

26 June 2017

**Michelmersh Brick Holdings Plc**  
**(the “Company” or “Michelmersh” or the “Group”)**  
**Acquisition of Carlton Main Brickworks Limited**

Michelmersh is pleased to announce that it has acquired the entire issued share capital of Carlton Main Brickworks Limited (“Carlton”) for a net consideration of £31.2 million. The Acquisition is expected to be significantly earnings enhancing for the Group.

Carlton is a highly respected regional brick manufacturer, operating from a 93-acre site brickwork based in Barnsley, Yorkshire. The factory, first established in the 1880’s, currently manufactures up to 37 million wirecut bricks per annum and has a strong product offering that complements the geography and market segment of Michelmersh.

**Acquisition Highlights:**

- Carlton is being acquired for a gross consideration of up to £38.4 million, which includes the cash balances of Carlton at completion, being £7.2 million. The directors consider the net consideration to the Company of the acquisition to therefore be £31.2 million
- Carlton reported audited turnover of £13.1 million and unaudited adjusted EBITDA of £5.6 million after adding back non-recurring expenses (directors’ emoluments) for the 12 months ended 31 March 2016.
- Carlton is expected to increase Michelmersh’s output to over 100 million bricks per annum, an expected increase of over 40 per cent. to Michelmersh’s current output.
- Michelmersh is funding the acquisition through the issue of ordinary shares in the Company, its own cash resources and new debt facilities provided by HSBC including a £20.0 million term loan, a £6.0 million RCF and a £1.0 million overdraft facility.
- The Acquisition will give Michelmersh access to new regional markets, provide opportunities for cross selling and product synergies and increase output efficiency. Other operational synergies are expected to benefit the enlarged Group over time.
- The Acquisition is expected to be significantly earnings enhancing in the current financial year and increase the overall operational cash flow of the Company going forward, assisting in, post debt servicing and repayment, further investment within the Group and future shareholder distributions.

The Board considers that the acquisition of Carlton is an important strategic step forward in the growth of the Company, adding significant scale, output and earnings to the Group. Michelmersh’s turnover and profit before tax will be immediately enhanced by the addition of Carlton.

The acquisition gives the Company the ability to expand its quality product offering in line with our premium-centric core strategy, and consequently will increase the Group’s annual output to 100 million bricks. Furthermore, the addition of Carlton will broaden an already very strong and loyal customer base, giving access to new regional markets with cross sales opportunities and product synergies. Carlton also brings with it a popular and highly regarded RMI focused product line. This itself will give the enlarged Group the ability to strengthen its market offering whilst greatly improving efficiency and output per capita.

The Group welcomes the Carlton team to the business and look forward to building on the significant success already achieved by its dedicated team in Barnsley.

**Financial Information on Carlton**

In the 12 months ended 31 March 2016, Carlton made an audited profit before taxation of £2.62 million on turnover of £13.1 million, which represents an unaudited adjusted EBITDA of £5.56 million after adding non-recurring expenses (directors’ emoluments). The audited net assets of Carlton at 31 March 2016 amounted to £9.3 million, including land and buildings at book value of £0.6 million but which have been independently valued for the Group at £6.3 million.

### **Acquisition Terms of Carlton**

The gross consideration for Carlton is up to £38.4 million. The gross consideration however includes the cash balances of Carlton at completion, being £7.2 million. The Directors believe therefore a maximum net consideration for Carlton of £31.2 million is a more meaningful consideration value for shareholders.

The net consideration for Carlton is being financed through a mixture of new facilities provided by HSBC and its own cash balances. The Board are also anticipating proceeds from the completion of the sale of the Dunton landfill site shortly. The new bank facilities comprise:

- £20.0million term loan,
- £6.0 million RCF and a
- £1.0 million overdraft facility.

Not all of the facilities will be drawn initially but will provide headroom for seasonal cashflows and investment.

The maximum net consideration of Carlton will be satisfied as follows:

- Cash on completion of £30.7 million, less a retention of £800,000 pending completion
- £3.5 million deferred consideration payable in three instalments on the first three anniversaries of completion of £1.75 million followed by two payments of £0.875 million respectively. The deferred consideration will carry interest at 2.75% plus bank base rate payable quarterly in arrears and is secured on the Barnsley property owned by Carlton.
- 4.7 million Michelmersh ordinary shares of 20 pence each at 72 pence per share
- £0.8 million potential additional consideration pending agreement of a Completion Statement relating to Carlton's working capital.

Application has been made for 4,694,444 ordinary shares of 20 pence in the company to be admitted to trading on AIM, with dealings expected to commence on 29 June 2017. These ordinary shares are being issued pursuant to the authorities granted to the Company at its last AGM.

### **Integration of Carlton**

The Stephenson family has owned Carlton since the 1970's and the vendors comprise Oliver and Matthew Stephenson and Derek and John Wilson (deceased). Oliver Stephenson, Carlton's Chairman and major shareholder, will cease to be employed by Carlton but will support the integration of the business into the enlarged Group through a two-year consultancy agreement.

Carlton will sit alongside the Group's other brickworks and will continue to manufacture its well respected range of products. The current Managing Director, Pat Furr, is retiring from the business at the end of 2017 but will help with the business transfer as the current manufacturing team fall into the Group operating management structure that will oversee performance, quarry management and health and safety. The sales staff at Carlton will continue to serve the existing customer base but over time will be integrated into the Michelmersh national sale structure to encourage cross selling of products and widening of the geographical presence of the enlarged Group.

Carlton has invested in its business particularly over recent years and has a strong production capability. Under Michelmersh, investment in plant and process is a core consideration and operations will be evaluated to determine whether investment can improve efficiencies.

This announcement contains inside information.

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**About Michelmersh Brick Holdings PLC:**

Michelmersh Brick Holdings PLC is a business with six market leading brands: Blockleys, Carlton, Charnwood, Freshfield Lane, Michelmersh and Hathern Terra Cotta. These divisions operate within a fully integrated business combining the manufacture of clay bricks, tiles and pavers. The Group also includes a landfill operator, New Acres Limited, and seeks to develop future landfill and development opportunities on ancillary land assets.

Established in 1997 the Company has grown through acquisition and organic growth into a profitable and asset rich business, producing over 100 million clay bricks, tiles and pavers per annum. Michelmersh currently owns most of the UK's premium manufacturing brands and is a leading specification brick and clay paving manufacturer.

Michelmersh strives to be a well invested, long term, sustainable, environmentally responsible business. Opportunity, training and security for all employees, whilst meeting the needs of stakeholders are at the forefront of everything we do. We aim to lead the way in producing some of Britain's premium clay products and enhancing our environment by adding value to the architectural landscape for generations to come.

We are Michelmersh Brick Holdings PLC: we are "Britain's Brick Specialist".

Please visit the Group's websites at: [www.mbhplc.co.uk](http://www.mbhplc.co.uk) and [www.bimbricks.com](http://www.bimbricks.com)

