

# Polypipe Group PLC

Acquisition of Manthorpe Building Products

# Agenda

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

 **Polypipe**



  
**manthorpe**  
building products

# Introduction

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- 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

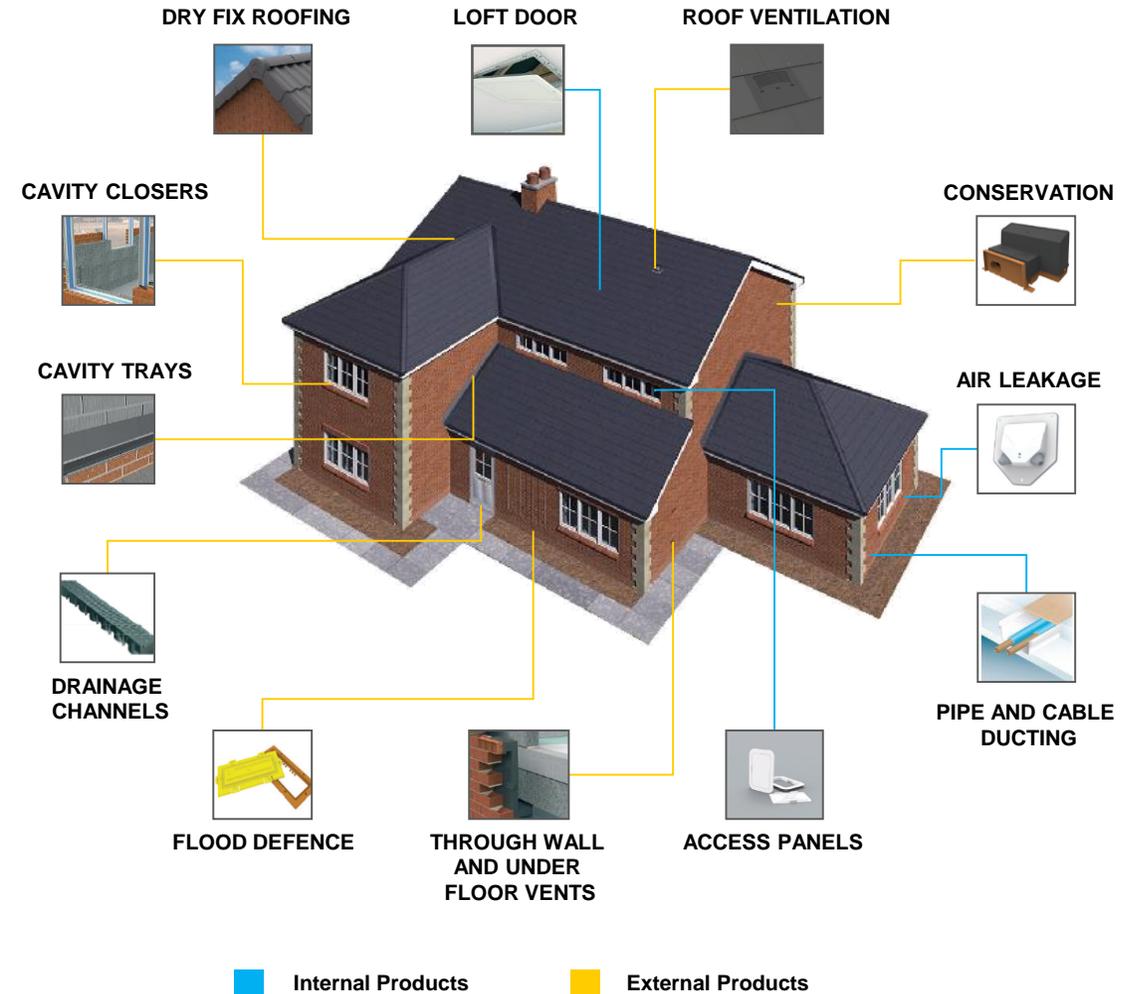
# Business overview (1)

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

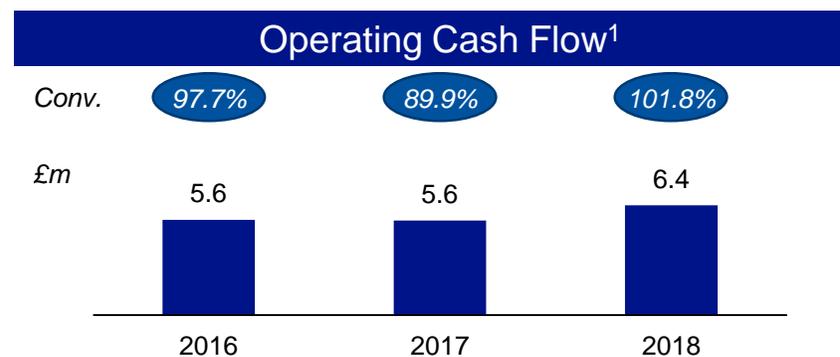
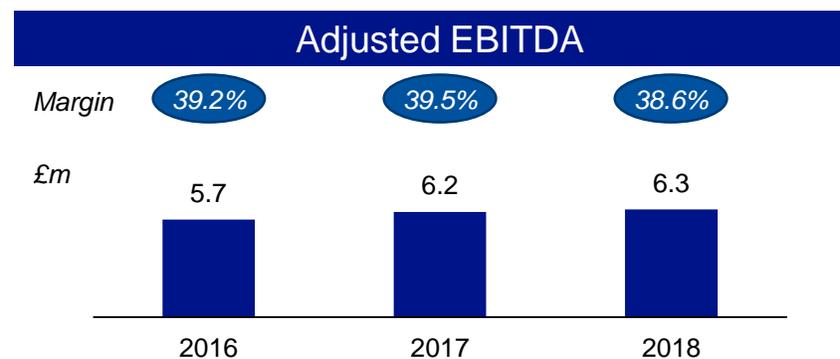
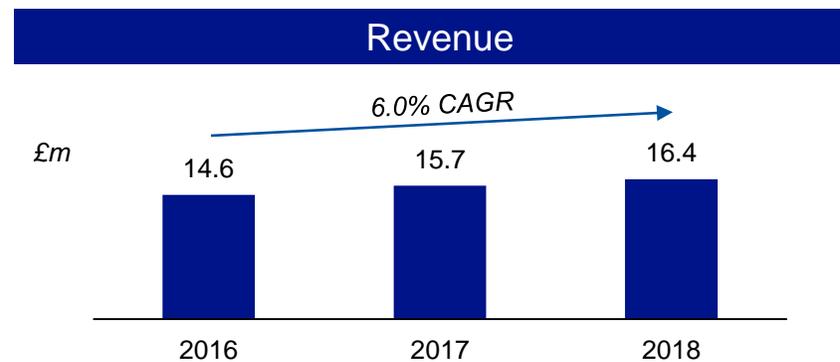
## Strategic fit (2)

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- 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 flow<sup>1</sup> 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

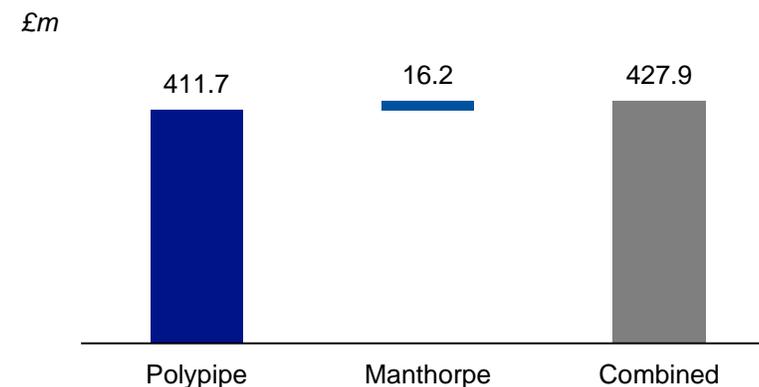
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- Two separate but interlinked transactions
  1. Acquisition of Manthorpe for a cash consideration of £44m on a debt and cash free, normalised working capital basis from the Pochciol family
    - Cash paid on completion, no earn out mechanism
  2. 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

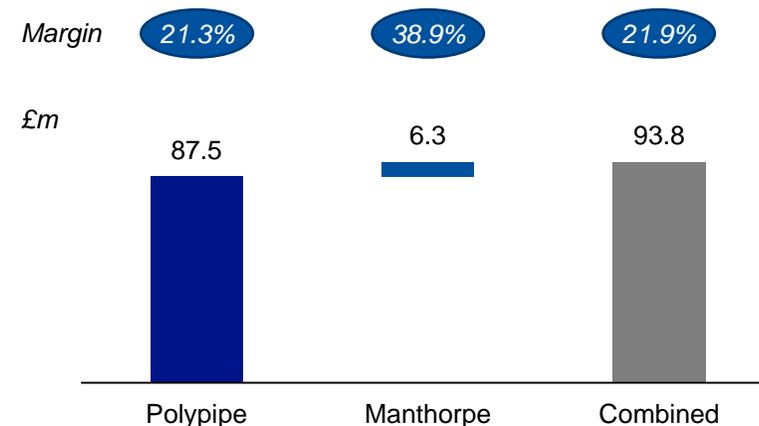
# Financial effects

- 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 leverage<sup>1</sup> at 31 December 2018 expected to be 1.7 times proforma EBITDA

## Pro Forma 2017 Revenue



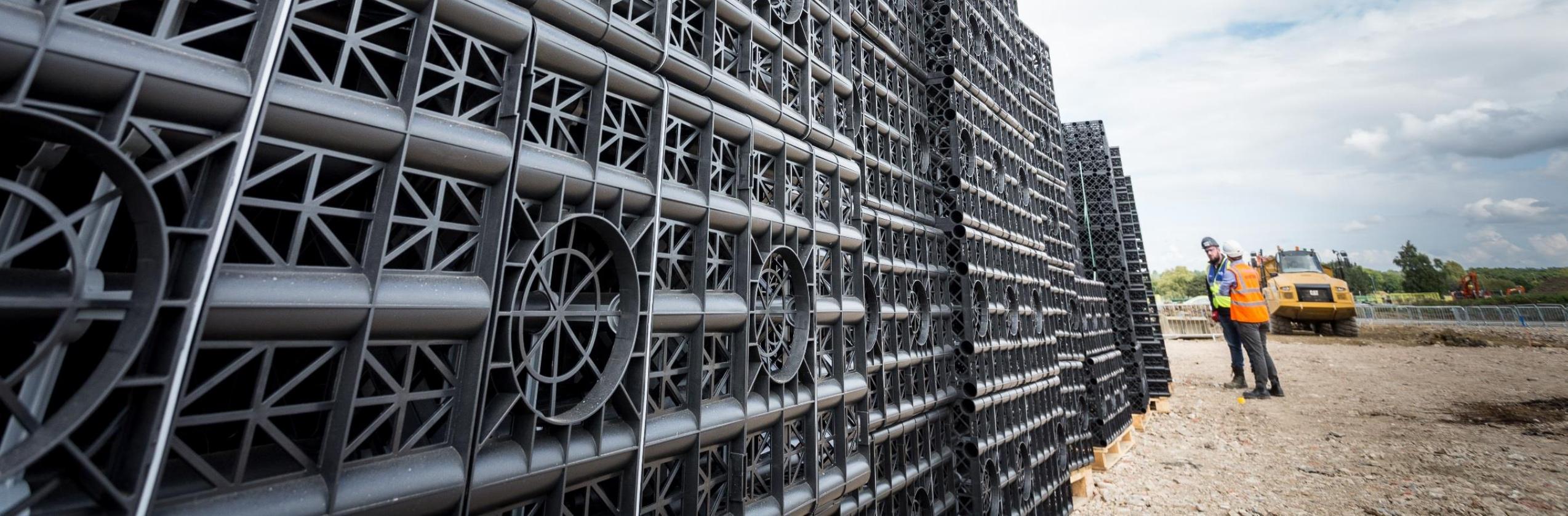
## Pro Forma 2017 EBITDA



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**