



17 January 2024

LEI: 2138003QHTNX34CN9V93

Ibstock Plc

Trading Update for the year ended 31 December 2023

Ibstock Plc ("Ibstock" or the "Group"), a leading UK manufacturer of a diverse range of building products and solutions, today issues a trading update for the year ended 31 December 2023, ahead of full year results, scheduled for Wednesday 6 March 2024.

Resilient performance for the full year

- Trading in the final quarter in line with our expectations, underpinned by cost reduction action and stable pricing, with market conditions remaining subdued
- Full year revenues expected to have decreased by 21% to approximately £405 million
- Adjusted EBITDA for the full year expected to be in line with our previous expectations, reflecting cost and capacity reduction initiatives and a resilient margin performance for the year as a whole

Operational Review

- Comprehensive operational review completed in Q4 to reduce headcount and align fixed cost base and capacity to near term demand expectations
- Annualised benefit of £20 million, with around £5 million of this captured in 2023 and the balance to be achieved in 2024

Outlook

- Residential construction markets expected to remain subdued in the near-term
- Robust balance sheet provides significant flexibility and optionality in respect of future growth investments
- The Board remains confident in the medium term prospects for the business, although the pace and timing of the recovery remain uncertain

Resilient performance in 2023

The Group delivered a resilient performance in the final quarter of the year, in line with our expectations, despite a continuation of the weaker market conditions experienced during the third quarter. Our performance in the final quarter was underpinned by effective cost reduction action which, in combination with stable pricing, helped the Group maintain solid margins.

Full year revenues for 2023 are expected to have decreased by 21% to approximately £405 million (2022: £513 million). Reflecting the cost and capacity reduction initiatives and the resilient margin performance for the year as a whole, adjusted EBITDA is expected to be in line with our previous expectations.

Operational review

Given the challenging market backdrop, which is expected to continue into 2024, during the final quarter of the year we conducted a comprehensive operational review, with the objective of aligning our fixed cost base and capacity to near term demand expectations. The consequent restructuring plan included a number of actions to temporarily reduce capacity across the business, as well as the permanent closure of our South Holmwood brick factory in Surrey.



The annualised benefit of this restructuring plan will be £20 million, with around £5 million of this captured in 2023 and the balance to be achieved in 2024. The one-off cash cost of the restructuring programme (including the closure of the Ravenhead brick factory announced in August) will be around £15 million. Of this, around £5 million was paid in 2023, with the remainder expected to be settled in 2024.

Whilst taking this necessary action, we have been focused on preserving key skills and knowledge to ensure that the Group retains the ability to build output back quickly when markets recover. As part of this review, we have also taken steps to integrate our core commercial and innovation capabilities, thereby sharpening our customer proposition and ensuring we go to market in a more aligned, coordinated way.

Continued strategic progress

The Group has also continued to progress the key projects that will underpin its growth over the medium term, as the market recovers.

Commissioning of our new wire-cut brick pathfinder factory at the Atlas site in the West Midlands commenced on schedule during the final quarter, and this innovative new manufacturing facility will begin to supply the UK's lowest carbon bricks to customers during the first half of 2024. The recent investment programme in our brick assets will ensure the Group has a lower carbon and more competitive factory portfolio.

In addition, the Group continued to make good progress with its ongoing development of the Ibstock Futures business during the final quarter, with both the facades business, based at our innovation hub in the West Midlands, and the organic investments in brick slips capacity at Nostell, West Yorkshire, progressing to plan.

During the final quarter, the Concrete Division completed the bolt-on acquisition of Coltman Precast, a manufacturer of hollowcore flooring, staircases and landings, based in the West Midlands. This acquisition complements the Division's existing product offering and will enable Ibstock to offer a full flooring solution to our customers.

Ongoing financial strength

The Group remains in a strong financial position, with a robust balance sheet providing significant flexibility and optionality in respect of future growth investments and capital returns.

Cash flow for the year was in line with our previous expectations, resulting in net debt¹ at 31 December 2023 of around £101 million (December 2022: £46 million). During the year, the Group invested over £65 million of fixed capital including significant investment in growth projects. We also made a material investment in finished goods inventories, which were rebuilt from historically low levels during 2023 to ensure we are well placed as markets recover.

Outlook

Looking ahead, residential construction markets are expected to remain subdued in the near-term.

Against this backdrop, while the pace of cost inflation has continued to moderate, it remains a feature, with some modest year-on-year inflation expected to be largely covered by pricing action. The Group continues to manage all costs actively.

¹ Net debt is stated on a consistent basis to prior periods, excluding lease liabilities arising under IFRS16.



In 2023 the Group demonstrated its agility in responding to changing market conditions, while preserving the capability to react quickly as and when demand improves. With a clear growth strategy, supported by a strong balance sheet, and with the fundamental drivers underpinning residential construction market demand firmly in place, the Board remains confident in the medium term prospects for the business.

Joe Hudson, CEO of Ibstock PLC, said:

“Against a challenging market backdrop, we are pleased to have delivered a resilient performance in the final quarter and for the year as a whole. Throughout the period we have focused on taking the right actions in light of near term market conditions, which has led to the difficult but necessary decision to reduce headcount across the business. At the same time, we have continued to progress the projects that will underpin growth as our markets recover.

While the pace and timing of the recovery remain uncertain, Ibstock is in robust financial health, with the balance sheet strength and financial flexibility to ensure we remain well-positioned for a return to growth over the medium term.”

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About Ibstock Plc

Ibstock Plc is a leading UK manufacturer of a diverse range of building products and solutions. The Group concentrates on eight core product categories, each backed up by design and technical services capabilities:

- Bricks and Masonry, Façade Systems, Roofing, Flooring and Lintels, Staircase and Lift Shafts, Fencing and Landscaping, Retaining Walls and Rail and Infrastructure.

The Group comprises two core business divisions, Ibstock Clay and Ibstock Concrete. The Ibstock Futures business was established in 2021 to accelerate growth in new, fast developing segments of the UK construction market and, while it remains in its initial growth phase, forms part of the Clay division.

Ibstock Clay: The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 14 manufacturing sites, Ibstock Clay has the largest brick production capacity in the UK. It operates a network of 14 active quarries located close to its manufacturing plants. Ibstock Kevington provides masonry and prefabricated component building solutions, operating from 4 sites.

Ibstock Concrete: A leading manufacturer of concrete roofing, walling, flooring and fencing products, along with lintels and rail & infrastructure products. The concrete division operates from 13 manufacturing sites across the UK.

Ibstock Futures: Complements the core business divisions by accelerating diversified growth opportunities which address key construction trends, including sustainability and the shift towards Modern Methods of Construction (MMC). Operating from an innovation hub in the West Midlands, and the Nostell redevelopment in West Yorkshire.



Ibstock is headquartered in the village of Ibstock, Leicestershire, with 32 active manufacturing sites across the UK.

As a leading building products manufacturer, the Group is committed to the highest levels of corporate responsibility. The ESG 2030 Strategy sets out a clear path to address climate change, improve lives and manufacture materials for life, with an ambitious commitment to reduce carbon emissions by 40% by 2030 and become a net zero operation by 2040.

Further information can be found at www.ibstock.co.uk

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.