

Marshalls plc

# Acquisition of CPM Group Limited



**Marshalls**



# Acquisition of CPM

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## Acquisition of CPM

### Strategic background

- CPM is a precast concrete manufacturer which specialises in underground water management solutions.
- This is a significant step in the stated strategy of providing a full Water Management capability.
- Water Management is a strategic focus for Marshalls and is a key part of our 2020 Strategy.
- Gaining access to this new but complementary area through CPM's extensive product portfolio will accelerate our strategic progress in Water Management.
- The acquisition will enable us to offer customers a broader product choice that complements our existing Water Management offering.



## Marshalls Water Management

# Acquisition of CPM

## Business overview

- CPM is a specialist manufacturer of underground concrete pipes, conveyance and water management systems in the UK, targeting the Public Sector and Commercial end market.
- CPM has a comprehensive range of technical and innovative water management solutions.
- Manufacturing takes place at two sites – one at Mells (Somerset) and one at Pollington (East Yorkshire). There are ancillary offices in the Midlands and Scotland.
- The business has approximately 350 employees, with the majority based at the Somerset head office site.
- CPM is a profitable business with a strong track record of quality and service.
- The business will trade initially as Marshall's CPM, within the wider Marshall's Group.



# Acquisition of CPM

## Market background

- Marshalls is currently active in above ground, linear drainage products, combined kerb and drainage systems.
- CPM's routes to market are through merchants, albeit the Company supplies new housebuilding and infrastructure projects (including Hinkley Point, HS2, and A14 Cambridge).
- Marshalls currently does not trade in below ground UK drainage products.
- The acquisition of CPM will expand Marshalls' product range into below ground drainage.
- The acquisition of CPM will also enable Marshalls to deliver a fuller system-based water management proposition.





## Acquisition of CPM

### Product range

- CPM manufactures precast concrete, below ground drainage products and systems. It operates in the “collect,” “conveyance,” “clean,” “hold/release,” and “recycle” areas of the underground market and can offer a full system design capability.
- The product ranges include:
  - Collect: gully pots and covers
  - Conveyance: pipes, traditional and sealed manholes
  - Clean: hydrodynamic vortex separators and filters
  - Hold/release: attenuation tanks, flow control and perforated pipes
  - Recycle: rainwater harvesting chambers
- The provision of bespoke “off-site” solutions is a particular growth area.



# Acquisition of CPM

## Financial information

- Forecast revenue for the year ending 31 December 2017 is £55.4 million (2016: £51.2 million).
- Forecast profit before tax for 2017 is £4.7 million (2016: £4.6 million).
- Forecast EBITDA in 2017 is £6.7 million (2016: £6.3 million).
- Recent growth has been driven by an expansion in production capabilities and the sites at Mells and Pollington now both produce around 170,000 tonnes per annum.
- Net assets at 31 December 2016 were £14.4 million and the balance sheet is supported by a strong fixed asset base.
- Gross assets were £33.0 million at December 2016.



# Acquisition of CPM

## Deal structure

- Cash consideration of £38.3 million for the entire share capital of CPM.
- Cash free / debt free basis.
- No earn out although the CPM executive management team will be incentivised by an equity scheme going forward.
- The acquisition cost represents
  - 7.8 times 2016 EBIT
  - 6.1 times 2016 EBITDA
- The acquisition is expected to be earnings enhancing in its first full year after completion.
- The acquisition will be funded from existing Group facilities. An additional £20 million debt facility line has been established to maintain headroom capacity.
- Post completion “Net debt : EBITDA” and gearing will remain well within our Group target metrics and continuing headroom capacity.



# Acquisition of CPM

## Funding and facilities update

	Facility £m	Cumulative Facility £m
<b>Expiry date</b>		
<b>Committed facilities:</b>		
Q4 2022	20	20
Q3 2021	20	40
Q3 2020	20	60
Q3 2019	20	80
Q3 2018	20	100
<b>On demand facilities:</b>		
Available all year	15	115
Seasonal (February to August inclusive)	10	125

- Additional £20 million facility arranged – 2022 maturity
- Comfortable facilities and headroom
- Balance of committed and uncommitted facilities
- Continuing strong comfort against covenants