Ibstock Plc

2019 Interim Results

31 July 2019

At the heart of building

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Agenda

1. OVERVIEW
2. FINANCIAL REVIEW
3. OPERATIONAL UPDATE
4. Q&A

Joe Hudson
CEO

Kevin Sims
CFO

Overview

FINANCIAL OVERVIEW

Revenues
+6% to
£203m

Adjusted EBITDA
+8% to
£59m

Net debt to EBITDA at
0.5x
reflecting seasonal working capital change

Supplementary dividend of
5p per share
in addition to **interim dividend of 3.2p** per share

OPERATIONAL OVERVIEW

Stable market conditions in the new build housing sector

New Eclipse factory performing well and supporting industry demand

Mixed performance in concrete division

Acquisition of leading concrete flooring business Longley Concrete

Financial review

Financial highlights

Six months ended 30 June (£m) Continuing operations	2019	2018	Movement	
Revenue	203.3	191.6	6.1%	▲
Adjusted EBITDA[1]	59.0	54.9	7.5%	▲
Adjusted PBT	41.6	41.8	-0.5%	▼
Adjusted EPS	9.0p	9.2p	-2.2%	▼
Exceptional profits on disposal of property	(0.1)	6.4		
Reported EPS	8.1p	10.0p	-19.0%	▼
Interim ordinary dividend	3.2p	3.0p	6.7%	▲
Supplementary dividend	5.0p	6.5p		
ROCE[2]	20.4%	20.1%	30bps	▲
Net debt to Adjusted EBITDA[3]	0.5x	1.1x	-0.6x	▼

Note

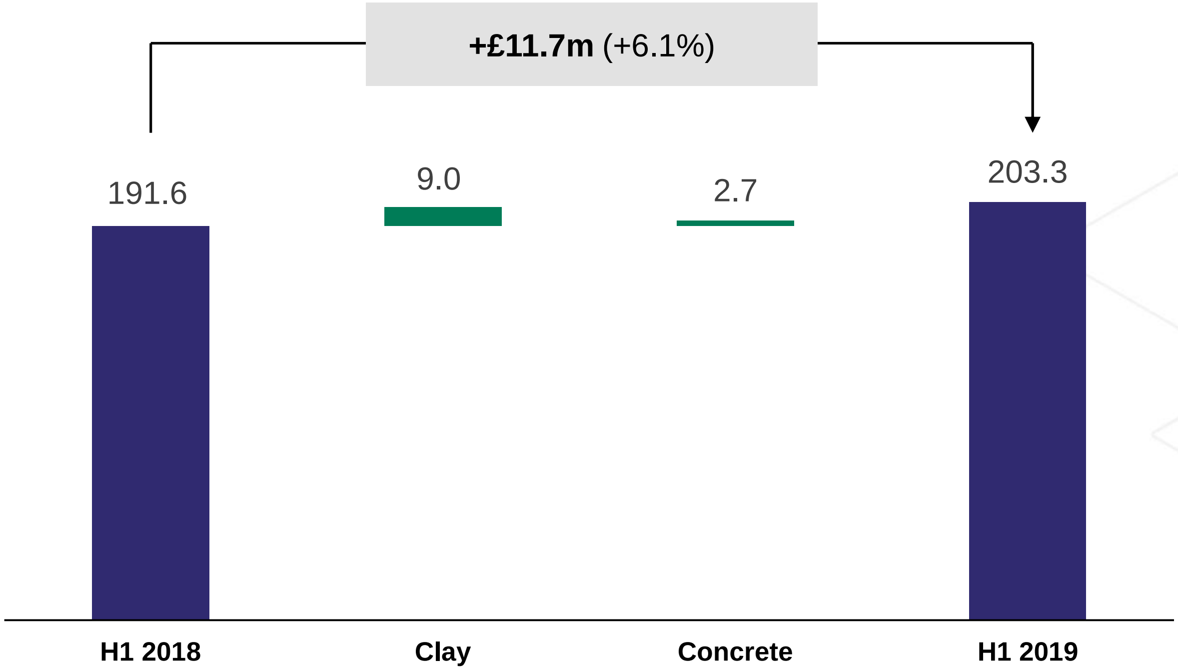
(1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items. H1 2019 Adjusted EBITDA includes a benefit of £3.1m arising from the adoption of IFRS 16 Lease Accounting with effect from 1 January 2019.

(2) ROCE is EBIT adjusted for exceptional items as a proportion of average capital employed (net debt plus equity excluding pensions)

(3) Net debt to Adjusted EBITDA excludes the impact of IFRS 16 leasing adjustments

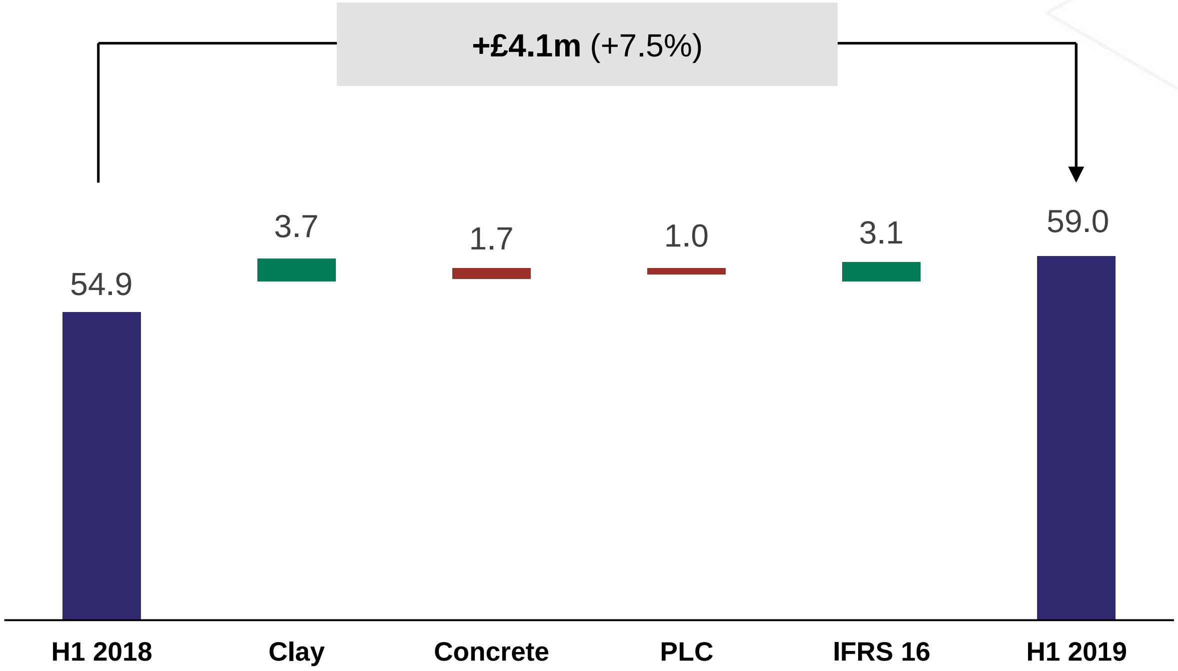
- Adjusted PBT is slightly lower year-on-year reflecting higher D&A and interest expense associated with adoption of IFRS 16
- Reported EPS is lower year-on-year due to the exceptional profit on disposal of surplus property and a lower effective tax rate reported in H1 2018

Solid revenue growth across both divisions



- Group revenue up 6% to £203m
- Primarily driven by Clay division
  - Pricing in line with expectations
  - Volume growth from new 100m soft mud brick factory partly offset by the enhanced maintenance program
- Concrete revenue growth reflects good performance in roofing, partly offset by softer demand in other product segments

Adjusted EBITDA bridge



- Adjusted EBITDA +7.5% to £59m, reflecting;
- Solid revenue growth in Clay division, partly offset by cost inflation and maintenance program
- Concrete profitability impacted by phasing of production and sales mix
- PLC costs up c.£1m year-on-year primarily due to lower R&D credits
- £3m benefit from the adoption of IFRS16
- Group adjusted EBITDA margin stable at 29%

Strong balance sheet supporting growth and returns

Six months ended 30 June (£m)	2019	2018	Change	% Change
Adjusted EBITDA[1]	**59**	**55**	**4**	**7%**
Δ in net working capital	(20)	(21)	+1	
Net interest	(1)	(2)	+1	
Tax	(7)	(4)	(3)	
Post-employment benefits[2]	(1)	(4)	+3	
Other[3]	(3)	2	(5)	
Adjusted operating cash flow	**27**	**26**	**1**	**4%**
Capex	(19)	(15)	(4)	
Surplus asset disposals	1	-	+1	
Adjusted free cash flow	**9**	**11**	**-2**	**-18%**

Note

(1) H1 2019 Adjusted EBITDA includes a benefit of £3.1m relating to IFRS 16 leasing adjustments

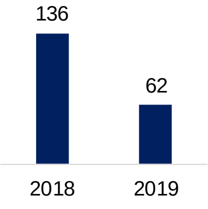
(2) Additional cash contributions to DB pension scheme

(3) Includes share based payment charge and lease payments

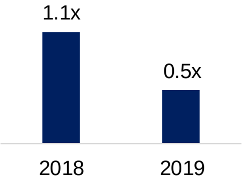
(4) Net debt and leverage exclude the impact of IFRS 16 leasing adjustments

- Working capital outflow in H1 reflects seasonality in the business
- Capex reflects phasing of maintenance and enhancement spend
- Lower tax paid in H1 2018 benefited from receipt of claims made in the prior year for allowable expenses
- Further previously announced surplus property disposals remain on track
- Expect to remain towards the bottom end of our leverage range by end of 2019

Net debt[4] (£m)



Leverage[4]



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Operational review

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Ibstock Clay

- Leading UK brick manufacturer
- Revenues of c.£300m p.a.
- Product range of 400+ brick types, and "specials" and components
- Ibstock Brick owns the UK's largest tonnage of high quality clay reserves, c.80m tonnes
- Extensive manufacturing network of 19 manufacturing sites strategically located across UK

Ibstock Brick | Ibstock Kevington

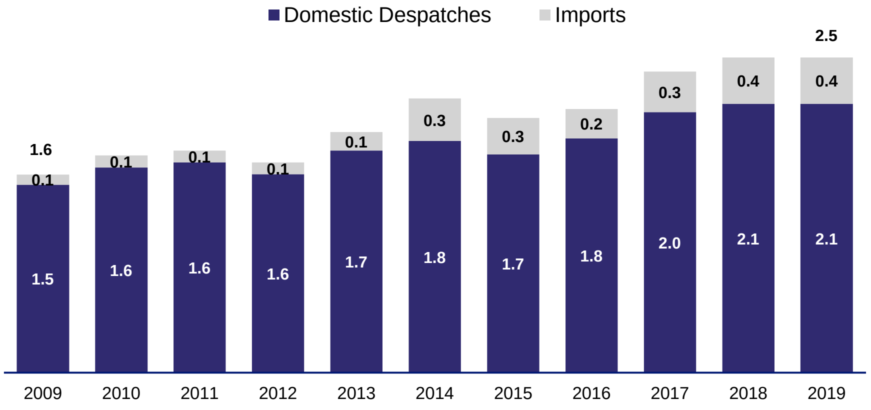
Ibstock Concrete

- 3 leading brands
- Revenues c.£100m p.a.
- Diverse product range across;
  - Roof tiles
  - Fence posts
  - Pre-stressed flooring
  - Stone walling and cast stone
  - Retaining walls, rail and civils products
- Exposure to new build and RMI markets

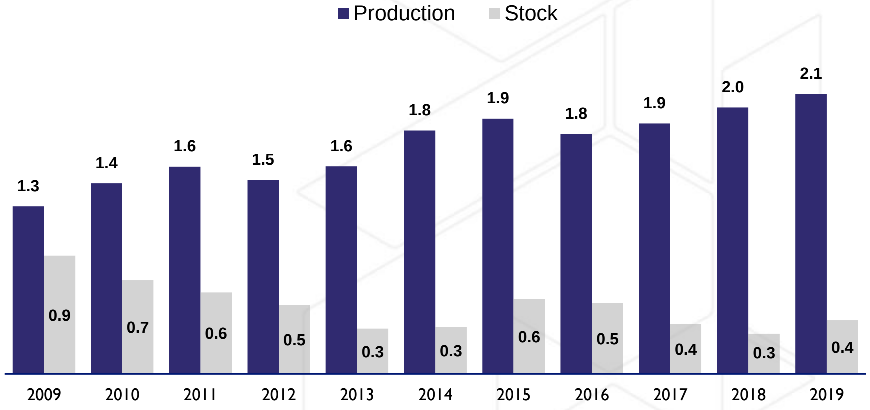
Supreme | Forticrete | Anderton

Market dynamics remain supportive

Brick Consumption (billions of bricks)



Brick Production and Stock (billions)



Continued strong demand for bricks from new build housing

Imports continue to fill the gap between GB supply and demand

Domestic despatches restrained by availability with imports at record levels

All GB industry manufacturing sites now in production

Industry stocks are at low levels with limited scope for further destocking

Existing manufacturing capacity remains below consumption

Note: 2019 figure relate to rolling 12 months to May 2019

Solid performance in Clay

6 months ended 30 June (£m)	2019	2018	Change	%Change
Revenue	150.9	141.9	+9.0	6%
Adjusted EBITDA	51.2	45.0	+6.2	14%
Margin	*34%*	*32%*		

- Revenue growth reflects pricing benefits and product from our new 100m soft mud brick factory
- Adjusted EBITDA growth reflects higher revenues, partly offset by higher energy and maintenance costs
    - £2.5m benefit from adoption of IFRS 16
    - Underlying adjusted EBITDA margin stable at 32%
- Maintenance program has progressed well
- Kate Tinsley has joined as Managing director of Clay Division

Mixed performance in Concrete

6 months ended 30 June (£m)	2019	2018	Change	%Change
Revenue	52.4	49.7	+2.7	5%
Adjusted EBITDA	10.5	11.5	-1.0	-9%
Margin	*20%*	*23%*		

- Divisional reorganisation underway
- Revenue growth benefitting from higher sales in roofing
  - Softer domestic RMI and infrastructure markets
- Adjusted EBITDA reflects;
  - £0.6m benefit from adoption of IFRS16
  - Phasing of production with a planned outage in H1 2019
  - Sales mix

Acquisition of Longley Concrete

Creating a leading national concrete flooring business

- Family run concrete business dating back to 1947
- Leading market position in concrete flooring (T-beams) across the North and Midlands

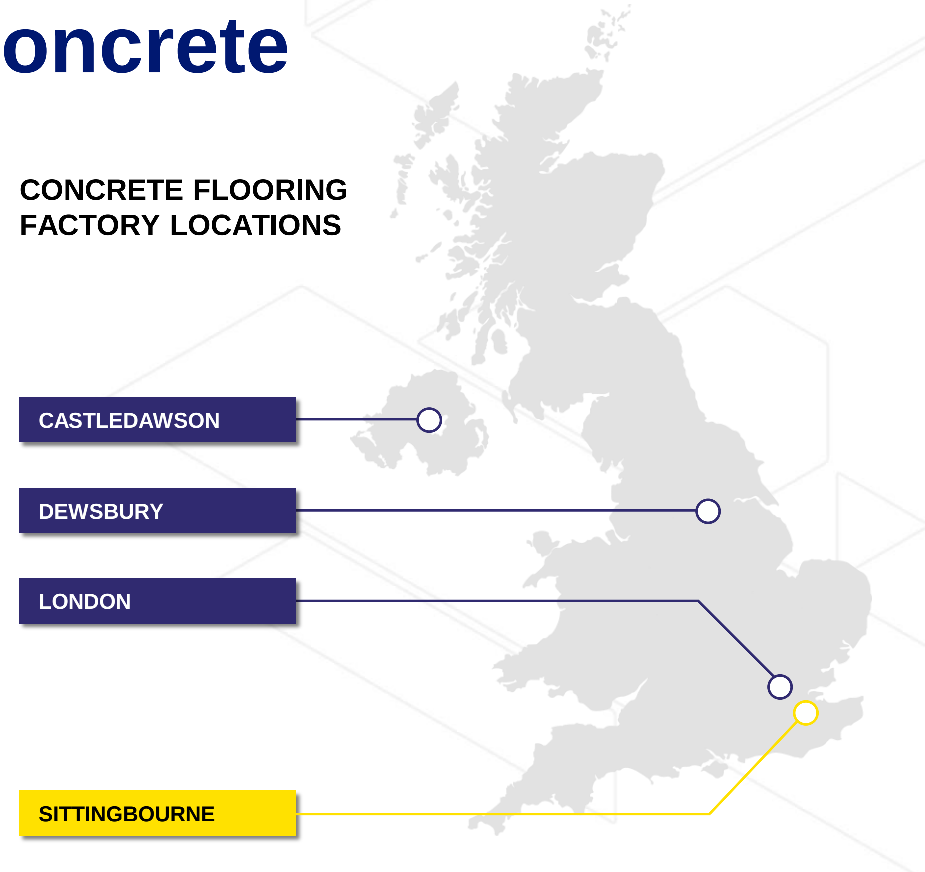
- Strong strategic rationale:
  - Experienced management team with extensive industry knowledge
  - Geographic in-fill, stronger presence outside South East
  - Greater distribution direct to large house builders
  - Planning permission for new factory to expand capacity at Dewsbury

- £14m consideration, attractive valuation at c.6.5x EV / EBITDA
  - Adjusted EBITDA c.£2m p.a

LONGLEY CONCRETE Est. 1947

Supreme

CONCRETE FLOORING FACTORY LOCATIONS



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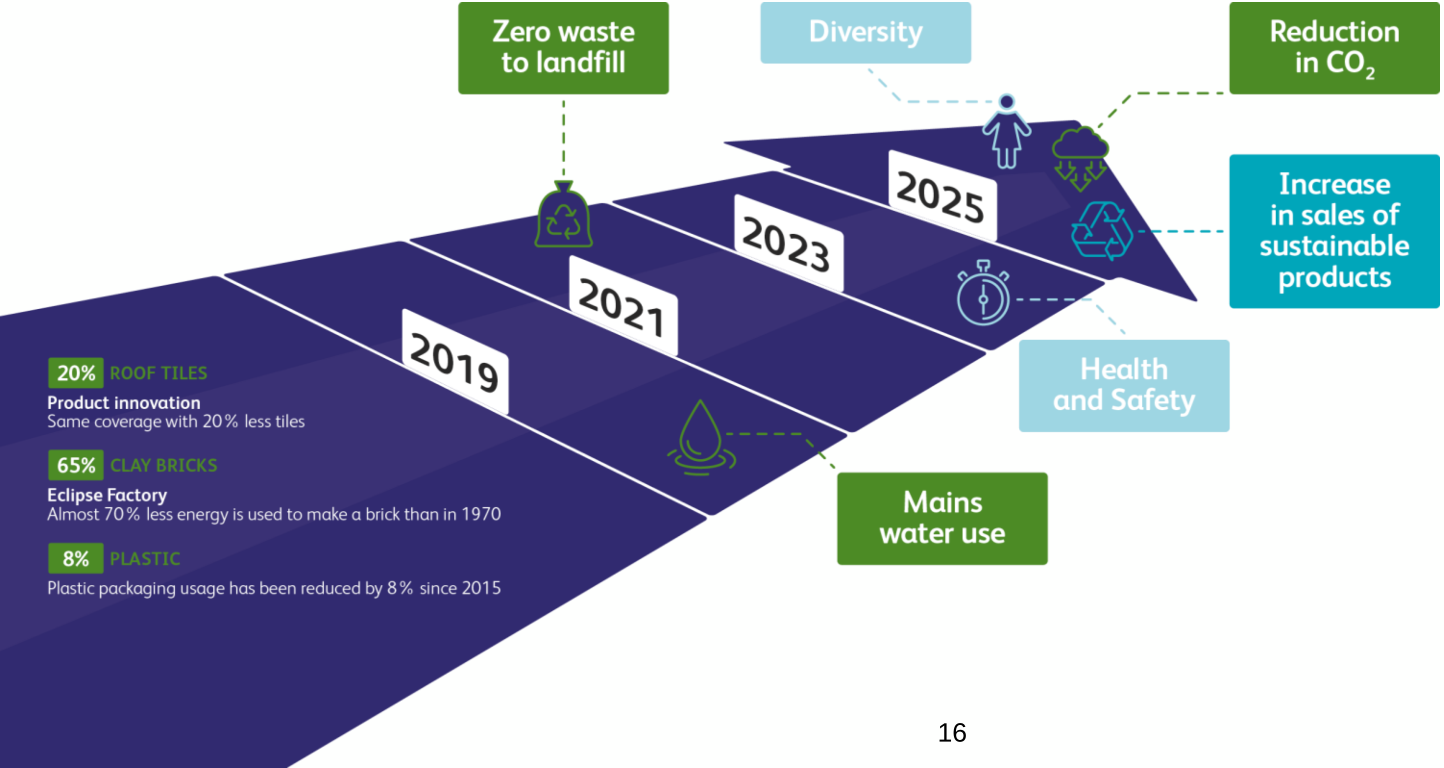
Sustainability roadmap



20% ROOF TILES
Product innovation
Same coverage with 20% less tiles

65% CLAY BRICKS
Eclipse Factory
Almost 70% less energy is used to make a brick than in 1970

8% PLASTIC
Plastic packaging usage has been reduced by 8% since 2015

Shelter

Charity partner

insider MADE IN THE UK

UK's Most Ethical / Sustainable Manufacturer of the Year Award

WELLNORTH ENTERPRISES

Long-term community investment partnership

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Summary and outlook

- Solid start to the year and good progress with strategic initiatives
- Strong balance sheet and cash generation support bolt-on M&A and supplementary dividend
- Expectations for the full year remain broadly unchanged
- Fundamentals remain supportive

INVESTING FOR GROWTH

- Organic growth projects
- M&A optionality

PERFORMANCE IMPROVEMENT

- Operational optimisation of our core business
- Production and supply chain optimisation
- Market led approach

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Solid core business with strong market positions and UK focus

- Ibstock Brick
- Ibstock Concrete

Opportunities to strengthen our business and drive growth over the medium term

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Q&A

Appendix

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 and extensive through-the-cycle track record	High operational gearing, strong returns and cash flow

Leading manufacturers of….

Ibstock Plc

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

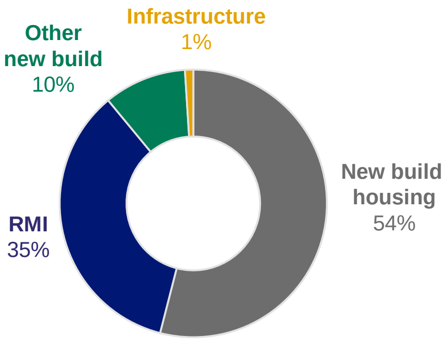
- FLOOR BEAMS
- DOOR STEPS
- GULLY SURROUNDS
- SCREED RAILS

BESPOKE SERVICES

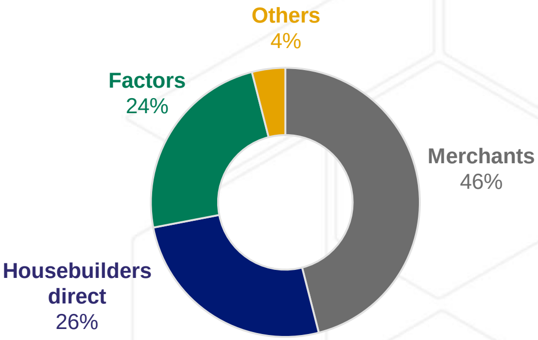
- ENGRAVING AND CUTTING
- FLOOR BEAM DESIGN AND SUPPLY SOLUTIONS
- BESPOKE CONCRETE PRODUCTS

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 FY18 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

Disciplined capital allocation

PRIORITISATION

Organic growth, maintenance and improvement **capital expenditure**

Ordinary dividends, pay out ratio of 40-50% of adjusted profit

Selective M&A where we see a strong strategic fit

Supplementary dividends when appropriate on a discretionary basis

DEBT SUMMARY

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

Total debt facility of £214m refinanced March 2017 (5 year term)

Comfortably within covenants (interest cover 4.0x and net debt 3.0x EBITDA)

Capacity to fund organic investments and selective M&A

IFRS 16 impact

The Group has elected to use the modified retrospective transition method for adoption of the IFRS 16 from 1 January 2019

The impact of the initial application of IFRS 16 on the consolidated financial statements for the year ending 31 December 2019 as follows:

- Recognition of a right of use asset and lease liability of c.£40m
- An increase in EBITDA of approximately c.£6m offset by a similar increase in interest and depreciation
- A slight reduction in Adjusted EPS of 0.1p

Summary balance sheet

30 June (£m)	2019	2018
Assets		
PP&E	378	409
Right of Use assets	37	-
Intangible	96	113
Non-current assets	**511**	**522**
Inventories	67	101
Trade and other receivables	64	90
Current assets	**131**	**191**
Total assets	**642**	**713**
Trade and other payables	(84)	(95)
Lease liabilities	(37)	-
Other liabilities excluding debt & pension	(80)	(86)
Net assets excluding debt & pension	**441**	**532**
Net debt	(62)	(136)
Pension	91	62
Net assets	**470**	**458**

Summary cash flow

30 June (£m)	2019	2018
Adjusted EBITDA[1]	**59**	**55**
Working capital	(20)	(21)
Net interest	(1)	(2)
Tax	(7)	(4)
Post-employee benefits [2]	(1)	(4)
Other	-	2
Net cash flow from operations	**30**	**26**
Total capex	(19)	(15)
Surplus asset disposals	1	-
Net cash flow from investing activities	**(18)**	**(15)**
Lease payments	(3)	-
Dividends paid	(27)	(26)
Other	14	10
Reduction in net debt	**(4)**	**(5)**

Note

(1) H1 2019 Adjusted EBITDA includes a benefit of £3.1m relating to IFRS 16 leasing adjustments

(2) Cash costs above P&L costs

Adjusted P&L reconciliation H1 2019

(£m)	Adjusted	Fair Value Adjustments	Property	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

Adjusted P&L reconciliation H1 2018

(£m)	Adjusted	Fair Value Adjustments	Property	Exceptionals	Other	Reported
Revenue	192	-	-	-	-	192
Costs	(137)	-	-	-	-	(137)
Other	-	-	6	2	-	8
EBITDA	**55**	**-**	**6**	**2**	**-**	**63**
D&A	(7)	(4)	-	-	-	(11)
EBIT	**48**	**(4)**	**6**	**2**	**-**	**52**
Finance	(2)	-	-	-	-	(2)
Tax	(8)	1	(2)	-	-	(9)
PAT	**38**	**(3)**	**4**	**2**	**-**	**41**
EPS (pence per share)	**9.2**	**(0.7)**	**1.0**	**0.5**	**-**	**10.0**

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

(4) The property adjustment relates to the exceptional profit on disposal of major surplus land sales of £6.4m

(5) Exceptional items included within EBITDA relate to the release of a provision for contingent consideration of £1.9m, additional UK pension scheme closure costs of £0.1m and other corporate and restructuring costs totaling £0.3m