FORTERRA plc

Forterra plc

Results Presentation

Year ended 31st December 2016

THE ORIGINAL LONDON BRICK | ECOSTOCK BRICK | BUTTERLEY BRICK | CRADLEY SPECIAL BRICK | RED BANK | THERMALITE | CONBLOC | JETFLOOR | INNOVATORS IN FORMPAVE PERMEABLE PAVING

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Forterra at a glance

FORTERRA plc

Leading UK producer of manufactured masonry products

Focus on bricks and blocks with complementary range of bespoke clay & concrete products

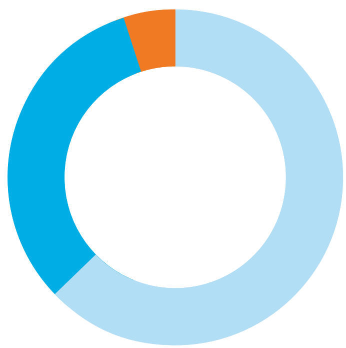
Sole manufacturer of iconic Fletton bricks sold under the London Brick brand

Balanced exposure to the new build and RM&I UK residential markets

Revenue by segment (%)

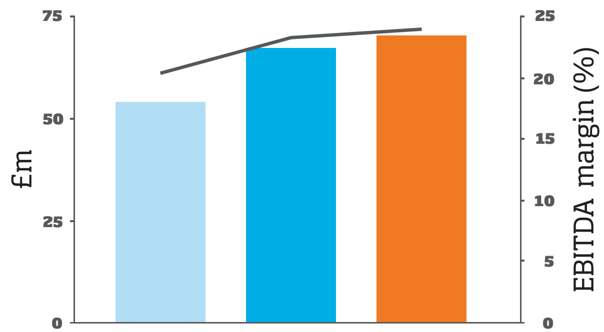
Clay Bricks	48%
Concrete Blocks	27%
Bespoke Products	25%

Revenue by end use (%)



Residential new build	63%
Residential RM&I	32%
Commercial	5%

EBITDA



2014	£54.6m
2015 (pro-forma)	£67.5m
2016	£70.6m

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- Revenue increase of 1.5% due to increased brick, aggregate block and precast concrete volumes arising from strong sales to housebuilders offset partially by merchant destocking earlier in the year
- EBITDA increased to £70.6m due to higher revenue and tight control of cost base and overheads
- Reduction in net debt ahead of target, with leverage at 1.3 times EBITDA at December 2016
- Total dividend of 5.8 pence per share, with a payout of 41% reflecting strong cash generation and confidence in the business prospects

Financial review

Financial highlights

FORTERRA plc

£m (pro-forma basis)	**2016**	2015	Change
Revenue	294.5	290.2	1.5%
EBITDA before exceptionals	**70.6**	**67.5**	**4.6%**
EBITDA margin %	24.0%	23.3%	+70bps
PBT before exceptionals	54.3	52.3	3.8%
EPS before exceptionals (pence)	**21.5**	**20.6**	**4.4%**
Operating cashflow before exceptionals	69.8	53.8	29.7%
Net debt	**92.3**	**n/a**	**n/a**
Total dividend (pence)	**5.8**	**n/a**	**n/a**

Pro-forma adjustments

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£m	2016	2015
EBITDA before exceptionals	**70.6**	**70.5**
Additional costs in 2016 as a stand-alone PLC	-	(3.0)
EBITDA before exceptionals (pro-forma basis)	**70.6**	**67.5**
Depreciation & amortisation	(10.4)	(9.4)
Operating profit before exceptionals (pro-forma basis)	**60.2**	**58.1**
Finance charge (based on debt structure at IPO for full period)	(5.9)	(5.8)
PBT before exceptionals (pro-forma basis)	**54.3**	**52.3**
Tax charge at effective rate	(11.3)	(11.0)
Earnings before exceptionals (pro-forma basis)	**43.0**	**41.3**
Number of shares	200.0	200.0
EPS before exceptionals (pro-forma basis)	**21.5p**	**20.6p**

Pro-forma basis is stated after making the following adjustments:

- In 2015 deducting plc and standalone overheads to make results comparable with 2016
- Finance charges are deducted in both 2015 and 2016, assuming that the debt structure at IPO was in place in both years
- Using the number of shares at 31 December 2016 for the EPS calculation in both years
- Excluding exceptional items

EBITDA bridge

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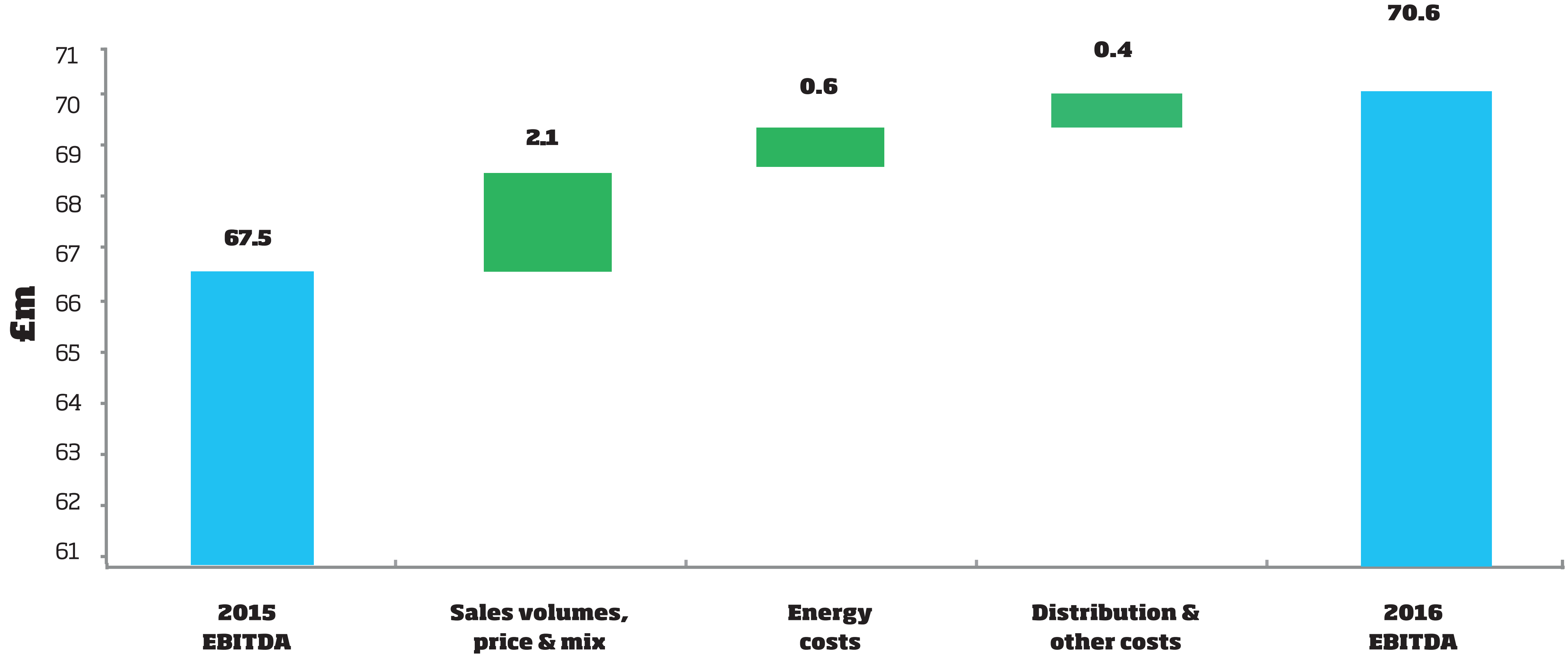

- Sales volumes of bricks, aggregate blocks and precast products up on last year, driven by increased sales to house builders. Partially offset by aircrete block sales being impacted by production constraints of raw material availability
- Selling price increase achieved in line with expectations, adverse mix impact due to higher sales to volume housebuilders
- Good control of fixed costs and overheads at site and centre

Cash flow

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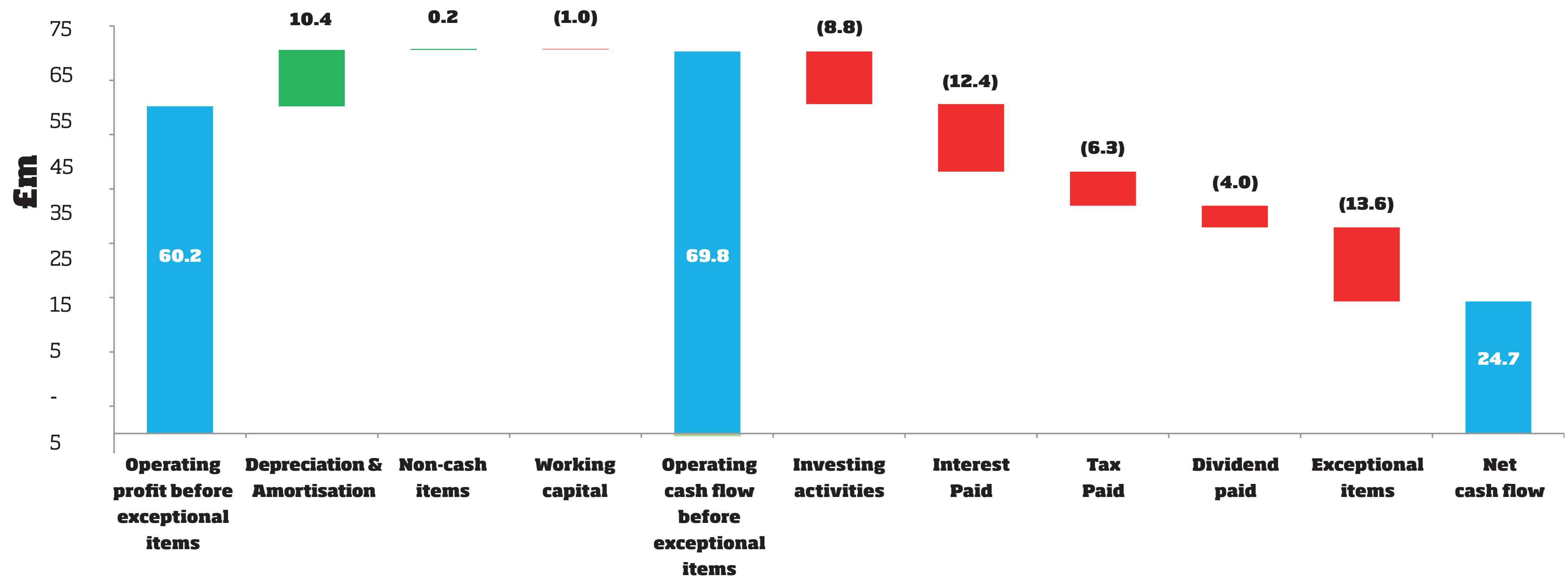

- Strong operating cash flow generation of £69.8m, up by 29.7% compared to 2015
- Investing activities include expansion capex of £1.1m relating to Measham project completion and £0.6m Hams Hall aircrete upgrade
- Higher interest payments pre – IPO under previous debt structure (interest paid post IPO was £2.4m)
- Exceptional items relate mainly to IPO transaction costs and separation costs in establishing the business as stand-alone entity

Balance sheet and net debt

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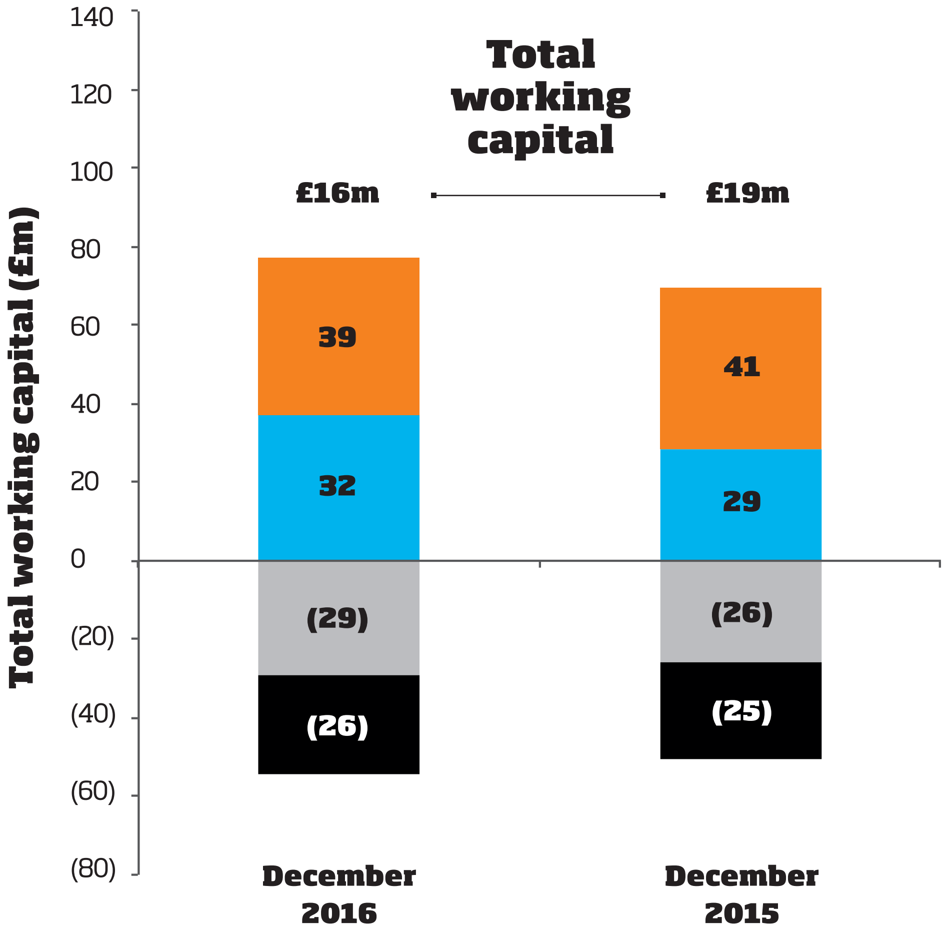
£m	31 Dec 2016	31 Dec 2015
Intangible assets	13.7	13.3
Property, plant and equipment	147.2	149.5
Deferred tax asset	0.4	1.8
Total non-current assets	**161.3**	**164.6**
Current assets		
Inventories	39.0	40.9
Trade and other receivables	31.6	28.6
Trade and other receivables with related parties	-	23.0
Cash and cash equivalents	56.2	24.2
Total current assets	**126.8**	**116.7**
Total assets	**288.1**	**281.3**
Trade and other payables	(51.5)	(55.6)
Trade and other payables to related parties	(0.7)	(13.9)
External borrowings	(148.5)	-
Related party borrowings	-	(405.6)
Other liabilities	(18.2)	(16.8)
Net assets	**69.2**	**(210.6)**

£m	31 Dec 2016	At IPO 2016
Net debt	92.3	152.1
Financing costs capitalised	2.2	2.9
Net debt (excluding financing costs)	94.5	155.0
EBITDA	70.6	70.5
Net Debt : EBITDA (Times)	**1.3**	**2.2**

- Significant reduction in net debt from £155.0m at IPO to £92.3m due to strong cash generation, good working capital performance and timing of IPO in April 2016
- Net debt : EBITDA of 1.3x lower than medium term target set at IPO of <1.5x and compares with banking covenant requirements of <3.5x
- Committed banking facilities of £180m in place to 2021, including undrawn £30m RCF
- No DB pension scheme



Trade working capital breakdown

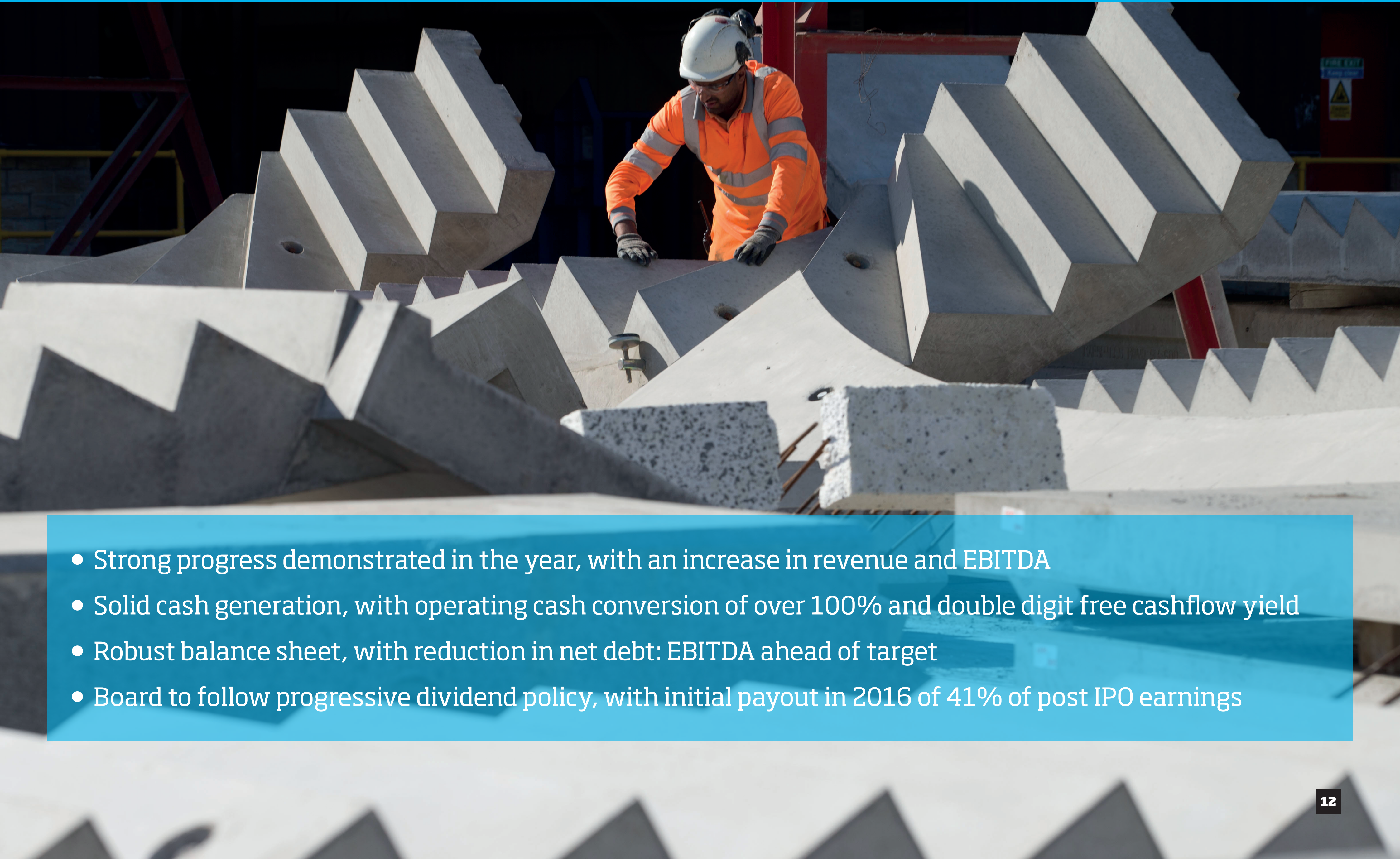
- Inventory
- Trade & other receivables
- Accruals & other payables
- Trade payables

£m	Dec 2016	Dec 2015
Inventory days*	83	92
Debtor days*	39	42

* Count back basis

- Reduction in brick inventories due to balancing demand and utilisation levels
- Strong reduction in debtor days

Financial summary



- Strong progress demonstrated in the year, with an increase in revenue and EBITDA
- Solid cash generation, with operating cash conversion of over 100% and double digit free cashflow yield
- Robust balance sheet, with reduction in net debt: EBITDA ahead of target
- Board to follow progressive dividend policy, with initial payout in 2016 of 41% of post IPO earnings

Business review

Bricks and blocks review

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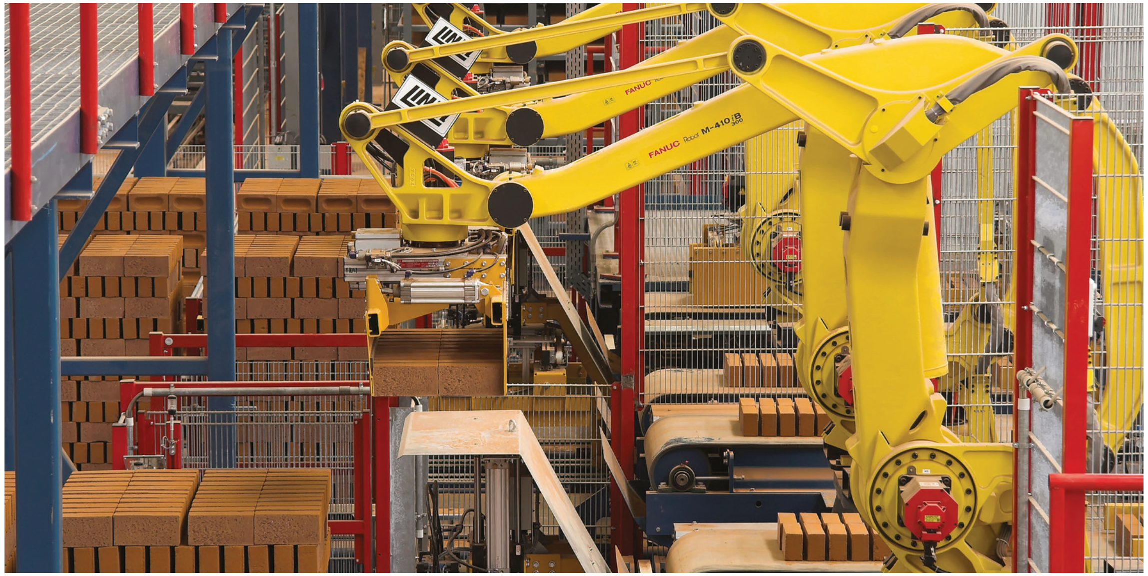
£m	**2016**	2015	% Change
Revenue	221.3	218.0	1.5%
EBITDA before exceptionals (pro-forma)	63.6	61.7	3.1%
EBITDA margin % (pro-forma)	28.7%	28.3%	+40bps

- EBITDA increased by £1.9m on like-for-like basis with 40bps improvement in margin due to higher sales, lower energy and fixed productions costs offset partly by sales mix
- Strong increase in brick sales to housebuilders
- Sales to merchants restricted by excess inventory in supply chain which is now largely complete
- Aircrete volumes held back by availability of pulverised fuel ash in some weeks
- Excellent performance by aggregate block business on back of increased sales volume

Bricks and blocks - Strategy implementation



- Measham expansion successfully completed in January 2016 resulting in 22% capacity increase
- Dedicated new product development team established and product range expanded with number of new brick types added
- Number of initiatives being progressed to secure supplies of PFA and alternative materials for the production of aircrete blocks
- Capital projects totalling £6.5m initiated to modernise and expand capacity at Desford (by 10m bricks pa) and Claughton (by 5m bricks pa)
- Changes in sales structure introduced during the year to strengthen relationships with customers and improve service levels

£m	**2016**	2015	% Change
Revenue	74.8	73.7	1.5%
EBITDA before exceptionals (pro-forma)	7.0	5.8	20.7%
EBITDA margin % (pro-forma)	9.4%	7.9%	+150bps

- Underlying revenue (excluding Structherm) grew by 4.7% with an improvement in margin due mainly to strong performance of engineered pre-cast concrete flooring products
- Reduced cost of Hollowcore flooring through commissioning of new casting machines resulting in reduced cement usage of up to 20%
- Record supply of pre-cast concrete T-beams following earlier capacity increase implemented at Somercotes facility
- Secured orders for design, manufacture and supply of precast for key infrastructure and transport projects, including rail, nuclear and motorway schemes
- New supply agreement secured with leading retirement homes provider for hollowcore flooring products, with commencement of orders in Q4
- Project commenced to install a replacement block machine at Formpave to increase production capacity and reduce costs

Forterra: delivery against our priorities

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Priorities	Actions
Embed **manufacturing excellence**	› Implement facility optimisation programmes › Invest in modern process technology › Continual focus on Health and Safety and Sustainability
Align **capacity and utilisation to market conditions**	› Respond to market conditions › Flex cost base where necessary
Deliver **operational efficiency**	› Continuous improvement programmes covering: • Resource usage / Energy efficiency • Supply chain management • Distribution optimisation
Product and service ***innovation***	› Develop new products and services › Enhance our customer service and build on existing relationships
Product range ***enhancement***	› Expand housing construction product footprint › Investigate bolt on acquisitions

Current trading & outlook

- 2017 has started well, building on the momentum from H2 2016. Brick volumes in first two months ahead of last year
- Continued strong activity levels from major housebuilders and positive indications from these customers for at least the first half
- As anticipated, price increases for the year agreed with most customers to cover increases in cost base
- Outlook for first half remains good, based on current levels of activity and our order book
- Less visiblity on the second half, however anticipate a more balanced outcome between H1 and H2 in 2017
- We expect to make progress through 2017 and our expectations for the full year are unchanged
- Business is well-positioned to take advantage of attractive market fundamentals

Q&A

Appendices

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Investment case

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Pure UK focus

1

100% in UK

Disciplined market

Consolidated competitive landscape

Structural long-term growth

Growth

2 — Room for volume growth in core bricks

Clear runway for growth with limited short term capex requirements

Volume growth available spare capacity

Short-term normalisation of import levels; destocking of supply chain working through

Medium term capacity expansion options

Price growth moderate but steady price growth

3 — Further growth from cross-selling

95% of sales from the housing market

Highly complementary products across the housebuilding market

Bricks (outer wall cavity)

Blocks (inner wall cavity)

Concrete flooring Chimney/roofing

Resilience

4 — Iconic Fletton brick

Sole manufacturer

Highest margins

Largely RM&I

Premium and resilient pricing

No imports available

5 — Substantial exposure to a more stable RM&I market

Resilient RM&I balancing newbuild

Efficiency

6 — Efficient core brick manufacturing

Superior output per facility; highly efficient operations

Measham (c.105m capacity): the most efficient soft mud plant in UK

Brick capacity per facility: c.61m

Sales per facility: c.£15m

7 — High return / low risk capex

Immediate focus on low cost incremental capacity additions

£0.21 m per million bricks

(vs a new factory of c£0.6m per million bricks)

Larger capacity projects available but not required in short term

Source: Company information, Management estimates

We offer a complementary range of manufactured masonry and bespoke building products

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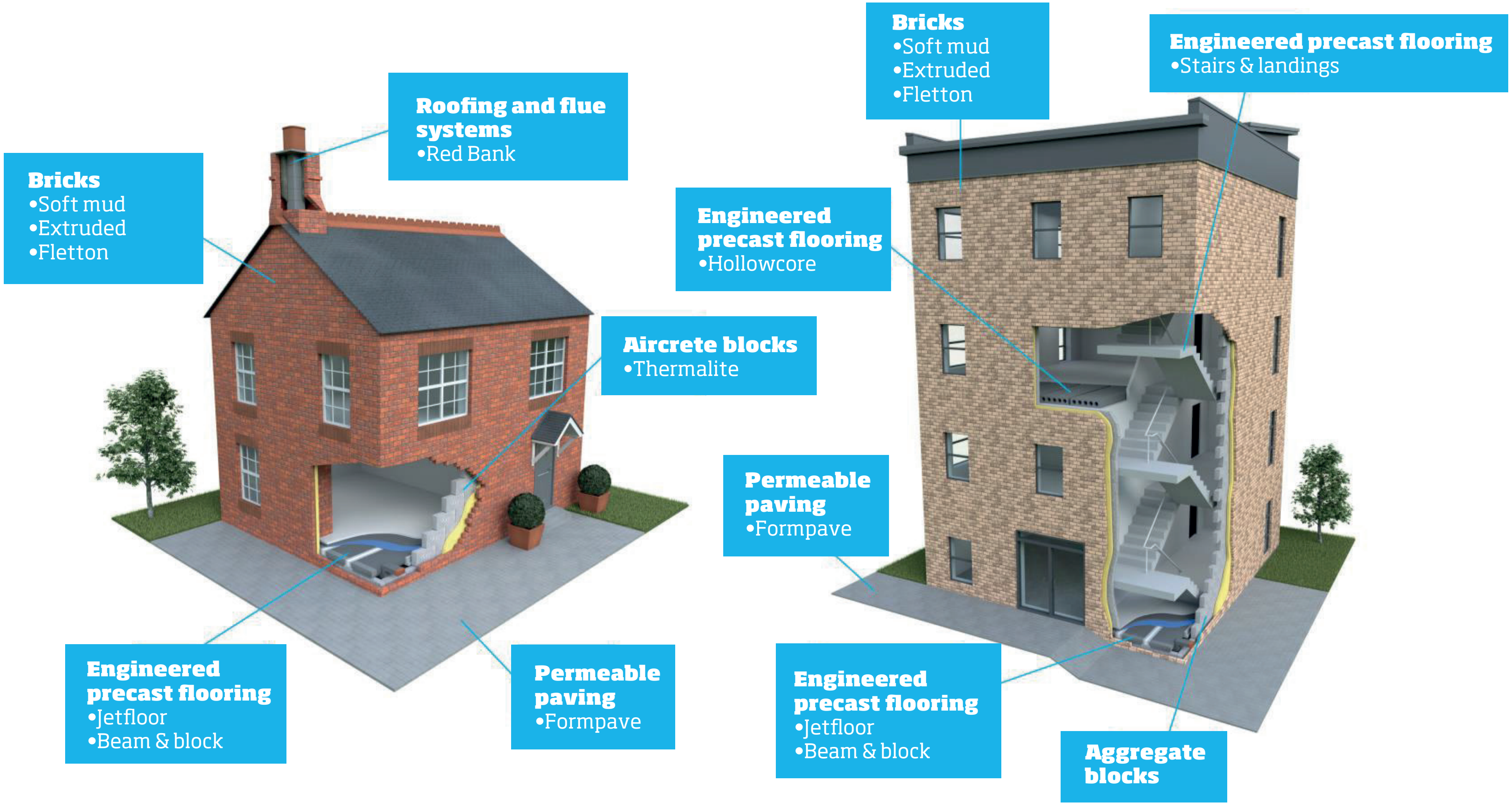
Forterra product range



Broad product offering addressing a wide range of critical applications in housing construction

Source: Company information

We serve the UK building construction markets across all distribution channels

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End-market exposure

Key Products	Channels / customers	Residential RMI	Residential Newbuild	Commercial
Bricks	• House builders • Builders' merchants • Specialist brick merchants	Extruded & Soft mud (Residential RMI, Residential Newbuild, Commercial)		
		Fletton (Residential RMI)		
Blocks	• House builders • Builders' merchants	Aircrete blocks (Residential RMI, Residential Newbuild)		
		Aggregate blocks (Residential RMI, Residential Newbuild, Commercial)		
Bespoke Products	• House builders • Builders' merchants • Contractors • Sub-contractors		Precast (Flooring) (Residential Newbuild, Commercial)	
		Formpave (Residential RMI, Residential Newbuild, Commercial)		
		Red Bank (Residential RMI)		

Cross-selling

Strong and long-standing customer relationship

- 30+ years
- Up to 30 years
- Up to 20 years

Diversified end-market exposure helps insulate against the cyclicality of specific market segments
Cross-selling opportunities from multi-channel distribution across complementary product offering

Effectively serving merchants and house builders alike
Relationships underpinned by quality and service

Efficient manufacturing base, driving cost leadership and competitiveness

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Network of scale manufacturing facilities across strategic locations

9 brick facilities

Avg. 2015 capacity per facility in GB

- Wienerberger 52m bricks p.a.
- IBSTOCK 43m bricks p.a.
- Michelmersh 20m bricks p.a.
- FORTERRA **61m bricks p.a.**[a]

1.4x larger than Ibstock

2 aircrete block facilities

Avg. 2015 capacity per facility in GB

- H+H 3.7m m^2
- TARMAC 2.7m m^2
- FORTERRA **3.6m m^2**

#2 in the UK (capacity)

2 aggregate block facilities

Avg. 2015 capacity per facility in SE and E England

- LIGNACITE 1.3m m^2
- TARMAC 1.0m m^2
- CEMEX 0.9m m^2
- FORTERRA **1.4m m^2**

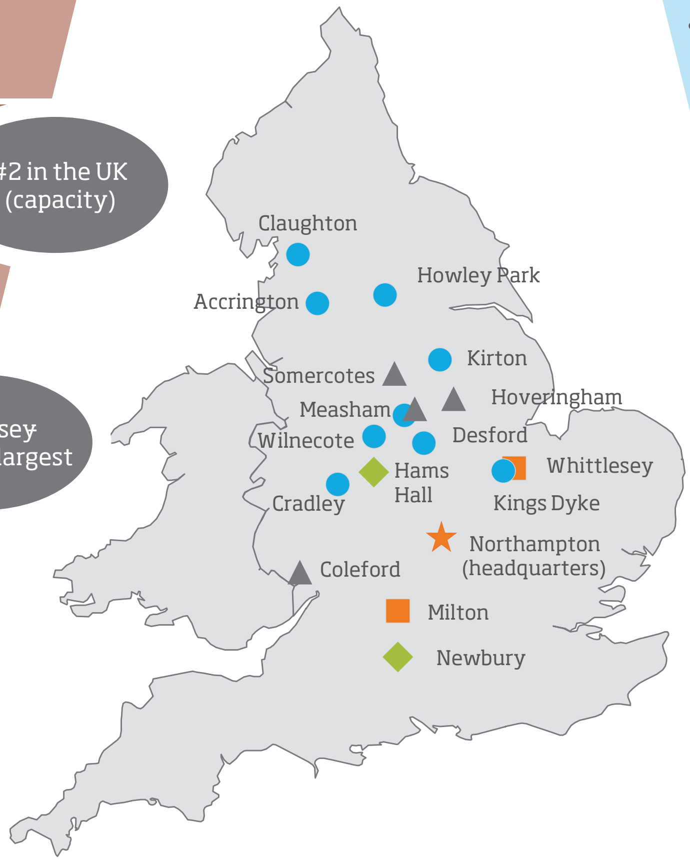
Whittlesey regional largest

4 bespoke products facilities

Long term clay resources

# clay reserves:	12 quarries
Clay resources:	c.85m tonnes
Sufficient for:	c.55 years

Forterra's manufacturing footprint



Focus on Measham

- State-of-the-art **largest, most modern** and **fully automated** soft mud brick manufacturing facility in UK
  - New Measham facility opened in 2009
  - Manufactures soft mud bricks
  - Total initial investment of c.£55m

Closure of 3 inefficient old facilities	
Old Measham	20m bricks capacity p.a.
Clockhouse	47m bricks capacity p.a.
Tilmanstone	30m bricks capacity p.a.

Single facility

86m bricks capacity p.a. now increased to **105m** from Jan-16 with c.£4m incremental investment

✔ **Meaningfully more efficient**

Optimal production cost estimated to be **c.40%** lower

✔ **Fully automated** with only 6 production staff per shift

Note: Average production capacity of each company calculated as total production capacity of that company in 2015 divided by the total number of facilities held by such company in the relevant area
(a) (a) Includes the Cradley brick facility (c.1m brick production capacity p.a.) which focuses on special shaped bricks
Source: Company information, BDS (Jan-2016), Management estimates

Incremental brick capacity from de-bottlenecking projects

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Status	✔ Completed	✔ Commenced	✔ Commenced	Potential	
Selected examples	Measham expansion	Desford gas supply upgrade	Claughton dryer replacement	Accrington kiln buffer extension	
					
Description	• Completed in Jan-2016 • Expand the Measham facility by an additional c.19m p.a.brick production capacity	• Ensure sufficient gas volume and pressure to service increased production • Includes on site works to pipework, metering, external grid reinforcement and kiln burners	• Dryer upgrade as current dryers are at the end of life • Required improvement to allow increased production	• Project to be carried out in 2018+	**Total**
Est. downtime	8 weeks	8 weeks	14 weeks	2 weeks	
Est. capex required	c.£4m	c.£3.5m	c.£3m	c.£2.5m	**c.£13m**
Est. capacity increase	c.19m p.a.	c.10m p.a.	c.5m p.a.	c.10m p.a.	**c.45m p.a.**
Est. completion	Jan -2016	2016 / 2017	2017	2018	

Identified smaller efficiency projects to achieve c.45m capacity expansion; lower risk and smaller capex requirements

Forterra: delivery against our priorities

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Priorities	Actions	Progress in 2016
Embed **manufacturing excellence**	› Implement facility optimisation programmes › Invest in modern process technology › Continual focus on Health and Safety and Sustainability	• Completed Measham Bricks expansion project to optimise plant capacity by 22% • Cement usage reduction of up to 20% in Hollowcore flooring via new casting equipment investment • Lost time injuries down by over 50%, with no LTI's in Bricks business for first time in our history
Align **capacity and utilisation to market conditions**	› Respond to market conditions › Flex cost base where necessary	• Responded quickly and decisively to market conditions by increasing production of London bricks at King's Dyke by commissioning an idle kiln • Aggregate block output increased at both plants to meet strengthening demand • Accrington and Claughton kilns turned off temporarily to maximise utililisation and efficiency
Deliver **operational efficiency**	› Continuous improvement programmes covering: • Resource usage / Energy efficiency • Supply chain management • Distribution optimisation	• Progressed development and adoption of alternative raw material sources within Aircrete • Record supply of precast concrete T-Beams following Somercotes factory investment • Enhanced distribution service and efficiency via additional delivery fleet investment
Product and service ***innovation***	› Develop new products and services › Enhance our customer service and build on existing relationships	• Established dedicated product development team - enhancement of Measham product range • Launch of flood resilience product portfolio • Commercial structure revised to facilitate cross-product sales opportunities, supported by new online sales management system • Investment in training and development sales and customer service support team
Product range ***enhancement***	› Expand housing construction product footprint › Investigate bolt on acquisitions	• Continued to review product expansion opportunities, both organically and through appropriate bolt on acquisitions

P&L pre-exceptionals

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£m	2016	2015
Revenue	294.5	290.2
Cost of Sales	(171.2)	(167.7)
Gross Profit	**123.3**	**122.5**
Distribution Costs	(43.2)	(44.4)
Administrative expenses	(20.7)	(17.5)
Other operating income	0.8	0.5
Operating Profit	**60.2**	**61.1**
Add back: depreciation & amortisation	10.4	9.4
EBITDA	**70.6**	**70.5**
Additional costs in 2016 as a stand-alone PLC	-	(3.0)
EBITDA (pro-forma basis)	**70.6**	**67.5**

D&A and exceptional items

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£m	2016	2015
EBITDA before exceptionals	**70.6**	**70.5**
Depreciation	(10.1)	(9.1)
Amortisation	(0.3)	(0.3)
Exceptional items	(8.9)	(11.6)
Operating profit	**51.3**	**49.5**
Net financial expenses	(14.2)	(27.3)
Income tax expenses	(9.6)	(4.2)
Net profit for the period	**27.5**	**18.0**

Exceptional items:	**(8.9)**	**(11.6)**
Transaction costs	(9.1)	(5.2)
Separation costs	(1.3)	(4.0)
Indemnity payment recieved	1.6	-
Loss on disposal of Structherm	(0.1)	-
Impairment of intangibles assets	-	(2.4)

Summary cash flow statement

FORTERRA plc

£m	2016	2015
EBITDA before exceptionals	70.6	70.5
Working capital	(1.0)	(18.5)
Non-cash movements	0.2	1.8
Cash generated from operations (before exceptionals)	**69.8**	**53.8**
Cashflows relating to exceptionals	(13.6)	(3.8)
Cash generated from operations	**56.2**	**50.0**
Interest paid	(12.4)	(26.4)
Tax paid	(6.3)	(3.3)
Net cash flow from operations	**37.5**	**20.3**
Capital expenditure	(9.1)	(12.5)
Proceeds from sale of PP&E	0.3	0.1
Dividends paid	(4.0)	-
Net cash flow	**24.7**	**7.9**

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