

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2021

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-37921

**FORTERRA, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**37-1830464**

(I.R.S. Employer Identification Number)

**511 East John Carpenter Freeway, 6th Floor, Irving, TX 75062**

(Address of principal executive offices, including zip code)

**(469) 458-7973**

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	FRTA	Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
o	x	o	<input checked="" type="checkbox"/>	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

There were 66,686,552 shares of common stock, par value \$0.001 per share, of the registrant outstanding as of April 26, 2021.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**FORTERRA, INC.**  
**Condensed Consolidated Statements of Operations**  
*(in thousands, except per share data)*

	Three months ended March 31,	
	2021	2020
	<i>(unaudited)</i>	
<b>Net sales</b>	\$ 368,114	\$ 330,876
<b>Cost of goods sold</b>	285,850	272,134
<b>Gross profit</b>	82,264	58,742
Selling, general & administrative expenses	(55,044)	(54,240)
Impairment and exit charges	(409)	(824)
Other operating income, net	12,119	330
<b>Income from operations</b>	38,930	4,008
<b>Other income (expense)</b>		
Interest expense	(18,346)	(20,745)
Loss on extinguishment of debt	—	(50)
Earnings from equity method investee	2,591	2,799
<b>Income (loss) before income taxes</b>	23,175	(13,988)
Income tax expense	(4,499)	(78)
<b>Net income (loss)</b>	<u>\$ 18,676</u>	<u>\$ (14,066)</u>
<b>Earnings (loss) per share:</b>		
Basic	\$ 0.28	\$ (0.22)
Diluted	\$ 0.27	\$ (0.22)
<b>Weighted average common shares outstanding:</b>		
Basic	66,240	64,804
Diluted	69,440	64,804

See accompanying notes to unaudited condensed consolidated financial statements

**FORTERRA, INC.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
*(in thousands)*

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(unaudited)</i>	
Net income (loss)	\$ 18,676	\$ (14,066)
Change in other postretirement benefit plans, net of tax	—	(681)
Foreign currency translation adjustment	659	(5,699)
Comprehensive income (loss)	<u>\$ 19,335</u>	<u>\$ (20,446)</u>

*See accompanying notes to unaudited condensed consolidated financial statements*

**FORTERRA, INC.**  
**Condensed Consolidated Balance Sheets**  
*(in thousands)*

	March 31, 2021	December 31, 2020
<b>ASSETS</b>	<i>(unaudited)</i>	
<b>Current assets</b>		
Cash and cash equivalents	\$ 36,591	\$ 25,678
Receivables, net	263,862	227,948
Inventories	256,455	222,928
Prepaid expenses	9,005	7,967
Other current assets	2,047	2,022
Total current assets	567,960	486,543
<b>Non-current assets</b>		
Property, plant and equipment, net	442,556	451,082
Operating lease right-of-use assets	53,518	54,379
Goodwill	509,299	509,127
Intangible assets, net	93,113	101,409
Investment in equity method investee	49,376	48,285
Other long-term assets	1,905	4,987
Total assets	\$ 1,717,727	\$ 1,655,812
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade payables	\$ 161,332	\$ 134,144
Accrued liabilities	101,225	115,693
Deferred revenue	7,301	8,220
Current portion of long-term debt	12,510	12,510
Current portion of tax receivable agreement	8,333	8,333
Total current liabilities	290,701	278,900
<b>Non-current liabilities</b>		
Long-term debt	922,584	887,511
Long-term finance lease liabilities	142,620	142,195
Long-term operating lease liabilities	50,650	50,943
Deferred tax liabilities	8,453	9,671
Other long-term liabilities	31,782	36,918
Long-term tax receivable agreement	55,907	55,907
Total liabilities	1,502,697	1,462,045
Commitments and Contingencies (Note 14)		
<b>Equity</b>		
Common stock, \$0.001 par value, 190,000 shares authorized; 66,656 and 65,981 shares issued and outstanding	19	19
Additional paid-in-capital	254,507	252,579
Accumulated other comprehensive loss	(6,297)	(6,956)
Retained deficit	(33,199)	(51,875)
Total shareholders' equity	215,030	193,767
Total liabilities and shareholders' equity	\$ 1,717,727	\$ 1,655,812

See accompanying notes to unaudited condensed consolidated financial statements

**FORTERRA, INC.**  
**Condensed Consolidated Statements of Shareholders' Equity**  
*(in thousands, except share data)*  
*(unaudited)*

	Common Stock		Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance at December 31, 2020	65,980,787	\$ 19	\$ 252,579	\$ (6,956)	\$ (51,875)	\$ 193,767
Share-based compensation expense	—	—	2,784	—	—	2,784
Stock-based plan activity	674,896	—	(856)	—	—	(856)
Comprehensive income:						
Net income	—	—	—	—	18,676	18,676
Foreign currency translation adjustment	—	—	—	659	—	659
Balance at March 31, 2021	66,655,683	\$ 19	\$ 254,507	\$ (6,297)	\$ (33,199)	\$ 215,030

	Common Stock		Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance at December 31, 2019	64,740,667	\$ 19	\$ 244,372	\$ (7,063)	\$ (116,361)	\$ 120,967
Share-based compensation expense	—	—	2,864	—	—	2,864
Stock-based plan activity	336,752	—	(194)	—	—	(194)
Comprehensive loss:						
Net loss	—	—	—	—	(14,066)	(14,066)
Change in other postretirement benefit plans, net of tax	—	—	—	(681)	—	(681)
Foreign currency translation adjustment	—	—	—	(5,699)	—	(5,699)
Balance at March 31, 2020	65,077,419	\$ 19	\$ 247,042	\$ (13,443)	\$ (130,427)	\$ 103,191

See accompanying notes to unaudited condensed consolidated financial statements

**FORTERRA, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
*(in thousands)*

	Three months ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES	<i>(unaudited)</i>	
Net income (loss)	\$ 18,676	\$ (14,066)
<i>Adjustments to reconcile net income (loss) to net cash used in operating activities:</i>		
Depreciation & amortization expense	20,462	22,501
(Gain) loss on disposal of property, plant and equipment	(11,116)	36
Loss on extinguishment of debt	—	50
Amortization of debt discount and issuance costs	1,228	1,871
Stock-based compensation expense	2,784	2,864
Impairment charges	382	—
Earnings from equity method investee	(2,591)	(2,799)
Distributions from equity method investee	1,500	1,600
Unrealized (gain) loss on derivative instruments, net	(143)	746
Unrealized foreign currency loss, net	82	335
Provision (recoveries) for doubtful accounts	284	(132)
Deferred taxes	(1,218)	5,970
Other non-cash items	704	1,106
<i>Change in assets and liabilities:</i>		
Receivables, net	(18,664)	(23,371)
Inventories	(33,393)	(21,842)
Other current assets	(1,050)	(6,572)
Accounts payable and accrued liabilities	11,000	11,406
Other assets and liabilities	(5,890)	1,072
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(16,963)</b>	<b>(19,225)</b>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(11,048)	(4,278)
Proceeds from sale of fixed assets	2,992	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(8,056)</b>	<b>(4,278)</b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of term loans	(3,127)	(8,071)
Proceeds from revolver	40,000	180,000
Proceeds from issuance of common stock	1,468	—
Other financing activities	(2,576)	(341)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>35,765</b>	<b>171,588</b>
Effect of exchange rate changes on cash	167	(474)
Net change in cash and cash equivalents	10,913	147,611
Cash and cash equivalents, beginning of period	25,678	34,800
Cash and cash equivalents, end of period	<b>\$ 36,591</b>	<b>\$ 182,411</b>
SUPPLEMENTAL DISCLOSURES:		
Cash interest paid	\$ 24,667	\$ 17,138
Income taxes paid (refunds received), net	903	(99)

*See accompanying notes to unaudited condensed consolidated financial statements*

## **1. Description of the business**

Forterra, Inc. ("Forterra" or the "Company") is involved in the manufacturing, sale and distribution of building products in the United States ("U.S.") and Eastern Canada. Forterra's primary products are concrete drainage pipe, precast concrete structures, and water transmission pipe used in drinking and wastewater systems. These products are used in the infrastructure, residential and non-residential sectors of the construction industry.

## **2. Summary of significant accounting policies**

### ***General***

The Company's condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and include the accounts and results of operations of the Company and its consolidated subsidiaries. All intercompany transactions have been eliminated in consolidation.

The condensed consolidated balance sheets and the condensed consolidated statements of operations, comprehensive income (loss), cash flows and equity for the periods presented herein reflect all adjustments that are of a normal recurring nature and are necessary for a fair statement of the results of the periods shown. Certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

The results of operations for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. Seasonal changes and other conditions can affect the sales volumes of the Company's products. The financial results for any interim period do not necessarily indicate the expected results for the year.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020 as provided in Forterra, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 25, 2021 (the "2020 10-K"). The Company has continued to follow the accounting policies set forth in those financial statements, except as supplemented and documented below. Certain prior year numbers were reclassified to conform with current year presentation. Such reclassification had no impact on the previously reported results of operations.

### ***Use of estimates***

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the reporting date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. The more significant estimates made by management relate to fair value estimates for assets and liabilities acquired in business combinations; estimates for accrued liabilities for environmental cleanup, bodily injury and insurance claims; estimates for commitments and contingencies; and estimates for the realizability of deferred tax assets, the tax receivable agreement obligation, inventory reserves, allowance for doubtful accounts and impairment of goodwill and long-lived assets.

Certain accounting matters that generally require consideration of forecasted financial information were assessed in light of the impact from the coronavirus disease 2019 ("COVID-19") pandemic. The accounting matters assessed included, but were not limited to, the Company's allowance for doubtful accounts, inventory reserves, goodwill impairment, impairment of property and equipment and valuation allowances for tax assets.



While the assessments resulted in no material impacts to the Company's condensed consolidated financial statements as of and for the three months ended March 31, 2021, the Company believes the full impact of the COVID-19 outbreak remains uncertain and will continue to assess if ongoing developments related to the outbreak may cause future material impacts to its consolidated financial statements.

### **Concentration of Credit Risk**

The Company had an individual customer within its Water Pipe & Products segment that accounted for approximately 19% and 18% of the Company's total net sales for the three months ended March 31, 2021 and 2020, respectively, and receivables at March 31, 2021 and December 31, 2020 representing 17% and 16% of the Company's total receivables, net, respectively.

### **Credit Losses**

*Trade accounts receivable.* The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

The Company's exposure to credit losses may increase if one or more of its customers are adversely affected by changes in laws or other government recommendations or mandates, economic pressures or uncertainty associated with local or global economic recessions, disruption or other impacts associated with the COVID-19 pandemic, or other customer-specific factors. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade receivables as customers are impacted by the COVID-19 pandemic.

### **Recent Accounting Guidance Adopted**

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in the ASU provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The guidance was effective upon issuance and generally can be applied through December 31, 2022 and has not had any material impact to the Company's condensed consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. The new guidance simplifies the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, hybrid taxes, and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The Company adopted this ASU on January 1, 2021 on a prospective basis, which did not have a material impact on the Company's condensed consolidated financial statements.

## **3. Mergers and dispositions**

### *Quikrete Merger Agreement*

On February 19, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Quikrete Holdings, Inc., a Delaware corporation ("Parent"), and Jordan Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent ("Merger Sub"). Pursuant to the Merger

Agreement, subject to the satisfaction or waiver of specified conditions, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly-owned subsidiary of Parent.

Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each issued and outstanding share of common stock (the "Common Stock") of the Company (other than (i) any shares held in the treasury of the Company or owned, directly or indirectly, by Parent, Merger Sub or any wholly-owned subsidiary of the Company immediately prior to the Effective Time, (ii) shares that are subject to any vesting restrictions ("Company Restricted Shares") granted under the Company's stock incentive plans (the "Company Stock Plans") and (iii) any shares owned by stockholders who have properly exercised and perfected appraisal rights under Delaware law) will be automatically canceled and converted into the right to receive \$24.00 in cash, without interest (the "Merger Consideration"), subject to deduction for any required withholding tax.

At the Effective Time:

- (1) each restricted stock unit that is solely subject to time-based vesting requirements granted under the Company Stock Plans that is outstanding immediately prior to the Effective Time shall fully vest and be converted into the right to receive an amount in cash (without interest and subject to applicable tax withholdings) equal to the product of (i) the Merger Consideration multiplied by (ii) the number of shares of Common Stock subject to such vested restricted stock unit;
- (2) each restricted stock unit that is subject to performance-based vesting requirements granted under the Company Stock Plans that is outstanding immediately prior to the Effective Time shall immediately vest and be converted into the right to receive an amount in cash (without interest and subject to applicable tax withholdings) equal to the product of (i) the Merger Consideration multiplied by (ii) the number of shares subject to such vested restricted stock unit immediately prior to the Effective Time as determined in accordance with the Merger Agreement;
- (3) each option to purchase shares of Common Stock granted under the Company Stock Plans that is outstanding immediately prior to the Effective Time shall fully vest, to the extent not vested previously, and be converted into the right to receive an amount in cash (without interest and subject to applicable tax withholdings) equal to the product of (i) the remainder, if positive, of (A) the Merger Consideration minus (B) the exercise price per share of Common Stock of such option multiplied by (ii) the number of shares of Common Stock subject to such vested option; and
- (4) each Company Restricted Share that is outstanding immediately prior to the Effective Time shall immediately vest in full and be converted into the right to receive an amount in cash (without interest and subject to applicable tax withholdings) equal to the Merger Consideration.

Each party's obligation to consummate the Merger is subject to certain conditions, including, among others: (i) expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (ii) the absence of any order issued by any court of competent jurisdiction, other legal restraint or prohibition or any law enacted or deemed applicable by a governmental entity that prohibits or makes illegal the consummation of the Merger; (iii) the passing of twenty (20) days from the date on which the Company mails to the Company's stockholders the definitive information statement regarding the stockholder approval of the Merger by written consent in definitive form; (iv) subject to certain qualifications, the accuracy of representations and warranties of the other party set forth in the Merger Agreement; and (v) the performance by the other party in all material respects of its obligations under the Merger Agreement. Parent's obligation to consummate the Merger is also conditioned on, among other things, the absence of any Material Adverse Effect (as defined in the Merger Agreement).

Entry into the Merger Agreement has been unanimously approved by the board of directors of the Company.

The Merger Agreement includes customary representations, warranties and covenants of the Company, Parent and Merger Sub. Among other things, the Company has agreed to use commercially reasonable efforts to conduct its business in the ordinary course of business consistent with past practice and use commercially reasonable efforts to preserve intact its businesses until the Merger is consummated. The Company and Parent have also agreed to use their respective reasonable best efforts to obtain any approvals from governmental authorities for the Merger, including all required antitrust approvals, on the terms and subject to the conditions set forth in the Merger Agreement, provided that Parent and its affiliates will not be required to take, or agree to take, certain actions with respect to assets, businesses or product lines of Parent or any of its subsidiaries, or the Company or any of its subsidiaries, accounting for more than \$80 million of EBITDA (as defined in the Merger Agreement) for the 12 months ended December 31, 2020, measured in accordance with the Merger Agreement.

The Merger Agreement contains certain provisions giving each of Parent and the Company rights to terminate the Merger Agreement under certain circumstances, including the right for either Parent or the Company to terminate the Merger Agreement if the Merger has not been consummated on or before November 19, 2021, which date will be automatically extended for up to two additional 60-day periods in specified circumstances as described in the Merger Agreement (such date, as may be so extended pursuant to the Merger Agreement, the "Outside Date"). Upon termination of the Merger Agreement under specified circumstances, the Company will be required to pay Parent a termination fee of \$50 million. The Merger Agreement further provides that Parent will be required to pay the Company a reverse termination fee of \$85 million under certain circumstances if the Merger Agreement is terminated due to the failure of the parties to obtain required approvals under Antitrust Laws (as defined in the Merger Agreement) prior to the Outside Date or as a result of a Restraint (as defined in the Merger Agreement) arising under applicable Antitrust Laws.

If the Merger is consummated, the shares of Common Stock will be delisted from the Nasdaq Stock Market LLC and deregistered under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

#### **Transaction costs**

For the three months ended March 31, 2021, the Company recognized aggregate transaction costs, including legal, accounting, valuation, and advisory fees, specific to the Merger of \$3 million. These costs are recorded in the condensed consolidated statements of operations within selling, general & administrative expenses.

#### **4. Receivables, net**

Receivables consist of the following (*in thousands*):

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Trade receivables	\$ 227,924	\$ 195,997
Amounts billed but not yet paid under retainage provisions	2,817	4,022
Other receivables	34,502	29,026
<b>Total receivables</b>	<b>265,243</b>	<b>229,045</b>
Less: Allowance for doubtful accounts	(1,381)	(1,097)
<b>Receivables, net</b>	<b>\$ 263,862</b>	<b>\$ 227,948</b>

**5. Inventories**

Inventories consist of the following (*in thousands*):

	March 31, 2021	December 31, 2020
Finished goods	\$ 170,354	\$ 145,872
Raw materials	85,153	76,322
Work in process	948	734
Total inventories	<u>\$ 256,455</u>	<u>\$ 222,928</u>

**6. Investment in equity method investee**

The Company owns 50% of the Common Unit voting shares of Concrete Pipe & Precast LLC ("CP&P") and consequently, has recorded its investment in the Common Unit voting shares in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*, under the equity method of accounting.

The Company's investment in the joint venture was \$49.4 million at March 31, 2021, which is included within the Drainage Pipe & Products segment. At March 31, 2021, the difference between the amount at which the Company's investment is carried and the amount of the Company's share of the underlying equity in net assets of CP&P was approximately \$12.9 million. The basis difference is primarily attributed to the value of land and equity method goodwill associated with the investment.

The following reflects the Company's distribution and earnings in the equity investment (*in thousands*):

	Three months ended March 31,	
	2021	2020
Distribution received from CP&P	\$ (1,500)	\$ (1,600)
Share of earnings in CP&P	2,609	2,816
Amortization of excess fair value of investment	(18)	(18)

Selected financial data for CP&P on a 100% basis is as follows (*in thousands*):

	Three months ended March 31,	
	2021	2020
Net sales	\$ 37,255	\$ 39,092
Gross profit	9,650	10,537
Income from operations	4,972	5,620
Net income	4,908	5,557

**7. Property, plant and equipment, net**

Property, plant and equipment, net, consist of the following (*in thousands*):

	March 31, 2021	December 31, 2020
Machinery and equipment	\$ 421,244	\$ 410,436
Land, buildings and improvements	229,605	234,251
Other equipment	12,968	12,633
Construction-in-progress	21,500	26,073
<b>Total property, plant and equipment</b>	<b>685,317</b>	<b>683,393</b>
Less: accumulated depreciation	(242,761)	(232,311)
<b>Property, plant and equipment, net</b>	<b>\$ 442,556</b>	<b>\$ 451,082</b>

Depreciation expense totaled \$12.2 million for the three months ended March 31, 2021 and \$12.2 million for the three months ended March 31, 2020, which is included in cost of goods sold and selling, general and administrative expenses in the condensed consolidated statements of operations.

**8. Goodwill and other intangible assets, net**

The Company has recorded goodwill in connection with its acquisition of businesses. The following table summarizes the changes in goodwill by operating segment for the three months ended March 31, 2021 (*in thousands*):

	Drainage Pipe & Products	Water Pipe & Products	Total
Balance at December 31, 2020	\$ 190,767	\$ 318,360	\$ 509,127
Foreign currency and other adjustments	172	—	172
<b>Balance at March 31, 2021</b>	<b>\$ 190,939</b>	<b>\$ 318,360</b>	<b>\$ 509,299</b>

Intangible assets other than goodwill at March 31, 2021 and December 31, 2020 included the following (*in thousands*):

	Net carrying value as of March 31, 2021	Net carrying value as of December 31, 2020
Customer relationships	\$ 64,534	\$ 70,503
Trade names	13,844	14,935
Patents	4,519	5,029
Non-compete agreements	4,349	4,962
Developed technology	5,513	5,606
Other	353	374
<b>Total intangible assets</b>	<b>\$ 93,113</b>	<b>\$ 101,409</b>

Amortization expense totaled \$8.3 million for the three months ended March 31, 2021 and \$10.3 million for the three months ended March 31, 2020, which is included in selling, general and administrative expenses in the condensed consolidated statements of operations. All of the Company's intangible assets are amortizable.

**9. Fair value measurement**

The Company's financial instruments consist primarily of cash and cash equivalents, trade and other receivables, derivative instruments, accounts payable, long-term debt, operating and finance lease liabilities, accrued liabilities and the tax receivable agreement obligation. The carrying value of the Company's trade receivables, other receivables, trade payables, the asset-based revolver and accrued liabilities approximates fair value due to their short-term maturity or other terms related to these financial instruments. The Company may adjust the carrying amount of certain non-financial assets to fair value on a non-recurring basis when they are impaired.

The estimated carrying amount and fair value of the Company's financial instruments measured and recorded at fair value on a recurring basis are as follows for the dates indicated (*in thousands*):

<b>Fair value measurements at March 31, 2021 using</b>				
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value March 31, 2021</b>
<b>Liabilities:</b>				
Derivative liability	\$	—	\$ 429	\$ 429

  

<b>Fair value measurements at December 31, 2020 using</b>				
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value December 31, 2020</b>
<b>Liabilities:</b>				
Derivative liability	\$	—	\$ 572	\$ 572

Liabilities and assets classified as level 2 which are recorded at fair value are valued using observable market inputs. The fair values of derivative assets and liabilities are determined using quantitative models that utilize multiple market inputs including interest rates and exchange rates to generate continuous yield or pricing curves and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The fair values of derivative assets and liabilities include adjustments for market liquidity, counter-party credit quality, and other instrument-specific factors, where appropriate. In addition, the Company incorporates within its fair value measurements a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counterparties, and fair value for net long exposures is adjusted for counter-party credit risk while the fair value for net short exposures is adjusted for the Company's own credit risk.

**FORTERRA, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

The estimated carrying amount and fair value of the Company's financial instruments and liabilities for which fair value is only disclosed is as follows (*in thousands*):

	Fair value measurements at March 31, 2021 using				Total Fair Value March 31, 2021
	Carrying Amount March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Liabilities:</b>					
Term Loan	\$ 405,479	\$ —	\$ 412,514	\$ —	\$ 412,514
Senior Secured Notes	\$ 492,468	\$ —	\$ 539,785	\$ —	\$ 539,785
Tax receivable agreement payable	64,240	—	—	41,394	41,394

	Fair value measurements at December 31, 2020 using				Total Fair Value December 31, 2020
	Carrying Amount December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Liabilities:</b>					
Term Loan	\$ 407,978	\$ —	\$ 415,386	\$ —	\$ 415,386
Senior Secured Notes	492,043	—	539,760	—	539,760
Tax receivable agreement payable	64,240	—	—	40,586	40,586

The fair value of debt is valued using a market approach based on indicative quoted prices for the Company's debt instruments traded in over-the-counter markets and, therefore, is classified as Level 2 within the fair value hierarchy. See Note 11, Debt and deferred financing costs, for a further discussion of Company debt.

The determination of the fair value of the Company's tax receivable agreement payable was made using a discounted cash flow methodology with level 3 inputs as defined by ASC 820, *Fair Value Measurements and Disclosures*. The determination of fair value required significant judgment, including estimates of the timing and amounts of various tax attributes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates. See Note 14, Commitments and contingencies, for a further discussion of the Company's tax receivable agreement.

**10. Accrued liabilities**

Accrued liabilities consist of the following (*in thousands*):

	March 31, 2021	December 31, 2020
Accrued payroll and employee benefits	\$ 40,491	\$ 49,434
Short-term finance leases	16,993	17,009
Short-term operating leases	7,516	7,448
Accrued taxes	16,255	13,642
Warranty	4,109	7,069
Accrued rebates	8,634	11,649
Other miscellaneous accrued liabilities	7,227	9,442
<b>Total accrued liabilities</b>	<b>\$ 101,225</b>	<b>\$ 115,693</b>

**11. Debt and deferred financing costs**

The Company's debt consisted of the following (*in thousands*):

	March 31, 2021	December 31, 2020
Term Loan, net of debt issuance costs and original issuance discount of \$6,261 and \$6,889, respectively	\$ 405,479	\$ 407,978
Senior Secured Notes, net of debt issuance costs and original issuance discount of \$7,532 and \$7,957, respectively	492,468	492,043
Revolver, net of debt issuance costs of \$2,853	37,147	—
<b>Total debt</b>	<b>\$ 935,094</b>	<b>\$ 900,021</b>
Less: current portion debt	(12,510)	(12,510)
<b>Total long-term debt</b>	<b>\$ 922,584</b>	<b>\$ 887,511</b>

As of March 31, 2021, Forterra had \$40 million borrowings under its \$350 million asset based revolving credit facility under its ABL Credit Agreement dated October 25, 2016 (the "ABL Credit Agreement") for working capital and general corporate purposes ("Revolver"), \$411.7 million outstanding under its senior term loan facility ("Term Loan") and \$500 million senior secured notes due 2025 (the "Notes").

*Senior Secured Notes*

On July 16, 2020, Forterra Finance, LLC and FRTA Finance Corp., both wholly-owned subsidiaries of the Company, completed the issuance of \$500 million aggregate principal amount of senior secured notes due in 2025. The Notes have a fixed annual interest rate of 6.50% which will be paid semi-annually on January 15 and July 15 of each year. The Notes will mature on July 15, 2025. The Company used the net proceeds from the offering to repay \$492.5 million of the principal amount of the Term Loan at par, plus accrued interest. The Company incurred debt issuance costs of \$8.8 million and will amortize them over the term of the Notes under the effective interest method.

Obligations under the Notes are guaranteed by the Company and the Company's existing and future subsidiaries (other than the issuing companies) that guarantee the Term Loan and the obligations of the U.S. borrowers under the Revolver. The Notes and the related guarantees are secured by first-priority liens on the collateral that secures the Term Loan on a first-priority basis (which is generally all assets other than those that secure the Revolver on a first-priority basis as set forth below) and second-priority liens on the collateral that secures the Revolver on a first-priority basis (which is generally inventory, accounts receivable, deposit accounts, securities accounts, certain intercompany loans and related assets), which second-priority liens will be ratable



with the liens on such assets securing the obligations under the Term Loan and junior to the liens on such assets securing the Revolver.

At any time prior to July 15, 2022, the Company may on any one or more occasions redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus a "make whole premium" as of, and accrued and unpaid interest to the date of redemption, subject to the right of holders of Notes on the relevant record date to receive interest due on an interest payment date occurring on or prior to the redemption date. In addition, at any time prior to July 15, 2022, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes (calculated after giving effect to the issuance of any additional notes) issued under the Indenture at a redemption price equal to 106.500% of the principal amount of Notes redeemed, plus accrued and unpaid interest to the date of redemption (subject to the right of holders of Notes on the relevant record date to receive interest due on an interest payment date occurring on or prior to the redemption date), with the net cash proceeds of an equity offering. Furthermore, at any time on or after July 15, 2022, the Company may on any one or more occasions redeem all or part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest on the Notes redeemed, to the applicable date of redemption, if redeemed during the 12-month period beginning on July 15 of the years indicated below, subject to the rights of holders of Notes on a relevant record date to receive interest on an interest payment date occurring on or prior to the redemption date:

	Percentage
2022	103.250 %
2023	101.625 %
2024 and thereafter	100.000 %

The Notes contain customary negative covenants, including, among other things, limitations or prohibitions on restricted payments, incurrence of additional indebtedness, liens, mergers, asset sales and transactions with affiliates. In addition, the Indenture contains customary events of default.

*Senior Term Loan*

The Term Loan provides for a \$1.25 billion senior secured term loan. Subject to the conditions set forth in the term loan agreement, the Term Loan may be increased by (i) up to the greater of \$285.0 million and 1.0x consolidated EBITDA (defined below) of Forterra and its restricted subsidiaries for the four quarters most recently ended prior to such incurrence plus (ii) the aggregate amount of any voluntary prepayments, plus (iii) an additional unlimited amount, provided (x) in the case of any incremental debt that is secured by a lien that is pari passu with the liens securing the Term Loan, the first lien leverage ratio does not exceed 4.10 to 1.00, (y) in the case of incremental debt that is secured by a lien that is junior to the liens securing the Term Loan, the total leverage ratio does not exceed 5.50 to 1.00 and (z) in the case of incremental debt that is unsecured, the total leverage ratio does not exceed 5.75 to 1.00, in each case, determined on a pro forma basis.

The Term Loan matures on October 25, 2023 and is subject to quarterly amortization equal to 0.25% of the initial principal amount. Interest accrues on outstanding borrowings thereunder at a rate equal to adjusted LIBOR (with a floor of 1.0%) or an alternate base rate (the base rate, which is the highest of the then current federal funds rate plus 0.50%, the prime rate most recently announced by the administrative agent under the Term Loan, and the one-month adjusted LIBOR plus 1.00%), in each case plus a margin of 3.00% or 2.00%, respectively. The weighted average interest rates for the Term Loan were 4.0% and 4.7% for the three months ended March 31, 2021 and March 31, 2020, respectively.

During the three months ended March 31, 2020, the Company repurchased \$5.0 million of the Term Loan before its maturity at a market value of \$4.9 million.

Outstanding borrowings under the Term Loan are guaranteed by Forterra and each of its direct and indirect material wholly-owned domestic subsidiaries except certain excluded subsidiaries (the "Guarantors"). The Term Loan is secured by substantially all of the assets of Forterra, the borrower and the Guarantors;

provided that the obligations under the Term Loan are not secured by any liens on more than 65% of the voting stock of foreign subsidiaries or assets of foreign subsidiaries. The Term Loan contains customary representations and warranties, and affirmative and negative covenants, that, among other things, restrict the ability of Forterra and its restricted subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and pay dividends and make distributions. The Term Loan does not contain any financial covenants. Obligations under the Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate).

#### *Asset Based Revolving Facility*

On June 17, 2020, the Company entered into a First Amendment (the "Amendment") to the ABL Credit Agreement. The Amendment, among other things, (i) increased the size of the Revolver from \$300.0 million to \$350.0 million of aggregate commitments, with up to \$330.0 million to be made available to the U.S. Borrowers and up to \$20.0 million to be made available to the Canadian Borrowers (the allocation may be modified periodically at the Company's request), (ii) extended the maturity date of the Revolver to June 17, 2025, subject to earlier maturity if greater than \$75.0 million of the Company's Term Loan remains outstanding 91 days prior to the scheduled maturity of the term loan credit facility or any refinancing thereof, and (iii) modified the interest rates on outstanding borrowings under the Revolver to a rate equal to LIBOR or CDOR plus a margin ranging from 1.75% to 2.25% per annum, or an alternate base rate, Canadian prime rate or Canadian base rate plus a margin ranging from 0.75% to 1.25% per annum, in each case, based upon the average excess availability under the Revolver for the most recently completed calendar quarter and the Company's total leverage ratio as of the end of the most recent fiscal quarter for which financial statements have been delivered. The Company incurred \$2.6 million of fees and expenses in connection with this Amendment and recorded it to "Other Long-term Assets" in its condensed consolidated balance sheet. In addition, the Company wrote off \$0.4 million of previously deferred issuance cost related to the banks that are no longer part of the ABL Credit Facility.

Subject to the conditions set forth in the ABL Credit Agreement, as amended, the Revolver may be increased by up to the greater of (i) \$100.0 million and (ii) such amount as would not cause the aggregate borrowing base to be exceeded by more than \$50.0 million. Borrowings under the Revolver may not exceed a borrowing base equal to the sum of (i) 100% of eligible cash, (ii) 85% of eligible accounts receivable and (iii) the lesser of (a) 75% of eligible inventory and (b) 85% of the orderly liquidation value of eligible inventory, with the U.S. and Canadian borrowings being subject to separate borrowing base limitations. The advance rates for accounts receivable and inventory are subject to increase by 2.5% during certain periods. As of March 31, 2021 and December 31, 2020 the Company had \$40.0 million and no outstanding borrowings, respectively, under the Revolver. The weighted average interest rates for the borrowings under the Revolver were 2.75% and 2.06% for the three months ended March 31, 2021 and March 31, 2020, respectively.

The Revolver also provides for the issuance of letters of credit of up to an agreed sublimit. The obligations of the borrowers under the Revolver are guaranteed by Forterra and its direct and indirect wholly-owned restricted subsidiaries other than certain excluded subsidiaries; provided that the obligations of the U.S. borrowers are not guaranteed by the Canadian subsidiaries. The Revolver is secured by substantially all of the assets of the borrowers; provided that the obligations of the U.S. borrowers are not secured by any liens on more than 65% of the voting stock of foreign subsidiaries or assets of foreign subsidiaries.

In addition, Forterra pays a facility fee of between 20.0 and 32.5 basis points per annum based upon the utilization of the total Revolver. Availability under the Revolver, based on draws, outstanding letters of credit of \$16.7 million, as well as allowable borrowing base as of March 31, 2021, was \$198.7 million.

The Revolver and the Term Loan contain customary representations and warranties, and affirmative and negative covenants, including representations, warranties, and covenants that, among other things, restrict the ability of Forterra and its restricted subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and pay dividends and make distributions. The Revolver contains a financial covenant restricting Forterra from allowing its fixed charge coverage ratio to drop below 1.00:1.00 during a compliance period, which is triggered when the

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availability under the Revolver falls below a threshold set forth in the ABL Credit Agreement, as amended. Obligations under the Revolver and the Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate). The fixed charge coverage ratio is the ratio of consolidated earnings before interest, depreciation, and amortization ("EBITDA") less cash payments for capital expenditures and income taxes to consolidated fixed charges (interest expense plus scheduled payments of principal on indebtedness).

As of March 31, 2021, the Company was in compliance with all applicable covenants under the Revolver, the Term Loan, and the Notes.

As of March 31, 2021, scheduled maturities of long-term debt were as follows (in thousands).

	Total	Term Loan	Notes	Revolver
2021	\$ 9,383	\$ 9,383	\$ —	\$ —
2022	12,510	12,510	—	—
2023	389,847	389,847	—	—
2024	—	—	—	—
2025	540,000	—	500,000	40,000
	<u>\$ 951,740</u>	<u>\$ 411,740</u>	<u>\$ 500,000</u>	<u>\$ 40,000</u>

## 12. Derivatives and hedging

The Company uses derivatives to manage selected foreign exchange and interest rate exposures. The Company does not use derivative instruments for speculative trading purposes, and cash flows from derivative instruments are included in net cash provided by operating activities in the condensed consolidated statements of cash flows.

On March 30, 2020, Forterra entered into an interest rate swap transaction with a notional value of \$400 million to reduce exposure to interest rate fluctuations associated with a portion of the Term Loan. Under the terms of the swap transaction, Forterra agreed to pay a fixed rate of interest of 1.08% and receive floating rate of interest indexed to one-month LIBOR, subject to a minimum of 1.00%, with monthly settlement terms with the swap counterparty. The swap has a 30-month term and expires on September 30, 2022. The interest rate swap is not designated as a cash flow hedge, therefore all changes in the fair value of the instrument are captured as a component of interest expense in the condensed consolidated statements of operations. Accordingly, cash flows from the monthly interest rate swap settlements are included in net cash provided by (used in) operating activities in the condensed consolidated statements of cash flows.

On February 9, 2017, Forterra entered into interest rate swap transactions with a combined notional value of \$525 million. Under the terms of the swap transactions, Forterra agreed to pay a fixed rate of interest of 1.52% and receive floating rate interest indexed to one-month LIBOR with monthly settlement terms with the swap counterparties. The swaps were not designated as cash flow hedges, had a three-year term, and expired on March 31, 2020.

The Company elects to present all derivative assets and derivative liabilities on a net basis on its condensed consolidated balance sheets when a legally enforceable International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement exists. An ISDA Master Agreement is an agreement between two counterparties, which may have multiple derivative transactions with each other governed by such agreement, and such ISDA Master Agreement generally provides for the net settlement of all or a specified group of these derivative transactions, through a single payment, in a single currency, in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions. At March 31, 2021 and December 31, 2020, the Company's derivative instruments fall under an ISDA master netting agreement.

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The following table presents the fair values of derivative assets and liabilities in the condensed consolidated balance sheets (*in thousands*):

	March 31, 2021			
	Derivative Assets		Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps	\$ —	\$ —	\$ 400,000	\$ 429
Total derivatives, gross		—		429
Less: Legally enforceable master netting agreements		—		—
Total derivatives, net		\$ —		\$ 429

	December 31, 2020			
	Derivative Assets		Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps	\$ —	\$ —	\$ 400,000	572
Total derivatives, gross		—		572
Less: Legally enforceable master netting agreements		—		—
Total derivatives, net		\$ —		\$ 572

The following table presents the effect of derivative instruments on the condensed consolidated statements of operations (*in thousands*):

	Three months ended March 31,	
	2021	2020
<b>Derivatives not designated as hedges</b>		
<i>Interest rate swaps</i>		
Gain (loss) on derivatives not designated as hedges included in interest expense	143	(746)

### 13. Leases

The Company leases land and buildings, office spaces, vehicles, machinery and equipment under various lease agreements. A large portion of the Company's leases were the result of the 2016 sale and leaseback of land and buildings related to certain production facilities. These leases have an initial term of 25 years, followed by one optional renewal term of approximately ten years that may be exercised at the Company's discretion. These leases, with the exception of certain land leases, are classified as finance leases. The Company's operating leases are mainly comprised of land and buildings, office spaces, vehicles, machinery and equipment leases, and have remaining terms of one to 25 years, some of which include options to extend the leases for up to 10 years.

The Company determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Operating leases are included in operating lease right-of-use, or ROU, assets, accrued liabilities, and long-term operating lease liabilities in the condensed consolidated balance sheets. Finance leases are included in property, plant and equipment, accrued liabilities, and long-term finance lease liabilities in the condensed consolidated balance sheets.

## **14. Commitments and contingencies**

### ***Legal matters***

The Company is involved in legal proceedings and litigation in the ordinary course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's condensed consolidated financial position, results of operations, or liquidity. Other than routine litigation incidental to the Company's business and those matters described below, there are no material legal proceedings to which the Company is a party or to which any of the Company's properties are subject.

#### *Derivative Action*

On January 15, 2019, a putative shareholder derivative complaint captioned *Lee v. Bradley, et al.*, was filed in the United States District Court for the District of Delaware, naming as defendants certain of the Company's current and former directors and officers (the "Lee Action"). The complaint alleges the defendants violated Section 14A of the Securities and Exchange Act of 1934, as amended, and related rules by failing to make certain disclosures in the Company's proxy solicitation in advance of the 2017 Annual Meeting of Stockholders, and that defendants breached their fiduciary duties, wasted corporate assets, and committed constructive fraud. The complaint also asserts unjust enrichment claims against certain defendants. The complaint seeks, on behalf of the Company, unspecified damages, an order directing the return of certain payments to the defendants, certain injunctive relief, and reasonable costs and attorneys' fees. After initially staying the case until the court in a prior, unrelated securities class action suit that has now been settled ruled on the motion to dismiss in that case, on December 11, 2019, the court in the Lee Action entered a Stipulation and Order consolidating the Lee Action and another derivative action filed in the same court into a single case (the "Consolidated Lee Action"), and providing a schedule for filing of an amended complaint and motions to dismiss, which has been further extended by agreement of the parties. A mediation of the dispute was held on June 12, 2020 but was not successful in resolving the dispute. Plaintiffs filed an amended complaint in August 2020 and Defendants filed a motion to dismiss the complaint in September 2020, which is now fully briefed and before the court. In light of the Company's entry into the Merger Agreement, the parties agreed that the action should be stayed pending the completion of the Merger, and the Court entered an order on March 19, 2021 staying the Lee Action until after the completion of the Merger.

The Company and other defendants are vigorously defending the Consolidated Lee Action. Given the stage of the proceedings, the Company cannot reasonably estimate at this time the possible loss or range of loss, if any, that may arise from the Consolidated Lee Action.

*Merger-Related Litigation*

On March 24, 2021, Anand Choudhuri, a purported owner of Forterra common stock brought a lawsuit against the Company and each of the members of its Board of Directors in the U.S. District Court for the Southern District of New York (the "Choudhuri Action"). The plaintiff alleges, among other things, that the directors breached their fiduciary duties by entering into the Merger Agreement through an unfair process and for inadequate compensation, and that the Information Statement filed by the Company to explain the Merger to its stockholders omits material information related to the sales process, the Company's financial projections, and Citigroup Global Markets Inc.'s ("Citi") analysis of the proposed transaction reflected in the Merger Agreement, in violation of the federal securities laws and seeks to enjoin the Merger and/or damages in an unspecified amount.

On March 31, 2021, Christopher Jones, a purported owner of Forterra common stock brought a lawsuit against the Company and each of the members of its Board of Directors in the U.S. District Court for the District of Colorado (the "Jones Action"). The plaintiff alleges, among other things, that defendants violated federal securities laws by failing to disclose certain information in the Information Statement filed by the Company to explain the Merger to its stockholders relating to the sales process, the Company's financial projections, and

Citigroup Global Markets Inc.'s ("Citi") analysis of the proposed transaction reflected in the Merger Agreement and seeks to enjoin the Merger and/or damages in an unspecified amount.

On April 1, 2021, Adam Franchi, a purported owner of Forterra common stock brought a lawsuit against Forterra and individual members of the Board of Directors in the U.S. District Court for the District of Delaware (the "Franchi Action") (collectively, the Choudhuri Action, the Jones Action and the Franchi Action are the "Merger-Related Litigation"). The plaintiff in the Franchi Action alleges, among other things, that defendants violated federal securities laws by failing to disclose certain information in the Information Statement filed by the Company to explain the Merger to its stockholders relating to the sales process, the Company's financial projections, and Citigroup Global Markets Inc.'s ("Citi") analysis of the proposed transaction reflected in the Merger Agreement and seeks to enjoin the Merger and/or damages in an unspecified amount.

The Company and other defendants are vigorously defending the Merger-Related Litigation and have filed supplemental disclosures relating to the Information Statement which they believe further explain the proposed transaction that is contemplated by the Merger Agreement. Given the stage of the proceedings, the Company cannot reasonably estimate at this time the possible loss or range of loss, if any, that may arise from the Merger-Related Litigation.

In addition, certain stockholders have informed the Company that they seek to exercise their appraisal rights under Delaware with respect to their shares. No further action has been taken by these stockholders to date.

#### *Long-term Incentive Plan*

Following the original acquisition of the Company's business by affiliates of Lone Star, Lone Star implemented a cash-based long term incentive plan (the "LTIP") which entitles the participants in the LTIP to a potential cash payout upon a monetization event as defined by the LTIP. Potential monetization events include the sale, transfer or otherwise disposition of all or a portion of the Company or successor entities of LSF9, an initial public offering where Lone Star reduces its ownership interest in the Company or successor entities of LSF9, or through certain cash distribution as defined in the LTIP. Before the payout of any cash the LTIP requires Lone Star realize in cash the full return of their investment plus a specified internal rate of return, which is calculated by comparing the return to Lone Star over the timeline of its investment in the Company and certain successor entities of LSF9. As of March 31, 2021, no such monetization events that meet the required return for an LTIP payment have occurred, and therefore no amounts were accrued in the accompanying condensed consolidated balance sheets. While no payments have occurred thus far, payments under the LTIP could be significant depending upon future monetization events. The timing and amount of such payments are unknown and are dependent upon future monetization events and market conditions that are outside of the control of the Company or the participants of the plan. Subsequent to the IPO, Forterra became directly liable for any payment obligations triggered under the LTIP, but LSF9 or one of its affiliates will remain obligated to make payments to the Company in amounts equal to any payment obligations triggered under the LTIP as and when such payment obligations are triggered. It is expected that if the Merger is completed under the terms of the Merger Agreement, the Merger will constitute a Liquidity Event that will trigger certain payments under the terms of the LTIP.

#### *Leases*

The Company leases certain property and equipment for various periods under non-cancelable operating and finance leases.

#### *Tax receivable agreement*

The Company has a tax receivable agreement (the "TRA") with Lone Star that provides for, among other things, the payment by the Company to Lone Star of 85% of the amount of certain covered tax benefits, which may reduce the actual liability for certain taxes that the Company might otherwise be required to pay. The tax benefits subject to the TRA include: (i) all depreciation and amortization deductions, and any offset to taxable income and gain or increase to taxable loss, resulting from the tax basis that the Company had in its assets as of

the time of the consummation of the IPO, (ii) the utilization of the Company's and its subsidiaries' net operating losses and tax credits, if any, attributable to periods prior to the IPO, (iii) deductions in respect of payments made, funded or reimbursed by an initial party to the tax receivable agreement (other than the Company or one of its subsidiaries) or an affiliate thereof to participants under the LTIP, (iv) deductions in respect of transaction expenses attributable to the acquisition of USP Holdings, Inc. and (v) certain other tax benefits attributable to payments made under the tax receivable agreement.

For purposes of the TRA, the aggregate reduction in income tax payable by the Company will be computed by comparing the Company's actual income tax liability with its hypothetical liability had it not been able to utilize the related tax benefits. The agreement will remain in effect for the period of time in which any such related tax benefits remain. The Company accounts for potential payments under the TRA as a contingent liability, with amounts accrued when considered probable and reasonably estimable. The liability recorded by the Company for the TRA at March 31, 2021 and December 31, 2020 was \$64.2 million and \$64.2 million, respectively. The timing and amount of future tax benefits associated with the TRA are subject to change, and additional payments may be required which could be materially different from the current accrued liability. The Company anticipates that it will have sufficient taxable income in future periods to realize the full value of the obligation recorded. Future tax receivable agreement payments related to the tax basis of assets at the time of the IPO will be recorded as a reduction to the liability and will be recorded as a financing activity in the consolidated statement of cash flows. During the three months ended March 31, 2021, the Company made no payments on the TRA to Lone Star. It is expected that if the Merger is completed under the terms of the Merger Agreement, payments to Lone Star will continue to be made by the surviving entity under the Merger Agreement according to the terms of the TRA.

### 15. Earnings per share

Basic earnings (loss) per share ("EPS") is calculated by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. Potentially dilutive securities include employee stock options and shares of restricted stock. Diluted EPS reflects the assumed exercise, vesting or conversion of all dilutive securities.

The calculations of the basic and diluted EPS for the three months ended March 31, 2021 and 2020 are presented below (*in thousands, except per share amounts*):

	For the three months ended March 31,	
	2021	2020
Earnings (loss) available to common shareholders	\$ 18,676	\$ (14,066)
<b>Common stock:</b>		
Weighted average basic shares outstanding	66,240	64,804
Effect of dilutive securities	3,200	—
Weighted average diluted shares outstanding	69,440	64,804
<b>Basic earnings (loss) per share:</b>		
Net income (loss)	\$ 0.28	\$ (0.22)
<b>Diluted earnings (loss) per share:</b>		
Net income (loss)	\$ 0.27	\$ (0.22)

The number of stock options and restricted shares that were excluded from the computation of diluted earnings per share because their inclusion would result in an anti-dilutive effect on per share amounts for the three months ended March 31, 2021 and March 31, 2020 were 193,154 and 233,736, respectively.

## **16. Income taxes**

The Company recorded income tax expense of \$4.5 million for the three months ended March 31, 2021, and \$0.1 million for the three months ended March 31, 2020.

The income tax expense for the three months ended March 31, 2021 was calculated under the ASC 740 principles. The income tax expense for the three months ended March 31, 2021 differs from the expense computed at the federal statutory rate primarily due to the current period benefit related to equity compensation, partially offset with the state income tax expense recorded in the quarter.

The income tax expense for the three months ended March 31, 2020 differs from the expense computed at the federal statutory rate primarily due to the unfavorable federal and state valuation allowance.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), as well as issued other final regulations during 2020. The Company has considered the favorable impact of the released final regulations in the preparation of the condensed consolidated financial statements. On March 11, 2021, the U.S. government enacted the COVID-19 Stimulus Package called the American Rescue Plan Act of 2021 ("ARPA"). There are no material provisions that impacted the Company's condensed consolidated financial statements.

## **17. Segment reporting**

Segment information is presented in accordance with ASC 280, *Segment Reporting*, which establishes standards for reporting information about operating segments. It also establishes standards for related disclosures about products and geographic areas. Operating segments are defined as components of an enterprise that engage in business activities that earn revenues, incur expenses and prepare separate financial information that is evaluated regularly by the Company's chief operating decision maker ("CODM") in order to allocate resources and assess performance. The Company's Chief Executive Officer is its CODM. The Corporate and Other segment includes expenses related to certain executive salaries, interest costs related to the Company's credit agreements, acquisition-related costs, and other corporate costs that are not directly attributable to the Company's operating segments. The Company's segments follow the same accounting policies as the Company. During the year ended December 31, 2020, the Company moved its concrete and steel pressure pipe business from the Water Pipe & Products segment to the Drainage Pipe & Products segment to better align with how the CODM manages the businesses. The prior year period has been updated to conform with the re-segmentation, which resulted in an immaterial impact to the prior periods' segment information.

Net sales from the major products sold to external customers include drainage pipe and precast products and concrete and steel water transmission pipe.

The Company's three geographic areas consist of the United States, Canada, and Mexico for which it reports net sales, fixed assets and total assets. For purposes of evaluating segment profit, the CODM reviews EBITDA as a basis for making the decisions to allocate resources and assess performance.



**FORTERRA, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

The following tables set forth the disaggregation of revenue earned from contracts with customers based on the Company's reportable segments as well as other financial information attributable to the Company's reportable segments for the three months ended March 31, 2021 and 2020 (*in thousands*):

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Net sales:</b>		
Drainage Pipe & Products	\$ 191,819	\$ 176,426
Water Pipe & Products	176,295	154,450
Corporate and Other	—	—
<b>Total</b>	<b>\$ 368,114</b>	<b>\$ 330,876</b>
<b>Depreciation and amortization:</b>		
Drainage Pipe & Products	\$ 7,514	\$ 8,446
Water Pipe & Products	12,329	13,678
Corporate and Other	619	377
<b>Total</b>	<b>\$ 20,462</b>	<b>\$ 22,501</b>
<b>Segment EBITDA and reconciliation to income (loss) before income taxes:</b>		
Drainage Pipe & Products	\$ 51,765	\$ 26,444
Water Pipe & Products	31,089	22,482
Corporate and Other	(20,871)	(19,668)
Less: Interest expense	(18,346)	(20,745)
Depreciation and amortization	(20,462)	(22,501)
<b>Income (loss) before income taxes</b>	<b>\$ 23,175</b>	<b>\$ (13,988)</b>
<b>Capital expenditures:</b>		
Drainage Pipe & Products	\$ 8,356	\$ 3,030
Water Pipe & Products	1,915	1,181
Corporate and Other	2,161	139
<b>Total</b>	<b>\$ 12,432</b>	<b>\$ 4,350</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>Total assets:</b>		
Drainage Pipe & Products	\$ 848,794	\$ 819,046
Water Pipe & Products	827,048	795,292
Corporate and Other	41,885	41,474
<b>Total</b>	<b>\$ 1,717,727</b>	<b>\$ 1,655,812</b>

**FORTERRA, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

The Company has an investment in an equity method investee included in the Drainage Pipe & Products segment for which earnings from equity method investee were \$2.6 million and \$2.8 million for the three months ended March 31, 2021 and March 31, 2020, respectively, and with the following balances (*in thousands*):

	March 31, 2021	December 31, 2020
Investment in equity method investee	\$ 49,376	\$ 48,285

Disaggregated revenue by geographic location is provided in the tables below. The Company has operations in the United States, Canada and Mexico. The economic characteristics of the Company's customers do not significantly vary across geographic locations or product lines. The Company has both revenues and long-lived assets in each country; and those assets and revenues are recorded within geographic location as follows (*in thousands*):

Property, plant, and equipment, net:	March 31, 2021	December 31, 2020
United States	\$ 400,119	\$ 409,338
Canada	34,173	33,250
Mexico	8,264	8,494
	\$ 442,556	\$ 451,082

Net sales:	For the three months ended March 31,	
	2021	2020
United States	\$ 346,903	\$ 315,380
Canada	18,273	13,486
Mexico	2,938	2,010
	\$ 368,114	\$ 330,876

## 18. Related party transactions

### *Tax receivable agreement*

The Company has a TRA with Lone Star that provides for, among other things, the payment by the Company to Lone Star of 85% of the amount of certain covered tax benefits, which may reduce the actual liability for certain taxes that the Company might otherwise be required to pay. See Note 14, Commitments and contingencies, for additional information on the tax receivable agreement.

### *CP&P*

The Company sold certain goods and services to its joint venture, CP&P, including spare parts for repairs, and property rentals. For the three months ended March 31, 2021, Forterra sold \$0.3 million of product to CP&P and purchased goods and services from CP&P for an amount of \$0.1 million. For the three months ended March 31, 2020, Forterra sold \$0.5 million of product to CP&P and purchased \$0.1 million of goods and services from CP&P.

### *Master Builders Solutions US, LLC*

For the three months ended March 31, 2021, Forterra purchased goods from Master Builders Solutions US, LLC, an affiliate of Lone Star, for an amount of \$0.2 million.

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity, capital resources and other financial and operating information. We have used the words "approximately," "anticipate," "assume," "believe," "contemplate," "continue," "could," "estimate," "expect," "future," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will" and similar terms and phrases to identify forward-looking statements. All of our forward-looking statements, including those related to our pending acquisition by Quikrete Holdings, Inc., or the Merger, are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:*

- the impact of the COVID-19 pandemic on the economy, demand for our products and our business, financial condition and results of operations, including the measures taken by governmental authorities in response;
- government funding of infrastructure and related construction activities;
- the level of construction activity, particularly in the residential construction and non-residential construction markets;
- the highly competitive nature of our industry and our ability to effectively compete;
- the availability and price of the raw materials we use in our business;
- our dependence on key customers and the absence of long-term agreements with these customers;
- the level of construction activity in Texas;
- disruption at one or more of our manufacturing facilities or in our supply chain;
- construction project delays and our inventory management;
- the seasonality of our business and its susceptibility to adverse weather;
- our ability to successfully integrate acquisitions;
- labor disruptions and other union activity;
- compliance with applicable regulations;
- a tightening of mortgage lending or mortgage financing requirements;
- the ability to implement our growth strategy;
- compliance with environmental laws and regulations;
- energy costs;
- changes in tax laws could adversely affect us;
- compliance with health and safety laws and regulations;

- our dependence on key executives and key management personnel;
- our ability and that of our customers with which we work to retain and attract additional skilled and non-skilled technical or sales personnel;
- credit and non-payment risks of our customers;
- warranty and related claims;
- legal and regulatory claims;
- our contract backlog;
- our ability to maintain sufficient liquidity and ensure adequate financing or guarantees for large projects;
- delays or outages in our information technology systems and computer networks;
- security breaches in our information technology systems and other cybersecurity incidents;
- risks associated with merger transactions generally, such as the inability to obtain, or delays in obtaining, required approvals under applicable anti-trust legislation and other regulatory and third party consents and approvals;
- the failure to consummate or delay in consummating the Merger for other reasons;
- the risk that a condition to closing of the Merger may not be satisfied;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings related to the Merger;
- failure of Quikrete Holdings, Inc. to obtain the financing required to consummate the Merger;
- failure to retain our key management and employees;
- unfavorable reaction to the Merger by customers, competitors, suppliers and employees; and
- additional factors discussed in our filings with the Securities and Exchange Commission, or the SEC.

*The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on historical performance and management's current plans, estimates and expectations in light of information currently available to us and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors described in Item 1A, "Risk Factors" in our 2020 10-K filed with the SEC on February 25, 2021. The COVID-19 pandemic may also precipitate or exacerbate these and other unknown risks and uncertainties. Additional factors or events that could cause our actual results to differ may also emerge from time to time, and it is not possible for us to predict all of them. Should one or more of these risks or uncertainties materialize or should any of our assumptions prove to be incorrect, our actual results may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us speaks only as of the date on which we make it. We undertake no obligation to publicly update any forward-looking statement,*

*whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.*

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 25, 2021, or the 2020 10-K.

This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See the section entitled "Cautionary Statement Concerning Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions associated with those statements.

Unless otherwise specified or where the context otherwise requires, references in this Report to "our," "we," "us," "Forterra", the "Company" and "our business" refer to Forterra, Inc., together with its consolidated subsidiaries.

### Results of Operations

#### Three Months Ended March 31, 2021 as Compared to Three Months Ended March 31, 2020

##### Total Company

The following table summarizes certain financial information relating to our operating results for the three months ended March 31, 2021 and March 31, 2020 (in thousands).

Statements of Income Data:	Three months ended March 31, 2021	Three months ended March 31, 2020	% Change
<b>Net sales</b>	\$ 368,114	\$ 330,876	11.3 %
<b>Cost of goods sold</b>	285,850	272,134	5.0 %
<b>Gross profit</b>	82,264	58,742	40.0 %
Selling, general and administrative expenses	(55,044)	(54,240)	1.5 %
Impairment and exit charges	(409)	(824)	(50.4)%
Other operating income, net	12,119	330	*
	<u>(43,334)</u>	<u>(54,734)</u>	(20.8)%
<b>Income from operations</b>	38,930	4,008	*
<b>Other income (expenses)</b>			
Interest expense	(18,346)	(20,745)	(11.6)%
Loss on extinguishment of debt	—	(50)	*
Earnings from equity method investee	2,591	2,799	(7.4)%
<b>Income (loss) before income taxes</b>	23,175	(13,988)	*
Income tax expense	(4,499)	(78)	*
<b>Net income (loss)</b>	<u>\$ 18,676</u>	<u>\$ (14,066)</u>	*

\* Represents positive or negative change in excess of 100%

##### Net Sales

Net sales for the three months ended March 31, 2021 were \$368.1 million, an increase of \$37.2 million, or 11.3%, from \$330.9 million in the three months ended March 31, 2020. The increase in sales was the combination of a \$21.8 million increase in the Water Pipe & Products segment primarily driven by higher average selling prices, and a \$15.4 million increase in the Drainage Pipe & Products segment compared to prior year, primarily due to higher shipment volumes.

### *Cost of Goods Sold*

Cost of goods sold were \$285.8 million for the three months ended March 31, 2021, an increase of \$13.7 million, or 5.0%, from \$272.1 million in the three months ended March 31, 2020. Most of the increase in cost of goods sold was in our Water Pipe & Products segment primarily driven by both higher shipment volumes and higher raw material costs year-over-year.

### *Gross Profit*

Gross profit was \$82.3 million for the three months ended March 31, 2021, an increase of \$23.6 million, or 40.0%, from \$58.7 million in the three months ended March 31, 2020. The increase was the combination of a \$14.3 million increase in the Drainage Pipe & Products segment primarily due to higher shipment volumes, and a \$9.3 million increase in the Water Pipe & Products segment due to higher average selling prices in the Water Pipe & Products segment, which more than offset the increase in raw material costs.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses were \$55.0 million for the three months ended March 31, 2021, a slight increase of \$0.8 million, or 1.5%, from \$54.2 million in the three months ended March 31, 2020.

### *Other Operating Income, Net*

Other operating income in the three months ended March 31, 2021 was \$12.1 million, an increase of \$11.8 million, from \$0.3 million in the three months ended March 31, 2020. The increase in 2021 was primarily driven by \$11.1 million gains on asset sales as we continue optimizing our asset portfolio and disposing of idle properties. \$15.9 million of cash proceeds from the Q1 2021 asset sales that resulted in these gains were not received until Q2 2021, and are included in other receivables as of March 31, 2021.

### *Interest Expense*

Interest expense for the three months ended March 31, 2021 was \$18.3 million, a decrease of \$2.4 million or 11.6% from \$20.7 million in the three months ended March 31, 2020. The decrease in interest expenses was the net effect of a \$3.8 million decrease primarily due to both lower LIBOR and lower outstanding debt balances in the three months ended March 31, 2021 compared to prior year; a \$0.9 million decrease in loss on derivatives related to our interest rate hedge; partially offset by \$2.3 million incremental interest expense from the \$500 million senior secured notes at a higher rate that were issued in July 2020.

### *Income Tax Expense*

Income tax expense in the three months ended March 31, 2021 was \$4.5 million, an increase of \$4.4 million from \$0.1 million in the three months ended March 31, 2020. The change is primarily due to the higher federal and state tax expense based on the greater pretax income during the three months ended March 31, 2021, as well as the current period benefit related to equity compensation.

## Segments

(in thousands)	For the three months ended March 31,		% Change
	2021	2020 <sup>(2)</sup>	
<b>Net sales:</b>			
Drainage Pipe & Products	\$ 191,819	\$ 176,426	8.7 %
Water Pipe & Products	176,295	154,450	14.1 %
Corporate and Other	—	—	*
Total	\$ 368,114	\$ 330,876	11.3 %
<b>Gross profit (loss):</b>			
Drainage Pipe & Products	46,977	32,708	43.6 %
Water Pipe & Products	35,295	26,007	35.7 %
Corporate and Other	(8)	27	*
Total	\$ 82,264	\$ 58,742	40.0 %
<b>Segment EBITDA<sup>(1)</sup>:</b>			
Drainage Pipe & Products	51,765	26,444	95.8 %
Water Pipe & Products	31,089	22,482	38.3 %
Corporate and Other	(20,871)	(19,668)	6.1 %

- (1) For the purposes of evaluating segment performance, the Company's chief operating decision maker reviews earnings before interest, taxes, depreciation and amortization ("EBITDA") as a basis for making the decisions to allocate resources and assess performance. Our discussion below includes the primary drivers of EBITDA. See Note 17, *Segment Reporting*, to the condensed consolidated financial statements for segment EBITDA reconciliation to income (loss) before income taxes.
- (2) During the fourth quarter of 2020, we reclassified the pressure pipe business from Water segment to Drainage segment to better align with our organizational structure. The US and Canadian Pressure Pipe businesses were formerly managed by the Water segment management team, however Forterra changed its internal management structure to include the remaining Canadian Pressure Pipe plant under the same management team that oversees the Canadian Pipe & Precast operations. As a result, historical segment data were updated to reflect the current segment compositions.

\* Represents positive or negative change in excess of 100%.

### Drainage Pipe & Products

#### Net Sales

Net sales in the three months ended March 31, 2021 were \$191.8 million, an increase of \$15.4 million, or 8.7%, compared to \$176.4 million in the three months ended March 31, 2020. The increase was mostly driven by higher shipment volumes while average selling prices remained relatively flat.

#### Gross Profit

Gross profit in the three months ended March 31, 2021 was \$47.0 million, an increase of \$14.3 million or 43.6% from \$32.7 million in the three months ended March 31, 2020. The increase was primarily due to higher shipment volumes.



## **Water Pipe & Products**

### *Net Sales*

Net sales in the three months ended March 31, 2021 was \$176.3 million, an increase of \$21.8 million or 14.1% from \$154.5 million in the three months ended March 31, 2020. The increase was primarily the combination of a \$15.5 million increase driven by higher average selling prices of our ductile iron pipe products and a \$7.2 million increase related to higher shipment volumes of our ductile iron pipe products. Ductile iron pipe sales accounted for more than 85% of Water Pipe & Products segment net sales.

### *Gross Profit*

Gross profit in the three months ended March 31, 2021 was \$35.3 million, an increase of \$9.3 million, or 35.7% from \$26.0 million in the three months ended March 31, 2020. The increase was primarily due to higher average selling prices, as well as slightly higher volumes, partially offset by higher raw material costs.

## **Liquidity and Capital Resources**

Our available cash and cash equivalents, borrowing availability under our \$350.0 million Revolver, and funds generated from operations are our most significant sources of liquidity. While we believe these sources will be sufficient to finance our working capital requirements, planned capital expenditures that are essential, debt service obligations and other cash requirements for at least the next 12 months, our future liquidity will depend in part upon our operating performance, which will be affected by prevailing economic conditions, including those related to the COVID-19 pandemic, and financial, business and other factors, some of which are beyond our control. See Item 1A, Risk Factors in the 2020 10-K.

As of March 31, 2021 and December 31, 2020, we had approximately \$36.6 million and \$25.7 million of cash and cash equivalents, respectively, of which \$5.4 million and \$12.5 million, respectively, were held by foreign subsidiaries. All of the cash and cash equivalents as of March 31, 2021 and December 31, 2020 were readily convertible as of such dates into currencies used in the Company's operations, including the U.S. dollar.

We have a tax receivable agreement with Lone Star that provides for the payment by us to Lone Star of specified amounts in respect of any cash savings as a result of the utilization of certain tax benefits. The actual utilization of the relevant tax benefits as well as the timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including the amount, character and timing of our and our subsidiaries' taxable income in the future. However, we expect that the payments we make under the tax receivable agreement could be substantial. The tax receivable agreement also includes provisions which restrict the incurrence of debt and that require that we make an accelerated payment to Lone Star equal to the present value of all future payments due under the tax receivable agreement, in each case under certain circumstances. Because of the foregoing, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. See Note 14, Commitments and contingencies, to the condensed consolidated financial statements for additional information regarding the tax receivable agreement. Our forecasted payments under the tax receivable agreement in 2021, pertaining to the 2020 tax year, are expected to be in the range of \$7 to \$9 million. We expect that future annual payments under the tax receivable agreement will decline each year in accordance with our tax basis depreciation and amortization schedule unless future unplanned transactions result in an acceleration of our tax benefits under the agreement.

During the three months ended March 31, 2021, we borrowed \$40 million under our \$350 million Revolver to fund seasonal working capital needs. As of March 31, 2021, we had \$411.7 million outstanding balance under our senior term loan as amended, or the Term Loan, and \$40 million borrowings outstanding under the Revolver. Availability under the Revolver, based on draws, outstanding letters of credit of \$16.7 million, as well as allowable borrowing base as of March 31, 2021, was \$198.7 million.

Our \$350 million Revolver will expire on June 17, 2025, subject to earlier maturity if greater than \$75.0 million of our Term Loan remains outstanding 91 days prior to the scheduled maturity of the term loan credit facility or any refinancing thereof. Outstanding borrowings under the Revolver have interest rates equal to LIBOR or CDOR plus a margin ranging from 1.75% to 2.25% per annum, or an alternate base rate, Canadian prime rate or Canadian base rate plus a margin ranging from 0.75% to 1.25% per annum, in each case, based upon the average excess availability under the Revolver for the most recently completed calendar quarter and our total leverage ratio as of the end of the most recent fiscal quarter for which financial statements have been delivered.

Subject to the conditions set forth in the revolving credit agreement, as amended, the Revolver may be increased by up to the greater of (i) \$100.0 million and (ii) such amount as would not cause the aggregate borrowing base to be exceeded by more than \$50.0 million. Borrowings under the Revolver may not exceed a borrowing base equal to the sum of (i) 100% of eligible cash, (ii) 85% of eligible accounts receivable and (iii) the lesser of (a) 75% of eligible inventory and (b) 85% of the orderly liquidation value of eligible inventory, with the U.S. and Canadian borrowings being subject to separate borrowing base limitations.

Our Term Loan provides for a \$1.25 billion senior secured term loan. Subject to the conditions set forth in the term loan agreement, the Term Loan may be increased by (i) up to the greater of \$285.0 million and 1.0x consolidated EBITDA of Forterra, Inc. and its restricted subsidiaries for the four quarters most recently ended prior to such incurrence plus (ii) the aggregate amount of any voluntary prepayments, plus (iii) an additional unlimited amount, provided (x) in the case of any incremental debt that is secured by a lien that is pari passu with the liens securing the Term Loan, the first lien leverage ratio does not exceed 4.10 to 1.00, (y) in the case of incremental debt that is secured by a lien that is junior to the liens securing the Term Loan, the total leverage ratio does not exceed 5.50 to 1.00 and (z) in the case of incremental debt that is unsecured, the total leverage ratio does not exceed 5.75 to 1.00, in each case, determined on a pro forma basis. The Term Loan matures on October 25, 2023 and is subject to quarterly amortization equal to 0.25% of the initial principal amount. Interest will accrue on outstanding borrowings thereunder at a rate equal to adjusted LIBOR (with a floor of 1.0%) or an alternate base rate, in each case plus a margin of 3.00% or 2.00%, respectively.

The Revolver and the Term Loan contain customary representations and warranties, and affirmative and negative covenants, that, among other things, restrict our ability to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and pay dividends and make distributions. The Revolver contains a financial covenant restricting us from allowing our fixed charge coverage ratio to drop below 1.00:1.00 during a compliance period, which is triggered when the availability under the Revolver falls below a threshold. The fixed charge coverage ratio is the ratio of consolidated earnings before interest, depreciation, and amortization, less cash payments for capital expenditures and income taxes to consolidated fixed charges (interest expense plus scheduled payments of principal on indebtedness). The Term Loan does not contain any financial covenants. Obligations under the Revolver and the Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate). As of March 31, 2021, we were in compliance with all applicable covenants under the Revolver and the Term Loan.

Our \$500 million senior secured notes issued in July 2020, or the Notes, will mature on July 15, 2025 and have a fixed annual interest rate of 6.50%. Obligations under the Notes are guaranteed by us and our existing and future subsidiaries (other than the issuers) that guarantee the Term Loan and the obligations of the U.S. borrowers under the Revolver. The Notes and the related guarantees are secured by first-priority liens on the collateral that secures the Term Loan on a first-priority basis (which is generally all assets other than those that secure the Revolver on a first-priority basis as set forth below) and second-priority liens on the collateral that secures the Revolver on a first-priority basis (which is generally inventory, accounts receivable, deposit accounts, securities accounts, certain intercompany loans and related assets), which second-priority liens is ratable with the liens on such assets securing the obligations under the Term Loan and junior to the liens on such assets securing the Revolver. Upon closing, we used the net proceeds from this offering to repay \$492.5 million of the principal amount of the Term Loan at par, plus accrued interest.

*Parent Issuer and Subsidiary Guarantor Summarized Financial Information*

The following information contains the summarized financial information for the parent (Forterra, Inc.) and subsidiary guarantors of the Notes.

This consolidated summarized financial information has been prepared from the Company's financial information on the same basis of accounting as the Company's consolidated financial statements. Transactions between the parent and subsidiary guarantors presented on a combined basis have been eliminated. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions. Certain costs have been partially allocated to all of the subsidiaries of the Company.

The subsidiary guarantors are 100% owned by the Company. All guarantees are full and unconditional and are joint and several. There are no significant restrictions on the ability of the Company to obtain funds from its U.S. subsidiaries, including the guarantors.

Summarized financial information for the year-to-date interim period and the most recent annual period was as follows (in thousands):

	<b>Parent - Forterra, Inc. and Subsidiary Guarantors</b>	
	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Current assets	\$ 525,827	\$ 443,839
Intercompany payable to non-guarantor subsidiaries	8,991	8,384
Non-current assets	1,094,895	1,115,191
Current liabilities	277,358	267,672
Non-current liabilities	1,204,989	1,176,492

	<b>Parent - Forterra, Inc. and Subsidiary Guarantors</b>	
	<b>Three months ended March 31, 2021</b>	<b>Year ended December 31, 2020</b>
Net sales	\$ 346,903	\$ 1,514,556
Gross profit	73,349	347,854
Income before taxes	17,772	58,880
Net income	14,447	52,273

## Cash Flow Information

The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the periods presented (*in thousands*):

	For the three months ended	
	March 31, 2021	March 31, 2020
<b>Statement of Cash Flows data:</b>		
Net cash used in operating activities	\$ (16,963)	\$ (19,225)
Net cash used in investing activities	(8,056)	(4,278)
Net cash provided by financing activities	35,765	171,588

### Net Cash Used in Operating Activities

Net cash used in operating activities was \$17.0 million in the three months ended March 31, 2021, compared to \$19.2 million in the three months ended March 31, 2020. Changes between the periods are primarily due to the increase in income from operations, as well as the timing of settlements of our receivables and payables.

### Net Cash Used in Investing Activities

Net cash used in investing activities was \$8.1 million in the three months ended March 31, 2021, due to \$11.0 million of capital expenditures, partially offset by \$3.0 million proceeds from sale of fixed assets. Net cash used in investing activities was \$4.3 million in the three months ended March 31, 2020 due to capital expenditures.

### Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$35.8 million in the three months ended March 31, 2021 primarily due to \$40.0 million borrowings under our Revolver, partially offset by \$3.1 million repayments of principal on the Term Loan. Net cash used in financing activities was \$171.6 million for the three months ended March 31, 2020 due primarily to additional precautionary borrowings of \$180 million under the Revolver at the onset of the COVID-19 pandemic, partially offset by \$8.1 million repayments of principal on the Term Loan.

## Overview

### Our Company

We are a manufacturer of ductile iron pipe and concrete pipe and precast products in the United States and Eastern Canada for a variety of essential water-related infrastructure applications. We provide critical infrastructure components for a broad spectrum of construction projects across infrastructure, residential and non-residential markets. Our suite of products ranges from large diameter pipe that transports water to and from treatment centers and manages drainage along major transportation corridors, to smaller diameter pipe that delivers potable water to, and removes wastewater from, end users in residential and commercial settings.

### Our Segments

Our operations are organized into the following reportable segments:

- Drainage Pipe & Products - We are a producer of concrete drainage pipe and precast products.

- Water Pipe & Products - We are a producer of ductile iron pipe, or DIP, and concrete pressure pipe.
- Corporate and Other - Corporate, general and administrative expenses not allocated to our revenue-generating segments such as certain shared services, executive and other administrative functions.

### ***COVID-19 Pandemic***

Beginning in mid-March of 2020, local, state, provincial and federal authorities began issuing stay at home orders in response to the spread of the coronavirus disease 2019, or COVID-19, which has quickly spread throughout the United States and worldwide. These government-instituted restrictions, together with the economic volatility and uncertainty the pandemic has created, have had a significant impact on the United States economy in general and certain parts of our end-markets. Despite these events and the related uncertainty, we have continued to operate as an essential business under the government orders, and the COVID-19 pandemic has not materially affected our liquidity, financial results or business operations thus far. During the initial phase of the pandemic in the early part of the second quarter of 2020, we experienced temporary delays in certain projects primarily related to governmental stay-at-home orders in place at that time and the reactions of certain customers to those orders, specifically in our residential end-markets. Later in 2020 and continuing through 2021, most states started gradually resuming their normal economic activities, and as a result, there was some correction in these initial trends in the residential housing market.

Since the onset of the COVID-19 pandemic, we have focused on protecting the health and safety of our team members while maintaining our operations, which have been deemed essential under relevant pandemic-related government regulations, and continuing to meet our customers' needs. Although a small number of our team members have tested positive for COVID-19, and we encountered temporary closures of a small number of our manufacturing facilities due to such cases or due to government mandate, these events have not had a significant impact on our operations or our ability to serve our customers' needs. We are, however, utilizing the option under the CARES Act to defer the employer portion of the social security taxes that would otherwise have been due in 2020, but was delayed with 50% due by December 31, 2021 and the remaining 50% by December 31, 2022.

There is still considerable uncertainty regarding the extent and duration of the impact of the COVID-19 pandemic, and the pandemic and related economic impacts may affect our operations in 2021, in particular due to the uncertainty of future funding and demand in our infrastructure and municipal end-markets, as well as increased case numbers in locations where we have large numbers of employees or significant customer concentration.

Due to the fluidity and unprecedented and uncertain nature of the pandemic, we cannot predict the full impact of the COVID-19 pandemic on our business, or that of our customers, and participants in our supply chain, or on economic conditions generally, including the effects on infrastructure and other construction activity. The ultimate scope and extent of the effects of the COVID-19 pandemic is highly uncertain and will depend on future developments, and such effects could exist for an extended period of time, even after the pandemic might end.

### ***Quikrete Merger Agreement***

On February 19, 2021, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with Quikrete Holdings, Inc. and one of its wholly-owned subsidiaries. Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, Quikrete's subsidiary will merge with and into the Company with the Company surviving the Merger as a wholly-owned subsidiary of Quikrete. At the effective time of the Merger, subject to limited exceptions, each issued and outstanding share of Forterra common stock will be automatically canceled and converted into the right to receive \$24.00 in cash, without interest, subject to deduction for any required withholding tax. Outstanding Company equity awards will be converted into Merger consideration as

provided for in the Merger Agreement. We incurred transaction costs of approximately \$3 million in the three months ended March 31, 2021 in connection with the negotiation and execution of the Merger Agreement.

See Item 7, Management's Discussion and Analysis in the 2020 10-K for a more fulsome description of the Merger, the Merger Agreement and its terms and expected impact on our business.

### ***Principal Factors Affecting Our Results of Operations***

Our financial performance and results of operations are influenced by a variety of factors, including conditions in the residential, non-residential and infrastructure construction markets, general economic conditions, changes in cost of goods sold, availability and cost of raw materials in select markets, specifically Texas, and seasonality and weather conditions. In addition to the Merger, some of the more important factors are discussed in the 2020 10-K, to which there were no material changes during the period covered by this report, with the exception of the impacts of the COVID-19 pandemic, which are discussed above.

### ***Principal Components of Results of Operations***

#### ***Net Sales***

Net sales consist of the consideration which we expect to be entitled to for the sale of products in the ordinary course of business and include the billable costs of delivery of our products to customers. Net sales include any outbound freight charged to the end user. Revenue for certain contracts related to our structural precast products that are designed and engineered specifically for the customer is recognized over time using an acceptable input method which utilizes our cost incurred to date relative to total estimated costs at completion to measure progress.

#### ***Cost of Goods Sold***

Cost of goods sold includes raw materials (cement, aggregates, scrap, steel and clay) and supplies, labor (including contract labor), freight (including outbound freight for delivery of products to end users and other charges such as inbound freight), energy, depreciation and amortization, repairs and maintenance and other cost of goods sold.

#### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses include expenses for sales, marketing, legal, accounting and finance services, human resources, customer support, treasury and other general corporate services. Selling, general and administrative expenses also include transaction costs directly related to the Merger and any business combinations or disposition and other costs incurred with respect to cost savings initiatives.

#### ***Impairment and Exit Charges***

Impairment and exit charges are primarily comprised of severance and other charges incurred to consolidate certain plants in an effort to optimize our portfolio, as well as asset impairment charges.

#### ***Other Operating Income, Net***

The remaining categories of operating income and expenses consist of scrap income (associated with scrap from the manufacturing process or remaining scrap after plants are closed), insurance gains, rental income and the gain or loss generated on the sale of assets including property, plant and equipment.

### *Interest Expense*

Interest expense represents interest on indebtedness, including finance lease obligations, the amortization of deferred financing costs, as well as the gain and loss associated with our interest rate swaps.

### *Earnings from Equity Method Investee*

Earnings from equity method investee represents our share of the income of the CP&P joint venture. CP&P is engaged primarily in the manufacture, marketing, sale and distribution of concrete pipe and precast products in Virginia, West Virginia, Maryland, North Carolina, Pennsylvania and South Carolina with sales to contiguous states. See Note 6, *Investment in Equity Method Investee*, to the condensed consolidated financial statements for additional information on CP&P.

### *Income Tax Expense*

Income tax expense consists of federal, state, provincial, local and foreign taxes based on income in the jurisdictions in which we operate.

### **Capital Expenditures**

Under normal circumstances, our annual sustaining capital expenditures would average \$45.0 million to \$55.0 million. During the early part of 2020, as a precautionary measure in response to the COVID-19 pandemic and in order to preserve liquidity, we delayed some non-essential capital spending projects. As a result, total capital expenditures for 2020 were \$34.0 million. We have since resumed many of these delayed projects and expect that they will get caught up during 2021, resulting in a slightly higher than average capital expenditure spend in the current year. Capital expenditures for the three months ended March 31, 2021 was \$11.0 million, compared to \$4.3 million for the three months ended March 31, 2020.

### **Off-Balance Sheet Arrangements**

In the ordinary course of our business, we are required to provide surety bonds and standby letters of credit to secure performance commitments. As of March 31, 2021, outstanding stand-by letters of credit amounted to \$16.7 million.

### **Application of Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accounting policies that we believe are critical to or require subjective and/or complex judgments that could potentially affect 2021 reported results are discussed in greater detail in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2020 10-K. There have been no significant changes to those accounting policies or our assessment of which accounting policies we would consider to be critical accounting policies.

### ***Recent Accounting Guidance Adopted***

A summary of recent accounting pronouncements and our assessment of any expected impact of these pronouncements, if known, is included in Note 2 to the audited consolidated financial statements included the 2020 10-K and Note 2, Summary of significant accounting policies, to the condensed consolidated financial statements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

In the normal course of business, we are exposed to financial risks such as changes in interest rates, foreign currency exchange rates and commodity price risk associated with our input costs. We utilize derivative instruments to manage selected foreign exchange and interest rate exposures. See Note 12, Derivatives and hedging to the condensed consolidated financial statements.

#### *Interest Rate Risk*

Our exposure to market risk for changes in interest rates relates primarily to our long-term debt. The interest expense associated with our long-term debt will vary with market rates. During March 2020, the Company entered into an interest rate swap transaction with a notional value of \$400 million to limit our exposure to interest rate increases related to a portion of our floating rate indebtedness. We agreed to pay a fixed rate of interest of 1.08% and receive floating rate of interest indexed to one-month LIBOR, subject to a minimum of 1.00%, with monthly settlement terms with the swap counterparty. The swap has a 30-month term and expires on September 30, 2022. At March 31, 2021, we estimate that a 1% increase in the rates relating to our floating rate debt would increase annual interest requirements by approximately \$5.5 million.

Borrowings under our Term Loan and our Revolver may use LIBOR as a benchmark for establishing the applicable interest rate. LIBOR is the subject of recent regulatory guidance and proposals for reform, which are expected to ultimately lead to the discontinuation of LIBOR or to cause LIBOR to become unavailable as a benchmark rate. The consequences of these developments with respect to LIBOR cannot be entirely predicted but could result in a significant increase in the cost of our variable rate indebtedness causing a negative impact on our financial position, liquidity and results of operations. We plan to carefully monitor the situation and may seek to renegotiate the benchmark for establishing the applicable interest rate with our lenders in the future.

#### *Foreign Currency Risk*

Approximately 5.8% of our net sales for the three months ended March 31, 2021, were made in countries outside of the U.S. As a result, we are exposed to movements in foreign exchange rates between the U.S. dollar and other currencies. Based upon our net sales for the three months ended March 31, 2021, we estimate that a 1% change in the exchange rate between the U.S. dollar and foreign currencies would affect net sales by approximately \$0.2 million. This may differ from actual results depending on the levels of net sales outside of the U.S.

#### *Commodity Price Risk*

We are subject to commodity price risks with respect to price changes mainly in the electricity and natural gas markets and other raw material costs, such as cement, aggregates, steel and clay. Price fluctuations on our key inputs have a significant effect on our financial performance. The markets for most of these commodities are cyclical and are affected by factors such as the global economic conditions, changes in or disruptions to industry production capacity, changes in inventory levels and other factors beyond our control.

#### *Credit Risk*

Financial instruments that potentially subject us to a concentration of credit risk consist principally of accounts receivable. We provide our products to customers based on an evaluation of the financial condition of our customers, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor the exposure for credit losses and maintain allowances for anticipated losses. Concentrations of credit risk with respect to our accounts receivable are limited due to the large number of customers comprising our customer base and their dispersion among many different geographies.

At March 31, 2021, we had an individual customer within our Water Pipe & Products segment that accounted for more than 10% of total net sales for the three months ended March 31, 2021. The customer represented approximately 19% of our total net sales for the three months ended March 31, 2021, and amounts receivable from the customer at March 31, 2021 represented approximately 17% of our total receivables, net.



The COVID-19 pandemic may increase our risk of, or exposure to, credit losses. See Note 2, Summary of significant accounting policies, to the condensed consolidated financial statements.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2021.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2021.

##### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### **Limitations on Effectiveness of Controls**

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our system of internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed or operated, can provide only reasonable, but not absolute, assurance that the objectives of the system of internal control are met. The design of our control system reflects the fact that there are resource constraints, and that the benefits of such control system must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control failures and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the intentional acts of individuals, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurance that the design of any particular control will always succeed in achieving its objective under all potential future conditions.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

The information set forth in Note 14, Commitments and contingencies, to the condensed consolidated financial statements is incorporated by reference herein.

### **Item 1A. Risk Factors**

There have been no material changes during the quarter ended March 31, 2021 to the risk factors previously disclosed in the 2020 10-K.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

None.

**Item 6. Exhibits and Financial Statement Schedules**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>	
<a href="#">2.1</a>	Agreement and Plan of Merger, dated February 19, 2021, by and among Quikrete Holdings, Inc., Jordan Merger Sub, Inc. and Forterra, Inc.	(a)
<a href="#">31.1</a>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
<a href="#">31.2</a>	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
<a href="#">32.1</a>	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	^
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.	*
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.	*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.	*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.	*
104.1	Cover page interactive data file - The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 is formatted in Inline XBRL (included as Exhibit 101).	*

\* Filed herewith

^ Exhibit 32.1 shall not be deemed filed with the SEC, nor shall it be deemed incorporated by reference in any filing with the SEC under the Exchange Act or the Securities Act of 1933, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

(a) Previously filed on February 22, 2021 as an exhibit to the Company's Current Report on Form 8-K and incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**FORTERRA, INC.**  
(Registrant)

*/s/ Karl Watson, Jr.*

April 29, 2021

By: Karl Watson, Jr.  
Chief Executive Officer  
(Principal Executive Officer)

*/s/ Charles R. Brown, II*

April 29, 2021

By: Charles R. Brown, II  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

## SECTION 302 CERTIFICATION

I, Karl Watson, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forterra, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2021

/s/ Karl Watson, Jr.

Karl Watson, Jr.

Chief Executive Officer

## SECTION 302 CERTIFICATION

I, Charles R. Brown II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forterra, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2021

/s/ Charles R. Brown, II

Charles R. Brown, II

*Executive Vice President and Chief*

*Financial Officer*

**CERTIFICATION**  
**Pursuant to 18 U.S.C. Section 1350**  
**Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2021 of Forterra, Inc. (the "Company") as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of the Company certifies to his knowledge that:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2021

/s/ Karl Watson, Jr.

\_\_\_\_\_  
Karl Watson, Jr.

*Chief Executive Officer*

Date: April 29, 2021

/s/ Charles R. Brown, II

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Charles R. Brown, II

*Executive Vice President and Chief  
Financial Officer*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.