Forterra plc

Full Year Results Presentation

Year ended 31 December 2017

14 March 2018

LONDON BRICK · ECOSTOCK · BUTTERLEY · CRADLEY · RED BANK · THERMALITE · CONBLOC · JETFLOOR · FORMPAVE · BISON PRECAST

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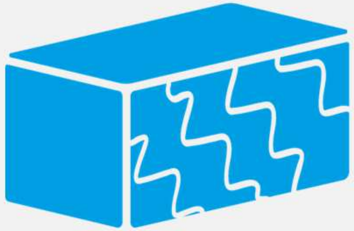
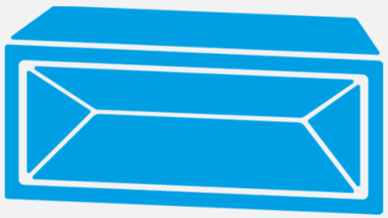
Forterra at a glance

FORTERRA plc

Leading UK producer of manufactured masonry products

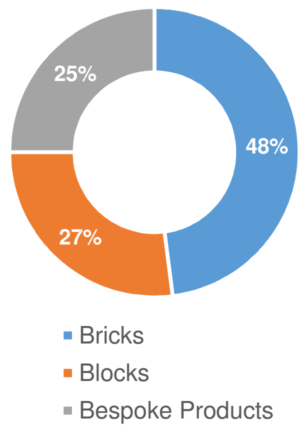


Focus on bricks and blocks with complementary range of bespoke clay & concrete products

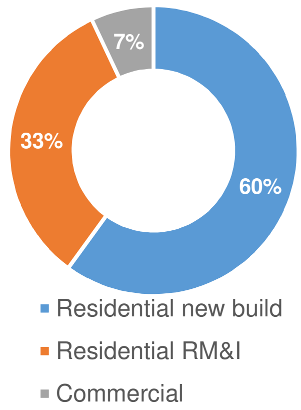


Sole manufacturer of iconic Fletton bricks sold under the London Brick brand

Revenue by segment (%)



Revenue by end use (%)



Highlights

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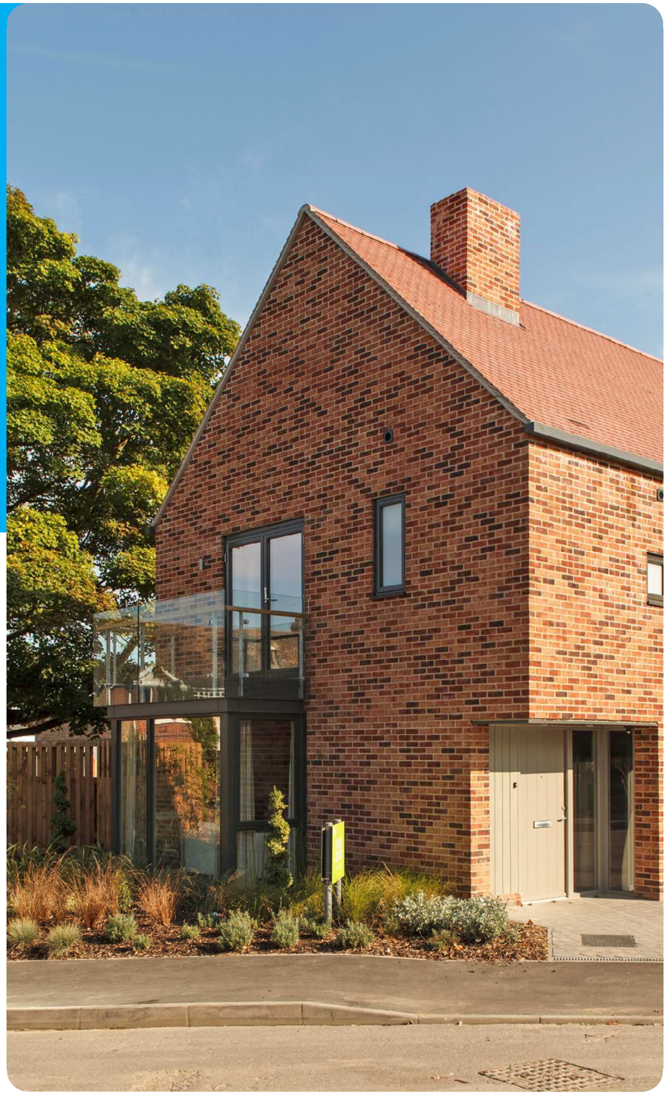
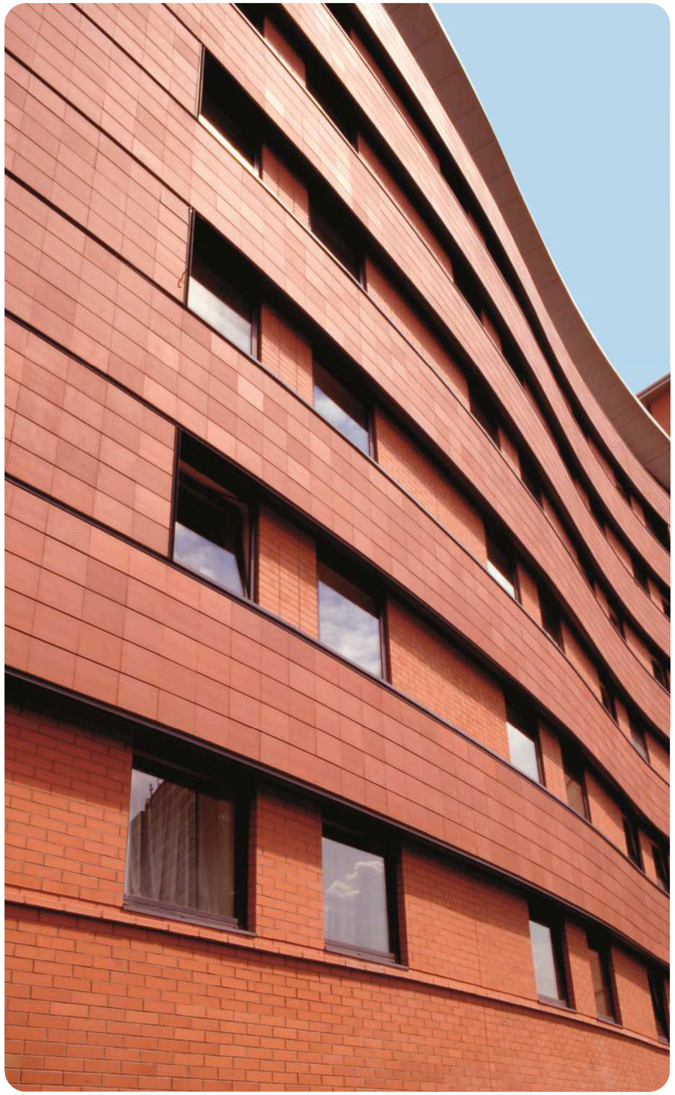
- Revenue increase of 10.4% (excluding benefit of Bison acquisition) due to strong demand in the new build residential market leading to double digit increase in brick and aggregate block volumes
- EBITDA increase of £6.0m due to higher volumes and prices, which mitigated higher input costs and planned cost increases enabling the business to operate stand-alone since listing
- Bison acquisition completed in September for £20.0m, providing a leadership position in precast concrete market and enabling a platform for future product development
- Strong cash flow performance resulting in £31.5m reduction in net debt to £60.8m at 31 December 2017, representing 0.8 times adjusted EBITDA
- Total dividend proposed of 9.5 pence per share, an increase of 10.5% over the annualised total for 2016

Financial review





Financial highlights

FORTERRA plc

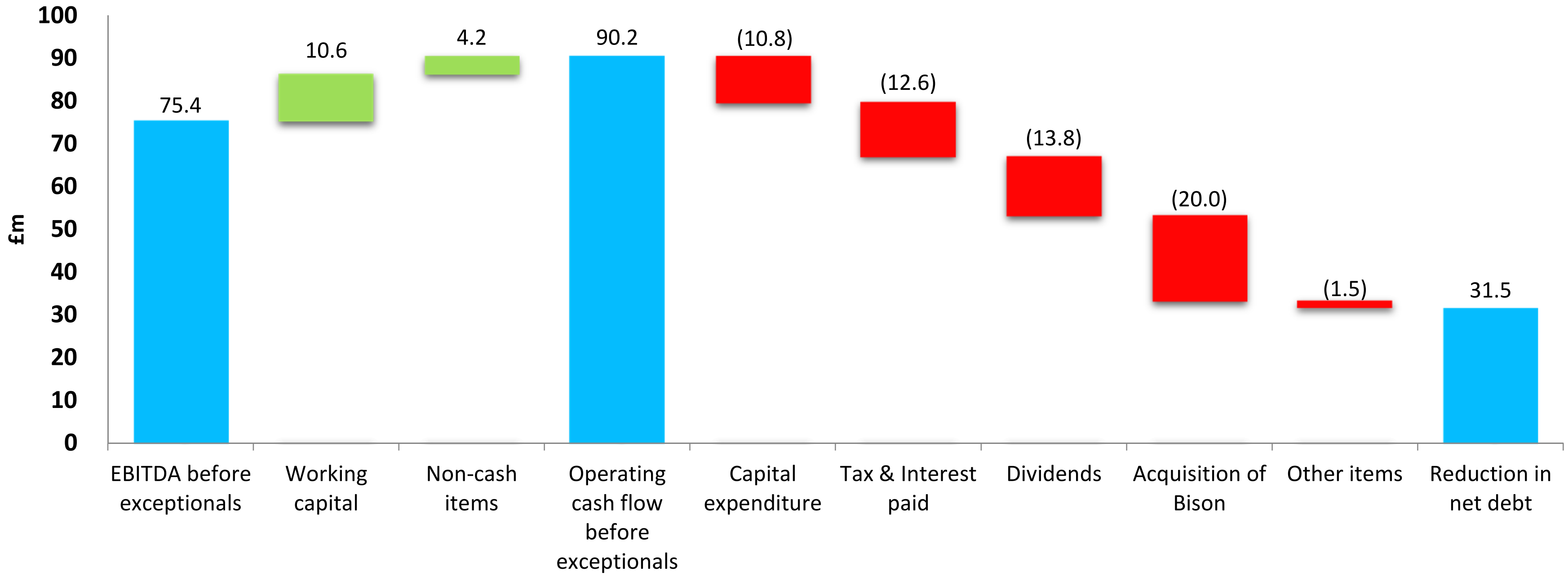
£m (pro-forma basis)	**2017**	2016	**Change**
Revenue	**331.0**	294.5	**12.4%**
PBT before exceptionals	**61.1**	53.1	**15.1%**
EPS before exceptionals (pence)	**24.5p**	21.0p	**16.7%**
Operating cash flow before exceptionals	**90.2**	69.8	**29.2%**
Net debt	**60.8**	92.3	**(34.1)%**
Total dividend (pence per share)	**9.5p**	5.8p	

Summary Profit & Loss

FORTERRA plc

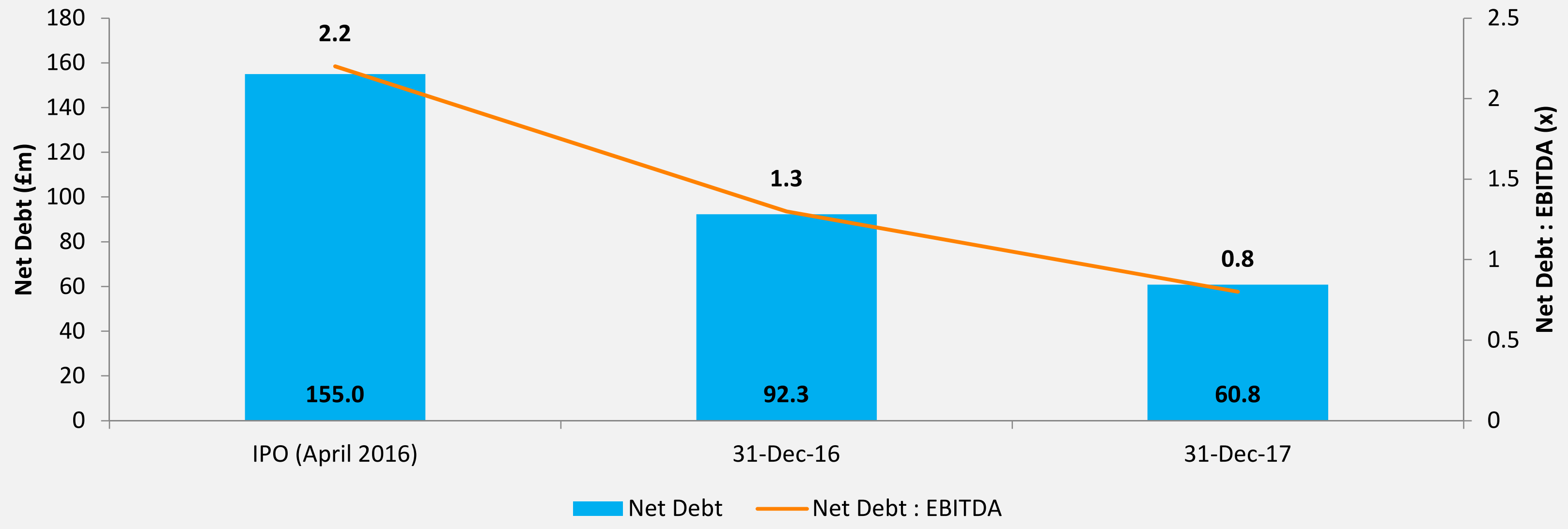
£m (pro-forma basis – before exceptionals)	**2017**	2016	**Change**
Revenue	**331.0**	294.5	**12.4%**
EBITDA	**75.4**	69.4	**8.6%**
EBITDA margin (%)	***22.8%***	*23.6%*	
Depreciation and Amortisation	**(10.9)**	(10.4)	
Operating profit	**64.5**	59.0	**9.3%**
Finance expense	**(3.4)**	(5.9)	
Profit before tax	**61.1**	53.1	**15.1%**
Effective tax rate (%)	***20.0%***	*20.9%*	
Earnings per share (pence)	**24.5p**	21.0p	**16.7%**

Group Cash Flow



- Significant improvement in working capital due to reduction in brick inventory and good control of receivables and payables
- Capital expenditure includes £3.2m of expansion capex, mainly in relation to Claughton dryer upgrade
- Free cash flow (excluding dividends, acquisition and expansion capex) was £68.5m

Net Debt and Facilities

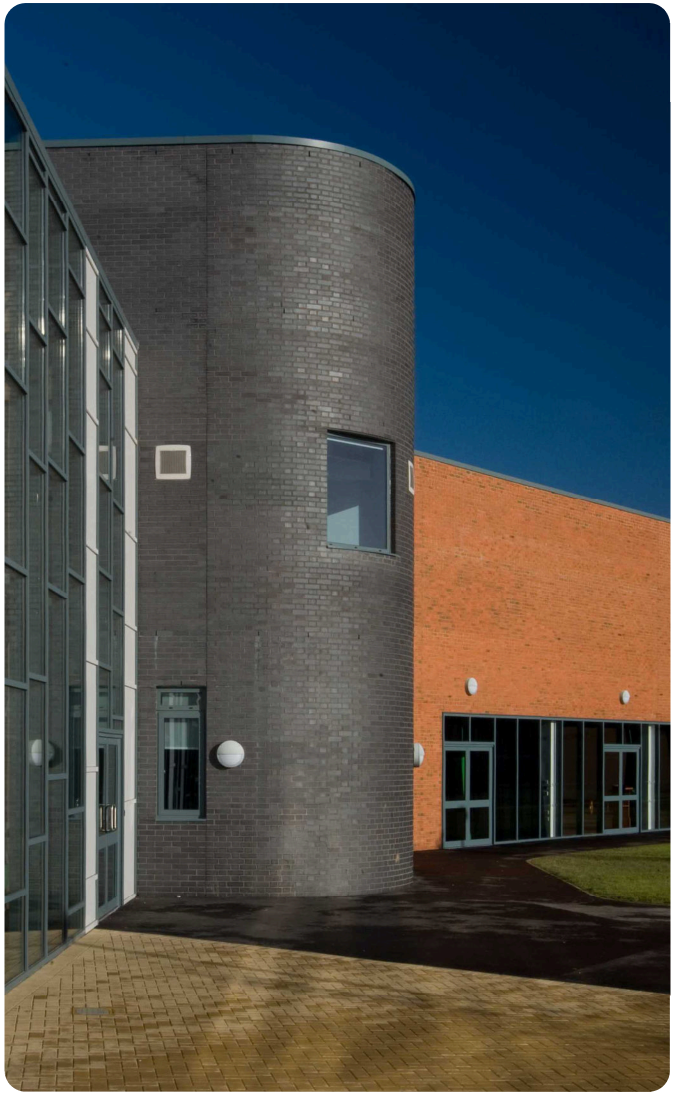


- Net debt reduced to £60.8m due to strong cash flow, giving a gearing ratio of 0.8 times
- Since IPO, Group has generated over £130m of free cash flow enabling expansion of the business, acquisition of Bison, a progressive dividend policy and reduction in net debt
- New committed debt facility of £150m agreed in July 2017 for a term of 5 years, giving flexibility at a lower finance cost

Financial summary

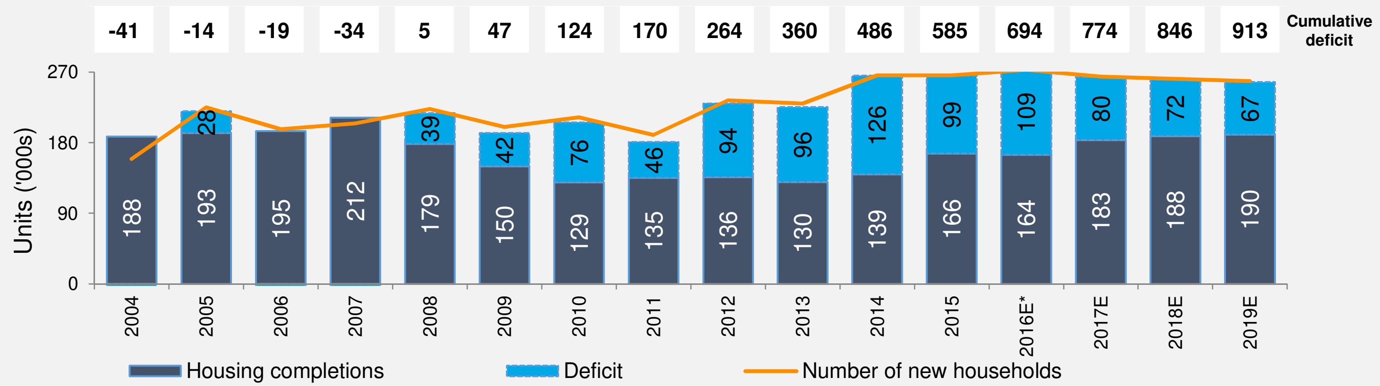
- Pleased with progress in the year, with double-digit increase in revenue and PBT
- Strong cash generation with operating cash conversion of 123% and double digit free cash flow yield
- Robust balance sheet, with net debt:EBITDA at 0.8 times with scope for further investment in the business

FORTERRA plc



Structural upward momentum of the UK housing market underpinned by favourable market drivers

UK housing completions remain well below historic levels



Note: a) Housing deficit calculated as number of new households (DCLG) minus number of housing completions (DCLG + CPA). Number of new households calculated as difference between number of households reported or forecast each year by the Department of Communities and Local Government report (Feb 2015)
b) 2016 figure noted as an estimate as the 'Number of new households' figure remains a forecast due to the infrequent release of the relevant DCLG report

Source: Construction Products Association (CPA) Report Winter 2017/2018, Department of Communities and Local Government (Feb 2015)

Favourable market drivers

1 — UK Government supportive to demand

Help to Buy extended to 2021

Additional c.£10bn committed in extending Help to Buy Equity Loan scheme

2 — Supportive supply side policies

A number of policies outlined in 2017 Government White Paper

November 2017 budget pledged 300,000 additional homes p.a. by the mid 2020's

3 — Land availability

UK government initiatives to ensure release of development land

£1.1bn Land Assembly Fund established to enable new settlements and urban regeneration

4 — Moderate house price inflation

House prices continuing to increase at moderate rates

2017 house price increase y-o-y: Nationwide: +2.6% Halifax: +2.2%

Bricks and Blocks

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£m	2017	2016	% Change
Revenue	**249.5**	221.3	12.7%
EBITDA (pro-forma)	**69.1**	62.7	10.2%
EBITDA margin % (pro-forma)	**27.7%**	28.3%	

- Revenue increase driven by strong demand from new build residential market, leading to double digit increase in brick and aggregate block volumes
- Price increases were achieved across each of the product lines in line with our expectations to offset increases in the cost base
- Brick sales volume benefited from the extra soft mud capacity installed in 2016 at our Measham facility and the recommissioning of Claughton following the upgrade
- The aircrete business has performed more consistently during the year due to securing a number of alternative raw material supply sources
- EBITDA increase of 10.2% due to increased sales volumes and price rises which offset higher costs of energy, raw materials, distribution and labour. Result also affected by sales mix, higher repair costs and planned investment in group functions post IPO

Favourable dynamics within the UK brick market

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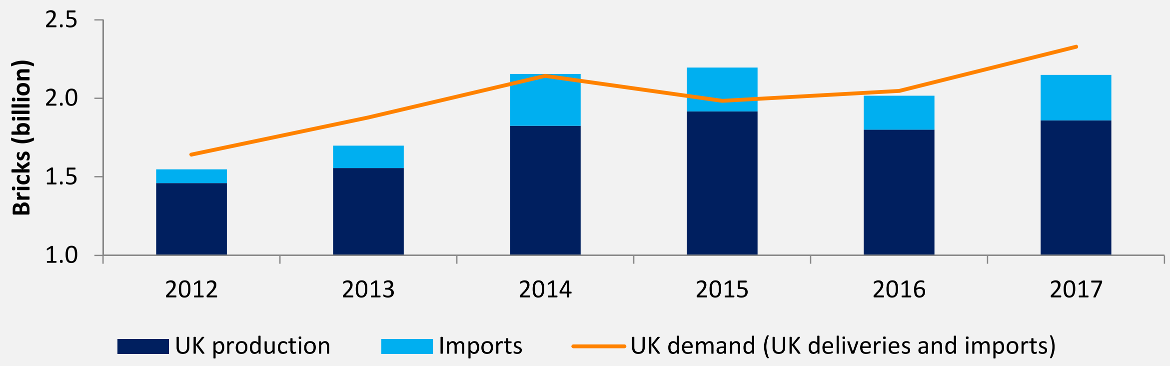
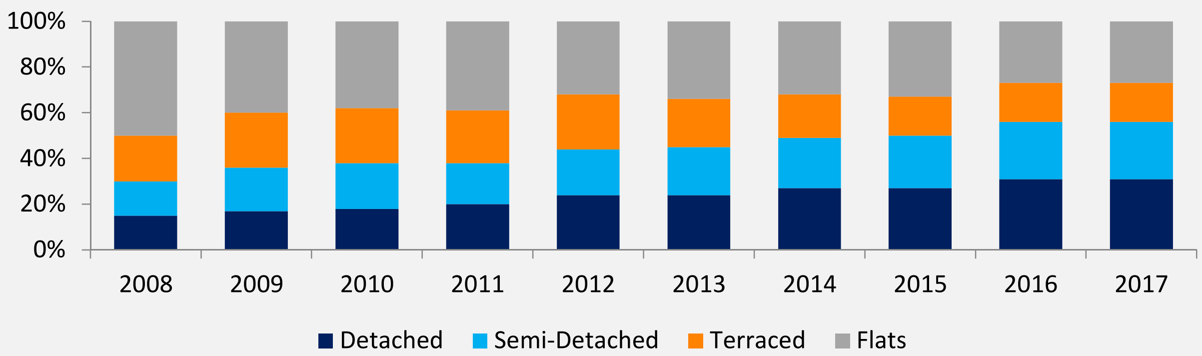
UK brick supply and demand dynamics



Source: Office of National Statistics (ONS), HMRC

New build housing registrations by type



Source: NHBC

Favourable supply/demand dynamic

- 2017 saw demand increase ahead of production levels, leading to an increase in the level of imports within the UK market

Favourable housing mix

- In recent years, the trend in house type has gradually shifted from flats towards detached houses – where a higher volume of bricks per unit are used

Options to expand an efficient manufacturing base in bricks

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Current footprint of efficient operations

9 brick facilities

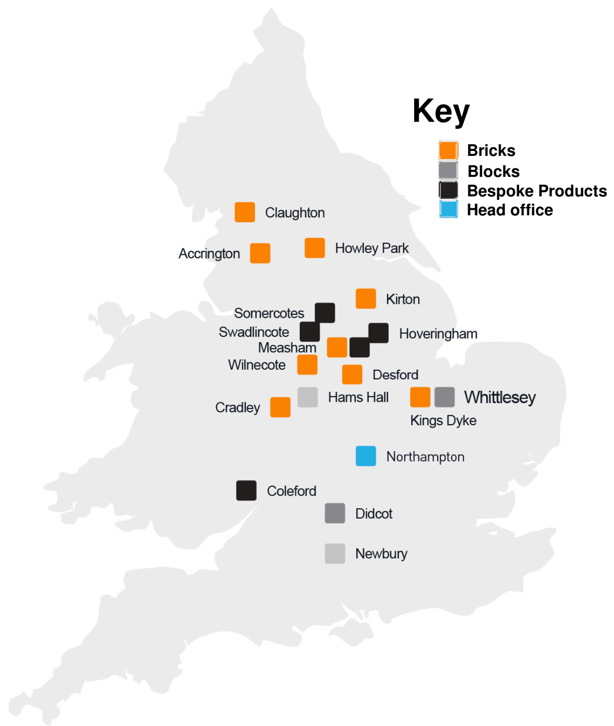
Average 2017 capacity per facility in GB

Wienerberger 52m bricks p.a.

IBSTOCK 43m bricks p.a.

MICHELMERSH 21m bricks p.a

FORTERRA 64m bricks p.a.[(a)]



Capacity strategy

Debottlenecking

- **Measham** – 19m bricks capacity p.a. – **COMPLETED** 2016
- **Claughton** – 5m bricks capacity p.a. – **COMPLETED** 2017
- **Desford** – 5m bricks capacity p.a. – **COMPLETED** early 2018
- **Accrington** – 10m bricks capacity p.a. – to be completed summer 2018

Current development options

Options to develop strategic landholdings:

- Swillington

- Clockhouse

Option for redevelopment of an existing operational site

Note: Average production capacity of each company calculated as total production capacity of that company in 2017 divided by the total number of facilities held by such company in the relevant area.
(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.

Bespoke Products

£m	2017	2016	% Change
Revenue	**83.6**	74.8	11.8%
EBITDA (pro-forma)	**6.3**	6.7	(6.0)%
EBITDA margin % (pro-forma)	**7.5%**	9.0%	

- Underlying revenue growth of 4.0% after excluding benefit of Bison acquisition
- Reduction in EBITDA due to cost pressures faced by the precast business which were not fully recovered; operational challenges caused by operating Hoveringham plant above it's normal operating capacity; and planned investment in Group functions post IPO
- Both Red Bank and Formpave performed well in the year benefitting from measures to reinvigorate the product offering, and investment in a replacement block press machine at Formpave

Bison acquisition

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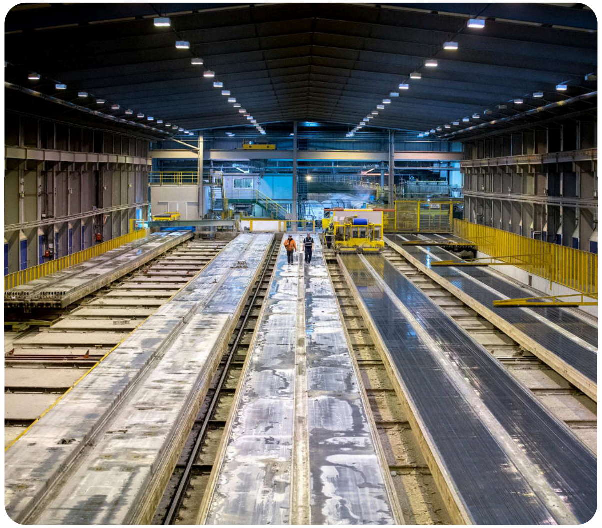
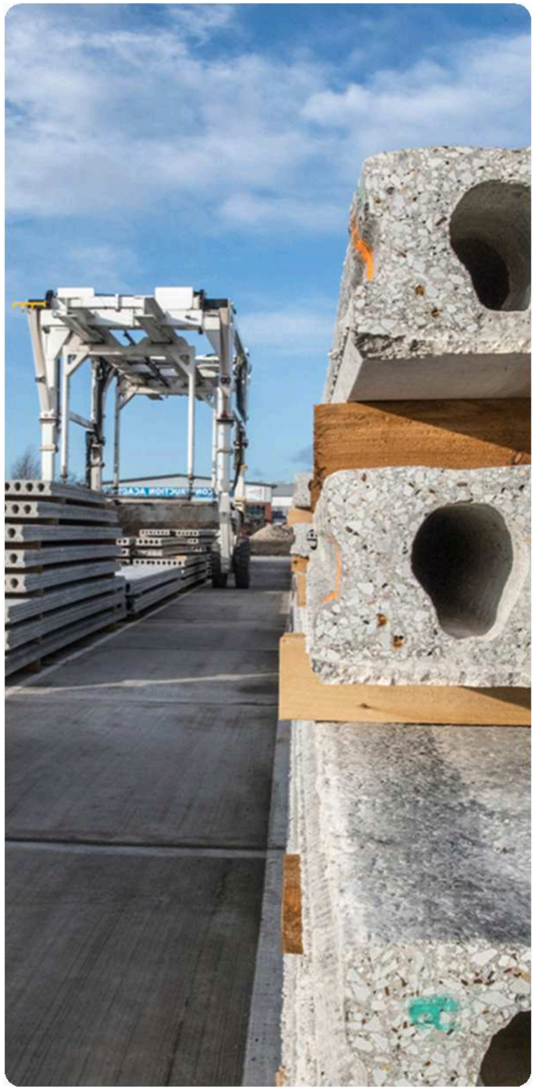
Forterra strengthened its position in precast concrete manufacturing with the acquisition of Bison

- Completed in September 2017
- One of the most recognised names in precast concrete
- Acquisition saw 180 Bison staff join forces and share expertise with the 230 staff at Forterra's Somercotes and Hoveringham sites
- Bison Precast brand now utilised across entire precast range
- Reinforces our status as a leading precast manufacturer in the UK
- Added new customers to Forterra's portfolio

Bison integration



- Integration progressing to plan
- Swadlincote facility already making a positive contribution to operating profit
- Wider business leveraging the Bison brand following rebranding
- Aim to have the Swadlincote site running at c.80% capacity utilisation by the summer of 2018



Delivery against our strategic priorities in 2017

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Strategic Priority	Achievements
Manufacturing Excellence	▪ Continuous improvement programme delivering efficiency benefits ▪ Debottlenecking activities completed at Claughton and Desford ▪ Progressing options for large scale brick capacity investments
Core Product Focus	▪ Profit & cash flow growth delivered ▪ Decreasing reliance on dry pulverised fuel ash (PFA) through investment ▪ Bison brand utilised across full precast range ▪ Fletton Brick 140th anniversary campaign
Business Expansion	▪ Bison acquisition completed ▪ Soft mud bricks product range expanded via new product development ▪ Commercial project successes culminating in Brick Award

High Performing People

Strong Customer Relationships

Outlook

Outlook

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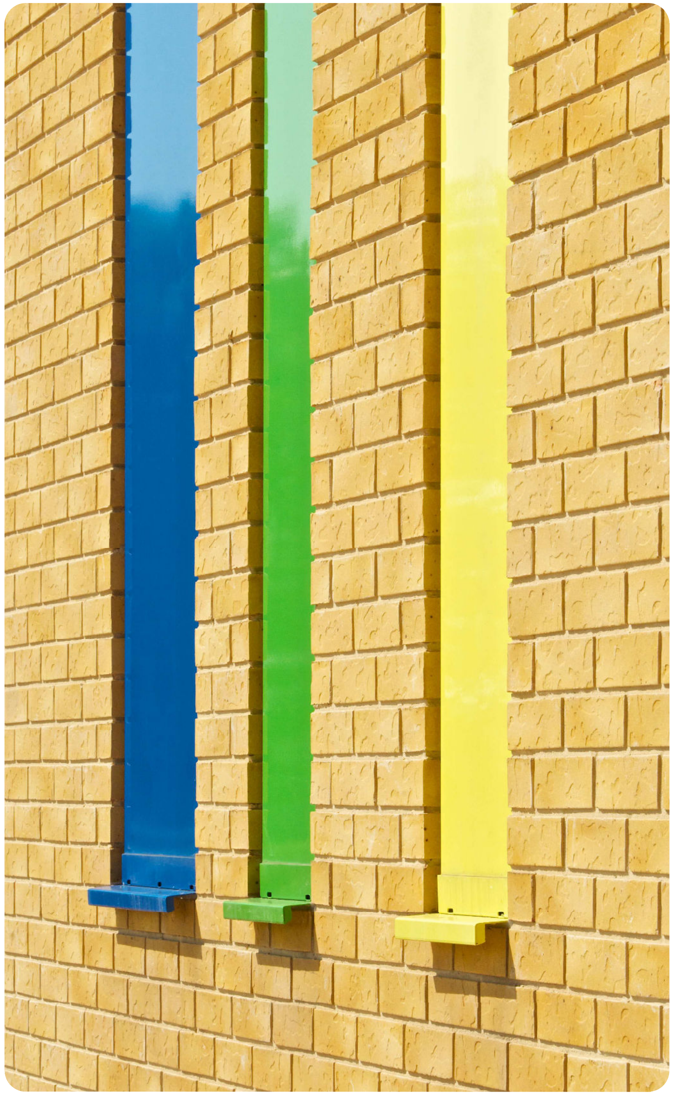
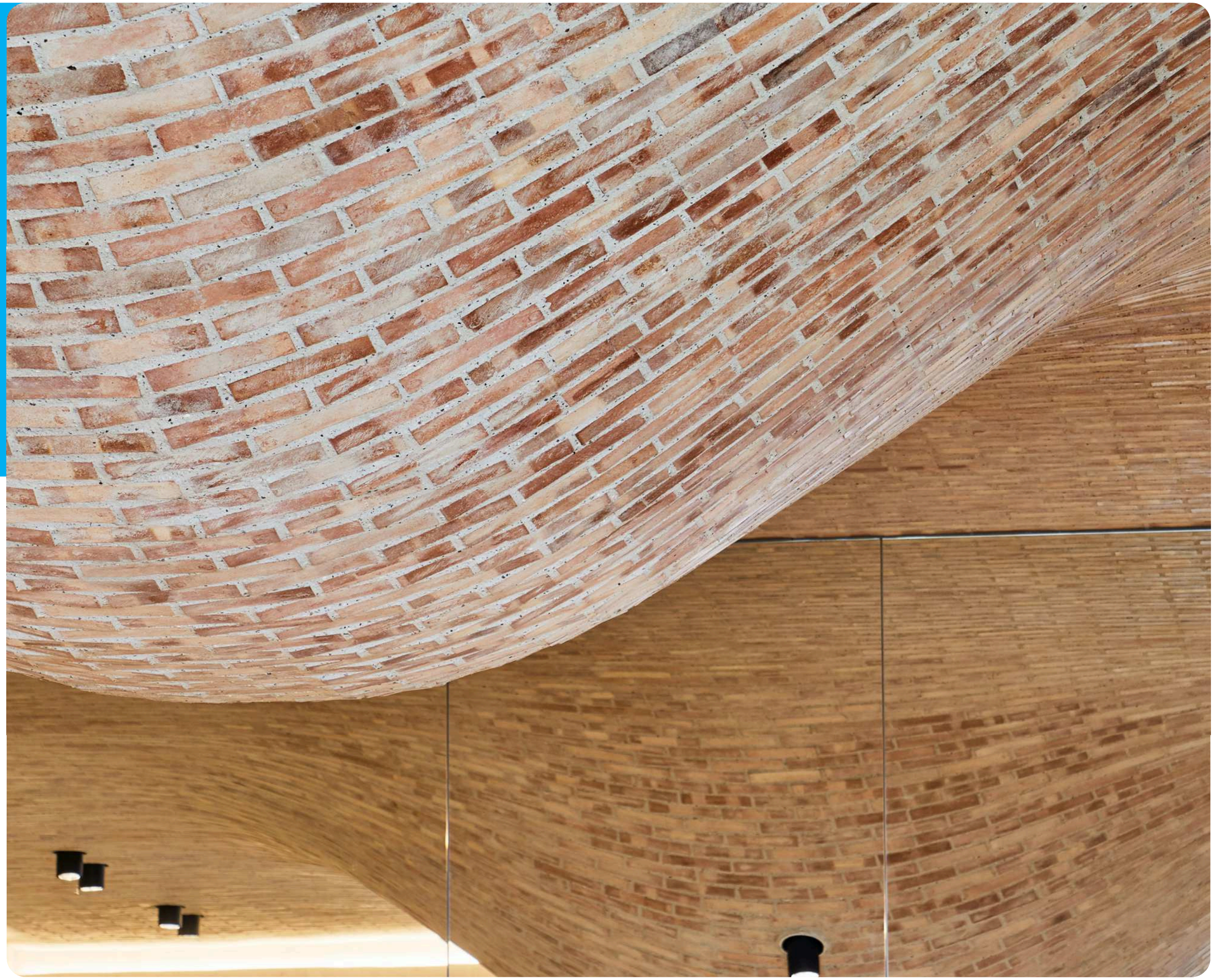
- Following strong performance in 2017, the current year has started well with brick and block volumes for the first two months ahead of the comparable period in 2017
- Whilst the housing maintenance and improvement market remains subdued, we continue to see good activity levels from the new build residential market and anticipate a more modest level of volume growth compared with the prior year
- As anticipated, price increases have now been agreed with most customers in order to cover the increase in our cost base
- Based on our order book and indications from major customers, our expectations for 2018 are unchanged
- Whilst we are cautious of the impact of the current uncertainty on the UK economy, the Board remains confident that the business is well positioned to take advantage of the attractive market fundamentals and of its ability to deliver sustainable shareholder value

Q & A



Appendices



Investment case

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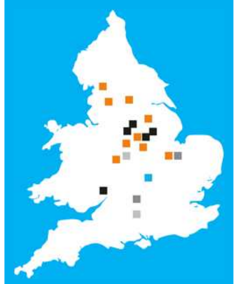
Pure UK focus

1.
100% in UK

Consolidated competitive landscape

Structural long-term growth



Growth

Cash generation enabling investment

2.
Capex projects and potential to be acquisitive

Capacity expansion in brick

Able to investigate relevant bolt on acquisitions

Further growth from cross-selling

3.
93% of sales from the housing market

Volume growth

Highly complimentary products across the housebuilding market

Bricks (outer wall cavity)

Blocks(inner wall cavity)

Concrete flooring Chimney/roofing

Resilience

Iconic Fletton brick

4.
Sole manufacturer

Volume growth

Highest margins

Largely RM&I

Premium and resilient pricing

No imports available

Ability to flex production capacity to meet market demand

5.
Operational agility

Proven capability in matching capacity to market demand

Reacting quickly to ensure efficient operations

Efficiency

Efficient core brick manufacturing

6.
Superior output per facility; highly efficient operations

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

Brick capacity per facility: c.64m

Sales per facility: c.£18m

High return / –low risk capex

7.
Immediate focus on low cost incremental capacity additions

£0.25 m per million bricks

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

Completing evaluation of larger capacity projects

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	New build Commercial	Infrastructure
Bricks	• House builders • Builders' merchants • Specialist brick merchants	Extruded bricks	✓	✓	✓	
		Soft mud bricks	✓	✓	✓	
		Fletton	✓			
Blocks	• House builders • Builders' merchants	Aircrete blocks	✓	✓		
		Aggregate blocks	✓	✓	✓	
Bespoke products	• House builders • Builders' merchants • Contractors • Sub-contractors	Structural precast			✓	✓
		Precast flooring		✓	✓	✓
		Formpave	✓	✓	✓	
		Red Bank	✓	✓		

Cross-selling

Strong and long-standing customer relationship

30+ years
- KB Kent Blaxill
- JEWSON
- BARRATT Developments PLC
- BOVIS HOMES
- PGR Builders & Timber Merchants
- SAINT-GOBAIN Building Materials
- Elliotts
- TaylorWimpey plc
- PERSIMMON
- Grafton Group plc

Up to 30 years
- Browns
- TP
- Bellway
- BRICKABILITY Brick Merchants
- HUWS GRAY Building Materials Centre
- OUTHAUS
- RIDGEONS Timber & Builders Merchants
- Weston Homes Plc
- MKM Building Supplies
- miller
- roy geddes bricks

Up to 20 years
- AVANT homes
- LAING O'ROURKE
- REDROW
- McCarthy & Stone
- Alloway Timber
- Churchill Retirement Living
- TAYLOR MAXWELL

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

The sole producer of the iconic Fletton brick

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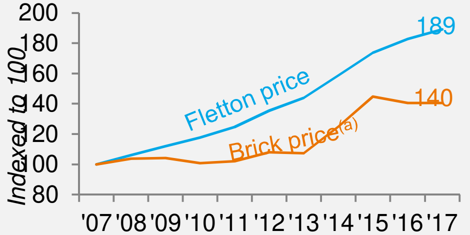
Product line benefits from strong pricing



(a) Represents UK overall bricks price
Source: Company information, Management estimates

Significant heritage - produced since 1877

Competitive advantage secured by unique manufacturing process

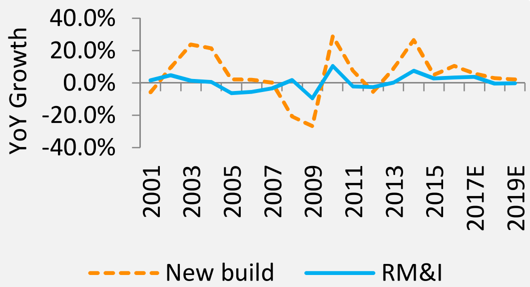
- Strategic and sole access to Fletton-specific clay reserve
- London Brick Company brand
- 130 million production capacity p.a.
- Unique technical knowledge and skilled workforce
- Bespoke production equipment maintained in Forterra's own workshops

Additional benefits

Cross-selling opportunities

- Nearly all English builders' merchants hold inventories of Fletton bricks
- Sole producer of Fletton bricks strongly positions Forterra with customers

Primary exposure to the more stable RMI market in GB



c.23% of existing English homes built with Fletton bricks

Source: Company information, Management estimates, CPA Report Winter Forecast 2017/18

Market view: Blocks

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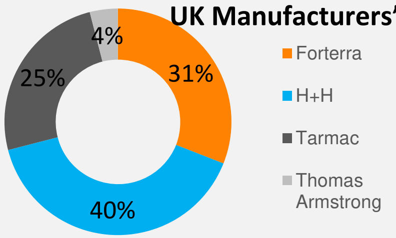
	Aircrete blocks	Aggregate blocks
Description	• Cost effective solution for wall, floor and below-ground constructions • Up to 80% recycled content • Lightweight features enabled accelerated speed of build	• Quick, easy, cost-effective build solution for both inner-leaf and facing requirements of walls • High content of locally-sourced recycled/sustainable materials • Widely used within RMI, general and retaining wall projects, housing, commercial and structural projects
Demand drivers	• Residential market • Building code changes • Enhanced detailing	• Residential market, new build and RMI • Commercial and architectural technical specifications
Competitive advantages	• High thermal and sound insulation • Good compressive strength • Light weight • Moisture resistance • Easy-to-achieve u-value targets • Lower CO2 emissions THERMALITE	• Excellent structural strength • Easy to install • Acoustic benefits • Cost effective CONBLOC

Competitive advantages

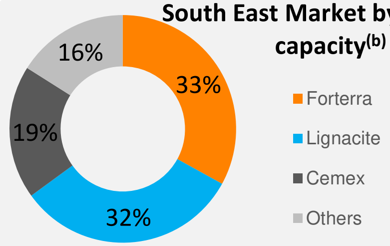
UK Manufacturers' share[(a)]



Highly consolidated market

Market currently running at >95% capacity utilisation

South East Market by installed capacity[(b)]



Fragmented market nationally, but consolidated in E & SE England where we operate

SE market currently running at c.85% capacity utilisation

(a) Aircrete market share calculated based on estimates of GB production capacity in 2015 prepared by BDS (Dec 2017).
(b) Aggregate market share calculated based on estimates of East and South Eastern production capacity in 2016 prepared by BDS (Dec 2017) and therefore does not include volume sold into the region by Plasmor via their rail linked plants.
Source: Company information, Management estimates, BDS (Dec 2017).

Market view: Precast products

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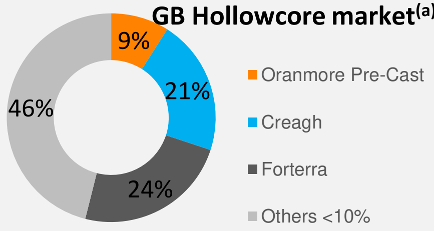
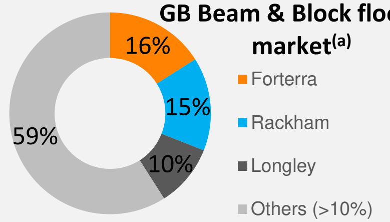
	Hollowcore Flooring	Beam & Block Flooring	Other precast
Description	• Flooring solution used across the residential sector, typically in multi-unit dwellings • Ideal structural section due to reduced deadweight whilst also providing maximum structural efficiency	• UK's first system (Jetfloor) to use expanded polystyrene blocks combined with a structural concrete topping • Primarily used in ground floor residential setting due to high levels of thermal insulation	• Stairs and landings (complimentary to hollwcore solution) • Crosswall frames • Stadia components • Columns and beams • Bespoke precast units
Demand drivers	• Residential market (especially flats) • Building code changes • Commercial construction	• Residential housebuilding market	• Commercial construction market • Infrastructure market
Competitive advantages	• Flexibility of design approach • Enhanced spans • Factory produced to high quality standard • Preformed site services • Speed of erection • Reduction of in-situ concrete • Sound resistance	• High level thermal insulation • Flexible 'u' value performance • Reduced excavation and spoil removal • Increased speed of build • No specialist construction skills required	• Flexibility of design approach • Speed of erection • Fire resistance • Slip resistance values • Off site manufacturing reduces the need for wet trades and materials on site

Competitive advantages

GB Hollowcore market[(a)(b)]



GB Beam & Block flooring market[(a)]



BISON PRECAST

JETFLOOR

(a) Market share calculated based on estimates of GB production capacity in 2015 prepared by BDS.
(b) Hollowcore market share is based on BDS reports with the addition of Management estimates due to the Bison acquisition.
Source: Company information, Management estimates, BDS (June 2016).

Pro-forma adjustments

£m	**2017**	2016
Operating profit (statutory basis)	**64.5**	51.3
Exceptional items	**-**	8.9
Operating profit before exceptionals	**64.5**	60.2
Additional costs in 2017 as a plc	**-**	(1.2)
Operational profit before exceptionals (pro-forma basis)	**64.5**	59.0
Finance charge before exceptionals (for 2016 based on debt structure for full year)	**(3.4)**	(5.9)
PBT before exceptionals (pro-forma basis)	**61.1**	53.1
Tax charge at effective rate	**(12.2)**	(11.1)
Earnings before exceptional items (pro-forma basis)	**48.9**	42.0
Number of shares (millions)	**200.0**	200.0
EPS before exceptionals (pence)	**24.5p**	21.0p

Trade Working Capital

Trade working capital breakdown

£m	31 Dec 2017	31 Dec 2016
Inventory days	**67**	83
Debtor days*	**40**	39

*Count back basis

Summary Balance sheet

FORTERRA plc

£m	**2017**	2016
Intangible assets	**15.8**	13.7
Property, plant and equipment	**165.2**	147.2
Deferred tax asset	**-**	0.4
Total non-current assets	**181.0**	**161.3**
Current assets		
Inventories	**36.3**	39.0
Trade and other receivables	**33.0**	31.6
Cash and cash equivalents	**29.0**	56.2
Total current assets	**98.3**	**126.8**
Total assets	**279.3**	288.1
Trade and other payables	**(61.2)**	(51.5)
External borrowings	**(89.8)**	(148.5)
Other liabilities	**(23.6)**	(18.9)
Net assets	**104.7**	69.2

Summary Cash Flow

FORTERRA plc

£m	**2017**	2016
EBITDA before exceptionals	**75.4**	69.4
Change in working capital	**10.6**	(1.0)
Other movements	**4.2**	1.4
Operating cash flow before exceptionals	**90.2**	69.8
Exceptional items	**-**	(13.6)
Tax and Interest	**(12.6)**	(18.7)
Capital expenditure		
- maintenance	**(7.6)**	(7.4)
- expansion	**(3.2)**	(1.7)
Acquisition of Bison	**(20.0)**	-
Dividends	**(13.8)**	(4.0)
Other movements	**(1.5)**	0.3
Net cash flow	**31.5**	24.7
Adjusted free cash flow (interest normalised, before dividends, acquisition and expansion capex)	**68.5**	50.4