



FORTERRA PLC

# DESFORD THE LARGEST BRICK FACTORY IN EUROPE

17 May 2023

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# TODAY'S PRESENTERS



**NEIL ASH**  
Chief Executive Officer



**STEPHEN HARRISON**  
Former Chief Executive Officer



**BEN GUYATT**  
Chief Financial Officer

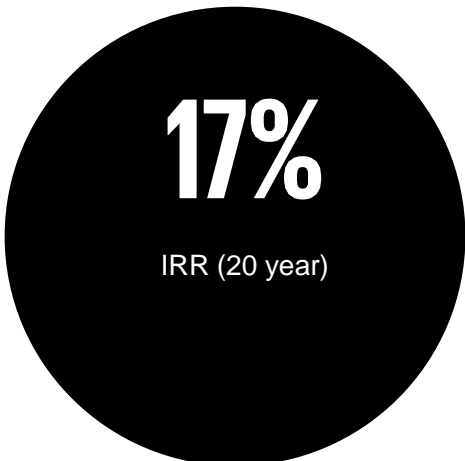
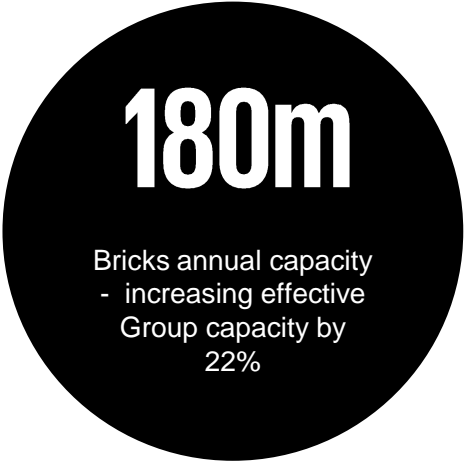
# TODAY'S AGENDA



	<b>Time</b>
<b>1) Welcome and presentation</b>	<b>1000</b>
<b>2) Q&amp;A</b>	<b>1030</b>
<b>3) Group Tours</b>	<b>1100-1200</b>
<b>4) Opening ceremony</b>	<b>1200</b>
<b>5) Lunch</b>	<b>1220</b>

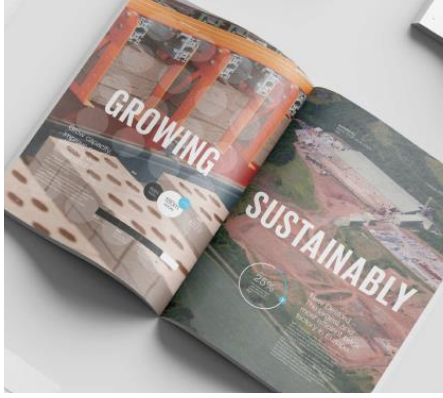
# ATTRACTIVE RETURNS ON INVESTMENT EXPECTED

PROJECT DELIVERED ON TIME AND WITHIN BUDGET



# NEW DESFORD FACTORY ALIGNED TO GROUP INVESTMENT CASE ACROSS ALL 5 AREAS

DELIVERING LONG-TERM SHAREHOLDER VALUE



Established leading market positions in core products

Long-term structural demand and supply factors underpin market growth

Investment pipeline to deliver capacity growth, efficiency and decarbonisation

Commitment to sustainability leadership

Strong profitable growth, cash generation and disciplined capital allocation



# A CLEAR AND FOCUSED STRATEGY ACROSS THREE STRATEGIC PILLARS

1.

## Strengthen the core



Grow capacity, cost efficiency and improved sustainability

### STRATEGY IN ACTION

New Desford Brick Factory

2.

## Range expansion



Access new higher margin market segments

### STRATEGY IN ACTION

Wilnecote Brick Factory

3.

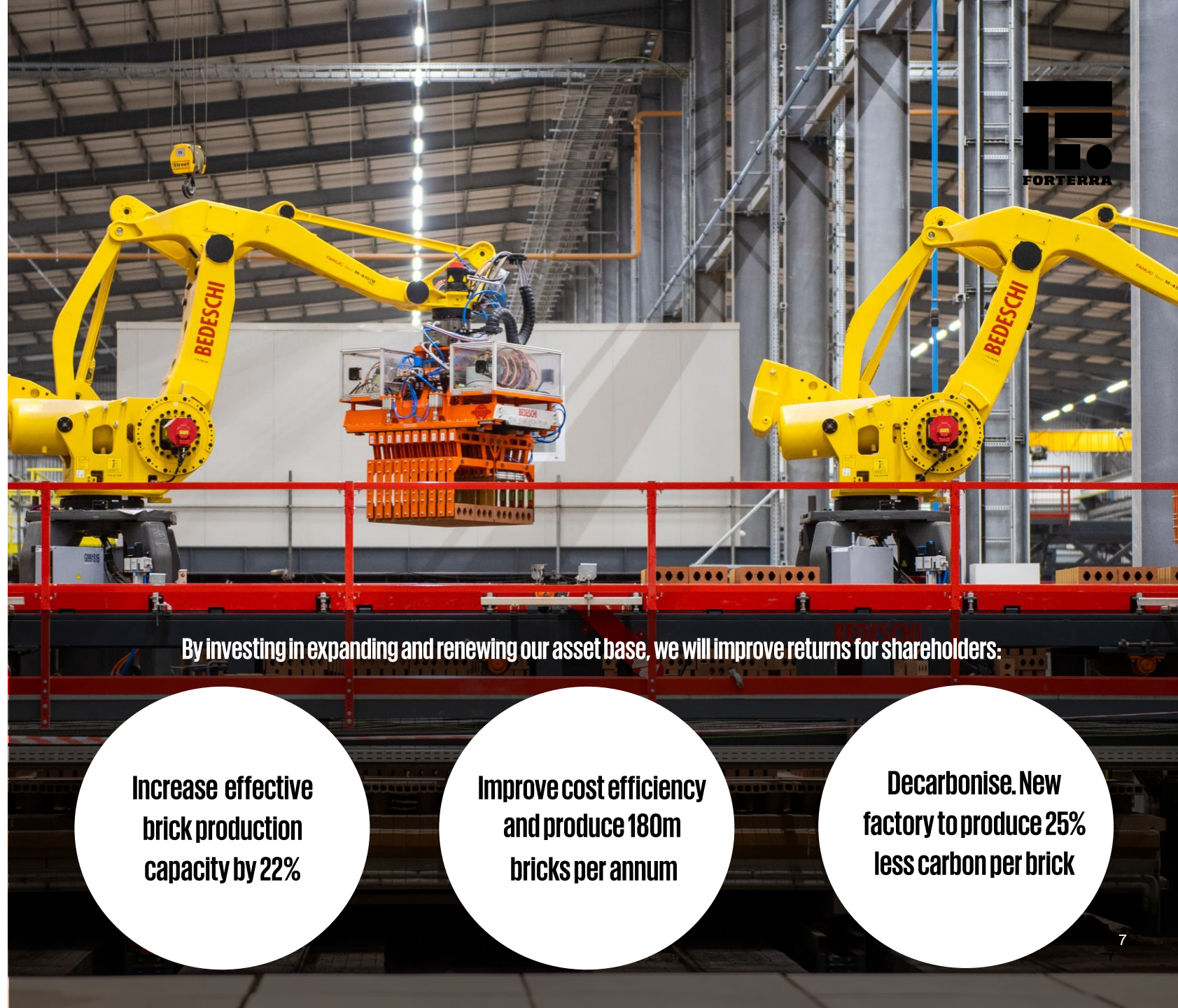
## Innovation and development



Develop and launch new products

### STRATEGY IN ACTION

Brick Slips



By investing in expanding and renewing our asset base, we will improve returns for shareholders:

**Increase effective  
brick production  
capacity by 22%**

**Improve cost efficiency  
and produce 180m  
bricks per annum**

**Decarbonise. New  
factory to produce 25%  
less carbon per brick**



# KEEPING BRITAIN BUILDING

## PRODUCTS AND MARKETS

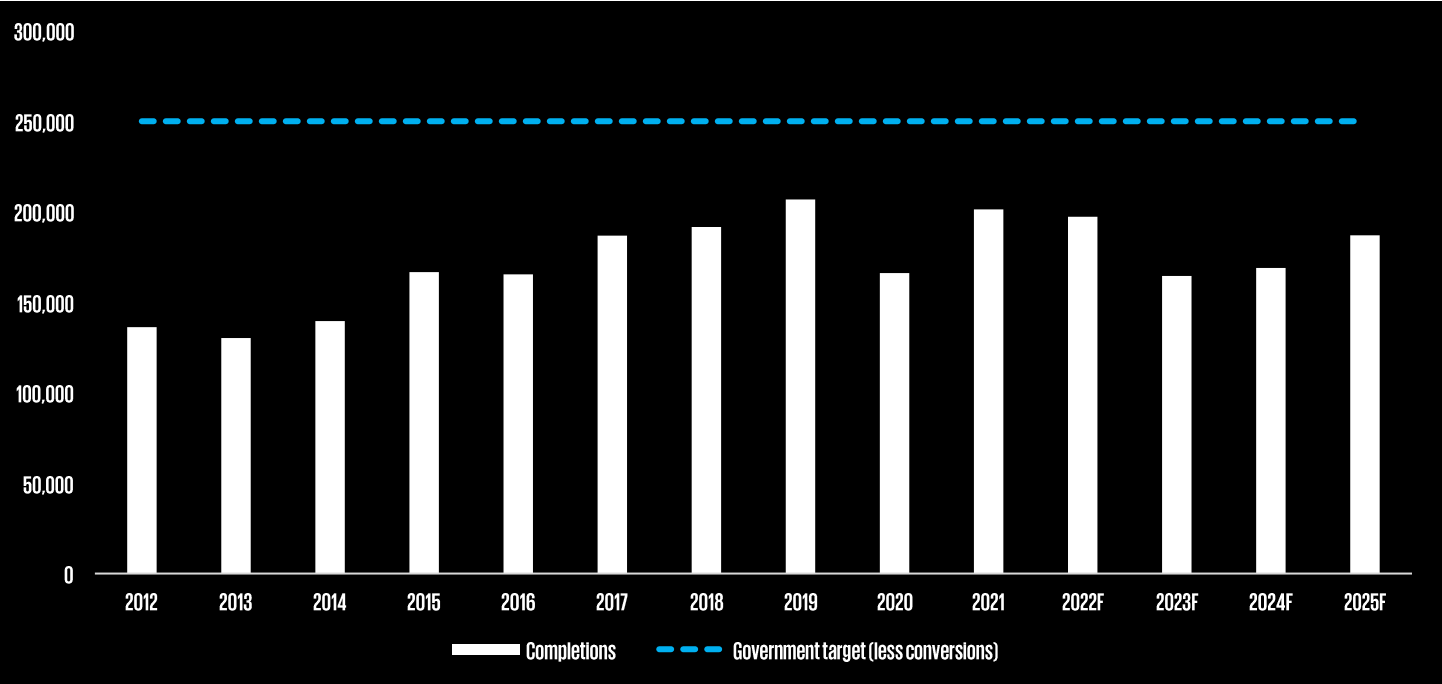


# SUPPORTIVE MARKET FUNDAMENTALS



- Desford’s industry leading efficiency leaves us well placed to benefit from the medium-term fundamentals underlying the UK housing market
- 197,000 new build homes estimated to have been completed in Great Britain during 2022 remains below the Government target of 300,000 new homes annually
- Cross-party political support for increased housing supply
- Mortgage rates that remain at low levels historically despite recent increases

New build housing completions



Source: CPA Spring Forecast 2023

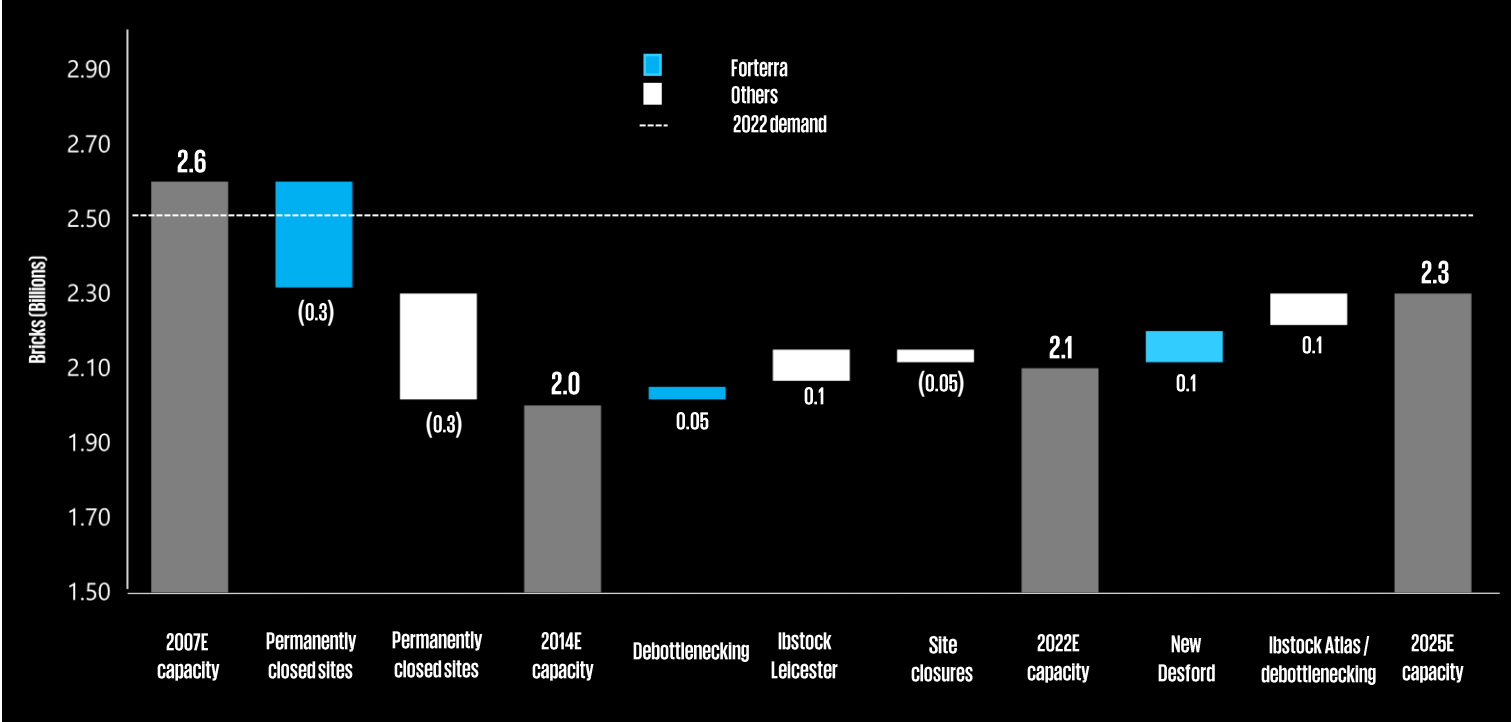


# EVOLUTION OF UK BRICK MARKET CAPACITY



- Industry capacity was rationalised during the global financial crisis with Forterra playing the leading role
- Despite current and announced capacity investments, the UK brick industry still lacks the capacity required to meet demand

Evolving domestic brick market capacity



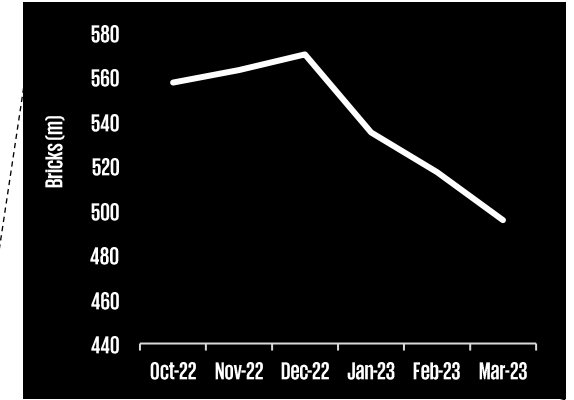
Source: Forterra estimates

# SCOPE TO DISPLACE IMPORTS WHICH REMAIN AT A RECORD HIGH



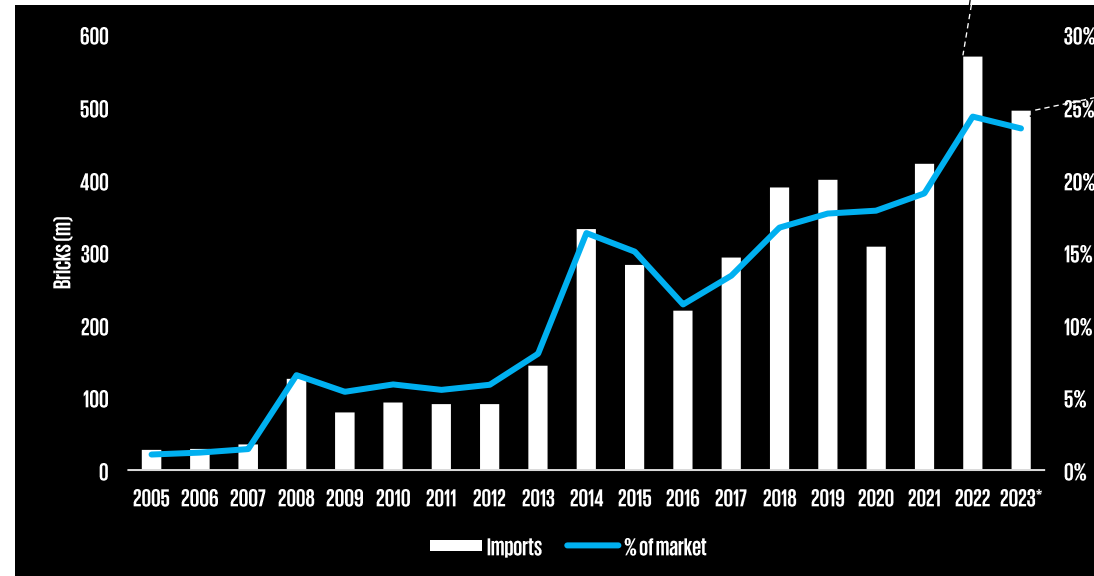
- Imports currently represent c.24% of the brick market
- Imports have fallen sharply in 2023 (Q1 44% lower than Q122) though remain high as % of the market
- c.550m bricks were imported into the UK in 2022. We estimate that c.150-200m of these are architecturally differentiated with the remaining balance having grown in order to balance the historical shortage of domestic capacity
- Our customer base values the ensured provenance and quality of a domestically produced brick, supplied directly from stock, for prompt delivery with lower transportation costs

Brick import (MAT) monthly focus 22/23



Source: BEIS, HMRC

Annual brick import progression since 2005



Source: BEIS, HMRC  
Note\*: LTM to March 2023

# CUSTOMERS AT OUR CORE

- Customer focus is one of our core values and many of our customer relationships span decades
- We have worked hard to develop strong, mutually beneficial relationships that ensure we are always a preferred supplier
- Our £95m investment in capacity is an investment in meeting the needs of our customers for decades to come
- The new and efficient factory is focused on decarbonisation, in turn helping to meet the sustainability agendas of our customers



**HOUSEBUILDERS**

Bellway  
gleeson  
BLOOR HOMES  
Taylor Wimpey plc  
BARRATT DEVELOPMENTS PLC  
miller  
PERSIMMON

**MERCHANTS**

JEWSON  
selco BUILDERS WAREHOUSE  
Travis Perkins  
HUWS GRAY BUILDING MATERIALS CENTRE  
MKM BUILDING SUPPLIES

**DISTRIBUTORS**

BRICKABILITY BRICK MERCHANTS  
TAYLOR MAXWELL  
in touch with Bricks

# DESFORD RANGE ATTRACTIVE TO HOUSEBUILDERS

- The Desford product range is well established, and is particularly popular within the housebuilding sector, due to its aesthetics, and relative lightweight features
- Desford bricks have good water absorption and ideal void configuration making them preferred by brick-layers as they allow high speed laying
- Desford clay naturally burns a yellow (“buff”) colour, with red products produced by mixing the local clay with a red-burning clay. This ability to produce both a buff and red range enables Desford to offer a full “pallet” to customers



# SUSTAINABILITY

# COMMITTED TO SUSTAINABILITY

Operating sustainably is critical to our long-term success as a business and influences everything we do have set out a number of challenging targets across three key pillars:



## PEOPLE

### GROUP TARGET

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

### PROGRESS AT DESFORD

- Zero harm ambition for health and safety
- 90 employees at the new site



## PLANET

- CO2 emissions / tonne targets (2019-2030):
  - 32% overall CO2 intensity 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

- 25% less carbon per brick than old factory
- Zero waste to landfill from new site
- 16% of factory’s electricity demand generated from roof mounted solar panels



## 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

- 58% less plastic packaging at new factory
- Efficiently produced range of products



INDUSTRY LEADING  
EFFICIENCY



# SECURITY FROM THE GROUND

## OUR MINERAL RESERVES REPRESENT OUR FUTURE

- Our brick business is built upon our clay reserves and the new Desford factory is a prime example of this
- We have access as a Group to over 90m tonnes of clay which on average will sustain our manufacturing operations for 50 years
- Our mainstream brick factories are each adjacent to a quarry, ensuring the raw material travels the shortest possible distance to the factory
- Our mineral reserves also act as a barrier to entry, with there being extensive hurdles to any new entrant gaining the necessary permissions to extract mineral



**30 years+**  
clay reserves

**82**  
hectare site

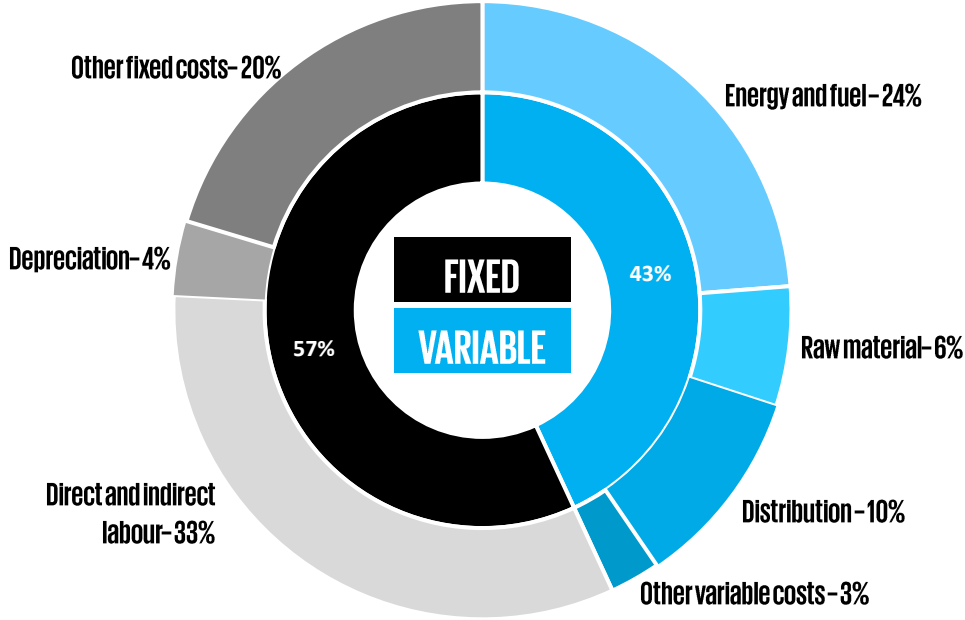
**11.8m**  
tonnes of clay

# STRATEGY TO MAXIMISE OUTPUT FROM DESFORD



- Short term strategy to maximise output from Desford through mothballing less efficient production capacity elsewhere
- Fixed cost nature of the brickmaking supports mothballing vs. the output reduction that would be more appropriate in concrete business

## FORTERRA CLAY BUSINESS

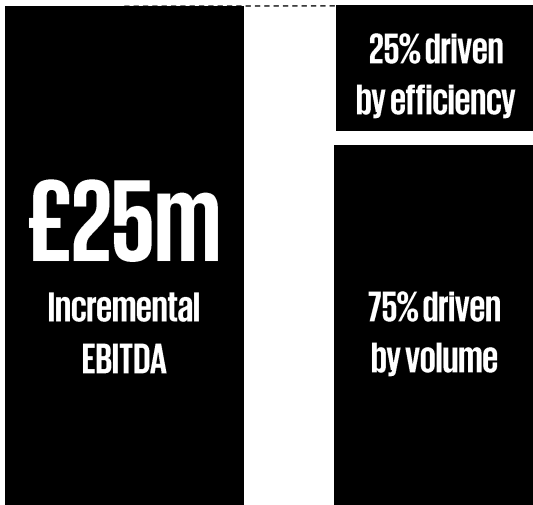


## EFFICIENCY OF NEW DESFORD FACTORY

	NEW DESFORD*	OLD DESFORD*	HOWLEY PARK*
Gas usage / 000 bricks	32 therms	58 therms	65 therms
Electricity usage / 000 bricks	106 kwh	152 kwh	128 kwh
Labour hours / 000 bricks	1 hour	3 hours	3 hours

*\*To aid comparison, New Desford future state assumed, Old Desford from 2021 and Howley Park from 2022*

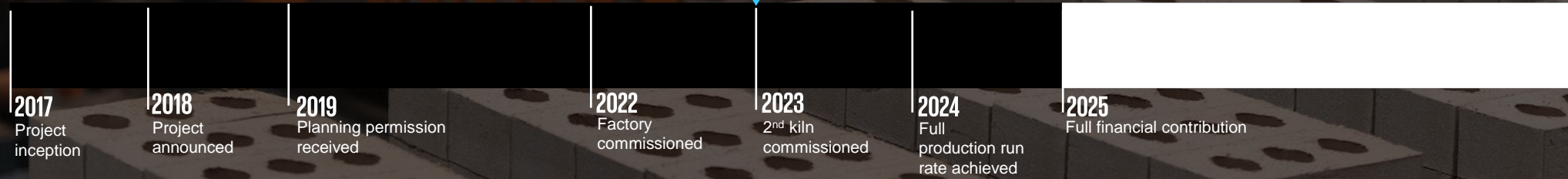
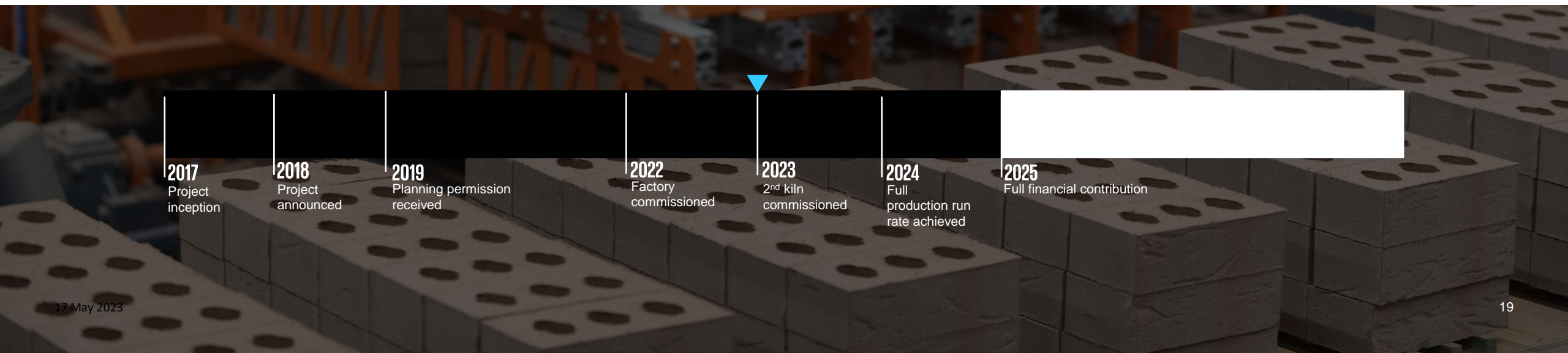
# KEY FINANCIAL METRICS



## Attractive returns on investment



# TIMELINE



# DESFORD IN NUMBERS

# DESFORD IN NUMBERS



**1,000°C** temperature of the kiln

**390,000** tonnes of clay used in production per year

**30+** years clay reserves at the Desford site

**58** lorry loads of bricks per day

**£95m** investment cost

**20,000** m<sup>2</sup> factory footprint

**180m** annual brick production capacity

**5+** hectares of new reed bed habitat

**58%** less plastic packaging

**90** employees at site

**350,000** tonnes weight of annual production

**25%** less carbon per brick

**82** hectare total size of site

**5 days** end to end production time

**25,000** new homes per year from production

**83m** brick stock yard capacity

**11.8m** tonnes of clay reserves

**16%** annual electricity usage supplied from onsite solar