



# IBSTOCK PLC

## PRELIMINARY RESULTS PRESENTATION | YEAR ENDED 31 DECEMBER 2017



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*The information contained in this presentation has not been independently verified and this presentation contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. The words "growing", "scope", "platform", "future", "expected", "estimated", "accelerating", "expanding", "continuing", "potential" and "sustainable" and similar expressions or variations on such expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made.*

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# PRESENTING TODAY

**Kevin Sims**  
CFO



**Wayne Sheppard**  
CEO



# AGENDA

## Overview

Wayne Sheppard



## Financial review

Kevin Sims



## Operating review

Wayne Sheppard



## Outlook

Wayne Sheppard



## Q&A



# OVERVIEW

## Financial Overview – year ended 31 December 2017

**Group revenue**  
up 4% to  
£452m

Adjusted  
**EBITDA up 7%**  
to £120m

**Net debt** to  
EBITDA at **1.0x**

Continued **strong**  
underlying **cash**  
**generation**

**Final ordinary dividend**  
of **6.5p** per share  
(FY 2017 ordinary dividend  
9.1p per share )

## Operational Overview – year ended 31 December 2017

**Good activity**  
levels from the **UK**  
**new build housing**  
**sector**

**Ibstock Brick mid single**  
**digit volume growth**  
supported by stock  
reductions

Continued  
**growth in UK**  
**Concrete**

**Performance down in US**  
with slowdown evident from  
Spring continuing through  
second half

### **Major capital projects:**

- Roof tile plant project completed
- Major brick investments commissioning in progress

# CAPITAL ALLOCATION

## Prioritisation

Organic growth, maintenance and improvement capital expenditure

Ordinary dividends pay out ratio of 40% - 50% of adjusted profit <sup>1</sup>

Selective M&A when opportune

Supplementary dividends when appropriate on a discretionary basis

## Supplementary Dividend policy

Maintain a capital structure that is conservative yet efficient in terms of providing long-term returns to shareholders

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

If declared, the supplementary dividend is likely to be:

- Paid alongside interim
- Similar pence per share to the prior year final dividend

**Subject to market conditions and capital prioritisation above** the Board currently expects to propose a supplementary dividend with the 2018 HI results to be paid with the 2018 interim dividend

Note (1) Interim ordinary dividend equal to 1/3 of the prior year full dividend

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# FINANCIAL HIGHLIGHTS

## YEAR ENDED 31 DECEMBER 2017

<b>Revenue</b>	£452m	▲ 4%
<b>Adjusted EBITDA<sup>1</sup></b>	£120m	▲ 7%
<b>EBITDA margin %</b>	26%	◀
<b>ROCE<sup>2</sup></b>	18%	▲ 1%pt
<b>Cash conversion<sup>3</sup></b>	88%	◀
<b>Net Debt to EBITDA</b>	1.0x	▼ 0.2x
<b>Final ordinary dividend</b>	6.5p	▲ 23%



Note

- (1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items
- (2) ROCE is adjusted EBIT as a proportion of average net debt plus equity adjusted for pensions. The ROCE measure was amended in 2017 and prior period figures restated.
- (3) Cash conversion is the ratio of adjusted EBITDA after movement in working capital less maintenance capex to adjusted EBITDA



# P&L RECONCILIATIONS

## YEAR ENDED 31 DECEMBER 2017

### Adjusted EBITDA to Statutory profit (£m)

Adjusted EBITDA 2017	120
Exceptional items <sup>1</sup>	(5)
Interest - cash <sup>2</sup>	(4)
Interest - non-cash	(1)
Taxation	(10)
Depreciation & Amortisation	(26)
Statutory profit 2017	74

### Adjusted EBITDA by segment (£m)

UK operating segment	111	93%
US operating segment	12	10%
PLC costs	(3)	(3%)

### Adjusted EBITDA (£m) to Adjusted EPS

Adjusted EBITDA 2017	120
Depreciation	(20)
Amortisation	(6)
Fair value depreciation & amortisation	9
Interest <sup>3</sup>	(4)
Taxation <sup>4</sup>	(12)
Adjusted Earnings 2017	87
Shares in issue 406.4m	
Adjusted EPS 2017	21.4p
NB. Adjusted EPS pre-US tax change	20.2p

Note

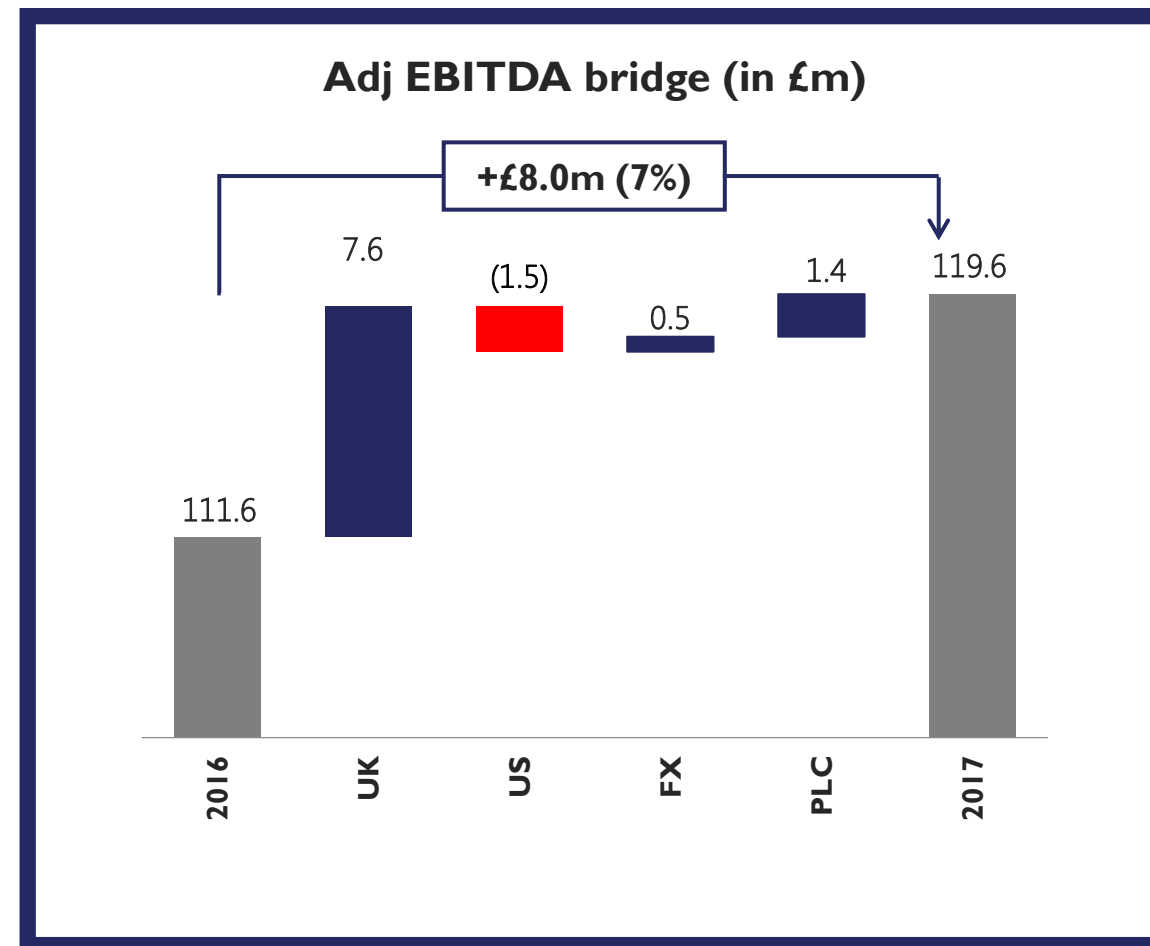
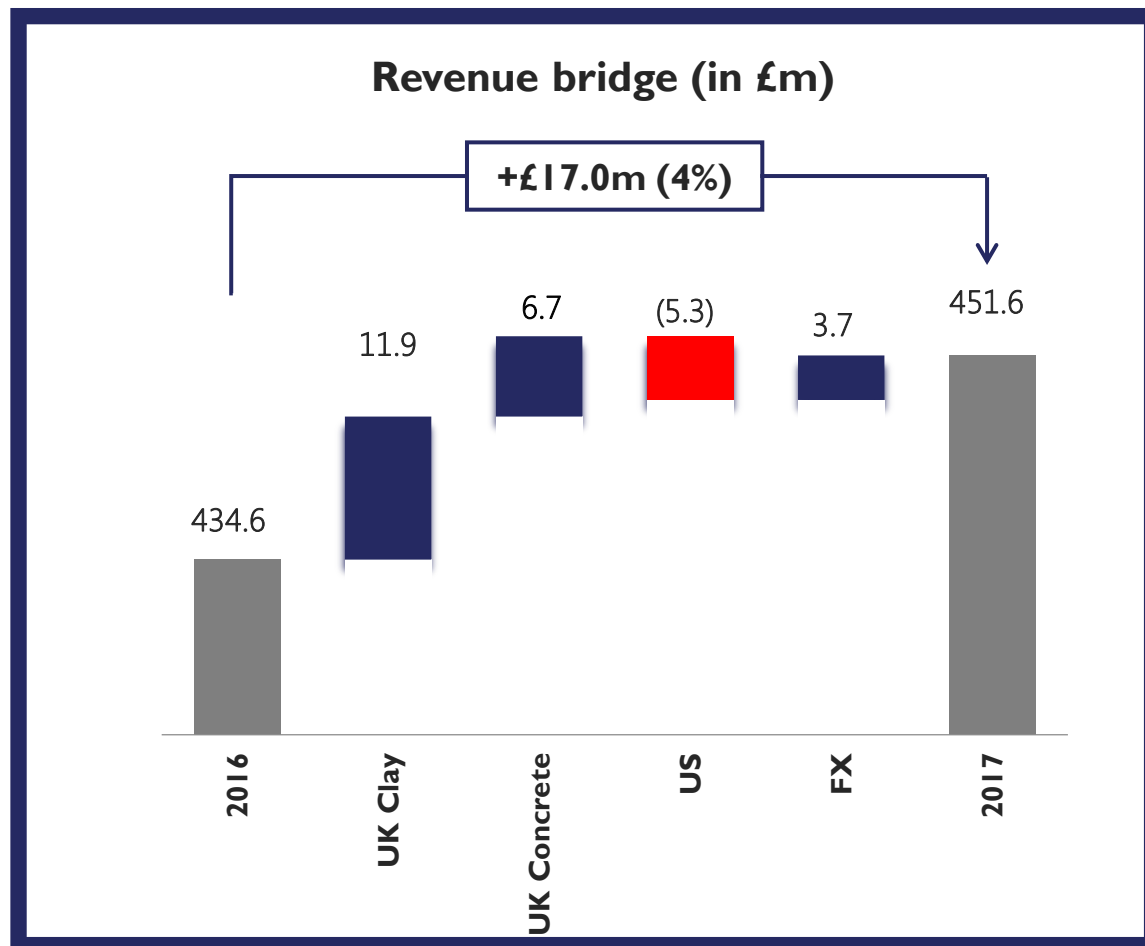
(1) Exceptional items principally relate to non-cash interest charges associated with refinancing in 1H 17

(2) Cash interest charge excludes non-cash related interest expenses (discounting, pensions)

(3) Adjusted earnings' interest adjustment removes exceptional costs upon refinancing in 1Q 2017

(4) Taxation reflects fair value and non-cash interest adjustments in the calculation of adjusted earnings at the Group ETR of 11.8%

# REVENUE & EBITDA BRIDGES



US \$ average exchange rate used in 2017 is 1.29 (2016: 1.35)

# HIGHLY CASH GENERATIVE

Year ended 31 December (£m)	2017	2016	Change	% change
Adj. EBITDA	120	112	+8	+7%
Share-based payments	2	2	-	
Capex (excl major projects)	(15)	(15)	-	
Δ in net working capital	(2)	(1)	(1)	
Adj. EBITDA – capex – Δ in NWC	105	98	+7	+7%
Cash conversion (%) <sup>1</sup>	88	88		
Major project capex	(23)	(44)	+21	
Cash from operating and investment activities <sup>2</sup>	82	54	+28	+52%
Net interest	(4)	(5)	+1	
Tax	(13)	(7)	(6)	
Post-employment benefits <sup>3</sup>	(6)	(4)	(2)	
Adj. free cash flow	59	38	+21	+52%

Note

(1) Cash conversion is the ratio of adjusted EBITDA after movements in working capital less maintenance capex to adjusted EBITDA

(2) Cashflow from operating and investing activities is defined as EBITDA adjusted for changes in working capital less cash flows from non-major capex

(3) Cash costs above P&L costs

- Working capital reflects stock reductions in brick
- Cash tax reflects continued phased benefit of lump sum pension contribution in 2015

## Full Year Guidance 2018

- Routine cap-ex **c£15m** and major project cap-ex of **c£10m** which includes carry over spend from 2017
- Depreciation & Amortisation **c£30m**
- Cash interest charge **c£4m**
- Income statement effective tax rate **c20%** with cash tax anticipated at **c£12m**
- Post employment benefits **c£7m**
- Full year operational cash conversion expected in line with 2017

# FINANCIAL MANAGEMENT

## New debt

Refinanced in  
**March 2017**  
(5 year term)

New £250m  
Revolving Credit  
Facility

RCF facility blended interest rate  
150 bps at leverage <1.75x  
(125bps at <1.25x)

No fixed debt  
repayments and  
includes accordion  
facility of £50m

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

## Pension scheme

UK scheme IAS  
19R surplus of  
**£46m**  
compared to  
**£29m** deficit at  
Dec 2016

Gross liabilities  
of **£649m**  
compared to  
£698m at Dec  
2016

Scheme closed  
to future  
accrual from 1<sup>st</sup>  
**February 2017**

**Deficit  
recovery plan**  
continues  
(£7m p.a.)

Triennial  
valuation at  
**November  
2017 ongoing**

**£9m** US post-  
retirement  
obligations  
unchanged from  
2016

# FINANCIAL MANAGEMENT

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## Disposal of surplus property assets

Surplus property assets no longer in use or required for the future operation of Group businesses

Land values are enhanced by changes to planning permissions and potential end use

Anticipated total sales proceeds of c£25m by the end of 2019. Precise timings conditional in some cases on the completion of planning procedures

Anticipated total profit on disposals of c£20m expected to be realised over 2018 and 2019

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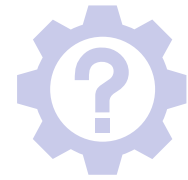


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# OPERATING SEGMENT REVIEW - UK

	2017	2016	% Growth
Revenue	£363m	£344m	5%
Adjusted EBITDA <sup>1</sup>	£111m	£103m	7%
Adjusted EBITDA margin <sup>1</sup>	30.5%	29.8%	



**Housebuilding**  
continues to underpin volume growth

## Clay brick performance

**Stocks reduced** with waiting times on many products

Soft mud capacity **fully utilised**

**Low single digit price increases** by channel, overall flat due to channel & product mix

**Overall energy and emissions costs increased** by high single digit %

Good performance from **concrete products**

Overall UK **margins maintained**

# MAJOR PROJECT

## New brick factory – Ibstock Leicestershire

### Capex project

Commissioning process underway and sales commenced

Addition of **100m soft mud brick capacity** (13% of current total Ibstock brick capacity, 5% UK capacity)

**Process flexibility** to manufacture existing product range and develop new products

High volume factory with **expansion potential**

Most **modern** and **efficient** brick plant in UK

Anticipate sales at **c50% of capacity in 2018**

Margin enhancing in 2018





# MAJOR PROJECT

## New brick kiln – Lodge Lane (Cannock in Staffordshire)

### Capex improvement project

Commissioning process well advanced

Lodge Lane factory manufactures 'blue bricks'

Niche product range with **distinct visual aesthetics**

Replacement kiln **reduces costs** and **increases capacity** allowing displacement of Ibstock imports

Maintains Ibstock's leading position as a **full range supplier**. No disruption to volumes in 2018

Incremental **2018 EBITDA** c£1m



# MAJOR PROJECT

## SL8 concrete roof tile line – Leighton Buzzard



## Project complete



# OPERATING SEGMENT REVIEW - US

	2017	2016	% Growth (\$)
Revenue	\$115m (£89m)	\$122m (£91m)	(6%)
Adjusted EBITDA	\$15m (£12m)	\$17m (£13m)	(12%)
Adjusted EBITDA margin	13.1%	13.8%	



**High single digit volume decline** with slowdown in activity levels from Q2

**Modest price increases** achieved across the product ranges

**Double digit energy cost increases** not expected to repeat in current year

- Market volumes declined in our primary brick markets
- Less favourable non residential mix
- Some loss of share

- New President appointed in Q4
- Year end order book ahead of prior year

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# OUTLOOK

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**Expectations for another year of progress are maintained**  
(subject to political and economic uncertainties)

Long term **fundamentals supporting UK new build housing** remain unchanged

**UK Clay - good activity levels** anticipated for 2018 with margin improvement of 1- 2 percentage points

UK Concrete benefiting from **new roof tile capacity** and a strong housing market

**US Clay expected to be stable** against backdrop of uncertain market conditions

**Major capital projects** progressing to plan with **further earnings benefits to come**

Continue to appraise **opportunities for value creating acquisitive investments** as they arise

Group remains strongly **cash generative** and is evaluating **opportunities for future major organic investments**

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# IBSTOCK PLC

## APPENDIX | ADDITIONAL FINANCIAL INFORMATION



# INCOME STATEMENT YEAR ENDED 31 DECEMBER 2017

<b>Income statement</b>			
	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Revenue</b>	<b>452</b>	<b>435</b>	<b>413</b>
Operating profit pre-exceptional	93	86	81
<b>Add net exceptional income<sup>1</sup></b>	<b>2</b>	<b>28</b>	<b>75</b>
<b>Operating profit</b>	<b>95</b>	<b>114</b>	<b>156</b>
Net finance costs <sup>2</sup>	(11)	(3)	(7)
<b>Profit before tax</b>	<b>84</b>	<b>111</b>	<b>149</b>
Taxation	(10)	(21)	(17)
<b>Profit after tax</b>	<b>74</b>	<b>90</b>	<b>132</b>

(1) Main operating exceptional items represents pension curtailment gain (2016); negative goodwill on acquisition net of IPO expenses (2015)

(2) Net finance cost includes exceptional finance costs of £6 million associated with refinancing



# ADJUSTED EBITDA RECONCILIATION

Income statement			
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
	£m	£m	£m
<b>Adjusted EBITDA</b>	<b>120</b>	<b>112</b>	<b>107</b>
Add exceptional income <sup>1</sup>	1	28	75
Less depreciation & amortisation	(26)	(26)	(26)
<b>Operating profit per statutory FS</b>	<b>95</b>	<b>114</b>	<b>156</b>
Less interest expense <sup>2</sup>	(11)	(3)	
Less taxation	(10)	(21)	
<b>Profit after tax per statutory FS</b>	<b>74</b>	<b>90</b>	

(1) Main operating exceptional items represent non-cash credits - provision release (2017), pension curtailment gain (2016), negative goodwill (2015)

(2) Interest expense in 2017 impacted by non-cash exceptional interest arising upon the Group's refinancing in 1Q 2017

# BALANCE SHEET AS AT 31 DECEMBER 2017

Balance Sheet			
	31 Dec 2017	31 Dec 2016	31 Dec 2015
	£m	£m	£m
<b>Assets</b>			
PP&E	400	392	347
Intangible	116	123	128
<b>Non-current assets</b>	<b>516</b>	<b>515</b>	<b>475</b>
Inventories	91	89	83
Trade receivables	53	52	59
Other	6	3	1
<b>Current assets</b>	<b>150</b>	<b>144</b>	<b>143</b>
<b>Total assets</b>	<b>666</b>	<b>659</b>	<b>618</b>
Payables	(85)	(80)	(79)
Other liabilities excl debt & pension	(81)	(79)	(86)
<b>Net assets</b>	<b>500</b>	<b>500</b>	<b>453</b>
<b>Net debt</b>	<b>(117)</b>	<b>(133)</b>	<b>(145)</b>



**IBSTOCK**  **PLC**

**INTRODUCTION TO THE GROUP**



# KEY INVESTMENT HIGHLIGHTS

IBSTOCK PLC

## Market leadership positions

#1 in UK bricks

## Structural demand growth

Strong household formations with supportive UK government policy

## Industry structure

Three UK brick manufacturers c90% of capacity

## High barriers to entry

Vertically integrated business model with planning and capital barriers

## Strong customer service ethic

High quality, broad product range and strong customer relationships

## Multiple growth options

Additional capacity, product innovation and strategic development

## Long-standing management team


Highly experienced and extensive through-the-cycle track record

## Outstanding financial performance

High operational gearing, strong returns and cash flow



# A LEADING PROVIDER OF CLAY AND CONCRETE BUILDING PRODUCTS

	UK			US
Revenue (FY 17) % of Group	<b>IBSTOCK BRICK</b>  <b>£265m</b> <b>58%</b>	<b>SUPREME</b>  <b>£54m</b> <b>12%</b>	<b>Forticrete</b>  <b>£44m</b> <b>10%</b>	  <b>£89m</b> <b>20%</b>
Market position <sup>1</sup>	UK #1 in clay bricks	UK #1 in fencing and lintels	Market leader in cast stone and innovative roof tiles	A leading clay brick manufacturer in Northeast and Midwest

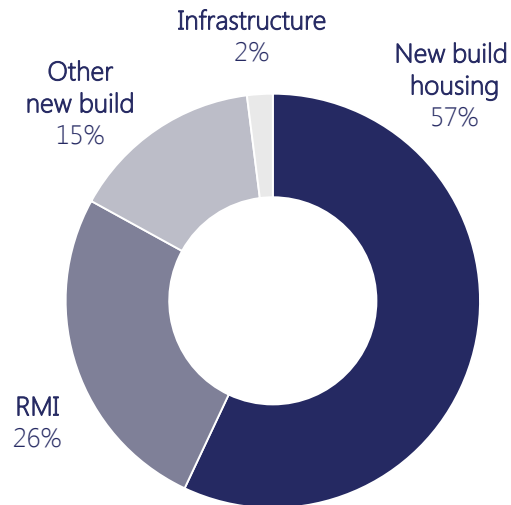
Note

(1) Market positions based on Company estimates of 2016 capacity, other than Forticrete's cast stone market share, which is based on FY15 revenue and Glen-Gery's market share which is based on Company estimates of 2016 shipments

# A LEADING PROVIDER OF CLAY AND CONCRETE BUILDING PRODUCTS

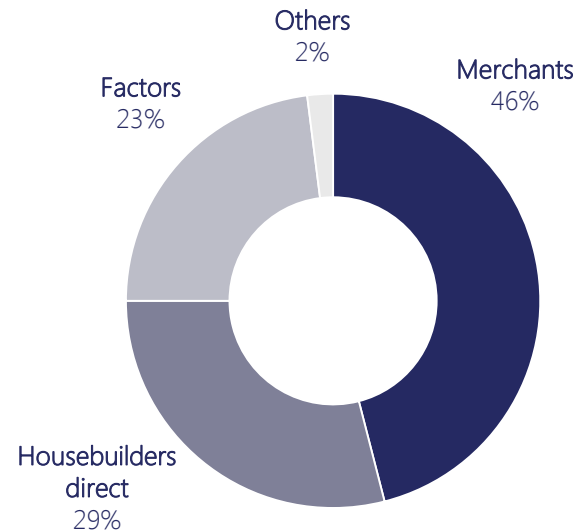
## End market

Group revenue by end market (FY 17)

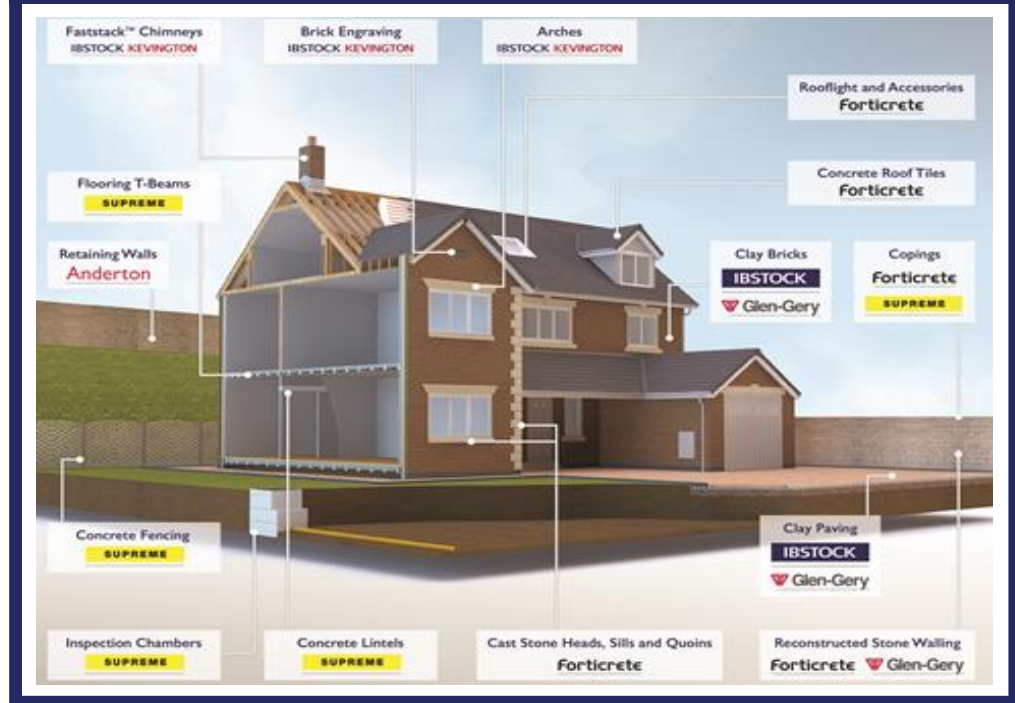


## Sales channel

UK (FY 17)<sup>1</sup>



## A whole house product range & more



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

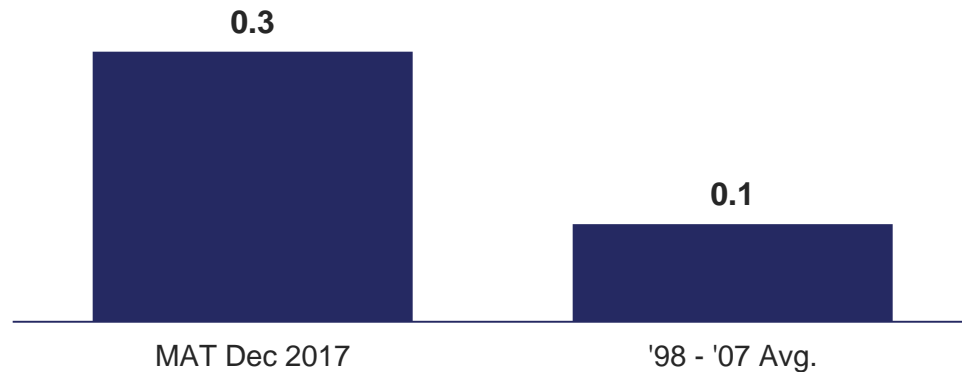
Note

(1) 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

# WELL POSITIONED IN STRUCTURALLY ATTRACTIVE MARKETS

## UK Brick Market

Imports (billions of bricks)



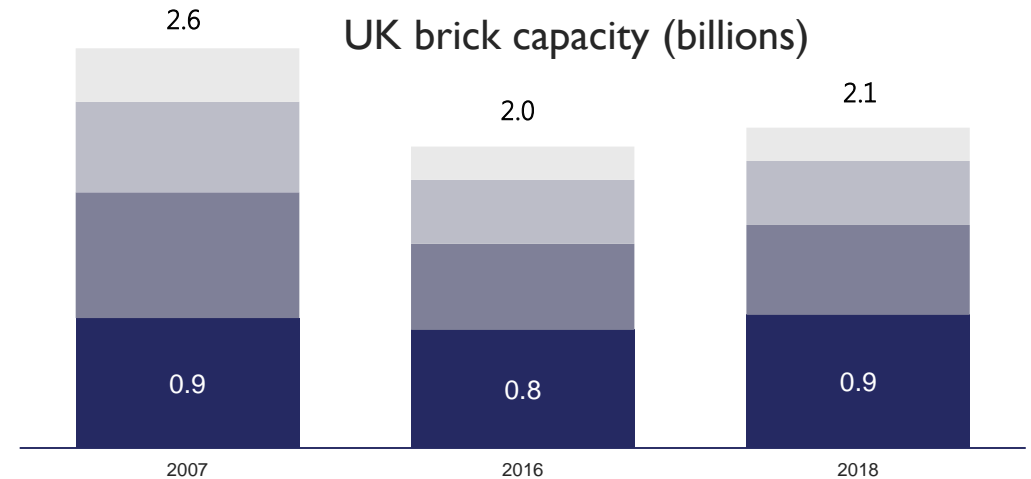
Import volumes peaked June 2015 at c0.4bn MAT

Imports have higher transport costs and are exposed to forex movements

Availability is partly a function of domestic demand levels in Benelux

■ Istock ■ Forterra ■ Wienerberger ■ Other

UK brick capacity (billions)



Permanent reduction in capacity post 2008 financial crisis

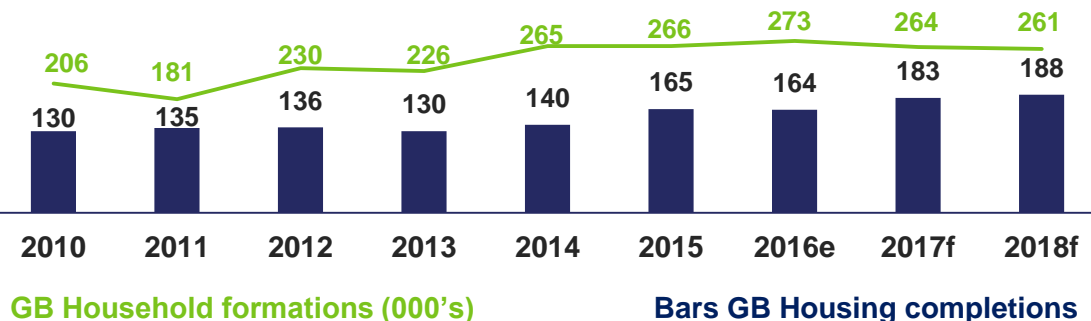
Major additions to new capacity have long lead times

Existing capacity below potential scale of the market if housebuilding volumes continue to increase

# UK FUNDAMENTALS REMAIN IN PLACE

## UK Housing Dynamics

### Strong demand for new housing



**Continued shortage** of new housing from long term underbuilding

**Mortgage availability** remains good

Government committed to **increasing housing supply**

**Supportive Government policies** (particularly Help to Buy) remain in place

### Increasing New Build housing volumes a priority for both the major UK political parties

#### *Conservative Party key commitments in Government*

- Help to Buy in place at least until 2021
- A million new homes targeted to be built 2015 – 2020
- Net homes additions targeted at 300k p.a. by mid 2020's

#### *Labour Party June 2017 Manifesto key commitments*

- Help to Buy in place until 2027
- A million new homes in the next Parliament
- By 2023 building 100k affordable publicly owned homes p.a.