

18 October 2022

Ibstock plc

Q3 Trading Update

Strong trading performance supported by robust demand and resilient business model

Ibstock plc ('Ibstock' or the 'Group'), a leading UK manufacturer of clay bricks and concrete products, announces a trading update for the quarter ended 30 September 2022.

Highlights

- Trading ahead of our expectations in the third quarter with robust demand patterns and strong operational performance
- Effective management of the cost base, including energy costs, and resilience in our business model have supported performance
- Expect to maintain strong control of costs, and retain our dynamic pricing strategy against a backdrop of ongoing cost inflation
- Board now expects FY22 performance to be above its previous expectations

Trading update

The Group continued to trade well in the third quarter, with demand patterns across the business remaining robust. The business delivered a strong operational performance, with good fixed cost management and consistent network reliability.

Overall, performance in the quarter was ahead of the expectations we communicated at the time of the half-year announcement in July 2022.

Clay

Sales volumes in the third quarter were marginally above the comparative prior year period. Our energy price surcharge remained in place, which enabled the recovery of cost inflation. Our energy price risk management strategy continues to be effective in mitigating significant volatility in energy markets: our energy requirements are now well covered for the 2022 year, and we have cover for 2023 approaching 50% of projected network needs.

The strategic growth investments at our Atlas and Aldridge factories are progressing well and are on track to start commissioning as expected from the end of 2023. These facilities will provide the Group with efficient, low-cost capacity, support the diversification of our unrivalled product range, and produce the UK's first net-zero carbon brick¹.

¹ Scope 1 and 2 emissions

Concrete

Overall, performance was in line with expectations, with volumes broadly similar to the comparative prior year period. Volumes of walling stone were modestly above the comparative prior year period, offset by slightly lower floor beam volumes. Following operational challenges in the first half of the year, we have seen encouraging improvement in our roof tile output with sequential quarterly margin progression.

Futures

We have continued to make good progress in developing the Istock Futures business during the quarter. The Futures leadership team is now in place, ensuring the business is well placed to accelerate the Group's entry into fast growth construction product, solutions and technology markets.

Following the asset acquisition in H1, the integration of Telling GRC is progressing well and as expected. During the third quarter, we were pleased to strengthen further our capabilities through the acquisition of Generix, a non-combustible façade systems business. This acquisition represents a further strategic step in broadening the range of façade systems offered within Futures.

Balance sheet and capital allocation

The business delivered a strong free cash flow performance in the third quarter, reflecting both the robust trading performance and disciplined working capital management.

We have now substantially completed the £30 million share buyback announced in April 2022, with issued share capital having reduced by around 4% to date. This return of capital is part of our disciplined approach to capital allocation alongside our committed growth investments. We have a clear path for growth and value creation over the next five years, based on a combination of investment within our core business and diversified growth opportunities, which supports our medium-term financial targets.

We have a strong balance sheet, with the ratio of Net Debt to EBITDA for the 2022 year projected to remain towards the bottom end of our target range, and efficient long-term debt financing with attractive rates of interest. We remain confident in our ability to support both further growth investment and additional shareholder returns over the medium term.

Full year outlook

Whilst remaining mindful of the uncertain macroeconomic environment, the resilience of our business model and the strength of our performance in the third quarter of the year give us confidence in the outlook for the full year. Accordingly, we now expect performance for the 2022 year to be above our previous expectations.

Joe Hudson, Chief Executive Officer, commented:

“Our strong trading in the first half of the year continued through the third quarter, supported by robust demand across our end markets. We remain focused on serving our customers, through providing high quality, sustainable products and solutions to create much-needed homes and spaces across the UK.

“We are making good progress in line with the strategy set out in March, and have continued to invest in areas that support our plans to capture growth opportunities across both our existing markets and new, fast growth segments of the construction sector.

“Whilst we remain mindful of the elevated macroeconomic uncertainty, we now anticipate performance for the 2022 year to be above our previous expectations.”

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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 alternatives 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.

Forward-looking statements

This announcement contains "forward-looking statements". These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the directors. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are difficult to predict and outside of the Group's ability to control. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, the Group undertakes no obligation to update or revise publicly any forward-looking statements.