11 October 2023

FORTERRA PLC

Q3 Trading Update

Forterra plc (the 'Group'), a leading UK manufacturer of essential clay and concrete building products, provides this third quarter trading update for the nine-month period ending 30 September 2023 (the 'period').

Key points

- The signs of market improvement seen in May and June did not continue into the second half with market demand deteriorating in July and August.
- Figures published by the Department of Business and Trade show UK brick despatches in July and August 2023 averaged 16% lower than in June 2023, and 28% lower than in the corresponding period in 2022. Within this, August was weaker than July and our own despatches suggest a further softening in September. These figures also highlight that UK brick industry despatches are currently running below the levels seen in 2009.
- Despite the weak demand, pricing across our range of products has remained resilient overall.
- In July we guided to a full year 2023 EBITDA with a more balanced H1/H2 split, based on the assumption that the levels of demand seen in June would continue. However, we are now anticipating demand to remain at the levels which we have experienced over the past quarter and accordingly expect full year EBITDA to be below previous expectations.
- Following previously announced management actions, we have taken further steps to align our production levels with market demand. Consultation is currently underway on the mothballing of a further brick factory at Claughton in Lancashire along with cuts to production in our Aircrete business. The market weakness seen in recent months, coupled with the lead time associated with efficiently reducing production, will lead to our inventory build in 2023 being higher than previously anticipated.
- Commissioning of the new Desford brick factory continues to progress, with the challenges of replicating the product range now overcome. Although output in the last quarter was below plan, the weaker market demand has meant there was no impact on sales.
- Looking ahead we expect to manage our operations on the assumption that 2024 demand will be at a similar level to 2023 and, accordingly we will look to align production output with this level of sales, thereby limiting further inventory growth.
- As we set out at the half year, we expect FY24 results to benefit from a more stable energy cost environment, a stabilisation of customer inventory, the substitution of imported bricks as well as the full year benefit of previously announced cost reductions, offset by reduced operating efficiency driven by a reduction in production.
- Growing political focus on increasing housing supply ahead of a general election reinforces the Board's confidence in the long-term industry fundamentals and the Board remains confident that the Group remains well placed to benefit when market demand recovers.

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) No 596/2014.

ENQUIRIES

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