



Polypipe Group plc

Acquisition of ADEY

10 February 2021

 Polypipe

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Well Positioned for the Future

- Polypipe has managed the challenges of the COVID-19 crisis by:
 - Taking significant actions to strengthen our balance sheet and increase strategic and financial flexibility
 - Continuing to invest in key strategic growth projects
- Consistent with the update on 2 February 2021, trading continued to recover to 2020 year end, with this momentum continuing into the new year
- The Group intends to issue its preliminary full year results on 16 March 2021
- As our markets have continued to recover, we have made market share gains and in line with our previously stated strategy, we will pursue organic and inorganic growth opportunities
- Successful recent acquisition of Nu-Heat for £27m

Acquisition of ADEY

Market leading manufacturer of filters, chemicals and related products used to protect water-based heating systems

Transaction Overview

- Cash consideration of £210m, acquired on a cash free, debt free basis¹
 - Implied acquisition multiple of ~11.8x 2020E ADEY's Underlying EBITDA²
- Funded through bank debt of c.£120m and an ABB placing of c.8.2% (c.£90m)
- Pro-forma 2021E leverage expected to be below 1.5x

Compelling Strategic Rationale

- Broadens and enhances Polypipe's portfolio of market leading brands and solutions
- Attractive market driven by regulatory and environmental tailwinds, expected to continue to deliver above-market growth
- Significant growth opportunities across the combined business

Significant Financial Benefits

- Expected to be double digit EPS accretive in the first full year of ownership
- ROIC expected to be in line with Polypipe's cost of capital in second full year of ownership
- Expected to enhance Group growth, margins, and free cash flow

1. Based on locked-box accounts as at September 2020

2. 2020E Underlying EBITDA is operating profit from continuing operations before exceptional items, intangibles, amortisation and depreciation (unaudited)

ADEY Overview (1/3)

- Market leading manufacturer of filters and chemicals used to protect water-based heating systems
- Strong brand heritage as the pioneer of magnetic filtration technology
- Product offering addresses three core markets: Residential, Commercial, Commercial Water Testing
- Multi-route to market strategy, with embedded and long-standing relationships with major players across each of the channels
- Strong organic growth – with a proven track record of delivering growth ahead of the underlying UK Construction market
- Best-in-class margins¹ reflect premium positioning and significant value add of ADEY technology
- Experienced management team; strong cultural fit



2003

Year founded

>5 million

ADEY filters fitted in the UK & Ireland

~70%

UK Residential filters market share

~35%

UK Residential chemicals market share

7%

L3Y Revenue CAGR²

33%

Avg. EBITDA margin L3Y³

1. Determined by comparison to ADEY's main competitors

2. Based on Net Revenue 2017-2020E (unaudited)

3. Based on 2018-2020E Underlying EBITDA and Net Revenue (unaudited)

ADEY Overview (2/3)

Total system proposition, with a portfolio of products designed to clean, flush, maintain, protect and test residential and commercial heating systems

Benefits of ADEY solutions

✓ **Reduce heating system breakdowns**

~80% of boiler breakdowns in first five years due to magnetite sludge

✓ **Driving energy efficiency and reducing costs**

Saving homeowners up to £80 on annual energy bills

✓ **Reduced carbon emissions**

Reduce carbon emissions by 7% per household

Total System Proposition



MagnaClean

Removes magnetite and other debris from the water-based heating system to ensure ongoing protection and to extend life of boiler



MagnaCleanse

A system flush with MagnaCleanse removes virtually all black iron oxide and can be achieved in as little as two hours



Clean & Protect

Removes damaging black iron oxide sludge, debris and scale, and protects against system corrosion and scale deposition, maintaining heating efficiency and boiler performance



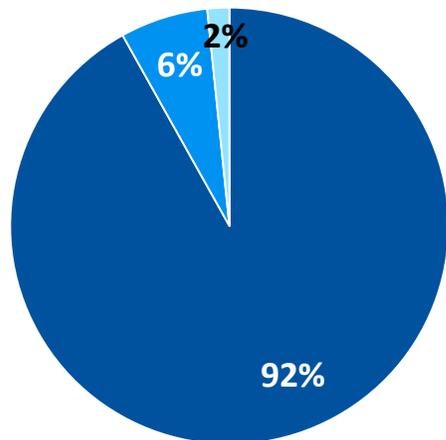
Test & Maintain

Fast, accurate and reliable water testing services, providing on-site analysis that can ensure longevity and efficiency of the heating system

ADEY Overview (3/3)

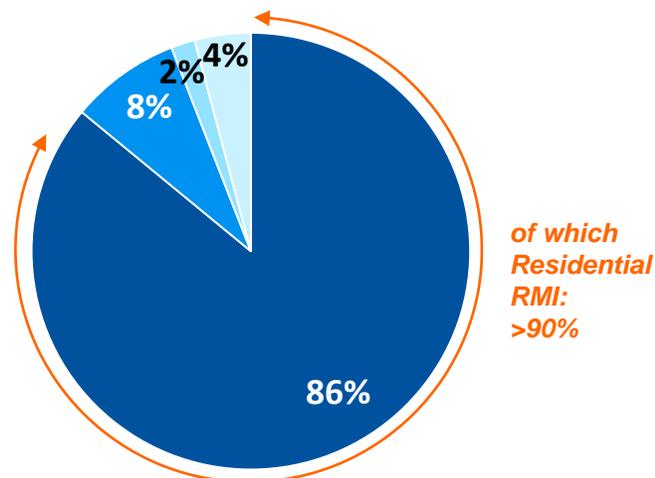
- UK focused business with a growing presence in international markets
- Considerable exposure to more resilient and generally higher margin UK Residential RMI segment
- Extensive range of products and solutions underpinned by continued product and service innovation

By Geography¹



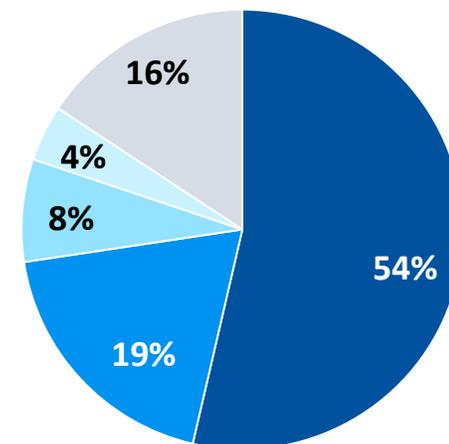
■ UK ■ Europe ■ Rest of World

By End-Market¹



■ Residential ■ Commercial
■ International ■ CWT

By Product¹



■ Filter ■ Chemicals + Filter Packs
■ Chemicals ■ CWT ■ Others

1. Gross Revenue breakdown as of 2019

Attractive Market Driven by Regulatory and Environmental Tailwinds...

Existing UK Heating Systems – UK RMI

- Approximately 21 million (~75%) UK heating systems are not adequately protected by a filter
- Part L¹ of the Building Regulations, and Benchmark Scheme are driving greater adoption of filters and chemicals by installers
- Key boiler manufacturers are promoting filters to comply with warranties and prevent claims
- Replacement heating systems need radiators to work at 55°C, placing a premium on operating efficiency
- Growing share of mixed UFH²/radiator installations also need to work efficiently at lower temperatures

UK New Build

- Consistent with Future Homes Standard, Building Regulation Part L already requires cleaning and inhibitor chemicals are dosed into heating system
- Building Regulation – New Part L expected by 2022. Latest January 2021 consultation draft mandates filter installation in addition to cleaning and chemicals for new heating systems
- Incremental new build residential opportunity up to c.180k p.a.³
- ADEY technology applicable in move to hydrogen, and even more so in air/ground source heat systems

1. Refers to The Future Homes Standard: Part L

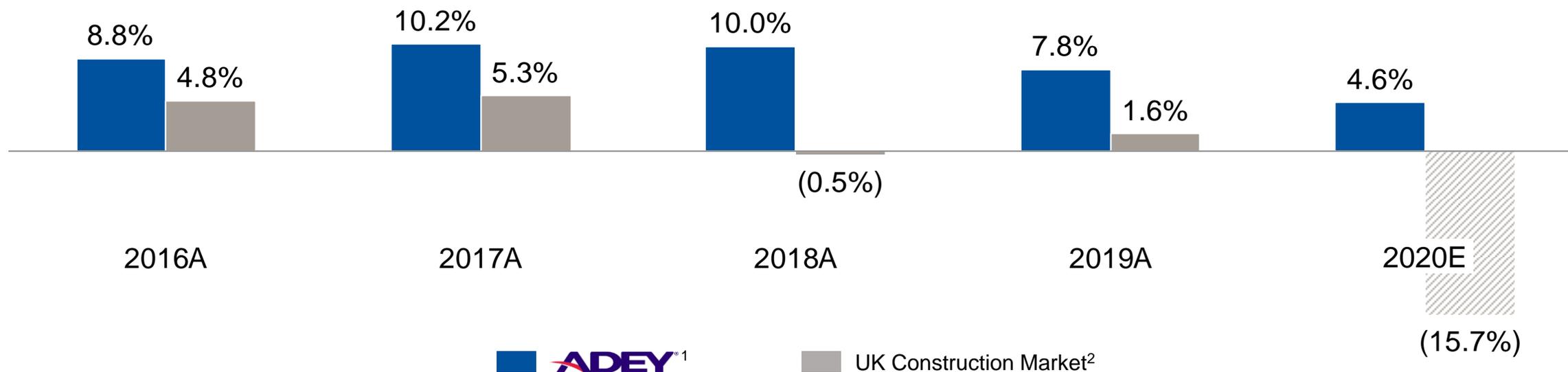
2. Refers to underfloor heating

3. Ministry of Housing, Communities & Local Government live tables on housing supply

...Expected to Support ADEY's Above-Market Growth

ADEY has consistently outperformed the UK construction market

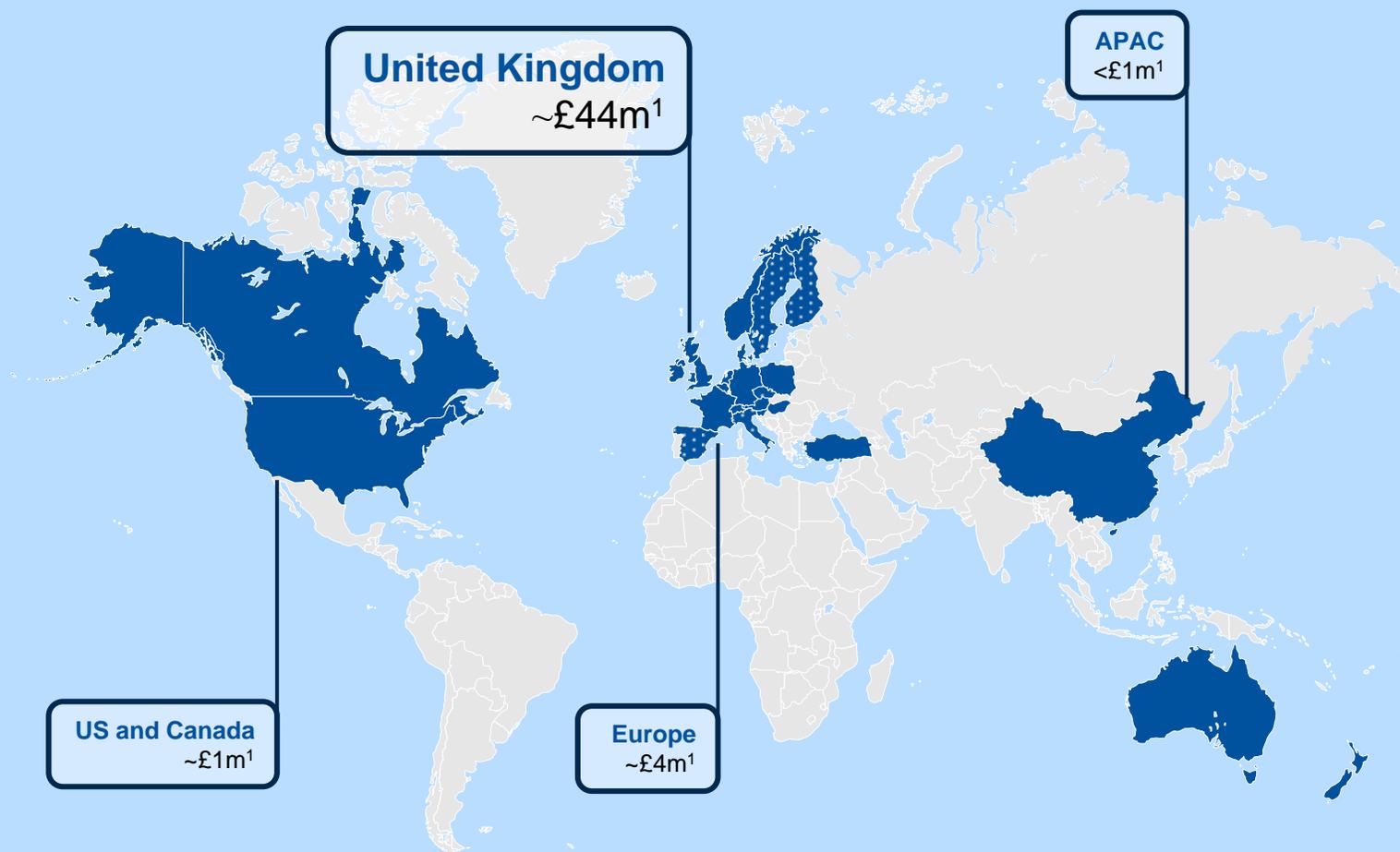
- Residential water-based heating protection market is one of the fastest growing segments of the UK construction market, driven by:
 - Shift towards more energy-efficient heating systems
 - Boiler manufacturers support and promote the use of filters and chemicals – including via extended warranties
 - Environmental and regulatory tailwinds



1. Net Revenue growth

2. Based on Construction Products Association data (Winter 2020/21) for Total Output excluding Infrastructure

Core UK Platform with Expanding International Presence



- Market leading platform in the UK
- Selected international markets provide growth opportunity
- Dedicated international sales team of 18 focused on key accounts
- Focused approach on markets whereby heating technologies and key growth drivers are consistent with the UK

ADEY is an Excellent Fit with Polypipe Strategy

<p>✓ Growth driven by environmental and regulatory tailwinds, expected to deliver above-market growth</p>	<p>The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings</p>		
<p>✓ Investing in a portfolio of market leading brands</p>	<p>#1 Market position in UK Residential filters</p>		<p>#1 Market position in UK Residential chemicals</p>
<p>✓ Seeking opportunities consistent with our ESG objectives, and businesses that operate sustainably</p>	 <p>Carbon Neutral Organisation</p>		<p>The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings</p>
<p>✓ Above sector average profitability & cash flow generation</p>	<p>33% Avg. EBITDA Margin L3Y¹</p>		<p>~80% Avg. Cash Flow Conversion L3Y²</p>
<p>✓ UK focused with international growth opportunities</p>	<p>90%+ Revenue generated by UK operations</p>		<p>18 Sales Managers outside the UK</p>
<p>✓ Leveraging existing customer relationships</p>	<p><i>Housing developers</i></p>	<p><i>Merchant channel</i></p>	<p><i>Heating/plumbing installers</i></p>
<p>✓ Competitive advantage and added value based on know-how, application knowledge, and intellectual property</p>	<p>60+ Products launched since 2003</p>	<p>~80% Revenue covered by intellectual property</p>	<p>2 UKAS accredited laboratories³</p>

1. Based on 2018-2020E Underlying EBITDA and Net Revenue (unaudited)
 2. Based on 2018-2020E and defined as (Underlying EBITDA - Capex) / Underlying EBITDA (unaudited)
 3. Adey opened a third lab in Q4 2020 in Manchester, UK

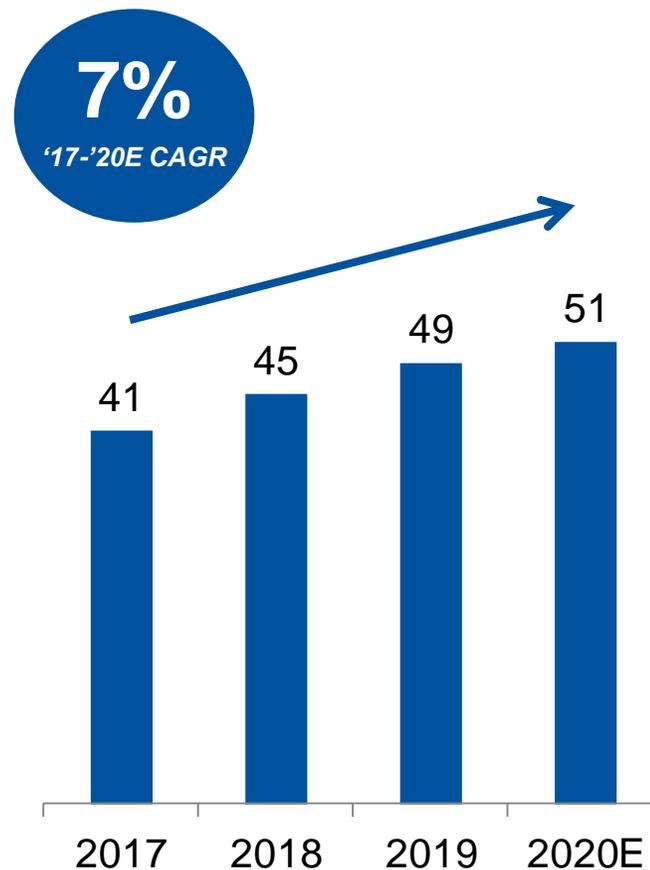


Financial Summary

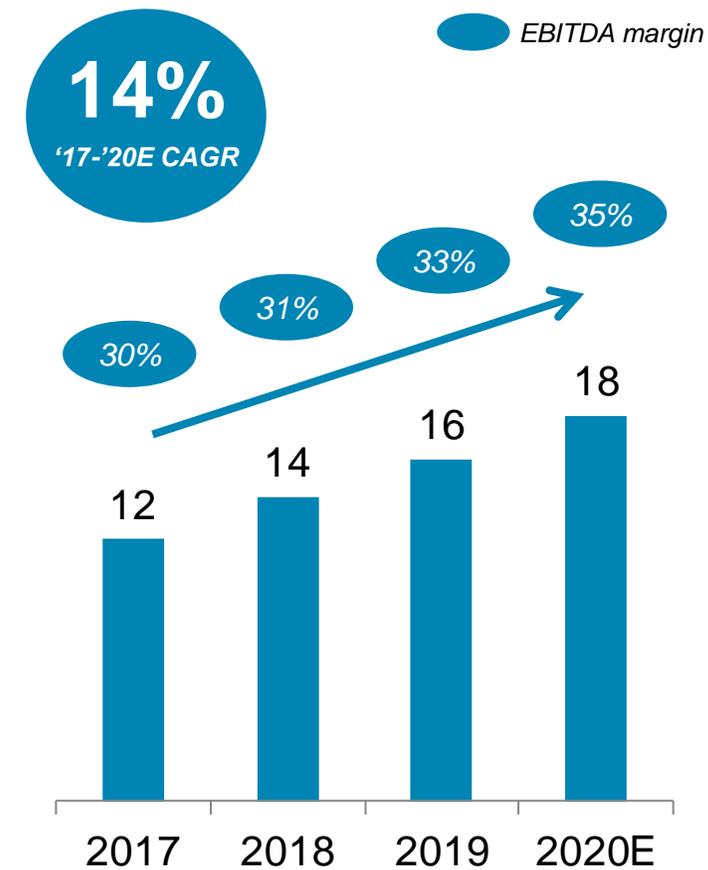
ADEY – Attractive Financial Profile with Best-in-Class Margins

- Robust revenue growth ahead of the UK construction market
- Strong margins, which have been further expanding in recent years
- Strong underlying cash flow conversion² (Average of ~80% during 2018-2020E)

Net Revenue (£m)



EBITDA¹ (£m)



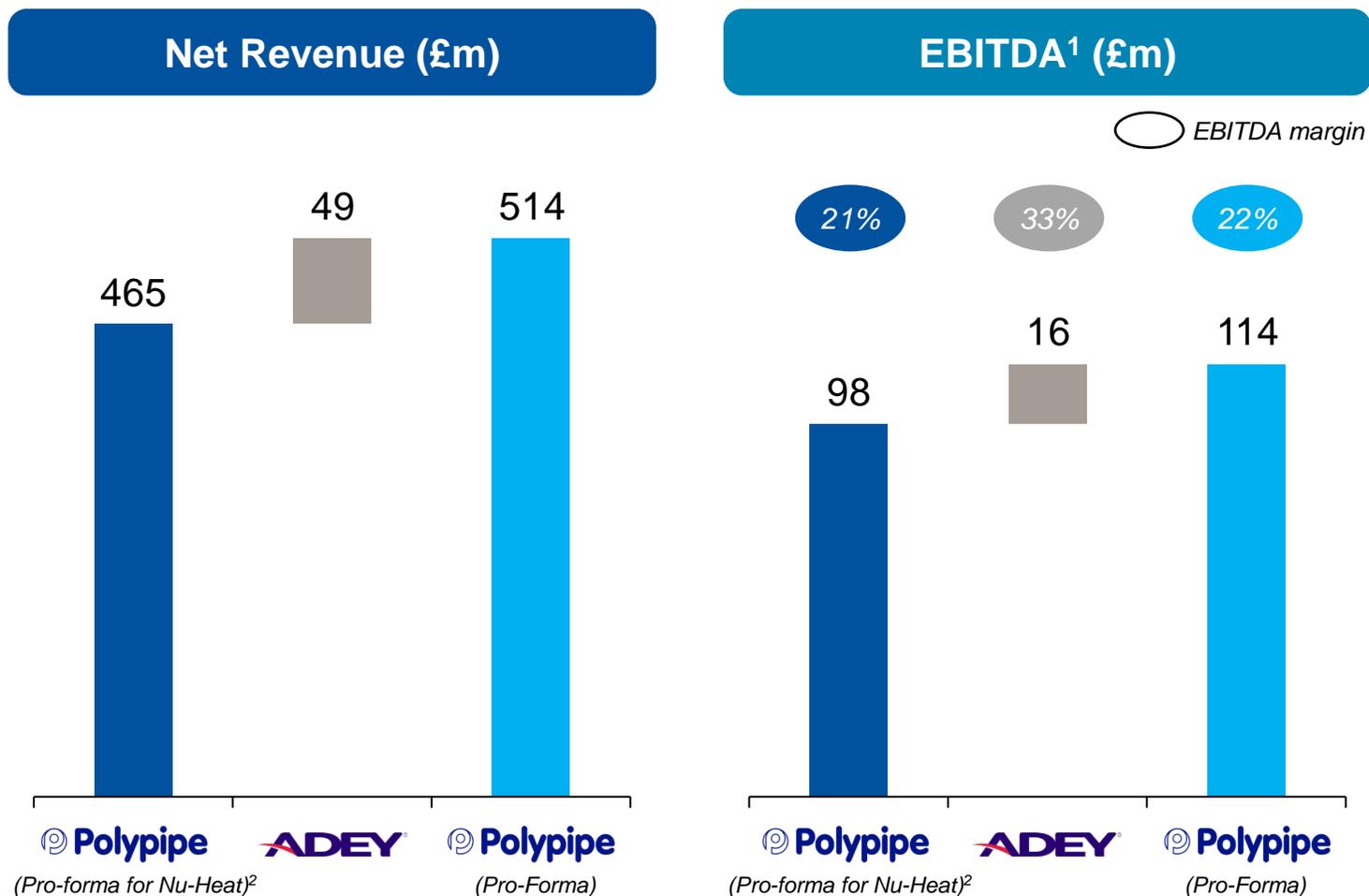
Note: December year end. Reference to "best-in-class margins" determined by comparison to ADEY's main competitors

1. 2020E Underlying EBITDA is operating profit from continuing operations before exceptional items, intangibles, amortisation and depreciation (unaudited)

2. Defined as (Underlying EBITDA - Capex) / Underlying EBITDA (unaudited)

Attractive Proposition for Shareholders

- Similar to Nu-Heat, the ADEY business is consistent with our focus on low or zero carbon heating as a growth driver, and allows us to leverage existing capabilities to support growth
- Expected to enhance Group margins
- Expected to be double digit EPS accretive in first full year of ownership
- ROIC expected to be in line with Polypipe's cost of capital in second full year of ownership



Note: Revenue and EBITDA represent 2019A

1. Underlying EBITDA is operating profit from continuing operations before exceptional items, intangibles, amortisation and depreciation (unaudited)
2. Pro-forma to include £17.7m Net Revenue and £2.7m EBITDA contribution from Nu-Heat

Next Steps

Financing

- Cash consideration of £210m, acquired on a cash free, debt free basis
- Transaction financed through a combination of an equity placing and existing committed debt facilities
 - Equity placing of c.£90m (c.8.2% of existing issued share capital)
 - Drawdown of c.£120m on £300m existing committed RCF
- Pro-forma 2021E leverage expected to be below 1.5x
- Maintains financial flexibility

Integration¹

- Will be reported as part of the Residential Systems division and will continue to be led by the existing, highly experienced management team
- Potential opportunities for ADEY's technology to be combined with Polypipe's broader product offering, including with the recently acquired Nu-Heat business

1. Transaction signed and completed on the same day



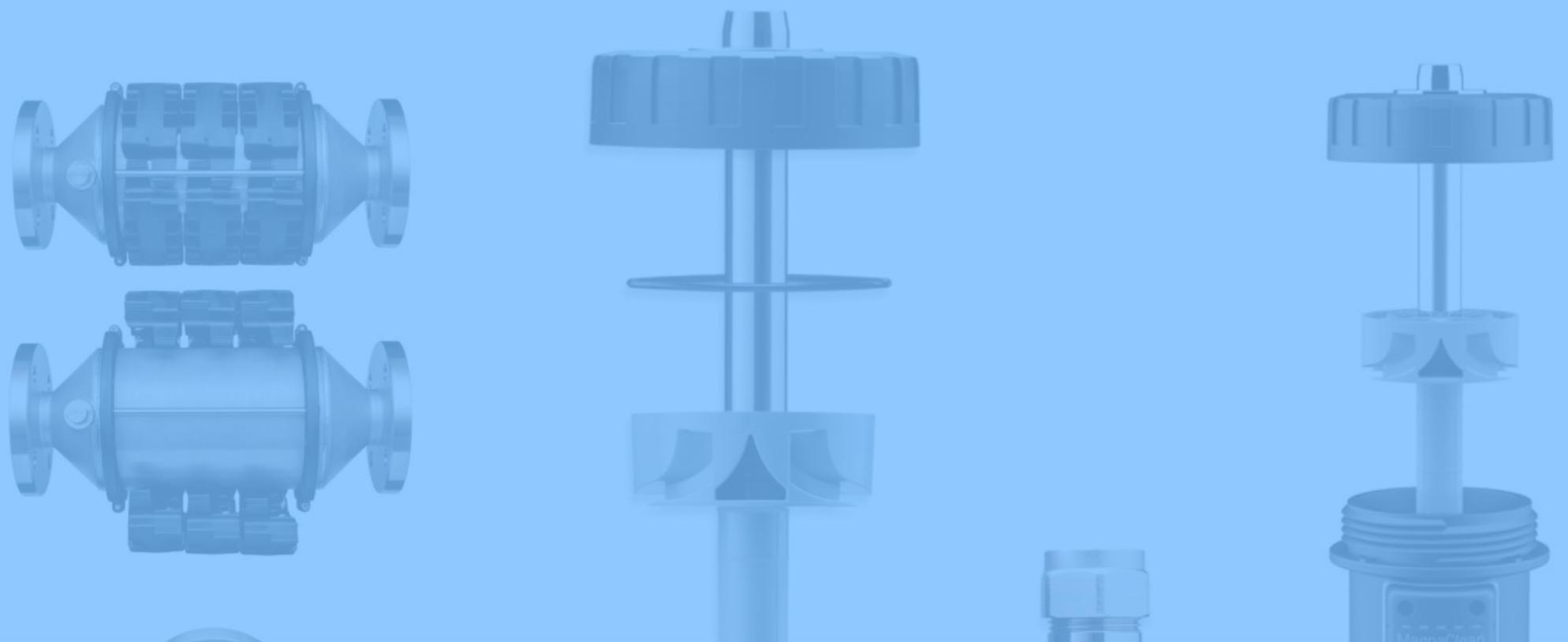
Conclusion

Conclusion

An excellent fit with existing strategy and a strong platform for growth

- ✓ Growth driven by environmental and regulatory tailwinds, expected to deliver above-market growth
- ✓ Investing in a portfolio of market leading brands
- ✓ Seeking opportunities consistent with our ESG objectives, and businesses that operate sustainably
- ✓ Above sector average profitability & cash flow generation
- ✓ UK focused with international growth opportunities
- ✓ Leveraging existing customer relationships
- ✓ Competitive advantage and added value based on know-how, application knowledge, and intellectual property





Q&A

Q&A

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