets have seen a clear softening in new build demand, leading to reduced housing starts, particularly in the UK, Finland, and Sweden. Partially offsetting this has been more resilient demand in Poland and Baltic markets, as well as a more fragmented construction backdrop in Belgium. In Jersey there has been a slight slowing, primarily related to the bankruptcy of a major developer, but the pipeline of projects remains full. Renovation and RMI spend has seen a recovery in most markets sequentially through the Period.

Acquisition and development pipeline update

The Company's acquisition strategy is focused on driving scale, synergies and margins, as operations are integrated, invested in and de-risked.

In February 2023, the Group raised £30m to accelerate execution on a pipeline of acquisitions, disposals, and investment projects across the Group, which had been assembled over the previous 12 months. The Directors are pleased to update the market that this programme consisting of 14 projects (including acquisitions, disposals, and organic investments) has been successfully executed upon, subject to final completion steps.

The acquisitions were made on an average EV/EBITDA multiple of 3.9 times, and are expected to contribute an additional c. £8m of annualised EBITDA. The organic investment projects were made on an average EV/EBITDA multiple of 3.3 times and will contribute an expected additional EBITDA of £2m once fully operational.

As part of the development pipeline, the Group also committed to divest of certain non-core assets, all of which have either been completed or are signed subject to regulatory approval, and collectively have, or will, return to the Group approximately £11m in proceeds.

See Appendix for further information on the pipeline of acquisitions, disposals and investment projects.

Outlook

Entering the second half of FY23, the Board is mindful that trading conditions are likely to remain challenging in a number of the Group's markets. Against this backdrop, however, we expect that our diversified end market exposure, geographic spread, and decentralised operating model will continue to deliver a resilient performance. As such, the Board's expectations for the full year remain unchanged.

The full impact of the acquisition programme will manifest over the course of H2, strengthening the Group's competitive position in several local markets, while adding to our geographic diversification in others. Many of these end markets are underpinned by longer term structural growth dynamics, including infrastructure investment, sustainability, energy transition and the increasing use of limestone in various industrial production processes which should enable the Group to accelerate its growth momentum as conditions improve.

The Group continues to be cash generative and, with cash flow also typically seasonally weighted to the second half, leverage is expected to continue to decline absent further acquisition and/or development work.

Max Vermorken, CEO of SigmaRoc, commented:

"The first half of 2023 has been a further validation of the Group's model. A number of the Group's end markets have performed ahead of expectations, and we have been able to move swiftly to implement targeted commercial and operational initiatives in response to destocking and slower demand in some product areas and regions, which has contributed to a very resilient performance in the Period.

In parallel we were very active on the M&A front, seizing a number of opportunities to strengthen the Group's footprint through transactions at highly attractive multiples. The Group is integrating those which have already closed and is preparing to welcome others in H2. Competitively, strategically, and financially the Group has taken a firm step forward.

Looking further ahead we need to respond to the challenges of more volatile end markets and adapt accordingly. We continue to focus our efforts on operational, safety and governance improvements to build a leading Group in quarrying, limestone and industrial materials."

*Consensus expectations for SigmaRoc, being the average of forecasts for the year ending 31 December 2023 provided by Analysts covering the Company, are revenue of £597.0m and underlying EBITDA of £108.7m.

Video Interview

Watch Max Vermorken's interview for more information about this trading update:
<https://www.brrmedia.co.uk/broadcasts/64b9244b5643da433398fbb8/sigmaroc-results-highlights>

Information on the Company is available on its website, www.sigmaroc.com.

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About SigmaRoc plc

SigmaRoc is an innovative quarrying and construction materials group with sites in the UK and Northern Europe.

SigmaRoc's vision is to become the leading European quarried materials group, seeking to create value by purchasing assets in fragmented materials markets and extracting efficiencies through active management and forming the assets into larger groups. In addition, through the development of new products and services, the Group aims to meet the challenges of providing customers with innovative and sustainable solutions for the future.

SigmaRoc has a strong balance sheet and a growth strategy driven by both acquisitive and organic growth initiatives.

The Group listed on AIM in 2017, has made over 15 acquisitions, and now employs over 2,000 staff in more than 80 sites across the UK and Europe.

APPENDIX

Acquisition and development pipeline update:

Acquisition of Goijens Beton, Belgium:

The acquisition of Goijens, a leading supplier of ready-mixed concrete and pumping solutions, was closed at an effective multiple of 5 times recurring average EBITDA for the years 2020 to 2022. As with other acquisitions the Group has made, we expect synergies and operational improvements to reduce the effective multiple paid.

Acquisition of Juuan Dolomiittikalkki, Finland:

The Group completed the acquisition of Juuan Dolomiittikalkki ('JD') for an effective multiple of 2.6 times recurring average EBITDA for the years 2020 to 2022, pre-synergies and operational improvements. JD is a specialist supplier of high-quality dolomitic limestone, used in the agricultural and environmental sectors to improve regulation of soil pH and water retention. JD's operations are located close to the Group's existing Finnish business and represent a valuable extension into dolomitic limestone.

JD adds approximately 1.5m tonnes of reserves, equating to roughly 30 years of operating life, and €1.5m of revenues to the Group. The existing management team will continue to operate and grow JD as it is integrated into Nordkalk's Nordics platform.

Acquisition of Retaining Holding Limited, UK:

The Group closed the acquisition of Retaining Holding Limited ('RHL'), a leading manufacturer of specialty retaining wall systems, for an effective multiple of 2.9 times recurring average EBITDA for the years 2020 to 2022, before expected synergies and operational improvements. This business fits well with the PPG precast platform, both expanding its range of walling solutions, which already includes the patented Alfabloc, as well as extending PPG's reach into the north of the UK.

Acquisition of Björka Mineral, Sweden:

Terms have been agreed to acquire Björka Mineral AB ('Björka Mineral'), a subsidiary of Swiss industrials materials group Omya, for an undisclosed sum.

Björka Mineral is a leading supplier of high-grade limestone and dolomite powders. It operates three quarries that are synergistic to the Group's existing operations in Sweden. The transaction is scheduled to complete first week in August, subject to finalisation of transitional services agreement, and no delay is presently expected.

Acquisition of Cube Beton, Belgium/France border:

SigmaRoc has acquired Cube Beton, a subsidiary of leading limestone producer Groupe CB, for an initial consideration of 3.5 times recurring EBITDA for the year 2022. The acquisition brings into the Group four concrete plants located on the Belgian border with France which will be fed from the Group's aggregates operation in Belgium, thereby securing a proportion of its output. The transaction is expected to complete in September following the required local regulatory steps. No delay or challenge is presently expected.

Acquisition of ST Investicija, Lithuania:

The Group is pleased to announce it has acquired aggregates supplier ST Investicija UAB and its subsidiaries, which operate three quarries in Lithuania. The acquisition materially strengthens the aggregates business of our Baltics platform, bolstering the mineral position and quarrying assets of the Group in this region.

Strategic initiatives:

We are pleased to report that a number of strategic initiatives have been made in the Period, allowing us to enhance our existing facilities, along with some exciting and market leading achievements in green technology. These include:

Development of Asphalt plant:

The Group has commenced its onsite civils program allowing for the delivery, installation and commissioning of a new asphalt plant in September 2023. The plant will be able to supply up to 150 tonnes per hour of both hot and cold asphalt, as well as the production of sustainable asphalt using proven nappy-cycle and recycled asphalt. The site will allow the Group to expand its product and service offerings along the M4 corridor to existing and new customers including local communities, SWTRA and large infrastructure projects.

Development of Biofuels:

The Group continues to develop the use of its alternative fuels program, including biofuels, across its kiln network. The project has achieved successful continual testing of 100% substitution of biofuels whilst maintaining at least 35% biofuels in other kilns as the Group continues its development program.

Installation of Aqualung, first phase:

As already announced, the Group successfully installed its first carbon capture unit at Nordkalk's site in Köping in Sweden. The fully scalable carbon capture system, utilising Aqualung's innovative membrane technology, is the first-ever implementation of its kind in the industry. For further information see our announcement of 22nd June.

Strategic partnership with Materials Evolution:

Earlier in July SigmaRoc announced that it has entered a strategic partnership with Material Evolution, an advanced materials company producing low carbon cement from industrial waste streams, to develop a range of low carbon concrete products. Trials for product development have already commenced at CCP. Further information is available in the announcement of 3rd July.

Divestments:

As part of the development pipeline, the Group also committed to divest of certain non-core assets, all of which have either been completed or are signed subject to regulatory approval, and collectively have, or will, return to the Group approximately £11m in proceeds. These are:

Disposal of industrial land, Belgium:

The Group disposed of nearly 6 hectares of industrial land in Belgium as well as a disused quarry, which was turned into a deep-water diving centre. Neither land holding was operationally nor strategically core to the Group.

Disposal of grinding plant, Poland:

The Group has disposed of a grinding plant at an effective multiple of 7.2 times recurring EBITDA. The installation is no-longer core to the Group's operations and located at a significant distance from any of the Group's mineral resources. The transaction is expected to complete in September following the required local regulatory steps which take several months. No delay or challenge is presently expected.

Disposal of road maintenance business Belgium:

The Group successfully disposed of a road maintenance business acquired with one of its recent acquisitions. The disposal consisted of goodwill, staff, and a few machines, and was closed at an effective multiple of 5.3 times recurring average EBITDA for the year 2022.