2020 INTERIM RESULTS

6 August 2020

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AGENDA

Overview	Joe Hudson
Financial Review	Chris McLeish
Operational Review	Joe Hudson
Summary	Joe Hudson
Q&A	

OVERVIEW

- Health and safety our number one priority
- Decisive actions taken to manage the business during challenging trading conditions
- Strong focus on costs, cash flow and liquidity, free cash flow positive in Q2
- Continue to execute our strategy and take actions to ensure we emerge as a leaner, more flexible business
- Recent market trends encouraging
- Actions taken position us well to meet current challenges and benefit from recovery in core markets

FINANCIAL REVIEW

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FINANCIAL HEADLINES

PROFITABILITY IMPACTED BY LOWER SALES VOLUMES

Half year to 30 June 2020	H1 2020	H1 2019	Change
Revenue	£131m	£203m	(36%)
Adjusted EBITDA	£10m	£59m	(84%)
Depreciation & amortisation	(£18m)	(£16m)	(10%)
Non underlying items	(£41m)	(£1m)	
(Loss)/ profit before interest and tax	**(£49m)**	**£42m**	
Interest	(£3m)	(£1m)	
(Loss)/ profit before tax	**(£52m)**	**£41m**	
Taxation - at effective rate	£10m	(£8m)	
Taxation - change in deferred tax rate	(£8m)	-	
(Loss)/ profit for the period	**(£50m)**	**£33m**	
Net debt	£103m	£62m	(£41m)
Net debt to Adjusted EBITDA	1.6x	0.5x	(1.1x)
Interim dividend	-	3.2p	-

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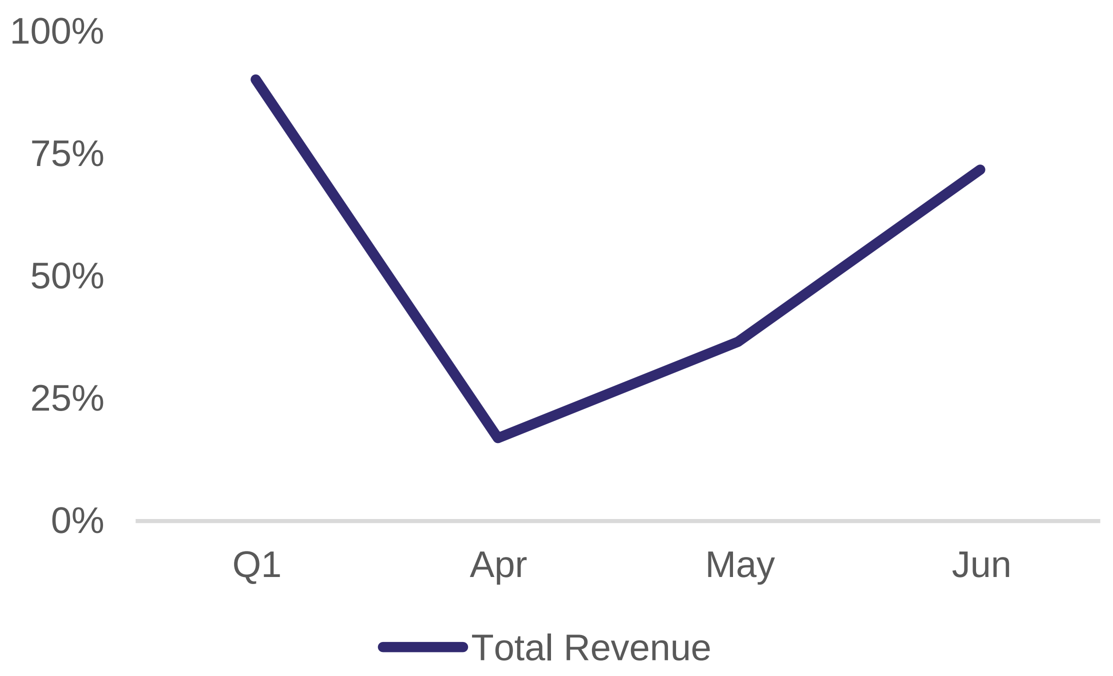
REVENUE ANALYSIS

REVENUE IMPROVED SEQUENTIALLY DURING Q2

	Q1	%	Q2	%	H1	%
Total Revenue	**£85m**	**(10%)**	**£46m**	**(58%)**	**£131m**	**(36%)**



- Sharp reduction in volumes from late March impacted Q1 revenues
- Volumes in April heavily impacted by COVID-19 with clay and concrete down 90% and 70% respectively
- Sequential improvement from May; continued in July
- Pricing broadly stable across both divisions

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H1 2020 Concrete volumes benefitted from acquisition of Longley in H2 2019

CLAY

GRADUAL RECOVERY IN NEW BUILD ACTIVITY

Half year to 30 June (£m)	H1 2020	H1 2019	% Change
Total Revenue	87	151	(43%)
Adjusted EBITDA	8	51	(85%)
Margin	*9%*	*34%*	

- Revenue reflects lower sales volumes partly offset by modest price benefit
  - Volumes recovered from -90% YoY in April to -40% in June
- Adjusted EBITDA reduced by 85% reflecting reduced volumes and operational gearing;
  - Drop-through impacted by c.£10m under-recovery of manufacturing overhead as inventories reduced
  - Fixed costs benefited from £7m furlough

Ibstock Brick

Ibstock Kevington

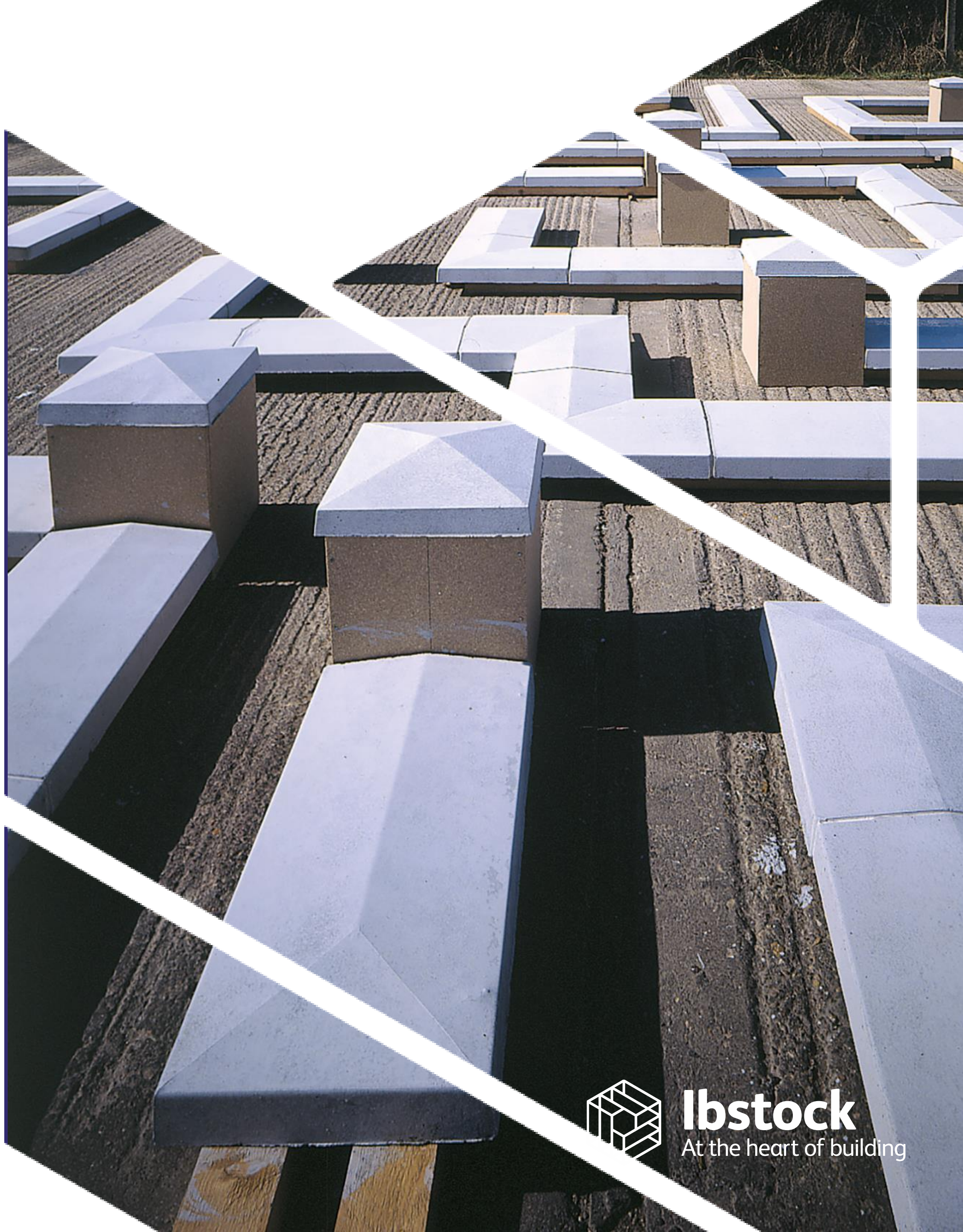
CONCRETE

RESILIENT PERFORMANCE

Half year to 30 June (£m)	H1 2020	H1 2019	% Change
Total Revenue	**44**	**52**	**(15%)**
Adjusted EBITDA	**6**	**11**	**(48%)**
Margin	*12%*	*20%*	

- Revenues 15% lower due to lower sales volumes
  - RMI and infrastructure activity continued during lockdown, albeit at lower levels
  - £7m benefit from Longley acquisition which completed H2 2019, with modest profit contribution due to lower volumes
- Adjusted EBITDA down 48% reflecting:
  - Variable costs per unit broadly in line with prior year
  - Fixed costs lower due to £2m furlough benefit and lower site costs
- RMI and infrastructure exposure ensured division remained breakeven through lockdown

Forticrete Supreme Anderton Longley



NON UNDERLYING ITEMS

ONE-OFF COSTS ASSOCIATED WITH COVID-19 AND GROUP'S RESPONSE

Half year to 30 June (£m)	H1 2020
Loss on 2020 surplus positions	7
Accelerated charge on H2 own use	6
COVID-19-related energy charges	**13**
Restructuring severance costs	8
Restructuring - non-cash impairments	19
Other cash expectional costs	1
Non-underlying items	**41**

- Charge of £13m in respect of energy positions
  - Energy usage will fall well below expectations at start of the year
  - Drives non-underlying charge for surplus positions of £7m
  - Additional fair value charge of £6m will reverse in H2
- Severance costs of £8m associated to restructuring programme:
  - Expect a full year charge of around £10m; to be paid H2
- Non-cash asset impairments of £19m from anticipated site closures
- Other non-underlying costs of £1m, related principally to COVID response

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BALANCE SHEET
ACTIONS TO PROTECT BALANCE SHEET

- Entered 2020 with a strong balance sheet
- Strong working capital management
  - Free cash flow positive in Q2
- Net debt at 30 June of £103m
  - Leverage at 1.6x net debt to Adjusted EBITDA
  - Total liquidity of over £110m
- Renegotiated RCF covenants to provide flexibility over next 12 months
  - £215m RCF matures March 2022
  - CCFF in place for further liquidity, if required

Notes:
1 – Leverage calculated net debt to trailing 12 month adjusted EBITDA
2 – The Group has agreed covenant amendments as follows: as at December 2020, the leverage test is replaced by a liquidity test requiring the Group to have Minimum Liquidity of £60 million and the interest cover test is amended to no less than 1.25 times. The leverage test at 30 June 2021 is amended to no more than 3.75 times.

RESILIENT CASH FLOW PERFORMANCE

WORKING CAPITAL MANAGEMENT REDUCED FCF IMPACT IN H1

Half year ended 30 June (£m)	H1 2020	H1 2019	Change	% Change
Adjusted EBITDA[2]	**10**	**59**	**(49)**	**(84%)**
Δ in net working capital	(1)	(20)	+19	
Net interest	(1)	(1)	-	
Tax	(3)	(7)	+4	
Post-employment benefits[3]	(1)	(1)	-	
Other[4]	(4)	(2)	(2)	
Adjusted operating cash flow	**-**	**28**	**(28)**	**(100%)**
Capex	(15)	(19)	+4	
Adjusted free cash flow	**(15)**	**9**	**(24)**	

Note

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

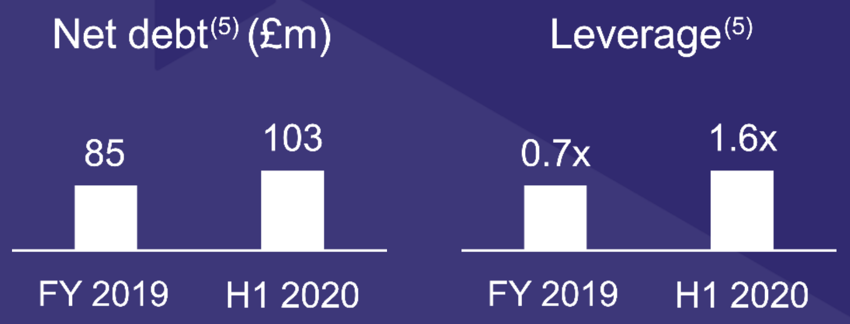
(2) H1 2020 Adjusted EBITDA includes a benefit of £3.3m relating to IFRS 16 leasing adjustments; H1 2019 £3.1m

(3) Additional cash contributions to DB pension scheme

(4) Includes share based payment charge, post retirement benefits and lease payments

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

- Free cash flow positive during Q2
- Close management of working capital in Q2 offset seasonal outflow in Q1
- Tax paid reflects deferral of HMRC payments
- Lower capex reflects reduced maintenance spend; continued to progress enhancement projects
- Cash flow considerations for H2:
  - Non-underlying cash costs of up to £15m
  - Deferred tax payments of c.£10m
  - Capex expected to be around £25m for full year



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OPERATIONAL REVIEW

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SAFE RETURN TO WORK
HEALTH AND SAFETY TOP PRIORITY

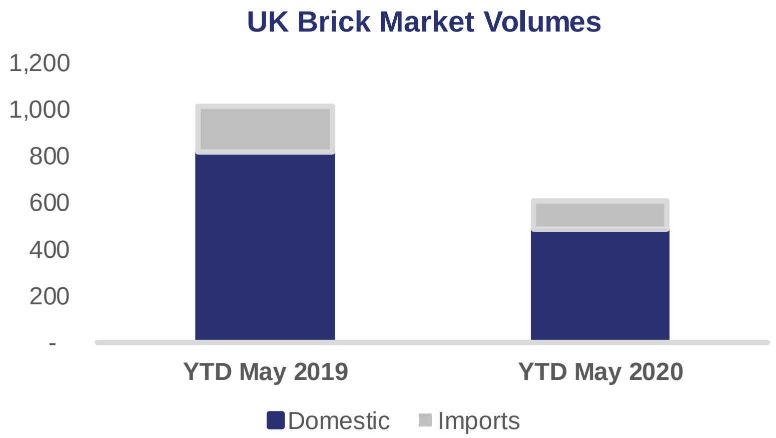
- Colleague safety remains our top priority as we implement a phased re-start of production

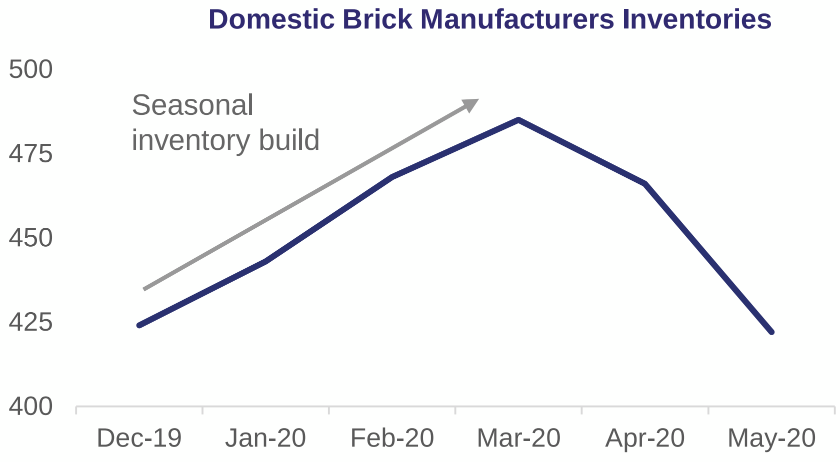
- Majority of sites now safely re-opened

- “Safe Start” induction sessions held at all sites

- Revised working protocols in place;
  - Social distancing
  - Onsite temperature checks

BRICK MARKET DYNAMICS
BALANCING SUPPLY AND DEMAND





- Rolling 12 month total market volumes at c.2bn bricks
- Industry production significantly reduced during lockdown
- Lower inventory levels at 30 June due to de-stocking during Q2
- Healthy balance between supply and demand
- Positive trend in new build reservations and site visits reported in June

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Brick market industry data for 5 months to May 2020

CLAY DIVISION – OPERATIONAL REVIEW
WELL POSITIONED FOR RECOVERY

- Recent investments mean the division was well placed entering the COVID-19 pandemic
- Significant impact from COVID-19, brick volumes down c.90% during April
- Swift management action taken to reduce costs, furlough colleagues and protect the business
- Phased production re-start from mid-May
- Sales volumes recovered to c.80% of prior year in July
- Pricing stable

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CONCRETE DIVISION – OPERATIONAL REVIEW

RESILIENT FIRST HALF PERFORMANCE

- Resilient first half performance, reflecting greater exposure to essential infrastructure and RMI markets
- Shipments of fencing and rail products continued during lockdown
- Production restart early May
- Good momentum in merchant channel during May and June
- Sales volumes recovered to c.85% of prior year in July
- Flooring, roof tiles and walling stone volumes improving gradually as new build housing activity resumes

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RESTRUCTURING

CREATING A LEANER AND MORE FLEXIBLE OPERATING FOOTPRINT

- Recent investments, including Eclipse and our enhancement projects, have expanded capacity and increased flexibility
- Full review of all aspects of our operational footprint to reflect current demand environment;
  - Review of production capacity, including closure of 1 concrete and 3 clay manufacturing sites
    - Smaller, higher cost and carbon intensive sites to close
  - Reduction in scale and further centralisation of support functions
  - Establishing flexible working arrangements
  - Overall expected reduction in headcount of c.375 positions or c.15% of the workforce
- Consultation process ongoing, final plans to be put in place during H2
- Flexibility to scale up output as demand recovers

Total annualised fixed cost savings up to £20m expected in 2021

Exceptional costs of c.£10m to be incurred in 2020

Proposed Site Closures

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STRATEGY ON TRACK

MARKET LEADER WITH BROAD PRODUCT RANGE AND NATIONAL FOOTPRINT

Sustain

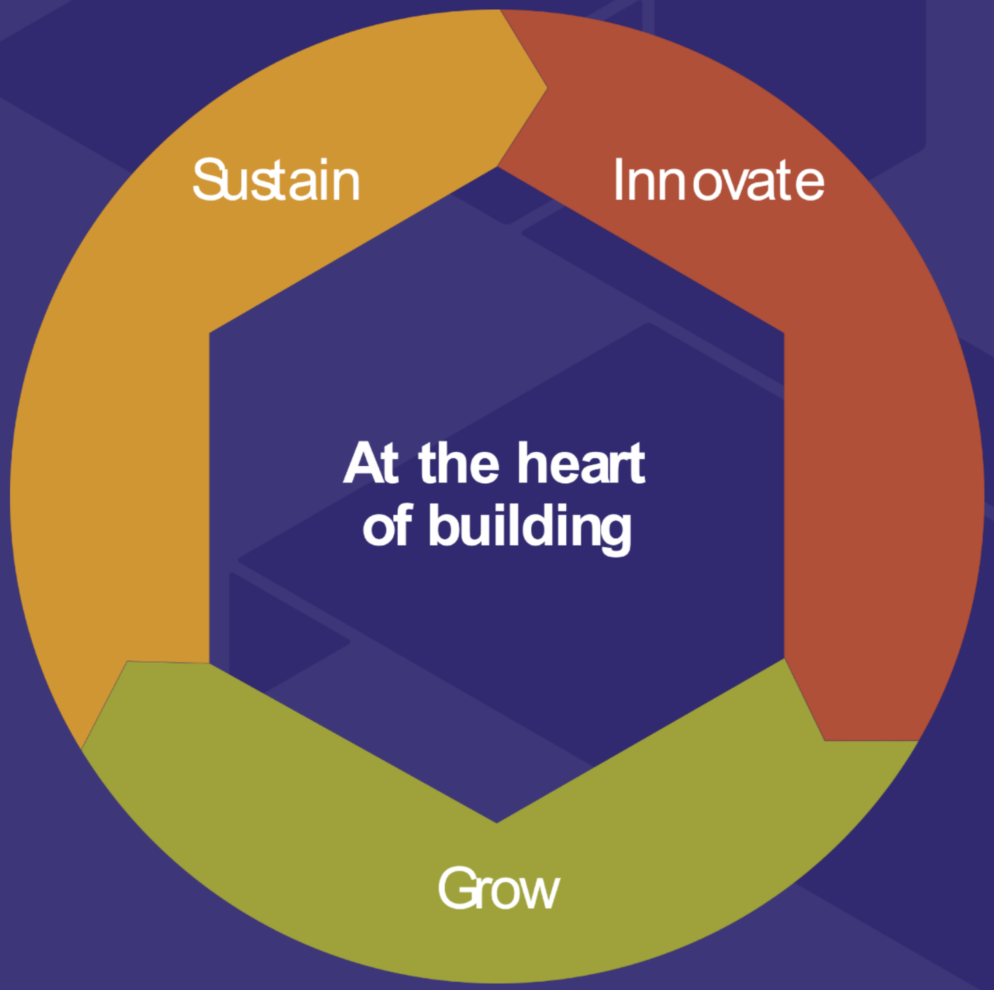
- Operational excellence initiatives continue to drive improvements in underlying performance
- Manufacturing reliability and health and safety metrics improved YTD
- Enhancement projects on track

Innovate

- Looking to build long term partnerships with our customers
- Improving the customer experience - Supply chain improvements and route-to-market technology
- New product development
- Opportunities to cross-sell clay and concrete products

Grow

- Retain optionality to deliver future growth projects and potential M&A as demand recovers



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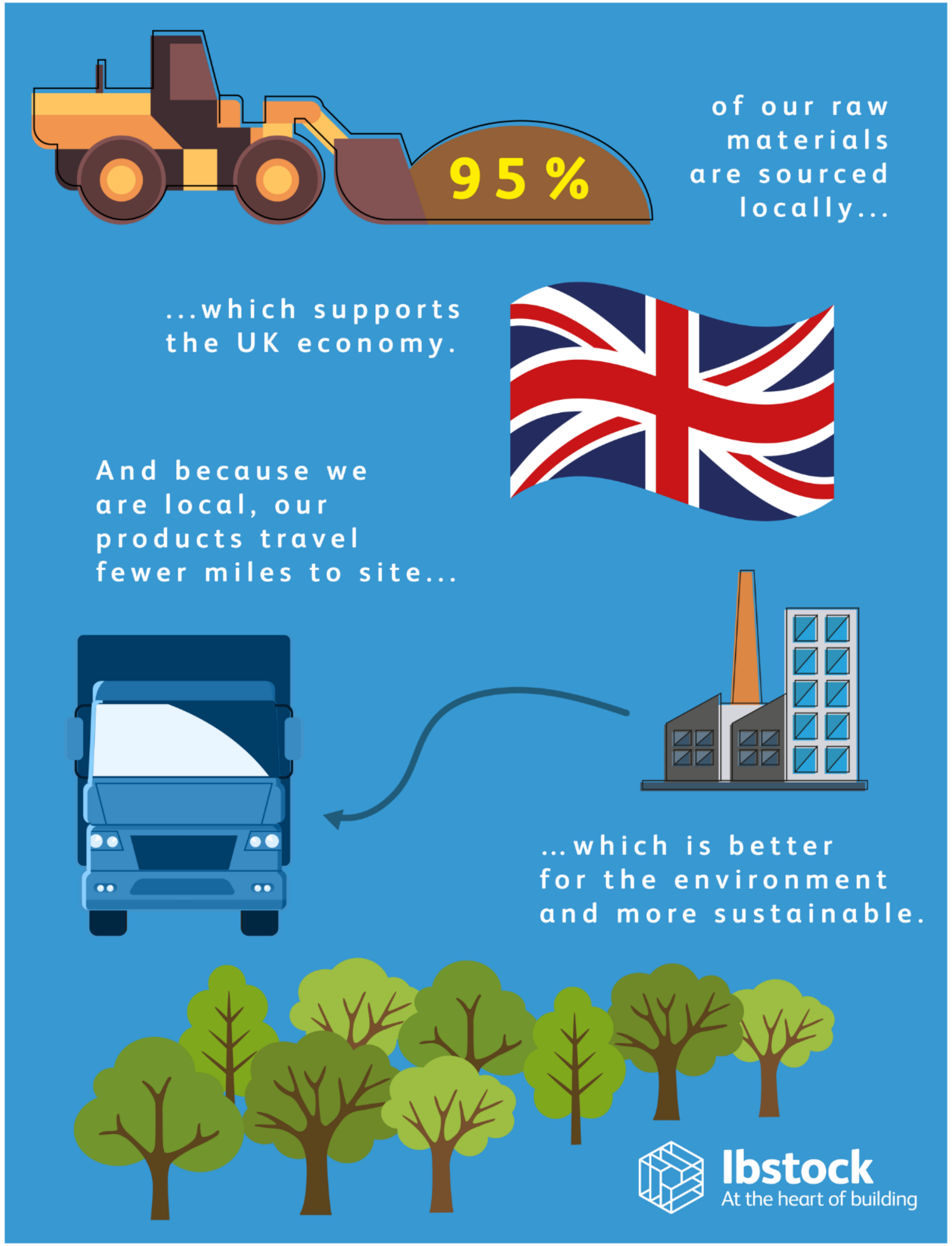
FURTHER PROGRESS ON SUSTAINABILITY

- Increasing importance of sustainability and security of supply to customers
- Latest sustainability report published, demonstrating sector leadership
- Good progress with our sustainability targets, 6.5% reduction in carbon in 2019
- Increased our ambitions around plastics reduction and new product launches



SUPPORTING COMMUNITIES THROUGH THE PANDEMIC

- With >30 sites across the UK, Ibstock is a key employer in many local communities
- Strongly committed to our community agenda despite the challenges of COVID-19
- Many sites donated surplus PPE to NHS facilities across the country
- We continue to support our national charity partnership during the lock down period
    - Annual fundraising target exceeded

POSITIVE FUNDAMENTALS

- Government commitment to new house building;
  - Clear support for re-start of construction activity in early May
  - Summer statement “A Plan for Jobs” supportive of role of construction sector in UK economic recovery
    - Stamp duty holiday on purchases below £500k
    - Planning system reforms
    - Investment in decarbonisation and infrastructure projects
- Substantial housing deficit in the UK
- Interest rates remain low and mortgage availability remains robust

SUMMARY AND OUTLOOK

- Health and safety of our colleagues remains our top priority
- Continue to progress our strategic initiatives and get closer to our customers
- Actions taken to strengthen the business:
  - Reducing costs
  - Protecting the balance sheet
  - Leaner and more flexible operating footprint
- Recent market trends encouraging: clay sales volumes c.80% and concrete volumes c.85% of prior year levels in July
- Actions taken position us well to meet current challenges and benefit from recovery in core markets

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Q&A

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

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Leading manufacturers of….

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

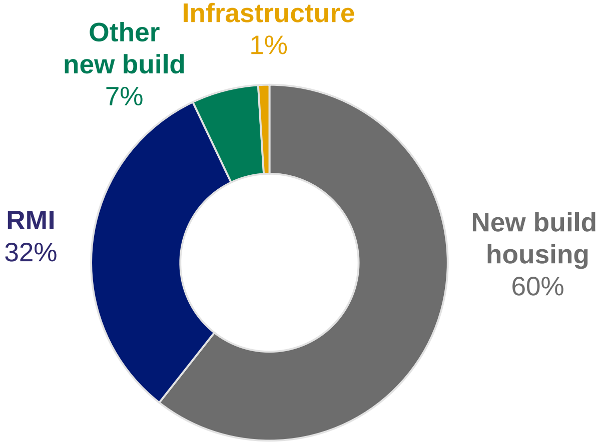
BESPOKE SERVICES

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

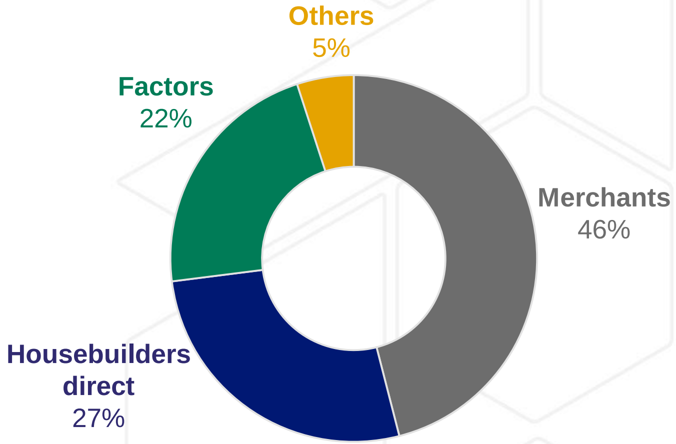
Ibstock Plc

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

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

Summary balance sheet

Half year ended 30 June (£m)	H1 2020	H1 2019
Assets		
PP&E	375	378
Right of Use assets	28	33
Intangible	99	96
Non-current assets	**502**	**507**
Inventories	70	67
Trade and other receivables	51	64
Current assets	**121**	**131**
Total assets	**623**	**638**
Trade and other payables	(68)	(84)
Lease liabilities	(30)	(33)
Other liabilities excluding debt & pension	(93)	(85)
Net assets excluding debt & pension	**432**	**436**
Net debt	(103)	(62)
Pension	62	92
Net assets	**391**	**466**

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Summary cash flow

Half year ended 30 June (£m)	H1 2020	H1 2019
Adjusted EBITDA	**10**	**59**
Working capital	(1)	(20)
Net interest	(1)	(1)
Tax	(3)	(7)
Post-employee benefits	(1)	(1)
Net cash flow from operating activities	**4**	**30**
Total capex	(15)	(19)
Surplus asset disposals	-	1
Net cash flow from investing activities	**(15)**	**(18)**
Lease payments	(4)	(3)
Dividends paid	-	(27)
Other	(3)	14
(Increase)/ decrease in net debt	**(18)**	**(4)**

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Adjusted P&L reconciliation 2020

Half year ended 30 June (£m)	Adjusted	Fair Value Adjustments	Exceptionals	Deferred tax rate change	Fair value energy contracts	Interest	Reported
Revenue	131	-	-	-		-	131
Costs	(121)	-	(35)	-	(6)	-	(162)
Other	-	-	-	-		-	-
EBITDA	**10**	**-**	**(35)**	**-**	**(6)**	**-**	**(31)**
D&A	(13)	(5)	-	-		-	(18)
EBIT	**(3)**	**(5)**	**(35)**	**-**	**(6)**	**-**	**(49)**
Finance	(2)	-	-	-		(1)	(3)
Tax	1	1	7	(8)	1	-	2
PAT	**(4)**	**(4)**	**(28)**	**(8)**	**(5)**	**(1)**	**(50)**
EPS (pence per share)	**(0.9)**	**(1.0)**	**(6.8)**	**(2.0)**	**(1.2)**	**(0.2)**	**(12.1)**

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

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Adjusted P&L reconciliation 2019

Half year ended 30 June (£m)	Adjusted	Fair Value Adjustments	Exceptionals	Other	Reported
Revenue	203	-	-	-	203
Costs	(144)	-	(1)	-	(145)
Other	-	-	-	-	-
EBITDA	**59**	**-**	**(1)**	**-**	**58**
D&A	(12)	(4)	-	-	(16)
EBIT	**47**	**(4)**	**(1)**	**-**	**42**
Finance	(1)	-	-		(1)
Tax	(9)	1	-	-	(8)
PAT	**37**	**(3)**	**(1)**	**-**	**33**
EPS (pence per share)	**9.0**	**(0.7)**	**(0.2)**	**-**	**8.1**

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

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