



INTERIM RESULTS PRESENTATION

DISCLAIMER



This document has been prepared by Forterra plc (the “Company”) solely for use at a presentation on 30 July 2024 in connection with the Company’s Results Announcement in respect of the financial period ended 30 June 2024 (the “Presentation”). For the purposes of this notice, “Presentation” shall mean and include this document, the oral presentation of this document (and of any related document) by the Company, the question-and-answer session that follows that oral presentation, and any materials distributed at, or in connection with, that presentation (including any hard copies of this document).

The Presentation is being made only to, and is only directed at, investment professionals, representatives of institutional investors and other persons to whom this type of presentation may lawfully be communicated in this form (“relevant persons”). Any person who is not a relevant person should not act or rely on the Presentation or any of its contents. Information contained in the Presentation relating to the Company or its share price or the yield on its shares are not guarantees of and should not be relied upon as an indicator of, future performance. Nothing in the Presentation should be construed as a profit forecast or profit estimate.

The Presentation is being provided for information purposes only. The information contained in the Presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, securities or other financial instruments of the Company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of the Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

The release, publication, or distribution of any part of the Presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which the Presentation (or any part thereof) is released, published or distributed should inform themselves about, and observe, such restrictions.

Statements in the Presentation, including those regarding the future financial condition, results of operations, business or other performance of the Company, the industry in which it operates, or other trend projections, constitute forward-looking statements.

These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances or assumptions that may or may not occur in the future and which may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements.

Accordingly, no assurance is given by or on behalf of the Company or any of its associates, directors, officers, employees or otherwise that any such forward-looking statement will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and therefore no reliance should be placed on such forward-looking statements.

No representation or warranty, express or implied, is given (by the Company, any of its associates, directors, officers, employees, advisers or otherwise) in relation to the accuracy, completeness or reliability of the information contained in the Presentation, including as to the accuracy, completeness or reliability of any forward-looking statements or the basis on which they were prepared.

Except as required by applicable law or regulation, the Company does not undertake any obligation to update or revise any information in the Presentation, whether as a result of new information, future events or otherwise.

AGENDA

- 01 – Headlines
- 02 – Financial Review
- 03 – Our Markets
- 04 – Strategic Update
- 05 – Sustainability
- 06 – Outlook



NEIL ASH
Chief Executive Officer



BEN GUYATT
Chief Financial Officer

OPERATIONAL AND TRADING HEADLINES

-
- Group revenues for the period of £162.1m, represents a decrease of 11.5% relative to the prior year (2023: £183.2m)
-
- H1 UK brick industry despatches estimated to have fallen approximately 9% relative to the prior period, with our own brick despatches in line with this
-
- Despite the weaker than expected market conditions, effective cost management has delivered a result for the first half which is in line with our expectations
-
- Selling prices remain relatively stable with competitive market conditions restricting our ability to implement our announced price increases
-
- Adjusted EBITDA of £24.3m (2023: £31.1m) and adjusted PBT of £9.1m (2023: £19.2m)
-
- Stronger than expected half year cash performance with net debt before leases of £101.2m (2023 year end: £93.2m) equating to 2.3 times adjusted EBITDA on LTM banking covenant basis



FINANCIAL REVIEW

KEY FINANCIALS



	Period ended 30 June*		
£m	2024	2023	Change
Revenue	162.1	183.2	(11.5)%
EBITDA	24.3	31.1	(21.9)%
<i>EBITDA margin</i>	<i>15.0%</i>	<i>17.0%</i>	<i>(200) bps</i>
Operating profit (EBIT)	14.0	21.7	(35.5)%
Profit before tax (PBT)	9.1	19.2	(52.6)%
Earnings per share (pence)	3.2	7.1	(54.9)%
Operating cash flow	13.3	(16.3)	n/a
Net debt before leases	(101.2)	(50.1)	102.0%
Interim dividend (pence)	1.0	2.4	(58.3)%

*Adjusted results

Statutory results			
Profit before tax (PBT)	12.8	18.1	(29.3)%
Earnings per share (pence)	4.3	6.7	(35.8)%

PROFIT AND LOSS



	Period ended 30 June*		
£m	2024	2023	Change
Revenue	162.1	183.2	(11.5)%
EBITDA			
- Bricks and Blocks	22.7	28.0	(18.9)%
- Bespoke Products	1.6	3.1	(48.4)%
Total	24.3	31.1	(21.9)%
<i>EBITDA margin</i>	<i>15.0%</i>	17.0%	<i>(200) bps</i>
Depreciation and amortisation	(10.3)	(9.4)	9.6%
Operating profit (EBIT)	14.0	21.7	(35.5)%
Finance expense	(4.9)	(2.5)	96.0%
Profit before tax (PBT)	9.1	19.2	(52.6)%
<i>Effective tax rate</i>	<i>26.6%</i>	23.7%	<i>290 bps</i>
Earnings per share (pence)	3.2	7.1	(54.9)%

*Adjusted results

ADJUSTMENTS TO STATUTORY RESULTS

- Adjusted results are provided to fairly show our underlying trading performance on a like for like basis
- Adjustments relate to:
 - Restructuring costs associated with management actions to right-size the business
 - Costs in respect of an aborted corporate transaction
 - Losses on sale of surplus energy not used in the business
 - Removal of fair value benefit for energy contracts which did not qualify for the own use exemption following reduction in demand
 - Recognising carbon compliance costs in line with production



	Period ended 30 June	
£m	2024	2023
EBITDA	28.0	30.0
<u>Adjusted items</u>		
Restructuring costs	0.2	2.1
Impairment of plant and machinery	–	0.9
Aborted corporate transaction	2.6	–
Realised loss on the sale of surplus energy	2.1	–
Fair value movement on energy derivatives	(6.9)	–
Accounting for carbon credits	(1.7)	(1.9)
Total adjusted items	(3.7)	1.1
Adjusted EBITDA	24.3	31.1
Depreciation and amortisation	(10.3)	(9.4)
Finance expense	(4.9)	(2.5)
Adjusted PBT	9.1	19.2

SEGMENTAL RESULTS: BRICKS AND BLOCKS

- Revenue in the period decreased by 11.1% with brick industry demand estimated to have fallen approximately 9% relative to the prior year
- Slightly stronger year on year performance in both aircrete and aggregate blocks
- Pricing remains relatively stable with prices only modestly below their peak
- Cost base also remains broadly stable, energy costs stabilised but remain significantly above historic norms
- Despite challenging trading conditions, decisive management actions and delivery of expected cost savings delivered a robust result
- Fall in EBITDA margin driven by reduced operating efficiency with prior period result supported by significant inventory build



£m	Period ended 30 June*		
	2024	2023**	Change
Revenue	130.2	146.5	(11.1)%
EBITDA before overhead allocations	31.8	37.3	(14.7)%
<i>EBITDA margin before overhead allocations</i>	<i>24.4%</i>	<i>25.4%</i>	
Overhead allocations	(9.1)	(9.3)	(2.2)%
EBITDA after overhead allocations	22.7	28.0	(18.9)%
<i>EBITDA margin</i>	<i>17.4%</i>	<i>19.1%</i>	

*Adjusted results

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

SEGMENTAL RESULTS: BESPOKE PRODUCTS



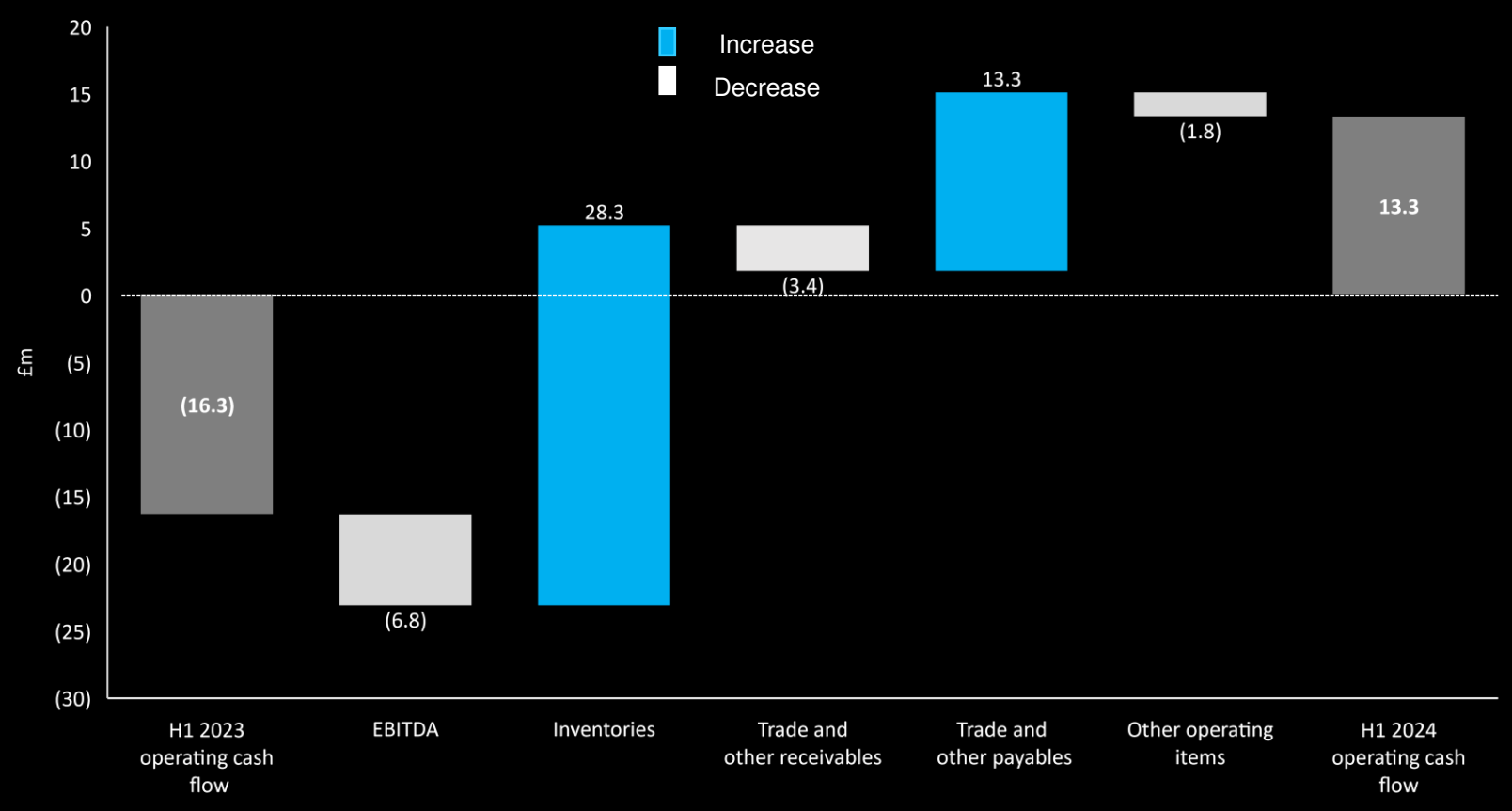
- Market conditions in line with the wider business
- Revenues in the period totalled £33.7m, a decrease of £5.0m or 12.9% relative to 2023
- Pricing remains broadly stable
- Majority of the cost base also remains stable, but we have seen some volatility in the cost of insulation, a significant input cost within this business, impacting margins
- Segmental adjusted EBITDA, after allocated Group overheads, totalled £1.6m (2023: £3.1m)
- EBITDA margin prior to allocation of Group overheads was 11.6% compared to 14.0% in 2023

£m	Period ended 30 June*		
	2024	2023**	Change
Revenue	33.7	38.7	(12.9)%
EBITDA before overhead allocations	3.9	5.4	(27.8)%
<i>EBITDA margin before overhead allocations</i>	<i>11.6%</i>	14.0%	
Overhead allocations	(2.3)	(2.3)	–
EBITDA after overhead allocations	1.6	3.1	(48.4)%
<i>EBITDA margin</i>	<i>4.7%</i>	8.0%	

*Adjusted results

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

OPERATING CASH FLOW



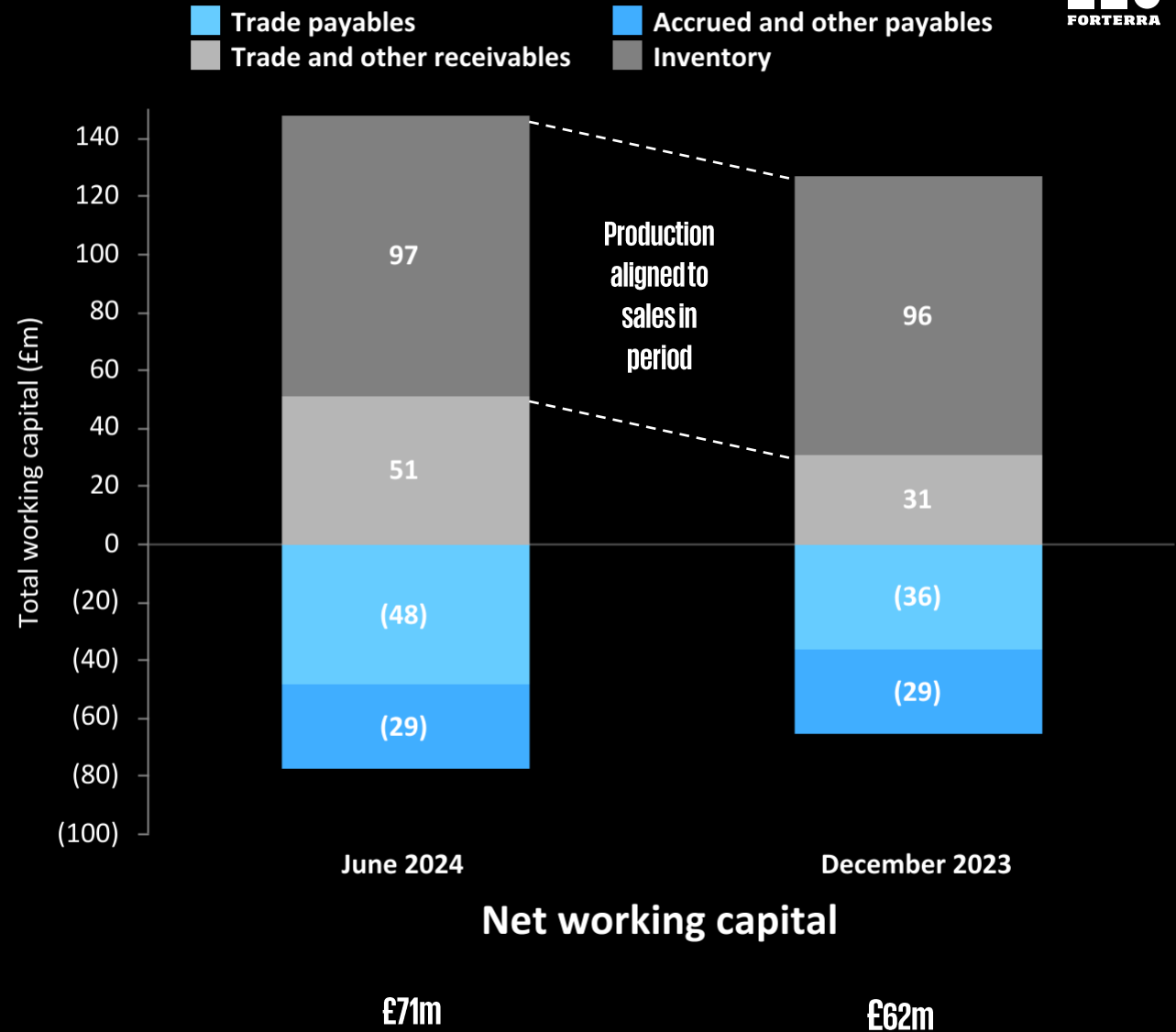
Strong improvement in adjusted operating cashflow performance with an inflow of £13.3m compared to an outflow of £16.3m in the prior period

Successfully aligning production to despatches leaves inventory stable eliminating large build seen in 2023



WORKING CAPITAL

- Disciplined working capital management contributes to better than expected half year balance sheet position
- Total increase in working capital of £9m since year end
- Seasonality traditionally leads to higher level of working capital at the mid-year although a one-off timing benefit in payables mitigates this increase
- Inventories flat with production aligned to sales



CAPEX GUIDANCE



Capex expectation					
£m	Previous (2019 - 2023)	H1 2024	H2 2024	2024	2025
Desford	91.0	0.1	2.8	2.9	2.0
Wilnecote redevelopment	17.9	4.4	5.3	9.7	3.0
Accrington brick slip facility	3.1	3.6	3.2	6.8	-
Maintenance		1.4	4.1	5.5	8.0
Total capex	112.0	9.5	15.4	24.9	13.0

- 2024 capex now expected to be c.£25m with c.£15m expected in H2
- Timing of capex payments moved to H2 in order to protect balance sheet although delays to Wilnecote project attributable to supply chain
- Desford, Wilnecote and Accrington expected to be substantially complete by the end of the year but final payments likely to slip into 2025
- Significant benefit from fixed price contracts on Desford and Wilnecote with management estimating build cost on Desford would increase from £95m to approximately £120m if commenced today

CASH FLOW



	Period ended 30 June	
£m	2024	2023
Adjusted operating cash flow	13.3	(16.3)
Payments made in respect of adjusting items	(8.4)	(2.0)
Operating cash flow	4.9	(18.3)
Interest paid	(5.2)	(2.1)
Tax credit/(paid)	0.4	(3.6)
Capital expenditure – maintenance	(1.4)	(6.1)
Capital expenditure – strategic	(8.1)	(9.2)
Net receipt / (payment) from / (to) EBT	5.1	(1.8)
Repayment of lease liabilities	(3.2)	(2.9)
Other movements	(0.5)	(0.2)
Increase in net debt before leases	(8.0)	(44.2)

- Adjusted operating cash generated from operations was £13.3m (2023: outflow of £16.3m) demonstrating disciplined working capital management with the inventory build seen in the prior year not repeated
- Payments made in respect of adjusting items relate to restructuring costs, professional fees and sales of surplus energy
- Increased borrowings and higher interest rates drive increase in interest paid
- Tax benefits from overpayment made in previous year
- Net receipts of £5.1m from EBT driven by vesting of share save plan coupled with sale of surplus shares

BALANCE SHEET POSITION AND FACILITIES



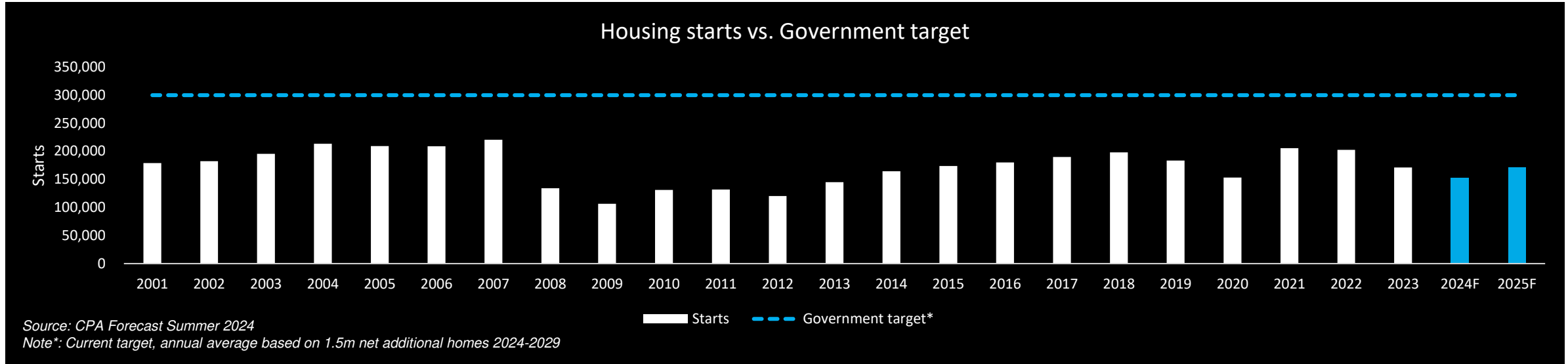
- Net debt before leases significantly below our expectations at the half year driven by disciplined working capital management along with timing of capex and other payments
- Closing net debt (excluding lease liabilities) was £101.2m (31 December 2023: £93.2m) with the increase in borrowing attributable to both seasonality and also £9.5m of capital spend in the period
- Group remained comfortably within its original covenants with leverage stated on an LTM bank covenant basis of 2.3 times at the period end
- Year-end net debt and leverage expectations remain broadly unchanged
- Bank facility committed until January 2027

	At 30 June	At 31 December	
£m	2024	2023	Change
Cash and cash equivalents	11.4	16.0	(28.8)%
Borrowings	(113.0)	(110.0)	2.7%
Capitalised fees and accrued interest	0.4	0.8	
Net debt before leases	(101.2)	(93.2)	
Lease liabilities	(22.6)	(24.2)	(6.6)%
Net debt	(123.8)	(117.4)	



OUR MARKETS

LONG-TERM STRUCTURAL FUNDAMENTALS REMAIN ATTRACTIVE



LONG-TERM HOUSING SHORTAGE

- Average number of completions over last 20 years of 172,000 homes, well short of the new Labour Government target (1.5m homes across the current parliament)
- 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

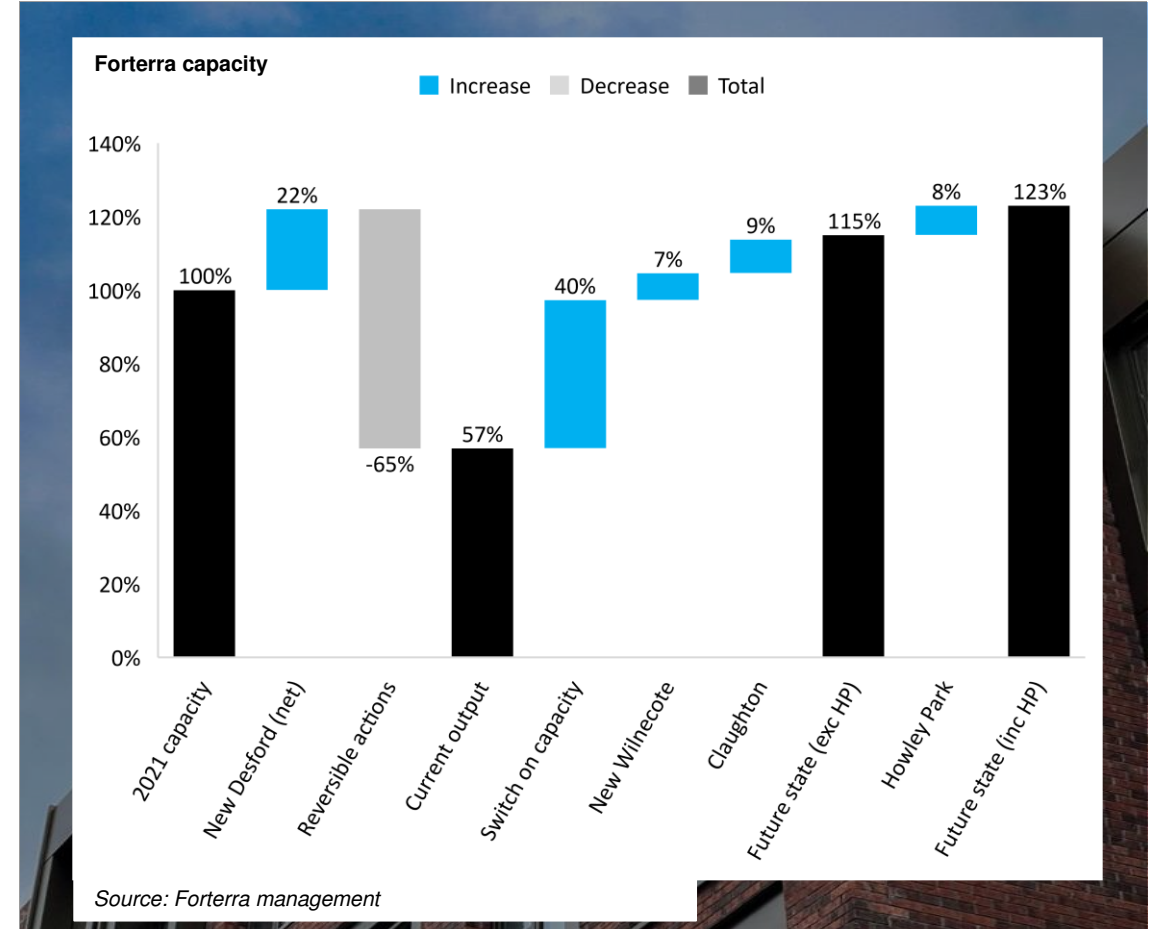
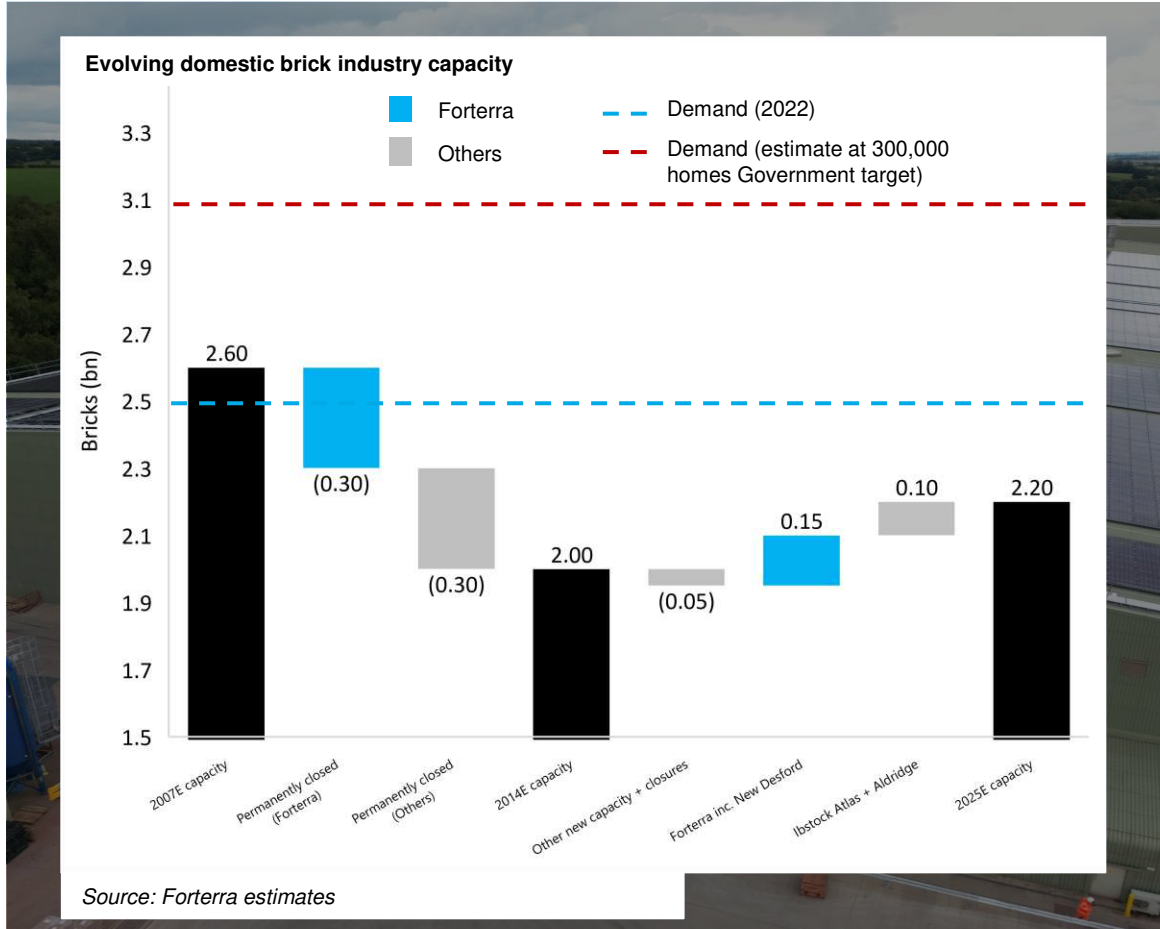
SUSTAINABILITY FACTORS

- Future homes standard will drive the need for new, energy efficient homes
- There will additionally be a potential need to re-clad existing housing stock

SUPPORTIVE SUPPLY SIDE FACTORS

- New Labour Government supportive of housebuilding with challenging targets set

FORTERRA CAPACITY AT LEAST 15% HIGHER IN NEXT TURN OF CYCLE



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

SUPPORTIVE NEW GOVERNMENT

The newly elected Labour Government have set out a number of policies with the aim of addressing the chronic shortage of housing in the UK:

- **Building 1.5 million new homes** over the current parliament, 2024-2029
- **Reform of planning system** to make it easier to build houses on less desirable parts of the green belt
- **Mandatory housing targets** for local councils will be reinstated
- **Review of green belt boundaries**
- **Accelerate stalled housing sites**
- **Mortgage guarantee scheme introduced:** permanent, comprehensive mortgage guarantee scheme to support first-time buyers



STRATEGIC 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

STRATEGIC IMPERATIVES



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

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

STRENGTHEN THE CORE

ORGANIC INVESTMENT



Organic investment: Investing in new capacity to deliver growth in sales volumes along with enhanced efficiency



Additional 23% capacity from the two projects
25% reduction in carbon emissions per brick vs. predecessor factories

STRENGTHEN THE CORE

COMMERCIAL AND MANUFACTURING EXCELLENCE



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



Customer management
Sales tools and processes
Customer proposition and 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



Optimisation of mix designs
Optimisation of maintenance regimes
Optimisation of formulations

BEYOND THE CORE

BRICK SLIPS PROGRESSION



- Brick slips are currently a **£100m, fast growing market**
- We continue to make good progress with our **new brick slips manufacturing line in Accrington** – a cost-effective entrance into this attractive market, with commissioning expected to begin in end Q3 2024
- The first UK manufactured extruded slip solution from Accrington offers **improved cost and sustainability credentials** vs. current ‘cut’ slips
- Focus on products and **solutions typically beyond traditional construction**, such as medium-to-high rise residential applications (example opposite)
- Value add benefit of **solution based, façade system**, sales that go above and beyond just a slip



***Above left:** Lancaster Street, Birmingham – render of completed project*



***Above right:** Progress at Lancaster Street, clad in Forterra brick slips*

Ambitious targets to develop a leadership position in brick slips, and associated façade systems

SUSTAINABILITY

SUSTAINABILITY PERFORMANCE



- Current market conditions, temporary reductions in output and loss of efficiency decrease the visibility of sustainability gains in published figures
- Organic **investments at Desford and Wilnecote** will deliver meaningful sustainability benefits with a reduction in embodied carbon of around 25% per brick compared to predecessor factories
- **Forterra solar farm**, financed through a PPA in 2021 commenced generation in April (with full financial benefits from April 2025) – currently supplying over 80% of our electricity demand
- As custodians of over 90m tonnes of clay reserves, the opportunity presented by **calcined clay as a cement substitute** is an interesting one
 - We are most excited by the prospect of utilising our production waste from our unique London Brick manufacturing process where the calcination process has already been undertaken
- We are continuing our work to better understand how we can **utilise alternative fuels including hydrogen, synthetic gas and biomass** in both our current and future factories
- We continue to engage with suppliers of **carbon capture use and storage technologies** (CCUS) monitoring progress in this rapidly developing area and learning how these technologies could be deployed within our own business in a cost-effective manner
- Ongoing work to **reduce plastic packaging** usage within our business

OUTLOOK

OUTLOOK AND FY 2024 GUIDANCE



- With softer comparatives, the expected 9% reduction in UK brick despatches seen in H1 is expected to reduce in H2; although overall, full year 2024 demand is expected to be lower than 2023
- With H1 despatches generally below our previous expectations, we have acted decisively to adjust our production plans and reduce output accordingly, prioritising working capital over short term operating efficiency
- Whilst we have seen some modest signs of improving demand in recent months, disaggregating the effects of a catch up from an unusually wet winter, routine seasonality and any wider market recovery is difficult, with little evidence of a sustained recovery in the near term
- With expected reductions in interest rates now delayed into H2 and mortgage rates remaining high, the challenging trading conditions which have persisted in H1 are expected to continue in the near term and we therefore now expect FY 2024 adjusted EBITDA to be around £50m
- Looking beyond this financial year, the Board is encouraged by the new Government's commitment to increase housing supply and remains confident that the Group is well positioned to capitalise on a recovery of its key markets in due course

WELL POSITIONED FOR MARKET RECOVERY

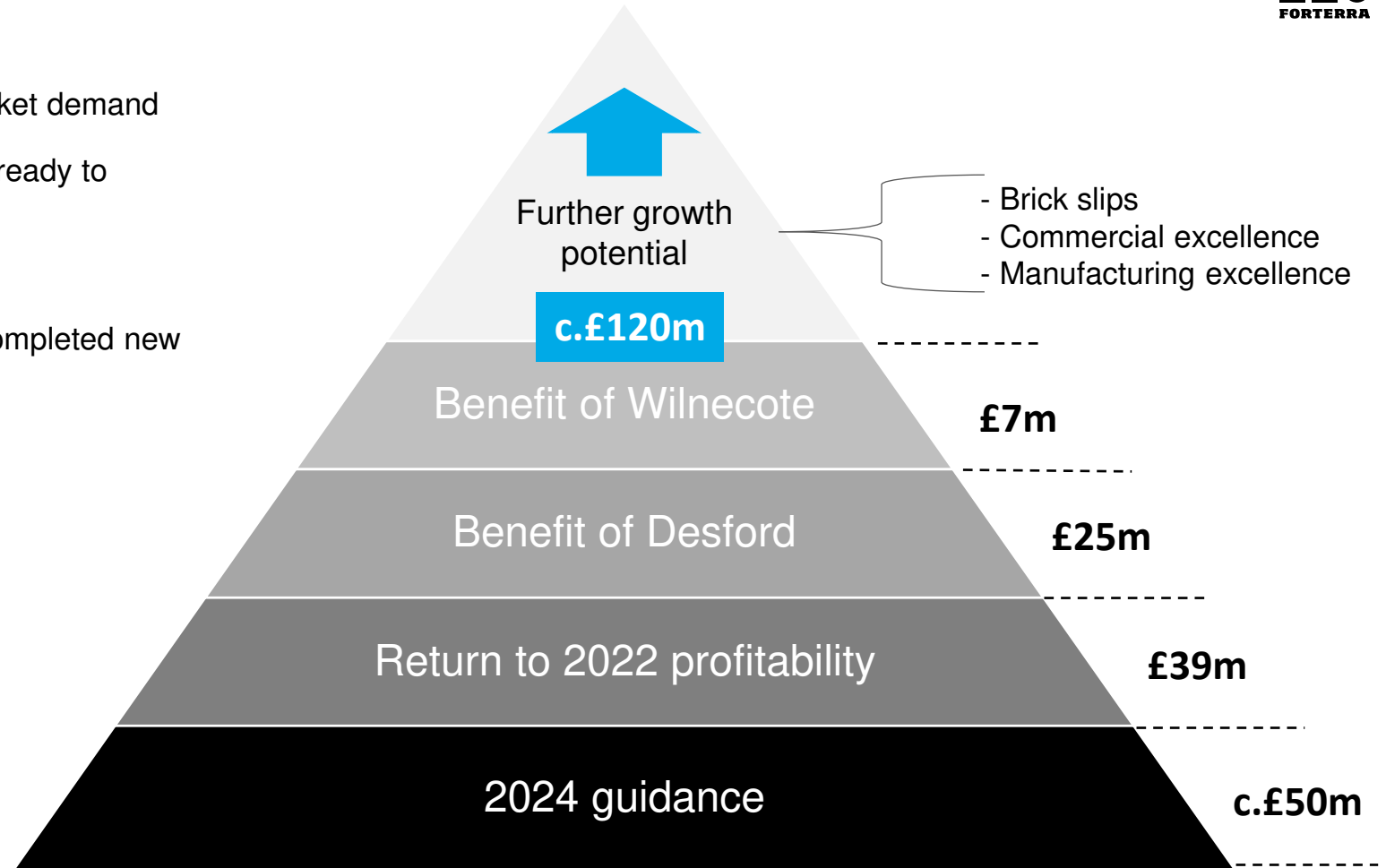


- Cyclical market means **recovery near certain** although timing and trajectory are less definitive
- Government target of **1.5 million new homes** during the current parliament
- The supply and demand characteristics of the UK brick market dictated that, in 2022 with only 208,000 new home completions, the **industry was capacity constrained**
- Group will benefit from **significant operating leverage** as market recovers with much of our capacity easy to turn on
- Our **£140m programme of organic capacity investment** addresses previous capacity constraints, leaving the Group well-positioned to benefit significantly from the market recovery
- Investment in new capacity remains disciplined with only **limited increases in industry capacity**. New larger and more efficient factories replacing older decommissioned assets
- Looking further ahead, even with modest growth beyond 2022 levels, the **market is likely to return to a capacity constrained position** creating attractive market dynamics
- Brick slip façade solutions are well suited to high rise construction which will be key in achieving the Government target, positioning us well to benefit from our Accrington investment

GROUP WELL POSITIONED FOR FUTURE CYCLES



- 2024 guidance impacted significantly by weak market demand
- Strategic capital investments well progressed and ready to leverage the return to a normalised market
- Growth illustration assumes:
 - Return to 2022 levels of profitability (208k completed new homes vs c.170k this year)
- Incremental benefits from projects (assuming normalised market):
 - £25m from New Desford
 - £7m incremental at Wilnecote
- Proforma Group adjusted EBITDA of c.£120m
- Further potential upside from ongoing strategic projects



Looking further ahead, the Group is well positioned to capitalise on the recovery of our key markets as it occurs

Q&A

APPENDICES

BALANCE SHEET POSITION



	At June	At December	
£m	2024	2023	Change
Intangible assets	12.2	19.2	(7.0)
Property, plant and equipment	252.5	249.7	2.8
Right-of-use assets	22.4	24.1	(1.7)
Derivative asset	3.7	5.0	(1.3)
Total non-current assets	290.8	298.0	(7.2)
Current assets			
Inventories	97.1	95.8	1.3
Trade and other receivables	51.2	31.0	20.2
Cash and cash equivalents	11.4	16.0	(4.6)
Other assets	4.7	3.9	0.8
Total current assets	164.4	146.7	17.7
Total assets	455.2	444.7	10.5
Trade and other payables	(81.6)	(66.3)	(15.3)
External borrowings	(112.6)	(109.2)	(3.4)
Lease Liabilities	(22.6)	(24.2)	1.6
Other Liabilities	(20.7)	(37.2)	16.5
Net assets	217.7	207.8	9.9

Forterra plc

5 Grange Park Court, Roman Way,
Northampton

NN4 5EA

Tel: 01604 707600



THE ORIGINAL
LONDON
BRICK

ECOSTOCK
BRICK

BUTTERLEY
BRICK

CRADLEY
SPECIAL BRICK

RED BANK

THERMALITE

CONBLOC

BISON PRECAST

INNOVATORS IN
FORMPAVE
PERMEABLE PAVING