INTERIM RESULTS PRESENTATION

FORTERRA PLC

30 JULY 2024

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AGENDA

NEIL ASH
Chief Executive Officer

BEN GUYATT
Chief Financial Officer

OPERATIONAL AND TRADING HEADLINES

– Group revenues for the period of £162.1m, represents a decrease of 11.5% relative to the prior year (2023: £183.2m)

– H1 UK brick industry despatches estimated to have fallen approximately 9% relative to the prior period, with our own brick despatches in line with this

– Despite the weaker than expected market conditions, effective cost management has delivered a result for the first half which is in line with our expectations

– Selling prices remain relatively stable with competitive market conditions restricting our ability to implement our announced price increases

– Adjusted EBITDA of £24.3m (2023: £31.1m) and adjusted PBT of £9.1m (2023: £19.2m)

– Stronger than expected half year cash performance with net debt before leases of £101.2m (2023 year end: £93.2m) equating to 2.3 times adjusted EBITDA on LTM banking covenant basis

FINANCIAL REVIEW

KEY FINANCIALS

	Period ended 30 June*		
£m	**2024**	**2023**	**Change**
Revenue	**162.1**	**183.2**	**(11.5)%**
EBITDA	**24.3**	**31.1**	**(21.9)%**
EBITDA margin	*15.0%*	*17.0%*	*(200) bps*
Operating profit (EBIT)	14.0	21.7	(35.5)%
Profit before tax (PBT)	**9.1**	**19.2**	**(52.6)%**
Earnings per share (pence)	3.2	7.1	(54.9)%
Operating cash flow	13.3	(16.3)	n/a
Net debt before leases	(101.2)	(50.1)	102.0%
Interim dividend (pence)	1.0	2.4	(58.3)%

**Adjusted results*

Statutory results			
Profit before tax (PBT)	12.8	18.1	(29.3)%
Earnings per share (pence)	4.3	6.7	(35.8)%

PROFIT AND LOSS

	Period ended 30 June*		
£m	**2024**	**2023**	**Change**
Revenue	**162.1**	183.2	**(11.5)%**
EBITDA			
- Bricks and Blocks	**22.7**	28.0	**(18.9)%**
- Bespoke Products	**1.6**	3.1	**(48.4)%**
Total	**24.3**	31.1	**(21.9)%**
EBITDA margin	***15.0%***	*17.0%*	***(200) bps***
Depreciation and amortisation	**(10.3)**	(9.4)	**9.6%**
Operating profit (EBIT)	**14.0**	21.7	**(35.5)%**
Finance expense	**(4.9)**	(2.5)	**96.0%**
Profit before tax (PBT)	**9.1**	19.2	**(52.6)%**
Effective tax rate	***26.6%***	*23.7%*	***290 bps***
Earnings per share (pence)	**3.2**	7.1	**(54.9)%**

**Adjusted results*

ADJUSTMENTS TO STATUTORY RESULTS

- Adjusted results are provided to fairly show our underlying trading performance on a like for like basis
- Adjustments relate to:
  - Restructuring costs associated with management actions to right-size the business
  - Costs in respect of an aborted corporate transaction
  - Losses on sale of surplus energy not used in the business
  - Removal of fair value benefit for energy contracts which did not qualify for the own use exemption following reduction in demand
  - Recognising carbon compliance costs in line with production

	Period ended 30 June	
£m	**2024**	**2023**
EBITDA	**28.0**	30.0
Adjusted items		
Restructuring costs	**0.2**	2.1
Impairment of plant and machinery	**–**	0.9
Aborted corporate transaction	**2.6**	–
Realised loss on the sale of surplus energy	**2.1**	–
Fair value movement on energy derivatives	**(6.9)**	–
Accounting for carbon credits	**(1.7)**	(1.9)
Total adjusted items	**(3.7)**	1.1
Adjusted EBITDA	**24.3**	31.1
Depreciation and amortisation	**(10.3)**	(9.4)
Finance expense	**(4.9)**	(2.5)
Adjusted PBT	**9.1**	19.2

SEGMENTAL RESULTS: BRICKS AND BLOCKS

- Revenue in the period decreased by 11.1% with brick industry demand estimated to have fallen approximately 9% relative to the prior year
- Slightly stronger year on year performance in both aircrete and aggregate blocks
- Pricing remains relatively stable with prices only modestly below their peak
- Cost base also remains broadly stable, energy costs stabilised but remain significantly above historic norms
- Despite challenging trading conditions, decisive management actions and delivery of expected cost savings delivered a robust result
- Fall in EBITDA margin driven by reduced operating efficiency with prior period result supported by significant inventory build

FORTERRA

	Period ended 30 June*		
£m	**2024**	**2023****	**Change**
Revenue	**130.2**	146.5	**(11.1)%**
EBITDA before overhead allocations	**31.8**	37.3	**(14.7)%**
EBITDA margin before overhead allocations	***24.4%***	*25.4%*	
Overhead allocations	**(9.1)**	(9.3)	**(2.2)%**
EBITDA after overhead allocations	**22.7**	28.0	**(18.9)%**
EBITDA margin	***17.4%***	*19.1%*	

*Adjusted results

**Restated to report Red Bank results within the Bricks and Blocks segment as a result of internal restructure

SEGMENTAL RESULTS:
BESPOKE PRODUCTS

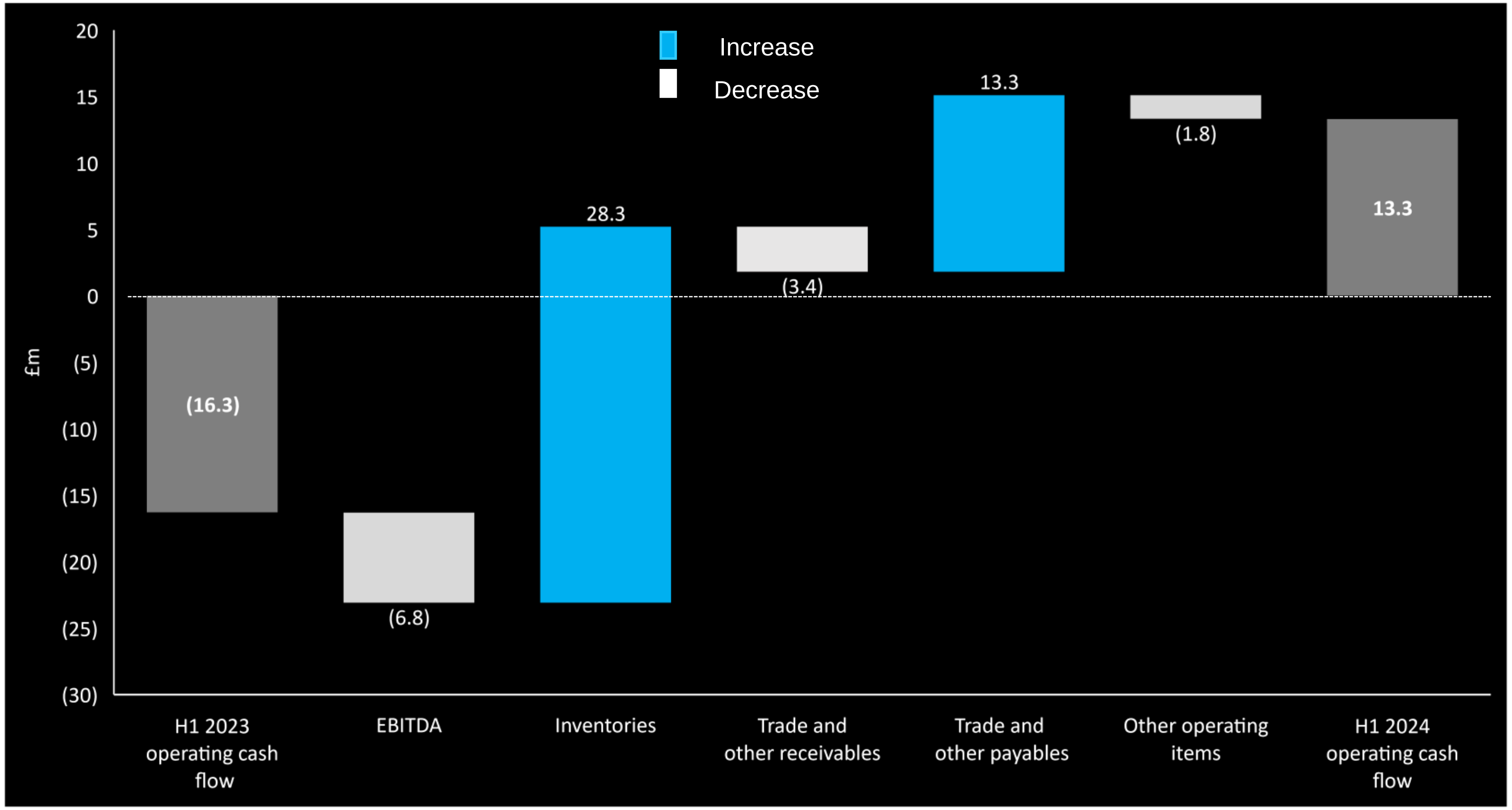
- Market conditions in line with the wider business
- Revenues in the period totalled £33.7m, a decrease of £5.0m or 12.9% relative to 2023
- Pricing remains broadly stable
- Majority of the cost base also remains stable, but we have seen some volatility in the cost of insulation, a significant input cost within this business, impacting margins
- Segmental adjusted EBITDA, after allocated Group overheads, totalled £1.6m (2023: £3.1m)
- EBITDA margin prior to allocation of Group overheads was 11.6% compared to 14.0% in 2023

	Period ended 30 June*		
£m	**2024**	**2023****	**Change**
Revenue	**33.7**	38.7	**(12.9)%**
EBITDA before overhead allocations	**3.9**	5.4	**(27.8)%**
EBITDA margin before overhead allocations	***11.6%***	*14.0%*	
Overhead allocations	**(2.3)**	(2.3)	**–**
EBITDA after overhead allocations	**1.6**	3.1	**(48.4)%**
EBITDA margin	***4.7%***	*8.0%*	

**Adjusted results*

***Restated to report Red Bank results within the Bricks and Blocks segment as a result of internal restructure*

OPERATING CASH FLOW

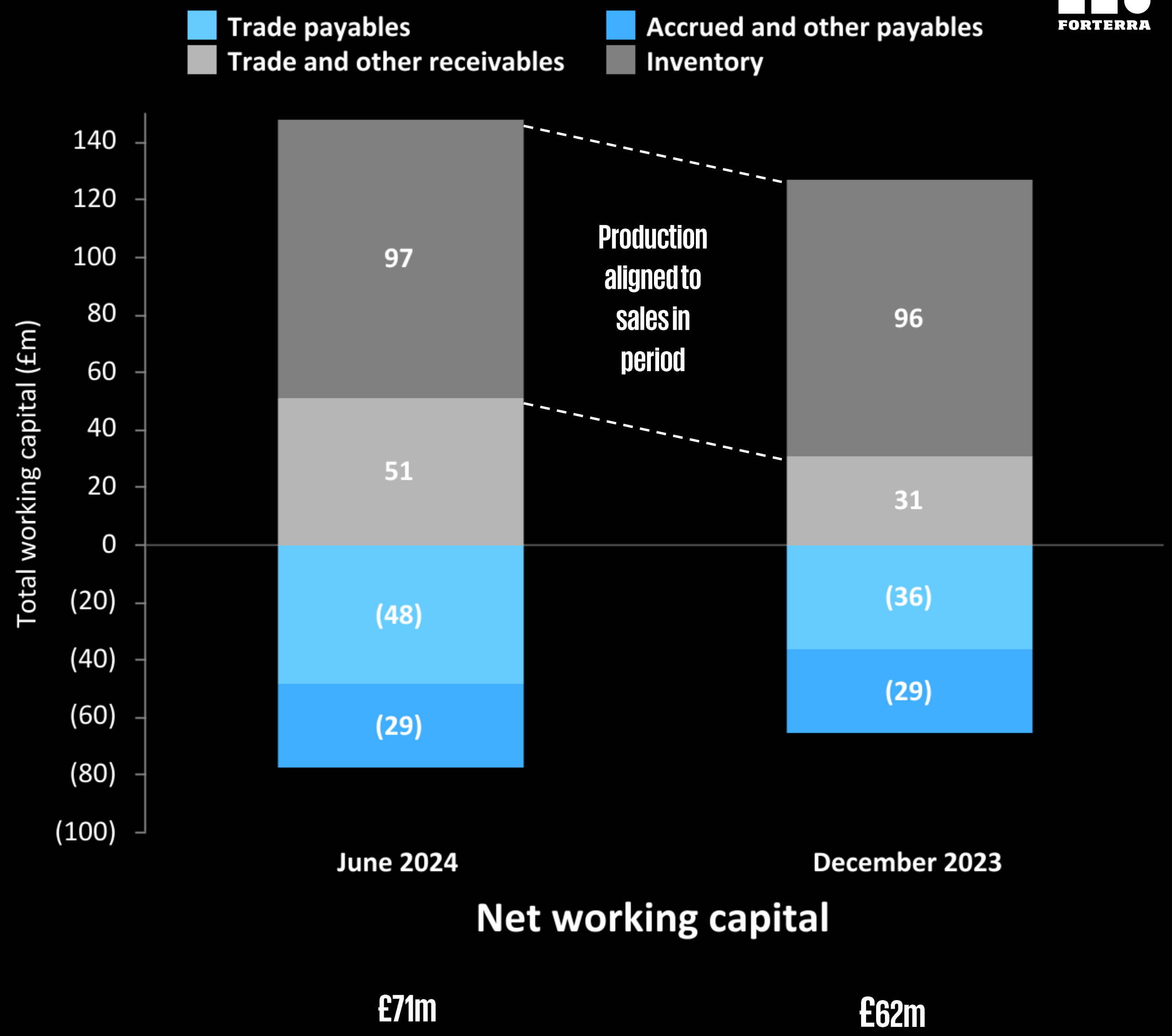


Strong improvement in adjusted operating cashflow performance with an inflow of £13.3m compared to an outflow of £16.3m in the prior period

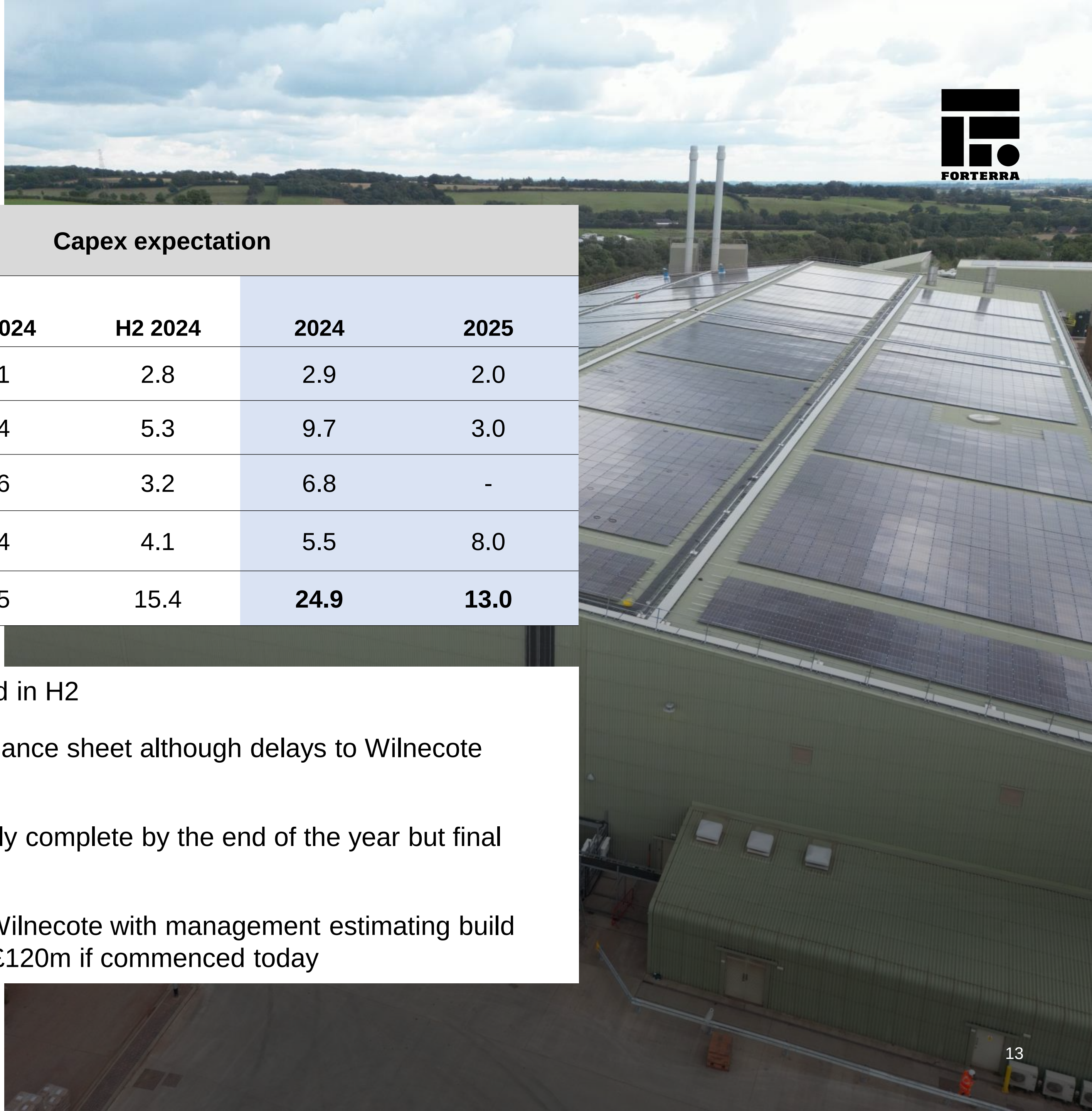
Successfully aligning production to despatches leaves inventory stable eliminating large build seen in 2023

WORKING CAPITAL

- Disciplined working capital management contributes to better than expected half year balance sheet position
- Total increase in working capital of £9m since year end
- Seasonality traditionally leads to higher level of working capital at the mid-year although a one-off timing benefit in payables mitigates this increase
- Inventories flat with production aligned to sales



CAPEX GUIDANCE



	Capex expectation				
£m	**Previous (2019 - 2023)**	**H1 2024**	**H2 2024**	**2024**	**2025**
Desford	91.0	0.1	2.8	2.9	2.0
Wilnecote redevelopment	17.9	4.4	5.3	9.7	3.0
Accrington brick slip facility	3.1	3.6	3.2	6.8	-
Maintenance		1.4	4.1	5.5	8.0
Total capex	**112.0**	9.5	15.4	**24.9**	**13.0**

- 2024 capex now expected to be c.£25m with c.£15m expected in H2
- Timing of capex payments moved to H2 in order to protect balance sheet although delays to Wilnecote project attributable to supply chain
- Desford, Wilnecote and Accrington expected to be substantially complete by the end of the year but final payments likely to slip into 2025
- Significant benefit from fixed price contracts on Desford and Wilnecote with management estimating build cost on Desford would increase from £95m to approximately £120m if commenced today

CASH FLOW

	Period ended 30 June	
£m	**2024**	**2023**
Adjusted operating cash flow	**13.3**	**(16.3)**
Payments made in respect of adjusting items	(8.4)	(2.0)
Operating cash flow	**4.9**	**(18.3)**
Interest paid	(5.2)	(2.1)
Tax credit/(paid)	0.4	(3.6)
Capital expenditure – maintenance	(1.4)	(6.1)
Capital expenditure – strategic	(8.1)	(9.2)
Net receipt / (payment) from / (to) EBT	5.1	(1.8)
Repayment of lease liabilities	(3.2)	(2.9)
Other movements	(0.5)	(0.2)
Increase in net debt before leases	**(8.0)**	**(44.2)**

- Adjusted operating cash generated from operations was £13.3m (2023: outflow of £16.3m) demonstrating disciplined working capital management with the inventory build seen in the prior year not repeated
- Payments made in respect of adjusting items relate to restructuring costs, professional fees and sales of surplus energy
- Increased borrowings and higher interest rates drive increase in interest paid
- Tax benefits from overpayment made in previous year
- Net receipts of £5.1m from EBT driven by vesting of share save plan coupled with sale of surplus shares

BALANCE SHEET POSITION AND FACILITIES

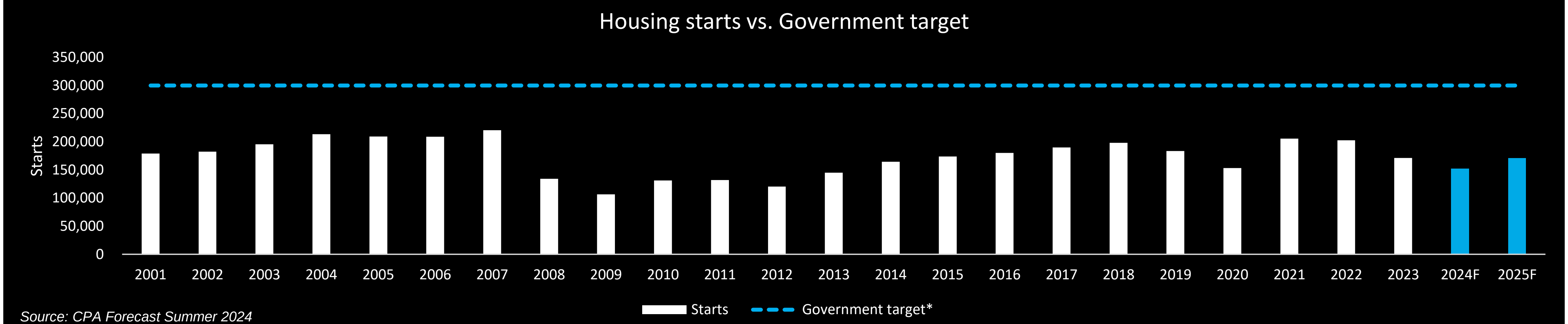
FORTERRA

- Net debt before leases significantly below our expectations at the half year driven by disciplined working capital management along with timing of capex and other payments
- Closing net debt (excluding lease liabilities) was £101.2m (31 December 2023: £93.2m) with the increase in borrowing attributable to both seasonality and also £9.5m of capital spend in the period
- Group remained comfortably within its original covenants with leverage stated on an LTM bank covenant basis of 2.3 times at the period end
- Year-end net debt and leverage expectations remain broadly unchanged
- Bank facility committed until January 2027

	At 30 June	At 31 December	
£m	**2024**	**2023**	**Change**
Cash and cash equivalents	11.4	16.0	(28.8)%
Borrowings	(113.0)	(110.0)	2.7%
Capitalised fees and accrued interest	0.4	0.8	
Net debt before leases	**(101.2)**	**(93.2)**	
Lease liabilities	(22.6)	(24.2)	(6.6)%
Net debt	**(123.8)**	**(117.4)**	

OUR MARKETS

LONG-TERM STRUCTURAL FUNDAMENTALS REMAIN ATTRACTIVE



Source: CPA Forecast Summer 2024
Note: Current target, annual average based on 1.5m net additional homes 2024-2029*

LONG-TERM HOUSING SHORTAGE

- Average number of completions over last 20 years of 172,000 homes, well short of the new Labour Government target (1.5m homes across the current parliament)
- Population growth further stimulating demand
- Every year this target is not met the shortage compounds

AGEING HOUSING STOCK

- The nation's housing stock is ageing with a large volume of post war housing stock reaching an age where replacement becomes increasingly necessary

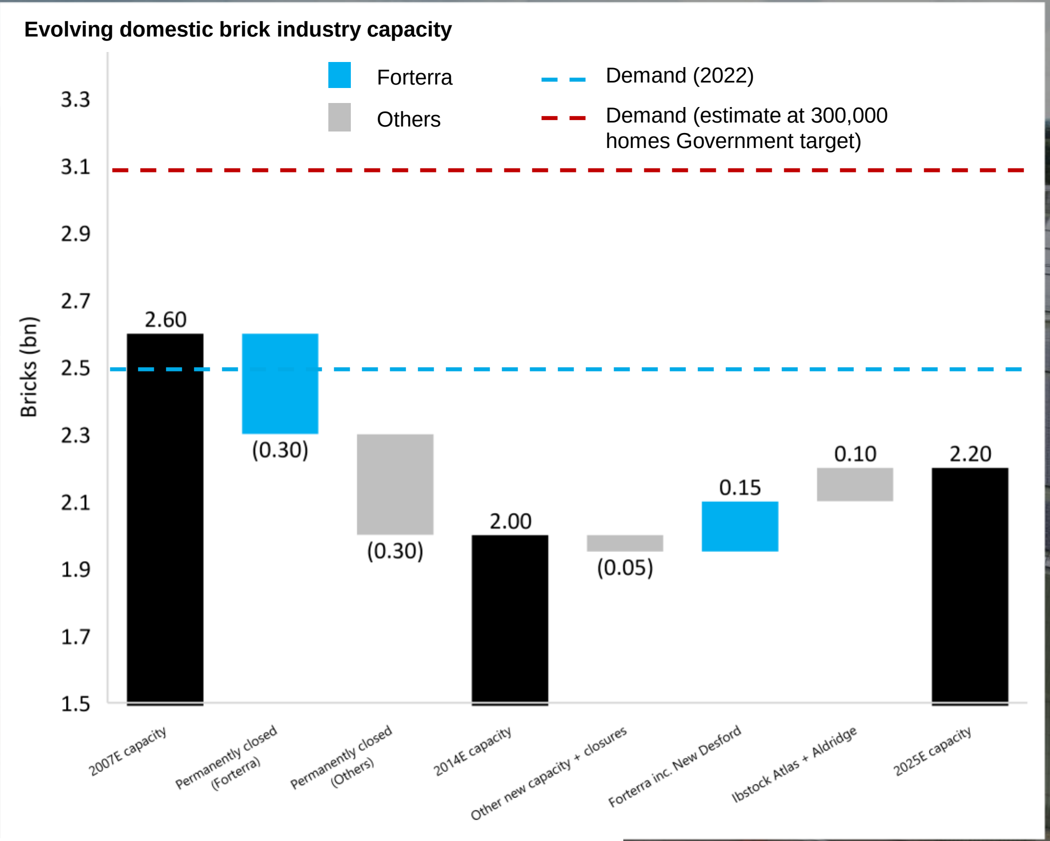
SUSTAINABILITY FACTORS

- Future homes standard will drive the need for new, energy efficient homes
- There will additionally be a potential need to reclad existing housing stock

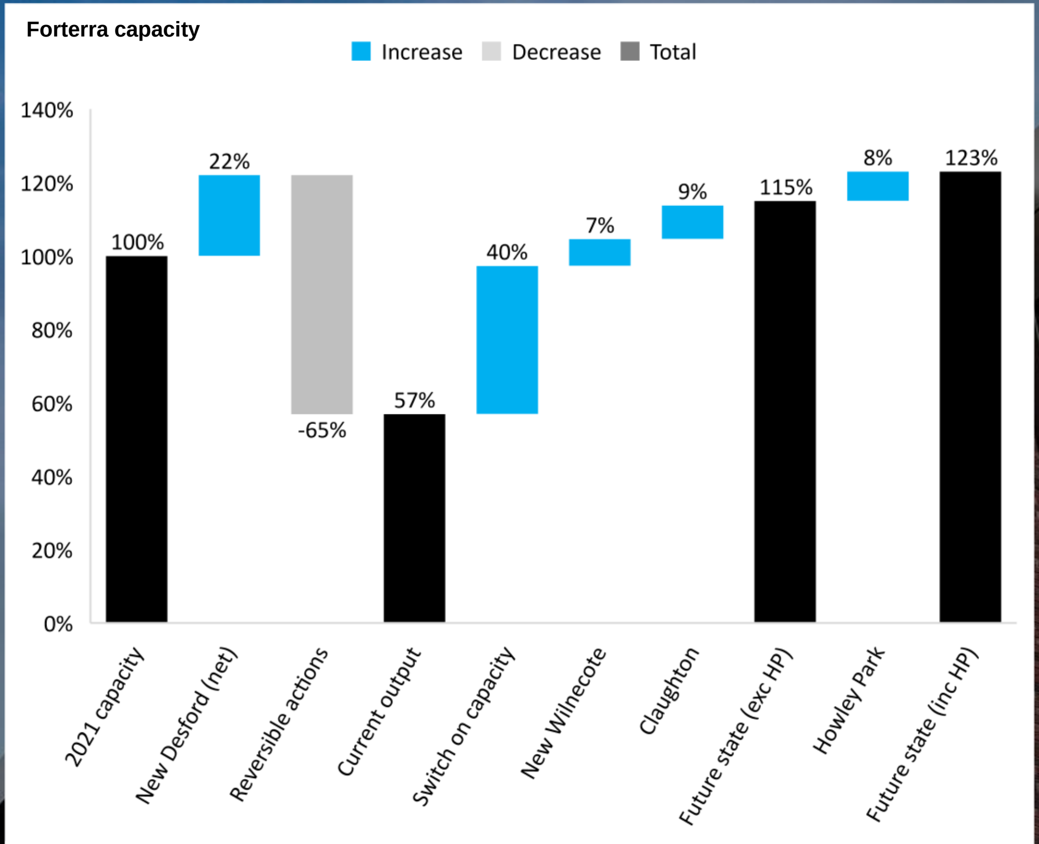
SUPPORTIVE SUPPLY SIDE FACTORS

- New Labour Government supportive of housebuilding with challenging targets set

FORTERRA CAPACITY AT LEAST 15% HIGHER IN NEXT TURN OF CYCLE



Source: Forterra estimates



Source: Forterra management

Industry capacity was rationalised during the global financial crisis with Forterra playing the leading role in this
Despite capacity improvements, the UK brick industry still lacks the capacity required to address the country’s structural housing shortage

SUPPORTIVE NEW GOVERNMENT

The newly elected Labour Government have set out a number of policies with the aim of addressing the chronic shortage of housing in the UK:

- **Building 1.5 million new homes** over the current parliament, 2024-2029
- **Reform of planning system** to make it easier to build houses on less desirable parts of the green belt
- **Mandatory housing targets** for local councils will be reinstated
- **Review of green belt boundaries**
- **Accelerate stalled housing sites**
- **Mortgage guarantee scheme introduced:** permanent, comprehensive mortgage guarantee scheme to support first-time buyers

Source: labour.org.uk

STATEGIC UPDATE

STRATEGIC AREAS OF FOCUS

HELPING CREATE LASTING LEGACIES

Our strategy supports the delivery of our purpose, recognising the key role our products play in shaping the built environment

STRATEGIC IMPERATIVES

STRENGTHEN THE CORE

Make our current business even better than it is today

BEYOND THE CORE

Provide the products and solutions for the buildings of tomorrow

SAFETY AND ENGAGEMENT

Create an engaged, healthy and safe workforce

SUSTAINABILITY

Leave the lightest touch on the world we live in

Our purpose is helping create lasting legacies that go beyond construction or housebuilding to deliver growth and foster a legacy of building today, tomorrow and into the future

STRENGTHEN THE CORE

ORGANIC INVESTMENT

Organic investment: Investing in new capacity to deliver growth in sales volumes along with enhanced efficiency

Additional 23% capacity from the two projects
25% reduction in carbon emissions per brick vs. predecessor factories

STRENGTHEN THE CORE

COMMERCIAL AND MANUFACTURING EXCELLENCE

Commercial Excellence: Optimising our performance through new product development, digital and service innovation and optimisation of our route-to-market model, whilst enhancing our customer experience

Customer management
Sales tools and processes
Customer proposition and experience

Manufacturing Excellence: Aiming to realise material efficiencies across our manufacturing and distribution cost base, enhanced by innovation in both process technology, and breakthrough new materials

Optimisation of mix designs
Optimisation of maintenance regimes
Optimisation of formulations

BEYOND THE CORE
BRICK SLIPS PROGRESSION

FORTERRA

- Brick slips are currently a **£100m, fast growing market**
- We continue to make good progress with our **new brick slips manufacturing line in Accrington** – a cost-effective entrance into this attractive market, with commissioning expected to begin in end Q3 2024
- The first UK manufactured extruded slip solution from Accrington offers **improved cost and sustainability credentials** vs. current 'cut' slips
- Focus on products and **solutions typically beyond traditional construction**, such as medium-to-high rise residential applications (example opposite)
- Value add benefit of **solution based, façade system**, sales that go above and beyond just a slip

Above left: *Lancaster Street, Birmingham – render of completed project*

Above right: *Progress at Lancaster Street, clad in Forterra brick slips*

Ambitious targets to develop a leadership position in brick slips, and associated façade systems

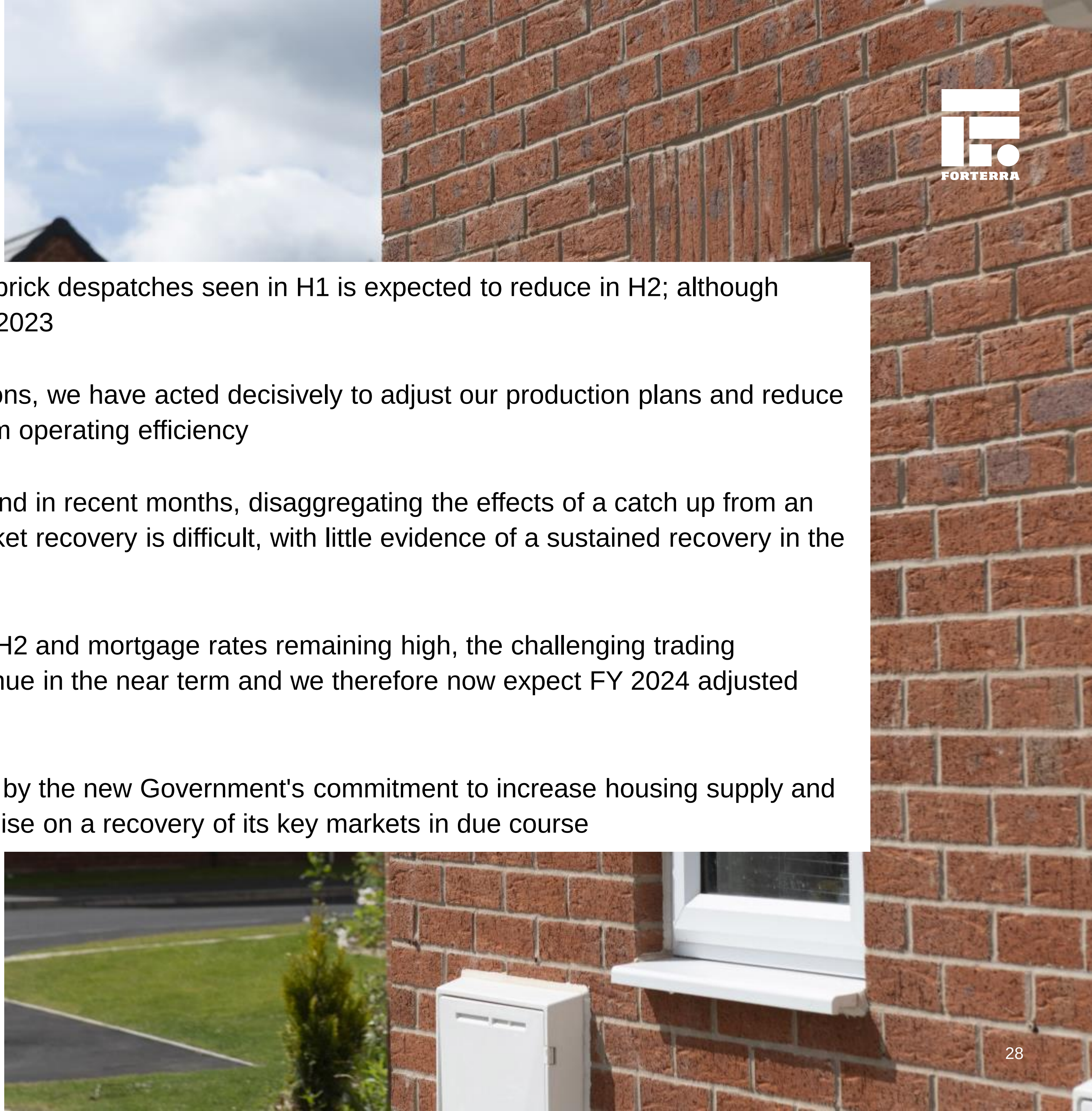
SUSTAINABILITY

SUSTAINABILITY PERFORMANCE

- Current market conditions, temporary reductions in output and loss of efficiency decrease the visibility of sustainability gains in published figures
- Organic **investments at Desford and Wilnecote** will deliver meaningful sustainability benefits with a reduction in embodied carbon of around 25% per brick compared to predecessor factories
- **Forterra solar farm**, financed through a PPA in 2021 commenced generation in April (with full financial benefits from April 2025) – currently supplying over 80% of our electricity demand
- As custodians of over 90m tonnes of clay reserves, the opportunity presented by **calcined clay as a cement substitute** is an interesting one
    - We are most excited by the prospect of utilising our production waste from our unique London Brick manufacturing process where the calcination process has already been undertaken
- We are continuing our work to better understand how we can **utilise alternative fuels including hydrogen, synthetic gas and biomass** in both our current and future factories
- We continue to engage with suppliers of **carbon capture use and storage technologies** (CCUS) monitoring progress in this rapidly developing area and learning how these technologies could be deployed within our own business in a cost-effective manner
- Ongoing work to **reduce plastic packaging** usage within our business

OUTLOOK

OUTLOOK AND FY 2024 GUIDANCE



- With softer comparatives, the expected 9% reduction in UK brick despatches seen in H1 is expected to reduce in H2; although overall, full year 2024 demand is expected to be lower than 2023

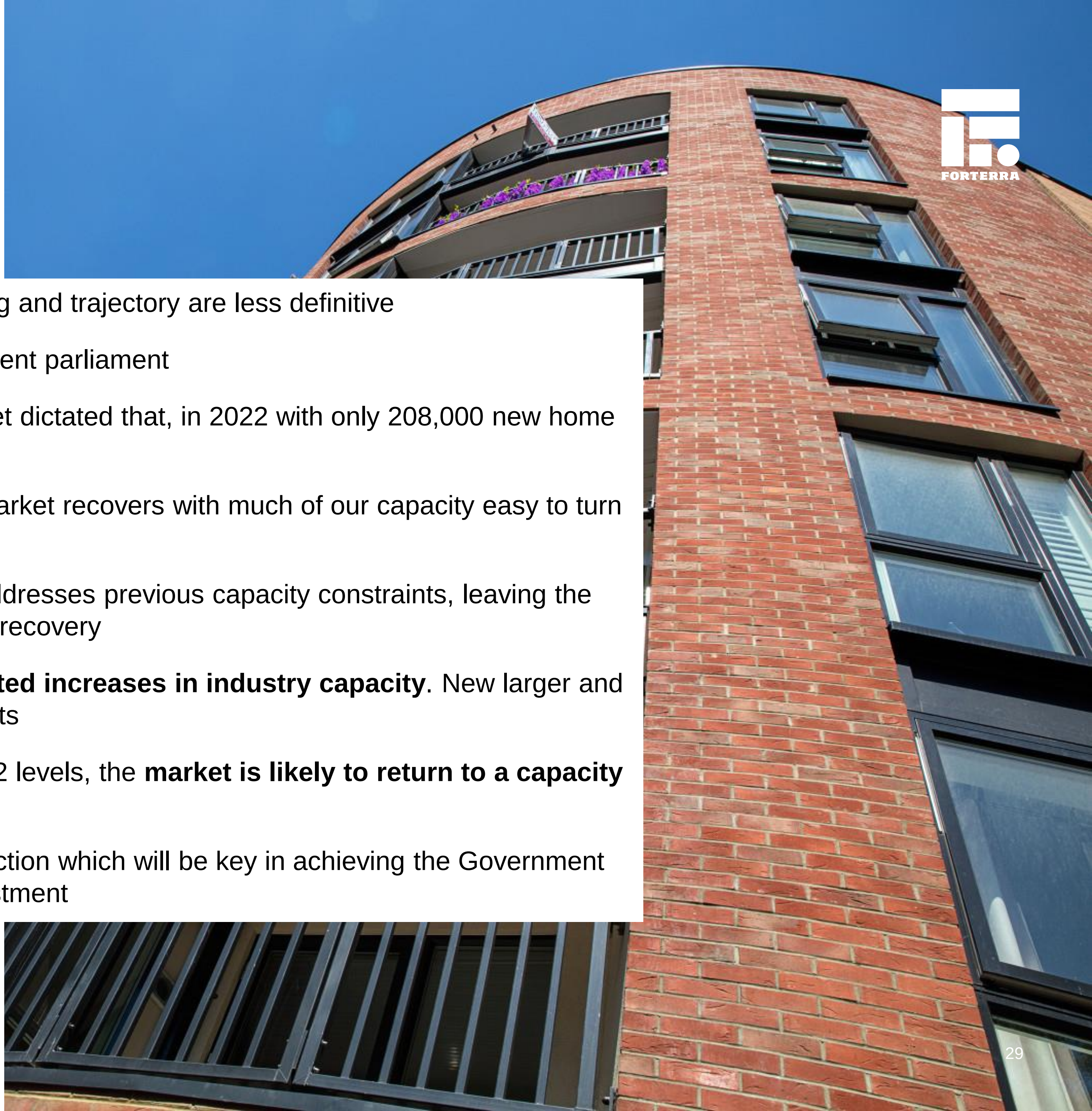
- With H1 despatches generally below our previous expectations, we have acted decisively to adjust our production plans and reduce output accordingly, prioritising working capital over short term operating efficiency

- Whilst we have seen some modest signs of improving demand in recent months, disaggregating the effects of a catch up from an unusually wet winter, routine seasonality and any wider market recovery is difficult, with little evidence of a sustained recovery in the near term

- With expected reductions in interest rates now delayed into H2 and mortgage rates remaining high, the challenging trading conditions which have persisted in H1 are expected to continue in the near term and we therefore now expect FY 2024 adjusted EBITDA to be around £50m

- Looking beyond this financial year, the Board is encouraged by the new Government's commitment to increase housing supply and remains confident that the Group is well positioned to capitalise on a recovery of its key markets in due course

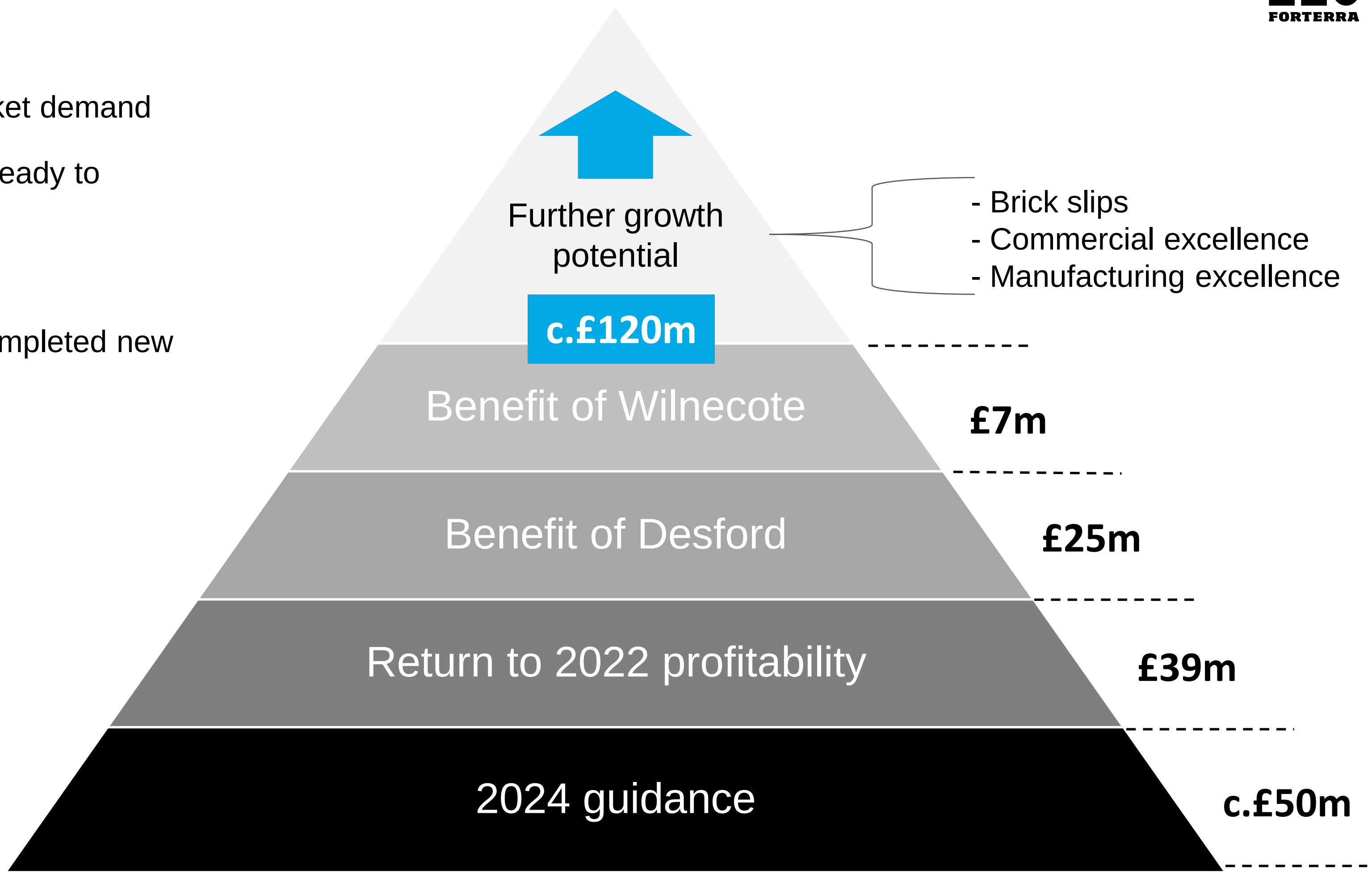
WELL POSITIONED FOR MARKET RECOVERY



- Cyclical market means **recovery near certain** although timing and trajectory are less definitive
- Government target of **1.5 million new homes** during the current parliament
- The supply and demand characteristics of the UK brick market dictated that, in 2022 with only 208,000 new home completions, the **industry was capacity constrained**
- Group will benefit from **significant operating leverage** as market recovers with much of our capacity easy to turn on
- Our **£140m programme of organic capacity investment** addresses previous capacity constraints, leaving the Group well-positioned to benefit significantly from the market recovery
- Investment in new capacity remains disciplined with only **limited increases in industry capacity**. New larger and more efficient factories replacing older decommissioned assets
- Looking further ahead, even with modest growth beyond 2022 levels, the **market is likely to return to a capacity constrained position** creating attractive market dynamics
- Brick slip façade solutions are well suited to high rise construction which will be key in achieving the Government target, positioning us well to benefit from our Accrington investment

GROUP WELL POSITIONED FOR FUTURE CYCLES

- 2024 guidance impacted significantly by weak market demand
- Strategic capital investments well progressed and ready to leverage the return to a normalised market
- Growth illustration assumes:
  - Return to 2022 levels of profitability (208k completed new homes vs c.170k this year)
- Incremental benefits from projects (assuming normalised market):
  - £25m from New Desford
  - £7m incremental at Wilnecote
- Proforma Group adjusted EBITDA of c.£120m
- Further potential upside from ongoing strategic projects



Looking further ahead, the Group is well positioned to capitalise on the recovery of our key markets as it occurs

Q&A

APPENDICES

BALANCE SHEET POSITION

FORTERRA

£m	At June 2024	At December 2023	Change
Intangible assets	12.2	19.2	(7.0)
Property, plant and equipment	252.5	249.7	2.8
Right-of-use assets	22.4	24.1	(1.7)
Derivative asset	3.7	5.0	(1.3)
Total non-current assets	**290.8**	**298.0**	**(7.2)**
Current assets			
Inventories	97.1	95.8	1.3
Trade and other receivables	51.2	31.0	20.2
Cash and cash equivalents	11.4	16.0	(4.6)
Other assets	4.7	3.9	0.8
Total current assets	**164.4**	**146.7**	**17.7**
Total assets	**455.2**	**444.7**	**10.5**
Trade and other payables	(81.6)	(66.3)	(15.3)
External borrowings	(112.6)	(109.2)	(3.4)
Lease Liabilities	(22.6)	(24.2)	1.6
Other Liabilities	(20.7)	(37.2)	16.5
Net assets	**217.7**	**207.8**	**9.9**

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FORTERRA

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