

IBSTOCK PLC

INTERIM RESULTS PRESENTATION | SIX MONTHS TO 30 JUNE 2017



DISCLAIMER

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

Wayne Sheppard
CEO



Kevin Sims
CFO



AGENDA

Overview

Wayne Sheppard



Financial review

Kevin Sims



Operating review

Wayne Sheppard



Outlook

Wayne Sheppard



Q&A



OVERVIEW

Financial Overview – six months ended 30 June 2017

Group revenue up 9% to £228m

Adjusted **EBITDA up 7% to £60m**

Net debt to EBITDA at 1.4x after £17m of capex

ROCE at 19% after £46m of cumulative CX on major projects – with returns to come

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

Interim dividend of 2.6p per share (2016 interim 2.4p per share)

Operational Overview – six months ended 30 June 2017

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

UK Clay volumes ahead y-o-y although volume growth constrained by capacity, particularly soft mud

Continued **growth in UK Concrete**

Performance flat in US with slowdown evident since Spring

Major capital projects:

- Roof tile plant now in production
- Major brick investments on schedule

AGENDA

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FINANCIAL HIGHLIGHTS

SIX MONTHS ENDED 30 JUNE 2017

Revenue	£228m	▲ 9% (c6.4% CC)
Adjusted EBITDA ¹	£60m	▲ 7% (c6.4% CC)
EBITDA margin %	26%	◀
ROCE ²	19%	▼ 1%pt
Cash conversion ³	41%	▼ 15%pt
Net Debt to EBITDA	1.4	◀
Interim dividend	2.6p	▲ 8%



Note

- (1) Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items
- (2) ROCE is adjusted EBITA as a proportion of net debt plus equity adjusted for pensions
- (3) Cash conversion is the ratio of adjusted EBITDA after movement in working capital less maintenance capex to adjusted EBITDA

P&L RECONCILIATIONS

SIX MONTHS ENDED 30 JUNE 2017

Adjusted EBITDA to Statutory profit (£m)

Adjusted EBITDA IH 2017	60
Exceptional items ¹	(4)
Interest – cash ²	(3)
Interest – non-cash	(1)
Taxation	(8)
Depreciation & Amortisation	(13)
Statutory profit IH 2017	31

Adjusted EBITDA by segment (£m)

UK operating segment	57
US operating segment	5
PLC costs	(2)

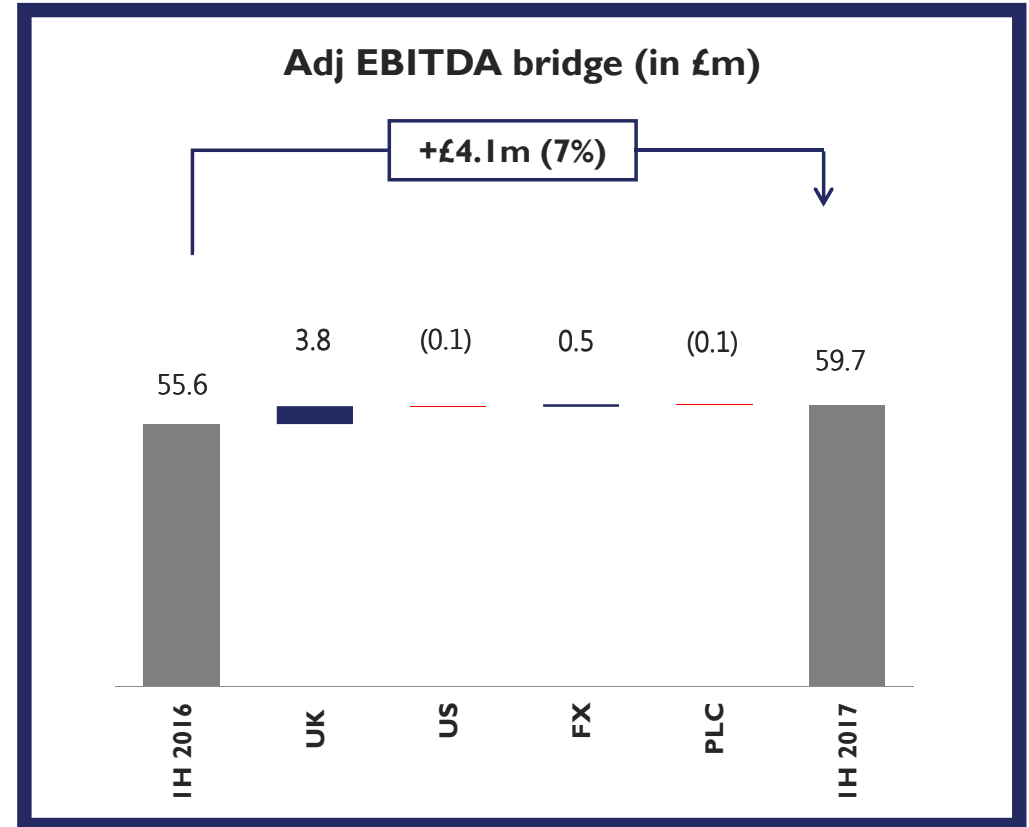
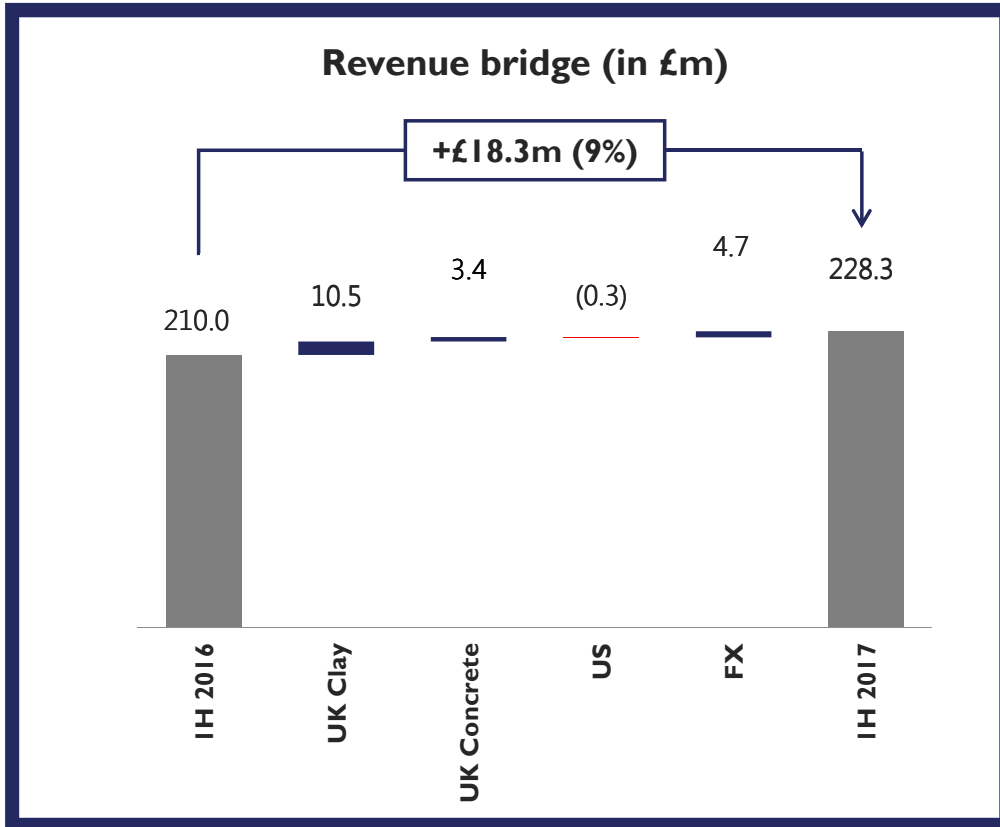
Adjusted EBITDA (£m) to Adjusted EPS

Adjusted EBITDA IH 2017	60
Depreciation	(10)
Amortisation	(3)
Fair value depreciation & amortisation	5
Cash interest charge ²	(3)
Taxation ³	(10)
Adjusted Earnings IH 2017	39
Shares in issue 406.4m	
Adjusted EPS IH 2017	9.5p

Note

- (1) Exceptional items principally relate to non-cash interest charges associated with refinancing (IAS 39)
 (2) Cash interest charge excludes non-cash related interest expenses (discounting, pensions)
 (3) Taxation reflects fair value and non-cash interest adjustments in the calculation of adjusted earnings

REVENUE & EBITDA BRIDGES



US \$ average exchange rate used in 2017 is 1.26 (2016: 1.35)

HIGHLY CASH GENERATIVE

Six months ended 30 June (£m)	2017	2016	Change	% change
Adj. EBITDA	60	56	+4	8%
Share-based payments	1	1	-	
Capex (excl major projects)	(6)	(8)	+2	
Δ in net working capital	(30)	(18)	(12)	
Adj. EBITDA – capex – Δ in NWC	25	31	(6)	(21%)
Cash conversion (%) ¹	41	56		
Major project capex	(11)	(21)	+10	
Cash from operating and investment activities ²	14	10	+4	39%
Net interest	(2)	(3)	+1	
Tax	(8)	-	(8)	
Post-employment benefits ³	(4)	(2)	(2)	
Adj. free cash flow	-	5	(5)	

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 I.T. issues at a major customer delaying payment until July and higher sales y-o-y
- Cash conversion **52%** if adjusted for delayed payment (c£6.4m)
- Cash tax in 2016 reduced by 2015 exceptional costs

Full Year Guidance 2017

- Major project capital expenditure **c£23m** and other capital expenditure spend **c£13m**
- Depreciation & Amortisation **c£27m**
- Cash interest charge **£4m-£5m**
- Income statement effective tax rate **c21%**
- Post employment benefits **c£7m**
- Full year cash conversion expected in line with 2016

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
£44m
compared to
£29m deficit at
Dec 2016

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

Scheme closed
to future
accrual from 1st
February 2017

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

Next triennial
valuation at
**November
2017**

£9m US post-
retirement
obligations
unchanged from
year end

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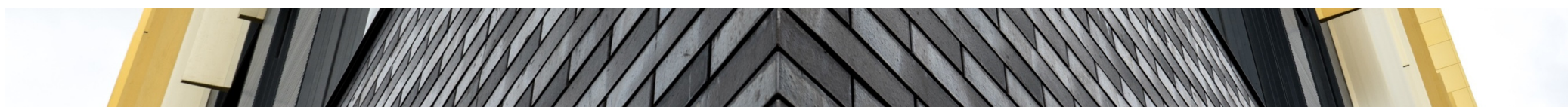


Q&A



OPERATING SEGMENT REVIEW - UK

	IH 2017	IH 2016	% Growth
Revenue	£186m	£172m	8%
Adjusted EBITDA ¹	£57m	£53m	7%
Adjusted EBITDA margin ¹	30.6%	30.8%	



Clay brick performance

<p>Housebuilding continues to underpin volume growth</p>	<p>Stocks reduced with waiting times on many products</p>	<p>Soft mud capacity fully utilised</p>	<p>Low single digit price increases by channel, overall flat due to channel & product mix</p>
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Energy costs increased by low double digit in line with expectations

Good performance from **concrete products**

Overall UK **margins maintained**

(1) IH 2016 EBITDA and EBITDA margin revised from those previously disclosed to exclude unallocated plc costs (£2m in IH 2016 and IH 2017)

MAJOR PROJECT

New brick factory – Ibstock Leicestershire



**£54m
Capex
project**

Scheduled to
begin
commissioning
in **4Q 2017**

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

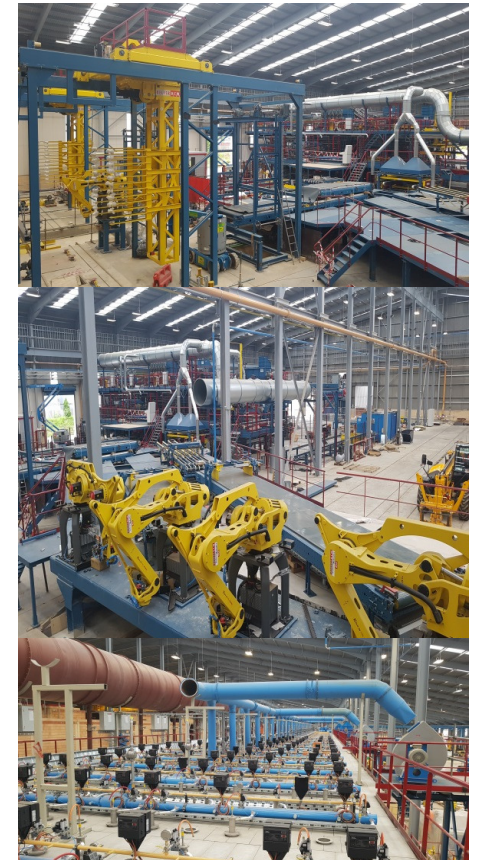
High volume
factory with
**expansion
potential**

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

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

Anticipate
**capacity
utilisation of
c50% in 2018**

Margin
enhancing in
2018



MAJOR PROJECT

SL8 concrete roof tile line – Leighton Buzzard

£8m
Capex project
now in production

Single shift
revenue c£7m p.a.

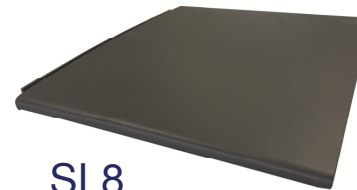
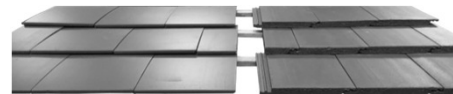
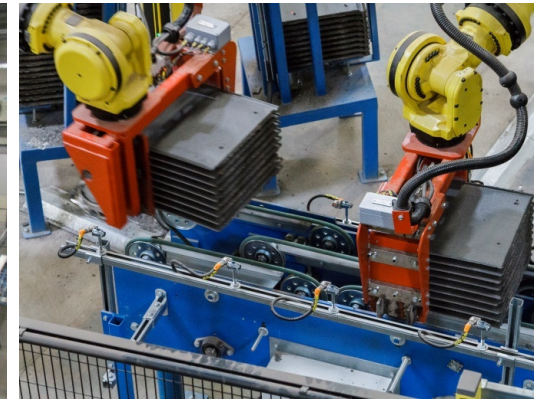
Manufactures
large format
'metric tiles'

**Aesthetically
superior** to
competing
products

New products
**reduce build
costs** for users

Forticrete
becomes **full
range roofing
supplier** to
new housing
sector

**Enhances
Group
margin** from
2018

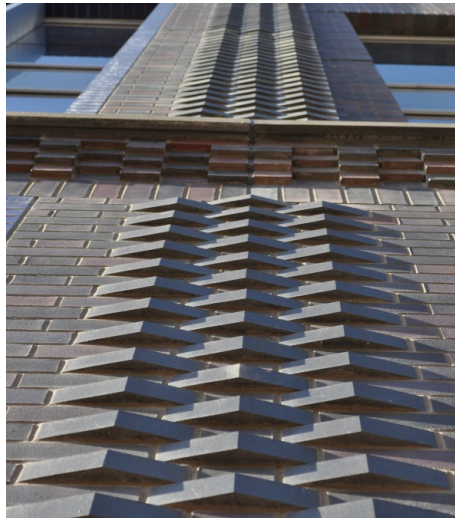


SL8



MAJOR PROJECT

New brick kiln – Lodge Lane (Cannock in Staffordshire)



£8m Capex improvement project
Scheduled to begin commissioning in Q4 2017

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

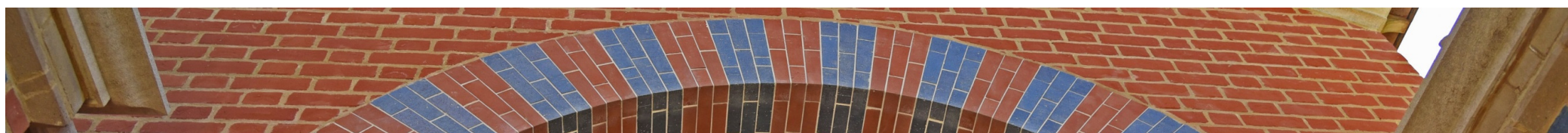
Maintains Ibstock's leading position as a **full range supplier**. No disruption to volumes in 2017

Anticipated (yr1) **incremental 2018 EBITDA c£1m**



OPERATING SEGMENT REVIEW - US

	IH 2017	IH 2016	% Growth (\$)
Revenue	\$53m (£42m)	\$54m (£38m)	(1%)
Adjusted EBITDA	\$6m (£5m)	\$6m (£4m)	(2%)
Adjusted EBITDA margin	11.5%	11.6%	



Mid single digit volume decline with slowdown in activity levels in Q2

Modest price increases achieved across the product ranges

Energy costs higher year-on-year although expected to reduce in second half

Performance reflects BIA reduced brick demand in Glen-Gery's regions of North-East and Mid-Atlantic and slight growth in Mid-West

Maintained margins despite lower volumes

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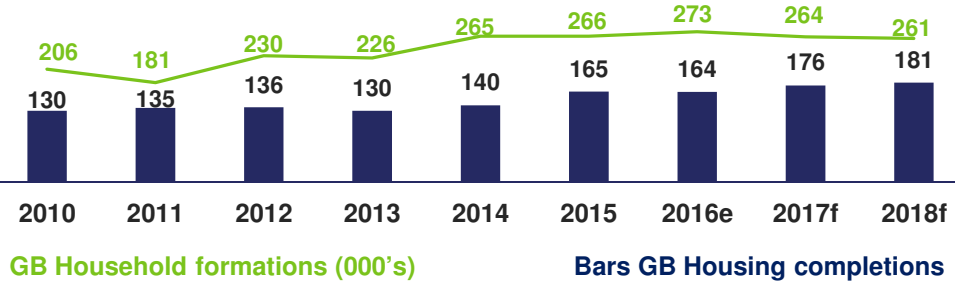
Q&A



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
- Further half a million new homes 2020 to 2022

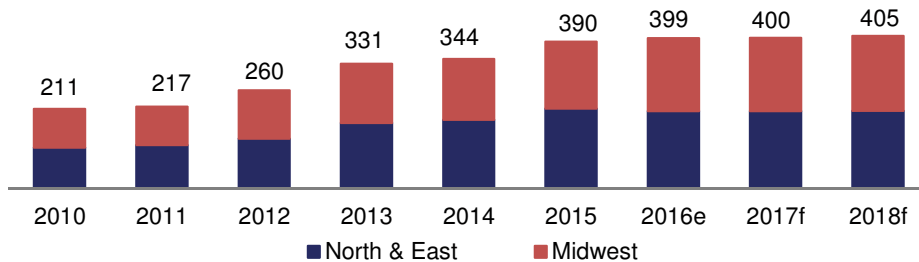
Labour Party June 2017 Manifesto key commitments

- 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.

US MARKET BACKDROP MORE MIXED

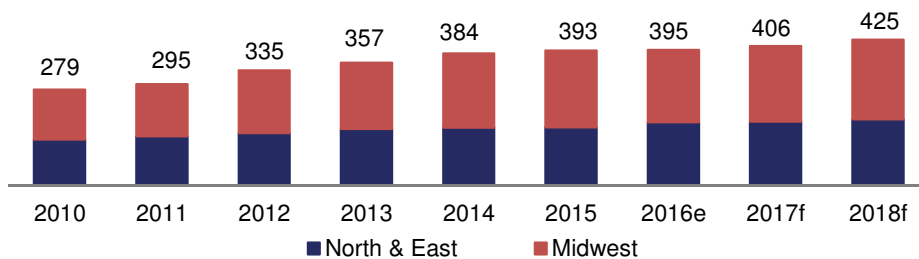
US Market Dynamics

Stable overall outlook for housing starts in Glen-Gery's key markets (Starts 000's)



- N-E residential starts down 11% in 2016, impacting 2017 brick demand. M-W and M-A up in 2016, but forecast flat in 2017.
- Single-family forecast to grow and multi-family to decline both by high single-digit.

Continued headline recovery in commercial markets (000's sq.ft)



- Commercial construction is expected to increase c3% in 2017 within Glen-Gery's markets
- However, within the key sectors for Glen-Gery of education, retail, healthcare and Government we are experiencing fewer major brick projects in 2017 and some evidence of expected projects delayed into 2018

SUMMARY AND OUTLOOK

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

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

UK Clay - good activity levels have continued into the second half of 2017

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

US Clay expected to reflect the **weaker market conditions** now prevailing

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

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

Group remains strongly **cash generative and is investing for growth**

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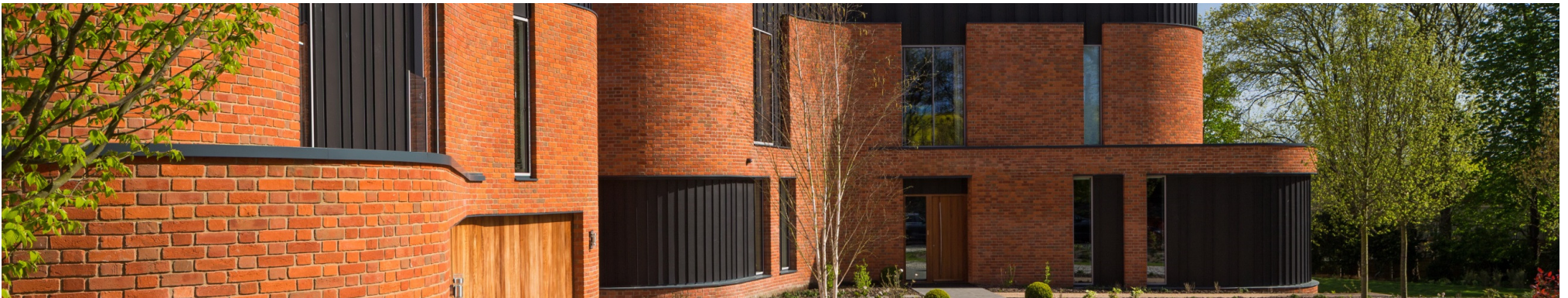


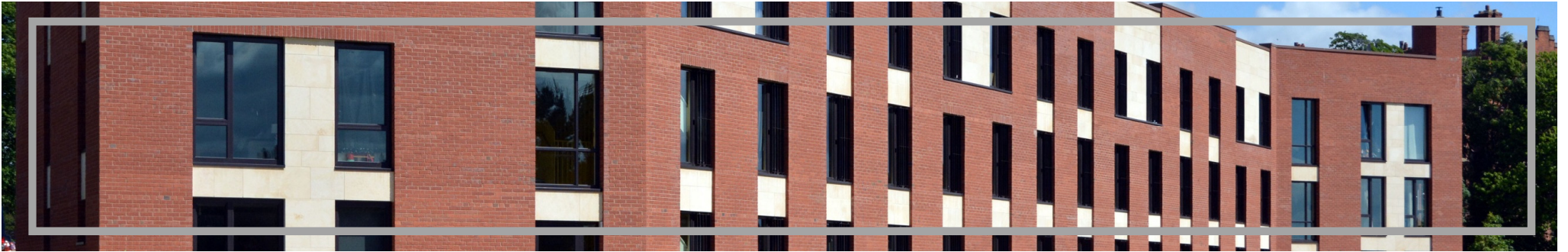
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Q&A





IBSTOCK **PLC**

APPENDIX | ADDITIONAL FINANCIAL INFORMATION



INCOME STATEMENT SIX MONTHS ENDED 30 JUNE 2017

Income statement		
	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m
Revenue	228	210
Operating profit pre-exceptional	47	43
Add exceptional items ¹	2	-
Operating profit	49	43
Net finance costs ²	(10)	(5)
Adjusted Profit before tax	39	38
Adjusted Taxation	(8)	(8)
Adjusted profit after tax	31	30

(1) Main exceptional items represents provision release

(2) Includes exceptional finance costs of £6 million associated with refinancing

BALANCE SHEET AS AT 30 JUNE 2017

Balance Sheet			
	30 June 2017	31 Dec 2016	30 June 2016
	£m	£m	£m
Assets			
PP&E	393	392	371
Intangible	120	123	125
Non-current assets	513	515	496
Inventories	90	89	94
Trade receivables	77	52	68
Other	4	3	-
Current assets	171	144	162
Total assets	684	659	658
Payables	(83)	(80)	(84)
Other liabilities excl debt & pension	(79)	(79)	(78)
Net assets	522	500	496
Net debt	(160)	(133)	(161)



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


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 16) % of Group	IBSTOCK £254m 58%	SUPREME £52m 12%	Forticrete £38m 9%	 £91m 21%
Market position ¹	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

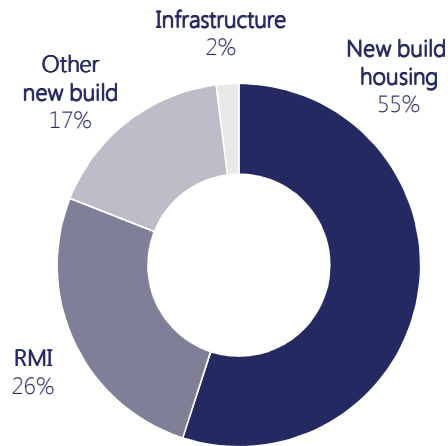
Note

(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

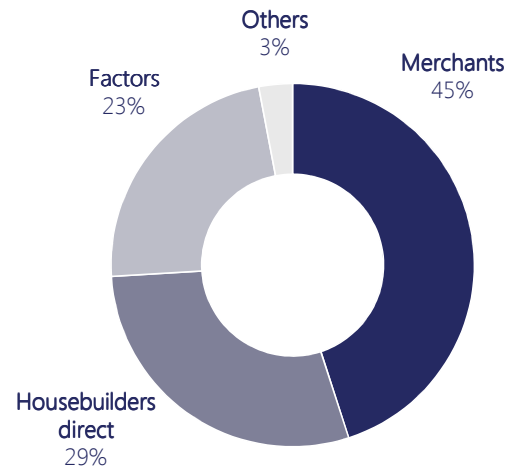
End market

Group revenue by end market (FY 16)

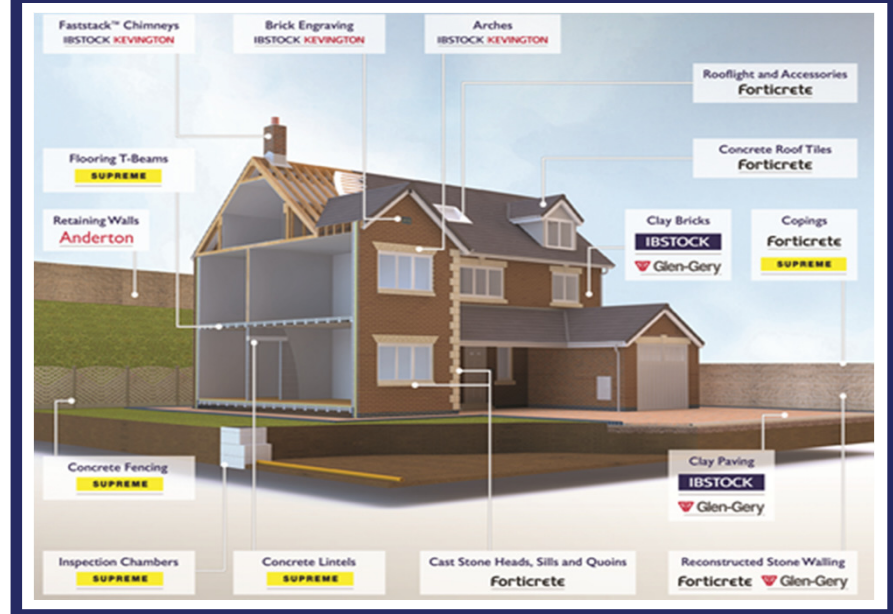


Sales channel

UK (FY 16)¹



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

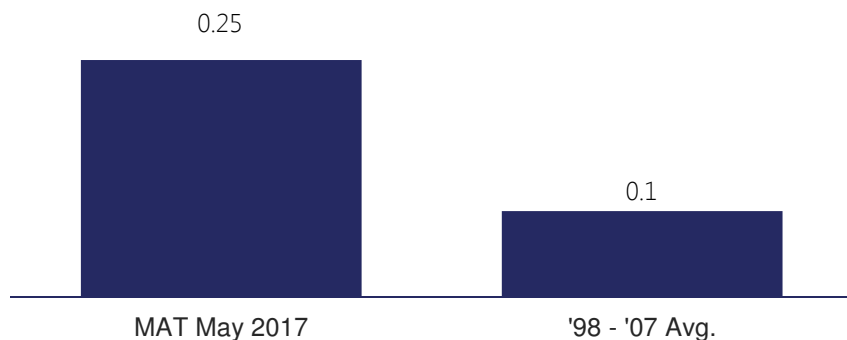
Note

(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

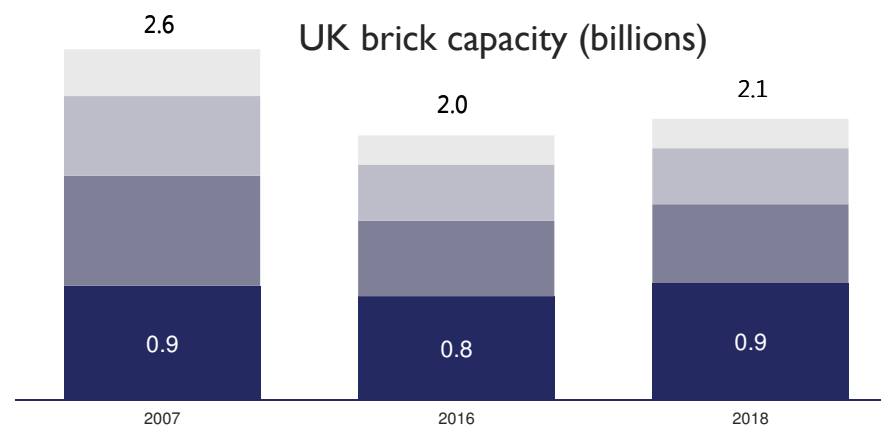
UK Brick Market

Imports (billions of bricks)



■ Ibstock ■ Forterra ■ Wienerberger ■ Other

UK brick capacity (billions)



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

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

WELL POSITIONED IN STRUCTURALLY ATTRACTIVE MARKETS

High barriers to entry – Vertically integrated clay business model with significant local footprint

Clay reserves



Long-term access to clay

>150m tonnes of consented reserves

Plus

>100m tonnes of clay resources

Product range and geographic coverage



28 brick plants

6 speciality brick assembly sites

>500 varieties of bricks

Customer relationships



Well trained, well regarded sales teams

10 US resale centres

Multiple growth options

IBSTOCK

Capacity expansion

New c100m brick capacity, state of the art plant

13% Ibstock capacity (5% of market)

c.£54m cost across 2015-17

Commissions from Q4 2017

UK

Expand existing positions

Expand into complementary products with comparable routes to market

Grow components capability

Forticrete

Innovation

1.1 million m² supply of potential new product (5% of market)

Cost £8m across 2015-16

New concrete roof tile line in production

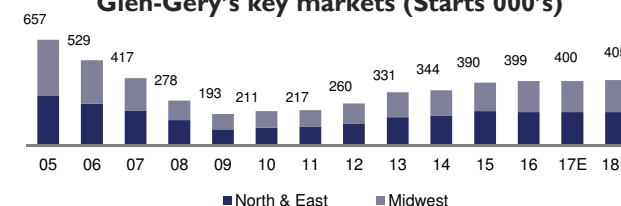
US

Standalone growth

Strategic options

Opportunistic M&A

Stable overall outlook for housing starts in Glen-Gery's key markets (Starts 000's)



No new UK greenfield entrants > 20 years