

**28 October 2020**

## **Ibstock plc**

### **Trading Update**

Ibstock plc ('Ibstock' or the 'Group'), a leading manufacturer of clay bricks and concrete products in the United Kingdom, today issues a trading update for the period to 30 September 2020.

#### **Trading performance and outlook**

The Group saw continuing recovery in demand in the period, with trading conditions improving steadily across the third quarter. Activity levels in our Repair, Maintenance and Improvement (RMI) markets and merchant channels remained robust and we benefitted from improving volumes to our housebuilding customers as activity in the new build housing segment increased.

Both our Clay and Concrete businesses benefited from these improving conditions, with overall Group volumes recovering to around 90% of prior year levels in the month of September and remaining at these levels during the month of October. Group revenues for the three months to 30 September 2020 were 88% of those in the comparative prior year period.

As volumes have continued to improve, the benefit of the cost and capacity actions taken since the start of the second quarter have resulted in an encouraging recovery in margins across both businesses which are trending towards pre-COVID-19 levels on a run rate basis.

We have continued to operate our manufacturing sites in line with the recovery in customer demand and to ensure we have capacity in place to deliver on our volume expectations for the final quarter. As has been the priority since the onset of the pandemic, this has been done whilst ensuring the health and safety of our colleagues, with revised working protocols, including social distancing measures and onsite temperature checks, in place at all of the Group's locations.

The Group exited the third quarter with good momentum and current trading performance is ahead of our previous internal base case for the full year. Subject to there being no further material disruption in the balance of the year, the Board expects adjusted EBITDA for the 2020 financial year to be approximately £50 million.

#### **Focus on maintaining strategic progress**

Having executed an effective operational and financial response to the unprecedented disruption experienced across our business and markets in the second quarter, the sustained recovery in activity levels through the third quarter has enabled us to increase our focus on the initiatives that will support our long term strategic objectives.

As we addressed the issues arising from the pandemic we also decided to extend the programme of measures to improve the flexibility and cost competitiveness of the Group's manufacturing base, with the restructuring of operations, first announced in early June, expected to substantially complete by the end of the year. These actions are expected to result in a material structural reduction in our fixed cost base, delivering up to £20 million of annual cost savings in 2021. Whilst this will enable us to optimise returns should volumes remain below pre-COVID-19 levels, we have also retained the flexibility to respond quickly to scale up production as demand improves.

The Group continues to manage cash closely and remains in a robust financial position. We anticipate a reduction in net debt by the end of the year, compared to the £103 million reported as at the half year end, ensuring significant headroom under our £215 million revolving credit facility, which expires in March 2022, and against our renegotiated covenants. The inherent returns and cash generation capability of the business, enhanced by the cost actions taken, should enable the Group to de-lever quickly in 2021 assuming demand conditions remain broadly stable, enabling us to continue to deliver shareholder returns and invest in the Group's long term growth strategy, in line with our capital allocation priorities.

## **Pensions**

During the third quarter, the Ibstock plc Pension Scheme completed a partial buy-in transaction with a specialist third-party provider. This transaction, which insures just over half of the Group's defined benefit liability, represents a significant step in the Group's continuing strategy of de-risking its pensions exposure.

### **Joe Hudson, Chief Executive Officer of Ibstock plc, commented:**

"We are encouraged by the continued recovery in demand seen in the third quarter in both our Clay and Concrete businesses, although we remain mindful that there is significant uncertainty in the period ahead.

"We remain confident in the recovery of our markets over time and that the actions we have taken in the business leave us both with the necessary flexibility to meet current challenges and an organisation well positioned to take full advantage of future opportunities."

-Ends-

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## **About Ibstock Plc**

Ibstock plc is a leading manufacturer of clay bricks and a diversified range of clay and concrete products, from its operations in the United Kingdom. Its principal products are clay bricks, brick components, concrete roof tiles, concrete substitutes for stone masonry, concrete fencing and pre-stressed concrete products.

The Group's two divisions are:

**Ibstock Clay:** The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 19 manufacturing sites Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 23 active quarries located close to its manufacturing plants. **Ibstock Kevington**

provides masonry and pre-fabricated component building solutions, operating from 5 sites across the UK.

Ibstock Concrete: A leading manufacturer of concrete roofing, walling, flooring and fencing products, along with lintels and general concrete building products, with 15 manufacturing plants in the United Kingdom.

### **Forward-looking statements**

This announcement contains "forward-looking statements". These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the directors. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are difficult to predict and outside of the Group's ability to control. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, the Group undertakes no obligation to update or revise publicly any forward-looking statements.