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Plc

2020 FULL YEAR RESULTS PRESENTATION

10 March 2021

Agenda

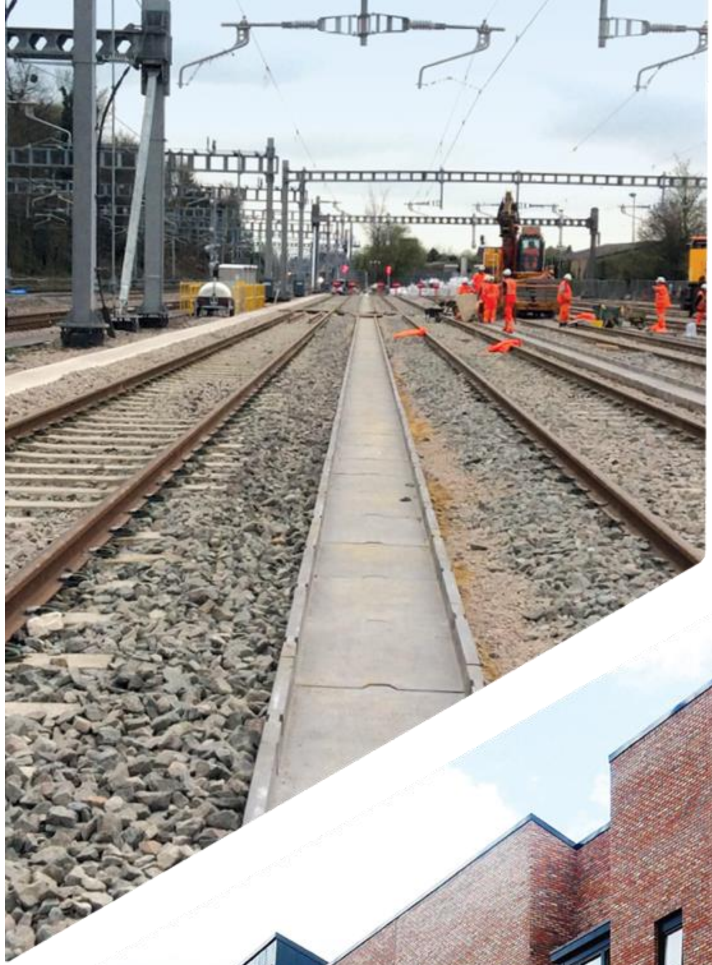
Ibstock Plc

Overview	**Joe Hudson**
Financial review	**Chris McLeish**
Operational review	**Joe Hudson**
Strategy and growth	**Joe Hudson**
Outlook and key messages	**Joe Hudson**
Q&A	

Overview

Resilient operational performance and continued strategic progress create the platform for growth

- Health and safety of all our people has remained our key priority
- Steady and sustained recovery of demand patterns, with sales in Q4 reaching 90% of prior year levels
- Decisive actions to reshape cost base
- Excellent cash performance
- Final dividend of 1.6 pence (2.5 times cover)
- Market fundamentals remain supportive
- With stronger platform in place, focused on driving sustainable, profitable growth



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Financial Review

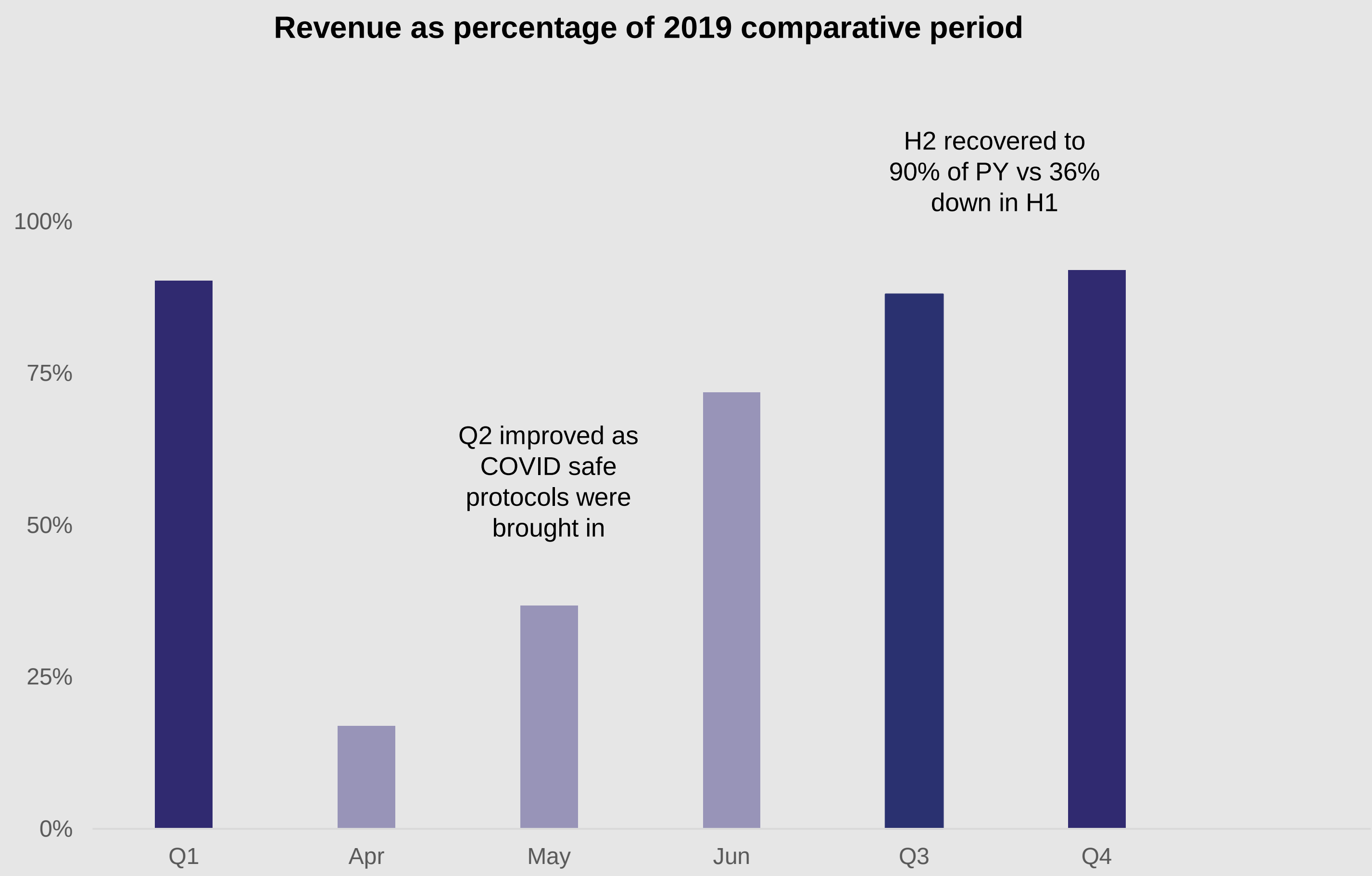
Financial summary

Profitability impacted by lower volumes; strong cash flow performance delivered material reduction in net debt

Year ended 31 December	2020	2019	Change
Revenue	**£316m**	**£409m**	**(23%)**
Adjusted EBITDA	**£52m**	**£122m**	**(57%)**
Depreciation & amortisation	(£36m)	(£35m)	
Exceptional costs	(£36m)	(£3m)	
(Loss)/ profit before interest and tax	**(£20m)**	**£84m**	
Interest	(£4m)	(£2m)	
(Loss)/ profit before tax	**(£24m)**	**£82m**	
Taxation - at effective rate	£4m	(£16m)	
Taxation - change in deferred tax rate	(£8m)	-	
(Loss)/ profit for the period	**(£28m)**	**£66m**	
Basic adjusted EPS	**4.0p**	**18.3p**	**(78%)**
Net debt	**£69m**	**£85m**	**£16m**
Net debt to Adjusted EBITDA (pre IFRS-16)	1.5x	0.7x	(0.8x)
Total ordinary dividend	1.6p	3.2p	

Revenue analysis

Revenue improved sequentially from Q2



- Sharp reduction in volumes from late March
- Volumes in April heavily impacted by COVID-19 with clay and concrete down 90% and 70% respectively
- Activity in the second half recovered from April lows to reach 90% of prior year levels in the final quarter of the year.
- Pricing levels achieved during the year remained stable across both divisions

Clay

Steady, sustained recovery in volumes from 90% YoY reduction in April 2020

Year ended 31 December (£m)	2020	2019	% Change
Total Revenue	**213**	300	(29%)
Adjusted EBITDA	**44**	107	(59%)
Margin	***21%***	*36%*	

- Revenue decreased by 29% year on year, with the builders' merchant channel more resilient, particularly during second quarter
  - Clay revenues recovered over the second half of the year with revenues towards end of 2020 back to within 15% of the comparative period
- Adjusted EBITDA reduced by 59% primarily driven by reduced volumes and operational gearing
  - EBITDA increased during the second half of the year; adjusted EBITDA margins for the final months of the year just over 30%

Ibstock Brick

Ibstock Kevington

Concrete

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Performance driven by more resilient RMI trends

Year ended 31 December (£m)	2020	2019	% Change
Total Revenue	**103**	109	(5%)
Adjusted EBITDA	**15**	22	(31%)
Margin	***15%***	*20%*	

- Revenues 5% lower as sales volumes were impacted by the effects COVID
  - Strong structural demand within RMI end markets, as consumers spent a greater proportion of their disposable incomes on their homes
  - £9m revenue YoY benefit from Longley acquisition which completed H2 2019
- Adjusted EBITDA down 31% to £15 million
  - EBITDA margins for the final months of the year getting back close to the underlying levels achieved in the prior year periods
  - Second half impacted by footprint reorganisation and effects of COVID-19 on productivity

Forticrete Supreme Anderton Longley

Exceptional items

One-off costs, primarily associated with COVID-19 and Group's response

Year ended 31 December (£m)	2020
Restructuring severance costs	(£9m)
Loss on 2020 surplus energy positions	(£5m)
COVID related one-off costs	(£2m)
Profit on disposal of land	£3m
Cash exceptional costs	**(£13m)**
Restructuring non-cash impairments	(£20m)
Pension closure and GMP equalisation costs	(£3m)
Non-cash exceptional costs	**(£23m)**
Total exceptional items	**(£36m)**

- Severance costs of £9m associated with restructuring of the Group's operations
- Charge of £5m in respect of surplus energy positions
- Profit of £3m on disposal of land in H2
- Non-cash asset impairments of £20m from site closures recognised in H1
- Exceptional costs of £3m relating to preparation of pensioner data of the Ibstock pension scheme (£2m) and the impact of the recent GMP equalisation ruling (£1m)

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Strong cash flow performance

Cash conversion increased to 96% with excellent working capital management

Year ended 31 December (£m)	2020	2019	Change	% Change
Adjusted EBITDA	**52**	**122**	**(70)**	**(57%)**
Δ in net working capital	17	(24)	41	
Net interest	(4)	(3)	(1)	
Tax	(6)	(13)	7	
Post-employment benefits	(2)	(2)	-	
Other (includes leases)	(7)	(8)	1	
Adjusted operating cash flow	**50**	**72**	**(22)**	**(31%)**
Cash conversion %	*96%*	*59%*	*37ppts*	
Capex	(24)	(39)	15	
Adjusted free cash flow	**26**	**33**	**(7)**	
Exceptional cash flows	(10)	(1)	(9)	
Total free cash flow	**16**	**32**	**(16)**	

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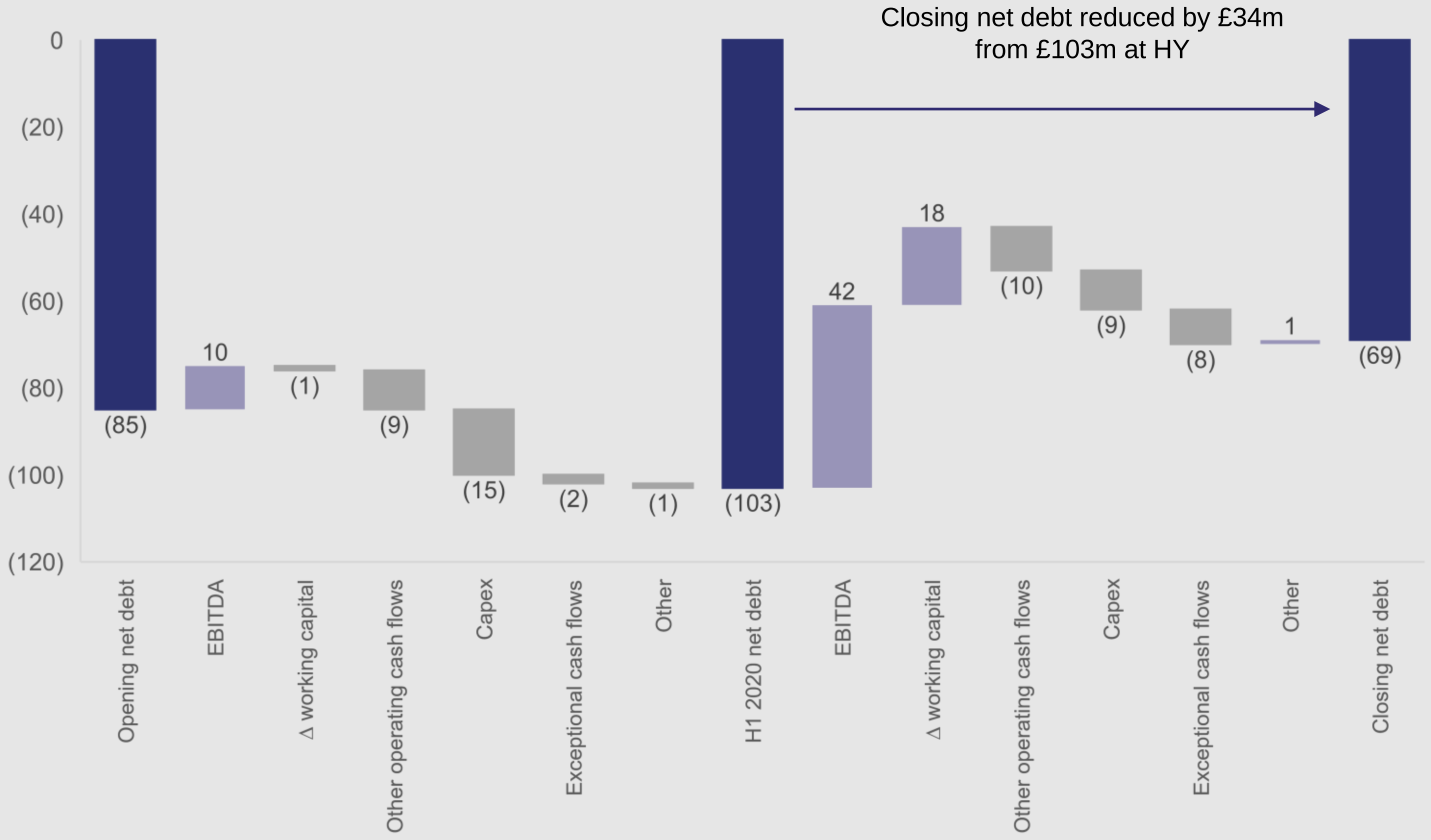
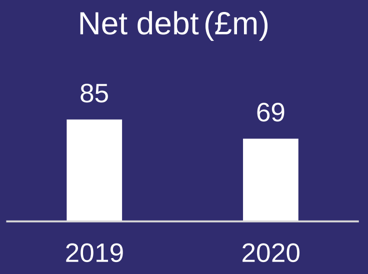
- Excellent management of working capital, with inventories reducing by around £20m during the year
- Cash conversion of 96%, up 37ppts from prior year
- Capex of £24m (2019: £39m), including £9m (2019: £12m) spent on capital enhancement initiatives
- Exceptional cash costs of £10m (2019: £1m) paid in the year

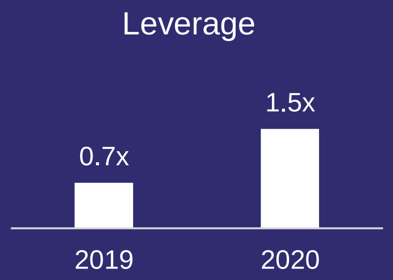
Net debt improvement of £34m in H2

Business de-levered strongly through second half



- H2 net debt reduced by £34m as trading improved through the second half
- Strong cost management and working capital management, primarily through inventory reduction during the second half
- Liquidity headroom of over £145m at year end
- Concluded 12 month extension to £215m RCF to March 2023





2021 guidance

Sales volumes

- ► Clay 2021 sales volumes assumed to be 85% of 2019, in line with CPA Private Housing Starts
- ► Concrete LFL volumes in 2021 assumed modestly below 2019 levels

Cash

- ► Sustaining capital expenditure £20-£22 million (including £4m spend on capital enhancement projects)
- ► Modest increase in working capital through investment in finished goods inventories
- ► Repayment (and expensing) of £2m furlough cash

Board comfortable with current market consensus expectations for 2021 adjusted EBITDA

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Operational Review

COVID-19 response

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Decisive steps to protect our people in the face of unprecedented challenges

- Acted swiftly in the face of initial threat
- Comprehensive set of steps to safeguard all employees allowed us to operate effectively from re-start in May
- Dedication and commitment of our people enabled us to serve customers and deliver improved performance through second half
- Acted as catalyst for improved pace, agility and enhanced collaboration across the organisation

Year of strategic progress

Despite challenges, we have delivered progress in a number of key areas

Sustain

- Health & safety: new dynamic risk assessment drove material improvement in key KPI (LTIFR)
- Operational excellence: optimisation of maintenance and capital management processes
- Sustainability and social impact: Another year of strong progress towards our 2025 sustainability targets

MSCI ESG RATINGS AA

Innovate

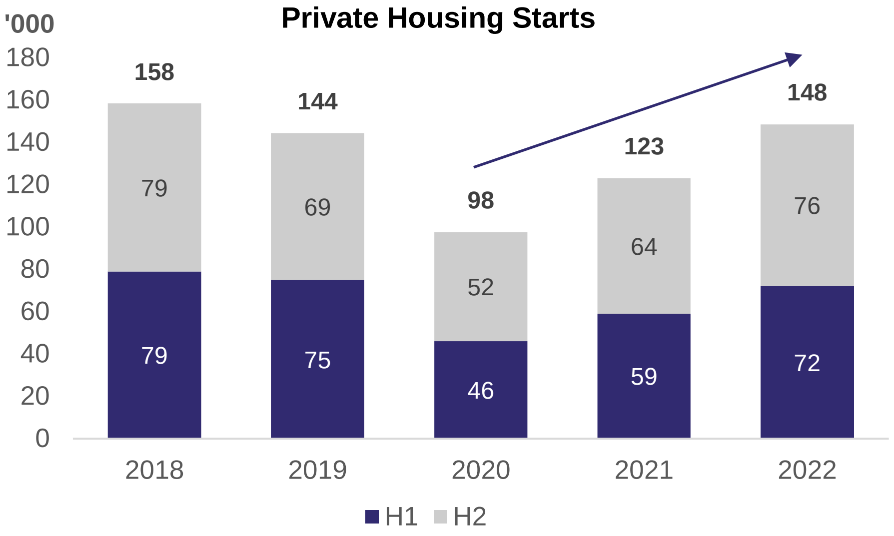
- Product innovation: Novel Nexus XI façade system launched in late-2020
- Customer experience: Adapted our business to collaborate virtually with our customers
- Digital transformation: Full digital process adoption for inventory management and outbound logistics

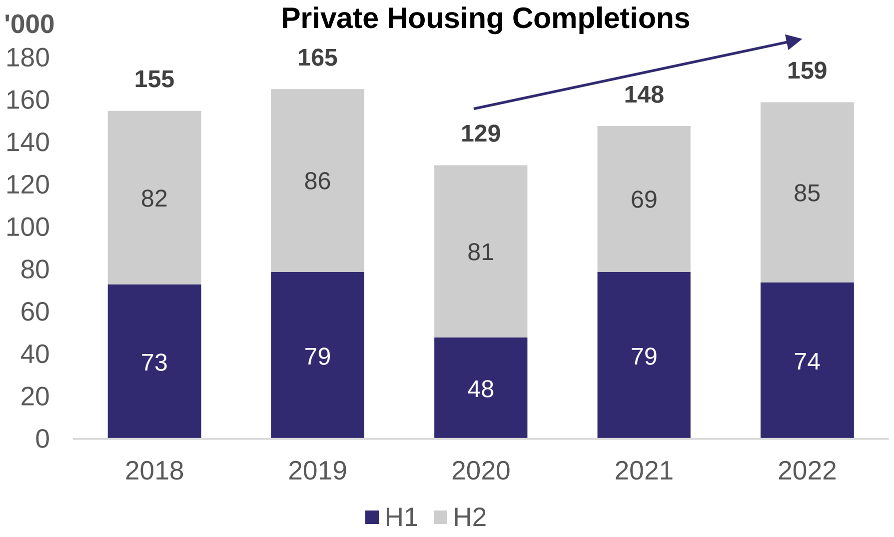
Grow

- Delivered capital enhancement at 3 key clay factories, providing capacity uplift from 2021 with carbon and cost improvements
- Completed Longley integration (systems, processes, people) to create leading UK flooring business
- Created flexibility to manage fixed cost and scale up as demand recovers

New build housing market

Robust end-market demand with completions building through second half



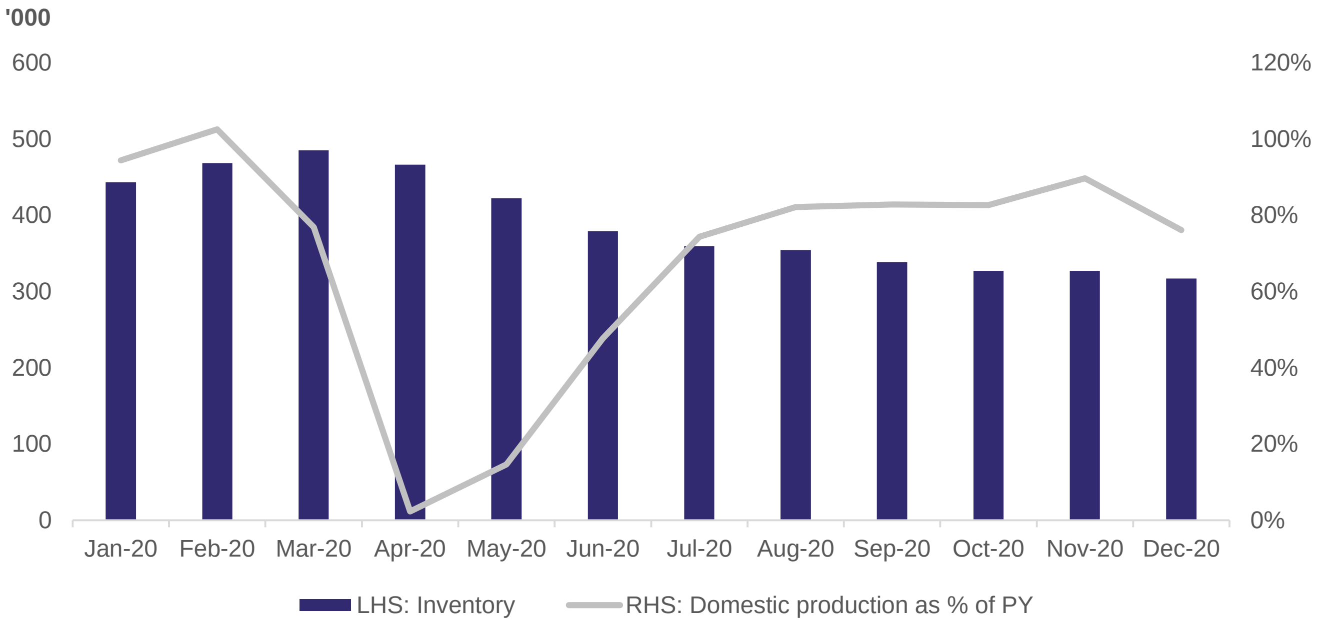


- 2020 saw a sharp reduction in both housing starts (down 32%) and completions (down 22%), reflecting impact of pandemic on house builders' operations
- End consumer demand remained firm during second half, supported by Help to Buy and Stamp Duty Holiday, with completions back to –6% in H2
- Market expected to recover strongly from 2021 (with CPA projecting 26% increase in starts vs 2020, and further 21% in 2022)

 Source: CPA

Inventory and production

Brick industry outputs managed against recovery in customer demand; inventories reduced by around 25% over the course of 2020



- Domestic clay brick production in 2020 of around 1.4 billion - around 30% below 2019
- Closing 2020 industry inventory levels reduced by around 27% vs position at start of year
- Overall, industry dynamics remain well balanced
- Industry production expected to increase from 2021 as demand recovers

 Source: CPA

Manufacturing footprint and cost base

Creating a leaner and more flexible operating footprint

- During 2020, we undertook a fundamental restructuring of operations in order to reduce the fixed cost base and enhance the resilience of our business:
  - Closed 2 clay brick factories
  - Mothballed Atlas clay brick factory
  - Reduced throughput at 2 further clay factories
  - Closed one concrete factory

- With current capital enhancements, we have ability to return to 2019 output levels during course of 2021

- Inventory levels continue to provide effective buffer to manage capacity lead times

Mid-term market drivers

We are well placed to capitalise upon mid-term market trends

Household formations

- Market fundamentals remain supportive, underpinned by the UK housing deficit, Government policy and low interest rates
- “Working from home proposition” has brought a new positive emphasis on quality of home life

RMI and infrastructure

- Impacts of lockdown drove significant increase in household savings and investment in home
- Infrastructure spend will be key area of government investment over medium term

Build-to-rent and recladding

- Modular construction techniques are a key feature in the build-to-rent sector, where we have a growing proposition
- Non-residential, residential private and residential social housing towers to be remediated

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Strategy and Growth

Building from a strengthened platform

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

Our Business Today

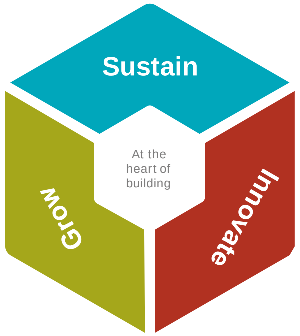
Ibstock Clay

Ibstock Concrete

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 Levers

Investment driven growth through two areas of focus:

GROW

Grow our existing business (capacity, efficiency, sustainability)

DIVERSIFY

Diversify the revenue base; focussed on UK residential building envelope

Clear, consistent investment criteria

Future Trends

Sustainability

Industrialisation

Our business today

We have a strong, advantaged base business today

The Group has a well invested, profitable platform from which to grow:

1. Leadership position in growth markets

- No.1 UK brick manufacturer by production capacity
- No.1 UK Brickwork Specials and Masonry Fabrication Company by production capacity
- No.1 UK concrete floor beam manufacturer by production capacity

2. Significant, diversified asset base

- Unrivalled UK clay reserves
- Unique geographical, diversified asset base

3. Industry leading margins and returns

- EBITDA margin averaged over 29% between 2016 and 2019
- ROCE averaged 20% between 2016 and 2019

4. Highly cash generative model

- More than £200m free cash flow generated in the last 5 years

Significant opportunity to invest to drive sustainable, profitable growth

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Investment levers: Grow

Strong balance sheet and cash generation gives us firepower to grow our business

We deploy investment capital to optimise our existing business (capacity, efficiency, sustainability)

- Existing markets expected to display strong structural growth trends over long-term
- Our access to clay reserves and diverse manufacturing footprint provide platform for continued, profitable investment
- A portfolio of enhancement and capacity expansion opportunities, which are low risk, predictable pay back projects which in most cases can be implemented quickly
- Recycle value from existing land bank (£10 - £15m over the next 5 years)

Investment levers: Diversify

Strong balance sheet and cash generation gives us firepower to grow our business

We deploy investment capital to diversify our revenue base: Focused on the UK built environment

- Investment in adjacent product categories with clear synergies
- Technology investments - use of digital and automation to disrupt existing markets

Broad range of potential growth markets, for example:

Building envelope | **Infrastructure** | **Offsite / modular**

Recent example of a successful, complementary acquisition:

Supreme + Longley = Leading UK flooring business

Supreme: Merchant-led, centred in South East

Longley: House-builder-led, focused in the North of England

Future trends

Our industry will be transformed by two mega trends

Sustainability

All investments will increasingly be defined by their social and environmental impact.

The industry

- Net zero carbon by 2050 will require fundamental changes to methods of construction
- Social value of built environment will be crucial to all our stakeholders

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- Exploration of alternative fuel and waste strategies to make step change in carbon footprint
- Biodiversity protection
- Partnerships to deliver transformative and sustainable change in local communities

Industrialisation

Construction methods will change radically over the next 10 years, transforming conventional industry supply chains.

The industry

- Skill shortages have constrained construction productivity growth over recent years
- Collaboration across private and public sectors driving change in practice and culture
- Rapid growth in offsite construction

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- Leveraging our competitive strengths to grow façade products and systems
- Collaborating with customers to create end-to-end digital supply chains

Our strategy and growth plans will enable us to capture significant incremental value in this transformed marketplace

Summary and Outlook

Summary and outlook

- Resilient operational performance against unprecedented backdrop of COVID-19
- Strong year of strategic progress, with clear view of priorities ahead
- Trading in initial weeks of 2021 slightly ahead of run rates achieved in Q4 2020
- Board comfortable with current market consensus expectations for 2021 year
- Market fundamentals remain supportive
- Focused on driving sustainable, profitable growth to deliver attractive shareholder returns over the medium term

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Q&A

Appendices

3 strategic pillars

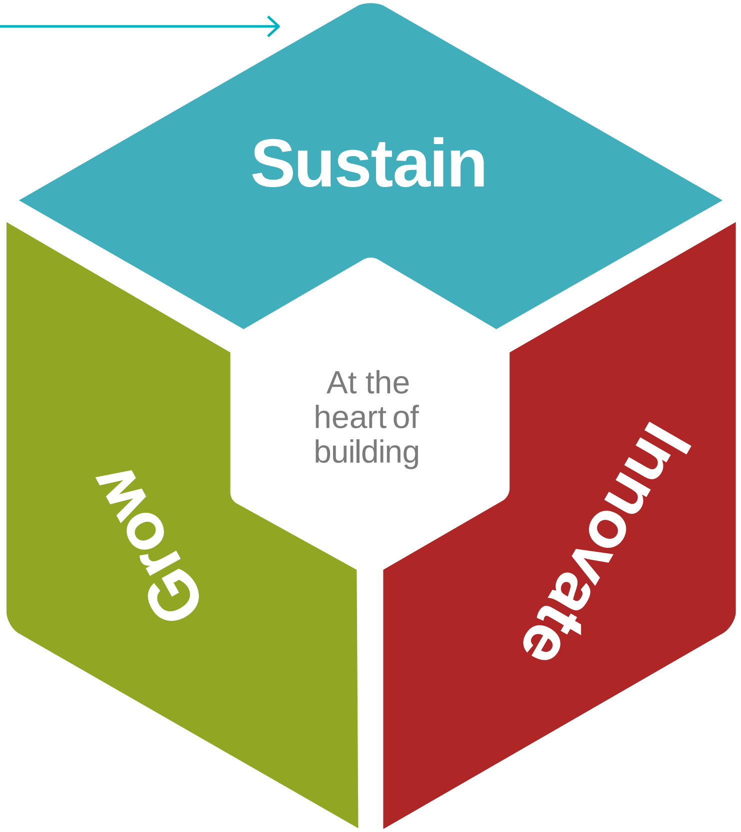
We operate our business focused on three key strategic pillars

Sustain

- Health and safety in all that we do
- Focus on Operational excellence to drive continuous improvement in underlying performance
- Sustainability and social impact

Grow

- Invest for growth in 2 ways:
    - Optimise our existing business
    - Diversify our revenue base within the UK residential building envelope



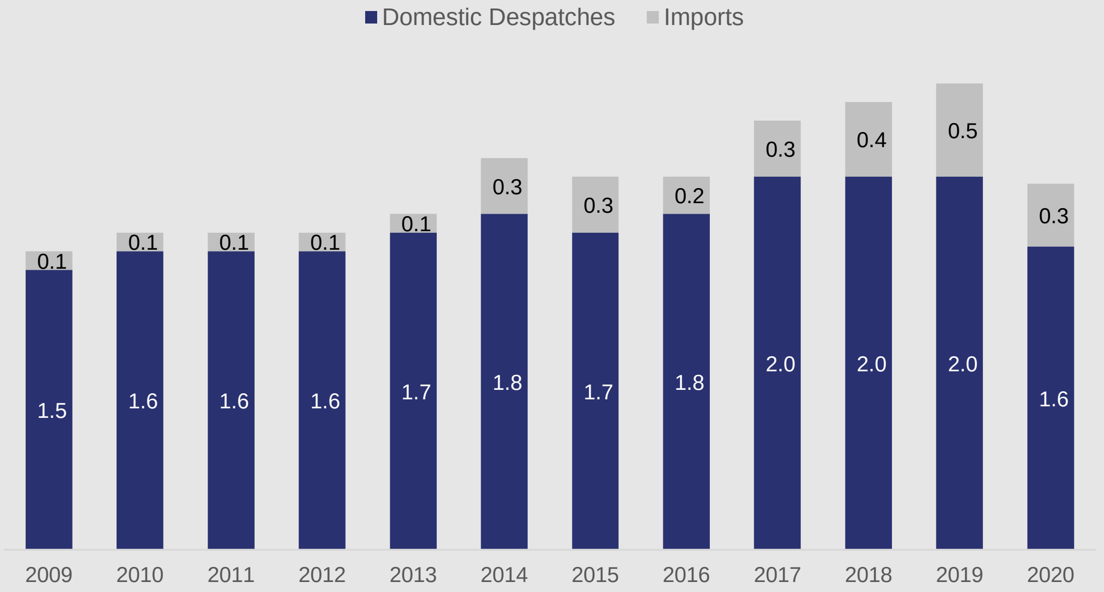
Innovate

- Product innovation to underpin market and margin leadership
- Improving the customer experience
    - Supply chain improvements and route to market
- Digital transformation

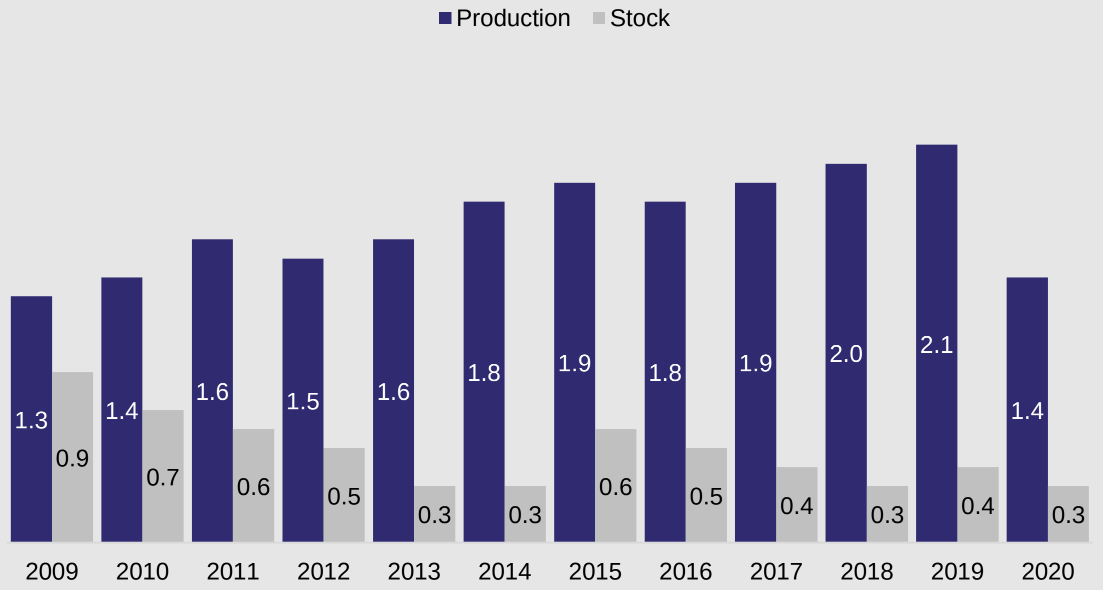
Brick market dynamics

Balancing supply and demand

Brick Consumption (billions of bricks)



Brick Production and Stock (billions of bricks)



The UK market consumed around 1.88 billion bricks, compared to 2.45 billion in 2019

New build housing volumes increased during the second half of 2020

Imports fell to 0.34 billion (0.46 billion in 2019) bricks, representing around 18% of the total brick market

Domestic clay brick production in 2020 of around 1.4 billion - around 30% below 2019

Industry production expected to increase from 2021 as demand recovers

With capital enhancements, we have ability to return to 2019 output levels

Leading manufacturers of…

Ibstock
At the heart of building

Ibstock Concrete

Our Concrete division is a leading manufacturer of prestressed and aesthetic building products, primarily for residential construction.

Longley
Anderton
Forticrete
Supreme

Ibstock Clay

Our market-leading Clay division offers a range of 400+ brick types as well as innovative building components and solutions.

Ibstock Kevington
Ibstock Brick

200
Years of experience

37
Manufacturing sites across the UK

2,044
Employees across the Group

400+
Brick types

75m
Tonnes of consented clay reserves

No. 1
UK brick manufacturer by production capacity

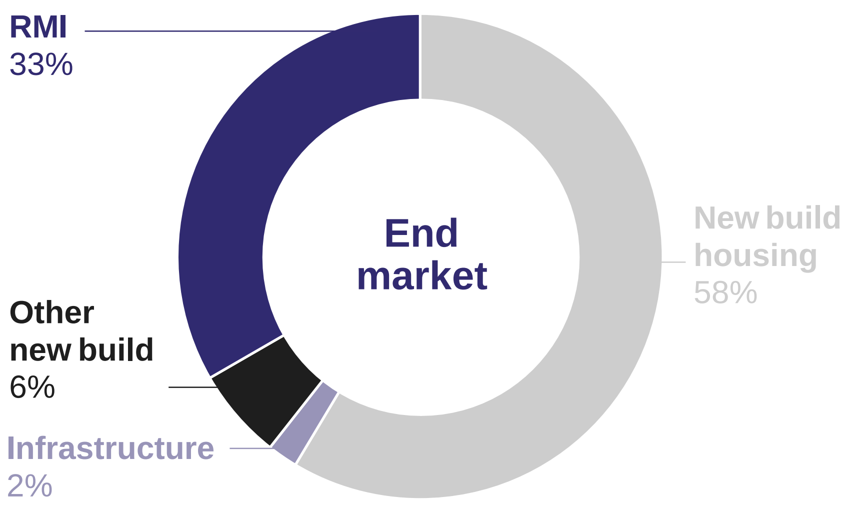
Our core products

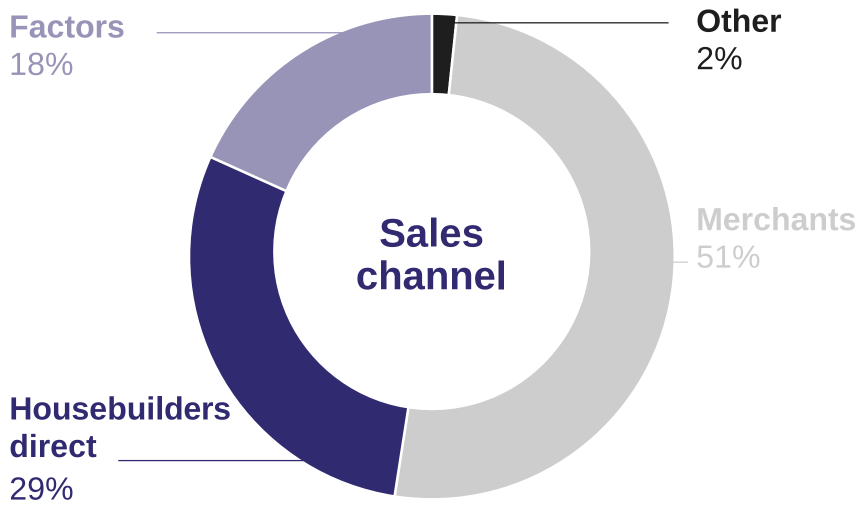
Walling	Facing bricks
	Special bricks
	Walling stone
	Special walling stone
	Architectural masonry
	Cast stone
	Facade systems
	Retaining walls
	Lintels, sills and arches
Roofing	Roof tiles
	Chimneys
	Soffits
	Roofing accessories
Garden and landscaping	Fencing
	Caps and copings
	Bollards
	Balustrades
	Path edging
	Urban landscaping
Flooring and groundwork	Floor beams
	Door steps
	Gully surrounds
	Screed rails
	Insulated flooring
	Hollowcore
Rail and infrastructure	Troughing
	Cable theft protection
	Boards, blocks and ases
	Catchpits
	Inspection chambers
Bespoke services	Engraving and cutting
	Floor beam & block design, supply and fitting solutions
	Bespoke concrete products
	Staircases
	Lift shafts

Key investment highlights

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

A leading provider of clay and concrete building products





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 FY20 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

Adjusted income statement reconciliation 2020

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Year ended 31 December 2020	Adjusted	Fair Value Adjustment	Exceptionals	Deferred tax rate change	Other	Reported
Revenue	£316m	-	-	-	-	£316m
Costs	(£264m)	-	(£36m)	-	-	(£300m)
EBITDA	**£52m**	**-**	**(£36m)**	**-**	**-**	**£16m**
D&A	(£26m)	(£10m)	-	-	-	(£36m)
EBIT	**£26m**	**(£10m)**	**(£36m)**	**-**	**-**	**(£20m)**
Finance	(£5m)	-	-	-	£1m	(£4m)
Tax	(£4m)	£2m	£6m	(£8m)	-	(£4m)
PAT	**£17m**	**(£8m)**	**(£30m)**	**(£8m)**	**£1m**	**(£28m)**
EPS (pence per share)	**4.0p**	**(1.9p)**	**(7.2p)**	**(1.9p)**	**0.2p**	**(6.8p)**

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 well as exceptional items

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

Adjusted income statement reconciliation 2019

Year ended 31 December 2019	Adjusted	Fair Value Adjustment	Exceptionals	Other	Reported
Revenue	£409m	-	-	-	£409m
Costs	(£287m)	-	(£3m)	-	(£290m)
EBITDA	**£122m**	**-**	**(£3m)**	**-**	**£119m**
D&A	(£26m)	(£9m)	-	-	(£35m)
EBIT	**£96m**	**(£9m)**	**(£3m)**	**-**	**£84m**
Finance	(£3m)	-	-	£1m	(£2m)
Tax	(£18m)	£2m	£1m	(£1m)	(£16m)
PAT	**£75m**	**(£7m)**	**(£2m)**	**-**	**£66m**
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

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

Balance sheet

Year ended 31 December	2020	2019
PP&E	£371m	£386m
Right of Use assets	£27m	£30m
Intangible	£95m	£103m
Non-current assets	**£493m**	**£519m**
Inventories	£64m	£84m
Trade and other receivables	£59m	£58m
Assets held for sale	£1m	£1m
Current assets	**£124m**	**£143m**
Total assets	**£617m**	**£662m**
Payables	(£85m)	(£88m)
Lease liabilities	(£29m)	(£30m)
Other liabilities excluding debt & pension	(£80m)	(£84m)
Net assets excluding debt & pension	**£423m**	**£460m**
Net debt	(£69m)	(£85m)
Pension	£44m	£89m
Net assets	**£398m**	**£464m**

Cash flow

Year ended 31 December	2020	2019
Adjusted EBITDA	**£52m**	**£122m**
Working capital	£17m	(£24m)
Net interest	(£4m)	(£3m)
Tax	(£6m)	(£13m)
Post-employee benefits	(£2m)	(£1m)
Exceptional items	(£10m)	(£1m)
Other	(£2m)	(£4m)
Net cash flow from operating activities	**£45m**	**£76m**
Total capex	(£24m)	(£39m)
Surplus asset disposals	£4m	£3m
Acquisition of Longley	-	(£13m)
Net cash flow from investing activities	**(£20m)**	**(£49m)**
Lease payments	(£8m)	(£8m)
Dividends paid	-	(£60m)
Other	(£1m)	£4m
(Increase)/ decrease in net debt	**£16m**	**(£37m)**