



Forterra plc

Interim Results Presentation

30 July 2019



THE ORIGINAL
LONDON
BRICK

ECOSTOCK
BRICK

BUTTERLEY
BRICK

CRADLEY
BRICK & BLOCK

RED BANK
BRICK

THERMALITE
BRICK

CONBLOC
BLOCK

JETFLOOR
BLOCK

INNOVATORS IN
FORMPAVE
PERMEABLE PAVING

BISON PRECAST
BLOCK

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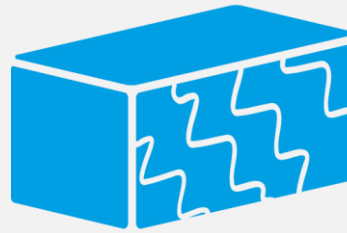
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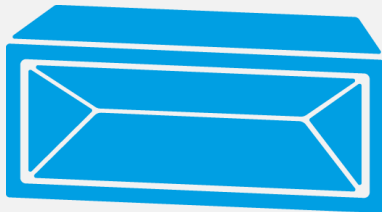
Forterra at a glance



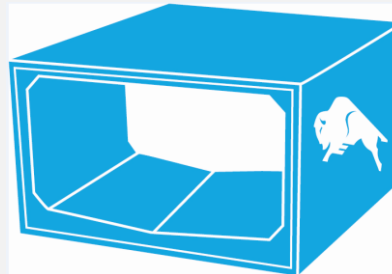
Market leaders in masonry walls & precast concrete floors



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

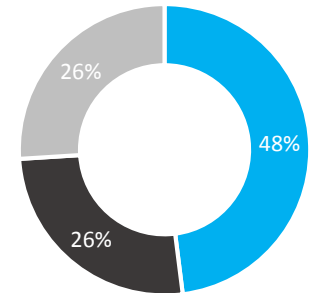


Sole manufacturer of iconic Fletton bricks sold under the London Brick brand



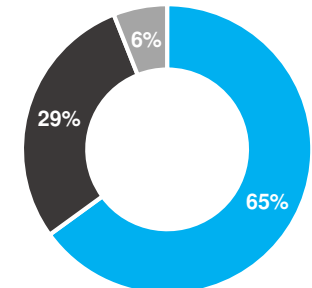
Precast concrete offering with associated high growth offsite manufacturing opportunities

Revenue by segment (%) (H1 2019)



■ Brick ■ Block ■ Bespoke

Revenue by end use (%)

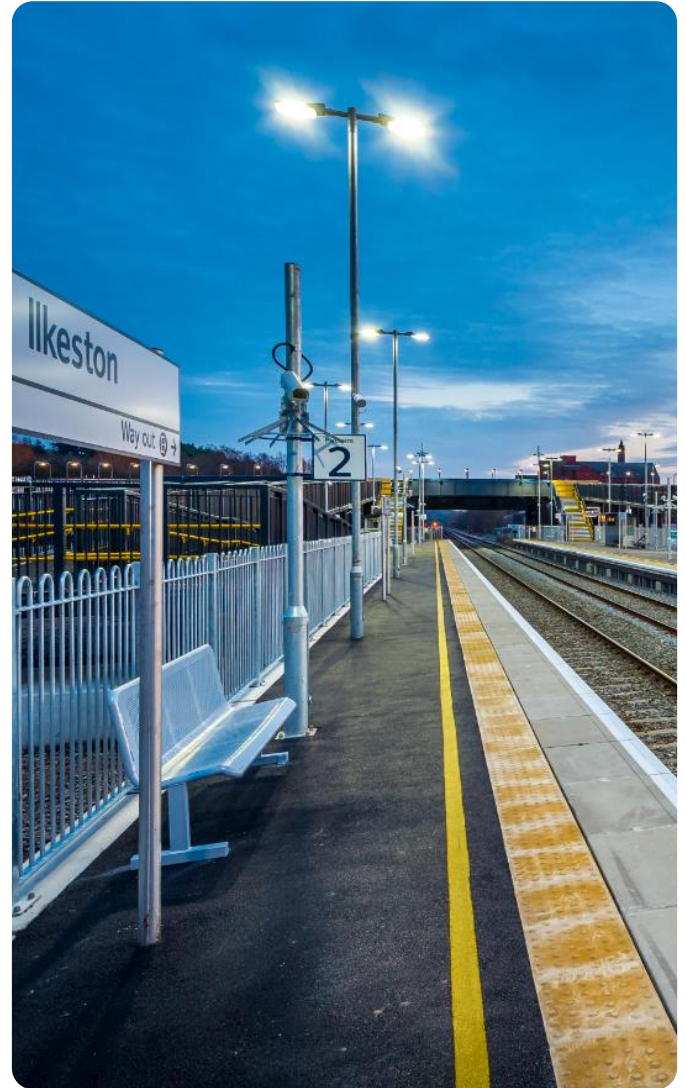


■ Residential new build ■ Residential RM&I ■ Commercial

Highlights

- Revenue increase of 7.6% due to higher brick and precast concrete volumes, and price increases applied to offset cost inflation
- Profit before tax in line with Board expectations and ahead of prior year due to the benefits of higher revenue partly offset by increased operating costs
- Continued strong cash generation resulted in a further reduction in net debt to £34.5m representing 0.4 times last twelve months EBITDA
- Full planning consent secured for £95m brick expansion project at Desford and construction work commenced
- Interim dividend declared of 4 pence per share, an increase of 21.2% over H1 2018

Financial review



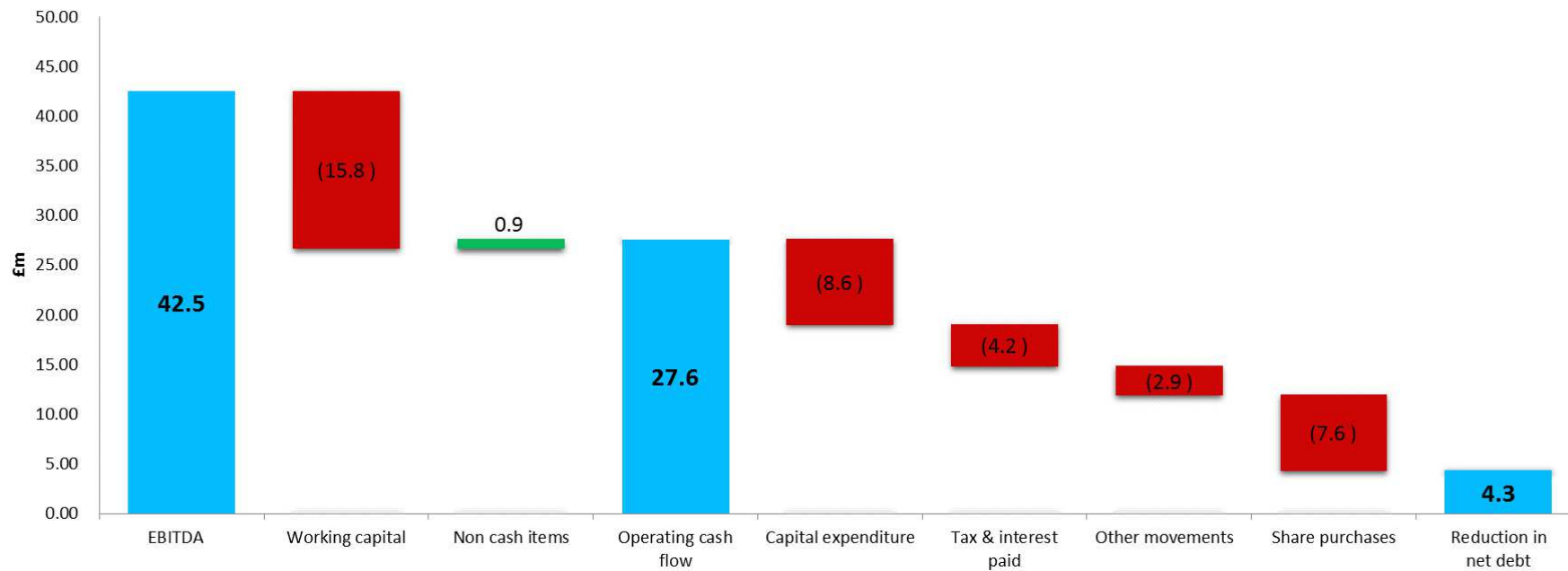
Financial highlights



£m	HY 2019	HY 2018	Change (%)	FY 2018
Revenue	193.6	180.0	7.6%	367.5
EBITDA	42.5	39.2	8.4%	78.8
<i>EBITDA margin (%)</i>	22.0%	21.8%		21.4%
Profit before tax	32.7	32.3	1.2%	64.8
Earnings per share (pence)	13.6p	13.0p	4.6%	26.5p
Operating cash flow	27.6	24.0	15.0%	79.8
Net debt*	34.5	51.9	33.5%	38.8
Interim / total dividend (pence per share)	4.0p	3.3p	21.2%	10.5p

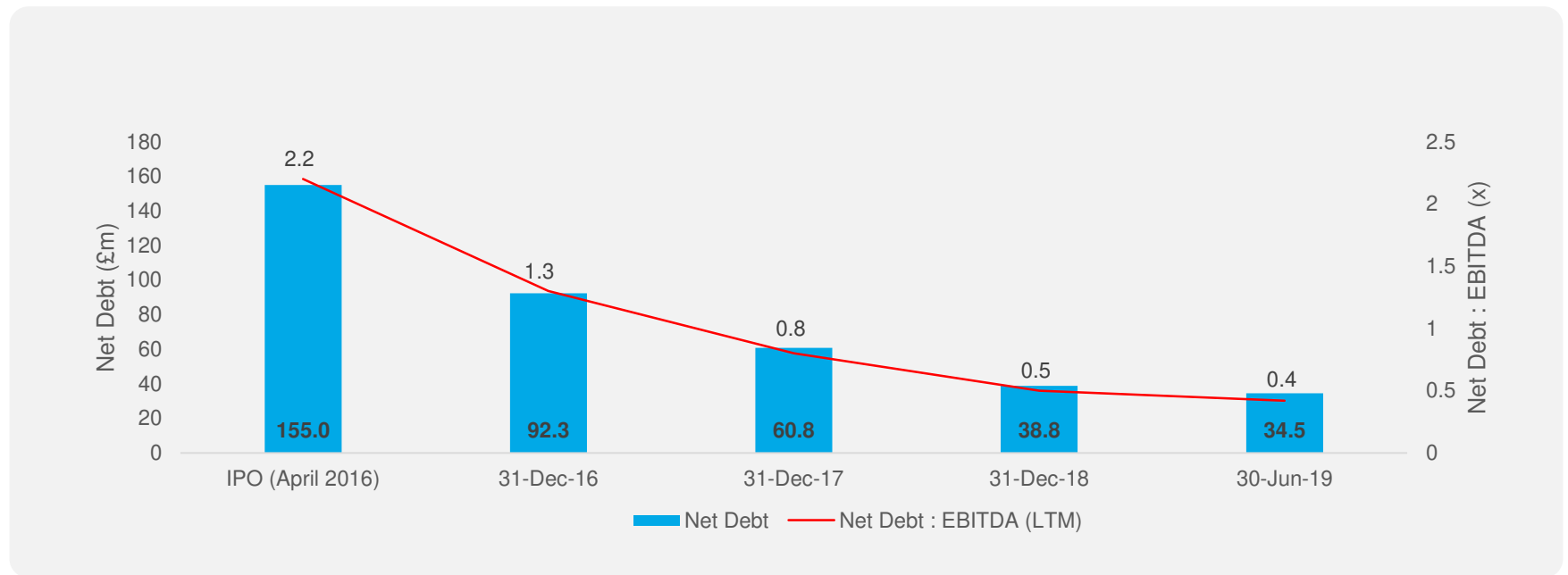
*Note: Net debt in H1 2019 excludes leasing liabilities under IFRS16 of £15.1m

Group Cash Flow



- Strong level of operating cash flow, delivering £27.6m in H1 (2018: £24.0m)
- Expected increase in working capital due to Spring selling season
- Capital expenditure was higher than H2 2018 at £8.6m including £2.7m on strategic investment at the Newbury aircrete plant and the major Desford brick expansion project
- During H1, 2.7m shares were purchased by the Employee Benefit Trust at a cost of £7.6m

Net Debt and Facilities

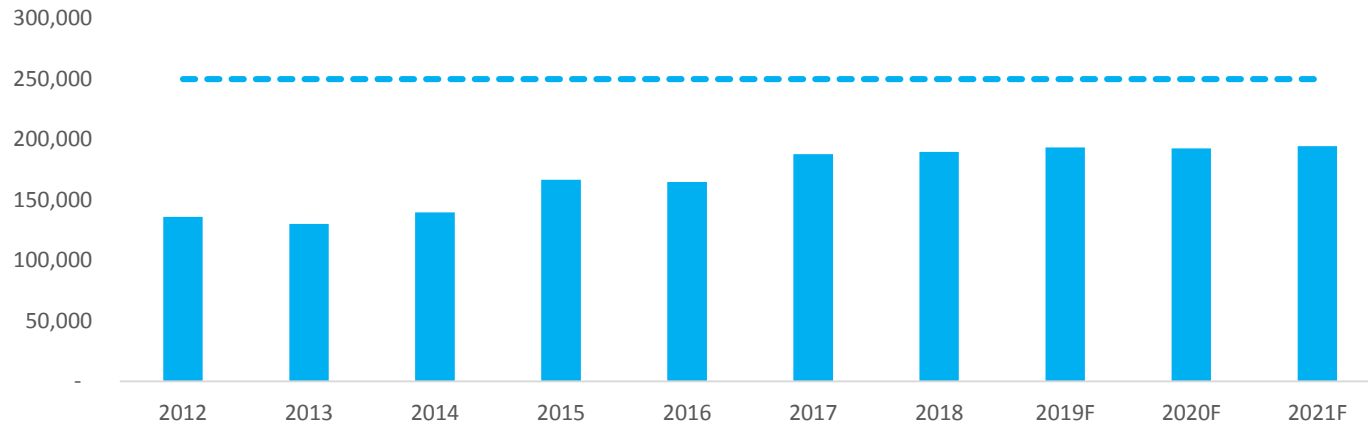


- Since the IPO, the business has generated over £200m of free cash flow. This has funded organic investment in the business, the Bison acquisition and enabled a progressive dividend policy whilst reducing net debt
- Committed Revolving Credit Facility of £150m in place, with a term to July 2022, plus a £50m accordion facility. At 30 June 2019, £83m of the facility was undrawn

Business review



Housing completions vs. government target



Source: MHCLG, CPA Forecast Spring 2019

Note: CPA Forecast states Great Britain completions data

■ Completions - - - Government target (less conversions)



UK Government supportive to demand

- *Help to Buy* extended to 2023
- Policies outlined in 2017 Government White Paper backed by cross party political agenda



Land availability

- UK Government initiatives to ensure release of development land



Supportive demand side environment

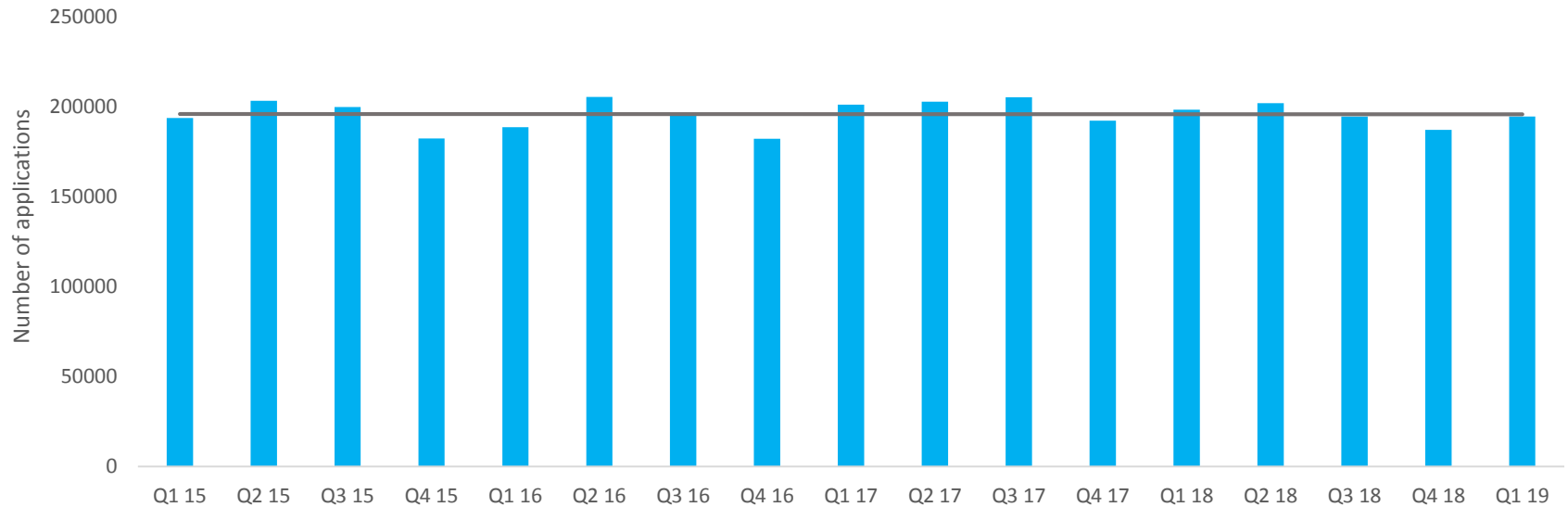
- Population growth stimulating demand
- High employment levels



Interest rate and credit availability

- Mortgage availability continues to be supportive alongside low interest rates

RMI Market: Planning applications of less than £100k



Source: Barbour ABI

- Planning applications of up to £100k are a useful proxy for the element of the RMI market relevant to Forterra, where the trend remains stable

Desford expansion project update

Desford

- In May 2018 the Board approved the project to build a new extruded brick factory at Desford in Leicestershire, with a manufacturing capacity of 180 million bricks per annum at a capital cost of £95 million
- Full planning consent has been secured with construction now underway
- Commissioning due in late 2021 with full production expected during 2022

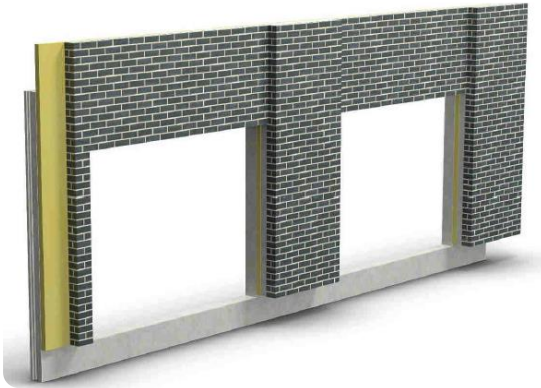
Forterra capacity – Current vs future

Million bricks	Current	Future
Desford	85	180
Other brick facilities	505	505
Total	590	685
Increase		16.1%



New plant at Desford; artist's impression

Other project updates



New product development

- Precast concrete sandwich panels with optional brick facing
- Surebrick – development of a mechanically retained and fully non-combustible brick slip façade solutions

System upgrades

- Modernisation of IT solutions - total project spend of £3.6m over the last 3 years
- Implementation of logistics optimisation software - £1.0m in 2019

Aircrete raw materials

- Newbury Aircrete facility successfully converted to use conditioned (wet) Pulverised Fuel Ash as well as dry ash at a cost of £3.4m. The project completes the exercise to decouple aircrete production from coal fired power generation

Bricks and Blocks



£m	HY 2019	HY 2018	FY 2018
Revenue	143.9	136.6	277.5
EBITDA	41.6	38.5	75.8
EBITDA margin %	28.9%	28.2%	27.3%

- Revenue increased by 5.3% as a result of the benefits of higher volumes and price increases applied to offset higher operating costs
- Brick volumes increased modestly due to the sustained strength of the residential new build market. Sales through builders' merchants and distributors were relatively good in the first four months of the year, although there was a slight easing of demand towards the end of H1
- Aircrete and aggregate block volumes were somewhat lower than last H1 2018 reflecting the reversal of the stock built up in the supply chain during 2018
- EBITDA increase of £3.1m included the benefit of the implementation of the leasing standard IFRS 16. The underlying increase was due to the benefit of the higher revenue partly offset by higher raw material, energy and other input costs. Repair and maintenance costs were higher due to the timing of planned repairs at the Desford brick factory and the Newbury aircrete facility which took place in H1 2019

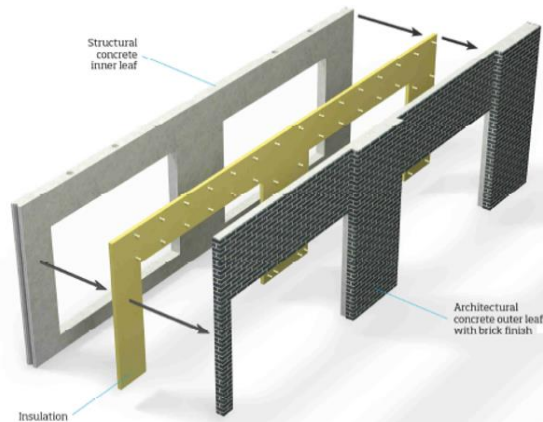
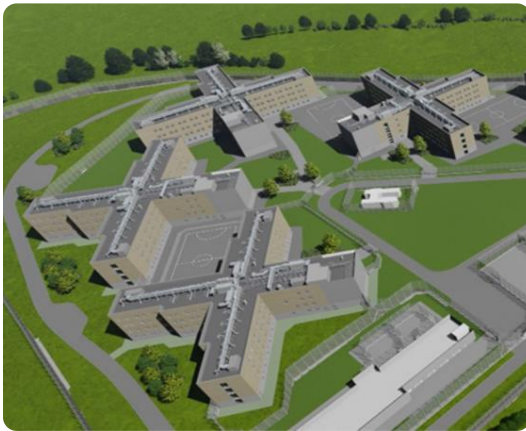
Bespoke Products

£m	HY 2019	HY 2018	FY 2018
Revenue	50.9	44.3	92.2
EBITDA	0.9	0.7	3.0
EBITDA margin %	1.8%	1.6%	3.3%

- Revenue for Bespoke Products increased by 14.9% due to higher volumes of precast concrete, especially floor beams, and also price increases applied to offset the effects of cost inflation
- Improvement in EBITDA to £0.9m includes the effect of the leasing change under IFRS 16. The Bison precast business made progress though the increase in revenue was offset by higher raw material, energy, distribution and repair costs
- Result also affected by the poor performance of Red Bank, the chimney and flue systems business, where sales volumes were lower than anticipated. Actions taken on costs realised only modest benefit in H1
- Bison Precast has a strong order book (£10m+) going into H2 plus further pipeline beyond
- Productivity improvements at Swadlincote during Q4 2018 have been sustained and the plant is now operating at an average of 8 beds per day with greater throughput in H2 anticipated to improve performance

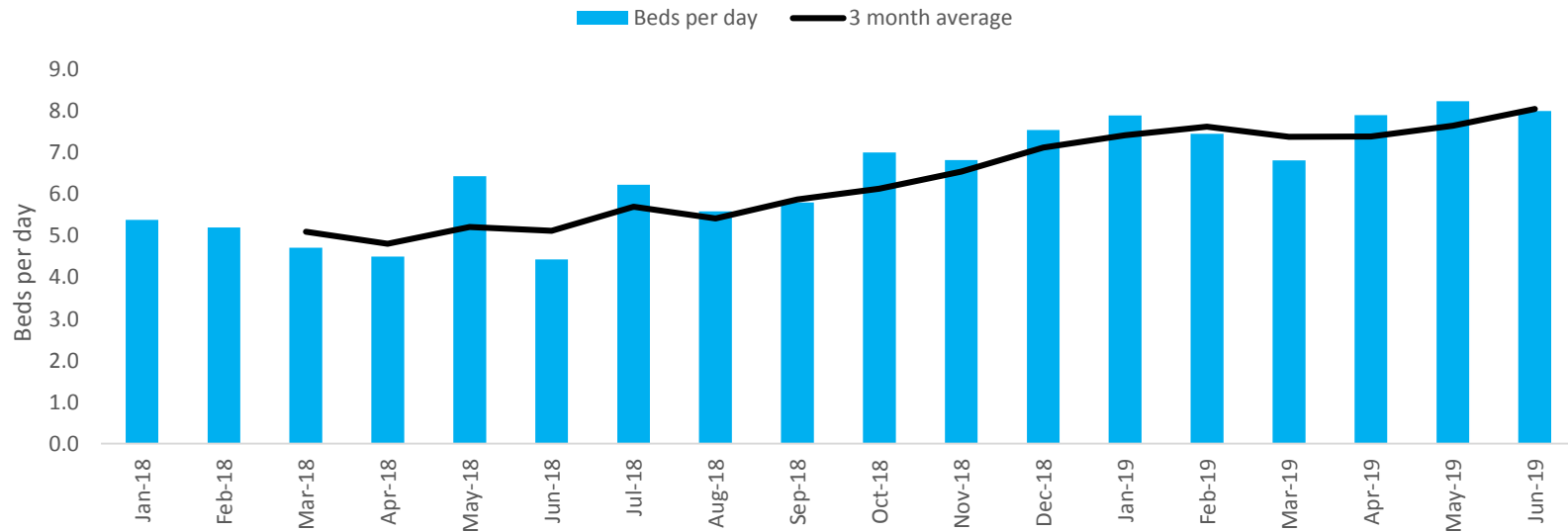
New Projects

- The Bison Precast business has successfully secured a number of large contracts totalling over £10m for deliveries commencing in the H2 2019, including the substantial custodial project at Wellingborough
- Bison's scope is 4,920 bespoke components including walls, solid slabs, columns, stairs and landings. The order also includes insulated brick-faced sandwich panels to the main entry building façade



- Bison Precast has also secured a large bespoke project at Warwick University to provide components forming the frame of a new interdisciplinary biomedical research building
- Products to be supplied include precast walls, columns, beams, stairs and landings

Swadlincote (Bison) productivity



Source: Company information

Note: A bed in this context is the casting surface of the manufacturing process

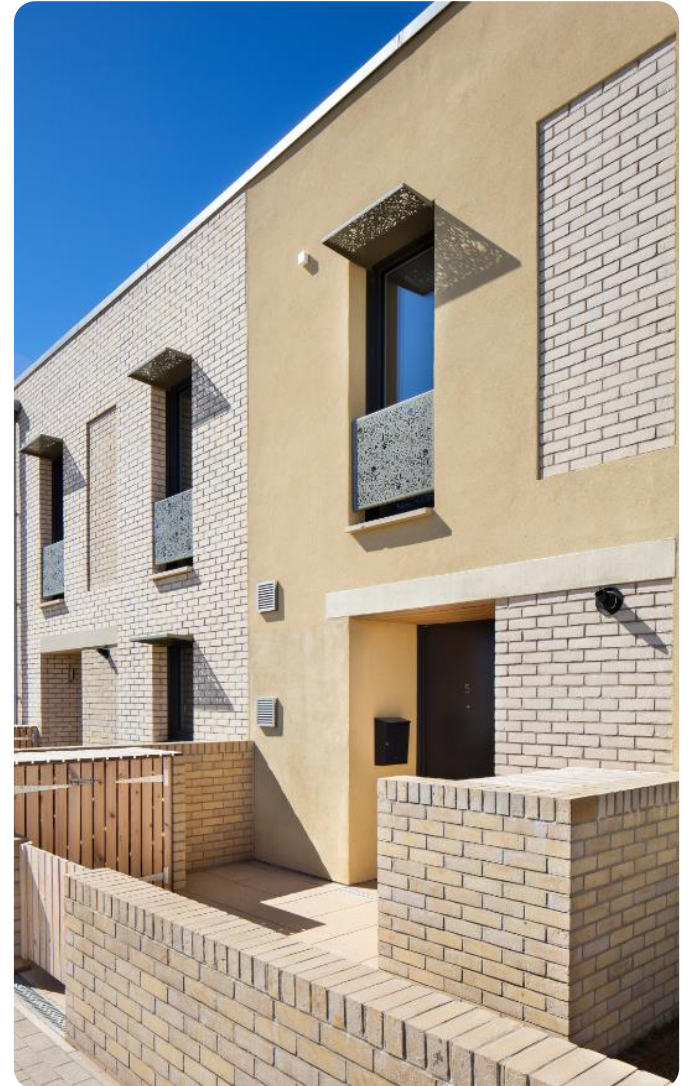
- The productivity improvements made at Swadlincote during the last quarter of 2018 have been sustained and the plant is now operating at an average of 8 beds per day
- Greater throughput is expected to lead to improved results in H2

Summary and outlook

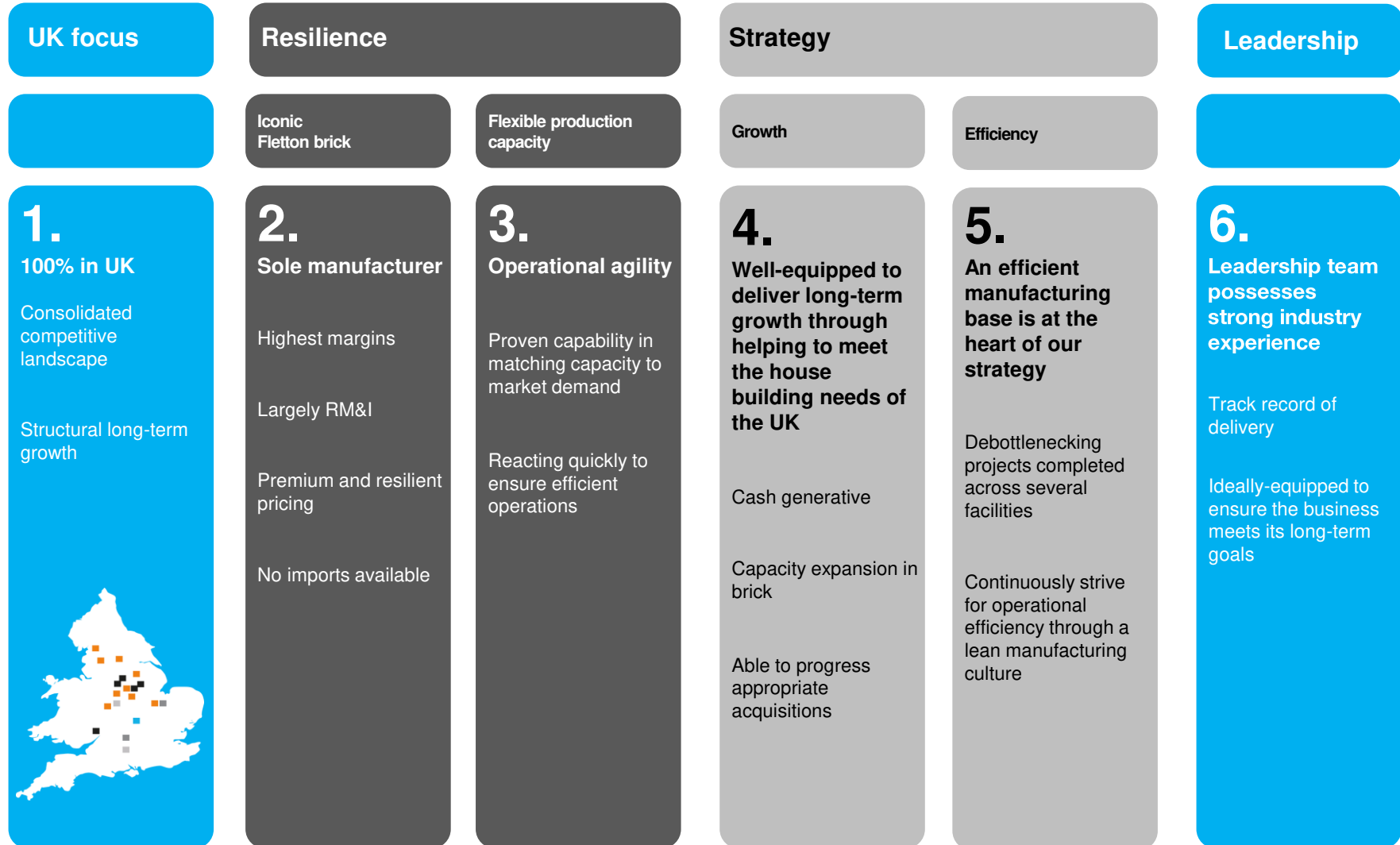


- The Group delivered a result in H1 in line with the Board's expectations
- Construction has commenced on our new brick facility at Desford following the confirmation of full planning consent. Once completed, the £95m investment will result in the largest and most efficient brick plant in Europe
- We remain watchful of the impact of the current political and economic uncertainty on our end markets. While noting that some recent economic data points have weakened, demand for products supplied into the new build residential market remains robust. Based on our order book and the continued strength of our core market, the Board's expectations for the full year are unchanged
- The Board remains confident of its strategy and its belief that the business is well positioned to benefit from the attractive market fundamentals over the medium term





Investment case



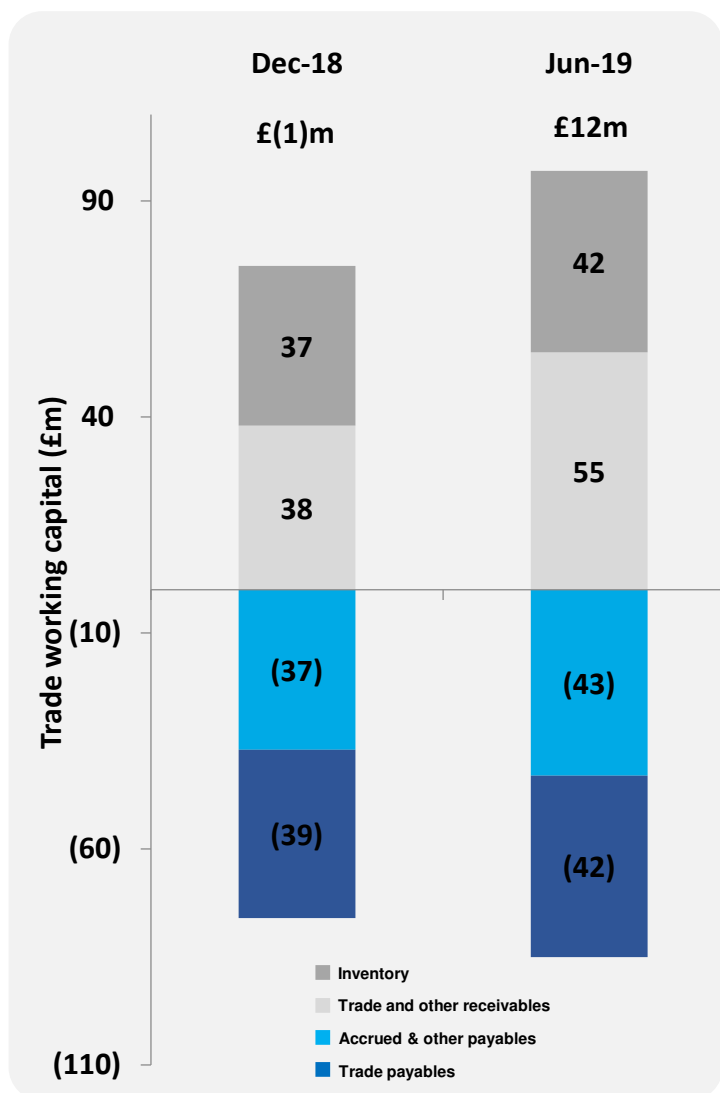
Summary Profit & Loss



£m	HY 2019	HY 2018	FY 2018
Revenue	193.6	180.0	367.5
EBITDA			
- Bricks and Blocks	41.6	38.5	75.8
- Bespoke Products	0.9	0.7	3.0
- Total	42.5	39.2	78.8
<i>EBITDA margin (%)</i>	22.0%	21.8%	21.4%
Depreciation and amortisation	(8.6)	(5.7)	(11.7)
Operating profit	33.9	33.5	67.1
Finance expense	(1.2)	(1.2)	(2.3)
Profit before tax	32.7	32.3	64.8
<i>Effective tax rate (%)</i>	18.5%	19.7%	18.5%
Earnings per share (pence)	13.6p	13.0p	26.5p

Trade working capital

Trade working capital breakdown



£m	31 Dec 2018	30 Jun 2019
Inventory days	60	61
Debtor days	41	37

Summary Balance sheet



£m	Jun 2019	Jun 2018	Dec 2018
Intangible assets	17.9	16.7	17.3
Property, plant and equipment	186.8	164.4	170.5
Total non-current assets	204.7	181.1	187.8
Current assets			
Inventories	42.1	36.7	37.4
Trade and other receivables	55.1	56.9	37.9
Cash and cash equivalents	32.2	27.9	26.0
Total current assets	129.4	121.5	101.3
Total assets	334.1	302.6	289.1
Lease liabilities	(15.1)	-	-
Trade and other payables	(93.0)	(82.5)	(72.0)
External borrowings	(66.7)	(79.8)	(64.8)
Other liabilities	(19.8)	(23.4)	(18.1)
Net assets	139.5	116.9	134.2

Summary Cash Flow



£m	2019 HY	2018 HY	2018 FY
EBITDA	42.5	39.2	78.8
Change in working capital	(15.8)	(18.0)	2.7
Other movements	0.9	2.8	(1.7)
Operating cash flow	27.6	24.0	79.8
Tax and Interest	(4.2)	(6.9)	(14.0)
Capital expenditure			
- maintenance	(5.3)	(3.5)	(8.5)
- strategic	(3.3)	(2.5)	(10.1)
Dividends	-	-	(19.3)
Purchase of shares	(7.6)	(2.2)	(6.1)
Other movements	(2.9)	-	0.2
Reduction in net debt	4.3	8.9	22.0
Adjusted free cash flow (before dividends, share purchases, acquisition and strategic capex)	15.2	13.6	57.5