

# 2021 Q3 TRADING AND STRATEGIC UPDATE

3 November 2021



# Agenda



**ibstock**  
Plc

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Trading update

**Chris McLeish**

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Strategic update

**Joe Hudson**

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Q&A



**Joe Hudson**



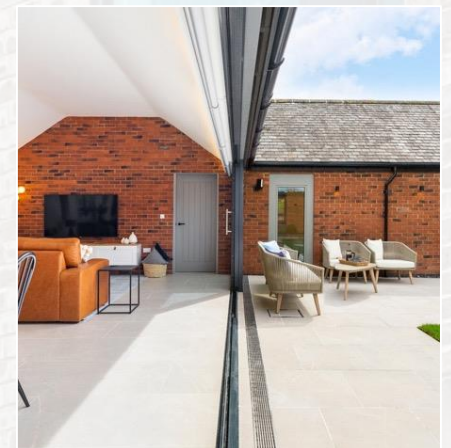
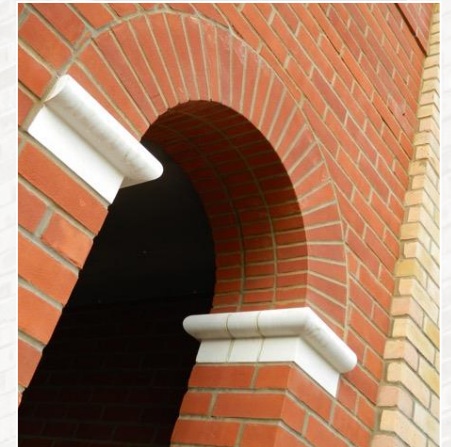
**Chris McLeish**



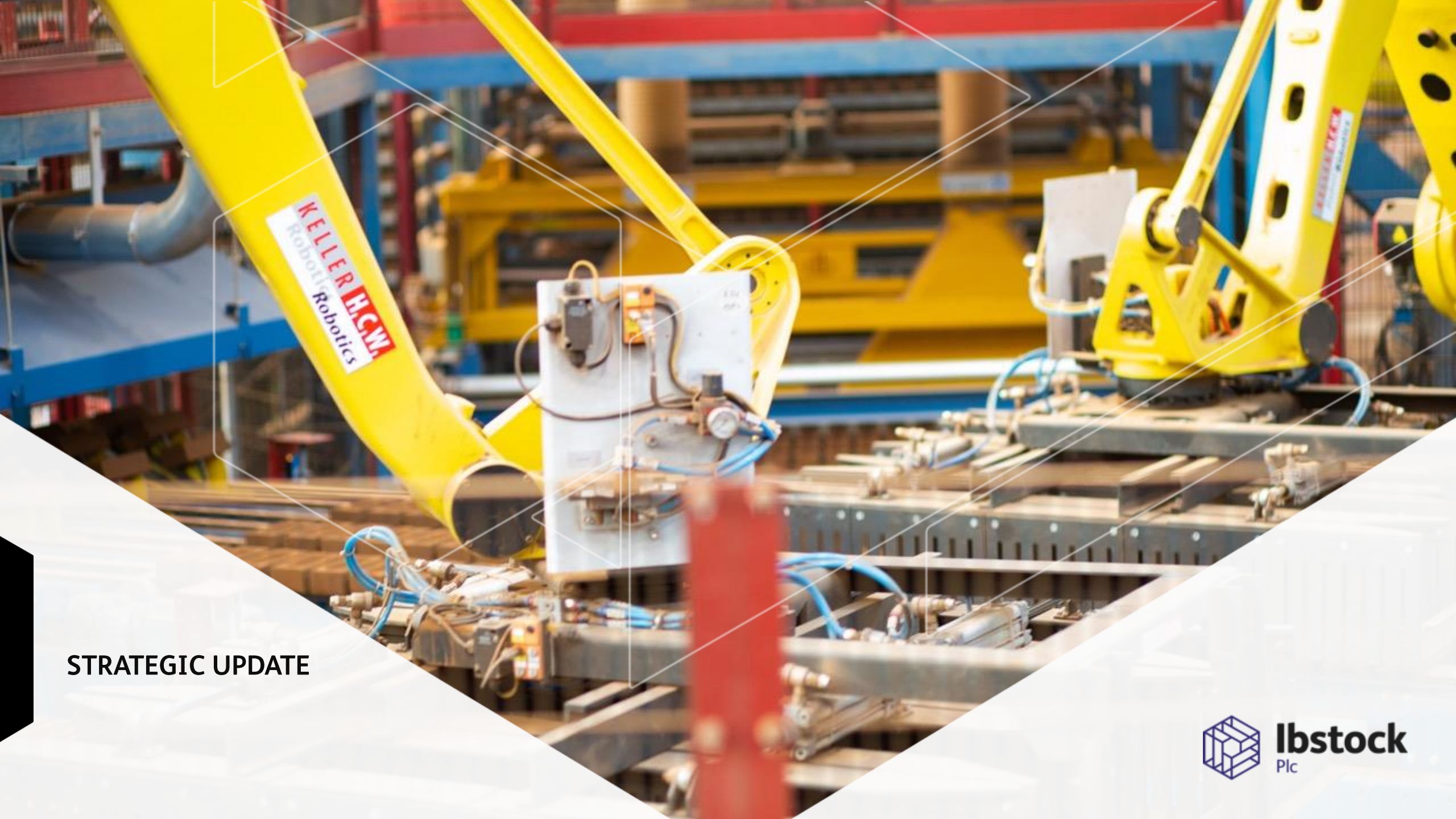
# Q3 trading update

- Building on first half momentum, Ibstock delivered a strong Q3 supported by continued robust demand in core markets
- Supply chain impacts well managed, with both divisions delivering a resilient operational performance
- As anticipated, cost inflation, as well as freight and labour availability, led to modest EBITDA margin reduction in Q3 vs H1
  - contribution from selling price increases being realised incrementally through H2
- Redevelopment of Atlas facility progressing well with planning permission received
- Looking to 2022:
  - Hedging policy positions Group well against energy price inflation with 80 % now covered
  - We remain confident in ability to make significant further strategic and financial progress
- More ambitious carbon reduction targets to be announced before end of 2021

**CONFIDENT IN DELIVERING ADJUSTED EBITDA FOR THE 2021 FINANCIAL YEAR IN LINE WITH PREVIOUS GUIDANCE**







**STRATEGIC UPDATE**

# Building from a strengthened platform

Investing for growth from our strong platform to meet the challenges of tomorrow

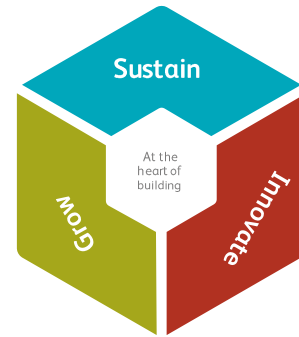
## OUR BUSINESS TODAY



Strong, advantaged core business:

1. Leadership position in growth markets
2. Significant, diversified asset base
3. Industry leading margins and returns
4. Highly cash generative model

## STRATEGY IN 3 PILLARS



### Sustain

Driving sustainable performance

### Innovate

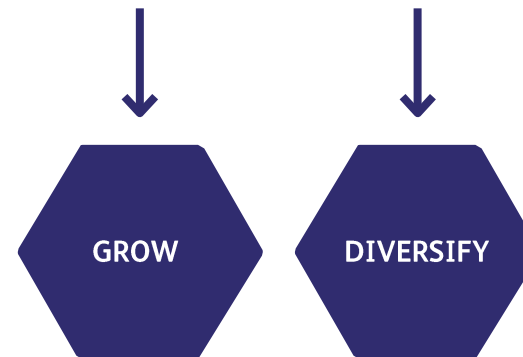
Market led innovation

### Grow

Well positioned to invest in further growth projects

## INVESTMENT LEVRS

Investment driven growth through two areas of focus:



Grow our existing business (capacity, efficiency, sustainability)

Diversify the revenue base; focussed on UK building envelope

Clear, consistent investment criteria

## FUTURE TRENDS

Sustainability



Industrialisation





# Ibstock Futures

A growth engine focused on multi-dimensional growth

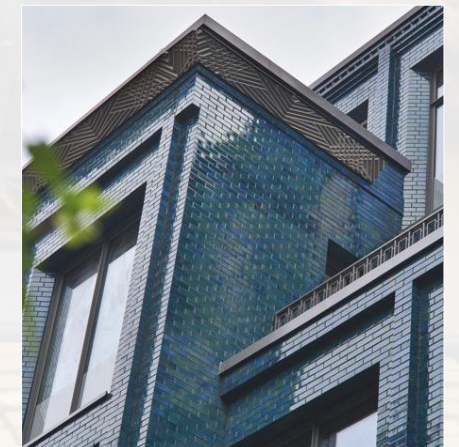
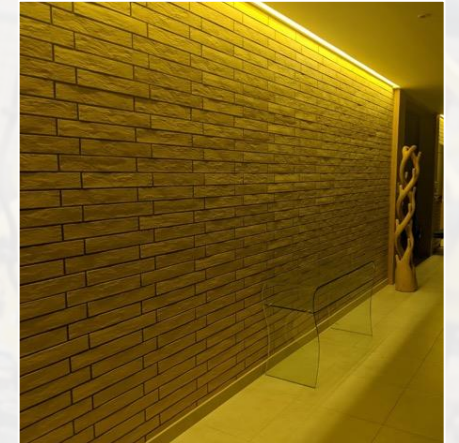


## THE LAUNCH OF IBSTOCK FUTURES EMBODIES OUR AMBITION TO BE AT THE HEART OF TRANSFORMATION IN THE CONSTRUCTION SECTOR

### IBSTOCK FUTURES IS A NEW BUSINESS UNIT TO COMPLEMENT OUR EXISTING CORE BUSINESS

- Targeting technologies, products and solutions aligned to the mega trends of sustainability and industrialisation of construction
- Focussing on offsite / modular (MMC) with an immediate opportunity to increase presence significantly in the mid/high rise façade markets
- Progressing multiple growth opportunities across the construction value chain, including those focused on sustainability.
- Leveraging Ibstock's traditional business and strong market position, but established to operate with more agility and scale rapidly in fast-growing markets
- With a clear and distinct remit to develop innovation capabilities, grow organically and acquisitively, and create new models of partnership from early stage start ups to established medium sized businesses
- Based at the London I-Studio, with a dedicated and experienced leadership providing the right blend of commercial and strategic skills

**IBSTOCK FUTURES IS EXPECTED TO DELIVER RAPID GROWTH OVER THE NEXT FIVE YEARS THROUGH ORGANIC AND INORGANIC INVESTMENT**





# Offsite construction markets (using MMC) and mid/high rise facades

## 1. OFFSITE CONSTRUCTION MARKETS (USING MMC)

- Total value of offsite construction markets around £10 billion
- Value of components within this total is around £1 billion, segmented across residential, public and commercial/industrial
- Significant flow of capital since 2015 with over 30 new players
- Public policy is supportive of rapid growth: UK government targeting 25 % of new affordable UK homes using MMC by 2026

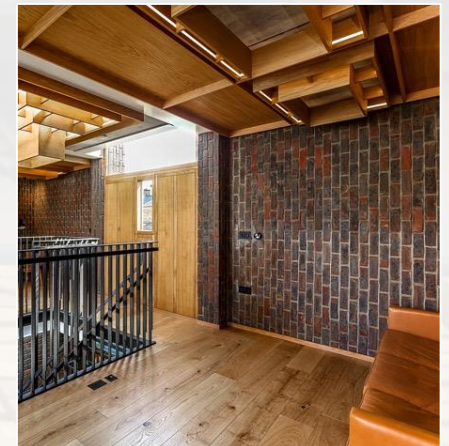
## 2. MID/HIGH-RISE FACADES

- Mid/high-rise construction market in UK today has total value of £15 billion
- Cladding/facades market within this is worth around £1.5 billion
- Cladding market has historically been split between steel frame, modern composite materials, and masonry
- Need for safe, non-combustible materials has increased share of bricks facades: 40 % increase in penetration of brick and masonry clad building applications over metal since 2018 on buildings over 11 metres.
- Overall cladding market in mid/high rise construction expected to grow by around 8 % per annum over the next five years



# The brick slip market

- The visual aesthetic and flexibility of brick slips, alongside their construction speed, are driving strong and sustained growth as the façade system of choice in UK construction markets
- Brick slips provide a durable, safe and energy efficient alternative to other cladding solutions
- The UK brick slip market is significant and growing fast, with current annual volumes of circa 120 million slips
  - two-thirds today are imported from continental Europe
  - remainder are cut manually from facing bricks in the UK – *inefficient, carbon intensive and high cost*
- Double-digit compound growth expected in demand for brick slips over next 5 years
- No existing offer in UK market that meets customers' technical, cost, productivity and reliability requirements



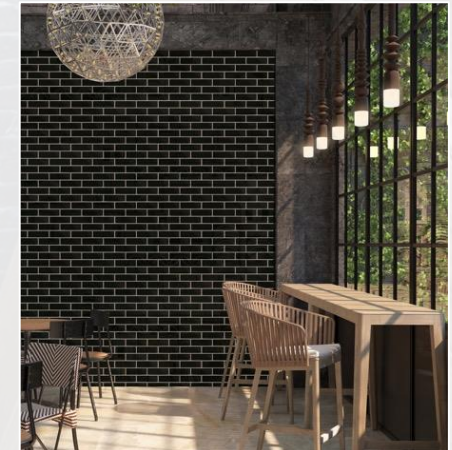


# Investment in automated brick slip capacity

Ibstock Futures' launch project will capitalise on the fast growth façades and cladding markets



- Development of the UK's first automated brick slips factory on Ibstock's existing site in Nostell, West Yorkshire
  - to be built within existing clay brick footprint, with established and reliable infrastructure
  - situated in heartland of its target markets
  - Significant, high-quality adjacent clay reserves
- Construction expected to commence in Q1 2022 with production at scale due to begin in Q1 2024
- Innovative technology will deliver a significant reduction in carbon compared with imported and domestic cut slips – UK's first net zero carbon slip
- **Planned total investment of £50m** providing capacity for production of **60 million brick slips** annually
  - Initial phase - **£38m investment** enabling production of **30 millions slips**, expected to commission by late 2023
  - Second phase – to increase capacity to **60 million slips**
- EBITDA from the initial investment is expected to be at least **£10 million per annum** when at full capacity (expected in 2025)
- Return on capital employed expected to be at least in line with Group average when fully operational

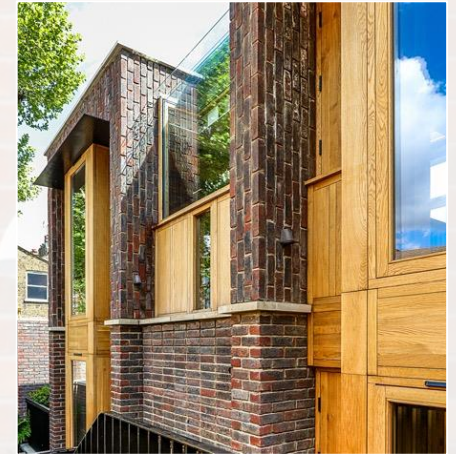


**BRICK SLIPS CAPABILITY IS HIGHLY COMPLEMENTARY TO THE EXISTING CLAY BRICK BUSINESS - ENHANCING OFFERING TO EXISTING AND NEW CUSTOMERS**



# Strategic update - summary

- Ibstock's clay brick business has been focused principally on traditional residential construction markets
- These markets have attractive long-term fundamentals, and have underpinned strong financial returns through the cycle.
  - This core business will continue to be central part of the Group's asset base going forwards
- The broader UK construction market is undergoing significant change, which is expected to gather pace over the medium term
- Given our strong competitive platform, Ibstock is well placed to invest and grow in these diversified/fast growing construction markets alongside our existing core business
- With the creation of a separate growth engine, Ibstock Futures, the Group is developing a range of projects to scale its position rapidly across fast growing sectors of UK construction
- Launch project, first UK automated brick slip systems factory, will enable Ibstock to take a leadership position in fast growing MMC and facades markets



**EXCITING OPPORTUNITY TO ENTER DYNAMIC NEW CONSTRUCTION MARKETS AND ACCELERATE GROWTH**





Q&A