

Polypipe Group PLC

Acquisition of Manthorpe Building Products



Agenda

- Introduction
- Business overview
- Strategic fit
- Manthorpe financials
- Deal structure
- Financial effects
- Q&A



Introduction

- Polypipe is announcing the acquisition of Manthorpe Building Products Holdings Limited (“Manthorpe”) and associated freehold land and buildings for £52m on a cash and debt free, normalised working capital basis
 - Leading UK producer of a range of moulded and extruded plastic and metal products
 - Attractive product portfolio and strong cultural fit, with emphasis on innovation and superior solutions for customers
- Strong strategic rationale
 - Product offer extension into gap-filling adjacencies in the water management and climate management space
 - Differentiated, specifiable, value-adding product solutions
 - Legacy material substitution, with moulded and extruded plastic alternative solutions in materials where Polypipe has market-leading expertise
 - Common end users (House developers and RMI) and routes to market (via merchants and specialist distributors)
- Financially attractive investment
 - Acquisition expected to be earnings accretive in the first full financial year of ownership
 - Potential cost and revenue synergies identified
 - Attractive return on investment, in excess of cost of capital

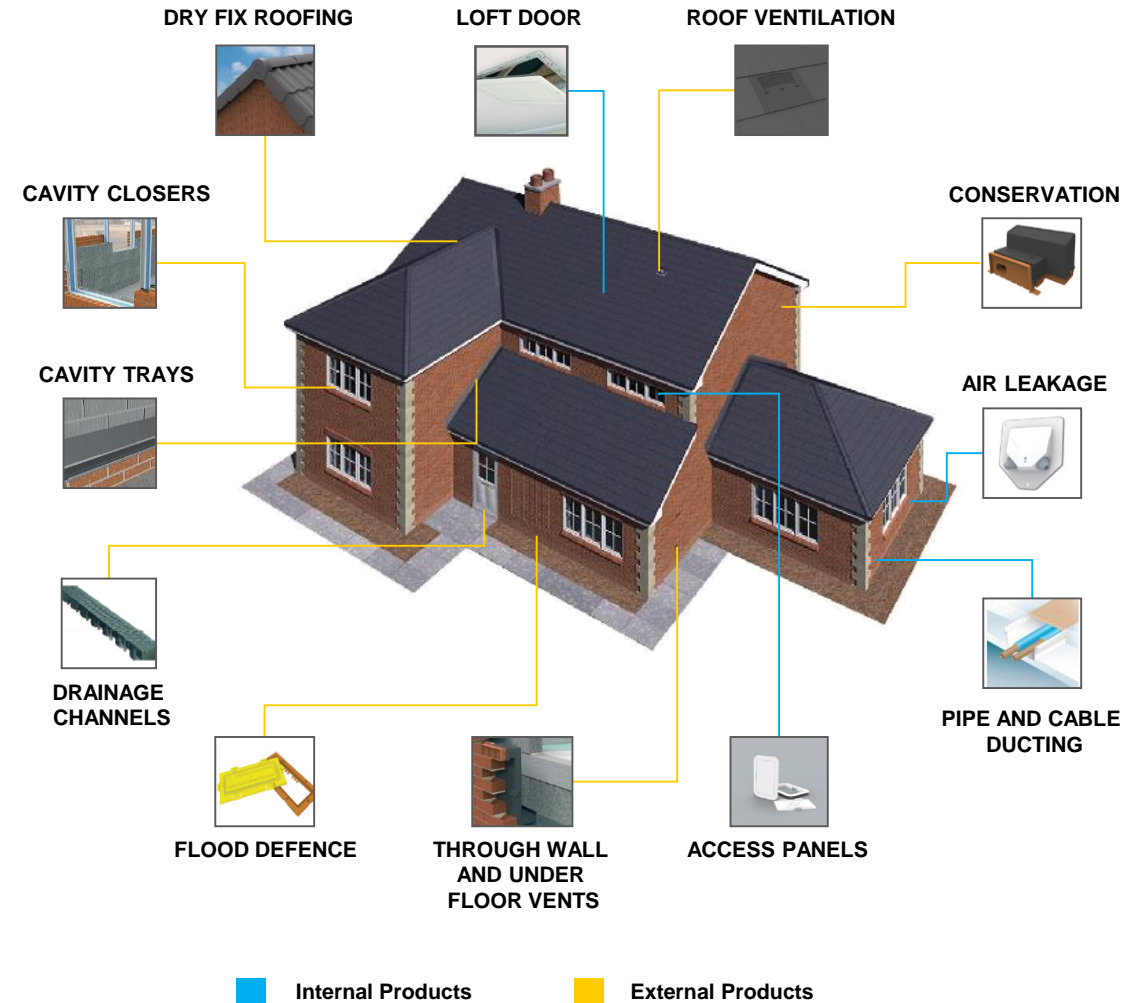
Business overview (1)

- Leading designer and manufacturer of moulded and extruded plastic products, together with metal products for the UK and Irish residential construction markets
- Started in 1986 by the Pochciol family, the business has over 30 years of experience in the sector
- Based in Ripley, Derbyshire, with approximately 100 employees
- Well invested business with state-of-the-art facilities
- Solid track record of growth, profitability and cash generation
- Year to end April 2018
 - Revenue £16.4m; adjusted EBITDA £6.3m



Business overview (2)

- Serves a number of value-adding niches for the building industry
- End users include UK and Irish house developers, roofing contractors, and RMI markets
- Route to market through merchants, specialist distributors
- Successful track record of introducing new products, borne out of in-house R&D department, with significant patented IP



Strategic fit (1)

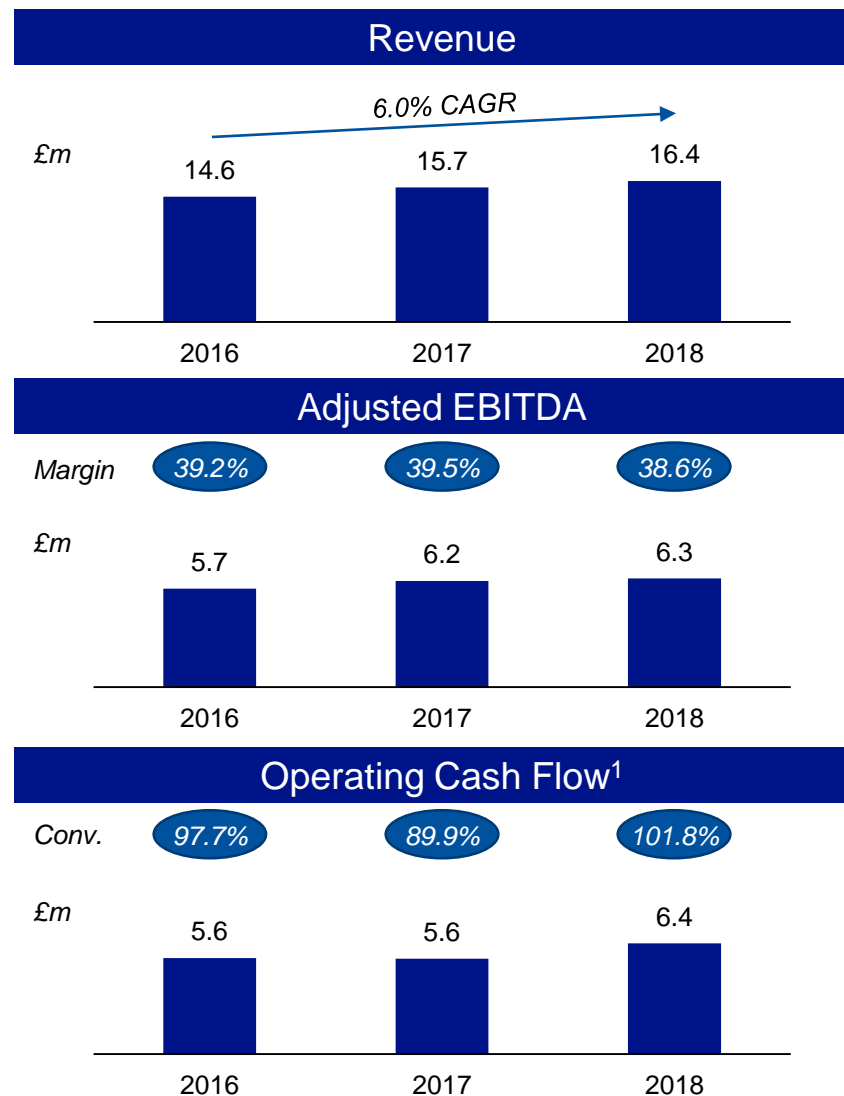
Target Product Sector	1	Sustainable Water Management Solutions	✓
	2	Sustainable Climate Management Solutions	✓
Strategic Growth Drivers	3	Legacy Material Substitution	✓
	4	Legislative Tailwinds	✓
	5	Geographic Reach	
	6	Customer “One Stop Shop”	✓
	7	Continuous Process and Efficiency Improvement	✓

Strategic fit (2)

- Complements current Polypipe Residential Segment product offering
- Synergy from combined entities:
 - Common customers and end users
 - Common manufacturing methods - plastic extrusion and injection moulding, metal forming (Nuaire)
 - Material costs
- Good cultural fit

Manthorpe financials

- Manthorpe has delivered robust growth over the last two years, with a 6.0% CAGR from 2016-2018, and is well positioned to continue on the same trajectory
- Highly profitable business with EBITDA margin above 38%, enabled by offering premium, quality products and having efficient operations
- Operating cash flow¹ conversion has averaged 96.4% over the last three years



Note: Manthorpe fiscal year ends 30 April

1. Operating cash flow defined here as adjusted EBITDA less change in net working capital

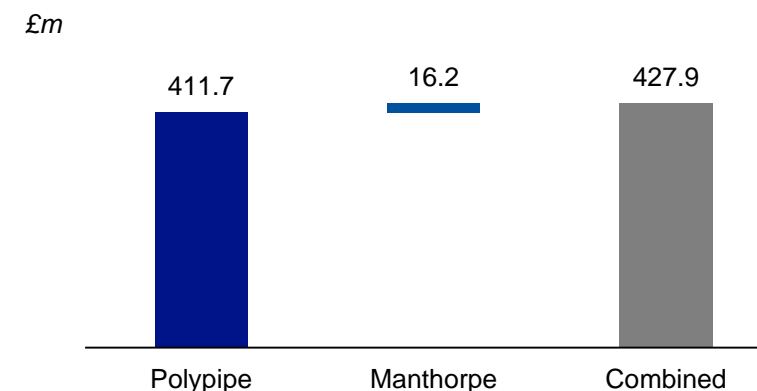
Deal structure

- Two separate but interlinked transactions
 1. Acquisition of Manthorpe for a cash consideration of £44m on a debt and cash free, normalised working capital basis from the Pochciol family
 - Cash paid on completion, no earn out mechanism
 2. Purchase of freehold land and buildings used by Manthorpe for £8m from Manthorpe Ltd.
- Total consideration of £52m to be funded from cash on balance sheet and draw down from existing debt facilities
- Consideration represents 8.2x adjusted EBITDA for year to end 30 April 2018 of £6.3m
- Anticipated that existing operational management continue with business

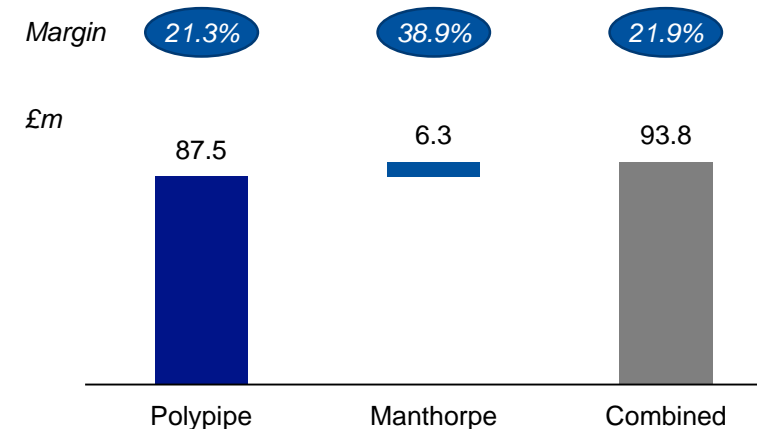
Financial effects

- Combination of Polypipe and Manthorpe Building Products is expected to provide a solid support for continued profitable growth
- 2017 proforma revenue and EBITDA for the combined entity of £428m and £94m
 - Acquisition expected to be margin accretive
- Potential synergies have been identified
- Acquisition expected to be EPS accretive in the first full year of ownership
- Proforma leverage¹ at 31 December 2018 expected to be 1.7 times proforma EBITDA

Pro Forma 2017 Revenue



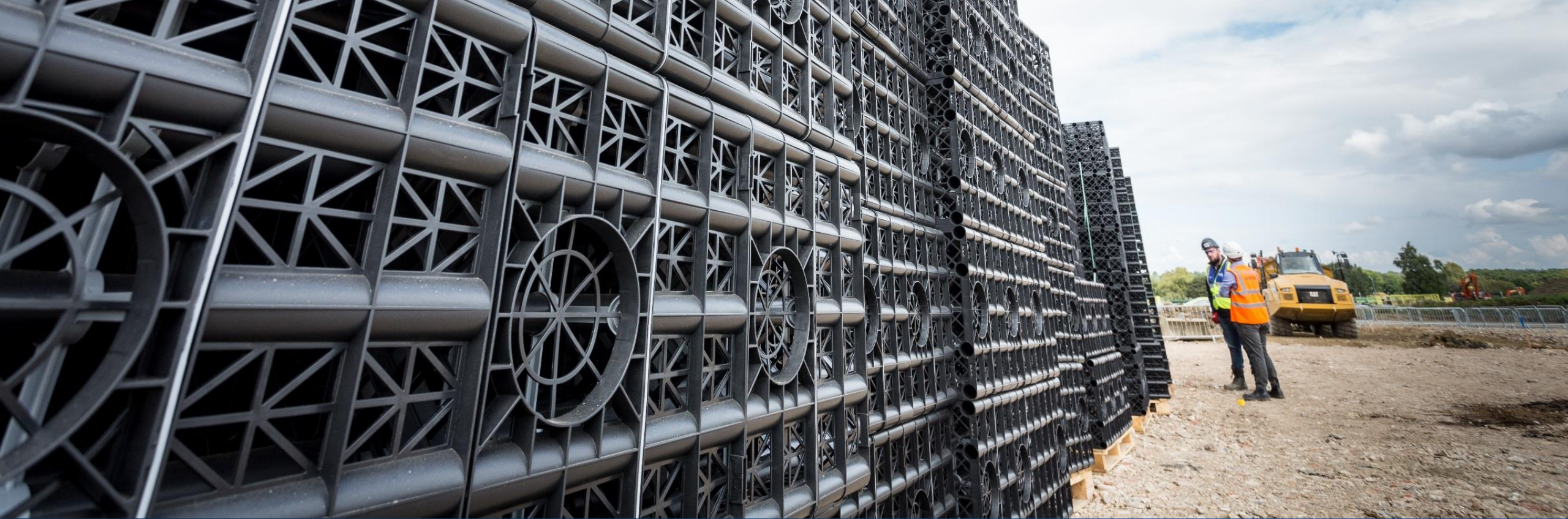
Pro Forma 2017 EBITDA



Source: Polypipe, Manthorpe unaudited accounts

Note: Manthorpe financials calendarised to December year end (fiscal year ends 30 April)

1. Pro forma leverage is defined as post acquisition net debt divided by a full 12 month EBITDA of the combined entity



Q&A