FORTERRA PLC RESULTS PRESENTATION

PERIOD ENDED 30 JUNE 2021

29 JULY 2021

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Keeping Britain Building

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AGENDA

1. Key points
2. Financial review
3. Current trading
4. Outlook
5. Strategic update
6. Q&A

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

OPERATIONAL AND TRADING HIGHLIGHTS

- Strong recovery in first half trading vs. 2020, underpinned by robust demand from both the new build and the repair maintenance and improvement (RM&I) markets
- Revenues in Bricks and Blocks segment slightly ahead of 2019 levels
- Strong EBITDA recovery in Bricks and Blocks, with profits almost back to 2019 levels not withstanding operational challenges at the existing Desford brick factory
- Strong operating cash flow leads to a net cash balance (before the impact of leases) of £26.3m at period end
- Increasing signs of cost inflation although impact restricted mostly to Bespoke Products in H1
- Modest upgrade in management's previous expectations for the full year

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FINANCIAL REVIEW

KEY FINANCIALS

	Six months ended 30 June		
£m	2021 £m	2019 £m	2021 change vs 2019
Revenue	**180.3**	193.6	**(6.9%)**
EBITDA	**37.0**	42.5	**(12.9%)**
Operating profit	**29.0**	33.9	**(14.5%)**
Profit before tax	**27.1**	32.7	**(17.1%)**
Earnings per share (pence)	**9.3**	13.6	**(31.6%)**
Cash flow from operations	**31.6**	27.6	**14.5%**
Net funds / (debt) before leases	**26.3**	(34.5)	**n/a**
Dividend – interim / total (pence)	**3.2**	4.0	**(20.0%)**

Note: 2021 shown vs. 2019 for meaningful comparison. 2021 vs 2020 is shown additionally within the appendix

PROFIT AND LOSS

	Six months ended 30 June		
£m	2021 £m	2019 £m	2021 change vs 2019
Revenue	**180.3**	193.6	**(6.9%)**
EBITDA			
- Bricks and Blocks	**37.8**	41.6	**(9.1%)**
- Bespoke Products	**(0.8)**	0.9	**n/a**
Total	**37.0**	42.5	**(12.9%)**
EBITDA margin (%)	**20.5%**	22.0%	**(150 bps)**
Depreciation and Amortisation	**(8.0)**	(8.6)	
Operating profit / EBIT	**29.0**	33.9	**(14.5%)**
Finance expense	**(1.9)**	(1.2)	
Profit before tax	**27.1**	32.7	**(17.1%)**
Effective tax rate (%)	**21.3%**	18.5%	
Earnings per share (pence)	**9.3**	13.6	

Note: 2021 shown vs. 2019 for meaningful comparison. 2021 vs 2020 is shown additionally within the appendix

SEGMENTAL RESULTS: BRICKS AND BLOCKS

	Six months ended 30 June		
£m	**2021**	**2019**	Change
Revenue	**145.0**	**143.9**	0.8%
EBITDA	**37.8**	**41.6**	(9.1%)
EBITDA margin	**26.1%**	**28.9%**	(280 bps)

Note: 2021 shown vs. 2019 for meaningful comparison. 2021 vs 2020 is shown additionally within the appendix

- Revenue increased by 0.8% relative to 2019
- Demand consistent across both new build residential and RM&I, with volumes following the trend of the wider market
- Significant cost inflation seen across a number of categories including cement, transport, carbon cost, and energy
- Prices increased to offset the cost inflation that was expected at the beginning of the year. Whilst there is a risk that cost inflation may not be fully recovered in the second half, in the longer term we remain confident in our ability to recover cost inflation

SEGMENTAL RESULTS: BESPOKE PRODUCTS

	Six months ended 30 June		
£m	**2021**	**2019**	Change
Revenue	**37.2**	**50.9**	(26.9%)
EBITDA	**(0.8)**	**0.9**	n/a
EBITDA margin	**(2.2%)**	**1.8%**	

Note: 2021 shown vs. 2019 for meaningful comparison. 2021 vs 2020 is shown additionally within the appendix

- Revenues fell by £13.7m relative to 2019, as expected following the closure of the hollowcore production facility at Swadlincote in H2 of last year
- Sales of our beam and block flooring despatches are in line with expectations, recovering to c.85% of the 2019 comparative
- Significant cost inflation experienced, notably in cement and steel. Price increases have been passed onto customers although the lead time associated with agreeing and implementing increases have not enabled this cost inflation to be fully offset in this period
- EBITDA of £(0.8)m includes redundancy and impairment cost in relation to closure costs of the Swadlincote general precast facility (adjacent to hollowcore facility mothballed last year) totalling £1m. Segment also continues to bear an allocation of central costs totalling £2.6m in the first half

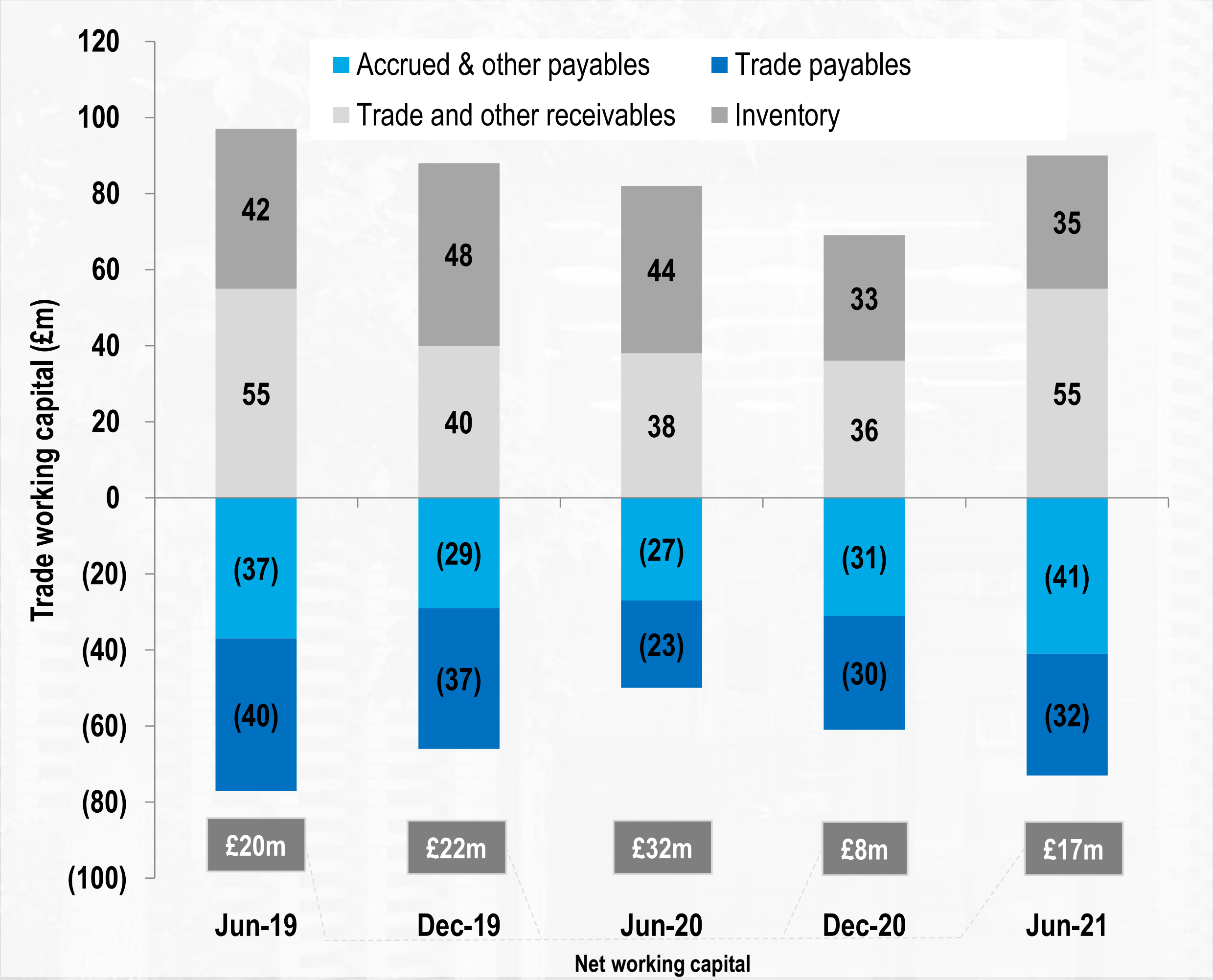
CASH FLOW

	Six months ended 30 June		
£m	**2021**	2020	2019
Cash flow from operations	**31.6**	(4.2)	27.6
Cash payments made in respect of exceptional items	**-**	(0.6)	-
Interest	**(1.5)**	(0.7)	(1.1)
Tax	**(4.8)**	(4.1)	(3.1)
Capital expenditure	**(11.6)**	(12.2)	(8.6)
EBT payments	**(0.5)**	(0.1)	(7.6)
Other movements	**(0.4)**	(0.7)	0.1
Payments on lease liabilities	**(2.5)**	(2.8)	(3.0)
Reduction / (increase) in net debt (before leases)	**10.3**	(25.4)	4.3

- Strong operating cash flow generation ahead of 2019
- Full year capital spend guided at approximately £48m
- Desford spend:

To date:	£41.5m
H2 2021:	£30.5m
2022:	£15.5m
2023:	£7.5m
Total:	**£95m**

WORKING CAPITAL



- Strong market demand has prevented replenishment of inventories
- Seasonal increase in receivables as expected mitigated by corresponding increase in payables

NET DEBT AND FACILITIES

£m	June 2021	December 2020	December 2019
	Net funds / (debt)		
Cash and cash equivalents	31.8	31.5	26.6
Loans and borrowings	(5.5)	(15.5)	(69.8)
Net debt excluding leases	**26.3**	**16.0**	**(43.2)**
Lease liabilities	(15.0)	(9.4)	(14.1)
Net funds / (debt)	**11.3**	**6.6**	**(57.3)**

- Strong balance sheet position with net funds before leases of £26.3m
- Debt facility comprises a committed revolving credit facility (RCF) of £170m now extended for a further year to July 2025
- Headroom on facilities at period end of £165m
- Increase in lease liabilities driven by replacement of distribution fleet

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CURRENT TRADING

RECENT CUSTOMER SENTIMENT

Sentiment from our customers remains positive

"Customer demand for our new homes has been strong right across the UK with healthy sales reservation rates through the period. The Group has an excellent forward order book at the end of June of £1.82bn"

Persimmon — Together, we make a home.

"The high levels of growth experienced in March have continued throughout the second quarter, driven by the strength of both the domestic and commercial repairs, maintenance and improvement (RMI) markets"

Travis Perkins

"The transition into the next phase of Help to Buy has progressed smoothly and we have experienced strong customer demand for our homes under the new scheme."

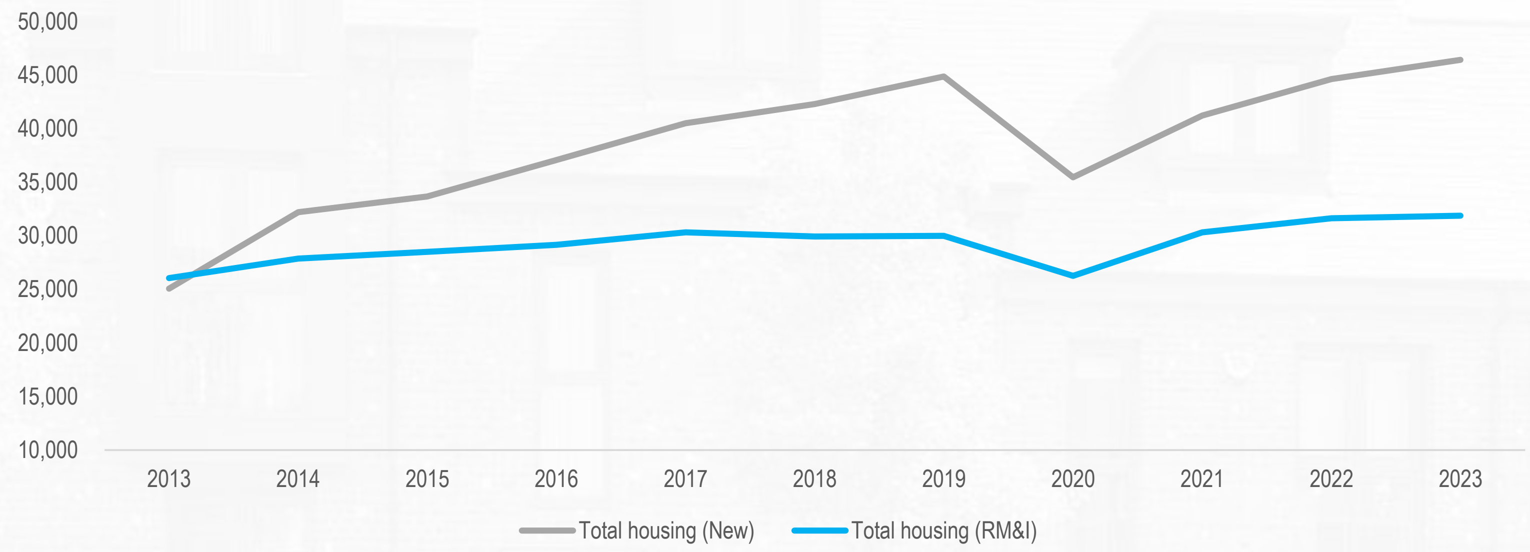
Taylor Wimpey plc

"Reflecting our strong reservation rate, we are substantially more forward sold for FY22 than we were at the same point in 2019 for planned FY20 home completions."

BARRATT DEVELOPMENTS PLC

UK HOUSING MARKET

Forecast housing growth

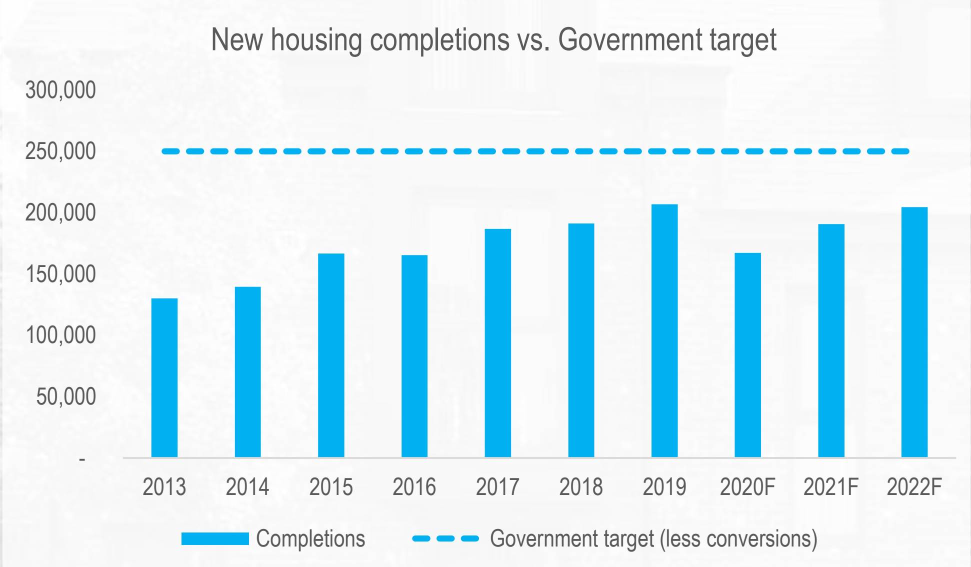


Source: Construction Products Association (CPA) Summer 2021 Forecast

- Supported by core fundamentals; per the CPA, housing output in the UK is forecast to grow across both new build and RM&I
- New housing completions expected to return to 2019 levels in 2022

LONG TERM HOUSING MARKET FUNDAMENTALS REMAIN SUPPORTIVE

Short-term



Source: MHCLG, CPA Forecast Summer 2021
Note: CPA Forecast states Great Britain completions data

- There remains a shortage of housing in the UK with a clear gap in new housing completions below the Government's target
- Housing market remained buoyant since re-opening after first lockdown

Long-term

Supportive Government policy

- Help to Buy in place to 2023
- Government backed 95% mortgage scheme
- Increase in PRS and mixed tenure housing

Supportive demand side environment

- Population growth stimulating demand
- Potential re-focus on home environment / ownership post COVID

Land availability

- UK Government initiatives to ensure release of development land

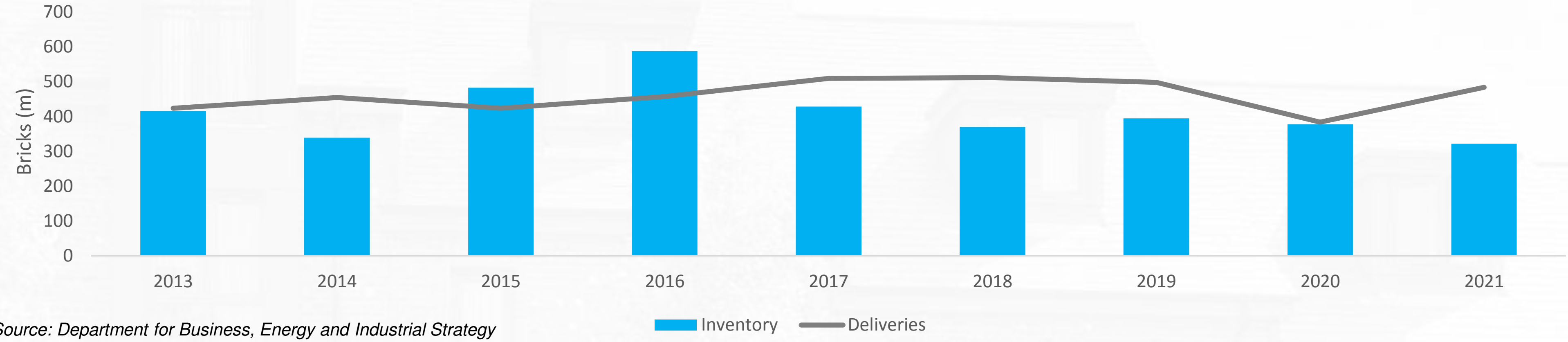
Interest rate and credit availability

- Mortgage availability continues to be supportive alongside low interest rates

UK BRICK MARKET

Brick industry stocks have fallen during the pandemic reflecting reduced production resulting from the first lockdown, followed by strong recovery in demand

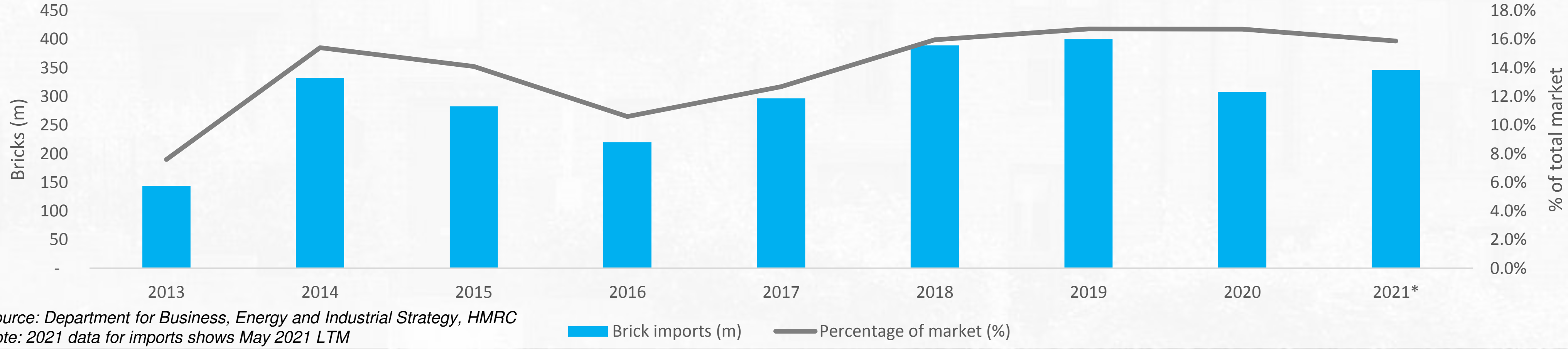
UK brick market (quarterly average)



Source: Department for Business, Energy and Industrial Strategy

Imports remain stable as a percentage of the UK market

Imports



Source: Department for Business, Energy and Industrial Strategy, HMRC
Note: 2021 data for imports shows May 2021 LTM

SUSTAINABILITY – OUR FUTURE TARGETS

PRODUCT

Pillar	Topic	Target	Target Year
	New product index	10% Group revenue	2025
	Plastic packaging consumed	50% reduction vs. 2019 baseline	2025

PLANET

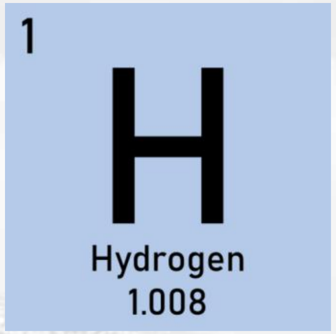
Pillar	Topic	Target	Target Year
	Group CO_2 emissions / tonne	32% reduction vs. 2019 baseline	2030
	Clay products CO_2 emissions / tonne	33% reduction vs. 2019 baseline	2030
	Concrete products CO_2 emissions / tonne	75% reduction vs. 2019 baseline	2030
	Electricity sourced from on-site renewables	10% Group power usage	2025
	Waste to landfill	Zero process waste	n/a

PEOPLE

Pillar	Topic	Target	Target Year
	Health and safety – Lost time incident frequency rate (LTIFR)	Zero harm ambition	n/a
	Membership of 'The 5% Club'	5% of employees in earn and learn positions	2025

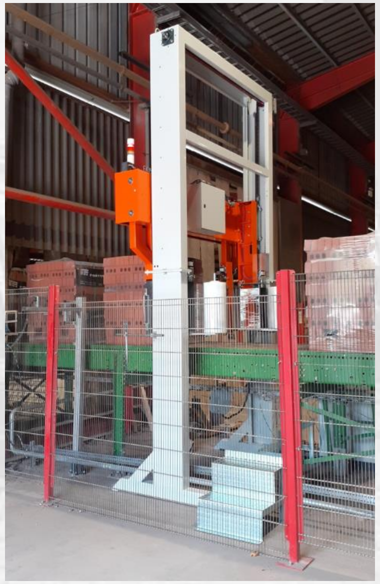
SUSTAINABILITY – CONTINUED PROGRESS IN 2021

- Continue to work towards our target of a 32% reduction in our emissions over the next decade
- Signed up to Race to Zero campaign
- Hydrogen trials planned for H2, a key step in proving this breakthrough technology
- Trialling the use of HVO in both mobile plant and distribution vehicles
- Partnership with Innovate UK to research the reduction of embodied carbon within our precast concrete offering
- Progress in reduction of plastic packaging. New machine being trialled at Accrington (shown opposite)
- Evaluating both on-site and offsite renewables investments
- Submission made to Carbon Disclosure Project



RACE TO ZERO
Climate Ambition Alliance

CDP
DISCLOSURE INSIGHT ACTION



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OUTLOOK

OUTLOOK

- Current favourable market outlook and trading conditions expected to continue in H2
- Order books remain strong supported by robust customer sentiment
- The Board remains positive about the fundamentals relating to the UK housing market driven by structural undersupply and supportive Government policy
- Timing of maintenance shutdowns; the impact of H2 cost inflation; and potential near-term labour and material shortages likely to result in FY outturn weighted towards H1 performance
- Modest upgrade in management's previous expectations for the full year

STRATEGY AND CAPITAL ALLOCATION

STRATEGY REVIEW AND CAPITAL ALLOCATION

- Focus on organic capital investment and increased returns to shareholders
- New Desford brick factory construction project progressing to timetable and budget with commissioning expected in late 2022
- £27m investment in Wilnecote brick factory in Staffordshire announced, increasing factory capacity by c.20% and generating £7m of incremental EBITDA
- Dividend pay-out ratio increased from 45% to 55% of earnings effective from 2021 with interim dividend of 3.2p reflecting this change of policy
- Leverage (excluding leases) expected to be maintained at or below 1.0 times EBITDA except in the short-term when it may increase to around 1.5 times to fund specific projects or acquisitions

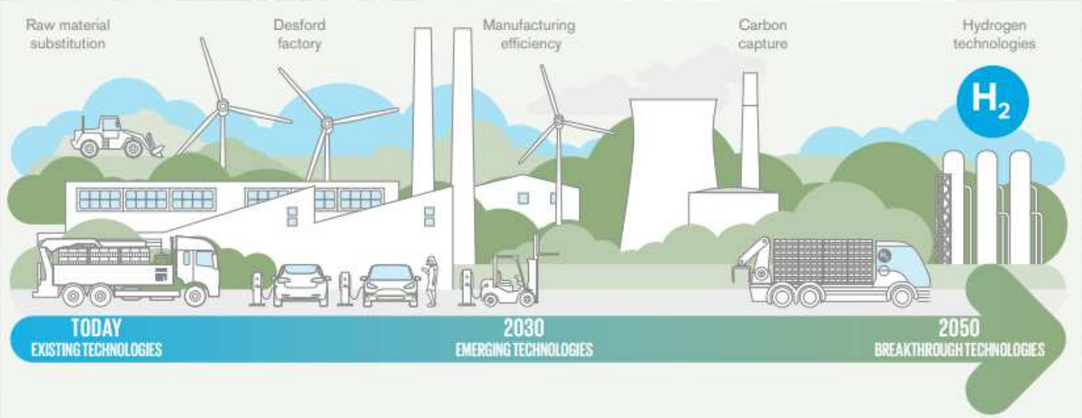
USE OF CAPITAL OVER NEXT DECADE

Over the next decade we expect the Group to generate significant free cash flow that will be allocated in line with our capital allocation priorities:

1 Organic Investment	We anticipate deploying over £200m of capital on a pipeline of attractive organic investment projects offering compelling returns through: • Growth in production capacity • Renewal of existing capacity improving manufacturing efficiency, reducing both energy use and greenhouse gas emissions driving improved operating margins • Extension of our product range facilitating greater access to wider aspects of the construction market • Further improved customer experience
2 Progressive dividend	Enhancing shareholder returns via a progressive dividend policy that will distribute 55% of earnings
3 M&A / Supplementary returns	The balance of capital will be available for either acquisitions or supplementary returns to shareholders

INVESTMENT IN R&D

- In addition to these capital allocation priorities, we will also increase our investment into research & product development, focusing on:
  - technologies to support the reduction of carbon emissions across the Group; along with
  - enhancing our product range, especially offsite façade solutions



- In due course this investment shall amount to an additional £2m-£3m annually with the Group expanding its technical and other central functions to support a greater focus on product and process innovation

NEW DESFORD FACILITY ON TRACK

Summary

- Project expected to generate attractive returns over the medium term positioning the Group to benefit from the favourable long-term housing market fundamentals
- £20m expected annual EBITDA (£15m incremental)

Progress update

- £41.5m spent to date (June)
- New factory building structurally complete
- Contracts for equipment signed in early 2021

Timing

- Commissioning to commence in 2022
- Production to reach full run-rate in 2023
- First year of full production in 2024
- Full financial contribution expected from 2025

WILNECOTE BRICK FACTORY REDEVELOPMENT

Increased capacity and enhanced range

- Forterra's Wilnecote factory was opened in 1991, and currently produces a broad range of bricks used across both the residential and commercial & specification markets
- Redevelopment of the factory, at an expected capital cost of c.£27m, will allow production of a wider range of high specification products including greater numbers of the famous Staffordshire blue bricks
- Project increases factory capacity by c.20% whilst enhancing sustainability credentials

Below (left): Smooth Blue
Below (right): The Interlock using Forterra Blue brick

WILNECOTE BRICK FACTORY REDEVELOPMENT

Attractive market

- The commercial & specification market supplies bricks into a range of larger projects including residential, commercial, schools and hospitals, and is a sizeable market representing around 400m bricks per annum (approximately 17% of the UK brick market)
- Forterra has traditionally been underrepresented in this market and this project will provide a degree of diversification reducing reliance upon volume housebuilding

Above: Example project utilising Staffordshire blue bricks

Project timeline

- Ultimately the project is expected to deliver incremental EBITDA of approximately £7m

2022	Project to commence
2023	Commissioning of new factory to begin
2025	New full production capacity to be reached

- Capital spend expected to be phased: £2m spent in 2021, £12m in 2022 and £13m in 2023
- The current Wilnecote factory will close for a period of c.9 months to allow the construction work to be undertaken resulting in a short-term reduction in 2022 EBITDA of c.£2.5m

DIVIDEND POLICY

- Dividend pay-out ratio increased in 2021 to 55% of earnings up from the previous 45%

- Increased dividend allows shareholders to benefit from the current and future cash generation of the business without compromising our ability to deploy capital within the business to deliver long term stakeholder value

STRATEGIC INVESTMENT SUMMARY

In order to support this strategy, the Board has set capital allocation priorities as follows:

1. Strategic organic capital investment to deliver attractive returns
2. Progressive ordinary dividend with the pay-out ratio increasing to 55% of earnings from 2021 onwards
3. Acquisitions as suitable opportunities arise in adjacent or complementary markets
4. Supplementary shareholder returns as appropriate

CLOSING SUMMARY

- Strong recovery in first half trading vs 2020, underpinned by robust demand from both the new build and the repair maintenance and improvement (RM&I) markets
- Over the next decade we expect the Group to generate significant free cashflow and we envisage that this will be allocated to our capital priorities across: capital expenditure, progressive dividend, M&A where available and supplementary returns to shareholders
- Current favourable market outlook and trading conditions expected to continue in the second half of the year, leading to a modest upgrade in management's previous expectations for the full year

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Q & A

Appendices

KEY FINANCIALS

£m	Six months ended 30 June 2021 £m	2020 £m	2019 £m	2021 change vs 2020	2021 change vs 2019
Revenue	**180.3**	122.4	193.6	**47.3%**	**(6.9%)**
EBITDA	**37.0**	8.2	42.5	**351.2%**	**(12.9%)**
Operating profit / (loss)	**29.0**	(0.8)	33.9	**n/a**	**(14.5%)**
Profit / (loss) before tax	**27.1**	(2.3)	32.7	**n/a**	**(17.1%)**
Earnings per share (pence)	**9.3**	-	13.6	**n/a**	**(31.6%)**
Cash flow from operations	**31.6**	(4.2)	27.6	**n/a**	**14.5%**
Net funds / (debt) before leases	**26.3**	(68.6)	(34.5)	**n/a**	**n/a**
Dividend – interim / total (pence)	**3.2**	-	4.0	**n/a**	**(20.0%)**

There are no exceptional items in H1 21 and H1 19. H1 20 is stated before exceptional items

PROFIT AND LOSS

FORTERRA

£m	2021 £m	2020 £m	2019 £m	2021 change vs 2020	2021 change vs 2019
	Six months ended 30 June				
Revenue	**180.3**	122.4	193.6	**47.3%**	**(6.9%)**
EBITDA					
- Bricks and Blocks	**37.8**	11.1	41.6	**240.5%**	**(9.1%)**
- Bespoke Products	**(0.8)**	(2.9)	0.9	**(72.4%)**	**n/a**
Total	**37.0**	8.2	42.5	**351.2%**	**(12.9%)**
EBITDA margin (%)	**20.5%**	6.7%	22.0%	**1380bps**	**(150bps)**
Depreciation and Amortisation	**(8.0)**	(9.0)	(8.6)		
Operating profit / (loss)	**29.0**	(0.8)	33.9	**n/a**	**(14.5%)**
Finance expense	**(1.9)**	(1.9)	(1.2)		
Profit / (loss) before tax	**27.1**	(2.3)	32.7	**n/a**	**(17.1%)**
Effective tax rate (%)	**21.3%**	12.0%	18.5%		
Earnings per share (pence)	**9.3**	-	13.6	**n/a**	**(31.6%)**

There are no exceptional items in H1 21 and H1 19. H1 20 is stated before exceptional items

SEGMENTAL RESULTS: BRICKS AND BLOCKS

	Six months ended 30 June				
£m	**2021**	**2020**	**2019**	Change vs. HY20	Change vs. HY19
Revenue	**145.0**	**90.5**	**143.9**	60.2%	0.8%
EBITDA	**37.8**	**11.1**	**41.6**	240.5%	(9.1%)
EBITDA margin (%)	**26.1%**	**12.3%**	**28.9%**	1380 bps	(280 bps)

SEGMENTAL RESULTS: BESPOKE PRODUCTS

	Six months ended 30 June				
£m	**2021**	**2020**	**2019**	Change vs. HY20	Change vs. HY19
Revenue	**37.2**	**33.0**	**50.9**	12.7%	(26.9%)
EBITDA	**(0.8)**	**(2.9)**	**0.9**	(72.4%)	n/a
EBITDA margin (%)	**(2.2%)**	**(8.8%)**	**1.8%**		

SUMMARY BALANCE SHEET

£m	Jun 2021	Dec 2020
Intangible assets	11.3	11.0
Property, plant and equipment	193.9	187.1
Right-of-use assets	14.9	9.0
Total non-current assets	220.1	207.1
Current assets		
Inventories	35.0	33.0
Trade and other receivables	55.0	35.7
Cash and cash equivalents	31.8	31.5
Income tax asset	1.1	0.6
Total current assets	122.9	100.8
Total assets	343.0	307.9
Trade and other payables	(83.6)	(63.8)
External borrowings	(5.5)	(15.5)
Lease liabilities	(15.0)	(9.4)
Other liabilities	(19.0)	(15.1)
Net assets	219.9	204.1

FORTERRA

THE ORIGINAL LONDON BRICK

ECOSTOCK BRICK

BUTTERLEY BRICK

CRADLEY SPECIAL BRICK

RED BANK

THERMALITE

CONBLOC

BISON PRECAST

JETFLOOR

INNOVATORS IN FORMPAVE PERMEABLE PAVING

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