

3 November 2021

## **Ibstock plc**

### **Q3 Trading Update – strong trading and further strategic progress**

#### **Launch of Ibstock Futures and £50m investment to create new automated brick slip systems factory**

Ibstock plc ('Ibstock' or the 'Group'), a leading UK manufacturer of clay bricks and concrete products, is today announcing a trading update for the quarter ended 30 September 2021 and the creation of a new business unit, Ibstock Futures, to accelerate its growth plans.

#### Trading update

- Strong Q3 performance supported by continued robust demand in core markets
- Supply chain impacts well managed, with both divisions delivering a resilient operational performance
- Our expectations for adjusted EBITDA for the 2021 financial year remain unchanged
- Atlas wire cut factory redevelopment on track with planning now secured

#### Strategic growth

- Launch of Ibstock Futures; a new business unit established to capture growth opportunities in new, fast growth sectors of the UK construction market
- £50m investment to create the UK's first automated brick slip systems factory in West Yorkshire
- Investment will significantly increase Ibstock's presence in the fast growing market for brick slip clad walling systems in the offsite and modular construction sectors
- Net zero carbon brick slips to be in production by early 2024

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

"Trading in the third quarter remained strong, with robust demand continuing across both the housebuilding and RMI markets. While, as expected, supply chain conditions have become more challenging, we have managed the impacts well and continue to work closely with our customers on service levels. Despite the more difficult supply chain backdrop, we remain confident of delivering an outcome for the year in line with our previous guidance.

"The launch of Ibstock Futures is an important strategic development for the Group and will directly address a number of exciting growth markets that complement our existing offer for conventional building methods as the focus on sustainability and the industrialisation of construction processes gathers pace. This investment in brick slips manufacturing capacity at scale will be a first for the UK and will enable us to take a leadership position in this fast-growing market. The Nostell plant is the first of a pipeline of growth initiatives we have in development for Ibstock Futures and we are excited about the potential this new business has to accelerate growth in the years ahead."

## **Trading update**

The Group continued to perform well during the third quarter, against a background of strong demand in both the new build and repair, maintenance and improvement (“RMI”) markets.

Supply chain impacts, particularly relating to the availability of freight and labour, were well managed, with both divisions delivering a resilient operational performance during the period. Product price increases were implemented successfully against a backdrop of significant input cost inflation, primarily in the categories of energy, freight, carbon and materials.

As a result, the Group is confident in delivering adjusted EBITDA for the 2021 financial year in line with its previous guidance.

Looking to 2022, whilst macro conditions are expected to remain dynamic, the Group continues to be confident in its ability to make significant further strategic and financial progress. Ibstock’s hedging policy positions it well against a backdrop of increasing energy prices: the Group’s energy requirements are fully hedged for the remainder of 2021, with around 80 percent hedged for 2022.

The redevelopment of our Atlas wire cut clay brick facility in the West Midlands is progressing well with planning approvals secured, equipment orders placed and construction work underway. The project is on track to commission, as expected, by the end of 2023.

As part of the commitment to sector leadership in ESG, the Group is establishing more ambitious targets for carbon reduction and expects to announce these before the end of the year. The Group also continues to explore opportunities to use alternative, lower carbon, fuels in its manufacturing processes.

## **New business unit established to accelerate growth in UK construction markets**

Alongside its strong trading momentum over the last 12 months, and in line with its strategic objectives, the Group has made significant progress in identifying opportunities to accelerate its growth and diversify its revenue base by targeting fast growing areas of the UK construction market. In particular, the Group is targeting technologies, products and solutions aligned to two key trends that will transform our industry over the long term: sustainability and the industrialisation of construction processes.

The potential markets for these technologies and systems are substantial and growing faster than the wider building products industry. Furthermore, manufacturing of the target products is typically less capital intensive, enabling the Group to develop with greater agility and speed.

To capitalise on this opportunity, Ibstock is today announcing the launch of a new business unit, Ibstock Futures. Ibstock Futures will target an immediate opportunity to increase the Group’s presence in façade products and solutions for the fast-growing off-site and modular construction markets in both the new build and re-cladding markets, with products suitable for a wide range of residential, commercial and mixed-use applications. Furthermore, the new business unit is developing a range of projects across the construction value chain and will also focus on leveraging the Group’s competitive position to drive value through its sustainability credentials, including potential alternative uses for its existing clay reserves.

Ibstock’s expectation for the business unit, which will be headquartered at the Group’s London I-studio, is to scale revenues rapidly over the next five years, delivering growth through a combination of both organic and inorganic investment.

The Group will give a more detailed update on Ibstock Futures with the full year results in March 2022.

### **£50m investment to create the UK's first automated brick slips factory**

As Ibstock Futures' launch project, the Group is today announcing plans to build the UK's first automated brick slip systems factory in Nostell, West Yorkshire. Brick slips provide a durable, safe and energy efficient alternative to other cladding solutions. The UK market for brick slips is significant, with annual volumes of circa 120 million slips, and is growing fast. The addition of a significant brick slip capability will be highly complementary to the Group's existing clay brick business and the investment will enable Ibstock to take a leadership position in the market, significantly increasing its presence in the fast growing mid and high-rise construction sectors.

The planned £50 million capital investment will provide capacity for up to 60 million brick slips per annum. An initial investment of around £38 million, providing capacity to produce 30 million brick slips, will be spread evenly across 2022 and 2023, with the factory commissioning in late 2023. The second phase of investment is expected to be made shortly thereafter as additional capacity is required. EBITDA from the initial investment is expected to be at least £10 million per annum once the plant is operating at expected capacity levels from 2025. The investment is expected to deliver a return on capital employed (ROCE) at least in line with the Group average.

The factory will be constructed within the existing footprint of the Group's Nostell facility, which operated as a brick factory until its closure in 2020. The facility benefits from significant adjacent clay reserves and established infrastructure, and is well situated within the heartland of its anticipated key markets. The planning application process has commenced, and construction on site is expected to start during Q1 2022.

The new factory will manufacture a wide range of different brick slip types and associated systems, and will incorporate the latest manufacturing technology to deliver a very significant reduction in carbon compared to both imported and domestically cut slips. In combination with high-quality offset projects, this will result in Nostell producing the UK's first net-zero carbon brick slip.

## **Analyst Call**

Ibstock is hosting an audio webcast for investors and analysts at 0900 UK time today.

To register for the webcast, please [click here](#)

The presentation can also be heard via a conference call, where there will be the opportunity to ask questions.

Conference Call Dial-In Details: +44 (0)330 336 9127

Confirmation code: 6708115

An archived version of today's call will be available on [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk) later today.

### **Ibstock plc**

Joe Hudson, CEO  
Chris McLeish, CFO

**01530 261 999**

### **Citigate Dewe Rogerson**

Kevin Smith  
Holly Gillis

**020 7638 9571**

## **About Ibstock plc**

Ibstock plc is a leading UK manufacturer of clay bricks and a diversified range of clay and concrete products. 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 16 manufacturing sites Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 18 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.

## **About Brick Slips**

Brick slips are clay bricks with an adapted thickness for use with a variety of cladding systems across both off-site and on-site construction. Slips deliver the same appearance as clay brickwork and are suitable for external or internal applications. Brick slips offer an attractive, durable and safe alternative for cladding large residential and commercial buildings, a market that is seeing significant growth.

At present, automated plants in continental Europe supply around two-thirds of the brick slips used in the UK, with the remainder cut manually from facing bricks in the UK.

The visual aesthetic and flexibility of clay brick slips and their contribution to improved construction speed are making the product increasingly popular with architectural specifiers. The clay brick slip market is expanding rapidly and brick slip volumes are expected to grow significantly over the next 5

years, with slips increasingly used in multi-storey urban buildings as the façade of choice, using a variety of panel-based cladding systems.

Clay brick slips are also a preferred façade for the growing market for manufactured panel cladding systems for use in offsite manufactured residential housing units and offer a safe, non-combustible solution for recladding applications.