

18 January 2023

Ibstock plc

Trading Update for the year ended 31 December 2022

Ibstock plc ('Ibstock' or the 'Group'), a leading UK manufacturer of clay and concrete building products and solutions, today issues a trading update for the year ended 31 December 2022, ahead of its full year results, due to be announced on 8 March 2023.

Q4 trading

- Resilient performance in final quarter of the year driven by a continued focus on price and margin management and good operational execution
- As expected, Q4 sales volumes reduced compared to the prior year, across both new build and Repairs, Maintenance & Improvement (RMI) activity
- Disciplined cost management underpinned a solid EBITDA margin performance
- Completed disposal of surplus property in Sussex generated cash proceeds of £8 million, further strengthening the balance sheet

Strong financial performance in 2022

- Full year revenues expected to increase by 25% to approximately £510 million (2021: £409 million)
- Adjusted EBITDA expected to be modestly ahead of our previous expectations
- Cash generation ahead of our previous expectations, resulting in net debt¹ at 31 December 2022 of around £46 million (December 2021: £39 million) after growth capital investments of over £35 million and £30 million share buyback

Outlook

- Growth investments at Atlas and Aldridge (wire cut factories in the West Midlands) are on track, delivering the UK's first net zero² bricks from the end of this year
- Ibstock Futures continues to develop brick slips strategy; initial investment of £8 million in 2023 in automated line to accelerate our slips network capacity build ahead of Nostell factory being developed
- Whilst we continue to expect conditions in 2023 to be more challenging than 2022, we are increasingly well positioned to capitalise on market opportunities and remain confident in our ability to deliver against our ambitious medium-term financial targets

Joe Hudson, CEO of Ibstock PLC, said:

"The business delivered a resilient performance in the final quarter of 2022, despite, as expected, lower sales volumes across both new build and RMI markets reflecting a more cautious demand environment. A continued disciplined focus on cost management, alongside our dynamic commercial approach, underpinned a solid margin performance in Q4 and resulted in adjusted EBITDA for 2022 that was modestly ahead of our previous expectations.

"The strong performance achieved in 2022 reflects the strategic progress we have made as a business over recent years. Our balance sheet is strong, we continue to make good progress towards our ambitious 2030 ESG targets, and our growth investments in both the core business and Ibstock Futures are progressing well. We are particularly excited about the prospect of producing the UK's first net zero² carbon brick at our redeveloped Atlas factory before the end of this year.

¹ Net debt is stated on a consistent basis to prior periods, excluding lease liabilities arising under IFRS16.

² Scope 1 and 2 carbon emissions

“Whilst in the short-term we expect market conditions to be more challenging, we remain well positioned to deliver strong growth over the medium-term.”

Trading performance

The Group delivered a resilient trading performance in the final quarter of the year, with a continued focus on margin management and strong operational execution. As expected, sales volumes in the final quarter reduced compared to the comparative period. We continued to price dynamically to recover significant cost inflation, which, combined with disciplined management of cost, helped ensure a solid margin performance. Revenues for the full year were approximately £510 million, an increase of around 25% compared to 2021.

Given the resilient trading performance in Q4, the Group expects to report adjusted EBITDA for 2022 modestly ahead of its previous expectations.

lbstock Futures

We have continued to make good progress in developing the lbstock Futures business during the final quarter, with integration of our acquired businesses progressing well and further development of our sustainability initiatives to use existing clay reserves to manufacture cementitious replacements.

We have also continued to develop the brick slip investment strategy and identified opportunities to re-configure the project, to both accelerate commissioning of an initial capacity extension, and incorporate more advanced and efficient process technology into the purpose built factory at Nostell. As part of this, we initiated an investment of up to £8 million, in Q4 2022, on an automated slip line, providing capacity for up to 17 million slips and coming on stream within 12 months. At this stage, commissioning for the main line is expected in late 2024.

Financial position

Cash flow performance for the year was ahead of our expectations, with closing net debt¹ of approximately £46 million (31 December 2021: £39 million), after growth capital investments of over £35 million (over and above our normal sustaining capital expenditure) and our £30 million share buyback. Cash flow benefited from the strong trading performance and a tight focus on cost and working capital management, as well as reduced initial investment at Nostell in the year.

Closing net debt¹ also benefited from the sale of surplus land at West Hoathly, Sussex, during the final quarter of the year, for cash proceeds of £8 million. The clay factory on this site closed as part of the 2020 restructuring programme. The profit on disposal arising from this transaction will be treated as exceptional and therefore outside the Group's adjusted earnings for the 2022 year.

During the final quarter of 2022, the Group agreed a buy-in transaction for the main defined benefit pension scheme, involving the purchase of an insurance contract with a specialist pensions provider covering all remaining pension liabilities. This transaction, which is expected to conclude during the 2023 financial year, represents a significant further step in removing pensions risk from the Group's balance sheet.

During the final quarter of 2022, we also concluded a 12-month extension to our £125 million Revolving Credit Facility (RCF), extending maturity to November 2026 on similar terms to the original agreement.

Outlook

Our balance sheet remains strong, and our growth investments in both the core business and Ibstock Futures are progressing well.

As we look forward, higher interest rates, inflation and heightened market uncertainty are expected to impact the demand picture in 2023. However, whilst in the short-term we expect market conditions to be more challenging, we are increasingly well positioned to capitalise on opportunities across diversified construction markets and remain confident in our ability to deliver against our ambitious medium-term financial targets.

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About Ibstock Plc

Ibstock plc is a leading UK manufacturer of clay and concrete building products and solutions. 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 core two divisions are:

Ibstock Clay: The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 16 manufacturing sites Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 19 active quarries located close to its manufacturing plants. Ibstock Kevington provides masonry and pre-fabricated component building solutions, operating from 6 sites across the United Kingdom.

Ibstock Concrete: A leading manufacturer of concrete roofing, walling, flooring and fencing products, along with lintels and general concrete building products, with 14 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.