



SPAFID CONNECT

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Diffusione presunta

Oggetto : Agreement with Grupo Ricardo Brennand
to establish a new presence in Brazil

Testo del comunicato

Vedi allegato.

PRESS RELEASE

Agreement with Grupo Ricardo Brennand to establish a new presence in Brazil

Today (CEST) Buzzi Unicem has signed an agreement with Grupo Ricardo Brennand aimed at acquiring 50% of BCPAR SA, a subsidiary of Brennand Cimentos and on its turn owner, among other things, of two full-cycle cement plants operating in Brazil, one in the North-East region of the country (state of Paraíba) and the other in the South-East (state of Minas Gerais).

The agreement provides Buzzi Unicem to reach a 50% stake in BCPAR SA after acquiring the totality of the shares held by the current minority shareholders, BNDESPAR and FIP MPlus, besides a part of the shares owned by Brennand Cimentos as well as the underwriting of a dedicated capital increase of the same company BCPAR SA.

This first step entails an outlay by Buzzi Unicem of R\$700 million (of which R\$350 million for the share purchase and R\$350 million for the capital increase) corresponding to approximately €150 million. The initial phase will be funded through cash and existing credit facilities.

The acquisition is backed by the usual guarantees issued for similar transactions, which are granted by Brennand Cimentos and referred to 50% of BCPAR SA share capital, i.e. to the stake acquired by Buzzi Unicem.

A shareholders' agreement will be signed between Grupo Ricardo Brennand and Buzzi Unicem providing for the co-control management rules of the joint venture BCPAR SA, on the basis of an equal participation in the board of directors and the shareholders' meeting. The shareholders' agreement also entails a Put option (exercisable from 1 January 2023) and a Call option (exercisable from 1 January 2025) referring to the residual ownership interest by Brennand Cimentos which, if exercised, will determine the acquisition by Buzzi Unicem of the remaining 50% of BCPAR SA. The exercise price of the options will be established on the basis of the consolidated average Ebitda achieved by BCPAR SA during the three years before the exercise of the option, taking into account the net financial position. The minimum exercise price of the options is equal to US\$250 million, to which the corresponding portion (50%) of the net financial position at the time of purchase must be added or deducted. The strike is the same in case of either Put or Call. The completion of the 100% acquisition, if the options are exercised, will occur no later than 2026.

The closing of the transaction is subject, inter alia, to the approval of some current lenders of BCPAR SA, provided for by the related loan agreements in which BCPAR itself or its subsidiaries are the borrowers. It is deemed that the closing can take place by 31 December 2018. The acquisition of the remaining 50% of BCPAR SA under the Put or Call will be subject to approval of the Brazilian antitrust authority (CADE).

The cement plant located in Minas Gerais (municipality of Sete Lagoas) started operations in May 2011 and has an annual production capacity of 1.2 million tons of clinker and 2.4 million tons of cement, while the annual production capacity of the Paraíba plant (municipality of Pitimbu), commissioned in August 2015, is equal to 1.4 million tons of clinker and 1.7 million tons of cement.

Consolidated net sales of BCPAR SA in 2017 amounted to R\$538 million for a consolidated Ebitda of R\$88 million. Cement sales in 2017 totalled 2.7 million tons, of which 1.7 million in the South-East and 1.0 million in the North-East of Brazil. Net debt of BCPAR SA as at 31 December 2017 stood at R\$821 million.

The agreement reached allows Buzzi Unicem to extend its industrial operations to the largest economy in South America and contributes to improve the geographical diversification of its regional presence. Buzzi Unicem believes that the current downturn in the Brazilian economy, and in particular of the local cement industry, can be positively resolved starting from 2019. Total cement consumption in Brazil reached its peak in 2014 with 71.7 million tons, while in 2017 domestic consumption amounted to 53.8 million tons. The prevailing expectation is that in 2018 the market performs at a level consistent with 2017. The per capita cement consumption decreased from 350 kg in 2015 to 260 kg in 2017.

Brazil's key macroeconomic data concerning cement production are encouraging: population is expected to grow at an average annual rate of 1.1% and per capita cement consumption is currently at its lowest levels in years.

Casale Monferrato, 6 September 2018

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Fine Comunicato n.0077-26

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