FORTERRA PLC

FULL YEAR RESULTS PRESENTATION

26 MARCH 2024

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AGENDA

NEIL ASH
Chief Executive Officer

BEN GUYATT
Chief Financial Officer

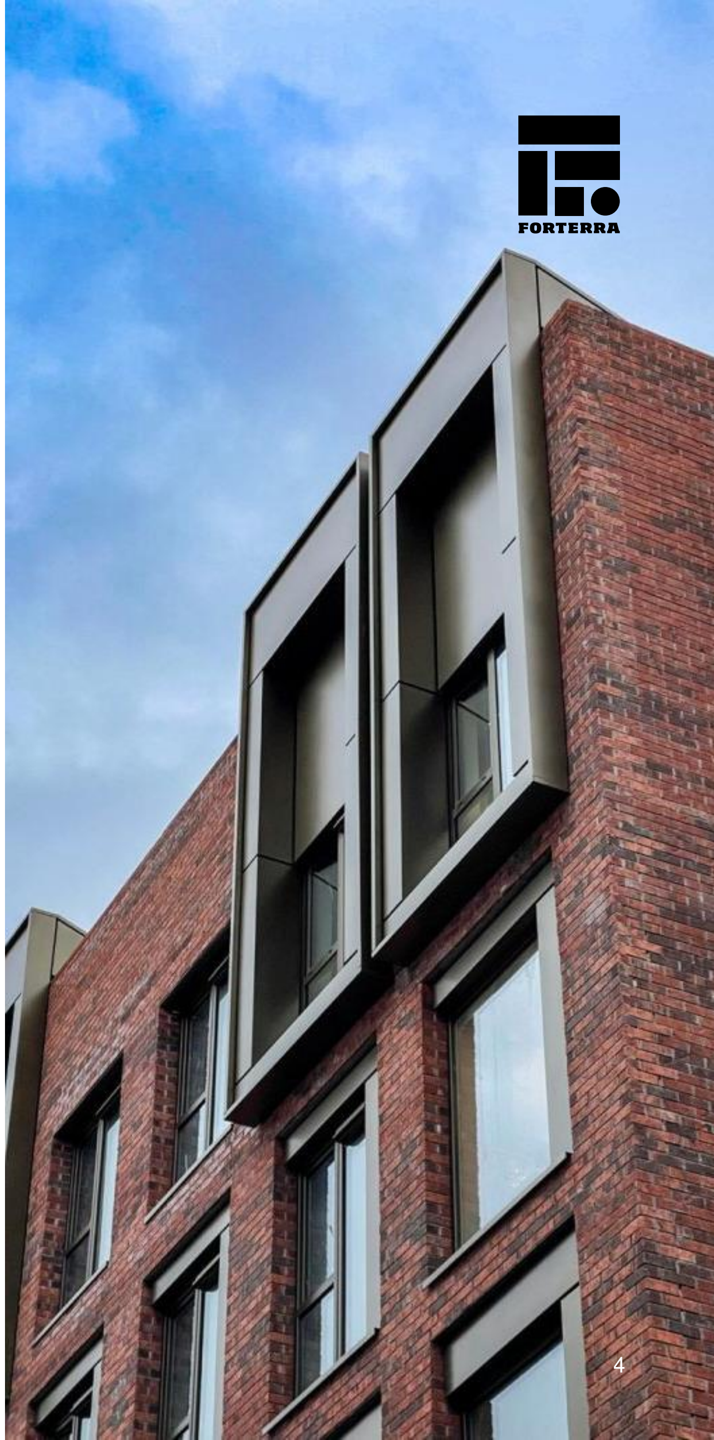
OPERATIONAL AND TRADING HEADLINES

– Resilient EBITDA result of £58.1m delivered against extremely challenging backdrop

– Industry brick despatches fell c.30% year on year back to levels last seen in the GFC in 2009

– Strong management actions during the year will deliver annualised fixed costs savings in excess of £20m

– Part of our £140m four-year investment programme, our £95m investment in New Desford, the largest most efficient brick factory in Europe is largely complete with the factory operational



FINANCIAL REVIEW

KEY FINANCIALS

FORTERRA

	Year ended 31 December *		
£m	2023	2022	Change
Revenue	**346.4**	**455.5**	**(24.0)%**
EBITDA	**58.1**	**89.2**	**(34.9)%**
EBITDA margin	*16.8%*	*19.6%*	*(280) bps*
Operating profit / EBIT	38.1	72.7	(47.6)%
Profit before tax	**31.1**	**70.6**	**(55.9)%**
Earnings per share (pence)	11.4	26.4	(56.8)%
Cash flow (used in)/ generated from operations	(5.3)	89.0	
Net debt before leases	(93.2)	(5.9)	
Dividend – total (pence)	4.4	14.7	(70.1)%

* *Adjusted results*

Statutory results			
Profit before tax	17.1	72.9	(76.5)%
Earnings per share (pence)	6.2	27.2	(77.2)%

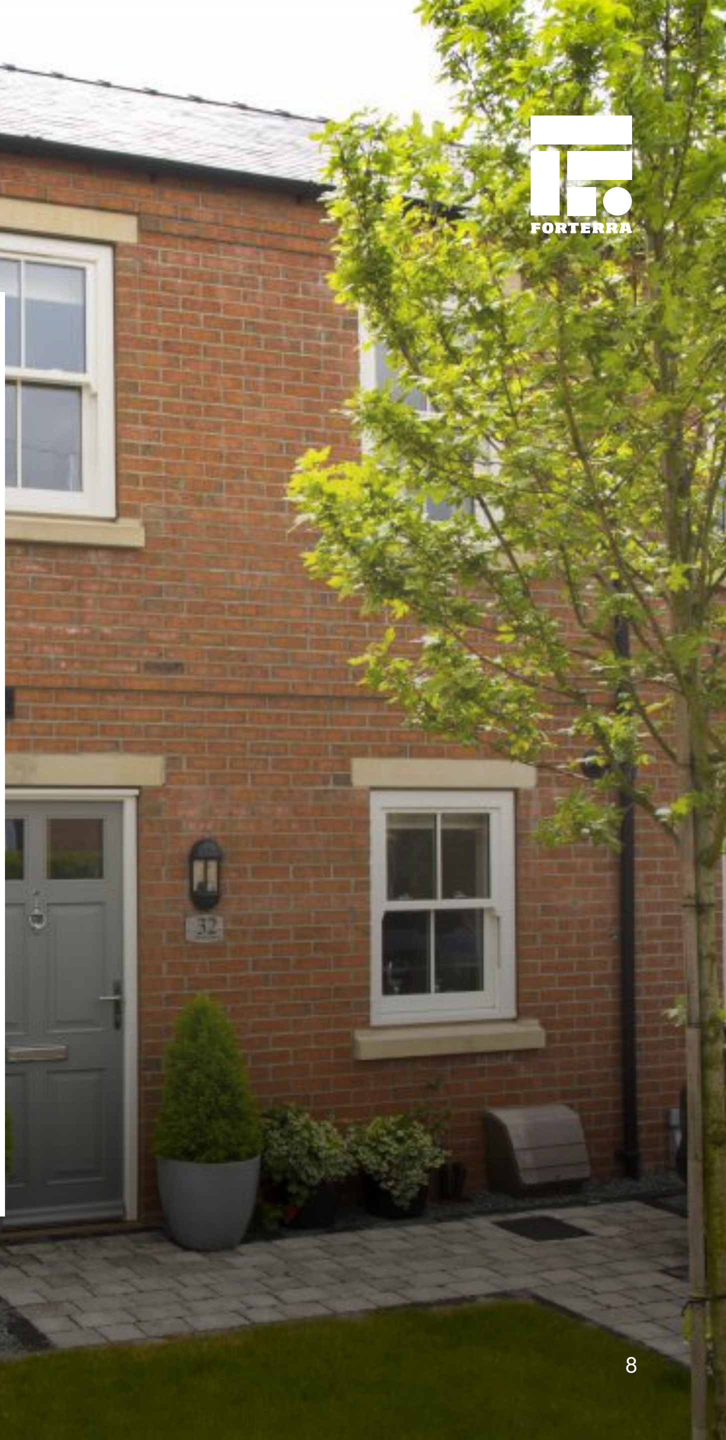
PROFIT AND LOSS

FORTERRA

	Year ended 31 December*		
£m	2023	2022	Change
Revenue	**346.4**	**455.5**	**(24.0)%**
EBITDA			
- Bricks and Blocks	52.1	85.6	(39.1)%
- Bespoke Products	6.0	3.6	66.7%
Total	**58.1**	**89.2**	**(34.9)%**
EBITDA margin	*16.8%*	*19.6%*	*(280) bps*
Depreciation and Amortisation	(20.0)	(16.5)	21.2%
Operating profit / EBIT	**38.1**	**72.7**	**(47.6)%**
Finance expense	(7.0)	(2.1)	233.3%
Profit before tax	**31.1**	**70.6**	**(55.9)%**
Effective tax rate	*24.5%*	*19.3%*	*520 bps*
Earnings per share (pence)	**11.4**	**26.4**	**(56.8)%**

**Adjusted results*

MANAGEMENT ACTIONS



- Production decisions made with reference to market demand expectations, product range, inventory levels and Desford commissioning
- Assuming demand in 2024 remains consistent with 2023, our management actions will ensure output is broadly matched with sales, limiting future inventory build
- Production reduced through mothballing of factories (Howley Park and Claughton), shift reductions and production breaks
- Rigorous cost control throughout the business with restructured commercial and back-office functions
- Annualised fixed costs savings in excess of £20m, with around £6m realised in 2023 and the balance in 2024
- One-off cash restructuring costs are expected to total £9.0m with £5.1m paid in 2023, leaving a further £3.9m to be paid in 2024
- Non-cash impairments relating to mothballing of factories of £5m
- These temporary reductions do not impact our ability to respond quickly when our markets recover, with the new Desford brick factory also providing a significant capacity uplift

SEGMENTAL RESULTS: BRICKS AND BLOCKS

- Revenues of £277.4m, 26.2% decrease vs. 2022 (£376.1m)
- Decline in sales volumes partially offset by pricing benefit, primarily driven by the significant mid-year price increases implemented in 2022
- Pricing remained resilient during the year despite the marked reduction in despatches
- Modest selling price increases announced in early 2024
- Energy costs consistent year-on-year with lower usage offset by higher rates
- Segmental adjusted EBITDA totalled £52.1m (2022: restated £85.6m), a decrease of 39.1%. Adjusted EBITDA margin was 18.8% (2022: restated 22.8%)

	Year ended 31 December *		
£m	2023	2022**	Change
Revenue	277.4	376.1	(26.2)%
EBITDA before overhead allocation	**70.0**	**109.6**	**(36.1)%**
EBITDA margin before overhead allocation	*25.2%*	*29.1%*	*(390) bps*
Overhead allocation	(17.9)	(24.0)	
EBITDA	**52.1**	**85.6**	**(39.1)%**
EBITDA margin	*18.8%*	*22.8%*	*(400) bps*

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

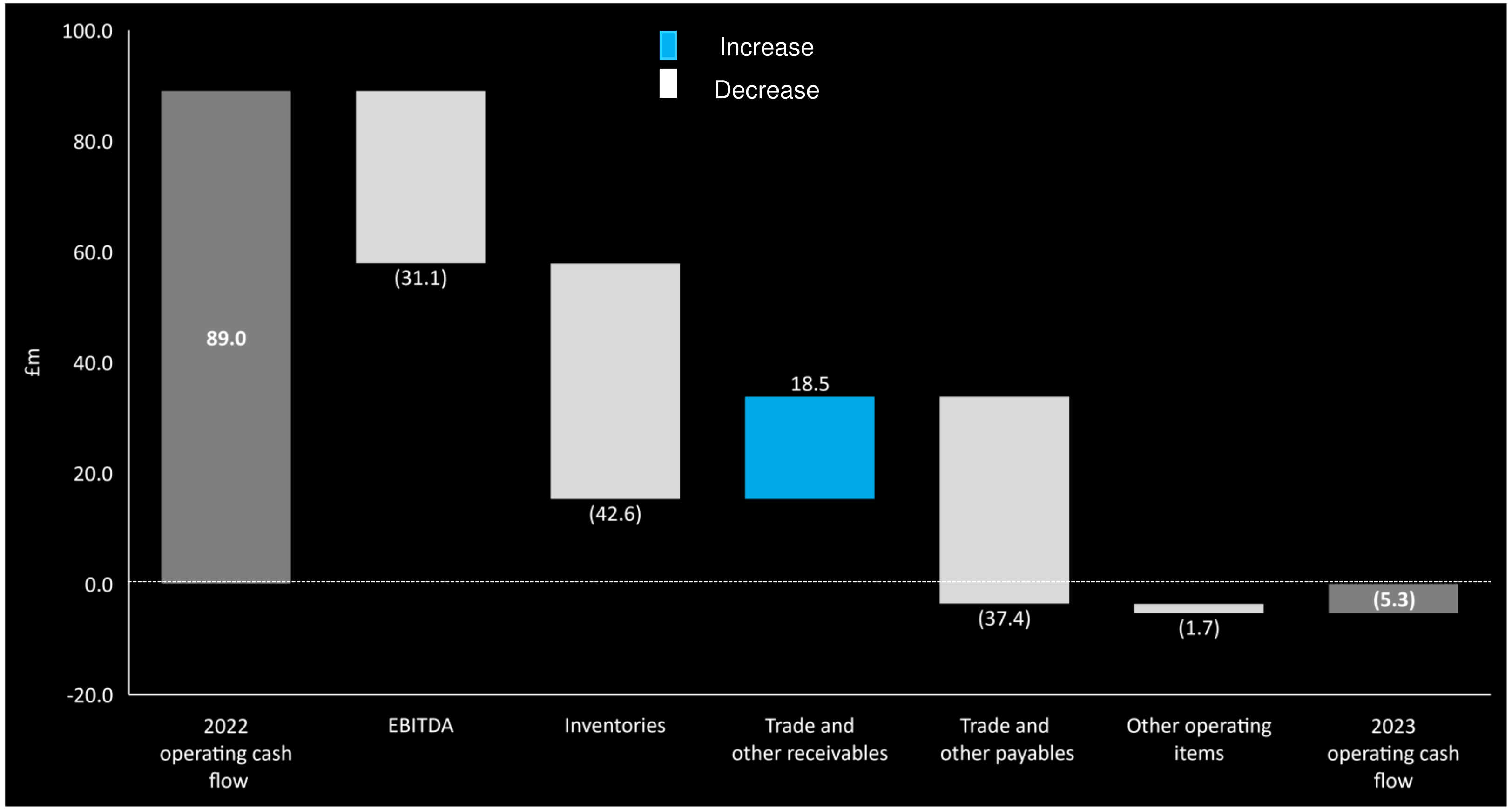
SEGMENTAL RESULTS: BESPOKE PRODUCTS

- Revenue in the year was £72.7m (2022: restated £84.2m)
- Floor beam sales volumes decreased in line with the rest of our product range although hollowcore sales were more resilient, actually increasing year-on-year
- Pricing has remained stable with the input cost inflation seen in the prior year easing
- Adjusted EBITDA stated before allocation of Group overheads was £10.5m (2022: restated £9.6m), a result ahead of the prior year despite market conditions

	Year ended 31 December*		
£m	2023	2022	Change
Revenue	72.7	84.2	(13.7)%
EBITDA before overhead allocation	**10.5**	**9.6**	**9.4%**
EBITDA margin before overhead allocation	*14.4%*	*11.4%*	*300 bps*
Overhead allocation	(4.5)	(6.0)	(25.0)%
EBITDA	**6.0**	**3.6**	**66.7%**
EBITDA margin	*8.3%*	*4.3%*	*400 bps*

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

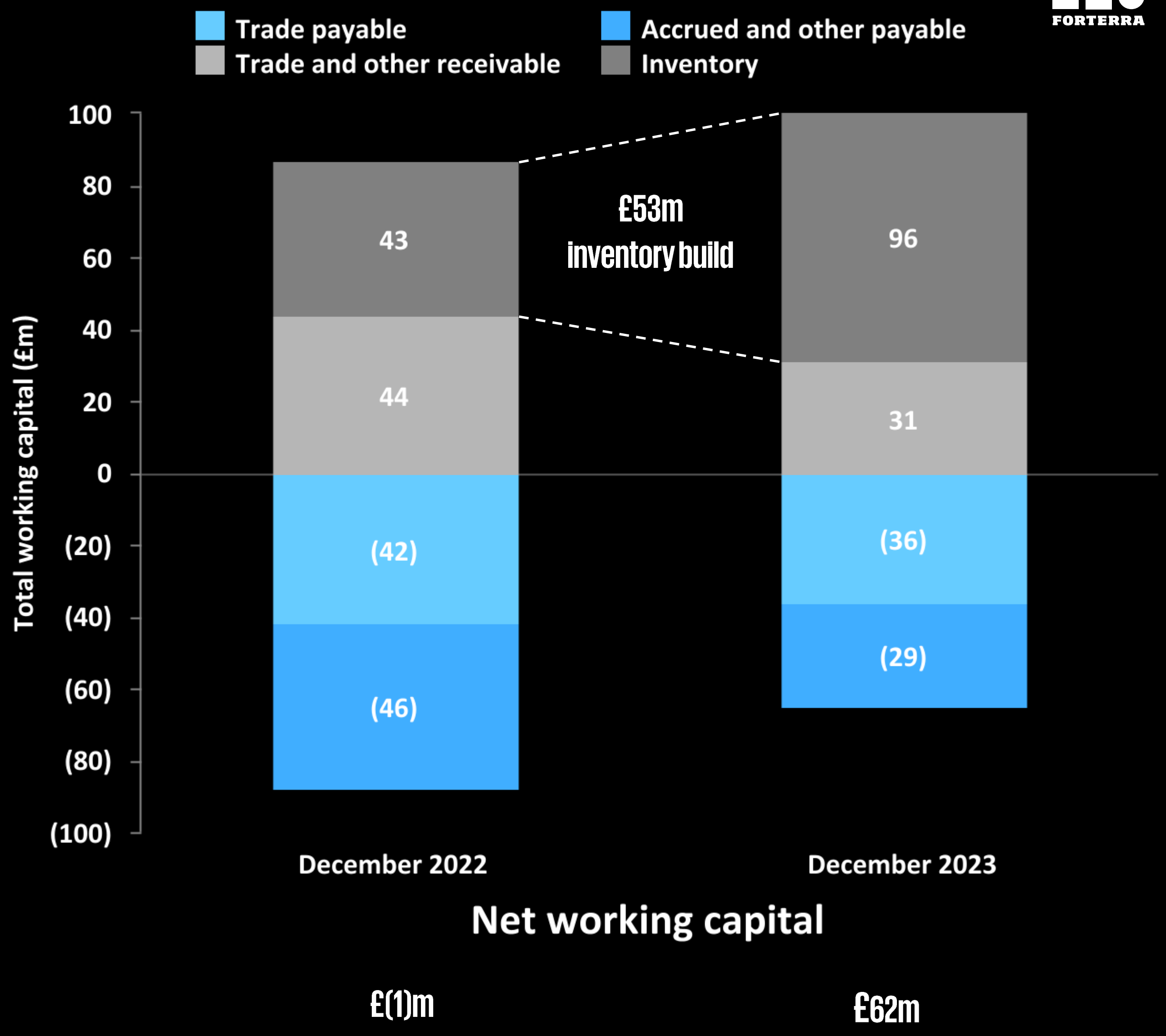
ADJUSTED OPERATING CASH FLOW



- Decline in operating cashflow due predominantly to a £31.1m decline in adjusted EBITDA and a significant working capital outflow driven by an increase in inventory
- Included within the above is a second half adjusted operating cash inflow of c.£11m

WORKING CAPITAL

- Inventories increased by a total of £52.8m primarily as a result of increases in the quantities of inventory on hand
- The movements in receivables and payables are primarily a function of a reduction in activity with lower sales and purchases reduced accordingly



CASH FLOW

	Year ended 31 December	
£m	2023	2022
Adjusted operating cash flow	**(5.3)**	**89.0**
Payments made in respect of adjusting items	(5.9)	—
Operating cash flow	**(11.2)**	**89.0**
Interest paid	(6.1)	(2.4)
Tax paid	(2.7)	(11.0)
Capital expenditure – maintenance	(14.8)	(10.5)
Capital expenditure – strategic	(19.3)	(33.6)
Dividends paid	(25.7)	(24.2)
Share buyback	—	(40.3)
Net payments to Employee Benefit Trust	(1.0)	(11.8)
Other movements	(0.6)	3.3
Repayment of lease liabilities	(5.9)	(5.3)
Increase in net debt before leases	**(87.3)**	**(46.8)**

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CAPEX GUIDANCE

			Capex expectation	
£m	2023	Spend to date (2019 - 2023)	2024	2025
Desford	5.2	91.3	3.0	-
Wilnecote redevelopment	10.9	17.9	10.0	2.0
Accrington brick slip facility	3.2	3.2	8.0	-
Maintenance	14.8	-	6.0	8.0
Total capex	**34.1**	**112.4**	**27.0**	**10.0**

- 2024 capex expected to be H1 weighted (£16m)
- Maintenance capex in 2023 included one-off items of HGV fleet replacement (£4m) and solar panels (£2m)
- 2024 and 2025 maintenance capex requirement reflects mothballed factories and reduced production

BALANCE SHEET POSITION AND FACILITIES

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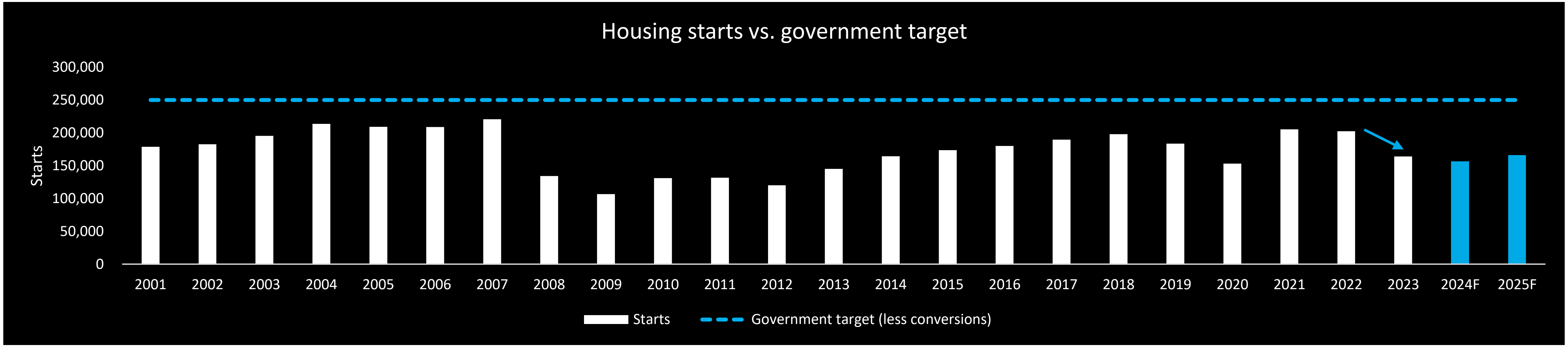
- At 31 December 2023 net debt (before leases) was £93.2m (2022: £5.9m)
- £110m drawn against revolving credit facility (RCF) of £170m leaving headroom of £50.4m after deducting letters of credit
- Facility extends to January 2027
- Year-end leverage of 1.87 times and expected to peak at close to 3x at half year 2024
- Relaxations to covenants secured through 2024 to provide additional headroom
- Leverage covenant increases from 3.0x to 4.0x in June and 3.75x in December
- Interest cover covenant reduces from 4.0x to 3.0x in December

	At 31 December		
£m	2023	2022	Change
Cash and cash equivalents	16.0	34.3	(18.3)
Loans and borrowings	109.2	40.2	69.0
Net debt before leases	**(93.2)**	**(5.9)**	**(87.3)**
Lease liabilities	(24.2)	(18.0)	(6.2)
Net debt	**(117.4)**	**(23.9)**	**(93.5)**

OUR MARKETS

LONG-TERM STRUCTURAL FUNDAMENTALS REMAIN FIRM



LONG-TERM HOUSING SHORTAGE

- Average number of completions over last 20 years of 172,000 homes, well short of the 250,000 Government target (300,000 net of conversions)
- 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

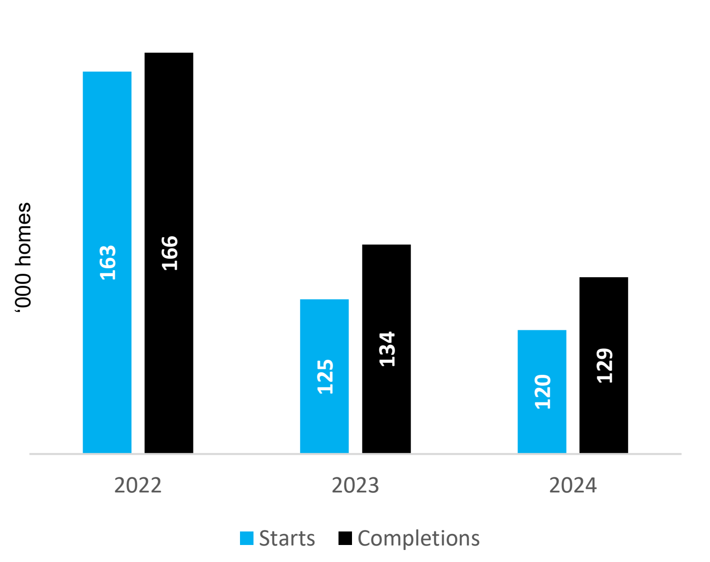
SUPPORTIVE SUPPLY SIDE FACTORS

- Cross-party political support reiterated

HOUSING / BRICK MARKET DATA

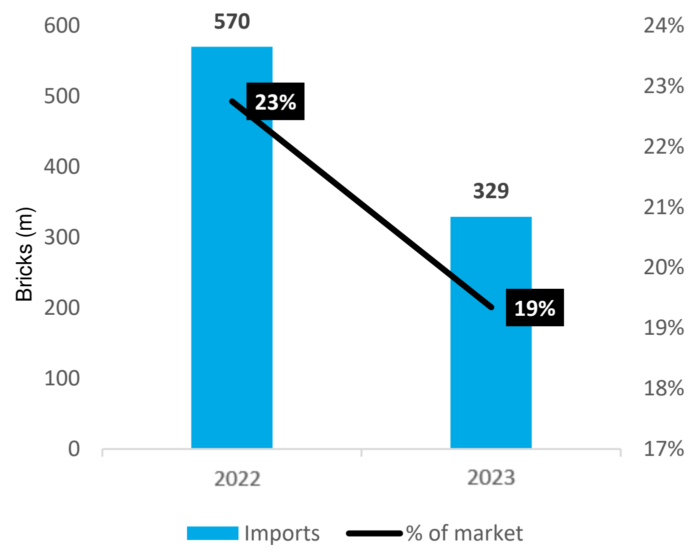
FORTERRA

STARTS / COMPLETIONS



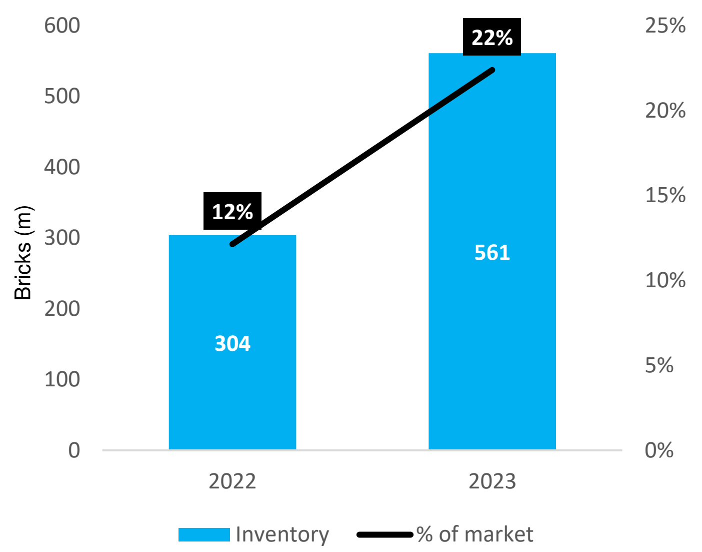
Source: CPA Winter Forecast

IMPORTS



Source: HMRC, Department for Business and Trade

INVENTORY*

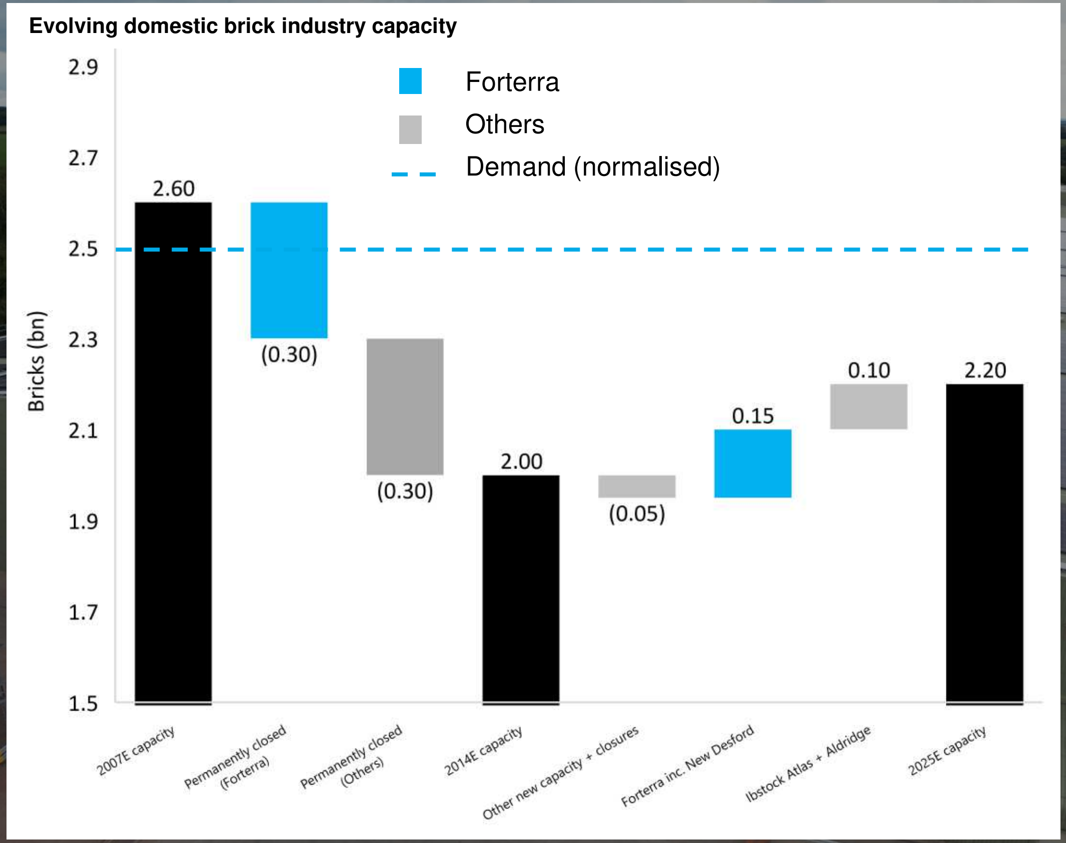


Note: *Industry inventory

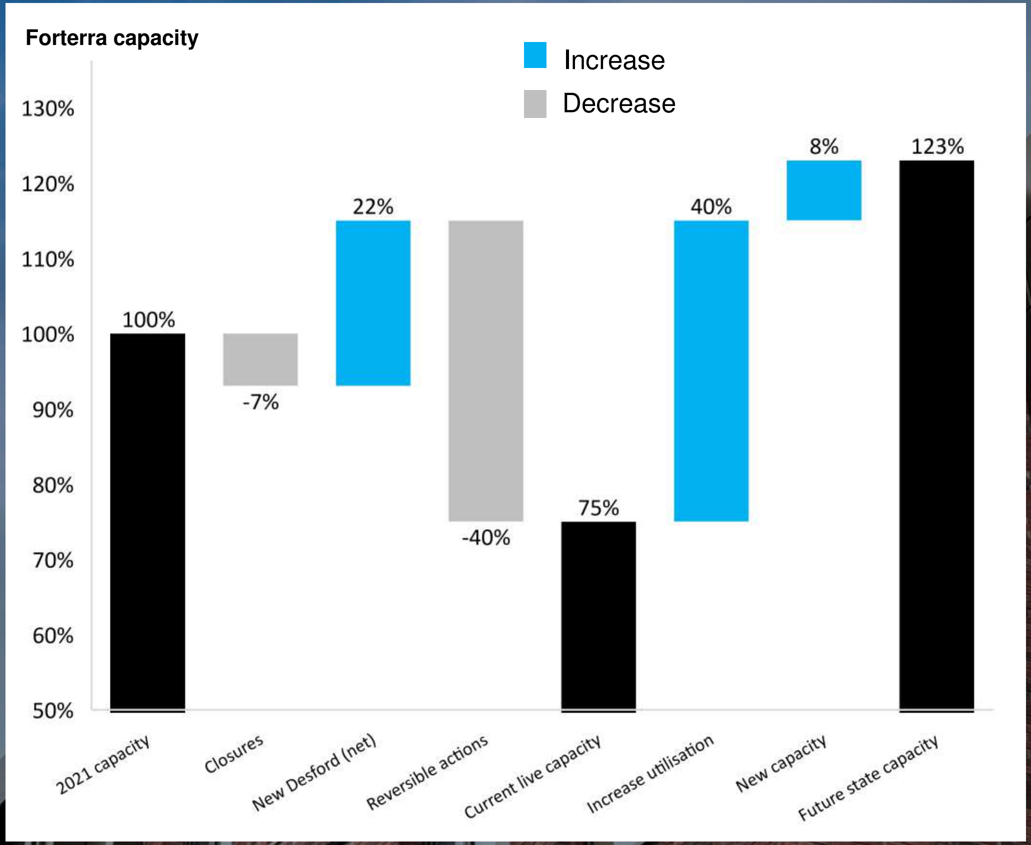
Source: Department for Business and Trade

- With private housing starts/completions forecast to remain broadly flat in 2024, imports have fallen both in totality and as a percentage of the brick market
- The reduction seen in demand has allowed industry inventory to recover

UK BRICK INDUSTRY STILL LACKS THE CAPACITY TO MEET NORMAL DEMAND LEVELS



Source: Forterra estimates



Industry capacity was rationalised during the global financial crisis with Forterra playing the leading role in this. Despite current and announced capacity investments, the UK brick industry still lacks the capacity required to address the country's structural housing shortage

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.

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

STRATEGIC IMPERATIVES

Strengthen the core:
- Newly redeveloped Wilnecote factory
- Commercial excellence
- Manufacturing excellence

Beyond the core:
- Brick slip leadership position
- New innovative products and solutions for new markets

Safety and engagement:
- Zero harm
- Higher engagement from our teams

Sustainability:
- Carbon reduction
- Packaging reduction
- Fuel switching

STRATEGIC IMPERATIVES

STRENGTHEN THE CORE

- **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
- **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
- Continued investment in long-term **capacity expansion**, and **cost efficiency**

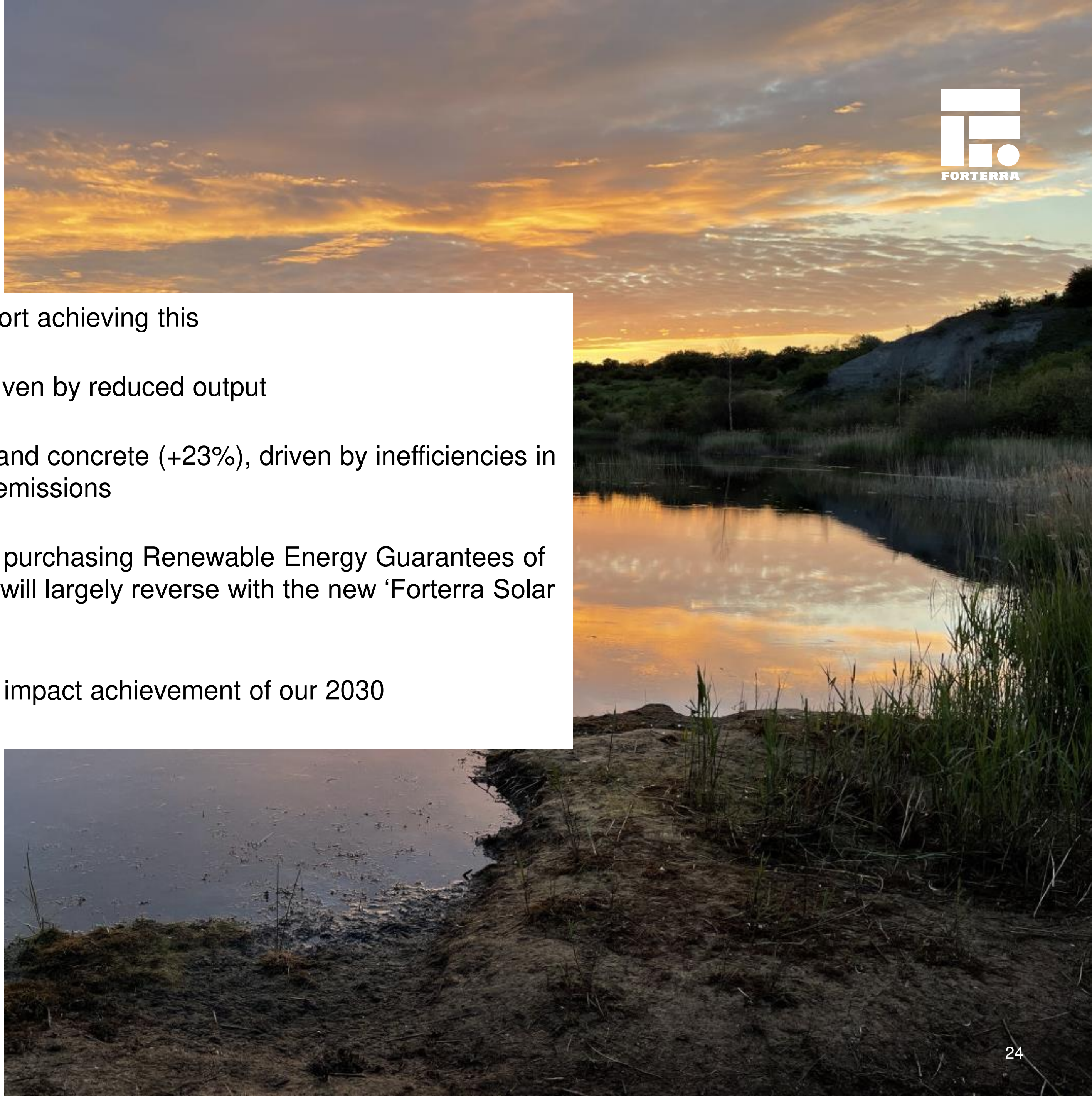
BEYOND THE CORE

- Ambitious targets to develop a **leadership position in brick slips**, and associated façade systems by capitalising on organic and potential acquisition opportunities
- Focus on products and **solutions typically beyond traditional construction**, such as medium-to-high rise residential, PRS and modular build markets

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

SUSTAINABILITY

SUSTAINABILITY PERFORMANCE



- Remain committed to net zero and our interim targets that support achieving this
- 13% reduction in absolute emissions in 2023 (20% vs. 2019) driven by reduced output
    - Carbon emissions intensity increased in both clay (+2%) and concrete (+23%), driven by inefficiencies in reduced production, product mix and increased Scope 2 emissions
    - Scope 2 increase due to the decision not to spend c.£1m purchasing Renewable Energy Guarantees of Origin (REGOs) to 'green' our electricity supply. Increase will largely reverse with the new 'Forterra Solar Farm' coming on stream in 2024
- Marginal increase in overall emissions intensity not expected to impact achievement of our 2030 decarbonisation target

SUSTAINABILITY INITIATIVES CONTINUE TO PROGRESS

FORTERRA

CALCINED CLAY

- Our development work across 2023 to prove the viability of calcined clay from waste bricks as an alternative cementitious binder has proven positive
- We will launch the first products using a proportion of calcined clay, from brick waste, as a cement substitute in the first half of 2024

MATERIAL USAGE

- Creating ‘as much from less’ is the target of our innovation team, who continue to investigate how we can produce the lightest and most material efficient brick whilst still maintaining strength and durability
- This will include maximising the size of the bricks perforation or ‘frog’ and substituting a portion of the clay for carbon neutral ‘inert’ materials

ENERGY

- Sector-leading commitment in renewable energy generation through a Power Purchase Agreement (PPA) to provide >70% of our electricity from a dedicated Forterra solar farm will be live from April 2024
- Hydrogen trials have proven our ability to adapt processes as and when grid hydrogen becomes a reality
- Trialling the use of biomass as a replacement for natural gas at our Kings Dyke factory with the potential to deliver an 11,000 tonne carbon saving

Our commitment to meeting our 2030 sustainability targets and ultimately reaching Net Zero remains steadfast

OUTLOOK

OUTLOOK

- The outlook for our industry remains subject to considerable uncertainty and, with a general election expected in 2024, demand is anticipated to remain subdued in the near term

- Trading conditions at the beginning of 2024 continued to be challenging with Department for Business and Trade figures suggesting January brick despatches were 5% behind the 2023 comparative. Our own despatches in February were slightly ahead of the prior year comparative

- We take some encouragement from recent trading updates from our housebuilding customers reporting greater levels of customer activity in recent months with a downward trend in mortgage interest rates through 2024 expected to improve the affordability of new homes, hopefully increasing demand for our products

- With the long-term under-supply of housing in the UK continuing to worsen, and with our previous capacity constraints now addressed, the Board remains confident in the Group's ability to benefit significantly as our markets recover and our strategic investments generate returns

- We continue to expect demand through 2024 to be broadly aligned to that seen in 2023 although exceptionally wet weather in the first two months of the year makes underlying demand more difficult to gauge

- The Board's expectations for 2024 remain unchanged with the Group's performance expected to be H2 weighted with this being driven by cost base and efficiency rather than demand

FORTERRA

Q&A

APPENDICES

BALANCE SHEET POSITION

FORTERRA

	Period ended 31 December		
£m	2023	2022	Change
Intangible assets	19.2	23.6	(4.4)
Property, plant and equipment	249.7	233.7	16.0
Right-of-use assets	24.1	18.1	6.0
Derivvative asset	5.0	—	5.0
Total non-current assets	**298.0**	**275.4**	**22.6**
Current assets			
Inventories	95.8	43.0	52.8
Trade and other receivables	31.0	44.3	(13.3)
Cash and cash equivalents	16.0	34.3	(18.3)
Other assets	3.9	0.6	3.3
Total current asset	**146.7**	**122.2**	**24.5**
Total assets	**444.7**	**397.6**	**47.1**
Trade and other payables	(66.3)	(89.6)	23.3
External borrowings	(109.2)	(40.2)	(69.0)
Lease liabilities	(24.2)	(18.0)	(6.2)
Other liabilities	(37.2)	(29.3)	(7.9)
Net assets	**207.8**	**220.5**	**(12.7)**

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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