

19 November 2013

Michelmersh Brick Holdings PLC ("MBH" or the "Company")

Placing to raise £10.0 million

Michelmersh Brick Holdings PLC (AIM: MBH), the specialist brick manufacturer and landfill company, today announces that it has successfully raised £10 million by the placing of 22,222,222 Ordinary Shares at the Placing Price of 45 pence per share.

Highlights

- The proceeds of the placing will be used, in part, to help increase the saleable output of the Company's Freshfield Lane brickworks by up to a further 6 million units per annum through targeted capital investment of up to £2.5 million
- Freshfield Lane currently produces a range of traditional clamp fired machine and handmade stock bricks at a maximum saleable output of approximately 30 million units per annum. Therefore to increase the output the Company will use the proceeds to:
 - purchase new equipment
 - maximise the existing building space and redundant plant and equipment
 - acquire and recondition used plant and equipment from within the European brick industry
- The Placing proceeds will enable the Company to take advantage of the positive brick market background, as it sees average brick selling prices increasing, making the investment into Freshfield Lane very timely
- The Company will use the remainder of the net proceeds to reduce its overall gearing, for general working capital purposes and look for acquisition opportunities as and when appropriate.

Commenting on the Placing, Martin Warner, Michelmersh Brick Holdings' Chief Executive, said: "The success of today's Placing demonstrates the clear recognition and support by both existing and new shareholders of the potential of Michelmersh to deliver strong capital returns to our investors. Investment in Freshfield Lane will boost significantly our potential.

"The Placing was significantly over subscribed further emphasising increased confidence in the improving brick market conditions and we would like to thank our existing investors for their support as well as welcoming new institutions to the shareholder register."

will involve purchasing new equipment, maximizing the existing building space and redundant plant and equipment, currently within Freshfield Lane, as well as acquiring and reconditioning used plant and equipment from within the European brick industry.

The Directors believe the overproduction within brick manufacturing, which has been a feature of the Group's competitive market for the last few years, has ceased and surplus stocks held by competitors and customers have been eradicated. In conjunction with increased activity in the housing market, the Directors believe it is therefore logical to expect that average brick selling prices will start to increase. When this happens, the Directors expect a normalised return on capital will be achieved. The proposed investment in Freshfield Lane and the increase in saleable output is therefore timed to coincide with the positive brick market background and to help the Company benefit from the improved market environment.

The Directors intend to use the remainder of the net proceeds of the Placing to reduce the overall gearing of the Group and for general working capital purposes. The Board will also assess acquisition opportunities as and when they arise.

Current Trading and Outlook

Demand for the Group's products during 2013 has been strong with like for like despatches 14 per cent. ahead of 2012 for the nine months to September 2013. Production continues to run at capacity at all of the four operating brickworks within the Group. As a result, stock levels have reduced to the benefit of Group operating cash flow. Prices have remained flat in the industry as a whole and this has meant that prices achieved by the Group are only marginally ahead of 2012.

Input costs have risen largely in response to energy related services and the Group has suffered margin pressure, but has responded with reductions in central sales and administration costs. The Group has reported that, as a consequence, it expects to report a break even result on continuing activities. The results for the year will include a £2.0 million provision for the closure of the Dunton brickworks, as previously announced, where assets have been written down to expected realisable value. This write down has been balanced by uplift in value of the land at the site as it is released as a landfill site.

In 2013, the Group has completed the sale of a 15 acre plot of land at the Telford site for £4.6million which will contribute an exceptional profit on sale in the year's results. The initial cash proceeds from the sale, being £1.6 million, will meet the costs of reconstruction at the site of the continuing brickworks.

The Board expects that industry prices are to increase through 2014 as a result of the end of overstocking and increased demand which will restore the margins achieved. The Board continues to explore possibilities to increase contribution through production capabilities both organically and through acquisition.

Placing

Subject to Admission and the Shareholders approving the Resolutions at the General Meeting, the Company will issue 22,222,222 new Ordinary Shares which will raise approximately £10.0 million, before expenses, and £9.4 million, after the expenses of the Placing (which are estimated to be £0.6 million (excluding VAT) in total). The Placing Shares have been conditionally placed by Cenkos, as agent for the Company, with institutional and other investors in accordance with the terms of the Placing Agreement. Application has been made for the Placing Shares to be admitted to trading on AIM and dealings are expected to commence on 17 December 2013.

The Placing Shares issued pursuant to the Placing will represent approximately 27.6 per cent. of the Enlarged Share Capital. The Placing Shares will, following Admission, rank in full for all dividends and distributions declared, made or paid in respect of the issued Ordinary Share capital of the Company and otherwise rank pari passu in all other respects with the Existing Ordinary Shares. The Placing Price represents a discount of 15.5 per cent. to the closing mid-market price of 53.25 pence per Ordinary Share as at 18 November 2013 (being the latest practicable date prior to the date of this announcement).

In addition to the Placing, 500,000 Ordinary Shares in which Alan Hardy, a Non-Executive Director of the Company, is interested in are being sold at the Placing Price. Following this transaction, Mr Hardy's beneficial and non-beneficial interest will be 4,796,474 Ordinary Shares which represents approximately 6.0 per cent. of the Company's Enlarged Share Capital.

Defined terms within this announcement have the same meanings as those within the circular issued by the Company, and sent to Shareholders, today.