



# Full Year Results Presentation

Year ended 31 December 2018

**IBSTOCK** PLC

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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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# Agenda

1

Overview



2

Financial Review



3

Strategic Update



4

Q&A



# Presenting today



Joe Hudson, CEO



Kevin Sims, CFO

# Overview

## Financial Overview

UK revenues  
+8% to  
**£391m**

Adjusted EBITDA  
+4% to  
**£112m**

**Strong**  
underlying cash  
generation and £76m  
net proceeds from Glen  
Gery disposal

Net debt to  
EBITDA down to  
**0.4x**

Total dividend  
per share +4%  
**9.5p per share**  
In addition to  
supplementary dividend  
of 6.5p per share paid  
September 2018

## Operational Overview

Solid performance  
in UK business,  
supported by new  
build housing sector

New Eclipse factory  
performing well  
and contributing to  
volume growth in UK  
clay brick business

Enhanced  
maintenance  
program progressing  
as planned

Simplified the group  
with disposal of US  
brick business for  
an EV of \$110m

Major surplus land  
sales generating  
£9.5m pre-tax  
profit on disposal





# Financial Review

**IBSTOCK** PLC

# Financial Highlights

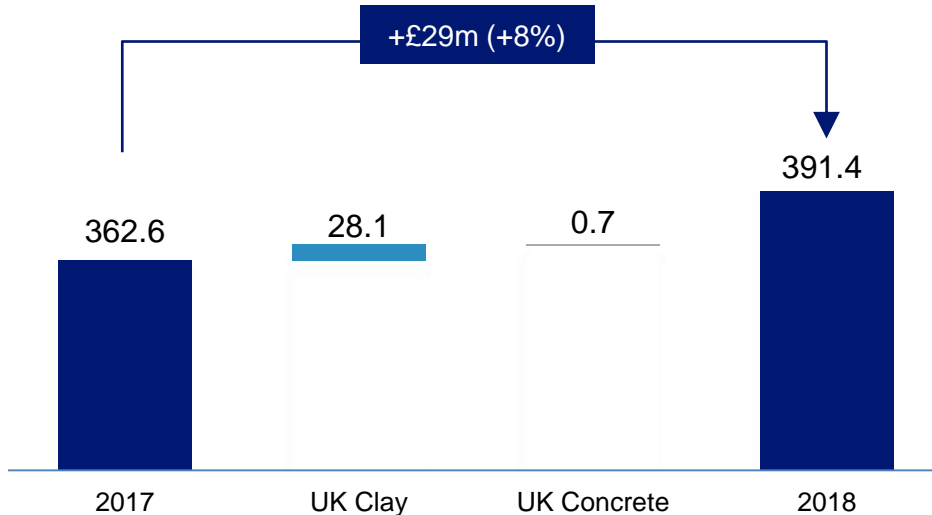
12 months ended 31 December (£m)	2018	2017	Movement
Continuing operations			
Revenue	391.4	362.6	7.9% ▲
Adjusted EBITDA	112.4	107.9	4.1% ▲
Adjusted PBT	84.5	82.5	2.4% ▲
Adjusted EPS	18.8p	18.9p	- ▼
Exceptional profits on disposal of property	9.5	-	▲
Reported EPS	18.8p	16.0p	17.5% ▲
Total ordinary dividend	9.5p	9.1p	4.4% ▲
Supplementary dividend	6.5p	-	▲
ROCE	20.6%	20.6%	- ◀
Net debt to Adjusted EBITDA	0.4x	1.1x	▼

Note

(1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items

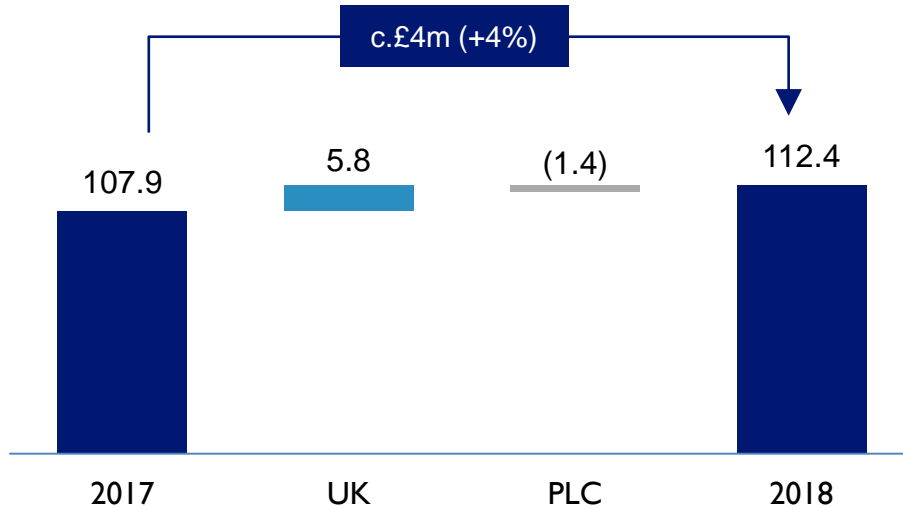
(2) ROCE is EBIT adjusted for exceptional items as a proportion of average capital employed (net debt plus equity excluding pensions)

# Revenue bridge – continuing operations



- Revenue up 8% for UK business
- Primarily driven by UK clay brick business
  - Benefitting from both price and volume growth
  - New 100m soft mud brick factory contributing to volume growth in H2
- Concrete revenues broadly flat due to softer commercial and infrastructure markets

# EBITDA bridge – continuing operations



- Adjusted EBITDA growth of £4m, strong revenue growth offset by:
  - Higher than expected energy costs
    - Up £6m in 2018 on a like-for-like basis
  - Impact from enhanced maintenance program in UK brick business
    - Maintenance costs £3m higher than 2017
- Energy costs hedged for 2019 ahead of pricing discussions, to give greater visibility
- PLC costs up c.£1m year on year due to higher share based payments
- Adjusted EBITDA margin 29% (2017: 30%)

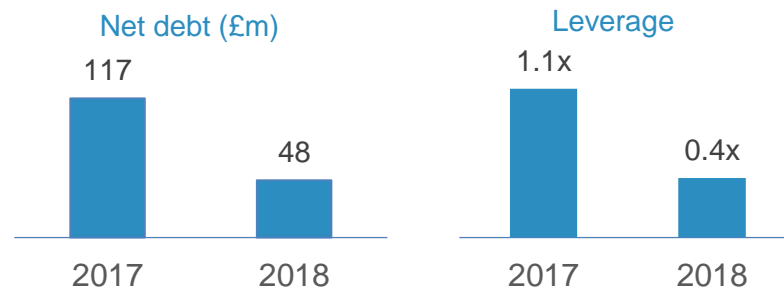


# Strong cash generation and de-leveraging

12 months ended 31 December (£m)	2018	2017	Change	%Change
Adj. EBITDA	112	108	+4	4%
Share-based payments	2	1	+1	
Total capex	(31)	(34)	+3	
Δ in net working capital	(7)	2	(9)	
Adj. EBITDA – capex – Δ in NWC	76	77	(1)	(1)%
Net interest	(4)	(4)	-	
Tax	(10)	(11)	+1	
Post-employment benefits <sup>3</sup>	(7)	(7)	-	
Surplus property disposals	13	-	+13	
Other	(3)	-	(3)	
Adj. operating cashflow	65	55	+10	18%

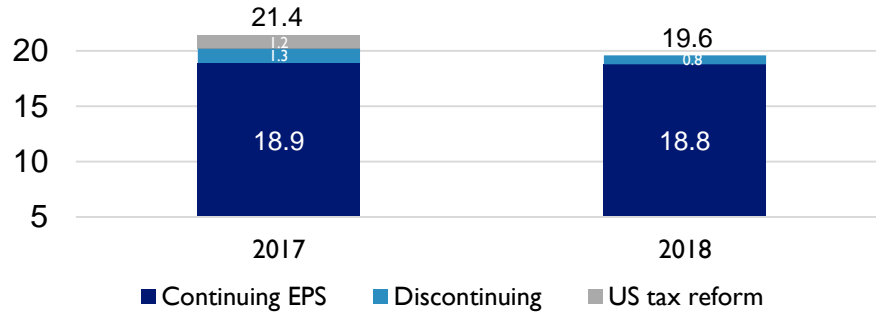
Note  
 (1) Cashflow from operating activities is defined as EBITDA adjusted for changes in working capital less cash flows from non-major capex  
 (2) Additional cash contributions to UK pension scheme

- Working capital reflects growth in the business
- Stronger brick sales in final two months of the year
- Total capex spend reflects completion of major projects in 2018, together with higher replacement spend
- Additional cash inflow of £76 million proceeds from disposal of Glen Gery



# Commitment to shareholder returns

## Group Total Adjusted EPS



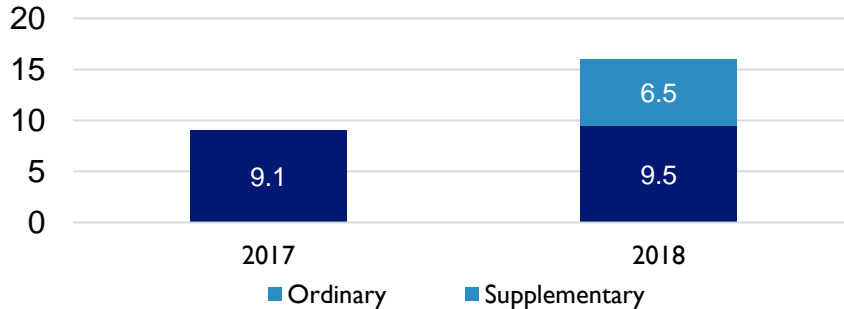
- Group adjusted EPS declined in 2018 primarily due to deferred tax benefit from US tax reform in 2017

- Continuing EPS broadly flat as profit growth offset by higher effective tax rate in 2018
- Discontinued operations down year on year due to disposal of Glen Gery in November 2018

- Total ordinary dividend +4% to 9.5p for 2018

- 6.5p supplementary dividend paid with 2018 interim dividend

## Dividend per Share (p)



# 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 or **0.5x to 1.5x** through the cycle

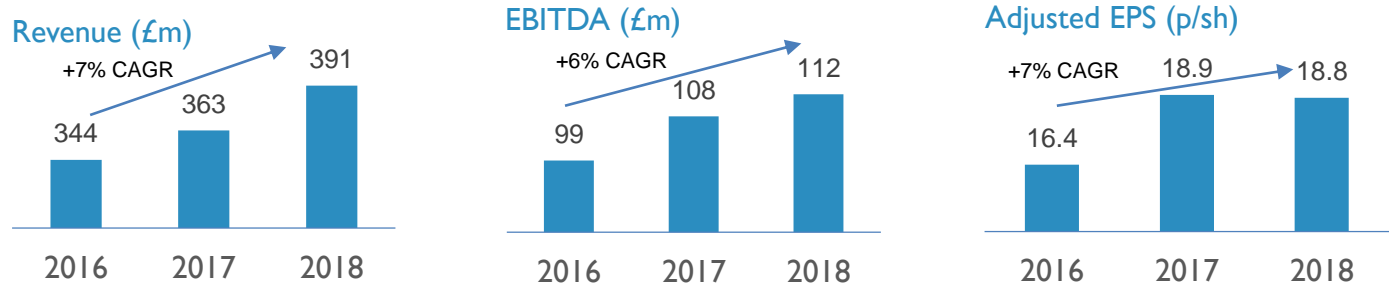
**Total debt facility of £214m** refinanced March 2017 (5 year term)

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

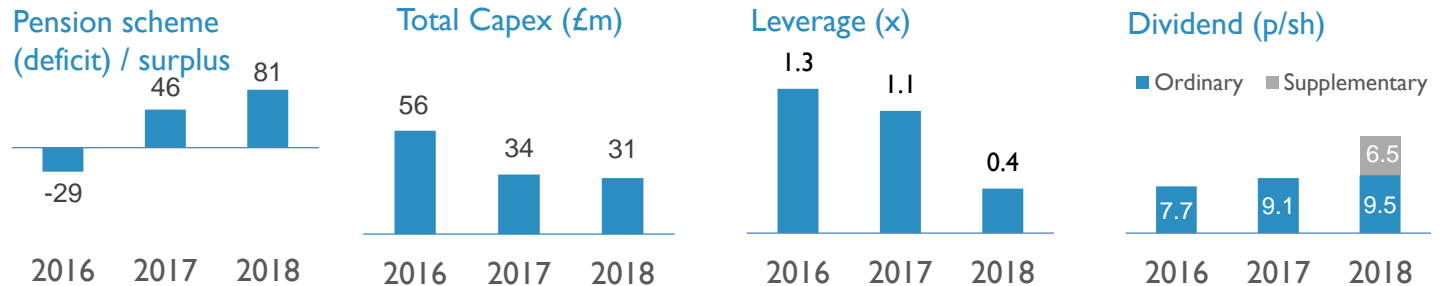
**Capacity to fund organic investments and selective M&A**

# Building a track record of growth and disciplined capital allocation

## Growth



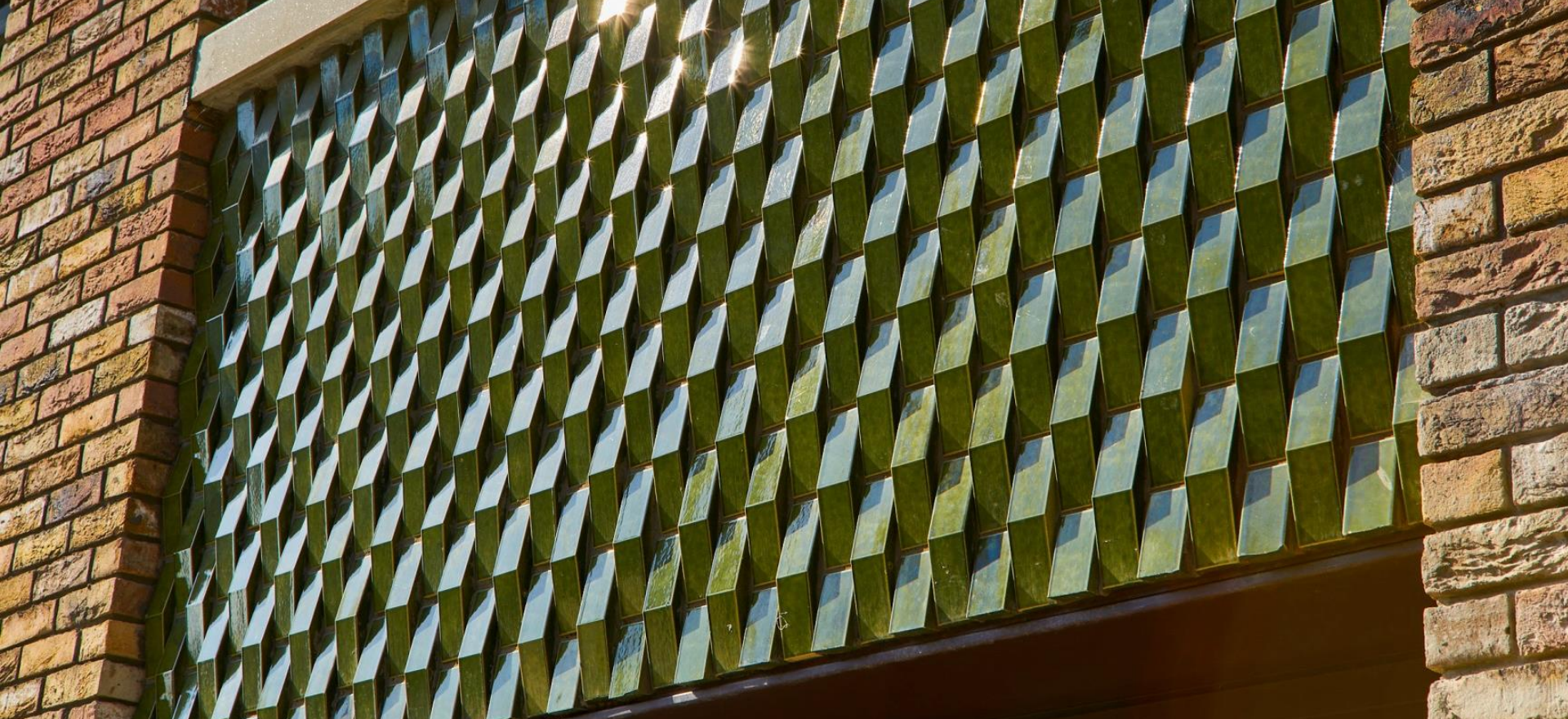
## Financial discipline



Note:

- (1) Revenue, Adjusted EBITDA, Adjusted EPS, pension, and capex figures relate to UK continuing operations
- (2) Leverage represents group Net Debt as a proportion of Adjusted EBITDA for UK continuing operations
- (3) Dividend is as reported for the group





# Strategic Update

# Creating a market leading UK focused business

- Completed a strategic review of the Groups assets
- Disposal of US Glen Gery business
  - US brick market structure is different to the UK
  - Opportunities to grow in the US were not inline with our strategic objectives
  - US \$110 million EV divestment, equivalent to 8x EBITDA
- Istock is now UK focused with a strong balance sheet

Note: 8x EBITDA multiple calculated based on last 12 months reported EBITDA to June 2018

# A simplified core business and platform for growth

## Ibstock Brick

- Leading UK brick manufacturer
- Revenues of c.£300m
- 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**

an IBSTOCK plc company

**IBSTOCK KEVINGTON**

an IBSTOCK plc company

## Ibstock Concrete

- 3 leading brands
- Revenues c.£100m
- 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**

an IBSTOCK plc company

**Forticrete**

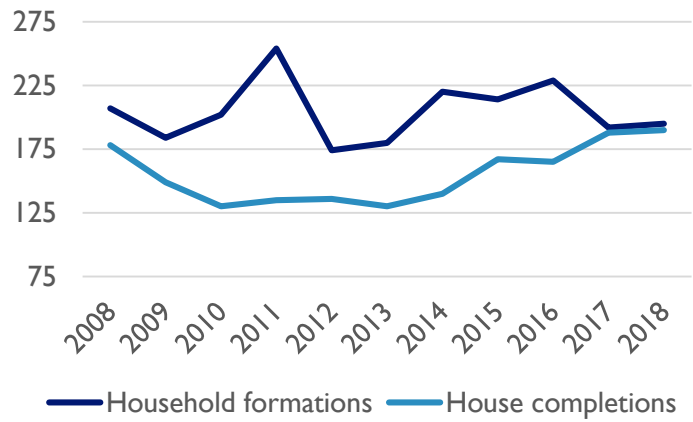
an IBSTOCK plc company

**Anderton**

an IBSTOCK plc company

# Market fundamentals remain supportive for new build housing in the UK

- Substantial housing deficit
  - Household formations 500k higher than housing completions over the last decade
- Cross-party political support for new house building;
  - Conservatives – 1 million new homes from 2015 – 2020 and 300k+ new homes pa by mid-2020
  - Labour – commitment to build 1 million new homes over the next parliament and 100k publicly owned affordable homes by 2023
- Help-to-buy scheme extended to 2023
- High employment levels, low interest rates and good mortgage availability
  - First time buyer mortgage approvals at the highest level since 2006

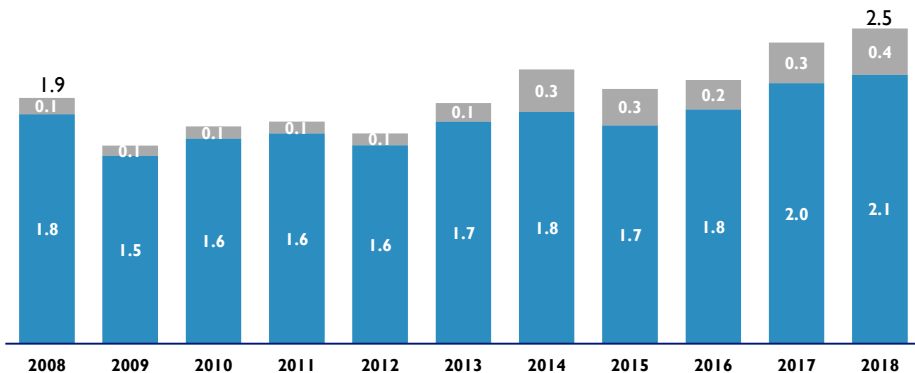




# Strong demand and low stock levels

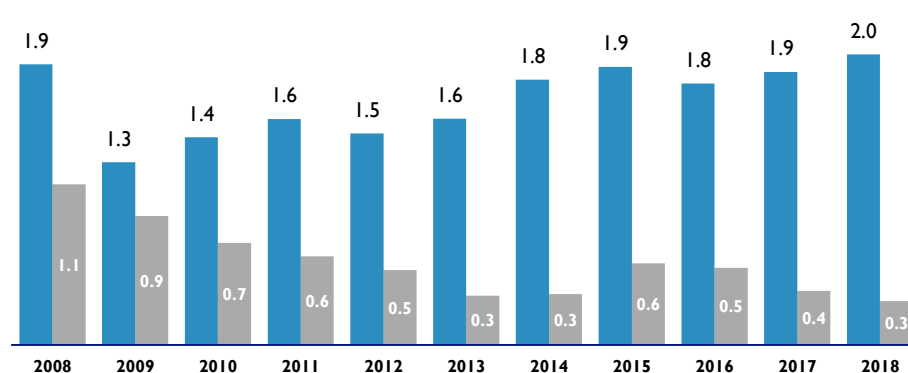
## Brick Consumption (billions of bricks)

■ Domestic Despatches ■ Imports



## Brick Production and Stock (billions)

■ Production ■ Stock



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



Performance  
improvement



Investing  
for growth

# Strategic Update

Opportunities to strengthen the business and drive growth

**IBSTOCK** PLC





# Strategic Update

## Performance Improvement

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# Operational excellence - maintenance

- Key objective to maintain manufacturing network output capacity and product quality
- Reviewed and optimised the structure of our manufacturing team
  - Group CI and sustainability director appointed
- Improved our systems around monitoring of performance and processes for sharing best practise
- Closer working with OEMs
  - >100 onsite inspections with third party engineers
- Greater discipline around planned shut downs

Packing robot renewal and upgrade at South Holmwood



Repair and replacement of parts of the kiln walls at Birtley



Packaging unit refurbishment at Ashdown to reduce down time







# Optimising our supply chain

- Very traditional industry, high cancellation rates
- Network optimisation - greater analysis and discipline managing product around our network
- Investment in technology - to digitalise our end-to-end order process and work more closely with our customers to ensure continuity of supply and reduce cancellations
- Opportunity to optimise our haulage costs



# Long history of product innovation to support an evolving industry



## Faststack Chimney

Brick clad pre-fabricated chimneys



## SL8

Low profile, large format roof tiles



## MechSlip

Brick slip cladding system



# Design centre



- London design centre opened, providing a new “go to market” strategy for Ibstock
- Supporting our market-led approach, focusing on design and product innovation
- Leveraging our links with architects, designers and specifiers
- Maximise lead generation and cross-selling opportunities



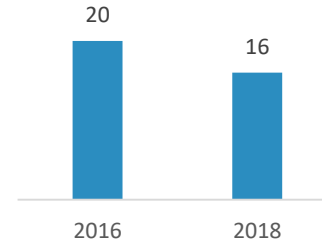
# Sustainability at the heart of our business



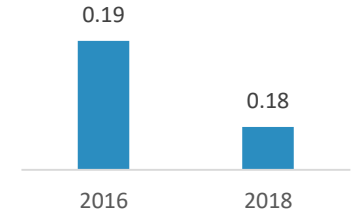
- Making good progress with our core ESG KPI's
- Edie – 2019 energy efficiency award
- Highly successful apprentice program running since 2012
- Creating a roadmap to manage our environmental and social impact
- Looking to partner with a national charity focused on tackling homelessness



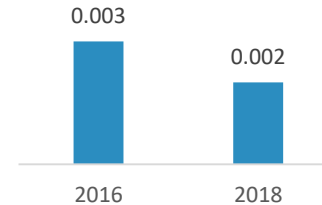
Health and Safety  
(lost time accidents)



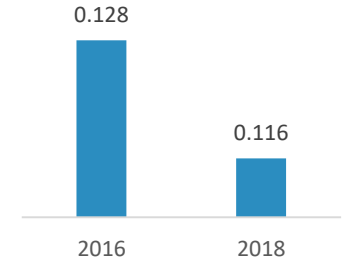
CO2 Emissions  
(tonnes of CO2e)



Waste to Landfill  
(t per tonne production)



Mains Water Usage  
(m3 per tonne)







# Strategic Update

Investing for growth



# Selective growth



## Enhancement projects

- Several projects being appraised that are outside of normal recurring 'replacement' capex
- EBITDA enhancement through cost reduction, efficiency gains or small scale volume increases
- Anticipate c.£25m capital spend in total across 2019 and 2020
- Phased EBITDA benefits in excess of £5m pa, as projects complete, majority of benefits from 2021

## Large scale projects

- 'Eclipse' project fully operational
- Continue to scope opportunities to invest in a new or a replacement brick factory within existing footprint of sites
- No significant capital spend planned in 2019

## M&A

- Balance sheet strength provides optionality
- Will review bolt-on and transformational opportunities
- Strategic fit is key
- Maintain disciplined approach, focusing on returns on capital

# Outlook

- Current trading inline with management expectations
- Political and economic uncertainty remains
- Total capex of £28-32m per annum expected for 2019 and 2020
- Market fundamentals remain supportive for the medium term outlook

# Summary



Investing for  
growth



Performance  
Improvement

Solid core business with  
strong market positions and  
UK focus

- Istock Brick
- Istock Concrete

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

- Organic growth projects
- M&A optionality

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



# IBSTOCK

PLC



## Q&A





# Appendix

# Key investment highlights

IBSTOCK PLC

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...

## WALLING

- Facing bricks
- Special bricks
- Walling stone
- Architectural Masonry
- Façade systems
- Lintels, sills arches & padstones
- Retaining walls

## ROOFING

- Roof tiles
- Roof window systems
- Roofing accessories
- Chimneys
- Soffits

## RAIL & INFRASTRUCTURE

- Troughing
- Cable theft protection
- Boards, blocks & bases
- Catchpits
- Inspection chambers
- Retaining walls

## GARDEN & LANDSCAPING

- Fencing
- Caps & copings
- Bollards
- Ballustrades
- Path Edging
- Urban Landscaping

## FLOORING & GROUNDWORK

- Floor beams
- Door steps
- Gully surrounds
- Screed Rails

## BESPOKE SERVICES

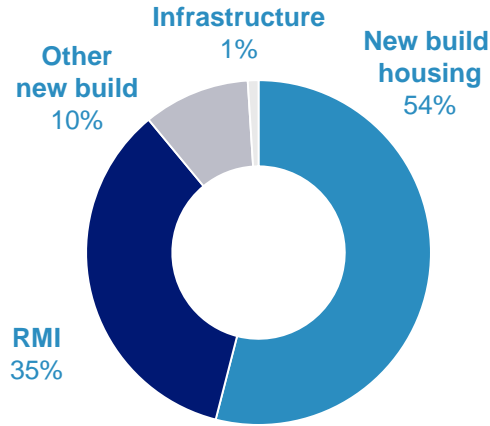
- Engraving, cutting & bonding
- Floor beam design & supply solutions
- Bespoke concrete products

... & MUCH MORE



# A leading provider of clay and concrete building products

## End market

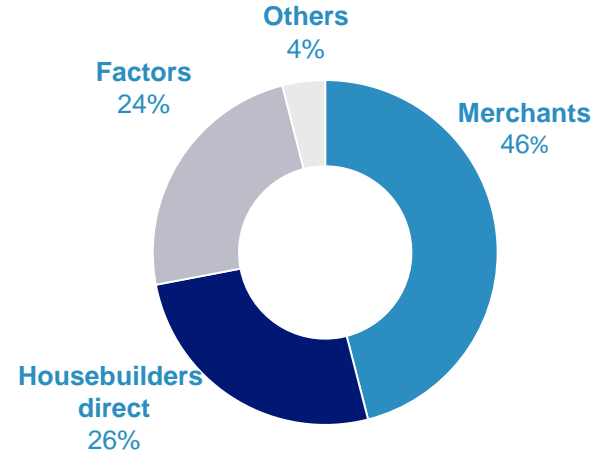


Key supplier to the housing sector

Complementary product offerings

Cross-selling opportunities

## Sales channel



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



# Summary balance sheet

12 months ended 31 December (£m)	Continuing 2018	Group 2017
<b>Assets</b>		
PP&E	365	400
Intangible	101	116
<b>Non-current assets</b>	<b>466</b>	<b>516</b>
Inventories	68	91
Trade receivables	56	53
Other	-	6
<b>Current assets</b>	<b>124</b>	<b>150</b>
Total assets	590	666
Payables	(92)	(85)
Other liabilities excl debt & pension	(83)	(80)
Net assets excl debt & pension	415	501
Net debt	(48)	(117)
Pension	81	37
Net assets	448	421

# Summary cash flow

<b>Continuing operations</b>	<b>2018</b>	<b>2017</b>
<b>Adj EBITDA</b>	<b>112</b>	<b>108</b>
Working capital	(7)	2
Net interest	(4)	(4)
Tax	(10)	(11)
Post-employee benefits <sup>(1)</sup>	(4)	(6)
Other	(5)	(1)
<b>Net Cash Flow from Operations</b>	<b>82</b>	<b>88</b>
Total Capex	(31)	(34)
Surplus property disposals	16	1
Proceeds of sale from US disposal	76	0
<b>Net cash flow from investing activities</b>	<b>61</b>	<b>(33)</b>
Dividends Paid	(65)	(32)
Other	(7)	5
<b>Reduction in net debt</b>	<b>71</b>	<b>28</b>

Note

(1) Cash costs above P&L costs

# Adjusted P&L reconciliation 2018

	Adjusted	Fair Value Adjustments	Property	Exceptionals	Other	Reported
Revenue	391	-	-	-	-	391
Costs	(279)	-	-	(3)	-	(282)
Other	-	-	9	2	-	11
<b>EBITDA</b>	<b>112</b>	<b>-</b>	<b>9</b>	<b>(1)</b>	<b>-</b>	<b>120</b>
D&A	(16)	(8)	-	-	-	(24)
EBIT	96	(8)	9	(1)	-	96
Finance	(4)	-	-	-	1	(3)
Tax	(15)	1	(1)	-	(2)	(17)
PAT	77	(7)	8	(1)	(1)	76
<b>EPS</b>	<b>18.8</b>	<b>(1.7)</b>	<b>1.9</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>18.8</b>

## 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
- (5) Exceptional costs included within EBITDA relate to additional UK pension scheme closure costs of £2.0m and other corporate and restructuring costs totaling £1.3m
- (6) Exceptional income included within EBITDA relates to the release of a provision for contingent consideration

# Adjusted P&L reconciliation 2017

	Adjusted	Fair Value Adjustments	Property	Exceptionals	Other	Reported
Revenue	363	-	-	-	-	363
Costs	(255)	-	-	2	-	(253)
Other income	-	-	-	-	-	-
<b>EBITDA</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>110</b>
D&A	(12)	(9)	-	-	-	(21)
EBIT	96	(9)	-	2	-	89
Finance	(4)	-	-	(7)	-	(11)
Tax	(15)	1	-	1	-	(13)
PAT	77	(8)	-	(4)	-	65
<b>EPS</b>	<b>18.9</b>	<b>(1.9)</b>	<b>-</b>	<b>(1.0)</b>	<b>-</b>	<b>16.0</b>

## 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) Exceptional items included within EBITDA relate to the release of a provision for contingent consideration of £1.7m less UK pension scheme closure cost of £0.2m
- (5) Exceptional finance costs relate to the accelerated write off of loan deal fees and interest charges arising as a result of the refinancing of the Group's debt facility in March 2017