

25 October 2018

Polypipe Group PLC

## ACQUISITION OF MANTHORPE BUILDING PRODUCTS

Polypipe Group plc ("Polypipe"), a leading manufacturer of plastic piping and ventilation systems for the residential, commercial, civils and infrastructure sectors, today announces the acquisition of Manthorpe Building Products Holdings Limited, ("Manthorpe") a leading designer and manufacturer of moulded and extruded plastic and metal products to the UK and Irish residential and RMI markets, together with associated freehold land and buildings, for a total cash consideration of £52 million on a cash and debt free, normalised working capital basis.

### Key highlights

- Manthorpe is a leading provider of moulded and extruded plastic and metal products in the UK and Ireland, with a solid track record of growth, profitability and successful cash flow generation
- Good strategic fit, broadening Polypipe's UK residential offering in the water and climate management sectors, with differentiated, patented value-adding products
- Manthorpe and Polypipe have common end users (house developers and RMI) and routes to market (merchants and specialist distributors)
- Potential for cost and revenue synergies identified
- Well-invested business with state-of-the-art facilities
- Expected to be EPS accretive and deliver returns in excess of the cost of capital in the first full financial year of ownership

### Commenting on the acquisition, Martin Payne, Polypipe Chief Executive Officer, said:

*"The acquisition of Manthorpe Building Products is a perfect fit for us, expanding our product platform and market reach in the UK and Irish residential and RMI markets, which, like other parts of our business, are being positively impacted by legislative change. Manthorpe will be integrated into Polypipe's Residential Systems segment, where we will leverage the capabilities and synergies of the combined group to drive growth. We are delighted to welcome Manthorpe's management and employees to Polypipe and look forward to accelerating the strategic development of the enlarged group."*

### The Manthorpe business

Manthorpe is a leading designer and manufacturer of moulded and extruded plastic and metal products to the UK and Irish residential and RMI markets. It sells products across twelve distinct categories, in total producing c. 400 SKUs, with the key revenue contributors being dry fix roofing, residential slot and channel drainage, air leakage, roof ventilation, and loft doors and access panels. It has a strong reputation for developing and patenting innovative new products using advanced processes and technology to provide market leading solutions.

The business is based in Ripley, Derbyshire, UK, from where it sells to a diverse customer base of merchants and specialist distributors across the UK and Ireland, who in turn serve multiple end users such as house developers, roofing contractors and RMI markets. It has approximately 100 employees across sales, R&D, despatch and manufacturing functions.

Manthorpe has a solid track record of growth, profitability and successful cash flow generation. Based on management accounts, it generated revenue of £16.4 million and adjusted EBITDA of £6.3 million for the twelve months ending 30 April 2018.

### **Acquisition rationale**

The acquisition is in line with Polypipe's strategy of broadening its market reach in water and climate management solutions, providing a "one stop shop" for our customers, and exploiting the key growth drivers of legislative tailwinds and legacy material substitution. Manthorpe is well-positioned to capitalise on these growth drivers given its range of differentiated, specifiable, value-adding product solutions. Its offering is complementary to Polypipe's existing capabilities and will further Polypipe's market leading positions in the water and climate management spaces.

Polypipe's management expects that the two companies will be able to leverage their respective technical, selling and distribution capabilities and expertise to accelerate the combined company's growth. There are opportunities for both cost and revenue synergies, including, but not limited to, a broader combined product offering and raw material savings.

It is anticipated that the operational management of Manthorpe will remain with the combined business.

### **Terms of the transaction**

The total consideration of £52 million on a cash and debt free, normalised working capital basis comprises the entire issued share capital of Manthorpe which will be acquired from the Pochciol family for £44 million, and the freehold land and buildings currently occupied by Manthorpe from Manthorpe Limited, a business also owned by the Pochciol family, for £8 million. The transaction will be funded by a combination of existing cash from the balance sheet and drawdown from existing debt facilities. As at 30 April 2018, Manthorpe had gross assets amounting to £13.6 million, which together with the land and buildings acquired separately for £8 million, means the total gross assets acquired in this transaction is £21.6 million. The transaction was signed and completed on the same day.

The Company expects the acquisition to be earnings accretive in the first full year of ownership, delivering an attractive return on investment in excess of its cost of capital. Year end 2018 proforma leverage<sup>1</sup> of the combined group is expected to be in the region of 1.7 times EBITDA.

<sup>1</sup> Proforma leverage is defined as post acquisition net debt divided by a full 12 month EBITDA of the combined entity.

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) No 596/2014. Upon the publication of this announcement via a regulatory information service, the inside information is now considered to be in the public domain.

### **Current trading**

Polypipe's trading to date in the second half of the financial year has been in line with the Board's expectations. Polypipe's scheduled trading update for the ten month period ending 31 October 2018 is on 20 November 2018.

### **Conference call for analysts and investors**

Polypipe will hold a conference call and webex presentation for investors and analysts at 9am UK time on 25 October 2018. The dial-in details and webex URL are below:

Participant dial in: +44 (0) 2071 928000

Conference ID: 1298655

Webex

URL:<https://webconnect.webex.com/webconnect/onstage/g.php?MTID=e948c5e43be100cc11b790a02c64eea8a>

The presentation to accompany this call is available on the Reports, results and presentations page on Polypipe's website at <http://investors.polypipe.com/>.

### **Contacts**

#### **Polypipe**

44 (0) 1709 770 000

Martin Payne, Chief Executive Officer

Paul James, Chief Financial Officer

#### **Brunswick**

44 (0) 20 7404 5959

Nina Coad

Nick Beswick

### **IMPORTANT NOTICE**

This announcement includes certain forward-looking statements which are based on Polypipe's or, as appropriate, its directors' current expectations and projections about future events. These forward-looking statements speak only as of the date of this announcement and are subject to risks, uncertainties and assumptions about Polypipe, the Group and Manthorpe Building Products. The events or circumstances referred to in the forward-looking statements may differ materially from those indicated in these statements, and you should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise. Nothing in this announcement should be taken as a forecast, estimate or projection of the future financial performance of Polypipe, the Group or Manthorpe Building Products. No undertaking is given to publicly update or revise any such forward-looking statement, whether as a result of new information, future events or otherwise.

## **NOTES TO EDITORS**

Polypipe is the largest manufacturer in the UK, and among the ten largest manufacturers in Europe, of plastic piping systems for the residential, commercial, civils and infrastructure sectors by revenue. It is also a leading designer and manufacturer of energy efficient ventilation systems in the UK.

The Group operates from 17 facilities in total, and with over 20,000 product lines, manufactures the UK's widest range of plastic piping systems for heating, plumbing, drainage and ventilation. The Group primarily targets the UK and European building and construction markets with a presence in Italy and the Middle East and sales to specific niches in the rest of the world.