

SALE OF FILTERS AND PACKAGING COMPLETION OF SALE

Released : 03/10/2022 16:02

RNS Number : 6101B
Essentra plc
03 October 2022

The following typographical amendment has been made to the 'Sale of Filters business to Centaury Management Limited and completion of the sale of Packaging business to Mayr-Melnhof Group' announcement released on 3 October at 07:00 under RNS 4578B.

The original announcement incorrectly stated, both in the section entitled "Principal details of the transaction", and in Note 4, that up to £20m deferred earn-out consideration would be payable in two tranches of up to £10m for each of 2022 and 2023, respectively. This should instead state that up to £20m deferred earn-out consideration would be payable in two tranches of up to £10m for each of 2023 and 2024, respectively.

All other details set out in the announcement are correct, and remain unchanged. The full amended text is shown below.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION. FOR IMMEDIATE RELEASE

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION

ESSENTRA PLC

A leading global provider of essential components and solutions

SALE OF FILTERS BUSINESS TO CENTAURY MANAGEMENT LIMITED AND COMPLETION OF THE SALE OF PACKAGING BUSINESS TO MAYR-MELNHOF GROUP

- Sale of the Filters business to a wholly owned subsidiary of Centaury Management Limited for an enterprise value of approximately £262.1m, including 100% consolidation of certain joint ventures¹, implying a June 2022 LTM adjusted operating profit multiple of 8.2x^{2,3}
- Consideration is comprised of approximately £200m initial consideration due on completion (on a cash-free, debt-free basis and subject to customary adjustments) and up to £20m deferred earn-out consideration⁴
- The transaction is expected to complete no later than 31 January 2023. A Class 1 circular and notice of General Meeting will be published in due course
- The Board intends to use the net transaction proceeds to make a small contribution to its defined benefit pension schemes and prepay a portion of US private placement debt
- The sale of the Packaging business to Mayr-Melnhof completed on 1 October 2022
- The Board intends to return approximately £150m to shareholders via a special dividend after the Filters disposal has completed
- After completion of the sales of the Filters business, Essentra will be established as a pure play components business, with a healthy balance sheet, providing flexibility to pursue organic and inorganic growth opportunities

In line with the previously announced strategic review, Essentra plc ("Essentra" or the "Company") today announces the disposal of Essentra Filter Holdings Limited ("Filters" or the "Target") to Frank Acquisition Four Limited (the "Purchaser"). The top holding company of Frank Acquisition Four Limited is Centaury Management Limited, which is owned and controlled by the investment office of the Markus family. The consideration is comprised of approximately £200m initial consideration due on completion (on a cash-free, debt-free basis and subject to customary adjustments as set out below) and up to £20m deferred earn-out consideration following completion⁴. The transaction values the Filters business at an enterprise value of approximately £262.1m, including 100% consolidation of certain joint ventures¹.

The transaction is subject to conditions which are set out further below including approval by Essentra's shareholders. The Class 1 circular and notice of General Meeting will be published in due course. The transaction is expected to complete no later than 31 January 2023.

The Board intends to use the proceeds to reduce Essentra's debt position by offering to prepay a portion of US private placement ("USPP") notes issued under its 2021 note purchase agreement⁵ and to make a

small contribution to Essentra's defined benefit pension schemes. After the disposal of the Filters business has completed, the Board intends to return approximately £150m of the residual net transaction proceeds from the disposals of Filters and Packaging to shareholders via a special dividend.

The transaction will further strengthen the Group's balance sheet and, after accounting for the repayment of USPP debt and special dividend, the Board's intention is for the Group to have a net financial leverage of approximately 0x. This will provide Essentra Components with the flexibility to pursue value creating organic and inorganic opportunities, including future bolt-on acquisitions.

The Components business continues to perform well, benefitting from its broad geographic reach (Americas 30%; Europe and Rest of World 55%; Asia 15%). A Q3 trading statement will be released on 26 October 2022.

Commenting on today's announcement, Paul Forman, Chief Executive said:

"The strategic review of Filters was launched in October 2021 and has built on the significant progress the division has made since 2017 when announcing its strategy for future growth. The business is delivering on all of the strategic "game changers" and has attractive long-term growth prospects. I am confident that Filters will continue to make excellent progress under its new ownership.

The sale of Filters marks the final step of our journey to become a pure play components business. Essentra has a bright future as a leading global manufacturer and distributor of components with a clear strategy and significant opportunities to accelerate growth and expand market share. This transaction strengthens Essentra's balance sheet and enables the Group to return a meaningful portion of the proceeds to shareholders whilst maintaining the flexibility to invest in organic and inorganic growth."

Principal details of the transaction

On 2 October 2022, Essentra International Limited (the "Seller"), Essentra and the Purchaser entered into a Sale and Purchase Agreement, pursuant to which the Seller agreed, on the terms and subject to the conditions of the Sale and Purchase Agreement, to sell Filters to the Purchaser.

The consideration payable by the Purchaser comprises approximately £200m initial consideration, subject to adjustments after completion by way of a customary completion accounts mechanic in relation to cash, debt and working capital, and up to £20m deferred earn-out consideration payable in two tranches of up to £10m for each of 2023 and 2024, respectively, as agreed with the Purchaser in the Sale and Purchase Agreement. The customary adjustments, which are expected to reduce the initial cash consideration by approximately £35m, will include certain pension and other liabilities, including approximately £16m of IFRS 16 lease liabilities, which will transfer out of the Group.

The Seller has given certain warranties and indemnities to the Purchaser that are customary for a transaction of this nature and size.

The transaction is conditional upon various conditions, including the satisfaction (or waiver, where applicable) of the following:

- Approval of a resolution approving the transaction by shareholders at a General Meeting of Essentra
- The completion (in all material respects) of a group reorganisation to achieve the separation of Filters from the remainder of the Essentra group
- There not being in force any applicable law that prohibits or renders illegal the sale or purchase of shares

The Board expects that, subject to the satisfaction and/or waiver (where applicable) of the conditions to the transaction, completion will occur no later than 31 January 2023.

Essentra has agreed to pay a fee of £5.0m, if, in order to comply with its fiduciary duties, the Board exercises its right to withdraw, suspend, qualify or adversely modify or amend its recommendation in relation to the disposal, except to the extent that such change of recommendation is caused by certain breaches of the Purchaser's obligations under the Sale and Purchase Agreement, or the Seller is otherwise entitled to terminate the Sale and Purchase Agreement pursuant to its terms.

For the year ended 31 December 2021 Filters delivered adjusted operating profit of £28.2m². The gross assets at 30 June 2022 were £249.7m⁶.

Class 1 transaction

The transaction constitutes a Class 1 transaction under the Listing Rules. Completion is therefore conditional upon the approval of Essentra's shareholders and a circular will be sent to the Company's shareholders in due course. Completion is also subject to customary closing conditions as set out above.

Peel Hunt LLP is acting as sole sponsor to Essentra in regard to the sale of the Filters business. Goldman Sachs International is acting as exclusive financial advisor to Essentra in regard to the sale of the Filters business. Lazard & Co., Limited is acting as independent financial adviser to the Board of Essentra.

Completion of the sale of Packaging to Mayr-Melnhof Group

Further to the announcement on 24 June 2022, Essentra is pleased to confirm, following receipt of regulatory approvals and shareholder approval, the successful completion of the disposal of ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies ("Packaging") to Mayr-Melnhof Group ("MM") for £312 million on a cash free, debt free basis and subject to customary adjustments. The transaction completed on 1 October 2022.

As previously communicated, the transaction excludes Packaging's business in India (which represents less than 1% of Group revenues). The Company is pleased to announce that this business has been sold to BBM Bommidala who will be well placed to integrate the Bangalore site into their current portfolio.

Market Abuse Regulation statement

This announcement contains inside information.

The person responsible for arranging the release of this announcement on behalf of the Company is Jon Green, Company Secretary of Essentra.

Investor enquiries:

Essentra plc

Jack Clarke, Chief Financial Officer

Claire Goodman, Group Investor Relations Manager

Tel: +44 (0)1908 359100

Media enquiries:

Tulchan Communications LLP

Olivia Peters

Lisa Jarrett-Kerr

Tel: +44 (0)20 7353 4200

Notes

1. The enterprise value of up to £262.1m is based on 100% consolidation of certain joint venture entities (China Tobacco Essentra (Xiamen) Filters Co., Ltd and ITC Essentra Limited) (the "JVs"), which are accounted for as subsidiaries of Essentra in its consolidated financial statements due to a control achieved via board membership. Of this £262.1m enterprise value, £42.1m relates to the Filters' business non-controlling interests in the JVs
2. The term adjusted excludes the impact of amortisation of acquired intangible assets and adjusting items
3. Multiple of 8.2x based on an enterprise value of £262.1m and June 2022 LTM adjusted operating profit of £31.8m. Based on 100% share of the JV and includes earn-out consideration of up to £20m
4. Up to £20m deferred earn-out consideration (up to £10m achievable for each of 2023 and 2024, respectively)
5. 2021 USPP repayments are on a pro rata basis at par and without make-whole premium
6. The value of gross assets excludes intercompany receivables and cash which will be settled as part of the transaction

Cautionary forward-looking statement

This announcement contains forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied by the forward-looking statement. Each forward-looking statement speaks only as of the date of this announcement. The Company accepts no obligation to revise or publicly update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

The release, publication or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Any failure to comply with these requirements or restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. This announcement has been prepared for the purposes of complying with English law and the UK Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.

No offer or solicitation

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period.

Important information relating to financial advisers for the Filters transaction

Peel Hunt LLP ("Peel Hunt"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Essentra plc as sponsor and for no one else in connection with the transaction and will not be responsible to anyone other than Essentra plc for providing the protections afforded to clients of Peel Hunt or for providing advice in relation to in this announcement. Apart from the responsibilities and liabilities, if any, which may be imposed upon Peel Hunt by FSMA or the regulatory regime established thereunder, Peel Hunt and its subsidiaries, branches and affiliates, and such entities' respective directors, officers, employees and agents do not accept any duty, responsibility or liability whatsoever or make any representation or warranty, express or implied, concerning the contents of this announcement, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with Essentra plc or the transaction, and nothing in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Peel Hunt accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement, or any such statement.

Goldman Sachs International ("Goldman Sachs"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively as financial adviser to the Board of Essentra plc and no one else in connection with the transaction and will not be responsible to anyone other than the Board of Essentra plc for providing the protections afforded to clients of Goldman Sachs nor for providing advice in relation to the transaction or any other matters referred to in this announcement. Neither Goldman Sachs nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Goldman Sachs in connection with the transaction, this announcement, any statement contained herein or otherwise.

Lazard & Co., Limited ("Lazard"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to the Board of Essentra plc and no one else in connection with the transaction and will not be responsible to anyone other than the Board of Essentra plc for providing the protections afforded to clients of Lazard, nor for providing advice to any other person in relation to the transaction or any other matters referred to in this announcement. Neither Lazard nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard in connection with this announcement, any statement contained herein or otherwise.

Notes to Editors

About Essentra plc

Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions. As a result of the completion of the sale of Packaging to MM, the Group is now organised into two global divisions. Essentra focuses on the light manufacture and distribution of high volume, enabling components which serve customers in a wide variety of end-markets and geographies.

Headquartered in the United Kingdom, Essentra's global network extends to 32 countries and includes over 4,500 employees, 25 principal manufacturing facilities, 28 sales & distribution operations and two research & development centres. For further information, please visit www.essentraplc.com.

Essentra Components

Essentra Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating in 25 countries worldwide, 13 manufacturing facilities and 23 sales & distribution centres serve more than 79,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction. The division also includes the Reid Supply business, which provides a wide range of branded hardware supplies to a broad base of industrial customers, largely located in the US Mid-West.

Essentra Filters

Essentra Filters is the only global independent cigarette filter supplier. Currently headquartered in Singapore, the division has 12 sites across nine countries, including two innovation centres, providing a flexible infrastructure strategically positioned to serve the tobacco sector. The business supplies a wide range of value-adding high-quality innovative filters, packaging solutions to the roll your own segment and analytical laboratory services for ingredient measurement to the industry. Essentra's offering also includes Heat Not Burn and e-cigarette solutions to the rapidly evolving market for Next Generation Products. The division also includes the Tear Tapes business, which is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, that are largely used in the tobacco, e-commerce, food and beverage and specialist packaging sectors.

contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

DISMJBATMTMMBMT