

FORTERRA PLC INTERIM RESULTS PRESENTATION

28 JULY 2022



KEEPING BRITAIN BUILDING

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AGENDA

1. Highlights
2. Financial review
3. Our markets
4. Strategic update
5. Sustainability
6. Outlook
7. Q&A



Stephen Harrison
Chief Executive Officer



Ben Guyatt
Chief Financial Officer

OPERATIONAL AND TRADING HIGHLIGHTS

- Continued strong performance; full year expectations slightly increased
- Strong trading continued throughout the period with results ahead of both the prior year and 2019
- Both housebuilding and RMI demand remains strong with London Brick volumes performing well (sold almost exclusively into the home extension sector)
- With sales constrained by capacity and record low inventories, brick sales volumes were 3% ahead of prior year and in line with 2019
- Brick selling prices increased by c.30% relative to December 2021 prices with similar increases in other products driving meaningful margin improvement vs. 2021 full year
- Improved Bespoke Products result driven by strategic focus on driving profitability in the rationalised flooring business
- Continued strong operating cash flow of £37.5m delivering a net cash balance before leases of £24.1m

STRATEGIC HIGHLIGHTS

- New Desford brick factory progressing to timetable and on budget with commissioning expected in late 2022
- Total capital expenditure of £21.3m in H1 of which £15.8m related to Desford
- Wilnecote factory closing for redevelopment at end of September, with commissioning planned for July 2023 and full reopening in October 2023
- Equipment supplier selected for the Accrington brick slips project with completion scheduled for Q4 2023
- Progress on sustainability goals includes announcement of £4.1m investment in on-site solar
- £40m share buy-back expected to be completed by the end of the year with £20.6m of shares repurchased as at the half year
- Interim dividend of 4.6p per share increased by 44% relative to prior year (2021: 3.2p) declared in line with 55% pay-out ratio



KEY FINANCIALS

£m	Period ended 30 June*		
	2022	2021	Change
Revenue	222.8	180.3	23.6%
EBITDA	46.1	37.0	24.6%
Operating profit / EBIT	38.1	29.0	31.4%
Profit before tax	37.3	27.1	37.6%
Earnings per share (pence)	13.5	9.3	45.2%
Cash flow from operations	37.5	31.6	18.7%
Net cash before leases	24.1	26.3	(8.4%)
Dividend – total (pence)	4.6	3.2	43.8%
<i>*Adjusted results</i>			
Statutory results			
Profit before tax	44.2	29.1	51.9%
Earnings per share (pence)	16.0	10.0	60.0%

PROFIT AND LOSS

£m	Period ended 30 June*		
	2022	2021	Change
Revenue	222.8	180.3	23.6%
EBITDA			
- Bricks and Blocks	44.3	37.8	17.2%
- Bespoke Products	1.8	(0.8)	
Total	46.1	37.0	24.6%
<i>EBITDA margin</i>	20.7%	20.5%	
Depreciation and Amortisation	(8.0)	(8.0)	-
Operating profit / EBIT	38.1	29.0	31.4%
Finance expense	(0.8)	(1.9)	57.9%
Profit before tax	37.3	27.1	37.6%
<i>Effective tax rate</i>	19.7%	21.3%	
Earnings per share (pence)	13.5	9.3	45.2%

*Adjusted results

SEGMENTAL RESULTS: BRICKS AND BLOCKS

£m	Period ended 30 June*		
	2022	2021	Change
Revenue	181.0	145.0	24.8%
EBITDA before overhead allocation	56.9	48.0	18.5%
EBITDA margin before overhead allocation	31.4%	33.1%	
Overhead allocation	(12.6)	(10.2)	23.5%
EBITDA	44.3	37.8	17.2%
EBITDA margin	24.5%	26.1%	

**Adjusted results*

- Brick sales volumes 3% ahead of 2021 and in line with 2019
- Segmental EBITDA of £44.3m represents a 17.2% increase on 2021 and a 6.5% increase on 2019
- 2022 H1 EBITDA margin of 24.5% significantly ahead of H2 2021 comparator of 21.4%
- c.85% of energy forward purchased for H2, providing insulation from volatile energy prices

SEGMENTAL RESULTS: BESPOKE PRODUCTS

£m	Period ended 30 June*		
	2022	2021	Change
Revenue	44.3	37.2	19.1%
EBITDA before overhead allocation	4.9	1.8	172.2%
EBITDA margin before overhead allocation	11.1%	4.8%	
Overhead allocation	(3.1)	(2.6)	19.2%
EBITDA	1.8	(0.8)	
EBITDA margin	4.1%		

**Adjusted results*

- Significant improvement in segment performance driven by rationalised precast concrete assets
- Revenues totalled £44.3m, an increase of £7.1m or 19.1% relative to 2021 despite the closure of the Swadlincote Bespoke facility towards the end of 2021
- Margin improved to 11.1% increasing from 4.8% having successfully recovered cost inflation
- The segment has contributed £4.9m (2021: £1.8m) to group overheads, a strong return on a modest asset base

CASH FLOW

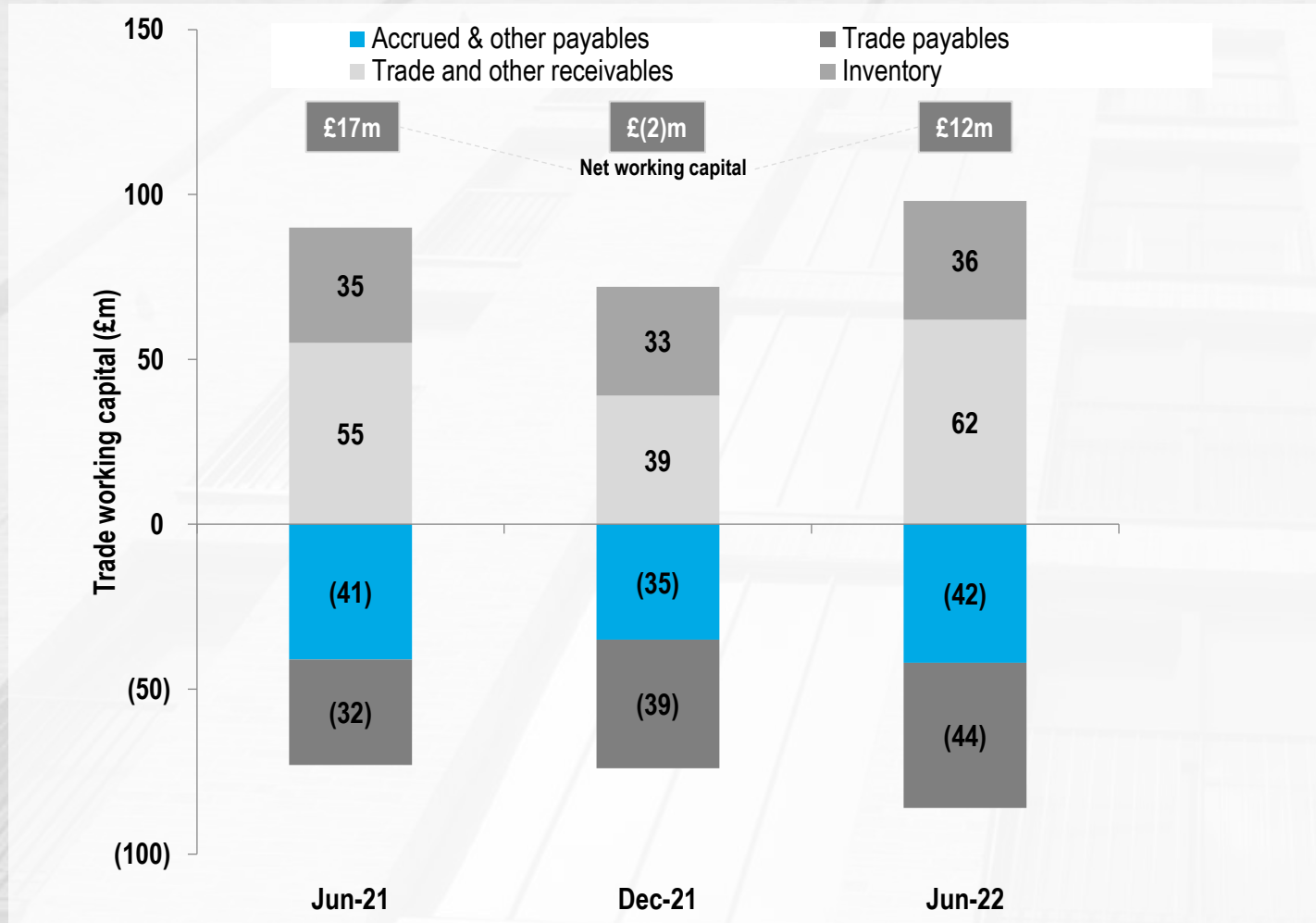
£m	Period ended 30 June	
	2022	2021
Operating cash flow before exceptional items	37.5	31.6
Interest	(1.2)	(1.5)
Tax	(5.7)	(4.8)
Capital expenditure	(21.3)	(11.6)
Sale of assets	2.8	-
EBT payments	(5.9)	(0.5)
Other movements	0.4	(0.4)
Share buy back	(20.8)	-
New lease liabilities	(2.1)	(8.1)
(Decrease) / increase in net cash	(16.3)	4.7

- The Group's consistent ability to generate strong cash flow exemplified by an operating cash flow of £37.5m
- £20.8m (including taxes and fees) returned to shareholders through share buyback

£m	Capex						Project totals
	<2022	2022 YTD	2022 YTE	Total	2023	>2023	
Desford brick factory	59.3	15.8	14.0	29.8	5.9	-	95.0
Wilnecote refurbishment	1.7	0.1	6.5	6.6	17.7	1.0	27.0
Accrington slips	-	-	1.8	1.8	8.5	1.7	12.0
Maintenance		5.3	6.0	11.3	14.0		
Total capex		21.2	28.3	49.5	46.1		

- Desford project expected to be completed within £95m budget
- Wilnecote spend re-phased
- Accrington equipment supplier selected

WORKING CAPITAL



- Working capital remains tightly managed with a reduction of £5m relative to June 21
- Inventory quantities continue to reduce offset by increase in valuation driven by increasing cost of production
- Seasonal fluctuation between December and June

BALANCE SHEET POSITION AND FACILITIES

£m	Net cash	
	June 2022	June 2021
Cash and cash equivalents	34.3	31.8
Loans and borrowings	(10.2)	(5.5)
Net cash excluding leases	24.1	36.3
Lease liabilities	(16.0)	(15.0)
Net cash	8.1	11.3

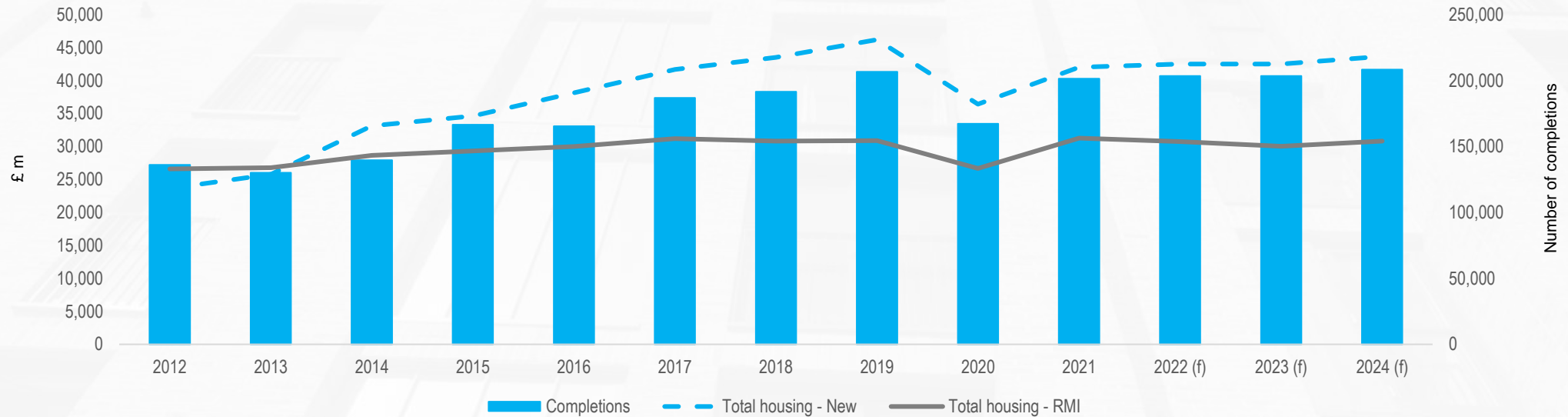
- Strong balance sheet position with net cash before leases of £24.1m
- Debt facility comprises a committed revolving credit facility (RCF) of £170m extending to July 2025
- Leverage target at or below 1x EBITDA



FORTERRA
Keeping Britain Building

OUR MARKETS

Forecast housing growth

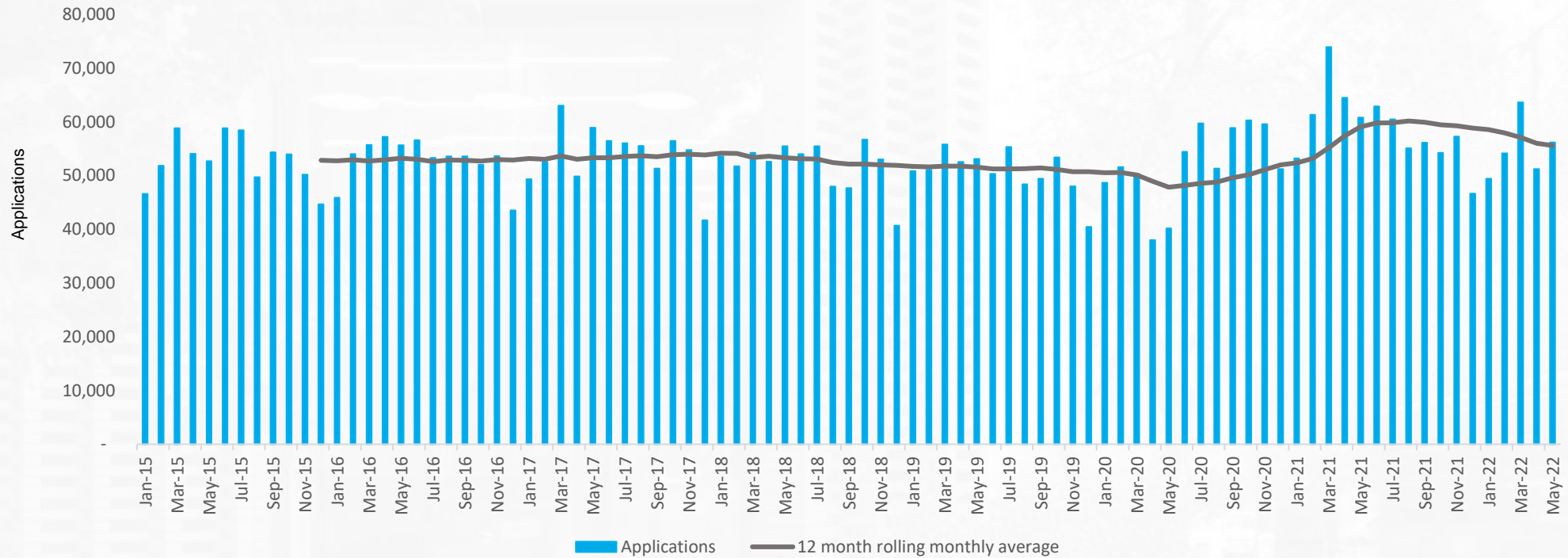


Source: Construction Products Association (CPA) Summer 2022 Forecast

- Growth supported by core fundamentals; a cross-party political agenda to build more homes for a growing population (6% growth in last decade per 2021 census)
- Per the CPA, housing output in the UK is forecast to continue to grow across both new build and RM&I

RMI MARKET – PLANNING APPLICATION DATA

Residential planning applications < £100k



- Planning applications of up to £100k are a useful proxy for the element of the RMI market relevant to Forterra, where after a peak through 2021 the stable trend has returned

Brick industry stocks are at a historical low with strong demand not enabling restocking post pandemic

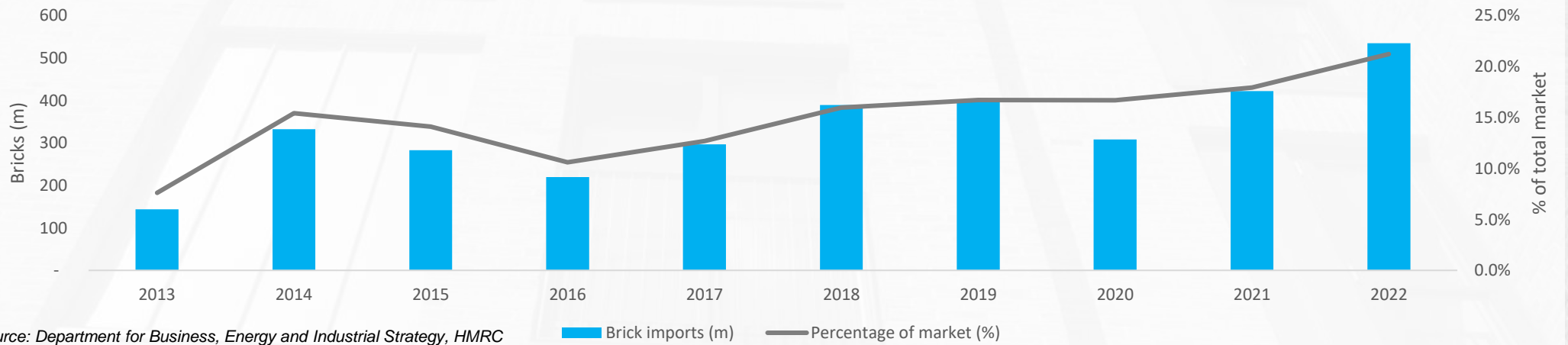
UK brick inventory and deliveries (quarterly average)



Record levels of imports seen in 2022; c.21% of the market (MAT) at May 2022

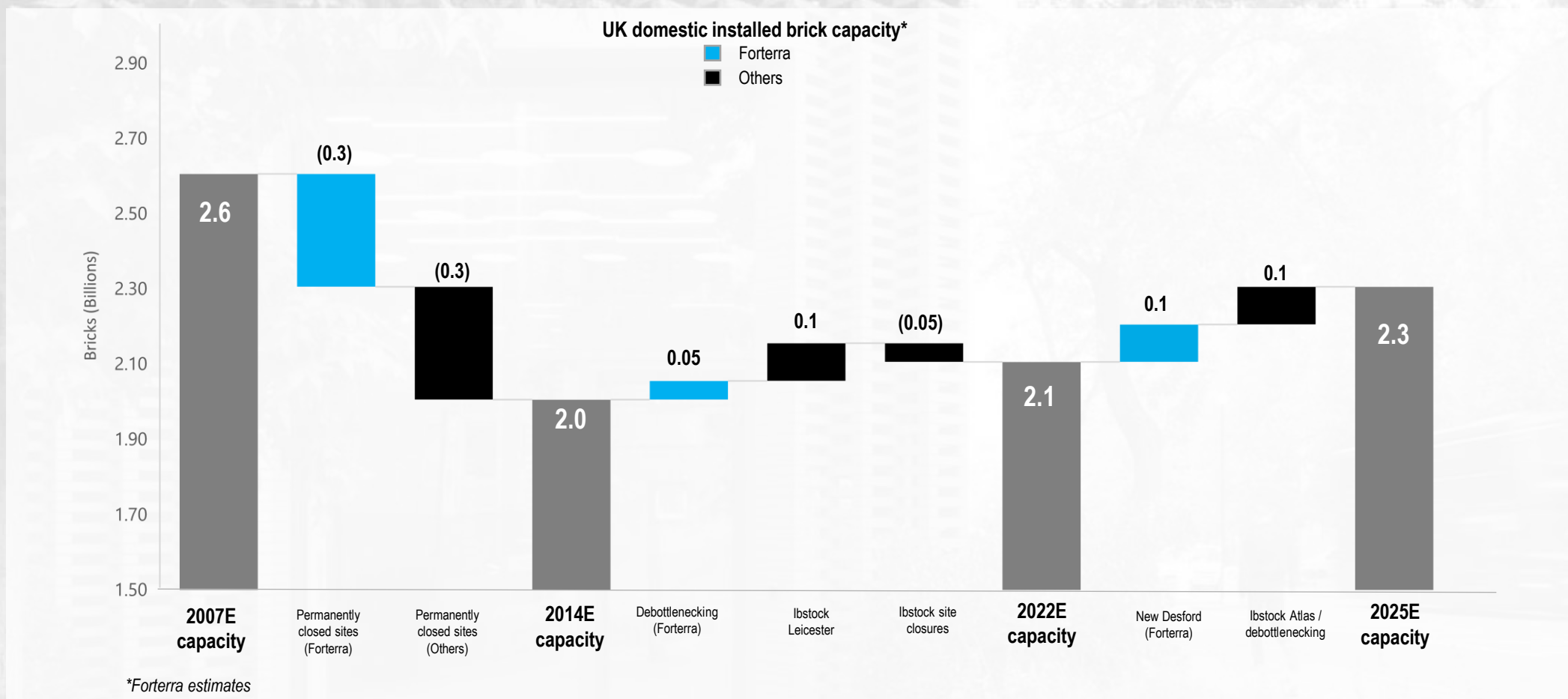
The YTD 2022 figure has seen imports at 25%

Imports (MAT basis)



UK BRICK MARKET OPERATING AT CAPACITY

- New Desford facility bringing much needed capacity to the UK market





A CLEAR AND FOCUSED STRATEGY

- We are well positioned to capture profitable growth, benefitting from the structural dynamics of the markets in which we operate
- Our strategy for growth is focused upon organic investment across three interconnected pillars

1. STRENGTHEN THE CORE



Grow capacity, cost efficiency and improved sustainability

STRATEGY IN ACTION DESFORD BRICK FACTORY

- £95m investment
- Commissioning Q4 2022
- Increase brick production by 22% (120m bricks per annum)
- More efficient factory
- £25m incremental EBITDA
- Core product for our housebuilding customers

2. RANGE EXPANSION



Access new higher margin market segments

STRATEGY IN ACTION WILNECOTE BRICK FACTORY

- £27m investment
- Improved efficiency
- Increased breadth of product range
- Expansion into the commercial and specification market

3. PRODUCT INNOVATION AND DEVELOPMENT



Develop and launch new products

STRATEGY IN ACTION BRICK SLIPS

- £12m investment
- Up to 48m slips per annum
- Cost effective entrance into a new market
- Improved sustainability credentials vs. current slips in the UK market

£25M INCREMENTAL EBITDA AT NEW DESFORD FACILITY

1. STRENGTHEN THE CORE



- £95m investment adding new efficient capacity, producing core products for our housebuilding customers

Returns

- Project expected to generate attractive returns over the medium-term positioning the Group to benefit from the favourable long-term housing market fundamentals
- Expected annual incremental EBITDA of c.£25m

Progress and timing

- £75.1m spent to date (June)
- Commissioning scheduled Q4 2022
- Production to reach full run-rate in 2024
- Full financial contribution expected from 2025



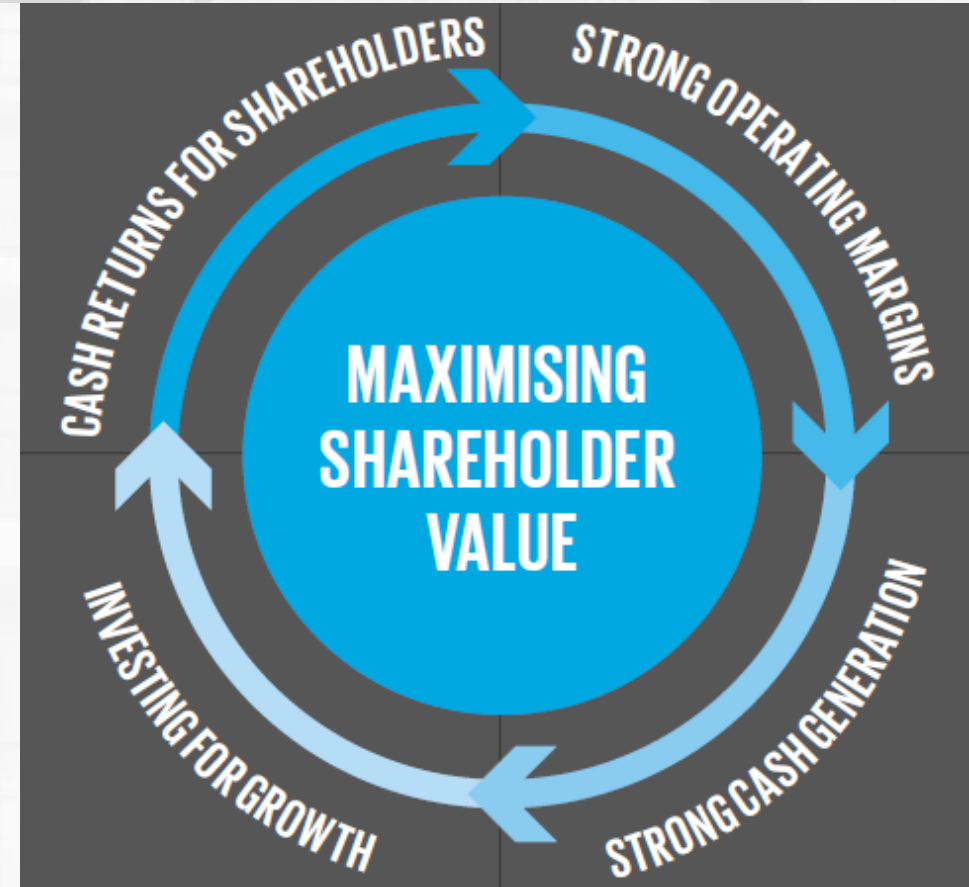
CONTINUED STRONG CASH GENERATION

Continued strong free cash flow will be allocated in line with our capital allocation priorities

1. Strategic organic capital investment to deliver attractive returns
2. Progressive ordinary dividend with the pay-out ratio increasing of 55%
3. Bolt-ons as suitable opportunities arise in adjacent or complementary markets
4. Supplementary shareholder returns as appropriate

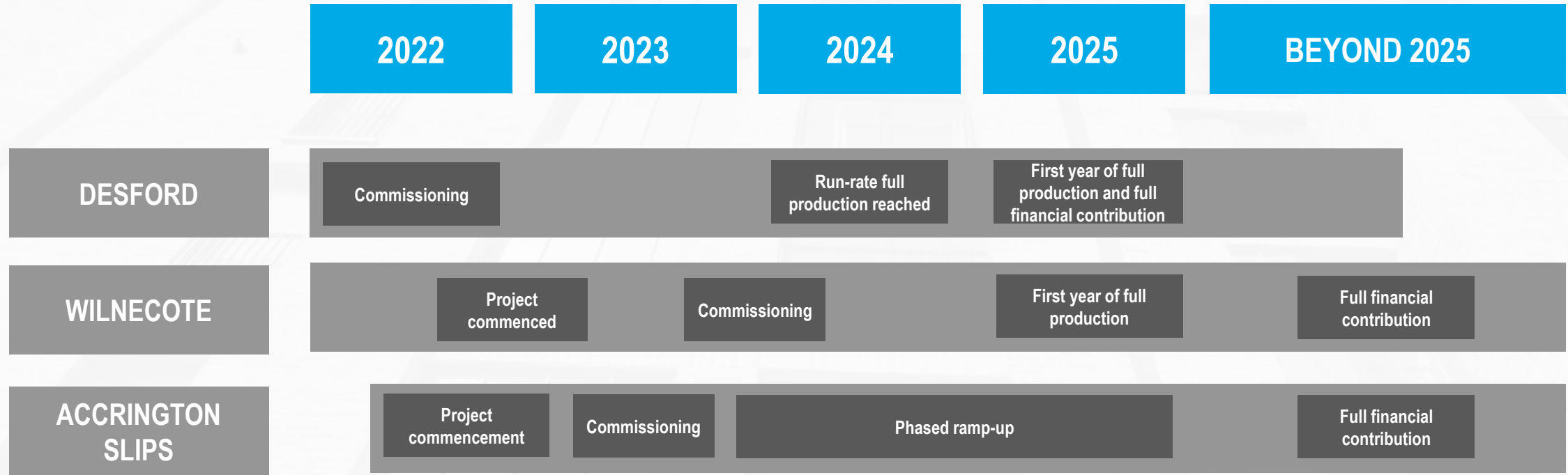
Share buyback

- On 26 January 2022 the Board announced the commencement of share buyback programme to repurchase ordinary shares of 1 pence each in the capital of the Company
- The intention is to return £40m to shareholders through repurchasing and cancelling shares. £20.6m (excluding fees & taxes) returned to June 2022



PIPELINE OF ATTRACTIVE CAPEX PROJECTS

Organic investment pipeline



Further pipeline of attractive organic investment options





COMMITMENT TO SUSTAINABILITY

Operating sustainably is critical to our long-term success as a business and influences everything we do.

We have set out a number of challenging new targets across three key pillars:

People – we care about the health, safety and wellbeing of our people, their families and the communities within which we work.

Planet – we aspire to positively impact our planet, creating a better environment for future generations to inherit.

Product – our products build and enhance communities and we continue to develop new, innovative and sustainable solutions.



PEOPLE

- Zero harm ambition for health and safety.
- 5% of employees in “earn and learn” positions by 2025.
- Improved ethnic and gender diversity.



PLANET

- CO2 emissions / tonne targets (2019-2030):
 - 32% reduction
 - 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.



PRODUCT

- Plastic packaging reduction of 50% by 2025 (from 2019 baseline).
- 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 carbon ambitions.

CONTINUED PROGRESS IN 2022

- Continue to work towards our target of a 32% reduction in our emissions over the next decade with 4.5% achieved vs. 2019 to date
- Entered into a 15-year Power Purchase Agreement (PPA) which will see us receive around 70% of our electricity from 2025 from a dedicated solar farm
- Approved a combined investment of £4.1m in roof mounted solar installations at both our new Desford and Wilnecote brick factories; providing 5% of our overall electricity requirement
- Reduction of our use of plastic packaging continues
- Hydrogen trials planned for H2, a key step in proving this breakthrough technology
- Partnered with a supplier in jointly planning a carbon capture feasibility study for a scheme at our Kirton brick factory that, if successful, could capture around 70% of that factory's carbon emissions
- Actively investigating the use of cement substitutes, including the potential to use calcined clay (present in brick waste) as well as other blended cements utilising ground limestone as a replacement for clinker, reducing our scope 3 emissions





OUTLOOK

- We anticipate current trading conditions will continue in H2, despite growing macro-economic uncertainty
- The temporary closure of our Wilnecote brick factory, ongoing capacity constraints and the closure costs and inefficiencies relating to the old Desford brick factory will influence H2 performance
- Despite this, the performance to date and our expectations looking forward, lead the Board to anticipate a full year 2022 result slightly ahead of the Board's previous expectations

DELIVERING LONG-TERM SHAREHOLDER VALUE

WELL-POSITIONED TO DELIVER PROFITABLE GROWTH

ESTABLISHED LEADING MARKET POSITIONS IN CORE PRODUCTS

- Broad, complementary product range
- Unique, trusted and respected heritage brands
- High production barriers to entry supported by secure long-term mineral and land reserves
- Well-invested, efficient and profitable asset base
- Strong customer relationships

LONG-TERM STRUCTURAL DEMAND AND SUPPLY FACTORS UNDERPINS MARKET GROWTH

- Market demand driven by structural housing shortage
- Undersupply of domestically produced brick and other key building products
- Consolidated market structure
- Industry leading cost of brick production

INVESTMENT PIPELINE TO DELIVER CAPACITY GROWTH, EFFICIENCY AND DECARBONISATION

- Three large scale projects commissioning in 2022 and 2023 will progressively deliver significant profit and cash returns from 2023
- Further £200m pipeline of attractive projects
- Proven delivery of innovation and manufacturing excellence

COMMITMENT TO SUSTAINABILITY LEADERSHIP

- Inherently sustainable and durable products
- Ambitious ESG targets to 2030
- 22% reduction in carbon emissions 2010-19
- Commitment to commercially robust ESG agenda including a further 32% carbon emissions reduction target 2019-30

STRONG PROFITABLE GROWTH, CASH GENERATION AND DISCIPLINED CAPITAL ALLOCATION

- Strong cash conversion supports organic investment model
- Free cash flow in excess of £600m expected to be generated 2021-30
- Progressive dividend policy
- Balance sheet strength allows selective M&A bolt ons
- Leverage expected to remain at or below 1x EBITDA
- Supplementary returns to shareholders as appropriate



RECONCILIATION OF ALTERNATIVE MEASURES TO STATUTORY RESULTS

Period ended 30 June 2022

£m	Adjusted results	Exceptional items	Carbon accounting	Statutory results
Revenue	222.8	-	-	222.8
EBITDA	46.1	2.3	4.6	53.0
EBITDA margin	20.7%			23.8%
Operating profit	38.1	2.3	4.6	45.0
Profit before tax	37.3	2.3	4.6	44.2

KEY FINANCIALS (VS. 2019)

£m	Period ended 30 June*		
	2022	2019	Change
Revenue	222.8	193.6	15.1%
EBITDA	46.1	42.5	8.5%
Operating profit	38.1	33.9	12.4%
Profit before tax	37.3	32.7	14.1%
Earnings per share (pence)	13.5	13.6	(0.7)%
Cash flow from operations	37.5	27.6	35.9%
Net cash / (debt) before leases	24.1	(35.5)	
Dividend – total (pence)	4.6	4.0	15.0%
<i>*Adjusted results</i>			
Statutory results			
Profit before tax	44.2	32.7	35.2%
Earnings per share (pence)	16.0	13.6	17.6%

PROFIT AND LOSS (VS. 2019)

£m	Period ended 30 June*		
	2022	2019	Change
Revenue	222.8	193.6	15.1%
EBITDA			
- Bricks and Blocks	44.3	41.6	6.5%
- Bespoke Products	1.8	0.9	100.0%
Total	46.1	42.5	8.5%
<i>EBITDA margin</i>	20.7%	22.0%	
Depreciation and Amortisation	(8.0)	(8.6)	
Operating profit / EBIT	38.1	33.9	12.4%
Finance expense	(0.8)	(1.2)	33.3%
Profit before tax	37.3	32.7	14.1%
<i>Effective tax rate</i>	19.7%	18.5%	
Earnings per share (pence)	13.5	13.6	(0.7)%

*Adjusted results

SEGMENTAL RESULTS: BRICKS AND BLOCKS (VS. 2019)

£m	Period ended 30 June*		
	2022	2019	Change
Revenue	181.0	143.9	25.8%
EBITDA before overhead allocation	56.9	49.5	14.9%
EBITDA margin before overhead allocation	31.4%	34.4%	
Overhead allocation	(12.6)	(7.9)	59.5%
EBITDA	44.3	41.6	6.5%
EBITDA margin	24.5%	28.9%	

*Adjusted results

SEGMENTAL RESULTS: BESPOKE PRODUCTS (VS. 2019)

£m	Period ended 30 June*		
	2022	2019	Change
Revenue	44.3	50.9	(13.0)%
EBITDA before overhead allocation	4.9	2.8	75.0%
EBITDA margin before overhead allocation	11.1%	5.5%	
Overhead allocation	(3.1)	(1.9)	
EBITDA	1.8	0.9	100.0%
EBITDA margin	4.1%	1.8%	

**Adjusted results*

SUMMARY BALANCE SHEET



£m	June 2022	December 2021
Intangible assets	15.8	17.7
Property, plant and equipment	218.9	201.4
Right-of-use assets	16.1	16.5
Total non-current assets	250.8	235.6
Current assets		
Inventories	36.3	32.8
Trade and other receivables	61.5	39.1
Cash and cash equivalents	34.3	41.5
Income tax asset	-	1.0
Total current assets	132.1	114.4
Total assets	382.9	350.0
Trade and other payables	(104.0)	(75.6)
External borrowings	(10.2)	(0.6)
Lease liabilities	(16.0)	(16.5)
Other liabilities	(21.5)	(22.5)
Net assets	231.2	234.8



THE ORIGINAL
LONDON
BRICK

ECOSTOCK
BRICK

BUTTERLEY
BRICK

CRADLEY
SPECIAL BRICK

RED BANK

THERMALITE

CONBLOC

BISON PRECAST

JETFLOOR

INNOVATORS IN
FORMPAVE
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forterra.co.uk



Forterra
5 Grange Park Court
Roman Way
Northampton
NN4 5EA

01604 707600