UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2018

**[ ] 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	**37-1830464**
(State or other jurisdiction of incorporation or organization)	(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)

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 ☐

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 64,202,693 shares of common stock, par value $0.001 per share, of the registrant outstanding as of November 2, 2018.

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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 September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	(unaudited)		*(unaudited)*	
Net sales	$ 434,510	$ 444,257	$ 1,140,557	$ 1,219,244
Cost of goods sold	357,374	362,150	953,743	1,022,574
Gross profit	77,136	82,107	186,814	196,670
Selling, general & administrative expenses	(48,492)	(59,366)	(151,617)	(191,964)
Impairment and exit charges	(2,170)	(1,193)	(3,891)	(13,004)
Earnings from equity method investee	2,224	2,936	7,745	9,449
Other operating income, net	1,538	2,008	6,864	5,251
	(46,900)	(55,615)	(140,899)	(190,268)
Income from operations	30,236	26,492	45,915	6,402
Other income (expense)				
Interest expense	(21,940)	(15,582)	(52,993)	(46,202)
Other income (expense), net	—	(30,866)	6,016	(30,866)
Income (loss) before income taxes	8,296	(19,956)	(1,062)	(70,666)
Income tax (expense) benefit	(2,793)	8,454	(6,351)	25,448
Net income (loss)	$ 5,503	$ (11,502)	$ (7,413)	$ (45,218)
Earnings (loss) per share:				
Basic	$ 0.09	$ (0.18)	$ (0.12)	$ (0.71)
Diluted	$ 0.09	$ (0.18)	$ (0.12)	$ (0.71)
Weighted average common shares outstanding:				
Basic	63,919	63,799	63,883	63,794
Diluted	64,269	63,799	63,883	63,794

See accompanying notes to unaudited condensed consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(unaudited)		*(unaudited)*	
Net income (loss)	$ 5,503	$ (11,502)	$ (7,413)	$ (45,218)
Unrealized gain (loss) on derivative activities, net of tax	—	(2,195)	970	(4,103)
Foreign currency translation adjustment	1,486	2,762	(1,640)	3,998
Comprehensive income (loss)	$ 6,989	$ (10,935)	$ (8,083)	$ (45,323)

See accompanying notes to unaudited condensed consolidated financial statements

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

	September 30, 2018	December 31, 2017
ASSETS	*(unaudited)*	
Current assets		
Cash and cash equivalents	$ 30,348	$ 104,534
Receivables, net	280,831	192,654
Inventories	265,609	236,655
Prepaid expenses	7,315	5,381
Other current assets	18,170	27,059
Current assets held for sale	—	12,242
Total current assets	602,273	578,525
Non-current assets		
Property, plant and equipment, net	490,439	412,572
Goodwill	507,002	496,141
Intangible assets, net	196,987	225,304
Investment in equity method investee	53,315	54,445
Other long-term assets	18,086	18,866
Non-current assets held for sale	—	25,385
Total assets	$ 1,868,102	$ 1,811,238
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables	$ 145,112	$ 108,560
Accrued liabilities	70,321	72,782
Deferred revenue	8,384	9,029
Current portion of long-term debt	12,510	12,510
Current portion of tax receivable agreement	34,601	34,601
Current liabilities held for sale	—	4,615
Total current liabilities	270,928	242,097
Non-current liabilities		
Long-term debt	1,177,382	1,181,277
Long-term capital leases	134,867	4,155
Deferred tax liabilities	43,014	67,481
Deferred gain on sale-leaseback	9,406	75,743
Other long-term liabilities	20,670	25,032
Long-term tax receivable agreement	82,962	82,962
Total liabilities	1,739,229	1,678,747
Commitments and Contingencies (Note 14)		
Equity		
Common stock, $0.001 par value, 190,000 shares authorized; 64,202 and 64,231 shares issued and outstanding	18	18
Additional paid-in-capital	234,487	230,023
Accumulated other comprehensive loss	(6,598)	(5,098)
Retained deficit	(99,034)	(92,452)
Total shareholders' equity	128,873	132,491
Total liabilities and shareholders' equity	$ 1,868,102	$ 1,811,238

See accompanying notes to unaudited condensed consolidated financial statements

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

	Nine months ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES	*(unaudited)*	
Net loss	$ (7,413)	$ (45,218)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation & amortization expense	79,373	87,463
(Gain) / loss on business divestiture	(6,016)	31,606
(Gain) / loss on disposal of property, plant and equipment	(2,447)	1,749
Amortization of debt discount and issuance costs	6,099	6,061
Stock-based compensation expense	4,588	2,838
Impairment charges	936	10,551
Earnings from equity method investee	(7,745)	(9,449)
Distributions from equity method investee	8,875	9,000
Unrealized gain on derivative instruments, net	(4,291)	(2,035)
Unrealized foreign currency gains, net	(358)	(1,314)
Provision (recoveries) for doubtful accounts	(1,905)	2,289
Deferred taxes	(24,787)	(16,321)
Deferred rent	1,022	1,941
Other non-cash items	77	166
Change in assets and liabilities:		
Receivables, net	(83,720)	(84,974)
Inventories	(25,019)	(18,217)
Other current assets	6,910	(15,522)
Accounts payable and accrued liabilities	25,042	2,668
Other assets & liabilities	2,184	(2,415)
NET CASH USED IN OPERATING ACTIVITIES	(28,595)	(39,133)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(31,474)	(38,729)
Proceeds from business divestiture	618	23,200
Proceeds from sale of fixed assets	4,874	—
Settlement of net investment hedges	(4,990)	—
Business combinations, net of cash acquired	(4,500)	(35,380)
NET CASH USED IN INVESTING ACTIVITIES	(35,472)	(50,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of debt issuance costs	—	(2,498)
Payments on term loans	(9,383)	(8,880)
Proceeds from term loans, net	—	200,000
Proceeds from revolver	—	194,000
Payments on revolver	—	(293,000)
Other financing activities	(385)	(232)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(9,768)	89,390
Effect of exchange rate changes on cash	(351)	1,759
Net change in cash and cash equivalents	(74,186)	1,107
Cash and cash equivalents, beginning of period	104,534	40,024
Cash and cash equivalents, end of period	$ 30,348	$ 41,131
SUPPLEMENTAL DISCLOSURES:		
Cash interest paid	$ 50,217	$ 40,968
Income taxes paid	21,508	27,590
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING DISCLOSURES:		
Assets and liabilities acquired in non-cash exchange	18,140	—
Fair value changes of derivatives recorded in OCI, net of tax	970	(4,103)
Capital lease obligation	(148,962)	—

1. Organization and description of the business

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 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 residential, infrastructure and non-residential sectors of the construction industry.

Organization

Forterra, a Delaware corporation, was formed on June 21, 2016 to hold the business of Forterra Building Products. The entities comprising the business of Forterra Building Products were indirect wholly-owned subsidiaries of HeidelbergCement A.G. ("HC") prior to its acquisition by LSF9 Concrete Holdings Ltd. ("LSF9") on March 13, 2015, including certain businesses that were divested between March 2015 and October 2016. In October 2016, in a corporate reorganization transaction (the "Reorganization") ownership of the remaining businesses of Forterra Building Products was transferred to Forterra, a wholly-owned subsidiary of Forterra US Holdings, LLC, which is indirectly wholly-owned by an affiliate of Lone Star Fund IX (U.S.),L.P. (along with its affiliates, related parties and associated, but excluding the Company and other companies that it owns as a result of its investment activity, "Lone Star"). On October 25, 2016, Forterra sold 18,420,000 shares of common stock in its initial public offering (the "IPO").

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) and cash flows 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, 2018. 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, 2017 as provided in Forterra, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 7, 2018 (the "2017 10-K"). The Company has continued to follow the accounting policies set forth in those financial statements, except as supplemented and documented below.

During the first quarter of 2017, the Company identified and corrected prior period errors related to cost accrual items which should have been recognized in 2016. A cumulative correction was recorded during the quarter ended March 31, 2017 that increased pretax loss by $4.6 million, which consisted of a $3.3 million increase to cost of goods sold and a $2.0 million increase to selling, general and administrative expenses, partially offset by a $0.7 million increase in revenues. The Company evaluated the impact of correcting these errors and concluded the errors were immaterial to the annual operating results for the year ended December 31, 2017 and the trend of earnings.

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.

Credit Risk

The Company had an individual customer within its Water Pipe & Products segment that accounted for more than 10% of total net sales for the nine months ended September 30, 2018. The customer represented approximately 14% of the Company's total net sales for the nine months ended September 30, 2018, and amounts receivable from the customer at September 30, 2018 represented approximately 15% of the Company's total receivables, net.

Recent Accounting Guidance Adopted - Revenue recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and issued subsequent amendments to the initial guidance. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. The new guidance outlines a single comprehensive model for accounting for revenue arising from contracts with customers. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. The Company adopted the new standard on January 1, 2018 using the modified retrospective method which did not have a material impact on the Company's condensed consolidated financial statements for the three and nine months ending September 30, 2018 and is not expected to have a material impact in future periods. No adjustment to retained earnings was required for the cumulative effect of initially applying the new standard. Results for periods beginning on or after January 1, 2018 are presented under Topic 606, which prior period amounts are not adjusted and continue to be reported in accordance with the prior accounting guidance under Topic 605, *Revenue Recognition*.

Revenue recognition policy

The Company's revenue contracts are primarily single performance obligations for the sale of product both to trade customers and distributors. A majority of revenue recognized by the Company is recognized at the time control is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the products. The Company considers several indicators for the transfer of control to its customers, including the significant risks and rewards of ownership of products, the Company's right to payment and the legal title of the products. Based upon the assessment of control indicators, sales to trade customers and distributors are generally recognized when products are delivered to customers.

All variable consideration that may affect the total transaction price, including contractual discounts, rebates, returns and credits, is included in net sales. Estimates for variable consideration are based on historical experience, anticipated performance and management's judgment. Generally, the Company's contracts do not contain significant financing.

For certain engineering and construction contracts and building contracting arrangements, the Company enters into long-term contracts with customers. Revenue is recognized as the identified performance obligations are satisfied over time using an acceptable input method to measure the progress toward completion of the performance obligation if: the customer receives the benefits as work is performed, the customer controls the asset as it is being produced, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment. The Company uses its cost incurred to date relative to total estimated costs at completion to measure progress. The Company's contract liabilities consist of billings to customers in excess of revenue recognized which the Company records as deferred revenue. Revenue recognized during the three and nine months ended September 30, 2018, which was included in contract liabilities at the beginning of the period was not material. Contract assets include revenue recognized in excess of amounts billed and balances billed but not yet paid by customers under retainage provisions which are classified as a current asset within receivables, net on the Company's balance sheet. The Company had no material contract assets on the condensed consolidated balance sheets as of September 30, 2018 or December 31, 2017.

The Company records net sales including taxes collected on behalf of its customers. Shipping and handling costs are accounted for as contract fulfillments costs and classified as cost of goods sold. See Note 18, Segment reporting, for the Company's disaggregated revenue disclosures.

Recent Accounting Guidance Adopted - Other

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* to allow a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings for stranded tax effects resulting from the U.S. tax reform legislation commonly known as the Tax Cuts and Jobs Act of 2017 (“TCJA”). This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The Company early adopted the guidance provided in the ASU during the first quarter of 2018 and reclassified $0.8 million of stranded deferred tax benefits related to its derivative instruments from accumulated other comprehensive loss to retained deficit.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230): Classification of Certain Cash Receipts and Cash Payments, providing guidance on eight specific cash flow statement classification matters, including but not limited to prepayment of debt or debt extinguishment costs, contingent consideration payments made after a business combination, insurance claims and policies, and distributions received from equity method investees. The Company adopted this standard on January 1, 2018. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05, *Income Taxes - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, which added paragraphs to the codification pursuant to the SEC Staff Accounting Bulletin No. 118, which addressed the application of U.S. GAAP in situations when a company does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to finalize the calculations for the 2017 income tax effects of the TCJA. ASU 2018-05 provides entities with a one year measurement period from the December 22, 2017 enactment date to complete the accounting for the effects of the TCJA. See Note 17, Income taxes, for a further discussion of the effect of the TCJA on the Company's income taxes.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to defer and recognize as an asset. Capitalized implementation costs are amortized over the term of the hosting arrangement, and the expense related to the capitalized implementation costs is recorded in the same line in the financial statements as the cloud service cost. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The Company early adopted the guidance provided in the ASU during the third quarter of 2018. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), amending the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2018. The Company will adopt this standard effective January 1, 2019. ASU 2016-02 requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which provides narrow amendments to clarify how to apply certain aspects of the new lease standard. In July 2018, the FASB issued ASU 2018-11, *Targeted Improvements,* which allows entities to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has not finalized its assessment, but believes the adoption of the new accounting guidance will have a material impact on its consolidated balance sheets primarily due to the recognition of right-of-use assets and lease obligations for its operating lease. The Company does not expect the new accounting guidance to have a material impact on its consolidated statements of operations or cash flows.

3. Acquisitions and divestitures

On January 31, 2018, the Company divested assets relating to the operation of certain Drainage Pipe & Products facilities in Tennessee, Alabama, and Georgia to Foley Products Company (“Foley”) in exchange for $10.1 million in cash offset by a $1.0 million working capital adjustment, land in Sherman, Texas and a Drainage Pipe & Products facility located in Prentiss, Mississippi.

The acquisition was accounted for as a business combination as defined by FASB ASC 805, *Business Combinations*. In accordance with Accounting Standards Codification ("ASC") 805, the purchase price is measured as the acquisition date fair value of the assets transferred by the Company to Foley in the exchange. In the exchange, the Company divested of the net working capital and certain of the real property of its Drainage Pipe & Products plants in Tennessee and Alabama, as well as the net working capital of certain Drainage Pipe & Products plants in Georgia. The purchase price of $37.2 million was the fair value of the divested assets which resulted in the recognition of a gain of $6.0 million, recognized in Other income, net. The purchase price was subject to a $1.0 million net working capital adjustment pursuant to the terms of the asset purchase agreement. The Company allocated the purchase price to the individually identifiable assets acquired and liabilities assumed based on their estimated fair value on the date of acquisition. The excess purchase price over those fair values was recorded as goodwill.

The determination of fair values of the divested and acquired assets and assumed liabilities requires significant judgment, including estimates impacting the determination of estimated lives of tangible and intangible assets, calculation of the fair value of property, plant and equipment, inventory, and various intangibles. The fair values of assets and liabilities were determined using level 3 inputs as defined by ASC 820, *Fair Value Measurements and Disclosures*.

The preliminary respective fair values of the assets acquired and liabilities assumed in the transaction, including $10.1 million in cash partially offset by a $1.0 million working capital adjustment, the Prentiss plant, and a parcel of land in Sherman, Texas, at the acquisition date are as follows *(in thousands)*:

Net working capital	$	10,984
Property, plant and equipment		9,221
Customer relationship intangible		2,100
Non-compete agreement intangible		5,600
Other intangibles		290
Net identifiable assets acquired		28,195
Goodwill		8,996
Consideration transferred	$	37,191

The fair values described above are preliminary and are subject to change upon the Company's final determination of the fair value of divested and acquired assets and liabilities.

Goodwill recognized is attributable primarily to expected operating efficiencies and expansion opportunities in the business acquired. Goodwill is expected to be deductible for tax purposes for the Foley transaction.

On April 2, 2018, the Company acquired substantially all the assets of Watkins Industries, Inc. (“Mineral Wells”), for aggregate consideration of $4.5 million in cash. Mineral Wells is a manufacturer of metal forms, concrete vaults and pipe operating in Mineral Wells, Texas. Mineral Wells operates as part of the Company’s Drainage Pipe & Products segment. This acquisition was accounted for as a business combination as defined by ASC 805, *Business Combinations*, consequently, goodwill of $1.0 million was recorded.

During the third quarter of 2018, the Company acquired certain assets of Anchor Concrete Products, Ltd. (“Anchor") in Kingston, Ontario, for aggregate consideration of $2.5 million in cash, inclusive of a $0.4 million hold back that is payable on the one-year anniversary of the execution date of the purchase agreement. The acquired assets did not meet the definition of a business and, as such, the transaction was accounted for as an asset acquisition pursuant to the guidance in subsection 805-50 of ASC 805, *Business Combinations.*

Transaction costs

The Company recognized aggregate transaction costs, including legal, accounting, valuation and advisory fees, specific to acquisitions and divestitures of $0.2 million and $0.8 million, for the three and nine months ended September 30, 2018, respectively, and $0.0 million and $0.4 million for the three and nine months ended September 30, 2017, respectively. These costs are recorded in the condensed consolidated statements of operations within selling, general and administrative expenses.

4. Receivables, net

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

	September 30, 2018	December 31, 2017
Trade receivables	$ 270,374	$ 190,143
Amounts billed, but not yet paid under retainage provisions	1,698	1,091
Other receivables	10,256	5,453
Total receivables	282,328	196,687
Less: Allowance for doubtful accounts	(1,497)	(4,033)
Receivables, net	$ 280,831	$ 192,654

5. Inventories

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

	September 30, 2018	December 31, 2017
Finished goods	$ 170,951	$ 156,207
Raw materials	92,935	79,905
Work in process	1,723	543
Total inventories	$ 265,609	$ 236,655

6. Investment in equity method investee

The Company contributed plant assets and related inventory from nine operating locations as part of the agreement to form a joint venture with Americast, Inc., Concrete Pipe & Precast LLC ("CP&P"), and in return for the contribution the Company obtained a 50% ownership stake in the joint venture through its 500 Common Unit voting shares in CP&P. Both at September 30, 2018 and December 31, 2017, the Company owned 50% of CP&P's voting common stock.

The Company's investment in the joint venture was $53.3 million at September 30, 2018, which is included within the Drainage Pipe & Products segment. At September 30, 2018, 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 $13.1 million. The basis difference is primarily attributed to the value of land and equity method goodwill associated with the investment.

Selected financial data for the investee is as follows (*in thousands*):

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Net sales	$ 31,864	$ 96,537
Gross profit	9,042	28,537
Income from operations	4,540	15,235
Net income	$ 4,479	$ 15,052

7. Property, plant and equipment, net

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

	September 30, 2018	December 31, 2017
Machinery and equipment	$ 375,160	$ 343,827
Land, buildings and improvements	225,287	144,273
Other equipment	6,882	5,141
Construction-in-progress	27,776	30,295
Total property, plant and equipment	635,105	523,536
Less: accumulated depreciation	(144,666)	(110,964)
Property, plant and equipment, net	$ 490,439	$ 412,572

Depreciation expense totaled $12.9 million and $39.9 million for the three and nine months ended September 30, 2018, and $15.6 million and $45.7 million for the three and nine months ended September 30, 2017, 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 goodwill which has been recorded in connection with its acquisition of businesses. The following table summarizes the changes in goodwill by operating segment for the nine months ended September 30, 2018 (*in thousands*):

	Drainage Pipe & Products	Water Pipe & Products	Total
Balance at December 31, 2017	$ 179,723	$ 316,418	$ 496,141
Acquisitions	9,951	—	9,951
Foreign currency and other adjustments	910	—	910
Balance at September 30, 2018	$ 190,584	$ 316,418	$ 507,002

ASC 350, *Intangibles -- Goodwill and Other*, requires goodwill to be either qualitatively or quantitatively assessed for impairment annually (or more frequently if impairment indicators arise) for each reporting unit. The Company performs its annual impairment testing of goodwill as of October 1 of each year and in interim periods if events occur that would indicate that it is more likely than not the fair value of a reporting unit is less than carrying value. The Company first assesses qualitative factors to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as the basis for determining whether it is necessary to perform a quantitative goodwill impairment test. The Company may bypass the qualitative assessment for any reporting unit in any period and proceed directly with the quantitative analysis. The quantitative analysis compares the fair value of the reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds the fair value, impairment is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. As of September 30, 2018, no indications exist which would indicate the fair value of the reporting units is less than its carrying value.

Intangible assets other than goodwill at September 30, 2018 and December 31, 2017 included the following (*in thousands*):

	Net carrying value as of September 30, 2018	Net carrying value as of December 31, 2017
Customer relationships	$ 141,451	$ 168,000
Trade names	25,800	29,632
Patents	12,410	15,729
Customer backlog	59	404
Non-compete agreements	10,321	4,543
In-Process R&D	6,354	6,354
Other	592	642
Total intangible assets	$ 196,987	$ 225,304

Amortization expense totaled $13.1 million and $39.4 million for the three and nine months ended September 30, 2018, and $13.5 million and $41.8 million for the three and nine months ended September 30, 2017, 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, accrued liabilities, capital lease obligations, and the tax receivable agreement payable. The carrying value of the Company's cash equivalents, trade receivables, other receivables, trade payables and accrued liabilities approximates fair value due to their short-term maturity. The carrying value of capital lease obligations approximates fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. 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 carrying amount and estimated fair value of the Company's financial instruments and other assets and liabilities measured and recorded at fair value on a recurring basis is as follows for the dates indicated *(in thousands)*:

	Fair value measurements at September 30, 2018 using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value September 30, 2018
Assets:				
Interest rate swaps	—	$ 9,542	—	$ 9,542

	Fair value measurements at December 31, 2017 using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value December 31, 2017
Assets:				
Interest rate swaps	—	$ 5,251	—	$ 5,251
Liabilities:				
Foreign exchange forward contracts	—	6,286	—	6,286

Liabilities and assets recorded at fair value classified as level 2 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 counter-parties, 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.

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 September 30, 2018 using			
	Carrying Amount September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value September 30, 2018
Liabilities:					
2016 Senior Term Loan	$1,189,892	—	$1,175,413	—	$1,175,413
Tax receivable agreement payable	117,563	—	—	78,206	78,206

		Fair value measurements at December 31, 2017 using			
	Carrying Amount December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value December 31, 2017
Liabilities:					
2016 Senior Term Loan	$1,193,787	—	$1,151,981	—	$1,151,981
Tax receivable agreement payable	117,563	—	—	75,865	75,865

The fair value of debt is valued using a market approach based on indicative quoted prices for our debt instruments traded in over-the-counter markets, 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 determined 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)*:

	September 30, 2018	December 31, 2017
Accrued payroll and employee benefits	$ 24,399	$ 26,597
Short-term capital leases	16,476	183
Accrued taxes	11,863	10,294
Accrued rebates	8,875	8,428
Short-term derivative liability	—	6,286
Warranty	3,798	5,038
Environmental obligation	570	446
Other miscellaneous accrued liabilities	4,340	15,510
Total accrued liabilities	$ 70,321	$ 72,782

11. Debt and deferred financing costs

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

	September 30, 2018	December 31, 2017
2016 Senior Term Loan, net of debt issuance costs and original issuance discount of $36,093 and $41,580, respectively	$ 1,189,892	$ 1,193,787
Total debt	$ 1,189,892	$ 1,193,787
Less: current portion debt	(12,510)	(12,510)
Total long-term debt	$ 1,177,382	$ 1,181,277

Concurrent with the completion of the IPO, Forterra entered into a $300 million asset based revolving credit facility for working capital and general corporate purposes ("2016 Revolver") and a $1.05 billion senior term loan facility ("2016 Senior Term Loan").

The 2016 Senior Term Loan initially provided for a $1.05 billion senior secured term loan. Subject to the conditions set forth in the term loan agreement, the 2016 Senior 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 amount, provided certain financial tests are met.

Effective May 1, 2017, the Company amended the 2016 Senior Term Loan to increase the principal outstanding by an additional $200.0 million and to reduce the interest margins applicable to the full balance of the 2016 Senior Term Loan by 50 basis points such that applicable margin based on LIBOR was reduced from 3.50% to 3.00%. The net proceeds from the incremental term loan of $196.8 million were used to pay down a portion of the outstanding balance on the 2016 Revolver. This amendment had no effect on the Company's ability to increase the size of the 2016 Senior Term Loan under the original provisions. The 2016 Senior 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 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 weighted average interest rates for the 2016 Senior Term Loan were 5.1%, 4.9%, 4.2% and 4.5% for the three and nine months ended September 30, 2018 and 2017, respectively.

Outstanding borrowings under the 2016 Senior 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 2016 Senior Term Loan is secured by substantially all of the assets of Forterra, the borrower and the Guarantors; provided that the obligations under the 2016 Senior Term Loan are not secured by any liens on more than 65% of the voting stock of the Canadian subsidiaries or assets of the Canadian subsidiaries. The 2016 Senior 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 2016 Senior Term Loan does not contain any financial covenants. Obligations under the 2016 Senior Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate).

The 2016 Revolver provides for an aggregate principal amount of up to $300.0 million, with up to $280.0 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). Subject to the conditions set forth in the revolving credit agreement related to the 2016 Revolver (the "2016 Credit Agreement"), the 2016 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 2016 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 September 30, 2018 and December 31, 2017, there were no outstanding borrowings under the 2016 Revolver.

The 2016 Revolver matures on October 25, 2021. The Revolver also provides for the issuance of letters of credit of up to an agreed sublimit. Interest accrues on outstanding borrowings at a rate equal to LIBOR or CDOR plus a margin ranging from 1.25% to 1.75% per annum, or at an alternate base rate, Canadian prime rate or Canadian base rate plus a margin ranging from 0.25% to 0.75% per annum, in each case, based upon the average excess availability under the 2016 Revolver for the most recently completed calendar quarter. The obligations of the borrowers under the 2016 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 2016 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 the Canadian subsidiaries or assets of the Canadian subsidiaries.

The 2016 Revolver contains 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 2016 Credit Agreement 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 availability under the 2016 Revolver falls below a threshold set forth in the 2016 Credit Agreement. Obligations under the 2016 Credit Agreement 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).

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 2016 Revolver. Availability under the 2016 Revolver at September 30, 2018 based on draws, and outstanding letters of credit and allowable borrowing base was $284.4 million.

As of September 30, 2018, scheduled maturities of long-term debt were as follows (in thousands):

		2016 Senior Term Loan
2018	$	3,128
2019		12,510
2020		12,510
2021		12,510
2022		12,510
2023		1,172,817
	$	1,225,985

Lines of Credit and Other Debt Facilities

The Company had standby letters of credit outstanding of $15.6 million as of September 30, 2018 which reduce the borrowings available under the 2016 Revolver.

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, except as discussed below, cash flows from derivative instruments are included in net cash provided by (used in) operating activities in the condensed consolidated statements of cash flows.

At December 31, 2017, the Company had foreign exchange forward contracts, designated as net investment hedges in accordance with ASC 815-20 *Derivatives - Hedging*, which allows for the effective portion of the changes in the fair value of the instruments to be captured in accumulated other comprehensive income, and the ineffective portion recorded in earnings. These instruments were assigned to Forterra by an affiliate concurrent with the Reorganization, directly prior to the refinancing of existing indebtedness in connection with the IPO and were settled in March 2018 resulting in a cash outlay of $5.0 million. This cash outlay was recorded within the investing activities section of the consolidated statements of cash flows. The net investment hedges were intended to mitigate foreign exchange exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against changes in foreign exchange rates. A quantitative analysis was utilized to assess hedge effectiveness for the hedges. The Company assessed the hedge effectiveness and measured the amount of ineffectiveness for the hedge relationships based on changes in forward exchange rates. Cumulative changes in fair value of the effective portion of the hedging instruments were recorded in Accumulated other comprehensive income, and will be reclassified into earnings upon the sale or complete or substantially complete liquidation of the foreign entity.

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 have a three-year term and expire on March 31, 2020. The interest rate swaps are not designated as cash flow hedges, therefore all changes in the fair value of these instruments 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.

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 September 30, 2018 and December 31, 2017, the Company's derivative instruments fall under an ISDA master netting agreement.

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

	September 30, 2018			
	Derivative Assets		Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps	$ 525,000	$ 9,542	—	—
Total derivatives, gross		9,542		—
Less: Legally enforceable master netting agreements		—		—
Total derivatives, net		$ 9,542		$ —

	December 31, 2017			
	Derivative Assets		Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange forward contracts	$ —	$ —	$ 92,961	$ 6,286
Interest rate swaps	525,000	5,251	—	—
Total derivatives, gross		5,251		6,286
Less: Legally enforceable master netting agreements		—		—
Total derivatives, net		$ 5,251		$ 6,286

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net investment hedges				
Foreign exchange forward contracts				
Gain (loss) on derivatives recognized in Accumulated other comprehensive loss	$ —	$ (2,195)	$ 970	$ (4,103)
Derivatives not designated as hedges				
Interest rate swaps				
Gain (loss) on derivatives not designated as hedges included in interest expense	71	709	4,291	2,035

13. Sale-Leaseback Transaction

On April 5, 2016, the Company sold properties in 47 sites throughout the U.S. and Canada to Pipe Portfolio Owner (Multi) LP (the "U.S. Buyer") and FORT-BEN Holdings (ONQC) Ltd. (the "Canadian Buyer") for an aggregate purchase price of approximately $204.3 million. On April 14, 2016, the Company sold additional properties in two sites located in the U.S. to the U.S. Buyer for an aggregate purchase price of approximately $11.9 million. In connection with these transactions, the Company and U.S. Buyer and an affiliate of the Canadian Buyer entered into master land and building lease agreements under which the Company agreed to lease back each of the properties for an initial term of twenty years, followed by one optional renewal term of 9 years, 11 months. The proceeds received from the sale-leaseback transactions net of transaction costs of $6.5 million amounted to $209.7 million. A deferred gain of $81.5 million related to the sale-leaseback transaction was being amortized over the life of the master leases. In addition, the Company concluded that the leases for land and buildings were operating leases, and the leases for the machinery equipment were capital leases.

On June 5, 2018, the Company entered into Exchange Agreements and Amended and Restated Master Leases with each of the U.S. Buyer and the Canadian Buyer (collectively, the "Exchange Transaction"). Under the Exchange Agreement between the Company and the U.S. Buyer, the Company exchanged ownership of a ductile iron pipe facility located in Bessemer, Alabama used in its Water Pipe & Products segment (the "Bessemer Facility") for 21 facilities used in its Drainage Pipe & Products segment and the U.S. concrete and steel pressure pipe facilities previously part of the Water Pipe & Products segment, including a portion of one property used in both segments, all of which were previously included in the sale-leaseback transaction. Under the Exchange Agreement between the Company and the Canadian Buyer, the Company exchanged ownership of a smaller diameter ductile iron pipe facility located in Bessemer, Alabama used in its Water Pipe & Products segment (the "Mini Mill Facility") for ownership of three Canadian concrete pressure pipe facilities that were previously included in the sale-leaseback transaction. No cash changed hands in the Exchange Transaction.

Under the Amended and Restated Master Leases, the Company will lease a total of 26 properties from the U.S. Buyer and a total of 2 properties from an affiliate of the Canadian Buyer, each for an initial term of 25 years, through June 30, 2043, followed by one optional renewal term of nine years, eleven months that may be exercised at the Company's option. The initial base rent under the U.S. Amended and Restated Master Lease is $17.1 million per annum, payable monthly, and is subject to a 2% annual increase during the initial term. If the Company elects to extend the term of the U.S. Amended and Restated Master Lease, the base rent for the first year of the extension will be the greater of 95% of the fair market rental value of the properties and an amount equal to 102% of the prior year's base rent, subject to an annual increase based on changes in the Consumer Price Index, but capped at 4%. The U.S. Amended and Restated Master Lease restricts the Company's use of the U.S. properties to heavy manufacturing, industrial, and other related uses. The Company cannot sublease or assign the properties covered by the U.S. Amended and Restated Master Lease without the prior written consent of the U.S. Landlord and subject to certain other restrictions. The terms of the Canadian Amended and Restated Master Lease are similar to those of the U.S. Amended and Restated Master Lease described above, except that the initial base rent is $1.2 million (CAD) per annum. The Company's aggregate liability in connection with its representations, warranties, covenants and indemnification and other obligations is $5.0 million under the U.S. Exchange Agreement and $6.4 million (CAD) under the Canadian Exchange Agreement, subject to limited exceptions.

The Company accounted for the Exchange Transaction in accordance with the sale-leaseback accounting guidance under ASC 840, *Leases*. The fair value of the 24 facilities exchanged back was $86.1 million, and was accounted for as the proceeds from the sale of the Bessemer and Mini Mill Facilities after adjusting for the transaction cost of $2.7 million. Consequently, a deferred gain of $67.3 million was recorded at June 5, 2018. The carrying value of the deferred gains of $35.0 million, the deferred rent of $3.1 million, and the deferred transaction costs of $2.4 million from the original sale-leaseback transaction were reclassified to reduce the carrying value of the 24 facilities exchanged back.

The Amended and Restated Master Leases extended the lease terms for all facilities, which caused the majority of the leases to be classified as capital leases instead of operating leases. Consequently, the Company recognized capital lease obligations as well as the gross value of the capital lease assets of $149.0 million, calculated by discounting minimum future lease payments using its incremental borrowing rate of 12.33%. The carrying value of the deferred gains of $100.0 million, the deferred rent of $3.8 million, and the deferred transaction cost of $5.7 million were reclassified to reduce the carrying value of capital lease assets.

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.

Earnout matter

The acquisition of Forterra Building Products from HC in March 2015 included an earnout contingency of up to $100.0 million if and to the extent the 2015 financial results of the businesses acquired by Lone Star in the acquisition, including the Company and HC's former building products business in the United Kingdom that were divested prior to the IPO, exceeded a specified Adjusted EBITDA target for fiscal year 2015, as calculated pursuant to the terms of the purchase agreement. If such Adjusted EBITDA calculation exceeds the specified target, LSF9, and therefore, Forterra would be required to pay HC an amount equal to a multiple of such excess Adjusted EBITDA, with any payment capped at $100.0 million. In April 2016, the Company provided an earnout statement to HC demonstrating that no payment was required. On June 13, 2016, HC provided notification that it is disputing, among other things, the Company’s calculation of Adjusted EBITDA under the purchase agreement and asserting that a payment should be made in the amount of $100.0 million. The Company does not believe HC’s position has merit and is vigorously opposing HC's assertions.

On October 5, 2016, affiliates of HC filed a lawsuit in the Delaware Court of Chancery seeking specific performance and claiming access to the Company's books, records, and personnel; seeking a declaratory judgment concerning the scope of the neutral accounting expert’s authority; and in the alternative, claiming a breach of contract and seeking the $100.0 million and other damages (the "Delaware Action"). In November 2016, the defendants filed a motion to dismiss the Delaware Action, and on January 6, 2017, the plaintiffs filed a First Amended Complaint. The defendants filed a motion to dismiss the First Amended Complaint on February 22, 2017, requesting that the Court dismiss all claims in the Delaware Action. On December 8, 2017, the court granted the defendants' Motion to Dismiss the First Amended Complaint in the Delaware Action, finding that the earnout dispute should be heard before a neutral accounting arbitrator as set forth in the purchase agreement. The court further found that any claims that required to be brought as indemnification claims under the purchase agreement were time-barred by the contractual limitations period. The plaintiffs in the Delaware Action filed a Motion for Clarification and Reargument of the Court's December 8, 2017 Memorandum Opinion, which the court denied on February 7, 2018. The plaintiffs in the Delaware Action did not appeal the court's ruling.

Following the resolution of the Delaware Action, the parties negotiated an engagement agreement with the neutral accountant as contemplated by the purchase agreement and that engagement was made effective April 23, 2018. Following the briefing of certain preliminary matters, the neutral accountant ordered production of some of the additional documents sought by HC, and the Company is currently working to complete that production, which is expected to be complete in the fourth quarter of 2018, after which the parties are expected to begin briefing on the merits of the matter.

As a result of the Reorganization, the defendants in the Delaware Action are no longer part of the Company and its consolidated subsidiaries, however the Company remains the liable party in this matter. As of September 30, 2018, no liability for this contingency has been accrued as payment of any earnout is not considered probable. However, the outcome of this matter is uncertain, and no assurance can be given to the ultimate outcome of the resulting proceedings. If the Company is unsuccessful in resolving the dispute, it could recognize a material charge to its earnings.

Securities Lawsuit and Shareholder Derivative Action

Beginning on August 14, 2017, four plaintiffs filed putative class action complaints in the United States District Court for the Eastern District of New York against a group of defendants that varies by complaint but includes the Company, certain members of senior management, the Board of Directors, Lone Star and certain of its affiliates, and certain banks that acted as underwriters of the IPO (collectively or in groups that vary by complaint, the “defendants”). On August 14, 2017, a putative class action complaint was filed by Charles Forrester; on August 16, 2017, a putative class action complaint was filed by Supanin Disayawathana; on August 23, 2017 a putative class action complaint was filed by Matthew Spindler; and on September 27, 2017, a putative class action complaint was filed by Nancy Maloney, which complaint was subsequently voluntarily dismissed without prejudice to refiling (the four complaints together, the "Securities Lawsuits").

The Securities Lawsuits are brought by each plaintiff individually and on behalf of all persons who purchased Company securities during an alleged class period that varies by complaint, but generally begins with the IPO in October 2016 and lasts through a range of dates from May 12, 2017 through August 14, 2017. The Securities Lawsuits generally allege that the Company's registration statement on Form S-1 filed in connection with the IPO, and in the case of certain complaints, statements made by the Company or the individual defendants at times after the IPO, contained false or misleading statements and/or omissions of material facts relating to (1) the lack of growth from organic sales versus sales from acquisitions, and the lack of organic growth related thereto, (2) increased pricing pressure on the Company's products, (3) softness in the concrete and steel pressure pipe business, (4) operational problems at plants, including problems relating to defective products, (5) unpaid invoices for products and services that resulted in understated expenses, (6) an undisclosed material weakness in internal controls related to inventory, and (7) an undisclosed material weakness in internal controls relating to bill and hold transactions.

The Securities Lawsuits generally assert claims under Section 11 of the Securities Act of 1933, as amended ("Securities Act"), Section 15 of the Securities Act, Section 10(b) of the Securities Exchange Act of 1934 as amended (the "Exchange Act") and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act, and they seek (1) class certification under the Federal Rules of Civil Procedure, (2) damages in an amount to be proven at trial, (3) prejudgment and post-judgment interest, (4) an award of reasonable costs and expense of plaintiffs, including counsel and expert fees, (5) an award of rescission or a rescissionary measure of damages, and (6) equitable or other relief as deemed appropriate by the court.

On July 27, 2018, an order was entered consolidating the three remaining Securities Lawsuits into a single action in the Forrester case and transferring the venue of the case from the Eastern District of New York to the Northern District of Texas. On September 17, 2018, an order was entered appointing Wladislaw Maciuga as lead plaintiff and approving his counsel as lead counsel. The Court has also entered an order agreeing to a proposed schedule for plaintiff to file an Amended Complaint by November 30, 2018 and deadlines under which the parties may file responsive pleadings and related briefing.

On July 31, 2018, a putative shareholder derivative complaint captioned *Maloney v. Bradley, et al.,* was filed in the United States District Court for the Northern District of Texas, naming as defendants certain of the Company’s current and former directors and officers (the "Derivative Action"). The complaint alleges the directors and officers breached their fiduciary duties to the Company and wasted corporate assets, and also alleges constructive fraud and unjust enrichment against certain defendants. The complaint seeks, on behalf of the Company, unspecified damages, an order directing the return certain payments to the defendants and imposing a constructive trust thereon, and certain injunctive relief. The Court has entered a scheduling order in the Derivative Action requiring defendants to file responsive pleadings by November 15, 2018 and providing other deadlines for related briefing.

The Company is defending the Securities Lawsuits and the Derivative Action vigorously. 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 Securities Lawsuits.

Long-term incentive plan

Following the Acquisition, Lone Star implemented a cash-based long term incentive plan (the “LTIP”), which entitles the participants in the LTIP 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 September 30, 2018, 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 is 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.

Tax receivable agreement

In connection with the IPO, the Company entered into a tax receivable agreement 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 tax receivable agreement 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 USP Acquisition and (v) certain other tax benefits attributable to payments made under the tax receivable agreement.

For purposes of the tax receivable agreement, 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 tax receivable agreement as a contingent liability, with amounts accrued when considered probable and reasonably estimable. As of the IPO date, the Company recorded a $160.8 million liability and a reduction to additional paid-in-capital related to the tax receivable agreement for the undiscounted value of probable future payments. Net of tax effects of $18.5 million, the net reduction to additional paid-in-capital related to the initial liability for the tax receivable agreement issued was $142.3 million. The enactment of the TCJA described in Note 17 significantly reduced the Company's anticipated liability under the tax receivable agreement. Net of other adjustments, the Company's tax receivable agreement liability as of September 30, 2018 is $117.6 million, of which $34.6 million is in current portion of tax receivable agreement and $83.0 million is in long-term tax receivable agreement in the condensed consolidated balance sheets. The timing and amount of future tax benefits associated with the tax receivable agreement 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. No payments have been made as of September 30, 2018.

15. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net earnings 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 and nine months ended September 30, 2018 and 2017 are presented below *(in thousands, except per share amounts)*:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Net income (loss)	$ 5,503	$ (11,502)	$ (7,413)	$ (45,218)
Less: Earnings (loss) allocated to unvested restricted stock awards	25	—	—	—
Earnings (loss) allocated to common shareholders	$ 5,478	$ (11,502)	$ (7,413)	$ (45,218)
Common stock:				
Weighted average basic shares outstanding	63,919	63,799	63,883	63,794
Effect of dilutive securities	350	—	—	—
Weighted average diluted shares outstanding	64,269	63,799	63,883	63,794
Basic earnings (loss) per share:				
Net income (loss)	$ 0.09	$ (0.18)	$ (0.12)	$ (0.71)
Diluted earnings (loss) per share:				
Net income (loss)	$ 0.09	$ (0.18)	$ (0.12)	$ (0.71)

As detailed further below, potential dilutive shares of common stock were anti-dilutive as a result of the Company's net loss for the three and nine months ended September 30, 2017 and the nine months ended September 30, 2018. As a result, basic weighted average shares were used in the calculations of basic earnings per share and diluted earnings per share for those periods.

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 September 30, 2018 and September 30, 2017 and the nine months ended September 30, 2018 and September 30, 2017 were 3,032,201, 1,331,165, 2,559,752 and 889,072, respectively.

16. Stock-based plans

The Company's previous equity compensation plan under which it has granted stock awards is the Forterra, Inc. 2016 Stock Incentive Plan (the "2016 Incentive Plan"). The 2016 Incentive Plan served as the umbrella plan for the Company's stock-based and cash-based incentive compensation programs for its directors, officers, and other eligible employees. The aggregate number of shares of common stock that may be issued under the 2016 Incentive Plan may not exceed 5,000,000 shares. The Company's board of directors has granted employees and independent directors options to purchase shares of common stock, shares of restricted common stock, and restricted stock units. The options, restricted stock and restricted stock units awarded to employees are subject to either three-year or four-year vesting periods, and the options, restricted stock and restricted stock units awarded to independent directors are subject to a one-year vesting period. The awards of stock options granted under the 2016 Incentive Plan have a term of ten years. In May 2018, the Company's shareholders approved the Forterra, Inc. 2018 Stock Incentive Plan (the "2018 Incentive Plan"). The aggregate number of shares of common stock issuable under the 2018 Incentive Plan is 5,000,000 shares plus any remaining shares issuable under the 2016 Incentive Plan.

In accordance with ASC 718, *Compensation-Stock Compensation*, the Company recognizes stock-based compensation expense over the requisite service period for the entire award, or to the date at which retirement eligibility is achieved and subsequent service no longer required for continued vesting of the award, in an amount equal to the grant date fair value of share-based payments, which include stock options granted and restricted stock awards to employees and non-employee members of Forterra's board of directors. The Company records stock-based compensation expense in cost of goods sold and selling, general and administrative expenses. Stock-based compensation expense was approximately $1.5 million and $4.6 million for the three and nine months ended September 30, 2018, respectively, and approximately $1.4 million and $2.8 million for the three and nine months ended September 30, 2017, respectively.

17. Income taxes

On December 22, 2017, the U.S. government enacted comprehensive tax reform legislation commonly known as the TCJA. Effective January 2018, the TCJA, among other things, reduced the marginal U.S. corporate income tax rate from 35% to 21%, limited the deductibility of interest expense, limited the deduction for net operating losses and eliminated net operating loss carrybacks, provided for immediate expensing of qualified capital expenditures placed in service after September 27, 2017 and modified or eliminated many business deductions and credits. The TCJA also includes international provisions, which generally establish a territorial-style system for taxing foreign source income of domestic multinational corporations known as global intangible low-taxed income ("GILTI") and imposes a mandatory one-time transition tax on undistributed international earnings.

Due to the complexities involved in accounting for the enactment of TCJA, SEC Staff Accounting Bulletin 118 provides the registrants with the measurement period up to one year following the enactment of the TCJA to account for the impact of the new U.S. corporate income tax law. During the measurement period the Company will provide provisional estimates of the impacts of the TCJA in its condensed consolidated financial statements until the accounting for the TCJA is complete.

For the year ended December 31, 2017 the Company recorded a provisional $26.9 million income tax benefit primarily related to the remeasurement of certain deferred tax assets and liabilities in connection with the TCJA. The Company considers it likely that further technical guidance will be provided regarding certain new provisions included in the TCJA, as well as clarity regarding the state income tax conformity to the current federal tax code. The Company will continue to refine the provision amounts for the impacts of the TCJA as further guidance becomes available. During the three and nine months ended September 30, 2018, the Company recorded an adjustment related to the transition tax in the amount of $0.4 million. The accounting is expected to be completed once the Company's 2017 U.S. Corporate income tax return is completed in the fourth quarter of 2018.

The Company recorded income tax expense from continuing operations of $2.8 million and $6.4 million for the three and nine months ended September 30, 2018, respectively, and an income tax benefit of $8.5 million and $25.4 million for the three and nine months ended September 30, 2017, respectively.

The income tax expense for the three months ended September 30, 2018 differs from the expense computed at the statutory rate primarily due to an increase in the unfavorable inclusion of global intangible low-taxed income, an adjustment to the transition tax and an increase to the valuation allowance in certain state and foreign jurisdictions.

The income tax expense for the nine months ended September 30, 2018 is higher than the benefit computed at the statutory rate primarily as a result of a $3.7 million partial valuation allowance, unfavorable inclusion of GILTI and the unfavorable impact of the disposition of nondeductible goodwill in connection with the Foley exchange that occurred in the three months ended March 31, 2018.

The income tax benefit for the three and nine months ended September 30, 2017 is lower than the benefit computed at the statutory rate primarily attributable to the effect of state income taxes and valuation allowance in certain states and foreign jurisdictions, partially offset by the impact of the higher statutory tax rates in the foreign jurisdictions compared to the statutory rate in the United States, commonly referred to as the foreign tax rate differential.

The Company's quarterly provision for income taxes has historically been calculated using the annual effective rate method, which applies an estimated annual effective tax rate to pre-tax income or loss. However, when the result of the expected annual effective tax rate is not deemed reliable and distorts the income tax provision for an interim period, the Company calculates the income tax provision or benefit using the actual year-to-date effective tax rate (the "discrete method"), which results in an income tax provision or benefit based solely on the year-to-date pre-tax income or loss as adjusted for permanent differences on a pro rata basis. The Company has recorded its interim income tax provision using the discrete method, as allowed under ASC 740-270, *Accounting for Income Taxes - Interim Reporting* for the three and nine months ended September 30, 2018.

18. 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.

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.

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 and nine months ended September 30, 2018 and 2017 *(in thousands)*:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Net sales:				
Drainage Pipe & Products	$ 242,997	$ 248,231	$ 621,523	$ 630,200
Water Pipe & Products	191,513	195,987	519,031	588,999
Corporate and Other	—	39	3	45
Total	$ 434,510	$ 444,257	$ 1,140,557	$ 1,219,244
Depreciation and amortization:				
Drainage Pipe & Products	$ 10,447	$ 11,703	$ 30,898	$ 34,847
Water Pipe & Products	15,218	17,136	47,775	52,046
Corporate and Other	257	319	697	570
Total	$ 25,922	$ 29,158	$ 79,370	$ 87,463
Segment EBITDA and reconciliation to income (loss) before income taxes:				
Drainage Pipe & Products	$ 53,271	$ 47,342	$ 122,841	$ 98,832
Water Pipe & Products	17,818	(4,144) *	48,923	30,881
Corporate and Other	(14,931)	(18,414)	(40,463)	(66,714)
Less: Interest expense	(21,940)	(15,582)	(52,993)	(46,202)
Depreciation and amortization	(25,922)	(29,158)	(79,370)	(87,463)
Income (loss) before income taxes	$ 8,296	$ (19,956)	$ (1,062)	$ (70,666)
Capital expenditures:				
Drainage Pipe & Products	$ 9,397	$ 4,696	$ 18,702	$ 19,161
Water Pipe & Products	3,080	2,774	10,732	10,935
Corporate and Other	728	68	992	1,041
Total	$ 13,205	$ 7,538	$ 30,426	$ 31,137

	September 30, 2018	December 31, 2017
Total assets:		
Drainage Pipe & Products	$ 846,320	$ 744,135
Water Pipe & Products	959,291	925,457
Corporate and Other	62,491	141,646
Total	$ 1,868,102	$ 1,811,238

* For the three months ended September 30, 2017, income (loss) from continuing operations before income taxes and EBITDA included a $31.6 million non-cash loss as a result of the U.S. Pressure Pipe Divestiture in July 2017.

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 $2.2 million, $2.9 million, $7.7 million and $9.4 million for the three and nine months ended September 30, 2018 and September 30, 2017, respectively, and with the following balances *(in thousands)*:

	September 30, 2018	December 31, 2017
Investment in equity method investee	$ 53,315	$ 54,445

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 does 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:	September 30, 2018	December 31, 2017
United States	$ 437,587	$ 381,754
Canada	42,779	20,251
Mexico	10,073	10,567
	$ 490,439	$ 412,572

Net Sales:	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
United States	$ 406,479	$ 412,562	$ 1,071,918	$ 1,146,292
Canada	25,160	27,688	61,046	62,507
Mexico	2,871	4,007	7,593	10,445
	$ 434,510	$ 444,257	$ 1,140,557	$ 1,219,244

19. Related party transactions

Tax receivable agreement

In connection with the IPO, the Company entered into a tax receivable agreement 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 has a 50% ownership stake in its joint venture CP&P and sold certain goods and services to CP&P, including spare parts for repairs. For the nine months ended September 30, 2018, Forterra sold $0.1 million of product to CP&P and purchased goods and services from CP&P for an amount of $0.1 million.

Bricks Joint Venture

In connection with the Reorganization, Forterra entered into a transition services agreement with the joint venture formed by the affiliate of Lone Star and an unaffiliated third party pursuant to which Forterra's former bricks business was contributed (the "Bricks Joint Venture"). Pursuant to the transition services agreement, Forterra continued to provide certain administrative services, including but not limited to information technology, accounting and treasury for a limited period of time following the disposition by Forterra of its former bricks business. The Company recognized a total of $1.8 million in Other operating income, net pursuant to the transition services agreement related to the Bricks Joint Venture for the nine months ended September 30, 2017. Additionally, during the transition period, the Company collected cash from as well as settled invoices and payroll on behalf of the Bricks Joint Venture. As a result, Forterra had a net receivable from affiliates of $4.1 million as of December 31, 2017 and September 30, 2018.

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 are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:

- the level of construction activity, particularly in the residential construction and non-residential construction markets;
- government funding of infrastructure and related construction activities;
- the highly competitive nature of our industry and our ability to effectively compete;
- energy costs;
- the availability and price of the raw materials we use in our business;
- the ability to implement our growth strategy;
- 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 of our manufacturing facilities or in our supply chain;
- construction project delays and our inventory management;
- our ability to successfully integrate acquisitions;
- labor disruptions and other union activity;
- a tightening of mortgage lending or mortgage financing requirements;
- our current dispute with HeidelbergCement related to the payment of an earnout;
- compliance with environmental laws and regulations;
- impacts and uncertainties regarding the Tax Cuts and Jobs Act of 2017;
- compliance with health and safety laws and regulations and other laws and regulations to which we are subject;
- our dependence on key executives and key management personnel;
- our ability 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;
- the seasonality of our business and its susceptibility to severe adverse weather;
- 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; 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 2017 10-K filed with the SEC on March 7, 2018 and Item 1A, "Risk Factors" in this Form 10-Q. 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, 2017 filed with the SEC on March 7, 2018, or the 2017 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.

Overview

Our Company

We are a manufacturer of pipe and precast products in the United States and Eastern Canada for a variety of water-related infrastructure applications, including water transmission, distribution and drainage. We provide critical infrastructure components for a broad spectrum of construction projects across residential, non-residential and infrastructure 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.

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, and seasonality and weather conditions. Some of the more important factors are discussed in the 2017 10-K, to which there were no material changes during the period covered by this report.

Our results for the three and nine months ended September 30, 2018 as compared to the same periods last year, primarily reflect the benefit of improved results in Drainage Pipe & Products and lower costs in Corporate, partially offset by lower results in Water Pipe & Products. A detailed description of our results and the factors impacting them is included in the *Results of Operations* section below.

Factors Affecting our Financial Statements

Business Combinations and Divestitures

On February 2, 2017, we completed the acquisition of substantially all of the assets of Royal Enterprises America, Inc., or Royal, a drainage pipe and products manufacturer located in Minnesota for aggregate consideration of $35.5 million. Royal manufactured concrete drainage pipe, precast concrete products, and stormwater treatment technologies and erosion control products serving the greater Minneapolis market and now operates as part of our Drainage Pipe & Products segment.

On July 31, 2017, we sold our U.S. concrete and steel pressure pipe business, which was part of our Water Pipe & Products segment, to an affiliate of Thompson Pipe Group, or TPG, for aggregate consideration of $23.2 million, as well as certain assets relating to a U.S. Drainage Pipe & Products manufacturing facility, or the U.S. Pressure Pipe Divestiture. The assets acquired, recognized at fair value, include $3.8 million of working capital, $1.8 million of machinery and equipment, and a customer intangible totaling $0.8 million. We used the net proceeds from the transaction to partially pay down the balance outstanding on our $300.0 million asset-based revolving credit facility.

On January 31, 2018, we divested assets relating to the operation of certain Drainage Pipe & Products facilities in Tennessee, Alabama, and Georgia to Foley Products Company, or Foley, in exchange for $10.1 million in cash, land in Sherman, Texas and a Drainage Pipe & Products facility located in Prentiss, Mississippi, or the Foley Transaction. The purchase price was subject to a $1.0 million net working capital adjustment pursuant to the terms of the asset purchase agreement. The cash received was used for general corporate purposes. The Prentiss facility manufactures concrete drainage pipe, precast and concrete products, and services the Mississippi and surrounding markets.

Sale-leaseback Transaction

On June 5, 2018, we entered into Exchange Agreements and Amended and Restated Master Leases with each of the U.S. buyer and the Canadian buyer under our existing sale-leaseback transaction, or collectively, the Exchange Transaction. Under the Exchange Agreement between us and the U.S. buyer, we exchanged ownership of a ductile iron pipe facility located in Bessemer, Alabama used in our Water Pipe & Products segment, or the Bessemer Facility, for 21 facilities used in our Drainage Pipe & Products segment and the U.S. concrete and steel pressure pipe facilities previously part of our Water Pipe & Products segment, including a portion of one property used in both segments, all of which were previously included in the sale-leaseback transaction. Under the Exchange Agreement between us and the Canadian buyer, we exchanged ownership of a smaller diameter ductile iron pipe facility located in Bessemer, Alabama used in our Water Pipe & Products segment, or the Mini Mill Facility, for ownership of three Canadian concrete pressure pipe facilities that were previously included in the sale-leaseback transaction. No cash changed hands in the Exchange Transaction.

The Amended and Restated Master Leases also extended the lease terms for all facilities, which caused the majority of the leases being classified as capital leases instead of operating leases. Consequently, we recognized capital lease obligations as well as the gross value of the capital lease assets of $149.0 million, calculated by discounting minimum future lease payments using our incremental borrowing rate of 12.33%. The carrying value of the deferred gains of $100.0 million, the deferred rent of $3.8 million, and the deferred transaction cost of $5.7 million were reclassified to reduce the carrying value of capital lease assets. *See* Note 13, *Sale-Leaseback Transaction*, for additional information regarding the transaction.

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. Revenue for certain contracts related to our structural precast and 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. See Note 2, Summary of significant accounting policies, to the condensed consolidated financial statements, for a discussion of accounting guidance adopted regarding revenue recognition.

Cost of Goods Sold

Cost of goods sold includes raw materials (cement, aggregates, scrap, and steel) 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 business combinations 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.

Earnings from Equity Method Investee

Earnings from equity method investee represents our share of the income of CP&P, the joint venture we entered into in July 2012 with Americast, Inc. We contributed plant assets and related inventory from nine plants as part of the agreement to form CP&P in exchange for a 50% ownership interest in the 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, and South Carolina, with sales to contiguous states. See Note 6*, Investment in equity method investee,* to the condensed consolidated financial statements, for further discussion of CP&P.

Other Operating Income

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), 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 capital lease obligation, the amortization of deferred financing costs, as well as the gain and loss associated with our interest rate swaps.

Other Expense, net

Other expense, net includes miscellaneous non-operating net income or expenses.

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.

Results of Operations

Three Months Ended September 30, 2018 as Compared to Three Months Ended September 30, 2017

Total Company

The following table summarizes certain financial information relating to our operating results for the three months ended September 30, 2018 and September 30, 2017.

Statements of Income Data:		**For the three months ended September 30, 2018**		**For the three months ended September 30, 2017**	**% Change**
Net sales	$	434,510	$	444,257	(2.2)%
Cost of goods sold		357,374		362,150	(1.3)%
Gross profit		77,136		82,107	(6.1)%
Selling, general and administrative expenses		(48,492)		(59,366)	(18.3)%
Impairment and exit charges		(2,170)		(1,193)	*
Earnings from equity method investee		2,224		2,936	(24.3)%
Other operating income		1,538		2,008	(23.4)%
		(46,900)		(55,615)	(15.7)%
Income from operations		30,236		26,492	14.1%
Other income (expenses)					
Interest expense		(21,940)		(15,582)	40.8%
Other expense, net		—		(30,866)	*
Income (loss) from before income taxes		8,296		(19,956)	*
Income tax (expense) benefit		(2,793)		8,454	*
Net Income (loss)	$	5,503	$	(11,502)	*

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

Net Sales

Net sales for the three months ended September 30, 2018 were $434.5 million, a decrease of $9.8 million or 2.2% from $444.3 million in the three months ended September 30, 2017. The decrease is due to the U.S. Pressure Pipe Divestiture, which contributed $10.8 million in net sales in the third quarter of 2017, and the Foley Transaction, which resulted in a $10.8 million decline in net sales. Excluding the impact of these two transactions, net sales increased by $11.8 million or 2.8% due to higher shipments and higher average selling prices.

Cost of Goods Sold

Cost of goods sold were $357.4 million for the three months ended September 30, 2018, a decrease of $4.8 million or 1.3% from $362.2 million in the three months ended September 30, 2017. The decrease is due to the U.S. Pressure Pipe Divestiture, which contributed $13.0 million in cost of goods sold in the three months ended September 30, 2017, as well as the Foley Transaction, which contributed $8.4 million in cost of goods sold in the three months ended September 30, 2017. Excluding the impact of the two transactions, cost of goods sold increased by $16.7 million or 4.9% due to higher shipments and higher costs for labor, freight, and raw materials, primarily in our Water Pipe & Products segment.

Gross Profit

Gross profit decreased by $5.0 million, or 6.1%, to $77.1 million in the three months ended September 30, 2018 from $82.1 million in the three months ended September 30, 2017. Gross profit decreased due to the impact of higher cost of goods sold, including higher scrap steel, primarily in our Water Pipe & Products segment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $48.5 million for the three months ended September 30, 2018, a decrease of $10.9 million or 18.3% from $59.4 million in the three months ended September 30, 2017. The decrease was due primarily to lower professional fees associated with various cost saving initiatives implemented in 2017 that did not recur in the three months ended September 30, 2018.

Impairment and Exit Charges

We recognized exit charges of $2.2 million for the three months ended September 30, 2018 primarily related to certain business initiatives compared to $1.2 million of comparable charges in the prior period.

Interest Expense

Interest expense increased by $6.3 million, or 40.8%, to $21.9 million in the three months ended September 30, 2018 from $15.6 million in the three months ended September 30, 2017. This increase was primarily due to $4.3 million related to the change in the classification of certain leases from operating lease to capital lease due to the sale-leaseback transaction and the benefit of a $0.9 million mark-to-market gain related to the interest rate swaps in the prior year period. The remainder of the interest expense increase was primarily due to the impact of higher average interest rates.

Other Expense, net

Other expense, net was $30.9 million for the three months ended September 30, 2017, primarily due to a $31.6 million loss generated by the U.S. Pressure Pipe Divestiture in July 2017.

Income Tax (Expense) Benefit

Income tax (expense) benefit changed by $11.2 million to an income tax expense of $2.8 million in the three months ended September 30, 2018 as compared to an income tax benefit of $8.5 million in the three months ended September 30, 2017. The change is due to positive earnings before income taxes recorded for the three months ended September 30, 2018 versus a loss for the prior year period, inclusion of the global intangible low-tax income, adjustment to the transition tax liability, the impact of the lower corporate tax rates enacted in December 2017 and the foreign tax rate differential as explained in Note 17 to the condensed consolidated financial statements.

Segments

	For the three months ended September 30,		% Change
	2018	2017	
Net sales:			
Drainage Pipe & Products	$ 242,997	$ 248,231	(2.1)%
Water Pipe & Products	191,513	195,987	(2.3)%
Corporate and Other	—	39	— %
Total	$ 434,510	$ 444,257	(2.2)%
Gross profit (loss):			
Drainage Pipe & Products	57,441	51,825	10.8 %
Water Pipe & Products	19,972	30,920	(35.4)%
Corporate and Other	(277)	(638)	(56.6)%
Total	$ 77,136	$ 82,107	(6.1)%
Segment EBITDA(1):			
Drainage Pipe & Products	53,271	47,342	12.5 %
Water Pipe & Products(2)	17,818	(4,144)	*
Corporate and Other	(14,931)	(18,414)	(18.9)%

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

(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 18, Segment Reporting*, for segment EBITDA reconciliation to income (loss) before income taxes.

(2) For the 2017 period, segment EBITDA included a $31.6 million loss as a result of the U.S. Pressure Pipe Divestiture in July 2017.

Drainage Pipe & Products

Net Sales

Net sales decreased by $5.2 million, or 2.1%, to $243.0 million in the three months ended September 30, 2018 from $248.2 million in the three months ended September 30, 2017. Excluding net sales of $10.8 million in the three months ended September 30, 2017 associated with the Foley Transaction, net sales increased by $5.5 million or 2.4%. The increase was due primarily to higher average selling prices that offset the impact of a decline in shipments.

Gross Profit

Gross profit was $57.4 million in the three months ended September 30, 2018, an increase of $5.6 million or 10.8% from $51.8 million in the three months ended September 30, 2017. The increase was primarily due to the benefit of higher average selling prices, partially offset by the impact of higher labor, freight and raw materials costs.

Water Pipe & Products

Net Sales

For the three months ended September 30, 2018, net sales were $191.5 million, a decrease of $4.5 million or 2.3% from $196.0 million for the three months ended September 30, 2017. Excluding net sales of $10.8 million in the three months ended September 30, 2017 associated with the U.S. Pressure Pipe Divestiture, net sales increased by $6.3 million or 3.4%. The increase was due primarily to higher shipments of ductile iron pipe.

Gross Profit

Gross profit was $20.0 million in the three months ended September 30, 2018, a decrease of $10.9 million or 35.4% from $30.9 million in the three months ended September 30, 2017. The decrease was due primarily to higher scrap steel, in addition to higher freight and labor costs, partially offset by higher average selling prices.

Nine Months Ended September 30, 2018 as Compared to Nine Months Ended September 30, 2017

Total Company

The following table summarizes certain financial information relating to our operating results for the nine months ended September 30, 2018 and September 30, 2017.

Statements of Income Data:	**For the nine months ended September 30, 2018**	**For the nine months ended September 30, 2017**	**% Change**
Net sales	$ 1,140,557	$ 1,219,244	(6.5)%
Cost of goods sold	953,743	1,022,574	(6.7)%
Gross profit	186,814	196,670	(5.0)%
Selling, general and administrative expenses	(151,617)	(191,964)	(21.0)%
Impairment and exit charges	(3,891)	(13,004)	(70.1)%
Earnings from equity method investee	7,745	9,449	(18.0)%
Other operating income	6,864	5,251	30.7 %
	(140,899)	(190,268)	(25.9)%
Income from operations	45,915	6,402	*
Other income (expenses)			
Interest expense	(52,993)	(46,202)	14.7 %
Other income (expense), net	6,016	(30,866)	*
Loss before income taxes	(1,062)	(70,666)	(98.5)%
Income tax (expense) benefit	(6,351)	25,448	*
Net loss	$ (7,413)	$ (45,218)	(83.6)%

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

Net Sales

Net sales for the nine months ended September 30, 2018 were $1,140.6 million, a decrease of $78.6 million or 6.5% from $1,219.2 million in the nine months ended September 30, 2017. The decrease is due to the U.S. Pressure Pipe Divestiture in July 2017, which contributed $72.7 million in net sales in the first nine months of 2017, and the Foley Transaction, which resulted in a $32.7 million decline in net sales. Excluding the impact of these two transactions, net sales increased by $26.8 million or 2.4% due to higher shipments and higher average selling prices.

Cost of Goods Sold

Cost of goods sold were $953.7 million for the nine months ended September 30, 2018, a decrease of $68.9 million or 6.7% from $1,022.6 million in the nine months ended September 30, 2017. The decrease is due to the U.S. Pressure Pipe Divestiture, which resulted in a $79.8 million decline in cost of goods sold, as well as the Foley Transaction, which resulted in a $24.1 million decline in cost of goods sold. Excluding the impact of the divestitures, cost of goods sold increased by $35.0 million or 3.8% due to higher shipments and higher labor, freight and raw materials costs.

Gross Profit

Gross profit decreased by $9.9 million, or 5.0%, to $186.8 million in the nine months ended September 30, 2018 from $196.7 million in the nine months ended September 30, 2017. Gross profit decreased due to lower profitability in the Water Pipe and Products segment including unabsorbed costs associated with facility downtime in the first half of 2018 and higher scrap steel, labor and freight costs not fully offset by higher average selling prices.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $151.6 million for the nine months ended September 30, 2018, a decrease of $40.4 million or 21.0% from $192.0 million in the nine months ended September 30, 2017. The period-over-period decrease is due primarily to lower professional fees associated with various cost saving initiatives implemented in 2017 that did not recur in the nine months ended September 30, 2018.

Impairment and Exit Charges

We recognized $3.9 million for the nine months ended September 30, 2018 for restructuring charges that primarily related to the consolidation of certain locations for the planned optimization of our portfolio as compared to $13.0 million in the prior year period. For the nine months ended September 30, 2017, we recognized $3.0 million of goodwill impairment related to our Canadian concrete and steel pressure pipe reporting unit, $7.5 million of long-lived asset impairment related to our U.S. concrete and steel pressure pipe assets, and $2.5 million for cost savings initiatives.

Interest Expense

Interest expense increased by $6.8 million, or 14.7%, to $53.0 million in the nine months ended September 30, 2018 from $46.2 million in the nine months ended September 30, 2017. The nine months ended September 30, 2018 included $6.0 million in higher interest expense related to the change in the classification of certain leases from operating lease to capital lease due to the sale-leaseback transaction. The remainder of the interest expense increase was primarily due to the impact of higher average interest rates. These increases were partially offset by a $4.3 million mark-to-market gain on the interest rate swaps in the nine months ended September 30, 2018 as compared to $2.0 million in the prior year period.

Other Income (Expense), net

Other income was $6.0 million for the nine months ended September 30, 2018 due primarily to the gain resulting from the Foley Transaction. *See* Note 3, *Business Combinations*. For the nine months ended September 30, 2017, other expense of $30.9 million was primarily due to a $31.6 million loss generated by the U.S. Pressure Pipe Divestiture in July 2017.

Income Tax (Expense) Benefit

Income tax (expense) benefit changed by $31.8 million as a result of an income tax expense of $6.4 million in the nine months ended September 30, 2018 as compared to an income tax benefit of $25.4 million in the nine months ended September 30, 2017. The change is due largely to a smaller loss before income taxes recorded for the nine months ended September 30, 2018 compared to the same period in 2017, inclusion of the global intangible low-tax income, adjustment to the transition tax liability, the impact of the lower corporate tax rates enacted in December 2017 and the foreign tax rate differential. In addition, for the nine months ended September 30, 2018, the Company recorded a partial valuation allowance of $3.7 million.

Segments

	For the nine months ended September 30,		
	2018	**2017**	**% Change**
Net sales:			
Drainage Pipe & Products	$ 621,523	$ 630,200	(1.4)%
Water Pipe & Products	519,031	588,999	(11.9)%
Corporate and Other	3	45	— %
Total	$ 1,140,557	$ 1,219,244	(6.5)%
Gross profit (loss):			
Drainage Pipe & Products	133,708	112,323	19.0 %
Water Pipe & Products	53,640	86,327	(37.9)%
Corporate and Other	(534)	(1,980)	(73.0)%
Total	$ 186,814	$ 196,670	(5.0)%
Segment EBITDA(1):			
Drainage Pipe & Products	122,841	98,832	24.3 %
Water Pipe & Products	48,923	30,881	58.4 %
Corporate and Other	(40,463)	(66,714)	(39.3)%

(1) For purposes of evaluating segment performance, the Company's chief operating decision maker reviews earnings before interest, taxes, depreciation and amortization, or 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 18, Segment Reporting*, for segment EBITDA reconciliation to income (loss) before income taxes.

Drainage Pipe & Products

Net Sales

Net sales decreased by $8.7 million, or 1.4%, to $621.5 million in the nine months ended September 30, 2018 from $630.2 million in the nine months ended September 30, 2017 due primarily to the impact of the Foley Transaction in January 2018, which resulted in a $32.7 million decline in net sales. Adjusted for the impact of this divestiture, the Company reported sales growth of $24.0 million or 4.0%, primarily due to higher average selling prices that offset the impact of lower shipments.

Gross Profit

Gross profit was $133.7 million in the nine months ended September 30, 2018, an increase of $21.4 million or 19.1% from $112.3 million in the nine months ended September 30, 2017. The increase was primarily due to higher average selling prices that more than offset the impact of higher costs of good sold including labor, freight and raw material.

Water Pipe & Products

Net Sales

For the nine months ended September 30, 2018, net sales were $519.0 million, a decrease of $70.0 million or 11.9% from $589.0 million for the nine months ended September 30, 2017. Adjusted for net sales of $72.7 million in the nine months ended September 30, 2017 associated with the U.S. Pressure Pipe Divestiture, net sales increased by $2.7 million, or 2.2%. The increase was due to primarily to higher shipments.

Gross Profit

Gross profit was $53.7 million in the nine months ended September 30, 2018, a decrease of $32.7 million or 37.9% from $86.4 million in the nine months ended September 30, 2017. The decrease was due primarily to downtime at the Bessemer plant (major planned maintenance overhaul and installation of more efficient/newer equipment) that resulted in reduced cost absorption and lower sales volumes in the first half of 2018, as well as the impact of higher scrap steel, labor and freight costs that were not fully offset by higher average selling prices. The maintenance and installation at Bessemer are now complete and the business is beginning to experience operational efficiencies from the overhaul.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash from operations and borrowings under our credit agreements. We believe these sources will be sufficient to fund our planned operations and capital expenditures in the next 24 months.

We are currently engaged in a dispute with HeidelbergCement regarding the earnout provision in the purchase agreement entered into in connection with the original acquisition of our business. HeidelbergCement has asserted that a payment should be made in the amount of $100.0 million. Resolution will be determined by a neutral accountant pursuant to the terms of the purchase agreement. If it is determined that we are required to make a significant payment to HeidelbergCement, we may not have sufficient cash to make such payment and may be required to incur additional indebtedness. This dispute is discussed in greater detail in Note 14, Commitments and contingencies, to the condensed consolidated financial statements.

As of September 30, 2018 and December 31, 2017, we had approximately $30.3 million and $104.5 million of cash and cash equivalents, respectively, of which $9.9 million and $19.1 million, respectively, were held by foreign subsidiaries. The decline in cash balances as of September 30, 2018 reflects the higher cash demand of our seasonal business. All of the cash and cash equivalents as of September 30, 2018 and December 31, 2017 were readily convertible as of such dates into currencies used in the Company’s operations, including the U.S. dollar. As a result of the December 2017 tax reform, the Company believes it can repatriate the cumulative undistributed foreign earnings back to the U.S. when needed with minimal additional taxes other than state income and foreign withholding tax.

In connection with the IPO, we entered into 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.

Total debt related to the Company's Senior Term Loan, or the 2016 Senior Term Loan, as of September 30, 2018 was $1,226.0 million. As of September 30, 2018, the Company had no borrowings outstanding under its $300.0 million asset-based revolving credit facility, or the 2016 Revolver. The 2016 Revolver had available borrowing capacity as of September 30, 2018 of $284.4 million.

The 2016 Revolver provides for an aggregate principal amount of up to $300.0 million, with up to $280.0 million to be made available to the U.S. borrowers and up to $20.0 million to be made available to the Canadian borrowers. Subject to the conditions set forth in the revolving credit agreement, the 2016 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 2016 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 2016 Revolver matures on October 25, 2021.

The 2016 Senior Term Loan provides for an initial $1.05 billion senior secured term loan that was made available to a newly formed direct subsidiary of Forterra, Inc. Subject to the conditions set forth in the term loan agreement, the 2016 Senior 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 amount, provided certain financial tests are met. The 2016 Senior Term Loan matures on October 25, 2023 and is subject to quarterly amortization equal to 0.25% of the initial principal amount. On May 1, 2017, the Company amended the 2016 Senior Term Loan to increase the principal outstanding by an additional $200.0 million to $1.25 billion and to reduce the margin interest margins applicable to the full balance of the 2016 Senior Term Loan by 50 basis points such that applicable margin is based on LIBOR has been reduced from 3.50% to 3.00%. Interest accrues on outstanding borrowings under the 2016 Term Loan at a rate equal to 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 2016 Revolver and the 2016 Senior 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 2016 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 availability under the 2016 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 2016 Senior Term Loan does not contain any financial covenants. Obligations under the 2016 Revolver and the 2016 Senior Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate).

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	
	September 30, 2018	September 30, 2017
Statement of Cash Flows data:		
Net cash used in operating activities	$ (28,595)	$ (39,133)
Net cash used in investing activities	(35,472)	(50,909)
Net cash (used in) provided by financing activities	(9,768)	89,390

Net Cash Used In Operating Activities

Net cash used in operating activities was $28.6 million for the nine months ended September 30, 2018, compared to net cash used in operating activities of $39.1 million for the nine months ended September 30, 2017. Changes between the periods are in part due to improved working capital management as well as the timing of the settlements of our receivables and payables.

Net Cash Used in Investing Activities

Net cash used in investing activities was $35.5 million for the nine months ended September 30, 2018 due to capital expenditures of $29.6 million, final net working capital settlement related to U.S. Pressure Pipe Divestiture of $8.5 million, settlement on derivative contracts of $5.0 million, business acquisitions of $4.5 million and other asset acquisitions of $1.9 million, partially offset by cash received from the Foley Transaction of $9.1 million and proceeds from sale of fixed assets of $4.9 million. Net cash used of $50.9 million for the nine months ended September 30, 2017 primarily due to the Royal acquisition totaling $35.4 million and $38.7 million for purchase of property plant and equipment offset by $23.2 million cash proceeds from the U.S. Pressure Pipe Divestiture.

Net Cash (Used in) Provided by Financing Activities

Net cash used in financing activities was $9.8 million for the nine months ended September 30, 2018 due primarily to repayments of principal on the 2016 Senior Term Loan. Net cash provided by financing activities was $89.4 million for the nine months ended September 30, 2017 primarily consisting of additional borrowings under the 2016 Senior Term Loan.

Capital Expenditures

Our capital expenditures were $11.9 million and $29.6 million for the three and nine months ended September 30, 2018, respectively, and $8.7 million and $38.7 million for the three and nine months ended September 30, 2017, respectively. Capital expenditures primarily related to equipment, such as plant and mobile equipment, upgrade and expansion of existing facilities, and environmental and permit compliance projects.

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 September 30, 2018, outstanding stand-by letters of credit amounted to $15.6 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 2018 reported results are discussed in greater detail in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2017 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 apart from those identified below, which were applied to reflect the adoption of an updated accounting standard, Topic 606, in our first quarter 2018 condensed consolidated financial statements.

Revenue recognition policy

Our revenue contracts are primarily single performance obligations for the sale of product both to trade customers and distributors. A majority of revenue we recognize is recognized at the time control is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for the products. We consider several indicators for the transfer of control to our customers, including the significant risks and rewards of ownership of products, our right to payment and the legal title of the products. Based upon the assessment of control indicators, sales to trade customers and distributors are generally recognized when products are delivered to customers.

All variable consideration that may affect the total transaction price, including contractual discounts, rebates, returns and credits, is included in net sales. Estimates for variable consideration are based on historical experience, anticipated performance and management's judgment. Generally, our contracts do not contain significant financing.

For certain engineering and construction contracts and building contracting arrangements, we enter into long-term contracts with customers. Revenue is recognized as the identified performance obligations are satisfied over time using an acceptable input method to measure the progress toward completion of the performance obligation if: the customer receives the benefits as work is performed, the customer controls the asset as it is being produced, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. We use our cost incurred to date relative to total estimated costs at completion to measure progress. Our contract liabilities consist of billings to customers in excess of revenue recognized which the we record as deferred revenue. Contract assets includes revenue recognized in excess of amounts billed and balances billed but not yet paid by customers under retainage provisions which are classified as a current asset within receivables, net on our balance sheet.

We record net sales including taxes collected on behalf of its customers. Shipping and handling costs are accounted for as contract fulfillments costs and classified as cost of goods sold.

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 2017 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. We entered into two interest rate swap transactions with a combined notional value of $525 million to limit our exposure to interest rate increases related to a portion of our floating rate indebtedness. Under the terms of both swap transactions, we 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 have a three-year term and expire on March 31, 2020. At September 30, 2018, we estimate that a 1% increase in the rates relating to the portion of our floating rate debt that is not hedged would increase annual interest requirements by approximately $7.0 million.

Foreign Currency Risk

Approximately 6.0% of our net sales for the nine months ended September 30, 2018, 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 nine months ended September 30, 2018, we estimate that a 1% change in the exchange rate between the U.S. dollar and foreign currencies would affect net sales by approximately $0.7 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 September 30, 2018, we had an individual customer within our Water Pipe & Products segment that accounted for more than 10% of total net sales for the nine months ended September 30, 2018. The customer represented approximately 14% of our total net sales for the nine months ended September 30, 2018, and amounts receivable from the customer at September 30, 2018 represented approximately 15% of our total receivables, net.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of September 30, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2018, our disclosure controls and procedures were not effective due to the following material weaknesses in our internal control over financial reporting discussed below.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following three material weaknesses as of December 31, 2017 as reflected in our Annual Report on Form 10-K filed on March 7, 2018, as well as Form 8-K filed on November 6, 2018:

- A material weakness related to the aggregation of control deficiencies over the inventory process, primarily related to the ineffective design and operating effectiveness of controls over physical inventory counts, processes to validate inputs used in the calculation of excess and obsolete inventory reserves, and control activities related to the periodic review of standard cost variances and related adjustments of inventories to actual costs.

- A material weakness related to the aggregation of control deficiencies over the revenue recognition process, primarily related to the ineffective design and operating effectiveness of controls over the verification of physical shipments and internal validation of customer approvals of sales order terms prior to recognizing revenue.

- A material weakness related to the aggregation of control deficiencies over the Company's information technology (“IT”) systems. Specifically, the Company did not maintain effective controls over user access to IT systems and changes to IT programs and data and, as a result, the effective functioning of certain process-level automated and IT-dependent controls could have been affected.

We are currently working towards remediating the material weaknesses in our internal control over financial reporting and are implementing additional processes and controls designed to address the underlying causes of the material weaknesses. The following describes the continuing remediation that we are taking or have taken to address the material weaknesses related to the inventory and revenue recognition processes:

- Conduct additional training at the plant level on inventory receiving and delivery controls as well as physical inventory counts;

- Enhance management review and monitoring of inventory costing calculations to ensure the correctness of the methodology, the integrity of the data used, as well as the mathematical accuracy of the calculation;

- Implement a process of periodically reviewing inventory standard costs;

- Implement plant level controls on product shipment and reconciliation to revenue recognition; and

- Design and implement controls on sales order processing with special emphasis on customer acknowledgment.

With respect to the material weakness related to the IT systems, we are taking a number of actions to remediate the material weakness related to IT controls, including, but not limited to, the following:

- Establishing a more rigorous review process over the evaluation of user access to IT systems, including preventative reviews prior to any changes to user access and periodic reviews of all user access;

- Improving the structure and governance surrounding controls over IT systems;

- Implementing enhanced review procedures and analysis over the segregation of duties in IT systems;

- Revising policies on the documentation of IT control performance and the retention of that documentation; and

- Replacing certain IT systems that have inherent control limitations.

During the course of implementing additional processes and controls, as well as controls operating effectiveness testing, we may identify additional control deficiencies, which could give rise to other material weaknesses, in addition to the material weaknesses described above. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address material weaknesses or determine to modify certain of the remediation measures.

Changes in Internal Control over Financial Reporting

Except for the controls we are in the process of implementing and other actions we are taking as described above to remediate the material weaknesses described above, there were no other 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 September 30, 2018 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 September 30, 2018 to the risk factors previously disclosed in the 2017 10-K. Although we do not believe it to be material based on the information available to us as of the date of this Quarterly Report on Form 10-Q, we have elected to update our risk factor regarding cybersecurity matters to reflect our recent discovery of a cybersecurity incident involving the unauthorized access to the email account of a member of corporate management.

Cybersecurity attacks may threaten our confidential information, disrupt operations and result in harm to our reputation and adversely impact our business and financial performance.

Cybersecurity attacks across industries, including ours, are increasing in sophistication and frequency and may range from uncoordinated individual attempts to measures targeted specifically at us. These attacks include but are not limited to, malicious software or viruses, attempts to gain unauthorized access to, or otherwise disrupt, our information systems, attempts to gain unauthorized access to proprietary information, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Cybersecurity failures may be caused by employee error, malfeasance, system errors or vulnerabilities, including vulnerabilities of our vendors, suppliers, and their products. We have been subject to cybersecurity attacks in the past, including breaches of our information technology systems, and we have experienced a recent corporate manager email compromise that exposed certain confidential business information. Based on an ongoing investigation and information known to date, neither the recent attack nor past attacks have not had a material impact on our financial condition or results of operations. We may experience such attacks in the future, potentially with more frequency or sophistication.

Failures of our information technology systems as a result of cybersecurity attacks or other disruptions could result in a breach of critical operational or financial controls and lead to a disruption of our operations, commercial activities or financial processes. Cybersecurity attacks or other disruptions impacting significant customers and/or suppliers could also lead to a disruption of our operations or commercial activities. Despite our attempts to implement safeguard our systems and mitigate potential risks, there is no assurance that such actions will be sufficient to prevent cyberattacks or security breaches that manipulate or improperly use our systems or networks, compromise confidential or otherwise protected information, destroy or corrupt data, or otherwise disrupt our operations. The occurrence of such events could have a material adverse effect on our business financial condition and results of operations.

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

Exhibit No.	Description of Exhibit	
10.1#	Separation and General Release Agreement between William P. Kerfin, Jr. and Forterra, Inc. and USP Holdings, Inc. dated as of July 23, 2018.	*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
32.1	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.	*
101.SCH	XBRL Taxonomy Extension Schema Document.	*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	*
101.DEF	XBRL Taxonomy Definition Linkbase Document.	*
101.LAB	XBRL Taxonomy Label Linkbase Document.	*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	*

* Filed herewith

\# Denotes management compensatory plan or arrangement

^ 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.

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/ Jeff Bradley	November 6, 2018
By: Jeff Bradley President and Chief Executive Officer (Principal Executive Officer)	
/s/ Charles R. Brown, II	November 6, 2018
By: Charles R. Brown, II Executive Vice President and Chief Financial Officer (Principal Financial Officer)	

Exhibit 10.1

SEPARATION AND GENERAL RELEASE AGREEMENT

This SEPARATION AND GENERAL RELEASE AGREEMENT (this " Agreement") is entered into by and among William P. Kerfin, Jr. (the "Executive"), on the one hand, and Forterra, Inc. ("Forterra"), and USP Holdings, Inc. (the "Company"), on the other hand, and is effective as of the Effective Date (as defined herein). The Company, Forterra and the Executive shall each be referred to in this Agreement as a "Party," and collectively as the "Parties."

WHEREAS, the Executive has been employed by the Company as its President pursuant to that certain Employment Agreement dated April 26, 2016 between Executive and the Company (the "Employment Agreement"), which superseded, terminated and cancelled that certain Senior Management Agreement between the Executive and the Company dated March 2, 2015 and which combines certain ongoing post-Employment restrictive covenants that survive termination of Employment;

WHEREAS, LSF9 Concrete Holdings Ltd, a private limited company incorporated under the laws of the Bailiwick of Jersey ("Concrete Holdings") previously established the LSF9 Concrete Holdings Ltd. Long Term Incentive Plan (as amended, supplemented, restated, or otherwise modified, the "LTIP"), in accordance with which Executive and Concrete Holdings entered into that certain Award Agreement dated August 21, 2016, which superseded, terminated and cancelled that certain Long Term Incentive Plan Award Agreement between the Executive and Concrete Holdings dated April 26, 2016 (as amended, supplemented, restated or otherwise modified, the "Award Agreement");

WHEREAS, pursuant to that certain Assignment and Assumption Agreement dated as of October 14, 2016, Concrete Holdings assigned and transferred all rights, title, interest and certain obligations in and under the LTIP to Forterra, and after such date Forterra maintains the LTIP;

WHEREAS, Executive and Forterra entered into that certain Indemnification Agreement dated October 19, 2016, which provides certain rights to indemnification of the Executive by the Company and by which the Company is bound(the "Indemnification Agreement");

WHEREAS, the Parties have determined that it is in their mutual best interests for Executive's service with the Company and its affiliates to terminate on the terms and conditions set forth herein; and

WHEREAS, Executive, Forterra and the Company wish to resolve all matters related to the Executive's employment with the Company and the cessation thereof, the LTIP and the Award Agreement, on the terms and conditions expressed in this Agreement.

NOW THEREFORE, in consideration of the mutual promises contained herein, the Parties, intending to be legally bound, agree as follows:

1. Resolution of Disputes. The Parties have entered into this Agreement as a way of severing the employment relationship between them and amicably settling any and all potential disputes concerning the Executive's service with Forterra and the Company, the cessation thereof, the LTIP and the Award Agreement (the " Disputes"). The Parties desire to resolve the Disputes and all issues raised by the Disputes, without the further expenditure of time or the expense of contested litigation. Additionally, the Parties desire to resolve any known or unknown claims. For these reasons, they have entered into this Agreement.

2. Separation Date. Executive and the Company agree that Executive's employment with the Company has ceased effective at 11:59 p.m. CDT on July 23, 2018 (the "Separation Date"), and that the Company will deem such cessation to be a termination without Cause (as defined under the Employment Agreement). In connection with such cessation, Executive has resigned from all positions Executive held with Forterra, the Company and any of its affiliates, effective as of the Separation Date. Notwithstanding the foregoing, for purposes of the Employment Agreement, the Plan and the Award Agreement, the parties agree that Executive's cessation of service constitutes, and shall be deemed to constitute, a termination by the Company without Cause. Executive hereby waives any notice period with respect to the termination of his Employment.

3. Payments and Benefits.

3.1 Accrued Rights. Executive shall be entitled to payment of (i) his regular base salary earned through the Separation Date, (ii) any unreimbursed business expenses, (iii) any vacation days that have been accrued but unused under the Company's vacation policy that are required to be cashed out under state law, and (iv) any reimbursements and payments due to the Executive under the Company's benefit plans, programs or arrangements, with such amounts payable in accordance with the terms of such plans, programs or arrangements.

3.2 LTIP. The Parties acknowledge and agree that Executive shall retain all 80,000 of the Pool Units granted to him under the Award Agreement and the LTIP until the six-month anniversary of the Separation Date and shall remain entitled to all payments due to Executive in connection with any Liquidity Event (as defined in the LTIP) occurring on or before the six-month anniversary of the Separation Date with respect to all such Pool Units; provided, however, that all such Pool Units and any right to such payment shall be immediately forfeited on the date the Executive first violates any of the restrictive covenants set forth in Section 5 of the Employment Agreement. Any payments due under the LTIP shall be made in accordance with the terms and conditions of the Award Agreement and the LTIP.

3.3 Equity Awards. Executive acknowledges and agrees that all other equity awards that he holds in Forterra or any affiliate which are unvested as of the Separation Date under the terms of such awards shall be cancelled and forfeited without the payment of any additional consideration therefore as of the Separation Date.

3.4 No Other Benefits. Except as provided in Sections 3.1 and 3.2 of this Agreement, Executive shall not be entitled to receive any other payment, benefit or other form of compensation as a result of his employment or the cessation thereof. Executive further acknowledges and agrees that Executive has received all compensation and benefits owed to him and that the Company or its affiliates do not owe any additional compensation or benefits, including but not limited to salary, wages, bonus, accrued time off, reimbursement for expenses, or any other alleged entitlement or benefit, other than what has already been received or as set forth in Sections 3.1 and 3.2. Further, Executive agrees that, in connection with any appointments on management and advisory boards for the Company and any affiliates of the Company, and for any tasks performed in connection therewith, Executive shall not be entitled to any further remuneration and/or any other benefits.

3.5 Special Separation Pay. In lieu of any separation payments provided under any other plans, programs, agreements or arrangements, in consideration of Executive's undertakings set forth in this Agreement, and conditioned upon Executive's execution, delivery, and non-revocation of this

Agreement and Executive's continued compliance with his obligations under this Agreement and Section 5 of the Employment Agreement, the Company shall provide the Executive with the following payments and benefits (the "Special Separation Compensation"):

a. Continued payment of the Executive's current base salary of $385,000 for a period of twelve (12) months following the Separation Date, which amount shall be subject to all applicable taxes and withholdings and shall be payable in accordance with the Company's customary payroll practices over such period;

b. In lieu of the notice period contemplated by Section 4(a) of the Employment Agreement, and in exchange for the waiver of any such notice by Executive, a one-time payment in the amount of $33,328.00,which amount shall be subject to all applicable taxes and withholdings and shall be payable in accordance with the Company's customary payroll practices, in a lump sum within fourteen (14) days of the Effective Date of this Agreement (as defined herein);

c. Payment, at the time annual bonuses are paid to other Company executives, but no later than March 15, 2019, of an annual bonus for calendar year 2018 (based on actual performance for such year) in a lump sum amount pro-rated based on the number of days from January 1, 2018 through the Separation Date, subject to all applicable taxes and withholdings; and

d. For a period of twelve (12) months following the Separation Date, access to health coverage for Executive and his dependents under the Company's group insurance plans at the same rate applicable to Executive as of immediately prior to the Separation Date.

Notwithstanding any of the foregoing, the Company shall not be obligated to make any of the payments or provide any of the benefits set forth in this Section 3.5 in the event Executive violates any of the obligations under this Agreement or Section 5 of the Employment Agreement. By executing this Agreement, Executive acknowledges that neither the Company nor any of the Releasees (defined below) has any prior obligation to provide the Special Separation Compensation. Executive also acknowledges and agrees that the acceptance of the Special Separation Compensation and attendant obligations as described in this Agreement is in consideration of Executive's promises and undertakings as set forth in this Agreement, and that if Executive violates any of the requirements and prohibitions set forth in this Agreement or Section 5 of the Employment Agreement, Executive forfeits and has no right to the Special Separation Compensation. Executive further acknowledges and agrees that the Company has satisfied all obligations owed to Executive pursuant to Executive's Employment with the Company and the Executive's participation in its benefit plans, and that no additional sums are owed by the Company or any of the other Releasees for any reason.

3.6 No Representations as to Taxation. The Company makes no representations regarding the taxability or legal effect of the payments described in this Agreement, and Executive is not relying on any statement or representation of the Company in this regard. Executive will be solely responsible for the payment of any taxes assessed on the payments made hereunder.

3.7 Notice of Purported Violation. While the Company and the Executive both have full faith and expectation that each shall comply with all terms and conditions of this Agreement and the Employment Agreement as reaffirmed by paragraph 11 of this document, in the event of a perceived violation by either party, the party who believes the Agreement has been violated shall provide notice pursuant to paragraph 23 of this document and inform the other party of the nature and timing of the purported violation. Notice shall be provided with seven (7) days of the purported violation or at such time when the violation came to the attention of the aggrieved party. Within seven (7) days of the date of such notice, the party receiving the notice of purported violation shall respond and attempt to cure the alleged violation if possible or otherwise dispute or admit the violation. Attempting to cure the purported violation shall not be deemed as admitting the violation. During this time frame, the Company agrees to refrain from withholding Executive's salary continuation and/or benefits pursuant to Section 3.5 of this Agreement or initiating a cause of action in a court of law or pursuant to Section 15 of this document unless the Executive admits the violation. During this time frame, the Executive likewise agrees to refrain from initiating a cause of action in a court of law or pursuant to Section 15 of this document unless the Company admits the violation. Notwithstanding any of the foregoing portions of this Section 3.7, nothing in this Section 3.7 shall prevent the Company from immediately seeking or obtaining immediate injunctive relieve under Section 11 of this Agreement in the event that Executive violates the covenants in Section 5 of the Employment Agreement. In addition, nothing in this Section 3.7 shall be construed as a waiver of any of the rights or remedies of the Company or the Executive.

4. General Release.

a. In consideration of the payments and benefits (less all applicable withholdings) set forth in this Agreement, Executive, on behalf of himself and his agents, heirs, executors, successors and assigns, knowingly and voluntarily releases, remises, and forever discharges the Company, Forterra, Forterra US Holdings, LLC, Concrete Holdings, Lone Star Fund IX (U.S.), L.P., Hudson Advisors, L.P., and each of their respective parents, subsidiaries or affiliates, together with each of their current and former principals, officers, directors, partners, shareholders, attorneys, agents, representatives and employees, and each of their respective affiliates, and each of the above listed person's heirs, executors, successors and assigns whether or not acting in his or his representative, individual or any other capacity (each a "Releasee" and, collectively, the "Releasees"), to the fullest extent permitted by law, from any and all debts, demands, actions, causes of actions, accounts, covenants, contracts, agreements, claims, damages, costs, expenses, omissions, promises, and any and all claims and liabilities whatsoever, of every name and nature, known or unknown, suspected or unsuspected, both in law and equity (collectively, the "Claims"), including but not limited to those which Executive ever had, now has, or may hereafter claim to have against the Releasees by reason of the Executive's employment with the Company, the cessation thereof, the Award Agreement, the LTIP, or any other matter, cause or thing whatsoever relating thereto arising from the beginning of time to the time he signs this Agreement (the "General Release"). The General Release shall apply to any Claim of any type, including, without limitation, any Claims with respect to Executive's entitlement to any wages, bonuses, benefits, payments, or other forms of compensation; any claims of wrongful discharge, breach of contract, breach of the covenant of good faith and fair dealing, violation of public policy, defamation, personal injury, or emotional distress; any Claims of any type that Executive may have arising under the common law; any Claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967 (the "ADEA"), the Older Workers Benefit Protection Act, the Americans With Disabilities Act, the Family and Medical Leave Act, the Executive Retirement Income Security Act, the Fair Labor Standards Act, the federal Workers' Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act, each as amended; and any other federal, state or local statutes, regulations, ordinances or common law, or under any policy, agreement, contract, understanding or promise, written or oral, formal or informal, between any of the Releasees and Executive, and shall further apply, without limitation, to any and all Claims in connection with, related to or arising out of Executive’s employment relationship, or the termination of his employment, with the Company or any Releasee and to any Claims fraud or fraud in the inducement or fraudulent misrepresentation in relation to any such matters.

b. Executive intends that this General Release extend to any and all Claims of any kind or character related to the Company or any Releasee, and Executive, on behalf of himself, his agents, heirs, executors, successors and assigns, therefore expressly waives any and all rights granted by federal or state law or regulation that may limit the release of unknown claims.

c. Executive represents and warrants that Executive has not filed, and Executive will not file, any lawsuit or institute any proceeding, charge, complaint or action asserting any claim released by this Agreement before any federal, state, or local administrative agency or court against any Releasee, concerning any event occurring prior to the signing of this Agreement. Notwithstanding the foregoing, nothing contained in this Agreement limits Executive’s ability to file a charge or complaint with any federal, state or local governmental agency or commission (“Government Agencies”) or limits Executive’s ability provide information to or communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by Executive, on his behalf, or by any other individual. However, to the maximum extent permitted by law, Executive agrees that if such a charge or complaint is made, Executive shall not be entitled to recover any individual monetary relief or other individual remedies. This Agreement does not limit or prohibit Executive’s right to receive an award for information provided to any Government Agency to the extent that such limitation or prohibition is a violation of law. Furthermore, if Executive makes a confidential disclosure of any trade secret or confidential information of the Company to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a court filing under seal, Executive will not be held liable under this Agreement, the Employment Agreement, the Award Agreement, or under any federal or state trade secret law for such a disclosure. Executive also hereby agrees that nothing contained in this Agreement shall constitute or be treated as an admission of liability or wrongdoing by any of the Releasees. Executive also hereby agrees that nothing contained in this Agreement shall constitute or be treated as an admission of liability or wrongdoing by any of the Releasees.

d. Nothing in this Section 4 shall be deemed to release (i) Executive’s right to enforce the terms of this Agreement, (ii) Executive’s rights, if any, to any vested benefits as of Executive's last day of employment with the Company under the terms of an employee compensation or benefit plan, program or agreement in which Executive is a participant, or (iii) any Claim that cannot be waived under applicable law, including any rights to workers’ compensation or unemployment insurance.

e. Executive hereby represents and warrants to the Releasees that Executive is the sole owner of any Claims that Executive may now have or in the past had against any of the Releasees and that Executive has not assigned, transferred, or purported to assign or transfer any such Claim to any person or entity.

5. Return of Property. Executive represents and warrants that as of the Effective Date he has returned to the Company all property of the Company in whatever form in accordance with the terms of Section 5(f) of the Employment Agreement.

6. Cooperation. Executive agrees to make himself available as reasonably requested by the Company, and after reasonable advance notice that shall not materially interfere with Executive's other commitments, with respect to, and to use reasonable best efforts to cooperate in conjunction with any litigation, arbitration, inquiry, investigation (internal or external), proceeding, or dispute of any kind arising from or relating to events that occurred during Executive's employment with the Company and its affiliates (whether such litigation, arbitration, inquiry, investigation, proceeding or dispute is currently pending or subsequently initiated) involving the Company or any affiliate of the Company including providing interviews, testimony and preparing to provide testimony if so requested by the Company. Executive shall be entitled to payment in the amount of $215 per hour for any such cooperation and the Company shall reimburse Executive for any reasonable travel and other expenses incurred in connection with such cooperation. Nothing in this Agreement is intended to modify the rights and obligations of the Company or the Executive under the Indemnification Agreement.

7. Reemployment. Executive acknowledges in consideration of the Special Separation Compensation described in Section 3.5 of this Agreement, that as of the date of the Executive's execution of this Agreement, Executive does not intend to seek and will not seek to be rehired by the Company or any of the other Releasees. Executive further acknowledges and agrees that should Executive seek rehire with the Company or any of the other Releasees in the future, and the Company or any of the other Releasees does not offer Executive employment, that refusal to offer employment is in no way discriminatory or retaliatory.

8. Confidentiality. Executive understands and acknowledges that Forterra's common stock is publicly traded on the Nasdaq Global Market Exchange and that Forterra may have the obligation to make public either the existence of this Agreement, certain of its terms and the circumstances surrounding Executive's separation from employment with the Company. Notwithstanding the foregoing, Executive agrees not to voluntarily make the existence of this Agreement, the terms and conditions set forth in this Agreement, or the circumstances surrounding this Agreement known to anyone other than the attorney and/or tax consultant from whom he receives counseling or, if he is married, to his spouse, or except as otherwise required by law. Executive acknowledges that any such person must agree not to further disclose the existence of, the terms of, or the circumstances surrounding this Agreement. The Parties agree that this promise is a material inducement to the Company to enter into this Agreement.

9. No Other Lawsuits or Claims. Executive affirms that Executive is the sole owner of all claims related to Executive's employment, that Executive has not assigned or transferred any claims to any other person or entity, and that Executive has no claims, lawsuit or action pending against any of the Releasees. Executive further affirms that Executive has no cause to believe any violation of any local, state or federal law has occurred with regard to Executive's employment or separation. Executive affirms that Executive has not and has no cause to believe that Executive incurred or sustained any work-related injury during Executive's employment.

10. Defense of Trade Secrets Act Notification. Executive understands and acknowledges that Executive's non-disclosure obligations pursuant to this Agreement and Section 5 of the Employment Agreement are subject to the following immunity provisions of the Defend Trade Secrets Act of 2016:

a. The Company hereby notifies Executive that Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

b. An individual who files a lawsuit for retaliation by the Company for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

11. Covenants. In consideration of the payments set forth in this Agreement, Executive reaffirms the covenants made in Section 5 of the Employment Agreement, which are incorporated herein by reference and modified as follows: all references to the words clay and brick in section (c) of Section 5 of the Employment Agreement are hereby stricken and no longer enforceable; in addition, Section 5 of Employment Agreement shall not be interpreted to prohibit employment with companies that do not engage in developing or manufacturing building or water transmission products including pipe but do engage in resale or installation of such products, including but not limited to fire protection services, products and applications, so long as Executive does not engage in the sale resale or distribution of any the types of pressurized potable water products sold by U.S. Pipe or pressurized wastewater products sold by U.S. Pipe except to the extent that such products are incorporated into fire protection products and Executive otherwise complies with all covenants in Section 5 of the Employment Agreement, including those with respect to confidential information. All other language in Section 5 of the Employment Agreement remains valid and in full force and effect. For avoidance of doubt, Executive understands and agrees that he shall not provide Confidential Information to any non-governmental party asserting any claims against the Company or its affiliates. As the sole exception to the exclusive arbitration provision in Section 15 of this Agreement, Executive agrees that the Company may enforce the obligations of those covenants by injunctive action in the state or federal courts of Dallas County, Texas without prior notice and without posting bond, to the maximum extent permitted by law, and Executive hereby irrevocably consents to jurisdiction of such courts.

12. Consultation with Attorney: Voluntary Agreement . Executive understands and agrees that he is under no obligation to consent to the General Release set forth in Section 4 above. Executive acknowledges and agrees that the payments set forth in Section 3.5 of this Agreement and the prior provision by the Company of Confidential Information to Executive are sufficient consideration to require him to abide with his obligations under this Agreement and Section 5 of his Employment Agreement, including but not limited to the General Release set forth in Section 4 herein. Executive represents and agrees that Executive (i) is not relying upon any statements, understandings, representations, expectations or agreements other than those expressly set forth in this Agreement; (ii) has made his own investigation of the facts and is relying solely upon his own knowledge and the advice of his own legal counsel; (iii) knowingly waives any claim that this Agreement was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Agreement based upon presently existing facts, known or unknown; (iv) has read and understands the terms and effect of this Agreement and that this Agreement contains the full and final release of all claims against the Company and the Releasees; (v) is entering into this Agreement knowingly and voluntarily; (vi) is not, and would not be, otherwise entitled to the payments or benefits described herein but for his undertakings and agreements set forth herein; (vii) has been, by this Agreement, advised to consult with an attorney before signing this Agreement; and (viii) the only consideration for him signing this Agreement are the terms stated herein and no other promises or representation of any kind have been made by any person or entity whatsoever to cause him to sign this Agreement.

13. Revocation Rights. Executive acknowledges that this Agreement includes a waiver of any rights and claims arising under the ADEA and the Older Workers Benefit Protection Act (the "ADEA Release"). Executive acknowledges that the consideration that Executive is receiving in exchange for this waiver of the rights and claims specified in this Agreement exceed anything of value to which Executive is already entitled. Executive acknowledges that Executive was advised in writing to consult with an attorney prior to executing this Agreement. Executive represents and agrees that Executive fully understands the right to discuss all aspects of this Agreement with legal counsel, and to the extent Executive has deemed it appropriate, Executive has fully availed himself of this right. Executive acknowledges and represents that he has been given at least twenty-one (21) days during which to review and consider the provisions of this Agreement and, specifically, the General Release set forth in Section 4 above, although he may sign and return it sooner if he so desires. Executive further acknowledges and represents that he has been advised by the Company that he has the right to revoke this Agreement for a period of seven (7) days after signing it. Executive acknowledges and agrees that, if he wishes to revoke this Agreement, he must do so in a writing, signed by him and received by the Company no later than 5:00 p.m. local time on the seventh (7th) day of the revocation period. If the last day of the revocation period falls on a Saturday, Sunday or holiday, the last day of the revocation period will be deemed to be the next business day. If no such revocation occurs, the General Release and this Agreement shall become effective on the eighth (8th) day following his execution of this Agreement (the "Effective Date"). Executive further acknowledges and agrees that, in the event that he revokes this Agreement, it shall have no force or effect, and he shall have no right to receive any payments or benefits pursuant to Section 3.5 hereof.

14. Governing Law. This Agreement shall be construed and enforced under and be governed in all respects by the laws of the State of Texas, without regard to the conflict of laws principles thereof.

15. Dispute Resolution. Subject to Section 11, any and all disputes relating to, arising from, or in connection with this Agreement, including the arbitrability thereof, shall be mutual agreement will be finally settled by binding arbitration in accordance with the Judicial Arbitration & Mediation Service, Inc. ("JAMS") Comprehensive Arbitration Rules and Procedures or any successor provision thereto, as follows: Any party aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute thirty (30) days after the giving of such notice may be submitted to JAMS arbitration conducted before a single neutral arbitrator in Dallas, Texas. The arbitrator shall be appointed by agreement of the parties hereto or, if no agreement can be reached, by JAMS. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof. The arbitrator shall only be authorized to interpret the provisions of this Agreement, and shall not amend, change or add to any such provisions. The parties agree that this provision has been adopted by the parties to rapidly and inexpensively resolve any disputes between them and that this provision will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award or proceedings seeking equitable relief as permitted by this Agreement. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation. Each party will bear its own expenses and the fees of its own attorneys. The parties and the arbitrator will keep confidential, and will not disclose to any person, except the parties' advisors and legal representatives, or as may be required by law or to enforce in court an arbitrator's award, the existence of any dispute hereunder. Executive acknowledges that arbitration pursuant to this Agreement includes all controversies or claims of any kind (e.g., whether in

contract or in tort, statutory or common law, legal or equitable) now existing or hereafter arising under any federal, state, local or foreign law, including, but not limited to, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Executive Retirement Income Security Act, the Family and Medical Leave Act, the Americans With Disabilities Act and all similar federal, state and local laws, and the Executive hereby waives all rights thereunder to have a judicial tribunal and/or a jury determine such claims.

16. Entire Agreement. This Agreement, the LTIP, the Award Agreement, the Indemnification Agreement, and Section 5 of the Employment Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements between the Parties with respect to such matters, unless specifically provided otherwise herein. Executive agrees that he is not relying on any representations outside this Agreement. Executive acknowledges and agrees that, except with respect to Section 5 of the Employment Agreement, the Employment Agreement and the Senior Management Agreement dated as of March 2, 2015 are cancelled and terminated and the Company has no ongoing obligations to Executive pursuant to those agreements.

17. Section 409A. The parties intend that the payments and entitlements provided hereunder be exempt from or in compliance with Section 409A of the Internal Revenue Code, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from Section 409A or in compliance therewith, as applicable. The payments to Executive pursuant to this Agreement are intended to be exempt from Section 409A to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and for such purposes, each payment to Executive under this Agreement shall constitute a "separately identified" amount within the meaning of Treasury regulation §1.409A-2(b)(2). Nothing contained herein shall constitute any representation or warranty by the Company regarding compliance with Section 409A. In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A ("409A Penalties"), Executive and the Company shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under Section 409A upon or following a termination of employment, unless such termination is also a "separation from service" within the meaning of Section 409A and the payment thereof prior to a "separation from service" would violate Section 409A. For purposes of any such provision of this Agreement relating to any such payments or benefits, references to a "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Treasury regulation §1.409A-1(h).

18. Amendment. This Agreement may be modified or amended only by a written instrument signed by Executive and by an expressly authorized representative of the Company.

19. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving Party. The failure of either Party to require the performance of any term or obligation of this Agreement, or the waiver by either Party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

20. Successors and Assigns. This Agreement shall inure to the benefit of the Company and each of its successors and assigns. Executive shall not assign this Agreement or any part hereof. Any purported assignment by Executive shall be null and void from the initial date of the purported assignment.

21. Drafting. This Agreement and the provisions contained in it shall not be construed or interpreted for or against either party because that party drafted or caused that party's legal representative to draft any of its provisions.

22. Headings. Descriptive headings in this Agreement are inserted for convenience only and shall be disregarded in construing or applying any provision of this Agreement.

23. Notices. All notices required by this Agreement must be in writing and shall be effective when delivered in person, consigned to a reputable national courier service or deposited in the United States mail, postage prepaid, registered or certified, and addressed to the Executive at his last known address on the books of the Company or, in the case of the Company, at its principal place of business, attention of the Legal Department or to such other address as any Party may specify by notice to the other actually received.

24. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and both of which, taken together, shall constitute one and the same instrument. This Agreement may be executed and delivered by exchange of facsimile or other electronic means of transmitting signature, and such signatures shall be considered an original for purposes of enforcement of the Agreement.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the dates written below.

Dated: August 14, 2018	/s/ William P. Kerfin, Jr. William P. Kerfin, Jr.
Dated: August 15, 2018	Forterra, Inc. By: /s/ Jeff Bradley Name: Jeff Bradley Title: CEO
Dated: August 15, 2018	USP Holdings, Inc. By: /s/ Jeff Bradley Name: Jeff Bradley Title: CEO

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Jeff Bradley, 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: November 6, 2018

/s/ Jeff Bradley

Jeff Bradley
President and Chief Executive Officer

EXHIBIT 31.2

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: November 6, 2018

/s/ Charles R. Brown, II

Charles R. Brown, II

Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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 September 30, 2018 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: November 6, 2018

/s/ Jeff Bradley
Jeff Bradley
President and Chief Executive Officer

Date: November 6, 2018

/s/ Charles R. Brown, II
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.