

11 November 2024

FORTERRA PLC

Trading update to the end of the October

Full year guidance maintained

Forterra plc (the 'Group'), a leading UK manufacturer of essential clay and concrete building products, provides its trading update for the four-month period ended 31 October 2024 (the 'Period').

Trading conditions remained challenging throughout the period. Brick despatches were at similar levels to the prior year, although we have seen improved demand for our concrete products.

Year to date revenues were 5% below the 2023 comparative. Against this, we have maintained both our pricing discipline and robust cost control, leading to an adjusted EBITDA in the period broadly in line with the Board's expectations. Accordingly, the Board maintains its full year expectations for adjusted EBITDA of around £50m.

We have continued to make progress with our strategic investment projects, with commissioning underway and the first slips having been manufactured at our £12m brick slip facility in Accrington. This cost-effective investment will be the UK's first large-scale domestic brick slip manufacturing facility, capable of producing 50m extruded brick slips per annum.

We continue to progress the refurbishment of our Wilnecote brick factory, with commissioning expected to commence in the coming months. The factory will resume production in 2025 following a two-year shutdown. Wilnecote will provide an enhanced range of bricks for the premium commercial and specification market and increase our exposure to this attractive segment.

The Group holds sufficient inventories to meet customer demand and can increase output quickly and efficiently with minimal investment as market dynamics improve. Demonstrating this, we have recently taken steps to increase the output of some of our concrete products.

We anticipate modest levels of cost inflation heading into 2025, with the recently announced increase in Employers' National Insurance contributions adding to this. We have secured around 80% of our energy requirements for 2025 and also have good levels of coverage for 2026 and 2027. In response to these expected increases in our cost base we have announced selling price increases for 2025 and we are currently in discussions with our customers. Our ability to deliver these increases will be influenced by both market conditions and the pricing strategies adopted by our competitors.

Looking ahead, we expect to benefit not only from Government policies that aim to deliver a significant increase in housing supply, but also from improving affordability as the benefits of reducing interest rates are felt. Our recent £140m strategic investment programme, which provides us with 15% more brick manufacturing capacity and improved efficiency relative to the last turn of the cycle, leaves us ideally positioned to benefit from an improving market outlook.

Neil Ash, Chief Executive of Forterra plc, commented:

"The Group has delivered a solid performance since June and, despite trading conditions remaining challenging throughout the period, the Board maintains its full year expectations for the year."

"Our strategic investments in Desford, Wilnecote and Accrington address previous capacity constraints and provide us with improved efficiency relative to the last turn of the cycle."

"Assuming a return to market conditions seen in 2022, the investment in new capacity has created an enlarged Group capable of delivering EBITDA of approximately £120m in the mid-term."

"The Board is encouraged by the new Government's policies that aim to deliver a significant increase in housing supply, and also from improving affordability as the benefits of reducing interest rates are felt. Overall, we believe we are well positioned to benefit from an improving market outlook"

ENQUIRIES

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