

Metro Performance Glass to acquire Australian Glass Group

Overview

Metro Performance Glass Limited (“Metro Glass”) today announced that it has entered into a conditional agreement to acquire 100% of the shares in Australian Glass Group (Holdings) Pty Ltd (“AGG”), the third largest glass processor in Victoria and New South Wales, for A\$43.1 million. AGG is currently owned by interests associated with the Trawalla Group.

AGG was founded in 2008 and has glass processing plants in Melbourne and Sydney that supply double glazed glass units, custom laminates and toughened safety glass for residential and commercial projects across Victoria, New South Wales, Australian Capital Territory and Tasmania. AGG’s sales are predominantly driven by new detached dwellings along with alterations & additions. AGG has limited exposure to the multi-residential dwelling market.

AGG is currently generating annual sales of circa A\$45 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of circa A\$8 million.

The acquisition remains subject to a number of conditions and adjustments which are customary for a transaction of this nature. At this stage, Metro Glass expects the transaction to settle by the end of August 2016.

Metro Glass Chairman Sir John Goulter said “this acquisition represents a significant strategic step for our company and we are confident that AGG and the Australian glass processing market more broadly, represent an attractive growth opportunity for Metro Glass long term.”

“AGG importantly has a strong management team which will ensure that the Metro Glass NZ management can remain highly focussed on building the capability and service offering required in NZ to further benefit from the domestic opportunities that lie ahead of us. We have started the financial year well, and continue to benefit from a strong local market.”

Key highlights

- Metro Performance Glass Limited (“Metro Glass”) is to acquire 100% of the shares in Australian Glass Group (Holdings) Pty Ltd (“AGG”) for A\$43.1 million
- The transaction remains subject to a number of customary conditions and adjustments. It is anticipated that, subject to satisfaction of these conditions, the acquisition will be completed by the end of August 2016 and that the acquisition will be earnings per share accretive for Metro Glass from its first year
- AGG is the third largest glass processor in Victoria and New South Wales, generating annual sales of circa A\$45 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of circa A\$8 million
- AGG’s processing plants in Melbourne and Sydney supply residential and commercial construction projects across South East Australia
- This acquisition will be fully debt funded. Metro Glass has refinanced its existing bank facilities for a three year term, and total interest bearing liabilities will increase to approximately NZ\$100 million
- Metro Glass has started the financial year well and continues to benefit from a strong local market

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Opportunity

Metro Glass Chief Executive Nigel Rigby said “Having studied the Australian glass processing market for some time we see a number of significant opportunities for Metro Glass. In particular we see double glazing penetration gathering significant momentum in cooler climates like Victoria in the short to medium term. Metro Glass produces significantly more double glazed units week to week than any other player in Australia or NZ and has developed considerable manufacturing and distribution core competencies, which combined with our expertise in processing high performance glass will benefit the AGG business and its customers.

“AGG is a well-established business with a reputation for delivering excellent customer service, and provides the opportunity to gain a scale position in our preferred states of Victoria and New South Wales. AGG’s specific focus areas of detached dwellings and alterations & additions have a relatively stable growth outlook, which coupled with the growth of double glazed windows and higher specification glass provides an attractive market opportunity both in the short and long term.”

Consideration and Financing

The acquisition is for a total consideration of A\$43.1 million, on a cash and debt free basis. The transaction remains subject to a number of customary conditions and adjustments. It is anticipated that, subject to satisfaction of these conditions, the acquisition will be completed by the end of August 2016 and that the acquisition will be earnings per share accretive for Metro Glass from its first year.

This acquisition will be fully debt funded. Metro Glass has refinanced its existing bank facilities (previously due to expire in July 2017) for a three year term, and total interest bearing liabilities will increase to approximately NZ\$100 million.

It is anticipated that there will be AGG related capital expenditure incurred in the near-term in order to benefit from specific market opportunities. In completing the transaction Metro Glass will have incurred one off (non-trading) costs of approximately NZ\$1m which will be expensed in the FY17 year.

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About Metro Performance Glass

Metro Performance Glass (NZX.MPG; ASX.MPP) is the largest value added glass processor in New Zealand. It produces a range of customised glass products that are predominantly used in residential and non-residential construction applications such as windows, doors, internal partitions, balustrades, facades, showers, mirrors, furniture and splash backs. Metro Performance Glass has national coverage through its 17 sites, including four major processing sites, a fleet of over 300 service vehicles and more than 800 employees across New Zealand. Learn more: www.metroglass.co.nz