



Forterra plc

Brick Capacity Expansion

Desford

22 May 2018

FORTERRA plc



THE ORIGINAL
LONDON
BRICK

ECO STOCK
BRICK

BUTTERLEY

CRADLEY
BRICK

RED BANK

THERMALITE

CONBLOC

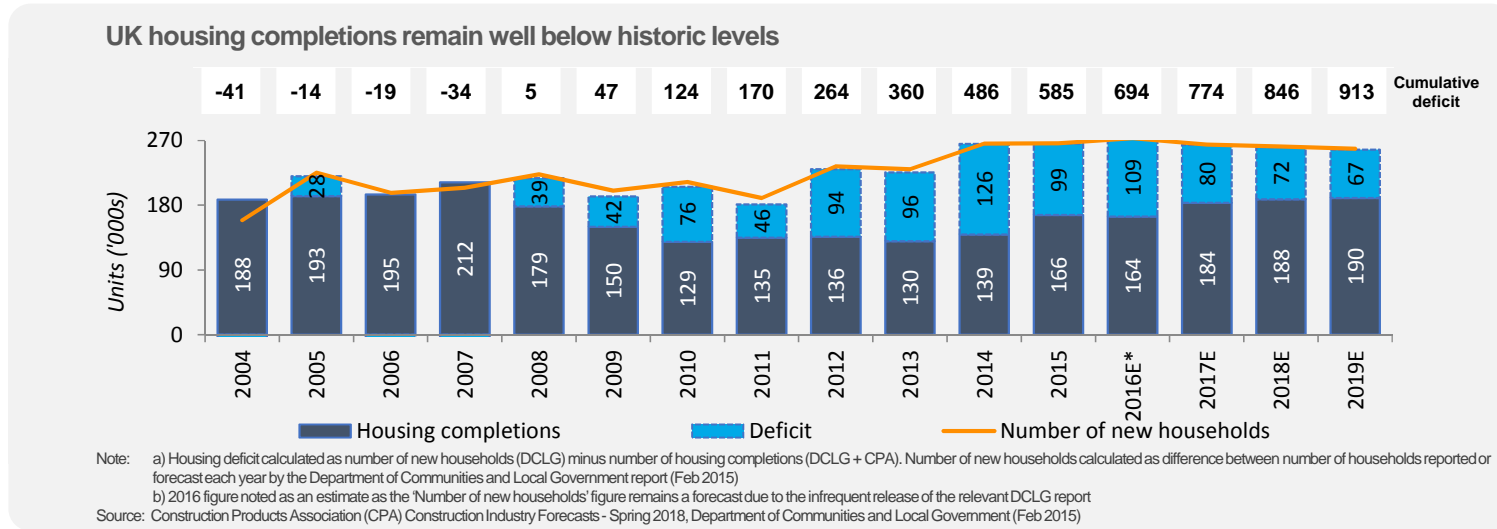
JET FLOOR

RENOVATORS IN
FORMPAVE
PERMEABLE PAVING

BISON PRECAST

UK housing market background

Structural upward momentum of the UK housing market underpinned by favourable market drivers



Favourable market drivers

1 UK Government supportive to demand

Help to Buy in place to 2021 and potentially beyond

Additional c.£10bn committed in extending Help to Buy Equity Loan scheme

2 Supportive supply side policies

A number of policies outlined in 2017 Government White Paper

November 2017 budget pledged 300,000 additional homes p.a. by the mid 2020's

3 Land availability

UK government initiatives to ensure release of development land

£1.1bn Land Assembly Fund established to enable new settlements and urban regeneration

4 Moderate house price inflation

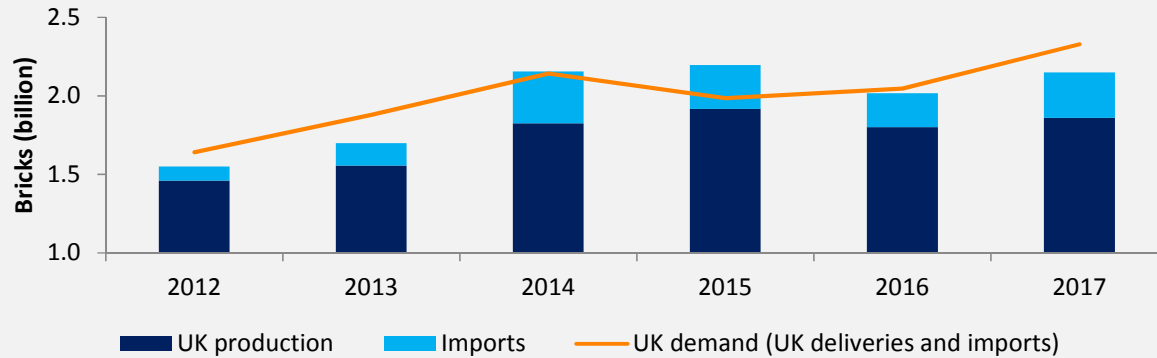
House prices continuing to increase at moderate rates

2017 house price increase y-o-y:
 Nationwide: +2.6% Halifax: +2.2%

Favourable dynamics within the UK brick market



UK brick supply and demand dynamics

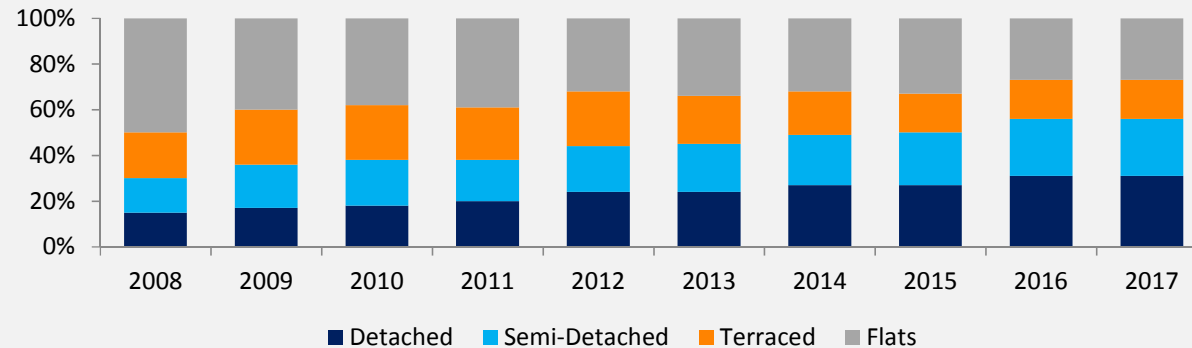


Source: Office of National Statistics (ONS), HMRC

Favourable supply/demand dynamic

- 2017 saw demand increase ahead of production levels, leading to an increase in the level of imports within the UK market

New build housing registrations by type



Source: NHBC

Favourable housing mix

- In recent years, the trend in house type has gradually shifted from flats towards detached houses – where a higher volume of bricks per unit are used

Planned expansion at Desford

Capacity – 2018 vs proposed

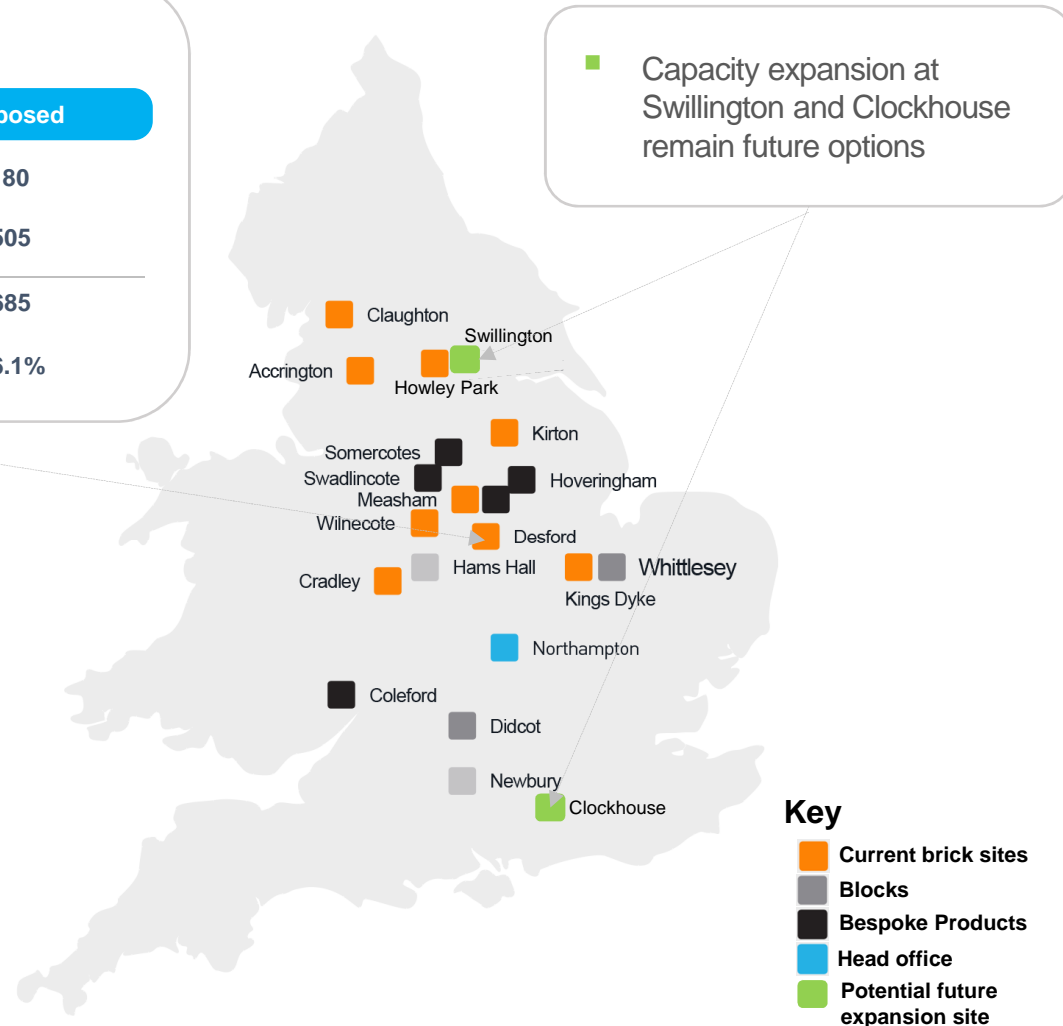
Million bricks	2018	Proposed
Desford	85	180
Other brick sites	505	505
Total	590	685
Increase		16.1%

Desford range

Desford currently produces a range of 21 extruded brick types which are very popular with the housebuilding market



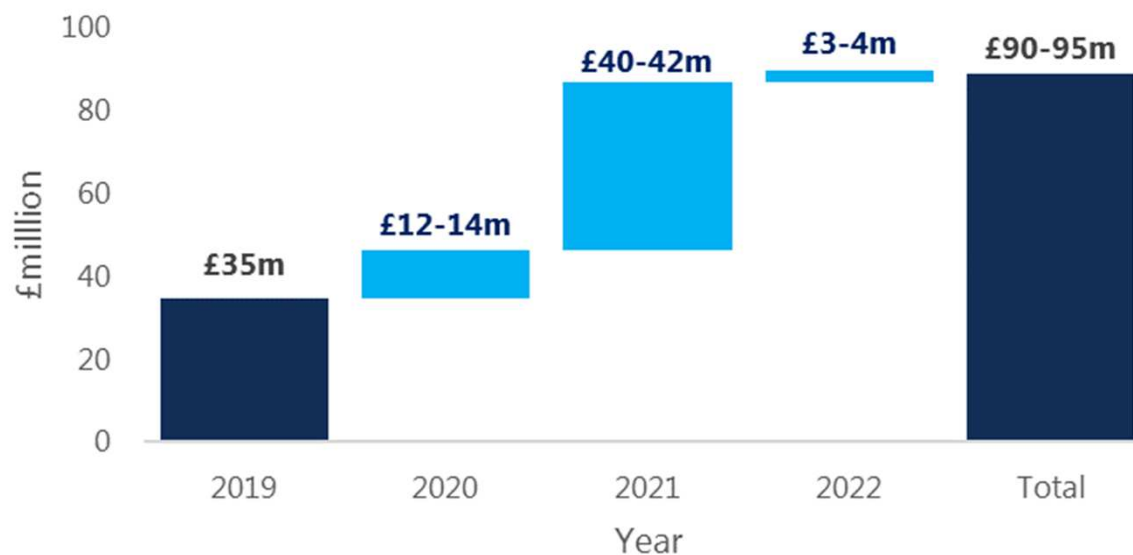
Above: Desford Red (left) and Buff (right) Brick range examples



Expected capex and timing



Project cost profile



Project timing – key dates

Enabling and planning	2018
Planning consent	2018 - 2019
Infrastructure development	2019
Plant installation	2020 - 2021
Plant commissioning	2021
Full production commences	2022

Customers

- Flexibility to continue serving customers
- Ability to meet demand as the market grows and support the Government's commitment to housebuilding
- Existing product range strongly established and widely used

Manufacturing excellence

- Replaces existing extruded capacity at lower production cost
- Able to flex production through 2 kiln operation
- Plant overhead spread across increased output
- Experienced team in place to deliver the project

Financial

- IRR over 20 years > 15% (after tax)
- Maintains cost leadership in the market through state-of-the-art facility
- Funded from free cash flow generated by business, backed by existing debt facility