

Polypipe Group plc

Acquisition of Nuaire

5 August 2015

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- Polypipe is announcing the acquisition of Nuaire for £145 million on a cash and debt-free basis
 - Leading UK designer, manufacturer and distributor of ventilation systems
 - Attractive growth profile and strong cultural fit

- Strong strategic rationale for a combination of Polypipe and Nuaire
 - Consistent with stated strategy to broaden presence in markets benefiting from energy legislation
 - Nuaire is well-positioned to capitalise on the high-growth UK ventilation market, which is forecast to outstrip the UK construction market, driven by increasing environmental regulation
 - Combination of both commercial philosophies broadens the product offer, provides further market reach to end-users and provides a solid platform for continued profitable growth
 - Accelerates Polypipe's strategy of increasing exports

- Financially compelling investment
 - Acquisition expected to be double digit EPS accretive in the first full year financial of ownership
 - Robust growth profile
 - No pension deficit

■ The **UK Commercial** segment (56% of LTM sales) provides ventilation systems (with or without heat recovery) and energy efficient solutions for new build and refurbishments in both the private and public sectors in the UK

■ The **UK Residential** segment (28% of LTM sales) services both the private and public sector across the UK

■ The **International** segment (16% of LTM sales) sells Nuair's ventilation systems in Europe and the Middle East both directly and via distributors

Commercial:

- Heat Recovery: XBOX, XBOXER, XBC
- Air Handling Units (AHU): ECOSMART BOXER, Bespoke AHU

- Twin fans: OPUS
- Controls: Ecosmart

Residential:

- Extract: CYFAN
- Positive Input Ventilation (PIV): Drimaster and Flatmaster range

International:

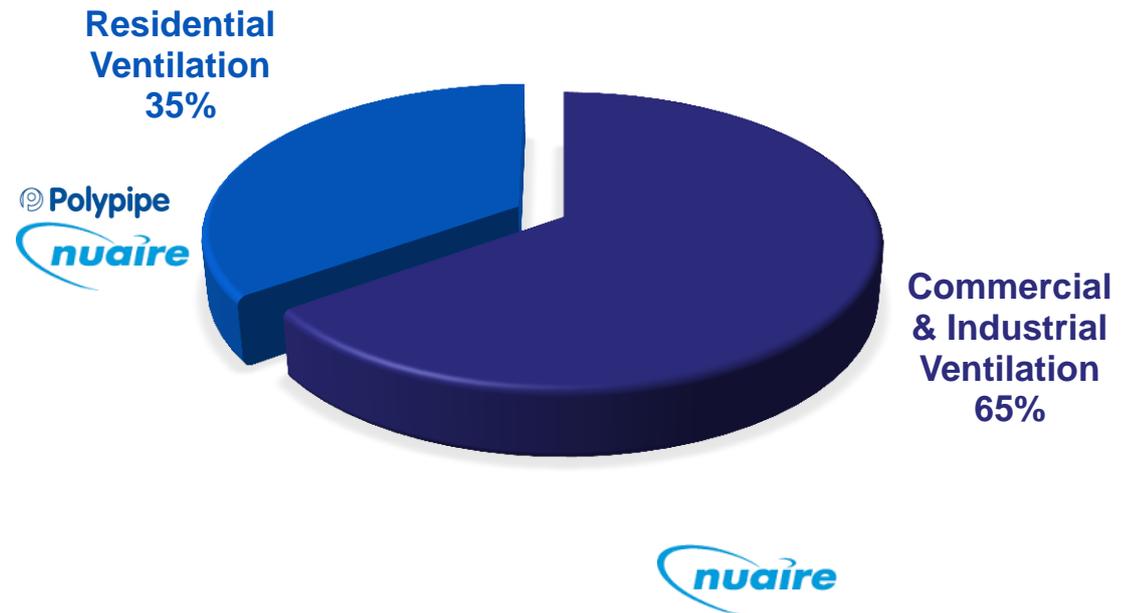
- Axial fans: AXUS high temperature
- MVHR and residential products
- Commercial products



- Twin fans: AIRE-VOLVE
- Single fans: DAVE
- Mechanical Ventilation Heat Recovery (MVHR): MRXBOX range, AIREPOD
- Multi Point Extract (MEV): MEVDC2
- Thermal ducting & ancillaries: DUCTMASTER Thermal, ACTIVAIR
- Axial fans: AXUS low temperature fans and ATEX

- Nuaire provides a market leading position in the UK Commercial ventilation sector where Polypipe is currently not present
- Nuaire's product range is a strong complement to Polypipe in UK Residential where Polypipe can leverage its existing Group presence
- Combination provides a solid platform for continued profitable growth

Estimated UK ventilation market mix (by value, 2014)



Total estimated market size: **£487m**

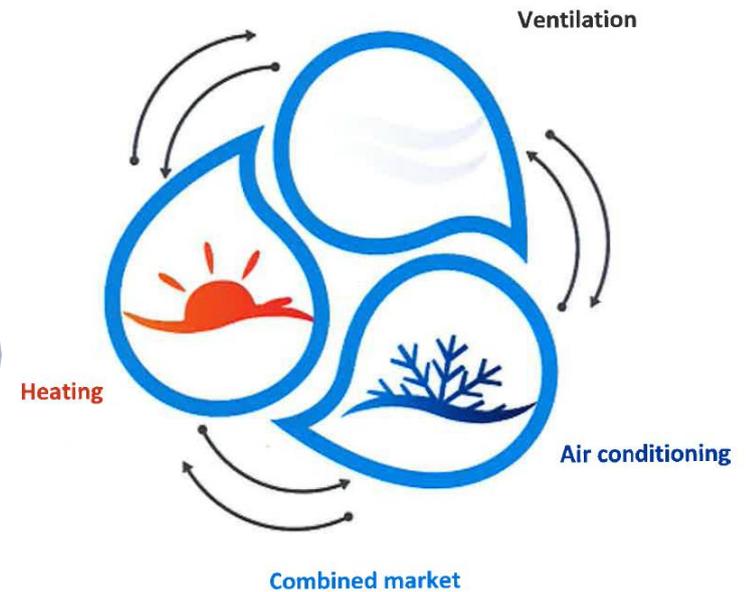
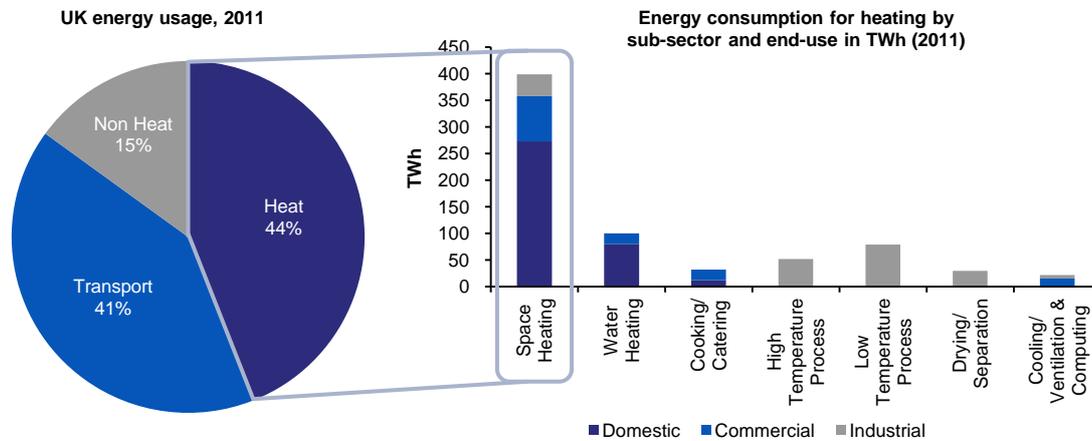
- Nuaire has a leading position within the UK ventilation market, which is one of the fastest growing segments of the £86bn UK construction market, driven by increased environmental regulation
- Nuaire sales have therefore been growing ahead of the UK construction sector
- Nuaire's addressable ventilation market is currently growing at c.8% driven by increasing demand for sophisticated ventilation systems

Historic relative growth (2012-14 CAGR)	
CPA Total output	3.9%
CPA Housing + Commercial	4.6%
Nuaire sales	12.7%

- According to the UK Construction Products Association ("CPA"), the residential and commercial construction markets are expected to grow at c.3% p.a. to 2018

Accelerates Polypipe's strategic response to market evolution

- Reinforce Polypipe's role of finding carbon efficient solutions in response to legislative change
- Helps to move the customer proposition up the value chain from discrete products to complete engineered solutions



Performance-based solutions

Flats / Apartments

- High level of insulation and air tightness
- **MVHR and background heating**

Houses

- Improving levels of insulation and air tightness
- **Combination of UFH + MVHR / MEV**

Multi-occupancy / Commercial

- Heating, ventilation and air-conditioning
- **Single control interface across all systems**

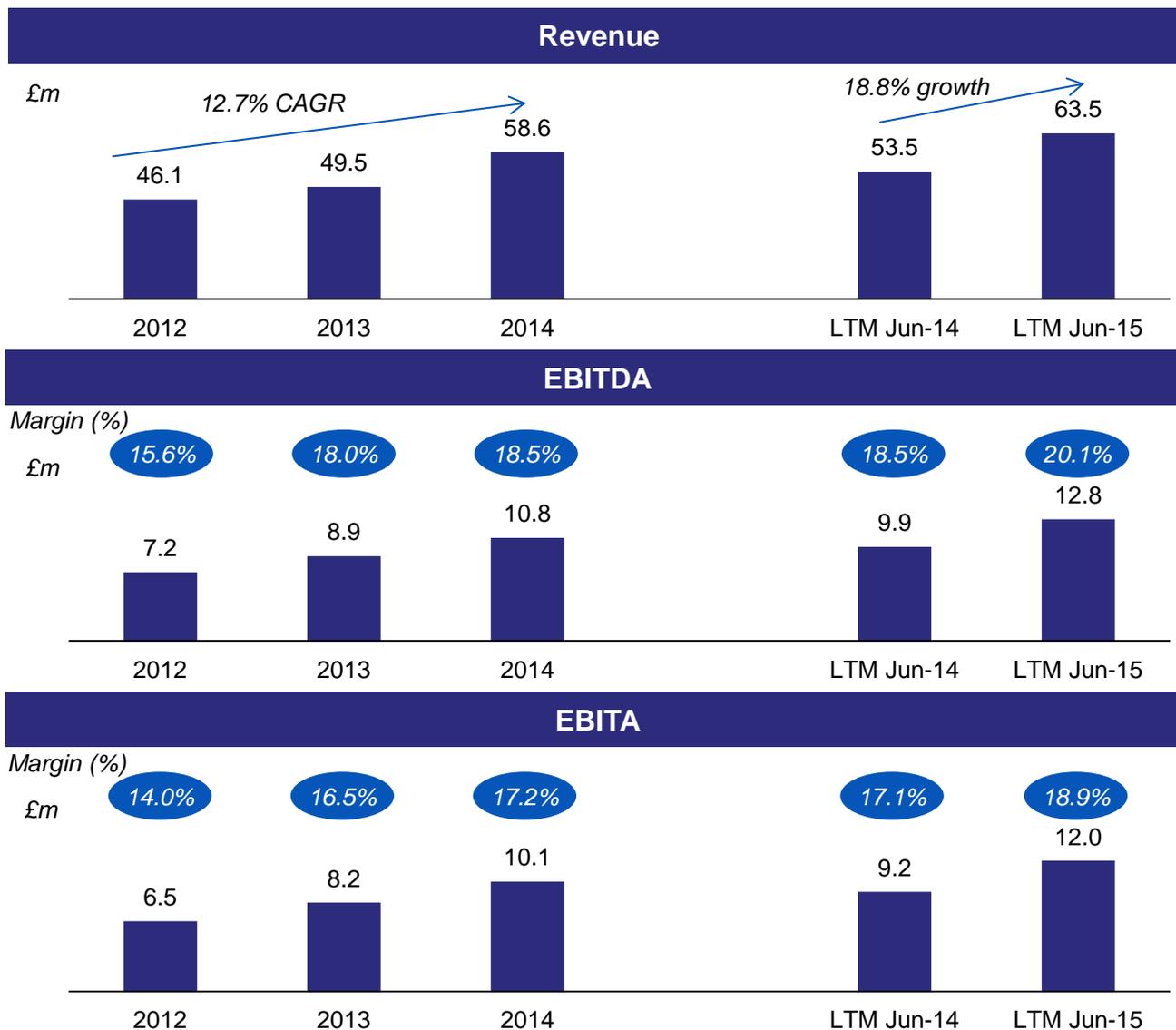
- Nuaire's specification-led sales model supported by ability to provide bespoke solutions:
 - Energy saving controls integrated with Building Management Systems
 - BIM modelling for architectural design calculations
 - Heat recovery and acoustic performance optimisation
 - In-house laboratory testing
 - Specific certification in safety-critical applications

- This provides opportunities for:
 - Product synergies such as shared product platforms and broader combined product offer (controls, ducting, accessories)
 - Sharing of best practice and internal capabilities: Innovation, NPD, IT, ...

- Nuaire's international footprint complements Polypipe's and accelerates another key strategic theme: Middle East & Exports

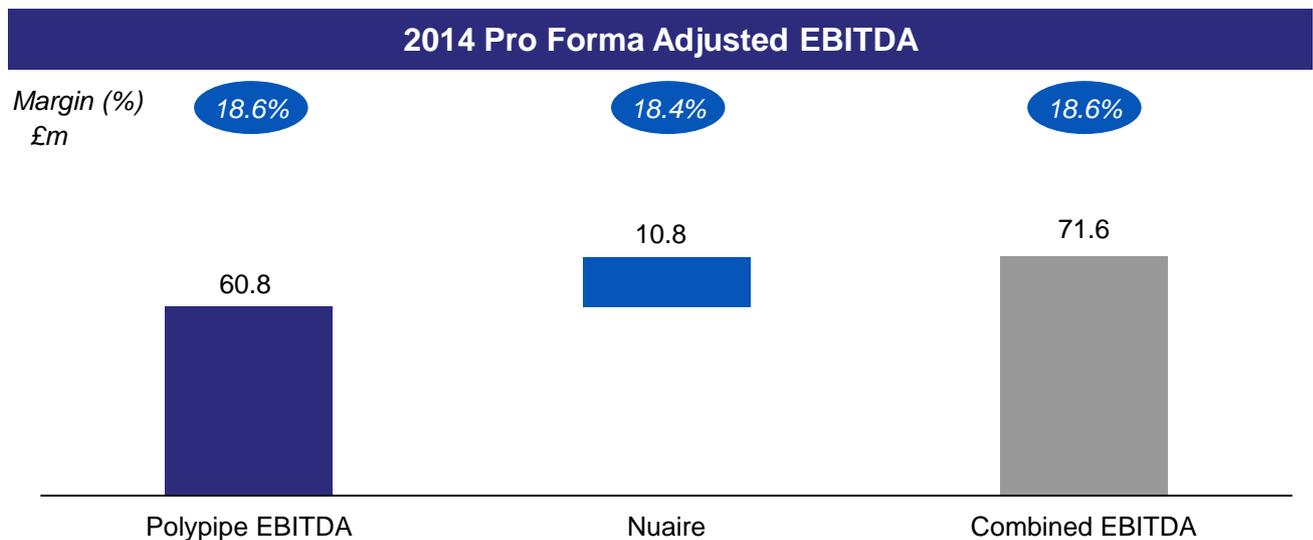
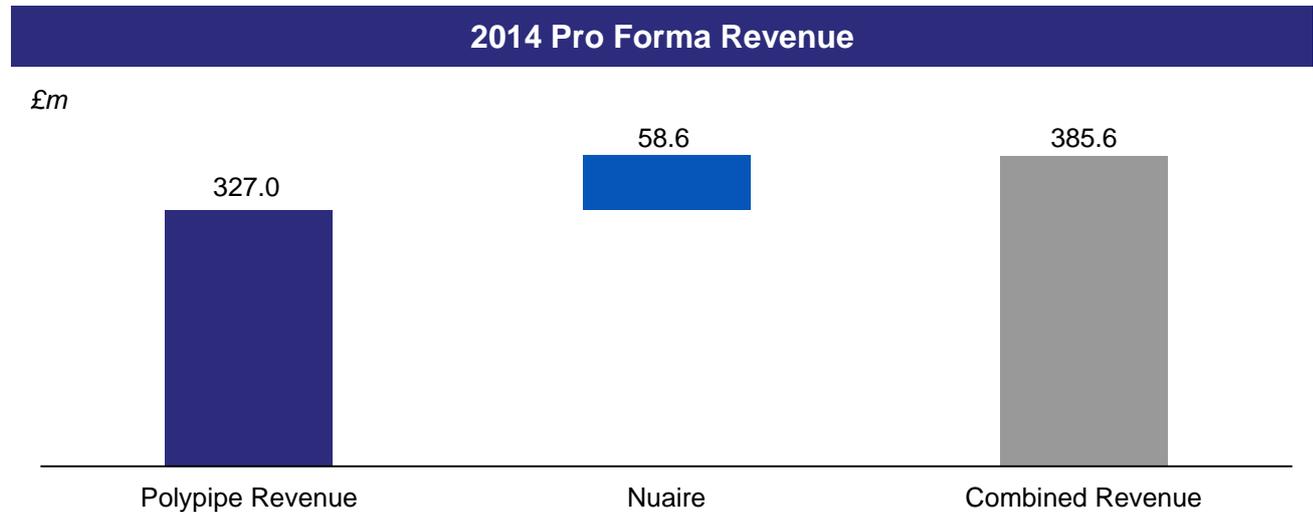
Solid track record of growth, profitability and successful cash flow generation

- Historically, Nuaire has demonstrated robust financial performance even through a challenging economic climate
- During the period 2012 through 2014, Nuaire has organically grown sales by a CAGR of 12.7%, outgrowing its addressable market
- EBITDA margin increased c.3% in the past two years driven by efficiency gains and continuing investments
 - EBITDA margins consistently above 15% for the last 10 years
- Operating cash conversion rate¹ of 1.1x during FY13/14



1. Defined as cash flow from operating activities / EBITA for the financial year ended 30 September 2014

- Combination of Polypipe and Nuairé is expected to provide a solid platform for continued profitable growth
- 2014 pro forma revenue for the combined entity of £385.6m and EBITDA of £71.6m, representing a c.18% increase
- EBITDA margin going forward to remain largely unchanged
- Acquisition expected to be double digit EPS accretive in the first full year of ownership
- Polypipe intends to retain its dividend policy
- Transaction expected to close later this month



- Purchase price of £145 million on debt and cash-free basis
 - Financed using a combination of existing cash from the balance sheet and new debt

- In connection with the acquisition, the existing £120m term loan will be repaid and £40m revolving credit facility will be expanded to £300m
 - Will provide Polypipe with additional financial flexibility
 - Improved pricing due to favourable loan market conditions
 - The opening interest margin is 2.25%, however there is a margin ratchet clause in the new financing agreement and the margin reduces with lower leverage
 - Covenants:
 - Net debt not to exceed 3.5x LTM EBITDA between December 2015 and September 2016, 3.25x between December 2016 and June 2017 and not to exceed 3.0x thereafter
 - EBIT / total net Interest > 4.0x

Acquisition of Nuaire helps Polypipe deliver on 5 out of 6 levers of its focused strategy

Positioning to benefit from the market recovery



Continued product development for sustainable construction



Leverage brand position and end-user relationships



Continuous investment in processes and efficiency initiatives

Selective development in the Middle East



Complementary strategic acquisitions

