



FORTERRA PLC RESULTS PRESENTATION

YEAR ENDED 31 DECEMBER 2020

9 MARCH 2021



DISCLAIMER

This document has been prepared by Forterra plc (the “Company”) solely for use at a presentation in connection with the Company’s Results Announcement in respect of the financial period ended 31 December 2020 (the “Presentation”). For the purposes of this notice, “Presentation” shall mean and include this document, the oral presentation of this document (and of any related document) by the Company, the question-and-answer session that follows that oral presentation, and any materials distributed at, or in connection with, that presentation (including any hard copies of this document).

The Presentation is being made only to, and is only directed at, investment professionals, representatives of institutional investors and other persons to whom this type of presentation may lawfully be communicated in this form (“relevant persons”). Any person who is not a relevant person should not act or rely on the Presentation or any of its contents. Information contained in the Presentation relating to the Company or its share price or the yield on its shares are not guarantees of, and should not be relied upon as an indicator of, future performance. Nothing in the Presentation should be construed as a profit forecast or profit estimate.

The Presentation is being provided for information purposes only. The information contained in the Presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, securities or other financial instruments of the Company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of the Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

The release, publication, or distribution of any part of the Presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which the Presentation (or any part thereof) is released, published or distributed should inform themselves about, and observe, such restrictions.

Statements in the Presentation, including those regarding the future financial condition, results of operations, business or other performance of the Company, the industry in which it operates, or other trend projections, constitute forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances or assumptions that may or may not occur in the future and which may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements.

Accordingly, no assurance is given by or on behalf of the Company or any of its associates, directors, officers, employees or otherwise that any such forward-looking statement will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and therefore no reliance should be placed on such forward-looking statements.

No representation or warranty, express or implied, is given (by the Company, any of its associates, directors, officers, employees, advisers or otherwise) in relation to the accuracy, completeness or reliability of the information contained in the Presentation, including as to the accuracy, completeness or reliability of any forward-looking statements or the basis on which they were prepared.

Except as required by applicable law or regulation, the Company does not undertake any obligation to update or revise any information in the Presentation, whether as a result of new information, future events or otherwise.

AGENDA

1. Key points
2. Financial review
3. Business review
4. Sustainability
5. Outlook
6. Q&A



Stephen Harrison
Chief Executive Officer



Ben Guyatt
Chief Financial Officer

KEY POINTS



- The health, safety and wellbeing of our employees remains our primary concern
- EBITDA of £37.9m reflects a strong finish to the year
- 2020 final dividend of 2.8p per share, representing 45% of earnings
- Desford project funding secured with construction progressing well. Contracts signed in January 2021 for the installation of the manufacturing equipment; following successful equity raise in July
- We have set new challenging sustainability targets with our Sustainability Report being included in our forthcoming 2020 Annual Report
- Improved trading conditions in the second half of 2020 have continued into 2021. This trend, alongside the lengthening order books of our housebuilding customers, offer support for a continued recovery in our key markets in the first half of the year



KEY FINANCIALS

£m	Before exceptional items		Statutory	
	FY 2020	FY 2019	FY 2020	FY 2019
Revenue	291.9	380.0	291.9	380.0
EBITDA	37.9	82.7	18.5	78.4
Profit / (loss) before tax	17.4	62.5	(5.4)	58.2
Earnings per share (pence)	6.6	25.5*	(2.6)	23.6*
Operating cash flow	53.9	64.9	48.3	63.8
Net cash / (debt) – pre IFRS 16	16.0	(43.2)	16.0	(43.2)
Total dividend (pence)			2.8	4.0

Note: *As required by IAS 33, earnings per share for 2019 has been restated to reflect the bonus factor adjustment resulting from the 2020 equity raise

PROFIT AND LOSS

£m	2020		2020	2019
	Statutory	Exceptional impact	Before exceptional items	
Revenue	291.9	-	291.9	380.0
EBITDA				
- Bricks and Blocks	33.1	7.2	40.3	80.4
- Bespoke Products	(14.6)	12.2	(2.4)	2.3
Total	18.5	19.4	37.9	82.7
<i>EBITDA margin (%)</i>	6.3%		13.0%	21.8%
Depreciation and Amortisation	(17.1)	-	(17.1)	(17.7)
Operating profit / EBIT	1.4	19.4	20.8	65.0
Finance expense	(6.8)	3.4	(3.4)	(2.5)
Profit before tax	(5.4)	22.8	17.4	62.5
<i>Effective tax rate (%)</i>	(3.8)%		18.4%	19.5%
Earnings per share (pence)	(2.6)p	9.2p	6.6p	25.5p*

Note: *As required by IAS 33, earnings per share for 2019 has been restated to reflect the bonus factor adjustment resulting from the 2020 equity raise

H1 / H2 PERFORMANCE SPLIT

£m	H1 (before exceptionals)			H2 (before exceptionals)		
	2020	2019	Variance	2020	2019	Variance
Revenue	122.4	193.6	(37)%	169.5	186.4	(9)%
EBITDA						
- Bricks and Blocks	11.1	41.6	(73)%	29.2	38.8	(25)%
- Bespoke Products	(2.9)	0.9	-	0.5	1.4	(64)%
Total	8.2	42.5	(81)%	29.7	40.2	(26)%
<i>EBITDA margin (%)</i>	6.7%	22.0%	(1530)bps	17.5%	21.6%	(410)bps
Depreciation and Amortisation	(9.0)	(8.6)	5%	(8.1)	(9.1)	(11)%
Operating profit / EBIT	(0.8)	33.9	-	21.6	31.1	(31)%
Finance expense	(1.5)	(1.2)	25%	(1.9)	(1.3)	46%
Profit / (loss) before tax	(2.3)	32.7	-	19.7	29.8	(34)%

SEGMENTAL RESULTS: BRICKS AND BLOCKS

	2020	2019	
£m	FY 2020	FY 2019	Change
Revenue	223.1	279.1	(20.1)%
EBITDA before exceptional items	40.3	80.4	(49.9)%
EBITDA margin %	18.1%	28.8%	

- Revenue fell 20.1% relative to 2019 (37.1% in H1 and 1.9% in H2)
- Selling prices agreed ahead of pandemic sufficient to cover cost inflation with pricing holding firm through the year
- Energy costs currently stable with 2021 requirements secured. 2020 result includes £2.1m non-recurring cost from exiting forward energy costs

SEGMENTAL RESULTS: BESPOKE PRODUCTS

	2020	2019	
£m	FY 2020	FY 2019	Change
Revenue	71.7	103.5	(30.7)%
EBITDA before exceptional items	(2.4)	2.3	-
EBITDA margin %	(3.3)%	2.2%	

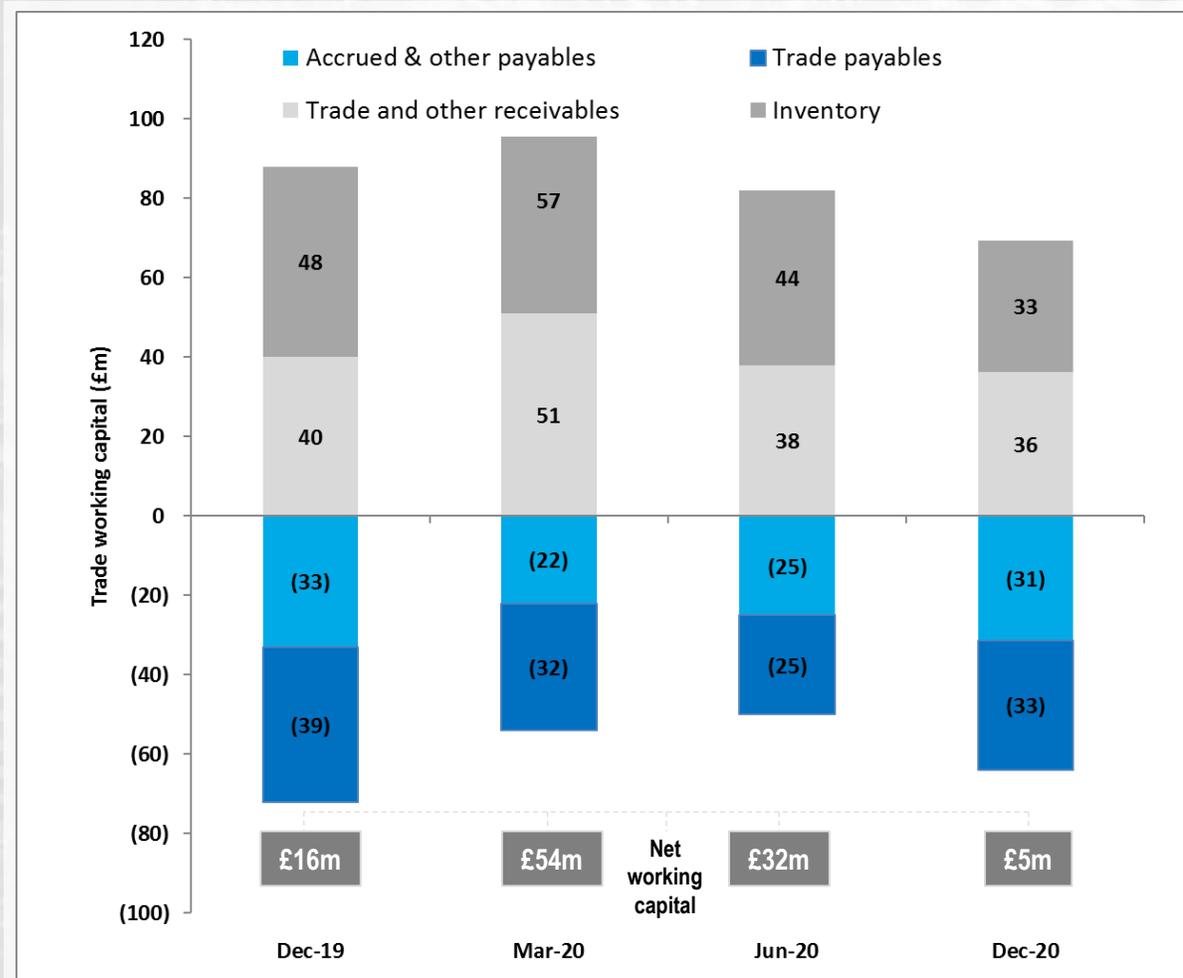
- Revenues fell by 30.7% relative to 2019 (35.2% in H1 and 26.4% in H2)
- Swadlincote hollowcore plant mothballed from September
- EBITDA contribution of £1.2m prior to £3.6m of Group overheads allocated to the segment
- Expectation for 2021 revenues to be c.20% below 2019 reflecting plant closure; with profit progression

CASH FLOW

	2020	2019
£m	FY20	FY19
Operating cash flow before exceptionals	53.9	64.9
Cash payments made in respect of exceptional items	(8.8)	(1.1)
Interest	(2.8)	(2.4)
Tax	(5.2)	(8.8)
Capital expenditure	(24.9)	(24.3)
Lease liabilities on adoption of IFRS 16	-	(14.6)
New lease liabilities	(0.6)	(5.4)
Net proceeds of issue of shares	53.0	-
Dividends	-	(22.0)
EBT payments	(0.1)	(4.8)
Other movements	(0.6)	-
Reduction / (increase) in net debt (post IFRS 16)	63.9	(18.5)

- Strong cash flow generation is a key pillar of our investment case with strong performance in spite of the pandemic
- £53m equity raise completed securing Desford project funding
- Cash spend on exceptional items totals £8.8m – all now complete
- Desford spend: £32.1m to date: 2021: £41.0m, 2022: £18.0m and 2023: £4.0m. Total of £95m
- Non Desford capex guided at £12m per annum

WORKING CAPITAL



- Strong focus on cashflow ahead of profitability in 2020 delivered inventory reduction of £14.8m
- Customer payment patterns have returned to normal with no material bad debts incurred
- All tax deferrals now repaid

NET DEBT AND FACILITIES

£m	Net cash / (debt)	
	2020	2019
Cash and cash equivalents	31.5	26.6
Loans and borrowings	(15.5)	(69.8)
Net debt excluding leases	16.0	(43.2)
Lease liabilities	(9.4)	(14.1)
Net cash / (debt)	6.6	(57.3)

- Strong balance sheet position with net cash pre IFRS 16 of £16.0m
- Debt facility post refinancing comprises a committed revolving credit facility (RCF) of £170m extending to July 2024
- Covenant relaxations secured, but unlikely to be required
- Headroom on facilities at year end of £155m



CUSTOMER SENTIMENT

Sentiment from our customers is positive

Taylor Wimpey

“We are confident in the medium term performance of the housing market and therefore accelerated our land purchases from May 2020”

”


BARRATT
DEVELOPMENTS PLC

“Whilst we are mindful of the continued economic uncertainties, the housing market fundamentals remain attractive”

”

Travis Perkins 

“The long term fundamentals of the Group’s end markets remain robust with ongoing demand for new housing and underinvestment in the repair, maintenance and improvement of the existing UK housing stock”

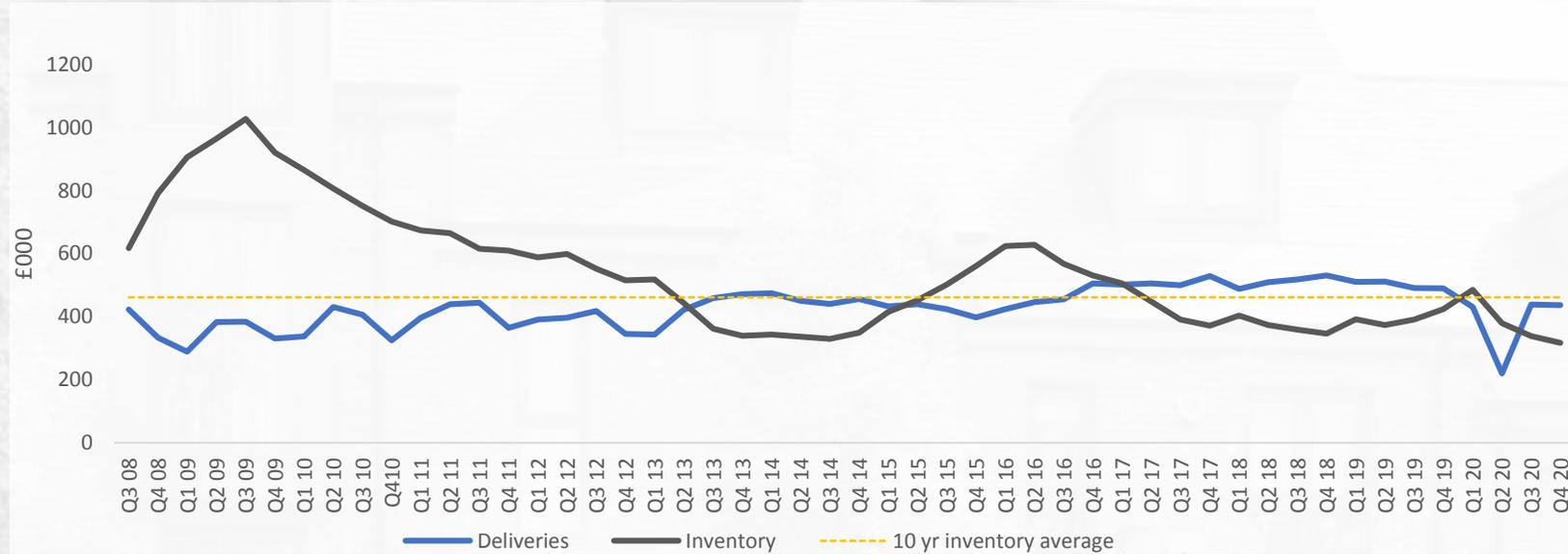
”

 **Grafton Group plc**

“The UK housing RMI market benefitted in 2020 from pent-up demand, home working and reduced spending on travel, leisure and hospitality. We believe that this trend is likely to continue in the coming months given the phased exit from lockdown with longer term demand driven by broader economic fundamentals”

”

Brick deliveries and inventory (domestic)

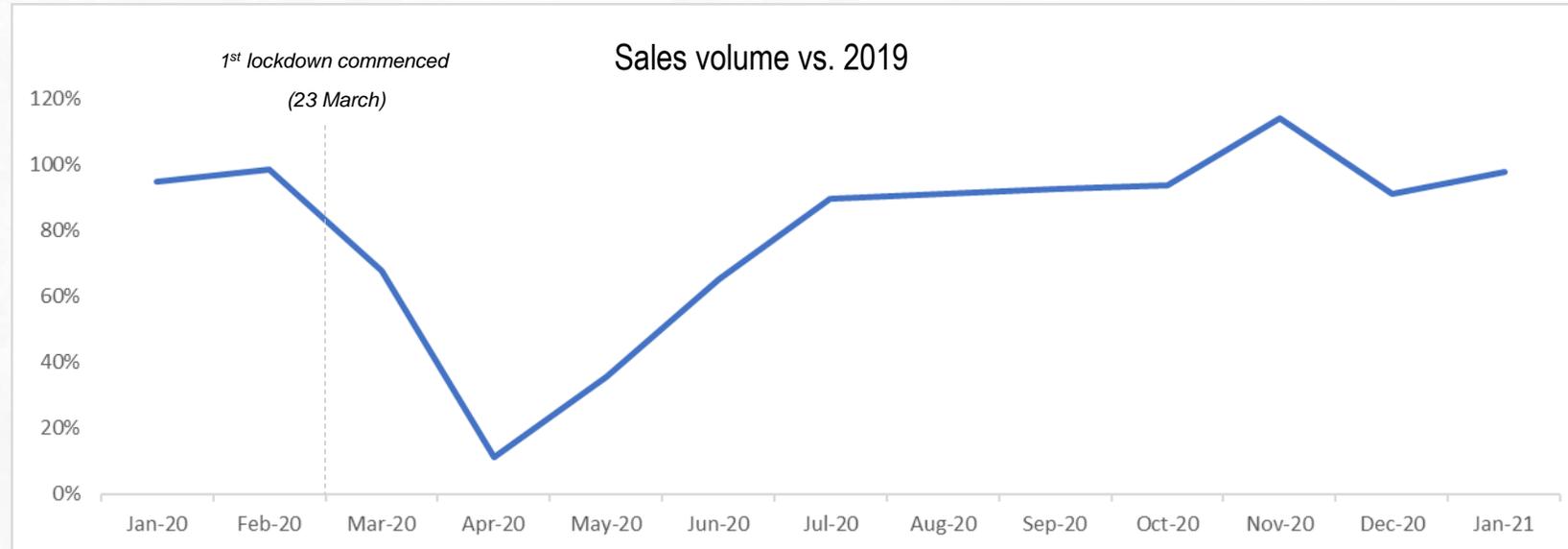


Source: Department for Business, Energy and Industrial Strategy

- Inventories ended 2020 at near record lows
- Imports in 2020 fell in line with domestic demand although Brexit uncertainty likely gave a boost to imports in Q4

FORTERRA BRICK SALES VOLUMES

Forterra brick sales volumes



Source: Company information

- Sustained recovery in brick sales following initial lockdown
- Subsequent lockdowns have not impacted demand at all with all customers operations close to normal

NEW DESFORD FACILITY ON TRACK

Summary

- Project expected to generate attractive returns over the medium term positioning the Group to benefit from the favourable long-term housing market fundamentals

Progress update

- £32.1m spent to date (December)
- New factory building structurally complete
- Contracts for equipment signed in early 2021
- £20m expected EBITDA (£15m incremental)

Revised timing

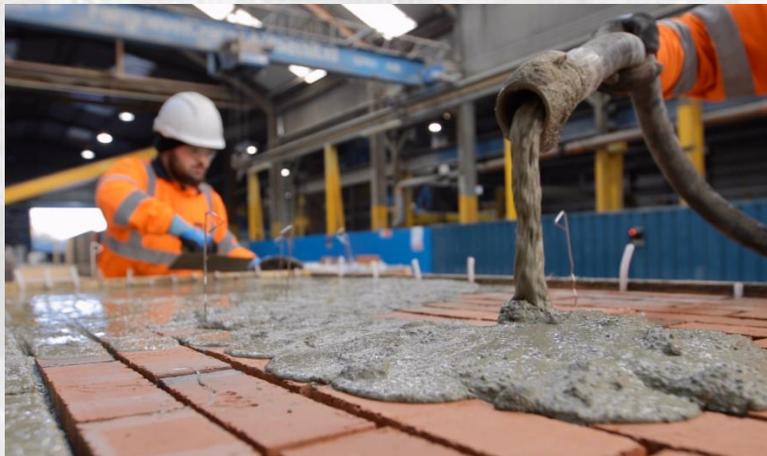
- Commissioning to commence in 2022
- Production to reach full run-rate in 2023
- First year of full production in 2024
- Full financial contribution expected from 2025



NEW PRODUCT DEVELOPMENT

- New product development continued to accelerate in 2020
- Focussing on the key theme of sustainability, and particularly offsite facade solutions, utilising our clay and concrete product expertise to meet the needs of this growing market segment
- These products increase speed and reduce waste during installation

**QUICKWALL IS AN AESTHETIC, FIREPROOF,
OFFSITE CLADDING SOLUTION**



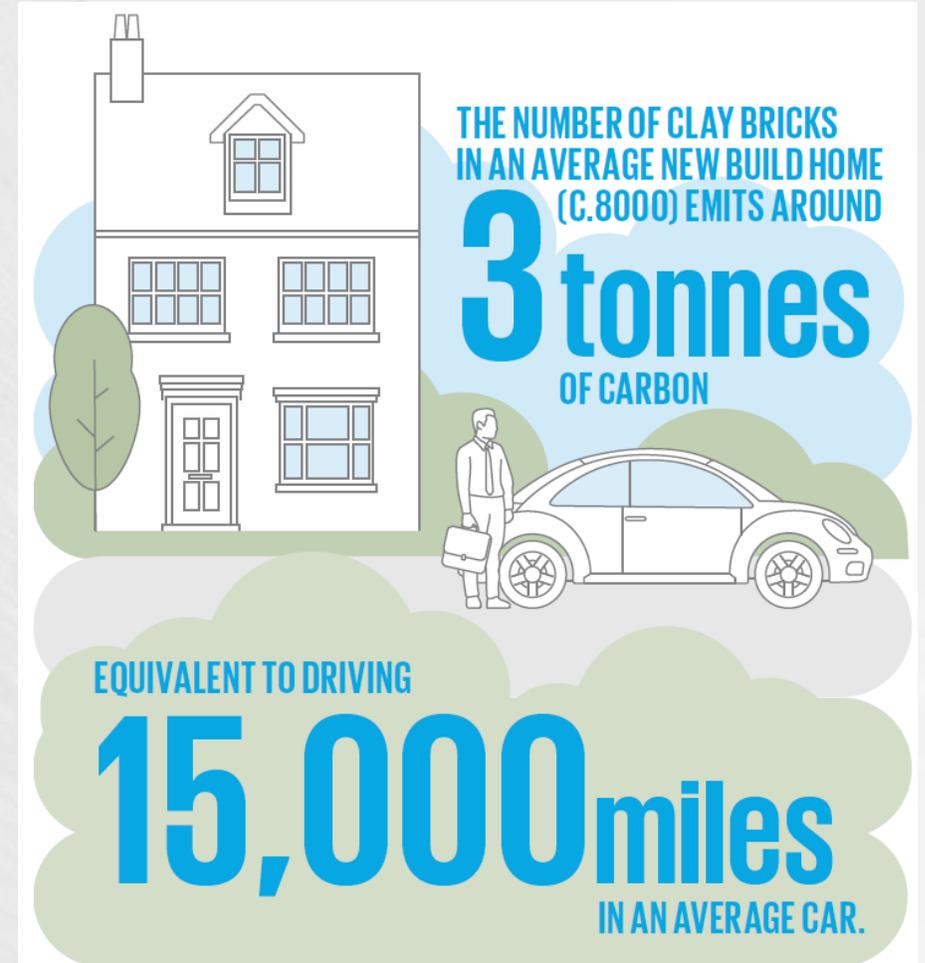
**SUREBRICK, IS THE NEXT GENERATION
BRICK SLIP SYSTEM**





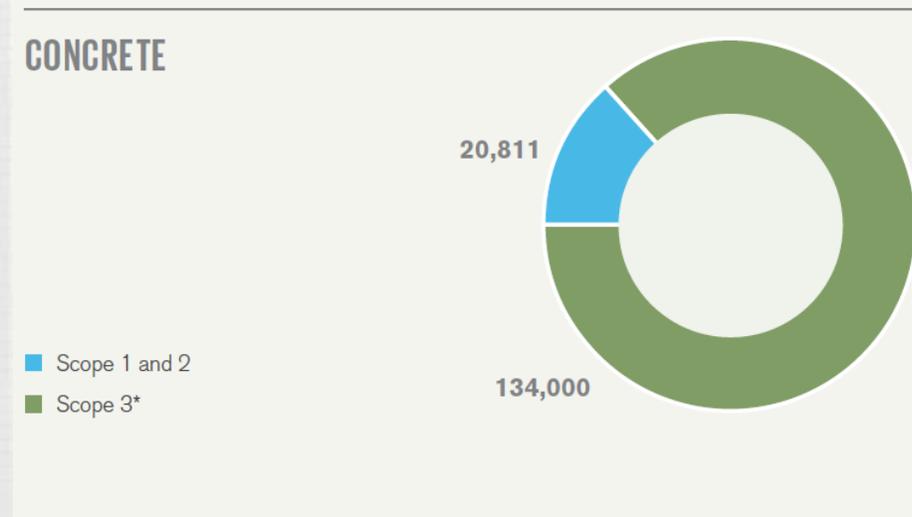
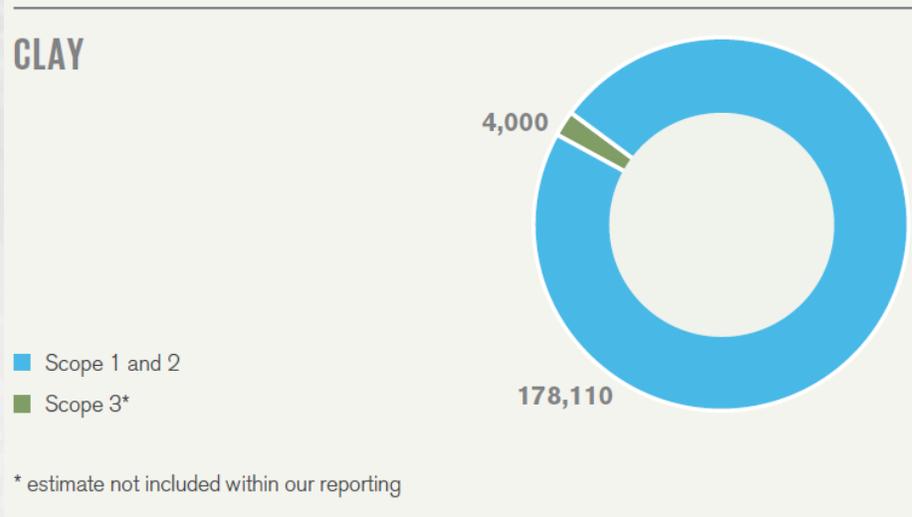
SUSTAINABILITY – CARBON AND BUILDING MATERIALS

- The manufacturing of all heavy building products generates carbon emissions
- Our products create good quality, energy efficient homes that last for generations that can be recycled at the end of life



SUSTAINABILITY – CLAY VS CONCRETE

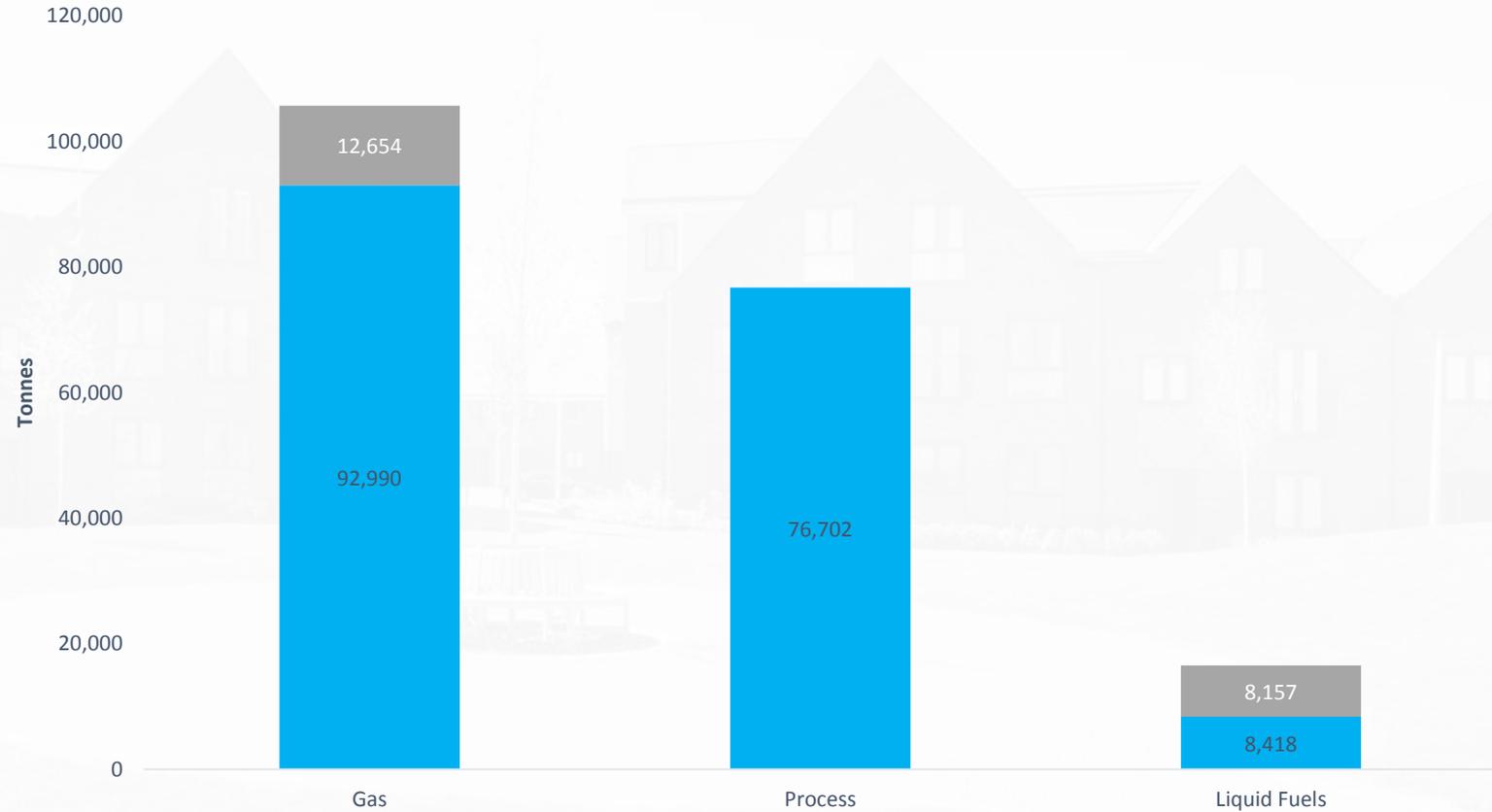
- Clay and Concrete products generate similar levels of carbon emissions overall but these are categorised and reported differently; between
 - Scope 1 = All direct emissions from our business or under our control
 - Scope 2 = Indirect emissions from the electricity we purchase and use
 - Scope 3 = All other indirect emissions from our activities and making our products. Not under our control however we can influence through our purchasing decisions



SUSTAINABILITY – SOURCE OF OUR EMISSIONS

2020 CARBON EMISSIONS BY SOURCE (SCOPE 1 AND 2)

■ Clay
■ Concrete

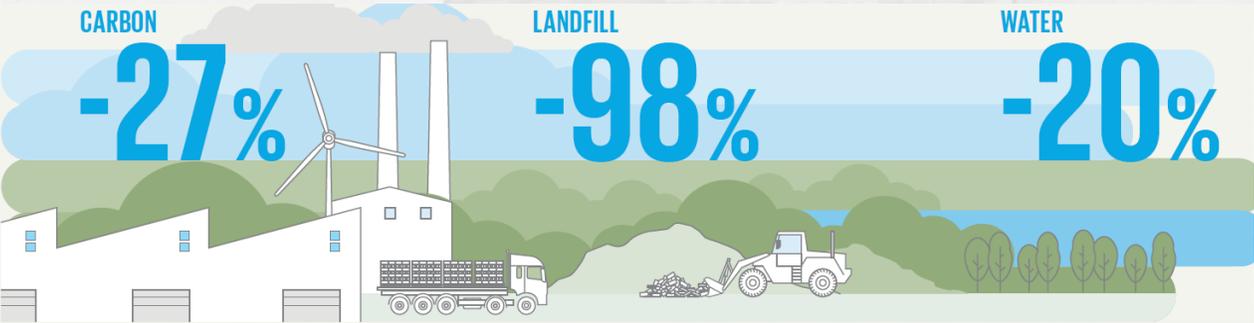


SUSTAINABILITY – OUR JOURNEY SO FAR



- 2020 marked the end of the latest step in our journey to reduce our environmental impact in key areas
- In the last 10 years we have made significant progress:

Our Targets 2010-2020	2019 vs. 2010	2020 vs. 2010
Reduce carbon emissions - Kg per tonne by 20%	(22)%	(27)%
Reduce waste to landfill - Kg per tonne by 85%	(92)%	(98)%
Reduce mains Water use - litres per tonne by 25%	(42)%	(20)%
Reduce energy use - Kwh per tonne by 10%	(4)%	5%



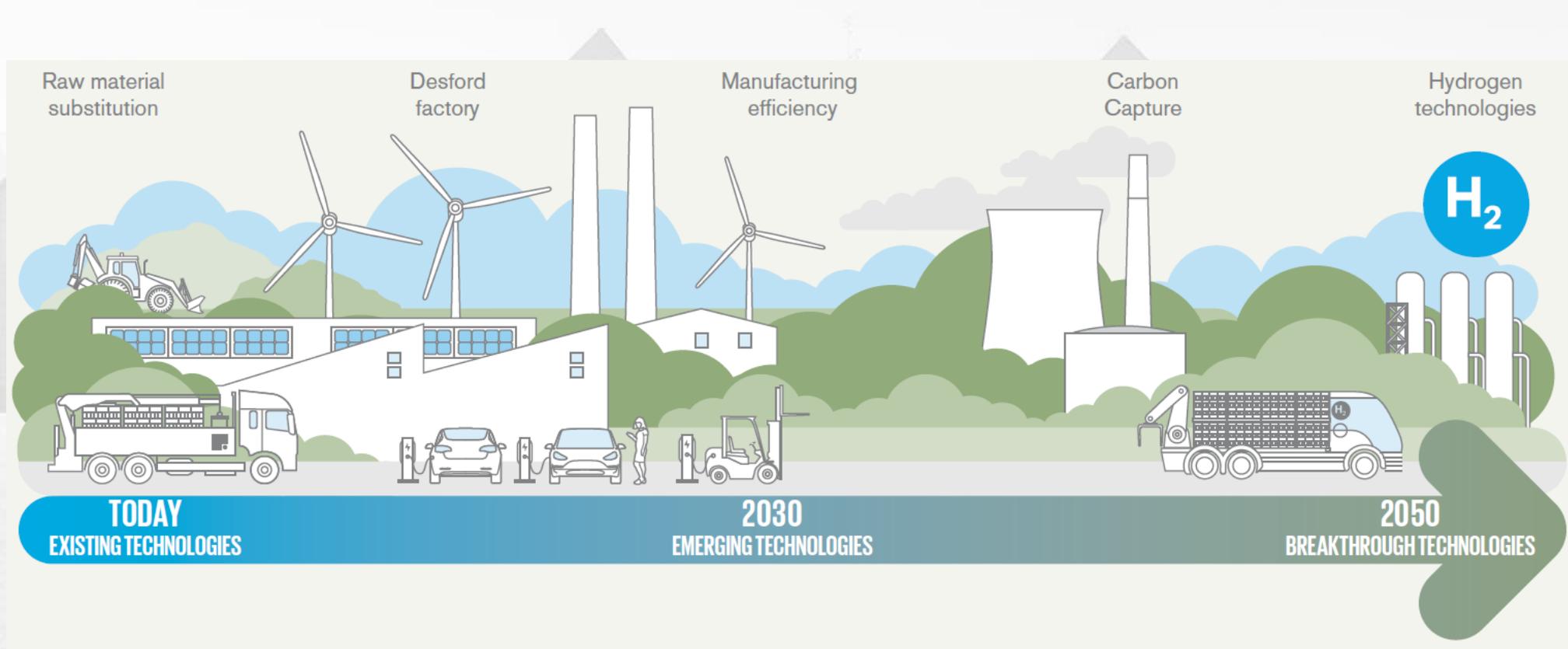
SUSTAINABILITY – OUR FUTURE TARGETS

- We have undertaken a materiality assessment resulting in the following sustainability reporting framework of “Planet, Product, People”
- The framework sets out a balanced approach to sustainability through these three pillars:

	PLANET			PRODUCT			PEOPLE		
Material Themes	Climate Change Adaption	Air Quality	Energy Management	Product Lifecycle: Environmental Impacts	Plastic Packaging	Product Innovation	Equality, Diversity & Inclusion	Community & Charity Engagement	Health, Safety & Wellbeing
	Greenhouse Gas Emissions	Waste Management	Biodiversity	Pricing Integrity & Transparency	Ethical & Sustainable Procurement		Employee Experience	Data Protection & Privacy	Human & Labour Rights
	Water Management						Succession & Skills Development		
Future Targets / Commitments	<ul style="list-style-type: none"> • CO₂ intensity targets (2019-2030): <ul style="list-style-type: none"> – 33% reduction within clay products – 80% reduction within concrete products • Zero waste to landfill • 10% of electricity use generated from onsite renewable sources by 2025 • Climate change risk disclosure following recommendations of TCFD 			<ul style="list-style-type: none"> • 10% of revenue from new and sustainable products by 2025 • Commitment to working with our suppliers to ensure they also adopt stretching reduction targets in line with our own ambitions • Plastic packaging reduction of 50% by 2025 (from 2019 baseline) 			<ul style="list-style-type: none"> • Zero harm ambition for health & safety • 5% of employees in “earn and learn” positions by 2025 • Annually conduct and publish employee engagement surveys • Improved ethnic & gender diversity 		
	 Environment			 Social			 Governance		

SUSTAINABILITY – OUR CARBON REDUCTION TIMELINE

- We have committed to reducing our carbon emissions intensity by at least 32% by 2030



SUSTAINABILITY – CONTINUED PROGRESS IN 2020

- Signed up to Race to Zero campaign
- 100% renewable electricity
- Electric forklift trial
- Low emission company car fleet
- Electric car chargers installed
- New efficient delivery vehicles ordered
- Joined the 5% Club
- Living Wage Foundation accredited
- 1,500 trees planted as part of National Tree Week
- Free shares awarded to employees, aligning stakeholder interests



SUSTAINABILITY – FOCUS ON PLASTICS

- The reduction of plastic packaging on our products is a key priority
- We already minimise plastic packaging on many of our product ranges
- Commitment to reduce our use plastic packaging by at least 50% by 2025



SUSTAINABILITY – FORTHCOMING REPORT

- Read more in our forthcoming Sustainability report, included within our 2020 Annual Report





- The much-improved trading conditions seen through the second half of 2020 have continued into 2021
- This trend, alongside the lengthening order books of our housebuilding customers, offer support for a continued recovery in our key markets in the first half of the year
- Ongoing uncertainty over the wider economic implications of the pandemic remains, which leads to caution in our outlook for the year as a whole
- Overall, with our strong balance sheet and proven history of cash generation, the Board believes that Forterra is well placed to deliver continued growth and strong returns to shareholders





SUMMARY BALANCE SHEET



£m	Dec 2020	Dec 2019
Intangible assets	11.0	18.2
Property, plant and equipment	187.1	182.6
Right-of-use assets	9.0	13.7
Total non-current assets	207.1	214.5
Current assets		
Inventories	33.0	47.8
Trade and other receivables	35.7	40.4
Cash and cash equivalents	31.5	26.6
Income tax asset	0.6	-
Total current assets	100.8	114.8
Total assets	307.9	329.3
Trade and other payables	(63.8)	(71.5)
External borrowings	(15.5)	(69.8)
Lease liabilities	(9.4)	(14.1)
Other liabilities	(15.1)	(17.7)
Net assets	204.1	156.2



THE ORIGINAL
LONDON
BRICK

ECOSTOCK
BRICK

BUTTERLEY
BRICK

CRADLEY
SPECIAL BRICK

RED BANK

THERMALITE

CONBLOC

BISON PRECAST

JETFLOOR

INNOVATORS IN
FORMPAVE
PERMEABLE PAVING

forterra.co.uk



Forterra
5 Grange Park Court
Roman Way
Northampton
NN4 5EA

01604 707600

FORTERRA