FORTERRA PLC

INTERIM RESULTS PRESENTATION

27 JULY 2023

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AGENDA

NEIL ASH
Chief Executive Officer

BEN GUYATT
Chief Financial Officer

RESILIENT PERFORMANCE DESPITE CHALLENGING TRADING CONDITIONS

FORTERRA

- Resilient H1 result broadly in line with management expectations delivered against a backdrop of challenging trading conditions with adjusted EBITDA of £31.1m and adjusted PBT of £19.2m

- Group revenues of £183.2m, a decrease of 17.8% vs. prior year

- Whilst market conditions remain competitive, our selling prices have remained firm and our cost base stable

- Inventories rebuilt with £29.6m investment in the period, leaving us well placed to deliver the service levels our customers expect

- Strong and flexible balance sheet with a net debt before leases of £50.1m, below 1x adjusted EBITDA on a LTM basis

- Interim 2023 dividend of 2.4p per share (2022: 4.6p) declared in line with established 55% pay-out ratio

Desford commissioning ongoing after a successful opening event in May 2023

FINANCIAL REVIEW

KEY FINANCIALS

FORTERRA

	Six months ended 30 June*		
£m	**2023**	**2022**	**Change**
Revenue	**183.2**	**222.8**	**(17.8)%**
EBITDA	**31.1**	**46.1**	**(32.5)%**
EBITDA margin	*17.0%*	*20.7%*	*(370) bps*
Operating profit (EBIT)	21.7	38.1	(43.0)%
Profit before tax	**19.2**	**37.3**	**(48.5)%**
Earnings per share (pence)	7.1	13.5	(47.4)%
Cash flow from operations	(16.3)	37.5	n/a
Net (debt) / cash before leases	(50.1)	24.1	n/a
Interim dividend (pence)	2.4	4.6	(47.8)%

**Adjusted results*

Statutory results			
Profit before tax	18.1	44.2	(59.0)%
Earnings per share (pence)	6.7	16.0	(58.1)%

PROFIT AND LOSS

FORTERRA

	Period ended 30 June*		
£m	**2023**	**2022**	**Change**
Revenue	**183.2**	222.8	(17.8)%
EBITDA			
- Bricks and Blocks	**27.8**	44.3	(37.2)%
- Bespoke Products	**3.3**	1.8	83.3%
Total	**31.1**	46.1	(32.5)%
EBITDA margin	***17.0%***	*20.7%*	
Depreciation and amortisation	**(9.4)**	(8.0)	17.5%
Operating profit (EBIT)	**21.7**	38.1	(43.0)%
Finance expense	**(2.5)**	(0.8)	
Profit before tax	**19.2**	37.3	(48.5)%
Effective tax rate	***23.7%***	*19.7%*	*400 bps*
Earnings per share (pence)	**7.1**	13.5	(47.4)%

**Adjusted results*

SEGMENTAL RESULTS: BRICKS AND BLOCKS

- Revenues of £143.3m, 20.8% below 2022
- Industry domestic brick despatches fell by 32% relative to prior year in the five months to May 2023. Our own despatches down further due to customer mix and exposure to volume house building
- Price increases delivered in January 2023. Whilst market conditions are competitive our pricing remains firm
- EBITDA margin of 19.4%, down vs. 2022 (24.5%) as a result of material reduction in sales volumes and high fixed cost base
- Cost base has stabilised although cost inflation remains in some areas
- Energy costs still expected to peak in 2023 with c.80% of requirements secured for H2

	Six months ended 30 June*		
£m	**2023**	**2022**	**Change**
Revenue	**143.3**	181.0	(20.8)%
EBITDA before overhead allocations	**37.1**	56.9	(34.8)%
EBITDA margin before overhead allocations	***25.9%***	*31.4%*	
Overhead allocations	**(9.3)**	(12.6)	(26.2)%
EBITDA	**27.8**	44.3	(37.2)%
EBITDA margin	***19.4%***	*24.5%*	

**Adjusted results*

SEGMENTAL RESULTS: BESPOKE PRODUCTS

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- Excellent performance by the segment delivering a result ahead of last year
- Revenue of £41.9m only 5.4% behind prior period with pricing gains largely offsetting volume declines
- Flooring business has performed particularly well; current despatches only c.20% behind prior year with current order intake running ahead of this
- Strong demand for hollowcore flooring (multifamily) partially offsetting softer demand for beam and block (single family)
- EBITDA stated before allocation of group overheads was £5.6m (2022: £4.9m). EBITDA margin prior to allocation of group overheads 13.4% compared to 11.1% in 2022
- Business benefits from excellent service proposition, a higher variable cost base along with disciplined pricing and cost management

	Six months ended 30 June*		
£m	**2023**	**2022**	**Change**
Revenue	**41.9**	44.3	(5.4)%
EBITDA before overhead allocations	**5.6**	4.9	14.3%
EBITDA margin before overhead allocations	***13.4%***	*11.1%*	
Overhead allocations	**(2.3)**	(3.1)	(25.8)%
EBITDA	**3.3**	1.8	83.3%
EBITDA margin	***7.9%***	*4.1%*	

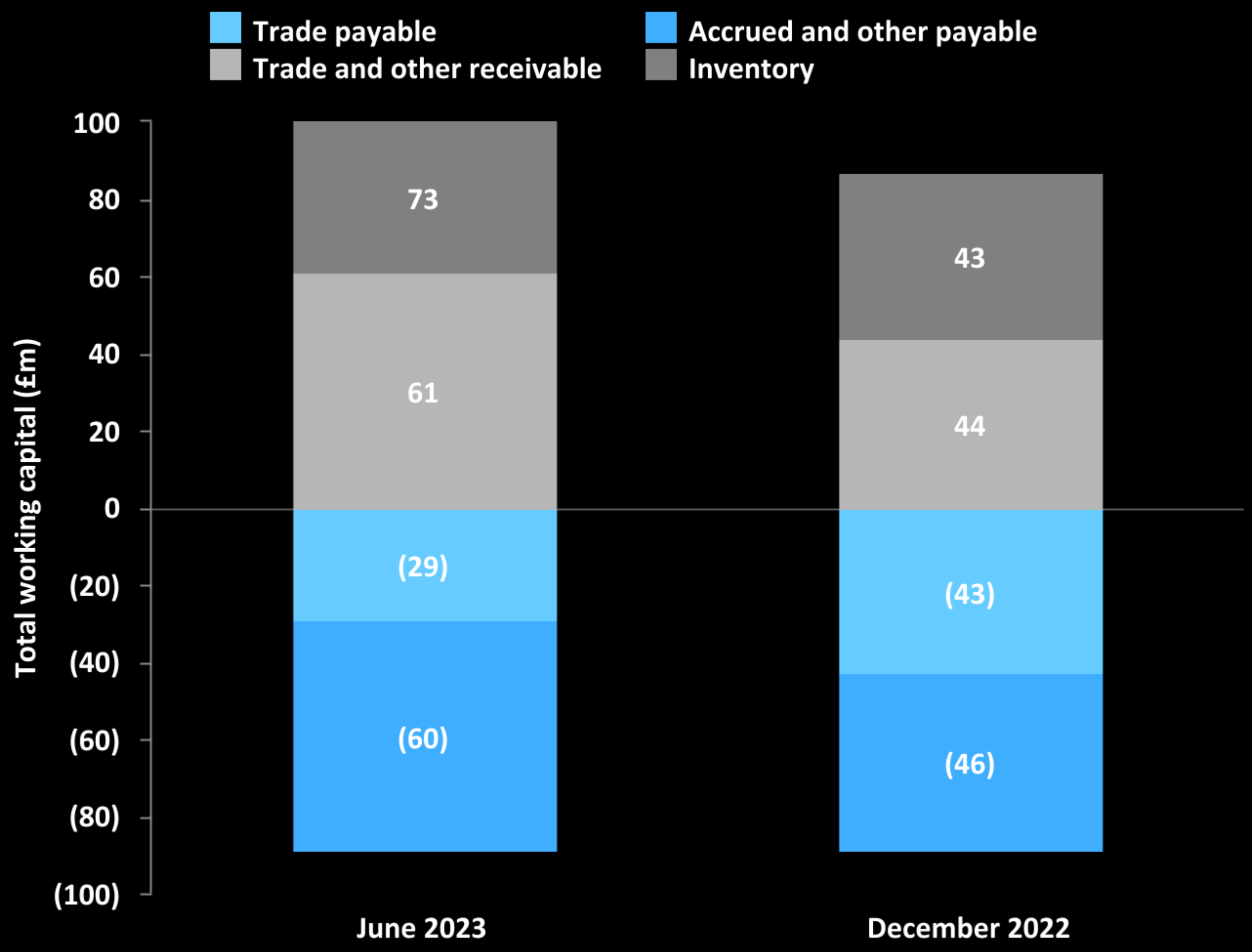
**Adjusted results*

DECISIVE MANAGEMENT ACTIONS

- Decisive action to limit further inventory growth and manage cost base
- Mothballing of our 50m brick per annum brick factory at Howley Park near Leeds with other production reductions elsewhere will reduce output by c.75m bricks per year saving c.£10m of fixed costs
- Restructuring of commercial and support functions, aligning them to market conditions, will save c.£3m annually, bringing total annual fixed cost reductions to c.£13m
- £3m exceptional cost to deliver H1 reductions (including £0.9m non-cash impairment) and expected c.£1m in H2
- Inventories having been rebuilt leaves us well placed to deliver the service our customers expect. We will not hesitate to make further reductions to production should market conditions dictate
- Competitors taking similar action demonstrating that market remains rational

WORKING CAPITAL

- Working capital increase predominantly driven by £30m inventory build
- Other working capital movements driven by seasonality
- Industry brick inventory has increased to 454m bricks as at May 2023 in line with longer-term norms and equivalent to 3 months sales at normal levels of demand
- Disciplined inventory management to limit further growth
- Well placed to meet customer service level expectations and to substitute imports



Net working capital

£45m

£(2)m

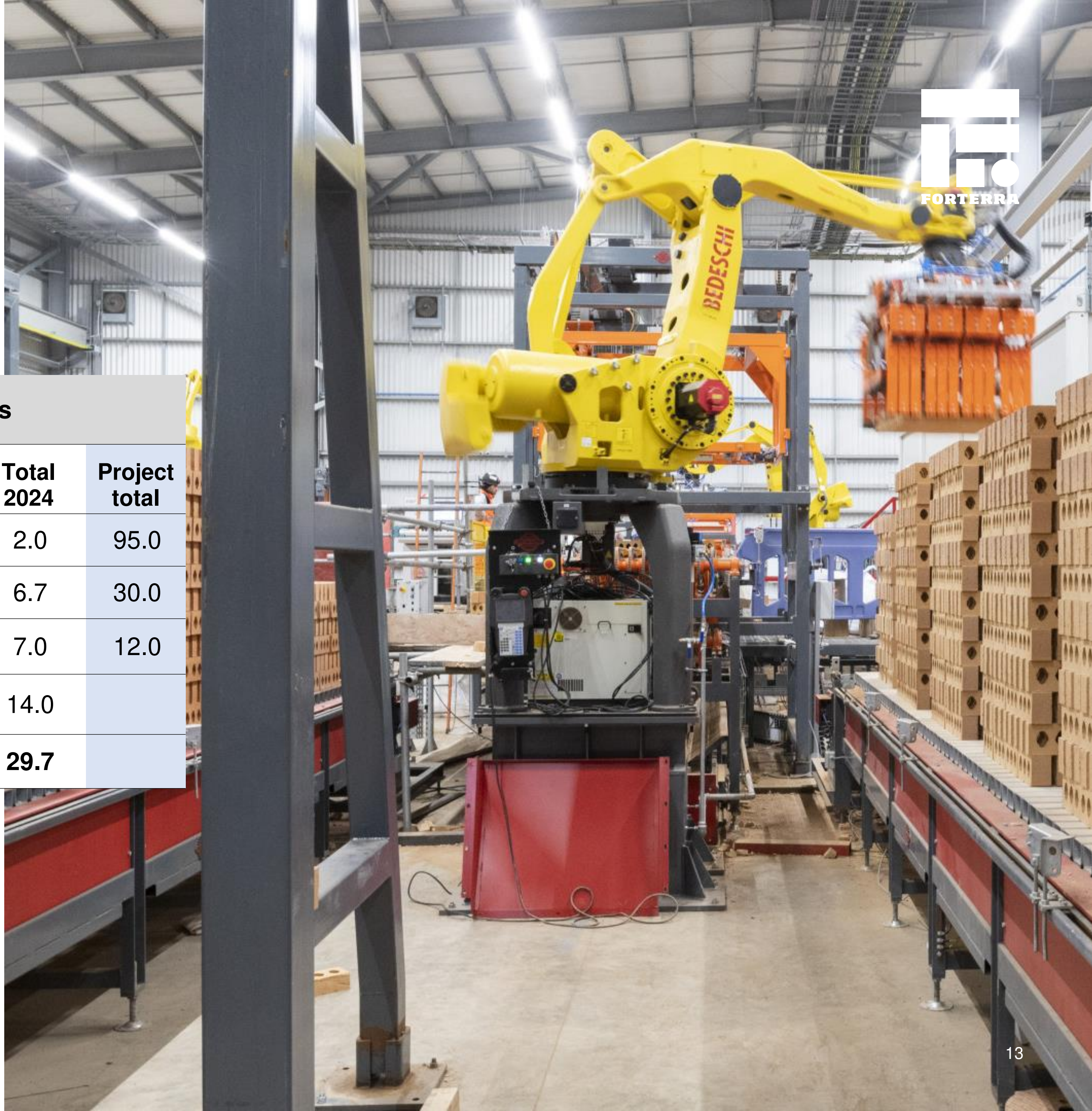
CASH FLOW

- Cash used in operations before exceptional items was £16.3m in the first half (2022: cash generated of £37.5m)
- New lease liabilities primarily relate to new distribution vehicles as we regularly renew our fleet with more efficient and more sustainable delivery vehicles

	Six months ended 30 June	
£m	**2023**	**2022**
EBITDA	**31.1**	**46.1**
Change in inventories	(29.6)	(3.5)
Change in trade and other receivables	(16.8)	(22.4)
Change in trade and other payables	(1.4)	12.2
Other operating movement	0.4	5.1
Operating cash flow before exceptional items	**(16.3)**	**37.5**
Operating exceptional cash flow	(2.0)	–
Cash flow from operations	**(18.3)**	**37.5**
Interest paid	(2.1)	(1.2)
Tax paid	(3.6)	(5.7)
Capital expenditure – maintenance	(6.1)	(5.4)
Capital expenditure – strategic	(9.2)	(15.9)
Proceeds from sale of property, plant and equipment	–	2.8
Employee Benefit Trust movements	(1.8)	(5.9)
Share buyback	–	(20.8)
New lease liabilities	(6.2)	(2.1)
Other movements	(0.2)	0.4
Increase in net debt	**(47.5)**	**(16.3)**

CAPEX GUIDANCE

Capex expectations						
		2023				
£m	<2023	H1	H2	Total	Total 2024	Project total
Desford	86.1	3.7	3.2	6.9	2.0	95.0
Wilnecote redevelopment	7.0	5.4	10.9	16.3	6.7	30.0
Accrington brick slip facility	-	0.1	4.9	5.0	7.0	12.0
Maintenance		6.1	7.9	14.0	14.0	
Total capex		**15.3**	**26.9**	**42.2**	**29.7**	



BALANCE SHEET POSITION AND FACILITIES

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- Closing net debt (excluding lease liabilities) was £50.1m (31 December 2022: £5.9m)
- £170m credit facility recently extended to January 2027 with a further 18-month option thereafter
- Borrowings at 30 June 2023 stood at £68.0m leaving headroom of £102.0m
- Leverage driven margin grid with a margin payable of SONIA plus 175 bps with leverage between 0.5-1.0 times EBITDA
- Sustainability linkage added to facility embedding our sustainability targets of decarbonisation, plastic reduction and employee development

	As at		
£m	**30 June 2023**	**31 December 2022**	**Change**
Cash and cash equivalents	16.7	34.3	(51.3)%
Borrowings	(68.0)	(40.0)	70.0%
Capitalised fees and accrued interest	1.2	(0.2)	
Net (debt)/cash before leases	**(50.1)**	**(5.9)**	
Lease liabilities	(21.3)	(18.0)	18.3%
Net (debt)/cash	**(71.4)**	**(23.9)**	

OUR MARKETS

NEIL ASH – FIRST 100 DAYS

> *I joined Forterra in the belief that it was a great business with a bright future. This sentiment has been confirmed in the three months since I became Chief Executive Officer.*

FIRST IMPRESSIONS

- Talented people, passionate about what they do
- Great business, aligned with my expectations, with opportunities to improve both commercial and manufacturing performance and further benefit from positive structural market dynamics
- Opportunity to accelerate innovation

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FOCUS AREAS MOVING FORWARD: BUILDING AN EVEN STRONGER CORE

CUSTOMER EXPERIENCE AND COMMERCIAL EXCELLENCE

MANUFACTURING EXCELLENCE

INNOVATION AND SUSTAINABILITY

HEALTH AND SAFETY

EMPLOYEE ENGAGEMENT

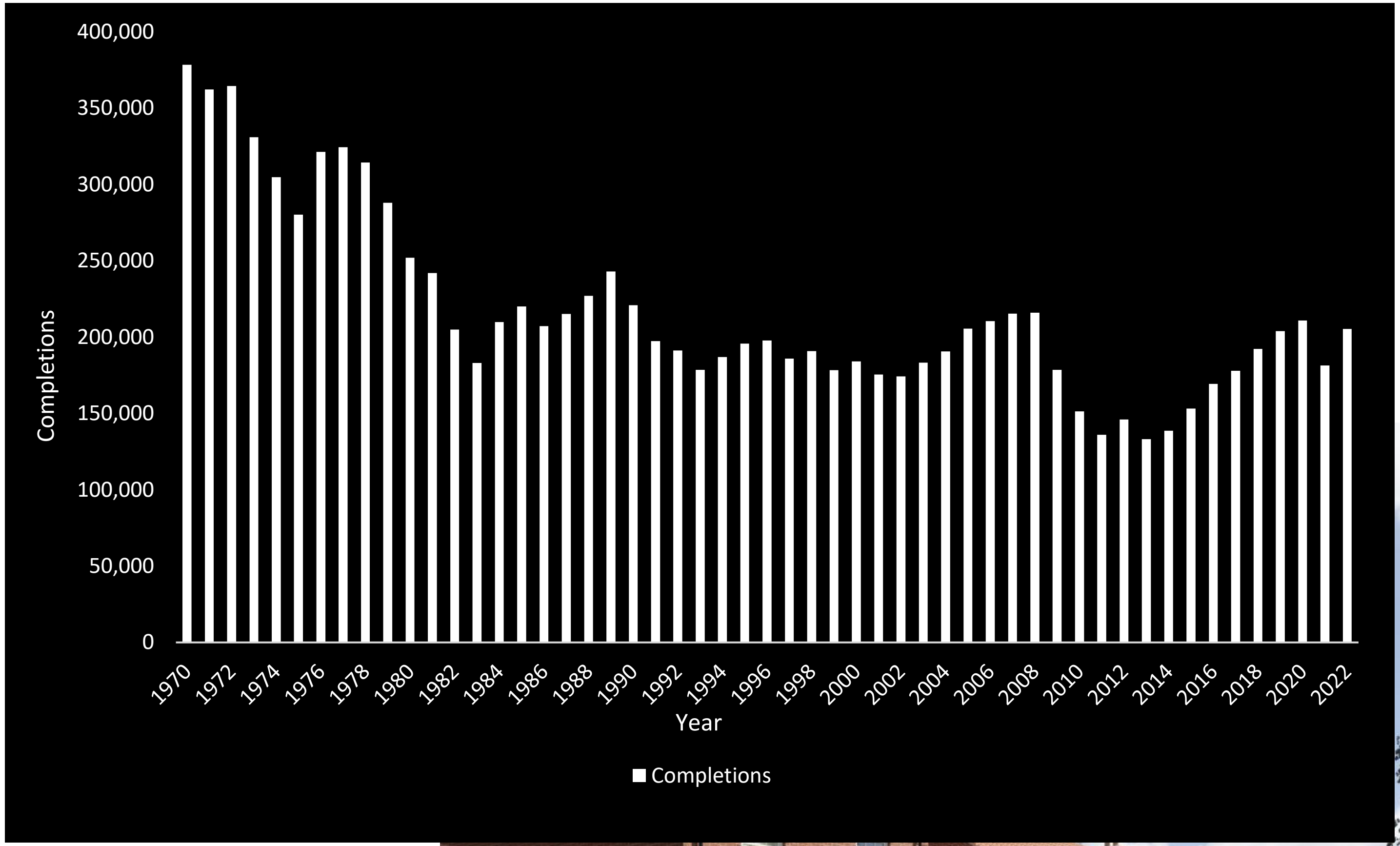
CYCLICAL MARKET WITH SUPPORTIVE FUNDAMENTALS

- New build housing market in the UK has always been cyclical

- The latest CPA summer forecast published this week forecasts a 23% fall in housing starts in 2023 a reduction of 4% since its previous forecast

- Even prior to the current decline in market activity, against a back-drop of continuing population growth UK housebuilding consistently fell short of Government targets

New build housing completions

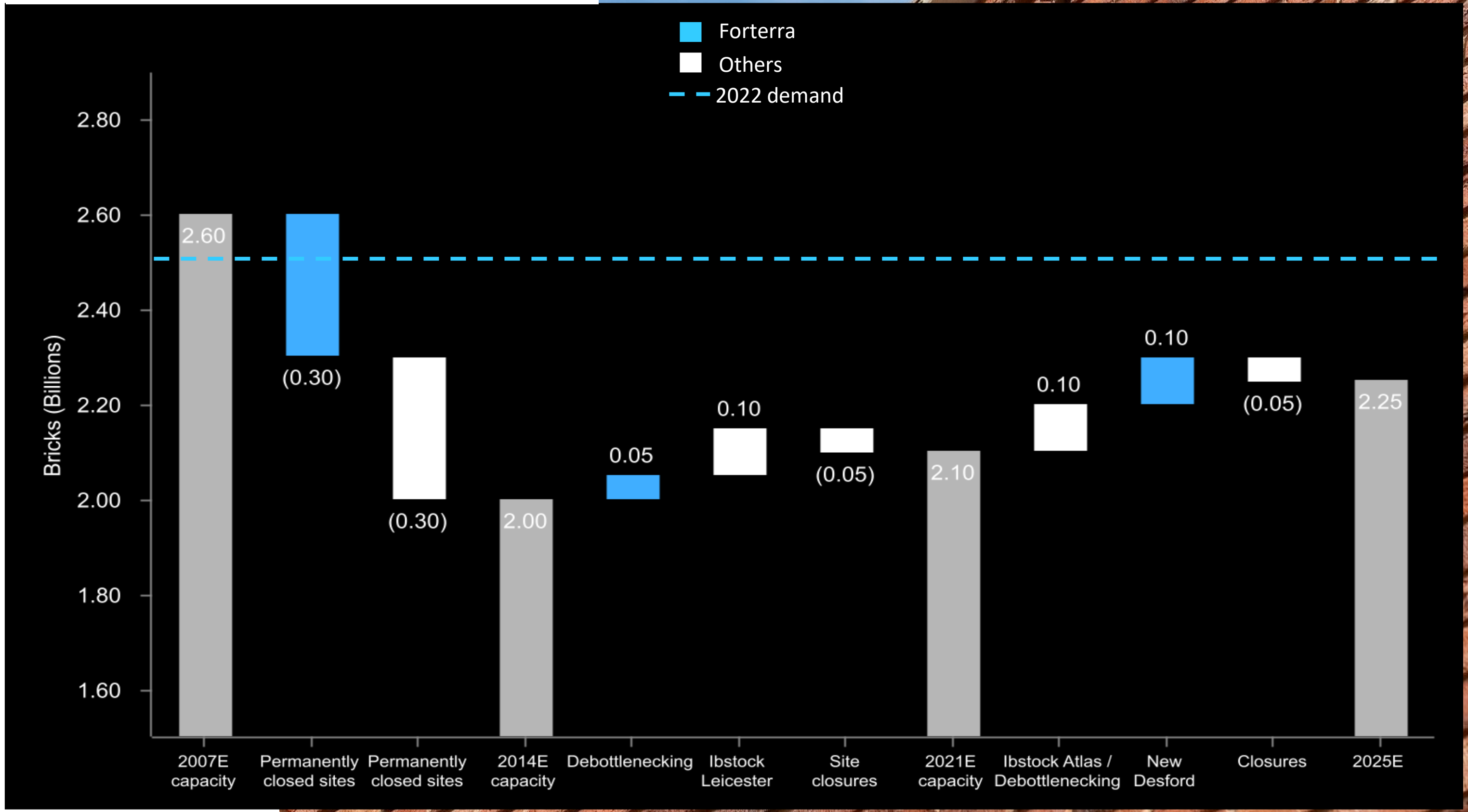


Source: ONS UK Housebuilding data, Construction Products Association Summer Forecast

UK BRICK MARKET CAPACITY DEVELOPMENT

- Industry capacity was rationalised during the global financial crisis with Forterra playing the leading role
- Despite current and announced capacity investments, under normal market conditions the UK brick industry still lacks the capacity required to meet demand
- Industry has historically proved effective in flexing capacity on a temporary basis through the mothballing of sites, as we have displayed with Howley Park
- Disciplined market approach to capacity sees measured deployment of new capacity with subsequent retirement of older capacity

Evolving domestic brick market capacity

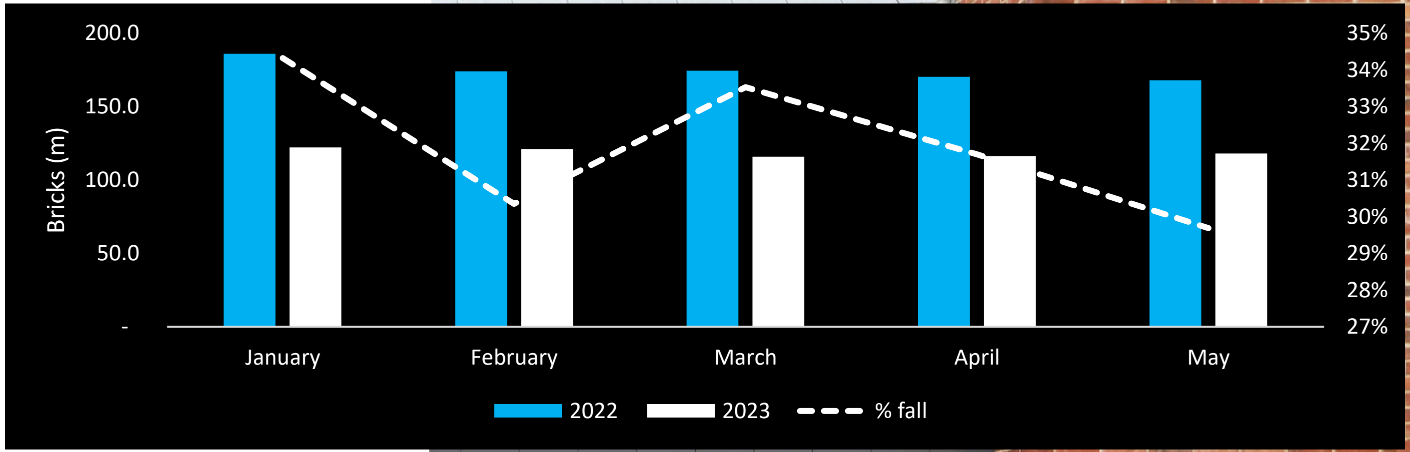


Source: Forterra estimates

CURRENT MARKET

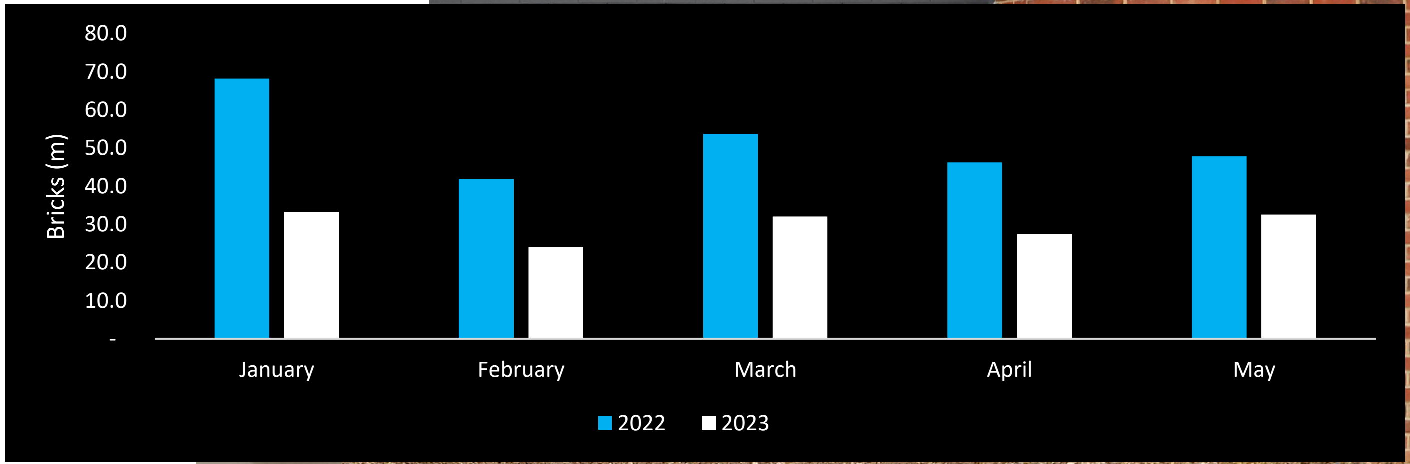
- Industry domestic brick despatches were 32% down on the prior year in the five months to May 2023, with the month of May showing signs of an improving trend, further evidenced by our own despatches for June
- Having reached a record high at the end of 2022, brick imports fell by 42% relative to the prior year in the five-month period to the end of May, although they remain high as a percentage of total demand

Monthly brick despatches vs. prior year



Source: Department for Business and Trade (seasonally adjusted despatch data)

Monthly imports vs. prior year



Source: HMRC

STRATEGIC UPDATE

CONTINUED PROGRESS ON ORGANIC INVESTMENT PROJECTS

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DESFORD BRICK FACTORY

- Market leading efficiency once ongoing commissioning is complete
- Successful opening held in May 2023
- £95m investment
- Increase effective brick production capacity by 22% (c.120m bricks per annum)
- £25m EBITDA contribution in normalised market

WILNECOTE BRICK FACTORY

- Commissioning H1 2024
- £30m investment
- Improved efficiency
- Increased breadth of product range
- Expansion into commercial / specification market
- £7m incremental EBITDA in normalised market

ACCRINGTON SLIPS LINE

- Commissioning H1 2024
- £12m investment
- Up to 48m slips per annum
- Cost effective entry into a new market

All projects offer significant sustainability enhancements aligned with our sustainability commitments

CAPITAL ALLOCATION

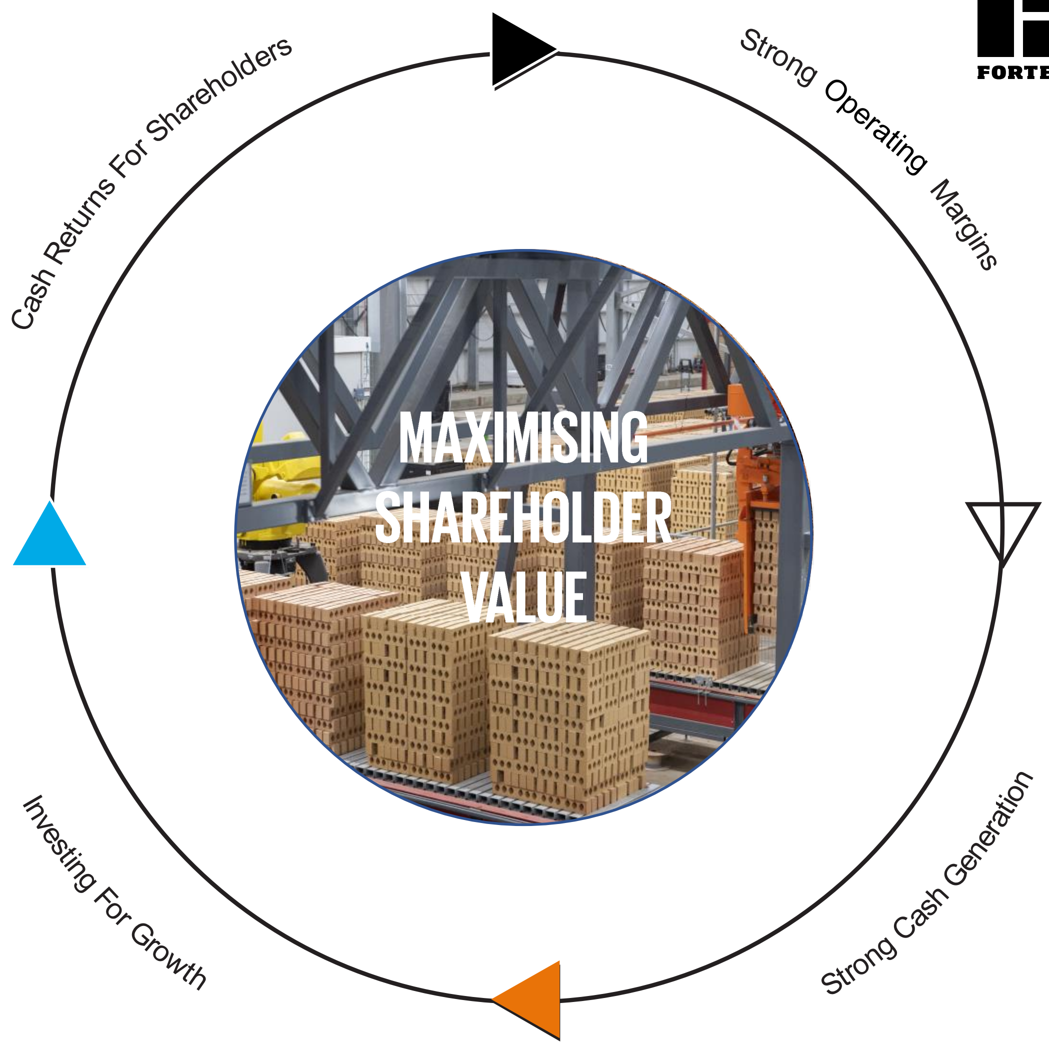
Continued strong free cash flow will be allocated in line with our capital allocation priorities

1. Strategic organic capital investment to deliver compelling returns
2. Attractive dividend policy with a pay-out ratio of 55% of earnings
3. Bolt-on acquisitions as suitable opportunities arise in adjacent or complementary markets
4. Supplementary shareholder returns as appropriate

>£200M
of organic investment over next decade

2.4p
2023 interim dividend

£35M
committed strategic capital expenditure in next 18 months



SUSTAINABILITY UPDATE

- We are now only nine months from benefiting from our ground-breaking commitment to solar power by way of the Power Purchase Agreement that will provide c.70% of our electricity through a dedicated solar farm from 2024

- Successfully completed the first firing of bricks partially fuelled by hydrogen and we expect to continue these trials increasing the rate of substitution of natural gas for hydrogen

- Continue to research alternative and more sustainable raw materials from which to manufacture our products including cement substitutes

- Installation of the roof mounted solar arrays at our new Desford factory is nearing completion with these expected to generate 16% of the factory's electricity requirement

- Work is also ongoing to provide our stakeholders with greater visibility of our scope 3 emissions and we expect to provide an update on this in our 2023 sustainability report

OUTLOOK

OUTLOOK

- Outlook remains uncertain given the macroeconomic headwinds of high inflation and rising interest rates that are likely to continue weighing on demand for new housing and therefore our products
- Whilst we do presently see tentative signs of improving trading, only a modest improvement in demand is expected in H2 2023
- Recent guidance of a full year 2023 EBITDA with a more balanced H1/H2 split remains unchanged

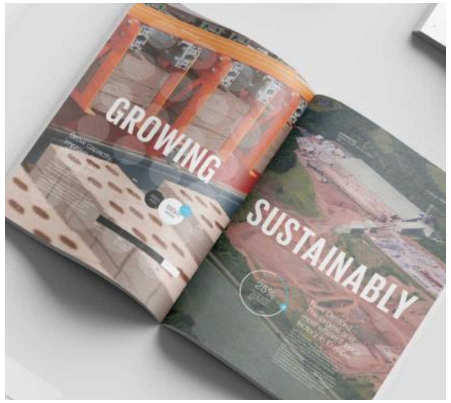
FACTORS BENEFITING 2024

- Efficiency benefits of the new Desford factory coming on stream as production is ramped up
- Energy costs stabilising with c.70% of 2024 requirements secured
- Customer inventory reduction will come to an end
- Opportunity to substitute imported bricks
- Full year benefit of 2023 cost reductions

INVESTMENT CASE

DELIVERING LONG-TERM SHAREHOLDER VALUE

FORTERRA



Established leading market positions in core products

Long-term structural demand and supply factors underpins market growth

Investment pipeline to deliver capacity growth, efficiency and decarbonisation

Commitment to sustainability leadership

Strong profitable growth, cash generation and disciplined capital allocation

APPENDICES

BALANCE SHEET

	As at	
£m	30 June 2023	31 December 2022
Intangible assets	18.2	23.6
Property, plant and equipment	245.1	233.7
Right-of-use assets	21.4	18.1
Total non-current assets	**284.7**	**275.4**
Current assets		
Inventories	72.6	43.0
Trade and other receivables	61.1	44.3
Cash and cash equivalents	16.7	34.3
Other assets	0.6	0.6
Total current assets	**151.0**	**122.2**
Total assets	**435.7**	**397.6**
Trade and other payables	(112.3)	(89.6)
External borrowings	(66.8)	(40.2)
Lease Liabilities	(21.3)	(18.0)
Other Liabilities	(23.8)	(29.3)
Net assets	**211.5**	**220.5**

Forterra plc
5 Grange Park Court, Roman Way,
Northampton
NN4 5EA

www.forterra.co.uk

FORTERRA

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ECOSTOCK BRICK

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CRADLEY SPECIAL BRICK

RED BANK

THERMALITE

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