IBSTOCK PLC

INTERIM RESULTS PRESENTATION - SIX MONTHS TO 30 JUNE 2016

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Agenda

Wayne Sheppard
CEO (21 years at Ibstock)

Kevin Sims
CFO (30 years at Ibstock)

Overview
Wayne Sheppard

Financial review
Kevin Sims

Operating review
Wayne Sheppard

Outlook
Wayne Sheppard

Q&A

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Overview

Financial Highlights – six months to 30 June 2016

- Results for the first half in line with AGM Trading Statement
- Group revenue up 3% to £210m
- Adjusted EBITDA up 7% to £56m
- Net debt to EBITDA remains at 1.4x after £21m of capex on major projects
- ROCE remains at 20%
- Interim dividend of 2.4p per share

Operational Highlights

- Good activity levels from the UK new build housing sector
- UK Clay volumes slightly lower y-o-y (Distributor/merchant destocking)
- UK Concrete products have performed well
- In US unusually mild weather assisted a strong start which has been maintained
- Major capital projects progressing to schedule

Agenda

Overview
Wayne Sheppard

Financial review
Kevin Sims

Operating review
Wayne Sheppard

Outlook
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Q&A

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Financial highlights - six months to 30 June 2016

Revenue	£210m	⇧ 3%
Adjusted EBITDA [3]	£56m	⇧ 7%
EBITDA Margin %	26%	⇧ 1%pt
ROCE	20%	
Cash conversion	56%	⇧ 10%pt
Net Debt to EBITDA	1.4	⇦
Interim dividend	2.4p	

Note
(1) Cash conversion is the ratio of adjusted EBITDA after movement in working capital less maintenance capex to adjusted EBITDA
(2) ROCE is adjusted EBITA as a proportion of net debt plus equity
(3) See presentation of results on slide 24

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P&L & EPS reconciliations – six months to 30 June 2016

Statutory profit to Adjusted EBITDA (£m)		
Statutory profit 1H 2016		**30**
Interest	- cash expense	3
	- discounting expense	2
Taxation		8
Depreciation		10
Amortisation		3
Adjusted EBITDA 1H 2016		**56**

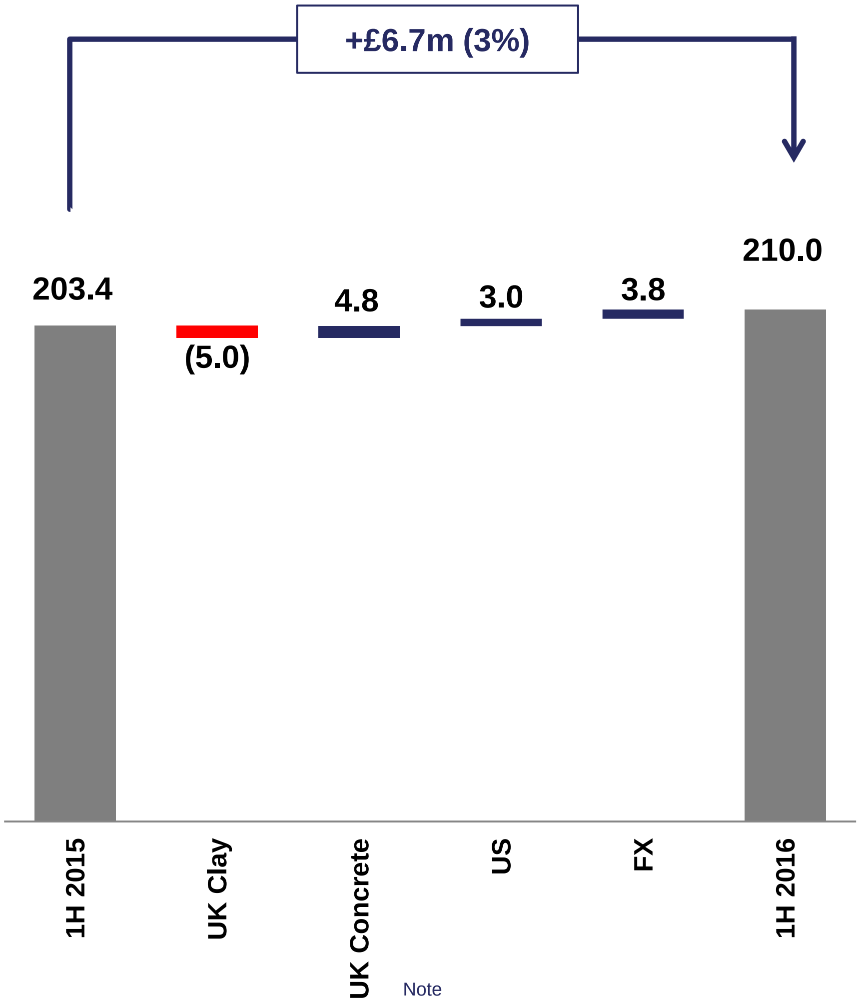
Adjusted EBITDA (£m) to Adjusted EPS	
Adjusted EBITDA 1H 2016	**56**
Depreciation	(10)
Amortisation	(3)
Fair value depreciation & amortisation adjustment[1]	3
Interest charge	(5)
Taxation	(8)
Adjusted Earnings 1H 2016	**33**
Shares in issue 406.1m	
Adjusted EPS 1H 2016	***8.2p***

Note: - Adjusted EPS calculated on actual numbers before rounding

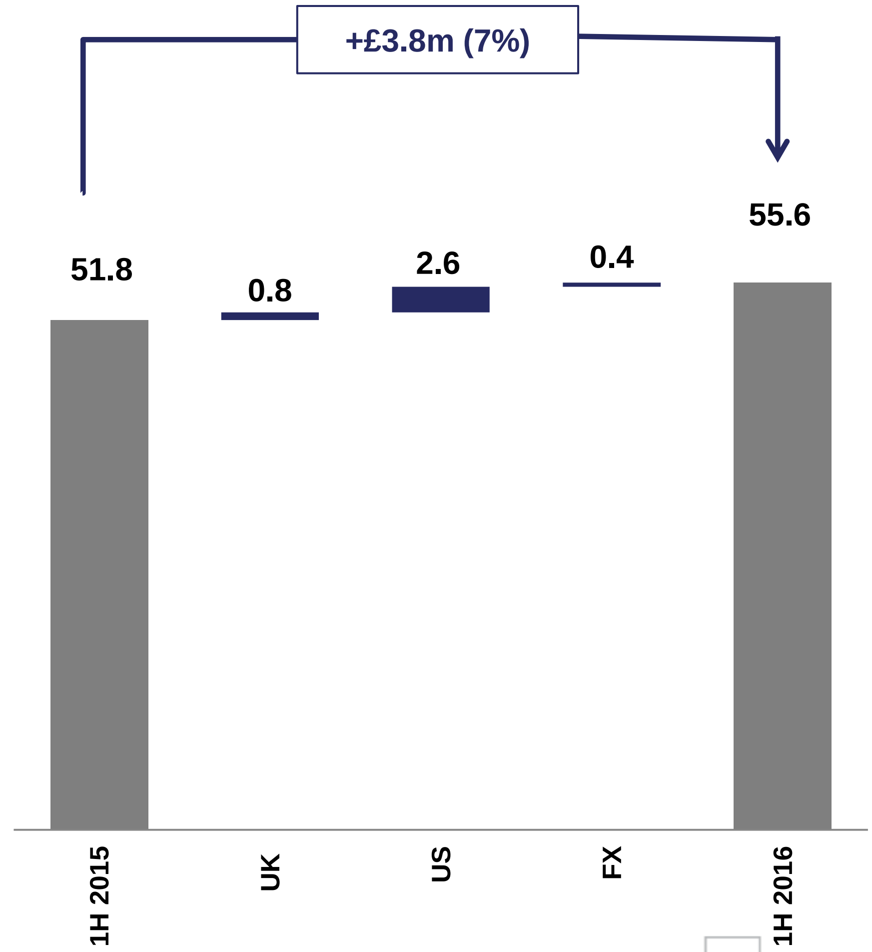
Note
(1) Adjustment reflects Amortisation £3m and Depreciation £2m net of related taxation credits

Revenue & EBITDA bridges

Revenue bridge (in £m)



EBITDA bridge (in £m)



Note
(1) US $ exchange rates used in 1H 2016 is 1.42 (1H 2015: 1.58)

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Highly cash generative

6 months ended 30 June (£m)	1H 2016	1H 2015	Change	% change
Adj. EBITDA	**56**	**52**	**+4**	**7%**
Share-based payments	1	-	1	
Capex (excl major projects)	(8)	(3)	(5)	
Adj. Δ in net working capital	(18)	(25)	+7	
Adj. EBITDA – capex – Δ in NWC	**31**	**24**	**+7**	**30%**
Cash conversion (%)[1]	*56*	*46*	*-*	
Major project capex[2]	(21)	-	(21)	
Cash from operating and investment activities[3]	**10**	**24**	**(14)**	**(59%)**
Net interest[4]	(3)	(3)	-	
Tax	-	(6)	6	
Post-employment benefits	(2)	(1)	(1)	
Adj. free cash flow	**5**	**14**	**(9)**	**(69%)**

- TWC to sales improved on 2015
- Full Year Guidance 2016
  - Cash outflow major projects c£42m
  - Other capital spend c£13m
  - Depreciation and amortisation c£26m (includes £9m for fair value uplifts)
  - Cash interest charge c£6m
  - Income statement effective tax rate c22% - full year cash outflow c£7m
  - Cash conversion to remain strong in 2H 2016

Note
(1) Cash conversion is the ratio of adjusted EBITDA after movements in working capital less maintenance capex to adjusted EBITDA
(2) Capex on major projects excludes expenditure in the period of £4m which was included in the equivalent 2015 disclosure
(3) Cashflow from operating and investing activities is defined as EBITDA adjusted for changes in working capital less cash flows from capex
(4) Estimated on an indicative basis for 1H 2015
(5) Numbers are rounded

Financial management

Dividend policy

- The Group remains highly cash generative
- Dividend policy reflects the long-term earnings and cash flow potential of the Group
- Dividend pay-out ratio of 40% – 50% of adjusted profit after tax over a business cycle
- Maintain a capital structure that is conservative yet efficient in terms of providing long-term returns to shareholders
- Expect to pay dividend circa 1/3 interim & 2/3 final
- Interim dividend 2.4p per share

Debt

Facilities	Amount (£m)	Margin Range p.a.
Original term facility	200	1.25% - 2.50%.
Revolving facility	40	1.25% - 2.50%.
Total facilities	240	

- Debt leverage 1.4x at June 2016 and December 2015
- Term and RCF facility at blended interest rate
  - LIBOR + 225bps until 6 June 2016
  - LIBOR + 175bps leverage < 1.75x thereafter
- Comfortably within interest cover and debt leverage ratio covenants
- Early debt repayment £7.5m made on 30 June 2016, further £7.5m due in October 2016

Pension scheme

- UK schemes IAS 19R deficit of c£19m. Gross liabilities are c£645m
- US £10m of post retirement obligations recognised

Agenda

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Outlook
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Q&A

Operating segment review—UK

	1H 2016	1H 2015	% Growth
Revenue	**£172m**	**£172m**	**-**
Adjusted EBITDA	**£51m**	**£50m[1]**	**2%**
Adjusted EBITDA margin	**29.8%**	**29.3%**	

- Clay brick performance
  - Continued growth in sales to housebuilders
  - Mid single digit price increases by channel
  - Volumes slightly lower y-o-y (distributor/merchant destocking)
  - Low single digit price increase achieved overall due to change in channel mix
- Energy costs reduced in 1H although expected to be less favourable in 2H
- Strong performance from concrete products with increases in sales and profitability
- UK margin progress

Note
(1) Before exceptional items

Major Project

New brick factory, Ibstock Leicestershire

- £54m Cap-Ex project
- Addition of 100m soft mud brick capacity (13% of current total Ibstock brick capacity, 5% UK capacity)
- Low cost, high volume factory
- Most modern and efficient brick plant in UK
- Process flexibility to manufacture existing product range and develop new products
- Scheduled to be commissioned 2H 2017

February 2016

July 2016

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Major Project

New roof tile line – Leighton Buzzard

- £8m Cap-Ex project
- Manufactures large format ‘metric tiles’
- New products reduce build costs for users
- Aesthetically superior to competing products
- Forticrete becomes full range supplier to new housing sector
- Commercial launch 1H 2017

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Operating segment review—US

	1H 2016	1H 2015	% Growth ($)
Revenue	**$54m** (£38m)	**$49m** (£31m)	**10%**
Adjusted EBITDA[1]	**$6m** (£4m)	**$2m** (£1m)	**213%**
Adjusted EBITDA margin	**11.6%**	**4.5%**	

- Growth in EBITDA:
  - Weather conditions unusually mild in first quarter enabling strong start
  - Continuing benefits of operating leverage
  - Higher average prices benefiting partly from favourable sales mix
- Strong margin improvement
- Forecasts for our markets remain positive

Note
(1) Before exceptional items.

Agenda

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Outlook
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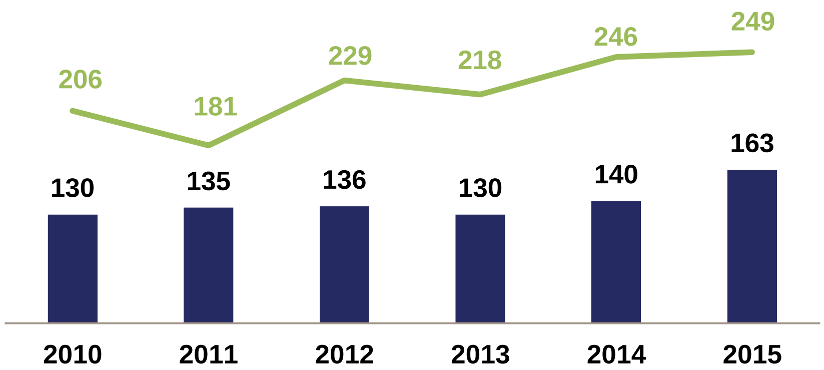
Fundamentals remain in place

Housing dynamics

Total housing completions and formations in GB (000s)



Household formations **Bars housing completions**

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

- ***Mortgage availability remains good***
- ***Supportive Government policies (particularly Help to Buy) remain in place***

Government commentary post Brexit remains supportive :-

"Housing matters…we need to do far more to get more houses built…unless we deal with the housing deficit, we will see house prices keep on rising " Theresa May (Prime Minister) *11 July 2016*

'' We are still committed to building a million new homes……..there is a consensus that we need to increase the level of house building" Gavin Barwell (Housing Minister) *18 July 2016*

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Source Government statistics, CPA,

Current Trading

- UK Clay
  - Anecdotally house builder customers indicating no significant changes to sales levels
  - July LFL despatch volumes in line with 2015
  - RMI brick sales progressively improving as distributor/merchant stocks are unwound
  - Media focus on the prime London residential market not relevant to Ibstock
- UK Concrete
  - No discernible change in trading
- US Clay
  - Good activity levels have continued into the second half

UK Visibility and Contingency Planning

- No real visibility on housing volumes expected until Autumn selling season
- Experienced management team with proven track record over many business cycles
- Contingency plans have been developed for all businesses
- Flexing capacity to manage the cost base and balance production with sales as necessary
- Prioritising stock level management

Summary and Outlook

- Too early for full year visibility post Brexit
- Long term fundamentals supporting UK housing remain unchanged
- UK Clay - no significant change to activity levels currently visible
- UK Concrete expected to retain first half gains
- US Clay expected to show further progress in 2H
- Major capital projects progressing to plan
  - Investments will improve competitive position
- Continue to appraise opportunities for value creating organic or acquisitive investments as they arise
- Group remains strongly cash generative and well placed even in uncertain times

Agenda

Overview
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Financial review
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Outlook
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Q&A

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APPENDIX - ADDITIONAL INFORMATION

Balance Sheet as at 30 June 2016

Balance Sheet	30 June 2016 £m	31 Dec 2015 £m
Assets		
PP&E	371	347
Intangible	125	128
Non-current assets	**496**	**475**
Inventories	94	83
Trade receivables	64	59
Other	4	1
Current assets	**162**	**143**
Total assets	**658**	**618**
Payables	(84)	(79)
Other liabilities excl debt	(108)	(86)
Net assets	**466**	**453**

Presentation of Results

- The Group's statutory results for the six months ended 30 June 2015 reflect the acquisition of the trading businesses from CRH plc in February 2015 and the resulting fair value adjustments
- As a result, comparative statutory results only include four months trading performance

Statutory Results for the six months to June 2015 (£m)	
SALES	**149**
Adjusted EBITDA [1]	**47**
EBIT	**129**
PAT	**84**

Adjusted EBITDA reconciliation (£m)	1H16	1H15	Change
Adjusted EBITDA (pre-SBP)	56.3	**51.8**	8.6%
Share Based Payment costs	(0.7)	(1.0)	
Adjusted EBITDA *	**55.6**	50.8	**9.4%**

*During the period the definition of Adjusted EBITDA has been amended such that Share-based payment costs are no longer excluded. These are now included within the underlying results of the Group on an ongoing basis.

- To assist shareholders Ibstock is presenting its results for the six months to 30 June 2015 on an adjusted basis to give a full six month trading performance as comparative information

Note
(1) After fair value adjustments and exceptional costs

Reconciliation of 2015 statutory to adjusted results

- A reconciliation of the Group's statutory results for the six months ended 30 June 2015 to those presented as adjusted results is set out below:

	Revenue	Adjusted EBITDA
Statutory reported result for the six months to June 2015 (£m)	**148.9**	**47.1**
Operating result for the period from 1 January 2015 to 26 February 2015[1]	**54.5**	**4.7**
Six month trading comparative Adjusted results for the period ended 30 June 2015	**203.4**	**51.8**

Notes

1. Due to the normal seasonality of our industry, the operating results in the first two months of 2015 were lower than the remainder of the interim period.