

7 October 2019

SIG plc

Proposed sale of the Air Handling Division to France Air for EUR 222.7 million

SIG plc ("SIG", the "Group" or the "Company"), a leading supplier of specialist building materials to trade customers across Europe, is pleased to announce that it has entered into an agreement for the sale of its Air Handling Division to France Air Management SA ("France Air" or the "Purchaser") for an enterprise value of EUR 222.7m (£198.3m¹) on a cash free, debt free basis ("the Disposal").

TRANSACTION HIGHLIGHTS

- Enterprise value of EUR 222.7m (£198.3m)¹ represents an attractive valuation of approximately 10.2x² underlying operating profit.
- At least £130 million of the net cash proceeds will be used to reduce the Company's financial indebtedness, in line with the Group's previously stated priority to reduce leverage.
- The majority of any residual net cash proceeds will be used to make a return to shareholders. The Board will decide on the quantum, timing and method of the shareholder return following completion of the Disposal.
- The Disposal is conditional upon approval by SIG shareholders and certain anti-trust approvals, as well as being dependent upon completion of French works council consultations and employee related information processes.
- Completion is expected to occur in Q1 2020.

STRATEGIC HIGHLIGHTS

- The Disposal creates value for shareholders by enabling the Group to focus on its leading positions as:
 - (i) a specialist distributor of insulation and interiors products which operates in seven countries across Europe; and
 - (ii) a merchant of roofing and exteriors products in the UK and France.
- The Disposal provides a strengthened balance sheet and the flexibility to pursue further value creating investment opportunities in support of medium-term growth as appropriate.
- Following the Disposal the Group intends to terminate its debt factoring arrangements and to target headline financial leverage pre-IFRS 16 of approximately 0.5x EBITDA (30 June 2019: 1.4x).
- The Group continues to see benefits from transformational initiatives across its business and will continue to focus on its strategic levers of customer service, customer value and operational efficiency.
- SIG intends to hold a capital markets presentation in due course at which it will set out its strategy for future growth in its core distribution and merchanting businesses.

Commenting on the Disposal, Meinie Oldersma, Chief Executive Officer of SIG, said:

"We believe that the proposed sale of our Air Handling Division represents an attractive value for SIG's shareholders. The Disposal is a result of continuing management actions in line with stated priorities to reduce financial leverage, to simplify the Group's operations by exiting from non-core businesses and to deliver significantly improved operational and financial performance."

"The Disposal enables SIG to become a more focused business, with leading positions and attractive medium-term growth prospects in its core markets, a strengthened balance sheet and the flexibility to pursue further value creating investment opportunities."

The Disposal constitutes a Class 1 transaction for the purpose of the Listing Rules. A circular and notice of general meeting will be posted to shareholders in due course following completion of the

French works council consultations and employee related information processes, and will be available for inspection at www.sigplc.com. A further announcement will be made on posting.

Contacts

SIG plc

+44 (0) 114 285 6300

Meinie Oldersma Chief Executive Officer

Nick Maddock Chief Financial Officer

Katharine Baxter Group Communications

FTI Consulting

+44 (0) 20 3727 1340

Richard Mountain

Lazard & Co. Ltd – Financial adviser to SIG

+44 (0) 20 7187 2000

Cyrus Kapadia / Vasco Litchfield / Jonathan Pallett

Peel Hunt LLP – Sponsor and joint broker to SIG

+44 (0) 20 7418 8900

Charles Batten / Nicholas How / Sam Cann

Jefferies International Limited – Joint broker to SIG

+44 (0) 20 7029 8000

Ed Matthews / Will Soutar

ADDITIONAL INFORMATION

1. Introduction

SIG today announces that it has entered into a conditional agreement and put option to sell its Air Handling Division to the Purchaser.

The enterprise value of the Disposal will be EUR 222.7m (£198.3m)¹, which has been calculated on a cash and debt free basis. The consideration, payable in cash at completion of the Disposal ("Completion"), will be subject to customary adjustment for actual levels of cash, debt and working capital in the Air Handling Division at Completion.

2. Background to and reasons for the Disposal

Following the previously announced strategic review of the Air Handling Division, the Board has decided that the Air Handling Division should be sold in a manner that realises appropriate value for the Group and its shareholders.

The Disposal realises an attractive value for the Air Handling Division (representing an EV/EBIT multiple of 10.2x²) and will help facilitate a reduction in the level of the Company's debt, which continues to be a key priority for the Board and for Shareholders.

Following Completion, the remaining Group (the "Continuing Group") will comprise of:

- (i) a specialist distributor of insulation and interiors products which operates in seven countries across Europe; and
- (ii) a merchant of roofing and exteriors products in the UK and France.

The Continuing Group will continue to focus on its strategic levers: customer service, operational efficiency and customer value. In support of this, SIG will continue with its announced programme of delivery of transformation benefits to be able to generate a sustained improvement in operational and financial performance. These benefits will be achieved through a focus on pricing, cost management and a transition to a more integrated functional operating model.

3. Principal terms and conditions of the Disposal

On 7 October 2019, the Company and the Purchaser entered into:

- (i) a sale agreement ("Sale Agreement") setting out the terms and conditions on which the Company will procure the sale of the shares in the target companies comprising the Air Handling Division to the Purchaser; and
- (ii) a put option ("French Put Option") pursuant to which the Company or its wholly owned French subsidiary will (upon exercise) require the Purchaser to acquire the Air Handling Division's French target companies on the terms of the Sale Agreement.

Due to French law requirements, the disposal of the French target companies requires:

- (i) consultation with the French works councils with a view to obtaining their opinions on the disposal of certain of the French target companies; and
- (ii) informing employees of certain of the French target companies of the Disposal and to provide an opportunity for those employees to make an offer to purchase the shares in those companies (known as the Hamon Law), although there is no obligation on the French Seller to accept any such offer.

The works councils' consultations and Hamon Law information processes in France may take up to three months to complete.

The French Put Option has been entered into to comply with French law requirements. The Disposal (in its entirety) is dependent upon completion of the French works council consultations and Hamon Law information processes and the subsequent exercise of the French Put Option.

The Disposal is conditional upon approval by SIG shareholders at a general meeting of the Company and obtaining anti-trust approvals in Bulgaria and France. If these conditions are not satisfied or the French Put Option is not exercised by the long stop date for the Disposal (being initially four months from signing, with an automatic extension to five months), the Disposal will not proceed (unless the parties agree to extend that date).

There is an ability under the Sale Agreement to make certain non-material adjustments to the perimeter in advance of Completion. The Board expects Completion to occur in Q1 2020.

Further details of the terms of the Disposal will be set out in the circular.

4. Information on the Air Handling Division

SIG's integrated Air Handling Division is the largest distribution-led specialist provider of air handling products and solutions in Europe. The Air Handling Division supplies more than 15,000 products and heating, ventilation and air conditioning (HVAC) related project solutions to more than 30,000 customers each year.

The Air Handling Division comprises two main businesses:

- Specialist Distribution supplies air handling parts and products, with a growing own-brand and fabricated product offering, serving installers and building contractors with tailored solutions. Its 'hub and spoke' business model provides a 'one-stop shop' to its customer base in the distribution of HVAC and complementary technical insulation products; and
- Specialist Projects provides technical solutions for the design, supply and installation of specialist air handling systems and holds leading market positions in the specialist, high value niches of car park systems and climate ceilings.

The Air Handling Division operates in ten European countries and predominantly in the Netherlands, France, Belgium and the United Kingdom. It employs approximately 1,250 people and is headquartered in Waalwijk, Netherlands.

In 2018 the Air Handling Division reported underlying operating profit of £19.4 million on revenue of £311.4 million.

5. Use of proceeds

The gross cash proceeds arising from the Disposal are expected to be approximately EUR200 million³ (£180 million)¹.

The Board intends firstly to use at least £130 million of the net cash proceeds to reduce the Company's financial indebtedness, of which approximately £80 million will be applied pro-rata to making a mandatory offer of prepayment to holders of private placement notes issued by the Company to institutional investors and approximately £50 million to terminating its debt factoring arrangements, in line with the Group's previously stated priority to reduce financial leverage. This will provide the Continuing Group with a strengthened balance sheet and flexibility to pursue further value creating investment opportunities as appropriate.

The Board also intends to use the majority of any residual net cash proceeds, in excess of that used to reduce the Company's financial indebtedness and a modest amount retained for general

corporate purposes, to make a return to Shareholders. Such return may be made by way of on-market purchases of the Company's own shares or through the Company's dividend policy. In determining the optimal quantum, timing and method for this return to Shareholders, the Board will consider a number of factors including organic investment requirements, overall Group financial leverage, Shareholder preference and prevailing market conditions. The Board will make a decision on the quantum, timing and method of the return following Completion.

Following the Disposal the Group intends to target headline financial leverage pre-IFRS 16 of approximately 0.5x EBITDA (30 June 2019: 1.4x), with flexibility for variable working capital requirements during the year.

6. Financial effects of the Disposal

As at 30 June 2019, the Air Handling Division had gross assets of £182.3 million, representing 11.4 per cent. of the Group's gross assets as at 30 June 2019.

In the year ended 31 December 2018, the Group reported underlying operating profit of £90.6 million (extracted without material adjustment from the 31 December 2018 audited financial statements of SIG) and the Air Handling Division reported underlying operating profit of £19.4 million, representing 21.4 per cent. of the Group's underlying operating profit. The Disposal is expected to be dilutive to SIG's earnings per share, although the dilution should be substantially offset in future years by reduced financing costs and continuing benefits from the Group's programme of transformation.

7. Class 1 Circular

A circular containing further details of the Disposal, the resolution to approve the Disposal, the Board's recommendation to vote in favour of the Disposal and the notice of the general meeting, will be sent to Shareholders in due course following completion of the French works council consultations and employee related information processes.

8. Intended Recommendation

The Board considers the Disposal to be in the best interests of shareholders as a whole. Accordingly, the Directors intend to unanimously recommend in the circular that shareholders vote in favour of the resolution at the general meeting to be convened to consider the Disposal.

KEY NOTES

1. Based on GBP: EUR foreign exchange rate of 1.123, as at 4 October 2019.
2. Multiple of 10.2x based on Enterprise Value of EUR 222.7 million and underlying operating profit of £19.4 million for the Air Handling Division for the year ended 31 December 2018 converted at a GBP: EUR foreign exchange rate of 1.123.
3. Net of any cash that transfers with the Disposal, as well as any intercompany balances owed by the Air Handling division to the Continuing Group, that will be settled by the Purchaser at completion.

IMPORTANT NOTICES

Information regarding forward-looking statements

This document includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms anticipates, believes, could, estimates, expects, intends, may, plans, projects, should or will, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding SIG and its intentions, beliefs or current expectations concerning, among other things, the business, results of operations, prospects, growth and strategies of the Group, the Air Handling Division and the Continuing Group.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of operations of the Group, the Air Handling Division or the Continuing Group and the developments in the industries in which they operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations of the Group, the Air Handling Division or the Continuing Group and the developments in the industries in which they operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law and regulation, currency fluctuations, changes in business strategy and political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward looking statements in this document reflect SIG's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group and its operations, results of operations and growth strategy.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), SIG is not under any obligation and SIG expressly disclaims any intention or obligation (to the maximum extent permitted by law) to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

No profit forecast or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group, the Air Handling Division or the Continuing Group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Group, the Air Handling Division or the Continuing Group, as appropriate.

Cautionary statement

This announcement is not intended to, and does not constitute, or form part of, any offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. SIG Plc shareholders are advised to read carefully the formal documentation in relation to the Disposal once it has been despatched. Any response to the Disposal should be made only on the basis of the information in the formal documentation to follow.

Important information relating to the financial adviser and sponsor

Lazard & Co., Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for SIG and for no one else in connection with the Disposal and will not be responsible to anyone other than SIG for providing the protections afforded to its clients or for providing advice in connection with the Disposal, the contents of this announcement or any other matter referenced above. Neither Lazard & Co., Limited nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, tort or otherwise) to any person who is not a client of Lazard & Co., Limited in connection with the Disposal, any statement contained herein or otherwise.

Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for SIG and no one else in connection with the Disposal and will not be responsible to anyone other than SIG for providing the protections afforded to clients of Peel Hunt LLP or for providing advice in relation to the Disposal, the contents of this announcement or any transaction, arrangement or other matter referred to in this announcement.