20 October 2022

(EPIC: SRC / Market: AIM / Sector: Construction Materials)

SIGMAROC PLC

('SigmaRoc', the 'Group' or the 'Company')

Q3 Trading Update

SigmaRoc (AIM: SRC), the quarried materials group, is pleased to update the market on its performance for the nine months ended 30 September 2022 (the 'Period'):

Financial summary

- Revenue for the Period of £394m, up 19% on a like-for-like basis over the same period in 2021;
- Underlying EBITDA for the Period of £77m, up 5% on a like-for-like basis over 2021;
- EBITDA margin of 19.5%, ahead of management's expectations, with effective pricing action and ongoing efficiency initiatives mitigating the current inflationary environment;
- Good cash generation for the Period with focus on de-gearing through to 31 December 2022;
- The Board is confident in delivering the Group's FY22 expectations while remaining mindful of current macro-economic uncertainty and the potential for further unforeseen adverse events.

Demand summary

- Year-to-date average volumes up over 2% on a like-for-like basis over the same period in 2021;
- Group benefiting from broad diversification across products, end markets and geography;
- 41% of Group revenues for the Period ('Group Revenues') derived from industrial mineral markets which have seen resilient demand, supported by structural drivers:
    - ***Environmental, Agriculture and Chemical*** (18% of Group Revenues) have seen continued good structural demand pull through, with additional, ongoing substitution by customers of materials previously sourced from Russia
    - ***Pulp, Paper & Board*** (13% of Group Revenues) order books continue to replenish at historically high rates, with underlying demand from pulp customers increasing as part of the transition in packaging materials away from plastic and with the Group also benefitting from an increasing switch by customers to our products
    - ***Metals*** (10% of Group Revenues) order intake remains stable, despite lower European steel production in H2, with the Group able to sell product into a range of alternative local industrial markets
- 57% of Group revenues derived from construction markets, with over half of this from infrastructure applications which have continued to see robust demand
    - ***Infrastructure*** (35% of Group Revenues) robust demand across UK and European platforms, underpinned by customer guided volumes into 2023 as well as significant project wins
    - ***Residential*** (22% of Group Revenues) robust orderbooks in commercial markets and high specification products, including the Greenbloc range, offsetting low exposure to softening UK RMI market (total UK residential exposure is 7.5% of Group Revenues)

Operational update

Volatility in energy markets continues to present challenges both to our business and those of our customers. However, a combination of contractual pass through, dynamic pricing and hedging arrangements continue to offset this inflationary pressure and have ensured that solid operating margins are being maintained in all platforms. While only early into the final quarter, electricity prices in Q4 have been relatively low across the Nordic region, with the Group taking advantage by maximising production. The Group has good hedging in place for the remainder of 2022 and through 2023, with hedging levels for electricity across the Nordics at the upper limit of the Group's hedging mandate and at prices which, while on average higher than 2022, can be managed via relatively modest sales pricing adjustments.

The Group continues to implement highly effective performance improvement programmes, in each of its platforms, which have enhanced throughput and utilisation, improved commercial terms, increased materials reserves, and extended and de-bottle necked capacity. Initiatives instigated during the Period are expected to realise EBITDA benefits of £5m in 2022, with significant further scope for performance enhancement in 2023 and beyond.

This ongoing performance enhancement focus represents a key element of SigmaRoc's strategy, with average underlying EBITDA of the businesses acquired by the Group being improved by 19% under its ownership.

Strategic update

During the period the Group has deployed approximately £56m of growth investment, encompassing both organic expansion and acquisitions ('Growth Investment'). However, there remain a number of strategic, value enhancement initiatives which the Board believes will, taken together, generate significant operational and financial gains in each of the five platforms:

- Continued operational efficiency improvements and cost saving initiatives at Nordkalk, including conversion of rotary kilns to biofuels
- New Baltics aggregates division at Nordkalk to take advantage of market dynamics
- Expanding product offering at Nordkalk for the steel and paper industries
- Further mining and extraction efficiencies at Soignies
- Finalisation of Poundfield yard extension with 14 full acres of production capacity up from 7
- Greenbloc application in major infrastructure and development projects
- Harries secured SWTRA contract after successfully restructuring the contracting division
- Management restructure at Johnston to optimise profitability and maximise contribution from Bath Stone
- Reserve extensions at Channel Islands extending life of mines by approximately 20 years each

Group cash flows are expected to be more than sufficient to support the investment required to deliver these programmes. The Group has an excellent track record in identifying, acquiring and integrating businesses that have enhanced the operational footprint of the Group and extended its reach into new geographies, products and end markets. The Board reviews a number of acquisition opportunities, but remains strictly driven by the economics of any deal, only looking for highly value-accretive opportunities that it is uniquely placed to execute and from which it can generate increased value.

New Organisational Structure at Nordkalk

In Q3 the Group implemented a new organisational structure at Nordkalk, with a separate quicklime division and two new geographical regions in Northern Europe. The new organisational structure will enable Nordkalk to be more agile in the face of a volatile market backdrop, take advantage of opportunities within its footprint, such as the Baltics markets, and place more focus on its carbonates business.

Ronez planning approval

The Group is pleased to report that planning application to develop a greenfield quarry at Chouet Headland in Guernsey was unanimously approved by the Guernsey Development & Planning Authority on 17 October 2022. With current reserves providing a further 7-8 years of production, this approval secures the supply of Ronez value added product streams and the external construction market in Guernsey for the next 20 years.

Balance sheet

The Group's £405m finance facility, of which approximately £73m revolving credit and £100m accordion remains available, has 4 years remaining with head covenants of <3.25x adjusted leverage and >4x interest cover ratios. As previously mentioned, the Group has spent £56m on Growth Investment. As demonstration of the Group's ability to de-gear, had it not committed to Growth Investment during the Period, then leverage ratio, excluding IFRS 16 lease adjustments, would be 1.5x.

Max Vermorken, CEO of SigmaRoc, commented:

"Every quarter this year has been challenging and Q3 was no different. However, the Group's unique structure, decentralised operating model and diversified end markets have allowed it to be agile in the face of these challenges. As a result, we remain on track to deliver our expectations for this year and retain solid and broadly based order books across the Group.

In these more challenging conditions, the Group's ability to drive continued performance enhancement, efficiency and cost saving benefits is a real competitive differentiator. This not only underpins our near term trading outlook, but is also enabling the platforms to take advantage of commercial and strategic opportunities in their local markets. We have identified programmes that we expect to deliver further significant financial benefits and that can be self-funded. This will enable us to maintain our strong momentum, whilst we continue to assess acquisition opportunities on a highly disciplined basis."

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

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014, which forms part of United Kingdom domestic law by virtue of the European (Withdrawal) Act 2018.

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