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Ibstock Plc
Interim results for the six months ended 30 June 2023
Resilient first half performance underpins confidence in full year expectations

Ibstock Plc ("Ibstock" or the "Group"), a leading UK manufacturer of a diverse range of building products and solutions, announces results for the six months ended 30 June 2023.

Statutory Results

Six months ended 30 June	2023	2022	∆ 1Y	% change
Revenue	£223m	£259m	(£36)m	(14)%
Profit before taxation	£30m	£51m	(£21)m	(42)%
EPS	5.7p	10.0p	(4.3)p	(43)%

Adjusted Results[1]

Six months ended 30 June	2023	2022	∆ 1Y	% change
Adjusted EBITDA	£63m	£71m	(£8)m	(11)%
Adjusted EBITDA margin	28.2%	27.3%	+90bps	+3%
Adjusted EPS	9.0p	11.3p	(2.3)p	(20)%
Interim dividend per share	3.4p	3.3p	+0.1p	+3%
Adjusted free cashflow	(£22)m	£30m	(£52)m	>(100)%
ROCE	19.6%	19.8%	(20)bps	(1)%
Net debt	£89m	£36m	£53m higher	>(100)%

Resilience and financial strength

- Resilient trading performance in the first half year with performance marginally ahead of the Board's expectations.
- Revenue down 14% to £223 million (2022: £259 million) reflecting reduced activity levels in our residential markets. Despite this more subdued market backdrop, selling prices remained firm.
- Adjusted EBITDA[1] was £63 million (2022: £71 million), reflecting disciplined approach to pricing, an intense focus on cost and capacity management, and the benefit of fixed cost absorption through inventory build.
- Continued operational and strategic progress in our diversified growth engine, Ibstock Futures; new innovation hub in West Midlands now operational, creating a scalable platform for growth.
- Statutory Profit before tax of £30 million (2022: £51 million) reflects exceptional cost[1] of around £11 million arising from potential clay site closure (including £1.5m cash cost).
- Balance sheet remains strong with leverage of 0.7x (2022: 0.3x), towards the lower end of the target range, and period end net debt was better than our expectations at £89 million (2022: £36 million).
- Interim dividend up 3% to 3.4 pence per share (2022: 3.3p), reflecting the resilient trading performance and the Board's confidence in the Group's prospects.

Investing in future growth

- Progress on all key growth projects remains on budget and schedule.
- Brick slips investments at Nostell, West Yorkshire, progressing to plan, with automated slips line (17 million slips p.a.) to commission from the end of 2023; construction of larger slips systems factory (30 million slips p.a. from the end of 2024) now well underway, creating a strong, diversified position in this fast-growing product category.
- Continued development of Clay brick factory network to create low cost, efficient and sustainable capacity in line with our medium-term growth objectives. Redevelopment of wire cut brick factories in the West Midlands (Atlas/Aldridge) remain on track to commission from the end of 2023. Atlas will produce the UK's first externally verified carbon neutral brick and will increase annual network capacity by over 100 million bricks to support our long-term growth. The project is a 'pathfinder' for more sustainable manufacturing processes to be scaled across the Group-wide estate on our journey to net zero.

  Against the current backdrop of reduced demand and with industry capacity increasing in 2024, we have announced a proposal to close our higher-cost Ravenhead wire-cut brick factory in North West England. Subject to consultation, closure would reduce the Group's current clay brick network capacity by around 40 million bricks.

40 million bricks.

Current trading and outlook

- While overall sales volumes were down significantly in the first half, demand showed improvement across the period.
- Our investment in major growth projects remains on track and the Group continues to drive strategic progress while remaining intensely focused on managing costs and capacity, with a range of measures in place, in light of reduced market demand.
- Balance sheet strength provides resilience and gives optionality on investment and shareholder returns.
- While recent macroeconomic events have introduced greater uncertainty into the outlook, we remain confident in our ability to respond to market conditions and the Board's expectations for the full year are unchanged.
- We are confident in the medium term outlook, and remain committed to our medium term financial targets.

Joe Hudson, Chief Executive Officer, commented:

"Our first half performance demonstrates our resilience in a subdued market environment, with lower customer demand across both new build and RMI segments. Our focus on customer service and commercial execution, coupled with disciplined management of capacity and costs, has enabled us to deliver a result marginally ahead of our expectations, despite more challenging trading conditions.

"We have continued to make strong progress with our strategic investment plans that will underpin Ibstock's future growth and enhance our industry leadership position. By focusing on expansion, diversification and innovation we are building new capabilities in faster and sustainability-led growth segments of the UK construction market.

"Although overall sales volumes were down significantly in the first half, demand showed improvement across the period. Whilst recent macroeconomic developments have created increased uncertainty in the outlook, having performed marginally ahead of our expectations during the first half we remain confident in our ability to respond to market conditions in the balance of the year and the Board's expectations for the full year are unchanged."

Results presentation

Ibstock is holding a presentation at 10.30am today at 54 Hatton Garden, London, EC1N 8HN.

Please contact ibstock@citigatedewerogerson.com to register your in-person attendance.

A live webcast of the presentation and Q&A is also available. Please register here for the live webcast.

The presentation can also be heard via a conference call, where there will be the opportunity to ask questions.

Conference Call Dial-In Details:	UK-Wide: +44 (0) 33 0551 0200 UK Toll Free: 0808 109 0700 US +1 786 697 3501
Confirmation code:	please quote Ibstock Half Year Results when prompted

An archived version of today's webcast analyst presentation will be available on www.ibstock.co.uk later today.

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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 16 manufacturing sites, Ibstock Clay has the largest brick production capacity in the UK. It operates a network of 18 active quarries located close to its manufacturing plants. Ibstock Kevington provides masonry and prefabricated component building solutions, operating from 6 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 14 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 37 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

CEO Review

Introduction

I am pleased to report a resilient performance for the first half of 2023, demonstrating the significant progress we have made over recent years to improve the quality of our assets, processes and teams. While customer demand improved across the period, trading conditions remained subdued and, against this backdrop, to deliver a performance marginally ahead of our expectations is a real testament to the strength of our business and our people.

At the halfway point of the year, we have seen a significant change in the UK macroeconomic outlook, with near-term expectations for both inflation and interest rates above the levels previously envisaged. Inevitably, this has created a more uncertain trading environment for customers in both our residential new build and RMI markets.

As we have done previously during periods of challenging trading, we have taken decisive action to reduce costs across the business; this includes the difficult decision to propose the closure of our Ravenhead brick factory. We remain vigilant on costs and, as we have demonstrated in the recent past, will continue to take any further action necessary to ensure capacity is aligned with market demand, to protect the performance of the business.

While operating the business in a focused and disciplined manner, reflecting market conditions in the short term, we have continued to make strong progress with the strategic plans that will underpin Ibstock's growth and enhance our industry leadership position. The projects to redevelop our Atlas and Aldridge wire-cut brick manufacturing factories in the West Midlands and to invest in brick slips manufacturing capacity at Nostell are all on track, with momentum building as they move towards the production phase.

During the first half we also fully commissioned our new Ibstock Futures innovation hub, with activity starting to build, as well as continuing to make good progress with our plans to capture the significant growth opportunity in the development of sustainable building materials.

The first half marked a significant milestone as we launched a new, powerful "One Ibstock" brand, alongside a new set of digital tools, to make it easier than ever for our customers to access our full range of building products, solutions and expertise in one place.

The fundamental drivers underpinning medium term demand in our markets remain firmly in place, and we are building new capabilities in both the conventional and diversified segments of the UK construction markets. Our organic investment projects support our growth ambitions and underpin our conviction in our medium term financial targets. We remain excited by their potential.

As we trade through this more challenging period, we do so from a position of financial strength, with leverage towards the lower end of our target range, leaving the Group in a strong position, both to invest further for growth, and return additional capital to shareholders into the future.

Financial performance

The Group delivered a resilient trading performance in the first half year, against a more subdued market backdrop, and achieved a result marginally ahead of the Board's expectations.

Revenue declined 14% year on year to £223 million (2022: £259 million), reflecting a significant reduction in sales volumes. This was particularly evident across our residential product categories where we experienced a decline in line with the domestic market, both in the new build and RMI segments. Non-residential product sales volumes held up well with infrastructure revenues up by around 15% compared to 2022. The overall decline in sales volumes was partly offset by a year on year pricing benefit, reflecting the timing of inflationary increases as the Group passed through significant increases in input costs during the 2022 year.

While cost inflation remained a feature of the first half environment, the pace of increase was below the levels experienced in 2022. Selling prices were substantially maintained at the levels in place at the start of 2023.

Good operational performance, the benefit of fixed cost absorption as inventories increased, and an intense focus on cost and capacity management mitigated the impact of lower revenue and enabled a solid performance, with adjusted EBITDA[1] of £63 million, down 11% year on year (2022: £71 million). Adjusted EBITDA margins [1] of 28.2% (2022: 27.3%) reflected this strong operational performance and also benefited from property gains of around £1.5 million recognised during the second quarter.

Profit before tax of £30 million (2022: £51 million) included an exceptional cost[1] of around £11 million arising from potential clay site closure, of which £1.5 million is a cash cost.

Our balance sheet remains strong with period-end leverage of 0.7x net debt to adjusted EBITDA[1], towards the lower end of our 0.5x to 1.5x target range, despite continued investment across the business, including £24 million invested in growth projects.

In light of the resilient performance of the business, the Board has declared an interim dividend of 3.4p per share, representing an increase of 3% (2022: 3.3p). In declaring this level of dividend, the Board remains mindful of its objective to deliver a sustainable and progressive ordinary dividend over time.

Divisional review

Ibstock Clay

Once again, good operational performance supported a solid result from the clay division, with this outcome underpinned by consistent network reliability and an intense focus on cost management.

The division delivered a robust performance in the first half, despite the impact of materially lower year on year sales volumes. While revenues reduced significantly, down 13% to £162 million (2022: £186 million), strong operational performance and good fixed cost absorption mitigated the impact of lower sales on adjusted EBITDA[1], which totalled £57 million, down 11% from the prior year (2022: £64 million).

Sales volumes in the period were in line with the trend experienced across the broader domestic market[2]. As a consequence of this lower demand, inventory was built at higher-than-typical levels for the first half of the year providing a benefit to margins through higher fixed cost absorption. In the second half of the year, we expect finished goods inventories to stabilise, and therefore do not expect this benefit to recur.

As expected, brick imports reduced at a faster rate than domestic supply to 22% of total market (2022: 24%), a reduction of over 40% year on year, as the UK industry was able to displace imported product. Our ability to fulfil this demand was supported by our available capacity and strengthened inventory position.

The division experienced meaningful cost inflation compared to the equivalent period in 2022 in both variable and fixed cost categories. Variable costs increased, including the impact of energy hedges entered into in the prior year, although softer spot prices during the first half helped to limit the scale of this increase. We now have around 85% of energy requirements covered for the second half of the 2023 year, at prices slightly above the comparative period.

For 2024, around a third of requirements are currently covered, with cover weighted towards the early part of the year.

The division retained its focus on strong commercial execution and providing high standards of service for our customers. Our On-Time, In-Full ("OTIF") service levels continued to improve, and our enhanced scheduling capabilities supported a reduction in customer cancellation rates.

We are making good progress in the final stages of development of our Atlas and Aldridge brick manufacturing facilities, with the substantial majority of capital now invested and both projects on track to commission from the end of the 2023 year.

Ibstock Futures

Revenues at Ibstock Futures ("Futures"), which are reported in the Clay segment, totalled £6 million in the first half of the year[3], as the business began to benefit from enhanced operational and commercial disciplines. The trading businesses within Futures delivered an adjusted EBITDA[1] in line with our expectations. As Futures scales, we continue to expect £5 million of operational costs to be invested in innovation and building capability in the current year, with around £2 million recognised in the first half.

Whilst Futures experienced a more cautious demand backdrop, in line with the core business, the levels of market activity proved relatively more resilient, and we believe that our customers in this segment value both the financial strength and industry expertise of a company such as Ibstock.

In the period, we were pleased to consolidate our new Futures businesses on a single site at Power Park, our innovation hub in the West Midlands. The hub, which saw its first operations commence during the period will, over time, become a state-of-the-art facility. Secured under a long-term lease, the Innovation Hub creates a scalable platform for the growth of Futures in the years ahead.

The brick slips market continues to build, and our investments in capacity expansion remain on track. The development of our Nostell facility, in West Yorkshire, is progressing well and we expect the first phase, a new automated slips line, which will deliver up to 17 million slips per annum, to commission towards the end of the second half. The development of the larger brick slips systems factory, which will initially deliver a further 30 million slips per annum, is also well underway, with equipment orders placed and contracts with OEMs well progressed. The factory is on track to commission by the end of 2024. Combined, this significant growth in slips capacity will create a strong and diversified position for Ibstock in this fast-growing and attractive product category.

We continue to see a strong pipeline of opportunities to grow Futures, both organically and by acquisition, representing a significant opportunity for value creation as we selectively expand and diversify our product offering further over the medium term.

<u>Ibstock Concrete</u>

The breadth of the concrete division's end-market exposure supported the delivery of a good performance in the first half of the year. Revenue reduced by 17% to £61 million (2022: £74 million), reflecting a material decline in sales volumes within our residential product categories.

A strong performance from the rail and infrastructure category and good operational performance across the divisional factory network helped mitigate the impact of lower residential sales on the division's financial performance.

Adjusted EBITDA[1] was £11 million, broadly in line with the comparative period, (2022: £11 million) as a stronger performance within infrastructure and the benefit of fixed cost absorption underpinned a solid improvement in adjusted EBITDA[1] margins to 17.9% (2022: 15.3%).

Towards the end of the period, we completed a small bolt-on asset acquisition in our infrastructure business, acquiring the trade and assets of G-Tech, an innovative designer and supplier of concrete railway platform solutions, to expand our differentiated proposition in the railway infrastructure market. G-Tech's concrete platform copers reduce embodied carbon by 80%, compared with typical reductions of 30-40% achieved by competing solutions. The acquisition represents a further strategic step in broadening our rail and infrastructure offering.

Strategic update

Our strategy is to enhance our existing business while investing for growth in both our core and diversified construction markets. We are focused on three strategic priorities to Sustain, Innovate and Grow, with our ambitious ESG goals embedded across all three. Progress in each area is outlined below.

<u>Sustain</u>

As a scale industrial business, sustainable high performance is at the heart of what we do. We are focused on three priority areas: health, safety and wellbeing; operational excellence; and environmental performance.

Health, safety and wellbeing

We remain focused on creating a positive, proactive safety culture underpinned by a belief that all incidents across our operations are preventable. Our further progress in the period was reflected in the 55% reduction in Lost Time Injury Frequency Rates (LTIFR) from the 2016 baseline. This was achieved through continued focus on our six safety rules; successful employee engagement events such as Safe Start days; and continuing investment in wellbeing with the introduction of a network of mental health allies.

We remain committed to driving our business to zero harm for everyone.

Operational excellence

The reduction in market demand has required a keen focus on cost and capacity management and we have taken decisive steps to mitigate the impact on our business performance in the short term and position the business for longer term sustainable growth. Actions have included temporary redeployment of colleagues towards sustaining and maintenance activities, discretionary spending freezes and headcount reductions. At the end of June 2023, we took the difficult but necessary decision to announce proposals to cease production at our Ravenhead brick factory. Subject to consultation, the closure of this wire cut brick factory in the North West of England will reduce our current network capacity by around 40 million bricks. Moving forwards, we remain committed to taking any further actions necessary to ensure capacity is aligned to market demand.

Environmental performance

We continue to take action at all levels in our business to deliver our ambitious target of a 40% reduction in carbon by 2030, and are pleased to receive further external recognition for the leadership role we are playing in ESG.

During the first half we completed a pilot project to fire bricks using synthetic gas derived from waste and are in discussions with our strategic partner to commission these assets at one of our brick factories. Our first 'pathfinder' factory at Atlas which will produce bricks with around 50% less embodied carbon than the original factory, is on track to commission from the end of the 2023 year. We were pleased to receive funding from the government's Industrial Energy Transformation Fund to support a major sustainability investment at our Laybrook brick factory in West

Energy Transformation Fund to support a major sustainability investment at our Laybrook brick factory in West Sussex, which we estimate will deliver a reduction in carbon emissions of more than 15%.

It is this continuous focus, and the combined benefit from incremental actions across the business, which moves us forward towards our target.

Innovate

Product innovation

As market leader in clay and concrete products, we have the broadest range of building products and solutions available in the UK, and we continue to invest to enhance our offer.
In order to strengthen our proposition targeted at displacing imported products, we launched a number of higher-end speciality bricks during the period, including the new "Rosa Blanca" range, which has received a very positive reaction from customers.

Within concrete, we are rolling out our professional range of residential landscaping products, which offer increased functionality and industry-leading levels of embodied carbon. Within our rail and infrastructure category, our range of lower-carbon cable troughing products has enabled us to win new business serving the major HS2 infrastructure project.

Customer experience - launch of "One Ibstock" brand

Providing the highest standard of products and service to our customers is critical to our success. Increasingly, our customers are looking for integrated solutions, rather than single products.

Although we are well-known as the UK's largest brick manufacturer, Ibstock's capabilities extend far beyond this core offer. From Roofing to Flooring, Retaining Walls to Façade Systems, Fencing and Landscaping to Rail, Infrastructure and more, the Group offers a diverse range of building products, solutions and expert technical and design services. There is a clear opportunity to leverage the breadth of our offering and win a greater proportion of our customers' total business, supporting overall performance and driving growth across our product platforms.

The "One Ibstock" initiative aligns our commercial teams more closely within a single framework and deploys enhanced digital tools to make it quicker and easier for customers to source more of their product needs in one place. This is an important development for Ibstock, and we expect to deliver incremental growth from this new approach over time.

Digital transformation

The digitisation of our business is a key strategic enabler as we begin to drive an increasing proportion of our sales activities through digital channels. During the first half we successfully piloted our online customer portal with a small number of our builders' merchant customers, and expect to scale this activity during the second half of the year.

Grow

Clay - Atlas and Aldridge investments

We continue to invest in our brick manufacturing network in line with our objective of maintaining the lowest cost, most efficient and most sustainable capacity in the industry. This approach is exemplified by the redevelopment of our Atlas plant in the West Midlands, with the project on track to commission from the end of 2023. As well as increasing our clay brick capacity by over 100 million bricks, Atlas will produce the UK's first certified carbon neutral brick. Atlas has also been selected as our first 'pathfinder' factory, piloting new, more sustainable production technologies and processes before they are rolled out across our wider UK factory network.

The new Atlas factory will produce bricks with around 50% less embodied carbon than the original factory. This will be achieved through a range of solutions including the use of energy efficiency and heat optimisation technologies, renewable electricity and a shift to electric mobile plant.

This is an important step on our journey to net zero, and we will continue to trial, test and learn from new developments as we seek to further reduce levels of carbon and other greenhouse gases in our products and processes.

The linked investment at our Aldridge factory, focused on commissioning new driers and packaging equipment, is also on track to complete by the end of this year.

The cumulative capital invested across these wire-cut development projects up to 30 June 2023 totalled around £55 million, with the remaining £20 million to be invested over the next nine months.

Futures

Within Ibstock Futures, our investments in brick slip capacity in Nostell, Yorkshire, are progressing well. The faster payback investment of £8 million in an automated slips line, providing capacity for up to 17 million slips, remains on track to come on stream by the end of 2023. The main slip systems factory at Nostell, incorporating more advanced and efficient process technology, is also progressing well, and on schedule to deliver 30 million slips annually from the end of 2024. Together, these investments will create a strong, diversified position in this fast-growth product category.

Concrete

Our £2 million investment in automated equipment for our walling stone factory in Anstone, Yorkshire, remains on track to be commissioned by the end of the year and is expected to deliver around £1 million in incremental adjusted EBITDA[1] from 2024. We have a pipeline of further fast payback opportunities to invest capital in our concrete business over the medium term.

People

Our people are the foundation of our business, and as an organisation we are seeking to create a culture driven by performance and led by our values. In June 2022, we launched our "Ibstock Story" colleague engagement initiative, to galvanise our organisation and unite all of our people around our collective purpose and ambitions. The initiative included an all-employee share grant, made in September 2022, to give every colleague a direct stake in the future success of the business. I am proud to say that this story continues to be a strong cultural catalyst, ensuring that everyone feels valued and is clear on the contribution they can make to our business progress and success.

Our industry-leading apprenticeship programme continues to gather momentum, as we prepare to welcome 17 new joiners to our existing cohort of 47, ensuring that we continue to attract and retain the best talent available, along with a wider, more clear and compelling employer proposition. We have made further progress in the number of employees in "earn and learn" positions, putting us firmly on track to hit our target of 10% by 2030.

Outlook

Recent macroeconomic developments have introduced greater uncertainty into the outlook. Against this backdrop, we

Recent macroeconomic developments have introduced greater uncertainty into the outlook. Against this backdrop, we are managing costs and capacity tightly to ensure they are aligned with market conditions in the short term, while continuing to drive progress on our strategic growth projects.

Our Atlas and Aldridge investment projects are entering the final stages of their development and will begin commissioning from the end of 2023. Atlas will add low cost, highly efficient and sustainable capacity to our network and produce the UK's first carbon neutral brick. Within Ibstock Futures, our brick slip investments at Nostell are progressing well and, once completed, will strengthen our position in the fast-growing and attractive brick slips market. Together these projects will make an important contribution to our future growth and, once operating at full capacity, are expected to deliver annualised incremental adjusted EBITDA[1] totalling over £30 million.

The strength of our balance sheet and levels of cash generation provide both resilience in a more challenging market environment and optionality for further investment-driven growth alongside incremental returns to shareholders. We are well positioned to accelerate our strategic progress, through a growing investment pipeline and have the capacity to take advantage of any opportunities created by the current backdrop, within the framework of our disciplined and dynamic capital allocation policy.

Notwithstanding the more cautious outlook, we remain confident in our ability to respond to market conditions and the Board's expectations for the full year are unchanged.

Chief Financial Officer's report

Introduction

The Group delivered a resilient financial performance in the first six months of 2023, against a more subdued market backdrop. The effective management of plant capacity, combined with proactive steps to reduce cost, ensured that adjusted EBITDA margins[1] were maintained in line with the comparative period despite significantly lower sales volumes.

With strong progress against our strategic investment plans, we deployed around £24 million of capital investments (2022: £11 million) in the service of future growth (over and above our sustaining capital). With our continued strong financial position, and inherently cash generative business, we expect to generate significant further cash to support growth and shareholder returns over the medium term.

Climate Change & TCFD

As a long-term business, a commitment to environmental sustainability and social progress is central to our purpose. We have invested significant capital over the last decade, with investment projects across the Group's plant network contributing to a material reduction in the carbon intensity of our manufacturing processes. Our ESG strategy and targets announced in 2021 provide a pathway to reduce carbon emissions by 40% by 2030, from a 2019 baseline, and be net zero carbon by 2040. We continue to actively monitor the transitional and physical risks and opportunities of climate change through our risk management process and ESG governance framework.

Alternative performance measures

This results statement contains alternative performance measures ("APMs") to aid comparability and further understanding of the financial performance of the Group between periods. A description of each APM is included in Note 3 to the financial statements. The APMs represent measures used by management and the Board to monitor performance against budget, and certain APMs are used in the remuneration of management and Executive Directors. It is not believed that APMs are a substitute for, or superior to, statutory measures.

Group results

The table below sets out segmental revenue and adjusted EBITDA[1] for the year.

	Clay[2]	Concrete	Central costs	Total
	£'m	£'m	£'m	£'m
Six-month period ended 30 June 2023				
Total revenue	**161.7**	**61.1**	**-**	**222.7**
Adjusted EBITDA[1]	**57.4**	**10.9**	**(5.5)**	**62.9**
Margin	***35.5%***	***17.9%***		***28.2%***
Six-month period ended 30 June 2022				
Total revenue	**185.5**	**73.8**	**-**	**259.3**
Adjusted EBITDA[1]	**64.4**	**11.3**	**(5.0)**	**70.7**
Margin	***34.7%***	***15.3%***		***27.3%***

[1] Alternative Performance Measures are described in Note 3 to the results announcement

[2] Clay segment incorporates Futures business performance, and excludes exceptional cost[1] of £10.7 million (2022: £0.8 million)

Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures

Revenue

Group revenue for the six months ended 30 June 2023 decreased by 14% to £222.7 million (2022: £259.3 million) driven by a significant reduction in sales volumes, partly offset by a year on year pricing benefit.

In our Clay division, revenues of £161.7 million represented a decrease of 13% on the prior year period (2021: £185.5 million), resulting from materially lower sales volumes, in line with trends experienced across the broader domestic market[2]. Despite this more subdued market backdrop, selling prices remained firm, meaning that the division achieved a price benefit relative to the comparative period. Our Futures business contributed around £6 million of revenue.

In our Concrete division, revenue decreased by 17% year-on-year to £61.1 million (2022: £73.8 million), with materially lower volumes within our residential product categories, partly offset by a stronger performance from the infrastructure business. Firm prices across the division provided a benefit compared to the prior year period.

Adjusted EBITDA[1]

Management measures the Group's operating performance using adjusted EBITDA[1]. Adjusted EBITDA[1] decreased by 11% year on year to £62.9 million in 2023 (2022: £70.7 million). Strong operational performance, an intense focus on cost and capacity management and the benefit of fixed cost absorption as inventories increased mitigated the impact of lower sales volumes. Adjusted EBITDA[1] margins increased by 90 basis points to 28.2% (2022: 27.3%). In 2022 the Group recognised a one-off charge for a cost of living payment to qualifying employees of around £4 million.

During the second half, we anticipate finished goods inventories to stabilise, with adjusted EBITDA margins[1] expected to moderate as the benefit from fixed cost absorption does not recur.

Within the Clay division, adjusted EBITDA[1] totalled £57.4 million (2022: £64.4 million), representing an adjusted EBITDA[1] margin of 35.5% (2022: 34.7%). The modest improvement in adjusted EBITDA[1] margin reflected a combination of strong operational performance, actions to remove fixed cost and the benefit of overhead absorption as finished goods inventories increased. The division recognised a net cost of £2.0 million (2022: cost of £1.2 million) in respect of Ibstock Futures, as the acquired businesses scale up and we continue to invest in research & development, in-house innovation and commercial capability. The division also benefited from property gains totalling around £1.5 million in the period.

Adjusted EBITDA[1] in our Concrete division decreased to £10.9 million (2022: £11.3 million), as the division was impacted by materially lower sales volumes. Adjusted EBITDA[1] margins of 17.9% were 260bps above 2022 levels (2022: 15.3%), reflecting a mix benefit as infrastructure volumes constituted a larger proportion of divisional activity, disciplined cost and capacity management across the network and fixed cost absorption as inventories increased. Performance in the prior year period was impacted by operational challenges at our roof tile factory in Leighton Buzzard, which were remediated in the second half of 2022.

Central costs increased to £5.5 million (2022: £5.0 million) reflecting inflationary cost increases and a full six month charge for the all-employee share grant which was made in H2 2022 as part of the Ibstock Story colleague engagement initiative.

Against the more cautious outlook, we are managing costs and capacity tightly to ensure they are aligned with market conditions in the short term, and remain committed to taking the actions necessary to protect unit margins.

Exceptional items[1]

Based on the application of our accounting policy for exceptional items[1], certain income and expense items have been excluded in arriving at adjusted EBITDA[1] to aid shareholders' understanding of the Group's underlying financial performance.

The amounts classified as exceptional[1] in the period totalled a net cost of £10.7 million (2022: £0.8 million cost), associated with the proposed closure of Ravenhead as part of the single co-ordinated restructuring plan at this site comprising:

1. An exceptional cash cost of £1.5 million relating to anticipated redundancy costs
2. An exceptional non-cash charge of £9.2 million reflecting an asset impairment associated with the proposed closure

Further details of exceptional items[1] are set out in Note 5 of the financial statements.

Finance costs

Net finance costs of £2.2 million were above the level of the prior year (2022: income of £0.1m) with a modest increase in interest cost on our RCF borrowings, and reduced non-cash interest income on the Group's pension assets.

Profit before taxation

Group statutory profit before taxation was £29.9 million (2022: £51.2 million), reflecting the slightly lower trading performance, as well as an exceptional cost[1] of £10.7 million (2022: cost of £0.8 million) relating to the proposed closure of the Ravenhead factory.

Taxation

The Group recorded a taxation charge of £7.5 million (2022: £10.4 million) on Group pre-tax profits of £29.9 million (2022: £51.2 million), resulting in an effective tax rate ("ETR") of 25.0% (2022: 20.3%) compared with the blended standard rate of UK corporation tax of 23.5% (2022: 19%).

The adjusted ETR[1] (excluding the impact of the deferred tax rate change and exceptional items) was 24.3% (2022: 17.4%).

The increase in ETR and adjusted ETR[1] from the prior year was due primarily to a change in the standard rate of UK corporation tax to 25% in the 2023/24 tax year.

Full year adjusted ETR[1] is expected to be broadly in line with adjusted ETR[1] for the period to 30 June 2023.

Earnings per share

Group statutory basic earnings per share (EPS) decreased to 5.7 pence in the six months to 30 June 2023 (2022: of 10.0 pence) as a result of reduced adjusted EBITDA[1] achieved in the period, an exceptional charge in respect of the Ravenhead factory, and an increase in the effective tax rate.

Group adjusted basic EPS[1] of 9.0 pence per share decreased from 11.3 pence last year, reflecting reduced adjusted EBITDA[1] and an increase in the adjusted effective tax rate. In line with prior years, our adjusted EPS[1] metric removes the impact of exceptional items[1], the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts, net of the related taxation charges/credits. Adjusted EPS[1] has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our adjusted EPS[1] measure is included in Note 7.

Table 1: Earnings per share

	2023 pence	**2022** pence
Statutory basic EPS - Continuing operations	**5.7**	**10.0**
Adjusted basic EPS[1] - Continuing operations	**9.0**	**11.3**

Cash flow and net debt[1]

Adjusted operating cash flow decreased by £38 million to £11.0 million (2022: £49.0 million), due to a modest decrease in adjusted EBITDA[1], coupled with an increase in working capital totalling £39.5 million (2022: £10.5 million decrease in adjusted EBITDA[1], coupled with an increase in working capital totalling £39.5 million (2022: £10.5 million outflow) as the Group built back finished goods inventory levels depleted since the pandemic. The Group continued its robust management of trade receivables, with a further reduction in DSO versus the comparative period.

Adjusted net interest paid in the six months to 30 June 2023 increased to £2.4 million (2022: £1.6 million) reflecting a modest increase in floating rate borrowing. Tax payments totalled £3.4 million (2022: £0.8 million). Other cash outflows of £6.2 million (2022: £8.0 million outflow) included amounts totalling £1.3 million (2022: £4.0 million) in respect of carbon emission credits purchased during the period, with the balance being principally lease payments.

With Adjusted Operating Cash Flows[1] in the period decreasing materially from the prior period, the cash conversion[1] percentage decreased to 18% (from 69% in 2022), reflecting reduced adjusted EBITDA[1] and an increased investment in working capital.

Adjusted free cash flow[1] decreased in the period to an outflow of £(21.6) million (2022: £30.2 million inflow), as capital expenditure of £32.7 million increased by £13.9 million on 2022 (£18.8 million). The 2023 figure comprised around £9 million of sustaining expenditure, £17 million on the Atlas and Aldridge redevelopments and around £7 million on other growth projects. For the full year, we continue to expect sustaining capital expenditure to total £20 million, and growth capital expenditure to total £55 million (comprising Atlas/Aldridge (£30 million) and other growth projects, principally slips (£25 million).

Table 2: Cash flow (non-statutory)

	2023	**2022**	Change
	£'m	**£'m**	£'m
Adjusted EBITDA[1]	62.9	70.7	(7.9)
Adjusted change in working capital[1]	(39.5)	(10.5)	(29.0)
Net interest	(2.4)	(1.6)	(0.8)
Tax	(3.4)	(0.8)	(2.6)
Post-employment benefits	(0.3)	(0.9)	0.6
Other[2]	(6.2)	(8.0)	1.8
Adjusted operating cash flow[1]	11.0	49.0	(38.0)
Cash conversion[1]	18%	69%	(51)ppts
Total capex	(32.7)	(18.8)	(13.9)
Adjusted free cash flow[1]	(21.6)	30.2	(51.9)

[1] Alternative Performance Measures are described in Note 3 to the consolidated financial statements.
[2] Other includes operating lease payments and emission allowance purchases in all years.

The table above excludes cash flows relating to exceptional items[1] in both years.

Net debt[1] (borrowings less cash) at 30 June 2023 totalled £89.1 million (31 December 2022: £45.9 million; 30 June 2022: £35.7 million). The movement during the period reflected the investment in working capital combined with £32.7 million of capital expenditure as the Group invested in its growth projects.

Adjusted return on capital employed[1]

Adjusted return on capital employed[1] (adjusted ROCE) decreased to 19.6% (2022: 19.8%) driven by a resilient 12-month profit performance on a higher capital base. The increase in capital employed compared to the comparative period reflected the investment in organic growth projects as well as higher levels of working capital.

Capital allocation

The Group's capital allocation framework remains consistent with that laid out in 2020, with the Group committed to allocating capital in a disciplined and dynamic way.

Our capital allocation framework is set out below:

- Firstly, we will invest to maintain and enhance our existing asset base and operations;
- Having done this, we will look to pay an ordinary dividend. We are committed to paying dividends which are sustainable and progressive, with targeted cover of approximately 2 times underlying earnings through the cycle;
- Thereafter, we will deploy capital for growth, both inorganically and organically, in accordance with our strategic and financial investment criteria;
- And, finally, we will return surplus capital to shareholders.

Our framework remains underpinned by our commitment to maintaining a strong balance sheet, and we will look to maintain leverage at between 0.5 and 1.5 times net debt[1] to adjusted EBITDA[1] excluding the impact of IFRS 16, through the cycle.

We continue to expect to deploy significant growth capital in the business, with a growing pipeline of both organic and inorganic opportunities. The Board expects there to be capital generated in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy. The potential for additional returns of capital will be kept under active review.

Dividend

In light of the resilient performance and the Board's confidence in prospects, the Group has declared an interim dividend of 3.4p per share (2022: 3.3p), for payment on 15 September 2023 to shareholders on the register on 25 August 2023.

Pensions

At 30 June 2023, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £10.5 million (31 December 2022: surplus of £15.2 million; 30 June 2022: surplus of £56.2 million). Applying the valuation principles set out in IAS19, at the half year end the scheme had asset levels of £348.2 million (31 December 2022: £373.6 million; 30 June 2022: £475.1 million) against scheme liabilities of £337.7 million (31 December 2022: £358.4 million; 30 June 2022: £418.9 million).

On 20 December 2022, the Scheme completed a full buy-in transaction with a specialist third-party provider, which represented a significant step in the Group's continuing strategy of de-risking its pension exposure. Together with the partial buy-in transaction in 2020, this transaction insures the significant majority of the Group's defined benefit liabilities.

The decrease in balance sheet surplus over the period is primarily due to asset performance which has been largely offset by a significant actuarial gain arising on the liabilities from a change in market conditions, particularly the rise in corporate bond yields.

In light of the fact that the pension scheme was in a net surplus position after the full buy-in, the Trustees and the Group agreed that the Group would suspend paying contributions with effect from 1 March 2023.

Related party transactions

Related party transactions are disclosed in Note 15 to the consolidated financial statements. During the current and prior year, there have been no material related party transactions.

Subsequent events

Except for the proposed ordinary dividend, no further subsequent events requiring either disclosure or adjustment to these financial statements have arisen since the balance sheet date.

Going concern

The Directors are required to assess whether it is reasonable to adopt the going concern basis in preparing the financial statements.

In arriving at their conclusion, the Directors have given due consideration to whether the funding and liquidity resources are sufficient to accommodate the principal risks and uncertainties faced by the Group.

Having considered the outputs from this work, the Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group will have adequate resources to continue in operational existence for at least twelve months from the date of signing these accounts.

Further information is provided in note 2 of the financial statements.

Principal Risks and Uncertainties

This section should be read in conjunction with the rest of this Half Year Statement as this provides further information concerning those important events that have occurred during the first six months of the financial year.

The Group's activities mean it is exposed to a variety of risks and uncertainties which could, either separately or in combination, have a material impact on the Group's performance and shareholder returns. These risks and uncertainties relate to: climate change, material operational disruption, market uncertainty, anticipating product demand, financial risk management, regulatory and compliance, maintaining customer relationships and market reputation, people and talent management, product quality, cyber and information security, and major project delivery.

The Board assesses and monitors the key risks impacting the business and an explanation of the Group's approach to risk management is set out in Ibstock Plc's Annual Report 2022, a copy of which is available on the Group's corporate website, www.ibstock.co.uk.

The Group continues to be exposed to unfavourable macroeconomic conditions and uncertainty which has resulted in higher interest rates and inflation, and the possibility of a prolonged slow-down in UK residential construction markets. These areas impact a number of the Group's principal risks including market uncertainty, anticipating product demand, maintaining customer relationships, people and talent management and financial risk management which includes energy price volatility.

The Board has concluded that with clear mitigations and actions to address these risks and Group's strong and decisive commercial and operational execution, the Group's existing principal risks and uncertainties remain unchanged from those set out in its 2022 Annual Report.

A full report on the Group's principal risks will be included with the FY 2023 annual report and accounts. The Board will continue to monitor the Group's principal risks during the remaining six months of the year, with a focus on market uncertainty, anticipating product demand, maintaining customer relationships, people and talent management and financial risk management, alongside major project delivery.

Statement of directors' responsibilities in relation to the half-yearly financial report

The directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial reporting as contained in UK-adopted IFRS;
- The interim management report includes a fair review of the information required by DTR 4.2.4R, DTR 4.2.7R and DTR 4.2.8R, namely:
  - a) the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position, cash flows and profit or loss of the issuer, or undertakings included in the consolidation;
  - b) an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - c) material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

By order of the Board:

Joe Hudson	Chris McLeish
Chief Executive Officer	Chief Financial Officer
1 August 2023	1 August 2023

Condensed consolidated income statement

for the six months ended 30 June 2023

	Notes	**Unaudited Half year ended 30/06/2023**	Unaudited Half year ended 30/06/2022	Audited Year ended 31/12/2022
		£'000	£'000	£'000
Revenue	4	**222,732**	259,313	512,886
Cost of sales		**(150,920)**	(159,484)	(316,521)
Gross profit		**71,812**	99,829	196,365

Gross profit		[illegible]	99,829	196,365
Distribution costs		**(19,734)**	(26,065)	(47,961)
Administrative expenses		**(23,278)**	(23,744)	(49,624)
Total profit/(loss) on disposal of property, plant and equipment		**1,393**	(73)	6,541
Other income		**2,207**	1,353	2,630
Other expenses		**(345)**	(195)	(524)
Operating profit		**32,055**	**51,105**	**107,427**
Finance costs		**(3,007)**	(1,853)	(4,553)
Finance income		**827**	1,971	1,890
Net finance (cost)/income		**(2,180)**	**118**	**(2,663)**
Profit before taxation		**29,875**	**51,223**	**104,764**
Taxation	6	**(7,479)**	(10,415)	(17,884)
Profit for the financial period		**22,396**	**40,808**	**86,880**
Profit attributable to:				
Owners of the parent		**22,397**	40,808	86,908
Non-controlling interest		**(1)**	-	(28)

	Notes	pence per share	pence per share	pence per share
Earnings per share				
Basic	7	5.7	10.0	21.6
Diluted	7	5.7	10.0	21.5

Non-GAAP measure

Reconciliation of adjusted EBITDA[1] to Operating profit for the financial period:

	Notes	**Unaudited Half year ended 30/06/2023**	Unaudited Half year ended 30/06/2022	Audited Year ended 31/12/2022
Operating profit		**32,055**	51,105	107,427
Add back/(less) exceptional costs/(credit) impacting operating profit	5	**10,728**	756	(6,278)
Add back depreciation and amortisation		**20,082**	18,882	38,518
Adjusted EBITDA[1]		**62,865**	70,743	139,667

[1] Alternative performance measures are described in Note 3 to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Unaudited Half year ended 30/06/2023**	Unaudited Half year ended 30/06/2022	Audited Year ended 31/12/2022
		£'000	£'000	£'000
Profit for the financial period		**22,396**	40,808	86,880
Other comprehensive (expense)/income:				
Items that may be reclassified subsequently to profit or loss				
Change in fair value of cash flow hedges[1]	11	**(666)**	468	641
Realised fair value losses transferred to property, plant and equipment[1]		**-**	14	-
Related tax movements[1]		**166**	(51)	(149)
		(500)	431	492
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefit assets and obligations[2]	12	**(4,917)**	(2,543)	(44,581)
Related tax movements[3]		**1,113**	637	11,147
		(3,804)	(1,906)	(33,434)
Other comprehensive expense for the period net of tax		**(4,304)**	(1,475)	(32,942)
Total comprehensive income for the period, net of tax		**18,092**	39,333	53,938
Total comprehensive income attributable to:				
Owners of the parent		**18,093**	39,333	53,966
Non-controlling interest		**(1)**	-	(28)

[1] Impacting the cash flow hedging reserve.

[2] Impacting retained earnings.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 30/06/2023**	Unaudited 30/06/2022	Audited 31/12/2022
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets		**84,762**	91,264	90,242

Intangible assets		**84,762**	91,2[illegible]4	90,242
Property, plant and equipment		**424,035**	383,928	409,091
Right-of-use assets		**39,475**	26,479	31,478
Derivative financial instruments	11	**-**	130	116
Post-employment benefit asset	12	**10,488**	56,219	15,194
		558,760	558,020	546,121
Current assets				
Inventories		**112,144**	78,049	94,275
Trade and other receivables		**76,341**	93,383	65,935
Current tax receivable		**869**	111	1,717
Derivative financial instruments	11	**-**	278	451
Cash and cash equivalents		**24,096**	64,517	54,283
		213,450	236,338	216,661
Assets held for sale		**200**	875	-
Total assets		**772,410**	795,233	762,782
Current liabilities				
Trade and other payables		**(107,875)**	(124,583)	(120,003)
Borrowings	8	**(13,422)**	(424)	(436)
Lease liabilities		**(7,884)**	(6,701)	(7,690)
Derivative financial instruments	11	**(99)**	-	-
Provisions		**(2,535)**	(1,209)	(1,613)
		(131,815)	(132,917)	(129,742)
Net current assets		**81,835**	104,296	86,919
Total assets less current liabilities		**640,595**	662,316	633,040
Non-current liabilities				
Borrowings	8	**(99,784)**	(99,753)	(99,769)
Lease liabilities		**(33,330)**	(21,297)	(25,414)
Deferred tax liabilities		**(85,495)**	(97,466)	(84,349)
Provisions		**(7,732)**	(7,008)	(7,299)
		(226,341)	(225,524)	(216,831)
Total liabilities		**(358,156)**	(358,441)	(346,573)
Net assets		**414,254**	436,792	416,209
Equity				
Share capital		**4,096**	4,096	4,096
Share premium		**4,458**	4,458	4,458
Retained earnings		**806,141**	804,942	807,894
Other reserves	14	**(400,491)**	(376,704)	(400,290)
Equity attributable to owners of the company		**414,204**	**436,792**	**416,158**
Non-controlling interest		**50**	**-**	**51**
Total equity		**414,254**	**436,792**	**416,209**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Other reserves (see Note 14)	Total equity attributable to owners	Non-controlling interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023	**4,096**	**4,458**	**807,894**	**(400,290)**	**416,158**	**51**	**416,209**
Profit/(loss) for the period	**-**	**-**	**22,397**	**-**	**22,397**	**(1)**	**22,396**
Other comprehensive expense	**-**	**-**	**(3,804)**	**(500)**	**(4,304)**	**-**	**(4,304)**
Total comprehensive Income/(expenses) for the period	**-**	**-**	**18,593**	**(500)**	**18,093**	**(1)**	**18,092**
Transactions with owners:							
Share based payments	-	-	**1,432**	**-**	**1,432**	**-**	**1,432**
Deferred tax on share based payments	-	-	**87**	**-**	**87**	**-**	**87**
Equity dividends paid	-	-	**(21,566)**	**-**	**(21,566)**	**-**	**(21,566)**
Issue of own shares held on exercise of share options	-	-	**(299)**	**299**	**-**	**-**	**-**
At 30 June 2023 (unaudited)	**4,096**	**4,458**	**806,141**	**(400,491)**	**414,204**	**50**	**414,254**
Balance at 1 January 2022	4,096	4,458	785,609	(370,934)	423,229	-	423,229
Profit for the period	-	-	40,808	-	40,808	-	40,808
Other comprehensive (expense)/income	-	-	(1,906)	431	(1,475)	-	(1,475)
Total comprehensive income for the period	-	-	38,902	431	39,333	-	39,333
Transactions with owners:							
Share based payments	-	-	857	-	857	-	857
Deferred tax on share based payments	-	-	109	-	109	-	109
Equity dividends paid	-	-	(20,438)	-	(20,438)	-	(20,438)
Purchase of own shares	-	-	-	(6,298)	(6,298)	-	(6,298)
Issue of own shares held on exercise of share options	-	-	(97)	97	-	-	-
At 30 June 2022 (unaudited)	4,096	4,458	804,942	(376,704)	436,792	-	436,792
Balance at 1 July 2022	4,096	4,458	804,942	(376,704)	436,792	-	436,792
Profit for the period	-	-	46,100	-	46,100	(28)	46,072
Other comprehensive (expenses)/income	-	-	(31,528)	61	(31,467)	-	(31,467)
Total comprehensive income/(expenses) for the period	-	-	14,572	61	14,633	(28)	14,605
Transactions with owners:							

Share based payments	-	-	1,690	-	1,690	-	1,690
Current tax on share based payment	-	-	1	-	1	-	1
Deferred tax on share based payments	-	-	7	-	7	-	7
Equity dividends paid	-	-	(13,263)	-	(13,263)	-	(13,263)
Purchase of own shares	-	-	-	(23,702)	(23,702)	-	(23,702)
Issue of own shares held on exercise of share options	-	-	(55)	55	-	-	-
Acquisition on subsidiary non-controlling interest	-	-	-	-	-	79	79
At 31 December 2022 (audited)	4,096	4,458	807,894	(400,290)	416,158	51	416,209

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Half year ended 30/06/2023	Unaudited Half year ended 30/06/2022	Audited Year ended 31/12/2022
	£'000	£'000	£'000
Cash flow from operating activities			
Cash generated from operations (Note 10)	**22,178**	59,544	137,765
Interest paid	**(1,675)**	(1,345)	(2,888)
Other interest paid - lease liabilities	**(884)**	(234)	(1,274)
Tax paid	**(3,369)**	(768)	(11,699)
Net cash inflow from operating activities	**16,250**	57,197	121,904
Cash flows from investing activities			
Purchase of property, plant and equipment	**(32,667)**	(18,769)	(58,354)
Proceeds from sale of property, plant and equipment	**342**	8	50
Proceeds from sale of property, plant and equipment - exceptional	**-**	-	7,833
Purchase of intangible assets	**(1,908)**	(4,013)	(5,573)
Payment for acquisition of subsidiary, net of cash acquired	**-**	-	(959)
Interest receivable	**151**	-	124
Net cash outflow from investing activities	**(34,082)**	(22,774)	(56,879)
Cash flows from financing activities			
Dividends paid	**(21,566)**	(20,438)	(33,701)
Drawdown of borrowings	**13,000**	-	-
Debt issue costs	**-**	-	(259)
Repayment of lease liabilities	**(3,790)**	(4,564)	(8,010)
Cash outflow from purchase of shares	**-**	(6,099)	(30,000)
Net cash outflow from financing activities	**(12,356)**	(31,101)	(71,970)
Net (decrease)/increase in cash and cash equivalents	**(30,188)**	3,322	(6,945)
Cash and cash equivalents at beginning of the year	**54,283**	61,199	61,199
Exchange gains/(losses) on cash and cash equivalents	**1**	(4)	29
Cash and cash equivalents at end of the period	**24,096**	64,517	54,283

1. AUTHORISATION OF FINANCIAL STATEMENTS

Ibstock Plc ("Ibstock" or "the Group") is a manufacturer of clay bricks and concrete products with operations in the United Kingdom. Ibstock Plc is a public company limited by shares, which is incorporated and registered in England. The registered office is Leicester Road, Ibstock, Leicestershire, LE67 6HS and the company registration number is 09760850.

The interim condensed consolidated financial statements of Ibstock Plc for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 1 August 2023. All disclosed documents relating to these results are available on the Group's website at www.ibstockplc.co.uk.

Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2022, which have been extracted from the statutory accounts for that year, are not the Company's statutory accounts for that financial year. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 7 March 2023. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) not qualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting' as contained in UK-adopted IFRS.

They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report and Accounts as at 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as contained in UK-adopted IFRS.

The condensed consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

All accounting policies applied by the Group within the interim condensed consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2022, except in respect of taxation, which is based on the expected effective tax rate that would be applicable to expected annual earnings.

The following new and amended standards and interpretations have been adopted in the preparation of the condensed consolidated financial statements:

• Amendment to IAS 1 - Classification of liabilities as current or non-current;
• Amendment to IAS 1 and IFRS Practice statement 2 - Disclosure of accounting policies;
• Amendments to IAS8 - Definition of accounting estimates; and
• Amendments to IFRS 17 - Insurance contracts.

The adoption of the standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

In preparing the interim condensed consolidated financial statements the Group has assessed the critical accounting estimates and judgements applied in the preparation of the consolidated financial statements for the year ended 31 December 2022. The areas of critical judgement relating to exceptional items (see Note 5), and significant source of estimation uncertainty regarding the Group's pension scheme liability valuation assumptions surrounding future changes in discount rates, inflation, the rate of increase in pensions in payment and life expectancy (see Note 12) are still considered critical to the preparation of the interim financial statements for the period ended 30 June 2023.

Going concern

The Group's financial planning and forecasting process consists of a budget for the current year followed by a medium term projection and re-forecasts the current year performance on a quarterly basis. The going concern assessment period extends to December 2024. The Directors have reviewed and robustly challenged the assumptions about future trading performance, operational and capital expenditure and debt requirements within these forecasts including the Group's liquidity and covenant forecasts, and stress tested within their going concern assessment.

In arriving at their conclusion on going concern, the Directors have given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties (including climate change) faced by the Group, particularly those relating to economic conditions and operational disruption.

Group forecasts have been prepared which reflect both actual conditions and estimates of the future reflecting macroeconomic and industry-wide projections, as well as matters specific to the Group.

During the final quarter of the 2021 year, the Group completed the refinancing of its March 2023 £215 million Revolving Credit Facility (RCF), replacing the existing facility with the issuance of £100 million of private placement notes with maturities of between 7 and 12 years and a £125 million RCF for an initial four year tenor, with a one year extension option. In addition, in the final quarter of 2022, the Group enacted a one-year extension of the £125 million RCF, extending maturity to November 2026 on similar terms to the original agreement. At 30 June 2023, £13 million of the RCF was drawn down.

Covenants under the Group's RCF and private placement notes require leverage of no more than 3 times net debt to adjusted EBITDA, and interest cover of no less than 4 times, tested bi-annually at each reporting date with reference to the previous 12 months. At 30 June 2023, covenant requirements were met with significant headroom.

The key uncertainty faced by the Group is the industry demand for its products in light of macroeconomic factors. Accordingly, the Group has modelled financial scenarios that see reduction in the industry demands for its products thereby stress testing the Group's resilience. For each scenario, cash flow and covenant compliance forecasts have been prepared. In the most severe but plausible scenario Clay and Concrete revenues are projected to be around 30% lower in the second half of 2023 than 2022, recovering to around 25% lower revenues in Clay and 10% lower revenues in Concrete in 2024 versus 2022.

In addition, the Group has prepared a reverse stress test to evaluate the industry demand reduction at which it would be likely to breach the debt covenants, before any further mitigating actions were taken. This test indicates that, at a revenue reduction in both Clay and Concrete products of 84% in the second half of 2023, 47% in Clay and 24% in Concrete during the cumulative period up to the first half of 2024, and 44% and 22% respectively during the cumulative period up 31 December 2024, the Group would be at risk of breaching its covenants.

In the severe but plausible low case, the Group has sufficient liquidity and headroom against its covenants, with covenant headroom expressed as a percentage of annual adjusted EBITDA being in excess of 56%.

The Directors consider this to be a highly unlikely scenario, and in the event of an anticipated covenant breach, the Group would seek to take further steps to mitigate, including the disposal of valuable land and building assets and additional restructuring steps to reduce the fixed cost base of the Group.

Having taken account of the various scenarios modelled, and in light of the mitigations available to the Group, the Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, the consolidated financial information has been prepared on a going concern basis.

3. ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures ("APMs") are used within the management report where management believes it is necessary to do so in order to provide further understanding of the financial performance of the Group. Management uses APMs in its own assessment of the Group's performance and in order to plan the allocation of internal capital and resources. Certain APMs are also used in the remuneration of management and Executive Directors.

APMs serve as supplementary information for users of the financial statements and it is not intended that they are a substitute for, or superior to, statutory measures. None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies.

Exceptional items

The Group presents as exceptional at the foot of the Group's Condensed consolidated income statement those items of income and expense which, because of their materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to understand further elements of financial performance in the year. This facilitates comparison with future periods and the assessment of trends in financial performance over time.

Details of all exceptional items are disclosed in Note 5.

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. Adjusted EBITDA margin is Adjusted EBITDA shown as a proportion of revenue.

The Directors regularly use Adjusted EBITDA and Adjusted EBITDA margin as key performance measures in assessing the Group's profitability. The measures are considered useful to users of the financial statements as they represent common APMs used by investors in assessing a company's operating performance, when comparing its performance across periods as well as being used in the determination of Directors' variable remuneration.

A full reconciliation of Adjusted EBITDA is included at the foot of the Group's Condensed consolidated income statement within the consolidated financial statements. Adjusted EBITDA margin is included within Note 4.

Adjusted EPS

Adjusted EPS is the basic earnings per share adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest, net of taxation (at the Group's adjusted effective tax rate).

The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial statements in assessing the performance of the Group, when comparing its performance across periods, as well as being used in the determination of Directors' variable remuneration. Additionally, the APM is considered by management when determining the proposed level of ordinary dividend. A full reconciliation is provided in Note 7.

Net debt and Net debt to adjusted EBITDA ("leverage") ratio

Net debt is defined as the sum of cash and cash equivalents less total borrowings at the balance sheet date. This does not include lease liabilities arising upon application of IFRS 16.

The Net debt to adjusted EBITDA ratio definition removes the operating lease expense benefit generated from IFRS16 compared to IAS 17 within adjusted EBITDA.

The Directors disclose these APMs to provide information as a useful measure for assessing the Group's overall level of financial indebtedness and when comparing its performance and position across periods.

A full reconciliation of the net debt to adjusted EBITDA ratio (also referred to as 'leverage') is set out below:

	Unaudited 12 month period ended 30/06/2023	Unaudited 12 month period ended 30/06/2022	Audited year ended 31/12/2022
	£'000	£'000	£'000
Net debt	(89,110)	(35,660)	(45,922)
Adjusted EBITDA	131,789	119,043	139,667
Impact of IFRS 16	(8,946)	(7,834)	(8,491)
Adjusted EBITDA prior to IFRS 16	122,843	111,209	131,176
Ratio of net debt to adjusted EBITDA	0.7x	0.3x	0.4x

Adjusted Return on Capital Employed (Adjusted ROCE)

Adjusted Return on Capital Employed ("Adjusted ROCE") is defined as Adjusted earnings before interest and taxation as a proportion of the average capital employed (defined as net debt plus equity excluding the pension surplus). The average is calculated using the period end balance and corresponding preceding reported period end balance (year end or interim).

The Directors disclose the Adjusted ROCE APM in order to provide users of the financial statements with an indication of the relative efficiency of capital use by the Group over the period, assessing performance between periods as well as being used within the determination of executives' variable remuneration.

The calculation of Adjusted ROCE is set out below:

	Unaudited 12 month period ended 30/06/2023	Unaudited 12 month period ended 30/06/2022	Year ended 31 December 2022
	£'000	£'000	£'000
Adjusted EBITDA	131,789	119,043	139,667
Less depreciation	(32,779)	(30,984)	(31,579)
Less amortisation	(6,939)	(6,941)	(6,939)
Adjusted earnings before interest and taxation	92,071	81,118	101,149
Average net debt	67,516	37,266	40,791
Average equity	415,232	430,011	426,501
Average pension	(12,841)	(56,987)	(35,707)
Average capital employed	469,907	410,290	431,585
Adjusted ROCE	19.6%	19.8%	23.4%

Average capital employed figures are derived using the following closing balance sheet values:

	30 June 2023	31 December 2022	30 June 2022	31 December 2021
	£'000	£'000	£'000	£'000
Net debt	89,110	45,922	35,660	38,872
Equity	414,254	416,209	436,792	423,229
Less: pension surplus	(10,488)	(15,194)	(56,219)	(57,754)
Capital employed	492,876	446,937	416,233	404,347

Adjusted effective tax rate

The Group presents an adjusted effective tax rate ("Adjusted ETR") within its Financial Review. This is disclosed in order to provide users of the financial statements with a view of the rate of taxation borne by the Group prior to the impact of exceptional items (defined above) and the changes in taxation rates on deferred taxation.

A reconciliation of the adjusted ETR to the statutory rate of taxation in the UK is set out below.

	Unaudited Half year ended 30/06/2023	Unaudited Half year ended 30/06/2022	Audited 31 December 2022
Statutory rate of taxation in the UK	23.5%	19.0%	19.0%
Less impact of permanent differences*	0.8%	(1.4%)	(0.9%)
Less impact of changes in estimates re. prior periods	-	(0.2%)	(1.6%)
Adjusted ETR	**24.3%**	**17.4%**	**16.5%**
Exceptional accounting profit on PPE	-	-	(1.4%)
Effect of higher rate applied to deferred tax	0.7%	2.9%	2.0%
Reported ETR	25.0%	20.3%	17.1%

* The impact of permanent differences primarily comprises expenses not deductible, offset by the benefit from the UK super deduction on qualifying capital expenditure

Cash flow related APMs

The Group presents an adjusted cash flow statement within its Financial Review. This is disclosed in order to provide users of the financial statements with a view of the Group's operating cash generation before the impact of cash flows associated with exceptional items (as set out in Note 5) and with the inclusion of interest, lease payment and non-exceptional property disposal related cash flows.

The Directors use this APM table to allow shareholders to further understand the Group's cash flow performance in the period, to facilitate comparison with future years and to assess trends in financial performance. This table contains a number of APMs, as described below and reconciled in the following table:

Adjusted change in working capital

Adjusted change in working capital represents the statutory change in working capital less cash flows associated with exceptional items arising in the period of £1.5 million (30 June 2022: adding back cash flows of £0.2 million; 31 December 2022: adding back cash flows of £0.3 million).

Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted to exclude cash flows relating to exceptional items of £nil (30 June 2022: £0.4 million; 31 December 2022: £7.3 million) and inclusion of cash flows associated with interest income, proceeds from the sale of property, plant and equipment, purchase of intangibles and lease payments reclassified from investing or financing activities of £5.2 million (30 June 2022: £8.6 million; 31 December 2022: £6.8 million).

Cash conversion

Cash conversion is the ratio of Adjusted operating cash flow (defined above) to Adjusted EBITDA (defined above). The Directors believe this APM provides a useful measure of the Group's efficiency of its cash management during the period.

Adjusted free cash flow

Adjusted free cash flow represents Adjusted operating cash flow (defined above) less total capital expenditure. The Directors use the measure of Adjusted free cash flow as a measure of the funds available to the Group for the payment of distributions to shareholders, for use within M&A activity and other investing and financing activities.

Six months ended 30 June 2023 (unaudited)	Statutory £'000	Exceptional £'000	Reclassification £'000	Adjusted £'000
Adjusted EBITDA	52,137	10,728	-	62,865
Change in working capital	(38,004)	(1,529)	-	(39,533)
Impairment charges	9,199	(9,199)	-	-
Net interest	(2,559)	-	151	(2,408)
Tax	(3,369)	-	-	(3,369)
Post-employment benefits	149	-	(440)	(291)
Other	(1,303)	-	(4,916)	(6,219)
Adjusted operating cash flow	16,250	-	(5,205)	11,045
Cash conversion				18%
Total capex	(32,667)	-	-	(32,667)
Adjusted free cash flow	(16,417)	-	(5,205)	(21,622)

Six months ended 30 June 2022 (unaudited)	Statutory £'000	Exceptional £'000	Reclassification £'000	Adjusted £'000
Adjusted EBITDA	69,987	756	-	70,743
Change in working capital	(10,689)	167	-	(10,522)
Impairment charges	554	(554)	-	-
Net interest	(1,579)	-	-	(1,579)
Tax	(768)	-	-	(768)
Post-employment benefits	(488)	-	(387)	(875)
Other	180	-	(8,182)	(8,002)
Adjusted operating cash flow	57,197	369	(8,569)	48,997
Cash conversion				69%
Total capex	(18,769)	-	-	(18,769)
Adjusted free cash flow	38,428	369	(8,569)	30,228

Year ended 31 December 2022 (audited)	Statutory £'000	Exceptional £'000	Reclassification £'000	Adjusted £'000
Adjusted EBITDA	146,115	(6,448)	-	139,667
Change in working capital	(2,035)	267	-	(1,768)
Impairment charges	382	(382)	-	-
Net interest	(4,162)	-	(135)	(4,297)
Tax	(11,699)	-	-	(11,699)
Post-employment benefits	(973)	-	(777)	(1,750)
Other	(5,554)	(705)	(5,882)	(12,141)
Adjusted operating cash flow	122,074	(7,268)	(6,794)	108,012
Cash conversion				77%
Total capex	(58,354)	-	-	(58,354)
Adjusted free cash flow	63,720	(7,268)	(6,794)	49,658

4. SEGMENT REPORTING

The Directors consider the Group's reportable segments to be the Clay and Concrete divisions.

The key Group performance measure is adjusted EBITDA, as detailed below, which is defined in Note 3. The tables, below, present revenue and adjusted EBITDA and profit/(loss) before taxation for the Group's operating segments.

Included within the unallocated and elimination columns in the tables below are costs including share based payments and Group employment costs. Unallocated assets and liabilities are pensions, taxation and certain centrally held provisions. Eliminations represent the removal of inter-company balances. Transactions between segments are carried out at arm's length. There is no material inter-segmental revenue and no aggregation of segments has been applied.

For all the periods presented, the activities of Ibstock Futures were managed and reported as part of the Clay division.

Consequently, the position and performance of Ibstock Futures for all periods has been classified within the Clay reportable segment.

	Six months ended 30 June 2023			
	Clay	Concrete	Unallocated & elimination	Total
	£'000	£'000	£'000	£'000
Total revenue	161,660	61,072	-	222,732
Adjusted EBITDA	57,432	10,903	(5,470)	62,865
Adjusted EBITDA margin	35.5%	17.9%		28.2%
Exceptional items impacting operating profit (see Note 5)	(10,728)	-	-	(10,728)
Depreciation and amortisation pre fair value uplift	(11,376)	(2,534)	(81)	(13,991)
Incremental depreciation and amortisation following fair value uplift	(3,510)	(2,581)	-	(6,091)
Net finance costs	(305)	(239)	(1,636)	(2,180)
Profit/(loss) before tax	31,513	5,549	(7,187)	29,875
Taxation				(7,479)
Profit for the period				22,396

Included within revenue for the six months period ended 30 June 2023 were £1.1 million of bill and hold transactions in the Clay division. At 30 June 2023, £1.1 million of inventory relating to these bill and hold transactions remained on the Clay division's premises as well as £0.2 million of prior bill and hold sales on the Concrete division's premises. During the current period, one customer accounted for greater than 10% of Group revenues with £39.4 million of sales across the Clay and Concrete divisions.

	Six months ended 30 June 2022			
	Clay	Concrete	Unallocated & elimination	Total
	£'000	£'000	£'000	£'000
Total revenue	185,532	73,781	-	259,313
Adjusted EBITDA	64,377	11,318	(4,952)	70,743
Adjusted EBITDA margin	*34.7%*	*15.3%*		*27.3%*
Exceptional items impacting operating profit (see Note 5)	(756)	-	-	(756)
Depreciation and amortisation pre fair value uplift	(10,452)	(2,902)	(67)	(13,421)
Incremental depreciation and amortisation following fair value uplift	(3,391)	(2,070)	-	(5,461)
Net finance costs	965	(218)	(629)	118
Profit/(loss) before tax	50,743	6,128	(5,648)	51,223
Taxation				(10,415)
Profit for the period				40,808

	Year ended 31 December 2022			
	Clay	Concrete	Unallocated & elimination	Total
	£'000	£'000	£'000	£'000
Total revenue	369,193	143,693	-	512,886
Adjusted EBITDA	126,687	23,604	(10,624)	139,667
Adjusted EBITDA margin	*34.3%*	*16.4%*		*27.2%*
Exceptional items impacting operating profit (see Note 5)	6,222	56	-	6,278
Depreciation and amortisation pre fair value uplift	(20,659)	(5,546)	(187)	(26,392)
Incremental depreciation and amortisation following fair value uplift	(6,936)	(5,190)	-	(12,126)
Net finance costs	(366)	(430)	(1,867)	(2,663)
Profit/(loss) before tax	104,948	12,494	(12,678)	104,764
Taxation				(17,884)
Profit for the year				86,880

	Clay	Concrete	Unallocated	Total
Total segment assets	£'000	£'000	£'000	£'000
At 30 June 2023	**619,731**	**138,307**	**14,372**	**772,410**
At 31 December 2022	596,769	146,553	19,460	762,782
At 30 June 2022	579,884	152,150	63,199	795,233

	Clay	Concrete	Unallocated	Total
Total segment liabilities	£'000	£'000	£'000	£'000
At 30 June 2023	**(186,081)**	**(47,470)**	**(124,605)**	**(358,156)**
At 31 December 2022	(183,079)	(52,172)	(111,322)	(346,573)
At 30 June 2022	(178,484)	(59,631)	(120,326)	(358,441)

5. EXCEPTIONAL ITEMS

	Unaudited Half year ended 30/06/2023	Unaudited Half year ended 30/06/2022	Year ended 31 December 2022
	£'000	£'000	£'000
<u>Exceptional cost of sales</u>			
Impairment charge - Property, plant and equipment	(7,530)	(554)	(554)
Impairment charge - working capital	(1,668)	-	-
Total impairment charge	(9,198)	(554)	(554)
Redundancy costs	(1,530)	(202)	(126)
Total exceptional cost of sales	(10,728)	(756)	(680)
Exceptional profit on disposal of property plant and equipment	-	-	6,958

Exceptional items impacting operating profit	(10,728)	(756)	6,278
Total exceptional items	(10,728)	(756)	6,278

Included within the current period were the following exceptional items:

Exceptional cost of sales

Impairment charges arising in the current period related to the impairment of non-current assets and working capital items at the Group's Ravenhead site. Due to the materiality and non-recurring nature of the events giving rise to them, these costs have been categorised as exceptional.

Exceptional redundancy costs relate to employees engaged in production activities following the Group's announced restructuring activity for the Ravenhead site in the Clay division. These costs have been categorised as exceptional due to their materiality and the non-recurring nature of the events giving rise to the costs.

Tax on exceptional items

In the current period, impairment charges arising on non-current assets are not tax deductible, but give rise to a deferred tax credit in the period. The impairment charge on current assets and redundancy costs are treated as tax deductible in the period. The total tax credit on exceptional items is £2.6 million.

Six-month period ended 30 June 2022 and year ended 31 December 2022

Details of exceptional items included within the prior interim and full year periods are disclosed within Note 5 of the Group's 2022 interim results and 2022 Annual report and accounts, respectively.

6. TAXATION

The taxation charge for the interim period is an estimate based on the expected full year effective tax rate.

7. EARNINGS PER SHARE

The basic earnings per share figures are calculated by dividing profit for the year attributable to the parent shareholders by the weighted average number of Ordinary Shares in issue during the year. The diluted earnings per share figures allow for the dilutive effect of the conversion into Ordinary Shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price the options become anti-dilutive and are excluded from the calculation. The number of shares used for the earnings per share calculation are as follows:

	Half year ended 30/06/2023 (000s)	Half year ended 30/06/2022 (000s)	Year ended 31 December 2022 (000s)
Basic weighted average number of Ordinary Shares	392,063	408,300	402,746
Effect of share incentive awards and options	3,152	611	2,010
Diluted weighted average number of Ordinary Shares	395,215	408,911	404,756

The calculation of adjusted earnings per share is a key measurement used by management that is not defined by IFRS. The adjusted earnings per share measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share figures are calculated as the Basic earnings per share adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation impact at the adjusted effective tax rate. A reconciliation of the statutory profit to that used in the adjusted earnings per share calculations is as follows:

	Half year ended 30/06/2023 £'000	Half year ended 30/06/2022 £000	Year ended 31 December2022 £'000
Profit for the period attributable to the parent shareholders	22,397	40,808	86,908
Add back/(less) exceptional items (Note 5)	10,728	756	(6,278)
Less tax credit on exceptional items	(2,605)	(132)	(453)
Add fair value adjustments	6,091	5,461	12,126
Less tax credit on fair value adjustments	(1,480)	(951)	(2,000)
Less net non-cash interest	(225)	(1,703)	(1,376)
Add back tax expense on non-cash interest	55	296	227
Add back impact of deferred taxation rate change	223	1,500	2,095
Adjusted profit for the period attributable to the parent shareholders	35,184	46,035	91,249

	Half year ended 30/06/2023 pence	Half year ended 30/06/2022 pence	Year ended 31 December 2022 pence
Basic EPS on profit for the year	5.7	10.0	21.6
Diluted EPS on profit for the year	5.7	10.0	21.5
Adjusted basic EPS on profit for the year	9.0	11.3	22.7
Adjusted diluted EPS on profit for the year	8.9	11.3	22.5

8. BORROWINGS

	Half year ended 30/06/2023 £'000	Half year ended 30/06/2022 £'000	31 December 2022 £'000
Current			
Private Placement	324	324	436
Revolving Credit Facility	13,098	100	-
	13,422	424	436

Non-current			
Private Placement	99,784	99,753	99,769
Total borrowings	**113,206**	**100,177**	**100,205**

At 30 June 2023, the Group held £100 million of private placement notes from Pricoa Private Capital (Pricoa), with maturities of between 7 and 12 years and an average total cost of funds of 2.19% (range 2.04%-2.27%). The agreement with Pricoa also contains an additional uncommitted shelf facility of up to $88.1 million (or equivalent in available currencies). The agreement contains debt covenant requirements of leverage (net debt to adjusted EBITDA) and interest cover (adjusted EBITDA to net finance charges) of 3 times and 4 times, respectively, tested semi-annually on 30 June and 31 December in respect of the preceding 12-month period.

Additionally, a £125 million RCF facility is held with a syndicate of five banks for an initial four year period ending in November 2025, which was extended to November 2026 in the prior year. Interest is charged at a margin (depending upon the ratio of net debt to Adjusted EBITDA) of between 160bps and 260bps above SONIA, SOFR or EURIBOR according to the currency of the borrowing. The facility also includes an additional £50 million uncommitted accordion facility. Based on current leverage, the Group will pay interest under the RCF initially at a margin of 160bps. This facility contains debt covenant requirements that align with those of the private placement with the same testing frequency. As at 30 June 2023 the RCF was drawn down by £13 million. As at the date of approval of these financial statements, the drawn down amount had reduced to £8 million.

The carrying value of financial liabilities have been assessed as materially in line with their fair values, with the exception of £100 million of private placement notes. The fair value of these borrowings has been assessed as £83 million.

No security is currently provided over the Group's borrowings.

9. IMPAIRMENT

For tangible asset impairment testing purposes, the Group has determined that each factory is a separate Cash Generating Unit (CGU), with the exception of the Longley concrete sites, which are considered together as one CGU. For intangible asset impairment testing, the Group has determined that each legal entity is a separate CGU as this is the lowest level at which the intangible assets can be directly attributed.

In June 2023, following announcement of the proposed cessation of production at the Ravenhead site in the Clay division, management performed detailed impairment testing for the carrying value of the assets associated with the Ravenhead CGU as at 30 June 2023.

Management determined the recoverable amount based on the fair value less costs to disposal ("FVLCTD"). This assessment falls within level 3 of the fair value hierarchy and was based on management's judgement that the assets could not be sold for any value, this being the assumption the recoverable amount is most sensitive to.

Determination of FVLCTD by management reflected full impairment of all items of plant and machinery, buildings, minerals and majority of working capital for which management's assessment was that no alternative use, future salvage value or disposal proceeds are expected for the impacted assets.

However, management separately applies the requirements of IAS 36 to the land on sites owned, according to the accounting policy and concluded that the recoverable amount for the land is expected to exceed the carrying value, and hence these assets remain unimpaired.

This assessment of impairment resulted in the recognition of an exceptional impairment charge of £9.2 million within cost of sales within the Group's consolidated income statement.

The impairment of assets valued at historical cost impacted the Clay operating segment of the Group in the current period as follows:

	£million
Buildings	3.1
Mineral reserves	1.1
Plant, machinery and equipment	3.3
Working capital	1.7
Total	**9.2**

Detailed impairment testing was performed at 31 December 2022 with no impairment recognised. Management performed an indicators of impairment review for the Group's remaining CGUs at 30 June 2023 and assessed the impacts that the macroeconomic events may have on the recoverable value of the CGUs, compared to the assumptions applied in December 2022 impairment testing. No indicators of impairment were identified as having arisen since 31 December 2022 warranting further detailed testing, other than those specific indicators related to the Ravenhead CGU, for which detailed impairment testing was performed.

10. NOTES TO THE GROUP CASHFLOW STATEMENT

	Unaudited Half year ended 30/06/2023	Unaudited Half year ended 30/06/2022	Unaudited Year ended 31 December 2022
Cash flows from operating activities	£'000	£'000	£'000
Profit before taxation	29,875	51,223	104,764
Adjustments for:			
Depreciation	16,613	15,413	31,579
Impairment of property plant and equipment	7,529	554	554
Impairment of working capital	1,670	-	-
Amortisation of intangible assets	3,469	3,469	6,939
Finance costs	2,180	(118)	2,663
Loss/(gain) on disposal of property, plant and equipment	(1,393)	73	(6,541)
Research and development expenditure credit	(750)	(750)	(1,560)
Share based payments	1,432	857	2,547
Post-employment benefits	149	(488)	(973)
Other	(592)	-	(172)
	60,182	70,233	139,800
Increase in inventory	(19,539)	(5,228)	(21,255)
Increase in trade and other receivables	(10,676)	(28,642)	(930)
Decrease/increase in trade and other creditors	(9,193)	23,704	20,650
Decrease in provisions	1,404	(523)	(500)
Cash generated from operations	**22,178**	**59,544**	**137,765**

11. FINANCIAL INSTRUMENTS

11. FINANCIAL INSTRUMENTS

IFRS 13 'Financial Instruments: Disclosures' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 30 June 2023, 31 December 2022 and 30 June 2022, the Group's fair value measurements were categorised as Level 2, except for quoted investments within the Group's pension schemes (No quoted investments at 30 June 2023, £1.8 million at 31 December 2022 and £148.7 million at 30 June 2022), which were valued as Level 1.

The Group entered into forward currency contracts as cash flow hedges to manage its exposure to foreign currency fluctuations associated with the future purchases of plant and equipment required for the construction of the major capital expenditure projects. These instruments are measured at fair value using Level 2 valuation techniques subsequent to initial recognition.

At 30 June 2023, a liability valued at £0.1 million (31 December 2022: an asset of £0.6 million; 30 June 2022: an asset of £0.4 million) was recognised for these derivative financial instruments.

At 30 June 2023, 31 December 2022 and 30 June 2022, all of the Group's fair value measurements have been categorised as Level 2 with the exception of (i) certain equities within the Group's pension scheme, which were categorised as Level 1 valuations and (ii) the insured pensioner and deferred pensioner asset, which was categorised as a Level 3 valuation and uses assumptions set out in Note 12 to align its valuation to the related liability.

At 30 June 2023, 31 December 2022 and 30 June 2022, the Group held no other significant derivative financial instruments. There were no transfers between levels during any period disclosed.

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Group's financial statements is not materially different from their carrying amount, with the exception of £100 million of private placement notes. The fair value of these borrowings has been assessed as £83 million.

12. POST EMPLOYMENT BENEFITS

The Group participates in the Ibstock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. During the six-month period ended 30 June 2023, the opening Scheme surplus of £15.2 million decreased to a closing surplus of £10.5 million. Analysis of the movements during the six-month period ended 30 June 2023 was as follows:

	£'000
Scheme surplus at 1 January 2023 (audited)	15,194
Administration expenses	(440)
Interest income	359
Remeasurement due to:	
- Change in financial assumptions	20,030
- Change in demographic assumptions	5,774
- Experience losses	(7,306)
- Return on plan assets	(23,415)
Company contributions	292
Scheme surplus at 30 June 2022 (unaudited)	**10,488**

On 20 December 2022, the Scheme completed a full buy-in transaction with a specialist third-party provider, which represented a significant step in the Group's continuing strategy of de-risking its pensions exposure. This transaction, together with the partial buy-in transaction in 2020 insures the significant majority of the Group's defined benefit liabilities. As a result, the insured asset and the corresponding liabilities of the Scheme are assumed to be broadly matched without exposure to interest rate, inflation risk or longevity risk. However, there is a residual risk that the insurance premium may be increased following a data cleanse to reflect a more accurate liability position. If the surplus Scheme assets are insufficient to meet any additional premium, then the company may need to pay an additional contribution into the Scheme.

The 2022 buy-in transaction attracted a total buy-in premium of £175.6 million. The initial premium payment of £81.3 million was settled on 28 December 2022 by the transfer of certain Scheme-invested assets.

In 2023, two further premium payments totalling £74.2 million were made. The remaining premium of £20.1million is expected to be paid by 20 December 2024, with a present value of £18.6 million having been recognised as negative assets against the Bespoke cash flow-drive investment and the cash and net current assets of the scheme.

The financial assumptions used by the actuary have been derived using a methodology consistent with the approach used to prepare the accounting disclosures at 31 December 2022. The assumptions have been updated based on market conditions at 30 June 2023:

	Unaudited	Unaudited	Audited
	30 June 2023	30 June 2022	31 December 2022
	Per annum	Per annum	Per annum
Discount rate	**5.25%**	3.65%	4.80%
RPI inflation	**3.25%**	3.20%	3.20%
CPI inflation	**2.65%**	2.60%	2.60%
Rate of increase in pensions in payment	**3.65%**	3.65%	3.65%
Mortality assumptions: life expectation at age 65			
For male currently aged 65	**21.4 years**	21.9 years	21.9 years
For female currently aged 65	**24.1 years**	24.5 years	24.5 years
For male currently aged 40	**23.1 years**	23.6 years	23.6 years
For female currently aged 40	**25.9 years**	26.4 years	26.4 years

In light of the fact that the pension scheme was in a net surplus position after the full buy-in, the Trustees and the Group have agreed that the Group would suspend paying contributions with effect from 1 March 2023.

13. BUSINESS COMBINATION

On 29 July 2022, Ibstock Building Products Limited acquired 75% of the issued share capital of Generix Facades Limited, for total consideration of £1.1 million, of which £0.1 million was deferred to 29 July 2023.

Management has reviewed the assessment of fair values attributable to the acquired identifiable assets and concluded that no further fair value adjustments are required.

14. OTHER RESERVES

	Cash flow hedging reserve	Merger reserve	Own shares held	Treasury shares	Total other reserves
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023 (audited)	**418**	**(369,119)**	**(1,589)**	**(30,000)**	**(400,290)**
Other comprehensive income	(500)	-	-	-	(500)
Issue of own shares held on exercise of share options	-	-	299	-	299
At 30 June 2023 (unaudited)	**(82)**	**(369,119)**	**(1,290)**	**(30,000)**	**(400,491)**
					-
Balance at 1 January 2022 (audited)	**(74)**	**(369,119)**	**(1,741)**	**-**	**(370,934)**
Other comprehensive expense	431	-	-	-	431
Purchase of own shares	-	-	-	(6,298)	(6,298)
Issue of own shares held on exercise of share options	-	-	97	-	97
At 30 June 2022 (unaudited)	**357**	**(369,119)**	**(1,644)**	**(6,298)**	**(376,704)**
					-
Balance at 1 July 2022 (unaudited)	**357**	**(369,119)**	**(1,644)**	**(6,298)**	**(376,704)**
Other comprehensive expense	61	-	-	-	61
Purchase of own shares	-	-	-	(23,702)	(23,702)
Issue of own shares held on exercise of share options	-	-	55	-	55
At 31 December 2022 (audited)	**418**	**(369,119)**	**(1,589)**	**(30,000)**	**(400,290)**

Cash flow hedging reserve

The cash flow hedging reserve records movements for effective cash flow hedges measured at fair value. The accumulated balance in the cash flow hedging reserve will be reclassified to the cost of the designated hedged item in a future period.

Merger reserve

The merger reserve of £369.1 million arose on the acquisition of Figgs Topco Limited by Ibstock plc in the period ended 31 December 2015 and is the difference between the share capital and share premium of Figgs Topco Limited and the nominal value of the investment and preference shares in Figgs Topco Limited acquired by the Company.

Own shares held

The Group's holding in its own equity instruments is shown as a deduction from shareholders' equity at cost totalling £1.3 million at 30 June 2023 (30 June 2022: £1.6 million, 31 December 2022: £1.6 million). These shares represent shares held in the Employee Benefit Trust to meet the future requirements of the employee share based payment plans. Consideration, if any, received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to the profit and loss reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Treasury share reserve

The Treasury share reserve represents shares acquired by the Group as part of its share buyback programme in 2022.

Commencing 10 May 2022, the Group engaged its brokers to purchase up to £30.0 million of shares on the open market on its behalf. These shares are held by the Group to meet future requirements of employee share based payment plans. At 30 June 2023, the Treasury shares reserve contained 16,791,470 shares.

15. RELATED PARTY TRANSACTIONS

There were no related party transactions nor any related party balances in either the 2023 or 2022 financial periods.

16. DIVIDENDS PAID AND PROPOSED

A final dividend for 2022 of 5.5 pence per ordinary share (2021: 5.0 pence) was paid on 12 May 2023. The Directors have declared an interim dividend of 3.4 pence per ordinary share in respect of 2023 (2022: 3.3 pence), amounting to a dividend of £13.3 million (2022: £13.4 million). The interim dividend will be paid on 15 September 2023 to all shareholders on the register at close of business on 25 August 2023.

These condensed consolidated financial statements do not reflect the 2023 interim dividend payable.

17. POST BALANCE SHEET EVENTS

Except for the proposed ordinary dividend (see Note 16), no further subsequent events requiring either disclosure or adjustment to these financial statements have arisen since the balance sheet date.

INDEPENDENT REVIEW REPORT TO IBSTOCK PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of Ibstock Plc (the "Group") are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor
Birmingham, United Kingdom
1 August 2023

[1] Alternative Performance measures are described in Note 3 to this results announcement

[2] January - May 2023 UK domestic brick deliveries reduced by 31% compared to the prior year (Source: Department for Business & Trade Monthly Bulletin of Building Materials - June 2023)

[3] The current period included £1m of revenue from Generix Facades, which was acquired in July 2022

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