Ibstock Plc

2019 Preliminary Results

3 March 2020

At the heart of building

Disclaimer

The information contained in this presentation has not been independently verified and this presentation contains various forward-looking statements that reflect management’s current views with respect to future events and financial and operational performance. The words “growing”, “scope”, “platform”, “future”, “expected”, “estimated”, “accelerating”, “expanding”, “continuing”, “potential” and “sustainable” and similar expressions or variations on such expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond Ibstock plc’s (the “Group’s”) control and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this presentation and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this document should be construed as a profit forecast.

Agenda

1. OVERVIEW
2. FINANCIAL REVIEW
3. OPERATIONAL REVIEW
4. STRATEGIC UPDATE
5. Q&A

Joe Hudson
CEO

Chris McLeish
CFO

Overview

FINANCIAL OVERVIEW

Revenues
+5% to
£409m

Adjusted EBITDA
+9% to
£122m

Net debt to EBITDA at
0.7x
(excluding IFRS16)

Total ordinary dividend of
9.7p per share
in addition to supplementary **dividend of 5.0p** per share

OPERATIONAL OVERVIEW

New build housing sector broadly stable, albeit softer market conditions in H2

Making good progress on our key strategic initiatives

Clay production volumes benefiting from focus on maintenance, ongoing investment and new Eclipse plant

Announcing a new Clay brick growth project

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Financial review

Financial highlights

Year ended 31 December (£m) Continuing operations	2019	2018	Movement	
Revenue	409.3	391.4	+5%	▲
Adjusted EBITDA[(1)]	122.3	112.4	+9%	▲
Adjusted PBT	84.8	84.5	-	▲
Adjusted EPS	18.3p	18.8p	(3%)	▼
Exceptional profits on disposal of property	-	9.5		
Reported EPS	16.3p	18.8p	(13%)	▼
Total ordinary dividend	9.7p	9.5p	+2%	▲
Supplementary dividend	5.0p	6.5p		
ROCE[(2)]	19.3%	20.6%	(130bps)	▼
Net debt to Adjusted EBITDA[(3)]	0.7x	0.4x	+0.3x	▲

Note

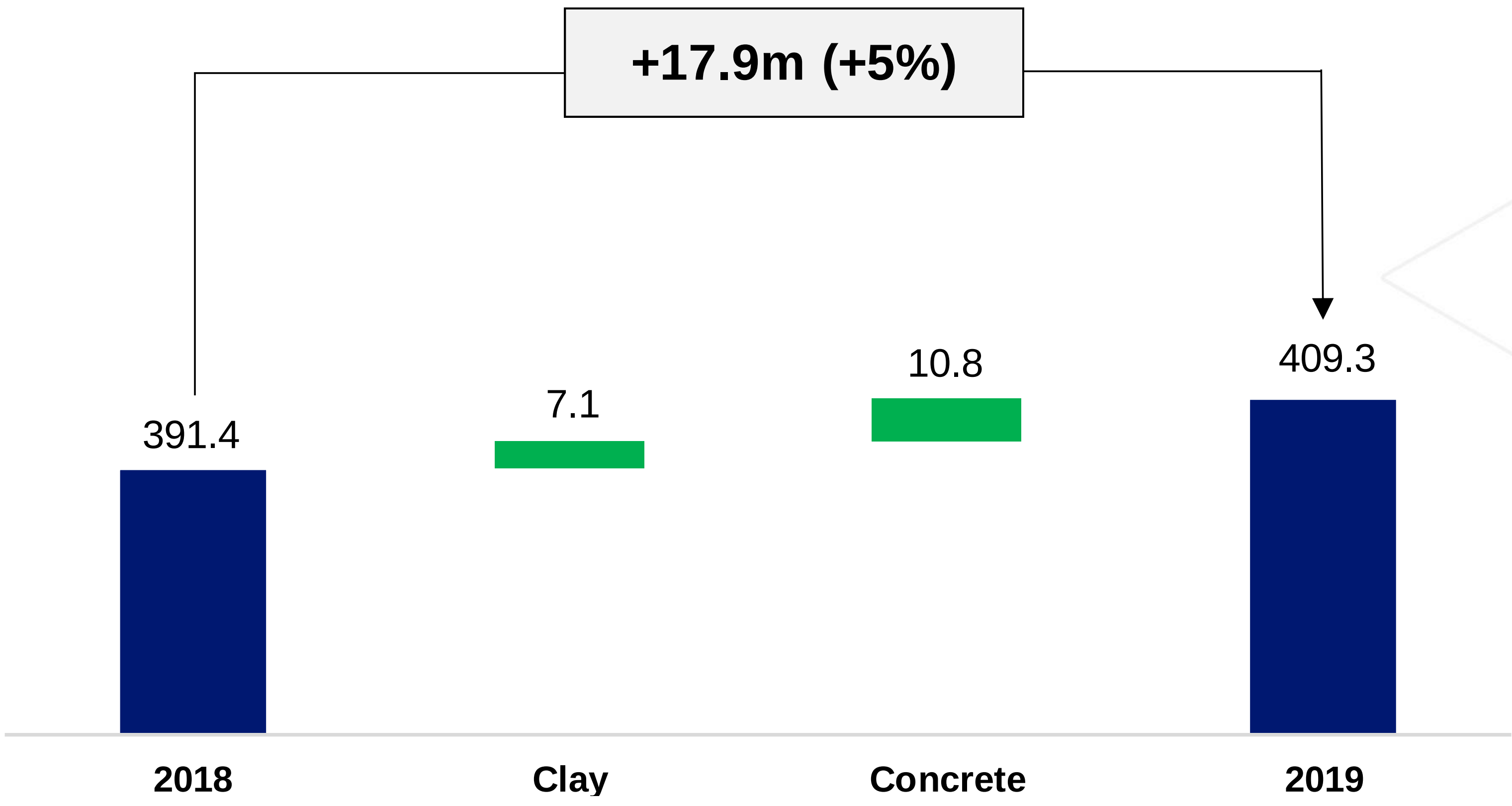
(1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items. 2019 Adjusted EBITDA includes a benefit of £7.1m arising from the adoption of IFRS 16 Lease Accounting with effect from 1 January 2019.

(2) ROCE is EBIT adjusted for exceptional items as a proportion of average capital employed (net debt plus equity excluding pensions)

(3) Net debt to Adjusted EBITDA excludes the impact of IFRS 16 leasing adjustments

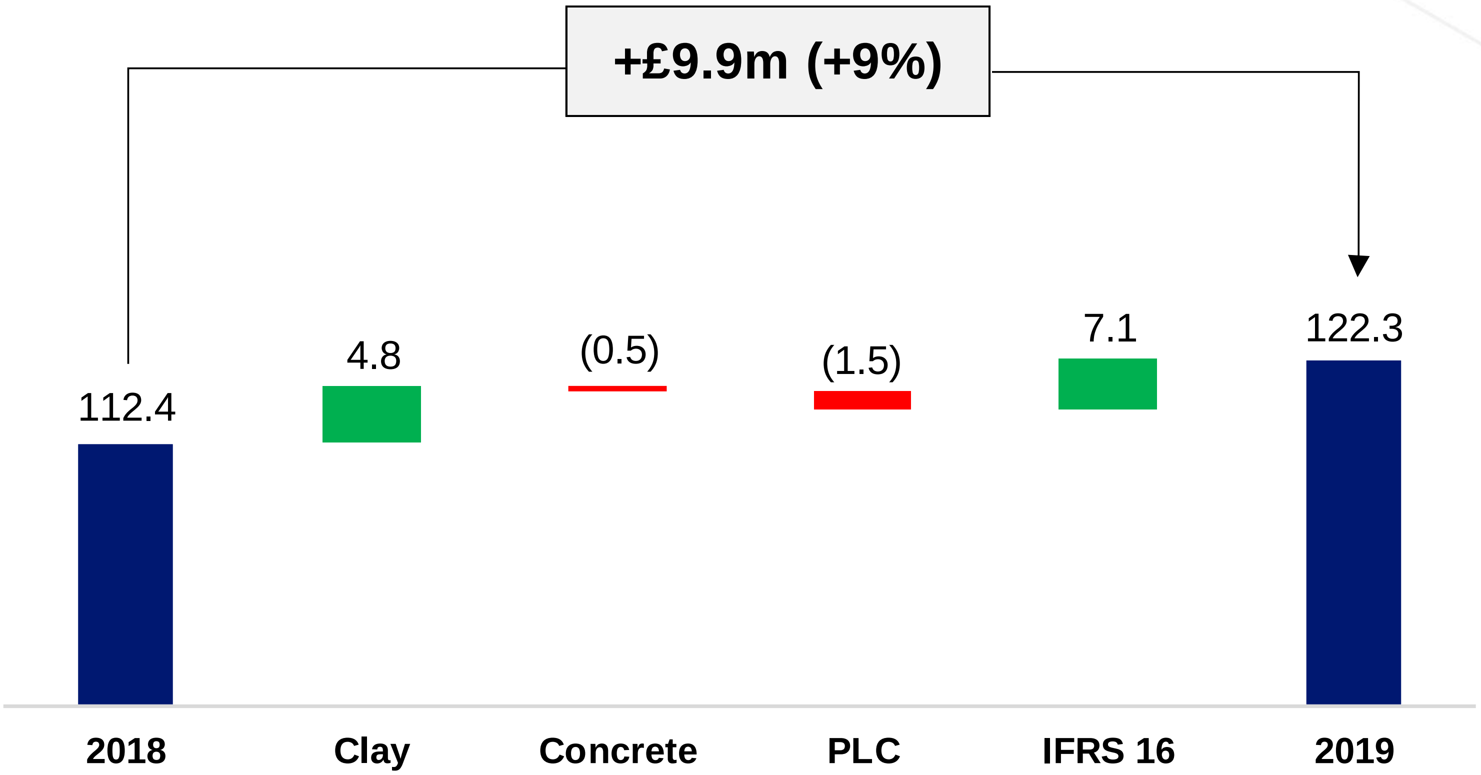
- Resilient trading performance
- Solid revenue growth across both divisions
- Adjusted EBITDA up 2%, excluding impact of IFRS16
- Adjusted EPS is slightly lower year-on-year reflecting higher D&A and higher tax rate
- Reported EPS is lower year-on-year primarily due to the exceptional profit on disposal of surplus properties in 2018
- ROCE movement primarily reflects recent capex investment, acquisition of Longley Concrete and increased inventory in 2019

Solid revenue growth across both divisions



- Group revenue up 5% to £409m
- Clay division growth reflects positive pricing benefits with volumes slightly lower due to market conditions in H2
- Concrete revenue growth primarily reflects solid growth in roofing and consolidation of Longley acquisition

Adjusted EBITDA bridge



- Adjusted EBITDA +9% to £122m, reflecting;
- Revenue growth in Clay division, partly offset by higher energy and maintenance costs
- Concrete profitability reflects softer RMI and infrastructure markets, partly offset by £0.7m benefit from Longley acquisition in H2
- Increase in PLC costs primarily due to higher operating expenses and lower R&D credit
- £7m benefit from the adoption of IFRS 16
  - £5m Clay
  - £2m Concrete

Strong cash flow supporting growth and returns

Year ended 31 December (£m)	2019	2018	Change	% Change
Adjusted EBITDA(2)	**122**	**112**	**+10**	**+9%**
Δ in net working capital	(24)	(7)	(17)	
Net interest	(3)	(4)	+1	
Tax	(13)	(10)	(3)	
Post-employment benefits(3)	(2)	(7)	+5	
Other(4)	(8)	-	(8)	
Adjusted operating cash flow	**72**	**84**	**(12)**	**(14%)**
Capex	(39)	(31)	(8)	
Adjusted free cash flow	**33**	**53**	**(20)**	**(38%)**

Note

(1) Adjusted cash flow excludes the cash flow impact of exceptional items

(2) 2019 Adjusted EBITDA includes a benefit of £7.1m relating to IFRS 16 leasing adjustments

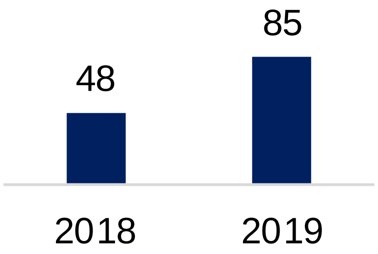
(3) Additional cash contributions to DB pension scheme

(4) Includes share based payment charge and 2019 lease payments

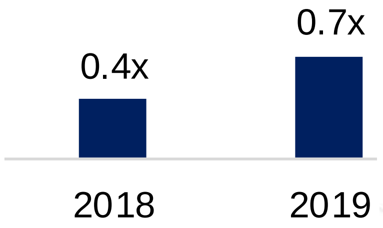
(5) Net debt and leverage exclude the impact of IFRS 16 leasing adjustments

- Working capital outflow primarily reflects inventory build in Clay division, from historically low levels at start of year
- Capex reflects higher maintenance spend of c.£25m and first year of enhancement projects
- Lower tax paid in 2018 benefited from receipt of claims made in the prior year for allowable expenses. Higher tax payments expected in 2020 due to HMRC rule change
- Other notable cash movements - dividend payments of £60m (including supplementary dividend) and acquisition of Longley Concrete £13m

Net debt(5) (£m)



Leverage(5)



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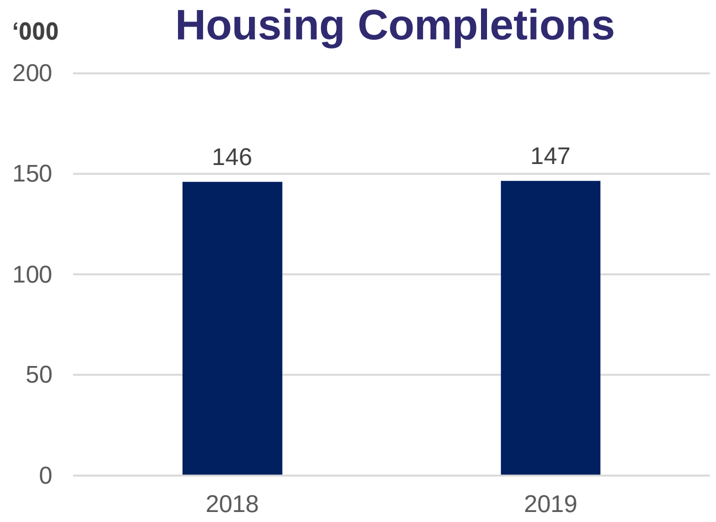
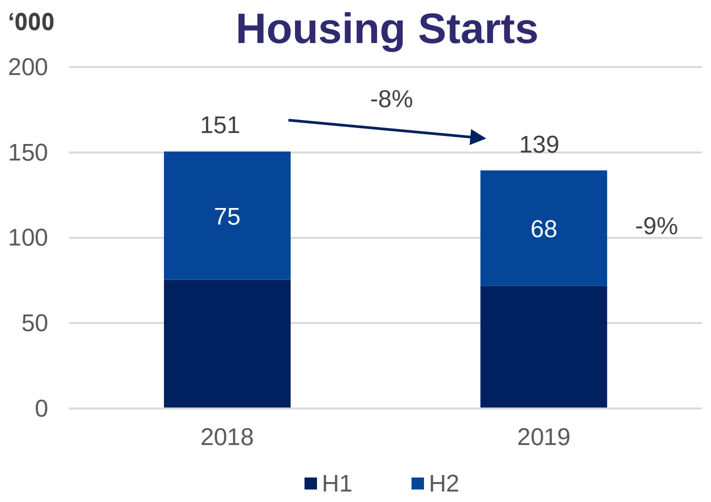
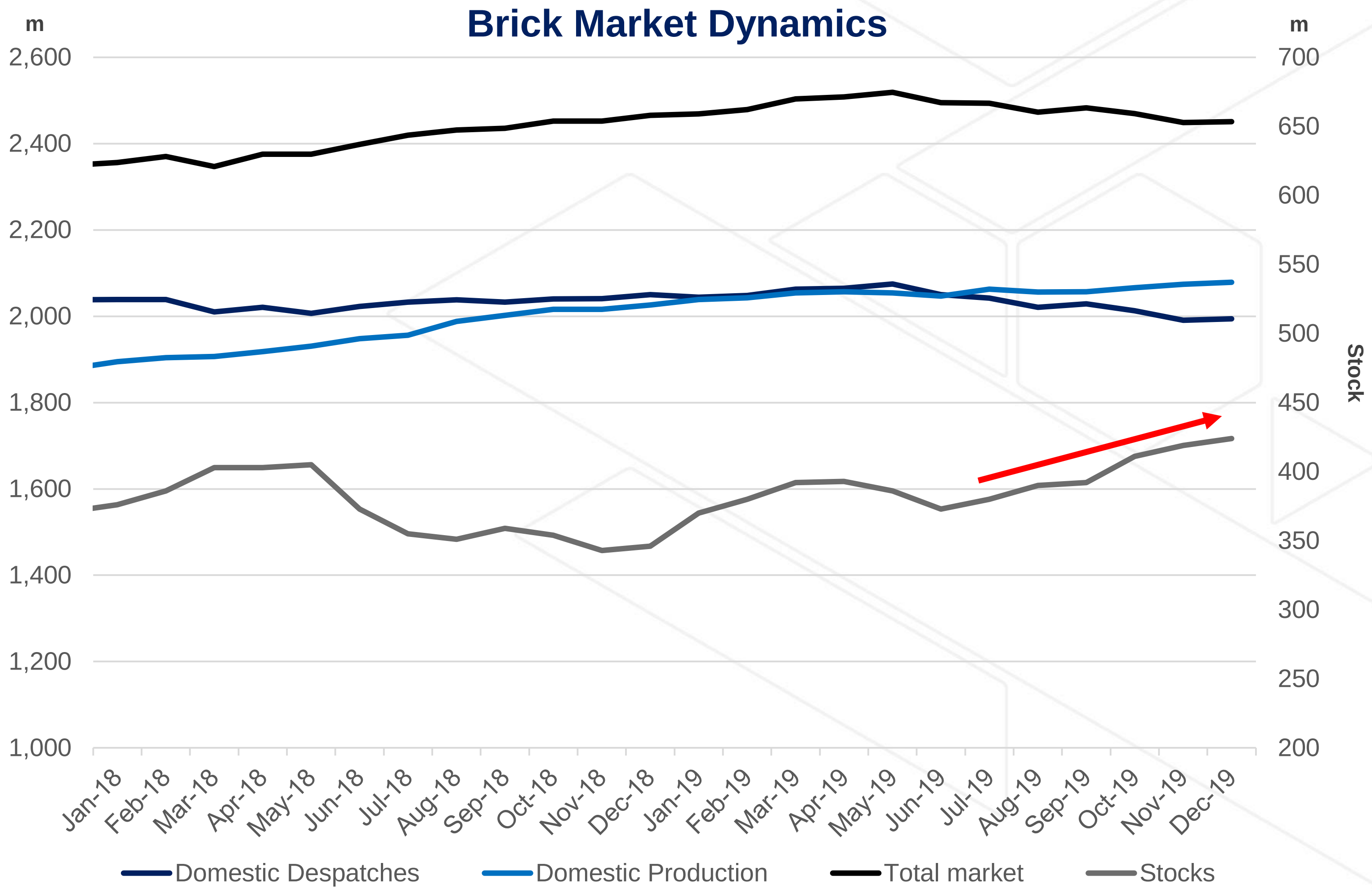
Operational review

Recent market dynamics







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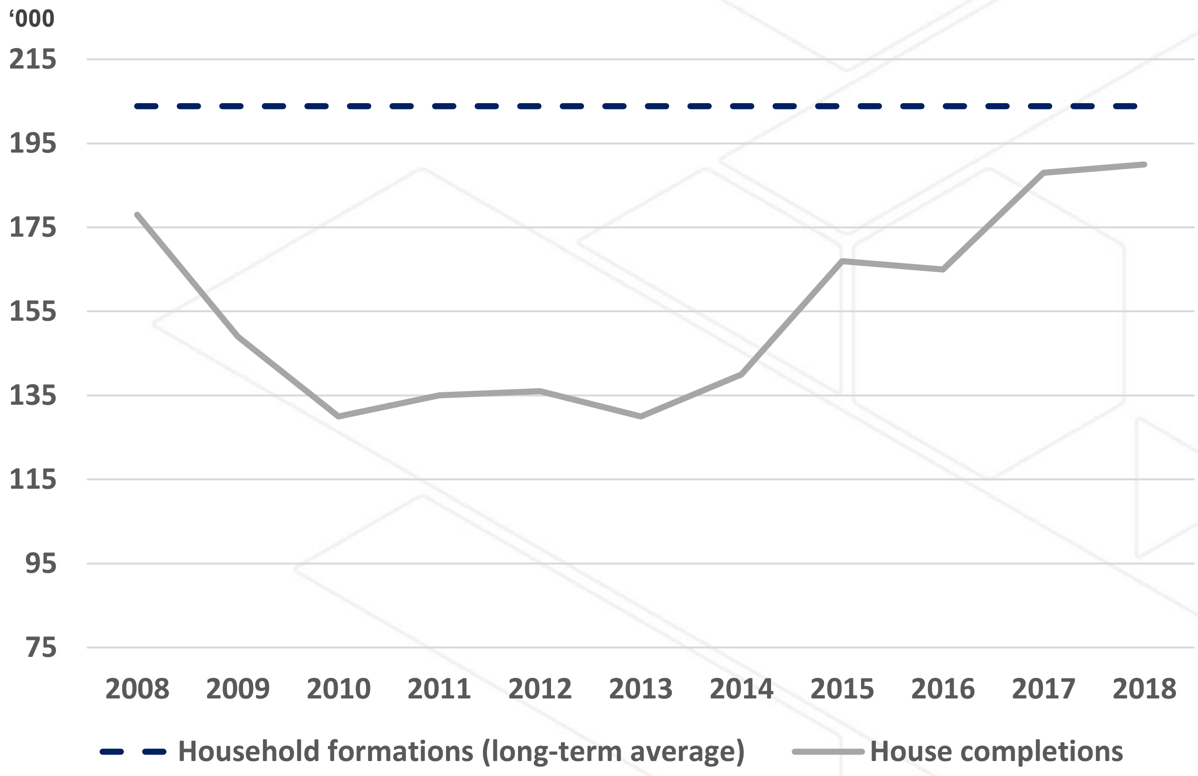
Note: Housing starts and completions from NHBC data, which does not include all UK new build residential construction activity and is provided for illustrative purposes only

Market fundamentals remain supportive

- Substantial housing deficit
- Government commitment to new house building
- Help-to-buy scheme extended to 2023
- High employment levels, low interest rates and good mortgage availability
- First time buyer mortgage approvals at the highest level since 2006



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Note: Chart data sourced from ONS, MHCLG and CPA forecasts

Strategic progress in Clay

Year ended 31 December (£m)	2019	2018	Change	% Change
Revenue	**300.5**	**293.4**	**+7.1**	**+2%**
Adjusted EBITDA	**106.7**	**96.7**	**+10.0**	**+10%**
Margin	*36%*	*33%*		

- Good progress with strategic initiatives;
  - Improving our commercial capabilities
  - Maintenance culture
  - Manufacturing output and reliability, including first full year of Eclipse
- Inventory levels increased from historic lows at end of 2018, well positioned for improvement in market conditions

Ibstock Brick

Ibstock Kevington

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Note: 2019 adjusted EBITDA included £5m benefit from IFRS 16

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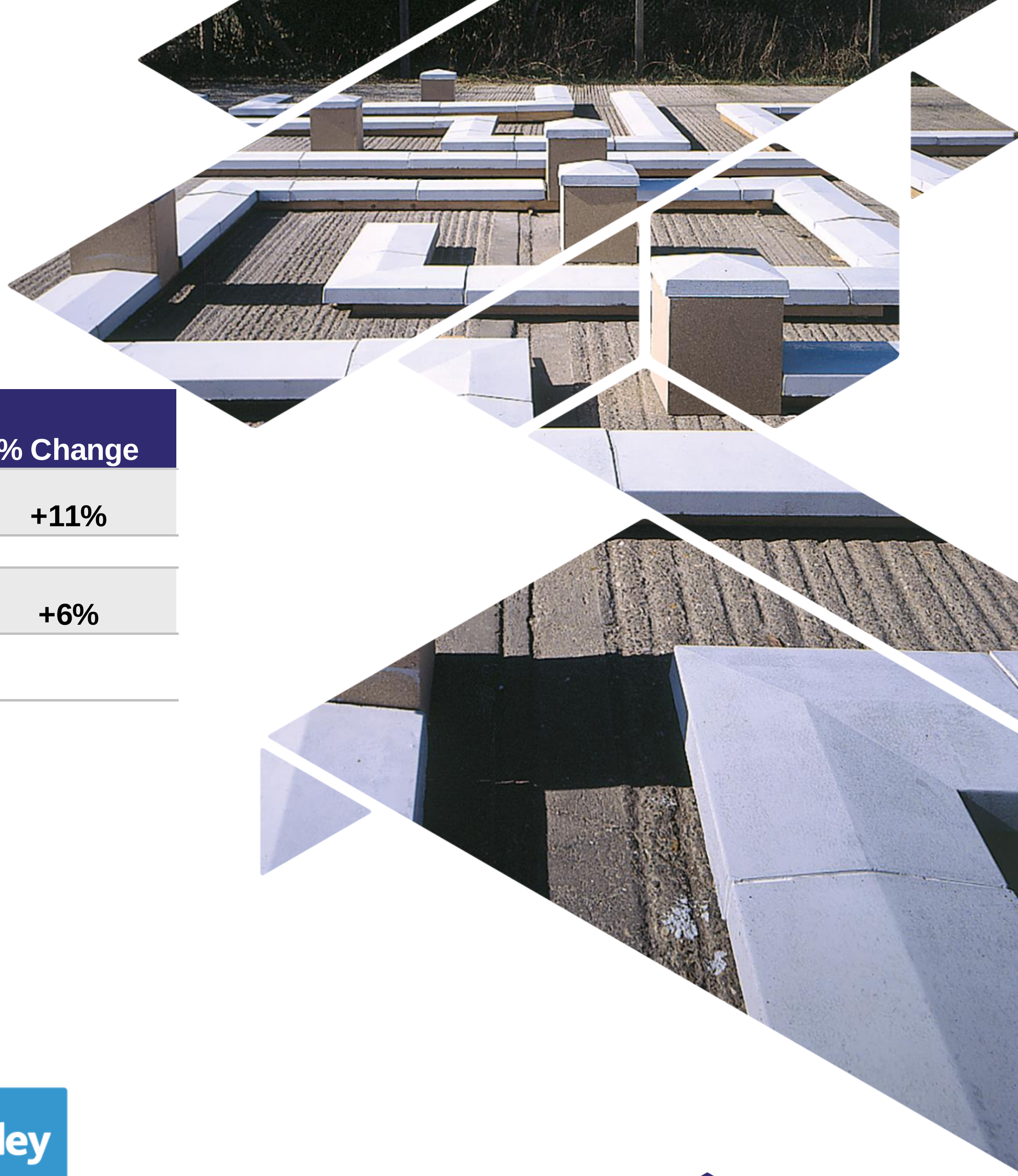
Concrete update

Year ended 31 December (£m)	2019	2018	Change	% Change
Revenue	**108.8**	**98.0**	**+10.8**	**+11%**
Adjusted EBITDA	**21.9**	**20.6**	**+1.3**	**+6%**
Margin	*20%*	*21%*		

- Divisional re-organisation complete
- Solid trading results despite tougher market conditions
- Strong growth and market share gain in roofing
- Integration of Longley concrete progressing as planned



Forticrete Supreme Anderton Longley

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Note: 2019 adjusted EBITDA included £2m benefit from IFRS 16

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Concrete division overview

HOUSE BUILDING

AESTHETIC PRODUCTS

Revenue: **c.£50m**

- Roof tiles
- Walling and cast stone

Forticrete | Supreme

STRUCTURAL AND LANDSCAPING

Revenue: **c.£50m**

- Flooring
- Lintels
- Fencing

Supreme | Longley

INFRASTRUCTURE

RAIL AND CIVILS

Revenue: **£10m**

- Rail
- Retaining walls and civil products

Anderton

Outlook

- Market fundamentals remain robust
- Political uncertainty resulted in subdued market conditions in the second half of 2019 and a slower start to 2020
- Activity levels anticipated to improve as the year progresses, and as a result, we expect to deliver a stable outcome for the year

Strategic update

Our strategy to create long term value

Purpose:
To build a better world, by being at the heart of building

Vision:
Enabling the construction of homes that inspire people to work and live better

A purpose-led company

Sustainable Performance

Developing our leadership position with commitment to ongoing investment and optimisation, to drive world class sustainable performance across our operations.

- Sustainability embedded into all aspects of our business with the launch of our 2025 roadmap
- Health and Safety roadmap
- Improved maintenance processes and embedding a continuous improvement culture in our manufacturing operations
- Investment in our people and driving performance culture

Sustainability Roadmap

20% ROOF TILES
Product innovation
Same coverage with 20% less tiles

65% CLAY BRICKS
Eclipse Factory
Almost 70% less energy is used to make a brick than in 1970

8% PLASTIC
Plastic packaging usage has been reduced by 8% since 2015

2019

2021

2023

2025

£
Fundraise for Shelter, our Group Charity Partner

ZERO
Waste to landfill

100%
Of sites to be reporting their community engagement

Diversity
Continuing to develop and drive our diversity agenda

15%
Minimum reduction in CO_2 per tonne of production

10%
Increase in sales of sustainable products

50%
Reduction in Lost Time Incident Frequency Rate (LTIFR)

100%
Suppliers to be compliant with Supplier Sustainability Code of Business Conduct and Procurement Policy (SSCBC)

5%
Reduction in mains water use per tonne of production

Recent Progress

Carbon reduction

Solar Farm Investment

Automated LED lighting

Plastics reduction

edie Sustainability Leaders Awards 2019

Shelter

insider MADE IN THE UK

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Innovation

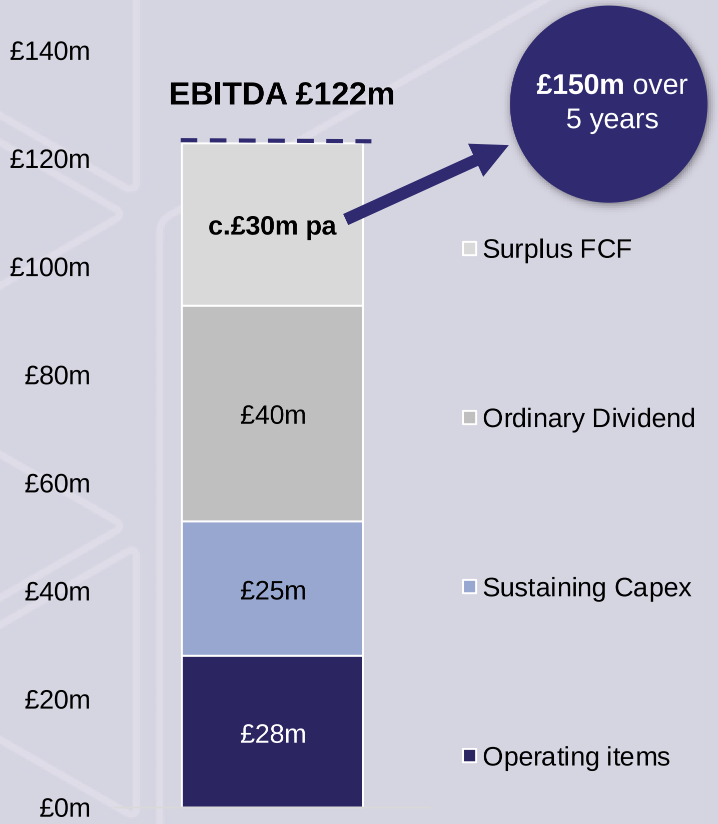
The construction industry continues to evolve, as our customers look to control construction costs and drive efficiency in the build process.

We are committed to being at the forefront of innovation as the market evolves, with a clear focus on strengthening our commercial functions, delivering great customer service and developing new products.

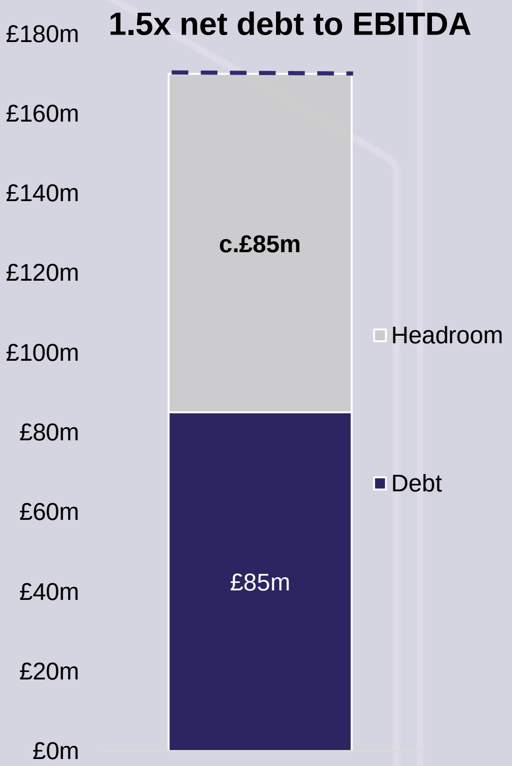
- London i-studio design centre launch
- Investment in new product development and digital platforms to improve customer experience
- Supply chain optimisation to improve customer service
    - Pilot scheme demonstrated significant reduction in cancellation rates
- Focus on components and building solutions (e.g. MechSlip)

Over £200m of capital available to deliver growth and shareholder returns over the next 5 years

Normalised FCF generation



Balance Sheet headroom



Surplus property disposals

Further **£10m - £20m** of surplus property disposals expected over the next 3-5 years

Annual FCF generation is provided for illustrative purposes only. Operating items of £28m assumes normalised working capital, tax, interest and lease payments
Balance Sheet headroom calculated as difference between current debt and upper end of leverage range (excluding IFRS16)

Disciplined capital allocation

Maintain and enhance our existing assets

Sustainable and **progressive ordinary dividend**

Deliver major **organic growth projects** and invest selectively in **inorganic growth**

Return **surplus capital** to shareholders when appropriate

STRONG BALANCE SHEET

Net debt to EBITDA ratio range of **0.5x to 1.5x** through the cycle

Selective growth

Our core business provides a solid platform for future growth, with strong brands, customer relationships and established routes to market. With a strong balance sheet, we have the capacity to invest in both organic growth projects and M&A.

ORGANIC PROJECTS ARE SCREENED FOR THE FOLLOWING CRITERIA;

- Attractive return profile ✓
- Improved competitive positioning ✓
- Improvement in production cost profile ✓
- Sustainability credentials and environmental impact ✓

INORGANIC GROWTH OPPORTUNITIES ARE TARGETED;

- To expand our regional reach or product portfolio ✓
- Primarily within the residential building envelope ✓
- To build leading market positions and leverage existing routes to market ✓

Strong pipeline of organic growth projects

Long history of capacity expansion and development projects

Leighton Buzzard 2005

Throckley 2006

Chesterton 2014

New roof tile line 2017

Eclipse 2018

New wire cut clay brick manufacturing facility

Redevelopment of existing manufacturing facility at our Atlas site in the Midlands to create state-of-the-art 80m capacity brick factory

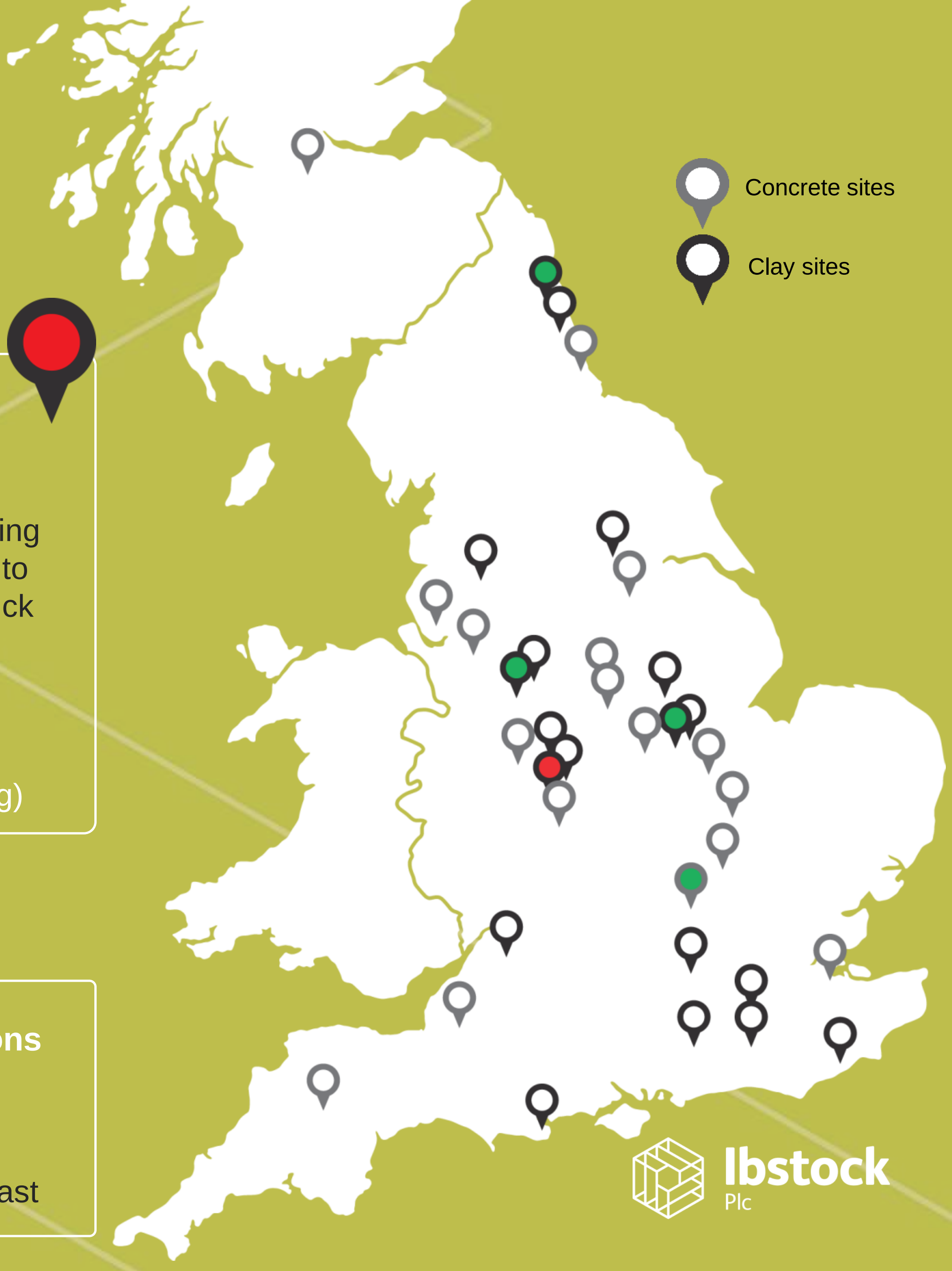
CAPEX: c.£45m
COMMISIONING: 2022
STATUS: Approved (subject to planning)

Total capex for 2020 expected to be c.£40m

Potential future development options

New concrete flooring plant

Soft-mud expansion project in South East



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Summary

UK focused business with strong market positions
- Ibstock Clay
- Ibstock Concrete

SUSTAIN
- Sustainability roadmap
- Operational excellence

INNOVATE
- Commercial excellence
- Product innovation

GROW
- Organic growth projects
- M&A optionality

Opportunities to strengthen our business and drive growth over the medium term

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Q&A

Appendix

Key investment highlights

Market leadership positions	Structural demand growth	Industry structure	High barriers to entry	Strong customer service ethic	Multiple growth options	Experienced senior management team	Strong financial performance
#1 in UK bricks	Strong household formations with supportive UK government policy	Three UK brick manufacturers c90% of capacity	Vertically integrated business model with planning and capital barriers	High quality, broad product range and strong customer relationships	Additional capacity, product innovation and strategic development	Highly experienced management team with extensive industry experience	High operational gearing, strong returns and cash flow

Leading manufacturers of….

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WALLING

- FACING BRICKS
- SPECIAL BRICKS
- WALLING STONE
- SPECIAL WALLING STONE
- ARCHITECTURAL MASONRY
- CAST STONE
- FAÇADE SYSTEMS
- RETAINING WALLS
- LINTELS, SILLS AND ARCHES

ROOFING

- ROOF TILES
- CHIMNEYS
- ROOF WINDOWS
- SOFITS
- ROOFING ACCESSORIES

RAIL AND INFRASTRUCTURE

- TROUGHING
- CABLE THEFT PROTECTION
- BOARDS, BLOCKS AND BASES
- CATCHPITS
- INSPECTION CHAMBERS

GARDEN AND LANDSCAPING

- FENCING
- CAPS AND COPINGS
- BOLLARDS
- BALUSTRADES
- PATH EDGING
- URBAN LANDSCAPING

FLOORING AND GROUNDWORK

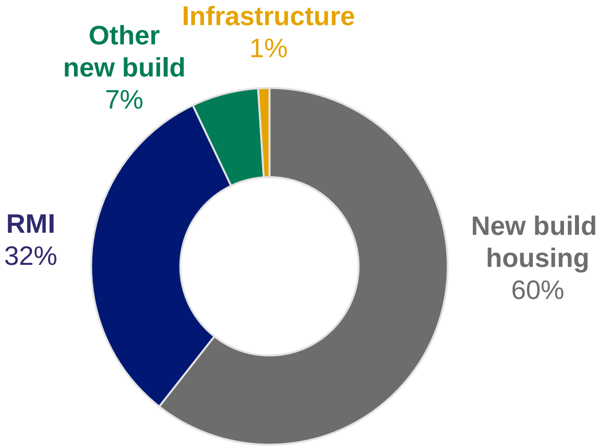
- FLOOR BEAMS
- DOOR STEPS
- GULLY SURROUNDS
- SCREED RAILS

BESPOKE SERVICES

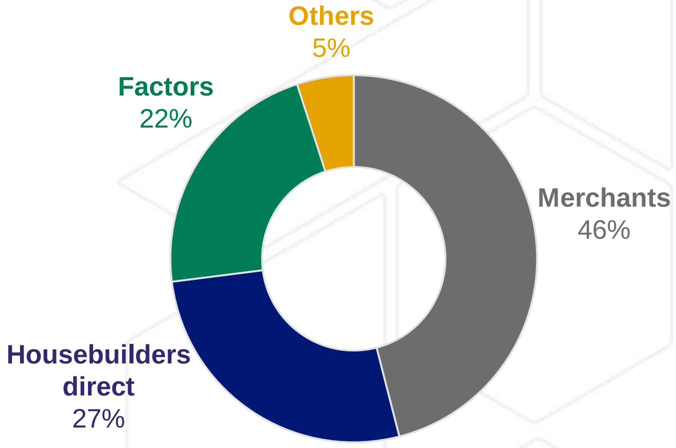
- ENGRAVING AND CUTTING
- FLOOR BEAM DESIGN AND SUPPLY SOLUTIONS
- BESPOKE CONCRETE PRODUCTS

A leading provider of clay and concrete building products

End market



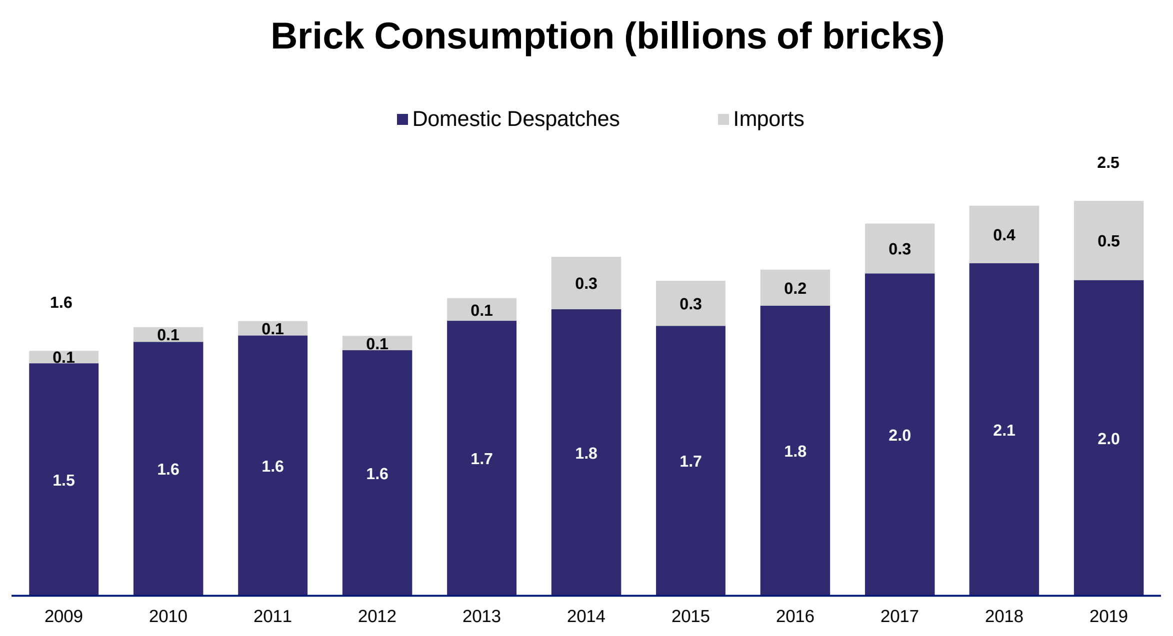
Sales channel

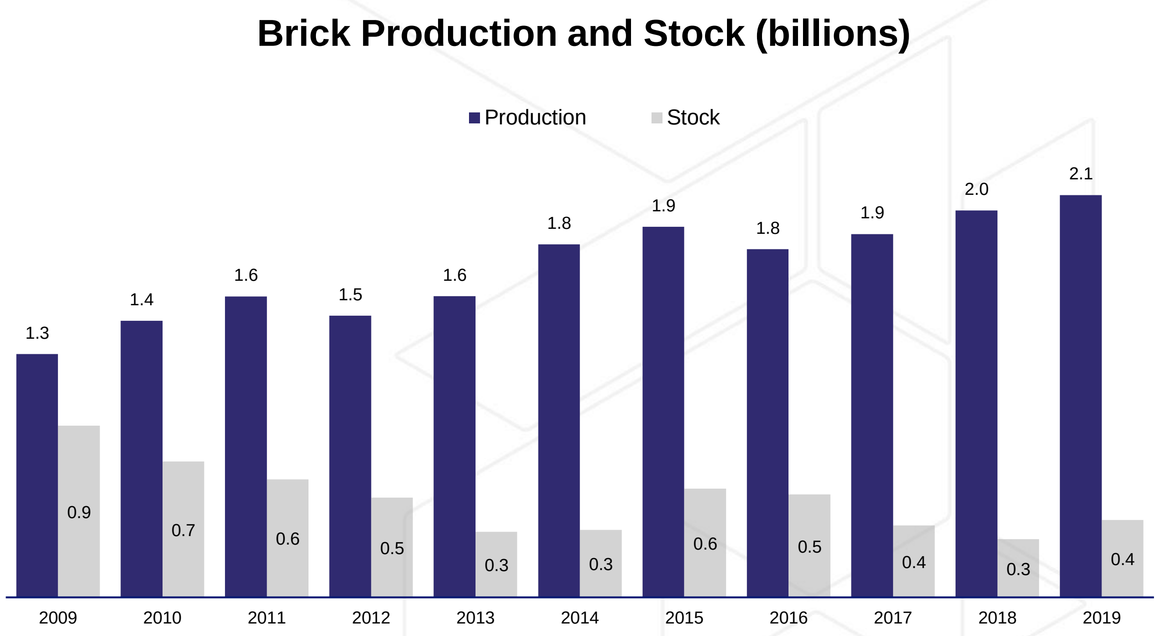


Key supplier to the housing sector	Complementary product offerings	Cross-selling opportunities	Innovative solutions	Opportunity to add new product sectors	RMI exposure provides cyclical resilience

Note:
(1) Based on FY19 Group revenues
(2)The sales channel reflected in the pie chart does not always reflect the individuals and organisation that are making the actual 'buying' decision for products.
In many cases, the preference of the end customers or their specifier dictates the use of a product rather than the intermediary that actually transacts to purchase products

Brick market dynamics





Continued demand for bricks from new build housing

Imports continue to fill the gap between GB supply and demand

Increased availability of imports which are at record levels

All GB industry manufacturing sites now in production

Increased production from existing manufacturing capacity and addition of Eclipse

Industry stocks increased from historically low levels

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Concrete division key products

RAIL AND INFRASTRUCTURE

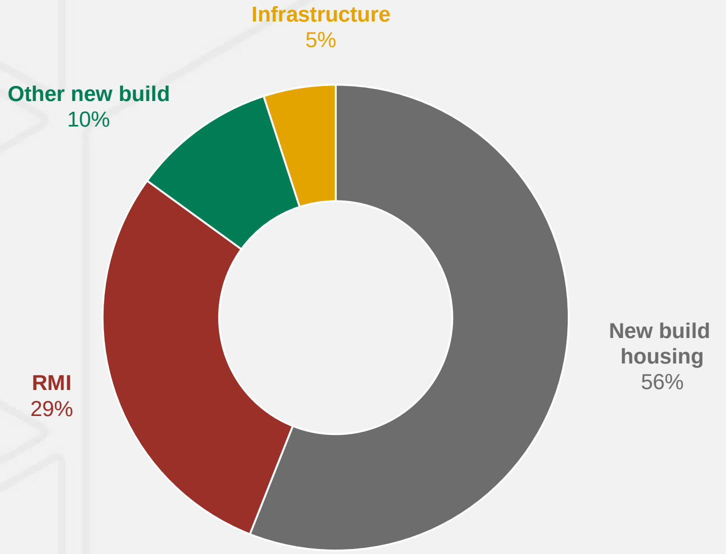
AESTHETICS PRODUCTS

LANDSCAPING

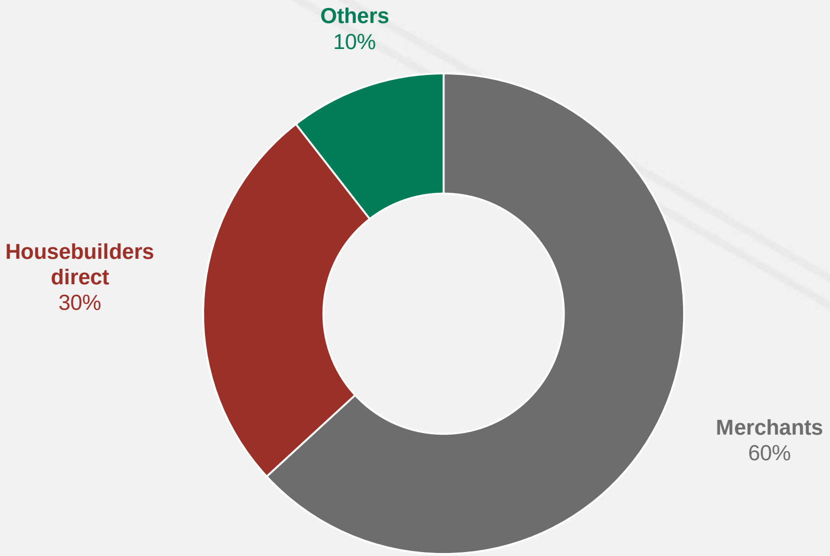
PRESTRESSED PRODUCTS

Concrete division revenue analysis

END MARKET



SALES CHANNEL



Note: (1) Based on FY18 Group revenues | (2) The sales channel reflected in the pie chart does not always reflect the individuals and organisation that are making the actual 'buying' decision for products. In many cases, the preference of the end customers or their specifier dictates the use of a product rather than the intermediary that actually transacts to purchase products

Summary balance sheet

31 December (£m)	2019	2018
Assets		
PP&E	386	365
Right of Use assets	30	-
Intangible	103	101
Non-current assets	**519**	**466**
Inventories	84	68
Trade receivables	58	56
Assets held for sale	1	-
Current assets	**143**	**124**
Total assets	**662**	**590**
Payables	(88)	(92)
Lease liabilities	(30)	-
Other liabilities excluding debt & pension	(84)	(83)
Net assets excluding debt & pension	**460**	**415**
Net debt	(85)	(48)
Pension	89	81
Net assets	**464**	**448**

Summary cash flow

12 months to 31 December	2019	2018
Adjusted EBITDA[(1)]	**122**	**112**
Working capital	(24)	(7)
Net interest	(3)	(4)
Tax	(13)	(10)
Post-employee benefits [(2)]	(1)	(4)
Other	(5)	(5)
Net cash flow from operations	**76**	**82**
Total capex	(39)	(31)
Surplus asset disposals	3	16
Acquisition of Longley	(13)	-
Proceeds of sale of US subsidiary	-	76
Net cash flow from investing activities	**(49)**	**61**
Lease payments	(8)	-
Dividends paid	(60)	(65)
Other	4	(6)
(Increase) / decrease in net debt	**(37)**	**72**

Note

(1) 2019 Adjusted EBITDA includes a benefit of £7.1m relating to IFRS 16 leasing adjustments

(2) Cash costs above P&L costs

Adjusted P&L reconciliation 2019

(£m)	Adjusted	Fair Value Adjustments	Property	Exceptionals	Other	Reported
Revenue	409	-	-	-	-	409
Costs	(287)	-	-	(3)	-	(290)
Other	-	-	-	-	-	-
EBITDA	**122**	**-**	**-**	**(3)**	**-**	**119**
D&A	(26)	(9)	-	-	-	(35)
EBIT	**96**	**(9)**	**-**	**(3)**	**-**	**84**
Finance	(3)	-	-	-	1	(2)
Tax	(18)	2	-	1	(1)	(16)
PAT	**75**	**(7)**	**-**	**(2)**	**-**	**66**
EPS (pence per share)	**18.3p**	**(1.6p)**	**-**	**(0.4p)**	**-**	**16.3p**

Note

(1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items

(2) Adjusted EPS is calculated on the basis of adjusted earnings after tax. Adjusted earnings after tax exclude fair value depreciation and amortisation as well as exceptional items and non-cash interest

(3) The fair value adjustments arose as a result of the 2015 disposal of the Group by CRH plc and the acquisition of Longley during the year

Adjusted P&L reconciliation 2018

(£m)	Adjusted	Fair Value Adjustments	Property	Exceptionals	Other	Reported
Revenue	391	-	-	-	-	391
Costs	(279)	-	-	(3)	-	(282)
Other	-	-	9	2	-	11
EBITDA	**112**	**-**	**9**	**(1)**	**-**	**120**
D&A	(16)	(8)	-	-	-	(24)
EBIT	**96**	**(8)**	**9**	**(1)**	**-**	**96**
Finance	(4)	-	-	-	1	(3)
Tax	(15)	1	(1)	-	(2)	(17)
PAT	**77**	**(7)**	**8**	**(1)**	**(1)**	**76**
EPS (pence per share)	**18.8p**	**(1.7p)**	**1.9p**	**(0.1p)**	**(0.1p)**	**18.8p**

Note

(1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items

(2) Adjusted EPS is calculated on the basis of adjusted earnings after tax. Adjusted earnings after tax exclude fair value depreciation and amortisation as w ell as exceptional items and non-cash interest

(3) The fair value adjustments arose as a result of the 2015 disposal of the Group by CRH plc

(4) The property adjustment relates to the exceptional profit on disposal of major surplus land sales

(5) Exceptional costs included w ithin EBITDA relate to additional UK pension scheme closure costs of £2.0m and other corporate and restructuring costs totaling £1.3m

(6) Exceptional income included w ithin EBITDA relates to the release of a provision for contingent consideration