



**Forterra plc**

Brick Capacity Expansion

Desford

22 May 2018



THE ORIGINAL  
**LONDON**  
BRICK

**ECO STOCK**  
BRICK

**BUTTERLEY**

**CRADLEY**  
BRICK

**RED BANK**

**THERMALITE**

**CONBLOC**

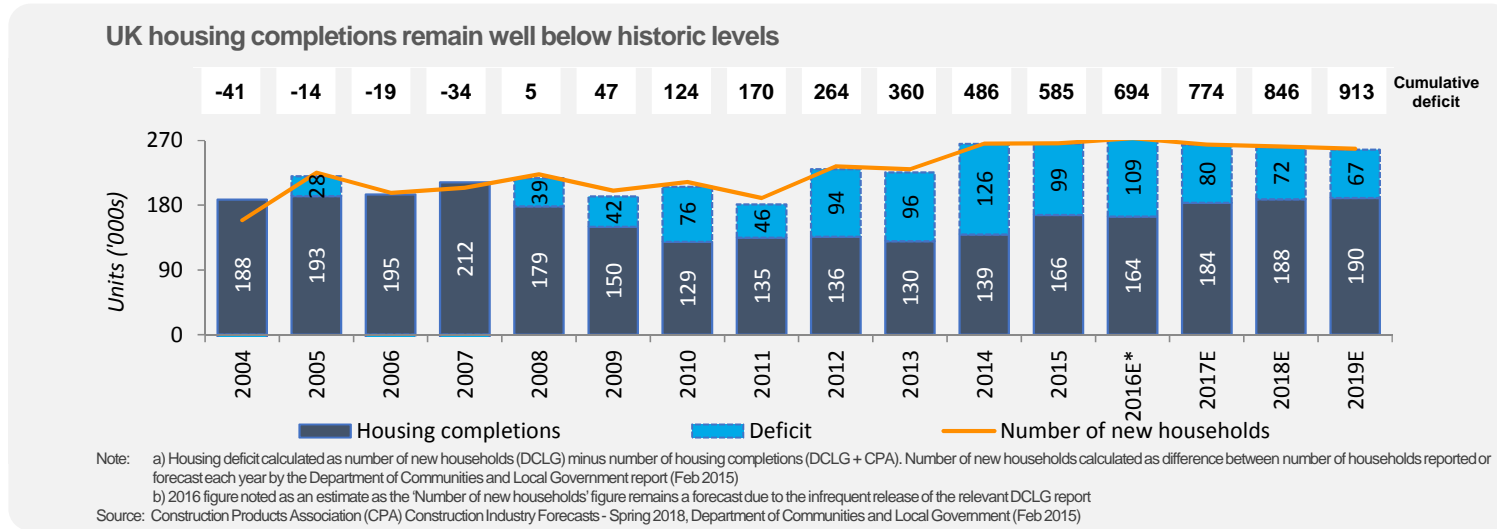
**JET FLOOR**

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**

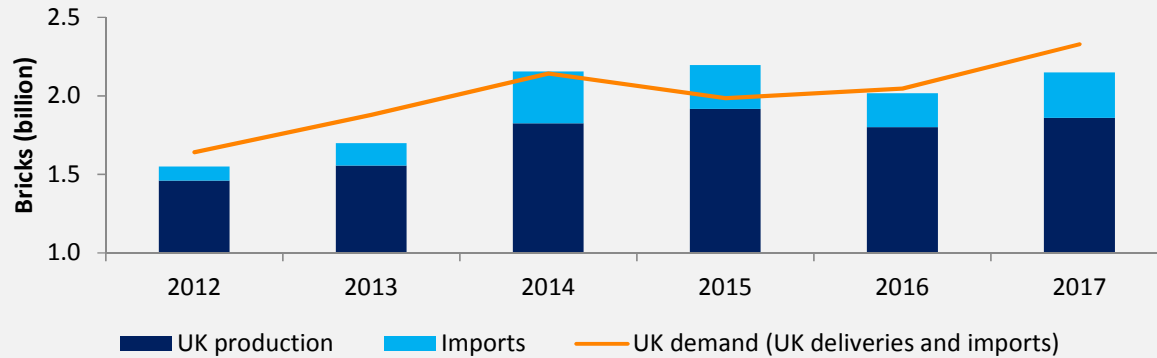
**House prices continuing to increase at moderate rates**

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

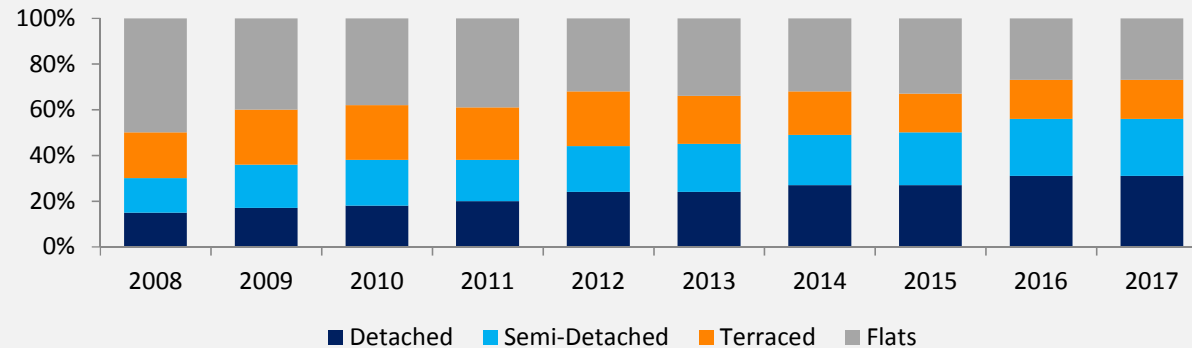


Source: Office of National Statistics (ONS), HMRC

## 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

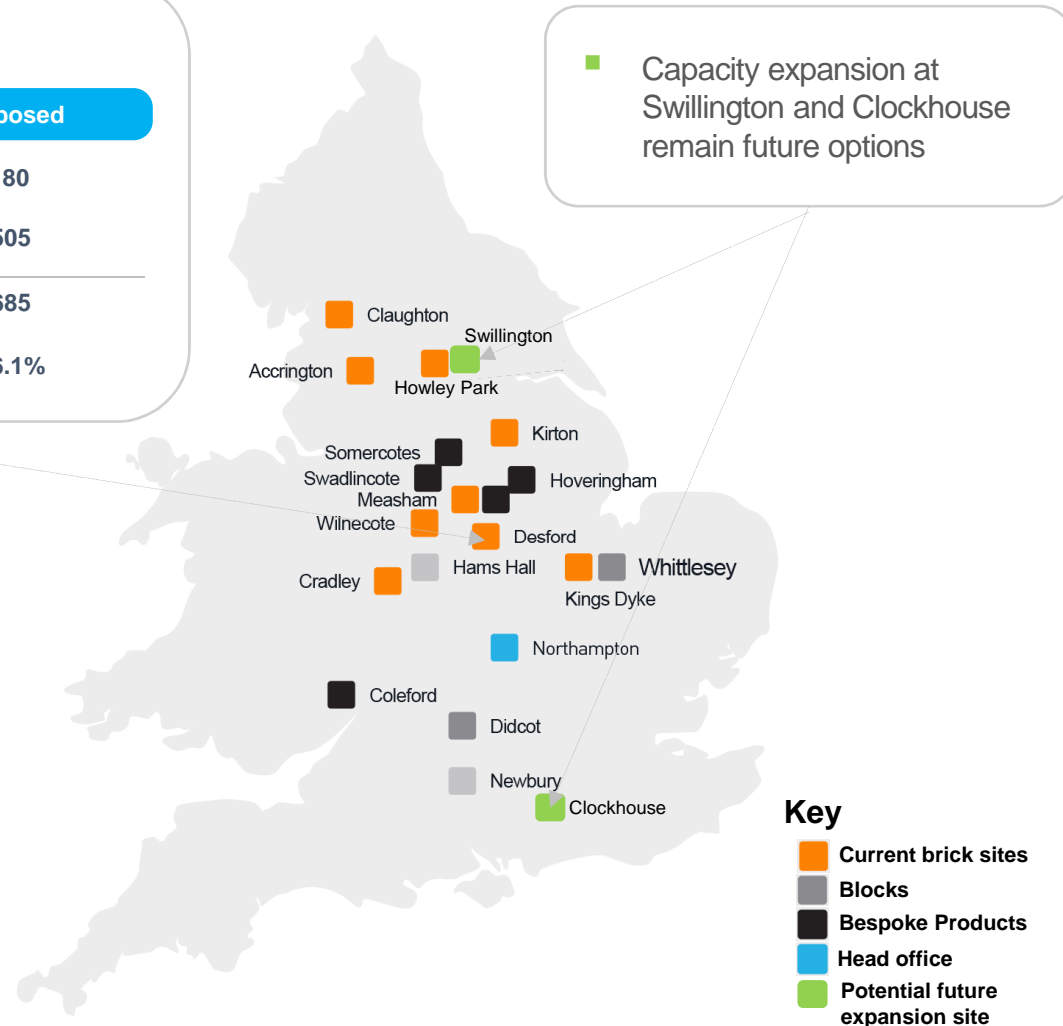
Million bricks	2018	Proposed
Desford	85	180
Other brick sites	505	505
<b>Total</b>	<b>590</b>	<b>685</b>
<b>Increase</b>		<b>16.1%</b>

## Desford range

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



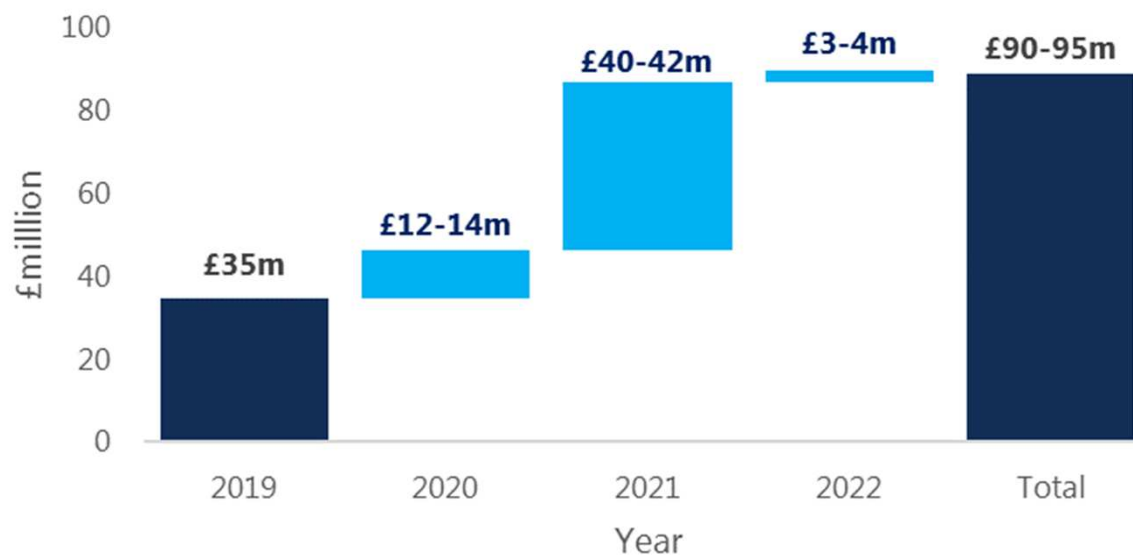
Above: Desford Red (left) and Buff (right) Brick range examples



## 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